# All 50 U.S. States + The District of Columbia's Most Recent Tax Expenditure Report

June 4th, 2026

Institute on Taxation and Economic Policy

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# TAX EXPENDITURES

## 2024

EDITION

## LEGISLATIVE SERVICES AGENCY

# FISCAL DIVISION

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# OVERVIEW

Tax expenditures are provisions of law that allow for special treatment of a source of income or certain types of expenses that results in a reduction in the tax liability for a taxpayer or group of taxpayers. In Alabama, these expenditures are established by statute and, in some cases, the Constitution. Generally, the tax benefits realized by the taxpayer or group of taxpayers could be provided by direct appropriation; therefore, the provisions are referred to as "expenditures". Expenditures represent revenues that would have otherwise been generated if not for the preferential treatment.

Tax expenditures are intended to achieve a policy objective or encourage some activity. The value or cost of a tax expenditure can be thought of as the amount of money required to provide the same level of support through direct appropriation rather than preferential tax treatment. The benefits of tax expenditures are received by businesses and individual taxpayers. They are present in all of Alabama's major taxes. This includes the individual income tax, corporate income tax, and sales and use taxes.

The expenditures listed in this publication represent the most relevant for each tax and may not include the smaller expenditures allowed for each tax.

The purpose of this report is to list the tax expenditures for major tax sources and, where possible, provide an estimate of the value of the tax expenditures. This report does not include:

1. An evaluation or recommendation regarding the various tax expenditures as to their effectiveness in fulfilling the desired public policy objective.
2. Estimates of the impact of the various exemptions on local government revenues, although many of the exemptions also apply to local governments.
3. Estimates of the tax expenditures associated with professional and recreational license fees. Those funds are utilized to regulate the affected profession or activity and do not generate funds for the general benefit of the state.
4. With certain exceptions, revenue lost due to government exemptions is not estimated. The state generally does not tax other governments and many taxes include those types of exemptions.

## Tax Expenditure Report Requirement

Section 29-5A-46, *Code of Alabama 1975*, requires the Fiscal Division of the Legislative Services Agency to prepare and submit a biennial report to the Legislature which lists all state tax expenditures and the estimated costs associated with each of the tax expenditures. For purposes of this report, tax expenditures mean state revenue losses attributable to a special exclusion, exemption, deduction, or special credit or preferential tax rate.

The information required to be included in the report is as follows:

1. Each annual tax expenditures and its constitutional and/or statutory citation.
2. An estimate of the revenue loss to the state caused by each tax expenditure for the most recently completed fiscal year.

3. Tax expenditures, organized by the funds into which the tax expenditures would be dedicated, but for the exemptions discounts and rate differentials.

When necessary, the Fiscal Division will modify this report to present additional information required or eliminate obsolete information.

## Data Sources and Methodology

To the extent possible, data from the Alabama Department of Revenue (DOR) was used to estimate the expenditures included in this report. When the required information was not available from the Department, other data sources such as information from other state agencies, the U.S. Census Bureau, the U.S. Bureau of Economic Analysis, the U.S. Department of Labor, proprietary information, and secondary sources were used. Data compiled reflects the most current and accurate depiction of expenditure costs available. The Fiscal Division made every effort to provide reliable, well supported estimates of the expenditures. Totals presented may not represent the exact figures due to rounding to the nearest thousand.

The following methodology was utilized in completing the estimate:

1. Each tax expenditure item was estimated independently of other tax expenditures although the existence of a tax provision may impact the use of another provision.
2. Tax expenditure estimates do not consider the impact on other taxes that might result from the elimination of a tax provision.
3. If a lack of information prevents the Fiscal Division from making a reasonable estimate for any individual tax expenditure, the expenditure is listed with a notation that no estimate is available *(NEA)*.

## Summary Charts

The following pages provide:

1. A recap of the amount of expenditures estimated by tax, including the total estimated annual revenue loss from the expenditures.
2. A recap of the funds affected by the tax expenditures and the annual revenue loss from the tax expenditures where estimates could be provided.
3. A chart comparing the taxes included in the report with the highest collections in Fiscal Year 2023 and the estimated tax expenditures for those taxes.
4. A chart illustrating the five tax sources with the largest annual total tax expenditures.

# TAX EXPENDITURES

# ESTIMATED COST OF EXPENDITURES

## Estimated Cost of Expenditures

*(in thousands)*

| # | Tax | # of Exependitures | Value of Exemptions | Value of Rate Differentials | Value of Discounts | Value of Total |
|---|---|---|---|---|---|---|
| 1 | Ad Valorem | 53 | $126,956 | $649,467 | - | $776,423 |
| 2 | Aviation Gasoline | 5 | 90 | - | - | 90 |
| 3 | Business Privilege | 19 | 50,121 | - | - | 50,121 |
| 4 | Cigarette | 8 | 80,321 | - | $7,714 | 88,036 |
| 5 | Contractors' Gross Receipts | 3 | - | - | 176 | 176 |
| 6 | Corporate Income | 49 | 409,543 | - | - | 409,543 |
| 7 | Financial Institutions Excise | 11 | 60,897 | - | - | 60,897 |
| 8 | Gasoline | 9 | 11,989 | - | 4,989 | 16,978 |
| 9 | Individual Income | 120 | 3,102,439 | - | - | 3,102,439 |
| 10 | Insurance Premium | 19 | 108,647 | - | - | 108,647 |
| 11 | Leasing or Rental | 13 | 20,215 | 59,742 | - | 79,957 |
| 12 | Liquor | 2 | 8,847 | - | - | 8,847 |
| 13 | Lodgings | 22 | 649 | - | 2,359 | 3,008 |
| 14 | Motor Fuels (Diesel) | 10 | 11,960 | - | 2,209 | 14,169 |
| 15 | Motor Vehicle Registration | 17 | 2,951 | 1,690 | - | 4,641 |
| 16 | Oil & Gas Privilege | 5 | - | 11,752 | - | 11,752 |
| 17 | Public Utilities License | 7 | 82,923 | - | - | 82,923 |
| 18 | Sales & Use | 91 | 1,003,956 | 522,122 | 108,115 | 1,634,193 |
| 19 | Tobacco | 7 | 5,690 | - | - | 5,690 |
| 20 | Utility Gross Receipts/Service Use | 32 | 160,581 | - | 93 | 160,674 |
| | TOTAL EXPENDITURES | 502 | | | | |
| | TOTAL ESTIMATED COST TO STATE FUNDS | | $5,248,773 | $1,244,773 | $125,656 | $6,619,202 |
| | % | | 79.30% | 18.81% | 1.90% | 100% |

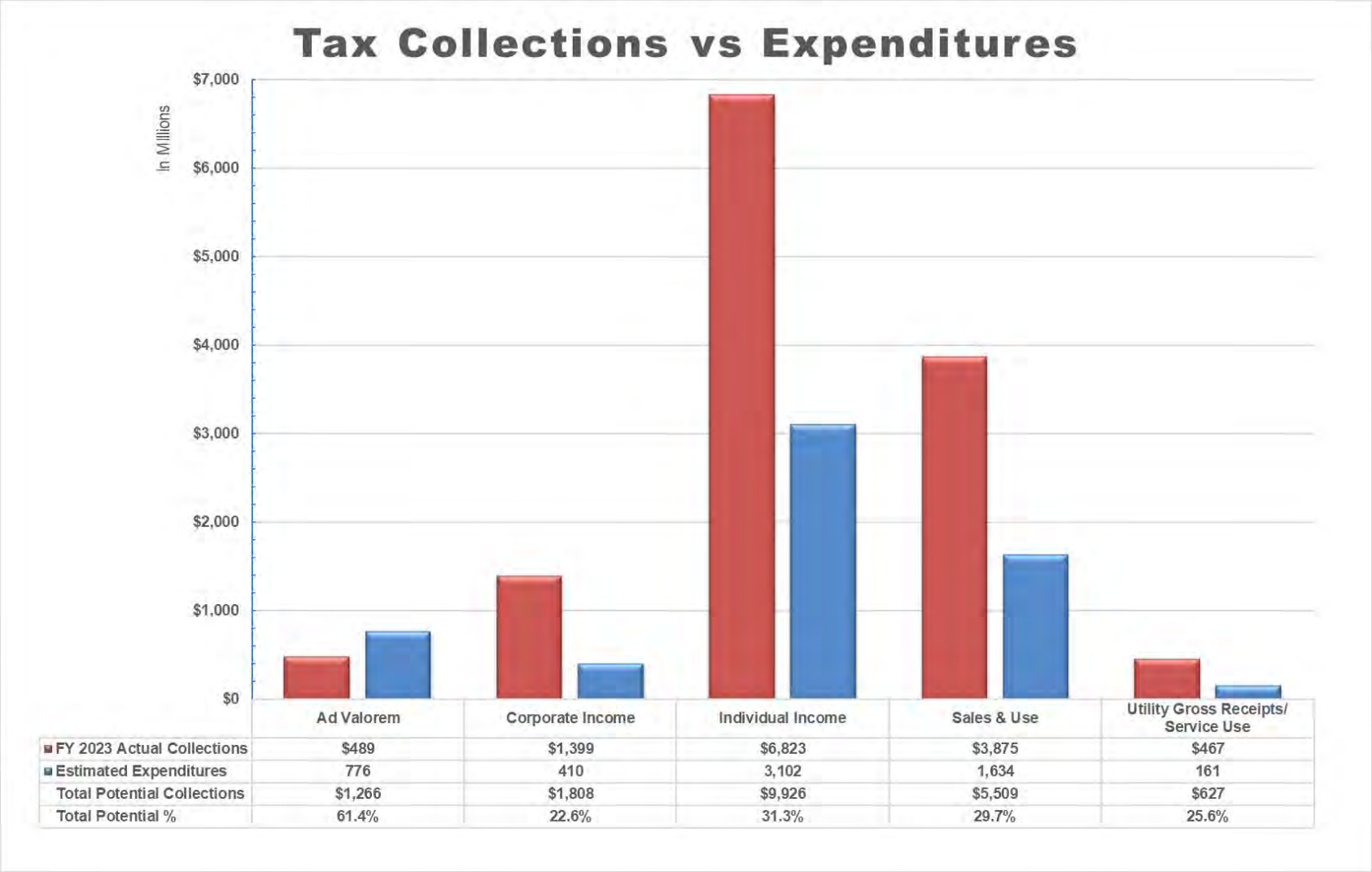
# ESTIMATED LOSS OF EXPENDITURES

Estimated Loss of Revenue from Expenditures to the Education Trust Fund, State General Fund & Other State Funds

*(in thousands)*

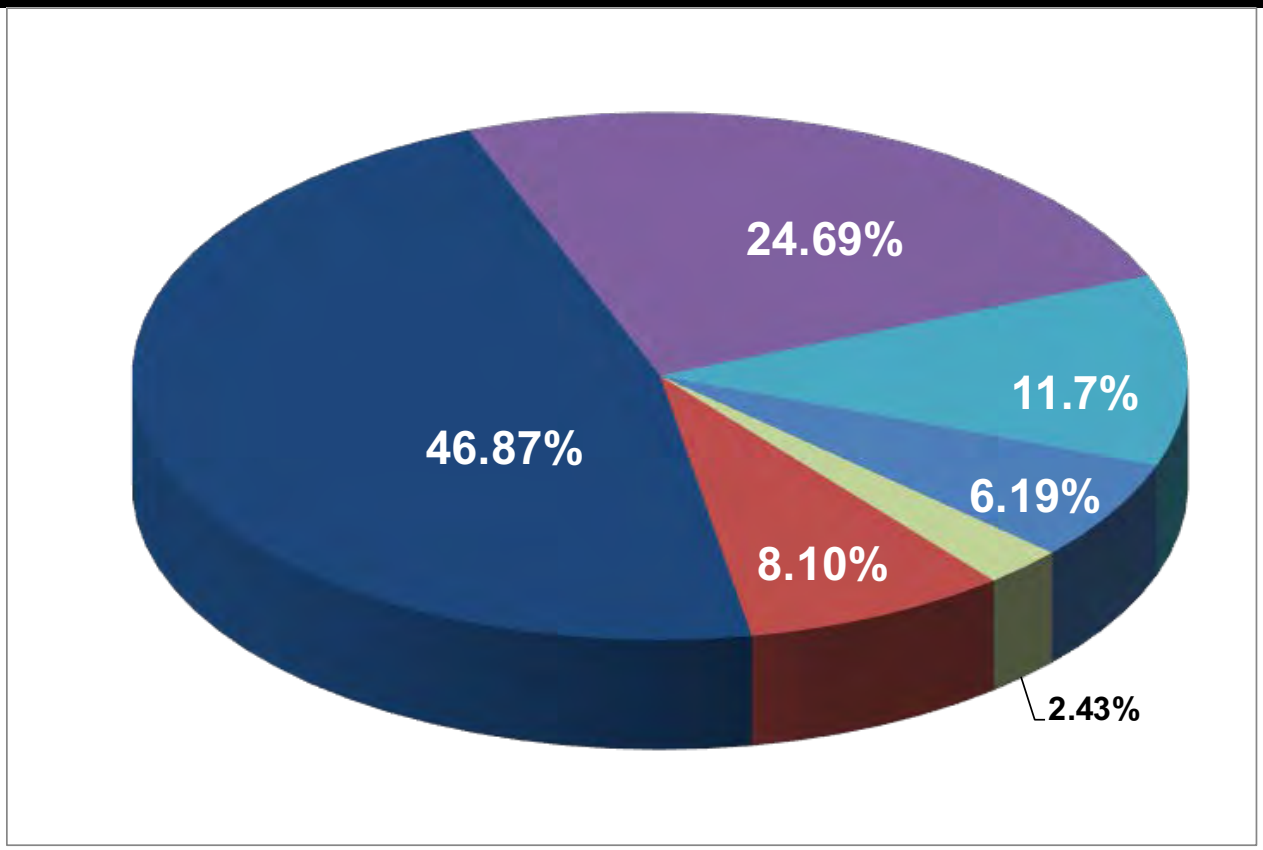
| # | Tax | ETF | SGF | Other | Total |
|---|---|---|---|---|---|
| 1 | Ad Valorem | - | $295,041 | $481,382 | $776,423 |
| 2 | Aviation Gasoline | - | - | 90 | 90 |
| 3 | Business Privilege | - | 50,121 | - | 50,121 |
| 4 | Cigarette | - | 80,993 | 7,043 | 88,036 |
| 5 | Contractors' Gross Receipts | - | - | 176 | 176 |
| 6 | Corporate Income | $409,543 | - | - | 409,543 |
| 7 | Financial Institutions Excise | - | 60,897 | - | 60,897 |
| 8 | Gasoline | - | - | 16,978 | 16,978 |
| 9 | Individual Income | 3,102,439 | - | - | 3,102,439 |
| 10 | Insurance Premium | - | 108,647 | - | 108,647 |
| 11 | Leasing or Rental | - | 79,957 | - | 79,957 |
| 12 | Liquor | - | 1,504 | 7,343 | 8,847 |
| 13 | Lodgings | - | 2,256 | 752 | 3,008 |
| 14 | Motor Fuels (Diesel) | - | - | 14,169 | 14,169 |
| 15 | Motor Vehicle Registration | - | 743 | 3,898 | 4,641 |
| 16 | Oil & Gas Privilege | - | 11,752 | - | 11,752 |
| 17 | Public Utilities License | - | 12,438 | 70,484 | 82,923 |
| 18 | Sales & Use | 1,356,380 | 277,813 | - | 1,634,193 |
| 19 | Tobacco | - | 5,690 | - | 5,690 |
| 20 | Utility Gross Receipts/Service Use | 160,674 | - | - | 160,674 |
| | TOTAL ESTIMATED LOSS TO STATE FUNDS | $5,029,036 | $987,850 | $602,316 | $6,619,202 |
| | % | 75.98% | 14.92% | 9.10% | 100% |

# ANALYSIS OF TAX COLLECTIONS vs EXPENDITURES




| | Ad Valorem | Corporate Income | Individual Income | Sales & Use | Utility Gross Receipts/ Service Use |
|---|---|---|---|---|---|
| FY 2023 Actual Collections | $489 | $1,399 | $6,823 | $3,875 | $467 |
| Estimated Expenditures | 776 | 410 | 3,102 | 1,634 | 161 |
| Total Potential Collections | $1,266 | $1,808 | $9,926 | $5,509 | $627 |
| Total Potential % | 61.4% | 22.6% | 31.3% | 29.7% | 25.6% |

# TOP TAX EXPENDITURES



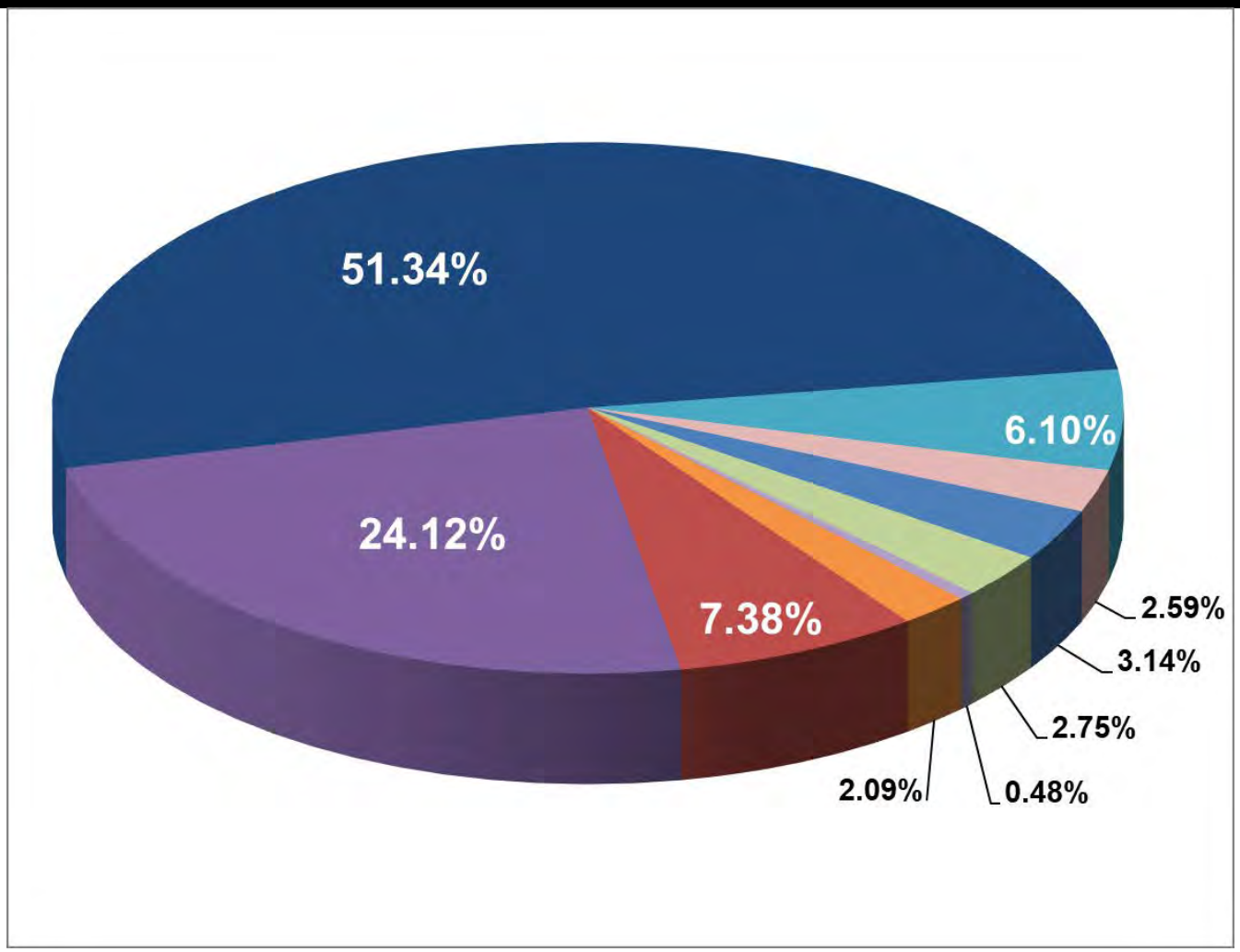

## Top Tax Expenditures

| | | |
|---|---|---|
| | Individual Income | $3,102,439,000 |
| | Sales & Use | 1,634,193,000 |
| | Ad Valorem | 776,423,000 |
| | Corporate Income | 409,543,000 |
| | Utility Gross Receipts/Service Use | 160,674,000 |
| | Other Taxes | 535,932,000 |
| | **TOTAL** | **$6,619,204,000** |

## Other Taxes

| | |
|---|---|
| Insurance Premium | $108,647,000 |
| Cigarette | 88,036,000 |
| Leasing or Renting | 79,957,000 |
| Business Privilege | 50,121,000 |
| Financial Institutions Excise | 60,897,000 |
| Public Utilities License | 82,923,000 |
| Gasoline | 16,978,000 |
| Motor Vehicle | 4,641,000 |
| Motor Fuels (Diesel) | 14,169,000 |
| Oil & Gas Privilege | 11,752,000 |
| Liquor | 8,847,000 |
| Tobacco | 5,690,000 |
| Lodgings | 3,008,000 |
| Contractors' Gross Receipts | 176,000 |
| Aviation Gasoline | 90,000 |

# AD VALOREM TAX




## Ad Valorem Tax Expenditures

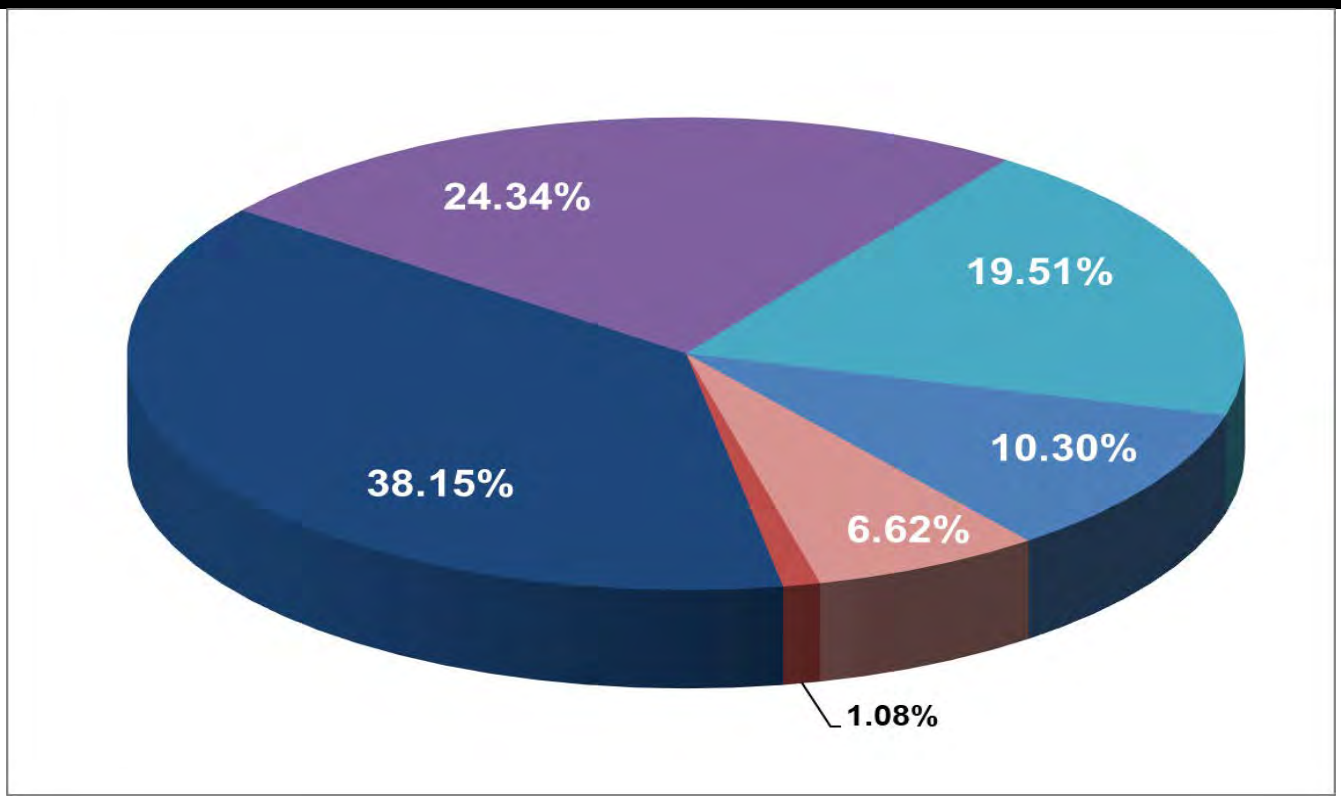
| | | |
|---|---|---|
| | **Class:** | |
| | II Assessment Differential | $ 187,280,000 |
| | III Assessment Differential | 398,582,000 |
| | IV Assessment Differential | 47,396,000 |
| | **Homestead Exemption:** | |
| | 65 or Younger | 20,109,000 |
| | Over 65, less than $12,000 Federal Net Taxable Income | 24,413,000 |
| | Over 65, greater than $12,000 AGI | 21,380,000 |
| | Over 65, less than $12,000 AGI | 3,740,000 |
| | **Other:** | |
| | Abatements | 16,209,000 |
| | Exemptions | 57,315,000 |
| | **TOTAL** | **$ 776,424,000** |

# AVIATION GASOLINE TAX

## Aviation Gasoline Tax Expenditures

| | | |
|---|---|---|
| **Refunds:** | | |
| Air carrier with hub operation | | NEA |
| K-1 kerosene/Aviation jet fuel | | NEA |
| Exporter | | NEA |
| Government Entities | | NEA |
| Licensed aviation fuel purchaser | | NEA |
| | **TOTAL** | **$ 90,000** |

# BUSINESS PRIVILEGE TAX

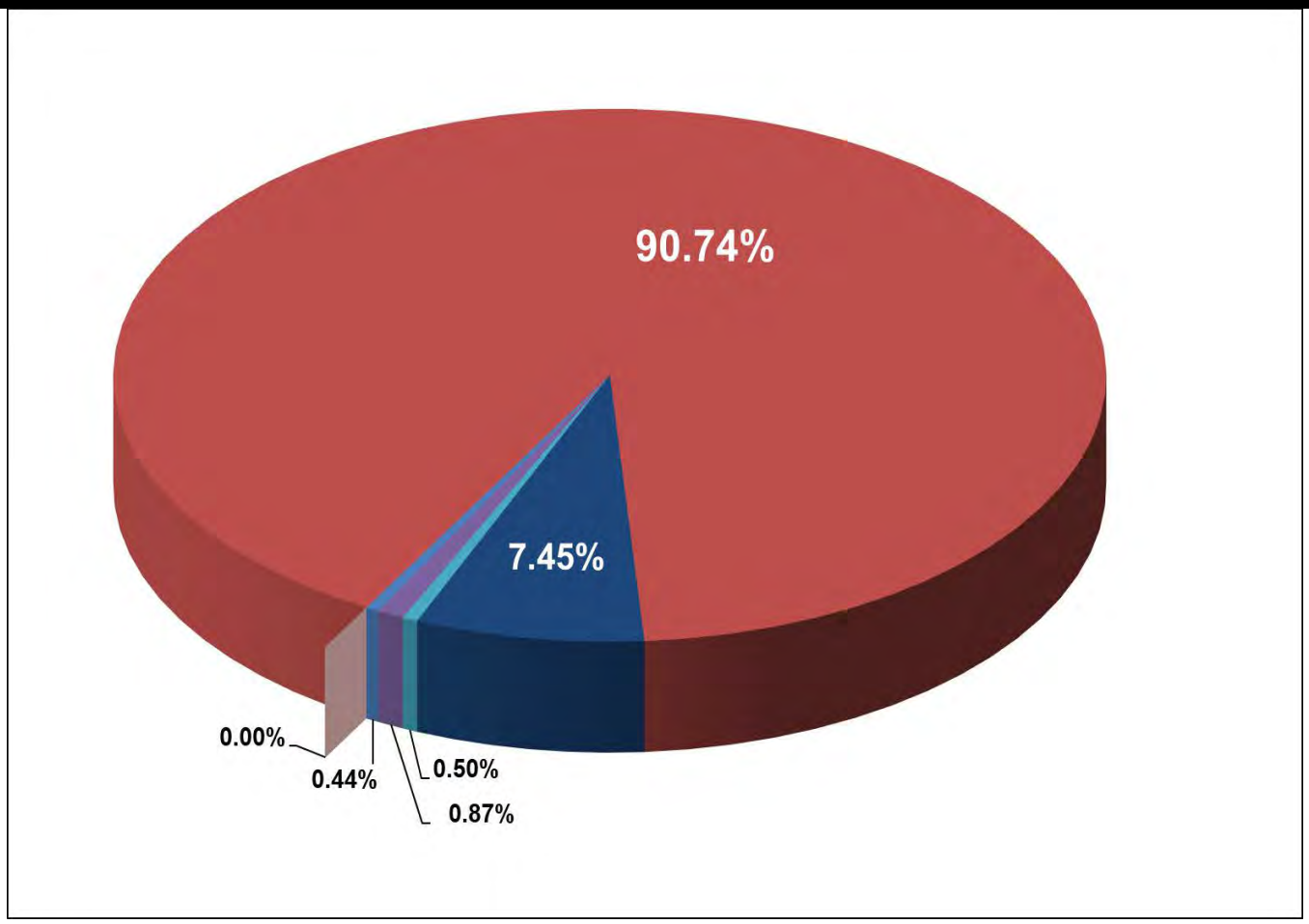



## Business Privilege Tax Expenditures

| | | |
|---|---|---|
| | Book value of Taxpayer Investment in any other Taxpayer doing business in Alabama | $ 19,120,000 |
| | Financial Institution Net Worth exceeding 6% of Assets | 12,200,000 |
| | Financial Institutions, Taxpayer Investment in any other Corporation or LLE not doing Business in Alabama | 9,780,000 |
| | Unamortized Portion of Goodwill & Core Deposit Intangibles | 5,160,000 |
| | S Corporations, LLE's & Disregarded Entities | 3,320,000 |
| | Other: Exemptions | 541,000 |
| | **TOTAL** | **$ 50,121,000** |

| EXEMPTIONS (BREAK DOWN) | |
|---|---|
| Low income housing projects | $ 470,000 |
| Reserves for reclamation, storage, etc associated with a plant, facility, mine or site in Alabama | 50,000 |
| Bonds & securities issued by Alabama | 20,000 |
| Unamortized balance of any amount that the taxpayer properly elected, pursuant to FASB 106. | 1,000 |
| Pollution control devices | NEA |
| 501(a) organizations | NEA |
| Agricultural cooperatives | NEA |
| Aircraft replacement parts, components, etc used by licensed air carrier with hub of operation | NEA |
| Community chests, funds or foundations | NEA |
| Governmental corporations | NEA |
| Homeowner's associations | NEA |
| Political parties, PACs & political campaign committees | NEA |
| Religious entities | NEA |

# CIGARETTE TAX




## Cigarette Tax Expenditures

| | | |
|---|---|---|
| Vendor Discount | $ | 6,559,000 |
| Unfit or Unsalable Products | | 437,000 |
| **Sales to:** | | |
| Native Americans | | 767,000 |
| U.S. Government or Armed Forces | | 388,000 |
| National Guard | | - |
| Other: Exemptions | | 79,885,000 |
| **TOTAL** | **$** | **88,036,000** |

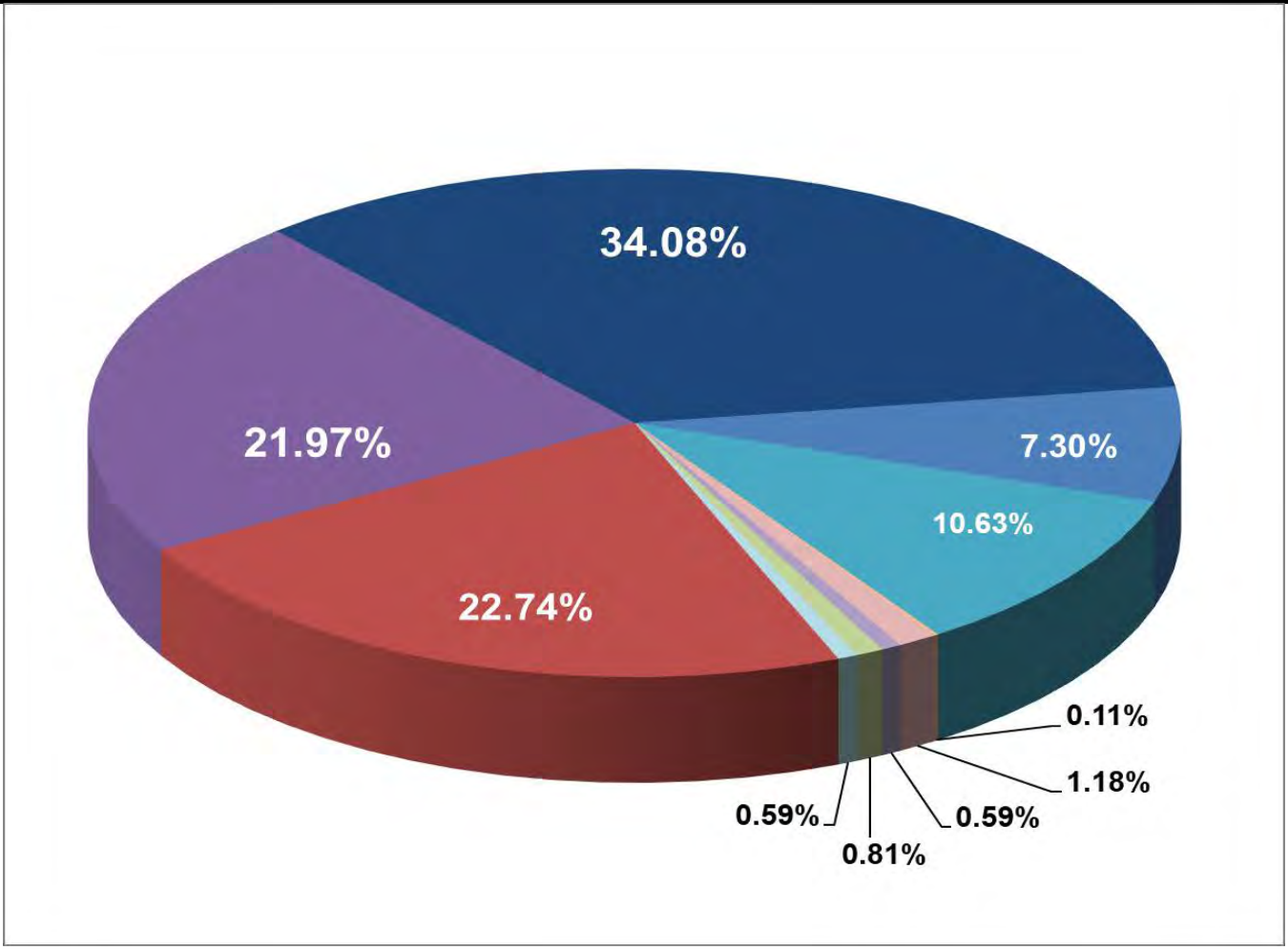
| EXEMPTIONS (BREAK DOWN) | |
|---|---|
| Sales in interstate commerce | NEA |
| Sales to ships in foreign commerce | |

# CONTRACTORS' GROSS RECEIPTS TAX

## Contractors' Gross Receipts Expenditures

| | | | |
|---|---|---|---|
| | Administrative Discount | $ | 176,000 |
| | County & Incorporated City or Town | | NEA |
| | Contractor under Contractual Escalation Provisions | | NEA |
| | **TOTAL** | **$** | **176,000** |

# CORPORATE INCOME TAX




## Corporate Income Tax Expenditures

| | | |
|---|---|---|
| | Net Operating Loss | $ 89,980,000 |
| | Federal Income Taxes Paid/Accrued | 139,570,000 |
| | Dividends Received (> 20% of stock owned by taxpayer) | 29,880,000 |
| | Capital Credit | 43,524,000 |
| | Expense Certain Depreciable Assets | 431,000 |
| | Entertainment Industry Incentive | 4,817,000 |
| | Rail Credit | 2,434,000 |
| | Accountability Act Credit | 3,336,000 |
| | Bonus Depreciation | 2,430,000 |
| | Other: Credits, Deductions & Exemptions | 93,141,000 |
| | **TOTAL** | **$ 409,543,000** |

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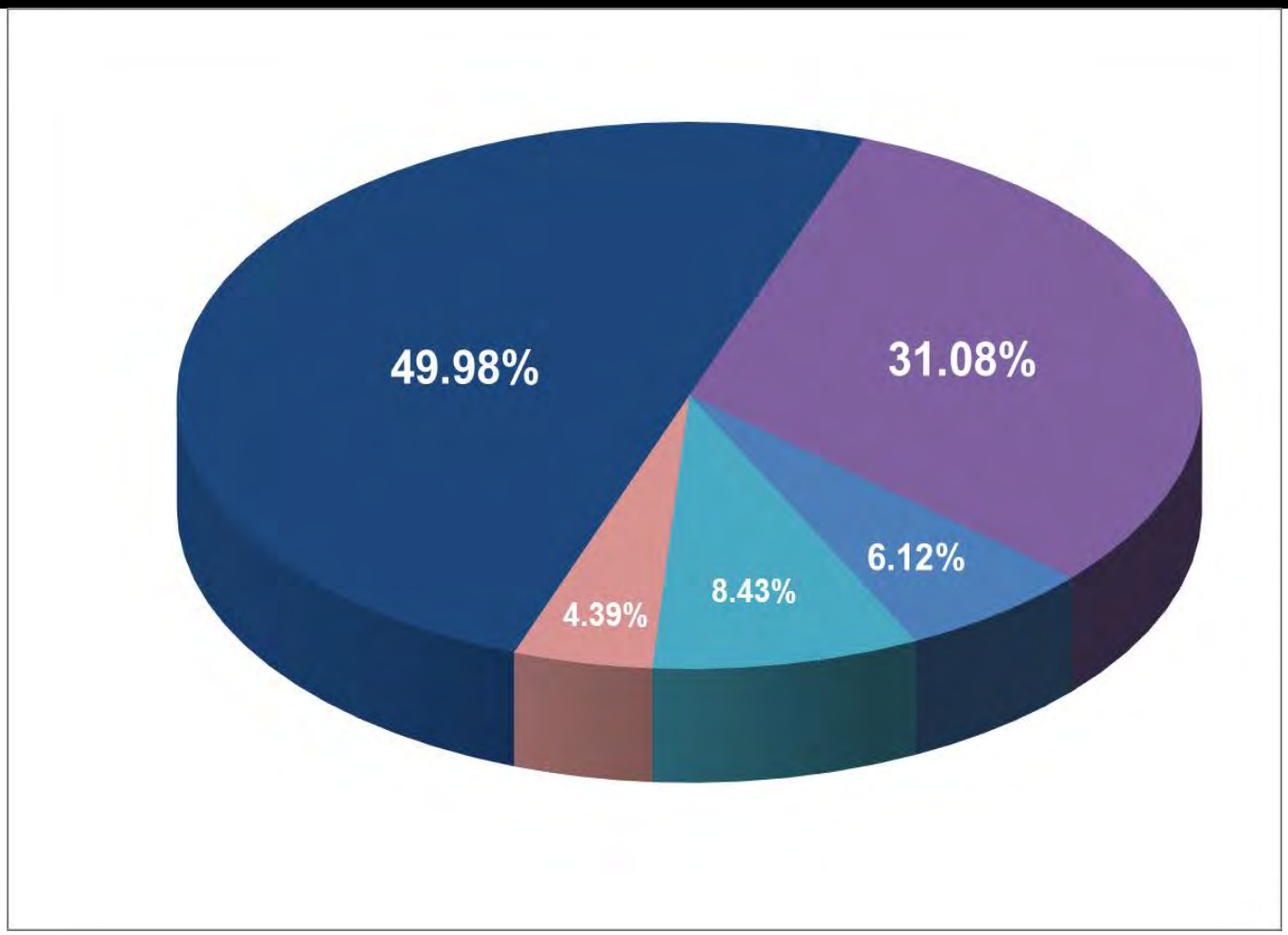
# CORPORATE INCOME TAX (cont'd)

Expanded view of Other Credits, Deductions & Exemptions

## Credits, Deductions & Exemptions (BREAK DOWN)

| | | | |
|---|---|---|---|
| Other deductions | $ 33,880,000 | Dual Enrollment Credit | - |
| Alabama Jobs Act | 14,606,000 | Exemption from income tax due to operations within an enterprise zone | - |
| Tax Credit for Historic Structures | 2,780,000 | Interest portion of rent | - |
| Tax Credit for Historic Structures - 2017 Pass-Through Entity Tax | 6,376,000 | Railroad Modernization - Pass-Through Entity Tax | 507,000 |
| Growing Alabama Tax Credit | 12,893,000 | Neighborhood Infrastructure Credit | - |
| Expenses not deducted on the federal income tax return due to election to claim a credit for expenses | 5,000,000 | Rehabilitation of Historic Structures Tax Credit | 671,000 |
| Refunds of state and local income taxes | 3,550,000 | Small Business Act and Agribusiness Act | - |
| Interest income earned on direct obligations to the U.S. | 2,170,000 | 26 USC 501(a) organizations exempt from federal income taxes | Conforms to Federal Law |
| Excess depletion allowance | NEA | Building & loan associations & insurance companies upon which a premium tax is levied | Taxed Elsewhere |
| Port Tax Credit | - | Capital Docks Credit | Included in Capital Credit |
| Small business health insurance premiums | 20,000 | Farmers & growers associations organized for the purpose of marketing products | Taxed Elsewhere |
| Interest income earned on obligations to Alabama | 140,000 | Farmers & other insurance companies | Taxed Elsewhere |
| Apprenticeship Tax Credit | 16,000 | Federal land banks & national farm loan associations | NEA - Government Not Taxable |
| Coal Credit | - | Local governments & instrumentalities of the state local governments | NEA- Government Not Taxable |
| Domestic Production Activities | - | National banks & banking associations which are subject to Financial Institutions Excise Tax | NEA - Government Not Taxable |
| Entertainment Industry Incentive - Pass-Through Entity Tax | 1,372,000 | Dividends Received from Foreign Sales Corporations | 9,160,000 |

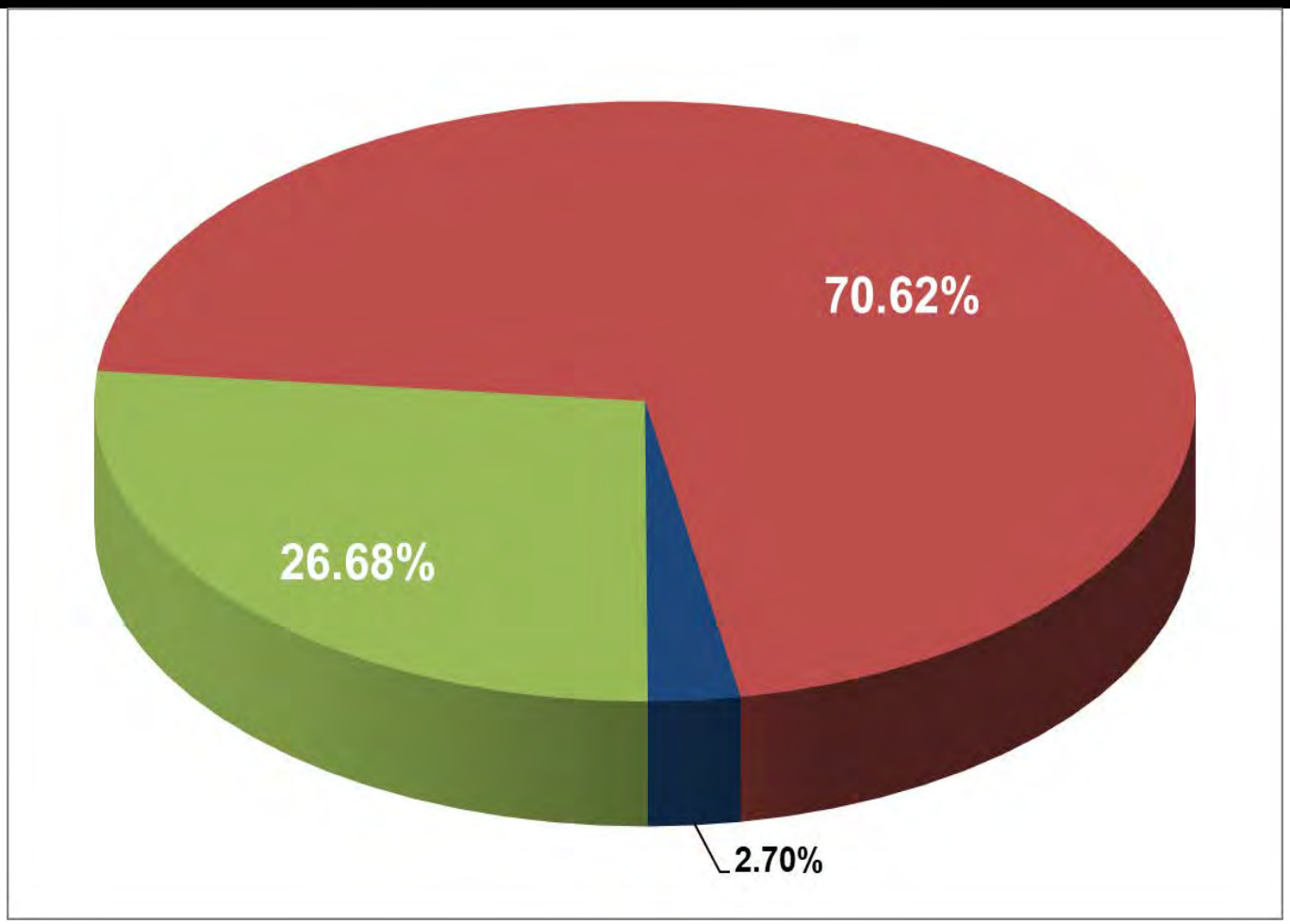
# FINANCIAL INSTITUTIONS EXCISE TAX




## Financial Institutions Excise Tax Expenditures

| | | | |
|---|---|---|---|
| | Sales & Use Tax Credit | $ | 31,834,000 |
| | Federal Income Tax Deduction | | 19,795,000 |
| | New Markets Credit | | 3,900,000 |
| | Jobs Act Investment Credit | | 5,368,000 |
| | Growing Alabama Credit | | 2,799,000 |
| | **TOTAL** | **$** | **63,696,000** |

# GASOLINE TAX



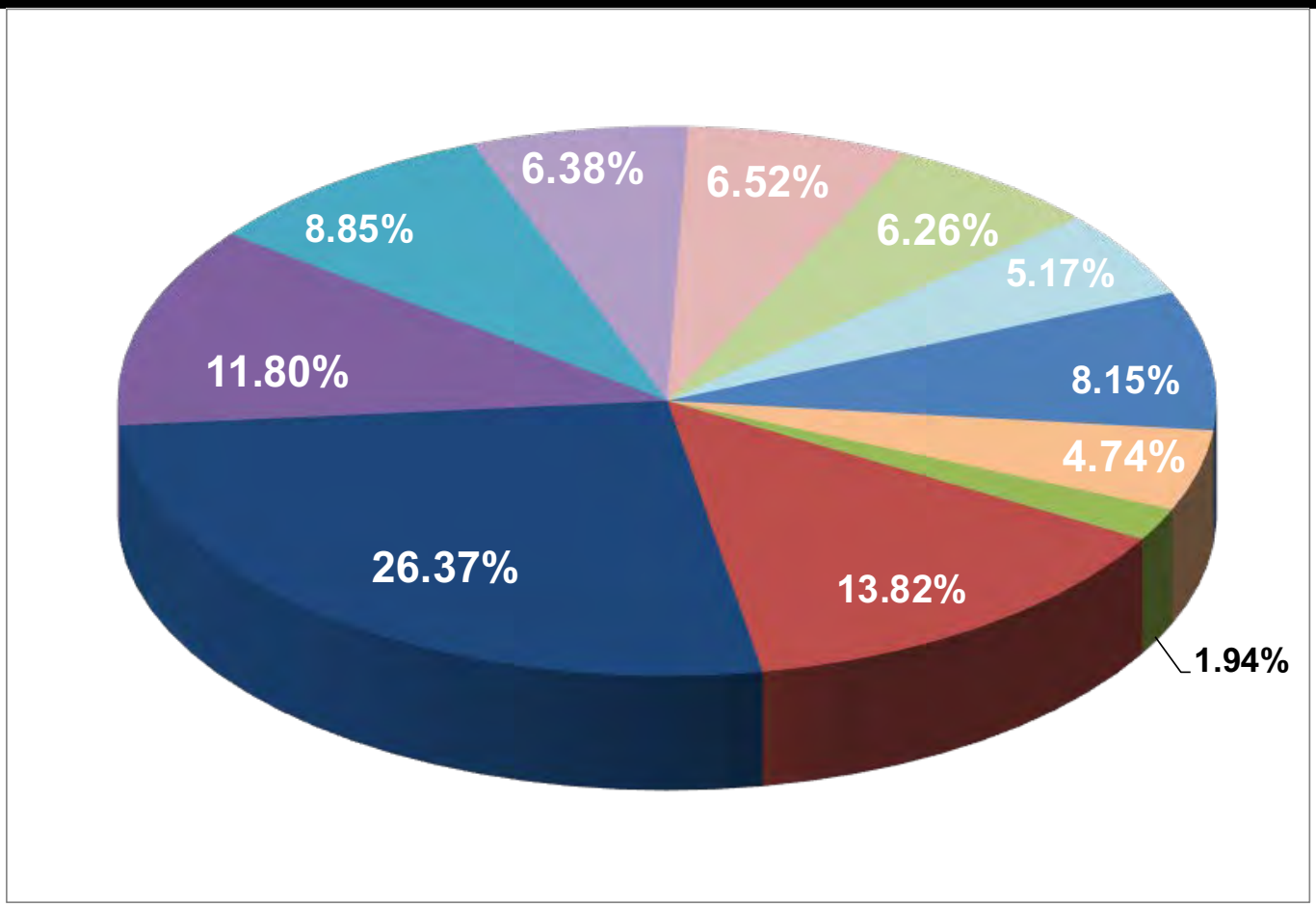

**Gasoline Tax Expenditures**

| | | |
|---|---|---|
| Licensed Distributor | $ | 458,000 |
| **Other:** | | |
| Discounts | | 4,530,000 |
| Exemptions | | 11,989,000 |
| **TOTAL** | **$** | **16,977,000** |

| DISCOUNTS (BREAK DOWN) | |
|---|---|
| Exported motor fuel | |
| Timely filing | NEA |
| Timely payer | |
| Timely filing for returns not previously submitted | |

| EXEMPTIONS (BREAK DOWN) | |
|---|---|
| Exempt agency | |
| Gasoline blendstocks | NEA |
| Governmental entity | |

# INDIVIDUAL INCOME TAX




**Individual Income Tax Expenditures**

| | | |
|---|---|---|
| | Federal Income Tax | $ 817,750,000 |
| | Defined Benefit Plan | 366,220,000 |
| | Federal Insurance Contributions Act (FICA) | 274,500,000 |
| | Social Security | 197,850,000 |
| | Charitable Contributions | 202,290,000 |
| | Personal Exemption | 194,250,000 |
| | Home Mortgage Interest | 160,380,000 |
| | Credit for Taxes Paid on Income from Outside the State | 252,965,000 |
| | Standard Deduction | 147,200,000 |
| | Medical & Dental Expenses | 60,150,000 |
| | Other: Exemptions | 428,883,000 |
| | **TOTAL** | **$ 3,102,438,000** |

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# INDIVIDUAL INCOME TAX (cont'd)

## Expanded view of Other Exemptions

### EXEMPTIONS (BREAK DOWN)

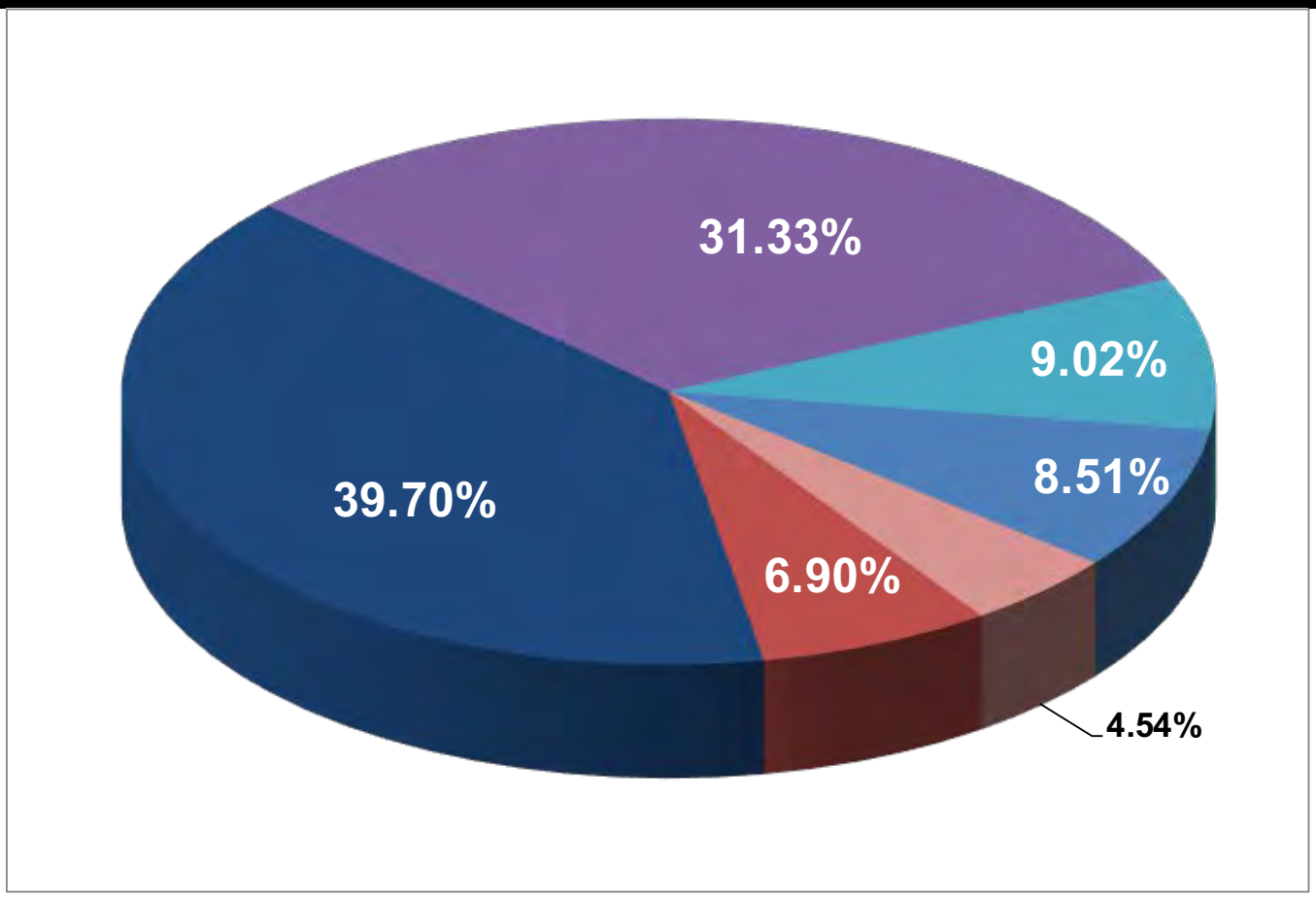
| | | | |
|---|---|---|---|
| Severance & unemployment compensation | $ 47,866,000 | Rehabilitation of historic structures tax credit | 1,347,000 |
| Depreciation | 41,298,000 | Railroad Retirement pension benefits | 450,000 |
| Real property tax | 41,730,000 | Depletion allowances | 348,000 |
| Miscellaneous itemized deductions | 28,470,000 | Private intrastate adoption or adoption of a qualified foster child | 343,000 |
| Dependent exemption | 36,210,000 | Failing schools tax credit | 270,000 |
| Net operating loss | 39,535,000 | Rural physician | 251,000 |
| Trade/business taxes paid | 15,173,000 | Retrofitting homes in Alabama Insurance Underwriting Association (AUIA) zone | 350,000 |
| Accountability Act Scholarship Contributions | 16,325,000 | Total deduction | 2,700,000 |
| Self-employed health insurance premiums | 16,040,000 | Irrigation equipment | 82,000 |
| Income expenses | 12,850,000 | Adoption | 110,000 |
| Personal property | 15,860,000 | Apprenticeship Tax Credit Act | 87,000 |
| Entertainment Industry Incentive | 1,349,000 | Catastrophe savings account contribution | 120,000 |
| Pension & Annuity | 9,100,000 | Early withdrawal payment | 70,000 |
| IRA deduction | 6,840,000 | Moving expenses | 30,000 |
| Alimony | 5,160,000 | Full Employment Act of 2011 | 28,000 |
| Investment interest | 5,390,000 | "Heroes for Hire" Tax Credit Act | 0 |
| Non-resident personal exemption | 7,460,000 | Growing Alabama Credit | 405,000 |
| Small employer/employee health insurance premiums | 1,650,000 | Fiduciary Growing Alabama Credit | 0 |
| Capital credit | 3,495,000 | "Heroes for Hire" Tax Credit Act expenses | 0 |
| Fiduciary Capital Credit | 376,000 | Small business & agribusiness credit | 2,000 |
| Alabama Prepaid Affordable College Tuition (PACT) Program/ the Alabama College Education Savings (ACES) Program contributions | 4,320,000 | Alabama New Markets Development Act | - |
| Long-term care premiums | 2,650,000 | Amortization | - |
| Home mortgage interest & points | 3,100,000 | Basic Skills Education Program (BSEP) | - |
| Foreign country taxes | 25,761,000 | Business expenses | - |
| Mortgage insurance premium (PMI) | 5,360,000 | Career-Technical Dual Enrollment Program contributions | - |
| Investment credit | 2,147,000 | Casualty & theft losses | - |
| Health savings account | 1,400,000 | Coal Tax Credit | - |

# INDIVIDUAL INCOME TAX (cont'd)

## Expanded view of Other Exemptions

| EXEMPTIONS (BREAK DOWN) | | | |
|---|---|---|---|
| Depreciable property | - | Federal retirement & disability benefits | NEA |
| Employees' Retirement System of Alabama benefits paid | - | Financial businesses net income | NEA |
| Enterprise zones expenses | - | Firefighter Retirement Benefits | NEA |
| Generation-skipping transfer | - | Foreign missionary income | NEA |
| Military retirement benefits | - | Gift value | NEA |
| Natural disaster retrofitting | - | Handicapped barrier removal | NEA |
| Neighborhood Infrastructure Incentive Plan | - | Indebtedness discharge income | NEA |
| Occupational & state unemployment contributions | - | Interest on obligations of state & political subdivisions | NEA |
| Port credit | - | Military allowances | NEA |
| Retirement savings deduction | - | Military death benefits | NEA |
| Self-employment | - | Minister parsonage | NEA |
| Tariff credit | 1,000 | Other income from insurance policies | NEA |
| Teachers' Retirement System of Alabama benefits paid | - | Peace Officer Retirement Benefits | NEA |
| Travel, entertainment & meals | - | Peace officer/fireman killed in line of duty death benefit payments | NEA |
| Uncompensated loss from transactions entered for profit | - | Personal injury/sickness amounts | NEA |
| Achieving a better life experience program | NEA | Personal residence gains from sale | NEA |
| Alabama Prepaid Affordable College Tuition (PACT) Program/ the Alabama College Education Savings (ACES) Program benefits | NEA | Radioactive fallout shelter | NEA |
| Bad debt losses | NEA | Rapid response to declared disasters | NEA |
| Bond income & interest | NEA | Reemployment Act | NEA |
| Cafeteria plan | NEA | Start-up expenditures | NEA |
| Catastrophe savings account interest income | NEA | State industrial development authority assistance | NEA |
| Combat zone income | NEA | State law enforcement subsistence allowance | NEA |
| Death income from insurance policies | NEA | State legislators' travel expenses | NEA |
| Deferred compensation plan | NEA | Trade/business uncompensated loss | NEA |
| Dependent care | NEA | Trust income from certain entities | NEA |
| Employer retirement contribution | NEA | U.S. obligations interest | NEA |
| | | Wood conversion | NEA |

# INSURANCE PREMIUM TAX



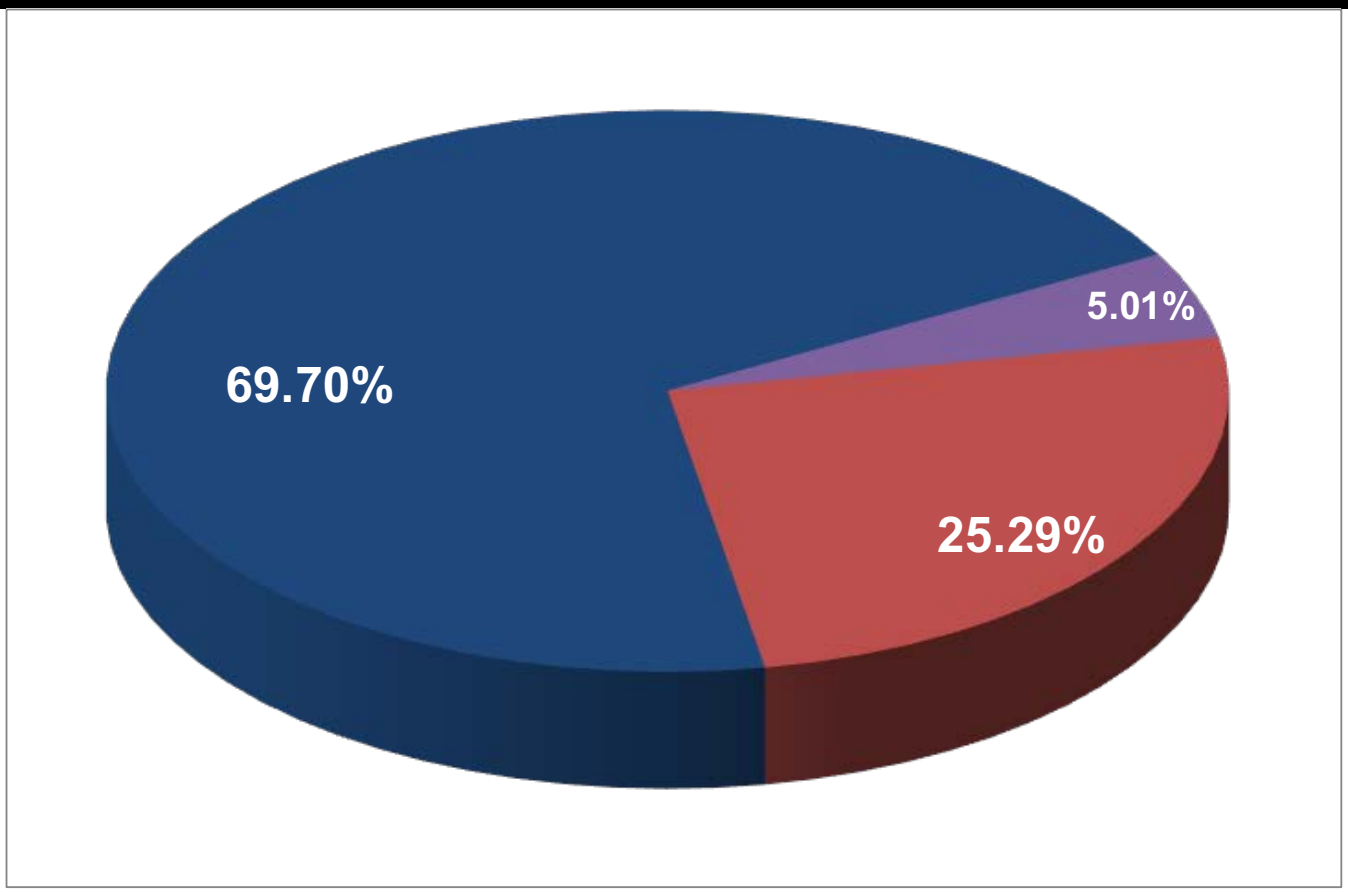

**Insurance Premium Tax Expenditures**

| | | |
|---|---|---|
| | Annuity Considerations | $ 43,130,000 |
| | Real Property Investment Credit | 34,037,000 |
| | Facilities Credit | 9,805,000 |
| | Business Privilege Tax | 9,245,000 |
| | Ad Valorem Tax on Property | 4,936,000 |
| | Other: Exemptions | 7,493,000 |
| | **TOTAL** | **$ 108,646,000** |

**EXEMPTIONS** (BREAK DOWN)

| | |
|---|---|
| Certified Capital Company Program (CAPCO) | $ 966,000 |
| Premiums collected | 1,981,000 |
| Fraternal benefit societies | 1,941,000 |
| Non-profit life insurers' premium on certain institutions | 1,303,000 |
| Examination expenses | 999,000 |
| Guaranty fund assessments | 303,000 |
| Coastal premium (wind pool) | - |
| County business privilege tax | - |
| Surplus line wet marine and transportation insurance | - |
| Alabama Health Care Plan Deduction | NEA |
| Self-insurance programs | NEA |
| Supplemental health care benefit premium or annuity | NEA |

# LEASING OR RENTAL TAX




## Leasing or Rental Tax Expenditures

| | Reduced Rate On: | | |
|---|---|---|---|
| | Automotive Vehicles | $ | 55,734,000 |
| | Linens & Garments | | 4,008,000 |
| | Other: Exemptions | | 20,215,000 |
| | **TOTAL** | **$** | **79,957,000** |

NEXT PAGE FOR EXEMPTIONS BREAK DOWN

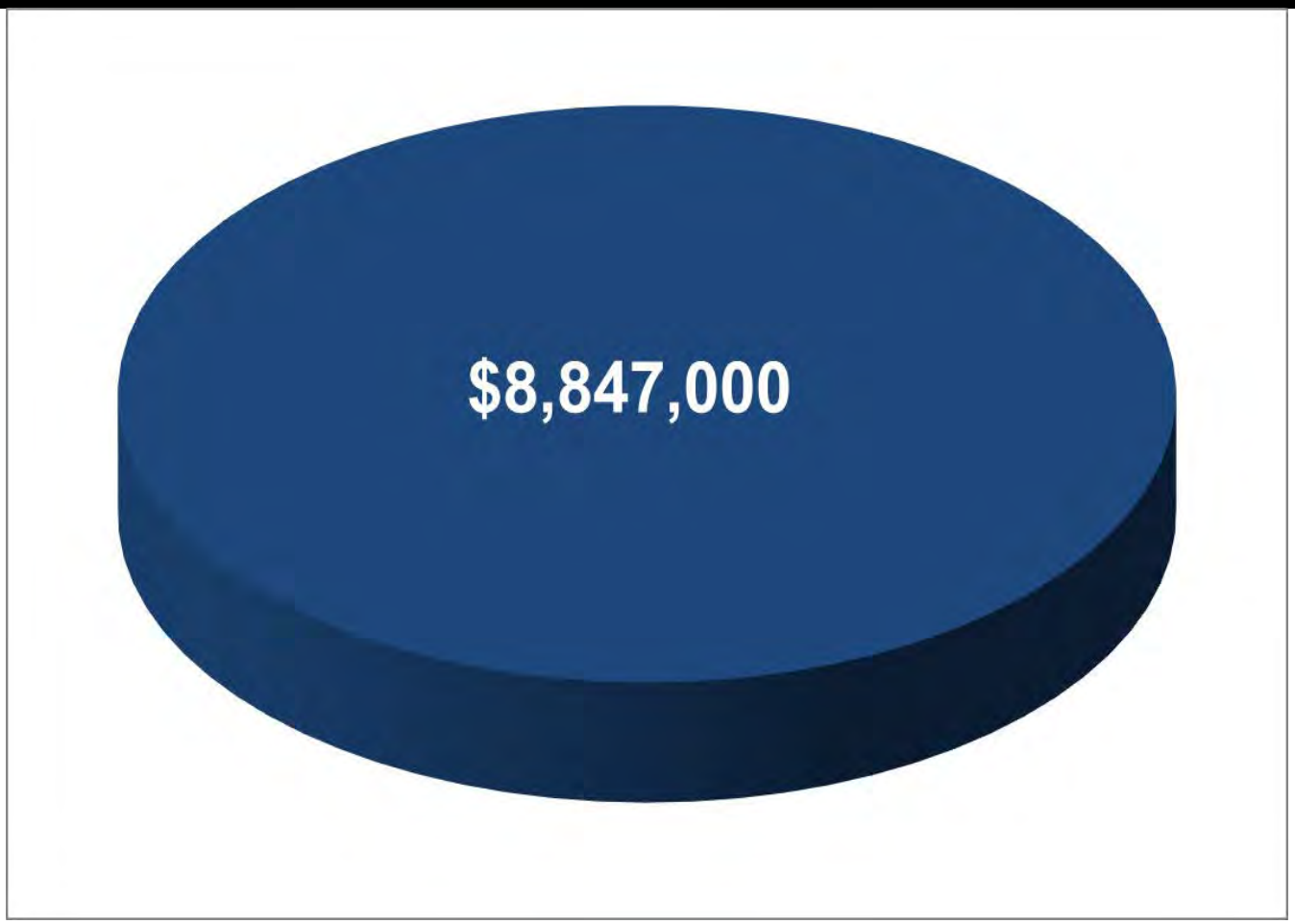
# LEASING OR RENTAL TAX (cont'd)

Expanded view of Other Exemptions

## EXEMPTIONS (BREAK DOWN)

| | | | |
|---|---|---|---|
| A transaction involving the leasing or rental of tangible personal property when the sublessor & lessor are wholly-owned subsidiary corporations of the same parent corporation | NEA | Film or films to a lessee who charges admission for viewing the film | NEA |
| A transaction where under the lessor leases a truck or tractor-trailer or semitrailer for operation over the public roads & highways | | Leasing or rental of tangible personal property to a lessee for the purpose of leasing or renting to another | |
| A transaction which involves the leasing or rental of vessels or railroad equipments which are engaged in interstate or foreign commerce, or both | | Nuclear fuel assemblies together with the nuclear material contained therein | |
| Aircraft, replacement parts & components by an air carrier with a hub operation in the state | | Oxygen or durable medical equipment | |
| Any leasing or rental, as lessor, by the state or any municipality or county in the state | | Pollution control devices | |
| Charge in respect to the use of docks or docking facilities | | Tangible personal property which the state is prohibited from taxing under the Constitution or laws of the United States or under the constitution of the state | |
| Charge made by a landlord to a tenant in respect of the leasing or furnishing of tangible personal property to be used on the premises | | Vehicles in interchange between regulated motor carriers on a per diem basis | |
| Charge made by a landlord to a tenant in respect to the leasing or furnishing of tangible personal property to be used on the premises of any room or rooms, lodging or accommodations leased or rented to transients | | | |

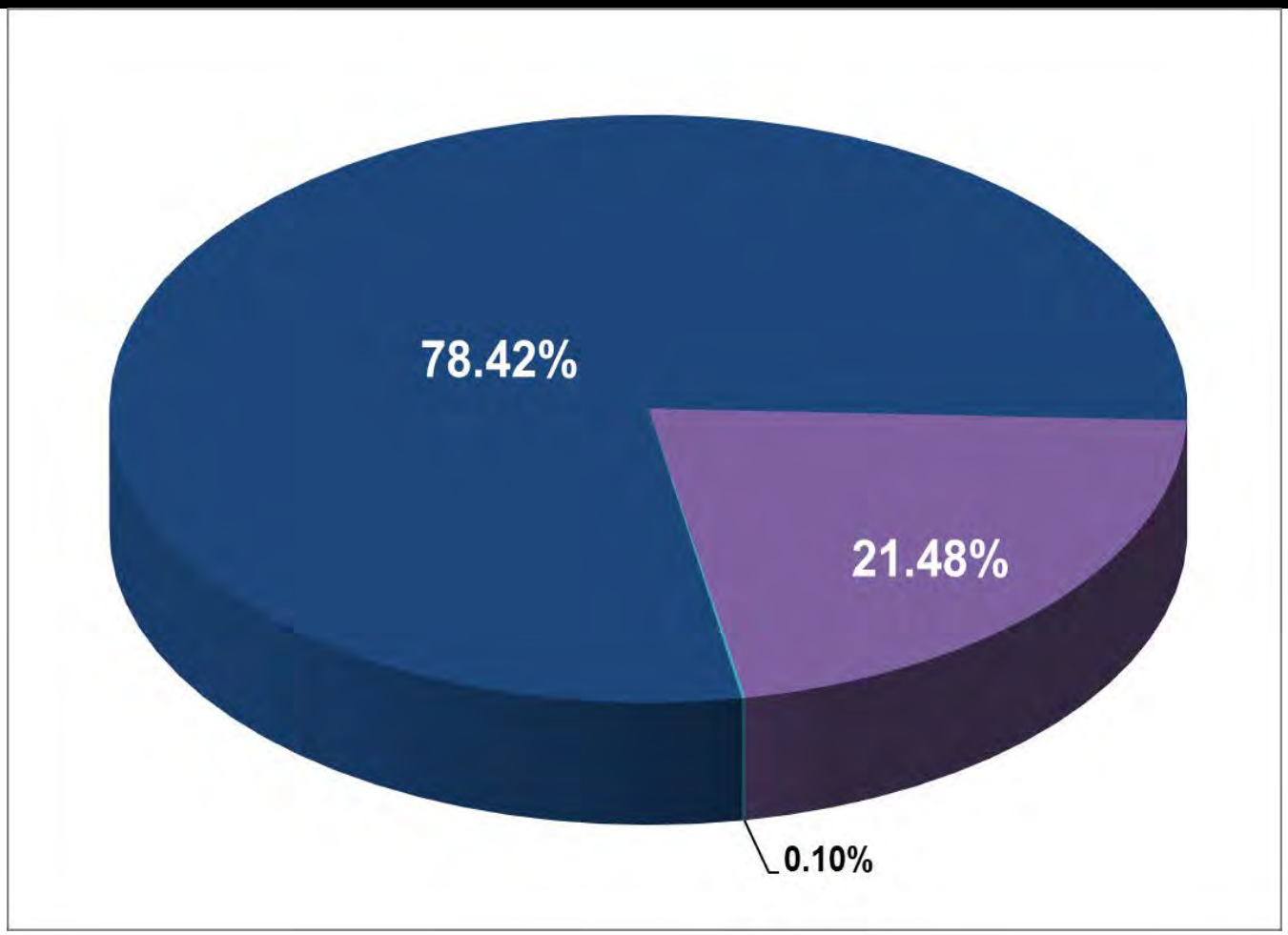
# LIQUOR TAX




## Liquor Tax Expenditures

| | Sales To: | | |
|---|---|---|---|
| | Certain Agencies of U.S. Armed Forces | $ | 8,847,000 |
| | Certified or Licensed Air carrier with Hub Operation within the State | | NEA |
| | **TOTAL** | **$** | **8,847,000** |

# LODGINGS TAX




## Lodgings Tax Expenditures

| | | | |
|---|---|---|---|
| | Tax Discount | $ | 2,359,000 |
| | Exempt Entities | | 646,000 |
| | Approved Motion Picture | | 3,000 |
| | Other: Exemptions | | NEA |
| | **TOTAL** | **$** | **3,008,000** |

NEXT PAGE FOR EXEMPTIONS BREAK DOWN

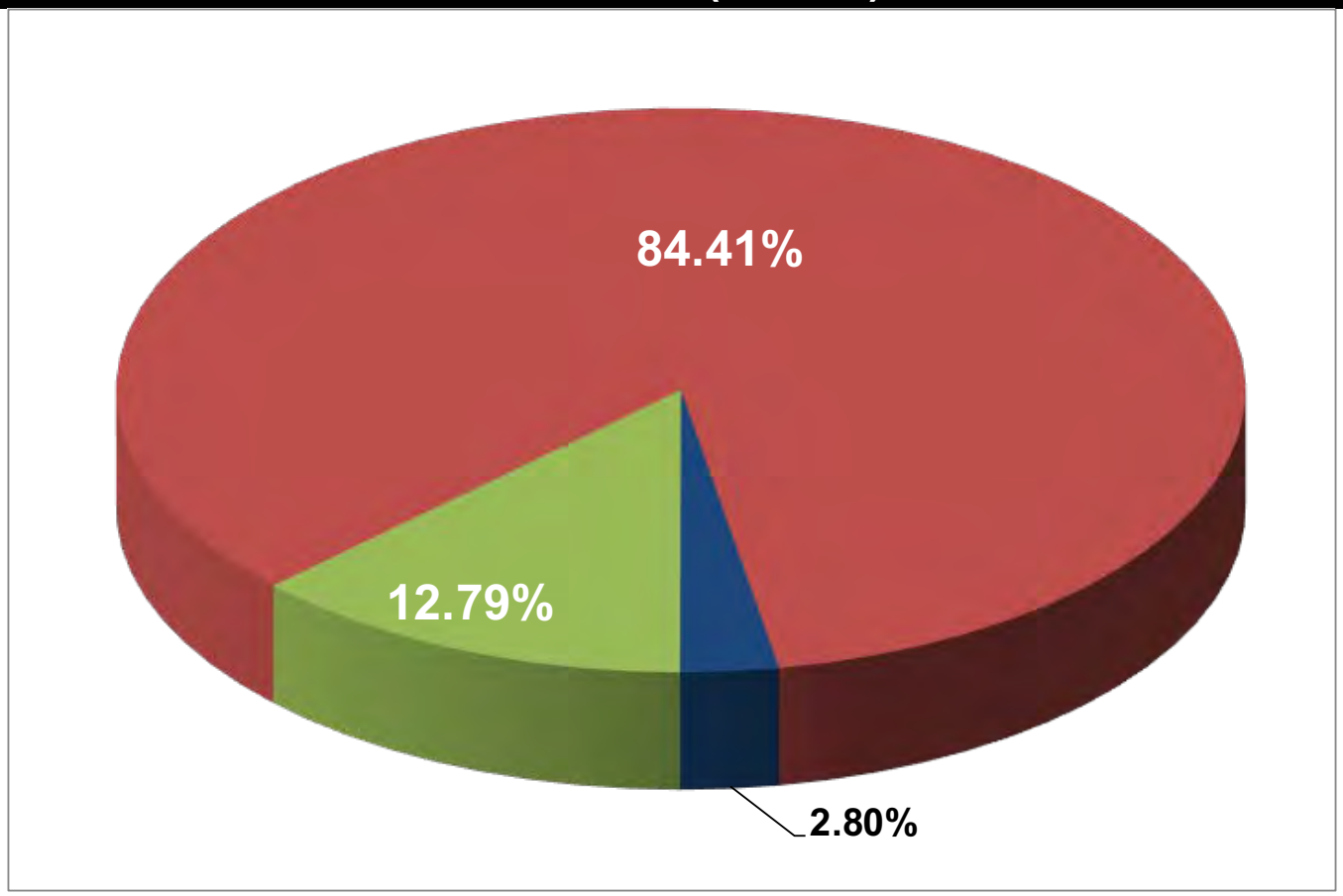
# LODGINGS TAX (cont'd)

Expanded view of Other Exemptions

## EXEMPTIONS (BREAK DOWN)

| | | | |
|---|---|---|---|
| Alabama Educational Television Foundation Authority (AETFA) | NEA | Nonprofit facilities | NEA |
| Charitable & nonprofit organizations | | Parks & recreation boards | |
| Downtown redevelopment authorities | | Port authorities | |
| Educational building authorities | | Private facilities | |
| Extended stay | | Public athletic boards | |
| Federal credit unions | | Regional mental health | |
| Foreign diplomats | | The Citizen Trust | |
| Historic Preservation Commission | | Time-share | |
| Hudson-Alpha Institute for Biotechnology | | U.S. Government | |
| Industrial development boards | | | |

# MOTOR FUELS (DIESEL) TAX



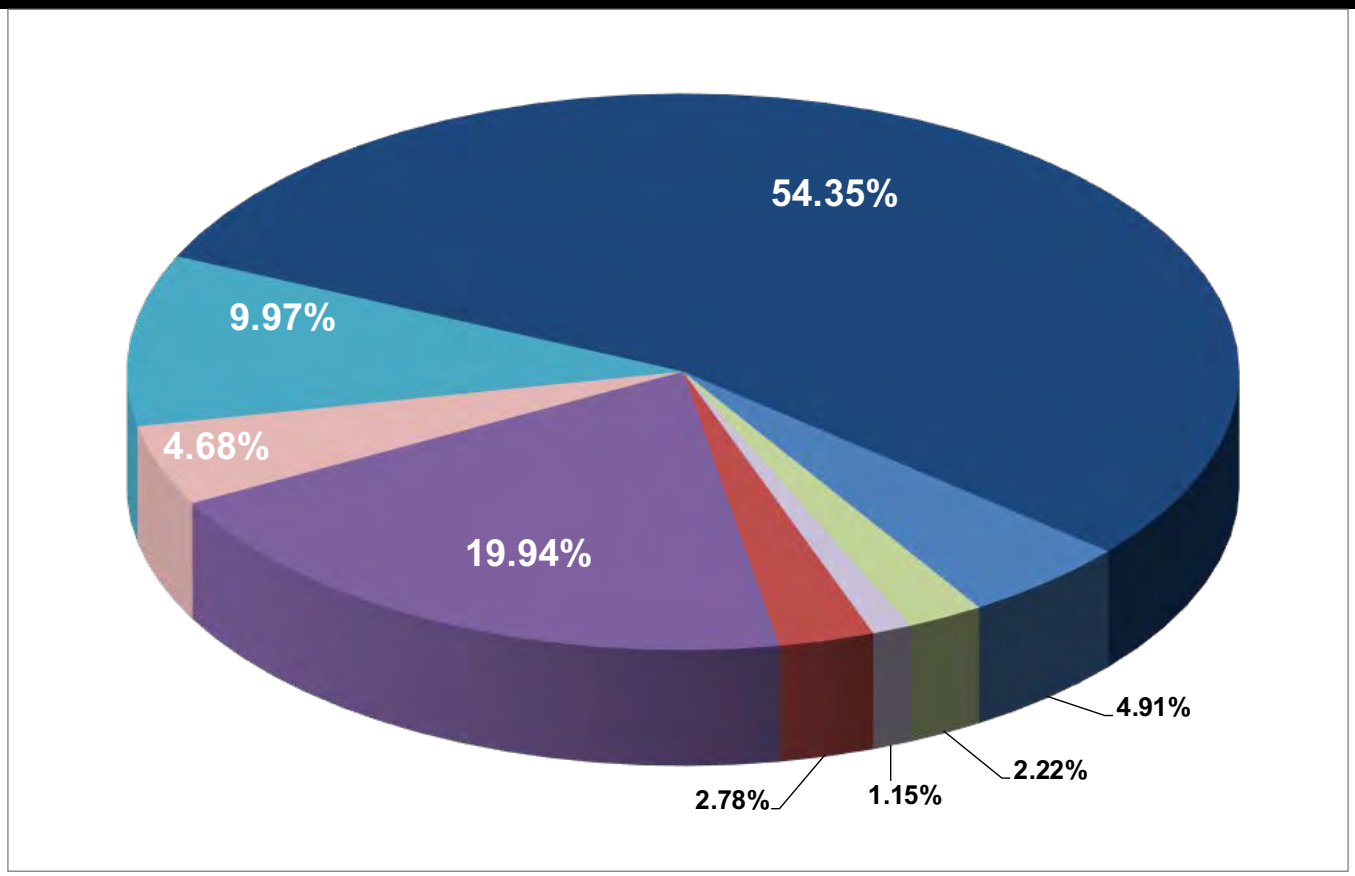

## Motor Fuels (Diesel) Tax Expenditures

| | | |
|---|---|---|
| Licensed Distributor | $ | 397,000 |
| **Other:** | | |
| Discounts | | 1,812,000 |
| Exemptions | | 11,960,000 |
| **TOTAL** | **$** | **14,169,000** |

| DISCOUNTS (BREAK DOWN) | |
|---|---|
| Exported motor fuel | NEA |
| Timely filing | |
| Timely filing for returns not previously submitted | |
| Timely payer | |

| EXEMPTIONS (BREAK DOWN) | |
|---|---|
| Dyed diesel fuel | NEA |
| Exempt agencies | |
| Gasoline blendstocks | |
| Government entities | |

# MOTOR VEHICLE REGISTRATION




## Motor Vehicle Registration Expenditures

| | | |
|---|---|---|
| | **Farm Rate Reduction:** | |
| | F1 - up to 30,000 lbs | $ 934,000 |
| | F2 - 30,001 lbs to 42,000 lbs | 219,000 |
| | F3 - 42,001 lbs & over | 467,000 |
| | Disabled Veterans | 2,546,000 |
| | National Guard | 230,000 |
| | Purple Heart recipient, surviving spouse | 104,000 |
| | Forest L1 - 30,001 lbs to 42,000 lbs | 54,000 |
| | Other: Exemptions | 130,000 |
| | **TOTAL** | **$ 4,684,000** |

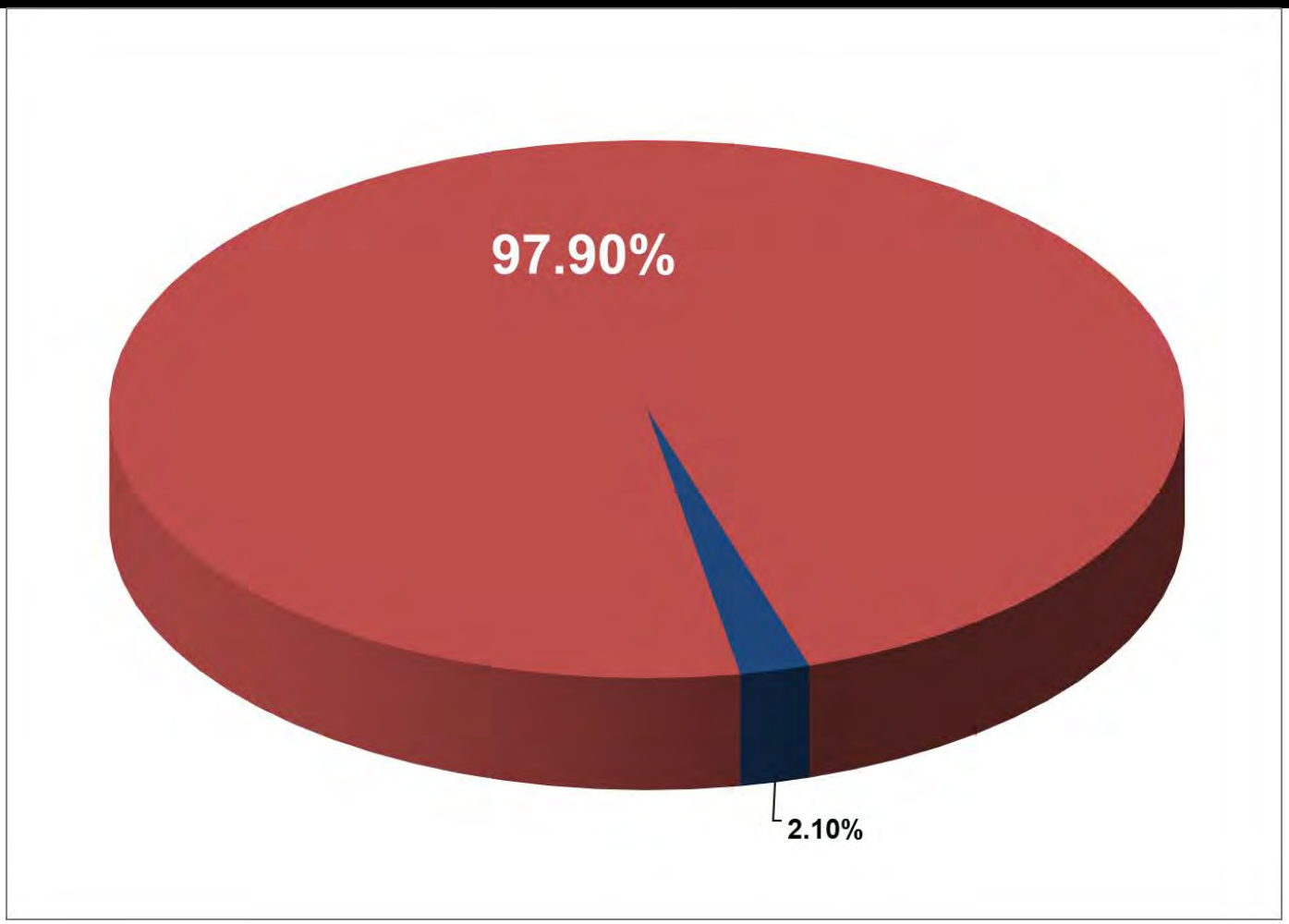
| EXEMPTIONS (BREAK DOWN) | |
|---|---|
| Volunteer rescue squad | $ 32,000 |
| Vintage | 54,000 |
| Forest L1 - up to 30,000 lbs. | 8,000 |
| Active reserve | 19,000 |
| Alabama Gold Star Family | 15,000 |
| Volunteer firefighters | 2,000 |
| Consul | - |
| Legion of Valor, surviving spouse | - |
| Medal of Honor, surviving spouse | - |
| POW, surviving spouse | - |

# OIL & GAS PRIVILEGE TAX

## Oil & Gas Privilege Tax Expenditures

| | | |
|---|---|---|
| | **Refunds:** | |
| | Incremental production from enhanced recovery projects | NEA |
| | Low production wells | NEA |
| | Offshore wells deeper than 8,000 ft | NEA |
| | Offshore wells less than 8,000 ft (After 7/1/88) | NEA |
| | Onshore wells (After 7/1/88) | NEA |
| | **TOTAL** | **$ 11,752,000** |

# PUBLIC UTILITIES LICENSE TAX

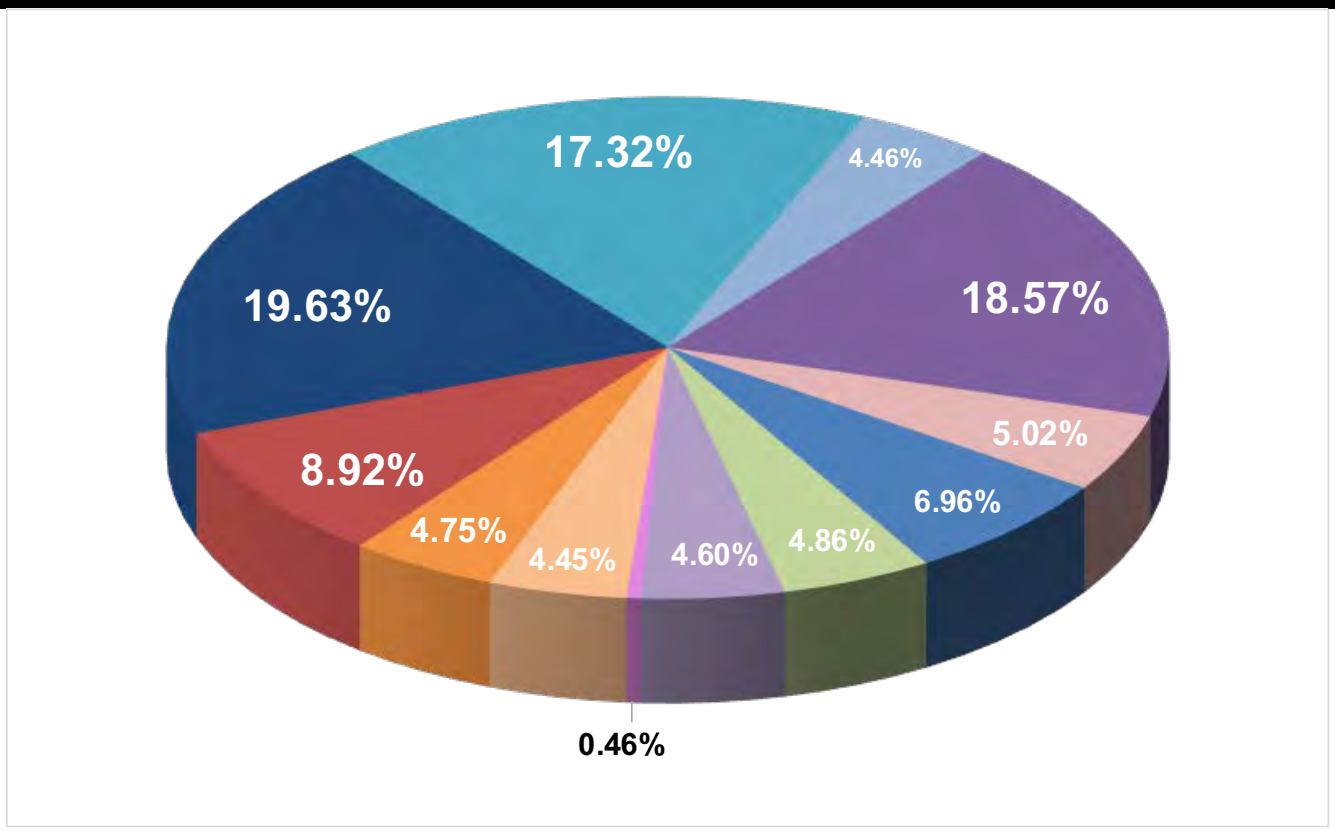



## Public Utilities License Tax Expenditures

| | | |
|---|---|---|
| | Exemptions | $81,180,000 |
| | Growing Alabama Tax Credit | $1,743,000 |
| | **TOTAL $** | **82,923,000** |

| EXEMPTIONS (BREAK DOWN) | |
|---|---|
| Alabama Municipal Electric Authority (AMEA) | NEA |
| Cellular telecommunication services & providers | |
| County water, sewer & fire protection authorities | |
| Disabled & elderly electricity sales | |
| Municipal utility companies | |
| Resale of electricity | |
| Water authorities | |

# SALES & USE TAX




## Sales & Use Tax Expenditures

| | | |
|---|---|---|
| | Prescription Drugs | $ 320,658,000 |
| | **Automotive Vehicles:** | |
| | Sales Tax Rate Differential | 283,100,000 |
| | Casual Tax Rate Differential | 72,913,000 |
| | Livestock, Poultry & Farm Products | 303,463,000 |
| | Food Stamp Purchases | 81,959,000 |
| | Fish, Livestock & Poultry Feed Ingredients, Antibiotics, Vitamins, etc | 113,758,000 |
| | **Machinery used for Mining, Manufacturing or Agricultural:** | |
| | Sales Tax Rate Differential | 79,398,000 |
| | Use Tax Rate Differential | 75,244,000 |
| | Contractor Exemption for Government Contracts | 7,595,000 |
| | Exempt Entities | 72,727,000 |
| | **Other:** | |
| | Abatements | 77,616,000 |
| | Exemptions | 145,762,000 |
| | **TOTAL** | **$ 1,634,193,000** |

NEXT PAGE FOR BREAK DOWN

# SALES & USE TAX (cont'd)

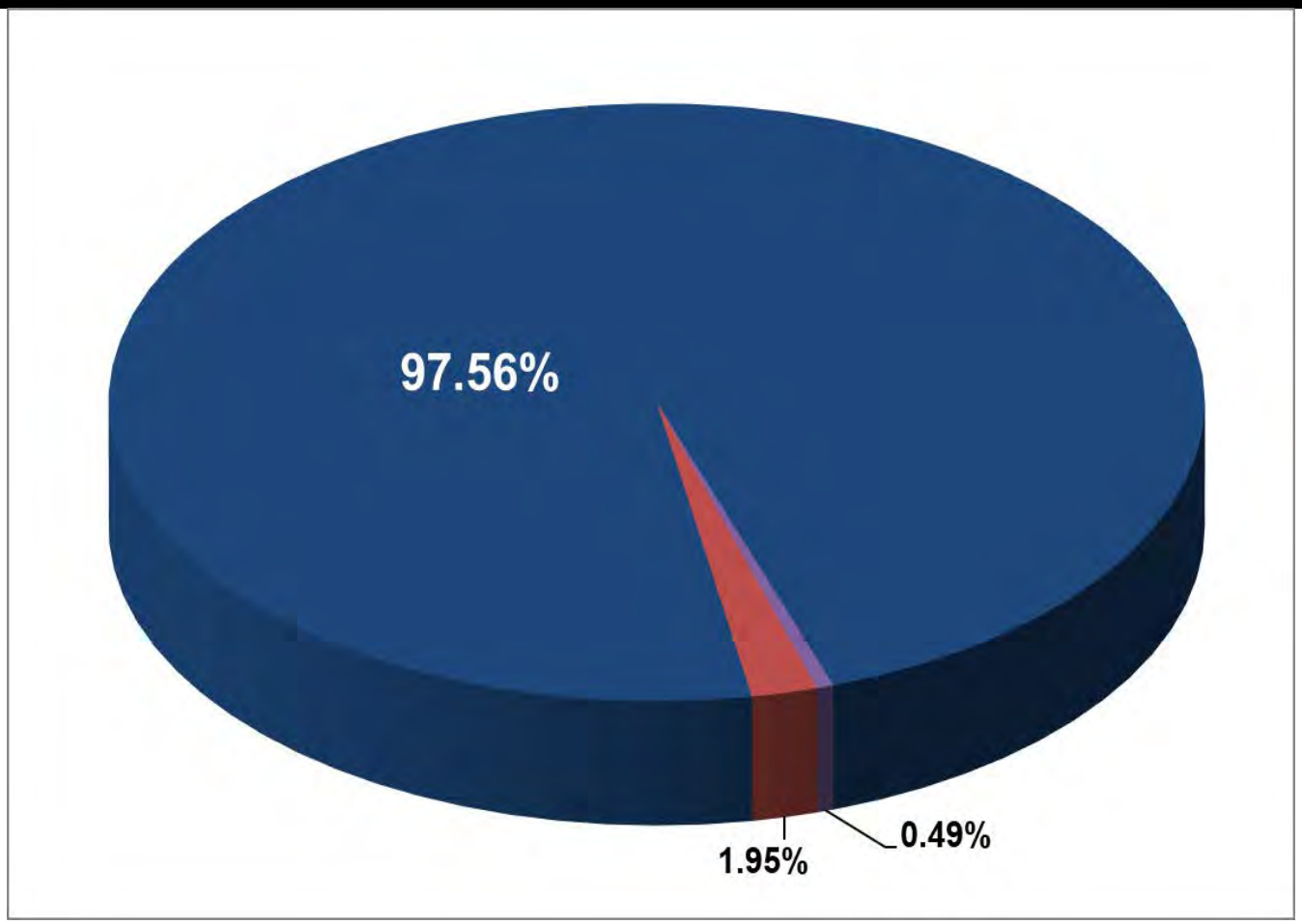
Expanded view of Exempt Entities, Abatements & Exemptions

| EXEMPT ENTITIES | |
|---|---|
| Entities exempt from sales and use tax as provided by statute | $72,727,000 |

| ABATEMENTS (BREAK DOWN) | |
|---|---|
| Brownfield Development Tax Act abatement | NEA |
| Qualifying project abatement | |
| Tax Incentive Reform Act | |

| EXEMPTIONS (BREAK DOWN) | |
|---|---|
| Sales tax discount | $24,764,000 |
| Durable medical equipment, etc | 24,795,000 |
| School lunches | 15,585,000 |
| Fertilizer | 23,258,000 |
| Back to school sales tax holiday | 13,489,000 |
| Off-highway diesel | 9,136,000 |
| Seeds for planting & baby chicks & poults | 7,357,000 |
| Automotive vehicles - use tax rate differential | 5,503,000 |
| Insecticides & fungicides for agricultural purposes | 5,875,000 |
| Boats - casual tax | 5,272,000 |
| Simplified seller use discount | 5,735,000 |
| Air or water pollution devices | 1,054,000 |
| Severe weather preparedness sales tax holiday | 3,247,000 |
| Vending machine sales | 692,000 |
| Qualified production company | - |

# TOBACCO TAX



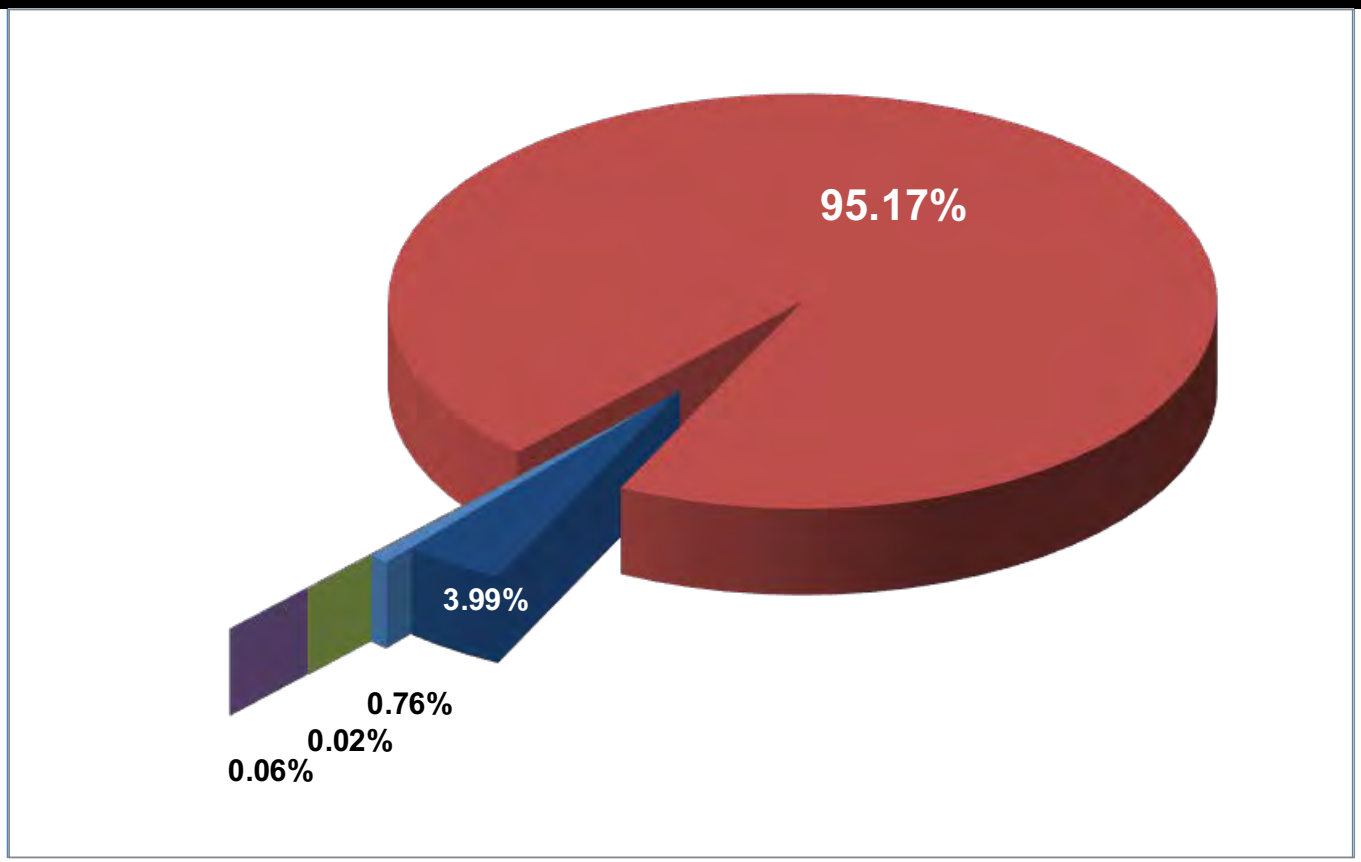

**Tobacco Tax Expenditures**

| | | |
|---|---|---|
| Sales in Interstate Commerce | $ | 5,551,000 |
| Sales to Native Americans | | 28,000 |
| Other: Credit & Exemptions | | 111,020 |
| **TOTAL** | **$** | **5,690,020** |

CREDIT & EXEMPTIONS (BREAK DOWN)

| | | |
|---|---|---|
| Unfit or unsalable products | $ | 108,000 |
| Sales to U.S. Government or Armed Forces | | 3,000 |
| Sales to National Guard | | 20 |
| Sales to specific organizations | | NEA |

# UTILITY GROSS RECEIPTS/SERVICE USE TAX




## Utility Gross Receipts / Service Use Tax Expenditures

| | |
|---|---|
| Jobs Credit (Utility Tax Fund) | 6,187,000 |
| Investment Credit - Utility Taxes | 1,180,000 |
| Chapter 9G Utility Refund | 36,000 |
| Discounts | 93,000 |
| Exemptions | 147,599,000 |
| **TOTAL** | **$ 155,095,000** |

NEXT PAGE FOR DISCOUNTS
NEXT PAGE FOR EXEMPTIONS BREAK DOWN

# UTILITY GROSS RECEIPTS/SERVICE USE TAX (cont'd)

Expanded view of Discounts & Exemptions

## DISCOUNTS

Not to exceed 5% of the first $100 of taxes levied and 2% of the taxes levied over $100

## EXEMPTIONS (BREAK DOWN)

NEA

- Deaf & hearing-impaired telephone surcharge
- Ancillary telephone services
- Bakerhill Water Authority
- Cable television service, paging services, specialized mobile radio or mobile telecommunications service
- Chambers County E911 Authority
- Chemically convert raw materials in an electrolytic or electrothermal manufacturing process
- Constitutionally prohibited from taxing of utility services
- Constitutionally prohibited from taxing the storage, use or consumption
- Customer premises equipement
- Direct production, generation, etc of electricity, natural gas or domestic water
- Electricity purchased for storage, use or other consumption is used for the isotopic enrichment of uranium
- Electricity used or consumed by a manufacturer in an electrolytic or electrothermal manufacturing process
- Electrolytic or electrothermal manufacturing or compounding process
- Eligible enterprise zone businesses in contract with ADECA
- Furnishing natural gas to a manufacturer as a chemical raw material in the manufacturing of tangible personal property, but not as fuel or energy

NEA

- Governmental entities
- Heating of poultry houses
- Incorporated municipality, board or corporation organized under the authority of any incorporated municipality
- Natural gas purchased for storage, use or other consumption used by a manufacturer as a chemical raw material in the manufacturing of tangible personal property, but not as fuel or energy
- Natural gas purchased for storage, use or other consumption used by a manufacturer to chemically convert raw materials prior to the use of such converted raw materials in an electrolytic or electrothermal manufacturing process
- Northeast Crenshaw Water & Fire Protection Authority
- Purchase of utility services shall have been at a wholesale sale
- Russell County Water Authority
- Smith's Water Authority
- Telephone services provided through any pay telephone
- Utility services included as a part of the gross receipts or gross sales of a utility subject to the utility gross receipts tax
- Utility services shall have been used or consumed directly in or for the production, generation, etc of utility services
- Wholesale sales

# EXEMPT ENTITIES

# EXEMPT ENTITIES

| ENTITY | LEGAL CITATION |
|---|---|
| Birmingham-Jefferson Civic Center | CA Jefferson 37-3.01 |
| Educational, Religious, & Charitable Entities | 40-8-1, 40-9-1 |
| County Airport Authority | 4-3-8 |
| Airport Authorities | 4-3-59 |
| Credit Unions | 5-17-1, 5-17-24 |
| Environmental Improvement Authorities | 9-6-15 |
| Soil & Water Conservation Districts | 9-8-25(d) |
| Watershed Conservancy Districts | 9-8-67 |
| Waterworks operating in unincorporated areas | 10A-20-9.04 |
| Public Building Authorities | 11-15-17 |
| Public Park & Recreation Boards | 11-22-13 |
| County Law Libraries | 11-25-7 |
| Radio/Alert Districts | 11-31-1 |
| Transit Authority | 11-49A-15, 11-49B-1 |
| Utility Systems | 11-50-322 |
| Boards of Water & Sewer Commissioners | 11-50-354 |
| Gas Districts | 11-50-412 |
| Alabama Municipal Electric Authority | 11-50A-7 |
| Industrial Development Boards | 11-54-96 |
| Downtown Redevelopment Authorities | 11-54A-14 |
| Self-Help Business Improvement Districts | 11-54B-20 |
| Projects of Public Building Authorities | 11-56-21 |
| Public Library Authorities | 11-57-1 |
| Medical Clinic Boards | 11-58-14 |
| Public Athletic Boards | 11-59-16 |
| Public Park & Recreation Boards | 11-60-17 |
| Municipal Parking Authority | 11-61A-1 |
| Municipal Special Health Care Facilities | 11-62-18 |
| Historic Preservation Commissions | 11-68-4 |
| Alabama Revolving Loan Fund Authority | 11-85-100 |
| Public Park & Recreation Authorities | 11-86A-18 |
| Water, Sewer, & Fire Protection Authorities | 11-88-16 |
| Water, Sewer, Solid Waste Disposal & Fire Protection Districts | 11-89-16 |
| Solid Waste Disposal Authorities | 11-89A-16 |
| County Industrial Development Authorities | 11-92A-18 |
| Port Authorities | 11-94-19 |
| Public Hospitals | 11-95-11 |
| Governmental Utility Services Corporations | 11-97-18 |
| Emergency Telephone Service | 11-98-1 |
| Alabama Improvement Districts | 11-99A-20 |
| Capital Improvement Cooperative Districts | 11-99B-14 |
| Federal Building Authority construction proceeds | 11-101A-21 |
| Tourism Promotion & Development Authorities | 11-105-1 |
| Alabama Corrections Institution Finance Authority | 14-2-32 |
| Alabama Educational Television Foundation Authority | 16-7A-4 |
| Educational Building Authorities | 16-17-14 |

| | |
|---|---|
| Public Educational Building Authorities | 16-18-16 |
| Alabama Compact for Leadership & Citizenship Education | 16-44A-19 |
| Citizenship Trust | 16-44A-34 |
| University of Montevallo | 16-54-12 |
| Junior College for Franklin, Marion, & Winston Counties | 16-60-35 |
| AIDS Action Council of Huntsville | 22-11A-93 |
| AIDS Alabama, Inc | 22-11A-93 |
| Birmingham AIDS Outreach, Inc | 22-11A-93 |
| Health Services Center, Inc | 22-11A-93 |
| Jefferson County AIDS in Minorities, Inc | 22-11A-93 |
| Lee County AIDS Outreach, Inc | 22-11A-93 |
| Montgomery AIDS Outreach, Inc | 22-11A-93 |
| South Alabama CARES | 22-11A-93 |
| West Alabama AIDS Outreach | 22-11A-93 |
| Wiregrass AIDS Outreach, Inc | 22-11A-93 |
| County Hospital Boards | 22-21-80 |
| County & Municipal Hospital Authorities | 22-21-186 |
| Health Care Facility property used in construction & equipment | 22-21-333 |
| Alabama Water System Assistance Authority | 22-23A-13 |
| Pollution Control Finance Authority | 22-29-22 |
| Water Pollution Control Authority | 22-34-13 |
| Regional Mental Health Programs & Facilities | 22-51-13 |
| Alabama Housing Finance Authority | 24-1A-12 |
| Fire Fighters' Personnel St&ards & Education Commission | 36-32-1 |
| Knights of Columbus Homes | 40-8-1 |
| Masonic Lodges | 40-8-1 |
| Union Halls | 40-8-1 |
| American Legion, state headquarters | 40-9-1, 40-23-5 |
| Disabled American Veterans, state headquarters | 40-9-1, 40-23-5 |
| Veterans of Foreign Wars, also known as VFW, state headquarters | 40-9-1, 40-23-5 |
| Alabama National Guard | 40-9-1 |
| Any state or county fair, agricultural association, stock, kennel or poultry show | 40-9-1 |
| Athletic stadiums owned & controlled by universities, schools or colleges | 40-9-1 |
| Benevolent & Protective Order of Elks | 40-9-1 |
| Fraternal Order of Eagles | 40-9-1 |
| Fraternal Order of Police | 40-9-1 |
| Literary & Scientific Institutions & Literary Societies | 40-9-1 |
| Loyal Order of Moose | 40-9-1 |
| Stringfellow Memorial Hospital | 40-9-1.1 |
| Alabama Eye Bank | 40-9-1.2 |
| Young Men's Christian Association (YMCA) | 40-9-9 |
| Young Women's Christian Association (YWCA) | 40-9-10 |
| Young Women's Christian Organization (YWCO) | 40-9-11 |
| American Cancer Society - Alabama Division | 40-9-12 |
| Alabama Masonic Home | 40-9-12 |
| Alabama Sports Foundation | 40-9-12 |
| Building & Construction Trades Group, Inc | 40-9-12 |
| Boy Scouts of America | 40-9-12 |
| Catholic Maritime Club of Mobile, Inc | 40-9-12 |
| Childhaven, Inc | 40-9-12 |
| All Community Chest & United Appeal Funds,<br>& all charitable, civic, & eleemosynary organizations & institutions for whom they solicit funds | 40-9-12 |

| | |
|---|---|
| Elks Memorial Center | 40-9-12 |
| Freewill Baptist Children's Home | 40-9-12 |
| Girl Scouts of America | 40-9-12 |
| Helping H& Club of Anniston | 40-9-12 |
| Holy Comforter House, Inc of Gadsden | 40-9-12 |
| Knights of Pythias Lodges | 40-9-12 |
| Methodist Homes for the Aging | 40-9-12 |
| National Foundation's Alabama Field Offices | 40-9-12 |
| New Hope Industries of Dothan | 40-9-12 |
| Presbyterian Home for Children | 40-9-12 |
| Salvation Army | 40-9-12 |
| Seamens Home of Mobile, Inc | 40-9-12 |
| United Way Member Agency | 40-9-12 |
| United Way Organization | 40-9-12 |
| United Methodist Children's Home | 40-9-12 |
| University of Alabama Huntsville Foundation | 40-9-12 |
| Young Men's Hebrew Association (YMHA), also known as Jewish Community Centers (JCC) | 40-9-12 |
| Alabama Heart Association | 40-9-13 |
| Alabama Society of the Daughters of the American Revolution | 40-9-13 |
| All volunteer fire departments in Alabama | 40-9-13 |
| Episcopal Foundation of Jefferson County | 40-9-13 |
| Annual Shrine Circus | 40-9-13 |
| Presbyterian Apartments, Inc | 40-9-13 |
| Alabama State Fair & Exhibit Association | 40-9-15 |
| Nonprofit Corporations aiding Retired Teachers | 40-9-18 |
| Nuclear fuel assemblies | 40-9-22 |
| Corporations organized for establishing regional mental health programs | 40-9-23 |
| George Lindsey Celebrity Benefit, Inc | 40-9-25 |
| Special Olympics Alabama, Inc | 40-9-25 |
| Magic Moments, Inc | 40-9-25.1 |
| Habitat for Humanity Organizations | 40-9-25.2 |
| West Alabama Youth Services, Inc (WAYS) | 40-9-25.2 |
| Rainbow Omega, Inc | 40-9-25.3 |
| Farley L. Berman Foundation, Inc | 40-9-25.4 |
| American Bowling Congress | 40-9-25.5 |
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40-18-35 (a)(3)
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# Indirect Expenditure Report

**Report for FY 2019 - FY 2023**

**Alaska Department of Revenue**

**July 1, 2024**

**Indirect Expenditure Report**

**Data Refreshed: 7/1/2024**

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Note: Other State of Alaska departments are omitted from this list because they reported no indirect expenditures.

# Indirect Expenditure Report

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## Introduction

An indirect expenditure is a provision of state law that results in foregone revenue to the state to serve a certain public policy purpose. Department of Revenue's (DOR's) *Indirect Expenditure Report* is submitted in accordance with Alaska Statute (AS) 43.05.095 as a biennial report to the Chairs of the Alaska State House and Senate Finance Committees and the Legislative Finance Division. This requirement was enacted as part of House Bill 306, passed by the Alaska Legislature in 2014. DOR's *Indirect Expenditure Report* was first published in 2014 and is updated every two years.

The 2014 enacting legislation of this report, House Bill 306, established two different reports: DOR's *Indirect Expenditure Report*, and the Legislative Finance Division's *Indirect Expenditure Report.* While the reports share the same name, they have two different purposes. DOR's *Indirect Expenditure Report* compiles and reports indirect expenditure data and information for all departments, agencies, and state public corporations. Legislative Finance's *Indirect Expenditure Report* provides an analysis of the effectiveness of the state's indirect expenditures using the information from DOR's Report and provides policy recommendations to the Legislature.

## Summary

This 2024 report contains 246 indirect expenditures from 12 state departments and agencies, with total revenue impacts of approximately $1.56 billion in fiscal year (FY) 2022 and at least $1.65 billion in FY 2023. FY 2023 data was not yet complete for certain tax types, including Corporate Income Tax and Mining License Tax, at the time this report was published. Final values for FY 2023 indirect expenditure revenue impacts may increase when this additional data becomes available and will be included in the 2026 report. DOR administers 73 indirect expenditures, by far the greatest number of provisions of any one department or agency. The revenue impacts of indirect expenditures administered by DOR accounted for about 90% of total statewide revenue impact in both FY 2022 and FY 2023.

**Total Revenue Impact by Department and Fiscal Year (in millions)**

| Department | FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 | Number of FY 2023 IEs |
|---|---|---|---|---|---|---|
| Alaska Court System (ACS) | $5.1 | $4.4 | $3.4 | $3.3 | $3.2 | 33 |
| Department of Administration (DOA) | $8.3 | $6.9 | $7.1 | $7.8 | $8.2 | 13 |
| Department of Commerce, Community, and Economic Development (DCCED) | $36.8 | $37.7 | $41.8 | $45.3 | $49.9 | 30 |
| Department of Education and Early Development (DEED) | $3.3 | $3.2 | $3.1 | $3.2 | $3.4 | 31 |
| Department of Environmental Conservation (DEC) | $15.8 | $12.3 | $11.0 | $9.6 | $8.2 | 15 |
| Department of Family and Community Services (DFCS) | $6.9 | $24.8 | $29.7 | $29.4 | $29.6 | 1 |
| Department of Fish and Game (DFG) | $20.3 | $21.5 | $22.1 | $22.7 | $23.4 | 20 |
| Department of Health (DOH) | $0.1 | $0.1 | $0.1 | $0.1 | $0.1 | 4 |
| Department of Labor and Workforce Development (DOLWD) | $2.8 | $1.4 | $2.0 | $5.4 | $1.4 | 7 |
| Department of Natural Resources (DNR) | $16.2 | $15.8 | $15.3 | $12.6 | $10.5 | 14 |
| Department of Revenue (DOR) | $1,358.6 | $788.6 | $947.7 | $1,416.1 | $1,512.7 | 73 |
| Department of Transportation and Public Facilities (DOT&PF) | $3.1 | $1.4 | $1.2 | $1.8 | $2.2 | 5 |
| **Total** | **$1,477.4** | **$918.0** | **$1,084.6** | **$1,557.5** | **$1,652.9** | **246** |

Note: Number of FY 2023 IEs are counts of indirect expenditures and are not shown in millions. The counts include indirect expenditures with a value of zero or are unavailable in FY 2023.

**Top 10 Revenue Impacts (in millions)**

| Department | Program | Title | FY 2023 |
|---|---|---|---|
| Department of Revenue (DOR) | Oil and Gas Production Tax | Per-Taxable-Barrel Credits | $1,019.0 |
| Department of Revenue (DOR) | Oil and Gas Production Tax | Combined Reporting for Several Credits | $346.0 |
| Department of Revenue (DOR) | Oil and Gas Production Tax | Gross Value Reduction | $65.0 |
| Department of Commerce, Community, and Economic Development (DCCED) | Insurance: All Programs | Deduction from Premiums Written for Claims Paid | $29.7 |
| Department of Family and Community Services (DFCS) | Alaska Pioneer Homes | Alaska Pioneer Home Payment Assistance Program | $29.6 |
| Department of Fish and Game (DFG) | Sportfishing, Hunting, and Trapping License | Resident Senior Fishing, Hunting, or Trapping License | $19.2 |
| Department of Revenue (DOR) | Commercial Passenger Vessel Excise Tax | Tax Reduction for Local Levies | $16.7 |
| Department of Revenue (DOR) | Motor Fuel Tax | Foreign Flight Exemption | $13.6 |
| Department of Revenue (DOR) | Motor Fuel Tax | Government Exemption | $10.8 |
| Department of Commerce, Community, and Economic Development (DCCED) | Insurance: All Programs | Lower Tax Rate | $10.4 |

Note: DOR's Combined Reporting for Several Credits under the Oil and Gas Production Tax program includes the Alternative Credit for Exploration, Carried-Forward Annual Loss Credit, Qualified Capital Expenditure Credit, and Well Lease Expenditure Credit. These credits are combined to maintain confidentiality.

## Overview and Purpose

When determining the state budget, program expenditures and other spending are often evaluated and scrutinized, especially in a period of declining state revenues. The *Indirect Expenditure Report* is intended to provide information to the Alaska State Legislature and the public about foregone state revenues.

While indirect expenditures do not constitute direct spending, they are an important component of how the state chooses to allocate resources. Indirect expenditures are often implemented to incentivize behavior, achieve policy goals, or provide a public benefit. Examples include the reduced tax rate on small breweries, which was established to foster the development of breweries and brewpubs in Alaska, the Community Development Quota Credit to provide jobs and training in western Alaska, and hunting and fishing fee waivers for seniors and veterans with disabilities.

The *Indirect Expenditure Report* enables the legislature and the public to evaluate the cost and benefit of these provisions and determine if they should be continued, modified, or eliminated. To facilitate such evaluation, the Legislative Finance Division also produces an *Indirect Expenditure Report*, which includes an analysis of certain indirect expenditures and provides recommendations to the Legislature. Legislative Finance's report is due by the first legislative day of each first regular session of each legislature. Over a six-year period, every department and agency of the State of Alaska is reviewed on a rotating two-year basis. Below is a schedule of which departments are analyzed by the Legislative Finance Division, past and present:

**2015 and 2021**

Department of Commerce, Community, and Economic Development
Department of Fish and Game
Department of Labor and Workforce Development
Department of Revenue

**2017 and 2023**

Alaska Court System
Department of Administration
Department of Education and Early Development
Department of Environmental Conservation
Department of Natural Resources
Department of Transportation and Public Facilities

**2019 and 2025**

All remaining agencies

This report is a cooperative effort led by DOR. Eleven other departments and agencies submitted information on the indirect expenditures they administer. DOR compiled the report contributions of other departments and agencies and made edits for stylistic consistency. Contributions and data from other departments and agencies are not independently verified.

In creating this report, DOR surveyed all state departments and agencies. Each agency, including DOR, examined its operations to identify and update current indirect expenditures and report the required information. DOR then combined the submissions from all other departments and agencies into this report.

While every public corporation and state department provided input for this year's report, several agencies or corporations did not have indirect expenditures in their operations under the definition in AS 43.05.095. These departments and public corporations include:

Alaska Aerospace Corporation
Alaska Energy Authority and the Alaska Industrial Development and Export Authority
Alaska Gasline Development Corporation
Alaska Housing Finance Corporation
Alaska Mental Health Trust Association
Alaska Municipal Bond Bank Authority
Alaska Railroad Corporation
Alaska Seafood Marketing Institute
University of Alaska
Department of Corrections
Department of Law
Department of Military and Veterans Affairs
Department of Public Safety

## Defining Indirect Expenditures

AS 43.05.095 defines an "indirect expenditure" as an express provision of state law that results in foregone revenue for the state by providing:

1. a tax credit or other credit;
2. an exemption, but does not include federal tax exemptions adopted by reference in AS 43.20.021;
3. a discount;
4. a deduction, but does not include costs incurred in the ordinary course of business that are deducted in the calculation of a tax under this title or in the calculation of a royalty or net profit share payment for a lease issued under AS 38; or
5. a differential allowance.

In most cases, identifying indirect expenditures is straightforward, but there are some provisions that require judgment as to whether they meet the statutory definition. For instance, some state programs are not "an express provision of state law" and are not included in this report, yet they would otherwise fall under the definition of an indirect expenditure. For example, the Alaska Housing Finance Corporation offers homeownership loans at lower interest rates to Alaskans under a certain income level. This is not mandated by state law; however, the Alaska Housing Finance Corp has the power to establish such programs under state law. Similarly, the Department of Transportation and Public Facilities' Alaska Marine Highway System (AMHS) issues passes or discounts for qualified employees, persons with disabilities, veterans, and enforcement agencies; however, they are not supported by a specific statute or regulation and are only covered in AMHS policies and procedures and union bargaining agreements.

For some tax provisions, it is difficult to distinguish between provisions that provide tax exemptions and provisions that simply define the tax base. For example, the Vehicle Rental Tax excludes from taxation vehicles rented for more than 90 days. This exclusion could be classified as an exemption, and therefore qualify as an indirect expenditure. However, DOR concluded the legislative intent to raise revenue from visitors to the state using the state's road system clearly defined the tax base.

There are also definitional issues with determining whether certain tax provisions should be considered differential allowances or not. For example, different motor fuels (such as gasoline, marine fuel, and jet fuel) are taxed at different rates. In this instance, the lower tax rates for certain fuels can be considered a differential allowance that reduces revenue from the highest rate, or the lower rates could also be considered the base rates. In this example, the Department chose to define "indirect expenditure" broadly and considered a lower rate to be the differential allowance from the highest rate.

In the past, DOR has received questions regarding fee setting authority within state government. The Office of Management and Budget (OMB) produces an Annual Fee Report that details department and agency fees, including the name and purpose of the fee, as well as the authorizing statute or regulation and the amount of the fee. State departments, agencies, and corporations were asked if they were aware of any programs or provisions in their department or agency that would offer a discount, credit, reduction, or similar that are not included in the DOR's *Indirect Expenditure Report* or in the Office of Management and Budget's Annual Fee Report. Responses garnered from departments and agencies indicate that these two reports are largely comprehensive in defining all foregone revenue within State of Alaska Government.

## Reported Information

AS 43.05.095 requires departments to report the following information for each indirect expenditure:

1. the name of the indirect expenditure;
2. a brief description of the indirect expenditure;
3. the statutory authority for the indirect expenditure;
4. the date the statute authorizing the indirect expenditure is to be repealed, if applicable;
5. the intent of the legislature in enacting the statute authorizing the indirect expenditure;
6. the public purpose served by the indirect expenditure;
7. the estimated annual effect on revenue of the indirect expenditure for the previous five fiscal years, excluding the fiscal year immediately preceding the date the report is due;
8. the estimated cost to administer the indirect expenditure, if applicable; and
9. the number of beneficiaries of the indirect expenditure.

## Report Improvements

DOR has consistently enhanced the *Indirect Expenditure Report* by improving upon previous report versions. Evolving iterations of the indirect expenditure survey have given departments and agencies the ability to include departmental direction and/or additional comments to the indirect expenditures they have submitted to provide clarification and insight surrounding the indirect expenditure. This opportunity was given to explain an indirect expenditure's purpose, to give additional information that was not captured by the questions mandated by statute, and to explore caveats from the department's point of view.

Noteworthy changes implemented for the 2024 report include:

- Effective July 1, 2022, with Executive Order 121 becoming law, the Alaska Department of Health and Social Services restructured into two separate departments: the Department of Health and the Department of Family and Community Services. This is DOR's first *Indirect Expenditure Report* with these departments reported separately.
- For this iteration of the report, a concerted effort was made by DOR to provide additional clarity, completeness, and consistency in responses provided by departments.
- For this iteration of the report, departments revisited their indirect expenditures and reevaluated whether they should be included in this report. As a result of this effort, this report removes several items previously reported because they were not deemed to meet the statutory definition of an indirect expenditure.

## Notes on the Department of Revenue (DOR) Section

DOR uses the Tax Revenue Management System (TRMS) to collect, process, and store tax return information and data. With this system, DOR can collect more detailed information from tax returns and thus is able to report on certain indirect expenditures that previously did not have data available prior to the TRMS implementation in 2014. TRMS has facilitated easier access to data and improved revenue reporting, which enabled more accurate revenue impacts of indirect expenditures.

In the process of preparing this report, DOR determined specific parameters by which to report data for each tax type. While the *Indirect Expenditure Report* is based on state fiscal years, tax periods can be on a monthly, quarterly, annual, or calendar year basis. For purposes of this *Indirect Expenditure Report*, data for each tax type is reported by fiscal year using different dates from the tax returns including filing period, the date the return was processed and posted, or the date the tax period began.

For certain tax types with annual returns (Corporate Income Tax, Large Passenger Vessel Tax, and Mining License Tax), FY 2023 includes any tax periods beginning during the fiscal year, i.e., between July 1, 2022, and June 30, 2023. In most cases, these taxpayer returns are for calendar year 2023 activity from January 1, 2023, to December 31, 2023. Since these returns are typically not received until October 2024, many of the FY 2023 revenue impacts for DOR's impacted tax types are considered "not available" for this year's report.

An additional note regarding DOR reporting relates to defining when an indirect expenditure was "incurred." Often, tax payments are received in a different fiscal year than when DOR receives the corresponding tax return. DOR determined that the most accurate way to measure indirect expenditures would be to report on tax returns once they are received, as that is the only source of true and complete data about the impact of the indirect expenditure. Users should be aware that the timing of revenue impacts on cash collections may not exactly match the timing of reporting on tax returns, particularly for the annual tax types.

For DOR's indirect expenditures, the revenue impacts reported reflect the impact on tax liabilities, not tax payments, unless otherwise noted. Many tax types require taxpayers to make estimated tax payments before the return is filed, and these estimated payments may extend across multiple fiscal years for a single tax return. As a result, the revenue impacts may not reflect the actual fiscal impact on payment in that fiscal year. To determine a fiscal year impact, which runs July 1 through June 30, the tax return data were sorted by the tax filing period. For example, return data with a filing period in October 2021 would be counted in FY 2022. Impacts shown give an idea of the scale of the indirect expenditures but may not precisely quantify the actual impact on the state in a given fiscal year.

DOR reporting of indirect expenditures is also limited by confidentiality statutes and rules. In general, information from tax returns can only be disclosed in aggregate. Some tax indirect expenditures benefit too few taxpayers to be disclosed, so the information is either aggregated with other expenditures or not disclosed at all.

## Limitations of Analysis

In many cases, indirect expenditures are administered as part of a larger program and may not have a significant additional cost beyond that of the underlying program. Defining the "cost to administer" was left to the discretion of each department or agency, and users should be aware that this cost should not be considered equal to the savings generated by repealing the authorizing statute. For example, if the administration of a certain provision requires 10% of one auditor's time, the State does not save 10% of that employee's salary if the provision is repealed. Similarly, the revenue impact for an indirect expenditure may not reflect the true savings from repealing the provision.

Additionally, for many indirect expenditures, the revenue impact and/or number of beneficiaries is listed as "unknown." For some tax provisions, the impacts are considered confidential because they affect a very small number of taxpayers. In other cases, a provision's impact cannot be precisely measured or because significant additional work would be required to ascertain the impact of the provision.

DOR hopes that this report is useful in understanding and evaluating the provisions it describes. The department looks forward to working collaboratively with the Legislative Finance Division and policymakers to ensure that this report meets their needs as they consider these very important issues.

## Indirect Expenditures Ended or Changed After July 1, 2022, and before June 30, 2024

DCCED & DOR:

- Multiple Tax Programs, Education Tax Credit, AS 21.96.070, AS 43.20.014, AS 43.55.019, AS 43.56.018, AS 43.65.018, AS 43.75.018, AS 43.77.045
    - House Bill 148, passed in 2024, extended the education tax credit sunset from January 1, 2025, to January 1, 2029. Businesses can also claim up to $3 million in education credits per year across all eligible tax types, compared to the $1 million education credit cap in effect prior to this legislation.

DOR:

- Corporate Income Tax, Small Corporation Exemption, AS 43.20.012
    - This exemption sunset on July 1, 2023.

- Corporate Income Tax, Urea/Ammonia/Gas to Liquid Facility Credit, AS 43.20.052
    - This credit sunset on January 1, 2024.

- Corporate Income Tax, Federal Tax Credits, AS 42.20.021
    - Under Alaska's adoption of the federal Internal Revenue Code, corporate income taxpayers can claim most federal incentive credits for purposes of calculating state corporate income tax. House Bill 50, passed in 2024, established a state framework for Carbon Capture, Utilization, and Storage (CCUS). A provision in this legislation "decouples" Alaska from adopting the federal carbon oxide sequestration credit under 26 U.S.C 45Q, sometimes referred to as the "45Q credit." As a result, taxpayers cannot claim 45Q credits for purposes of calculating state corporate income tax. This change has no immediate revenue impact but would impact future projects.

- Fisheries Business Tax, Fisheries Product Development Credit, AS 43.75.037
    - The credit was signed into law on July 7, 2022.
    - After the Salmon and Herring Product Development Credit sunset on December 31, 2020, the 32nd Legislature's Senate Bill 33 effectively reinstated the credit and extended it to include pollock, stablefish, and Pacific cod. The new credit was enacted under a different section of statute.

## Indirect Expenditures Scheduled to End or Change After July 1, 2024, and before June 30, 2026

DOLWD:

- Alaska Vocational Technical Center, AVTEC Meal, 8 AAC 82.100(e)
  - The meal waiver practice is currently under review with the decision for continuation of the waiver to be determined based on the findings; changes will be effective in FY25.

DOR:

- Oil and Gas Production Tax, Small Producer Credit, AS 43.55.024(c)
  - This oil and gas tax credit is available until the later of (1) calendar year 2016 or (2) the ninth calendar year after the calendar year in which the producer first had commercial production, if that production began before May 1, 2016. Thus, calendar year 2025 is the final year in which any producers will be eligible for this credit.

| Revenue Impact by Fund | | | | | | |
|---|---|---|---|---|---|---|
| **Fund Name** | **Fund Code** | **FY 2019** | **FY 2020** | **FY 2021** | **FY 2022** | **FY 2023** |
| Unrestricted General Fund Receipts | 1004 | $5,101,566 | $4,367,927 | $3,424,204 | $3,309,689 | $3,240,358 |
| **Department / Agency Total** | | **$5,101,566** | **$4,367,927** | **$3,424,204** | **$3,309,689** | **$3,240,358** |

## Court Filing Fees

### Exemption from Payment of Fees Due to Determination of Indigency

Type: Exemption

Statutory/Other Authority: AdmR. 9 & 10

Year Enacted: 1980

Sunset/Repeal Date: None

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $232,635 | $212,745 | $156,664 | $166,871 | $182,696 |

**Description**
Applies to citizens found to be indigent by court ruling.

**Legislative Intent, Public Purpose**
Allows access to court system for disadvantaged individuals.

**Who Benefits and Number of Beneficiaries**
Not tracked.

**Estimated Cost to Administer**
$0; Minimal manual intervention.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

## State of Alaska Agencies Exempt from Filing, Copy, and Certifying Fees

| | |
|---|---|
| Type: | Exemption |
| Statutory/Other Authority: | AdmR. 9(f)(1) |
| Year Enacted: | 1980 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $100,565 | $105,600 | $96,450 | $75,400 | $53,500 |

**Description**
Applies to all filing, copy and miscellaneous fees for services when requested by a State of Alaska agency.

**Legislative Intent, Public Purpose**
N/A

**Who Benefits and Number of Beneficiaries**
Not tracked.

**Estimated Cost to Administer**
$0; Minimal manual intervention.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

## Additional Lighting Requirements (Correctable)

| | |
|---|---|
| Type: | Credit |
| Statutory/Other Authority: | 13 AAC 04.040 |
| Year Enacted: | pre-1959 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $160 | $40 | $160 | $40 | $0 |

**Description**
Applies to lighting for specialty and oversized vehicles such as trailers and tractors.

**Legislative Intent, Public Purpose**
Encourage corrective action.

**Who Benefits and Number of Beneficiaries**
Not tracked.

**Estimated Cost to Administer**
$0; Minimal manual intervention.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

## Additional Lighting Requirements for Emergency Vehicle (Correctable)

| | |
|---|---|
| Type: | Credit |
| Statutory/Other Authority: | 13 AAC 04.090 |
| Year Enacted: | pre-1959 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $0 | $0 | $0 | $0 | $0 |

**Description**
Applies to lighting requirements for emergency response vehicles.

**Legislative Intent, Public Purpose**
Encourage corrective action.

**Who Benefits and Number of Beneficiaries**
Not tracked.

**Estimated Cost to Administer**
$0; Minimal manual intervention.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

## Anti-Spray Devices Required (Correctable)

| | |
|---|---|
| Type: | Credit |
| Statutory/Other Authority: | AS 28.35.253, 13 AAC 04.265 |
| Year Enacted: | 1986 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $2,170 | $1,410 | $1,750 | $1,030 | $630 |

**Description**
Applies to mudflap requirements of vehicles.

**Legislative Intent, Public Purpose**
Encourage corrective action.

**Who Benefits and Number of Beneficiaries**
Not tracked.

**Estimated Cost to Administer**
$0; Minimal manual intervention.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

## Brake Requirements (Correctable)

| | |
|---|---|
| Type: | Credit |
| Statutory/Other Authority: | 13 AAC 04.205 |
| Year Enacted: | 1979 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $270 | $180 | $360 | $180 | $0 |

**Description**
Applies to brake requirements for towing vehicles.

**Legislative Intent, Public Purpose**
Encourage corrective action.

**Who Benefits and Number of Beneficiaries**
Not tracked.

**Estimated Cost to Administer**
$0; Minimal manual intervention.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

## Community Work Service Order in Lieu of Fine or Surcharge

| | |
|---|---|
| Type: | Credit |
| Statutory/Other Authority: | AS 12.55.055 |
| Year Enacted: | 2005 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $22,485 | $15,933 | $8,056 | $9,333 | $6,154 |

**Description**
Applies to Community Service ordered instead of fines or surcharges.

**Legislative Intent, Public Purpose**
Encourage corrective behavior.

**Who Benefits and Number of Beneficiaries**
Not tracked.

**Estimated Cost to Administer**
$0 Minimal manual intervention.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

## Defensive Driving Course Completion Credit Against Fines

| | |
|---|---|
| Type: | Credit |
| Statutory/Other Authority: | By Court Order |
| Year Enacted: | N/A |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $1,290 | $894 | $0 | $0 | $0 |

**Description**
Applies to completion of a defensive driving course instead of a fine.

**Legislative Intent, Public Purpose**
Encourage corrective behavior.

**Who Benefits and Number of Beneficiaries**
Not tracked.

**Estimated Cost to Administer**
$0; Minimal manual intervention.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

## Emission Control System Requirements (Correctable)

| | |
|---|---|
| Type: | Credit |
| Statutory/Other Authority: | 13 AAC 04.257 |
| Year Enacted: | 1979 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $0 | $0 | $100 | $0 | $0 |

**Description**
Applies to maintaining a vehicles emission control systems in working order.

**Legislative Intent, Public Purpose**
Encourage corrective action.

**Who Benefits and Number of Beneficiaries**
Not tracked.

**Estimated Cost to Administer**
$0; Minimal manual intervention.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

## Energy Absorption System Requirements (Correctable)

| | |
|---|---|
| Type: | Credit |
| Statutory/Other Authority: | 13 AAC 04.272 |
| Year Enacted: | 1979 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $375 | $375 | $525 | $225 | $75 |

**Description**
Applies to maintaining function vehicle collision mitigation equipment.

**Legislative Intent, Public Purpose**
Encourage corrective action.

**Who Benefits and Number of Beneficiaries**
Not tracked.

**Estimated Cost to Administer**
$0; Minimal manual intervention.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

## Fail To Provide Child Safety Device First Offense (Correctable)

| | |
|---|---|
| Type: | Credit |
| Statutory/Other Authority: | AS 28.05.095 |
| Year Enacted: | 1984 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $400 | $315 | $250 | $100 | $350 |

**Description**
Applies to maintaining child restraint devices in motor vehicles where required.

**Legislative Intent, Public Purpose**
Encourage corrective action.

**Who Benefits and Number of Beneficiaries**
Not tracked.

**Estimated Cost to Administer**
$0; Minimal manual intervention.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

## Headlight Requirements (Correctable)

| | |
|---|---|
| Type: | Credit |
| Statutory/Other Authority: | 13 AAC 04.020 |
| Year Enacted: | pre-1959 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $14,160 | $14,400 | $13,400 | $6,120 | $4,040 |

**Description**
Applies to lighting requirements for vehicles.

**Legislative Intent, Public Purpose**
Encourage corrective action.

**Who Benefits and Number of Beneficiaries**
Not tracked.

**Estimated Cost to Administer**
$0; Minimal manual intervention.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

## Horn, Warning Device Requirements (Correctable)

| | |
|---|---|
| Type: | Credit |
| Statutory/Other Authority: | 13 AAC 04.210 |
| Year Enacted: | pre-1959 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $0 | $0 | $0 | $0 | $0 |

**Description**
Applies to audible warning device requirements for vehicles.

**Legislative Intent, Public Purpose**
Encourage corrective action.

**Who Benefits and Number of Beneficiaries**
Not tracked.

**Estimated Cost to Administer**
$0; Minimal manual intervention.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

## Ignition Interlock Device Credit Against Fines

| | |
|---|---|
| Type: | Credit |
| Statutory/Other Authority: | AS 12.55.102 |
| Year Enacted: | 1989 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $358,916 | $314,143 | $250,929 | $236,213 | $249,311 |

**Description**
Applies to court ordered credits for ignition interlock device installation for motor vehicles.

**Legislative Intent, Public Purpose**
Encourage corrective behavior.

**Who Benefits and Number of Beneficiaries**
Not tracked.

**Estimated Cost to Administer**
$0; Minimal manual intervention.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

## License Carried and Exhibited On Demand (Correctable)

| | |
|---|---|
| Type: | Credit |
| Statutory/Other Authority: | AS 28.15.131 |
| Year Enacted: | 1978 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $3,940 | $1,900 | $1,650 | $1,750 | $1,350 |

**Description**
Applies to carrying of an applicable operators license while operating a motor vehicle.

**Legislative Intent, Public Purpose**
Encourage corrective action.

**Who Benefits and Number of Beneficiaries**
Not tracked.

**Estimated Cost to Administer**
$0; Minimal manual intervention.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

## Mirror Requirements (Correctable)

| | |
|---|---|
| Type: | Credit |
| Statutory/Other Authority: | 13 AAC 04.220 |
| Year Enacted: | pre-1959 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $420 | $480 | $240 | $120 | $300 |

**Description**
Applies to mirror requirements for vehicles.

**Legislative Intent, Public Purpose**
Encourage corrective action.

**Who Benefits and Number of Beneficiaries**
Not tracked.

**Estimated Cost to Administer**
$0; Minimal manual intervention.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

## Muffler Requirements (Correctable)

| | |
|---|---|
| Type: | Credit |
| Statutory/Other Authority: | 13 AAC 04.215 |
| Year Enacted: | pre-1959 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $360 | $150 | $210 | $0 | $210 |

**Description**
Applies to sound mitigation device requirements for vehicles.

**Legislative Intent, Public Purpose**
Encourage corrective action.

**Who Benefits and Number of Beneficiaries**
Not tracked.

**Estimated Cost to Administer**
$0; Minimal manual intervention.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

## Operating Vehicle with Studded or Chained Tires when Prohibited (Correctable)

| | |
|---|---|
| Type: | Credit |
| Statutory/Other Authority: | AS 28.35.155 |
| Year Enacted: | 1976 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $11,500 | $2,850 | $250 | $5,200 | $1,400 |

**Description**
Applies to operations of traction enhancing motor vehicle devices outside of permitted season.

**Legislative Intent, Public Purpose**
Encourage corrective action.

**Who Benefits and Number of Beneficiaries**
Not tracked.

**Estimated Cost to Administer**
$0; Minimal manual intervention.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

## Other Equipment Required for Bicycles: Horn, Mirrors, Tires, etc. (Correctable)

| | |
|---|---|
| Type: | Credit |
| Statutory/Other Authority: | 13 AAC 04.355 |
| Year Enacted: | 1979 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $0 | $0 | $0 | $0 | $0 |

**Description**
Applies to safety equipment devices for bicycles.

**Legislative Intent, Public Purpose**
Encourage corrective action.

**Who Benefits and Number of Beneficiaries**
Not tracked.

**Estimated Cost to Administer**
$0; Minimal manual intervention.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

## Parking Light Requirements (Correctable)

| | |
|---|---|
| Type: | Credit |
| Statutory/Other Authority: | 13 AAC 04.070 |
| Year Enacted: | pre-1959 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $40 | $0 | $0 | $80 | $0 |

**Description**
Applies to lighting requirements for vehicles.

**Legislative Intent, Public Purpose**
Encourage corrective action.

**Who Benefits and Number of Beneficiaries**
Not tracked.

**Estimated Cost to Administer**
$0; Minimal manual intervention.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

## Proof of Insurance to be Carried and Exhibited on Demand (Correctable)

| | |
|---|---|
| Type: | Credit |
| Statutory/Other Authority: | AS28.22.019 |
| Year Enacted: | 2002 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $1,428,500 | $1,083,500 | $798,500 | $698,500 | $483,500 |

**Description**
Applies to carrying of proof of insurance while operating a motor vehicle.

**Legislative Intent, Public Purpose**
Encourage corrective action.

**Who Benefits and Number of Beneficiaries**
Not tracked.

**Estimated Cost to Administer**
$0; Minimal manual intervention.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

## Reflector Requirements (Correctable)

| | |
|---|---|
| Type: | Credit |
| Statutory/Other Authority: | 13 AAC 04.030 |
| Year Enacted: | pre-1959 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $40 | $0 | $0 | $0 | $0 |

**Description**
Applies to reflective device requirements for vehicles.

**Legislative Intent, Public Purpose**
Encourage corrective action.

**Who Benefits and Number of Beneficiaries**
Not tracked.

**Estimated Cost to Administer**
$0; Minimal manual intervention.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

## Restrictions on Lighting Equipment (Correctable)

| | |
|---|---|
| Type: | Credit |
| Statutory/Other Authority: | 13 AAC 04.145 |
| Year Enacted: | pre-1959 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $120 | $200 | $160 | $120 | $180 |

**Description**
Applies to lighting brightness limitations for vehicles.

**Legislative Intent, Public Purpose**
Encourage corrective action.

**Who Benefits and Number of Beneficiaries**
Not tracked.

**Estimated Cost to Administer**
$0; Minimal manual intervention.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

## Safety Belt Requirements (Correctable)

| | |
|---|---|
| Type: | Credit |
| Statutory/Other Authority: | 13 AAC 04.270 |
| Year Enacted: | 1961 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $150 | $375 | $75 | $75 | $225 |

**Description**
Applies to wearing of seatbelt requirements for vehicle passengers.

**Legislative Intent, Public Purpose**
Encourage corrective action.

**Who Benefits and Number of Beneficiaries**
Not tracked.

**Estimated Cost to Administer**
$0; Minimal manual intervention.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

## Sportfishing and Hunting Licenses (Correctable)

| | |
|---|---|
| Type: | Credit |
| Statutory/Other Authority: | AS 16.05.330 |
| Year Enacted: | 1997 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $14,850 | $28,450 | $16,350 | $10,750 | $4,400 |

**Description**
Applies to carrying of license while hunting or fishing.

**Legislative Intent, Public Purpose**
Encourage corrective action.

**Who Benefits and Number of Beneficiaries**
Not tracked.

**Estimated Cost to Administer**
$0; Minimal manual intervention.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

## Steering Assembly, Wheel Align, Body Condition (Correctable)

| | |
|---|---|
| Type: | Credit |
| Statutory/Other Authority: | 13 AAC 04.227 |
| Year Enacted: | 1979 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $800 | $0 | $200 | $0 | $600 |

**Description**
Applies to maintenance of steering and suspension equipment requirements for vehicles.

**Legislative Intent, Public Purpose**
Encourage corrective action.

**Who Benefits and Number of Beneficiaries**
Not tracked.

**Estimated Cost to Administer**
$0; Minimal manual intervention.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

## Stop Light Requirements (Correctable)

| | |
|---|---|
| Type: | Credit |
| Statutory/Other Authority: | 13 AAC 04.035 |
| Year Enacted: | pre-1959 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $3,800 | $3,520 | $3,120 | $1,800 | $1,160 |

**Description**
Applies to lighting requirements for vehicles.

**Legislative Intent, Public Purpose**
Encourage corrective action.

**Who Benefits and Number of Beneficiaries**
Not tracked.

**Estimated Cost to Administer**
$0; Minimal manual intervention.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

## Suspended Court Ordered Fines and Surcharges

| | |
|---|---|
| Type: | Credit |
| Statutory/Other Authority: | AS 12.55.080 |
| Year Enacted: | 1962 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $2,856,860 | $2,564,517 | $2,056,145 | $2,084,192 | $2,243,547 |

**Description**
Applies to any fine or surcharge ordered suspended as part of judgment.

**Legislative Intent, Public Purpose**
Encourage corrective behavior.

**Who Benefits and Number of Beneficiaries**
Not tracked.

**Estimated Cost to Administer**
$0; Minimal manual intervention.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

## Tail Light Requirements (Correctable)

| | |
|---|---|
| Type: | Credit |
| Statutory/Other Authority: | 13 AAC 04.025 |
| Year Enacted: | pre-1959 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $6,520 | $5,360 | $4,640 | $2,800 | $2,240 |

**Description**
Applies to lighting requirements for vehicles.

**Legislative Intent, Public Purpose**
Encourage corrective action.

**Who Benefits and Number of Beneficiaries**
Not tracked.

**Estimated Cost to Administer**
$0; Minimal manual intervention.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

## Tinted Windows (Correctable)

| | |
|---|---|
| Type: | Credit |
| Statutory/Other Authority: | 13 AAC 04.223 |
| Year Enacted: | 1992 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $39,450 | $9,750 | $13,050 | $8,700 | $4,050 |

**Description**
Applies to levels of tinting allowable on vehicle window glass.

**Legislative Intent, Public Purpose**
Encourage corrective action.

**Who Benefits and Number of Beneficiaries**
Not tracked.

**Estimated Cost to Administer**
$0; Minimal manual intervention.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

## Tire Restrictions and Requirements (Correctable)

| | |
|---|---|
| Type: | Credit |
| Statutory/Other Authority: | 13 AAC 04.230 |
| Year Enacted: | pre-1959 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $0 | $200 | $100 | $0 | $0 |

**Description**
Applies to the driving of a vehicle with metal tires/wheels on a highway.

**Legislative Intent, Public Purpose**
Encourage corrective action.

**Who Benefits and Number of Beneficiaries**
Not tracked.

**Estimated Cost to Administer**
$0; Minimal manual intervention.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

## Turn Light Requirements (Correctable)

| | |
|---|---|
| Type: | Credit |
| Statutory/Other Authority: | 13 AAC 04.037 |
| Year Enacted: | 1979 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $240 | $240 | $320 | $40 | $240 |

**Description**
Applies to signal lighting requirements for vehicles.

**Legislative Intent, Public Purpose**
Encourage corrective action.

**Who Benefits and Number of Beneficiaries**
Not tracked.

**Estimated Cost to Administer**
$0; Minimal manual intervention.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

## Court Fines

### Windshield and Wiper Requirements (Correctable)

| | |
|---|---|
| Type: | Credit |
| Statutory/Other Authority: | 13 AAC 04.225 |
| Year Enacted: | pre-1959 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $550 | $400 | $550 | $50 | $200 |

**Description**
Applies to the requirement for vehicles to have an intact windshield and functional windshield wipers.

**Legislative Intent, Public Purpose**
Encourage corrective action.

**Who Benefits and Number of Beneficiaries**
Not tracked.

**Estimated Cost to Administer**
$0; Minimal manual intervention.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

| Revenue Impact by Fund | | | | | | |
|---|---|---|---|---|---|---|
| **Fund Name** | **Fund Code** | **FY 2019** | **FY 2020** | **FY 2021** | **FY 2022** | **FY 2023** |
| General Fund/Program Receipts | 1005 | $8,289,480 | $6,906,900 | $7,111,335 | $7,815,975 | $8,241,025 |
| **Department / Agency Total** | | **$8,289,480** | **$6,906,900** | **$7,111,335** | **$7,815,975** | **$8,241,025** |

## Division of Motor Vehicles

### Fee Waiver for Government Agencies

| | |
|---|---|
| Type: | Exemption |
| Statutory/Other Authority: | AS 28.15.151(f) |
| Year Enacted: | 2023 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $4,520 | $19,620 | $19,370 | * | * |

Note: * Unknown. This is a service DMV provides for other State agencies, but it has not been tracked.

**Description**
Fee of $10 waived for government agencies requesting driver and vehicle records from DMV.

**Legislative Intent, Public Purpose**
Reduces cost of DMV services for other government agencies.

**Who Benefits and Number of Beneficiaries**
FY20: 1,962; FY21: 1,937.

**Estimated Cost to Administer**
$0

**Fund Code and Name**
1005, General Fund/Program Receipts

**Departmental Direction/Additional Comments**
This is a service DMV provides for other State agencies, but it has not been tracked.

## Motor Vehicle License Plates and Registration Fees for Amateur Radio Users

| | |
|---|---|
| Type: | Exemption |
| Statutory/Other Authority: | AS 28.10.181(i), AS 28.10.421 |
| Year Enacted: | 1978 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $11,800 | $8,700 | $12,700 | $10,400 | $10,300 |

**Description**
Waives registration fees and personalized plate fees for certain amateur radio users.

**Legislative Intent, Public Purpose**
Allows the registration of an amateur mobile radio station vehicle for each radio license issued by the federal government. Waives registration fees and personalized plate fees for certain amateur radio users.

**Who Benefits and Number of Beneficiaries**
This benefits amateur radio users. FY19: 119; FY20: 96; FY21: 139; FY22: 104; FY23: 103.

**Estimated Cost to Administer**
$0

**Fund Code and Name**
1005, General Fund/Program Receipts

**Departmental Direction/Additional Comments**
Increase in radio operators in 2021.

## Motor Vehicle License Plates and Registration Fees for Gold Star Family

| | |
|---|---|
| Type: | Exemption |
| Statutory/Other Authority: | AS 28.10.181(l), AS 28.10.421 |
| Year Enacted: | 2007 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $5,900 | $6,200 | $4,300 | $5,000 | $3,700 |

**Description**
Waives registration fees for survivors of those killed in the line of duty.

**Legislative Intent, Public Purpose**
Allow relatives of members of the United States Armed Forces that were killed in the line of duty to receive a gold star license plate. Waives registration fees for survivors of those killed in the line of duty.

**Who Benefits and Number of Beneficiaries**
Survivors of those killed in the line of duty benefit from this program. FY19: 46; FY20: 35; FY21: 32; FY22: 50; FY23: 37.

**Estimated Cost to Administer**
$0

**Fund Code and Name**
1005, General Fund/Program Receipts

**Departmental Direction/Additional Comments**
FY20 & FY21 based on biennially issued plates. $50/plate.

## Motor Vehicle License Plates and Registration Fees for Municipal Governments and Charitable Organizations

| | |
|---|---|
| Type: | Discount |
| Statutory/Other Authority: | AS 28.10.181(a), AS 28.10.181(e), AS 28.10.421(d) |
| Year Enacted: | 1978 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $650,880 | $595,350 | $657,810 | $641,610 | $688,950 |

**Description**
Discounts vehicle registration fees from $100 to $10 for vehicles owned by municipal governments, charitable or non-profit organizations, church/religious organizations, and Alaska Tribal Village Councils.

**Legislative Intent, Public Purpose**
Allows municipalities, charitable, non-profits, and church/religious organizations to get a discounted rate on vehicle registrations. Alaska Native Tribal Village Councils are also eligible. Reduces cost of DMV services for municipal governments and charitable organizations.

**Who Benefits and Number of Beneficiaries**
Municipal government agencies and charitable organizations benefit from this program. FY19: 7,105; FY20: 6,830; FY21: 7,524; FY22: 7,129; FY23: 7,655.

**Estimated Cost to Administer**
$0

**Fund Code and Name**
1005, General Fund/Program Receipts

## Motor Vehicle License Plates and Registration Fees for Pearl Harbor Survivors

| | |
|---|---|
| Type: | Exemption |
| Statutory/Other Authority: | AS 28.10.181(l), AS 28.10.421 |
| Year Enacted: | 1988 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $0 | $0 | $0 | $0 | $0 |

**Description**
Waives registration fees for Pearl Harbor survivors.

**Legislative Intent, Public Purpose**
Allows individuals who were on active duty in Pearl Harbor on December 7, 1941 to register one non-commercial vehicle.

**Who Benefits and Number of Beneficiaries**
This program benefits Pearl Harbor survivors. FY20: 0; FY21: 0; FY22: 0; FY23: 0.

**Estimated Cost to Administer**
$0

**Fund Code and Name**
1005, General Fund/Program Receipts

## Motor Vehicle License Plates and Registration Fees for Persons with Disabilities

| | |
|---|---|
| Type: | Exemption |
| Statutory/Other Authority: | AS 28.10.181, AS 28.10.421 |
| Year Enacted: | 2002 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $550,800 | $464,600 | $432,400 | $399,500 | $391,700 |

**Description**
Waives registration fees for persons with disabilities.

**Legislative Intent, Public Purpose**
Allow persons with disabilities to be issued a plate that does not have the international symbol of accessibility and which they are qualified for under AS 28.10.181.

**Who Benefits and Number of Beneficiaries**
Persons with disabilities benefit from this program. FY19: 1,858; FY20: 3,750; FY21: 3,275; FY22: 3,995; FY23: 3,717.

**Estimated Cost to Administer**
$0

**Fund Code and Name**
1005, General Fund/Program Receipts

## Motor Vehicle License Plates and Registration Fees for Prisoners of War

| | |
|---|---|
| Type: | Exemption |
| Statutory/Other Authority: | AS 28.10.181(l), AS 28.10.421 |
| Year Enacted: | 1984 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $0 | $0 | $0 | $0 | $0 |

**Description**
Waives registration fees for Prisoners of War.

**Legislative Intent, Public Purpose**
Allows individuals who were Prisoners of War to register one non-commercial vehicle.

**Who Benefits and Number of Beneficiaries**
Prisoners of War benefit from this program. FY20: 0; FY21: 0; FY22:0; FY23: 0.

**Estimated Cost to Administer**
$0

**Fund Code and Name**
1005, General Fund/Program Receipts

## Motor Vehicle License Plates and Registration Fees for Purple Heart Recipients

| | |
|---|---|
| Type: | Exemption |
| Statutory/Other Authority: | AS 28.10.181(q), AS 28.10.421 |
| Year Enacted: | 1989 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $31,800 | $25,300 | $27,000 | $24,400 | $25,100 |

**Description**
Waives registration fees for Purple Heart recipients.

**Legislative Intent, Public Purpose**
Allows Purple Heart recipients to register one non-commercial vehicle.

**Who Benefits and Number of Beneficiaries**
This program benefits Purple Heart recipients. FY19: 254; FY20: 263; FY21: 284; FY22: 244; FY23: 251.

**Estimated Cost to Administer**
$0

**Fund Code and Name**
1005, General Fund/Program Receipts

**Departmental Direction/Additional Comments**
Difference of full price verses free or discounted Methodology note: Revenue impacts for FY 2020 and FY 2021 are based on actual issued license plates. Revenue impacts prior to FY 2020 are based on maximum possible impact if all Purple Heart recipients received the license plates.

## Motor Vehicle License Plates and Registration Fees for Senior Citizens

| | |
|---|---|
| Type: | Exemption |
| Statutory/Other Authority: | AS 28.10.411 (f) |
| Year Enacted: | 1978 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $1,616,400 | $1,526,400 | $1,466,200 | $1,388,100 | $1,384,100 |

**Description**
Waives registration fees for persons 65 years of age or older.

**Legislative Intent, Public Purpose**
Allows individuals who are 65 years of age or older on January 1st of the year the vehicle is registered to one exemption. Reduces financial impact on senior community.

**Who Benefits and Number of Beneficiaries**
FY19: 12,418; FY20: 12,582; FY21: 12,263.

**Estimated Cost to Administer**
$0

**Fund Code and Name**
1005, General Fund/Program Receipts

## Motor Vehicle License Plates and Registration Fees for State Owned Vehicles

| | |
|---|---|
| Type: | Exemption |
| Statutory/Other Authority: | AS 28.10.421(d)(4) |
| Year Enacted: | Unknown |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $31,950 | $23,580 | $3,960 | $4,590 | $3,600 |

**Description**
Waives registration fees for state owned vehicles.

**Legislative Intent, Public Purpose**
Reduces DMV costs for other state agencies.

**Who Benefits and Number of Beneficiaries**
This benefits State of Alaska Government Agencies. FY19: 325; FY20: 264; FY21: 183; FY22: 51; FY23: 40.

**Estimated Cost to Administer**
$0

**Fund Code and Name**
1005, General Fund/Program Receipts

## Motor Vehicle License Plates and Registration Fees for Veterans with Disabilities

| | |
|---|---|
| Type: | Exemption |
| Statutory/Other Authority: | AS 28.10.181, AS 28.10.421 |
| Year Enacted: | 2002 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $403,600 | $387,100 | $390,900 | $418,300 | $373,400 |

**Description**
Waives registration fees for veterans with disabilities.

**Legislative Intent, Public Purpose**
Create a distinctive plate so veterans with disabilities can be recognized and stand out. To create public recognition for veterans with disabilities.

**Who Benefits and Number of Beneficiaries**
This program benefits disabled veterans. FY19: 2,046; FY20: 4,215; FY21: 3,899; FY22: 4,183; FY23: 3,734.

**Estimated Cost to Administer**
$0

**Fund Code and Name**
1005, General Fund/Program Receipts

## Permanent Registration for Eight-Year-Old Vehicles in Unorganized Boroughs or Communities

| | |
|---|---|
| Type: | Exemption |
| Statutory/Other Authority: | AS 28.10.155 |
| Year Enacted: | 2015 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $4,777,350 | $3,674,250 | $3,965,925 | $4,781,200 | $5,212,800 |

Note: Revenue loss will not be realized until the two-year registration period comes due on the vehicles that are permanently registered. The program began on January 1, 2015. Revenue loss will start being calculated on January 30, 2017.

**Description**
Allows permanent registration for vehicles eight years or older in unorganized boroughs or in communities that have passed an ordinance to allow permanent registration.

**Legislative Intent, Public Purpose**
The legislative intent for the Z tab (8 year old vehicles or more) is to allow Alaskans to not have to pay registration / tax on every year as they get older. It is a way to lessen the burden of older vehicles on Alaskans.

**Who Benefits and Number of Beneficiaries**
This benefits citizens with vehicles older than 8 years who reside in unorganized boroughs or communities that have passed an ordinance to allow permanent registration. FY19: 63,698; FY20: 12,582; FY21: 12,263; FY22: 47,812; FY23: 52,128.

**Estimated Cost to Administer**
$0

**Fund Code and Name**
1005, General Fund/Program Receipts

**Departmental Direction/Additional Comments**
This program began on January 1, 2014. The full registration fee and a $25 fee are collected at the time of permanent registration, and then no future registration fees are collected. The first revenue losses did not start until January 2016 due to the two-year registration period. Methodology note: The number of recipients reflects the number of permanent registrations issued during the relevant year, the total number of permanent registrations would be higher in any given year.

## State Identification Cards for Senior Citizens

Type: Exemption
Statutory/Other Authority: AS 18.65.310(g)
Year Enacted: 1976
Sunset/Repeal Date: None

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $204,480 | $175,800 | $130,770 | $142,875 | $147,375 |

**Description**
Waives identification card fees for applicants that are 60 years or older.

**Legislative Intent, Public Purpose**
Allows residents over 60 years of age to receive a free state identification card. Reduces financial impact on senior community.

**Who Benefits and Number of Beneficiaries**
The senior community benefits from this program. FY19: 13,632; FY20: 11,846; FY21: 8,720; FY22: 9,525; FY23: 9,825.

**Estimated Cost to Administer**
$0

**Fund Code and Name**
1005, General Fund/Program Receipts

| Revenue Impact by Fund | | | | | | |
|---|---|---|---|---|---|---|
| **Fund Name** | **Fund Code** | **FY 2019** | **FY 2020** | **FY 2021** | **FY 2022** | **FY 2023** |
| General Fund/Program Receipts | 1005 | $2,574,250 | $4,559,190 | $6,295,925 | $8,358,600 | $6,654,860 |
| Commercial Fishing Loan Fund | 1036 | $307,801 | $390,737 | $332,739 | $426,271 | $443,964 |
| Bulk Fuel Revolving Loan Fund | 1074 | $177,168 | $130,024 | $114,379 | $185,926 | $295,875 |
| Receipt Supported Services | 1156 | $33,723,585 | $32,581,148 | $35,080,269 | $36,331,250 | $42,522,590 |
| **Department / Agency Total** | | **$36,782,804** | **$37,661,099** | **$41,823,312** | **$45,302,047** | **$49,917,289** |

# Banking

## Small Loan Company Exemption

Type: Exemption
Statutory/Other Authority: AS 06.20.030
Year Enacted: 1978
Sunset/Repeal Date: None

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $0 | $0 | $0 | $0 | $0 |

**Description**
Exempts licensed small loan companies from the requirement of a business license.

**Legislative Intent, Public Purpose**
Alleviate regulatory burden by not requiring two licenses. Reduces regulatory burden on small loan companies.

**Who Benefits and Number of Beneficiaries**
Small Loan Companies. FY19: 13; FY20: 13; FY21: 13; FY22: 13; FY23: 13.

**Estimated Cost to Administer**
$0; Duties are carried out by existing staff, requires minimal resources.

**Fund Code and Name**
1005, General Fund/Program Receipts

**Departmental Direction/Additional Comments**
AS 06.20.030(c) reads 'The license fee required by this section is in place of the fee under AS 43.70 (Alaska Business License).' All currently licensed

small loan companies also have an Alaska business license issued by the Division of Corporations, Business and Professional Licensing.

## Interest Reduction

| | |
|---|---|
| Type: | Discount |
| Statutory/Other Authority: | AS 42.45.280, 3 AAC 161.045 |
| Year Enacted: | 2013 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $177,168 | $130,024 | $114,379 | $185,926 | $295,875 |

Note: The Bulk Fuel loan program is a revolving loan program. Program expenses come from the loan fund. The existing interest structure is expected to pay all costs of the program and keep the total loan fund at the current existing level of at least $2.6 million.

**Description**
Statutory interest base rate for borrowers is 4%. Statutes allow a 1% or 2% interest reduction on subsequent loans for borrowers in good standing. The interest rate for a first time borrower that receives a Bulk Fuel Loan will be zero.

**Legislative Intent, Public Purpose**
For the first year, zero interest loans for struggling entities to allow them time to work with the program to build management capacity. For the second and subsequent years, interest reduction to provide an incentive to entities that timely repaid their previous loans. Interest reduction is an incentive to remain in good standing in revolving loan program.

**Who Benefits and Number of Beneficiaries**
FY19: 82; FY22: 111; FY23: 117.

**Estimated Cost to Administer**
There is no additional incremental cost to the administration of the interest reduction program within the bulk fuel loans.

**Fund Code and Name**
1074, Bulk Fuel Revolving Loan Fund

## Discount for Senior Citizens

| | |
|---|---|
| Type: | Discount |
| Statutory/Other Authority: | AS 43.70.030(a)(1), 12 AAC 12.010(a)(1-2) |
| Year Enacted: | 2003 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $89,750 | $23,050 | $0 | $0 | $127,450 |

Note: Zero in FY21 due to continued fee waiver.

**Description**
The Senior Citizen Discount provides a 50% discount to qualified sole proprietors. From FY 2010 to the present, the business license fee is $50 per year and the discounted business license fee is $25.

**Legislative Intent, Public Purpose**
Discount for sole proprietor senior citizens. Foster Alaskan businesses and corporations.

**Who Benefits and Number of Beneficiaries**
FY19: 3,590; FY23: 5,098.

**Estimated Cost to Administer**
$0; Duties are carried out by existing staff, requires minimal resources.

**Fund Code and Name**
1005, General Fund/Program Receipts

**Departmental Direction/Additional Comments**
No fees were collected for initial or renewal of business licenses in 2021. Fees were suspended because of the COVID-19 pandemic. Business license fees were reinstated in February 2023.

## Discount for Service-Connected Veterans with Disabilities

| | |
|---|---|
| Type: | Discount |
| Statutory/Other Authority: | AS 43.70.030(a)(2), 12 AAC 12.010(a)(1-2) |
| Year Enacted: | 10/29/2014 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $4,300 | $725 | $0 | $0 | $2,975 |

Note: Zero in FY21 due to continued fee waiver.

**Description**
The Service-Connected Veterans with Disabilities discount provides a 50% discount to qualified sole proprietors. From FY 2015, effective year of this discount, the business license fee is $50 per year and the discounted business license fee is $25 per year.

**Legislative Intent, Public Purpose**
Discount for sole proprietor service-connected veterans with disabilities. Foster Alaskan businesses and corporations.

**Who Benefits and Number of Beneficiaries**
FY23: 119.

**Estimated Cost to Administer**
$0; Duties are carried out by existing staff, requires minimal resources.

**Fund Code and Name**
1005, General Fund/Program Receipts

**Departmental Direction/Additional Comments**
No fees were collected for initial or renewal of business license in 2021, 2022, and partial 2023. Fees were reinstated 2/1/2023. A service-connected disability means that a veteran's injury or disease was incurred or aggravated during active military service.

## Governor Fee Waiver

| | |
|---|---|
| Type: | Discount |
| Statutory/Other Authority: | COVID-19 Disaster Order of Suspension No. 2 Appendix A |
| Year Enacted: | 3/31/2020 |
| Sunset/Repeal Date: | 1/31/2023 |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $0 | $937,250 | $3,047,150 | $5,378,400 | $3,387,935 |

**Description**
Governor Dunleavy waived all Business License initial and renewal fees in an effort to promote the Alaskan economy.

**Legislative Intent, Public Purpose**
To grow the Alaskan economy.

**Who Benefits and Number of Beneficiaries**
Approximately 60,000 business. It would be impossible to calculate the individual benefit.

**Estimated Cost to Administer**
$0; Duties are carried out by existing staff, requires minimal resources.

**Fund Code and Name**
1005, General Fund/Program Receipts

## Pay on Time Program

| | |
|---|---|
| Type: | Credit |
| Statutory/Other Authority: | AS 16.10.310, 3 AAC 80.055(p) |
| Year Enacted: | 8/1/2000 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $307,801 | $390,737 | $332,739 | $426,271 | $443,964 |

**Description**
1% interest rate incentive for the following year to borrowers who make timely payments.

**Legislative Intent, Public Purpose**
Provide an incentive for borrowers who make timely payments. Gives borrowers that consistently pay timely an incentive. The program also saves the division money by reducing the number of extensions, soft collections contacts, workouts and other collection activity associated with borrowers that do not pay on time.

**Who Benefits and Number of Beneficiaries**
FY19: 1,289; FY22: 1,185; FY23: 1,145.

**Estimated Cost to Administer**
$0; Duties are carried out by existing staff, requires minimal resources.

**Fund Code and Name**
1036, Commercial Fishing Loan Fund

## Discount for Alaskan Corporations on Biennial Report

| | |
|---|---|
| Type: | Discount |
| Statutory/Other Authority: | AS 10.06.845(a) |
| Year Enacted: | 1988 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $469,500 | $426,400 | $443,800 | $424,100 | $433,000 |

**Description**
The corporation tax on a biennial report for a domestic (Alaskan) corporation is $100 and for a foreign (non-Alaskan) corporation is $200.

**Legislative Intent, Public Purpose**
Discount for domestic (Alaskan) entities. Foster Alaskan businesses and corporations.

**Who Benefits and Number of Beneficiaries**
Domestic business corporations who filed biennial reports. FY19: 4,695; FY23: 4,330.

**Estimated Cost to Administer**
$0; Duties are carried out by existing staff, requires minimal resources.

**Fund Code and Name**
1005, General Fund/Program Receipts

## Discount for Alaskan Corporations on Creation

| | |
|---|---|
| Type: | Discount |
| Statutory/Other Authority: | AS 10.06.845(a) |
| Year Enacted: | 1988 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $51,700 | $38,800 | $35,400 | $37,200 | $37,600 |

**Description**
The corporation tax on a creation filing for a domestic (Alaskan) business corporation is $100 and for a foreign (non-Alaskan) business corporation is $200.

**Legislative Intent, Public Purpose**
Discount for domestic (Alaskan) entities. Foster Alaskan businesses and corporations.

**Who Benefits and Number of Beneficiaries**
New domestic business corporations. FY19: 517; FY23: 376.

**Estimated Cost to Administer**
$0; Duties are carried out by existing staff, requires minimal resources.

**Fund Code and Name**
1005, General Fund/Program Receipts

## Discount for Alaskan LLCs on Biennial Report

| | |
|---|---|
| Type: | Discount |
| Statutory/Other Authority: | AS 10.50.850, AS 10.50.900, 3 AAC 16.065 |
| Year Enacted: | 1995 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $1,400,700 | $1,438,800 | $1,652,800 | $1,811,100 | $1,902,200 |

**Description**
The corporation tax on a biennial report for a domestic (Alaskan) limited liability company (LLC) is $100 and for a foreign (non-Alaskan) limited liability company is $200.

**Legislative Intent, Public Purpose**
Discount for domestic (Alaskan) entities. Foster Alaskan businesses and corporations.

**Who Benefits and Number of Beneficiaries**
Domestic LLCs who filed biennial reports. FY19: 14,007; FY23: 19,022.

**Estimated Cost to Administer**
$0; Duties are carried out by existing staff, requires minimal resources.

**Fund Code and Name**
1005, General Fund/Program Receipts

## Discount for Alaskan LLCs on Creation

| | |
|---|---|
| Type: | Discount |
| Statutory/Other Authority: | AS 10.50.850, AS 10.50.900, 3 AAC 16.065 |
| Year Enacted: | 1995 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $555,700 | $476,000 | $478,400 | $705,400 | $760,800 |

**Description**
The corporation tax on a creation for a domestic (Alaskan) limited liability company (LLC) is $100 and for a foreign (non-Alaskan) limited liability company is $200.

**Legislative Intent, Public Purpose**
Discount for domestic (Alaskan) entities. Foster Alaskan businesses and corporations.

**Who Benefits and Number of Beneficiaries**
New domestic LLCs. FY19: 5,557; FY23: 7,608.

**Estimated Cost to Administer**
$0; Duties are carried out by existing staff, requires minimal resources.

**Fund Code and Name**
1005, General Fund/Program Receipts

## Discount for Alaskan LLPs on Biennial Report

| | |
|---|---|
| Type: | Discount |
| Statutory/Other Authority: | AS 32.05.750, AS 32.06.970, 3 AAC 16.055(c) |
| Year Enacted: | 1997 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $2,600 | $2,100 | $2,800 | $2,400 | $2,900 |

**Description**
The corporation tax on a biennial report for a domestic (Alaskan) limited liability partnership (LLP) is $100 and for a foreign (non-Alaskan) limited liability partnership is $200.

**Legislative Intent, Public Purpose**
Discount for domestic (Alaskan) entities. Foster Alaskan businesses and corporations.

**Who Benefits and Number of Beneficiaries**
Domestic LLPs who filed biennial reports. FY19: 26; FY23: 29.

**Estimated Cost to Administer**
$0; Duties are carried out by existing staff, requires minimal resources.

**Fund Code and Name**
1005, General Fund/Program Receipts

## Governor Fee Waiver of all Corporate Filings

| | |
|---|---|
| Type: | Discount |
| Statutory/Other Authority: | COVID-19 Disaster Order of Suspension No. 2 Appendix A |
| Year Enacted: | 4/9/2020-8/31/2020 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $0 | $1,216,065 | $635,575 | $0 | $0 |

**Description**
Governor Dunleavy waived all corporate filing fees in an effort to promote the Alaskan economy.

**Legislative Intent, Public Purpose**
Promote new business opportunity to grow the Alaskan economy.

**Who Benefits and Number of Beneficiaries**
Over 20,000 filings had their fees waived. It would be impossible to calculate the individual benefit.

**Estimated Cost to Administer**
$0; Duties are carried out by existing staff, requires minimal resources.

**Fund Code and Name**
1005, General Fund/Program Receipts

**Departmental Direction/Additional Comments**
For the period 4/9/2020 - 8/31/2020, no corporate filing fees were collected. This included 39 different filing types over the period. The standard foregone revenue is for only 5 of the 39 total fees.

## Alaska Comprehensive Health Insurance Association Tax Credit

| | |
|---|---|
| Type: | Credit |
| Statutory/Other Authority: | AS 21.55.220(f) |
| Year Enacted: | 2006 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $2,000,000 | $1,250,000 | $2,500,000 | $2,500,000 | $500,000 |

Note: The estimated revenue impact is calculated at 50% of assessments.

**Description**
Tax credit of 50% of assessment by the Alaska Comprehensive Health Insurance Association.

**Legislative Intent, Public Purpose**
Rep. Norman Rokeberg introduced HB29 in 2006. The intent was to expand the base of entities paying into the Alaska Comprehensive Health Insurance Association (ACHIA), at that time the state's 'high risk pool', to ensure future solvency and a lower barrier to entry into the Alaska market by health insurance underwriters. The sponsor describes the bill as an effort to require the state to "pick up their fair share" of the ACHIA assessment. The "State as a whole" would make the contribution in the form of a tax credit to the sources of the revenue. The public purpose is to reduce taxes paid for companies paying into the Alaska Comprehensive Health Insurance Association.

**Who Benefits and Number of Beneficiaries**
FY19: 63; FY20: 69; FY21: 66; FY22: 55; FY23: 64.

**Estimated Cost to Administer**
$0; Duties are carried out by existing staff, requires minimal resources.

**Fund Code and Name**
1156, Receipt Supported Services

**Departmental Direction/Additional Comments**
Revenue is collected as insurance receipts and deposited in the general fund.

## Alaska Fire Standards Council Tax Credit

| | |
|---|---|
| Type: | Credit |
| Statutory/Other Authority: | AS 21.96.075 |
| Year Enacted: | 2000 |
| Sunset/Repeal Date: | 1/1/2019 |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $0 | $0 | $0 | $0 | $0 |

Note: Encourage donations for the Alaska Fire Standards Council.

**Description**
Tax credit up to $300,000 amongst all eligible companies.

**Legislative Intent, Public Purpose**
Rep. Gene Therriault sponsored this legislation (HB 380) in 2000, to establish a tax credit to help fund the Alaska Fire Standards Council operations. The Alaska Fire Standards Council was established in 2000, to adopt minimum standards for employment and curriculum requirements for firefighters and fire instructions and their certification. HB 380 created an insurance tax credit for contributions to the Alaska Fire Standards Council for fire services training programs. The public purpose is for the Alaska Fire Chiefs Association to fund Alaska Fire Standards Council operations through a tax credit. The Council was assigned to find alternative mechanisms to fund fire service training programs.

**Who Benefits and Number of Beneficiaries**
None.

**Estimated Cost to Administer**
$0; Duties are carried out by existing staff, requires minimal resources.

**Fund Code and Name**
1156, Receipt Supported Services

**Departmental Direction/Additional Comments**
Revenue is collected as insurance receipts and deposited in the general fund.

## Deduction from Premiums Written for Claims Paid

| | |
|---|---|
| Type: | Deduction |
| Statutory/Other Authority: | AS 21.09.210(b)(2) |
| Year Enacted: | 1966 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $23,873,003 | $22,981,307 | $24,516,010 | $23,798,102 | $29,712,829 |

Note: The estimated revenue impact is calculated claims paid * tax rate (6%).

**Description**
Premium tax on hospital and medical service corporations is based on 6% of gross premiums less claims paid.

**Legislative Intent, Public Purpose**
The minutes of the February 17, 1966 meeting of the House Commerce Committee included the following notation regarding AS 21.09.210(b)(2): "The question was raised as to whether or not health care plans were included. It was then discussed and noted that the provision was a compromise provision (group insurance insurers were discussed as to whether or not they were placed in a competitive disadvantage, the compromise which this section represents was then mentioned)." See legislative intent for premium deduction for more information. The public purpose was for the establishment of a premium tax on hospital and medical service corporations.

**Who Benefits and Number of Beneficiaries**
FY19: 1; FY20: 1; FY21: 1; FY22: 1; FY23: 1.

**Estimated Cost to Administer**
$0; Duties are carried out by existing staff, requires minimal resources.

**Fund Code and Name**
1156, Receipt Supported Services

**Departmental Direction/Additional Comments**
Revenue is collected as insurance receipts and deposited in the general fund.

## Deduction from Premiums Written for Dividends

| | |
|---|---|
| Type: | Deduction |
| Statutory/Other Authority: | AS 21.09.210(b) |
| Year Enacted: | 1966 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $989,370 | $619,136 | $840,296 | $463,781 | $425,207 |

Note: The estimated revenue impact is calculated dividends * tax rate (2.7%).

**Description**
Premium deductions from premiums written due to cancellations, returned premiums, the unabsorbed premiums refunded to policy holders, refunds, savings, savings coupons, and other similar returns to policy holders.

**Legislative Intent, Public Purpose**
There is no legislative history that indicates the legislative intent of this specific provision. The provision was enacted as part of a complete revision and reorganization of Alaska's insurance statutes in 1966 and was based on Montana's insurance code enacted in that state in 1961 and considered at that time to be "the most modern, complete, and up-to-date body of insurance regulation [of] any of the fifty states." The language of the provision, however, is unambiguous and the legislature's intent is clear from the common and ordinary meaning of the words the legislature used in the provision. The public purpose is reducing the tax caluclation for dividends used to pay premium.

**Who Benefits and Number of Beneficiaries**
FY20: 168; FY21: 163; FY22: 162; FY23: 157.

**Estimated Cost to Administer**
$0; Duties are carried out by existing staff, requires minimal resources.

**Fund Code and Name**
1156, Receipt Supported Services

**Departmental Direction/Additional Comments**
Revenue is collected as insurance receipts and deposited in the general fund. Corrected the figures for FY20 - FY21 as some dividends that must be added back to premiums were not accounted for, thus netting the dividends affecting tax lost. No report available to fix FY19.

## Deduction from Premiums Written for Return Premium Transactions

| | |
|---|---|
| Type: | Deduction |
| Statutory/Other Authority: | AS 21.34.180 |
| Year Enacted: | Enacted 1984, effective date 1985 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $85,272 | $107,303 | $115,759 | $87,573 | $110,737 |

Note: The estimated revenue impact is calculated return premium * tax plus fee rate (2.7%).

**Description**
Deduction from premiums written for return premium transactions.

**Legislative Intent, Public Purpose**
Ch 117 SLA 1984 created a new Chapter 34, Surplus Lines Insurance, in the insurance Title 21 which included this provision. The new title was an "'Alaskanized' version of the model bill" which was the NAIC surplus lines model bill. A provision with the same effect was first enacted as part of a complete revision and reorganization of Alaska's insurance statutes in 1966. See legislative intent for premium deduction for more information. The language of the provision, however, is unambiguous and the legislature's intent is clear from the common and ordinary meaning of the words the legislature used in the provision. The public purpose was the establishment of premium taxes on surplus lines contracts.

**Who Benefits and Number of Beneficiaries**
Number of insured transactions. FY19: 949; FY20: 896; FY21: 1,015; FY22: 868; FY23: 1,014.

**Estimated Cost to Administer**
$0; Duties are carried out by existing staff, requires minimal resources.

**Fund Code and Name**
1156, Receipt Supported Services

**Departmental Direction/Additional Comments**
Revenue is collected as insurance receipts and deposited in the general fund.

## Education Tax Credit

| | |
|---|---|
| Type: | Credit |
| Statutory/Other Authority: | AS 21.96.070 |
| Year Enacted: | 1994, last amended 2024 |
| Sunset/Repeal Date: | 1/1/2029 |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $500 | $5,000 | $0 | $0 | $0 |

Note: The estimated revenue impact is calculated at 50% of contributions.

**Description**
Education tax credit for donations to allowable educational entities. See also education tax credit in the DOR Section.

**Legislative Intent, Public Purpose**
The provision was added to give the insurance industry the ability to take the tax credit which was a credit already available to anyone who pays a corporate income tax, oil production tax, fishing taxes, or mining taxes and was intended to correct an oversight when the tax credit bill was enacted in 1991. The public purpose is to encourage donations for educational purposes.

**Who Benefits and Number of Beneficiaries**
FY19: 1; FY20: 1; FY 21: 0; FY22: 0; FY23: 0.

**Estimated Cost to Administer**
$0; Duties are carried out by existing staff, requires minimal resources.

**Fund Code and Name**
1156, Receipt Supported Services

**Departmental Direction/Additional Comments**
Revenue is collected as insurance receipts and deposited in the general fund.

## Film Tax Credit

| | |
|---|---|
| Type: | Credit |
| Statutory/Other Authority: | AS 43.98.03(c) |
| Year Enacted: | Enacted 2012, effective 2013 |
| Sunset/Repeal Date: | 7/1/2015 |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $512,649 | $209,436 | $800,868 | $142,668 | $137,656 |

**Description**
Tax credit allowed to be applied against premium tax for insurance companies who purchased the credit certificate from a qualified producer.

**Legislative Intent, Public Purpose**
Senator Johnny Ellis sponsored legislation to support the growth and success of Alaska's burgeoning film and TV production industry. It would extend the tax credits for 10 years. Extending the incentives would continue bringing new money and investments into the Alaskan economy and put Alaskans to work. The public purpose is to provide for the transfer of film tax credits to entities such as insurance companies to apply against premium tax due.

**Who Benefits and Number of Beneficiaries**
Number of companies. FY19: 7, FY20: 2, FY21: 1, FY22: 1, FY23: 1.

**Estimated Cost to Administer**
$0; Duties are carried out by existing staff, requires minimal resources.

**Fund Code and Name**
1156, Receipt Supported Services

**Departmental Direction/Additional Comments**
There are still tax credits available through calendar year 2023 even with the repeal of the film tax. However, the one company with film tax credit ran out of their six years to claim the credit before it was all used. FY23 was the last year they could claim credit. Revenue is collected as insurance receipts and deposited in the general fund.

## Independently Procured Tax

| | |
|---|---|
| Type: | Exemption |
| Statutory/Other Authority: | AS 21.33.061(g) |
| Year Enacted: | Enacted 1984, effective date 1985 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $0 | $0 | $0 | $0 | $0 |

Note: Exempts the State of Alaska and entities engaging in aircraft used for interstate or foreign commerce from paying this tax.

**Description**
Tax exemption for insurance of risks of the state or a political subdivision of this state, or to insurance of aircraft primarily engaged in interstate or foreign commerce.

**Legislative Intent, Public Purpose**
There is no legislative history that indicates the legislative intent of this specific provision. The language of the provision, however, is unambiguous and the legislature's intent is clear from the common and ordinary meaning of the words the legislature used in the provision.

**Who Benefits and Number of Beneficiaries**
None.

**Estimated Cost to Administer**
$0; Duties are carried out by existing staff, requires minimal resources.

**Fund Code and Name**
1156, Receipt Supported Services

**Departmental Direction/Additional Comments**
Revenue is collected as insurance receipts and deposited in the general fund.

## Lower Tax Rate

| | |
|---|---|
| Type: | Discount |
| Statutory/Other Authority: | AS 21.09.210(m) |
| Year Enacted: | 1998 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $4,138,827 | $5,677,308 | $4,482,998 | $7,525,646 | $10,430,262 |

Note: The estimated revenue impact is calculated as premiums over $100,000 per individual policy * tax rate (2.7%) less the same premiums * tax rate (0.08%).

**Description**
Lower tax rate on individual life insurance policy premiums over $100,000. The first $100,000 is taxed at 2.7% and anything over $100,000 taxed at 0.08%.

**Legislative Intent, Public Purpose**
At the time of passage in 1998, testimony from the insurance division director indicated that there were no policies being written in the state with a yearly premium of $100,000 or more. Testimony of supporters of the bill and Rep. Joe Ryan, sponsor of the amendment, indicated the intent of the amendment was to encourage large insurance policies to be placed in Alaska, to increase revenue and jobs in the state, to enhance the trust and financial planning industries in the state, and to make Alaska more competitive. The public purpose is to lower the cost for very large individual life insurance policies.

**Who Benefits and Number of Beneficiaries**
The number of companies ranged from 15 - 16 from FY 2019 - FY 2023.

**Estimated Cost to Administer**
$0; Duties are carried out by existing staff, requires minimal resources.

**Fund Code and Name**
1156, Receipt Supported Services

**Departmental Direction/Additional Comments**
Revenue is collected as insurance receipts and deposited in the general fund.

## Return Premium Deduction for Surplus Lines Filing Fees

| | |
|---|---|
| Type: | Deduction |
| Statutory/Other Authority: | AS 21.34.190 |
| Year Enacted: | Enacted 1984, effective date 1985 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| * | $39,742 | $42,874 | $32,434 | $41,014 |

Note: The estimated revenue impact is calculated return premium * fee rate (1%).

**Description**
Deduction from premiums written for return premium transactions.

**Legislative Intent, Public Purpose**
Ch 117 SLA 1984 created a new Chapter 34, Surplus Lines Insurance, in the insurance Title 21 which included this provision. The new title was an "'Alaskanized' version of the model bill" which was the NAIC surplus lines model bill. A provision with the same effect was first enacted as part of a complete revision and reorganization of Alaska's insurance statutes in 1966. See legislative intent for premium deduction for more information. The language of the provision, however, is unambiguous and the legislature's intent is clear from the common and ordinary meaning of the words the legislature used in the provision. The public purpose was the establishment of filing fees on surplus lines contracts.

**Who Benefits and Number of Beneficiaries**
Number of insured transactions. FY19: 949; FY20: 896; FY21: 1,015; FY22: 868; FY23: 1,014.

**Estimated Cost to Administer**
$0; Duties are carried out by existing staff, requires minimal resources.

**Fund Code and Name**
1156, Receipt Supported Services

**Departmental Direction/Additional Comments**
Revenue is collected as insurance receipts and deposited in the general fund.

## Tax Exempt State Premiums

| | |
|---|---|
| Type: | Exemption |
| Statutory/Other Authority: | AS 21.09.210(i) |
| Year Enacted: | 1966 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $1,318,608 | $442,951 | $448,221 | $429,457 | $310,817 |

Note: The estimated revenue impact is calculated as premiums written * tax rate (2.7%).

**Description**
Premiums paid by the state for insurance policies and contracts purchased under AS 39.30 are exempt from taxation.

**Legislative Intent, Public Purpose**
Reduce the cost of premiums to employees working for the State of Alaska.

**Who Benefits and Number of Beneficiaries**
FY19: 2; FY20: 2; FY21: 2; FY: 2; FY23: 2.

**Estimated Cost to Administer**
$0; Duties are carried out by existing staff, requires minimal resources.

**Fund Code and Name**
1156, Receipt Supported Services

**Departmental Direction/Additional Comments**
Revenue is collected as insurance receipts and deposited in the general fund.

## Tax Exemptions

| | |
|---|---|
| Type: | Exemption |
| Statutory/Other Authority: | AS 21.34.180(i) |
| Year Enacted: | Enacted 1984, effective 1985 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $622,297 | $820,699 | $889,386 | $903,688 | $542,094 |

Note: The estimated revenue impact is calculated premium * tax plus fee rate (2.7%).

**Description**
Tax exemption for insurance of risks of the state or a political subdivision of this state, to an agency of state government or its political subdivisions, or to insurance of aircraft primarily engaged in interstate or foreign commerce.

**Legislative Intent, Public Purpose**
Ch 117 SLA 1984 created a new Chapter 34, Surplus Lines Insurance, in the insurance Title 21 which included this provision. The new title was an "'Alaskanized' version of the model bill," which was the NAIC surplus lines model bill. Ch 117 SLA 1984 has no legislative history to indicate the legislative intent of this specific provision. The language of the provision, however, is unambiguous and the legislature's intent is clear from the common and ordinary meaning of the words the legislature used in the provision. The public purpose is to exempt State of Alaska and entities engaging in aircraft used for interstate or foreign commerce from paying tax.

**Who Benefits and Number of Beneficiaries**
Number of insured transactions. FY19: 313; FY20: 343; FY21: 369; FY22: 302; FY23: 227.

**Estimated Cost to Administer**
$0; Duties are carried out by existing staff, requires minimal resources.

**Fund Code and Name**
1156, Receipt Supported Services

**Departmental Direction/Additional Comments**
Revenue is collected as insurance receipts and deposited in the general fund.

## Tax Exemptions for Surplus Lines Fees

| | |
|---|---|
| Type: | Exemption |
| Statutory/Other Authority: | AS 21.34.180(i), Bulletin 97-01 |
| Year Enacted: | Enacted 1984, effective 1985 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| * | $303,962 | $329,402 | $334,699 | $200,775 |

Note: The estimated revenue impact is calculated premium * fee rate (1%).

**Description**
Tax exemption for insurance of risks of the state or a political subdivision of this state, to an agency of state government or its political subdivisions, or to insurance of aircraft primarily engaged in interstate or foreign commerce.

**Legislative Intent, Public Purpose**
Ch 117 SLA 1984 created a new Chapter 34, Surplus Lines Insurance, in the insurance Title 21 which included this provision. The new title was an "'Alaskanized' version of the model bill," which was the NAIC surplus lines model bill. Ch 117 SLA 1984 has no legislative history to indicate the legislative intent of this specific provision. The language of the provision, however, is unambiguous and the legislature's intent is clear from the common and ordinary meaning of the words the legislature used in the provision. The public purpose is to exempt State of Alaska and entities engaging in aircraft used for interstate or foreign commerce from paying filing fees.

**Who Benefits and Number of Beneficiaries**
Number of insured transactions. FY19: 313; FY20: 343; FY21: 369; FY22: 302; FY23: 227.

**Estimated Cost to Administer**
$0; Duties are carried out by existing staff, requires minimal resources.

**Fund Code and Name**
1156, Receipt Supported Services

**Departmental Direction/Additional Comments**
Revenue is collected as insurance receipts and deposited in the general fund.

## Unauthorized Company Tax

| | |
|---|---|
| Type: | Exemption |
| Statutory/Other Authority: | AS 21.33.055(c) |
| Year Enacted: | 1992 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $0 | $0 | $0 | $0 | $0 |

Note: Exempt State of Alaska and entities engaging in aircraft used for interstate or foreign commerce from paying tax.

**Description**
Tax exemption for insurance of risks of the state or a political subdivision of this state, or to insurance of aircraft primarily engaged in interstate or foreign commerce.

**Legislative Intent, Public Purpose**
The provision was enacted as part of a substantial bill to enable the Alaska Division of Insurance to obtain accreditation by the National Association of Insurance Commissioners and to bring the state's insurance statutes up to date including the reorganization and revision of the requirements of licensing of insurance professionals. There is no legislative history that indicates the legislative intent of this specific provision. The language of the provision, however, is unambiguous and the legislature's intent is clear from the common and ordinary meaning of the words the legislature used in the provision. The public purpose is to exempt State of Alaska and entities engaging in aircraft used for interstate or foreign commerce from paying tax.

**Who Benefits and Number of Beneficiaries**
None.

**Estimated Cost to Administer**
$0; Duties are carried out by existing staff, requires minimal resources.

**Fund Code and Name**
1156, Receipt Supported Services

**Departmental Direction/Additional Comments**
Revenue is collected as insurance receipts and deposited in the general fund.

## Wet Marine and Transportation Tax

| | |
|---|---|
| Type: | Deduction |
| Statutory/Other Authority: | AS 21.09.210(d) |
| Year Enacted: | 1966 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $183,059 | $124,304 | $114,455 | $113,202 | $111,199 |

Note: The estimated revenue impact is calculated as direct losses paid * tax rate (0.75%).

**Description**
Premium tax on insurer of wet marine and transportation contracts. 3/4 of 1% on its gross underwriting profit which is less direct losses paid.

**Legislative Intent, Public Purpose**
A. J. Lingle, director of the division of insurance, pointed out that the wet marine insurance tax amount was "the usual one put on insurance of this type." (2/17/1966 Minutes of the Commerce Committee). The provision was enacted as part of a complete revision and reorganization of Alaska's insurance statutes in 1966. See legislative intent for premium deduction for more information. The public purpose was the establishment of premium taxes on wet marine and transportation contracts.

**Who Benefits and Number of Beneficiaries**
FY19: 36; FY20: 33; FY21: 30; FY22: 33; FY23: 29.

**Estimated Cost to Administer**
$0; Duties are carried out by existing staff, requires minimal resources.

**Fund Code and Name**
1156, Receipt Supported Services

**Departmental Direction/Additional Comments**
Updated applicable program. Revenue is collected as insurance receipts and deposited in the general fund.

## Property Tax Equivalency Payments (Renters Rebate)

| | |
|---|---|
| Type: | Rebate |
| Statutory/Other Authority: | AS 29.45.040 |
| Year Enacted: | 1973 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $0 | $0 | $0 | $0 | $0 |

Note: By not appropriating funds to meet the reimbursement obligation, the state increases the Unrestricted General Fund.

**Description**
The program rebates, to eligible applicants, that portion of their yearly rent on their permanent residence that goes towards the payment of real property taxes. A resident of the state who rents a permanent place of abode is eligible for a tax equivalency payment from the state through the department if the resident is (1) at least 65 years old; (2) a veteran with a disability; or (3) at least 60 years old and the widow or widower of a person who was eligible for payment under (1) or (2).

**Legislative Intent, Public Purpose**
The intent was to provide rent relief to senior citizens and veterans with disabilities who rented rather than owned their homes. As renters they did not benefit from the senior citizen & veterans with disabilities exemption program. The public purpose is to incentivize senior citizens and veterans with disabilities to stay in Alaska.

**Who Benefits and Number of Beneficiaries**
Eighteen municipalities that collect property taxes that are mandated by law to provide this exemption. The Property Tax Equivalency Payment Program has not been funded since FY 2000, so there are no beneficiaries.

**Estimated Cost to Administer**
This program is not funded, so there is no revenue impact.

**Fund Code and Name**

**Departmental Direction/Additional Comments**
No fund code, not state funds.

## Property Tax Exemption for Senior Citizens and Veterans with Disabilities

| | |
|---|---|
| Type: | Exemption |
| Statutory/Other Authority: | AS 29.45.030(e) - (g) |
| Year Enacted: | 1973 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $0 | $0 | $0 | $0 | $0 |

Note: By not appropriating funds to meet the reimbursement obligation, the state increases the Unrestricted General Fund.

**Description**
Provide property tax relief to senior citizens and veterans with disabilities who own their residence. State law exempts real property owned and occupied as a permanent home by a resident, 65 years of age or older, or, by a veterans with disabilities with a 50% or greater service-connected disability. The exemption applies to the first $150,000 of assessed valuation.

**Legislative Intent, Public Purpose**
Reimburse municipalities for reduced revenue from a legislatively mandated program. The public purpose is to incentivize senior citizens and veterans with disabilities to stay in Alaska.

**Who Benefits and Number of Beneficiaries**
24 municipalities that collect property taxes are mandated by law to provide this exemption. There are 37,455 qualified applicants for the senior citizen and veterans with disabilities exemption.

**Estimated Cost to Administer**
This program is not funded, so there is no revenue impact.

**Fund Code and Name**

**Departmental Direction/Additional Comments**
No fund code, not state funds.

## Prorated Rate for Renewal of Licenses Within 90 Days of Expiration

Type: Discount

Statutory/Other Authority: AS 08.01.065, AS 08.01.080, AS 08.01.100, 12 AAC 02.030

Year Enacted: 1981

Sunset/Repeal Date: None

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $0 | $0 | $0 | $0 | $0 |

**Description**
Provides a prorated rate for renewal of the license for those who make initial application for a professional license within 90 days of its biennial expiration.

**Legislative Intent, Public Purpose**
Streamlines licensing paperwork and expense for those who make initial application for a professional license within 90 days of its biennial expiration.

**Who Benefits and Number of Beneficiaries**
Unknown.

**Estimated Cost to Administer**
$0; Duties are carried out by existing staff, requires minimal resources.

**Fund Code and Name**
1156, Receipt Supported Services

| Revenue Impact by Fund | | | | | | |
|---|---|---|---|---|---|---|
| **Fund Name** | **Fund Code** | **FY 2019** | **FY 2020** | **FY 2021** | **FY 2022** | **FY 2023** |
| Unrestricted General Fund Receipts | 1004 | $2,584,234 | $2,644,124 | $2,807,031 | $2,878,580 | $2,949,574 |
| General Fund/Program Receipts | 1005 | $195,933 | $140,882 | $32,738 | $102,388 | $156,315 |
| Alaska Student Loan Corporation Receipts | 1106 | $492,609 | $387,769 | $261,660 | $219,305 | $195,806 |
| Statutory Designated Program Receipts | 1108 | $29,195 | $14,903 | $12,820 | $25,314 | $123,426 |
| **Department / Agency Total** | | **$3,301,971** | **$3,187,678** | **$3,114,249** | **$3,225,587** | **$3,425,121** |

## Alaska Student Loan Program (ASL)

## Education Loan Forgiveness - ASL

Type: Credit

Statutory/Other Authority: AS 14.43.120(j), 20 AAC 15.060

Year Enacted: 1971

Sunset/Repeal Date: Repealed 1987

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $0 | $0 | $0 | $0 | $0 |

Note: Loans are no longer being made under this program and as of FY23, the ASLC has no outstanding balances that are forgiveness-eligible.

**Description**
Under certain conditions up to 50% of a borrower's obligation to repay loan principal and interest is discharged.

**Legislative Intent, Public Purpose**
Provide incentive for college students to return to or remain in Alaska. Encourage Alaska residents to complete postsecondary education and reside in Alaska thereafter.

**Who Benefits and Number of Beneficiaries**
FY19: 0; FY20: 0; FY21: 0; FY22: 0; FY23: 0.

**Estimated Cost to Administer**
Automated; minimal manual intervention.

**Fund Code and Name**
1106, Alaska Student Loan Corporation Receipts

## Exemption from Authorization

| | |
|---|---|
| Type: | Exemption |
| Statutory/Other Authority: | AS 14.48.030 |
| Year Enacted: | 1976 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $13,150 | $17,200 | $17,200 | $82,625 | $78,000 |

Note: Foregone revenue is the fee SARA member institutions would pay to be exempted in Alaska.

**Description**
Out-of-state postsecondary institutions offering distance education to Alaska students are exempt from authorization. Exemption fee is $250 bi-annually; State Authorization Reciprocity Agreement (SARA) member institutions are not required to apply for exemption: 661 member institutions in FY22 and 624 in FY23.

**Legislative Intent, Public Purpose**
Ensure no disincentive for institutions to enroll Alaska students. Maximize higher education options for Alaska students.

**Who Benefits and Number of Beneficiaries**
Alaska students enrolled in out-of-state distance education provider schools approved under the State Authorization Reciprocity Agreement (SARA). FY22: 7,910; FY23: 7,594.

**Estimated Cost to Administer**
Estimated at $58,558 in FY22 & $55,280 in FY23 annually, based on percent of staff processing time.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

## Interest Rate Reduction

| | |
|---|---|
| Type: | Discount |
| Statutory/Other Authority: | AS 14.42.200-.210 |
| Year Enacted: | 2001 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $409,673 | $299,634 | $233,426 | $190,442 | $152,840 |

**Description**
The Alaska Student Loan Corporation (ASLC) authorizes a discount of some percent value to be provided to borrowers who meet specific criteria.

**Legislative Intent, Public Purpose**
Provide lowest possible costs of education loans to ASLC borrowers. Lower education loan costs to borrowers.

**Who Benefits and Number of Beneficiaries**
Borrowers with loans that could be eligible. FY21: 7,920; FY22: 5,827; FY23: 5,134.

**Estimated Cost to Administer**
Automated; minimal manual intervention.

**Fund Code and Name**
1106, Alaska Student Loan Corporation Receipts

**Departmental Direction/Additional Comments**
The only loan program exempt from these discounts is the Refinance loan program.

## Subsidized Interest Period

| | |
|---|---|
| Type: | Exemption |
| Statutory/Other Authority: | AS 14.43.120(e)&(k), AS 14.43.305(i), AS 14.43.170-175, AS 14.43.161-168, AS 14.43.710-750, AS 14.44.040 |
| Year Enacted: | 1971 (ASL), 1984 (TEL) |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $56,880 | $37,554 | $31,925 | $24,672 | $20,672 |

Note: Alaska Student Loan (ASL), Teacher Education Loan (TEL), and Consolidated loans are no longer being made.

**Description**
Interest is subsidized while the borrower is enrolled or in a military forbearance or deferment period for all non-Federal loan programs.

**Legislative Intent, Public Purpose**
Encourage military members to complete postsecondary education.

**Who Benefits and Number of Beneficiaries**
Borrowers with outstanding non-Federal loans that are in a subsidized period as of fiscal year end. FY23: 4.

**Estimated Cost to Administer**
FY19-22: Automated; minimal manual intervention. FY23: $200/yr.

**Fund Code and Name**
1106, Alaska Student Loan Corporation Receipts
1108, Statutory Designated Program Receipts

## Copy Fee Waiver for Government Agencies

| | |
|---|---|
| Type: | Discount |
| Statutory/Other Authority: | AS 40.21.030(a)(5), 4 AAC 59.065 |
| Year Enacted: | 1994 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $1,851 | $1,988 | $2,223 | $600 | $930 |

**Description**
Copy fees are waived for government agencies.

**Legislative Intent, Public Purpose**
Provide access to records needed for government agencies. In the public interest.

**Who Benefits and Number of Beneficiaries**
FY19: 34; FY20: 48; FY21: 36; FY22: 24; FY23: 26.

**Estimated Cost to Administer**
Minimal staff time.

**Fund Code and Name**
1005, General Fund/Program Receipts

## Copy Fee Waiver for Students

| | |
|---|---|
| Type: | Discount |
| Statutory/Other Authority: | AS 40.21.030(a)(5), 4 AAC 59.065 |
| Year Enacted: | 1994 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $592 | $63 | $28 | $90 | $795 |

**Description**
Copy fees are waived for students.

**Legislative Intent, Public Purpose**
Provide access to records to promote Alaska civics and historical learning and to meet state education standards for reading and primary resource comprehension. Student Discount. Encourage Alaska high school and postsecondary education students to research, report and publish on Alaska topics.

**Who Benefits and Number of Beneficiaries**
FY19: 30; FY20: 2; FY21: 2; FY22: 5; FY23: 10.

**Estimated Cost to Administer**
Minimal staff time.

**Fund Code and Name**
1005, General Fund/Program Receipts

## Staff Time Fee Waiver

| | |
|---|---|
| Type: | Discount |
| Statutory/Other Authority: | AS 14.56.030, 4 AAC 57.910 |
| Year Enacted: | 1966, with later amendments |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| Unknown | | | | |

Note: It has been determined that the cost to charge agencies is probably higher than any revenue that we would realize. This is probably not the case for the general public, but it doesn't come up frequently for them, so the impact is likely minimal.

**Description**
According to regulations, the Alaska State Library charges $50 per hour for staff time for additional services. We normally limit the time for reference services to about 20 minutes per query. We waive this limit for State employees as a general rule, often spending hours on questions. We occasionally waive it for other researchers if they need information from our unique collections and they don't have any practical way of accessing them.

**Legislative Intent, Public Purpose**
Saves overall costs to state government.

**Who Benefits and Number of Beneficiaries**
Other State agencies, and rarely others.

**Estimated Cost to Administer**
It would cost us more to charge these fees.

**Fund Code and Name**
1005, General Fund/Program Receipts

**Departmental Direction/Additional Comments**
We haven't collected precise information on this.

## Reciprocal Fee Waiver

| | |
|---|---|
| Type: | Exemption |
| Statutory/Other Authority: | AS 14.56.030, 4 AAC 57.910 |
| Year Enacted: | 1966, with later amendments |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $2,611 | $5,168 | $4,777 | $2,924 | $2,210 |

Note: The Alaska State Library has entered into several large reciprocal agreements for interlibrary loan. Although we lose revenue by not charging, we pay less by not being charged, and save staff time. We still charge libraries that are not in reciprocal agreements with us. Revenue impacts are estimated overall savings.

**Description**
Fees are waived for libraries that are members of groups who have agreed to waive fees for all members. This includes all Alaskan libraries.

**Legislative Intent, Public Purpose**
Support sharing among Alaskan libraries and save our own out of pocket costs and staff time.

**Who Benefits and Number of Beneficiaries**
In general, this benefits all participating libraries because of saving service fees and staff time.

**Estimated Cost to Administer**
$0; Minimal manual intervention. Program actually saves administration costs (time and service fees).

**Fund Code and Name**
1005, General Fund/Program Receipts

**Departmental Direction/Additional Comments**
The reciprocal fee waiver results in a small cost savings to the state. Between $2,500 and $5,500 per year. Amount saved is approximate, based on estimated fees.

## Alaskan Governmental Entity

| | |
|---|---|
| Type: | Discount |
| Statutory/Other Authority: | AS 14.56.030, 4 AAC 57.910 |
| Year Enacted: | 1966, with later amendments |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $425 | $2,200 | $540 | $1,230 | $1,710 |

**Description**
Alaska State Library fees are waived for governmental entities based in Alaska. There may be charges for staff time and digital media for very large or complex orders.

**Legislative Intent, Public Purpose**
4 AAC 57.910 authorizes the director to waive fees, in whole or in part, if the director determines that waiver of the fee is in the public interest.

**Who Benefits and Number of Beneficiaries**
FY19: 17; FY20: 17; FY21: 18; FY22: 13; FY23: 18.

**Estimated Cost to Administer**
Minimal staff time.

**Fund Code and Name**
1005, General Fund/Program Receipts

**Departmental Direction/Additional Comments**
The Alaska State Library charges processing fees to provide digital copies of materials from the collections in a variety of formats. For most formats and situations, the library doesn't make actual prints. These files may be for research, illustrations for books, clips for documentary movies, decorating State of Alaska offices, and the like.

## Alaskan Non-Profit

| | |
|---|---|
| Type: | Discount |
| Statutory/Other Authority: | AS 14.56.030, 4 AAC 57.910 |
| Year Enacted: | 1966, with later amendments |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $150 | $510 | $570 | $420 | $330 |

**Description**
Alaska State Library fees are waived for non-profit agencies based in Alaska. There may be charges for staff time and digital media for very large or complex orders.

**Legislative Intent, Public Purpose**
4 AAC 57.910 authorizes the director to waive fees, in whole or in part, if the director determines that waiver of the fee is in the public interest.

**Who Benefits and Number of Beneficiaries**
FY19: 6; FY20: 29; FY21 19; FY22: 9; FY23: 7.

**Estimated Cost to Administer**
Minimal staff time.

**Fund Code and Name**
1005, General Fund/Program Receipts

**Departmental Direction/Additional Comments**
The Alaska State Library charges processing fees to provide digital copies of materials from the collections in a variety of formats. For most formats and situations, the library doesn't make actual prints. These files may be for research, illustrations for books, clips for documentary movies, decorating State of Alaska offices, and the like.

## Alaskan Resident

| | |
|---|---|
| Type: | Discount |
| Statutory/Other Authority: | AS 14.56.030, 4 AAC 57.910 |
| Year Enacted: | 1966, with later amendments |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $250 | $690 | $180 | $1,920 | $150 |

**Description**
Alaska State Library fees are waived for Alaskan residents using images for personal use. There may be charges for staff time and digital media for very large or complex orders.

**Legislative Intent, Public Purpose**
4 AAC 57.910 authorizes the director to waive fees, in whole or in part, if the director determines that waiver of the fee is in the public interest.

**Who Benefits and Number of Beneficiaries**
FY19: 10; FY20: 6; FY21: 6; FY22: 4; FY23: 25.

**Estimated Cost to Administer**
Minimal staff time.

**Fund Code and Name**
1005, General Fund/Program Receipts

**Departmental Direction/Additional Comments**
The Alaska State Library charges processing fees to provide digital copies of materials from the collections in a variety of formats. For most formats and situations, the library doesn't make actual prints. These files may be for research, illustrations for books, clips for documentary movies, decorating State of Alaska offices, and the like.

## Collection Donor

| | |
|---|---|
| Type: | Discount |
| Statutory/Other Authority: | AS 14.56.030, 4 AAC 57.910 |
| Year Enacted: | 1966, with later amendments |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $0 | $180 | $0 | $0 | $300 |

**Description**
Reciprocal agreement (implied) with the donor. Encourages photo collection donations.

**Legislative Intent, Public Purpose**
Increased assets available to the public as a whole.

**Who Benefits and Number of Beneficiaries**
FY19: 0; FY20: 0; FY21: 0; FY22: 0; FY23: 1.

**Estimated Cost to Administer**
Minimal staff time.

**Fund Code and Name**
1005, General Fund/Program Receipts

**Departmental Direction/Additional Comments**
Provides scans or copies to donors from the collections that they've donated to the Historical Collections.

## Miscellaneous in the Public Interest

| | |
|---|---|
| Type: | Discount |
| Statutory/Other Authority: | AS 14.56.030, 4 AAC 57.910 |
| Year Enacted: | 1966, with later amendments |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $75 | $420 | $90 | $330 | $420 |

**Description**
Alaska State library fees are waived for services in the public interest. This is determined on a case by case basis, usually when the user may not be Alaskan or non-profit but their work will add to significant value, particularly related to education or cultural knowledge of Alaska. The Alaska State Library is judicious in applying this option. There may be charges for staff time and digital media for very large or complex orders.

**Legislative Intent, Public Purpose**
4 AAC 57.910 authorizes the director to waive fees, in whole or in part, if the director determines that waiver of the fee is in the public interest.

**Who Benefits and Number of Beneficiaries**
FY19: 3; FY20: 3; FY21: 3; FY22: 2; FY23: 2.

**Estimated Cost to Administer**
Minimal staff time.

**Fund Code and Name**
1005, General Fund/Program Receipts

**Departmental Direction/Additional Comments**
The Alaska State Library charges processing fees to provide digital copies of materials from the collections in a variety of formats. For most formats and situations, the library doesn't make actual prints. These files may be for research, illustrations for books, clips for documentary movies, decorating State of Alaska offices, and the like.

## Reciprocal Agreement

| | |
|---|---|
| Type: | Discount |
| Statutory/Other Authority: | AS 14.56.030, 4 AAC 57.910 |
| Year Enacted: | 1966, with later amendments |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $50 | $90 | $60 | $0 | $0 |

Note: Increased access to different collections.

**Description**
Alaska State Library fees are waived for reciprocal agreements. The Alaska State Library has reciprocal agreements with a limited number of libraries, archives and museums. This builds connections and goodwill with other institutions that also collect Alaska-related content and has minimal cost. There may be charges for staff time and digital media for very large or complex orders.

**Legislative Intent, Public Purpose**
Increased assets available to the public as a whole.

**Who Benefits and Number of Beneficiaries**
FY19: 2; FY20: 2; FY21: 2; FY22: 0; FY23: 0.

**Estimated Cost to Administer**
Minimal staff time.

**Fund Code and Name**
1005, General Fund/Program Receipts

**Departmental Direction/Additional Comments**
The Alaska State Library charges processing fees to provide digital copies of materials from the collections in a variety of formats. For most formats and situations, the library doesn't make actual prints. These files may be for research, illustrations for books, clips for documentary movies, decorating State of Alaska offices, and the like.

## State of Alaska Agency

| | |
|---|---|
| Type: | Discount |
| Statutory/Other Authority: | AS 14.56.030, 4 AAC 57.910 |
| Year Enacted: | 1966, with later amendments |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $325 | $810 | $240 | $420 | $540 |

**Description**
State of Alaska Library fees are waived for Alaska state agencies. It would generally cost more to transfer funds from one agency to another than the library would make in the transaction, so not only would it increase the cost to the State but also to our agency. There may be charges for staff time and digital media for very large or complex orders.

**Legislative Intent, Public Purpose**
It is not cost-effective to pursue fees from another State agency for less than $250.

**Who Benefits and Number of Beneficiaries**
FY19: 13; FY20: 9; FY21 8; FY22: 5; FY23: 4.

**Estimated Cost to Administer**
Estimated at $400 annually.

**Fund Code and Name**
1005, General Fund/Program Receipts

**Departmental Direction/Additional Comments**
The Alaska State Library charges processing fees to provide digital copies of materials from the collections in a variety of formats. For most formats and situations, the library doesn't make actual prints. These files may be for research, illustrations for books, clips for documentary movies, decorating State of Alaska offices, and the like.

## Photocopying and Printing Fee Waiver

| | |
|---|---|
| Type: | Discount |
| Statutory/Other Authority: | AS 14.56.030, 4 AAC 57.910 |
| Year Enacted: | 1966, with later amendments |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| Unknown | | | | |

Note: It has been determined that the cost to charge agencies is probably higher than any revenue that we would realize.

**Description**
Numbers are small, but we haven't been tracking this. We can start tracking this for the next report period if necessary.

**Legislative Intent, Public Purpose**
Saves overall costs to state government.

**Who Benefits and Number of Beneficiaries**
Other State agencies, and rarely others.

**Estimated Cost to Administer**
It would cost us more to charge these fees.

**Fund Code and Name**
1005, General Fund/Program Receipts

**Departmental Direction/Additional Comments**
Any amounts collected are immaterial.

## Miscellaneous in the Public Interest

| | |
|---|---|
| Type: | Discount |
| Statutory/Other Authority: | AS 14.57.010(c), 4 AAC 58.010(h) |
| Year Enacted: | 2017 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $4,219 | $6,816 | $0 | $500 | $0 |

**Description**
Should the division director determine the event or program is consistent with the mission and duties of the division, we may waive all applicable fees.

**Legislative Intent, Public Purpose**
Offers programming consistent with the Libraries, Archives and Museums (LAM) mission while incurring little cost to LAM and inviting diverse groups to see building. Promotes collaboration between LAM and larger community.

**Who Benefits and Number of Beneficiaries**
Rentals in Category. FY19: 5; FY20: 5; FY21: 0.

**Estimated Cost to Administer**
$0; Serviced by existing division staff.

**Fund Code and Name**
1005, General Fund/Program Receipts

**Departmental Direction/Additional Comments**
Facility rentals began in FY18. FY21 was main pandemic year which affected museum visitation and facility rentals.

## Non-Profit or Other Government

| | |
|---|---|
| Type: | Discount |
| Statutory/Other Authority: | AS 14.57.010(c), 4 AAC 58.010(h) |
| Year Enacted: | 2017 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $7,138 | $4,200 | $1,063 | $313 | $4,828 |

**Description**
Libraries, Archives and Museums (LAM) provides a 25% discount from the base hourly rental fee for each rented space for nonprofits and government agencies. This discount applies to rented spaces for business hour rentals and rentals outside normal business hours.

**Legislative Intent, Public Purpose**
Promotes relationships with non-profits or other agencies that bring awareness of rental spaces and LAM mission to a larger audience.

**Who Benefits and Number of Beneficiaries**
Rentals in Category. FY19: 22; FY20: 15; FY21: 2.

**Estimated Cost to Administer**
$0; Serviced by existing division staff.

**Fund Code and Name**
1005, General Fund/Program Receipts

**Departmental Direction/Additional Comments**
Facility rentals began in FY18. FY21 was main pandemic year which affected museum visitation and facility rentals.

## State Agency Discount

| | |
|---|---|
| Type: | Discount |
| Statutory/Other Authority: | AS 14.57.010(c), 4 AAC 58.010(h) |
| Year Enacted: | 2017 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $11,094 | $10,533 | $5,025 | $763 | $4,013 |

**Description**
Libraries, Archives and Museums (LAM) provides a 25% discount from the base hourly rental fee for State of Alaska agencies. This discount applies to rented spaces for business hour rentals and rentals outside normal business hours.

**Legislative Intent, Public Purpose**
Encourages state agencies to hold meetings outside of regular space without incurring large fees.

**Who Benefits and Number of Beneficiaries**
Rentals to State Agencies. FY19: 14; FY20: 14; FY21: 8.

**Estimated Cost to Administer**
$0; Serviced by existing division staff.

**Fund Code and Name**
1005, General Fund/Program Receipts

**Departmental Direction/Additional Comments**
Facility rentals began in FY18. FY21 was main pandemic year which affected museum visitation and facility rentals. Business hour rental rates for a nonprofit would be: Atrium - $56.25, Lecture Hall - $37.50, Classroom - $18.75. Nonprofit rates for nonbusiness hour events would be: Atrium - $225.00, Lecture Hall - $75.00, Classroom - $18.75.

## Discount for Closing Time Admission

| | |
|---|---|
| Type: | Discount |
| Statutory/Other Authority: | AS 14.57.010(c), 4 AAC 58.010(c) |
| Year Enacted: | 2010 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $1,278 | $1,015 | $473 | $682 | $2,211 |

**Description**
Half-price discount on admission fee near closing time.

**Legislative Intent, Public Purpose**
In the public interest.

**Who Benefits and Number of Beneficiaries**
Half-price discounts. FY19: 257; FY20: 183; FY21: 105; FY22: 94; FY23: 212.

**Estimated Cost to Administer**
$0

**Fund Code and Name**
1005, General Fund/Program Receipts

**Departmental Direction/Additional Comments**
FY21 was main pandemic year which affected museum visitation and facility rentals.

## Discount for Special Events

| | |
|---|---|
| Type: | Discount |
| Statutory/Other Authority: | AS 14.57.010(c), 4 AAC 58.010(c) |
| Year Enacted: | 1987 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $48,234 | $17,313 | $2,415 | $22,489 | $33,041 |

**Description**
Discount for special events - adults, youth, families.

**Legislative Intent, Public Purpose**
In the public interest.

**Who Benefits and Number of Beneficiaries**
Visitor with discount. FY19: 6,319; FY20: 2,513; FY21: 247; FY22: 2,386; FY23: 3,513.

**Estimated Cost to Administer**
$0

**Fund Code and Name**
1005, General Fund/Program Receipts

**Departmental Direction/Additional Comments**
FY21 was main pandemic year which affected museum visitation and facility rentals. FY22 and FY23 numbers show post-covid increase in special event attendance.

## Free Admission for Military

| | |
|---|---|
| Type: | Discount |
| Statutory/Other Authority: | AS 14.57.010(c), National Program |
| Year Enacted: | 2010 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $6,609 | $5,728 | $672 | $5,291 | $6,445 |

**Description**
Blue Star Military discount provides free admission to active military and their immediate families.

**Legislative Intent, Public Purpose**
Federal program to benefit those serving our country in the military.

**Who Benefits and Number of Beneficiaries**
Military discounts. FY19: 702; FY20: 510; FY21: 48; FY22: 265; FY23: 359.

**Estimated Cost to Administer**
$0

**Fund Code and Name**
1005, General Fund/Program Receipts

**Departmental Direction/Additional Comments**
FY21 was main pandemic year which affected museum visitation and facility rentals.

## Free Admission for Students

| | |
|---|---|
| Type: | Discount |
| Statutory/Other Authority: | AS 14.57.010(c), 4 AAC 58.010(a) |
| Year Enacted: | 1987 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $54,910 | $45,840 | $12,382 | $47,861 | $56,407 |

**Description**
Entry fee is waived for those 18 years or younger.

**Legislative Intent, Public Purpose**
Student Discount.

**Who Benefits and Number of Beneficiaries**
Student discounts. FY19: 9,265; FY20: 6,284; FY21: 1,419; FY22: 4,175; FY23: 6,409.

**Estimated Cost to Administer**
$0

**Fund Code and Name**
1005, General Fund/Program Receipts

**Departmental Direction/Additional Comments**
FY21 was main pandemic year which affected museum visitation and facility rentals. FY22 and FY23 numbers show healthy student numbers.

## Group Discount

| | |
|---|---|
| Type: | Discount |
| Statutory/Other Authority: | AS 14.57.010(c), 4 AAC 58.010(a) |
| Year Enacted: | 2012 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $662 | $901 | $418 | $2,092 | $7,522 |

**Description**
Discount on entry fee for educational and not-for-profit groups.

**Legislative Intent, Public Purpose**
Net benefit to the museum as it draws visitors that may not visit the museum otherwise.

**Who Benefits and Number of Beneficiaries**
Visitors with group discount. FY19: 171; FY20: 134; FY21: 48; FY22: 306; FY23: 967.

**Estimated Cost to Administer**
$0

**Fund Code and Name**
1005, General Fund/Program Receipts

**Departmental Direction/Additional Comments**
FY21 was main pandemic year which affected museum visitation and facility rentals. FY22 and FY23 increase is reflective of increased facility rentals and partnerships.

## Senior Citizen Discount

| | |
|---|---|
| Type: | Discount |
| Statutory/Other Authority: | AS 14.57.010(c), 4 AAC 58.010(a) |
| Year Enacted: | 2012 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $12,374 | $7,657 | $1,166 | $6,051 | $9,711 |

**Description**
Senior Discount is $1.00 off the entry fee for those 65 years or older.

**Legislative Intent, Public Purpose**
Senior Citizen Discount.

**Who Benefits and Number of Beneficiaries**
Senior discounts. FY19: 12,918; FY20: 7,657; FY21: 1,166; FY22: 6,051; FY23: 9,656.

**Estimated Cost to Administer**
$0

**Fund Code and Name**
1005, General Fund/Program Receipts

**Departmental Direction/Additional Comments**
FY21 was main pandemic year which affected museum visitation and facility rentals. FY23 number shows post-covid return of summer tourist visitors.

## Tour Company Discount

| | |
|---|---|
| Type: | Discount |
| Statutory/Other Authority: | AS 14.57.010(c), Letters of Agreement |
| Year Enacted: | Prior to 1999 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $43,086 | $28,760 | $416 | $8,412 | $24,752 |

**Description**
Discount on entry fee for tour company visitors according to the tiered discount schedule by volume.

**Legislative Intent, Public Purpose**
Net benefit to the museum as it draws visitors that may not visit the museum otherwise.

**Who Benefits and Number of Beneficiaries**
Visitors. FY19: 17 tour operators brought 21,581 visitors; FY20: 14,380 visitors; FY21: 228 visitors; FY22: 10 operators brought 5,006 visitors; FY23: 7 operators brought in 12,376 visitors.

**Estimated Cost to Administer**
$0

**Fund Code and Name**
1005, General Fund/Program Receipts

**Departmental Direction/Additional Comments**
FY21 was main pandemic year which affected museum visitation and facility rentals. FY22 and FY23 numbers are showing a post-covid recovery along with increased industrial tourism in Sitka.

## Education Loan Forgiveness - TEL

| | |
|---|---|
| Type: | Credit |
| Statutory/Other Authority: | AS 14.43.600-.700, AS 14.43.640(b), 20 AAC 15.250(c) |
| Year Enacted: | 1984 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $47,103 | $64,476 | $8,121 | $13,320 | $29,943 |

Note: Loans are no longer being made under this program effective FY 2015. Revenue Impact post FY 2015 is related to loans made in the past that remain forgiveness eligible.

**Description**
Under certain conditions 100% of a borrower's obligation to repay loan principal and interest is discharged.

**Legislative Intent, Public Purpose**
Develop rural residents as teachers for rural Alaska. Encourage Alaska high school graduates to become elementary/secondary educators and teach in rural Alaska communities.

**Who Benefits and Number of Beneficiaries**
Borrowers of Teacher Education Loans with outstanding TEL balances. FY19: 223; FY20: 190; FY21: 166; FY22: 138; FY23: 109.

**Estimated Cost to Administer**
Automated; minimal manual intervention.

**Fund Code and Name**
1106, Alaska Student Loan Corporation Receipts

**Departmental Direction/Additional Comments**
The number of loans that will meet the forgiveness eligibility requirements in the future is extremely low.

## Education Loan Forgiveness - WINN

| | |
|---|---|
| Type: | Credit |
| Statutory/Other Authority: | AS 14.43.250-.325 |
| Year Enacted: | 1986 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $8,149 | $1,008 | $1,008 | $16,185 | $115,777 |

Note: Revenue that the state foregoes was the tax credit provided by the Department of Revenue (AS 43.75.032). The tax credit was repealed effective December 31, 2016. Once a donation is made to the Winn Brindle (WB) Memorial Education loan account, loans are made to qualifying borrowers. Any activity related to those loans (such as forgiveness or interest subsidizes) impact the WB Memorial Education loan account.

**Description**
Under certain conditions 50% of a borrower's obligation to repay loan principal is forgiven.

**Legislative Intent, Public Purpose**
Attract students to careers supporting Alaska fisheries. Encourage Alaska high school graduates to be trained in some fisheries-related occupation and be employed in that occupation in Alaska.

**Who Benefits and Number of Beneficiaries**
Borrowers with outstanding Winn Brindle Loans. FY19: 108; FY20: 101; FY21: 88; FY22: 76; FY23: 61.

**Estimated Cost to Administer**
Automated; minimal manual intervention.

**Fund Code and Name**
1108, Statutory Designated Program Receipts

## Education Loan Forgiveness - WWAMI

| | |
|---|---|
| Type: | Credit |
| Statutory/Other Authority: | AS 14.43.510 |
| Year Enacted: | 2007 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $584,744 | $603,156 | $775,074 | $703,581 | $673,699 |

**Description**
Under certain conditions, 100% of a WWAMI (medical school partnership between Washington, Wyoming, Alaska, Montana, and Idaho) participant's obligation to repay 50% of financial support provided by the state is discharged.

**Legislative Intent, Public Purpose**
Support Alaskans' medical training and reward practice in Alaska. Encourage Alaskan WWAMI participants to return to or remain in Alaska to practice in their medical field.

**Who Benefits and Number of Beneficiaries**
Participants with outstanding WWAMI loans. FY19: 224; FY20: 233; FY21: 238; FY22: 239; FY23: 246.

**Estimated Cost to Administer**
Automated; minimal manual intervention.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

**Departmental Direction/Additional Comments**
Loan balances remain in Fund 1004 even if funded elsewhere. FY22: funded by Alaska Higher Education Investment Fund (HEIF); all loan receipts are returned to the HEIF, Fund 1226. FY23: no other funding for these loans.

## Financial Support - WWAMI

| | |
|---|---|
| Type: | Discount |
| Statutory/Other Authority: | AS 14.43.510 |
| Year Enacted: | 2007 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $1,777,401 | $1,798,662 | $1,786,470 | $1,830,869 | $1,911,723 |

**Description**
The financial support to be repaid is equal to 50% of amount paid for program and its participants in the WWAMI (medical school partnership between Washington, Wyoming, Alaska, Montana, and Idaho) program.

**Legislative Intent, Public Purpose**
Support Alaskans' medical training and reward practice in Alaska. Encourage Alaskans to be trained in medical fields.

**Who Benefits and Number of Beneficiaries**
Participants with outstanding WWAMI loans. FY19: 224; FY20: 233; FY21: 238; FY22: 239; FY23: 246.

**Estimated Cost to Administer**
Automated; minimal manual intervention.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

**Departmental Direction/Additional Comments**
Loan balances remain in Fund 1004 even if funded elsewhere. FY22: funded by Alaska Higher Education Investment Fund (HEIF); all loan receipts are returned to the HEIF, Fund 1226. FY23: no other funding for these loans.

## Subsidized Interest Period - WWAMI

| | |
|---|---|
| Type: | Exemption |
| Statutory/Other Authority: | AS 14.43.510 |
| Year Enacted: | 2007 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $208,939 | $225,106 | $228,287 | $261,505 | $286,152 |

**Description**
Interest is not charged to the participant while pursuing their education in the WWAMI (partnership between Washington, Wyoming, Alaska, Montana, and Idaho) medical education program.

**Legislative Intent, Public Purpose**
Support Alaskans' medical training and reward practice in Alaska. Encourage Alaskan WWAMI participants to continue and complete training in their medical field.

**Who Benefits and Number of Beneficiaries**
Participants with outstanding WWAMI loans in a subsidized period as of fiscal year end. FY19: 108; FY20: 103; FY21: 104; FY22: 106; FY23: 102.

**Estimated Cost to Administer**
Pre-FY23: Automated; minimal manual intervention. FY23: $20,000/yr.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

**Departmental Direction/Additional Comments**
Loan balances remain in Fund 1004 even if funded elsewhere. FY22: funded by Alaska Higher Education Investment Fund (HEIF); all loan receipts are returned to the HEIF, Fund 1226. FY23: no other funding for these loans.

**Revenue Impact by Fund**

| Fund Name | Fund Code | FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
|---|---|---|---|---|---|---|
| Federal Receipts | 1002 | $9,735,070 | $6,441,982 | $5,986,822 | $4,871,842 | $4,579,025 |
| General Fund Match | 1003 | $2,433,767 | $1,610,495 | $1,496,706 | $1,217,960 | $1,144,756 |
| General Fund/Program Receipts | 1005 | $437,741 | $405,802 | $400,712 | $391,891 | $390,840 |
| Alaska Clean Water Fund | 1075 | $954,510 | $1,143,492 | $945,870 | $945,240 | $628,230 |
| Alaska Drinking Water Fund | 1100 | $2,227,190 | $2,668,148 | $2,207,030 | $2,205,560 | $1,465,870 |
| **Department / Agency Total** | | **$15,788,278** | **$12,269,919** | **$11,037,140** | **$9,632,493** | **$8,208,721** |

## Food Safety and Sanitation

## Discount on Annual Permit Fee for New Food Establishments

| | |
|---|---|
| Type: | Discount |
| Statutory/Other Authority: | 18 AAC 31.050(u) |
| Year Enacted: | Prior to FY 2008 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $10,680 | $18,028 | $11,395 | $9,143 | $11,280 |

**Description**
This discount on the annual permit fee for new food establishments allows a small proration of fees for facilities that commence business in the last three months of the billing year.

**Legislative Intent, Public Purpose**
Discount for facilities that commence business in the last three months of the billing year to prevent unfair penalties for businesses based on start-up period.

**Who Benefits and Number of Beneficiaries**
New establishments. FY20: 105 facilities; FY21: 68 facilities; FY22: 55 facilities; FY23: 65 facilities.

**Estimated Cost to Administer**
$0

**Fund Code and Name**
1005, General Fund/Program Receipts

## Discount on Annual Permit Fee for Tax Exempt Food Facilities

| | |
|---|---|
| Type: | Discount |
| Statutory/Other Authority: | 18 AAC 31.050(r) |
| Year Enacted: | Prior to FY 2008 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $9,755 | $13,883 | $12,325 | $10,035 | $10,035 |

**Description**
Entities receiving this benefit are non-profit organizations. If an organization is exempt from taxation under 26 U.S.C. 501(c)(4), (c)(10), or (c)(19), the department reduces the annual permit fee by 50 percent.

**Legislative Intent, Public Purpose**
Discount for entities that are non-profit organizations in order to comply with existing state statures or regulations.

**Who Benefits and Number of Beneficiaries**
501(c)(4), (c)(10), or (c)(19) tax exempt organizations. FY20: 80 facilities; FY21: 72 facilities; FY22: 55 facilities; FY23: 55 facilities.

**Estimated Cost to Administer**
$0

**Fund Code and Name**
1005, General Fund/Program Receipts

## Exemption for Schools and Head Start

| | |
|---|---|
| Type: | Exemption |
| Statutory/Other Authority: | AS 44.46.025(d), 18 AAC 31.050(p)(2) |
| Year Enacted: | Prior to FY 2008 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $161,200 | $161,600 | $161,200 | $163,200 | $164,400 |

**Description**
By statute, the food safety and sanitation program cannot charge school and Head Start facilities a fee.

**Legislative Intent, Public Purpose**
Exempt fee from schools and Head Start programs in order to comply with state statutes or regulations.

**Who Benefits and Number of Beneficiaries**
Schools and Head Start programs. FY20: 403 facilities; FY21: 404 facilities; FY22: 408 facilities; FY23: 411 facilities.

**Estimated Cost to Administer**
$0

**Fund Code and Name**
1005, General Fund/Program Receipts

## Exemption of Fees for Charitable Tax Exempt Organizations

| | |
|---|---|
| Type: | Exemption |
| Statutory/Other Authority: | 18 AAC 31.050(p)(1) |
| Year Enacted: | Prior to FY 2008 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $144,395 | $123,820 | $118,825 | $115,405 | $117,860 |

**Description**
Charitable tax-exempt organizations are exempt of fees. It is a benefit to tax-exempt entities to not have a fee for fundraisers for their organizations, as a fee would reduce the funds raised.

**Legislative Intent, Public Purpose**
Exempt fee for fundraisers to tax-exempt entities in order to avoid reducing funds raised, and to streamline efficiency and increase compliance within the permitting process.

**Who Benefits and Number of Beneficiaries**
501(c)(3) tax exempt organizations. FY20: 348; FY21: 408; FY22: 355; FY23: 380.

**Estimated Cost to Administer**
$0

**Fund Code and Name**
1005, General Fund/Program Receipts

## Fee Exemption for School, Class, and School Club

| | |
|---|---|
| Type: | Exemption |
| Statutory/Other Authority: | AS 44.46.025(d), 18 AAC 31.050(t) |
| Year Enacted: | Prior to FY 2008 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $18,230 | $7,030 | $7,030 | $7,030 | $7,030 |

**Description**
By statute, the food safety and sanitation program cannot charge school, class, and school club facilities a fee.

**Legislative Intent, Public Purpose**
Exempt fee from school, class, or school club in order to comply with state statutes or regulations.

**Who Benefits and Number of Beneficiaries**
School, class, or school club. FY21: 37 facilities; FY22: 37 facilities; FY23: 37 facilities.

**Estimated Cost to Administer**
$0

**Fund Code and Name**
1005, General Fund/Program Receipts

## Cheese Testing

| | |
|---|---|
| Type: | Exemption |
| Statutory/Other Authority: | 18 AAC 32.020, No fee in regulation |
| Year Enacted: | Prior to FY 2008 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $351 | $1,387 | $585 | $48 | $40 |

Note: Value was determined as an estimate of $25 for test.

**Description**
Businesses required to perform cheese testing are exempt of fees in order to comply with existing statutes or regulations.

**Legislative Intent, Public Purpose**
Regulatory test provided as a public health service.

**Who Benefits and Number of Beneficiaries**
All businesses required to perform cheese testing. FY23: 1.

**Estimated Cost to Administer**
$0

**Fund Code and Name**
1005, General Fund/Program Receipts

**Departmental Direction/Additional Comments**
A new cheese manufacturer started in May 2019.

## Dairy Testing

| | |
|---|---|
| Type: | Exemption |
| Statutory/Other Authority: | 18 AAC 32.020, No fee in regulation |
| Year Enacted: | Prior to FY 2008 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $9,476 | $11,701 | $13,076 | $13,000 | $10,600 |

Note: Value was determined as an estimate of $25 for test.

**Description**
Businesses required to perform dairy testing are exempt of fees in order to comply with existing statutes or regulations.

**Legislative Intent, Public Purpose**
Regulatory test provided as a public health service.

**Who Benefits and Number of Beneficiaries**
All businesses required to perform dairy testing. FY23: 2 dairy farms, 2 dairy producers, 1 dairy jug manufacturer.

**Estimated Cost to Administer**
$0

**Fund Code and Name**
1005, General Fund/Program Receipts

**Departmental Direction/Additional Comments**
At the start of FY 2018 the number of operators was reduced to 1. A new dairy producer started in May 2019.

## Fishmeal Testing

| | |
|---|---|
| Type: | Exemption |
| Statutory/Other Authority: | Grandfathered, No fee in regulation |
| Year Enacted: | Prior to FY 2008 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $500 | $500 | $0 | $0 | $0 |

**Description**
Businesses submitting fishmeal for testing are exempt of fees in order to comply with existing statutes or regulations.

**Legislative Intent, Public Purpose**
Regulatory test provided as a public health service. These fee reductions are grandfathered into the industry by regulation.

**Who Benefits and Number of Beneficiaries**
All businesses submitting fishmeal for testing. 1 facility.

**Estimated Cost to Administer**
$0

**Fund Code and Name**
1005, General Fund/Program Receipts

**Departmental Direction/Additional Comments**
Fishmeal was required by NOAA, not State of Alaska (SOA). No SOA regulation requiring testing. Though not an express provision of state law, details are provided for informational purposes. Testing was similar to food, utilized 18 AAC 31.055 (H) as a basis for the fee previously charged.

## Marine Toxins (Paralytic Shellfish and Domoic Acid) Testing – No Charge to Industry

| | |
|---|---|
| Type: | Exemption |
| Statutory/Other Authority: | 18 AAC 34.010 (19), 18 AAC 34.905(a) |
| Year Enacted: | None |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $73,225 | $54,675 | $65,375 | $63,375 | $58,500 |

**Description**
Commercial shellfish harvesters are exempt from paralytic shellfish toxin testing fees which were subsidized by a legislative increment so the industry wouldn't be charged.

**Legislative Intent, Public Purpose**
Regulatory test provided as a public health service. Legislature funded an increment so the industry wouldn't be charged.

**Who Benefits and Number of Beneficiaries**
FY23: samples from 28 clients.

**Estimated Cost to Administer**
$0

**Fund Code and Name**
1005, General Fund/Program Receipts

## Shellfish Growing Waters Testing – No Charge to Industry

| | |
|---|---|
| Type: | Exemption |
| Statutory/Other Authority: | 18 AAC 34.010 (19), 18 AAC 34.905(a) |
| Year Enacted: | None |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $8,279 | $9,945 | $7,803 | $7,310 | $7,735 |

**Description**
Commercial shellfish harvesters are exempt from shellfish growing waters testing fees which were subsidized by a legislative increment so the industry wouldn't be charged.

**Legislative Intent, Public Purpose**
Regulatory test provided as a public health service. Legislature funded an increment so the industry wouldn't be charged.

**Who Benefits and Number of Beneficiaries**
FY23: samples from 22 clients.

**Estimated Cost to Administer**
$0

**Fund Code and Name**
1005, General Fund/Program Receipts

## Slaughter Facility Testing

| | |
|---|---|
| Type: | Exemption |
| Statutory/Other Authority: | Grandfathered, No fee in regulation |
| Year Enacted: | Prior to FY 2008 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $1,080 | $864 | $1,000 | $736 | $504 |

**Description**
Exempt businesses required to perform Hazard Analysis Critical Control Point (HACCP) for slaughter and meat processing from fees in order to comply with existing statutes or regulations. Historically charged $17, similar test in food regulation is $25 for a $8 discount.

**Legislative Intent, Public Purpose**
Regulatory test provided at a discount as a public health service. These fee reductions are grandfathered into the industry by regulation.

**Who Benefits and Number of Beneficiaries**
All businesses required to perform HACCP for slaughter and meat processing facility. FY23: 8 facilities.

**Estimated Cost to Administer**
$0

**Fund Code and Name**
1005, General Fund/Program Receipts

**Departmental Direction/Additional Comments**
Slaughter facility testing is required by USDA. No State of Alaska regulation requiring testing. Though not an express provision of state law, details are provided for informational purposes. Testing was charged at $17 per sample historically (prior to 2010) and has never been changed. The similar test on food, 18 AAC 31.055(E), is $25 for determined an $8/test discount.

## Wet Storage Testing

| | |
|---|---|
| Type: | Exemption |
| Statutory/Other Authority: | 18 AAC 34.010 (19), 18 AAC 34.905(a) |
| Year Enacted: | 2018 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| * | $2,040 | $1,683 | $2,244 | $2,601 |

**Description**
Wet storage testing is exempt of fees in order to comply with existing state statutes or regulations.

**Legislative Intent, Public Purpose**
Regulatory test provided as a public health service.

**Who Benefits and Number of Beneficiaries**
FY23: 1 client.

**Estimated Cost to Administer**
$0

**Fund Code and Name**
1005, General Fund/Program Receipts

**Departmental Direction/Additional Comments**
* New FSS program activity. Testing started November 2018.

## Discounted Interest Rates on State Revolving Fund Loans to Municipalities

| | |
|---|---|
| Type: | Discount |
| Statutory/Other Authority: | AS 37.05.035 |
| Year Enacted: | 1996 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $12,168,837 | $8,052,477 | $7,483,528 | $6,089,802 | $5,723,781 |

**Description**
Discounted interest rates on State Revolving Fund (SRF) Loans to municipalities as reported in the Annual Legislative Report.

**Legislative Intent, Public Purpose**
Encourage municipalities to use the program. Assist public water and wastewater systems with financing the cost of publicly owned infrastructure.

**Who Benefits and Number of Beneficiaries**
Municipalities that receive loans for Clean Water or Drinking Water Projects. In any given year we have approximately 150-160 active loans.

**Estimated Cost to Administer**
$0

**Fund Code and Name**
1002, Federal Receipts
1003, General Fund Match

## Principal Forgiveness on State Revolving Fund Loans to Municipalities

| | |
|---|---|
| Type: | Exemption |
| Statutory/Other Authority: | EPA requirement to receive Capitalization Grants |
| Year Enacted: | FY 2010 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $3,181,700 | $3,811,640 | $3,152,900 | $3,150,800 | $2,094,100 |

**Description**
Principal forgiveness based on certain criteria for disadvantaged communities. Principal forgiveness on State Revolving Fund (SRF) Loans as reported in the Annual Report.

**Legislative Intent, Public Purpose**
This is an US Environmental Protection Agency (EPA) Requirement to receive Capitalization Grants.

**Who Benefits and Number of Beneficiaries**
Municipalities that qualify for partial principal forgiveness on loans for Clean Water and Drinking Water Projects. In any given year we have approximately 150-160 active loans - not all loans qualify for partial principal forgiveness.

**Estimated Cost to Administer**
$0

**Fund Code and Name**
1075, Alaska Clean Water Fund
1100, Alaska Drinking Water Fund

## Wastewater Discharge Permitting

### Reduced General and Individual Permit Fees for Wastewater Discharge Facilities

| | |
|---|---|
| Type: | Discount |
| Statutory/Other Authority: | AS 37.10.052, 18 AAC 72.956-7 |
| Year Enacted: | 2000 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $570 | $330 | $415 | $365 | $255 |

**Description**
The reduced general and individual permit fees for wastewater discharge facilities decreases state regulation fees for small businesses.

**Legislative Intent, Public Purpose**
To prevent excessive hurdles for small businesses that could inhibit their start-up or sustainability. To provide a credit for travel expenses for businesses with less than 20 employees to mitigate travel costs.

**Who Benefits and Number of Beneficiaries**
Businesses with fewer than 20 employees. Beneficiary count unknown.

**Estimated Cost to Administer**
$0

**Fund Code and Name**
1005, General Fund/Program Receipts

| **Revenue Impact by Fund** | | | | | | |
|---|---|---|---|---|---|---|
| **Fund Name** | **Fund Code** | **FY 2019** | **FY 2020** | **FY 2021** | **FY 2022** | **FY 2023** |
| Unrestricted General Fund Receipts | 1004 | $6,941,864 | $24,815,390 | $29,724,539 | $29,416,609 | $29,598,504 |
| **Department / Agency Total** | | **$6,941,864** | **$24,815,390** | **$29,724,539** | **$29,416,609** | **$29,598,504** |

## Alaska Pioneer Homes

### Alaska Pioneer Home Payment Assistance Program

| | |
|---|---|
| Type: | Discount |
| Statutory/Other Authority: | AS 47.55.010, AS 47.55.020, AS 47.55.030, 7 AAC 74.045 |
| Year Enacted: | Regulations revised 10/15/2004 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $6,941,864 | $24,815,390 | $29,724,539 | $29,416,609 | $29,598,504 |

Note: Each year's figure is based on the 12/31 deferred rate.

**Description**
Provides for the Pioneer Home Payment Assistance Program allowing residents to reside in the Pioneer Homes when they do not have the funds to pay the full monthly rate.

**Legislative Intent, Public Purpose**
Provides for the Pioneer Home Payment Assistance Program allowing residents to reside in the Pioneer Homes when they do not have the funds to pay the full monthly rate.

**Who Benefits and Number of Beneficiaries**
Individuals participating in the Payment Assistance Program. FY20: 228; FY21: 229; FY22: 239; FY23: 219.

**Estimated Cost to Administer**
Duties are carried out by existing staff, requires minimal resources.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

**Departmental Direction/Additional Comments**
With the passing of HB96, the Payment Assistance Programs budget was increased to meet the needs of the residents who do not have the ability to pay the full monthly rate. The Division of Alaska Pioneer Homes continues to work on reducing the number of elders that are requiring Pioneer Home

Payment Assistance by assisting them to qualify for other funding options when available.

| Revenue Impact by Fund | | | | | | |
|---|---|---|---|---|---|---|
| **Fund Name** | **Fund Code** | **FY 2019** | **FY 2020** | **FY 2021** | **FY 2022** | **FY 2023** |
| Fish and Game Fund | 1024 | $19,435,419 | $20,648,444 | $21,264,336 | $21,934,227 | $22,708,735 |
| Commercial Fisheries Entry Commission Receipts | 1201 | $896,845 | $848,098 | $844,481 | $764,576 | $710,917 |
| **Department / Agency Total** | | **$20,332,264** | **$21,496,542** | **$22,108,817** | **$22,698,803** | **$23,419,652** |

## Commercial Fisheries Entry Commission

### Application Fee Differential

Type: Differential Allowance

Statutory/Other Authority: AS 16.43.100, AS 16.43.110, 20 AAC 05.250(b)

Year Enacted: 1987

Sunset/Repeal Date: None

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $0 | $0 | $0 | $0 | $0 |

**Description**
Reduces limited entry permit application fees. Fee reduced from $100 to $50 for qualifying individuals.

**Legislative Intent, Public Purpose**
To assist low-income permit holders. Assist low-income fishermen in their ability to apply for a commercial limited entry permit.

**Who Benefits and Number of Beneficiaries**
There have been no new limitations between 2009 and 2023 so there have been no new applications for entry permits.

**Estimated Cost to Administer**
Not provided.

**Fund Code and Name**
1201, Commercial Fisheries Entry Commission Receipts

## Expedite Fee Waiver

| | |
|---|---|
| Type: | Discount |
| Statutory/Other Authority: | AS 16.43.100, AS 16.43.220, AS 16.43.110, 20 AAC 05.425 (e)(1) |
| Year Enacted: | 2007 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| These discounts are not tracked by DFG's licensing system. | | | | |

**Description**
Fishermen are charged an $80 service fee for expediting their permits. The Commercial Fisheries Entry Commission (CFEC) provides for a waiver of this fee to qualified individuals with low income.

**Legislative Intent, Public Purpose**
To assist low-income permit holders. Assist low-income fishermen in their ability to immediately fish.

**Who Benefits and Number of Beneficiaries**
Approximately 20 - 30 per year.

**Estimated Cost to Administer**
Administered with the same staff and resources as non-reduced fee permits.

**Fund Code and Name**
1201, Commercial Fisheries Entry Commission Receipts

## Non-Resident Fee Differential

| | |
|---|---|
| Type: | Differential Allowance |
| Statutory/Other Authority: | AS 16.43.160, 20 AAC 05.245 (a)(7) |
| Year Enacted: | 2006 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $707,910 | $664,460 | $657,800 | $526,090 | $502,930 |

**Description**
Requires non-resident permit holders to pay a surcharge the first time they renew an entry permit each year. The non-resident surcharge was $140 for each fisherman prior to 2009 and $190 per fisherman in 2012 - 2023.

**Legislative Intent, Public Purpose**
To comply with the Alaska Supreme Court decisions in Carlson v. State of Alaska. Non-resident surcharge partially compensates for benefits State of Alaska provides to non-resident commercial fishermen.

**Who Benefits and Number of Beneficiaries**
Not a benefit. This is a surcharge and may not fit the criteria outlined for provisions which result in indirect expenditures. Between 2,500 and 3,000 individual Carlson differential fees are paid a year. The number provided is the amount we generate each year.

**Estimated Cost to Administer**
Administered with the same staff and resources as non-reduced fee permits.

**Fund Code and Name**
1201, Commercial Fisheries Entry Commission Receipts

## Permit Fee Reduction for Low Income Individuals

| | |
|---|---|
| Type: | Discount |
| Statutory/Other Authority: | AS 16.43.160 (d), 20 AAC 05.245 (c)-(e) |
| Year Enacted: | 1975 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $10,660 | $10,538 | $14,106 | $7,786 | $6,687 |

**Description**
Provides for a discount of commercial fishing permit fees for fishermen in low income brackets.

**Legislative Intent, Public Purpose**
To assist low-income permit holders. Assist low-income fishermen in their ability to renew annual commercial fishing permits.

**Who Benefits and Number of Beneficiaries**
Approximately 50 - 60 per year.

**Estimated Cost to Administer**
Administered with the same staff and resources as non-reduced fee permits.

**Fund Code and Name**
1201, Commercial Fisheries Entry Commission Receipts

## Permit Fee Waiver for Fishery Closures

| | |
|---|---|
| Type: | Differential Allowance |
| Statutory/Other Authority: | AS 16.43.100, AS 16.43.220, AS 16.43.110, 20 AAC 05.425 |
| Year Enacted: | 1986 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $178,275 | $173,100 | $172,575 | $230,700 | $201,300 |

**Description**
Waives or reimburses the cost of renewing an annual Commercial Fisheries Entry Commission (CFEC) fishing permit if the fishery was closed.

**Legislative Intent, Public Purpose**
To assist permit holders who are not allowed to fish due to season-long closure. Provide partial compensation to persons who lose their fishing opportunities due to season-long closures.

**Who Benefits and Number of Beneficiaries**
Variable, 2,000 - 3,000 per year.

**Estimated Cost to Administer**
Administered with the same staff and resources as non-reduced fee permits.

**Fund Code and Name**
1201, Commercial Fisheries Entry Commission Receipts

## Permit Transfer Fee Reduction

| | |
|---|---|
| Type: | Discount |
| Statutory/Other Authority: | AS 16.43.100, AS 16.43.110, 20 AAC 05.1910 (h) |
| Year Enacted: | 2002 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| These discounts are not tracked by DFG's licensing system. | | | | |

**Description**
The permit transfer fee is reduced from $50 to $25 for qualified individuals with low income.

**Legislative Intent, Public Purpose**
To assist low-income permit holders. Assist low-income fishermen with the fees associated with the Commercial Fisheries Entry Commission (CFEC) permit transfers.

**Who Benefits and Number of Beneficiaries**
Approximately 1 - 5 per year.

**Estimated Cost to Administer**
Administered with the same staff and resources as non-reduced fee permits.

**Fund Code and Name**
1201, Commercial Fisheries Entry Commission Receipts

## Non-Resident Military Brown or Grizzly Bear Tag

| | |
|---|---|
| Type: | Discount |
| Statutory/Other Authority: | AS 16.05.340 |
| Year Enacted: | 1993 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $11,700 | $13,650 | $18,525 | $12,675 | $16,575 |

**Description**
Qualified non-resident military on active duty permanently stationed in Alaska are allowed to purchase a bear tag at resident rate.

**Legislative Intent, Public Purpose**
To assist non-resident military members on active duty permanently stationed in Alaska.

**Who Benefits and Number of Beneficiaries**
Approximately 15 per year.

**Estimated Cost to Administer**
Administered under same staff and programs as non-discounted licenses.

**Fund Code and Name**
1024, Fish and Game Fund

## Non-Resident Military Goat Tag

| | |
|---|---|
| Type: | Discount |
| Statutory/Other Authority: | AS 16.05.340 |
| Year Enacted: | 1993 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $600 | $600 | $1,800 | $600 | $6,000 |

**Description**
Qualified non-resident military on active duty permanently stationed in Alaska are allowed to purchase a goat tag at resident rate.

**Legislative Intent, Public Purpose**
To assist non-resident military members on active duty permanently stationed in Alaska.

**Who Benefits and Number of Beneficiaries**
Less than 10 per year.

**Estimated Cost to Administer**
Administered under same staff and programs as non-discounted licenses.

**Fund Code and Name**
1024, Fish and Game Fund

## Non-Resident Military Sheep Tag

| | |
|---|---|
| Type: | Discount |
| Statutory/Other Authority: | AS 16.05.340 |
| Year Enacted: | 1993 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $1,700 | $850 | $2,550 | $3,400 | $11,050 |

**Description**
Qualified non-resident military on active duty permanently stationed in Alaska are allowed to purchase a sheep tag at resident rate.

**Legislative Intent, Public Purpose**
To assist non-resident military members on active duty permanently stationed in Alaska.

**Who Benefits and Number of Beneficiaries**
Less than 10 per year.

**Estimated Cost to Administer**
Administered under same staff and programs as non-discounted licenses.

**Fund Code and Name**
1024, Fish and Game Fund

## Non-Resident Military Hunting License

| | |
|---|---|
| Type: | Discount |
| Statutory/Other Authority: | AS 16.05.340 |
| Year Enacted: | 1977 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $63,250 | $63,020 | $72,910 | $64,400 | $68,425 |

**Description**
Qualified non-resident military on active duty permanently stationed in Alaska are allowed to purchase hunting license at resident rate.

**Legislative Intent, Public Purpose**
To assist non-resident military members on active duty permanently stationed in Alaska.

**Who Benefits and Number of Beneficiaries**
Approximately 600 per year.

**Estimated Cost to Administer**
Administered under same staff and programs as non-discounted licenses.

**Fund Code and Name**
1024, Fish and Game Fund

## Non-Resident Military Hunting or Fishing License

| | |
|---|---|
| Type: | Discount |
| Statutory/Other Authority: | AS 16.05.340 |
| Year Enacted: | 1977 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $298,776 | $308,452 | $344,056 | $291,400 | $266,200 |

**Description**
Qualified non-resident military on active duty permanently stationed in Alaska are allowed to purchase fishing and hunting license at resident rate.

**Legislative Intent, Public Purpose**
To assist non-resident military members on active duty permanently stationed in Alaska.

**Who Benefits and Number of Beneficiaries**
Approximately 1,400 per year.

**Estimated Cost to Administer**
Administered under same staff and programs as non-discounted licenses.

**Fund Code and Name**
1024, Fish and Game Fund

**Departmental Direction/Additional Comments**
License Fee decrease in FY21.

## Resident Military Air National Guard or Reserves Hunting or Fishing License

| | |
|---|---|
| Type: | Discount |
| Statutory/Other Authority: | AS 16.05.341 |
| Year Enacted: | 2008 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $92,115 | $131,100 | $115,440 | $107,640 | $104,220 |

**Description**
Allows qualified Alaska military reserves a complimentary annual fishing and hunting license.

**Legislative Intent, Public Purpose**
To assist resident Air National Guard & Military Reserve members.

**Who Benefits and Number of Beneficiaries**
Approximately 1,700 per year.

**Estimated Cost to Administer**
Mostly automated; minimal manual intervention by existing staff.

**Fund Code and Name**
1024, Fish and Game Fund

**Departmental Direction/Additional Comments**
License Fee decrease in FY21.

## Resident Veterans with Disabilities Hunting or Fishing License

| | |
|---|---|
| Type: | Discount |
| Statutory/Other Authority: | AS 16.05.341 |
| Year Enacted: | 1996 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $818,174 | $921,182 | $1,019,900 | $1,116,020 | $1,218,980 |

**Description**
Allows Alaska veterans with disabilities a complimentary fishing and hunting license, king salmon stamp and duck stamp.

**Legislative Intent, Public Purpose**
To assist resident veterans with disabilities.

**Who Benefits and Number of Beneficiaries**
Approximately 1,500 per year.

**Estimated Cost to Administer**
Mostly automated; minimal manual intervention by existing staff.

**Fund Code and Name**
1024, Fish and Game Fund

**Departmental Direction/Additional Comments**
License Fee decrease in FY21.

## Non-Resident Military King Stamp

| | |
|---|---|
| Type: | Discount |
| Statutory/Other Authority: | AS 16.05.340 |
| Year Enacted: | 1993 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $132,790 | $167,020 | $198,940 | $180,320 | $165,830 |

**Description**
Qualified non-resident military on active duty permanently stationed in Alaska are allowed to purchase a king salmon stamp at resident rate.

**Legislative Intent, Public Purpose**
To assist non-resident military members on active duty permanently stationed in Alaska.

**Who Benefits and Number of Beneficiaries**
Approximately 2,400 per year.

**Estimated Cost to Administer**
Administered under same staff and programs as non-discounted licenses.

**Fund Code and Name**
1024, Fish and Game Fund

## Yukon Territory / Alaska Reciprocal King Stamp

| | |
|---|---|
| Type: | Discount |
| Statutory/Other Authority: | AS 16.05.340 |
| Year Enacted: | 2005 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $22,950 | $16,560 | $0 | $17,910 | $29,880 |

**Description**
Yukon Territory residents allowed to purchase king salmon stamp at the Alaskan resident rate.

**Legislative Intent, Public Purpose**
To provide a reciprocal king salmon stamp with Yukon Territory residents.

**Who Benefits and Number of Beneficiaries**
Approximately 240 per year.

**Estimated Cost to Administer**
Administered under same staff and programs as non-discounted licenses.

**Fund Code and Name**
1024, Fish and Game Fund

**Departmental Direction/Additional Comments**
COVID travel restrictions in FY21.

## Non-Resident Military Fishing License

| | |
|---|---|
| Type: | Discount |
| Statutory/Other Authority: | AS 16.05.340 |
| Year Enacted: | 1977 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $613,756 | $650,528 | $591,924 | $520,080 | $498,000 |

**Description**
Qualified non-resident military on active duty permanently stationed in Alaska are allowed to purchase fishing license at resident rate.

**Legislative Intent, Public Purpose**
To assist non-resident military members on active duty permanently stationed in Alaska.

**Who Benefits and Number of Beneficiaries**
Approximately 6,000 per year.

**Estimated Cost to Administer**
Administered under same staff and programs as non-discounted licenses.

**Fund Code and Name**
1024, Fish and Game Fund

**Departmental Direction/Additional Comments**
License Fee decrease in FY21.

## Resident Blind Fishing License

| | |
|---|---|
| Type: | Discount |
| Statutory/Other Authority: | AS 16.05.340 |
| Year Enacted: | 1995 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $912 | $1,112 | $855 | $761 | $644 |

**Description**
Qualified blind residents are allowed to purchase a discounted fishing license for $0.50.

**Legislative Intent, Public Purpose**
To assist blind residents.

**Who Benefits and Number of Beneficiaries**
Approximately 40 per year.

**Estimated Cost to Administer**
Administered under same staff and programs as non-discounted licenses.

**Fund Code and Name**
1024, Fish and Game Fund

**Departmental Direction/Additional Comments**
License Fee decrease in FY21.

## Yukon Territory / Alaska Reciprocal Fishing License

| | |
|---|---|
| Type: | Discount |
| Statutory/Other Authority: | AS 16.05.340 |
| Year Enacted: | 2005 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $253,924 | $223,068 | $508 | $47,120 | $114,240 |

**Description**
Yukon residents allowed to purchase fishing license at the Alaska resident rate.

**Legislative Intent, Public Purpose**
To provide a reciprocal fishing license with Yukon Territory residents.

**Who Benefits and Number of Beneficiaries**
Approximately 1,800 per year.

**Estimated Cost to Administer**
Administered under same staff and programs as non-discounted licenses.

**Fund Code and Name**
1024, Fish and Game Fund

**Departmental Direction/Additional Comments**
COVID travel restrictions in FY21.

## Resident Low Income Fishing, Hunting, or Trapping License

| | |
|---|---|
| Type: | Discount |
| Statutory/Other Authority: | AS 16.05.340 |
| Year Enacted: | 1961 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $1,665,546 | $1,627,450 | $1,360,987 | $1,150,176 | $1,008,960 |

**Description**
$5 fishing, hunting, and trapping license and king salmon stamp for Alaska residents of low income/meeting most recent poverty guidelines set by US Department of Health & Human Services.

**Legislative Intent, Public Purpose**
To assist low-income residents.

**Who Benefits and Number of Beneficiaries**
Approximately 16,000 per year.

**Estimated Cost to Administer**
Administered under same staff and programs as non-discounted licenses.

**Fund Code and Name**
1024, Fish and Game Fund

**Departmental Direction/Additional Comments**
License Fee decrease in FY21.

## Sportfishing, Hunting, and Trapping License

### Resident Senior Fishing, Hunting, or Trapping License

| | |
|---|---|
| Type: | Discount |
| Statutory/Other Authority: | AS 16.05.400 |
| Year Enacted: | 1981 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $15,459,226 | $16,523,852 | $17,535,941 | $18,421,726 | $19,199,731 |

**Description**
Complimentary to Alaska residents over the age of 60. Includes fishing, hunting, or trapping license, king salmon stamp and duck stamp.

**Legislative Intent, Public Purpose**
To assist resident seniors.

**Who Benefits and Number of Beneficiaries**
Approximately 125,000 active.

**Estimated Cost to Administer**
Mostly automated; minimal manual intervention by existing staff.

**Fund Code and Name**
1024, Fish and Game Fund

**Departmental Direction/Additional Comments**
License Fee decrease in FY21.

| Revenue Impact by Fund | | | | | | |
|---|---|---|---|---|---|---|
| **Fund Name** | **Fund Code** | **FY 2019** | **FY 2020** | **FY 2021** | **FY 2022** | **FY 2023** |
| General Fund/Program Receipts | 1005 | $135,659 | $107,740 | $99,447 | $136,265 | $109,858 |
| **Department / Agency Total** | | **$135,659** | **$107,740** | **$99,447** | **$136,265** | **$109,858** |

## Bureau of Vital Statistics

### Fees for Death Certificates

| | |
|---|---|
| Type: | Discount |
| Statutory/Other Authority: | AS 18.50.320 |
| Year Enacted: | 2012 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $78,750 | $76,615 | $79,440 | $106,635 | $83,535 |

**Description**
Provides up to four free copies of veteran's death certificate -- discount is $30 for the first certificate and $25 for the 2nd-4th copies.

**Legislative Intent, Public Purpose**
Honor veterans by making it easier to apply for benefits.

**Who Benefits and Number of Beneficiaries**
In Alaska annually, approximately 22% of the deaths reported indicate the decedent was a veteran.

**Estimated Cost to Administer**
Duties are carried out by existing staff, requires minimal resources.

**Fund Code and Name**
1005, General Fund/Program Receipts

## Reasonable Fees, Collection, and Non-Denial of Services

| | |
|---|---|
| Type: | Discount |
| Statutory/Other Authority: | AS 44.29.022, 7 AAC 80.010-060 |
| Year Enacted: | 1986 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $25,184 | $27,084 | $14,492 | $29,630 | $26,323 |

Note: FY20-21: COVID forced the closure and/or reduction of services to the public health centers.

**Description**
No denial of public health services because of inability to pay. Reduced fees on a sliding scale based on income and family size using US Department of Health & Human Services annual poverty guidelines. Waives fees if it is in the public interest for communicable disease control or in response to a public health emergency.

**Legislative Intent, Public Purpose**
Provide statewide health care. Ensures protection of overall public health by making public health services available to all individuals regardless of their ability to pay.

**Who Benefits and Number of Beneficiaries**
An average of approximately 30,000 individuals a year receive public health nursing services and are eligible to receive the benefit if needed.

**Estimated Cost to Administer**
Duties are carried out by existing staff, requires minimal resources.

**Fund Code and Name**
1005, General Fund/Program Receipts

## Health Care Professionals Loan Repayment and Incentive

| | |
|---|---|
| Type: | Discount |
| Statutory/Other Authority: | AS 29.18, 7 AAC 24 |
| Year Enacted: | 2012 |
| Sunset/Repeal Date: | 2019 |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $0 | $0 | $0 | $0 | $0 |

Note: Last invoices collected in FY17.

**Description**
Waiver of employers' share of repayment of educational loans, direct incentive for certain health care professionals.

**Legislative Intent, Public Purpose**
Increase access to health care in rural Alaska.

**Who Benefits and Number of Beneficiaries**
Up to 90 each health care facilities and practitioners. All Alaskans, particularly in rural areas.

**Estimated Cost to Administer**
Estimated at less than $12,500 annually, based on percent of staff processing time.

**Fund Code and Name**
1005, General Fund/Program Receipts

**Departmental Direction/Additional Comments**
SHARP II sunset in 2019.

## Women, Children, and Family Health Pediatric Specialty Clinics

### Fees for Services at Pediatric Specialty Clinics

Type: Discount

Statutory/Other Authority: AS 44.29.022, 7 AAC 80.010-060

Year Enacted: 1986

Sunset/Repeal Date: None

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $31,725 | $4,041 | $5,515 | $0 | $0 |

Note: FY20-21: COVID forced the closure and/or reduction of services. FY22- beyond all costs are recaptured through cost allocation, we are no longer direct billing medicaid for reduced rates.

**Description**
Fees charged to patients based on the published Alaska Medicaid fee schedule and not the market price. Sliding scale fee for calculation sheet. Beneficiary may be any patient seen at the four types of clinics: genetics, metabolic, cleft lip and palate, and/or neurodevelopmental autism. There is no denial of services due to a patient's inability to pay.

**Legislative Intent, Public Purpose**
Ability to collect fees for services provided by the state to provide services for special healthcare needs population. Increase access to specialized health care services for Alaskans statewide.

**Who Benefits and Number of Beneficiaries**
215 +/- patients annually.

**Estimated Cost to Administer**
Estimated at $12,200 annually, based on percent of staff processing time.

**Fund Code and Name**
1005, General Fund/Program Receipts

**Departmental Direction/Additional Comments**
Due to the Cost Allocation plan, we are no longer allowed to bill for clinical services.

| Revenue Impact by Fund | | | | | | |
|---|---|---|---|---|---|---|
| **Fund Name** | **Fund Code** | **FY 2019** | **FY 2020** | **FY 2021** | **FY 2022** | **FY 2023** |
| Unrestricted General Fund Receipts | 1004 | $248,427 | $1,051,341 | $1,016,124 | $859,040 | $847,791 |
| General Fund/Program Receipts | 1005 | $20,320 | $29,451 | $25,218 | $88,722 | $44,936 |
| Workers Safety and Compensation Administration Account | 1157 | $5,337 | $15,932 | $6,144 | $571,731 | $2,782 |
| Workers Compensation Benefits Guarantee Fund | 1203 | $2,559,965 | $310,623 | $988,917 | $3,922,451 | $463,685 |
| **Department / Agency Total** | | **$2,834,049** | **$1,407,347** | **$2,036,403** | **$5,441,944** | **$1,359,194** |

## Alaska Vocational Technical Center

### AVTEC Lodging

Type: Credit

Statutory/Other Authority: 8 AAC 82.100(c)

Year Enacted: 2022

Sunset/Repeal Date: None

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $0 | $9,176 | $6,364 | $47,259 | $10,810 |

Note: The impact on revenue is negligible as the housing used for this activity was vacant and not generating revenue. By utilizing these assets to provide a housing benefit for the purpose of recruiting staff and instructors, AVTEC is able to recruit staff and instructors to work and live in Seward, in spite of the tight housing market.

**Description**
Housing credits are used as a recruitment tool for staff and instructors, for visiting instructors and others who have business with or are providing a service to AVTEC or on behalf of AVTEC.

**Legislative Intent, Public Purpose**
Housing credits are used as a recruitment tool for staff and instructors, for visiting instructors and others who have business with or are providing a service to AVTEC or on behalf of AVTEC. AVTEC is a training program subject to the provisions of AS 23.15.580 to provide employment related

education training programs. This credit is used as a recruitment strategy in a tight housing market.

**Who Benefits and Number of Beneficiaries**
FY20: 17; FY21: 11; FY22: 30; FY23: 23.

**Estimated Cost to Administer**
$0; No additional operating costs.

**Fund Code and Name**
1005, General Fund/Program Receipts

**Departmental Direction/Additional Comments**
Housing waivers will continue to be used as a recruitment tool for staff and instructors, for visiting instructors and others who have business with or are providing a service to AVTEC or on behalf of AVTEC; FY22 reflected a time of high staff turnover and temporary service providers during the COVID recovery which caused a higher than normal amount of lodging waivers.

## AVTEC Meal

| | |
|---|---|
| Type: | Credit |
| Statutory/Other Authority: | 8 AAC 82.100(e) |
| Year Enacted: | 2022 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $0 | $4,400 | $3,700 | $16,080 | $18,360 |

Note: The revenue impact is minimal. If not offered, staff would likely not partake in the meals provided.

**Description**
AVTEC staff and instructors are provided a meal waiver to eat lunch in the AVTEC Cafeteria to connect with students and each other to build community and increase retention of students.

**Legislative Intent, Public Purpose**
AVTEC staff and instructors are provided a meal waiver to eat lunch in the AVTEC Cafeteria to connect with students and each other to build community and increase retention of students. AVTEC is a training program subject to the provisions of AS 23.15.580 to provide employment related education training programs. This credit is used to increase employee, instructor and student retention by building community around a meal.

**Who Benefits and Number of Beneficiaries**
FY20: 70; FY21: 70; FY22: 70; FY23: 70.

**Estimated Cost to Administer**
$0; No additional operating costs.

**Fund Code and Name**
1005, General Fund/Program Receipts

**Departmental Direction/Additional Comments**
The meal waiver practice is currently under review with the decision for continuation of the waiver to be determined based on the findings; changes will be effective in FY25.

## AVTEC Tuition

| | |
|---|---|
| Type: | Credit |
| Statutory/Other Authority: | AS 44.31.020 |
| Year Enacted: | 2000 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $20,320 | $15,875 | $15,154 | $25,383 | $15,766 |

Note: The exact fiscal impact varies based on the training program that the recipient enrolls in. The revenue would have been General Fund Program Receipts (Designated General Funds). However, these have generated additional GFPR revenue in room and board, Technological Fees, and Administrative Fees.

**Description**
Alaska Vocational Technical Center (AVTEC) provides credits for the cost of tuition only to high school students and dependents of AVTECTA members per the Collective Bargaining Agreement (CBA).

**Legislative Intent, Public Purpose**
AVTEC is a training program subject to the provisions of AS 23.15.580 to provide employment related education training programs. This credit is to provide access to Alaskans to this training. The public purpose is to fulfill the AVTEC mission to provide accessible vocational and workforce development training.

**Who Benefits and Number of Beneficiaries**
Up to eight recipients per year. FY19: 8; FY20: 5; FY21: 3; FY22: 8; FY23: 4.

**Estimated Cost to Administer**
$0; No additional operating costs.

**Fund Code and Name**
1005, General Fund/Program Receipts

**Departmental Direction/Additional Comments**
The waivers have generated additional GFPR in room and board, and increased awareness of AVTEC as a post secondary option to high school students; additionally AVTEC is bound to continue offering tuition waivers to dependents of AVTECA members per the CBA.

## AKOSH Penalty Reduction for Late Reporting and Settlements

| | |
|---|---|
| Type: | Discount |
| Statutory/Other Authority: | 9 AAC 82.100(c) |
| Year Enacted: | Statute 1973, Regulation 1975 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $248,427 | $1,051,341 | $1,016,124 | $859,040 | $847,791 |

**Description**
By regulation, during an Alaska Occupational Safety and Health (AKOSH) informal conference the director, on behalf of the commissioner, may change the penalty assessed against an employer. An AKOSH informal conference provides an opportunity for an employer to meet with the director and discuss any issues related to an inspection, citation and notice of proposed penalty. The informal conference may result in an adjustment of penalties to settle the alleged violation(s).

**Legislative Intent, Public Purpose**
To allow flexibility when assessing a penalty to consider the size of the business of the employer being charged, the gravity of the violation, the good faith of the employer, and the history of previous violations. Penalty reductions assist with quicker and less expensive resolutions of citations and penalties along with faster hazard abatement. Formal contests are time consuming and costly. Also, during the period a case is in formal contest the hazards associated with alleged violations are not required to be corrected, while all hazards must be verified as corrected under the terms of an informal settlement agreement achieved through informal conference.

**Who Benefits and Number of Beneficiaries**
The number of beneficiaries varies from year to year. FY19: 99 businesses; FY20: 121 businesses; FY21: 133 businesses; FY22: 122 businesses; FY23: 120 businesses.

**Estimated Cost to Administer**
$0; No additional operating costs.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

**Departmental Direction/Additional Comments**
The division had several very large cases that settled for reduced amounts in FY20 and FY21, hence the increase in indirect expenditure. Additionally, the majority of formal contested cases in FY22 and FY23 have not settled yet, therefore, the current penalty amount used to calculate indirect expenditure will change once the contests start to settle.

## Workers' Compensation Appeals Commission Fees

| | |
|---|---|
| Type: | Exemption |
| Statutory/Other Authority: | 10 AAC 82.100(c) |
| Year Enacted: | 2005 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $1,814 | $990 | $6,144 | $878 | $2,783 |

**Description**
The Workers' Compensation Appeals Commission (WCAC) may waive the transcription costs and the $50 filing fee. Transcription costs may run anywhere from $200 to $2,000, depending on the length of the hearing.

**Legislative Intent, Public Purpose**
To ensure that all parties have the ability to due process, even if they cannot afford filing costs.

**Who Benefits and Number of Beneficiaries**
The number of persons whose filing and/or transcription costs were waived. FY22: 1; FY23: 3.

**Estimated Cost to Administer**
$0; No additional operating costs.

**Fund Code and Name**
1157, Workers Safety and Compensation Administration Account

## Workers' Compensation Benefits Guaranty Fund Uninsured Civil Penalties

| | |
|---|---|
| Type: | Discount |
| Statutory/Other Authority: | 11 AAC 82.100(c) |
| Year Enacted: | 2005 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $2,559,965 | $310,623 | $988,917 | $3,922,451 | $463,685 |

Note: Revenue from these civil penalties funds the Workers' Compensation Benefits Guaranty Fund, AS 23.30.082, which covers expenses for injured employees of uninsured employers.

**Description**
Statutes provide for a civil penalty of up to $1,000 per uninsured employee workday. If an employer voluntarily stipulates, regulations allow a reduction of 25% of the calculated penalty. If the employer goes to hearing, the Board has discretion to suspend the calculated civil penalty in whole or in part.

**Legislative Intent, Public Purpose**
This was an unintended consequence of legislative changes in 2005. The legislature did not anticipate the Appeals Commission Decision in Alaska R&C Communications. Waiving a penalty under 8 AAC 45.176 is to encourage an employer to agree to the calculated civil penalty without litigation, freeing up Board time and resources. Waiving a penalty under AS 23.30.080 is to avoid extreme financial hardship to an employer, or putting the employer out of business (Workers' Compensation Appeals Commission Case: Alaska R&C Communications v SOA, Decision No. 88, 9/16/08).

**Who Benefits and Number of Beneficiaries**
The number of uninsured employers receiving a 25% discount and/or suspension. FY19: 65; FY20: 43; FY21: 62; FY22: 59; FY23: 85.

**Estimated Cost to Administer**
$0; No additional operating costs.

**Fund Code and Name**
1203, Workers Compensation Benefits Guarantee Fund

## Workers' Compensation Late Filing Penalties

| | |
|---|---|
| Type: | Credit |
| Statutory/Other Authority: | 12 AAC 82.100(c) |
| Year Enacted: | Statute 1988, Regulation 1999 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $3,523 | $14,942 | Not available | $570,853 | Not available |

Note: Revenue from these late filing penalties funds the Second Injury Fund, AS 23.30.205, which is a dedicated fund for reimbursing compensation payments made by employers, or their insurers or adjusters, to certain injured employees.

**Description**
Commissioner has authority to waive all or part of late report filing penalties assessed against an insurer/self-insured employer if 95% of the reports filed in the calendar year were filed timely. Each employer is required to submit a compensation report on each claim when payment is initiated, the pay type or benefit amount is changed, or the claim is terminated. Report is due within 28 days of the triggering event. If the report is late, there is a statutory civil penalty of $100 per day (maximum of $1,000). At the end of each calendar year the division totals the amount of civil penalties due.

**Legislative Intent, Public Purpose**
The intent was to reward insurers/self-insured employers whose overall performance was excellent (above 95%). Waiving the penalties under AS 23.30.155 is a way of forgiving the occasional untimely report of insurers/self-insured employers that provide the vast majority of their reports timely.

**Who Benefits and Number of Beneficiaries**
The number of beneficiaries and final assessments are subject to change and revenue impact could be restated.

**Estimated Cost to Administer**
$0; No additional operating costs.

**Fund Code and Name**
1157, Workers Safety and Compensation Administration Account

| Revenue Impact by Fund | | | | | | |
|---|---|---|---|---|---|---|
| **Fund Name** | **Fund Code** | **FY 2019** | **FY 2020** | **FY 2021** | **FY 2022** | **FY 2023** |
| Unrestricted General Fund Receipts | 1004 | $8,400,535 | $7,629,515 | $7,384,630 | $7,644,502 | $6,216,903 |
| General Fund/Program Receipts | 1005 | $1,988,167 | $2,722,314 | $2,640,338 | $925,797 | $1,536,711 |
| Public School Trust Fund | 1066 | $142,501 | $130,386 | $126,316 | $116,574 | $90,027 |
| Non-UGF Revenue (Fiscal Notes) | 1251 | $5,849,598 | $5,409,091 | $5,246,945 | $4,012,894 | $2,785,853 |
| **Department / Agency Total** | | **$16,380,801** | **$15,891,306** | **$15,398,229** | **$12,699,767** | **$10,629,494** |



## Education Discount for Facilities, Equipment, Products, Fees and Services

| | |
|---|---|
| Type: | Discount |
| Statutory/Other Authority: | AS 41.08.045 |
| Year Enacted: | 2017 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $1,546,411 | $2,463,631 | $2,079,368 | $370,908 | $668,349 |

**Description**
The division shall waive fees under this section for a student who uses facilities, equipment, products, or services for educational purposes.

**Legislative Intent, Public Purpose**
Honor K-12 students, classes, teachers, and educators, and professors and college students involved in higher education. Provide a benefit to those (1) promoting the theory and practice of teaching or (2) conducting academic research and associated with an accredited postsecondary educational institution.

**Who Benefits and Number of Beneficiaries**
FY19: 20; FY20: 8; FY21: 5; FY22: 4; FY23: 7.

**Estimated Cost to Administer**
$1,500 (estimate).

**Fund Code and Name**
1005, General Fund/Program Receipts

**Departmental Direction/Additional Comments**
No intended change unless directed.

## Exploration Incentive Credits for Mining Activities

| | |
|---|---|
| Type: | Credit |
| Statutory/Other Authority: | AS 27.30.010 |
| Year Enacted: | 1995 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $0 | $0 | $0 | $0 | $0 |

**Description**
Provides exploration incentive credit for exploration activities.

**Legislative Intent, Public Purpose**
For purpose of determining existence, location, extent, or quality of a locatable or leasable mineral or coal deposit.

**Who Benefits and Number of Beneficiaries**
One per year.

**Estimated Cost to Administer**
$2,500

**Fund Code and Name**
1005, General Fund/Program Receipts

**Departmental Direction/Additional Comments**
No requests were received for the credit in FY 2019, FY 2020, FY 2021, FY 2022, and FY 2023. Cost to administer is approximate.

## Extraction of Materials for Personal Use Without Cost (up to 2 cubic yards a person within a one-calendar-year period, with approval)

| | |
|---|---|
| Type: | Exemption |
| Statutory/Other Authority: | AS 38.05.555(e) |
| Year Enacted: | 2012 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $148 | $143 | $114 | $337 | $520 |

**Description**
Provides without cost up to 2 cubic yards of materials from a source or site designated under AS 38.05.550(b) per person within one calendar year period. The extraction and removal must be approved by the department and must be for personal use.

**Legislative Intent, Public Purpose**
Provide Alaskans with free access to material resources.

**Who Benefits and Number of Beneficiaries**
Southcentral Region: issued 68 authorizations between FY 2019 and FY 2023. Southeast Region: issued 48 authorizations between FY 2019 and FY 2023. Northern Region: issued 97 authorizations between FY 2022 and FY 2023.

**Estimated Cost to Administer**
$40 per hour per adjudication.

**Fund Code and Name**
1005, General Fund/Program Receipts

**Departmental Direction/Additional Comments**
10-60 minutes of staff time at an average Range 18 per application.

## Public and Charitable Use

| | |
|---|---|
| Type: | Discount |
| Statutory/Other Authority: | AS 38.05.810(a) |
| Year Enacted: | 1959 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| Unknown | | | | |

**Description**
Provides lease, sale, or other disposal of state land or resources to certain entities for less than fair market value.

**Legislative Intent, Public Purpose**
To allow the state the ability to balance the public benefit against revenues when it is in the public's best interest to authorize certain types of projects to certain types of governmental or non-profit entities. The public purpose is to provide state land or resources to a state or federal agency, a political subdivision, a tax-exempt non-profit organization, or a government operated or nonprofit cooperative association operated utility, for less than appraised value that serve a public purpose and are in the public interest.

**Who Benefits and Number of Beneficiaries**
A total of 94 authorizations were issued under AS 38.05.810(a) between 2017 and 2024 with an additional 3 applications in active adjudication or awaiting information.

**Estimated Cost to Administer**
$6,016 (pay plus benefits) per authorization.

**Fund Code and Name**
1005, General Fund/Program Receipts

**Departmental Direction/Additional Comments**
The range of lease adjudication times can vary greatly from application to authorization based on the complexity.

## Sale of Material at Less than Fair Market Value for Flood Mitigation

| | |
|---|---|
| Type: | Discount |
| Statutory/Other Authority: | AS 38.05.872(b) |
| Year Enacted: | 2012 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $0 | $0 | $0 | $0 | $0 |

**Description**
Convey materials at less than fair market value for mitigation of a flooding area where excess material deposition contributes to flooding.

**Legislative Intent, Public Purpose**
The Act was to provide for the disposal of certain bedload materials in conjunction with a flood mitigation plan. The public purpose is to make it easier to remove gravel/sand where excess deposits may cause the flooding.

**Who Benefits and Number of Beneficiaries**
One authorization so far.

**Estimated Cost to Administer**
None.

**Fund Code and Name**
1005, General Fund/Program Receipts

**Departmental Direction/Additional Comments**
City of Seward has expressed interest, but no applications have been received. A flood mitigation plan was received from Seward in 2020.

## Sale of Material at Less than Fair Market Value for Personal Use

| | |
|---|---|
| Type: | Discount |
| Statutory/Other Authority: | AS 38.05.555(f) |
| Year Enacted: | 2012 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $0 | $0 | $0 | $0 | $0 |

**Description**
Provides 200 cubic yards of peat for personal use by individual for free, < 30,000 c.y. for commercial use at no cost for 10 year period; > 30,000 c.y. at price of 20% of representative regional price or 20% of FMV for a period of 10 years.

**Legislative Intent, Public Purpose**
Create incentive for development of peat as a source of heat or power.

**Who Benefits and Number of Beneficiaries**
None to date.

**Estimated Cost to Administer**
None to date.

**Fund Code and Name**
1005, General Fund/Program Receipts

## Veteran's Discount, Land Sales

| | |
|---|---|
| Type: | Discount |
| Statutory/Other Authority: | AS 38.05.940 |
| Year Enacted: | 1984 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $212,608 | $134,937 | $306,254 | $204,552 | $511,642 |

**Description**
Provides a discount of 25% to eligible veterans for the purchase of state land sold under Title 38 and classified for a use other than commercial or industrial.

**Legislative Intent, Public Purpose**
To provide a benefit to Alaska veterans.

**Who Benefits and Number of Beneficiaries**
FY19: 29; FY20: 24; FY21: 38; FY22: 24; FY23: 18.

**Estimated Cost to Administer**
$40 per hour per adjudication.

**Fund Code and Name**
1005, General Fund/Program Receipts

**Departmental Direction/Additional Comments**
1 hour per application.

## Royalty Modification for Nikaitchuq Unit

| | |
|---|---|
| Type: | Discount |
| Statutory/Other Authority: | AS 38.05.180(j)(1)(A) |
| Year Enacted: | 2008 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $0 | $1,402,727 | $3,133,759 | $0 | $0 |

**Description**
Royalty modification for Nikaitchuq Unit.

**Legislative Intent, Public Purpose**
To allow the Commissioner royalty modification on individual leases. The public purpose is to stimulate increased production on ANS.

**Who Benefits and Number of Beneficiaries**
1 company.

**Estimated Cost to Administer**
None.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts
1066, Public School Trust Fund
1251, Non-UGF Revenue (Fiscal Notes)

## Royalty Modification for Oooguruk Unit

| | |
|---|---|
| Type: | Discount |
| Statutory/Other Authority: | AS 38.05.180(j)(1)(A) |
| Year Enacted: | 2006 |
| Sunset/Repeal Date: | 2021 |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $8,452,549 | $6,589,458 | $3,088,420 | $467,607 | $0 |

**Description**
Royalty modification for Oooguruk Unit.

**Legislative Intent, Public Purpose**
To provide reduced royalty to enable Oooguruk Unit to begin production. The public purpose is to stimulate increased production on ANS.

**Who Benefits and Number of Beneficiaries**
2 companies.

**Estimated Cost to Administer**
None.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts
1066, Public School Trust Fund
1251, Non-UGF Revenue (Fiscal Notes)

## Royalty Relief for Cook Inlet Discoveries

| | |
|---|---|
| Type: | Discount |
| Statutory/Other Authority: | AS 38.05.180(f)(4) |
| Year Enacted: | 1996 |
| Sunset/Repeal Date: | 10 yrs. after date of discovery |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $0 | $0 | $1,551,019 | $2,936,133 | $1,204,916 |

**Description**
Royalty relief for previously undiscovered Cook Inlet oil or gas pools capable of commercial production.

**Legislative Intent, Public Purpose**
Provide monetary incentive as royalty relief from oil and gas discoveries. Incentives to lessees to increase drilling of discovery wells in the Cook Inlet sedimentary basin.

**Who Benefits and Number of Beneficiaries**
6 companies.

**Estimated Cost to Administer**
None.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts
1066, Public School Trust Fund
1251, Non-UGF Revenue (Fiscal Notes)

## Royalty Relief for Cook Inlet Platforms

| | |
|---|---|
| Type: | Discount |
| Statutory/Other Authority: | AS 38.05.180(f)(6) |
| Year Enacted: | 2003 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $5,797,583 | $5,046,420 | $4,858,375 | $8,253,656 | $7,797,840 |

**Description**
Royalty relief for Cook Inlet platforms.

**Legislative Intent, Public Purpose**
Provide monetary incentive as royalty relief from oil and gas producing platforms. Incentives to lessees to continue to produce from Cook Inlet platforms which were not economically viable at a 12.5% royalty rate.

**Who Benefits and Number of Beneficiaries**
6 companies.

**Estimated Cost to Administer**
None.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts
1066, Public School Trust Fund
1251, Non-UGF Revenue (Fiscal Notes)

## Royalty Relief for Shale Oil

| | |
|---|---|
| Type: | Discount |
| Statutory/Other Authority: | AS 38.05.160 |
| Year Enacted: | 1959 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $0 | $0 | $0 | $0 | $0 |

Note: No activity has required authorization of this rental and royalty relief clause.

**Description**
The Commissioner may waive payment of royalty and rental during the first five years of the lease.

**Legislative Intent, Public Purpose**
Provide Commissioner with discretion in rental fees for future shale development. The public purpose is to encourage the production of petroleum products form shale.

**Who Benefits and Number of Beneficiaries**
None known.

**Estimated Cost to Administer**
None.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts
1066, Public School Trust Fund
1251, Non-UGF Revenue (Fiscal Notes)

## Royalty Relief for Small Cook Inlet Discoveries

| | |
|---|---|
| Type: | Discount |
| Statutory/Other Authority: | AS 38.05.180(f)(5) |
| Year Enacted: | 1998 |
| Sunset/Repeal Date: | 10 yrs. after restart of production |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $0 | $0 | $0 | $0 | $0 |

**Description**
Royalty relief for small Cook Inlet discoveries.

**Legislative Intent, Public Purpose**
Increase Cook Inlet oil and gas production from shut in wells and platforms. Incentives to lessees to restart production from Cook Inlet leases that had been shut down prior to 1988.

**Who Benefits and Number of Beneficiaries**
12 companies.

**Estimated Cost to Administer**
None.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts
1066, Public School Trust Fund
1251, Non-UGF Revenue (Fiscal Notes)

## Parks and Outdoor Recreation

### Veterans with Disabilities Camping Pass

| | |
|---|---|
| Type: | Discount |
| Statutory/Other Authority: | AS 41.21.026(d) |
| Year Enacted: | 1987 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $229,000 | $123,603 | $254,602 | $350,000 | $356,200 |

**Description**
Free camping pass to veterans with disabilities of this country for use in the state park campgrounds.

**Legislative Intent, Public Purpose**
Honor veterans with disabilities by providing them free overnight camping in state parks units. The public purpose is to provide a benefit to disabled veterans.

**Who Benefits and Number of Beneficiaries**
1,750 (annual average 2018-2023) 3.4 million potential beneficiaries (US Census Bureau, November 2011).

**Estimated Cost to Administer**
Negligible/cost of printing decals.

**Fund Code and Name**
1005, General Fund/Program Receipts

**Departmental Direction/Additional Comments**
No intended change unless directed.

| Revenue Impact by Fund | | | | | | |
|---|---|---|---|---|---|---|
| **Fund Name** | **Fund Code** | **FY 2019** | **FY 2020** | **FY 2021** | **FY 2022** | **FY 2023** |
| Unrestricted General Fund Receipts | 1004 | $1,303,639,498 | $739,704,162 | $908,001,018 | $1,363,306,164 | $1,451,576,642 |
| School Fund | 1030 | $273,334 | $264,108 | $291,756 | $285,046 | $264,398 |
| Tobacco Use Education and Cessation Fund | 1168 | $43,158 | $41,701 | $46,067 | $45,008 | $41,747 |
| Alcohol and Other Drug Abuse Treatment & Prevention Fund | 1180 | $1,470,096 | $1,364,763 | $1,399,590 | $1,459,217 | $1,348,454 |
| Commercial Vessel Passenger Excise Tax | 1206 | $16,048,844 | $10,947,320 | $0 | $5,917,332 | $16,722,707 |
| Aviation Fuel Tax Account | 1239 | $21,695,538 | $21,540,112 | $23,893,230 | $29,234,190 | $27,651,468 |
| Motor Fuel Tax Receipts | 1249 | $15,421,544 | $14,768,546 | $14,086,949 | $15,883,543 | $15,097,188 |
| **Department / Agency Total** | | **$1,358,592,012** | **$788,630,712** | **$947,718,610** | **$1,416,130,500** | **$1,512,702,604** |

## Alcoholic Beverages Tax

### Small Brewery Reduced Rate

| | |
|---|---|
| Type: | Discount |
| Statutory/Other Authority: | AS 43.60.010(c) |
| Year Enacted: | 2002 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $2,940,192 | $2,729,525 | $2,799,180 | $2,918,435 | $2,696,909 |

**Description**
Beer, cider, and malt beverages produced by brewers who have qualified with the federal government per 26 U.S.C. 5051(a)(2) and have been approved fiscally by DOR are taxed at a reduced rate of tax of 35 cents per US gallon instead of the full tax rate of $1.07 per US gallon.

**Legislative Intent, Public Purpose**
The intent was to foster the development of breweries and brewpubs in Alaska.

**Who Benefits and Number of Beneficiaries**
Qualifying brewers. FY19: 50; FY20: 55; FY21: 56; FY22: 60; FY23: 62.

**Estimated Cost to Administer**
No additional cost; is administered with current resources.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts
1180, Alcohol and Other Drug Abuse Treatment & Prevention Fund

## Indian Reservation Exemption from Cigarette Tax

| | |
|---|---|
| Type: | Exemption |
| Statutory/Other Authority: | AS 43.50.090, AS 43.50.150 |
| Year Enacted: | 1983 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $407,766 | $413,138 | $434,366 | $444,676 | $402,102 |

**Description**
Cigarettes imported or acquired by one of the two federally recognized Indian reservations are exempt from the cigarette tax.

**Legislative Intent, Public Purpose**
The purpose is to comply with federal law.

**Who Benefits and Number of Beneficiaries**
Fewer than five beneficiaries.

**Estimated Cost to Administer**
No additional cost; is administered with current resources.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts
1030, School Fund
1168, Tobacco Use Education and Cessation Fund

## Personal Exemption from Cigarette Tax

| | |
|---|---|
| Type: | Exemption |
| Statutory/Other Authority: | AS 43.50.090(d), AS 43.50.190(c) |
| Year Enacted: | 2003, amended 2004 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| Unknown | | | | |

Note: Unknown. There is no reporting requirement for cigarettes personally transported into the state.

**Description**
The first 400 cigarettes personally transported into the state by an individual for that individual's personal consumption during the calendar month are excluded from the cigarette tax.

**Legislative Intent, Public Purpose**
The Legislature intended the personal use exemption to support efficient administration of tax by focusing the tax towards wholesalers and distributors rather than personal consumption by an individual.

**Who Benefits and Number of Beneficiaries**
Unknown.

**Estimated Cost to Administer**
No additional cost; is administered with current resources.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts
1030, School Fund
1168, Tobacco Use Education and Cessation Fund

## Tax Stamp Discount

| | |
|---|---|
| Type: | Discount |
| Statutory/Other Authority: | AS 43.50.540(c) |
| Year Enacted: | 2003 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $311,533 | $281,884 | $333,412 | $305,445 | $293,682 |

**Description**
This gives a discount of up to $50,000 per company per year as compensation for affixing stamps to packs of cigarettes. The discount is 3% if stamps purchased are $1,000,000 or less, 2% if between $1,000,000 and $2,000,000, and 0% for amounts of stamps purchased over $2,000,000.

**Legislative Intent, Public Purpose**
The purpose is to provide a discount to compensate taxpayers for the cost of affixing stamps to each pack.

**Who Benefits and Number of Beneficiaries**
FY19: 8; FY20: 9; FY21: 9; FY:22: 8; FY23: 8.

**Estimated Cost to Administer**
No additional cost; is administered with current resources.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts
1030, School Fund
1168, Tobacco Use Education and Cessation Fund

## Uniformed Services Exemption from Cigarette Tax

| | |
|---|---|
| Type: | Exemption |
| Statutory/Other Authority: | AS 43.50.090(c) |
| Year Enacted: | 1977 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| Unknown | | | | |

Note: Unknown. There is no reporting requirement for cigarettes sold to uniformed services directly from the manufacturer.

**Description**
Cigarettes imported or acquired by one of the uniformed services of the United States are exempt from the cigarette tax.

**Legislative Intent, Public Purpose**
The purpose is to comply with federal law.

**Who Benefits and Number of Beneficiaries**
Unknown.

**Estimated Cost to Administer**
No additional cost; is administered with current resources.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts
1030, School Fund
1168, Tobacco Use Education and Cessation Fund

## 72 Hour Threshold Voyage Exemption

| | |
|---|---|
| Type: | Exemption |
| Statutory/Other Authority: | AS 43.52.295(4) |
| Year Enacted: | 2010 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| Unknown | | | | |

Note: Unknown. Only voyages that exceed 72 hours are required to report.

**Description**
Voyages on the state's marine waters 72 hours or less are excluded from the tax.

**Legislative Intent, Public Purpose**
The purpose is to clarify the definition of "voyage" for purposes of the tax and to encourage cruise ship activity in Alaska.

**Who Benefits and Number of Beneficiaries**
Unknown.

**Estimated Cost to Administer**
No additional cost; is administered with current resources.

**Fund Code and Name**
1206, Commercial Vessel Passenger Excise Tax

## Small Passenger Vessel Exemption

| | |
|---|---|
| Type: | Exemption |
| Statutory/Other Authority: | AS 43.52.295(1)(A) |
| Year Enacted: | 2006 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| Unknown | | | | |

Note: Unknown. There is no filing requirement for small passenger vessels.

**Description**
Vessels with fewer than 250 berths are excluded from commercial passenger vessel taxes.

**Legislative Intent, Public Purpose**
This provision was part of a ballot measure and therefore has no legislative history. The public purpose is to avoid burdening small passenger vessels with tax.

**Who Benefits and Number of Beneficiaries**
Unknown.

**Estimated Cost to Administer**
No additional cost; is administered with current resources.

**Fund Code and Name**
1206, Commercial Vessel Passenger Excise Tax

## Tax Reduction for Local Levies

| | |
|---|---|
| Type: | Deduction |
| Statutory/Other Authority: | AS 43.52.255 |
| Year Enacted: | 2010 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $16,048,844 | $10,947,320 | $0 | $5,917,332 | $16,722,707 |

**Description**
The cost of local passenger taxes and fees are deducted from the state's passenger tax imposed under AS 43.52.200 – 43.52.295. This reduction is an offset for taxes and fees collected by the two communities (Juneau and Ketchikan) that had levies in effect prior to December 17, 2007.

**Legislative Intent, Public Purpose**
The purpose is to encourage cruise ship activity in Alaska by limiting the total tax burden.

**Who Benefits and Number of Beneficiaries**
Cruise lines. FY19: 14; FY20: 15; FY21: 0; FY22: 13; FY23: 14.

**Estimated Cost to Administer**
No additional cost; is administered with current resources.

**Fund Code and Name**
1206, Commercial Vessel Passenger Excise Tax

## Exclude Income from Certain Vessels from Tax

| | |
|---|---|
| Type: | Exemption |
| Statutory/Other Authority: | AS 43.20.021(h) |
| Year Enacted: | 1998, amended 2006 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| Unknown | | | | |

Note: Unknown. There are limited reporting requirements for foreign-flagged vessels.

**Description**
Foreign-flagged vessels other than cruise ships operating in Alaska waters are excluded from tax.

**Legislative Intent, Public Purpose**
The intent of the exclusion adopted in 1998 was to exclude foreign-flagged vessels from tax. A 2006 ballot measure removed the exclusion for certain cruise ships.

**Who Benefits and Number of Beneficiaries**
Unknown.

**Estimated Cost to Administer**
No additional cost; is administered with current resources.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

## Exempt Corporations that are Participants in Contract under Stranded Gas Development Act

| | |
|---|---|
| Type: | Exemption |
| Statutory/Other Authority: | AS 43.20.145(g) |
| Year Enacted: | 1998 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $0 | $0 | $0 | $0 | $0 |

**Description**
Corporations that are a party to a contract under the Stranded Gas Development Act are exempt from corporate income tax filing requirements, if the agreement provides for a payment in lieu of income tax.

**Legislative Intent, Public Purpose**
This provision is intended to allow the state to take payment in lieu of tax under the Stranded Gas Development Act and to promote the construction of a gas pipeline from the North Slope to export markets.

**Who Benefits and Number of Beneficiaries**
No beneficiaries because there is no contract under the Stranded Gas Development Act.

**Estimated Cost to Administer**
No additional cost; is administered with current resources.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

## Federal Tax Credits

| | |
|---|---|
| Type: | Credit |
| Statutory/Other Authority: | AS 43.20.021 |
| Year Enacted: | 1975 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $3,792,627 | $2,661,539 | $6,233,979 | $4,150,942 | Not available |

Note: All returns with tax periods beginning in FY23 have not yet been received, so FY23 data is unavailable.

**Description**
Under Alaska's adoption of the Internal Revenue Code, taxpayers can claim most federal incentive credits. Federal credits that refund other federal taxes are not allowed. Multi-state taxpayers apportion their total federal incentive credits. For most credits, the credit is limited to 18% of the amount of the credit determined for federal tax purposes which is attributable to Alaska.

**Legislative Intent, Public Purpose**
The adoption by reference of federal credits to support the efficient administration of the corporate income tax through uniformity with the federal incentive credits.

**Who Benefits and Number of Beneficiaries**
FY19: 357; FY20: 369; FY21: 425; FY22: 486.

**Estimated Cost to Administer**
No additional cost; is administered with current resources.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

**Departmental Direction/Additional Comments**
House Bill 50, passed in 2024, established a state framework for Carbon Capture, Utilization, and Storage (CCUS). A provision in this legislation “decouples” Alaska from adopting the federal carbon oxide sequestration credit under 26 U.S.C 45Q, sometimes referred to as the “45Q credit.” As a result, taxpayers cannot claim 45Q credits for purposes of calculating state corporate income tax. This change has no immediate revenue impact but would impact future projects.

## Foreign Royalty Exclusion

| | |
|---|---|
| Type: | Exemption |
| Statutory/Other Authority: | AS 43.20.145(b) |
| Year Enacted: | 1991 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $2,186,485 | $2,065,257 | $2,725,440 | $3,509,574 | Not available |

Note: All returns with tax periods beginning in FY23 have not yet been received, so FY23 data is unavailable.

**Description**
Excludes 80% of foreign royalties from apportionable income of corporations filing a water's-edge return.

**Legislative Intent, Public Purpose**
The sponsor of the legislation stated in committee that the purpose was to encourage foreign investment in Alaska.

**Who Benefits and Number of Beneficiaries**
FY19: 119; FY20: 118; FY21: 137; FY22: 150.

**Estimated Cost to Administer**
No additional cost; is administered with current resources.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

## In-State Refinery Tax Credit

| | |
|---|---|
| Type: | Credit |
| Statutory/Other Authority: | AS 43.20.053 |
| Year Enacted: | 2014 |
| Sunset/Repeal Date: | 12/31/2019 |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| Confidential | | | | |

Note: Confidential due to small number of recipients.

**Description**
This was a credit for qualified infrastructure expenditures for in-state oil refineries. The credit could not exceed the lesser of 40% of total qualifying expenditures or $10 million per refinery per tax year. The credit could be applied against corporate income tax liability and carried forward, or refunded.

**Legislative Intent, Public Purpose**
The purpose was to encourage investment in infrastructure improvements and help maintain economic viability of the in-state refining industry.

**Who Benefits and Number of Beneficiaries**
Fewer than five companies.

**Estimated Cost to Administer**
No additional cost; is administered with current resources.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

**Departmental Direction/Additional Comments**
Since this provision has sunset and will no longer apply, it will be removed from the next iteration of the Indirect Expenditure Report.

## Liquid Natural Gas Storage Facility Credit

| | |
|---|---|
| Type: | Credit |
| Statutory/Other Authority: | AS 43.20.047 |
| Year Enacted: | 2012 |
| Sunset/Repeal Date: | 12/31/2019 |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| Confidential | Confidential | Not applicable | Not applicable | Not applicable |

Note: FY19 and FY20 confidential due to small number of recipients. This program has sunset and was not applicable in the remaining years.

**Description**
This was a credit for the costs incurred to establish a storage facility for liquefied natural gas (LNG). The credit was the lesser of $15 million or 50% of costs incurred to establish the facility. It applied to facilities with a minimum storage capacity of 25,000 gallons of LNG and that were public utilities regulated by the Regulatory Commission of Alaska.

**Legislative Intent, Public Purpose**
The purpose was to encourage construction of LNG storage facilities, thereby reducing the potential for gas shortages during peak demand.

**Who Benefits and Number of Beneficiaries**
Fewer than five companies.

**Estimated Cost to Administer**
No additional cost; is administered with current resources.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

**Departmental Direction/Additional Comments**
Since this provision has sunset and will no longer apply, it will be removed from the next iteration of the Indirect Expenditure Report.

## Oil and Gas Service Industry Expenditures Credit

| | |
|---|---|
| Type: | Credit |
| Statutory/Other Authority: | AS 43.20.049 |
| Year Enacted: | 2013 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| Confidential | | | | |

Note: Confidential due to small number of recipients.

**Description**
A credit of 10% for qualified oil and gas industry service expenditures that are for in-state manufacture or in-state modification of oil and gas tangible personal property with a service life of three years or more. The credit may be applied to corporate income tax liabilities up to $10 million per taxpayer per year. If the credit exceeds the taxpayer's liability it may be carried forward up to five years.

**Legislative Intent, Public Purpose**
The purpose is to encourage expansion of in-state service industry activity, particularly manufacturing of modules and equipment in Alaska.

**Who Benefits and Number of Beneficiaries**
Fewer than five companies.

**Estimated Cost to Administer**
No additional cost; is administered with current resources.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

## Reduced Tax Rate on Capital Gains

| | |
|---|---|
| Type: | Differential Allowance |
| Statutory/Other Authority: | AS 43.20.021(c) |
| Year Enacted: | 1975 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| No longer in use | | | | |

Note: Beginning 1/1/2018, per the federal Tax Cuts and Jobs Act, capital gains are taxed at the ordinary graduated tax rate, essentially nullifying this provision.

**Description**
Long term capital gains are taxed at a maximum rate of 4.5%, while other income is taxed at a maximum rate of 9.4%.

**Legislative Intent, Public Purpose**
The rate differential reflects preferential treatment of capital gains in the federal tax code when Alaska's rate structure was adopted. The intent was to allow for efficient administration of taxes by basing Alaska's taxes on the federal code.

**Who Benefits and Number of Beneficiaries**
None; no longer in use.

**Estimated Cost to Administer**
No additional cost; is administered with current resources.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

**Departmental Direction/Additional Comments**
Since this provision no longer applies, it will be removed from the next iteration of the Indirect Expenditure Report.

## S-Corporation Exclusion

| | |
|---|---|
| Type: | Exemption |
| Statutory/Other Authority: | AS 43.20.021 |
| Year Enacted: | N/A (See Description) |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| Unknown | | | | |

Note: Unknown. While S-Corporations doing business in Alaska are required to submit a tax return, they do not report any income or income tax on the returns, so the estimated revenue impact is unavailable.

**Description**
Under Alaska's adoption of the Internal Revenue Code, corporations that have elected S-Corporation status are generally not subject to tax. Prior to 1980, the stakeholders' share of income was subject to Alaska's personal income tax. Since the 1980 repeal of the state's personal income tax, the income is taxed neither at the corporate level nor at the shareholder level.

**Legislative Intent, Public Purpose**
The exclusion is intended to support the efficient administration of the corporate income tax through uniformity with the federal income reporting.

**Who Benefits and Number of Beneficiaries**
Approximately 11,700 companies. The number of companies that would pay tax without this exclusion is unknown.

**Estimated Cost to Administer**
No additional cost; is administered with current resources.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

## Small Corporation Exemption

| | |
|---|---|
| Type: | Exemption |
| Statutory/Other Authority: | AS 43.20.012 |
| Year Enacted: | 2012 |
| Sunset/Repeal Date: | 7/1/2023 |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $1,379,618 | $2,150,232 | $3,144,366 | $2,653,193 | Not available |

Note: All returns with tax periods beginning in FY23 have not yet been received, so FY23 data is unavailable.

**Description**
Exempts businesses from tax that are C-Corporations that are in certain industries identified in Section 1202 of the Internal Revenue Code, that have assets of under $50 million, and that meet other requirements of AS 43.20.012.

**Legislative Intent, Public Purpose**
The purpose of the exemption is to encourage the development of high-growth technology and research companies in Alaska and to encourage small business development.

**Who Benefits and Number of Beneficiaries**
FY19: 33; FY20: 43; FY21: 56; FY22: 53.

**Estimated Cost to Administer**
No additional cost; is administered with current resources.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

## Urea/Ammonia/Gas to Liquid Facility Credit

| | |
|---|---|
| Type: | Credit |
| Statutory/Other Authority: | AS 43.20.052 |
| Year Enacted: | 2016 |
| Sunset/Repeal Date: | 1/1/2024 |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $0 | $0 | $0 | $0 | Not available |

Note: All returns with tax periods beginning in FY23 have not yet been received, so FY23 data is unavailable.

**Description**
This credit allowed an in-state company that produced urea, ammonia, or gas-to-liquids products to apply a credit to its corporate income tax based on natural gas purchased from state leases. The credit was equal to the amount of state royalty paid on natural gas purchased for the qualifying project. The credit was not transferable or eligible for state purchase, it could not be carried forward to future years, and it could not be used to reduce a tax liability below zero.

**Legislative Intent, Public Purpose**
The purpose was to incentivize the production of certain value-added products that use as their feed stock natural gas from state leases.

**Who Benefits and Number of Beneficiaries**
None.

**Estimated Cost to Administer**
No additional cost; is administered with current resources.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

**Departmental Direction/Additional Comments**
This credit has never been claimed but was added to this report for informational purposes.

## Utilities Exempted from Water's Edge Combination Reporting

| | |
|---|---|
| Type: | Filing Methodology |
| Statutory/Other Authority: | AS 43.19.010 Article IV Sec. 2, AS 43.20.146 |
| Year Enacted: | 1970 |
| Sunset/Repeal Date: | Repealed, 1/1/2019 |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| Unknown | | | | |

Note: Unknown. Cannot be reported, information not collected.

**Description**
Income from public utilities including telephone services was exempt from water's edge combination reporting requirements for purposes of calculating their Alaska taxable income for corporate income tax purposes. These companies can instead calculate their corporate income tax, based on separate-entity reporting using only income directly earned in Alaska. Effective 1/1/19, utilities are required to allocate and apportion income to Alaska for corporate income tax purposes using water's edge combination reporting requirements, similar to most other companies.

**Legislative Intent, Public Purpose**
This provision was adopted as part of the state's adoption of the multistate tax compact. The Legislature adopted the compact to promote the efficient collection of taxes.

**Who Benefits and Number of Beneficiaries**
Public utilities, but the number of public utilities using this methodology is not tracked because utilities are not required to report that information.

**Estimated Cost to Administer**
No additional cost; administered with current resources.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

**Departmental Direction/Additional Comments**
Since this provision has been repealed and will no longer apply, it will be removed from the next iteration of the Indirect Expenditure Report.

## Veteran Employment Tax Credit

| | |
|---|---|
| Type: | Credit |
| Statutory/Other Authority: | AS 43.20.048 |
| Year Enacted: | 2012 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $0 | $0 | $0 | $0 | Not available |

Note: All returns with tax periods beginning in FY23 have not yet been received, so FY23 data is unavailable.

**Description**
A credit for corporate income taxpayers that employ qualified veterans in the state. The credit is $3,000 for a veterans with disabilities or $2,000 for a veteran who is not disabled for employment for a minimum of 1,560 hours during 12 consecutive months following the veteran's employment date. For seasonal employment, the credit is $1,000 for a veteran employed for a minimum of 500 hours during three consecutive months following the employment date.

**Legislative Intent, Public Purpose**
The purpose is to provide an incentive for businesses to hire veterans.

**Who Benefits and Number of Beneficiaries**
Zero beneficiaries.

**Estimated Cost to Administer**
No additional cost; is administered with current resources.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

## Fisheries Product Development Credit

| | |
|---|---|
| Type: | Credit |
| Statutory/Other Authority: | AS 43.75.037 |
| Year Enacted: | 2022 |
| Sunset/Repeal Date: | 1/1/2027 |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| N/A | N/A | N/A | N/A | $1,056,041 |

**Description**
This credit is for qualified expenditures for new property used to produce value-added products from salmon, herring, pollock, Pacific cod, and sablefish (eligible fish). The credit is 50% of qualified expenditures up to 50% of the fisheries business tax liability incurred from the processing of eligible fish during the tax period. Additionally, an unused credit can be carried forward three years. To be eligible for the credit, the property must be placed into service on or after July 8, 2022, have a useful life of three years or more, and meet category and use requirements.

**Legislative Intent, Public Purpose**
In 2022, the Legislature passed Senate Bill 33 (CH 31 SLA 22) adding a Fisheries Product Development Tax Credit. The purpose and intent of the legislation was to expand the expiring Salmon and Herring Product Development Credit to include pollock, Pacific cod, and sablefish.

**Who Benefits and Number of Beneficiaries**
Processors. FY23: 5.

**Estimated Cost to Administer**
No additional cost; is administered with current resources.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

## Reduced Tax Rate for Developing Fisheries

| | |
|---|---|
| Type: | Differential Allowance |
| Statutory/Other Authority: | AS 43.75.015(b) |
| Year Enacted: | 1979, amended 1981 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $2,489 | $912 | $760 | $5,381 | $2,455 |

Note: The revenue impact given is pre-credit and includes both the state and municipal share. The methodology has been updated to reflect filing periods within fiscal years rather than within the preceding tax year.

**Description**
Fish species classified as "developing" are subject to tax rates of 1% for on-shore processors and 3% for floating processors instead of the regular rates of 3% and 5%, respectively. "Developing" species are annually designated by the commissioner of the department of fish and game under AS 16.05.050(a)(10).

**Legislative Intent, Public Purpose**
The Legislature intended to encourage the development of new fisheries.

**Who Benefits and Number of Beneficiaries**
On-shore or floating processors. FY19: 8; FY20: 4; FY21: 8; FY22: 8; FY23: 3.

**Estimated Cost to Administer**
No additional cost; is administered with current resources.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

**Departmental Direction/Additional Comments**
The estimated revenue impact analysis has been updated to reflect filing periods within fiscal years rather than within the preceding tax year. This methodology update from the previous report creates greater consistency with other fisheries indirect expenditures.

## Reduced Tax Rate for Small Fish Processors

| | |
|---|---|
| Type: | Differential Allowance |
| Statutory/Other Authority: | AS 43.75.020(c), AS 43.75.015(d) |
| Year Enacted: | 2004 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| Unknown | | | | |

Note: Unknown. Unable to determine revenue impact.

**Description**
Fishers processing on vessels 65 feet or less are subject to a 3% tax rate instead of the regular floating rate of 5%. AS 43.75.020(c) states that the Department of Revenue may issue a direct marketing fisheries business license to a licensed commercial fisherman who processes fishery resources caught using a vessel that does not exceed 65 feet in length. The statute says the resources may be processed either on board the vessel or at a shore-based facility. However, the license holder pays the tax rate applicable to a shore-based facility and fills out his/her tax return as if (s)he was the operator of a shore-based processing facility. The taxpayer is only getting a “reduced rate” if the fish are processed off shore, but the Department of Revenue has no way of knowing whether the fish were processed on or off shore. Therefore, the revenue impact is indeterminate.

**Legislative Intent, Public Purpose**
The Legislature adopted the reduced rate provision to encourage direct marketing and the production of value-added products.

**Who Benefits and Number of Beneficiaries**
Unknown.

**Estimated Cost to Administer**
No additional cost; is administered with current resources.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

## Salmon and Herring Product Development Credit

| | |
|---|---|
| Type: | Credit |
| Statutory/Other Authority: | AS 43.75.035 |
| Year Enacted: | 2003, last amended 2014 |
| Sunset/Repeal Date: | 12/31/2020 |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $3,149,217 | $2,293,957 | $1,405,202 | $1,495,667 | N/A |

Note: This credit was allowed to sunset and replaced with the Fisheries Product Development Credit which was expanded to include Pacific cod, stablefish, and pollock.

**Description**
A non-transferable credit for eligible capital expenditures to expand value-added processing of Alaska salmon and herring. The credit is 50% of qualified investments up to 50% of tax liability incurred for processing salmon and herring during the tax year. The credit may be carried forward for three years. Herring was added to the credit in 2014.

**Legislative Intent, Public Purpose**
The Legislature intended to encourage the development of value-added salmon and herring products in Alaska and to increase the value of Alaskan fisheries.

**Who Benefits and Number of Beneficiaries**
Processors. FY19: 20; FY20: 20; FY21: 15; FY22: 11.

**Estimated Cost to Administer**
No additional cost; is administered with current resources.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

**Departmental Direction/Additional Comments**
Though this credit expired on December 31, 2020, and was later replaced by the Fisheries Product Development Credit, the carry-forward provisions allowed for activity after the sunset date.

## Community Development Quota Credit

| | |
|---|---|
| Type: | Credit |
| Statutory/Other Authority: | AS 43.77.040 |
| Year Enacted: | 1993, last amended 2021 |
| Sunset/Repeal Date: | 12/31/2030 |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $731,443 | $748,946 | $653,272 | $572,961 | $626,327 |

**Description**
A non-transferable credit for contributions to an Alaska nonprofit corporation that is dedicated to fisheries industry-related expenditures. The credit is available only for fishery resources harvested under a community development quota (CDQ). The credit is 100% of contribution amount up to a maximum of 45.45% of tax liability on fishery resources harvested under a CDQ.

**Legislative Intent, Public Purpose**
The Legislature intended to provide a tax credit to encourage CDQ programs to contribute to nonprofits that provide jobs and training in Western Alaska.

**Who Benefits and Number of Beneficiaries**
FY19: 22; FY20: 17; FY21: 17; FY22: 17; FY23: 19.

**Estimated Cost to Administer**
No additional cost; is administered with current resources.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

## Reduced Tax Rate for Developing Fisheries

| | |
|---|---|
| Type: | Differential Allowance |
| Statutory/Other Authority: | AS 43.77.010(1) |
| Year Enacted: | 1996 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| Confidential | | | | |

Note: Confidential due to small number of recipients. The revenue impact given is pre-credit and includes both the state and municipal share. The methodology has been updated to reflect filing periods within fiscal years rather than within the preceding tax year.

**Description**
Fish species classified as "developing" are subject to a tax rate of 1% rather than the regular rate of 3%. "Developing" species are annually designated by the commissioner of the department of fish and game under AS 16.05.050(a)(10).

**Legislative Intent, Public Purpose**
The Legislature adopted the reduced rate provision to parallel a similar provision in the Fisheries Business Tax to encourage the development of new fisheries.

**Who Benefits and Number of Beneficiaries**
FY20 - FY23: Fewer than five companies.

**Estimated Cost to Administer**
No additional cost; is administered with current resources.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

**Departmental Direction/Additional Comments**
The estimated revenue impact analysis has been updated to reflect filing periods within fiscal years rather than within the preceding tax year. This methodology update from the previous report creates greater consistency with other fisheries indirect expenditures.

## Large Passenger Vessel Gambling Tax Deduction

| | |
|---|---|
| Type: | Deduction |
| Statutory/Other Authority: | AS 43.35.210 |
| Year Enacted: | 2006 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| Unknown | | | | |

Note: Unknown. There is no reporting requirement for federal and municipal taxes paid.

**Description**
Allows a deduction of federal and municipal taxes paid from gambling gross income.

**Legislative Intent, Public Purpose**
This provision was part of a ballot measure and therefore has no legislative history. The public purpose is to prevent double taxation.

**Who Benefits and Number of Beneficiaries**
Unknown.

**Estimated Cost to Administer**
No additional cost; is administered with current resources.

**Fund Code and Name**
1211, Cruise Ship Gambling Tax

## 3.5-Year Exemption

| | |
|---|---|
| Type: | Exemption |
| Statutory/Other Authority: | AS 43.65.010(a) |
| Year Enacted: | 1951 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| Unknown | | | | |

Note: Unknown. Those who are exempt from taxation and have been granted this 3.5-year exemption are required to file a mining license tax return under 15 AAC 65.010(a)(5) and 15 AAC 65.030, but are not required to fill out a complete return.

**Description**
New mining operations are exempt from the Mining License Tax for the first 3.5 years after production begins.

**Legislative Intent, Public Purpose**
The Legislature intended the exclusion to encourage new mining operations.

**Who Benefits and Number of Beneficiaries**
Approximately five companies.

**Estimated Cost to Administer**
No additional cost; is administered with current resources.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

## Depletion Deduction

| | |
|---|---|
| Type: | Deduction |
| Statutory/Other Authority: | AS 43.65.010(e) |
| Year Enacted: | 1955 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $22,256,099 | $26,840,102 | $33,683,238 | $33,210,917 | Not available |

Note: All returns with tax periods beginning in FY23 have not yet been received, so FY23 data is unavailable.

**Description**
Depletion allows for mining companies to get value for the money they spent developing the mine in advance of taxable production. A percentage depletion deduction is allowed for certain types of mining, such as metal mining, sulfur mining and coal mining. Other types of mines must use cost depletion.

**Legislative Intent, Public Purpose**
To encourage the development of the state's resources; to generate state revenue by efficient administration of tax.

**Who Benefits and Number of Beneficiaries**
FY19: 45; FY20: 45; FY21: 32; FY22: 35.

**Estimated Cost to Administer**
No additional cost; is administered with current resources.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

## Sand and Gravel Exemption

| | |
|---|---|
| Type: | Exemption |
| Statutory/Other Authority: | AS 43.65.060(2) |
| Year Enacted: | 2012 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| Unknown | | | | |

Note: Unknown. There is no reporting requirement for exempt operations.

**Description**
Sand, gravel, quarry rock, and marketable earth operations are exempt from the mining license tax.

**Legislative Intent, Public Purpose**
The Legislature found that the tax cost nearly as much to administer as it brought in. To generate state revenue by efficient administration of tax and to reduce the burden on sand and gravel operators.

**Who Benefits and Number of Beneficiaries**
Not tracked.

**Estimated Cost to Administer**
No additional cost; is administered with current resources.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

## Small Miner Exemption

| | |
|---|---|
| Type: | Exemption |
| Statutory/Other Authority: | AS 43.65.010(c) |
| Year Enacted: | 1955 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $25,722 | $34,642 | $28,711 | $27,739 | Not available |

Note: This does not include taxpayers who filed a loss on their return or taxpayers who did not file at all. All returns with tax periods beginning in FY23 have not yet been received, so FY23 data is unavailable.

**Description**
No tax is due if taxable income is $40,000 or less. Taxpayers with taxable income between $40,000 and $50,000 pay a tax rate of 3% on income within that bracket, with the tax rate increasing for taxable income above $50,000.

**Legislative Intent, Public Purpose**
The Legislature intended the exclusion to encourage smaller mining operations.

**Who Benefits and Number of Beneficiaries**
FY19: 66; FY20: 78; FY21: 72; FY22: 72.

**Estimated Cost to Administer**
No additional cost; is administered with current resources.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

## Bunker Fuel Exemption

| | |
|---|---|
| Type: | Exemption |
| Statutory/Other Authority: | AS 43.40.100(2)(L) |
| Year Enacted: | 1997 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $1,685 | $3,430 | $0 | $10 | $0 |

Note: Calculated assuming $0.08 per gallon tax rate.

**Description**
Bunker fuel is exempt from the motor fuel tax.

**Legislative Intent, Public Purpose**
The Legislature intended to encourage the use of bunker fuel, which is a residual from the refining process.

**Who Benefits and Number of Beneficiaries**
Zero in most years.

**Estimated Cost to Administer**
No additional cost; is administered with current resources.

**Fund Code and Name**
1249, Motor Fuel Tax Receipts

## Charitable Institution Exemption

| | |
|---|---|
| Type: | Exemption |
| Statutory/Other Authority: | AS 43.40.100(2)(E) |
| Year Enacted: | 1949 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $76,910 | $76,516 | $66,461 | $112,795 | $47,733 |

Note: Calculated assuming $0.08 per gallon tax rate.

**Description**
Fuel used by charitable institutions is exempt from the motor fuel tax.

**Legislative Intent, Public Purpose**
The Legislature intended the exclusion to allow the motor fuel tax to generate revenue without impacting charitable endeavors.

**Who Benefits and Number of Beneficiaries**
Not tracked.

**Estimated Cost to Administer**
No additional cost; is administered with current resources.

**Fund Code and Name**
1239, Aviation Fuel Tax Account
1249, Motor Fuel Tax Receipts

## Foreign Flight Exemption

| | |
|---|---|
| Type: | Exemption |
| Statutory/Other Authority: | AS 43.40.100(2)(B) |
| Year Enacted: | 1949, last amended 1997 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $8,540,700 | $9,151,995 | $11,521,460 | $15,378,085 | $13,571,714 |

Note: Calculated assuming $0.08 per gallon tax rate.

**Description**
Fuel used in flights to foreign countries or continuing on from foreign countries is exempt from the motor fuel tax.

**Legislative Intent, Public Purpose**
The Legislature intended the exclusion to allow the tax to generate revenue without impacting international flights, to encourage refueling activities at Alaskan airports.

**Who Benefits and Number of Beneficiaries**
Not tracked.

**Estimated Cost to Administer**
No additional cost; is administered with current resources.

**Fund Code and Name**
1239, Aviation Fuel Tax Account

## Foreign Fuel Exemption

| | |
|---|---|
| Type: | Exemption |
| Statutory/Other Authority: | AS 43.40.100(2)(A) |
| Year Enacted: | 1949 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $3,456,486 | $3,063,451 | $2,853,773 | $4,270,303 | $3,352,585 |

Note: Calculated assuming $0.08 per gallon tax rate.

**Description**
Fuel consigned to foreign countries is exempt from the motor fuel tax.

**Legislative Intent, Public Purpose**
The exclusion is intended to focus the impetus of the tax on motor fuel sales in Alaska, to encourage refueling activities in Alaska.

**Who Benefits and Number of Beneficiaries**
Not tracked.

**Estimated Cost to Administer**
No additional cost; is administered with current resources.

**Fund Code and Name**
1239, Aviation Fuel Tax Account
1249, Motor Fuel Tax Receipts

## Government Exemption

| | |
|---|---|
| Type: | Exemption |
| Statutory/Other Authority: | AS 43.40.100(2)(G) |
| Year Enacted: | 1982 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $9,967,254 | $9,062,775 | $9,769,265 | $10,748,647 | $10,844,922 |

Note: Calculated assuming $0.08 per gallon tax rate.

**Description**
Fuel sold to federal, state, and local government agencies for official use is exempt from the motor fuel tax.

**Legislative Intent, Public Purpose**
The Legislature intended the exclusion to recognize the exempt status of sovereign powers.

**Who Benefits and Number of Beneficiaries**
Not tracked.

**Estimated Cost to Administer**
No additional cost; is administered with current resources.

**Fund Code and Name**
1239, Aviation Fuel Tax Account
1249, Motor Fuel Tax Receipts

## Heating Fuel Exemption

| | |
|---|---|
| Type: | Exemption |
| Statutory/Other Authority: | AS 43.40.100(2)(I) |
| Year Enacted: | 1982 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $7,750,353 | $8,971,389 | $8,766,284 | $8,738,824 | $8,339,244 |

Note: Calculated assuming $0.08 per gallon tax rate.

**Description**
Fuel used to heat private or commercial buildings or facilities is exempt from the motor fuel tax.

**Legislative Intent, Public Purpose**
To generate state revenue without increasing heating costs.

**Who Benefits and Number of Beneficiaries**
Not tracked.

**Estimated Cost to Administer**
No additional cost; is administered with current resources.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

## Non-Profit Power Association Exemption

| | |
|---|---|
| Type: | Exemption |
| Statutory/Other Authority: | AS 43.40.100(2)(D) |
| Year Enacted: | 1949 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $3,586,019 | $4,900,292 | $4,778,442 | $4,526,084 | $4,161,623 |

Note: Calculated assuming $0.08 per gallon tax rate.

**Description**
Fuel used by nonprofit power associations or corporations for generating electric energy for resale is exempt from the motor fuel tax.

**Legislative Intent, Public Purpose**
The Legislature intended the exclusion to allow the motor fuel tax to generate revenue without impacting nonprofit power associations or corporations, which serve a substantially similar purpose to public utilities and to reduce the cost of power provided by non-profit power associations.

**Who Benefits and Number of Beneficiaries**
Not tracked.

**Estimated Cost to Administer**
No additional cost; is administered with current resources.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

## Off-Highway Use Reduced Rate

| | |
|---|---|
| Type: | Differential Allowance |
| Statutory/Other Authority: | AS 43.40.030(a) |
| Year Enacted: | 1955, last amended 1982 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $4,994,948 | $4,966,511 | $4,205,937 | $4,689,882 | $4,675,988 |

Note: Calculated assuming $0.08 per gallon tax rate.

**Description**
Refunds 6 cents per gallon of tax-paid motor fuel that was used for non-highway use.

**Legislative Intent, Public Purpose**
The Legislature intended the exclusion to focus the impetus of the tax away from off-highway use as off-highway use does not contribute to highway maintenance cost.

**Who Benefits and Number of Beneficiaries**
Not tracked.

**Estimated Cost to Administer**
No additional cost; is administered with current resources.

**Fund Code and Name**
1249, Motor Fuel Tax Receipts

## Reduced Rate for Aviation Gasoline

| | |
|---|---|
| Type: | Differential Allowance |
| Statutory/Other Authority: | AS 43.40.010(a)(1) |
| Year Enacted: | 1955, last amended 1994 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $295,159 | $249,868 | $246,208 | $262,627 | $235,350 |

Note: Calculated assuming $0.08 per gallon tax rate.

**Description**
Aviation gasoline is taxed at a rate of 4.7 cents per gallon rather than the rate of 8 cents per gallon for other fuel.

**Legislative Intent, Public Purpose**
The Legislature intended the separate rate to make the tax on aviation gasoline comparable to the amount of revenue that would be derived from imposing landing fees at rural state operated airports.

**Who Benefits and Number of Beneficiaries**
Not tracked.

**Estimated Cost to Administer**
No additional cost; is administered with current resources.

**Fund Code and Name**
1239, Aviation Fuel Tax Account

## Reduced Rate for Jet Fuel

| | |
|---|---|
| Type: | Differential Allowance |
| Statutory/Other Authority: | AS 43.40.010(a)(3) |
| Year Enacted: | 1957, last amended 1994 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $6,381,398 | $6,260,478 | $5,867,915 | $6,511,162 | $6,869,756 |

Note: Calculated assuming $0.08 per gallon tax rate.

**Description**
Jet fuel is taxed at a rate of 3.2 cents per gallon rather than the rate of 8 cents per gallon for other fuel.

**Legislative Intent, Public Purpose**
The Legislature intended to make the tax on aviation fuels comparable to the amount of revenue that would be derived from imposing landing fees at rural state operated airports.

**Who Benefits and Number of Beneficiaries**
Not tracked.

**Estimated Cost to Administer**
No additional cost; is administered with current resources.

**Fund Code and Name**
1239, Aviation Fuel Tax Account

## Reduced Rate for Marine Fuel

| | |
|---|---|
| Type: | Differential Allowance |
| Statutory/Other Authority: | AS 43.40.010(a)(2) |
| Year Enacted: | 1957, last amended 1977 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $3,401,772 | $3,472,869 | $3,448,495 | $3,143,095 | $3,150,131 |

Note: Calculated assuming $0.08 per gallon tax rate.

**Description**
Marine fuel is taxed at a rate of 5 cents per gallon rather than the rate of 8 cents per gallon for other fuel.

**Legislative Intent, Public Purpose**
The Legislature intended the separate rate to provide revenue for construction and maintenance of boat harbors. This expense is presumably less than that required for highway maintenance as reflected by the reduced rate for marine fuel.

**Who Benefits and Number of Beneficiaries**
Not tracked.

**Estimated Cost to Administer**
No additional cost; is administered with current resources.

**Fund Code and Name**
1249, Motor Fuel Tax Receipts

## Small Generator Exemption

| | |
|---|---|
| Type: | Exemption |
| Statutory/Other Authority: | AS 43.40.100(2)(K) |
| Year Enacted: | 1983 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| Totals included in stationary power plant exemption. | | | | |

Note: Totals included in stationary power plant exemption.

**Description**
Fuel used in stationary power plants of 100 kilowatts or less that generate electrical power for commercial enterprises not for resale is exempt from the motor fuel tax.

**Legislative Intent, Public Purpose**
To generate state revenue without burdening small power plants.

**Who Benefits and Number of Beneficiaries**
Not tracked.

**Estimated Cost to Administer**
No additional cost; is administered with current resources.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

## Stationary Power Plant Exemption

| | |
|---|---|
| Type: | Exemption |
| Statutory/Other Authority: | AS 43.40.100(2)(C) |
| Year Enacted: | 1949 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $952,554 | $500,199 | $446,607 | $494,962 | $564,210 |

Note: Calculated assuming $0.08 per gallon tax rate. Total includes stationary power plants for home heating and small generators.

**Description**
Fuel used in stationary power plants operating as public utility plants and generating electrical energy for sale to the general public is exempt from the motor fuel tax.

**Legislative Intent, Public Purpose**
The Legislature intended the exclusion to allow the motor fuel tax to generate revenue without impacting the public utilities, to reduce the cost of fuel to the general public.

**Who Benefits and Number of Beneficiaries**
Not tracked.

**Estimated Cost to Administer**
No additional cost; is administered with current resources.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

## Stationary Power Plant Exemption for Home Heating

| | |
|---|---|
| Type: | Exemption |
| Statutory/Other Authority: | AS 43.40.100(2)(H) |
| Year Enacted: | 1982 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| Totals included in stationary power plant exemption. | | | | |

Note: Totals included in stationary power plant exemption.

**Description**
Fuel used in stationary power plants that generate electricity for private residential consumption is exempt from the motor fuel tax.

**Legislative Intent, Public Purpose**
To generate state revenue without burdening private residential use of fuel for electricity.

**Who Benefits and Number of Beneficiaries**
Not tracked.

**Estimated Cost to Administer**
No additional cost; is administered with current resources.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

## Timely Filing Credit

| | |
|---|---|
| Type: | Credit |
| Statutory/Other Authority: | AS 43.40.013 |
| Year Enacted: | 1951, last amended 2015 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $63,899 | $63,162 | $65,227 | $70,500 | $67,863 |

**Description**
Gives a timely filing credit of 1% of the total monthly tax due to a maximum of $100.

**Legislative Intent, Public Purpose**
To encourage timely filing of motor fuel tax returns and provide an allowance to cover the accounting expense of filing timely monthly tax returns.

**Who Benefits and Number of Beneficiaries**
FY19: 86; FY20: 84; FY21: 87; FY22: 84; FY23: 83.

**Estimated Cost to Administer**
No additional cost; is administered with current resources.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

**Departmental Direction/Additional Comments**
Previously titled "Timely Filing Discount" in prior reports.

## Education Credit

| | |
|---|---|
| Type: | Credit |
| Statutory/Other Authority: | AS 21.96.070, AS 43.20.014, AS 43.55.019, AS 43.56.018, AS 43.65.018, AS 43.75.018, AS 43.77.045 |
| Year Enacted: | 1987, last amended 2024 |
| Sunset/Repeal Date: | 1/1/2029 |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $3,932,025 | $3,085,894 | $2,570,697 | $2,931,572 | Not available |

Note: All returns with tax periods beginning in FY23 have not yet been received, so FY23 data is unavailable. The revenue impact values do not include the portion of education tax credits administered by DCCED in AS 21.96.070 against the insurance premium tax. Please see DCCED's section for those values, which are not double counted here.

**Description**
A non-transferable credit applicable to the Corporate Income Tax, Fisheries Business Tax, Fishery Resource Landing Tax, Insurance Premium Tax, Title Insurance Premium Tax, Mining License Tax, Oil and Gas Production Tax, and the Oil and Gas Property Tax. In 2018, the credit was available for up to 50% of annual contributions up to $100,000, 100% of the next $200,000, and 50% of annual contributions beyond $300,000. The credit for any one taxpayer could not exceed $5 million annually across all eligible tax types. Beginning on January 1, 2019, the credit was available for up to 50% of annual contributions up to $100,000, 75% of the next $200,000, and 50% of annual contributions beyond $300,000. The credit for any one taxpayer could not exceed $1 million annually across all eligible tax types. Previously, only cash contributions were accepted for the Education Tax Credit, but the credit was expanded to accept contributions of equipment beginning in 2019. Beginning in 2021, the credit was reduced to 50% of all donations and retained the $1 million cap on the credit per taxpayer each year. In 2024, the education credit cap increased to $3 million annually across all eligible tax types, retaining the amount of the credit as 50% of contributions. The Education Tax Credit is currently scheduled to sunset on January 1, 2029.

**Legislative Intent, Public Purpose**
The Legislature intended to encourage private businesses to make charitable contributions to support Alaskan schools.

**Who Benefits and Number of Beneficiaries**
FY19: 31; FY20: 26; FY21: 33; FY22: 40.

**Estimated Cost to Administer**
No additional cost; is administered with current resources.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

## Film Production Credit

| | |
|---|---|
| Type: | Credit |
| Statutory/Other Authority: | AS 43.98.030, AS 44.25.100-190 |
| Year Enacted: | 2008, last amended 2014 |
| Sunset/Repeal Date: | Repealed 7/1/2015 |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $2,360,382 | $2,203,585 | $362,851 | $142,668 | $158,361 |

**Description**
A transferable credit for expenditures on eligible film production activities in Alaska. The credit percentage is between 30% and 58% depending on the activity. The credits must be used within six years. The program is capped at $200 million of credits for all projects. Prior to FY 2013, the credit was only applicable to the corporate income tax. Beginning in FY 2013, the credit is also applicable to the insurance premium tax, title insurance tax, oil and gas production tax, oil and gas property tax, mining license tax, fisheries business tax, and fishery resource landing tax.

**Legislative Intent, Public Purpose**
The purpose is to encourage production of film and television in Alaska.

**Who Benefits and Number of Beneficiaries**
Companies utilizing previously issued film credits. FY19: 11; FY20 - FY23: Fewer than five companies.

**Estimated Cost to Administer**
No additional cost; is administered with current resources.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

## Minerals Exploration Credit

| | |
|---|---|
| Type: | Credit |
| Statutory/Other Authority: | AS 27.30.030, AS 43.20.044 |
| Year Enacted: | 1995 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $0 | $0 | $0 | $0 | $0 |

Note: This credit has been claimed only against the Mining License Tax and not the Corporate Income Tax.

**Description**
This is a non-transferable credit for eligible costs of non-petroleum mineral or coal exploration activities and must be used within 15 years. The credit is 100% of allowable exploration costs with a maximum of $20 million per mining operation. The credit is limited to 50% of liability for the applicable tax type, which includes Corporate Income Tax and Mining License Tax.

**Legislative Intent, Public Purpose**
The purpose is to encourage mineral exploration in Alaska.

**Who Benefits and Number of Beneficiaries**
Zero beneficiaries.

**Estimated Cost to Administer**
No additional cost; is administered with current resources.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

## Alternative Credit for Exploration

| | |
|---|---|
| Type: | Credit |
| Statutory/Other Authority: | AS 43.55.025(a)(1)-(4) |
| Year Enacted: | 2003, last amended 2017 |
| Sunset/Repeal Date: | 6/30/2016 for North Slope and Cook Inlet, 12/31/2021 for Middle Earth (does not apply to seismic after 1/1/2018) |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| See the Revenue Impact table for the Combined Reporting for Several Credits in the Oil and Gas Production Tax Section. | | | | |

**Description**
A transferable credit for expenditures for certain oil and gas exploration activities. The credit is 40% for seismic costs outside an existing unit, 30% for drilling costs greater than 25 miles (10 miles in Cook Inlet) from an existing unit, 30% for pre-approved new targets, and 40% for drilling costs that are greater than 3 miles (10 miles in Cook Inlet) from an existing unit and pre-approved new targets.

**Legislative Intent, Public Purpose**
To increase oil and gas exploration, leading to more production.

**Who Benefits and Number of Beneficiaries**
Fewer than five companies.

**Estimated Cost to Administer**
No additional cost; is administered with current resources.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

## Carried-Forward Annual Loss Credit

| | |
|---|---|
| Type: | Credit |
| Statutory/Other Authority: | AS 43.55.023(b) |
| Year Enacted: | 2006, last amended 2016 |
| Sunset/Repeal Date: | Repealed 1/1/2018 |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| See the Revenue Impact table for the Combined Reporting for Several Credits in the Oil and Gas Production Tax Section. | | | | |

**Description**
A transferable credit for a carried-forward annual loss, defined as a producer or explorer's adjusted lease expenditures that are not deductible in calculating production tax values for the calendar year. From 2008 until 2014, the credit was 25% for all regions of the state. Beginning in 2014, the credit remained 25% for areas outside the North Slope and increased to 45% in the North Slope. On January 1, 2016, the credit for losses incurred on the North Slope decreased to 35%. Beginning January 1, 2017, a gross value reduction (GVR) could no longer be used to increase the size of an annual loss for credit calculation purposes.

This credit was repealed for all areas of the state on January 1, 2018. For the North Slope and Middle Earth, the credit was replaced by a new carried-forward lease expenditures provision. No carried-forward lease expenditures provision was provided for Cook Inlet.

**Legislative Intent, Public Purpose**
The credit was intended to allow producers that incur a loss but do not have tax liability to carry the loss forward to future years. This credit was originally part of the Petroleum Profits Tax (PPT) legislation and was changed under the Alaska's Clear and Equitable Share (ACES) legislation and Senate Bill 21 to match the base tax rate. It was increased above the base tax rate for 2014 and 2015 to hold taxpayers harmless for the expiration of the qualified capital expenditure credit, then decreases to match the base tax rate. The overall purpose is to increase oil and gas exploration and production.

**Who Benefits and Number of Beneficiaries**
Between 50 and 100 companies for all credits under AS 43.55.023, which includes the Well Lease Expenditures Credit and the Qualified Capital Expenditure Credit.

**Estimated Cost to Administer**
No additional cost; is administered with current resources.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

## Carried-Forward Lease Expenditures

| | |
|---|---|
| Type: | Deduction |
| Statutory/Other Authority: | AS 43.55.165(l)-(p) |
| Year Enacted: | 2018 |
| Sunset/Repeal Date: | N/A |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| Confidential | | | | |

**Description**
Beginning January 1, 2018, a company may carry forward lease expenditures not deducted against tax and may apply in a future year to reduce liability before application of tax credits to the minimum tax floor, contingent on the production from the area earned. Carry-forwards reduce in value by one-tenth each year beginning in the eighth or 11th year after earned, depending on whether the loss is incurred in a producing or non-producing area.

**Legislative Intent, Public Purpose**
The legislation was intended to allow producers that incur a loss but do not have tax liability to carry the loss forward to future years, while also limiting the extent to which a company may carry that value forward. Carried-Forward Lease Expenditures were introduced with the passing of House Bill 111, replacing the Carried-Forward Annual Loss Credit. The overall purpose is to increase oil and gas exploration and production.

**Who Benefits and Number of Beneficiaries**
Fewer than five companies.

**Estimated Cost to Administer**
No additional cost; is administered with current resources.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

## Combined Reporting for Several Credits

| | |
|---|---|
| Type: | Credit |
| Statutory/Other Authority: | Refer to individual indirect expenditures. |
| Year Enacted: | N/A |
| Sunset/Repeal Date: | N/A |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $125,000,000 | $9,000,000 | $62,000,000 | $185,000,000 | $346,000,000 |

Note: These revenue impacts are approximated and rounded to the nearest million dollars. Includes the Alternative Credit for Exploration (ACE), the Carried-Forward Annual Loss Credit (CFAL), the Qualified Capital Expenditure Credit (QCEC), and the Well Lease Expenditure Credit (WLE). It includes the total fiscal impact, including reductions in tax liability and the amount that is refunded through the operating budget.

**Description**
To maintain confidentiality, this table combines reporting for the Alternative Credit for Exploration (ACE), the Carried-Forward Annual Loss Credit (CFAL), the Qualified Capital Expenditure Credit (QCEC), and the Well Lease Expenditure Credit (WLE).

**Legislative Intent, Public Purpose**
Refer to individual indirect expenditures.

**Who Benefits and Number of Beneficiaries**
Refer to individual indirect expenditures.

**Estimated Cost to Administer**
Refer to individual indirect expenditures.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

**Departmental Direction/Additional Comments**
This table is not an indirect expenditure. This table combines reporting for credits that would otherwise be confidential if reported individually.

## Gross Value Reduction

| | |
|---|---|
| Type: | Deduction |
| Statutory/Other Authority: | AS 43.55.150 |
| Year Enacted: | 2013 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $37,000,000 | $29,000,000 | $23,000,000 | $71,000,000 | $65,000,000 |

Note: This revenue impact is approximated and rounded to the nearest million dollars. The GVR impact would be zero for years in which the minimum tax floor exceeds the production tax value. We took this calculation without regard to per-taxable-barrel or other credits.

**Description**
20% or 30% of gross value excluded from the tax calculation; limited to first seven years of production; benefit ends early if the average ANS price exceeds $70 for any three years. For qualifying fields that began production prior to January 1, 2017, benefit ends January 1, 2023 or after three years of ANS price exceeding $70.

**Legislative Intent, Public Purpose**
To provide a direct incentive for oil production. This provision was part of the Senate Bill 21 tax legislation and is not a stand-alone provision.

**Who Benefits and Number of Beneficiaries**
Approximately five companies.

**Estimated Cost to Administer**
No additional cost; is administered with current resources.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

## Per-Taxable-Barrel Credit for GVR-Eligible Production

| | |
|---|---|
| Type: | Credit |
| Statutory/Other Authority: | AS 43.55.024(i) |
| Year Enacted: | 2013 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| See the Revenue Impact table for Per-Taxable-Barrel Credit for Non-GVR-Eligible Production in the Oil and Gas Production Tax Section. | | | | |

Note: Due to confidentiality, the Per-Taxable-Barrel credits for both the GVR and Non-GVR are combined.

**Description**
A Per-Taxable-Barrel credit for oil production on the North Slope that qualifies for a GVR, as defined in AS 43.55.160(f). The credit is $5 per taxable barrel and cannot be transferred, carried forward, or used to reduce the producer's tax liability to less than zero (however, it can be used to reduce the producer's tax liability to less than the minimum tax established under AS 43.55.011(f)).

**Legislative Intent, Public Purpose**
To provide a direct incentive for oil production. This credit was part of the Senate Bill 21 tax legislation and is not a stand-alone credit.

**Who Benefits and Number of Beneficiaries**
Due to confidentiality, the Per-Taxable-Barrel credits are combined.

**Estimated Cost to Administer**
No additional cost; is administered with current resources.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

## Per-Taxable-Barrel Credit for Non-GVR-Eligible Production

| | |
|---|---|
| Type: | Credit |
| Statutory/Other Authority: | AS 43.55.024(j) |
| Year Enacted: | 2013 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $1,083,000,000 | $639,000,000 | $754,000,000 | $1,039,000,000 | $1,019,000,000 |

Note: This revenue impact is approximated and rounded to the nearest million dollars and also includes amounts from Per-Taxable-Barrel Credit for GVR-Eligible Production (AS 43.55.024(i)) due to a small number of recipients. Non-North Slope 024(i) and 024(j) credits are hidden as confidential and excluded from totals.

**Description**
A sliding scale credit for areas of the North Slope that are not eligible for a gross value reduction (GVR), as defined by AS 43.55.160(f). It is a dollar-per-taxable-barrel credit ranging from zero dollars per taxable barrel at per-barrel gross value at point of production (GVPP) values greater than or equal to $150 to $8 per taxable barrel at per-barrel GVPP values less than $80. The credit may not reduce the producer's tax liability to less than the minimum tax established under AS 43.55.011(f) and may not be transferred or carried forward.

**Legislative Intent, Public Purpose**
To provide a direct incentive for oil production; the sliding scale is intended to introduce a progressive element that reduces government take when oil prices are low and increases government take when oil prices are high. This credit was part of the Senate Bill 21 tax package and is not a stand-alone credit.

**Who Benefits and Number of Beneficiaries**
Between 4 and 8 companies.

**Estimated Cost to Administer**
No additional cost; is administered with current resources.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

**Departmental Direction/Additional Comments**
The revenue impact for this indirect expenditure may differ from reported amounts of (i) and (j) credits elsewhere due to companies' specific reporting of when these credits are earned on a monthly basis within their annual tax returns. Non-North Slope 024(i) and 024(j) credits are hidden as confidential and excluded from totals, similar to Revenue Source Book (RSB) reporting.

## Qualified Capital Expenditure Credit

| | |
|---|---|
| Type: | Credit |
| Statutory/Other Authority: | AS 43.55.023(a) |
| Year Enacted: | 2006, last amended 2016 |
| Sunset/Repeal Date: | 12/31/2013 for North Slope, 12/31/2017 for Cook Inlet; Remains in place for Middle Earth only |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| See the Revenue Impact table for the Combined Reporting for Several Credits in the Oil and Gas Production Tax Section. | | | | |

**Description**
A transferable tax credit for qualified oil and gas capital expenditures outside the North Slope. It can be taken in lieu of exploration incentive credits under AS 43.55.025 and gas exploration credits under AS 43.20.043. Prior to 2014, this tax credit was applicable to all areas of the state. The credit is 20% of qualified capital expenditures. Legislation reduced the credit to 10% on January 1, 2017 for Cook Inlet and Middle Earth, and on January 1, 2018 the credit was eliminated for Cook Inlet and maintained in Middle Earth at the lower rate. The credit was available to North Slope companies until 2014.

**Legislative Intent, Public Purpose**
The credit was intended to encourage taxpayers to invest in capital expenditures and to increase oil and gas exploration and production. It was implemented as part of the broader Petroleum Profits Tax (PPT) legislation.

**Who Benefits and Number of Beneficiaries**
Between 50 and 100 companies for all credits under AS 43.55.023, which includes the Carried-Forward Annual Loss Credit and the Well Lease Expenditures Credit.

**Estimated Cost to Administer**
No additional cost; is administered with current resources.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

## Small Producer Credit

| | |
|---|---|
| Type: | Credit |
| Statutory/Other Authority: | AS 43.55.024(c) |
| Year Enacted: | 2006 |
| Sunset/Repeal Date: | 12/31/2016 or nine years after first production |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $3,000,000 | $3,000,000 | $1,000,000 | $2,000,000 | $3,000,000 |

Note: These revenue impacts are approximated and rounded to the nearest million dollars.

**Description**
A non-transferable, nonrefundable credit for oil and gas produced by small producers, defined as having average taxable oil and gas production of less than 100,000 BTU equivalent barrels per day. The small producer credit is capped at $12 million annually for producers with no more than 50,000 BTU equivalent barrels per day. The credit then phases to zero for producers with 100,000 or more BTU equivalent barrels per day.

**Legislative Intent, Public Purpose**
The purpose was to attract new companies to Alaska's oil and gas industry, to explore and develop prospects not being pursued by major producers. This credit was part of the Petroleum Profits Tax (PPT) legislation.

**Who Benefits and Number of Beneficiaries**
Approximately 25 companies.

**Estimated Cost to Administer**
No additional cost; is administered with current resources.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

**Departmental Direction/Additional Comments**
Eligibility for this credit ended 5/1/2016. Credits for eligible companies may continue through calendar year 2024.

## Well Lease Expenditure Credit

| | |
|---|---|
| Type: | Credit |
| Statutory/Other Authority: | AS 43.55.023(l) |
| Year Enacted: | 2010 |
| Sunset/Repeal Date: | 12/31/2017 for Cook Inlet; Remains in place for Middle Earth only |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| See the Revenue Impact table for the Combined Reporting for Several Credits in the Oil and Gas Production Tax Section. | | | | |

**Description**
A transferable tax credit for intangible qualified oil and gas capital expenditures related to a well or seismic inside a unit in areas outside the North Slope. It can be taken in lieu of exploration incentive credits under AS 43.55.025 and gas exploration credits under AS 43.20.043. The credit is 20% of qualified well lease expenditures and can be taken in conjunction with the Qualified Capital Expenditure Credit. The credit is 10% of qualified capital expenditures. Legislation reduced the credit on January 1, 2017 to 10% for Cook Inlet and 20% for Middle Earth, and on January 1, 2018 the credit was eliminated for Cook Inlet, but maintained in Middle Earth at the lower rate.

**Legislative Intent, Public Purpose**
The Legislature intended to stimulate redevelopment and exploration in the Cook Inlet basin, while limiting the incentive only to activities that were viewed to be directly tied to exploration and production.

**Who Benefits and Number of Beneficiaries**
Between 50 and 100 companies for all credits under AS 43.55.023, which includes the Carried-Forward Annual Loss Credit and the Qualified Capital Expenditure Credit.

**Estimated Cost to Administer**
No additional cost; is administered with current resources.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

## Exclusion for the Value of Intangible Drilling and Exploration Expenses

| | |
|---|---|
| Type: | Exclusion as taxable property under 43.56 |
| Statutory/Other Authority: | AS 43.56.060(f) |
| Year Enacted: | 1973 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| Unknown | | | | |

Note: Unknown. Not tracked.

**Description**
The value of intangible drilling expenses and exploration expenses are not subject to property tax.

**Legislative Intent, Public Purpose**
The Legislature intended to promote drilling for the continued development of state resources.

**Who Benefits and Number of Beneficiaries**
Approximately 12 companies.

**Estimated Cost to Administer**
No additional cost; is administered with current resources.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

## Exemption from Studded Tire Fee for Lightweight Studs

| | |
|---|---|
| Type: | Exemption |
| Statutory/Other Authority: | AS 43.98.025(b) |
| Year Enacted: | 2003 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| Unknown | | | | |

Note: Unknown. Filers do not have to report the number of tires sold with lighter-weight studs.

**Description**
Excludes tires that are studded with studs weighing less than 1.1 grams each from the $5 fee.

**Legislative Intent, Public Purpose**
The Legislature intended to provide an incentive to encourage the widespread use of lightweight studs to reduce road damage.

**Who Benefits and Number of Beneficiaries**
Not tracked.

**Estimated Cost to Administer**
No additional cost; is administered with current resources.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

## Government Exemption

| | |
|---|---|
| Type: | Exemption |
| Statutory/Other Authority: | AS 43.98.025(g)(1) |
| Year Enacted: | 2003 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $193,320 | $202,265 | $357,923 | $353,998 | $384,375 |

Note: Total includes resale exemption. Assuming $2.50 tax rate on new tires.

**Description**
Tires and services sold to federal, state or local government agencies for official use are exempt from the fee.

**Legislative Intent, Public Purpose**
The Legislature intended the exclusion to recognize the exempt status of sovereign powers.

**Who Benefits and Number of Beneficiaries**
FY19: 18; FY20: 17; FY21: 16; FY22: 16; FY23: 15.

**Estimated Cost to Administer**
No additional cost; is administered with current resources.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

## Resale Exemption

| | |
|---|---|
| Type: | Exemption |
| Statutory/Other Authority: | AS 43.98.025(g)(2), 15 AAC 98.060 |
| Year Enacted: | 2003 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| Total included in government exemption. | | | | |

**Description**
Tires intended for resale are exempt from the tire fee. The department will consider a tire to be a tire for resale in a transaction between the manufacturer of a tire and a distributor of the tire; a distributor of the tire and a retail dealer of the tire; or a retail dealer and another retail dealer of the tire.

**Legislative Intent, Public Purpose**
The Legislature included the exemption to prevent the double taxation of tires.

**Who Benefits and Number of Beneficiaries**
Included in government exemption.

**Estimated Cost to Administer**
No additional cost; is administered with current resources.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

## Timely Filing Credit

| | |
|---|---|
| Type: | Credit |
| Statutory/Other Authority: | AS 43.98.025(e) |
| Year Enacted: | 2003, last amended 2015 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $36,330 | $37,207 | $39,612 | $39,745 | $38,067 |

**Description**
Sellers that remit the fees collected to the department within 30 days after the last day of the preceding calendar quarter may retain five percent of the amount collected, not to exceed $600 per quarter.

**Legislative Intent, Public Purpose**
The discount was intended to encourage timely remittance of taxes and to cover the cost of collecting the fee and filing the return.

**Who Benefits and Number of Beneficiaries**
FY 19: 60; FY20: 61; FY21: 60; FY22: 59; FY23: 56.

**Estimated Cost to Administer**
No additional cost; is administered with current resources.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

## Commission

| | |
|---|---|
| Type: | Deduction |
| Statutory/Other Authority: | AS 43.50.330(b) |
| Year Enacted: | 1988, amended 1997 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $58,344 | $58,960 | $55,737 | $53,583 | $51,474 |

**Description**
Gives a four-tenths of one percent deduction to cover the expense of accounting and filing the return for the tobacco tax. The percentage was decreased in 1997 to reflect a higher tax rate than in the original statute.

**Legislative Intent, Public Purpose**
The discount was intended to cover the cost of filing the return to encourage timely filing of tax returns.

**Who Benefits and Number of Beneficiaries**
FY19: 31; FY20: 29; FY21: 30; FY22: 27; FY23: 30.

**Estimated Cost to Administer**
No additional cost; is administered with current resources.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

## Indian Reservation Exemption from Tobacco Products Tax

| | |
|---|---|
| Type: | Exemption |
| Statutory/Other Authority: | AS 43.50.310(b) |
| Year Enacted: | 1988 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $88,715 | $108,248 | $109,285 | $121,534 | $117,624 |

**Description**
Federally recognized Indian tribes are exempt from the tobacco products tax.

**Legislative Intent, Public Purpose**
To comply with federal law.

**Who Benefits and Number of Beneficiaries**
Fewer than five beneficiaries.

**Estimated Cost to Administer**
No additional cost; is administered with current resources.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

## Personal Exemption from Tobacco Products Tax

| | |
|---|---|
| Type: | Exemption |
| Statutory/Other Authority: | AS 43.50.300 |
| Year Enacted: | 1988 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| Unknown | | | | |

Note: Unknown. There is no reporting requirement for tobacco products personally transported into the state.

**Description**
Other tobacco products brought into the state or made in the state for personal consumption and not for sale are not subject to the tobacco products tax.

**Legislative Intent, Public Purpose**
The Legislature intended only to tax tobacco products at the point of sale. The public purpose is to generate state revenue by efficient administration of tax.

**Who Benefits and Number of Beneficiaries**
Not tracked.

**Estimated Cost to Administer**
No additional cost; is administered with current resources.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

## Uniformed Services Exemption from Tobacco Products Tax

| | |
|---|---|
| Type: | Exemption |
| Statutory/Other Authority: | AS 43.50.310(a) |
| Year Enacted: | 1988 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| Unknown | | | | |

Note: Unknown. There is no reporting requirement for such facilities.

**Description**
Facilities operated by one of the uniformed services of the United States are exempt from the tobacco products tax.

**Legislative Intent, Public Purpose**
To comply with federal law.

**Who Benefits and Number of Beneficiaries**
Not tracked.

**Estimated Cost to Administer**
No additional cost; is administered with current resources.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

## Motorcycle Exemption

| | |
|---|---|
| Type: | Exemption |
| Statutory/Other Authority: | AS 43.52.099(2)(H) |
| Year Enacted: | 2013 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| Unknown | | | | |

Note: Unknown. Effective 5/10/13, the legislature excluded motorcycles and motor-driven cycles from the tax, so the exemption is no longer tracked.

**Description**
Excludes motorcycles and motor-driven cycles from the vehicle rental tax.

**Legislative Intent, Public Purpose**
The legislature intended only to tax the rentals of cars, light trucks, vans and SUVs not motorcycle rentals.

**Who Benefits and Number of Beneficiaries**
Not tracked.

**Estimated Cost to Administer**
No additional cost; is administered with current resources.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

## Moving Truck Exemption

| | |
|---|---|
| Type: | Exemption |
| Statutory/Other Authority: | AS 43.52.099(2)(F) |
| Year Enacted: | 2006 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| Unknown | | | | |

Note: Unknown. There is no reporting requirement for moving trucks.

**Description**
Exempts moving trucks from the vehicle rental tax.

**Legislative Intent, Public Purpose**
The Legislature intended only to tax visitors (tourists) renting vehicles and did not intend to tax moving trucks. To limit the vehicle rental tax to the tourism industry.

**Who Benefits and Number of Beneficiaries**
Not tracked.

**Estimated Cost to Administer**
No additional cost; is administered with current resources.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

## Reduced Rate for Recreational Vehicles

| | |
|---|---|
| Type: | Differential Allowance |
| Statutory/Other Authority: | AS 43.52.040 |
| Year Enacted: | 2003 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $1,213,760 | $1,016,448 | $736,162 | $1,319,534 | $1,263,927 |

Note: Applied the 7% tax rate differential to taxable fees and costs to determine foregone revenue.

**Description**
Recreational vehicles (RVs) are taxed at a rate of 3% while other vehicle rentals are taxed at a rate of 10%.

**Legislative Intent, Public Purpose**
The Legislature adopted the reduced rate for RVs to reflect the higher per-day rental cost of RVs compared to other vehicles. The rate was intended to make the tax relatively even on a dollar-per-day basis.

**Who Benefits and Number of Beneficiaries**
FY19: 35; FY20: 33; FY21: 34; FY22: 32; FY23: 32.

**Estimated Cost to Administer**
No additional cost; is administered with current resources.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

## Taxicab Exemption

| | |
|---|---|
| Type: | Exemption |
| Statutory/Other Authority: | AS 43.52.030 |
| Year Enacted: | 2004 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| Unknown | | | | |

Note: Unknown. There is no reporting requirement for taxicabs.

**Description**
Excludes taxicab rentals from the vehicle rental tax.

**Legislative Intent, Public Purpose**
To generate state revenue from short-term vehicle rentals without burdening taxis.

**Who Benefits and Number of Beneficiaries**
Not tracked.

**Estimated Cost to Administer**
No additional cost; is administered with current resources.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

## Warranty Work Exemption

| | |
|---|---|
| Type: | Exemption |
| Statutory/Other Authority: | AS 43.52.099(2)(G) |
| Year Enacted: | 2006 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| Unknown | | | | |

Note: There is no reporting requirement for warranty work rentals.

**Description**
Exempts a vehicle provided by an automobile dealer to a customer as replacement transportation from the vehicle rental tax.

**Legislative Intent, Public Purpose**
The Legislature intended only to tax visitors renting vehicles (tourists) and did not intend to tax vehicles provided as replacements by dealers.

**Who Benefits and Number of Beneficiaries**
Not tracked.

**Estimated Cost to Administer**
No additional cost; is administered with current resources.

**Fund Code and Name**
1004, Unrestricted General Fund Receipts

| Revenue Impact by Fund | | | | | | |
|---|---|---|---|---|---|---|
| **Fund Name** | **Fund Code** | **FY 2019** | **FY 2020** | **FY 2021** | **FY 2022** | **FY 2023** |
| Alaska Marine Highway System Fund | 1076 | $3,085,303 | $1,411,087 | $1,162,026 | $1,794,267 | $2,157,894 |
| **Department / Agency Total** | | **$3,085,303** | **$1,411,087** | **$1,162,026** | **$1,794,267** | **$2,157,894** |



## Children's Discounted Tariffs

| | |
|---|---|
| Type: | Discount |
| Statutory/Other Authority: | AS 44.17.030, 17 AAC 70.020, 17 AAC 70.040 |
| Year Enacted: | 1972 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $395,692 | $192,133 | $196,015 | $278,730 | $293,574 |

**Description**
Children aged 6-11 receive a 50% discount on the route based Adult passenger tariff.

**Legislative Intent, Public Purpose**
Benefit families with children while traveling for any purpose. To increase ridership among this age group.

**Who Benefits and Number of Beneficiaries**
Children's discounts available to all eligible program users.

**Estimated Cost to Administer**
$0

**Fund Code and Name**
1076, Alaska Marine Highway System Fund

## National Guard or Militia Passes

| | |
|---|---|
| Type: | Discount |
| Statutory/Other Authority: | AS 19.65.035 |
| Year Enacted: | 2000 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $3,733 | $2,426 | $4,551 | $3,720 | $4,660 |

**Description**
Issued to qualified members traveling to and from training exercises on a space available basis.

**Legislative Intent, Public Purpose**
Assist the Alaska National Guard and Militia with transportation. To provide free transportation for member of the Alaska National Guard, the Alaska Naval Militia, or the Alaska State Defense Force who is en route to or from drill, training, or other official militia activities.

**Who Benefits and Number of Beneficiaries**
On average 60 to 80 National Guard or National Militia Members each year.

**Estimated Cost to Administer**
$0

**Fund Code and Name**
1076, Alaska Marine Highway System Fund

## Senior Citizen's Discounted Tariffs

| | |
|---|---|
| Type: | Discount |
| Statutory/Other Authority: | AS 44.17.030, 17 AAC 70.020, 17 AAC 70.040 |
| Year Enacted: | 1972 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $1,238,624 | $634,925 | $454,562 | $773,556 | $973,806 |

**Description**
Senior's aged 65 and older receive a 25% discount on the route based Adult passenger tariff.

**Legislative Intent, Public Purpose**
Reduce transportation costs. To increase ridership among this age group.

**Who Benefits and Number of Beneficiaries**
Senior Citizen's Discounts available to all eligible program users.

**Estimated Cost to Administer**
$0

**Fund Code and Name**
1076, Alaska Marine Highway System Fund

## Underage Discounted Tariffs

| | |
|---|---|
| Type: | Discount |
| Statutory/Other Authority: | AS 44.17.030, 17 AAC 70.020, 17 AAC 70.040 |
| Year Enacted: | 1972 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $895,694 | $404,772 | $478,892 | $579,508 | $576,254 |

**Description**
Children aged 5 & under travel free (passage only).

**Legislative Intent, Public Purpose**
Benefit families with children while traveling for any purpose. To increase ridership among this age group.

**Who Benefits and Number of Beneficiaries**
On average 5,000 individuals each year.

**Estimated Cost to Administer**
$0

**Fund Code and Name**
1076, Alaska Marine Highway System Fund

## Youth Group Discounted Tariffs

| | |
|---|---|
| Type: | Discount |
| Statutory/Other Authority: | AS 44.17.030, 17 AAC 70.020, 17 AAC 70.040 |
| Year Enacted: | 1972 |
| Sunset/Repeal Date: | None |

| Revenue Impact | | | | |
|---|---|---|---|---|
| FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| $551,560 | $176,831 | $28,006 | $158,753 | $309,600 |

**Description**
Organized Youth Groups receive a 50% discount on the route based Adult passenger tariff - in State passage only.

**Legislative Intent, Public Purpose**
Provides youth with the academic and social development that travel provides at a discounted cost. To increase ridership among this age group.

**Who Benefits and Number of Beneficiaries**
On average 400 individuals each year. This included schools and non-profit groups.

**Estimated Cost to Administer**
$0

**Fund Code and Name**
1076, Alaska Marine Highway System Fund

# Indirect Expenditure Report

**Report for Report for FY 2019 - FY 2023**


**Alaska Department of Revenue | Tax Division**

**Juneau Office**
**Alaska Department of Revenue**
**Tax Division**
**11th Floor, State Office Building**
**PO Box 110420**
**Juneau, AK 99811-0420**
**907-465-2320 Voice**
**907-465-2375 Fax**

**Anchorage Office**
**Alaska Department of Revenue**
**Tax Division**
**Robert B. Atwood Building**
**550 W. 7th Avenue, Ste. 500**
**Anchorage, AK 99501-3556**
**907-269-6620 Voice**
**907-269-6644 Fax**



Hit Counter #:

# THE REVENUE IMPACT OF ARIZONA'S TAX EXPENDITURES

# FISCAL YEAR 2025

**PREPARED FOR: THE GOVERNOR AND THE LEGISLATURE**

**BY: OFFICE OF ECONOMIC RESEARCH AND ANALYSIS**

**NOVEMBER 15, 2025: PRELIMINARY**

The following report on Arizona's Tax Expenditures was prepared for the Governor and the Legislature in accordance with A.R.S. § 42-1005.

The preliminary fiscal year 2025 report provides a broad range of information. The report contains sections for all taxes imposed by Arizona. However, the individual and corporate income tax sections contain data only on credits. This publication will be updated when the corporate and individual income tax expenditures sections are complete.

If you have questions or comments regarding this report, please contact the Office of Economic Research and Analysis at the Arizona Department of Revenue at (602) 716-6747.

## SUMMARY ESTIMATED VALUE OF TAX EXPENDITURES [1]
## FISCAL YEARS 2021 – 2025 [2]

| TAX TYPE | FY 2021 | FY 2022 | FY 2023 | FY 2024 | FY 2025 | % change from FY2024 |
|---|---|---|---|---|---|---|
| AIRCRAFT LICENSE TAX EXPENDITURES | $16,514,834 | $14,455,433 | $8,987,515 | $3,020,207 | $2,690,214 | (10.9%) |
| AVIATION FUEL TAX EXPENDITURES | $229,960 | $87,232 | $115,733 | $82,709 | $83,663 | 1.2% |
| BINGO TAX EXPENDITURES | $19,452 | $20,864 | $42,530 | $60,622 | $74,431 | 22.8% |
| BOXING & MIXED MARTIAL ARTS TAX EXPENDITURES | $1,855 | $30,688 | $34,933 | $17,500 | $10,919 | (37.6%) |
| CORPORATE INCOME TAX EXPENDITURES [3] | $216,200,000 | $294,910,000 | ***$106,359,653*** | ***$209,826,182*** | ***$325,864,817*** | 55.3% |
| FIDUCIARY INCOME TAX EXPENDITURES | $161,074,648 | $129,591,926 | $344,426,856 | $223,651,415 | $236,289,232 | 5.7% |
| FLIGHT PROPERTY TAX EXPENDITURES | $2,672,335 | $2,689,650 | $1,555,272 | $2,223,721 | $2,008,288 | (9.7%) |
| IN LIEU PROPERTY TAX EXPENDITURES | $0 | $0 | $0 | $0 | $0 | NA |
| INDIVIDUAL INCOME TAX EXPENDITURES | $2,753,513,000 | ***$773,113,229*** | ***$847,361,190*** | ***$1,039,748,340*** | ***$992,979,101*** | (4.5%) |
| INSURANCE PREMIUM TAX EXPENDITURES | $375,004,595 | $403,300,962 | $458,172,554 | $482,160,823 | $551,460,801 | 14.4% |
| JET FUEL EXCISE AND USE TAX EXPENDITURES | $7,260,724 | $11,278,712 | $13,248,395 | $18,189,467 | $17,621,729 | (3.1%) |
| LUXURY TAX EXPENDITURES | $11,378,344 | $11,049,769 | $9,978,524 | $9,623,586 | $8,472,046 | (12.0%) |
| MOTOR CARRIER FEE EXPENDITURES | NIA[4] | NIA | NIA | NIA | NIA | NA |
| MOTOR VEHICLE FUEL TAX EXPENDITURES | $7,146,724 | $22,483,784 | $7,200,320 | $6,671,728 | $24,257,851 | 263.6% |

[1] Details for each tax type are included in the body of this report.
[2] Preliminary data is bold and in italics.
[3] Corporate Income Tax Expenditures shown for FY 2021 and FY 2022 include all Corporate Income tax expenditures.
[4] No information available.

| TAX TYPE | FY 2021 | FY 2022 | FY 2023 | FY 2024 | FY 2025 | % change from FY2024 |
|---|---|---|---|---|---|---|
| PARI-MUTUEL TAX EXPENDITURES | $5,845,409 | $2,866,557 | $3,045,046 | $2,964,812 | $3,178,117 | 7.2% |
| PRIVATE CAR PROPERTY TAX EXPENDITURES | $476,442 | $484,921 | $452,872 | $470,747 | $359,974 | (23.5%) |
| PROPERTY TAX EXPENDITURES | $457,866,709 | $493,811,818 | $504,716,510 | $515,075,537 | $531,432,183 | 3.2% |
| SEVERANCE TAX EXPENDITURES | $35,610,123 | $49,708,880 | $19,940,734 | $12,612,118 | $19,282,987 | 52.9% |
| TRANSACTION PRIVILEGE AND USE TAX EXPENDITURES [5] | $19,842,175,898 | $22,332,488,678 | $24,345,998,656 | $27,299,512,438 | $27,981,061,118 | 2.5% |
| UNDERGROUND STORAGE TANK TAX EXPENDITURES | NIA[6] | $25,532 | $24,577 | $24,397 | $25,052 | 2.7% |
| UNEMPLOYMENT INSURANCE TAX EXPENDITURES | NIA | NIA | NIA | NIA | NIA | NA |
| USE FUEL TAX EXPENDITURES | $56,487,831 | $79,404,964 | $62,798,251 | $53,773,621 | $67,336,843 | 25.2% |
| VEHICLE LICENSE TAX EXPENDITURES | NIA | NIA | NIA | NIA | NIA | NA |
| WORKERS' COMPENSATION PREMIUM LIEU TAX EXPENDITURES | $2,322,661 | $2,000,647 | $1,628,013 | $2,289,912 | $2,034,301 | (11.2%) |
| **TOTAL** | **$23,951,801,544** | ***$24,623,804,246*** | ***$26,736,088,144*** | ***$29,881,999,882*** | ***$30,766,523,667*** | **3.0%** |

[5] The impact shown is a point in time measurement. Impacts for the same period measured at a later date could produce different results.
[6] No information available.

# FISCAL YEAR 2025 ARIZONA TAX EXPENDITURE REPORT

## EXECUTIVE SUMMARY

**FISCAL YEAR 2025 STATE TAX REVENUE COLLECTED** [7]: $21,736,063,811
**TOTAL FY 2025 TAX EXPENDITURE:** $30,766,523,667
**TAX EXPENDITURE AS A PERCENT OF TOTAL REVENUE:** NA

The Arizona Tax Expenditure Report is a study prepared for the Governor and the Legislature by the Arizona Department of Revenue's Office of Economic Research and Analysis. The report is prepared in accordance with A.R.S. § 42-1005.

Tax expenditures[8] are provisions within the law designed to encourage certain kinds of activity or to aid taxpayers in certain categories. These provisions are generally known as exemptions, exclusions, deductions, subtractions, credits, or preferential rates. Such provisions result in a loss of tax revenues, thereby reducing the amount of revenues available for state (and, in some circumstances, local) programs. In effect, the fiscal impact of implementing tax expenditures would be similar to a direct expenditure of state funds. This report provides a list of tax expenditures and, whenever possible, details the approximate cost of exempting certain types of income, goods, services or property from its respective tax statutes. For several of the expenditures, the impact shown is a point in time measurement. Impacts for the same period measured at a later date could produce different results.

The purpose of this report is to provide a better understanding of impacts associated with existing tax exemptions, exclusions, deductions, subtractions and credits. There are sections on every tax imposed in Arizona. Each section contains statutory provisions for that specific tax type. The analysis includes an explanation of the provision as well as the approximate impacts of that provision where possible. Information in sections pertaining to tax types not administered by the Arizona Department of Revenue is submitted by the agency administering the tax. Any impact estimates presented are provided by that agency.

**ASSUMPTIONS**

This report does not contain any judgment regarding the merit, desirability, importance, or usefulness of a tax expenditure. The Legislature and Governor determine the taxation environment they wish to create in Arizona and formulate law to create the corresponding policy. All tax expenditures were conscious public policy decisions at the time of enactment.

The impacts associated with the specific provisions are the estimated effect of that provision based upon the information available for the stated fiscal or calendar year. There is no consideration of altered

[7] Total State Revenue collected from the sources covered in this publication.
[8] A.R.S. § 42-1005 defines tax expenditure as any "tax provision in state law which exempts, in whole or in part, any persons, income, goods, services or property from the impact of established taxes including deductions, subtractions, exclusions, exemptions, allowances and credits."

demand resulting from the tax expenditure. There is also no consideration of dynamic fiscal impacts resulting from a reduced tax.

The summary page(s) at the end of each section provides a total value of the tax expenditure. ***This total value is a general guide and should not be used in isolation.*** In fact, the expenditures for a particular tax can often not be added to reach a total. The presence or absence of one expenditure for a tax type can directly affect the value of another expenditure for that same tax type.

**TOTAL TAX EXPENDITURE BY TAX TYPE**

The tables below display the total value of tax expenditures by each tax type and a 10-year history of total tax expenditures. Preliminarily, in fiscal year (FY) 2025 the total value of tax expenditures was $30.7 billion, an increase of 3.0% from the prior fiscal year. Transaction privilege tax accounted for 90.9% of the tax expenditure, with individual income tax, property, insurance premium, and corporate income tax expenditure providing the next largest totals, in descending order. In total, these five tax types account for 98.8% of the tax expenditures estimated in this report.

| | Historical Total Tax Expenditures [9] | Year over year change |
|---|---|---|
| **FY 2016** | $13,574,041,639 | 0.9% |
| **FY 2017** | $13,373,300,235 | (1.5%) |
| **FY 2018** | $14,710,000,967 | 10.0% |
| **FY 2019** | $18,388,456,890 | 25.0% |
| **FY 2020** | $20,146,341,448 | 9.6% |
| **FY 2021** | $21,826,654,239 | 8.3% |
| **FY 2022** | $24,510,241,547 | 12.3% |
| **FY 2023** | $26,736,088,114 | 9.1% |
| **FY 2024** | $29,881,999,882 | 11.8% |
| **FY 2025** | $30,766,523,667 | 3.0% |

[9] For this year over year comparison, Individual and Corporate Income Tax contain only credit data.

## SUMMARY ESTIMATED VALUE OF TAX EXPENDITURES [10]
## FISCAL YEAR 2025

| TAX TYPE | VALUE OF FY 2025 EXPENDITURES | % change from FY 2024 |
|---|---|---|
| AIRCRAFT LICENSE TAX EXPENDITURES | $2,690,214 | (10.9%) |
| AVIATION FUEL TAX EXPENDITURES | $83,663 | 1.2% |
| BINGO TAX EXPENDITURES | $74,431 | 22.8% |
| BOXING & MIXED MARTIAL ARTS TAX EXPENDITURES | $10,919 | (37.6%) |
| CORPORATE INCOME TAX EXPENDITURES[11] | $325,864,817 | 55.3% |
| FIDUCIARY INCOME TAX EXPENDITURES | $236,289,232 | 5.7% |
| FLIGHT PROPERTY TAX EXPENDITURES | $2,008,288 | (9.7%) |
| IN LIEU PROPERTY TAX EXPENDITURES | $0 | NA |
| INDIVIDUAL INCOME TAX EXPENDITURES[12] | $992,979,101 | (4.5%) |
| INSURANCE PREMIUM TAX EXPENDITURES | $551,460,801 | 14.4% |
| JET FUEL EXCISE AND USE TAX EXPENDITURES | $17,621,729 | (3.1%) |
| LUXURY TAX EXPENDITURES | $8,472,046 | (12.0%) |
| MOTOR CARRIER FEE EXPENDITURES | NIA[13] | NA |
| MOTOR VEHICLE FUEL TAX EXPENDITURES | $24,257,851 | 263.6% |
| PARI-MUTUEL TAX EXPENDITURES | $3,178,117 | 7.2% |
| PRIVATE CAR PROPERTY TAX EXPENDITURES | $359,974 | (23.5%) |
| PROPERTY TAX EXPENDITURES | $531,432,183 | 3.2% |
| SEVERANCE TAX EXPENDITURES | $19,282,987 | 52.9% |
| TRANSACTION PRIVILEGE AND USE TAX EXPENDITURES | $27,981,061,118 | 2.5% |
| UNDERGROUND STORAGE TANK TAX EXPENDITURES | $25,052 | 2.7% |
| UNEMPLOYMENT INSURANCE TAX EXPENDITURES | NIA | NA |
| USE FUEL TAX EXPENDITURES | $67,336,843 | 25.2% |
| VEHICLE LICENSE TAX EXPENDITURES | NIA | NA |
| WORKERS' COMPENSATION PREMIUM LIEU TAX EXPENDITURES | $2,034,301 | (11.2%) |
| **TOTAL** | **$30,766,523,667** | **3.0%** |

[10] Details for each tax type are included in the body of this report.
[11] Corporate Income Tax Expenditures shown here is credit data for tax year 2023. The remainder of the Corporate Income Tax expenditures for FY 2025 will be included in the final version of this report.
[12] Individual Income Tax Expenditures shown here is credit data for tax year 2023. The remainder of the Individual Income Tax expenditures for FY 2025 will be included in the final version of this report.
[13] No information available.

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## AIRCRAFT LICENSE TAX EXPENDITURES[14] - FISCAL YEAR 2025

**TAX COLLECTED BY:** Arizona Department of Transportation
**FISCAL YEAR 2025 TOTAL STATE REVENUE COLLECTED**: $4,430,673[15]
**TOTAL FY 2025 TAX EXPENDITURE:** $2,690,214
**TAX EXPENDITURE AS A PERCENT OF TOTAL REVENUE:** 61%

A license tax is imposed on aircraft operating in Arizona at the rate of 0.5% of the average fair market value of the particular make, model and year of the aircraft, but not less than $20. The proceeds from this tax are deposited into the state aviation fund.

**AIRCRAFT LICENSE TAX EXEMPTIONS**

*A.R.S. § 28-8322*: Aircraft operated by an airline company and regularly scheduled for the primary purpose of carrying persons or property for hire in interstate, intrastate or international transportation are exempt from tax. Aircraft owned by a nonresident who bases the aircraft in this state for a period of not more than 90 days in any one calendar year, if the aircraft is not engaged in interstate commercial activity, is also exempt from tax. Calculating the tax value of these tax expenditures would require knowing the average fair market value of every aircraft carrying persons or property that stops at an airport in Arizona. Therefore, the value of this tax expenditure is not quantifiable.

*A.R.S. § 28-8323*: Aircraft owned and operated exclusively in the public service by the federal government, by Arizona, by any political subdivision of Arizona, or by the civil air patrol is exempt from tax. The average fair market value of aircraft owned by the federal government and operated in Arizona is unknown. It is known that there were 6 aircraft owned by the Arizona Department of Transportation, the Arizona Department of Public Safety, various Arizona counties and cities, and the civil air patrol in FY 2024. The average fair market value of each aircraft is $27,149,001 which equates to a tax value of $135,775 for this tax expenditure.

*A.R.S. § 28-8323(B)*: Aircraft owned and held by a bona fide aircraft dealer solely for the purpose of sale, as long as these aircraft are registered within 10 days of the dealer's purchase date, are exempt from tax. There were eight aircraft of this type registered by bona fide aircraft dealers in Arizona in FY 2024. The tax value of these aircraft was approximately $0.

**PREFERENTIAL TAX RATES**

*A.R.S. § 28-8336*: The license tax rate for a nonresident who bases his aircraft in Arizona for more than 90 days but less than 210 days in a given calendar year, provided that the aircraft is not engaged in any intrastate commercial activity, is equal to 0.1% of the average fair market value of the particular make, model, and year of aircraft. This tax rate is 20% of the tax rate imposed on resident-owned aircraft. In FY 2025, there were 19 nonresident aircraft based in Arizona. The total aircraft license tax paid by nonresidents falling into this category was $208,435. The value of this expenditure is calculated by

[14] Any figures presented for Aircraft License Tax Expenditures were provided by the Arizona Department of Transportation.
[15] Source: 2025 Tax Handbook, Joint Legislative Budget Committee

multiplying this figure by four, yielding the foregone tax collections allowed by the preferential rate of $833,740.

*A.R.S. § 28-8337*: Aircraft in storage or being repaired are charged a license tax of $20. There are 86 aircraft which have been granted this license tax rate with a fair market value of $60,674,880. The tax value of this preferential license tax is $606,541 which is the total fair market value multiplied by 0.5% less $20 per aircraft.

*A.R.S. § 28-8338*: The annual license tax for a salvage aircraft that is in storage or that is being restored is $5. There are 6 aircraft registered under this provision. Assuming no market value for salvage aircraft, the tax value of this tax expenditure is the difference between the $20 minimum license tax imposed on all other aircraft and the $5 minimum license tax imposed on these aircraft, or $180.

*A.R.S. § 28-8339*: There is a $20 license tax for an antique, classic, warbird, glider, experimental, homebuilt or balloon aircraft. There are 7,900 aircraft registered in Arizona under this provision, with no market value for an antique, classic, warbird, glider, experimental, homebuilt or balloon aircraft. Calculating the tax value of these tax expenditures would require knowing the average fair market value of every aircraft. Therefore, the value of this tax expenditure is not quantifiable.

*A.R.S. §§ 28-8340 and 28-8341*: Maintenance aircraft owned by a nonresident and manufacturer's aircraft are required to pay an aircraft license tax of $20. There are 13 nonresident-owned maintenance aircrafts and 6 manufacturers' aircraft registered in Arizona with a total market value of $115,840. The tax value of this tax expenditure can be calculated by multiplying the total market value by 0.5% and subtracting the $20 per aircraft tax paid, or -$60.

## SUMMARY OF AIRCRAFT LICENSE TAX EXPENDITURES – FISCAL YEAR 2025

**AIRCRAFT LICENSE TAX EXEMPTIONS:**

| | |
|---|---|
| Aircraft operated for the primary purpose of carrying persons or property for hire | NIA[16] |
| Nonresident owned aircraft in Arizona for less than 90 days | NIA |
| Aircraft owned by a government or by the civil air patrol | $135,775 |
| Aircraft owned by an aircraft dealer for sale | 0 |
| **TOTAL VALUE OF AIRCRAFT LICENSE TAX EXPENDITURES** | **$137,775** |

**PREFERENTIAL TAX RATES:**

| | |
|---|---|
| Preferential rate for nonresidents with aircraft in Arizona from 90 to 210 days | $1,947,778 |
| Preferential rate for aircraft in storage or being repaired | 606,541 |
| Preferential rate for salvage aircraft in storage or being repaired | 180 |
| Preferential rate of antique, classic, warbird, etc. aircraft | NIA |
| Preferential rate for maintenance and manufacturer's aircraft | -60 |
| **TOTAL VALUE OF PREFERENTIAL TAX RATES** | $2,554,439 |

**TOTAL QUANTIFIABLE AIRCRAFT LICENSE TAX EXPENDITURES[17] $2,690,214**

[16] No Information Available.

[17] This amount represents foregone revenue to the state aviation fund.

## AVIATION FUEL TAX EXPENDITURES[18] - FISCAL YEAR 2025

**TAX COLLECTED BY:** Arizona Department of Transportation
**FISCAL YEAR 2025 TOTAL STATE REVENUE COLLECTED**: $433,300[19]
**TOTAL FY 2025 TAX EXPENDITURE:** $83,663
**TAX EXPENDITURE AS A PERCENT OF TOTAL REVENUE:** 19%

An aviation fuel tax is imposed on every supplier for each gallon of aviation fuel processed, refined, manufactured, produced, blended, or compounded in Arizona by the supplier or imported by the supplier, whether in the original package or container in which it was imported or otherwise. In order to qualify for exemptions on certain types of aviation fuel, the taxpayer must file for a refund. The fuel tax rate is 5¢ per gallon. Revenue from the aviation fuel tax is deposited in the Aviation Fund.

**AVIATION FUEL TAX EXEMPTIONS**

*A.R.S. § 28-5610(A)(1)*: Motor fuel for which proof of export is available in the form of a terminal-issued destination state shipping paper or bill of lading and that is either: (a) Exported by a supplier who is licensed in the destination state. (b) Sold by a supplier to a distributor for immediate export. There is no requirement for reporting this information; therefore, the tax value of this exemption is unknown.

*A.R.S. § 28-5610(A)(2)*: Motor fuel that was acquired by a distributor, as to which the tax imposed by article or section 28-8344 has previously been paid or accrued and that was subsequently exported by transport truck by or on behalf of the distributor in a diversion across state boundaries properly reported to the department. If diverted by a distributor, the distributor shall perfect the exemption by filing a refund application with the department within six months after the diversion. There is no requirement for reporting this information; therefore, the tax value of this exemption is unknown.

*A.R.S. § 28-5610(A)(5)*: Motor fuel that is moving in interstate or foreign commerce and that is not destined or diverted to a point in this state. There is no requirement for reporting this information; therefore, the tax value of this exemption is unknown.

*A.R.S. § 28-5610(A)(6)*: Motor vehicle or aviation fuel that is sold to the United States or an instrumentality or agency of the United States. The amount of aviation fuel purchased by the United States or an instrumentality or agency of the United States is not reported so the tax value is unknown.

*A.R.S. § 28-5610(D)*: Except as provided in subsections E and F of this section, a person who claims an exemption pursuant to this section shall perfect the exemption by claiming a refund pursuant to section 28-5612. If such fuel were subject to taxation in FY 2025, an additional $83,663 in aviation fuel tax would have been received.

*A.R.S. § 28-5611(A)(2)*: Buys aviation fuel for use in aircraft applying seeds, fertilizer or pesticides. Although not listed as an exemption, a taxpayer may request a refund for aviation fuel under this statute. No refunds made in FY 2025.

[18] Any figures presented for Aviation Fuel Tax Expenditures were provided by the Arizona Department of Transportation.
[19] Source: ADOT FMS Financial Planning Cash Management team.

*A.R.S. § 28-5611(A)(3)*: Loses the fuel by fire, theft or other accident. Although not listed as an exemption, a person may request a refund under this statue. No requests for refunds were made for this in FY 2025.

## SUMMARY OF AVIATION FUEL TAX EXPENDITURES – FISCAL YEAR 2025

**AVIATION FUEL TAX EXEMPTIONS AND OTHER REDUCTIONS:**

| | |
|---|---|
| Aviation fuel moving in interstate or foreign commerce | NIA[20] |
| Aviation fuel sold to the United States armed forces | NIA |
| Exported aviation fuel | $83,663 |
| Aviation fuel for use in applying seeds, fertilizer or pesticide | $0 |
| Aviation fuel lost due to fire, theft or other accident | $0 |
| **TOTAL VALUE OF AVIATION FUEL TAX EXEMPTIONS** | **$83,663** |

**TOTAL QUANTIFIABLE AVIATION FUEL TAX EXPENDITURES[21]** **$83,663**

[20] No Information Available.

[21] This amount represents foregone revenue to the state aviation fund.

## BINGO TAX EXPENDITURES - FISCAL YEAR 2025

**TAX COLLECTED BY:** Arizona Department of Revenue
**FISCAL YEAR 2025 TOTAL STATE REVENUE COLLECTED**: $524,125
**TOTAL FY 2025 TAX EXPENDITURE:** $74,431
**TAX EXPENDITURE AS A PERCENT OF TOTAL REVENUE:** 14%

The tax on state-licensed bingo operations is based on a multi-tiered licensing structure. There are three classes of bingo licenses, each of which has a different tax rate. Each class's tax rate is based on bingo receipts. All bingo tax collections are deposited into the general fund.

**BINGO TAX EXEMPTIONS**

*A.R.S. § 5-414*: Class A licensees (for whom gross receipts do not exceed $75,000 per year) are taxed at 2.5% of their adjusted gross receipts. Adjusted gross receipts equals gross receipts less the amount paid for prizes. Therefore, prize money is exempt from taxation for this class of bingo licensees. In FY 2025, Class A licensees subtracted $2,977,234.03 from gross receipts. At a 2.5% tax rate, the prize money represents $74,430.85 in forgone revenue.

**PREFERENTIAL TAX RATES**

Bingo receipts are taxed at one of three rates, dependent upon the level of gross receipts.

| | | |
|---|---|---|
| Class A | Gross receipts less than or equal to $75,000 | 2.5% of adjusted gross receipts |
| Class B | Gross receipts $75,001 to $500,000 | 1.5% of gross receipts |
| Class C | Gross receipts greater than $500,000 | 2.0% of gross receipts |

This is a preferential rate structure because different tax rates are imposed on similar taxpayers based on criteria set in statute. This preferential rate structure allows taxpayers with lower gross receipts to be taxed at a lower rate.

The impact of taxing all bingo receipts at one of the three rates in use is possible but unrealistic. If a uniform rate were imposed, it is probable that the uniform rate would be an effective tax rate among all licensees, making the fiscal impact revenue neutral. Given that legislative action cannot be predicted, we will point out the preferential tax rate structure in law but will not attempt to attach a revenue impact.

## SUMMARY OF BINGO TAX EXPENDITURES FISCAL YEAR 2025

| | |
|---|---|
| Exemption of prize money from taxation for Class A licensees | $74,431 |

**TOTAL QUANTIFIABLE BINGO TAX EXPENDITURES[22]** **$74,431**

[22] These tax expenditures represent forgone revenue to the state general fund.

## BOXING AND MIXED MARTIAL ARTS TAX EXPENDITURES[23]
## FISCAL YEAR 2025

**TAX COLLECTED BY:** Arizona Department of Gaming
**FISCAL YEAR 2025 TOTAL STATE REVENUE COLLECTED**: $203,551
**TOTAL FY 2025 TAX EXPENDITURE:** $10,919
**TAX EXPENDITURE AS A PERCENT OF TOTAL REVENUE:** 5%

Any person who promotes a boxing or mixed martial arts (MMA) contest in Arizona must pay a 4% tax on the gross receipts of such match or exhibition, after deduction of city, state and federal taxes. The tax is paid to the Department of Gaming, which collects for the Arizona Boxing Commission. Gross receipts are defined as receipts from the face value of tickets sold.

**BOXING AND MMA TAX EXEMPTIONS**

*A.R.S. § 5-104.02(A)*: Tickets issued as complimentary by the promoter of a boxing or MMA match are exempt from taxation as long as the number of complimentary tickets does not exceed 2% of the total number of tickets issued or 75 tickets, whichever is greater.

During FY 2025, ADG regulated nineteen Boxing events, thirteen MMA events, and two Muay Thai events in Chandler, Glendale, Mesa, Phoenix, Scottsdale, Tucson, and Yuma for a total of 28 events. Eleven of the events did not issue complimentary tickets. Of the fifteen events that did issue complimentary tickets, a total of 892 complimentary tickets were exempt from sales tax; and, a total of 25 complimentary tickets were deemed non-exempt. Two MMA events, held on Tribal Land, were exempt and the deductions and tax levy did not apply. ADG calculated the average price of a complimentary ticket at $103.

## SUMMARY OF BOXING AND MMA TAX EXPENDITURES – FISCAL YEAR 2025

| | |
|---|---|
| Number of Complimentary tickets issued, exempt from sales tax | 892 |
| Number of Complimentary tickets, non-exempt from sales tax | 25 |

**TOTAL QUANTIFIABLE BOXING AND MMA TAX EXPENDITURES** **$10,919**

[23] Any figures presented for Boxing and Mixed Martial Arts Tax Expenditures were provided by the Arizona Department of Gaming.

## CORPORATE INCOME TAX EXPENDITURES – FISCAL YEAR 2025

**TAX COLLECTED BY:** Arizona Department of Revenue
**FISCAL YEAR 2025 TOTAL STATE REVENUE COLLECTED**: $1,750,547,224[24]
**TOTAL FY 2025 TAX EXPENDITURE:** $325,864,817 (Only credits are included in this preliminary report.)
**TAX EXPENDITURE AS A PERCENT OF TOTAL REVENUE:** 19%

With the exception of credits, no information is available for tax year 2023 corporate income tax expenditures at this time. This publication will be updated when the Corporate Income Tax Expenditures section is complete.

**CORPORATE INCOME TAX CREDITS**

A tax credit reduces corporate tax liability, as opposed to a subtraction which reduces taxable income. Most tax credits that currently exist in Arizona corporate tax law are nonrefundable; any credit amount greater than a firm's tax liability will not be refunded. The unused credit can then be carried forward for use in future tax years. The following corporate credits were in effect in tax year 2023.

*A.R.S. § 43-1161:* A new employment credit is for net increases in qualified employment positions. To qualify for the credit, the taxpayer must invest at least $5 million in capital investment and create at least 25 new qualified positions in an Arizona city or town with a population of 50,000 or more, or invest at least $1 million in capital investment and create at least five new qualified positions in any other Arizona location. The amount of credit is determined and authorized by the Arizona Commerce Authority.

*A.R.S. § 43-1162:* A healthy forest production credit is allowed for facilities that process qualifying forest products, as certified by the Arizona Commerce Authority. The amount of the credit is $10,000 for the first twenty thousand tons and $5,000 for every ten thousand tons thereafter of qualifying forest products the taxpayer processes in the calendar year. No more than $2,000,000 can be approved in a calendar year and no more than $500,000 per taxpayer.

*A.R.S. § 43-1163:* The affordable housing credit provides for nonrefundable corporate income tax credits for projects in the state that qualify for the federal low-income housing tax credit under section 42 of the Internal Revenue Code (IRC) that are placed in service from and after June 30, 2022 in an amount equal to at least fifty-percent (50%) of the amount of the federal credit allowed in each taxable year during the federal credit period.

*A.R.S. § 43-1164:* A credit is provided for installing one or more solar energy devices for commercial or industrial purposes in the taxpayer's trade or business. The credit is 10% of the installed cost of the device, not to exceed $25,000 per taxpayer per building or $50,000 total in a year. This credit must be approved by the Arizona Commerce Authority. The repeal date for taxable years from and after December 31, 2018 was set when the credit was enacted. Carry forward is allowed for five years after that date.

*A.R.S. § 43-1164.03:* A credit is allowed for production of electricity by a qualified energy generator that produces energy using solar light, solar heat, wind or biomass. Approval from the Arizona Department of Revenue is required to take the credit. No more than $20 million can be approved in a calendar year.

[24] Source: Department of Revenue Annual Report, FY 2025

*A.R.S. § 43-1164.04:* A refundable credit is allowed for expanding or locating a new qualified facility in Arizona. A qualified facility is a facility that devotes at least 80% of the property and payroll at the facility to qualified manufacturing, qualified headquarters or qualified research. Approval from the Arizona Commerce Authority is required to take the credit. No more than $70 million (in conjunction with the renewable energy industry credit) can be approved in a calendar year and no more than $30 million per taxpayer.

*A.R.S. § 43-1164.05:* A credit is allowed for investment in new renewable energy facilities that produce energy for self-consumption using renewable energy resources if the power will be used primarily for International Operations Centers (IOC). The IOC must invest at least $100 million in renewable energy facilities by December 31, 2018. Approval from the Arizona Department of Revenue is required to take the credit. No more than $10 million can be approved in a calendar year with a $25 million lifetime maximum for an IOC.

*A.R.S. § 43-1165:* A credit is allowed against production costs paid by a motion picture production company that is subject to taxation by this state and that are directly attributable to a motion picture production. The amount of the credit is 15% of the qualified production costs equal up to $10 million, 17.5% if between $10 million and $35 million, and 20% if more than $35 million. Approval by Arizona Commerce Authority for the refundable credit is required.

*A.R.S. § 43-1167.01:* A credit is allowed to each taxpayer whose employee is a member of the Arizona National Guard if the employee is placed on active duty. The amount of the credit is $1,000 for each employee placed on active duty.

*A.R.S. § 43-1168:* The research and development tax credit is calculated based on calculations done for the federal research and development tax credit. The amount of the credit is based on the excess of the qualified research expenses for the taxable year over a base amount. Beginning with tax year 2010, taxpayers employing fewer than 150 persons may have their research and development credit refunded, to the extent that it exceeds tax liability. Approval by Arizona Commerce Authority for the refundable credit is required. An additional credit for research payments made to a university under the jurisdiction of the Arizona Board of Regents, as certified by the Arizona Commerce Authority and the Department of Revenue.

*A.R.S. § 43-1170:* The pollution control device credit is a tax credit for expenses incurred to purchase real or personal property that is used in Arizona in the taxpayer's trade or business to control or prevent pollution. The amount of the credit is the lesser of 10% of the purchase price or $500,000.

*A.R.S. § 43-1175:* An income tax credit is allowed for net increases in qualified employment of recipients of temporary assistance for needy families who are Arizona residents. A maximum of $500 per each net new employee can be claimed in the first year of employment, $1,000 in the second year of employment, and $1,500 in the third year.

*A.R.S. § 43-1178:* A credit is allowed for 30% of transaction privilege taxes paid on coal purchased in Arizona and consumed in generating electric power.

*A.R.S. § 43-1181:* The school site donation credit is for donation of real property and improvements to a school district or charter school for use as a school or a site for the construction of a school. The amount of the credit is 30% of the value of real property and improvements donated.

*A.R.S. § 43-1183:* A credit is allowed for cash contributions to a school tuition organization, as approved by the Arizona Department of Revenue.

*A.R.S. § 43-1184:* A credit is allowed for cash contributions to a school tuition organization for scholarships to students with disabilities or displaced students, as approved by the Arizona Department of Revenue.

When reviewing the credit data, it is important to note that corporate tax information for a given tax year will change over time. Late returns are filed, corporations are audited, amended returns are filed, retroactive legislation is enacted, etc. figures stated will change over time and figures cited in previous years will not match. Also to note, information cannot be disclosed about certain credits claimed without breaching confidentiality. If less than three firms claim a credit or if one firm owns more than 90% of the total credit amount claimed or if providing statistics on one credit would result in confidential information being divulged about other credits, then that information cannot be released.

Preliminary data for tax year 2023 is shown in the following table. Corporations claimed 843 corporate income tax credits and used a total of $325.9 million in credits to offset taxes. Asterisks indicate instances in which release of information would breach confidentiality laws.

| TYPE OF CREDIT | # OF CLAIMS | 2023 $ USED |
|---|---|---|
| New employment | 25 | $7,719,682 |
| Healthy forest production | 0 | 0 |
| Affordable housing | 0 | 0 |
| Commercial and industrial solar energy | ** | ** |
| Renewable energy production | ** | ** |
| Refundable qualified facilities | 50 | $62,814,766 |
| Renewable energy investment for self-consumption | ** | ** |
| Refundable motion picture production costs | 0 | 0 |
| Employing National Guard members | ** | ** |
| Refundable research and development | 620 | $191,829,164 |
| Refundable research and development | 41[25] | $3,253,386 |
| Increased research activities for basic research payments | 0 | 0 |
| Pollution control device | 7 | $1,110,155 |
| Employment of TANF recipients | 0 | 0 |
| Taxes paid for coal consumed in generating electrical power | 4 | $1,198,397 |
| School site donation | ** | ** |
| Contributions to school tuition organizations for low-income students | 116 | $44,476,699 |
| Contributions to school tuition organizations for disabled or displaced students | 10 | $598,583 |
| **TOTAL VALUE OF ALL CREDITS[26]** | **843** | **$325,864,817** |

[25] These taxpayers are already included in the research and development credit count.

[26] Figures for all credits are subject to change. The total value is for all credits, including those for which information cannot be divulged individually.

## FIDUCIARY INCOME TAX EXPENDITURES – FISCAL YEAR 2025

**TAX COLLECTED BY:** Arizona Department of Revenue
**FISCAL YEAR 2025 TOTAL STATE REVENUE COLLECTED**: NA[27]
**TOTAL FY 2025 TAX EXPENDITURE:** $236,289,232
**TAX EXPENDITURE AS A PERCENT OF TOTAL REVENUE:** NA

Arizona imposes fiduciary income tax on trusts and estates. The taxability of the income is determined by the residence of the fiduciary, beneficiary, or deceased taxpayer. For estates, the tax applies to the entire taxable income if the deceased taxpayer was an Arizona resident. The fiduciary or beneficiary residence is immaterial. In contrast, for trusts, the tax applies to the entire taxable income when the fiduciary or beneficiary is an Arizona resident.

Arizona taxable income is calculated beginning with federal taxable income. By conforming Arizona law to the Internal Revenue Code, subtractions allowed under federal law in calculating federal taxable income are allowed under Arizona law. From federal taxable income, certain additions, subtractions and exemptions are allowed to reach Arizona taxable income. After calculating tax liability, fiduciary taxpayers may reduce their tax liability by using a credit for taxes paid to other states or countries or a clean elections credit.

Fiduciary income tax is deposited into the general fund. However, 18% of the tax is distributed to cities and towns two years after the year in which it was collected. For example, 18% of tax collected in FY 2023 will be distributed to incorporated cities and towns in FY 2025. Therefore, only 82% of the tax collected, or of the tax value of any expenditure, is actually available for the state's use. This fact should be kept in mind when reviewing the reported tax value of the various subtractions, exemptions, and credits. **Please remember these figures are for tax year 2023.** All tax expenditures in this report refer to tax law in existence in 2023, filed in 2024.

### SUBTRACTIONS ALLOWED IN THE CALCULATION OF FEDERAL TAXABLE INCOME

The starting point for calculating Arizona fiduciary income tax liability is federal taxable income as calculated on the federal Form 1041 (U.S. Fiduciary Income Tax Return). The Arizona legislature must approve legislation to conform to the definition of federal taxable income each year. In conforming to the definition of federal taxable income, Arizona accepts the subtractions from gross income allowed by the federal government. These subtractions include:

- Deduction for interest paid by the estate or trust on amounts borrowed by the estate or trust or on debt acquired by the estate or trust. This includes an investment interest (subject to limitations), qualified residence interest, and any interest payable on any unpaid portion of the estate tax attributable to the value of a reversionary or remainder interest in property.

[27] Revenue from fiduciary income tax is included in the Individual Income Tax revenues.

- Deductible taxes, including state income tax or state and local general sales tax; real property tax; and generation-skipping transfer tax imposed on income distributions. The deduction for state and local taxes is limited to $10,000.
- Deductible fees paid to the fiduciary for administering the estate or trust during the tax year.
- Charitable deduction.
- Attorney, accountant and return preparer fees.
- Other deductions, such as amortizable bond premiums, casualty and theft losses, net operating loss deduction, up to 6% of the fiduciary's share of qualified domestic production activities and the fiduciary's share of amortization, depreciation and depletion not claimed elsewhere.
- Net operating loss deduction.
- Income distribution deduction.
- Estate tax deduction.
- Qualified business income deduction.
- $600 exemption for estates. $300 exemption for trusts in which all income must be distributed currently. $100 exemption for all other trusts.

It is not possible to calculate the tax value of these subtractions. Information from the Internal Revenue Service would be required to determine the value and this information is not readily available.

**ARIZONA SUBTRACTIONS FROM FEDERAL TAXABLE INCOME**

The Arizona fiduciary income tax return lists the following specific items that can be subtracted from federal taxable income to reach adjusted gross income attributable to Arizona:

*A.R.S.§43-1022(4):* Interest income received on U.S. obligations less any interest on indebtedness or other related expenses, and deducted in arriving at Arizona gross income, which were incurred or continued to purchase or carry such obligations.
*A.R.S. § 43-1332(1):* A negative Arizona fiduciary adjustment from another estate or trust is used if Schedule K-1 indicates a negative difference between the federal and state distributable income.

The remaining subtractions on the Arizona fiduciary tax form are entered in aggregate on the "other subtractions from federal taxable income" line. The following is a list of these:

*A.R.S. § 43-1022(2):* Benefits, annuities and pensions totaling not more than $2,500 received from any retirement system or plan established by federal law or the Arizona state retirement system and retirement plan, the corrections officer retirement plan, the public safety personnel retirement plan, the elected officials' retirement plan, an optional retirement program established by the Arizona Board of Regents, an optional retirement program established by an Arizona community college district board, or a retirement plan established for employees of a county, city or town in Arizona.
*A.R.S. § 43-1022(3):* When the estate or trust is the beneficiary of another estate or trust, the beneficiary's share of the trust or estate income recognized under the IRC may be subtracted.
*A.R.S. § 43-1022(5):* The excess of a partner's share of income required to be included under §702(a)(8) of the IRC over income required to be included under chapter 14, article 2 of title 43.

*A.R.S. § 43-1022(6):* The excess of a partner's share of partnership losses determined pursuant to chapter 14, article 2 of title 43 over losses allowable under §702(a)(8) of the IRC.
*A.R.S. § 43-1022(7):* The amount allowed by A.R.S. § 43-1025 for contributions of agricultural crops to charitable organizations.
*A.R.S. § 43-1022(8):* The portion of any wages or salaries paid or incurred by the taxpayer equal to the amount of the federal work opportunity credit, the empowerment zone employment credit, the credit for employer-paid social security taxes on employee cash tips and the Indian employment credit that the taxpayer received under §§ 45A, 45B, 51(a) and 1396 of the IRC.
*A.R.S. § 43-1022(9):* The amount of mining exploration expenses determined pursuant to §617 of the IRC, which have been deferred in a taxable year ending before January 1, 1990 and for which a subtraction has not been previously made.
*A.R.S. § 43-1022(18):* The amount of depreciation allowable per § 167(a) of the IRC calculated as if bonus depreciation for eligible properties had not been claimed for federal purposes.
*A.R.S. § 43-1022(17):* For property sold or otherwise disposed of, a subtraction is allowed for the difference in basis for any asset for which federal bonus depreciation had been claimed.
*A.R.S. § 43-1022(10):* The amount of Social Security and railroad retirement benefits included in federal taxable income.
*A.R.S. § 43-1022(11):* To the extent not already excluded, compensation received for active service as a member of the U.S. armed forces for any month during any part of which the member served in a combat zone.
*A.R.S. § 43-1022(12):* The amount of unreimbursed medical and hospital costs, adoption counseling, legal and agency fees and other non-recurring costs of adoption not to exceed $3,000.
*A.R.S. § 43-1022(13):* The amounts authorized by A.R.S. § 43-1027 for converting to qualified wood stoves, wood fireplaces or gas-fired fireplaces.
*A.R.S. § 43-1022(14):* The amount by which a net operating loss carryover or capital loss carryover allowable pursuant to § 43-1029(F) exceeds the net operating loss carryover or capital loss carryover allowable pursuant to §1341(b)(5) of the IRC.
*A.R.S. § 43-1022(15):* Any amount of qualified educational expenses distributed from a qualified state tuition program determined pursuant to §529 of the IRC and that is included in income.
*A.R.S. § 43-1022(16):* Any item of income resulting from an installment sale that has been properly subjected to tax in another state in a previous year and is included in Arizona gross income in the current taxable year.
*A.R.S. § 43-1022(19):* The amount contributed to §529 college savings plans up to $2,000 single and $4,000 married filing joint.
*A.R.S. § 43-1022(20):* The net operating loss computed under § of the IRC in effect prior to enactment of special federal net operating loss rules per IRC § 172(b)(1)(H) for losses incurred during 2008 or 2009.
*A.R.S. § 43-1022(22):* The amount of any net long-term capital gain included in federal adjusted gross income that is derived from an investment in an asset acquired after December 31, 2011. The subtraction is equal to 10% of the total net long-term capital gain for tax year 2013, 20% for tax year 2014 and 25% for tax year 2015 and thereafter.
*A.R.S. § 43-1333:* The income of the estate or trust which is to be distributed or credited during the year to any legatee, heir or beneficiary is allowed as a subtraction from federal taxable income.

In tax year 2023, subtractions on fiduciary tax returns were reported in combination with additions to fiduciary income on the front of the tax return. Therefore, information is only available on the value of subtractions not entirely offset by additions to fiduciary income for a total of $138,440,317. Subtractions for a percentage of any net long-term capital gains from an investment in an asset acquired after December 31, 2011 would be reported on the front of the tax return for a total of $89,672,929.

**PREFERENTIAL TAX RATES**

Fiduciary income tax is calculated according to a graduated tax rate schedule, shown below:

| At Least | But Less Than | |
|---|---|---|
| $ 0 | $ 27,272 | 2.55% of taxable income |
| $ 27,272 | and over | 2.98% of taxable income plus $695 |

This is a preferential rate structure because different tax rates are imposed on similar taxpayers based on criteria set in statute. Taxpayers with higher incomes are taxed at a higher rate.

If a uniform rate were imposed, it is probable that the uniform rate would be an effective tax rate among all taxpayers, making the fiscal impact revenue neutral. Given that legislative action cannot be predicted, we will point out the preferential tax rate structure in law but will not attempt to attach a revenue impact.

**FIDUCIARY INCOME TAX CREDITS**

After fiduciary income tax liability is calculated, one credit can be subtracted. If the estate or trust is considered to be a resident of Arizona and also a resident of another state or country, the estate or trust will be allowed a tax credit against the Arizona income tax liability for taxes paid to the other state or country. In 2023, $8,175,986 was claimed as credit for taxes paid to other states or countries. This credit is a direct reduction to tax liability.

## SUMMARY OF FIDUCIARY INCOME TAX EXPENDITURES – TAX YEAR 2023

**SUBTRACTIONS ALLOWED IN CALCULATION OF FEDERAL TAXABLE INCOME:**

| | |
|---|---|
| Deduction for interest paid | NIA[28] |
| Deductible taxes | NIA |
| Deductible fiduciary fees | NIA |
| Charitable deduction | NIA |
| Attorney, accountant and return preparer fees | NIA |
| Other miscellaneous deductions | NIA |
| Net operating loss deduction | NIA |
| Income distribution deduction | NIA |
| Estate tax deduction | NIA |
| Qualified business income deduction | NIA |
| $600/$300/$100 estate or trust exemption | NIA |
| **TOTAL VALUE OF SUBTRACTIONS ALLOWING IN FEDERAL TAXABLE INCOME** | **NIA** |

**ARIZONA SUBTRACTIONS FROM FEDERAL TAXABLE INCOME:**

| | |
|---|---|
| Negative Arizona fiduciary adjustment from another estate or trust | NIA |
| Interest income on U.S. obligations | NIA |
| U.S./State pensions not over $2,500 | NIA |
| Qualified wood stoves and fireplaces | NIA |
| Excess operating loss carryover | NIA |
| Certain federal credits | NIA |
| Contribution of agricultural crops | NIA |
| Recalculated Arizona depreciation | NIA |
| Basis adjustment for property sold or disposed | NIA |
| Federal income from other fiduciaries | NIA |
| Partner's share of income | NIA |
| Partner's share of loss | NIA |
| Sale of income-producing property | NIA |
| Mining exploration expenses | NIA |
| Social Security benefits | NIA |
| Compensation for armed forces active service | NIA |
| Adoption costs | NIA |
| Qualified educational expenses | NIA |
| Installment sale subject to tax in another state | NIA |
| Percentage of total net long-term capital gain from taxable assets acquired after December 31, 2011 | $89,672,929 |
| Arizona distribution to beneficiaries | NIA |
| Contributions to §529 college savings plan | NIA |
| Previously deferred discharge of indebtedness | NIA |
| Original issue discount | NIA |

[28] No Information Available.

| | |
|---|---|
| Other subtractions | $138,440,317 |
| **TOTAL VALUE OF ARIZONA SUBTRACTIONS FROM FEDERAL TAXABLE INCOME** | **$228,113,246** |

**FIDUCIARY INCOME TAX CREDITS:**

| | |
|---|---|
| Taxes paid to other states or countries | $8,175,986 |
| **TOTAL VALUE OF FIDUCIARY INCOME TAX CREDITS** | **$8,175,986** |

**TOTAL QUANTIFIABLE FIDUCIARY INCOME TAX EXPENDITURES[29]** **$236,289,232**

[29] These expenditures represent forgone revenues to the state general fund and to the urban revenue sharing fund, which is distributed to incorporated cities and towns.

## FLIGHT PROPERTY TAX EXPENDITURES – FISCAL YEAR 2025

**TAX COLLECTED BY:** Arizona Department of Revenue
**FISCAL YEAR 2025 TOTAL STATE REVENUE COLLECTED**: $10,401,270[30]
**TOTAL FY 2025 TAX EXPENDITURE:** $2,008,288
**TAX EXPENDITURE AS A PERCENT OF TOTAL REVENUE**: 19%

Airline companies in Arizona pay a tax on flight property within the state. The taxable value, or net assessed value, of the flight property is determined by multiplying the full cash value by an assessment ratio. The tax rate applied to the net assessed value is the statewide average tax rate, which was 10.67% in tax year 2024.

**FLIGHT PROPERTY TAX EXEMPTIONS**

*A.R.S § 42-14254(C):* Small flight property that is operated in this state in air commerce shall be valued at 30% of its original cost less depreciation and additional allowed obsolescence. "Small flight property" means all airline company aircraft of the types that are used in this state, not permanently removed from operations, with a maximum passenger capacity of less than 56 seats and a maximum payload capacity of less than eighteen thousand pounds. Had the taxable value been 100%, the state would have raised $150,919 more in FY 2025.

**PREFERENTIAL ASSESSMENT RATIO**

*A.R.S § 42-14255:* Arizona statute sets the assessment ratios to be used in determining the net assessed values of the various classes of property. These assessment ratios range from 16.5% to 5%**.** For flight property, the assessment ratio is equal to the ratios that the total net assessed valuation of all taxable property for primary and secondary tax purposes in class one and class six, paragraph 3 and personal property in class two bears to the total limited valuation used for primary tax purposes of such property.

For tax year 2024 the assessment ratio used for flight property was 14%. This is considered a preferential assessment ratio because it is an average of the ratio is several other classes of property. If flight property had an assessment ratio equal to the highest assessment ratio imposed, 16.5%, tax collections would have increased by $1,857,370.

[30] Source: Department of Revenue, FY 2025, Tax Year 2024 records

## SUMMARY OF FLIGHT PROPERTY TAX EXPENDITURES – FISCAL YEAR 2025

**FLIGHT PROPERTY TAX EXEMPTION:**

| | |
|---|---|
| Tax value at 30% for small airplanes | $150,919 |

**FLIGHT PROPERTY PREFERENTIAL ASSESSMENT RATIO:**

| | |
|---|---|
| Preferential assessment ratio at 15% | $1,857,370 |

**TOTAL QUANTIFIABLE FLIGHT PROPERTY TAX EXPENDITURES[31] $2,008,288**

[31] This amount represents foregone revenue to the state aviation fund.

## IN LIEU PROPERTY TAX EXPENDITURES – FISCAL YEAR 2025

**TAX COLLECTED BY:** County Treasurer's Offices
**FISCAL YEAR 2025 TOTAL STATE REVENUE COLLECTED**: NA
**TOTAL FY 2025 TAX EXPENDITURE:** NA
**TAX EXPENDITURE AS A PERCENT OF TOTAL REVENUE:** NA

Irrigation districts, power districts, electrical districts, or agricultural improvement districts directly engaged in the sale of electric power or energy other than for irrigation purposes may elect to make voluntary contributions to Arizona and the political subdivisions thereof for property taxes. These districts are not legally liable for property taxes imposed by the state and the political subdivisions, so these voluntary contributions are known as in lieu property taxes. (However, per A.R.S. § 9-432(B), water may not be transported from remote municipal property by a city, town or political subdivision unless voluntary contributions have been paid.)

The Department of Revenue determines the full cash value of the district electing to make in lieu property tax payments. The county assessor of each county where district electric facilities are located computes the gross contribution to be made. The district may subtract certain amounts from this gross contribution figure.

**IN LIEU PROPERTY TAX SUBTRACTIONS**
*A.R.S. § 48-242(C)(1)*: A subtraction is allowed for the contribution related to that portion of the electric system related to pumping water.
*A.R.S. § 48-242(C)(2)*: A deduction of $10,000 is allowed from the gross contribution.
*A.R.S. § 48-242(C)(3)*: Certain taxes or assessments paid to any political subdivision during the preceding calendar year may be deducted from the gross contribution.
*A.R.S. § 48-242(C)(4)*: The annual average of the total water costs devoted to municipal use during the last three calendar years is deductible from the gross contribution.

The effect of these subtractions from the gross contribution amount is that the district in question pays a certain percentage of the gross contributions. The primary contributor, Salt River Project, paid approximately 78.13% of the tax that would have been levied had they been legally bound to pay property tax. Given the repeal of the state rate, the dollar expenditure that previously appeared in this report is no longer applicable. However, because the exemptions filter through to the tax base at the local level, descriptions of the exemptions remain.

## INDIVIDUAL INCOME TAX EXPENDITURES – FISCAL YEAR 2025

**TAX COLLECTED BY:** Arizona Department of Revenue
**FISCAL YEAR 2025 TOTAL STATE REVENUE COLLECTED**: $5,484,167,843 [32]
**TOTAL FY 2025 TAX EXPENDITURE:** Individual: $991,714,941, SBI: $1,264,160, Fiduciary: $236,289,232. (Only credits are included in this preliminary report.)
**TAX EXPENDITURE AS A PERCENT OF TOTAL REVENUE:** 22%

No information is available on tax year 2023 individual income tax expenditures at this time. At the final printing of this publication, all data will be included. The individual income tax information in the final report will be made available through the 2023 Individual Income Tax Simulation Model.

Additional information about Individual Income Tax Credits including the Credit History Report, the Public School Credit Report, and the Report on School Tuition Organization Income Tax Credits, can be found on the Department's website under Reports, Statistics and Legal Research section.

**INDIVIDUAL INCOME TAX CREDITS**

A tax credit differs from an exemption, subtraction, or deduction in that it directly reduces tax liability rather than taxable income. A $100 deduction, for example, would reduce tax liability by $4.50 at most ($100 times the maximum tax rate of 4.50%). On the other hand, a $100 credit reduces tax liability by the full $100. The four credits identified below are claimed on separate lines of the Arizona income tax return or, in the case of the property tax credit and the increased excise taxes paid credit, can be claimed on a separate form without filing an income tax return.

*A.R.S. § 43-1014:* The entity-level income tax is a Pass-Through Entity tax (PTE) that provides for taxable years beginning from and after December 31, 2021 individual partners or shareholders of a business (including certain trusts and estates) may consent to be taxed at the entity level at a rate that is the same as the tax rate prescribed by A.R.S. § 43-1011. For tax year 2023, the tax rate is equal to 2.5% of the entire portion of its taxable income that is attributable to its resident partners or shareholders and the portion of its taxable income derived from sources within this state that is attributable to its nonresident partners or shareholders for that taxable year.

*A.R.S. § 43-1163:* The affordable housing credit provides for nonrefundable individual income tax credits for projects in the state that qualify for the federal low-income housing tax credit under section 42 of the Internal Revenue Code (IRC) that are placed in service from and after June 30, 2022 in an amount equal to at least fifty-percent (50%) of the amount of the federal credit allowed in each taxable year during the federal credit period.

*A.R.S. § 43-1072:* The property tax credit program provides tax relief to the state's low-income elderly. Under this program, full-year residents aged 65 or older with a household income of less than $5,501 are

[32] Source: Department of Revenue Annual Report, FY 2025. Revenue from fiduciary income tax is included in the Individual Income Tax revenues.

eligible for credits ranging from $56 to $502. The property tax credit is refundable, meaning that those eligible for the credit receive money even if they had no income tax liability.

*A.R.S. § 43-1072.01:* A refundable credit is allowed against income tax to mitigate the increase in transaction privilege tax rates for education. To qualify, claimants must have federal adjusted gross income of $25,000 or less for married filing jointly or $12,500 or less for single filers. The credit shall not exceed $25 for each person who is a resident and for whom a personal or dependent exemption is allowed, with a maximum credit of $100 per household.

*A.R.S. § 43-1073:* Single and married filing separately filers with a federal adjusted gross of $10,000 or less, and married filing jointly filers with a federal adjusted gross income of $31,000 or less may claim the family tax credit. The amount of the credit is set at $40 per person in the household and is capped at $240 for married filing jointly and unmarried head of household filers, and $120 for single and married filing separately filers.

*A.R.S. § 43-1073.01:* The dependent credit is $100 for each qualified dependent under the age of 17 and $25 for each dependent age 17 and older at the end of the taxable year. The credit is phased out for single, head of household and married taxpayers filing separate returns with a federal adjusted gross income more than $200,000 and for married filing a joint return with a federal adjusted gross income more than $400,000. For these taxpayers, the credit is equal to $100 for each dependent under the age of 17 and $25 for each dependent age 17 and older minus five percent for each $1,000, or fraction thereof, by which the taxpayer's federal adjusted gross income exceeds the applicable threshold.

Other credits are filed on a separate schedule with the total claimed reported on page two of the income tax return as nonrefundable or refundable credits. Most tax credits are nonrefundable; any credit amount greater than the individual's tax liability will not be refunded. The unused credit, in most cases, can then be carried forward for use in future tax years. The following individual credits were in effect in tax year 2023.

*A.R.S. § 43-1071:* A credit is allowed for taxes paid to other states or countries.

*A.R.S. § 43-1074:* A new employment credit is for net increases in qualified employment positions. To qualify for the credit, the taxpayer must invest at least $5 million in capital investment and create at least 25 new qualified positions in an Arizona city or town with a population of 50,000 or more, or invest at least $1 million in capital investment and create at least five new qualified positions in any other Arizona location. The amount of credit is determined and authorized by the Arizona Commerce Authority.

*A.R.S. § 43-1074.01:* The research and development tax credit is calculated based on calculations done for the federal research and development tax credit. The amount of the credit is based on the excess of the qualified research expenses for the taxable year over a base amount. Beginning with tax year 2010, taxpayers employing fewer than 150 persons may have their research and development credit refunded, to the extent that it exceeds tax liability. Approval by Arizona Commerce Authority for the refundable credit is required. An additional credit for research payments made to a university under the jurisdiction of the Arizona Board of Regents, as certified by the Arizona Commerce Authority and the Department of Revenue.

*A.R.S. § 43-1074.02:* The credit for investments made in a qualified small business is based on a percentage of the investment amount and depends on the location or type of the qualified small business. The amount of credit is determined and authorized by the Arizona Department of Commerce.

*A.R.S. § 43-1079.01:* A credit is allowed to each taxpayer whose employee is a member of the Arizona national guard if the employee is placed on active duty. The amount of the credit is $1,000 for each employee placed on active duty.

*A.R.S. § 43-1080:* A tax credit is provided for expenses incurred in constructing a qualified environmental technology manufacturing, producing or processing facility. The amount of the credit is 10% of the amount spent during the taxable year to construct the facility. This credit was repealed for taxable years from and after December 31, 2019.

*A.R.S. § 43-1081:* The pollution control device credit is a tax credit for expenses incurred to purchase real or personal property that is used in Arizona in the taxpayer's trade or business to control or prevent pollution. The amount of the credit is the lesser of 10% of the purchase price or $500,000.

*A.R.S. § 43-1081.01:* A credit is allowed for expenses that a taxpayer (involved in the commercial production of livestock, livestock products or agricultural, horticultural, viticultural or floricultural crops or products) incurs to purchase tangible personal property that is primarily used in the taxpayer's trade or business in Arizona to control or prevent pollution.

*A.R.S. § 43-1083:* A solar energy credit is provided for an individual who installs a solar energy device in his or her residence in Arizona. The credit for buying or installing such a device is 25% of the cost, including installation, or $1,000, whichever is less.

*A.R.S. § 43-1083.02:* A credit is allowed for production of electricity by a qualified energy generator that produces energy using solar light, solar heat, wind or biomass. Approval from the Arizona Department of Revenue is required to take the credit. No more than $20 million can be approved in a calendar year.

*A.R.S. § 43-1083.03:* A refundable credit is allowed for expanding or locating a new qualified facility in Arizona. A qualified facility is a facility that devotes at least 80% of the property and payroll at the facility to qualified manufacturing, qualified headquarters or qualified research. Approval from the Arizona Commerce Authority is required to take the credit. No more than $70 million (in conjunction with the renewable energy industry credit) can be approved in a calendar year and no more than $30 million per taxpayer.

*A.R.S. § 43-1084:* A credit is allowed for expenses incurred by a taxpayer to purchase and install an agricultural water conservation system. The agricultural water conservation system must be primarily designed to substantially conserve water on land that is used to produce agricultural products, raise, harvest or grow trees, or sustain livestock. The amount of the credit is 75% of the qualifying expenses.

*A.R.S. § 43-1085:* A credit is provided for installing one or more solar energy devices for commercial or industrial purposes in the taxpayer's trade or business. The credit is 10% of the installed cost of the device, not to exceed $25,000 per taxpayer per building or $50,000 total in a year. This credit must be approved by the Arizona Commerce Authority. This credit was repealed for taxable years from and after December 31, 2018. Carry forward is allowed for five years after that date.

*A.R.S. § 43-1086:* An income tax credit is available if a taxpayer makes cash donations to the Arizona Department of Veterans Services Military Family Relief Fund. There is a $1 million cap on donations.

*A.R.S. § 43-1087:* An income tax credit is allowed for net increases in qualified employment of recipients of temporary assistance for needy families who are Arizona residents. A maximum of $500 per each net new employee can be claimed in the first year of employment, $1,000 in the second year of employment and $1,500 in the third year.

*A.R.S. § 43-1088:* A credit is allowed for the amount of voluntary cash contributions to a qualifying charitable organization (QCO) that spends at least 50% of its budget on services to Arizona residents who received TANF benefits or low-income Arizona residents (income of less than 150% of the federal poverty level). For taxable years 2016 and later, the credit amount is up to $800 for married filing jointly taxpayers and $400 for all other taxpayers. For taxable years 2016 and later, a separate credit is allowed for voluntary cash contributions to a qualifying foster-care organization (QFCO) not to exceed $1,000 for married filing jointly taxpayers and $500 for all other taxpayers.

*A.R.S. § 43-1089:* The private school tuition organization credit is allowed for cash contributions to a school tuition organization up to $1,000 for married filing jointly filers and $500 for all other taxpayers. The credit amounts are adjusted annually for inflation.

*A.R.S. § 43-1089.01:* An income tax credit is allowed for the amount of fees paid to an Arizona public school for the support of extracurricular activities or character education programs. The credit is for up to $400 for married filing jointly taxpayers and $200 for all other taxpayers.

*A.R.S. § 43-1089.02:* The school site donation credit is for donation of real property and improvements to a school district or charter school for use as a school or a site for the construction of a school. The amount of the credit is 30% of the value of real property and improvements donated.

*A.R.S. § 43-1089.03:* The private school tuition organization "switcher" credit is allowed for cash contributions to a school tuition organization that exceed the original private school tuition organization credit (A.R.S. § 43-1089). The amount of the credit is capped at $1,000 for married filing jointly filers and $500 for all other taxpayers. The credit amounts are adjusted annually for inflation.

*A.R.S. § 43-1089.04:* A credit is allowed for a pro rata share of cash contributions to a school tuition organization pursuant to § 43-1183 (and § 43-1184 for scholarships to students with disabilities or displaced students) based on the individual's ownership in the S corporation. The aggregate contribution, as approved by the Arizona Department of Revenue, must be at least $5,000.

*A.R.S. § 43-1162:* A healthy forest production credit is allowed for facilities that process qualifying forest products, as certified by the Arizona Commerce Authority. The amount of the credit is $10,000 for the first twenty thousand tons and $5,000 for every ten thousand tons thereafter of qualifying forest products the taxpayer processes in the calendar year. No more than $2,000,000 can be approved in a calendar year and no more than $500,000 per taxpayer.

Preliminary data for tax year 2023 is shown in the following table. Asterisks indicate instances in which release of information would breach confidentiality laws.

## Individual:

| TYPE OF CREDIT | # OF CLAIMS | 2023 $ USED |
|---|---|---|
| Entity level Income Tax Paid, Pass-Through Entity (PTE) | 20,186 | $323,764,327 |
| Motion Picture tax credit | 0 | 0 |
| Affordable Housing | 0 | 0 |
| Property tax credit | 17,878 | 7,313,836 |
| Credit for increased excise taxes paid | 437,146 | 19,458,127 |
| Family income tax credit | 441,953 | 212,012 |
| Dependent tax credit | 999,467 | 143,758,270 |
| Credit for income taxes paid to other states or countries | 96,884 | 186,327,631 |
| New employment credit | 7 | $85,345 |
| Research and development credit | 991 | 19,330,822 |
| Refundable research and development credit | 19[33] | 802,193 |
| Research and development for university research | 0 | 0 |
| Investment in qualified small business credit | 295 | 1,044,903 |
| **TYPE OF CREDIT** | **# OF CLAIMS** | **2023 $ USED** |
| Healthy forest enterprise production credit | 10 | 34,878 |
| Employing National Guard members credit | 0 | 0 |
| Pollution control device credit | 9 | 920 |
| Agricultural pollution control equipment credit | 0 | 0 |
| Solar energy device credit | 28,501 | 17,043,380 |
| Qualified facilities credit | 0 | 0 |
| Renewable energy production credit | 5 | 50,350 |
| Agricultural water conservation system credit | 110 | 881,718 |
| Commercial and industrial solar energy credit | 22 | 44,401 |
| Donations to the military family relief fund credit | 3,020 | 960,814 |
| Employment of TANF recipients' credit | 0 | 0 |
| Contributions to qualifying charitable organizations credit | 186,050 | 83,539,590 |
| Contributions to qualifying foster care organizations credit | 42,156 | 26,949,008 |
| Private school tuition organization credit | 79,982 | 66,739,269 |
| Private school tuition organization "switcher" credit | 51,247 | 41,455,269 |
| Corporate contributions to school tuition organization | 831 | 16,676,885 |
| Corporate contributions to school tuition organizations for disabled or displaced students | 20 | 301,177 |
| Public school fees and contributions credit | 128,518 | 34,924,829 |
| School site donation credit | 12 | 14,987 |
| **TOTAL VALUE OF ALL INDIVIDUAL CREDITS[34]** | **2,535,300** | **$991,714,941** |

[33] These taxpayers are already included in the research and development credit count.

[34] Figures for all credits are subject to change. The total value is for all credits, including those for which information cannot be divulged individually.

## Small Business Income (SBI):

| TYPE OF CREDIT | # OF CLAIMS | 2023 $ USED |
|---|---|---|
| Entity level Income Tax Paid, Pass-Through Entity (PTE) | 108 | $173,347 |
| Motion Picture tax credit | 0 | $0 |
| Affordable Housing | 0 | 0 |
| Credit for income taxes paid to other states or countries | 62 | 926,092 |
| New employment credit | 0 | 0 |
| Research and development credit | ** | ** |
| Refundable research and development credit | 0[35] | 0 |
| Research and development for university research | 0 | 0 |
| Investment in qualified small business credit | ** | ** |
| Healthy forest enterprise production credit | 0 | 0 |
| Employing National Guard members credit | 0 | 0 |
| Pollution control device credit | 0 | 0 |
| Agricultural pollution control equipment credit | 0 | 0 |
| Qualified facilities credit | 0 | 0 |
| Renewable energy production credit | 0 | 0 |
| **TYPE OF CREDIT** | **# OF CLAIMS** | **2023 $ USED** |
| Agricultural water conservation system credit | 0 | 0 |
| Commercial and industrial solar energy credit | 0 | 0 |
| Corporate contributions to school tuition organization | 7 | 60,879 |
| Corporate contributions to school tuition organizations for disabled or displaced students | 0 | 0 |
| School site donation credit | 0 | 0 |
| **TOTAL VALUE OF ALL SBI CREDITS[36]** | **184** | **$1,264,160** |

**TOTAL QUANTIFIABLE INDIVIDUAL AND SBI CREDITS TAX EXPENDITURES[37] $992,979,101**

[35] These taxpayers are already included in the research and development credit count.
[36] Figures for all credits are subject to change. The total value is for all credits, including those for which information cannot be divulged individually.
[37] This amount represents foregone revenue to the state general fund.

## INSURANCE PREMIUM TAX EXPENDITURES[38] - FISCAL YEAR 2025

**TAX COLLECTED BY:** Arizona Department of Insurance
**FISCAL YEAR 2025 TOTAL STATE REVENUE COLLECTED**: $920,007,289[39]
**TOTAL FY 2025 TAX EXPENDITURE:** $551,460,801
**TAX EXPENDITURE AS A PERCENT OF TOTAL REVENUE:** 60%

Each admitted insurer doing business in the state is required to annually report its total direct premium income to the Arizona Department of Insurance and Financial Institution.

*A.R.S. § 20-224:* Total direct premium income excludes "...applicable cancellations, returned premiums, the amount of reduction in or refund of premiums allowed to industrial life policyholders for payment of premiums direct to an office of the insurer, all policy dividends, refunds, savings coupons and other similar returns paid or credited to policyholders within this state and not reapplied as premiums for new, additional or extended insurance." Direct premium income also excludes "considerations received on annuity contracts," as well as the "unabsorbed portion of any premium deposit." No information is available on the value of these exclusions from direct premium income because insurers are not required to report this information to the Department of Insurance. However, there is data available for "*considerations received on annuity contracts."* Insurance companies (excluding fraternal benefit societies) reported $12.0 billion in these considerations which, if taxed at a two-percent rate, would have resulted in $240.2 million in revenues to the state in FY 2025.

*A.R.S. § 20-224.03:* Allows a credit to a taxpayer who makes a required level of capital investment in Arizona and that has a minimum number of qualified employment positions (full-time employees for which the employer pays at least 65% of health benefit costs and to whom the employer pays at least the median wage by county computed by the Arizona Commerce Authority). A qualifying employer is permitted a tax credit of $3,000 for each qualified employment position for each of three years of continuous employment. For calendar year 2024, insurers used this credit to reduce their tax liabilities by an aggregate of $90,000.

*A.R.S. §§ 20-224.06, 20-224.07:* A tax credit is allowed for insurers that make voluntary contributions to school tuition organizations and exclude the credits from the retaliation calculation prescribed by A.R.S. § 20-230, described later. Insurers reduced their calendar year 2024 taxes by $48.3 million.

*A.R.S. §§ 20-224.05, 43-210:* A tax credit is allowed to an insurer that issues health insurance coverage to individuals and small businesses certified by the Department of Revenue as meeting prescribed qualifications. The Act requires the Department of Revenue to limit certifications such that the aggregate credits to which insurers will be entitled shall not exceed $5 million. An insurer is owed a tax refund or tax credit carry-forward for unused credit issued pursuant to the Act. In the aggregate, insurers reduced their calendar year 2024 tax liability by $1.0 million with health insurance coverage credits.

The tax rates prescribed in A.R.S. § 20-224 that apply to life insurance premiums and non-fire property and casualty premiums changed from 2% in 2015 to the following: For premiums written in 2016, 1.95%;

[38] All information presented on the insurance premium tax was provided by the Arizona Department of Insurance.

[39] Source: 2025 Tax Handbook, Joint Legislative Budget Committee

in 2017, 1.90%, in 2018, 1.85%; in 2019, 1.80%, in 2020, 1.75%; in 2021 and after, 1.70% [Chapter 358 (HB 2002, Laws 2016)]. The revenue reduction will be mitigated by some increase in retaliation due pursuant to A.R.S. § 20-230 from foreign insurers whose domiciles charge Arizona-domiciled insurers taxes, fees and other obligations that exceed the taxes, fees and obligations that Arizona imposes upon those foreign insurers. During calendar year 2024, insurers transacted $19.6 billion in premiums subject to the tax rate that changed from 1.75% to 1.70%. Had the tax rate remained at 1.75%, Arizona would have received $9.8 million in additional tax revenue.

*A.R.S. § 20-230:* The Department of Insurance is required to impose on foreign and alien insurers the same taxes, fees, fines, penalties, licenses, deposit and other obligations that the laws of their domicile impose on Arizona insurers doing business in their state or country. Because the amount of retaliatory tax that foreign and alien insurers pay relies on the tax rates, fees, assessments, credits, etc. in the insurers' states of domicile, no method exists to calculate the exact effect Arizona would realize if the foregoing qualifications and exemptions of insurance premium taxes were not in place. Additionally, retaliation is extremely difficult to calculate because of differences in the ways that states tax each type of insurer or each class of insurance, and the variety of additional fees, credits and other obligations that apply to insurers in each state. Therefore, the tax expenditure estimates exclude the possible consequential effects on the retaliation calculation. It is fair to say, however, that retaliation revenues could fall if Arizona imposed additional taxes or fees, or eliminated tax credits that were part of the retaliation calculation. Conversely, with the implementation of tax rate reductions instituted pursuant to Chapter 358 (HB 2002, Laws 2016), retaliation revenues increase.

*A.R.S. § 20-416:* Surplus lines insurers do not remit ordinary premium tax. Instead, surplus lines brokers are responsible for remitting premium taxes collected from insureds when coverage is placed in the surplus lines market. The tax rate is 3% of gross premiums and fees less certain prescribed statutory reductions.

*A.R.S. § 20-416:* Surplus lines brokers are not required to collect and remit insurance premium tax on "...reinsurance, ocean marine and foreign trade insurance, insurance on subjects located, resident or to be performed wholly outside this state, insurance on vehicles or aircraft owned and principally garaged outside this state, or insurance on property or operations of railroads engaged in interstate commerce."

*A.R.S. § 20-420(A):* Surplus lines tax is not imposed on coverage provided to federally recognized Native American governments in accordance with Attorney General Opinion I95-13 (R95-11). Surplus lines tax is not imposed on coverage provided to the State of Arizona pursuant to A.R.S. § 41-621(F), which exempts the Department of Administration from the provisions of Title 20, Chapter 2, Article 5 -- the Article that, in part, imposes the surplus lines tax. Excluding reinsurance and insurance on extra-state risks (which are excluded from taxation for admitted insurers), surplus line brokers reported $11.3 million in premiums exempted from premium taxes due in FY 2025. The tax on these premiums would have been $337,800 if they were taxed at the 3% rate at which non-exempt surplus lines premiums are taxed. Under some circumstances, surplus lines brokers may not be required to report tax-exempt premiums; therefore, the total impact is not known.

*A.R.S. § 20-224(B):* Insurers are required to pay a 2.2% tax on fire insurance premiums "... except that the tax on fire insurance premiums on property located in [qualified locations including] incorporated cities or towns that procure the services of private fire companies...." is 0.66%.

The State Treasurer apportions 85% of fire insurance premium taxes to fire districts and municipalities for the retirement plans of firefighters [A.R.S. §§ 20-224(C), 9-951, 9-952, 9-972]. The remaining 15% of fire insurance premium taxes are deposited into the General Fund (A.R.S. § 20-227). In calendar year 2024, insurers wrote $4.7 million of taxable fire insurance premium for risks in *qualified* locations resulting in $30,700 in insurance premium tax paid during FY 2025 for those risks. If risks in qualified locations were subject to the 2.2% tax rate applied to other fire insurance premiums, insurers would have paid $102,400 in FY 2025, a difference of $72,000. The effect of the tax rate difference may be mitigated by the retaliation calculation required by A.R.S. § 20-230, described later. During 2018, Arizona enacted legislation requiring agency captive insurers that transact employer group term life insurance, employer group disability income insurance or reimbursement of employer health plan deductibles to pay insurance premium tax for policies for which the tax liability exceeds the license fee or renewal fee the insurer paid during the year [Chapter 273 (SB 1101, Laws 2018)]. Tax revenue was not affected during FY 2025. All other states that license captive insurers impose an insurance premium tax. The Director of Insurance has discretion over the license fees and renewal fees imposed upon captive insurers, and those fees are higher than the fees for other types of insurers licensed in Arizona and the fees captive insurers pay in some other states. Other states tax captive insurer premiums at lower tax rates than other types of insurer premiums, but tax nationwide premiums (rather than just intra-state premiums). The other states tax insurance and reinsurance (rather than only insurance). Vermont was one of the first states to license captive insurers and it has the most captive insurers licensed of any state. In total, Arizona captive insurers reported $117.2 million in premiums exempted from calendar year 2024 premium tax. If Arizona applied Vermont's captive insurance tax structure, Arizona would have collected $6.6 million. During FY 2025, the department collected $1.1 million in license renewal fees from captive insurers. If Arizona adopted Vermont's tax and fee structure in place of the current $5,500 Arizona captive insurer renewal fee, Arizona would have collected an additional $5.5 million.

*A.R.S. §§ 20-674(b), 20-692(b):* Insurers subject to Guaranty Fund assessments may offset their premium tax liabilities "in the amount of 20% of the assessment for the year of assessment and 20% of the assessment in each of the succeeding four years." During calendar year 2024, the Arizona Life and Disability Insurance Guaranty Fund levied assessments on insurers totaling $7.5 million for the Disability Account. No assessment was levied for the Administrative Account. Insurers offset their calendar year 2024 tax liabilities by a total of $7.3 million.

*A.R.S. § 20-837:* The premium tax for non-profit hospital, medical, dental and optometric service corporations does not apply to any coverage concerning which the corporation's relationship is as administrative or fiscal agent for national, state or municipal government or any political subdivision body thereof and such tax shall not apply with respect to any premiums received from funds of national, state or municipal government or any political subdivision or body thereof. The total of exempted net premiums in calendar year 2024 was $681.0 million and if the State were able to apply the 2% tax rate, the state would have collected $13.6 million in additional premium taxes in FY 2025.

*A.R.S. § 20-883:* Fraternal benefit societies qualified under A.R.S. § 20-893 are exempted from insurance premium taxes (and from other state, county, district, municipal and school taxes). Fraternal benefit society premiums exempted from tax totaled $209.0 million for calendar year 2024. Had these premiums been subject to a 1.70% tax rate, the state would have collected $3.6 million more in FY 2025.

*42 U.S.C. § 1395w-24(g):* "The Medicare Prescription Drug Improvement and Modernization Act of 2003" prohibits states from taxing Medicare Advantage premiums. In calendar year 2024, insurers reported a total of $9.0 billion subject to this preemption. If those premiums were subject to the Arizona 2% tax rate, the state would have collected $180.0 million in FY 2025.

*5 U.S.C. §§ 8714 and 8909(f):* Life and health insurance premiums paid by the Federal Employee Health Benefits Fund are exempt from taxation by the states. In calendar year 2024, the FEHB Fund paid $990 million to provide life and health coverage for Federal employees in Arizona. If Arizona were able to tax those premiums at a 2% rate, the state would have collected $19.8 million in FY 2025.

*7 U.S.C. § 1511:* Premiums for farm owners' multi-peril coverage reinsured by the Federal Crop Insurance Corporation are exempt from state insurance premium taxation. In calendar year 2024, insurers collected $186 million in premiums reinsured by the FCIC which, if taxed at a 1.70% rate, would have resulted in an additional $3.2 million being collected in FY 2025.

*A.R.S. § 20-2304(J):* Small group health insurance policies written by accountable health plans from insurance premium tax are exempt. During calendar year 2024, insurers received $937.5 million in premiums for health benefits plans issued to small employers by accountable health plans. Had the 2% tax rate applied, an additional $18.8 million would have been deposited to the General Fund in FY 2025.

## SUMMARY OF INSURANCE PREMIUM TAX EXPENDITURES
## FISCAL YEAR 2025

**SUBTRACTIONS FROM TOTAL PREMIUM INCOME:**

| | |
|---|---|
| Applicable cancellations | NIA[40] |
| Returned premiums | NIA |
| Reduction or refund for direct payment of industrial life insurance | NIA |
| Policy dividends | NIA |
| Refunds | NIA |
| Savings coupons | NIA |
| Other similar returns paid or credited to policyholders not reapplied as premiums | NIA |
| Considerations received on annuity contracts (excludes tax expenditures relating to considerations received by fraternal benefit societies) | $240,166,687 |
| Unabsorbed portion of any premium debt | NIA |
| **TOTAL VALUE OF SUBTRACTIONS** | **$240,166,687** |

**AVAILABLE TAX CREDITS:**

| | |
|---|---|
| Insurance guaranty fund assessment tax credit | $7,270,862 |
| Qualified jobs tax credit | 90,000 |
| School tuition organization contributions credits | 48,297,761 |
| Health insurance certificates for qualified persons | $1,014,204 |

[40] No Information Available.

| | |
|---|---|
| **TOTAL VALUE OF CREDITS** | **$56,672,827** |

**DECREASING TAX RATES**

| | |
|---|---|
| Tax rate reduction applicable to life and non-fire property and casualty premiums (starts in FY 2017) | $8,568,231 |

**EXEMPTIONS FOR SURPLUS LINE INSURANCE:**

| | |
|---|---|
| Ocean marine and foreign trade insurance | NIA[41] |
| Insurance on property or operations of railroads engaged in interstate commerce | NIA |
| Insurance on federally recognized Native American governments | NIA |
| Insurance on the State of Arizona | NIA |
| Insurance premiums exempt from taxation | $337,803 |
| Fees charged by insurance producers in connection with transactions | NIA |
| **TOTAL EXEMPTIONS FOR SURPLUS LINES INSURANCE** | **$337,803** |

**PREFERENTIAL RATE ON QUALIFIED FIRE INSURANCE:**

| | |
|---|---|
| Preferential rate | $71,670 |

**ABSENCE OF CAPTIVE INSURANCE PREMIUM TAX**

| | |
|---|---|
| Absence of tax | $5,525,919 |

**GOVERNMENT PROGRAM EXEMPTIONS:**

| | |
|---|---|
| Hospital, medical, dental and optometric service corporation premiums paid by federal, state and municipal governments | $13,616,946 |
| Medicare Advantage Plan premiums | 180,015,803 |
| Life and health insurance premiums paid by the Federal Employee Health Benefits Fund | 19,796,757 |
| Premiums for coverage reinsured by the Federal Crop Insurance Corporation | 3,152,926 |
| Accountable health plan group health insurance to small employers | 18,749,333 |
| Exempt fraternal benefit societies – annuities | 2,347,882 |
| Exempt fraternal benefit societies – other than annuities | 1,204,706 |
| **TOTAL VALUE OF GOVERNMENT PROGRAM EXEMPTIONS** | **$238,886,353** |

**TOTAL QUANTIFIABLE INSURANCE PREMIUM TAX EXPENDITURES[42] $551,460,801**

[41] No Information Available.

[42] This amount represents foregone revenue to the state general fund.

## JET FUEL EXCISE AND USE TAX EXPENDITURES – FISCAL YEAR 2025

**TAX COLLECTED BY:** Arizona Department of Revenue
**FISCAL YEAR 2025 TOTAL STATE REVENUE COLLECTED**: $5,404,253[43]
**TOTAL FY 2025 TAX EXPENDITURE:** $17,621,729
**TAX EXPENDITURE AS A PERCENT OF TOTAL REVENUE:** NA

Arizona imposes a tax of 3.05¢ per gallon on the first 10 million gallons of jet fuel sold. Jet fuel is defined as being expressly manufactured and blended for operating jet or turbine powered aircraft. The jet fuel use tax rate is also a 3.05¢ per gallon and is levied on the first 10 million gallons of jet fuel stored, used or consumed. The use tax applies to purchasers who originally purchased jet fuel for resale but instead used or consumed the jet fuel and on which excise tax has not been paid. The excise tax does not apply to the sale or use of jet fuel that has already been taxed by another state unless the tax imposed by another state is less than Arizona's tax rate. The difference between Arizona's rate and the rate of the other state is what will be levied and collected.

**PREFERENTIAL JET FUEL TAX RATES**

Amounts of jet fuel sold over 10 million gallons are not subject to the excise or use tax. Fiscal year 1994 was the last year that amounts over 10 million gallons were taxed. In that year, 179.4 million gallons were taxed at the over 10 million-gallon tax rate of 1.05¢ per gallon. By looking at deduction code 780, an additional $17.6 million could have been generated in FY 2025 if sales of jet fuel over 10 million gallons were taxed at 3.05¢ per gallon.

**JET FUEL TAX EXEMPTIONS**

*A.R.S. § 42-5354:* Jet fuel sold to commercial airlines and used on flights that originate in Arizona and whose first outbound destination is outside of the United States is exempt from the jet fuel excise tax. Information is not available on this tax exemption.

[43] Source: Department of Revenue Annual Report, FY 2025

## SUMMARY OF JET FUEL EXCISE AND USE TAX EXPENDITURES
## FISCAL YEAR 2025

**PREFERENTIAL TAX RATES:**

| | |
|---|---|
| Jet fuel over 10 million gallons | $17,621,729 |

**JET FUEL EXEMPTIONS:**

| | |
|---|---|
| International flights which originated within the state | NIA[44] |

**TOTAL QUANTIFIABLE JET FUEL EXCISE AND USE TAX EXPENDITURES[45] $17,621,729**

[44] No Information Available.

[45] This amount represents foregone revenue to the state general fund, counties and incorporated cities and towns.

## LUXURY TAX EXPENDITURES – FISCAL YEAR 2025

**TAX COLLECTED BY:** Arizona Department of Revenue
**FISCAL YEAR 2025 TOTAL STATE REVENUE COLLECTED**: $315,628,251[46]
**TOTAL FY 2025 TAX EXPENDITURE:** $8,472,046
**TAX EXPENDITURE AS A PERCENT OF TOTAL REVENUE:** 3%

Luxury tax collected by the Arizona Department of Revenue totaled $316 million for FY 2025. Luxury tax revenues go to the state general fund, the Tobacco Tax and Health Care Fund, the Tobacco Products Tax Fund, the Drug Treatment and Education Fund, the Department of Corrections, Smoke Free AZ, and the Early Childhood Development and Health Fund.

**ALCOHOL TAXED AT A PREFERENTIAL RATE**

Current Arizona law (A.R.S. §42-3052) provides for liquor to be taxed at four different rates: (1) spirituous liquor at the rate of $3.00 per gallon; (2) on each container of vinous liquor, except cider, of which the alcoholic content is not greater than 24% by volume, at the rate of $0.84 per gallon (3) on each container of vinous liquor of which the alcoholic content is greater than 24% by volume containing eight ounces or less, $0.25; and (4) on each gallon of malt liquor or cider, $0.16. This is a preferential rate structure because different tax rates are imposed on similar taxpayers based on criteria set in statute.

The impact of taxing all alcohol at the same rate is possible but unrealistic. If a uniform rate were imposed, it is probable that the uniform rate would be an effective tax rate among all types of alcohol. Given that legislative action cannot be predicted, we will point out the preferential tax rate structure in law, but will not attempt to attach a revenue impact.

**EXEMPTIONS FOR TOBACCO PRODUCTS**

Several exemptions from luxury tax on tobacco products are allowed.

*A.R.S. § 42-3008(A):* If proof is provided that cigarettes for which the stamps were purchased were exported from the state, luxury tax may be refunded. No information is available on the value of this exemption.

*A.R.S. § 42-3052.06:* Tobacco powder or tobacco products used exclusively for agricultural or horticultural purposes and unfit for human consumption are exempt from taxation. Since this is exempt from taxation, the Arizona Department of Revenue does not require this figure to be reported. Therefore, no tax value of this tax expenditure is available.

*A.R.S. §42-3458:* Discounts on cigarette stamps are allowed. The luxury tax on cigarettes is in the form of a stamp affixed to the cigarette package, which is obtained from the Department of Revenue at a rate of 96.48% of face value of stamp. If all stamps were purchased at face value, revenue would have increased by $8.5 million in FY 2025.

*A.R.S. §§ 42-3460(A) and 42-3008(A)(2):* A distributor may return unused tobacco product stamps for a refund. Luxury tax is also refunded if the cigarettes become unfit for sale due to breakage or spoilage.

[46] Source: Department of Revenue Annual Report, FY 2025

Most often, staleness is the reason for refund. If the state considered this to be a hazard of doing business and disallowed such refunds, an additional $361,543 in FY 2025 luxury revenues would have resulted.

**EXEMPTIONS FOR LIQUOR**

*A.R.S. §§ 42-3001.10(A), 3001.13 and 3001.14(C):* Liquids containing less than 1/2% alcohol by volume are exempt from luxury tax. Since reporting is not required by this group of taxpayers, there is no available information on potential luxury tax collections.

*A.R.S. §§ 42-3001.10(B), 3001.13 and 3001.14(C):* Taxable liquors do not include medicines that are unsuitable for beverage purposes. No information is available on medicine, which includes liquor and is unsuitable for beverage purposes.

*A.R.S. §42-3008(A):* Luxury tax is refunded if (1) proof is provided that the liquor for which the stamps were purchased was exported from the state and (2) if the liquor becomes unfit for sale due to breakage or spoilage. No information is available on liquor for which stamps were purchased and were then exported from the state. Liquor unfit for sale due to breakage or spoilage includes beer or wine which has exceeded its shelf life of three to six months and containers damaged in such a way that the product's quality is uncertain. No information is available on destruction under this provision for FY 2025.

## SUMMARY OF LUXURY TAX EXPENDITURES – FISCAL YEAR 2025

**PREFERENTIAL TAX RATES:**

| | |
|---|---|
| Preferential rates on alcohol | NIA[47] |

**TOBACCO PRODUCT EXEMPTIONS AND REFUNDS:**

| | |
|---|---|
| Tobacco powder or products used exclusively for agricultural or horticultural purposes and unfit for human consumption | NIA |
| Discounts | 8,110,503 |
| Breakage or spoilage | $361,543 |
| Exported from state after cigarette stamps purchased | NIA |
| **TOTAL VALUE OF TOBACCO PRODUCT EXEMPTIONS AND REFUNDS** | **$8,472,046** |

**LIQUOR EXEMPTIONS AND REFUNDS:**

| | |
|---|---|
| Liquids containing less than ½% alcohol by volume | NIA |
| Liquor contained in medicines, unsuitable for beverage purposes | NIA |
| Liquor exported from the state after stamps were purchased. | NIA |
| Breakage or spoilage refunds | NIA |
| **TOTAL VALUE OF LIQUOR PRODUCT EXEMPTIONS AND REFUNDS** | **NIA** |

**TOTAL QUANTIFIABLE LUXURY TAX EXPENDITURES[48]** **$8,472,046**

[47] No Information Available.

[48] This amount represents foregone revenue to the state general fund, various Department of Corrections funds, the Tobacco Tax and Health Care Fund, the Tobacco Products Tax Fund, the Drug Treatment and Education Fund, Smoke Free AZ and the Early Childhood Development and Health Fund.

## MOTOR CARRIER FEE TAX EXPENDITURES[49] – FISCAL YEAR 2025

**TAX COLLECTED BY:** Arizona Department of Transportation
**FISCAL YEAR 2025 TOTAL STATE REVENUE COLLECTED**: $57,826,773[50]
**TOTAL FY 2025 TAX EXPENDITURE:** NIA
**TAX EXPENDITURE AS A PERCENT OF TOTAL REVENUE:** NIA

Motor carriers are responsible for the following fees: motor carrier fee, commercial registration fee, gross weight fee, highway use fee, title fee, and registration fee. Receipts from these fees go into the Highway User Revenue Fund and are distributed to the Department of Public Safety, Economic Strength Fund, state highway fund, counties, and incorporated cities and towns. The basic motor carrier fee is set at amounts ranging from $64 to $800. The fees are flat amounts based on gross vehicle weight. The vehicle weight for this schedule ranges from 12,001 pounds to 80,000 pounds. During FY 2025, the value of this expenditure is currently unavailable.

**PREFERENTIAL VEHICLE FEE RATES**

*A.R.S. § 28-5492(A):* Beginning on January 1, 1998, in addition to the registration and gross weight fees required by this title, an annual light motor vehicle fee of $64 is imposed on each light motor vehicle. The value of this expenditure is currently unavailable.

*A.R.S. § 28-5855(A:)* A reduced motor carrier fee that is 7/10th of the full rate for a motor vehicle if the motor carrier has prequalified for the reduced motor carrier fee with the department before registration of each motor vehicle by applying for the reduced fee status. 45% or more of the mileage during the registration year is traveled without a load or with any of the following (a) Equipment that makes a motor vehicle ready for the road (b) Restraining equipment that makes the load safe (c) Equipment normally carried with the motor vehicle and used for the loading or unloading of the motor vehicle (d) Empty containers, empty returnable containers and empty boxes that are being returned to the point of shipment or (e) Goods or commodities that are being returned to the point of shipment as a result of spoilage, damage, misfills, consignee rejection or consignee return. The value of this expenditure is unavailable.

*A.R.S. § 28-5856(A):* A reduced motor carrier fee that is 7/10th of the full rate for a motor vehicle that weighs more than 26,000 pounds if all the following apply (1) the motor carrier has done both of the following: (a) applied to the department for reduced fee status and (b) given the information required by the director to determine the eligibility of the fleet to be classified under this section. (2) the vehicle begins and ends a qualifying trip at the same point without having added to its load any items other than those listed in section 28-5855, subsection A, Paragraph 2 and (3) at the midway point in a qualifying trip, the load is less than 45% of the full load capacity of the vehicle. The value of this expenditure is unavailable.

*A.R.S. § 28-5857(A):* A reduced motor carrier fee that is 7/10th of the full rate for a motor vehicle that is used only for transporting agricultural products if the motor carrier has done both of the following (1) applied to the department for reduced fee status and (2) given the information required by the director

[49] Figures presented for Motor Carrier Fee Tax Expenditures were provided by the Arizona Department of Transportation.
[50] Source: ADOT's FMS Financial Planning Cash Management team.

to determine the eligibility of the vehicle to be classified under this section. Agricultural products mean crops, livestock, machinery or supplies used or produced in farming operations, or products, crops or livestock in their unmanufactured or unprocessed states. The value of this expenditure is unavailable.

**EXEMPT VEHICLES**

*A.R.S. § 28-5432(C):* The following motor vehicles are exempt from the Commercial Registration Fee as a result of the weight fee exemption established for certain circumstances: (1) Religious vehicles operated by non-profit religious institutions and used exclusively for the transportation of property produced and distributed for charitable purposes; (2) Non-profit school vehicles if used exclusively for transportation of pupils in connection with school curriculum, training of pupils or transportation of property for charitable purposes without compensation; (3) Non-profit organization vehicles which can present a form approved by the director of the division of emergency management; (4) Vehicles owned and operated by a foreign government, a consul or any other official representative of a foreign government, by the United States, by a state or political subdivision of a state or by an Indian tribal government; (5) A motor vehicle that is privately owned and operated exclusively as a school bus pursuant to a contract with a school district. No information is available on the impact of these exemptions.

*A.R.S. § 28-5853:* The following vehicles are exempt from the motor carrier fee: (1) a school bus, (2) a motor vehicle used in the production of (a) motion pictures, including films to be shown in theaters and on television, (b) industrial, training and educational films, (c) commercials for television, (d) video discs, and (e) videotapes. No information is available on the impact of these exemptions.

**GROSS WEIGHT FEE**

The gross weight fee is set at amounts ranging from $7.50 to $918, dependent upon vehicle weight. The vehicle weight for this schedule ranges from up to 8,000 pounds to 80,000 pounds. Vehicles in excess of 80,000 pounds are subject to special permits. Total gross weight fee collections for Arizona-based vehicles during FY 2025 were $44,039,747.

A $4 commercial registration fee is added to the gross weight fee for each registered vehicle. Commercial registration fees collected for Arizona-based vehicles during FY 2025 are not available.

*A.R.S. § 28-5432:* If a privately owned school bus is temporarily operated for purposes other than providing transportation of children to and from school, the owner must pay 1/10th of the annual gross weight fee. The value of this expenditure is currently unavailable**.**

*A.R.S. § 28-5432(C):* The following motor vehicles, trailers and semi-trailers are exempt from the gross weight fee: (1) Motor vehicles, trailers or semi-trailers owned and operated by non-profit religious institutions and used exclusively for the transportation of property produced and distributed for charitable purposes; (2) Motor vehicles, trailers or semi-trailers owned and operated by non-profit schools that are recognized as being tax exempt by the federal or state government if used exclusively for transportation of pupils in connection with school curriculum, training of pupils or transportation of property for charitable purposes without compensation; (3) Motor vehicles, trailers and semi-trailers owned by a non-profit organization that can present a form approved by the director of the division of emergency management; (4) A vehicle owned and operated by a foreign government, a consul or any

other official representative of a foreign government, by the United States, by a state or political subdivision of a state or by an Indian tribal government; (5) A motor vehicle that is privately owned and operated exclusively as a school bus pursuant to a contract with a school district. No information is available on the impact of these exemptions.

*A.R.S. § 28-5436:* If a motor vehicle is used for seasonal agricultural work, the annual fee will be reduced by 1/12th for each month the vehicle is not in use. The reduced fee is for a period of at least 90 days but less than a full year. The value of this expenditure is currently unavailable.

**HIGHWAY USE FEES**

The highway use fee is set at amounts ranging from $50 to $2,217, depending upon vehicle weight and age. Vehicle weight for this schedule ranges from 0 to 80,000 pounds. Highway use fees collected for Arizona-based vehicles totaled $5,590,729 during FY 2025. Vehicles in excess of 80,000 pounds are subject to special permits.

*A.R.S. § 28-5471:* If the model year of the vehicle is 1978 or older, the use fee schedule is lower, ranging from $50 to $1,095. The value of this expenditure is unknown.

*A.R.S. § 28-5473(D):* A farm vehicle that is issued a farm vehicle license plate is exempt from highway use fees. No information is available on this tax exemption.

**FOREIGN BASED CARRIERS**

Due to reporting practices, the Department of Transportation is unable to split out foreign based motor carrier fee collections. The values of these expenditures are unavailable.

## SUMMARY OF MOTOR CARRIER FEE TAX EXPENDITURES – FISCAL YEAR 2025

**MOTOR CARRIER PREFERENTIAL FEES:**

| | |
|---|---|
| Same motor carrier fees for all Arizona-based vehicles | NIA[51] |
| Reduced motor carrier fee for lighter loads | NIA |
| Reduced motor carrier fee for trips starting and ending at the same point with a lighter load midway | NIA |
| Reduced motor carrier fee for agricultural loads | NIA |
| Commercial Registration Fee | NIA |
| **TOTAL VALUE OF MOTOR CARRIER PREFERENTIAL FEES** | **NIA** |

**GROSS WEIGHT PREFERENTIAL FEES:**

| | |
|---|---|
| Same gross weight fees for all Arizona-based vehicles | NIA |
| Reduced gross weight fee for seasonal agricultural vehicles | NIA |
| Reduced gross weight fee for privately owned school buses | NIA |
| **TOTAL VALUE OF GROSS WEIGHT PREFERENTIAL FEES** | **NIA** |

[51] No Information Available.

**HIGHWAY USE PREFERENTIAL FEES:**

| | |
|---|---|
| Same use fees for all Arizona-based vehicles | **NIA** |

**VEHICLE FEE EXEMPTIONS:**

| | |
|---|---|
| Motor carriers owned by religious institutions and used for charitable purposes | NIA |
| Motor carriers owned by nonprofit schools | NIA |
| Motor carriers owned by non-profit organizations with a division of emergency maintenance form | NIA[52] |
| Motor carriers owned by governments | NIA |
| Farm vehicles | NIA |
| **TOTAL VALUE OF VEHICLE FEE EXEMPTIONS** | **NIA** |

**FOREIGN BASED CARRIERS:**

| | |
|---|---|
| Same fees for all Arizona-based vehicles | **NIA** |

**TOTAL QUANTIFIABLE MOTOR CARRIER FEE EXPENDITURES[53]** **NIA**

[52] No Information Available.

[53] This amount represents foregone revenue to the state highway fund, counties and incorporated cities and towns.

## MOTOR VEHICLE FUEL TAX EXPENDITURES[54] – FISCAL YEAR 2025

**TAX COLLECTED BY:** Arizona Department of Transportation
**FISCAL YEAR 2025 TOTAL STATE REVENUE COLLECTED**: $558,617,766[55]
**TOTAL FY 2025 TAX EXPENDITURE:** $24,257,851
**TAX EXPENDITURE AS A PERCENT OF TOTAL REVENUE:** 4%

There is a tax of 18¢ per gallon on each gallon of motor vehicle fuel possessed, used, or consumed in Arizona. During FY 2025, motor vehicle fuel tax collected from licensed suppliers was $559 million. The proceeds of this tax go into the Highway User Revenue Fund, the off-highway vehicle recreation fund, and the State Lake Improvement Fund. The Highway User Revenue Fund revenues are distributed to the Department of Public Safety, Economic Strength Fund, State Highway Fund, Counties, and Incorporate Cities and Towns.

**EXEMPTIONS FROM THE MOTOR VEHICLE FUEL TAX**
In order to qualify for an exemption, the taxpayer must file for a refund.

*A.R.S. § 28-5610(A)(1) and (2):* The following are exempt from motor vehicle fuel and use fuel taxes imposed by section 28-5606 and aviation fuel taxes imposed by section 28-8344: (1) Motor fuel for which proof of export is available in the form of a terminal-issued destination state shipping paper or bill of lading and that is either: (a) Exported by a supplier who is licensed in the destination state. (b) Sold by a supplier to a distributor for immediate export. (2) Motor fuel that was acquired by a distributor, as to which the tax imposed by this article or section 28-8344 has previously been paid or accrued and that was subsequently exported by transport truck by or on behalf of the distributor in a diversion across state boundaries properly reported to the department. If diverted by a distributor, the distributor shall perfect the exemption by filing a refund application with the department within six months after the diversion. Requests for refunds against import liability in the amount of $21.9 million were received in FY2025.
*A.R.S. § 28-5610(A)(3):* Motor vehicle fuel that is sold within an Indian reservation to an enrolled member of the Indian tribe who is living on the Indian reservation established for the benefit of that Indian tribe and that is used by the enrolled member for the enrolled member's own benefit. This exemption does not apply to sales within an Indian reservation by an Indian or Indian tribe to non-Indian consumers or to Indian consumers who are not members of the Indian tribe for which the Indian reservation was established or to use fuel used to operate motor vehicles for a commercial purpose outside of the reservation on highways in this state. For the purposes of this paragraph, "Indian" means an individual who is registered on the tribal rolls of the Indian tribe for whose benefit the Indian reservation was created. The total amount refunded for this provision during FY 2025 was $966,877.
*A.R.S. § 28-5610(A)(4):* Motor vehicle fuel or use fuel used solely and exclusively as fuel to operate a motor vehicle on highways in this state if the motor vehicle is leased to or owned by and is being operated for

[54] All information presented for Motor Vehicle Fuel Tax Expenditures was provided by the Arizona Department of Transportation.
[55] Source: ADOT's FMS Financial Planning Cash Management team.

the sole benefit of an Indian tribe for governmental purposes only. No information is available on this tax expenditure.

*A.R.S. § 28-5610(A)(5):* Motor fuel moving in interstate or foreign commerce and that is not destined or diverted to a point in this state. No information is available on this tax expenditure.

*A.R.S. § 28-5610(A)(6):* Motor vehicle or aviation fuel that is sold to the United States or an instrumentality or agency of the United States. During FY 2025 there was $1,326,819 in refunds for this exemption.

*A.R.S. § 28-5611(A*): Except as provided in subsection B of this section, on application to the director pursuant to this article and if section 28-5612 is complied with, a person who buys and uses motor vehicle fuel shall receive a refund in the amount of the tax if the person pays the tax on the fuel and either: (1) Uses the fuel other than in any of the following: (a) A motor vehicle on a highway in this state. (b) Watercraft on the waterways of this state. (c) A motor vehicle operating on a transportation facility or toll road pursuant to chapter 22 of this title. In FY 2025, $31,965 in motor vehicle fuel tax was refunded based on this exemption.

*A.R.S. § 28-5611(A)(3)*: Except as provided in subsection B of this section, on application to the director pursuant to this article and if section 28-5612 is complied with, a person who buys and uses motor vehicle fuel shall receive a refund in the amount of the tax if the person pays the tax on the fuel and loses the fuel by fire, theft or other accident. In FY 2025, $277 in motor vehicle fuel tax was refunded based on this exemption.

## SUMMARY OF MOTOR VEHICLE FUEL TAX EXPENDITURES
## FISCAL YEAR 2025

**MOTOR VEHICLE FUEL TAX EXEMPTIONS:**

| | |
|---|---|
| Motor vehicle fuel purchased for export | $21,931,913 |
| Motor vehicle fuel sold to Native Americans on reservations | 966,877 |
| Motor vehicle fuel for motor vehicles leased to or owned by and operated for the sole benefit of a Native American tribe for governmental purposes | NIA[56] |
| Motor vehicle fuel lost due to fire, theft or other accident | 277 |
| Motor vehicle fuel moving in interstate or foreign commerce | NIA |
| Motor vehicle fuel sold to the United States or an instrumentality or agency of the United State | 1,326,819 |
| Motor vehicle fuel used other than in motor vehicles, watercraft and motor vehicles operating on a transportation facility or toll road | 31,965 |
| **TOTAL VALUE OF MOTOR VEHICLE FUEL TAX EXPENDITURES** | **$24,257,851** |

**TOTAL QUANTIFIABLE MOTOR VEHICLE FUEL TAX EXPENDITURES[57] $24,257,851**

[56] No Information Available.

[57] This amount represents foregone revenue to the state highway fund, the off-highway vehicle recreation fund, the state lake improvement fund, counties and incorporated cities and towns.

## PARI-MUTUEL TAX EXPENDITURES[58] – FISCAL YEAR 2025

**TAX COLLECTED BY:** Arizona Department of Gaming
**FISCAL YEAR 2025 TOTAL STATE REVENUE COLLECTED**: $137,749[59]
**TOTAL FY 2025 TAX EXPENDITURE:** $3,178,117
**TAX EXPENDITURE AS A PERCENT OF TOTAL REVENUE:** NA

**HORSE OR HARNESS RACING PREFERENTIAL RATES**

*A.R.S. § 5-111(C):* For horse or harness races, the state receives 2% of the gross amount of the first $1 million wagered on live races in pari-mutuel pools and 5% of the gross amount exceeding $1 million. If the state received 5% of all dollars wagered in horse or harness live races, the state would have received an additional $215,670 in FY 2025.

**PARI-MUTUEL TAX EXEMPTIONS**

*A.R.S. § 5-111(C):* Monies handled in a pari-mutuel pool for wagering on simulcasts of out-of-state horse or harness races are exempt from tax. The state share of the pari-mutuel tax was reduced by $2.9 million in FY 2025 due to this exemption.

*A.R.S. § 5-111(D):* Any county fair racing association may have one race meeting each year. All such racing meetings are exempt from the state tax on horse or harness live racing. No county fair racing meetings were held during FY 2025.

*A.R.S. § 5-111(E):* Moneys from charity racing days are exempt from state tax. Taxation of these events would have raised an additional $6,031 in pari-mutuel revenues during FY 2025.

*A.R.S. § 5-111.02(A):* The percentage paid to the state for greyhound racing and for horse or harness racing shall be reduced by 1% of the total amount wagered in counties with a population of 500,000 or more and by 2% in all other counties for those permittee's who make capital improvements to existing race tracks. There were no operational tracks that used the capital improvements tax credit in FY 2025.

*A.R.S. § 5-111(I):* The percentage decrease in pari-mutuel wagering between the base year and the previous fiscal year determines a permittee's eligibility for a hardship tax credit. The state share of the pari-mutuel tax for greyhound racing and for horse or harness racing was reduced by the amount equal to the amount of the hardship tax credit. The state share of the pari-mutuel tax was not affected in FY 2025 as there were no live race meets that used the hardship tax credit.

Law 2016, Chapter 247: This bill eliminates A.R.S § 5-111(I), the hardship tax credit. Credits awarded prior to Chapter 247 allows permittees to reduce pari-mutuel taxes after the effective date of this act. No hardship tax credit was taken in FY 2025.

[58] All information presented for Pari-Mutuel Tax Expenditures was provided by the Arizona Department of Gaming, Racing Division.
[59] Source: 2025 Tax Handbook, Joint Legislative Budget Committee

## SUMMARY OF PARI-MUTUEL TAX EXPENDITURES – FISCAL YEAR 2025

**HORSE OR HARNESS RACING PREFERENTIAL TAX RATES:**

| | |
|---|---|
| Preferential rates on horse or harness racing | $215,670 |

**PARI-MUTUEL TAX EXEMPTIONS:**

| | |
|---|---|
| Reduction in pari-mutuel tax on simulcast out-of-state races | $2,956,416 |
| County fair racing association meetings | 0 |
| Charity racing days | 6,031 |
| Reduction in pari-mutuel tax for capital improvements to race tracks | 0 |
| Reduction in pari-mutuel tax for hardship tax credit | 0 |
| **TOTAL VALUE OF PARI-MUTUEL TAX EXEMPTIONS** | **$2,962,447** |

**TOTAL QUANTIFIABLE PARI-MUTUEL TAX EXPENDITURES[60] $3,178,117**

[60] These expenditures represent foregone revenues to the Racing Regulation Fund.

## PRIVATE CAR PROPERTY TAX EXPENDITURES – FISCAL YEAR 2025

**TAX COLLECTED BY:** Arizona Department of Revenue
**FISCAL YEAR 2025 TOTAL STATE REVENUE COLLECTED**: ($2,212,699) [61]
**TOTAL FY 2025 TAX EXPENDITURE:** $352,974
**TAX EXPENDITURE AS A PERCENT OF TOTAL REVENUE:** NA

Businesses which operate furnish or lease railroad cars to be used for transporting or accommodating persons or freight over railroad lines not owned, leased or operated by the business are subject to a private car property tax in Arizona. The taxable value, or net assessed value, of the private car property is determined by multiplying the full cash value of the property by an assessment ratio. The tax rate that is applied to the net assessed value is equal to the average primary and secondary property tax rates in the taxing districts of the state, which was $10.68 in 2024.

*A.R.S. § 42-14308:* Arizona statutes set out the assessment ratios to be used in determining the net assessed values of the various classes of property. These assessment ratios range from 16.5% to 5%. For private car property, the assessment ratio is equal to the ratio which the total net assessed valuation of all taxable property in class 1, class 6 paragraph 3 and personal property in class 2 bears to the total full cash value of such property. For tax year 2024, the assessment ratio used for private car property was 14%. This is considered to be a preferential assessment ratio because it is an average of the assessment ratios in several other classes of property. If private car property had an assessment ratio equal to the highest assessment ratio imposed, 16.5%, tax collections would have increased by $352,974.

## SUMMARY OF PRIVATE CAR PROPERTY TAX EXPENDITURES
## FISCAL YEAR 2025

**PREFERENTIAL ASSESSMENT RATIO:**

| | |
|---|---|
| Preferential assessment ratio for private cars at 16.5% | $352,974 |

**TOTAL QUANTIFIABLE PRIVATE CAR PROPERTY TAX EXPENDITURES[62] $352,974**

[61] Source: Department of Revenue, FY 2025, Tax Year 2024 records
[62] This amount represents forgone revenue to the state general fund.

## PROPERTY TAX EXPENDITURES – FISCAL YEAR 2025

**TAX COLLECTED BY:** County Treasurers' Offices
**FISCAL YEAR 2025 TOTAL STATE REVENUE COLLECTED**: $0[63]
**TOTAL FY 2025 TAX EXPENDITURE:** $531,432,183
**TAX EXPENDITURE AS A PERCENT OF TOTAL REVENUE:** NA

The property tax system in Arizona has many components. These components are intertwined, making it difficult to address the impact of tax expenditures on one component in isolation. The state no longer levies a property tax per $100 of net assessed value on primary values, so state revenues are affected by exemptions from property tax in two ways.

The first method concerns the taxation of homeowner property. Frequently, if a political subdivision sees a decline in property values, the tax rate imposed by that subdivision increases so that a consistent revenue stream is provided from the property tax. The same is true if the political subdivision sees its taxable base decrease through exemptions from the property tax. Through a program called additional state aid (commonly known as homeowner's rebate), the state pays 50% of a homeowner's school district tax bill, up to $600. If a homeowner's school taxes increase due to higher tax rates, the state will be required to pay a larger amount of money. Finally, the state pays that part of a homeowner's primary tax bill that exceeds 1% of the limited property value. Higher tax rates could mean a larger state payment.

**PROPERTY TAX EXEMPTIONS**

Article IX of the Arizona Constitution exempts:

- Property owned by widows and widowers, subject to limitations.
- Property owned by disabled persons, subject to limitations.
- All federal, state, county and municipal property.
- Property of educational, charitable and religious associations or institutions not used or held for profit.
- Household goods owned by the user and used solely for noncommercial purposes.
- Stocks of raw or finished materials, unassembled parts, work in process or finished products constituting the inventory of a retailer or wholesaler located within the state and principally engaged in the resale of such materials, parts or products, whether or not for resale to the ultimate consumer.

There are also exemptions from property taxation that are listed in the Arizona Revised Statutes.

*A.R.S. § 42-11104(A):* Libraries, colleges, school buildings and other buildings used for education, with furniture, libraries and equipment, and the lands appurtenant to and used with such buildings, as long as they are used for the purpose of education and not used or held for profit.
*A.R.S. § 42-11104(B):* Property and buildings leased from a school district or a community college district pursuant to a lease or lease-purchase agreement.

[63] The State no longer levies a property tax.

*A.R.S. § 42-11104(C):* Property and buildings, including land, improvements, furniture and equipment, owned by a nonprofit organization recognized under section 501(c)(3) of the IRC and that operates as a charter school pursuant to section 15-183 or trap and shooting clubs if the property and buildings are used for educational purposes and not used or held for profit.

*A.R.S. § 42-11105(A):* Hospitals for relief of the indigent or afflicted, appurtenant land and their fixtures and equipment to such buildings, as long as they are not used or held for profit.

*A.R.S. § 42-11105(B):* Property used for operation of a health care institution which provides medical, nursing or health-related services to handicapped persons or persons 62 years of age or older and which is not used or held for profit.

*A.R.S. § 42-11105(C):* Property used for qualifying community health care centers which is not used or held for profit.

*A.R.S. § 42-11105(D):* Property owned by a healthcare provider, recognized under section 501(c)(3) of the IRC and organized as a nonprofit corporation if the property is used to provide health care services and not used or held for profit.

*A.R.S. § 42-11106(1):* Property used for the operation of a residential apartment housing facility which is not used or held for profit, is structured for handicapped persons or persons 62 years of age or older, located adjacent to a property exempted from taxation and which is owned and operated by the same persons or associations as such other adjacent property.

*A.R.S. § 42-11106(2):* Property used for the operation of a residential apartment housing facility which is not used or held for profit, which is structured for handicapped persons or persons 62 years of age or older and for which a subsidy or payment is given by federal, state or local government or by nonprofit organizations in a substantial amount in relation to the amount given or the total annual operating expenses to pay for principal, interest and operating expenses as long as that organization was not created or operating for the primary purpose of providing the subsidy or payment.

*A.R.S. § 42-11107:* Property of charitable institutions for relief of the indigent or afflicted, including the lands appurtenant to such property, with fixtures, equipment and other reasonably required property, as long as such institutions and property are not held or used for profit.

*A.R.S. § 42-11108:* Grounds and buildings owned by agricultural societies, as long as they are used for those purposes only, and not used or held for profit.

*A.R.S. § 42-11109(A):* Property or buildings used or held primarily for religious worship, including furniture and equipment, and the land and improvements appurtenant to and used with such buildings, as long as the property is not used or held for profit.

*A.R.S. § 42-11110:* Cemeteries set apart and used for interring the dead, except such portions that are used or held for profit.

*A.R.S. § 42-11111:* Property of widows, widowers and disabled persons subject to specified conditions and limitations.

*A.R.S. § 42-11112:* Observatories maintained for astronomical research and education for the public welfare, together with all property used in the work or maintenance of observatories, including property held in trust, as long as the observatories and other property are used for such purposes only and not used or held for profit.

*A.R.S. § 42-11113:* Grounds and buildings belonging to societies for the prevention of cruelty to animals and for sheltering, caring for and controlling animals, as long as the grounds and buildings are used for those purposes only and not held or used for profit.

*A.R.S. § 42-11114(A):* Property held by a charitable organization for transfer to this state or a political subdivision of this state to be used as parkland if no rent or valuable consideration is received by the charitable organization.

*A.R.S. § 42-11115:* Property held by a charitable organization to preserve and protect scientific, biological, geological, paleontological, natural or archaeological resources.

*A.R.S. § 42-11116:* Property of musical, dramatic, dance and community arts groups, botanical gardens, museums and zoos as long as the property is used for those purposes and not used or held for profit.

*A.R.S. § 42-11117:* Property belonging to a volunteer fire department if the property is used exclusively for fire suppression and prevention activities and is neither used nor occupied by or for the benefit of any person.

*A.R.S. § 42-11118(A):* Property that is owned by a volunteer nonprofit organization that is operated exclusively to promote social welfare and provide community quasi-governmental services in an unincorporated area of a county.

*A.R.S. § 42-11119:* Property that is owned by a volunteer nonprofit organization, used exclusively for the purpose of performing roadway cleanup and beautification on a gratuitous basis, not used or held for profit and not used or occupied by or for the benefit of any person.

*A.R.S. § 42-11120:* Property that is owned by a U.S. Veterans' Organization that qualifies as a charitable organization and is recognized under either section 501(C)(3) or 501(C)(19) of the IRC if the property is used predominantly for those purposes and not used or held for profit.

*A.R.S. § 42-11121:* Property that is not used or held for profit and is owned by a community service organization the mission of which is to serve a population that includes persons who are indigent or afflicted and that qualifies as a charitable organization and is recognized under 501(C)(3) of the IRC if the organization is primarily engaged in delivering services on that property consisting of fitness programs, camping programs, health and recreation services, youth programs, child care, senior citizen programs, individual and family counseling, employment and training programs, services for individuals with disabilities, meals, feeding programs or disaster relief.

*A.R.S. § 42-11122:* A commodity that is consigned for resale in a warehouse in this state in or from which the commodity is deliverable on a contract for future delivery subject to the rules of a commodity market regulated by the U.S. commodity futures trading commission.

*A.R.S. § 42-11123:* Animal and poultry feed, including salts, vitamins and other additives, for animal or poultry consumption.

*A.R.S. § 42-11124:* Possessory interest of property and improvements subject to a lease of the state or political subdivision of the state used by an association or institution for the purpose of educational or charitable activities.

*A.R.S. § 42-11125:* Stocks of raw or unfinished materials, unassembled parts, work in progress or finished products constituting the inventory of a retailer, wholesaler or manufacturer located in this state and principally engaged in reselling the materials, parts or products.

*A.R.S. § 42-11126:* Livestock and poultry as defined in section 3-1201, aquatic animals defined in section 3-2901, and colonies of bees.

*A.R.S. § 42-11127:* Commercial and agricultural personal property subject to specified conditions and limitations.

*A.R.S. § 42-11128(A and B):* Personal property moving through Arizona or consigned to a warehouse in Arizona from a point outside Arizona for storage or assembly in transit to a final destination outside this state is considered property-in-transit or futures contract property.

*A.R.S. § 42-11129:* Property that is owned by a fraternal society or organization that is devoted exclusively to religious, charitable, scientific, literary, educational or fraternal purposes and if no portion of the property is used for the sale of food or beverages to the general public or the consumption of alcoholic beverages by nonmembers or is used or held for profit.

*A.R.S. § 42-11130:* Property that is owned by an organization whose mission is to provide supplemental financial support to public libraries, that qualifies as a charitable organization and that is not used or held for profit.

*A.R.S. § 42-11131:* Property owned and operated by a federally recognized Indian tribe or its tribally designated housing authority subject to the following requirements: (1) that it is used exclusively for the charitable purpose of providing low-income rental housing and related facilities for the use of Indians; (2) that it is not used, held or operated for profit; (3) no part of the earnings of the housing authority may "inure to the benefit of any private shareholder or individual"; and (4) the housing was designed and constructed using federal financial assistance pursuant to the Native American Housing Assistance and Self-Determination Act, or using tribal monies. An Indian tribe or tribal housing authority may make voluntary contributions in lieu of property taxes to a county, city, town, school district or other political subdivision for providing services, improvements or facilities for the benefit of a low-income housing project owned and operated by the tribe or housing authority.

*A.R.S. § 42-11132(A):* Property, buildings and fixtures that are leased to a nonprofit charter school and that are used for educational instruction in any grade or program through grade twelve shall be Class Nine.

*A.R.S. § 42-11132(B):* Property, buildings and fixtures that are owned by an educational, a religious or a charitable organization, institution or association and leased to a nonprofit educational organization, institution or association if the property is used for educational instruction in any grade or program through grade 12.

*A.R.S. § 42-11132.01(B):* Property, buildings and fixtures owned by an educational, religious or charitable organization, institution or association that are leased to a nonprofit church, religious assembly or religious institution and that are primarily used for religious worship.

*A.R.S. § 42-11132.02:* Property, buildings and fixtures leased to a veteran's organization that is primarily used or held for veteran's organization operations.

*A.R.S. § 42-11133(A):* Property used exclusively for rental housing and related facilities if the property is not used or held for profit; is owned and operated by, or a wholly owned subsidiary of, a charitable fund, foundation or corporation, including a limited partnership in which the managing general partner is an eligible nonprofit corporation; the acquisition, rehabilitation, development or operation of the property, or any combination of the two is financed with tax exempt mortgage revenue bonds or general obligation bonds or is financed by local, state or federal loans or grants and the rents of the occupants do not exceed those prescribed by deed restrictions or regulatory agreements pursuant to the financing or financial assistance term; the owner of the property is eligible for and receives tax credits for low-income housing

established under §42 of the IRC; the property is used as an assisted living facility for low-income elderly residents and the facility does not exceed 200 residents.
*A.R.S. § 48-3472 (A):* Property owned or used by special taxing districts for the purpose of irrigation water delivery when used for district purposes.

**2025 ADDITIONAL STATE AID TO EDUCATION**

Pursuant to A.R.S. § 15-972, a report indicating the amount of additional State Aid to Education is prepared each year. This additional aid is the amount referred to as the "Homeowner's Rebate." (The state pays 50% of a homeowner's school district tax bill, up to $600.) The summary at the end of this section shows the Additional State Aid to Education tax roll that was billed in 2025, including additional amounts that were billed for legal class three property on the personal property tax roll.

**ADDITIONAL STATE AID TO EDUCATION**

| County | County Total |
|---|---|
| Apache | $719,620 |
| Cochise | 8,207,507 |
| Coconino | 9,549,277 |
| Gila | 3,314,914 |
| Graham | 1,815,216 |
| Greenlee | 160,504 |
| La Paz | 158,938 |
| Maricopa | 333,983,210 |
| Mohave | 15,285,823 |
| Navajo | 4,704,771 |
| Pima | 85,000,001 |
| Pinal | 32,668,232 |
| Santa Cruz | 3,000,126 |
| Yavapai | 23,059,385 |
| Yuma | 9,804,657 |
| **Total** | **$531,432,183** |

## SUMMARY OF PROPERTY TAX EXPENDITURES – TAX YEAR 2025

**ADDITIONAL STATE AID TO EDUCATION:**

| | |
|---|---|
| Additional state aid to education | $531,432,183 |

**TOTAL QUANTIFIABLE PROPERTY TAX EXPENDITURES[64]** **$531,432,183**

[64] This amount represents foregone revenue to the state general fund.

## SEVERANCE TAX EXPENDITURES – FISCAL YEAR 2025

**TAX COLLECTED BY:** Arizona Department of Revenue
**FISCAL YEAR 2025 TOTAL STATE REVENUE COLLECTED**: $19,282,987[65]
**TOTAL FY 2025 TAX EXPENDITURE:** $19,282,987
**TAX EXPENDITURE AS A PERCENT OF TOTAL REVENUE:** 100%

Persons engaged in the business of mining or timbering in Arizona are subject to a severance tax. Mining severance is taxed at the rate of 2.5% (A.R.S. § 42-5202(C)) and is levied upon the net severance base. The net severance base is defined as 50% of the difference between the gross value of production and the production costs (A.R.S. § 42-5204).

The timber severance tax was levied on the timber products derived from timbering activity (A.R.S. § 42-5202(D)) through October 31, 2006. Beginning November 1, 2006, the timber severance tax was repealed. Total mining and timbering severance tax collections in FY 2025 totaled $19.3 million.

**PREFERENTIAL SEVERANCE TAX RATES**

Until October 31, 2006, timber severance was taxed depending on the type of timber product. The tax rate for ponderosa pine timber products was $2.13 per thousand board feet and the tax rate for all species except ponderosa pine was $1.51 per thousand board feet. The tax rate for all other species except ponderosa pine is a preferential rate over the ponderosa pine rate. During FY 2025, no tax was received for timber severance.

**SEVERANCE TAX CREDITS**

*A.R.S. § 42-5017(A):* A credit is allowed against severance tax imposed for accounting and reporting expenses incurred by the taxpayer. The credit equals 1% of the amount of tax due, not to exceed $10,000 in any calendar year. In FY 2025, information about the value of the severance tax accounting credit was unavailable.

**MINING SEVERANCE TAX EXCLUSIONS**

*A.R.S. § 42-5204:* The net severance base is 50% of the difference between the gross value of production and the production costs. Both the 50% factor and the value of production costs are exclusions from severance taxation. Taxing the net severance base at 100% would have generated an additional $19.3 million in FY 2025. The tax value of the production costs is unknown.

[65] Source: Department of Revenue Annual Report, FY 2025

## SUMMARY OF SEVERANCE TAX EXPENDITURES – FISCAL YEAR 2025

**PREFERENTIAL SEVERANCE TAX RATES:**

| | |
|---|---|
| Preferential timber severance tax rate for other timber products | $0 |

**SEVERANCE TAX CREDITS:**

| | |
|---|---|
| Accounting credit | NIA[66] |

**SEVERANCE TAX CREDITS:**

| | |
|---|---|
| 50% factor | $19,282,987 |
| Production costs | NIA |
| **TOTAL VALUE OF SEVERANCE TAX EXEMPTIONS** | $19,282,987 |

**TOTAL QUANTIFIABLE SEVERANCE TAX EXPENDITURES[67] $19,282,987**

[66] No Information Available.

[67] This amount represents foregone revenue to the state general fund, counties and incorporated cities and towns.

## TRANSACTION PRIVILEGE AND USE TAX EXPENDITURES
## FISCAL YEAR 2025

**TAX COLLECTED BY:** Arizona Department of Revenue
**FISCAL YEAR 2025 TOTAL STATE REVENUE COLLECTED**: $10,556,667,502[68]
**TOTAL FY 2025 TAX EXPENDITURE:** $27,981,061,118
**TAX EXPENDITURE AS A PERCENT OF TOTAL REVENUE:** NA

Transaction privilege and use tax (TPT) gross collections in FY 2025 totaled $10.6 billion. Of that amount, $2.4 billion was distributed to the counties and cities. The remaining $8.2 billion was deposited into the state general fund.

This report provides information about some of the preferential tax rates, credits, exemptions, and deductions from transaction privilege and use tax using both data from taxpayers and outside data. In total, the quantifiable exemptions discussed in this report represent potential tax collections of $27.9 billion. Lost revenues due to preferential tax rates, e.g., those items taxed at a rate below 5%, total $797 million while credits totaled $36.9 million. The estimated value of the services portion of exemptions is $7.1 billion, while the estimated tax value of deductions is $20.1 billion.

With regard to TPT deductions, ADOR has transitioned from accepting deductions under a miscellaneous category to requiring specific deduction codes to be used for each statutory exemption. The process began in 2015 with additional validations added throughout FY 2016 and into FY 2017. As a result, taxpayer behavior has changed, providing ADOR with a more complete picture of the value of the deductions taken. Compliance has improved, reducing the value of undefined deductions, which had been significant in the past. The added validations in addition to increased scrutiny are expected to reduce the opportunities for taxpayers to take invalid deductions in the future. The impact shown is a point in time measurement. Impacts for the same period measured at a later date could produce different results.

**EDUCATION TAX**

The Education Tax is an incremental TPT tax at a rate of 0.6% that was passed in November 2000 through Proposition 301. Proposition 301 expired at the end of FY2021 but it was subsequently extended through Laws 2018, Chapter 74 until June 2041. In FY 2025, the Education Tax generated $1.2 billion in collections. While the two taxes are collected on roughly the same tax base, the Education Tax monies are dedicated exclusively to education-related funds. We continue to present the value of exemptions at the 5% rate. The effect of these exemptions on the Education Tax can be estimated by taking 12% of the amounts shown later in this section. For FY 2025, the value of the exemptions on the Education Tax funds was $3.4 billion.

**PREFERENTIAL TRANSACTION PRIVILEGE TAX RATES**

[68] Source: Department of Revenue Annual Report, FY 2025

In most categories, sales in Arizona are taxed at a 5% rate. Two categories of taxable activities, however, are currently taxed at a lower rate. These activities and the corresponding tax rates are as follows:

| CODE | TAXABLE ACTIVITIES | RATE |
|---|---|---|
| 2 | Non-Metal Mining, Oil & Gas Production | 3.125% |
| 13 | Commercial Lease[69] | 0% |

If the activities in these categories had been taxed at a 5% rate in FY 2025, additional transaction privilege tax of $797 million would have been collected.

**TRANSACTION PRIVILEGE AND USE TAX CREDIT**

*A.R.S. § 42-5017:* A credit is allowed against transaction privilege tax imposed for accounting and reporting expenses incurred by the taxpayer. During FY 2025, the credit equals 1% of the amount of tax due, not to exceed $10,000 in any calendar year for taxpayers filing paper returns and 1.2% of the amount of tax due for taxpayers filing electronically, not to exceed $12,000. In FY 2025, the value of the accounting credit equaled $37.0 million.

**TRANSACTION PRIVILEGE AND USE TAX EXEMPTIONS**

Certain types of income or sales by businesses are exempt from transaction privilege and use tax. Some of these businesses have taxable sales as well as exempt sales; some have no taxable sales at all. In the case of those businesses that have both taxable and exempt sales, there is some information on the value of the exemption. Those businesses that only have exempt sales generally do not file transaction privilege tax returns; therefore, no figures are reported for the value of the exempt business. They may, however, be captured in the analysis covering the value of Services.

Beginning in calendar year 2015, the department began using a specific deduction code for each deduction from transaction privilege tax. During 2016 and 2017, the department began validating deduction usage at the time returns were filed. The following information lists all exemptions identified in the Arizona Revised Statutes, whether information was available on the tax value of the exemption or not.

*A.R.S. § 42-5061(A)(1) and (A)(2):* The primary type of business exempt from transaction privilege tax in Arizona is the business of providing a service. The U.S. Census Bureau provides information about the value of services in Arizona through the Economic Census. The 2017 Economic Census Service is the basis for the following analysis of the tax value of some services. *Please note that some portion of the value of these services may already be taxable.* For example, the sale of hair shampoo products at a Beauty Salon is taxable but the service of cutting and styling hair is not. The receipts reported in the Economic Census

[69]The tax rate for this class changed to 0% from 1.0% effective July 1, 1997.

would include both the retail sale of products and the provision of the service. No attempt has been made to determine these *non-taxable* portions of the receipts.

The list of services in this report is a ***sample*** of services and is not intended to be a comprehensive list. The categories shown are defined by the Census Bureau, not by the preparers of this report. For a complete look at the service industry in Arizona, refer to the several reports comprising the 2017 Economic Census of Arizona, available at the U.S. Census Bureau website, www.census.gov.

Several major categories as defined by the U.S. Census Bureau are shown in the sample of services: (1) professional, scientific and technical; (2) health care; (3) administrative and business support; (4) personal care; (5) educational; (6) finance and (7) other services. Examples of each of these service categories are listed at the end of this section. A summary of potential transaction privilege tax revenue from the Sample of Services in these major categories is as follows[70]:

| | |
|---|---|
| Professional, Scientific and Technical | $1,395,962,956 |
| Health Care | 2,877,106,468 |
| Administrative and Business Support | 1,465,295,015 |
| Personal Care | 191,671,894 |
| Educational | 90,509,783 |
| Finance | 652,719,600 |
| Other Services | 405,147,800 |

Total transaction privilege tax revenue available from these businesses is $7.1 billion[71]. Although the estimate of potential tax collections provided here does not include estimates for all services, the majority have been captured.

*A.R.S. § 42-5061(G):* (Deduction Code 503) The business of selling tangible personal property at wholesale, by definition, is not taxable. During FY 2025, wholesale trade was estimated to be $145 billion. If taxed at a 5% rate, collections from this category would be $7.2 billion. Another measure of this type of activity is the deduction for sales for resale. In FY 2025, it is estimated that businesses deducted $206 billion for sales for resale. At 5%, these transactions would have generated $10.3 billion.
*A.R.S. §§ 42-5001(5) and 5001(6):* (Deduction Codes 708 and 711) The transaction privilege and use tax is levied upon the gross income or the gross proceeds of sales. Gross proceeds of sales do not include *cash discounts* allowed. The value of merchandise traded in on the purchase of new merchandise when the *trade-in* allowance is deducted from the sales price of the new merchandise before completion of the sale

[70] This summary is not intended to be a comprehensive analysis of potential transaction privilege tax revenue for services. Some portion of the value of these services may already be taxable.
[71] At the time of this publication, the census.gov website was inaccessible due to a federal government shutdown. The figures represented here were derived from data obtained prior to the shutdown and are subject to change upon resumption of the site's operations and the release of updated information.

is exempt. In FY 2025, it is estimated that businesses deducted $4.7 billion[72] for this purpose. Had those sales been taxable, they would have generated $233.0 million in tax at the 5% rate.

*A.R.S. § 42-5061(2):* (Deduction Code 549) Services rendered in addition to selling tangible personal property at retail are not subject to transaction privilege tax. In FY 2025, it is estimated that businesses deducted $14.9 billion from their gross sales for this purpose. At 5%, these transactions would have generated $745.1 million.

*A.R.S. § 42-5122(1):* (Deduction Code 570) Business activity for Enrolled Native American or Tribal entities that occurs on a Reservation is exempt from transaction privilege tax. In FY 2025, it is estimated that businesses deducted $779 million for this purpose. Had those transactions been taxable, they would have generated $38.9 million at a 5% rate.

*R15-5-158:* (Deduction Code 716) Sales of postage stamps at face value are not subject to transaction privilege tax. In FY 2025, it is estimated that businesses deducted $6.5 million[73] for this purpose. Had those sales been taxable, they would have generated about $326,670 in tax at the 5% rate.

(Deduction Code 777) Sales to foreign diplomats holding a valid US Department of State card authorizing the purchase are not subject to transaction privilege tax. Data is not releasable on the value of this tax expenditure for FY 2025.

*A.R.S. § 42-5044(A)(1):* (Deduction Code 804) Sales made through another's Marketplace are exempt from transaction privilege tax. In FY 2025 it is estimated that businesses deducted $613 million for this purpose. Had those sales been taxable, it would have generated about $30.7 million at the 5% rate.

*A.R.S. § 42-5061(A)(3):* (Deduction Code 542) Sales of warranty or service contracts are exempt from transaction privilege tax. In FY 2025, it is estimated that businesses deducted $1.6 billion for such contracts. Taxing these contracts at a 5% rate would have resulted in collections of $78.1 million.

*A.R.S. §§ 42-5061(A)(4), 42-5074(B)(6), 42-5159(A)(15)(a):* (Deduction Code 725) Sales of tangible personal property by any nonprofit organization and operated exclusively for charitable purposes and recognized by the department and the United States Internal Revenue Service as such a nonprofit organization for charitable purposes are exempt from transaction privilege and use tax. In FY 2025, businesses took an estimated $23.1[74] million in deductions for this purpose. At a 5% rate, these transactions would have generated $1.2 million in tax.

*A.R.S. §§ 42-5061(A)(5):* (Deduction Code 507) Sales to persons engaged in business classified under the restaurant classification of articles used for food, drink or condiment are not subject to transaction privilege tax. In FY 2025, it is estimated that businesses deducted $110.7 million for such sales. Had those transactions been taxable, it would have generated $5.5 million in tax at a 5% rate.

*A.R.S. § 42-5061(A)(7):* (There is no deduction code for this deduction) The sale of stocks and bonds is not subject to transaction privilege tax in Arizona. No information is available on this tax expenditure.

*A.R.S. §§ 42-5061(A)(8), 42-5159(A)(16):* (Deduction Code 536) Items required by prescription, such as prescription drugs and medical oxygen, are exempt from transaction privilege tax. In FY 2025, it is estimated that businesses took $46 billion in deductions for prescriptions and medical oxygen. Had these purchases been taxed at a rate of 5%, collections would be $2.3 billion.

[72] It is likely that this deduction is underreported.
[73] It is likely that this deduction is underreported.
[74] This is likely overstated.

*A.R.S. §§ 42-5061(A)(9), 42-5159(A)(17):* (Deduction Code 559) Prosthetic appliances prescribed or recommended by a physician, dentist or other professional are exempt from transaction privilege tax. In FY 2025, it is estimated that deductions of $563.3 million were claimed for these items. Had they been taxed, collections would have been $28.2 million.

*A.R.S. §§ 42-5061(A)(10), 42-5159(A)(19):* (Deduction Code 533) Insulin, syringes, and glucose test strips are exempt from transaction privilege tax. In FY 2025, it is estimated that deductions of $7.1[75] million were taken for these items. Had they been taxed, collections would have been $356,328.

*A.R.S. §§ 42-5061(A)(11), 42-5159(A)(18):* (Deduction Code 590) Prescription eyeglasses or contact lenses are exempt from transaction privilege tax. In FY 2025, it is estimated that deductions of $76.0 million were taken for these items. Had they been taxed, collections would have been $3.8 million.

*A.R.S. §§ 42-5061(A)(12), 42-5159(A)(20):* (Deduction Code 594) Hearing aids as defined in section 36-1901 are exempt from transaction privilege tax. In FY 2025, it is estimated that deductions of $49.1 million were taken for these items. Had they been taxed, collections would have been $2.5 million.

*A.R.S. §§ 42-5061(A)(13), 42-5159(A)(21):* (Deduction Code 526) Some durable medical equipment is exempt from transaction privilege tax. In FY 2025, it is estimated that deductions of $723 million were taken for these items. Had they been taxed, collections would have been $36.2 million.

*A.R.S. § 42- 5061(A)(14)(a):* (Deduction Code 541) This deduction was revised during FY 2015. Sales of motor vehicles to nonresidents of Arizona for use outside Arizona if the dealer ships or delivers the motor vehicle outside of the state are exempt from transaction privilege tax. It is estimated that in FY 2025 a total of $1.5 billion was deducted for this purpose. Were these transactions taxable, an additional $77.2 million would have been collected.

*A.R.S. § 42- 5061(A)(14)(b):* (Deduction Code 810) Sales of motor vehicles to nonresidents of Arizona for use outside Arizona if the vehicle, trailer or semitrailer has a gross vehicle weight rating of more than ten thousand pounds, is used or maintained to transport property in the furtherance of interstate commerce and otherwise meets the definition of commercial motor vehicle as defined in section 28-5201 is not subject to transaction privilege tax. Data is not releasable on the value of this tax deduction for FY 2025.

*A.R.S. §§ 42-5061(A)(15 and 16), 42-5159(A)(22 and 23):* (Deduction Codes 506 and 513) Food for home consumption was exempted from transaction privilege and use tax effective July 1980. This includes items purchased through the Supplemental Nutritional Assistance Program (SNAP, formerly known as food stamps). In FY 2025, it is estimated that deductions of $19.2 billion were taken for these items. A 5% tax on these would have brought in $960.8 million in additional revenues.

*A.R.S. §§ 42-5061(A)(17), 42-5159(A)(28):* (Deduction Code 505) Textbooks sold by any bookstore that are required by any state university or community college are not subject to the transaction privilege or use tax. Deductions estimated to be $47.7 million were taken for this exemption in FY 2025. At a rate of 5%, these deductions would have generated $2.4 million had they been taxable.

*A.R.S. §§ 42-5061(A)(18), 42-5159(A)(24):* (Deduction Code 568) Meals provided to employees of restaurants are exempt from transaction privilege and use taxation. In FY 2025, it is estimated that deductions of $387,296 were taken for these items. A 5% tax would have generated $19,365 in additional revenues.

[75] It is likely that this deduction is underreported.

*A.R.S. §§ 42-5061(A)(19), 42-5074 (B)(10), 42-5159(A)(26):* (Deduction Code 569) No transaction privilege or use tax is applied to food, drink or condiment purchased for school lunches. In FY 2025, it is estimated that businesses deducted $103.6 million for this purpose. At a 5% tax rate, this would have generated $5.2 million.

*A.R.S. §§ 42-5061(A)(20), 42-5159(A)(27):* (Deduction Code 521) Arizona lottery ticket sales are not taxable. In FY 2025, an estimated $244.8[76] million was deducted for those sales. Additional tax collections of $12.2 million would have been received if the sales were taxed at a 5% rate.

*A.R.S. § 42-5061(A)(21), 42-5159(A)(56):* (Deduction Codes 567 and 601) The sale of precious metal bullion and monetized bullion to the ultimate consumer is exempt from transaction privilege tax. Precious metal bullion is defined as precious metal, including gold, silver, platinum, etc., which has been smelted or refined so that its value depends on its contents and not on its form. Monetized bullion means coins and other forms of money which are manufactured from gold, silver, etc., and which have been used as a medium of exchange. In FY 2025, businesses took an estimated $214.7 million in deductions for this purpose. Had these transactions been taxable, they would have generated $10.7 million in tax at a 5% rate.

*A.R.S. § 42-5061(A)(22):* (Deduction Code 515) The sale of vehicle fuel and aviation fuel which are subject to another tax are exempt from transaction privilege tax. In FY 2025, deductions of $13.4 billion were taken. Had these been taxed at 5%, $672.3 million would have been collected.

*A.R.S. § 42-5061(A)(23):* (Deduction Code 571) The sale of tangible personal property to a person engaged in the business of leasing or renting such property under the personal property rental classification if the property is to be leased or rented by such person is not subject to transaction privilege tax. In FY 2025, it is estimated that deductions of $236.1 million were taken. At a 5% tax rate, these would have generated $11.8 million in tax.

*A.R.S. § 42-5061(A)(24):* (Deduction Code 504) The sale of tangible personal property in interstate or foreign commerce if prohibited from being so taxed by the Constitution of the United States or the constitution of this state. In FY 2025, estimated deductions of $10.5 billion were taken for this purpose. Had these transactions been taxable at the 5% rate, $526.0 million in taxes would have been generated.

*A.R.S. §§ 42-5061(A)(25)(a, b, c, d), 42-5063(C)(3), 42-5065(B)(2), 42-5066(B)(3), 42-5067(B)(2), 42-5074 (B)(8), 42-5159 (A)(13)(a, b ,c, d, e, j):* (Deduction Codes 545, 546, 572, and 574) Tangible personal property sold to a qualifying hospital or a qualifying health care organization used by the organization solely to provide health and medical related educational and charitable services and tangible personal property sold to or purchased by qualifying community health centers and health care organizations are exempt from transaction privilege and use tax. In FY 2025, deductions of an estimated $2.3 billion were taken for these exemptions. Had they been taxed at 5%, $116.9 million would have been collected.

*A.R.S. §§ 42-5061(A)(25)(e), 42-5159(A)(13)(k):* (Deduction Code 544) Sales of tangible personal property to a nonprofit charitable organization that regularly serves meals to the needy and indigent on a continuing basis at no cost is exempt from the transaction privilege and use tax. During FY 2025, businesses deducted an estimated $88.4 million for this exemption. At 5%, this would have raised about $4.4 million had it been taxable.

[76] It is likely that this deduction is underreported.

*A.R.S. §§ 42-5061(A)(25)(f), 42-5159(A)(13)(m), 42-5075(B)(12):* (Deduction Code 573) Sales of tangible personal property to a nonprofit charitable organization that provides residential apartment housing for low income persons over 62 years of age in a facility that qualifies for a federal housing subsidy is exempt from the transaction privilege and use tax. The gross proceeds of sales from a contract for construction of a residential apartment housing facility that qualifies for a federal housing subsidy for low income persons over 62 years of age and that is owned by a nonprofit charitable organization is exempt from the prime contracting classification of transaction privilege tax. Data is not releasable for FY 2025.

*A.R.S. § 42-5061(A)(25)(g):* (Deduction Code 699) Tangible personal property sold to a qualifying health sciences educational institution as defined in 42-5001 is exempt from the transaction privilege tax. In FY 2025, it is estimated that businesses deducted $1.7 million for this purpose. At a 5% tax rate, this would have generated $84,581.

*A.R.S. §§ 42-5061(A)(26), 42-5065(A)(2), 42-5159(A)(29):* (Deduction Code 602) No transaction privilege or use tax is charged on magazines or other periodicals or other publications by this state to encourage tourist travel. Data is not releasable on the value of this tax expenditure for FY 2025.

*A.R.S. §§ 42-5061(A)(27)(a), 42-5061(A)(51), 42-5072(B), 42-5075(B)(6), 42-5159(A)(13)(g), 42-5159(A)(47) and ACRR R15-5-1839:* (Deduction Codes 552 and 589) Sales of articles to a contractor with a transaction privilege tax license for incorporation or fabrication under a construction contract or used in environmental response or remediation activities are exempt from transaction privilege tax. In FY 2025, an estimated $843.8 million was taken for these deductions. Had they been taxed at 5%, $42.2 million would have been collected.

*A.R.S. §§ 42-5061(A)(27)(B), 42-5072(B), 42-5159(A)(13)(h):* (Deduction Code 584) Tangible personal property sold to a person that is not subject to tax under 42-5075 and that has been provided a copy of a certificate under section 42-5009 (L) if the property sold is incorporated or fabricated by the person into the real property, structure, project, development or improvement described in the certificate. In FY 2025, an estimated $67.9 million was taken for this deduction. Had these transactions been taxable, they would have generated $3.4 million in tax at a 5% rate.

*A.R.S. § 42-5061(A)(28):* (Deduction Code 580) The sale of a motor vehicle to a nonresident of this state if the purchaser's state of residence does not allow a corresponding use tax exemption to the tax imposed by article 1 of this chapter and if the nonresident has secured a special ninety day nonresident registration permit for the vehicle as prescribed by sections 28-2154 and 28-2154.01 is exempt from transaction privilege tax. In FY 2025, an estimated $8.4 million was deducted for this exemption. Had these transactions been taxable, an additional $419,392 would have been collected.

*A.R.S. §§ 42-5061(A)(29), 42-5159(A)(13)(f):* (Deduction Code 575) Tangible personal property purchased or leased by a nonprofit charitable organization that engages in and uses such property exclusively for training, job placement or rehabilitation programs or testing for person with mental or physical disabilities is exempt from the transaction privilege and use tax. In FY 2025, an estimated total of $1.5 million was deducted for this exemption. An additional $77,667 would have been collected at the 5% rate.

*A.R.S. §§ 42-5061(A)(30 and 32), 42-5073(A)(5 and 6), 42-5074(B)(4 and 5), 42-5159(A)(15)(b and c):* Deduction Codes 762 and 763) Tangible personal property sold and sales under the amusement and restaurant classifications by a nonprofit organization if the organization is associated with a major league baseball team or a national touring professional golf association is not subject to transaction privilege or use tax. Similar qualified organizations which sponsor or operate a rodeo featuring primarily farm and

ranch animals are also exempt from the transaction privilege and use tax. In FY 2025, an estimated $2.5 million was deducted for this exemption. Had it been taxable, $126,184 would have been collected.

*A.R.S. §§ 42-5061(A)(31), 42-5159(A)(14):* (Deduction Code 583) Sales of commodities, as defined by title 7 United States Code § 2, that are consigned for resale in a warehouse in or from which the commodity is deliverable on a contract for future delivery subject to the rules of a commodity market are exempt from transaction privilege and use tax. In FY 2025, an estimated $12.5 million was deducted for this exemption. Had it been taxable, $625,528 would have been collected.

*A.R.S. §§ 42-5061(A)(33), 42-5159(A)(9):* (Deduction Code 537) There is no transaction privilege or use tax on the sale of seeds, seedlings, roots, bulbs, cuttings, fertilizers, insecticides, and other propagative material to persons who use those items to commercially produce agricultural, horticultural, viticultural or floricultural crops in Arizona. In FY 2025, an estimated $209.3 million was deducted for this exemption. Had it been taxable, $10.5 million would have been collected.

*A.R.S. §§ 42-5061(A)(34), 42-5159(A)(34):* (Deduction Code 525) Machinery, equipment and certain supplies used to assist with a physical disability as defined in section 46-161 or a person who has a developmental disability as defined in section 36-551 or has a head injury as defined in section 41-3201 to be more independent and functional are exempt from transaction privilege and use tax. In FY 2025, an estimated $95 million was deducted for this exemption. Had it been taxable, $4.8 million would have been collected.

*A.R.S. §§ 42-5061(A)(35), 42-5063(B)(2) 42-5159(A)(33):* (Deduction Code 509) Sales of natural gas or liquefied petroleum gas used to propel a motor vehicle are exempt from transaction privilege and use tax. In FY 2025, an estimated $186.9 million was deducted for this exemption. Had it been taxed at the 5% rate, an additional $9.3 million would have been received.

*A.R.S. §§ 42-5061(A)(36), 42-5159(A)(30):* (Deduction Code 586) Paper machine clothing sold to a paper manufacturer and directly used or consumed in paper manufacturing is exempt from transaction privilege and use tax. Data is not releasable for this expenditure for FY 2025.

*A.R.S. §§ 42-5061(D), 42-5063(C)(4), 42-5071(A)(5), 42-5075(B)(5):* (Deduction Code 607) The gross proceeds of sales or gross income derived from sales of machinery, equipment, utility product, materials and other tangible personal property used directly to construct a qualified environmental technology manufacturing, producing or processing facility as described in A.R.S. § 41-1514.02 are deducted from transaction privilege tax base. Use tax does not apply to the storage, use or consumption in Arizona of machinery, equipment, materials or other tangible personal property if used directly to construct a qualified environmental technology manufacturing, producing or processing facility. Data is not releasable for FY 2025.

*A.R.S. §§ 42-5061(A)(37), 42-5159(A)(31):* (Deduction Code 511) Sales of coal, petroleum, coke, natural gas, virgin fuel oil and electricity to an environmental technology manufacturer, producer or processor and that are directly used or consumed in the generation or provision of on-site power or energy are exempt from transaction privilege and use tax. In FY 2025, businesses deducted an estimated $2.0 million for this purpose. Had those transactions been taxable, it would have generated about $101,207 in tax at a 5% rate.

*A.R.S. §§ 42-5061(A)(38), 42-5159(A)(35):* (Deduction Code 510) Sales of liquid, solid or gaseous chemicals used in manufacturing, processing, fabricating, mining, refining, metallurgical operations or research and development are exempt from transaction privilege and use tax if the chemicals are used for the purpose

of causing or permitting a chemical or physical change to occur in the materials as a part of the production process. In FY 2025, an estimated $114.9 million was deducted for this exemption. At a rate of 5%, $5.7 million would have been collected.

*A.R.S. §§ 42-5061(A)(40), 42-5074(B)(9), 42-5159(A)(36):* (Deduction Code 514) Under the retail and restaurant classifications, sales of food, drink or condiment for consumption within the premises of any jail or prison or any other institution under the jurisdiction of the county sheriff, DOC, DPS, or DYTR are exempt from transaction privilege and use tax. During FY 2025, $33.9 million was estimated to be deducted for this exemption. Had this been taxed at 5%, about $1.7 million would have been collected.

*A.R.S. §§ 42-5061(A)(41), 42-5159(A)(37):* (Deduction Code 528) Motor vehicles and any repair and tangible personal property that becomes a part of the motor vehicles sold to a licensed motor carrier subject to a fee under title 28, chapter 9, article 6 that lease or rent the property are not subject to transaction privilege or use tax. In FY 2025, an estimated $151.7 million was deducted for this exemption. Had it been taxable, $7.6 million would have been collected.

*A.R.S. §§ 42-5061(A)(42), 42-5159(A)(8):* (Deduction Code 520) Sales of livestock and poultry feed, salts, vitamins for livestock or poultry consumption, not including fertilizers, herbicides and insecticides, sold to persons engaged in producing livestock, poultry or products are exempt from transaction privilege tax. In FY 2025, an estimated $436.1 million was deducted for this exemption. Had it been taxable, $21.8 million would have been collected.

*A.R.S. §§ 42-5061(A)(43), 42-5159(A)(7):* (Deduction code 516) There is no transaction privilege or use tax on the sale or purchase of implants used as growth promotants and injectable medicines for livestock and poultry owned by persons engaged in producing or feeding livestock or poultry. During FY 2025, an estimated total of $2.2 million was deducted for this exemption. Were these transactions taxable, an additional $107,686 would have been collected.

*A.R.S. § 42-5061(A)(44):* (Deduction Code 529) Sales of motor vehicles at auction to nonresidents of this state for use outside this state if the vehicles are shipped or delivered outside of the state are exempt from the transaction privilege tax. During FY 2025, an estimated total of $50.4 million was deducted for this exemption. Were these transactions taxable, an additional $2.5 million would have been collected.

*A.R.S. §§ 42-5061(A)(45), 42-5159(A)(13)(l):* (Deduction Codes 534 and 566) Transaction privilege and use tax does not apply to sales of tangible personal property to persons engaged in business under the transient lodging classification if the property is personal hygiene products or articles used for drink or condiment, except alcoholic beverages, which are furnished to and to be consumed by the transient during his occupancy. Data is not releasable for FY 2025 usage of these deductions.

*A.R.S. §§ 42-5061(A)(46), 42-5159(A)(42), 42-5063(B)(3):* (Deduction Code 587) Sales or purchases of alternative fuel to a used oil fuel burner who is permitted under §49-426 or §49-480 to burn used oil or used oil fuel are exempt from transaction privilege and use tax. For FY 2025, the data on the value of these deductions is not releasable.

*A.R.S. §§ 42-5061(A)(47), 42-5159(A)(12):* (Deduction Code 519) Printed, photographic, electronic or digital media materials for use in libraries funded with public moneys in Arizona, are exempt from transaction privilege and use tax. In FY 2025, businesses deducted an estimated $10.2 million for this purpose. Had those transactions been taxable, they would have generated $511,621.

*A.R.S. §§ 42-5061(A)(48), 42-5074(C), 42-5159(A)(43):* (Deduction Code 512) Under the retail classification and the restaurant classification, tangible personal property sold to or purchased by a commercial airline

that consist of food, beverages and condiments and accessories used for serving, if the items are provided without additional charge, are exempt from transaction privilege and use tax. In FY 2025, businesses deducted an estimated $151,945 for this purpose. Had those transactions been taxable, it would have generated $7,597.

*A.R.S. §§ 42-5061(A)(49), 42-5159(A)(44):* (Deduction Code 592) Sales of new alternative fuel vehicles if the vehicle was manufactured as a diesel fuel vehicle and converted to operate on alternative fuel, and equipment that is installed in a conventional diesel fuel motor vehicle to convert the vehicle to operate on an alternative fuel, is exempt from transaction privilege tax. Data is not releasable on the value of these devices for FY 2025.

*A.R.S. § 42-5061(A)(50):* (Deduction Code 588) Sales of any spirituous, vinous or malt liquor by a person that is licensed in this state as a wholesaler by the Arizona Department of Liquor Licenses and control is exempt from transaction privilege tax. In FY 2025, businesses deducted an estimated $52.5 million for this purpose. Had the transactions been taxable at a 5% rate, it would have generated $2.6 million in tax.

*A.R.S. § 42-5061(A)(52), 42-5159(A)(48), 42-5073(A)(9):* (Deduction Code 764) Sales of tangible personal property by a nonprofit organization if the organization produces, organizes or promotes cultural or civic related festivals or events and no part of the organization's net earnings inures to the benefit of any private shareholder or individual. In FY 2025, businesses deducted an estimated $12.7 million for this purpose. Had the transactions been taxable at a 5% rate, they would have generated $635,001 in tax.

*A.R.S. § 42-5061(A)(53), 42-5159(A)(50), 42-5064(A)(2):* (Deduction Code 596) Application services that are designed to assess or test student learning or to promote curriculum design or enhancement purchased by or for any school district, charter school, community college or state university. In FY 2025, data is not releasable for usage of these deductions.

*A.R.S. § 42-5061(A)(54), 42-5159(A)(51):* (Deduction Code 598) Sales of motor vehicle fuel and use fuel to a qualified business under section 41-1516 for off-road use in harvesting, processing or transporting qualifying forest products removed from qualifying projects as defined in section 41-1516 is exempt from transaction privilege tax. No information is available on this tax expenditure for FY 2025.

*A.R.S. § 42-5061(A)(52), 42-5159(A)(55):* (Deduction Code 603) Sales of repair parts installed in equipment used directly by a qualified business under section 41-1516 in harvesting, processing or transporting qualifying forest products removed from qualifying projects as defined in section 41-1516 are exempt from tax. For FY 2025, the value of this tax expenditure is not releasable.

*A.R.S. § 42-5061(A)(56), 42-5159(A)(53), 42-5063(B)(5):* (Deduction Code 604) Sales or other transfers of renewable energy credits or any other unit created to track energy derived from renewable energy resources is exempt. In FY 2025, businesses deducted an estimated $30.9 million for this purpose. Had the transactions been taxable at a 5% rate, they would have generated $1.5 million in tax.

*A.R.S. § 42-5061(B)(57); 42-5159(B)(24):* (Deduction Code 565) Computer data center equipment sold to the owner, operator or qualified colocation tenant of the computer data center or an authorized agent of the owner, operator or qualified colocation tenant during the qualification period for use in a computer data center that is certified by the Arizona Commerce Authority under section 41-1519. In FY 2025, businesses deducted an estimated $770.5 million for this purpose. Had the transactions been taxable at a 5% rate, they would have generated about $38.5 million in tax.

*A.R.S. § 42-5061(A)(57):* (Deduction Code 582) Sales of orthodontic devices dispensed by a dental professional who is licensed under title 32, chapter 11 to a patient as part of the practice of dentistry. Data is not releasable for FY 2025 usage of these deductions.

*A.R.S. § 42-5061(A)(58):* (Deduction Code 712) Sales of tangible personal property incorporated or fabricated into a project described in 42-5075 that is located within the exterior boundaries of an Indian reservation for which the owner of the project is an Indian tribe or an affiliated Indian. In FY 2025, businesses deducted an estimated $4.8 million for this purpose. Had the transactions been taxable at a 5% rate, they would have generated $239,129 in tax.

*A.R.S. § 42-5061(A)(59):* (Deduction Code 773) Sales of works of fine art, as defined in section 44-1771, at an art auction or gallery in this state to nonresidents of this state for use outside this state if the vendor ships or delivers the work of fine art to a destination outside this state. In FY 2025, businesses deducted an estimated $9.7 million for this purpose. Had the transactions been taxed at the 5% rate, it would have generated $482,928.

*A.R.S. §§ 42-5061(B)(1), 42-5159(B)(1):* (Deduction Code 522) Machinery or equipment used directly in manufacturing, processing, fabricating, job printing, refining or metallurgical operations is not subject to transaction privilege or use tax. During FY 2025, an estimated $10.4 billion was deducted for this exemption. A 5% tax on this machinery would have brought in $521.4 million in additional revenues.

*A.R.S. §§ 42-5061(B)(2 and 11), 42-5159(B)(2 and 11):* (Deduction Codes 523 and 579) Sales of machinery or equipment used in mining directly in the process of extracting ores or minerals from the earth for commercial purposes and sales of machinery or equipment used in drilling for or extracting oil or gas from the earth are not taxed. During FY 2025, an estimated $582.4 million was deducted for this exemption. A 5% tax on this machinery would have brought in $29.1 million in additional revenues.

*A.R.S. §§ 42-5061(B)(3), 42-5159(B)(3):* (Deduction Code 539) Tangible personal property sold to persons engaged in business under the telecommunications classification, consisting of central office switching equipment, switchboards, private branch exchange equipment, microwave radio equipment and carrier equipment including optical fiber, coaxial cable and other transmission media which are components of carrier systems are exempt from the transaction privilege and use tax. In FY 2025, businesses deducted an estimated $6.1 million for this purpose. Had the transactions been taxable, they would have generated $307,465 in tax at the 5% rate.

*A.R.S. §§ 42-5061(B)(4), 42-5159(B)(4):* (Deduction Code 524) Machinery, equipment or transmission lines used directly in producing or transmitting electrical power, but not including distribution is exempt from the transaction privilege and use tax. Transformers and control equipment used in transmission substation sites are included in this exemption. During FY 2025, $870.4 million was estimated to have been deducted for this exemption. Had this been taxable, an additional $43.5 million would have been collected.

*A.R.S. §§ 42-5061(B)(5); 42-5159(B)(5):* (Deduction Code 809) The gross proceeds of sales or gross income derived from sales of machinery and equipment used directly for energy storage for later electrical use is not subject to transaction privilege tax. For the purposes of this paragraph: (a) "Electric utility scale" means a person that is engaged in a business activity described in section 42-5063, subsection A or such person's equipment or wholesale electricity suppliers. (b) "Energy storage" means commercially available technology for electric utility scale that is capable of absorbing energy, storing energy for a period of time and thereafter dispatching the energy and that uses mechanical, chemical or thermal processes to store

energy. (c) "Machinery and equipment used directly" means all machinery and equipment that are used for electric energy storage from the point of receipt of such energy in order to facilitate storage of the electric energy to the point where the electric energy is released. During FY 2025, $64.6 million was estimated to have been deducted for this exemption. Had this been taxable, an additional $3.2 million would have been collected.

*A.R.S. §§ 42-5061(B)(6), 42-5159(B)(6):* (Deduction Code 605) Neat animals, horses, asses, sheep, swine or goats used or to be used as breeding or production stock are not subject to the transaction privilege or use tax. During FY 2025, $3.3 million was estimated to have been deducted for this exemption. Had this been taxable, an additional $164,639 would have been collected.

*A.R.S. §§ 42-5061(B)(7), 42-5159(B)(7):* (Deduction Code 535) There is no transaction privilege or use tax on pipes or valves four inches in diameter or larger used to transport oil, natural gas, artificial gas, water or coal slurry. In FY 2025, $30.7 million was estimated to have been deducted for this exemption. Had this been taxable, $1.5 million would have been collected.

*A.R.S. §§ 42-5061(B)(8), 42-5159(B)(8):* (Deduction Code 508) Aircraft, navigational and communication instruments sold to (a) a person holding a federal certificate of public convenience and necessity or foreign air carrier permit for air transportation in intrastate, interstate or foreign commerce, (b) any foreign government for use outside of Arizona, or (c) nonresidents who will not use such property in Arizona other than in removing such property from Arizona are not subject to the transaction privilege and use tax. During FY 2025, it was estimated that $435.2 million was deducted for this exemption. Had it been taxable, $21.8 million would have been collected.

*A.R.S. §§ 42-5061(B)(9), 42-5159(B)(9):* (Deduction Code 532) Machinery, tools, equipment and related supplies used or consumed directly in repairing, remodeling or maintaining aircraft, aircraft engines or aircraft component parts by or on behalf of a certified or licensed carrier of persons or property are exempt from tax. In FY 2025, businesses deducted an estimated $15.4 million for this purpose. Had the transactions been taxable, they would have generated $771,548 in tax at a 5% rate.

*A.R.S. §§ 42-5061(B)(10), 42-5159(B)(10):* (Deduction Code 576) Railroad rolling stock, rails, ties and signal control equipment used directly to transport persons or property in intrastate or interstate transportation for hire is exempt from the transaction privilege and use tax. In FY 2025, businesses deducted an estimated $4.7 million for this purpose. Had the transactions been taxable, it would have generated $235,579 in tax at a 5% rate.

*A.R.S. §§ 42-5061(B)(12), 42-5159(B)(12):* (Deduction Code 606) Transaction privilege and use tax do not apply to sales of buses or other urban mass transit vehicles which are used directly to transport persons or property for hire or pursuant to a governmentally adopted and controlled urban mass transportation program and which are sold to bus companies holding a federal certificate of convenience and necessity. In FY 2025, businesses deducted an estimated $29.9 million for this purpose. Had the transactions been taxable, it would have generated $1.5 million in tax at a 5% rate.

*A.R.S. §§ 42-5061(B)(13), 42-5075(B)(2), 42-5159(B)(13):* (Deduction Code 581) Groundwater measuring devices and their installation required under A.R.S. §45-604 are exempt from transaction privilege and use tax. In FY 2025, businesses deducted an estimated $3.5 million for this purpose. Had the transactions been taxable, it would have generated $177,392 in tax at a 5% rate.

*A.R.S. §§ 42-5061(B)(14), 42-5159(B)(14):* (Deduction Code 585) New machinery and equipment (never sold at retail pursuant to leases or rentals which do not total two years or more) used for commercial

production of agricultural, horticultural, viticultural and floricultural crops in Arizona are exempt from transaction privilege and use tax. This equipment consists of tractors, tractor-drawn implements, self-powered implements and drip irrigation lines. In FY 2025, businesses deducted an estimated $241.9 million for this purpose. Had the transactions been taxable, it would have generated $12.0 million in tax at a 5% rate.

*A.R.S. §§ 42-5061(B)(15), 42-5159(B)(15):* (Deduction Code 553) Transaction privilege and use tax does not apply to sales of machinery or equipment used in research and development. Research and development mean basic and applied research in the sciences and engineering, and designing, developing or testing prototypes, processes or new products, including research and development of computer software that is embedded in or an integral part of the prototype or new product or that is required for machinery or equipment to function effectively. In FY 2025, an estimated total of $95.8 million was deducted for this exemption. At a rate of 5%, the value of the exemption is $4.8 million.

*A.R.S. §§ 42-5061(B)(16), 42-5159(B)(16), 42-5064(B)(4):* (Deduction Code 591) Tangible personal property used by any direct broadcast satellite television or data transmission service or facility to receive, store, convert, produce, generate, decode, encode, control or transmit telecommunications information is exempt from transaction privilege and use tax. The broadcast satellite television or data transmission service or facility must operate within federal regulations. Sales of services by direct broadcast satellite television services that operate within federal regulation are not taxable under the telecommunications classification. Data is not releasable on the value of these devices for FY 2025.

*A.R.S. §§ 42-5061(B)(17), 42-5159(B)(17), 42-5075(B)(11):* (Deduction Code 595) Clean rooms that are used for manufacturing, processing, fabrication or research and development of semiconductor products are exempt from transaction privilege and use taxes. This includes the integrated systems, fixtures, piping, movable partitions, lighting and property that is necessary for control of the clean room. The income derived from the installation, assembly, repair or maintenance of the clean rooms is also exempt from taxation under the contracting classification. In FY 2025, an estimated total of $1.9 billion was deducted for this exemption. At a rate of 5%, the value of the exemption is $98.5 million.

*A.R.S. §§ 42-5061(B)(18), 42-5159(B)(18):* (Deduction Code 577) Machinery and equipment used directly in the feeding of poultry, the environmental control of housing for poultry, the movement of eggs within a production and packaging facility or the sorting or cooling of eggs. Data is not releasable on the value of these devices for FY 2025.

*A.R.S. §§ 42-5061(B)(19), 42-5159(B)(19):* (Deduction Code 597) Machinery or equipment, including related structural components that is employed in connection with manufacturing, processing, fabricating, job printing, refining, mining, natural gas pipelines, metallurgical operations, telecommunications, producing or transmitting electricity or research and development and that is used directly to meet or exceed rules or regulations adopted by the federal energy regulatory commission, the United States Environmental Protection Agency, the United States Nuclear Regulatory Commission, the Arizona Department of Environmental Quality or a political subdivision of this state to prevent monitor, control or reduce land, water or air pollution. Data is not releasable on the value of these devices for FY 2025.

*A.R.S. §§ 42-5061(B)(20), 42-5159(B)(20):* (Deduction Code 599) Machinery and equipment that are sold to a person engaged in the commercial production of livestock, livestock products or agricultural, horticultural, viticultural or floricultural crops or products in this state and that are used directly and

primarily to prevent, monitor, control or reduce air, water or land pollution. Data is not releasable on the value of the machinery for FY 2025.

*A.R.S. §§ 42-5061(B)(21), 42-5159(B)(21):* (Deduction Code 578) Machinery or equipment that enables a television station to originate and broadcast or to receive and broadcast digital television signals and that was purchased to facilitate compliance with the telecommunications act of 1996. Data is not releasable on the value of this tax expenditure for FY 2025.

*A.R.S. § 42-5061(B)(22):* (Deduction Code 554) Qualifying equipment purchased by a qualifying business for harvesting or the initial processing of qualifying forest products removed as part of the Healthy Forests program are exempt from transaction privilege and use tax. Data is not releasable on the value of this tax expenditure for FY 2025.

*A.R.S. § 42-5061(E):* (Deduction Code 609) The portion of the sales price of heavy trucks and trailers that reflect the federal luxury excise tax are exempt from transaction privilege tax. In FY 2025, businesses deducted an estimated $858,010 million for this deduction. Had the transactions been taxable, it would have generated $42,901 in tax.

*A.R.S. § 42-5061(I)(1):* (Deduction Code 547) Sales made directly to the United States government or its departments or agencies by a manufacturer, modifier, assembler or repairer are not subject to transaction privilege tax. In FY 2025, businesses deducted an estimated $886.5 million for this deduction. Had the transactions been taxable, it would have generated $44.3 million in tax.

*A.R.S. § 42-5061(I)(2):* (Deduction Code 543) Sales made directly to a manufacturer, modifier, assembler or repairer if such sales are of any ingredient or component part of products sold directly to the United States government or its departments or agencies by the manufacturer, modifier assembler or repairer are not subject to the transaction privilege tax. In FY 2025, businesses deducted an estimated $304.4 million for this deduction. Had the transactions been taxable, they would have generated $15.2 million in tax.

*A.R.S. §§ 42-5061(I)(3 and 4), 42-5159(A)(39):* (Deduction Code 611) Overhead materials or other tangible personal property that is used in performing a contract between the United States government and a manufacturer, modifier, assembler or repairer, including property used in performing a subcontract with a government contractor to which title passes to the government under the terms of the contract or subcontract are not subject to transaction privilege tax. In FY 2025, businesses deducted an estimated $1.2 million for this deduction. Had the transactions been taxable, it would have generated $61,960 in tax.

*A.R.S. § 42-5061(J):* (Deduction Code 548) Fifty percent of the gross proceeds from any sale of tangible personal property made directly to the United States government is not subject to transaction privilege tax. In FY 2025, businesses deducted an estimated $445.5 million for this deduction. Had the transactions been taxable, it would have generated $22.3 million in tax.

*A.R.S. § 42-5061(L):* (Deduction Codes 501 and 613) The gross proceeds of sales or gross income derived from a manufacturer's cash rebate on the sales price of a motor vehicle if the buyer assigns the buyer's right in the rebate to the retailer; or the waste tire disposal fee imposed pursuant to A.R.S. § 44-1302. During FY 2025, an estimated $11.1 million was deducted for the waste tire disposal fee. At a rate of 5%, the tax value of this exemption is $556,064. During FY 2025, an estimated $431.6 million was deducted for the manufacturer's cash rebate. At a rate of 5%, the tax value of this exemption is $21.6 million.

*A.R.S. § 42-5061(M):* (Deduction Code 538) Sales of solar energy devices are to be deducted from the tax base, but the deduction is not to exceed $5,000 for each device. In FY 2025, an estimated total of $827.5 million was deducted for this exemption. At a rate of 5%, the value of the exemption is $41.4 million.

*A.R.S. §§ 42-5061(N and O):* (Deduction Code 614) Sales of wireless telecommunication equipment to a person who holds the equipment for sale or transfer to a customer as an inducement to enter into or continue a contract for telecommunications services taxable under A.R.S. §42-5064 is considered a sale for resale under the transaction privilege and use taxes. In addition, the gross proceeds of sales or gross income do not include the sales commissions received as a result of a customer entering or continuing a contract. In FY 2025, businesses deducted an estimated $5.9 million. Had the transactions been taxable, it would have generated $299,304 in tax.

*A.R.S. § 42-5061(V):* (Deduction Code 531) For the sale of a motor vehicle to a nonresident of Arizona, the tax base for the sale takes into consideration the tax rate that is charged by the other state and reduces the tax base so that the amount of transaction privilege tax paid is equal to the amount that would be imposed by the other state. In FY 2025, an estimated total of $269.3 million was deducted for this exemption. Had the transactions been taxable, they would have generated $13.5 million in tax.

*A.R.S. § 42-5062(A)(1)(a and b):* (Deduction Code 715) Transporting for hire persons, freight or property by motor carriers or light motor vehicles subject to a fee under title 28 is not subject to transaction privilege tax. In FY 2025, businesses deducted an estimated $72.1 million for this deduction. At a 5% rate, these transactions would have generated $3.6 million.

*A.R.S. § 42-5062(A)(1)(c and d):* (Deduction Code 772) Transporting for hire persons, freight or property by transportation network companies subject to a fee prescribed pursuant to section 28-9552. Transportation network company drivers on transactions involving transportation network services as defined in section 28-9551. Data is not releasable on the value of this tax expenditure for FY 2025.

*A.R.S. § 42-5062(A)(1)(e and f):* (Deduction Code 778) Transporting for hire persons, freight or property by vehicle for hire companies that are issued permits pursuant to section 28-9503 or vehicle for hire drivers (taxis, livery vehicles, and limousines) operating under a company permit issued pursuant to section 28-9503 on transactions involving vehicle for hire services. In FY 2025, businesses deducted an estimated $7.7 million for this deduction. Had these transactions been taxable, it would have generated $383,615 at a 5% rate.

*A.R.S. § 42-5062(A)(2):* (Deduction Code 615) Transporting for hire persons traveling in air commerce by aircraft is not subject to transaction privilege tax if taxation of the business is preempted by federal law. Data is not releasable for FY 2025.

*A.R.S. § 42-5062(A)(3):* (No deduction code for this exemption) Ambulances or ambulance services provided under Title 48 or certified pursuant to Title 36, chapter 21.1 or provided by a city or town in a county with a population of less than 150,000 is not subject to taxation under the transporting classification of the transaction privilege tax. No information is available about the value of this exemption.

*A.R.S. § 42-5062(A)(4):* (No deduction code for this exemptions) The transporting classification of the transaction privilege tax excludes public transportation services for the dial-a-ride programs and special needs transportation services. No information is available on the tax value of this exemption.

*A.R.S. § 42-5062(A)(5):* (Deduction Code 616) The transporting classification of the transaction privilege tax also excludes transporting freight or property for hire by a railroad operating exclusively in this state

if the transportation comprises a portion of a single shipment of freight or property, involving more than one railroad, either from a point in this state to a point outside this state or from a point outside this state to a point in this state. Data is not releasable for FY 2025.

*A.R.S. § 42-5062(A)(6):* (No deduction code for this exemption) The transporting classification of the transaction privilege tax does not apply to arranging transportation as a convenience or service the business is not otherwise engaged in the business of transporting persons, freight or property for hire. No information is available on the tax value of this exemption.

*A.R.S. § 42-5062(B)(1):* (Deduction Code 620) The gross proceeds of sales or gross income derived from transporting for hire persons, freight or property by a railroad pursuant to a contract with another railroad is exempt from transaction privilege tax if the other railroad has already paid the transaction privilege tax on the transporting of goods. Data is not releasable for FY 2025.

*A.R.S. § 42-5062(B)(2), 42-5070(C)(1), 42-5073(B)(5)(a):* (Deduction Code 640) The gross proceeds of sales or gross income derived from business activity that is properly included in any other business classification and that is taxable to the person engaged in that classification is not subject to transaction privilege tax under these sections. In FY 2025, businesses deducted an estimated $15.3 million for this deduction. Had these transactions been taxable, they would have generated $766,740 at a 5% rate.

*A.R.S. § 42-5062(B)(3), 42-5073(B)(5)(b):* (Deduction Code 612) The gross proceeds of sales or gross income derived from a business activity that is arranged by the person that is subject to tax and who is not taxable to the person conducting the activity due to an exclusion, exemption or deduction is not subject to transaction privilege tax under these sections. In FY 2025, businesses deducted an estimated $140.5 million for this deduction. Had these transactions been taxable, they would have generated $7.0 million in tax.

*A.R.S. § 42-5062(B)(5):* (Deduction Code 625) The gross proceeds of sales or gross income derived from transporting fertilizer by a railroad from a point in this state to another point in this state is exempt from transaction privilege tax if the other railroad has already paid the transaction privilege tax on the transporting of goods. No data is available on the tax value of this exemption.

*A.R.S. § 42-5063(B)(4):* (Deduction Code 617) Sales of ancillary services, electric distribution services, electric generation services, electric transmission services and other services that are related to providing electricity to a retail electric customer who is located outside this state for use outside this state if the electricity is delivered to a point of sale outside this state. No data is available on the tax value of this exemption.

*A.R.S. § 42-5063(B)(6), 42-5064(A)(3), 42-5069(C)(16), 42-5071(A)(9):* (Deduction Code 759) The leasing or renting of space to make attachments to utility poles is exempt from transaction privilege tax. In FY 2025, businesses deducted an estimated $515,506 for this deduction. Had these transactions been taxable, it would have generated $25,775 in tax.

*A.R.S. §§ 42-5063(C)(1), 42-5159(F)(1):* (Deduction Code 621) Revenues received by a municipally owned utility in the form of fees charged to persons constructing residential, commercial or industrial developments or connecting residential, commercial or industrial developments to a municipal utility system if the fees are segregated and used only for capital expansion, system enlargement or debt service of the utility system are excluded from the taxable base under the utilities classification of transaction privilege tax. Data is not releasable on the tax value of this exemption in FY 2025.

*A.R.S. §§ 42-5063(C)(2), 42-5159(F)(2):* (Deduction Code 626) Revenues received by any person owning a utility system in the form of reimbursement or contribution compensation for property and equipment installed to provide utility access to, on or across the land of an actual utility consumer if the property and equipment become the property of the utility are excluded from the taxable base under the utilities classification of the transaction privilege tax. Data is not releasable on the value of this tax expenditure for FY 2025.

*A.R.S. § 42-5063(C)(5):* (Deduction Code 618) The portion of gross proceeds of sales attributable to transfers of electricity by any retail electric customer owning a solar photovoltaic energy generating system to an electric distribution system if the electricity transferred is generated by the customer's system is exempt from transaction privilege tax. Data is not releasable on the value of this tax expenditure for FY 2025.

*ACRR R15-5-2014:* Interstate sales of electricity, natural gas and water are exempt from transaction privilege tax. Information is not available for this expenditure at this time.

*A.R.S. § 42-5064:* (Deduction Code 643) Income from interstate telecommunication services is not taxable under the telecommunications classification of transaction privilege tax. In FY 2025, businesses deducted an estimated $8.3[77] million for this purpose. Had the transactions been taxable, it would have generated $415,183 in tax at a 5% rate.

*A.R.S. § 42-5064(A)(1):* (No deduction code assigned) Sales of intrastate telecommunications services by a cable operator or by a microwave television transmission system (including a video service provider) that transmits television programming to multiple subscribers are not subject to transaction privilege tax. No data is available on the tax value of this exemption.

*A.R.S. § 42-5064(A)(2):* (Deduction Code 517) Sales of internet access services to subscribers and customers. In FY 2025, businesses deducted an estimated $19.3[78] million for this purpose. Had the transactions been taxable, they would have generated $962,322 in tax at a 5% rate.

*A.R.S. § 42-5064(A)(4):* (Deduction Code 789) Sales of Over the Top services are exempt from the telecommunications category. Data is not releasable on the tax value of this exemption in FY 2025.

*A.R.S. § 42-5064(B)(1):* (Deduction Code 619) A direct broadcast satellite television or data transmission service that operates pursuant to 47 Code of Federal Regulations part 25 for use in its direct broadcast satellite television or data transmission operation by a facility described in 42-5061(B)(15)(b) is not subject to transaction privilege tax. Data is not releasable on the value of this tax expenditure for FY 2025.

*A.R.S. § 42-5064(B)(2 and 3):* (Deduction Codes 641 and 627) End user common line charges and carrier access charges established by federal communications regulations are exempt from transaction privilege tax. Data is not releasable on the value of this tax expenditure for FY 2025.

*A.R.S. § 42-5064(B)(4):* (Deduction Code 633) Sales of direct broadcast satellite television services pursuant to 47 Code of Federal Regulations parts 25 and 100 by a direct broadcast satellite television service that operates pursuant to 47 Code of Federal Regulations parts 25 and 100. Data is not releasable for deductions made for this purpose in FY 2025.

[77] It is likely that this deduction is underreported.

[78] It is likely that this deduction is underreported.

*A.R.S. § 42-5064(B)(5):* (Deduction Code 649) Telecommunications services purchased with a prepaid calling card, or a prepaid authorization number are exempt from transaction privilege tax. Data is not releasable on the value of this tax expenditure for FY 2025.

*A.R.S. § 42-5065(A)(1):* (No deduction code exists for this exemption) The gross proceeds from manufacturing or publishing books are exempt from transaction privilege tax. No data is available on the tax value of this exemption.

*A.R.S. § 42-5065(B)(1):* (Deduction Code 628) The gross income derived from advertising is excluded from the tax base for the publication classification under transaction privilege tax. The value of this deduction is included in the Services section under the Advertising, Public Relations category.

*A.R.S. § 42-5066(B)(1):* (Deduction Code 630) The gross proceeds of sales to a person in Arizona who has a transaction privilege tax license and who distributes printing, engraving, embossing or copying without consideration in connection with the publication of a newspaper or magazine are not included in the taxable base under the job printing classification of the transaction privilege tax. Data is not releasable on the value of this tax expenditure for FY 2025.

*A.R.S. § 42-5066(B)(2):* (Deduction Code 637) Sales of job printing, engraving, embossing, and copying for use outside the state if the materials are shipped or delivered out of the state, regardless of where title to the materials passes or their free on-board point are exempt from the job printing classification. In FY 2025, businesses deducted an estimated $76.7 million for this purpose. Had these transactions been taxable, it would have generated $3.8 million in tax at a 5% rate.

*A.R.S. § 42-5066(B)(4):* (Deduction Code 561) Sales of postage and freight except that the amount deducted shall not exceed the actual postage and freight expense that is paid to the United States postal service or a commercial delivery service are exempt from the job printing classification. During FY 2025, an estimated $29.0 million was deducted from transaction privilege tax returns. At a tax rate of 5%, $1.4 million would have been collected.

*A.R.S. § 42-5070(B)(2):* (Deduction Code 629) Leasing or renting a mobile home or house trailer at a fixed location for more than a 30-day period. During FY 2025, an estimated $42.9 million was deducted for this purpose. At a rate of 5%, this would have generated $2.1 million.

*A.R.S. § 42-5070(B)(3):* (Deduction Code 636) Leasing or renting four or fewer rooms of an owner-occupied residential home, furnishing no more than a breakfast meal, with no more than 50% average annual occupancy rate is not subject to the transaction privilege tax under the transient lodging classification. During FY 2025, an estimated $978,825 was deducted for this purpose. At a rate of 5%, this would have generated $48,941.

*A.R.S. § 42-5070(C)(2):* (Deduction Code 775) Gross income received by an online lodging operator from any online lodging transactions for which the online lodging operator has received documentation that the online lodging marketplace has remitted the applicable tax is not subject to tax under the transient lodging classification. During FY 2025, an estimated $251.9 million was deducted from transaction privilege tax returns. At a tax rate of 5%, $12.6 million would have been collected.

*A.R.S. § 42-5070(D)(1):* (Deduction Code 704) Activities that are not limited to transients and that would not be taxable if engaged in by a person not subject to tax under the transient lodging classification are not subject to transaction privilege tax. During FY 2025, an estimated $48.8 million was deducted from transaction privilege tax returns. At a tax rate of 5%, $2.3 million would have been collected.

*A.R.S. § 42-5070(D)(2):* (Deduction Code 701) Activities that are not limited to transients and that would not be taxable if engaged in by a person subject to taxation under the Transporting or Amusement classifications due to an exclusion, exemption or deduction are not subject to transaction privilege tax. During FY 2025, an estimated $281,973 was deducted from transaction privilege tax returns. At a tax rate of 5%, $14,099 million would have been collected.

*A.R.S. § 42-5070(D)(3):* (Deduction Code 648) Commissions paid to a person that is engaged in transient lodging business by a person providing services or property to the customers of the person engaging in the transient lodging business are not subject to transaction privilege tax. In FY 2025, businesses deducted an estimated $5.1 million for this purpose. Had these transactions been taxable, it would have generated $252,876 in tax at a 5% rate.

*A.R.S. § 42-5070(F):* (Deduction Code 718) Obtaining lodging space or the use of lodging space for more than 29 days is not subject to transaction privilege tax. In FY 2025, businesses deducted $139.0 million for this purpose. Had these transactions been taxable, it would have generated $7.0 million at a 5% rate.

*A.R.S. § 42-5071(A)(1):* (Deduction Code 784) Leasing or renting films, tapes or slides used by theaters or movies, which are engaged in business under the amusement classification, or use by television stations or radio stations, is not subject to the transaction privilege tax under the personal property rental classification. No information is available on the value of this exemption.

*A.R.S. §§ 42-5071(A)(2), 42-5073(A)(3):* (Deduction Code 785) Events sponsored by the Arizona Coliseum and Exposition Center Board are not subject to transaction privilege tax. Data is not releasable for FY 2025.

*A.R.S. § 42-5071(A)(3):* (Deduction Code 631) Leasing or renting tangible personal property by a parent corporation to a subsidiary corporation or by a subsidiary corporation to another subsidiary of the same parent corporation if taxes were paid on the initial sale of the tangible personal property are not subject to transaction privilege tax. In FY 2025, businesses deducted $14.3 million for this purpose. Had these transactions been taxable at a 5% rate, it would have generated $718,147.

*A.R.S. § 42-5071(A)(4):* (Deduction Code 786) Operating coin operated washing, drying and dry cleaning machines or coin operated car washing machines at establishments for the use of such machines are not subject to transaction privilege tax. In FY 2025, businesses deducted an estimated $3.7 million for this purpose. Had these transactions been taxable, it would have generated $187,172 in tax at a 5% rate.

*A.R.S. § 42-5071(A)(6):* (Deduction Code 787) Leasing or renting aircraft, flight simulators or similar training equipment to students or staff by nonprofit, accredited educational institutions that offer associate or bachelor's degrees in aviation or aerospace related fields. Data for this tax expenditure is not releasable for FY 2025.

*A.R.S. § 42-5071(A)(7):* (Deduction Code 651) Leasing or renting photographs, transparencies or other creative works used by this state on internet web sites, in magazines or in other publications that encourage tourism. Data is not releasable on the value of this tax expenditure for FY 2025.

*A.R.S. § 42-5071(A)(8):* (There is no deduction code for this exemption) Leasing or renting certified ignition interlock devices installed pursuant to the requirements prescribed by section 28-1461. No data is available on the value of this exemption.

*A.R.S. § 42-5071(A)(10):* (Deduction Code 774) Leasing or renting billboards that are designed, intended or used to advertise or inform and that are visible from any street, road or other highway. Data is not releasable on the value of this tax expenditure for FY 2025.

*A.R.S. § 42-5071(B)(1):* (Deduction Code 656) Reimbursements by a lessee to the lessor of a motor vehicle for payments by the lessor of the applicable fees and taxes to the extent that such amounts are separately identified as fees and taxes and are billed to the lessee are not subject to transaction privilege tax. In FY 2025, businesses deducted $4.2 million for this purpose. At a 5% rate, this would have generated $210,853.

*A.R.S. § 42-5071(B)(4):* (Deduction Code 660) Leasing or renting a motor vehicle subject to and on which the fee has been paid under title 28 is not subject to transaction privilege tax. In FY 2025, businesses deducted $229 million for this purpose. At a 5% rate, this would have generated $11.5 million.

*A.R.S. § 42-5071(B)(5):* (Deduction Code 556) Amounts received by a motor vehicle dealer for the first month of a lease payment if the lease and the lease payment for the first month of the lease are transferred to a third party leasing company are deducted from the tax base. During FY 2025, an estimated $6.7 million was deducted from transaction privilege tax returns. At a tax rate of 5%, $333,443 would have been collected.

*A.R.S. § 42-5071(D):* (Deduction Code 680) The gross proceeds of sales or gross income from the lease or rental of a motor vehicle does not include any amount attributable to the car rental surcharge under 5-839, 28-5810 or 48-4234. In FY 2025, businesses deducted $117,125 for this purpose. At a 5% rate, this would have generated $5,856.

*A.R.S. § 42-5071(F):* (Deduction Code 808) The tax base of the personal property rental classification does not include the gross proceeds or gross income received by a shared vehicle owner from a peer-to-peer car sharing program pursuant to section 42-5009, subsection R. For FY 2025, data is not releasable on the value of this deduction.

*A.R.S. § 42-5072(C):* (Deduction Code 652) Freight charges included in the sales price of any non-metalliferous mineral product are subtracted from the taxable base under the mining classification of the transaction privilege tax. In FY 2025, businesses deducted $3.0 million for this purpose. At a 5% rate, this would have generated $149,971.

*A.R.S. § 42-5072(E):* (Deduction Code 658) Process costs included in the sales price of any non-metalliferous mineral product are subtracted from the taxable base under the mining classification of the transaction privilege tax when the product is shipped out of state. Data is not releasable on the value of this tax expenditure for FY 2025.

*A.R.S. § 42-5073(A)(2):* (Deduction Code 657) Private or group instructional activities including performing arts, martial arts, gymnastics and aerobic instruction are not subject to transaction privilege tax. In FY 2025, businesses deducted $40.8 million for this purpose. At a 5% rate, this would have generated $2.0 million.

*A.R.S. § 42-5073(B)(1):* (Deduction Code 527) The gross proceeds of sales or gross income derived from membership fees, which provide for the right to use a health or fitness establishment or a private recreational establishment for 28 days or more are exempt from transaction privilege tax. In FY 2025, businesses deducted $345.4 million for this purpose. At a 5% rate, this would have generated $17.3 million.

*A.R.S. § 42-5073(A)(4):* (There is no deduction code for this exemption) A musical, dramatic or dance group or a botanical garden, museum or zoo that qualifies as a nonprofit charitable organization is exempt from transaction privilege tax under the amusements classification. Information about this exemption is not available.

*A.R.S. § 42-5073(A)(7):* (There is no deduction code for this exemption.) Sales of admissions to intercollegiate football contests if the contests are operated by a nonprofit organization are exempt from transaction privilege tax. Information about this exemption is not available.

*A.R.S. § 42-5073(A)(8):* (There is no deduction code for this exemption) Fees and assessments received by a homeowners organization from members or guests of members are not taxable under the amusement classification. The value of this exemption is not available.

*A.R.S. § 42-5073(A)(10):* (There is no deduction code for this exemption) Arranging an amusement activity as a service to a person's customers if that person is not otherwise engaged in the business of operating or conduction of an amusement is not taxable under the amusement classification. The value of this exemption is not available.

*A.R.S. § 42-5073(B)(2):* (Deduction Code 661) All of the amounts received in a pari-mutuel pool are exempt from transaction privilege tax. Data is not releasable on the value of this tax expenditure for FY 2025.

*A.R.S. § 42-5073(B)(3):* (Deduction Code 666) The gross proceeds of sales or gross income derived from membership fees that provide for the right to use a transient lodging recreational establishment for 28 days or more are not subject to transaction privilege tax. Data is not releasable on the value of this tax expenditure for FY 2025.

*A.R.S. § 42-5073(B)(4):* (Deduction Code 670) The gross proceeds of sales or gross income derived from sales under the transient lodging classification for amusement sales to another person are not subject to the transient lodging transaction privilege tax. Data is not releasable on the value of this tax expenditure for FY 2025.

*A.R.S. § 42-5073(B)(5)(c):* (Deduction Code 702) The gross proceeds of sales or gross income derived from business activity that is arranged by a person who is subject to tax and that is taxable to another person who conducts the activity is not subject to transaction privilege tax under these sections. In FY 2025, businesses deducted an estimated $2.7 million for this deduction. Had these transactions been taxable, they would have generated $134,596 in tax.

*A.R.S. § 42-5073(B)(6)(b):* (Deduction Code 735) The gross proceeds of sales or gross income derived from entry fees paid by participants for events that are operated or conducted by nonprofit organizations that are exempt from taxation under section 501(c)(3) of the internal revenue code and of which no part of the organization's net earnings inures to the benefit of any private shareholder or individual, if the event consists of a run, walk, swim or bicycle ride or a similar event, or any combination of these events. Data is not releasable on the value of this tax expenditure for FY 2025.

*A.R.S § 42-5074:* (Deduction Code 724) Gratuities distributed 100% to servers or service employees are not subject to transaction privilege tax under the Restaurant classification. In FY 2025, businesses deducted an estimated $282.2[79] million for this purpose. Had the transactions been taxable, it would have generated $14.1 million in tax at a 5% rate.

*A.R.S. § 42-5074(B)(2):* (Deduction Code 744) Under the restaurant classification of transaction privilege tax, sales by a congressionally chartered veterans organization of food or drink prepared for consumption on the premises leased, owned or maintained by the organization are exempt from tax. In FY 2025, businesses deducted $2.2 million for this purpose. At a 5% rate, this would have generated $108,343.

[79] It is likely that this deduction is underreported.

*A.R.S. § 42-5074(B)(3):* (There is no deduction code for this exemption) Sales by churches, fraternal benefit societies and other nonprofit organizations which do not regularly engage or continue in the restaurant business for the purpose of fundraising are exempt from transaction privilege tax. No information is available on the value of this tax expenditure.

*A.R.S. § 42-5074(B)(11) and 42-5159(A)(49):* (Deduction Code 662) Food donated by a restaurant to a non-profit charitable organization that regularly serves meals to the needy on a continuing basis at no cost. In FY 2025, businesses deducted an estimated $1.6 million for this purpose. Had these transactions been taxable, it would have generated $82,210 in tax at a 5% rate.

(Deduction Code 681) Prime Contracting income from out of state projects is not subject to transaction privilege tax. In FY 2025, businesses deducted an estimated $551.4 million for this purpose. Had these transactions been taxable, it would have generated $27.6 million in tax at a 5% rate.

*A.R.S. § 42-5075(A):* (Deduction Code 562) The sale of a used manufactured building is not taxable under the prime contracting classification. For FY 2025, the value of this tax expenditure it not releasable.

*A.R.S. § 42-5075(A):* (Deduction Code 668) Sales for resale to another manufactured building dealer are not subject to transaction privilege tax. During FY 2025, an estimated $5.4 million was deducted for this purpose Had this been taxable, it would have generated $269,351 in tax at the 5% rate.

*A.R.S. § 42-5075(B):* (Deduction Code 502) While income from prime contracting is taxable, the wages and salaries paid for any labor employed in construction are not taxable. In order to accomplish this, the transaction privilege tax is imposed on 65% of the gross proceeds. During FY 2025, an estimated $14.6 billion was deducted for the 35% deduction. Had this been taxable, they would have generated $731.1 million in tax at the 5% rate.

*A.R.S. § 42-5075(B)(8):* (Deduction Codes 608, 622, 623, 624, 632, 635, 639, 644, 645, 646, 653, 654, 665, 672, 674, 675, 676, 677, 678, 679, 685, 691, 697, 706, 799) The gross proceeds or sales or gross income attributable to the purchase of machinery, equipment or other tangible personal property is exempt or deductible from other transaction privilege tax classifications is also exempt from Prime Contracting. In FY 2025, businesses deducted an estimated $4.3 billion for these purposes. At a 5% rate, these would have generated $213.0 million in tax.

*A.R.S. § 42-5075(B)(1):* (Deduction Code 518) The sale price of land included in the income from prime contracting is not subject to transaction privilege tax. In FY 2025, an estimated $1 billion was deducted for this purpose. At a 5% rate, these would have generated $50.3 million in tax.

*A.R.S. § 42-5075(B)(3):* (Deduction Code 663) The sale price of furniture, furnishings, fixtures, appliances and attachments that are not incorporated as component parts of or attached to a manufactured building or the setup site. The sale of such items may be subject to the taxes imposed under other transaction privilege tax classifications. Data is not releasable on the value of this tax expenditure for FY 2025.

*A.R.S. § 42-5075(B)(4):* (Deduction Code 667) The gross proceeds of sales or gross income received from a contract entered into for the construction, alteration, repair, addition, subtraction, improvement, movement, wrecking or demolition of any building, highway, road, railroad, excavation or other structure, project, development or improvement located in a military reuse zone for a manufacturer, assembler or fabricator of aviation or aerospace products is exempt from transaction privilege tax under the prime contracting classification. In FY 2025, an estimated $63.5 million was deducted for this purpose. At a 5% rate, these would have generated $3.2 million in tax.

*A.R.S. § 42-5075(B)(7):* (Deduction Code 600) The gross proceeds of sales that are from a contract entered into for the installation, assembly, repair or maintenance of machinery or other tangible personal property that is deducted under the retail classification A.R.S. §42-5061B and that does not become permanently attached to the structure or project is exempt from the prime contracting classification of transaction privilege tax. In FY 2025, an estimated $752.8 million was deducted for this purpose. At a 5% rate, these would have generated $37.6 million in tax.

*A.R.S. § 42-5075(B)(9):* (Deduction Code 683) Income from a contract for the construction of an environmentally controlled facility for the raising of poultry for the production of eggs and the sorting, cooling and packaging of eggs is exempt from the prime contracting classification of transaction privilege tax. Data is not releasable on the value of this tax expenditure for FY 2025.

*A.R.S. § 42-5075(B)(14):* (Deduction Code 698) Income from a contract entered into for the construction of a launch site, as defined in 14 Code of Federal Regulations section 401.5. Data is not releasable on the value of this tax expenditure for FY 2025.

*A.R.S. § 42-5075(B)(15):* (Deduction Code 673) Income from a contract entered into for the construction of a domestic violence shelter that is owned and operated by a nonprofit charitable organization. No information about this expenditure is available.

*A.R.S. § 42-5075(B)(16):* (Deduction Code 686) Gross proceeds of sales or gross income derived from contracts to perform post-construction treatment of real property for termite and general pest control, including wood destroying organisms. In FY 2025, businesses deducted an estimated $32.8 million for this purpose. Had the transactions been taxable, they would have generated $1.6 million in tax.

*A.R.S. § 42-5075(B)(17):* (Deduction Code 696) Gross proceeds of sales or gross income derived from contracts to build certain state university research infrastructure projects. No information is available on the value of this tax exemption for FY 2025.

*A.R.S. § 42-5075(B)(18):* (Deduction Code 555) Gross proceeds of sales or gross income received from a contract for the construction of any building, or other structure, project, development or improvement owned by a qualified Healthy Forest business. In FY 2025, $3.2 million was estimated to be deducted for this exemption. At a 5% state rate, this would have generated $159,046 in tax.

*A.R.S. § 42-5075(B)(19):* (Deduction Code 560) Any amount of the gross proceeds of sales or gross income from a contract that constitutes development or impact fees paid to the state or a local government to offset governmental costs of providing public infrastructure, public safety and other public services to a development. In FY 2025, $242.4 million was estimated to be deducted for this exemption. At a 5% state rate, this would have generated $12.1 million in tax.

*A.R.S. § 42-5075(B)(20):* (Deduction Code 719) The gross proceeds of sales or gross income derived from a contract entered into for the construction of a mixed waste processing facility that is located on a municipal solid waste landfill and that is constructed for the purpose of recycling solid waste or producing renewable energy from landfill waste is not subject to transaction privilege tax. Data is not releasable on the value of this tax expenditure for FY 2025.

*A.R.S. § 42-5075(B)(21):* (Deduction Code 811) The gross proceeds of sales or gross income derived from a contract to install containment structures is not subject to transaction privilege tax. For the purposes of this paragraph, "containment structure" means a structure that prevents, monitors, controls or reduces noxious or harmful discharge into the environment. Data is not releasable on the value of this tax deduction for FY 2025.

*A.R.S. § 42-5075(D):* (Deduction Code 550) Subcontractors or others who perform modification activities are not subject to tax if they can demonstrate that the job was within the control of a prime contractor or contractors or a dealership of manufactured buildings and that the prime contractor or dealership is liable for the tax on the gross income, gross proceeds of sales or gross receipts attributable to the job and from with the subcontractors or others were paid. In FY 2025, businesses deducted an estimated $22.2 billion for this purpose, the equivalent of $1.1 billion in tax. These activities, by definition, are subject to tax by another taxpayer.

*A.R.S. § 42-5075(J):* (Deduction Code 689) The gross proceeds of sales or gross income derived from a contract for lawn maintenance services are not subject to tax if the contract does not include landscaping activities. In FY 2025, businesses deducted an estimated $77.3 million for this purpose. At a 5% tax rate, this would have generated $3.9 million in tax.

*A.R.S. § 42-5075(L):* (Deduction Code 557) The portion of gross proceeds of sales or gross income attributable to the actual direct costs of providing architectural or engineering services that are incorporated in a contact is not subject to tax under the prime contracting classification. In FY 2025, businesses deducted an estimated $397.9 million for this purpose. At a 5% rate, this would have generated $19.9 million in tax.

*A.R.S. § 42-5075(N)(3):* (Deduction Code 694) Sales of manufactured buildings that are delivered to a setup site that is outside this state are not subject to transaction privilege tax. Data is not releasable on the value of this tax expenditure for FY 2025.

*A.R.S. § 42-5075(O):* (Deduction Code 690) The gross proceeds of sales or gross income attributable to a written contract for design phase services or professional services, executed before modification begins and with terms, conditions and pricing of all these services separated stated in the contract from those for construction phase services, is not subject to tax under prime contracting. In FY 2025, businesses deducted an estimated $190.7 million for this purpose. Had this been taxable, it would have generated $9.5 million in tax.

*A.R.S. § 42-5075(P):* (Deduction Code 500) The gross proceeds of sales or gross income derived from a contract with the owner of real property or improvements to real property for the maintenance, repair, replacement or alteration of existing property is not subject to tax under the prime contracting classification. Deductions taken in FY 2025 were $6.6 billion for this purpose. At a 5% rate, this would have generated $330.0 million in tax.

*A.R.S. § 42-5076(B):* (Deduction Code 793) The tax base for the online lodging marketplace classification is the gross proceeds of sales or gross income derived from the business measured by the total amount charged for an online transient lodging transaction by the online lodging operator. In FY 2025, businesses claimed an estimated $246,857 for this deduction. If these were taxable, it would have generated $12,343 in tax.

*A.R.S. § 42-5076(D):* (Deduction Code 794) The tax base for the online lodging marketplace classification does not include the gross proceeds of sales or gross income derived from charges to an occupant who is a transient as defined in section 42-5070 for the occupancy of any lodging accommodation in this state that is classified for property tax purposes under section 42-12001. For FY 2025, the value of this tax expenditure is not releasable.

*A.R.S. § 42-5122:* (Deduction Code 530) The sale of a motor vehicle is exempt from transaction privilege tax if the buyer is an enrolled member of an Indian tribe who resides on the Indian reservation established

for that tribe. In FY 2025, an estimated total of $333.8 million was deducted for this exemption. An additional $16.7 million would have been collected at the 5% rate.

*A.R.S. § 42-5159(A)(2):* (Deduction Code 684) The sale or use of tangible personal property which has already been subjected to an excise tax at a rate equal to or exceeding the tax imposed by this article under the laws of another state of the United States is not subject to transaction privilege tax. If the excise taxes imposed by another state is at a rate less than the tax imposed by Arizona, the tax imposed by Arizona is reduced by the amount of the tax already imposed by the other state. In FY 2025, businesses claimed an estimated $5.2 million for this deduction. If these were taxable, it would have generated $259,306 in tax.

*A.R.S. § 42-5159(A)(4):* (Deduction Code 687) Tangible personal property that directly enters into and becomes an ingredient or component part of any manufactured, fabricated or processed article, substance or commodity for sale in the regular course of business is not subject to transaction privilege tax. In FY 2025, businesses deducted an estimated $4.7 million for this purpose. Had this been taxable, it would have generated $232,675 in tax.

*A.R.S. § 42-5159(A)(10):* (Deduction Code 693) Use tax does not apply for tangible personal property not exceeding $200 in any one month purchased by an individual at retail outside the continental limits of the United States for personal use and enjoyment. Data is not releasable on the value of this tax expenditure for FY 2025.

*A.R.S. § 42-5159(A)(11):* (Deduction Code 688) Advertising supplements that are intended for sale with newspapers published in this state and that have already been subjected to an excise tax under the laws of another state in the United States that equals or exceeds the tax imposed by this article is not subject to transaction privilege tax. Data is not releasable on the value of this tax expenditure for FY 2025.

*A.R.S. § 42-5159(A)(13)(i):* (Deduction Code 695) Tangible personal property purchased by a nonprofit charitable organization that has qualified under section 501(c)(3) of the internal revenue code if the property is purchased from the parent or an affiliate organization that is located outside this state is not subject to transaction privilege tax. In FY 2025, businesses deducted an estimated $5.9 million for this purpose. Had this been taxable, it would have generated $293,352 in tax.

*A.R.S. § 42-5159(A)(32):* (Deduction Code 703) Motor vehicles that are removed from inventory and are provided to charitable or educational institutions or state universities or their affiliated organizations are exempt from use tax. Data is not releasable on the value of this tax expenditure for FY 2025.

*A.R.S. § 42-5159(A)(38):* (Deduction Code 705) Use tax does not apply to tangible personal property that is or directly enters into and becomes an ingredient or part of cards used as prescription plan identification cards. Data is not releasable on the value of this tax expenditure for FY 2025.

*A.R.S. § 42-5159(A)(45):* (Deduction Code 563) Use tax does not apply to liquefied natural gas used to fuel compressor equipment. Data is not releasable on the value of this tax exemption in FY 2025.

*A.R.S. § 42-5159(A)(47):* (Deduction Code 707) Tangible personal property purchased to be incorporated or installed as part of environmental response or remediation activities under prime contracting is not subject to transaction privilege tax. Data is not releasable on the value of this tax expenditure for FY 2025.

*A.R.S. § 42-5159(D)(2):* (Deduction Code 709) The purchase price of electricity bought by a retail electric customer from a utility is not subject to use tax if the transaction was subject to tax under the utilities classification. Data is not releasable on the value of this tax expenditure for FY 2025.

*A.R.S. § 42-5159(G)(1), 42-5063(C)(6):* (Deduction Code 710) Purchases of electricity or natural gas by a business that is principally engaged in manufacturing or smelting operations and that uses at least 51% of the electricity or natural gas in the manufacturing or smelting operations are not subject to use tax. In FY 2025, businesses deducted an estimated $972.6 million for this purpose. Had this been taxable, it would have generated $48.6 million in tax.

*A.R.S. § 42-5159(G)(2), 42-5063(C)(7):* (Deduction Code 783) Purchases of electricity or natural gas by a business that operates an international operations center in this state and that is certified by the Arizona Commerce Authority pursuant to section 41-1520 is not subject to use tax. Data is not releasable on the value of this tax expenditure for FY 2025.

*A.R.S. § 42-5167:* (Deduction Code 692) Sales by an out of state vendor to a Direct Pay permit holder are not subject to use tax. In FY 2025, businesses deducted $21.6 million for this purpose. Had this been taxable, it would have generated $1.1 million in tax.

*A.R.S. § 42-5402(B):* (Deduction Code 564) The seller of a prepaid wireless telecommunications product is allowed to retain 3% of the amount of tax collected before remitting the tax to the department. In FY 2025, businesses deducted $4.1 million for this purpose. Had this been taxable, it would have generated $205,409 in tax.

*R15-5-1503:* (Deduction Code 593) Gross receipts from leasing or renting tangible personal property are not taxable if the property is shipped or delivered outside of the state and intended, at the inception of the lease, for use exclusively outside of the state. In FY 2025, businesses deducted $77.7 million for this purpose. Had this been taxable, it would have generated $3.9 million in tax.

## SUMMARY OF TRANSACTION PRIVILEGE AND USE TAX EXPENDITURES - FISCAL YEAR 2025

**PREFERENTIAL TAX RATES:**

| | |
|---|---|
| Non-metalliferous Mining; Oil and Gas Production | $5,326,957 |
| Commercial lease | $792,034,548 |
| **TOTAL VALUE OF PREFERENTIAL TAX RATES** | **$797,361,505** |

**CREDITS:**

| | |
|---|---|
| Accounting credit | **$36,954,461** |

**TRANSACTION PRIVILEGE AND USE TAX EXEMPTIONS – SAMPLE OF SERVICES [80]:**

***PROFESSIONAL, SCIENTIFIC AND TECHNICAL SERVICES:***

| | |
|---|---|
| Legal | $203,592,274 |
| Accounting, Tax Preparation, Bookkeeping and Payroll Services | 128,911,656 |
| Architectural, engineering, and related services | 278,407,807 |
| Specialized Design Services | 21,203,563 |
| Computer System Design and Related Services | 370,810,315 |
| Management, scientific, and technical consulting services | 188,722,572 |

[80] At the time of this publication, the census.gov website was inaccessible due to a federal government shutdown. The figures represented here were derived from data obtained prior to the shutdown and are subject to change upon resumption of the site's operations and the release of updated information.

| | |
|---|---|
| Scientific research and development services | 53,302,958 |
| Advertising, Public Relations and Technical Services | 49,599,727 |
| Other Professional, Scientific and Technical Services | 101,412,085 |
| **TOTAL VALUE OF PROFESSIONAL, SCIENTIFIC AND TECHNICAL SERVICES** | **$1,395,962,956** |

***HEALTH CARE SERVICES:***

| | |
|---|---|
| Physicians | $562,005,267 |
| Dentists | 156,428,811 |
| Chiropractors | 17,384,877 |
| Optometrists | 18,876,825 |
| Mental Health Practitioners | 9,772,688 |
| Physical, Occupational and Speech Therapists | 37,008,107 |
| All Other Health Practitioners | 28,185,338 |
| Outpatient Care Centers | 217,909,714 |
| Medical and Diagnostic Labs | 85,874,064 |
| Home Health Services | 78,416,537 |
| Other Ambulatory Health Services | 98,991,651 |
| General Medical and Surgical Hospitals | 1,145,679,477 |
| Nursing Care Facilities | 76,548,346 |
| Residential Intellectual and Developmental Disability, Mental Health, and Substance Abuse Facilities | 56,366,251 |
| Continuing Care Retirement Facilities and Assisted Living Facilities | 83,476,993 |
| Other Residential Care Facilities | 6,682,119 |
| Individual and Family Services | 116,868,663 |
| Community Food and Housing, and Emergency and Other Relief Services | 49,058,042 |
| Child Day Care Services | 31,572,698 |
| **TOTAL VALUE OF HEALTH CARE SERVICES** | **$2,877,106,468** |

***ADMINISTRATIVE AND BUSINESS SUPPORT SERVICES:***

| | |
|---|---|
| Office Administrative | $66,195,960 |
| Facilities Support | 49,970,885 |
| Employment Services | 385,789,924 |
| Business Support | 109,063,093 |
| Travel Arrangement and Reservation | 419,410,078 |
| Investigation and Security | 60,901,297 |
| Services to Building and Dwellings | 208,393,431 |
| Other Support Services | 54,746,075 |
| Waste Collection | 70,755,207 |
| Waste Treatment and Disposal | 19,660,876 |
| Remediation and other waste management services | 20,408,189 |
| **TOTAL VALUE OF ADMINISTRATIVE AND BUSINESS SUPPORT SERVICES** | **$1,465,295,015** |

***PERSONAL CARE SERVICES:***

| | |
|---|---|
| Barber | $1,501,506 |
| Beauty Salons | 28,534,359 |

| | |
|---|---|
| Nail Salons | 7,794,059 |
| Diet and Weight Reducing Centers | 2,238,001 |
| Other Personal Care | 11,906,600 |
| Death Care Services | 13,286,520 |
| Personal and Laundry Services | 30,744,528 |
| Pet Care (not Veterinary) | 6,795,448 |
| Photofinishing | 1,460,612 |
| Parking lot/Garages | 8,007,485 |
| Other Personal Services | 79,402,775 |
| **TOTAL VALUE OF PERSONAL SERVICES** | **$191,671,894** |

***EDUCATIONAL SERVICES:***

| | |
|---|---|
| Business School/Computer/Management Training | $12,724,773 |
| Technical and Trade Schools | 38,044,379 |
| Other Schools and Instruction | 20,976,271 |
| Education Support Services | 18,764,360 |
| **TOTAL VALUE OF EDUCATIONAL SERVICES** | **$90,509,783** |

***FINANCIAL SERVICES:***

| | |
|---|---|
| Credit Unions | $64,151,738 |
| Sales Financing | 164,329,861 |
| Mortgage and Nonmortgage Loan Brokers | 29,599,719 |
| Financial Transaction Processing and Clearing | 88,633,382 |
| Other Activities Related to Credit Intermediation | 31,318,946 |
| Securities Brokerage | 150,295,268 |
| Portfolio Management | 78,344,312 |
| Investment Advice | 43,666,908 |
| Other Financial Investment Activities | 2,379,465 |
| **TOTAL VALUE OF FINANCIAL SERVICES** | **$652,719,600** |

***OTHER SERVICES:***

| | |
|---|---|
| Automotive Repair and Maintenance | $160,659,506 |
| Electronic and Precision Repair and Maintenance | 12,462,015 |
| Commercial, Industrial Machinery Repair and Maintenance | 42,143,993 |
| Personal and Household Goods Repair and Maintenance | 12,515,696 |
| Religious, Grantmaking, Civic, Professional and similar Organizations | 177,366,590 |
| **TOTAL VALUE OF OTHER SERVICES** | **$405,147,800** |

***TRANSACTION PRIVILEGE AND USE TAX EXEMPTIONS – ALL OTHER:***

| | |
|---|---|
| Wholesale trade (503) | $10,331,159,035 |
| Cash discounts (708)[81] | 42,237,033 |
| Trade-ins (711) | 190,780,241 |
| Services provided by a retailer (549) | 745,085,356 |

[81] It is likely that this deduction is under reported.

| | |
|---|---|
| Business activity on a Reservation for an Enrolled Native American or Tribal entity (570) | 38,944,113 |
| Sale of postage stamps at face value (716) | 326,670 [82] |
| Sales to Foreign diplomats (777) | DNR[83] |
| Sales made through another's Marketplace (804) | 30,665,320 |
| Sale of warranty or service contracts (542) | 78,055,667 |
| Sale of tangible personal property by a nonprofit organization (725) | 1,152,833 [84] |
| Sale of an aircraft sold to a carrier, government or nonresident (507) | 5,535,853 |
| Sale of stocks and bonds (no deduction code) | NIA[85] |
| Prescription drugs and medical oxygen (536) | 2,321,415,549 |
| Prosthetic appliances (559) | 28,166,064 |
| Insulin, insulin syringe and glucose test strips (533) | 356,328[86] |
| Prescription eyeglasses and contact lenses (590) | 3,800,401 |
| Hearing aids (594) | 2,457,452 |
| Durable medical equipment (526) | 36,160,131 |
| Sales to nonresidents for use outside Arizona if the property is shipped or delivered outside the state (541) | 77,225,896 |
| Sales to nonresidents of a trailer or semitrailer has a gross vehicle weight rating of more than ten thousand pounds, is used or maintained to transport property in the furtherance of interstate commerce and otherwise meets the definition of commercial motor vehicle as defined in section 28-5201 (810) | DNR[87] |
| Food for home consumption (506 and 513) | 960,818,211 |
| Textbooks that are required by any state university or community college (505) | 2,386,627 |
| Meals provided to Employee of restaurants (568) | 19,365 |
| Food used in school lunches (569) | 5,179,683 |
| Sale of Arizona lottery tickets (521) | 12,242,482[88] |
| Precious metal bullion and monetized bullion (567 and 601) | 10,735,322 |
| Sales of vehicle fuel and aviation fuel (515) | 672,302,931 |
| Tangible personal property sold to Personal property leasing business to lease (571) | 11,805,859 |
| Tangible personal property sold in interstate or foreign commerce (504) | 526,014,723 |
| Tangible personal property sold to a qualifying hospital or a qualifying health care organization or sold to or purchased by qualifying community health centers and health care organizations (545, 546, 572, 574) | 116,887,261 |
| Tangible personal property sold to a nonprofit organization which regularly serves meals to the needy and indigent (544) | 4,421,373 |
| Tangible personal property sold to a nonprofit organization which provides housing for low-income persons over 62 years of age (573) | DNR |

[82] It is likely that this deduction is under reported.
[83] Data Not Releasable.
[84] This is likely overstated.
[85] No Information Available.
[86] It is likely that this deduction is under reported.
[87] Data Not Releasable.
[88] It is likely that this deduction is under reported.

| | |
|---|---|
| Tangible personal property sold to Qualifying Health Sciences Educational Institution (699) | 84,581 |
| Magazines or other periodicals or publications to encourage tourist travel (602) | DNR |
| Sale of articles to a contractor for incorporation or fabrication under a contract or for environmental response or remediation (552 and 589) | 42,191,259 |
| Tangible personal property sold to a Subcontractor for incorporation into a Prime Contracting project (584) | 3,395,367 |
| Exempt motor vehicle sales for certain nonresidents (580) | 419,392 |
| Exempt motor vehicle sales for Native Americans (530) | 16,690,446 |
| Tangible personal property purchased by a nonprofit charitable organization that uses such property for training, etc., for mentally or physically handicapped persons (575) | 77,667 |
| Tangible personal property sold by a nonprofit organization associated with a major league baseball team or a national touring professional golf association (762) | 123,064 |
| Tangible personal property sold by a nonprofit organization associated with a rodeo featuring primarily farm and ranch animals (763) | 3,120 |
| Sales of commodities under futures contracts consigned to a warehouse for resale (583) | 625,528 |
| Seeds, seedlings, etc., to commercially produce agricultural, horticultural, viticultural or floricultural crops in Arizona (537) | 10,468,241 |
| Machinery, equipment and certain supplies used to assist the physically or developmentally disabled or those persons with head injuries (525) | 4,751,273 |
| Sales of natural gas or liquefied petroleum gas used to propel a vehicle (509) | 9,345,596 |
| Paper machine clothing used or consumed in paper manufacturing (586) | NIA[89] |
| Machinery, equipment, utility product, materials and other tangible personal property used to construct a qualified environmental technology facility (607) | DNR[90] |
| Sales of coal, petroleum, coke, natural gas, virgin fuel oil and electricity to an environmental technology facility (511) | 101,207 |
| Sales of liquid, solid or gaseous chemicals used in manufacturing, processing, fabricating, mining, refining, metallurgical operations or research or development (510) | 5,743,541 |
| Sales of food or drink consumed on the premises of a jail or prison (514) | 1,695,290 |
| Motor vehicles and any tangible personal property or repair that becomes a part of the motor vehicles sold to a licensed motor operator that lease or rent the property (528) | 7,584,378 |
| Livestock, poultry feed, salts, vitamins for livestock or poultry consumption (520) | 21,806,307 |
| Sale or purchase of implants used as growth promotants and injectable medicine (516) | 107,686 |
| Sales of motor vehicles at auction to nonresidents of Arizona for use outside Arizona (529) | 2,522,197 |
| Personal hygiene products which are furnished to and to be consumed by hotel occupants (534 and 566) | DNR |
| Sales or purchases of alternative fuel to a used oil fuel burner (587) | DNR |

[89] No Information Available.

[90] Data Not Releasable.

| | |
|---|---|
| Printed, photographic, electronic or digital media materials for use in publicly funded libraries (519) | 511,621 |
| Tangible personal property consisting of food, beverages and condiments sold to or purchase by a commercial airline (512) | 7,597 |
| Sale of new alternative fuel vehicles and conversion equipment (592) | DNR |
| Sale of spirituous, vinous or malt liquor by a liquor wholesaler (588) | 2,623,182 |
| Tangible personal property by a nonprofit that produces, organizes or promotes cultural or civic related festivals (764) | 635,001 |
| Application services designed to assess or test student learning (596) | DNR |
| Sale of motor vehicle fuel and use fuel to a Healthy Forest business (598) | NIA |
| Sale of repair parts in equipment used by a Healthy Forest business (603) | DNR |
| Sales or transfer of renewable energy credits (604) | 1,546,228 |
| Sales of computer data equipment for use in a certified computer data center (565) | 38,527,463 |
| Sales of orthodontic devices dispensed by a dental professional (582) | DNR[91] |
| Property sold to a Contractor for a MRRA project on an Indian Reservation (712) | 239,129 |
| Works of fine art sold to nonresidents and used outside of the state (773) | 482,928 |
| Machinery or equipment used directly in manufacturing, processing, fabricating, job printing, refining, or metallurgical operations (522) | 521,404,130 |
| Sale of machinery or equipment used in mining and in drilling for or extracting oil or gas from the earth (523 and 579) | 29,121,833 |
| Certain equipment used in the telecommunications industry (539) | 307,465 |
| Machinery, equipment or transmission lines used directly in producing or transmitting electrical power (524) | 43,518,270 |
| Neat animals, horses, asses, sheep, swine or goats used or to be used as breeding or production stock (605) | 164,639 |
| Pipes or valves 4” in diameter used to transport oil, natural gas, artificial gas, water or coal slurry (535) | 1,532,883 |
| Certain aircraft, navigational and communication instruments (508) | 21,758,701 |
| Machinery, tools, equipment used in repairing, remodeling or maintaining aircraft, aircraft engines or aircraft component parts (532) | 771,548 |
| Railroad rolling stock, rails, ties and signal control equipment used to transport persons or property for hire (576) | 235,579 |
| Buses or other urban mass transit vehicles used to transport persons for hire or pursuant to a governmentally adopted and controlled urban mass transportation program (606) | 1,496,847 |
| Certain groundwater measuring devices and their installation (581) | 177,392 |
| New machinery and equipment used for commercial production of agricultural, horticultural, viticultural and floricultural crops (585) | 12,095,647 |
| Machinery or equipment used in research and development (553) | 4,791,158 |
| Tangible personal property used by a direct broadcast satellite television or data transmission service or facility (591) | DNR |
| Clean rooms used for manufacturing, processing, fabrication or research and development (595) | 98,457,235 |

[91] Data Not Releasable.

| | |
|---|---|
| Machinery or equipment for poultry and egg production (577) | DNR |
| Machinery and equipment used by agriculture to prevent, monitor, control or reduce pollution (597) | DNR |
| Machinery and equipment to prevent pollution for farming and ranching (599) | DNR |
| Digital television machinery and equipment purchases for compliance with the Telecommunications Act of 1996 (578) | DNR |
| Machinery and equipment sold or rented to a healthy forest certified business (554) | DNR |
| Federal luxury excise tax on heaving trucks and trailers (609) | 42,901 |
| Sales made to the U S Government by a manufacturer, modifier, assembler or repairer (547) | 44,327,178 |
| Sales of component parts made to a manufacturer, modifier, assembler or repairer for sale to the U S Government (543) | 15,226,943 |
| Sales of overhead materials used in a contract between the U S Government and a manufacturer, modifier, assembler or repairer (611) | 61,960 |
| 50% of retail sales made to U S Government; 100% of Use Tax (548) | 22,274,828 |
| Gross income from motor vehicle manufacturer's cash rebates if assigned to the retailer (501) | 21,578,906 |
| Gross income derived from the waste tire disposal fee (613) | 556,064 |
| Sales of solar energy devices (538) | 41,375,828 |
| Sales of wireless telecommunication equipment as an inducement to enter into or continue a contract for telecommunication services or sales commissions received (614) | 299,304 |
| Sales of motor vehicle to a nonresident from a state with a lower tax rate (531) | 13,463,846 |
| Transportation by vehicles subject to fees paid to MVD (715) | 3,607,235 |
| Transportation network company's income or fees or driver's income (772) | DNR[92] |
| Vehicle for hire company's income or driver's income (778) | 383,615 |
| Transportation of persons by air if taxation is prohibited by Federal Law (615) | DNR |
| Ambulances or ambulance services (no deduction code) | NIA[93] |
| Public transportation services for dial-a-ride programs and special needs transportation services (no deduction code) | NIA |
| Gross proceeds for transporting freight or property by an exclusively Arizona railroad for portions of single shipments involving other railroads (616) | DNR |
| Gross proceeds for arranging transportation as a convenience or service to a customer if the business is not engaged in the transportation business (no deduction code) | NIA |
| Gross proceeds of sales or gross income derived from transporting for hire persons, freight or property by a railroad pursuant to a contract with another railroad (620) | DNR |
| Sales taxed under another business code (640) | 766,740 |
| Sales of transportation or amusement activities arranged by another business that is exempt (612) | 7,024,325 |

[92] Data Not Releasable.

[93] No Information Available.

| | |
|---|---|
| Sales of transportation or amusement activities arranged and taxed by another (702) | 134,596 |
| Gross proceeds of sales or gross income derived from sales of machinery and equipment used directly for energy storage for later electrical use (809) | 3,230,629 |
| Gross proceeds of sales or gross income derived from transporting fertilizer by a railroad from a point in Arizona to another point in Arizona (625) | NIA |
| Sales of electric services to a retail electric customer who is located outside Arizona for Delivery and use outside Arizona (617) | NIA |
| Rental of space on utility poles (759) | 25,775 |
| Sales from transfer of electricity by a retail electric customer to an electric distribution system (618) | DNR |
| Development fees charged by a municipally owned utility (621) | DNR |
| Revenue received by any person owning a utility system in the form of reimbursement or compensation for property and equipment installed to provide utility access to, on or across land of any actual utility consumer (626) | DNR |
| Interstate sales of electricity, natural gas and water | NIA |
| Interstate telecommunications services (643) | 415,182[94] |
| Sales of intrastate telecommunications services by a cable television system or by a microwave television transmission system (no deduction code) | NIA |
| Sales of internet access services (517) | 962,322[95] |
| Sales of Over the Top services (789) | DNR[96] |
| Sales of intrastate telecommunications services to a direct broadcast satellite television or data transmission service (619) | DNR |
| End-user common line charges and carrier access charges established by federal communications regulations (641 and 627) | DNR |
| Sales of direct broadcast satellite television services (633) | DNR |
| Telecommunications services purchased with a prepaid calling card (649) | DNR |
| Manufacturing or publishing books (no deduction code) | NIA[97] |
| Gross income of publications derived from advertising (628) | Included in services |
| Sales to a person distributing printing, engraving, embossing or copying without consideration in connection with the publication of a newspaper or magazine (630) | DNR |
| Sales of job printing, engraving, embossing and copying for use outside Arizona if the materials are shipped or delivered out of the state (637) | 3,834,799 |
| Sales of postage and freight (561) | 1,449,333 |
| Leasing a mobile home for more than 29 days (629) | 2,146,435 |
| Leasing or renting 4 or fewer rooms of an owner-occupied residence bed and breakfast with less than 50% average annual occupancy (636) | 48,941 |
| Online Lodging Operator Income from registered Online Lodging Marketplace (775) | 12,594,092 |
| Transient lodging sales or activities that are exempt (704) | 2,338,834 |

[94] It is likely that this deduction is under reported.
[95] It is likely that this deduction is under reported.
[96] Data Not Releasable.
[97] No Information Available.

| | |
|---|---|
| Transient lodging sales or activities that are exempt under the Amusement or Transporting classifications (701) | 14,099 |
| Commissions paid in the Transient Lodging classification (648) | 252,876 |
| Transient lodging sales for lodging for more than thirty days (718) | 6,952,257 |
| Leasing films, tapes or slides used by theaters or movies or used by television stations or radio stations (784) | NIA |
| Amusement activities sponsored by the Arizona exposition and state fair board (785) | DNR |
| Lease of tangible personal property by a parent to a subsidiary or by a subsidiary to another subsidiary (631) | 718,147 |
| Operating coin-operated washing, drying and dry cleaning machines or car washing machines (786) | 187,172 |
| Leasing or renting aircraft or training equipment by a nonprofit school offering aviation and aerospace degrees (787) | DNR |
| Leasing or renting photographs, transparencies, etc. used by Arizona on the internet, in magazines or other publications encouraging tourism (651) | DNR |
| Leasing for billboards that are visible from any street (774) | DNR |
| Leasing or renting certified ignition interlock devices (no deduction code) | NIA |
| Vehicle registration fee reimbursements (656) | 210,853 |
| Leasing or renting a motor vehicle if the motor carrier fee has been paid (660) | 11,451,059 |
| Amounts received by a motor vehicle dealer for the 1st month of a lease payment if the lease is transferred to a third party (556) | 333,443 |
| Car rental surcharge charges (680) | 5,856 |
| Gross proceeds or gross income received by a shared vehicle owner from a peer-to-peer car sharing program (808) | DNR |
| Freight charges relating to non-metalliferous mineral products (652) | 149,971 |
| Process cost on non-metalliferous mineral products shipped out of state (658) | DNR[98] |
| Private or group instructional activities (657) | 2,040,380 |
| Monthly membership fees (527) | 17,267,856 |
| Musical, dramatic or dance groups or a botanical garden, museum or zoo that qualifies as a nonprofit charitable organization (no deduction code) | NIA[99] |
| Sales of admissions to intercollegiate football contests (no deduction code) | NIA |
| Fees and assessments received by a homeowners organization (no deduction code) | NIA |
| Arranging an amusement activity as a service to a person's customers (no deduction code) | NIA |
| Pari-mutuel and purse monies (661) | DNR |
| Transient Lodging recreational establishment membership fees (666) | DNR |
| Sale to transient lodging business for resale (670) | DNR |
| Entry fees for 501c3 organizations' run, walk, swim, ride, or similar events (735) | DNR |
| Gratuities distributed to servers or service employees (724) | 14,111,879[100] |
| Sales by Congressionally-chartered veterans organization of food or drink (744) | 108,343 |

[98] Data Not Releasable.

[99] No Information Available.

[100] It is likely that this deduction is under reported.

| | |
|---|---|
| Sales by churches, fraternal benefit societies and other nonprofit organizations which don't regularly engage or continue in the restaurant business for the purpose of fundraising (no deduction code) | NIA |
| Restaurant donations to a nonprofit which regularly serves meals to the needy and indigent (662) | 82,210 |
| Prime Contracting income from out of state projects (681) | 27,569,245 |
| Sale of used manufactured buildings (562) | DNR |
| Sale for resale to another manufactured building dealer (668) | 269,351 |
| 35% Deduction from Prime Contracting Base (502) | 731,128,772 |
| Purchase by a Prime Contractor of machinery, equipment or other tangible personal property that is exempt under another classification (608, 622, 623, 624, 632, 635, 639, 644, 645, 646, 653, 654, 665, 672, 674, 675, 676, 677, 678, 679, 685, 691, 697, 706, 799) | 213,021,242 |
| Land Deduction (518) | 50,300,911 |
| Furniture and Appliances not incorporated into a Manufactured building (663) | DNR |
| Contracting in a military reuse zone for a manufacturer, assembler or fabricator of aviation or aerospace products (667) | 3,175,933 |
| Gross proceeds of sales from a contract to install, assemble, repair or maintain machinery that does not become permanently attached (600) | 37,638,717 |
| Income from contracts for construction of facilities for raising egg producing poultry or the production and packaging of eggs (683) | DNR |
| Income from contracts for construction of a launch site (698) | DNR |
| Income from contracts for construction of a domestic violence shelter (673) | NIA |
| Gross proceeds from contracts to perform post-construction treatment of real property for termite and general pest control (686) | 1,640,727 |
| Gross proceeds from contracts to certain state university research infrastructure projects (696) | NIA |
| Gross proceeds from construction contracts for healthy forest business (555) | 159,046 |
| Gross proceeds from development or impact fees (560) | 12,119,868 |
| Gross proceeds from construction of a mixed waste processing facility located on a municipal solid waste landfill (719) | DNR[101] |
| Gross proceeds derived from a contract to install containment structures (811) | DNR |
| Subcontracting income (550) | 1,109,603,829 |
| Lawn maintenance services (689) | 3,865,527 |
| Cost of architectural or engineering service (557) | 19,894,189 |
| Manufactured building delivered out of state (694) | DNR |
| Construction Design phase or professional services (690) | 9,536,397 |
| Maintenance, repair, replace or alteration contract with a property owner (500) | 330,023,995 |
| Online Lodging Marketplace revenue from commissions (793) | 12,343 |
| Online Lodging Marketplace revenue from Class 1 property (794) | DNR |
| Credit for tax paid to an equivalent jurisdiction (684) | 259,306 |
| Component parts for a manufactured product for resale (687) | 232,675 |
| Tangible personal property not exceeding $200 purchased by an individual at retail outside the continental U.S. – USE TAX ONLY (693) | DNR |
| Advertising Supplements (688) | DNR |

[101] Data Not Releasable.

| | |
|---|---|
| Tangible personal property purchased by a nonprofit charitable organization from the parent or affiliate organization located out of state – USE TAX ONLY (695) | 293,352 |
| Motor vehicles removed from inventory and provided to charitable or educational institutions or state universities or their affiliated organization – USE TAX ONLY (703) | DNR |
| Tangible personal property which directly enters into or becomes an ingredient or part of cards used as prescription plan identification cards – USE TAX ONLY (705) | DNR |
| Liquefied natural gas used to fuel compressor equipment – USE TAX ONLY (563) | DNR |
| Tangible personal property exempt under the Utility classification (707) | DNR |
| Purchase price of electricity bought by a retail electric customer from a utility when tax is paid under utility classification (709) | DNR |
| Purchase price of electricity or natural gas by a manufacturer or smelting operations (710) | 48,631,724 [102] |
| Purchase price of electricity or natural gas by a business that operates an international operations center that is certified by the Arizona Commerce Authority (783) | DNR |
| Sales to Direct Pay permit holder (692) | 1,082,394 |
| 3% of tax collected for 911 tax on prepaid wireless products (564) | 205,409 |
| Rentals of personal property shipped & used exclusively out-of-state (593) | 3,885,541 |
| Total "Data Not Releasable" (534, 554, 562, 563, 566, 573, 577, 578, 582, 587, 591, 592, 596, 597, 599, 602, 603, 607, 615, 616, 618, 619, 620, 621, 626, 627, 630, 633, 641, 649, 651, 658, 661, 663, 666, 670, 683, 688, 693, 694, 698, 703, 705, 707, 709, 719, 735, 772, 774, 777, 783, 785, 787, 789, 794, 808, 810, 811) | 28,123,790 |
| **TOTAL VALUE OF ALL OTHER TRANSACTION PRIVILEGE AND USE TAX EXEMPTIONS** | **$20,068,331,635** [103] |

**TOTAL QUANTIFIABLE TRANSACTION PRIVILEGE AND USE TAX EXPENDITURES** [104]

**$27,981,061,118**

**Value of exemptions from Education Tax Funds** **$3,357,727,334**

[102] This deduction is known to be underreported

[103] Includes the value of exemptions that were not releasable.

[104] This amount represents foregone revenue to the state general fund, counties and incorporated cities and towns.

## UNDERGROUND STORAGE TANK TAX EXPENDITURES[105]
## FISCAL YEAR 2025

**TAX COLLECTED BY:** Arizona Department of Environmental Quality
**FISCAL YEAR 2025 TOTAL STATE REVENUE COLLECTED**: $36,895,857
**TOTAL FY 2025 TAX EXPENDITURE:** $25,052
**TAX EXPENDITURE AS A PERCENT OF TOTAL REVENUE:** 0.1%

An underground storage tank tax is imposed by A.R.S. § 49-1031. For purposes of this tax, it is presumed until proven differently that all regulated substances which are motor vehicle fuel, aviation fuel and diesel and which are refined, manufactured, produced, compounded or blended in Arizona, or imported into the state, will be placed in an underground storage tank from which the fuel is dispensed to users who consume the fuel and do not further distribute it. The tax is levied at the rate of 1¢ per gallon of regulated substance. Revenue from this tax is deposited into the Arizona Department of Environmental Quality Assurance Account, used for corrective action projects.

**UNDERGROUND STORAGE TANK TAX EXEMPTIONS**

*A.R.S. § 49-1031:* Above-ground storage tanks are not subject to this tax. The owners/operators of these types of tanks are not required to register their tanks with the Department of Environmental Quality nor with the State Fire Marshal. Municipalities regulate these types of tanks in their own city. Thus, due to the lack of information, it is not possible to determine the impact.

*A.R.S. § 49-1031(C):* This tax does not apply to underground storage tanks operated by the United States or Arizona and its agencies. Currently, there are 59 federal tanks in use with an average tank capacity of 12,206 gallons. There are 51 state tanks currently in use with an average tank capacity of 11,922 gallons. The Department of Environmental Quality does not require the owners/operators of these tanks to report the total number of times they are refueled.

*A.R.S. § 49-1031(C)(2):* Underground storage tanks used for the purpose of storing, handling or distributing naphtha-type jet fuel or kerosene-type jet fuel are exempt from the underground storage tank tax. Currently, there are 70 of these jet fuel tanks in use with an average tank capacity of 16,814 gallons. As with the underground storage tanks owned by the federal government and the State of Arizona, the owner/operators of these types of underground storage tanks are not required to report the number of times their tanks are refueled.

[105] Any information for Underground Storage Tank Tax Expenditures was provided by the Arizona Department of Environmental Quality.

## SUMMARY OF UNDERGROUND STORAGE TANK TAX EXPENDITURES
## FISCAL YEAR 2025

**UNDERGROUND STORAGE TANK TAX EXEMPTIONS:**

| | |
|---|---|
| Underground storage tanks operated by the U.S. or Arizona | $13,282 |
| Tanks used for Naphtha-type or kerosene-type jet fuel | 11,770 |
| Above-ground storage tanks | NIA[106] |
| **TOTAL VALUE OF VEHICLE FEE EXEMPTIONS** | **$25,052** |

**TOTAL QUANTIFIABLE UNDERGROUND STORAGE TANK TAX EXPENDITURES[107] $25,052**

[106] ADEQ does not have regulation over Above Ground Storage Tanks.

[107] This amount represents foregone revenue to the ADEQ Assurance Account. This calculation is an estimate based on the number of total gallons or capacity multiplied by $0.01. This does not include an estimate of how many times the tanks are refilled.

## UNEMPLOYMENT INSURANCE TAX EXPENDITURES[108]
## FISCAL YEAR 2025

**TAX COLLECTED BY:** Arizona Department of Economic Security
**FISCAL YEAR 2025 TOTAL STATE REVENUE COLLECTED**: $322,045,463[109]
**TOTAL FY 2025 TAX EXPENDITURE:** NIA
**TAX EXPENDITURE AS A PERCENT OF TOTAL REVENUE:** NA

Unemployment insurance taxes are paid by liable employers on the first $8,000 in gross wages they pay to each of their employees during the calendar year.

**UNEMPLOYMENT INSURANCE TAX EXEMPTIONS**

*A.R.S. § 23-622:* The following are exemptions from the definition of taxable wages:

- That part of the remuneration in excess of $8,000 paid in a calendar year to an individual by an employer with respect to employment during the calendar year, unless that part of the excess remuneration is subject to a tax, under federal law, against which credit may be taken for contributions required to be paid into a state unemployment fund by employers' subject to the federal law.
- The amount of any payment, including monies paid by an employer for insurance or annuities, made to or on behalf of an employee or his/her dependents under a plan or system established by an employer which makes provision for the employees generally on account of sickness or accident disability, medical or hospitalization expenses in connection with sickness or accident disability or death.
- The payment by an employer, without deduction from the remuneration of the employee, of the tax imposed upon an employee under §3101 of the IRC relating to federal insurance contributions with respect to remuneration paid to an employee for domestic service in a private home or for agricultural labor.
- Any payment on account of sickness or accident disability, or medical or hospitalization expenses in connection with sickness or accident disability, made by an employing unit to an employee after the expiration of six calendar months following the last calendar month in which the employee worked for such employing unit.
- Any payment made to an employee or his/her beneficiary:
    (1) from or to a trust described in §401(a) of the IRC relating to qualified pension, profit sharing and stock bonus plans which tax-exempt under §501(a) of the IRC;
    (2) under or to an annuity plan which is a plan described in §403(a) of the IRC;
    (3) under a simplified employee pension as defined in §408(k)(1) of the IRC other than contributions described in §408(k)(6) of the IRC;
    (4) under or to an annuity contract described in §403(b) of the IRC;

[108] Any information for Unemployment Insurance Tax Expenditures was provided by the Arizona Department of Economic Security.
[109] Source: 2025 Tax Handbook, Joint Legislative Budget Committee

(5) under or to an exempt governmental deferred compensation plan; as defined in §3121(v)(3) of the IRC;
(6) to supplement pension benefits under a plan or trust described in this paragraph to take into account some portion of the increase in the cost of living since retirement;
(7) Or under a cafeteria plan within the meaning of §125 of the IRC if such a payment would not be treated as wages without regard to such plan.

- Remuneration paid in any medium other than cash to an employee for service not in the course of the employing unit's trade or business.
- Remuneration paid for agricultural labor performed in any medium other than cash.
- Any tip, gratuity or service charge received by an employee, with certain exceptions.
- Remuneration which the individual receives for drill, training or other national guard or reserve activity which occurs on not more than one weekend per month.
- Remuneration paid to an employee if at the time of the payment it is reasonable to believe that a corresponding deduction is allowable under §217 of the IRC relating to moving expenses.
- Any contribution, payment or service provided by an employer which may be excluded from gross income under §120 of the IRC.
- Any payment made or benefit furnished to an employee if it is reasonable to believe that the employee will be able to exclude the payment or benefit from income under §127, relating to educational assistance, or §129, relating to dependent care assistance, of the IRC.
- The value of meals or lodging furnished by the employer if it is reasonable to believe that the employee will be able to exclude these items from income under §119 of the IRC.
- Any payment made by an employer to a survivor or the estate of a former employee after the calendar year in which the employee died.
- Any benefit provided to an employee if reasonable to believe that the employee will exclude the benefit from income under §74(c) relating to employee achievement awards, §117 relating to qualified scholarships or §132 relating to certain fringe benefits of the IRC.

*A.R.S. §§ 26-613.01(A and B), 26-613.01(H):* An employee is an individual who performs services for an employing unit and who is subject to the direction, rule or control of the employing unit as to both the method of performing the services and the result to be accomplished. This definition does not include:

- An individual who performs services as an independent contractor, business person, agent or consultant, or in a capacity characteristic of an independent profession, trade, skill or occupation.
- An individual subject to the direction, rule, control or subject to the right of direction, rule or control of an employing unit solely because of a provision of law regulating the employing unit.
- An individual or class of workers by adding language regarding affirmative treatment by the Internal Revenue Service regarding independent contractor relationships.
- An individual whose services the employing unit demonstrates are performed in the same manner as a similarly situated class of workers whose services have been exempted by the Internal Revenue Service from Federal Unemployment Tax.
- An individual or class of workers that have previously been found not to be employees in prior audits by the department, but have currently been found to be employees due to prior audit errors, will not

be treated as employees by the department for any previous time, but the employer will be required to begin reporting those workers during the next quarter.

- An individual or class of workers regarding service of a medical/healthcare professional contracting with a medical practice group/hospital that is in exempt employment if 3 criteria are met.
- An individual or class of workers regarding services of home care providers who may or may not be in exempt employment (at the election of the employer). The services of the behavioral health services, however, are not included.
- Prohibiting the department from making a determination on the following factual bases absent additional employment related facts; sole proprietorship, intellectual property, and client/customer standards.

*A.R.S. § 23-614:* Employing unit: temporary services employer: professional employer organization: definitions. Amended definitional section (I)(2) to apply to a temporary services employer who contracts to supply workers in more than one industry.

*A.R.S. § 23-615(6)(d):* Employment means any service of whatever nature performed by an employee for an employer. The following services are excluded from this definition of employment:

- Services performed in the employ of a church or convention or association of churches, or an organization operated primarily for religious purposes and which is operated, supervised, controlled or principally supported by a church or convention or association of churches.
- Services performed by a duly ordained, commissioned, or licensed minister of a church in the exercise of his or her ministry; or by a member of a religious order in the exercise of duties required by such order.
- Services performed in the employ of a governmental entity by an elected official, member of the legislature or judiciary of this state or a political subdivision, in the exercise of his or her duties.
- Services performed in the employ of a governmental entity as a member of the state National Guard or Air National Guard.
- Services performed in the employ of a governmental entity as an employee on a temporary basis in case of a fire, storm, snow, earthquake, flood or similar emergency.
- Services in the employ of a governmental entity in a position which is designated pursuant to state law as a major non tenured policy-making or advisory position, or a policy-making or advisory position of which the duties ordinarily do not require more than 8 hours per week.
- Services performed by impaired individuals who cannot be readily absorbed into the competitive labor market in a facility conducted for the purpose of providing a program of rehabilitation for such individuals.
- Services performed by an individual in an unemployment work relief or work training program financed in part or in whole by a governmental entity.
- Services performed by an inmate of a custodial or penal institution.

*A.R.S. § 23-617:* Types of exempt employment are as follows:

- Agricultural labor unless 10 or more individuals were employed for some portion of a day in 20 different weeks in a calendar year, or total cash wages of $20,000 or more were paid in a calendar quarter.
- Domestic service in a private home, local college club or local chapter of a college fraternity or sorority, unless total cash wages of $1,000 or more were paid in a calendar quarter.

- Service performed on or in connection with a vessel or aircraft not an American vessel or American aircraft, if the employee is employed on or in connection with such vessel or aircraft when outside the United States.
- Service performed by an individual in the employ of his/her children or spouse, and service performed by an individual under the age of 21 in the employ of a parent.
- Service performed in the employ of another state, or any political subdivision of another state, or an instrumentality of one or more thereof which is wholly owned by one or more other states or political subdivisions and which exercises only governmental functions, and service performed in the employ of any political subdivision of this or any other state to the extent the instrumentality, with respect to such service, is exempt under the U.S. Constitution from tax imposed by §3301 of the IRC.
- Service with respect to which unemployment compensation is payable under an unemployment compensation system established by an act of Congress.
- Service performed in a calendar quarter in the employ of an organization exempt from income tax under §501(a) or §521 of the IRC, if the remuneration for the services is less than $50.
- Service performed in the employ of a school, college or university, if the service is performed by a student enrolled and regularly attending classes at the school, college or university, or by the spouse of such a student.
- Service performed in the employ of a corporation, community chest fund or foundation, organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which insures to the benefit of a private shareholder or individual and with further qualifications.
- Services performed by a student nurse in the employ of a hospital or a nurses' training school by an individual enrolled and regularly attending classes, and service performed as an intern in the employ of a hospital by an individual who has completed a four years' course in a medical school.
- Service performed by an individual for an employing unit as an insurance agent, if paid solely by commission.
- Service performed by an individual under the age of 18 in the delivery or distribution of newspapers or shopping news, with qualifications.
- Service performed by an individual for an employing unit as a licensed real estate broker or licensed cemetery broker or a licensed real estate salesman or licensed cemetery salesman, if paid solely by commission.
- Service performed in the employ of a foreign government including service as a consular or other officer or employee or a non-diplomatic representative.
- Service performed in the employ of an instrumentality wholly owned by a foreign government if certain qualifications are met.
- Service covered by an arrangement between the department and agency charged with the administration of any other state or federal unemployment compensation law pursuant to which all services performed by an individual for an employing unit is deemed to be performed entirely within such agency's state.
- Casual labor not in the course of the employer's trade or business.

- Service performed by an individual for an employing unit as a securities salesman, if paid solely by commission.
- Service performed in the employ of a hospital if such service is performed by a patient of the hospital.
- Service performed by individuals solely to the extent that the compensation includes commissions, overrides or profits realized on sales primarily resulting from the in-person solicitation of orders for or making sales of consumer goods in the home.
- Services performed by an individual for an employing unit in the preparation of tax returns and related schedules and documents if all such services are performed for remuneration solely by way of commission.
- There is no requirement for reporting wages or remuneration for the exemptions mentioned above, therefore, no information is available on the value of these tax expenditures.

## SUMMARY OF UNEMPLOYMENT INSURANCE TAX EXPENDITURES
## FISCAL YEAR 2025

**UNEMPLOYMENT INSURANCE TAX EXEMPTIONS:**

| | |
|---|---|
| Exemptions from the definition of taxable wages | NIA[110] |
| Exemptions from the definition of employee | NIA |
| Exemptions from the definition of employment | NIA |
| **TOTAL VALUE OF UNEMPLOYMENT INSURANCE TAX EXEMPTIONS** | **NIA** |

**TOTAL QUANTIFIABLE UNEMPLOYMENT INSURANCE TAX EXPENDITURES[111] NIA**

[110] No Information Available.

[111] These expenditures represent forgone revenues to the state unemployment insurance fund.

## USE FUEL TAX EXPENDITURES[112] – FISCAL YEAR 2025

**TAX COLLECTED BY:** Arizona Department of Transportation
**FISCAL YEAR 2025 TOTAL STATE REVENUE COLLECTED**: $289,549,945[113]
**TOTAL FY 2025 TAX EXPENDITURE:** $67,335,957
**TAX EXPENDITURE AS A PERCENT OF TOTAL REVENUE:** 23%

Arizona has a two-tiered use fuel (diesel fuel) tax rate. Per A.R.S. §28-5606(B)(1) and (2), a use fuel tax is imposed on use fuel used in the propulsion of a light class motor vehicle on a highway in this state at the same rate per gallon as the motor vehicle fuel tax prescribed in subsection A of this section (18¢ per gallon), except that there is no use fuel tax on alternative fuels and a use fuel tax is imposed on use fuel used in the propulsion of a use class motor vehicle on a highway in this state at the rate of 26¢ for each gallon, except that there is no use fuel tax on alternative fuels, and use class vehicles that are exempt pursuant to section 28-5432 from the weight fee prescribed in section 28-5433 are subject to the use fuel tax imposed by paragraph 1 of this subsection. A tax of 26¢ is collected by licensed suppliers.

During FY 2025, total use fuel tax collected was $355,695,017. The primary source of revenue is from licensed suppliers. The proceeds of this tax go into the Highway User Revenue Fund and are distributed to the Department of Public Safety, Economic Strength Fund, state highway fund, counties, and incorporated cities and towns.

**PREFERENTIAL USE FUEL TAX RATES**

*A.R.S. § 28-5606(B)(3):* A use fuel tax is imposed on use fuel used in the propulsion of a motor vehicle transporting forest products in compliance with the requirements of section 41-1516 on a highway in this state at the rate of nine cents for each gallon, except that there is no use fuel tax on alternative fuels. There were no refunds for FY 2025.

*A.R.S. § 28-5614(A):* If a vendor pays the use fuel tax rate for use class motor vehicles on use fuel that is actually used in the propulsion of a light class motor vehicle on a highway in this state or that is actually used in the propulsion of a use class motor vehicle that is exempt pursuant to section 28-5432 from the weight fee prescribed in section 28-5433 on a highway in this state and for the purpose of convenience and facility only, the vendor may apply to the department for a refund of the difference between the amount of the use class motor vehicle use fuel tax paid and the amount of the light class motor vehicle use fuel tax on the same number of gallons purchased. The amount of refunds issued for FY 2025 was $22,260,897. Liquid use fuel, used for export purposes is taxed at a $0.26 per gallon rate. The amount refunded for this type of use fuel during FY 2025 was $7,282,637.

*A.R.S. § 28-5728(B):* There is a $0.02 per gallon credit for all use fuel purchased in Arizona and used outside of the state. The total amount refunded for this type of purchase during FY 2025 was $561,687.

[112] Any information for Use Fuel Tax Expenditures was provided by the Arizona Department of Transportation.

[113] Source: ADOT's FMS Financial Planning Cash Management team. The amount represents debits and credits for all Use Fuel accounts.

**EXEMPTIONS TO THE USE FUEL TAX**

*A.R.S. § 28-5610 (A)(3):* Use fuel that is sold within an Indian reservation to an enrolled member of the Indian tribe who is living on the Indian reservation established for the benefit of that Indian tribe and that is used by the enrolled member for the enrolled member's own benefit. This exemption does not apply to sales within an Indian reservation by an Indian or Indian tribe to non-Indian consumers or to Indian consumers who are not members of the Indian tribe for which the Indian reservation was established or to use fuel used to operate motor vehicles for a commercial purpose outside of the reservation on highways in this state. For the purposes of this paragraph, "Indian" means an individual who is registered on the tribal rolls of the Indian tribe for whose benefit the Indian reservation was created. The total amount refunded for this provision during FY 2025 was $63,283.

*A.R.S. § 28-5610 (A)(4):* Use fuel used solely and exclusively as fuel to operate a motor vehicle on highways in this state if the motor vehicle is leased to or owned by and is being operated for the sole benefit of an Indian tribe for governmental purposes only. No information is available on this tax expenditure.

*A.R.S. § 28-5610 (A)(6):* Use fuel sold to the United States or an instrumentality or agency of the United States. During FY 2025, $179,511 was refunded for this exemption.

*A.R.S. § 28-5610 (A)(7):* Taxable use fuel that has been accidentally contaminated so as to be unsalable as highway fuel as proved by proper documentation. During FY 2025, $886 was refunded for this exemption.

*A.R.S. § 28-5610(A)(8)(a and b):* Dyed diesel fuel, including fuel used by either of the following: (a) a farm tractor or implement of husbandry designed primarily for or used in agricultural operations and only incidentally operated or moved on a highway. (b) a road roller or vehicle that is all of the following: (i) designed and used primarily for grading, paving, earthmoving or other construction work on a highway. (ii) not designed or used primarily for transportation of persons or property. (iii) incidentally operated or moved over the highway. Refunds granted for these types of exemptions together totaled $3.0 million in FY 2025.

*A.R.S. § 28-5640:* Each supplier and permissive supplier that properly remits tax under this article may retain four-tenths of one percent of the taxes imposed by this article and collected and remitted by that supplier in accordance with this article to cover the costs of administration imposed by this article, including reporting, audit compliance and shipping paper preparation, except that the amount retained under this article shall not exceed two hundred thousand dollars in any one calendar year. The value of this provision for FY 2025 is $1.9 million.

*A.R.S. § 28-5703 (B)(1):* The base jurisdiction concept. This concept allows a licensee to report and pay motor fuel use taxes to a base jurisdiction for distribution to other member jurisdictions in which the licensee traveled and incurred motor fuel use tax liability. International Fuel Tax Agreement (IFTA) tax distributed to other states for FY 2025 is $32.1 million.

## SUMMARY OF USE FUEL TAX EXPENDITURES – FISCAL YEAR 2025

**USE FUEL PREFERENTIAL TAX RATES:**

| | |
|---|---|
| Light class and exempt vehicles use rate | $22,260,897 |
| Liquid use fuel used for export | 7,282,637 |
| Fuel purchased in Arizona and used outside the state | 561,687 |
| Fuel used to transfer forest products | 0 |
| **TOTAL VALUE OF USE FUEL TAX PREFERENTIAL TAX RATES** | **$30,105,221** |

**USE FUEL TAX EXEMPTIONS:**

| | |
|---|---|
| Farm tractors, implements of husbandry or vehicles designed and used for grading, paving, earth moving and other construction | $2,979,208 |
| Exemption due to contaminated use fuel | 886 |
| Native American refunds | 63,283 |
| Administration exemption for use fuel suppliers | 1,908,734 |
| Exemption for clean burning fuels | NIA[114] |
| Use fuel sold to the United States or an instrumentality or agency of the United States | 179,511 |
| IFTA tax distribution to other states | 32,100,000 |
| **TOTAL VALUE OF USE FUEL TAX PREFERENTIAL TAX RATES** | **$37,231,622** |

**TOTAL QUANTIFIABLE USE FUEL TAX EXPENDITURES[115]** **$67,336,843**

[114] No Information Available.

[115] This amount represents foregone revenue to the state highway fund, counties and incorporated cities and towns.

## VEHICLE LICENSE TAX EXPENDITURES[116] – FISCAL YEAR 2025

**TAX COLLECTED BY:** Arizona Department of Transportation
**FISCAL YEAR 2025 TOTAL STATE REVENUE COLLECTED**: $1,380,437,131[117]
**TOTAL FY 2024 TAX EXPENDITURE:** NIA
**TAX EXPENDITURE AS A PERCENT OF TOTAL REVENUE:** NA

Arizona imposes a vehicle license tax (article IX, section 11, Constitution of Arizona). During the first twelve months of the life of a vehicle as determined by its initial registration, the vehicle license tax is based on each one hundred dollars in value, the value of the vehicle is sixty percent of the manufacturer's base retail price of the vehicle. During each succeeding twelve month period, the vehicle license tax is based on each one hundred dollars in value, the value of the vehicle is 16.25 percent less than the value for the preceding twelve month period. The minimum vehicle license tax is $10. The proceeds of this tax are distributed to the state highway fund, counties, incorporated cities and towns, and the state general fund.

**PREFERENTIAL VEHICLE LICENSE TAX RATES**

*A.R.S. §§ 28-5804, 28-5805, 28-5806:* Three classes of motor vehicles pay lower vehicle license tax rates. Privately owned motor vehicles used as a school bus, privately owned motor vehicles used for ambulance or firefighting services, and motor vehicles powered by alternative fuels. During the first twelve months of the life of the vehicle as determined by its initial registration, the value is one percent of the manufacturer's base retail price of the vehicle. During each succeeding twelve-month period the value of the vehicle is fifteen percent less than the value of the preceding twelve-month period. The minimum tax for these vehicles is $5.00. The information on this tax expenditure is not available at this time.

**EXEMPT MOTOR VEHICLES**

Any vehicle, which is not required to be registered in Arizona, is not required to pay a vehicle license tax. Vehicles which are exempt from registration are:

*A.R.S. § 28-2153(D)(1):* Farm tractors.

*A.R.S. § 28-2153(D)(2):* Trailers used solely in the operation of a farm for transporting unprocessed fiber or forage products of a farm or any implement of husbandry designed primarily for or used in agricultural operations and only incidentally operated or moved upon a highway.

*A.R.S. § 28-2153(D)(3):* Road rollers or road machinery, including power sweepers, temporarily operating or moved upon the highway.

*A.R.S. § 28-2153(D)(4):* Vehicles operated by an owner under special provisions relating to lienholders, manufacturers, dealers and nonresidents.

*A.R.S. § 28-2153(D)(5):* Motorized or non-motorized equipment designed primarily for and used in mining operations and only incidentally operated or moved on a highway.

*A.R.S. § 28-2153(D)(6):* A motor vehicle towed by a tow truck which has been registered.

[116] Any information for Vehicle License Tax Expenditures was provided by the Arizona Department of Transportation.

[117] Source: ADOT's FMS Financial Planning Cash Management team.

*A.R.S. § 28-2153(D)(7):* A golf cart or other motor vehicle used in the operation of a golf course and only incidentally operated or moved on a highway.

*A.R.S. § 28-2153(D)(8):* Wheeled equipment, such as compressors, forklifts, portable cement mixers, tow dollies, tar pots, water trailers, welders, etc.

*Ariz. Const., art. IX, § 2:* A vehicle in the name and owned by a government agency such as the Federal, State, County, or Municipalities.

*Ariz. Const., art. IX, § 2:* A vehicle that is the property of educational, charitable and religious associations or institutions not used or held for profit.

*Ariz. Const., art. IX, § 2:* A school vehicle that is the property of educational, charitable and religious associations not used or held for profit.

*Ariz. Const., art. IX, § 2:* A vehicle owned by a widow or widower.

*Ariz. Const., art. XX, § 5:* A vehicle owned by an enrolled member of a Native American tribe who resides on the reservation.

*A.R.S. § 28-5802:* A vehicle that is acquired by financial aid from the Veteran's Administration and that is owned by a veteran.

*A.R.S. § 28-5802:* A vehicle owned by a 100% disabled veteran.

*A.R.S. § 28-5803(A):* A vehicle owned by a recipient of public monies as a disabled individual under Title 16 of the Social Security Act.

*A.R.S. § 28-5811:* An Arizona resident who is a member of the U.S. armed forces, including a National Guard or Reserve Unit who is deployed in support of a worldwide contingency operation may register a newly acquired vehicle or renew the registration of a motor vehicle for one year without payment of registration and vehicle license tax fees.

*Soldiers and Sailors Civil Relief Act of 1940:* A vehicle owned by a nonresident military member or officer of Public Health Service.

## SUMMARY OF VEHICLE LICENSE TAX EXPENDITURES – FISCAL YEAR 2025

**VEHICLE LICENSE PREFERENTIAL TAX RATES:**

| | |
|---|---|
| School buses | NIA[118] |
| Ambulances and fire fighting vehicles | NIA |
| Motor vehicles operated by alternative fuel | NIA |
| **TOTAL VALUE OF VEHICLE LICENSE TAX PREFERENTIAL TAX RATES** | **NIA** |

**VEHICLE LICENSE TAX EXEMPT MOTOR VEHICLES:**

| | |
|---|---|
| Farm tractors | NIA |
| Trailers used solely in the operation of a farm for transporting the unprocessed fiber or forage products of a farm or any implement of husbandry designed primarily for or used in agriculture | NIA |
| Road rollers or road machinery | NIA |
| Any owner permitted to operate a vehicle under special provisions relating to lienholders, manufacturers, dealers and nonresidents | NIA |
| Motorized or non-motorized equipment designed primarily for and used in mining operations | NIA |
| Motor vehicles being towed by a truck | NIA |
| Golf carts or other motor vehicles on a golf course | NIA |
| Wheeled equipment | NIA |
| Vehicles purchased by Native Americans residing on the reservation | NIA |
| Vehicles owned by a government or by a nonprofit organization with a form approved by the division of emergency management | NIA |
| Vehicles owned by certain veterans | NIA |
| Vehicles owned by disabled individuals | NIA |
| **TOTAL VALUE OF VEHICLE LICENSE TAX EXEMPT VEHICLES** | **NIA** |

**TOTAL QUANTIFIABLE VEHICLE LICENSE TAX EXPENDITURES[119]** **NIA**

[118] No Information Available.

[119] This amount represents foregone revenue to the state highway fund, the state general fund, counties and corporate cities and towns.

## WORKERS' COMPENSATION PREMIUM LIEU TAX EXPENDITURES[120] CALENDAR YEAR 2024

**TAX COLLECTED BY:** Arizona Industrial Commission
**CALENDAR YEAR 2024 TOTAL STATE REVENUE COLLECTED**: $25,067,558
**TOTAL FY 2025 TAX EXPENDITURE:** $2,692,990
**TAX EXPENDITURE AS A PERCENT OF TOTAL REVENUE:** 8%

Workers' compensation premiums are taxed at a rate up to 2.25% on all premiums collected during the calendar year.

**WORKERS' COMPENSATION PREMIUM LIEU TAX DEDUCTIONS**

*A.R.S. § 23-961 (J):* Certain deductions are allowed from total premiums. These deductions are for applicable cancellations, returned premiums, and policy dividends or refunds paid or credited to policyholders within Arizona and not reapplied as premiums for new, additional or extended insurance. During calendar year 2024, the deductions from premiums totaled $2,692,990 and returns of tax overpayments by the Industrial Commission totaled $2,034,301.

## SUMMARY OF WORKERS' COMPENSATION PREMIUM LIEU TAX EXPENDITURES CALENDAR YEAR 2024

| | |
|---|---|
| Certain deductions | $2,692,990 |

**TOTAL QUANTIFIABLE WORKERS' COMPENSATION PREMIUM LIEU TAX EXPENDITURES[121]**
**$2,692,990**

[120] Any information presented for Workers' Compensation Premium Lieu Tax Expenditures were provided by the Industrial Commission of Arizona.
[121] This amount represents foregone revenue to the administrative and special funds of the Industrial Commission.

# STATE OF ARKANSAS

## DEPARTMENT OF FINANCE AND ADMINISTRATION

## REVENUE DIVISION

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## BUSINESS INCENTIVES AND TAX CREDITS

## PROGRAM COSTS THROUGH DECEMBER 31, 2024

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PREPARED BY THE OFFICE OF EXCISE TAX ADMINISTRATION

TAX CREDITS/SPECIAL REFUNDS SECTION

OCTOBER 2025

424/8585

# BUSINESS INCENTIVES AND TAX CREDITS
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| PROGRAM | 2020 | 2021 | 2022 | 2023 | 2024 | 5 YR TOTALS |
|---|---|---|---|---|---|---|
| CONSOLIDATED INCENTIVE ACT of 2003 | | | | | | |
| ADVANTAGE ARKANSAS - Income Tax Credits Used (Replaced Enterprise Zone Credits) | 793,971.00 | 636,864.00 | 2,271,433.00 | 770,157.00 | 440,911.00 | 4,913,336.00 |
| ARKPLUS - Income Tax Credits Used (Replaced Ark Economic Development Act Credits) | 6,462,131.00 | 7,216,847.00 | 5,237,388.00 | - | - | 18,916,366.00 |
| CREATE REBATE - Payments Authorized (Replaced Economic Development Incentive Act) | 15,945,298.00 | 14,537,765.00 | 18,325,013.00 | 11,640,243.00 | 15,780,111.00 | 76,228,430.00 |
| INVESTARK - Sales Tax Credits Used (Replaced Economic Investment Credit Program) | 32,165,444.00 | 29,053,934.00 | 33,299,558.00 | 28,282,752.00 | 19,906,865.00 | 142,708,553.00 |
| RESEARCH & DEVELOPMENT CREDITS - Income Tax Credits Used | 18,851,108.00 | 3,847,009.00 | 4,061,725.00 | 3,628,931.00 | 2,081,743.00 | 32,470,516.00 |
| TARGETED BUSINESS TAXBACK - Sales Tax Refunds | - | - | - | - | - | - |
| TARGETED BUSINESS SPECIAL INCENTIVE - Income Tax Credits Used | - | - | - | - | - | - |
| TAXBACK - Sales Tax Refunds (Replaced Enterprise Zone Program Refunds) | 2,082,315.00 | 2,593,685.00 | 2,126,089.00 | 1,860,762.00 | 12,753,173.00 | 21,416,024.00 |
| BIOTECHNOLOGY DEVELOPMENT & TRAINING CREDIT (expired) - Income Tax Credits Used | - | - | - | - | - | - |
| CAPITAL DEVELOPMENT CORPORATION - Income Tax Credits Used | 4,371.00 | 453.00 | - | - | | 4,824.00 |
| COAL MINING TAX CREDIT- Income Tax Credits Used | - | - | - | - | - | - |
| COUNTY & REGIONAL INDUSTRIAL DEVELOPMENT (expired) - Income Tax Credits Used | - | - | - | - | - | - |
| DELTA GEOTOURISM INCENTIVE ACT OF 2007-Income Tax Credits Used | 16,106.00 | - | - | - | | 16,106.00 |
| DIGITAL PRODUCT & MOTION PICTURE INDUSTRY DEVELOPMENT ACT - Rebate Payments | 12,070,575.00 | 774,566.00 | 1,479,666.00 | 1,517,637.00 | 1,936,888.00 | 17,779,332.00 |
| DIGITAL PRODUCT & MOTION PICTURE INDUSTRY DEVELOPMENT ACT - Income Tax Credits | - | - | - | - | - | - |
| ECONOMIC DEVELOPMENT ACT of 1995 (expired) - Sales Tax Refunds | - | - | - | - | - | - |
| - Income Tax Credits Used | - | - | - | - | - | - |
| ECONOMIC DEVELOPMENT INCENTIVE (expired) - 3.9% Payments Authorized | - | - | - | - | - | - |
| ECONOMIC INVESTMENT CREDIT (expired) - MIC Sales Tax Credits Used | - | - | - | - | - | - |
| ENTERPRISE ZONE PROGRAM of 1983 (expired) - Sales Tax Refunds | - | - | - | - | - | - |
| -Income Tax Credits Used | - | - | - | - | - | - |
| ENTERPRISE ZONE PROGRAM of 1993 (expired) - Sales Tax Refunds | - | - | - | - | - | - |
| - Income Tax Credits Used | - | - | - | - | - | - |
| EQUITY INVESTMENT INCENTIVE ACT OF 2007-Income Tax Credits Used | 1,802,275.00 | 1,187,763.00 | 1,802,140.00 | 1,124,319.00 | 3,377,900.00 | 9,294,397.00 |
| EXISTING WORKFORCE TRAINING ACT - Income Tax Credits Used | - | - | - | - | - | - |
| FAMILY SAVINGS INITIATIVE ACT -Income Tax Credits Used | - | - | - | - | - | - |
| HIGHER EDUCATION - Income Tax Credits Used | - | - | - | - | - | - |
| HISTORIC REHABILITATION TAX CREDIT- Income Tax Credits Used | 3,709,455.00 | 2,704,892.00 | 5,859,105.00 | 5,296,883.00 | 1,598,964.00 | 19,169,299.00 |
| LOW INCOME HOUSING CREDIT- Income Tax Credits Used | 589,377.00 | 512,429.00 | 795,798.00 | 343,822.00 | 181,254.00 | 2,422,680.00 |
| MANUFACTURING JOBS CREDITS | - | - | - | - | - | - |
| MOTORCOACH CARRIER INCENTIVES (expired) - Payments Authorized | - | - | - | - | - | - |
| NON-PROFIT INCENTIVE ACT OF 2005 - [No Activity Under this Incentive Program] | - | - | - | - | - | - |
| PHILANTHROPIC INVESTMENT IN ARKANSAS KIDS PROGRAM - Income Tax Credits Used | - | - | - | 1,200,291.00 | 5,154,324.00 | 6,354,615.00 |
| PRIVATE WETLAND/RIPARIAN ZONE - Income Tax Credits Used | 266,871.00 | 240,384.00 | 275,824.00 | 220,624.00 | 235,212.00 | 1,238,915.00 |
| PUBLIC ROADS IMPROVEMENT CREDIT - Income Tax Credits Used | - | - | 99.00 | - | - | 99.00 |
| QUALIFIED RESEARCH EQUIPMENT DONATIONS - Income Tax Credits Used | - | - | - | - | - | - |
| 45,931 | - | - | 332,436.00 | 6,282,316.00 | 4,293,114.00 | 10,907,866.00 |
| RESEARCH PARK AUTHORITY - Income Tax Credits Used | | | | - | - | - |
| RETIRED LAW ENFORCEMENT - Income Tax Credit | - | - | - | 2,216.00 | 1,869.00 | 4,085.00 |
| TOURISM DEVELOPMENT ACT - Sales Tax Credits Used | 593,533.00 | 553,659.00 | 859,133.00 | 1,122,413.00 | 769,902.00 | 3,898,640.00 |
| - Income Tax Credits Used | - | - | - | - | - | - |
| TUITION REIMBURSMENT TAX CREDIT - Income Tax Credits Used | 102,889.00 | 81,821.00 | 104,062.00 | 110,217.00 | 89,362.00 | 488,351.00 |
| WASTE REDUCTION & RECYCLING EQUIPMENT - Income Tax Credits Used | 35,008,380.00 | 33,903,061.00 | 76,222,874.00 | 24,801,037.00 | 71,166,325.00 | 241,101,677.00 |
| WATER RESOURCE CONSERVATION Act of 1985 (expired) - Income Tax Credits Used | - | - | - | - | - | - |
| WATER RESOURCE CONSERVATION ACT of 1995 - Income Tax Credits Used | 537,423.00 | 474,457.00 | 623,569.00 | 533,722.00 | 736,825.00 | 2,905,996.00 |
| WOOD ENERGY PRODUCT AND FOREST MAINTENANCE - Income Tax Credits Used | - | - | - | 5,000,000.00 | 1,940,000.00 | 6,940,000.00 |
| APPRENTICESHIP PROGRAM - Income Tax Credits Used | 35,288.00 | 45,023.00 | 68,470.00 | 62,278.00 | 71,466.00 | 282,525.00 |
| YOUTH APPRENTICESHIP TRAINING PROGRAM - Income Tax Credits Used | - | - | - | - | - | - |
| YOUTH APPRENTICESHIP/WORK-BASED LEARNING - Income Tax Credits Used | - | - | - | - | - | - |
| **Cost Totals** | **$ 131,036,810.00** | **$ 98,364,612.00** | **$ 153,744,382.00** | **$ 93,800,620.00** | **$ 142,516,208.00** | **619,462,632.00** |

**CONSOLIDATED INCENTIVE ACT OF 2003 - PAYROLL INCOME TAX CREDIT**
**ACT 182 OF 2003, as Amended**
**ACA § 15-4-2705**
**ADVANTAGE ARKANSAS PROGRAM**

***INCOME TAX CREDITS***

**ADVANTAGE ARKANSAS PROGRAM**

| | CREDIT ISSUED (Tax Yr) | CREDIT USED (Calendar Yr) |
|---|---|---|
| 2003 | 0 | 0 |
| 2004 | 235,394 | 0 |
| 2005 | 901,444 | 31,853 |
| 2006 | 1,417,018 | 201,829 |
| 2007 | 2,530,428 | 366,826 |
| 2008 | 4,513,079 | 907,353 |
| 2009 | 4,057,866 | 1,063,646 |
| 2010 | 3,855,776 | 1,704,968 |
| 2011 | 4,298,983 | 2,203,810 |
| 2012 | 3,610,698 | 1,730,550 |
| 2013 | 3,354,268 | 2,161,445 |
| 2014 | 2,351,093 | 2,096,199 |
| 2015 | 1,768,106 | 2,862,711 |
| 2016 | 2,133,006 | 3,550,639 |
| 2017 | 3,471,714 | 4,241,431 |
| 2018 | 1,474,743 | 1,657,877 |
| 2019 | 1,680,600 | 787,844 |
| 2020 | 1,718,366 | 793,971 |
| 2021 | 2,145,262 | 636,864 |
| 2022 | 1,570,424 | 2,271,433 |
| 2023 | 1,505,776 | 770,157 |
| 2024 | 529,309 | 440,911 |
| TOTALS | 49,123,353 | 30,482,317 |

**CONSOLIDATED INCENTIVE ACT - INCOME TAX CREDITS**
**ACT 182 OF 2003, as Amended**
**ACA § 15-4-2706 (b)**
**ARK PLUS INVESTMENT INCOME TAX CREDITS**

***INCOME TAX CREDITS***

**ARK PLUS PROGRAM**

| | CREDIT ISSUED (Tax Yr) | CREDIT USED (Calendar Yr) |
|---|---|---|
| 2003 | 0 | 0 |
| 2004 | 276,910 | 0 |
| 2005 | 3,632,329 | 0 |
| 2006 | 3,996,971 | 0 |
| 2007 | 13,562,957 | 0 |
| 2008 | 16,071,694 | 547,607 |
| 2009 | 36,998,045 | 454,621 |
| 2010 | 9,859,222 | 1,268,842 |
| 2011 | 606,825 | 3,045,983 |
| 2012 | 1,126,505 | 3,345,129 |
| 2013 | 468,848 | 175,209 |
| 2014 | 291,621 | 1,918,048 |
| 2015 | 1,305,903 | 3,384,506 |
| 2016 | 1,491,564 | 9,784,755 |
| 2017 | 157,762 | 4,953,476 |
| 2018 | 3,849,666 | 3,539,353 |
| 2019 | 5,932,645 | 2,084,511 |
| 2020 | 6,509,694 | 6,462,131 |
| 2021 | 0 | 7,216,847 |
| 2022 | 0 | 5,237,388 |
| 2023 | 0 | 0 |
| 2024 | 0 | 0 |
| TOTALS | 106,139,161 | 53,418,406 |

**CONSOLIDATED INCENTIVE ACT OF 2003 - PAYROLL REBATE**
**ACT 182 OF 2003, as Amended**
**ACA § 15-4-2707**
**CREATE REBATE PROGRAM**

***PAYROLL REBATE PAYMENTS***

| | **CREATE REBATE** PAYMENTS AUTHORIZED (Calendar Yr) |
|---|---|
| 2003 | 0 |
| 2004 | 0 |
| 2005 | 0 |
| 2006 | 960,851 |
| 2007 | 3,039,334 |
| 2008 | 1,955,828 |
| 2009 | 7,441,553 |
| 2010 | 13,346,749 |
| 2011 | 9,875,503 |
| 2012 | 14,328,603 |
| 2013 | 11,499,954 |
| 2014 | 10,015,388 |
| 2015 | 10,182,481 |
| 2016 | 11,394,918 |
| 2017 | 13,215,896 |
| 2018 | 12,773,728 |
| 2019 | 11,744,671 |
| 2020 | 15,945,298 |
| 2021 | 14,537,765 |
| 2022 | 18,325,013 |
| 2023 | 11,640,243 |
| 2024 | 15,780,111 |
| TOTALS | 208,003,887 |

**CONSOLIDATED INCENTIVE ACT - SALES AND USE TAX CREDITS**
**ACT 182 OF 2003, as Amended**
**ACA § 15-4-2706 ( c)**
**INVESTARK PROGRAM**

***SALES TAX CREDITS***

**INVESTARK PROGRAM**

| | CREDIT ISSUED * (Calendar Yr) | CREDIT USED (Calendar Yr) |
|---|---|---|
| 2003 | 2,921,568 | 0 |
| 2004 | 15,534,318 | 1,461,655 |
| 2005 | 25,521,418 | 5,924,233 |
| 2006 | 24,316,865 | 15,730,589 |
| 2007 | 33,807,215 | 14,946,764 |
| 2008 | 41,667,960 | 19,573,234 |
| 2009 | 34,652,890 | 18,833,521 |
| 2010 | 25,134,713 | 21,456,058 |
| 2011 | 52,039,395 | 23,570,203 |
| 2012 | 53,143,767 | 31,510,769 |
| 2013 | 33,514,287 | 37,214,712 |
| 2014 | 45,382,513 | 40,063,006 |
| 2015 | 60,598,902 | 38,991,219 |
| 2016 | 51,818,246 | 40,813,444 |
| 2017 | 60,703,583 | 36,794,260 |
| 2018 | 54,687,727 | 44,247,112 |
| 2019 | 42,815,944 | 38,590,037 |
| 2020 | 26,308,963 | 32,165,444 |
| 2021 | 13,026,331 | 29,053,934 |
| 2022 | 1,657,158 | 33,299,558 |
| 2023 | 352,776 | 28,282,752 |
| 2024 | | 19,906,865 |
| TOTALS | 699,606,539 | 572,429,368 |

* Credits issued are based on expenditures incurred during each calendar year.

**CONSOLIDATED INCENTIVE ACT OF 2003**
**ACT 182 OF 2003, as Amended**
**ACA § 15-4-2708 (b) & ( c)**
**RESEARCH AND DEVELOPMENT INCOME TAX CREDITS**

***INCOME TAX CREDITS***

| | Company In-house Research | | Targeted Business In-house Research | |
|---|---|---|---|---|
| | CR ISSUED (Tax Yr) | CR USED (Calendar Yr) | CR ISSUED (Tax Yr) | CR USED (Calendar Yr) |
| 2003 | 20,000 | 0 | 0 | 0 |
| 2004 | 10,000 | 0 | 448,279 | 0 |
| 2005 | 10,000 | 0 | 1,574,547 | 0 |
| 2006 | 0 | 10,000 | 1,380,571 | 1,277,094 |
| 2007 | 0 | 30,000 | 1,874,668 | 1,829,922 |
| 2008 | 0 | 0 | 2,521,358 | 1,775,277 |
| 2009 | 0 | 0 | 3,012,065 | 2,062,245 |
| 2010 | 828,151 | 0 | 1,703,298 | 2,269,388 |
| 2011 | 1,704,530 | 0 | 912,898 | 1,537,022 |
| 2012 | 1,926,578 | 828,151 | 710,788 | 1,432,040 |
| 2013 | 775,798 | 233,763 | 972,158 | 741,810 |
| 2014 | 11,872,756 | 422,374 | 2,149,646 | 807,258 |
| 2015 | 11,556,373 | 3,097,361 | 863,412 | 1,817,350 |
| 2016 | 17,869,476 | 2,969,821 | 1,121,476 | 1,215,009 |
| 2017 | 9,996,600 | 5,343,502 | 1,435,623 | 1,057,474 |
| 2018 | 7,950,931 | 4,070,329 | 1,968,046 | 389,268 |
| 2019 | 12,007,356 | 5,326,654 | 1,397,210 | 2,352,489 |
| 2020 | 8,338,199 | 17,878,297 | 2,066,062 | 972,811 |
| 2021 | 5,988,943 | 2,346,527 | 1,760,395 | 1,500,482 |
| 2022 | 276,889 | 1,727,704 | 1,739,103 | 2,334,021 |
| 2023 | 69,725 | 1,738,566 | 356,218 | 1,890,365 |
| 2024 | 71,165 | 1,247,281 | 115,641 | 834,462 |
| TOTALS | 91,273,470 | 47,270,330 | 30,083,462 | 28,095,787 |

**CONSOLIDATED INCENTIVE ACT - INCOME TAX CREDITS**
**ACT 182 OF 2003, as Amended**
**ACA § 15-4-2709**
**TARGETED BUSINESS SPECIAL INCENTIVE**

***INCOME TAX CREDITS***

**Target Business Payroll Credit**

| | CREDIT ISSUED (Tax Yr) | CREDIT USED (Calendar Yr) |
|---|---|---|
| 2003 | 0 | 0 |
| 2004 | 0 | 0 |
| 2005 | 106,431 | 0 |
| 2006 | 126,019 | 0 |
| 2007 | 195,527 | 106,431 |
| 2008 | 200,958 | 99,486 |
| 2009 | 212,680 | 225,527 |
| 2010 | 218,463 | 242,706 |
| 2011 | 288,459 | 203,640 |
| 2012 | 135,907 | 265,517 |
| 2013 | 110,000 | 51,744 |
| 2014 | 10,000 | 174,163 |
| 2015 | 10,000 | 0 |
| 2016 | 0 | 0 |
| 2017 | 0 | 14,687 |
| 2018 | 0 | 0 |
| 2019 | 0 | 0 |
| 2020 | 0 | 0 |
| 2021 | 0 | 0 |
| 2022 | 0 | 0 |
| 2023 | 0 | 0 |
| 2024 | 0 | 0 |
| TOTALS | 1,614,444 | 1,383,901 |

**CONSOLIDATED INCENTIVE ACT - SALES & USE TAX REFUNDS**
**ACT 182 OF 2003, as Amended**
**ACA § 15-4-2706 (d) & (e)**
**TAXBACK PROGRAM**

***SALES AND USE TAX REFUNDS***

| | **TAXBACK** REFUNDS ISSUED (Calendar Yr) | **TARGETED BUSINESS** REFUNDS ISSUED (Calendar Yr) |
|---|---|---|
| 2003 | 0 | 0 |
| 2004 | 6,767 | 0 |
| 2005 | 260,311 | 0 |
| 2006 | 687,486 | 0 |
| 2007 | 1,510,572 | 0 |
| 2008 | 1,392,520 | 21,114 |
| 2009 | 1,910,895 | 0 |
| 2010 | 5,756,633 | 3,597 |
| 2011 | 7,721,722 | 0 |
| 2012 | 2,670,200 | 0 |
| 2013 | 2,041,530 | 0 |
| 2014 | 1,644,241 | 0 |
| 2015 | 1,031,985 | 0 |
| 2016 | 3,441,286 | 0 |
| 2017 | 3,070,723 | 0 |
| 2018 | 4,370,586 | 0 |
| 2019 | 2,008,363 | 0 |
| 2020 | 2,082,315 | 0 |
| 2021 | 2,593,685 | 0 |
| 2022 | 2,126,089 | 0 |
| 2023 | 1,860,762 | 0 |
| 2024 | 12,753,173 | 0 |
| TOTALS | 60,941,844 | 24,711 |

**BIOTECHNOLOGY DEVELOPMENT AND TRAINING CREDIT**
**ACT 1117 OF 1997**
**ACA § 2-8-101 et seq.**
**(Expired March 2, 2003)**

***INCOME TAX CREDITS***

| | CREDITS ISSUED (Tax Year) | CREDITS USED (Calendar Year) |
|---|---|---|
| 1997 | 22,000 | 0 |
| 1998 | 48,648 | 0 |
| 1999 | 23,225 | 0 |
| 2000 | 15,772 | 0 |
| 2001 | 257,655 | 60,486 |
| 2002 | 270,211 | 0 |
| 2003 | 141,590 | 0 |
| 2004 | 209,840 | 0 |
| 2005 | 271,379 | 0 |
| 2006 | 0 | 0 |
| 2007 | 0 | 0 |
| 2008 | 0 | 0 |
| 2009 | 0 | 0 |
| 2010 | 0 | 0 |
| 2011 | 0 | 103,290 |
| 2012 | 0 | 81,886 |
| 2013 | 0 | 216,164 |
| 2014 | 0 | 253,258 |
| 2015 | 0 | 210,774 |
| 2016 | 0 | 140,762 |
| 2017 | 0 | 33,194 |
| 2018 | 0 | 0 |
| 2019 | 0 | 0 |
| 2020 | 0 | 0 |
| 2021 | 0 | 0 |
| 2022 | 0 | 0 |
| 2023 | 0 | 0 |
| 2024 | 0 | 0 |
| TOTALS | 1,260,320 | 1,099,814 |

**CAPITAL DEVELOPMENT COMPANY CREDIT**
**ACTS 410 OF 1985, 333 OF 1991, 860 of 2003**
**ACA § 15-4-1001 et seq.**
**(Expired July 1, 2007)**

***INCOME TAX CREDITS***

| | CREDITS ISSUED (Tax Year) | CREDITS USED (Calendar Year) |
|---|---|---|
| 1985 | 0 | 0 |
| 1986 | 0 | 0 |
| 1987 | 0 | 0 |
| 1988 | 0 | 0 |
| 1989 | 0 | 0 |
| 1990 | 0 | 0 |
| 1991 | 0 | 0 |
| 1992 | 660 | 0 |
| 1993 | 2,105 | 660 |
| 1994 | 93,423 | 17 |
| 1995 | 61,380 | 56,772 |
| 1996 | 33,302 | 60,946 |
| 1997 | 87,174 | 38,168 |
| 1998 | 60,848 | 78,847 |
| 1999 | 7,939 | 60,298 |
| 2000 | 1,235 | 11,822 |
| 2001 | 34,265 | 1,470 |
| 2002 | 4,950 | 35,660 |
| 2003 | 1,091 | 0 |
| 2004 | 602,929 | 1,210 |
| 2005 | 1,813,512 | 64,058 |
| 2006 | 2,145,386 | 1,492,259 |
| 2007 | 2,931,298 | 209,765 |
| 2008 | 1,662,232 | 766,986 |
| 2009 | 1,149,979 | 1,302,594 |
| 2010 | 1,437,252 | 596,284 |
| 2011 | 1,049,101 | 1,314,270 |
| 2012 | 67,997 | 1,169,432 |
| 2013 | 0 | 285,776 |
| 2014 | 0 | 147,430 |
| 2015 | 0 | 179,549 |
| | 0 | 24,827 |
| 2017 | 0 | 17,108 |
| 2018 | 0 | 0 |
| 2019 | 0 | 7,106 |
| 2020 | 0 | 4,371 |
| 2021 | 0 | 453 |
| 2022 | 0 | 0 |
| 2023 | 0 | 0 |
| 2024 | 0 | 0 |
| TOTALS | 13,248,058 | 7,928,138 |

**COAL MINING TAX CREDIT**
**ACT 993 of 2003**
**ACA § 26-51-511**

***INCOME TAX CREDITS***

| | CREDITS ISSUED (Tax Year) | CREDITS USED (Calendar Year) |
|---|---|---|
| 2004 | 70,710 | 0 |
| 2005 | 160,941 | 0 |
| 2006 | 3,009 | 0 |
| 2007 | 0 | 0 |
| 2008 | 0 | 0 |
| 2009 | 0 | 0 |
| 2010 | 0 | 35,355 |
| 2011 | 0 | 44,812 |
| 2012 | 0 | 0 |
| 2013 | 11,028 | 0 |
| 2014 | 310,363 | 0 |
| 2015 | 705,355 | 321,391 |
| 2016 | 440,809 | 705,355 |
| 2017 | 253,720 | 440,809 |
| 2018 | 0 | 253,720 |
| 2019 | 0 | 0 |
| 2020 | 0 | 0 |
| 2021 | 0 | 0 |
| 2022 | 0 | 0 |
| 2023 | 0 | 0 |
| 2024 | 0 | 0 |
| TOTALS | 1,955,935 | 1,801,442 |

**COUNTY-REGIONAL INDUSTRIAL DEVELOPMENT CREDIT**
**ACT 1029 OF 1991**
**ACA § 15-4-1201 et seq.**
**(Expired December 31, 2003)**

***INCOME TAX CREDITS***

| | CREDITS ISSUED (Tax Year) | CREDITS USED (Calendar Year) |
|---|---|---|
| 1991 | 25,107 | 0 |
| 1992 | 660 | 20,725 |
| 1993 | 0 | 2,198 |
| 1994 | 5,000 | 3,308 |
| 1995 | 4,290 | 353 |
| 1996 | 4,950 | 7,592 |
| 1997 | 291,993 | 3,964 |
| 1998 | 88,137 | 25,814 |
| 1999 | 651,864 | 132,826 |
| 2000 | 69,873 | 360,857 |
| 2001 | 234,836 | 72,806 |
| 2002 | 158,020 | 71,206 |
| 2003 | 5,083,793 | 253,662 |
| 2004 | 0 | 2,640,749 |
| 2005 | 0 | 1,366,680 |
| 2006 | 0 | 874,110 |
| 2007 | 0 | 91,680 |
| 2008 | 0 | 56,720 |
| 2009 | 0 | 0 |
| 2010 | 0 | 0 |
| No further credits | | |
| TOTALS | 6,618,523 | 5,985,250 |

**DELTA GEOTOURISM INCENTIVE ACT OF 2007**
**ACT 518 OF 2007, as amended**
**Uncodified**

***INCOME TAX CREDITS***

| | CREDIT ISSUED (Tax Yr) | CREDIT USED (Calendar Yr) |
|---|---|---|
| 2007 | 10,754 | 0 |
| 2008 | 29,489 | 9,705 |
| 2009 | 33,431 | 8,958 |
| 2010 | 16,053 | 660 |
| 2011 | 4,640 | 9,795 |
| 2012 | 43,471 | 13,660 |
| 2013 | 45,349 | 6,403 |
| 2014 | 70,636 | 14,426 |
| 2015 | 104,010 | 15,382 |
| 2016 | 16,041 | 15,537 |
| 2017 | 36,317 | 5,898 |
| 2018 | 31,734 | 35,314 |
| 2019 | 78,654 | 3,157 |
| 2020 | 0 | 16,106 |
| 2021 | 62,500 | 0 |
| 2022 | 0 | 0 |
| 2023 | 0 | 0 |
| 2024 | 0 | 0 |
| TOTALS | 583,079 | 155,001 |

**ARKANSAS ECONOMIC DEVELOPMENT ACT**
**ACT 831 OF 1995**
**ACA 15-4-1901 et seq.**
(Expired March 2, 2003)

***SALES AND USE TAX REFUNDS*** ***INCOME TAX CREDITS***

| | REFUNDS ISSUED (Calendar Year) | CREDITS ISSUED (Tax Year) | CREDITS USED (Calendar Year) |
|---|---|---|---|
| 1995 | 0 | 0 | 0 |
| 1996 | 0 | 0 | 0 |
| 1997 | 0 | 1,288,877 | 0 |
| 1998 | 0 | 7,280,214 | 0 |
| 1999 | 38,232 | 12,823,620 | 0 |
| 2000 | 310,227 | 12,851,703 | 0 |
| 2001 | 0 | 19,903,784 | 0 |
| 2002 | 0 | 21,603,298 | 0 |
| 2003 | 0 | 19,759,062 | 3,617,288 |
| 2004 | 0 | 12,240,000 | 83,822 |
| 2005 | 0 | 12,240,000 | 7,505,406 |
| 2006 | 0 | 9,240,000 | 749,315 |
| 2007 | 0 | 9,240,000 | 3,015,963 |
| 2008 | 0 | 9,240,000 | 2,732,173 |
| 2009 | 0 | 770,000 | 4,064,355 |
| 2010 | 0 | 0 | 6,145,297 |
| 2011 | 0 | 0 | 0 |
| 2012 | 0 | 0 | 0 |
| 2013 | 0 | 0 | 0 |
| No further credits | | | |
| TOTALS | 348,459 | 148,480,558 | 27,913,619 |

**ECONOMIC DEVELOPMENT INCENTIVE PROGRAM**
**ACT 851 OF 1993**
**ACA § 15-4-1601 et seq.**
(Expired March 2, 2003)

***INCENTIVE PAYMENTS***

| | 3.9% INCENTIVE AMOUNT AUTHORIZED (Calendar Year) |
|---|---|
| 1993 | 0 |
| 1994 | 0 |
| 1995 | 0 |
| 1996 | 302,858 |
| 1997 | 1,737,431 |
| 1998 | 3,516,215 |
| 1999 | 1,490,066 |
| 2000 | 3,972,314 |
| 2001 | 8,173,772 |
| 2002 | 6,920,160 |
| 2003 | 11,270,662 |
| 2004 | 12,858,624 |
| 2005 | 9,464,984 |
| 2006 | 9,118,660 |
| 2007 | 30,546,468 |
| 2008 | 6,323,230 |
| 2009 | 6,623,001 |
| 2010 | 2,736,129 |
| 2011 | 1,755,849 |
| 2012 | 775,272 |
| 2013 | 0 |
| No further credits | |
| TOTALS | 117,585,695 |

**ECONOMIC INVESTMENT TAX CREDIT (EIC/MIC)**
**ACT 529 OF 1985, as amended**
**ACA § 26-52-701 et seq.**
**(Expired March 2, 2003)**

***SALES AND USE TAX CREDITS***

| | CREDITS ISSUED * (Calendar Year) | CREDITS USED (Calendar Year) |
|---|---|---|
| 1985 | 14,171,553 | 0 |
| 1986 | 22,114,831 | 6,510,784 |
| 1987 | 18,485,358 | 8,220,366 |
| 1988 | 21,789,428 | 10,112,699 |
| 1989 | 37,771,304 | 12,575,617 |
| 1990 | 53,096,940 | 16,302,434 |
| 1991 | 50,149,530 | 21,889,409 |
| 1992 | 38,702,923 | 25,306,852 |
| 1993 | 36,021,304 | 27,637,786 |
| 1994 | 36,168,404 | 31,148,807 |
| 1995 | 47,289,794 | 34,626,413 |
| 1996 | 45,305,221 | 38,356,948 |
| 1997 | 38,424,442 | 34,945,072 |
| 1998 | 33,059,379 | 35,709,876 |
| 1999 | 39,091,895 | 32,801,850 |
| 2000 | 44,458,648 | 30,462,707 |
| 2001 | 26,521,693 | 36,784,167 |
| 2002 | 26,438,486 | 35,968,260 |
| 2003 | 18,486,529 | 30,019,268 |
| 2004 | 9,155,224 | 30,801,398 |
| 2005 | 6,390,233 | 26,510,074 |
| 2006 | 1,936,832 | 17,353,134 |
| 2007 | 285,672 | 13,935,060 |
| 2008 | 12,676 | 12,521,005 |
| 2009 | 0 | 7,242,366 |
| 2010 | 0 | 3,298,112 |
| 2011 | 0 | 2,656,797 |
| 2012 | 0 | 722,170 |
| 2013 | 0 | 754,926 |
| 2014 | 0 | 189,056 |
| | 0 | 0 |
| 2016 | 0 | 0 |
| 2017 | 0 | 0 |
| 2018 | 0 | 0 |
| 2019 | 0 | 0 |
| 2020 | 0 | 0 |
| 2021 | 0 | 0 |
| 2022 | 0 | 0 |
| 2023 | 0 | 0 |
| No further credits | | |
| TOTALS | 665,328,299 | 585,363,414 |

# ENTERPRISE ZONE PROGRAM (OLD)
## ACTS 813 OF 1983, 462 OF 1989
## (Expired June 30, 1995)

***SALES AND USE TAX REFUNDS*** ***INCOME TAX CREDITS***

| | REFUNDS ISSUED (Calendar Year) | CREDITS ISSUED (Tax Year) | CREDITS USED (Calendar Year) |
|---|---|---|---|
| 1984 | 33,532 | 2,196,000 | 0 |
| 1985 | 428,564 | 4,399,385 | 207,055 |
| 1986 | 696,382 | 5,752,526 | 1,104,820 |
| 1987 | 1,641,838 | 9,095,156 | 1,732,732 |
| 1988 | 2,180,940 | 9,232,605 | 3,079,875 |
| 1989 | 1,645,063 | 6,436,216 | 5,457,864 |
| 1990 | 1,691,229 | 5,769,670 | 3,495,049 |
| 1991 | 1,955,427 | 6,503,500 | 7,890,019 |
| 1992 | 1,391,004 | 4,755,035 | 5,216,353 |
| 1993 | 1,563,207 | 4,429,950 | 4,701,456 |
| 1994 | 841,289 | 5,298,434 | 4,044,644 |
| 1995 | 779,686 | 1,746,480 | 3,402,094 |
| 1996 | 1,114,769 | 614,080 | 2,308,175 |
| 1997 | 33,547 | 0 | 559,323 |
| 1998 | 1,246,987 | 0 | 617,071 |
| 1999 | 0 | 0 | 2,964 |
| 2000 | 0 | 0 | 0 |
| No further credits | | | |
| TOTALS | 17,243,464 | 66,229,037 | 43,819,494 |

**ENTERPRISE ZONE PROGRAM of 1993**
**ACT 947 OF 1993**
**ACA § 15-4-1701 et seq.**
(Expired March 2, 2003)

***SALES AND USE TAX REFUNDS*** ***INCOME TAX CREDITS***

| | REFUNDS ISSUED (Calendar Year) | CREDITS ISSUED (Tax Year) | CREDITS USED (Calendar Year) |
|---|---|---|---|
| 1993 | 0 | 0 | 0 |
| 1994 | 116,751 | 481,152 | 0 |
| 1995 | 2,094,605 | 2,166,841 | 220,235 |
| 1996 | 3,626,356 | 3,138,923 | 540,166 |
| 1997 | 1,923,973 | 3,982,826 | 1,199,351 |
| 1998 | 4,078,693 | 4,178,302 | 2,030,033 |
| 1999 | 4,767,594 | 5,648,866 | 2,572,514 |
| 2000 | 3,022,354 | 4,424,110 | 2,587,963 |
| 2001 | 9,298,615 | 5,099,882 | 1,433,489 |
| 2002 | 3,250,097 | 1,934,745 | 2,504,910 |
| 2003 | 3,656,451 | 1,796,835 | 3,069,720 |
| 2004 | 1,382,676 | 1,493,015 | 1,271,056 |
| 2005 | 398,285 | 589,077 | 1,772,618 |
| 2006 | 123,659 | 119,051 | 2,774,011 |
| 2007 | 1,741,120 | 192,982 | 1,558,251 |
| 2008 | 188,306 | 0 | 274,855 |
| 2009 | 0 | 0 | 455,750 |
| 2010 | 0 | 0 | 489,127 |
| 2011 | 12,844 | 0 | 32,099 |
| 2012 | 0 | 0 | 13,110 |
| 2013 | 0 | 0 | 28,334 |
| No further credit | | | |
| TOTALS | 39,682,379 | 35,246,607 | 24,827,592 |

**EQUITY INVESTMENT INCENTIVE ACT OF 2007**
**ACT 566 OF 2007**
**ACA § 15-4-3301 et seq.**

***INCOME TAX CREDITS***

| | CREDIT ISSUED (Tax Yr) | CREDIT USED (Calendar Yr) |
|---|---|---|
| 2007 | 300,000 | 0 |
| 2008 | 1,170,364 | 216,666 |
| 2009 | 2,386,937 | 1,050,349 |
| 2010 | 4,625,746 | 572,588 |
| 2011 | 2,910,319 | 2,722,582 |
| 2012 | 2,115,679 | 3,384,761 |
| 2013 | 2,856,212 | 2,158,372 |
| 2014 | 3,574,131 | 3,494,835 |
| 2015 | 6,242,195 | 3,542,983 |
| 2016 | 4,774,093 | 3,374,548 |
| 2017 | 4,343,734 | 3,811,330 |
| 2018 | 4,581,735 | 3,760,006 |
| 2019 | 1,294,909 | 4,398,662 |
| 2020 | 781,602 | 1,802,275 |
| 2021 | 2,758,694 | 1,187,763 |
| 2022 | 1,859,748 | 1,802,140 |
| 2023 | 4,127,974 | 1,124,319 |
| 2024 | 277,994 | 3,377,900 |
| TOTALS | 50,982,066 | 41,782,079 |

**EXISTING WORKFORCE TRAINING ACT**
**ACTS 791 of 1995, 1134 OF 1999, as amended**
**ACA § 6-50-701 et seq.**

***INCOME TAX CREDITS***

| | CREDITS ISSUED (Tax Year) | CREDITS USED (Calendar Year) |
|---|---|---|
| 2000 | 68,638 | 0 |
| 2001 | 134,686 | 35,641 |
| 2002 | 116,237 | 13,530 |
| 2003 | 90,619 | 6,690 |
| 2004 | 149,340 | 19,695 |
| 2005 | 136,289 | 32,991 |
| 2006 | 69,578 | 86,094 |
| 2007 | 24,368 | 49,156 |
| 2008 | 12,155 | 12,933 |
| 2009 | 4,975 | 3,400 |
| 2010 | 14,100 | 3,350 |
| 2011 | 20,626 | 18,926 |
| 2012 | 15,401 | 16,100 |
| 2013 | 24,754 | 20,265 |
| 2014 | 29,485 | 1,575 |
| 2015 | 14,325 | 27,325 |
| 2016 | 0 | 14,325 |
| 2017 | 0 | 0 |
| 2018 | 0 | 0 |
| 2019 | 0 | 0 |
| 2020 | 0 | 0 |
| 2021 | 0 | 0 |
| 2022 | 0 | 0 |
| 2023 | 0 | 0 |
| No further credits | | |
| TOTALS | 925,576 | 361,996 |

**FAMILY SAVINGS INITIATIVE ACT**
**ACT 1217 of 1999**
**ACA § 20-86-109**

***INCOME TAX CREDITS***

| | CREDITS ISSUED (Tax Year) | CREDITS USED (Calendar Year) |
|---|---|---|
| 1999 | 0 | 0 |
| 2000 | 0 | 0 |
| 2001 | 0 | 0 |
| 2002 | 0 | 0 |
| 2003 | 0 | 0 |
| 2004 | 0 | 0 |
| 2005 | 2,000 | 0 |
| 2006 | 50 | 1,500 |
| 2007 | 300 | 50 |
| 2008 | 1,675 | 300 |
| 2009 | 492 | 1,675 |
| 2010 | 0 | 492 |
| 2011 | 0 | 0 |
| 2012 | 0 | 0 |
| 2013 | 0 | 0 |
| 2014 | 0 | 0 |
| 2015 | 0 | 0 |
| 2016 | 500 | 0 |
| 2017 | 0 | 500 |
| 2018 | 0 | 0 |
| 2019 | 0 | 0 |
| 2020 | 0 | 0 |
| 2021 | 0 | 0 |
| 2022 | 0 | 0 |
| 2023 | 0 | 0 |
| No Further Credits | | |
| TOTALS | 5,017 | 4,517 |

# HIGHER EDUCATION INCOME TAX CREDITS
# ACT 30 OF 1985 SPECIAL SESSION
# (Expired December 31, 1986)

***INCOME TAX CREDITS***

| | CREDITS USED (Calendar Year) |
|---|---|
| 1986-1989 | 696,436 |
| TOTALS | 696,436 |

**ARKANSAS HISTORIC REHABILITATION TAX CREDIT**
**ACT 498 OF 2009**
**ACA 26-51-2201 et seq.**

***INCOME TAX CREDITS***

| | CREDIT ISSUED (Fiscal Yr) | CREDIT USED (Calendar Yr) |
|---|---|---|
| 2010 | 391,313 | 377,999 |
| 2011 | 1,177,303 | 272,821 |
| 2012 | 1,393,122 | 799,050 |
| 2013 | 2,488,411 | 1,589,631 |
| 2014 | 2,264,263 | 1,854,099 |
| 2015 | 4,000,000 | 1,505,879 |
| 2016 | 3,145,014 | 2,451,864 |
| 2017 | 2,901,906 | 1,969,527 |
| 2018 | 2,894,162 | 2,197,032 |
| 2019 | 3,985,363 | 2,923,110 |
| 2020 | 4,000,000 | 3,709,455 |
| 2021 | 3,999,887 | 2,704,892 |
| 2022 | 7,991,523 | 5,859,105 |
| 2023 | 7,063,146 | 5,296,883 |
| 2024 | 7,451,376 | 1,598,964 |
| TOTALS | 55,146,789 | 35,110,311 |

**LOW INCOME HOUSING TAX CREDIT**
**ACT 1332 of 1997**
**ACA § 26-51-1702**

***INCOME TAX CREDITS***

| | CREDITS ISSUED (Tax Year) | CREDITS USED (Calendar Year) |
|---|---|---|
| 1998 | 3,965 | 0 |
| 1999 | 291,422 | 3,965 |
| 2000 | 210,440 | 45,227 |
| 2001 | 253,537 | 169,753 |
| 2002 | 505,039 | 186,616 |
| 2003 | 511,513 | 295,618 |
| 2004 | 785,131 | 382,587 |
| 2005 | 882,833 | 449,166 |
| 2006 | 1,071,560 | 807,359 |
| 2007 | 1,443,970 | 773,496 |
| 2008 | 1,403,702 | 901,491 |
| 2009 | 1,418,442 | 1,067,453 |
| 2010 | 1,233,313 | 1,063,416 |
| 2011 | 1,233,691 | 1,187,708 |
| 2012 | 1,179,875 | 1,244,776 |
| 2013 | 1,324,389 | 1,151,771 |
| 2014 | 1,078,031 | 1,087,449 |
| 2015 | 904,612 | 991,447 |
| 2016 | 1,023,784 | 654,050 |
| 2017 | 753,315 | 686,936 |
| 2018 | 748,457 | 371,710 |
| 2019 | 701,902 | 764,286 |
| 2020 | 830,696 | 589,377 |
| 2021 | 776,655 | 512,429 |
| 2022 | 462,391 | 795,798 |
| 2023 | 402,273 | 343,822 |
| 2024 | 0 | 181,254 |
| TOTALS | 21,434,938 | 16,708,960 |

**ARKANSAS HISTORIC REHABILITATION TAX CREDIT**
**ACT 855 of 2019**
**ACA 26-51-2601 et seq.**

***INCOME TAX CREDITS***

| | CREDIT ISSUED (Fiscal Yr) | CREDIT USED (Calendar Yr) |
|---|---|---|
| 2024 | 0 | 0 |
| TOTALS | 0 | 0 |

**MANUFACTURING JOBS TAX CREDIT**
**ACT 785 OF 1983**
**ACA § 26-51-505**
**(Expired June 30, 1988)**

***INCOME TAX CREDITS***

| | CREDITS USED (Calendar Year) |
|---|---|
| 1984-1990 | 705,501 |
| TOTALS | 705,501 |

**DIGITAL PRODUCT AND MOTION PICTURE INDUSTRY DEVELOPMENT ACT**
**ACT 816 OF 2009**
**ACA § 15-4-2001 et seq.**

***INCENTIVE PAYMENTS***

| | REBATE AUTHORIZED (Calendar Year) | TAX CREDIT AUTHORIZED (Fiscal Year) | TAX CREDIT USED (Fiscal Year) |
|---|---|---|---|
| 2010 | 21,311 | 0 | 0 |
| 2011 | 57,651 | 0 | 0 |
| 2012 | 1,604,384 | 0 | 0 |
| 2013 | 0 | 0 | 0 |
| 2014 | 514,025 | 0 | 0 |
| 2015 | 119,132 | 0 | 0 |
| 2016 | 0 | 0 | 0 |
| 2017 | 144,072 | 0 | 0 |
| 2018 | 36,850 | 0 | 0 |
| 2019 | 150,991 | 0 | 0 |
| 2020 | 12,070,575 | 0 | 0 |
| 2021 | 774,566 | 0 | 0 |
| 2022 | 1,479,666 | 0 | 0 |
| 2023 | 1,517,637 | 0 | 0 |
| 2024 | 1,936,888 | 146,812 | 93,222 |
| TOTALS | 20,427,748 | 146,812 | 93,222 |

**MOTION PICTURE INCENTIVE ACT**
**ACT 919 OF 1997**
**ACA § 15-4-2001 et seq. (repealed)**
**(Expired June 30, 2007)**

***INCENTIVE PAYMENTS***

| | INCENTIVE AMOUNT AUTHORIZED (Calendar Year) |
|---|---|
| 1997 | 0 |
| 1998 | 25,024 |
| 1999 | 0 |
| 2000 | 0 |
| 2001 | 0 |
| 2002 | 0 |
| 2003 | 8,833 |
| 2004 | 0 |
| 2005 | 0 |
| 2006 | 0 |
| 2007 | 26,747 |
| 2008 | 0 |
| 2009 | 0 |
| 2010 | 0 |
| TOTALS | 60,604 |

**MOTORCOACH CARRIER INCENTIVES**
**ACT 1187 OF 1997, as amended**
**ACA § 23-13-501 et seq.**
**(Expired July 1, 2009)**

***INCENTIVE PAYMENTS***

| | INCENTIVE AMOUNT AUTHORIZED (Calendar Year) |
|---|---|
| 1998 | 61 |
| 1999 | 0 |
| 2000 | 175 |
| 2001 | 225 |
| 2002 | 100 |
| 2003 | 0 |
| 2004 | 0 |
| 2005 | 0 |
| 2006 | 0 |
| 2007 | 0 |
| 2008 | 0 |
| 2009 | 0 |
| 2010 | 0 |
| TOTALS | 561 |

# PHILANTHROPIC INVESTMENT IN ARKANSAS KIDS PROGRAM
## ACTS 904 of 2021
## ACA § 6-18-2301

***INCOME TAX CREDITS***

| | CREDITS ISSUED (Tax Year) | CREDITS USED (Calendar Year) |
|---|---|---|
| 2021 | - | 0 |
| 2022 | 2,000,000 | 0 |
| 2023 | 5,736,892 | 1,200,291 |
| 2024 | 3,495,983 | 5,154,324 |
| TOTALS | 11,232,875 | 6,354,615 |

**PRIVATE WETLAND & RIPARIAN ZONE CREATION/RESTORATION**
**ACT 561 OF 1995, as Amended**
**ARKANSAS CODE ANNOTATED § 26-51-1501 et seq.**

***INCOME TAX CREDITS***

| | CREDITS ISSUED (Tax Year) | CREDITS USED (Calendar Year) |
|---|---|---|
| 1996 | 0 | 0 |
| 1997 | 0 | 0 |
| 1998 | 63,712 | 0 |
| 1999 | 34,753 | 14,250 |
| 2000 | 99,534 | 15,578 |
| 2001 | 115,897 | 24,317 |
| 2002 | 51,970 | 24,685 |
| 2003 | 163,664 | 41,281 |
| 2004 | 184,806 | 62,647 |
| 2005 | 144,445 | 70,776 |
| 2006 | 297,281 | 104,685 |
| 2007 | 144,550 | 111,010 |
| 2008 | 194,403 | 139,408 |
| 2009 | 132,030 | 97,989 |
| 2010 | 485,282 | 68,259 |
| 2011 | 291,725 | 120,053 |
| 2012 | 520,886 | 127,389 |
| 2013 | 134,000 | 170,267 |
| 2014 | 258,155 | 164,956 |
| 2015 | 101,776 | 185,231 |
| 2016 | 376,875 | 185,307 |
| 2017 | 475,000 | 213,726 |
| 2018 | 328,432 | 0 |
| 2019 | 296,807 | 263,664 |
| 2020 | 448,249 | 266,871 |
| 2021 | 746,181 | 240,384 |
| 2022 | 608,087 | 275,824 |
| 2023 | 375,000 | 220,624 |
| 2024 | 243,450 | 235,212 |
| TOTALS | 7,316,950 | 3,444,393 |

**ARKANSAS PUBLIC ROADS IMPROVEMENT CREDIT**
**ACT 1347 OF 1999**
**ACA § 15-4-2306**

***INCOME TAX CREDITS***

| | CREDITS ISSUED (Tax Year) | CREDITS USED (Calendar Year) |
|---|---|---|
| 2000 | 198,000 | 198,000 |
| 2001 | 0 | 0 |
| 2002 | 0 | 0 |
| 2003 | 0 | 0 |
| 2004 | 0 | 0 |
| 2005 | 0 | 0 |
| 2006 | 0 | 0 |
| 2007 | 330,000 | 0 |
| 2008 | 0 | 330,000 |
| 2009 | 0 | 0 |
| 2010 | 0 | 0 |
| 2011 | 0 | 0 |
| 2012 | 0 | 0 |
| 2013 | 0 | 0 |
| 2014 | 0 | 0 |
| 2015 | 0 | 0 |
| 2016 | 0 | 0 |
| 2017 | 0 | 0 |
| 2018 | 0 | 0 |
| 2019 | 0 | 0 |
| 2020 | 0 | 0 |
| 2021 | 99 | 0 |
| 2022 | 0 | 99 |
| 2023 | 0 | 0 |
| 2024 | | |
| TOTALS | 528,099 | 528,099 |

# DONATIONS OR SALES OF EQUIPMENT TO EDUCATIONAL INSTITUTIONS
## ACTS 759 OF 1985, 1045 OF 2007
## ACA § 26-51-1102 (a), (b) and ( c)

***INCOME TAX CREDITS***

| | CREDITS ISSUED (Tax Year) | CREDITS USED (Calendar Year) |
|---|---|---|
| 1985 | 0 | 0 |
| 1986 | 0 | 0 |
| 1987 | 1,520 | 0 |
| 1988 | 5,043 | 0 |
| 1989 | 4,400 | 3,742 |
| 1990 | 0 | 2,933 |
| 1991 | 134,694 | 1,365 |
| 1992 | 0 | 80,909 |
| 1993 | 0 | 39,054 |
| 1994 | 12,243 | 927 |
| 1995 | 88,041 | 13,200 |
| 1996 | 60,073 | 4,950 |
| 1997 | 0 | 1,867 |
| 1998 | 0 | 143,993 |
| 1999 | 0 | 0 |
| 2000 | 0 | 0 |
| 2001 | 0 | 0 |
| 2002 | 0 | 0 |
| 2003 | 3,985 | 0 |
| 2004 | 47,696 | 0 |
| 2005 | 0 | 0 |
| 2006 | 0 | 0 |
| 2007 | 0 | 0 |
| 2008 | 0 | 0 |
| 2009 | 0 | 0 |
| 2010 | 0 | 0 |
| 2011 | 0 | 0 |
| 2012 | 0 | 0 |
| 2013 | 0 | 0 |
| 2014 | 16,500 | 0 |
| | 0 | 1,269 |
| 2016 | 0 | 0 |
| 2017 | 0 | 0 |
| 2018 | 70,091 | 0 |
| 2019 | 0 | 0 |
| 2020 | 0 | 0 |
| 2021 | 0 | 0 |
| 2022 | 0 | 0 |
| 2023 | 0 | 0 |
| 2024 | 0 | 0 |
| TOTALS | 444,286 | 294,209 |

# RAILROAD MODERNIZATION ACT OF 2021
## ACTS 967 of 2021
## ACA § 26-51-2701

***INCOME TAX CREDITS***

| | CREDITS ISSUED (Tax Year) | CREDITS USED (Calendar Year) |
|---|---|---|
| 2021 | 3,826,748 | 0 |
| 2022 | 4,033,612 | 332,436 |
| 2023 | 4,353,411 | 6,282,316 |
| 2024 | 4,779,781 | 4,293,114 |
| TOTALS | 16,993,552 | 10,907,866 |

**RESEARCH PARK AUTHORITY**
**ACT 1045 OF 2007**
**ACA § 26-51-1102 ( c)(1)**

***INCOME TAX CREDITS***

| | CREDITS ISSUED (Tax Year) | CREDITS USED (Calendar Year) |
|---|---|---|
| 2007 | | |
| 2008 | 8,250 | 0 |
| 2009 | 0 | 0 |
| 2010 | 0 | 0 |
| 2011 | 0 | 0 |
| 2012 | 0 | 6,600 |
| 2013 | 0 | 0 |
| 2014 | 0 | 0 |
| 2015 | 0 | 176 |
| 2016 | 0 | 0 |
| 2017 | 0 | 0 |
| 2018 | 0 | 0 |
| 2019 | 0 | 0 |
| 2020 | 0 | 0 |
| 2021 | 0 | 0 |
| 2022 | 0 | 0 |
| 2023 | 0 | 0 |
| TOTALS | 8,250 | 6,776 |

# RETIRED LAW ENFORCEMENT
# ACT 841 of 2021
# ACA § 26-51-515

***INCOME TAX CREDITS***

| | CREDITS ISSUED (Tax Year) | CREDITS USED (Calendar Year) |
|---|---|---|
| 2022 | 2,216 | 0 |
| 2023 | 1,869 | 2,216 |
| 2024 | 6,688 | 1,869 |
| TOTALS | 10,773 | 4,085 |

**ARKANSAS TOURISM DEVELOPMENT ACT**
**ACT 291 OF 1997, as amended**
**ACA § 15-11-501 et seq.**

| | ***SALES TAX CREDITS*** | | ***INCOME TAX CREDITS*** | |
|---|---|---|---|---|
| | CREDIT ISSUED (Calendar Year) | CREDIT USED (Calendar Year) | CREDIT ISSUED (Tax Year) | CREDIT USED (Calendar Year) |
| 1998 | 333,653 | 1,098,433 | 0 | 0 |
| 1999 | 1,591,184 | 1,098,433 | 0 | 0 |
| 2000 | 269,497 | 1,098,433 | 0 | 0 |
| 2001 | 0 | 348,051 | 25,468 | 0 |
| 2002 | 9,317,643 | 706,106 | 58,680 | 0 |
| 2003 | 16,020,463 | 1,098,433 | 185,379 | 0 |
| 2004 | 7,722,853 | 2,214,847 | 134,158 | 0 |
| 2005 | 0 | 3,065,711 | 44,477 | 6,682 |
| 2006 | 9,251,023 | 3,599,489 | 0 | 103,759 |
| 2007 | 7,280,745 | 4,069,897 | 0 | 3,698 |
| 2008 | 1,588,776 | 4,153,528 | 9,765 | 0 |
| 2009 | 2,093,712 | 3,123,084 | 13,371 | 6,918 |
| 2010 | 1,866,827 | 3,334,370 | 10,826 | 9,472 |
| 2011 | 302,603 | 3,586,794 | 33,010 | 9,788 |
| 2012 | 127,364 | 3,759,060 | 32,982 | 20,530 |
| 2013 | 14,392,370 | 3,485,059 | 4,842 | 26,643 |
| 2014 | 2,750,580 | 4,137,078 | 5,976 | 0 |
| 2015 | 4,278,134 | 3,886,170 | 5,453 | 0 |
| 2016 | 3,477,955 | 4,003,544 | 0 | 0 |
| 2017 | 473,413 | 3,594,133 | 0 | 0 |
| 2018 | 7,322,148 | 2,145,830 | 0 | 0 |
| 2019 | 4,735,059 | 1,791,308 | 0 | 0 |
| 2020 | 3,150,554 | 593,533 | 0 | 0 |
| 2021 | 408,345 | 553,659 | 119,694 | 0 |
| 2022 | 0 | 859,133 | 107,009 | 0 |
| 2023 | 0 | 1,122,413 | 97,996 | 0 |
| 2024 | 0 | 769,902 | 0 | 0 |
| TOTALS | 98,754,901 | 63,296,431 | 889,086 | 187,490 |

**TUITION REIMBURSEMENT TAX CREDIT**
**ACT 1036 OF 1999, as amended**
**ACA § 26-51-1901 et seq.**

***INCOME TAX CREDITS***

| | CREDITS ISSUED (Tax Year) | CREDITS USED (Calendar Year) |
|---|---|---|
| 1999 | 20,252 | 50,128 |
| 2000 | 63,085 | 50,128 |
| 2001 | 104,668 | 50,128 |
| 2002 | 71,387 | 50,128 |
| 2003 | 50,771 | 61,042 |
| 2004 | 60,995 | 59,697 |
| 2005 | 96,185 | 50,128 |
| 2006 | 99,768 | 67,260 |
| 2007 | 138,898 | 114,935 |
| 2008 | 185,465 | 166,761 |
| 2009 | 109,754 | 185,465 |
| 2010 | 165,099 | 103,687 |
| 2011 | 160,528 | 127,848 |
| 2012 | 152,920 | 158,250 |
| 2013 | 188,544 | 132,801 |
| 2014 | 206,265 | 176,529 |
| 2015 | 185,371 | 197,923 |
| 2016 | 136,766 | 182,581 |
| 2017 | 94,228 | 114,633 |
| 2018 | 86,909 | 77,171 |
| 2019 | 104,211 | 88,171 |
| 2020 | 85,690 | 102,889 |
| 2021 | 104,683 | 81,821 |
| 2022 | 111,666 | 104,062 |
| 2023 | 89,362 | 110,217 |
| 2024 | 13,553 | 89,362 |
| TOTALS | 2,887,023 | 2,753,745 |

# WASTE REDUCTION, REUSE, OR RECYCLING CREDITS
## ACT 748 OF 1991, Act 862 OF 2015
## ACA § 26-51-506

***INCOME TAX CREDITS***

| | CREDITS ISSUED (Tax Year) | CREDITS USED (Calendar Year) |
|---|---|---|
| 1991 | 3,697,447 | 30,166,996 |
| 1992 | 12,034,538 | 30,166,996 |
| 1993 | 26,138,766 | 30,166,996 |
| 1994 | 5,046,149 | 30,166,996 |
| 1995 | 6,413,475 | 1,548,855 |
| 1996 | 6,376,671 | 572,770 |
| 1997 | 7,453,878 | 30,166,996 |
| 1998 | 7,674,544 | 26,045,784 |
| 1999 | 14,041,207 | 6,640,884 |
| 2000 | 3,887,075 | 2,613,588 |
| 2001 | 4,865,023 | 8,575,560 |
| 2002 | 5,915,739 | 8,359,531 |
| 2003 | 3,561,044 | 4,625,094 |
| 2004 | 3,084,050 | 1,545,603 |
| 2005 | 1,811,598 | 1,844,365 |
| 2006 | 10,656,982 | 2,542,030 |
| 2007 | 5,599,829 | 7,332,971 |
| 2008 | 4,955,513 | 4,529,972 |
| 2009 | 47,894,768 | 3,611,569 |
| 2010 | 4,554,800 | 911,103 |
| 2011 | 10,437,497 | 5,825,893 |
| 2012 | 17,518,994 | 14,759,707 |
| 2013 | 2,935,833 | 13,454,239 |
| 2014 | 38,148,497 | 12,745,869 |
| 2015 | 3,798,877 | 22,488,656 |
| 2016 | 330,896,729 | 11,898,965 |
| 2017 | 13,608,376 | 35,353,444 |
| 2018 | 8,573,731 | 25,887,954 |
| 2019 | 53,529,452 | 28,429,174 |
| 2020 | 53,529,452 | 35,008,380 |
| | 111,432,694 | 33,903,061 |
| 2022 | 11,897,283 | 76,222,874 |
| 2023 | 242,379,434 | 24,801,037 |
| 2024 | 5,990,486 | 71,166,325 |
| TOTALS | 1,090,340,431 | 644,080,237 |

# ARKANSAS WOOD ENERGY PRODUCTS AND FOREST MAINTENANCE TAX CREDIT
## ACT 594 OF 2021
## ACA § 26-51-2701

***INCOME TAX CREDITS***

| | CREDITS ISSUED (Tax Year) | CREDITS USED (Fiscal Year) |
|---|---|---|
| 2021 | 0 | 0 |
| 2022 | 23,688,728 | 0 |
| 2023 | - | 5,000,000 |
| 2024 | | 1,940,000 |
| TOTALS | 23,688,728 | 6,940,000 |

# WATER RESOURCE CONSERVATION CREDIT (OLD)
## ACT 417 OF 1985
## A.C.A. § 26-51-1001 et seq. (repealed)
## (Expired December 31, 1995)

***INCOME TAX CREDITS***

| | CREDITS ISSUED (Tax Year) | CREDITS USED (Calendar Year) |
|---|---|---|
| 1985 | 41,411 | 122,431 |
| 1986 | 328,293 | 122,431 |
| 1987 | 51,285 | 122,431 |
| 1988 | 245,465 | 44,342 |
| 1989 | 385,018 | 97,960 |
| 1990 | 263,685 | 122,431 |
| 1991 | 186,410 | 122,050 |
| 1992 | 292,286 | 131,007 |
| 1993 | 235,693 | 135,057 |
| 1994 | 216,953 | 132,184 |
| 1995 | 219,444 | 114,170 |
| 1996 | 0 | 130,055 |
| 1997 | 0 | 129,437 |
| 1998 | 0 | 81,610 |
| 1999 | 0 | 81,974 |
| 2000 | 0 | 57,622 |
| 2001 | 0 | 40,473 |
| 2002 | 0 | 38,323 |
| 2003 | 0 | 23,170 |
| 2004 | 0 | 23,704 |
| 2005 | 0 | 5,999 |
| 2006 | 0 | 3,201 |
| 2007 | 0 | 0 |
| 2008 | 0 | 0 |
| 2009 | 0 | 0 |
| 2010 | 0 | 0 |
| 2011 | 0 | 0 |
| TOTALS | 2,465,943 | 1,882,062 |

**WATER RESOURCE CONSERVATION CREDIT (NEW)**
**ACT 341 OF 1995, as amended**
**A.C.A. § 26-51-1001 et seq.**
**(Effective January 1, 1996)**

***INCOME TAX CREDITS***

| | CREDITS ISSUED (Tax Year) | CREDITS USED (Calendar Year) |
|---|---|---|
| 1996 | 838,958 | 760,956 |
| 1997 | 702,966 | 760,956 |
| 1998 | 1,321,510 | 760,956 |
| 1999 | 1,382,055 | 451,525 |
| 2000 | 1,529,884 | 529,289 |
| 2001 | 3,174,381 | 760,956 |
| 2002 | 1,310,195 | 763,308 |
| 2003 | 819,484 | 749,014 |
| 2004 | 1,388,452 | 867,564 |
| 2005 | 1,342,865 | 932,966 |
| 2006 | 1,242,152 | 904,417 |
| 2007 | 1,211,305 | 715,674 |
| 2008 | 1,783,598 | 776,728 |
| 2009 | 1,008,671 | 768,638 |
| 2010 | 1,771,436 | 761,924 |
| 2011 | 1,547,530 | 945,409 |
| 2012 | 2,300,889 | 1,029,685 |
| 2013 | 1,787,956 | 1,134,870 |
| 2014 | 1,398,610 | 1,131,011 |
| 2015 | 1,631,286 | 1,063,607 |
| 2016 | 775,010 | 913,392 |
| 2017 | 932,724 | 714,298 |
| 2018 | 766,655 | 615,741 |
| 2019 | 828,497 | 559,319 |
| 2020 | 1,001,439 | 537,423 |
| 2021 | 1,462,773 | 474,457 |
| 2022 | 1,155,033 | 623,569 |
| 2023 | 2,072,694 | 533,722 |
| 2024 | 1,688,181 | 736,825 |
| TOTALS | 40,177,189 | 22,278,199 |

**APPRENTICESHIP PROGRAM**
**ACT 1042 OF 2017**
**ACA § 26-51-509**
(Applicable to tax years 2018 and thereafter)

***INCOME TAX CREDITS***

| | CREDITS ISSUED (Tax Year) | CREDITS USED (Calendar Year) |
|---|---|---|
| 2018 | 31,371 | 0 |
| 2019 | 137,597 | 29,518 |
| 2020 | 64,465 | 35,288 |
| 2021 | 214,131 | 45,023 |
| 2022 | 350,646 | 68,470 |
| 2023 | 375,473 | 62,278 |
| 2024 | 471,767 | 71,466 |
| TOTALS | 1,645,450 | 312,043 |

**YOUTH APPRENTICESHIP TRAINING PROGRAM**
**ACT 1103 OF 1995**
**ACA § 26-51-509**
(Applicable to tax years 2017 and before)

***INCOME TAX CREDITS***

| | CREDITS ISSUED (Tax Year) | CREDITS USED (Calendar Year) |
|---|---|---|
| 1996 | 80,064 | 31,868 |
| 1997 | 54,219 | 31,868 |
| 1998 | 41,805 | 31,868 |
| 1999 | 36,370 | 31,670 |
| 2000 | 34,802 | 24,518 |
| 2001 | 14,732 | 31,868 |
| 2002 | 16,839 | 18,166 |
| 2003 | 29,399 | 9,041 |
| 2004 | 16,313 | 34,431 |
| 2005 | 28,256 | 13,105 |
| 2006 | 27,528 | 19,822 |
| 2007 | 32,165 | 21,431 |
| 2008 | 16,232 | 28,176 |
| 2009 | 9,290 | 14,603 |
| 2010 | 9,801 | 7,831 |
| 2011 | 13,670 | 6,120 |
| 2012 | 10,263 | 9,119 |
| 2013 | 6,468 | 1,465 |
| 2014 | 16,648 | 7,161 |
| 2015 | 20,218 | 11,286 |
| 2016 | 21,447 | 12,733 |
| 2017 | 14,099 | 16,050 |
| 2018 | 0 | 16,498 |
| 2019 | 0 | 0 |
| 2020 | 0 | 0 |
| 2021 | 0 | 0 |
| 2022 | 0 | 0 |
| 2023 | 0 | 0 |
| TOTALS | 550,628 | 430,698 |

**YOUTH APPRENTICESHIP/WORK-BASED LEARNING PROGRAM**
**ACT 1168 OF 1997**
**ACA § 26-51-1601 et seq.**
(Repeal applicable to tax years 2018 and thereafter)

***INCOME TAX CREDITS***

| | CREDITS ISSUED (Tax Year) | CREDITS USED (Calendar Year) |
|---|---|---|
| 1998 | 3,411 | 380 |
| 1999 | 6,344 | 380 |
| 2000 | 4,519 | 380 |
| 2001 | 0 | 3,888 |
| 2002 | 380 | 1,167 |
| 2003 | 341 | 380 |
| 2004 | 0 | 0 |
| 2005 | 0 | 0 |
| 2006 | 0 | 0 |
| 2007 | 0 | 0 |
| 2008 | 0 | 0 |
| 2009 | 0 | 0 |
| 2010 | 0 | 0 |
| 2011 | 0 | 0 |
| 2012 | 0 | 0 |
| 2013 | 0 | 0 |
| 2014 | 0 | 0 |
| 2015 | 0 | 0 |
| 2016 | 0 | 0 |
| 2017 | 0 | 0 |
| 2018 | 0 | 0 |
| 2019 | 0 | 0 |
| 2020 | 0 | 0 |
| 2021 | 0 | 0 |
| 2000 | 0 | 0 |
| TOTALS | 14,995 | 6,575 |

# Tax EXPENDITURE REPORT

# 2025-26

471/8585

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# Introduction

The Department of Finance (Finance) is required to provide a tax expenditure report to the Legislature annually. Chapter 1762, Statutes of 1971, required that a biennial report be submitted to the Legislature. Chapter 268, Statutes of 1984, increased the reporting frequency from once every two years to once a year. Chapter 49, Statutes of 2006, and Chapter 55, Statutes of 2023, require the report to include each of the following:

- A comprehensive list of tax expenditures with an annual cost exceeding $5 million.
- The statutory authority for each provision.
- A description of the legislative intent of each provision, if specified in the enacting legislation.
- The sunset date of each provision.
- The beneficiaries of the provision.
- An estimate of the state and local revenue loss for the current and two subsequent fiscal years.
- For personal income tax expenditures, the number of taxpayers and returns affected for the most recent tax year, and the cost to the state resulting from these personal income tax expenditures categorized by taxpayers' income levels, for which data is readily available.
- For corporation and sales tax expenditures, the number of returns or businesses affected for the most recent year for which data is available.
- A listing of any comparable federal benefit.
- A description of any tax expenditure evaluation or compilation of information completed by any state agency since the last tax expenditure report by Finance.

This report fulfills Finance's statutory requirement pursuant to Government Code Section 13305. The narrative descriptions and revenue estimates for the tax expenditures included in this report are based on state laws for these tax expenditures as of June 30, 2025.

Since the 2023-24 report, this report has included tables for certain personal income and corporate income tax expenditures categorized by taxpayers' income level for which data is readily available.

- All tables are for resident taxpayers only and exclude non-resident returns.
- For personal income tax and corporation tax credit tables, the column showing the amount of credit allowed represents the estimated reduction in tax liability for taxpayers within a particular adjusted gross income (AGI) range since each dollar of credit allowed reduces tax liability by a corresponding dollar.
- For tables related to personal income tax deductions and exclusions, the tax impact column represents the estimated reduction in tax liability for taxpayers within a particular AGI range. For tax exclusions and deductions, the tax impact is estimated by calculating how the changes in income due to the claiming of the deduction or exclusion, as reflected in the amount of deductions or exclusions claimed column, will result in changes in tax liability depending on tax rates, use of other deductions and exclusions, and credit usage among taxpayers in a given AGI range.
- The tables are only included for tax expenditures that are readily identifiable on the tax return. Many tax exclusions, for example, do not have accompanying tables because the excluded income is not reported on the tax return.

## Definitions

Section 13305 defines tax expenditure as "a credit, deduction, exclusion, exemption, or any other tax benefit as provided for by the state." Although this definition is very broad, Finance has interpreted it to mean that aspects of the law that are basic to the tax structure are not tax expenditures. While the term "basic" is still ambiguous, it presents a framework for discussion as to what is not a tax expenditure.

Because the basic structure of each tax is used as the starting point for determining what constitutes a tax expenditure, elements of the basic tax structure that exempt certain categories of transactions are not considered tax expenditures. For example, the sales tax is imposed on retailers for the privilege of selling tangible personal property at retail. According to its basic definition, California's sales tax does not apply to sales or leases of real property, sales of services, wholesale transactions, or sales of securities and insurance. These exemptions are therefore not considered tax expenditures.

- The net operating loss (NOL) deduction levels the playing field for firms with volatile and steady income and is not considered a tax expenditure for this report. For example, consider two firms, one with a $100-loss in year one and a $300-gain in year two, the second with a $100-gain in each year. Without an NOL deduction, over the two years, the first firm would report $300 in taxable income, while the second would report $200, even though each had $200 net income over the two years.
- Across-the-board tax rate reductions do not represent tax expenditures. Tax expenditures resulting from changes in the rate structure only exist if different sets of rates are applied to a similar base.
- Progressive rate structures do not constitute tax expenditures. The basic structure of California's income tax is progressive. For that reason, the application of different tax rates to different income levels is a basic characteristic of the tax and does not represent a tax expenditure.
- Exemptions or exclusions required by the U.S. Constitution, the California Constitution, or federal laws are generally not considered tax expenditures, even if they would qualify as tax expenditures if adopted by statute. One exception to the general rule that Constitutional prohibitions are not deemed to be tax expenditures is this report's inclusion of the sales tax exemption for candy, which has been prohibited by the California Constitution from being taxed since 1992 but had been subject to sales tax prior to that constitutional change.
- Changes in tax law that alter penalties or interest or that accelerate or defer tax payments are generally not considered tax expenditures unless they are very narrowly targeted.
- This report, consistent with the last nine annual reports, does not include apportionment rules as a tax expenditure. The 2015-16 Tax Expenditure Report and previous versions had considered equal-weighted three-factor formula to be normal tax law. The revenue impact of any of the other three apportionment rules was measured against this normal law. However, now that mandatory single-sales factor apportionment is required for most multi-state businesses and is used by the majority of the states in the nation, it is considered part of California's basic tax structure. As such, this report does not treat mandatory single-sales factor as a tax expenditure.
- Since the 2023-24 report, this report has not included Subchapter S Corporations as a tax expenditure on the basis that Subchapter S Corporations are taxed as pass-through entities and this taxation is basic to the tax law because it mirrors how S

Corporations are taxed in nearly all other states. Unlike most other states that do not apply an entity-level tax, California applies an additional 1.5-percent tax on S Corporations at the entity level. Tax expenditure reports prior to 2023-24 calculated the amount of the tax expenditure by netting the revenue losses under the corporation tax against revenue gains from the pass-through income taxed under the personal income tax.

- The Pass-Through Entity Elective Tax (PTET) is not listed as a tax expenditure. While the PTET is taken as a personal income tax credit, it is fully offset by an elective tax paid by business entities and therefore does not decrease state revenues.

There is no single rule for determining what constitutes an element of the basic tax structure. For this reason, this report may exclude items that are included in other tax expenditure reports prepared by other state agencies and vice versa.

Unless otherwise specified as refundable, all credits discussed in this report are nonrefundable.

### Why Adopt Tax Expenditures

Tax expenditures may be classified into the following two broad groups:

- Those which provide an incentive for a particular type of behavior.
- Those which provide tax relief for taxpayers facing a particular economic hardship.

There are several differences between tax expenditures and direct expenditures (those authorized through the budget process). First, tax expenditures are generally reviewed less frequently than direct expenditures once they are in place. This can offer taxpayers more certainty than if tax expenditures were subject to annual review, however, it can also result in tax expenditures remaining in the tax code when their cost outweighs their social benefits. Secondly, with certain notable exceptions, there is no control over the amount of foregone revenue that results from a tax expenditure once that provision has become part of the tax code.[1] Finally, the vote requirements for tax expenditures and direct expenditures may be different. Tax expenditures that are adopted legislatively (except those adopted as urgency measures) require approval by a simple majority of both houses of the Legislature. A two-thirds vote is required for General Fund appropriations outside the Budget. Additionally, the repeal of a tax expenditure requires a two-thirds majority vote, while direct expenditures can be repealed with a simple majority vote.

## Revenue Estimates

The estimates listed in this report are intended as a general indication of revenue losses from tax expenditure programs. In general, revenue estimates for the Personal Income Tax and Corporation Tax Laws are easier to quantify than those for the Sales and Use Tax Law. Personal income and corporation tax returns contain significant detail regarding different sources of income and types of exemptions, exclusions, deductions, and credits claimed. Thus, tax return data are often available when estimating the fiscal impact of various income and corporation tax expenditure programs. In contrast, returns filed by

[1]The Earned Income Tax Credit is subject to legislative appropriation each year by a simple majority vote to set its adjustment factor for a given year.

taxpayers under the Sales and Use Tax Law contain little specific information regarding items purchased from individual retailers. For this reason, independent data sources must be used when estimating the revenue impacts of various sales tax expenditure programs, and these estimates can be less accurate than those for the Personal Income Tax and Corporation Tax Laws and can vary considerably depending on the methodology used. Nonetheless, even the revenue estimates for the personal income and corporate income tax expenditures can be subject to significant margins of error due to data limitations and the lag in the availability of the tax data. For example, the personal income and corporate income tax estimates in this report released in November 2025 are based on data from tax year 2022.

Estimates for any individual tax expenditure in this report do not necessarily reflect the revenue gain that would occur if the tax expenditure was repealed because of tax law interactions and taxpayers' behavioral reactions to changes in tax law. For example, repeal of the Section 529 Scholarshare plans may shift savings into Coverdell education savings accounts with similar tax benefits. As another example, elimination of the mortgage interest deduction could lead to lower home prices and a reduction in the amount of property tax deductions for income tax purposes. Further, while the report displays the total value of the major identified expenditures within each major tax, these figures are best viewed as a general indication of revenue losses. Since each tax expenditure is measured separately and independently of other tax provisions, the fiscal impact of individual tax expenditures when added together may significantly overstate the fiscal impact to the state if all the tax expenditures were repealed.

Except for the deduction for charitable contributions, the research and development tax credit, like-kind exchanges, and life insurance and annuity contract proceeds exclusion, which are reflected in both tables due to significant impacts on both taxes, the revenue loss for tax expenditures that are included in both Corporate and Personal Income Tax Laws are shown under the tax with the greatest revenue loss.

The 2019-20 Budget Act conformed or partially conformed to the following provisions of the Tax Cuts and Jobs Act:

- Small Business Accounting Reform and Simplification
- Limitation on Deduction of Non-Corporate Business Losses
- Limitation on Deduction of Federal Deposit Insurance Corporation Premiums
- Repeal of Technical Termination of Partnerships
- Limit Like-Kind Exchanges to Real Property
- Modification of Limitation on Excessive Employee Remuneration
- Eliminate Net Operating Loss Carrybacks
- Allow Increased Contributions to Achieving a Better Life Experience (ABLE) Accounts
- Allow 529 Plans to Rollover to ABLE Accounts
- Eliminate IRS Section 338 Election

Of the above provisions, only the like-kind exchanges are referenced in this report. The changes to small business accounting and net operating losses accelerate or defer tax collection and therefore are not considered tax expenditures. The changes to the ABLE accounts fall below this report's $5 million threshold. The remaining provisions increase state revenue and therefore are not tax expenditures.

The 2020-21 Budget Act included a provision that temporarily limited usage of business

incentive tax credits, except the low-income housing credit, to offset no more than $5 million in tax liability for each taxpayer in 2020, 2021, and 2022, while amendments to the 2021-22 Budget removed the limitation for 2022. In addition, the 2024-25 Budget Act temporarily limited usage of business incentive tax credits, except for the low-income housing credit, to offset no more than $5 million in tax liability for each taxpayer in 2024, 2025, and 2026, with the 2025 and 2026 limitations each subject to a trigger mechanism. This limitation also included a provision for taxpayers to make a one-time election for each year of the limitation to convert to refundable credits any credits in excess of the $5 million limitation that taxpayers would have normally used if not for the limitation. Taxpayers who elected into refundability will be able to utilize the converted credits over 5 years at 20 percent per year beginning 3 years following the election. The revenue estimates in this report reflect the impact of these temporary limitations and assume the limitation is in place through 2026. Generally, the credit limitation is expected to change the timing of credit usage but not necessarily materially impact the total amount of credits used.

**Revenue Estimate for the California Earned income Tax Credit**

Based on opinions from the California Office of Tax Appeals in April 2021, taxpayers can consider In-Home Supportive Services (IHSS) payments as "earned income" for the purposes of the California Earned income Tax Credit (EITC) as of May 5, 2021, and it is applicable to any open statute year. By extension, this treatment would also now be applicable to the state's Young Child Tax Credit (YCTC) and Foster Youth Tax credit (FYTC). The impact of this change is expected to be in the range of low tens of millions of dollars per year and is reflected in the estimates for the EITC, YCTC, and FYTC.

**State Revenue Losses**

As noted in the prior section, the total sum of individual tax expenditures can overstate tax expenditures' actual fiscal impact to the state. Nonetheless, totals are presented here to facilitate comparison to prior reports.

**Personal Income Tax**

The personal income tax is a tax levied on the wages, salaries, dividends, interest, and other income of an individual. The Personal Income Tax Law includes the vast majority of all tax expenditure programs approved to date. It is estimated that tax expenditures costing over $5 million will reduce 2025-26 Personal Income Tax General Fund revenues by $71 billion.

**Sales and Use Tax**

The sales and use tax is a tax imposed on the retail sale or the use of tangible personal property in the state by an individual, business, or other entity. The Sales and Use Tax Law contains separately identifiable state General Fund tax expenditures costing over $5 million worth $14.9 billion in 2025-26. Examples of these tax expenditures include sales tax exemptions for food; prescription medicines; gas, electricity, and water delivered through mains; farm equipment; fuel sold to common carriers, and the temporary one-year pause on General Fund taxation of diesel fuel, which ended September 30, 2023.

**Corporation Tax**

The corporation tax is a tax imposed on the profits of a corporation. Fiscal year 2025-26 General Fund tax expenditures costing over $5 million in the corporation category

amount to about $8.2 billion. Examples of these expenditures include provisions for research and development, the film and television tax credit, and provisions for water's edge election.

### Other Taxes

Remaining tax expenditure programs are estimated to reduce revenues by over $100 million annually. Much of this revenue loss results from aircraft jet fuel used by common carriers and the armed services as well as diesel fuel used by transit districts and schools.

### Local Revenue Losses

The revenue losses to local governments are also shown for the sales tax and the property tax. Property taxes are local taxes, however they impact state finances because local property tax exemptions reduce property tax allocations to schools. Under school finance law, the state is generally required to provide the difference in funding between local property tax allocations and school districts' minimum funding requirements established by state law. Consequently, each dollar of property tax revenue foregone by schools may result in additional state funding through the school apportionment process. Passage of Proposition 98 in November 1988 created an additional link between property taxes and state operations. The Proposition 98 minimum funding guarantee is determined each year according to a particular test—Test 1, Test 2, or Test 3—based on specified economic and fiscal circumstances in a given year. The test in effect is the one which yields the highest funding level each year. Under the Test 2 and Test 3 formulas, the minimum funding level is affected by the level change in property taxes. However, under Test 1, property taxes allocated to schools and community colleges are not part of the guaranteed funding level formula and are instead equal to a certain percentage of General Fund revenues.

Local government revenue losses from identifiable property tax exemptions are estimated to be in excess of $100 million annually, while losses from sales tax expenditures are estimated to be in excess of $10 billion.

### Unknown Revenue Loss Areas

Certain tax expenditures under Sales and Use Tax and Other Taxes have unknown revenue losses due to a lack of data and difficulty in estimating the extent of their usage. Generally, these types of tax expenditures that have no estimated revenue loss are relatively small and do not result in significant revenue losses.

### Legislative Intent

This report includes the legislative intent of the tax expenditure when that intent was specified in the enacting or amending legislation.

### Other Tax Expenditure Reports

The Franchise Tax Board released the latest version of their report, *California Income Tax Expenditures, Compendium of Individual Provisions: Report for 2020 Tax Year Data,* covering personal income tax and corporation tax expenditures, in November 2023. A copy of this report can be obtained by emailing the Franchise Tax Board at FTBopendata@ftb.ca.gov.

The Franchise Tax Board released the latest version of their report, *California Competes*

*Tax Credit Report*, in February 2024. The report contains data on the amount of California Competes Tax Credits claimed for tax year 2022.

The Franchise Tax Board released the latest version of their report, *California Earned Income and Young Child Tax Credit Report*, in January 2025. The report contains data for tax year 2022 on the number and dollar amount of EITC claims, as well as the characteristics of claimants and an estimate of the number of families lifted out of deep poverty.

The Franchise Tax Board released its report, *Minimum Tax and Annual Tax Exemption for Deployed Military*, in December 2024. The report contains data on the numbers of returns filed for tax year 2022 that qualified for the exemption and the number of those businesses that closed during that year.

The Franchise Tax Board released the latest version of their report, *New Employment Credit Report*, in February 2025. The report contains data on the number and dollar amount of credits claimed and identifies options for increasing claims in future years.

The Franchise Tax Board released the latest version of their report, *Donated Fresh Fruits and Vegetables Credit Report*, in November 2024. The report contains data on the number of returns claiming the credit and the amount of those credits, as well as the value of the fruit and vegetables donated, through tax year 2023.

The California Department of Tax and Fee Administration released the latest version of its Publication 61 *Sales and Use Taxes: Exemptions and Exclusions* in October 2024. The report contains a summary of all exemptions and exclusions under the sales and use tax law as of publication and provides an estimate of foregone revenue.

The Legislative Analyst's Office released a report, the *Annual Report on Tax Exemptions for Medicinal Cannabis*, in June 2025, which contains data related to the amount of medicinal cannabis products donated, number of medicinal cannabis patients served, and amount of tax revenue foregone in 2023 as a result of Chapter 837 of 2019 (SB 34).

The California Film Commission released a report, the *Film and Television Tax Credit Program: Progress Report*, in December 2023. The report includes an assessment of the tax credit program and data from fiscal year 2022-23 related to production expenditures, television series that relocated to California, and productions that unsuccessfully applied for tax credits and did filming out of state.

The California Tax Credit Allocation Committee released a report, the *2024 Annual Report to the Legislature*. The report covers federal and state low-income housing tax credits, including the number of credits allocated and the number of housing units those credits will help develop.

The California Alternative Energy and Advanced Transportation Financing Authority released a report, the *2024 Annual Report to the California State Legislature*, in March 2025. Among other topics, the report provided information on the Sales and Use Tax Exclusion Program for Manufacturers, including data on applications and awards from the program's inception through 2024.

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## Major Identifiable Tax Expenditures of $5 Million or More
(Dollars in Millions)

**Personal Income Tax**

| Provision | State General Fund Revenue Loss | | | | |
|---|---|---|---|---|---|
| | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 |
| Exclusion of employer pension contributions | $15,000 | $16,000 | $17,000 | $20,000 | $22,000 |
| Exclusion of employer contributions to health plans | 9,500 | 10,000 | 10,000 | 10,000 | 10,000 |
| Exclusion of social security benefits[1] | 4,900 | 5,000 | 5,500 | 6,000 | 6,000 |
| Basis step-up on inherited property | 4,500 | 4,700 | 4,900 | 5,000 | 5,500 |
| Exclusion of capital gains on sale of principal residence | 4,000 | 3,900 | 4,400 | 4,900 | 5,000 |
| Charitable contributions deduction | 3,500 | 3,800 | 3,900 | 4,000 | 4,100 |
| Home mortgage interest deduction | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 |
| Real estate, personal property and other tax deduction | 2,900 | 3,000 | 3,110 | 3,220 | 3,320 |
| Exclusion of benefits provided under cafeteria plans | 2,400 | 2,600 | 2,500 | 2,500 | 2,600 |
| Dependent exemption in excess of personal exemption credit | 1,900 | 2,000 | 2,100 | 2,200 | 2,200 |
| Head-of-household and qualifying widower filing status | 1,700 | 1,800 | 1,900 | 1,900 | 2,000 |
| Contributions to IRAs deduction | 1,300 | 1,500 | 1,800 | 2,000 | 2,200 |
| Like-kind exchanges | 1,300 | 1,300 | 1,200 | 1,200 | 1,200 |
| Paycheck Protection Program Exclusion[2] | 1,015 | 524 | 247 | - | - |
| Employee business and miscellaneous expenses deduction | 1,000 | 1,100 | 1,100 | 1,100 | 1,200 |
| Earned Income Tax Credit | 950 | 950 | 950 | 1,000 | 1,100 |
| Exclusion of amounts received under life insurance contracts | 650 | 700 | 750 | 750 | 800 |
| Contributions to self-employed retirement plans deduction | 550 | 550 | 600 | 600 | 650 |
| Medical and dental expenses deduction | 500 | 500 | 550 | 550 | 550 |
| Exclusion of meals and lodgings furnished by non-military employers | 470 | 470 | 460 | 450 | 450 |
| Exemption for senior citizens | 440 | 460 | 480 | 500 | 500 |
| Exclusion of miscellaneous fringe benefits | 430 | 440 | 440 | 440 | 460 |
| Young Child Tax Credit | 410 | 410 | 430 | 440 | 460 |
| Deduction of health insurance paid by self-employed | 390 | 400 | 420 | 430 | 450 |
| Exclusion of transportation-related fringe benefits | 360 | 380 | 370 | 380 | 390 |
| Exclusion of unemployment insurance benefits | 240 | 270 | 270 | 250 | 240 |
| Exclusion of scholarship/fellowship income | 230 | 250 | 270 | 290 | 300 |

[1]Some recipients of Social Security are not required to report this income on their federal tax returns. The number of returns reported here is the number of Californians with Social Security income that was reported on their federal tax return.
[2]This item includes corporate tax amounts.

## Major Identifiable Tax Expenditures of $5 Million or More
(Dollars in Millions)

**Personal Income Tax (continued)**

| Provision | State General Fund Revenue Loss | | | | |
|---|---|---|---|---|---|
| | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 |
| Exclusion of income earned on Section 529 (Scholarshare) plans | 230 | 240 | 240 | 230 | 230 |
| Exclusion of employer contributions to life insurance plans | 180 | 190 | 190 | 200 | 210 |
| Research and development credit[2] | 170 | 180 | 190 | 210 | 230 |
| Employee stock ownership plans[2] | 160 | 170 | 180 | 180 | 190 |
| Renters' credit | 150 | 160 | 420 | 600 | 650 |
| Exclusion of state lottery winnings | 130 | 130 | 130 | 140 | 150 |
| Exclusion of employee child care benefits | 100 | 110 | 110 | 110 | 110 |
| Exclusion of non-resident military pay | 95 | 100 | 100 | 110 | 110 |
| Exclusion of income for In Home Supportive Services | 90 | 100 | 100 | 110 | 120 |
| Exclusion of compensation for injuries or sickness | 90 | 90 | 90 | 85 | 90 |
| Student loan interest deduction | 75 | 110 | 120 | 130 | 130 |
| Restaurant Revitalization Grant Program | 75 | 38 | 12 | - | - |
| Wildfire Settlement Income Exclusion | 63 | 72 | 50 | 29 | 7 |
| Exclusion of employer-provided educational assistance | 50 | 55 | 60 | 70 | 75 |
| Casualty losses deduction | 48 | 50 | 50 | 50 | 50 |
| Exclusion of housing for clergy | 42 | 44 | 45 | 45 | 47 |
| Shuttered Venue Operator Grant Exclusion | 39 | 20 | 6 | - | - |
| Enterprise Zone And Similar Areas[1] | 25 | 15 | 9 | 5 | 3 |
| Exclusion of foster care payment | 22 | 23 | 24 | 24 | 24 |
| Moving expense deduction | 18 | 18 | 19 | 19 | 19 |
| Limited partnerships investment source rules | 14 | 17 | 18 | 19 | 19 |
| Child and dependent care credit (Nonrefundable) | 14 | 14 | 14 | 13 | 13 |
| Exclusion of Coverdell education savings accounts earnings | 13 | 13 | 13 | 12 | 9 |
| California Competes Credit[2] | 6 | 6 | 6 | 11 | 12 |
| Foster Youth Tax Credit | 6 | 6 | 6 | 7 | 7 |
| Cannabis High-Road Business Tax Credit | 6 | 3 | 1 | - | - |
| Military Retirement Pay Exclusion | - | - | 130 | 85 | 85 |
| **Total** | **$65,446** | **$67,978** | **$70,980** | **$75,594** | **$79,260** |

[1] This item includes corporate tax amounts, but the corporate tax is minor

[2] This item includes corporate tax amounts.

## Major Identifiable Tax Expenditures of $5 Million or More
(Dollars in Millions)

**Corporation Tax**

| Provision[4] | State General Fund Revenue Loss | | | | |
|---|---|---|---|---|---|
| | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 |
| Water's edge election | $3,400 | $4,100 | $4,500 | $4,400 | $3,800 |
| Research and development credit | 2,000 | 1,400 | 1,500 | 2,500 | 3,200 |
| Cable Companies Apportionment Exclusion | 280 | 340 | 380 | 360 | 320 |
| Charitable contributions deduction[1] | 230 | 270 | 300 | 290 | 260 |
| Low-income housing credit[1] | 208 | 321 | 386 | 388 | 388 |
| Tax-exempt status for qualifying corporations | 170 | 170 | 170 | 180 | 180 |
| Credit union treatment | 150 | 170 | 190 | 200 | 220 |
| Film and Television Tax Credit[1] | 141 | 122 | 173 | 283 | 463 |
| Like-kind exchanges[1] | 120 | 150 | 150 | 140 | 140 |
| First Year Minimum Tax Exclusion | 120 | 70 | 70 | 70 | 70 |
| Employee stock ownership plans | 95 | 110 | 110 | 110 | 110 |
| Accelerated depreciation of research and experimental costs[1] | 82 | 92 | 91 | 81 | 76 |
| Exclusion of amounts received under life insurance contracts | 70 | 80 | 80 | 75 | 70 |
| Enterprise Zone And Similar Areas[2] | 65 | 55 | 45 | 35 | 25 |
| Wildfire Settlement Income Exclusion | 46 | 30 | 25 | 15 | 4 |
| California Competes Credit | 35 | 26 | 25 | 41 | 46 |
| Expensing of timber growing costs[1] | 13 | 14 | 14 | 13 | 12 |
| Percentage depletion of mineral and other natural resources[3] | 5 | 2 | 2 | 2 | 2 |
| New Advanced Strategic Aircraft Credit | * | * | * | * | * |
| Rehabilitation of Certified Historic Structures Credit[1] | * | * | * | * | * |
| **Corporate Tax Total** | **$7,230** | **$7,522** | **$8,211** | **$9,183** | **$9,386** |

[1] This item includes personal income tax amounts.

[2] The Enterprise Zone credit was repealed as of January 1, 2014. Qualified workers hired prior to January 1, 2014, continued to generate credits through the 2018 taxable year. Taxpayers may continue to claim carryover credit through the 2028 taxable year.

[3] This item includes personal income tax amounts, but the personal income tax amounts are minor.

[4] Taxpayers were limited to utilizing $5 million in business tax credits, except the low-income housing credit, in the 2020 and 2021 taxable years and are also subject to a $5 million limitation for the 2024, 2025, and 2026 taxable years.

*Due to state privacy rules the amount cannot be disclosed.

## Major Identifiable Tax Expenditures of $5 Million or More
(Dollars in Millions)

**Sales and Use Taxes**

| | 2023-24 | | 2024-25 | | 2025-26 | | 2026-27 | | 2027-28 | |
|---|---|---|---|---|---|---|---|---|---|---|
| Provision | State General Fund | Local[1] | State General Fund | Local[1] | State General Fund | Local[1] | State General Fund | Local[1] | State General Fund | Local[1] |
| Food Products Exemption | $5,170 | $6,284 | $5,242 | $6,371 | $5,407 | $6,572 | $5,497 | $6,681 | $5,602 | $6,808 |
| Gas, Electricity, and Water Exemption | 3,506 | 4,261 | 3,554 | 4,320 | 3,666 | 4,456 | 3,727 | 4,530 | 3,798 | 4,617 |
| Prescription Medicine Exemption | 2,503 | 3,042 | 2,538 | 3,084 | 2,618 | 3,181 | 2,661 | 3,234 | 2,712 | 3,296 |
| Animal Life, Feed, Seeds, Plants, Fertilizer, Drugs, Medicines Exemption | 738 | 897 | 748 | 910 | 772 | 938 | 785 | 954 | 800 | 972 |
| Candy, Confectionery, Snack Foods, and Bottled Water Exemption | 631 | 766 | 639 | 777 | 659 | 801 | 670 | 815 | 683 | 830 |
| Manufacturing and R&D Equipment Exemption [2,3] | 465 | 0 | 472 | 0 | 486 | 0 | 494 | 0 | 504 | 0 |
| Meals Furnished by Institutions Exemption | 244 | 296 | 247 | 300 | 255 | 310 | 259 | 315 | 264 | 321 |
| Farm Equipment and Machinery Exemption[3] | 176 | 0 | 189 | 0 | 195 | 0 | 198 | 0 | 202 | 0 |
| Fuel Sold to Common Carriers Exemption | 148 | 180 | 150 | 182 | 155 | 188 | 157 | 191 | 160 | 195 |
| One-Year Diesel Sales Tax Exemption[3] | 131 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Rentals of Linen Supplies Exemption | 96 | 117 | 97 | 118 | 100 | 122 | 102 | 124 | 104 | 126 |
| Film and Television Tax Credit (Sales Tax Portion Only)[4] | 87 | 24 | 89 | 24 | 91 | 25 | 93 | 25 | 95 | 26 |
| Professional Health Services Exemption | 83 | 100 | 84 | 102 | 86 | 105 | 88 | 107 | 90 | 109 |
| Wheelchairs, Clutches, Canes, and Walkers Exemption | 73 | 89 | 74 | 90 | 77 | 93 | 78 | 95 | 79 | 97 |
| Diesel Fuel Used in Farming and Processing Exemption[4] | 59 | 16 | 60 | 16 | 62 | 17 | 63 | 17 | 64 | 17 |
| California Alternative Energy Exemption | 48 | 59 | 45 | 55 | 23 | 27 | 0 | 0 | 0 | 0 |
| Children's Diapers Exemption | 38 | 47 | 39 | 47 | 40 | 49 | 41 | 50 | 42 | 50 |
| Bad Debt Sales Tax Deduction Exemption | 35 | 43 | 36 | 43 | 37 | 45 | 37 | 45 | 38 | 46 |
| Custom Computer Programs Exemption | 24 | 29 | 24 | 29 | 25 | 30 | 25 | 31 | 26 | 31 |
| Blood Storage Units Exemption | 23 | 28 | 23 | 28 | 24 | 29 | 24 | 29 | 25 | 30 |

## Major Identifiable Tax Expenditures of $5 Million or More
(Dollars in Millions)

**Sales and Use Taxes (continued)**

| Provision | 2023-24 | | 2024-25 | | 2025-26 | | 2026-27 | | 2027-28 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | State General Fund | Local[1] | State General Fund | Local[1] | State General Fund | Local[1] | State General Fund | Local[1] | State General Fund | Local[1] |
| Subscription Periodicals Exemption | 22 | 27 | 22 | 27 | 23 | 28 | 23 | 28 | 24 | 29 |
| Printed Advertising Exemption | 21 | 26 | 22 | 26 | 22 | 27 | 23 | 28 | 23 | 28 |
| Medicine Administered by Veterinarians Exemption | 17 | 20 | 17 | 21 | 18 | 21 | 18 | 22 | 18 | 22 |
| Fuel Sold to Water Common Carriers Exemption | 16 | 20 | 17 | 20 | 17 | 21 | 17 | 21 | 18 | 22 |
| Oxygen Delivery Systems Exemption | 15 | 18 | 15 | 19 | 16 | 19 | 16 | 20 | 16 | 20 |
| Menstrual Products Exemption | 13 | 16 | 13 | 16 | 14 | 16 | 14 | 17 | 14 | 17 |
| Tele-Production and Post-Production Equipment Exemption[4] | 8 | 2 | 8 | 2 | 9 | 2 | 9 | 2 | 9 | 2 |
| Mailing Lists Exemption | 8 | 10 | 8 | 10 | 8 | 10 | 8 | 10 | 9 | 10 |
| New Mobile Homes Exemption | 5 | 5 | 5 | 5 | 5 | 6 | 5 | 6 | 5 | 6 |
| Breast Pumps and Related Supplies Exemption | 4 | 5 | 4 | 5 | 4 | 5 | 5 | 5 | 5 | 6 |
| Leases of Motion Picture and TV Tapes Exemption[5] | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Nonprofit Youth Organizations Exemption[5] | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Organic Products and Waste Byproduct Fuel Exemption[5] | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| **Total** | **$14,407** | **$16,426** | **$14,480** | **$16,649** | **$14,912** | **$17,144** | **$15,136** | **$17,400** | **$15,426** | **$17,733** |

[1]Rate includes the 2011 Realignment 1.0625 percent,1991 Local Revenue Fund 0.50 percent, Local Public Safety Fund 0.50 percent, Local Bradley Burns 1.25 percent, and the average county add-on of 1.45 percent.
[2]Includes the expansion from Chapter 137, Statutes of 2017 (AB 398); does not account for annual backfill from the Greenhouse Gas Reduction Fund which began in 2018-19. Includes the expansion from Chapter 137, Statutes of 2017 (AB 398); does not account for the backfill from the Greenhouse Gas Reduction Fund beginning in 2018-19.
[3]Exempted rates include the 3.9375 percentage points directed to the General Fund from the 4.75 percent and 0.25 percent rates minus the 1.0625 percent Local Revenue Fund 2011 rate.
[4]Exempted rates include the 0.25 percent General Fund rate and the 4.75 percent General Fund Rate, 1.0625 percentage points of which are directed to the Local Revenue Fund 2011.
[5]Unknown losses.

| Major Identifiable Tax Expenditures of $5 Million or More (Dollars in Millions) | | | | | |
|---|---|---|---|---|---|
| **Fuel Taxes** | | | | | |
| **State Special Fund Revenue Loss** | | | | | |
| **Provision** | **2023-24** | **2024-25** | **2025-26** | **2026-27** | **2027-28** |
| Aircraft jet fuel used by common carriers and military | $31 | $31 | $31 | $31 | $31 |
| Fuel used by transit districts and schools | 16 | 16 | 16 | 16 | 16 |
| **Total** | **$47** | **$47** | **$47** | **$47** | **$47** |

| Major Identifiable Tax Expenditures of $5 Million or More (Dollars in Millions) | | | | | |
|---|---|---|---|---|---|
| **Property Tax** | | | | | |
| | Local Revenue Loss | | | | |
| **Provision** | **2023-24** | **2024-25** | **2025-26** | **2026-27** | **2027-28** |
| Computer Programs[1] | - | - | - | - | - |
| Fixtures excluded on the supplemental roll[2] | - | - | - | - | - |

[1]Unknown, but in excess of $100 million per year.

[2]Unknown, but in low tens of millions of dollars per year.

# Personal Income Tax

## Employer Pension Contributions Exclusion

***Description***:
Employer contributions to qualified retirement plans are generally excluded from employees' income, subject to annual limits.

***Statutory Authority***:
Revenue and Taxation Code Section 17501 which conforms to Internal Revenue Code Section 401

***Sunset Date***:
None

***Legislative Intent***:
Not specified

***Beneficiaries***:
Individuals

***Number of Taxpayers/Number of Returns***:
Not available

***Comparable Federal Benefit***:
California generally conforms to federal law concerning employers' deductions for pension contributions.

## Employer Contributions to Health Plans Exclusion

***Description***:
Contributions by employers to provide accident and health benefits are excluded from the income of employees.

***Statutory Authority:***
Revenue and Taxation Code Section 17131 in conformity with Internal Revenue Code Section 106

***Sunset Date:***
None

***Legislative Intent:***
Not specified

***Beneficiaries:***
Individuals

***Number of Taxpayers/Number of Returns:***
Not available

***Comparable Federal Benefit:***
This provision conforms to federal law.

## Social Security Benefits Exclusion

***Description:***
Social Security and federal railroad retirement benefits are not subject to tax.

***Statutory Authority:***
Revenue and Taxation Code Section 17087

***Sunset Date:***
None

***Legislative Intent:***
Not specified

***Beneficiaries:***
Individuals

***Number of Taxpayers/Number of Returns:***
For 2022, 2.2 million tax returns, representing 3.5 million taxpayers, claimed this exclusion.

***Tax Exclusion Usage Details for Tax Year 2022:***

| Social Security Benefits Exclusion | | | | |
|---|---|---|---|---|
| **Adjusted Gross Income Class** | **Returns Reporting Exclusion (Thousands)** | **Taxpayer Count (Thousands)** | **Amount of Exclusion Claimed (Millions)** | **Tax Impact of Exclusion (Millions)** |
| **Less than $10,000** | 26 | 37 | $228 | $3 |
| **$10,000 to $19,999** | 156 | 203 | $497 | $1 |
| **$20,000 to $49,999** | 727 | 1038 | $8,814 | $235 |
| **$50,000 to $99,999** | 645 | 1029 | $15,108 | $854 |
| **$100,000 to $199,999** | 431 | 744 | $11,201 | $941 |
| **$200,000 to $499,999** | 189 | 333 | $5,776 | $540 |
| **$500,000 to $999,999** | 38 | 66 | $1,297 | $133 |
| **More than $999,999** | 22 | 38 | $786 | $94 |
| **Total** | **2,232** | **3,487** | **$43,707** | **$2,801** |

***Comparable Federal Benefit:***
Under federal law, these benefits are partially taxed.

## Basis Step-Up on Inherited Property

***Description:***
The tax basis of property acquired by bequest, gift or inheritance is reassessed to the fair market value at the date of death. Therefore, appreciation that occurred prior to the death is not taxed.

***Statutory Authority:***
Revenue and Taxation Code Sections 18031, 18035.6, 18036.6 in conformity with Internal Revenue Code Section 1014

***Sunset Date:***
None

***Legislative Intent:***
Not specified

***Beneficiaries:***
Individuals

***Number of Taxpayers/Number of Returns:***
Not available

***Comparable Federal Benefit:***
This provision conforms to federal law.

## Capital Gains on Sale of a Principal Residence Exclusion

***Description:***
An individual may exclude up to $250,000 of gain realized on the sale of a principal residence. For joint returns, the exclusion is $500,000.

***Statutory Authority:***
Revenue and Taxation Code Section 17131 and 17152 in conformity with Internal Revenue Code Section 121

***Sunset Date:***
None

***Legislative Intent:***
Not specified

***Beneficiaries:***
Individuals

***Number of Taxpayers/Number of Returns:***
Not available

***Comparable Federal Benefit:***
This provision conforms to federal law.

## Charitable Contribution Deduction

***Description:***
A deduction is allowed for cash or certain non-cash contributions to qualifying nonprofit or governmental entities. For personal income taxpayers, the deduction is only available to those who itemize their deductions. The deduction amount is limited depending upon the type of contribution and recipient, but in no case may exceed 50 percent of adjusted gross income. For corporate taxpayers, the limit is 10 percent of taxable income. Contributions in excess of these amounts may be carried forward for up to five years.

***Statutory Authority:***
Revenue and Taxation Code Sections 17201, 17275.5, 24357-24359.1 in conformity with Internal Revenue Code Section 170

***Sunset Date:***
None

***Legislative Intent:***
Not specified

***Beneficiaries:***
Individuals and incorporated and unincorporated businesses

***Number of Taxpayers/Number of Returns:***
For the 2022 tax year, 4.8 million personal income tax returns representing 7.5 million taxpayers, claimed this deduction. This deduction was also claimed on 174,070 corporation tax returns.

***Personal Income Tax Deduction Usage Details for Tax Year 2022:***

| Charitable Contribution Deduction—Personal Income Tax | | | | |
|---|---|---|---|---|
| **Adjusted Gross Income Class** | **Returns Reporting Deduction (Thousands)** | **Taxpayer Count (Thousands)** | **Amount of Deduction Claimed (Millions)** | **Tax Impact of Deduction (Millions)** |
| **Less than $10,000** | 105 | 136 | $204 | $1 |
| **$10,000 to $19,999** | 138 | 176 | $234 | $0 |
| **$20,000 to $49,999** | 634 | 841 | $1,564 | $16 |
| **$50,000 to $99,999** | 1,170 | 1,668 | $3,773 | $155 |
| **$100,000 to $199,999** | 1,429 | 2,361 | $6,079 | $471 |
| **$200,000 to $499,999** | 949 | 1,721 | $6,223 | $594 |
| **$500,000 to $999,999** | 217 | 403 | $2,863 | $277 |
| **More than $999,999** | 108 | 196 | $14,683 | $1,468 |
| **Total** | **4,750** | **7,502** | **$35,622** | **$2,982** |

***Comparable Federal Benefit:***
This provision partially conforms to federal law. Due to the Tax Cuts and Jobs Act, for tax years 2018 through tax year 2025, California did not conform to the federal increase in limitations for certain charitable contributions. California also does not

conform to various changes made to the charitable contribution deduction in federal law H.R.1 (enacted on July 4, 2025) for tax years 2026 and forward.

## Home Mortgage Interest Deduction

***Description:***
Taxpayers may generally deduct a limited amount of interest paid or accrued within the taxable year for acquiring, constructing, substantially improving, or refinancing their principal residence and one other residence up to $1 million on mortgages and an additional $100,000 on equity debt.

***Statutory Authority:***
Revenue and Taxation Code Section 17201 which conforms to Internal Revenue Code Section 163

***Sunset Date:***
None

***Legislative Intent:***
Not specified

***Beneficiaries:***
Individuals

***Number of Taxpayers/Number of Returns:***
For the 2022 tax year, 4.4 million returns representing 7.2 million taxpayers claimed this deduction.

***Tax Deduction Usage Details for Tax Year 2022:***

| Mortgage Interest Deduction | | | | |
|---|---|---|---|---|
| **Adjusted Gross Income Class** | **Returns Reporting Deduction (Thousands)** | **Number of Taxpayers (Thousands)** | **Amount of Deduction Claimed (Millions)** | **Tax Impact of Deduction (Millions)** |
| **Less than $10,000** | 123 | 176 | $1,312 | $1 |
| **$10,000 to $19,999** | 109 | 151 | $868 | $0 |
| **$20,000 to $49,999** | 489 | 704 | $4,277 | $36 |
| **$50,000 to $99,999** | 1,062 | 1,571 | $10,135 | $381 |
| **$100,000 to $199,999** | 1,396 | 2,367 | $16,053 | $1,141 |
| **$200,000 to $499,999** | 936 | 1,722 | $14,477 | $1,270 |
| **$500,000 to $999,999** | 210 | 394 | $4,188 | $328 |
| **More than $999,999** | 88 | 162 | $1,917 | $85 |
| **Total** | **4,414** | **7,248** | **$53,227** | **$3,242** |

***Comparable Federal Benefit:***
This provision partially conforms to federal law. Since 2018, the federal mortgage interest deduction is limited to $750,000 for mortgages acquired after 2017, and equity debt is only deductible if used to substantially improve the property that secures the loan.

## Real Estate, Personal Property, and Other Taxes Deduction

***Description:***
Individual taxpayers may deduct certain taxes as an itemized deduction. This includes property taxes, personal property taxes like vehicle license fees, one-half of self-employment taxes, and other state, local, and foreign taxes relating to a trade or business or property held for the production of income.

***Statutory Authority:***
Revenue and Taxation Code Sections 17201, 17220, 17222 which conforms to Internal Revenue Code Section 164

***Sunset Date:***
None

***Legislative Intent:***
Not specified

***Beneficiaries:***
Individuals

***Number of Taxpayers/Number of Returns:***
For the 2022 tax year, 5.1 million returns representing 8.4 million taxpayers claimed the real property tax deduction and 4.3 million returns representing 6.7 million taxpayers claimed the personal property and other taxes deduction.

***Tax Deduction Usage Details for Tax Year 2022:***

| Real Property Tax Deduction | | | | |
|---|---|---|---|---|
| **Adjusted Gross Income Class** | **Returns Reporting Deduction (Thousands)** | **Number of Taxpayers (Thousands)** | **Amount of Deduction Claimed (Millions)** | **Tax Impact of Deduction (Millions)** |
| **Less than $10,000** | 161 | 228 | $1,066 | $1 |
| **$10,000 to $19,999** | 149 | 203 | $654 | $0 |
| **$20,000 to $49,999** | 638 | 910 | $3,035 | $24 |
| **$50,000 to $99,999** | 1,246 | 1,850 | $9,051 | $248 |
| **$100,000 to $199,999** | 1,563 | 2,641 | $10,414 | $752 |
| **$200,000 to $499,999** | 1,044 | 1,912 | $10,947 | $945 |
| **$500,000 to $999,999** | 237 | 442 | $4,187 | $331 |
| **More than $999,999** | 111 | 202 | $3,873 | $202 |
| **Total** | **5,149** | **8,389** | **$43,227** | **$2,504** |

## Personal Income Tax

| Personal Property and Other Tax Deduction | | | | |
|---|---|---|---|---|
| **Adjusted Gross Income Class** | **Returns Reporting Deduction (Thousands)** | **Number of Taxpayers (Thousands)** | **Amount of Deduction Claimed (Millions)** | **Tax Impact of Deduction (Millions)** |
| **Less than $10,000** | 140 | 179 | $230 | $0 |
| **$10,000 to $19,999** | 139 | 175 | $75 | $0 |
| **$20,000 to $49,999** | 609 | 800 | $442 | $4 |
| **$50,000 to $99,999** | 1,094 | 1,549 | $852 | $29 |
| **$100,000 to $199,999** | 1,276 | 2,127 | $1,019 | $72 |
| **$200,000 to $499,999** | 784 | 1,436 | $593 | $51 |
| **$500,000 to $999,999** | 158 | 297 | $131 | $11 |
| **More than $999,999** | 61 | 114 | $188 | $17 |
| **Total** | **4,262** | **6,677** | **$3,528** | **$183** |

***Comparable Federal Benefit:***
This provision conformed to federal law prior to January 1, 2018. For tax years 2018 through 2024, federal law limited the deduction for state and local taxes, including real estate and personal property taxes, to $10,000 per tax return. Beginning in tax year 2025, federal law limits this deduction to $40,000, indexed to inflation each year, and then reverting to $10,000 in tax year 2030. This provision does not conform to any of those changes.

## Benefits Provided Under Cafeteria Plans Exclusion

***Description:***
The value of benefits received from an employer-sponsored cafeteria plan is not subject to tax. Cafeteria plans allow employees to choose between monetary compensation and qualified benefits, such as health insurance, life insurance, and dependent care benefits. If monetary compensation, rather than benefits, is selected, the amount is subject to tax.

***Statutory Authority:***
Revenue and Taxation Code Section 17131 which conforms to Internal Revenue Code Section 125

***Sunset Date:***
None

***Legislative Intent:***
Not specified

***Beneficiaries:***
Individuals

***Number of Taxpayers/Number of Returns:***
Not available

***Comparable Federal Benefit:***
This provision partially conforms to federal law with minor differences in qualifying income limits due to different indexing implemented under the Tax Cuts and Jobs Act and additional changes made by H.R.1 that California does not conform to.

## Dependent Exemption in Excess of Personal Exemption Credit

***Description:***
A nonrefundable personal exemption credit is allowed for all taxpayers and their dependents. The exemption credit for dependents is over three times greater than the exemption allowed for the taxpayer or their spouse. A temporary reduction of the dependent credit to the level of the personal credit was instituted for the 2009 and 2010 tax years.

***Statutory Authority:***
Revenue and Taxation Code Sections 17054, 17054.1, 17056, and 17733

***Sunset Date:***
None

***Legislative Intent:***
Not specified

***Beneficiaries:***
Individuals

***Number of Taxpayers/Number of Returns:***
In 2022, 5.8 million tax returns representing 8.8 million taxpayers claimed this credit.

***Tax Credit Usage Details for Tax Year 2022:***
Not available

***Comparable Federal Benefit:***
Prior to January 1, 2018, federal law allowed a personal exemption deduction, rather than a credit. The deduction amount for each dependent was the same as for each taxpayer. Federal law also allowed a child tax credit of $1,000 per child. The federal Tax Cuts and Jobs Act eliminated personal exemptions, increased the standard deduction, and increased the child tax credit to $2,000 per child for tax years 2018 through 2025. The American Rescue Plan Act temporarily, for tax year 2021 only, increased the child tax credit from $2,000 to $3,600 for qualifying children 5 and under, from $2,000 to $3,000 for other qualifying children, and increased the age limit from 16 to 17 years of age. The federal H.R.1 temporarily increased the child tax credit to $2,200 for tax years 2025 through 2028, and made the $2,000 base level permanent.

## Head-of-Household and Qualifying Widow(er) Filing Status

***Description:***
Individuals who provide a home for a qualifying relative are eligible for lower tax rates than are available for single persons or a married person filing separately. A qualifying widow(er) may claim a larger personal exemption in addition to the lower tax rates provided to heads-of-households. A qualifying widow(er) is an individual whose spouse died within the two prior years and has not remarried, and who provides the main home for an eligible dependent.

***Statutory Authority:***
Revenue and Taxation Code Section 18521, which is in partial conformity with Internal Revenue Code Section 2

***Sunset Date:***
None

***Legislative Intent:***
Not specified

***Beneficiaries:***
Individuals

***Number of Taxpayers/Number of Returns:***
For the 2022 tax year, 2.4 million returns representing 2.4 million taxpayers used the head of household or qualifying widow(er) filing status.

***Filing Status Details for Tax Year 2022:***

| Head of Household and Widow(er) Filing Statuses | | | |
|---|---|---|---|
| **Adjusted Gross Income Class** | **Returns Reporting Status (Thousands)** | **Taxpayer Count (Thousands)** | **Tax Impact of Status (Millions)** |
| **Less than $10,000** | 151 | 151 | $0 |
| **$10,000 to $19,999** | 312 | 312 | $0 |
| **$20,000 to $49,999** | 945 | 945 | $89 |
| **$50,000 to $99,999** | 690 | 690 | $845 |
| **$100,000 to $199,999** | 226 | 226 | $459 |
| **$200,000 to $499,999** | 54 | 54 | $133 |
| **$500,000 to $999,999** | 8 | 8 | $46 |
| **More than $999,999** | 4 | 4 | $29 |
| **Total** | **2,391** | **2,391** | **$1,600** |

***Comparable Federal Benefit:***
This provision is in partial conformity with federal law.

## Contributions to Individual Retirement Accounts Deduction

***Description:***
Taxpayers who receive compensation that is included in gross income and who are under 70-1/2 years of age may be allowed a deduction in computing adjusted gross income for contributions to their Individual Retirement Account (IRA). Earnings in IRAs are excluded from income until they are distributed to the taxpayer.

***Statutory Authority:***
Revenue and Taxation Code Sections 17201, 17203, 17501, 17504-09, 17551, and 17563.5 in conformity to Internal Revenue Code Section 219

***Sunset Date:***
None

***Legislative Intent:***
Not specified

***Beneficiaries:***
Individuals

***Number of Taxpayers/Number of Returns:***
Not available

***Comparable Federal Benefit:***
This provision conforms to federal law.

## Like-Kind Exchanges

***Description:***
No gain or loss is recognized when real property is exchanged solely for similar (like-kind) property. If, as part of the exchange, dissimilar property (not like- kind) or money is received, gain is recognized on the value of dissimilar property or money received, but a loss is not recognized. The tax deferral on like-kind exchanges for personal property was eliminated in conformity with federal law as of January 1, 2019, with an exception for individual taxpayers with adjusted gross income less than $250,000 or joint filers with adjusted gross income less than $500,000. Chapter 231, Statutes of 2025 (SB 711) eliminated this exception as of tax year 2025.

***Statutory Authority:***
Revenue and Taxation Code sections 18031 and 24941 which conform to Internal Revenue Code Section 1031

***Sunset Date:***
None

***Legislative Intent:***
Not specified

***Beneficiaries:***
Individuals, incorporated and unincorporated businesses

***Number of Taxpayers/Number of Returns:***
Not available

***Comparable Federal Benefit:***
This provision partially conforms to federal law.

## Paycheck Protection Program (PPP) and Economic Injury Disaster Loan (EIDL) Program Exclusions

***Description:***
Eligible businesses with forgiven loans under the federal PPP or advance grants under the EIDL program can exclude these grants from their taxable income and deduct related expenses. Public companies and businesses that cannot demonstrate a 25-percent reduction in sales in one quarter of calendar year 2020 versus a comparable quarter in 2019 are excluded from the benefit.

***Statutory Authority:***
Revenue and Taxation Code Sections 17131.8 and 24308.6

***Sunset Date:***
None

***Legislative Intent:***
Not specified

***Beneficiaries:***
Non-public companies with a minimum 25-percent sales reduction year-over-year in one quarter of calendar year 2020.

***Number of Taxpayers/Number of Returns:***
Not available

***Comparable Federal Benefit:***
This treatment conforms with federal law except for the exclusions of public companies and businesses that do not meet the 25-percent sales reduction threshold.

## Employee Business and Miscellaneous Expenses Deduction

***Description:***
Certain unreimbursed employee expenses, expenses of producing income, and other qualifying expenses may be deducted as a miscellaneous itemized deduction. Amounts for meals and entertainment are limited to 50 percent of the expense. The deduction is limited--only the amount in excess of 2 percent of the taxpayer's federal adjusted gross income may be deducted.

***Statutory Authority:***
Revenue and Taxation Code Sections 17072, 17076, 17201 which generally conform to Internal Revenue Code Sections 62(a), 67, 68, 162, 274

***Sunset Date:***
None

***Legislative Intent:***
Not specified

***Beneficiaries:***
Individuals

***Number of Taxpayers/Number of Returns:***
For the 2022 tax year, 1.5 million returns representing 2.1 million taxpayers claimed this deduction.

***Tax Deduction Usage Details for Tax Year 2022:***

| Employee Business and Miscellaneous Expense Deduction | | | | |
|---|---|---|---|---|
| **Adjusted Gross Income Class** | **Returns Reporting Deduction (Thousands)** | **Number of Taxpayers (Thousands)** | **Amount of Deduction Claimed (Millions)** | **Tax Impact of Deduction (Millions)** |
| **Less than $10,000** | 113 | 142 | $807 | $0.5 |
| **$10,000 to $19,999** | 69 | 83 | $202 | $0.1 |
| **$20,000 to $49,999** | 201 | 246 | $1,313 | $12 |
| **$50,000 to $99,999** | 375 | 496 | $3,196 | $95 |
| **$100,000 to $199,999** | 429 | 682 | $4,504 | $237 |
| **$200,000 to $499,999** | 206 | 366 | $3,841 | $214 |
| **$500,000 to $999,999** | 36 | 63 | $1,937 | $79 |
| **More than $999,999** | 25 | 45 | $6,015 | $305 |
| **Total** | **1,453** | **2,122** | **$21,816** | **$942** |

***Comparable Federal Benefit:***
This provision was in general conformity with federal law prior to January 1, 2018. Since 2018, federal law suspended all miscellaneous itemized deductions subject to the 2-percent floor, including the 50-percent deduction for meals and entertainment. This provision does not conform to the suspension since 2018.

## Earned Income Tax Credit (EITC)

***Description:***
Taxpayers with wage income below specified amounts in 2015, dependent on the number of their qualifying children, may claim a refundable tax credit. The credit matches a specified percent, referred to as the adjustment factor, of the taxpayer's calculated federal earned income tax credit for 2015, up to a specified amount of wages and is scaled depending on the number of qualifying children, if any. Beginning in 2017, the Legislature expanded the credit to taxpayers with self-employment income, and the phase-out ranges were extended depending on the number of qualifying children. In 2018, the phase-out ranges were further extended and qualification was extended to individuals of age 18 to 24 and over 65. In 2019, the phase-out range was further increased to a maximum eligible earned income of $30,000, and the credit phases out more gradually. In 2020, the EITC was expanded to include taxpayers who file using an Individual Taxpayer Identification Number.

The adjustment factor is set each year in the annual budget act and would be zero if no adjustment factor is specified. For tax years 2015 through 2024, the adjustment factor was set at 85 percent and the estimates in this report assume an 85-percent adjustment factor in subsequent years.

***Statutory Authority:***
Revenue and Taxation Code Section 17052

***Sunset Date:***
None

***Legislative Intent:***
To expand the credit to benefit a broader section of working poor Californians.

***Beneficiaries:***
Individuals

***Number of Taxpayers/Number of Returns:***
For the 2022 tax year, 3.3 million tax returns representing 3.7 million taxpayers were allowed the credit.

## Personal Income Tax

***Tax Credit Usage Details for Tax Year 2022***

| Earned Income Tax Credit | | | |
|---|---|---|---|
| **Adjusted Gross Income Class*** | **Returns Allowing Credit** | **Taxpayers Allowed Credit** | **Amount of Credit Allowed (Millions)** |
| **Less than or equal to $0** | 26,730 | 33,219 | $7 |
| **$1 to $5,000** | 328,335 | 362,763 | $91 |
| **$5,001 - $10,000** | 502,656 | 555,751 | $282 |
| **$10,001 - $15,000** | 634,914 | 707,989 | $266 |
| **$15,001 - $20,000** | 641,823 | 722,454 | $145 |
| **$20,001 - $25,000** | 597,048 | 676,244 | $74 |
| **$25,001 - $30,000** | 547,532 | 618,050 | $24 |
| **Greater than $30,000** | 14,366 | 19,047 | $2 |
| **Total** | **3,293,404** | **3,695,517** | **$890** |

***Comparable Federal Benefit:***

Federal law allows taxpayers to claim a refundable tax credit based on the level of their wage and self-employment income, number of qualifying children, and filing status. Federal law limits the qualifying ages to 25 through 65 and does not accept an Individual Taxpayer Identification Number to qualify for the credit. The federal level of income at which the credit is phased out is higher than California's phase-out level.

## Life Insurance and Annuity Contract Proceeds Exclusion

***Description:***
The proceeds of a life insurance policy of a deceased person are generally excluded from the income of the beneficiary. Amounts received from a "living benefits" contract are also excluded from income, as are certain survivor benefits paid as an annuity to the beneficiary of a public safety officer killed in the line of duty.

***Statutory Authority:***
Revenue and Taxation Code Sections 17131, 17132.5, 24302, and 24305 which conform to Internal Revenue Code Section 101

***Sunset Date:***
None

***Legislative Intent:***
Not specified

***Beneficiaries:***
Individuals

***Number of Taxpayers/Number of Returns:***
Not available

***Comparable Federal Benefit:***
This provision generally conforms to federal law.

## Self-Employed Retirement Plans Deduction

***Description:***
Self-employed persons are allowed a limited deduction when computing adjusted gross income for contributions to a self-employed retirement plan. Income generated by these contributions is also excluded from taxation until the assets are withdrawn.

***Statutory Authority:***
Revenue and Taxation Code Sections 17501, 17504, 17506, and 17507 which generally conform to Internal Revenue Code Sections 219, 401-404, 408, and 415

***Sunset Date:***
None

***Legislative Intent:***
Not specified

***Beneficiaries:***
Self-employed individuals

***Number of Taxpayers/Number of Returns:***
For the 2022 tax year, 146,978 tax returns representing 252,451 taxpayers claimed this deduction.

***Tax Deduction Usage Details for Tax Year 2022:***

| Self-Employed Health Insurance Premium Deduction | | | | |
|---|---|---|---|---|
| **Adjusted Gross Income Class** | **Returns Reporting Deduction (Thousands)** | **Number of Taxpayers (Thousands)** | **Amount of Deduction Claimed (Millions)** | **Tax Impact of Deduction (Millions)** |
| **Less than $10,000** | 31 | 41 | $134 | $0.6 |
| **$10,000 to $19,999** | 27 | 35 | $89 | $0.6 |
| **$20,000 to $49,999** | 77 | 106 | $317 | $7 |
| **$50,000 to $99,999** | 91 | 141 | $563 | $31 |
| **$100,000 to $199,999** | 98 | 166 | $856 | $75 |
| **$200,000 to $499,999** | 90 | 159 | $1,182 | $118 |
| **$500,000 to $999,999** | 33 | 60 | $553 | $62 |
| **More than $999,999** | 25 | 45 | $501 | $65 |
| **Total** | **472** | **753** | **$4,194** | **$359** |

***Comparable Federal Benefit:***
This provision generally conforms to federal law.

## Medical and Dental Expenses Deduction

***Description:***
Taxpayers may take an itemized deduction for qualified medical and dental expenses incurred on behalf of the taxpayer, the taxpayer's spouse, and/or the taxpayer's dependents. Only unreimbursed expenditures that exceed 7.5 percent of federal adjusted gross income are deductible.

***Statutory Authority:***
Revenue and Taxation Code Section 17201 which conforms to Internal Revenue Code Section 213

***Sunset Date:***
None

***Legislative Intent:***
Not specified

***Beneficiaries:***
Individuals

***Number of Taxpayers/Number of Returns:***
For the 2022 tax year, 1.5 million returns representing 2.2 million taxpayers claimed this deduction.

***Tax Deduction Usage Details for Tax Year 2022:***

| Medical and Dental Expense Deduction | | | | |
|---|---|---|---|---|
| Adjusted Gross Income Class | Returns Reporting Deduction (Thousands) | Number of Taxpayers (Thousands) | Amount of Deduction Claimed (Millions) | Tax Impact of Deduction (Millions) |
| **Less than $10,000** | 220 | 291 | $1,460 | $0.2 |
| **$10,000 to $19,999** | 196 | 258 | $954 | $0.1 |
| **$20,000 to $49,999** | 417 | 598 | $3,297 | $21 |
| **$50,000 to $99,999** | 362 | 541 | $3,996 | $122 |
| **$100,000 to $199,999** | 221 | 370 | $3,449 | $219 |
| **$200,000 to $499,999** | 60 | 107 | $1,684 | $115 |
| **$500,000 to $999,999** | 4 | 7 | $290 | $14 |
| **More than $999,999** | 1 | 2 | $141 | $8 |
| **Total** | **1,482** | **2,174** | **$15,272** | **$501** |

***Comparable Federal Benefit:***
This provision conforms with modifications to federal law. Except for tax years 2017 and 2018 when the federal threshold was also 7.5 percent, the threshold for deduction differs at the federal level, which is 10 percent.

## Meals and Lodging Furnished by Non-Military Employers Exclusion

***Description:***
The value of meals and lodging furnished by non-military employers to an employee, spouse, or dependent is excluded from the income of the employee. The meals and lodging must be provided at the employer's place of business, for the convenience of the employer, and as a precondition for employment.

***Statutory Authority:***
Revenue and Taxation Code Section 17131 which conforms to Internal Revenue Code Section 119

***Sunset Date:***
None

***Legislative Intent:***
Not specified

***Beneficiaries:***
Individuals

***Number of Taxpayers/Number of Returns:***
Not available

***Comparable Federal Benefit:***
This provision conforms to federal law.

## Senior Citizens Exemption Credit

***Description:***
Individuals over the age of 65 are eligible for an additional personal exemption credit.

***Statutory Authority:***
Revenue and Taxation Code Sections 17054 and 17054.1

***Sunset Date:***
None

***Legislative Intent:***
Not specified

***Beneficiaries:***
Individuals

***Number of Taxpayers/Number of Returns:***
For the 2022 tax year, 3.4 million returns representing 5.1 million taxpayers were allowed this credit.

***Tax Credit Usage Details for Tax Year 2022:***

| Senior Exemption Credit | | | | |
|---|---|---|---|---|
| **Adjusted Gross Income Class** | **Returns Allowing Credit** | **Taxpayers Allowed Credit** | **Amount of Credit Allowed (Thousands)** | **Tax Impact of Credit (Millions)** |
| **Less than $10,000** | 528,395 | 738,190 | $95,378 | $60 |
| **$10,000 to $19,999** | 346,890 | 467,912 | $60,743 | $38 |
| **$20,000 to $49,999** | 853,321 | 1,219,764 | $156,367 | $99 |
| **$50,000 to $99,999** | 763,940 | 1,176,736 | $146,882 | $93 |
| **$100,000 to $199,999** | 547,654 | 919,250 | $111,117 | $70 |
| **$200,000 to $499,999** | 260,493 | 458,220 | $54,406 | $34 |
| **$500,000 to $999,999** | 55,551 | 97,795 | $11,740 | $7 |
| **More than $999,999** | 34,006 | 59,800 | $7,193 | $5 |
| **Total** | **3,390,250** | **5,137,667** | **$643,825** | **$408** |

***Comparable Federal Benefit:***
Federal law does not allow a credit but instead allows taxpayers over the age of 65 to claim an additional standard deduction amount, which was temporarily increased for tax years 2025 through 2028 by an additional $6,000 for single filers and $12,000 for joint filers.

## Miscellaneous Fringe Benefits Exclusion

***Description:***
Certain fringe benefits are excluded from the income of the employees who receive them. This includes free special services such as free stand-by flights provided to airline employees, employee discounts for the purchase of company products, use of company equipment such as a company car, employee achievement awards, and "de minimis" fringe benefits such as the use of a work-site gym.

***Statutory Authority:***
Revenue and Taxation Code Section 17131 which partially conforms to Internal Revenue Code Section 132

***Sunset Date:***
None

***Legislative Intent:***
Not specified

***Beneficiaries:***
Individuals

***Number of Taxpayers/Number of Returns:***
Not available

***Comparable Federal Benefit:***
Prior to January 1, 2018, this provision conformed to federal law. Since 2018, federal law prohibited certain types of property to qualify for a tax exclusion as an employee achievement award. This provision does not conform to that change.

## Young Child Tax Credit

***Description:***
Beginning in tax year 2019, a new $1,000-refundable credit, referred to as the Young Child Tax Credit (YCTC), is provided to any family that qualifies for the EITC and has a child under age 6. Beginning in tax year 2022, the YCTC is indexed to inflation and taxpayers with zero earned income or negative earned income may claim the credit. Earned income consists of wages, salaries, tips, and other employee compensation that is subject to California withholding, or net income from self-employment.

***Statutory Authority:***
Revenue and Taxation Code Section 17052.1

***Sunset Date:***
None

***Legislative Intent:***
Not specified

***Beneficiaries:***
Individuals

***Number of Taxpayers/Number of Returns:***
For the 2022 tax year, 401,815 tax returns representing 475,619 taxpayers were allowed the YCTC.

***Tax Credit Usage Details for Tax Year 2022:***

| Young Child Tax Credit | | | |
|---|---|---|---|
| Adjusted Gross Income Class* | Returns Allowing Credit (Thousands) | Taxpayers Allowing Credit (Thousands) | Amount of Credit Allowed (Millions) |
| **Less than or equal to $0** | 6 | 8 | $7 |
| **$1 to $5,000** | 28 | 32 | $30 |
| **$5,001 to $10,000** | 54 | 61 | $59 |
| **$10,001 to $15,000** | 87 | 99 | $94 |
| **$15,001 to $20,000** | 88 | 104 | $95 |
| **$20,001 to $25,000** | 73 | 90 | $79 |
| **$25,001 to $30,000** | 63 | 78 | $39 |
| **Greater than $30,000** | 2 | 3 | $2 |
| **Total** | **402** | **476** | **$404** |

**Comparable Federal Benefit:**
None

## Self-Employed Health Insurance Premium Deduction

***Description:***
Self-employed individuals are allowed to deduct the cost of premiums paid for health insurance for themselves and their families. The deduction is limited to the taxpayer's net income earned from the trade or business for which the plan was established. This deduction can be taken regardless of whether the taxpayer itemizes their deductions.

***Statutory Authority:***
Revenue and Taxation Code Sections 17201, 17203, 17273 which generally conform to Internal Revenue Code Section 162

***Sunset Date:***
None

***Legislative Intent:***
Not specified

***Beneficiaries:***
Individuals

***Number of Taxpayers/Number of Returns:***
In 2022, 472,263 returns representing 753,017 taxpayers claimed this deduction.

***Tax Deduction Usage Details for Tax Year 2022:***

| Self-Employed Health Insurance Premium Deduction | | | | |
|---|---|---|---|---|
| Adjusted Gross Income Class | Returns Reporting Deduction (Thousands) | Number of Taxpayers (Thousands) | Amount of Deduction Claimed (Millions) | Tax Impact of Deduction (Millions) |
| **Less than $10,000** | 31.7 | 41.1 | $134 | $0.6 |
| **$10,000 to $19,999** | 27 | 35 | $89 | $0.6 |
| **$20,000 to $49,999** | 77 | 106 | $317 | $7 |
| **$50,000 to $99,999** | 91 | 141 | $563 | $31 |
| **$100,000 to $199,999** | 98 | 166 | $856 | $75 |
| **$200,000 to $499,999** | 90 | 159 | $1,182 | $118 |
| **$500,000 to $999,999** | 33 | 60 | $553 | $62 |
| **More than $999,999** | 25 | 45 | $501 | $65 |
| **Total** | **472** | **753** | **$4,194** | **$359** |

***Comparable Federal Benefit:***
This provision generally conforms to federal law.

## Transportation-Related Fringe Benefits Exclusion

***Description:***
Employees are allowed to exclude qualified compensation for employer-provided transportation benefits from income. These benefits include up to a specified amount for parking, transit passes, and ridesharing programs.
The exclusion is limited to the fair market value of the benefits received.

***Statutory Authority:***
Revenue and Taxation Code Sections 17090 and 17149 which generally conform to Internal Revenue Code Section 132

***Sunset Date:***
None

***Legislative Intent:***
This exclusion was intended to encourage ridesharing and transit use.

***Beneficiaries:***
Individuals

***Number of Taxpayers/Number of Returns:***
Not available

***Comparable Federal Benefit:***
Prior to January 1, 2018, this provision generally conformed to federal law.
Since 2018, federal tax law eliminated business deductions for employer-provided transportation benefits. This provision does not conform to that change.

## Unemployment Insurance Benefits Exclusion

***Description:***
Benefits received from the state's unemployment insurance program are excluded from income for tax purposes. For privately-provided unemployment compensation, benefits up to the amount of prior contributions are not taxable, but benefits in excess of this amount are taxable.

***Statutory Authority:***
Revenue and Taxation Code Section 17083

***Sunset Date:***
None

***Legislative Intent:***
Not specified

***Beneficiaries:***
Individuals

***Number of Taxpayers/Number of Returns:***
In 2022, 946,000 returns representing 1.4 million taxpayers claimed this exclusion.

***Tax Exclusion Usage Details for Tax Year 2022:***

| Unemployment Compensation Benefits Exclusion | | | | |
|---|---|---|---|---|
| **Adjusted Gross Income Class** | **Returns Reporting Deduction (Thousands)** | **Number of Taxpayers (Thousands)** | **Amount of Deduction Claimed (Millions)** | **Tax Impact of Deduction (Millions)** |
| Less than $10,000 | 97 | 112 | $562 | $1 |
| $10,000 to $19,999 | 133 | 156 | $711 | $3 |
| $20,000 to $49,999 | 286 | 365 | $1,432 | $23 |
| $50,000 to $99,999 | 216 | 336 | $1,094 | $50 |
| $100,000 to $199,999 | 142 | 254 | $806 | $65 |
| $200,000 to $499,999 | 60 | 116 | $421 | $40 |
| $500,000 to $999,999 | 9 | 18 | $75 | $7 |
| More than $999,999 | 2 | 4 | $17 | $2 |
| **Total** | **946** | **1,361** | **$5,119** | **$192** |

***Comparable Federal Benefit:***
No comparable federal benefit, except the American Rescue Act of 2021 allowed an exclusion of $10,200 from federal AGI for single filers, and $20,400 for joint filers for the 2020 tax year only.

## Scholarship/Fellowship Income Exclusion

***Description:***
Individuals may exclude from income any qualifying scholarships, fellowships, and tuition grants or reductions they receive that are used for qualified educational expenses.

***Statutory Authority:***
Revenue and Taxation Code Section 17131 which conforms to Internal Revenue Code Section 117

***Sunset Date:***
None

***Legislative Intent:***
Not specified

**Beneficiaries:**
Individuals

***Number of Taxpayers/Number of Returns:***
Not available

***Comparable Federal Benefit:***
This provision conforms to federal law.

## Income Earned on Section 529 (Scholarshare) Plans Exclusion

***Description:***
Individuals may exclude earnings of Section 529 educational savings accounts (such as California's Scholarshare program) from income, provided that, upon withdrawal, the money from the accounts is used for qualified educational expenses.

***Statutory Authority:***
Revenue and Taxation Code Section 17140 which conforms to Internal Revenue Code Section 529

***Sunset Date:***
None

***Legislative Intent:***
This provision was intended to encourage taxpayers to invest for future higher education expenses to make the attainment of higher education possible for the greatest number of citizens of California.

***Beneficiaries:***
Individuals

***Number of Taxpayers/Number of Returns:***
Not available

***Comparable Federal Benefit:***
This provision partially conforms to federal law. Since 2018, federal law allows education expenses to include elementary school and secondary school tuition.

## Employer Contributions to Life Insurance Plans Exclusion

***Description:***
An employer's contribution to an employee's group term life insurance policy is excluded from the employee's gross income for the first $50,000 of coverage.

***Statutory Authority:***
Revenue and Taxation Code Section 17081 which conforms to Internal Revenue Code Section 79

***Sunset Date:***
None

***Legislative Intent:***
Not specified

***Beneficiaries:***
Individuals

***Number of Taxpayers/Number of Returns:***
Not available

***Comparable Federal Benefit:***
This provision conforms to federal law.

## Renters' Credit

***Description:***
Low-income individuals who rent their principal residence are eligible for a credit of $60 if they are single, or $120 if married filing jointly or a head of household. To be eligible, the taxpayer's income cannot exceed specified levels.

***Statutory Authority:***
Revenue and Taxation Code Section 17053.5

***Sunset Date:***
None

***Legislative Intent:***
Not specified

***Beneficiaries:***
Individuals

***Number of Taxpayers/Number of Returns:***
For the 2022 tax year, 2 million returns, representing 2.3 million taxpayers were allowed this credit.

***Tax Credit Usage Details for Tax Year 2022:***

| Renter's Credit | | | |
|---|---|---|---|
| **Adjusted Gross Income Class** | **Returns Allowing Credit (thousands)** | **Taxpayers Allowed Credit (thousands)** | **Amount of Credit Allowed (Millions)** |
| **Less than $10,000** | 18 | 18 | $0.4 |
| **$10,000 to $19,999** | 126 | 127 | $4 |
| **$20,000 to $49,999** | 1,335 | 1,383 | $81 |
| **$50,000 to $99,999** | 514 | 795 | $58 |
| **More than $99,999** | 0 | 0 | $0 |
| **Total** | **1,993** | **2,323** | **$144** |

***Comparable Federal Benefit:***
None

## State Lottery Winnings Exclusion

***Description:***
Winnings from the California State Lottery are exempt from tax.

***Statutory Authority:***
Government Code Section 8880.68

***Sunset Date:***
None

***Legislative Intent:***
Not specified

***Beneficiaries:***
Individuals

***Number of Taxpayers/Number of Returns:***
For the 2022 tax year, 20,369 returns representing 30,226 taxpayers claimed this exclusion.

***Tax Exclusion Usage Details for Tax Year 2022:***

| California Lottery Winnings Exclusion | | | | |
|---|---|---|---|---|
| **Adjusted Gross Income Class** | **Returns Reporting Exclusion (Thousands)** | **Number of Taxpayers (Thousands)** | **Amount of Deduction Claimed (Millions)** | **Tax Impact of Deduction (Millions)** |
| **Less than $10,000** | 2 | 2 | $130 | $7 |
| **$10,000 to $19,999** | 1 | 1 | $18 | $1 |
| **$20,000 to $49,999** | 5 | 7 | $77 | $6 |
| **$50,000 to $99,999** | 5 | 8 | $254 | $16 |
| **$100,000 to $199,999** | 5 | 9 | $80 | $7 |
| **$200,000 to $499,999** | 2 | 3 | $47 | $4 |
| **$500,000 to $999,999** | 0.2 | 0.3 | $228 | $28 |
| **More than $999,999** | 0.1 | 0.1 | $297 | $37 |
| **Total** | **20** | **30** | **$1,131** | **$107** |

***Comparable Federal Benefit:***
None

## Employee Child Care Benefits Exclusion

***Description:***
Employees may exclude the amount of child and dependent care benefits received through an employer-sponsored payroll deduction program. The exclusion is the lesser of $5,000 per year, the amount of the taxpayer's earned income, or the amount of the taxpayer's spouse's earned income.

***Statutory Authority:***
Revenue and Taxation Code Section 17131 which conforms to Internal Revenue Code Section 129

***Sunset Date:***
None

***Legislative Intent:***
Not specified

***Beneficiaries:***
Individuals

***Number of Taxpayers/Number of Returns:***
Not available

***Comparable Federal Benefit:***
This provision conforms to federal law.

## Non-resident Military Pay Exclusion

***Description:***
The military compensation of a person who is not domiciled or taxable in California, but attributable to a resident spouse because of community property laws is exempt from tax.

***Statutory Authority:***
Revenue and Taxation Code Sections 17140.5

***Sunset Date:***
None

***Legislative Intent:***
This provision was intended to ease administration and provide tax relief to military personnel.

***Beneficiaries:***
Individuals

***Number of Taxpayers/Number of Returns:***
For the 2022 tax year, 64,741 returns claimed this exclusion.

***Comparable Federal Benefit:***
This issue is only relevant to state taxation.

## Income for In-Home Supportive Services or Waiver Personal Care Services Providers' Wages Exclusion

***Description:***
Wages received by In-Home Supportive Services or Waiver Personal Care Services providers who live in the same home with the recipient of those services are excluded from gross income for tax purposes.

***Statutory Authority:***
Revenue and Taxation Code Section 17131 which conforms to Internal Revenue Code Section 131

***Sunset Date:***
None

***Legislative Intent:***
None

***Beneficiaries:***
Individuals

***Number of Taxpayers/Number of Returns***
Not available

***Comparable Federal Benefit:***
This provision conforms to federal law.

## Compensation for Injuries or Sickness Exclusion

***Description:***
Taxpayers may exclude from income the compensation received from workers' compensation, accident insurance, state disability insurance, and health insurance for injuries or illness. This also includes compensatory damages awarded in court settlements for injury or sickness, but not punitive damages. Also, employer reimbursement for expenses incurred for the care of an employee, or an employee's spouse or dependents, is excluded from tax.

***Statutory Authority:***
Revenue and Taxation Code Section 17131 which conforms to Internal Revenue Code Section 104

***Sunset Date:***
None

***Legislative Intent:***
Not specified

***Beneficiaries:***
Individuals

***Number of Taxpayers/Number of Returns:***
Not available

***Comparable Federal Benefit:***
This provision conforms to federal law.

## Student Loan Interest Deduction

***Description:***
Taxpayers may deduct interest paid on qualified education loans up to a maximum of $2,500. This deduction is phased out based on the taxpayer's modified adjusted gross income, adjusted annually for inflation.

***Statutory Authority:***
Revenue and Taxation Code Section 17204 which conforms to Internal Revenue Code Section 221

***Sunset Date:***
None

***Legislative Intent:***
The intent of this provision was to make the expenses of higher education more affordable.

***Beneficiaries:***
Individuals

***Number of Taxpayers/Number of Returns:***
In 2022, 249,000 tax returns representing 347,000 taxpayers claimed this deduction.

***Tax Deduction Usage Details for Tax Year 2022:***

| Student Loan Interest Deduction | | | | |
|---|---|---|---|---|
| Adjusted Gross Income Class | Returns Reporting Deduction (Thousands) | Number of Taxpayers (Thousands) | Amount of Deduction Claimed (Millions) | Tax Impact of Deduction (Millions) |
| **Less than $10,000** | 14 | 16 | $18 | $1 |
| **$10,000 to $19,999** | 15 | 16 | $15 | $1 |
| **$20,000 to $49,999** | 64 | 71 | $64 | $4 |
| **$50,000 to $99,999** | 95 | 121 | $82 | $6 |
| **More than $100,000** | 61 | 123 | $51 | $3 |
| **Total** | **249** | **347** | **$230** | **$16** |

***Comparable Federal Benefit:***
This provision conforms to federal law.

## Restaurant Revitalization Fund Grant Exclusion

***Description:***
Restaurant Revitalization Fund grants are excluded from income for the purposes of state taxation. The Restaurant Revitalization Fund was a federal program which distributed grants in April and May of 2021 to restaurants financially disadvantaged by the COVID-19 Pandemic.

***Statutory Authority:***
Revenue and Taxation Code Sections 17158.2 and 24308.2

***Sunset Date:***
Not specified

***Legislative Intent:***
Not specified

***Beneficiaries:***
Incorporated and unincorporated businesses

***Number of Taxpayers/Number of Returns:***
Not available

***Comparable Federal Benefit:***
This provision conforms to federal law.

## Wildfire Settlement Income Exclusion

***Description:***
Taxpayers may exclude from gross income settlement payments related to wildfires for tax years 2021 through 2029.

***Statutory Authority:***
Revenue and Taxation Code Sections 17138.5, 17138.6

***Sunset Date:***
January 1, 2030

***Legislative Intent:***
Not specified

***Beneficiaries:***
Individuals

***Number of Taxpayers/Number of Returns:***
Not available

***Comparable Federal Benefit:***
Federal tax law allows a similar tax exclusion for wildfire settlement payments for tax years 2020 through 2025.

## Employer-Provided Educational Assistance Exclusion

***Description:***
Individuals may exclude from income up to $5,250 of qualified educational assistance contributions made by their employer.

***Statutory Authority:***
Revenue and Taxation Code Section 17151 which partially conforms to Internal Revenue Code Section 127

***Sunset Date:***
None

***Legislative Intent:***
Not specified

***Beneficiaries:***
Individuals

***Number of Taxpayers/Number of Returns:***
Not available

***Comparable Federal Benefit:***
This provision generally conforms to federal law.

## Casualty Loss Deduction

***Description:***
This provision allows taxpayers to deduct from gross income qualified casualty losses for which they were not compensated by insurance or other means. Casualty losses are "losses caused by sudden, unexpected, or unusual events, such as floods, fire, storms, earthquakes, vandalism, theft, etc.". Casualty losses are limited to nonbusiness losses that are greater than $100 per loss, and to cases where the sum of all casualty losses during a particular year is greater than 10 percent of federal adjusted gross income.

***Statutory Authority:***
Revenue and Taxation Code Sections 17131, 17207, and 24347.5

***Sunset Date:***
None

***Legislative Intent:***
Not specified

***Beneficiaries:***
Individuals, incorporated and unincorporated businesses

***Number of Taxpayers/Number of Returns:***
For 2022, 3,249 tax returns representing 4,704 taxpayers claimed this deduction.

***Comparable Federal Benefit:***
This provision conforms to federal law with modifications, but does not conform to the federal modification since 2018 to only allow a deduction for presidentially declared disasters as personal casualty losses.

## Housing for Clergy Exclusion

***Description:***
The rental value of a minister's dwelling is exempt from tax. Additionally, state-employed members of the clergy may allocate up to 50 percent of their gross salary to either the rental value of a home furnished to them or to the rental allowance paid to them to rent a home.

***Statutory Authority:***
Revenue and Taxation Code Sections 17131 and 17131.6 which partially conforms to Internal Revenue Code Section 107

***Sunset Date:***
None

***Legislative Intent:***
Not specified

***Beneficiaries:***
Individuals

***Number of Taxpayers/Number of Returns:***
Not available

***Comparable Federal Benefit:***
This provision partially conforms to federal law.

## Shuttered Venue Operator Grant Exclusion

***Description:***
Shuttered Venue Operator Grants are excluded from income for the purposes of state taxation. The federal Shuttered Venue Operator Grant program distributed grants in April through August of 2021 to theaters, museums, and similar businesses financially disadvantaged by the COVID-19 Pandemic.

***Statutory Authority:***
Revenue and Taxation Code Sections 17158.3 and 24308.3

***Sunset Date:***
Not specified

***Legislative Intent:***
Not specified

***Beneficiaries:***
Incorporated and unincorporated businesses

***Number of Taxpayers/Number of Returns:***
Not available

***Comparable Federal Benefit:***
This provision conforms to federal law.

## Foster Care Payments Exclusion

***Description:***
Payments received from state and local governments, as well as tax-exempt foster care placement agencies, as reimbursements for the costs of caring for a foster child are excluded from income. In addition, supplemental "difficulty of care" payments to compensate the foster parents for the care of a foster child with a physical, mental, or emotional handicap are excluded from income. The foster child must live in the taxpayer's home for the exclusion to apply.

***Statutory Authority:***
Revenue and Taxation Code Section 17131 which conforms to Internal Revenue Code Section 131

***Sunset Date:***
None

***Legislative Intent:***
Not specified

***Beneficiaries:***
Individuals

***Number of Taxpayers/Number of Returns:***
Not available

***Comparable Federal Benefit:***
This provision conforms to federal law.

## Moving Expense Deduction

***Description:***
An above-the-line deduction is allowed for certain unreimbursed moving expenses that are required to start a new job. The deduction is limited to the cost of transportation of household goods and personal effects, and travel (including lodging, but not meals) to the new residence.

***Statutory Authority:***
Revenue and Taxation Code Sections 17072 and 17076 which conform to Internal Revenue Code Section 217

***Sunset Date:***
None

***Legislative Intent:***
Not specified

***Beneficiaries:***
Individuals

***Number of Taxpayers/Number of Returns:***
For 2022, 93,417 tax returns representing 123,895 taxpayers claimed this deduction.

***Tax Deduction Usage Details for Tax Year 2022:***

| Moving Expense Deduction | | | | |
|---|---|---|---|---|
| Adjusted Gross Income Class | Returns Reporting Deduction (Thousands) | Number of Taxpayers (Thousands) | Amount of Deduction Claimed (Millions) | Tax Impact of Deduction (Millions) |
| **Less than $10,000** | 16 | 20 | $60 | $0.1 |
| **$10,000 to $19,999** | 10 | 11 | $33 | $0.2 |
| **$20,000 to $49,999** | 23 | 29 | $108 | $2 |
| **$50,000 to $99,999** | 23 | 30 | $104 | $5 |
| **$100,000 to $199,999** | 15 | 22 | $110 | $6 |
| **$200,000 to $499,999** | 6 | 10 | $51 | $4 |
| **$500,000 to $999,999** | 0.8 | 1 | $10 | $0.8 |
| **More Than $999,999** | 0.1 | 0.2 | $2 | $0.2 |
| **Total** | **93** | **124** | **$477** | **$18** |

***Comparable Federal Benefit:***
This provision conforms to federal law prior to January 1, 2018. Since 2018, federal tax law no longer allows this deduction except for a member of the Armed Forces of the United States on active duty who moves pursuant to a military order. This provision does not conform to that change.

## Limited Partnerships Investment Source Rules

***Description:***
The dividends, interest, or gains and losses from qualified investment securities of members of limited partnerships are exempted from taxation if the members reside outside California, and their only contact with the state is through a security dealer, broker, or an investment advisor located in the state.

***Statutory Authority:***
Revenue and Taxation Code Section 17955

***Sunset Date:***
None

***Legislative Intent:***
Not specified

***Beneficiaries:***
Individuals

***Number of Taxpayers/Number of Returns:***
Not available

***Comparable Federal Benefit:***
This issue is only relevant to state taxation.

## Child and Dependent Care Credit

***Description:***
A credit is allowed for a portion of qualifying child or dependent care expenses paid for the purpose of allowing the taxpayer to be gainfully employed. The credit is a percentage of a parallel federal credit. The percentage decreases as income increases and is eliminated for taxpayers with adjusted gross income greater than $100,000. Chapter 14, Statutes of 2011 (SB 86) repealed the refundable portion of the Child and Dependent Care credit, effective January 1, 2011.

***Statutory Authority:***
Revenue and Taxation Code Section 17052.6 which generally conforms to Internal Revenue Code Section 21

***Sunset Date:***
None

***Legislative Intent:***
Not specified

***Beneficiaries:***
Individuals

***Number of Taxpayers/Number of Returns:***
In 2022, 89,634 returns representing 117,406 taxpayers claimed this credit.

***Credit Usage Details for Tax Year 2022:***

| Child and Dependent Care Credit (Non-Refundable Credit) -- Personal Income Tax | | | |
|---|---|---|---|
| Adjusted Gross Income Class | **Returns Allowing Credit (Units)** | **Taxpayers Allowed Credit (Units)** | **Amount of Credit Allowed (Thousands)** |
| **Less than $10,000** | 51 | 72 | $2 |
| **$10,000 to $19,999** | 96 | 132 | $8 |
| **$20,000 to $49,999** | 4,466 | 4,680 | $599 |
| **$50,000 to $99,999** | 83,628 | 110,126 | $15,584 |
| **$100,000 to $199,999** | 1,293 | 2,211 | $306 |
| **$200,000 to $499,999** | 88 | 163 | $32 |
| **More than $500,000** | 12 | 22 | $5 |
| **Total** | **89,634** | **117,406** | **$16,536** |

***Comparable Federal Benefit:***
This provision generally conforms to federal law; however, under federal law this credit does not have an income limit.

## Coverdell Education Savings Accounts Earnings Exclusion

***Description:***
Individuals may exclude earnings of Coverdell educational savings accounts from income, provided that, upon withdrawal, the money from the accounts is used for qualified educational expenses.

***Statutory Authority:***
Revenue and Taxation Code Section 23712 which conforms to Internal Revenue Code Section 530

***Sunset Date:***
None

***Legislative Intent:***
This provision was intended to encourage taxpayers to invest for future higher education expenses to make the attainment of higher education possible for the greatest number of citizens of California.

***Beneficiaries:***
Individuals

***Number of Taxpayers/Number of Returns:***
Not available

***Comparable Federal Benefit:***
This provision conforms to federal law.

## Foster Youth Earned Income Tax Credit

***Description:***
Beginning in 2022, former foster youth ages 18 through 25 who qualify for the EITC and were in foster care while age 13 or older qualify for a $11,083-refundable credit, indexed to inflation each year.

***Statutory Authority:***
Revenue and Taxation Code Sections 17052.2 and 19551.4

***Sunset Date:***
None

***Legislative Intent:***
Not specified

***Beneficiaries:***
Individuals

***Number of Taxpayers/Number of Returns:***
In tax year 2022, 4,892 returns representing 4,996 taxpayers claimed this credit.

***Comparable Federal Benefit:***
None

***Credit Usage Details for Tax Year 2022:***

| Foster Youth Tax Credit | | | |
|---|---|---|---|
| Adjusted Gross Income Class | Returns Allowing Credit | Taxpayers Allowed Credit | Amount of Credit Allowed (Millions) |
| **Less than or equal to $0** | 29 | 29 | $0.03 |
| **$1 to $5,000** | 1,066 | 1,077 | $1.2 |
| **$5,001 - $10,000** | 1,042 | 1,056 | $1.1 |
| **$10,001 - $15,000** | 934 | 959 | $1.0 |
| **$15,001 - $20,000** | 791 | 810 | $0.9 |
| **$20,001 - $25,000** | 600 | 617 | $0.6 |
| **Greater than $25,000** | 430 | 448 | $0.3 |
| **Total** | **4,892** | **4,996** | **$5.1** |

## Cannabis High-Road Business Tax Credit

***Description:***
Commercial cannabis businesses that provide full-time employees with employment compensation, employer-provided group health insurance, and employer-provided retirement benefits or pension benefits are allowed annual tax credits equal to 25 percent of qualified expenditures up to $250,000 from 2023 through 2027. The credit has a cumulative cap of $20 million over the lifetime of the credit.

***Statutory Authority:***
Revenue and Taxation Code Sections 17053.64 and 23664

***Sunset Date:***
January 1, 2028

***Legislative Intent:***
Not specified

***Beneficiaries:***
Individuals, unincorporated and incorporated businesses

***Number of Taxpayers/Number of Returns:***
Not available

***Comparable Federal Benefit:***
None

## Military Retirement Pay Exclusion

***Description:***
Beginning in tax year 2025, taxpayers who receive retirement pay from the federal government for service in the armed services or annuity payments pursuant to a Department of Defense Survivor Benefit Plan may exclude up to $20,000 of that income. The income exclusion is available for: 1) individuals or heads of household with up to $125,000 in adjusted gross income and 2) joint filers with up to $250,000 in adjusted gross income.

***Statutory Authority:***
Revenue and Taxation Code Sections 17132.9 and 17132.1

***Sunset Date:***
January 1, 2030

***Legislative Intent:***
Not specified

***Beneficiaries:***
Individuals.

***Number of Taxpayers/Number of Returns:***
Not available

***Comparable Federal Benefit:***
None

# Corporation Tax

## Water's Edge Election

***Description:***
Unitary multinational corporations are allowed the option of computing the income attributable to California on the basis of a water's-edge (domestic) combined report, as opposed to a worldwide combined report. Under the water's edge provision, a business may elect to compute its California tax by reference to only the income and factors of a limited number of entities. In general, these entities include United States incorporated entities, the United States activities of foreign incorporated entities, and the activities of various foreign entities that are included in the federal consolidated return. The election is generally for a seven-year period.

***Statutory Authority:***
Revenue and Taxation Code Sections 25110-25113

***Sunset Date:***
None

***Legislative Intent:***
Not specified

***Beneficiaries:***
Corporations

***Number of Taxpayers/Number of Returns:***
For 2022, 20,164 returns elected the water's edge method.

***Tax Expenditure Usage Details for Tax Year 2022:***
Not available

***Comparable Federal Benefit:***
Federal law uses a different method of determining income subject to tax, but it relies on the same information as the water's edge method.

## Research and Development Credit

***Description:***
Businesses are allowed a credit for increased research expenditures over a four-year base period.

***Statutory Authority:***
Revenue and Taxation Code Sections 17052.12 and 23609 in partial conformity with Internal Revenue Code Section 41

***Sunset Date:***
None

***Legislative Intent:***
Not specified

***Beneficiaries:***
Incorporated and unincorporated businesses

***Number of Taxpayers/Number of Returns:***
For 2022, 19,259 personal income tax returns representing 35,134 personal income taxpayers claimed this credit. In addition, 5,317 corporate tax returns were allowed this credit.

***Personal Income Tax Credit Usage Details for Tax Year 2022:***

| Research and Development Credit—Personal Income Tax | | | |
|---|---|---|---|
| Adjusted Gross Income Class | Returns Allowing Credit (Units) | Taxpayers Allowed Credit (Units) | Amount of Credit Allowed (Millions) |
| Less than $50,000 | 2,028 | 3,643 | $0 |
| $50,000 to $99,999 | 3,178 | 5,818 | $1 |
| $100,000 to $199,999 | 4,370 | 8,006 | $4 |
| $200,000 to $499,999 | 3,452 | 6,265 | $19 |
| $500,000 to $999,999 | 2,430 | 4,461 | $30 |
| More than $999,999 | 3,801 | 6,941 | $175 |
| **Total** | **19,259** | **35,134** | **$231** |

***Corporate Income Tax Credit Usage Details for Tax Year 2022:***

| Research and Development Credit Allowed by Size of Gross Receipts (Corp) | | | | |
|---|---|---|---|---|
| | Returns with Credit | | Percent of Total | |
| Size of Gross Receipts | Returns Allowing Credit (Units) | Amount of Credit Allowed (Millions) | Percent of Total Returns | Percent of Total Credit Allowed |
| Not Known | 291 | $86 | 5% | 3% |
| Less than $1 million | 459 | $3 | 9% | 0% |
| $1 million to $5 million | 1,222 | $9 | 23% | 0% |
| $5 million to $25 million | 1,561 | $33 | 29% | 1% |
| $25 million to $100 million | 775 | $41 | 15% | 1% |
| $100 million to $1 billion | 558 | $100 | 10% | 4% |
| $1 billion to $10 billion | 346 | $616 | 7% | 22% |
| More than $10 billion | 105 | $1,858 | 2% | 68% |
| **Total** | **5,317** | **$2,746** | **100%** | **100%** |

***Comparable Federal Benefit:***

Prior to 2025, this provision partially conformed to federal law, with state law having a different Alternative Incremental Research Credit calculation. Beginning in tax year 2025, California law eliminated the Alternative Incremental Research Credit calculation and generally conforms to Internal Revenue Code Section 41 and allows the same Alternative Simplified Research Credit calculation for certain taxpayers.

## Cable Companies Proposition 39 Exclusion

***Description:***
Under Proposition 39, cable companies with $250 million or higher in business expenditures are allowed to lower their tax liability by excluding 50 percent of their California sales from the numerator of their California apportionment formula.

***Statutory Authority***
Revenue and Taxation Code Section 25136.1

***Sunset Date:***
None

***Legislative Intent:***
Not specified

***Beneficiaries:***
Cable companies

***Number of Taxpayers/Number of Returns:***
In 2022, 26 returns claimed this exclusion.

***Tax Exclusion Usage Details for Tax Year 2022:***
Not available

***Comparable Federal Benefit:***
None

## Low-Income Housing Credit

***Description:***
A tax credit is allowed for a portion of the costs of investing in qualified low-income rental housing. The aggregate amount of the credit is capped, and specific credits are allocated to applicants by the California Tax Credit Allocation Committee. Credits are allocated to developers who, in turn, sell them to investors in exchange for project funding. All projects receiving the California credit must also receive the parallel federal credit. Chapter 159, Statutes of 2019 expanded the program by $500 million for 2020 and ongoing annually pursuant to an authorization in the Budget Act. The Budget Acts for 2020-21, 2021-22, 2022-23, 2023-24, 2024-25, and 2025-26 each authorized the $500-million expansion.

***Statutory Authority:***
Revenue and Taxation Code Sections 17058 and 23610.5 in conformity with Internal Revenue Code Section 42

***Sunset Date:***
None

***Legislative Intent:***
Not specified

***Beneficiaries:***
Individuals, unincorporated and incorporated businesses

***Number of Taxpayers/Number of Returns:***
For the 2022 tax year, 672 personal income tax returns and 26 corporation tax returns claimed this credit.

***Tax Credit Usage Details for Tax Year 2022:***
Not available

***Comparable Federal Benefit:***
This provision conforms to federal law.

## Tax-Exempt Status for Qualifying Nonprofit and Charitable Corporations

***Description:***
Qualifying nonprofit and charitable organizations may request exemption from corporate franchise and income taxes.

***Statutory Authority:***
Revenue and Taxation Code Section 23701

***Sunset Date:***
None

***Legislative Intent:***
Provide tax relief to nonprofit, charitable, and qualified membership organizations.

***Beneficiaries:***
Nonprofit Corporations

***Number of Taxpayers/Number of Returns:***
In 2022, 174,070 returns claimed this exemption.

***Tax Expenditure Usage Details for Tax Year 2022:***
Not available

***Comparable Federal Benefit:***
None

## Credit Union Treatment

***Description:***
Credit unions are exempt from state income and franchise taxes. Since credit unions are nonprofit membership organizations, only their member income is generally exempt from tax. This provision also exempts their "nonmember" income (such as investment income on excess deposits or miscellaneous sources of income, such as ATM fees charged to nonmembers) from taxation.

***Statutory Authority:***
Revenue and Taxation Code Section 23153

***Sunset Date:***
None

***Legislative Intent:***
Not specified

***Beneficiaries:***
Non-profit cooperative associations

***Number of Taxpayers/Number of Returns:***
Not available

***Comparable Federal Benefit:***
None

## Film and Television Tax Credit

***Description:***
Provides a corporation franchise tax, personal income tax, or sales tax credit to qualified taxpayers who produce a motion picture in California or relocate a television series or independent film to California. The credits are allocated and certified by the California Film Commission. The annual allocation of credits is $100 million per year through 2014-15, $330 million per year for 2015-16 through 2024-25, and $750 million per year for 2025-26 through 2029-30. From 2025-26 to 2029-30, the credit is also electively refundable at a discounted 90-percent rate and the refundable credit is taken over 5 years. There is an additional $90 million in 2021-22 and $90 million in 2022-23 in allocations reserved for relocating and recurring television shows and an additional cumulative $150 million in allocations from 2022 to 2032 for motion picture productions at newly constructed soundstages in California.

***Statutory Authority:***
Revenue and Taxation Code Sections 17053.85, 17053.95, 17053.98, 17053.98.1, 23685, 23695, 23698, 29698.1, 6902.5

***Sunset Date:***
Fiscal year 2029-30 is the final year in statute that credit allocations can be made, except for the $150 million related to soundstages filming, which can be allocated through 2032. Any credit amounts that cannot be used in the year generated can be carried forward for 9 years to 12 years.

***Legislative Intent:***
Not specified.

***Beneficiaries:***
Corporations and Individuals

***Number of Taxpayers/Number of Returns:***
In 2023-24, 11 taxpayers claimed a credit against sales taxes. In tax year 2022, the number of personal income taxpayers claiming the credit was 11 while the number of corporate income taxpayers claiming the credit is not available.

***Comparable Federal Benefit:***
None

## Exemption from the Minimum Tax for First-Year Corporations and Exemption from the Annual Tax for First-Year Limited Liability Companies (LLCs), Limited Partnerships (LPs), and Limited Liability Partnerships (LLPs)

***Description:***
A minimum tax of $800 is generally imposed on corporations subject to the corporation franchise tax. However, corporations in their first year of business are generally not subject to the minimum tax. LLCs, LLPs, and LPs are generally subject to an $800-annual tax. However, these entities were exempt from the annual tax for their first year for tax years 2021, 2022, and 2023.

***Statutory Authority:***
Revenue and Taxation Code Section 23153

***Sunset Date:***
None

***Legislative Intent:***
Not specified

***Beneficiaries:***
Incorporated and unincorporated businesses

***Number of Taxpayers/Number of Returns:***
In 2022, 171,370 returns claimed this exemption.

***Tax Exemption Usage Details for Tax Year 2022:***
Not available

***Comparable Federal Benefit:***
None

## Employee Stock Ownership Plans (ESOP)

***Description:***
Employers that provide employee stock ownership plans are allowed a deduction for dividends paid to an ESOP, when those dividends are paid by the ESOP to participants or are used to retire ESOP debt. Additionally, capital gains on the sale of stock to an ESOP are deferred if the proceeds are used to acquire a similar type of security.

***Statutory Authority:***
Revenue and Taxation Code Sections 18042 and 24601-24612 which generally conform to Internal Revenue Code Sections 401-424 and 1042

***Sunset Date:***
None

***Legislative Intent:***
This provision was intended to broaden employee ownership of California businesses, as well as prevent undue recordkeeping burdens and costs of compliance by being out of conformity with federal law.

***Beneficiaries:***
Incorporated and unincorporated businesses

***Number of Taxpayers/Number of Returns:***
Not available

***Comparable Federal Benefit:***
This provision conforms to federal law.

## Accelerated Depreciation of Research and Experimental Costs

***Description:***
Research and experimental expenditures may be deducted immediately in the taxable year that the expense occurred or may be amortized over a 60-month period at the election of the taxpayer.

***Statutory Authority:***
Revenue and Taxation Code Sections 17201 and 24365 which conform to Internal Revenue Code Sections 59 and 174

***Sunset Date:***
None

***Legislative Intent:***
Not specified

***Beneficiaries:***
Incorporated and unincorporated businesses

***Number of Taxpayers/Number of Returns:***
Not available

***Comparable Federal Benefit:***
Prior to the enactment of the Tax Cuts and Jobs Act in late 2017, this provision conformed to federal law. Beginning in tax year 2022, federal law requires research and experimental expenditures to be amortized over 60 months, or, for specified research and experimental costs attributable to research outside of the United States, 15 years. Beginning in tax year 2025, federal law restored immediate expensing for domestic research and experimental costs while maintaining the mandatory 15-year amortization of foreign research and experimental costs. This provision does not conform to that change.

## Enterprise Zones and Similar Areas Tax Incentives

***Description***:
Several tax incentives are available for certain types of expenditures or income earned in economically depressed areas of the state. These include areas designated as Enterprise Zones (EZs), Local Agency Military Base Recovery Areas (LAMBRAs), Targeted Tax Areas (TTAs), and Manufacturing Enhancement Areas (MEAs). Employers in these areas may be allowed a credit for a portion of the wages paid to qualified individuals. Employers may be eligible for a credit for the amount of sales and use taxes paid on certain purchases of machinery or parts. Employees in these designated areas may be eligible for an income tax credit of five percent of their qualified wages. Taxpayers may exclude the net interest from certain investments or loans to businesses in economically distressed areas. Businesses in designated areas are allowed to expense part of the costs of business equipment beyond normal expensing limits.

***Statutory Authority:***
Chapter 12.8 of the Government Code, and Revenue and Taxation Code Sections 17053.33 17053.34, 17053.45, 17053.46, 17053.47, 17053.7, 17053.74, 17053.75, 17268, 17276.2, 23612.2, 23622.7, 23622.8, 23633, 23634, 23645, and 23646

***Sunset Date:***
January 1, 2014

***Legislative Intent:***
These provisions were intended to help attract business and industry to the state, and more specifically to selected areas meeting various criteria, to help retain and expand existing state business and industry, and to create increased job opportunities for all Californians.

***Beneficiaries:***
Individuals, incorporated and unincorporated businesses

***Number of Taxpayers/Number of Returns:***
In 2022, 1,673 personal income tax returns and 1,752 corporate returns were allowed these tax credits.

***Tax Credit Usage Details for Tax Year 2022:***
Not available.

***Comparable Federal Benefit:***
These provisions do not conform to federal law; however, federal law does provide similar tax incentives for designated empowerment zones and renewal communities. The Tax Cuts and Jobs Act, after January 1, 2018, provides preferential tax treatment to investments in opportunity zones.

***Repeal of Enterprise Zones Provisions:***
Chapter 69, Statutes of 2013, repealed provisions allowing for Enterprise Zones and similar development areas, effective January 1, 2014, although credits may still be

carried forward and utilized for up to 10 years. The Enterprise Zone (and similar areas) program has been replaced, for taxable years beginning on or after January 1, 2014. The new economic development program includes a hiring credit in high poverty areas, a sales tax exemption for manufacturing equipment, and a credit (California Competes Credit) awarded on a competitive basis to businesses that attract or retain jobs in the state.

## California Competes Credit

***Description:***
An income tax credit is competitively awarded based on several factors, including the number of jobs in California, compensation paid to its employees, the amount of investment in California, and the business' economic impact. The amount of credit that can be allocated is $30 million in 2013-14, $150 million in 2014-15, $200 million annually in 2015-16 through 2017-18, $180 million annually in 2018-19 through 2020-21, $290 million in 2021-22, and $180 million annually from 2022-23 to 2027-28. These amounts may be reduced to ensure that the total estimated amounts of the sales tax exemption on manufacturing equipment, the New Employment credit, and this credit do not exceed $750 million per year.

***Statutory Authority:***
Revenue and Taxation Code Sections 17059.2 and 23689

***Sunset Date:***
December 1, 2030

***Legislative Intent:***
To attract and retain high-value employers in the state by allowing businesses to publicly apply for tax credits on the basis of job creation and retention standards.

***Beneficiaries:***
Incorporated and unincorporated businesses

***Number of Taxpayers/Number of Returns:***
For the 2022 tax year, 203 personal income tax returns representing 358 taxpayers and 84 corporation tax returns claimed this credit.

***Personal Income Tax Credit Usage Details for Tax Year 2022:***

| California Competes Credit—Personal Income Tax | | | |
|---|---|---|---|
| **Adjusted Gross Income Class** | **Returns Allowing Credit (Units)** | **Taxpayers Allowed Credit (Units)** | **Amount of Credit Allowed (Thousands)** |
| **Less than $49,999** | 20 | 26 | $9 |
| **$50,000 to $99,999** | 12 | 16 | $11 |
| **$100,000 to $199,999** | 17 | 32 | $100 |
| **$200,000 to $499,999** | 49 | 93 | $543 |
| **$500,000 to $999,999** | 44 | 83 | $816 |
| **More than $999,999** | 61 | 108 | $6,891 |
| **Total** | **203** | **358** | **$8,371** |

## Corporation Tax

***Corporate Income Tax Credit Usage Details for Tax Year 2022:***

| California Competes Credit (Corp) | | | | |
|---|---|---|---|---|
| | Returns with Credit | | Percent of Total | |
| Size of Gross Receipts | Returns Allowing Credit | Amount of Credit Allowed (Thousands) | Percent of Total Returns | Percent of Total Credit Allowed |
| **Less than $1 million** | 12 | $39 | 14% | 0% |
| **$1 million to $5 million** | 12 | $65 | 14% | 0% |
| **$5 million to $25 million** | 19 | $473 | 23% | 0% |
| **$25 million to $100 million** | 13 | $668 | 15% | 1% |
| **$100 million to $1 Billion** | 11 | $5,345 | 13% | 5% |
| **Greater than $1 Billion** | 17 | $102,187 | 20% | 94% |
| **Total** | **84** | **$108,777** | **100%** | **100%** |

***Comparable Federal Benefit:***

This is a state-only benefit.

## Expensing of Timber Growing Costs

***Description:***
Costs incurred with acquiring timber are ordinarily capital expenditures. Taxpayers can elect to deduct up to $10,000 in qualifying reforestation costs for each timber property. Any remaining costs can be amortized over an 84-month period.

***Statutory Authority:***
Revenue and Taxation Code Sections 17201, 17278.5, 17681, 24343, 24373.2, and 24831 which conform to Internal Revenue Code Sections 162, 194, and 611

***Sunset Date:***
None

***Legislative Intent:***
Not specified

***Beneficiaries:***
Incorporated and unincorporated businesses

***Number of Taxpayers/Number of Returns:***
Not available

***Comparable Federal Benefit:***
This provision conforms to federal law.

## Percentage Depletion of Mineral and Other Natural Resources

***Description:***
Taxpayers may deduct a fixed percentage of gross income for resource depletion, which is generally more than the deduction that would be allowed under the normal cost-depletion method. The percentage depends upon the type of resource, and the depletion allowance cannot be more than 50 percent of the taxpayer's related net income prior to the depletion deduction, or more than 100 percent for oil and gas properties. This tax expenditure was eliminated for oil and gas, oil shale, and coal producers effective beginning in the 2024 taxable year.

***Statutory Authority:***
Revenue and Taxation Code Sections 17681 and 24831, which conform to Internal Revenue Code Sections 611, 612, 613, and 613A except, effective beginning in the 2024 taxable year, in the case of oil and gas, oil shale, and coal

***Sunset Date:***
None

***Legislative Intent:***
Not specified

***Beneficiaries:***
Incorporated and unincorporated businesses

***Number of Taxpayers/Number of Returns:***
Not available

***Comparable Federal Benefit:***
This provision conforms to federal law except, effective beginning in the 2024 taxable year, in the case of oil and gas, oil shale, and coal.

## New Advanced Strategic Aircraft Hiring Credit

***Description:***
Qualified aerospace companies are allowed a credit equal to 17.5 percent of wages paid to qualified employees during a taxable year with annual caps over 15 years ranging from $25 million to $31 million.

***Statutory Authority:***
Revenue and Taxation Code Sections 23636 and 23689

***Sunset Date:***
December 1, 2030

***Legislative Intent:***
Not specified

***Beneficiaries:***
Corporations

***Number of Taxpayers/Number of Returns:***
Not available

***Comparable Federal Benefit:***
None

## State Historic Tax Credit

***Description:***
Taxpayers are allowed a tax credit for the rehabilitation of certified historic structures and qualified owner-occupied residences. The maximum credit that can be allocated in calendar years 2021 through 2027 is $50 million per year, subject to a Budget Act appropriation.

***Statutory Authority:***
Revenue and Taxation Code Sections 17053.91 and 23691

***Sunset Date:***
January 1, 2027

***Legislative Intent:***
Not specified

***Beneficiaries:***
Individuals, unincorporated and incorporated businesses

***Number of Taxpayers/Number of Returns:***
Not available

***Comparable Federal Benefit:***
Federal law allows a Historic Rehabilitation Tax Credit for expenditures to rehabilitate historic buildings.

# Sales Tax

## Food Products Exemption

***Description:***
Sales of food for human consumption are not generally subject to the sales and use taxes. However, this exemption does not generally include hot prepared food, food sold and consumed at or on the seller's facility, or food sold for consumption where there is an admission charge.

***Statutory Authority:***
Revenue and Taxation Code Section 6359

***Sunset Date:***
None

***Legislative Intent:***
Not specified

***Beneficiaries:***
Individuals

***Number of Taxpayers/Number of Returns:***
Not available

***Comparable Federal Benefit:***
There is no federal sales tax.

Sales Taxes

## Gas, Electricity, and Water Exemption

***Description:***
Gas, electricity, and water delivered through mains, lines, or pipes are exempt from tax. Water sold in bulk quantities of 50 gallons or more and liquefied petroleum gas delivered for use in a residence or for use in producing or harvesting agricultural products, are also exempt.

***Statutory Authority:***
Revenue and Taxation Code Section 6353

***Sunset Date:***
None

***Legislative Intent:***
Not specified

***Beneficiaries:***
Individuals and businesses

***Number of Taxpayers/Number of Returns:***
Not available

***Comparable Federal Benefit:***
There is no federal sales tax.

## Prescription Medicine Exemption

***Description:***
Medicine, or any substance or preparation intended for use by internal or external application to the human body, that is prescribed for an individual and furnished by a registered pharmacist, physician, surgeon, podiatrist, or health facility, is exempt from tax. This exemption also includes such things as orthotic and prosthetic devices and parts, insulin syringes, and sutures. The exemption does not include any auditory, prosthetic, ophthalmic, or ocular device or appliance, bandages, splints, or similar items, or any alcoholic beverage.

***Statutory Authority:***
Revenue and Taxation Code Sections 6369 and 6369.1

***Sunset Date:***
None

***Legislative Intent:***
Not specified

***Beneficiaries:***
Individuals

***Number of Taxpayers/Number of Returns:***
Not available

***Comparable Federal Benefit:***
There is no federal sales tax.

Sales Taxes

## Animal Life, Feed, Seeds, Plants, Fertilizer, Drugs, and Medicines Exemption

***Description:***
Sales of animals which are generally used for human consumption, as well as the feed and drugs used for those animals, is exempt from tax. Additionally, seeds and plants that are normally used for human consumption and fertilizer for those plants are exempt from tax.

***Statutory Authority***:
Revenue and Taxation Code Section 6358

***Sunset Date:***
None

***Legislative Intent:***
Not specified

***Beneficiaries:***
Individuals and businesses

***Number of Taxpayers/Number of Returns:***
Not available

***Comparable Federal Benefit:***
There is no federal sales tax.

Sales Taxes

## Candy, Confectionery, Snack Foods, and Bottled Water Exemption

***Description:***
Candy, gum, confectionery, snack foods, and bottled water are exempt from tax.

***Statutory Authority:***
Revenue and Taxation Code Section 6359

***Sunset Date:***
None

***Legislative Intent:***
Not specified

***Beneficiaries:***
Individuals

***Number of Taxpayers/Number of Returns:***
Not available

***Comparable Federal Benefit:***
There is no federal sales tax.

## Sales Taxes

### Manufacturing and Research and Development Equipment Exemption

***Description:***
Beginning July 1, 2014, manufacturers and certain research and development businesses may qualify for an exemption from the 5-percent state sales and use tax rate (General Fund plus Local Revenue Fund 2011) on qualifying manufacturing and research and development equipment purchases and leases. Beginning January 1, 2018, this exemption is expanded to specified electric power and agricultural activities.

***Statutory Authority:***
Revenue and Taxation Code Section 6377.1

***Sunset Date:***
July 1, 2030

***Legislative Intent:***
To make California more competitive in attracting new businesses to the state, and to bring California in line with the 48 other states that exempt manufacturing equipment from sales and use tax.

***Beneficiaries:***
Individuals and businesses

***Number of Taxpayers/Number of Returns:***
In 2023-24, 24,141 returns claimed this exemption.

***Comparable Federal Benefit:***
There is no federal sales tax.

Sales Taxes

## Meals Furnished by Institutions Exemption

***Description:***
Meals furnished by institutions such as schools, health facilities, and residential care facilities for the elderly, drug treatment facilities, community care facilities, and alcohol recovery facilities are exempt from tax.

***Statutory Authority:***
Revenue and Taxation Code Sections 6363 and 6363.6

***Sunset Date:***
None

***Legislative Intent:***
Not specified

***Beneficiaries:***
Individuals and businesses

***Number of Taxpayers/Number of Returns:***
Not available

***Comparable Federal Benefit:***
There is no federal sales tax.

Sales Taxes

## Farm Equipment and Machinery Exemption

***Description:***
Sales of farm equipment, machinery, and their parts are exempt from the 5-percent state sales and use tax rate (General Fund plus Local Revenue Fund 2011) when sold to qualified persons engaged in the business of producing and harvesting agricultural products.

***Statutory Authority:***
Revenue and Taxation Code 6356.5

***Sunset Date:***
None

***Legislative Intent:***
Not specified

***Beneficiaries:***
Businesses

***Number of Taxpayers/Number of Returns:***
In 2023-24, 10,965 returns claimed this exemption.

***Comparable Federal Benefit:***
There is no federal sales tax.

Sales Taxes

## Fuel Sold to Common Carriers Exemption

***Description:***
Sales of fuel and petroleum products to air common carriers for international flights are exempt from tax.

***Statutory Authority:***
Revenue and Taxation Code Section 6357.5

***Sunset Date:***
None

***Legislative Intent:***
This provision was intended to allow domestic fuel producers to compete equally with foreign producers, who are exempt under federal law from state sales taxes on airline fuel used in international travel.

***Beneficiaries:***
Businesses

***Number of Taxpayers/Number of Returns:***
Not available

***Comparable Federal Benefit:***
There is no federal sales tax.

Sales Taxes

## One-Year Diesel Fuel Sales Tax Exemption

***Description:***
Sales of diesel fuel were exempted from the 3.9375-percent General Fund sales tax rate from October 1, 2022 to September 30, 2023.

***Statutory Authority:***
Revenue and Taxation Code Section 6357.4

***Sunset Date:***
October 1, 2023

***Legislative Intent:***
The purpose of this exemption is to provide financial relief to California businesses and residents that use diesel fuel.

***Beneficiaries:***
Individuals and businesses

***Number of Taxpayers/Number of Returns:***
Not available

***Comparable Federal Benefit:***
There is no federal sales tax.

## Rentals of Linen Supplies Exemption

***Description:***
Linen supplies and similar articles furnished as part of a recurring service of laundering or cleaning such linen supplies and similar articles are exempt from sales and use tax.

***Statutory Authority:***
Revenue and Taxation Code Sections 6408

***Sunset Date:***
None

***Legislative Intent:***
Not specified

***Beneficiaries:***
Businesses and individuals

***Number of Taxpayers/Number of Returns:***
Not available

***Comparable Federal Benefit:***
There is no federal sales tax.

Sales Taxes

## Professional Health Services Exemption

***Description:***
A licensed healthcare professional is generally the consumer and not the retailer of property furnished in the performance of healthcare services, and therefore any tangible goods used while providing services are taxed when purchased by the doctor rather than when administered to the patient.

***Statutory Authority:***
Revenue and Taxation Code Sections 6018, 6018.4, 6018.5, 6018.7 and 6020

***Sunset Date:***
None

***Legislative Intent:***
Not specified

***Beneficiaries:***
Individuals

***Number of Taxpayers/Number of Returns:***
Not available

***Comparable Federal Benefit:***
There is no federal sales tax.

Sales Taxes

## Wheelchairs, Crutches, Canes, and Walkers Exemption

***Description:***
Wheelchairs, crutches, canes, quad canes, white canes used by the legally blind, and walkers, and replacement parts for these devices, when sold to an individual for personal use as directed by a physician, are not subject to sales and use tax.

***Statutory Authority:***
Revenue and Taxation Code Section 6369.2

***Sunset Date:***
None

***Legislative Intent:***
Not specified

***Beneficiaries:***
Individuals

***Number of Taxpayers/Number of Returns:***
Not available

***Comparable Federal Benefit:***
There is no federal sales tax.

Sales Taxes

## Diesel Fuel Used in Farming and Processing Exemption

***Description:***
Sales of diesel fuel are not subject to the 5-percent state sales and use tax rate (General Fund plus Local Revenue Fund 2011) when that fuel is consumed during the activities of a farming or food processing business. Farming business includes transporting farm products to the marketplace.

***Statutory Authority:***
Revenue and Taxation Code 6357.1

***Sunset Date:***
None

***Legislative Intent:***
Not specified

***Beneficiaries:***
Businesses

***Number of Taxpayers/Number of Returns:***
In 2023-24, 669 returns claimed this exemption.

***Comparable Federal Benefit:***
There is no federal sales tax.

Sales Taxes

## California Alternative Energy Exclusion

***Description:***
Authorizes the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA) to approve sales and use tax exemptions on the purchase of tangible personal property that is used for the design, manufacture, production, or assembly of advanced transportation technologies or alternative energy products. The maximum allocation is $100 million per year.

In 2012, this program was expanded to allow the sales tax exemption for tangible personal property used in advanced manufacturing projects. In 2016, the sales tax exemption was expanded to projects that process and use recycled feedstock. The maximum allocation of sales tax exemptions was increased from $100 million to $115 million for calendar years 2022, 2023, and 2024 with the additional $15 million reserved for lithium extraction, recovery, and processing. Effective beginning in 2026, this exemption was expanded to include nuclear fusion generation projects.

***Statutory Authority:***
Public Resources Code Section 26003

***Sunset Date:***
The entire CAEATFA sales and use tax exclusion program will sunset on January 1, 2028.

***Legislative Intent:***
Not specified

***Beneficiaries:***
Businesses

***Number of Taxpayers/Number of Returns:***
Not available

***Comparable Federal Benefit:***
There is no federal sales tax.

Sales Taxes

## Children's Diapers Exemption

***Description:***
Diapers designed, manufactured, processed, fabricated, or packaged for use by infants and children are not subject to sales and use tax.

***Statutory Authority:***
Revenue and Taxation Code 6363.9

***Sunset Date:***
None

***Legislative Intent:***
To promote public health by increasing the affordability and access to diapers.

***Beneficiaries:***
Businesses

***Number of Taxpayers/Number of Returns:***
Not available

***Comparable Federal Benefit:***
There is no federal sales tax.

Sales Taxes

## Bad Debt Sales Tax Deduction

***Description:***
Current California law allows retailers, lenders, and retailers' affiliates to receive a deduction or claim a refund for sales and use tax paid on bad debt used to purchase taxable goods on credit. Retailer lending accounts that are found worthless and are charged off for income tax purposes are not subject to sales and use tax. Effective January 1, 2025, the sales tax deduction and refund will be limited only to retailers who incurred bad debt from consumer accounts and will no longer be available to lenders and retailers' affiliates.

***Statutory Authority:***
Revenue and Taxation Code Sections 6055 and 6203.5

***Sunset Date:***
None

***Legislative Intent:***
Not specified

***Beneficiaries:***
Businesses

***Number of Taxpayers/Number of Returns:***
Not available

***Comparable Federal Benefit:***
There is no federal sales tax.

## Custom Computer Programs Exemption

***Description:***
The transfer of custom computer programs, other than a basic operational program, and separate charges for custom modifications to existing prewritten programs are excluded from the definition of "sale." Therefore, these computer programs are not subject to sales and use tax.

***Statutory Authority:***
Revenue and Taxation Code 6010.9

***Sunset Date:***
None

***Legislative Intent:***
This provision was intended to provide an incentive for the development and utilization of computer software.

***Beneficiaries:***
Businesses

***Number of Taxpayers/Number of Returns:***
Not available

***Comparable Federal Benefit:***
There is no federal sales tax.

Sales Taxes

## Blood Storage Units Exemption

***Description:***
Containers used to collect or store human blood, plasma, blood products, or blood derivatives, including any disposable tubing, filters, grommets, and needles sold along with the bags and held in a blood bank for medical purposes, are not subject to sales and use tax.

***Statutory Authority:***
Revenue and Taxation Code Sections 6364.5

***Sunset Date:***
None

***Legislative Intent:***
Not specified

***Beneficiaries:***
Individuals and businesses

***Number of Taxpayers/Number of Returns:***
Not available

***Comparable Federal Benefit:***
There is no federal sales tax.

## Subscription Periodicals Exemption

***Description:***
Sales of periodicals that appear at stated intervals of at least 4 times per year but not more than 60 times per year, and their ingredient and component parts are exempt from the sales and use taxes when the periodical is sold by subscription and delivered by mail or common carrier.

***Statutory Authority:***
Revenue and Taxation Code Section 6362.7

***Sunset Date:***
None

***Legislative Intent:***
Not specified

***Beneficiaries:***
Individuals and businesses

***Number of Taxpayers/Number of Returns:***
Not available

***Comparable Federal Benefit:***
There is no federal sales tax.

## Printed Advertising Exemption

***Description:***
Sales of printed material which is substantially advertisements for goods and services are exempt from tax if the material is (1) printed to the special order of the purchaser, (2) mailed or delivered by the seller, the seller's agent, or a mailing house, and (3) delivered to another person at no cost to that person.

***Statutory Authority:***
Revenue and Taxation Code 6379.5

***Sunset Date:***
None

***Legislative Intent:***
Not specified

***Beneficiaries:***
Businesses

***Number of Taxpayers/Number of Returns:***
Not available

***Comparable Federal Benefit:***
There is no federal sales tax.

Sales Taxes

## Medicine Administered by Veterinarians Exemption

***Description:***
Drugs or medicines that are administered by licensed veterinarians to animal life as an additive to feed or drinking water or in the regular course of business, and the primary purpose of those drugs or medicines is the prevention and control of disease, are not subject to sales and use tax.

A licensed veterinarian is generally the consumer and not the retailer of property furnished in the performance of healthcare services, and therefore any tangible goods used while providing services are taxed when purchased by the veterinarian rather than when administered to the patient.

***Statutory Authority:***
Revenue and Taxation Code Sections 6018.1, 6358, and 6358.4

***Sunset Date:***
None

***Legislative Intent:***
Not specified

***Beneficiaries:***
Individuals

***Number of Taxpayers/Number of Returns:***
Not available

***Comparable Federal Benefit:***
There is no federal sales tax.

Sales Taxes

## Fuel Sold to Water Common Carriers Exemption

***Description:***
The sale of fuel and petroleum products is exempt from sales and use tax when sold to a water common carrier for use after the vessel reaches its first out-of-state destination.

***Statutory Authority:***
Revenue and Taxation Code Section 6385

***Sunset Date:***
January 1, 2029

***Legislative Intent:***
To ensure fueling will continue to be a robust economic activity in the state and adhere to tax policy and rationale of first substantial use occurring out of state.

***Beneficiaries:***
Businesses

***Number of Taxpayers/Number of Returns:***
Not available

***Comparable Federal Benefit:***
There is no federal sales tax

## Oxygen Delivery Systems Exemption

***Description:***
Medical oxygen delivery systems, including, but not limited to, liquid oxygen containers, high pressure cylinders, and regulators, when sold, leased, or rented to an individual as directed by a physician, are not subject to sales and use tax.

***Statutory Authority:***
Revenue and Taxation Code Section 6369.5

***Sunset Date:***
None

***Legislative Intent:***
Not specified

***Beneficiaries:***
Individuals

***Number of Taxpayers/Number of Returns:***
Not available

***Comparable Federal Benefit:***
There is no federal sales tax.

## Menstrual Products Exemption

***Description:***
Menstrual hygiene products including tampons, menstrual cups, menstrual sponges, and sanitary napkins are not subject to sales and use tax.

***Statutory Authority:***
Revenue and Taxation Code 6363.10

***Sunset Date:***
None

***Legislative Intent:***
To promote public health by increasing the affordability and access to menstrual hygiene products.

***Beneficiaries:***
Businesses

***Number of Taxpayers/Number of Returns:***
Not available

***Comparable Federal Benefit:***
There is no federal sales tax.

Sales Taxes

## Tele-production and Post-Production Equipment Exemption

***Description:***
Sales of tele-production and post-production equipment to businesses primarily engaged in tele-production and post-production activities are not subject to the 5-percent state sales and use tax rate (General Fund plus Local Revenue Fund 2011) when that property is used 50 percent or more in those activities.

***Statutory Authority:***
Revenue and Taxation Code Section 6378

***Sunset Date:***
None

***Legislative Intent:***
Not specified

***Beneficiaries:***
Businesses

***Number of Taxpayers/Number of Returns:***
In 2023-24, 1,197 returns claimed this exemption.

***Comparable Federal Benefit:***
There is no federal sales tax.

## Mailing Lists Exemption

***Description:***
The sale of mailing lists is exempted from the sales and use tax provided that the contract regarding the mailing list restricts the purchaser to a single use of the mailing list. 'Mailing List' means a written or printed list of names and addresses that is intended for use in circulating material by mail.

***Statutory Authority:***
Revenue and Taxation Code 6379.8

***Sunset Date:***
None

***Legislative Intent:***
Not available

***Beneficiaries:***
Businesses and individuals

***Number of Taxpayers/Number of Returns:***
Not available

***Comparable Federal Benefit:***
There is no federal sales tax.

## New Mobile Homes Exemption

***Description:***
The sale of new mobile homes is partially exempt from the sales and use tax. The retail margin is excluded and 25 percent of the sales price of the mobile home to the retailer is exempt from sales and use tax. 75 percent of the wholesale value is taxed and the sale of new mobile homes from retailers to the individual is exempt from sales and use tax.

***Statutory Authority:***
Revenue and Taxation Code 6012.8 and 6012.9

***Sunset Date:***
None

***Legislative Intent:***
Not available

***Beneficiaries:***
Businesses

***Number of Taxpayers/Number of Returns:***
Not available

***Comparable Federal Benefit:***
There is no federal sales tax.

Sales Taxes

## Breast Pumps and Related Supplies Exemption

***Description:***
The sale of breast pumps and related supplies is exempt from sales and use tax.

***Statutory Authority:***
Revenue and Taxation Code 6370.2

***Sunset Date:***
April 1, 2029

***Legislative Intent:***
To promote public health by increasing the affordability of breast pumps and related supplies.

***Beneficiaries:***
Individuals

***Number of Taxpayers/Number of Returns:***
Not available

***Comparable Federal Benefit:***
There is no federal sales tax.

Sales Taxes

## Leases of Motion Picture and Television Films and Tapes Exemption

***Description:***
Leases of motion pictures, animated motion pictures, and television films and tapes are not considered sales and are therefore exempt from tax. The lessor is considered the consumer of such tangible personal property it leases.

***Statutory Authority:***
Revenue and Taxation Code Sections 6006 and 6010

***Sunset Date:***
None

***Legislative Intent:***
Not specified

***Beneficiaries:***
Businesses

***Number of Taxpayers/Number of Returns:***
Not available

***Comparable Federal Benefit:***
There is no federal sales tax.

Sales Taxes

## Nonprofit Youth Organizations Exemption

***Description:***
Food products, nonalcoholic beverages, or other tangible personal property made or produced by members of the organization provided and sold on an intermittent basis, and that the profits from those sales are used exclusively in furtherance of the purposes of the organization, are not subject to sales and use tax.

***Statutory Authority:***
Revenue and Taxation Code Section 6361

***Sunset Date:***
None

***Legislative Intent:***
Not specified

***Beneficiaries:***
Nonprofit organizations

***Number of Taxpayers/Number of Returns:***
Not available

***Comparable Federal Benefit:***
There is no federal sales tax.

Sales Taxes

## Fuel from Organic Products and Waste Byproducts Exemption

***Description:***
Organic products grown for fuel purposes and waste byproducts from agricultural or forest products, municipal refuse, or manufacturing operations which are used as fuel in an industrial facility in lieu of traditional fuel sources are not subject to sales and use tax.

***Statutory Authority:***
Revenue and Taxation Code Section 6358.1

***Sunset Date:***
None

***Legislative Intent:***
Not specified

***Beneficiaries:***
Individuals and businesses

***Number of Taxpayers/Number of Returns:***
Not available

***Comparable Federal Benefit:***
There is no federal sales tax.

# Fuel Taxes

## Aircraft Jet Fuel Used by Common Carriers and Military Exemption

***Description:***
Air common carriers engaged in the business of transporting persons or property for compensation under certification of public necessity by the state, national, or any foreign government, persons engaged in the business of constructing or reconstructing aircraft, and the United States armed forces are exempt from the tax on aircraft jet fuel.

***Statutory Authority:***
Revenue and Taxation Code Section 7389

***Sunset Date:***
None

***Legislative Intent:***
Not specified

***Beneficiaries:***
Businesses and U.S. government

***Number of Taxpayers/Number of Returns:***
Not available

***Comparable Federal Benefit:***
This provision conforms to federal law.

## Fuel Used by Transit Districts and Schools Exemption

***Description:***
Diesel fuel purchased by certain public transit agencies, school districts, and common carriers is taxed at a reduced rate of 1 cent per gallon.

***Statutory Authority:***
Revenue and Taxation Code Sections 8655, 60039, and 60502.2

***Sunset Date:***
None

***Legislative Intent:***
To provide relief from the payment of use fuel tax for local transit operators and ensure that the funds accruing to such operators shall be used for the improvement of their transit operations and to aid in providing better transit service to and from places of employment.

***Beneficiaries:***
Government agencies and businesses

***Number of Taxpayers/Number of Returns:***
Not available

***Comparable Federal Benefit:***
Federal law exempts these sales.

# Property Tax

## Computer Programs Exemption

***Description:***
Computer programs other than basic operational programs which are necessary for the fundamental functioning of the computer are exempt from tax. The storage media for the programs are, however, taxable.

***Statutory Authority:***
Revenue and Taxation Code 995

***Sunset Date:***
None

***Legislative Intent:***
Not specified

***Beneficiaries:***
Businesses

***Number of Taxpayers/Number of Returns:***
Not available

***Comparable Federal Benefit:***
None

## Fixtures Excluded from the Supplemental Roll Exemption

***Description:***
Fixtures that are valued as a separate appraisal unit from the structure on the property are exempt from supplemental property tax assessment. Fixtures are personal property such as equipment that are affixed to and incorporated into real property.

***Statutory Authority:***
Revenue and Taxation Code Sections 75.5 and 75.15

***Sunset Date:***
None

***Legislative Intent:***
Not specified

***Beneficiaries:***
Businesses

***Number of Taxpayers/Number of Returns:***
Not available

***Comparable Federal Benefit:***
None

# *Tax*

# EXPENDITURE REPORT

# 2025-26

COLORADO
Department of Revenue

# 2024

# TAX PROFILE & EXPENDITURE REPORT

TAXATION ■ DMV ■ SPECIALIZED BUSINESS GROUP ■ LOTTERY ■ MARIJUANA ■ NATURAL MEDICINE

600/8585

(12/05/24)

STATE · OF · COLORADO
NIL SINE NUMINE
1876

# Message from the Executive Director

The Colorado Department of Revenue is proud to present the 2024 Tax Profile and Expenditure Report, an important resource for evaluating Colorado taxes.

This report can and should be used to assess tax equitability in the Centennial State and then make policy decisions based on data. In addition to safeguarding sensitive data, the Department of Revenue strives to provide transparent and accessible tax data while seeking to improve the report's navigability and clarity.

Please note that while the report represents the best available data as of its publishing date, there are inherent limitations due to the reliance on taxpayer-reported data and federally published information.

I hope that this report will help readers understand Colorado's current state tax landscape more clearly.

**Heidi Humphreys**,
Executive Director,
Colorado Department of Revenue

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# Executive Summary

The foundation for creating effective public policy is data-driven decision making. Every two years, the Colorado Department of Revenue publishes the Tax Profile and Expenditure Report. This report combines the Colorado Tax Expenditure Study, the Colorado Tax Profile Study, and the Colorado Statistics of Income. The goal of the Tax Profile and Expenditure Report is to help state leaders craft effective policy by providing valuable data regarding taxation in Colorado.

This is the seventh in the series of Colorado Tax Profile and Expenditure Reports. This report conforms with the directives set by the Colorado Revised Statutes (section 39-21-303, C.R.S.). The Department is required to prepare this report on a biennial basis.

## Colorado Tax Expenditure Study

The Colorado Tax Expenditure Study reports the estimated reduction in state revenue as a result of tax expenditures. A "tax expenditure" is a "tax provision that provides a gross or taxable income definition, deduction, exemption, credit, or rate for certain persons, types of income, transactions, or property that results in reduced tax revenue" (section 39-21-302(2), C.R.S.).

This report measures the effect of all tax expenditures, including many tax expenditures that provide special or selective tax relief to further various public policy goals, as well as structural tax expenditures that exist to establish the basic structure of the tax. "Structural tax expenditures" are intended to establish the basic elements of a tax provision, avoid duplication of a tax, promote administrative efficiency, clarify the definition of the types of transactions or individuals who are subject to a tax, or ensure that taxes are evenly applied.

The 2024 report details tax expenditures totaling over $9.6 billion for the latest years of data. The total liquor excise tax expenditures in 2023 were $19.5 million. In 2023, the total cigarette, nicotine products, and tobacco products excise tax expenditures were $45.9 million, and the total expenditures for fuel excise taxes were $120.3 million. Income tax expenditures in 2022 were nearly $2.1 billion. Total sales and use tax expenditures were $6.9 billion in 2023. Severance tax expenditures totaled $530.1 million for 2022.

## Colorado Tax Profile Study

The Colorado Tax Profile Study is a multi-faceted look at Colorado taxes. This is the 16th in the series of Colorado Tax Profile Studies, first published in 1973. The current study is broken into three parts, where each part discusses aspects of the overall tax structure and distribution of tax burden in 2020.

Colorado had relatively low tax revenue overall relative to personal income, ranking 32nd among states in 2020, with only $87 in total state and local tax revenue per $1,000 of personal income.

The majority of family money income came from wages in 2020, although sources of income varied widely by family money income group. For the lowest income group ($0 under $15K), wage income accounted for 61.5% of their family money income. The middle income group ($50K under $70K) had the largest percentage of income coming from wages, 75.8%. For individuals in the highest income group ($200,000 and over), 44.8% of their income stemmed from their wages.

The estimated average family money income of all households in Colorado was $96,925, and households paid an average of $8,047 in state and local taxes in 2020. The estimated median family money income was $51,246, which is lower than the average because extreme high income values increase the average. Median income is a better measure of the midpoint.

In 2020, lower income households paid a higher share of taxes than their share of family money income in Colorado. The lowest income group had the highest overall effective tax rate, paying nearly 29% of their income in state and local taxes. In contrast, the highest income group paid less state and local taxes than its share of family money income, paying nearly 7% of their income in state and local taxes.

The effective tax rates of local taxes were substantially more regressive than that of state effective tax rates, largely due to local property taxes and local sales taxes. This means that in effect, Colorado's taxing structure is regressive. A regressive tax structure is one in which the tax rate decreases as income increases.

## Colorado Statistics of Income

### Individual Statistics of Income

The Colorado Individual Statistics of Income report is a collection of data describing federal and state individual income tax returns filed by full-year Colorado residents. The Colorado Individual Statistics of Income is an annual report available on the Department's website. Highlights and selected data tables from the complete report are provided in this biennial Tax Profile and Expenditure Report.

This edition of the Individual Statistics of Income report summarizes income tax year 2020 data, which generally represents income tax returns for calendar year 2020. The complete Individual Statistics of Income report includes various income and tax data that is generally bucketed by income group. The key statistics summarized here focus on basic elements

of income and tax data such as size of income, filing status, age distribution, and federal deductions. The complete Individual Statistics of Income report includes additional data on these basic elements, as well as further data from federal returns on sources of income, adjustments, itemized deductions, and federal credits and Colorado specific data on location, additions, subtractions, prepayments, and credits.

In 2020, single returns accounted for 66% of all returns and joint returns accounted for 34%. However, 66% of Colorado gross income taxes are from joint returns and 34% are from single returns, demonstrating the tendency for joint returns to have higher incomes than single returns. Furthermore, the distribution of single returns skews younger, meaning there were more single returns for younger ages than older ages. The number of single filers peaks at age 27, and then declines as the population ages. This declining number of single returns after age 27 corresponds with the increasing number of joint returns between the ages of 18 and 40, as more single individuals marry as they age.

## Corporate Statistics of Income

The Colorado Corporate Statistics of Income is a collection of data describing Colorado state income tax returns filed by C corporations that conduct business in Colorado. The Colorado Corporate SOI is an annual report available on the Department's website. Highlights and selected data tables from the complete report are provided in this biennial Tax Profile and Expenditure Report.

The complete report consists of tables that present income and tax data by Colorado taxable income group, federal taxable income group, or industry. This data is useful for policy makers, researchers, or anyone who would like an overview of Colorado corporate income tax data. This edition of Corporate Statistics of Income summarizes income tax year 2021.

In 2021, 52% of returns came from corporations that conduct business only in Colorado and 48% of returns came from corporations conducting business within and outside of Colorado. However, 91% of state corporate income taxes paid in 2021 came from corporations that conduct business within and outside of Colorado.

# Statute Citation

## §39-21-303, C.R.S. Tax profile and expenditure report

**(1)** On or before January 1, 2013, and January 1 of every odd-numbered year thereafter, the department shall prepare a tax profile and expenditure report for the state that includes the information set forth in subsection (2) of this section.

**(2)**

**(a)** A tax profile and expenditure report must include the following information for each tax expenditure for any tax levied and collected by the state that is administered by the department:

**(I)** A citation of the statutory or other legal authority for the tax expenditure;

**(II)** The year that the tax expenditure was enacted;

**(III)** A description of the tax expenditure;

**(IV)** An estimate of the tax expenditure's effect on revenue for the most recently completed tax or calendar year, as appropriate, for which such information is available;

**(V)** The estimate required pursuant to subparagraph (IV) of this paragraph (a) for the tax expenditure that was included in each of the three prior tax profile and expenditure reports, if available; and

**(VI)** For a tax expenditure that is subject to the requirement set forth in section 39-21-304, a statement of the intended purpose of the tax expenditure.

**(b)** For the state income tax only, the tax profile and expenditure report must include the effect of the tax expenditure by income class. The provisions of this paragraph (b) shall only apply to the extent that the department is capable of accessing the necessary information from its data system.

**(c)** The tax profile and expenditure report must include the sum of all estimates required pursuant to subparagraphs (IV) and (V) of paragraph (a) of this subsection (2) for each tax.

**(d)**

**(I)** To the extent not otherwise included in the tax profile and expenditure report pursuant to this subsection (2), the report must also include any information that was included in the Colorado tax profile study 2001 for any taxes covered by such study, which includes but is not limited to information related to:

**(A)** State and local tax collections;

**(B)** Revenues, taxes, incidence, and equity;

**(C)** The distribution of state and local taxes among households; and

**(D)** Colorado statistics of income.

**(II)** The information required pursuant to subparagraph (I) of this paragraph (d) shall be for the most recent tax year for which such information is available.

**(3)**

**(a)** The department shall provide a copy of the report to all members of the general assembly in accordance with section 24-1-136 (9), C.R.S.

**(b)** Repealed.

**(c)** The department shall make the tax profile and expenditure report available for public inspection and shall publish the report on the department website.

**(4)** The reporting requirement set forth in this section is exempt from the provisions of section 24-1-136 (11).

**(5)** To the extent that the tax profile and expenditure report must include the distribution of tax burden by income class pursuant to paragraphs (b) and (d) of subsection (2) of this section, the department shall use at least as many income classes as the Colorado statistics of income in the Colorado tax profile study 2001, and the highest income class shall be at least as high as in such Colorado statistics of income.

**(6)** Repealed.

STATE · OF · COLORADO
NIL SINE NUMINE
1876

COLORADO
Department of Revenue

# Colorado Tax Expenditure Study

## For Calendar Years 2016 through 2023

Prepared by Colorado Department of Revenue



612/8585

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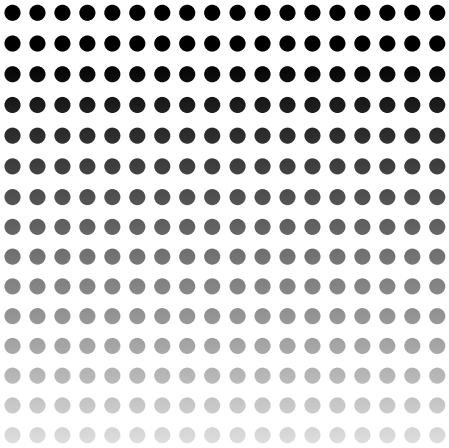
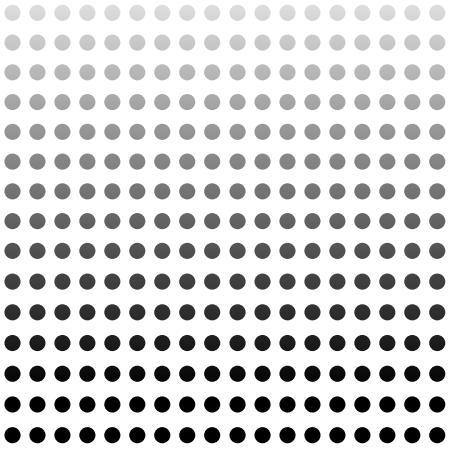


# Executive Summary



The 2024 Colorado Tax Expenditure Study reports the estimated reduction in state revenue as a result of tax expenditures. Tax expenditure revenue impacts are presented for excise taxes (liquor; cigarette, nicotine products, and tobacco products; and fuels), income taxes, sales and use taxes, and severance taxes. Data reported by taxpayers on state tax forms are used to estimate tax expenditure revenue impacts. Moreover, the data are self reported and represent the tax returns the Department has processed when the data was retrieved.

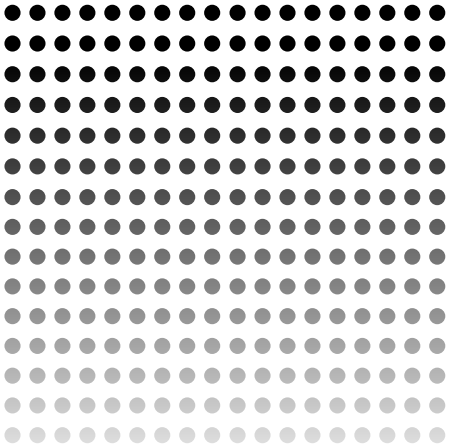
In 2023, the total liquor excise tax expenditures were $19.5 million; the total cigarette, nicotine products, and tobacco products excise tax expenditures were $45.9 million; and the total expenditures for fuel excise taxes were $120.3 million. Income tax expenditures in 2022 were nearly $2.1 billion. The total sales and use tax expenditures were $6.9 billion in 2023. Severance tax expenditures totaled $530.1 million for 2022. All of these totals are understated because some tax expenditure data is not collected, not retrievable, or incomplete until the next report.

## Total Tax Expenditure Revenue Impacts by Tax Type and Year [1]

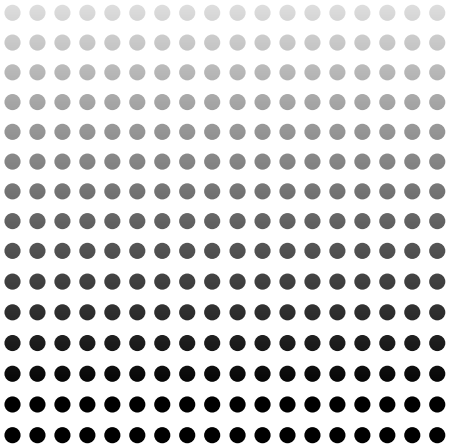
| Chapter: Tax Type | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|
| Chapter 1: Liquor Excise | Not Reported | Data Not Releasable | Not Reported | Data Not Releasable | Not Reported | $28.4M | Not Reported | $19.5M |
| Chapter 2: Cigarette, Nicotine Products, and Tobacco Products Excise | Not Reported | $15.5M | Not Reported | $12.6M | Not Reported | $17.9M | Not Reported | $45.9M |
| Chapter 3: Fuel Excise | Not Reported | $78.8M | Not Reported | $93.3M | Not Reported | $109.5M | Not Reported | $120.3M |
| Chapter 4: Income | $1.3B | Not Reported | $1.5B | Not Reported | $1.5B | Not Reported | $2.1B | Not Reported |
| Chapter 5: Sales and Use | Not Reported | $4.8B | Not Reported | $5.4B | Not Reported | $6.1B | Not Reported | $6.9B |
| Chapter 6: Severance | $279M | Not Reported | $358M | Not Reported | $446.7M | Not Reported | $530.1M | Not Reported |

Source: Colorado Department of Revenue tax forms

[1] Years included vary by tax type due to the reporting schedule and data availability. Tax expenditure data is summarized by the year that the taxing period began.



# Introduction



# What Is a Tax Expenditure?

A “tax expenditure” is a "tax provision that provides a gross or taxable income definition, deduction, exemption, credit, or rate for certain persons, types of income, transactions, or property that results in reduced tax revenue" (section 39-21-302(2), C.R.S.).

This report measures the effect of all tax expenditures, including many tax expenditures that provide special or selective tax relief to further various public policy goals, as well as structural tax expenditures that exist to establish the basic structure of the tax. “Structural tax expenditures” are intended to establish the basic elements of a tax provision, avoid duplication of a tax, promote administrative efficiency, clarify the definition of the types of transactions or individuals who are subject to a tax, or ensure that taxes are evenly applied.[1] Throughout the Colorado Tax Expenditure Study, structural expenditures are indicated with a dagger symbol (†).

# What Is the Colorado Tax Expenditure Study?

The Colorado Tax Expenditure Study is the first of three parts to the biennial Tax Profile and Expenditure Report required by section 39-21-303, C.R.S., enacted in 2011. The purpose of the study is to identify and describe tax expenditures administered by the Department as well as provide estimates of each tax expenditure’s effect on state revenue for the “most recently completed tax or calendar year, as appropriate, for which such information is available” (section 39-21-303, C.R.S.).

The Colorado Tax Expenditure Study reports the estimated reduction in state revenue as a result of tax expenditures. This study summarizes available data on tax expenditures as reported by taxpayers on Colorado tax forms. Aggregate data were retrieved from the Department’s tax data system, and totals are presented for each expenditure for which data is available. Moreover, the data are self reported and represent the tax returns the Department has processed when the data was retrieved.

This study presents tax expenditures by tax type. The following tax types are each summarized in their own chapter:

- Chapter 1: Liquor Excise Tax
- Chapter 2: Cigarette, Nicotine Products, and Tobacco Products Excise Taxes
- Chapter 3: Fuel Excise Tax
- Chapter 4: Income Tax
- Chapter 5: Sales and Use Taxes
- Chapter 6: Severance Tax

[1] (2022). Tax Expenditures Compilation Report, September 2022. Colorado Office of the State Auditor. Report Number: 2022-TE.

The Colorado Tax Expenditure Study is different from the evaluation of tax expenditures by the Office of the State Auditor established by section 39-21-305, C.R.S., enacted in 2016. Their schedule of reviews and completed reports for evaluated tax expenditures are available online at https://leg.colorado.gov/agencies/office-state-auditor/tax-expenditure-evaluations

## Which Years Are Included?

The Department summarizes expenditures for each tax type every other year. Odd years are summarized for liquor excise; cigarette, nicotine products, and tobacco products excises; fuel excise; and sales and use taxes. Even years are summarized for income and severance taxes. The Department is presenting the following years in the 2024 report:

| Chapter: Tax Type | Years |
|---|---|
| Chapter 1: Liquor Excise | 2017, 2019, 2021, 2023 |
| Chapter 2: Cigarette, Nicotine Products, and Tobacco Products Excise | 2017, 2019, 2021, 2023 |
| Chapter 3: Fuel Excise | 2017, 2019, 2021, 2023 |
| Chapter 4: Income | 2016, 2018, 2020, 2022 |
| Chapter 5: Sales and Use | 2017, 2019, 2021, 2023 |
| Chapter 6: Severance | 2016, 2018, 2020, 2022 |

## How Do I Find a Specific Expenditure?

Tax expenditures are presented in alphabetical order in each chapter. The table of contents provides an alphabetized list of the expenditures included in each chapter. To find a specific expenditure based on its statute citation, use the index at the end of the Tax Expenditure Study. This index lists the expenditures in statute order for each chapter. Find the name associated with the statute, and then reference that name in the table of contents to find the page on which the expenditure appears.

## Can I Compare This Report to Prior Reports?

The 2020 and prior reports provided revenue impact values that are rounded to the thousands. Starting with the 2022 report, the values are no longer rounded. Starting with the 2018 report, the methodology used to estimate the expenditures changed, in particular for income, sales and use, and severance tax expenditures. Information about these changes is provided in the 2018 report. These changes may sacrifice some comparability to the 2016 and earlier reports.

# What Are the Data Limitations?

- **Tax expenditure data is not always available for reporting –** In order for a tax expenditure to be summarized individually, it must meet these three criteria:

  **(1)** Be collected on a tax form
  **(2)** Be itemized and not grouped with other expenditures on a tax form
  **(3)** Be input or stored in a manner that renders it usable for reporting

  The Department considers a variety of needs and resource constraints—including the need to evaluate tax expenditures—in designing tax forms, data collection procedures, and storage methods. The costs (to the state and to taxpayers) of collecting, processing, and storing more detailed data are balanced against the benefits of such detail. As a result of this balancing, tax expenditure data may not meet all of the criteria necessary for reporting. In cases where tax expenditure data is collected, but not itemized, the Department provides aggregate totals for the grouped expenditures, when possible.

- **Tax expenditure data presented in this report is a snapshot in time –** Frozen snapshots of live data do not represent the dynamic changes that are continuously occurring with tax data. Significant changes to the tax data presented can occur at any time due to late and amended returns, as well as audits and corrections. The Department's review of tax data is ongoing, and these changes cannot be reflected in a static publication.

- **Tax forms may change –** Changes to forms can occur due to legislative changes or due to improvements initiated by the Department. This could limit the comparability of data across years.

- **Taxpayer confidentiality requirements –** The Department is required by statute (sections 39-21-113(4)(a) and 39-21-113(5), C.R.S.) to prevent the identification of individual taxpayers when publishing statistics from tax returns. It is the Department's practice to release aggregated data only when a minimum of three taxpayers exist in a group and a single taxpayer does not represent more than 80% of the total. There must be zero or at least two suppressed values per variable when an aggregate total is being released. Suppressed values are represented by "Data Not Releasable" in the tables.

- **Tax data is mostly self-reported –** As with all self-reported information, data from tax forms may contain errors. There are system checks in place to identify and review as many returns as possible using the Department's limited resources. However, it is not possible to systematically verify every field for complete accuracy when millions of tax returns and forms are filed every month.

# Why Are Some Values Not Presented?

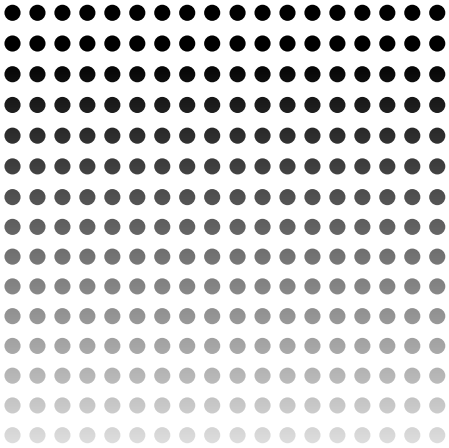
When data is not presented, the Department uses a short phrase in the tables to explain in plain language why the value cannot be presented. These phrases are listed below along with a description of their meaning.

| Term | Description |
|---|---|
| Data Incomplete Until Next Report | The underlying data is incomplete at the time of report preparation. The complete data will become available in the next report. |
| Data Not Collected | The information necessary to estimate the expenditure is not collected on a form or not required to be reported by taxpayers. |
| Data Not Releasable | The data cannot be disclosed because of taxpayer confidentiality requirements. Under sections 39-21-113(4)(a) and 39-21-113(5), C.R.S., when publishing statistics from tax returns, data must be "classified as to prevent the identification of particular reports or returns." |
| Data Not Retrievable | The tax expenditure information is collected on a tax form, but the data cannot be retrieved. This is either because the tax form is stored as a document image or because the data is not mapped to the database used for reporting. |
| Expired | The statutory benefit giving rise to the expenditure is no longer available, and the carryforward period (if any) has ended. No data is available for expired expenditures. |
| Itemized Values Not Retrievable | Itemized expenditure amounts are collected on a tax form, but the data cannot be easily retrieved for reporting. |
| Not Effective This Year | Expenditure was not in effect during this reporting year, but may come into effect in a later year. |
| Not Itemized - See [Aggregate Expenditure Description] | For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impact tables at the end of each chapter to find the aggregate total of the referenced expenditure description for that tax type (or tax form) and year. |
| Not Previously Published | The tax expenditure amount was not published in previous reports for the year indicated, even though the expenditure was in effect that year. |
| Not Reported | The data is not reported due to the reporting schedule of the Tax Profile and Expenditure Report. |

# When Is Data Available?

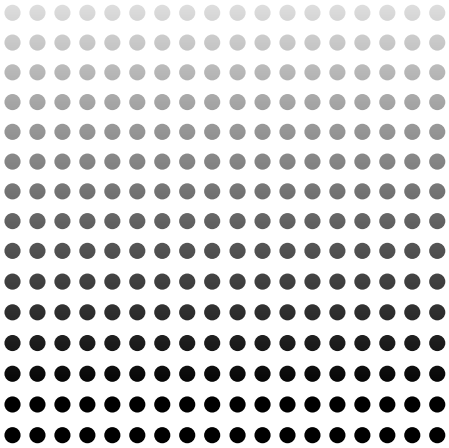
The availability of Colorado tax return data is dependent on the filing cycle for the tax type. The timeline below shows when the data is extracted for each chapter to ensure completeness of the data.

| Chapter: Tax Type | Data Extraction Timeline |
|---|---|
| Chapter 1: Liquor Excise | Three months after the end of the calendar year |
| Chapter 2: Cigarette, Nicotine Products, and Tobacco Products Excise | Three months after the end of the calendar year |
| Chapter 3: Fuel Excise | Three months after the end of the calendar year |
| Chapter 4: Income | One year and eight months after the end of the calendar year |
| Chapter 5: Sales and Use | Three months after the end of the calendar year |
| Chapter 6: Severance | One year and eight months after the end of the calendar year |



# Chapter 1

## Liquor Excise Tax Expenditures



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# Overview

## Total Revenue Impact

This table estimates the revenue impact of a combination of structural and non-structural tax expenditures. Structural tax expenditures are intended to establish the basic structure of a tax provision, whereas non-structural tax expenditures are intended to provide special or selective tax relief to further various public policy goals. All of the liquor excise tax expenditures that are reportable and have a revenue impact are structural tax expenditures.

### Liquor Excise Tax Expenditures [1]

| 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|
| Data Not Releasable | Data Not Releasable | $28,393,080 | $19,502,341 |

Source: Liquor Excise Tax Return (DR 0442)

[1] Totals are understated because not all data are collected.

## Net Collections

Net collections reported for a given fiscal year are not necessarily associated with the expenditure data reported by calendar year. Collections data includes tax collections across multiple tax years due to amended, late, and/or corrected tax returns and are net of any refunds received in the accounting period, regardless of the time period for which the refund applied. The net collections include sales made by in-state manufacturers and wholesalers, out-of-state wine shippers delivering to consumers directly in Colorado, and personal stock of alcohol brought into Colorado for consumption in this state by individuals.

### Liquor Excise Tax Net Collections

| Fiscal Year (July 1 through June 30) | Net Collections |
|---|---|
| 2016-2017 | $44,885,895 |
| 2017-2018 | $46,209,781 |
| 2018-2019 | $48,191,606 |
| 2019-2020 | $49,793,123 |
| 2020-2021 | $53,443,165 |
| 2021-2022 | $55,559,060 |
| 2022-2023 | $56,074,148 |
| 2023-2024 | $56,065,577 |

Source: Colorado State Accounting System

## Distributions

Liquor excise tax revenue is first allocated to the Old Age Pension Fund, which funds a program offering financial assistance and medical benefits to low-income adults aged 60 or older who meet certain eligibility requirements.

When revenue from excise taxes exceeds the amount required to fully fund the Old Age Pension Program, the excess is allocated to the General Fund for spending on general operations at the discretion of the General Assembly. Pursuant to Article XXIV, Section 2 of the Colorado Constitution, 85% of the revenue from excise taxes (excluding transportation-related excise taxes) is required to be credited to the Old Age Pension Fund.

## History

Prior to the adoption of the 18th Amendment prohibiting the manufacture, sale, or transportation of intoxicating beverages, states and local governments collected considerable revenue from the levy of liquor license fees and occupation taxes. When the ratification of the 21st Amendment (repealing the 18th Amendment) was announced on December 5, 1933, the sale of all alcoholic beverages became legal, and Colorado was one of 13 states that immediately imposed a tax through legislation approved in August 1933. Due to its hasty enactment, numerous inconsistencies, and defective provisions, the 1933 legislation was repealed and replaced with a new Liquor Code in 1935.

"Intoxicating liquors" were first taxed in 1935 at 3¢ per gallon on fermented malt beverages and malt liquor; 3¢ per quart on wine less than 14% alcohol by volume; 6¢ per quart on wine more than 14% alcohol by volume; and 20¢ per pint on spirits. Tax rates were increased in 1959 and again in 1976 for all types of alcohol beverages. The 1976 increase on beer was to the current rate of 8¢ per gallon. In 1981, the tax rate was increased for all strengths of wine to the current level of 7.33¢ per liter. At the same time, the tax rate for spirits was increased to the current rate of 60.26¢ per liter. In 1997, hard cider was added to the liquor code and is taxed like beer at 8¢ per gallon.

The liquor tax rates per liquor volume have remained the same for several decades. The tax rates have not been adjusted for inflation, and therefore have a deflated value relative to today's dollar. The deflated rates are equivalent to 1.28¢ per gallon of beer, 2.00¢ per liter of wine, 16.41¢ per liter of spirits, and 3.95¢ per gallon of hard cider in 2023 dollars.[1] If the rates were adjusted for inflation each year since taking effect, the 2023 rates would be 50.14¢ per gallon of beer, 26.92¢ per liter of wine, $2.2134 per liter of spirits, and 16.21¢ per gallon of hard cider.[1]

[1] Source: United States Department of Labor's Bureau of Labor Statistics Consumer Price Index for All Urban Consumers in the Denver-Aurora-Lakewood, CO area.

## Tax Base

An excise tax is due on the liters or gallons of alcohol beverages when they are first sold, used, or consumed in Colorado. The types of alcohol beverages that are taxed include malt liquors, hard cider, vinous liquors, and spirituous liquors. The tax is typically imposed upon manufacturers and wholesalers, including brewpubs, distillery-pubs, and vintner restaurants.

## Computation of the Tax

**§44-3-503, C.R.S.**

Colorado liquor excise tax rates are as follows:

- **Malt liquors:** 8¢ per gallon
- **Hard cider (apple and pear only):** 8¢ per gallon
- **Vinous liquors:** 7.33¢ per liter
- **Spirituous liquors:** 60.26¢ per liter
- **Winery grapes (produce tax):** $10 per ton

# Tax Expenditures

The descriptions of tax expenditures provided in this report (as required by section 39-21-303(2)(a)(III), C.R.S.) attempt to summarize each expenditure in simple and straightforward language. Although the descriptions represent a good-faith effort to provide accurate and complete tax information, the information is not binding on the Colorado Department of Revenue, nor does it replace, alter, or supersede Colorado law and regulations. The Executive Director, who by statute is the only person having the authority to bind the Department, has not formally reviewed and/or approved these descriptions.

## Credit for unsalable liquor †

Credit is allowed for excise taxes paid on alcohol beverages that are rendered unsalable by reason of destruction or damage upon submission of evidence satisfactory to the Department that such excise tax has actually been paid.

**Citation:** §44-3-503(9), C.R.S.
**Enacted:** 1953

### Tax Expenditure Revenue Impact

| 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|
| $153,000 | $134,000 | $230,589 | $157,406 |

Source: Liquor Excise Tax Return (DR 0442)

† This expenditure is considered a structural tax expenditure. See the Introduction for a definition.

## Exported liquor †

Alcohol beverages transported by a manufacturer or wholesaler to a point outside of the state and disposed of there are not subject to excise tax.

**Citation:** §44-3-503(1)(a), C.R.S.
**Enacted:** 1935

### Tax Expenditure Revenue Impact

| 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|
| Data Not Releasable | Data Not Releasable | $28,129,506 | $19,312,363 |

Source: Liquor Excise Tax Return (DR 0442)

† This expenditure is considered a structural tax expenditure. See the Introduction for a definition.

## Limited amounts of liquor brought into the state by an individual age 21 or older

Prior to August 10, 2022, any passenger age 21 or older arriving at any airport in this state on an air flight originating in a foreign country could lawfully bring up to four liters of wine, beer, or spirituous liquor into Colorado without liability for excise tax. Effective August 10, 2022, any individual age 21 or older entering this state from another state or a foreign country may lawfully bring alcohol beverages below the following limits into Colorado for personal use and not for resale without liability for excise tax: 2.25 gallons of malt liquor; 2.25 gallons of hard cider; 9 liters of vinous liquor; and 6 liters of spiritous liquor.

**Citation:** §44-3-106(4), C.R.S.
**Enacted:** 1977

### Tax Expenditure Revenue Impact

| 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|
| Data Not Collected | Data Not Collected | Data Not Collected | Data Not Collected |

Source: Not available - this data is not recorded on any form.

## Liquor produced by individuals for personal use

Malt or vinous liquors produced in accordance with federal law for personal use and not for resale are exempt from excise tax. Subject to certain conditions, the producer may transport and deliver malt liquors or vinous liquors qualifying for this exemption to any licensed premises where consumption of malt liquors or vinous liquors by persons at least 21 years of age is authorized for use at organized affairs, exhibitions, or competitions, such as home brew or wine-making contests, tastings, or judgings.

**Citation:** §44-3-106(2), C.R.S.
**Enacted:** 1971

### Tax Expenditure Revenue Impact

| 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|
| Data Not Collected | Data Not Collected | Data Not Collected | Data Not Collected |

Source: Not available - this data is not recorded on any form.

## Liquor sales exempt by federal law †

A refund or a credit is allowed for the excise tax paid on vinous and spirituous liquors sold and delivered on ceded federal property within the boundaries of this state, to the extent federal law precludes the state from collecting excise tax on such property.

**Citation:** §44-3-503(10)(b), C.R.S.
**Enacted:** 1981

### Tax Expenditure Revenue Impact

| 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|
| $44,000 | $39,000 | $32,985 | $32,573 |

Source: Liquor Excise Tax Return (DR 0442)

† This expenditure is considered a structural tax expenditure. See the Introduction for a definition.

## Malt liquors manufactured by a state institution of higher education for teaching or research purposes

No tax is imposed on malt liquors manufactured by a state institution of higher education that is engaged in the manufacture and tasting of the malt liquors for teaching or research purposes.

**Citation:** §44-3-106(6), C.R.S.
**Enacted:** 2016

### Tax Expenditure Revenue Impact

| 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|
| Data Not Collected | Data Not Collected | Data Not Collected | Data Not Collected |

Source: Not available - this data is not recorded on any form.

## Sacramental wines sold and used for religious purposes

No tax is imposed on the sale or distribution of sacramental wines sold and used for religious purposes.

**Citation:** §44-3-106(1), C.R.S.
**Enacted:** 1935

### Tax Expenditure Revenue Impact

| 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|
| Data Not Collected | Data Not Collected | Data Not Collected | Data Not Collected |

Source: Not available - this data is not recorded on any form.

### Vinous liquors manufactured by a state institution of higher education for the purpose of enology research and education

No tax is imposed on vinous liquor manufactured by an institution of higher education on a licensed premises for the purpose of enology research and education.

**Citation:** §44-3-106(5), C.R.S.
**Enacted:** 2008

#### Tax Expenditure Revenue Impact

| 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|
| Data Not Collected | Data Not Collected | Data Not Collected | Data Not Collected |

Source: Not available - this data is not recorded on any form.

## Summary of Revenue Impacts

### Liquor Excise Tax Expenditures

| Tax Expenditure Description | 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|---|
| Credit for unsalable liquor † | $153,000 | $134,000 | $230,589 | $157,406 |
| Exported liquor † | Data Not Releasable | Data Not Releasable | $28,129,506 | $19,312,363 |
| Limited amounts of liquor brought into the state by an individual age 21 or older | Data Not Collected | Data Not Collected | Data Not Collected | Data Not Collected |
| Liquor produced by individuals for personal use | Data Not Collected | Data Not Collected | Data Not Collected | Data Not Collected |
| Liquor sales exempt by federal law † | $44,000 | $39,000 | $32,985 | $32,573 |
| Malt liquors manufactured by a state institution of higher education for teaching or research purposes | Data Not Collected | Data Not Collected | Data Not Collected | Data Not Collected |
| Sacramental wines sold and used for religious purposes | Data Not Collected | Data Not Collected | Data Not Collected | Data Not Collected |
| Vinous liquors manufactured by a state institution of higher education for the purpose of enology research and education | Data Not Collected | Data Not Collected | Data Not Collected | Data Not Collected |
| **Total [1]** | **Data Not Releasable** | **Data Not Releasable** | **$28,393,080** | **$19,502,341** |

Source: Liquor Excise Tax Return (DR 0442)

† These expenditures are considered a structural tax expenditure. See the Introduction for a definition.

[1] Totals are understated because not all data are collected.

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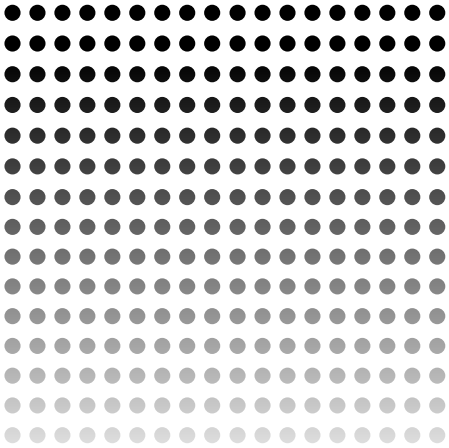
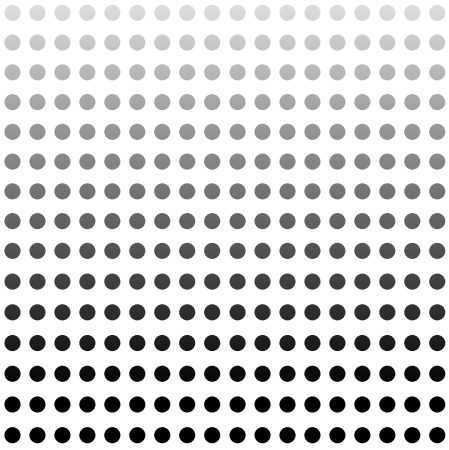


# Chapter 2

## Cigarette, Nicotine Products, and Tobacco Products Excise Tax Expenditures



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# Overview

## Total Revenue Impact

This table estimates the revenue impact of a combination of structural and non-structural tax expenditures. Structural tax expenditures are intended to establish the basic structure of a tax provision, whereas non-structural tax expenditures are intended to provide special or selective tax relief to further various public policy goals. For context, less than 5% of the total revenue impact of cigarette, nicotine products, and tobacco products tax expenditures in 2023 are from non-structural tax expenditures.

### Cigarette, Nicotine Products, and Tobacco Products Tax Expenditures [1]

| 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|
| $15,542,000 | $12,590,000 | $17,858,834 | $45,926,731 |

Source: Cigarette Tax Return (DR 0221), Nicotine Products Tax Return (DR 0230), Tobacco Products Tax Return (DR 0229), and accounting system data

[1] Totals are understated because not all data are collected.

## Net Collections

Net collections reported for a given fiscal year are not necessarily associated with the expenditure data reported by calendar year. Collections data includes tax collections across multiple tax years due to amended, late, and/or corrected tax returns and are net of any refunds received in the accounting period, regardless of the time period for which the refund applied.

### Cigarette, Nicotine Products, and Tobacco Products Excise Tax Net Collections

| Fiscal Year (July 1 through June 30) | Cigarette Excise Tax Net Collections | Nicotine Products Excise Tax Net Collections | Tobacco Products Excise Tax Net Collections |
|---|---|---|---|
| 2016-2017 | $158,886,245 | $0 | $41,112,150 |
| 2017-2018 | $149,903,846 | $0 | $43,976,813 |
| 2018-2019 | $144,277,495 | $0 | $45,152,636 |
| 2019-2020 | $139,993,246 | $0 | $47,057,526 |
| 2020-2021 | $168,581,167 | $8,218,234 | $51,059,244 |
| 2021-2022 | $264,659,202 | $42,190,677 | $62,423,793 |
| 2022-2023 | $233,921,059 | $56,396,483 | $60,447,083 |
| 2023-2024 | $206,318,806 | $73,072,408 | $58,671,797 |

Source: Colorado State Accounting System

## Distributions

Except for taxes imposed by Amendment 35, all cigarette, tobacco, and nicotine taxes are allocated to the General Fund either directly or through the Old Age Pension Fund. All cigarette, tobacco, and nicotine taxes imposed by Proposition EE are then transferred to the 2020 Tax Holding Fund, with a portion then allocated back to the General Fund. Of the cigarette taxes remaining in the General Fund and the amount reallocated to the General Fund under Proposition EE, 27% is distributed to local governments based on the amount of state sales tax revenue collected within a given city or county. No amount is distributed to any local government that imposes taxes on any person as a condition for engaging in the business of selling cigarettes.

Taxes imposed by Proposition EE that are transferred to the 2020 Tax Holding Fund are allocated by law, depending on the fiscal year. For fiscal years ending prior to July 1, 2023, amounts in the fund were allocated to K-12 education, housing, rural schools, and tobacco prevention programs. Beginning July 1, 2023, revenue in the fund will go primarily to preschool programs, in addition to tobacco prevention and health care programs.

Amendment 35 imposes an additional tax of 3.2¢ per cigarette and an additional tax of 20% on tobacco products. Revenue from the additional taxes created through Amendment 35 is distributed to state and local government health care and tobacco use prevention programs, as required by the Colorado Constitution.

## History

In 1956, before Colorado levied an excise tax on cigarettes, 42 states taxed cigarettes. Colorado was one of 11 states that allowed its municipalities the power to impose a tax on cigarettes. Local governments in Colorado initially imposed a tax on cigarettes during World War II. By 1956, about 28 municipalities in Colorado levied a tax on cigarettes that ranged from 1¢ to 3¢ per pack.

Colorado's state cigarette excise tax was first enacted in 1964 at a rate of 3¢ per pack of 20 cigarettes (one and one half mills per cigarette). In 1986, the cigarette tax was increased to 1¢ per cigarette, and the first tobacco products excise tax was levied at a rate of 20% of the manufacturer's list price, which is generally the invoice price paid by the distributor or remote retail seller to a manufacturer or supplier. In 2004, the voters approved Amendment 35, which increased the cigarette and tobacco products excise taxes. As a result, the cigarette excise tax was increased to 4.2¢ per cigarette (84¢ per pack of 20 cigarettes) and the tobacco products excise tax was increased to 40% of the manufacturer's list price.

In the November 2020 general election, taxpayers approved Proposition EE, which increased taxes on cigarettes and tobacco products and established a new tax on nicotine products (other than cigarette and tobacco products). Cigarette taxes increased to 9.7¢

per cigarette ($1.94 per pack of 20 cigarettes) beginning January 1, 2021, and to 11.2¢ per cigarette ($2.24 per pack of 20 cigarettes) beginning July 1, 2024. The rate will increase to 13.2¢ per cigarette ($2.64 per pack of 20 cigarettes) beginning July 1, 2027. The tax on tobacco products similarly increased to 50% of the manufacturer's list price beginning January 1, 2021, and to 56% of the manufacturer's list price beginning July 1, 2024. The rate will further increase to 62% of the manufacturer's list price beginning July 1, 2027. Moist snuff is subject to a minimum tax and products classified by the U.S. Department of Health and Human Services as "modified risk" products are taxed at reduced rates.

The new tax applies to nicotine products, which are products containing nicotine derived from tobacco or created synthetically that are not cigarettes or tobacco products. Similar to tobacco products, the tax is computed on the manufacturer's list price. The tax was imposed beginning January 1, 2021, at a rate of 30% of the manufacturer's list price, increased to 35% in 2022, to 50% beginning January 1, 2023, and to 56% on July 1, 2024. The rate will increase to 62% beginning July 1, 2027. Modified risk nicotine products are also subject to a reduced tax rate.

Cigarette tax is paid by the wholesaler by purchasing stamps that the wholesaler then affixes to cigarette packages. Tobacco products tax is paid by the distributor or remote retail seller. Nicotine products tax is paid by the distributor.

## Tax Base

The cigarette excise tax is based on volume, and the tobacco products and nicotine products excise taxes are based on wholesale price. Examples of tobacco products include chewing tobacco, cigars, pipe tobacco, cheroots, stogies, snuff, and plug or twist tobacco.

## Computation of the Tax

**§39-28-103, C.R.S.**
**§39-28.5-102, C.R.S.**
**§39-28.6-103, C.R.S.**
**Colorado Constitution, Article X, § 21**

Cigarette and tobacco products excise taxes are calculated using a combination of statutory and constitutional rates. The combined Colorado cigarette, tobacco products, and nicotine products excise tax rates effective January 1, 2023, through June 30, 2024, appear below. For information about prior and future rate adjustments, please see the History section earlier in this chapter.

- **Cigarette:** 9.7¢ per cigarette ($1.94 per pack of 20 cigarettes)
- **Tobacco products:** 50% of the manufacturer's list price
- **Nicotine products:** 50% of the manufacturer's list price

# Tax Expenditures

The descriptions of tax expenditures provided in this report (as required by section 39-21-303(2)(a)(III), C.R.S.) attempt to summarize each expenditure in simple and straightforward language. Although the descriptions represent a good-faith effort to provide accurate and complete tax information, the information is not binding on the Colorado Department of Revenue, nor does it replace, alter, or supersede Colorado law and regulations. The Executive Director, who by statute is the only person having the authority to bind the Department, has not formally reviewed and/or approved these descriptions.

## Cigarette tax credit for bad debts †

Prior to January 1, 2025, wholesalers could claim a credit for previously paid tax attributable to any portion of a debt related to a sale of cigarettes if the debt became worthless or uncollectible in the time after the tax had been paid. Credit was allowed only if the tax was not otherwise deductible or excludable, the debt had been charged off as uncollectible on the books of the wholesaler, and the wholesaler was allowed an income tax deduction for the debt pursuant to section 166 of the Internal Revenue Code. The allowable credit was limited to the amount of tax previously paid on cigarettes that the wholesaler no longer possessed.

**Citation:** §39-28-104(4), C.R.S.
**Enacted:** 2004

### Tax Expenditure Revenue Impact

| 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|
| $0 | $0 | $0 | $0 |

Source: Colorado Department of Revenue Taxpayer Services Division

† This expenditure is considered a structural tax expenditure. See the Introduction for a definition.

## Cigarette tax credit for returned stamps and unsalable merchandise †

A wholesaler may claim credit for stamps affixed to cigarette packages that are unsalable and have been either returned to the manufacturer or destroyed by the wholesaler and for stamps that are unusable because the tax rate has changed. Additionally, wholesalers may, within one year after the date of issue, return stamps to the Department for credit.

**Citation:** §39-28-104(3), C.R.S.
**Enacted:** 1964

### Tax Expenditure Revenue Impact

| 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|
| $286,000 | $181,000 | $531,788 | $347,449 |

Source: Cigarette Tax Return (DR 0221)

† This expenditure is considered a structural tax expenditure. See the Introduction for a definition.

## Cigarette tax exemption for sales to the United States government, interstate sales, and sales exempt under United States law †

The sale of cigarettes to the United States government or any of its agencies, sales in interstate commerce, or transactions the taxation of which is prohibited by the U.S. Constitution are exempt from Colorado's cigarette tax.

**Citation:** §39-28-111, C.R.S.
**Enacted:** 1964

### Tax Expenditure Revenue Impact

| 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|
| Data Not Collected | Data Not Collected | Data Not Collected | Data Not Collected |

Source: Not available - this data is not recorded on any form

† This expenditure is considered a structural tax expenditure. See the Introduction for a definition.

## Cigarette tax rate for modified risk tobacco products

The tax for cigarettes that are modified risk tobacco products is imposed at a lower rate. Cigarettes qualify for the lower tax rate only if the Secretary of the U.S. Department of Health and Human Services has issued an order authorizing them to be commercially marketed as a modified risk tobacco product in accordance with 21 U.S.C. sec. 387k, or any successor section.

**Citation:** §39-28-101(2.7), C.R.S.
§39-28-103(1)(b), (1)(c), C.R.S.
**Enacted:** 2020

### Tax Expenditure Revenue Impact

| 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|
| Not Effective This Year | Not Effective This Year | $0 | Data Not Releasable |

Source: Cigarette Tax Return (DR 0221)

## Cigarette tax vendor discount

A wholesaler is allowed a discount on stamps they order if they remit payment in a timely manner by the 10th day of the following month. The discount is allowed only with respect to the tax imposed by section 39-28-103, C.R.S., and not with respect to the tax imposed by Amendment 35, approved by Colorado voters in 2004. The discount is 4% of the tax for stamps purchased prior to January 1, 2021, and 0.4% of the tax for stamps purchased on or after January 1, 2021. If any wholesaler is delinquent in remitting payment, the wholesaler is not allowed any discount.

**Citation:** §39-28-104(1)(a), C.R.S.
**Enacted:** 1964

### Tax Expenditure Revenue Impact

| 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|
| $1,437,000 | $1,357,000 | $642,941 | $588,885 |

Source: Cigarette Tax Return (DR 0221) and Colorado Department of Revenue Accounting and Financial Services Division

## Nicotine products tax credit for products returned to manufacturer or destroyed by distributor †

A distributor may claim credit for tax the distributor paid on nicotine products that the distributor destroyed or returned to the manufacturer.

**Citation:** §39-28.6-108, C.R.S.
**Enacted:** 2020

### Tax Expenditure Revenue Impact

| 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|
| Not Effective This Year | Not Effective This Year | Data Not Releasable | $285,800 |

Source: Nicotine Products Tax Return (DR 0230)

† This expenditure is considered a structural tax expenditure. See the Introduction for a definition.

## Nicotine products tax credit for products shipped to out-of-state consumers †

A distributor may claim credit for tax the distributor paid on nicotine products that are shipped or transported by the distributor to a consumer outside of Colorado on or after January 1, 2021.

**Citation:** §39-28.6-108, C.R.S.
**Enacted:** 2020

### Tax Expenditure Revenue Impact

| 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|
| Not Effective This Year | Not Effective This Year | Data Not Releasable | $4,824,231 |

Source: Nicotine Products Tax Return (DR 0230)

† This expenditure is considered a structural tax expenditure. See the Introduction for a definition.

## Nicotine products tax credit for products shipped to out-of-state retailers †

A distributor may claim credit for tax the distributor paid on nicotine products that are shipped or transported by the distributor to retailers outside of Colorado to be sold by those retailers.

**Citation:** §39-28.6-108, C.R.S.
**Enacted:** 2020

### Tax Expenditure Revenue Impact

| 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|
| Not Effective This Year | Not Effective This Year | $2,445,455 | $14,635,584 |

Source: Nicotine Products Tax Return (DR 0230)

† This expenditure is considered a structural tax expenditure. See the Introduction for a definition.

## Nicotine products tax exemption for sales exempt under United States law †

Nicotine products tax does not apply to the sale, use, consumption, handling, or distribution of any nicotine product that is exempt from state taxation under the U.S. Constitution or federal law.

**Citation:** §39-28.6-104, C.R.S.
**Enacted:** 2020

### Tax Expenditure Revenue Impact

| 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|
| Not Effective This Year | Not Effective This Year | $968,688 | $5,290,153 |

Source: Nicotine Products Tax Return (DR 0230)

† This expenditure is considered a structural tax expenditure. See the Introduction for a definition.

## Nicotine products tax rate for modified risk tobacco products

The tax for nicotine products that are modified risk tobacco products is imposed at a lower rate. Nicotine products qualify for the lower tax rate only if the Secretary of the U.S. Department of Health and Human Services has issued an order authorizing them to be commercially marketed as a modified risk tobacco product in accordance with 21 U.S.C. sec. 387k, or any successor section.

**Citation:** §39-28.6-102(6), C.R.S.
§39-28.6-103(1), (2), C.R.S.
**Enacted:** 2020

### Tax Expenditure Revenue Impact

| 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|
| Not Effective This Year | Not Effective This Year | Data Not Releasable | Data Not Releasable |

Source: Nicotine Products Tax Return (DR 0230)

## Nicotine products tax vendor discount

A distributor is allowed a discount if they remit payment of the tax due in a timely manner by the 20th day of the following month. The discount is 1.1% of the tax imposed. If any distributor is delinquent in remitting payment, the distributor is not allowed any discount.

**Citation:** §39-28.6-107(2), C.R.S.
**Enacted:** 2020

### Tax Expenditure Revenue Impact

| 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|
| Not Effective This Year | Not Effective This Year | $433,753 | $780,834 |

Source: Nicotine Products Tax Return (DR 0230)

## Tobacco products tax credit for bad debts †

Prior to January 1, 2025, distributors and remote retail sellers could claim a credit for previously paid tax attributable to any portion of a debt related to a sale of tobacco products if the debt became worthless or uncollectible in the time after the tax had been paid. Credit was allowed only if the tax was not otherwise deductible or excludable, the debt had been charged off as uncollectible on the books of the distributor or remote retail seller, and the distributor or remote retail seller was allowed an income tax deduction for the debt pursuant to section 166 of the Internal Revenue Code. The allowable credit was limited to the amount of tax previously paid on tobacco products that the distributor or remote retail seller no longer possessed.

**Citation:** §39-28.5-107(2), C.R.S.
**Enacted:** 2004

### Tax Expenditure Revenue Impact

| 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|
| $0 | $0 | $0 | $0 |

Source: Colorado Department of Revenue Taxpayer Services Division

† This expenditure is considered a structural tax expenditure. See the Introduction for a definition.

## Tobacco products tax credit for products returned to manufacturer or destroyed by distributor †

A distributor may claim credit for tax the distributor paid on tobacco products that the distributor destroyed or returned to the manufacturer.

**Citation:** §39-28.5-107(1), C.R.S.
**Enacted:** 1986

### Tax Expenditure Revenue Impact

| 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|
| $637,000 | $521,000 | Data Not Releasable | $1,055,450 |

Source: Tobacco Products Tax Return (DR 0229)

† This expenditure is considered a structural tax expenditure. See the Introduction for a definition.

## Tobacco products tax credit for products shipped to out-of-state consumers †

A distributor may claim credit for tax the distributor paid on tobacco products that are shipped or transported by the distributor to a consumer outside of Colorado on or after September 1, 2015, but prior to September 1, 2018, or on or after January 1, 2021.

**Citation:** §39-28.5-107(1), C.R.S.
**Enacted:** 2015

### Tax Expenditure Revenue Impact

| 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|
| $317,000 | Expired | Data Not Releasable | $0 |

Source: Tobacco Products Tax Return (DR 0229)

† This expenditure is considered a structural tax expenditure. See the Introduction for a definition.

## Tobacco products tax credit for products shipped to out-of-state retailers †

A distributor may claim credit for tax the distributor paid on tobacco products that are shipped or transported by the distributor to retailers outside of Colorado to be sold by those retailers.

**Citation:** §39-28.5-107(1), C.R.S.
**Enacted:** 1986

### Tax Expenditure Revenue Impact

| 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|
| $5,249,000 | $6,008,000 | $7,071,908 | $13,161,193 |

Source: Tobacco Products Tax Return (DR 0229)

† This expenditure is considered a structural tax expenditure. See the Introduction for a definition.

## Tobacco products tax exemption for sales exempt under United States law †

Tobacco products tax does not apply to the sale, use, consumption, handling, or distribution of any tobacco product that is exempt from state taxation under the U.S. Constitution or federal law.

**Citation:** §39-28.5-103, C.R.S.
**Enacted:** 1986

### Tax Expenditure Revenue Impact

| 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|
| $6,891,000 | $3,734,000 | $2,724,468 | $4,265,262 |

Source: Tobacco Products Tax Return (DR 0229)

† This expenditure is considered a structural tax expenditure. See the Introduction for a definition.

## Tobacco products tax rate for modified risk tobacco products

The tax for tobacco products that are modified risk tobacco products is imposed at a lower rate. Tobacco products qualify for the lower tax rate only if the Secretary of the U.S. Department of Health and Human Services has issued an order authorizing them to be commercially marketed as a modified risk tobacco product in accordance with 21 U.S.C. sec. 387k, or any successor section.

**Citation:** §39-28.5-101(8), C.R.S.
§39-28.5-102(1), (2), C.R.S.
**Enacted:** 2020

### Tax Expenditure Revenue Impact

| 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|
| Not Effective This Year | Not Effective This Year | Data Not Releasable | $121,501 |

Source: Tobacco Products Tax Return (DR 0229)

### Tobacco products tax vendor discount

A distributor is allowed a discount if they remit payment of the tax due in a timely manner by the 20th day of the following month. The discount is allowed only with respect to the tax imposed by section 39-28.5-102, C.R.S., and not with respect to the tax imposed by Amendment 35, approved by Colorado voters in 2004. The discount is 3.33% of the tax imposed prior to January 1, 2021, and 1.6% of the tax for tax imposed on or after January 1, 2021. If any distributor is delinquent in remitting payment, the distributor is not allowed any discount.

**Citation:** §39-28.5-106(2), C.R.S.
**Enacted:** 1986

#### Tax Expenditure Revenue Impact

| 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|
| $724,000 | $789,000 | $602,812 | $512,345 |

Source: Tobacco Products Tax Return (DR 0229) and Colorado Department of Revenue Accounting and Financial Services Division

## Upcoming Expenditures

### Cigarette inventory tax vendor discount

**Citation:** §39-28-103.3, C.R.S.
**Enacted:** 2020

# Summary of Revenue Impacts

## Cigarette, Nicotine Products, and Tobacco Products Excise Tax Expenditures

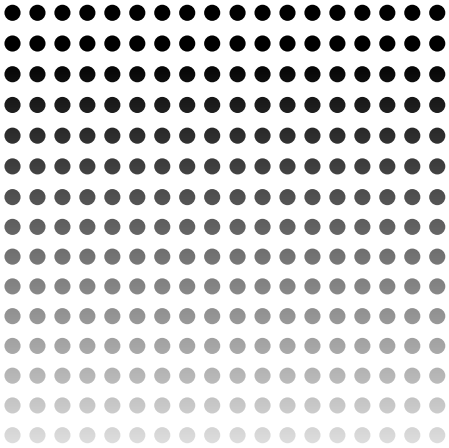
| Tax Expenditure Description | 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|---|
| Cigarette tax credit for bad debts † | $0 | $0 | $0 | $0 |
| Cigarette tax credit for returned stamps and unsalable merchandise † | $286,000 | $181,000 | $531,788 | $347,449 |
| Cigarette tax exemption for sales to the United States government, interstate sales, and sales exempt under United States law † | Data Not Collected | Data Not Collected | Data Not Collected | Data Not Collected |
| Cigarette tax rate for modified risk tobacco products | Not Effective This Year | Not Effective This Year | $0 | Data Not Releasable |
| Cigarette tax vendor discount | $1,437,000 | $1,357,000 | $642,941 | $588,885 |
| Nicotine products tax credit for products returned to manufacturer or destroyed by distributor † | Not Effective This Year | Not Effective This Year | Data Not Releasable | $285,800 |
| Nicotine products tax credit for products shipped to out-of-state consumers † | Not Effective This Year | Not Effective This Year | Data Not Releasable | $4,824,231 |
| Nicotine products tax credit for products shipped to out-of-state retailers † | Not Effective This Year | Not Effective This Year | $2,445,455 | $14,635,584 |
| Nicotine products tax exemption for sales exempt under United States law † | Not Effective This Year | Not Effective This Year | $968,688 | $5,290,153 |
| Nicotine products tax rate for modified risk tobacco products | Not Effective This Year | Not Effective This Year | Data Not Releasable | Data Not Releasable |
| Nicotine products tax vendor discount | Not Effective This Year | Not Effective This Year | $433,753 | $780,834 |
| Tobacco products tax credit for bad debts † | $0 | $0 | $0 | $0 |
| Tobacco products tax credit for products returned to manufacturer or destroyed by distributor † | $637,000 | $521,000 | Data Not Releasable | $1,055,450 |
| Tobacco products tax credit for products shipped to out-of-state consumers † | $317,000 | Expired | Data Not Releasable | $0 |
| Tobacco products tax credit for products shipped to out-of-state retailers † | $5,249,000 | $6,008,000 | $7,071,908 | $13,161,193 |
| Tobacco products tax exemption for sales exempt under United States law † | $6,891,000 | $3,734,000 | $2,724,468 | $4,265,262 |
| Tobacco products tax rate for modified risk tobacco products | Not Effective This Year | Not Effective This Year | Data Not Releasable | $121,501 |
| Tobacco products tax vendor discount | $724,000 | $789,000 | $602,812 | $512,345 |
| **Total [1,2]** | **$15,542,000** | **$12,590,000** | **$17,858,834** | **$45,926,731** |

Source: Cigarette Tax Return (DR 0221), Nicotine Products Tax Return (DR 0230), Tobacco Products Tax Return (DR 0229), and accounting system data

† These expenditures are considered structural tax expenditures. See the Introduction for a definition.

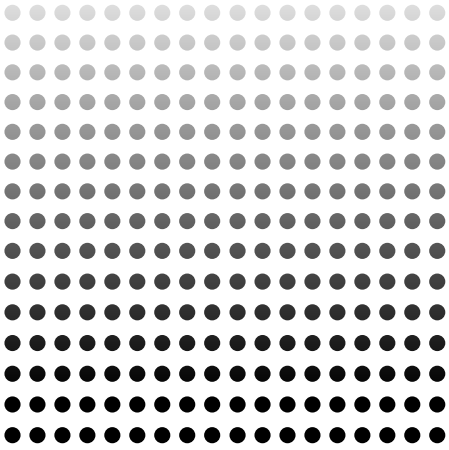
[1] "Data Not Releasable" values are included in the total.

[2] Totals are understated because not all data are collected.



# Chapter 3

## Fuel Excise Tax Expenditures



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# Overview

## Total Revenue Impact

This table estimates the revenue impact of a combination of structural and non-structural tax expenditures. Structural tax expenditures are intended to establish the basic structure of a tax provision, whereas non-structural tax expenditures are intended to provide special or selective tax relief to further various public policy goals. In this chapter, there is only one structural expenditure for exported gasoline and special fuel, and it accounts for about 16% of the total revenue impact of fuel excise tax expenditures in 2023.

### Fuel Excise Tax Expenditures [1]

| 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|
| $78,788,000 | $93,301,000 | $109,528,504 | $120,300,455 |

Source: Fuel Excise Tax Return (DR 7050), Fuel Tax Refund Claim for Exempt Use of Fuel (DR 7118), and Department Letter Approving the Credit Amount

[1] Totals are understated because not all data are collected or are not yet available. Additionally, some tax expenditures were not estimated in prior years. The overall 2021 total has been updated to include data from Refunds for the exempt use of gasoline or special fuel.

## Net Collections

Net collections reported for a given fiscal year are not necessarily associated with the expenditure data reported by calendar year. Collections data includes tax collections across multiple tax years due to amended, late, and/or corrected tax returns and are net of any refunds received in the accounting period regardless of the time period for which the refund applied.

### Fuel Excise Tax Net Collections

| Fiscal Year (July 1 through June 30) | Net Collections |
|---|---|
| 2016-2017 | $629,809,824 |
| 2017-2018 | $647,230,168 |
| 2018-2019 | $643,828,473 |
| 2019-2020 | $625,822,928 |
| 2020-2021 | $601,565,039 |
| 2021-2022 | $620,767,626 |
| 2022-2023 | $648,908,581 |
| 2023-2024 | $666,370,493 |

Source: Colorado State Accounting System

## Distributions

All revenue from motor fuel taxes goes into the Highway Users Tax Fund and is then allocated to the state, counties, and cities according to a statutory formula. Excise tax from aviation gasoline and aviation jet fuel goes into the Aviation Fund pursuant to Article X, Section 18 of the Colorado Constitution and section 39-27-112, C.R.S. Motor fuel tax revenue is divided into two "pots" prior to allocation: the first 7¢ of the tax rate and funds above 7¢. The first 7¢ is distributed 65% to the State Highway Fund, 26% to counties, and 9% to cities after off-the-top deductions occur. Distributions from the Highway Users Tax Fund are primarily driven by statutory formula in Title 43 of the Colorado Revised Statutes. Funds above 7¢ are distributed to the State Highway Fund, counties, and cities at proportions of 60%, 22%, and 18%, respectively.

## History

In 1919, Colorado enacted an excise tax on gasoline at a rate of 1¢ per gallon. Over the next decade, all other states followed by imposing a gas tax. The primary purpose of the tax was to fund a modern highway and road system. In addition to these taxes, states received substantial financial help from the federal government to fund these transportation systems. At the time, Colorado's excise tax was imposed on gasoline, kerosene, and other fluid substances derived from petroleum for the sole purpose of propelling motor vehicles.

The rate has been increased several times (often in 1¢ increments) since its inception. The current excise tax rate on gasoline is $0.22 per gallon and that rate has remained the same since 1991. The current excise tax rate on special fuels is $0.205 per gallon and that rate has remained the same since 1992. In 1988, an excise tax of $0.06 per gallon was imposed on aviation gasoline, an excise tax of $0.04 per gallon was imposed on aviation jet fuel, and both excise tax rates remain the same today.

The fuel tax rates for gasoline, special fuels, aviation gasoline, and aviation jet fuel per gallon have remained the same for several decades. The tax rates have not been adjusted for inflation, and therefore have a deflated value relative to today's dollar. The deflated rates are equivalent to 8.63¢ per gallon of gasoline, 8.34¢ per gallon of special fuels, 2.13¢ per gallon of aviation gasoline, and 1.42¢ per gallon of aviation jet fuel in 2023 dollars.[1] If the rates had been adjusted for inflation each year since taking effect, the 2023 rates would be 56.10¢ per gallon of gasoline, 50.39¢ per gallon of special fuels, 16.90¢ per gallon of aviation gasoline, and 11.27¢ per gallon of aviation jet fuel. [1]

Excise taxes for liquefied natural gas (LNG), liquefied petroleum gas (LPG), and compressed natural gas (CNG) fuels were separated from other special fuels in 2013 and assigned specific tax rates that were phased in over six years. Starting in 2014, the excise tax imposed on LNG, LPG, and CNG fuels was $0.03 per gallon. The tax imposed on LNG increased to $0.05, $0.07, $0.08, and $0.10 for calendar years 2015, 2016, 2017, and 2018, respectively.

[1] Source: United States Department of Labor's Bureau of Labor Statistics Consumer Price Index for All Urban Consumers in the Denver-Aurora-Lakewood, CO area.

The tax rate for LPG increased by $0.02 per year such that it was $0.05, $0.07, $0.09, and $0.11 for calendar years 2015, 2016, 2017, and 2018, respectively. The CNG tax rate increased by $0.03 per year bringing it to $0.06, $0.09, $0.12, and $0.15 for calendar years 2015, 2016, 2017, and 2018, respectively. By 2019, the excise tax imposed on LNG became $0.12 per gallon, $0.135 per gallon for LPG, and $0.183 per gallon for CNG.

### Tax Base

An excise tax is imposed per gallon only once on all gasoline and special fuel (e.g., diesel, liquefied petroleum gas, kerosene, and natural gas used to propel a motor vehicle) acquired, sold, offered for sale, or used in this state.

### Computation of the Tax

**§39-27-102, C.R.S.**

Colorado fuel excise tax rates starting January 1, 2019, are as follows:

- **Gasoline:** $0.22 per gallon
- **Diesel fuel and kerosene for motor vehicles used on highways:** $0.205 per gallon
- **Liquefied petroleum gas:** $0.135 per gallon
- **Liquefied natural gas:** $0.12 per gallon
- **Compressed natural gas:** $0.183 per gallon
- **Aviation gasoline:** $0.06 per gallon
- **Aviation jet fuel:** $0.04 per gallon

## Tax Expenditures

The descriptions of tax expenditures provided in this report (as required by section 39-21-303(2)(a)(III), C.R.S.) attempt to summarize each expenditure in simple and straightforward language. Although the descriptions represent a good-faith effort to provide accurate and complete tax information, the information is not binding on the Colorado Department of Revenue, nor does it replace, alter, or supersede Colorado law and regulations. The Executive Director, who by statute is the only person having the authority to bind the Department, has not formally reviewed and/or approved these descriptions.

## Allowance to cover losses in transit and unloading

A distributor that is liable for fuel excise tax may deduct an allowance of 2% of the total amount of gasoline or special fuel acquired during any calendar month to cover losses in transit and in unloading the gasoline or special fuel removed from a terminal, regardless of whether the terminal is inside or outside of Colorado. No allowance may be deducted for liquefied petroleum gas or in any case where the tax is imposed on the bulk transfer of taxable fuel by pipeline or by railcar from a refinery to a terminal operated by the refiner.

**Citation:** §39-27-102(1)(b)(I), C.R.S.
§39-27-105(2)(a)(I), C.R.S.
**Enacted:** 1929

### Tax Expenditure Revenue Impact

| 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|
| $13,093,000 | $13,604,000 | $13,066,053 | $13,213,770 |

Source: Fuel Excise Tax Return (DR 7050)

## Aviation fuel for certain air carriers

Aviation fuel used by certain air carriers is exempt from fuel excise tax. Products, including kerosene, specially prepared, sold, and used in aircraft operated by scheduled air carriers or commuter airline operators that are exempt from the federal aviation fuels tax are exempt from the fuel excise tax. Prior to January 1, 2025, aviation gasoline and jet fuel used by any of the following air carriers, certificated by the FAA, is exempt from fuel excise tax: part 121 air carriers, as defined in section 39-27-101(19), C.R.S.; part 135 commuter air carriers, as defined in section 39-27-101(20), C.R.S.; and direct air carriers, as defined in section 39-27-101(6), C.R.S., providing air transportation to authorized public charter operators pursuant to 14 CFR 380. Aviation fuels that are exempt from fuel excise tax are generally subject to state sales tax.

**Citation:** §39-27-102.5(2.5)(a)(I), (II), (III), C.R.S.
§39-27-103(2.5)(a), (b), (c), C.R.S.
**Enacted:** 1988

### Tax Expenditure Revenue Impact

| 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|
| Not Previously Published | $16,741,000 | $14,676,186 | $17,008,467 |

Source: Fuel Excise Tax Return (DR 7050)

## Compressed natural gas supplied to residential homes and used in highway vehicles

Compressed natural gas used to propel a motor vehicle on the highways of this state that is supplied to the user at a residential home is exempt from fuel excise tax.

**Citation:** §39-27-102.5(9), C.R.S.
**Enacted:** 2013

### Tax Expenditure Revenue Impact

| 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|
| Data Not Collected | Data Not Collected | Data Not Collected | Data Not Collected |

Source: Not available – this data is not recorded on any form

## Credit for taxes paid on gasoline or special fuel that is lost or destroyed †

A credit against the tax accrued or payable or a refund of the tax paid is allowed for fuel excise tax on gasoline or special fuel that is lost or destroyed by fire, lightning, flood, windstorm, explosion, accident, or other cause beyond the control of the distributor or transporter of such gasoline or special fuel. This credit or refund is allowed only on gasoline or special fuel in quantities of one hundred gallons or more lost or destroyed at any one time.

**Citation:** §39-27-103(1), C.R.S.
**Enacted:** 1933

### Tax Expenditure Revenue Impact

| 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|
| $0 | $0 | $0 | $0 |

Source: Department Letter Approving the Credit Amount

† This expenditure is considered a structural tax expenditure. See the Introduction for a definition.

## Deduction to cover bad debt losses and expenses for payment of the tax

A distributor of gasoline or special fuels is allowed to deduct one-half of one percent of the fuel excise tax otherwise due to cover bad debt losses and expenses for payment of the tax.

**Citation:** §39-27-105(2)(b), C.R.S.
**Enacted:** 1969

### Tax Expenditure Revenue Impact

| 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|
| $3,202,000 | $3,246,000 | $3,202,188 | $3,239,472 |

Source: Fuel Excise Tax Return (DR 7050)

## Dyed diesel fuel and dyed kerosene

Diesel engine fuel and kerosene that have been dyed pursuant to federal regulations before or upon removal from a terminal are exempt from the fuel excise tax. In general, tax-exempt dyed fuel may not be used in any motor vehicle that is required to be licensed for operation on public highways in Colorado. Permissible uses of dyed diesel fuel include use in certain farm vehicles on ranches and farms and construction vehicles and equipment operated within the confines of a highway construction project.

**Citation:** §39-27-101(8), C.R.S.
§39-27-102.5(1.5), (2)(a), C.R.S.
**Enacted:** 2000

### Tax Expenditure Revenue Impact

| 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|
| $50,724,000 | $49,479,000 | $43,133,362 | $62,355,399 |

Source: Fuel Excise Tax Return (DR 7050)

## Exported gasoline and special fuel †

Gasoline or special fuel removed from a terminal by a licensed exporter exclusively for delivery to another state is exempt from fuel excise tax. The exemption was codified by House Bill 21-1322, but had been previously recognized and allowed.

**Citation:** §39-27-102.5(10), C.R.S.
**Enacted:** 2021

### Tax Expenditure Revenue Impact

| 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|
| Not Previously Published | Not Previously Published | $22,924,119 | $19,165,045 |

Source: Fuel Excise Tax Return (DR 7050)

† This expenditure is considered a structural tax expenditure. See the Introduction for a definition.

## Governmental entities

Gasoline and special fuel purchased by the United States or any of its agencies, the state of Colorado or any of its agencies, any town, city, county, city and county, school district of this state, or any other political subdivision of this state are exempt from fuel excise tax, if the gasoline or special fuel is used exclusively by the governmental entity in performing its governmental functions and activities. This exemption only applies if the gasoline or special fuel purchased by the governmental entity is used in machines owned or operated by the governmental entity.

**Citation:** §39-27-102.5(2)(b)(II), C.R.S.
§39-27-103(2), C.R.S.
**Enacted:** 1931

### Tax Expenditure Revenue Impact

| 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|
| $6,130,000 | $5,720,000 | $5,772,410 | $5,318,303 |

Source: Fuel Excise Tax Return (DR 7050)

## Nonprofit transit agencies

Motor vehicles owned or operated by a nonprofit transit agency that receives public funds and are used exclusively in performing the agency's nonprofit functions and activities were exempt from fuel excise tax imposed on liquefied petroleum gas and natural gas. This exemption was repealed in 2020.

**Citation:** §39-27-102.5(7), C.R.S.
**Enacted:** 2000

### Tax Expenditure Revenue Impact

| 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|
| Data Not Collected | Data Not Collected | Expired | Expired |

Source: Not available – this data is not recorded on any form

## Refunds for the exempt use of gasoline or special fuel [1]

A refund may be claimed for fuel excise tax paid on gasoline or special fuel of not less than twenty gallons purchased in Colorado and used for any of the following purposes: operating a stationary engine; operating a motor vehicle on or over fixed rails; operating a tractor, truck, or other farm implement or machine for agricultural purposes on a farm or ranch; operating a motor boat; cleaning and dyeing; any commercial use other than the operation of a motor vehicle on public roads or the taxable use of aviation fuel; or any other use that is nontaxable under state or federal law. A refund may be claimed for 50% of the fuel excise tax paid on gasoline or special fuel purchased in Colorado and used for operating a state-licensed agricultural applicator aircraft from a private landing facility used solely and exclusively for agricultural applications.

**Citation:** §39-27-103(2.7), C.R.S.
**Enacted:** 1931

### Tax Expenditure Revenue Impact

| 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|
| $5,639,000 | $4,510,000 | $6,754,185 | Data Incomplete Until Next Report |

Source: Fuel Tax Refund Claim for Exempt Use of Fuel (DR 7118)

[1] Due to the timing of data extraction, estimated values for years prior to 2023 may be understated.

# Summary of Revenue Impacts

## Fuel Excise Tax Expenditures

| Tax Expenditure Description | 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|---|
| Allowance to cover losses in transit and unloading | $13,093,000 | $13,604,000 | $13,066,053 | $13,213,770 |
| Aviation fuel for certain air carriers | Not Previously Published | $16,741,000 | $14,676,186 | $17,008,467 |
| Compressed natural gas supplied to residential homes and used in highway vehicles | Data Not Collected | Data Not Collected | Data Not Collected | Data Not Collected |
| Credit for taxes paid on gasoline or special fuel that is lost or destroyed † | $0 | $0 | $0 | $0 |
| Deduction to cover bad debt losses and expenses for payment of the tax | $3,202,000 | $3,246,000 | $3,202,188 | $3,239,472 |
| Dyed diesel fuel and dyed kerosene | $50,724,000 | $49,479,000 | $43,133,362 | $62,355,399 |
| Exported gasoline and special fuel † | Not Previously Published | Not Previously Published | $22,924,119 | $19,165,045 |
| Governmental entities | $6,130,000 | $5,720,000 | $5,772,410 | $5,318,303 |
| Nonprofit transit agencies | Data Not Collected | Data Not Collected | Expired | Expired |
| Refunds for the exempt use of gasoline or special fuel [1] | $5,639,000 | $4,510,000 | $6,754,185 | Data Incomplete Until Next Report |
| **Total [2]** | **$78,788,000** | **$93,301,000** | **$109,528,504** | **$120,300,455** |

Source: Fuel Excise Tax Return (DR 7050), Fuel Tax Refund Claim for Exempt Use of Fuel (DR 7118), and Department Letter Approving the Credit Amount

† This expenditure is considered a structural tax expenditure. See the Introduction for a definition.

[1] Due to the timing of data extraction, estimated values for years prior to 2023 may be understated.

[2] Totals are understated because not all data are collected or are not yet available. Additionally, some tax expenditures were not estimated in prior years.

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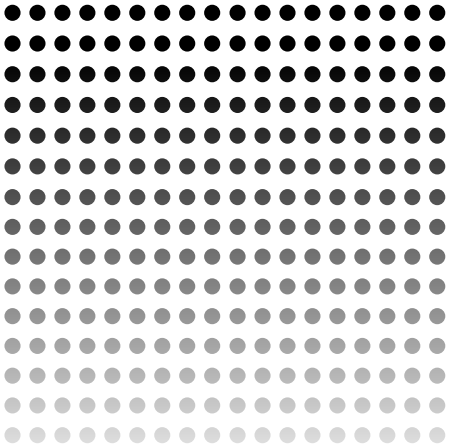
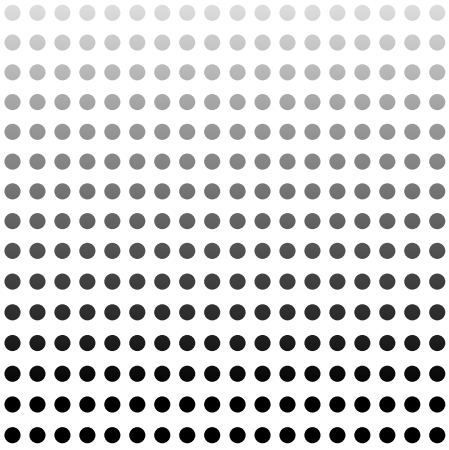


# Chapter 4

## Income Tax Expenditures



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# Overview

## Total Revenue Impact

This table estimates the revenue impact of a combination of structural and non-structural tax expenditures. Structural tax expenditures are intended to establish the basic structure of a tax provision, whereas non-structural tax expenditures are intended to provide special or selective tax relief to further various public policy goals. Most of the income tax expenditures are non-structural tax expenditures and account for the majority of the total revenue impact.

### Income Tax Expenditures

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| Individual | $926,390,000 | $1,052,904,000 | $1,105,678,474 | $1,501,327,268 |
| C Corporation [1] | $313,331,000 | $376,446,000 | $344,201,903 | $530,829,103 |
| Fiduciary [2] | $4,263,000 | $17,387,000 | $13,707,209 | $17,895,255 |
| Nonresident Composite Returns | $8,965,000 | $32,378,000 | $21,690,457 | $15,645,687 |
| **Total [1, 2]** | **$1,252,948,000** | **$1,479,116,000** | **$1,485,278,042** | **$2,065,697,314** |

Source: Individual Income Tax Booklet (DR 0104), Property Tax/Rent/Heat Rebate Application (DR 0104PTC), C Corporation Income Tax Booklet (DR 0112), Fiduciary (Estates and Trusts) Income Tax Booklet (DR 0105), and Partnership and S Corporation Income Tax Booklet (DR 0106)

[1] The total Corporate expenditures are understated because data for income tax exemptions are not collected on any tax form.

[2] The total Fiduciary deductions are understated in 2016 because not all data are retrievable.

## Net Collections

Net collections reported for a given fiscal year are not necessarily associated with the expenditure data reported by calendar year. Collections data includes tax collections across multiple tax years due to amended, late, and/or corrected tax returns and are net of any refunds received in the accounting period, regardless of the time period for which the refund applied.

The following table includes income tax collections for all income tax return types (individual, C corporation, fiduciary, and nonresident composite).

### Income Tax Net Collections

| Fiscal Year (July 1 through June 30) | Net Collections [1] |
|---|---|
| 2015-2016 | $7,132,734,753 |
| 2016-2017 | $7,326,427,530 |
| 2017-2018 | $8,293,070,236 |
| 2018-2019 | $8,966,196,635 |
| 2019-2020 | $8,382,609,623 |
| 2020-2021 | $11,858,378,308 |
| 2021-2022 | $13,439,494,134 |
| 2022-2023 | $12,689,796,364 |
| 2023-2024 | $13,153,401,182 |

Source: Colorado State Accounting System

[1] Some prior year figures were updated since the 2022 Tax Profile and Expenditure Report.

## Distributions

When Colorado's income tax was first levied in 1937, the revenues were initially used to fund public schools, thereby reducing the dependence on Colorado's property tax, its primary revenue source at the time. Two years after enactment of the income tax system, the General Assembly changed income tax revenue distribution by sending 65% of the revenue to the State General Fund. After 1947, all income tax revenue was distributed to the General Fund.

## History

### Individual Income Tax

In 1911, Wisconsin enacted the first comprehensive income tax system adopted by any state. By 1912, the newly created Colorado Tax Commission began advocating that Colorado enact an income tax based on it being an equitable tax tied to a taxpayer's ability to pay. Nearly 25 years later in 1937, Colorado adopted an income tax that applied to individuals, corporations, trusts, and estates.

In 1937, the individual income tax was levied at a graduated rate schedule and applied to state-defined taxable income with exemptions for single and married filers. The Colorado income tax was levied at 1.0% on the first $1,000 and up to 6.0% for income over $10,000. Colorado assessed an additional surtax of 2.0% (without exemptions) on all income received from interest and dividends in lieu of property tax assessments on intangibles.

Although many changes were made to the individual income tax over the years, the structure of the tax remained basically the same from 1937 through 1964. In 1964, the General Assembly passed the Colorado Income Tax Act of 1964 wherein Colorado adjusted

gross income became based on federal adjusted gross income. Specific modifications to federal adjusted gross income as well as specific Colorado exemptions were part of the 1964 tax structure. This tax structure remained in effect until 1987, when the Colorado Income Tax Act of 1987 was enacted.

In 1987, state taxable income became officially tied to federal taxable income. State income taxes have since been determined by applying state-specific subtractions or additions to federal taxable income, and then allowing credits that reduce income tax liabilities on the state taxable income. The Colorado Income Tax Act of 1987 also changed the rate to a flat rate of 5%.

In 1992, voters approved the Taxpayer's Bill of Rights (TABOR), Article X, Section 20 of the Colorado Constitution, which imposed limitations on state revenue and spending and required excess revenues to be refunded in the next fiscal year. The General Assembly enacted legislation reducing the tax rate for 1999 to 4.75% and to 4.63% for tax years beginning on and after January 1, 2000. The rate was temporarily reduced to 4.50% for 2019 as a refund mechanism for revenue collected above the TABOR revenue limit. In 2020, Colorado's voters approved an initiative that reduced the tax rate to 4.55% for tax years beginning on and after January 1, 2020. The rate was again temporarily reduced to 4.50% for 2021 as a refund mechanism for revenue collected above the TABOR revenue limit. Voters then approved Proposition 121 in 2022, which reduces the tax rate to 4.40% for tax years beginning on and after January 1, 2022. Senate Bill 24-228 temporarily lowered the tax rate to 4.25% for tax year 2024 and prescribed temporary rate reductions as a TABOR refund mechanism for future years.

## C Corporation Income Tax

The Colorado corporate income tax became effective on July 1, 1937, and was levied at 4% of corporate taxable net income. Various tax commissions had argued, as early as 1912, that the current system of assessing a property tax on individuals' real and intangible property was inadequate. Thus, they advocated for a corporate tax on these two classes of property.

In 1947, the rate was increased to 5%, and that rate remained until 1980. In 1981, the General Assembly enacted a graduated tax rate on corporations. The legislature would adjust the graduated corporate tax rate for various economic needs. Thus, the business cycle influenced corporate rates year to year.

A graduated rate remained in effect until July 1993, when the General Assembly reenacted a flat tax rate of 5%, because a single, flat rate applicable to all types of taxpayers was mandated by TABOR. The General Assembly enacted legislation reducing the tax rate for 1999 to 4.75% and to 4.63% for tax years beginning on and after January 1, 2000. The rate was temporarily reduced to 4.50% for 2019 as a refund mechanism for revenue collected above the TABOR

revenue limit. In 2020, Colorado's voters approved an initiative that reduced the tax rate to 4.55% for tax years beginning on and after January 1, 2020. The rate was again temporarily reduced to 4.50% for 2021 as a refund mechanism for revenue collected above the TABOR revenue limit. Voters then approved Proposition 121 in 2022, which reduces the state income tax rate to 4.40% for tax years beginning on and after January 1, 2022. Senate Bill 24-228 temporarily lowered the tax rate to 4.25% for tax year 2024 and prescribed temporary rate reductions as a TABOR refund mechanism for future years.

## Tax Base

### Individual Income Tax

Colorado individual income tax is determined based on Colorado taxable income. The starting point for the calculation for Colorado taxable income is federal taxable income. Certain modifications are then made to federal taxable income to compute Colorado taxable income. Estates and trusts generally compute Colorado taxable income in the same manner as individuals, with certain differences in the allowable modifications.

### C Corporation Income Tax

The tax base for C corporations also begins with federal taxable income. In determining Colorado taxable income, certain income modifications are added to and subtracted from the federal taxable income base. A C corporation doing business only in Colorado will compute its tax on 100% of its federal taxable income as modified. However, a C corporation doing business within and outside of Colorado must determine the amount of modified federal taxable income that is apportioned to Colorado. Apportionment of income to Colorado is determined by comparing the C corporation's receipts derived from sources in Colorado to the C corporation's total receipts.

## Computation of the Tax

**§39-22-104, C.R.S.**
**§39-22-301, C.R.S.**

Colorado income tax is calculated by applying the tax rate to Colorado taxable income. The tax rate has varied for the tax years included in this report as follows:

- 2016 - 2018: 4.63%
- 2019: 4.50%
- 2020: 4.55%
- 2021: 4.50%
- 2022: 4.40%

## Partnerships and S Corporations

Partnerships and S corporations, as defined by the Internal Revenue Code, are pass-through business entities. They are not generally subject to Colorado income tax, but the partners, shareholders, and members are, and partnerships and S corporations may make an election under the SALT Parity Act to be subject to tax at the entity level. A partner may be an individual, a corporation, an estate, a trust, a partnership, or a limited liability company. An S corporation's shareholders may be individuals, certain trusts, and estates. Any partnership or S corporation doing business in Colorado must file a return to report total income and modifications to be passed through to its partners or shareholders. Certain income tax deductions and credits may be allowed to only partnerships or only S corporations, and some tax expenditures are dependent upon the entity type of the partner, shareholder, or member.

## Nonresident Composite Returns

The Colorado partnership and S corporation return includes a composite filing option for nonresidents. Nonresident partners, shareholders, and members that are individuals, estates, or trusts have the option to allow the pass-through entity to remit their share of income taxes through a composite return. Nonresident partners, shareholders, and members may file their own separate Colorado individual or fiduciary income tax returns. C corporation partners cannot be included in a composite return, regardless of residency. The composite filing option is not available to resident partners, shareholders, and members.

## Methodology

Income tax expenditure estimates are separated by income tax return type. Income tax expenditures reported on Colorado income tax returns are summarized when data is available. Data comes from returns filed by resident, part-year resident, and nonresident taxpayers.

There are three types of income tax expenditures in this chapter: credits, deductions, and exemptions. Each type of expenditure is estimated differently because they are applied differently. Revenue impacts are approximated based upon the amount by which each tax expenditure could reduce tax collections, directly or indirectly.

- **Credits** are dollar-for-dollar amounts used to directly reduce tax liability. Taxpayers report the amount of the credit to be used. Thus, the revenue impacts of credits are simply the credit amounts reported.
- **Deductions**, frequently referred to as subtractions, indirectly reduce tax liability by reducing taxable income. The Department typically estimates the revenue impact of deductions by multiplying the amount reported by the tax rate. However, in two cases the deductions reported on tax forms are higher than the actual amounts used to reduce Colorado tax liability. The first case is when income is apportioned

to only include applicable income (i.e., reduced to remove income that is not being taxed). When income is being apportioned, the Department apportions the deductions and then multiplies by the tax rate to estimate the revenue impact. The second case is when one deduction or the sum of all deductions reported exceeds income. The Department cannot systematically adjust revenue impact estimates in the second case due to data limitations.

- **Income tax exemptions** are for entities that are not required to file income tax returns. The revenue impact of exemptions cannot be estimated because the information is not collected on any tax form.

# Tax Expenditures

The descriptions of tax expenditures provided in this report (as required by section 39-21-303(2)(a)(III), C.R.S.) attempt to summarize each expenditure in simple and straightforward language. Although the descriptions represent a good-faith effort to provide accurate and complete tax information, the information is not binding on the Colorado Department of Revenue, nor does it replace, alter, or supersede Colorado law and regulations. The Executive Director, who by statute is the only person having the authority to bind the Department, has not formally reviewed and/or approved these descriptions.

## Credits

### Total Revenue Impact: Credits

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| Individual | $343,469,000 | $413,155,000 | $430,175,186 | $799,072,539 |
| C Corporation | $29,634,000 | $50,038,000 | $56,816,586 | $65,683,859 |
| Fiduciary | $4,263,000 | $5,634,000 | $6,799,697 | $10,071,292 |
| Nonresident Composite Returns | $1,204,000 | $1,371,000 | $1,594,486 | $1,360,068 |
| **Total** | **$378,570,000** | **$470,199,000** | **$495,385,955** | **$876,187,758** |

Source: Individual Income Tax Booklet (DR 0104), Property Tax/Rent/Heat Rebate Application (DR 0104PTC), C Corporation Income Tax Booklet (DR 0112), Fiduciary (Estates and Trusts) Income Tax Booklet (DR 0105), and Partnership and S Corporation Income Tax Booklet (DR 0106)

## Advanced industry investment credit

A nonrefundable income tax credit is allowed for a qualified investment in a qualified small business that is in one of the following advanced industries: advanced manufacturing, aerospace, bioscience, electronics, energy and natural resources, infrastructure engineering, or information technology. Credit applications are received and evaluated by the Colorado Office of Economic Development and International Trade (OEDIT) and the credit is allowed only after OEDIT has approved the application and issued a credit certificate to the qualified investor.

**Citation:** §39-22-532, C.R.S.
§24-48.5-112, C.R.S.
**Enacted:** 2009

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| Individual | $446,000 | $524,000 | $652,479 | $559,178 |
| Fiduciary | Not Itemized - See Other Credits * | Not Itemized - See Other Credits * | Not Itemized - See Other Credits * | Not Itemized - See Other Credits * |
| Nonresident Composite Returns | Not Itemized - See Other Credits * | $0 | Data Not Releasable | $0 |

Source: Individual Income Tax Booklet (DR 0104), Fiduciary (Estates and Trusts) Income Tax Booklet (DR 0105), and Partnership and S Corporation Income Tax Booklet (DR 0106)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

## Affordable housing credit

A nonrefundable income tax credit is allowed to a qualified taxpayer who owns a direct or indirect interest in a qualified affordable housing development. The credit is allowed in an amount determined by the Colorado Housing and Finance Authority (CHFA) and may be claimed by the taxpayer over a six-year credit period. The credit is subject to recapture if the taxpayer's qualified basis in the development decreases.

**Citation:** §39-22-2102, C.R.S.
**Enacted:** 2000

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| Individual | $0 | Data Not Releasable | $44 | Data Not Releasable |
| C Corporation | $0 | Data Not Releasable | Data Not Releasable | $14,250,742 |
| Fiduciary | Not Itemized - See Other Credits * | Not Itemized - See Other Credits * | Not Itemized - See Other Credits * | Not Itemized - See Other Credits * |
| Nonresident Composite Returns | Not Itemized - See Other Credits * | $0 | $0 | $0 |

Source: Individual Income Tax Booklet (DR 0104), C Corporation Income Tax Booklet (DR 0112), Fiduciary (Estates and Trusts) Income Tax Booklet (DR 0105), and Partnership and S Corporation Income Tax Booklet (DR 0106)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

## Aircraft manufacturer new employee credit

A nonrefundable income tax credit was allowed for tax years commencing prior to January 1, 2023, to an aircraft manufacturer that was located in a Colorado Aviation Development Zone, employed at least 10 full-time employees within the zone, and hired one or more new employees during the income tax year. The allowable credit was $1,200 for each new employee.

**Citation:** §39-35-104, C.R.S.
**Enacted:** 2005

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| Individual | $42,000 | $0 | $2,817 | $4,948 |
| C Corporation | Data Not Releasable | $0 | Data Not Releasable | $0 |
| Fiduciary | Not Previously Published | Not Itemized - See Other Credits * | Not Itemized - See Other Credits * | Not Itemized - See Other Credits * |
| Nonresident Composite Returns | Not Itemized - See Other Credits * | $0 | $0 | $0 |

Source: Individual Income Tax Booklet (DR 0104), C Corporation Income Tax Booklet (DR 0112), Fiduciary (Estates and Trusts) Income Tax Booklet (DR 0105), and Partnership and S Corporation Income Tax Booklet (DR 0106)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

## Business personal property credit

A refundable income tax credit is allowed to taxpayers and 501(c)(3) organizations for business personal property taxes. For tax years commencing on or after January 1, 2015, but prior to January 1, 2019, the credit was allowed to taxpayers and 501(c)(3) organizations with $15,000 or less of business personal property, adjusted for inflation, in an amount of up to 100% of their business personal property tax paid during the tax year. For tax years commencing on or after January 1, 2019, the credit is allowed for the amount of property tax paid in Colorado during the income tax year on up to $18,000 of the total actual value of the taxpayer's business personal property.

**Citation:** §39-22-537, C.R.S.
§39-22-537.5, C.R.S.
**Enacted:** 2014
2017

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| Individual | $104,000 | $30,000 | $147,407 | $47,808 |
| C Corporation | $12,000 | $3,000 | $56,110 | $93,098 |
| Fiduciary | Data Not Releasable | $0 | $0 | $11,733 |
| Nonresident Composite Returns | $6,000 | Data Not Releasable | $1,057 | $6,405 |

Source: Individual Income Tax Booklet (DR 0104), C Corporation Income Tax Booklet (DR 0112), Fiduciary (Estates and Trusts) Income Tax Booklet (DR 0105), and Partnership and S Corporation Income Tax Booklet (DR 0106)

## Certified Colorado disability funding license fee credit

A nonrefundable credit was allowed for tax years commencing prior to January 1, 2025, to a taxpayer who bought the right to use a motor vehicle registration number selected for auction by the Colorado Disability Funding Committee because it was likely to be worth substantially more than the average value of a registration number. Prior to 2022, the credit was equal to 20% of the portion of the purchase price that exceeded the registration number's fair market value. Legislation enacted in 2022 changed the calculation of the credit, making it equal to 20% of the purchase price paid to the committee for the right to use the registration number.

**Citation:** §39-22-535, C.R.S.
**Enacted:** 2013

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| Individual | $0 | $0 | $0 | $0 |
| C Corporation | $0 | $0 | $0 | $0 |
| Fiduciary | Not Itemized - See Other Credits * | Not Itemized - See Other Credits * | Not Itemized - See Other Credits * | Not Itemized - See Other Credits * |
| Nonresident Composite Returns | $0 | $0 | $0 | $0 |

Source: Individual Income Tax Booklet (DR 0104), C Corporation Income Tax Booklet (DR 0112), Fiduciary (Estates and Trusts) Income Tax Booklet (DR 0105), and Partnership and S Corporation Income Tax Booklet (DR 0106)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

## Child and dependent care expenses credit

A refundable income tax credit is allowed to a full-year resident or part-year resident individual who pays child and dependent care expenses and whose federal adjusted gross income does not exceed the applicable limit of $60,000, adjusted for inflation for tax years 2027 and later. The credit is equal to 10%, 30%, 50%, or 70% of the federal child care credit allowed to the individual for the tax year, depending on the tax year and their federal adjusted gross income. For tax years 2026 and later, the credit is calculated without regard the limit on the federal credit based on the taxpayer's federal tax liability. In the case of a part-year resident, the credit is prorated based on the proportion of their modified adjusted gross income that was realized during the part of the year that they were a Colorado resident. The credit is not allowed to an individual receiving child care assistance from the Department of Early Childhood, except to the extent of the taxpayer's unreimbursed out-of-pocket expenses that result in a federal credit for child care expenses.

**Citation:** §39-22-119, C.R.S.
**Enacted:** 1996

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| Individual | Not Itemized - See Child Care Expenses Credits * | Not Itemized - See Child Care Expenses Credits * | Not Itemized - See Child Care Expenses Credits * | Not Itemized - See Child Care Expenses Credits * |

Source: Individual Income Tax Booklet (DR 0104)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

## Child care center investment credit

A nonrefundable credit is allowed for tax years commencing prior to January 1, 2026, to a taxpayer who operates a licensed child care center, family child care home, or foster care home and who invests in qualified tangible personal property to be used in licensed child care center, family child care home, or foster care home. The credit is equal to 20% of the annual investment in qualified tangible personal property.

**Citation:** §39-22-517(1), C.R.S.
**Enacted:** 1992

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| Individual | $493,000 | $457,000 | $424,114 | $497,750 |
| C Corporation | Data Not Releasable | Data Not Releasable | $0 | $0 |
| Fiduciary | Not Itemized - See Other Credits * | Not Itemized - See Other Credits * | Not Itemized - See Other Credits * | Not Itemized - See Other Credits * |
| Nonresident Composite Returns | Not Itemized - See Other Credits * | $0 | $0 | $0 |

Source: Individual Income Tax Booklet (DR 0104), C Corporation Income Tax Booklet (DR 0112), Fiduciary (Estates and Trusts) Income Tax Booklet (DR 0105), and Partnership and S Corporation Income Tax Booklet (DR 0106)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

## Child care contribution credit

A nonrefundable credit is allowed to a taxpayer who makes a monetary contribution to promote child care in Colorado. The credit is equal to 50% of the total contribution. The amount of credit allowed to a taxpayer for contributions made in any one tax year may not exceed $100,000.

**Citation:** §39-22-121, C.R.S.
**Enacted:** 1998

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| Individual | $23,868,000 | $30,178,000 | $28,392,221 | $29,821,809 |
| C Corporation | $712,000 | $641,000 | $467,628 | $536,915 |
| Fiduciary | Not Itemized - See Other Credits * | Not Itemized - See Other Credits * | Not Itemized - See Other Credits * | Not Itemized - See Other Credits * |
| Nonresident Composite Returns | Not Itemized - See Other Credits * | $11,000 | $15,715 | Data Not Releasable |

Source: Individual Income Tax Booklet (DR 0104), C Corporation Income Tax Booklet (DR 0112), Fiduciary (Estates and Trusts) Income Tax Booklet (DR 0105), and Partnership and S Corporation Income Tax Booklet (DR 0106)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

## Child tax credit

A refundable income tax credit is allowed to a full-year resident or part-year resident individual who has an eligible child and whose federal adjusted gross income does not exceed $75,000 if filing single or $85,000 if filing jointly. For tax years 2022 and 2023, the allowable credit is a percentage of the federal child tax credit. For tax years 2024 and later, the allowable credit is a fixed amount for each eligible child, depending on the taxpayer's federal adjusted gross income.

**Citation:** §39-22-129, C.R.S.
**Enacted:** 2021

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| Individual | Not Effective This Year | Not Effective This Year | Not Effective This Year | $89,023,534 |

Source: Individual Income Tax Booklet (DR 0104)

## Colorado earned income tax credit

A refundable income tax credit is allowed to a full-year resident or part-year resident individual who is allowed a federal earned income tax credit. The Colorado earned income tax credit is equal to 10%, 20%, 25%, 35%, or 50% of the allowable federal credit, depending on the tax year. For tax years 2025 and later, the credit percentage may be increased based on an adjustment factor, calculated as the forecasted compound annual growth of state revenue subject to TABOR. In the case of a part-year resident, the credit is prorated based on the proportion of their modified adjusted gross income that was realized during the part of the year that they were a Colorado resident. The expanded Colorado earned income tax credit, which appears as a separate expenditure in this report, is allowed for tax years 2020 and later to certain resident individuals who do not qualify for this Colorado earned income tax credit.

**Citation:** §39-22-123, C.R.S.
§39-22-123.5, C.R.S.
**Enacted:** 1999
2013

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| Individual | $75,275,000 | $72,077,000 | $65,760,271 | $127,014,431 |

Source: Individual Income Tax Booklet (DR 0104)

## Colorado job growth incentive credit

A nonrefundable income tax credit is allowed to any taxpayer doing business in Colorado who receives certification from the Colorado Economic Development Commission (EDC) for a project that creates qualified job growth over a credit period not to exceed 96 months. The credit is allowed at the discretion of the EDC and, unless the project is a qualified partnership between the taxpayer and a state institution of higher education, is allowed only if the credit is a major factor in the decision to locate or retain the project in Colorado. If certain conditions are met, and subject to approval by the EDC, the taxpayer may elect for special treatment of the credit as a strategic capital tax credit. The revenue impact reported for this expenditure does not include any credit the taxpayer has elected to treat as a strategic capital tax credit, which appears separately in this report.

**Citation:** §39-22-531, C.R.S.
**Enacted:** 2009

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| Individual | $167,000 | $546,000 | $636,789 | $676,084 |
| C Corporation | $6,361,000 | $13,318,000 | $10,006,502 | $8,707,127 |
| Fiduciary | Not Itemized - See Other Credits * | Not Itemized - See Other Credits * | Not Itemized - See Other Credits * | Not Itemized - See Other Credits * |
| Nonresident Composite Returns | Not Itemized - See Other Credits * | Data Not Releasable | Data Not Releasable | Data Not Releasable |

Source: Individual Income Tax Booklet (DR 0104), C Corporation Income Tax Booklet (DR 0112), Fiduciary (Estates and Trusts) Income Tax Booklet (DR 0105), and Partnership and S Corporation Income Tax Booklet (DR 0106)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

## Colorado minimum tax credit †

A nonrefundable credit is allowed to individuals, trusts, and estates that are allowed a federal credit for prior year minimum tax. The Colorado credit is equal to 12% of the federal credit allowed for the same tax year.

**Citation:** §39-22-105(3), C.R.S.
**Enacted:** 1987

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| Individual | $2,388,000 | $7,259,000 | $4,513,947 | $4,315,611 |
| Fiduciary | $4,000 | $7,000 | $12,151 | $9,535 |

Source: Individual Income Tax Booklet (DR 0104) and Fiduciary (Estates and Trusts) Income Tax Booklet (DR 0105)

† This expenditure is considered a structural tax expenditure. See the Introduction for a definition.

## Colorado works program credit

A nonrefundable credit was allowed for tax years commencing prior to January 1, 2025, to Colorado employers for 20% of the annual investment they made to provide eligible services to their employees who received public assistance pursuant to the Colorado Works Program. The credit could not be claimed for more than two years with respect to each employee.

**Citation:** §39-22-521, C.R.S.
**Enacted:** 1997

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| Individual | $19,000 | $35,000 | $13,024 | $18,275 |
| C Corporation | $0 | $0 | $0 | $0 |
| Fiduciary | Not Itemized - See Other Credits * | Not Itemized - See Other Credits * | Not Itemized - See Other Credits * | Not Itemized - See Other Credits * |
| Nonresident Composite Returns | Not Itemized - See Other Credits * | $0 | $0 | $0 |

Source: Individual Income Tax Booklet (DR 0104), C Corporation Income Tax Booklet (DR 0112), Fiduciary (Estates and Trusts) Income Tax Booklet (DR 0105), and Partnership and S Corporation Income Tax Booklet (DR 0106)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

## Credit for conversion costs to an employee-owned business model

A refundable income tax credit is allowed for tax years commencing on or after January 1, 2022, but prior to January 1, 2027, to a qualified business for 50% of the cost of converting the business to an employee-owned business model, subject to certain limitations. Qualified businesses must first apply to the Office of Economic Development, prior to conversion, for the reservation of the credit, which the office then certifies after conversion. The total amount of credits that may be reserved in any tax year cannot exceed $10 million.

**Citation:** §39-22-542, C.R.S.
**Enacted:** 2021

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| Individual | Not Effective This Year | Not Effective This Year | Not Effective This Year | $415,938 |
| C Corporation | Not Effective This Year | Not Effective This Year | Not Effective This Year | $0 |
| Fiduciary | Not Effective This Year | Not Effective This Year | Not Effective This Year | $0 |
| Nonresident Composite Returns | Not Effective This Year | Not Effective This Year | Not Effective This Year | $0 |

Source: Individual Income Tax Booklet (DR 0104), C Corporation Income Tax Booklet (DR 0112), Fiduciary (Estates and Trusts) Income Tax Booklet (DR 0105), and Partnership and S Corporation Income Tax Booklet (DR 0106)

## Credit for tax paid to another state †

A nonrefundable income tax credit is allowed to a resident individual, trust, or estate for income tax accrued to another state, the District of Columbia, or a territory or possession of the United States, subject to certain limitations.

**Citation:** §39-22-108, C.R.S.
**Enacted:** 1937

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| Individual | $194,320,000 | $227,201,000 | $257,275,548 | $370,805,281 |
| Fiduciary | $3,372,000 | $4,615,000 | $5,359,397 | $9,118,948 |

Source: Individual Income Tax Booklet (DR 0104) and Fiduciary (Estates and Trusts) Income Tax Booklet (DR 0105)

† This expenditure is considered a structural tax expenditure. See the Introduction for a definition.

## Crop and livestock contribution credit

A nonrefundable credit, not to exceed $1,000, was allowed for tax years commencing prior to January 1, 2023, to C corporations that donated crops or livestock to certain charitable organizations for use in Colorado. The credit was equal to 25% of the contribution valued at wholesale market price or the most recent sale price.

**Citation:** §39-22-301(3), C.R.S.
**Enacted:** 1982

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| C Corporation | $0 | $0 | Data Not Releasable | Data Not Releasable |

Source: C Corporation Income Tax Booklet (DR 0112)

## Dual resident trust credit †

A nonrefundable income tax credit is allowed to a qualifying trust that is a resident of both Colorado and another state in lieu of the credit for income tax paid to another state. The credit is not available to a trust that became a Colorado resident trust prior to May 26, 2006.

**Citation:** §39-22-108.5, C.R.S.
**Enacted:** 2006

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| Fiduciary | $164,000 | $358,000 | $92,058 | $66,406 |

Source: Fiduciary (Estates and Trusts) Income Tax Booklet (DR 0105)

† This expenditure is considered a structural tax expenditure. See the Introduction for a definition.

## Early childhood educator income tax credit

A refundable income tax credit is allowed for tax years 2022 through 2025 to individuals who hold an early childhood professional credential issued by the Department of Early Childhood and whose federal adjusted gross income does not exceed $75,000 if filing single or $150,000 if filing jointly. The early childhood educator must be either the licensee of an eligible program or be employed by an eligible program for at least six months of the tax year. The credit is a fixed amount that increases annually for inflation based on the credential level the individual holds.

**Citation:** §39-22-547, C.R.S.
**Enacted:** 2022

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| Individual | Not Effective This Year | Not Effective This Year | Not Effective This Year | $14,170,000 |

Source: Individual Income Tax Booklet (DR 0104)

## Employer child care facility investment credit

A nonrefundable income tax credit is allowed for tax years commencing prior to January 1, 2026, to employers who provide child care facilities for the benefit of their employees. The credit is equal to 10% of the employer's investment during the tax year in qualified tangible personal property to be used in the operation of the child care facility. The facility must be incidental to the employer's business and must be licensed pursuant to section 26-6-905 or 26.5-5-309, C.R.S.

**Citation:** §39-22-517(2), C.R.S.
**Enacted:** 1992

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| Individual | Data Not Releasable | $15,000 | $2,175 | $70,827 |
| C Corporation | $0 | $0 | $0 | $0 |
| Nonresident Composite Returns | Not Itemized - See Other Credits * | $0 | $0 | $0 |

Source: Individual Income Tax Booklet (DR 0104), C Corporation Income Tax Booklet (DR 0112), and Partnership and S Corporation Income Tax Booklet (DR 0106)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

## Employer contribution to employee 529 plan credit

A nonrefundable income tax credit is allowed to an employer who makes a contribution of money to a 529 qualified state tuition program account owned by an employee. The credit is allowed regardless of the named beneficiary of the account. The credit is equal to 20% of the contribution, except that the maximum total credit an employer may claim for each employee in a tax year is $500.

**Citation:** §39-22-539, C.R.S.
**Enacted:** 2018

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| Individual | Not Effective This Year | Not Effective This Year | $301,224 | $374,888 |
| C Corporation | Not Effective This Year | Not Effective This Year | $0 | $11,594 |
| Fiduciary | Not Effective This Year | Not Effective This Year | $0 | $0 |
| Nonresident Composite Returns | Not Effective This Year | Not Effective This Year | $1,400 | $0 |

Source: Individual Income Tax Booklet (DR 0104), C Corporation Income Tax Booklet (DR 0112), Fiduciary (Estates and Trusts) Income Tax Booklet (DR 0105), and Partnership and S Corporation Income Tax Booklet (DR 0106)

## Employer paid leave of absence for live organ donation credit

A nonrefundable income tax credit is allowed to an employer who incurs qualifying expenses relating to the paid leave of absence of an employee for the purpose of organ donation. The credit is allowed for 35% of qualifying expenses either for paying the employee during their leave of absence or for the cost of temporary replacement help, if any, during an employee's leave of absence. The credit is not allowed with respect to any employee who the taxpayer pays wages of $80,000 or more during the income tax year.

**Citation:** §39-22-540, C.R.S.
**Enacted:** 2018

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| Individual | Not Effective This Year | Not Effective This Year | $0 | $0 |
| C Corporation | Not Effective This Year | Not Effective This Year | $0 | $0 |
| Fiduciary | Not Effective This Year | Not Effective This Year | $0 | $0 |
| Nonresident Composite Returns | Not Effective This Year | Not Effective This Year | $0 | $0 |

Source: Individual Income Tax Booklet (DR 0104), C Corporation Income Tax Booklet (DR 0112), Fiduciary (Estates and Trusts) Income Tax Booklet (DR 0105), and Partnership and S Corporation Income Tax Booklet (DR 0106)

## Enterprise zone agricultural processing new employee credit

A nonrefundable income tax credit is allowed to an employer who operates a business facility within an enterprise zone and whose business adds value to the manufacturing or processing of agricultural commodities. The credit is $500 for each additional employee at the business facility, averaged over the course of the year, in excess of the highest average number of employees at the facility in any prior tax year. This credit is in addition to the enterprise zone business facility new employee credit. The revenue impact reported for this expenditure does not include any credit the taxpayer has elected to treat as a strategic capital tax credit, which appears separately in this report.

**Citation:** §39-30-105(3)(a), C.R.S.
§39-30-105.1(3)(a), C.R.S.
**Enacted:** 1987
2013

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| Individual | $87,000 | $50,000 | $27,435 | $16,889 |
| C Corporation | Data Not Releasable | Data Not Releasable | Data Not Releasable | Data Not Releasable |
| Fiduciary | $0 | $0 | Data Not Releasable | Data Not Releasable |
| Nonresident Composite Returns | $0 | $0 | $0 | $0 |

Source: Individual Income Tax Booklet (DR 0104), C Corporation Income Tax Booklet (DR 0112), Fiduciary (Estates and Trusts) Income Tax Booklet (DR 0105), and Partnership and S Corporation Income Tax Booklet (DR 0106)

## Enterprise zone business facility new employee credit

A nonrefundable income tax credit is allowed to an employer who operates a business facility within an enterprise zone. The credit is equal to $1,100 for each additional employee at the business facility, averaged over the course of the year, in excess of the highest average number of employees at the facility in any prior tax year. The revenue impact reported for this expenditure does not include any credit the taxpayer has elected to treat as a strategic capital tax credit, which appears separately in this report.

**Citation:** §39-30-105(1)(a)(I), C.R.S.
§39-30-105.1(1)(a)(I), C.R.S.
**Enacted:** 1986
2013

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| Individual | $1,303,000 | $1,746,000 | $1,549,800 | $1,411,025 |
| C Corporation | $1,989,000 | $2,480,000 | $4,980,714 | $4,046,470 |
| Fiduciary | Data Not Releasable | $0 | $29,044 | $5,706 |
| Nonresident Composite Returns | $15,000 | $66,000 | $110,150 | Data Not Releasable |

Source: Individual Income Tax Booklet (DR 0104), C Corporation Income Tax Booklet (DR 0112), Fiduciary (Estates and Trusts) Income Tax Booklet (DR 0105), and Partnership and S Corporation Income Tax Booklet (DR 0106)

## Enterprise zone commercial vehicle investment tax credit

A nonrefundable income tax credit may be allowed to a taxpayer who makes a qualified investment in a commercial truck, truck tractor, tractor, or semitrailer and any parts for such vehicle purchased at the same time. The truck, tractor, or trailer must be licensed and registered in Colorado and must be predominantly housed and based at the taxpayer's business trucking facility located within an enterprise zone for the 12-month period following its purchase. The credit is limited to 1.5% of the qualified investment and is subject to available funding in the commercial vehicle enterprise tax fund. The revenue impact reported for this expenditure does not include any credit the taxpayer has elected to treat as a strategic capital tax credit, which appears separately in this report.

**Citation:** §39-30-104(1)(b), C.R.S.
**Enacted:** 2009

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| Individual | $21,000 | $12,000 | $77,179 | $58,086 |
| C Corporation | Data Not Releasable | $79,000 | $17,893 | Data Not Releasable |
| Fiduciary | $0 | $0 | $0 | $0 |
| Nonresident Composite Returns | $0 | $0 | $0 | $0 |

Source: Individual Income Tax Booklet (DR 0104), C Corporation Income Tax Booklet (DR 0112), Fiduciary (Estates and Trusts) Income Tax Booklet (DR 0105), and Partnership and S Corporation Income Tax Booklet (DR 0106)

## Enterprise zone contribution credit

A nonrefundable credit is allowed to a taxpayer who makes monetary or in-kind contributions to an enterprise zone administrator or to a certified program for the purpose of implementing the economic development plan of the enterprise zone. The credit is generally equal to 25% of the value of the contribution, but is limited to $100,000 for contributions made during the tax year. Additional limitations apply with respect to the credit allowed for in-kind contributions.

**Citation:** §39-30-103.5, C.R.S.
**Enacted:** 1989

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| Individual | $8,876,000 | $10,054,000 | $9,487,207 | $9,817,533 |
| C Corporation | $454,000 | $326,000 | $328,368 | $293,433 |
| Fiduciary | $16,000 | $25,000 | $26,384 | $10,244 |
| Nonresident Composite Returns | $40,000 | $36,000 | $44,771 | $2,752 |

Source: Individual Income Tax Booklet (DR 0104), C Corporation Income Tax Booklet (DR 0112), Fiduciary (Estates and Trusts) Income Tax Booklet (DR 0105), and Partnership and S Corporation Income Tax Booklet (DR 0106)

## Enterprise zone employee health insurance credit

A nonrefundable income tax credit is allowed to an employer who operates a business facility within an enterprise zone and who provides a health insurance plan or program to their employees. The credit is allowed only for the first two full tax years that the employer operates the business facility in the enterprise zone and is equal to $1,000 for each insured employee, averaged over the course of the year. To be eligible for the credit, the employer must contribute at least 50% of the total cost of the health insurance plan or program. The plan or program must comply with certain requirements prescribed by law. The revenue impact reported for this expenditure does not include any credit the taxpayer has elected to treat as a strategic capital tax credit, which appears separately in this report.

**Citation:** §39-30-105(1)(b), C.R.S.
§39-30-105.1(1)(b), C.R.S.
**Enacted:** 1987
2013

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| Individual | $214,000 | $203,000 | $218,450 | $136,378 |
| C Corporation | $290,000 | $502,000 | Data Not Releasable | $3,915,589 |
| Fiduciary | $0 | $0 | Data Not Releasable | $7,313 |
| Nonresident Composite Returns | $6,000 | Data Not Releasable | Data Not Releasable | $0 |

Source: Individual Income Tax Booklet (DR 0104), C Corporation Income Tax Booklet (DR 0112), Fiduciary (Estates and Trusts) Income Tax Booklet (DR 0105), and Partnership and S Corporation Income Tax Booklet (DR 0106)

## Enterprise zone enhanced rural agricultural processing new employee credit

A nonrefundable income tax credit is allowed to an employer who operates a business facility within an enhanced rural enterprise zone and whose business adds value to the manufacturing or processing of agricultural commodities. The credit is equal to $500 for each additional employee at the business facility, averaged over the course of the year, in excess of the highest average number of employees at the facility in any prior tax year. The credit is in addition to the enterprise zone business facility new employee credit, the enterprise zone agricultural processing new employee credit, and the enterprise zone enhanced rural new employee credit. The revenue impact reported for this expenditure does not include any credit the taxpayer has elected to treat as a strategic capital tax credit, which appears separately in this report.

**Citation:** §39-30-105(3)(b), C.R.S.
§39-30-105.1(3)(b), C.R.S.
**Enacted:** 2002
2013

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| Individual | $4,000 | $3,000 | $11,290 | $6,073 |
| C Corporation | $0 | Data Not Releasable | $0 | Data Not Releasable |
| Fiduciary | $0 | $0 | $0 | $0 |
| Nonresident Composite Returns | $0 | $0 | $0 | $0 |

Source: Individual Income Tax Booklet (DR 0104), C Corporation Income Tax Booklet (DR 0112), Fiduciary (Estates and Trusts) Income Tax Booklet (DR 0105), and Partnership and S Corporation Income Tax Booklet (DR 0106)

## Enterprise zone enhanced rural new employee credit

A nonrefundable income tax credit is allowed to an employer who operates a business facility within an enhanced rural enterprise zone. The credit is equal to $2,000 for each additional employee at the business facility, averaged over the course of the year, in excess of the highest average number of employees at the facility in any prior tax year. The credit is in addition to the enterprise zone business facility new employee credit. The revenue impact reported for this expenditure does not include any credit the taxpayer has elected to treat as a strategic capital tax credit, which appears separately in this report.

**Citation:** §39-30-105(1)(a)(III), C.R.S.
§39-30-105.1(1)(a)(II), C.R.S.
**Enacted:** 2002
2013

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| Individual | $189,000 | $206,000 | $303,199 | $327,975 |
| C Corporation | $102,000 | $39,000 | $57,811 | $87,204 |
| Fiduciary | $0 | $0 | $0 | $8,044 |
| Nonresident Composite Returns | $0 | Data Not Releasable | $0 | Data Not Releasable |

Source: Individual Income Tax Booklet (DR 0104), C Corporation Income Tax Booklet (DR 0112), Fiduciary (Estates and Trusts) Income Tax Booklet (DR 0105), and Partnership and S Corporation Income Tax Booklet (DR 0106)

## Enterprise zone investment tax credit

A nonrefundable income tax credit is allowed to a taxpayer who makes a qualified investment in section 38 property that is used solely and exclusively in an enterprise zone for at least one year. The credit is equal to 3% of the total qualified investment made during the tax year. The credit and the use thereof are subject to various limitations and restrictions prescribed by state statute and by the Internal Revenue Code as it existed immediately prior to the enactment of the federal Revenue Reconciliation Act of 1990. The revenue impact reported for this expenditure does not include enterprise zone investments in certain commercial vehicles or refundable energy projects, or any credit the taxpayer has elected to treat as a strategic capital tax credit, each of which appear elsewhere in this report.

**Citation:** §39-30-104(1)(a), C.R.S.
**Enacted:** 1986

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| Individual | $5,598,000 | $7,310,000 | $8,841,941 | $10,051,896 |
| C Corporation | $10,799,000 | $12,204,000 | $19,731,922 | $18,944,090 |
| Fiduciary | $73,000 | $224,000 | $416,422 | $399,147 |
| Nonresident Composite Returns | $101,000 | $121,000 | $125,425 | Data Not Releasable |

Source: Individual Income Tax Booklet (DR 0104), C Corporation Income Tax Booklet (DR 0112), Fiduciary (Estates and Trusts) Income Tax Booklet (DR 0105), and Partnership and S Corporation Income Tax Booklet (DR 0106)

## Enterprise zone job training investment tax credit

A nonrefundable income tax credit is allowed to a taxpayer who invests in a qualified job training program for employees who work predominantly within an enterprise zone. The credit is equal to 12% of the qualified investment. Qualified investments may include investments in real property and capital equipment, as well as other expenses that meet the applicable requirements. The revenue impact reported for this expenditure does not include any credit the taxpayer has elected to treat as a strategic capital tax credit, which appears separately in this report.

**Citation:** §39-30-104(4), C.R.S.
**Enacted:** 1996

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| Individual | $490,000 | $652,000 | $538,976 | $700,927 |
| C Corporation | $1,108,000 | $1,242,000 | $690,466 | $1,368,452 |
| Fiduciary | $3,000 | Data Not Releasable | $33,633 | $5,264 |
| Nonresident Composite Returns | $6,000 | Data Not Releasable | Data Not Releasable | $0 |

Source: Individual Income Tax Booklet (DR 0104), C Corporation Income Tax Booklet (DR 0112), Fiduciary (Estates and Trusts) Income Tax Booklet (DR 0105), and Partnership and S Corporation Income Tax Booklet (DR 0106)

## Enterprise zone renewable energy investment tax credit – nonrefundable

An income tax credit is allowed to a taxpayer who makes a qualified investment in section 38 property that is used solely and exclusively in an enterprise zone for at least one year. The credit is equal to 3% of the total qualified investment made during the tax year. Credits for renewable energy investments were afforded special treatment including longer carryforward periods for investments made in tax years commencing before January 1, 2018, and an option to receive a refund for 80% of the allowable credit for investments made in tax years commencing on or after January 1, 2015, but prior to January 1, 2021. The revenue impact reported here includes only renewable energy investment tax credits for which no refund was claimed. The revenue impact for refunds of renewable energy investment tax credits are reported separately, as the next expenditure below. The revenue impact reported for this expenditure also does not include any credit the taxpayer has elected to treat as a strategic capital tax credit, which appears separately in this report.

**Citation:** §39-30-104(2)(c)(III)(B)
**Enacted:** 2013

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| Individual | $25,000 | $31,000 | $38,563 | $15,934 |
| C Corporation | Data Not Releasable | $0 | $0 | Data Not Releasable |
| Fiduciary | $0 | $0 | $0 | $0 |
| Nonresident Composite Returns | $0 | $0 | $0 | $0 |

Source: Individual Income Tax Booklet (DR 0104), C Corporation Income Tax Booklet (DR 0112), Fiduciary (Estates and Trusts) Income Tax Booklet (DR 0105), and Partnership and S Corporation Income Tax Booklet (DR 0106)

## Enterprise zone renewable energy investment tax credit – refundable

An income tax credit is allowed to a taxpayer who makes a qualified investment in section 38 property that is used solely and exclusively in an enterprise zone for at least one year. The credit is equal to 3% of the total qualified investment made during the tax year. Credits for renewable energy investments were afforded special treatment including longer carryforward periods for investments made in tax years commencing before January 1, 2018, and an option to receive a refund for 80% of the allowable credit for investments made in tax years commencing on or after January 1, 2015, but prior to January 1, 2021. A taxpayer who makes the election to receive a refund for 80% of the credit forgoes the remaining 20%. The refund allowed for any tax year may not exceed $750,000 and any excess is refunded in subsequent tax years until the full amount of the allowable refund has been refunded to the taxpayer. The revenue impact reported here includes only refunds allowed for renewable energy investment tax credits. The revenue impact for renewable energy investment tax credits for which no refund was claimed are reported separately, as the preceding expenditure above. The revenue impact reported for this expenditure also does not include any credit the taxpayer has elected to treat as a strategic capital tax credit, which appears separately in this report.

**Citation:** §39-30-104(2.6), C.R.S.
**Enacted:** 2015

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| Individual | $45,000 | $29,000 | $3,430 | $47,179 |
| C Corporation | Data Not Releasable | $2,425,000 | $2,232,525 | Data Not Releasable |
| Fiduciary | $0 | $0 | $0 | $0 |
| Nonresident Composite Returns | Data Not Releasable | Data Not Releasable | Data Not Releasable | Data Not Releasable |

Source: Individual Income Tax Booklet (DR 0104), C Corporation Income Tax Booklet (DR 0112), Fiduciary (Estates and Trusts) Income Tax Booklet (DR 0105), and Partnership and S Corporation Income Tax Booklet (DR 0106)

## Enterprise zone research and experimental activities credit

A nonrefundable income tax credit is allowed to a taxpayer who makes expenditures in research and experimental activities conducted in an enterprise zone for the purpose of carrying out a trade or business. The credit is equal to 3% of the amount by which the taxpayer's research and experimental expenditures in an enterprise zone exceed the average of the taxpayer's research and experimental expenditures in the same enterprise zone over the two preceding tax years. The credit is divided evenly over four tax years, with 25% of the credit allowed for the tax year in which the expenditures were made and 25% of the credit allowed for each of the subsequent three tax years. The revenue impact reported for this expenditure does not include any credit the taxpayer has elected to treat as a strategic capital tax credit, which appears separately in this report.

**Citation:** §39-30-105.5, C.R.S.
**Enacted:** 1988

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| Individual | $310,000 | $249,000 | $274,518 | $274,875 |
| C Corporation | $333,000 | $375,000 | $535,744 | $932,766 |
| Fiduciary | $0 | $0 | $78,747 | $12,001 |
| Nonresident Composite Returns | Data Not Releasable | Data Not Releasable | Data Not Releasable | $0 |

Source: Individual Income Tax Booklet (DR 0104), C Corporation Income Tax Booklet (DR 0112), Fiduciary (Estates and Trusts) Income Tax Booklet (DR 0105), and Partnership and S Corporation Income Tax Booklet (DR 0106)

## Enterprise zone vacant commercial building rehabilitation credit

A nonrefundable income tax credit is allowed to the owner or tenant of a qualified building in an enterprise zone who makes qualified expenditures for the purpose of rehabilitating the building for commercial use. The building must be at least 20 years old and have been unoccupied for at least two years. The credit is equal to 25% of the cost of rehabilitating the building and is limited to $50,000 per building. A taxpayer who is allowed a federal rehabilitation credit pursuant to sections 38, 46, and 47 of the Internal Revenue Code cannot claim the vacant building rehabilitation credit for the same rehabilitation expenditures.

**Citation:** §39-30-105.6, C.R.S.
**Enacted:** 1989

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| Individual | $267,000 | $301,000 | $577,504 | $258,236 |
| C Corporation | Data Not Releasable | $0 | $0 | $0 |
| Fiduciary | $0 | Data Not Releasable | $0 | $0 |
| Nonresident Composite Returns | $0 | Data Not Releasable | $0 | $0 |

Source: Individual Income Tax Booklet (DR 0104), C Corporation Income Tax Booklet (DR 0112), Fiduciary (Estates and Trusts) Income Tax Booklet (DR 0105), and Partnership and S Corporation Income Tax Booklet (DR 0106)

## Expanded Colorado earned income tax credit

A refundable income tax credit is allowed to a full-year resident or part-year resident individual who would have been allowed a federal earned income tax credit, but for the fact that the resident individual, the resident individual's spouse, or one or more of the resident individual's dependents do not have a social security number that is valid for employment. The expanded Colorado earned income tax credit is equal to 10%, 20%, 25%, 35%, or 50% of the federal credit that would have been allowed, depending on the tax year. For tax years 2025 and later, the credit percentage may be increased based on an adjustment factor, calculated as the forecasted compound annual growth of state revenue subject to TABOR. In the case of a part-year resident, the credit is prorated based on the proportion of their modified adjusted gross income that was realized during the part of the year that they were a Colorado resident.

**Citation:** §39-22-123.5, C.R.S.
**Enacted:** 2020

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| Individual | Not Effective This Year | Not Effective This Year | $873,385 | $3,822,758 |

Source: Individual Income Tax Booklet (DR 0104)

## Food contributed to hunger relief charitable organizations credit

A nonrefundable income tax credit was allowed for tax years commencing on or after January 1, 2015, but before January 1, 2020, to a taxpayer who made a qualified food contribution during the tax year to a hunger-relief charitable organization and received a credit certificate issued by a food bank. The credit was allowed only to resident individuals, domestic corporations, and foreign corporations who filed an IRS Schedule F (Profit or Loss from Farming) with their federal income tax return for the year of the donation. The credit was either 25% of the wholesale market price or 25% of the most recent sales price of the food contributions during the tax year, but it could not exceed $5,000. If the allowable credit exceeded the tax otherwise due, the excess could be carried forward and claimed as a credit against the tax due in the following tax year. Credits may be carried forward for no more that five succeeding tax years.

**Citation:** §39-22-536, C.R.S.
**Enacted:** 2014

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 [1] | 2022 [1] |
|---|---|---|---|---|
| Individual | $14,000 | $14,000 | $8,784 | Data Not Releasable |
| C Corporation | $0 | $0 | $0 | $0 |
| Nonresident Composite Returns | Not Previously Published | $0 | $0 | $0 |

Source: Individual Income Tax Booklet (DR 0104), C Corporation Income Tax Booklet (DR 0112), and Partnership and S Corporation Income Tax Booklet (DR 0106)

[1] Only carryforward amounts for this credit were applicable in 2020 and 2022.

## Gross conservation easement credit

An income tax credit is allowed for the donation of a perpetual conservation easement in gross on real property located in Colorado. The credit is allowed for some portion of the donated value of the conservation easement, depending on the year of the donation. A donor who is allowed the credit may transfer all or a portion of the credit to a transferee for such transferee to apply as a credit against their Colorado income tax. For certain tax years, the donor may also elect to receive a refund for part of the credit. For tax years commencing on or after January 1, 2014, the credit is allowed only if it has been certified by the Department of Regulatory Agencies.

**Citation:** §39-22-522, C.R.S.
**Enacted:** 1999

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| Individual | $6,681,000 | $16,538,000 | $17,511,313 | $17,916,853 |
| C Corporation | Data Not Releasable | $7,100,000 | Data Not Releasable | $6,353,232 |
| Fiduciary | $352,000 | $294,000 | $572,553 | $135,646 |
| Nonresident Composite Returns | $0 | $0 | $0 | $0 |

Source: Individual Income Tax Booklet (DR 0104), C Corporation Income Tax Booklet (DR 0112), Fiduciary (Estates and Trusts) Income Tax Booklet (DR 0105), and Partnership and S Corporation Income Tax Booklet (DR 0106)

## Historic property preservation credit

A nonrefundable income tax credit was allowed for tax years commencing prior to January 1, 2020, to taxpayers for the preservation and rehabilitation of a qualified historic property that meets certain historic preservation criteria. The credit was 20% of qualified rehabilitation costs, up to a maximum $50,000 credit per qualified property. If the allowable credit exceeded the tax otherwise due, the excess could be carried forward and claimed as a credit against the tax due in the following tax year. Credits may be carried forward for no more than 10 succeeding tax years.

**Citation:** §39-22-514, C.R.S.
**Enacted:** 1990

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 [1] | 2018 | 2020 [1] | 2022 [1] |
|---|---|---|---|---|
| Individual | $444,000 | $349,000 | $255,151 | $73,188 |
| C Corporation | $0 | $0 | Data Not Releasable | $0 |
| Fiduciary | Not Itemized - See Other Credits * | Not Itemized - See Other Credits * | Not Itemized - See Other Credits * | Not Itemized - See Other Credits * |
| Nonresident Composite Returns | Not Itemized - See Other Credits * | $0 | $0 | $0 |

Source: Individual Income Tax Booklet (DR 0104), C Corporation Income Tax Booklet (DR 0112), Fiduciary (Estates and Trusts) Income Tax Booklet (DR 0105), and Partnership and S Corporation Income Tax Booklet (DR 0106)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

[1] Only carryforward amounts for this credit were applicable in 2016, 2020, and 2022.

## Innovative motor vehicle credit

A refundable income tax credit is allowed to taxpayers and, for tax years commencing on or after January 1, 2024, to tax-exempt entities and political subdivisions of the state, for the purchase or lease of a qualifying electric or plug-in hybrid electric motor vehicle that is titled and registered in Colorado. For tax years commencing prior to January 1, 2022, the credit was also allowed for qualifying conversions of motor vehicles titled and registered in Colorado. The statute has been amended several times since it was first enacted and other types of motor vehicles qualified for the credit in prior years.

**Citation:** §39-22-516.7, C.R.S.
**Enacted:** 2013

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| Individual | Not Itemized - See Innovative Motor Vehicle Credits * | Not Itemized - See Innovative Motor Vehicle Credits * | Not Itemized - See Innovative Motor Vehicle Credits * | Not Itemized - See Innovative Motor Vehicle Credits * |
| C Corporation | Not Itemized - See Innovative Motor Vehicle Credits * | Not Itemized - See Innovative Motor Vehicle Credits * | Not Itemized - See Innovative Motor Vehicle Credits * | Not Itemized - See Innovative Motor Vehicle Credits * |
| Fiduciary | Not Itemized - See Innovative Motor Vehicle Credits * | Not Itemized - See Innovative Motor Vehicle Credits * | Not Itemized - See Innovative Motor Vehicle Credits * | Not Itemized - See Innovative Motor Vehicle Credits * |
| Nonresident Composite Returns | Not Itemized - See Innovative Motor Vehicle Credits * | Not Itemized - See Innovative Motor Vehicle Credits * | Not Itemized - See Innovative Motor Vehicle Credits * | Not Itemized - See Innovative Motor Vehicle Credits * |

Source: Individual Income Tax Booklet (DR 0104), C Corporation Income Tax Booklet (DR 0112), Fiduciary (Estates and Trusts) Income Tax Booklet (DR 0105), and Partnership and S Corporation Income Tax Booklet (DR 0106)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

## Innovative truck credit

A refundable income tax credit is allowed to taxpayers and, for tax years commencing on or after January 1, 2024, to tax-exempt entities and political subdivisions of the state, for the purchase or lease of a qualifying electric or plug-in hybrid electric truck that is titled and registered in Colorado or registered under the International Registration Plan and base plated in Colorado. For tax years commencing prior to January 1, 2022, the credit was also allowed for other types of qualifying trucks, conversions, and aerodynamic and idling reduction technologies.

**Citation:** §39-22-516.8, C.R.S.
**Enacted:** 2014

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| Individual | Not Itemized - See Innovative Motor Vehicle Credits * | Not Itemized - See Innovative Motor Vehicle Credits * | Not Itemized - See Innovative Motor Vehicle Credits * | Not Itemized - See Innovative Motor Vehicle Credits * |
| C Corporation | Not Itemized - See Innovative Motor Vehicle Credits * | Not Itemized - See Innovative Motor Vehicle Credits * | Not Itemized - See Innovative Motor Vehicle Credits * | Not Itemized - See Innovative Motor Vehicle Credits * |
| Fiduciary | Not Itemized - See Innovative Motor Vehicle Credits * | Not Itemized - See Innovative Motor Vehicle Credits * | Not Itemized - See Innovative Motor Vehicle Credits * | Not Itemized - See Innovative Motor Vehicle Credits * |
| Nonresident Composite Returns | Not Itemized - See Innovative Motor Vehicle Credits * | Not Itemized - See Innovative Motor Vehicle Credits * | Not Itemized - See Innovative Motor Vehicle Credits * | Not Itemized - See Innovative Motor Vehicle Credits * |

Source: Individual Income Tax Booklet (DR 0104), C Corporation Income Tax Booklet (DR 0112), Fiduciary (Estates and Trusts) Income Tax Booklet (DR 0105), and Partnership and S Corporation Income Tax Booklet (DR 0106)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

## Long-term care insurance credit

A nonrefundable income tax credit is allowed to Colorado residents who purchase or pay premiums on a long-term care insurance policy and meet certain taxable income requirements. The credit is equal to 25% of the amount paid for the insurance during the year and is limited to $150 per policy.

**Citation:** §39-22-122, C.R.S.
**Enacted:** 1999

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| Individual | $3,100,000 | $2,585,000 | $2,296,849 | $1,780,938 |

Source: Individual Income Tax Booklet (DR 0104)

## Low-income child care expenses credit

A refundable income tax credit is allowed for tax years commencing prior to January 1, 2026, to resident individuals whose federal adjusted gross income is $25,000 or less who incur expenses for the care of a dependent child under the age of 13. The credit is allowed to individuals who have insufficient tax liability to claim the federal child care credit and the Colorado child care expenses credit allowed pursuant to section 39-22-119, C.R.S. The credit is 25% of the resident individual's child care expenses, but cannot exceed $500 for a single dependent or $1,000 for two or more dependents. For tax years commencing on or after January 1, 2026, House Bill 24-1134 allows taxpayers who would otherwise qualify for the low-income child care expenses credit to instead claim the child and dependent care expenses credit.

**Citation:** §39-22-119.5, C.R.S.
**Enacted:** 2014

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| Individual | Not Itemized - See Child Care Expenses Credits * | Not Itemized - See Child Care Expenses Credits * | Not Itemized - See Child Care Expenses Credits * | Not Itemized - See Child Care Expenses Credits * |

Source: Individual Income Tax Booklet (DR 0104)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

## New investment tax credit

A nonrefundable income tax credit was allowed for tax years commencing prior to January 1, 2023, to a C corporation that makes a qualified investment in section 38 property. The credit was equal to 10% of the total federal credit for qualified investment as determined under Section 46(c) of the Internal Revenue Code in qualified property as defined in section 38 of the Internal Revenue Code as such sections existed prior to the Revenue Reconciliation Act of 1990. The allowable credit was limited to $1,000 and was reduced by the amount of the old investment tax credit claimed for the same tax year.

**Citation:** §39-22-507.6, C.R.S.
**Enacted:** 1987

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| C Corporation | $244,000 | $203,000 | $186,333 | $209,613 |

Source: C Corporation Income Tax Booklet (DR 0112)

## Old investment tax credit

A nonrefundable income tax credit was allowed for tax years commencing prior to January 1, 2023, to a C corporation that qualified for a federal investment credit determined under section 46 of the Internal Revenue Code. The credit was equal to 10% of the current-year federal investment credit determined with respect to property which was used in Colorado. The credit that could be used in a given year is limited to the first $5,000 of tax liability plus 25% of the tax in excess of $5,000.

**Citation:** §39-22-507.5, C.R.S.
**Enacted:** 1979

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| C Corporation | $110,000 | $59,000 | Data Not Releasable | $80,129 |

Source: C Corporation Income Tax Booklet (DR 0112)

## Plastic recycling investment credit

A nonrefundable credit was allowed for tax years commencing prior to January 1, 2023, to a resident individual who made qualifying expenditures for new plastic recycling technology in Colorado. The credit was equal to 20% of the first $10,000 of net expenditures to third parties for rent, wages, supplies, consumable tools, equipment, test inventory, and utilities made by the taxpayer for new plastic recycling technology in Colorado.

**Citation:** §39-22-114.5, C.R.S.
**Enacted:** 1989

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| Individual | Data Not Releasable | Data Not Releasable | $1,642 | $2,050 |

Source: Individual Income Tax Booklet (DR 0104)

## Preservation of historic structures credit

An income tax credit is allowed to an owner of a qualified historic structure who incurs qualified rehabilitation expenditures for the structure. The credit is a percentage of the qualified rehabilitation expenditures incurred by the owner, which varies depending on multiple factors and is subject to certain limitations. The credit is subject to approval and certification by the Colorado Office of Economic Development and International Trade, History Colorado, or a certified local government. Credits for qualified commercial structures may be transferred by the owner to another taxpayer, but credits for qualified residential structures cannot. The credit is nonrefundable, except that a qualified applicant can claim a refund for a credit for a qualified residential structure placed in service in a tax year commencing on or after January 1, 2027.

**Citation:** §39-22-514.5, C.R.S.
**Enacted:** 2014

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| Individual | $178,000 | $1,208,000 | $2,521,261 | $1,909,380 |
| C Corporation | $0 | $2,308,000 | $3,359,115 | $1,560,925 |
| Fiduciary | $0 | $0 | $22,163 | Data Not Releasable |
| Nonresident Composite Returns | Not Itemized - See Other Credits * | $0 | Data Not Releasable | $0 |

Source: Individual Income Tax Booklet (DR 0104), C Corporation Income Tax Booklet (DR 0112), Fiduciary (Estates and Trusts) Income Tax Booklet (DR 0105), and Partnership and S Corporation Income Tax Booklet (DR 0106)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

## Remediation of contaminated land credit

A nonrefundable, transferable income tax credit is allowed to a taxpayer for any approved environmental remediation of contaminated property the taxpayer owns in Colorado. A similar transferable expense amount, that may be transferred to a taxpayer for use as a credit, is allowed to a private nonprofit entity or local government for any approved environmental remediation of contaminated property they own in Colorado. The credit and transferable expense amount are a portion of the approved remediation expenditures and are subject to approval and certification by the Department of Public Health and Environment.

**Citation:** §39-22-526, C.R.S.
**Enacted:** 2000

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| Individual | $1,112,000 | $1,287,000 | $1,205,057 | $1,947,861 |
| C Corporation | $899,000 | $0 | $1,164,998 | Data Not Releasable |
| Fiduciary | $0 | $0 | $0 | $0 |
| Nonresident Composite Returns | Not Itemized - See Other Credits * | $0 | $0 | $0 |

Source: Individual Income Tax Booklet (DR 0104), C Corporation Income Tax Booklet (DR 0112), Fiduciary (Estates and Trusts) Income Tax Booklet (DR 0105), and Partnership and S Corporation Income Tax Booklet (DR 0106)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

## Retrofitting a residence to increase residence's visitability credit

A nonrefundable income tax credit is allowed to a qualified individual who retrofits or hires someone to retrofit the qualified individual's residence and who meets any additional requirements established by the Division of Housing, which certifies the credit. Income limits apply in determining eligibility for the credit. The credit is allowed for the cost of the retrofit, but is limited to $5,000 per residence. Only one credit is allowed per residence, except that if a retrofit is required for the qualified individual and for one or more dependents residing in the qualified individual's residence or a retrofit is required for more than one dependent residing in the qualified individual's residence, then a credit of up to $5,000 is allowed per individual for whom the retrofit is required.

**Citation:** §39-22-541, C.R.S.
**Enacted:** 2019

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| Individual | Not Effective This Year | Not Effective This Year | $22,492 | $32,265 |

Source: Individual Income Tax Booklet (DR 0104)

## Rural and frontier health care preceptor credit

A nonrefundable income tax credit is allowed to a taxpayer who provides primary health care in a rural or frontier area and who provides one or more qualifying preceptorships. The preceptorship must last a total of not less than four working weeks or 20 business days during the tax year and must be certified by the institution for which the preceptor teaches or the regional Area Health Education Center (AHEC) office. The number of preceptors who may claim the credit for any given tax year is limited by statute.

**Citation:** §39-22-538, C.R.S.
**Enacted:** 2016

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| Individual | Not Effective This Year | $88,000 | $65,211 | $84,000 |

Source: Individual Income Tax Booklet (DR 0104)

## Rural jump-start zone new business credit

A nonrefundable income tax credit is allowed to a new business that is located in a rural jump-start zone and has received approval from the Economic Development Commission (EDC). Both the new business and the rural jump-start zone must satisfy a variety of requirements established by law and in guidelines prescribed by the EDC. Among other things, the rural jump-start zone must be in an economically distressed county that meets certain requirements and the new business must start in the zone or move into the zone from outside of Colorado. With the annual approval of the EDC, the credit is equal to 100% of the Colorado income taxes imposed on the new business on the income derived from its activities in the rural jump-start zone and is allowed for four consecutive tax years, unless an extension for additional tax years is granted by the EDC.

**Citation:** §39-30.5-105(1), C.R.S.
**Enacted:** 2015

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| Individual | Not Itemized - See Rural Jump-Start Zone Credits * | Not Itemized - See Rural Jump-Start Zone Credits * | Not Itemized - See Rural Jump-Start Zone Credits * | Not Itemized - See Rural Jump-Start Zone Credits * |
| C Corporation | $0 | Data Not Releasable | $0 | Data Not Releasable |
| Fiduciary | Not Itemized - See Other Credits * | Not Itemized - See Other Credits * | Not Itemized - See Other Credits * | Not Itemized - See Other Credits * |
| Nonresident Composite Returns | Not Previously Published | $0 | $0 | $0 |

Source: Individual Income Tax Booklet (DR 0104), C Corporation Income Tax Booklet (DR 0112), Fiduciary (Estates and Trusts) Income Tax Booklet (DR 0105), and Partnership and S Corporation Income Tax Booklet (DR 0106)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

## Rural jump-start zone new hire credit

A nonrefundable income tax credit is allowed to a new hire employed by a new business that is located in a rural jump-start zone and has received approval from the Economic Development Commission (EDC). Both the new business and the rural jump-start zone must satisfy a variety of requirements established by law and in guidelines prescribed by the EDC. Among other things, the rural jump-start zone must be in an economically distressed county that meets certain requirements and the new business must start in the zone or move into the zone from outside of Colorado. With the annual approval of the EDC, the credit is equal to 100% of the new hire's wages paid by the new business for work performed in the rural jump-start zone and is allowed for four consecutive tax years, unless an extension for additional tax years is granted by the EDC.

**Citation:** §39-30.5-105(2), C.R.S.
**Enacted:** 2015

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| Individual | Not Itemized - See Rural Jump-Start Zone Credits * | Not Itemized - See Rural Jump-Start Zone Credits * | Not Itemized - See Rural Jump-Start Zone Credits * | Not Itemized - See Rural Jump-Start Zone Credits * |

Source: Individual Income Tax Booklet (DR 0104)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

## School-to-career investment credit

A nonrefundable income tax credit was allowed for tax years commencing prior to January 1, 2025, to a taxpayer who made a qualified investment in a qualified school-to-career program. The program had to integrate school curriculum with job training, encourage placement of students in jobs or internships that would teach them new skills and improve their school performance, and be approved by an appropriate authority under the statute. The credit was equal to 10% of the moneys directly expended for wages, workers' compensation insurance, unemployment insurance, and training expenses to employ a student to work or to allow a student to participate in an internship through the program.

**Citation:** §39-22-520, C.R.S.
**Enacted:** 1997

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| Individual | $26,000 | $42,000 | $21,074 | $0 |
| C Corporation | $0 | $0 | $0 | Data Not Releasable |
| Fiduciary | Not Itemized - See Other Credits * | Not Itemized - See Other Credits * | Not Itemized - See Other Credits * | Not Itemized - See Other Credits * |
| Nonresident Composite Returns | Not Itemized - See Other Credits * | $0 | $0 | $0 |

Source: Individual Income Tax Booklet (DR 0104), C Corporation Income Tax Booklet (DR 0112), Fiduciary (Estates and Trusts) Income Tax Booklet (DR 0105), and Partnership and S Corporation Income Tax Booklet (DR 0106)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

## Senior housing income tax credit

A refundable income tax credit was allowed for tax years 2022 and 2024 to qualifying seniors who meet age and income requirements and who did not claim a property tax exemption under section 39-3-203, C.R.S., for the tax year. Taxpayers must be full-year or part-year residents age 65 or older at the end of the tax year to qualify for the credit.

**Citation:** §39-22-544, C.R.S.
**Enacted:** 2022

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| Individual [1] | Not Effective This Year | Not Effective This Year | Not Effective This Year | $73,938,496 |

Source: Individual Income Tax Booklet (DR 0104) and Property Tax/Rent/Heat Rebate Application (DR 0104PTC)

[1] This credit can be claimed by individuals through the individual income tax return or the property tax/rent/heat rebate application. Both data sources were used to determine the revenue impact of the credit.

## Strategic capital tax credit

With the approval of the Economic Development Commission (EDC), a business that makes a strategic capital investment is afforded special treatment for the following credits that the business is allowed: the Colorado job growth incentive credit, the enterprise zone investment tax credit, any enterprise zone new employee credits, and the enterprise zone research and experimental activities credit. This special treatment is allowed only if the EDC finds that the strategic capital investment, totaling not less than $100,000,000, will be significant to the state and is expected to be productive over many years. A business that has received EDC approval may elect to use the credits to offset tax, carry forward the credits for no more than five years, or transfer the credits during the carryforward period to one or more transferees for the transferees to claim against their income tax liabilities.

**Citation:** §24-46-104.3, C.R.S.
**Enacted:** 2017

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| Individual | Not Effective This Year | Not Effective This Year | $0 | Data Not Releasable |
| C Corporation | Not Effective This Year | Not Effective This Year | $0 | $0 |
| Fiduciary | Not Effective This Year | Not Effective This Year | $0 | $0 |
| Nonresident Composite Returns | Not Effective This Year | Not Effective This Year | $0 | $0 |

Source: Individual Income Tax Booklet (DR 0104), C Corporation Income Tax Booklet (DR 0112), Fiduciary (Estates and Trusts) Income Tax Booklet (DR 0105), and Partnership and S Corporation Income Tax Booklet (DR 0106)

# Deductions

## Total Revenue Impact: Deductions

| Income Tax Type | 2016 [1] | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| Individual | $582,921,000 | $639,749,000 | $675,503,287 | $702,254,729 |
| C Corporation | $283,697,000 | $326,408,000 | $287,385,317 | $465,145,244 |
| Fiduciary | $0 | $11,753,000 | $6,907,512 | $7,823,963 |
| Nonresident Composite Returns | $7,761,000 | $31,007,000 | $20,095,971 | $14,285,619 |
| **Total [1]** | **$874,379,000** | **$1,008,917,000** | **$989,892,087** | **$1,189,509,556** |

Source: Individual Income Tax Booklet (DR 0104), C Corporation Income Tax Booklet (DR 0112), Fiduciary (Estates and Trusts) Income Tax Booklet (DR 0105), and Partnership and S Corporation Income Tax Booklet (DR 0106)

[1] The total Fiduciary deductions are understated in 2016 because not all data are retrievable.

## Agricultural asset lease subtraction

An income tax subtraction was allowed for tax years commencing on or after January 1, 2017, but before January 1, 2020, to a qualified taxpayer who entered into a qualified lease with an eligible beginning farmer or rancher. The qualified lease must have been approved by the Colorado Agricultural Development Authority for one of the following agricultural assets for a duration of at least three years: land, crops, livestock and livestock facilities, farm equipment and machinery, grain storage, or irrigation equipment. The subtraction was allowed for 20% of the lease payments received, but could not exceed $25,000.

**Citation:** §39-22-104(4)(v), C.R.S.
§39-22-304(3)(o), C.R.S.
**Enacted:** 2016

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| Individual | Not Effective This Year | $0 | Expired | Expired |
| C Corporation | Not Effective This Year | $0 | Expired | Expired |
| Fiduciary | Not Effective This Year | $0 | Expired | Expired |
| Nonresident Composite Returns | Not Effective This Year | $0 | Expired | Expired |

Source: Individual Income Tax Booklet (DR 0104), C Corporation Income Tax Booklet (DR 0112), Fiduciary (Estates and Trusts) Income Tax Booklet (DR 0105), and Partnership and S Corporation Income Tax Booklet (DR 0106)

## Catastrophic health insurance subtraction

An income tax subtraction was allowed for tax years commencing prior to January 1, 2025, to an individual for amounts withheld from their wages to pay for catastrophic health insurance pursuant to and within the limitations prescribed by section 10-16-116, C.R.S., to the extent that such amounts were included in the individual's federal taxable income.

**Citation:** §39-22-104.5, C.R.S.
**Enacted:** 1994

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| Individual | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * |

Source: Individual Income Tax Booklet (DR 0104)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

## Colorado capital gain subtraction

An income tax subtraction is allowed to a qualified taxpayer for qualifying capital gains included in their federal taxable income. Qualifying capital gains must meet certain requirements, including requirements relating to the acquisition date for the property and possibly the location of the property either within or outside of Colorado. For tax years commencing on or after January 1, 2022, the subtraction is allowed only to qualified taxpayers that are required to file a Schedule F, "Profit or Loss from Farming", or successor form, as an attachment to their federal income tax return for the tax year in which the net capital gains arise.

**Citation:** §39-22-518, C.R.S.
**Enacted:** 1994

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| Individual | $16,168,000 | $17,968,000 | $14,046,420 | $1,449,939 |
| C Corporation | $66,000 | $70,000 | $28,008 | Not Itemized - See Other Subtractions * |
| Fiduciary | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * |
| Nonresident Composite Returns | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * |

Source: Individual Income Tax Booklet (DR 0104), C Corporation Income Tax Booklet (DR 0112), Fiduciary (Estates and Trusts) Income Tax Booklet (DR 0105), and Partnership and S Corporation Income Tax Booklet (DR 0106)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

## Colorado corporate net operating loss deduction †

A Colorado net operating loss deduction is allowed to a C corporation for any Colorado net operating loss carried forward from a prior year. A Colorado net operating loss is the portion of a federal net operating loss that is allocated to Colorado in the tax year that the loss is sustained. The net operating loss deduction is subject to applicable limitations under both state and federal law.

**Citation:** §39-22-304(3)(g), C.R.S.
§39-22-504(1), (3), C.R.S.
**Enacted:** 1964

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| C Corporation | $180,111,000 | $196,741,000 | $149,281,980 | $264,055,569 |

Source: C Corporation Income Tax Booklet (DR 0112)

† This expenditure is considered a structural tax expenditure. See the Introduction for a definition.

## Colorado marijuana business subtraction

An income tax subtraction is allowed to a taxpayer licensed under the Colorado Marijuana Code in an amount equal to any expenditure that is eligible to be claimed as a federal income tax deduction, but is disallowed by section 280E of the Internal Revenue Code because marijuana is a controlled substance under federal law.

**Citation:** §39-22-104(4)(r), (4)(s), C.R.S.
§39-22-304(3)(m), (3)(n), C.R.S.
**Enacted:** 2013

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| Individual | $5,095,000 | $5,450,000 | $4,479,696 | $2,893,207 |
| C Corporation | $709,000 | $5,087,000 | $9,463,297 | $14,803,068 |
| Fiduciary | $0 | $8,000 | $0 | $198 |
| Nonresident Composite Returns | $0 | Data Not Releasable | Data Not Releasable | Data Not Releasable |

Source: Individual Income Tax Booklet (DR 0104), C Corporation Income Tax Booklet (DR 0112), Fiduciary (Estates and Trusts) Income Tax Booklet (DR 0105), and Partnership and S Corporation Income Tax Booklet (DR 0106)

## Corporate subtraction relating to section 39-22-303(8)(b)(II), C.R.S. †

An income tax subtraction is allowed to a C corporation filing a combined return including a controlled foreign corporation that is a C corporation incorporated in a foreign jurisdiction for the purpose of tax avoidance pursuant to section 39-22-303(8)(b)(II), C.R.S. The subtraction is allowed for any amount included in federal taxable income pursuant to section 951(a) of the Internal Revenue Code with respect to the controlled foreign corporation. The subtraction is also allowed for the amount of any global intangible low-taxed income included in federal taxable income pursuant to section 951A(a) of the Internal Revenue Code with respect to the controlled foreign corporation, less any amount deducted under section 250 (a)(1)(B) of the Internal Revenue Code with respect to such global intangible low-taxed income.

**Citation:** §39-22-304(3)(q), C.R.S.
**Enacted:** 2021

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| C Corporation | Not Effective This Year | Not Effective This Year | Not Effective This Year | Not Itemized - See Other Subtractions * |

Source: C Corporation Income Tax Booklet (DR 0112)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

† This expenditure is considered a structural tax expenditure. See the Introduction for a definition.

## Employer matching contributions to an adult learner's individual trust account or savings account subtraction

An income tax subtraction is allowed to an individual for any amount received as an employer matching contribution to the individual's adult learner's individual trust account or savings account with CollegeInvest, to the extent such amount is included in the individual's federal taxable income.

**Citation:** §39-22-104(4)(o), C.R.S.
**Enacted:** 2010

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| Individual | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * |

Source: Individual Income Tax Booklet (DR 0104)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

## Excess oil shale depletion subtraction

An income tax subtraction was allowed prior to January 1, 2024, to a C corporation that was allowed a federal income tax deduction for oil depletion pursuant to section 611 of the Internal Revenue Code. The subtraction was allowed in an amount equal to the difference between the depletion allowance permitted under the Internal Revenue Code for oil shale and an amount which would be permitted as the depletion allowance for oil shale if the percentage depletion rate were 27.5% and the crushing, retorting, condensing, and other processes by which oil, gas, or both oil and gas are removed from oil shale, were deemed to be treatment processes considered as mining.

**Citation:** §39-22-304(3)(h), C.R.S.
**Enacted:** 1964

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| C Corporation | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * |
| Nonresident Composite Returns | Not Previously Published | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * |

Source: C Corporation Income Tax Booklet (DR 0112) and Partnership and S Corporation Income Tax Booklet (DR 0106)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

## Exonerated persons subtraction

An income tax subtraction is allowed to an individual who is an exonerated person for any amount received as compensation pursuant to section 13-65-103, C.R.S., to the extent such compensation is included in the individual's federal taxable income. No subtraction is allowed for any portions of the judgment awarded as attorney's fees.

**Citation:** §39-22-104(4)(q), C.R.S.
**Enacted:** 2013

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| Individual | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * |

Source: Individual Income Tax Booklet (DR 0104)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

## First-time home buyer savings account interest subtraction

An income tax subtraction was allowed for tax years commencing prior to January 1, 2025, to an individual for any interest and other income earned on money invested in a qualifying first-time home buyer savings account, to the extent such income was included in the individual's federal taxable income. The account had to comply with the requirements of Article 47 of Title 39, C.R.S.

**Citation:** §39-22-104(4)(w), C.R.S.
**Enacted:** 2016

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| Individual | Not Effective This Year | $2,000 | $83 | $249 |

Source: Individual Income Tax Booklet (DR 0104)

## Foreign source income exclusion

In the apportionment and allocation of a C corporation's income, a portion of the C corporation's foreign source income is excluded, depending on whether the C corporation claimed a federal deduction or a federal tax credit for foreign taxes paid or accrued.

**Citation:** §39-22-303(10), C.R.S.
**Enacted:** 1985

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| C Corporation | $47,590,000 | $81,696,000 | $71,515,389 | $110,814,509 |

Source: C Corporation Income Tax Booklet (DR 0112)

## Foreign source income of export taxpayers subtraction

An income tax subtraction is allowed to a partner in a partnership that qualifies as an export taxpayer. For the purposes of the subtraction, a partnership qualifies as an "export taxpayer" if 50% or more of the products it produces in Colorado are sold outside of Colorado. If the gross receipts of the partnership are derived from the performance of services, 50% or more of the gross receipts for services performed in Colorado by a partner or employee of the partnership must be sold or provided to persons outside of Colorado. The subtraction is allowed for the partner's distributive share of the partnership income or gain which constitutes foreign source income for federal income tax purposes.

**Citation:** §39-22-206, C.R.S.
**Enacted:** 1993

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| Individual | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * |
| Fiduciary | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * |
| Nonresident Composite Returns | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * |

Source: Individual Income Tax Booklet (DR 0104), Fiduciary (Estates and Trusts) Income Tax Booklet (DR 0105), and Partnership and S Corporation Income Tax Booklet (DR 0106)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

## Gain from a qualified sale under threat of condemnation subtraction

An income tax subtraction was allowed prior to January 1, 2023, to a C corporation for any gain from a qualified sale of real or personal property that satisfied several requirements and was included in a C corporation's federal taxable income. The sale had to be made in good faith between a buyer and a seller who were not related in any manner described in section 267(b) of the Internal Revenue Code. Additionally, the buyer had to have initiated the transaction to purchase the property and had or could have obtained the power to condemn such property. Finally, the seller could not have qualified under section 1033 of the Internal Revenue Code for deferral of the gain.

**Citation:** §39-22-304(3)(d), C.R.S.
**Enacted:** 1977

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| C Corporation | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * |
| Nonresident Composite Returns | Not Previously Published | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * |

Source: C Corporation Income Tax Booklet (DR 0112) and Partnership and S Corporation Income Tax Booklet (DR 0106)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

## HB 21-1002 subtraction †

An income tax subtraction was allowed for the taxpayer's income tax year beginning on or after January 1, 2021, but before January 1, 2022, to a taxpayer that made certain required additions relating to the federal CARES Act on an income tax return for a prior tax year. The amount of the subtraction that a taxpayer could claim was limited, but any excess amount of the subtraction could be carried forward and claimed in subsequent tax years, subject to applicable limitations.

**Citation:** §39-22-104(4)(z), C.R.S.
§39-22-304(3)(p), C.R.S.
**Enacted:** 2021

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| Individual | Not Effective This Year | Not Effective This Year | Not Effective This Year | $527,921 |
| C Corporation | Not Effective This Year | Not Effective This Year | Not Effective This Year | $559,721 |
| Fiduciary | Not Effective This Year | Not Effective This Year | Not Effective This Year | Not Itemized - See Other Subtractions * |

Source: Individual Income Tax Booklet (DR 0104), C Corporation Income Tax Booklet (DR 0112), and Fiduciary (Estates and Trusts) Income Tax Booklet (DR 0105)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

† This expenditure is considered a structural tax expenditure. See the Introduction for a definition.

## Income from the disposition of assets that have a higher Colorado basis than federal basis subtraction †

An income tax subtraction is allowed to a taxpayer whose federal taxable income includes any gain or loss attributable to property that has a higher adjusted basis for Colorado income tax purposes than for federal income tax purposes on the date of the sale or disposition. The subtraction is allowed for the difference in adjusted basis. The subtraction generally applies only to property acquired by the taxpayer prior to 1965.

**Citation:** §39-22-104(4)(b), C.R.S.
§39-22-304(3)(c), C.R.S.
**Enacted:** 1964

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| Individual | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * |
| C Corporation | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * |
| Fiduciary | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * |
| Nonresident Composite Returns | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * |

Source: Individual Income Tax Booklet (DR 0104), C Corporation Income Tax Booklet (DR 0112), Fiduciary (Estates and Trusts) Income Tax Booklet (DR 0105), and Partnership and S Corporation Income Tax Booklet (DR 0106)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

† This expenditure is considered a structural tax expenditure. See the Introduction for a definition.

## Medical savings account employer contribution subtraction

An income tax subtraction was allowed for tax years commencing prior to January 1, 2025, for any contribution an employer made to an employee's medical savings account (MSA) during the tax year, unless the employer had claimed a deduction for the contribution on its federal income tax return. If the employer claimed a deduction for the contribution on its federal income tax return, no subtraction could be claimed on the Colorado return. The contribution had to meet the requirements of sections 39-22-504.6 and 39-22-504.7, C.R.S., to qualify for the subtraction.

**Citation:** §39-22-104(4)(h), C.R.S.
§39-22-304(3)(k), C.R.S.
§39-22-504.7(2)(e), C.R.S.

**Enacted:** 1994

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| Individual | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * |
| C Corporation | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * |
| Fiduciary | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * |
| Nonresident Composite Returns | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * |

Source: Individual Income Tax Booklet (DR 0104), C Corporation Income Tax Booklet (DR 0112), Fiduciary (Estates and Trusts) Income Tax Booklet (DR 0105), and Partnership and S Corporation Income Tax Booklet (DR 0106)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

## Medical savings account subtraction

An income tax subtraction was allowed for tax years commencing prior to January 1, 2025, to any individual for amounts withheld from their wages that were contributed to their medical savings account, to the extent that the contributions were not deducted on the individual's federal income tax return. The contribution had to meet the requirements of sections 39-22-504.6 and 39-22-504.7, C.R.S., to qualify for the subtraction.

**Citation:** §39-22-104.6, C.R.S.
**Enacted:** 1994

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| Individual | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * |

Source: Individual Income Tax Booklet (DR 0104)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

## Military family relief fund grants subtraction

An income tax subtraction is allowed to an individual for any amount they receive as a grant from the Military Family Relief Fund, to the extent that the amount is included in their federal taxable income.

**Citation:** §39-22-104(4)(p), C.R.S.
**Enacted:** 2013

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| Individual | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * |

Source: Individual Income Tax Booklet (DR 0104)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

## Military retirement benefit subtraction

An income tax subtraction is allowed to retired military servicemembers under 55 years of age at the end of the tax year for military retirement benefits included in their federal taxable income. The allowable subtraction is limited to $15,000 and was subject to lower limits for tax years 2021 and prior. The military retirement benefits of retired military servicemembers age 55 or older are generally eligible for the pension and annuity subtraction, which appears separately in this report.

**Citation:** §39-22-104(4)(y), C.R.S.
**Enacted:** 2020

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| Individual | Not Effective This Year | Not Effective This Year | $2,240,682 | $4,051,808 |

Source: Individual Income Tax Booklet (DR 0104)

## Nonresident disaster relief worker subtraction

An income tax subtraction was allowed for tax years commencing prior to January 1, 2025, to any nonresident individual for compensation received for performing disaster-related work in Colorado during a disaster period, to the extent such compensation was included in their federal taxable income. Wages that qualify for this subtraction were exempt from wage withholding and a nonresident individual who qualified for this subtraction generally were not required to file a Colorado return, unless they had other Colorado source income.

**Citation:** §39-22-104(4)(t), C.R.S.
**Enacted:** 2014

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| Individual | $0 | $2,000 | $16,464 | $53,497 |

Source: Individual Income Tax Booklet (DR 0104)

## Olympic medal income earnings subtraction

An income tax subtraction is allowed to an individual who wins a medal while competing for the United States of America in either the Olympic Games or the Paralympic Games, so long as the individual's adjusted gross income for the tax year does not exceed $1 million ($500,000 if married filing separately). The subtraction is allowed for the value of any medal won while competing for the U.S. at either the Olympic Games or the Paralympic Games, regardless of whether or not the medal's monetary value is included in federal taxable income, and any monetary award given for winning the medal by the U.S. Olympic Committee or any sport-specific national governing body or Paralympic sport organization that is included in the individual's federal taxable income. The subtraction is not allowed for prize money awarded by the U.S. Olympic Committee to medal winners that is excluded from federal taxable income on the winner's federal income tax return or for any endorsement income or nonmonetary benefits.

**Citation:** §39-22-104(4)(x), C.R.S.
**Enacted:** 2017

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| Individual | Not Effective This Year | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * |

Source: Individual Income Tax Booklet (DR 0104)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

## Pension and annuity subtraction

An income tax subtraction is allowed to individuals age 55 or older for pension and annuity income included in their federal taxable income. The subtraction is also allowed to individuals under age 55 whose federal taxable income includes pension and annuity income they received because of the death of the person originally entitled to receive the pension or annuity. The subtraction is generally limited to $24,000 for individuals age 65 or older and limited to $20,000 for all other individuals. These limits do not apply to the subtraction of Social Security benefits received by individuals age 65 or older during tax years 2022 and later. The limits also do not apply to the subtraction of Social Security benefits received during tax years 2025 and later by individuals age 55 to 64 whose adjusted gross income is $75,000 or less if filing single or $95,000 or less if filing jointly.

**Citation:** §39-22-104(4)(f), C.R.S.
**Enacted:** 1982

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| Individual | $451,125,000 | $506,268,000 | $522,942,620 | $589,395,098 |

Source: Individual Income Tax Booklet (DR 0104)

## Previously taxed income or gain subtraction †

An income tax subtraction is allowed to a taxpayer to prevent the taxation of any annuity or other amount of income or gain that was properly included in income or gain and taxed in a prior year. Individuals may claim the subtraction for contributions made to the Public Employees' Retirement Association (PERA) between July 1, 1984, and December 31, 1986, or to the Denver Public Schools Retirement System (DPSRS) in 1986 to the extent that retirement benefits from PERA or DPSRS are included in the individual's federal taxable income and the individual did not claim a subtraction for these contributions in any prior tax year. C corporations may claim the subtraction with respect to any income or gain included in their federal taxable that was previously taxed by Colorado prior to 1965 to the corporation, a decedent, an estate, or trust, from which the corporation received the income or gain.

**Citation:** §39-22-104(4)(c), C.R.S.
§39-22-304(3)(e), C.R.S.
**Enacted:** 1964
1987

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| Individual [1] | $1,008,000 | $865,000 | $595,814 | $846,438 |
| C Corporation | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * |
| Fiduciary | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * |

Source: Individual Income Tax Booklet (DR 0104), C Corporation Income Tax Booklet (DR 0112), and Fiduciary (Estates and Trusts) Income Tax Booklet (DR 0105)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

† This expenditure is considered a structural tax expenditure. See the Introduction for a definition.

[1] The values shown here for individuals are data reported on the itemized line for the "PERA/DPSRS Subtraction" on the Individual Income Tax Booklet (DR 0104), which only allows for PERA contributions made in 1984-1986 or Denver Public Schools District No. 1 Retirement contributions made in 1986. Any other types of previously taxed income allowed to be deducted by individuals under this provision [section 39-22-104(4)(c), C.R.S.] can be claimed on the "Other Subtractions" line of the DR 0104 form. Although the Department cannot efficiently disaggregate the previously taxed income from other income allowed to be deducted on the "Other Subtractions" line of the form, this is rare and likely minimal.

## Qualifying charitable contribution subtraction

An income tax subtraction is allowed to individuals who claim the standard deduction, rather than itemized deductions on their federal income tax returns, and who make charitable contributions totaling more than $500 during the tax year. The subtraction is allowed only for the aggregate amount of charitable contributions in excess of $500. Charitable contributions must qualify for deduction under federal law to be eligible for subtraction.

**Citation:** §39-22-104(4)(m), C.R.S.
**Enacted:** 2000

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| Individual | $12,320,000 | $40,984,000 | $39,540,305 | $40,934,551 |

Source: Individual Income Tax Booklet (DR 0104)

## Reacquisition of Colorado residency during active duty military service subtraction

An income tax subtraction is allowed to an individual in active duty military service whose home of record is Colorado, whose state of legal residence on or after January 1, 2016, is a state other than Colorado, and who reacquired legal residence in Colorado pursuant to section 39-22-110.5, C.R.S. The subtraction is allowed for any compensation received for active duty service in the armed forces of the United States, to the extent that the compensation is included in the individual's federal taxable income.

**Citation:** §39-22-104(4)(u), C.R.S
§39-22-110.5, C.R.S.
**Enacted:** 2015

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| Individual | $1,466,000 | $169,000 | $173,792 | $157,068 |

Source: Individual Income Tax Booklet (DR 0104)

## Ridesharing or mass transit expenses deduction

An income tax deduction was allowed to a C corporation for any contribution it made during the tax year to free or partially subsidized ridesharing arrangements for employees, unless such contributions were deducted in the calculation of the C corporation's federal taxable income. Qualifying contributions included, but were not limited to, providing vehicles for such arrangements, cash incentives (not to exceed the value of such transportation) for participation in ridesharing arrangements, and the payment of all or part of the administrative cost incurred in organizing, establishing, or administering a ridesharing program. House Bill 22-1026 eliminated the deduction and replaced it with an employer alternative transportation options credit, effective for tax years commencing on or after January 1, 2023.

**Citation:** §39-22-509, C.R.S.
**Enacted:** 1979

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| C Corporation | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * |

Source: C Corporation Income Tax Booklet (DR 0112)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

## Section 78 gross-up subtraction †

An income tax subtraction is allowed to a C corporation for any amount treated as a section 78 dividend under section 78 of the Internal Revenue Code that is included in a C corporation's federal taxable income. Section 78 requires any C corporation that claims a federal foreign tax credit for taxes deemed paid on its behalf pursuant to section 960 to include in its federal taxable income as a dividend an amount equal to such taxes deemed to be paid.

**Citation:** §39-22-304(3)(j), C.R.S.
**Enacted:** 1977

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| C Corporation | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * |

Source: C Corporation Income Tax Booklet (DR 0112)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

† This expenditure is considered a structural tax expenditure. See the Introduction for a definition.

## State-employed chaplains subtraction

An income tax subtraction was allowed to state-employed chaplains for money or credit they received as compensation for certain expenses, to the extent such compensation was included in their federal taxable income. The subtraction was allowed for mileage, traveling allowances, $4,200 for housing allowance, and other actual and necessary expenses incurred in the performance of their work.

**Citation:** §39-22-510, C.R.S.
**Enacted:** 1979

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| Individual | Not Previously Published | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * | Expired |

Source: Individual Income Tax Booklet (DR 0104)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

## State income tax refund subtraction †

An income tax subtraction is allowed to an individual, estate, or trust for the amount of any state income tax refunds, credits, or offsets included in their federal taxable income. An individual is generally required to report a state income tax refund on their federal return only if they claimed itemized deduction for the tax year in which the state income tax was paid. A subtraction is allowed to C corporations for the amount of any refund or credit for the overpayment of Colorado income taxes that is included in its federal taxable income. The subtraction is not allowed for refunds of Colorado severance taxes or income taxes imposed on a C corporation by any other state.

**Citation:** §39-22-104(4)(e), C.R.S.
§39-22-304(3)(f), C.R.S.
**Enacted:** 1964

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| Individual | $24,839,000 | $28,153,000 | $4,700,981 | $4,448,558 |
| C Corporation | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * |
| Fiduciary | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * |

Source: Individual Income Tax Booklet (DR 0104), C Corporation Income Tax Booklet (DR 0112), and Fiduciary (Estates and Trusts) Income Tax Booklet (DR 0105)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

† This expenditure is considered a structural tax expenditure. See the Introduction for a definition.

## Tuition program contribution subtraction

An income tax subtraction is allowed to an individual, estate, or trust for an amount equal to all payments or contributions they made during the tax year to a college savings plan with CollegeInvest pursuant to section 529 of the Internal Revenue Code. Beginning with tax year 2022, limitations apply to the amount that may be subtracted for contributions made with respect to each beneficiary.

**Citation:** §39-22-104(4)(i), C.R.S.
**Enacted:** 1997

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| Individual | $60,397,000 | $25,671,000 | $26,536,838 | $26,357,216 |
| Fiduciary | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * |
| Nonresident Composite Returns | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * |

Source: Individual Income Tax Booklet (DR 0104), Fiduciary (Estates and Trusts) Income Tax Booklet (DR 0105), and Partnership and S Corporation Income Tax Booklet (DR 0106)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

## United States government interest subtraction †

An income tax subtraction is allowed to taxpayers for certain types of income from U.S. government obligations to the extent such income is included in their federal taxable income. The subtraction applies to interest income on obligations of the United States and its possessions, as well as any other income from stocks or obligations of the United States government. No subtraction is allowed for any obligation or payment from the U.S. government for services rendered or for income from instruments issued by private financial institutions and guaranteed by the U.S. government.

**Citation:** §39-22-104(4)(a), C.R.S.
§39-22-304(3)(a), (3)(b), C.R.S.
**Enacted:** 1964

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| Individual | $5,785,000 | $9,777,000 | $32,731,923 | $14,537,180 |
| C Corporation | $6,184,000 | $11,196,000 | $12,711,287 | $22,299,735 |
| Fiduciary | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * |
| Nonresident Composite Returns | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * |

Source: Individual Income Tax Booklet (DR 0104), C Corporation Income Tax Booklet (DR 0112), Fiduciary (Estates and Trusts) Income Tax Booklet (DR 0105), and Partnership and S Corporation Income Tax Booklet (DR 0106)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

† This expenditure is considered a structural tax expenditure. See the Introduction for a definition.

## Wages and salaries not deducted on federal return due to IRC section 280C subtraction †

An income tax subtraction is allowed to corporations for any portion of wages or salaries paid or incurred by the corporation for the tax year, but which are not deductible in the calculation of federal taxable income due to section 280C of the Internal Revenue Code. Section 280C disallows or reduces the deduction for wages or salaries for which a corporation claims certain federal credits, such as the Indian employment credit; the credit for employer differential wages payments; the employer credit for paid family and medical leave; the work opportunity credit; the empowerment zone employment credit; the orphan drug credit; the mine rescue team training credit; and the credit for increasing research activities. No subtraction is allowed for any federal deduction disallowed because a corporation claimed a credit for employer social security and Medicare taxes paid on certain employee tips.

**Citation:** §39-22-304(3)(i), C.R.S.
**Enacted:** 1979

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| C Corporation | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * |
| Nonresident Composite Returns | Not Previously Published | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * | Not Itemized - See Other Subtractions * |

Source: C Corporation Income Tax Booklet (DR 0112) and Partnership and S Corporation Income Tax Booklet (DR 0106)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

† This expenditure is considered a structural tax expenditure. See the Introduction for a definition.

## Wildfire mitigation measures subtraction

An income tax subtraction was allowed for tax years commencing prior to January 1, 2025, for individuals, estates, and trusts for costs they incurred during the tax year in performing wildfire mitigation measures on property they own within Colorado. The subtraction was allowed for either 50% or 100% of the costs incurred for wildfire mitigation measures, depending on the tax year, and was limited to $2,500.

**Citation:** §39-22-104(4)(n.5), C.R.S.
**Enacted:** 2008

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| Individual | $64,000 | $105,000 | $102,717 | $137,579 |

Source: Individual Income Tax Booklet (DR 0104)

# Exemptions

## Total Revenue Impact: Exemptions

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| C Corporation | Data Not Collected | Data Not Collected | Data Not Collected | Data Not Collected |
| **Total** | **Data Not Collected** | **Data Not Collected** | **Data Not Collected** | **Data Not Collected** |

Source: Not available - this data is not recorded on any form

## Insurance companies subject to a gross premiums levy exemption †

An income tax exemption is allowed to an insurance company that is subject to the gross premiums tax administered by the Colorado Division of Insurance. The exemption is not allowed to any company licensed as a captive insurance company with gross receipts for the taxable year that consist 50% or less of premiums from arrangements that constitute insurance for federal income tax purposes.

**Citation:** §39-22-112(1), C.R.S.
**Enacted:** 1937

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| C Corporation | Data Not Collected | Data Not Collected | Data Not Collected | Data Not Collected |

Source: Not available - this data is not recorded on any form

† This expenditure is considered a structural tax expenditure. See the Introduction for a definition.

## Tax-exempt organizations

An income tax exemption is allowed to an organization that is exempt from federal income taxation under the provisions of the Internal Revenue Code. However, if the tax-exempt organization has any unrelated business taxable income, under the provisions of the Internal Revenue Code, the exemption does not apply to that unrelated business income.

**Citation:** §39-22-112(1), C.R.S.
**Enacted:** 1937

### Tax Expenditure Revenue Impact

| Income Tax Type | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| C Corporation | Data Not Collected | Data Not Collected | Data Not Collected | Data Not Collected |

Source: Not available - this data is not recorded on any form

# Upcoming Expenditures

**ABLE account contribution subtraction**
**Citation:** §39-22-104(4)(i)
**Enacted:** 2022

**Affordable housing in transit-oriented communities credit**
**Citation:** §39-22-5503
**Enacted:** 2024

**Agricultural stewardship credit**
**Citation:** §39-22-561
**Enacted:** 2024

**Aircraft modification for unleaded fuel credit**
**Citation:** §39-22-560
**Enacted:** 2024

**Alternative transportation options credit**
**Citation:** §39-22-509
**Enacted:** 2023

**Apprenticeship credit**
**Citation:** §39-22-562
**Enacted:** 2024

**Clean hydrogen credit**
**Citation:** §39-22-557
**Enacted:** 2023

**Colorado homeless contribution tax credit**
**Citation:** §39-22-548
**Enacted:** 2022

**Community revitalization credit**
**Citation:** §39-22-569
**Enacted:** 2024

**Disability assistance credit**
**Citation:** §39-31-104.5
**Enacted:** 2024

**Electric bicycle credit**
**Citation:** §39-22-555
**Enacted:** 2023

**Electric-powered lawn equipment credit**
**Citation:** §39-22-550
**Enacted:** 2023

**Employer contribution for employee home purchase credit**
**Citation:** §39-22-558
**Enacted:** 2023

**Employer contribution for employee home purchase subtraction**
**Citation:** §39-22-104(4)(bb)
**Enacted:** 2023

**Family affordability credit**
**Citation:** §39-22-130
**Enacted:** 2024

**Food accessibility credit**
**Citation:** §39-22-549
**Enacted:** 2023

**Freight rail use credit**
**Citation:** §39-22-563
**Enacted:** 2024

**Film incentive credit**
**Citation:** §39-22-559
**Enacted:** 2023

**Geothermal energy expenditure credit**
**Citation:** §39-22-552
**Enacted:** 2023

**Geothermal energy production credit**
**Citation:** §39-22-553
**Enacted:** 2023

**Heat pump credit**
**Citation:** §39-22-545
**Enacted:** 2022

**Heat pump and thermal energy network credit**
**Citation:** §39-22-554
**Enacted:** 2023

**Industrial clean energy credit**
**Citation:** §39-22-551
**Enacted:** 2023

**Middle-income housing credit**
**Citation:** §39-22-5403
**Enacted:** 2024

**New employee-owned business credit**
**Citation:** §39-22-542.5
**Enacted:** 2024

**New railroad operator credit**
**Citation:** §39-22-564
**Enacted:** 2024

**Qualified care worker credit**
**Citation:** §39-22-566
**Enacted:** 2024

**Qualifying student tuition and fee credit**
**Citation:** §39-22-570
**Enacted:** 2024

**Quantum facility investment credit**
**Citation:** §39-22-567
**Enacted:** 2024

**Quantum business loan loss reserve credit**
**Citation:** §39-22-568
**Enacted:** 2024

**Residential energy storage systems credit**
**Citation:** §39-22-546
**Enacted:** 2022

**Segal AmeriCorps Education Award subtraction**
**Citation:** §39-22-104(4)(cc)
**Enacted:** 2024

**Sustainable aviation fuel production credit**
**Citation:** §39-22-556
**Enacted:** 2023

**Wildfire mitigation measures credit**
**Citation:** §39-22-543
**Enacted:** 2022

**Workforce shortage credit**
**Citation:** §39-22-565
**Enacted:** 2024

# Summary of Revenue Impacts

## Individual Income Tax Expenditures

| Tax Expenditure Description | 2022 |
|---|---|
| Advanced industry investment credit | $559,178 |
| Affordable housing credit | Data Not Releasable |
| Aircraft manufacturer new employee credit | $4,948 |
| Business personal property credit | $47,808 |
| Certified Colorado disability funding committee license fee credit | $0 |
| Child care center investment credit | $497,750 |
| Child care contribution credit | $29,821,809 |
| Child Care Expenses Credits: | $6,117,164 |
| Child and dependent care expenses credit | Not Itemized - See Child Care Expenses Credits * |
| Low-income child care expenses credit | Not Itemized - See Child Care Expenses Credits * |
| Child tax credit | $89,023,534 |
| Colorado earned income tax credit | $127,014,431 |
| Colorado job growth incentive credit | $676,084 |
| Colorado minimum tax credit † | $4,315,611 |
| Colorado works program credit | $18,275 |
| Credit for conversion costs to an employee-owned business model | $415,938 |
| Credit for tax paid to another state † | $370,805,281 |
| Early childhood educator income tax credit | $14,170,000 |
| Employer child care facility investment credit | $70,827 |
| Employer contribution to employee 529 plan credit | $374,888 |
| Employer paid leave of absence for live organ donation credit | $0 |
| Enterprise zone agricultural processing new employee credit | $16,889 |
| Enterprise zone business facility new employee credit | $1,411,025 |
| Enterprise zone commercial vehicle investment tax credit | $58,086 |
| Enterprise zone contribution credit | $9,817,533 |
| Enterprise zone employee health insurance credit | $136,378 |
| Enterprise zone enhanced rural agricultural processing new employee credit | $6,073 |
| Enterprise zone enhanced rural new employee credit | $327,975 |
| Enterprise zone investment tax credit | $10,051,896 |
| Enterprise zone job training investment tax credit | $700,927 |
| Enterprise zone renewable energy investment tax credit - nonrefundable | $15,934 |

**Continued on page 132**

## Individual Income Tax Expenditures (continued)

| Tax Expenditure Description | 2022 |
|---|---|
| Enterprise zone renewable energy investment tax credit - refundable | $47,179 |
| Enterprise zone research and experimental activities credit | $274,875 |
| Enterprise zone vacant commercial building rehabilitation credit | $258,236 |
| Expanded Colorado earned income tax credit | $3,822,758 |
| Food contributed to hunger relief charitable organizations credit | Data Not Releasable |
| Gross conservation easement credit | $17,916,853 |
| Historic property preservation credit | $73,188 |
| Innovative Motor Vehicle Credits: | $30,314,288 |
| Innovative motor vehicle credit | Not Itemized - See Innovative Motor Vehicle Credits * |
| Innovative truck credit | Not Itemized - See Innovative Motor Vehicle Credits * |
| Long-term care insurance credit | $1,780,938 |
| Plastic recycling investment credit | $2,050 |
| Preservation of historic structures credit | $1,909,380 |
| Remediation of contaminated land credit | $1,947,861 |
| Retrofitting a residence to increase residence's visitability credit | $32,265 |
| Rural and frontier health care preceptor credit | $84,000 |
| Rural Jump-Start Zone Credits: | $184,825 |
| Rural jump-start zone new business credit | Not Itemized - See Rural Jump-Start Zone Credits * |
| Rural jump-start zone new hire credit | Not Itemized - See Rural Jump-Start Zone Credits * |
| School-to-career investment credit | $0 |
| Senior housing income tax credit | $73,938,496 |
| Strategic capital tax credit | Data Not Releasable |
| **Total Credits [1]** | **$799,072,539** |
| Colorado capital gain subtraction | $1,449,939 |
| Colorado marijuana business subtraction | $2,893,207 |
| First-time home buyer savings account interest subtraction | $249 |
| HB 21-1002 subtraction [†] | $527,921 |
| Military retirement benefit subtraction | $4,051,808 |
| Nonresident disaster relief worker subtraction | $53,497 |
| Other Subtractions: | $16,464,420 |
| Catastrophic health insurance subtraction | Not Itemized - See Other Subtractions * |
| Employer matching contributions to an adult learner's individual trust account or savings account subtraction | Not Itemized - See Other Subtractions * |
| Exonerated persons subtraction | Not Itemized - See Other Subtractions * |

**Continued on page 133**

## Individual Income Tax Expenditures (continued)

| Tax Expenditure Description | 2022 |
|---|---|
| Foreign source income of export taxpayers subtraction | Not Itemized - See Other Subtractions * |
| Income from the disposition of assets that have a higher Colorado basis than federal basis subtraction † | Not Itemized - See Other Subtractions * |
| Medical savings account employer contribution subtraction | Not Itemized - See Other Subtractions * |
| Medical savings account subtraction | Not Itemized - See Other Subtractions * |
| Military family relief fund grants subtraction | Not Itemized - See Other Subtractions * |
| Olympic medal income earnings subtraction | Not Itemized - See Other Subtractions * |
| Pension and annuity subtraction | $589,395,098 |
| Previously taxed income or gain subtraction †, 2 | $846,438 |
| Qualifying charitable contribution subtraction | $40,934,551 |
| Reacquisition of Colorado residency during active duty military service subtraction | $157,068 |
| State income tax refund subtraction † | $4,448,558 |
| Tuition program contribution subtraction | $26,357,216 |
| United States government interest subtraction † | $14,537,180 |
| Wildfire mitigation measures subtraction | $137,579 |
| **Total Deductions** | **$702,254,729** |
| **Total Expenditures 1** | **$1,501,327,268** |

Source: Individual Income Tax Booklet (DR 0104) and Property Tax/Rent/Heat Rebate Application (DR 0104PTC)

* For data that is not itemized, an aggregate total is provided in this table if available.

† These expenditures are considered structural tax expenditures. See the Introduction for a definition.

1 "Data Not Releasable" values are included in the total.

2 The values shown here for individuals are data reported on the itemized line for the "PERA/DPSRS Subtraction" on the Individual Income Tax Booklet (DR 0104), which only allows for PERA contributions made in 1984-1986 or Denver Public Schools District No. 1 Retirement contributions made in 1986. Any other types of previously taxed income allowed to be deducted by individuals under this provision [section 39-22-104(4)(c), C.R.S.] can be claimed on the "Other Subtractions" line of the DR 0104 form. Although the Department cannot efficiently disaggregate the previously taxed income from other income allowed to be deducted on the "Other Subtractions" line of the form, this is rare and likely minimal.

## C Corporation Income Tax Expenditures

| Tax Expenditure Description | 2022 |
|---|---|
| Affordable housing credit | $14,250,742 |
| Aircraft manufacturer new employee credit | $0 |
| Business personal property credit | $93,098 |
| Certified Colorado disability funding committee license fee credit | $0 |
| Child care center investment credit | $0 |
| Child care contribution credit | $536,915 |
| Colorado job growth incentive credit | $8,707,127 |
| Colorado works program credit | $0 |
| Credit for conversion costs to an employee-owned business model | $0 |
| Crop and livestock contribution credit | Data Not Releasable |
| Employer child care facility investment credit | $0 |
| Employer contribution to employee 529 plan credit | $11,594 |
| Employer paid leave of absence for live organ donation credit | $0 |
| Enterprise zone agricultural processing new employee credit | Data Not Releasable |
| Enterprise zone business facility new employee credit | $4,046,470 |
| Enterprise zone commercial vehicle investment tax credit | Data Not Releasable |
| Enterprise zone contribution credit | $293,433 |
| Enterprise zone employee health insurance credit | $3,915,589 |
| Enterprise zone enhanced rural agricultural processing new employee credit | Data Not Releasable |
| Enterprise zone enhanced rural new employee credit | $87,204 |
| Enterprise zone investment tax credit | $18,944,090 |
| Enterprise zone job training investment tax credit | $1,368,452 |
| Enterprise zone renewable energy investment tax credit - nonrefundable | Data Not Releasable |
| Enterprise zone renewable energy investment tax credit - refundable | Data Not Releasable |
| Enterprise zone research and experimental activities credit | $932,766 |
| Enterprise zone vacant commercial building rehabilitation credit | $0 |
| Food contributed to hunger relief charitable organizations credit | $0 |
| Gross conservation easement credit | $6,353,232 |
| Historic property preservation credit | $0 |
| Innovative Motor Vehicle Credits: | $3,112,500 |
| Innovative motor vehicle credit | Not Itemized - See Innovative Motor Vehicle Credits * |
| Innovative truck credit | Not Itemized - See Innovative Motor Vehicle Credits * |

Continued on page 135

## C Corporation Income Tax Expenditures (continued)

| Tax Expenditure Description | 2022 |
|---|---|
| New investment tax credit | $209,613 |
| Old investment tax credit | $80,129 |
| Preservation of historic structures credit | $1,560,925 |
| Remediation of contaminated land credit | Data Not Releasable |
| Rural jump-start zone new business credit | Data Not Releasable |
| School-to-career investment credit | Data Not Releasable |
| Strategic capital tax credit | $0 |
| **Total Credits [1]** | **$65,683,859** |
| Colorado corporate net operating loss deduction † | $264,055,569 |
| Colorado marijuana business subtraction | $14,803,068 |
| Foreign source income exclusion | $110,814,509 |
| HB 21-1002 subtraction † | $559,721 |
| Other Subtractions: | $52,612,644 |
| Colorado capital gain subtraction | Not Itemized - See Other Subtractions * |
| Corporate subtraction relating to section 39-22-303(8)(b)(II), C.R.S. † | Not Itemized - See Other Subtractions * |
| Excess oil shale depletion subtraction | Not Itemized - See Other Subtractions * |
| Gain from a qualified sale under threat of condemnation subtraction | Not Itemized - See Other Subtractions * |
| Income from the disposition of assets that have a higher Colorado basis than federal basis subtraction † | Not Itemized - See Other Subtractions * |
| Medical savings account employer contribution subtraction | Not Itemized - See Other Subtractions * |
| Previously taxed income or gain subtraction † | Not Itemized - See Other Subtractions * |
| Ridesharing or mass transit expenses deduction | Not Itemized - See Other Subtractions * |
| Section 78 gross-up subtraction † | Not Itemized - See Other Subtractions * |
| State income tax refund subtraction † | Not Itemized - See Other Subtractions * |
| Wages and salaries not deducted on federal return due to IRC section 280C subtraction † | Not Itemized - See Other Subtractions * |
| United States government interest subtraction † | $22,299,735 |
| **Total Deductions** | **$465,145,244** |
| Insurance companies subject to a gross premiums levy exemption † | Data Not Collected |
| Tax-exempt organizations | Data Not Collected |
| **Total Exemptions** | **Data Not Collected** |
| **Total Expenditures [1, 2]** | **$530,829,103** |

Source: C Corporation Income Tax Booklet (DR 0112)

* For data that is not itemized, an aggregate total is provided in this table if available.

† These expenditures are considered structural tax expenditures. See the Introduction for a definition.

[1] "Data Not Releasable" values are included in the total.

[2] Totals are understated because not all data are collected.

## Fiduciary Income Tax Expenditures

| Tax Expenditure Description | 2022 |
|---|---|
| Business personal property credit | $11,733 |
| Colorado minimum tax credit † | $9,535 |
| Credit for conversion costs to an employee-owned business model | $0 |
| Credit for tax paid to another state † | $9,118,948 |
| Dual resident trust credit † | $66,406 |
| Employer contribution to employee 529 plan credit | $0 |
| Employer paid leave of absence for live organ donation credit | $0 |
| Enterprise zone agricultural processing new employee credit | Data Not Releasable |
| Enterprise zone business facility new employee credit | $5,706 |
| Enterprise zone commercial vehicle investment tax credit | $0 |
| Enterprise zone contribution credit | $10,244 |
| Enterprise zone employee health insurance credit | $7,313 |
| Enterprise zone enhanced rural agricultural processing new employee credit | $0 |
| Enterprise zone enhanced rural new employee credit | $8,044 |
| Enterprise zone investment tax credit | $399,147 |
| Enterprise zone job training investment tax credit | $5,264 |
| Enterprise zone renewable energy investment tax credit - nonrefundable | $0 |
| Enterprise zone renewable energy investment tax credit - refundable | $0 |
| Enterprise zone research and experimental activities credit | $12,001 |
| Enterprise zone vacant commercial building rehabilitation credit | $0 |
| Gross conservation easement credit | $135,646 |
| Innovative Motor Vehicle Credits: | $0 |
| Innovative motor vehicle credit | Not Itemized - See Innovative Motor Vehicle Credits * |
| Innovative truck credit | Not Itemized - See Innovative Motor Vehicle Credits * |
| Other Credits: | $256,515 |
| Advanced industry investment credit | Not Itemized - See Other Credits * |
| Affordable housing credit | Not Itemized - See Other Credits * |
| Aircraft manufacturer new employee credit | Not Itemized - See Other Credits * |
| Certified Colorado disability funding committee license fee credit | Not Itemized - See Other Credits * |

**Continued on page 137**

## Fiduciary Income Tax Expenditures (continued)

| Tax Expenditure Description | 2022 |
|---|---|
| Child care center investment credit | Not Itemized - See Other Credits * |
| Child care contribution credit | Not Itemized - See Other Credits * |
| Colorado job growth incentive credit | Not Itemized - See Other Credits * |
| Colorado works program credit | Not Itemized - See Other Credits * |
| Historic property preservation credit | Not Itemized - See Other Credits * |
| Rural jump-start zone new business credit | Not Itemized - See Other Credits * |
| School-to-career investment credit | Not Itemized - See Other Credits * |
| Preservation of historic structures credit | Data Not Releasable |
| Remediation of contaminated land credit | $0 |
| Strategic capital tax credit | $0 |
| **Total Credits [1]** | **$10,071,292** |
| Colorado marijuana business subtraction | $198 |
| Other Subtractions: | $7,823,765 |
| Colorado capital gain subtraction | Not Itemized - See Other Subtractions * |
| Foreign source income of export taxpayers subtraction | Not Itemized - See Other Subtractions * |
| HB 21-1002 subtraction † | Not Itemized - See Other Subtractions * |
| Income from the disposition of assets that have a higher Colorado basis than federal basis subtraction † | Not Itemized - See Other Subtractions * |
| Medical savings account employer contribution subtraction | Not Itemized - See Other Subtractions * |
| Previously taxed income or gain subtraction † | Not Itemized - See Other Subtractions * |
| State income tax refund subtraction † | Not Itemized - See Other Subtractions * |
| Tuition program contribution subtraction | Not Itemized - See Other Subtractions * |
| United States government interest subtraction † | Not Itemized - See Other Subtractions * |
| **Total Deductions** | **$7,823,963** |
| **Total Expenditures [1]** | **$17,895,255** |

Source: Fiduciary (Estates and Trusts) Income Tax Booklet (DR 0105)

* For data that is not itemized, an aggregate total is provided in this table if available.

† These expenditures are considered structural tax expenditures. See the Introduction for a definition.

[1] "Data Not Releasable" values are included in the total.

## Nonresident Composite Return Income Tax Expenditures

| Tax Expenditure Description | 2022 |
|---|---|
| Advanced industry investment credit | $0 |
| Affordable housing credit | $0 |
| Aircraft manufacturer new employee credit | $0 |
| Business personal property credit | $6,405 |
| Certified Colorado disability funding committee license fee credit | $0 |
| Child care center investment credit | $0 |
| Child care contribution credit | Data Not Releasable |
| Colorado job growth incentive credit | Data Not Releasable |
| Colorado works program credit | $0 |
| Credit for conversion costs to an employee-owned business model | $0 |
| Employer child care facility investment credit | $0 |
| Employer contribution to employee 529 plan credit | $0 |
| Employer paid leave of absence for live organ donation credit | $0 |
| Enterprise zone agricultural processing new employee credit | $0 |
| Enterprise zone business facility new employee credit | Data Not Releasable |
| Enterprise zone commercial vehicle investment tax credit | $0 |
| Enterprise zone contribution credit | $2,752 |
| Enterprise zone employee health insurance credit | $0 |
| Enterprise zone enhanced rural agricultural processing new employee credit | $0 |
| Enterprise zone enhanced rural new employee credit | Data Not Releasable |
| Enterprise zone investment tax credit | Data Not Releasable |
| Enterprise zone job training investment tax credit | $0 |
| Enterprise zone renewable energy investment tax credit - nonrefundable | $0 |
| Enterprise zone renewable energy investment tax credit - refundable | Data Not Releasable |
| Enterprise zone research and experimental activities credit | $0 |
| Enterprise zone vacant commercial building rehabilitation credit | $0 |
| Food contributed to hunger relief charitable organizations credit | $0 |
| Gross conservation easement credit | $0 |
| Historic property preservation credit | $0 |

Continued on page 139

## Nonresident Composite Return Income Tax Expenditures (continued)

| Tax Expenditure Description | 2022 |
|---|---|
| Innovative Motor Vehicle Credits: | $0 |
| Innovative motor vehicle credit | Not Itemized - See Innovative Motor Vehicle Credits * |
| Innovative truck credit | Not Itemized - See Innovative Motor Vehicle Credits * |
| Preservation of historic structures credit | $0 |
| Remediation of contaminated land credit | $0 |
| Rural jump-start zone new business credit | $0 |
| School-to-career investment credit | $0 |
| Strategic capital tax credit | $0 |
| **Total Credits [1]** | **$1,360,068** |
| Colorado marijuana business subtraction | Data Not Releasable |
| Other Subtractions: | Data Not Releasable |
| Colorado capital gain subtraction | Not Itemized - See Other Subtractions * |
| Excess oil shale depletion subtraction | Not Itemized - See Other Subtractions * |
| Foreign source income of export taxpayers subtraction | Not Itemized - See Other Subtractions * |
| Gain from a qualified sale under threat of condemnation subtraction | Not Itemized - See Other Subtractions * |
| Income from the disposition of assets that have a higher Colorado basis than federal basis subtraction † | Not Itemized - See Other Subtractions * |
| Medical savings account employer contribution subtraction | Not Itemized - See Other Subtractions * |
| Tuition program contribution subtraction | Not Itemized - See Other Subtractions * |
| United States government interest subtraction † | Not Itemized - See Other Subtractions * |
| Wages and salaries not deducted on federal return due to IRC section 280C subtraction † | Not Itemized - See Other Subtractions * |
| **Total Deductions [1]** | **$14,285,619** |
| **Total Expenditures [1]** | **$15,645,687** |

Source: Partnership and S Corporation Income Tax Booklet (DR 0106)

* For data that is not itemized, an aggregate total is provided in this table if available.

† These expenditures are considered structural tax expenditures. See the Introduction for a definition.

[1] "Data Not Releasable" values are included in the total.

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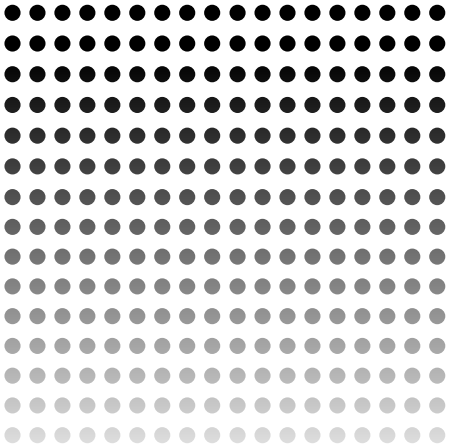
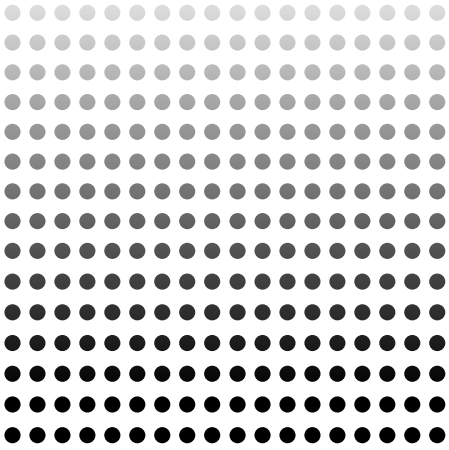


# Chapter 5

## Sales And Use Tax Expenditures



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# Overview

## Total Revenue Impact

This table estimates the revenue impact of a combination of structural and non-structural tax expenditures. Structural tax expenditures are intended to establish the basic structure of a tax provision, whereas non-structural tax expenditures are intended to provide special or selective tax relief to further various public policy goals. For example, wholesale sales are a structural expenditure and constitute about half of the total sales and use tax expenditures.

### Sales and Use Tax Expenditures

| Tax Form | 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|---|
| State Sales Tax Return | $3,749,781,000 | $4,741,633,000 | $5,740,162,019 | $6,543,270,401 |
| Special Event Sales Tax Return | Not Previously Published | Not Previously Published | $371,090 | $397,805 |
| Retailer's Use Tax Return [1] | $1,038,621,000 | $646,964,000 | $359,383,468 | $349,417,157 |
| Claim For Refund | $846,000 | $708,525 | $158,090 | Data Incomplete Until Next Report |
| Aviation Fuel Sales Tax Return | Not Previously Published | Not Previously Published | Not Previously Published | $96,848 |
| **Total [2]** | **$4,789,248,000** | **$5,389,305,525** | **$6,100,074,667** | **$6,893,182,211** |

Source: State Sales Tax Return (DR 0100), State Special Event Sales Tax Return (DR 0098), Retailer's Use Return (DR 0173), Claim for Refund (DR 0137B), Sales/Use Tax Refund for Broadband Equipment (DR 0137C), and Aviation Fuel Sales Tax Return (DR 1510)

[1] Starting with 2019, Retailer's Use expenditures are lower because destination sourcing requirements shifted some retailer's use tax to sales tax.

[2] All totals are understated because some data is not retrievable, data is incomplete until the next report, and expenditure data for Consumer Use Tax is not collected on any form. The 2021 total was updated from the previous report to include Claim for Refund data.

## Net Collections

Net collections reported for a given fiscal year are not necessarily associated with the expenditure data reported by calendar year. Collections data includes tax collections across multiple tax years due to amended, late, and/or corrected tax returns and are net of any refunds received in the accounting period, regardless of the time period for which the refund applied.

### Sales and Use Tax Net Collections

| Fiscal Year (July 1 through June 30) | Net Collections |
|---|---|
| 2016-2017 | $2,978,382,079 |
| 2017-2018 | $3,211,909,477 |
| 2018-2019 | $3,375,463,311 |
| 2019-2020 | $3,412,259,529 |
| 2020-2021 | $3,661,208,300 |
| 2021-2022 | $4,284,869,339 |
| 2022-2023 | $4,607,128,535 |
| 2023-2024 | $4,666,038,655 |

Source: Colorado State Accounting System

## Distributions

With the exception of sales tax from sales of aviation fuel, revenue from state sales and use taxes is first allocated to the Old Age Pension Fund. The Old Age Pension Program provides financial assistance and medical benefits to low-income adults aged 60 or older who meet certain eligibility requirements.

In addition to sales and use taxes, the Old Age Pension Fund is also funded by excise taxes. Pursuant to Article XXIV, Section 2 of the Colorado Constitution, 85% of the revenue from excise taxes (excluding transportation-related excise taxes) is required to be credited to the Old Age Pension Fund. The 15% not initially credited to the Old Age Pension Fund is allocated by the General Assembly among the General Fund, the Older Coloradans Cash Fund, and the Housing Development Grant Fund.

When tax revenue exceeds the amount required to fully fund the Old Age Pension Program, the excess is allocated to the General Fund for spending on general operations at the discretion of the General Assembly.

Sales tax from aviation fuel is credited to the Aviation Fund pursuant to sections 39-27-112 and 43-10-109, C.R.S.

## History

Colorado enacted a state sales tax in 1935 with the passage of the "Emergency Retail Sales Tax Act of 1935." The establishment of the state sales tax was initially enacted during the Great Depression to provide funds to be expended for the purpose of relieving distress and suffering among the indigent unemployable residents of the state. The law was set to expire in 1937. However, legislation was enacted in 1937 that made the sales tax permanent, established a complementary use tax on property and services, and updated the distribution of sales tax revenue to a welfare program that was implemented in 1936, called the State Public Welfare Fund. Thus, the state sales tax was created to support Colorado's welfare system. Today, 85% of all net revenue from sales taxes and use taxes is initially distributed into the Old Age Pension Fund. However, because the Old Age Pension Fund is fully funded, most of the distributions are reallocated to the General Fund for spending on general operations at the discretion of the General Assembly.

The Colorado sales tax and use tax was enacted in 1935 and 1937, respectively—both at a rate of 2%. The rate was adjusted to 3% in July 1965, 3.5% in 1983, and back to 3% in August of 1984. In 2001, the General Assembly decreased the rate to its current rate of 2.9%.

Specific exemptions to Colorado sales tax have gradually been added over time. Other than wholesale sales, the largest state sales tax exemption adopted by the General Assembly was the exemption of food for home consumption, which was enacted in 1979.

The 2018 United States Supreme Court opinion in *South Dakota v. Wayfair* overturned prior Supreme Court decisions precluding states from imposing sales tax collection requirements on retailers who maintained no physical presence within the state. Following the decision, the Colorado General Assembly adopted House Bill 19-1240.

Among other things, House Bill 19-1240 generally required any retailer making sufficient sales in Colorado to collect Colorado state and state-administered local sales taxes, even if the retailer did not maintain a place of business in the state. House Bill 19-1240 also made changes to sales tax sourcing rules, which determine the jurisdiction in which a sale is deemed to take place.

Collectively, these changes mean that more businesses are required to collect sales tax on retail transactions. An increase in sales tax collection will generally cause a reduction in use tax collection, because much of Colorado's use tax revenue originates from retail purchases where sales tax was not collected by the retailer.

## Tax Base

The sales tax is a consumption tax levied on sales of tangible personal property and some specifically listed services. The tax is paid by consumers and collected by vendors on the state's behalf. Generally, vendors file sales tax returns to the Colorado Department of Revenue on a monthly basis, though some vendors file returns quarterly or annually if they collect only a limited amount of sales taxes.

Colorado statute lists five broad categories of sales that are subject to tax and the various exclusions to the broad list. A tax is levied:

**(A)** on the purchase price charged or paid for all retail sales and purchases of tangible personal property, including, in the case of retail sales involving the exchange of property, the fair market value of the property exchanged

**(B)** upon intrastate telephone and telegraph services

**(C)** on commercial consumption of gas and electric services

**(D)** upon the amount paid for food or beverages served or furnished by restaurants, cafes, and similar places of business

**(E)** on the amount charged for the rental of lodging

Use tax is a complement to sales tax. Use tax is due to the state when an individual or business stores, uses, or consumes any tangible personal property in this state on which state sales tax has not been paid. Credit is also allowed for sales taxes lawfully paid to other states.

## Computation of the Tax

**§39-26-105, C.R.S.**
**§39-26-106, C.R.S.**

The Colorado sales and use tax rate is 2.9% on the purchase price paid or charged on all taxable tangible personal property, commodities, and services.

## Methodology

Actual, self-reported data collected on state sales and use tax forms is used to estimate the revenue impacts of sales and use tax expenditures. Data comes from State Sales Tax Returns (DR 0100), State Special Event Sales Tax Returns (DR 0098), Retailer's Use Tax Returns (DR 0173), Claims for Refunds (DR 0137B), and Sales/Use Tax Refund for Broadband Equipment (DR 0137C) forms. Data from state special event returns was added starting with the 2022 Tax Profile and Expenditure Report.

Sales tax expenditures generally take the form of exemptions as they exempt certain sales from tax at the time of the sale. Sales tax exemptions benefit the purchaser, but because

sales tax is collected and remitted by the seller, it is the seller who must report the relevant exemptions when they file their sales tax return. Revenue impacts of expenditures are approximated based upon the amount by which each tax expenditure would reduce tax collections. Revenue impacts in this chapter are typically calculated by multiplying the amount of exempt sales reported on sales and use tax returns by the tax rate, 2.9%.

Sellers report most sales and use tax exemptions on specific lines of state sales and use tax returns. However, many exemptions are not itemized (given their own line) on the returns and are instead reported on the same line as other exemptions. There are other data limitations as well. For example, most itemized exemption data reported on the retailer's use tax return is not stored in a manner that renders it usable for reporting. Additionally, the state special event sales tax return does not itemize expenditures, although any applicable sales tax exemption can be claimed on the form. These limitations are noted throughout the chapter and aggregate data is provided when available.

Data on sales tax expenditures may contain errors, as with all self-reported information. Sellers may report expenditures on incorrect lines. For instance, exempt sales of food for domestic home consumption should be reported on the exemption line for "Sales of food for domestic home consumption and food sold through vending machines" on the state sales tax return. A seller could mistakenly report their sales for this exemption on the "Other exempt sales" line or any other line. To the extent that these errors are present, the revenue impact estimates may be inaccurate.

Most statutory sales tax exemptions have corresponding use tax exemptions. However, for certain exemptions appearing in this report, a note has been added indicating that revenue impact estimates are based solely on amounts reported on the state sales tax return, even though the exemption applies to use tax as well. Because the noted exemptions relate generally to sales transacted in person or locally, they are unlikely to be reported on the retailer's use tax return because generally only out-of-state retailers who sell taxable property into Colorado, but do not collect Colorado sales tax, file the return.

If a sales tax exemption is not claimed or allowed at the time of sale and sales tax is collected, the purchaser may file a claim for refund. Additionally, certain expenditures cannot be claimed as exemptions at the time of the sale and are instead allowed only in the form of a refund that may be claimed directly from the Department. Refunds are allowed in the amounts of state tax previously paid, so no additional calculation is used to estimate the revenue impacts of these expenditures. Expenditure data from refund claims has a two-year lag compared to expenditure data from state sales and use tax returns. For example, 2017 data from state sales and use tax returns were available for the 2018 Tax Profile and Expenditure Report, whereas claim for refund data for 2017 was not available until the 2020 Tax Profile and Expenditure Report.

When sales tax is owed but not collected at the time of purchase, the purchaser is obligated to report and pay the tax due as consumer use tax. Consumers report only the amount of purchases subject to consumer use tax, so expenditure data for consumer use tax is not collected on any form.

# Tax Expenditures

The descriptions of tax expenditures provided in this report (as required by section 39-21-303(2)(a)(III), C.R.S.) attempt to summarize each expenditure in simple and straightforward language. Although the descriptions represent a good-faith effort to provide accurate and complete tax information, the information is not binding on the Colorado Department of Revenue, nor does it replace, alter, or supersede Colorado law and regulations. The Executive Director, who by statute is the only person having the authority to bind the Department, has not formally reviewed and/or approved these descriptions.

## Agricultural operations †

The following are exempt from state sales and use taxes: farm close-out sales of all tangible personal property used in the farming or ranching operation, feed for livestock, seeds for farm operations, orchard trees, and straw and other bedding for use in the care of livestock or poultry.

**Citation:** §39-26-102(4), C.R.S.
§39-26-716(4), C.R.S.
**Enacted:** 1945

### Tax Expenditure Revenue Impact

| Tax Form | 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|---|
| Sales Tax Return | Not Itemized - See Other Deductions * | Not Itemized - See Other Deductions * | Not Itemized - See Exempt Agricultural Sales * | Not Itemized - See Exempt Agricultural Sales * |
| Retailer's Use Return | Not Itemized - See Non-Itemized Expenditures * | Not Itemized - See Non-Itemized Expenditures * | Not Itemized - See Non-Itemized Deductions * | Not Itemized - See Non-Itemized Deductions * |

Source: State Sales Tax Return (DR 0100) and Retailer's Use Return (DR 0173)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

† This expenditure is considered a structural tax expenditure. See the Introduction for a definition.

## Aircraft sold (new or used) to a nonresident

The sale, storage, use, and consumption of new or used aircraft are exempt from state sales and use taxes if the aircraft is sold to a nonresident; the aircraft is removed from the state within 120 days of the sale or 30 days after the completion of maintenance, interior refurbishment, paint, or engine work associated with the sale of the aircraft, whichever is longer; and the aircraft is not in the state more than 73 days in any of the three calendar years following the calendar year the aircraft is removed from the state.

**Citation:** §39-26-711.5(1), C.R.S.
**Enacted:** 2008

### Tax Expenditure Revenue Impact

| Tax Form | 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|---|
| Sales Tax Return | Not Itemized - See Other Deductions * | Not Itemized - See Other Deductions * | Not Itemized - See Other Exempt Sales Schedule A * | Not Itemized - See Other Exempt Sales Schedule A * |
| Retailer's Use Return | Not Effective This Year | Not Effective This Year | Not Itemized - See Non-Itemized Deductions * | Not Itemized - See Non-Itemized Deductions * |

Source: State Sales Tax Return (DR 0100) and Retailer's Use Return (DR 0173)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

## Aircraft used in interstate commerce by commercial airlines and aircraft component parts

The sale, storage, use, or consumption of aircraft used in interstate commerce by a commercial airline and the sale, storage, use, or consumption of tangible personal property that is to be permanently affixed or attached as a component part of an aircraft are exempt from state sales and use taxes.

**Citation:** §39-26-711, C.R.S.
**Enacted:** 1984

### Tax Expenditure Revenue Impact

| Tax Form | 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|---|
| Sales Tax Return | Not Itemized - See Other Deductions * | Not Itemized - See Other Deductions * | Not Itemized - See Other Exempt Sales Schedule A * | Not Itemized - See Other Exempt Sales Schedule A * |
| Retailer's Use Return | Not Itemized - See Non-Itemized Expenditures * | Not Itemized - See Non-Itemized Expenditures * | Not Itemized - See Non-Itemized Deductions * | Not Itemized - See Non-Itemized Deductions * |

Source: State Sales Tax Return (DR 0100) and Retailer's Use Return (DR 0173)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

## Aircraft used outside the state by on-demand air carriers

From July 1, 2014, until June 30, 2019, the sale, storage, use, or consumption of new or used aircraft to an on-demand carrier was exempt from state sales and use taxes if the aircraft remained in the state only for the purpose of final assembly; was removed from the state within 120 days of the sale or 30 days after the completion of maintenance, interior refurbishment, paint, or engine work associated with the sale of the aircraft, whichever was longer; and was not in the state more than 73 days in any of the three calendar years following the calendar year the aircraft was removed from the state.

**Citation:** §39-26-711.8(1), C.R.S.
**Enacted:** 2014

### Tax Expenditure Revenue Impact

| Tax Form | 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|---|
| Sales Tax Return | Not Itemized - See Other Deductions * | Not Itemized - See Other Deductions * | Expired | Expired |
| Retailer's Use Return | Not Itemized - See Non-itemized Expenditures * | Not Itemized - See Non-itemized Expenditures * | Expired | Expired |

Source: State Sales Tax Return (DR 0100) and Retailer's Use Return (DR 0173)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

## Bad debt charged off †

Retailers making sales on credit are generally required to pay the sales tax due for the month of the sale rather than the month in which the account is paid. If an account for which the sales tax has been paid is subsequently found to be worthless and actually charged off for income tax purposes, the retailer may deduct the worthless sale from the gross sales for the month in which the account is charged off. If a charged-off account is subsequently collected by the retailer, the amount collected must be added to gross sales for the month of the collection.

**Citation:** §39-26-102(5), C.R.S.
**Enacted:** 1935

| Tax Form | 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|---|
| Sales Tax Return | Not Previously Published | $8,644,000 | Not Itemized - See Bad Debt and Returns * | Not Itemized - See Bad Debt and Returns * |
| Retailer's Use Return | Not Itemized - See Non-Itemized Expenditures * | Not Itemized - See Non-Itemized Expenditures * | Not Itemized - See Non-Itemized Deductions * | Not Itemized - See Non-Itemized Deductions * |

Source: State Sales Tax Return (DR 0100) and Retailer's Use Return (DR 0173)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

† This expenditure is considered a structural tax expenditure. See the Introduction for a definition.

## Bingo and raffle equipment

The sale, storage, use, or consumption of bingo and raffle equipment by a bingo-raffle licensee is exempt from state sales and use taxes.

**Citation:** §39-26-720, C.R.S.
**Enacted:** 2001

### Tax Expenditure Revenue Impact

| Tax Form | 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|---|
| Sales Tax Return | Not Itemized - See Other Deductions * | Not Itemized - See Other Deductions * | Not Itemized - See Other Exempt Sales Schedule A * | Not Itemized - See Other Exempt Sales Schedule A * |
| Retailer's Use Return | Not Itemized - See Non-Itemized Expenditures * | Not Itemized - See Non-Itemized Expenditures * | Not Itemized - See Non-Itemized Deductions * | Not Itemized - See Non-Itemized Deductions * |

Source: State Sales Tax Return (DR 0100) and Retailer's Use Return (DR 0173)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

## Biotechnology equipment refund

For calendar years 2025 and prior, qualified biotechnology companies are allowed to claim a refund for state sales and use taxes paid for tangible personal property used in Colorado directly and predominately in research and development in biotechnology.

**Citation:** §39-26-402(1), C.R.S.
**Enacted:** 1999

### Tax Expenditure Revenue Impact

| Tax Form | 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|---|
| Claim for Refund | Data Not Releasable | $134,878 | Data Not Releasable | Data Incomplete Until Next Report |

Source: Claim for Refund (DR 0137B)

## Certain materials used in the manufacturing or processing of iron, steel, and uranium-vanadium ores

The sale, storage, use, or consumption of refractory materials and carbon electrodes used in manufacturing iron and steel, and inorganic chemicals used in processing uranium-vanadium ores is exempt from state sales and use taxes.

**Citation:** §39-26-706(3), C.R.S.
**Enacted:** 1982

### Tax Expenditure Revenue Impact

| Tax Form | 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|---|
| Sales Tax Return | Not Itemized - See Other Exemptions * | Not Itemized - See Other Exemptions * | Not Itemized - See Other Exempt Sales Schedule A * | Not Itemized - See Other Exempt Sales Schedule A * |
| Retailer's Use Return | Data Not Retrievable | Data Not Retrievable | Not Itemized - See Non-Itemized Exemptions * | Not Itemized - See Non-Itemized Exemptions * |

Source: State Sales Tax Return (DR 0100) and Retailer's Use Return (DR 0173)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

## Clean technology and medical devices

Qualified clean or medical technology companies were allowed to claim a refund for state sales and use taxes paid on tangible personal property used in Colorado directly and predominately in research and development in clean technology or medical devices. This tax expenditure expired January 1, 2019.

**Citation:** §39-26-403, C.R.S.
**Enacted:** 2009

### Tax Expenditure Revenue Impact

| Tax Form | 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|---|
| Claim for Refund | Not Itemized - See Clean Technology * | Expired | Expired | Expired |

Source: Claim for Refund (DR 0137B)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

## Coins and precious metal bullion

The sale, storage, use, or consumption of precious metal bullion and coins is exempt from state sales and use taxes. Not all numismatic pieces are exempt. Only coins that are or were at one time used as currency or as a medium of exchange in the United States or a foreign country are exempt. Precious metal bullion is exempt only if it has been put through a process of refining and is in such a state or condition that its value depends upon its precious metal content and not its form.

**Citation:** §39-26-706(4), C.R.S.
**Enacted:** 1990

### Tax Expenditure Revenue Impact

| Tax Form | 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|---|
| Sales Tax Return | Not Itemized - See Other Deductions * | Not Itemized - See Other Deductions * | Not Itemized - See Other Exempt Sales Schedule A * | Not Itemized - See Other Exempt Sales Schedule A * |
| Retailer's Use Return | Not Itemized - See Non-Itemized Expenditures * | Not Itemized - See Non-Itemized Expenditures * | Not Itemized - See Non-Itemized Deductions * | Not Itemized - See Non-Itemized Deductions * |

Source: State Sales Tax Return (DR 0100) and Retailer's Use Return (DR 0173)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

## Commercial trucks or trailers licensed out-of-state

The sale, storage, use, or consumption of a new or used commercial truck or trailer that is purchased for use exclusively outside of Colorado or in interstate commerce, that the purchaser attests will be permanently licensed and registered outside of Colorado, and will be removed from the state within 30 days of delivery is exempt from state sales and use taxes.

**Citation:** §39-26-712, C.R.S.
**Enacted:** 1976

### Tax Expenditure Revenue Impact

| Tax Form | 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|---|
| Sales Tax Return | Not Itemized - See Other Deductions * | Not Itemized - See Other Deductions * | Not Itemized - See Sales to Nonresidents * | Not Itemized - See Sales to Nonresidents * |
| Retailer's Use Return | Not Itemized - See Non-Itemized Expenditures * | Not Itemized - See Non-Itemized Expenditures * | Not Itemized - See Non-Itemized Deductions * | Not Itemized - See Non-Itemized Deductions * |

Source: State Sales Tax Return (DR 0100) and Retailer's Use Return (DR 0173)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

## Commercial trucks or trailers previously registered in another state

The storage or use of a new or used commercial truck or trailer is exempt from state use tax if it has been relocated within this state, was used in interstate commerce, and the owner can provide evidence of the vehicle being previously registered in another state for at least six months.

**Citation:** §39-26-712(2)(c), C.R.S.
**Enacted:** 2010

### Tax Expenditure Revenue Impact

| Tax Form | 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|---|
| Not Applicable | Data Not Collected | Data Not Collected | Data Not Collected | Data Not Collected |

Source: Not available - this data is not recorded on any form.

## Commercial vehicles used in interstate commerce refund

Prior to July 1, 2025, a taxpayer may claim a refund of a percentage of all state sales and use taxes paid prior to July 1, 2025, on their purchase, storage, or use of a model year 2010 or newer truck tractor or semitrailer with a gross vehicle weight rating of 54,000 pounds or greater. The refund is calculated based on the specific ownership tax on the vehicle and issued over three years. The maximum amount of the allowable refund is limited by the amount allocated annually pursuant to section 42-1-225, C.R.S.

**Citation:** §39-26-113.5, C.R.S.
**Enacted:** 2009

### Tax Expenditure Revenue Impact

| Tax Form | 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|---|
| Claim for Refund | $0 | $0 | $0 | Data Incomplete Until Next Report |

Source: Claim for Refund (DR 0137B)

## Components used in the production of electricity from a renewable energy source

The sale, storage, use, or consumption of components used in the production of electricity from a renewable energy source, including but not limited to wind, is exempt from state sales and use taxes. Between July 1, 2009, and June 30, 2017, the sale, storage, use, or consumption of components used in solar thermal systems was exempt from state sales and use taxes. Between May 17, 2014, and June 30, 2019, the sale, storage, use, or consumption of components used in a biogas production system for the production of biogas used for sales to a power generator, as a transportation fuel, or as renewable natural gas was exempt from state sales and use taxes.

**Citation:** §39-26-724(1)(a), (1)(b), (1)(c), C.R.S.
**Enacted:** 2008

### Tax Expenditure Revenue Impact

| Tax Form | 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|---|
| Sales Tax Return | $2,284,000 | $6,216,000 | $2,200,253 | $3,445,414 |
| Retailer's Use Return | Data Not Retrievable | Data Not Retrievable | Not Itemized - See Non-Itemized Exemptions * | Not Itemized - See Non-Itemized Exemptions * |

Source: State Sales Tax Return (DR 0100) and Retailer's Use Return (DR 0173)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

## Construction and building materials for tax-exempt projects

The purchase, storage, use, or consumption of construction and building materials by contractors for use in construction projects owned and used by certain governmental entities or qualifying tax-exempt entities is exempt from state sales and use taxes.

**Citation:** §39-26-708(1), (2), C.R.S.
**Enacted:** 1979

### Tax Expenditure Revenue Impact

| Tax Form | 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|---|
| Sales Tax Return | Not Itemized - See Government/ Charitable * | Not Itemized - See Government/ Charitable * | Not Itemized - See Exempt Entities * | Not Itemized - See Sales to Exempt Entities * |
| Retailer's Use Return | Not Itemized - See Non-Itemized Expenditures * | Not Itemized - See Non-Itemized Expenditures * | Not Itemized - See Non-Itemized Deductions * | Not Itemized - See Non-Itemized Deductions * |

Source: State Sales Tax Return (DR 0100) and Retailer's Use Return (DR 0173)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

## Donations by manufacturers to government and tax-exempt organizations

The storage, use, or consumption of a manufactured good, as well as the sale of tangible personal property used as a component part of a manufactured good, that is donated to a government or tax-exempt organization is exempt from state sales and use taxes to the extent that the aggregate value of the goods included in a single donation exceeds $1,000.

**Citation:** §39-26-705(2), C.R.S.
§39-26-713(1)(d), C.R.S.
**Enacted:** 1998

### Tax Expenditure Revenue Impact

| Tax Form | 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|---|
| Not Applicable | Data Not Collected | Data Not Collected | Data Not Collected | Data Not Collected |

Source: Not available - this data is not recorded on any form.

## Energy used for industrial, manufacturing, and similar purposes †

The sale of electricity, coal, gas, fuel oil, steam, coke, or nuclear fuel for use in processing, manufacturing, mining, refining, irrigation, construction, telegraph, telephone, radio communication, street and railroad transportation services, and all industrial uses is considered a wholesale sale and is, therefore, not subject to state sales or use taxes.

**Citation:** §39-26-102(21)(a), C.R.S.
§39-26-715(2)(b), C.R.S.
**Enacted:** 1935

### Tax Expenditure Revenue Impact

| Tax Form | 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|---|
| Sales Tax Return | Not Itemized - See Wholesale * | Not Itemized - See Wholesale * | Not Itemized - See Wholesale * | Not Itemized - See Wholesale Sales * |
| Retailer's Use Return | Not Itemized - See Non-Itemized Expenditures * | Not Itemized - See Non-Itemized Expenditures * | Not Itemized - See Wholesale * | Not Itemized - See Wholesale Sales * |

Source: State Sales Tax Return (DR 0100) and Retailer's Use Return (DR 0173)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

† This expenditure is considered a structural tax expenditure. See the Introduction for a definition.

## Exchanged property allowance

The fair market value of tangible personal property exchanged by a purchaser is excluded from the taxable purchase price if either the exchanged property is to be sold thereafter in the usual course of the retailer's business or the exchanged property is a vehicle and is exchanged for another vehicle and both vehicles are subject to licensing, registration, or certification under Colorado law.

**Citation:** §39-26-102(7)(a), C.R.S.
§39-26-104(1)(b), C.R.S.
**Enacted:** 1941

### Tax Expenditure Revenue Impact

| Tax Form | 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|---|
| Sales Tax Return | Not Previously Published | $72,278,000 | $96,423,798 | $91,458,543 |
| Retailer's Use Return | Not Itemized - See Non-Itemized Expenditures * | Not Itemized - See Non-Itemized Expenditures * | Not Itemized - See Non-Itemized Deductions * | Not Itemized - See Non-Itemized Deductions * |

Source: State Sales Tax Return (DR 0100) and Retailer's Use Return (DR 0173)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

## Farm equipment and parts

The sale, storage, use, or consumption of qualifying farm equipment is exempt from state sales and use taxes. Farm equipment includes implements of husbandry, non-registered tractors used to tow them, and trailers and attachments used with them; dairy equipment used in connection with the production of raw milk; irrigation equipment costing at least $1,000 per unit; and aircraft used for agricultural applications. Farm equipment also includes bailing wire, binders twine, and surface wrap used in a farm operation; and shipping pallets, crates, and aids paid for by a farm operation. Parts used for the maintenance and repair of farm equipment are also exempt. Starting September 1, 2019, identification tags and readers used with any food animals are exempt as well.

**Citation:** §39-26-716(1), (4)(e), (4)(f), C.R.S.
**Enacted:** 1999

### Tax Expenditure Revenue Impact

| Tax Form | 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|---|
| Sales Tax Return | $13,987,000 | $16,278,000 | $16,804,101 | $15,976,549 |
| Retailer's Use Return | Data Not Retrievable | Data Not Retrievable | Not Itemized - See Non-Itemized Exemptions * | Not Itemized - See Non-Itemized Exemptions * |

Source: State Sales Tax Return (DR 0100) and Retailer's Use Return (DR 0173)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

## Food and beverage industry temporary sales tax deduction

Qualifying retailers that operated a hotel-operated restaurant, bar, or catering service or were in any of the following industries were allowed a temporary sales tax deduction to allow them to retain sales tax collected as assistance for revenue lost as a result of the economic disruptions due to COVID-19: the alcoholic beverages drinking places industry, the restaurant and other eating places industry, the mobile food services industry, the catering industry, or the food service contractors industry.

**Citation:** §39-26-105(1.3)
**Enacted:** 2020

### Tax Expenditure Revenue Impact

| Tax Form | 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|---|
| Sales Tax Return | Not Effective This Year | Not Effective This Year | Not Itemized - See Other Exempt Sales Schedule B * | Expired |

Source: State Sales Tax Return (DR 0100)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

## Food for domestic home consumption

The sale, storage, use, or consumption of food for domestic home consumption as defined by 7 U.S.C. sec. 2012(k) is exempt from state sales and use taxes. The exemption does not apply to candy, soft drinks, carbonated water marketed in containers, chewing gum, seeds and plants to grow foods, prepared salads and salad bars, packaged and unpackaged cold sandwiches, deli trays, and hot or cold beverages served in unsealed containers or cups through vending machines or devices.

**Citation:** §39-26-102(4.5), C.R.S.
§39-26-707(1)(e), (1.5), (2)(d), C.R.S.
**Enacted:** 1979

### Tax Expenditure Revenue Impact

| Tax Form | 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|---|
| Sales Tax Return | Not Itemized - See Food * | Not Itemized - See Food * | Not Itemized - See Food * | Not Itemized - See Food * |
| Retailer's Use Return | Data Not Retrievable | Data Not Retrievable | Not Itemized - See Non-Itemized Exemptions * | Not Itemized - See Non-Itemized Exemptions * |

Source: State Sales Tax Return (DR 0100) and Retailer's Use Return (DR 0173)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

## Food for retirement community residents

The sale, storage, use, or consumption of food, food products, snacks, beverages, and meals provided for consumption by residents on the premises of a retirement community are exempt from state sales and use taxes. The sale, storage, use, or consumption of any container, bag, or article for the purpose of packaging, bagging, or use with such food, food products, snacks, beverages, and meals is also exempt from state sales and use taxes.

**Citation:** §39-26-102(4.5), C.R.S.
§39-26-707(1)(f), (2)(e), (2.5), C.R.S.
**Enacted:** 2016

### Tax Expenditure Revenue Impact

| Tax Form | 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|---|
| Sales Tax Return | Not Previously Published | Not Previously Published | Not Itemized - See Other Exempt Sales Schedule A * | Not Itemized - See Other Exempt Sales Schedule A * |
| Retailer's Use Return | Not Previously Published | Not Previously Published | Not Itemized - See Non-Itemized Deductions * | Not Itemized - See Non-Itemized Deductions * |

Source: State Sales Tax Return (DR 0100) and Retailer's Use Return (DR 0173)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

## Food purchased with funds from the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) †, ‡

The sale, storage, use, or consumption of food purchased with funds provided by the federal Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) is exempt from state sales and use taxes.

**Citation:** §39-26-707(1)(b), (2)(g), C.R.S.
**Enacted:** 1987

### Tax Expenditure Revenue Impact

| Tax Form | 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|---|
| Sales Tax Return | Not Itemized - See Other Deductions * | Not Itemized - See Other Deductions * | Not Itemized - See Other Exempt Sales Schedule A * | Not Itemized - See Other Exempt Sales Schedule A * |

Source: State Sales Tax Return (DR 0100)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

† This expenditure is considered a structural tax expenditure. See the Introduction for a definition.

‡ Although this exemption applies to both sales and use taxes, only data from Sales Tax Returns (DR 0100) has been considered in preparing the revenue impact estimate because it is unlikely that this expenditure would ever be reported on a Retailer's Use Tax Return (DR 0173). Please see the Methodology section of this report for additional information.

## Food purchased with Supplemental Nutrition Assistance Program (SNAP) benefits †, ‡

The sale, storage, use, or consumption of food purchased with Supplemental Nutrition Assistance Program (SNAP) benefits is exempt from state sales and use taxes. Federal law and regulation establishes requirements and restrictions regarding the use of SNAP benefits.

**Citation:** §39-26-707(1)(a), (2)(f), C.R.S.
**Enacted:** 1987

### Tax Expenditure Revenue Impact

| Tax Form | 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|---|
| Sales Tax Return | Not Itemized - See Other Deductions * | Not Itemized - See Other Deductions * | Not Itemized - See Other Exempt Sales Schedule A * | Not Itemized - See Other Exempt Sales Schedule A * |

Source: State Sales Tax Return (DR 0100)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

† This expenditure is considered a structural tax expenditure. See the Introduction for a definition.

‡ Although this exemption applies to both sales and use taxes, only data from Sales Tax Returns (DR 0100) has been considered in preparing the revenue impact estimate because it is unlikely that this expenditure would ever be reported on a Retailer's Use Tax Return (DR 0173). Please see the Methodology section of this report for additional information.

## Food service employer-provided meals ‡

The sale, storage, use, or consumption of food or meals provided by restaurants or similar businesses to employees free of charge, or at a reduced charge, is exempt from state sales and use taxes.

**Citation:** §39-26-104(1)(e), C.R.S.
§39-26-707(2)(a), C.R.S.
**Enacted:** 1978

### Tax Expenditure Revenue Impact

| Tax Form | 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|---|
| Sales Tax Return | Not Itemized - See Other Exemptions * | Not Itemized - See Other Exemptions * | Not Itemized - See Other Exempt Sales Schedule A * | Not Itemized - See Other Exempt Sales Schedule A * |

Source: State Sales Tax Return (DR 0100)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

‡ Although this exemption applies to both sales and use taxes, only data from Sales Tax Returns (DR 0100) has been considered in preparing the revenue impact estimate because it is unlikely that this expenditure would ever be reported on a Retailer's Use Tax Return (DR 0173). Please see the Methodology section of this report for additional information.

## Food sold through vending machines

The sale, storage, use, or consumption of food purchased from a vending machine is exempt from state sales and use taxes. However, the exemption does not apply to candy, soft drinks, carbonated water marketed in containers, chewing gum, packaged and unpackaged cold sandwiches, and hot or cold beverages served in unsealed containers.

**Citation:** §39-26-714(2), (3), C.R.S.
**Enacted:** 1999

### Tax Expenditure Revenue Impact

| Tax Form | 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|---|
| Sales Tax Return | Not Itemized - See Food * | Not Itemized - See Food * | Not Itemized - See Food * | Not Itemized - See Food * |
| Retailer's Use Return | Data Not Retrievable | Data Not Retrievable | Not Itemized - See Non-Itemized Exemptions * | Not Itemized - See Non-Itemized Exemptions * |

Source: State Sales Tax Return (DR 0100) and Retailer's Use Return (DR 0173)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

## Fuel and electricity for residential heat, light, and power

The sale, storage, use, or consumption of gas, electricity, coal, fuel oil, wood, or coke for residential use is exempt from state sales and use taxes. Residential use includes powering lights, refrigerators, stoves, water heaters, space heaters, air conditioners, or other domestic items that require power or fuel in a residence.

**Citation:** §39-26-715(1)(a)(II), (2)(c), C.R.S.
**Enacted:** 1979

### Tax Expenditure Revenue Impact

| Tax Form | 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|---|
| Sales Tax Return | $106,074,000 | $106,843,000 | $114,290,369 | $140,232,542 |
| Retailer's Use Return | Data Not Retrievable | Data Not Retrievable | Not Itemized - See Non-Itemized Exemptions * | Not Itemized - See Non-Itemized Exemptions * |

Source: State Sales Tax Return (DR 0100) and Retailer's Use Return (DR 0173)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

## Gasoline, special fuel, and aviation gasoline †

The sale, storage, use, or consumption of gasoline, aviation gasoline, and dyed diesel are exempt from state sales and use tax. The exemption does not apply to aviation jet fuel. Special fuel is exempt from state sales and use taxes if it is used for propelling a motor vehicle on Colorado highways and it is subject to Colorado fuel tax.

**Citation:** §39-26-715(1)(a)(I), (1)(a)(III), (2)(a)(I), (2)(d), C.R.S.
**Enacted:** 1935

### Tax Expenditure Revenue Impact

| Tax Form | 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|---|
| Sales Tax Return | $240,996,000 | $312,909,000 | Not Itemized - See Exempt Fuels * | Not Itemized - See Exempt Fuels * |
| Retailer's Use Return | Not Itemized - See Non-Itemized Expenditures * | Not Itemized - See Non-Itemized Expenditures * | Not Itemized - See Non-Itemized Deductions * | Not Itemized - See Non-Itemized Deductions * |

Source: State Sales Tax Return (DR 0100) and Retailer's Use Return (DR 0173)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

† This expenditure is considered a structural tax expenditure. See the Introduction for a definition.

## Heat pump systems and heat pump water heaters

The sale, storage, and use of heat pump systems and heat pump water heaters that are used in commercial or residential buildings are exempt from state sales and use taxes on and after January 1, 2023, but before December 31, 2023. In general, the purchaser must have certified that the several statutory requirements were met to qualify for the exemption.

**Citation:** §39-26-732, C.R.S.
**Enacted:** 2022

| Tax Form | 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|---|
| Sales Tax Return | Not Effective This Year | Not Effective This Year | Not Effective This Year | Not Itemized - See Other Exempt Sales Schedule B * |
| Retailer's Use Return | Not Effective This Year | Not Effective This Year | Not Effective This Year | Not Itemized - See Non-Itemized Exemptions * |

Source: State Sales Tax Return (DR 0100) and Retailer's Use Return (DR 0173)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

## Historic aircraft on loan for public display

Historic aircraft that meet certain requirements and are loaned for public display, demonstration, educational, or museum promotional purposes are exempt from sales and use taxes.

**Citation:** §39-26-711.9, C.R.S.
**Enacted:** 2017

### Tax Expenditure Revenue Impact

| Tax Form | 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|---|
| Not Applicable | Data Not Collected | Data Not Collected | Data Not Collected | Data Not Collected |

Source: Not available - this data is not recorded on any form.

## Incontinence products and diapers

The sale, storage, use, or consumption of incontinence products and diapers is exempt from state sales and use taxes. The exemption applies to absorbent cloth or disposable products worn by humans who are incapable of, or have difficulty, controlling their bladder or bowel movements.

**Citation:** §39-26-717(2)(n), (3), C.R.S.
**Enacted:** 2022

| Tax Form | 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|---|
| Sales Tax Return | Not Effective This Year | Not Effective This Year | Not Effective This Year | Not Itemized - See Other Exempt Sales Schedule B * |
| Retailer's Use Return | Not Effective This Year | Not Effective This Year | Not Effective This Year | Not Itemized - See Non-Itemized Exemptions * |

Source: State Sales Tax Return (DR 0100) and Retailer's Use Return (DR 0173)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

## Livestock and fish for stocking †

The sale, storage, use, or consumption of livestock, and live fish for stocking purposes, is exempt from state sales and use taxes.

**Citation:** §39-26-102(5.5), C.R.S.
§39-26-716(4)(a), C.R.S.
**Enacted:** 1943

### Tax Expenditure Revenue Impact

| Tax Form | 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|---|
| Sales Tax Return | Not Itemized - See Other Exemptions * | Not Itemized - See Other Exemptions * | Not Itemized - See Exempt Agricultural Sales * | Not Itemized - See Exempt Agricultural Sales * |
| Retailer's Use Return | Data Not Retrievable | Data Not Retrievable | Not Itemized - See Non-Itemized Exemptions * | Not Itemized - See Non-Itemized Exemptions * |

Source: State Sales Tax Return (DR 0100) and Retailer's Use Return (DR 0173)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

† This expenditure is considered a structural tax expenditure. See the Introduction for a definition.

## Lodging for permanent residents

The sale and purchase of any room or accommodations to any natural person who is a permanent resident thereof and who enters into or has entered into a written agreement for occupancy for a period of at least 30 consecutive days is exempt from sales tax.

**Citation:** §39-26-704(3), C.R.S.
**Enacted:** 1959

### Tax Expenditure Revenue Impact

| Tax Form | 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|---|
| Sales Tax Return | Not Itemized - See Other Deductions * | Not Itemized - See Other Deductions * | Not Itemized - See Other Exempt Sales Schedule A * | Not Itemized - See Other Exempt Sales Schedule A * |

Source: State Sales Tax Return (DR 0100)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

## Low-emitting and alternative fuel trucks

Prior to January 1, 2025, the sale, storage, use, or consumption of a qualifying motor vehicle, qualifying power source for any motor vehicle, or qualifying parts used for converting the power source of any motor vehicle was exempt from state sales and use taxes. The exemption applied to heavy-duty trucks that complied with certain emission standards established by the Environmental Protection Agency and motor vehicles with gross vehicle weight ratings greater than 10,000 pounds that ran on CNG, LPG, LNG, hydrogen, or electricity.

**Citation:** §39-26-719(1), (2)(b), C.R.S.
**Enacted:** 1999

### Tax Expenditure Revenue Impact

| Tax Form | 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|---|
| Sales Tax Return | $2,149,000 | $2,219,000 | Data Not Releasable | $452,100 |
| Retailer's Use Return | Data Not Retrievable | Data Not Retrievable | Not Itemized - See Non-Itemized Exemptions * | Not Itemized - See Non-Itemized Exemptions * |

Source: State Sales Tax Return (DR 0100) and Retailer's Use Return (DR 0173)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

## Machinery or machine tools used in manufacturing

The sale, storage, use, or consumption of machinery or machine tools, including parts for machinery or machine tools, in excess of five hundred dollars used in Colorado directly and predominantly in manufacturing tangible personal property, are exempt from state sales and use taxes. The exemption is allowed only for machinery, machine tools, and parts that meet certain requirements and are depreciable and have a useful life of at least one year. Within enterprise zones, however, the exemption is allowed regardless of whether the machinery, machine tools, or parts are capitalized or expensed. The exemption also applies in enterprise zones to machinery and machine tools used in refining, blasting, exploring, mining and mined land reclamation, quarrying for, processing and beneficiation, or otherwise extracting from the earth or from waste or stockpiles or from pits or banks any natural resource.

**Citation:** §39-26-709(1)(a)(II), (1)(a)(IV), (2), C.R.S.
§39-30-106, C.R.S.
**Enacted:** 1979

### Tax Expenditure Revenue Impact

| Tax Form | 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|---|
| Sales Tax Return | $3,603,000 | $6,414,000 | $3,870,163 | $5,432,507 |
| Retailer's Use Return | Data Not Retrievable | Data Not Retrievable | Not Itemized - See Non-Itemized Exemptions * | Not Itemized - See Non-Itemized Exemptions * |

Source: State Sales Tax Return (DR 0100) and Retailer's Use Return (DR 0173)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

## Machinery that comprises a cleanroom

Until June 30, 2017, the sale, storage, and use of machinery in excess of $500 that comprised a cleanroom was exempt from state sales and use taxes when the cleanroom was used to produce hi-tech tangible property. Beginning June 2008 and each June thereafter through June 2016, the availability of the cleanroom equipment exemption for a given fiscal year was contingent upon sufficient revenue growth for the fiscal year. There was not sufficient revenue growth to allow the exemption during the reporting period of this report.

**Citation:** §39-26-722, C.R.S.
**Enacted:** 2007

### Tax Expenditure Revenue Impact

| Tax Form | 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|---|
| Claim for Refund | Not Itemized - See Clean Technology * | Expired | Expired | Expired |

Source: Claim for Refund (DR 0137B)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

## Manufactured homes †

Forty-eight percent of the purchase price of a manufactured home, as defined in section 42-1-102(48.8), C.R.S., is exempt from state sales and use taxes, and any subsequent sale of the manufactured home is fully exempt from state sales and use taxes. Additionally, beginning July 1, 2019, all manufactured homes that meet the definition in section 39-1-102(7.8), C.R.S., are fully exempt from state sales and use tax. Beginning August 10, 2022, the sale, storage, use, or consumption of tiny homes as defined in section 24-32-3302(35) C.R.S., is exempt from state sales and use taxes. Beginning January 1, 2025, modular homes, as defined in section 39-1-102(8.3), C.R.S., and any closed panel system utilized in construction of a factory-built residential structure, as defined in section 24-32-3302(10), C.R.S., are also fully exempt from sales and use tax.

**Citation:** §39-26-721, C.R.S.
**Enacted:** 1973

### Tax Expenditure Revenue Impact

| Tax Form | 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|---|
| Sales Tax Return | Not Itemized - See Other Exemptions * | Not Itemized - See Other Exemptions * | Not Itemized - See Other Exempt Sales Schedule B * | Not Itemized - See Other Exempt Sales Schedule B * |
| Retailer's Use Return | Data Not Retrievable | Data Not Retrievable | Not Itemized - See Non-Itemized Exemptions * | Not Itemized - See Non-Itemized Exemptions * |

Source: State Sales Tax Return (DR 0100) and Retailer's Use Return (DR 0173)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

† This expenditure is considered a structural tax expenditure. See the Introduction for a definition.

## Medical marijuana sold to indigent patients

Sales of medical marijuana are exempt from state sales tax if the patient purchasing the medical marijuana is determined to be indigent for the purposes of waiving the application fee for a medical marijuana registry identification card.

**Citation:** §39-26-726, C.R.S.
**Enacted:** 2010

### Tax Expenditure Revenue Impact

| Tax Form | 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|---|
| Sales Tax Return | Not Itemized - See Prescription drugs, medical equipment, and medical devices; and medical marijuana to indigent patients * | Not Itemized - See Prescription drugs, medical equipment, and medical devices; and medical marijuana to indigent patients * | Not Itemized - See Other Exempt Sales Schedule A * | Not Itemized - See Other Exempt Sales Schedule A * |

Source: State Sales Tax Return (DR 0100)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

## Newspapers and newspaper supplements

Newspapers as defined in section 24-70-102, C.R.S., and any preprinted newspaper supplements that become attached to or inserted in and distributed with newspapers are not subject to state sales and use taxes.

**Citation:** §39-26-102(15)(a)(I), C.R.S.
**Enacted:** 1943

### Tax Expenditure Revenue Impact

| Tax Form | 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|---|
| Sales Tax Return | Not Itemized - See Other Exemptions * | Not Itemized - See Other Exemptions* | Not Itemized - See Wholesale * | Not Itemized - See Other Exempt Sales Schedule A * |
| Retailer's Use Return | Data Not Retrievable | Data Not Retrievable | Not Itemized - See Non-Itemized Exemptions * | Not Itemized - See Non-Itemized Exemptions * |

Source: State Sales Tax Return (DR 0100) and Retailer's Use Return (DR 0173)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

## Newsprint and printer's ink †

The sale, storage, use, or consumption of newsprint and printer's ink are exempt from state sales and use taxes.

**Citation:** §39-26-102(21)(a), C.R.S.
§39-26-705(1), C.R.S.
**Enacted:** 1943

### Tax Expenditure Revenue Impact

| Tax Form | 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|---|
| Sales Tax Return | Not Itemized - See Other Exemptions * | Not Itemized - See Other Exemptions* | Not Itemized - See Wholesale * | Not Itemized - See Wholesale Sales * |
| Special Event Sales Tax Return | Not Previously Published | Not Previously Published | Not Itemized - See Wholesale * | Not Itemized - See Wholesale Sales * |
| Retailer's Use Return | Data Not Retrievable | Data Not Retrievable | Not Itemized - See Non-Itemized Exemptions * | Not Itemized - See Wholesale Sales * |

Source: State Sales Tax Return (DR 0100), State Special Event Sales Tax Return (DR 0098), and Retailer's Use Return (DR 0173)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

† This expenditure is considered a structural tax expenditure. See the Introduction for a definition.

## Period products

The sale, storage, use, or consumption of period products is exempt from state sales and use taxes. The exemption applies to consumer products used to manage menstruation.

**Citation:** §39-26-717(2)(m), C.R.S.
**Enacted:** 2022

### Tax Expenditure Revenue Impact

| Tax Form | 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|---|
| Sales Tax Return | Not Effective This Year | Not Effective This Year | Not Effective This Year | Not Itemized - See Other Exempt Sales Schedule B * |
| Retailer's Use Return | Not Effective This Year | Not Effective This Year | Not Effective This Year | Not Itemized - See Non-Itemized Exemptions * |

Source: State Sales Tax Return (DR 0100) and Retailer's Use Return (DR 0173)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

## Prescription drugs, medical equipment, and medical devices

The sale, storage, use, or consumption of the following items are exempt from state sales and use taxes: prescription drugs dispensed in accordance with a prescription by a practitioner or furnished by a practitioner; insulin in all its forms dispensed pursuant to the direction of a practitioner; glucose for treatment of insulin reactions; urine and blood testing kits and materials; insulin measuring and injecting devices, including hypodermic syringes and needles; prosthetic devices; oxygen delivery equipment and supplies related to oxygen delivery dispensed pursuant to a prescription order; medical, feeding, and disposable supplies, including any related accessories, for incontinence, infusion, enteral nutrition, ostomy, urology, diabetic care, and wound care dispensed pursuant to a prescription order; equipment and related accessories for sleep therapy, inhalation therapy, and electro-therapy dispensed pursuant to a prescription order; durable medical equipment and mobility enhancing equipment dispensed pursuant to a prescription order; nonprescription drugs or materials when furnished by a practitioner as part of professional services provided to a patient; and corrective eyeglasses, contact lenses, or hearing aids.

**Citation:** §39-26-717(2), (3), C.R.S.
**Enacted:** 1965

### Tax Expenditure Revenue Impact

| Tax Form | 2017 [1] | 2019 [1] | 2021 | 2023 |
|---|---|---|---|---|
| Sales Tax Return | $216,130,000 | $253,920,000 | $323,323,629 | $363,969,401 |
| Retailer's Use Return | Not Effective This Year | Not Effective This Year | Not Itemized - See Non-Itemized Deductions * | Not Itemized - See Non-Itemized Deductions * |

Source: State Sales Tax Return (DR 0100) and Retailer's Use Return (DR 0173)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

[1] Total includes medical marijuana sold to indigent patients.

## Property for use in space flight

The sale, storage, use, or consumption of qualified property for use in space flight is exempt from state sales and use taxes. The exemption applies to space vehicles and components thereof, tangible personal property placed or used aboard a space vehicle, and fuel of a quality that is produced, sold, and used exclusively for space flight.

**Citation:** §39-26-728, C.R.S.
**Enacted:** 2014

### Tax Expenditure Revenue Impact

| Tax Form | 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|---|
| Sales Tax Return | $22,000 | $12,000 | Data Not Releasable | $4,777 |
| Retailer's Use Return | Data Not Releasable | Data Not Releasable | Not Itemized - See Non-Itemized Exemptions * | Not Itemized - See Non-Itemized Exemptions * |

Source: State Sales Tax Return (DR 0100) and Retailer's Use Return (DR 0173)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

## Property returned for full refund

A retailer may take credit on their sales tax return for an amount equal to the sale price of property returned by the purchaser when the full sale price thereof and the sales tax paid by the purchaser is refunded whether in cash or by credit.

**Citation:** §39-26-102(5), C.R.S.
**Enacted:** 1935

### Tax Expenditure Revenue Impact

| Tax Form | 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|---|
| Sales Tax Return | Not Previously Published | Not Previously Published | Not Itemized - See Bad Debt and Returns * | Not Itemized - See Bad Debt and Returns * |
| Retailer's Use Return | Not Previously Published | Not Previously Published | Not Itemized - See Non-Itemized Deductions * | Not Itemized - See Non-Itemized Deductions * |

Source: State Sales Tax Return (DR 0100) and Retailer's Use Return (DR 0173)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

## Railroad construction and building materials, equipment, and rolling stock

The sale of construction and building materials to a common carrier by rail operating in interstate or foreign commerce for use by the common carrier in construction and maintenance of its railroad tracks is exempt from state sales tax, but is subject to state use tax. The sale, storage, use, or consumption of tangible personal property affixed or attached as a component part of a locomotive, a freight car, railroad work equipment, or other railroad rolling stock is exempt from state sales and use taxes. The sale, storage, use, or consumption of locomotives, freight cars, railroad work equipment, and other railroad rolling stock for use in interstate commerce by a railroad company is exempt from state sales and use taxes.

**Citation:** §39-26-710, C.R.S.
**Enacted:** 1977

### Tax Expenditure Revenue Impact

| Tax Form | 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|---|
| Sales Tax Return | Not Itemized - See Other Exemptions * | Not Itemized - See Other Exemptions * | Not Itemized - See Other Exempt Sales Schedule A * | Not Itemized - See Other Exempt Sales Schedule A * |
| Retailer's Use Return | Data Not Retrievable | Data Not Retrievable | Not Itemized - See Non-Itemized Exemptions * | Not Itemized - See Non-Itemized Exemptions * |

Source: State Sales Tax Return (DR 0100) and Retailer's Use Return (DR 0173)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

## Residential energy storage systems

The sale, storage, and use of energy storage systems that are used in a residential dwelling are exempt from state sales and use taxes. The exemption applies to any commercially available, customer-sited system, including batteries and the batteries paired with on-site generation, that is capable of retaining, storing, and delivering energy by chemical, thermal, mechanical, or other means. The exemption is set to expire January 1, 2033.

**Citation:** §39-26-733, C.R.S.
**Enacted:** 2022

### Tax Expenditure Revenue Impact

| Tax Form | 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|---|
| Sales Tax Return | Not Effective This Year | Not Effective This Year | Not Effective This Year | Not Itemized - See Other Exempt Sales Schedule B * |
| Retailer's Use Return | Not Effective This Year | Not Effective This Year | Not Effective This Year | Not Itemized - See Non-Itemized Exemptions * |

Source: State Sales Tax Return (DR 0100) and Retailer's Use Return (DR 0173)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

## Retail marijuana, retail marijuana products, and retail marijuana concentrates †, ‡

The sale, storage, use, or consumption of retail marijuana that is subject to the retail marijuana sales tax imposed pursuant to section 39-28.8-202, C.R.S., is exempt from state sales and use taxes.

**Citation:** §39-26-729, C.R.S.
**Enacted:** 2017

### Tax Expenditure Revenue Impact

| Tax Form | 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|---|
| Sales Tax Return | Not Itemized - See Other Exemptions * | Not Itemized - See Other Exemptions * | $51,799,109 | $38,699,389 |

Source: State Sales Tax Return (DR 0100)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

† This expenditure is considered a structural tax expenditure. See the Introduction for a definition.

‡ Although this exemption applies to both sales and use taxes, only data from Sales Tax Returns (DR 0100) has been considered in preparing the revenue impact estimate because it is unlikely that this expenditure would ever be reported on a Retailer's Use Tax Return (DR 0173). Please see the Methodology section of this report for additional information.

## Rural broadband equipment refund

For calendar years 2026 and prior, a broadband provider is allowed to claim a refund for state sales and use taxes paid on equipment used in providing broadband service in a qualified rural target area. The total amount of all refunds is limited to $1,000,000 per calendar year.

**Citation:** §39-26-129, C.R.S.
**Enacted:** 2014

### Tax Expenditure Revenue Impact

| Tax Form | 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|---|
| Claim for Refund | $0 | $0 | $0 | Data Incomplete Until Next Report |

Source: Sales/Use Tax Refund for Broadband Equipment (DR 0137C)

## Rural Jump-Start Zone Program sales and use tax refund

Each new business that has been approved by the Colorado Economic Development Commission for participation in the Rural Jump-Start Zone Program may claim a refund for all state sales and use taxes paid on the purchase of tangible personal property acquired by the new business and used exclusively within the rural jump-start zone. The new business is eligible for refunds for four consecutive years beginning with the date the commission approved the new business for participation in the Rural Jump-Start Zone Program and during any additional extension granted by the commission.

**Citation:** §39-30.5-105(3), C.R.S.
**Enacted:** 2015

### Tax Expenditure Revenue Impact

| Tax Form | 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|---|
| Claim for Refund | $0 | $0 | $0 | Data Incomplete Until Next Report |

Source: Claim for Refund (DR 0137B)

## Sales by charitable organizations

Sales by a charitable organization are exempt from sales tax if the net proceeds from the organization's annual sales do not exceed certain thresholds and if the net proceeds raised by the charitable organization through these sales are retained by the organization to be used in the course of the organization's charitable service. The storage, use, or consumption of an item that qualifies for this sales tax exemption is also exempt from state use tax.

**Citation:** §39-26-718(1)(b), (2), C.R.S.
**Enacted:** 1995

### Tax Expenditure Revenue Impact

| Tax Form | 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|---|
| Sales Tax Return | Not Itemized - See Other Exemptions * | Not Itemized - See Other Exemptions * | Not Itemized - See Exempt School and Charitable Sales * | Not Itemized - See Sales by Schools and Charitable Organizations * |
| Retailer's Use Return | Not Effective This Year | Not Effective This Year | Not Itemized - See Non-Itemized Exemptions * | Not Itemized - See Non-Itemized Exemptions * |

Source: State Sales Tax Return (DR 0100) and Retailer's Use Return (DR 0173)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

## Sales made by schools and school organizations ‡

Two separate, but similar exemptions are allowed for sales made by schools and school organizations. First, a sale by an association or organization of parents and teachers of public school students that is a charitable organization is exempt from state sales tax if the association or organization uses the funds raised through the sale for the benefit of a public school or an organized public school activity or to pay the reasonable expenses of the association or organization. Second, sales made by schools and certain school-related entities or organizations are exempt from state sales tax if the proceeds of the sales, less the actual cost of the goods and services, are donated to a school or school-approved student organization. To qualify for exemption, the sales must be made by a school; an association or organization of parents and school teachers; a booster club or other club, group, or organization whose primary purpose is to support a school activity; a school class; or a student club, group, or organization. The storage, use, or consumption of an item that qualifies for either of these sales tax exemptions is also exempt from state use tax.

**Citation:** §39-26-718(1)(c), (2), C.R.S.
§39-26-725(2), (4), C.R.S.
**Enacted:** 2008

### Tax Expenditure Revenue Impact

| Tax Form | 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|---|
| Sales Tax Return | $1,174,000 | $983,000 | Not Itemized - See Exempt School and Charitable Sales * | Not Itemized - See Sales by Schools and Charitable Organizations * |

Source: State Sales Tax Return (DR 0100)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

‡ Although this exemption applies to both sales and use taxes, only data from Sales Tax Returns (DR 0100) has been considered in preparing the revenue impact estimate because it is unlikely that this expenditure would ever be reported on a Retailer's Use Tax Return (DR 0173). Please see the Methodology section of this report for additional information.

## Sales of computer software that is not subject to sales and use taxes

Computer software is not subject to state sales and use taxes under any of the following conditions: it is not prepackaged for repeated sale or license, its use is not governed by a tear-open nonnegotiable license agreement, it is provided through an application service provider, it is delivered by electronic computer software delivery, or it is transferred by load-and-leave computer software delivery.

**Citation:** §39-26-102(15)(c)(I), C.R.S
**Enacted:** 2012

### Tax Expenditure Revenue Impact

| Tax Form | 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|---|
| Sales Tax Return | Not Itemized - See Other Deductions * | Not Itemized - See Other Deductions * | $8,843,426 | $13,973,094 |
| Retailer's Use Return | Not Itemized - See Non-Itemized Expenditures * | Not Itemized - See Non-Itemized Expenditures * | Not Itemized - See Non-Itemized Deductions * | Not Itemized - See Non-Itemized Deductions * |

Source: State Sales Tax Return (DR 0100) and Retailer's Use Return (DR 0173)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

## Sales of motor vehicles for use by nonresidents outside Colorado

The sale of a new or used automobile to a nonresident of Colorado for use outside the state of Colorado is exempt from state sales tax.

**Citation:** §39-26-113(5)(a), C.R.S.
**Enacted:** 1977

### Tax Expenditure Revenue Impact

| Tax Form | 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|---|
| Sales Tax Return | Not Itemized - See Other Deductions * | Not Itemized - See Other Deductions * | Not Itemized - See Sales to Nonresidents * | Not Itemized - See Sales to Nonresidents * |

Source: State Sales Tax Return (DR 0100)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

## Sales to charitable organizations

Sales to charitable organizations in the conduct of their regular charitable functions and activities are exempt from state sales tax. Charitable organizations are defined by section 39-26-102(2.5), C.R.S., in a manner similar tax-exempt entities under section 501(c)(3) of the Internal Revenue Code and also includes veterans' organization registered under section 501 (c)(19). Prior to July 1, 2018, sales made to qualifying veterans' organizations were exempt only if the purchases were for a special event, meeting, or other function that was not part of the organization's regular activities. The storage, use, or consumption of an item that qualifies for this sales tax exemption is also exempt from state use tax.

**Citation:** §39-26-102(2.5) C.R.S.
§39-26-718(1)(a), C.R.S.
§39-26-713(2)(d), C.R.S.

**Enacted:** 1935

### Tax Expenditure Revenue Impact

| Tax Form | 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|---|
| Sales Tax Return | Not Itemized - See Government/ Charitable * | Not Itemized - See Government/ Charitable * | Not Itemized - See Exempt Entities * | Not Itemized - See Sales to Exempt Entities * |
| Retailer's Use Return | Not Itemized - See Non-Itemized Expenditures * | Not Itemized - See Non-Itemized Expenditures * | Not Itemized - See Non-Itemized Deductions * | Not Itemized - See Non-Itemized Deductions * |
| Aviation Fuel Sales Tax Return | Not Previously Published | Not Previously Published | Not Previously Published | Not Itemized - See Aviation Fuel Exemptions * |

Source: State Sales Tax Return (DR 0100), Retailer's Use Return (DR 0173), and Aviation Fuel Sales Tax Return (DR 1510)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

## Sales to governmental entities †

Sales to the United States government and the state of Colorado, its departments and institutions, and its political subdivisions (county and local governments, school districts, and special districts) in their governmental capacities only are exempt from state sales tax. The storage, use, or consumption of an item that qualifies for this sales tax exemption is also exempt from state use tax.

**Citation:** §39-26-704(1), C.R.S.
§39-26-713(2)(d), C.R.S.
**Enacted:** 1937

### Tax Expenditure Revenue Impact

| Tax Form | 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|---|
| Sales Tax Return | Not Itemized - See Government/ Charitable * | Not Itemized - See Government/ Charitable * | Not Itemized - See Exempt Entities * | Not Itemized - See Sales to Exempt Entities * |
| Retailer's Use Return | Not Itemized - See Non-Itemized Expenditures * | Not Itemized - See Non-Itemized Expenditures * | Not Itemized - See Non-Itemized Deductions * | Not Itemized - See Non-Itemized Deductions * |
| Aviation Fuel Sales Tax Return | Not Previously Published | Not Previously Published | Not Previously Published | Not Itemized - See Aviation Fuel Exemptions * |

Source: State Sales Tax Return (DR 0100), Retailer's Use Return (DR 0173), and Aviation Fuel Sales Tax Return (DR 1510)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

† This expenditure is considered a structural tax expenditure. See the Introduction for a definition.

## Sales to housing authorities and projects owned by housing authorities †

City, county, and multijurisdictional housing authorities are exempt from state sales and use taxes. Additionally, a project is exempt from state sales and use taxes while it is under construction if it is owned by, leased to, or under construction by an entity that is wholly owned by an authority, an entity in which an authority has an ownership interest, or an entity in which an entity wholly owned by an authority or of which an authority is the sole member has an ownership interest.

**Citation:** §39-26-704(1.5), C.R.S.
**Enacted:** 2016

### Tax Expenditure Revenue Impact

| Tax Form | 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|---|
| Sales Tax Return | Not Itemized - See Government/ Charitable * | Not Itemized - See Government/ Charitable * | Not Itemized - See Exempt Entities * | Not Itemized - See Sales to Exempt Entities * |
| Retailer's Use Return | Not Itemized - See Non-Itemized Expenditures * | Not Itemized - See Non-Itemized Expenditures * | Not Itemized - See Non-Itemized Deductions * | Not Itemized - See Non-Itemized Deductions * |

Source: State Sales Tax Return (DR 0100) and Retailer's Use Return (DR 0173)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

† This expenditure is considered a structural tax expenditure. See the Introduction for a definition.

## Sales to residents of bordering states that do not impose sales tax

A sale to a resident of a bordering state was exempt from state sales tax if the sale occurred within 20 miles of the Colorado border and the bordering state did not impose or levy a retail sales tax on the sale, as long as the resident of the bordering state was in Colorado for the express purpose of making purchases and not as a tourist. This exemption was repealed effective September 14, 2020.

**Citation:** §39-26-704(2), C.R.S.
**Enacted:** 1963

### Tax Expenditure Revenue Impact

| Tax Form | 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|---|
| Sales Tax Return | $0 | $0 | Expired | Expired |

Source: State Sales Tax Return (DR 0100)

## Sales to schools

Sales to schools, other than schools held or conducted for private or corporate profit, are exempt from state sales taxes. The exemption is allowed only to educational institutions having a curriculum comparable to grade, grammar, junior high, high school, or college, or any combination thereof, requiring daily attendance, having an enrollment of at least forty students, and charging a tuition fee.

**Citation:** §39-26-102(13), C.R.S.
§39-26-704(4), C.R.S.
**Enacted:** 1969

### Tax Expenditure Revenue Impact

| Tax Form | 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|---|
| Sales Tax Return | Not Itemized - See Government/ Charitable * | Not Itemized - See Government/ Charitable * | Not Itemized - See Exempt Entities * | Not Itemized - See Sales to Exempt Entities * |

Source: State Sales Tax Return (DR 0100)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

## Special fuel for farm vehicles

The sale, storage, use, or consumption of special fuel is exempt from state sales and use taxes when it is used to operate farm vehicles when they are being used on farms or ranches. Special fuel that may qualify for this exemption includes diesel engine fuel, kerosene, liquefied petroleum gas, and natural gas but not gasoline.

**Citation:** §39-26-716(4)(d), C.R.S.
**Enacted:** 1977

### Tax Expenditure Revenue Impact

| Tax Form | 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|---|
| Sales Tax Return | Not Itemized - See Other Deductions * | Not Itemized - See Other Deductions * | Not Itemized - See Exempt Fuels * | Not Itemized - See Exempt Fuels * |
| Retailer's Use Return | Not Itemized - See Non-Itemized Expenditures * | Not Itemized - See Non-Itemized Expenditures * | Not Itemized - See Non-Itemized Deductions * | Not Itemized - See Non-Itemized Deductions * |

Source: State Sales Tax Return (DR 0100) and Retailer's Use Return (DR 0173)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

## Tangible personal property that is leased, complimentary, or for testing †

The lease of tangible personal property for three years or less is exempt from state sales tax if the lessor paid Colorado sales or use on its acquisition. Prior to January 1, 2023, property that was provided free-of-charge by a supplier to an out-of-state vendor for use in selling the supplier's products was exempt from state sales and use taxes. The sale, storage, use, or consumption of tangible personal property for testing, modification, inspection, or similar type of activity in the state is exempt from sales and use taxes if the ultimate use of the property in manufacturing or similar type of activity occurs outside of this state and if the testing, modification, or inspection period does not exceed 90 days.

**Citation:** §39-26-713(1)(a), (1)(b), (1)(c), (2)(i), (2)(j), C.R.S.
**Enacted:** 1977

### Tax Expenditure Revenue Impact

| Tax Form | 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|---|
| Sales Tax Return | Not Itemized - See Other Deductions * | Not Itemized - See Other Deductions * | Not Itemized - See Other Exempt Sales Schedule A * | Not Itemized - See Other Exempt Sales Schedule A * |
| Retailer's Use Return | Not Itemized - See Non-Itemized Expenditures * | Not Itemized - See Non-Itemized Expenditures * | Not Itemized - See Non-Itemized Deductions * | Not Itemized - See Non-Itemized Deductions * |

Source: State Sales Tax Return (DR 0100) and Retailer's Use Return (DR 0173)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

† This expenditure is considered a structural tax expenditure. See the Introduction for a definition.

## Tribal exemption †, 1

Sales of tangible personal property and services to the Southern Ute Indian Tribe, Ute Mountain Ute Tribe or an enrolled member of either tribe are exempt from state sales tax if the vendor is located on the Southern Ute Indian Reservation or the Reservation of the Ute Mountain Ute Tribe or if the property or service is delivered by a vendor outside the reservation and received by the tribe or enrolled tribal member on the reservation. The storage, use, or consumption of property, other than motor vehicles, that qualifies for this state sales tax exemption is also exempt from state use tax. The sale, storage, use, or consumption of a motor vehicle to a Ute Indian Tribe or tribal member is exempt from state sales and use taxes if the motor vehicle is to be registered to an address on a reservation.

**Citation:** §39-26-727, C.R.S.
**Enacted:** 2014

### Tax Expenditure Revenue Impact

| Tax Form | 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|---|
| Sales Tax Return | Not Itemized - See Other Deductions * | Not Itemized - See Other Deductions * | Not Itemized - See Other Exempt Sales Schedule A * | Not Itemized - See Other Exempt Sales Schedule A * |
| Retailer's Use Return | Not Itemized - See Non-Itemized Expenditures * | Not Itemized - See Non-Itemized Expenditures * | Not Itemized - See Non-Itemized Deductions * | Not Itemized - See Non-Itemized Deductions * |

Source: State Sales Tax Return (DR 0100) and Retailer's Use Return (DR 0173)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

† This expenditure is considered a structural tax expenditure. See the Introduction for a definition.

[1] The amount claimed for this expenditure is an underestimate of the total.

## Vendor fee

A vendor may retain a portion of the sales tax they collect to cover the vendor's expense in the collection and remittance of the tax if the vendor remits the tax due to the Department by the applicable due date. The vendor fee allowed to retailers has been amended multiple times since its original enactment. For sales made prior to January 1, 2020, the amount that may be retained by the retailer is 3.33% of the tax due. For sales made on or after January 1, 2020, the amount that may be retained by a retailer increased to 4% of the tax due, but the amount a retailer may retain for any filing period is limited to $1,000. Beginning January 1, 2022, a retailer is not permitted to retain any vendor's fee for any filing period that the retailer's total taxable sales were greater than $1,000,000. For sales made during calendar year 2023 only, if the retailer's total taxable sales for the filing period are less than or equal to $100,000, the service fee is equal to 5.3% of the state sales tax due for the period.

**Citation:** §39-26-105(1)(c), (1)(d), C.R.S.
**Enacted:** 1935

### Tax Expenditure Revenue Impact

| Tax Form | 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|---|
| Sales Tax Return | $95,676,000 | $107,884,000 | $65,621,302 | $62,401,104 |
| Special Event Sales Tax Return | Not Previously Published | Not Previously Published | $75,248 | $153,260 |
| Retailer's Use Return | $5,750,000 | Data Not Releasable | $1,916,904 | $1,443,323 |
| Aviation Fuel Sales Tax Return | Not Previously Published | Not Previously Published | Not Previously Published | $96,848 |

Source: State Sales Tax Return (DR 0100), State Special Event Sales Tax Return (DR 0098), Retailer's Use Return (DR 0173), and Aviation Fuel Sales Tax Return (DR 1510)

## Waste tire fee

The collection of the waste tire fee pursuant to section 30-20-1403, C.R.S., is exempt from state sales tax.

**Citation:** §39-26-706(5), C.R.S.
**Enacted:** 2010

### Tax Expenditure Revenue Impact

| Tax Form | 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|---|
| Sales Tax Return | Not Previously Published | Not Previously Published | Not Itemized - See Other Exempt Sales Schedule A * | Not Itemized - See Other Exempt Sales Schedule A * |

Source: State Sales Tax Return (DR 0100)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

## Wholesale sales (agricultural) †

The following are deemed to be wholesale sales and therefore are not subject to state sales and use taxes: semen for agricultural or ranching purposes; agricultural compounds used in caring for livestock; spray adjuvants used in caring for livestock or in the production of agricultural commodities; pesticides registered by the Colorado Commissioner of Agriculture, used in the production of agricultural and livestock products, and purchased from a dealer licensed under section 35-9-115, C.R.S.; and fertilizer used in the production of agricultural commodities.

**Citation:** §39-26-102(19)(c), (19)(d), (19)(e), (19)(f), (19)(g), C.R.S.
**Enacted:** 2012 and 2019

### Tax Expenditure Revenue Impact

| Tax Form | 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|---|
| Sales Tax Return | $11,398,000 | $21,649,000 | Not Itemized - See Exempt Agricultural Sales * | Not Itemized - See Exempt Agricultural Sales * |
| Retailer's Use Return | Not Itemized - See Non-Itemized Expenditures * | Not Itemized - See Non-Itemized Expenditures * | Not Itemized - See Non-Itemized Deductions * | Not Itemized - See Non-Itemized Deductions * |

Source: State Sales Tax Return (DR 0100) and Retailer's Use Return (DR 0173)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

† This expenditure is considered a structural tax expenditure. See the Introduction for a definition.

## Wholesale sales including ingredients and components parts †

Wholesale sales are not subject to state sales and use taxes. Also, a lessor of tangible personal property leased for a period of three years or less can acquire the property free of sales or use tax if the lessor if the Department grants the lessor permission to collect sales tax on all lease payments received on the property. Additionally, sales of the following items are deemed to be wholesale sales and are therefore exempt from sales and use taxes: pre-press preparation printing materials; tangible personal property that becomes an ingredient or component part of a product or service being manufactured, compounded, or furnished, and the container or packaging thereof; and tangible personal property that becomes an integral part of food. The sale, storage, use, or consumption of tangible personal property sold with or used to package or bag food, a meal, or a beverage is exempt from state sales and use taxes if such property is essential to and becomes property of the consumer and a separate charge is not made to the consumer for such property.

**Citation:** §39-26-102(19)(a), (19)(b), C.R.S.
§39-26-102(20), C.R.S.
§39-26-707(1)(c), (1)(d), (2)(b), (2)(c), C.R.S.
§39-26-713(1)(a), (2)(b), (2)(e), C.R.S.
**Enacted:** 1935, 1977, and 1978

### Tax Expenditure Revenue Impact

| Tax Form | 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|---|
| Sales Tax Return | Not Itemized - See Wholesale * | Not Itemized - See Wholesale * | Not Itemized - See Wholesale * | Not Itemized - See Wholesale Sales * |
| Special Event Sales Tax Return | Not Previously Published | Not Previously Published | Not Itemized - See Wholesale * | Not Itemized - See Wholesale Sales * |
| Retailer's Use Return | Not Itemized - See Non-itemized Expenditures * | Not Itemized - See Wholesale * | Not Itemized - See Wholesale * | Not Itemized - See Wholesale Sales * |
| Aviation Fuel Sales Tax Return | Not Previously Published | Not Previously Published | Not Previously Published | Not Itemized - See Aviation Fuel Exemptions * |

Source: State Sales Tax Return (DR 0100), State Special Event Sales Tax Return (DR 0098), Retailer's Use Return (DR 0173), and Aviation Fuel Sales Tax Return (DR 1510)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

† This expenditure is considered a structural tax expenditure. See the Introduction for a definition.

## Wildfire disaster rebuilding refund

Qualified homeowners may claim a refund for sales and use taxes on construction and building materials used directly in rebuilding or repairing a qualified residential structure that was damaged or destroyed by a wildfire that was declared a disaster emergency by the Governor on or after January 1, 2020, but before January 1, 2023. A refund is allowed only if the replacement cost of the qualified residential structure exceeds the homeowner's coverage under any insurance policy associated with the structure. The amount of the refund is based on the cost amount used to collect estimated local use tax in connection with the issuance of a building permit. If no estimated use tax has been collected, the refund amount is based on half of the total contract price or total cost for rebuilding or repairing the qualified residential structure.

**Citation:** §39-26-734
**Enacted:** 2023

### Tax Expenditure Revenue Impact

| Tax Form | 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|---|
| Claim for Refund | Not Effective This Year | Not Effective This Year | Data Not Releasable | Data Incomplete Until Next Report |

Source: Claim for Refund (DR 0137B)

## Wood from salvaged trees killed or infested in Colorado by certain beetles

From July 1, 2008, through June 30, 2020, and from July 1, 2021, through June 30, 2026, the sale, storage, use, or consumption of wood salvaged from Colorado trees that have been killed or infested by certain beetles is exempt from state sales and use taxes. This exemption applies to products produced from salvaged trees, including, but not limited to, lumber, furniture, wood chips, or wood pellets.

**Citation:** §39-26-723(1), C.R.S.
**Enacted:** 2008, 2021

### Tax Expenditure Revenue Impact

| Tax Form | 2017 | 2019 | 2021 | 2023 |
|---|---|---|---|---|
| Sales Tax Return | Not Itemized - See Other Exemptions * | Not Itemized - See Other Exemptions * | Not Itemized - See Other Exempt Sales Schedule B * | Not Itemized - See Other Exempt Sales Schedule B * |
| Retailer's Use Return | Data Not Retrievable | Data Not Retrievable | Not Itemized - See Non-Itemized Exemptions * | Not Itemized - See Non-Itemized Exemptions * |

Source: State Sales Tax Return (DR 0100) and Retailer's Use Return (DR 0173)

* For data that is not itemized, an aggregate total is provided if available. See the Summary of Revenue Impacts tables at the end of the chapter to find the aggregate total for the most recent year. See prior reports for prior year aggregate totals.

# Upcoming Expenditures

**Decarbonizing building materials**
**Citation:** §39-26-731, C.R.S.
**Enacted:** 2022

# Summary of Revenue Impacts

## Sales Tax Expenditures

| Tax Expenditure Description | 2023 |
|---|---|
| Bad Debt and Returns: | $17,331,489 |
| Bad debt charged off † | Not Itemized - See Bad Debt and Returns * |
| Property returned for full refund | Not Itemized - See Bad Debt and Returns * |
| Components used in the production of electricity from a renewable energy source | $3,445,414 |
| Exchanged property allowance | $91,458,543 |
| Exempt Agricultural Sales: | $23,097,499 |
| Agricultural operations † | Not Itemized - See Exempt Agricultural Sales * |
| Livestock and fish for stocking † | Not Itemized - See Exempt Agricultural Sales * |
| Wholesale sales (agricultural) † | Not Itemized - See Exempt Agricultural Sales * |
| Exempt Fuels: | $321,990,123 |
| Gasoline, special fuel, and aviation gasoline † | Not Itemized - See Exempt Fuels * |
| Special fuel for farm vehicles | Not Itemized - See Exempt Fuels * |
| Farm equipment and parts | $15,976,549 |
| Food: | $477,607,006 |
| Food for domestic home consumption | Not Itemized - See Food * |
| Food sold through vending machines | Not Itemized - See Food * |
| Fuel and electricity for residential heat, light, and power | $140,232,542 |
| Low-emitting and alternative fuel trucks | $452,100 |
| Machinery or machine tools used in manufacturing | $5,432,507 |
| Other Exempt Sales Schedule A: | $554,195,679 |
| Aircraft sold (new or used) to a nonresident | Not Itemized - See Other Exempt Sales Schedule A * |
| Aircraft used in interstate commerce by commercial airlines and aircraft component parts | Not Itemized - See Other Exempt Sales Schedule A * |
| Bingo and raffle equipment | Not Itemized - See Other Exempt Sales Schedule A * |

**Continued on page 192**

## Sales Tax Expenditures (continued)

| Tax Expenditure Description | 2023 |
|---|---|
| Certain materials used in the manufacturing or processing of iron, steel, and uranium-vanadium ores | Not Itemized - See Other Exempt Sales Schedule A * |
| Coins and precious metal bullion | Not Itemized - See Other Exempt Sales Schedule A * |
| Food for retirement community residents | Not Itemized - See Other Exempt Sales Schedule A * |
| Food purchased with funds from the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) † | Not Itemized - See Other Exempt Sales Schedule A * |
| Food purchased with Supplemental Nutrition Assistance Program (SNAP) benefits † | Not Itemized - See Other Exempt Sales Schedule A * |
| Food service employer-provided meals | Not Itemized - See Other Exempt Sales Schedule A * |
| Lodging for permanent residents | Not Itemized - See Other Exempt Sales Schedule A * |
| Medical marijuana sold to indigent patients | Not Itemized - See Other Exempt Sales Schedule A * |
| Newspapers and newspaper supplements | Not Itemized - See Other Exempt Sales Schedule A * |
| Railroad construction and building materials, equipment, and rolling stock | Not Itemized - See Other Exempt Sales Schedule A * |
| Tangible personal property that is leased, complimentary, or for testing † | Not Itemized - See Other Exempt Sales Schedule A * |
| Tribal exemption †, 1 | Not Itemized - See Other Exempt Sales Schedule A * |
| Waste tire fee | Not Itemized - See Other Exempt Sales Schedule A * |
| Other Exempt Sales Schedule B: | $59,439,783 |
| Heat pump systems and heat pump water heaters | Not Itemized - See Other Exempt Sales Schedule B * |
| Incontinence products and diapers | Not Itemized - See Other Exempt Sales Schedule B * |
| Manufactured homes † | Not Itemized - See Other Exempt Sales Schedule B * |
| Period products | Not Itemized - See Other Exempt Sales Schedule B * |
| Residential energy storage systems | Not Itemized - See Other Exempt Sales Schedule B * |
| Wood from salvaged trees killed or infested in Colorado by certain beetles | Not Itemized - See Other Exempt Sales Schedule B * |
| Prescription drugs, medical equipment, and medical devices | $363,969,401 |
| Property for use in space flight | $4,777 |
| Retail marijuana, retail marijuana products, and retail marijuana concentrates † | $38,699,389 |
| Sales by Schools and Charitable Organizations: | $652,571 |
| Sales by charitable organizations | Not Itemized - See Sales by Schools and Charitable Organizations * |
| Sales made by schools and school organizations | Not Itemized - See Sales by Schools and Charitable Organizations * |
| Sales of computer software that is not subject to sales and use taxes | $13,973,094 |
| Sales to Exempt Entities: | $501,333,485 |

**Continued on page 193**

## Sales Tax Expenditures (continued)

| Tax Expenditure Description | 2023 |
|---|---|
| Construction and building materials for tax-exempt projects | Not Itemized - See Sales to Exempt Entities * |
| Sales to charitable organizations | Not Itemized - See Sales to Exempt Entities * |
| Sales to governmental entities † | Not Itemized - See Sales to Exempt Entities * |
| Sales to housing authorities and projects owned by housing authorities † | Not Itemized - See Sales to Exempt Entities * |
| Sales to schools | Not Itemized - See Sales to Exempt Entities * |
| Sales to Nonresidents: | $501,915,166 |
| Commercial trucks or trailers licensed out-of-state | Not Itemized - See Sales to Nonresidents * |
| Sales of motor vehicles for use by nonresidents outside Colorado | Not Itemized - See Sales to Nonresidents * |
| Vendor fee | $62,401,104 |
| Wholesale Sales: | $3,349,662,181 |
| Energy used for industrial, manufacturing, and similar purposes † | Not Itemized - See Wholesale Sales * |
| Newsprint and printer's ink † | Not Itemized - See Wholesale Sales * |
| Wholesale sales including ingredients and component parts † | Not Itemized - See Wholesale Sales * |
| **Total** | **$6,543,270,401** |

Source: State Sales Tax Return (DR 0100)

* For data that is not itemized, an aggregate total is provided in this table if available.

† These expenditures are considered structural tax expenditures. See the Introduction for a definition.

[1] The amount claimed for this expenditure is an underestimate of the total.

## Sales Tax Expenditures for Special Events

| Tax Expenditure Description | 2023 |
|---|---|
| Exemptions [1] | Data Not Retrievable |
| Vendor fee | $153,260 |
| Wholesale Sales: | $244,545 |
| Newsprint and printer's ink † | Not Itemized - See Wholesale Sales * |
| Wholesale sales including ingredients and component parts † | Not Itemized - See Wholesale Sales * |
| **Total [2]** | **$397,805** |

Source: State Special Event Sales Tax Return (DR 0098)

* For data that is not itemized, an aggregate total is provided in this table if available.

† These expenditures are considered structural tax expenditures. See the Introduction for a definition.

[1] Exemptions are not itemized on the return. Any applicable sales tax exemption could be claimed on this line.

[2] The total is understated because some data are not retrievable.

## Retailer's Use Tax Expenditures

| Tax Expenditure Description | 2023 |
|---|---|
| Non-Itemized Deductions [1]: | $40,453,619 |
| Agricultural operations † | Not Itemized - See Non-Itemized Deductions * |
| Aircraft sold (new or used) to a nonresident | Not Itemized - See Non-Itemized Deductions * |
| Aircraft used in interstate commerce by commercial airlines and aircraft component parts | Not Itemized - See Non-Itemized Deductions * |
| Bad debt charged off † | Not Itemized - See Non-Itemized Deductions * |
| Bingo and raffle equipment | Not Itemized - See Non-Itemized Deductions * |
| Coins and precious metal bullion | Not Itemized - See Non-Itemized Deductions * |
| Commercial trucks or trailers licensed out-of-state | Not Itemized - See Non-Itemized Deductions * |
| Construction and building materials for tax-exempt projects | Not Itemized - See Non-Itemized Deductions * |
| Exchanged property allowance | Not Itemized - See Non-Itemized Deductions * |
| Food for retirement community residents | Not Itemized - See Non-Itemized Deductions * |
| Gasoline, special fuel, and aviation gasoline † | Not Itemized - See Non-Itemized Deductions * |
| Prescription drugs, medical equipment, and medical devices | Not Itemized - See Non-Itemized Deductions * |
| Property returned for full refund | Not Itemized - See Non-Itemized Deductions * |
| Sales of computer software that is not subject to sales and use taxes | Not Itemized - See Non-Itemized Deductions * |
| Sales to charitable organizations | Not Itemized - See Non-Itemized Deductions * |
| Sales to governmental entities † | Not Itemized - See Non-Itemized Deductions * |
| Sales to housing authorities and projects owned by housing authorities † | Not Itemized - See Non-Itemized Deductions * |
| Special fuel for farm vehicles | Not Itemized - See Non-Itemized Deductions * |
| Tangible personal property that is leased, complimentary, or for testing † | Not Itemized - See Non-Itemized Deductions * |
| Tribal exemption †, [2] | Not Itemized - See Non-Itemized Deductions * |
| Wholesale sales (agricultural) † | Not Itemized - See Non-Itemized Deductions * |
| Non-Itemized Exemptions [1]: | $861,252 |
| Certain materials used in the manufacturing or processing of iron, steel, and uranium-vanadium ores | Not Itemized - See Non-Itemized Exemptions * |
| Components used in the production of electricity from a renewable energy source | Not Itemized - See Non-Itemized Exemptions * |
| Farm equipment and parts | Not Itemized - See Non-Itemized Exemptions * |
| Food for domestic home consumption | Not Itemized - See Non-Itemized Exemptions * |
| Food sold through vending machines | Not Itemized - See Non-Itemized Exemptions * |
| Fuel and electricity for residential heat, light, and power | Not Itemized - See Non-Itemized Exemptions * |

**Continued on page 195**

## Retailer's Use Tax Expenditures (continued)

| Tax Expenditure Description | 2023 |
|---|---|
| Heat pump systems and heat pump water heaters | Not Itemized - See Non-Itemized Exemptions * |
| Incontinence products and diapers | Not Itemized - See Non-Itemized Exemptions * |
| Livestock and fish for stocking † | Not Itemized - See Non-Itemized Exemptions * |
| Low-emitting and alternative fuel trucks | Not Itemized - See Non-Itemized Exemptions * |
| Machinery or machine tools used in manufacturing | Not Itemized - See Non-Itemized Exemptions * |
| Manufactured homes † | Not Itemized - See Non-Itemized Exemptions * |
| Newspapers and newspaper supplements | Not Itemized - See Non-Itemized Exemptions * |
| Period products | Not Itemized - See Non-Itemized Exemptions * |
| Property for use in space flight [3] | Not Itemized - See Non-Itemized Exemptions * |
| Railroad construction and building materials, equipment, and rolling stock | Not Itemized - See Non-Itemized Exemptions * |
| Residential energy storage systems | Not Itemized - See Non-Itemized Exemptions * |
| Sales by charitable organizations | Not Itemized - See Non-Itemized Exemptions * |
| Wood from salvaged trees killed or infested in Colorado by certain beetles | Not Itemized - See Non-Itemized Exemptions * |
| Vendor fee | $1,443,323 |
| Wholesale Sales: | $306,658,963 |
| Energy used for industrial, manufacturing, and similar purposes † | Not Itemized - See Wholesale Sales * |
| Newsprint and printer's ink † | Not Itemized - See Wholesale Sales * |
| Wholesale sales including ingredients and component parts † | Not Itemized - See Wholesale Sales * |
| **Total** | **$349,417,157** |

Source: Retailer's Use Return (DR 0173)

* For data that is not itemized, an aggregate total is provided in this table if available.

† These expenditures are considered structural tax expenditures. See the Introduction for a definition.

[1] These expenditures are grouped as you see here because the itemized values are not retrievable. If the itemized values were retrievable, then some expenditures in this list would still not be itemized. See the Retailer's Use Return for more details.

[2] The amount claimed for this expenditure is an underestimate of the total.

[3] The itemized value is retrievable, but this exemption is grouped in order to maintain taxpayer confidentiality.

## Claim for Refund Tax Expenditures

| Tax Expenditure Description | 2021 |
|---|---|
| Biotechnology equipment refund | Data Not Releasable |
| Commercial vehicles used in interstate commerce refund | $0 |
| Rural broadband equipment refund | $0 |
| Rural Jump-Start Zone Program sales and use tax refund | $0 |
| Wildfire disaster rebuilding refund | Data Not Releasable |
| **Total [1]** | **$158,090** |

Source: Claim for Refund (DR 0137B) and Sales/Use Tax Refund for Broadband Equipment (DR 0137C)

Note: This table only includes data from expenditures in which the only mechanism for claiming the expenditure is a Claim for Refund.

[1] "Data Not Releasable" values are included in the total.

## Aviation Fuel Sales Tax Expenditures

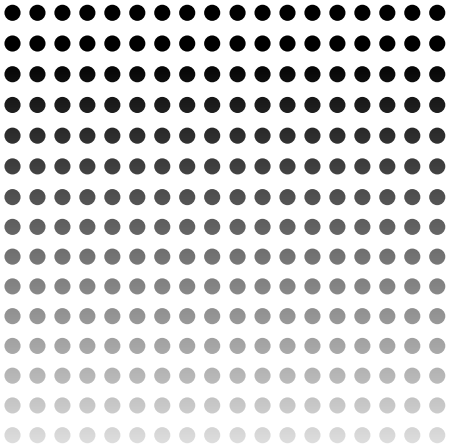
| Tax Expenditure Description | 2023 |
|---|---|
| Aviation Fuel Exemptions: | Data Not Retrievable |
| Sales to charitable organizations | Not Itemized - See Aviation Fuel Exemptions * |
| Sales to governmental entities † | Not Itemized - See Aviation Fuel Exemptions * |
| Wholesale sales including ingredients and component parts † | Not Itemized - See Aviation Fuel Exemptions * |
| Vendor fee | $96,848 |
| **Total [1]** | **$96,848** |

Source: Aviation Fuel Sales Tax Return (DR 1510)

* For data that is not itemized, an aggregate total is provided in this table if available.

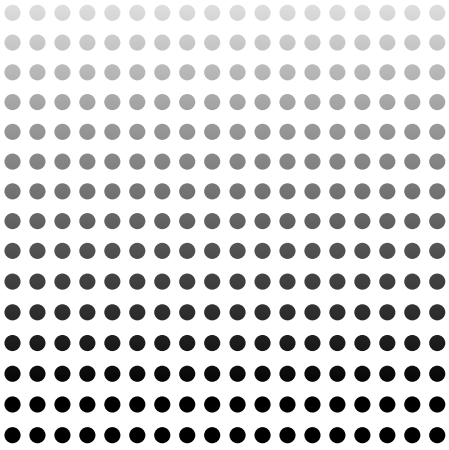
† This expenditure is considered a structural tax expenditure. See the Introduction for a definition.

[1] The total is understated because some data are not retrievable.



# Chapter 6

## Severance Tax Expenditures



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# Overview

## Total Revenue Impact

This table estimates the revenue impact of a combination of structural and non-structural tax expenditures. Structural tax expenditures are intended to establish the basic structure of a tax provision, whereas non-structural tax expenditures are intended to provide special or selective tax relief to further various public policy goals. There are several structural expenditures in this chapter, but they do not have a large effect on the total revenue impact of severance tax expenditures.

### Severance Tax Expenditures [1]

| 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|
| $278,962,000 | $358,002,000 | $446,688,675 | $530,115,868 |

Source: Coal Severance Tax Return (DR 0020C), Metallic Minerals Severance Tax Return (DR 0020A), Molybdenum Ore Severance Tax Return (DR 0022), Oil and Gas Severance Tax Return (DR 0021D), and Oil Shale Severance Tax Return (DR 0020E)

[1] Totals are understated because not all data are collected or retrievable.

## Net Collections

Net collections reported for a given fiscal year are not necessarily associated with the expenditure data reported by calendar year. Collections data includes tax collections across multiple tax years due to amended, late, and/or corrected filings and are net of any refunds received in the accounting period, regardless of the filing period for which the refund applied.

### Severance Tax Net Collections [1]

| Fiscal Year (July 1 through June 30) | Net Collections |
|---|---|
| 2015-2016 | $84,076,263 |
| 2016-2017 | ($7,195,424) |
| 2017-2018 | $102,722,238 |
| 2018-2019 | $217,944,747 |
| 2019-2020 | $147,878,402 |
| 2020-2021 | ($15,280,441) |
| 2021-2022 | $306,809,972 |
| 2022-2023 | $345,958,742 |
| 2023-2024 | $187,104,864 |

Source: Colorado State Accounting System

[1] In fiscal years 2016-2017 and 2020-2021, severance tax refunds exceeded collections. All values are on a cash basis.

## Distributions

In general, severance tax revenue is split evenly between two funds, the State Severance Tax Trust Fund and the Local Government Severance Tax Fund. Prior to these distributions, House Bills 21-1312 and 23-1272 first allocate to separate designated funds the revenue attributable to the reduction or discontinuation of certain tax expenditures.

The State Severance Tax Trust Fund is administered by the Department of Natural Resources for the purpose of funding programs and projects relating generally to natural resource management, water conservation, and low-income energy assistance. Revenue transferred to the State Severance Tax Trust Fund is split equally between the Severance Tax Perpetual Base Fund and the Severance Tax Operational Fund.

The Local Government Severance Tax Fund is administered by the Department of Local Affairs. Of the revenue transferred to the Local Government Severance Tax Fund, 70% is distributed to political subdivisions socially or economically impacted by the development, processing, or energy conversion of minerals and mineral fuels. The remaining 30% is distributed directly to local governments based on the geographic location of energy industry employees, mine and well permits, and overall mineral production.

House Bill 21-1312 allocates revenue attributable to the reduction or discontinuation of certain coal tax expenditures to the Just Transition Cash Fund to provide assistance to communities and workers transitioning away from the mining and burning of coal as an energy source. House Bill 23-1272 allocates to the Decarbonization Tax Credits Administration Cash Fund the revenue attributable to the temporary decrease in ad valorem credits for oil and gas severance tax.

## History

The state severance tax was first enacted in Colorado in 1913. It levied a tax on each ton of coal mined in the state at a rate of 0.33¢ per ton. The purpose of the initial tax was to finance state regulatory and inspection measures. At the time, the revenue source was minimal due to an economic climate of declining coal mining production.

A second severance tax was adopted in 1951 and imposed a levy of $0.002 per barrel on oil and $0.002 for every 50,000 cubic feet of gas produced. The tax was meant to fund state conservation activities in the oil and gas industries. Revenue from the tax was distributed into a special conservation fund and was considered minimal.

The third severance tax – the 1953 Oil and Gas Severance Tax – was based on gross income from oil and gas production. The 1953 tax was modified by credits and an exemption – specifically, certain property taxes worked as a credit to offset severance tax liabilities. By 1957, there were 28 states that imposed a severance tax, although the tax provided a minor source of revenue when compared to other tax sources in those states.

In 1977, when Article 29 (Severance Tax) was added to Title 39 of the Colorado Revised Statutes, the income-based tax on the severance of oil and gas was moved from the income tax article to the new severance tax article.

## Tax Base

Taxes are levied on the production or extraction of coal, metallic minerals, molybdenum, oil and gas, and oil shale. The tax rates and any exemptions or credits are specific to the type of material extracted.

## Computation of the Tax

**§39-29-103, C.R.S.**
**§39-29-104, C.R.S.**
**§39-29-105, C.R.S.**
**§39-29-106, C.R.S.**
**§39-29-107, C.R.S.**

Colorado severance tax rates are as follows:

- **Coal:** Coal is taxed at a fixed rate per ton that is adjusted quarterly based upon changes in the U.S. Bureau of Labor Statistics' Producer Price Index. The quarterly rates for 2022 ranged from $0.986 to $1.127 per ton.
- **Metallic minerals:** A tax of 2.25% is levied against the extraction of metallic minerals to the extent gross income exceeds $19 million.
- **Molybdenum:** A tax of 5¢ per ton is levied against the extraction of molybdenum. The first 625,000 tons of molybdenum ore produced each quarter is exempt from tax.
- **Oil and gas:** A graduated rate of 2% to 5% is levied against the gross income derived from the production of oil and gas in Colorado.
- **Oil shale:** On and after January 1, 2024, a tax is levied on the gross proceeds from each commercial oil shale facility. Prior to January 1, 2024, the tax was imposed at the rate of 1% to 4% on the gross proceeds beginning 180 days after daily production at a commercial oil shale facility first surpassed 15,000 tons of oil shale or 10,000 barrels of shale oil, whichever was greater. The rate increased over the first four taxable years and was 4% for any taxable year thereafter.

# Tax Expenditures

The descriptions of tax expenditures provided in this report (as required by section 39-21-303(2)(a)(III), C.R.S.) attempt to summarize each expenditure in simple and straightforward language. Although the descriptions represent a good-faith effort to provide accurate and complete tax information, the information is not binding on the Colorado Department of Revenue, nor does it replace, alter, or supersede Colorado law and regulations. The Executive Director, who by statute is the only person having the authority to bind the Department, has not formally reviewed and/or approved these descriptions.

## Coal credit for lignitic production

A credit is allowed for the production of lignitic coal. For tax years 2021 and prior, the credit was equal to 50% of the severance tax imposed on lignitic coal production. The credit percentage decreases incrementally for tax years 2022 through 2025 and will be eliminated entirely for tax years 2026 and later.

**Citation:** §39-29-106(3.5), (4), C.R.S.
**Enacted:** 1977

### Tax Expenditure Revenue Impact

| 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|
| $0 | $0 | $0 | $0 |

Source: Coal Severance Tax Return (DR 0020C)

## Coal credit for underground production

A credit is allowed for coal produced from underground mines. For tax years 2021 and prior, the credit was equal to 50% of the severance tax imposed on the coal produced from underground mines. The credit percentage decreases incrementally for tax years 2022 through 2025 and will be eliminated entirely for tax years 2026 and later.

**Citation:** §39-29-106(3), (3.5), C.R.S.
**Enacted:** 1977

### Tax Expenditure Revenue Impact

| 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|
| $1,819,000 | Data Not Releasable | Data Not Releasable | $2,029,341 |

Source: Coal Severance Tax Return (DR 0020C)

## Coal exemption for quarterly production under prescribed threshold

An exemption is allowed for coal produced under a prescribed weight threshold in each calendar quarter. For tax years 2021 and prior, the exemption was allowed for the first 300,000 tons of coal produced in each calendar quarter. The exempt production threshold decreases incrementally for tax years 2022 through 2025 and the exemption will be eliminated entirely for tax years 2026 and later.

**Citation:** §39-29-106(2)(b), C.R.S.
**Enacted:** 1977

### Tax Expenditure Revenue Impact

| 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|
| $3,626,000 | $5,398,000 | $5,016,488 | $5,481,203 |

Source: Coal Severance Tax Return (DR 0020C)

## Impact assistance credit

A credit against the severance tax was allowed for contributions to local government for use in the planning, construction, or expansion of public facilities that were deemed to be necessary because of a new severance operation or the increase in production at an existing operation. This credit was repealed by House Bill 23-1121.

**Citation:** §39-29-107.5, C.R.S.
**Enacted:** 1979

### Tax Expenditure Revenue Impact

| 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|
| $0 | $0 | $0 | $0 |

Source: Coal Severance Tax Return (DR 0020C), Metallic Minerals Severance Tax Return (DR 0020A), Molybdenum Ore Severance Tax Return (DR 0022), Oil and Gas Severance Tax Return (DR 0021D), Oil Shale Severance Tax Return (DR 0020E)

## Metallic minerals credit for ad valorem tax

A credit is allowed equal to the total amount of ad valorem taxes assessed or paid on producing mines during the taxable year, not to exceed 50% of the gross severance tax liability.

**Citation:** §39-29-103(2), C.R.S.
**Enacted:** 1977

### Tax Expenditure Revenue Impact

| 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|
| Data Not Releasable | $0 | $0 | Data Not Releasable |

Source: Metallic Minerals Severance Tax Return (DR 0020A)

## Metallic minerals exclusion for extraction or processing from waste or residue

Severance tax on metallic minerals is based upon the gross income from mining operations, excluding income from the extraction or processing of ores or minerals from mine waste or residue of previously processed ores.

**Citation:** §39-29-102(3)(b), C.R.S.
**Enacted:** 1977

### Tax Expenditure Revenue Impact

| 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|
| Data Not Collected | Data Not Collected | Data Not Collected | Data Not Collected |

Source: Not available - this data is not recorded on any form.

## Metallic minerals exclusion for value added by treatment, transportation, or marketing †

Severance tax on metallic minerals is based upon the gross income from mining operations, excluding any value added subsequent to mining by any treatment processes, such as crushing, grinding, or concentration; by transportation from the mine; or by marketing of the ore or any products derived therefrom.

**Citation:** §39-29-102(3)(b), C.R.S.
**Enacted:** 1977

### Tax Expenditure Revenue Impact

| 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|
| Data Not Collected | Data Not Collected | Data Not Collected | Data Not Collected |

Source: Not available - this data is not recorded on any form.

† This expenditure is considered a structural tax expenditure. See the Introduction for a definition. Although this expenditure is conceptually structural, the specific costs that are deductible are subject to legislative discretion.

## Metallic minerals exemption for annual production under prescribed threshold

No tax is levied on the first $19 million on gross income in the tax year from the severance of metallic minerals.

**Citation:** §39-29-103(1)(b), C.R.S.
**Enacted:** 1977

### Tax Expenditure Revenue Impact

| 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|
| Data Not Releasable | $0 | $0 | Data Not Releasable |

Source: Metallic Minerals Severance Tax Return (DR 0020A)

## Molybdenum exemption for quarterly production under prescribed threshold

No tax is imposed on the first 625,000 tons of molybdenum ore produced each quarter of the taxable year.

**Citation:** §39-29-104(1), C.R.S.
**Enacted:** 1999

### Tax Expenditure Revenue Impact

| 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|
| Data Not Releasable | Data Not Releasable | Data Not Releasable | Data Not Releasable |

Source: Molybdenum Ore Severance Tax Return (DR 0022)

## Oil and gas credit for ad valorem tax

A credit is allowed for ad valorem taxes assessed (in the case of accrual basis taxpayers) or paid (in the case of cash basis taxpayers) during the taxable year for oil and gas leaseholds and leasehold interests and oil and gas royalties and royalty interests. For tax years commencing prior to January 1, 2024, the credit is equal to 87.5% of the ad valorem tax paid or assessed for state, county, municipal, school district, and special district purposes. For tax years commencing on or after January 1, 2024, but prior to January 1, 2026, the credit is equal to 75% of the ad valorem tax paid or assessed. For tax years commencing on or after January 1, 2026, the ad valorem credit will based on an estimated amount for the ad valorem taxes using the prior year's mill levy applied to the current year's gross income. No credit is allowed for ad valorem taxes assessed or paid for oil and gas production that is exempt from the state severance tax or for equipment and facilities used in the drilling for, production of, storage of, and pipeline transportation of oil and gas.

**Citation:** §39-29-105(2)(b), C.R.S.
**Enacted:** 1977

### Tax Expenditure Revenue Impact

| 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|
| $271,824,000 | $349,950,000 | $440,571,796 | $520,579,818 |

Source: Oil and Gas Severance Tax Return (DR 0021D)

## Oil and gas deduction for transportation, manufacturing, and processing costs †, 1

In the calculation of severance tax on oil and gas, deductions are allowed for direct costs actually paid or accrued by the taxpayer for transportation, manufacturing, and processing of the product. Deductible costs include depreciation.

**Citation:** §39-29-102(3)(a), C.R.S.
**Enacted:** 1985

### Tax Expenditure Revenue Impact

| 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|
| Data Not Retrievable | Data Not Retrievable | Data Not Retrievable | Data Not Retrievable |

Source: Severance Tax Schedule Form – Detail Information for Producers (DR 0021PD)

† This expenditure is considered a structural tax expenditure. See the Introduction for a definition. Although this expenditure is conceptually structural, the specific costs that are deductible are subject to legislative discretion.

1 The data is not retrievable because this information on the tax form is only stored as a stand-alone document image. It is not captured and stored as electronic information.

## Oil and gas exemption for stripper well production 1

Oil produced from any well that produces 15 barrels per day or less of oil, and gas produced from any well that produces 90,000 cubic feet or less of gas per day, for the average of all producing days for such oil and gas production during the taxable year, is exempt from tax.

**Citation:** §39-29-105(1)(b), C.R.S.
**Enacted:** 1977

### Tax Expenditure Revenue Impact

| 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|
| Data Not Retrievable | Data Not Retrievable | Data Not Retrievable | Data Not Retrievable |

Source: Severance Tax Schedule Form – Detail Information for Producers (DR 0021PD)

1 The data is not retrievable because this information on the tax form is only stored as a stand-alone document image. It is not captured and stored as electronic information.

## Oil shale deduction for equipment and machinery †

In the calculation of severance tax on oil shale, deductions are allowed for all costs for equipment and machinery, including both direct and indirect expenditures.

**Citation:** §39-29-102(4)(a), C.R.S.
**Enacted:** 1977

### Tax Expenditure Revenue Impact

| 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|
| $0 | $0 | $0 | $0 |

Source: Oil Shale Severance Tax Return (DR 0020E)

† This expenditure is considered a structural tax expenditure. See the Introduction for a definition. Although this expenditure is conceptually structural, the specific costs that are deductible are subject to legislative discretion.

## Oil shale deduction for fragmenting, crushing, conveying, beneficiating, pyrolysis, retorting, refining, and transporting †

In the calculation of severance tax on oil shale, deductions are allowed for all costs for fragmenting, crushing, conveying, beneficiating, pyrolysis, retorting, refining, and transporting, including both direct and indirect expenditures.

**Citation:** §39-29-102(4)(b), C.R.S.
**Enacted:** 1977

### Tax Expenditure Revenue Impact

| 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|
| $0 | $0 | $0 | $0 |

Source: Oil Shale Severance Tax Return (DR 0020E)

† This expenditure is considered a structural tax expenditure. See the Introduction for a definition. Although this expenditure is conceptually structural, the specific costs that are deductible are subject to legislative discretion.

## Oil shale deduction for royalty payments †

In the calculation of severance tax on oil shale, deductions are allowed for royalty payments.

**Citation:** §39-29-102(4)(c), C.R.S.
**Enacted:** 1977

### Tax Expenditure Revenue Impact

| 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|
| $0 | $0 | $0 | $0 |

Source: Oil Shale Severance Tax Return (DR 0020E)

† This expenditure is considered a structural tax expenditure. See the Introduction for a definition.

## Oil shale exemption for daily production under prescribed threshold

Prior to January 1, 2024, the production of the first 15,000 tons per day of oil shale or 10,000 barrels per day of shale oil, whichever was greater, was exempt from tax. This exemption was repealed effective January 1, 2024, by House Bill 23-1121.

**Citation:** §39-29-107(3), C.R.S.
**Enacted:** 1977

### Tax Expenditure Revenue Impact

| 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|
| $0 | $0 | $0 | $0 |

Source: Oil Shale Severance Tax Return (DR 0020E)

## Oil shale exemption prior to 180th day of commercial production

Prior to January 1, 2024, severance tax on oil shale applied beginning 180 days after daily production at an oil shale facility first surpassed 15,000 tons of oil shale or 10,000 barrels of shale oil, whichever was greater. Any oil shale production prior to the 180th day after exceeding these daily production thresholds was exempt from severance tax. This exemption was repealed effective January 1, 2024, by House Bill 23-1121.

**Citation:** §39-29-102(1.5), C.R.S.
§39-29-107(2), C.R.S.
**Enacted:** 1982

### Tax Expenditure Revenue Impact

| 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|
| Data Not Collected | Data Not Collected | Data Not Collected | Data Not Collected |

Source: Not available - this data is not recorded on any form.

# Summary of Revenue Impacts

## Severance Tax Expenditures

| Tax Expenditure Description | 2016 | 2018 | 2020 | 2022 |
|---|---|---|---|---|
| Coal credit for lignitic production | $0 | $0 | $0 | $0 |
| Coal credit for underground production | $1,819,000 | Data Not Releasable | Data Not Releasable | $2,029,341 |
| Coal exemption for quarterly production under prescribed threshold | $3,626,000 | $5,398,000 | $5,016,488 | $5,481,203 |
| Impact assistance credit | $0 | $0 | $0 | $0 |
| Metallic minerals credit for ad valorem tax | Data Not Releasable | $0 | $0 | Data Not Releasable |
| Metallic minerals exclusion for extraction or processing from waste or residue | Data Not Collected | Data Not Collected | Data Not Collected | Data Not Collected |
| Metallic minerals exclusion for value added by treatment, transportation, or marketing † | Data Not Collected | Data Not Collected | Data Not Collected | Data Not Collected |
| Metallic minerals exemption for annual production under prescribed threshold | Data Not Releasable | $0 | $0 | Data Not Releasable |
| Molybdenum exemption for quarterly production under prescribed threshold | Data Not Releasable | Data Not Releasable | Data Not Releasable | Data Not Releasable |
| Oil and gas credit for ad valorem tax | $271,824,000 | $349,950,000 | $440,571,796 | $520,579,818 |
| Oil and gas deduction for transportation, manufacturing, and processing costs †,1 | Data Not Retrievable | Data Not Retrievable | Data Not Retrievable | Data Not Retrievable |
| Oil and gas exemption for stripper well production 1 | Data Not Retrievable | Data Not Retrievable | Data Not Retrievable | Data Not Retrievable |
| Oil shale deduction for equipment and machinery † | $0 | $0 | $0 | $0 |
| Oil shale deduction for fragmenting, crushing, conveying, beneficiating, pyrolysis, retorting, refining, and transporting † | $0 | $0 | $0 | $0 |
| Oil shale deduction for royalty payments † | $0 | $0 | $0 | $0 |
| Oil shale exemption for daily production under prescribed threshold | $0 | $0 | $0 | $0 |
| Oil shale exemption prior to 180th day of commercial production | Data Not Collected | Data Not Collected | Data Not Collected | Data Not Collected |
| **Total 2,3** | **$278,962,000** | **$358,002,000** | **$446,688,675** | **$530,115,868** |

Source: Coal Severance Tax Return (DR 0020C), Metallic Minerals Severance Tax Return (DR 0020A), Molybdenum Ore Severance Tax Return (DR 0022), Oil and Gas Severance Tax Return (DR 0021D), and Oil Shale Severance Tax Return (DR 0020E)

† These expenditures are considered structural tax expenditures. See the Introduction for a definition.

1 Data is not retrievable because the tax form that contains this information is only stored as a stand-alone document image. It is not captured and stored as electronic information.

2 "Data Not Releasable" values are included in the total.

3 Totals are understated because not all data are collected or retrievable.

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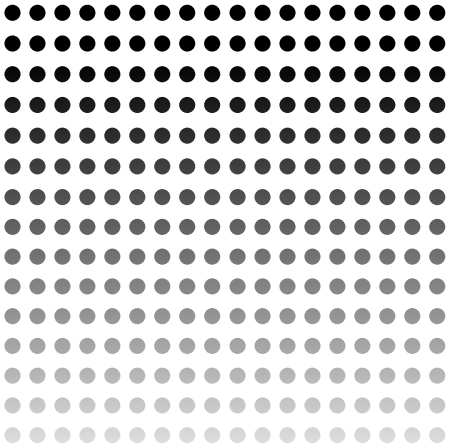

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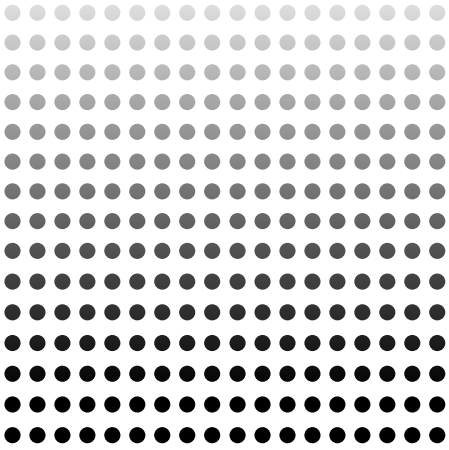
## Tax Expenditures In Statute Order By Tax Type



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## Liquor Excise Tax Expenditures in Statute Order
## Chapter 1

| Statute Citation, C.R.S. | Tax Expenditure Description |
|---|---|
| §44-3-106(1) | Sacramental wines sold and used for religious purposes |
| §44-3-106(2) | Liquor produced by individuals for personal use |
| §44-3-106(4) | Limited amounts of liquor brought into the state by an individual age 21 or older |
| §44-3-106(5) | Vinous liquors manufactured by a state institution of higher education for the purpose of enology research and education |
| §44-3-106(6) | Malt liquors manufactured by a state institution of higher education for teaching or research purposes |
| §44-3-503(1)(a) | Exported liquor † |
| §44-3-503(9) | Credit for unsalable liquor † |
| §44-3-503(10)(b) | Liquor sales exempt by federal law † |

† This expenditure is considered a structural tax expenditure. See the Introduction for a definition.

## Cigarette, Nicotine, and Tobacco Products Excise Tax Expenditures in Statute Order
## Chapter 2

| Statute Citation, C.R.S. | Tax Expenditure Description |
|---|---|
| §39-28-101(2.7)<br>§39-28-103(1)(b), (1)(c) | Cigarette tax rate for modified risk tobacco products |
| §39-28-104(1)(a) | Cigarette tax vendor discount |
| §39-28-104(3) | Cigarette tax credit for returned stamps and unsalable merchandise † |
| §39-28-104(4) | Cigarette tax credit for bad debts † |
| §39-28-111 | Cigarette tax exemption for sales to the United States government, interstate sales, and sales exempt under United States law † |
| §39-28.5-101(8)<br>§39-28.5-102(1), (2) | Tobacco products tax rate for modified risk tobacco products |
| §39-28.5-103 | Tobacco products tax exemption for sales exempt under United States law † |
| §39-28.5-106(2) | Tobacco products tax vendor discount |
| §39-28.5-107(1) | Tobacco products tax credit for products returned to manufacturer or destroyed by distributor † |
| §39-28.5-107(1) | Tobacco products tax credit for products shipped to out-of-state consumers † |
| §39-28.5-107(1) | Tobacco products tax credit for products shipped to out-of-state retailers † |
| §39-28.5-107(2) | Tobacco products tax credit for bad debts † |
| §39-28.6-102(6)<br>§39-28.6-103(1), (2) | Nicotine products tax rate for modified risk tobacco products |
| §39-28.6-104 | Nicotine products tax exemption for sales exempt under United States law † |
| §39-28.6-107(2) | Nicotine products tax vendor discount |
| §39-28.6-108 | Nicotine products tax credit for products returned to manufacturer or destroyed by distributor † |
| §39-28.6-108 | Nicotine products tax credit for products shipped to out-of-state consumers † |
| §39-28.6-108 | Nicotine products tax credit for products shipped to out-of-state retailers † |

† This expenditure is considered a structural tax expenditure. See the Introduction for a definition.

## Fuel Excise Tax Expenditures in Statute Order Chapter 3

| Statute Citation, C.R.S. | Tax Expenditure Description |
|---|---|
| §39-27-101(8)<br>§39-27-102.5(1.5), (2)(a) | Dyed diesel fuel and dyed kerosene |
| §39-27-102(1)(b)(I)<br>§39-27-105(2)(a)(I) | Allowance to cover losses in transit and unloading |
| §39-27-102.5(2)(b)(II)<br>§39-27-103(2) | Governmental entities |
| §39-27-102.5(2.5)(a)(I), (II), (III)<br>§39-27-103(2.5)(a), (b), (c) | Aviation fuel for certain air carriers |
| §39-27-102.5(7) | Nonprofit transit agencies |
| §39-27-102.5(9) | Compressed natural gas supplied to residential homes and used in highway vehicles |
| §39-27-102.5(10) | Exported gasoline and special fuel † |
| §39-27-103(1) | Credit for taxes paid on gasoline or special fuel that is lost or destroyed † |
| §39-27-103(2.7) | Refunds for the exempt use of gasoline or special fuel |
| §39-27-105(2)(b) | Deduction to cover bad debt losses and expenses for payment of the tax |

† This expenditure is considered a structural tax expenditure. See the Introduction for a definition.

## Income Tax Expenditures in Statute Order Chapter 4

| Statute Citation, C.R.S. | Tax Expenditure Description |
|---|---|
| §24-46-104.3 | Strategic capital tax credit |
| §39-22-104(4)(a)<br>§39-22-304(3)(a), (3)(b) | United States government interest subtraction † |
| §39-22-104(4)(b)<br>§39-22-304(3)(c) | Income from the disposition of assets that have a higher Colorado basis than federal basis subtraction † |
| §39-22-104(4)(c)<br>§39-22-304(3)(e) | Previously taxed income or gain subtraction † |
| §39-22-104(4)(e)<br>§39-22-304(3)(f) | State income tax refund subtraction † |
| §39-22-104(4)(f) | Pension and annuity subtraction |
| §39-22-104(4)(h)<br>§39-22-304(3)(k)<br>§39-22-504.7(2)(e) | Medical savings account employer contribution subtraction |
| §39-22-104(4)(i) | Tuition program contribution subtraction |
| §39-22-104(4)(m) | Qualifying charitable contribution subtraction |
| §39-22-104(4)(n.5) | Wildfire mitigation measures subtraction |
| §39-22-104(4)(o) | Employer matching contributions to an adult learner's individual trust account or savings account subtraction |
| §39-22-104(4)(p) | Military family relief fund grants subtraction |
| §39-22-104(4)(q) | Exonerated persons subtraction |
| §39-22-104(4)(r), (4)(s)<br>§39-22-304(3)(m), (3)(n) | Colorado marijuana business subtraction |
| §39-22-104(4)(t) | Nonresident disaster relief worker subtraction |

Continued on page 217

## Income Tax Expenditures in Statute Order (Continued)
## Chapter 4

| Statute Citation, C.R.S. | Tax Expenditure Description |
|---|---|
| §39-22-104(4)(u)<br>§39-22-110.5 | Reacquisition of Colorado residency during active duty military service subtraction |
| §39-22-104(4)(v)<br>§39-22-304(3)(o) | Agricultural asset lease subtraction |
| §39-22-104(4)(w) | First-time home buyer savings account interest subtraction |
| §39-22-104(4)(x) | Olympic medal income earnings subtraction |
| §39-22-104(4)(y) | Military retirement benefit subtraction |
| §39-22-104(4)(z)<br>§39-22-304(3)(p) | HB 21-1002 subtraction † |
| §39-22-104.5 | Catastrophic health insurance subtraction |
| §39-22-104.6 | Medical savings account subtraction |
| §39-22-105(3) | Colorado minimum tax credit † |
| §39-22-108 | Credit for tax paid to another state † |
| §39-22-108.5 | Dual resident trust credit † |
| §39-22-112(1) | Insurance companies subject to a gross premiums levy exemption † |
| §39-22-112(1) | Tax-exempt organizations |
| §39-22-114.5 | Plastic recycling investment credit |
| §39-22-119 | Child and dependent care expenses credit |
| §39-22-119.5 | Low-income child care expenses credit |
| §39-22-121 | Child care contribution credit |
| §39-22-122 | Long-term care insurance credit |
| §39-22-123<br>§39-22-123.5 | Colorado earned income tax credit |
| §39-22-123.5(2.5) | Expanded Colorado earned income tax credit |
| §39-22-129 | Child tax credit |
| §39-22-206 | Foreign source income of export taxpayers subtraction |
| §39-22-301(3) | Crop and livestock contribution credit |
| §39-22-303(10) | Foreign source income exclusion |
| §39-22-304(3)(d) | Gain from a qualified sale under threat of condemnation subtraction |
| §39-22-304(3)(g)<br>§39-22-504(1), (3) | Colorado corporate net operating loss deduction † |
| §39-22-304(3)(h) | Excess oil shale depletion subtraction |
| §39-22-304(3)(i) | Wages and salaries not deducted on federal return due to IRC Section 280C subtraction † |
| §39-22-304(3)(j) | Section 78 gross-up subtraction † |
| §39-22-304(3)(q) | Corporate subtraction relating to section 39-22-303(8)(b)(II), C.R.S. † |
| §39-22-507.5 | Old investment tax credit |
| §39-22-507.6 | New investment tax credit |
| §39-22-509 | Ridesharing or mass transit expenses deduction |
| §39-22-510 | State-employed chaplains subtraction |
| §39-22-514 | Historic property preservation credit |
| §39-22-514.5 | Preservation of historic structures credit |

**Continued on page 218**

## Income Tax Expenditures in Statute Order (Continued)
## Chapter 4

| Statute Citation, C.R.S. | Tax Expenditure Description |
|---|---|
| §39-22-516.7 | Innovative motor vehicle credit |
| §39-22-516.8 | Innovative truck credit |
| §39-22-517(1) | Child care center investment credit |
| §39-22-517(2) | Employer child care facility investment credit |
| §39-22-518 | Colorado capital gain subtraction |
| §39-22-520 | School-to-career investment credit |
| §39-22-521 | Colorado works program credit |
| §39-22-522 | Gross conservation easement credit |
| §39-22-526 | Remediation of contaminated land credit |
| §39-22-531 | Colorado job growth incentive credit |
| §39-22-532<br>§24-48.5-112 | Advanced industry investment credit |
| §39-22-535 | Certified Colorado disability funding committee license fee credit |
| §39-22-536 | Food contributed to hunger relief charitable organizations credit |
| §39-22-537<br>§39-22-537.5 | Business personal property credit |
| §39-22-538 | Rural and frontier health care preceptor credit |
| §39-22-539 | Employer contribution to employee 529 plan credit |
| §39-22-540 | Employer paid leave of absence for live organ donation credit |
| §39-22-541 | Retrofitting a residence to increase residence's visitability credit |
| §39-22-542 | Credit for conversion costs to an employee-owned business model |
| §39-22-544 | Senior housing income tax credit |
| §39-22-547 | Early childhood educator income tax credit |
| §39-22-2102 | Affordable housing credit |
| §39-30-103.5 | Enterprise zone contribution credit |
| §39-30-104(1)(a) | Enterprise zone investment tax credit |
| §39-30-104(1)(a), (2)(c)(III)(B), (2.8) | Enterprise zone renewable energy investment tax credit - nonrefundable |
| §39-30-104(1)(a), (2.6), (2.8) | Enterprise zone renewable energy investment tax credit - refundable |
| §39-30-104(1)(b) | Enterprise zone commercial vehicle investment tax credit |
| §39-30-104(4) | Enterprise zone job training investment tax credit |
| §39-30-105(1)(a)(I)<br>§39-30-105.1(1)(a)(I) | Enterprise zone business facility new employee credit |
| §39-30-105(1)(a)(III)<br>§39-30-105.1(1)(a)(II) | Enterprise zone enhanced rural new employee credit |
| §39-30-105(1)(b)<br>§39-30-105.1(1)(b) | Enterprise zone employee health insurance credit |
| §39-30-105(3)(a)<br>§39-30-105.1(3)(a) | Enterprise zone agricultural processing new employee credit |
| §39-30-105(3)(b)<br>§39-30-105.1(3)(b) | Enterprise zone enhanced rural agricultural processing new employee credit |
| §39-30-105.5 | Enterprise zone research and experimental activities credit |
| §39-30-105.6 | Enterprise zone vacant commercial building rehabilitation credit |

**Continued on page 219**

## Income Tax Expenditures in Statute Order (Continued)
## Chapter 4

| Statute Citation, C.R.S. | Tax Expenditure Description |
|---|---|
| §39-30.5-105(1) | Rural jump-start zone new business credit |
| §39-30.5-105(2) | Rural jump-start zone new hire credit |
| §39-35-104 | Aircraft manufacturer new employee credit |

† This expenditure is considered a structural tax expenditure. See the Introduction for a definition.

## Sales Tax Expenditures in Statute Order
## Chapter 5

| Statute Citation, C.R.S. | Tax Expenditure Description |
|---|---|
| §39-26-102(2.5)<br>§39-26-713(2)(d)<br>§39-26-718(1)(a) | Sales to charitable organizations |
| §39-26-102(4)<br>§39-26-716(4) | Agricultural operations † |
| §39-26-102(4.5)<br>§39-26-707(1)(e), (1.5), (2)(d) | Food for domestic home consumption |
| §39-26-102(4.5)<br>§39-26-707(1)(f), (2)(e), (2.5) | Food for retirement community residents |
| §39-26-102(5) | Bad debt charged off † |
| §39-26-102(5) | Property returned for full refund |
| §39-26-102(5.5)<br>§39-26-716(4)(a) | Livestock and fish for stocking † |
| §39-26-102(7)(a)<br>§39-26-104(1)(b) | Exchanged property allowance |
| §39-26-102(13)<br>§39-26-704(4) | Sales to schools |
| §39-26-102(15)(a)(I) | Newspapers and newspaper supplements |
| §39-26-102(15)(c)(I) | Sales of computer software that is not subject to sales and use taxes |
| §39-26-102(19)(a), (19)(b)<br>§39-26-102(20)<br>§39-26-707(1)(c), (1)(d), (2)(b), (2)(c)<br>§39-26-713(1)(a), (2)(b), (2)(e) | Wholesale sales including ingredients and component parts † |
| §39-26-102(19)(c), (19)(d), (19)(e), (19)(f), (19)(g) | Wholesale sales (agricultural) † |
| §39-26-102(21)(a)<br>§39-26-705(1) | Newsprint and printer's ink † |
| §39-26-102(21)(a)<br>§39-26-715(2)(b) | Energy used for industrial, manufacturing, and similar purposes † |
| §39-26-104(1)(e)<br>§39-26-707(2)(a) | Food service employer-provided meals |
| §39-26-105(1)(c), (1)(d) | Vendor fee |
| §39-26-105(1.3) | Food and beverage industry temporary sales tax deduction |
| §39-26-113(5)(a) | Sales of motor vehicles for use by nonresidents outside Colorado |

**Continued on page 220**

## Sales Tax Expenditures in Statute Order (Continued)
## Chapter 5

| Statute Citation, C.R.S. | Tax Expenditure Description |
|---|---|
| §39-26-113.5 | Commercial vehicles used in interstate commerce refund |
| §39-26-129 | Rural broadband equipment refund |
| §39-26-402(1) | Biotechnology equipment refund |
| §39-26-403 | Clean technology and medical devices |
| §39-26-704(1)<br>§39-26-713(2)(d) | Sales to governmental entities † |
| §39-26-704(1.5) | Sales to housing authorities and projects owned by housing authorities † |
| §39-26-704(2) | Sales to residents of bordering states that do not impose sales tax |
| §39-26-704(3) | Lodging for permanent residents |
| §39-26-705(2)<br>§39-26-713(1)(d) | Donations by manufacturers to government and tax-exempt organizations |
| §39-26-706(3) | Certain materials used in the manufacturing or processing of iron, steel, and uranium-vanadium ores |
| §39-26-706(4) | Coins and precious metal bullion |
| §39-26-706(5) | Waste tire fee |
| §39-26-707(1)(a), (2)(f) | Food purchased with Supplemental Nutrition Assistance Program (SNAP) benefits † |
| §39-26-707(1)(b), (2)(g) | Food purchased with funds from the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) † |
| §39-26-708(1), (2) | Construction and building materials for tax-exempt projects |
| §39-26-709(1)(a)(II), (1)(a)(IV), (2)<br>§39-30-106 | Machinery or machine tools used in manufacturing |
| §39-26-710 | Railroad construction and building materials, equipment, and rolling stock |
| §39-26-711 | Aircraft used in interstate commerce by commercial airlines and aircraft component parts |
| §39-26-711.5(1) | Aircraft sold (new or used) to a nonresident |
| §39-26-711.8(1) | Aircraft used outside the state by on-demand air carriers |
| §39-26-711.9 | Historic aircraft on loan for public display |
| §39-26-712 | Commercial trucks or trailers licensed out-of-state |
| §39-26-712(2)(c) | Commercial trucks or trailers previously registered in another state |
| §39-26-713(1)(a), (1)(b), (1)(c), (2)(i), (2)(j) | Tangible personal property that is leased, complimentary, or for testing † |
| §39-26-714(2), (3) | Food sold through vending machines |
| §39-26-715(1)(a)(I), (1)(a)(III), (2)(a)(I), (2)(d) | Gasoline, special fuel, and aviation gasoline † |
| §39-26-715(1)(a)(II), (2)(c) | Fuel and electricity for residential heat, light, and power |
| §39-26-716(1), (4)(e), (4)(f) | Farm equipment and parts |
| §39-26-716(4)(d) | Special fuel for farm vehicles |
| §39-26-717(2), (3) | Prescription drugs, medical equipment, and medical devices |
| §39-26-717(2)(m), (3) | Period products |
| §39-26-717(2)(n), (3) | Incontinence products and diapers |

Continued on page 221

## Sales Tax Expenditures in Statute Order (Continued)
## Chapter 5

| Statute Citation, C.R.S. | Tax Expenditure Description |
|---|---|
| §39-26-718(1)(b), (2) | Sales by charitable organizations |
| §39-26-718(1)(c), (2)<br>§39-26-725(2), (4) | Sales made by schools and school organizations |
| §39-26-719(1), (2)(b) | Low-emitting and alternative fuel trucks |
| §39-26-720 | Bingo and raffle equipment |
| §39-26-721 | Manufactured homes † |
| §39-26-722 | Machinery that comprises a cleanroom |
| §39-26-723(1) | Wood from salvaged trees killed or infested in Colorado by certain beetles |
| §39-26-724(1)(a), (1)(b), (1)(c) | Components used in the production of electricity from a renewable energy source |
| §39-26-726 | Medical marijuana sold to indigent patients |
| §39-26-727 | Tribal exemption † |
| §39-26-728 | Property for use in space flight |
| §39-26-729 | Retail marijuana, retail marijuana products, and retail marijuana concentrates † |
| §39-26-732 | Heat pump systems and heat pump water heaters |
| §39-26-733 | Residential energy storage systems |
| §39-26-734 | Wildfire disaster rebuilding refund |
| §39-30.5-105(3) | Rural Jump-Start Zone Program sales and use tax refund |

† This expenditure is considered a structural tax expenditure. See the Introduction for a definition.

# Severance Tax Expenditures in Statute Order
# Chapter 6

| Statute Citation, C.R.S. | Tax Expenditure Description |
|---|---|
| §39-29-102(1.5)<br>§39-29-107(2) | Oil shale exemption prior to 180th day of commercial production |
| §39-29-102(3)(a) | Oil and gas deduction for transportation, manufacturing, and processing costs † |
| §39-29-102(3)(b) | Metallic minerals exclusion for extraction or processing from waste or residue |
| §39-29-102(3)(b) | Metallic minerals exclusion for value added by treatment, transportation, or marketing † |
| §39-29-102(4)(a) | Oil shale deduction for equipment and machinery † |
| §39-29-102(4)(b) | Oil shale deduction for fragmenting, crushing, conveying, beneficiating, pyrolysis, retorting, refining, and transporting † |
| §39-29-102(4)(c) | Oil shale deduction for royalty payments † |
| §39-29-103(1)(b) | Metallic minerals exemption for annual production under prescribed threshold |
| §39-29-103(2) | Metallic minerals credit for ad valorem tax |
| §39-29-104(1) | Molybdenum exemption for quarterly production under prescribed threshold |
| §39-29-105(1)(b) | Oil and gas exemption for stripper well production |
| §39-29-105(2)(b), (c) | Oil and gas credit for ad valorem tax |
| §39-29-106(2)(b) | Coal exemption for quarterly production under prescribed threshold |
| §39-29-106(3), (3.5) | Coal credit for underground production |
| §39-29-106(3.5), (4) | Coal credit for lignitic production |
| §39-29-107(3) | Oil shale exemption for daily production under prescribed threshold |
| §39-29-107.5 | Impact assistance credit |

† This expenditure is considered a structural tax expenditure. See the Introduction for a definition.

COLORADO
Department of Revenue

# Colorado Tax Profile Study

2020

Prepared by Colorado Department of Revenue



834/8585

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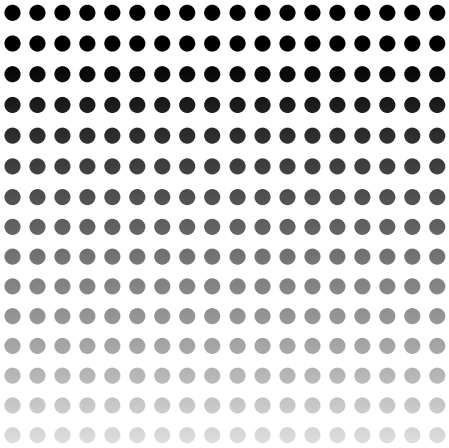
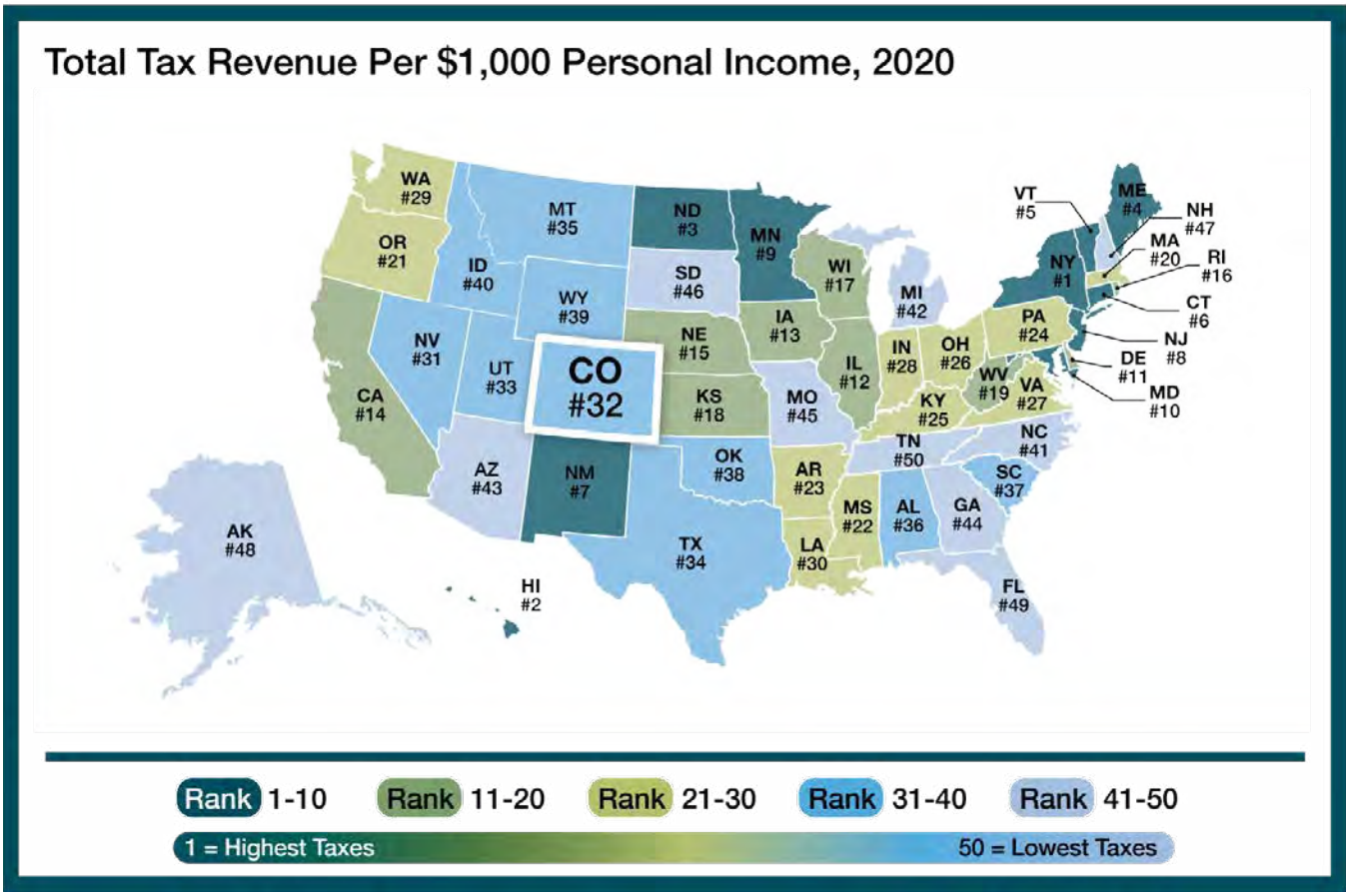


# Executive Summary

The Colorado Tax Profile Study is an in depth analysis of Colorado's taxes in three parts. The first part looks at how Colorado compares to other states in terms of personal income, tax revenue, and expenditures. The second part analyzes the distribution of income and taxes paid by households. The third part discusses considerations for tax equity.

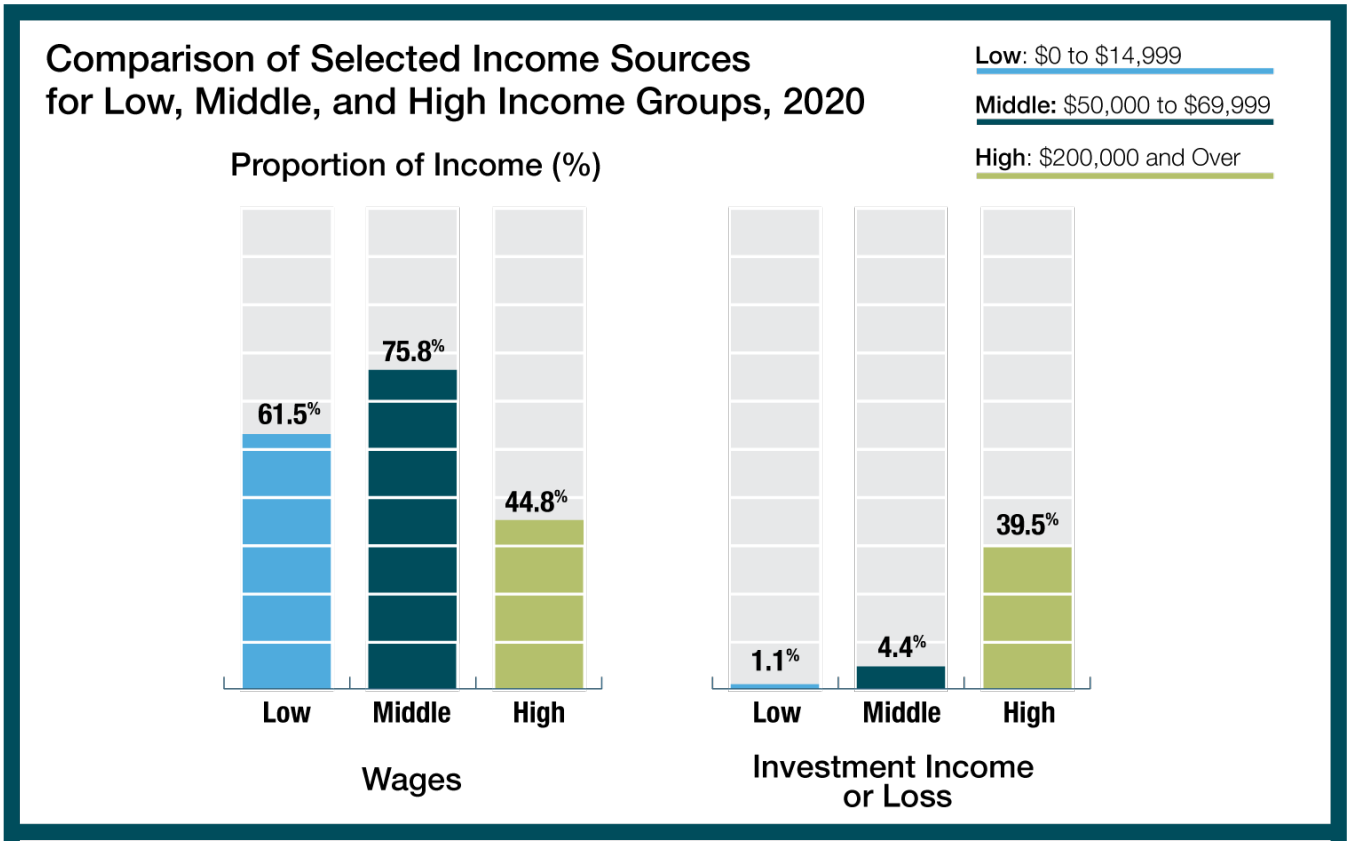



Source: United States Census Bureau's Annual Survey of State and Local Government Finances; United States Department of Commerce's Bureau of Economic Analysis (BEA) Regional GDP and Personal Income Data

Note: The Census data covers individual government fiscal years that ended between July 1, 2019, and June 30, 2020, and the BEA data is for calendar year 2020.

Using data from the United States Census Bureau's Annual Survey of State and Local Government Finances and from the United States Department of Commerce's Bureau of Economic Analysis (BEA) Regional GDP and Personal Income Data, this study ranks Colorado among other states. Colorado had relatively low tax revenue overall relative to personal income, ranking 32nd among states in 2020, with $87 in total state and local tax revenue per $1,000 of personal income. Of these taxes, 54% went to local governments, which placed Colorado local tax revenue as a percentage of total tax revenue the fifth highest among states.

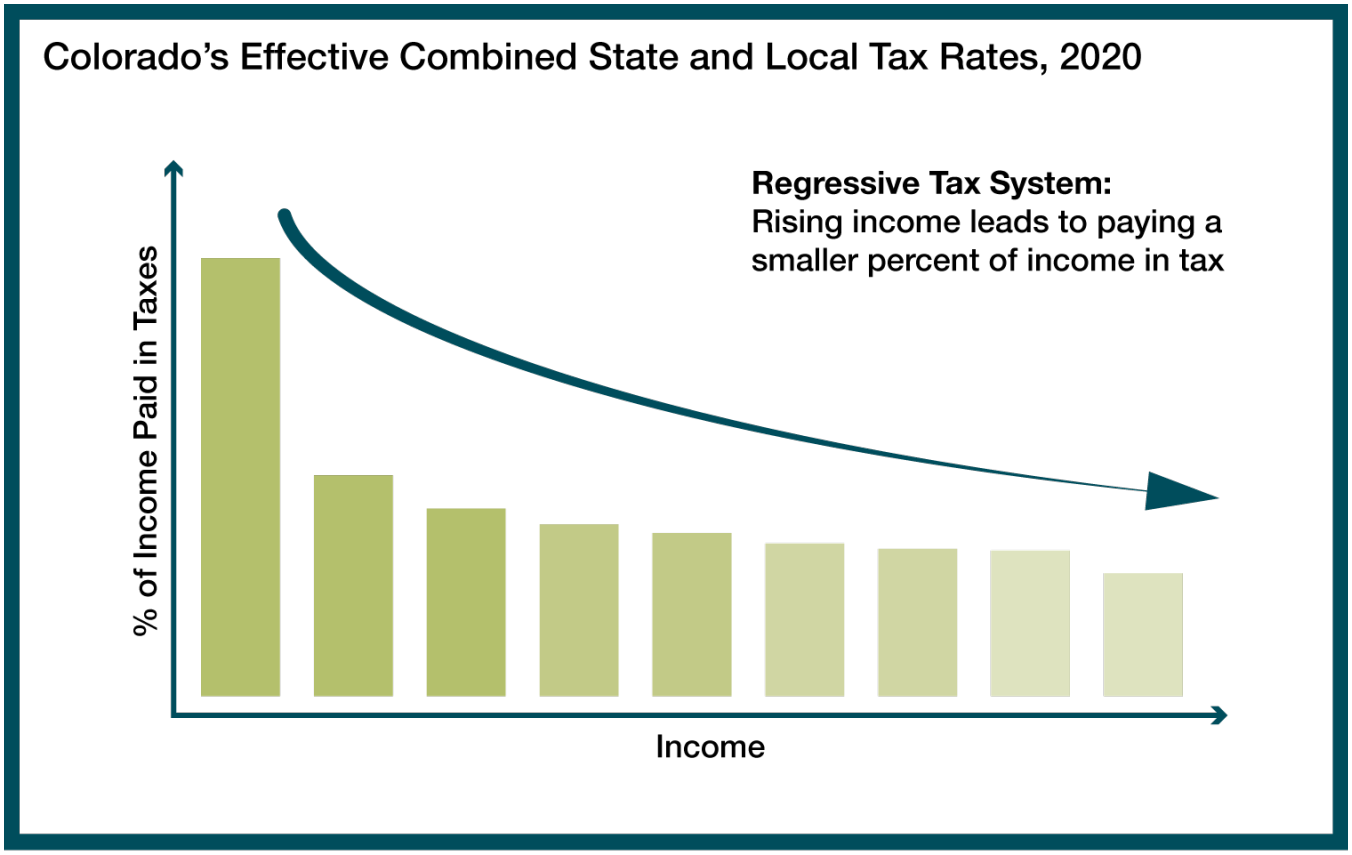
Colorado's per capita expenditures ranked at 20th in the nation in 2020. Fire protection ranked first in the nation while parks and recreation ranked second in the nation. Colorado was ranked in the bottom ten states for per capita expenditures on solid waste and health.




Source: Colorado and Federal income tax return data and the United States Department of Labor's Bureau of Labor Statistics Consumer Expenditure Survey

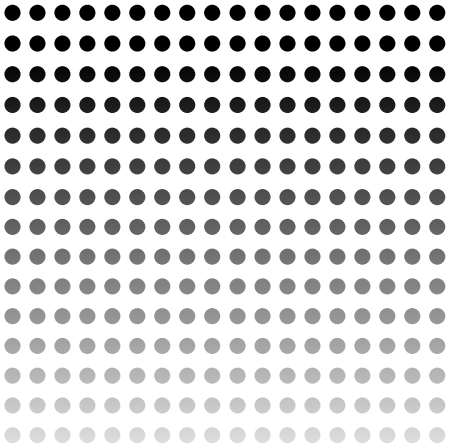
Note: The values presented in this exhibit are estimates because actual values are not known.

The estimated average family money income of all households in Colorado was $96,925, and households paid an average of $8,047 in state and local taxes in 2020. The estimated median family money income was $51,246, which is lower than the average because extreme high income values increase the average. The median income is a better measure of the midpoint. Sources of income varied widely by family money income groups. The highest earners earned about 45% of their family money income from wages and about 40% of their income from investments. In contrast, the lowest and middle income groups earned the large majority of their income from wages, about 62% and 76%, respectively, with less than 5% of income coming from investments.




Furthermore, lower income households paid a higher share of taxes than their share of family money income in Colorado. Notably, the highest income group paid less state and local taxes than its share of income. This means that, in effect, Colorado's overall taxing structure is regressive. A regressive tax structure is one in which the effective tax rate decreases as income increases.

The lowest income group had the highest overall effective rate, paying nearly 29% of their income in state and local taxes. However, the highest income group had the lowest overall effective tax rate, paying nearly 7% of their income in state and local taxes. The effective tax rates for local taxes were substantially more regressive than the effective tax rates for state taxes, largely due to local residential real property taxes and local sales and use taxes. For all tax types except state income and occupational privilege, the lowest income households paid a higher percentage of their earnings to Colorado than the highest earning groups.



# Introduction

The Colorado Tax Profile Study is a multi-faceted look at Colorado taxes prepared by the Colorado Department of Revenue (the Department). This is the 16th in the series of Colorado Tax Profile Studies, first published in 1973. The current study is broken into three parts, where each part discusses aspects of the overall tax structure and distribution of tax burden in 2020. Part 1 compares Colorado tax revenue and selected expenditures to those of other states and briefly summarizes state and local tax revenue collections for reference. The biggest section is Part 2, which is an in-depth examination of the distribution of income and tax burden in Colorado. The study concludes with Part 3, which discusses tax equity considerations for policy making.

This study does not examine how Colorado's state and local tax structure affects households' economic status. Nor does it attempt to assess the impact of taxes or tax expenditures on work incentives, economic growth, or their effects on industries in the state.

For contextual information on the Colorado economy in 2020, the Department recommends looking at the quarterly economic forecasts from Colorado's Legislative Council Staff (https://leg.colorado.gov/EconomicForecasts) and Office of State Planning and Budgeting (Go to the "Older Forecasts" link on this page: https://www.colorado.gov/governor/economics).

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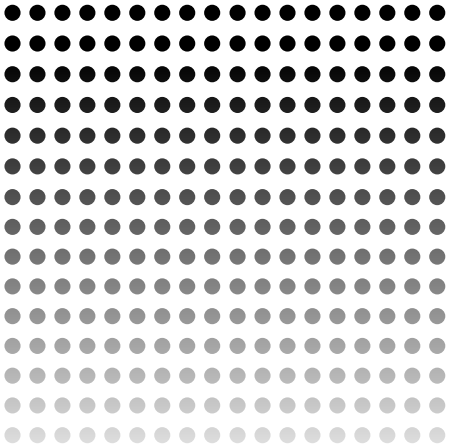


# Part 1

## Colorado Income, Tax Revenue, and Expenditures Compared to Other States

This section describes how personal income, state and local tax revenue, and government expenditures in Colorado compare with other states. This section's data is from the United States Census Bureau's Annual Survey of State and Local Government Finances and the United States Department of Commerce's Bureau of Economic Analysis (BEA) Regional GDP and Personal Income Data. Note the Census data covers individual government fiscal years that ended between July 1, 2019, and June 30, 2020, and the BEA data is for calendar year 2020. All data is referred to as 2020 data throughout the study.

**Exhibit 1** compares the state, local, and total tax revenue per $1,000 of personal income across all states. Coloradans paid lower taxes relative to their income than residents of 31 other states, ranking 32nd in the nation for combined state and local tax revenue per $1,000 of personal income. Colorado has a long tradition of having a decentralized local government tax system. Local taxes relative to personal income were among the highest in the country (7th), whereas state taxes relative to personal income were among the lowest (44th). Looking at local government tax revenue as a percentage of total tax revenue collected by both state and local governments placed Colorado among the top 10 states, ranking fifth highest.

## Exhibit 1. State and Local Tax Revenue Per $1,000 Personal Income, 2020

| State | State Tax Revenue (Per $1,000 Personal Income) | | Local Tax Revenue (Per $1,000 Personal Income) | | Total Tax Revenue (Per $1,000 Personal Income) | | Local Tax Revenue as a % of Total Tax Revenue | |
|---|---|---|---|---|---|---|---|---|
| | Amount | Rank | Amount | Rank | Amount | Rank | Percent | Rank |
| Alabama | $54 | 29 | $30 | 37 | $83 | 36 | 35% | 34 |
| Alaska | $29 | 50 | $44 | 10 | $74 | 48 | 60% | 1 |
| Arizona | $47 | 40 | $32 | 33 | $80 | 43 | 41% | 22 |
| Arkansas | $72 | 7 | $20 | 49 | $92 | 23 | 22% | 48 |
| California | $63 | 16 | $38 | 20 | $100 | 14 | 38% | 29 |
| **Colorado** | **$40** | **44** | **$47** | **7** | **$87** | **32** | **54%** | **5** |
| Connecticut | $66 | 9 | $43 | 11 | $109 | 6 | 39% | 24 |
| Delaware | $82 | 4 | $23 | 48 | $105 | 11 | 22% | 49 |
| Florida | $35 | 48 | $36 | 24 | $72 | 49 | 50% | 6 |
| Georgia | $43 | 43 | $36 | 23 | $79 | 44 | 46% | 12 |
| Hawaii | $93 | 1 | $38 | 18 | $132 | 2 | 29% | 44 |
| Idaho | $58 | 21 | $24 | 47 | $82 | 40 | 29% | 43 |
| Illinois | $58 | 23 | $47 | 6 | $105 | 12 | 45% | 13 |
| Indiana | $64 | 13 | $27 | 44 | $91 | 28 | 30% | 42 |
| Iowa | $64 | 14 | $40 | 15 | $103 | 13 | 39% | 26 |
| Kansas | $60 | 18 | $35 | 29 | $95 | 18 | 37% | 30 |
| Kentucky | $63 | 15 | $29 | 40 | $92 | 25 | 31% | 40 |
| Louisiana | $49 | 38 | $40 | 16 | $89 | 30 | 45% | 14 |
| Maine | $66 | 11 | $51 | 2 | $117 | 4 | 44% | 15 |
| Maryland | $60 | 19 | $45 | 8 | $105 | 10 | 43% | 19 |
| Massachusetts | $58 | 20 | $36 | 26 | $94 | 20 | 38% | 27 |
| Michigan | $53 | 31 | $28 | 43 | $81 | 42 | 35% | 37 |
| Minnesota | $77 | 5 | $29 | 38 | $106 | 9 | 28% | 46 |
| Mississippi | $64 | 12 | $29 | 42 | $93 | 22 | 31% | 41 |
| Missouri | $39 | 45 | $37 | 21 | $76 | 45 | 49% | 7 |
| Montana | $54 | 28 | $29 | 41 | $83 | 35 | 35% | 38 |
| Nebraska | $53 | 32 | $48 | 5 | $100 | 15 | 47% | 9 |
| Nevada | $56 | 24 | $32 | 34 | $88 | 31 | 37% | 32 |
| New Hampshire | $30 | 49 | $45 | 9 | $75 | 47 | 60% | 2 |

Continued on page 235

## Exhibit 1 (continued). State and Local Tax Revenue Per $1,000 Personal Income, 2020

| State | State Tax Revenue (Per $1,000 Personal Income) | | Local Tax Revenue (Per $1,000 Personal Income) | | Total Tax Revenue (Per $1,000 Personal Income) | | Local Tax Revenue as a % of Total Tax Revenue | |
|---|---|---|---|---|---|---|---|---|
| | Amount | Rank | Amount | Rank | Amount | Rank | Percent | Rank |
| New Jersey | $58 | 22 | $49 | 3 | $107 | 8 | 46% | 11 |
| New Mexico | $72 | 6 | $35 | 30 | $107 | 7 | 32% | 39 |
| New York | $66 | 10 | $77 | 1 | $143 | 1 | 54% | 4 |
| North Carolina | $52 | 33 | $29 | 39 | $82 | 41 | 36% | 33 |
| North Dakota | $91 | 3 | $33 | 32 | $124 | 3 | 26% | 47 |
| Ohio | $49 | 39 | $43 | 13 | $92 | 26 | 46% | 10 |
| Oklahoma | $51 | 37 | $31 | 35 | $82 | 38 | 38% | 28 |
| Oregon | $55 | 26 | $39 | 17 | $94 | 21 | 41% | 21 |
| Pennsylvania | $52 | 34 | $40 | 14 | $92 | 24 | 44% | 17 |
| Rhode Island | $55 | 27 | $43 | 12 | $97 | 16 | 44% | 16 |
| South Carolina | $47 | 41 | $36 | 25 | $83 | 37 | 43% | 18 |
| South Dakota | $38 | 46 | $37 | 22 | $75 | 46 | 49% | 8 |
| Tennessee | $47 | 42 | $25 | 46 | $72 | 50 | 35% | 36 |
| Texas | $38 | 47 | $48 | 4 | $86 | 34 | 56% | 3 |
| Utah | $51 | 36 | $35 | 28 | $86 | 33 | 41% | 23 |
| Vermont | $92 | 2 | $19 | 50 | $112 | 5 | 17% | 50 |
| Virginia | $53 | 30 | $38 | 19 | $91 | 27 | 42% | 20 |
| Washington | $56 | 25 | $35 | 27 | $91 | 29 | 39% | 25 |
| West Virginia | $67 | 8 | $27 | 45 | $94 | 19 | 29% | 45 |
| Wisconsin | $62 | 17 | $33 | 31 | $95 | 17 | 35% | 35 |
| Wyoming | $52 | 35 | $30 | 36 | $82 | 39 | 37% | 31 |

Source: United States Census Bureau's Annual Survey of State and Local Government Finances; United States Department of Commerce's Bureau of Economic Analysis (BEA) Regional GDP and Personal Income Data

Note: The Census data covers individual government fiscal years that ended between July 1, 2019, and June 30, 2020, and the BEA data is for calendar year 2020.

**Exhibit 2** displays Colorado's national ranking for state, local, and total tax revenue per $1,000 of personal income since 1990. The rankings have remained similar over the years.

## Exhibit 2. Colorado Tax Revenue Per $1,000 Personal Income State, Local, and Total Tax Revenue, 1990 - 2020

| Year | State Tax Revenue (Per $1,000 Personal Income) | | Local Tax Revenue (Per $1,000 Personal Income) | | Total Tax Revenue (Per $1,000 Personal Income) | | Local Tax Revenue as a % of Total Tax Revenue | |
|---|---|---|---|---|---|---|---|---|
| | Amount | Rank | Amount | Rank | Amount | Rank | Percent | Rank |
| 2020 | $40 | 44 | $47 | 7 | $87 | 32 | 54% | 5 |
| 2019 | $45 | 43 | $47 | 8 | $92 | 31 | 51% | 5 |
| 2018 | $45 | 44 | $45 | 10 | $90 | 32 | 50% | 5 |
| 2017 | $43 | 45 | $46 | 9 | $89 | 33 | 52% | 5 |
| 2016 | $45 | 45 | $44 | 12 | $89 | 35 | 50% | 5 |
| 2015 | $45 | 44 | $43 | 12 | $88 | 37 | 49% | 6 |
| 2014 | $43 | 47 | $43 | 11 | $86 | 40 | 50% | 3 |
| 2013 | $46 | 46 | $47 | 6 | $93 | 37 | 51% | 3 |
| 2012 | $44 | 46 | $46 | 5 | $90 | 37 | 51% | 3 |
| 2011 | $42 | 47 | $55 | 3 | $96 | 31 | 57% | 1 |
| 2010 | $40 | 49 | $56 | 3 | $96 | 31 | 58% | 1 |
| 2009 | $42 | 49 | $55 | 3 | $98 | 36 | 57% | 2 |
| 2008 | $45 | 48 | $46 | 9 | $91 | 42 | 51% | 4 |
| 2007 | $45 | 48 | $46 | 10 | $91 | 46 | 50% | 4 |
| 2006 | $44 | 49 | $45 | 10 | $89 | 46 | 51% | 4 |
| 2005 | $43 | 49 | $45 | 12 | $87 | 46 | 51% | 4 |
| 2004 | $42 | 49 | $45 | 10 | $86 | 46 | 52% | 3 |
| 2003 | * | * | * | * | * | * | * | * |
| 2002 | $44 | 49 | $44 | 11 | $88 | 45 | 50% | 3 |
| 2001 | * | * | * | * | * | * | * | * |
| 2000 | $55 | 46 | $48 | 7 | $103 | 43 | 47% | 5 |
| 1999 | $55 | 45 | $47 | 8 | $102 | 40 | 46% | 7 |
| 1998 | $54 | 47 | $47 | 11 | $101 | 42 | 46% | 6 |
| 1997 | $53 | 48 | $48 | 10 | $101 | 44 | 48% | 3 |
| 1996 | $52 | 48 | $48 | 13 | $100 | 45 | 48% | 4 |
| 1995 | $53 | 48 | $49 | 12 | $102 | 42 | 48% | 4 |
| 1994 | $52 | 48 | $50 | 6 | $102 | 41 | 49% | 4 |
| 1993 | $51 | 48 | $51 | 6 | $102 | 39 | 50% | 4 |
| 1992 | $51 | 48 | $51 | 8 | $102 | 37 | 50% | 3 |
| 1991 | $49 | 48 | $52 | 5 | $101 | 33 | 51% | 3 |
| 1990 | $51 | 48 | $54 | 5 | $105 | 31 | 52% | 2 |

* Information not available

Source: United States Census Bureau's Annual Survey of State and Local Government Finances; United States Department of Commerce's Bureau of Economic Analysis (BEA) Regional GDP and Personal Income Data

Note: The Census data covers individual government fiscal years that ended between July 1st and June 30th, and the BEA data is for the calendar year.

**Exhibit 3** shows the ranking of selected tax revenue sources for Colorado compared to other states. The main sources of tax revenue for Colorado are state individual income tax, state and local sales taxes, and local property taxes. Colorado's individual income tax revenue relative to the state's total personal income ranked near the bottom, being 31st out of 42 states that have an income tax. On the other hand, Colorado's state and local sales and other gross receipts ranked 28th in the nation, and Colorado's local property tax revenue ranked 21st in the nation.

## Exhibit 3. Ranking of Colorado State and Local Government Selected Tax Revenue Per $1,000 Personal Income, 2020

| Tax Revenue Category | National Rank |
|---|---|
| **Total Tax Revenue** | **32** |
| Individual income tax revenue | 31 |
| Property tax revenue | 21 |
| Sales and gross receipts | 28 |

Source: United States Census Bureau's Annual Survey of State and Local Government Finances; United States Department of Commerce's Bureau of Economic Analysis (BEA) Regional GDP and Personal Income Data

Note: The Census data covers individual government fiscal years that ended between July 1, 2019, and June 30, 2020, and the BEA data is for calendar year 2020.

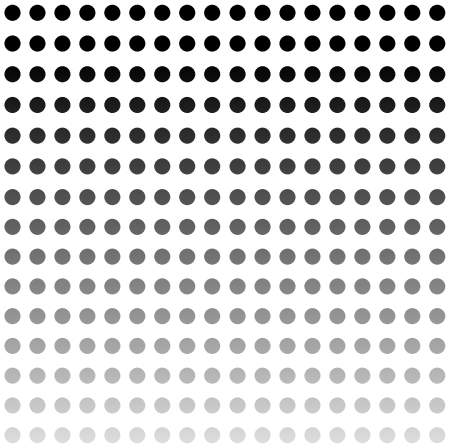
**Exhibit 4** demonstrates Colorado's expenditures on various programs relative to other states. In this case, the term "expenditure" means money spent by governments. This term does not include "tax expenditures," which are base deviations, deductions, credits, or special rates that apply to only certain taxpayers, transactions, property, or income sources. Compared to other states, Colorado tends to have higher expenditures per capita and lower total tax revenue relative to personal income. Colorado ranked first in the nation for per capita spending on fire protection and second in the nation for parks and recreation expenditures. Other per capita expenditures in the top ten in the nation were sewerage, housing and community development, and utilities. Per capita funding for higher education was 16th in the nation, while spending on elementary and secondary education per capita was 26th. Colorado's per capita expenditures on solid waste and health were in the bottom 10 states, ranking 49th and 42nd respectively.

## Exhibit 4. Ranking of Colorado State and Local Government Selected Expenditures Per Capita, 2020

| Expenditure Category | National Rank |
|---|---|
| **Total Expenditures** | **20** |
| Corrections | 17 |
| Elementary and secondary education | 26 |
| Fire protection | 1 |
| Health | 42 |
| Higher education | 16 |
| Highways | 26 |
| Hospitals | 23 |
| Housing and community development | 9 |
| Natural resources | 25 |
| Parks and recreation | 2 |
| Police protection | 13 |
| Public welfare | 32 |
| Sewerage | 8 |
| Solid waste | 49 |
| Utilities | 10 |

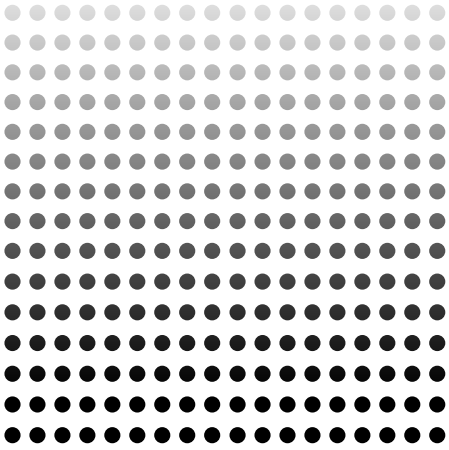
Source: United States Census Bureau's Annual Survey of State and Local Government Finances; United States Department of Commerce's Bureau of Economic Analysis (BEA) Regional GDP and Personal Income Data

Note: The Census data covers individual government fiscal years that ended between July 1, 2019, and June 30, 2020, and the BEA data is for calendar year 2020.



# Part 2

## Distribution of Income and Taxes Paid In Colorado



# Overview

This part of the study analyzes the distribution of income and tax burden in Colorado using estimates of state and local taxes paid by households at different income levels in the 2020 calendar year. Distribution refers to how income and taxes paid are spread out across nine income groups. To understand the distribution of income and tax burden, the Department examined how sources of income (e.g., wages; investment income or losses), average taxes paid by tax type (e.g., income; sales and use), and effective tax rates (i.e., taxes paid as a percentage of income) varied across and within income groups. The Department also compared the distribution of income versus the distribution of taxes paid to illustrate who bears the tax burden. In the sections that follow, estimates of income, taxes paid, and the distribution of taxes paid across households with different income levels is illustrated using tables and charts (exhibits).

The methodology used to produce these estimates is described in detail in the Methodology section below. It is crucial to note that income level is not associated with most Colorado taxes. For example, most vendors who collect and remit sales tax do not collect data on their customers' income levels. With the exception of state income tax data, the Department does not have state data on taxes paid by income level. Therefore, the Department developed a model using federal and state data sources to estimate taxes paid by income level. The primary source was the United States Department of Labor's Bureau of Labor Statistics Consumer Expenditure Survey (CES). The CES is a nationwide household survey on consumers' demographics, incomes, and expenditures. Expenditures in this case refers to the dollar amounts that households report spending on various items.

# Methodology

For this study, the Department estimated family money income (defined below) and taxes paid by Colorado households categorized into nine income groups. The Department does not have access to data on the actual taxes paid by each income group, except for state income taxes. The values presented in the following sections are estimates, which may differ from the actual amount of tax paid.

## Estimating Income

This report defines income as family money income, which aims to capture all income available to Colorado households. Family money income includes some income that is not subject to income tax. The conceptualization of income in this report is based on the definition of income used by the CES.

The Department estimated family money income for Colorado households using Colorado and federal income tax return data and CES data. Family money income is composed of seven sources, which are listed and described in the table below.

| Income Source | Definition | Data Source(s) |
|---|---|---|
| Wages | Wages, salaries, and tips | Federal income tax returns |
| Retirement | IRA distributions, pensions, annuities, social security benefits | Federal income tax returns |
| Self-Employment Income or Loss | Profit or loss from sole proprietorships or farming; sales of business properties | Federal income tax returns |
| Investment Income or Loss | Capital gains or losses; interest; dividends; income or losses from rental real estate, royalties, partnerships, S corporations, trusts, etc. | Federal income tax returns |
| Public Assistance | Public assistance, Supplemental Security Income, Supplementary Nutrition Assistance Program (SNAP) | Consumer Expenditure Survey |
| Unemployment and Other Compensation | Unemployment and workers' compensation, veterans' benefits, and regular contributions for support | Consumer Expenditure Survey |
| Other Income or Loss | Combination of "Other Income" from the Consumer Expenditure Survey and the "Other Income" line on federal income tax returns | Consumer Expenditure Survey; federal income tax returns |

Average family money income is calculated by dividing the total amount of family money income by the number of full-year resident, non-dependent, individual Colorado income tax returns per income group. This methodology is limited in that it does not include Colorado residents that do not file income tax returns (e.g., very low-income taxpayers that are not required to file), nor part-year residents and nonresidents that may have Colorado income and influence on the economy. It also is only accurate to the extent that income tax filers report all of their income on their tax returns. Furthermore, households estimated to have net negative income associated with self-employment, investment, and other losses are excluded from the dataset.

## Defining the Income Groups

This report uses nine income groups based on the CES Income categories:

- $0 under $15K
- $15K under $30K
- $30K under $40K
- $40K under $50K
- $50K under $70K
- $70K under $100K
- $100K under $150K
- $150K under $200K
- $200K and over

## Estimating Taxes Paid by Income Group

The Department estimated the amount of state and local taxes paid by each income group. The state taxes estimated are individual income, sales and use, gasoline, driver license and vehicle registration fees, alcoholic beverages, and cigarettes and tobacco. Taxes on alcohol, cigarettes and tobacco, and gasoline are indirect taxes in that they are passed to the consumer by being included in purchase prices. The local taxes estimated are residential real property, sales and use, specific ownership, and occupational privilege. Specific ownership taxes are local property taxes on motor vehicles. State income taxes paid were estimated using data from state income tax returns. Other types of taxes paid were primarily estimated using data from the CES, but when the CES data were insufficient to make an estimate, actual Colorado tax revenue data and industry data were incorporated.

The CES groups households into income groups, and average annual family money income and expenses are reported for each group. While the CES does report values for some taxes paid, in general, the taxes summarized here were not available in the CES. Instead, the CES includes how much money consumers spent on a variety of items like food, gasoline, and alcohol.

To estimate sales and use, gasoline, alcohol, and cigarette and tobacco taxes, the Department aggregated the CES amounts spent on items subject to particular tax types and then multiplied those values by the applicable tax rates. When needed, the Department also used third party or industry data to estimate costs and quantities consumed in order to apply the tax rates. From there, taxes were calculated as a percentage of CES income for each income group. For every tax type, the percentages were applied to the average Colorado family money income values (see methodology on estimating income above) to estimate the average Colorado taxes paid by each income group.

Here is an example of how an estimate of tax paid was made using gasoline tax: If a given income group has on average $45,000 in income, spent $2,000 on gasoline (per the CES), and the average price of gasoline was $2.50 (per industry data), then it was estimated that they bought 800 gallons of gasoline. The state tax on gasoline is $.0.22 per gallon, which comes to $176 in gasoline tax paid. Then $176 was divided by $45,000 (the CES income amount) to determine what percentage of CES income was spent on gasoline tax (0.4%). Then that percentage (0.4%) was multiplied by the average Colorado family money income value for that group to get the estimate of average gasoline taxes paid.

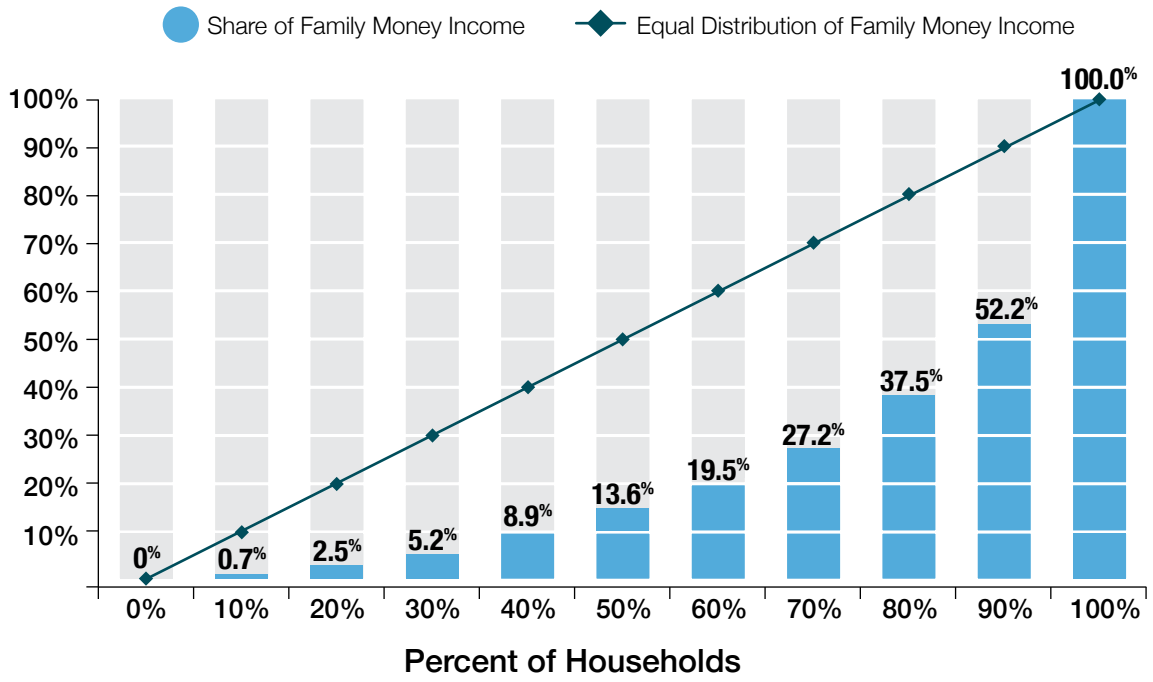
All of the following sections, which discuss distributions of income and taxes paid, are only accurate insofar as the model accurately describes the actual tax situation of taxpayers in Colorado.

# Data Describing the Distribution of Income and Taxes Paid in Colorado

## Distribution of Income

**Exhibit 5** shows the estimated cumulative distribution of family money income and households in Colorado. The graph depicts the percentage of Colorado households ordered by family money income (the horizontal axis) and their estimated share of family money income (the vertical axis). For example, the chart shows that the bottom 50% of Colorado households received 13.6% of all income. The diagonal line connecting the corners of the chart represents an equal distribution of income. The space between the bars and the diagonal line shows the gap in equality. The greater the space between the bars and the diagonal line, the greater the inequality of income.

### Exhibit 5. Cumulative Distribution of Family Money Income, 2020

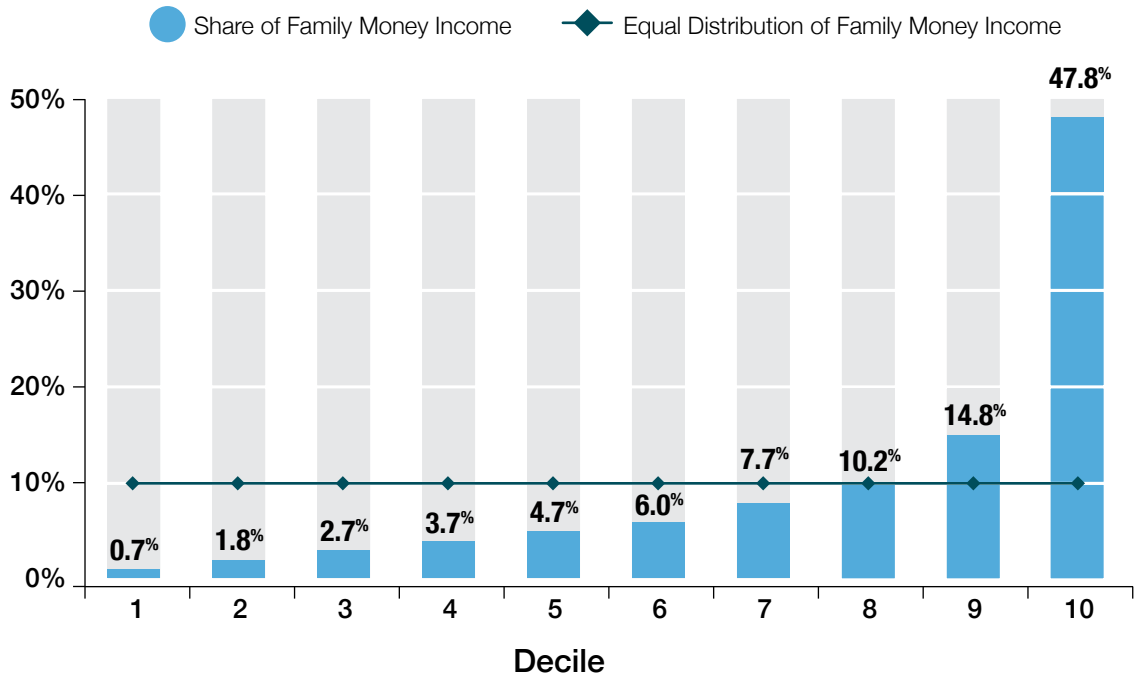



Source: Colorado and Federal income tax return data and the United States Department of Labor's Bureau of Labor Statistics Consumer Expenditure Survey

**Exhibit 6** shows the share of family money income across deciles (10 equally sized groups ordered by family money income). The horizontal line shows an equal distribution of income, Notably, nearly half of all income is attributed to the top 10% (the tenth decile) of households.

The estimated average family money income of all households in Colorado was $96,925. The estimated median family money income was $51,246, which is lower than the average because extreme high income values increase the average. The median income is a better measure of the midpoint.

## Exhibit 6. Distribution of Family Money Income Across Deciles, 2020




Source: Colorado and Federal income tax return data and the United States Department of Labor's Bureau of Labor Statistics Consumer Expenditure Survey

## Sources of Income

**Exhibit 7** lists the seven sources of family money income and the average amount of income obtained from each source per income group. **Exhibit 8** illustrates the proportions of income sources within the lowest, middle, and highest income groups. Households in the lowest and middle income groups obtain most of their income from wages, 61.5% and 75.8% respectively. In contrast, households in the highest income group receive nearly 45% of their income from wages, and just under 40% from investments.

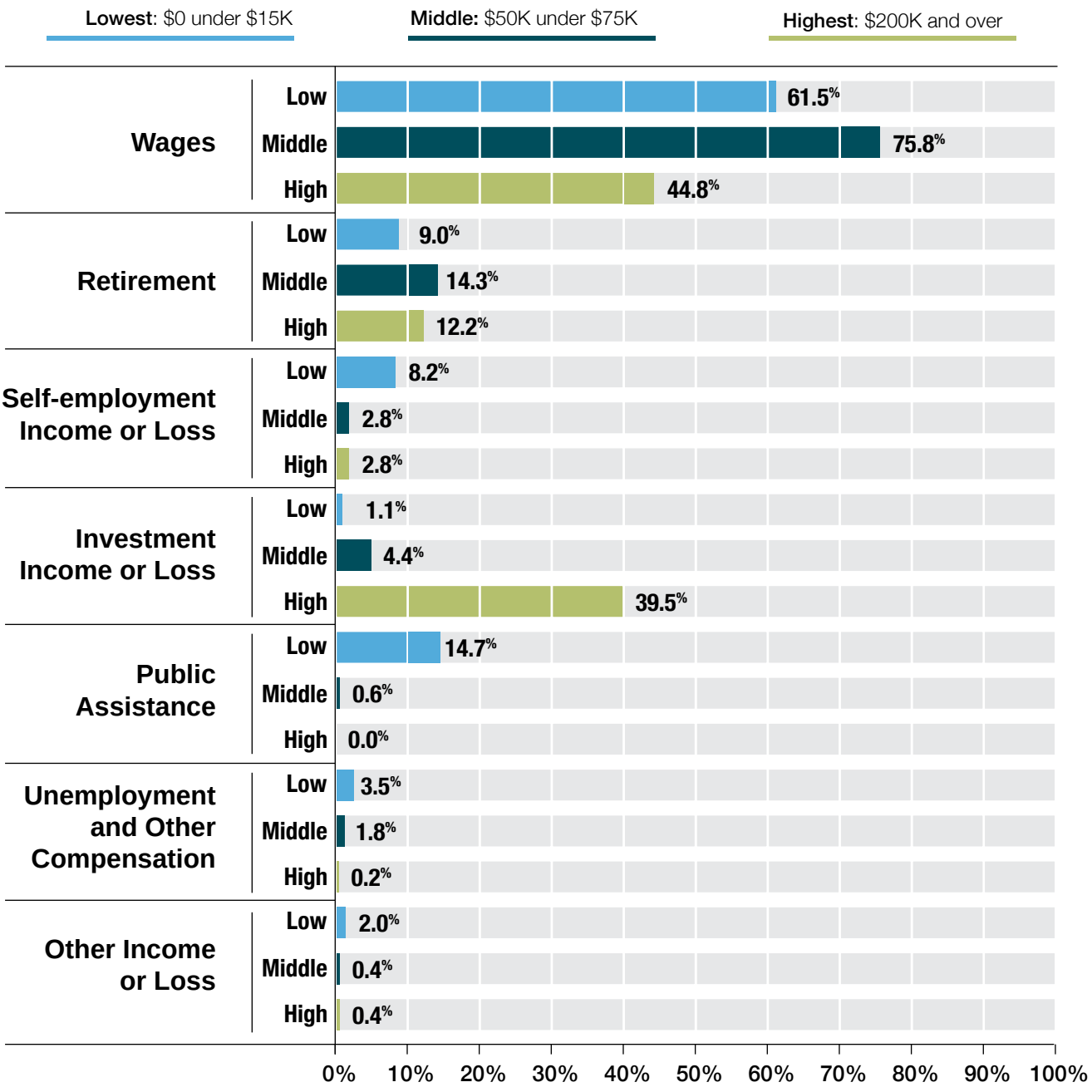
### Exhibit 7. Average Sources of Income by Income Group, 2020

| Income Source | $0 under $15K | $15K under $30K | $30K under $40K | $40K under $50K | $50K under $70K | $70K under $100K | $100K under $150K | $150K under $200K | $200K and over |
|---|---|---|---|---|---|---|---|---|---|
| Wages | $4,940 | $15,156 | $25,571 | $33,500 | $44,848 | $62,837 | $90,986 | $125,482 | $231,867 |
| Retirement | $726 | $3,957 | $5,538 | $6,795 | $8,458 | $11,890 | $16,054 | $20,335 | $63,260 |
| Self-Employment Income or Loss | $656 | $1,332 | $1,246 | $1,389 | $1,685 | $2,357 | $3,366 | $5,118 | $14,301 |
| Investment Income or Loss | $90 | $575 | $1,091 | $1,584 | $2,602 | $4,843 | $9,619 | $19,124 | $204,543 |
| Public Assistance | $1,178 | $865 | $468 | $569 | $336 | $319 | $150 | $102 | $99 |
| Unemployment and Other Compensation | $278 | $524 | $772 | $899 | $1,049 | $1,163 | $1,161 | $1,269 | $947 |
| Other Income or Loss | $161 | $161 | $173 | $229 | $215 | $247 | $410 | $579 | $2,169 |
| **Average Family Money Income** | **$8,028** | **$22,569** | **$34,859** | **$44,966** | **$59,193** | **$83,656** | **$121,746** | **$172,008** | **$517,185** |

Source: Colorado and Federal income tax return data and the United States Department of Labor's Bureau of Labor Statistics Consumer Expenditure Survey

Note: The values presented in this exhibit are estimates because actual values are not known. Family money income and taxes paid were estimated using Colorado, federal, and third party data sources. Please see the "Methodology" section of the Tax Profile narrative.

# Exhibit 8. Proportions of Income Sources Within the Lowest, Middle, and Highest Income Groups, 2020




Source: Colorado and Federal income tax return data and the United States Department of Labor's Bureau of Labor Statistics Consumer Expenditure Survey

Note: The values presented in this exhibit are estimates because actual values are not known.

# Distribution of Taxes Paid

## Average Taxes Paid for Each Tax Type by Each Income Group

**Exhibit 9** estimates the average amount of state and local taxes paid by Colorado households. The average total state and local taxes paid was $8,047. The average state taxes paid was $4,051, and the average amount of local taxes paid by Colorado households was $3,995. However, when households in the two highest income groups are removed, the average amount of state taxes paid drops to $2,282 and the average amount of local taxes paid lowers to $2,732. Generally, as income increased so did the average taxes paid.

### Exhibit 9. Average Taxes Paid by Income Group, 2020

| Type of Taxes Paid | Category | $0 under $15K | $15K under $30K | $30K under $40K | $40K under $50K | $50K under $70K | $70K under $100K | $100K under $150K | $150K under $200K | $200K and over | Average |
|---|---|---|---|---|---|---|---|---|---|---|---|
| State | Individual Income | $158 | $404 | $796 | $1,132 | $1,655 | $2,520 | $3,959 | $5,888 | $17,255 | $3,007 |
| State | Sales and Use | $308 | $318 | $407 | $445 | $517 | $625 | $869 | $987 | $2,272 | $663 |
| State | Gasoline | $82 | $88 | $121 | $135 | $156 | $175 | $195 | $206 | $346 | $155 |
| State | Driver License and Vehicle Registration Fees | $96 | $108 | $138 | $146 | $161 | $184 | $208 | $223 | $353 | $168 |
| State | Alcoholic Beverages | $2 | $3 | $4 | $6 | $6 | $8 | $11 | $22 | $37 | $9 |
| State | Cigarettes and Tobacco | $48 | $44 | $55 | $53 | $55 | $53 | $46 | $38 | $46 | $49 |
| **State** | **Total State Taxes Paid by Taxpayers** | **$696** | **$966** | **$1,521** | **$1,916** | **$2,550** | **$3,565** | **$5,288** | **$7,365** | **$20,310** | **$4,051** |
| Local | Residential Real Property | $958 | $1,234 | $1,404 | $1,531 | $1,694 | $2,224 | $3,121 | $4,364 | $11,332 | $2,648 |
| Local | Sales and Use | $505 | $522 | $667 | $729 | $846 | $1,024 | $1,423 | $1,617 | $3,722 | $1,086 |
| Local | Specific Ownership | $133 | $152 | $199 | $212 | $236 | $274 | $313 | $337 | $545 | $248 |
| Local | Occupational Privilege | $11 | $13 | $14 | $14 | $14 | $15 | $15 | $15 | $15 | $14 |
| **Local** | **Total Local Taxes Paid by Taxpayers** | **$1,607** | **$1,921** | **$2,284** | **$2,487** | **$2,791** | **$3,536** | **$4,872** | **$6,334** | **$15,614** | **$3,995** |
| **State and Local** | **Total Taxes Paid by Taxpayers** | **$2,304** | **$2,887** | **$3,805** | **$4,403** | **$5,341** | **$7,101** | **$10,160** | **$13,699** | **$35,924** | **$8,047** |

Source: Colorado and Federal income tax return data and the United States Department of Labor's Bureau of Labor Statistics Consumer Expenditure Survey

Note: The values presented in this exhibit are estimates because actual values are not known. Family money income and taxes paid were estimated using Colorado, federal, and third party data sources. Please see the "Methodology" section of the Tax Profile narrative.

## Proportion of Taxes Paid Within Income Groups

**Exhibit 10** shows the proportion of taxes paid for each tax type within each income group. For orientation, the percentages sum to 100% within each income group (each column). **Exhibit 11** illustrates the proportions of taxes paid for each tax type by income group. Households in the lowest income group paid the largest proportion of their taxes on residential real property (41.6%) and state and local sales tax (35.3%). Households in the middle income group paid about equal proportions of their taxes on individual income tax (31.0%) and residential real property tax (31.7%). Households in the highest income group paid 48.0% of their taxes on income and 31.5% of their taxes on residential real property.

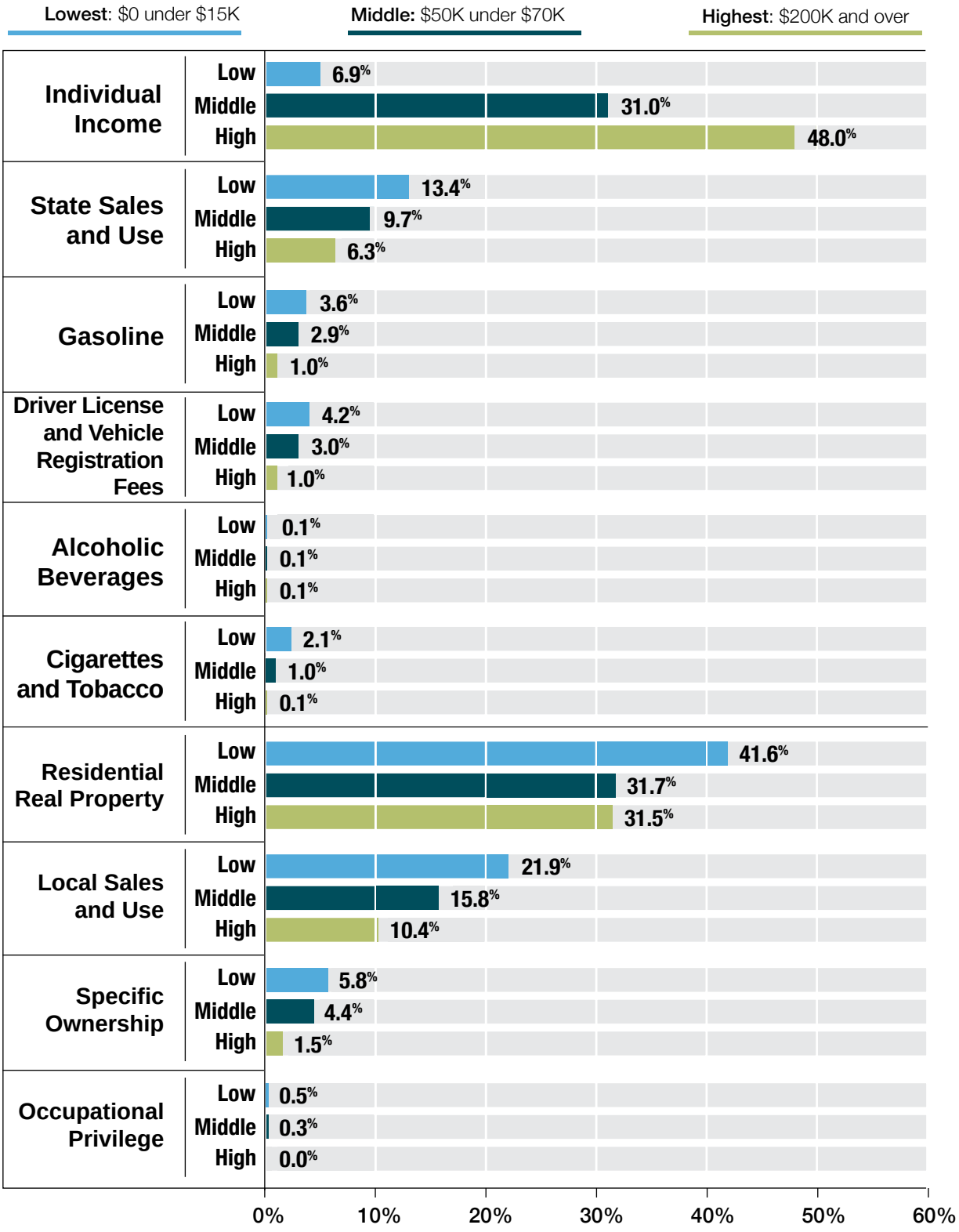
### Exhibit 10. Proportion of Taxes Paid Within Each Income Group, 2020

| Type of Taxes Paid | Category | $0 under $15K | $15K under $30K | $30K under $40K | $40K under $50K | $50K under $70K | $70K under $100K | $100K under $150K | $150K under $200K | $200K and over |
|---|---|---|---|---|---|---|---|---|---|---|
| State | Individual Income | 6.9% | 14.0% | 20.9% | 25.7% | 31.0% | 35.5% | 39.0% | 43.0% | 48.0% |
| State | Sales and Use | 13.4% | 11.0% | 10.7% | 10.1% | 9.7% | 8.8% | 8.6% | 7.2% | 6.3% |
| State | Gasoline | 3.6% | 3.0% | 3.2% | 3.1% | 2.9% | 2.5% | 1.9% | 1.5% | 1.0% |
| State | Driver License and Vehicle Registration Fees | 4.2% | 3.7% | 3.6% | 3.3% | 3.0% | 2.6% | 2.0% | 1.6% | 1.0% |
| State | Alcoholic Beverages | 0.1% | 0.1% | 0.1% | 0.1% | 0.1% | 0.1% | 0.1% | 0.2% | 0.1% |
| State | Cigarettes and Tobacco | 2.1% | 1.5% | 1.5% | 1.2% | 1.0% | 0.7% | 0.5% | 0.3% | 0.1% |
| **State** | **Total State Taxes Paid by Taxpayers** | **30.2%** | **33.5%** | **40.0%** | **43.5%** | **47.7%** | **50.2%** | **52.0%** | **53.8%** | **56.5%** |
| Local | Residential Real Property | 41.6% | 42.7% | 36.9% | 34.8% | 31.7% | 31.3% | 30.7% | 31.9% | 31.5% |
| Local | Sales and Use | 21.9% | 18.1% | 17.5% | 16.5% | 15.8% | 14.4% | 14.0% | 11.8% | 10.4% |
| Local | Specific Ownership | 5.8% | 5.3% | 5.2% | 4.8% | 4.4% | 3.9% | 3.1% | 2.5% | 1.5% |
| Local | Occupational Privilege | 0.5% | 0.5% | 0.4% | 0.3% | 0.3% | 0.2% | 0.1% | 0.1% | 0.0% |
| **Local** | **Total Local Taxes Paid by Taxpayers** | **69.8%** | **66.5%** | **60.0%** | **56.5%** | **52.3%** | **49.8%** | **48.0%** | **46.2%** | **43.5%** |
| **State and Local** | **Total Taxes Paid by Taxpayers** | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** |

Source: Colorado and Federal income tax return data and the United States Department of Labor's Bureau of Labor Statistics Consumer Expenditure Survey

Note: The values presented in this exhibit are estimates because actual values are not known. Family money income and taxes paid were estimated using Colorado, federal, and third party data sources. Please see the "Methodology" section of the Tax Profile narrative.

# Exhibit 11. Proportion of Taxes Within the Lowest, Middle, and Highest Income Groups, 2020




Source: Colorado and Federal income tax return data and the United States Department of Labor's Bureau of Labor Statistics Consumer Expenditure Survey

Note: The values presented in this exhibit are estimates because actual values are not known.

## Distribution of Households, Family Money Income, and Taxes Paid Across Income Groups

**Exhibit 12** shows the share of households and share of family money income per income group. Of note, 8.4% of households were in the highest income group, yet these households made up 44.6% of the total family money income. **Exhibit 13** shows the share of tax paid by each income group for each tax type. For orientation, the percentages sum to 100% across income groups (each row). Generally, as income increased, so did the proportion of tax paid. The highest income group paid the largest share of state and local taxes (37.3%).

### Exhibit 12. Distribution of Households and Family Money Income Across Income Groups, 2020

| Households and Family Money Income | $0 under $15K | $15K under $30K | $30K under $40K | $40K under $50K | $50K under $70K | $70K under $100K | $100K under $150K | $150K under $200K | $200K and over | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Households | 12.4% | 16.4% | 11.1% | 9.1% | 13.9% | 12.6% | 11.0% | 5.2% | 8.4% | 100.0% |
| Family Money Income | 1.0% | 3.8% | 4.0% | 4.2% | 8.5% | 10.8% | 13.8% | 9.2% | 44.6% | 100.0% |

Source: Colorado and Federal income tax return data and the United States Department of Labor's Bureau of Labor Statistics Consumer Expenditure Survey

Note: The values presented in this exhibit are estimates because actual values are not known. Family money income and taxes paid were estimated using Colorado, federal, and third party data sources. Please see the "Methodology" section of the Tax Profile narrative.

## Exhibit 13. Distribution of Taxes Paid Across Income Groups, 2020

| Type of Taxes Paid | Category | $0 under $15K | $15K under $30K | $30K under $40K | $40K under $50K | $50K under $70K | $70K under $100K | $100K under $150K | $150K under $200K | $200K and over | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| State | Individual Income | 0.7% | 2.2% | 2.9% | 3.4% | 7.7% | 10.5% | 14.5% | 10.2% | 47.9% | **100%** |
| State | Sales and Use | 5.8% | 7.9% | 6.8% | 6.1% | 10.8% | 11.8% | 14.4% | 7.7% | 28.6% | **100%** |
| State | Gasoline | 6.6% | 9.3% | 8.7% | 7.9% | 14.0% | 14.2% | 13.8% | 6.9% | 18.6% | **100%** |
| State | Driver License and Vehicle Registration Fees | 7.2% | 10.6% | 9.1% | 7.9% | 13.3% | 13.8% | 13.7% | 6.9% | 17.6% | **100%** |
| State | Alcoholic Beverages | 3.3% | 6.0% | 4.7% | 5.7% | 9.6% | 11.0% | 13.3% | 12.6% | 33.7% | **100%** |
| State | Cigarettes and Tobacco | 12.1% | 14.7% | 12.4% | 9.8% | 15.5% | 13.4% | 10.3% | 4.0% | 7.8% | **100%** |
| **State** | **Total State Taxes Paid by Taxpayers** | **2.1%** | **3.9%** | **4.2%** | **4.3%** | **8.8%** | **11.1%** | **14.4%** | **9.5%** | **41.9%** | **100%** |
| Local | Residential Real Property | 4.5% | 7.6% | 5.9% | 5.2% | 8.9% | 10.5% | 13.0% | 8.6% | 35.7% | **100%** |
| Local | Sales and Use | 5.8% | 7.9% | 6.8% | 6.1% | 10.8% | 11.8% | 14.4% | 7.7% | 28.6% | **100%** |
| Local | Specific Ownership | 6.7% | 10.1% | 8.9% | 7.8% | 13.3% | 13.9% | 13.9% | 7.1% | 18.4% | **100%** |
| Local | Occupational Privilege | 10.0% | 15.4% | 11.1% | 9.3% | 14.5% | 13.2% | 11.8% | 5.7% | 8.9% | **100%** |
| **Local** | **Total Local Taxes Paid by Taxpayers** | **5.0%** | **7.9%** | **6.3%** | **5.6%** | **9.7%** | **11.1%** | **13.4%** | **8.2%** | **32.6%** | **100%** |
| **State and Local** | **Total Taxes Paid by Taxpayers** | **3.6%** | **5.9%** | **5.2%** | **5.0%** | **9.2%** | **11.1%** | **13.9%** | **8.9%** | **37.3%** | **100%** |

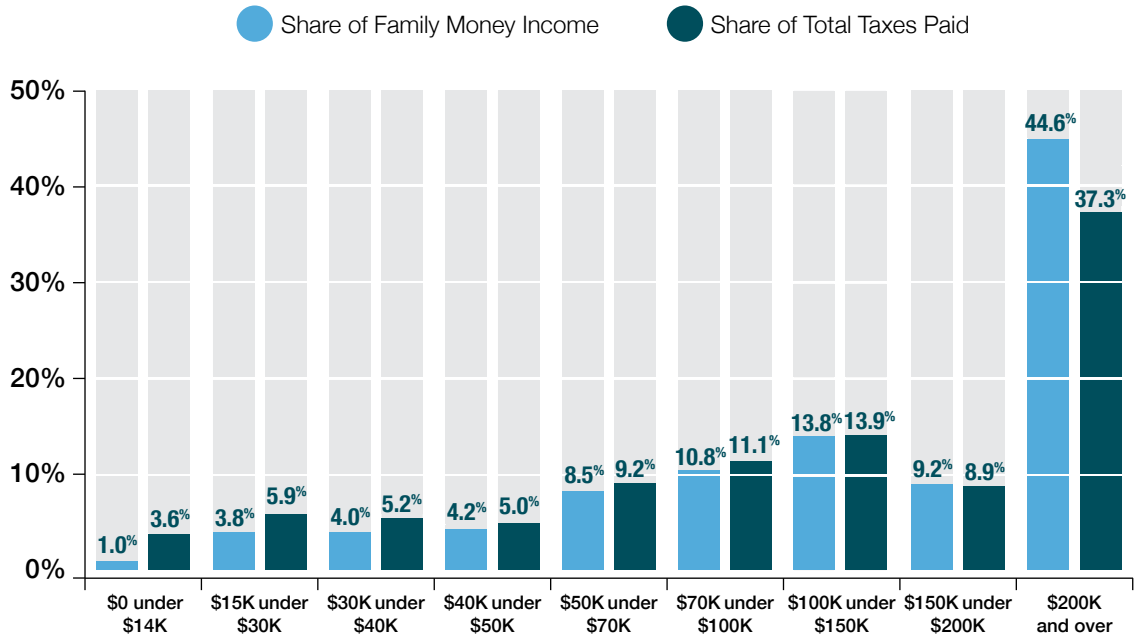
Source: Colorado and Federal income tax return data and the United States Department of Labor's Bureau of Labor Statistics Consumer Expenditure Survey

Note: The values presented in this exhibit are estimates because actual values are not known. Family money income and taxes paid were estimated using Colorado, federal, and third party data sources. Please see the "Methodology" section of the Tax Profile narrative.

# Comparing the Distribution of Taxes Paid to the Distribution of Income

**Exhibit 14** looks at the distribution of family money income relative to the distribution of taxes paid across income groups. The left columns show the share of family money income within each income group, and the right columns show the share of state and local taxes paid. When these two columns are the same height for an income group, that group's share of total taxes paid is in proportion to their share of total income. The share of taxes paid is similar to the share of income for all groups, except the highest income group, whose share of taxes paid is lower than their share of income. This indicates that a larger tax burden is placed on the income groups with less than $200,000 in income.

## Exhibit 14. Distribution of Family Money Income and Taxes Paid Across Income Groups, 2020




Source: Colorado and Federal income tax return data and the United States Department of Labor's Bureau of Labor Statistics Consumer Expenditure Survey

Note: The values presented in this exhibit are estimates because actual values are not known.

## Effective Tax Rates

Effective tax rates measure how much people pay in taxes as a percentage of their income. This section looks at the distribution of effective tax rates by tax type and income group. Looking at the distribution of effective tax rates across income groups reveals the nature of the tax – whether the effective tax rates are proportional, regressive, or progressive. For this model, the Department considered the tax base to be family money income. Thus, a proportional tax is one in which the effective tax rate is fixed, with no change in rate as income increases or decreases. A regressive tax is one in which the effective tax rate decreases as income increases. A progressive tax is one in which the effective tax rate increases as income increases. For more on proportional, regressive, or progressive taxes see Part 3: Tax Equity Considerations for Policy Making.

**Exhibit 15** shows the effective tax rate by tax type within each income group. Some of the tax types were progressive, such as individual income taxes, and some of the tax types were regressive, such as state and local sales and use taxes.

**Exhibit 16** illustrates the overall state and local effective tax rates for each income group. Local effective tax rates are shown in the top part of the columns and state effective tax rates are shown in the bottom part of the columns. The state and local effective tax rates were regressive because the rates decreased as income increased. The lowest income group had the highest effective tax rates and the highest income group had the lowest effective tax rate. The distribution of local effective tax rates was substantially more regressive than that of state effective tax rates across the income groups. Local effective tax rates declined from 20.0% for the lowest income group to 3.0% for the highest income group. The state effective tax rate was 8.7% for the lowest income group and for the remaining income groups the state effective tax rates were around 4%.

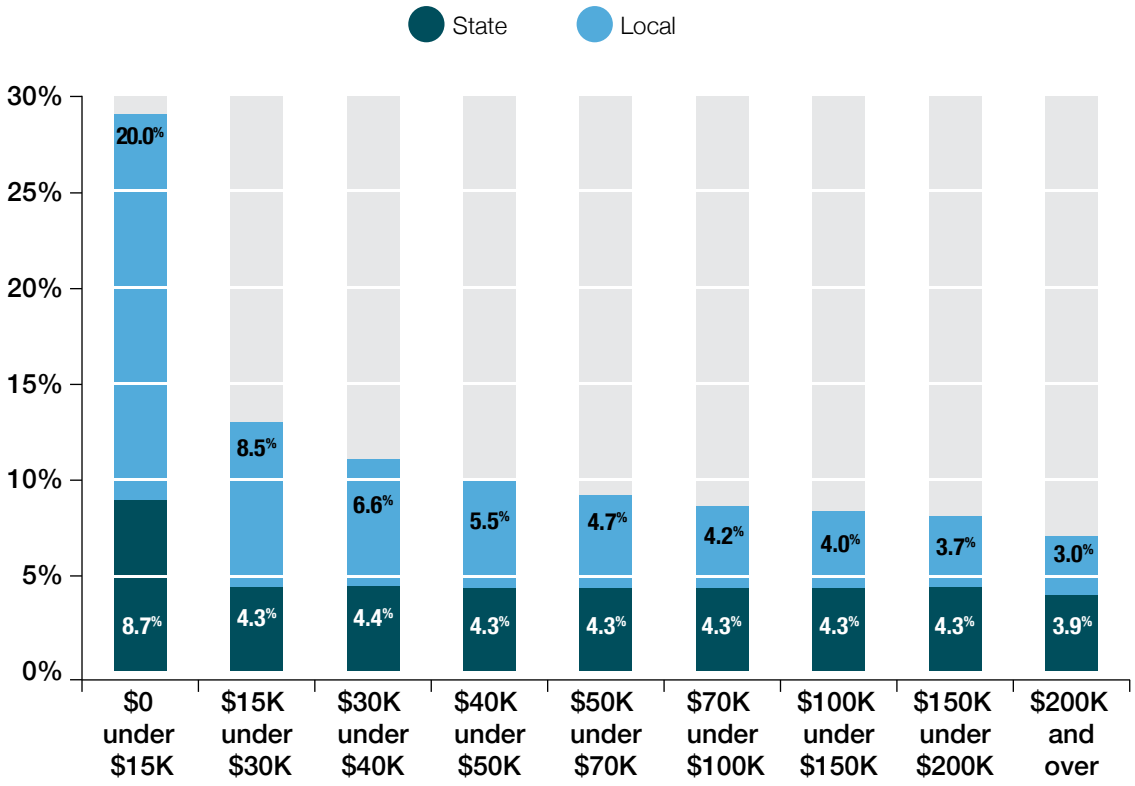
## Exhibit 15. Effective Tax Rates Within Each Income Group, 2020

| Type of Taxes Paid | Category | $0 under $15K | $15K under $30K | $30K under $40K | $40K under $50K | $50K under $70K | $70K under $100K | $100K under $150K | $150K under $200K | $200K and over | Average |
|---|---|---|---|---|---|---|---|---|---|---|---|
| State | Individual Income | 2.0% | 1.8% | 2.3% | 2.5% | 2.8% | 3.0% | 3.3% | 3.4% | 3.3% | 3.1% |
| State | Sales and Use | 3.8% | 1.4% | 1.2% | 1.0% | 0.9% | 0.7% | 0.7% | 0.6% | 0.4% | 0.7% |
| State | Gasoline | 1.0% | 0.4% | 0.3% | 0.3% | 0.3% | 0.2% | 0.2% | 0.1% | 0.1% | 0.2% |
| State | Driver License and Vehicle Registration Fees | 1.2% | 0.5% | 0.4% | 0.3% | 0.3% | 0.2% | 0.2% | 0.1% | 0.1% | 0.2% |
| State | Alcoholic Beverages | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| State | Cigarettes and Tobacco | 0.6% | 0.2% | 0.2% | 0.1% | 0.1% | 0.1% | 0.0% | 0.0% | 0.0% | 0.1% |
| **State** | **Total State Taxes Paid by Taxpayers** | **8.7%** | **4.3%** | **4.4%** | **4.3%** | **4.3%** | **4.3%** | **4.3%** | **4.3%** | **3.9%** | **4.2%** |
| Local | Residential Real Property | 11.9% | 5.5% | 4.0% | 3.4% | 2.9% | 2.7% | 2.6% | 2.5% | 2.2% | 2.7% |
| Local | Sales and Use | 6.3% | 2.3% | 1.9% | 1.6% | 1.4% | 1.2% | 1.2% | 0.9% | 0.7% | 1.1% |
| Local | Specific Ownership | 1.7% | 0.7% | 0.6% | 0.5% | 0.4% | 0.3% | 0.3% | 0.2% | 0.1% | 0.3% |
| Local | Occupational Privilege | 0.1% | 0.1% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| **Local** | **Total Local Taxes Paid by Taxpayers** | **20.0%** | **8.5%** | **6.6%** | **5.5%** | **4.7%** | **4.2%** | **4.0%** | **3.7%** | **3.0%** | **4.1%** |
| **State and Local** | **Total Taxes Paid by Taxpayers** | **28.7%** | **12.8%** | **10.9%** | **9.8%** | **9.0%** | **8.5%** | **8.3%** | **8.0%** | **6.9%** | **8.3%** |

Source: Colorado and Federal income tax return data and the United States Department of Labor's Bureau of Labor Statistics Consumer Expenditure Survey

Note: The values presented in this exhibit are estimates because actual values are not known. Family money income and taxes paid were estimated using Colorado, federal, and third party data sources. Please see the "Methodology" section of the Tax Profile narrative.

# Exhibit 16. Effective State and Local Tax Rates Within Each Income Group, 2020



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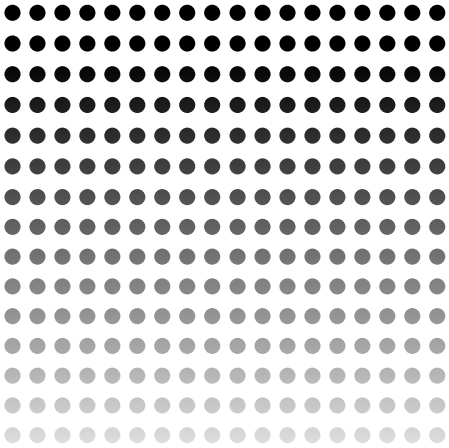
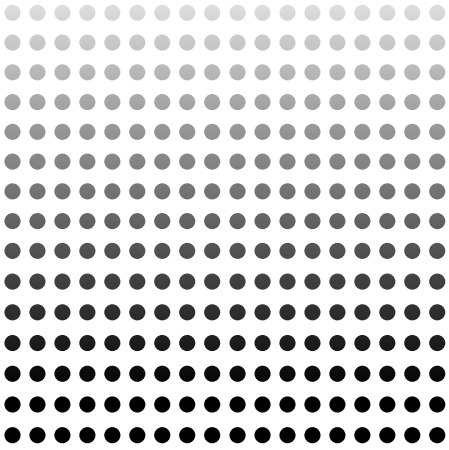


# Part 3

## Tax Equity Considerations for Policy Making



# Purposes of Taxation

To better understand the impacts and equity of taxation, it is helpful to first discuss the various purposes of taxation. Governments impose taxes for many reasons, including funding of public goods and services, addressing externalities, and incentivizing public behavior.

In some cases, taxes are imposed directly on users of particular goods and services. It can be difficult for governments to determine how much to charge in user fees, yet it is requisite for governments to know the monetary value of the services they are offering and how to measure and assess the charges for those services. For example, the Environmental Protection Agency has the responsibility of safeguarding the environment, and they have to answer questions like, "What is the price of clean air?" and "Who should be charged and how should they be charged?"

Some taxes, such as excise taxes, are charged based on consumption. For instance, excise tax is applied to gallons of gasoline, the number of cigarettes in a package, and gallons/liters of spirits, wine, and beer. The types of products that are customarily subject to excise taxes are items for which the amounts consumed do not vary widely among income groups. Therefore, excise taxes typically result in people with lower incomes paying a larger share of their income than people with higher incomes.

Governments may use taxes as a tool to rectify market failures such as negative or positive externalities. Externalities occur when the purchase price of a good does not fully reflect the costs or benefits of that good's consumption to society. Cigarette use, which has been proven to increase the chance of cancer in individuals, is an example of a negative externality. Some states impose a steep excise tax on cigarettes in an effort to pay for the higher costs of medical care that result from the use of cigarettes and to curtail cigarette smoking in order to avoid future additional medical care costs.

Just as taxes can be used to curtail certain types of consumption, tax credits or deductions can be used to induce or subsidize certain types of behavior. For example, in the early 2000s, Colorado provided a tax incentive for those who purchased long-term care insurance policies. This incentive was aimed at people taking an interest in the expense of their health care needs later in life, thus incentivizing persons to take an interest in providing for their own health care.

# Tax Equity

Given the subjective quality of determining tax equity, it is the goal of this study only to provide the tools for policy makers and citizens to make informed decisions regarding the structure of major state and local taxes. The model presented in Part 2 of this study provides a foundation for an informed discussion on the distributive effects of tax policy in law and the equity of the distribution of state and local taxes on the residents in Colorado.

The issue of tax equity—or tax fairness in terms of who should pay and how much taxes should be paid—is a challenging policy issue that lawmakers deal with in all levels of government. The decision ultimately depends on the values of society.

A fair system of taxation to some could be one in which every person would spend the same percentage of their income on taxes, regardless of income; thus, the tax burden would be equally proportional. This equity is thought to be achieved through "flat tax" rates. However, in practice a flat tax rate on income can become disproportionate due to various tax reductions allowed to different income groups. Additionally, flat tax rates on tangible goods can also become inequitable because the prices and quantities of purchased goods will influence the amount of taxes paid relative to a person's income.

Another version of a fair tax system might focus on a taxpayer's "ability to pay." Proponents of this concept argue the wealthiest, who have the greatest accumulation of income/wealth and therefore have the greatest "ability to pay" for the goods and services provided by state and local governments, should pay more taxes than those of lesser income. Taxes in this case would function as a tool to reduce household income differences. Federal and many state's income taxes fall under this progressive tax structure.

To others, tax fairness is a tax based on use, where people are taxed according to the benefits received from government services. For example, Colorado's 2004 additional excise taxes on cigarettes and tobacco products addressed tax "fairness" based on use. In 2004, voters imposed a constitutional levy of an additional 64¢ per pack of 20 cigarettes and an additional 20% of the manufacturer's list price on other tobacco products. The revenue from these taxes is distributed to designated health-related programs administered by the state with several goals, including mitigating health-related problems associated with smoking and providing smoking prevention and cessation programs for Colorado residents. Generally, those who do not use cigarettes or tobacco products would have less use for these programs. Therefore, those who do use cigarettes or tobacco products provide more financial support for these programs through the tax.

Other concepts of tax equity include horizontal and vertical equity. Horizontal equity indicates that households of similar income pay an equal amount of taxes. Horizontal equity can be difficult to achieve because of tax credits, deductions, and any other type of tax reduction. Vertical equity pertains to the manner in which taxes paid vary among households of different income groups. Discussions of vertical equity often involve the concepts of proportional vs. progressive or regressive taxation.

Because of the various strategies involving taxation/non-taxation, assessing the equity of the distribution of the burden of taxes is very complex. Taxes must first be examined individually regarding the intention or objective of the tax and whether the objectives are being met. Then the burden of combined taxes needs to be examined to determine whether a group of taxpayers is being inadvertently and/or unjustifiably burdened by taxes.

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COLORADO
Department of Revenue

# Colorado Statistics of Income

## Individual • Corporate
## Income Tax Year 2020 • Income Tax Year 2021

Prepared by Colorado Department of Revenue



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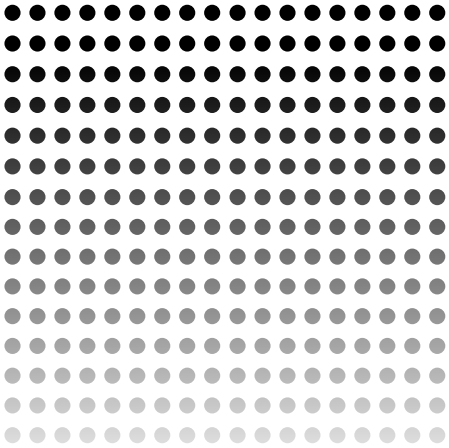
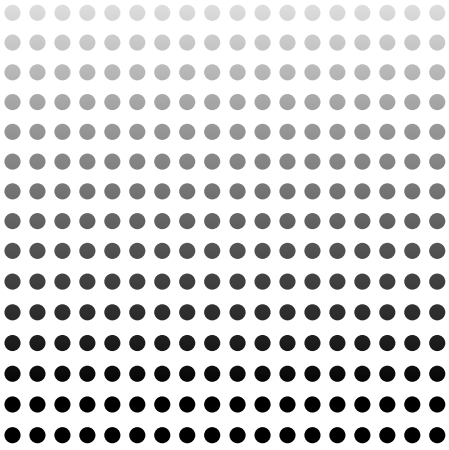


# Colorado Individual Statistics of Income:

## Highlights and Selected Tables

## Income Tax Year 2020





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# Introduction

The Colorado Individual Statistics of Income (SOI) is a collection of data describing federal and state individual income tax returns filed by full-year Colorado residents. Colorado's Individual SOI report complements the Individual SOI report published by the Internal Revenue Service and serves as a useful tool for researchers and policy makers. The Colorado Individual SOI is an annual report available on the Department's website. Highlights and selected data tables from the complete report are provided in this biennial Tax Profile and Expenditure Report. The complete SOI report with additional data tables and links to downloadable spreadsheets is available on the Department's Data and Reports website: CDOR.Colorado.gov/data-and-reports/income-tax-data/individual-statistics-of-income-reports

The Individual SOI report includes various income and tax data that is generally bucketed by income group. The key SOI statistics summarized here focus on basic elements of income and tax data such as size of income, filing status, age distribution, and federal deductions. The complete SOI report includes additional data on these basic elements, as well as further data from federal returns on sources of income, adjustments, itemized deductions, and federal credits, and Colorado specific data on location, additions, subtractions, prepayments, and credits.

This Individual SOI report summarizes income tax year 2020 data, which generally represents individuals' income tax returns for calendar year 2020. A few charts and several data tables are provided in this abbreviated version of the SOI report. There are additional tables available on the CDOR Data and Reports website. The charts visualize key observations from the dataset, whereas the tables summarize the dataset in depth. The Highlights section analyzes the charts, and the Selected Data Tables section presents the key tables. Further information about the methodology and data source is available on the website.

# Highlights

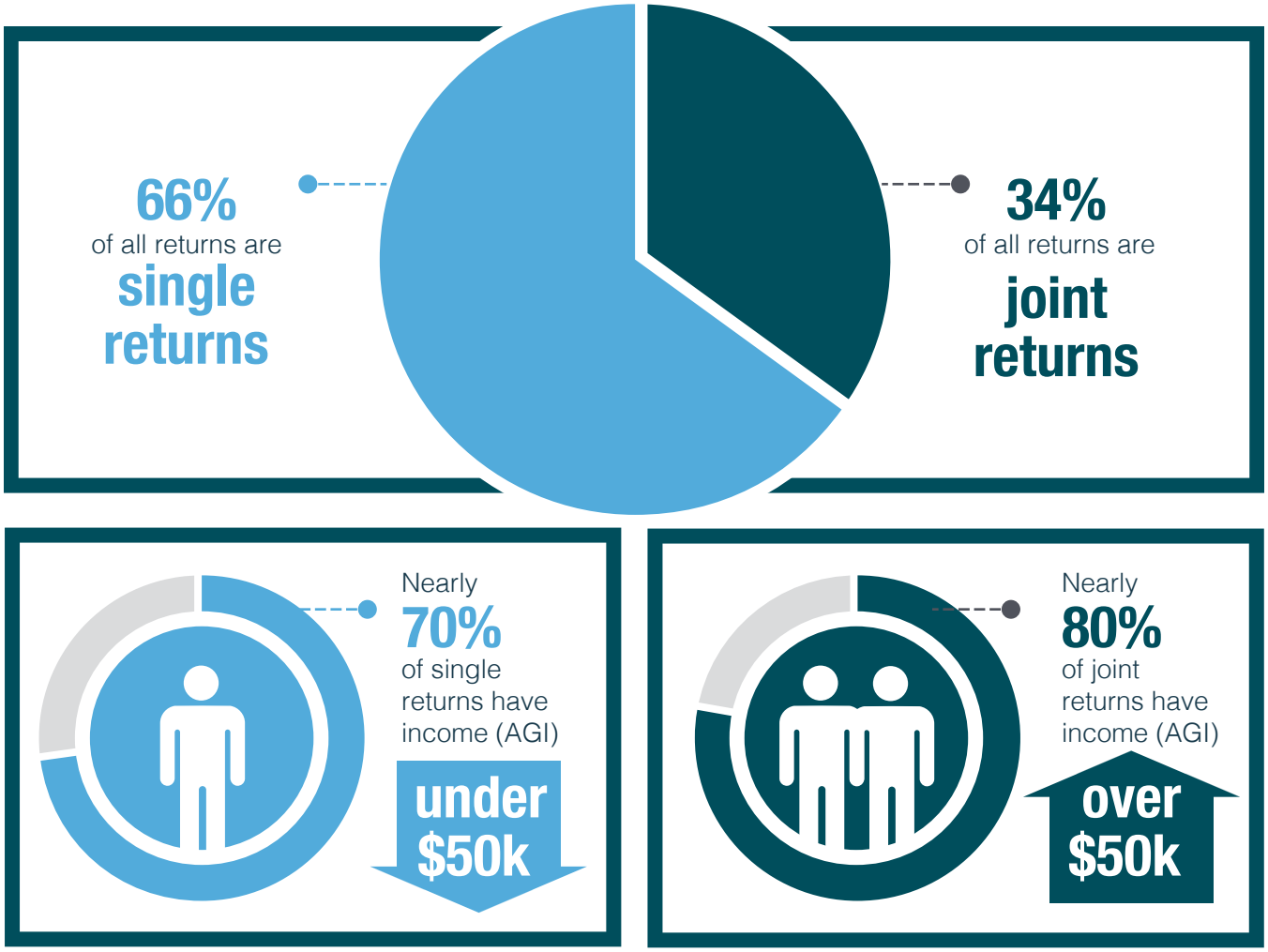
This section showcases differences between single and joint returns in age, income, and standard versus itemized federal deductions.

## Single and Joint Returns

Single returns are cases where a spouse is not listed on the Colorado tax return, and joint returns are cases where a spouse is listed on the Colorado tax return. It is worth noting that each joint return is counted once, even though it represents two people in one household. In general, single returns represent Coloradans that use federal filing statuses of single, head of household, married filing separate, or qualifying widow(er). Joint returns generally represent Coloradans that are using the federal filing status of married filing jointly. However, the Colorado return categorization of single and joint does not always match up with the federal return's associated filing status.

The **2020 Single and Joint Returns** infographic below shows single returns accounted for 66% of full-year resident 2020 income tax returns. Federal adjusted gross income (AGI) tended to be lower for single returns than joint returns. Nearly 70% of single returns had AGI under $50,000, whereas 80% of joint returns had AGI over $50,000.

## 2020 Single and Joint Returns



## Age of Taxpayers

**Chart 1** presents the number of single and joint returns by age of the primary filer. Notably, the distribution of single returns skews younger, meaning there were more single returns for younger ages than older ages. The number of single returns peaks at age 27, and then declines as the population ages. This declining number of single returns after age 27 corresponds with the increasing number of joint returns between the ages of 18 and 40, demonstrating the pattern of single individuals becoming married as they age.

Chart 1. Number of Single and Joint Returns by Age (18 - 100), Tax Year 2020

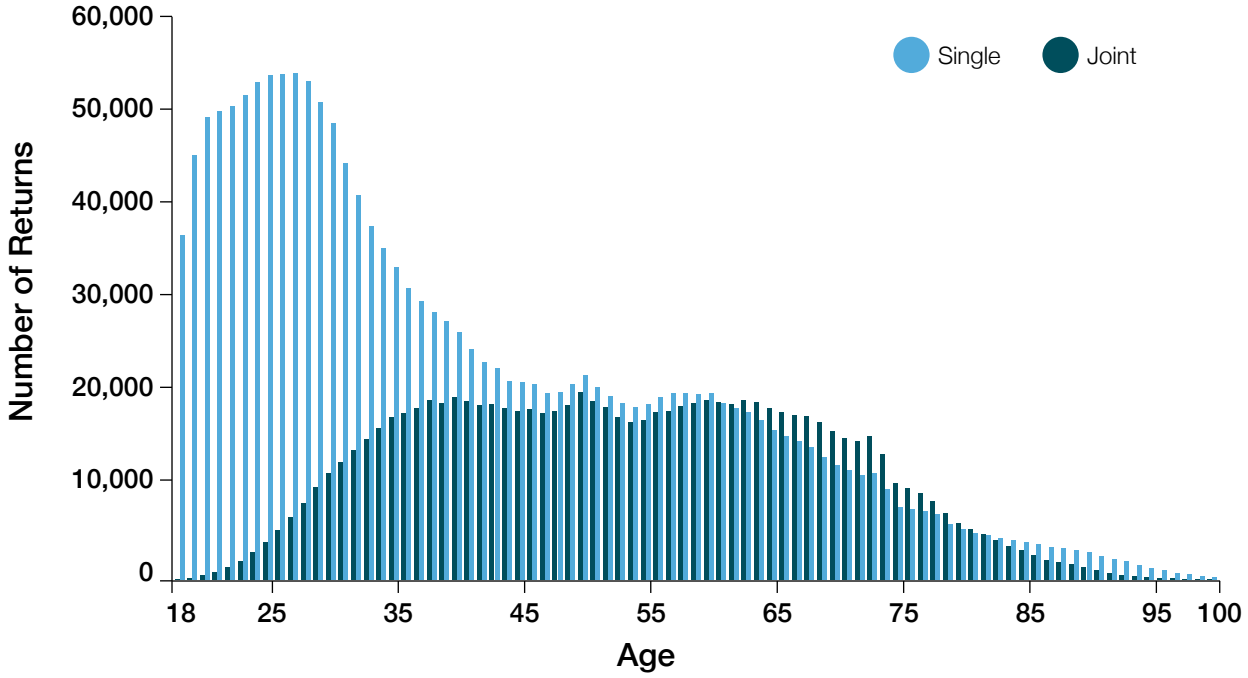
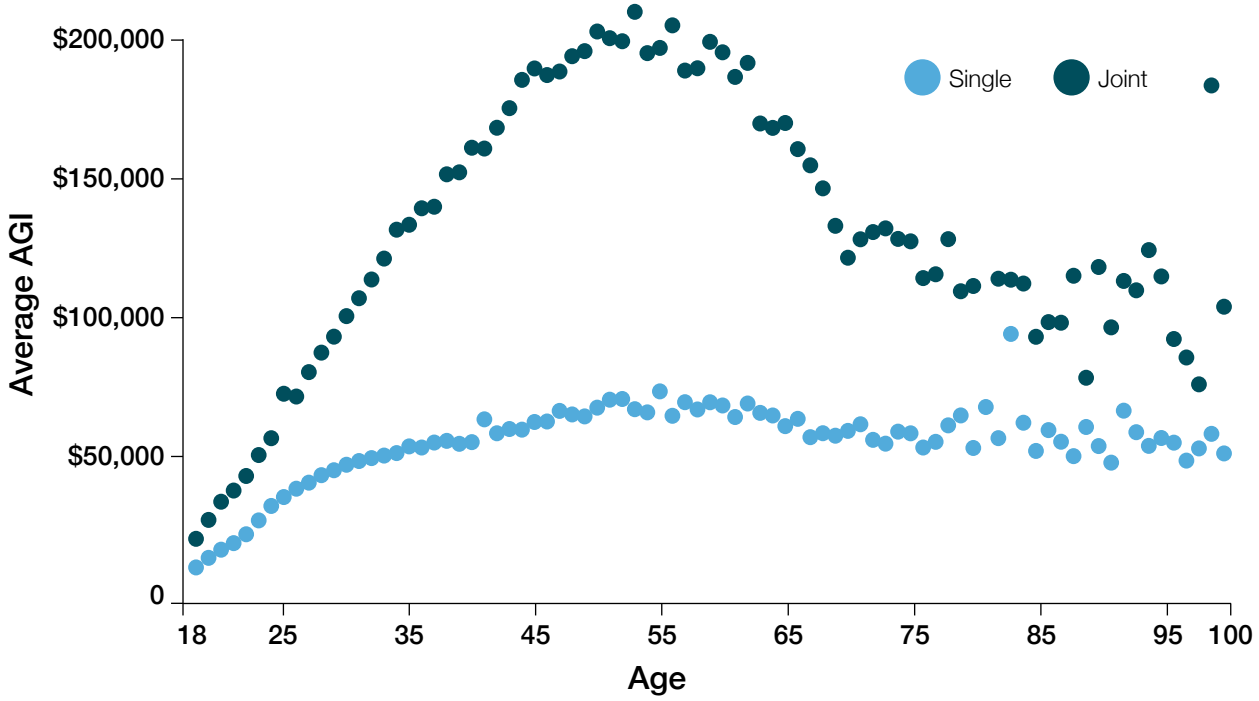


**Chart 2** looks at the average AGI of single and joint returns by the age of the primary filer. This chart shows that single returns of all ages had lower AGI on average than joint returns. It is important to remember that the average AGI for joint returns represents the average income for a household with at least two individuals, in which one or both of those individuals are earning income. Interestingly, between the ages 38 and 67, joint households earned about three times as much as single households.

## Chart 2. Average Adjusted Gross Income (AGI) on Single and Joint Returns by Age (18 - 100), Tax Year 2020

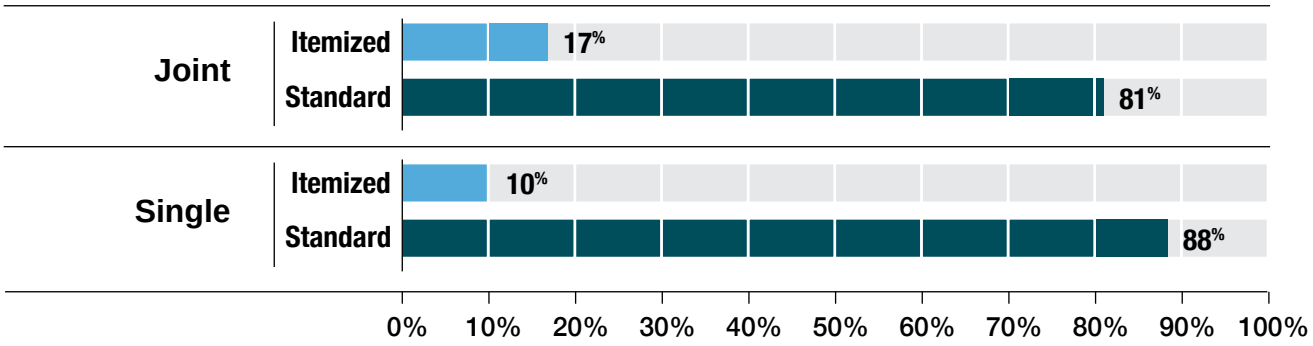


## Standard or Itemized Deductions

Individuals subtract standard or itemized deductions from their federal AGI to reduce their federal taxable income. The standard deduction, which is the default deduction for all taxpayers, is a fixed amount based on federal filing status. In 2020, the standard deduction amounts were $12,400 for single or married filing separately, $18,650 for heads of households, and $24,800 for married filing jointly or qualifying widow(er)s. Taxpayers may subtract itemized deductions instead of the standard deduction and generally will if the sum of their itemized deductions is greater than the standard deduction. Itemized deductions consist of various subtractions, including medical expenses, state and local taxes, home mortgage interest, charitable contributions, and others.

The prevalence of standard and itemized deductions is fairly similar on single and joint returns. Chart 3 shows that the majority of single (88%) and joint returns (81%) used standard deductions. Itemized deductions were used in about 10% of single returns and about 17% of joint returns in 2020.

### Chart 3. Percentage of Single and Joint Returns by Type of Deductions, Tax Year 2020



# Selected Data Tables

A selection of key data tables from the complete Individual SOI report are included in this publication, and the full set of SOI tables is published in Excel format on the website here: CDOR.Colorado.gov/data-and-reports/income-tax-data/individual-statistics-of-income-reports

Here is a full list of the data tables available online:

- Table 1. Income and Tax Data by Size of Federal AGI
- Table 2. Income and Tax Data by Size of Federal AGI in $10,000 Increments
- Table 3. Income and Tax Data for Single Colorado Returns by Size of Federal AGI
- Table 4. Income and Tax Data for Joint Colorado Returns by Size of Federal AGI
- Table 5. Income and Tax Data for Taxable Returns by Size of Federal AGI
- Table 6. Income and Tax Data for Nontaxable Returns by Size of Federal AGI
- Table 7. Income and Tax Data for Filers Under 65 by Size of Federal AGI
- Table 8. Income and Tax Data for Filers 65 and Older by Size of Federal AGI
- Table 9. Federal AGI by Size of Federal AGI and Filing Status
- Table 10. Colorado Net Tax by Size of Federal AGI and Filing Status
- Table 11. Federal AGI by Size of Federal AGI and Age Group
- Table 12. Colorado Net Tax by Size of Federal AGI and Age Group
- Table 13. Source of Income by Size of Federal AGI
- Table 14. Business Income by Industry
- Table 15. Adjustments to Income by Size of Federal AGI
- Table 16. Income and Tax Data by Size of Federal AGI and Standard/ Itemized Deduction Returns
- Table 17. Standard, Itemized, and Qualified Business Income Deductions by Size of Federal AGI
- Table 18. Itemized Deductions by Size of Federal AGI
- Table 19. Selected Federal Tax Credits by Size of Federal AGI
- Table 20. Income and Tax Data by Region
- Table 21A. Income and Tax Data for Central Mountains Region by Size of Federal AGI
- Table 21B. Income and Tax Data for Eastern Plains Region by Size of Federal AGI
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- Table 23E. Income and Tax Data for Douglas County by Size of Federal AGI
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- Table 23G. Income and Tax Data for Jefferson County by Size of Federal AGI
- Table 23H. Income and Tax Data for Larimer County by Size of Federal AGI
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- Table 23J. Income and Tax Data for Pueblo County by Size of Federal AGI
- Table 23K. Income and Tax Data for Weld County by Size of Federal AGI
- Table 24. Colorado Income and Tax Data by Size of Colorado Taxable Income in $10,000 Increments
- Table 25. Colorado Additions and Subtractions by Size of Federal AGI
- Table 26. Colorado Income Tax Prepayments by Size of Federal AGI
- Table 27. Colorado Tax Credits by Size of Federal AGI

## Table 1. Income and Tax Data by Size of Federal AGI

This table shows aggregate income and tax data for full-year residents by AGI group.

### I. Number of Returns and Aggregate Dollar Amounts

| Size of Federal AGI | Number of Returns | Federal AGI | Federal Taxable Income |
|---|---|---|---|
| Negative Income | 35,624 | ($5,431,712,857) | $0 |
| $0 under $10K | 299,656 | $1,381,464,230 | $20,684,651 |
| $10K under $20K | 275,762 | $4,106,818,417 | $555,778,771 |
| $20K under $30K | 271,682 | $6,803,699,985 | $2,645,425,059 |
| $30K under $40K | 264,289 | $9,227,147,015 | $4,999,192,903 |
| $40K under $50K | 224,653 | $10,070,188,213 | $6,329,319,054 |
| $50K under $60K | 183,332 | $10,050,828,476 | $6,818,495,852 |
| $60K under $75K | 215,285 | $14,455,017,556 | $10,301,378,470 |
| $75K under $100K | 253,082 | $21,927,612,856 | $16,378,222,426 |
| $100K under $200K | 421,207 | $57,942,615,662 | $46,816,119,678 |
| $200K under $500K | 156,381 | $44,925,793,400 | $39,250,324,636 |
| $500K under $1M | 23,615 | $15,902,501,651 | $14,436,202,635 |
| $1M and over | 11,449 | $34,312,175,583 | $31,212,222,490 |
| **Total** | **2,636,017** | **$225,674,150,187** | **$179,763,366,625** |

### II. Number of Returns and Average Dollar Amounts per Return

| Size of Federal AGI | Number of Returns | Federal AGI | Federal Taxable Income |
|---|---|---|---|
| Negative Income | 35,624 | ($152,473) | $0 |
| $0 under $10K | 299,656 | $4,610 | $69 |
| $10K under $20K | 275,762 | $14,893 | $2,015 |
| $20K under $30K | 271,682 | $25,043 | $9,737 |
| $30K under $40K | 264,289 | $34,913 | $18,916 |
| $40K under $50K | 224,653 | $44,826 | $28,174 |
| $50K under $60K | 183,332 | $54,823 | $37,192 |
| $60K under $75K | 215,285 | $67,144 | $47,850 |
| $75K under $100K | 253,082 | $86,642 | $64,715 |
| $100K under $200K | 421,207 | $137,563 | $111,148 |
| $200K under $500K | 156,381 | $287,284 | $250,992 |
| $500K under $1M | 23,615 | $673,407 | $611,315 |
| $1M and over | 11,449 | $2,996,958 | $2,726,196 |
| **Average** | **2,636,017** | **$85,612** | **$68,195** |

Source: Federal and Colorado individual income tax returns (full-year residents only)

[1] The Colorado Taxable Income (CTI) reported on Colorado returns can be positive, zero, or negative. The CTI is negative when the taxpayer reports losses and/or subtractions greater than their income and additions. Negative values do not reduce their tax liability to be less than $0.

[2] Colorado Gross Tax is determined based on Colorado Taxable Income greater than zero. To calculate positive Colorado Taxable Income, divide the Colorado Gross Tax by the income tax rate.

**Continued on page 273**

## Table 1 (continued). Income and Tax Data by Size of Federal AGI

This table shows aggregate income and tax data for full-year residents by AGI group.

### I. Number of Returns and Aggregate Dollar Amounts

| Size of Federal AGI | Colorado Taxable Income [1] | Federal Tax | Colorado Gross Tax [2] | Colorado Net Tax |
|---|---|---|---|---|
| Negative Income | ($3,870,698,816) | $17,039,800 | $5,175,093 | $8,465,914 |
| $0 under $10K | ($1,995,786,205) | $30,263,713 | $4,620,113 | $4,608,126 |
| $10K under $20K | ($101,924,171) | $116,132,089 | $33,475,948 | $33,277,275 |
| $20K under $30K | $2,157,944,354 | $291,748,028 | $120,928,535 | $120,241,015 |
| $30K under $40K | $4,441,975,256 | $504,141,528 | $216,220,990 | $215,165,043 |
| $40K under $50K | $5,664,783,055 | $644,503,794 | $266,301,819 | $264,654,813 |
| $50K under $60K | $6,095,496,567 | $724,096,067 | $282,530,810 | $280,453,305 |
| $60K under $75K | $9,168,463,232 | $1,218,878,708 | $421,285,662 | $417,541,023 |
| $75K under $100K | $14,653,406,711 | $2,034,646,232 | $669,690,891 | $662,454,266 |
| $100K under $200K | $43,493,624,404 | $6,805,190,105 | $1,981,510,635 | $1,953,050,146 |
| $200K under $500K | $38,080,733,080 | $7,694,342,721 | $1,733,262,809 | $1,682,551,283 |
| $500K under $1M | $14,262,250,392 | $3,773,956,558 | $649,147,558 | $607,757,102 |
| $1M and over | $30,635,723,232 | $9,140,729,211 | $1,414,845,623 | $1,259,443,794 |
| **Total** | **$162,685,991,091** | **$32,995,668,554** | **$7,798,996,486** | **$7,509,663,105** |

### II. Number of Returns and Average Dollar Amounts per Return

| Size of Federal AGI | Colorado Taxable Income [1] | Federal Tax | Colorado Gross Tax [2] | Colorado Net Tax |
|---|---|---|---|---|
| Negative Income | ($108,654) | $478 | $145 | $238 |
| $0 under $10K | ($6,660) | $101 | $15 | $15 |
| $10K under $20K | ($370) | $421 | $121 | $121 |
| $20K under $30K | $7,943 | $1,074 | $445 | $443 |
| $30K under $40K | $16,807 | $1,908 | $818 | $814 |
| $40K under $50K | $25,216 | $2,869 | $1,185 | $1,178 |
| $50K under $60K | $33,248 | $3,950 | $1,541 | $1,530 |
| $60K under $75K | $42,588 | $5,662 | $1,957 | $1,939 |
| $75K under $100K | $57,900 | $8,039 | $2,646 | $2,618 |
| $100K under $200K | $103,260 | $16,156 | $4,704 | $4,637 |
| $200K under $500K | $243,513 | $49,203 | $11,084 | $10,759 |
| $500K under $1M | $603,949 | $159,812 | $27,489 | $25,736 |
| $1M and over | $2,675,843 | $798,387 | $123,578 | $110,005 |
| **Average** | **$61,717** | **$12,517** | **$2,959** | **$2,849** |

Source: Federal and Colorado individual income tax returns (full-year residents only)

[1] The Colorado Taxable Income (CTI) reported on Colorado returns can be positive, zero, or negative. The CTI is negative when the taxpayer reports losses and/or subtractions greater than their income and additions. Negative values do not reduce their tax liability to be less than $0.

[2] Colorado Gross Tax is determined based on Colorado Taxable Income greater than zero. To calculate positive Colorado Taxable Income, divide the Colorado Gross Tax by the income tax rate.

## Table 3. Income and Tax Data for Single Colorado Returns by Size of Federal AGI [1]

This table shows aggregate income and tax data for full-year residents by AGI group for single Colorado returns. This table is a subset of the data presented in Table 1. See Table 4 for joint Colorado returns.

### I. Number of Returns and Aggregate Dollar Amounts

| Size of Federal AGI | Number of Returns | Federal AGI | Federal Taxable Income |
|---|---|---|---|
| Negative Income | 24,021 | ($1,731,213,951) | $0 |
| $0 under $10K | 278,203 | $1,282,001,392 | $20,632,484 |
| $10K under $20K | 248,916 | $3,699,402,994 | $555,577,004 |
| $20K under $30K | 236,094 | $5,907,101,770 | $2,609,267,905 |
| $30K under $40K | 223,489 | $7,795,554,017 | $4,629,781,620 |
| $40K under $50K | 180,800 | $8,096,800,453 | $5,507,689,794 |
| $50K under $60K | 136,492 | $7,472,536,328 | $5,478,520,988 |
| $60K under $75K | 139,157 | $9,310,599,180 | $7,185,456,340 |
| $75K under $100K | 122,183 | $10,482,188,141 | $8,467,579,696 |
| $100K under $200K | 108,936 | $14,321,404,494 | $12,124,864,100 |
| $200K under $500K | 23,959 | $6,811,648,207 | $6,074,226,918 |
| $500K under $1M | 3,567 | $2,413,762,132 | $2,190,539,835 |
| $1M and over | 1,948 | $6,502,991,665 | $5,901,763,738 |
| **Total** | **1,727,765** | **$82,364,776,822** | **$60,745,900,422** |

### II. Number of Returns and Average Dollar Amounts per Return

| Size of Federal AGI | Number of Returns | Federal AGI | Federal Taxable Income |
|---|---|---|---|
| Negative Income | 24,021 | ($72,071) | $0 |
| $0 under $10K | 278,203 | $4,608 | $74 |
| $10K under $20K | 248,916 | $14,862 | $2,232 |
| $20K under $30K | 236,094 | $25,020 | $11,052 |
| $30K under $40K | 223,489 | $34,881 | $20,716 |
| $40K under $50K | 180,800 | $44,783 | $30,463 |
| $50K under $60K | 136,492 | $54,747 | $40,138 |
| $60K under $75K | 139,157 | $66,907 | $51,636 |
| $75K under $100K | 122,183 | $85,791 | $69,302 |
| $100K under $200K | 108,936 | $131,466 | $111,303 |
| $200K under $500K | 23,959 | $284,304 | $253,526 |
| $500K under $1M | 3,567 | $676,692 | $614,113 |
| $1M and over | 1,948 | $3,338,291 | $3,029,653 |
| **Average** | **1,727,765** | **$47,671** | **$35,159** |

Source: Federal and Colorado individual income tax returns (full-year residents only)

[1] Colorado returns are categorized as single if a spouse is not listed on the return.

[2] The Colorado Taxable Income (CTI) reported on Colorado returns can be positive, zero, or negative. The CTI is negative when the taxpayer reports losses and/or subtractions greater than their income and additions. Negative values do not reduce their tax liability to be less than $0.

[3] Colorado Gross Tax is determined based on Colorado Taxable Income greater than zero. To calculate positive Colorado Taxable Income, divide the Colorado Gross Tax by the income tax rate.

Continued on page 275

## Table 3 (continued). Income and Tax Data for Single Colorado Returns by Size of Federal AGI [1]

This table shows aggregate income and tax data for full-year residents by AGI group for single Colorado returns. This table is a subset of the data presented in Table 1. See Table 4 for joint Colorado returns.

### I. Number of Returns and Aggregate Dollar Amounts

| Size of Federal AGI | Colorado Taxable Income [2] | Federal Tax | Colorado Gross Tax [3] | Colorado Net Tax |
|---|---|---|---|---|
| Negative Income | ($1,569,078,645) | $6,029,839 | $1,781,997 | $2,247,933 |
| $0 under $10K | ($1,551,636,084) | $25,590,256 | $4,163,158 | $4,155,836 |
| $10K under $20K | $264,968,985 | $101,536,652 | $33,034,676 | $32,832,668 |
| $20K under $30K | $2,376,535,962 | $266,501,829 | $118,083,134 | $117,421,532 |
| $30K under $40K | $4,324,545,505 | $459,009,755 | $202,017,804 | $201,059,302 |
| $40K under $50K | $5,136,410,031 | $571,571,994 | $236,266,665 | $234,887,513 |
| $50K under $60K | $5,102,957,358 | $611,043,963 | $233,747,830 | $232,146,128 |
| $60K under $75K | $6,697,185,478 | $943,620,892 | $306,345,139 | $303,810,059 |
| $75K under $100K | $8,017,731,590 | $1,288,898,487 | $365,768,270 | $362,077,741 |
| $100K under $200K | $11,740,557,848 | $2,193,473,538 | $535,616,655 | $526,456,334 |
| $200K under $500K | $5,983,075,676 | $1,418,317,961 | $272,453,260 | $261,151,143 |
| $500K under $1M | $2,177,495,923 | $619,830,466 | $99,124,251 | $91,965,460 |
| $1M and over | $5,874,073,212 | $1,743,865,779 | $267,359,827 | $230,538,451 |
| **Total** | **$54,574,822,839** | **$10,249,291,411** | **$2,675,762,666** | **$2,600,750,100** |

### II. Number of Returns and Average Dollar Amounts per Return

| Size of Federal AGI | Colorado Taxable Income [2] | Federal Tax | Colorado Gross Tax [3] | Colorado Net Tax |
|---|---|---|---|---|
| Negative Income | ($65,321) | $251 | $74 | $94 |
| $0 under $10K | ($5,577) | $92 | $15 | $15 |
| $10K under $20K | $1,064 | $408 | $133 | $132 |
| $20K under $30K | $10,066 | $1,129 | $500 | $497 |
| $30K under $40K | $19,350 | $2,054 | $904 | $900 |
| $40K under $50K | $28,409 | $3,161 | $1,307 | $1,299 |
| $50K under $60K | $37,386 | $4,477 | $1,713 | $1,701 |
| $60K under $75K | $48,127 | $6,781 | $2,201 | $2,183 |
| $75K under $100K | $65,621 | $10,549 | $2,994 | $2,963 |
| $100K under $200K | $107,775 | $20,135 | $4,917 | $4,833 |
| $200K under $500K | $249,721 | $59,198 | $11,372 | $10,900 |
| $500K under $1M | $610,456 | $173,768 | $27,789 | $25,782 |
| $1M and over | $3,015,438 | $895,208 | $137,248 | $118,346 |
| **Average** | **$31,587** | **$5,932** | **$1,549** | **$1,505** |

Source: Federal and Colorado individual income tax returns (full-year residents only)

[1] Colorado returns are categorized as single if a spouse is not listed on the return.

[2] The Colorado Taxable Income (CTI) reported on Colorado returns can be positive, zero, or negative. The CTI is negative when the taxpayer reports losses and/or subtractions greater than their income and additions. Negative values do not reduce their tax liability to be less than $0.

[3] Colorado Gross Tax is determined based on Colorado Taxable Income greater than zero. To calculate positive Colorado Taxable Income, divide the Colorado Gross Tax by the income tax rate.

## Table 4. Income and Tax Data for Joint Colorado Returns by Size of Federal AGI [1]

This table shows aggregate income and tax data for full-year residents by AGI group for joint Colorado returns. This table is a subset of the data presented in Table 1. See Table 3 for single Colorado returns.

### I. Number of Returns and Aggregate Dollar Amounts

| Size of Federal AGI | Number of Returns | Federal AGI | Federal Taxable Income |
|---|---|---|---|
| Negative Income | 11,603 | ($3,700,498,906) | $0 |
| $0 under $10K | 21,453 | $99,462,838 | $52,167 |
| $10K under $20K | 26,846 | $407,415,423 | $201,767 |
| $20K under $30K | 35,588 | $896,598,215 | $36,157,154 |
| $30K under $40K | 40,800 | $1,431,592,998 | $369,411,283 |
| $40K under $50K | 43,853 | $1,973,387,760 | $821,629,260 |
| $50K under $60K | 46,840 | $2,578,292,148 | $1,339,974,864 |
| $60K under $75K | 76,128 | $5,144,418,376 | $3,115,922,130 |
| $75K under $100K | 130,899 | $11,445,424,715 | $7,910,642,730 |
| $100K under $200K | 312,271 | $43,621,211,168 | $34,691,255,578 |
| $200K under $500K | 132,422 | $38,114,145,193 | $33,176,097,718 |
| $500K under $1M | 20,048 | $13,488,739,519 | $12,245,662,800 |
| $1M and over | 9,501 | $27,809,183,918 | $25,310,458,752 |
| **Total** | **908,252** | **$143,309,373,365** | **$119,017,466,203** |

### II. Number of Returns and Average Dollar Amounts per Return

| Size of Federal AGI | Number of Returns | Federal AGI | Federal Taxable Income |
|---|---|---|---|
| Negative Income | 11,603 | ($318,926) | $0 |
| $0 under $10K | 21,453 | $4,636 | $2 |
| $10K under $20K | 26,846 | $15,176 | $8 |
| $20K under $30K | 35,588 | $25,194 | $1,016 |
| $30K under $40K | 40,800 | $35,088 | $9,054 |
| $40K under $50K | 43,853 | $45,000 | $18,736 |
| $50K under $60K | 46,840 | $55,045 | $28,607 |
| $60K under $75K | 76,128 | $67,576 | $40,930 |
| $75K under $100K | 130,899 | $87,437 | $60,433 |
| $100K under $200K | 312,271 | $139,690 | $111,093 |
| $200K under $500K | 132,422 | $287,823 | $250,533 |
| $500K under $1M | 20,048 | $672,822 | $610,817 |
| $1M and over | 9,501 | $2,926,974 | $2,663,978 |
| **Average** | **908,252** | **$157,786** | **$131,040** |

Source: Federal and Colorado individual income tax returns (full-year residents only)

[1] Colorado returns are categorized as joint if a spouse is listed on the return.

[2] The Colorado Taxable Income (CTI) reported on Colorado returns can be positive, zero, or negative. The CTI is negative when the taxpayer reports losses and/or subtractions greater than their income and additions. Negative values do not reduce their tax liability to be less than $0.

[3] Colorado Gross Tax is determined based on Colorado Taxable Income greater than zero. To calculate positive Colorado Taxable Income, divide the Colorado Gross Tax by the income tax rate.

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## Table 4 (continued). Income and Tax Data for Joint Colorado Returns by Size of Federal AGI [1]

This table shows aggregate income and tax data for full-year residents by AGI group for joint Colorado returns. This table is a subset of the data presented in Table 1. See Table 3 for single Colorado returns.

### I. Number of Returns and Aggregate Dollar Amounts

| Size of Federal AGI | Colorado Taxable Income [2] | Federal Tax | Colorado Gross Tax [3] | Colorado Net Tax |
|---|---|---|---|---|
| Negative Income | ($2,301,620,171) | $11,009,961 | $3,393,096 | $6,217,981 |
| $0 under $10K | ($444,150,121) | $4,673,457 | $456,955 | $452,290 |
| $10K under $20K | ($366,893,156) | $14,595,437 | $441,272 | $444,607 |
| $20K under $30K | ($218,591,608) | $25,246,199 | $2,845,401 | $2,819,483 |
| $30K under $40K | $117,429,751 | $45,131,773 | $14,203,186 | $14,105,741 |
| $40K under $50K | $528,373,024 | $72,931,800 | $30,035,154 | $29,767,300 |
| $50K under $60K | $992,539,209 | $113,052,104 | $48,782,980 | $48,307,177 |
| $60K under $75K | $2,471,277,754 | $275,257,816 | $114,940,523 | $113,730,964 |
| $75K under $100K | $6,635,675,121 | $745,747,745 | $303,922,621 | $300,376,525 |
| $100K under $200K | $31,753,066,556 | $4,611,716,567 | $1,445,893,980 | $1,426,593,812 |
| $200K under $500K | $32,097,657,404 | $6,276,024,760 | $1,460,809,549 | $1,421,400,140 |
| $500K under $1M | $12,084,754,469 | $3,154,126,092 | $550,023,307 | $515,791,642 |
| $1M and over | $24,761,650,020 | $7,396,863,432 | $1,147,485,796 | $1,028,905,343 |
| **Total** | **$108,111,168,252** | **$22,746,377,143** | **$5,123,233,820** | **$4,908,913,005** |

### II. Number of Returns and Average Dollar Amounts per Return

| Size of Federal AGI | Colorado Taxable Income [2] | Federal Tax | Colorado Gross Tax [3] | Colorado Net Tax |
|---|---|---|---|---|
| Negative Income | ($198,364) | $949 | $292 | $536 |
| $0 under $10K | ($20,703) | $218 | $21 | $21 |
| $10K under $20K | ($13,667) | $544 | $16 | $17 |
| $20K under $30K | ($6,142) | $709 | $80 | $79 |
| $30K under $40K | $2,878 | $1,106 | $348 | $346 |
| $40K under $50K | $12,049 | $1,663 | $685 | $679 |
| $50K under $60K | $21,190 | $2,414 | $1,041 | $1,031 |
| $60K under $75K | $32,462 | $3,616 | $1,510 | $1,494 |
| $75K under $100K | $50,693 | $5,697 | $2,322 | $2,295 |
| $100K under $200K | $101,684 | $14,768 | $4,630 | $4,568 |
| $200K under $500K | $242,389 | $47,394 | $11,031 | $10,734 |
| $500K under $1M | $602,791 | $157,329 | $27,435 | $25,728 |
| $1M and over | $2,606,215 | $778,535 | $120,775 | $108,294 |
| **Average** | **$119,032** | **$25,044** | **$5,641** | **$5,405** |

Source: Federal and Colorado individual income tax returns (full-year residents only)

[1] Colorado returns are categorized as joint if a spouse is listed on the return.

[2] The Colorado Taxable Income (CTI) reported on Colorado returns can be positive, zero, or negative. The CTI is negative when the taxpayer reports losses and/or subtractions greater than their income and additions. Negative values do not reduce their tax liability to be less than $0.

[3] Colorado Gross Tax is determined based on Colorado Taxable Income greater than zero. To calculate positive Colorado Taxable Income, divide the Colorado Gross Tax by the income tax rate.

# Table 9. Federal AGI by Size of Federal AGI and Federal Filing Status

This table categorizes full-year resident returns by federal filing status. Federal AGI is summarized for each category.

## I. Number of Returns

| Size of Federal AGI | Single | Married Joint | Married Separate | Head of Household | Qualifying Widow(er) | All Returns |
|---|---|---|---|---|---|---|
| Negative Income | 21,414 | 11,603 | 911 | 1,666 | 30 | 35,624 |
| $0 under $10K | 254,919 | 21,448 | 4,552 | 18,624 | 113 | 299,656 |
| $10K under $20K | 208,955 | 26,833 | 4,815 | 35,053 | 106 | 275,762 |
| $20K under $30K | 186,113 | 35,574 | 6,179 | 43,709 | 107 | 271,682 |
| $30K under $40K | 172,592 | 40,773 | 7,088 | 43,721 | 115 | 264,289 |
| $40K under $50K | 141,520 | 43,844 | 6,931 | 32,260 | 98 | 224,653 |
| $50K under $60K | 107,602 | 46,828 | 6,083 | 22,731 | 88 | 183,332 |
| $60K under $75K | 110,264 | 76,105 | 6,294 | 22,508 | 114 | 215,285 |
| $75K under $100K | 96,266 | 130,895 | 5,859 | 19,932 | 130 | 253,082 |
| $100K under $200K | 84,792 | 312,321 | 5,950 | 17,996 | 148 | 421,207 |
| $200K under $500K | 18,589 | 132,453 | 1,142 | 4,147 | 50 | 156,381 |
| $500K under $1M | 2,758 | 20,054 | NR | 614 | NR | 23,615 |
| $1M and over | 1,489 | 9,505 | NR | 293 | NR | 11,449 |
| **Total** | **1,407,273** | **908,236** | **56,143** | **263,254** | **1,111** | **2,636,017** |

## II. Federal AGI

| Size of Federal AGI | Single | Married Joint | Married Separate | Head of Household | Qualifying Widow(er) | All Returns |
|---|---|---|---|---|---|---|
| Negative Income | ($1,408,764,107) | ($3,704,114,837) | ($207,866,208) | ($109,112,835) | ($1,854,870) | ($5,431,712,857) |
| $0 under $10K | $1,166,666,724 | $99,429,448 | $19,778,898 | $95,147,683 | $441,477 | $1,381,464,230 |
| $10K under $20K | $3,089,322,501 | $407,263,500 | $72,824,795 | $535,760,072 | $1,647,549 | $4,106,818,417 |
| $20K under $30K | $4,648,806,860 | $896,293,716 | $155,918,910 | $1,100,006,270 | $2,674,229 | $6,803,699,985 |
| $30K under $40K | $6,020,037,886 | $1,430,686,496 | $248,313,537 | $1,524,074,904 | $4,034,192 | $9,227,147,015 |
| $40K under $50K | $6,339,709,295 | $1,972,997,467 | $311,542,206 | $1,441,568,910 | $4,370,335 | $10,070,188,213 |
| $50K under $60K | $5,891,034,293 | $2,577,656,794 | $333,083,700 | $1,244,238,945 | $4,814,744 | $10,050,828,476 |
| $60K under $75K | $7,377,694,397 | $5,142,907,319 | $421,773,597 | $1,504,962,799 | $7,679,444 | $14,455,017,556 |
| $75K under $100K | $285,347,159 | $11,445,068,427 | $502,986,789 | $1,710,658,935 | $11,198,217 | $21,927,612,856 |
| $100K under $200K | $11,128,279,338 | $43,629,431,325 | $786,321,308 | $2,378,413,898 | $20,169,793 | $57,942,615,662 |
| $200K under $500K | $5,295,286,229 | $38,123,828,406 | $323,723,537 | $1,169,920,933 | $13,034,295 | $44,925,793,400 |
| $500K under $1M | $1,872,012,287 | $13,492,630,854 | NR | $407,972,768 | NR | $15,902,501,651 |
| $1M and over | $4,609,379,384 | $27,827,688,877 | NR | $1,153,897,875 | NR | $34,312,175,583 |
| **Total** | **$64,287,165,575** | **$143,341,767,792** | **$3,804,045,286** | **$14,157,511,157** | **$83,660,377** | **$225,674,150,187** |

## III. Average Federal AGI per Return

| Size of Federal AGI | Single | Married Joint | Married Separate | Head of Household | Qualifying Widow(er) | All Returns |
|---|---|---|---|---|---|---|
| Negative Income | ($65,787) | ($319,238) | ($228,174) | ($65,494) | ($61,829) | ($152,473) |
| $0 under $10K | $4,577 | $4,636 | $4,345 | $5,109 | $3,907 | $4,610 |
| $10K under $20K | $14,785 | $15,178 | $15,125 | $15,284 | $15,543 | $14,893 |
| $20K under $30K | $24,978 | $25,195 | $25,234 | $25,167 | $24,993 | $25,043 |
| $30K under $40K | $34,880 | $35,089 | $35,033 | $34,859 | $35,080 | $34,913 |
| $40K under $50K | $44,797 | $45,000 | $44,949 | $44,686 | $44,595 | $44,826 |
| $50K under $60K | $54,748 | $55,045 | $54,756 | $54,738 | $54,713 | $54,823 |
| $60K under $75K | $66,909 | $67,576 | $67,012 | $66,863 | $67,364 | $67,144 |
| $75K under $100K | $85,780 | $87,437 | $85,849 | $85,825 | $86,140 | $86,642 |
| $100K under $200K | $131,242 | $139,694 | $132,155 | $132,163 | $136,282 | $137,563 |
| $200K under $500K | $284,861 | $287,829 | $283,471 | $282,113 | $260,686 | $287,284 |
| $500K under $1M | $678,757 | $672,815 | NR | $664,451 | NR | $673,407 |
| $1M and over | $3,095,621 | $2,927,690 | NR | $3,938,218 | NR | $2,996,958 |
| **Average** | **$45,682** | **$157,824** | **$67,756** | **$53,779** | **$75,302** | **$85,612** |

Source: Federal and Colorado individual income tax returns (full-year residents only)

NR - Not releasable due to confidentiality requirements. Total includes NR data.

# Table 11. Federal AGI by Size of Federal AGI and Age Group [1]

This table categorizes full-year resident returns by age group based on the dates of birth listed on federal returns. Joint returns are categorized using the oldest filer. Federal AGI is summarized for each category.

## I. Number of Returns

| Size of Federal AGI | Under 18 | 18 under 26 | 26 under 35 | 35 under 45 |
|---|---|---|---|---|
| Negative Income | 674 | 2,896 | 4,090 | 4,295 |
| $0 under $10K | 29,910 | 112,505 | 41,467 | 26,604 |
| $10K under $20K | 7,403 | 97,388 | 50,273 | 30,964 |
| $20K under $30K | 936 | 76,609 | 64,905 | 38,199 |
| $30K under $40K | 167 | 50,695 | 76,041 | 43,832 |
| $40K under $50K | 113 | 26,595 | 65,773 | 41,802 |
| $50K under $60K | 52 | 14,316 | 49,323 | 36,084 |
| $60K under $75K | 51 | 11,192 | 51,149 | 43,215 |
| $75K under $100K | 38 | 6,111 | 49,855 | 52,898 |
| $100K under $200K | 62 | 2,538 | 53,122 | 94,164 |
| $200K under $500K | 27 | 216 | 9,696 | 34,480 |
| $500K under $1M | NR | NR | 729 | 4,485 |
| $1M and over | NR | NR | 315 | 1,656 |
| **Total** | **39,441** | **401,153** | **516,738** | **452,678** |

## II. Federal AGI

| Size of Federal AGI | Under 18 | 18 under 26 | 26 under 35 | 35 under 45 |
|---|---|---|---|---|
| Negative Income | ($2,452,031) | ($17,754,978) | ($156,772,106) | ($451,535,379) |
| $0 under $10K | $131,600,619 | $564,002,921 | $188,799,033 | $114,592,750 |
| $10K under $20K | $99,747,121 | $1,436,789,667 | $762,564,298 | $468,090,358 |
| $20K under $30K | $21,916,974 | $1,898,570,191 | $1,637,575,131 | $961,103,526 |
| $30K under $40K | $5,706,759 | $1,750,970,230 | $2,661,351,182 | $1,535,986,989 |
| $40K under $50K | $5,044,866 | $1,182,673,343 | $2,946,129,504 | $1,876,734,150 |
| $50K under $60K | $2,821,434 | $780,550,816 | $2,700,494,543 | $1,978,262,654 |
| $60K under $75K | $3,438,937 | $744,277,276 | $3,424,185,291 | $2,903,478,161 |
| $75K under $100K | $3,276,323 | $516,760,836 | $4,295,193,095 | $4,589,183,391 |
| $100K under $200K | $7,972,700 | $315,017,426 | $7,013,833,225 | $12,986,992,447 |
| $200K under $500K | $8,667,303 | $60,819,659 | $2,648,432,427 | $9,829,704,606 |
| $500K under $1M | NR | NR | $480,422,042 | $2,980,266,686 |
| $1M and over | NR | NR | $892,079,728 | $4,535,235,974 |
| **Total** | **$300,545,668** | **$9,388,748,832** | **$29,494,287,393** | **$44,308,096,313** |

## III. Average Federal AGI per Return

| Size of Federal AGI | Under 18 | 18 under 26 | 26 under 35 | 35 under 45 |
|---|---|---|---|---|
| Negative Income | ($3,638) | ($6,131) | ($38,331) | ($105,130) |
| $0 under $10K | $4,400 | $5,013 | $4,553 | $4,307 |
| $10K under $20K | $13,474 | $14,753 | $15,168 | $15,117 |
| $20K under $30K | $23,416 | $24,783 | $25,230 | $25,160 |
| $30K under $40K | $34,172 | $34,539 | $34,999 | $35,043 |
| $40K under $50K | $44,645 | $44,470 | $44,792 | $44,896 |
| $50K under $60K | $54,258 | $54,523 | $54,751 | $54,824 |
| $60K under $75K | $67,430 | $66,501 | $66,945 | $67,187 |
| $75K under $100K | $86,219 | $84,562 | $86,154 | $86,755 |
| $100K under $200K | $128,592 | $124,120 | $132,033 | $137,919 |
| $200K under $500K | $321,011 | $281,572 | $273,147 | $285,084 |
| $500K under $1M | NR | NR | $659,015 | $664,496 |
| $1M and over | NR | NR | $2,831,999 | $2,738,669 |
| **Average** | **$7,620** | **$23,404** | **$57,078** | **$97,880** |

Source: Federal and Colorado individual income tax returns (full-year residents only)

NR - Not releasable due to confidentiality requirements. Total includes NR data.

[1] Returns without birth dates listed on the federal return are excluded from this table.

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# Table 11 (continued). Federal AGI by Size of Federal AGI and Age Group [1]

This table categorizes full-year resident returns by age group based on the dates of birth listed on federal returns. Joint returns are categorized using the oldest filer. Federal AGI is summarized for each category.

## I. Number of Returns

| Size of Federal AGI | 45 under 55 | 55 under 65 | 65 and older | All Returns |
|---|---|---|---|---|
| Negative Income | 4,788 | 6,314 | 12,554 | 35,611 |
| $0 under $10K | 19,589 | 22,156 | 47,181 | 299,412 |
| $10K under $20K | 22,251 | 22,421 | 44,903 | 275,603 |
| $20K under $30K | 27,014 | 26,155 | 37,736 | 271,554 |
| $30K under $40K | 30,866 | 29,885 | 32,693 | 264,179 |
| $40K under $50K | 29,913 | 28,925 | 31,458 | 224,579 |
| $50K under $60K | 27,004 | 26,139 | 30,357 | 183,275 |
| $60K under $75K | 33,560 | 33,259 | 42,800 | 215,226 |
| $75K under $100K | 43,547 | 43,617 | 56,952 | 253,018 |
| $100K under $200K | 90,508 | 86,718 | 94,045 | 421,157 |
| $200K under $500K | 43,496 | 38,380 | 30,075 | 156,370 |
| $500K under $1M | 7,177 | 6,383 | 4,783 | 23,614 |
| $1M and over | 3,230 | 3,422 | 2,781 | 11,447 |
| **Total** | **382,943** | **373,774** | **468,318** | **2,635,045** |

## II. Federal AGI

| Size of Federal AGI | 45 under 55 | 55 under 65 | 65 and older | All Returns |
|---|---|---|---|---|
| Negative Income | ($776,172,073) | ($1,355,662,000) | ($2,669,208,209) | ($5,429,556,776) |
| $0 under $10K | $83,240,612 | $91,136,824 | $207,163,171 | $1,380,535,930 |
| $10K under $20K | $334,099,618 | $337,161,238 | $666,048,514 | $4,104,500,814 |
| $20K under $30K | $681,305,525 | $659,476,442 | $940,494,394 | $6,800,442,183 |
| $30K under $40K | $1,081,214,361 | $1,046,380,007 | $1,141,737,100 | $9,223,346,628 |
| $40K under $50K | $1,344,296,594 | $1,299,041,281 | $1,412,939,439 | $10,066,859,177 |
| $50K under $60K | $1,482,186,101 | $1,434,123,594 | $1,669,277,077 | $10,047,716,219 |
| $60K under $75K | $2,256,865,320 | $2,236,064,938 | $2,882,797,925 | $14,451,107,848 |
| $75K under $100K | $3,781,971,706 | $3,788,527,092 | $4,947,244,525 | $21,922,156,968 |
| $100K under $200K | $12,718,006,010 | $12,093,506,367 | $12,800,481,149 | $57,935,809,324 |
| $200K under $500K | $12,618,399,773 | $11,121,493,572 | $8,635,529,389 | $44,923,046,729 |
| $500K under $1M | $4,834,671,193 | $4,334,613,555 | $3,232,107,954 | $15,901,802,836 |
| $1M and over | $8,755,408,028 | $10,799,814,580 | $9,194,749,514 | $34,306,442,526 |
| **Total** | **$49,195,492,768** | **$47,885,677,490** | **$45,061,361,942** | **$225,634,210,406** |

## III. Average Federal AGI per Return

| Size of Federal AGI | 45 under 55 | 55 under 65 | 65 and older | All Returns |
|---|---|---|---|---|
| Negative Income | ($162,108) | ($214,707) | ($212,618) | ($152,469) |
| $0 under $10K | $4,249 | $4,113 | $4,391 | $4,611 |
| $10K under $20K | $15,015 | $15,038 | $14,833 | $14,893 |
| $20K under $30K | $25,220 | $25,214 | $24,923 | $25,043 |
| $30K under $40K | $35,029 | $35,014 | $34,923 | $34,913 |
| $40K under $50K | $44,940 | $44,911 | $44,915 | $44,825 |
| $50K under $60K | $54,888 | $54,865 | $54,988 | $54,823 |
| $60K under $75K | $67,249 | $67,232 | $67,355 | $67,144 |
| $75K under $100K | $86,848 | $86,859 | $86,867 | $86,643 |
| $100K under $200K | $140,518 | $139,458 | $136,110 | $137,563 |
| $200K under $500K | $290,105 | $289,773 | $287,133 | $287,287 |
| $500K under $1M | $673,634 | $679,087 | $675,749 | $673,406 |
| $1M and over | $2,710,653 | $3,155,995 | $3,306,275 | $2,996,981 |
| **Average** | **$128,467** | **$128,114** | **$96,220** | **$85,628** |

Source: Federal and Colorado individual income tax returns (full-year residents only)

NR - Not releasable due to confidentiality requirements. Total includes NR data.

[1] Returns without birth dates listed on the federal return are excluded from this table.

# Table 16. Income and Tax Data by Size of Federal AGI and Standard/Itemized Deduction Returns [1]

This table summarizes inferred standard and itemized deduction returns filed by full-year residents. Federal AGI and Colorado net tax are summarized for each category.

## I. Number of Returns and Aggregate Dollar Amounts

| Size of Federal AGI | Number of Standard Deduction Returns | Federal AGI on Standard Deduction Returns | Colorado Net Tax on Standard Deduction Returns | Number of Itemized Deduction Returns | Federal AGI on Itemized Deduction Returns | Colorado Net Tax on Itemized Deduction Returns |
|---|---|---|---|---|---|---|
| Negative Income | NA | NA | NA | NA | NA | NA |
| $0 under $10K | 274,166 | $1,381,143,711 | $4,312,134 | NA | NA | NA |
| $10K under $20K | 272,985 | $4,060,411,792 | $33,045,571 | 2,740 | $45,939,323 | $212,100 |
| $20K under $30K | 266,082 | $6,661,522,234 | $118,898,981 | 5,585 | $141,806,405 | $1,326,561 |
| $30K under $40K | 255,766 | $8,926,262,462 | $210,644,176 | 8,513 | $300,529,371 | $4,505,811 |
| $40K under $50K | 212,593 | $9,523,962,261 | $253,443,160 | 12,052 | $545,855,924 | $11,198,119 |
| $50K under $60K | 167,723 | $9,189,719,569 | $259,028,800 | 15,607 | $861,002,989 | $21,420,184 |
| $60K under $75K | 188,394 | $12,638,105,763 | $367,070,451 | 26,887 | $1,816,645,635 | $50,458,874 |
| $75K under $100K | 209,766 | $18,151,709,112 | $547,149,094 | 43,315 | $3,775,826,398 | $115,301,653 |
| $100K under $200K | 313,229 | $42,428,696,623 | $1,424,749,592 | 107,975 | $15,513,475,367 | $528,280,367 |
| $200K under $500K | 82,465 | $23,023,409,079 | $870,167,968 | 73,915 | $21,902,146,331 | $812,373,578 |
| $500K under $1M | 8,658 | $5,755,416,281 | $228,376,142 | 14,957 | $10,147,085,370 | $379,380,960 |
| $1M and over | 3,212 | $7,222,033,230 | $287,585,086 | 8,236 | $27,088,985,199 | $971,814,336 |
| **Total** | **2,255,039** | **$148,962,392,117** | **$4,604,471,155** | **319,782** | **$82,139,298,312** | **$2,896,272,543** |

## II. Number of Returns and Average Dollar Amounts per Return

| Size of Federal AGI | Number of Standard Deduction Returns | Federal AGI on Standard Deduction Returns | Colorado Net Tax on Standard Deduction Returns | Number of Itemized Deduction Returns | Federal AGI on Itemized Deduction Returns | Colorado Net Tax on Itemized Deduction Returns |
|---|---|---|---|---|---|---|
| Negative Income | NA | NA | NA | NA | NA | NA |
| $0 under $10K | 274,166 | $5,038 | $16 | NA | NA | NA |
| $10K under $20K | 272,985 | $14,874 | $121 | 2,740 | $16,766 | $77 |
| $20K under $30K | 266,082 | $25,036 | $447 | 5,585 | $25,391 | $238 |
| $30K under $40K | 255,766 | $34,900 | $824 | 8,513 | $35,302 | $529 |
| $40K under $50K | 212,593 | $44,799 | $1,192 | 12,052 | $45,292 | $929 |
| $50K under $60K | 167,723 | $54,791 | $1,544 | 15,607 | $55,168 | $1,372 |
| $60K under $75K | 188,394 | $67,083 | $1,948 | 26,887 | $67,566 | $1,877 |
| $75K under $100K | 209,766 | $86,533 | $2,608 | 43,315 | $87,171 | $2,662 |
| $100K under $200K | 313,229 | $135,456 | $4,549 | 107,975 | $143,677 | $4,893 |
| $200K under $500K | 82,465 | $279,190 | $10,552 | 73,915 | $296,315 | $10,991 |
| $500K under $1M | 8,658 | $664,751 | $26,377 | 14,957 | $678,417 | $25,365 |
| $1M and over | 3,212 | $2,248,454 | $89,535 | 8,236 | $3,289,095 | $117,996 |
| **Average** | **2,255,039** | **$66,058** | **$2,042** | **319,782** | **$256,860** | **$9,057** |

Source: Federal and Colorado individual income tax returns (full-year residents only)

NA - Not applicable

[1] The type of deductions used is inferred using federal rules and taxpayer return data. The relationship between the applicable standard deduction compared to reported federal AGI, federal taxable income, and itemized deductions were used to categorize returns as Standard or Itemized. Returns with zero or negative federal AGI are not categorized as Standard or Itemized because their taxable income cannot be reduced further.

# Table 17. Standard, Itemized, and Qualified Business Income Deductions by Size of Federal AGI [1]

This table summarizes inferred standard deduction, itemized deduction, and qualified business income deduction amounts applied towards taxable income on full-year resident returns.

## I. Number of Returns

| Size of Federal AGI | Standard Deductions | Itemized Deductions | Qualified Business Income Deductions | Total Deductions [2] |
|---|---|---|---|---|
| Negative Income | NA | NA | NA | NA |
| $0 under $10K | 274,166 | NA | 1,122 | 274,196 |
| $10K under $20K | 272,985 | 2,740 | 21,192 | 275,738 |
| $20K under $30K | 266,082 | 5,585 | 34,209 | 271,674 |
| $30K under $40K | 255,766 | 8,513 | 33,729 | 264,282 |
| $40K under $50K | 212,593 | 12,052 | 31,250 | 224,646 |
| $50K under $60K | 167,723 | 15,607 | 28,997 | 183,331 |
| $60K under $75K | 188,394 | 26,887 | 40,612 | 215,282 |
| $75K under $100K | 209,766 | 43,315 | 58,401 | 253,081 |
| $100K under $200K | 313,229 | 107,975 | 134,135 | 421,204 |
| $200K under $500K | 82,465 | 73,915 | 79,032 | 156,380 |
| $500K under $1M | 8,658 | 14,957 | 15,034 | 23,615 |
| $1M and over | 3,212 | 8,236 | 8,453 | 11,448 |
| **Total** | **2,255,039** | **319,782** | **486,166** | **2,574,877** |

## II. Deductions

| Size of Federal AGI | Standard Deductions | Itemized Deductions | Qualified Business Income Deductions | Total Deductions |
|---|---|---|---|---|
| Negative Income | NA | NA | NA | NA |
| $0 under $10K | $1,360,578,005 | NA | $201,574 | $1,360,779,579 |
| $10K under $20K | $3,497,180,270 | $43,594,784 | $10,264,592 | $3,551,039,646 |
| $20K under $30K | $4,010,965,993 | $111,460,475 | $35,848,458 | $4,158,274,926 |
| $30K under $40K | $3,985,236,751 | $189,525,267 | $53,192,094 | $4,227,954,112 |
| $40K under $50K | $3,408,329,723 | $270,475,465 | $62,063,971 | $3,740,869,159 |
| $50K under $60K | $2,819,830,095 | $345,717,866 | $66,784,663 | $3,232,332,624 |
| $60K under $75K | $3,429,957,324 | $613,211,370 | $110,470,392 | $4,153,639,086 |
| $75K under $100K | $4,300,593,281 | $1,064,808,474 | $183,988,675 | $5,549,390,430 |
| $100K under $200K | $7,252,510,991 | $3,223,507,770 | $650,477,223 | $11,126,495,984 |
| $200K under $500K | $1,984,977,502 | $2,813,323,322 | $877,167,940 | $5,675,468,764 |
| $500K under $1M | $207,200,155 | $846,816,502 | $412,282,359 | $1,466,299,016 |
| $1M and over | $74,964,103 | $1,831,181,642 | $1,193,807,348 | $3,099,953,093 |
| **Total** | **$36,332,324,193** | **$11,353,622,937** | **$3,656,549,289** | **$51,342,496,419** |

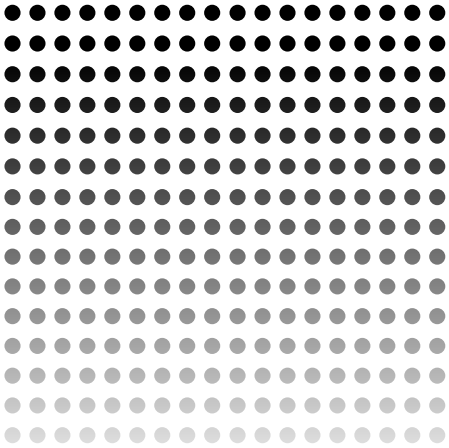
## III. Average Deductions per Return

| Size of Federal AGI | Standard Deductions | Itemized Deductions | Qualified Business Income Deductions | Total Deductions |
|---|---|---|---|---|
| Negative Income | NA | NA | NA | NA |
| $0 under $10K | $4,963 | NA | $180 | $4,963 |
| $10K under $20K | $12,811 | $15,911 | $484 | $12,878 |
| $20K under $30K | $15,074 | $19,957 | $1,048 | $15,306 |
| $30K under $40K | $15,582 | $22,263 | $1,577 | $15,998 |
| $40K under $50K | $16,032 | $22,442 | $1,986 | $16,652 |
| $50K under $60K | $16,812 | $22,151 | $2,303 | $17,631 |
| $60K under $75K | $18,206 | $22,807 | $2,720 | $19,294 |
| $75K under $100K | $20,502 | $24,583 | $3,150 | $21,927 |
| $100K under $200K | $23,154 | $29,854 | $4,849 | $26,416 |
| $200K under $500K | $24,071 | $38,062 | $11,099 | $36,293 |
| $500K under $1M | $23,932 | $56,617 | $27,423 | $62,092 |
| $1M and over | $23,339 | $222,339 | $141,229 | $270,786 |
| **Average** | **$16,112** | **$35,504** | **$7,521** | **$19,940** |

Source: Federal and Colorado individual income tax returns (full-year residents only)
NA - Not applicable

[1] Actual amounts used for standard deductions, itemized deductions, and qualified business income deductions are not available. The amounts shown in this table are inferred using federal rules, federal AGI, and federal taxable income.

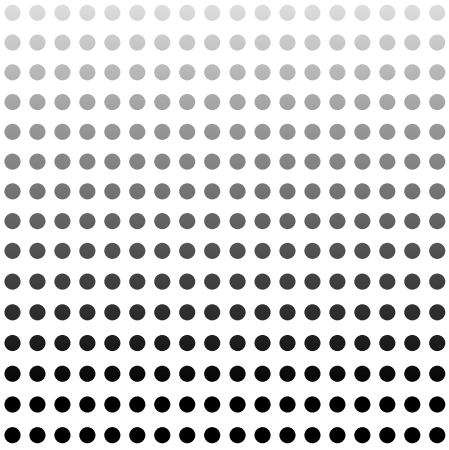
[2] The number of returns counted in total deductions are not a sum of the number of standard deductions, itemized deductions, and qualified business income deductions presented. The total represents the number of returns where taxable income is less than AGI due to the application of standard deductions, itemized deductions, and/or qualified business income deductions. A return can't have both standard and itemized deductions. The qualified business income deduction can be claimed in addition to the standard deduction or itemized deductions.



# Colorado Corporate Statistics of Income:

## Highlights and Selected Tables

## Income Tax Year 2021





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# Introduction

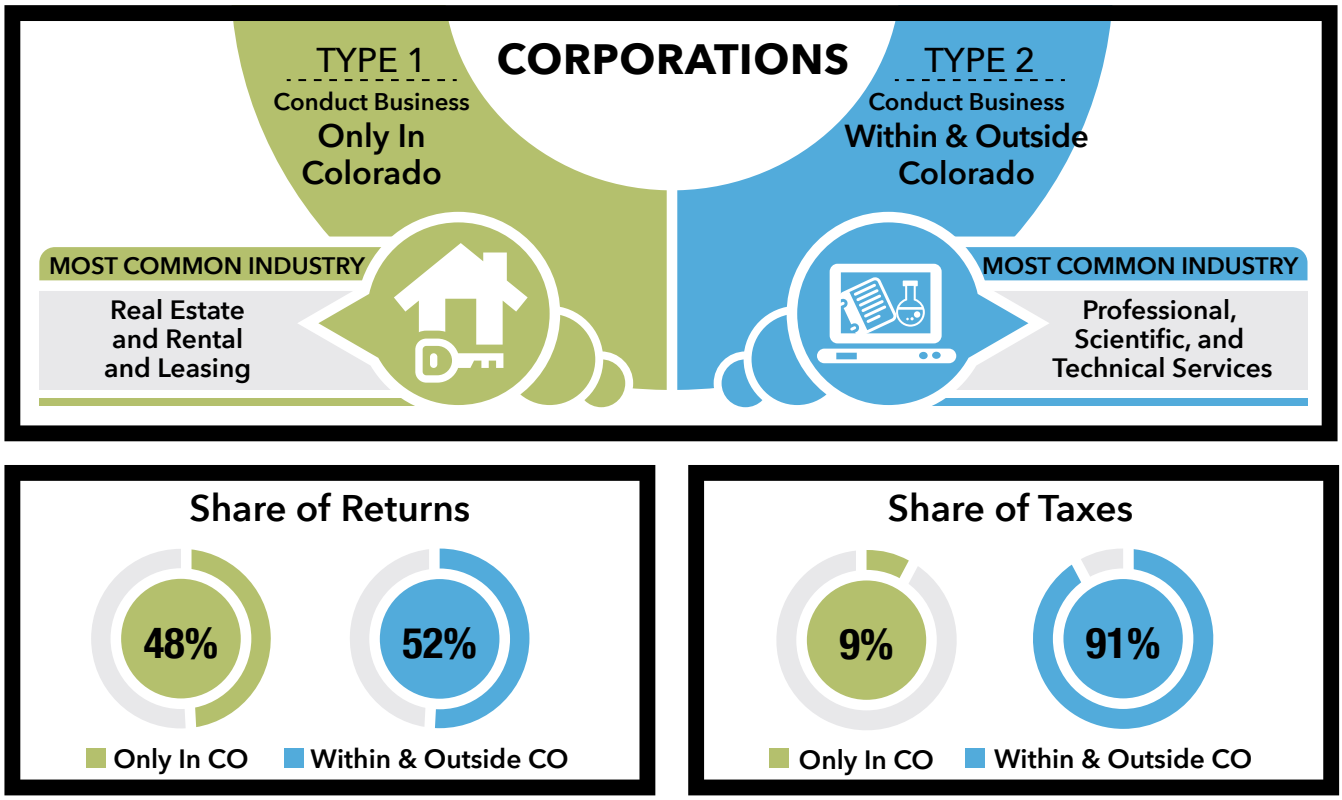
The Colorado Corporate Statistics of Income (SOI) is a collection of data describing Colorado state income tax returns filed by C corporations that conduct business in Colorado. The Colorado Corporate SOI is an annual report available on the Department's website. Highlights and selected data tables from the complete report are provided in this biennial Tax Profile and Expenditure Report. The complete SOI report with additional data tables and links to downloadable spreadsheets is available on the Department's Data and Reports website: CDOR.Colorado.gov/data-and-reports/income-tax-data/corporate-statistics-of-income-reports

The complete report consists of tables that present corporate income and tax data by Colorado taxable income group, federal taxable income group, or industry. This data is useful for policy makers, researchers, or anyone who would like an overview of Colorado corporate income tax data.

This Corporate SOI report summarizes income tax year 2021, which is generally defined as a tax year that began in 2021. An infographic and a few data tables are provided in this abbreviated version of the SOI report. There are additional tables available on the CDOR Data and Reports website. Further information about the methodology and data source is also available on the website.

# Highlights

Corporations in this report are categorized in two ways: those that conduct business only in Colorado and those that conduct business within and outside of Colorado. In 2021, the share of returns coming from corporations that conduct business only in Colorado was 48%, which is slightly less than the 52% of returns coming from corporations conducting business within and outside of Colorado. However, 91% of state corporate income taxes in 2021 came from corporations that conduct business within and outside of Colorado. The most common industry (categorized using the North American Industry Classification System, NAICS) in 2021 for corporations that conduct business only in Colorado was Real Estate and Rental and Leasing, whereas the most common industry for those that also conduct business outside of Colorado was Professional, Scientific, and Technical Services.



# Selected Data Tables

A selection of key data tables from the complete Corporate SOI report are included in this publication, and the full set of SOI tables is published in Excel format on the website here: CDOR.colorado.gov/data-and-reports/income-tax-data/corporate-statistics-of-income-reports

Here is a full list of the data tables available online:

- Table 1. All Corporations: Income and Tax Data by Size of Colorado Taxable Income
- Table 2. All Corporations: Income and Tax Data by Size of Colorado Taxable Income in $10,000 Increments
- Table 3. Corporations that Conduct Business Only in Colorado: Income and Tax Data by Size of Colorado Taxable Income
- Table 4. Corporations that Conduct Business Within and Outside of Colorado: Income and Tax Data by Size of Colorado Taxable Income
- Table 5. All Corporations: Income and Tax Data by Size of Federal Taxable Income
- Table 6. Corporations that Conduct Business Only in Colorado: Income and Tax Data by Size of Federal Taxable Income
- Table 7. Corporations that Conduct Business Within and Outside of Colorado: Income and Tax Data by Size of Federal Taxable Income
- Table 8. All Corporations: Income and Tax Data by Industry
- Table 9. Corporations that Conduct Business Only in Colorado: Income and Tax Data by Industry
- Table 10. Corporations that Conduct Business Within and Outside of Colorado: Income and Tax Data by Industry
- Table 11. Corporations that Conduct Business Only in Colorado: Colorado Additions and Subtractions by Size of Colorado Taxable Income
- Table 12. Corporations that Conduct Business Within and Outside of Colorado: Colorado Additions and Subtractions by Size of Colorado Taxable Income
- Table 13. All Corporations: Colorado Income Tax Credits by Size of Colorado Taxable Income

# Table 1. All Corporations: Income and Tax Data by Size of Colorado Taxable Income

This table shows aggregate income and tax data for all C corporations by Colorado taxable income group. This includes corporations that conduct business only in Colorado and corporations that conduct business within and outside of Colorado.

## I. Number of Returns and Aggregate Dollar Amounts

| Size of Colorado Taxable Income [1] | Number of Returns | Federal Taxable Income [2] | Colorado Taxable Income [1] | Colorado Gross Tax [3] | Colorado Net Tax |
|---|---|---|---|---|---|
| Negative Income | 26,476 | ($295,766,985,157) | ($12,200,944,734) | $0 | $0 |
| $0 under $10K | 22,613 | $157,174,173,601 | $19,741,996 | $884,550 | $871,867 |
| $10K under $20K | 1,754 | $4,169,256,889 | $25,598,098 | $1,145,312 | $1,131,139 |
| $20K under $30K | 1,104 | $4,626,729,135 | $27,112,908 | $1,209,944 | $1,187,965 |
| $30K under $40K | 778 | $3,844,360,872 | $27,118,051 | $1,215,697 | $1,205,656 |
| $40K under $50K | 575 | $1,943,109,051 | $25,726,531 | $1,152,333 | $1,140,313 |
| $50K under $60K | 455 | $2,955,802,659 | $24,979,167 | $1,110,632 | $1,069,859 |
| $60K under $75K | 626 | $3,136,916,207 | $42,045,969 | $1,872,954 | $1,845,007 |
| $75K under $100K | 718 | $9,279,662,035 | $62,408,014 | $2,793,330 | $2,744,690 |
| $100K under $200K | 1,564 | $19,061,769,126 | $222,625,610 | $9,985,270 | $9,837,892 |
| $200K under $500K | 1,683 | $37,964,964,420 | $533,935,832 | $24,024,661 | $23,701,955 |
| $500K under $1M | 954 | $41,032,390,134 | $679,306,055 | $30,562,172 | $30,206,693 |
| $1M and over | 1,988 | $1,388,491,066,154 | $21,165,869,142 | $952,418,690 | $910,284,054 |
| **Total** | **61,288** | **$1,377,913,215,126** | **$10,655,522,639** | **$1,028,375,545** | **$985,227,090** |

## II. Number of Returns and Average Dollar Amounts per Return

| Size of Colorado Taxable Income [1] | Number of Returns | Federal Taxable Income [2] | Colorado Taxable Income [1] | Colorado Gross Tax [3] | Colorado Net Tax |
|---|---|---|---|---|---|
| Negative Income | 26,476 | ($11,171,136) | ($460,830) | $0 | $0 |
| $0 under $10K | 22,613 | $6,950,611 | $873 | $39 | $39 |
| $10K under $20K | 1,754 | $2,376,999 | $14,594 | $653 | $645 |
| $20K under $30K | 1,104 | $4,190,878 | $24,559 | $1,096 | $1,076 |
| $30K under $40K | 778 | $4,941,338 | $34,856 | $1,563 | $1,550 |
| $40K under $50K | 575 | $3,379,320 | $44,742 | $2,004 | $1,983 |
| $50K under $60K | 455 | $6,496,270 | $54,899 | $2,441 | $2,351 |
| $60K under $75K | 626 | $5,011,048 | $67,166 | $2,992 | $2,947 |
| $75K under $100K | 718 | $12,924,320 | $86,919 | $3,890 | $3,823 |
| $100K under $200K | 1,564 | $12,187,832 | $142,344 | $6,384 | $6,290 |
| $200K under $500K | 1,683 | $22,557,911 | $317,252 | $14,275 | $14,083 |
| $500K under $1M | 954 | $43,010,891 | $712,061 | $32,036 | $31,663 |
| $1M and over | 1,988 | $698,436,150 | $10,646,815 | $479,084 | $457,889 |
| **Average** | **61,288** | **$22,482,594** | **$173,860** | **$16,779** | **$16,075** |

Source: Colorado C corporation income tax returns

[1] The Colorado Taxable Income (CTI) reported on Colorado returns can be positive, zero, or negative. The CTI is negative when the taxpayer reports losses and/or subtractions greater than their income and additions. Negative values do not reduce their tax liability to be less than $0.

[2] Federal taxable income (FTI) includes income from outside of Colorado because this table includes corporations that conduct business within and outside of Colorado. The FTI reported on Colorado returns can be positive, zero, or negative. The FTI is negative when the taxpayer reports losses and/or deductions greater than their income. When the FTI data is aggregated by size of Colorado Taxable Income, the values include positive and negative numbers.

[3] Colorado Gross Tax is determined based on Colorado Taxable Income greater than zero. To calculate positive Colorado Taxable Income, divide the Colorado Gross Tax by the income tax rate.

# Table 3. Corporations that Conduct Business Only in Colorado: Income and Tax Data by Size of Colorado Taxable Income

This table shows aggregate income and tax data by Colorado taxable income group for C corporations that conduct business only in Colorado. This table is a subset of the data presented in Table 1.

## I. Number of Returns and Aggregate Dollar Amounts

| Size of Colorado Taxable Income [1] | Number of Returns | Federal Taxable Income [2] | Colorado Taxable Income [1] | Colorado Gross Tax [3] | Colorado Net Tax |
|---|---|---|---|---|---|
| Negative Income | 15,603 | ($3,481,353,788) | ($3,047,991,686) | $0 | $0 |
| $0 under $10K | 10,008 | $14,906,191 | $8,895,077 | $400,282 | $388,847 |
| $10K under $20K | 753 | $10,493,661 | $11,005,422 | $495,232 | $482,103 |
| $20K under $30K | 448 | $17,950,171 | $10,969,878 | $493,622 | $476,598 |
| $30K under $40K | 305 | $12,331,614 | $10,578,201 | $475,981 | $465,947 |
| $40K under $50K | 228 | $25,124,200 | $10,234,471 | $460,510 | $450,747 |
| $50K under $60K | 164 | ($6,764,426) | $8,997,711 | $404,847 | $372,399 |
| $60K under $75K | 235 | $15,292,775 | $15,728,373 | $707,774 | $682,106 |
| $75K under $100K | 253 | ($16,468,842) | $21,793,590 | $980,709 | $932,069 |
| $100K under $200K | 501 | $86,917,581 | $71,411,315 | $3,213,331 | $3,112,760 |
| $200K under $500K | 469 | $157,858,386 | $148,602,131 | $6,686,136 | $6,516,365 |
| $500K under $1M | 218 | $151,234,768 | $149,862,308 | $6,742,828 | $6,588,696 |
| $1M and over | 312 | $1,478,823,479 | $1,530,717,292 | $68,876,454 | $68,200,257 |
| **Total** | **29,497** | **($1,533,654,230)** | **($1,049,195,917)** | **$89,937,706** | **$88,668,894** |

## II. Number of Returns and Average Dollar Amounts per Return

| Size of Colorado Taxable Income [1] | Number of Returns | Federal Taxable Income [2] | Colorado Taxable Income [1] | Colorado Gross Tax [3] | Colorado Net Tax |
|---|---|---|---|---|---|
| Negative Income | 15,603 | ($223,121) | ($195,347) | $0 | $0 |
| $0 under $10K | 10,008 | $1,489 | $889 | $40 | $39 |
| $10K under $20K | 753 | $13,936 | $14,615 | $658 | $640 |
| $20K under $30K | 448 | $40,067 | $24,486 | $1,102 | $1,064 |
| $30K under $40K | 305 | $40,432 | $34,683 | $1,561 | $1,528 |
| $40K under $50K | 228 | $110,194 | $44,888 | $2,020 | $1,977 |
| $50K under $60K | 164 | ($41,247) | $54,864 | $2,469 | $2,271 |
| $60K under $75K | 235 | $65,076 | $66,929 | $3,012 | $2,903 |
| $75K under $100K | 253 | ($65,094) | $86,141 | $3,876 | $3,684 |
| $100K under $200K | 501 | $173,488 | $142,538 | $6,414 | $6,213 |
| $200K under $500K | 469 | $336,585 | $316,849 | $14,256 | $13,894 |
| $500K under $1M | 218 | $693,737 | $687,442 | $30,930 | $30,223 |
| $1M and over | 312 | $4,739,819 | $4,906,145 | $220,758 | $218,591 |
| **Average** | **29,497** | **($51,994)** | **($35,570)** | **$3,049** | **$3,006** |

Source: Colorado C corporation income tax returns

[1] The Colorado Taxable Income (CTI) reported on Colorado returns can be positive, zero, or negative. The CTI is negative when the taxpayer reports losses and/or subtractions greater than their income and additions. Negative values do not reduce their tax liability to be less than $0.

[2] The Federal taxable income (FTI) reported on Colorado returns can be positive, zero, or negative. The FTI is negative when the taxpayer reports losses and/or deductions greater than their income. When the FTI data is aggregated by size of Colorado Taxable Income, the values include positive and negative numbers.

[3] Colorado Gross Tax is determined based on Colorado Taxable Income greater than zero. To calculate positive Colorado Taxable Income, divide the Colorado Gross Tax by the income tax rate.

# Table 4. Corporations that Conduct Business Within and Outside of Colorado: Income and Tax Data by Size of Colorado Taxable Income

This table shows aggregate income and tax data by Colorado taxable income group for C corporations that conduct business within and outside of Colorado. This table is a subset of the data presented in Table 1.

## I. Number of Returns and Aggregate Dollar Amounts

| Size of Colorado Taxable Income [1] | Number of Returns | Federal Taxable Income [2] | Colorado Taxable Income [1] | Colorado Gross Tax [3] | Colorado Net Tax |
|---|---|---|---|---|---|
| Negative Income | 10,873 | ($292,285,631,369) | ($9,152,953,048) | $0 | $0 |
| $0 under $10K | 12,605 | $157,159,267,410 | $10,846,919 | $484,268 | $483,020 |
| $10K under $20K | 1,001 | $4,158,763,228 | $14,592,676 | $650,080 | $649,036 |
| $20K under $30K | 656 | $4,608,778,964 | $16,143,030 | $716,322 | $711,367 |
| $30K under $40K | 473 | $3,832,029,258 | $16,539,850 | $739,716 | $739,709 |
| $40K under $50K | 347 | $1,917,984,851 | $15,492,060 | $691,823 | $689,566 |
| $50K under $60K | 291 | $2,962,567,085 | $15,981,456 | $705,785 | $697,460 |
| $60K under $75K | 391 | $3,121,623,432 | $26,317,596 | $1,165,180 | $1,162,901 |
| $75K under $100K | 465 | $9,296,130,877 | $40,614,424 | $1,812,621 | $1,812,621 |
| $100K under $200K | 1,063 | $18,974,851,545 | $151,214,295 | $6,771,939 | $6,725,132 |
| $200K under $500K | 1,214 | $37,807,106,034 | $385,333,701 | $17,338,525 | $17,185,590 |
| $500K under $1M | 736 | $40,881,155,366 | $529,443,747 | $23,819,344 | $23,617,997 |
| $1M and over | 1,676 | $1,387,012,242,675 | $19,635,151,850 | $883,542,236 | $842,083,797 |
| **Total** | **31,791** | **$1,379,446,869,356** | **$11,704,718,556** | **$938,437,839** | **$896,558,196** |

## II. Number of Returns and Average Dollar Amounts per Return

| Size of Colorado Taxable Income [1] | Number of Returns | Federal Taxable Income [2] | Colorado Taxable Income [1] | Colorado Gross Tax [3] | Colorado Net Tax |
|---|---|---|---|---|---|
| Negative Income | 10,873 | ($26,881,783) | ($841,806) | $0 | $0 |
| $0 under $10K | 12,605 | $12,468,010 | $861 | $38 | $38 |
| $10K under $20K | 1,001 | $4,154,609 | $14,578 | $649 | $648 |
| $20K under $30K | 656 | $7,025,578 | $24,608 | $1,092 | $1,084 |
| $30K under $40K | 473 | $8,101,542 | $34,968 | $1,564 | $1,564 |
| $40K under $50K | 347 | $5,527,334 | $44,646 | $1,994 | $1,987 |
| $50K under $60K | 291 | $10,180,643 | $54,919 | $2,425 | $2,397 |
| $60K under $75K | 391 | $7,983,692 | $67,308 | $2,980 | $2,974 |
| $75K under $100K | 465 | $19,991,679 | $87,343 | $3,898 | $3,898 |
| $100K under $200K | 1,063 | $17,850,284 | $142,252 | $6,371 | $6,327 |
| $200K under $500K | 1,214 | $31,142,591 | $317,408 | $14,282 | $14,156 |
| $500K under $1M | 736 | $55,545,048 | $719,353 | $32,363 | $32,090 |
| $1M and over | 1,676 | $827,572,937 | $11,715,484 | $527,173 | $502,437 |
| **Average** | **31,791** | **$43,391,113** | **$368,177** | **$29,519** | **$28,202** |

Source: Colorado C corporation income tax returns

[1] The Colorado Taxable Income (CTI) reported on Colorado returns can be positive, zero, or negative. The CTI is negative when the taxpayer reports losses and/or subtractions greater than their income and additions. Negative values do not reduce their tax liability to be less than $0.

[2] Federal taxable income (FTI) includes income from outside of Colorado because this table includes corporations that conduct business within and outside of Colorado. The FTI reported on Colorado returns can be positive, zero, or negative. The FTI is negative when the taxpayer reports losses and/or deductions greater than their income. When the FTI data is aggregated by size of Colorado Taxable Income, the values include positive and negative numbers.

[3] Colorado Gross Tax is determined based on Colorado Taxable Income greater than zero. To calculate positive Colorado Taxable Income, divide the Colorado Gross Tax by the income tax rate.

STATE · OF · COLORADO
NIL SINE NUMINE
1876

## Vision

*To empower businesses and individuals through quality customer service, innovation and collaboration.*

## Mission

*The Colorado Department of Revenue will become a trusted partner to every Coloradan to help them navigate the complexities of government so they can thrive.*

## *Values*

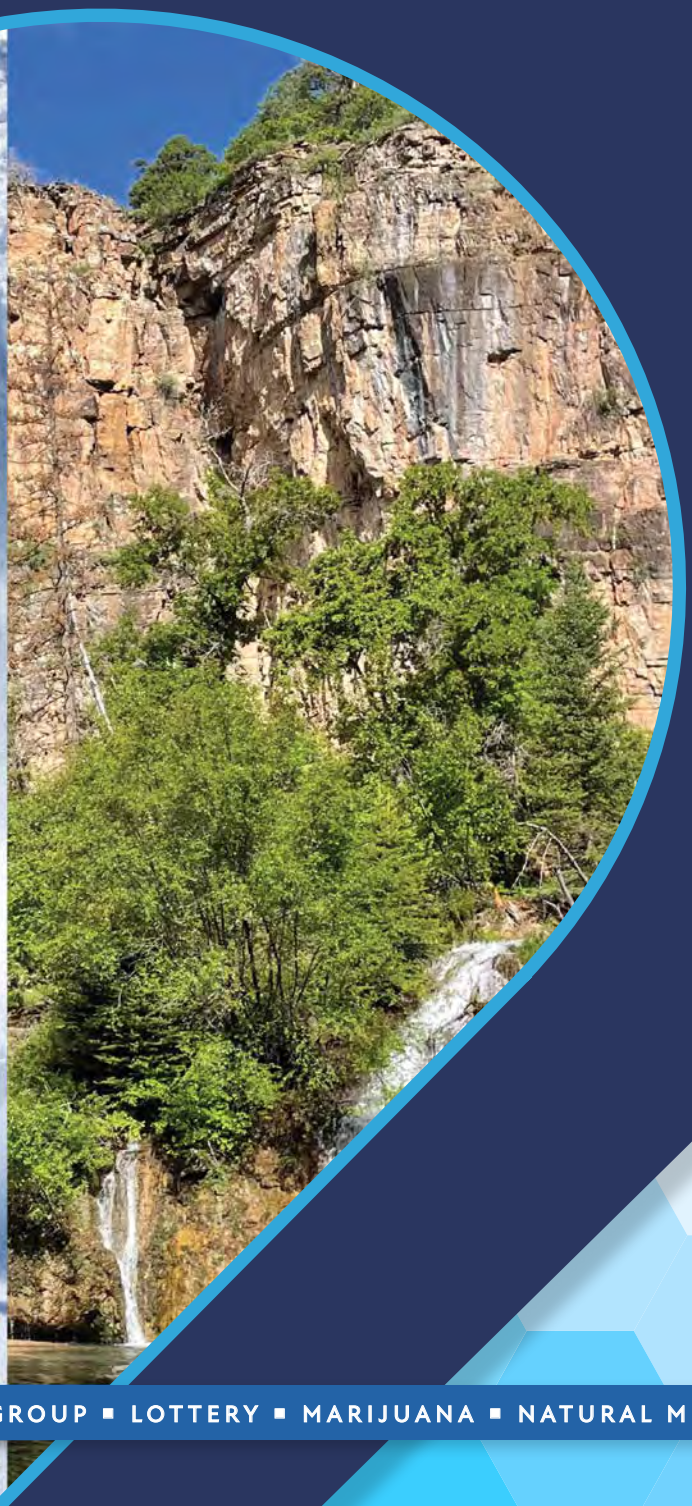
*Service*

*Teamwork*

*Accountability*

*Integrity*

*Respect*



TAXATION ■ DMV ■ SPECIALIZED BUSINESS GROUP ■ LOTTERY ■ MARIJUANA ■ NATURAL MEDICINE

# CONNECTICUT TAX EXPENDITURE REPORT

## February 2024

**OFFICE OF FISCAL ANALYSIS**
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# INTRODUCTION

## Statutory Requirements

CGS Sec. 12-7b(e) requires the Office of Fiscal Analysis, on or before February 1st of every other year, to report on tax expenditures, which the law defines as any exemption, exclusion, deduction, or credit created under the general statutes or a public act which result in less tax revenue to the state or municipalities than they would otherwise receive. Such report shall contain:

1. A description of each expenditure,
2. The year in which the expenditure was enacted,
3. The purpose for its enactment,
4. A summary of any amendments to the expenditure since its enactment,
5. The estimated state and municipal fiscal impact of the expenditure during each fiscal year of the current biennium,
6. An estimate of the revenue that would result from repeal of the expenditure and
7. An estimate of the number of taxpayers receiving benefit from the expenditure.

This report is submitted to satisfy the February 2024 requirement. It is arranged as follows:

I. Introduction
II. Summary table of major expenditures
III. Details of each expenditure by tax type

## Methodology

**Overview**
The term "tax expenditure" may appear to be a contradiction. "Tax" denotes money coming into the government; "expenditure" denotes money going out. How can money be coming in and going out at the same time?

With tax expenditures, the money does not come in and go out again; rather, it does not come in at all. This is because the law has provided for an exemption, exclusion, deduction or credit that lowers the amount of tax revenue that would otherwise be collected.

A tax expenditure can be used to accomplish public policy goals. It may be enacted either to encourage certain activity or to limit the tax burden on certain taxpayers. For example, government can attempt to encourage economic development directly by providing financial assistance to businesses through grants or indirectly through tax expenditures, such as Corporation Tax credits or Sales Tax exemptions.

A tax expenditure does not need to be re-enacted. Unless a sunset date is placed on a tax expenditure provision, it continues until amended or repealed.

**Criteria**
We have developed six criteria to evaluate tax expenditure provisions for this report. Some are concepts used in the preparation of federal tax expenditure reports and others are based on a logical application of the tax expenditure concept.

A provision can generally be considered a tax expenditure if it:

1. Impacts a statewide tax;
2. Results in reduced tax revenue;
3. Is not an appropriation;
4. Is included in the definition of the tax base;
5. Is not subject to an alternative tax; and
6. Can be amended or repealed by a change in state law alone.

This report lists exemptions and exclusions from each state tax. **Exemptions** would otherwise be taxed but are exempted by specific legislative action. **Exclusions** are not taxed simply because they are not part of the base defined by the tax law.

**Rationales**
We used the following categories to classify the rationale behind each exemption or exclusion.

1. **Perceived Equity** - The tax expenditure was created to remedy a perceived inequity or unfairness in tax burden. It is often used as a rationale for reducing taxes on the consumption of basic necessities because the tax burden is viewed as excessive relative to the income of poor or disadvantaged (such as the handicapped or elderly) persons. The sales tax exemptions on food, clothing, and medicine are examples of this rationale.

2. **Efficiency** - The cost of adequately collecting and administering the tax is high in comparison to the potential revenue that could be gained from taxation. For example, an exemption from the real estate conveyance tax was created for property conveyances of less than $2,000 because the amount of revenue that would be collected was considered too small to justify the administrative cost of collecting it.

3. **Incentive** - The expenditure is intended to encourage the performance of certain desirable activities such as economic growth and development, charitable or nonprofit work, or conservation of resources. The corporation business tax credits for expenditures on research and development, hiring displaced workers, donation of open space land and rehabilitation of historic homes are examples of this rationale.

4. **Redundancy** - The entry is included in the base of one tax and excluded from the base of another to avoid over taxation. For example, redundancy is avoided on sales of gasoline because they are only subject to the motor fuels excise tax and exempt from the Sales and Use Tax

5. **Cascading** - Cascading (or pyramiding) occurs when a tax is imposed on a good or service at more than one stage of the production process so that the total tax incorporated into the final price of the good or service is greater than the legislated tax rate. For example, Sales Tax

exemptions are provided for business inputs like raw materials, tools, machinery and equipment so that the taxes are not incorporated into the cost of making the final product and passed along to consumers in the form of higher prices.

6. **Clarification** - The entry clarifies the definition of what is taxable. For example, the sales tax exemption for property tax payments under motor vehicle leases clarifies that the tax is levied only on the portion of the lease payment that covers the use of the motor vehicle.

7. **Conformity** - The entry conforms the state statute to one of the following: (1) U.S. constitutional or other federal requirements (for instance, the U.S. Constitution prohibits the state from levying taxes on the federal government); (2) the federal taxation policy (for instance, the state has chosen to adopt the same tax exemptions or exclusions for certain types of businesses or business activities as the federal government); or (3) a general policy of taxation adopted by the state (for instance, the state has chosen not to tax itself or its political subdivisions).

8. **Expediency** - Expenditures of this type violate one or more of the principles of a high-quality revenue system without any apparent counterbalancing or compensating precept.[1] The sales tax exemption for puzzle magazines provided by PA 94-4 (May Special Session) is an example of this rationale.

**Caveats**

This report estimates each tax expenditure provision in isolation, with other provisions in that tax and in other taxes held constant. The secondary impact of one provision over another provision is not taken into account. Because estimates measure the impact of the provision as it exists and not what would happen if it were repealed, no change in taxpayer behavior is assumed.

The precision of the estimates varies with the source of the data and with the applicability of the data to the tax expenditure provision. Data from Connecticut tax returns were used whenever possible. Other sources included federal tax expenditure estimates, data from federal tax returns, and other data for Connecticut and the nation. In some cases, because data were unavailable or too indirect, an estimate of the amount could not be determined.

Please note that in the case of tax credits, information is provided by tax type only for credits that are estimated to be taken. This is because data indicate that not all tax credits eligible to be taken against a given tax type are actually utilized. Consequently, there may be instances in which certain credits that are eligible to be taken against a certain tax type are not listed for that tax type.

Unless otherwise noted, all revenue estimates presented in this report are effective for FY 24 and FY 25. Differences between figures provided in this document and in previous versions of this document and other documents are generally due to revised data becoming available.

For certain tax expenditures, the FY 24 estimated revenue loss does not equate to the estimated FY 25 revenue gain from the repeal of the policy. In such cases, it is assumed that the application of a tax would partially decrease the current level of consumption or payment by an individual or entity

[1] *Principles of a High-Quality State Revenue System*, Second Edition, National Conference of State Legislatures, 1992.

on a certain good or service and therefore partially decrease the potential revenue gain. That is, the inclusion of a tax, would increase the overall cost to the individual or entity. The individual or entity may elect to purchase less of such a good or service if the overall cost increased. A lower consumption of the good or service results in a lower revenue gain.

Taxpayers benefitting are defined as those persons who receive a direct, monetary benefit as a result of the tax expenditure.

Any questions or suggestions concerning the information contained in this document are welcome and can be sent to **ofa@cga.ct.gov**.

The table on the following page summarizes state tax expenditures over $100,000 and provides estimates for the value of each. Please refer to the text for further information on each item.

## State Policies with FY 24 & FY 25 Revenue Impacts (in millions)

| Page | Tax Expenditures | FY 24 Estimates | FY 25 Estimates | Revenue Gain in FY 25 if Repealed | Difference from FY 25 Estimate |
|---|---|---|---|---|---|
| 27 | Interest on US Obligations | 22.8 | 22.8 | 22.8 | - |
| 28 | Dividends from Mutual Funds Derived from US Govt Obligations | 3.5 | 3.5 | 3.5 | - |
| 28 | Tier I Railroad Retirement Benefits | 0.8 | 0.8 | 0.8 | - |
| 28 | Beneficiary's Share of Connecticut Fiduciary Adjustment | 0.4 | 0.4 | 0.4 | - |
| 28 | Gain on sale of Connecticut Bonds | Less than 0.1 | Less than 0.1 | Less than 0.1 | - |
| 29 | Social Security Benefits | 165.0 | 168.6 | 168.6 | - |
| 29 | Holocaust Payments | Less than 0.1 | Less than 0.1 | Less than 0.1 | - |
| 29 | Individual Development Accounts | - | - | - | - |
| 30 | Military Retirement Income | 7.5 | 7.7 | 7.7 | - |
| 30 | Contributions to CHET | 14.0 | 14.0 | 14.0 | - |
| 30 | Teachers' Pension Exemption | 25.0 | 25.0 | 25.0 | - |
| 31 | Federally Disallowed Deduction for Cannabis Businesses | 4.7 | 6.2 | 6.2 | - |
| 31 | ABLE Account Contributions | - | 0.1 | 0.1 | - |
| 31 | Pension and Annuity Income | 113.6 | 129.6 | 129.6 | - |
| 32 | Individual Retirement Account Income | 37.6 | 56.7 | 56.7 | - |
| 32 | Venture Capital Investments in Eligible Bioscience Businesses | 0.2 | 0.2 | 0.2 | - |
| 32 | Other Deductions | 36.5 | 36.5 | 36.5 | - |
| 33 | Credit for Property Taxes Paid | 145.0 | 145.0 | 145.0 | - |
| 34 | Credit for Real Estate Conveyance Tax Paid | 6.4 | 8.0 | 8.0 | - |
| 35 | Earned Income Tax Credit | 191.6 | 196.2 | 196.2 | - |
| 35 | Angel Investor Tax Credit | 7.5 | 5.0 | 5.0 | - |
| 36 | Historic Homes Rehabilitation Tax Credit | - | 3.0 | 3.0 | - |
| 36 | Stillborn Birth | 0.3 | 0.3 | 0.3 | - |
| 37 | Insurance Reinvestment | 0.3 | 0.3 | 0.3 | - |
| | **Personal Income Tax Total** | **782.6** | **829.8** | **829.8** | **-** |
| 39 | Sales of Food Products for Human Consumption | 584.8 | 599.5 | 563.7 | (35.8) |
| 40 | One-cent Vending Machine Sales | - | - | - | - |
| 40 | Items Purchased with Federal SNAP Benefits | 70.5 | 72.3 | 68.0 | (4.3) |
| 40 | Meals Delivered to Homes of Elderly Disabled or Otherwise Confined | - | - | - | - |
| 41 | Oxygen, Blood Plasma, Prostheses, Wigs, Hearing Aids, Crutches, Walkers, Wheelchairs, Life Support Equipment, Apnea Monitors, Chairlifts, Relate Repair Services, Reading Aids, Canes, and Support Hoses | 22.9 | 23.5 | 22.1 | (1.4) |

| Page | Tax Expenditures | FY 24 Estimates | FY 25 Estimates | Revenue Gain in FY 25 if Repealed | Difference from FY 25 Estimate |
|---|---|---|---|---|---|
| 41 | Prescription Medicines, Syringes and Needles | 599.9 | 614.9 | 578.2 | (36.7) |
| 42 | Non-prescription drugs | 31.0 | 31.8 | 29.9 | (1.9) |
| 42 | Disposable Pads for Incontinence | 1.5 | 1.5 | 1.5 | - |
| 42 | Test Strips and Tablets, Lancets and Glucose Monitoring Equipment for Diabetics | 5.2 | 5.3 | 5.3 | - |
| 43 | Telephone Equipment Designed for Deaf or Blind Persons | Less than 0.1 | Less than 0.1 | Less than 0.1 | - |
| 43 | Equipment for Persons with Physical Disabilities Installed in Motor Vehicles | - | - | - | - |
| 43 | Sales of Eligible Benefits Under Title XVIII or XIX or SSA or CHAMPUS | - | - | - | - |
| 44 | Sales Tax "Free Week" | 2.0 | 2.0 | 2.0 | - |
| 44 | Certain Utilities Sales | 230.2 | 235.9 | 221.8 | (14.1) |
| 44 | Utilities for Agriculture/Manufacturing | 77.5 | 79.5 | 74.7 | (4.7) |
| 45 | Water Companies | 3.0 | 3.1 | 3.1 | - |
| 45 | Motor Vehicle Fuel | 597.9 | 612.8 | 576.2 | (36.6) |
| 45 | Fuel for High Occupancy Commuter Vehicles | - | - | - | - |
| 46 | Newspapers and Magazines | 10.0 | 10.3 | 9.7 | (0.6) |
| 46 | Property Purchased from United States | - | - | - | - |
| 46 | Purchase Brought into State by Resident | - | - | - | - |
| 47 | The First $2,500 of Burial or Cremation Services; Caskets | 7.3 | 7.5 | 7.1 | (0.4) |
| 47 | Vegetable Seeds | Less than 0.1 | Less than 0.1 | Less than 0.1 | - |
| 47 | Firearm Safety Devices | - | - | - | - |
| 47 | Bicycle Helmets | 0.2 | 0.2 | 0.2 | - |
| 48 | Campground Rentals | 0.8 | 0.9 | 0.9 | - |
| 48 | Lodging | - | - | - | - |
| 48 | Child Car Seats | 1.1 | 1.1 | 1.1 | - |
| 48 | College Textbooks | 0.7 | 0.7 | 0.7 | - |
| 49 | Solar Energy, Geothermal, and Ice Storage Systems | 23.1 | 23.7 | 22.3 | (1.4) |
| 49 | Luxury Tax Exemptions | - | - | - | - |
| 49 | Feminine Hygiene Products | 7.1 | 7.3 | 7.3 | - |
| 50 | Disposable or Reusable Diapers | 4.0 | 4.1 | 4.1 | - |
| 50 | Breastfeeding Supplies | 0.3 | 0.3 | 0.3 | - |
| 50 | Machinery Used in Manufacturing and Component Parts for Assembly of Manufacturing Machinery and Production Materials | 137.9 | 141.4 | 133.0 | (8.4) |
| 51 | Partial Exemption for Materials, Tools, Fuels, Machinery and Equipment used in Manufacturing | 1.1 | 1.2 | 1.2 | - |
| 52 | Replacement Parts in Enterprise Zones | 5.4 | 5.5 | 5.5 | - |
| 52 | Agriculture Production | 10.6 | 10.9 | 10.3 | (0.7) |
| 53 | Commercial Fishing | 0.7 | 0.7 | 0.7 | - |

| Page | Tax Expenditures | FY 24 Estimates | FY 25 Estimates | Revenue Gain in FY 25 if Repealed | Difference from FY 25 Estimate |
|---|---|---|---|---|---|
| 53 | Fuel Cell Manufacturing Facility | 13.6 | 13.9 | 13.1 | (0.8) |
| 53 | Flyable Aircraft | - | - | - | - |
| 54 | Aircraft Repair, Replacement Parts; Aircraft Repair Services; Materials, Tools, Fuel, Machinery and Equipment used in an Aircraft Manufacturing Facility | 108.8 | 111.6 | 104.9 | (6.7) |
| 55 | Certain Aircraft | - | - | - | - |
| 55 | Aviation Consulting | - | - | - | - |
| 55 | Commercial Trucks, Trailers and Combination, Commercial Vehicles, and Motorbuses used in Inter-State Business | 9.4 | 9.6 | 9.1 | (0.6) |
| 56 | Aviation Fuel Used Exclusively and Directly in Experimental Testing of Any Product | - | - | - | - |
| 57 | Aviation Fuel | 22.2 | 22.8 | 21.4 | (1.4) |
| 57 | Marine Fuel | 17.0 | 17.4 | 16.4 | (1.0) |
| 57 | Fuel Used in Portable Power Systems | - | - | - | - |
| 58 | Commodities | - | - | - | - |
| 58 | Containers | - | - | - | - |
| 58 | Printed Material Sent Out of State | Less than 0.1 | Less than 0.1 | Less than 0.1 | - |
| 59 | Machinery, Equipment, etc. used in Commercial Printing | 4.7 | 4.9 | 4.9 | - |
| 59 | Machinery, Equipment, Tools, Materials, Supplies for Typesetting, Color Separation, Finish Copy or Similar Products | Less than 0.1 | Less than 0.1 | Less than 0.1 | - |
| 59 | Personal Property for Use in Waste Treatment and Air Pollution Facilities | 0.5 | 0.5 | 0.5 | - |
| 60 | Motion Picture, Video, TV and Radio Production & Broadcast Equipment | Less than 0.1 | Less than 0.1 | Less than 0.1 | - |
| 61 | Lease of Rental of Motion Pictures by Theater Owners | 1.7 | 1.7 | 1.7 | - |
| 61 | Computer-related Cleaning Equipment | - | - | - | - |
| 61 | Molds, Dies, Patterns, and Sand Handling Equipment for Metal Casting Foundries | 0.2 | 0.2 | Less than 0.1 | - |
| 61 | Molds, Dies, Patterns for Pattern Shops and Metal Casting Foundries | - | - | - | - |
| 62 | Optical Lens Equipment | 0.2 | 0.2 | 0.2 | - |
| 62 | Commercial Photographic Film and Paper Processing Materials | - | - | - | - |
| 62 | Machinery, Equipment, Tools, Materials, Supplies, Fuel Used in Biotechnology Industry | 2.3 | 2.3 | 2.3 | - |
| 62 | Services or tangible personal property for the operation of projects of the Materials Innovation and Recycling Authority | - | - | - | - |
| 63 | Tangible Personal Property or Services to Tourism Districts | - | - | - | - |
| 63 | Solid Waste to Energy Facilities | 0.5 | 0.5 | 0.5 | - |
| 63 | Machinery and Equipment Used in Maintaining Railroad Right of Ways | - | - | - | - |

| Page | Tax Expenditures | FY 24 Estimates | FY 25 Estimates | Revenue Gain in FY 25 if Repealed | Difference from FY 25 Estimate |
|---|---|---|---|---|---|
| 63 | Fulfillment Sales Companies | - | - | - | - |
| 64 | Data Transmission Equipment Sold to Telecom or CATV Companies | - | - | - | - |
| 64 | Connecticut Credit Unions | 2.3 | 2.4 | 2.4 | - |
| 64 | Connecticut Innovations Sales and Use Tax Relief | 3.7 | 3.8 | 3.8 | - |
| 65 | Qualified Data Centers | 4.8 | 4.8 | 4.8 | - |
| 65 | Beer and Wine Manufacturing Supplies | 1.8 | 1.8 | 1.8 | - |
| 66 | Personal Service Transactions Involving Sales of Inconsequential Elements | - | - | - | - |
| 66 | Services to Determine the Effect on Human Health of Consumption or Use of a Product or Substance | - | - | - | - |
| 66 | Motor Vehicle Driving Service Out of State | - | - | - | - |
| 67 | Services Related to Personnel, Management, or Research When Company Rendering Service and Recipient are Participating in a Joint Venture | - | - | - | - |
| 67 | Services Rendered Between Parent Companies and Wholly-Owned Subsidiaries | - | - | - | - |
| 68 | Computer and Data Processing | 480.3 | 492.4 | 492.4 | - |
| 68 | Certain Sales of Computer and Data Processing Services | - | - | - | - |
| 69 | Landscaping, Horticulture, Window Cleaning, or Maintenance Services Rendered to Certain Disabled Persons | - | - | - | - |
| 69 | Shoe Repair Services | 0.1 | 0.1 | 0.1 | - |
| 69 | Calibration Services and ISO Services | 19.2 | 19.7 | 19.7 | - |
| 70 | "Call Before You Dig" Services | - | - | - | - |
| 70 | Sale of Repair or Maintenance on Vessels | 4.9 | 5.0 | 5.0 | - |
| 70 | Renovation & Repair for Residential Property | 68.5 | 70.2 | 66.0 | (4.2) |
| 70 | Property Management and Maintenance Services to Certain Owner-Occupied Properties | - | - | - | - |
| 71 | Patient Care Services | 460.3 | 471.9 | 471.9 | - |
| 71 | Children's Hospital and the John Dempsey Hospital | - | - | - | - |
| 71 | Sole-Community Hospitals | 1.6 | 1.6 | 1.6 | - |
| 72 | Payments for the Services of Leased or Contract Employees | - | - | - | - |
| 72 | Certain Motor Vehicle Parking | - | - | - | - |
| 73 | Amusement and Recreation Services | 13.7 | 14.1 | 13.2 | (0.8) |
| 73 | Health and Athletic Club Services | - | - | - | - |
| 73 | Massage Therapist and Electrology Services | 19.1 | 19.6 | 18.4 | (1.2) |
| 74 | Sales Agent Services | - | - | - | - |
| 74 | Media Advertising and Cooperative Direct Mail Advertising | 25.5 | 26.1 | 26.1 | - |
| 75 | Tax Preparation | 5.2 | 5.3 | 5.3 | - |
| 75 | Winter Boat Storage | 2.3 | 2.4 | 2.4 | - |
| 75 | Environmental Consulting Services | 9.3 | 9.5 | 9.5 | - |

| Page | Tax Expenditures | FY 24 Estimates | FY 25 Estimates | Revenue Gain in FY 25 if Repealed | Difference from FY 25 Estimate |
|---|---|---|---|---|---|
| 75 | Police and Firefighters | - | - | - | - |
| 76 | Coin and Currency Protection for Financial Service Companies | - | - | - | - |
| 76 | Training Services | - | - | - | - |
| 76 | Non-Cable Communications Services | - | - | - | - |
| 76 | Marine Vessel Brokerage Service | - | - | - | - |
| 76 | Media Payroll Services | 0.5 | 0.5 | 0.5 | - |
| 77 | Certain Intrastate Transportation | - | - | - | - |
| 77 | Certain Pet Grooming Services | - | - | - | - |
| 77 | Reconstructive Surgery | - | - | - | - |
| 78 | Sales to Government organizations (combined lease, labor, and goods) | 1,287.7 | 1,320.0 | - | (1,320.0) |
| 79 | Municipal Publications, Sales by Public Libraries, or by Municipal Auction and Book Sales by Library Support Groups | - | - | - | - |
| 79 | Connecticut Technology Park | - | - | - | - |
| 79 | Property Removed from Inventory and Donated to Charity or Government | - | - | - | - |
| 79 | Sales to Nonprofit organizations (combined lease, labor, and goods) | 155.1 | 159.0 | 149.5 | (9.5) |
| 82 | Sales by Nonprofit Charitable Hospitals, Nursing Homes, etc | - | - | - | - |
| 82 | Items not Costing more than $20 Each by Certain Nonprofit Organizations and Schools | - | - | - | - |
| 82 | Sales of Items for Under $100 Each by Nursing or Convalescent Homes or Adult Day Care Centers | - | - | - | - |
| 83 | Sales by an Affiliate Participating in Certain Community Economic Development Programs | - | - | - | - |
| 83 | Tangible Personal Property at Bazaars, Fairs, Picnics, Tag Sales by Nonprofit Organizations | - | - | - | - |
| 83 | Tangible Personal Property by Historical Societies | Less than 0.1 | Less than 0.1 | Less than 0.1 | - |
| 84 | Educational Institution and Certain Health and Care Facilities | 18.1 | 18.6 | 17.4 | (1.1) |
| 84 | Pilot Property Tax Credit for Computer Equipment | - | - | - | - |
| 84 | United States and Connecticut State Flags | Less than 0.1 | Less than 0.1 | Less than 0.1 | - |
| 84 | Gold or Silver Buillion, Legal Tender of Any Nation, Rare or Antique Coin | - | - | - | - |
| 85 | Motor Vehicles & Vessels Purchased by Non-Residents to use Out of State | 124.7 | 127.9 | 120.2 | (7.6) |
| 85 | Property Tax Payments Under Motor Vehicle Lease | - | - | - | - |
| 86 | Vessels Brought into the State for Storage, Maintenance or Repair | - | - | - | - |
| 86 | Payment of Sales or Use Tax to Another State | - | - | - | - |

| Page | Tax Expenditures | FY 24 Estimates | FY 25 Estimates | Revenue Gain in FY 25 if Repealed | Difference from FY 25 Estimate |
|---|---|---|---|---|---|
| 86 | Casual or Isolated Sales | - | - | - | - |
| 87 | Tax on Casual Sales of Motor Vehicles, Vessels, Snowmobiles, and Aircraft | - | - | - | - |
| 87 | Mobile Manufactured Homes Subject to Sales Tax and Tax as a Conveyance | - | - | - | - |
| 88 | Motor Vehicles Sold to Members of Armed Forces | 0.1 | 0.1 | 0.1 | - |
| 88 | Trade-In of Motor Vehicles, Snowmobiles, Vessels or Farm Tractors, Certain Construction Equipment | 87.6 | 89.8 | 84.4 | (5.4) |
| 89 | Coupons and Discounts and Battery Deposits and Trade-Ins of Like Kind and Core Parts | - | - | - | - |
| 90 | Licensed Motor Vehicle Dealers | - | - | - | - |
| 90 | Vessels, Motors for Vessels, Trailers for Transport of Vessels, and Marine Dyed Diesel Fuel | 11.0 | 11.3 | 10.6 | (0.7) |
| 91 | Film Production Tax Credit Expansion to Sales | 2.3 | 4.4 | 4.4 | - |
| | **Sales and Use Tax Total** | **5,427.8** | **5,565.7** | **4,057.4** | **(1,508.0)** |
| 93 | Manufacturing Apprenticeship | 5.0 | 5.0 | 5.0 | - |
| | **Pass-Through Entity Tax Total** | **5.0** | **5.0** | **5.0** | **-** |
| 98 | Domestic and Foreign Insurance Companies | - | - | - | - |
| 99 | Domestic International Sales Corporations (DISCS) | - | - | - | - |
| 99 | Railroad Companies | - | - | - | - |
| 99 | Cooperative Housing Corporations | - | - | - | - |
| 99 | Political Associations | - | - | - | - |
| 100 | Alternative Energy Systems Companies | - | - | - | - |
| 100 | Aero-Derived Gas Turbine Systems | - | - | - | - |
| 100 | Non-US Corporations Solely Trading Securities, et al, in CT | - | - | - | - |
| 101 | Subchapter S Corporations | - | - | - | - |
| 101 | Regulated Investment Companies (RICs) and Real Estate Investment Trusts | - | - | - | - |
| 101 | Passive Investment Companies | - | - | - | - |
| 102 | Municipal Risk Management Agencies | - | - | - | - |
| 102 | Electric Cooperatives | - | - | - | - |
| 102 | Companies Located in An Insurance and Financial Services Export Zone | - | - | - | - |
| 103 | Earnings From International Banking Facilities | - | - | - | - |
| 103 | Dividends From Domestic International Sales Corporations (DISCs) Or Foreign Sales Corporations | - | - | - | - |
| 103 | Net Operating Loss Carry-Forward | 190.0 | 190.0 | 190.0 | - |
| 104 | Net Capital Loss Carry-Forward | 0.7 | 0.7 | 0.7 | - |
| 104 | Unpaid Loss Reserve Adjustment for Non-Life Insurance Companies | - | - | - | - |
| 104 | Capital Gains from Sales of Open Space or Watershed Land | Less than 0.1 | Less than 0.1 | Less than 0.1 | - |

| Page | Tax Expenditures | FY 24 Estimates | FY 25 Estimates | Revenue Gain in FY 25 if Repealed | Difference from FY 25 Estimate |
|---|---|---|---|---|---|
| 105 | Manufacturing Reinvestment Accounts | Less than 0.1 | Less than 0.1 | Less than 0.1 | - |
| 105 | Federally Disallowed Deduction for Cannabis Businesses | Less than 0.1 | Less than 0.1 | Less than 0.1 | - |
| 106 | $2.5 Million Cap on Unitary Liability | 40.0 | 40.0 | 40.0 | - |
| 106 | ABLE Account Contributions | - | 1.0 | 1.0 | - |
| 106 | Apprenticeship | 0.1 | 0.1 | 0.1 | - |
| 107 | Cash Donations to Youth Development Organizations | - | 2.5 | 2.5 | - |
| 107 | CHESLA Loan Repayment | 9.9 | 10.4 | 10.4 | - |
| 108 | Donation Of Land For Educational Use | Less than 0.1 | Less than 0.1 | Less than 0.1 | - |
| 108 | Electronic Data Processing | 9.7 | 9.7 | 9.7 | - |
| 109 | Film Production | 55.0 | 55.0 | 55.0 | - |
| 110 | Film Production Infrastructure | 1.1 | 1.1 | 1.1 | - |
| 111 | Fixed Capital | 37.0 | 37.0 | 37.0 | - |
| 111 | Historic Structure, Historic Preservation, and Historic Rehabilitation | 0.1 | 0.1 | 0.1 | - |
| 113 | Housing Program Contribution | Less than 0.1 | Less than 0.1 | Less than 0.1 | - |
| 113 | Human Capital | 7.2 | 8.6 | 8.6 | - |
| 114 | JobsCT | - | 40.0 | 40.0 | - |
| 114 | Machinery and Equipment | 0.8 | 0.8 | 0.8 | - |
| 115 | Mfg Facilities/Service Facilities/Enterprise Zones | 0.4 | 0.4 | 0.4 | - |
| 116 | Neighborhood Assistance | 1.7 | 1.7 | 1.7 | - |
| 117 | Pre-Broadway and Post-Broadway Theater Productions | - | 2.5 | 2.5 | - |
| 117 | Research & Development | 28.5 | 28.5 | 28.5 | - |
| 118 | Research & Experimentation | 27.5 | 27.5 | 27.5 | - |
| 118 | Sale of Certain Credits | 10.5 | 7.8 | 7.8 | - |
| 118 | Urban and Industrial Reinvestment Credit | 7.1 | 7.1 | 7.1 | - |
| | **Corporation Tax Total** | **427.3** | **472.5** | **472.5** | **-** |
| 121 | Dormant Captive Insurers | Less than 0.1 | Less than 0.1 | Less than 0.1 | - |
| 122 | Ocean Marine Insurance | 1.0 | 1.0 | 1.0 | - |
| 122 | Fraternal Societies | - | - | - | - |
| 122 | Municipal Risk Management Agencies | - | - | - | - |
| 122 | Special Taxing Districts | - | - | - | - |
| 123 | State Employee Health Plans | 15.0 | 15.0 | 15.0 | - |
| 123 | Medicare, Medicaid, HUSKY and General Assistance | 21.0 | 21.0 | 21.0 | - |
| 123 | Municipal, Non-profit and Teachers Retirement System | Less than 0.1 | Less than 0.1 | Less than 0.1 | - |
| 123 | Small/Self Employer Health Insurance Plans | - | - | - | - |
| 124 | Financial Companies Located in Export Zone | - | - | - | - |
| 124 | Insurance Department Assessment Credit | 0.4 | 0.4 | 0.4 | - |
| 125 | Neighborhood Assistance | 0.8 | 0.8 | 0.8 | - |
| 125 | Insurance Reinvestment | 33.0 | 33.0 | 33.0 | - |

| Page | Tax Expenditures | FY 24 Estimates | FY 25 Estimates | Revenue Gain in FY 25 if Repealed | Difference from FY 25 Estimate |
|---|---|---|---|---|---|
| 126 | Electronic Data Processing | 7.0 | 7.0 | 7.0 | - |
| 126 | Film Production | 45.0 | 45.0 | 45.0 | - |
| 128 | Film Production Infrastructure | 0.3 | 0.3 | 0.3 | - |
| 128 | Urban and Industrial Reinvestment Credit | 3.0 | 3.0 | 3.0 | - |
| | **Insurance Premiums Tax Total** | **126.4** | **126.4** | **126.4** | **-** |
| 130 | Conveyances Of Less Than $2,000 | 0.3 | 0.3 | 0.3 | - |
| 130 | Conveyance of Properties with Crumbling Foundations | 0.1 | 0.1 | 0.1 | - |
| 131 | Transfer of Burial Rights for A Cemetery Lot and the Following Items: | 3.7 | 3.7 | 3.7 | - |
| 131 | Deeds That the State Is Prohibited from Taxing Under Federal Law | - | - | - | - |
| 131 | Deeds That Secure a Debt or Other Obligation | - | - | - | - |
| 132 | Governmental Entities | - | - | - | - |
| 132 | Tax Deeds | - | - | - | - |
| 132 | Deed Releases | - | - | - | - |
| 132 | Deeds Of Partition | - | - | - | - |
| 133 | Deeds Made Pursuant to Mergers of Corporations | - | - | - | - |
| 133 | Corporate Subsidiaries | - | - | - | - |
| 133 | Court Decrees | - | - | - | - |
| 133 | Affiliated Nonprofit Corporations | - | - | - | - |
| 134 | Nonprofit Corporations | - | - | - | - |
| 134 | Conservation Or Recreation Purposes | - | - | - | - |
| 134 | Transfers Between Spouses | - | - | - | - |
| 134 | Adriaen's Landing Site and Stadium | - | - | - | - |
| 135 | Class I Or II Land Transferred to A Water Company | - | - | - | - |
| 135 | Transfers To Effectuate a Mere Change of Identity or Form of Ownership | - | - | - | - |
| 135 | Employee Relocations Plan | - | - | - | - |
| 136 | Principal Residence for Persons on Certain Types of Assistance | - | - | - | - |
| 136 | Enterprise Zones | - | - | - | - |
| 136 | Entertainment Districts | - | - | - | - |
| 136 | Mutual Saving Institution That Has Reorganized | - | - | - | - |
| 137 | Conveyance to mortgagee in a judgment of loss mitigation | Less than 0.1 | Less than 0.1 | Less than 0.1 | - |
| 137 | Deed-Restricted Affordable Housing | - | - | - | - |
| 137 | Certain Mobile Manufactured Home Parks | - | - | - | - |
| 138 | Transfers Of Land Resulting from Eminent Domain | - | - | - | - |
| 138 | Strawman Deeds and Deeds That Correct, Modify, Supplement, Or Confirm a Previously Recorded Deed | - | - | - | - |
| 138 | Deed Of Foreclosure | - | - | - | - |

| Page | Tax Expenditures | FY 24 Estimates | FY 25 Estimates | Revenue Gain in FY 25 if Repealed | Difference from FY 25 Estimate |
|---|---|---|---|---|---|
| 139 | Land Held by A Nonprofit for Educational, Scientific, Aesthetic, Or Equivalent Passive Uses | - | - | - | - |
| 139 | Deeds With Special Covenants | - | - | - | - |
| 139 | Farmland Development Right Sold to The State | - | - | - | - |
| 140 | Transfers Less Than $2,000 | - | - | - | - |
| 140 | Enterprise Zones | - | - | - | - |
| 141 | Transfers To Effectuate a Mere Change Of Identity Or Form Of Ownership | - | - | - | - |
| | **Real Estate Conveyance Tax Total** | **4.1** | **4.1** | **4.1** | **-** |
| 145 | $15 Million Lifetime Cap | 12.5 | 12.5 | 12.5 | - |
| 146 | Certain Inheritance Taxes Paid to Other Jurisdictions | - | - | - | - |
| 146 | Qualifying Investments in a Connecticut Innovations Investment Program | - | - | - | - |
| | **Unified Estate and Gift Tax Total** | **12.5** | **12.5** | **12.5** | **-** |
| 148 | Sales for Resale | 29.5 | 29.5 | 29.5 | - |
| 149 | Appliance Sales | - | - | - | - |
| 149 | Real Property Taxes Paid by Railroad Companies | Less than 0.1 | Less than 0.1 | Less than 0.1 | - |
| 149 | Federal BTU Energy Tax | - | - | - | - |
| 150 | Gas and Electricity Used by Industrial Consumers (SIC 2000-3999) | 24.4 | 24.6 | 24.6 | - |
| 150 | Gas Sold to Facility with 775 MW of Capacity | 3.7 | 3.9 | 3.9 | - |
| 150 | Railroad Companies When Certified by DOT | 1.1 | 1.1 | 1.1 | - |
| 151 | Municipal Gas Utilities | 1.3 | 1.3 | 1.3 | - |
| 151 | Lowered Rate for Residential Utilities | 33.2 | 33.4 | 33.4 | - |
| 151 | Neighborhood Assistance | 1.2 | 1.2 | 1.2 | - |
| 152 | Historic Structure, Historic Preservation, and Historic Rehabilitation | 19.9 | 19.9 | 19.9 | - |
| 154 | Electronic Data Processing | 0.3 | 0.3 | 0.3 | - |
| 154 | Urban and Industrial Reinvestment Credit | 3.1 | 3.1 | 3.1 | - |
| 155 | Housing Program Contribution | 10.0 | 10.0 | 10.0 | - |
| | **Public Service Companies Gross Earnings Tax** | **127.7** | **128.3** | **128.3** | **-** |
| 157 | #2 Heating Oil used for Heating Purposes | 181.7 | 175.0 | 175.0 | - |
| 158 | Diesel Fuel First Sale | 283.6 | 273.2 | 273.2 | - |
| 158 | Propane Used for Residential Heating | 29.4 | 28.3 | 28.3 | - |
| 158 | Wholesale Gasoline Above $3.00/gallon | 11.8 | 11.4 | 11.4 | - |
| 158 | Commercial Heating Oil Blend | 4.9 | 4.7 | 4.7 | - |
| 159 | Fuel Used By Vessels Engaged In Interstate Commerce | 0.9 | 0.8 | 0.8 | - |
| 159 | Kerosene Used for Residential Heating | 0.3 | 0.2 | 0.2 | - |
| 159 | #2 Heating Oil used in Commercial Fishing | 0.2 | 0.2 | 0.2 | - |
| 159 | Cosmetic Grade Mineral Oil | Less than 0.5 | Less than 0.5 | Less than 0.5 | - |
| 160 | Fuel Used by Industrial Consumers (SIC 2000-3999) | 0.8 | 0.8 | 0.8 | - |

| Page | Tax Expenditures | FY 24 Estimates | FY 25 Estimates | Revenue Gain in FY 25 if Repealed | Difference from FY 25 Estimate |
|---|---|---|---|---|---|
| 160 | Bunker Fuel Oil, Intermediate Fuel, Marine Diesel Oil & Gas Oil | Less than 0.1 | Less than 0.1 | Less than 0.1 | - |
| 160 | Paraffin and Microcrystalline Waxes | Less than 0.5 | Less than 0.5 | Less than 0.5 | - |
| 160 | Propane Used for Fuel in School Buses | 0.1 | 0.1 | 0.1 | - |
| 161 | Aviation Fuel | 13.0 | 13.0 | 13.0 | - |
| 161 | Fuel In Certain Fuel Supply Tanks | - | - | - | - |
| 161 | DOT-Contracted Service Stations Along State Highways | - | - | - | - |
| 161 | Credit for Sale to Resellers Located Outside the State | 24.7 | 23.8 | 23.8 | - |
| 162 | Petroleum Products Used in Paints/Adhesives | - | - | - | - |
| | **Petroleum Companies Gross Earnings Tax** | **551.3** | **531.5** | **531.5** | **-** |
| 163 | Sales To US Government | - | - | - | - |
| 164 | Cigarettes Sold in Any Institution | - | - | - | - |
| 164 | Exempt/Exported Tobacco Products | 6.9 | 6.5 | 6.5 | - |
| 164 | Cigarettes Brought into The State | - | - | - | - |
| 165 | Modified Risk Tobacco Products | - | - | - | - |
| 165 | Calculated Tax Amounts in Excess of 50 cents per Cigar | 11.6 | 11.6 | 11.6 | - |
| | **Cigarette Tax Total** | **18.5** | **18.1** | **18.1** | **-** |
| 166 | United States Military | - | - | - | - |
| 167 | Alcoholic Beverages Transported Out of State | - | - | - | - |
| 167 | First 15 barrels of Malt Beverages Consumed on Premises | Less than 0.1 | Less than 0.1 | Less than 0.1 | - |
| 167 | Alcoholic Beverages and Ethyl Alcohol | - | - | - | - |
| 167 | Alcoholic Beverages Brought into This State | - | - | - | - |
| 168 | Malt beverages for off-site consumption sold by manufacturer | Less than 0.1 | Less than 0.1 | Less than 0.1 | - |
| | **Alcoholic Beverage Tax Total** | **-** | **-** | **-** | **-** |
| 169 | Charges less than $1.00 | - | - | - | - |
| 170 | Daily Charges For Athletic Participation | - | - | - | - |
| 170 | Events Sponsored by Tax Exempt Entities | - | - | - | - |
| 170 | Admissions to Benefit Tax Exempt Entities | - | - | - | - |
| 170 | Centers For Elderly Persons | - | - | - | - |
| 171 | Nonprofit Theater or Playhouse, Gateway's Candlewood House and Ocean Beach Park | - | - | - | - |
| 171 | Carnival or Amusement Rides | - | - | - | - |
| 171 | Health Club Charges | - | - | - | - |
| 172 | Charges For Instruction | - | - | - | - |
| 172 | Admissions to certain events held at: XL Center, Dillon Stadium, New Britain Stadium, Webster Bank Arena, Harbor Yard Amphitheater, Dodd Stadium, the Oakdale, and Rentschler Field. | - | - | - | - |
| 172 | Admissions to events at Dunkin' Donuts Park | - | - | - | - |
| 173 | Annual Dues Less Than $100 | - | - | - | - |

| Page | Tax Expenditures | FY 24 Estimates | FY 25 Estimates | Revenue Gain in FY 25 if Repealed | Difference from FY 25 Estimate |
|---|---|---|---|---|---|
| 173 | Clubs, Lodges, or Fraternal Organizations Sponsored By Charitable Or Religious Organization, Governmental Agency, Nonprofit Educational Institution, Or At A College/University | 25.8 | 26.4 | 26.4 | - |
| 173 | Charges For Athletic Instruction | 10.3 | 10.6 | 10.6 | - |
| 173 | Special Assessment for Construction Or Furnishings | - | - | - | - |
| 174 | Lawn Bowling Clubs | Less than 0.1 | Less than 0.1 | Less than 0.1 | - |
| 174 | Portion Of Dues Used to Acquire Open Space | - | - | - | - |
| 174 | Club Locker Rentals | - | - | - | - |
| | **Admissions and Dues Tax Total** | **36.1** | **37.0** | **37.0** | **-** |
| 175 | Financially Distressed Hospitals | - | - | - | - |
| 176 | Other Hospitals | - | - | - | - |
| 176 | Sole Community Hospitals | - | - | - | - |
| | **Health Provider Taxes** | **-** | **-** | **-** | **-** |
| 177 | US Government | 0.6 | 0.6 | 0.6 | - |
| 178 | Municipal Contractors, Municipalities, Transit Districts and the State | 18.5 | 18.4 | 18.4 | - |
| 178 | Fuel Distributors | 1,746.3 | 1,732.9 | 1,732.9 | - |
| 179 | Fuel Transferred or Exported Out of State | 168.3 | 167.0 | 167.0 | - |
| 179 | Farmers and Other Exempt Purchasers, Aviation Fuel | 491.6 | 487.8 | 487.8 | - |
| 182 | Vehicles not Operated on Public Highways | 0.1 | 0.1 | 0.1 | - |
| 182 | CT Motor Bus Companies and Other Livery Services | 0.5 | 0.5 | 0.5 | - |
| 183 | Fuel used by Ambulances | 0.1 | 0.1 | 0.1 | - |
| 184 | Fuel Used in High-Occupancy Motor Vehicles | 0.1 | 0.1 | 0.1 | - |
| 184 | Meals on Wheels for Seniors | 0.1 | 0.1 | 0.1 | - |
| 185 | Credit for Motor Carrier Road Tax on Motor Fuels Tax Paid in State | 81.0 | 80.4 | 80.4 | - |
| | **Motor Fuels and Motor Carrier Road Taxes** | **2,507.2** | **2,488.0** | **2,488.0** | **-** |
| 186 | US Government, the State of Connecticut or political subdivisions | - | - | - | - |
| 186 | Dairy Trucks | - | - | - | - |
| | **Highway Use Tax** | **-** | **-** | **-** | **-** |
| 188 | Occupational Tax | 8.2 | 8.2 | 8.2 | - |
| 188 | Tourism Account Surcharge | - | - | - | - |
| | **Miscellaneous Tax** | **8.2** | **8.2** | **8.2** | **-** |
| | **GRAND TOTAL** | **10,034.6** | **10,227.1** | **8,718.8** | **(1,508.0)** |

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## PERSONAL INCOME TAX

During the legislature's 1991 June Special Session, the General Assembly enacted Public Act 91-3, which imposed a tax on the income of resident individuals, trusts and estates and on the income of nonresident individuals, trusts and estates derived from sources within the state at a rate of 4.5% for the 1992 income year. (The tax rate for the 1991 income year was set at 1.5% because the tax was not levied for 12 months.) PA 95-160 created a two-tier tax rate structure by lowering the tax rate from 4.5% to 3% for taxable income below certain levels. PA 03-2 increased the 4.5% rate to 5.0% for the 2003 income year and thereafter. Beginning with the 2009 income year, PA 09-3 JSS increased the 5.0% tax rate to 6.5% for income above certain levels.

PA 11-6 increased marginal income tax rates and phased out the lowest (3.0%) income tax bracket for filers at certain taxable income levels by subjecting more taxable income to the 5.0% bracket. In addition, PA 11-6: (1) imposed a "benefit recapture" provision to eliminate the benefits that certain filers receive from having a portion of their taxable income taxed at lower marginal rates; and (2) altered the property tax credit against the personal income tax by reducing, from $500 to $300, the maximum property tax credit and phasing out the credit at a steeper rate than prior law. PA 11-6 also established a refundable state earned income tax credit equal to 30% of the federal credit. Subsequently, PA 13-184 reduced the rate to 25% and 27.5% in income years 2013 and 2014, respectively; PA 15-244 extended the 27.5% rate to the 2015 and 2016 income years; PA 17-2 JSS reduced the rate to 23% for the 2017 through 2020 income years; PA 21-2 JSS increased the rate to 30.5% for the 2021 and 2022 income years; and PA 22-118 permanently increased the rate to 41.5% beginning with the 2023 income year.

PA 15-244 increased marginal income tax rates for those with taxable incomes over (1) $500,000 for joint filers, (2) $250,000 for single filers and married people filing separately, and (3) $400,000 for heads of household. It did so by (1) increasing the 6.7% marginal tax rate to 6.9% and (2) adding a seventh, higher-income tax bracket subject to a 6.99% marginal tax rate. It also established new "benefit recapture" schedules to reflect the new marginal rates and income bracket and made various changes to the property tax credit including lowering the amount from $300 to $200 in 2016.

PA 23-204 reduced the bottom two marginal income tax rates for all filers from (1) 3% to 2% and (2) 5% to 4.50% and established a new "benefit recapture" provision to gradually eliminate the benefit of the tax rate reduction for taxpayers with taxable incomes exceeding $105,000 (single or married filing separately), $210,000 (married filing jointly), or $168,000 (head of household). The recapture fully phases in, and thus fully eliminates the benefit of the rate reductions under PA 23-204, for single/separate, joint, and head of household filers with income exceeding $150,000, $300,000, or $240,000, respectively.

The tax is levied on Connecticut taxable income, which is defined as adjusted gross income for federal income tax purposes with certain modifications and exemptions.

### Computation of Tax

**Tax Basis**

The tax is levied on Connecticut adjusted gross income (AGI) above basic personal exemption levels that vary according to taxpayer status and which phase out at higher income levels. Income

below the personal exemption threshold is excluded from the tax base under the rationale that income needed for bare sustenance should be free from tax. Thus, for the purpose of this document, personal exemptions are not listed as tax expenditures.

Connecticut AGI is defined as adjusted gross income for federal income tax purposes, subject to certain additions and deletions. Additions include such things as interest and dividends from obligations (such as bonds) from other states or subdivisions of other states unless federal law exempts them from state income taxes. Subtractions include items such as: (1) income included in adjusted gross income that federal law exempts from state taxation, (2) refunds or credits for overpayments of income tax, (3) exempt dividends paid by a regulated investment company and (4) Tier One railroad retirement benefits.

Special rules are established for determining whether the income of the following taxpayer types is derived from sources within the state and how income gains, losses, and deductions are allocated: (1) a non-resident or a part-year resident, (2) a partner's distributive share of partnership income, (3) a shareholder's pro rata share of S corporation or limited liability company (PA 93-267, effective 10/1/93) income and (3) a beneficiary's share of trust or estate income.

The tax imposed on income earned by resident and nonresident trusts and estates is similar to the one applied to individuals except that the trusts and estates do not receive the exemptions and credits that individuals receive. The tax must be paid by the fiduciary. Special rules are established for determining what income is derived from sources within the state for nonresident and part-year resident estates, trusts and beneficiaries and how income, gains, losses, and deductions are allocated.

**Tax Rate**

PA 91-3 JSS imposes the tax on the income of individuals, trusts and estates derived from sources within the state at 1.5% for the 1991 income year and 4.5% for the 1992 income year and thereafter. PA 95-160 reduces the rate for certain income levels from 4.5% to 3% (see below). PA 97-309 and PA 97-322 increases the income levels to which the 3% rate applies for the 1997, 1998 and 1999 income years and thereafter (see below). The rate for income above these levels is 4.5% for income years from 1992 to 2002. For the 2003 income year, the rate on the additional income is increased to 5% (PA 03-2). PA 23-204 reduces the bottom two marginal income tax rates for all filers from (1) 3% to 2% and (2) 5% to 4.50%.

**Amount of Taxable Income Taxed at Lowest Rate%[1]**

| Income Year | Effective Date | Type of Filer | | |
|---|---|---|---|---|
| | | Joint $ | Head of Household $ | Single $ |
| 1996 | 7/1/96 | 9,000 | 7,000 | 4,500 |
| 1997 | 1/1/97 | 12,500 | 10,000 | 6,250 |
| 1998 | 1/1/98 | 15,000 | 12,000 | 7,500 |
| 1999 | 1/1/99 | 20,000 | 16,000 | 10,000 |
| 2011* | 1/1/11 | 20,000 | 16,000 | 10,000 |

[1]PA 11-6 established a Tax Rate Phase-Out Add-Back which effectively reduces or eliminates the amount of income to which the lowest rate applies.

For the 2009 and 2010 income years, the 5.0% tax rate was increased to 6.5% above certain income levels (PA 09-3 JSS) as follows:

**Tax Rates and Taxable Income for the 2009 through 2010 Income Years**

| Tax Rate | Type of Filer | | |
|---|---|---|---|
| | Joint | Head of Household | Single |
| 3.00% | $0 - 20,000 | $0 - $16,000 | $0 - $10,000 |
| 5.00% | $20,001 - $1 million | $16,001 - $800,000 | $10,001 - $500,000 |
| 6.50% | Over $1 million | Over $800,000 | Over $500,000 |

Beginning with the 2011 income year, the 6.5% rate was increased to 6.7% above certain income levels (PA 11-6), and additional marginal rates were added between the 5% and 6.5% rates for certain income levels. The following tables compare marginal rates prior to and following the passage of the income tax changes included in PA 11-6:

**Marginal Rates Before and After Passage of the Income Tax Changes per PA 11-6**

| CT Taxable Income | | | | Tax Rates | |
|---|---|---|---|---|---|
| Married Filing Jointly | | Single | | | |
| Over $ | But Not Over $ | Over $ | But Not Over $ | Before PA 11-6 | PA 11-6 |
| 0 | 20,000 | 0 | 10,000 | 3.0% | 3.0% |
| 20,000 | 100,000 | 10,000 | 50,000 | 5.0% | 5.0% |
| 100,000 | 200,000 | 50,000 | 100,000 | | 5.5% |
| 200,000 | 400,000 | 100,000 | 200,000 | | 6.0% |
| 400,000 | 500,000 | 200,000 | 250,000 | | 6.5% |
| 500,000 | 1,000,000 | 250,000 | 500,000 | | 6.7% |
| Over 1,000,000 | | Over 500,000 | | 6.5% | - |

| CT Taxable Income | | | | Tax Rates | |
|---|---|---|---|---|---|
| Head of Household | | Married Filing Separately | | | |
| Over $ | But Not Over $ | Over $ | But Not Over $ | Before PA 11-6 | PA 11-6 |
| 0 | 16,000 | 0 | 10,000 | 3.0% | 3.0% |
| 16,000 | 80,000 | 10,000 | 50,000 | 5.0% | 5.0% |
| 80,000 | 160,000 | 50,000 | 100,000 | | 5.5% |
| 160,000 | 320,000 | 100,000 | 200,000 | | 6.0% |
| 320,000 | 400,000 | 200,000 | 250,000 | | 6.5% |
| 400,000 | 800,000 | 250,000 | 500,000 | | 6.7% |
| Over 800,000 | | Over 500,000 | | 6.5% | - |

PA 11-6 also established a Tax Rate Phase-Out Add-Back that phases out the lowest (3%) marginal rate for taxpayers starting with Connecticut adjusted gross income over $100,500 for joint filers, $56,500 for singles, $78,500 for heads of household, and $50,250 for married couples filing separately. It does so by subjecting less taxable income to the 3% income tax rate as adjusted gross income increases, thus subjecting more taxable income to the 5% bracket.

The following tables illustrate the degree to which the phase-out decreases the amount of income to which the 3% rate applies as adjusted gross income levels increase:

| SINGLE | | | MARRIED FILING JOINTLY | | |
|---|---|---|---|---|---|
| CT AGI | | 3% Rate Applies to Taxable Income Up to $ | CT AGI | | 3% Rate Applies to Taxable Income Up to $ |
| Over $ | But Not Over $ | | Over $ | But Not Over $ | |
| 0 | 56,500 | 10,000 | 0 | 100,500 | 20,000 |
| 56,500 | 61,500 | 9,000 | 100,500 | 105,500 | 18,000 |
| 61,500 | 66,500 | 8,000 | 105,500 | 110,500 | 16,000 |
| 66,500 | 71,500 | 7,000 | 110,500 | 115,500 | 14,000 |
| 71,500 | 76,500 | 6,000 | 115,500 | 120,500 | 12,000 |
| 76,500 | 81,500 | 5,000 | 120,500 | 125,500 | 10,000 |
| 81,500 | 86,500 | 4,000 | 125,500 | 130,500 | 8,000 |
| 86,500 | 91,500 | 3,000 | 130,500 | 135,500 | 6,000 |
| 91,500 | 96,500 | 2,000 | 135,500 | 140,500 | 4,000 |
| 96,500 | 101,500 | 1,000 | 140,500 | 145,500 | 2,000 |
| Over 101,500 | | None | Over 145,500 | | None |

| HEAD OF HOUSEHOLD | | | MARRIED FILING SEPARATELY | | |
|---|---|---|---|---|---|
| CT AGI | | 3% Rate Applies to Taxable Income Up to $ | CT AGI | | 3% Rate Applies to Taxable Income Up to $ |
| Over $ | But Not Over $ | | Over $ | But Not Over $ | |
| 0 | 78,500 | 16,000 | 0 | 50,250 | 10,000 |
| 78,500 | 82,500 | 14,400 | 50,250 | 52,750 | 9,000 |
| 82,500 | 86,500 | 12,800 | 52,750 | 55,250 | 8,000 |
| 86,500 | 90,500 | 11,200 | 55,250 | 57,750 | 7,000 |
| 90,500 | 94,500 | 9,600 | 57,750 | 60,250 | 6,000 |
| 94,500 | 98,500 | 8,000 | 60,250 | 62,750 | 5,000 |
| 98,500 | 102,500 | 6,400 | 62,750 | 65,250 | 4,000 |

| HEAD OF HOUSEHOLD | | | MARRIED FILING SEPARATELY | | |
|---|---|---|---|---|---|
| CT AGI | | 3% Rate Applies to Taxable Income Up to $ | CT AGI | | 3% Rate Applies to Taxable Income Up to $ |
| Over $ | But Not Over $ | | Over $ | But Not Over $ | |
| 102,500 | 106,500 | 4,800 | 65,250 | 67,750 | 3,000 |
| 106,500 | 110,500 | 3,200 | 67,750 | 70,250 | 2,000 |
| 110,500 | 114,500 | 1,600 | 70,250 | 72,750 | 1,000 |
| Over 114,500 | | None | Over 72,250 | | None |

PA 11-6 also included a Marginal Rate Benefit Recapture provision for taxpayers whose annual Connecticut AGI exceeds specified thresholds. This provision eliminates the benefits affected taxpayers receive from having a portion of their taxable income taxed at lower marginal rates. It does so by requiring taxpayers with higher incomes to add specified amounts to their tax liability. These "recapture" amounts phase in as CT AGI increases, until a taxpayer's income is effectively taxed at the highest marginal rate (then 6.7%).

The table on the following page shows these recapture amounts by filing status and income level.

**Recapture Amounts by Filing Status and Income Level (PA 11-6)**

| Single or Filing Seperately | | | Filing Jointly or Qualified Widow(er) | | | Head of Household | | |
|---|---|---|---|---|---|---|---|---|
| Connecticut AGI | | Recapture Amount | Connecticut AGI | | Recapture Amount | Connecticut AGI | | Recapture Amount |
| More Than | Less Than or Equal To | | More Than | Less Than or Equal To | | More Than | Less Than or Equal To | |
| $ 0 | $200,000 | $ 0 | $ 0 | $400,000 | $ 0 | $ 0 | $320,000 | $ 0 |
| $200,000 | $205,000 | $ 75 | $400,000 | $410,000 | $ 150 | $320,000 | $328,000 | $ 120 |
| $205,000 | $210,000 | $ 150 | $410,000 | $420,000 | $ 300 | $328,000 | $336,000 | $ 240 |
| $210,000 | $215,000 | $ 225 | $420,000 | $430,000 | $ 450 | $336,000 | $344,000 | $ 360 |
| $215,000 | $220,000 | $ 300 | $430,000 | $440,000 | $ 600 | $344,000 | $352,000 | $ 480 |
| $220,000 | $225,000 | $ 375 | $440,000 | $450,000 | $ 750 | $352,000 | $360,000 | $ 600 |
| $225,000 | $230,000 | $ 450 | $450,000 | $460,000 | $ 900 | $360,000 | $368,000 | $ 720 |
| $230,000 | $235,000 | $ 525 | $460,000 | $470,000 | $1,050 | $368,000 | $376,000 | $ 840 |
| $235,000 | $240,000 | $ 600 | $470,000 | $480,000 | $1,200 | $376,000 | $384,000 | $ 960 |
| $240,000 | $245,000 | $ 675 | $480,000 | $490,000 | $1,350 | $384,000 | $392,000 | $1,080 |
| $245,000 | $250,000 | $ 750 | $490,000 | $500,000 | $1,500 | $392,000 | $400,000 | $1,200 |
| $250,000 | $255,000 | $ 825 | $500,000 | $510,000 | $1,650 | $400,000 | $408,000 | $1,320 |
| $255,000 | $260,000 | $ 900 | $510,000 | $520,000 | $1,800 | $408,000 | $416,000 | $1,440 |
| $260,000 | $265,000 | $ 975 | $520,000 | $530,000 | $1,950 | $416,000 | $424,000 | $1,560 |
| $265,000 | $270,000 | $1,050 | $530,000 | $540,000 | $2,100 | $424,000 | $432,000 | $1,680 |
| $270,000 | $275,000 | $1,125 | $540,000 | $550,000 | $2,250 | $432,000 | $440,000 | $1,800 |
| $275,000 | $280,000 | $1,200 | $550,000 | $560,000 | $2,400 | $440,000 | $448,000 | $1,920 |
| $280,000 | $285,000 | $1,275 | $560,000 | $570,000 | $2,550 | $448,000 | $456,000 | $2,040 |
| $285,000 | $290,000 | $1,350 | $570,000 | $580,000 | $2,700 | $456,000 | $464,000 | $2,160 |
| $290,000 | $295,000 | $1,425 | $580,000 | $590,000 | $2,850 | $464,000 | $472,000 | $2,280 |
| $295,000 | $300,000 | $1,500 | $590,000 | $600,000 | $3,000 | $472,000 | $480,000 | $2,400 |
| $300,000 | $305,000 | $1,575 | $600,000 | $610,000 | $3,150 | $480,000 | $488,000 | $2,520 |
| $305,000 | $310,000 | $1,650 | $610,000 | $620,000 | $3,300 | $488,000 | $496,000 | $2,640 |
| $310,000 | $315,000 | $1,725 | $620,000 | $630,000 | $3,450 | $496,000 | $504,000 | $2,760 |
| $315,000 | $320,000 | $1,800 | $630,000 | $640,000 | $3,600 | $504,000 | $512,000 | $2,880 |
| $320,000 | $325,000 | $1,875 | $640,000 | $650,000 | $3,750 | $512,000 | $520,000 | $3,000 |
| $325,000 | $330,000 | $1,950 | $650,000 | $660,000 | $3,900 | $520,000 | $528,000 | $3,120 |
| $330,000 | $335,000 | $2,025 | $660,000 | $670,000 | $4,050 | $528,000 | $536,000 | $3,240 |
| $335,000 | $340,000 | $2,100 | $670,000 | $680,000 | $4,200 | $536,000 | $544,000 | $3,360 |
| $340,000 | $345,000 | $2,175 | $680,000 | $690,000 | $4,350 | $544,000 | $552,000 | $3,480 |
| $345,000 | and up | $2,250 | $690,000 | and up | $4,500 | $552,000 | and up | $3,600 |

Beginning with the 2015 income year as enacted in PA 15-244, the 6.7% rate was increased to 6.9% for filers with income over (1) $500,000 for joint filers, (2) $250,000 for single filers and married people filing separately, and (3) $400,000 for heads of household. Additionally, a 6.99% rate was added for filers with income over (1) $1.0 million for joint filers, (2) $500,000 for single filers and married people filing separately, and (3) $800,000 for heads of household. The following tables compare marginal rates prior to and following the passage of the income tax changes included in PA 15-244:

| CT Taxable Income | | | | Tax Rates | |
|---|---|---|---|---|---|
| Married Filing Jointly | | Single | | | |
| Over $ | But Not Over $ | Over $ | But Not Over $ | Before PA 15-244 | PA 15-244 |
| 0 | 20,000 | 0 | 10,000 | 3.0% | 3.0% |
| 20,000 | 100,000 | 10,000 | 50,000 | 5.0% | 5.0% |
| 100,000 | 200,000 | 50,000 | 100,000 | 5.5% | 5.5% |
| 200,000 | 400,000 | 100,000 | 200,000 | 6.0% | 6.0% |
| 400,000 | 500,000 | 200,000 | 250,000 | 6.5% | 6.5% |
| 500,000 | 1,000,000 | 250,000 | 500,000 | 6.7% | 6.9% |
| Over 1,000,000 | | Over 500,000 | | | 6.99% |

| CT Taxable Income | | | | Tax Rates | |
|---|---|---|---|---|---|
| Head of Household | | Married Filing Separately | | | |
| Over $ | But Not Over $ | Over $ | But Not Over $ | Before PA 15-244 | PA 15-244 |
| 0 | 16,000 | 0 | 10,000 | 3.0% | 3.0% |
| 16,000 | 80,000 | 10,000 | 50,000 | 5.0% | 5.0% |
| 80,000 | 160,000 | 50,000 | 100,000 | 5.5% | 5.5% |
| 160,000 | 320,000 | 100,000 | 200,000 | 6.0% | 6.0% |
| 320,000 | 400,000 | 200,000 | 250,000 | 6.5% | 6.5% |
| 400,000 | 800,000 | 250,000 | 500,000 | 6.7% | 6.9% |
| Over 800,000 | | Over 500,000 | | | 6.99% |

PA 15-244 also updated the Marginal Rate Benefit Recapture provision for filers above the new rate thresholds outlined above. The table on the following page shows the new recapture amounts by filing status and income level.

## Recapture Amounts by Filing Status and Income Level (PA 15-244)

| Single or Married Filing Separately | | | Married Filing Jointly or Qualified Widow(er) | | | Head of Household | | |
|---|---|---|---|---|---|---|---|---|
| Connecticut AGI | | | Connecticut AGI | | | Connecticut AGI | | |
| More Than | Less Than or Equal To | Recapture Amount | More Than | Less Than or Equal To | Recapture Amount | More Than | Less Than or Equal To | Recapture Amount |
| $ 0 | $200,000 | $ 0 | $ 0 | $400,000 | $ 0 | $ 0 | $320,000 | $ 0 |
| $200,000 | $205,000 | $ 90 | $400,000 | $410,000 | $ 180 | $320,000 | $328,000 | $ 140 |
| $205,000 | $210,000 | $ 180 | $410,000 | $420,000 | $ 360 | $328,000 | $336,000 | $ 280 |
| $210,000 | $215,000 | $ 270 | $420,000 | $430,000 | $ 540 | $336,000 | $344,000 | $ 420 |
| $215,000 | $220,000 | $ 360 | $430,000 | $440,000 | $ 720 | $344,000 | $352,000 | $ 560 |
| $220,000 | $225,000 | $ 450 | $440,000 | $450,000 | $ 900 | $352,000 | $360,000 | $ 700 |
| $225,000 | $230,000 | $ 540 | $450,000 | $460,000 | $1,080 | $360,000 | $368,000 | $ 840 |
| $230,000 | $235,000 | $ 630 | $460,000 | $470,000 | $1,260 | $368,000 | $376,000 | $ 980 |
| $235,000 | $240,000 | $ 720 | $470,000 | $480,000 | $1,440 | $376,000 | $384,000 | $1,120 |
| $240,000 | $245,000 | $ 810 | $480,000 | $490,000 | $1,620 | $384,000 | $392,000 | $1,260 |
| $245,000 | $250,000 | $ 900 | $490,000 | $500,000 | $1,800 | $392,000 | $400,000 | $1,400 |
| $250,000 | $255,000 | $ 990 | $500,000 | $510,000 | $1,980 | $400,000 | $408,000 | $1,540 |
| $255,000 | $260,000 | $1,080 | $510,000 | $520,000 | $2,160 | $408,000 | $416,000 | $1,680 |
| $260,000 | $265,000 | $1,170 | $520,000 | $530,000 | $2,340 | $416,000 | $424,000 | $1,820 |
| $265,000 | $270,000 | $1,260 | $530,000 | $540,000 | $2,520 | $424,000 | $432,000 | $1,960 |
| $270,000 | $275,000 | $1,350 | $540,000 | $550,000 | $2,700 | $432,000 | $440,000 | $2,100 |
| $275,000 | $280,000 | $1,440 | $550,000 | $560,000 | $2,880 | $440,000 | $448,000 | $2,240 |
| $280,000 | $285,000 | $1,530 | $560,000 | $570,000 | $3,060 | $448,000 | $456,000 | $2,380 |
| $285,000 | $290,000 | $1,620 | $570,000 | $580,000 | $3,240 | $456,000 | $464,000 | $2,520 |
| $290,000 | $295,000 | $1,710 | $580,000 | $590,000 | $3,420 | $464,000 | $472,000 | $2,660 |
| $295,000 | $300,000 | $1,800 | $590,000 | $600,000 | $3,600 | $472,000 | $480,000 | $2,800 |
| $300,000 | $305,000 | $1,890 | $600,000 | $610,000 | $3,780 | $480,000 | $488,000 | $2,940 |
| $305,000 | $310,000 | $1,980 | $610,000 | $620,000 | $3,960 | $488,000 | $496,000 | $3,080 |
| $310,000 | $315,000 | $2,070 | $620,000 | $630,000 | $4,140 | $496,000 | $504,000 | $3,220 |
| $315,000 | $320,000 | $2,160 | $630,000 | $640,000 | $4,320 | $504,000 | $512,000 | $3,360 |
| $320,000 | $325,000 | $2,250 | $640,000 | $650,000 | $4,500 | $512,000 | $520,000 | $3,500 |
| $325,000 | $330,000 | $2,340 | $650,000 | $660,000 | $4,680 | $520,000 | $528,000 | $3,640 |
| $330,000 | $335,000 | $2,430 | $660,000 | $670,000 | $4,860 | $528,000 | $536,000 | $3,780 |
| $335,000 | $340,000 | $2,520 | $670,000 | $680,000 | $5,040 | $536,000 | $544,000 | $3,920 |
| $340,000 | $345,000 | $2,610 | $680,000 | $690,000 | $5,220 | $544,000 | $552,000 | $4,060 |
| $345,000 | $500,000 | $2,700 | $690,000 | $1,000,000 | $5,400 | $552,000 | $800,000 | $4,200 |
| $500,000 | $505,000 | $2,750 | $1,000,000 | $1,010,000 | $5,500 | $800,000 | $808,000 | $4,280 |
| $505,000 | $510,000 | $2,800 | $1,010,000 | $1,020,000 | $5,600 | $808,000 | $816,000 | $4,360 |
| $510,000 | $515,000 | $2,850 | $1,020,000 | $1,030,000 | $5,700 | $816,000 | $824,000 | $4,440 |
| $515,000 | $520,000 | $2,900 | $1,030,000 | $1,040,000 | $5,800 | $824,000 | $832,000 | $4,520 |
| $520,000 | $525,000 | $2,950 | $1,040,000 | $1,050,000 | $5,900 | $832,000 | $840,000 | $4,600 |
| $525,000 | $530,000 | $3,000 | $1,050,000 | $1,060,000 | $6,000 | $840,000 | $848,000 | $4,680 |
| $530,000 | $535,000 | $3,050 | $1,060,000 | $1,070,000 | $6,100 | $848,000 | $856,000 | $4,760 |
| $535,000 | $540,000 | $3,100 | $1,070,000 | $1,080,000 | $6,200 | $856,000 | $864,000 | $4,840 |
| $540,000 | and up | $3,150 | $1,080,000 | and up | $6,300 | $864,000 | and up | $4,920 |

Beginning with the 2024 income year as enacted in PA 23-204, the 3% rate was lowered to 2% and the 5% rate was lowered to 4.5%. The following table compares marginal rates prior to and following the passage of the income tax changes included in PA 23-204:

**Tax Brackets and Rates Under Prior Law and the Act**

| Connecticut Taxable Income ($) | | | | Tax Rates (%) | |
|---|---|---|---|---|---|
| Single | | Head of Household | | | |
| Over | Not Over | Over | Not Over | Prior Law | Act |
| 0 | 10,000 | 0 | 16,000 | 3.00 | 2.00 |
| 10,000 | 50,000 | 16,000 | 80,000 | 5.00 | 4.50 |
| 50,000 | 100,000 | 80,000 | 160,000 | 5.50 | 5.50 |
| 100,000 | 200,000 | 160,000 | 320,000 | 6.00 | 6.00 |
| 200,000 | 250,000 | 320,000 | 400,000 | 6.50 | 6.50 |
| 250,000 | 500,000 | 400,000 | 800,000 | 6.90 | 6.90 |
| 500,000 | -- | 800,000 | -- | 6.99 | 6.99 |
| Over | Not Over | Over | Not Over | Prior Law | Act |
| 0 | 20,000 | 0 | 10,000 | 3.00 | 2.00 |
| 20,000 | 100,000 | 10,000 | 50,000 | 5.00 | 4.50 |
| 100,000 | 200,000 | 50,000 | 100,000 | 5.50 | 5.50 |
| 200,000 | 400,000 | 100,000 | 200,000 | 6.00 | 6.00 |
| 400,000 | 500,000 | 200,000 | 250,000 | 6.50 | 6.50 |
| 500,000 | 1,000,000 | 250,000 | 500,000 | 6.90 | 6.90 |
| 1,000,000 | -- | 500,000 | -- | 6.99 | 6.99 |

As described above, PA 23-204 also established a new "benefit recapture" limiting the impact of the lowered rates to filers with income below certain levels.

**Minimum Tax**

Taxpayers are required to pay the higher of their liability under the state personal income tax or the Connecticut minimum tax, effective 1/1/93 (PA 94-4 MSS). The Connecticut minimum tax is the lesser amount of 19.0% of adjusted federal tentative minimum tax or 5.0% of adjusted federal alternative minimum taxable income.

**Exemptions**

Taxpayers are eligible for two exemptions, depending on their income level: (1) a personal exemption and (2) a personal tax credit. Personal credits and exemptions are used to determine the basis of taxation for the income tax, and therefore are not considered to be tax expenditures for purposes of this report.

## Personal Exemption for the 2023 Income Year Based on Filing Status

| Single | | | Married Filing Jointly or Qualified Widow(er) | | | Married Filing Separately | | | Head of Household | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Connecticut AGI | | | Connecticut AGI | | | Connecticut AGI | | | Connecticut AGI | | |
| More Than | Less Than or Equal To | Exemption | More Than | Less Than or Equal To | Exemption | More Than | Less Than or Equal To | Exemption | More Than | Less Than or Equal To | Exemption |
| $ 0 | $30,000 | $15,000 | $ 0 | $48,000 | $24,000 | $ 0 | $24,000 | $12,000 | $ 0 | $38,000 | $19,000 |
| $30,000 | $31,000 | $14,000 | $48,000 | $49,000 | $23,000 | $24,000 | $25,000 | $11,000 | $38,000 | $39,000 | $18,000 |
| $31,000 | $32,000 | $13,000 | $49,000 | $50,000 | $22,000 | $25,000 | $26,000 | $10,000 | $39,000 | $40,000 | $17,000 |
| $32,000 | $33,000 | $12,000 | $50,000 | $51,000 | $21,000 | $26,000 | $27,000 | $ 9,000 | $40,000 | $41,000 | $16,000 |
| $33,000 | $34,000 | $11,000 | $51,000 | $52,000 | $20,000 | $27,000 | $28,000 | $ 8,000 | $41,000 | $42,000 | $15,000 |
| $34,000 | $35,000 | $10,000 | $52,000 | $53,000 | $19,000 | $28,000 | $29,000 | $ 7,000 | $42,000 | $43,000 | $14,000 |
| $35,000 | $36,000 | $ 9,000 | $53,000 | $54,000 | $18,000 | $29,000 | $30,000 | $ 6,000 | $43,000 | $44,000 | $13,000 |
| $36,000 | $37,000 | $ 8,000 | $54,000 | $55,000 | $17,000 | $30,000 | $31,000 | $ 5,000 | $44,000 | $45,000 | $12,000 |
| $37,000 | $38,000 | $ 7,000 | $55,000 | $56,000 | $16,000 | $31,000 | $32,000 | $ 4,000 | $45,000 | $46,000 | $11,000 |
| $38,000 | $39,000 | $ 6,000 | $56,000 | $57,000 | $15,000 | $32,000 | $33,000 | $ 3,000 | $46,000 | $47,000 | $10,000 |
| $39,000 | $40,000 | $ 5,000 | $57,000 | $58,000 | $14,000 | $33,000 | $34,000 | $ 2,000 | $47,000 | $48,000 | $ 9,000 |
| $40,000 | $41,000 | $ 4,000 | $58,000 | $59,000 | $13,000 | $34,000 | $35,000 | $ 1,000 | $48,000 | $49,000 | $ 8,000 |
| $41,000 | $42,000 | $ 3,000 | $59,000 | $60,000 | $12,000 | $35,000 | and up | $ 0 | $49,000 | $50,000 | $ 7,000 |
| $42,000 | $43,000 | $ 2,000 | $60,000 | $61,000 | $11,000 | | | | $50,000 | $51,000 | $ 6,000 |
| $43,000 | $44,000 | $ 1,000 | $61,000 | $62,000 | $10,000 | | | | $51,000 | $52,000 | $ 5,000 |
| $44,000 | and up | $ 0 | $62,000 | $63,000 | $ 9,000 | | | | $52,000 | $53,000 | $ 4,000 |
| | | | $63,000 | $64,000 | $ 8,000 | | | | $53,000 | $54,000 | $ 3,000 |
| | | | $64,000 | $65,000 | $ 7,000 | | | | $54,000 | $55,000 | $ 2,000 |
| | | | $65,000 | $66,000 | $ 6,000 | | | | $55,000 | $56,000 | $ 1,000 |
| | | | $66,000 | $67,000 | $ 5,000 | | | | $56,000 | and up | $ 0 |
| | | | $67,000 | $68,000 | $ 4,000 | | | | | | |
| | | | $68,000 | $69,000 | $ 3,000 | | | | | | |
| | | | $69,000 | $70,000 | $ 2,000 | | | | | | |
| | | | $70,000 | $71,000 | $ 1,000 | | | | | | |
| | | | $71,000 | and up | $ 0 | | | | | | |

The table below presents the personal tax credit for the 2023 income year based on filing status:

| Single | | | Married Filing Jointly or Qualified Widow(er) | | | Married Filing Separately | | | Head of Household | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Connecticut AGI | | | Connecticut AGI | | | Connecticut AGI | | | Connecticut AGI | | |
| More Than | Less Than or Equal To | Decimal Amount | More Than | Less Than or Equal To | Decimal Amount | More Than | Less Than or Equal To | Decimal Amount | More Than | Less Than or Equal To | Decimal Amount |
| $15,000 | $18,800 | .75 | $24,000 | $30,000 | .75 | $12,000 | $15,000 | .75 | $19,000 | $24,000 | .75 |
| $18,800 | $19,300 | .70 | $30,000 | $30,500 | .70 | $15,000 | $15,500 | .70 | $24,000 | $24,500 | .70 |
| $19,300 | $19,800 | .65 | $30,500 | $31,000 | .65 | $15,500 | $16,000 | .65 | $24,500 | $25,000 | .65 |
| $19,800 | $20,300 | .60 | $31,000 | $31,500 | .60 | $16,000 | $16,500 | .60 | $25,000 | $25,500 | .60 |
| $20,300 | $20,800 | .55 | $31,500 | $32,000 | .55 | $16,500 | $17,000 | .55 | $25,500 | $26,000 | .55 |
| $20,800 | $21,300 | .50 | $32,000 | $32,500 | .50 | $17,000 | $17,500 | .50 | $26,000 | $26,500 | .50 |
| $21,300 | $21,800 | .45 | $32,500 | $33,000 | .45 | $17,500 | $18,000 | .45 | $26,500 | $27,000 | .45 |
| $21,800 | $22,300 | .40 | $33,000 | $33,500 | .40 | $18,000 | $18,500 | .40 | $27,000 | $27,500 | .40 |
| $22,300 | $25,000 | .35 | $33,500 | $40,000 | .35 | $18,500 | $20,000 | .35 | $27,500 | $34,000 | .35 |
| $25,000 | $25,500 | .30 | $40,000 | $40,500 | .30 | $20,000 | $20,500 | .30 | $34,000 | $34,500 | .30 |
| $25,500 | $26,000 | .25 | $40,500 | $41,000 | .25 | $20,500 | $21,000 | .25 | $34,500 | $35,000 | .25 |
| $26,000 | $26,500 | .20 | $41,000 | $41,500 | .20 | $21,000 | $21,500 | .20 | $35,000 | $35,500 | .20 |
| $26,500 | $31,300 | .15 | $41,500 | $50,000 | .15 | $21,500 | $25,000 | .15 | $35,500 | $44,000 | .15 |
| $31,300 | $31,800 | .14 | $50,000 | $50,500 | .14 | $25,000 | $25,500 | .14 | $44,000 | $44,500 | .14 |
| $31,800 | $32,300 | .13 | $50,500 | $51,000 | .13 | $25,500 | $26,000 | .13 | $44,500 | $45,000 | .13 |
| $32,300 | $32,800 | .12 | $51,000 | $51,500 | .12 | $26,000 | $26,500 | .12 | $45,000 | $45,500 | .12 |
| $32,800 | $33,300 | .11 | $51,500 | $52,000 | .11 | $26,500 | $27,000 | .11 | $45,500 | $46,000 | .11 |
| $33,300 | $60,000 | .10 | $52,000 | $96,000 | .10 | $27,000 | $48,000 | .10 | $46,000 | $74,000 | .10 |
| $60,000 | $60,500 | .09 | $96,000 | $96,500 | .09 | $48,000 | $48,500 | .09 | $74,000 | $74,500 | .09 |
| $60,500 | $61,000 | .08 | $96,500 | $97,000 | .08 | $48,500 | $49,000 | .08 | $74,500 | $75,000 | .08 |
| $61,000 | $61,500 | .07 | $97,000 | $97,500 | .07 | $49,000 | $49,500 | .07 | $75,000 | $75,500 | .07 |
| $61,500 | $62,000 | .06 | $97,500 | $98,000 | .06 | $49,500 | $50,000 | .06 | $75,500 | $76,000 | .06 |
| $62,000 | $62,500 | .05 | $98,000 | $98,500 | .05 | $50,000 | $50,500 | .05 | $76,000 | $76,500 | .05 |
| $62,500 | $63,000 | .04 | $98,500 | $99,000 | .04 | $50,500 | $51,000 | .04 | $76,500 | $77,000 | .04 |
| $63,000 | $63,500 | .03 | $99,000 | $99,500 | .03 | $51,000 | $51,500 | .03 | $77,000 | $77,500 | .03 |
| $63,500 | $64,000 | .02 | $99,500 | $100,000 | .02 | $51,500 | $52,000 | .02 | $77,500 | $78,000 | .02 |
| $64,000 | $64,500 | .01 | $100,000 | $100,500 | .01 | $52,000 | $52,500 | .01 | $78,000 | $78,500 | .01 |
| $64,500 | and up | .00 | $100,500 | and up | .00 | $52,500 | and up | .00 | $78,500 | and up | .00 |

**Exclusions — Connecticut Modifications**

The Connecticut adjusted gross income (AGI) of a resident, nonresident, and estate is defined as federal adjusted gross income with modifications as specified by CT General Statutes, including:

**1. Interest on U.S. obligations**

*Citation:* Federal Law & CGS Sec. 12-701(a)(20)(B)

*Description:* Interest income derived from U.S. government obligations that federal law prohibits states from taxing. For example: U.S. government bonds such as Savings Bonds Series EE and Series HH, U.S. Treasury bills and notes. Federal National Mortgage Association (Fannie Mae), Government National Mortgage Association (Ginnie Mae), and Federal Home Loan Mortgage Corporation (Freddie Mac) securities interest income is taxable for Connecticut income tax purposes.

*History:* Never subject to Connecticut income tax. Excluded by original income tax act, PA 91-3, June Special Session, Sec. 52 (B)(i), effective for tax years 1991 and after.

*Fiscal Estimates:* $22.8 million in FY 24 and FY 25.

*Taxpayers Benefitting:* Approximately 34,000.

*Rationale:* Conformity.

**2. Dividends from mutual funds derived from U.S. government obligations**

*Citation:* Federal Law & CGS Sec. 12-701(a)(20)(B) and 12-718

*Description:* Dividends from certain mutual funds consisting of U.S. obligations are exempt. The mutual fund must have at least 50% of the value of its assets consisting of U.S. government obligations at the close of each quarter.

*History:* Never subject to Connecticut income tax. Excluded by original income tax act, PA 91-3, June Special Session, Sec. 52 (B)(ii) & 69, effective for tax years 1991 and after.

*Fiscal Estimates:* $3.5 million in FY 24 and FY 25.

*Taxpayers Benefitting:* Approximately 11,500.

*Rationale:* Conformity.

**3. Tier I Railroad Retirement Benefits**

*Citation:* Title 45 Section 231(m) of the United States Code & CGS Sec. 12-701(a)(20)(B)

*Description:* Tier I Railroad Retirement Benefits included in federal adjusted gross income in amounts greater than $25,000 for single taxpayers and greater than $32,000 for married taxpayers are deducted from Connecticut taxable income.

*History:* Never subject to Connecticut income tax. Excluded by original income tax act, PA 91-3, June Special Session, Sec. 52 (B)(v), effective for tax years 1991 and after.

*Fiscal Estimates:* $800,000 in FY 24 and FY 25.

*Taxpayers Benefitting:* Approximately 1,500.

*Rationale:* Conformity.

**4. Beneficiary's share of Connecticut fiduciary adjustment**

*Citation:* CGS Sec. 12-701(a)(20)(C)

*Description:* Any income from an estate or trust or any Connecticut fiduciary adjustment that applies to such income.

*History:* Never subject to Connecticut income tax. Excluded by original income tax act, PA 91-3, June Special Session, Sec. 52, effective for tax years 1991 and after.

*Fiscal Estimates:* $350,000 in FY 24 and FY 25.

*Taxpayers Benefitting:* Approximately 3,650.

*Rationale:* Conformity.

**5. Gain on sale of Connecticut bonds**

*Citation:* CGS Sec. 12-701(a)(20)(B)

*Description:* Gains from the sale or exchange of notes, bonds or other obligations of the state or its municipalities used in determining gain for federal income tax purposes.

*History:* PA 92-5, May Special Session, Sec. 2 (B)(vii), effective for tax years 1992 and after.

*Fiscal Estimates:* Less than $100,000 in FY 24 and FY 25.

*Taxpayers benefitting:* Approximately 1,250.

*Rationale:* Conformity.

**6. Social Security benefits**

*Citation:* CGS Sec. 12-701(a)(20)(B)

*Description:* In 1993, the federal government increased the amount of social security benefits that are taxable for federal income tax purposes. This deduction limits state taxation of social security benefits to the amount that was taxable for federal purposes prior to the 1993 change, effective with the 1994 income year.

*History:* For income years 1994 through 1997, the percentage of social security benefits that is included in state adjusted gross income is limited to the percentage that was taxable under the 1993 federal income tax rules (PA 94-4 MSS). For the 1998 income year, the amount was reduced by one-half of the 50% (i.e., 25% of benefits) pursuant to PA 97-309 and PA 97-322. For the 1999 income year and thereafter, the remaining 25% of benefits was exempted for joint filers with AGI under $60,000 and single filers with AGI under $50,000 (PA 99-173). PA 17-2 JSS increased the qualifying AGI thresholds to $75,000 for single/married filing separately filers and $100,000 for joint filers for the 2018 income year and thereafter; PA 17-4 JSS delayed this threshold increase to the 2019 income year.

*Fiscal Estimates:* $165 million in FY 24 and $168.6 million in FY 25.

*Taxpayers Benefitting:* Approximately 280,000.

*Rationale:* Expediency.

**7. Holocaust payments**

*Citation:* CGS 12-701(a)(20)(B)

*Description:* Any restitution payments to survivors of various human rights abuses during World War II are exempted from the income tax.

*History:* Beginning with the 2000 income year (PA 00-82).

*Fiscal Estimates:* Less than $100,000 in FY 24 and FY 25.

*Taxpayers Benefitting:* Fewer than 100.

*Rationale:* Expediency.

**8. Individual Development Accounts (IDAs)**

*Citation:* CGS Sec. 12-701(a)(20)(B)

*Description:* Interest earned on funds deposited in an IDA is exempt from the tax.

*History:* The IDA was created by PA 00-192 to allow certain low-income and qualified disabled taxpayers to open savings accounts and receive matching funds as an incentive for saving for specific purposes. Effective for tax years 2000 and after. The Connecticut Department of Labor IDA program ended as of 6/30/19; however, community-based organizations may be certified to establish an IDA program.

*Fiscal Estimates:* None in FY 24 and FY 25.

*Taxpayers Benefitting:* None.

*Rationale:* Incentive.

**9. Military retirement income**

*Citation:* CGS Sec. 12-701(a)(20)(B)

*Description:* 100% of federally taxable military retirement pay is exempt from the state income tax. The exemption applies to federal retirement pay to retired members of the U.S. Army, Navy, Air Force, Marines, Coast Guard, and Air National Guard.

*History:* PA 05-251 established the exemption at 50% effective for tax years beginning in 2008. PA 15-244 increased the exemption to 100% of federally taxable military retirement pay.

*Fiscal Estimates:* $7.5 million in FY 24 and $7.7 million in FY 25.

*Taxpayers Benefitting:* Approximately 8,500.

*Rationale:* Expediency.

**10. Contributions to CHET**

*Citation:* CGS Sec. 12-701(a)(20)(B)

*Description:* Taxpayers may deduct contributions to the Connecticut Higher Education Trust (CHET), which is Connecticut's state-sponsored college savings plan, from their Connecticut AGI for state income tax purposes. It limits annual deductions to $5,000 for individual taxpayers and $10,000 for joint filers. It allows taxpayers to carry forward any unused deductions for contributions on or after January 1, 2006 for the five following years, so long as each deduction does not exceed the annual maximum.

*History:* PA 06-186, effective for tax years 2006 and after.

*Fiscal Estimates:* $14 million in FY 24 and FY 25.

*Taxpayers Benefitting:* Approximately 46,000.

*Rationale:* Incentive.

**11. Teachers' pension income**

*Citation:* CGS Sec. 12-701(a)(20)(B)

*Description:* A partial exemption of teachers' pension income. The exemption is equal to 10% in 2015, 25% for the 2016 through 2018, and fully phases in at 50% in 2019 and annually thereafter.

*History:* PA 14-47 established the partial exemption. PA 17-2 JSS delayed the scheduled phase-in to the 50% level from 2017 to 2019; PA 19-117 subsequently further delayed it to 2021. PA 21-2 JSS

clarified that taxpayers who qualify for both the 50% teacher pension income exemption and the general pension and annuity exemption may take whichever exemption is greater.

*Fiscal Estimates:* $25 million in FY 24 and FY 25.

*Taxpayers Benefitting:* Approximately 23,700.

*Rationale:* Expediency/Perceived Equity.

**12. Federally disallowed business expense deductions for cannabis businesses**

*Citation:* CGS Sec. 12-701(a)(20)(B)

*Description:* The deduction is for taxpayers holding medical marijuana or adult-use cannabis licenses to deduct, for state tax purposes, the amount of ordinary and necessary business expenses that would be eligible for a federal tax deduction under federal law (26 U.S.C. § 162(a)) but are disallowed because marijuana is a banned controlled substance under the federal Controlled Substance Act.

*History:* PA 23-204 established the deduction.

*Fiscal Estimates:* $4.7 million in FY 24 and $6.2 million in FY 25.

*Taxpayers Benefitting:* Fewer than 30.

*Rationale:* Perceived Equity.

**13. ABLE account contributions**

*Citation:* CGS Sec. 12-701(a)(20)(B)

*Description:* The deduction is for contributions to Achieving Better Life Experiences (ABLE) accounts of up to $5,000 for individuals or $10,000 for joint filers.

*History:* PA 23-137 established the deduction.

*Fiscal Estimates:* None in FY 24 and $100,000 in FY 25.

*Taxpayers Benefitting:* Approximately 300.

*Rationale:* Expediency/Perceived Equity.

**14. Pension and annuity income**

*Citation:* CGS Sec. 12-701(a)(20)(B)

*Description:* A full (i.e., 100%) exemption for pension and annuity income for filers with federal AGI below: (1) $75,000 for single filers, married people filing separately, and heads of households and (2) $100,000 for married people filing jointly. A partial exemption applies for filers with federal AGIs of (1) at least $75,000 but less than $100,000 for single filers, married people filing separately, and heads of household and (2) at least $100,000 but less than $150,000 for joint filers.

*History:* PA 17-2 JSS established the exemption. PA 18-26 eliminated the sunset provision, thus extending the exemption to 2026 and beyond. PA 22-118 accelerated the policy phase-in so that the full exemption is available beginning with the 2022 income year. PA 23-204 eliminated the benefit "cliff" by establishing partial exemptions for filers with federal AGIs of (1) at least $75,000 but less

than $100,000 for single filers, married people filing separately, and heads of household and (2) at least $100,000 but less than $150,000 for joint filers.

*Fiscal Estimates:* $113.6 million in FY 24 and $129.6 million in FY 25.

*Taxpayers Benefitting:* Approximately 200,000.

*Rationale:* Expediency/Perceived Equity.

**15. Individual retirement account (IRA) income**

*Citation:* CGS Sec. 12-701(a)(20)(B)

*Description:* A full (i.e., 100%) phased-in exemption for IRA distributions (other than Roth IRAs) for filers with AGI below: (1) $75,000 for single filers, married people filing separately, and heads of households and (2) $100,000 for married people filing jointly. A partial exemption applies for filers with federal AGIs of (1) at least $75,000 but less than $100,000 for single filers, married people filing separately, and heads of household and (2) at least $100,000 but less than $150,000 for joint filers. The exemption starts at 25% for the 2023 income year, then 50%, 75%, and 100% by 2026.

*History:* PA 21-2 JSS established the exemption. PA 23-204 eliminated the benefit "cliff" by establishing partial exemptions for filers with federal AGIs of (1) at least $75,000 but less than $100,000 for single filers, married people filing separately, and heads of household and (2) at least $100,000 but less than $150,000 for joint filers.

*Fiscal Estimates:* $37.6 million in FY 24 and $56.7 million in FY 25.

*Taxpayers Benefitting:* Fewer than 130,000.

*Rationale:* Expediency/Perceived Equity.

**16. Venture capital investments in eligible bioscience businesses**

*Citation:* CGS Sec. 12-704g

*Description:* The deduction is for the income generated by investments in eligible Connecticut-based bioscience businesses, available only to the general partners of a qualified venture capital fund. The deduction equals a partner's share of the investment and management income generated by the fund's eligible investments.

*History:* PA 18-147 established the deduction.

*Fiscal Estimates:* $200,000 in FY 24 and FY 25.

*Taxpayers Benefitting:* Data not available.

*Rationale:* Incentive.

**17. Other deductions**

*Citations:* For items (a)-(c): CGS Sec. 12-701(a)(20)(B)

*Description:* The following items are deductible in determining Connecticut adjusted gross income, but not deductible in determining federal adjusted gross income:

a. Interest paid on indebtedness incurred to acquire investments that provide income that is taxable in Connecticut, but not taxable for federal purposes, that is not deductible in

determining federal adjusted gross income and is attributable to a trade or business of that individual;

b. Expenses paid or incurred for the production (including management, conservation, and maintenance of property held for production) or collection of income taxable in Connecticut, but exempt from federal income tax, which were not deductible in determining federal adjusted gross income;

c. Amortizable bond premium on bonds that provide interest income taxable in Connecticut, but are exempt from federal income tax, which premiums were not deductible in determining adjusted gross income; and

d. Any subtractions from federal adjusted gross income not listed. For instance, a deduction from Connecticut taxable income for any interest income from notes, bonds or other obligations of the State of Connecticut, interest income from which is included in federal adjusted gross income.

e. Financial assistance received from the Crumbling Foundation Assistance Program effective on or after January 1, 2017.

f. Expenses related to donating an organ for transplants. The deduction is up to $10,000 in expenses and is effective on or after January 1, 2017.

*History:* Items (a)-(c) PA 92-5, May Special Session, effective for tax years 1992 and after. No citation or history is available for Item (d). Items (e)-(f) PA 17-2 JSS.

*Fiscal Estimates:* $36.5 million in FY 24 and FY 25.

*Taxpayers Benefitting:* Approximately 12,000. Data for a number of taxpayers applying various subtractions from CT AGI is not available by category.

*Rationale:* Conformity.

**Credits Claimed Against the Personal Income Tax**

**1. Credit for property taxes paid**

*Citation:* CGS Sec. 12-704c

*Description:* The credit is for personal and real property taxes paid on the taxpayer's primary residence or a motor vehicle. The credit is limited to two motor vehicles for Joint Filers and one motor vehicle for single, head of household, and married filing separate filers.

*History:* The table on the following page presents a history of the credit since enacted:

**Maximum Property Tax Credit**

| Act | Income Year | Maximum Credit[1] |
|---|---|---|
| PA 95-160 | 1996 | 100 |
| PA 97-309 | 1997 | 215[1] |
| PA 97-310 and PA 98-110 | 1998 | 350[2] |
| PA 99-173 | 1999 | 425 |
| " | 2000 | 500 |
| " | 2001 | 500 |

| Act | Income Year | Maximum Credit[1] |
|---|---|---|
| " | 2002 | 500 |
| PA 03-1 JSS | 2003 | 350 [3] |
| " | 2004 | 350 |
| PA 04-216 and PA 05-251 | 2005 | 350 [4] |
| PA 06-186 | 2006 | 500 [5] |
| " | 2007 | 500 |
| PA 11-6 | 2011 | 300 [6] |
| PA 15-244 | 2016 | 200 [7] |
| PA 17-2 JSS | 2017-2018 | 200 [8] |
| PA 19-117 | 2019-2020 | 200 [9] |
| PA 21-2 JSS | 2021 | 200 [10] |
| PA 22-118 | 2022 and after | 300[11] |

[1] The credit phases out above certain income levels. Beginning with the 1997 income year the portion above $100 phases out between $55,500 and $145,500 for singles, $50,250 and $95,250 for married filing separate, $100,500 and $190,500 for joint, and $78,500 and $168,500 for head of household filers.

[2] PA 97-310 increased the maximum credit from $215 to $285 beginning with the 1998 income year.

[3] PA 03-1 JSS applied the phase-out to the full amount of the credit and reduced the credit from $500 to $350 beginning with income year 2004.

[4] PA 05-251 delayed the increase enacted by PA 04-216.

[5] PA 06-186 increased the tax credit for income year 2006 and thereafter from $400 to $500.

[6] PA 11-6 decreased the tax credit for income year 2011 and thereafter from $500 to $300 and phased out the credit at a steeper rate than prior law.

[7] PA 15-244 phased the credit out at a steeper rate than prior law beginning in 2015 and decreased the tax credit for income year 2016 and thereafter from $300 to $200.

[8] PA 17-2 JSS temporarily limits eligibility to individuals who are 65 years of age or older or validly claim at least one dependent on their federal tax return for income years 2017 and 2018.

[9] PA 19-117 extended the eligibility limit to individuals who are 65 years of age or older or validly claim at least one dependent on their federal tax return to income years 2019 and 2020.

[10] PA 19-117 extended the eligibility limit to individuals who are 65 years of age or older or validly claim at least one dependent on their federal tax return to income years 2021 and 2022.

[11] PA 22-118 eliminated prior law's provisions that limited eligibility to residents who are 65 years of age or older or validly claim at least one dependent on their federal tax return for the 2022 income year.

*Fiscal Estimates:* $145 million in FY 24 and FY 25.

*Taxpayers Benefitting:* Approximately 873,000.

*Rationale:* Expediency.

**2. Credit for real estate conveyance taxes paid**

*Citation:* CGS Sec. 12-704c(d)

*Description:* Taxpayers who paid the real estate conveyance tax at the 2.25% rate may claim a property tax credit based on the amount they paid in conveyance tax at that rate. The credit is available beginning in the third income year after the year in which the conveyance tax was paid and cannot exceed 33.3% of the amount of conveyance tax paid at the 2.25% rate. If a taxpayer

does not use the full amount of the credit in a given year because it exceeds what the taxpayer owes in income tax or paid in property tax, then the taxpayer may carry the unused portion forward for up to six successive tax years.

*History:* PA 19-117 established the credit.

*Fiscal Estimates:* $6.4 million in FY 24 and $8 million in FY 25.

*Taxpayers Benefitting:* Fewer than 10,000.

*Rationale:* Incentive.

**3. Earned income tax credit**

*Citation:* CGS Sec. 12-704e

*Description:* A refundable state earned income tax credit available to taxpayers who work and earn incomes below certain levels. Credit amounts vary according to a taxpayer's income, filing status and the number of children he or she has.

*History:* PA 11-6 established the credit at 30% of the federal credit. PA 11-1(JSS) later reduced the state credit to 25% of the federal credit but specified that it would be restored to 30% in the event the SEBAC agreement with the state was approved. The SEBAC agreement was approved on August 22, 2011, thus the credit reverted back to 30%. PA 13-184 reduced the state credit to 25% and 27.5% of the federal credit in income years 2013 and 2014, respectively; PA 15-244 extended the 27.5% rate to the 2015 and 2016 income years; PA 17-2 JSS reduced the rate to 23% for the 2017 through 2020 income years; PA 21-2 JSS increased the rate to 30.5% for the 2021 and 2022 income years; and PA 22-118 permanently increased the rate to 41.5% beginning with the 2023 income year.

*Fiscal Estimates:* $191.6 million in FY 24 and $196.2 million in FY 25.

*Taxpayers Benefitting:* Approximately 185,000.

*Rationale:* Perceived Equity/Incentive.

**4. Angel investor tax credit**

*Citation:* CGS Sec. 12-704d

*Description:* The angel investor tax credit is available to taxpayers who invest in start-up, technology-based businesses in Connecticut. Each credit equals 25% of the cash investment, up to a maximum of $500,000 in total credits for any investor.

*History:* PA 10-75 established the credit for a minimum qualifying cash investment of $100,000; PA 11-1 OSS reduced the minimum cash investment to $25,000. PA 14-47 extended the sunset date to July 1, 2016; PA 16-3 MSS further extended the sunset date to June 30, 2019, and established transferability of the credit. PA 17-110 expanded eligible investments under the program and adjusted various other credit requirements. PA 19-117 extended the sunset date to July 1, 2024. PA 21-1 JSS: (1) extended the program to eligible cannabis businesses owned and controlled by social equity applicants; (2) raised the aggregate credit cap to $20 million per fiscal year; and (3) extended the program's sunset date by four years to 2028. PA 23-204 eliminated the credit for cannabis businesses, thereby lowering the aggregate cap on credits to $5 million annually.

*Fiscal Estimates:* $7.5 million in FY 24 and $5 million in FY 25.

*Taxpayers Benefitting:* Fewer than 1,000.

*Rationale:* Incentive.

**5. Historic homes rehabilitation**

*Citation:* CGS Sec. 10-416

*Description:* The credit is available for expenses associated with rehabilitating owner-occupied historic homes. It is administered by the Department of Economic and Community Development (DECD). In order to qualify, the property must: (1) have 1 to 4 dwelling units, one of which is the principal residence of the owner, and (2) be listed individually on the National Register of Historic Places or located in a district listed in the National or State Register of Historic Places. In addition, DECD must certify that the property contributes to the district's historic character. A minimum qualified rehabilitation expenditure of $15,000 must be incurred, the minimum amount for which a credit is available is $15,000, the credit limit per dwelling unit is $30,000, [2] and the annual limit for all taxpayers is $3 million. The owner must occupy the home for at least five years following the completion of the rehabilitation work. Unused credits may be carried forward for four succeeding income years.

*History:* PA 99-173 established the credit. PA 13-266 expanded the credit by making the credit available statewide, reducing the minimum amount that must be spent, and increasing the maximum amount of the credit that businesses may claim when contributing to nonprofits rehabilitating historic homes. PA 14-217 required that 70% of the credits annually be reserved for rehabilitating historic homes in the 24 municipalities designated as "regional centers" in the state's current five-year plan of conservation and development. PA 23-204 changed the taxes against which historic homes rehabilitation tax credits may be claimed beginning January 1, 2024 and made credits claimed against the personal income tax refundable.

*Fiscal Estimates:* None in FY 24 and $3 million in FY 25.

*Taxpayers Benefitting:* Approximately 100.

*Rationale:* Incentive and Expediency.

**6. Stillborn birth**

*Citation:* CGS Sec. 12-704i

*Description:* A $2,500 credit for the birth of a stillborn child if the child would have been claimed as the taxpayer's dependent on his or her federal income tax return. Taxpayers may claim the credit for the tax year for which the Department of Public Health's State Vital Records Office issued a stillbirth certificate. The credit amount applies regardless of the taxpayer's filing status.

*History:* PA 22-118 established the credit.

*Fiscal Estimates:* $300,000 in FY 24 and FY 25.

*Taxpayers Benefitting:* Approximately 120.

*Rationale:* Expediency.

[2] The maximum credit is limited to $50,000 for owners that are nonprofit corporations.

**7. Insurance reinvestment fund**

*Citation:* CGS Sec. 38a-88a

*Description*: The credit is available to investors in Insurance Reinvestment Funds. It is administered by the Department of Economic and Community Development (DECD). The credit is equal to the amount invested, which is taken over a 10-year period. Managers of eligible funds must have registered with DECD by 7/1/00 in order for their investors to claim this credit. The credit has recapture provisions under certain circumstances. Unused credits may be carried forward for five years. New eligibility certificates for insurance businesses, which enable investors to claim a Corporation Business Tax credit cannot be issued after July 1, 2010. Any new eligibility certificates issued on or after July 1, 2010 qualify investors for the Second Insurance Reinvestment Fund tax credit applicable against the Insurance Premiums Tax.

*History:* PA 94-214 enacted the credit and permitted the establishment of Insurance Reinvestment Funds. PA 00-170 stipulated that: (1) managers of eligible funds must have registered with DECD by 7/1/00 in order for their investors to claim this credit, and (2) investments in funds created on or after this date are not eligible for the credit. PA 01-6 (JSS): (1) sunsets the credit after 12/31/15 and (2) permits recapture under certain circumstances. PA 10-75 phased out the Insurance Reinvestment Act tax credit program, which authorizes credits for investing only in insurance businesses, and replaced it a new version authorizing similar credits for insurers investing in many different types of businesses. PA 17-244 allows the companies to sell or otherwise transfer all or parts of these credits to any taxpayer or taxpayers.

*Fiscal Estimates:* $275,000 in FY 24 and FY 25.

*Taxpayers Benefitting:* Approximately 25.

*Rationale:* Expediency and Incentive.

## SALES AND USE TAXES

The trend toward states enacting general sales taxes began in the 1930s, and Connecticut became a sales tax state in 1947. As in other states, the relatively simple policy goal of the tax was to restore solvency to the state's treasury with a minimum of administrative problems and expenses. To accomplish this, the tax was imposed on retail sales of tangible goods, which could be collected with relative ease. Since then, the tax has evolved into a complex structure with a lengthy list of taxable goods and services and an even lengthier list of items that are exempt. Since 2011, a percentage of the tax on room occupancy and the tax on rental cars directly funds accounts supporting regional performance grants, a percentage of sales tax supports the Special Transportation Fund, and a percentage of sales tax supports municipal specific programs.

Regarding sales by remote sellers (e.g. retailers selling goods online), the U.S. Supreme Court has ruled in the past that state statutes requiring the collection of a use tax by a remote vendor with no nexus in the state are in violation of the Commerce Clause of the U.S. However, in 2018 the court handed down the *South Dakota v. Wayfair* decision, which eliminated the requirement that businesses must have a physical presence in a state to have sales tax collection responsibilities.

### Computation of Tax

Connecticut levies sales and use taxes on the gross receipts of retailers from the sale of tangible personal property and on the gross receipts from the rendering of certain business services. The treatment of services under the Sales and Use Tax differs fundamentally from the treatment of tangible personal property because sales of the latter are taxable unless specifically exempted, while sales of services are excluded unless enumerated under CGS Section 12-407(a)(37). The list of service exemptions under Item C includes those that were explicitly subject to the tax and then repealed or were thought to be subject to the tax and it was clarified that they were not.

**Rates and Basis:**

- On gross receipts from the sale, rental, or leasing of tangible personal property, and rendering of certain business services the tax rate is 6.35%.
- On the rental of hotel rooms in a hotel or lodging house, the tax rate is 15%.
- On the rental of rooms at bed and breakfast establishments, the tax rate is 11% for both the room and any meals included in the occupancy.
- On motor vehicles, jewelry, clothing, and footwear costing more than a certain amount, the luxury tax rate is 7.75%.
- On car rentals of thirty days or less, the tax rate is 9.35%.
- On sales and purchases of vessels, motors for vessels, and trailers used for transporting a vessel, the sales tax rate is 2.99%.
- On meals and certain drinks, the effective sales tax rate is 7.35%.
- On computer and data processing services, the tax rate is 1%.
- On the sale of motor vehicles to a nonresident member of the U.S. armed forces serving on active duty in Connecticut, the tax rate is 4.5%.

**Sales Tax Revenue Diversions**

*Regional Performance Incentive Program* – PA 11-61 allocates one percentage point of the 15.0% rate and one percentage point of the 9.35% rate towards accounts supporting regional entities. However, PA 15-244 and PA 17-2 of the June Special Session eliminated this transfer for FY 17-19 and resumes the transfer in FY 20.

*Municipal Revenue Sharing Fund* – PA 15-244 requires a portion of the 6.35% rate be transferred to the Municipal Revenue Sharing Account (MRSA) to support various municipal grants beginning in October 2015. Subsequent legislation (PA 15-5 of the June Special Session, PA 15-1 of the December Special Session) delayed the implementation of this transfer to May 2016. PA 16-2 JSS suspended the transfer for FY 17 and swept the balance of the FY 16 transfer and instead provided a transfer out of the Resources of the General Fund. PA 17-2 JSS delayed the transfer to FY 20. PA 18-81 further delayed the transfer in FY 21. The 0.5 percentage point transfer began in FY 22. PA 23-204 shifted the transfer from MRSA to the appropriated Municipal Revenue Sharing Fund.

*Special Transportation Fund* - PA 15-244, as amended by PA 15-5 of the June Special Session and PA 15-1 of the December Special Session, requires a portion of the 6.35% rate be transferred to the Special Transportation Fund. As of FY 18, the transfer is 0.5 percentage points. Additionally, PA 17-2 JSS, amended by PA 18-81 and PA 19-117, transfers a portion of revenue from sales tax on motor vehicles to the Special Transportation Fund. The transfer equaled 75% of the total motor vehicle sales tax in FY 22 and 100% in FY 23 and beyond.

*Tourism Fund* – PA 17-2 of the June Special Session directs 10% of the revenue generated by the Room Occupancy Tax into the Tourism Fund beginning in FY 19.

The following six sections list exemptions and exclusions to the Sales and Use Tax with the rationale, a brief legislative history, fiscal estimates, and an estimate of benefitting taxpayers for each.

The fiscal estimates in this section include the impact to all state and municipal funds in aggregate unless otherwise noted.

## A. Consumer Goods Exemptions

### Food

**1. Sales of food products for human consumption**

*Citation:* CGS Sec. 12-412(13)

*Description:* "Food products" include cereals and cereal products, milk and milk products, oleomargarine, meat and meat products, fish and fish products, eggs and egg products, vegetables and vegetable products, fruit and fruit products, spices and salt, sugar and sugar products other than candy and confectionery, coffee and coffee substitutes, tea, and cocoa and cocoa products other than candy and confectionery. "Food products" do not include spirituous, malt or vinous liquors, soft drinks, sodas or beverages such as are ordinarily dispensed at bars and soda fountains, or in connection therewith, medicines except by prescription, tonics and preparations in liquid powdered, granular, tablet, capsule, lozenge, and pill form sold as dietary supplements or adjuncts. "Food products" also do not include meals sold by an eating establishment or caterer.

*History:* Separate exemptions for food products and meals under $1 were provided when the tax was first imposed. In 1971, take-out meals were excluded from the food products exemption and included in the meals under the $1 exemption. PA 83-18 repealed the exemption for meals under $1. PA 84-415 clarified that meals served at eating establishments are not exempt from the tax. PA 86-397 added an exemption for meals under $2. PA 87-177 amended the food products exemption to provide that a meal under $2 may include a nonalcoholic beverage that is not a food product. It also clarified the definition of a taxable meal. PA 89-251 repealed the exemption for meals under $2. PA 98-262 made a technical change.

*Fiscal Estimates:* Combined estimates for Items 1 and 2: $584.8 million in FY 24 and $599.5 million in FY 25.

*Taxpayers Benefitting***:** At least 1 million.

*Rationale:* Perceived Equity.

**2. One-cent vending machines. Vending machine sales of food products and certain items**

*Citation:* CGS Sec. 12-412(27)

*Description:* Sales of any items from one-cent vending machines or sales of food products sold through coin-operated vending machines and items costing 50 cents or less.

*History:* PA 74-263 created the exemption. PA 95-160 added food sold through coin-operated vending machines. PA 00-170 extended the exemption to items sold through vending machines costing 50 cents or less. PA 01-6 of the June Special Session made a technical change. PA 07-4 of the June Special Session replaced a provision regarding sales of food products through vending machines with provision regarding meals sold through vending machines or "honor boxes."

*Fiscal Estimates:* See Fiscal Estimate for Item 1.

*Taxpayers Benefitting:* Indeterminate.

*Rationale:* Efficiency. The amount of revenue that could be collected is considered too small to justify the administrative costs.

**3. Items purchased with Supplemental Nutrition Assistance Program (SNAP) Benefits**

*Citation:* CGS Sec. 12-412(57)

*Description:* Sales of any items purchased with federal SNAP benefits (i.e. food stamps).

*History***:** PA 86-397 created the exemption to comply with the provisions of the federal Food Stamp Act of 1985. This federal law disallows states that are participating in the program from applying the sales tax to such purchases. PA 09-9 made a technical change to conform with a federal law that changed the food stamps program's name to the "supplemental nutrition assistance program."

*Fiscal Estimates:* $70.5 million in FY 24 and $72.3 million in FY 25.

*Taxpayers Benefitting:* Approximately 230,000 households.

*Rationale:* Conformity.

**4. Meals delivered to homes of persons who are elderly, disabled, or otherwise confined**

*Citation:* CGS Sec. 12-412(46)

*Description:* Sales of home delivered meals to elderly, disabled and other homebound persons.

*History:* PA 84-415 created the exemption.

*Fiscal Estimates:* Indeterminate.

*Taxpayers Benefitting:* Less than 25,000.

*Rationale:* Perceived Equity.

**Medical**

1. **Oxygen, blood plasma, prostheses, custom-made wigs or hairpieces, hearing aids, crutches, walkers and wheel chairs, vital life support equipment, apnea monitors, inclined stairway chairlifts and related repair services, reading aids for the visually impaired, canes, and support hose**

   *Citation:* CGS Sec. 12-412(19)

   *Description:* Sales of and the storage, use or other consumption of (A) oxygen, blood or blood plasma when sold for medical use in humans or animals; (B) artificial devices individually designed, constructed or altered solely for the use of a particular handicapped person so as to become a brace, support, supplement, correction, or substitute for the bodily structure, and repair or replacement parts and repair services; (C) artificial limbs, artificial eyes and other equipment worn as a correction or substitute for any functioning portion of the body, custom-made wigs or hairpieces for persons with medically diagnosed total and permanent hair loss, and artificial hearing aids, and repair or replacement parts and repair services; (D) crutches, walkers, wheel chairs and inclined stairway chairlifts for the use of invalids and handicapped persons, and repair or replacement parts and repair services; and (E) any equipment used in support of or to supply vital life functions, and repair or replacement parts and repair services. Repair or replacement parts are exempt whether purchased separately or in conjunction with the item for which they are intended, and whether such parts continue the original function or enhance the functionality of such item.

   *History:* The exemption has been in effect since the imposition of the tax. PA 76-390 added vital life support equipment. PA 77-46 replaced the word "crippled" with "handicapped." PA 79-33 added walkers. PA 93-74 added custom-made wigs, repairs to hearing aids and apnea monitors. PA 95-160 added repair services. PA 95-359 extended the exemption for oxygen, blood and blood plasma to animals as well as humans. PA 97-316 exempted oxygen supply equipment used for animals from the tax. PA 99-173 added inclined stairway chairlifts and repair and replacement parts of equipment for persons with disabilities. PA 00-170 exempted equipment used as a reading aid by persons visually impaired, canes, and support hose specially designed to aid circulation. PA 02-103 made technical changes.

   *Fiscal Estimates*: $22.9 million in FY 24 and $23.5 million in FY 25.

   *Taxpayers Benefitting:* Indeterminate.

   *Rationale:* Perceived Equity.

2. **Prescription medicines, syringes and needles**

   *Citation:* CGS Sec. 12-412(4)

   *Description:* Sales of, and the storage, use, or other consumption of medicine only by prescription as defined by federal or state law, including such medicine provided for no consideration and the sales of syringes and needles only by prescription. Sales of, and the storage, use or other consumption of materials, including materials used in packaging, which become an ingredient or component part of medicine only by prescription, as defined by federal or state law.

*History:* Prescription medication has been exempted since the imposition of the tax. Syringes and needles were added in 1971. PA 93-360 clarified the exemption of prescription medicine and applied the exemption to: (1) medicine provided for no consideration; and (2) materials which become an ingredient or component part of medicine.

*Fiscal Estimates*: $599.9 million in FY 24 and $614.9 million in FY 25.

*Taxpayers Benefitting:* Approximately 2 million.

*Rationale:* Perceived Equity.

**3. Non-prescription drugs and medicines**

*Citation:* CGS Sec. 12-412(120)

*Description:* Sales of the following non-prescription drugs or medicines available for purchase for use in or on the body: Vitamin or mineral concentrates; dietary supplements; natural or herbal drugs or medicines; products intended to be taken for coughs, cold, asthma or allergies, or antihistamines; laxatives; antidiarrheal medicines; analgesics; antibiotic, antibacterial, antiviral and antifungal medicines; antiseptics; astringents; anesthetics; steroidal medicines; anthelmintics; emetics and antiemetics; antacids; and any medication prepared to be used in the eyes, ears or nose. Nonprescription drugs or medicines shall not include cosmetics, dentrifrices, mouthwash, shaving and hair care products, soaps or deodorants.

*History:* PA 85-159 created the exemption. PA 87-315 added nonprescription eye medication. PA 99-173 expanded the exemption to include all drugs and medicines used in humans. PA 00-170 clarified the exemption of nonprescription drugs and medicines used in animals (PA 99-173 unintentionally restricted the exemption to the use on human body). PA 11-6 eliminated the exemption. PA 14-47 implemented the exemption effective April 1, 2015. PA 23-204 added nonprescription opioid antagonists to the list of nonprescription drugs that are exempt from the state sales and use tax.

*Fiscal Estimates:* $31 million in FY 24 and $31.8 million FY 25.

*Taxpayers Benefitting:* Indeterminate.

*Rationale:* Perceived Equity.

**4. Disposable pads used for incontinence**

*Citation:* CGS Sec. 12-412(53)

*Description:* Sales of certain disposable pads prepared for use in the manner of a diaper or as an under-pad, and commonly used by persons who are incontinent.

*History:* PA 86-397 created the exemption.

*Fiscal Estimates:* $1.5 million in FY 24 and FY 25.

*Taxpayers Benefitting:* Less than 300,000.

*Rationale:* Perceived Equity.

**5. Test strips and tablets, lancets and glucose monitoring equipment used in care of diabetes**

*Citation:* CGS Sec. 12-412(54)

*Description:* Sales of test strips and tablets, lancets and glucose monitoring equipment for purposes of certain tests and monitoring required in the care of diabetes and repair or replacement parts for such equipment.

*History:* PA 86-397 created the exemption which was amended by PA 88-364. PA 99-173 added repair and replacement parts of equipment.

*Fiscal Estimates:* $5.2 million in FY 24 and $5.3 million in FY 25.

*Taxpayers Benefitting:* Less than 300,000.

*Rationale:* Perceived Equity.

**6. Telephone equipment designed exclusively for deaf or blind persons**

*Citation:* CGS Sec. 12-412(38)

*Description:* Sales of and the storage, use or other consumption of any equipment designed exclusively for use by persons who are deaf or blind for purposes of communication by telephone.

*History:* PA 80-98 created the exemption.

*Fiscal Estimates:* Less than $50,000 in FY 24 and FY 25.

*Taxpayers Benefitting:* Under 20,000 per year.

*Rationale:* Perceived Equity.

**7. Equipment for persons with physical disabilities installed in motor vehicles**

*Citation:* CGS Sec. 12-412(80)

*Description:* Sales and the storage, use, or other consumption of special equipment installed in a motor vehicle for the exclusive use of a person with physical disabilities and repair or replacement parts for such equipment.

*History:* PA 92-17 created the exemption. PA 99-173 added replacement parts of equipment for persons with disabilities.

*Fiscal Estimates*: Indeterminate.

*Taxpayers Benefitting:* Indeterminate.

*Rationale:* Perceived Equity.

**8. Sales of eligible benefits under Title XVIII or XIX of the Social Security Act or CHAMPUS**

*Citation:* CGS Sec 12-412(87)

*Description:* Sales of items that are eligible benefits and that are made to an eligible beneficiary pursuant to Title XVIII, 42 USC Section 1395 et seq., or Title XIX, 42 USC Section 1396 et seq., of the Social Security Act or pursuant to the federal Civilian Health and Medical Program of the Uniformed Services, 10 USC Section 1071 et seq.

*History:* States are not permitted to levy taxes on the federal government under the U.S. Constitution. PA 94-175 created the exemption, which levied the sales tax on hospital services.

*Fiscal Estimates:* Indeterminate.

*Taxpayers Benefitting:* Approximately 1 million.

*Rationale:* Conformity.

## Clothing

**1. Sales tax "free week"**

*Citation:* CGS Sec. 12-407e

*Description:* Establishes a sales tax "free week" on items of clothing and footwear costing less than $100 beginning on the third Sunday in August until the next succeeding Saturday.

*History:* PA 00-170 created the exemption. PA 03-1 of the June Special Session repealed the exemption. PA 04-218 reinstated the exemption. PA 15-244 lowered the per-item exemption from $300 to $100 effective July 1, 2015.

*Fiscal Estimates:* $2 million in FY 24 and FY 25.

*Taxpayers Benefitting:* Indeterminate.

*Rationale:* Perceived Equity and Incentive.

## Utilities

**1. Certain utilities sales**

*Citation:* CGS Sec. 12-412(3) and 12-412(16)

*Description:* The exemption applies to the following:

(1) Gas, electricity, and heating fuel for residential use.

(2) Water, steam, and telegraph.

(3) Monthly charges of one hundred fifty dollars or less for electricity not otherwise exempt.

(4) Gas, water, steam, or electricity used in furnishing same to consumers.

*History:* An exemption for consumer sales of gas, water, electricity, telephone, and telegraph services has been in effect since the imposition of the tax. The 1971 acts include specific provisions for each type of utility services. The 1972 acts exempted utility services to the first $10 per month rather than the first $20 per month. PA 74-4 added bottled gas and community antenna television and cable services. PA 75-495 clarified that bottled gas is propane gas. PA 77-395 added sales of steam. PA 89-251 created the exemption in its present form.

*Fiscal Estimates:* $230.2 million in FY 24 and $235.9 million in FY 25.

*Taxpayers Benefitting:* At least 1 million.

*Rationale:* Perceived Equity as it relates to residential fuel for heating purposes. Redundancy as it relates to residential utilities and water, steam, and telegraph. Utility company gross receipts are taxable under the Utility Companies Tax at the rate of 4.0% for residential utilities, 5.0% for water and steam service, and 4.5% for telegraph service. Incentive as it relates to businesses. The manufacturing and agriculture exemption is intended to reduce cascading. The portion exempting charges under $150/month is intended to reduce the cost of doing business for small firms.

**2. Utilities for agricultural production or manufacturing**

*Citation:* CGS Sec. 12-412(3) and 12-412(16) and 12-412h

*Description*: Sales of fuel used for heating purposes, gas, and electricity in any building, location, or premise utilized directly in: (1) agricultural production, fabrication of a finished product to be sold or (2) an industrial manufacturing plant. The exemption is allowed only in a location in which not

less than seventy-five percent of the gas, electricity, or fuel used in such location is used for the purpose of such production, fabrication, or manufacturing.

*History*: PA 89-251 added the exemption for manufacturing and agricultural production.

*Fiscal Estimates*: $77.5 million in FY 24 and $79.5 million in FY 25.

*Taxpayers Benefitting*: Approximately 10,000 – 15,000 establishments.

*Rationale*: Incentive since the exemption is intended to reduce cascading.

**3. Water Companies**

*Citation:* CGS Sec. 12-412(126)

*Description*: Sales of and the storage, use or other consumption of any personal property or any services to a water company employed for the purpose of supplying water to fifty or more customers.

*History*: Municipal water companies are exempt from the Sales Tax. PA 94-4 of the May Special Session created the exemption. PA 95-160 changed the effective date. PA 15-244 eliminated the exemption, effective July 1, 2015. PA 22-118 restores the exemption, effective July 1, 2022.

*Fiscal Estimates*: $3 million in FY 24 and $3.1 million in FY 25.

*Taxpayers Benefitting*: Under 50 water companies.

*Rationale*: Perceived Equity.

**Other Consumer Good Exemptions**

**1. Motor vehicle fuel**

*Citation*: CGS Sec. 12-412(15)

*Description:* Gross receipts from the distribution of, and the storage, use, or other consumption in the state of motor vehicle fuel that is subject to the motor fuels tax.

*History:* The exemption has been in effect since the imposition of the tax. PA 00-174 specified that the exemption for motor vehicle fuels is for fuel sold for use in motor vehicles licensed to operate in Connecticut, whether or not the motor vehicle fuel tax has been paid or for any other use if the motor vehicle fuel tax has been paid on it and not refunded.

*Fiscal Estimates:* $597.9 million in FY 24 and $612.8 million in FY 25.

*Taxpayers Benefitting:* At least 1 million.

*Rationale:* Redundancy. Motor vehicle fuel sales are subject to the Motor Fuels Excise Tax. Firms that sell petroleum products are subject to the Petroleum Companies Gross Receipts Tax, which includes sales of motor vehicle fuel. The exemption has been in effect since the imposition of the tax.

**2. Fuel for use in certain high-occupancy commuter vehicles**

*Citation:* CGS Sec. 12-412(37)

*Description:* Sales of, and the storage, use, or other consumption of any fuel for use in certain high-occupancy commuter vehicles.

*History:* PA 79-627 created this exemption. PA 82-25 made a technical change.

*Fiscal Estimates:* Indeterminate.

*Taxpayers Benefitting:* Indeterminate.

*Rationale:* Incentive, the exemption is intended to encourage the use of multiple-occupancy commuter vehicles. Taxpayers who qualify for a Motor Fuels Excise Tax exemption and who apply for a refund are subject to Sales Tax on the amount exempted from the excise tax. This exemption prevents taxpayers who qualify for the Motor Fuels Excise Tax exemption on high-occupancy commuter vehicle fuel from paying Sales Tax on their excise tax refund.

**3. Newspapers and magazines**

*Citation*: CGS Sec. 12-412(114)

*Description:* Sales of magazines, including publications which only contain puzzles, by subscription; sales of newspapers.

*History:* The exemption also clarifies that puzzle magazines are nontaxable. Magazine subscriptions have been exempted since the imposition of the tax, previously under CGS Sec. 12-412(6) which has since been repealed. At that time, all newspaper sales were exempt. PA 78-172 clarified the exemption regarding newspapers, and PA 91-3 imposed the tax on newspapers sold over the counter. PA 94-4 of the May Special Session added the language regarding puzzle magazines. PA 98-110 extended the exemption to all sales of newspapers not just by subscription only. PA 03-2 imposed the tax on newspapers. PA 03-1 of the June Special Session reinstated the exemption for newspapers.

*Fiscal Estimates:* $10 million in FY 24 and $10.3 million in FY 24.

*Taxpayers Benefitting:* Indeterminate.

*Rationale*: Efficiency/Clarification. It would be costly and difficult to collect revenue and audit tax records for out-of-state companies selling magazines and newspapers by subscription.

**4. Property purchased from the United States**

*Citation:* CGS Sec. 12-413(2)

*Description:* The storage, use, or other consumption in this state of property purchased from any incorporated agency or instrumentality of the United States, except (a) any property reported to the Surplus Property Board of the United States or any successor thereto, as surplus property by any owning agency; and (b) any property included in any contractor inventory, is exempted from the use tax.

*History:* The exemption has been in effect since the imposition of the tax. PA 75-213 included references to "services."

*Fiscal Estimates:* Indeterminate.

*Taxpayers Benefitting:* Not applicable.

*Rationale:* Conformity. States are not permitted to levy taxes on the federal government under the U.S. Constitution.

**5. Purchases brought into the state by a resident**

*Citation:* CGS Sec. 12-413(3)

*Description:* The use tax shall not apply to the purchase of any articles of tangible personal property which have been brought into this state on the person of a resident of this state when the purchase price of the same does not exceed twenty-five dollars.

*History:* The exemption has been in effect since the imposition of the tax.

*Fiscal Estimates:* Indeterminate.

*Taxpayers Benefitting:* Indeterminate.

*Rationale:* Efficiency. The amount of revenue that could be collected is considered too small to justify the administrative costs.

**6. Personal property used in burial or cremation with value of up to two thousand five hundred dollars for any single funeral and caskets**

*Citation:* CGS Sec. 12-412(55)

*Description:* Sales of (1) tangible personal property by any funeral establishment performing the primary services in preparation for and the conduct of burial or cremation, provided any such property must be used directly in the performance of such services and the total amount of such exempt sales with respect to any single funeral may not exceed two thousand five hundred dollars and (2) caskets or caskets used for burial or cremation.

*History:* PA 86-397 created the exemption. PA 00-170 exempted caskets. PA 01-6 of the June Special Session extended the exemption to caskets used for cremation.

*Fiscal Estimates:* $7.3 million in FY 24 and $7.5 million in FY 25.

*Taxpayers Benefitting:* Approximately 35,000 per year.

*Rationale:* Perceived Equity.

**7. Vegetable seeds**

*Citation:* CGS Sec. 12-412(96)

*Description:* Sales of vegetable seeds suitable for planting to produce food for human consumption.

*History:* PA 97-316 created the exemption.

*Fiscal Estimates:* Less than $25,000 in FY 24 and FY 25.

*Taxpayers Benefitting:* Indeterminate.

*Rationale:* Perceived Equity.

**8. Firearm Safety Devices**

*Citation:* CGS Sec. 12-412(101)

*Description:* Sales of and the storage, use or other consumption of firearm safety devices, including safes, lock boxes, trigger and barrel locks and other items designed to enhance home firearm safety.

*History:* PA 99-173 created the exemption.

*Fiscal Estimates:* Indeterminate.

*Taxpayers Benefitting:* Indeterminate.

*Rationale:* Incentive.

**9. Bicycle Helmets**

*Citation:* CGS Sec. 12-412(102)

*Description*: Sales of and the storage, use or other consumption of bicycle helmets.

*History:* PA 99-173 created the exemption.

*Fiscal Estimates:* $200,000 in FY 24 and FY 25.

*Taxpayers Benefitting:* Indeterminate.

*Rationale:* Incentive

**10. Campground rentals**

*Citation*: Does not appear in statutory language.

*Description*: Campground rentals.

*History:* PA 92-184 made campground rentals taxable. PA 93-74 and PA 93-332 excluded such rentals from the tax.

*Fiscal Estimates:* $800,000 in FY 24 and $900,000 FY 25.

*Taxpayers Benefitting:* Approximately 150,000 rentals per year.

*Rationale:* Incentive. The exclusion is intended to reduce cascading.

**11. Lodging**

*Citation:* CGS Sec. 12-407(17)

*Description:* Certain lodgings are exempt from sales tax, including (a) privately owned and operated convalescent homes, residential care homes, homes for the infirm, indigent or chronically ill; (b) religious or charitable homes for the aged, infirm, indigent or chronically ill; (c) privately owned and operated summer camps for children; (d) summer camps for children operated by religious or charitable organizations; (e) lodging accommodations at educational institutions; or (f) lodging accommodations at any facility operated by and in the name of any nonprofit charitable organization.

*History:* PA 90-186 added lodging accommodations operated by nonprofit organizations. PA 97-112 replaces "homes for the aged" with "residential care homes."

*Fiscal Estimates:* Indeterminate.

*Taxpayers Benefitting:* Indeterminate.

*Rationale:* Expediency.

**13. Child car seats**

*Citation:* CGS Sec. 12-412(108)

*Description*: Child car seats.

*History:* The exemption was created by PA 00-170.

*Fiscal Estimates:* $1.1 million in FY 24 and FY 25.

*Taxpayers Benefitting:* Less than 100,000.

*Rationale:* Expediency.

**14. College textbooks**

*Citation:* CGS Sec. 12-412(109)

*Description:* College textbooks purchased by matriculated students.

*History:* PA 00-170 created the exemption. PA 05-251 extended the exemption to occupational school textbooks purchased by students. PA 06-150 made a technical change.

*Fiscal Estimates*: $700,000 in FY 24 and FY 25.

*Taxpayers Benefitting:* Approximately 200,000.

*Rationale:* Expediency.

**15. Solar energy, geothermal, and ice storage systems**

*Citation:* CGS Sec. 12-412(117) and (118)

*Description:* The exemption includes (1) solar electric and space and water heating systems and related equipment and installation services, (2) geothermal systems and related equipment and installation services, and (3) ice storage systems used for cooling and related equipment and installation services for utility customers billed on time-of-use rates.

*History*: PA 07-242 created the exemption. PA 10-75 added a provision regarding renewable energy and clean energy technology industries.

*Fiscal Estimates:* $23.1million in FY 24 and $23.7 million in FY 25.

*Taxpayers Benefitting:* Indeterminate.

*Rationale*: Equity.

**16. Luxury tax exemptions**

*Citation:* CGS 12-408(1)(H) and CGS Sec. 12-411(1)(H)

*Description:* The luxury tax does not apply to any motor vehicle costing more than $50,000 that (1) is purchased by an active duty U. S. military member stationed in Connecticut, (2) weighs over 12,500 pounds, or (3) weighs 12,500 pounds or less and is designed or used for commercial purposes and for which the Department of Motor Vehicles (DMV) issued a commercial or more specific type of registration.

*History:* PA 11-6 established the luxury tax for various items costing above a set price and created an exemption from the tax for certain motor vehicles.

*Fiscal Estimate:* Indeterminate.

*Taxpayer Benefitting:* Indeterminate.

*Rationale:* Incentive.

**17. Feminine hygiene products**

*Citation:* CGS Sec. 12-412(122)

*Description:* Sales of feminine hygiene products.

*History:* PA 16-3 of the May Special Session created the exemption effective for sales occurring on or after July 1, 2018.

*Fiscal Estimates:* $7.1 million in FY 24 and $7.3 million in FY 25.

*Taxpayers Benefitting:* Over 1 million.

*Rationale:* Perceived Equity.

**18. Disposable or reusable diapers**

*Citation:* CGS Sec. 12-412(123)

*Description:* Sales of disposable or reusable diapers.

*History:* PA 16-3 of the May Special Session created the exemption effective for sales occurring on or after July 1, 2018.

*Fiscal Estimates:* $4 million in FY 24 and $4.1 million in FY 25.

*Taxpayers Benefitting:* Under 150,000 households.

*Rationale:* Perceived Equity.

**19. Breastfeeding Supplies**

*Citation:* CGS Sec. 12-412(125)

*Description:* Sales of breast pumps and breast pump collection and storage supplies, when sold to an individual for home use, and repair or replacement parts for and repair services rendered to such breast pumps.

*History:* PA 21-2 of the June Special Session created the exemption effective for sales occurring on or after July 1, 2021.

*Fiscal Estimates:* $300,000 in FY 24 and FY 25.

*Taxpayers Benefitting:* Under 50,000 households.

*Rationale:* Perceived Equity.

**B. Business and Agricultural Exemptions**

**Machinery and Materials**

**1. Machinery used in manufacturing**

*Citation:* CGS Sec. 12-412(34)

*Description:* Sales of and the storage, use or other consumption of machinery used directly in a manufacturing production process. The word "machinery" means the basic machine itself and includes all its component parts and contrivances which are used or required to control, regulate or operate the machinery or to enhance or alter its productivity or functionality.

*History:* PA 78-71 created the exemption. PA 89-123 removed references to agricultural production which were included in subsection (63) created by that act. PA 94-4 of the May Special Session specified "machinery" is limited to equipment directly related to manufacturing processes. PA 98-110 added the exclusion of component parts and contrivances whether purchased separately or in conjunction with a machine. PA 09-200 amended the definition of manufacturing to include asphalt manufacturing.

*Fiscal Estimates:* Combined estimates for Items 1, 2, and 3: $137.9 million in FY 24 and $141.4 million in FY 25.

*Taxpayers Benefitting:* Indeterminate.

*Rationale*: Cascading.

**2. Component parts for assembly of manufacturing machinery**

*Citation:* CGS Sec. 12-412(73)

*Description:* The sale of any part of a machine purchased exclusively for the purpose of assembling a machine for use directly in a manufacturing production process.

*History:* PA 91-3 created the exemption.

*Fiscal Estimates*: See Fiscal Estimate for Item 1.

*Taxpayers Benefitting:* Indeterminate.

*Rationale*: Cascading.

**3. Production materials**

*Citation*: CGS Sec. 12-412(18)

*Description:* Sales of and the storage or use of materials, rope, fishing nets, tools and fuel or any substitute therefore, which (a) become an ingredient or component part of tangible personal property to be sold; or (b) are used directly in the fishing industry or in an industrial plant in the actual fabrication of the finished product to be sold; or (c) are used directly in the furnishing of power to an industrial manufacturing plant or in the furnishing of gas, water, steam or electricity when delivered to consumers through mains, lines or pipes.

*History:* The exemption has been in effect since the imposition of the tax and was amended in 1959 to include a definition of "machinery." PA 73-288 eliminated references to "consumption." PA 89-123 created a separate subsection (63) for agricultural production. PA 09-200 amended the exemption to include asphalt manufacturers.

*Fiscal Estimates:* See Fiscal Estimate for Item 1.

*Taxpayers Benefitting:* Indeterminate.

*Rationale:* Cascading.

**4. Partial exemption for materials, tools, fuels, machinery and equipment used in manufacturing**

*Citation:* CGS Sec. 12-412i

*Description:* The sales and use tax shall not apply to fifty per cent of the gross receipts from the sale of and the storage, use and consumption in this state of the following items:

(1) Materials, tools and fuels or any substitute therefore which become an ingredient or component part of tangible personal property to be sold or which are used or consumed in an industrial plant in the manufacturing, processing or fabricating of products to be sold, in any process preparatory or related thereto or in the measuring or testing of such products; or

(2) Machinery and equipment which will be used primarily in the process of manufacturing, processing or fabricating tangible personal property if:

(A) The machinery or equipment is used for research and development, measuring or testing with respect to or in furtherance of the manufacturing, processing or fabricating of tangible personal property;

(B) The machinery or equipment is used at any stage of the manufacturing, processing or fabricating process from the time any raw materials are

received to the time the product is ready for delivery or storage, including over packing and crating;

(C) The machinery or equipment is used primarily to maintain or repair any machinery or equipment described in subparagraph (A) or (B) of this subdivision, or

(D) The machinery or equipment is used primarily for metal finishing, provided this exemption shall not apply to any materials, tools, fuels, machinery or equipment which is used primarily in administration, general management, sales or any other activity which does not constitute manufacturing, processing or fabricating.

If a purchaser who gives a certificate makes any use of the property other than the purposes set forth in this section, the use shall be deemed a use by the purchaser in accordance with this chapter, as of the time the property is first used by the purchaser, and the property shall be taxable to such purchaser in accordance with this chapter.

*History:* PA 92-193 (Manufacturing Recovery Act of 1992) created the exemption. Various other acts made technical changes and effective date changes. PA 09-200 amended the definition of manufacturing to include asphalt manufacturing.

*Fiscal Estimates:* $1.1 million in FY 24 and $1.2 million in FY 25.

*Taxpayers Benefitting:* Indeterminate.

*Rationale*: Cascading.

**5. Replacement parts in enterprise zones**

*Citation:* CGS Sec. 12-412(43)

*Description*: Sales of any replacement parts for machinery to any business entity located in any enterprise zone designated pursuant to section 32-70 for use within such zone.

*History:* PA 81-445 created the exemption.

*Fiscal Estimates:* $5.4 million in FY 24 and $5.5 million FY 25.

*Taxpayers Benefitting:* Indeterminate. Available to any business located in one of the designated enterprise zones.

*Rationale:* Incentive.

**6. Items sold for use in agricultural production by a farmer engaged in such production as a business**

*Citation:* CGS Sec. 12-412(63)

*Description:* Sales of and the storage, use or other consumption of tangible personal property by a farmer engaged in agricultural production as a trade or business and to whom the Department of Revenue Services has issued an agricultural sales tax exemption permit.

*History:* PA 89-123 created this exemption, though machinery and other items used directly in agricultural production were previously exempt. PA 93-122 clarified that fish raising and harvesting were included in the exemption. PA 95-359 added conditions under which the department may issue a farmer exemption permit when a farmer's gross income from agricultural production is less than $2,500. PA 00-174 and PA 02-103 made technical changes. PA 15-117 extends the exemption to veterans who have never owned or leased property for commercial

agricultural production or who have owned or leased property for this purpose for less than two years. PA 18-47 modifies the definition of "veteran" for purposes of the sales tax exemption for farmers.

*Fiscal Estimates:* $10.6 million in FY 24 and $10.9 million in FY 25.

*Taxpayers Benefitting:* Approximately 5,000 farms.

*Rationale:* Cascading.

**7. Commercial fishing vessels and machinery or equipment for use thereon**

*Citation:* CGS Sec. 12-412(40)

*Description:* Sales of and the storage, use or other consumption of any vessel used exclusively in commercial fishing and any machinery or equipment for use on a commercial fishing vessel.

*History:* PA 81-323 created the exemption. PA 82-192 applied the exemption to vessels, machinery or equipment used exclusively in commercial fishing rather than designed exclusively for use in commercial fishing. PA 92-133 and PA 92-17 expanded the exemption to include vessels with coast-wide fishery certificates. PA 00-174 extended the exemption to startup fishermen and made technical changes. PA 02-103 made technical changes. PA 03-225 relaxed conditions to qualify for the exemption, required start-up fishermen to obtain exemption permits from the Department of Revenue Services, added provisions regarding regulations and fisherman tax exemption permits and made conforming changes.

*Fiscal Estimates:* $700,000 in FY 24 and FY 25.

*Taxpayers Benefitting:* Approximately 2,000 commercial fishing licensees.

*Rationale:* Cascading.

**8. Fuel cell manufacturing facility**

*Citation*: CGS Sec. 12-412(113)

*Description:* Material, equipment, tools, fuel and machinery used by a fuel cell manufacturing facility.

*History:* PA 01-6 of the June Special Session created the exemption.

*Fiscal Estimates:* $13.6 million in FY 24 and $13.9 million FY 25.

*Taxpayers Benefitting:* At least ten hydrogen and fuel cell original equipment manufacturers.

*Rationale:* Incentive.

**Aircraft**

**1. Flyable aircraft**

*Citation:* CGS Sec. 12-412(20)

*Description:* Sales of and the storage, use or other consumption, by a manufacturer of aircraft located in this state, of flyable aircraft complete with necessary equipment and modifications sold to persons taking delivery and using such aircraft as certificated or licensed carriers of persons or property in interstate or foreign commerce under authority of the laws of the United States or any foreign government, or sold to any foreign government for use by such government outside of this state, or sold to persons who are not residents of this state and who will not use such aircraft in this state otherwise than in the removal of such aircraft from this state.

*History:* The exemption has been in effect since the imposition of the tax.

*Fiscal Estimates:* Indeterminate.

*Taxpayers Benefitting:* Indeterminate.

*Rationale*: Clarification/Conformity. The exemption clarifies that such transactions are not taxable because they are out-of-state sales. The exemption also conforms the statutes to the U.S. Constitution, which prohibits states from violating the interstate commerce clause.

**2. Aircraft repair or replacement parts**

*Citation:* CGS Sec. 12-412(76)

*Description:* Sales of and the storage, use or other consumption of repair or replacement parts exclusively for use (A) in aircraft, or (B) in the significant overhauling or rebuilding of aircraft or aircraft parts or components on a factory basis.

*History:* PA 92-17 created the exemption. PA 97-316 extended the exemption to all aircraft with a certified weight of 6,000 pounds or more. PA 06-186 extended the existing sales tax exemptions for aircraft repair or replacement parts to all types of aircraft.

*Fiscal Estimates:* Combined estimates for Items 2, 3 and 4: $108.8 million in FY 24 and $111.6 million in FY 25.

*Taxpayers Benefitting:* Indeterminate.

*Rationale*: Incentive.

**3. Aircraft repair services**

*Citation:* CGS Sec. 12-412(77)

*Description:* Sales of aircraft repair services when such services are rendered in connection with (A) aircraft, or (B) the significant overhauling or rebuilding of aircraft or aircraft parts or components on a factory basis.

*History:* PA 92-17 of the May Special Session created the exemption. PA 97-316 extended the exemption to all aircraft with a certified weight of 6,000 pounds or more. PA 06-186 extended the existing sales tax exemptions for aircraft repair services to all types of aircraft.

*Fiscal Estimates*: See Fiscal Estimate for Item 2.

*Taxpayers Benefitting:* Indeterminate.

*Rationale*: Incentive.

**4. Materials, tools, fuel, machinery and equipment in an aircraft manufacturing facility**

*Citation:* CGS Sec. 12-412(78)

*Description:* Sales of and the storage, use or other consumption by an aircraft manufacturer operating an aircraft manufacturing facility in this state of materials, tools, fuel, machinery and equipment used in such facility.

*History:* PA 92-17 of the May Special Session created the exemption.

*Fiscal Estimates*: See Fiscal Estimate for Item 2.

*Taxpayers Benefitting:* Less than ten aircraft manufacturers.

*Rationale:* Incentive. The exemption is intended to reduce cascading.

**5. Certain aircraft**

*Citation:* CGS Sec 12-412(99)

*Description:* Sales of and the storage, use or other consumption of, aircraft having a maximum certificated takeoff weight of six thousand pounds or more. "Certificated takeoff weight" means the maximum such weight contained in the type certificate or airworthiness certificate.

*History*: PA 97-316 created the exemption.

*Fiscal Estimates:* Indeterminate.

*Taxpayers Benefitting:* Indeterminate.

*Rationale:* Incentive. The exemption is intended to reduce cascading.

**6. Aviation consulting**

*Citation:* CGS Sec 12-407(a)(37)(J)(iii)

*Description:* Business analysis, management, consultation and public relations services furnished in connection with an aircraft that (1) is leased or owned by a commercial air carrier; or (2) has a maximum take-off weight of at least 6,000 pounds.

*History:* PA 02-1 of the May Special Session created the exemption.

*Fiscal Estimates:* Indeterminate.

*Taxpayers Benefitting:* Indeterminate.

*Rationale*: Incentive. The exemption is intended to reduce cascading.

**Motor Vehicles**

**1. Commercial trucks, truck tractors, tractors and semi-trailers and vehicles used in combination therewith**

*Citation*: CGS Sec. 12-412(70)

*Description:* Sales of and the storage, use or other consumption of commercial trucks, truck tractors, tractors and semi-trailers, and vehicles used in combination therewith, which (i) have a gross vehicle weight rating in excess of twenty-six thousand pounds or (ii) are operated actively and exclusively during the period commencing upon its purchase and ending one year after the date of purchase for the carriage of interstate freight pursuant to a certificate or permit issued by the Interstate Commerce Commission or its successor agency.

*History:* PA 91-3 of the June Special Session created this exemption. PA 95-359 requires vehicles purchased under the exemption be operated actively and exclusively for the carriage of interstate freight during the one-year period following the purchase. PA 96-222 made a technical change.

*Fiscal Estimates:* Combined estimates for Items 1, 2, and 3: $9.4 million in FY 24 and $9.6 million in FY 25.

*Taxpayers Benefitting:* Indeterminate.

*Rationale*: Incentive.

**2. Sales of commercial motor vehicles where seventy-five percent of day-in-service revenue derives from trips involving other states**

*Citation:* CGS Sec. 12-412(82)

*Description:* Sales of commercial motor vehicles where seventy-five percent of day-in-service revenue derives from trips involving other states. (A) The sale of and the storage, use or other consumption of any commercial motor vehicle as defined in subparagraphs (A) and (B) of subdivision (11) of section 14-1, that is operating pursuant to the provisions of section 13b-88 or 13b-89, during the period commencing upon its purchase and ending one year after the date of purchase provided seventy-five percent of its revenue from its days in service is derived from out-of-state trips or trips crossing state lines. (B) Each purchaser of a commercial motor vehicle exempt from tax shall, in order to qualify for said exemption, present to the retailer a certificate, in such form as the commissioner may prescribe, certifying that seventy-five per cent of such vehicle's revenue from its days in service will be derived from out-of-state trips or trips crossing state lines. The purchaser of the motor vehicle shall be liable for the tax otherwise imposed if, during the period commencing upon its purchase and ending one year after the date of purchase, seventy-five percent of the vehicle's revenue from its days in service is not derived from out-of-state trips or trips crossing state lines.

*History:* PA 93-74 created the exemption. PA 95-359 required that the vehicles purchased under the exemption derived 75% of their revenue from out-of-state trips or trips crossing state lines. PA 04-217, PA 05-288, PA 08-150, PA 10-32, PA 12-1 of the June Special Session, and PA 14-122 made technical changes.

*Fiscal Estimates:* See Fiscal Estimate for Item 1.

*Taxpayers Benefitting:* Indeterminate.

*Rationale:* Incentive.

**3. Sales of motorbuses where seventy-five percent of day-in-service revenues derives from trips involving other states**

*Citation:* CGS Sec. 12-412(83)

*Description*: Sales of motorbuses where seventy-five percent of day-in-service revenues derives from trips involving other states.

*History:* PA 93-74 created the exemption. PA 95-359 required that the vehicles purchased under the exemption derived 75% of their revenue from out-of-state trips or trips crossing state lines. PA 04-217 made a technical change.

*Fiscal Estimates:* See Fiscal Estimate for Item 1.

*Taxpayers Benefitting:* Indeterminate.

*Rationale*: Incentive.

**Fuel**

**1. Aviation fuel used exclusively and directly in the experimental testing of any product**

*Citation:* CGS Sec. 12-412(59)

*Description:* Sales of and storage, use or other consumption of any aviation fuel used exclusively and directly in the experimental testing of any product.

History: PA 87-119 created the exemption.

*Fiscal Estimates:* Indeterminate.

*Taxpayers Benefitting:* Indeterminate.

*Rationale:* Incentive/Redundancy. The exemption is intended to reduce cascading. Also, the first in-state sale of petroleum products, including aviation fuel, is subject to the Petroleum Companies Gross Receipts Tax. This fuel is not subject to the Motor Fuels Excise Tax.

**2. Aviation fuel**

*Citation*: CGS Sec. 12-412(75)

Description: Sales of and storage, use or other consumption of aviation fuel used exclusively for aviation purposes.

*History:* Formerly, aviation fuel was taxed at 2.5% but was exempted by PA 92-17.

*Fiscal Estimates:* $22.2 million in FY 24 and $22.8 million in FY 25.

*Taxpayers Benefitting:* Indeterminate.

*Rationale:* Incentive/Redundancy. The exemption is intended to make in-state businesses more competitive with those out of state. Also, the first in-state sale of petroleum products, including aviation fuel, is subject to the Petroleum Companies Gross Receipts Tax. This fuel is not subject to the Motor Fuels Excise Tax.

**3. Marine fuel**

*Citation:* CGS Sec. 12-412(79)

*Description:* Sales and the storage, use or other consumption of bunker fuel oil, intermediate fuel, marine diesel oil and marine gas oil for use in any vessel having a displacement exceeding four thousand dead weight tons or for use in any vessel primarily engaged in interstate commerce.

*History:* PA 92-17 of the May Special Session created the exemption. PA 95-160 added vessels primarily used in interstate commerce. PA 97-243 clarified the exemption of fuels for use in vessels primarily engaged in interstate commerce.

*Fiscal Estimates:* $17 million in FY 24 and $17.4 million in FY 25.

*Taxpayers Benefitting:* Indeterminate.

*Rationale:* Incentive/Redundancy. The exemption is intended to make instate businesses more competitive with those out of state. Also, the first in-state sale of petroleum products, including marine fuel, is subject to the Petroleum Companies Gross Receipts Tax. This fuel is not subject to the Motor Fuels Excise Tax.

**4. Fuel used in portable power systems**

*Citation:* CGS Sec. 12-412(107)

*Description*: Sales of, and the storage, use or other consumption of, diesel fuel to be used exclusively in portable power system generators that are larger than one hundred fifty kilowatts.

*History:* PA 99-173 created the exemption.

*Fiscal Estimates:* Indeterminate.

*Taxpayers Benefitting:* Indeterminate.

*Rationale*: Expediency and conformity.

**Other Business Purchases**

1. **Commodities in the form traded on boards of trade and not converted to use by the purchaser**

   *Citation:* CGS Sec. 12-412(30)

   *Description*: Sales and storage of any commodity in the form traded on any contract market or other board of trade as defined in the Commodity Exchange Act, as amended, provided this exemption shall not apply to any commodity subsequently converted to use by a purchaser and in such event such purchaser shall be liable for the tax under section 12-411 unless otherwise exempt under any of the provisions of this section.

   *History:* PA 77-266 created the exemption.

   *Fiscal Estimates:* Indeterminate.

   *Taxpayers Benefitting:* Indeterminate.

   *Rationale*: Incentive. The exemption is intended to reduce cascading. It applies to items such as agricultural commodities, which are sold in the line of business and not used directly by the purchaser. This is analogous to sale for resale, which is not taxable.

2. **Containers**

   *Citation:* CGS Sec. 12-412(14)

   *Description:* (A) Non-returnable containers and returnable dairy product containers when sold without the contents to persons who place the contents in the container and sell the contents together with the container; (B) containers when sold with the contents if the sales price of the contents is not required to be included in the measure of the taxes imposed by this chapter; (C) returnable containers when sold with the contents in connection with a retail sale of the contents or when resold for refilling.

   *History:* The exemption has been in effect since the imposition of the tax. PA 87-50 clarified that returnable containers do not include non-refillable beverage containers. The language concerning returnable dairy product containers was added by PA 92-17 of the May Special Session. PA 02-103 made technical changes.

   *Fiscal Estimates*: Indeterminate.

   *Taxpayers Benefitting:* Indeterminate.

   *Rationale:* Incentive. The exemption is intended to reduce cascading. It applies to containers used as packaging for contents which will be sold at retail.

3. **Printed material manufactured for a purchaser in Connecticut to be delivered for use outside the state**

   *Citation*: CGS Sec. 12-412(31)

   *Description:* Sales of any printed material which has been manufactured in Connecticut to the special order of a purchaser and which, within thirty days following delivery to such purchaser, is to be delivered for use outside Connecticut.

   *History*: PA 77-370 created the exemption.

*Fiscal Estimates:* Less than $100,000 in FY 24 and FY 25.

*Taxpayers Benefitting:* Indeterminate.

*Rationale:* Incentive. The exemption is intended to make in-state businesses more competitive with those out of state.

**4. Machinery, equipment, tools, materials and supplies used in commercial printing**

*Citation:* CGS Sec. 12-412(71)

*Description:* Sales of and the storage, use or other consumption of machinery, equipment, tools, materials and supplies used exclusively in the production of printed material by a commercial printer or publisher. The "production of printed material" includes all processes necessary to convert manuscript copy into printed material, including but not limited to, layout, color separation and typesetting.

*History*: PA 91-3 of the June Special Session created the exemption. PA 92-5 of the May Special Session amended the exemption to extend the exemption to publishers. PA 97-243 required that the items be used predominantly, rather than exclusively, to produce printed material.

*Fiscal Estimates:* $4.7 million in FY 24 and $4.9 million FY 25.

*Taxpayers Benefitting:* Approximately 130 printing establishments.

*Rationale:* Incentive. The exemption is intended to reduce cascading.

**5. Machinery, equipment, tools, materials and supplies for typesetting, color separation, finished copy, or similar products**

*Citation*: CGS Sec. 12-412(72)

*Description:* Sales of and the storage, use or other consumption of machinery, equipment, tools, materials and supplies used exclusively in the production of typesetting, color separation, finished copy with type proofs and artwork or similar content mounted for photomechanical reproduction, or other similar products to be sold for use in the production of printed materials.

*History:* PA 91-3 of the June Special Session created the exemption. PA 97-243 required that the items be used predominantly, rather than exclusively, for printed material.

*Fiscal Estimates*: Less than $100,000 in FY 24 and FY 25.

*Taxpayers Benefitting:* Less than 50 establishments.

*Rationale*: Incentive. The exemption is intended to reduce cascading.

**6. Personal property for incorporation into or used in waste treatment facilities**

*Citation*: CGS Sec. 12-412(21)

*Description*: Sales of and the storage, use or other consumption of tangible personal property acquired for incorporation into, or used and consumed in the operation of facilities for, the treatment of industrial waste before the discharge thereof into any waters of the state or into any sewerage system emptying into such waters, the primary purpose of which is the reduction, control or elimination of pollution of such waters.

*History*: The 1967 acts created the exemption. The 1969 acts amended the exemption to include property "...used and consumed in the operation of facilities." The 1971 acts made a technical change.

*Fiscal Estimates*: Combined estimates for Items 6 and 7: $500,000 in FY 24 and FY 25.

*Taxpayers Benefitting:* Approximately 25 establishments operating water treatment plants and/or water supply systems.

*Rationale*: Incentive.

**7. Personal property incorporated into or consumed in air pollution control facilities**

*Citation:* CGS Sec. 12-412(22)

*Description:* Sales of and the storage, use or other consumption of tangible personal property or supplies acquired for incorporation into or used and consumed in the operation of facilities, the primary purpose of which is the reduction, control or elimination of air pollution, certified as approved for such purpose by the Commissioner of Environmental Protection.

*History:* The 1967 acts created the exemption. The 1969 acts amended the exemption to include property "...used and consumed in the operation of facilities." The 1971 acts made a technical change.

*Fiscal Estimates:* See Fiscal Estimate for Item 6.

*Taxpayers Benefitting:* Indeterminate.

*Rationale:* Incentive.

**8. Certain motion picture, video, television and radio production and broadcast equipment**

*Citation:* CGS Sec. 12-412(44)

*Description:* (A) Sales of and the storage, use or other consumption of any filmed and taped television and radio programs and any materials which become an ingredient or component part of films or tapes which are used directly in the production and transmission of finished programs (i) broadcast to the general public by a television or radio station or (ii) for purposes of accredited medical or surgical training, including any equipment used for such purpose; (B) sales of and the storage, use, rental, lease or other consumption of any motion picture or video production equipment or sound recording equipment purchased or leased for use in this state for production activities which become an ingredient or component part of any master tapes, records, video tapes or film produced for commercial entertainment, commercial advertising or commercial educational purposes; or (C) sales of and the storage, use, rental or lease of equipment, including, but not limited to, antennas used directly in the production or broadcast of programs to the general public by a television or radio station.

*History*: PA 82-444 created the exemption. PA 90-295 amended the exemption to include surgical training, including any equipment used for such purpose. PA 91-3 of the June Special Session narrowed the exemption by excluding equipment for broadcasts to the general public and surgical training productions. PA 93-74 added equipment used for medical or surgical training. PA 95-160 added equipment for commercials. PA 97-316 added equipment used in production or broadcast of programs for the general public.

*Fiscal Estimates:* Less than $100,000 in FY 24 and FY 25.

*Taxpayers Benefitting:* Indeterminate.

*Rationale*: Incentive. The exemption is intended to reduce cascading.

**9. Motion picture leasing or rental**

*Citation*: CGS Sec. 12-407(2)(J) and 12-412(50)

*Description:* The leasing or rental of any motion picture film by the owner or operator of a motion picture theater for purposes of display at such theater.

*History*: PA 85-513 created the exemption.

*Fiscal Estimates:* $1.7 million in FY 24 and FY 25.

*Taxpayers Benefitting:* Approximately 70 theaters.

*Rationale*: Expediency.

**10. Computer-related cleaning equipment**

*Citation*: CGS Sec. 12-412(64)

*Description:* Sales of and the storage, use or other consumption of equipment used directly in the production and cleaning of computer discs for purposes of creating and maintaining the atmospheric environment necessary in the area immediately surrounding such production and cleaning process, including with respect to such area, climate control, air quality and a positive pressure mode adapted to the particular climate and air quality requirements of such production and cleaning process.

*History:* PA 90-262 created the exemption.

*Fiscal Estimates*: Indeterminate.

*Taxpayers Benefitting:* Indeterminate.

*Rationale:* Incentive. The exemption is intended to reduce cascading.

**11. Molds, dies, patterns and sand handling equipment for metal casting foundries**

*Citation:* CGS Sec. 12-412(65)

*Description:* The purchase and sale by metal casting foundries of molds, dies, patterns and sand handling equipment.

*History*: PA 90-336 created the exemption.

*Fiscal Estimates* Combined with Item 12: $200,000 in FY 24 and FY 25.

*Taxpayers Benefitting:* Indeterminate.

*Rationale*: Incentive. The exemption is intended to reduce cascading.

**12. Molds, dies, patterns for pattern shops and metal casting foundries**

*Citation:* CGS Sec. 12-412(66)

*Description:* The sale by pattern shops of molds, dies and patterns to metal casting foundries or their customers for use in such foundries, and the purchase and use of such items by pattern shops in connection with any such sales.

*History*: PA 90-336 created the exemption.

*Fiscal Estimates*: See Fiscal Estimate for Item 11.

*Taxpayers Benefitting:* Indeterminate.

*Rationale:* Incentive. The exemption is intended to reduce cascading.

**13. Optical lens manufacturing equipment**

*Citation*: CGS Sec. 12-412(81)

*Description:* Sales of and the storage, use or other consumption of machinery, equipment, tools and materials used exclusively in the fabrication of optical lenses.

*History:* PA 93-360 created the exemption.

*Fiscal Estimates*: $200,000 in FY 24 and FY 25.

*Taxpayers Benefitting:* Indeterminate.

*Rationale:* Incentive. The exemption is intended to reduce cascading.

**14. Commercial photographic film and paper processing materials**

*Citation:* CGS Sec. 12-412(88)

*Description*: Sales of and the storage, use or other consumption of machinery, equipment, tools and materials used exclusively in the commercial processing of photographic film and paper.

*History*: PA 96-172 created the exemption.

*Fiscal Estimates:* Indeterminate.

*Taxpayers Benefitting:* Indeterminate.

*Rationale*: Incentive.

**15. Machinery, equipment, tools, materials, supplies and fuel used in the biotechnology industry**

*Citation:* CGS Sec. 12-412(89)

*Description:* Sales of and the storage, use or other consumption of machinery, equipment, tools, materials, supplies and fuel used directly in the biotechnology industry.

*History:* PA 96-252 created the exemption. PA 03-225 made a technical change and eliminated "to develop microorganisms for specific uses."

*Fiscal Estimates:* $2.3 million in FY 24 and FY 25.

*Taxpayers Benefitting:* Approximately 100 biotechnology research and development laboratories.

*Rationale:* Incentive.

**16. Services or tangible personal property for the operation of projects of the Materials Innovation and Recycling Authority**

*Citation*: CGS Sec 12-412(92)

*Description:* The sales and use of any services or tangible personal property to be incorporated into or used or otherwise consumed in the operation of any project of the Materials Innovation and Recycling Authority established pursuant to section 22a-261 whether such purchases are made directly by the authority or are reimbursed by the authority to the lessee or operator of such project.

*History*: PA 95-160 created the exemption. PA 14-94 made a technical change.

*Fiscal Estimates: $*0. The trash-to-energy plant in Hartford closed in July 2022.

*Taxpayers Benefitting:* Materials Innovation and Recycling Authority.

*Rationale*: Incentive.

**17. Tangible personal property or services to tourism districts**

*Citation*: CGS Sec. 12-412(93)

*Description*: Sales of tangible personal property or services to any tourism district, as defined in CGS Section 10-397.

*History:* PA 97-316 created the exemption. PA 03-6 of the June Special Session made a technical change.

*Fiscal Estimates:* Indeterminate.

*Taxpayers Benefitting:* Per CGS Sec. 10-397, the state is divided into three regional tourism districts.

*Rationale:* Conformity. Quasi-public entities are equated to state agencies.

**18. Services or tangible personal property used or consumed in operating solid waste-to-energy facilities**

*Citation:* CGS 12-412(95)

*Description*: The sales or use of any services or tangible personal property to be incorporated into or used or otherwise consumed in the operation of a solid waste-to-energy facility, certified as approved for such purpose by the Commissioner of Environmental Protection, whether such purchases are made directly by an authority or an operating committee, or are reimbursed by an authority or operating committee to the lessee or operator of such facility.

*History*: The exemption was created by PA 97-316. PA 11-6 repealed the exemption. However, PA 11-61 amended PA 11-6 by deleting the repeal and thus maintained the exemption.

*Fiscal Estimates:* $500,000 in FY 24 and FY 25.

*Taxpayers Benefitting:* Less than ten solid waste combustors and incinerator facilities.

*Rationale:* Incentive.

**19. Machinery and equipment used in maintaining railroad right of ways**

*Citation:* CGS Sec 12-412(103)

*Description*: Sales of and the storage, use or other consumption of railroad locomotives, track ballasts, ties, rails, machinery and equipment used to maintain the railroad right-of-way which is used or operated exclusively for the carriage of freight.

*History:* PA 99-173 created the exemption.

*Fiscal Estimates:* Indeterminate.

*Taxpayers Benefitting:* Indeterminate.

*Rationale:* Expediency and Incentive.

**21. Fulfillment sales companies**

*Citation:* CGS Sec 12-407(a)(15)(C) and 12-407c

*Description:* Fulfillment companies are exempt from any requirement to collect sales tax on items it stores for an unaffiliated out-of-state retailer.

*History*: PA 00-227 created the exemption.

*Fiscal Estimates:* Indeterminate.

*Taxpayers Benefitting:* Indeterminate.

*Rationale:* Expediency and Incentive.

**22. Data transmission equipment sold to telecom or CATV companies**

*Citation:* CGS Sec. 12-412(112)

*Description:* Exempt the sales of equipment to a telecom company or CATV company that is used to provide high speed data transmission or broadband internet service.

*History:* PA 00-170 created this exemption.

*Fiscal Estimates:* Indeterminate.

*Taxpayers Benefitting:* Indeterminate.

*Rationale:* Expediency and Incentive.

**23. Connecticut credit unions**

*Citation:* CGS Sec. 12-412(121)

*Description:* Sales of tangible personal property or services to, and the storage, use or other consumption of tangible personal property or services by, a Connecticut credit union. A Connecticut credit union is a credit union that: (a) is a cooperative, nonprofit financial institution organized under, and the membership of which is limited by, Connecticut law; (b) operates for the benefit and general welfare of its members with the earnings, benefits, or services offered being distributed to, or retained for, its members; and (c) is governed by a volunteer board of directors elected by and from its membership.

*History:* PA 14-217 created the exemption effective July 1, 2016.

*Fiscal Estimates*: $2.3 million in FY 24 and $2.4 million FY 25.

*Taxpayers Benefitting:* Approximately 27 credit unions.

*Rationale:* Incentive.

**24. Connecticut Innovations sales and use relief program for selected projects**

*Citation:* CGS Sec. 32-46(b)

*Description:* Sales of and the storage, use or other consumption of any tangible personal property or services acquired for incorporation into or used and consumed in connection with the development, construction, rehabilitation, renovation or repair of a project approved by the board of directors of Connecticut Innovations. In approving an exemption, the board may limit or condition its use and provide a certificate specifying the exempted property and services.

*History:* PA 97-316 allowed the former Connecticut Development Authority (CDA) to purchase goods and services on behalf of other entities without charging them for sales and use taxes. PA 12-1 of the June Special Session merged CDA into Connecticut Innovations (CI) and created the exemption for use by CI effective July 1, 2012.

*Fiscal Estimates*: $3.7 million in FY 24 and $3.8 million FY 25.

*Taxpayers Benefitting:* Under 20 companies.

*Rationale:* Incentive.

**25. Qualified data centers**

*Citation:* CGS Sec. 32-286

*Description:* Data centers that meet the definition of "qualified data center" as described in law and enter into an agreement with the Department of Economic and Community Development may qualify for the following exemptions:

1. The sale of and the storage, use, or other consumption in the state of "qualified data center equipment," as defined under law, (a) acquired for incorporation into a facility used or to be used as a qualified data center or (b) used and consumed in developing, acquiring, constructing, rehabilitating, renovating, repairing, or operating such a facility;
2. the sale of and the acceptance, use, or consumption in the state of any taxable service that is used and consumed in developing, acquiring, constructing, rehabilitating, renovating, repairing, or operating such a facility; and
3. all electricity used by the qualified data center.

Under the law, a "qualified data center" is a "facility" that is developed, acquired, constructed, rehabilitated, renovated, repaired, or operated, to house a group of networked computer servers in one physical location or multiple contiguous locations to centralize the storage, management, and dissemination of data and information pertaining to a particular business or classification or body of knowledge. A "facility" is one or more contiguous tracts of land in the state and any structure and personal property contained on that land.

*History:* PA 21-1 created the exemption effective July 1, 2021.

*Fiscal Estimates*: $4.8 million in FY 24 and FY 25.

*Taxpayers Benefitting:* Under 10 taxpayers.

*Rationale:* Incentive.

**26. Beer and wine manufacturers**

*Citation:* CGS Sec. 12-412m

*Description:* Certain beer and wine manufacturers qualify for the following sales and use tax exemptions:

1. gas and electricity for direct use in a manufacturing plant, provided it is a metered building where at least 75% of the gas or electricity consumed is used for manufacturing purposes (CGS § 12-412(3)(A));
2. materials, tools, and fuel to become part of items sold or used directly in an industrial plant to make finished products for sale (CGS § 12-412(18)); and
3. materials, tools, fuels, machinery, and equipment used in manufacturing that are not otherwise eligible for an exemption (50% of the gross receipts from such items) (CGS § 12-412i).

The law extends these sales and use tax exemptions to beer manufacturers that are not otherwise eligible because they manufacture or will manufacture beer at a facility that also makes substantial retail sales.

*History:* PA 21-2 of the June Special Session created the exemption for beer manufacturers, effective July 1, 2023. PA 22-118 extended the exemption to manufacturer permittees for (1) a farm winery and (2) wine, cider, and mead, also effective July 1, 2023.

*Fiscal Estimates*: $1.8 million in FY 24 and FY 25.

*Taxpayers Benefitting:* Under 200 manufacturers.

*Rationale:* Incentive.

**C. Service Exemptions**

**1. Personal service transactions involving sales of inconsequential elements**

*Citation:* CGS Sec. 12-412(11)

*Description*: Professional, insurance or personal service transactions, except any such service transaction described in subdivision (2) of subsection (a) of section 12-407, which involve sales as inconsequential elements for which no separate charges are made.

*History*: PA 75-213 created the exemption.

*Fiscal Estimates:* Indeterminate.

*Taxpayers Benefitting:* Indeterminate.

*Rationale*: Efficiency.

**2. Services to determine the effect on human health of consumption or use of a product or substance**

*Citation:* CGS Sec. 12-412(41)

*Description*: Sales of services used to determine the probable consequences in relation to human health of the consumption or other use of any product, substance or element.

*History*: PA 81-327 created this exemption.

*Fiscal Estimates:* Indeterminate.

*Taxpayers Benefitting:* Indeterminate.

*Rationale*: Clarification. These services were considered to be related to medical services, which were not taxable when the exemption was passed.

**3. Motor vehicle driving service performed out of state**

*Citation:* CGS Sec. 12-412(36)

*Description:* The sale of any motor vehicle driving service to the extent of that proportionate part of gross receipts from such service rendered which is directly related to actual driving performance outside the state.

*History:* PA 79-419 created this exemption.

*Fiscal Estimates:* Indeterminate.

*Taxpayers Benefitting:* Indeterminate.

*Rationale:* Clarification.

**4. Services related to personnel, management or research when company rendering service and recipient are participating in a joint venture for purposes of research and new product development**

*Citation:* CGS Sec. 12-412(58)

*Description:* Sales of any services rendered for purposes of (A) personnel services, (B) commercial or industrial marketing, development, testing or research services, or (C) business analysis and management services, whenever, pursuant to a joint venture agreement, the recipient of any such services is either a corporation, a partnership, or a limited liability company, and such services are rendered by one or more corporate shareholders, or a corporate partner, or corporate member in such joint venture, and in accordance with which the company rendering such service must have an ownership interest equivalent to not less than twenty-five percent of total ownership in such joint venture, provided (i) the purpose of such joint venture is directly related to production or development of new or experimental products or systems and the marketing and support thereof, (ii) at least one of the corporations participating in such joint venture shall have been actively engaged in business in this state for not less than ten years, and (iii) exemption for such sales in accordance with this subsection, with respect to any single joint venture, shall not be allowed for a period in excess of twenty consecutive years from the date of such venture's incorporation, formation or organization, or in the case of a joint venture in existence prior to January 1, 1986, within the aircraft industry, for a period in excess of thirty consecutive years, and such exemption shall be applicable to sales of such services rendered on or after January 1, 1986.

*History:* PA 86-120 created the exemption. PA 99-173 extended the exemption from 10 years to 30 years for services provided between companies engaged in a joint venture. PA 06-187 extended the exemption to limited liability corporations, extended the exemption's duration from 10 to 20 consecutive years and specified that it starts from the date the joint venture is formed, incorporated, or organized. PA 12-1 of the June Special Session expanded eligibility for, and extended the duration of, the exemption for certain kinds of joint ventures in the aircraft industry.

*Fiscal Estimates:* Indeterminate.

*Taxpayers Benefitting:* Indeterminate.

*Rationale:* Incentive.

**5. Services rendered between parent companies and wholly-owned subsidiaries**

*Citation:* CGS Sec. 12-412(62)

*Description:* (A) Sales of any of the services enumerated in subdivisions (2) (i), (2) (k) or (2) (l) of CGS Sec. 12-407 that are rendered for a business entity affiliated with the business entity rendering such service in such manner that (i) either business entity in such transaction owns a controlling interest in the other business entity, or (ii) a controlling interest in each business entity in such transaction is owned by the same person or persons or business entity or business entities.

*History*: Prior to 1986, the Department of Revenue Services (DRS) did not view these services as taxable even though they were not specifically exempted in statute. DRS's policy changed in 1986, which resulted in the passage of PA 87-1. The act exempted the services but this exemption was to sunset on 6/30/88. PA 88-307 repealed the sunset date. PA 97-243 allowed companies to use the exemption for profit purposes and made technical changes. PA 99-173 expanded the exemption to include sales between businesses, other than corporations, where the same interest owns 100% of each business. It also exempted telecom services and CATV services rendered between patent companies and wholly owned subsidiaries. PA 01-6 of the June Special Session extended this exemption to include federally recognized Indian tribes. PA 02-103 made technical changes. PA

17-2 of the June Special Session expands the sales and use tax exemption for services rendered between parent and subsidiaries from businesses that own a 100% controlling interest in the other, to at least 80% ownership threshold, for media businesses organized as corporations or single-member LLCs, and who are principally located in the state, effective July 1, 2019.

*Fiscal Estimates:* Indeterminate.

*Taxpayers Benefitting:* Indeterminate.

*Rationale:* Incentive/Clarification. Incentive because the exemption is intended to reduce cascading. Enumerated services, as defined in CGS 12-407(2), are taxable when provided by one unaffiliated business entity to another, but nontaxable when divisions of a single entity provides these services for internal use. The exemption provides horizontal equity for firms that are organized into a parent company with wholly-owned subsidiaries, rather than divisions. Clarification because it was created in response to efforts by the Department of Revenue Services (DRS) to tax the services.

**6. Computer and data processing services**

*Citation:* CGS Sec. 12-407(a)(37)(A) and 12-408(1)(D) and 12-411(1)(E)

*Description*: The statute phases down the tax rate on such services from the Sales and Use Taxes to 1% permanently effective July 1, 2004. Computer and data processing services include services rendered in connection with the world wide web as of October 1, 2015.

*History:* PA 94-4 of the May Special Session created the exemption. PA 95-160 delayed the effective date of the phase-out of the tax. PA 97-243 added the exemption to the use tax. PA 97-316 created a full exemption for world wide web related services. PA 00-170 accelerated the phase-out on Internet service access charges effective 7/1/01 from 1% to 0%. PA 02-1 of the May Special Session postponed by two years the elimination of the phase-out from 7/1/02 to 7/1/04. PA 03-1 of the June Special Session made the 1% rate permanent effective 7/1/04. PA 15-244, as amended by PA 15-5 of the June Special Session applied the 1% tax rate for computer and data processing services to world wide web services effective October 1, 2015. PA 19-117 eliminated the reduced rate of 1% for digital goods and applied the general sales tax rate to those items.

*Fiscal Estimates:* $480.3 million in FY 24 and $492.4 million in FY 25.

*Taxpayers Benefitting:* Indeterminate.

*Rationale:* Incentive. The phase-out was intended to reduce cascading.

**7. Certain sales of computer and data processing services**

*Citation:* CGS Sec. 12-412(74)

*Description*: (A) Sales of computer and data processing services or equipment rendered to a customer (i) by a retailer which acquired the operations of a data processing facility from the customer, provided such customer operated the facility for its own use.

*History*: PA 92-193 created the exemption which applied to services rendered by a company that, on or after July 1, 1991, acquired the operations of a data processing facility from the customer to which it sells the services. PA 93-332 extended the exemption to sales rendered by another company that acquires the operations of such facility and continues to provide the services to the original customer. PA 95-160 extended the exemption to services rendered to a customer by a retailer that, on or after July 1, 1995, acquired the data procession operations from the customer, if the customer formerly conducted such operations for its own use. PA 97-295 made technical changes. PA 00-170 and PA 00-174 clarified the exemption.

*Fiscal Estimates*: Indeterminate.

*Taxpayers Benefitting:* Indeterminate.

*Rationale:* Incentive.

**8. Landscaping, horticulture, window cleaning or maintenance services rendered to certain disabled persons**

*Citation:* CGS Sec. 12-412(85)

*Description:* Sales of any landscaping and horticultural services, window cleaning services or maintenance services, as described in subdivision (i) of subsection (2) of section 12-407, on or after July 1, 1994, which are rendered to a person determined to be eligible for, and currently receiving, total disability benefits under the Social Security Act, provided such services are rendered at the residence of such person.

*History:* PA 93-74 created the exemption. PA 95-359 made technical changes and added the requirement that the recipient is currently receiving disability benefits. PA 97-243 exempted landscaping and horticulture services, window cleaning services and maintenance services and eliminated the exemption for janitorial and exterminating services. PA 02-103 made technical changes.

*Fiscal Estimates:* Indeterminate.

*Taxpayers Benefitting:* Indeterminate.

*Rationale:* Perceived Equity.

**9. Shoe repair services**

*Citation*: CGS Sec. 12-412(105)

*Description:* Sales of shoe repair services.

*History*: PA 99-173 created the exemption.

*Fiscal Estimates:* Less than $150,000 in FY 24 and FY 25.

*Taxpayers Benefitting:* Indeterminate.

*Rationale*: Expediency.

**10. Calibration services and ISO services**

*Citation:* CGS Sec. 12-412(104)

*Description:* Sales, use or other consumption of (A) calibration services for machinery, equipment or instrumentation used in a manufacturing production process; or (B) other sales, use or other consumption of services or compliance practices associated with registration and compliance of quality management and quality assurance standards as part of standards created by the International Organization of Standards.

*History*: PA 99-173 created this exemption.

*Fiscal Estimates:* $19.2 million in FY 24 and $19.7 million in FY 25.

*Taxpayers Benefitting:* Indeterminate.

*Rationale:* Expediency and Incentive.

**11. "Call Before You Dig" services**

*Citation:* CGS Sec. 12-412(106)

*Description:* Sales of services enumerated in subparagraph (J) of subdivision (2)(i) of section 12-407 ("Call Before You Dig"), on or after July 1, 1999, which services are rendered to the central clearinghouse organized and operated under the direction of the Department of Public Utility Control, by the public utilities of this state for receiving and giving the notices required by section 16-349.

*History:* PA 99-173 created this exemption. PA 02-103 made technical changes.

*Fiscal Estimates:* Indeterminate.

*Taxpayers Benefitting:* Indeterminate.

*Rationale:* Expediency.

**12. Sale of repair or maintenance on vessels**

*Citation*: CGS Sec. 12-408(1)(E) and 12-411(1)(D)

*Description*: Sales of repair or maintenance or labor services on vessels as defined in CGS Sec. 15-127 are exempt from the sales and use taxes. With respect to the sale of a vessel, such sale shall be exempt from such tax provided such vessel is docked in this state for sixty or fewer days in a calendar year.

PA 96-232 of the May Special Session created this exemption. PA 99-173 added labor services to the Sales Tax Exemption. PA 13-184 provided an exemption to the sale of vessels that dock in the state for sixty or fewer days in a calendar year.

*Fiscal Estimates:* $4.9 million in FY 24 and $5 million in FY 25.

*Taxpayers Benefitting:* Indeterminate.

*Rationale:* Incentive.

**13. Renovation and repair for residential real property**

*Citation*: Does not appear in statutory language.

*Description:* Sales of renovation and repair services of paving of any sort, painting or staining, wallpapering, roofing, siding and exterior sheet metal work other than industrial, commercial or income producing real property.

*History*: PA 99-173 phased out the sales tax on certain renovation and repair services. PA 02-103 eliminated the phase-out language and any reference to the tax on those specific repair services.

*Fiscal Estimates:* $68.5 million in FY 24 and $70.2 million in FY 25.

*Taxpayers Benefitting:* Indeterminate.

*Rationale:* Expediency.

**14. Property management and maintenance services to certain owner-occupied properties**

*Citation*: CGS Sec. 12-407(a)(37)(I)

*Description:* Services to industrial, commercial or income-producing real property used exclusively for residential purposes in which the owner resides and which contains no more than three

dwelling units. Services include, but are not limited to, management, electrical, plumbing, painting and carpentry, provided income-producing property shall not include property.

*History*: PA 75-213 created the exemption

*Fiscal Estimates:* Indeterminate.

*Taxpayers Benefitting:* Indeterminate.

*Rationale*: Perceived equity and incentive.

**15. Patient care services**

*Citation:* CGS Secs. 12-408(1)(F) and 12-411 (1)(E)

*Description:* Patient care services means therapeutic and diagnostic medical services provided by the hospital to inpatients and outpatients including tangible personal property transferred in connection with such services.

*History*: PA 99-173 reduced the tax on hospital services from 6.0% to 5.75%. PA 00-174 clarified the term "patient care services." PA 01-6 of the June Special Session suspended the tax on these services from 7/1/01 to 6/30/03. PA 02-3 provided that patient care services are those for which payment is received by the hospital. PA 03-1 of the June Special Session eliminated the 5.75% tax on these services and thus exempted the services from any sales and use tax.

*Fiscal Estimates:* Combined estimates for Item 15 and 16: $460.3 million in FY 24 and $471.9 million in FY 25.

*Taxpayers Benefitting:* Approximately 2 million inpatient and outpatient visits.

*Rationale:* Expediency.

**16. Children's Hospital and the John Dempsey Hospital**

*Citation*: CGS Sec. 12-407(a)(28)

*Description*: Any hospital which, on January 30, 1997, is within the class of hospitals licensed by the department as children's general hospitals. Also any short-term acute hospital operated exclusively by the state other than a short-term acute hospital operated by the state as a receiver pursuant to Chapter 920 (John Dempsey Hospital of the University of Connecticut).

*History*: PA 97-2 created the exemption. PA 99-173 exempted John Dempsey Hospital from the Sales and Use Tax.

*Fiscal Estimates*: See Fiscal Estimate for Item 15.

*Taxpayers Benefitting*: Indeterminate.

*Rationale:* Expediency.

**17. Tangible property purchased by sole community hospitals**

*Citation:* CGS Sec. 12-412(5)(C)

*Description:* Sales of tangible personal property or services to an acute care hospital, operating as a sole community hospital in this state for the exclusive purposes of such sole community hospital. Federal law defines a "sole community hospital" as one that is more than 35 miles from similar hospitals or located in a rural area and meets one of several other conditions (42 CFR § 412. 92).

*History*: PA 03-6 of the June Special Session created the exemption for the sales of medical equipment and supplies for patient care to and by acute care, for-profit hospitals. PA 04-2 of the

May Special Session amended the exemption to apply to tangible personal property or services and made the exemption retroactive to a facility if it filed for a certificate of need prior to July 1, 2004. PA 14-217 amended the exemption to apply to acute care hospitals, operating as a "sole community hospital" in lieu of acute care, for profit hospitals, and applied the exemption to FY 15 through FY 18. PA 15-5 of the June Special Session eliminates the sunset on the current sales tax exemption for sole community hospitals, making the exemption permanent.

*Fiscal Estimates:* $1.6 million in FY 24 and FY 25.

*Taxpayers Benefitting*: Fewer than 10.

*Rationale*: Expediency.

**18. Payments for the services of leased or contract employees**

*Citation:* CGS Secs. 12-407(a)(8)(B) and 12-407(a)(9)(B)

*Description:* Payments for the services of leased or contract employees are excluded from the definition of "sales price" and "gross receipts" for retailers who have contracted to manage a service recipient's property or business premises.

*History*: PA 91-3 of the June Special Session clarified that the taxable basis for management services is only the amount charged for the service itself and not the salaries or fringe benefits of workers who render the service. PA 92-17 of the May Special Session further clarified the taxable basis of management services. PA 93-332 specified that employee compensation for long-term leasing services, but not temporary employment services, are exempt. PA 00-170 extended the exemption to employees paid under professional employee contracts.

*Fiscal Estimates*: Indeterminate.

*Taxpayers Benefitting*: Indeterminate.

*Rationale:* Clarification and Conformity.

**19. Motor vehicle parking in employer-operated lots**

*Citation*: CGS Sec. 12-407(a)(37)(N)

*Description*: Motor vehicle parking in employer-operated lots (a) owned or leased for a minimum of 10 years and (b) operated for the exclusive use of employees.

*History:* PA 89-251 made motor vehicle parking services taxable. PA 91-3 of the June Special Session clarified the scope of motor vehicle parking. PA 92-17 of the May Special Session added the exclusion for employers to charge their employees for parking spaces without the administrative burden of remitting tax. It was intended to encourage employees to use public transportation or carpool. PA 93-74 excluded valet parking services at airports. PA 95-160 exempted municipally-owned railroad parking facilities in municipalities located within an area of the state designated as a severe non-attainment area for ozone under the federal Clean Air Act. PA 01-6 of the June Special Session exempted state owned or operated parking at railroad parking faculties. PA 11-6 repealed the exemption on valet parking services at airports. PA 15-244, as amended by PA 15-5 JSS eliminated the exemption for the following: specific types of tax-exempt organizations that operate seasonal lots, specifically (1) the state and its political subdivisions; (2) federal tax-exempt nonprofit organizations; and (3) nonprofit charitable hospitals, nursing homes, rest homes, residential care homes, and certain acute-care hospitals. PA 16-72 and PA 16-3 of the May Special Session exempt non-metered motor vehicle parking in municipally-owned parking lots with 30 or more spaces and seasonal lots with 30 or more spaces operated by federal, state, or political subdivisions, effective from passage (May 27, 2016) for sales made on or after said date.

PA 19-117 eliminates the exemption for metered parking, parking in lots with less than 30 spaces, parking in certain seasonal lots, and parking in municipally owned lots.

*Fiscal Estimates:* Indeterminate.

*Taxpayers Benefitting*: Indeterminate.

*Rationale*: Perceived Equity/Incentive/Expediency.

**20. Amusement and recreation services**

*Citation:* Does not appear in statutory language.

*Description*: Amusement and recreation services.

*History:* PA 91-3 of the June Special Session made amusement and recreation services taxable. PA 92-17 of the May Special Session excluded services rendered in a facility owned or managed by a governmental entity from the definition of amusement and recreation services. The act also made the following changes with regard to amusement and recreation services: (1) Excluded dance lessons, (2) extended the tax to athletic and sporting events, except swimming, that are provided by governmental units, nonprofit charitable hospitals, and charitable or religious organizations and in which people over 19 years old participate, and (3) excluded any service provided without additional charge for which a charge subject to the admissions or dues tax is paid. PA 93-74 excluded these services entirely.

*Fiscal Estimates:* $13.7 million in FY 24 and $14.1 million in FY 25.

*Taxpayers Benefitting*: Indeterminate.

*Rationale:* Expediency.

**21. Health and athletic club services provided by a non-profit organization or municipality**

*Citation:* CGS 12-407(a)(37)(FF)

*Description:* Health and athletic club services, where (i) any such services are provided without any additional charge which are included in any dues or initiation fees paid to any such club, which dues or fees are subject to tax under section 12-543, and (ii) any such services are provided by a municipality or an organization that is described in Section 501(c) of the Internal Revenue Code of 1986.

*History:* PA 89-251 first made these services taxable. PA 94-4 of the May Special Session created the exemption. PA 03-2 exempted services provided by a non-profit organization or municipality. PA 06-187 created an exemption for yoga studios. PA 11-6 repealed the exemption for yoga instruction provided at a yoga studio.

*Fiscal Estimates:* Indeterminate.

*Taxpayers Benefitting*: Indeterminate.

*Rationale:* Expediency.

**22. Licensed massage therapist and electrologist services**

*Citation:* CGS Sec. 12-407(a)(37)(BB)

*Description:* Services rendered by massage therapists licensed pursuant to chapter 384a, and services rendered by an electrologist licensed pursuant to chapter 388.

*History:* PA 92-17 of the May Special Session excluded these services from the tax, effective 7/1/92. Effective 7/1/93, a licensing program was instituted for massage therapists by PA 92-202, with an initial application fee of $300. PA 95-160 of the May Special Session added hypertrichologist. PA 01-109 changed the term used from hypertrichologists to electrologists.

*Fiscal Estimates:* $19.1 million in FY 24 and $19.6 million FY 25.

*Taxpayers Benefitting*: Indeterminate.

*Rationale*: Perceived Equity.

**23. Sales agent services**

*Citation*: CGS Sec. 12-407(a)(37)(S)

*Description:* Services of a consignee selling works of art, as defined in subsection (b) of section 12-376c, or articles of clothing or footwear intended to be worn on or about the human body other than (i) any special clothing or footwear primarily designed for athletic activity or protective use and which is not normally worn except when used for the athletic activity or protective use for which it was designed and (ii) jewelry, handbags, luggage, umbrellas, wallets, watches and similar items carried on or about the human body but not worn on the body in the manner characteristic of clothing intended for exemption under subdivision (47) of section 12-412, under consignment, exclusive of services provided by an auctioneer.

*History*: PA 89-251 made these services taxable. PA 90-148 excluded art work consignments under the incentive rationale and clarified that articles of clothing and footwear are exempt. PA 93-74 excluded wholesale motor vehicle auctioning services under the incentive rationale, to reduce cascading for a wholesale business. The legislature found it expedient to exclude all other auctioning services in PA 94-4 of the May Special Session. PA 95-160 added all services of an auctioneer. PA 11-6 eliminated the exemption for consignment services for clothing and footwear. PA 11-61 restored the exemption for consignment services for clothing and footwear.

*Fiscal Estimates:* Indeterminate.

*Taxpayers Benefitting*: Indeterminate.

*Rationale*: Incentive/Clarification/Expediency.

**24. Media advertising and cooperative direct mail advertising**

*Citation:* CGS Sec. 12-407(a)(37)(U)

*Description:* The development of media advertising and cooperative direct mail advertising. Media advertising includes: (i) the sale of time or space (ii) in or on a preexisting medium (iii) for broadcast or dissemination to all or a segment of the public.

*History:* PA 91-3 of the June Special Session excluded cooperative direct mail advertising from taxable advertising services. PA 03-2 repealed the exemption on (a) advertising services for developing and (b) media cooperative direct mail advertising and applied a tax rate of 3%. PA 03-1 of the June Special Session restored said exemptions.

*Fiscal Estimates:* $25.5 million in FY 24 and $26.1 million in FY 25.

*Taxpayers Benefitting*: Indeterminate.

*Rationale:* Incentive. The exemption is intended to reduce cascading.

**25. Tax preparation services**

*Citation:* Does not appear in statutory language.

*Description:* Tax preparation services.

*History:* PA 91-3 of the June Special Session made tax preparation services taxable. PA 93-74 provided an exclusion for businesses, effective 1/1/95. PA 94-4 of the May Special Session excluded all other such services effective 7/1/96 and eliminated the reference in statutory language. PA 95-160 made technical changes.

*Fiscal Estimates:* $5.2 million in FY 24 and $5.3 million in FY 25.

*Taxpayers Benefitting*: Indeterminate.

*Rationale*: Expediency.

**26. Winter boat storage**

*Citation:* CGS Sec. 12-407(a)(2)(M)

*Description:* Dry or wet storage or mooring of noncommercial vessels during the period commencing on the first day of October in any year to and including the thirty-first day of May of the next succeeding year.

*History*: PA 93-74 created the exemption. PA 13-151 extended the length of time that boats stored in the winter are exempt from the tax from November 1 to April 30 to October 1 to May 31.

*Fiscal Estimates:* $2.3 million in FY 24 and $2.4 million FY 25.

*Taxpayers Benefitting*: Indeterminate.

*Rationale:* Incentive.

**27. Environmental consulting services**

*Citation:* CGS Sec. 12-407(a)(37)(J)(i)

*Description:* Business analysis, management, management consulting and public relations services specifically related to environmental consulting.

*History*: The exemption was created by PA 94-4 of the May Special Session.

*Fiscal Estimates:* $9.3 million in FY 24 and $9.5 million in FY 25.

*Taxpayers Benefitting*: Indeterminate.

*Rationale*: Incentive.

**28. Police and firefighters**

*Citation:* CGS Sec. 12-407(a)(37)(D)(i)

*Description*: Services provided by off-duty police officers and fire fighters.

*History:* PA 95-160 created the exemption. PA 97-316 expanded the exemption to include all services provided by off-duty police officers and firefighters. PA 04-136 made a technical change.

*Fiscal Estimates:* Indeterminate.

*Taxpayers Benefitting*: Indeterminate.

*Rationale:* Incentive.

**29. Coin and currency protection for financial service companies**

*Citation:* CGS Sec. 12-407(a)(37)(D)(ii)

*Description:* Coin and currency services provided to a financial services company by or through another financial services company.

*History:* PA 04-136 created the exemption.

*Fiscal Estimate:* Indeterminate.

*Taxpayers Benefitting:* Indeterminate.

*Rationale:* Expediency.

**30. Training services**

*Citation:* CGS Sec. 12-407(a)(37)(J)(ii)

*Description:* Any training services provided by an institution of higher education licensed or accredited by the Board of Governors of Higher Education pursuant to section 10a-34.

*History:* PA 99-173 created the exemption.

*Fiscal Estimates:* Indeterminate.

*Taxpayers Benefitting*: Indeterminate.

*Rationale:* Expediency.

**31. Non-cable communications services**

*Citation:* CGS Sec. 12-407(a)(27)

*Description:* Any non-cable communications services purchased by a cable network from the sales tax on CATV services. Applicable to sales on or after 7/1/02.

*History*: PA 02-4 of the May Special Session created the exemption.

*Fiscal Estimates:* Indeterminate.

*Taxpayers Benefitting*: Indeterminate.

*Rationale:* Expediency and Conformity.

**33. Marine vessel brokerage services**

*Citation*: CGS Sec 12-412(116)

*Description*: Sales of marine vessel brokerage services provided by marine vessel brokers selling such vessels for their owners.

*History*: PA 05-251 created the exemption.

*Fiscal Estimates:* Indeterminate.

*Taxpayers Benefitting*: Indeterminate.

*Rationale:* Expediency.

**34. Media payroll services**

*Citation:* CGS Sec 12-407(a)(8)(B)(x) and 12-407(a)(9)(B)(x) and 12-407(a)(38).

*Description:* Separately stated charges for compensation, fringe benefits, workers' compensation, and payroll taxes or assessments paid to a media payroll services company. A "media payroll services company" is one whose principal business is managing and paying compensation, benefits, and payroll taxes and assessments to a film or digital media production company eligible for a film production tax credit.

*History:* PA 07-236 created the exemption.

*Fiscal Estimates*: $500,000 FY 24 and FY 25.

*Taxpayers Benefitting*: Indeterminate.

*Rationale:* Expediency.

**35. Certain intrastate transportation**

*Citation:* CGS Sec 12-407(a)(37)(JJ)

*Description:* Intrastate transportation includes taxicab, motor bus, ambulance or ambulette, scheduled public transportation, nonemergency medical transportation provided under the Medicaid program, paratransit services provided by agreement or arrangement with the state or any political subdivision of the state, dial-a-ride services or services provided in connection with funerals.

*History:* PA 11-6 created the exemption.

*Fiscal Estimates*: Indeterminate.

*Taxpayers Benefitting*: Indeterminate.

*Rationale:* Clarification. Intrastate transportation services provided by livery services, including limousines, community cars or vans, with a driver are taxable.

**36. Certain pet grooming services**

*Citation:* CGS Sec 12-407(a)(37)(KK)

*Description:* Pet grooming and pet boarding services provided as an integral part of professional veterinary services, and pet obedience services.

*History:* PA 11-6 created the exemption.

*Fiscal Estimates*: Indeterminate.

*Taxpayers Benefitting*: Indeterminate.

*Rationale:* Clarification. All other pet grooming services are taxable.

**37. Reconstructive surgery**

*Citation:* CGS Sec 12-407(a)(37)(LL)

*Description:* "Reconstructive surgery" includes any surgery performed on abnormal structures caused by or related to congenital defects, developmental abnormalities, trauma, infection, tumors or disease, including procedures to improve function or give a more normal appearance.

*History:* PA 11-6 created the exemption.

*Fiscal Estimates*: Indeterminate.

*Taxpayers Benefitting*: Indeterminate.

*Rationale:* Clarification. The law does not consider such surgery as "cosmetic medical surgery" which is taxable.

## D. Non-Profit Organization Exemptions

### Government

**1. The United States, the State of Connecticut or political subdivisions**

*Citation*: CGS Sec. 12-412(1)

*Description:* (A) Sales of tangible personal property or services to the United States, the state of Connecticut or any of the political subdivisions thereof, or its or their respective agencies; (B) sales of tangible personal property or services used to develop property which the state of Connecticut is under contract to purchase through a long-term financing contract; (C) sales and use of any services or tangible personal property to be incorporated into or used or otherwise consumed in (i) the demolition, remediation or preparation of the Adriaen's Landing site and the stadium facility site for purposes of the overall project, each as defined in section 32-651, (ii) the construction of the convention center, the Connecticut Center for Science and Exploration, the stadium facility and the related parking facilities and site preparation and infrastructure improvements, each as defined in section 32-651, or (iii) the construction of any future capital improvement to the convention center, the stadium facility or the related parking facilities.

*History*: The exemption has been in effect since the imposition of the tax. PA 75-213 added services, PA 93-361 added subdivision (B), and PA 93-1 of the September Special Session added subdivision (C). PA 98-1 of the December Special Session replaced language in subdivision(C) which was originally added by PA 93-1 of the September Special Session for purposes of relocating an NFL team to Hartford. PA 99-241 eliminated stadium facility site and training facility site and added convention center site, sportsplex site and parking facilities site. PA 00-140 eliminated references to the former convention center site, sportsplex site and parking facilities site and added references to the Adriaen's Landing and the stadium facility site. PA 06-187 extends the exemption to the Connecticut Center for Science and Exploration.

*Fiscal Estimates*: $1,287.7 million in FY 24 and $1,320 million in FY 25.

*Taxpayers Benefitting*: All political subdivisions

*Rationale*: Conformity, Clarification, and Incentive. States are not permitted to levy taxes on the federal government under the U.S. Constitution. Additionally, the state government does not tax itself. The provision regarding the Adriaen's Landing site was intended to incentivize businesses to relocate to Hartford.

**2. Federal exemptions**

*Citation*: CGS Sec. 12-412(2)

*Description:* Sales of tangible personal property or services which this state is prohibited from taxing under the constitution or laws of the United States.

*History*: The exemption has been in effect since the imposition of the tax. PA 75-213 added services.

*Fiscal Estimates:* Indeterminate.

*Taxpayers Benefitting*: Indeterminate.

*Rationale:* Conformity. States are not permitted to levy taxes on the federal government under the U.S. Constitution.

**3. Municipal publications, sales by public libraries or by municipal auction and book sales by library support groups**

*Citation:* CGS Sec. 12-412(24)

*Description:* Sales of municipal publications such as information booklets and zoning regulations, tangible personal property sold by public libraries, the sale of any property at auction by a municipality, and book sales by library support groups.

*History:* PA 73-299 created the exemption. PA 95-160 includes book sales by library support groups.

*Fiscal Estimates:* Indeterminate.

*Taxpayers Benefitting*: Indeterminate.

*Rationale:* Efficiency. The amount of revenue which could be collected is considered too small to justify the administrative cost.

**4. Connecticut Technology Park**

*Citation:* CGS Sec. 12-412(84)

*Description:* Sales of tangible personal property and services to The University of Connecticut Educational Properties, Incorporated, with regard to Connecticut Technology Park.

*History*: PA 93-74 created the exemption.

*Fiscal Estimates:* Indeterminate.

*Taxpayer Benefitting*: UCONN Technology Park and industry partners utilizing the facilities.

*Rationale*: Incentive.

**5. Property Removed from Inventory and Donated to Charity or Government**

*Citation:* CGS Sec. 12-413(4)

*Description:* Exempt from the sales and use tax any property removed by retailers from their inventory and donated to charity or a government agency.

*History:* The exemption was created by PA 00-174.

*Fiscal Estimates*: Indeterminate.

*Taxpayers Benefitting*: Indeterminate.

*Rationale*: Expediency.

**Sales to Nonprofit Organizations**

**1. Charitable and religious organization**

*Citation*: CGS Sec. 12-412(8)

*Description:* Sales of tangible personal property or services to any organization exempt from federal income tax under Section 501(a) of the Internal Revenue Code of 1986 and that the United State

Treasury Department has expressly determined to be an organization that is described in Section 501(c)(3) or (13) of said internal revenue code.

*History:* The exemption for tangible personal property has been in effect since the imposition of the tax. PA 75-567 added services. PA 93-74 added provisions to include sales to nonprofit organizations which receive at least 75% of their funding from the state or municipalities. PA 93-332 added the provision that state and municipal funds are considered as private donations to 501(c)(3) organizations for the purpose of this exemption. PA 95-359 placed the requirement that a letter of determination from the United States Treasury on the regarding federal tax status is needed to qualify for the exemption.

*Fiscal Estimates:* Combined estimates for Items 1 through 5: $155.1 million in FY 24 and $159 million in FY 25.

*Taxpayers Benefitting*: Indeterminate.

*Rationale:* Incentive.

2. **Personal property and services used or consumed in the development, construction, rehabilitation, renovation, repair or operation of housing facilities for low- and moderate-income families and persons**

*Citation:* CGS Sec. 12-407(a)(37)(I) and CGS Sec. 12-412(29)

*Description:* (A) Sales of and the storage, use or other consumption of tangible personal property acquired for incorporation into or used and consumed in the operation of housing facilities for low and moderate income families and persons and sales of and the acceptance, use or other consumption of any service described in subdivision (2) of section 12-407 that is used and consumed in the development, construction, rehabilitation, renovation, repair or operation of housing facilities for low and moderate income families and persons, provided such facilities are constructed under the sponsorship of and owned or operated by nonprofit housing organizations or housing authorities, as defined in subsection (b) of section 8-39.

*History:* PA 75-613 created the exemption. PA 97-243 added sales of services used and consumed in the development, construction, rehabilitation, renovation, repair and operation of housing for low- and moderate-income families. PA 97-315 added provisions regarding services described in CGS Sec. 12-407(2). PA 99-173 expanded the exemption of certain goods and services used in the development, construction, and rehabilitation of housing for low- and moderate-income housing organizations to include for profit organizations.

*Fiscal Estimates*: See Fiscal Estimate for Item 1.

*Taxpayers Benefitting*: Indeterminate.

*Rationale:* Incentive.

3. **Nonprofit charitable hospitals, nursing homes, rest homes and homes for the aged**

*Citation:* CGS Sec. 12-412(5)(A) and CGS Sec. 12-412(5)(B)

*Description:* Sales of tangible personal property or services to and by nonprofit charitable hospitals in this state, nonprofit nursing homes, nonprofit rest homes and nonprofit residential care homes licensed by the state pursuant to chapter 368v for the exclusive purposes of such institutions except any such service transaction as described in subparagraph (EE) of subdivision (37) of subsection (a) of section 12-407. In addition, sales on the premises of a for-profit hospital by a federally tax-exempt nonprofit organization are exempt from the tax.

See also Item 1 under Sales by Nonprofit Organizations.

*History*: The exemption for sales of tangible personal property to and by nonprofit charitable hospitals has been in effect since the imposition of the tax. PA 75-567 added services. PA 93-44 excluded patient care services from the exemption. 93-332 added nonprofit nursing homes, nonprofit rest homes and nonprofit homes for the aged. PA 94-9, PA 94-175, PA 00-174, PA 00-196 and PA 02-103 made technical changes. PA 03-6 of the June Special Session exempted the sales of certain medical equipment and supplies for patient care to and by acute care, for-profit hospitals, applicable to sales occurring on or after July 1, 2005. PA 04-201 exempted items sold on-premise of a for-profit hospital by a federally tax-exempt non-profit organization. PA 04-2 of the May Special Session eliminated an exemption for equipment and supplies for patient care to and by acute care, for-profit hospitals which was to have taken effect July 1, 2005.

*Fiscal Estimates:* See Fiscal Estimate for Item 1.

*Taxpayers Benefitting*: Indeterminate.

*Rationale:* Incentive/Expediency. Incentive with regard to sales to such institutions. Expediency with regard to sales by gift shops at such institutions.

**4. Centers of service for elderly persons**

*Citation:* CGS Sec. 12-412(35)

*Description:* Sales of tangible personal property or services to any center of service for elderly persons as described in subdivision (d) of section 17b-425.

*History*: PA 79-400 created the exemption. PA 89-190 eliminated a requirement that elderly service centers must be approved by the municipal tax assessor to qualify for the exemption.

*Fiscal Estimates:* See Fiscal Estimate for Item 1.

*Taxpayers Benefitting*: Indeterminate.

*Rationale:* Incentive.

**5. Services used or consumed in the development, construction, rehabilitation, renovation or repair of housing facilities for low and moderate-income families in Qualified Census Tracts or Difficult Development Areas**

*Citation*: CGS Sec. 12-412(100)

*Description:* Sales of and the acceptance, use or other consumption of any service described in subsection (2) of section 12-407 that is accepted, used or consumed in the development, construction, rehabilitation, renovation or repair of housing facilities for low and moderate income families and persons, provided such facilities are situated in Qualified Census Tracts or Difficult Development Areas as designated by the Secretary of the United States Department of Housing and Urban Development and provided, further, that the development of such facilities is assisted by an allocation of Low Income Housing Tax Credits pursuant to Section 42 of the Internal Revenue Code.

*History*: PA 97-4 of the June Special Session created the exemption. PA 02-103 made technical changes.

*Fiscal Estimates*: See Fiscal Estimate for Item 1.

*Taxpayers Benefitting*: Indeterminate.

*Rationale:* Incentive.

## Sales by Nonprofit Organizations

**1. Nonprofit charitable hospitals, nursing homes, rest homes and homes for the aged**

*Citation*: CGS Sec. 12-412(5)

*Description:* Sales of tangible personal property or services to and by nonprofit charitable hospitals in this state, nonprofit nursing homes, nonprofit rest homes and nonprofit residential care homes licensed by the state pursuant to chapter 368v for the exclusive purposes of such institutions except any such service transaction as described in subparagraph (EE) of subdivision (37) of subsection (a) of section 12-407. In addition, sales on the premises of a for-profit hospital by a federally tax-exempt nonprofit organization are exempt from the tax.

See also Item 1 under Sales to Nonprofit Organizations.

*History*: The exemption for sales of tangible personal property to and by nonprofit charitable hospitals has been in effect since the imposition of the tax. PA 75-567 added services. PA 93-44 excludes patient care services from the exemption. 93-332 added nonprofit nursing homes, nonprofit rest homes and nonprofit homes for the aged. PA 94-9, PA 94-175, PA 00-174, PA 00-196 and PA 02-103 made technical changes. PA 03-6 of the June Special Session exempted the sales of certain medical equipment and supplies for patient care to and by acute care, for-profit hospitals, applicable to sales occurring on or after July 1, 2005. PA 04-201 exempted items sold on premise of a for-profit hospital by a federally tax-exempt non-profit organization. PA 04-2 of the May Special Session delete exemption for equipment and supplies for patient care to and by acute care, for-profit hospitals which was to have taken effect July 1, 2005.

*Fiscal Estimates:* Indeterminate.

*Taxpayers Benefitting*: Indeterminate.

*Rationale:* Incentive/Expediency. Incentive with regard to sales to such institutions. Expediency with regard to sales by gift shops at such institutions.

**2. Items not costing more than twenty dollars each by certain nonprofit organizations and schools**

*Citation*: CGS Sec. 12-412(26)

*Description*: Sales of items for not more than twenty dollars each by any Connecticut eleemosynary organization, for purposes of youth activities which such organization is formed to sponsor and support, and by any accredited elementary or secondary school for purposes of such school or of organized activities of the students enrolled therein.

*History:* PA 73-452 provided a $2 exemption for items sold by eleemosynary organizations. PA 85-462 increased the threshold to $5 and PA 90-255 increased it to $20.

*Fiscal Estimates:* Indeterminate.

*Taxpayers Benefitting:* Indeterminate.

*Rationale*: Incentive.

**3. Sales of items for not more than one hundred dollars each by nursing or convalescent homes or adult day care centers**

*Citation*: CGS Sec. 12-412(56)

*Description*: Sales of items for not more than one hundred dollars each by any nursing home, rest home, residential care home, convalescent home or any adult day care center approved for such

purpose by the Commissioner of Social Services, provided (1) such sales are made through a gift shop located in such home or center and (2) any profits from such sales are retained by such home or center for the benefit of the patients, in the case of any such home, or persons using any such adult day care center.

*History:* PA 86-397 created the exemption for nursing homes, rest homes, homes for the aged and convalescent homes. PA 87-311 increased the limit to $100 and added adult day care centers. PA 89-123 made a technical change. PA 93-262 made a technical change.

*Fiscal Estimates:* Indeterminate.

*Taxpayers Benefitting*: Indeterminate.

*Rationale:* Expediency.

**4. Sales by an affiliate participating in certain community economic development programs**

*Citation:* CGS Sec. 12-412(86)

*Description:* Sales of services by an affiliate participating in the implementation of the community economic development program established pursuant to section 8-240k to another affiliate participating in said program.

*History:* PA 94-82 created the exemption. PA 95-160 made a technical change.

*Fiscal Estimates:* Indeterminate.

*Taxpayers Benefitting*: Indeterminate.

*Rationale*: Incentive.

**5. Tangible personal property at bazaars, fairs, picnics, tag sales by nonprofit organizations**

*Citation:* CGS Sec. 12-412(94)

*Description:* Sales of tangible personal property by nonprofit organizations at bazaars, fairs, picnics, tag sales or similar events to the extent of five such events of a day's duration held during any calendar year.

*History:* PA 97-316 created the exemption.

*Fiscal Estimates:* Indeterminate.

*Taxpayers Benefitting*: Indeterminate.

*Rationale:* Incentive.

**6. Tangible personal property by historical societies**

*Citation:* CGS Sec. 12-412(98)

*Description:* Sales of tangible personal property by historical societies.

*History:* PA 97-316 created the exemption.

*Fiscal Estimates*: Less than $100,000 in FY 24 and FY 25.

*Taxpayers Benefitting*: Up to 120 historical societies.

*Rationale:* Incentive.

**7. Educational institution and certain health and care facility meals**

*Citation*: CGS Sec. 12-412(9)

*Description*: Sales of food products and meals in a student cafeteria, dining hall, dormitory, fraternity or sorority maintained in a private, public or parochial school, college or university, to members of such institutions or organizations and sales of food products and meals to patients in hospitals, homes for the aged, convalescent homes, nursing homes and rest homes.

*History*: Educational institution meals have been exempted since the imposition of the tax. The exemptions for meals provided to patients in hospitals, homes for the aged, etc. were added in 1972. PA 00-174 clarified the exemption of candy and non-alcoholic beverages sold in educational institutions.

*Fiscal Estimates:* $18.1 million in FY 24 and $18.6 million in FY 25.

*Taxpayers Benefitting*: Indeterminate.

*Rationale*: Incentive.

**8. Pilot property tax credit for computer equipment**

*Citation*: CGS 12-413b

*Description*: There is established a pilot program of a credit against the sales and use tax for the purchase of computer equipment to be used in electronic commerce for a business making a qualified investment in higher education for electronic commerce. The credit is capped at $4 million in the aggregate.

*History*: PA 00-170 established the program. PA 01-6 of the June Special Session increased the credit to $4 million from $2 million.

*Fiscal Estimates*: $0 in FY 24 and FY 25.

*Taxpayers Benefitting:* Indeterminate.

*Rationale:* Incentive.

**E. Miscellaneous Exemptions**

**1. United States and Connecticut state flags**

*Citation:* CGS Sec. 12-412(23)

*Description:* Sales of United States and Connecticut state flags.

*History*: PA 73-196 created the exemption.

*Fiscal Estimates*: Less than $100,000 in FY 24 and FY 25.

*Taxpayers Benefitting:* Indeterminate.

*Rational:* Expediency.

**2. Gold or silver bullion, legal tender of any nation, rare and antique coins**

*Citation:* CGS Sec. 12-412(45)

*Description:* Sales of and the storage or use of rare or antique coins, gold or silver bullion and gold or silver legal tender of any nation, traded according to its value as precious metal, provided such

exemption shall not be applicable with respect to any such sale, storage or use in which the total value of such bullion or legal tender sold by the retailer is less than one thousand dollars.

History: The exemption was created by PA 83-509. PA 95-160 added rare and antique coins.

*Fiscal Estimates:* Indeterminate.

*Taxpayers Benefitting:* Indeterminate.

*Rationale:* Incentive.

**3. A motor vehicle or vessel purchased but not registered in this state by a person who is not a resident of this state**

*Citation:* CGS Sec. 12-412(60)

*Description*: The sale of any motor vehicle or vessel, as defined in section 15-127, in this state when the purchaser of such motor vehicle or vessel is not a resident of this state and does not maintain a permanent place of abode in this state, provided such motor vehicle or vessel is not presented for registration with the Department of Motor Vehicles in this state and such purchaser submits any affidavit or other evidence as may be requested by the Commissioner of Revenue Services concerning such purchaser's residency or place of abode.

*History*: PA 87-238 created the exemption for motor vehicles. PA 91-3 of the June Special Session created the exemption for vessels. PA 91-14 of the June Special Session made the provisions relating to vessels effective September 19, 1991. PA 92-17 changed proof of the purchaser's state of residency to a signed affidavit rather than registration of the boat in the purchaser's home state. PA 97-243 provided that the tax rate on vessels sold to nonresidents is the lesser of Connecticut's sales tax rate or the tax rate in the state in which the individual resides. PA 99-173 made technical changes to the exemption for vessels. PA 00-174 eliminates a requirement for an affidavit for certain information required to be submitted and to add provisions regarding declaration.

*Fiscal Estimates:* $124.7 million in FY 24 and $127.9 million in FY 25.

*Taxpayers Benefitting:* Under 30,000 purchasers.

*Rationale:* Incentive.

**4. Property tax payments under motor vehicle leases**

*Citation:* CGS Sec. 12-412(49)

*Description:* Any payment made by a lessee of a motor vehicle to a lessor for the purpose of paying the property taxes on any such vehicle under a lease which is otherwise subject to the taxes imposed by this chapter if such lease requires the lessee to pay such property taxes and if a separate statement of the amount of any such property tax payment is contained in such lease or in any bill rendered pursuant to such lease.

*History:* PA 85-435 created the exemption.

*Fiscal Estimates:* Indeterminate.

*Taxpayers Benefitting:* Indeterminate.

*Rationale*: Clarification. The tax applies only to the portion of the payment that covers the lease of the motor vehicle. PA 85-435 created the exemption.

**5. Exemption from use tax for vessels brought into the state exclusively for storage, maintenance or repair**

*Citation:* CGS Sec. 12-413a

*Description:* Notwithstanding the provisions of section 12-411, the tax imposed there under shall not be applicable, in the period commencing on the first day of October in any year to and including the thirtieth day of April next succeeding, with respect to the use of any vessel within this state exclusively for purposes of (1) delivery of such vessel to a facility in this state for storage, including dry storage and storage in water by means of apparatus preventing ice damage to the hull, maintenance or repair or (2) the actual process of storage, maintenance or repair of such vessel.

*History:* PA 83-455 created the exemption. PA 13-151 extended the length of time that boats stored in the winter are exempt from the tax from October 1 to April 30 to October 1 to May 31.

*Fiscal Estimates:* Indeterminate.

*Taxpayers Benefitting:* Indeterminate.

*Rationale*: Incentive. The exemption is intended to make in-state businesses more competitive with those out of state.

**6. Payment of sales or use tax to another state**

*Citation:* CGS Sec. 12-430(5)

*Description:* Any service or tangible personal property that has already been made subject to a sales or use tax by another state or political subdivision at a lesser rate than the tax imposed by Connecticut will incur this state's tax but at a rate measured by the difference between the Connecticut's rate and the rate of the previous tax paid. If the tax paid under the other state or political subdivision is equal to or in excess of the Connecticut rate, then no tax shall be due.

*History:* The provision was added to the statutes prior to 1961.

*Fiscal Estimates:* Indeterminate.

*Taxpayers Benefitting:* Indeterminate.

*Rationale:* Conformity. Double taxation may violate the Interstate Commerce Clause of the U.S. Constitution.

**7. Casual or isolated sales**

*Citation*: CGS Sec. 12-426(1)

*Description:* Casual sales are: (1) Infrequent sales of a nonrecurring nature made by a person not engaged in the business of selling tangible personal property; (2) Sales of articles of tangible personal property acquired for use or consumption by a seller and not sold in the regular course of business engaged in by such seller.

*History*: The exemption is a regulation adopted by the Department of Revenue Services as authorized by CGS Section 12-426(1).

*Fiscal Estimates:* Indeterminate.

*Taxpayers Benefitting:* Indeterminate.

*Rationale:* Efficiency. The amount of revenue which could be collected is considered too small to justify the administrative cost.

**8. Tax on casual sales of motor vehicles, vessels, snowmobiles and aircraft**

*Citation*: CGS Sec. 12-431

*Description*: No use tax shall be payable in cases of purchase of any motor vehicle, snowmobile, vessel or aircraft other than from a licensed dealer (1) when the purchaser is the spouse, mother, father, brother, sister or child of the seller, (2) when a motor vehicle or vessel is sold in connection with the organization, reorganization or liquidation of an incorporated business, (3) when a motor vehicle is sold in connection with the organization or termination of a partnership or limited liability company or (4) when a motor vehicle which has been declared a total loss pursuant to the provisions of section 14-16c is rebuilt for sale or use, provided the purchaser was subjected to the tax imposed by this chapter for the last taxable sale of said vehicle.

*History:* The exemption was created prior to 1957 and was subsequently amended several times. The 1959 acts clarified when the use tax is not paid. PA 76-199 included boats. PA 77-614 made a technical change. PA 82-416 provided that the transfer of a boat under such conditions be allowed the same exemption from use tax as in the case of a motor vehicle. PA 86-73 required that any property tax applicable to the motor vehicle transferred under subdivision (a) or (b) becoming due prior thereto shall be paid in full before registration of the motor vehicle transferred may be obtained. PA 88-6 changed "airplane" to "aircraft" and provided for payment of use tax by a purchaser of aircraft before obtaining registration. PA 88-7 eliminated provisions requiring those eligible for exemption evidence that applicable property tax has been paid in full. PA 88-24 restated certain provisions regarding the transfer of a motor vehicle in connection with the organization or termination of a partnership. PA 89-123 substituted the term "vessel" for the term "boat" wherever it appeared. PA 91-3 of the June Special Session added Subsection (b), concerning the method of valuation of motor vehicles under this section. PA 95-260 extended the exemption to the transfer of a motor vehicle declared a total loss and rebuilt for sale or use. PA 97-243 added "licensed motor vehicle lessor." PA 99-173 expanded the exemption to sales in connection with the organization or termination of limited liability companies. PA 00-174 eliminated a provision regarding the federal treatment of casual sales and made technical changes.

*Fiscal Estimates:* Indeterminate.

*Taxpayers Benefitting:* Indeterminate.

*Rationale:* Expediency/Clarification. Expediency with regard to transfers to family members. The Clarification is with regard to business-related transfers.

**9. Mobile manufactured home, modular or prefabricated home subject to sales tax when sold by manufacturer and subject to tax as a conveyance of realty when sold at its location in a mobile manufactured home park**

*Citation:* CGS Sec. 12-412c.

*Description:* (a) The sale of a new mobile manufactured home and the sale of a new modular or prefabricated home from a manufacturer shall be subject to sales and use taxes, except that for purposes of said taxes the sales price of such new mobile manufactured home or new modular or prefabricated home shall be deemed to be seventy per cent of the manufacturer's sales price applicable with respect to such sale.

(b) The resale of any mobile manufactured home located in a mobile manufactured home park licensed pursuant to chapter 412 or located on a single-family lot as a permitted nonconforming use or as otherwise permitted by the zoning regulations of the municipality in which the home is located and the resale of any modular home, shall be exempt from the sales and use taxes imposed

by this chapter and shall be taxed as a conveyance of realty in accordance with the provisions of chapter 223.

*History:* PA 85-512 created the resale exemption and PA 86-310 created the 30% exemption. PA 88-364 made a technical correction. PA 93-332 added new modular or prefabricated homes.

*Fiscal Estimates:* Indeterminate.

*Taxpayers Benefitting:* Indeterminate.

*Rationale:* Clarification/Redundancy. Clarification as it relates to 30% of a new unit's price. Sales Tax is due on the tangible personal property used in new home construction but not on the cost of labor. The 30% exemption represents the approximate labor cost for this type of dwelling. Redundancy as it relates to resale of mobile homes. The exemption prevents the double taxation of such transactions since they are subject to the Real Estate Conveyance Tax.

**F. Items Subject to a Lower Sales Tax Rate or Basis**

**1. Motor vehicles sold to members of the armed forces**

*Citation:* CGS Sec. 12-408(1)(C) and 12-411(1)(C)

*Description:* Motor vehicles sold to members of the armed forces on full-time active duty in the state but whose permanent residence is elsewhere (4.5%).

*History*: The exemption was created by PA 84-545. PA 97-243 added the requirement that the retailer maintain an affidavit or other evidence with respect to sales of motor vehicles to members of the armed forces concerning the buyer's state of residence and made technical and renumbering changes. PA 98-244 allowed a reduction in the tax rate and exemption for military when the name of the spouse is on the title of the motor vehicle. PA 00-170 eliminated the affidavit requirement for motor vehicle sales to armed forces personnel.

*Fiscal Estimates:* $100,000 in FY 24 and FY 25.

*Taxpayers Benefitting:* Under 500 service members.

*Rationale:* Incentive. The lower rate is intended to encourage military personnel to buy and register their motor vehicles in-state.

**2. Trade-in of motor vehicles, snowmobiles, vessels or farm tractors**

*Citation:* CGS Sec. 12-430(4)

*Description:* Where a trade-in of a motor vehicle is received by a motor vehicle dealer, upon the sale of another motor vehicle to a consumer, or where a trade-in of an aircraft, as defined in subdivision (5) of section 15-34, is received by an aircraft dealer, upon the sale of another aircraft to a consumer, or where a trade-in of a farm tractor, snowmobile or any vessel, as defined in section 15-127, is received by a retailer of farm tractors, snowmobiles or such vessels upon the sale of another farm tractor, snowmobile or such vessel to a consumer, the tax is only on the difference between the sale price of the motor vehicle, aircraft, snowmobile, farm tractor or such vessel purchased and the amount allowed on the motor vehicle, aircraft, snowmobile, farm tractor or such vessel traded in on such purchase. When any such motor vehicle, aircraft, snowmobile, farm tractor or such vessel traded in is subsequently sold to a consumer or user, the tax provided for in this chapter applies.

*History:* The exemption was added to the statutes prior to 1961. In 1961 it was limited to Connecticut motor vehicle dealers. In 1969 snowmobiles were added, references to in-state dealers

were eliminated, and a special provision for computing the tax between 1969 and 1971 was added. The 1971 acts eliminated the special tax computation provision. PA 73-518 added vessels. PA 74-338 made a technical change. PA 94-4 of the May Special Session added the exemption for aircraft trade-ins.

*Fiscal Estimates:* Combined estimates for Items 2, 3, 4, and 5 and 3: $87.6 million in FY 24 and $89.8 million in FY 25.

*Taxpayers Benefitting:* Indeterminate.

*Rationale:* Incentive.

**3. Determination of sales tax on certain construction equipment or machinery when such equipment or machinery is traded in on purchase**

*Citation:* CGS Sec. 12-430a

*Description:* In any sale at retail of construction equipment or machinery, the source of power for which is an integral part of any individual unit of such equipment or machinery, which sale is made by a retailer of such equipment or machinery who accepts a trade-in of such equipment or machinery in such sale, the sales tax with respect to such sale shall not be applicable to the entire purchase price of such equipment or machinery but shall be imposed on the difference between such purchase price and the amount allowed by the retailer on such equipment or machinery traded in as a credit against the entire purchase price of such equipment or machinery purchased. When any such equipment or machinery traded in is subsequently sold to a consumer or user, the tax imposed under this chapter shall be applicable to such sale.

*History:* PA 85-457 created the exemption.

*Fiscal Estimates:* See Fiscal Estimate for Item 2.

*Taxpayers Benefitting:* Indeterminate.

*Rationale*: Incentive.

**4. Coupons and discounts and battery deposits and trade-ins of like kind**

*Citation:* CGS Secs. 12-407(8) and 12-407(9)

*Description:* Coupons and discounts and battery deposits and trade-ins of like kind are excluded from the definition of "sales price" and "gross receipts."

*History:* PA 98-110 added coupons and discounts, battery deposits and trade-ins of like kind, effective 7/1/98.

*Fiscal Estimates:* See Fiscal Estimate for Item 2.

*Taxpayers Benefitting:* Indeterminate.

*Rationale:* Expediency.

**5. Trade in of core parts**

*Citation:* CGS Sec. 12-412j

*Description:* In any sale at retail of any new or remanufactured part of an item of tangible personal property to a purchaser, which sale is made by a retailer of such parts who will accept in return from such purchaser a core component or core part of such tangible personal property, the sales or use tax with respect to such sale shall be imposed on the difference between the purchase price and the amount allowed by the retailer on the returned core component or core part, provided the

retailer shall collect the tax, at the time of sale, on the purchase price and, when the core component or core part is returned, shall refund such tax on the amount allowed by the retailer on the returned core component or core part. When any such core component or core part traded in is subsequently sold to a consumer or user, the taxes imposed under this chapter shall be applicable to such sale.

*History:* PA 95-327 created the exemption. PA 96-172 expanded exemption to motor bus parts. PA 98-110 clarified when the tax must be collected by the retailer.

*Fiscal Estimates:* See Fiscal Estimate for Item 2.

*Taxpayers Benefitting:* Indeterminate.

*Rationale:* Expediency.

**6. Licensed motor vehicle dealers**

*Citation:* CGS Sec. 12-430(6)

*Description:* When a licensed motor vehicle dealer replaces a motor vehicle which has been registered to such dealer and the replaced motor vehicle is no longer in the possession of or used by such dealer, the tax imposed by this chapter shall be applicable only with respect to the difference between such dealer's cost for the new motor vehicle being registered, which motor vehicle is the replacement for said replaced motor vehicle, and the wholesale value of said replaced motor vehicle at the time of its replacement, determined in accordance with a standard reference book for such values acceptable to the Commissioner of Revenue Services.

*History:* PA 73-520 created the exemption.

*Fiscal Estimates*: Indeterminate.

*Taxpayers Benefitting:* Indeterminate.

*Rationale:* Incentive. The exemption is intended to reduce the cost of doing business for in-state firms. It parallels the exemption for consumers (above), which permits trade-in allowances to be deducted from the purchase price of motor vehicles.

**7. Vessels, motors for vessels, trailers used for transporting a vessel, and marine dyed diesel fuel**

*Citation:* CGS Sec. 12-408(1)(E)(ii) and (iii) and CGS 12-411(1)(D)(ii)(II) and (III)

*Description:* Vessels, motors for vessels, trailers used for transporting a vessel, and marine dyed diesel fuel are taxed at 2.99%.

*History:* PA 18-81 created the exemption. PA 19-117 lowered the rate for marine dyed diesel fuel from 6.35% to 2.99%.

*Fiscal Estimates*: $11 million in FY 24 and $11.3 million FY 25.

*Taxpayers Benefitting:* Indeterminate.

*Rationale:* Incentive.

## Tax Credits Claimed Against the Sales and Use Tax

### 1. Film production

*Citation:* CGS Sec. 12-217jj

*Description:* The credit is available to companies that produce qualified entertainment content wholly or in part in this state. Qualified activities include the production of: (1) motion pictures, (2) television programming, (3) sound recordings, (4) music videos, (5) video games, (6) commercials (infomercials are ineligible) and (7) certain interactive websites. The credit is administered by the Department of Economic and Community Development (DECD). The credit is as follows:

**Film Production Credit**

| Income Year | Minimum Production Expenditure | % Credit |
|---|---|---|
| 2007 to 2009 | $50,000 | 30% |
| 2010 & after | $100,000 to $500,000 | 10% |
| | $500,000 to $1 million | 15% |
| | Over $1 million | 30% |

Beginning with the 2010 income year, credits may be: (1) sold or transferred to other eligible companies and (2) resold for a maximum of three transfers. Credit buyers and sellers must jointly notify DECD of a sale or transfer. Credit vouchers may be claimed in the year the costs were incurred or the three succeeding years after the year the costs were incurred. However, tax credit vouchers issued on or after July 1, 2015, may be claimed in the year the expenses were incurred or in the next five income years. Credits are not refundable.

*History:* PA 06-83 enacted the credit effective with the 2006 income year. PA 06-186 amended the language. PA 07-236: (1) allowed the credit to be applied against the insurance premium tax as well as the corporation tax and (2) changed the types of productions and expenses that are eligible. PA 07-4 (JSS) eliminated a partial credit for out of state expenditures that was added by PA 07-236. PA 08-142: (1) made the insurance premiums tax credit retroactive to income years beginning between January 1, 2006, and January 1, 2007, and (2) permitted insurance premiums tax and corporation tax credits for income years between January 1, 2006, and January 1, 2007, to be resold or transferred up to three times. PA 09-3 (JSS): (1) changed the minimum project expenditure and percentage of the credit beginning with the 2010 income year, (2) changed the requirements for eligible production expenditures beginning with the 2010 income year and (3) made infomercials ineligible for the credit. PA 11-61 specified that: (1) qualified productions must conduct no less than 50% of principal photography days within the state or expend no less than 50% of post-production costs within the state or expend not less than $1.0 million of post-production costs within the state, (2) for income years beginning on or after January 1, 2011, and prior to January 2, 2012, a production company may not transfer more than 50% of the film production tax credit in any one income year, (3) for income years beginning on or after January 1, 2012, a production company may not transfer more than 25% of the film production tax credit in any one income year, and (4) any production that is created in whole or in significant part at a "qualified production facility"[3] within the state shall not be subject to transfer limitations. PA 11-1 (OSS) expanded the types of qualified productions that are eligible for film production tax credits to include "relocated

[3]A "qualified production facility" means a facility: (1) located in Connecticut, (2) intended for film, television, or digital media production and (3) that has a minimum investment of $3 million, or less if the DECD Commissioner determines such facility otherwise qualifies.

television productions." It defined a relocated television production as an eligible production company's ongoing television program that (1) has filmed all its prior seasons outside Connecticut, (2) may include certain current events shows, and (3) is created at a qualified production facility that meets specified investment and job creation thresholds on or after January 1, 2012. Productions featuring current events are not currently eligible for film production tax credits. PA 13-247 established a two-year moratorium on film production tax credits for FY 14 and FY 15 by barring the issuance of tax credit vouchers during those years for motion pictures that have not been designated as state-certified productions prior to July 1, 2013, with certain exceptions; PA 15-244 extended the moratorium for an additional two years through FY 17; PA 17-2 JSS made the moratorium permanent. PA 15-5 JSS extended the length of time in which entities must claim all or part of the credits from three to five years following the year in which the qualified expenditures were incurred for vouchers issued on or after July 1, 2015. PA 17-2 JSS allowed any film production tax credit that is sold, assigned or otherwise transferred, to be claimed at a discount against the gross receipts tax on cable, satellite, and competitive video services under certain circumstances. PA 21-2 JSS allowed film and digital media production tax credits to be claimed at a discount (78%) against the sales and use tax under certain circumstances; PA 23-204 temporarily increased this amount to 92% for the 2024 and 2025 income years.

*Fiscal Estimates:* $2.3 million in FY 24 and $4.4 million FY 25.

*Taxpayers Benefitting:* Fewer than 10.

*Rationale:* Incentive and Expediency.

## BUSINESS TAXES

Business entities are taxed for the privilege of: (1) doing business within the state, (2) owning or leasing in-state property, or (3) maintaining an office within the state. Connecticut has three business taxes that apply to different organizational structures.

### Unrelated Business Income Tax (applicable to nonprofit corporations)

The tax is imposed on nonprofit corporations with income from businesses unrelated to their nonprofit status. It uses the same rate (CGS Sec. 12-242bb(a)) as the corporation business tax's net income base (see below) and a 3-factor apportionment formula (CGS Sec. 12-242bb(b)).

### Pass-Through Entity Tax

The tax is levied at a flat rate of 6.99% on partnerships, including limited liability companies that are treated as partnerships for federal income tax purposes (but excluding publicly traded partnerships), and S corporations, including limited liability companies that are treated as S corporations for federal income tax purposes (CGS Sec. 12-699). Members of a pass-through entity subject to the tax are entitled to a credit based upon their respective shares of the entity's tax liability, which may be taken against the personal income tax or corporation business tax. For the 2018 income year the credit was equal to 93.01% of the member's share of the tax; PA 19-117 lowered the credit to 87.5% beginning with the 2019 income year. PA 23-204 makes the tax optional beginning with the 2024 income year.

### Tax Credits Claimed Against the Pass-Through Entity Tax

**1. Manufacturing apprenticeship**

*Citation:* CGS Sec. 12-217g

*Description:* The credit is available to businesses in the manufacturing trade that employ apprentices. It is administered by the Department of Labor. The credit is the lesser of: (1) 50% of the actual wages paid to apprentices in the income year or (2) up to $7,500 per apprenticeship. There are no carryback or carryforward provisions.

*History:* PA 79-475 enacted the credit for the machine tool and metal trades. PA 94-4 MSS changed the hourly wage requirements. PA 95-284 extended the credit to plastics trades. PA 97-295 substituted "manufacturing trades" for machine tool and metal trades, and extended the credit to the construction trades. PA 06-174 changed the construction trades credit: (1) nonunion businesses qualify for the credit, (2) the credit is awarded in the year the apprentice completes a 4-year program, (3) the credit amount is based on the number of hours completed by the apprentice, and (4) the credit limit is raised from $1,000 to $4,000. PA 13-265 increased the manufacturing apprenticeship credit limit from $4,800 to $7,500. PA 14-217 allowed pass-through entities to earn apprenticeship tax credits for manufacturing trades and sell, assign, or transfer them to other taxpayers, including corporations that may in turn claim the tax credits to reduce their corporation tax liability. PA 15-1 DSS allowed pass-through entities to sell, assign, or transfer the credits to other taxpayers for use against their utility companies or petroleum products gross earnings tax liability. PA 22-118 extended the manufacturing apprenticeship tax credit to the pass-through entity tax for tax years beginning on or after January 1, 2022.

*Fiscal Estimates:* $5 million in FY 24 and FY 25.

*Taxpayers Benefitting:* Approximately 670.

*Rationale:* Incentive.

**Corporation Business Tax (applicable to corporations)**

**Tax Rate and Basis:** Corporations are subject to tax on income derived from in-state sources. The tax has three bases (see below). A taxpayer's liability is the greatest amount computed under any of the three.

1. **Net Income Base**: Liability under this base is calculated by multiplying the portion of a corporation's total net income that is taxable in this state (determined by apportionment) by the tax rate and surcharge that are applicable in that income year. This amount may be further reduced by subtracting any tax credits that a corporation is eligible to claim

   **Tax rates:** The table below shows tax rates and surcharges for the net income base by income year:

**Net Income Base Tax Rates and Surcharges**

| Income Year | Tax Rate | Surcharge | Legislation |
|---|---|---|---|
| | CGS Sec. 12-214(a) | CGS Sec. 12-214(b) | |
| 1994 | 11.50% | none | none |
| 1995 | 11.25% | none | PA 93-74[1] |
| 1996 | 10.75% | none | PA 95-160[2] |
| 1997 | 10.50% | none | none |
| 1998 | 9.50% | none | none |
| 1999 | 8.50% | none | none |
| 2000 | 7.50% | none | none |
| 2001 | 7.50% | none | none |
| 2002 | 7.50% | none | none |
| 2003 | 7.50% | 20% | PA 03-2[3] |
| 2004 | 7.50% | 25% | PA 03-1 (JSS)[4] |
| 2005 | 7.50% | none | none |
| 2006 | 7.50% | 20% | PA 05-251[5] |
| 2007 | 7.50% | none | PA 06-186[6] |
| 2008 | 7.50% | none | none |
| 2009 | 7.50% | 10% | PA 09-3 (JSS)[7] |
| 2010 | 7.50% | 10% | PA 09-3 (JSS)[7] |
| 2011 | 7.50% | 10% | PA 09-3 (JSS)[7] |
| 2012 | 7.50% | 20% | PA 11-6[8] |
| 2013 | 7.50% | 20% | PA 11-6[8] |
| 2014 | 7.50% | 20% | PA 13-184[9] |
| 2015 | 7.50% | 20% | PA 13-184[9] |
| 2016 | 7.50% | 20% | PA 15-244[10] |
| 2017 | 7.50% | 20% | PA 15-244[10] |
| 2018 | 7.50% | 10% | PA 15-244[10] |
| 2019 | 7.50% | 10% | PA 19-117[11] |
| 2020 | 7.50% | 10% | PA 19-117[11] |

| Income Year | Tax Rate | Surcharge | Legislation |
|---|---|---|---|
| | CGS Sec. 12-214(a) | CGS Sec. 12-214(b) | |
| 2021 | 7.50% | 10% | PA 21-2 JSS[12] |
| 2022 | 7.50% | 10% | PA 21-2 JSS[12] |
| 2023 | 7.50% | 10% | PA 23-204[13] |
| 2024 | 7.50% | 10% | PA 23-204[13] |
| 2025 | 7.50% | 10% | PA 23-204[13] |
| 2026 and after | 7.50% | none | PA 23-204[13] |

[1]PA 93-74 reduced the tax rate to 11.25% for the 1995 income year, 11.0% for the 1996 income year, 10.5% for the 1997 income year and 10% for the 1998 income year.
[2]PA 95-160 reduced the tax rate to 10.75% for the 1996 income year, 9.5% for the 1998 income year, 8.5% for the 1999 income year and 7.5% for the 2000 income year and thereafter. (The rate for the 1997 income year did not change.)
[3]PA 03-2 imposed a 20% surcharge for the 2003 income year.
[4]PA 03-1 (J30SS) imposed a 25% surcharge for the 2004 income year.
[5]PA 05-251 imposed a 20% surcharge for the 2006 income year and a 15% surcharge for the 2007 income year.
[6]PA 06-186 eliminated the 15% surcharge for the 2007 income year.
[7]PA 09-3 (JSS) imposed a 10% surcharge for the 2009, 2010 and 2011 income years for companies that have: (1) $100 million or more in annual gross income for those years and (2) a tax liability that exceeds the $250 minimum tax.
[8]PA 11-6 imposed a 20% surcharge for the 2012 and 2013 income years for companies that have: (1) $100 million or more in annual gross income for those years and (2) a tax liability that exceeds the $250 minimum tax.
[9]PA 13-184 imposed a 20% surcharge for the 2014 and 2015 income years for companies that have: (1) $100 million or more in annual gross income for those years and (2) a tax liability that exceeds the $250 minimum tax.
[10]PA 15-244 imposed a 20% surcharge for the 2016 and 2017 income years, and a 10% surcharge for the 2018 income year, for companies that have: (1) $100 million or more in annual gross income for those years and (2) a tax liability that exceeds the $250 minimum tax, or (3) that file as part of a combined or unitary return.
[11]PA 19-117 imposed a 10% surcharge for the 2019 and 2020 income years for companies that have: (1) $100 million or more in annual gross income for those years and (2) a tax liability that exceeds the $250 minimum tax, or (3) that file as part of a combined or unitary return.
[12]PA 21-2 imposed a 10% surcharge for the 2021 and 2022 income years for companies that have: (1) $100 million or more in annual gross income for those years and (2) a tax liability that exceeds the $250 minimum tax, or (3) that file as part of a combined or unitary return.
[13]PA 23-204 imposed a 10% surcharge for the 2023, 2024, and 2025 income years for companies that have: (1) $100 million or more in annual gross income for those years and (2) a tax liability that exceeds the $250 minimum tax, or (3) that file as part of a combined or unitary return.

**Apportionment of Net Income:** Net income equals gross income, as defined in the Internal Revenue Code, minus any deductions for which a corporation qualifies. The amount of a corporation's total net income that is taxable in Connecticut is calculated by a process called apportionment. This process compares the amount of income that is derived from the corporation's business activities carried on in-state versus the amount derived from business carried on everywhere. The resulting fraction is multiplied by the corporation's total net income to determine the portion that is subject to tax in this state. The statutes provide specific rules indicating how corporations in different economic sectors are required to apportion their income.

1. Three factor apportionment: Through the 2015 income year, corporations that derive their income from the sale or use of tangible personal or real property use a 3-factor formula for determining taxable net income in Connecticut. The 3 factors are: (1) sales (which is double weighted), (2) payroll and (3) property (CGS Sec. 12-218(c), PA 15-1 DSS).

2. One factor apportionment: Beginning with the 2016 income year, most corporations determine their net income based only on unweighted ("single factor") sales (PA 15-1 DSS). Receipts for sales of service and intangible property are required to be sourced on a market basis (PA 16-3 MSS).

   Through the 2015 income year, a one-factor formula is used for the following business sectors:

   a. Sales of services – apportionment is based on gross receipts assignable to the state. CGS Sec. 12-218(b)
   b. Bus companies that transport passengers and motor carriers that transport property for hire – apportionment is based on the relative number of miles driven in state. CGS Secs. 12-218(d) & 12-218(e)
   c. Management, distribution or administrative services provided to or on behalf of a regulated investment company (mutual fund) – apportionment is based on the proportion of shares in the fund owned by shareholders domiciled in Connecticut. CGS Sec. 12-218(f)
   d. Securities brokerage service companies – apportionment is based on the proportion of commissions and margin interest paid to accounts owned by clients domiciled in Connecticut. CGS Sec. 12-218(g)
   e. Banks that issue credit cards and regularly engage in credit card activities – apportionment is based on the proportion of receipts derived from credit card holders located within Connecticut. CGS Sec. 12-218(j)
   f. Manufacturers and broadcasters – apportionment is based on gross receipts assignable to the state. CGS Secs. 12-218(k) & (l)
   g. Financial service companies – apportionment is based on total receipts assignable to the state (CGS Sec. 12-218b(b)(1)). PA 98-110 excludes financial services companies from using the capital base to calculate their tax liability or paying the minimum tax.

**2. Capital Base:** Liability under this base tax is calculated by multiplying: (1) the average value of issued and outstanding capital stock and surplus reserves, and (2) the tax rate of .0031% (3.1 mills) plus any surcharge applicable in that income year (CGS Sec. 12-219(a)(1)).[4] This amount may be further reduced by subtracting any tax credits that a corporation is eligible to claim. The maximum tax liability under the capital base is $1 million (CGS Sec. 12-219(a)(1)(C)).

**Capital Base Surcharges**

| Income Year | Tax Rate CGS Sec. 12-219(a)(1) | Surcharge CGS Sec. 12-219(b) | Legislation |
|---|---|---|---|
| 2002 | 0.0031% | none | none |
| 2003 | 0.0031% | 20% | PA 03-2[1] |
| 2004 | 0.0031% | 25% | PA 03-1 (JSS)[2] |
| 2005 | 0.0031% | none | |
| 2006 | 0.0031% | 20% | PA 05-251[3] |

[4]Per PA 21-2 JSS the capital base tax rate is reduced to 2.6 mills in 2024, 2.1 mills in 2025, 1.6 mills in 2026, 1.1 mills in 2027, and zero mills in 2028 and beyond.

| Income Year | Tax Rate CGS Sec. 12-219(a)(1) | Surcharge CGS Sec. 12-219(b) | Legislation |
|---|---|---|---|
| 2007 | 0.0031% | none | PA 06-186[4] |
| 2008 | 0.0031% | none | |
| 2009 | 0.0031% | 10% | PA 09-3 (JSS)[5] |
| 2010 | 0.0031% | 10% | PA 09-3 (JSS)[5] |
| 2011 | 0.0031% | 10% | PA 09-3 (JSS)[5] |
| 2012 | 0.0031% | 20% | PA 11-6[6] |
| 2013 | 0.0031% | 20% | PA 11-6[6] |
| 2014 | 0.0031% | 20% | PA 13-184[7] |
| 2015 | 0.0031% | 20% | PA 13-184[7] |
| 2016 | 0.0031% | 20% | PA 15-244[8] |
| 2017 | 0.0031% | 20% | PA 15-244[8] |
| 2018 | 0.0031% | 10% | PA 15-244[8] |
| 2019 | 0.0031% | 10% | PA 19-117[9] |
| 2020 | 0.0031% | 10% | PA 19-117[9] |
| 2021 | 0.0031% | 10% | PA 21-2 JSS[10] |
| 2022 | 0.0031% | 10% | PA 21-2 JSS[10] |
| 2023 | 0.0031% | 10% | PA 23-204[11] |
| 2024 | 0.0026% | 10% | PA 23-204[11] |
| 2025 | 0.0021% | 10% | PA 23-204[11] |
| 2026 | 0.0016% | none | PA 21-2 JSS |
| 2027 | 0.0011% | none | PA 21-2 JSS |
| 2028 and after | 0.0% | none | PA 21-2 JSS |

[1]PA 03-2 imposed a 20% surcharge for the 2003 income year.
[2]PA 03-1 (JSS) imposed a 25% surcharge for the 2004 income year.
[3]PA 05-251 imposed a 20% surcharge for the 2006 income year and a 15% surcharge for the 2007 income year.
[4]PA 06-186 eliminated the 15% surcharge for the 2007 income year.
[5]PA 09-3 (JSS) imposed a 10% surcharge for the 2009, 2010 and 2011 income years for companies that have: (1) $100 million or more in annual gross income for those years and (2) a tax liability that exceeds the $250 minimum tax.
[6]PA 11-6 imposed a 20% surcharge for the 2012 and 2013 income years for companies that have: (1) $100 million or more in annual gross income for those years and (2) a tax liability that exceeds the $250 minimum tax.
[7]PA 13-184 imposed a 20% surcharge for the 2014 and 2015 income years for companies that have: (1) $100 million or more in annual gross income for those years and (2) a tax liability that exceeds the $250 minimum tax.
[8]PA 15-244 imposed a 20% surcharge for the 2014 and 2015 income years for companies that have: (1) $100 million or more in annual gross income for those years and (2) a tax liability that exceeds the $250 minimum tax, or (3) that file as part of a combined or unitary return.
[9]PA 19-117 imposed a 10% surcharge for the 2019 and 2020 income years for companies that have: (1) $100 million or more in annual gross income for those years and (2) a tax liability that exceeds the $250 minimum tax, or (3) that file as part of a combined or unitary return.
[10]PA 21-2 JSS imposed a 10% surcharge for the 2021 and 2022 income years for companies that have: (1) $100 million or more in annual gross income for those years and (2) a tax liability that exceeds the $250 minimum tax, or (3) that file as part of a combined or unitary return.
[11]PA 23-204 imposed a 10% surcharge for the 2023, 2024, and 2025 income years for companies that have: (1) $100 million or more in annual gross income for those years and (2) a tax liability that exceeds the $250 minimum tax, or (3) that file as part of a combined or unitary return.

3. **Minimum Tax:** Corporations owing less than $250 under either the net income or the capital base are required to pay the minimum tax of $250. No surcharge is imposed on minimum tax payers. Companies paying the minimum tax are not permitted to use tax credits to reduce their liability below the $250 minimum tax (CGS Secs. 12-219(a)(1)(C) &12-223c).

**Combined Returns:** Through the 2015 income year if a corporation is permitted to file a federal consolidated return, it may elect to file a combined return in Connecticut (CGS Sec. 12-223a). Corporations filing combined returns are not entitled to the first $500,000 of tax savings over what they would have paid if they filed separately (CGS Sec. 12-223f as amended by PA 09-3 (JSS)). Taxpayers may no longer file combined returns for income years beginning on or after January 1, 2016 (PA 15-244, PA 15-5 JSS).

**Elective Unitary Returns:** Elective unitary returns measure the entire net income of all of the corporations included in the unitary group as if they were one corporation. Corporations that are subject to the add-back of interest expenses paid to related members may elect to calculate their tax on a unitary basis provided there are substantial intercorporate business transactions among the included corporations (CGS Sec. 12-218d). Taxpayers may otherwise petition the Commissioner of Revenue Services for approval. The combined entire net income of the unitary group is apportioned to Connecticut as if it was one corporation. Taxpayers may no longer file elective unitary returns for income years beginning on or after January 1, 2016 (PA 15-244, PA 15-5 JSS).

**Mandatory Unitary Combined Reporting:** Effective for income years beginning on or after January 1, 2016, commonly owned corporations that are engaged in a unitary business, where at least one corporation is subject to the corporation business tax, are required to file their returns on a unitary basis (PA 15-244, PA 15-5 JSS, PA 15-1 DSS).

**Corporations exempt from the tax:**

1. **Insurance companies**

   *Citation:* CGS Sec. 12-214(a)(2)(A)

   *Description:* The exemption is for domestic and foreign[5] insurance companies.

   *History:* PA 98-110 exempted domestic companies from the tax effective with the 1999 income year. PA 73-350 modified the exemption.

   *Fiscal Estimates:* Indeterminate.

   *Taxpayers Benefitting:* Approximately 1,360.

   *Rationale:*

   - Domestic insurance companies – Redundancy: These companies are subject to taxation under the insurance premiums tax.
   - Foreign insurance companies – Expediency: Connecticut does not tax companies headquartered in other states to avoid having retaliatory taxes imposed by those states on insurance companies headquartered in Connecticut.

[5]Foreign or nonresident insurance companies are incorporated under the laws of another state or foreign government but must be licensed by the insurance department in order to issue policies in this state.

**2. Domestic international sales corporations (DISCs)**

*Citation:* CGS Sec. 12-214(a)(2)(B)

*Description:* DISCs are U.S. companies whose income is derived primarily from foreign sales; the exemption is for DISCs that are exempt from the federal income tax.

*History:* PA 72-271 created the exemption.

*Fiscal Estimates:* Indeterminate.

*Taxpayers Benefitting:* Data not available.

*Rationale:* Conformity.

**3. Railroad companies**

*Citation:* CGS Sec. 12-214(a)(2)(C) and (D)

*Description:* The exemption is for railroad companies that are subject to the utility gross earnings tax.

*History:* 1915 Ch. 292 created the exemption.

*Fiscal Estimates:* Indeterminate.

*Taxpayers Benefitting:* Fewer than 10.

*Rationale:* Redundancy.

**4. Cooperative housing corporations**

*Citation:* CGS Sec 12-214(a)(2)(E)

*Description:* The exemption is for cooperative housing corporations, as defined in Section 21b of the IRS Code, whether or not they have any federal taxable income.

*History:* A cooperative housing corporation exemption with certain residence and corporate membership restrictions was enacted in 1965. A general exemption was provided for any corporation with no federal taxable income in 1969. PA 94-4 broadened the exemption to include cooperative housing corporations that had federal taxable income, retroactive to the 1990 income year.

*Fiscal Estimates:* Indeterminate.

*Taxpayers Benefitting:* Data not available.

*Rationale:* Conformity (1965 & 1969 exemptions) and Expediency (1994 exemption).

**5. Political associations**

*Citation:* CGS Sec 12-214(a)(2)(F)

*Description:* The exemption is for organizations established and operated for political purposes that are exempt from federal taxation.

*History:* PA 75-101 enacted the exemption.

*Fiscal Estimates:* Indeterminate.

*Taxpayers Benefitting:* Data not available.

*Rationale:* Conformity.

**6. Alternate energy systems companies**

*Citation:* CGS Sec. 12-214(a)(2)(G)

*Description:* The exemption is for companies that: (1) are not owned or controlled by another company; (2) have a gross annual revenue of less than $100 million; and (3) are engaged in the research, design manufacture, sale or installation of alternative energy systems. The company's net income must be directly attributable to alternative energy systems.

*History:* PA 80-406 enacted the exemption.

*Fiscal Estimates:* Indeterminate.

*Taxpayers Benefitting:* Data not available.

*Rationale:* Incentive.

**7. Aero-derived gas turbine systems**

*Citation:* CGS Sec. 12-214(a)(2)(H)

*Description:* The exemption is for companies that engage in the research, design, manufacture or sale of aero-derived gas turbine systems used in advanced industrial applications in this state.

*History:* PA 92-152 enacted the exemption.

*Fiscal Estimates:* Indeterminate.

*Taxpayers Benefitting:* Data not available.

*Rationale:* Incentive.

**8. Non-US corporations whose sole activity in the state is the trading of stocks, commodities and securities**

*Citation:* CGS Sec. 12-214(a)(2)(I)

*Description:* The exemption is for foreign corporations whose only presence within the state relates to the trading of stocks, commodities, and securities.

*History:* PA 98-244 enacted the exemption.

*Fiscal Estimates:* Indeterminate.

*Taxpayers Benefitting:* Data not available.

*Rationale:* Incentive.

**9. Subchapter S-corporations**[6]

*Citation:* CGS 12-214(a)(2)(J)

*Description:* The exemption is for businesses electing to be taxed as a corporation through subchapter S of the IRS code.

*History:* PA 96-175 phased out the tax on the net income of Subchapter S corporations by reducing the taxable percentage. The corporation tax on S corporations was completely phased out at the end of the 2001 income year, and they became taxable under the business entity tax for the 2002 income year (see above).

*Fiscal Estimates:* Indeterminate.

*Taxpayers Benefitting:* Fewer than 175,000.

*Rationale:* Expediency.

**10. Regulated investment companies**[7] **(RICs) and real estate investment trusts (REITs)**

*Citation:* CGS Sec. 12-217(a)(1)(B) and 217(a)(3) exempt these entities from the net income base of the tax and CGS Sec. 219(c) exempts them from the capital base and the minimum tax.

*Description:* Regulated Investment Company (RIC) means a regulated investment company as defined in I.R.C. §851. DRS Ruling 93-24 states that distributions paid by the RIC to the company that are "exempt-interest dividends," as defined in 26 U.S.C. § 852(b)(5), and "capital gain dividends," as defined in 26 U.S.C. § 852(b)(3)(C), are not "dividends as defined in the federal income tax law" because federal law transforms their character from dividend income to exempt-interest income and capital gain income, respectively. Therefore, "exempt-interest dividends" and "capital gain dividends" may not be deducted under Conn. Gen. Stat. § 12-217(a)(D). Distributions paid by the RIC to the company that are not "exempt-interest dividends" or "capital gain dividends" may be deducted under Conn. Gen. Stat. § 12-217(a)(D), provided that such distributions are "dividends" as defined in 26 U.S.C. § 316 and no provision of federal income tax law expressly transforms their dividend character, and provided that the RIC is a domestic corporation.

*History:* PA 93-74 enacted the exemption effective with the 1993 income year.

*Fiscal Estimates:* Indeterminate.

*Taxpayers Benefitting:* Data not available.

*Rationale:* Incentive and Expediency.

**11. Passive investment companies (PICs)**

*Citation:* CGS Sec. 12-213(a)(9)(C)

*Description:* The exemption is for the income of PICs, which is derived from investments that earn interest, dividends, and/or capital gains.

*History:* PA 98-110 enacted the exemption effective with the 1999 income year.

[6]Subchapter S is a section of the federal income tax code.
[7]Regulated investment companies are mutual funds.

*Fiscal Estimates:* Indeterminate.

*Taxpayers Benefitting:* Data not available.

*Rationale:* Incentive.

**12. Municipal risk management agencies**

*Citation:* CGS Sec. 12-219(c)

*Description:* The exemption is for associations formed by two or more municipalities or other local government units to insure against public liability, automobile and property risk.

*History:* PA 94-4 MSS clarified that municipal risk management agencies are exempt from the capital base and the minimum tax, effective with the 1980 income year. This type of organization does not have a tax liability under the net income base.

*Fiscal Estimates:* Indeterminate.

*Taxpayers Benefitting:* Data not available.

*Rationale:* Conformity.

**13. Electric cooperatives**

*Citation:* CGS Sec. 33-240 imposes a $25 fee on these companies and exempts them from all other excise and income taxes.

*Description:* Imposes a $25 licensing fee on electric cooperatives and exempts them from all excise and income taxes.

*History:* 1941 Ch. 287 created the exemption.

*Fiscal Estimates:* Indeterminate.

*Taxpayers Benefitting:* Data not available.

*Rationale:* Clarification.

**14. Companies located in an insurance and financial services export zone**

*Citation:* CGS Sec. 32-538(a)

*Description:* The exemption is for companies that: (1) have their corporate headquarters located in the insurance and financial export zone in the City of Hartford and (2) conduct all their business outside of the United States.

*History:* PA 96-253 enacted the exemption.

*Fiscal Estimates:* Indeterminate.

*Taxpayers Benefitting:* Data not available.

*Rationale:* Incentive and Expediency.

**Deductions available under the net income base:** These deductions are used in the calculation of a corporation's net income. They are not available under the capital base because they do not relate to capital stock or surplus reserves.

1. **Earnings from international banking facilities (IBFs)**

   *Citation:* CGS Sec. 12-217(a)(1)(C)

   *Description:* International banking facilities (IBFs) are defined in federal regulations, which dictate state tax treatment of these entities. IBFs enable U.S. banks to use their domestic U.S. offices to offer foreign customers.

   *History:* PA 81-245 enacted the deduction.

   *Fiscal Estimates:* Indeterminate.

   *Taxpayers Benefitting:* Data not available.

   *Rationale:* Conformity.

2. **Dividends from domestic international sales corporations (DISCs) or foreign sales corporations (FSCs)**

   *Citation:* DISCs: CGS Sec. 12-217(a)(1)(D). FSCs: CGS Sec. 12-213(a)(9)(B)

   *Description:* Domestic international sales corporations (DISCs) are U.S. companies whose income is derived primarily from foreign sales. Foreign sales corporations (FSCs) no longer exist. FSC rules were repealed as of 9/30/00 after a determination by the World Trade Organization (WTO) that FSCs were an illegal export subsidy. Federal tax law formerly allowed U.S. companies to receive a tax reduction for profits derived from exports received through an offshore FSC subsidiary.

   *History:* PA 81-245 enacted the deduction.

   *Fiscal Estimates:* Indeterminate.

   *Taxpayers Benefitting:* Data not available.

   *Rationale:* Conformity.

3. **Net operating loss (NOL) carryforward**

   *Citation:* CGS Sec. 12-217(a)(4)(A)

   *Description:* Loss carryforwards smooth out fluctuations in corporate profits, which may change dramatically with economic conditions. Like federal law, prior year losses must be applied against income to the maximum extent possible and in a consecutive fashion during the carryover period, so that losses from the earliest years are used first. Federal law allows losses to be carried forward 20 years or carried back two years; the state deduction can be carried forward for 20 years.

   *History:* PA 73-350 created the deduction. PA 99-173 extended the carryforward period from five years to 20 years. PA 15-244 limited the applicability of loss carryforwards to 50% of net income in any income year. PA 15-5 JSS allowed certain filers with over $6 billion in NOLs from pre-2013 tax years to elect to use NOLs sooner than the limitations included in PA 15-244

would otherwise allow; PA 15-1 DSS established a minimum tax liability of $2.5 million for any filer making such an election.

*Fiscal Estimates:* $190 million in FY 24 and FY 25.

*Taxpayers Benefitting:* Approximately 7,100.

*Rationale:* Conformity.

**4. Net capital loss carryforward**

*Citation:* CGS Sec. 12-217(a)(4)(B)

*Description:* The deduction is for net capital losses, as defined by federal corporate income tax law. The deduction can be carried forward for 5 years.

*History:* PA 73-350 enacted the deduction.

*Fiscal Estimates:* $700,000 in FY 24 and FY 25.

*Taxpayers Benefitting:* Approximately 60.

*Rationale:* Conformity.

**5. Unpaid loss reserve adjustment for non-life insurance companies**

*Citation:* CGS Sec. 12-217(a)(5)

*Description:* An unpaid loss reserve is an estimate of the unpaid amounts required to settle a defined group of claims as of a particular accounting date. The deduction is for the unpaid loss reserve adjustment for non-life insurance companies that is required by the federal code.

*History:* PA 93-74 enacted the deduction.

*Fiscal Estimates:* Indeterminate.

*Taxpayers Benefitting:* Data not available.

*Rationale:* Clarification and Conformity.

**6. Capital gains from the sale to be preserved as open space or watershed land**

*Citation:* CGS Sec. 12-217(a)(1)(E)

*Description:* The deduction is for capital gains realized from the sale of open space or land to: (1) the state, (2) a municipality, (3) a non-profit land conservation organization, or (4) a water company. The land must be permanently preserved space or as Class I or Class II water company land to qualify for the deduction.

*History:* PA 99-173 enacted the deduction.

*Fiscal Estimates:* Less than $100,000 in FY 24 and FY 25.

*Taxpayers Benefitting:* Fewer than 10.

*Rationale:* Incentive and Expediency.

**7. Manufacturing reinvestment accounts**

*Citation:* CGS Sec. 32-9zz

*Description:* The Manufacturing Reinvestment Account (MRA) program allows manufacturers with 150 or fewer employees to deposit to 100% of their domestic gross receipts up to a maximum of $100,000 each year for five years in an interest-bearing MRA to save for various qualified purposes. Under the program, corporation taxes on the MRA funds are lowered through an exemption of 100% of the total funds deposited.

*History:* PA 11-140 established the program. PA 11-1 (OSS) increased the number of allowable participants from 50 to 100 and the maximum set-aside amount from $50,000 to $100,000. PA 14-69 increased the MRA exemption from 50% to 100% of qualified withdrawals, reduces from 100 to 50 the number of manufacturers that may participate in the program, and increases from 50 to 150 the maximum number of employees a manufacturer may have to be eligible for the program.

*Fiscal Estimates:* Less than $100,000 in FY 24 and FY 25.

*Taxpayers Benefitting:* Up to 50.

*Rationale:* Incentive.

**8. Federally disallowed business expense deductions for cannabis businesses**

*Citation:* CGS Sec. 12-217

*Description:* The deduction is for taxpayers holding medical marijuana or adult-use cannabis licenses to deduct, for state tax purposes, the amount of ordinary and necessary business expenses that would be eligible for a federal tax deduction under federal law (26 U.S.C. § 162(a)) but are disallowed because marijuana is a banned controlled substance under the federal Controlled Substance Act.

*History:* PA 23-204 established the deduction.

*Fiscal Estimates:* Less than $100,000 in FY 24 and FY 25.

*Taxpayers Benefitting:* Fewer than 30.

*Rationale:* Perceived Equity.

## Tax Credits Claimed Against the Corporation Tax

The most recent data indicates the following credits are used to reduce corporations' tax liability. Companies are prohibited from using the credits to reduce their tax liability below the $250 minimum tax, beginning with the 2002 income year (CGS Sec. 12-219(a)(3) and 223(c)). Through the 2014 income year, the total value of credits allowed in any income year was limited to 70% of pre-credit tax liability under either the net income or the capital base (CGS Sec. 12-217zz). Beginning with the 2015 income year the limit is reduced to 50.01% of pre-credit liability (PA 15-244), though the limit was gradually raised over four years back to the 70% level by the 2019 income year with respect to the Research and Development and Urban and Industrial Site Reinvestment tax credits only. PA 19-117 reduced the limit from 70% to 50.01% for Research and Development and Urban and Industrial Site Reinvestment tax credits effective with the 2019 income year. PA 21-2 JSS increased the limit for Research and Development tax credits to 60% for the 2022 income year and 70% for the 2023 income year and each year thereafter. PA 23-204 allowed corporations to use the 25% human capital investment tax credits (i.e., credits for the childcare-related investments) to reduce up to 70% of their corporation business tax liability each year.

**1. $2.5 million limit on tax liability increases due to unitary filing**

*Citation:* CGS Sec. 12-218e(k)(1)

*Description:* The credit establishes a $2.5 million cap on the amount a combined group's tax, calculated on a unitary basis, can exceed the tax it would have paid on a separate basis (i.e., its nexus combined base tax).

*History:* PA 15-1 DSS enacted the exemption.

*Fiscal Estimates:* $40 million in FY 24 and FY 25.

*Taxpayers Benefitting:* Between 10 and 15.

*Rationale:* Expediency.

**2. ABLE account contributions**

*Citation:* CGS Sec. 12-217tt

*Description:* The credit is for contributions employers make to employees' Achieving Better Life Experiences (ABLE) accounts, capped at $2,500 per employee per year.

*History: Rationale:* PA 23-137 established the credit.

*Fiscal Estimates:* None in FY 24 and $1 million in FY 25.

*Taxpayers Benefitting:* Data not yet available.

*Rationale:* Incentive.

**3. Apprenticeship training credit in construction, manufacturing, and plastics trades**

*Citation:* CGS Sec. 12-217g

*Description:* The credit is available to businesses in the construction, manufacturing, plastics and plastics-related trades that employ apprentices. It is administered by the Department of Labor. For the manufacturing and plastics trades, the credit is the lesser of: (1) 50% of the

actual wages paid to apprentices in the income year or (2) up to $7,500 per apprenticeship. For the construction trades, the credit is the lesser of: (1) 50% of the actual wages paid to the apprentice or (2) up to $4,000 per apprenticeship. The construction trades credit is awarded in the year the apprentice completes a 4-year program. There are no carryback or carryforward provisions.

*History:* PA 79-475 enacted the credit for the machine tool and metal trades. PA 94-4 MSS changed the hourly wage requirements. PA 95-284 extended the credit to plastics trades. PA 97-295 substituted "manufacturing trades" for machine tool and metal trades, and extended the credit to the construction trades. PA 06-174 changed the construction trades credit: (1) nonunion businesses qualify for the credit, (2) the credit is awarded in the year the apprentice completes a 4-year program, (3) the credit amount is based on the number of hours completed by the apprentice, and (4) the credit limit is raised from $1,000 to $4,000. PA 13-265 increased the manufacturing apprenticeship credit limit from $4,800 to $7,500. PA 14-217 allowed pass-through entities to earn apprenticeship tax credits for manufacturing trades and sell, assign, or transfer them to other taxpayers, including corporations that may in turn claim the tax credits to reduce their corporation tax liability. PA 15-1 DSS allowed pass-through entities to sell, assign, or transfer the credits to other taxpayers for use against their utility companies or petroleum products gross earnings tax liability. PA 22-118 extended the manufacturing apprenticeship tax credit to the pass-through entity tax for tax years beginning on or after January 1, 2022.

*Fiscal Estimates:* $100,000 in FY 24 and FY 25.

*Taxpayers Benefitting:* Fewer than 15.

*Rationale:* Incentive.

**4. Cash donations to eligible youth development organizations**

*Citation:* CGS Sec. 12-217rr

*Description:* The tax credit is for cash contributions individuals and businesses make to eligible youth development organizations to fund programs like afterschool tutoring, mentoring, and workforce preparedness training. The credit is available for the 2024 and 2025 income and tax years and may be applied against the corporation business or personal income tax. The credit equals 50% of the qualifying contribution, up to a maximum credit amount of $100,000 per income year for corporation business taxpayers or $20,000 per tax year for personal income taxpayers. The credit is capped at $2.5 million per fiscal year.

*History: Rationale:* PA 23-205 established the temporary credit.

*Fiscal Estimates:* None in FY 24 and $2.5 million in FY 25.

*Taxpayers Benefitting:* Data not yet available.

*Rationale:* Incentive.

**5. CHESLA Loan Repayment**

*Citation:* CGS Sec. 12-217qq

*Description:* The credit is available to businesses that make eligible education loan payments on a qualified employee's behalf. The credit equals 50% of the payments an employer makes on

the outstanding principal balance of an eligible employee's education loan up to a maximum credit of $2,625 per employee per income year. Eligible loans are those issued by the Connecticut Higher Education Supplemental Loan Authority (CHESLA).

*History:* PA 19-86 enacted the credit. PA 22-118 expanded the loan to any CHESLA loan (rather than only refinanced loans) and allows "qualified small businesses" to apply to the Department of Revenue Services to exchange the credit for a refund.

*Fiscal Estimates:* $9.9 million in FY 24 and $10.4 million in FY 25.

*Taxpayers Benefitting:* Fewer than 200.

*Rationale:* Incentive.

**6. Donation of land for educational use**

*Citation:* CGS Sec. 12-217ff

*Description:* The credit is for land donated without any financial consideration or sold at a discounted price to a municipality or political subdivision of the state for educational use. The credit is 50% of the difference between fair market value and the amount received for the donated land. Unused credits may be carried forward 55 years.

*History:* PA 04-200 enacted the credit effective June 3, 2003. PA 13-232 extended, from 15 to 25 years, the maximum time during which taxpayers may carry forward the corporation business tax credit for donating land for educational uses.

*Fiscal Estimates:* Less than $100,000 in FY 24 and FY 25.

*Taxpayers Benefitting:* Fewer than 5.

*Rationale:* Incentive.

**7. Electronic data processing**

*Citation:* CGS Sec. 12-217t

*Description:* The credit is available for 100% of the local property tax paid on electronic data processing equipment, including computers, printers, peripheral computer equipment, bundled software and any other related equipment reported as Code 20 on the Personal Property Declaration. The credit is only for property tax liability and excludes any interest or penalties that the taxpayer may also be required to pay. It may only be taken when filing a final return and may not be used to calculate estimated payments. Unused credits may be carried forward for five years.

*History:* PA 94-4 MSS enacted the credit. PA 95-160 delayed the effective date of the credit from the 10/1/94 grand list to 10/1/96 grand list. PA 96-144 reinstated the original effective date of 10/1/94 grand list.

*Fiscal Estimates:* $9.7 million in FY 24 and FY 25.

*Taxpayers Benefitting:* Approximately 1,230.

*Rationale:* Perceived Equity.

**8. Film production**

*Citation:* CGS Sec. 12-217jj

*Description:* The credit is available to companies that produce qualified entertainment content wholly or in part in this state. Qualified activities include production of: (1) motion pictures, (2) television programming, (3) sound recordings, (4) music videos, (5) video games, (6) commercials (infomercials are ineligible) and (7) certain interactive websites. The credit is administered by the Department of Economic and Community Development (DECD). The credit is as follows:

**Film Production Credit**

| Income Year | Minimum Production Expenditure | % Credit |
|---|---|---|
| 2007 to 2009 | $50,000 | 30% |
| 2010 & after | $100,000 to $500,000 | 10% |
| | $500,000 to $1 million | 15% |
| | Over $1 million | 30% |

Beginning with the 2010 income year, credits may be: (1) sold or transferred to other eligible companies and (2) resold for a maximum of three transfers. Credit buyers and sellers must jointly notify DECD of a sale or transfer. Credit vouchers may be claimed in the year the costs were incurred or the three succeeding years after the year the costs were incurred. However, tax credit vouchers issued on or after July 1, 2015, may be claimed in the year the expenses were incurred or in the next five income years. Credits are not refundable.

*History:* PA 06-83 enacted the credit effective with the 2006 income year. PA 06-186 amended the language. PA 07-236: (1) allowed the credit to be applied against the insurance premium tax as well as the corporation tax and (2) changed the types of productions and expenses that are eligible. PA 07-4 (JSS) eliminated a partial credit for out of state expenditures that was added by PA 07-236. PA 08-142: (1) made the insurance premiums tax credit retroactive to income years beginning between January 1, 2006, and January 1, 2007, and (2) permitted insurance premiums tax and corporation tax credits for income years between January 1, 2006, and January 1, 2007, to be resold or transferred up to three times. PA 09-3 (JSS): (1) changed the minimum project expenditure and percentage of the credit beginning with the 2010 income year, (2) changed the requirements for eligible production expenditures beginning with the 2010 income year and (3) made infomercials ineligible for the credit. PA 11-61 specified that: (1) qualified productions must conduct no less than 50% of principal photography days within the state or expend no less than 50% of post-production costs within the state or expend not less than $1.0 million of post-production costs within the state, (2) for income years beginning on or after January 1, 2011, and prior to January 2, 2012, a production company may not transfer more than 50% of the film production tax credit in any one income year, (3) for income years beginning on or after January 1, 2012, a production company may not transfer more than 25% of the film production tax credit in any one income year, and (4) any production that is created in whole or in significant part at a "qualified production facility"[8] within the state shall not be subject to transfer limitations. PA 11-1 (OSS) expanded the

[8]A "qualified production facility" means a facility: (1) located in Connecticut, (2) intended for film, television, or digital media production and (3) that has a minimum investment of $3 million, or less if the DECD Commissioner determines such facility otherwise qualifies.

types of qualified productions that are eligible for film production tax credits to include "relocated television productions." It defined a relocated television production as an eligible production company's ongoing television program that (1) has filmed all its prior seasons outside Connecticut, (2) may include certain current events shows, and (3) is created at a qualified production facility that meets specified investment and job creation thresholds on or after January 1, 2012. Productions featuring current events are not currently eligible for film production tax credits. PA 13-247 established a two-year moratorium on film production tax credits for FY 14 and FY 15 by barring the issuance of tax credit vouchers during those years for motion pictures that have not been designated as state-certified productions prior to July 1, 2013, with certain exceptions; PA 15-244 extended the moratorium for an additional two years through FY 17; PA 17-2 JSS made the moratorium permanent. PA 15-5 JSS extended the length of time in which entities must claim all or part of the credits from three to five years following the year in which the qualified expenditures were incurred for vouchers issued on or after July 1, 2015. PA 17-2 JSS allowed any film production tax credit that is sold, assigned or otherwise transferred, to be claimed at a discount against the gross receipts tax on cable, satellite, and competitive video services under certain circumstances. PA 21-2 JSS allowed film and digital media production tax credits to be claimed at a discount (78%) against the sales and use tax under certain circumstances; PA 23-204 temporarily increased this amount to 92% for the 2024 and 2025 income years.

*Fiscal Estimates:* $55 million in FY 24 and FY 25.

*Taxpayers Benefitting:* Between 30 and 40.

*Rationale:* Incentive and Expediency.

**9. Film production infrastructure**

*Citation:* CGS Sec. 12-217kk

*Description:* The credit is available for investments in state-certified infrastructure projects for the film and digital media industry. It is administered by the Department of Economic and Community Development. The credit is as follows:

**Motion Picture Infrastructure Credit**

| Income Year | Project Cost | % Credit |
|---|---|---|
| 2007 to 2009 | $15,001 to $149,999 | 10% |
| | $150,000 to $1 million | 15% |
| | $1 million & above | 20% |
| 2010 & after | $3 million & above | 20% |

Credits may be: (1) sold or transferred to other eligible companies and (2) resold for a maximum of three transfers. Credit buyers and sellers must jointly notify DECD of a sale or transfer. Credits are not refundable. Credits may be claimed for the income year in which the eligible expenditures are made or may be carried forward for three years.

*History:* PA 07-236 enacted the credit. PA 09-3 (JSS) changed the minimum project cost and percentage of the credit beginning with the 2010 income year. PA 11-1 (OSS) allowed taxpayers to claim all or part of the tax credits either in the income year in which the infrastructure investments

were made or in any of the three immediately succeeding income years. PA 13-232 allowed taxpayers to whom film infrastructure investment tax credits have been assigned (i.e., assignees) to claim the credits during the year in which the expenditures were made or in the three immediately succeeding income years, rather than only in the income year in which the expenditures were made.

*Fiscal Estimates:* $1.1 million in FY 24 and FY 25.

*Taxpayers Benefitting:* Fewer than 10.

*Rationale:* Incentive and Expediency.

**10. Fixed capital**[9]

*Citation:* CGS Sec. 12-217w

*Description:* The credit is available for fixed capital which: (1) has an IRS class life of more than 4 years; (2) was not purchased from a related entity; (3) is not leased to another entity within 12 months of purchase; and (4) will be located and used in state for at least five full years following acquisition. The credit is 5% of qualified expenditures. There is a recapture provision if the fixed capital for which the credit is claimed is not located and used in the state for three full years following its acquisition (100% credit recapture) or five full years following its acquisition (50% credit recapture). Unused credits may be carried forward five years.

*History:* PA 97-295 enacted the credit and phased it in at the rate of 3% for the 1998 income year, 4% for 1999, and 5% thereafter. PA 98-262 clarified the recapture provision. PA 23-204 allowed certain Connecticut-headquartered corporations that own at least 80% of an LLC to claim the fixed capital investment tax credit for amounts the LLC invested in qualifying fixed capital starting on or after July 1, 2025.

*Fiscal Estimates:* $37 million in FY 24 and FY 25.

*Taxpayers Benefitting:* Approximately 1,500.

*Rationale:* Clarification and Expediency.

**11. Historic home rehabilitation, historic structures rehabilitation, historic preservation, and historic rehabilitation**

*Citation:* CGS Sec. 10-416 (Historic home rehabilitation), CGS Sec. 10-416a (Historic structure rehabilitation), CGS Sec. 10-416b (Historic preservation), and CGS Sec. 10-416c (Historic rehabilitation)

*Description:*

- Historic home rehabilitation: The credit is available for expenses associated with rehabilitating owner-occupied historic homes. It is administered by the Department of Economic and Community Development (DECD). In order to qualify, the property must: (1) have 1 to 4 dwelling units, one of which is the principal residence of the owner, and (2) be listed individually on the National Register of Historic Places or located in a district listed in the National or State Register of Historic Places. In addition, DECD must certify that the property contributes to the district's historic character. A minimum qualified

[9]Fixed capital does not include inventory, land, buildings or structures, or mobile transportation property (such as trucks, buses, forklifts, snowplows or construction equipment).

rehabilitation expenditure of $15,000 must be incurred, the minimum amount for which a credit is available is $15,000, the credit limit per dwelling unit is $30,000, [10] and the annual limit for all taxpayers is $3 million. The owner must occupy the home for at least five years following the completion of the rehabilitation work. Unused credits may be carried forward for four succeeding income years.

- Historic structure rehabilitation: The credit was available to individuals, limited liability companies, and nonprofit and for-profit corporations for expenses associated with rehabilitating historic commercial and industrial properties for residential use. It was administered by the Department of Economic and Community Development (DECD). In order to have qualified, the property must either be: (1) listed individually on the National Register of Historic Places or (2) located in a district listed in the National or State Register of Historic Places. In addition, DECD had to certify that the property contributes to the district's historic character. The credit was up to 25% of the qualified rehabilitation costs; the limit per structure was $2.7 million, and the annual limit for all taxpayers was $15 million. Owners can claim the credit themselves or transfer it to others. Credit holders may claim a credit in the tax year when the property receives its certificate of occupancy. For multiphase projects, credit holders may claim a part of the credit in proportion to that part of the project that received a certificate of occupancy. Unused credits may be carried forward for five succeeding income years.
- Historic preservation: The credit was available to individuals, limited liability companies, and nonprofit and for-profit corporations for expenses associated with rehabilitating historic property used for both residential and commercial purposes.[11] It was administered by the Department of Economic and Community Development (DECD). In order to have qualified, the property must be a historic commercial or industrial property: (1) individually listed on the National or State Register of Historic Places or (2) located in a historic district listed on the National or State Register of Historic Places. In addition, the Department of Economic and Community Development (DECD) must certify that the property contributes to the district's historic character. The credit was up to 25% of the qualified rehabilitation costs; the credit increases to 30% if a portion of the units are affordable[12] to low- and moderate-income people. The total credit amount was up to $50 million per three-year cycle, beginning with FY 09 through FY 11. Unused credits may be carried forward for five succeeding income years.

*History:*

- Historic home rehabilitation: PA 99-173 established the credit. PA 13-266 expanded the credit by making the credit available statewide, reducing the minimum amount that must be spent, and increasing the maximum amount of the credit that businesses may claim when contributing to nonprofits rehabilitating historic homes. PA 14-217 required that 70% of the credits annually be reserved for rehabilitating historic homes in the 24 municipalities designated as "regional centers" in the state's current five-year plan of conservation and development. PA 23-204 changed the taxes against which historic homes rehabilitation tax credits may be claimed beginning January 1, 2024 and made credits claimed against the personal income tax refundable.

[10] The maximum credit is limited to $50,000 for owners that are nonprofit corporations.
[11] The residential portion must comprise at least 33% of the total floor area in the rehabilitated property.
[12] A project is considered affordable if: (1) at least 20% of the units are affordable rental units or (2) 10% are affordable homeownership units. A unit is affordable if it costs a moderate-income household no more than 30% of its income. A household falls into this category if it earns no more than the median income of the town where the unit is located.

- Historic structure rehabilitation: PA 06-186 established the credit. PA 14-217 specified that no credits may be reserved under this program effective July 1, 2014.
- Historic preservation: PA 07-250 established the credit and specified that the first 3-year period for which the credit is available is FY 09 through FY 11. PA 14-217 specified that no credits may be reserved under this program effective July 1, 2014.
- Historic rehabilitation: PA 14-217 established the credit.

*Fiscal Estimates:* $100,000 in FY 24 and FY 25 (cumulative).

*Taxpayers Benefitting:* Fewer than 10.

*Rationale:* Incentive and Expediency.

**12. Housing program contribution**

*Citation:* CGS Sec. 8-395

*Description:* The credit is available to firms making cash contributions to nonprofit organizations that develop, sponsor, or manage housing programs for families with low or moderate incomes. It is administered by the Connecticut Housing Finance Authority (CHFA). The credit is equal to the amount contributed. The minimum amount for which a credit is granted is $250 per firm. The annual limit for all firms is $10 million (of this total, $2 million is set aside for the Supportive Housing Pilots Initiative or the Next Steps Initiative and $1 million is set aside for workforce housing). The maximum amount a nonprofit organization may receive in the aggregate is $500,000. Unused credits may be carried backward or forward for 5 years.

*History:* PA 87-377 enacted the credit effective with the 1988 income year. PA 99-173 increased: (1) the credit limit per business from $50,000 to $75,000; (2) the limit for the total annual amount allowed for all businesses from $1 million to $5 million; and (3) the amount an entity can receive in the aggregate from $300,000 to $400,000. PA 00-170 required eligible contributions to be in cash and removed the per-business limit on credits. PA 01-8 JSS set aside $1 million for the Supportive Housing Pilots Initiative. PA 06-186: (1) raised the annual limit for all firms from $5 million to $10 million; (2) set aside $2 million for the Supportive Housing Pilots Initiative or the Next Steps Initiative; (3) set aside $1 million for workforce housing; and (4) raised the maximum amount a nonprofit organization may receive in the aggregate from $400,000 to $500,000.

*Fiscal Estimates:* Less than $100,000 in FY 24 and FY 25.

*Taxpayers Benefitting:* Fewer than 10.

*Rationale:* Incentive and Perceived Equity.

**13. Human capital**

*Citation:* CGS Sec. 12-217x

*Description:* The credit is available for expenses related to: (1) job training; (2) work education; (3) donations or contributions to higher education institutions for the advancement of technology, including physical plant improvements; (4) day care facilities for children of employees; (5) childcare subsidies to employees; or (6) donations and contributions to the

Individual Development Account Reserve Fund[13]. The credit is 10% for most eligible investments and 25% for child care-related investments. Unused credits may be carried forward 5 years.

*History:* PA 97-295 enacted the credit and phased it in at the rate of 3% for the 1998 income year, 4% for 1999, and 5% thereafter. PA 00-192 created the Individual Development Account Reserve Fund and made contributions to the Fund eligible for the human capital investment tax credit effective with the 2001 income year. PA 23-204 increased the credit from 5% to 10% (for most eligible investments) and 25% (for eligible child care-related expenditures); expanded eligibility to additional child care-related expenses; and allowed corporations to use the 25% human capital investment credits to reduce up to 70% of their corporation business tax liability, rather than 50.01%.

*Fiscal Estimates:* $7.2 million in FY 24 and $8.6 million in FY 25.

*Taxpayers Benefitting:* Approximately 75.

*Rationale:* Incentive and Expediency.

**14. JobsCT**

*Citation:* CGS Secs. 32-7t & 32-7u

*Description:* The credit is for reaching certain job creation targets by businesses. It equals 25% of the state income tax paid by the eligible full-time equivalent employees (FTEs) (50% for FTEs in an opportunity zone or distressed municipality). There is a minimum credit of $1,000 per new FTE ($750 per discretionary FTE) and a maximum of $5,000 per new or discretionary FTE. However, it doubles the minimum amounts for rebates earned, claimed, or payable before January 1, 2024 (i.e., $2,000 per new FTE and $1,500 per discretionary FTE). A business may receive credits in up to seven successive years, beginning with the second year after it is accepted into the program. The rebate is refundable if it exceeds the business's tax liability and may exceed the existing insurance premiums and corporation business tax credit limits. The act caps the total rebate amount awarded at $40 million per fiscal year.

*History:* PA 22-118 established the JobsCT tax rebate program under which companies in specified industries may earn rebates against the insurance premiums, corporation business, and pass-through entity taxes for reaching certain job creation targets.

*Fiscal Estimates:* None in FY 24 and $40 million in FY 25.

*Taxpayers Benefitting:* Data not yet available.

*Rationale:* Incentive.

**15. Machinery and equipment**

*Citation:* CGS Sec. 12-217o

*Description:* The credit is available to small and medium-sized companies for the incremental increase in capital goods expenditures over the previous year. The credit is 10% for companies

[13]CGS Sec. 31-51ww allows low-income and disabled taxpayers to open savings accounts and receive matching funds from the Individual Development Account Reserve Fund as an incentive to save for specific purposes.

with 250 or fewer full-time, permanent employees and 5% for companies with 251 to 800 employees. There are no carryback or carryforward provisions.

*History:* PA 93-382 enacted the credit effective with the 1995 income year. PA 94-3 required the machinery and equipment to be used in a facility in this state. PA 94-4 MSS increased the maximum number of full-time employees from 500 to 800. PA 99-121 limited the employment criteria to workers based in this state.

*Fiscal Estimates:* $800,000 in FY 24 and FY 25.

*Taxpayers Benefitting:* Approximately 30.

*Rationale:* Incentive and Perceived Equity.

**16. Manufacturing facilities, service facilities, and enterprise zones**

*Citation:* CGS Sec. 12-217e(a) (Manufacturing facilities), CGS Sec. 12-217e(b) (Service facilities), CGS Sec. 12-217v (Enterprise zones)

*Description:*

- Manufacturing facilities: The credit ranges from 25% to 50% of the amount of tax that is allocable to a facility located in an Enterprise Zone or a municipality with an Entertainment District[14] depending on whether the corporation is occupying a new or renovated facility or certain employment criteria is met.[15] To qualify, the corporation must obtain certification from DECD. Unused credits may be carried forward 10 years.
- Service facilities: The credit is based on certain employment criteria[16]. It is available for between 15% and 50% of the amount of tax that is allocable to a service facility located in an Enterprise Zone or a municipality with an Entertainment District. The credit is administered by the Department of Economic and Community Development (DECD). To qualify for it, the corporation must obtain certification from DECD that it is occupying a new or renovated facility located within an Enterprise Zone or Entertainment District. Unused credits may be carried forward 10 years.

[14] Enterprise Zones are defined under CGS Sec. 32-70 and Entertainment Districts are defined under CGS Sec. 32-76 and Section 2 of PA 93-311.

[15] The 50% credit is available if, during the last quarter of a firm's income year, not less than 150 or 30% of the facility's full-time positions are held by: (1) residents of the zone, or (2) residents of the municipality and qualify under the Federal Comprehensive Employment Training Act (CETA).

[16] Employment criteria and credit amounts for the service facilities credit:

**Employment Criteria for the Service Facilities Credit**

| % Corp Tax Credit | Employment Criteria |
|---|---|
| 15% | 300 to 599 new employees work at the facility |
| 20% | 600 to 899 new employees work at the facility |
| 25% | 900 to 1,199 new employees work at the facility |
| 30% | 1,200 to 1,499 new employees work at the facility |
| 40% | 1,500 to 1,999 new employees work at the facility |
| 50% | 2,000 or more new employees work at the facility |

- Enterprise Zones: The credit is available to qualified corporations[17] for 100% of the corporation's tax liability for the first three taxable years and 50% of its liability for the next seven years. It is administered by the Department of Economic and Community Development. There are no carryback or carryforward provisions.

*History:*

- Manufacturing facilities: PA 78-357 enacted a 25% Enterprise Zone credit. PA 81-445 added the 50% credit. PA 82-435 provided that: (1) the 30% determination will be made for the last quarter rather than the last day of the year and (2) CETA eligible residents of the municipality count toward the 30%. PA 83-381 amended the eligibility criteria for facilities in Enterprise Zones. PA 90-270 extended the credit to businesses employing more than 150 full-time employees. PA 93-311 extended the credit to Entertainment Districts. PA 00-174 changed a provision regarding positions at an eligible facility. PA 18-145 sunsets the credit; only those companies that first claimed the credit for an income year before 2018 may continue to claim the credit after July 1, 2018.
- Service facilities: PA 78-357 enacted an Enterprise Zone credit. PA 96-239 added the service facilities credit. PA 10-98 made conforming changes. PA 18-145 sunsets the credit; only those companies that first claimed the credit for an income year before 2018 may continue to claim the credit after July 1, 2018.
- Enterprise Zones: PA 96-239 established the credit. PA 15-1 DSS lowered the employment thresholds that certain bioscience, clean technology, and cybersecurity technology businesses must meet to qualify for the tax credit for qualifying corporations in enterprise zones.

*Fiscal Estimates:* $400,000 in FY 24 and FY 25 (cumulative).

*Taxpayers Benefitting:* Fewer than 10.

*Rationale:* Incentive.

**17. Neighborhood assistance**

*Citation:* CGS Sec. 12-632 through 12-635(a)

*Description:* A 60% credit of the amount contributed is available for expenditures on activities approved by municipalities such as: (1) neighborhood assistance; (2) job training or education; (3) community services; (4) crime prevention; (5) cash donations used for the purchase of open space; or (6) community-based alcoholism prevention or treatment programs. A 100% credit is available for energy conservation or construction or rehabilitation of dwelling units for families of low and moderate income. The program is administered by the Department of Revenue

[17] Qualified corporations are those created on or after 1/1/97 in an Enterprise Zone (EZ) that either:
a. Have at least 375 employees, at least 40% of whom: (1) are residents of the EZ or the municipality in which the EZ is located, and (2) qualify under the Job Training Partnership Act, or
b. Have less than 375 employees, at least 150 employees of whom: (1) are residents of the EZ or the municipality in which the EZ is located, and (2) qualify under the Job Training Partnership Act.

For entities in the bioscience, clean technology, and cybersecurity technology industries created after July 1, 2015, qualified corporations are those created in an Enterprise Zone (EZ) that either:
a. Have at least 188 employees, at least 40% of whom: (1) are residents of the EZ or the municipality in which the EZ is located, and (2) qualify under the Job Training Partnership Act, or
b. Have less than 188 employees, at least 75 employees of whom: (1) are residents of the EZ or the municipality in which the EZ is located, and (2) qualify under the Job Training Partnership Act.

Services. The minimum amount for which a credit is granted is $250, the annual credit limit per business firm is $150,000, a non-profit organization is limited to receiving $150,000 in contributions in the aggregate, and the annual limit for all firms is $5 million. Unused credits may be carried back for two years.

*History*: PA 82-469 enacted the credit. PA 95-268 lowered the amount of the credit from 50% to 40% of the amount contributed. PA 03-225 increased the amount of the credit from 40% to 60% of the amount contributed. PA 07-242 increased the amount for energy conservation projects from 60% to 100%. PA 97-251 increased the total limit from $3 million to $4 million. PA 99-173 increased the total limit to $5 million. PA 10-188 eliminated municipal approval requirements. PA 11-140 increased the total amount of credits a company may claim annually and extends tax credit eligibility to the business entity tax. PA 15-5 JSS increased the total limit from $5 million to $10 million beginning July 1, 2017. PA 17-2 JSS subsequently reduced the total limit from $10 million to $5 million effective July 1, 2017.

*Fiscal Estimates:* $1.7 million in FY 24 and FY 25.

*Taxpayers Benefitting:* Approximately 40.

*Rationale:* Incentive and Perceived Equity.

**18. Pre-Broadway and post-Broadway theater productions**

*Citation:* CGS Sec. 10-419

*Description:* The credit is for production companies of eligible pre- and post-Broadway productions and live theatrical tours performed at qualified facilities in Connecticut. The credit equals 30% of the production's eligible expenditures and is capped at $2.5 million per fiscal year.

*History:* PA 23-204 established the credit.

*Fiscal Estimates:* None in FY 24 and $2.5 million in FY 25.

*Taxpayers Benefitting:* Data not yet available.

*Rationale:* Incentive.

**19. Research and development**

*Citation:* CGS Sec. 12-217n

*Description:* The credit is available for research and development expenditures incurred in this state. The credit increases from (1) 1% of expenditures up to $50 million to (2) 6% of expenditures over $200 million. Qualified small businesses with a gross income of less than $100 million are eligible for the 6% credit. The credit cannot be claimed if the credit under 12-217j is claimed. The credit for expenditures over $200 million is reduced if there are work force reductions and the credit for certain aerospace companies is subject to employment restrictions. PA 21-2 JSS limits the number of years taxpayers may carry forward unused credits by capping the carryforward period at 15 years (beginning with credits allowed for the 2021 income year); previously there was no limit.

*History:* PA 93-433 enacted the credit effective July 1, 1993. PA 98-110 expanded credit to qualified small businesses. PA 99-173 increased the credit for companies that have over 2,500 employees in the state, over $3 billion in revenue and are located in an Enterprise Zone.

*Fiscal Estimates:* $28.5 million in FY 24 and FY 25.

*Taxpayers Benefitting:* Approximately 280.

*Rationale:* Incentive.

**20. Research and experimentation**

*Citation:* CGS Sec. 12-217j

*Description:* The credit is available for incremental increases in research and experimental expenditures incurred in this state. The credit is 20% of the amount by which expenditures in the current income year exceed expenditures in the preceding year. Unused credits may be carried forward for 15 years.

*History:* PA 92-193 enacted the credit and phased it in at the rate of 10% for the 1993 income year and 20% for the 1994 income year. P.A. 93-403 limited the credit to research and experimental expenditures incurred in the state. P.A. 96-252 permitted biotechnology companies to carry unused credits forward for 15 years. PA 98-110 extended the carryforward to all corporations.

*Fiscal Estimates:* $27.5 million in FY 24 and FY 25.

*Taxpayers Benefitting:* Approximately 345.

*Rationale:* Incentive.

**21. Sale of certain credits**

*Citation:* CGS Sec. 12-217ee

*Description:* Companies with less than $70 million in gross sales that cannot take research and development credits under CGS Secs. 12-217j and 217n because they do not have a tax liability, are permitted to sell unused credits back to the state at 65% of their value. The maximum annual refund is $1.5 million per company.

*History:* PA 99-173 enacted this provision effective with the 2000 income year. PA 02-1 MSS limited the maximum annual refund to $1.5 million. P.A. 02-4 M9SS clarified that payment of the $250 minimum tax is not considered a tax liability for the purpose of this credit. PA 03-1 JSS eliminated the sale of credits for taxpayers under the capital base tax, effective 1/1/05 but PA 04-235 removed the sunset date and made permanent the eligibility of such taxpayers.

*Fiscal Estimates:* $10.5 million in FY 24 and $7.8 million in FY 25.

*Taxpayers Benefitting:* Data not available.

*Rationale:* Expediency.

**22. Urban and industrial reinvestment**

*Citation:* CGS Sec. 32-9t

*Description:* The credit is available for investments associated with urban site remediation. It is administered by the Department of Economic and Community Development (DECD) and is allowable over 10 years. The credit amount may not exceed the amount of state revenue that DECD determines will be generated by the site. There is a recapture provision if the actual amount of revenue generated is less than the total sum of tax credits claimed. The credit is limited to $100 million per project and $950 million for all projects. Unused credits may be carried forward for five years or assigned to another taxpayer.

The credit may be used against corporation tax, insurance premium tax, public service companies tax and other miscellaneous tax liabilities.[18]

*History:* PA 00-170 enacted the credit. PA 01-9 (JSS) extended the credit to taxpayers investing in eligible environmental remediation and urban sites reinvestment projects through Community Economic Entities (CDEs). PA 06-187 expanded the credit's qualification criteria to include projects that: (1) are connected to an operation relocating from another state or (2) involve the expansion of an existing facility requiring a minimum $50 million investment. PA 11-86 increased the aggregate amount of tax credits available under the program to $750 million for all projects; PA 11-1 (OSS) later reduced that amount to $650 million. PA 13-184 (1) allowed the DECD Commissioner to pay taxpayers holding urban and industrial sites reinvestment tax credits for their credit eligibility certificates and (2) authorizes up to $40 million in bonds for this purpose, $20 million of which is available on July 1, 2014. PA 14-98 increased the aggregate amount of tax credits available under the program from $650 million to $800 million; PA 15-5 JSS further increased the cap from $800 million to $950 million.

PA 15-244 imposed a 50.01% limit on the amount of tax liability that certain eligible entities may reduce through the use of tax credits effective for calendar quarters commencing on or after July 1, 2015. PA 15-1 DSS raised this cap by 5% per year until it reaches 70% in 2019 for Urban & Industrial Sites tax credits utilized against the corporation business tax; this cap was subsequently lowered to 50.01% (PA 19-117).

*Fiscal Estimates:* $7.1 million in FY 24 and FY 25.

*Taxpayers Benefitting:* Approximately 10.

*Rationale:* Incentive and Expediency.

[18] Miscellaneous taxes include air carriers tax and dry cleaning tax. Prior to passage of PA 17-2 JSS, as amended by PA 17-4 JSS, the credit could also be utilized against the hospitals tax and ambulatory surgical centers tax.

## INSURANCE PREMIUMS TAX

### On Insurance Companies, Health Centers and Hospital & Medical Services Corporations

A tax is levied on insurance premiums and medical subscriber charges under the insurance premiums tax and the unauthorized (unlicensed) insurance company tax. The tax rate and base depend on the nature of the company issuing the insurance:

**Rate & Basis**

1. Domestic insurance companies[19]: 1.5% on all net direct insurance premiums derived from policies written in this state. CGS Sec. 12-202.

2. Health care centers: 1.5% on the total net direct subscriber charges received by such corporations. CGS Sec. 12-202a.

3. Foreign insurance companies[20]: 1.5% on all taxable net direct premiums derived from policies written in this state. CGS Sec. 12-210(b).

4. Hospital and medical service companies[21]: 2% on the total net direct subscriber charges received by such corporations during the preceding year. CGS Sec. 12-212a.

5. Unauthorized insurance[22] companies: 4% on gross premiums derived from policies written in the state (CGS Sec. 38a-743(a)). These companies are taxed under a separate statutory section and are not eligible for any deductions or tax credits that are available under the insurance premiums tax.

6. Captive insurance[23] companies: An amount derived from the tables below, with a minimum tax of $7,500 annually and an aggregate maximum tax of $200,000 annually (CGS Sec. 38a-91nn(a)). These companies are taxed under a separate statutory section and are not eligible for any deductions or tax credits that are available under the insurance premiums tax.[24]

[19] Domestic insurance companies are incorporated under Connecticut state law and licensed by the Insurance Department to issue policies. PA 17-125 allows the Insurance Commissioner to designate a domestic insurance company as a domestic surplus lines insurer, which is subject to a 4% gross premiums tax.
[20] Foreign or nonresident insurance companies are incorporated under the laws of another state or foreign government but must be licensed by the Insurance Department in order to issue policies in this state.
[21] There are currently no taxpayers remitting this tax in the state of Connecticut.
[22] Unauthorized insurance companies are not licensed by the insurance department but must register with it to be able to offer lines generally unavailable from licensed insurers (i.e., surplus lines).
[23] A captive insurance company is wholly owned and controlled by a parent company or association and operates to insure the parent's own risks.
[24] PA 23-15 exempted dormant captive insurers from captive insurance premium taxes.

**Rate Schedules**

| Computation of Tax Due on Insurance | | | |
|---|---|---|---|
| **Net Taxable Premiums** | | **Tax** | |
| **Column A** | **Column B** | **Column C** | **Column D** |
| **Over $** | **But not over $** | **Tax on Column A** | **Tax Rate on excess over Column A** |
| 0 | 20,000,000 | 0.38% of Total Amount | |
| 20,000,000 | 40,000,000 | 76,000 | 0.285% |
| 40,000,000 | 60,000,000 | 133,000 | 0.190% |
| Over 60,000,000 | | 171,000 plus 0.072%of the excess over 60,000,000 | |

| Computation of Tax Due on Reinsurance | | | |
|---|---|---|---|
| **Net Taxable Premiums** | | **Tax** | |
| **Column A** | **Column B** | **Column C** | **Column D** |
| **Over $** | **But not over $** | **Tax on Column A** | **Tax Rate on excess over Column A** |
| 0 | 20,000,000 | 0.214% of Total Amount | |
| 20,000,000 | 40,000,000 | 42,800 | 0.143% |
| 40,000,000 | 60,000,000 | 71,400 | 0.048% |
| Over 60,000,000 | | 81,000 plus 0.024%of the excess over 60,000,000 | |

**Exemptions Available Under the Captive Insurance Companies Tax**

1. **Dormant captives**

   *Citation:* CGS Sec. 38a-91uu(d)

   *Description:* The exemption is for captive insurers that have stopped doing business and have no more liabilities as certified by the Insurance Department through a certificate of dormancy.

   *History:* PA 23-15 established the exemption.

   *Fiscal Estimates:* Less than $50,000 in FY 24 and FY 25.

   *Taxpayers Benefitting:* Fewer than 10.

   *Rationale:* Perceived Equity.

## Exemptions Available Under the Insurance Premiums Tax

1. **Ocean marine insurance**

   *Citation:* CGS Sec. 12-210(b)

   *Description:* The exemption is for premiums from the sale of ocean and inland marine insurance of nonresident and foreign companies.

   *History:* 1945 Ch. 42 created the exemption.

   *Fiscal Estimates:* $1 million in FY 24 and FY 25.

   *Taxpayers Benefitting:* Approximately 45.

   *Rationale:* Expediency.

2. **Fraternal benefit societies**

   *Citation:* CGS Sec. 38a-604

   *Description:* Fraternal benefit societies or associations are exempt from all state taxes, but are subject to municipal taxes on real estate and office equipment. These societies are nonprofit, charitable organizations that provide life, sickness and/or accident benefits for their members.

   *History:* The exemption was enacted in 1935 and last modified by PA 57-448.

   *Fiscal Estimates:* Indeterminate.

   *Taxpayers Benefitting:* Data not available.

   *Rationale:* Incentive.

3. **Municipal risk management agencies**

   *Citation:* CGS Sec. 7-479e(d)

   *Description:* The exemption is for premiums from associations formed by two or more municipalities or other local government units to insure against public liability, automobile and property risk.

   *History:* PA 93-297 established the exemption, effective 7/1/94.

   *Fiscal Estimates:* Indeterminate.

   *Taxpayers Benefitting:* Data not available.

   *Rationale:* Conformity.

4. **Special taxing districts**

   *Citation:* CGS Sec. 38a-743(a)

   *Description:* The exemption is for premiums for a special taxing district, which is created by an act of the legislature that permits the assessment of taxes to fund services to homeowners and businesses such as water, sewer, and fire protection.

*History:* PA 96-75 established the exemption.

*Fiscal Estimates:* Indeterminate.

*Taxpayers Benefitting:* Data not available.

*Rationale:* Conformity.

**5. State employee health plans**

*Citation:* CGS Secs. 12-202a(b)(1) and 12-202a(b)(9)

*Description:* The exemption is for premiums for state employee health plans.

*History:* PA 97-11 JSS established the exemption.

*Fiscal Estimates:* $15 million in FY 24 and FY 25.

*Taxpayers Benefitting:* Fewer than 10.

*Rationale:* Conformity.

**6. Medicare, Medicaid, HUSKY and General Assistance**

*Citation:* CGS Secs. 12-202a(b)(2) through 12-202a(b)(4)

*Description:* The exemption is for Medicare patients, Medicaid contracts, contracts to serve children enrolled in the HUSKY program, and contracts to serve clients on General Assistance (welfare).

*History:* PA 98-110 established the exemption, effective 1/1/98.

*Fiscal Estimates:* $21 million in FY 24 and FY 25.

*Taxpayers Benefitting:* Fewer than 10.

*Rationale:* Redundancy/Conformity.

**7. Health care coverage for municipal employees, non-profit organizations and the State Teachers' Retirement System**

*Citation:* CGS Secs. 12-202a(b)(5) through 12-202a(b)(10)

*Description:* The exemption is for certain new or renewed insurance health policies written under plans for the Connecticut municipal employees' retirement system, non-profit organizations and the State Teachers' Retirement System.

*History:* PA 01-30 created the exemption.

*Fiscal Estimates:* Less than $100,000 in FY 24 and FY 25.

*Taxpayers Benefitting:* Fewer than 10.

*Rationale:* Incentive.

**8. Small employer/Self-employed health insurance plans**

*Citation:* CGS Sec. 38a-566(b)

*Description:* The exemption is for certain individual health insurance plans issued to self-employed people and small employer health care plans.

*History:* PA 98-122 established the exemption.

*Fiscal Estimates:* Indeterminate.

*Taxpayers Benefitting:* Data not available.

*Rationale:* Incentive.

**9. Companies located in an insurance and financial services export zone**

*Citation:* CGS Sec. 32-538(b)

*Description:* The exemption is for premiums from companies that: (1) have their corporate headquarters located in the insurance and financial export zone in the City of Hartford and (2) conduct all of their business outside of the United States.

*History:* PA 96-253 established the exemption.

*Fiscal Estimates:* Indeterminate.

*Taxpayers Benefitting:* Data not available.

*Rationale:* Incentive.

**Tax Credits Claimed Under the Insurance Premiums Tax**

Insurance companies or health maintenance organizations (HMOs) may use the credits listed below to reduce state tax liability. Effective with the 2003 through 2010 income years, the total value of tax credits that an entity may claim in any income year is limited to 70% of its pre-credit tax liability (CGS Sec. 12-211a). Effective with the 2011 income year, the total value of tax credits that an entity may claim in any income year is limited to 30% of its pre-credit tax liability (PA 11-6, PA 13-184, PA 15-244, and PA 17-2 JSS), with certain exceptions[25] (PA 11-6, PA 11-61, and PA 11-1 (OSS)).

**1. Insurance Department assessment credit**

*Citation:* CGS Sec. 12-202

*Description:* The credit is for 80% of the Connecticut Insurance Department assessment paid by local domestic insurance companies whose assets do not exceed $95 million during the calendar year.

*History:* PA 73-350 established the credit. PA 80-482 increased the asset threshold from $50 million to $75 million. PA 90-333 increased the threshold to $95 million.

*Fiscal Estimates:* $350,000 in FY 24 and FY 25.

*Taxpayers Benefitting:* Fewer than 10.

*Rationale:* Expediency and Incentive.

[25]Insurance Reinvestment Fund, Digital Animation, Film Production, and Film Production Infrastructure tax credits are subject to alternative limitations.

**2. Neighborhood assistance**

*Citation:* CGS Sec. 12-632 through 12-635(a)

*Description:* A 60% (100% in the case of energy conservation programs) credit of the amount contributed is available for expenditures on activities approved by municipalities such as: (1) neighborhood assistance; (2) job training or education; (3) community services; (4) crime prevention; (5) cash donations used for purchase of open space; or (6) community-based alcoholism prevention or treatment programs. A 100% credit is available for energy conservation or construction or rehabilitation of dwelling units for families of low and moderate income. The program is administered by the Department of Revenue Services. The minimum amount for which a credit is granted is $250, the annual credit limit per business firm is $150,000, a non-profit organization is limited to receiving $150,000 in contributions in the aggregate, and the annual limit for all firms is $5 million. Unused credits may be carried back for two years.

*History:* PA 82-469 enacted the credit. PA 95-268 lowered the amount of the credit from 50% to 40% of the amount contributed. PA 03-225 increased the amount of the credit from 40% to 60% of the amount contributed. PA 07-242 increased the amount for energy conservation projects from 60% to 100%. PA 97-251 increased the total limit from $3 million to $4 million. PA 99-173 increased the total limit to $5 million. PA 10-188 eliminated municipal approval requirements. PA 11-140 increased the total amount of credits a company may claim annually and extends tax credit eligibility to the business entity tax. PA 15-5 JSS increased the total limit from $5 million to $10 million beginning July 1, 2017. PA 17-2 JSS subsequently reduced the total limit from $10 million to $5 million effective July 1, 2017.

*Fiscal Estimates:* $750,000 in FY 24 and FY 25.

*Taxpayers Benefitting:* Between 10 and 15.

*Rationale:* Incentive and Perceived Equity.

**3. Insurance reinvestment fund**

*Citation:* CGS Sec. 38a-88a

*Description:* The credit is available to investors in Insurance Reinvestment Funds. It is administered by the Department of Economic and Community Development (DECD). The credit is equal to the amount invested, which is taken over a 10-year period. Managers of eligible funds must have registered with DECD by 7/1/00 in order for their investors to claim this credit. The credit has recapture provisions under certain circumstances. Unused credits may be carried forward for five years. New eligibility certificates for insurance businesses which enable investors to claim a corporation business tax credit cannot be issued after July 1, 2010. Any new eligibility certificates issued on or after July 1, 2010 qualify investors for the Second Insurance Reinvestment Fund tax credit applicable against the Insurance Premiums Tax.

*History:* PA 94-214 enacted the credit and permitted the establishment of Insurance Reinvestment Funds. PA 00-170 stipulated that: (1) managers of eligible funds must have registered with DECD by 7/1/00 in order for their investors to claim this credit, and (2) investments in funds created on or after this date are not eligible for the credit. PA 01-6 (JSS): (1) sunsets the credit after 12/31/15 and (2) permits recapture under certain circumstances. PA

10-75 phased out the Insurance Reinvestment Act tax credit program, which authorizes credits for investing only in insurance businesses, and replaced it with a new version authorizing similar credits for insurers investing in many different types of businesses. PA 17-244 allows the companies to sell or otherwise transfer all or parts of these credits to any taxpayer or taxpayers.

*Fiscal Estimates:* $33 million in FY 24 and FY 25.

*Taxpayers Benefitting:* Fewer than 70.

*Rationale:* Expediency and Incentive.

**4. Electronic data processing**

*Citation:* CGS Sec. 12-217t

*Description:* The credit is available for 100% of the local property tax paid on electronic data processing equipment, including computers, printers, peripheral computer equipment, bundled software and any other related equipment reported as Code 20 on the Personal Property Declaration. The credit is only for property tax liability and excludes any interest or penalties that the taxpayer may also be required to pay. It may only be taken when filing a final return and may not be used to calculate estimated payments. Unused credits may be carried forward for five succeeding years.

*History:* PA 94-4 MSS enacted the credit. PA 95-160 delayed the effective date of the credit from the 10/1/94 grand list to 10/1/96 grand list. PA 96-144 reinstated the original effective date of 10/1/94 grand list.

*Fiscal Estimates:* $7 million in FY 24 and FY 25.

*Taxpayers Benefitting:* Approximately 50.

*Rationale:* Perceived Equity.

**5. Film production**

*Citation:* CGS Sec. 12-217jj

*Description:* The credit is available to companies that produce qualified entertainment content wholly or in part in this state. Qualified activities include the production of: (1) motion pictures, (2) television programming, (3) sound recordings, (4) music videos, (5) video games, (6) commercials (infomercials are ineligible) and (7) certain interactive websites. The credit is administered by the Department of Economic and Community Development (DECD). The credit is as follows:

**Film Production Credit**

| Income Year | Minimum Production Expenditure | % Credit |
|---|---|---|
| 2007 to 2009 | $50,000 | 30% |
| 2010 & after | $100,000 to $500,000 | 10% |
| | $500,000 to $1 million | 15% |
| | Over $1 million | 30% |

Beginning with the 2010 income year, credits may be: (1) sold or transferred to other eligible companies and (2) resold for a maximum of three transfers. Credit buyers and sellers must jointly notify DECD of a sale or transfer. Credit vouchers may be claimed in the year the costs were incurred or the three succeeding years after the year the costs were incurred. However, tax credit vouchers issued on or after July 1, 2015, may be claimed in the year the expenses were incurred or in the next five income years. Credits are not refundable.

*History:* PA 06-83 enacted the credit effective with the 2006 income year. PA 06-186 amended the language. PA 07-236: (1) allowed the credit to be applied against the insurance premium tax as well as the corporation tax and (2) changed the types of productions and expenses that are eligible. PA 07-4 (JSS) eliminated a partial credit for out of state expenditures that was added by PA 07-236. PA 08-142: (1) made the insurance premiums tax credit retroactive to income years beginning between January 1, 2006, and January 1, 2007, and (2) permitted insurance premiums tax and corporation tax credits for income years between January 1, 2006, and January 1, 2007, to be resold or transferred up to three times. PA 09-3 (JSS): (1) changed the minimum project expenditure and percentage of the credit beginning with the 2010 income year, (2) changed the requirements for eligible production expenditures beginning with the 2010 income year and (3) made infomercials ineligible for the credit. PA 11-61 specified that: (1) qualified productions must conduct no less than 50% of principal photography days within the state or expend no less than 50% of post-production costs within the state or expend not less than $1.0 million of post-production costs within the state, (2) for income years beginning on or after January 1, 2011, and prior to January 2, 2012, a production company may not transfer more than 50% of the film production tax credit in any one income year, (3) for income years beginning on or after January 1, 2012, a production company may not transfer more than 25% of the film production tax credit in any one income year, and (4) any production that is created in whole or in significant part at a "qualified production facility"[26] within the state shall not be subject to transfer limitations. PA 11-1 (OSS) expanded the types of qualified productions that are eligible for film production tax credits to include "relocated television productions." It defined a relocated television production as an eligible production company's ongoing television program that (1) has filmed all its prior seasons outside Connecticut, (2) may include certain current events shows, and (3) is created at a qualified production facility that meets specified investment and job creation thresholds on or after January 1, 2012. Productions featuring current events are not currently eligible for film production tax credits. PA 13-247 established a two-year moratorium on film production tax credits for FY 14 and FY 15 by barring the issuance of tax credit vouchers during those years for motion pictures that have not been designated as state-certified productions prior to July 1, 2013, with certain exceptions; PA 15-244 extended the moratorium for an additional two years through FY 17; PA 17-2 JSS made the moratorium permanent. PA 15-5 JSS extended the length of time in which entities must claim all or part of the credits from three to five years following the year in which the qualified expenditures were incurred for vouchers issued on or after July 1, 2015. PA 17-2 JSS allowed any film production tax credit that is sold, assigned or otherwise transferred, to be claimed at a discount against the gross receipts tax on cable, satellite, and competitive video services under certain circumstances. PA 21-2 JSS allowed film and digital media production tax credits to be claimed at a discount (78%) against the sales and use tax under certain circumstances; PA 23-204 temporarily increased this amount to 92% for the 2024 and 2025 income years.

[26]A "qualified production facility" means a facility: (1) located in Connecticut, (2) intended for film, television, or digital media production and (3) that has a minimum investment of $3 million, or less if the DECD Commissioner determines such facility otherwise qualifies.

*Fiscal Estimates:* $45 million in FY 24 and FY 25.

*Taxpayers Benefitting:* Fewer than 50.

*Rationale:* Incentive and Expediency.

**6. Film production infrastructure**

*Citation:* CGS Sec. 12-217kk

*Description:* The credit is available for investments in state-certified infrastructure projects for the film and digital media industry. It is administered by the Department of Economic and Community Development. The credit is as follows:

**Motion Picture Infrastructure Credit**

| Income Year | Project Cost | % Credit |
|---|---|---|
| 2007 to 2009 | $15,001 to $149,999 | 10% |
| | $150,000 to $1 million | 15% |
| | $1 million & above | 20% |
| 2010 & after | $3 million & above | 20% |

Credits may be: (1) sold or transferred to other eligible companies and (2) resold for a maximum of three transfers. Credit buyers and sellers must jointly notify DECD of a sale or transfer. Credits are not refundable. Credits may be claimed for the income year in which the eligible expenditures are made or may be carried forward for three years.

*History:* PA 07-236 enacted the credit. PA 09-3 (JSS) changed the minimum project cost and percentage of the credit beginning with the 2010 income year. PA 11-1 (OSS) allowed taxpayers to claim all or part of the tax credits either in the income year in which the infrastructure investments were made or in any of the three immediately succeeding income years. PA 13-232 allowed taxpayers to whom film infrastructure investment tax credits have been assigned (i.e., assignees) to claim the credits during the year in which the expenditures were made or in the three immediately succeeding income years, rather than only in the income year in which the expenditures were made.

*Fiscal Estimates:* $275,000 in FY 24 and FY 25.

*Taxpayers Benefitting:* Fewer than 10.

*Rationale:* Incentive and Expediency.

**7. Urban and Industrial Site Reinvestment**

*Citation:* CGS Sec. 32-9t

*Description:* The credit is available for investments associated with urban site remediation. It is administered by the Department of Economic and Community Development (DECD) and is allowable over 10 years. The credit amount may not exceed the amount of state revenue that DECD determines will be generated by the site. There is a recapture provision if the actual amount of revenue generated is less than the total sum of tax credits claimed. The credit is

limited to $100 million per project and $950 million for all projects. Unused credits may be carried forward for five years or assigned to another taxpayer.

The credit may be used against corporation tax, insurance premium tax, public service companies tax and other miscellaneous tax liabilities.[27]

*History:* PA 00-170 enacted the credit. PA 01-9 (JSS) extended the credit to taxpayers investing in eligible environmental remediation and urban sites reinvestment projects through Community Economic Entities (CDEs). PA 06-187 expanded the credit's qualification criteria to include projects that: (1) are connected to an operation relocating from another state or (2) involve the expansion of an existing facility requiring a minimum $50 million investment. PA 11-86 increased the aggregate amount of tax credits available under the program to $750 million for all projects; PA 11-1 (OSS) later reduced that amount to $650 million. PA 13-184 (1) allowed the DECD Commissioner to pay taxpayers holding urban and industrial sites reinvestment tax credits for their credit eligibility certificates and (2) authorizes up to $40 million in bonds for this purpose, $20 million of which is available on July 1, 2014. PA 14-98 increased the aggregate amount of tax credits available under the program from $650 million to $800 million; PA 15-5 JSS further increased the cap from $800 million to $950 million.

PA 15-244 imposed a 50.01% limit on the amount of tax liability that certain eligible entities may reduce through the use of tax credits effective for calendar quarters commencing on or after July 1, 2015. PA 15-1 DSS raised this cap by 5% per year until it reaches 70% in 2019 for certain credits utilized against the corporation business tax; this cap was subsequently lowered to 50.01% (PA 19-117) then raised back to 70% (PA 21-2 JSS).

*Fiscal Estimates:* $3 million in FY 24 and FY 25.

*Taxpayers Benefitting:* Fewer than 15.

*Rationale:* Incentive and Expediency.

[27] Miscellaneous taxes include air carriers tax and dry cleaning tax. Prior to passage of PA 17-2 JSS, as amended by PA 17-4 JSS, the credit could also be utilized against the hospitals tax and ambulatory surgical centers tax.

## REAL ESTATE CONVEYANCE AND CONTROLLING INTEREST TRANSFER TAXES

### Real Estate Conveyance Tax

The real estate conveyance tax was enacted on the municipal level in 1967 and became a General Fund tax in 1983. It is levied on the seller of real property for the full purchase price of the property.

**Rate & Basis**
The tax is imposed on the conveyance of each deed, instrument or writing whereby any lands, tenements or other realty is granted, assigned, transferred or otherwise conveyed to a purchaser (CGS Sec. 12-494). The rate depends on the property's classification and purchase price, as noted below:

**Real Estate Conveyance Tax Rates**

| Type of Property | Tax Rate | Citation |
|---|---|---|
| Unimproved land | 0.75% | PA 11-6 |
| Residential dwelling: | | |
| First $800,000 of purchase price | 0.75% | PA 11-6 |
| Portion of purchase price between $800,000 and $2.5 million | 1.25% | PA 19-117 |
| Portion of purchase price that exceeds $2.5 million | 2.25% | PA 19-117 |
| Residential property other than a dwelling | 0.75% | PA 11-6 |
| Nonresidential property other than unimproved land | 1.25% | PA 11-6 |
| Delinquent mortgages | 0.75% | PA 11-6 |

### Real Estate Conveyance Tax Exclusions and Exemptions

**1. Conveyances of less than $2,000**

*Citation:* CGS Sec. 12-494(a) and Sec. 12-498(a)(10)

*Description:* The exemption is for conveyances of land for consideration of less than $2,000.

*History:* PA 67-693 enacted the municipal tax and created an exemption for conveyances of $100 or less under CGS Sec. 12-494(a). PA 83-1 JSS enacted the state tax but did not exempt conveyances below any dollar amount. PA 89-205 enacted the current exemption. PA 03-1 ensures that property transfers are taxable whether they occur in one transaction or a series, and whether they involve one seller/transferor or a group acting in concert. PA 85-244 enacted the exemption under CGS Sec. 12-498(a)(10).

*Fiscal Estimates:* $250,000 in FY 24 and FY 25.

*Taxpayers Benefitting:* Approximately 36,000.

*Rationale:* Efficiency.

**2. Conveyances of properties with crumbling foundations**

*Citation:* CGS Sec. 12-498(a)(21)

*Description:* The exemption is for transfers of certain principal residences with concrete foundations that have deteriorated due to the presence of pyrrhotite. The exemption applies to the first transfer of the residence after the written evaluation is obtained but is not available to a transferor who received financial assistance to repair or replace the foundation from the Crumbling Foundations Assistance Fund.

*History:* PA 19-117 enacted the exemption.

*Fiscal Estimates:* $100,000 in FY 24 and FY 25.

*Taxpayers Benefitting:* Fewer than 10,000.

*Rationale:* Perceived Equity.

**3. Transfer of burial rights for a cemetery lot**

*Citation:* CGS Sec. 12-497a

*Description:* The exemption is for the transfer of burial rights for a cemetery lot.

*History:* PA 95-62 enacted the exemption.

*Fiscal Estimates:* $3.7 million in FY 24 and FY 25 (Combined estimates for Items 3-24 listed below).

*Taxpayers Benefitting:* Approximately 1,100 (combined estimate for Items 3-24).

*Rationale:* Perceived Equity.

**4. Deeds that the state is prohibited from taxing under the U.S. Constitution or federal law**

*Citation:* CGS Sec. 12-498(a)(1)

*Description:* The exemption is for deeds that the state is prohibited from taxing under the U.S. Constitution or federal law.

*History:* PA 67-693 enacted the municipal tax and created the exemption.

*Fiscal Estimates:* See Fiscal Estimate for Item 3.

*Taxpayers Benefitting:* See Taxpayers Benefitting for Item 3.

*Rationale:* Conformity.

**5. Deeds that secure a debt or other obligation**

*Citation:* CGS Sec. 12-498(a)(2)

*Description:* The exemption is for recording a debt-related encumbrance on a deed, such as a mortgage or lien, which does not convey title to a new owner.

*History:* PA 67-693 enacted the municipal tax and created the exemption.

*Fiscal Estimates:* See Fiscal Estimate for Item 3.

*Taxpayers Benefitting:* See Taxpayers Benefitting for Item 3.

*Rationale:* Clarification.

**6. Governmental entities**

*Citation:* CGS Sec. 12-498(a)(3)

*Description:* The exemption is for transfers to which the state or its political subdivisions are a party.

*History:* PA 67-693 enacted the municipal tax and created the exemption.

*Fiscal Estimates:* See Fiscal Estimate for Item 3.

*Taxpayers Benefitting:* See Taxpayers Benefitting for Item 3.

*Rationale:* Conformity.

**7. Tax deeds**

*Citation:* CGS Sec. 12-498(a)(4)

*Description:* The exemption is for deeds issued when a property is purchased at a public sale for nonpayment of taxes.

*History:* PA 67-693 enacted the municipal tax and created the exemption.

*Fiscal Estimates:* See Fiscal Estimate for Item 3.

*Taxpayers Benefitting:* See Taxpayers Benefitting for Item 3.

*Rationale:* Clarification.

**8. Deed releases**

*Citation:* CGS Sec. 12-498(a)(5)

*Description:* The exemption is for deeds of release for property that is security for a debt or other obligation.

*History:* PA 67-693 enacted the municipal tax and created the exemption.

*Fiscal Estimates:* See Fiscal Estimate for Item 3.

*Taxpayers Benefitting:* See Taxpayers Benefitting for Item 3.

*Rationale:* Clarification.

**9. Deeds of partition**

*Citation:* CGS Sec. 12-498(a)(6)

*Description:* The exemption is for transfers that are separate of the respective interests in the land of joint owners.

*History:* PA 67-693 enacted the municipal tax and created the exemption.

*Fiscal Estimates:* See Fiscal Estimate for Item 3.

*Taxpayers Benefitting:* See Taxpayers Benefitting for Item 3.

*Rationale:* Clarification.

**10. Deeds made pursuant to mergers of corporations**

*Citation:* CGS Sec. 12-498(a)(7)

*Description:* The exemption is for transfers from the original property owner (the merged company) to itself as part of the new corporate entity.

*History:* PA 67-693 enacted the municipal tax and created the exemption.

*Fiscal Estimates:* See Fiscal Estimate for Item 3.

*Taxpayers Benefitting:* See Taxpayers Benefitting for Item 3.

*Rationale:* Clarification.

**11. Corporate subsidiaries**

*Citation:* CGS Sec. 12-498(a)(8)

*Description:* The exemption is for transfers by a subsidiary corporation to its parent corporation for no consideration other than cancellation or surrender of the subsidiary's stock.

*History:* PA 67-693 enacted the municipal tax and created the exemption.

*Fiscal Estimates:* See Fiscal Estimate for Item 3.

*Taxpayers Benefitting:* See Taxpayers Benefitting for Item 3.

*Rationale:* Incentive: The exemption provides horizontal equity between firms that are organized as a parent company with wholly-owned subsidiaries and firms that are organized as a single entity with different divisions. (See Sales Tax section for discussion of horizontal equity.)

**12. Court decrees**

*Citation:* CGS Sec. 12-498(a)(9)

*Description:* The exemption is for court ordered title transfers due to divorce, annulment of marriage and division of property by heirs.

*History:* PA 85-469 enacted the exemption. PA 09-3 (JSS) removed the exemption for property that is foreclosed for sale through a court order.

*Fiscal Estimates:* See Fiscal Estimate for Item 3.

*Taxpayers Benefitting:* See Taxpayers Benefitting for Item 3.

*Rationale:* Expediency.

**13. Affiliated nonprofit corporations**

*Citation:* CGS Sec. 12-498(a)(11)

*Description:* The exemption is for transfers made by a nonprofit corporation affiliated with the nonprofit corporation to which the transfer is made, provided one of the corporations owns or controls 100% of the other corporation.

*History:* PA 90-315 enacted the exemption.

*Fiscal Estimates:* See Fiscal Estimate for Item 3.

*Taxpayers Benefitting:* See Taxpayers Benefitting for Item 3.

*Rationale:* Incentive.

**14. Nonprofit corporations**

*Citation:* CGS Sec. 12-498(a)(12)

*Description:* The exemption is for transfers made by a corporation that is exempt under Section 501(c) of the federal tax code to another corporation that is exempt under Section 501(c).

*History:* PA 91-403 enacted the exemption.

*Fiscal Estimates:* See Fiscal Estimate for Item 3.

*Taxpayers Benefitting:* See Taxpayers Benefitting for Item 3.

*Rationale:* Incentive.

**15. Conservation or recreation purposes**

*Citation:* CGS Sec. 12-498(a)(13)

*Description:* The exemption is for transfers to any nonprofit organization that is organized for the purpose of holding undeveloped land in trust for conservation or recreation purposes.

*History:* PA 91-403 enacted the exemption effective 7/1/92.

*Fiscal Estimates:* See Fiscal Estimate for Item 3.

*Taxpayers Benefitting:* See Taxpayers Benefitting for Item 3.

*Rationale:* Incentive.

**16. Transfers between spouses**

*Citation:* CGS Sec. 12-498(a)(14)

*Description:* The exemption is for all transfers between spouses.

*History:* PA 93-389 enacted the exemption. It was formerly part of CGS Sec. 12-498(a)(11), which specified that the exempt transfer had to be for no consideration. The current exemption applies to all transfers between spouses, whether or not payment is involved.

*Fiscal Estimates:* See Fiscal Estimate for Item 3.

*Taxpayers Benefitting:* See Taxpayers Benefitting for Item 3.

*Rationale:* Expediency.

**17. Adriaen's Landing Site and Stadium**

*Citation:* CGS Sec. 12-498(a)(15)

*Description:* The exemption is for property transferred for the purpose of the projects at the Adriaen's Landing site or the stadium facility. The exemption is assumed to only apply once, when parcels are

transferred for the Adriaen's Landing site or stadium facility site and not to any future transfer of the parcel.

*History:* PA 93-1 enacted an exemption for a former convention center and sportsplex project. PA 00-140 changed the references to apply to the Adriaen's Landing and stadium facility site.

*Fiscal Estimates:* See Fiscal Estimate for Item 3.

*Taxpayers Benefitting:* See Taxpayers Benefitting for Item 3.

*Rationale:* Conformity.

**18. Class I or II land transferred to a water company on or after July 1, 1998**

*Citation:* CGS Sec. 12-498(a)(16)

*Description:* The exemption is for Class I or II land transferred to a water company on or after July 1, 1998.

*History:* PA 98-157 enacted the exemption.

*Fiscal Estimates:* See Fiscal Estimate for Item 3.

*Taxpayers Benefitting:* See Taxpayers Benefitting for Item 3.

*Rationale:* Incentive.

**19. Transfers to effectuate a mere change of identity or form of ownership**

*Citation:* CGS Sec. 12-494(a)(17)

*Description:* The exemption is for transfers that effectuate a change of identity or form of ownership but do not change beneficial ownership.

*History:* PA 99-231 enacted the exemption.

*Fiscal Estimates:* See Fiscal Estimate for Item 3.

*Taxpayers Benefitting:* See Taxpayers Benefitting for Item 3.

*Rationale:* Clarification.

**20. Employee Relocation Plan**

*Citation:* CGS Sec. 12-498(a)(18)

*Description:* The exemption is for real estate transactions executed under employee relocation plans as a single transaction for real estate tax purposes even though the transaction involves two deeds.

*History:* PA 04-154 enacted the exemption.

*Fiscal Estimates:* See Fiscal Estimate for Item 3.

*Taxpayers Benefitting:* See Taxpayers Benefitting for Item 3.

*Rationale:* Perceived Equity. Transactions involving employee relocations are often executed using two deeds because of a federal tax court ruling. The exemption prevents double taxation of a transaction that was previously taxed only once.

**21. Principal residence for persons on certain types of assistance**

*Citation:* CGS Sec. 12-498(b)(1)

*Description:* The exemption is for the transfer of a person's principal residence if the person has been approved for certain types of local property tax relief.

*History:* PA 85-159 enacted the exemption.

*Fiscal Estimates:* See Fiscal Estimate for Item 3.

*Taxpayers Benefitting:* See Taxpayers Benefitting for Item 3.

*Rationale:* Perceived Equity.

**22. Enterprise Zones**

*Citation:* CGS Sec. 12-498(b)(2)

*Description:* The exemption is for transfer of Interest in property located in an area designated as an Enterprise Zone.

*History:* PA 89-205 enacted the exemption.

*Fiscal Estimates:* See Fiscal Estimate for Item 3.

*Taxpayers Benefitting:* See Taxpayers Benefitting for Item 3.

*Rationale:* Incentive, specifically for economic development.

**23. Entertainment Districts**

*Citation:* CGS Sec. 12-494(b)(3)

*Description:* The exemption is for transfer of Interest in property located in an area designated as an Entertainment District.

*History:* PA 93-311 enacted the exemption.

*Fiscal Estimates:* See Fiscal Estimate for Item 3.

*Taxpayers Benefitting:* See Taxpayers Benefitting for Item 3.

*Rationale:* Incentive.

**24. Mutual savings institution that has reorganized**

*Citation:* CGS Sec. 36a-199

*Description:* The exemption is for property transferred by a mutual savings institution to: (1) a reorganized capital stock savings bank or (2) a reorganized capital stock savings and loan association.

*History:* PA 92-92 enacted the exemption effective 5/20/92.

*Fiscal Estimates:* See Fiscal Estimate for Item 3.

*Taxpayers Benefitting:* See Taxpayers Benefitting for Item 3.

*Rationale:* Clarification.

**25. Conveyance to the mortgagee in a judgment of loss mitigation**

*Citation:* CGS Sec. 12-498(a)

*Description:* The exemption allows a mortgagor of an underwater mortgage to satisfy all or part of his or her obligation to the mortgagee by conveying the residential real property to the mortgagee. The mortgagor may do so through a transfer agreement executed by both parties. Such a transfer is exempt from the real estate conveyance tax.

*History:* PA 16-65 established the exemption.

*Fiscal Estimates:* Less than $100,000 in FY 24 and FY 25

*Taxpayers Benefitting:* Fewer than 10.

*Rationale:* Perceived Equity.

**26. Conveyance of a deed property with all units deed restricted as affordable housing**

*Citation:* CGS Sec. 12-498

*Description:* The exemption is for any deeds of property with dwelling units where all the units are deed-restricted as affordable housing (i.e., housing where households earning no more than the host municipality's area median income, as determined by HUD, spend 30% or less of their annual income on it). For property in which only some of the units are deed-restricted affordable housing, the exemption must be proportionately reduced based on the number of unrestricted units.

*History:* PA 23-207 established the exemption.

*Fiscal Estimates:* Indeterminate.

*Taxpayers Benefitting:* Indeterminate.

*Rationale:* Incentive.

**27. Conveyance of certain mobile manufactured home parks**

*Citation:* CGS Sec. 21-70c

*Description:* The exemption applies to mobile manufactured home park owners if they sell, lease, or transfer the park to its residents, so long as the (1) entity buying the park is owned by at least 50% of the park's residents or has been assigned purchase rights and (2) sale terms require the guaranteed maintenance of the property as a mobile manufactured home park. In such a case, the buyer is liable for 50% of the state tax unless the buyer is otherwise exempt from the real estate conveyance tax.

*History:* PA 23-125 established the exemption.

*Fiscal Estimates:* Indeterminate.

*Taxpayers Benefitting:* Indeterminate.

*Rationale:* Incentive.

**Additional Real Estate Conveyance Tax on the Farm, Forest and Open Space Land**

In 1963, the legislature established the Farm, Forest and Open Space Program to encourage preservation through preferential taxation. The program permits landowners to pay a reduced amount of property tax on land that has been classified as farm, forest or open space by assessing the land's value based on its current use rather than its market value. The reduction is available for a period of 10 years.

In an attempt to prevent abuse of the program and to help recover abated taxes, an additional real estate conveyance tax is levied on the sale of such land while it is in the program. For open space land, additional tax is due if the land is sold within 10 years of when it is classified for the program (CGS Sec. 12-504a(a)). For farm or forestland, additional tax is due if the period of ownership of the land is 10 years or less (CGS Sec. 12-504a(b)). The rate of additional tax begins with 10% in the first year and declines at the rate of 1% per year (the rate in the tenth year is 1%). If the property is sold after the tenth year, the real estate conveyance tax is imposed at the normal rate.

The exemptions to the additional tax on farms, forests and open spaces parallel those for the real estate conveyance tax, with the following exceptions:

1. **Transfers of land resulting from eminent domain proceedings**

   *Citation:* CGS Sec. 12-504c(1)

   *Description:* The exemption is for transfers resulting from eminent domain proceedings.

   *History:* PA 72-152 enacted the exemption.

   *Fiscal Estimates:* Indeterminate.

   *Taxpayers Benefitting:* Data not available.

   *Rationale:* Conformity.

2. **Strawman deeds and deeds that correct, modify, supplement or confirm a previously recorded deed**

   *Citation:* CGS Sec. 12-504c(4)

   *Description:* The exemption is for strawman deeds and deeds that correct, modify, supplement or confirm a previously recorded deed. It only applies to transfers that do not convey title to a new owner.

   *History:* PA 72-152 enacted the exemption.

   *Fiscal Estimates:* Indeterminate.

   *Taxpayers Benefitting:* Data not available.

   *Rationale:* Clarification.

3. **Deed of foreclosure**

   *Citation:* CGS Sec. 12-504c(7)

*Description:* The exemption is for transfers associated with foreclosure proceedings.

*History:* PA 72-152 enacted an exemption for deeds of release for property that is security for a debt or other obligation. PA 05-190 eliminated that language and provided an exemption for deeds of foreclosure.

*Fiscal Estimates:* Indeterminate.

*Taxpayers Benefitting:* Data not available.

*Rationale:* Clarification.

**4. Land held by a nonprofit for educational, scientific, aesthetic ore equivalent passive uses**

*Citation:* CGS Sec. 12-504c(12)

*Description:* The exemption is for transfers of land to nonprofit corporations, trusts or other entities that will hold it in perpetuity for educational, scientific, aesthetic or equivalent passive uses.

*History:* PA 73-585 enacted the exemption.

*Fiscal Estimates:* Indeterminate.

*Taxpayers Benefitting:* Data not available.

*Rationale:* Incentive.

**5. Deeds with special covenants**

*Citation:* CGS Sec. 12-504c(13)

*Description:* The exemption is for transfers of land that is subject to a covenant specifically set forth in the deed that transfers title, to refrain from selling or developing the land in a manner inconsistent with its classification as farm, forest or open space land for not less than 8 years after the date of transfer.

*History:* PA 73-585 enacted the exemption.

*Fiscal Estimates:* Indeterminate.

*Taxpayers Benefitting:* Data not available.

*Rationale:* Incentive.

**6. Farmland development right sold to the state**

*Citation:* CGS Sec. 12-504c(14)

*Description:* The exemption is for the transfer of development rights for agricultural land to the state under the farmland preservation program.

*History:* PA 99-173 enacted the exemption.

*Fiscal Estimates:* Indeterminate.

*Taxpayers Benefitting:* Data not available.

*Rationale:* Incentive.

## Controlling Interest Transfer Tax

The tax was enacted in 1989. It is levied on the transfer of a controlling interest[28] in a corporation, partnership, association, trust or other entity, where an entity owns an interest in Connecticut real property with a value of at least $2,000. CGS Sec. 12-638b(a)

**Rate & Basis** - A tax of 1.11% is imposed upon the value of any real property held by any corporation, partnership, association, trust or other entity when the interest in the real property is transferred. CGS Sec. 12-638b(a)(1)

CGS Secs. 12-638l(a) and 638l(b) impose an additional tax of 1% to 10% on property classified as farmland, open space or forest if the controlling interest is transferred within 10 years of when the land is classified for the program. The provisions are the same as those listed above under "Additional Real Estate Conveyance Tax on the Farm, Forest and Open Space Land." The exemptions are the same except that there are no exemptions for: (1) transfers made pursuant to mergers of corporations and (2) transfers made by corporate subsidiaries. CGS Sec. 12-638n

### Exemptions

*Data is not available for Controlling Interest Transfer Tax exemptions.*

1. **Transfers of less than $2,000**

   *Citation:* CGS Sec. 12-638b(a)

   *Description:* The exemption is for transfers for consideration of less than $2,000.

   *History:* PA 89-251 enacted the tax and created the exemption.

   *Fiscal Estimates:* Indeterminate.

   *Taxpayers Benefitting:* Data not available.

   *Rationale:* Efficiency.

2. **Enterprise zones**

   *Citation:* CGS Sec. 12-638b(b)(1)

   *Description:* The exemption is for the sale or transfer of controlling interest in any entity that possesses an interest in real property located in an Enterprise Zone.

   *History:* PA 89-251 enacted the tax and created the exemption. PA 03–1 clarified that the exemption does not apply to property transfers located outside an Enterprise Zone.

   *Fiscal Estimates:* Indeterminate.

   *Taxpayers Benefitting:* Data not available.

   *Rationale:* Incentive.

[28]In a corporation, "controlling interest" means more than 50% of the combined voting power of all classes of stock in the corporation. For all other entities, "controlling interest" is an amount greater than 50% of the capital, profits or beneficial interest in that entity.

**3. Transfers to effectuate a mere change of identity or form of ownership**

*Citation:* CGS Sec. 12-638b(b)

*Description:* The exemption is for transfers that effectuate a change of identity or form of ownership, but do not change beneficial ownership.

*History:* PA 00-174 enacted the exemption.

*Fiscal Estimates:* Indeterminate.

*Taxpayers Benefitting:* Data not available.

*Rationale:* Clarification.

## UNIFIED ESTATE AND GIFT TAX

Inheritance taxes are excise taxes levied on the transfer of wealth at the time of death. There are two principal types: a succession tax, which is levied on the separate shares of an estate passed to beneficiaries, and an estate tax, which is levied on the value of the estate. A gift tax applies to the transfer of personal and real property situated within the state by residents or nonresidents of this state.

During the 2005 session, the legislature passed PA 05-251 and PA 05-3 JSS which: (1) repealed the succession tax, the estate tax and the gift tax, and (2) established new taxes on estates or gifts for deaths occurring and gifts made on or after January 1, 2005, with a value exceeding $2 million. PA 09-3 JSS increased the exemption to $3.5 million beginning with deaths occurring and gifts made on or after January 1, 2010. PA 11-6 rolled the exemption level back to $2 million. PA 17-2 JSS increased the exemption level to $2.6 million on January 1, 2018, to $3.6 million on January 1, 2019, and matched the federal exemption level on January 1, 2020; PA 18-81 adjusted exemption levels to $5.1 million on January 1, 2020, to $7.1 million on January 1, 2021, to $9.1 million on January 1, 2022, and to the federal exemption level on January 1, 2023. PA 15-244 established a lifetime cap of $20 million on total unified gift and estate tax liability; PA 17-2 JSS reduced the lifetime cap to $15 million beginning January 1, 2019.

### Computation of Tax

**Tax Basis** - A Connecticut taxable estate is: (1) a person's gross estate minus all federally allowable deductions except the one for state death taxes paid, plus (2) the aggregate value of all Connecticut taxable gifts the decedent made during his life starting on January 1, 2005, and (3) the amount of gift tax paid on any gift made by the decedent or the decedent's spouse during the three-year period preceding the decedent's death. For state tax purposes, a person may take advantage of the optional deduction for the value of a qualifying life income interest in property passing to a surviving spouse, even if he or she does not do so for the federal estate tax. However, the gross estate must include any such qualifying life income interest that the decedent held (CGS Sec. 12-391(c)).

A Connecticut taxable gift is: (1) any federally taxable gift made by a Connecticut resident, excluding real estate or tangible personal property located outside the state, and (2) any federally taxable gift made by a nonresident of real estate or tangible personal property located in Connecticut (CGS Sec. 12-643).

**Tax Rate –** Table 1 shows the tax rates on taxable gifts made and taxable estates of those who die after January 1, 2011. To find the tax on any taxable gift or estate value in a bracket above the exemption threshold, subtract the amount in Column A from the total value, multiply the result by the tax rate in Column D, and add the dollar amount in Column C.

**Tax Rates on Taxable Gifts and Estates**
**on or after January 1, 2011 and prior to January 1, 2018**

| Value of Gift or Estate | | Tax | |
|---|---|---|---|
| **Column A** | **Column B** | **Column C** | **Column D** |
| **Over $** | **But not over $** | **Tax on Column A** | **Tax Rate on excess over Column A** |
| 0 | 2,000,000 | No Tax | |
| 2,000,000 | 3,600,000 | 7.2% of the excess over $2,000,000 | |
| 3,600,000 | 4,100,000 | 115,200 | 7.8% |
| 4,100,000 | 5,100,000 | 154,200 | 8.4% |
| 5,100,000 | 6,100,000 | 238,200 | 9.0% |
| 6,100,000 | 7,100,000 | 328,200 | 9.6% |
| 7,100,000 | 8,100,000 | 424,200 | 10.2% |
| 8,100,000 | 9,100,000 | 526,200 | 10.8% |
| 9,100,000 | 10,100,000 | 634,200 | 11.4% |
| Over 10,100,000 | | 748,200 plus 12% of the excess over $10,100,000 | |

**Tax Rates on Taxable Gifts and Estates**
**on or after January 1, 2018 and prior to January 1, 2019**

| Value of Gift or Estate | | Tax | |
|---|---|---|---|
| **Column A** | **Column B** | **Column C** | **Column D** |
| **Over $** | **But not over $** | **Tax on Column A** | **Tax Rate on excess over Column A** |
| 0 | 2,600,000 | No Tax | |
| 2,600,000 | 3,600,000 | 7.2% of the excess over $2,600,000 | |
| 3,600,000 | 4,100,000 | 72,000 | 7.8% |
| 4,100,000 | 5,100,000 | 111,000 | 8.4% |
| 5,100,000 | 6,100,000 | 195,000 | 10.0% |
| 6,100,000 | 7,100,000 | 295,000 | 10.4% |
| 7,100,000 | 8,100,000 | 399,900 | 10.8% |
| 8,100,000 | 9,100,000 | 507,000 | 11.2% |
| 9,100,000 | 10,100,000 | 619,000 | 11.6% |
| Over 10,100,000 | | 735,000 plus 12% of the excess over $10,100,000 | |

**Tax Rates on Taxable Gifts and Estates**
**on or after January 1, 2019 and prior to January 1, 2020**

| Value of Gift or Estate | | Tax | |
|---|---|---|---|
| **Column A** | **Column B** | **Column C** | **Column D** |
| **Over $** | **But not over $** | **Tax on Column A** | **Tax Rate on excess over Column A** |
| 0 | 3,600,000 | No Tax | |
| 3,600,000 | 4,100,000 | 7.8% of the excess over $3,600,000 | |
| 4,100,000 | 5,100,000 | 39,000 | 8.4% |
| 5,100,000 | 6,100,000 | 123,000 | 10.0% |
| 6,100,000 | 7,100,000 | 223,000 | 10.4% |
| 7,100,000 | 8,100,000 | 327,000 | 10.8% |
| 8,100,000 | 9,100,000 | 435,000 | 11.2% |
| 9,100,000 | 10,100,000 | 547,000 | 11.6% |
| Over 10,100,000 | | 663,000 plus 12% of the excess over $10,100,000 | |

**Tax Rates on Taxable Gifts and Estates**
**on or after January 1, 2020 and prior to January 1, 2021**

| Value of Gift or Estate | | Tax | |
|---|---|---|---|
| **Column A** | **Column B** | **Column C** | **Column D** |
| **Over $** | **But not over $** | **Tax on Column A** | **Tax Rate on excess over Column A** |
| 0 | 5,100,000 | No Tax | |
| 5,100,000 | 6,100,000 | 10.0% of the excess over $5,100,000 | |
| 6,100,000 | 7,100,000 | 100,000 | 10.4% |
| 7,100,000 | 8,100,000 | 204,000 | 10.8% |
| 8,100,000 | 9,100,000 | 312,000 | 11.2% |
| 9,100,000 | 10,100,000 | 424,000 | 11.6% |
| Over 10,100,000 | | 540,000 plus 12% of the excess over $10,100,000 | |

**Tax Rates on Taxable Gifts and Estates**
**on or after January 1, 2021 and prior to January 1, 2022**

| Value of Gift or Estate | | Tax | |
|---|---|---|---|
| **Column A** | **Column B** | **Column C** | **Column D** |
| **Over $** | **But not over $** | **Tax on Column A** | **Tax Rate on excess over Column A** |
| 0 | 7,100,000 | No Tax | |
| 7,100,000 | 8,100,000 | 10.8% of the excess over $7,100,000 | |
| 8,100,000 | 9,100,000 | 108,000 | 11.2% |
| 9,100,000 | 10,100,000 | 220,000 | 11.6% |
| Over 10,100,000 | | 336,000 plus 12% of the excess over $10,100,000 | |

**Tax Rates on Taxable Gifts and Estates**
**on or after January 1, 2022 and prior to January 1, 2023**

| Value of Gift or Estate | | Tax | |
|---|---|---|---|
| **Column A** | **Column B** | **Column C** | **Column D** |
| **Over $** | **But not over $** | **Tax on Column A** | **Tax Rate on excess over Column A** |
| 0 | 9,100,000 | No Tax | |
| 9,100,000 | 10,100,000 | 11.6% of the excess over $9,100,000 | |
| Over 10,100,000 | | 116,000 plus 12% of the excess over $10,100,000 | |

**Tax Rates on Taxable Gifts and Estates on or after January 1, 2023**

| Value of Gift or Estate | | Tax |
|---|---|---|
| **Column A** | **Column B** | **Column C** |
| **Over $** | **But not over $** | |
| 0 | federal threshold | No Tax |
| Over federal threshold | | 12% of the excess over the federal threshold |

**Exemptions**

1. **Calculated tax amounts due in excess of $15 million**

   *Citation:* CGS Sec. 12-391(d)(1)(D), CGS Sec. 12-391(e)(1)(C) and CGS Sec. 12-642(c)(1)

*Description:* The exemption establishes a $15 million lifetime cap on total unified gift and estate tax liability.

*History:* PA 15-244 established the exemption. PA 17-2 JSS reduced the lifetime cap, from $20 million to $15 million, beginning January 1, 2019.

*Fiscal Estimates:* $12.5 million in FY 24 and FY 25.

*Taxpayers Benefitting:* Data not available.

*Rationale:* Expediency.

**Credits**

1. **Certain inheritance taxes paid to other jurisdictions**

*Citation:* CGS Sec. 12-391

*Description:* The credit is for similar inheritance taxes paid to any other state or the District of Columbia on property under the other states' jurisdiction. The credit is the lesser of (1) the actual taxes paid in the other states or (2) the full Connecticut transfer tax, excluding any gift tax credits that would otherwise be due multiplied by the percentage of the gross estate that is under the jurisdiction of other states.

*History:* PA 97-165 established the credit.

*Fiscal Estimates:* Indeterminate.

*Taxpayers Benefitting:* Data not available.

*Rationale:* Conformity.

2. **Qualifying investments in a Connecticut Innovations investment program**

*Citation:* CGS Sec. 12-391(i)

*Description:* The credit allows for a reduction in the estate tax for decedents that make qualifying investments through a Connecticut Innovations (CI) investment program for state residents and is applicable to estates of decedents who die on or after January 1, 2021. Decedents qualify for amounts they invested for at least 10 years in a private investment fund through the CI program. The estate tax reduction is equal to half of the eligible investment, up to $5 million per decedent. The aggregate amount of reductions is capped at $30 million.

*History:* PA 16-3 MSS established the reduction.

*Fiscal Estimates:* None in FY 24 and FY 25.

*Taxpayers Benefitting:* None.

*Rationale:* Incentive.

**Taxes Eliminated**

During the 2005 session, the legislature passed PA 95-298, which phased out the succession and gift taxes between January 1, 1997 and January 1, 2010. The act phased out the succession tax[29] on Class A heirs (immediate family such as parents and children) as of January 1, 2001; Class B heirs (collateral relatives of the deceased, such as siblings, nieces, and nephews) as of January 1, 2006, and Class C heirs (more remote relatives and unrelated people) as of January 1, 2008. The act also phased out the gift tax between January 1, 2001, and January 1, 2010.

During the 2005 session the legislature passed PA 05-251, which repealed the remaining phase outs[30] for the succession tax and old gift tax, effective as of January 1, 2005, and replaced them with the new estate and gift taxes.

Connecticut's former estate tax was effectively eliminated on January 1, 2005, by a 2001 federal law, which phased out the federal estate tax credit over four years (the change was enacted in "The Economic Growth and Tax Relief Recovery Act (EGTRRA) of 2001"). Connecticut's tax was referred to as a "sponge tax" because it was intended to preserve revenue for the state that would otherwise have gone to the federal government. The tax was equal to 100% of the maximum federal credit for the amount of state inheritance taxes that were paid.

[29] It should be noted that the succession tax did not apply to Class AA (surviving spouse).
[30] PA 05-251 eliminated the estate tax on Class B and C heirs and the Gift Tax on gifts between $75,000 and $1 million.

## PUBLIC SERVICE COMPANIES TAX

The tax is imposed on the gross earnings of public service companies.

### Computation of Tax

**Rate & Basis** - The basis for the tax is gross earnings from which the following deductions are made: (1) all sales for resale of steam, gas and electricity to public service corporations and municipal utilities, and (2) any federal BTU energy tax. The following companies are taxed at the rates listed (CGS Sec. 12-249, 251, 255, 264, 265, 268a):

**Tax Rates for the Public Service Companies Gross Earnings Tax**

| Type of Public Service Company | Tax Rate | CGS Section |
|---|---|---|
| Community Antenna and Cable & Satellite TV Systems | 5.0%[1] | 12-258 |
| Gas | 5.0%[2,3] | 12-265(b) |
| Gas -- sales to residential customers | 4.0%[2,3] | 12-265(b) |
| Transmission & Distribution of Electric Power | 8.5%[2] | 12-265(c) |
| Residential Transmission & Distribution of Electric Power | 6.8%[2] | 12-265(c) |
| Railroad Companies | 2-3.5%[4] | 12-251(b) |

[1]Effective October 1, 2007, through September 30, 2009, Certified Competitive Video Service Providers, Community Antenna TV, and Satellite TV service providers were subject to an additional 0.5% tax for a total tax rate equal to 5.5%. Effective October 1, 2009, the additional tax has been 0.25%. State law requires funds from this surtax to be deposited into the Public, Educational and Governmental Programming and Education Technology Investment Account established under Public Act 07-253. PA 17-2 JSS subsequently diverted $3.5 million of total annual PEGPETIA deposits to the General Fund until PA 19-117 eliminated this provision for FY 22 and beyond.

[2]Effective January 1, 2000, the gross receipts tax on generation services was eliminated. However, the rate on transmission and distribution was increased to 6.8% for residential customers and to 8.5% for non-residential customers other than manufacturers.

[3]PA 22-118 exempted municipal gas companies effective July 1, 2022.

[4]The tax rate varies with the amount by which net operating income exceeds gross earnings. When income does not exceed 8% of gross earnings, the tax rate is 2%. The tax rate increases by 0.25% for each additional 2% that income exceeds gross earnings. When income exceeds 18% of gross earnings, the rate is 3.5%.

### Deductions from gross earnings

**1. Sales for resale**

*Citation:* CGS Sec. 12-265(b)(1)

*Description:* All sales for resale of water, steam, gas and electricity to public service corporations and municipal utilities, whether or not the purchasers are Connecticut public service corporations or Connecticut municipal utilities, and whether or not they are subject to the public service companies tax.

*History:* Established prior to 1949. PA 04-180 extended the exemption for natural gas sold for use as fuel in the operation of a cogeneration facility providing electricity or steam to a company engaged in manufacturing processes but operated by a third party.

*Fiscal Estimates:* $29.5 million in FY 24 and FY 25.

*Taxpayers Benefitting:* Fewer than 20.

*Rationale:* Incentive and Cascading. The exemption is intended to reduce cascading.

**2. Appliance sales**

*Citation:* CGS Sec. 12-265(b)(1)

*Description:* The deduction is for the net invoice price plus transportation costs of appliances using water, steam, gas or electricity, sold by utility companies. "Net invoice price" means invoice price less trade discounts.

*History:* The exemption was created prior to 1949.

*Fiscal Estimates:* None in FY 24 and FY 25.

*Taxpayers Benefitting:* None.

*Rationale:* Redundancy. Appliances are taxable under the sales and use tax.

**3. Real property taxes paid by railroad companies**

*Citation:* CGS Sec. 12-251(b)

*Description:* The deduction is for the amount of taxes paid in any town in Connecticut on real estate not used exclusively in the business of the corporation and is deductible from the amount of tax on gross earnings.

*History:* 1871 ch. 89 created the deduction for property taxes paid on real property that was not used exclusively for the railroad company's business. 1915 ch. 292 expanded the exemption to include property taxes paid by any corporation whose property the railroad company operates. 1917 ch. 70 made a technical change.

*Fiscal Estimates:* Less than $100,000 in FY 24 and FY 25.

*Taxpayers Benefitting:* Fewer than 10.

*Rationale:* Incentive.

**4. Federal BTU energy tax**

*Citation:* CGS Sec. 12-265(b)(1)

*Description:* The deduction is for gross earnings from any federal British Thermal Unit (BTU) energy tax included in the adjustment clause and base-rate revenues.

*History:* PA 93-74 established the deduction.

*Fiscal Estimates:* None in FY 24 and FY 25 (no federal BTU tax has been established).

*Taxpayers Benefitting:* None.

*Rationale:* Conformity.

## Exemptions

**1. Manufacturing**

*Citation:* CGS Sec. 12-265(c)

*Description:* The tax on gas and electricity supplied to manufacturing customers in SICs 2000-3999 was phased out and is now exempt.

*History:* PA 93-73 and PA 93-332 enacted it. The exemption was extended to include gas used to operate cogeneration facilities providing electricity or steam used in manufacturing, and the cogeneration facility is located entirely on the manufacturer's premise (PA 04-180).

*Fiscal Estimates:* $24.4 million in FY 24 and $24.6 million in FY 25.

*Taxpayers Benefitting:* Between 15 and 20.

*Rationale:* Incentive and Cascading. The exemption is intended to reduce cascading.

**2. Electricity production**

*Citation:* CGS Sec. 12-264

*Description:* The exemption is for the gross earnings a gas company makes by selling gas to an existing combined cycle generating plant comprised of three gas turbines with a total capacity of 775 megawatts that is used to generate electricity. In a combined cycle plant, the heat created by burning fuel to produce electricity is recycled to produce more electricity.

*History:* PA 04-180 enacted the exemption.

*Fiscal Estimates:* $3.7 million in FY 24 and $3.9 million in FY 25.

*Taxpayers Benefitting:* Fewer than 10.

*Rationale:* Expediency.

**3. Railroad companies when certified by the DOT**

*Citation:* CGS Secs. 13b-226 through 13b-233

*Description:* Exempts from the public service company gross earnings tax qualifying passenger or freight railroad companies that undertake projects to preserve or improve their facilities. Railroads seeking this exemption must annually submit to the Transportation Commissioner a list of the preservation and improvement projects they intend to undertake to qualify for the exemption.

*History:* 1961 PA 11 created the exemption.

*Fiscal Estimates:* $1.1 million in FY 24 and FY 25.

*Taxpayers Benefitting:* Fewer than 10.

*Rationale: Incentive.*

**4. Municipal gas companies**

*Citation:* CGS Secs. 12-264(a)(1) & (b)(1)(B) and 12-265

*Description:* Exempts municipal gas utilities from the utility companies tax. Under prior law, municipal gas utilities paid a 4% tax on gross receipts from their residential customers and 5% on those from nonresidential customers.

*History:* PA 22-118 created the exemption.

*Fiscal Estimates:* $1.3 million in FY 24 and FY 25.

*Taxpayers Benefitting:* Fewer than 10.

*Rationale:* Expediency.

**Rate Reductions**

**1. Residential utilities**

*Citation:* CGS Sec. 265(b) and CGS Sec. 265(c)

*Description:* Companies and municipal utilities are taxed at the rate of 4%, rather than 5% for gas and 6.8% rather than 8.5% on electricity, on gross earnings from manufacturing, selling or distributing gas or transmission and distribution of electricity for residential light, heat or power.

*History:* PA 85-159 created the rate reduction. PA 98-28, effective January 1, 2000, eliminated the gross receipts tax on generation services as part of the deregulation of the electric industry in Connecticut. However, the rate on transmission and distribution was increased to 6.8% for residential customers and to 8.5% for non-residential customers other than manufacturers.

*Fiscal Estimates:* $33.2 million in FY 24 and $33.4 million in FY 25.

*Taxpayers Benefitting:* Between 15 and 20.

*Rationale:* Perceived Equity.

**Tax Credits Claimed Under the Public Service Companies Tax**

**1. Neighborhood assistance**

*Citation:* CGS Sec. 12-632 through 12-635(a)

*Description:* A 60% credit of the amount contributed is available for expenditures on activities approved by municipalities such as: (1) neighborhood assistance; (2) job training or education; (3) community services; (4) crime prevention; (5) cash donations used for the purchase of open space; or (6) community-based alcoholism prevention or treatment programs. A 100% credit is available for energy conservation or construction or rehabilitation of dwelling units for families of low and moderate income. The program is administered by the Department of Revenue Services. The minimum amount for which a credit is granted is $250, the annual credit limit per business firm is $150,000, a non-profit organization is limited to receiving $150,000 in contributions in the aggregate, and the annual limit for all firms is $5 million. Unused credits may be carried back for two years.

*History*: PA 82-469 enacted the credit. PA 95-268 lowered the amount of the credit from 50% to 40% of the amount contributed. PA 03-225 increased the amount of the credit from 40% to 60% of the amount contributed. PA 07-242 increased the amount for energy conservation projects from 60% to 100%. PA 97-251 increased the total limit from $3 million to $4 million. PA 99-173 increased the total limit to $5 million. PA 10-188 eliminated municipal approval requirements. PA 11-140 increased the total amount of credits a company may claim annually and extends tax credit eligibility to the business entity tax. PA 15-5 JSS increased the total limit from $5 million to $10 million beginning July 1, 2017. PA 17-2 JSS subsequently reduced the total limit from $10 million to $5 million effective July 1, 2017.

*Fiscal Estimates:* $1.2 million in FY 24 and FY 25.

*Taxpayers Benefitting:* Fewer than 10.

*Rationale:* Incentive and Perceived Equity.

**2. Historic home rehabilitation, historic structures rehabilitation, historic preservation, and historic rehabilitation**

*Citation:* CGS Sec. 10-416 (Historic home rehabilitation), CGS Sec. 10-416a (Historic structure rehabilitation), CGS Sec. 10-416b (Historic preservation), and CGS Sec. 10-416c (Historic rehabilitation)

*Description:*

- Historic home rehabilitation: The credit is available for expenses associated with rehabilitating owner-occupied historic homes. It is administered by the Department of Economic and Community Development (DECD). In order to qualify, the property must: (1) have 1 to 4 dwelling units, one of which is the principal residence of the owner, and (2) be listed individually on the National Register of Historic Places or located in a district listed in the National or State Register of Historic Places. In addition, DECD must certify that the property contributes to the district's historic character. A minimum qualified rehabilitation expenditure of $15,000 must be incurred, the minimum amount for which a credit is available is $15,000, the credit limit per dwelling unit is $30,000,[31] and the annual limit for all taxpayers is $3 million. The owner must occupy the home for at least five years following the completion of the rehabilitation work. Unused credits may be carried forward for four succeeding income years.
- Historic structure rehabilitation: The credit was available to individuals, limited liability companies, and nonprofit and for-profit corporations for expenses associated with rehabilitating historic commercial and industrial properties for residential use. It was administered by the Department of Economic and Community Development (DECD). In order to have qualified, the property must either be: (1) listed individually on the National Register of Historic Places or (2) located in a district listed in the National or State Register of Historic Places. In addition, DECD had to certify that the property contributes to the district's historic character. The credit was up to 25% of the qualified rehabilitation costs; the limit per structure was $2.7 million, and the annual limit for all taxpayers was $15 million. Owners can claim the credit themselves or transfer it to

[31] The maximum credit is limited to $50,000 for owners that are nonprofit corporations.

others. Credit holders may claim a credit in the tax year when the property receives its certificate of occupancy. For multiphase projects, credit holders may claim a part of the credit in proportion to that part of the project that received a certificate of occupancy. Unused credits may be carried forward for five succeeding income years.

- Historic preservation: The credit was available to individuals, limited liability companies, and nonprofit and for-profit corporations for expenses associated with rehabilitating historic property used for both residential and commercial purposes.[32] It was administered by the Department of Economic and Community Development (DECD). In order to have qualified, the property must be a historic commercial or industrial property: (1) individually listed on the national or state Register of Historic Places or (2) located in an historic district listed on the national or state Register of Historic Places. In addition, the Department of Economic and Community Development (DECD) must certify that the property contributes to the district's historic character. The credit was up to 25% of the qualified rehabilitation costs; the credit increases to 30% if a portion of the units are affordable[33] to low- and moderate-income people. The total credit amount was up to $50 million per three-year cycle, beginning with FY 09 through FY 11. Unused credits may be carried forward for five succeeding income years.

- Historic rehabilitation: The credit, which effectively consolidates the provisions of the Historic Preservation and Historic Structure Rehabilitation tax credits effective January 1, 2014, is for qualified expenditures associated with the rehabilitation of a Certified Historic Structure for either: (1) residential use of five units or more, (2) mixed residential and nonresidential use, or (3) nonresidential use consistent with the historic character of such property or the district in which such property is located. The credit is up to 25% of the qualified rehabilitation costs; the credit increases to 30% if at least 20% of the units are rental units and qualify as affordable housing or at least 10% of the units are individual homeownership units and qualify as affordable housing. The credit is subject to an aggregate cap of $31.7 million per fiscal year. Unused credits may be carried forward for five succeeding income years or may be transferred in whole or in part no more than three times.

*History:*

- Historic home rehabilitation: PA 99-173 established the credit. PA 13-266 expanded the credit by making the credit available statewide, reducing the minimum amount that must be spent and increasing the maximum amount of the credit that businesses may claim when contributing to nonprofits rehabilitating historic homes. PA 14-217 required that 70% of the credits annually be reserved for rehabilitating historic homes in the 24 municipalities designated as "regional centers" in the state's current five-year plan of conservation and development. PA 23-204 changed the taxes against which historic homes rehabilitation tax credits may be claimed beginning January 1, 2024, and made credits claimed against the personal income tax refundable.

[32]The residential portion must comprise at least 33% of the total floor area in the rehabilitated property.
[33]A project is considered affordable if: (1) at least 20% of the units are affordable rental units or (2) 10% are affordable homeownership units. A unit is affordable if it costs a moderate-income household no more than 30% of its income. A household falls into this category if it earns no more than the median income of the town where the unit is located.

- Historic structure rehabilitation: PA 06-186 established the credit. PA 14-217 specified that no credits may be reserved under this program effective July 1, 2014.
- Historic preservation: PA 07-250 established the credit and specified that the first 3-year period for which the credit is available is FY 09 through FY 11. PA 14-217 specified that no credits may be reserved under this program effective July 1, 2014.
- Historic rehabilitation: PA 14-217 established the credit.

*Fiscal Estimates:* $19.9 million in FY 24 and FY 25 (cumulative).

*Taxpayers Benefitting:* Fewer than 10.

*Rationale:* Incentive and Expediency.

**3. Electronic data processing**

*Citation:* CGS Sec. 12-217t

*Description:* The credit is available for 100% of the local property tax paid on electronic data processing equipment, including computers, printers, peripheral computer equipment, bundled software and any other related equipment reported as Code 20 on the Personal Property Declaration. The credit is only for property tax liability and excludes any interest or penalties that the taxpayer may also be required to pay. It may only be taken when filing a final return and may not be used to calculate estimated payments. Unused credits may be carried forward for five years.

*History:* PA 94-4 MSS enacted the credit. PA 95-160 delayed the effective date of the credit from the 10/1/94 grand list to 10/1/96 grand list. PA 96-144 reinstated the original effective date of 10/1/94 grand list.

*Fiscal Estimates:* $300,000 in FY 24 and FY 25.

*Taxpayers Benefitting:* Fewer than 10.

*Rationale:* Perceived Equity.

**4. Urban and industrial reinvestment**

*Citation:* CGS Sec. 32-9t

*Description:* The credit is available for investments associated with urban site remediation. It is administered by the Department of Economic and Community Development (DECD) and is allowable over 10 years. The credit amount may not exceed the amount of state revenue that DECD determines will be generated by the site. There is a recapture provision if the actual amount of revenue generated is less than the total sum of tax credits claimed. The credit is limited to $100 million per project and $950 million for all projects. Unused credits may be carried forward for five years or assigned to another taxpayer.

The credit may be used against corporation tax, insurance premium tax, public service companies tax and other miscellaneous tax liabilities.[34]

*History:* PA 00-170 enacted the credit. PA 01-9 (JSS) extended the credit to taxpayers investing in eligible environmental remediation and urban sites reinvestment projects through Community Economic Entities (CDEs). PA 06-187 expanded the credit's qualification criteria to include projects that: (1) are connected to an operation relocating from another state or (2) involve the expansion of an existing facility requiring a minimum $50 million investment. PA 11-86 increased the aggregate amount of tax credits available under the program to $750 million for all projects; PA 11-1 (OSS) later reduced that amount to $650 million. PA 13-184 (1) allowed the DECD Commissioner to pay taxpayers holding urban and industrial sites reinvestment tax credits for their credit eligibility certificates and (2) authorizes up to $40 million in bonds for this purpose, $20 million of which is available on July 1, 2014. PA 14-98 increased the aggregate amount of tax credits available under the program from $650 million to $800 million; PA 15-5 JSS further increased the cap from $800 million to $950 million.

PA 15-244 imposed a 50.01% limit on the amount of tax liability that certain eligible entities may reduce through the use of tax credits effective for calendar quarters commencing on or after July 1, 2015. PA 15-1 DSS raised this cap by 5% per year until it reaches 70% in 2019 for certain credits utilized against the corporation business tax; this cap was subsequently lowered to 50.01% (PA 19-117) and then raised back to 70% (PA 21-2 JSS).

*Fiscal Estimates:* $3.1 million in FY 24 and FY 25.

*Taxpayers Benefitting:* Fewer than five.

*Rationale:* Incentive and Expediency.

**5. Housing program contribution**

*Citation:* CGS Sec. 8-395

*Description:* The credit is available to firms making cash contributions to nonprofit organizations that develop, sponsor, or manage housing programs for families with low or moderate incomes. It is administered by the Connecticut Housing Finance Authority (CHFA). The credit is equal to the amount contributed. The minimum amount for which a credit is granted is $250 per firm. The annual total limit for all firms is $10 million (of this total, $2 million is set aside for the Supportive Housing Pilots Initiative or the Next Steps Initiative and $1 million is set aside for workforce housing). The maximum amount a nonprofit organization may receive in the aggregate is $500,000. Unused credits may be carried backward or forward for 5 years.

*History:* PA 87-377 enacted the credit effective with the 1988 income year. PA 99-173 increased: (1) the credit limit per business from $50,000 to $75,000; (2) the limit for the total annual amount allowed for all businesses from $1 million to $5 million; and (3) the amount an entity can receive in the aggregate from $300,000 to $400,000. PA 00-170 required eligible contributions to be in cash and removed the per-business limit on credits. PA 01-8 JSS set

[34] Miscellaneous taxes include air carriers tax and dry cleaning tax. Prior to passage of PA 17-2 JSS, as amended by PA 17-4 JSS, the credit could also be utilized against the hospitals tax and ambulatory surgical centers tax.

aside $1 million for the Supportive Housing Pilots Initiative. PA 06-186: (1) raised the annual limit for all firms from $5 million to $10 million; (2) set aside $2 million for the Supportive Housing Pilots Initiative or the Next Steps Initiative; (3) set aside $1 million for workforce housing; and (4) raised the maximum amount a nonprofit organization may receive in the aggregate from $400,000 to $500,000.

*Fiscal Estimates:* $10 million in FY 24 and FY 25.

*Taxpayers Benefitting:* Fewer than five.

*Rationale:* Incentive and Perceived Equity.

## PETROLEUM PRODUCTS GROSS EARNINGS TAX

PA 80-71 enacted the tax. It is currently levied at an 8.1% statutory rate on the gross earnings of companies that distribute petroleum products in Connecticut (CGS Sec 12-587.) There are approximately 600 taxpayers remitting the tax on a quarterly basis.

### Computation of Tax

**Statutory Rate & Basis** - The tax is imposed on companies distributing petroleum products to wholesale and retail dealers for marketing and distribution in the state. Petroleum products include gasoline, kerosene, diesel fuel (after 7/1/07 diesel fuel used exclusively for or by motor carriers are excluded), benzyl, distillate fuels, residual fuels, crude oil and derivatives of petroleum such as paint, detergents, antiseptics, fertilizers, nylon, asphalt, plastics and other similar products. The table below presents the rate changes since the inception of the tax in FY 81

**Rate Increase for Petroleum Company Gross Earnings Tax**

| On or After | But Before | Tax Rate is |
|---|---|---|
| July 1, 1980 | July 1, 1989 | 2.0% |
| July 1, 1989 | October 1, 1991 | 3.0% |
| October 1, 1991 | July 1, 2005 | 5.0% |
| July 1, 2005 | July 1, 2006 | 5.8% |
| July 1, 2006 | July 1, 2007 | 6.3% |
| July 1, 2007 | July 1, 2008 | 7.0% |
| July 1, 2008 | July 1, 2013 | 7.0%[35] |
| July 1, 2013 | and after | 8.1% |

A use tax of the equivalent rate is imposed on companies that import petroleum products into the state for their own consumption if the value of these products in any quarter is more than $100,000.

### Exemptions

2. **#2 Heating oil used for heating purposes**

   *Citation:* CGS Sec 12-587(b)(2)(B)

   *Description:* The exemption is for #2 heating oil used for heating purposes.

   *History:* PA 85-159 established the exemption.

   *Fiscal Estimates:* $182 million.

   *Taxpayers Benefitting:* Approximately 400.

   *Rationale:* Perceived Equity.

[35]The rate was scheduled to go to 7.5% effective July 1, 2008, but PA 09-2 JSS eliminated the scheduled increase enacted by 05-4 JSS.

3. **Diesel Fuel**

   *Citation:* CGS Sec. 12-587(b)(2)(L)

   *Description:* The exemption is for the first sale of diesel fuel other than diesel fuel used in an electric generation facility to generate electricity effective July 1, 2007.

   *History:* PA 07-199 and PA 07-1 (JSS) established the exemption.

   *Fiscal Estimates:* $284 million.

   *Taxpayers Benefitting:* Approximately 400.

   *Rationale:* Expediency.

4. **Propane used for residential heating**

   *Citation:* CGS Sec. 12-587(b)(2)(D)

   *Description:* The exemption is for propane sold for use in residential heating when: (1) sold in containers, or (2) sold and delivered to a stationary storage tank with a capacity of not more than 1,000 gallons.

   *History:* PA 87-312 created the exemption.

   *Fiscal Estimates:* $29.4 million.

   *Taxpayers Benefitting:* Approximately 200.

   *Rationale:* Perceived Equity.

5. **Wholesale gasoline in excess of $3.00 per gallon**

   *Citation:* CGS Sec. 12-587(a)(2)

   *Description:* The exemption is for the amount of gross earnings derived from wholesale gasoline or gasohol in excess of $3.00 per gallon.

   *History:* PA 12-4 created the exemption.

   *Fiscal Estimates:* $11.8 million

   *Taxpayers Benefitting:* Fewer than 600.

   *Rationale:* Perceived Equity and Expediency.

6. **Commercial heating oil blend**

   *Citation:* CGS Se. 12-587(b)(2)(K)

   *Description:* The exemption is for sales of commercial heating oil blend containing not less than 10% of alternative fuels derived from agricultural produce, food waste, waste vegetable oil or municipal solid waste, but not limited to, bio-diesel or low sulfur dyed diesel fuel effective July 1, 2006.

   *History:* PA 06-143 established the exemption.

   *Fiscal Estimates:* $4.9 million.

   *Taxpayers Benefitting:* Fewer than 20.

*Rationale:* Expediency and Incentive.

**7. Fuel used in vessels engaged in interstate commerce**

*Citation:* CGS Sec 12-587(b)(2)(H)

*Description:* The exemption was created by phasing out the tax at the rate of 1% per year, beginning 1/1/98. It is currently entirely exempt from the Petroleum Products Gross Earnings Tax.

*History:* PA 97-281 created the exemption and PA 14-222.

*Fiscal Estimates:* $0.9 million.

*Taxpayers Benefitting:* Fewer than 20.

*Rationale:* Incentive.

**8. Kerosene used for residential heating**

*Citation:* CGS Sec. 12-587(b)(2)(C)

*Description:* The exemption is for kerosene used exclusively for heating purposes, when the fuel is delivered via a truck with a metered delivery ticket.

*History:* PA 93-74 created the exemption, which became effective 5/19/93.

*Fiscal Estimates:* Approximately $300,000.

*Taxpayers Benefitting:* Approximately 125.

*Rationale:* Perceived Equity.

**9. #2 Heating oil used in commercial fishing vessels**

*Citation:* CGS Sec 12-587(b)(2)(B)

*Description:* The exemption is for #2 heating oil used in commercial fishing vessels.

*History:* PA 96-183 created the exemption.

*Fiscal Estimates:* Less than $500,000.

*Taxpayers Benefitting:* Approximately 15.

*Rationale:* Incentive.

**10. Cosmetic grade mineral oil**

*Citation:* CGS Sec. 12-587(b)(2)(M)

*Description:* The exemption is for the first sale of cosmetic grade mineral oil sold on or after July 1, 2013.

*History:* PA 13-232 created the exemption.

*Fiscal Estimates:* Less than $500,000.

*Taxpayers Benefitting:* Approximately 20.

*Rationale:* Incentive and Expediency.

**11. Fuel used by industrial consumers**

*Citation:* CGS Sec. 12-587(b)(2)(G)

*Description:* The exemption is for #6 fuel oil used by industrial consumers in SIC 2000-3999 and NAICS 31, 32, 33 (i.e., consumers in the manufacturing sector). It was created by phasing out the tax at the rate of 1% per year, beginning 1/1/98, and is currently entirely exempt from the Petroleum Products Gross Earnings Tax.

*History:* PA 97-281 established the exemption.

*Fiscal Estimates:* $0.8 million.

*Taxpayers Benefitting:* Fewer than 20.

*Rationale:* Incentive.

**12. Bunker fuel oil, intermediate fuel, marine diesel oil and marine gas oil**

*Citation:* CGS Sec. 12-587(b)(2)(E)

*Description:* The exemption is for fuel used in vessels displacing more than 1,000 gallons.

*History:* PA 92-17 (MSS) created the exemption.

*Fiscal Estimates:* Less than $100,000.

*Taxpayers Benefitting:* Fewer than 600.

*Rationale:* Incentive and Expediency.

**13. Paraffin and microcrystalline waxes**

*Citation:* CGS Sec. 12-587(b)(2)(I)

*Description:* The exemption is for petroleum products used in the production of paraffin and microcrystalline waxes.

*History:* PA 00-174 established the exemption.

*Fiscal Estimates:* Less than $500,000.

*Taxpayers Benefitting:* Approximately 20.

*Rationale:* Expediency.

**14. Propane used for fuel in school buses**

*Citation:* CGS Sec. 12-587(b)(2)(N)

*Description:* The exemption is for propane used as fuel in school buses.

*History:* PA 13-247 established the exemption.

*Fiscal Estimates:* Approximately $100,000.

*Taxpayers Benefitting:* Fewer than 20.

*Rationale:* Incentive.

**15. Aviation fuel**

*Citation:* CGS Sec. 12-587(b)(2)(O)

*Description:* The exemption is for aviation fuel.

*History:* PA 23-204 created the exemption.

*Fiscal Estimates:* $13 million.

*Taxpayers Benefitting:* Data not available.

*Rationale:* Incentive.

**Other Exclusions**

**1. Fuel in certain fuel supply tanks**

*Citation:* CGS Sec. 12-587(c)

*Description:* The exemption is for petroleum fuel in supply tanks of motor vehicles when the tanks are connected to the engine.

*History:* PA 92-177 created the exemption.

*Fiscal Estimates:* None; tax is collected under the Motor Fuels Tax.

*Taxpayers Benefitting:* Fewer than 600.

*Rationale:* Redundancy.

**2. DOT contracted service stations along state highways**

*Citation:* CGS Sec. 12-587(e)

*Description:* The exclusion applies the definition used for calculating the gross earnings tax based on retail price to calculating the tax on the wholesale price of fuel. The difference between retail price and the wholesale price basis is the dollar amount made tax exempt. It applies to the gross receipts of service stations that are located along state and interstate highways pursuant to a contract with the Department of Transportation (DOT), beginning with the 1988 income year.

*History:* PA 94-4 (MSS) created the exclusion.

*Fiscal Estimates:* Indeterminate.

*Taxpayers Benefitting:* Data not available.

*Rationale:* Incentive.

**Credits**

**1. Credit for Sale of Petroleum Products to Reseller Located Outside the State**

*Citation:* CGS Sec. 12-587a

*Description:* The credit is for companies that sell petroleum products to resellers located outside the state. The company reimburses the purchaser for the tax paid on such products.

*History:* PA 82-157 established the credit, which became effective 5/3/82.

*Fiscal Estimates:* $24.7 million.

*Taxpayers Benefitting:* Approximately 140.

*Rationale:* Conformity.

**2. Petroleum products used in certain paints, coatings, and adhesive materials**

*Citation:* PA 13-232

*Description:* The credit is for the first sale of petroleum products sold to a purchaser who then incorporates them into paint, coating, or adhesive material for sale or use outside Connecticut occurring on or after July 1, 2015.

*History:* PA 13-232 established the exemption.

*Fiscal Estimates:* Zero.

*Taxpayers Benefitting:* None.

*Rationale:* Expediency.

**Other Tax Credits**

Data indicates that the credits applicable against their taxes on gross earnings have not been claimed in the past. It appears that these entities apply the credits against their Corporate Income Taxes (Business Taxes) in lieu of applying credit against their gross earnings tax liability.

## CIGARETTE AND TOBACCO PRODUCTS TAX

### Computation of the Tax

The cigarette tax is levied on cigarettes held by distributors in the state (CGS Sec. 12-296) and on the use or storage of unstamped cigarettes (CGS Sec. 12-316). An electronic cigarette tax is imposed on sales of electronic nicotine delivery systems, liquid nicotine containers, vapor products, and electronic cigarette liquids products by wholesalers. The tobacco products tax is imposed on all tobacco products held in the state by distributors or unclassified importers. Distributors, dealers and vending machine operators must obtain a license from the Department of Revenue Services for both taxes.

**Rate & Basis** - The cigarette tax is levied at a rate of 217.5 mills ($4.35 per pack of 20) effective 12/1/17 (PA 17-2 JSS). Thirty distributors pay the tax.

The cigarette tax increased from 150 mills per cigarette ($3.00 per pack of 20) to 170 mills per cigarette ($3.40 per pack) effective July 1, 2011 (PA 11-6); the rate increased to 182.5 mills ($3.65 per pack) effective 10/1/15 and to 195 mills per cigarette ($3.90 per pack) effective 7/1/16 (PA 15-244). PA 12-1 JSS makes anyone who has or allows someone to use a "cigarette rolling machine," also known as a "roll-your-own" machine, to make cigarettes at his or her retail or commercial premises a tobacco product manufacturer, subject to existing laws and restrictions governing such manufacturers who sell cigarettes in Connecticut.

A tax on the sales of electronic cigarette (e-cigarette) products by e-cigarette wholesalers is levied at a rate of (1) 40 cents per milliliter of e-cigarette liquid, for any e-cigarette product that is pre-filled, manufacturer-sealed, and not intended to be refillable, and (2) 10% of the wholesale price for all other e-cigarette products (PA 19-117).

The tobacco products tax is levied at a rate of 50% of the wholesale price on such tobacco products as cigars[36], cheroots, stogies, periques, and chewing tobacco (PA 11-6). Cigarettes are excluded from the tax. The tax on snuff was increased from one dollar per ounce (PA 11-6) to three dollars per ounce effective 12/1/17 (PA 17-2 JSS). The tax has been in effect since 7/1/89 (PA 89-251) and is paid by approximately 300 distributors.

### Exclusions

**1. Sales to the United States**

*Citation:* Attorney General's Office 10/26/37 ruling

*Description:* Sales or purchases for the use of an instrumentality of the United States (military bases, embassies, etc.) are exempt from the excise tax and the sales and use tax.

*History:* In a 10/26/37 ruling, the Attorney General's Office indicated to the Tax Commission that sales to the U.S. government where the U.S. has exclusive jurisdiction over

[36] PA 11-61 caps the tax on cigars at 50 cents each.

the property, such as military bases and coast guard stations, are considered sales occurring outside the state.

*Fiscal Estimates:* See Item 3 below.

*Taxpayers Benefitting:* See Item 3 below.

*Rationale:* Conformity.

**2. Cigarettes sold in any institution**

*Citation:* CGS Sec. 12-297

*Description:* Cigarettes sold in any state institution, other than a correctional institution or cigarettes purchased with revolving funds under the jurisdiction of any state institution, other than a correctional institution, for distribution to or consumption by patients or inmates confined at such institutions. Sales to inmates at correctional institutions are taxable.

*History:* PA 89-16 established the exemption.

*Fiscal Estimates:* None in FY 24 or FY 25.

*Taxpayers Benefitting:* Not applicable.

*Rationale:* Perceived Equity.

**3. Exported or exempt tobacco products**

*Citation:* CGS Sec. 12-330c(c)

*Description:* Tobacco products that are exported from the state or are not subject to taxation under the laws of the United States.

*History:* PA 89-251 established the exemption.

*Fiscal Estimates:* $6.9 million in FY 24 and $6.5 million in FY 25 (inclusive of Item 1 above).

*Taxpayers Benefitting:* Fewer than 30 (inclusive of Item 1 above).

*Rationale:* Conformity.

4. **Cigarettes brought into the state**

*Citation:* CGS Sec. 12-320

*Description:* Cigarettes brought into this state in an amount not exceeding two hundred or ten packs of 20.

*History:* Established prior to 1949.

*Fiscal Estimates:* Indeterminate.

*Taxpayers Benefitting:* Data not available.

*Rationale:* Efficiency, specifically administrative efficiency.

## Rate Reductions

1. **Modified risk tobacco products**

   *Citation:* CGS Sec. 12-296 and CGS Sec. 12-330c(d)

   *Description:* The tax on cigarettes and tobacco products is reduced by 50% for any product the Secretary of the United States Department of Health and Human Services determines to be a "modified risk tobacco product" pursuant to 21 U.S.C. §387k.

   *History:* PA 17-2 JSS established the rate reduction.

   *Fiscal Estimates:* None in FY 24 and FY 25.

   *Taxpayers Benefitting:* None.

   *Rationale:* Incentive.

2. **Calculated tax amounts in excess of 50 cents per cigar**

   *Citation:* CGS Sec. 12-330c(a)(2)

   *Description:* The tax on cigars is capped at 50 cents.

   *History:* PA 11-61 established the cigar tax cap.

   *Fiscal Estimates:* $11.6 million in FY 24 and FY 25.

   *Taxpayers Benefitting:* Fewer than 300.

   *Rationale:* Expediency.

## ALCOHOLIC BEVERAGE TAX

### Computation of the Tax

Distributors of alcoholic beverages are required to pay an excise tax on alcoholic beverages sold in the state (CGS Sec. 12-435). The distributors must obtain a license from the Department of Revenue Services. Approximately 1,100 distributors file monthly with the agency.

**Rate & Basis** - The tax rates for distributors of beer, liquor, and wine are as follows (PA 19-117):

**Alcoholic Beverage Tax Rates**

| Type of Alcohol | Tax Rate |
|---|---|
| Beer[1] | $6.00 per barrel |
| Beer | .20 per gallon |
| Cider | 7.92 per barrel |
| Cider | .26 per gallon |
| Still Wines[2] | .79 per gallon |
| Still Wines from Small Wineries[3] | .20 per gallon |
| Sparkling Wines | 1.98 per gallon |
| Alcohol | 5.94 per proof gallon |
| Distilled Liquor | 5.94 per gallon |
| Liquor Coolers | 2.71 per gallon |

[1]The tax rate for beer is reduced by 50% for beer sold for off-premises consumption on the premises of an entity covered by a manufacturer's permit
[2]Still wine consists of 21% absolute alcohol, or less, per gallon
[3]Small Wineries are those that produce up to 55,000 gallons annually (PA 93-74)

### Exemptions/Exclusions

**1. United States Military**

*Citation:* Attorney General's Office 10/26/37 ruling

*Description:* Sales to federal military organizations located on federal bases in the state are exempt from the excise taxes, as well as exempted from the sales and use tax.

*History:* In a 10/26/37 ruling, the Attorney General's Office indicated to the Tax Commission that sales to the U.S. government where the U.S. has exclusive jurisdiction over the property such as military bases and coast guard stations are considered sales occurring outside the state.

*Fiscal Estimates:* Indeterminate.

*Taxpayers Benefitting:* Data not available.

*Rationale:* Conformity.

**2. Alcoholic beverages transported out of state**

*Citation:* CGS Sec. 12-435

*Description:* Sales of alcoholic beverages that are transported to another state.

*History:* Established prior to 1949.

*Fiscal Estimates:* Indeterminate.

*Taxpayers Benefitting:* Data not available.

*Rationale:* Conformity.

**3. First 15 barrels of malt beverages consumed on premises**

*Citation:* CGS Sec. 12-435

*Description:* The sales of malt beverages (beer) which are consumed on the premises of an establishment covered by a manufacturer's permit.

*History:* Established prior to 1949 for all malt beverages consumed on premises. PA 19-24 narrowed the exclusion to the first 15 barrels produced annually.

*Fiscal Estimates:* $44,000 in FY 24 and FY 25.

*Taxpayers Benefitting:* Approximately 120.

*Rationale:* Expediency.

**4. Alcoholic beverages and ethyl alcohol**

*Citation:* CGS Sec. 12-435 (alcoholic beverages) and CGS Sec. 12-453 (ethyl alcohol)

*Description:* Sales of alcoholic beverages to licensed distributors and sales of ethyl alcohol intended for use or used in medical, scientific, chemical, mechanical or industrial uses and that are not sold as a beverage for human consumption. Also included are wine and distilled liquors that are used in the manufacture or preparation of pharmaceutical products or for the production of fruit preserves.

*History:* Established prior to 1949.

*Fiscal Estimates:* Indeterminate.

*Taxpayers Benefitting:* Data not available.

*Rationale:* Redundancy.

**5. Alcoholic beverages brought into this state**

*Citation:* CGS Sec. 12-436

*Description:* Alcoholic beverages brought into the state in an amount not exceeding 4 gallons.

*History:* Established prior to 1949. PA 79-604 increased the exclusion from 1 to 4 gallons.

*Fiscal Estimates:* Indeterminate.

*Taxpayers Benefitting:* Data not available.

*Rationale:* Efficiency, specifically administrative efficiency.

**Rate Reductions**

1. **Beer sold for off-premises consumption on the premises of an entity covered by a manufacturer's permit**

   *Citation:* CGS Sec. 12-435

   *Description:* The tax rate on beer sold for off-premises consumption on the premises of an entity covered by a manufacturer's permit is reduced by 50%.

   *History:* PA 19-117 created the rate reduction.

   *Fiscal Estimates:* $21,000 in FY 24 and FY 25.

   *Taxpayers Benefitting:* Approximately 120.

   *Rationale:* Expediency and Incentive.

## ADMISSIONS AND DUES TAXES

The admissions and dues taxes (formerly admissions, dues and cabaret taxes) are separate taxes that were enacted by PA 71-837. The admissions tax is levied on the admissions charge to a place of amusement, entertainment or recreation (CGS Sec. 12-541). The dues tax is levied on the amount paid as membership dues or initiation fees to a social, athletic or sporting club (CGS Sec. 12-543).

PA 99-173 repealed the cabaret tax, effective 7/1/99. Originally, the cabaret tax was levied on the amount charged for admission, refreshment service or merchandise at a cabaret or similar place furnishing music, dancing privileges, or other entertainment for profit, at the rate of 5% (CGS Sec. 12-542--REPEALED) and was due only during the time that the entertainment was offered. PA 00-170 exempts establishments from the admission tax that were subject to the cabaret tax before 7/1/99.

**Rate & Basis**

- **Admissions Tax** - The admission charge to any place of amusement, entertainment or recreation is taxed at 10% (CGS Sec. 12-541). PA 00-170 reduced the tax on movie theater tickets from 10% to 8% effective July 1, 2000, and to 6%, effective July 1, 2001, and thereafter. PA 21-2 JSS sunsets the tax for all venues except movie theaters beginning July 1, 2021; PA 22-118 extends the sunset to movie theaters beginning January 1, 2023.
- **Dues Tax** - The tax is levied on membership dues or initiation fees to any social, athletic or sporting club at a rate of 10% (CGS Sec. 12-543).

**1. Admissions Tax Exemptions**

Note: PA 21-2 JSS sunsets the tax for all venues except movie theaters beginning July 1, 2021; PA 22-118 extends the sunset to movie theaters beginning January 1, 2023. Thus, exemptions under the admissions tax remain in statute but there is no revenue impact and no taxpayer are benefitting.

**a. Admission charges under $1 or, in the case of motion picture shows, under $5**

*Citation:* CGS Sec. 12-541(a)(1)

*Description:* The exemption is for admissions charges under $1, with the exception of movies, for which the exemption is for admissions charges under $5.

*History:* The exemption for charges less than $1 was created by PA 71-837, which enacted the tax. PA 88-293 raised the exemption for movie tickets to $2; PA 97-315 raised it to $4.50; and PA 99-173 raised it to $5.00.

*Fiscal Estimates:* None in FY 24 and FY 25.

*Taxpayers Benefitting:* None.

*Rationale:* Efficiency and Expediency. Efficiency for admissions under $1, because the amount of revenue collected would be too small to justify the administrative cost to collect it. Expediency with regard to movie tickets under $5.

**b. Daily admission charges that entitle patrons to participate in an athletic or sporting activity**

*Citation:* CGS Sec. 12-541(a)(2)

*Description:* The exemption is for admissions charges for participation in an athletic or sporting activity.

*History:* PA 71-7 JSS created the exemption. PA 82-457 made a technical change by reorganizing the subsection.

*Fiscal Estimates:* None in FY 24 and FY 25.

*Taxpayers Benefitting:* None.

*Rationale:* Expediency.

**c. Admissions to events sponsored by tax exempt entities**

*Citation:* CGS Sec. 12-541(a)(3)

*Description:* The exemption is for admissions to events sponsored by tax exempt entities, provided the entity actively engages in and assumes the financial risk associated with the presentation of the event.

*History:* The exemption was established by PA 71-387, which enacted the tax.

*Fiscal Estimates:* None in FY 24 and FY 25.

*Taxpayers Benefitting:* None.

*Rationale:* Incentive.

**d. Admissions to benefit tax exempt entities**

*Citation:* CGS Sec. 12-541(a)(4)

*Description:* The exemption is for admissions to events that, in the opinion of the Commissioner of Revenue Services, are conducted primarily to raise funds for tax exempt entities, provided the Commissioner is satisfied that the net profit that goes to the entity will exceed the amount of admissions tax which, but for this exemption, would be imposed upon the person gaining admittance to such event.

*History:* An exemption for tax-exempt organizations was contained in PA 71-837, which enacted the tax. PA 82-457 created the exemption in its current form.

*Fiscal Estimates:* None in FY 24 and FY 25.

*Taxpayers Benefitting:* None.

*Rationale:* Incentive.

**e. Admissions paid by centers of service for elderly persons**

*Citation:* CGS Sec. 12-541(a)(6)

*Description:* The exemption is for admissions paid by centers of service for elderly persons, as described in CGS Sec. 17b-425(d).

*History:* PA 73-521 created an exemption for admissions paid for by groups of at least 10 members of senior citizens centers. PA 82-457 created the exemption in its current form.

*Fiscal Estimates:* None in FY 24 and FY 25.

*Taxpayers Benefitting:* None.

*Rationale:* Expediency.

**f. Admissions to productions at certain venues**

*Citation:* CGS Sec. 12-541(a)(7)

*Description:* The exemption is for admissions to productions featuring live performances by actors or musicians presented at Gateway's Candlewood House, Ocean Beach Park or any nonprofit theater or playhouse in the state, provided it is exempt under Section 501 of the federal Internal Revenue Code.

*History:* PA 88-140 created the exemption. PA 97-315 exempts live performances held at Gateway's Candlewood House and Ocean Beach Park.

*Fiscal Estimates:* None in FY 24 and FY 25.

*Taxpayers Benefitting:* None.

*Rationale:* Expediency.

**g. Admissions to carnival or amusement rides**

*Citation:* CGS Sec. 12-541(a)(8)

*Description:* The exemption is for admissions to carnival or amusement rides.

*History:* PA 94-4 MSS created the exemption.

*Fiscal Estimates:* None in FY 24 and FY 25.

*Taxpayers Benefitting:* None.

*Rationale:* Expediency.

**h. Health club charges**

*Citation:* CGS Sec. 12-541

*Description:* Health clubs are excluded from the definition of taxable admissions charges (i.e., they do not appear in statutory language.)

*History:* PA 75-473 eliminated the reference to health clubs.

*Fiscal Estimates:* None in FY 24 and FY 25.

*Taxpayers Benefitting:* None.

*Rationale:* Expediency.

**i. Charges for instruction**

*Citation:* CGS Sec. 12-540(3)

*Description:* Charges for instruction are specifically excluded from the definition of taxable admissions charges.

*History:* The exclusion for instruction was made in PA 75-473.

*Fiscal Estimates:* None in FY 24 and FY 25.

*Taxpayers Benefitting:* None.

*Rationale:* Expediency.

**2. Admissions Tax Rate Reductions**

Note: PA 21-2 JSS sunsets the tax for all venues except movie theaters beginning July 1, 2021; PA 22-118 extends the sunset to movie theaters beginning January 1, 2023. Thus, rate reductions under the admissions tax remain in statute but there is no revenue impact and there are no taxpayers benefitting.

**a. Admission charges for certain events held at: XL Center, Dillon Stadium, New Britain Stadium, Webster Bank Arena, Harbor Yard Amphitheater, Dodd Stadium, the Oakdale, and Rentschler Field**

*Citation:* CGS Sec. 12-541(b)(1), CGS Sec. 12-541(b)(3)

*Description:* The admissions tax rate is reduced in two steps: from 10% to 7.5% for sales occurring on or after July 1, 2019, and from 7.5% to 5% for sales occurring on or after July 1, 2020.

*History:* PA 19-117 created the rate reduction.

*Fiscal Estimates:* None in FY 24 and FY 25.

*Taxpayers Benefitting:* None.

*Rationale:* Expediency and Incentive.

**b. Admission charges for events at Dunkin' Donuts Park**

*Citation:* CGS Sec. 12-541(a)(10), CGS Sec. 12-541(b)(2)

*Description:* The admissions tax rate is reduced in two steps: from 10% to 5% beginning July 1, 2019, and 5% to fully exempt beginning July 1, 2020.

*History:* PA 19-117 created the rate reduction.

*Fiscal Estimates:* None in FY 24 and FY 25.

*Taxpayers Benefitting:* None.

*Rationale:* Expediency and Incentive.

## 2. Dues Tax Exemptions

### a. Annual Dues Less than $100

*Citation:* CGS Sec. 12-543(b)(1)

*Description:* Clubs are exempt from the tax if the annual dues for full membership privileges and any initiation fee are each $100 or less.

*History:* PA 71-837, which enacted the tax, created an exemption for dues and initiation fees of up to $50 each. PA 85-438 increased the amount to $100.

*Fiscal Estimates:* Indeterminate.

*Taxpayers Benefitting:* Data not available.

*Rationale:* Perceived Equity.

### b. Certain clubs, lodges, or fraternal organizations sponsored and controlled by charitable or religious organizations, governmental agencies, nonprofit educational institutions, or at a college/university

*Citation:* CGS Sec. 543(b)(2) (Clubs) and CGS Sec. 12-543(b)(3) (Lodges and fraternal organizations)

*Description:* The exemption is for clubs sponsored and controlled by charitable or religious organizations, governmental agencies, nonprofit educational institutions, and for societies, orders or associations operating under the lodge system or any local fraternal organization among students of a college or university.

*History:* PA 71-837, which enacted the tax, created the exemption.

*Fiscal Estimates:* $25.8 million in FY 24 and $26.4 million in FY 25.

*Taxpayers Benefitting:* Approximately 350.

*Rationale:* Incentive (Clubs) and Expediency (Lodges and fraternal organizations).

### c. Charges for athletic instruction

*Citation:* CGS Sec. 12-540(4)

*Description:* Dues charges for athletic instruction are specifically excluded from the taxable base.

*History:* PA 75-473 established the exclusion for instruction.

*Fiscal Estimates:* $10.3 million in FY 24 and $10.6 million in FY 25.

*Taxpayers Benefitting:* Approximately 290.

*Rationale:* Expediency.

### d. Charges or special assessments

*Citation:* CGS Sec. 12-540(4).

*Description:* Charges or special assessments made for the construction or reconstruction of any social, athletic or sporting facility or furnishings and fixtures for such facility. These are specifically excluded from the definition of taxable dues.

*History:* PA 71-837, which enacted the tax, created the exemption.

*Fiscal Estimates:* Indeterminate.

*Taxpayers Benefitting:* Data not available.

*Rationale:* Clarification.

**e. Dues of lawn bowling clubs**

*Citation:* CGS Sec. 12-543(b)(4)

*Description:* The exemption is for dues charges of lawn bowling clubs.

*History:* PA 99-173 made the exclusion.

*Fiscal Estimates:* Less than $100,000 in FY 24 and FY 25.

*Taxpayers Benefitting:* Fewer than 245.

*Rationale:* Expediency.

**f. Open space acquisition**

*Citation:* CGS Sec. 12-540(4)

*Description:* The portion of dues paid by members of clubs (e. g. golf, social) to acquire farm, forest, and/or open space land is exempt.

*History:* PA 99-173 created the exclusion and PA 99-235 modified it.

*Fiscal Estimates:* Indeterminate.

*Taxpayers Benefitting:* Data not available.

*Rationale:* Expediency and Incentive.

**g. Club locker rentals**

*Citation:* CGS Sec. 12-540(4)

*Description:* The exemption is for dues for club locker rentals.

*History:* PA 00-170 created the exclusion.

*Fiscal Estimates:* Indeterminate.

*Taxpayers Benefitting:* Data not available.

*Rationale:* Expediency and Incentive.

## HEALTH PROVIDER TAXES

### Hospital Tax

In Connecticut, the hospital user fee was first instituted in April 1994 and was eliminated in April 2000. PA 11-44 and PA 11-61 implemented a user fee on hospital inpatient and outpatient revenue levied at a rate of 6.0% on inpatient revenue and 3.83% on outpatient revenue which were further amended by PA 17-2 of the June Special Session and PA 17-4 of the June Special Session.

PA 19-1 of the December Special Session (i.e. the hospital settlement) currently set the tax for inpatient service at 6% of each hospital's FY 16 audited net revenue attributable to such services. The Act outlines the outpatient tax rates by fiscal year based on a calculation of total tax due from the hospitals in aggregate less the inpatient service portion of the tax divided by FY 16 audited net revenue for outpatient services. The table below lists the total tax due from the industry by fiscal year and the effective tax rate for inpatient and outpatient services.

**Hospital Tax Rates by Fiscal Year**

| Fiscal Year | Total Tax Due | Inpatient Tax Rate | Outpatient Tax Rate |
|---|---|---|---|
| FY 18-19 | 900,000,000 | 6% | 12.3325% |
| FY 20 | 890,000,000 | 6% | 12.0942% |
| FY 21 | 882,000,000 | 6% | 11.7503% |
| FY 22 - 25 | 850,000,000 | 6% | 11.0976% |
| FY 26 + | 820,000,000 | 6% | 10.4858% |

**1. Financially distressed hospitals**

*Citation:* CGS Sec. 12-263b

*Description:* Distressed hospitals that have experienced an average net loss of more than 5% of aggregate revenue over a five-year period and are approved for the exemption by Centers for Medicare and Medicaid Services (CMS). These hospitals are exempt from the tax on outpatient revenue. The exemption is limited to FY 18-20.

*History:* PA 11-61 established the exemption from the tax on payment earned for the provision of outpatient services based on financial hardship. PA 17-4 of the June Special Session increases the threshold at which a hospital is considered financially distressed to one that has experienced an average net loss of more than 5% of aggregate revenue over a five-year period, rather than more than 1%. PA 19-1 of the December Special Session limits the exemption for financially distressed hospitals to FYs 18, 19, and 20, and sets the five-year period used to determine whether a hospital qualifies for the exemption.

*Fiscal Estimates:* $0 in FY 24 and FY 25. The law requires a recalculation of the effective tax rates on remaining non-exempt hospitals in order to attain the total tax due from the industry each fiscal year.

*Taxpayers Benefiting:* Fewer than 10.

*Rationale:* Perceived Equity.

**2. Other hospitals**

*Citation:* CGS Sec. 12-263q

*Description:* Specialty hospitals, children's general hospitals, and state-run hospitals.

*History:* PA 17-2 of the June Special Session, as amended by PA 17-4 of the June Special Session requires the Department of Social Services (DSS) commissioner to seek CMS approval to authorize an exemption from the hospital tax. PA 19-1 of the December Special Session specifies that any hospital for which CMS denies an exemption must pay the tax at the same effective rates established under the Act.

*Fiscal Estimates:* $0 in FY 24 and FY 25. The law requires a recalculation of the effective tax rates on remaining non-exempt hospitals in order to attain the total tax due from the industry each fiscal year.

*Taxpayers Benefiting:* Fewer than 20.

*Rationale:* Expediency.

**3. Sole community hospitals**

*Citation:* PA 19-1 of the December Special Session

*Description:* Beginning in FY 21, the DSS commissioner must seek CMS's approval to exempt "sole community hospitals" from the tax on outpatient hospital services. Under federal law, CMS classifies a hospital as a "sole community hospital" if it is more than 35 miles from similar hospitals or located in a rural area and meets one of several other conditions (42 C.F.R. § 412.92).

*History:* PA 19-1 of the December Special Session creates this exemption.

*Fiscal Estimates:* $0 in FY 24 and FY 25. The law requires a recalculation of the effective tax rates on remaining non-exempt hospitals in order to attain the total tax due from the industry each fiscal year.

*Taxpayers Benefiting:* Fewer than 10.

*Rationale:* Expediency.

**Tax Eliminated**

Effective October 1, 2015, the law imposed a 6% gross receipts tax on Department of Public Health-licensed and Medicare-certified ambulatory surgical centers, facilities where surgery and related services take less than a day without subsequently requiring patients to be admitted to a hospital. Public Act 21-2 JSS sunset the existing 6% ASC tax on June 30, 2023 and established a new 3% ASC tax for calendar quarters commencing on or after July 1, 2023. However, PA 22-118 (1) sunset the existing 6% ASC tax, effective July 1, 2022; and (2) eliminated the 3% ASC tax scheduled to take effect on July 1, 2023.

## MOTOR VEHICLE FUELS AND MOTOR CARRIER ROAD TAXES

The Motor Vehicle Fuels Tax is an excise tax imposed on motor vehicle fuel sold in the state. The Motor Carrier Road Tax is levied on motor vehicle fuel used in the state by licensed motor carriers, at the same tax rate as the Motor Vehicle Fuels Tax. (See CGS Sec. 12-479)

### Motor Vehicle Fuels Tax

**Rate & Basis** - The tax is levied on distributors of fuel sold or used within the state.

**Motor Fuels Taxes[1]**

| Tax | Amount $ |
|---|---|
| Gasoline | 25 cents/gallon |
| Diesel Fuel[2] | 49.2 cents/gallon |
| Natural Gas or Propane | 26 cents/gallon |

[1] Taxes are levied pursuant to CGS Sec. 12-458 and 12-479.
[2]Diesel rate is generally set annually by DRS pursuant to CGS Sec. 12-458h. However, PA 23-204 set the rate at 49.2 cents/gallon for FY 24.

### Motor Carrier Road Tax

**Rate & Basis** - The tax is imposed on motor carriers using state highways and is based on the amount of fuel used within the state as determined by proportionate mileage. The tax rate is equal to the current per gallon rate on diesel fuel. A credit is allowed for taxes paid on motor fuels purchased in state. (See CGS Sec. 12-478 to 493)

On 1/1/96, Connecticut entered into a cooperative agreement among most U.S. states and Canadian provinces called the International Fuel Tax Agreement (IFTA) to simplify the collection and reporting of fuel use tax by interstate motor carriers (CGS 12-486). Under IFTA, fuel tax returns are filed in the base jurisdiction[37] of the motor carrier. For the purpose of IFTA reporting, a qualified motor vehicle: (1) is designed to transport persons or property; (2) has two axles and a gross vehicle weight or registered gross vehicle weight over 26,000 pounds; (3) has three or more axles regardless of weight; or (4) when used in combination, has a combined gross vehicle weight over 26,000 pounds. Motor carriers who qualify and travel solely within the state are not required to file a return, but instead are subject to state tax at the time of fuel purchase. CGS Sec. 12-478(4)

**Refund** - A refund is due when the credit for Motor Fuels Tax paid exceeds amount of Motor Carrier Road Tax that is due. (See CGS Sec. 12-480)

**1. Motor Vehicle Fuels Tax Exemptions**

**a. Fuel sold to the United States government**

*Citation:* CGS Sec. 12-458(a)(3)(A) The refund provision is contained in CGS Sec. 12-459(a)(3).

[37]The base jurisdiction is where the vehicle is based for registration purposes and where operations are controlled.

*Description:* Sales of gasoline and diesel fuel to the United States government are exempt from the tax.

*History:* The exemption was included in PA 59-579, which replaced previous provisions.

*Fiscal Estimates:* $0.6 million

*Taxpayers Benefitting:* 1

*Rationale:* Conformity. States are not permitted to tax the federal government under the U.S. Constitution.

**b. Fuel used by a contractor performing services for a municipality**

*Description:* Fuel sales to a municipality for use by a contractor performing services for the municipality in accordance with a contract, when such fuel is used exclusively for the purposes of the contract.

*History:* PA 73-636 created an exemption for school bus contractors and PA 78-322 applied it to all municipal contractors.

*Fiscal Estimates:* Included in Item c below

*Taxpayers Benefitting:* Included in Item c below

*Rationale:* Clarification. The state does not tax itself, and municipalities are a subdivision of the state.

**c. Fuel sold to municipalities, transit districts or the state**

*Citation:* CGS Sec. 12-458(a)(3)(C). The refund provisions are contained in CGS Sec. 12-459(a)(6) for the state or a municipality and CGS Sec. 12-459(a)(10) for a transit district.

*Description:* Fuel sales to municipalities, transit districts or the state at other than a retail outlet for governmental purposes and for use in vehicles owned and operated or leased and operated by the municipality, transit district or the state.

*History:* PA 71-784 and PA 71-8 JSS created the municipal exemption. PA 72-205 exempted fuel sold to the state. PA 75-511 exempted fuel sold to transit districts. PA 84-427 created the refund provision for transit districts.

*Fiscal Estimates:* $18.5 million, combined estimate with Item b

*Taxpayers Benefitting:* Approximately 700, combined estimate with Item b

*Rationale:* Clarification: The state does not tax itself, and municipalities and transit districts are subdivisions of the state.

**d. Fuel distributors.**

*Citation:* CGS Sec. 12-458(a)(3)(D)

*Description:* Sales and transfers to licensed motor vehicle fuel distributors are exempt from the tax.

*History:* The exemption was included in PA 59-579, which replaced previous provisions.

*Fiscal Estimates:* Approximately $1.746 billion

*Taxpayers Benefitting:* Approximately 1,350

*Rationale:* Incentive: The exemption is intended to reduce cascading.

**e. Fuel transferred from storage within the state to some point out of state and fuel purchased for export by a distributor licensed in another state.**

*Citation:* CGS Sec. 12-458(a)(3)(E) & CGS Sec. 12-458(a)(3)(F)

*Description:* Sales and transfers of fuel out of Connecticut and sales in Connecticut to licensed motor fuels exporters are exempt from the tax.

*History:* The exemption was included in PA 59-579, which replaced previous provisions. PA 65-58 and PA 65-325 created the export exemption.

*Fiscal Estimates:* $168 million

*Taxpayers Benefitting:* Approximately 1,150

*Rationale:* Clarification: The tax is levied on fuel consumed in the state.

**f. Fuel for farming**

*Citation:* CGS Sec. 12-458(a)(3)(G). Agricultural tractors and farm implements are also excluded from the definition of "motor vehicle" in CGS Sec. 12-455a(c). The refund provision is contained in CGS Sec. 12-459(a)(2).

*Description:* Fuel sold to any person engaged in the business of farming, provided: (1) the fuel is not used in motor vehicles licensed or required to be licensed to operate on public highways, unless the vehicle is registered exclusively for farming purposes; (2) the fuel is not delivered to a tank in which the purchaser keeps fuel for both personal and farm use; and (3) the purchaser submits to the distributor an affidavit, prescribed by the Commissioner of Revenue Services, affirming that the fuel is used exclusively for farming purposes.

*History:* A refund for farming was included in PA 59-579, which replaced previous provisions. PA 84-424 created the exemption.

*Fiscal Estimates:* $492 million, combined estimate for items f through k

*Taxpayers Benefitting:* 3,000, including for items f through j

*Rationale:* Incentive. The exemption is intended to reduce cascading.

**g. Fuel for industrial fabrication, agricultural production or fishing industry**

*Citation:* CGS Sec. 12-458(a)(3)(H)

*Description:* Fuel sold exclusively to furnish power for an industrial plant in the actual fabrication of finished products to be sold or for an agricultural production process or for the fishing industry.

*History:* PA 84-427 created the exemption.

*Fiscal Estimates:* $492 million, combined estimate for items f through k

*Taxpayers Benefitting:* 3,000, including for items f through j

*Rationale:* Incentive: The exemption is intended to reduce cascading.

**h. Heating fuel**

*Citation:* CGS Sec. 12-458(a)(3)(I)

*Description:* Fuel sold exclusively for heating purposes.

*History:* PA 84-427 created the exemption.

*Fiscal Estimates:* $492 million, combined estimate for items f through k

*Taxpayers Benefitting:* 3,000, including for items f through j

*Rationale:* Perceived Equity.

**i. Aviation fuel**

*Citation:* Aviation fuel is specifically exempted by CGS Sec. 12-462 and 12-458(a)(3)(L) and aircraft are excluded from the definition of motor vehicle in CGS Sec. 12-455a(c).

*History:* The exemption was included in PA 59-579, which replaced previous provisions. PA 97-243 provides tax-free sales of aviation fuel used for aviation purposes at airports for sales occurring on or after 1/1/98.

*Fiscal Estimates:* $492 million, combined estimate for items f through k

*Taxpayers Benefitting:* 3,000, including for items f through j

*Rationale:* Incentive.

**j. Diesel fuel sold exclusively for use in portable power systems**

*Citation:* CGS Sec. 12-458(a)(3)(M)

*Description:* Diesel fuel when sold for use in portable power system generating more than 150 kW.

*History:* PA 97-281

*Fiscal Estimates:* $492 million, combined estimate for items f through k

*Taxpayers Benefitting:* 3,000, including for items f through j

*Rationale:* Incentive.

**2. Motor Vehicle Fuels Tax Exclusions**

**a. Aircraft**

*Citation:* Aircraft are excluded from the definition of "motor vehicle" in CGS Sec. 12-455a(c).

*Description:* The definition of a motor vehicle excludes aircraft for purposes for the motor vehicle fuels tax.

*History:* PA 70-140

*Fiscal Estimates:* Claimed as a refund, see Item 1i.

*Taxpayers Benefitting:* See Item 1i.

*Rationale:* Clarification.

**b. Motorboat fuel**

*Citation:* Motorboats are excluded from the definition of "motor vehicle" in CGS Sec. 12-455a(c).

*Description:* The definition of a motor vehicle excludes motorboats for purposes for the motor vehicle fuels tax.

*History:* PA 70-140

*Fiscal Estimates:* Claimed as a refund, see Item 3a.

*Taxpayers Benefitting:* See Item 3a.

*Rationale:* Clarification: The language parallels the definition of "motor vehicle" in CGS Sec. 14-1(a)(47).

**c. Agricultural tractor and farm implements**

*Citation:* Agricultural tractors and farm implements are excluded from the definition of "motor vehicle" in CGS Sec. 12-455a(c).

*Description:* The definition of a motor vehicle excludes agricultural tractors and farm implements for purposes for the motor vehicle fuels tax.

*History:* PA 70-140

*Fiscal Estimates:* Claimed as a refund, see Item 1f.

*Taxpayers Benefitting:* See Item 1f.

*Rationale:* Clarification.

**d. Baggage truck fuel**

*Citation:* Baggage trucks used around railroad stations are excluded from the definition of "motor vehicle" in CGS Sec. 12-455a(c).

*Description:* The definition of a motor vehicle excludes baggage trucks used about railroad stations for purposes of the motor vehicle fuels tax.

*History:* PA 70-140

*Fiscal Estimates:* Claimed as a refund, see Item 3a.

*Taxpayers Benefitting:* See Item 3a.

*Rationale:* Clarification: The language parallels the definition of "motor vehicle" in CGS Sec. 14-1(a)(47).

**e. Fuel for railroad trains, streetcars, etc.**

*Citation:* Vehicles that run only rails or tracks are excluded from the definition of "motor vehicle" in CGS Sec. 12-455a(c).

*Description* The definition of a motor vehicle excludes vehicles that run exclusively on rail tracks for purposes of the motor vehicle fuels tax.

*History:* PA 70-140

*Fiscal Estimates:* Claimed as a refund, see Item 3a.

*Taxpayers Benefitting:* See Item 3a.

*Rationale:* Clarification: The language parallels the definition of "motor vehicle" in CGS Sec. 14-1(a)(47).

**f. Connecticut Motor Bus Company**

*Citation:* CGS Sec. 12-455a(e)

*Description:* Any CT Bus company engaged in the business of carrying passengers for hire to which the company has been issued a certificate under 13b-80 and 75% of its gross operating revenue is derived from operations within CT.

*History:* Added by PA 82-25.

*Fiscal Estimates:* Claimed as a refund, see Item 3b.

*Taxpayers Benefitting:* See Item 3b.

*Rationale:* Incentive.

**3. Motor Vehicle Fuels Tax Refunds**

**a. Fuel used by vehicles not operated on public highways**

*Citation:* CGS Sec. 12-459(a)(1)

*Description:* Fuel used by vehicles, other than those used in farming, which are not licensed or required to be licensed for use on public highways.

*History:* It was included in PA 59-579, which replaced previous provisions.

*Fiscal Estimates:* Less than $100,000.

*Taxpayers Benefitting:* 1,500

*Rationale:* Incentive: The refund is intended to reduce cascading.

**b. Fuel used by Connecticut motorbus companies**

*Citation:* CGS Sec. 12-459(a)(4)

*Description:* Motorbus companies are defined under CGS Sec. 12-455a(c) as common carriers organized in the state which derives at least 75% of their gross operating revenue from in-state operations. They are also excluded from the definition of "motor carrier" for the Motor Carrier Road Tax under CGS Sec. 12-478(a).

*History:* PA 84-541 provided the refund for Connecticut motorbuses.

*Fiscal Estimates:* Less than $500,000

*Taxpayers Benefitting:* 20

*Rationale:* Incentive: The exemption is intended to reduce cascading.

**c. Fuel used by livery services**

*Citation:* CGS Sec. 12-459(a)(12)

*Description:* Sales of fuel when used by a licensed livery service provider to transport persons for hire on roads in Connecticut.

*History:* PA 85-437 provided the refund for livery services.

*Fiscal Estimates:* Less than $500,000, combined with Item d.

*Taxpayers Benefitting:* 156, combined with Item d.

*Rationale:* Expediency.

**d. Fifty percent refund for fuel used by taxicabs and airport livery services and airport motorbuses**

*Citation:* CGS Sec. 12-459(a)(4)&(5)

*Description:* A 50% refund is available for the tax paid on fuel used for in-state travel by taxicabs and airport livery services and motorbuses.

*History:* PA 77-542 created the 50% refund for taxicabs and PA 78-322 applied it to airport livery services and motorbuses. PA 77-542 created the refund provision for taxicabs and PA 78-322 applied it to airport livery services and airport motorbuses.

*Fiscal Estimates:* Less than $500,000, combined with Item c.

*Taxpayers Benefitting:* 156, combined with Item c.

*Rationale:* Expediency.

**e. Fuel used in ambulances owned by hospitals**

*Citation:* CGS Sec. 12-459(a)(8)

*Description:* Fuel purchased by hospitals for use in ambulances that they own.

*History:* The refund was included in PA 59-579, which replaced previous provisions.

*Fiscal Estimates:* Less than $100,000, combined with Item f and g.

*Taxpayers Benefitting:* Indeterminate, no data available

*Rationale:* Incentive.

**f. Fuel used in ambulances owned by nonprofit civic groups**

*Citation:* CGS Sec. 12-459(a)(9)

*Description:* Fuel purchased by nonprofit civic groups for use in ambulances that they own.

*History:* The refund was included in PA 59-579, which replaced previous provisions.

*Fiscal Estimates:* Less than $100,000, combined with Item e and g.

*Taxpayers Benefitting:* Indeterminate, no data available

*Rationale:* Incentive.

**g. Fuel used in ambulances owned by emergency medical service organizations**

*Citation:* CGS Sec. 12-459(a)(15)

*Description:* Fuel used by emergency medical service organizations in ambulances that they own.

*History:* PA 22-118 created the refund.

*Fiscal Estimates:* Less than $100,000, combined with Item e and f.

*Taxpayers Benefitting:* Indeterminate, no data available

*Rationale:* Incentive.

**h. Fuel used in high-occupancy commuter vehicles**

*Citation:* CGS Sec. 12-459(a)(11)

*Description:* Fuel used in high-occupancy commuter vehicles which seat at least ten, but not more than fifteen people and have a minimum average daily usage of nine passengers, to and from work.

*History:* PA 78-322 created the refund.

*Fiscal Estimates:* Less than $100,000

*Taxpayers Benefitting:* Less than 200

*Rationale:* Incentive.

**i. Fuel used by the United States government:** See section on Motor Vehicle Fuels Tax exemptions.

**j. Fuel purchased by municipalities for use by school bus contractors in transporting children to and from school:** See section on Motor Vehicle Fuels Tax exemptions.

**k. Fuel used by the state, a municipality or a transit district:** See section on Motor Vehicle Fuels Tax exemptions.

**l. Fuel used in farming:** See section on Motor Vehicle Fuels Tax exemptions.

**m. Meals on wheels**

*Citation:* CGS Sec. 12-459(a)(13)

*Description:* Fuel for vehicles used exclusively to deliver meals to senior citizens in association with federally funded programs.

*History:* PA 97-232 provided the refund for meals on wheels delivery services.

*Fiscal Estimates:* Less than $100,000

*Taxpayers Benefitting:* 15

*Rationale:* Expediency.

**4. Motor Carrier Road Tax Credits**

**a. Fuel purchased in state upon which the Motor Vehicle Fuels Tax has been paid**

*Citation:* CGS Sec. 12-480(a)

*Description:* Motor carriers are entitled to a credit for taxes previously paid on motor fuel purchased within this state.

*History:* PA 61-575 created the exemption.

*Fiscal Estimates:* $81 million

*Taxpayers Benefitting:* Indeterminate

*Rationale:* Redundancy: The credit prevents taxation under both taxes.

## HIGHWAY USE TAX

**Rate & Basis** - The Highway Use Tax is a milage-based tax on most trucks weighing more than 26,000 pounds (tractor trailers) for the privilege of operating on any public road in the state. The tax is levied at the following rates (See CGS Sec. 12-493a):

| Gross Weight in Pounds | Rate (cents per mile) |
|---|---|
| 26,000 – 28,000 | 2.50 |
| 28,001 – 30,000 | 2.79 |
| 30,001 – 32,000 | 3.08 |
| 32,001 – 34,000 | 3.37 |
| 34,001 – 36,000 | 3.65 |
| 36,001 – 38,000 | 3.94 |
| 38,001 – 40,000 | 4.23 |
| 40,001 – 42,000 | 4.52 |
| 42,001 – 44,000 | 4.81 |
| 44,001 – 46,000 | 5.10 |
| 46,001 – 48,000 | 5.38 |
| 48,001 – 50,000 | 5.67 |
| 50,001 – 52,000 | 5.96 |
| 52,001 – 54,000 | 6.25 |

| Gross Weight in Pounds | Rate (cents per mile) |
|---|---|
| 54,000 – 56,000 | 6.54 |
| 56,001 – 58,000 | 6.83 |
| 58,001 – 60,000 | 7.12 |
| 60,001 – 62,000 | 7.40 |
| 62,001 – 64,000 | 7.69 |
| 64,001 – 66,000 | 7.98 |
| 66,001 – 68,000 | 8.27 |
| 68,001 – 70,000 | 8.56 |
| 70,001 – 72,000 | 8.85 |
| 72,001 – 74,000 | 9.13 |
| 74,001 – 76,000 | 9.42 |
| 76,001 – 78,000 | 9.71 |
| 78,001 – 80,000 | 10.00 |
| 80,001 and over | 17.50 |

### 1. Highway Use Tax Exemptions

**a. Trucks operated by the US Government, the State of Connecticut or political subdivisions**

*Citation:* CGS Sec. 12-493a(a)(1)

*Description:* Motor vehicles operated by the United States Government, the State of Connecticut, or any of its political subdivisions are excluded from the definition of "Carrier" subject to the Highway Use Tax.

*History:* PA 21-177

*Fiscal Estimates:* Indeterminate. There is insufficient data on the weights and vehicle miles traveled by these carriers.

*Taxpayers Benefitting:* All political subdivisions

*Rationale:* Conformity. States are not permitted to tax the federal government under the U.S. Constitution. Additionally, state government does not tax itself.

**b. Trucks transporting dairy products to or from a dairy farm**

*Citation:* CGS Sec. 12-493a(a)(4)

*Description:* Motor vehicles carrying or transporting milk or dairy product to or from a dairy farm that holds a license to ship milk are excluded from the definition of "Carrier" subject to the Highway Use Tax.

*History:* PA 21-177

*Fiscal Estimates:* Indeterminate. There is insufficient data on the weights and vehicle miles traveled by these carriers.

*Taxpayers Benefitting:* Indeterminate.

*Rationale:* Incentive.

## MISCELLANEOUS TAXES

This section describes taxes and surcharges that are not covered elsewhere in this report. In some cases, the revenues collected from the sources explained below are earmarked for specific purposes such as funding environmental programs.

### Occupational Tax

**Rate & Basis –** An annual tax of $565 is levied on any person who has been admitted as an attorney by the judges of the superior court and who is engaged in the practice of law, including the performance of judicial duties.

*Citation:* CGS Sec. 51-81b

*History:* Enacted by PA 72-223 and modified by subsequent public acts with numerous technical changes regarding administration of the tax. PA 89-251 increased the tax and the minimum income to be subject to the tax from $150 to $450. PA 09-3 JSS increased the tax from $450 to $565 effective October 1, 2009.[38] PA 13-112 increases, from $450 to $1,000, the maximum amount a Connecticut licensed attorney who does not practice law as his or her primary occupation can earn per year in legal fees or other compensation for legal services without being required to file a return and pay the tax.

*Description of Exemptions:* The exemption includes 1) judges and employees of the state; 2) any attorney who has retired from the practice of law; 3) any attorney serving on active duty with the U.S. Armed Forces for more than six months of a given year; 4) attorneys employed by the Probate Court; 5) employed by a political subdivision; and 6) any Connecticut licensed attorney who does not practice law as a primary occupation and earns $1,000 or less annually in compensation for legal services.

*Fiscal Estimates*: $8.2 million in FY 24 and FY 25.

*Taxpayers Benefitting*: Approximately 14,500.

*Rationale*: Clarification.

### Tourism Surcharge

**Rate & Basis -** A surcharge of $1.00 per rental/leasing day is levied on passenger motor vehicles rented or leased for fewer than 30 days. (CGS Sec. 12-665 to 12-668)

*Citation*: CGS Sec. 12-665

*History*: Enacted by PA 92-194.

*Description of Exemption*: The rental or leasing of a motor vehicle pursuant to a written agreement, which has a term of more than 30 days.

*Fiscal Estimates:* Indeterminate for FY 24 and FY 25.

*Taxpayers Benefitting*: Indeterminate.

*Rationale*: Clarification.

[38] PA 09-8 SSS subsequently clarified that the increase in the tax was applicable to calendar years commencing on or after January 1, 2009.

## PROPERTY TAX

Taxation of property predates most other forms of taxation in the United States because property taxes were levied before the US Constitution was written. Thus, exemptions to property taxes have had a lengthy and well-documented history. The nature and breadth of modern property tax exemptions vary widely from state to state, due at least in part to the fact that the Constitution is silent on what types of exemptions are specifically granted or prohibited.[39]

Property Tax exemption policy is primarily based on the nature of the owner of the property. The following discussion deals with the exemptions granted to different classes of property owners in the state of Connecticut.

### Federally-owned Property

CGS Sec. 12-81(1) grants an exemption for federally owned property. This is based on the rationale that only Congress has the power to authorize tax payments on federal property to lower level governments. Since Congress has not authorized such payments, the only circumstances under which federally-owned property is taxable by state and municipal governments is when such property is leased to a private business.[40]

### State and Municipal Property

The rationale behind the exemption of state and municipal property (CGS. Sec. 12-81(2) and (4)) is that it would only transfer public funds within the state. This reasoning is strained with respect to state property, which imposes un-reimbursed costs on the municipalities. In recognition of this, Connecticut reimburses municipalities in a payment in lieu of taxes (PILOT) formula for state-owned property.

The "public purpose" clause is absent in the state exemption (CGS Sec. 12-81(2)) but present in the municipal exemption (CGS Sec. 12-81(4)). This difference has not been clarified by court cases. Courts have disallowed exemptions for property owned by a city in another town which is devoted to a non-public use[41], and for municipal property available for use by only a limited number of persons.[42]

### Property Devoted to Scientific Educational, Literary, Historical or Charitable Purposes

Under CGS Sec. 12-81(7), the exemption applies to organizations devoted to these uses provided "any officer, member, or employee does not receive financial reward in excess of 'reasonable compensation for services'." This language is similar to the wording used by other states for statutes

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[39] Even the immunity of federally-owned property from taxation was not guaranteed; it was not until the Supreme Court ruled, in *McCulloch v. State*, 17 U.S. 316(1819), that taxation of federal property by states was an interference with the former's sovereignty.

[40] City of Detroit v. Murray Corp., 355 U.S. 489 (1958); United States and Borg-Warner Corpo. V. City of Detroit, 355 U.S. 466 (1958); United States v. Township of Muskegon, 355 U.S. 484 (1958); and American Motors Corp. V. City of Kenosha, 356 U.S. 21 (1958).

[41] *Town of West Hartford v. Board of Water Commissioners of Hartford*, 44 Conn. 360 (1877)

[42] *Laurel Beach Association v. Milford*, 148 Conn. 233, 169 A.2d. 748 (1961)

with analogous clauses. What tends to differ among states are the types of organizations that qualify for this exemption.

The rationale for this type of exemption is that such organizations perform functions that government would have to undertake in their absence, or that such functions are socially desirable, but are not within the scope of government activities. Instead of taxing such institutions and providing subsidies, the state grants a tax exemption.

To qualify for the exemption, an educational organization must clearly demonstrate that there is no opportunity for private gain from the existence or dissolution of its operations. Restrictive admission practices or high tuition are not sufficient reasons to deny exemption. However, the curriculum should consist of "systematic instruction and training for the young in preparation for the work of life." [43] Other court rulings have maintained this limitation of instructional latitude to correspond with instruction in government-supported schools within the state.

Qualification for an exemption for charitable purposes has been interpreted more liberally by the courts. A charitable purpose "no longer is restricted to mere relief of the destitute or the giving of alms, but comprehends activities ... which are intended to improve the physical, mental and moral condition of the recipients and make it less likely that they will become burdens on society and more likely that they will become useful citizens .... Charity embraces anything that tends to promote the well doing and the well-being of social man."[44] Only political activity and the opportunity for private gain appear to circumscribe tax exemptions for organizations devoted to charitable purposes.

**College Property**

Colleges and universities qualify for exemption under CGS Sec. 12-81(7). In addition, the "funds and estate" of seven private Connecticut colleges [45] "respectively invested and held for the use of such institutions, with the income thereof" are exempt from taxation under CGS Sec. 12-81(8) "Provided none of said corporations shall hold in this state real estate free from taxation affording an annual income of more than six thousand dollars Connecticut reimburses municipalities in a payment in lieu of taxes (PILOT) formula for college property.

The exempt status of these schools is also specified by the General Assembly in their charters. Since the state granted the exemptions in the charters of these institutions, it cannot revoke them without impairing its contract obligations. Exemptions of dormitories and dining halls[46] as well as temporary housing for married students[47] owned by Yale University have been upheld in two court challenges.

[43] Masonic Building Associates v. Town of Stamford, 119 Conn. 53, 59, 174 A. 301, 303 (1934)
[44] Camp Isabella Freedman of Connecticut v. Town of Canaan, 147 Conn. 510, 514-15, 162 A. 2nd 700, 703 (1960).
[45] Berkeley Divinity School, Connecticut College for Women, Hartford Seminary Foundation, Sheffield School, Trinity College, Wesleyan University and Yale University (sic).
[46] *Yale University v. Town of New Haven*, 71 Conn. 316, 42 A. 87 (1899)
[47] *Yale University v. Town of New Haven*, 17 Conn. Supp. 166 (C/P/ 195-0)

The $6,000 limitation on income from real estate has been interpreted to apply only to relevant income-yielding property; other college-owned property does not lose its exempt status if this income limitation provision is violated. [48]

**Cemetery Property**

For reasons similar to charitable and educational property, cemetery property has been exempted from taxation (CGS Sec. 12-81(11)). Since no serious objection to this exemption has been raised, there have been no landmark court cases in this area. Cemetery property is frequently owned by religious organizations. Also, in New England, many municipalities own cemeteries. In such cases, the religious or municipal exemption would probably take precedence, which may explain the absence of challenges to this exemption.

**Religious Property**

CGS Sec. 12-81(12) exempts personal property of religious organizations. In CGS Sec. 12-81(13), "houses of religious worship, the land on which they stand, their pews, furniture and equipment" are exempted. Also, "real property and equipment" of "any religious organization and exclusively used as a school, a Connecticut non-profit camp or recreational facility for religious purposes, a parish house, an orphan asylum, a home for children, a thrift shop, the proceeds of which are used for charitable purposes, a reformatory or an infirmary" are exempted in CGS Sec. 12-81(14). Finally, "dwelling houses and the land on which they stand" used by "officiating clergymen" are exempted in CGS Sec. 12-81(15).

Exemption of property used for religious purposes has a longer history than other exemptions. Before the Constitution was written, there was no doctrine of separation of church and state, but because churches were generally considered as related to government, they were exempted as public agencies. The exemption practice simply continued after the Constitution was written. Statutes specifically exempting religious property were generally not enacted until the nineteenth century.[49]

The First Amendment of the Constitution -- which states that "Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof" -- can be interpreted as either encouraging or prohibiting the taxation of churches. A Supreme Court decision upholding property tax exemption for churches[50] relied principally on arguments other than the establishment and free exercise clauses in the First Amendment. Yet, the wording and near-unanimity of that decision imply that any state, which repealed its exemption of church property, is likely to have its action reversed.

In Connecticut, relatively few court-mandated restrictions have been placed on property used for religious purposes. A Masonic Temple was denied a religious exemption because, among other

[48] *Yale v. New Haven* (1899)

[49] Connecticut's exemption originated in the Statute of Charitable Uses, adopted in 1684 and revised in 1702, which exempted property "for the maintenance of ministries of the Gospel." The wording has changed over time: in 1822 "churches" were exempted by the statute, but other religious, organizations were not mentioned; in 1851, properties of benevolent organizations were also included. In 1925, the wording was altered so that "houses of religious worship" were exempted.

[50] *Walz V. Tax Commissioner of the City of New York*, 397 U.S. 664 (1970)

reasons, it "meets in secret", as a membership "dependent in part at least on social considerations" and its property was not "devoted to the practice of religious worship as it is customarily carried on in this state."[51] Recreational facilities of religious organizations were denied exemptions before they were specifically included in CGS Sec. 12-81(14) in 1955.

**Hospital and Sanatoriums**

The state exempts hospitals and sanatoriums (CGS Sec. 12-81(16)) provided that "no officer, member or employee thereof" receives "any pecuniary profit except reasonable compensation for services." Where an institution had become financially successful, the court ruled that under the statute, success alone (meaning that the institution was using sound financial management) did not transform the institution's purpose from one devoted exclusively charitable purposes. [52]

This exemption is analogous to that of educational, scientific and other such property. The rationale is the same: hospitals and sanatoriums provide services that would otherwise have to be provided by government. In many states, hospitals are operated by state or municipal government to a greater extent than in Connecticut. For example, New York City possesses an extensive municipal hospital system. Connecticut reimburses municipalities in a payment in lieu of taxes (PILOT) formula for hospital property.

**Other Governmental and Benevolent Exemptions**

A number of exemptions similar to those outlined above are included in CGS Sec. 12-81. They are more specific in nature and in many cases, exempt an organization that would otherwise have qualified for the governmental or educational/charitable exemptions. Because the rationales for these have already been discussed, the items are only listed in the footnote below.[53]

**Other Exempt and Non-Taxed Properties**

In classifying property that is not subject to taxation, a distinction can be made between exempt and non-taxed property. Exempt property is not taxed under the existing ownership, but would be taxed under other ownership. The use to which the property is put or the nature of the owner gives exempt status to the property. Non-taxed property is not taxed regardless of ownership. For example, most personal property not taxed in Connecticut retains this, status regardless of ownership. Much property that is not taxed, but does not appear on any exempt grand list can more accurately be called non-taxed.

Some business-owned properties possess exempt status. For example, provisions are made for special treatment of the property of common carrier motorbus companies and railroad companies. For the former, buses used for carrying passengers are exempt; if the carrier is a Connecticut bus company, fifty percent of property taxes on the assessed value of its real estate and relevant

[51] *Masonic Building Association of Stamford, Connecticut, Inc. v. Town of Stamford,* 119 Conn. 53, 60, 61, 174 A. 301, 304.
[52] *Institute of Living V. Hartford Board of Tax Review*, 13 Conn. Supp. 372 (1945)
[53] They consist of: CGS Sec. 12-81(5), property held by trustees for public purposes; (6), property of volunteer fire companies; (9), personal property loaned educational institutions; (10), property owned or horticultural societies; (18), property of veterans' organizations; (27), grand army posts; (29), the Red Cross; (45), Connecticut National Guard; (48), airport improvements; and (49), nonprofit camps or recreational facilities charitable purposes.

personal property used directly in the conduct of its motor bus business is waived. All property of railroads, if used exclusively for railroad purposes, is exempt from taxation.

The statutes allow towns to abate property taxes for certain types of property and require them to abate the taxes for other types. Some of these abatements are intended to stimulate business activity, such as redeveloping abandoned industrial sites; others have narrower aims, such as preserving historic properties, but may have economic development spin-offs.

**Exemptions to Individuals**

Partial exemptions for property occupied as dwelling places are granted to the blind, veterans, disabled veterans, elderly and specified relatives. Also exempted are a limited amount of property of United States army instructors (CGS Sec. 12-81(28)) and one motor vehicle of a serviceman "if ... garaged outside the state" (CGS Sec. 12-81(53)).

Exemptions for the blind and veterans have a long history in Connecticut. Exemption provisions for the blind first appeared in the Connecticut General Statutes in 1867 and a veterans, exemption first appeared in 1887. Relief for elderly homeowners was initiated in 1965 with a tax freeze program. In 1973, circuit breaker legislation was added as an option for elderly taxpayers. The freeze program option for new participants was eliminated in 1980. The last significant revision of the circuit breaker program was in 1985.

These exemptions have different rationales behind them. When the veterans' and servicemen exemptions were originally enacted they represented payment in recognition of services rendered to one's country. The rationale for the various expansions of local options was expediency with some attempt at perceived equity by imposing certain income limits. The exemption for the blind attempts to recognize the handicap such people possess in earning a living and owning a house. The elderly exemption attempts to ease the property tax burden on a class of people who generally must live on a reduced income when they retire, but do not find their property taxes reduced commensurately.

Most non-business tangible and intangible personal property is not taxed. Some categories are specifically exempted by law among CGS Sec. 12-81(30)-(35), (43) and (47)[54]; others are not mentioned. The major reason that non-business personal property is not taxed is that the difficulties in identifying and taxing such property are deemed to outweigh the possible revenue.

Much of this personal property was taxable in earlier times. In 1851, the general rule was adopted that all property not exempted by statute would be taxed. After this declaration, exemptions proliferated, particularly on personal property. The property tax on boats (CGS Sec. 12-81(64)) was eliminated in 1981. The property tax on aircraft (CGS Sec. 12-71(f)) was eliminated in 1993, effective with the 1992 Grand List, and replaced with an annual fee.

A final non-taxed category consists of streets and waterways. They represent the difference between what is called the total gross area and total net area of a municipality. Streets are truly public domain; thus, the "value" of streets is normally considered to be reflected in the value of

[54] They are: CGS Sec. 12-81(30), Fuel and Provisions; (31), Household Furniture; (32), Private Libraries; (33), musical Instruments; (34), Watches and Jewelry; (35), Wearing Apparel; (43) Cash; (47), Carriages, Wagons, and Bicycles.

facing property. Water areas represent (unless filled in) non-developable property. Neither, therefore, is subject to appraisal or assessment.

The following tables provide statewide aggregate information on various property tax exemptions. The tables indicate the effect on the grand list, whether the exemptions are mandatory or discretionary and whether the state reimburses the municipality and for exemptions affecting individuals.

**Statewide Property Tax Grand List Reductions- Non-Taxed Properties**

| Grand List | CGS Section | FY 24/Grand List 2022 | State Reimbursed | % Gross Grand List |
|---|---|---|---|---|
| Property of the United States | 12-81(1) | 1,916,654,000 | No | 0.42% |
| State Property | 12-81(2), (45), (66) | 12,413,236,390 | Partial[1] | 2.72% |
| Municipal Property | 12-81(4) | 26,503,988,749 | No | 5.80% |
| Public Purpose by Will or Trust | 12-81(5) | 162,720,531 | No | 0.04% |
| Beach Property | 12-81(67) | 301,778,110 | No | 0.07% |
| Municipal Airports | 12-81(4), 12-74 | 201,209,890 | No | 0.04% |
| Municipal Water Supply Land | 12-76 | 326,544,304 | No | 0.07% |
| Municipal Port Authority | 7-329l | 2,314,410 | No | 0.00% |
| Volunteer Firefighter Company Property | 12-81(6) | 249,663,130 | No | 0.05% |
| Property Used for Scientific, Educational, Literary, Historical or Charitable Purposes | 12-81(7) | 7,200,122,392 | No | 1.58% |
| Property Leased to Charitable, Religious, or Non-Profit Organizations (Local Option) | 12-81(58) | 31,625,267 | No | 0.01% |
| Nursing Rest and Residential Care Owned by Federally Exempt Organization | 12-81(75) | 34,999,530 | No | 0.01% |
| Private College | 12-81(8), 12-20a | 6,877,524,606 | Partial[2] | 1.51% |
| Hospitals and Sanatoriums | 12-81(16), 12-20a | 7,926,509,548 | Partial[2] | 1.74% |
| Health Care Facility - HMO Property | 38a-188 | 26,562,660 | No | 0.01% |
| American National Red Cross | 12-81(29) | 18,990,806 | No | 0.00% |
| Cemetery Use | 12-81(11) | 584,040,524 | No | 0.13% |
| Property of Religious Organizations | 12-81(12), (13), (14), (15) | 5,498,915,670 | No | 1.20% |
| Nonprofit Camps/Recreational Facilities | 12-81(49) | 612,514,405 | No | 0.13% |
| Agricultural and Horticultural Society Property | 12-81(10) | 74,760,711 | No | 0.02% |
| CT Resources Recovery Authority property (Materials Innovation and Recycling Authority) | 22a-270a | 279,512,608 | Partial[3] | 0.06% |
| CT Innovations Inc. | 32-46 | Not Reported | No | n/a |
| CT Housing Authority Property | 8-265b | 171,379,160 | No | 0.04% |

| Grand List | CGS Section | FY 24/Grand List 2022 | State Reimbursed | % Gross Grand List |
|---|---|---|---|---|
| Metropolitan Transportation Authority Property | 12-81(69) | Not Reported | No | n/a |
| CT Water Authority | 8-58 | Not Reported | No | n/a |
| Veterans Organizations Property | 12-81(18), (27) | 57,125,040 | No | 0.01% |
| Prepaid Legal Services Property | 38a-240 | Not Reported | No | n/a |
| Public Service Company Property (Railroad) | 12-255 | 130,634,860 | No | 0.03% |
| Regional Council or Agency | 12-81(77) | 24,936,330 | No | 0.01% |
| Child Care Local Option | 12-81ll | 380,300 | No | 0.00% |
| Airport Authority and Bradley International Airport | 15-101aa | 1,299,541,680 | No | 0.28% |
| CT Student Loan Foundation | 10a-209 | 51,590 | No | 0.00% |
| **TOTAL** | | **72,928,237,201** | | **15.97%** |

[1]CGS 12-19a-c requires the state to reimburse municipalities at a rate of 45% for most state-owned property. Prison property, and the portion of the UConn Health Center used to provide medical care to prisoners, is reimbursed at 100%. Land owned by the Connecticut Valley Hospital is reimbursed at 65%. PA 21-3 established a method of prorating these grants, in the event that appropriations are insufficient to fully fund, that guarantees higher reimbursement rates for towns with less property wealth. The FY 24 and FY 25 budget funds this grant through the Municipal Revenue Sharing Fund.

[2]CGS 12-20a-b requires the state to reimburse municipalities at a rate of 77% of taxes that would have been paid for private college and hospital property. PA 21-3 established a method of prorating these grants, in the event that appropriations are insufficient to fully fund, that guarantees higher reimbursement rates for towns with less property wealth. The FY 24 and FY 25 budget funds this grant through the Municipal Revenue Sharing Fund.

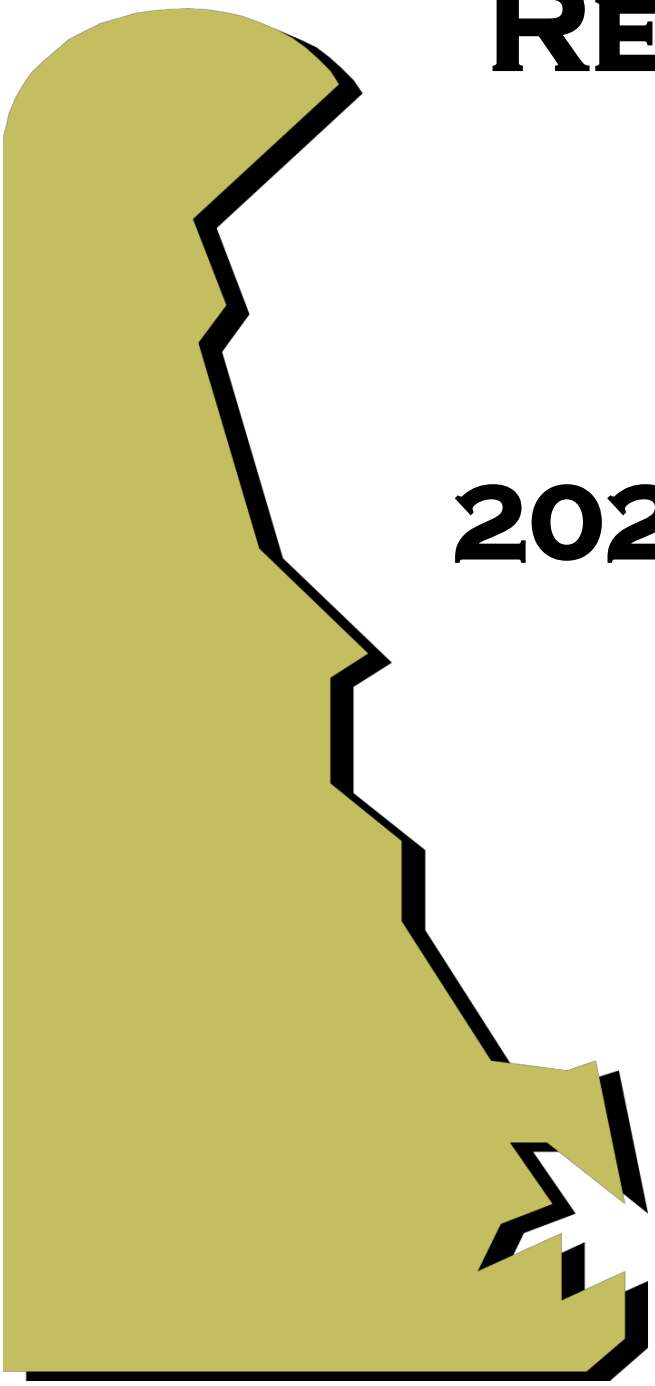
[3]CGS 22a-270a allows for certain property leased by the Materials Innovation and Recycling Authority (MIRA) to be exempt from property taxes if there is an agreement between MIRA or the lessee and the municipality to make a payment in lieu of taxes.

**Statewide Property Tax Grand List Reductions - Taxed Properties Receiving Partial Exemptions**

| Grand List | FY 24/Grand List 2022 | Number of Taxpayers |
|---|---|---|
| Non-Reimbursed Veterans | 416,828,001 | 104,955 |
| Reimbursed Ad. Veteran - Income | 53,414,639 | 8,524 |
| Non-Reimbursed Ad. Veteran - No Income | 133,004,004 | 84,874 |
| Disability - Non-Reimbursed | 21,425,339 | 2,651 |
| 100% Disabled - Reimbursed | 12,114,989 | 11,573 |
| Blind | 4,278,230 | 1,464 |
| Economic & Developmental - Non-Reimbursed | 1,328,203,659 | 829 |
| Economic & Developmental - Reimbursed | 383,873,237 | 904 |
| Farm & Mechanic's - Non-Reimbursed | 95,983,515 | 4,879 |
| Renewable Energy/Pollution Control Equip./Non-Reimbursed | 625,091,008 | 3,325 |
| Personal Property of Tax-Exempt Institutions - Non-Reimbursed | 781,475,076 | 6,377 |
| Individuals - Non-Reimbursed | 95,084,282 | 3,652 |
| Miscellaneous | 226,511,801 | 6,417 |
| Phase-In - Residential Property | 2,886,525,877 | 73,680 |
| Phase-In - Non-Residential Property | 1,299,887,471 | 4,535 |
| Residential Fixed Assessments - Non-Reimbursed | 29,187,359 | 25 |
| Energy Efficient Motor Vehicles - Non-Reimbursed | 85,428 | 1 |
| Commercial Motor Vehicles - Non-Reimbursed | 199,215,598 | 2,448 |
| Manufacturing and Biotech Machinery/Equipment - Non-Reimbursed | 5,395,020,447 | 4,002 |
| **TOTAL** | **13,987,209,960** | **325,115** |

# State of Delaware

# Tax Preference Report



## 2025 Edition

DELAWARE DEPARTMENT OF FINANCE

Department of finance
Division of Revenue

1103/8585

# EXECUTIVE SUMMARY

This Report, required by §8305(6), Title 29, Delaware Code, assesses the impact of tax preferences on the personal income tax, corporate income tax, motor fuel/special fuel tax, and public utility tax.

Tax preferences are no different from state spending in terms of their budgetary implications and are sometimes referred to as "tax expenditures." A reduction in revenues has the same fiscal impact as a direct expenditure – both consume finite public resources. Tax preferences are often established to pursue public policies that are not directly related to the tax system itself. For example, the tax-exempt status of employer-provided health insurance is primarily a health care policy that is administered through the tax system. In these cases, the effectiveness of a tax preference should be subject to the same cost-benefit analysis that direct expenditures undergo.

Using cost-benefit analysis to evaluate tax preferences is more complex than conducting similar analyses of direct expenditures. The analysis must weigh how the policy affects the tax system through which it operates. The impacts of tax preference policies are often in conflict with the goals of an "ideal" tax system. The proliferation of these policies can undermine the fairness of a tax system, erode the tax base, distort private economic incentives, and generate unnecessary complexity within the tax code.

Given their budgetary and policy equivalence to direct expenditures, the burden they may place on the tax system, and the upward trend in their use, tax preferences represent a significant component of Delaware's fiscal environment. As such, it is important that this Report receive serious attention from state policy makers.

Since the last Tax Preference Report was issued in 2023, Delaware has created a new tax preference. The tax preference changes can be found at the end of this executive summary.

# ACKNOWLEDGMENTS

Badri Khanal, Kylie Taylor-Roberts, and David Roose of the Department of Finance's Office of Research and Analysis performed the preponderance of analysis used in this Report.

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The revenue estimates and judgments expressed herein, however, are ultimately those of the Division of Revenue.

Kathy Revel
Director of Revenue

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# INTRODUCTION

## Legislative Background

Title 29, Delaware Code, §8305(6) requires that the Division of Revenue, under the supervision of the Secretary of Finance, prepare biennial reports that estimate the fiscal impact of all newly enacted and existing tax preferences for selected revenue sources. Reports are due in each odd-numbered year. This eighteenth Tax Preference Report is submitted to meet the requirements of that provision for Calendar Year 2025.

The reporting of tax expenditures was incorporated into the federal budget process through the enactment of the *Congressional Budget and Impoundment Act* (CBIA) in 1974. CBIA requires the President to report on tax expenditures in the budget and requires Congressional committees to provide tax expenditure estimates for each tax bill that they report. Through this process, legislators may recognize the costs associated with tax expenditures and analyze such measures under comparable scrutiny to traditional expenditures.

Delaware took similar steps to analyze preferences within its tax system. In November 1986, a Tax Preference Report was submitted to meet the requirements of the original legislation. The Report was the state of Delaware's first published effort to identify tax preferences arising from provisions of the Delaware Code. The second Report, which the Department of Finance submitted to the General Assembly in November 1988, fulfilled the legislation's more comprehensive requirements by analyzing the impact of all state and federal tax preferences on Delaware revenues. Pursuant to Senate Bill No. 284 of the 136th General Assembly, beginning with the third Tax Preference Report – published in November 1993 – the reports have had a significantly narrower focus. Like more recent reports, this eighteenth Delaware Tax Preference Report examines statutory tax preferences within the categories of personal income tax, corporate income tax, motor fuel/special fuel tax, and public utility tax.

## Purpose of the Tax Preference Report

The "Declaration of Policy" set forth in §8305(6)(a) acknowledges that state governmental policy objectives may be achieved through direct expenditures and indirectly through the use of tax preferences. Direct expenditures require annual appropriations and receive automatic, regular review through the budget process. Tax preferences do not. The primary purpose of this Report is to identify all tax preferences within specified revenue sources and assess them quantitatively and qualitatively.

A comprehensive review of tax preferences has value in its own right. Without thorough, long-term reviews, tax policy often becomes overly focused on immediate, short-term problems. In such an environment, more fundamental government goals may fall by the wayside. For example, day-to-day tax policy issues often involve the analysis of a single tax preference designed to address a particular perceived need. When viewed in isolation, a tax preference may have considerable merit and be motivated by the best of intentions. However, *ad hoc* preferences incrementally add to the complexity of the tax code and may threaten its fairness, distort decision-making, and gradually erode the tax base. Before long, the fundamental objectives of a tax system – equity, efficiency, simplicity and adequacy – may be compromised.[1]

Periodic review is necessary because time can dramatically alter the complexion of tax preferences. Tax breaks for a select and small group of people can quickly grow into expensive entitlements as demographic conditions or economic incentives induce change. Conversely, tax preferences can lose their usefulness as the income or business conditions the preferences are based on evolve.

Tax preference reports are useful tools in the annual budget process. They offer insight into foregone revenue that could be recovered, allowing budget shortfalls to be closed without resorting to tax rate increases or direct expenditure cuts. Incorporating tax preference reports directly into the budget process would enhance the visibility of these fiscal options.

The purpose of this Report is not to propose specific policy alternatives but rather to assist the tax policy debate in the state of Delaware by objectively highlighting the potential advantages and disadvantages of various tax preferences. It is our hope that this Report will help facilitate discussion of current tax preferences and the role they play in the tax system.

## Components of the Tax Preference Report

As per the requirements of §8305(6), this Report provides the following information for each of the four designated tax types:

1. A description of each tax preference, its statutory basis, and its purpose.

2. An estimate of the revenue loss to the state, or one of its subdivisions, caused by each tax preference for the last fiscal year (FY 2025) and the

[1] See the section of this Report entitled "Incrementalism" below.

estimated revenue loss caused by each tax preference for the current fiscal year (FY 2026).

3. An assessment of whether each tax preference is the most fiscally effective means of achieving the purpose for which it was enacted, and whether each tax preference has been successful in meeting the purpose for which it was enacted.

4. An assessment of whether each tax preference benefits those taxpayers originally intended to benefit from it and, if not, an explanation of those who do benefit.

5. A statement of any unintended or inadvertent effects, benefits, or harm caused by each tax preference, including whether each tax preference conflicts with any other state laws, regulations, or policies.

## Definition of "Tax Preference"

An essential step in preparing tax expenditure reports is defining the term "tax preference." A provision of the tax code that one onlooker considers to be grossly unfair can be a provision that another observer considers absolutely equitable and fair.

Most commentators agree that a tax preference: 1) provides a benefit only to taxpayers; 2) operates through specific statutory provisions of the tax code; and 3) depends on certain criteria, such as age, income source, or expenditure decisions that not all taxpayers meet. In general, tax expenditures are tax code provisions that narrow the tax base or give credits to certain groups of taxpayers. The federal government uses the following definition, originally found in §3(3) of the *Congressional Budget and Impoundment Act*:

> "those revenue losses attributable to provisions of the federal tax laws which allow a special exclusion, exemption, or other deduction from gross income or which provide a special credit, a preferential rate of tax, or a deferral of tax liability."

The tax base for both the federal and state income tax is "net income" in the case of corporate income tax and "adjusted gross income" in the case of personal income tax. In either case, the base equals gross income less certain costs. Not all subtractions from "net income" can be called tax preferences. For example, costs of earning income are

often deductible, but they are not considered tax preferences. These expenses are deductible by all taxpayers, so no preferential treatment occurs.

In addition, certain features of the tax code are considered integral parts of its basic structure and are not considered tax preferences even though they are subtractions from net income. These include differential rates based on income level, the standard deduction, and personal exemptions. Only exceptions to these basic tax rules can be properly identified as tax preferences.

In defining "tax preference," this Report uses the following operational guidelines found in §8305(6):

> ""Tax preferences' means any law of the United States or of the state of Delaware which exempts, in whole or in part, certain persons, income, goods, services or property from the impact of established taxes, including, but not limited because of a failure of enumeration, to those devices known as tax deductions, tax exclusions, tax credits, tax deferrals, and tax exemptions. Tax preferences shall not include variations in the rate of income tax...standard deductions...or personal exemptions."[2]

There are several types of tax preferences. It is important to understand how each works, because the value of a preference will differ based on the mechanics of its delivery. Types of tax preference include:

- Exemptions
  A tax *exemption* occurs when certain activities or goods, normally subject to taxation, are instead considered free of tax obligations. For example, the business activities of charitable organizations are tax exempt. Some exemptions are not required to be reported. Because of this, it can be difficult to estimate the value of these preferences.

- Exclusions
  A tax *exclusion* occurs when a portion of certain activities or goods, normally subject to taxation, are instead considered free of tax obligations. For example, $12,500 of pension/retirement income is excludable from taxable income for

[2] The personal exemption was replaced by a personal credit effective January 1, 1996.

taxpayers 60 years and older. Pension/retirement income above that amount is subject to the income tax.

- Deductions
  A tax *deduction* reduces the base which is subject to taxation. For example, an income tax deduction will reduce the amount of income which is subject to tax. At a tax rate of 6.6%, a $100 deduction will have a value of $6.60.

- Credits
  A tax *credit* reduces a tax liability dollar-for-dollar. Tax credits may be either refundable or nonrefundable. Nonrefundable tax credits cannot reduce a tax bill below $0, while refundable tax credits can and may potentially result in a negative tax liability.

## Review of Tax Preference Terminology

Tax systems are frequently evaluated according to several commonly accepted criteria. Tax preferences affect whether a tax system meets these criteria. Therefore, it is appropriate to assess tax preferences in terms of their effect on the tax system. Criteria used to assess a tax system include:

- Ability to raise revenues in a reliable manner, known as *adequacy and stability*;
- Fairness in terms of the distribution of the tax burden, known as *horizontal equity* (i.e., treating equals equally) and *vertical equity* (treating unequals fairly based on their ability-to-pay);
- Ease of administration, enforcement, and return preparation, known as *simplicity*;
- Amount of interference with individual decision-making, known as *economic efficiency*; and
- Potential to promote (or hinder) *economic growth*.

### Adequacy and Stability

Tax preferences impact a tax system by reducing government revenues. They are often referred to as "tax expenditures" to indicate their net negative impact on the government's budget. Producing sufficient revenue, even during economic downturns, is one of the most important roles of any tax system. Tax preferences affect the *adequacy* of tax systems by narrowing the tax base and reducing certain taxpayers' liabilities. This then

reduces the ability of a tax system to raise revenue in a *stable* and *reliable* manner through the peaks and troughs of the economic cycle. Tax preferences linked to certain income sources or investment activities increase revenue instability because taxpayers can change their economic behavior in unpredictable ways.

A related concept, which is often discussed in connection with adequacy, is the *income elasticity* of a particular revenue source. Tax elasticity refers to the percentage change in revenue attributable to a one-percent change in the income of taxpayers. Revenue sources are often assigned an income elasticity value and rated accordingly. For example, an income elasticity of 0.5 would mean that a one-percent change in income would result in a 0.5 percent change in tax revenue.

Elasticity is an important consideration in evaluating tax systems because it is desirable to have revenue sources in place which keep pace with inflation and the demand for public services. In most instances, an income elasticity of at least 1 is desired – this implies that a one percent increase in income will produce a one percent increase in tax revenue. Within a single revenue source, tax stability and sufficient tax income elasticity are often difficult to achieve simultaneously; the more income elastic a revenue source, the less stable and predictable it is likely to be. For this reason, a state's "revenue portfolio" should contain a diverse mix of taxes, creating a proper balance between revenue growth and stability. The DEFAC Advisory Council on Revenues issued a report in May 2015 suggesting a path towards a more properly balanced "revenue portfolio" for Delaware. For additional information on the tradeoffs between the evaluative criteria discussed in this section, please refer to the summary below.

Horizontal Equity

*Horizontal equity* means that taxpayers with similar ability-to-pay should have similar net tax burdens. Generally speaking, equal ability-to-pay is defined in terms of equal income, but income does not always equate with ability-to-pay. For example, if "Taxpayer A" and "Taxpayer B" have the same level of income, but Taxpayer A spends two-thirds of her income on unavoidable medical expenses, then Taxpayer A has less ability-to-pay than Taxpayer B. Horizontal equity, therefore, does not necessarily imply one set of rules for all. Tax rules can be adjusted to take account of special circumstances and maintain horizontal equity. The problem is determining *which* special circumstances justify special treatment for tax purposes. These special circumstances are typically unavoidable, catastrophic expenses that a taxpayer faces involuntarily. Large, voluntary, and common expenses are not usually considered in ability-to-pay calculations because of their controllability. When it is legitimate to deviate from a common definition of income,

criteria defining these cases should be outlined, and tax preferences evaluated with respect to them.

Vertical Equity

*Vertical equity* is the principle that tax burdens should be distributed "fairly" among taxpayers with different abilities-to-pay. Tax systems may be progressive, proportional, or regressive. However, vertical equity is a subjective concept that is open to debate. Among policymakers and academics, there is general agreement that the tax system should not be regressive – taxpayers with lower incomes should not pay a larger proportion of their income in taxes than do those with higher incomes. Some tax preferences are clearly intended to benefit low-income groups.

The intent of these preferences, with respect to their effect on tax burdens, is different from horizontal equity. Tax preferences that improve horizontal equity are intended to equalize the tax treatment between individuals with similar incomes by recognizing differences in ability to pay. Typically, tax preferences that seek to address vertical equity are designed to increase the tax system's progressivity by reducing the tax burden on lower-income taxpayers relative to those with higher incomes. To the extent that they are successful, proponents of increased progressivity may claim that the tax preference improves vertical equity. However, several of Delaware's tax preferences provide significant tax benefits to middle- and upper-income taxpayers even though they were ostensibly established for the purpose of improving vertical equity.

Simplicity

Tax system *simplicity* decreases taxpayer and administrative costs and increases compliance with tax laws. Tax preferences may take the form of deductions, exemptions, credits, and exclusions, many of which make tax forms more difficult to understand, more time-consuming, and harder to complete accurately. Entitlement to special deductions often requires special recordkeeping by taxpayers and additional verification by revenue agents. Simple tax systems offer reduced administrative and collection costs due to their transparent, straightforward definition of taxable income.

Simplicity can affect voluntary and involuntary compliance rates. The possibility that taxpayers will make inadvertent mistakes calculating their liability increases with the number of deductions and credits available. Tax simplification can increase voluntary compliance rates. Fewer deductions and credits (which are often difficult to verify without conducting an audit) provide fewer opportunities to shelter income. Reducing the number

of tax preferences reassures taxpayers that other citizens are "paying their fair share" and increases their willingness to comply voluntarily.

Economic Efficiency

An efficient tax system should be as neutral as possible with respect to economic decision-making. This requires that resources be allocated where they will receive the highest expected return. Tax preferences may interfere with economic decision making and erode *economic efficiency* because they explicitly favor certain activities over others.

Not only does society lose resources by limiting tax payments from certain taxpayers, but tax preferences also may shift economic resources towards less productive uses. Tax preferences can cause resources to be allocated where they can receive the most favorable tax treatment rather than where they can produce the goods and services most in demand by consumers, or earn the highest economic return. In the worst-case scenario, taxpayers may be able to take advantage of a tax preference without any change to existing activity. In these cases, the tax preference would act more as a "bonus" than an economic incentive.

Economic Growth

Many tax preferences are based on the argument that they will promote economic development by encouraging businesses to locate in Delaware or to invest in existing Delaware enterprises. Tax preferences can increase tax revenues if they attract investments that enlarge the economy. Whether preferences *do* enhance economic growth is questionable. Tax preferences for certain activities may impede growth if they result in higher tax rates for other, non-preferred activities. Higher rates hinder economic growth because they reduce the after-tax return available on investments.

Other Criteria

Tax preferences are often established for reasons other than improving the tax system and should be measured against criteria in addition to those listed above. Many preferences are designed to provide incentives to certain investment activities or to serve specific constituencies. In these cases, the tax system is being used as a mechanism to achieve public policy goals that are unrelated to tax administration. For example, the purpose of some business tax credits is to increase business investment in certain industries, locations, or production methods, such as expenditures on pollution abatement equipment. These external policy goals must be recognized in any assessment of a tax

preference. The primary questions in these cases are whether the tax preference actually causes the behavioral change that society desires, and if another mechanism (aside from the Tax Code) is more appropriate in achieving the desired goal.

Summary

One final point to keep in mind is that, in practice, there are tradeoffs between these different criteria. For example, efforts to improve horizontal equity by instituting new tax deductions or credits to insulate taxpayers from unavoidable expenditures may erode simplicity. Tax structures designed to produce a more progressive distribution of tax burdens may violate the principal of economic efficiency. A tax system cannot achieve each of these goals to the same degree simultaneously. Ideally, these fundamental criteria are balanced in a way that reflects the desires of state taxpayers as expressed through their elected representatives.

Readers will likely form more fundamental questions as they read this Report. To list a few:

(i) Should the tax system go beyond its basic role of raising government revenues? If so, what are these roles?

(ii) If the tax code is being used to address a certain societal problem, would direct governmental expenditures or the imposition (or removal) of government regulations better address the problem?

(iii) To what degree should tax preferences be held to the traditional standards of tax administration (i.e., adequacy, equity, efficiency, and simplicity), even if a tax preference was not created for tax policy purposes?

## Methodology – Measurement of Revenue Impacts

The revenue impacts of Delaware tax preferences are analyzed using a variety of sources and techniques. Estimates of losses in the personal income tax system rely primarily on databases that include information from state and federal personal income tax forms for individuals filing returns in Delaware. Because Delaware has a relatively small number of taxpayers, in many instances the Division of Revenue can analyze data for all resident and non-resident taxpayers, rather than resort to statistical samples of the population. Modern relational database software packages combine with the relatively

small number of Delaware taxpayers to create substantially more accurate measures of specific tax preference impacts on individual income tax revenues.

Other sources of information for this Report include computerized data for corporate income and other tax sources; published and unpublished Department of Finance reports and fiscal notes; data and reports from other government agencies and private institutions; and, where necessary, direct sampling of Delaware tax returns.

Readers should be aware of several limitations with respect to the Report's fiscal impact calculations:

(i) Except where noted, revenue loss estimates for each tax preference are calculated in static terms without accounting for behavioral effects that may result from the elimination or modification of a specific tax preference. This limitation is most significant with respect to business tax credits whose primary purpose is to encourage behavioral change, such as different patterns of business investment.

(ii) Revenue loss estimates are calculated *separately* for each tax preference. No assessment has been made of the cumulative effect of a number of tax preferences on lost revenues. Interrelationships between different tax preferences can result in situations in which changing one preference has implications for the revenue loss estimates of other preferences. This limitation is most apparent with respect to tax preferences for the elderly. The elderly may claim up to four different, non-means-tested tax preferences. Due to Delaware's graduated rate structure, the revenue effect of claiming four tax breaks simultaneously is not necessarily the same as the sum of its parts. For example, an elderly couple that qualifies for three tax preferences may avoid any tax liability by taking only one of the three preferences available to them.[3]

(iii) Revenue estimates assume no change in the taxpayer's decision to itemize deductions or to take the standard deduction. If several preferred itemized deductions were eliminated, more taxpayers would possibly claim the standard deduction instead. As a result, the revenue impacts of other itemized deductions would fall. Conversely, elimination of the additional standard deduction for the elderly might cause an increase in itemized deductions, which would affect the fiscal impact of other tax preferences.

[3] See the section of this Report entitled "Incrementalism" below.

(iv) The fiscal impact of a particular provision only examines the revenue losses related to a specific tax covered in this Report. This is significant for several of the business tax credits, which may be taken against taxes other than corporate income tax or public utility taxes. For example, while a firm may have no corporate income against which to claim credits, it may claim the credits against the gross receipts tax, which is not covered in this Report.

(v) Economic performance directly affects these revenue loss estimates, especially those for corporate income tax preferences. For example, in economic downturns, corporations may not have any taxable income due to net losses. Corporations with no liability cannot claim the tax credits to which they may be entitled. As such, estimates of tax expenditures depend on the predictability of changes in taxable income that result from changes in the national economy.

(vi) Changes in the federal tax or regulatory system can also affect the revenue loss estimates for Delaware tax preferences. This is because changes at the federal level may induce behavioral changes that affect the state revenues.

(vii) Both federal and Delaware specific tax return data lags behind the Report's estimation period. As a result, estimates are generated using economic assumptions about fiscal year data that has not yet been finalized.

Despite these limitations, this Report's revenue loss estimates do provide useful information on the relative size and growth of various tax preferences. The estimates can show how widely a tax preference is being used and indicate the revenue implications associated with its repeal or modification.

**Limitations of the Tax Preference Report – Incrementalism**

This Report examines individual preferences within specific revenue categories. One of the shortcomings of this approach is that, in some instances, it fails to adequately convey the implications which can result from the cumulative effect of multiple tax preferences. The incremental nature with which some preferences develop can have unintended consequences on taxpayers and state revenues. Due to the efforts of state policymakers, Delaware has for the most part avoided this problem. Two areas where incrementalism has raised concerns are the complexity of the New Job Creation Credit (formerly, the "Blue Collar Jobs Act" credits) and personal income tax preferences based on age. The discussion below deals with personal income tax preferences based on age.

Over the past five decades, public policy makers at all levels of government have implemented proposals aimed at improving the welfare of elderly citizens. The creation of Medicare and indexing Social Security benefits are among the most notable federal policies aimed at assisting the elderly. Like other states, Delaware has enacted several personal income tax preferences to assist elderly taxpayers.

Evaluated individually, the unintended implications of these preferences (see the Personal Income Tax section below) may not have sufficiently outweighed the perceived benefits to prevent their enactment. Taken together, however, serious equity implications can arise. Because elderly taxpayers can utilize more than one of these preferences at a time, the combined effect of these preferences can result in dramatically different tax treatment of individuals with the same ability-to-pay.

Cumulative Effect of Non-means Tested Preferences

An illustration of the equity problems caused by the cumulative effect of these tax preferences can be seen in the following example. Consider the following two households:

| | Household A | Household B |
|---|---|---|
| Family size: | 4 | 2 |
| Both Spouses Age: | 35 | 65 |
| Number of Children: | 2 | 0 |
| Both Spouses Work: | Yes | No |
| **Total Household Income:** | **$74,400** | **$74,400** |

"Household A" receives its income exclusively from wages and interest, while "Household B" receives its income primarily from Social Security and pension income. The differences in sources of income between these two households will have a dramatic impact on their tax liability.

**Household A**

| | Spouse 1 | Spouse 2 |
|---|---|---|
| Pension: | $0 | $0 |
| Interest: | $500 | $500 |
| Dividends: | $0 | $0 |
| Wages: | $36,700 | $36,700 |
| Social Security: | $0 | $0 |
| **Total Income:** | **$37,200** | **$37,200** |

**Household B**

| | Spouse 1 | Spouse 2 |
|---|---|---|
| Pension: | $20,000 | $20,000 |
| Interest: | $7,200 | $7,200 |
| Dividends: | $0 | $0 |
| Wages: | $0 | $0 |
| Social Security: | $10,000 | $10,000 |
| **Total Income:** | **$37,200** | **$37,200** |

In computing taxable income, each spouse in Household A can reduce its taxable income by $3,250 (a total of $6,500 – the amount of the standard deduction). The couple in Household B, meanwhile, can eliminate taxable income almost completely because of the sources of their income and their age. This reduction represents the exclusion of Social Security benefits, the pension and eligible retirement income exclusion, the low-income elderly exclusion, the standard deduction and the additional standard deduction for persons 65 and over. (See table below.)

## Tax Liability Comparison
## Two-Earner Family of Four vs. Two Taxpayers Over 65

| | Household A | | Household B | |
|---|---|---|---|---|
| Type of Income | Spouse 1 | Spouse 2 | Spouse 1 | Spouse 2 |
| Total Income | $37,200 | $37,200 | $37,200 | $37,200 |
| | | | | |
| Wages | $36,700 | $36,700 | $0 | $0 |
| Social Security Exclusion | $0 | $0 | -$10,000 | -$10,000 |
| Pension Income | $0 | $0 | $20,000 | $20,000 |
| Dividend Income | $0 | $0 | $0 | $0 |
| Interest Income | $500 | $500 | $7,200 | $7,200 |
| Total Pension/Retirement Income | $0 | $0 | $27,200 | $27,200 |
| Pension Exclusion | $0 | $0 | -$12,500 | -$12,500 |
| **Delaware AGI** | $37,200 | $37,200 | $14,700 | $14,700 |
| | | | | |
| Standard Deduction | -$3,250 | -$3,250 | -$3,250 | -$3,250 |
| Additional Standard Deduction | $0 | $0 | -$2,500 | -$2,500 |
| **Taxable Income** | $33,950 | $33,950 | $8,950 | $8,950 |
| | | | | |
| Gross Tax Liability | $1,497 | $1,497 | $220 | $220 |
| Personal Credit | -$330 | -$110 | -$110 | -$110 |
| Additional Personal Credit | $0 | $0 | -$110 | -$110 |
| Child Care Credit | $0 | -$250 | $0 | $0 |
| Net Liability | $1,167 | $1,137 | $0 | $0 |
| **Total Household Liability** | **$2,304** | | **$0** | |

In the end, Household A has a gross liability of $2,994 which is reduced to $2,304 through the use of four $110 personal credits and the child care credit.[4] Household B, on the other hand, has $440 in gross liability. This liability is completely eliminated because the couple in Household B qualifies for four $110 personal credits – two regular credits and two additional credits for persons age 60 or over. The retirees in Household B pay no income tax despite having the same income and no dependents, while the working family of four owes the state over $2,300.

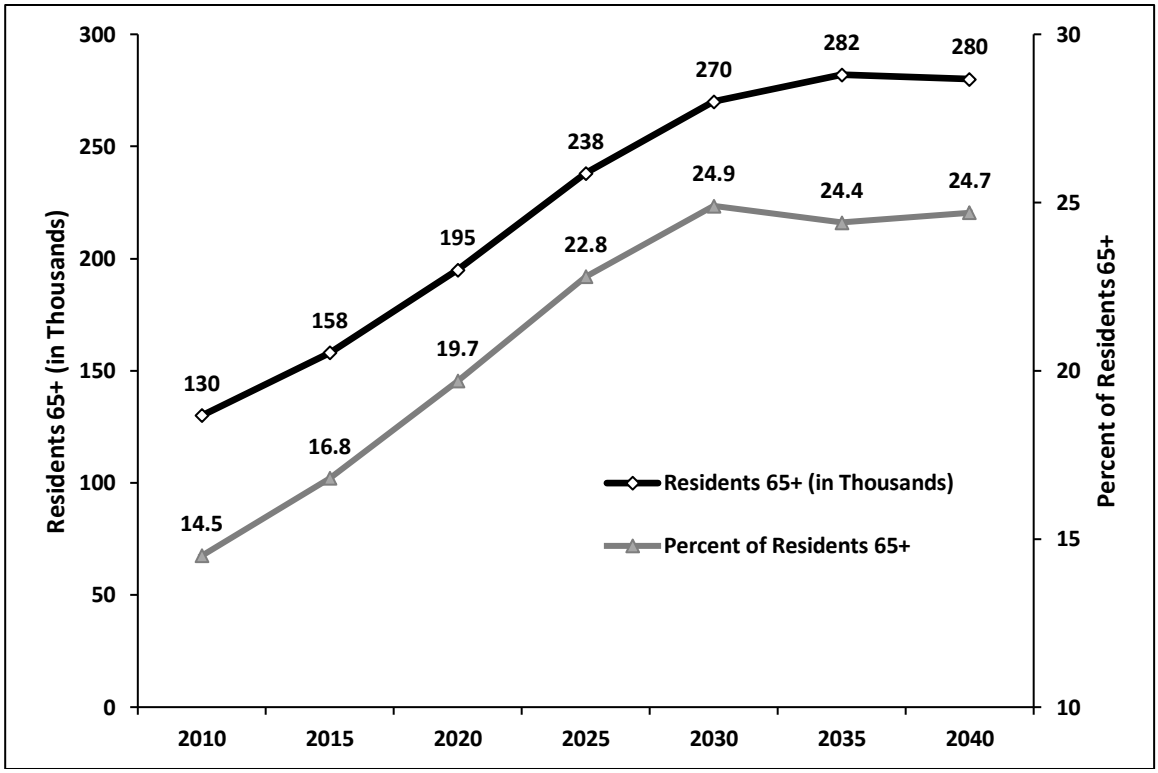
This example is representative of the radically different tax treatment of similarly situated taxpayers possible through the cumulative effect of non-means tested tax preferences.

Long-Term Effect on State Revenues

The cost of these preferences is expected to increase dramatically in future years. Through 2040, the percentage of the population age 65 and over will continue to increase as baby-boomers transition into retirement. This will significantly increase the cost of age-based tax preferences as more and more elderly taxpayers become eligible for them. The number of Delaware residents age 65 and over is expected to increase to approximately 280,000 by the year 2040 – *more than doubling in size* since 2010 (see chart below). The percentage of all Delawareans over age 65 is expected to increase from 14.5 percent in 2010 to 24.7 percent in 2040.

[4] This couple can use four personal credits – one personal credit for each spouse and one for each dependent.

Delaware Residents Age 65 and Over[5]




[5] *Source: Delaware Population Consortium, Annual Population Projections, 2024 (https://stateplanning.delaware.gov/demography/dpc-projection-data.shtml)*

# LIST OF DELAWARE TAX PREFERENCES

Personal Income Tax

1.01 Low-Income Elderly Exclusion

1.02 Exclusion of Pension and Eligible Retirement Income

1.03 Exclusion of Taxable Social Security Benefits

1.04 Additional Standard Deduction for the Blind or Persons Age 65+

1.05 Charitable Mileage Deduction

1.06 Additional Personal Credit for Persons Age 60+

1.07 Volunteer Firefighter's Tax Credit

1.08 Child and Dependent Care Expense Tax Credit

1.09 Tax Credits for New Business Facilities, New Employees, Qualified Investments, and Clean Energy Technology Device Manufacturing

1.10 Military Action Exemption

1.11 Extension of Filing Deadline for Military Personnel Serving in a Combat Zone

1.12 Exemption for Early Retirement Distributions Used for Education

1.13 Exemption for Trusts Established as "Designated" or "Qualified" Settlement Funds

1.14 Land and Historic Resource Tax Credit

1.15 Historic Preservation Tax Credit

1.16 Earned Income Tax Credit

1.17 Exemption of Out-Of-State Resources During Declared Emergencies

1.18 Vocational Rehabilitation Hiring Tax Credit

1.19 Angel Investor Tax Credit ★

1.20 529 and ABLE Deduction

Corporate Income Tax

2.01 Exemption of Investment Holding Companies and Firms Managing Intangible Investments of Mutual Funds

2.02 Deduction of Interest from Affiliated Companies

2.03 Handicapped Accessibility Deduction

2.04 Neighborhood Assistance Credit

2.05 Tax Credits for New Employment and Qualified Investments in Business Facilities

2.06 Tax Credits for New Employment and Qualified Investments in Targeted Areas

2.07 Clean Energy Technology Device Manufacturing Tax Credit

2.08 Tax Credits for Development of "Brownfield" Sites

2.09 Research and Development Tax Credit

2.10 Land and Historic Resource Tax Credit

2.11 Historic Preservation Tax Credit

2.12 Headquarters Management Corporations

2.13 Asset Management Companies

2.14 Business Finder's Fee Tax Credit

2.15 Exemption of Out-Of-State Resources During Declared Emergencies

2.16 New Economy Jobs Credit

2.17 Vocational Rehabilitation Hiring Credit

2.18 Apportionment Elections Preference for Worldwide Headquarters and Telecommunication Companies

2.19 Automatic External Defibrillator Tax Credit

2.20 Marijuana Tax Business Deduction ★

Motor Fuel/Special Fuel Tax

3.01 Exemption for Ambulances, Veterans' Group Vehicles, and Volunteer Fire Companies

3.02 Refunds for Certain Non-Road Vehicles

3.03 Exemption for Special Fuels

3.04 Aviation Jet Fuel Exemptions

Public Utility Tax

4.01 Exemption for Corporations Reorganizing Under Provisions of the Bankruptcy Code

4.02 Exemption of Electricity Used in Certain Manufacturing Processes

4.03 Refunds for Firms That Qualify for New Business Facilities Credit

4.04 Rate Reduction for Electricity used by Manufacturing Firms, Agribusiness and Food Processing Firms

4.05 Rate Reduction for Gas Used by Manufacturing Firms

4.06 Exemption for Electricity used by Automobile Manufacturing Firms

4.07 Exemption for Gas used by Automobile Manufacturing Firms

4.08 Rate Reduction for the Provision of Cable and Satellite Television Services

4.09 Exemption for Electronic Pager Service

★ *New, recently expanded or expired preference*

## DELAWARE TAX PROVISIONS NOT INCLUDED

The following items are listed in the Delaware Code in a manner similar to other tax preferences detailed in this Report. Many of the items meet the criteria used to define a tax preference as highlighted above. However, these tax preferences have been excluded from the Report for the reasons noted below.

Personal Income Tax

1. Modification for Fiduciary Adjustment
   Title 30, Delaware Code, Chapter 11, §1106(c).

   *Rationale for exclusion from Report:*
   This modification is viewed as an appropriate adjustment to determine net income and, as such, should not strictly be defined as a tax preference.

2. Deduction of Interest or Dividends on U.S. Government Obligations
   Title 30, Delaware Code, Chapter 11, §1106(b)(1).

   *Rationale for exclusion from Report:*
   This modification is required by the Supremacy Clause of the U.S. Constitution.

3. Deduction for Wages Paid for Which New Jobs Tax Credit is Claimed
   Title 30, Delaware Code, Chapter 11, §1106(b)(5).

   *Rationale for exclusion from Report:*
   This provision is not technically a tax preference because a deduction is allowed for all wages paid, even when the taxpayer elects the federal preference of taking a credit for the same wages.

4. Credit for Income Taxes Paid to Another State
   Title 30, Delaware Code, Chapter 11, §1111.

   *Rationale for exclusion from Report:*
   This credit avoids double taxation of Delaware residents. Further, the Supreme Court ruled in *Wynne v. The Comptroller of the State of Maryland* that the Dormant Due Process Clause requires this credit to exist.

5. Favorable Tax Treatment of Distributions from Qualified Tuition Savings Plans
Title 14, Delaware Code, §3483.

*Rationale for exclusion from Report:*
This is a preference authorized under the federal Internal Revenue Code (IRC). State taxpayers benefit by virtue of Delaware's "piggybacking" on the federal tax system.

6. Deduction of Health Insurance Costs Paid by Self-Employed Persons
Title 30, Delaware Code, Chapter 11, §1109(a)(2)(b)

*Rationale for exclusion from Report:*
This preference allows a state income tax deduction for amounts spent on health insurance over and above that which is allowed as a deduction on the taxpayer's federal return. Beginning in Tax Year 2003, the federal exclusion increased to 100% of qualified expenses and effectively eliminated any benefit associated with Delaware's "preference."

Corporate Income Tax

1. Deduction for Interest Received from U.S. Government Securities
Title 30, Delaware Code, Chapter 19, §1903(a)(1).

*Rationale for exclusion from Report:*
This deduction is required by Constitutional provision.

2. Deductions for Gains or Losses From Sale of U.S. Government Securities
Title 30, Delaware Code, Chapter 19, §1903(a)(2)(c).

*Rationale for exclusion from Report:*
These deductions are required by Constitutional provision.

3. Deduction for Wages Paid for Which New Jobs Tax Credit is Claimed
Title 30, Delaware Code, Chapter 19, §1903(a)(2)(e).

*Rationale for exclusion from Report:*
As with the personal income tax exemption, this provision is not technically a tax preference because a deduction is allowed for all wages paid, even when the taxpayer elects the federal preference of taking a credit for the same wages.

4. Exemption of Foreign Interest, Dividends, and Royalties
Title 30, Delaware Code, Chapter 19, §1903(a)(2)(a).

*Rationale for exclusion from Report:*
These sources are not included due to Constitutional limitations.

5. Exemption for Homeowners' Associations
Title 30, Delaware Code, Chapter 19, § 1902(b)(14).

*Rationale for exclusion from Report:*
These entities are not considered part of the base of the tax, and therefore the exemption is not defined as a tax preference.

Motor Fuel/Special Fuel Tax

1. Motor Fuel Tax and Special Rates
Title 30, Delaware Code, Chapter 51, §5110(c), §5132.

*Rationale for exclusion from Report:*
This provision is not regarded as a tax preference because different tax rates are applied to technically different tax bases.

2. Exemption for Sales of Gasoline to the U.S. Government or Any of Its Subdivisions
Title 30, Delaware Code, Chapter 51, §5111(a)(1).

*Rationale for exclusion from Report:*
This exemption is required by Constitutional provision.

3. Exemption for Sales of Gasoline to Anyone Protected by the Interstate Commerce Clause
Title 30, Delaware Code, Chapter 51, §5111(a)(2).

*Rationale for exclusion from Report:*
This exemption is required by Constitutional provision.

4. Exemption for Sales of Gasoline to Delaware or Any of Its Subdivisions
Title 30, Delaware Code, Chapter 51, §5111(a)(5).

*Rationale for exclusion from Report:*
This exemption avoids the state needlessly taxing itself.

5. Exemption for Sales of Special Fuels to the U.S. Government or Any of Its Subdivisions
Title 30, Delaware Code, Chapter 51, §5133(a)(1).

*Rationale for exclusion from Report:*
This exemption is required by Constitutional provision.

6. Exemption for Sales of Special Fuels to Delaware or Any of Its Subdivisions
Title 30, Delaware Code, Chapter 51, §5133(a)(2).

*Rationale for exclusion from Report:*
This exemption avoids the state needlessly taxing itself.

7. Exemption of Fuel Used and All Vehicles of Any Other State Government Which Reciprocates
Title 30, Delaware Code, Chapter 51, §5133.

*Rationale for exclusion from Report:*
This exemption is required by Constitutional provision.

8. Exemption for Sales of Aviation Jet Fuel to the U.S. Government or Any of Its Subdivisions
Title 30, Delaware Code, Chapter 51, §5172(b)(1).

*Rationale for exclusion from Report:*
This exemption is required by Constitutional provision.

9. Exemption for Sales of Aviation Jet Fuel to Delaware or Any of Its Subdivisions
Title 30, Delaware Code, Chapter 51, §5172(b)(2).

*Rationale for exclusion from Report:*
This exemption avoids the state needlessly taxing itself.

Public Utility Tax

1. Exemption for Electricity, Gas and Telephone Sales and Services to Residential Users
Title 30, Delaware Code, Chapter 55, §5506(e).

*Rationale for exclusion from Report:*
These users are not considered part of the base of the tax, and therefore the exemption is not defined as a tax preference.

2. Exempt Tax Receipts Received From the Sale of Public Utilities to the State of Delaware or Any of Its Subdivisions
Title 30, Delaware Code, Chapter 55, §5506(d).

*Rationale for exclusion from Report:*
This exemption avoids the state needlessly taxing itself.

3. Exempt Internet Access Charges from Public Utility Tax
Title 30, Delaware Code, Chapter 55, § 5502

*Rationale for exclusion from Report:*
This preference is effectively authorized under Delaware's own Tax Code. Authorization of this exemption became effective for Delaware taxpayers on January 1, 2005. As of November 1, 2005, however, an update to federal law effectively replicated Delaware's provision thereby eliminating any benefit associated with Delaware's "preference."

# A SUMMARY OF TAX PREFERENCE CHANGES SINCE 2023

Since the last Tax Preference Report was issued in 2023, Delaware has created a new tax preference. Below is a summary of the legislative changes affecting tax preferences since the completion of the 2023 Report.

## Tax Preference Created

Corporate Income Tax:

- Marijuana Tax Business Deduction
  *Allowed marijuana establishments to deduct ordinary and necessary business expenses on Delaware state tax return, effective August 1, 2023; deduction not permitted if federal law later allows such expenses under § 280E.*

# PERSONAL INCOME TAX

- Statutory Provision

  Title 30, Delaware Code, Chapter 11.

- Collection/Administrative Agency

  The Department of Finance, Division of Revenue, administers this tax.

- General Liability

  *Resident*

  Every resident of Delaware must file a personal income tax return whenever such resident:

  (a) Is required to file a federal tax return; or

  (b) Has adjusted gross income (after modifications) that exceeds the maximum filing thresholds. The maximum filing thresholds for each filing status are listed below:

| AGE/STATUS | FILING SINGLE | MARRIED FILING A JOINT RETURN (1) | MARRIED FILING SEPARATE | FILING AS A DEPENDENT ON ANOTHER PERSON'S RETURN |
|---|---|---|---|---|
| Under 60 | $9,400 | $15,450 | $9,400 | $5,250 |
| 60 to 64 | $12,200 | $17,950 | $12,200 | $5,250 |
| 65 and over OR Blind | $14,700 | $20,450 | $14,700 | $7,750 |
| 65 and over AND Blind | $17,200 | $22,950 | $17,200 | $10,250 |

(1) This dollar amount represents a taxpayer's individual Adjusted Gross Income, NOT a total combined with anyone else.

Every resident must report all income earned during the taxable year to Delaware, regardless of the source.

*Nonresident*

Every nonresident must file a tax return to report all income earned within the state. This includes only income attributable to employment or personal services performed in Delaware, or to the ownership or disposition of any interest in real or tangible personal property in Delaware (i.e., wages, business income, capital, rents and royalties, partnerships, farm income and any other income derived from a Delaware source). Interest, dividends and pensions, even if attributable to Delaware employment, are excluded.

Nonresidents calculate their liabilities as if they were residents except that nonresidents' final liabilities are prorated according to their ratio of Delaware source income to total income.

*Part-Year Resident*

Part-year residents have the option of filing as a resident or a nonresident. By filing as a nonresident, final liability is reduced because it is prorated according to the taxpayer's ratio of Delaware source income to total income. Filing a resident return allows the taxpayer to make use of certain tax credits, such as the child care credit, that are not available to nonresidents. If large enough, these tax credits can produce a final liability that is lower than that which may be obtained by filing as a nonresident.

- Tax Rates

For Tax Years 2014 and after, taxable income is assessed at the following rates:

| If Taxable Income is Greater Than: | But Less Than: | Tax Liability is Calculated As: | Plus: | On Taxable Income Over: |
|---|---|---|---|---|
| $0 | $2,000 | $0.00 | 0.00% | $0 |
| $2,000 | $5,000 | $0.00 | 2.20% | $2,000 |
| $5,000 | $10,000 | $66.00 | 3.90% | $5,000 |
| $10,000 | $20,000 | $261.50 | 4.80% | $10,000 |
| $20,000 | $25,000 | $741.50 | 5.20% | $20,000 |
| $25,000 | $60,000 | $1,001.00 | 5.55% | $25,000 |
| $60,000 | | $2,943.50 | 6.60% | $60,000 |

**2025 Delaware Tax Preference Report**
Personal Income Tax
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- Tax Receipts, net of refunds (millions of dollars)

| Fiscal Year | 2016 | 2017 | 2018 | 2019 | 2020* | 2021* | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total ($) | 1,286.6 | 1,333.2 | 1,428.2 | 1,527.5 | 1,472.2 | 1,888.4 | 1,909.4 | 2,112.9 | 2,216.9 | 2,383.2 |

* TY 2019 Final and TY 2020 Q1 Estimated payments were delayed from April 2020 to July 2020 causing a one-time shift of revenues from FY 2020 to FY 2021.

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Personal Income Tax
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- Tax Preferences

The following table identifies personal income tax preferences within the Delaware Code along with annual estimated costs. Links within the table navigate to more detailed analysis of each tax preference.

| TAX PREFERENCE | FY 25 (EST) | FY 26 (EST) |
|---|---|---|
| 1.01 Low-Income Elderly Exclusion | Negligible | Negligible |
| 1.02 Exclusion of Pension and Eligible Retirement Income | $87.2 million | $89.3 - $92.0 million |
| 1.03 Exclusion of Taxable Social Security Benefits | $133.2 million | $132.3 - $136.2 million |
| 1.04 Additional Standard Deduction for the Blind or Persons Age 65 or Over | $10.0 million | $10.2 - $10.5 million |
| 1.05 Charitable Mileage Deduction | Negligible | Negligible |
| 1.06 Additional Personal Credit for Persons Age 60 and Over | $18.5 million | $18.7 - $19.0 million |
| 1.07 Volunteer Firefighter's Tax Credit | $4.2 million | $4.1 - $4.5 million |
| 1.08 Child and Dependent Care Expense Tax Credit | $6.3 million | $6.3 - $6.6 million |
| 1.09 Tax Credits for New Business Facilities, New Employees, Qualified Investments, and Clean Energy Technology Device Manufacturing | (D) | (D) |
| 1.10 Military Action Exemption | Negligible | Negligible |
| 1.11 Extension of Filing Deadline for Military Personnel Serving in a Combat Zone | Negligible | Negligible |
| 1.12 Exemption for Early Retirement Distributions Used for Education | $2.8 - $3.6 million | $3.0 - $3.8 million |
| 1.13 Exemption for Trusts Established as "Designated" or "Qualified" Settlement Funds | Unknown | Unknown |
| 1.14 Land and Historic Resource Tax Credit | (D) | (D) |
| 1.15 Historic Preservation Tax Credit | $205,000 | $125,000 - $1.0 million |
| 1.16 Earned Income Tax Credit | $17.5 million | $18.0 - $18.5 million |
| 1.17 Exemption of Out-Of-State Resources During Declared Emergencies | Negligible | Negligible |
| 1.18 Vocational Rehabilitation Hiring Credit | (D) | Negligible |
| 1.19 Angel Investor Tax Credit | N/A | N/A |
| 1.20 529 and ABLE Deduction | Negligible | Negligible |
| 1.21 Organ and Bone Marrow Transplantation Tax Credit | Negligible | Negligible |
| 1.22 Union Dues Deduction | Negligible | Negligible |

Negligible = Defined as less than $50,000.
(D) = Per 30 Del. C. §368, the Department of Finance is prohibited from disclosing tax return information identifying specific taxpayers.

## 1.01 Low-Income Elderly Exclusion

1. Statutory Provision
   Title 30, Delaware Code, Chapter 11, §1106(b)(2).

2. Description
   The law provides for exclusions from gross income to persons who meet certain qualifications. If a taxpayer is single, or married and filing separately, the law allows an exclusion of $2,000 to any person:

   a. Who is totally and permanently disabled, or who is 60 years of age or older;
   b. Whose earned income for the year is less than $2,500; and,
   c. Whose Delaware adjusted gross income (before this deduction) does not exceed $10,000.

   A husband and wife filing a joint return are entitled to an exclusion of $4,000 if the following conditions are met:

   a. Each is at least 60 years of age, or totally and permanently disabled;
   b. Their total earned income in the taxable year is less than $5,000; and
   c. Their Delaware adjusted gross income (without reduction of this exclusion) does not exceed $20,000.

3. Estimated Revenue Loss
   FY 25: Negligible
   FY 26: Negligible

4. Assessment
   The purpose of this provision is to allow elderly or disabled taxpayers with low income to exclude a portion of their income from taxes. Because certain forms of income are not included in this means test, some higher-income elderly taxpayers may qualify for this preference. Conversely, elderly taxpayers who rely primarily on wage income may not qualify for this exclusion even though they otherwise meet the definition of "low-income."

5. Inadvertent Effects

This provision suffers from a number of defects, which at the time of its original enactment appear to have been overlooked. As the size and scope of other tax preferences expanded, these defects became more prominent.

The eligibility means test is poorly designed, resulting in an application of tax relief that follows no rational pattern. Though ostensibly targeted to help "low-income" elderly taxpayers, in practice, this provision was nearly as likely to help middle- and high-income taxpayers as it was to help the poor. For example, the fact that the income of a taxpayer's spouse is not taken into consideration in determining eligibility means that well-to-do couples may enjoy a "low-income" tax preference simply because their income is unequally distributed between spouses. Some low-income elderly taxpayers were denied relief (elderly wage earners, for example) simply because the composition of their income did not conform to the statute's requirements. Finally, the deduction was "all or nothing." If taxpayers meet the means test, the full deduction is awarded. If taxpayers exceeded the means test amount by one penny, they received nothing.

For taxpayers age 60 and over, events have rendered this tax preference practically useless. Other elderly tax preferences have expanded to such an extent that, beginning in tax year 2000, all taxpayers meeting this provision's eligibility requirement and using the standard deduction already have no tax liability.

Taxpayers who choose to itemize their deductions may still benefit from this provision, provided their itemized deductions are less than the standard deduction amount. Low-income taxpayers who would choose to do so are rare and are most likely the spouse of a high-income taxpayer who makes use of most of the couple's itemized deductions. Because this provision's intended beneficiaries are age 60 and over and already have no tax liability, policymakers should seriously consider its elimination or limit its application to disabled taxpayers.

Modifying the provision's means test to be more inclusive would merely result in the extension of tax relief to middle- and upper-income elderly taxpayers. If policymakers desire such a result, it could be more efficiently achieved through simpler and more targeted means.

## 1.02 Exclusion of Pension and Eligible Retirement Income

1. Statutory Provision
Title 30, Delaware Code, Chapter 11, §1106(b)(3).

2. Description
Certain amounts of income received as pensions from employers or meeting the definition of "eligible retirement income" are excludable from Delaware taxable income. This exclusion is limited to $12,500 a year for taxpayers 60 years and older.

As defined in §1106(b)(3)c. of Title 30, eligible retirement income includes:

- Distributions from qualified retirement plans defined under §4974 of the Internal Revenue Code (IRC);
- Distributions from cash or deferred arrangements described in §401(k) of the IRC;
- Distributions from government deferred compensation plans described in §457 of the IRC;
- Dividends;
- Capital gains;
- Interest; and
- Net rental income

Taxpayers under 60 years of age may exclude up to $2,000 of pension income per year. Effective beginning in TY 2022, taxpayers under 60 years of age may exclude $12,500 of military pension income per year. These taxpayers may not exclude eligible retirement income.

3. Estimated Revenue Loss
FY 25: $87.2
FY 26: $89.3 - $92.0 million

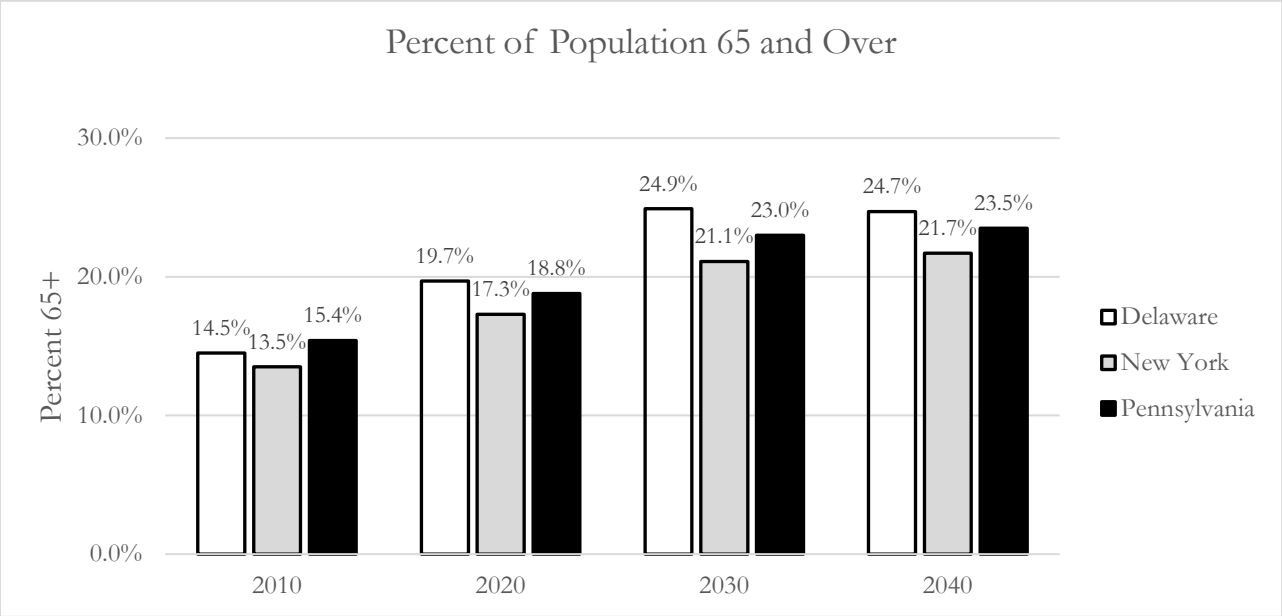
4. Assessment
Unlike the low-income elderly exclusion, the pension exclusion is not means-tested. Any taxpayer with pension or eligible retirement income is entitled to claim this tax preference, regardless of his or her ability-to-pay. The purpose of this provision is to provide a tax reduction to recipients of pension or eligible retirement income; it clearly serves only the intended group.

5. Inadvertent Effects

Delaware's progressive income tax rate structure implies that any non-means-tested, lump-sum exclusion from taxable income – such as the pension and eligible retirement income exclusion – provides a larger tax benefit to higher-income taxpayers than to lower-income taxpayers. For example, "Pensioner A" has $112,500 in income, $100,000 in taxable income once the exclusion is taken. This exclusion will provide Pensioner A with an $825 reduction in tax liability in tax year 2022 ($12,500 x 6.60%). "Pensioner B" has $20,000 in income, $7,500 in taxable income once the exclusion is taken. Because Pensioner B is subject to a lower marginal tax rate, the same $12,500 exclusion will reduce Pensioner B's tax liability by only $578 in tax year 2022 ($10,000 x .048 + $2,500 x.039); significantly less benefit than for the high-income Pensioner A.

With respect to other states in the region, Delaware's maximum pension exclusion of $12,500 may appear to be relatively small. New York allows a maximum pension exclusion of $20,000 and complete exclusion for federal, state, and military pensions.[1] Pennsylvania provides complete exclusion for public and private pension benefits.[2] Some observers argue that elderly taxpayers will migrate to states such as New York and Pennsylvania in order to benefit from their favorable tax treatment of retirement income. There is some anecdotal evidence to support this claim. However, demographic data suggest that it is not a major phenomenon. Academic demography offices in New York and Pennsylvania estimate that the percent of residents over 65 will rise from 13.5% and 15.4% in 2010 to 21.7% and 23.5% by 2040, respectively. The percent of Delawareans over 65 is expected to increase similarly during the same time period: from 14.5% to 24.7%. (See chart below.)

[1] New York Statutes - Article 22, §612(c)(3-a)
[2] Pennsylvania Statutes - Article III, §7301(d)(iii)




**Source: The Center for Rural Pennsylvania (https://www.rural.pa.gov/data/population-projections)**
**Cornell Program on Applied Demographics (https://pad.human.cornell.edu/counties/projections.cfm)**
**Delaware Population Consortium (https://stateplanning.delaware.gov/demography/dpc-projection-data.shtml)**

This suggests that factors other than the tax treatment of retirement income have a more profound impact of the location decisions of retirees. Another real possibility is that the combined impact of Delaware's many retirement tax preferences are, in fact, very competitive relative to other states in the region. Delaware has distinct advantages over neighboring states with respect to property and sales taxes. For the majority of retirees, Delaware's overall tax burden is lower than that of surrounding states.

Proponents of tax preferences for the elderly argue that an increased elderly concentration provides an economic stimulus, especially with respect to service markets. Unless tax preferences for the elderly are significant enough to generate a net increase in tax revenues, then the direct revenue losses imply that marginal tax rates have to be higher than they would be without the preferences in order to generate the same revenues. The effect of elderly preferences, therefore, may be to reduce taxes for taxpayers over age 60 at the cost of increasing taxes for wage earners (whose labor supply decisions are most responsive to changes in after tax wages). Proponents also argue that tax relief based on age is justified because these taxpayers have, after a lifetime of tax paying, paid their "fair share" and at some point deserve relief.

Critics of tax preferences based solely on age disagree with these points for several reasons. Due to the growth in benefit payments and longevity after retirement, many government programs for the elderly are paying significantly more to beneficiaries than the recipients ever paid into the system in taxes. Estimates show, for example, that most current Social Security recipients will receive many times more in benefits than they and their employers paid into the Social Security system. Because elderly services have grown in cost and total quantity, it takes longer for a person to pay a "fair share" than it did 30 years ago. Another concern is that some exclusions may be taken by persons still in the workforce. This pension exclusion, for example, allows workers who begin to draw a pension at age 45 to exclude $2,000 of income from taxation while other similarly situated taxpayers get no such break.

Finally, preferences that depend only on age or income source are not as closely linked to ability-to-pay as they were at their inception, when persons over age 60 were the poorest segment of society (see discussion below). All elderly preferences, except the low-income exclusion, can be used to reduce liability for even the wealthiest taxpayers as long as they meet the age requirement.

While the extension of eligibility to other sources of retirement income has improved the horizontal equity problems of this preference *among taxpayers over 60*, there are still some equity concerns. [3] When compared to income or other ability to pay considerations, age is a fairly arbitrary criterion for a tax preference. It could be argued that the horizontal equity problems of this preference between taxpayers over and under 60 years of age have been aggravated by this most recent change. For example, consider two hypothetical taxpayers with $1,000 in non-military pension income and $3,500 in other eligible retirement income. "Taxpayer A" is 59 years old, while "Taxpayer B" is 61. Assuming both taxpayers have the same ability to pay, Taxpayer A can only exclude $1,000 while taxpayer B can exclude $4,500. Not only is taxpayer A's exclusion capped at $2,000 in the aggregate, it is limited to traditional pension income. For taxpayers under 60 without pension income, no exclusion is allowed.

As the following table shows, the rate of poverty among the elderly is now lower than the general population. In 1970, 24.6% of those age 65 and over

[3] The exclusion of pension income alone resulted in more favorable tax treatment for taxpayers whose income is derived from a pension, rather than other forms of retirement income.

lived under the federal poverty level. By 2024, the proportion had dropped to 9.9%.

**Percent of Population Below Federal Poverty Level 2024**

| | |
|---|---|
| Under 18 | 14.3% |
| 18-24 | 12.8% |
| 25-34 | 10.4% |
| 35-44 | 8.6% |
| 45-54 | 7.5% |
| 55-59 | 8.3% |
| 60-64 | 9.8% |
| 65+ | 9.9% |
| **Overall Rate** | **10.6%** |

**Source: U.S. Census Bureau, Current Population Survey, 2024 Annual Social and Economic Supplement.** https://www.census.gov/data/tables/time-series/demo/income-poverty/cps-pov/pov-01.2020.html

The rate of poverty is significantly lower for the elderly than for children and young adults. As the elderly are statistically less poor than the population as a whole, this age test may benefit taxpayers who do not need relief under any legitimate interpretation of ability-to-pay.

Elderly wage earners who must continue to work to make ends meet are ignored by this provision. Because wages are not eligible for the exclusion, the working poor elderly receive no assistance.

While there is certainly a significant proportion of the elderly population with income below federal poverty levels, policymakers might consider whether government support should more properly continue to be based on age rather than on need and/or ability-to-pay.

## 1.03 Exclusion of Taxable Social Security Benefits

1. Statutory Provision
   Title 30, Delaware Code, Chapter 11, §1106(b)(4).

2. Description
   The state of Delaware excludes Social Security and Railroad Retirement Board income from the personal income tax. For purposes of federal income taxation, recipients of these benefits who have modified adjusted gross

income from all sources above a "base amount" of $25,000 ($32,000 for taxpayers who file jointly) are taxed on a portion of their payments. This taxable portion is the lesser of 50% of the Social Security benefits received, or 50% of a taxpayer's "combined" income over the "base amount." Combined income is 50% of these benefits plus adjusted gross income plus any tax-exempt income or income earned from a foreign country or U.S. possession which is excluded from federal gross income. If a taxpayer's income exceeds $34,000 ($44,000 if married, filing jointly), the lesser of 85% of Social Security benefits or 50% of the combined income above the base amount is included in federal adjusted gross income.

(A complete description of the federal tax code provision relating to social security can be found in IRS Publication 915: Social Security and Equivalent Railroad Retirement Benefits.)

3. Estimated Revenue Loss
FY 25: $133.2 million
FY 26: $132.3 - $136.2 million

4. Assessment
The purpose of this provision is to provide a tax reduction to Social Security and Railroad Retirement Board benefit recipients. This exclusion benefits its intended beneficiaries.

5. Inadvertent Effects
Like the exclusion for certain forms of pension income (Item 1.02), this provision is not a means-tested tax preference. Higher-income taxpayers are eligible for, and benefit more from, this provision than do lower-income taxpayers. As a result, much of the preceding discussion of the pension exclusion is also valid with respect to this exclusion of federal benefits. Despite the fact that this tax relief is provided to Social Security and Railroad Retirement Board recipients because they are perceived as being in need, taxpayers who do not fit this generally accepted perception of being in need may also receive benefits.

Delaware's exclusion of federally taxable Social Security and Railroad Retirement Board benefits effectively removes a federal means test which is designed to limit the preferential tax treatment of such income to those most in need. Tis vertical equity concern is exacerbated by federal policy which stops the payroll tax at very high wages ($184,500 in 2026). Federally, this means-test counters some of the regressive character of the payroll tax. Only

taxpayers over certain income thresholds are required to include such benefits in federal gross income. By definition, only taxpayers who have income above these relatively high thresholds benefit from the exclusion of federally taxable Social Security or Railroad Retirement Board benefits and the cap on the payroll tax.

## 1.04 Additional Standard Deduction for the Blind or Persons Age 65 or Over

1. Statutory Provision
   Title 30, Delaware Code, Chapter 11, §1108(b).

2. Description
   Taxpayers who are at least 65 years of age (or blind), and who do not itemize their deductions, are entitled to an additional standard deduction of $2,500. Non-itemizers who are at least age 65 *and also* blind may claim an additional standard deduction of $5,000.

3. Estimated Revenue Loss
   FY 25: $10.0 million
   FY 26: $10.2 - $10.5 million

4. Assessment
   The purpose of this provision is to provide a tax reduction to persons who are blind and/or at least 65 years old. The provision's benefits reach only those for whom it was intended.

5. Inadvertent Effects
   As is the case with the exclusion of pension income (see Item 1.02 above) and the exclusion of taxable Social Security income (see Item 1.03 above), this provision is not means-tested. With respect to this preference's age criterion, many of the same issues that arise with other non-means-tested preferences for the elderly arise here as well. The additional standard deduction benefits many higher-income taxpayers who have no need for tax relief on ability-to-pay grounds but who qualify solely because of their age.

   By definition, an additional standard deduction is not available to taxpayers that itemize their deductions. Because taxpayers that take the standard deduction typically have lower incomes, it may be argued that this additional standard deduction primarily benefits lower-income taxpayers. However, many taxpayers in this age group no longer have mortgage interest deductions,

making them less likely to itemize even if they are middle or high-income taxpayers.

An additional standard deduction that is available to individuals who are blind but not to individuals with other disabilities may violate horizontal equity. Taxpayers may have disabilities that affect their ability-to-pay similarly or more severely than blindness, but they would not be eligible for this deduction.

## 1.05 Charitable Mileage Deduction

1. Statutory Provision
   Title 30, Delaware Code, Chapter 11, §1109(a)(2)(a).

2. Description
   Federal law permits a person who uses his/her automobile to perform voluntary service for a charitable organization to claim an itemized deduction for a portion of those expenses. Under Delaware law, this additional itemized deduction is calculated by subtracting the permissible federal rate for automobile mileage for charitable use (currently 14 cents per mile) from the amount state employees may claim for work-related use of their vehicles (50 cents effective July 1,2023), or 36 cents per mile.

3. Estimated Revenue Loss
   FY 25: Negligible
   FY 26: Negligible

4. Assessment
   Though small, this preference does provide relief to those individuals who have to drive in order perform voluntary services for charitable organizations. The benefits of this provision go to those intended and do not produce a large fiscal loss. As an itemized deduction, however, the provision does not benefit those taxpayers who use their vehicles for charitable purposes but who take the standard deduction.

   Another concern arises from the fact that only one type of charitable activity (driving) is singled out for favorable tax treatment.

5. Inadvertent Effects
   None noted.

## 1.06 Additional Personal Credit for Persons Age 60 and Over

1. Statutory Provision
   Title 30, Delaware Code, Chapter 11, §1110(b)(2).
2. Description
   Taxpayers who are age 60 and over are entitled to claim an additional non-refundable personal credit. Married taxpayers who file jointly receive an additional $110 credit if only one of the couple is age 60 or older, and an additional $220 if the both persons meet this age test.

3. Estimated Revenue Loss
   FY 25: $18.5 million
   FY 26: $18.7 - $19.0 million

4. Assessment
   The purpose of this provision is to reduce tax liability for persons age 60 and over. Only persons who meet this age test can receive this extra credit, thus ensuring that the provision serves only the intended beneficiaries.

   The switch from an extra personal exemption to an extra non-refundable personal credit for persons over 60 eliminated the regressivity inherent in the additional personal exemption. The value of the tax credit (which reduces tax liability dollar for dollar) is the same for taxpayers in all income ranges.

5. Inadvertent Effects
   As discussed above (see items 1.02 and 1.06), age may be an arbitrary condition for grant favorable tax treatment. This preference suffers from the same drawbacks as other non-means-tested tax breaks for the elderly: taxpayers with the same ability-to-pay receive different tax treatment based solely on age, violating horizontal equity.

   Moreover, high-income elderly taxpayers receive benefits that are not available to younger taxpayers with substantially less ability to pay, increasing regressivity in the tax code.

## 1.07 Credit for Expenses Incurred by Active Volunteer Firefighters, Fire Company Auxiliary Members or Members of Volunteer Ambulance or Rescue Service

1. Statutory Provision
   Title 30, Delaware Code, Chapter 11, §1113.

2. Description
   The provision allows Delaware residents who are active emergency service volunteers to claim a $1,000 credit against their income tax otherwise due. In order to qualify for the credit, a person must be:
   (i) an active volunteer firefighter on call to fight fires on a regular basis; and,
   (ii) a voting member of a Delaware volunteer company; or,
   (iii) a voting member of a Delaware fire company auxiliary; or,
   (iv) an active member of a Delaware volunteer ambulance or rescue service.

3. Estimated Revenue Loss
   FY 25: $4.2 million
   FY 26: $4.1 - $4.5 million

4. Assessment
   The purpose of this credit is to help defray the costs incurred by emergency service volunteers in performing their duties. This is clearly a worthy goal, but it is worth assessing whether it is most appropriately addressed through the tax code. As an alternative, the state could make additional direct annual grants to volunteer fire companies for volunteers' expenses equal to the estimated revenue loss that this preference creates. This approach would avoid an additional complication of the tax code and would simplify administration as the state could work with a manageable number of fire companies rather than reviewing claims by thousands of volunteer firefighters on their tax returns.

5. Inadvertent Effects
   None noted.

## 1.08 Child Care and Dependent Care Expense Credit

1. Statutory Provision
IRC, §21.
Title 30, Delaware Code, Chapter 11, §1114.

2. Description
This non-refundable credit is equal to 50 percent of the federal child and dependent care credit allowed for a given taxpayer. The federal credit amount is determined by applying a percentage (between 35% and 20% depending on federal adjusted gross income) to qualifying expenses (a maximum of $3,000 for one child or $6,000 for two or more children). For taxpayers with federal adjusted gross incomes over $43,000, the maximum credit is 20 percent of qualifying expenses.

Married couples filing joint federal but separate Delaware returns are limited to applying the credit to the tax liability of the spouse with the smaller taxable income. The credit can be taken for payments made to a relative for child care, provided that the relative is not claimed as dependent on the taxpayer's return and is not the taxpayer's child under the age of 19.

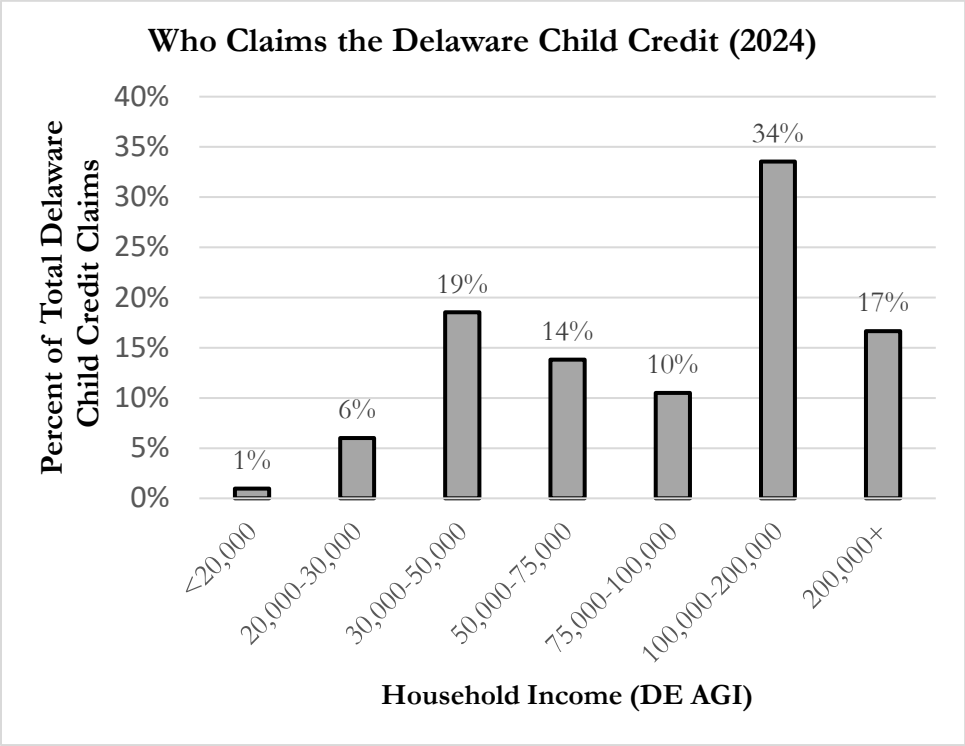
3. Estimated Revenue Loss
FY 25: $6.3 million
FY 26: $6.3 - $6.6 million

4. Assessment
This credit is intended to encourage the expansion of the state's workforce, particularly for entry-level positions, by removing a major obstacle to employment for many potential workers. A significant number of job seekers are single parents in search of relatively low-wage jobs.[4] For these individuals, the high cost of child care is not affordable on the potential wages. The credit, therefore, is intended to offset a significant barrier to entry into the labor force. The degree to which an annual tax subsidy – often received in the form of a refund – is likely to make lower wage jobs economically feasible for parents entering the labor market is debatable.

Although this preference is intended to target economically disadvantaged families, a substantial portion of its benefits accrue to families with moderate

[4] The IRC also allows the credit to be claimed for other persons (e.g., a spouse or parent) who are physically or mentally unable to take care of themselves and claimed as a dependent on the taxpayer's return.

and more abundant means. In 2024 roughly 51% of the child care credits claimed by Delaware families were claimed by families with Delaware Adjusted Gross Incomes of more than $100,000 (see chart below).




A credit for child care expenses can be viewed as consistent with a definition of taxable income that excludes costs associated with earning income.[5] As such, some observers may not regard the provision as a tax preference. However, some costs of earning income, such as work apparel and commuting expenses, are not deductible. If child care expenses were to be considered non-preferential as a cost of earning income, then this provision should be structured as a deduction from taxable income and not as a credit.

5. Inadvertent Effects
None noted.

[5] This line of reasoning is used to justify a host of deductions against both personal and corporate income taxes for costs incurred in the earning process (e.g., the federal deduction for home office expenses, the federal deduction for business meals).

## 1.09 Tax Credits for Creation of Employment, Qualified Investments in Business Facilities, and Clean Energy Technology Device Manufacturing

1. Statutory Provision
   Title 30, Delaware Code, Chapter 20, §§2010 - 2040.

2. Description
   The law offers tax credits for any eligible taxpayer who is not subject to the corporate income tax under the same terms as those discussed below for items 2.05, 2.06, and 2.08. Resident shareholders in eligible S Corporations are entitled to a proportionate share (based on the percentage of ownership in the organization by the taxpayer) of the credits listed. The credits are limited to 50% percent of the tax owed multiplied by the taxpayer's share of distributable income of the S Corporation.

3. Estimated Revenue Loss[6]
   FY 25: (D)
   FY 26: (D)

4. Assessment
   This provision extends the credits available under the corporate income tax and gross receipts tax to those eligible taxpayers who are subject to the personal income tax—S corporation shareholders and owners of other pass-through entities. These personal income tax credits raise the same issues as the investment tax credits discussed later in this Report's corporate income tax section. For example, the credits may be too small to generate a significant incentive to increase investments in the intended industries and locations. Many businesses and individuals may be receiving tax reductions for investments and improvements that they would have undertaken anyway in the absence of the credits. For a full discussion of these issues, please refer to Items 2.05 and 2.06 below.

5. Inadvertent Effects
   As mentioned above, since its inception, the Blue Collar Jobs Credits has been expanded several times and is sometimes identified as a program in which this incremental approach may have resulted in unanticipated shortcomings. Please refer to Items 2.05, 2.06, and 2.08 for a full discussion of possible inadvertent effects.

[6] (D) = Per 30 Del. C. §368, the Department of Finance is prohibited from disclosing tax return information identifying specific taxpayers.

## 1.10 Military Action Exemption

1. Statutory Provision
   Title 30, Delaware Code, Chapter 11, §1171.

2. Description
   Income earned by U.S. Armed Forces personnel while on active duty who die from disease or injuries incurred while serving in a combat zone is exempt from the personal income tax. Unpaid outstanding tax liabilities of such individuals are forgiven.

   Additionally, income earned by U.S. Armed Forces personnel located outside the United States who die in "terroristic or military actions" is exempt from the personal income tax.

3. Estimated Revenue Loss
   FY 25: Negligible
   FY 26: Negligible

4. Assessment
   This preference reaches its policy objectives in a fiscally effective manner. Even though the recent years have seen U.S. forces deployed in large numbers, the cost of this preference remains low. This is true because:

   a. Delaware is a small state, and its citizens constitute only a small fraction of the total military complement;

   b. Members of the armed forces have discretion in determining their residence. A significant number choose states like Texas and Florida, which do not levy income taxes; and,

   c. Compared to other wars, such as World War II, Korea, and Vietnam, the number of casualties suffered in recent years has been relatively small.

   Barring a major military engagement, war, or terrorist action overseas resulting in a much larger number of casualties, the cost of this preference will remain negligible.

5. Inadvertent Effects
   None noted.

## 1.11 Extension of Filing Deadline for Military Personnel or Support Staff Serving in a Combat Zone

1. Statutory Provision
   Title 30, Delaware Code, Chapter 3, §376.

2. Description
   Military personnel who serve in a combat zone (pursuant to Section 112 of the IRC) are permitted to file their income tax returns up to 195 days after leaving the combat zone.

3. Estimated Revenue Loss
   FY 25: Negligible
   FY 26: Negligible

4. Assessment
   Delaware's General Assembly implemented this provision in 1991 in response to Operation Desert Storm. Legislators recognized the practical difficulty of requiring military personnel to file a state personal income tax form while actively engaged in an overseas military operation.

   This item is the most effective means of achieving its purpose fiscally and benefits those intended. The resulting impacts on final payments and refunds are minor. This provision is included as a tax preference because the filing deadline extension functions as a tax deferral in cases where a payment is due with the final return. While the deferral of final payment may amount to an interest-free loan from the state to the taxpayer, it is likely that many reservists' wage withholding levels were not adjusted to compensate for lower earnings during military service. In these cases, this filing deadline extension may actually result in the deferral of refund checks.

5. Inadvertent Effects
   None noted.

## 1.12 Exemption for Retirement Distributions Used for Education

1. Statutory Provision
   Title 30, Delaware Code, Chapter 11, §1106(b)(8).

2. Description
   This preference allows an exemption from taxable income for early distributions from qualified retirement and deferred compensation plans, provided that the distribution is used in the same tax year to pay for books, tuition or fees at an institution of higher education. This exemption is available if the distribution is used to pay for costs incurred by the taxpayer receiving the distribution or any of the taxpayer's dependents under the age of 26.

3. Estimated Revenue Loss
   FY 25: $2.8 million - $3.6 million
   FY 26: $3.0 million - $3.8 million

4. Assessment
   The purpose of this exemption is to provide parents of college age children with an additional alternative for funding their child's education. It assumes that the saving rate among families for their children's college education is insufficient. The provision's marginal impact is difficult to isolate, but it is likely minimal given all the financial considerations that affect college-funding decisions.

   For example, consider a joint return filer in the 24.0% federal tax bracket. In the absence of this provision, this taxpayer would face a combined state and local marginal tax rate on early distributions from retirement plans of 30.6% in tax year 2024 (24.0% federal income tax rate + 6.6% state income tax rate). By allowing an exclusion for state tax purposes, the marginal rate facing this hypothetical taxpayer is reduced to 23.8% (a 21.6% reduction – 6.6%/30.6%). The degree to which such a reduction increases the use of retirement funds for higher education costs is uncertain.

5. Inadvertent Effects
   Nationally, 72.5% of taxpayers who made deductible contributions to individual retirement accounts had adjusted gross incomes of $50,000 or more in 2016, according to IRS data. Low-income families are most likely to need assistance with higher education costs, but they are also likely to have less

money invested in retirement funds. This provision may benefit high income families disproportionately.

Additionally, to the extent that the provision does encourage the use of retirement funds for higher education costs, the amount available for distribution after retirement is reduced. Because the income from qualified distributions from tax deferred retirement vehicles is included in adjusted gross income, the use of retirement funds for higher education costs could reduce the amount available for retirement and the tax revenues these funds would generate.

## 1.13 Exemption for Trusts Established as "Designated" or "Qualified" Settlement Funds

1. Statutory Provision
Title 30, Delaware Code, Chapter 16, §1633(4).

2. Description
This provision exempts from Delaware income taxes the earnings of trusts that are recognized as "designated" or "qualified" settlement funds IRC §468B. Generally speaking, these types of settlement funds are established to satisfy claims arising out of tort, breach of contract, injury, death, property damage or violation of the law. *Designated* settlement funds may only be established by courts. *Qualified* settlement funds may be established by any government agency or instrumentality.

IRC §468B(b)(3) exempts "qualified payments" to a designated settlement fund, defined as money or property transferred to a fund pursuant to a court order, from the fund's gross income. Treasury Regulations Section 1.468B-2 exempts "amounts transferred to the qualified settlement fund...to resolve or satisfy a liability for which the fund was established" from gross income. In the absence of this provision, trust income for state tax purposes would include any income other than transfers to pay claims, such as interest income from fund assets.

3. Estimated Revenue Loss
FY 25: Unknown
FY 26: Unknown

4. Assessment
This preference is intended to further Delaware's reputation as a leader in the financial services sector. Since these funds are established by agreement

between plaintiffs and defendants in civil cases, the prospect of taxation in Delaware would make it very likely that the parties to a suit would seek to establish such a fund outside the state. How successful this preference has been in achieving its intended purpose is unknown.

It is likely that any funds which are located in Delaware due to this exemption would not be located here in the absence of this preference. Therefore, the state would not likely stand to gain additional revenue if it were to eliminate the credit.

5. Inadvertent Effects
None noted.

## 1.14 Land and Historic Resource Tax Credit

1. Statutory Provision
Title 30, Delaware Code, Chapter 18, §§1801 – 1807.

2. Description
This preference allows an income tax credit for permanent gifts of land or interest in land to public agencies and qualified private non-profit charitable organizations. Lands that qualify must either:

a. Meet the criteria for Open Space established by the Delaware Land Protection Act;
b. Consist of natural habitat for the protection of Delaware's unique and rare biological and natural resources; or,
c. Protect Delaware's important historic resources.

The tax credit is based on 40% of the appraised fair market value of the gift. The amount of credit that can be claimed is limited to $50,000. In any one tax year, the credit claimed cannot exceed the tax due, but unused portions of the $50,000 credit can be carried forward for up to five (5) consecutive years. The credit became available on January 1, 2000.

3. Estimated Revenue Loss [7]
FY 25: (D)
FY 26: (D)

[7] The maximum amount that can be awarded in any one year cannot exceed $1 million, and these credits may not total more than $10 million over the life of the program.

4. Assessment

The goal of this tax preference is to encourage land conservation and historic preservation by providing an income tax preference for the donation of lands to the state or qualifying conservation organizations.
The state will have limited control over the types of land donated and the location of such land (subject to limitations discussed above) and no control over the timing of such donations. As an alternative, the state could make outright purchases of properties deemed desirable for conservation. This approach would avoid an additional complication of the tax code and restore some degree of control and predictability to land conservation efforts.

5. Inadvertent Effects

In effect, through the adoption of this preference, the state is attempting to address a perceived market failure: the loss of open space. Like many business development incentives, a common criticism of awarding tax breaks for conservation efforts is that, in many instances, the desired behavior would have occurred in the absence of the tax break. That is, many of the land-owners who choose to participate in this program may have never contemplated developing their land. In such instances, this provision acts as a "bonus" and not as an incentive that actually changes behavior.

Whether the value of preserving open space exceeds the benefits of allowing market forces to determine the lands' "highest and best" use is debatable. If open space preservation efforts are extensive enough they could influence real estate markets by increasing housing prices in certain areas.

## 1.15 Historic Preservation Credit

1. Statutory Provision

Title 30, Delaware Code, Chapter 18, §§1811 – 1817.

2. Description

Under this provision, a person who wishes to repair or otherwise preserve a historic property may apply to the State Historic Preservation Office, for a partial credit for qualified expenditures.

To qualify for the credit, an individual must first submit a rehabilitation proposal to the Historic Preservation Office to ensure that the restoration, when completed, would meet federal and state guidelines. Credits would be

granted on a first come-first serve basis, not to exceed $8 million[8] in any one fiscal year. Moreover, of the credits awarded in a given fiscal year, $100,000 must be reserved for distribution to qualified resident curators; $1.5 million shall be reserved for projects receiving a credit of not more than $300,000, and $1.5 million shall be reserved for projects located in Downtown Development Districts.

Upon project completion, a State Preservation Office must certify that the end product conforms to federal and state requirements. Once certified, the Division of Revenue or the Office of the State Bank Commissioner will determine the appropriate value of the tax credit to be issued. Personal/corporate income or bank franchise tax credits may be valued at:

- 20% (30% in the case of low income housing) of qualified expenditures made in the rehabilitation of any certified historic property eligible for a federal tax credit under §47 of the Internal Revenue Code (income producing properties);

- 30% (40% in the case of low income housing) of qualified expenditures made in the rehabilitation of any certified historic property not eligible for a federal tax credit under IRC §47 (non-income producing properties); or

- 100% of the qualified expenditures made in the rehabilitation of a certified historic property qualifying for credit award as a resident curatorship property regardless of eligibility for a federal tax credit under IRC §47 [26 U.S.C. §47].

Rehabilitative efforts taking the following forms do not qualify for the Historic Preservation Credit:

a. The acquisition of real property or interest in real property,

b. Additions to existing structures when the square footage of all additions is greater than or equal to 20% of the total square footage of the historic portion of the property,

c. Paving or landscaping costs that exceed 10% of the total qualified expenditure,

[8] The maximum amount of credits awarded shall not exceed $8 million for Fiscal Years 2026-2031 (84 Del. Laws c. 83 § 50).

d. Sales and marketing costs, or,

e. Expenditures not properly charged to a capital account, or, in the case of owner occupied property, would not be charged to a capital account if the owner were using such property in a trade or business.

3. Estimated Revenue Loss[9]
FY 25: $205,000
FY 26: $125,000 - $1.0 million

4. Assessment
The intention of this provision is to encourage private sector participation in maintaining and preserving the state's historic structures. However, since no public purpose is required for participation in this program, it is possible that the benefits enjoyed from this credit could accrue to relatively few and most likely wealthy individuals. Credits could be issued for renovations conducted on privately owned homes located in isolated areas. In these instances, taxpayers subsidizing the historic renovation would be unable to even view that for which their tax dollars have paid. Recent experience, however, has proven that businesses account for the majority of those qualifying to take this credit.

Additionally, it is unlikely that individuals with insufficient means to undertake renovations would be motivated by this tax incentive. As such, it is possible that this credit may act more as preservation subsidy than as a preservation incentive.

Because this preference is administered on a first-come, first-served basis, it would also be possible for funds which should have been allocated to the state's most important historic resources to instead be diverted to other, potentially less worthy, properties. Moreover, this method of allocation may cause equity concerns given that there is no restriction on the amount of tax credit than can be granted to any one taxpayer. Consequently, one taxpayer could receive the entire $8 million credit allotment in any given year.

5. Inadvertent Effects
As previously mentioned, aside from the resident curator provision there is nothing preventing one large taxpayer from receiving the remainder of the

[9] Claims against tax credits may not be taken until approved projects are completed.

credits available in any given fiscal year. Such allocation of the credit may actually hinder preservation efforts by causing individuals who would have otherwise begun historic rehabilitation to postpone projects until the credit is once again available. Additionally, equity concerns are a likely consequence of credit monopolization.

## 1.16 Earned Income Tax Credit

1. Statutory Provision
   Title 30, Delaware Code, Chapter 11 §1117.

2. Description
   Federal law permits certain low-income individuals with earned income, meeting adjusted gross income thresholds, to take a refundable Earned Income Tax Credit (EITC). Starting with tax year 2021, Delaware taxpayers who qualify to take the federal EITC are permitted to take either a non-refundable state tax credit equal to 20% of the federal amount or a refundable state tax credit equal to 4.5% of the federal amount.

3. Estimated Revenue Loss
   FY 25: $17.5 million
   FY 26: $18.0 million – $18.5 million

4. Assessment
   EITC advocates consider this credit to be an important tool in fighting poverty. Since 1975, the federal Earned Income Tax Credit has worked as an income subsidy which is delivered through the tax code and targets the working poor. As opposed to traditional welfare programs, proponents argue that the EITC encourages socially beneficial behavior by rewarding work.

5. Inadvertent Effects
   Among federal tax preference items, the EITC has one of the higher rates of errors and noncompliance. Because the federal EITC is a refundable credit, the impact of these errors and noncompliance frequently exceed the amount of federal tax otherwise due. Delaware's experience administering its EITC is largely consistent with the federal track record. As a consequence, the administration of the EITC, an effective low-income subsidy, appears to come at a somewhat higher administrative cost relative to the cost of other tax preference items.

## 1.17 Exemption of Out-of-State Resources During Declared Emergencies

1. Statutory Provision
   Title 30, Delaware Code, Chapter 31, §§3101 – 3105.

2. Description
   Delaware does not consider equipment and personnel employed during a declared state of emergency by infrastructure companies based in other states to constitute legal presence in the state for tax purposes if those assets are employed in emergency related work.

3. Estimated Revenue Loss
   FY 25: Negligible
   FY 26: Negligible

4. Assessment
   This preference may facilitate the response to future disasters by eliminating tax concerns of companies employing out-of-state resources. Firms will not be required to calculate and submit income tax withholdings for out-of-state individuals conducting infrastructure work during a declared emergency period. This may remove a potential barrier to bringing those individuals into the state.

   The revenue lost from this preference is likely to be negligible for two reasons. First, the probability of a declared disaster occurring during any given fiscal year is small and unpredictable. Second, enforcement would likely be low if Delaware chose to tax this activity.

5. Inadvertent Effects
   None noted.

## 1.18 Vocational Rehabilitation Hiring Credit

1. Statutory Provision
   Title 30, Delaware Code, Chapter 20B, §§20B-100 – 20B-104.

2. Description
   This preference provides an incentive for employers to hire individuals with a state certified physical or mental disability who are in the process of, or have completed, vocational rehabilitative services. Employers may claim a refundable credit against the bank franchise tax, corporate income tax,

personal income tax, or insurance income tax equal to 10% of gross wages or $1,500, whichever is lower, for each qualified disabled worker they hire. Credits may be claimed in the year the qualified disabled worker is hired and for two subsequent years.

3. Estimated Revenue Loss
FY 25: (D)
FY 26: Negligible

4. Assessment
The credit is available for hiring occurring on or after January 1st, 2017 and may be taken in the year of the hiring and up to two years thereafter. The tax credit can provide a labor market advantage for individuals with a qualified disability to offset other employment disadvantages they might face.

5. Inadvertent Effects
Employers taking this credit may already employ individuals with a qualified disability and receive the federal WOTC. In these cases, the Vocational Rehabilitation Hiring Credit acts as a bonus rather than an incentive. Additionally, the record retention requirements of this credit increase the complexity of the tax return. As returns become more complicated, more errors are made when filing and more administrative costs are incurred during the tax verification process.

As a credit that overlaps with other federal incentives, it is important to note that any attempt to mirror the federal provisions on a piecemeal or incremental basis may mask fiscal impacts when evaluated independently. However, when combined, the impact of all preferences may be significant. While the goal of incentivizing work opportunities for the disadvantaged is a laudable one, achieving such a goal through direct appropriation or via a single tax preference linked to the federal WOTC would be simpler and more transparent.

## 1.19 Angel Investor Tax Credit

1. Statutory Provision
Title 30, Delaware Code, Chapter 20D, §§20D-101 – 20D-110.

2. Description
This preference provides an incentive for investors to invest capital in qualified Delaware-based, high-tech small businesses. Qualified investors can

claim a refundable tax credit of 25% of their qualified investment. The total credits awarded per year is capped at $5 million. The cumulative tax credit limit for qualified investors in one year is $250,000 for married couples filing jointly, $125,000 for individuals. No more than $500,000 in credits may be awarded for qualified investments in any one qualified business over all calendar years.

This provision expires for tax years beginning on or after January 1, 2022. This assessment is included as credits generated in tax year 2021 could still be claimed through returns received in FY 2023.

3. Estimated Revenue Loss[10]
FY 25: N/A
FY 26: N/A

4. Assessment
The purpose of the tax credit is to create an environment that supports small, high tech businesses, increases their access to capital, encourages companies to plant their "roots" in Delaware, grows the Delaware economy, and creates an environment that is attractive to new investment in the long term. Investors must maintain their investments in the business for three calendar years. If an investor fails to maintain investments in the business for the full three-year period, the tax credit may be revoked; if it is revoked, the credit must be repaid to the state in full. If a business fails to maintain certain expenditure and employment requirements over the three-year period, the tax credit is revoked and must be repaid to the state according to a repayment schedule (prorated 100%, 66.7% and 33.3%, depending on the number of years for which these requirements were met).

Given the low utilization of this credit when it was effective (tax years 2019 – 2021), this credit appears not to have been effective at creating an environment that supports small, high tech businesses, increasing their access to capital, encouraging companies to plant their "roots" in Delaware, growing the Delaware economy, and creating an environment that is attractive to new investment in the long term.

5. Inadvertent Effects
None noted.

[10] (D) = Per 30 Del. C. §368, the Department of Finance is prohibited from disclosing tax return information identifying specific taxpayers.

## 1.20 529 and ABLE Deduction

1. Statutory Provision
Title 30, Delaware Code, Chapter 11, §1106(b)(11) – 1106(b)(12)

2. Description
Beginning in Tax Year 2022, this preference allows Delaware residents two deductions from personal income tax. The first is a deduction from taxable income of up to $1,000 for contributions (or $2,000 for joint filers) to an account established and maintained pursuant to the DE529 Education Savings Plan as set forth in subchapter XII of Chapter 34 of Title 14. The deduction does not apply to individuals with a federal AGI greater than $100,000 or $200,000 for joint returns. The second is a deduction from taxable income of up to $5,000 for contributions to an account established and maintained pursuant to the Delaware Achieving a Better Life Experience (ABLE) Program as set forth in Chapter 96A of Title 16.

3. Estimated Revenue Loss-[11]
FY 25: Negligible
FY 26: Negligible

4. Assessment
One of the main criticisms of 529-related tax preferences is that they mainly benefit the wealthy. Data from 11 states show that 90% of the contributions to 529 plans are from households with income over $100,000. This provision has a means test to help ensure benefits of this preference are given to those with incomes below $100,000, or $200,000 for joint returns.

Given the means test on income and relatively low subtraction for qualifiable contributions, the potential incentive effect of the 529 and ABLE deductions on boosting savings may be limited. For example, consider a single filer household with a taxable income of $50,000, contributing the maximum allowable amount of $1,000 to a 529 Savings Plan. At a 5.5% marginal tax rate, the single filer would reduce their tax liability by $55, begging the question of whether a $55 benefit would act as a sufficient incentive to contribute an additional $945 that they otherwise would not have. The relatively modest nature of this tax preference suggests that the benefit provided may act more as a reward for existing activity rather than an incentive for new or increased contributions.

[11] The estimates are from the fiscal note for HB 145 with HA 4 of the 151st General Assembly.

ABLE plans, which provide similar tax-free growth for costs for caring for individuals with disabilities, are relatively new. In an environment of rapidly increasing costs, similar to higher education, providing tax benefits for individuals to save can help ease the burden.

The purpose of 529 and ABLE accounts (at the federal level) is to allow the funds to be deposited post-tax and thereafter to grow and later be distributed tax free, similar to a Roth IRA, as long as the distributions are made to pay qualified educational expenses. Therefore, contributions to these accounts are not deductible for income tax purposes at the federal level, similar to contributions to a Roth IRA, so the question then is whether as a policy matter, contributions to these accounts should be deductible for state income tax purposes.

5. Inadvertent Effects

Individuals and households taking this subtraction may already be contributing to a 529 or ABLE Savings Plan. In these cases, the 529 and ABLE deductions act as a bonus rather than an incentive.

On both a federal and state level, the earnings as well as qualified distributions are tax deductible. When combined with the Delaware contribution deduction, the impact of all the preferences may be significant and arguably provide a double benefit.

## 1.21 Organ and Bone Marrow Transplantation Tax Credit

1. Statutory Provision

Title 30, Delaware Code, Chapter 20E, §§20E-101 – 20E-104

2. Description

Beginning in tax year 2023, this preference allows Delaware taxpayers to claim a refundable credit of up to $10,000 for unreimbursed medical expenses and lost wages related to a donation of an organ or bone marrow by the taxpayer or dependent. In addition, the provision provides a refundable tax credit to Delaware employers who provide employees who donate an organ or bone marrow with paid time off for the purpose of the transplantation in the amount of 25% of the employee's gross wages for a period of up to 30 days of missed work for each donation; this employer credit will be effective once the Division of Revenue has implemented the corporate income tax release of the Integrated Revenue Administration System. Neither the individual tax credit

nor the employer tax credit extends to lost wages or gross wages for traditional paid time off. The tax credit must be claimed in the taxable year in which the organ or bone marrow transplantation occurs.

3. Estimated Revenue Loss[12]
FY 25: Negligible
FY 26: Negligible

4. Assessment
The purpose of this tax credit is to incentivize Delaware taxpayers to donate organs and bone marrow for transplantation and for Delaware employers to grant paid time off to employees who donate organs and bone marrow. There is mixed historical evidence linking tax incentives to increased donation rates, so the effectiveness this tax credit will have at increasing donations remains unknown.

Additionally, the tax credit applies to unreimbursed medical expenses, travel expenses, lodging expenses, and lost wages related to organ or bone marrow donation, but the credit does not apply to childcare or eldercare expenses. According to the Health and Human Services Department, childcare and eldercare costs are estimated to range from around $1,680-$3,000 during the typical 4–6-week post-surgical recovery time. If the goal is to incentivize donation by removing the financial barriers related to donation, then the credit might be more effective by expanding the scope of reimbursable expenses.

Providing reimbursements through the tax system generally delays the payment until tax filing season. A living donor with unreimbursed expenses will need to wait 12 months or more for the benefit if the expenses are incurred early in the calendar year; in no case will the upfront costs to donors be removed.

5. Inadvertent Effects
Living donors taking this credit may have donated organs and bone marrow despite this credit, and therefore in these cases, the credit acts as bonus rather than an incentive.

The Organ and Bone Marrow Transplantation Tax Credit poses a potential administrative burden. The process of verifying/auditing qualified expenses

[12] Estimated revenue loss represented here is only for the Personal Income Tax loss for taxpayers claiming the individual tax credit. The employer tax credit is not yet effective and would be a revenue loss for the Corporate Income Tax.

for a period of one or more tax years requires highly skilled staff and increases the complexity of the tax return, incurring more costs and the potential for more errors.

## 1.22 Union Dues Deduction

1. Statutory Provision
   Title 30, Delaware Code, Chapter 11, §1109(a)(2)(d)

2. Description
   Starting in tax year 2024, this preference permits an itemized tax deduction of the annual cost to a resident to maintain membership in a labor organization, not to exceed $500. This preference limits the deduction to individuals who have not taken a deduction on their federal income tax return for any cost to maintain membership in a labor organization and does not include payments that are not deductible under federal law.

3. Estimated Revenue Loss
   FY 25: Negligible
   FY 26: Negligible

4. Assessment
   Union membership has been declining for decades, dropping from 20.1% of the employed workforce in 1983 to 10.3% in 2021. If this decline is, in part, due to the financial strain imposed by union dues, the tax preference could address this concern. However, given the $500 deduction limit, the maximum reduction to a filer's tax liability would be $33, which may not be sufficient to incentivize membership and act only as a reward for behavior that would have occurred irrespective of the deduction.

   Critics of union dues tax deductions argue that union members receive specific benefits in return for their dues and cost burdens should not be shifted to Delaware's taxpayers.

5. Inadvertent Effects
   Union dues had been federally deductible as part of unreimbursed employee expenses to the extent they and other miscellaneous deductions exceeded 2% of federal adjusted gross income and the taxpayer itemized deductions. The Tax Cut and Jobs Act of 2017 eliminated this and other miscellaneous deductions, but they are scheduled to be restored in tax year 2026. This

preference provides a tax benefit for these formerly privileged expenses. By limiting this deduction to individuals who have not taken a deduction on their federal income tax return, if federal law restores or creates a similar deduction, this preference does not permit a duplicate deduction.

# CORPORATE INCOME TAX

- Statutory Provision

  Title 30, Delaware Code, Chapters 19 and 64.

- Collection/Administrative Agency

  The Department of Finance, Division of Revenue, administers this tax.

- General Liability

  Every domestic and foreign corporation doing business in Delaware is required, unless specifically exempt by law, to file a corporate income tax return regardless of the amount of its gross income or its taxable income. Corporations that maintain a statutory office in Delaware but do not conduct business within the state are not required to file a corporate income tax return.

  Tax liabilities for Delaware purposes are based on the share of the corporation's federal taxable income that is allocated and apportioned to Delaware. Delaware taxable income does not include interest on obligations of the United States, the state of Delaware, or its subdivisions. Dividends, interest, and royalties of foreign corporations that qualify for a foreign tax credit for federal purposes are excluded from Delaware taxable income. Additional deductions are allowed for wages eliminated as a deduction in the calculation of the federal Jobs Credit and certain expenditures on renovations that improve accessibility for handicapped persons.

  Income from rents and royalties, patents and copyright royalties, gains and losses from the sale or other disposition of real and tangible personal property, and interest is allocated directly to the states where the property is physically located or the transactions took place, reduced by the applicable related expenses.

  Apportionment of unallocated income is generally based on Delaware gross receipts to total United Stares gross receipts for interstate business. The apportionment formula is applied to a company's entire taxable income, excluding its allocated and exempt income. Prior to the passage of the Delaware Competes Act in January 2016, the apportionment calculation was based on equal weighting of property, wages and sales ratios.

| | |
|---|---|
| **2016 and years prior** | Apportionment Ratio = .333 * Property Ratio + .333 * Salary Ratio + .333 * Sales Ratio |
| **2017** | Apportionment Ratio = .25 * Property Ratio + .25 * Salary Ratio + .50 * Sales Ratio |
| **2018** | Apportionment Ratio = .20 * Property Ratio + .20 * Salary Ratio + .60 * Sales Ratio |
| **2019** | Apportionment Ratio = .125 * Property Ratio + .125 * Salary Ratio + .75 * Sales Ratio |
| **2020 and beyond** | Apportionment Ratio = Sales Ratio |

- Tax Rate

  8.7% of taxable income

- Tax Receipts, net of refunds (millions of dollars)

| Fiscal Year | 2016 | 2017 | 2018 | 2019 | 2020* | 2021* | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total ($) | 143.3 | 120.8 | 89.7 | 147.8 | 116.5 | 209.7 | 314.2 | 383.9 | 344.8 | 371.4 |

* TY 2019 Final and TY 2020 Q1 Tentative payments were delayed from April 2020 to July 2020 causing a one-time shift of revenues from FY 2020 to FY 2021.

- Tax Preferences

  The following table identifies corporate income tax preferences within the Delaware Code along with annual estimated costs. Links within the table navigate to more detailed analysis of each tax preference.

| TAX PREFERENCE | FY 25 (EST) | FY 26 (EST) |
|---|---|---|
| 2.01 Exemption of Investment Holding Companies, Firms Managing Intangible Investments of Mutual Funds | Unknown | Unknown |
| 2.02 Deduction of Interest from Affiliated Companies | Negligible | Negligible |
| 2.03 Handicapped Accessibility Deduction | Negligible | Negligible |
| 2.04 Neighborhood Assistance Credit | $750,000 | $700,000 - $900,000 |
| 2.05 Tax Credit for Creation of Employment and Qualified Investments in Business Facilities (New Jobs Creation formerly Blue Collar Jobs Act) | $250,000 | $250,000 - $1.5 million |
| 2.06 Tax Credit for Creation of Employment and Qualified Investments in Targeted Areas (New Jobs Creation formerly Blue Collar Jobs Act) | Included in 2.05 | Included in 2.05 |
| 2.07 Clean Energy Technology Device Manufacturing Tax Credits | $0 | $0 |
| 2.08 Credits for Development at "Brownfield" Sites and Facilities | $0 | $0 |
| 2.09 Research and Development Tax Credit | $25.7 million | $22.0 - $28.0 million |
| 2.10 Land and Historic Resource Tax Credit | Negligible | Negligible |
| 2.11 Historic Preservation Credit | (D) | (D) |
| 2.12 Headquarters Management Company | $0 | $0 |
| 2.13 Asset Management Corporation | Negligible | Negligible |
| 2.14 Business Finder's Fee Tax Credit | $0 | $0 |

| | | |
|---|---|---|
| 2.15 Exemption of Out-of-State Resources During Declared Emergencies | Negligible | Negligible |
| 2.16 New Economy Jobs Tax Credit | (D) | (D) |
| 2.17 Vocational Rehabilitation Credit | Negligible | Negligible |
| 2.18 Apportionment Election Preference for Worldwide Headquarters and Telecommunications Companies | (D) | (D) |
| 2.19 Automatic External Defibrillator Tax Credit | Negligible | Negligible |
| 2.20 Marijuana Tax Business Deduction | $0 | Indeterminate |

Negligible = Defined as less than $50,000.
(D) = Per 30 Del. C. §368, the Department of Finance is prohibited from disclosing tax return information identifying specific taxpayers.

## 2.01 Exemption of Investment Holding Companies, Firms Managing Intangible Investments of Mutual Funds

1. Statutory Provision
Title 30, Delaware Code, Chapter 19, §1902(b)(8).

2. Description
Investment holding companies and corporations whose activities within this state are confined to the maintenance and management of the intangible investments of corporations or business trusts registered as investment companies under the Investment Company Act of 1940 are exempt from the corporate income tax.

3. Estimated Revenue Loss
FY 25: Unknown
FY 26: Unknown

4. Assessment
This provision is designed to spur economic development in the state. The tax preference is intended to strengthen the state's reputation as a major financial center and to signal to the financial community that Delaware is a progressive state in terms of liberalizing its financial regulatory environment. Originally, this exemption applied only to investment holding companies. On July 1, 1990, this provision was extended to include corporations that invest the funds of a mutual fund.

Eligible firms file informational returns establishing their eligibility for the exemption and do not have to file a corporate income tax return. This makes an accurate assessment of the revenue impact of this provision little more than guesswork. Investment holding companies are established in Delaware primarily because of this tax exemption, and it is likely that many of them would leave the state if the exemption were repealed or modified given the mobility of intangible assets. No data exist by which the Division of Revenue could make its own estimate of the revenue loss generated by this exemption.

Many states have passed legislation to effectively prevent companies from deducting expenses paid to Delaware Investment Holding Companies from corporate income. As the number of states which allow these payments to be deducted from corporate income decreases, the use of these companies may potentially decrease as well.

5. Inadvertent Effects
None noted.

## 2.02 Deduction of Interest from Affiliated Companies

1. Statutory Provision
Title 30, Delaware Code, Chapter 19, §1903(a)(2).

2. Description
Delaware allows firms (creditors) to deduct the amount of interest income (including discount) that they earn on inter-corporate obligations, usually in the form of advances, loans, or similar contractual transactions. In order to qualify for this deduction, the following requirements must be met:

(i) the debtor and creditor corporations are subject to taxation under Delaware law; and,
(ii) the debtor corporation does not claim a deduction for such interest payments in determining its entire net income for Delaware corporation income tax purposes.

3. Estimated Revenue Loss
FY 25: Likely to be Negligible*
FY 26: Likely to be Negligible*

* Accounts for a very high probability of a sweeping behavioral effect. See discussion in Assessment, below.

4. Assessment
The corporate income tax deduction for interest from affiliated corporations allows related companies to shift interest income and related expenses among members of a group that is eligible to file a federal consolidated return. The rationale behind this provision is consistent with the idea behind the exemptions for investment holding companies (Item 2.01) and designated or qualified settlement funds (Item 1.13). A tax advantage for the management of inherently mobile intangible assets, such as inter-company obligations, enhances Delaware's reputation as a financial center and may also produce relatively small employment gains for Delaware's financial and legal communities. Because the ease with which intangible assets could be moved from Delaware is so great, it is clear that a tax incentive's impact on the decision to locate such assets in Delaware is critical.

In fact, many argue that a business's decision to "locate" intangible assets in Delaware occurs solely due to the tax incentive. Unlike tangible business assets, such as a production or research facility, the location of intangible assets is not dependent upon the quality of public infrastructure, access to markets, a well-trained pool of labor, or quality of life considerations. In the event of its repeal, the vast majority of the intangible assets covered under this provision would leave the state, drastically reducing any revenue loss estimate produced on a static basis.

When the deduction was enacted in 1957, Delaware permitted corporations to elect to file consolidated returns. Since most corporations at that time filed consolidated returns, there was little or no revenue impact resulting from the shift of income among related companies. Starting on August 1, 1971, however, corporations were not permitted to file consolidated returns and now must file a separate return for each corporation conducting business within Delaware. Interest may be excluded from state taxation to the extent that the creditor corporation (the corporation that receives the interest income) conducts a greater percentage of its business in Delaware than the debtor corporation (the corporation that pays the interest on its debt).

Affiliated finance companies (AFCs) present a special case under this tax preference. The AFC acts as a creditor by purchasing receivables from their affiliate or "core business" (a large retailer, for example). The affiliate usually has a very small apportionment percentage because sales in Delaware make up only a small part of its market. The AFC, however, usually has a very high apportionment percentage (frequently 100%). The interest on a large loan from an AFC to the core business is often sufficient to totally eliminate its tax liability when deducted from the AFC's net income. The AFC's primary function is to enhance the financial position of the core business; large loans are not uncommon. It is evident that this preference is the reason behind the establishment of AFC's in Delaware. The fact that so many AFC's were established in Delaware in response to this provision suggests that its elimination would cause many or all AFC's to move to other states.

As mentioned above, estimates of the revenue loss for this tax preference are confounded by unknown market responses to a change in this tax law. Although the elimination of this provision could cause a temporary, short-term increase in revenues, firms likely would move these operations out of the state as quickly as possible, erasing any long-term revenue gain.

5. Inadvertent Effects
None noted.

## 2.03 Handicapped Accessibility Deduction

1. Statutory Provision
Title 30, Delaware Code, Chapter 19, §1903(a)(2)(f).

2. Description
Delaware offers a deduction, not to exceed $5,000, equal to the renovation expenses incurred removing design features in a building which restrict a physically handicapped person's full use of said building. For the purposes of this provision, Delaware Code defines "building" as building or structure, located in Delaware and open to the general public. This definition includes sidewalks, curbing, driveways, and entrances connected with, or related to, the use of the building structure. Expenditures incurred in the removal of architectural barriers or physical design features in order to make the building more accessible to handicapped individuals also qualify.

3. Estimated Revenue Loss
FY 25: Negligible
FY 26: Negligible

4. Assessment
This deduction is rarely utilized; in most years, no firms use the preference. This suggests that it is insufficient to encourage businesses to undertake costly renovations. This is true despite the fact that the deduction may be claimed in addition to a deduction on depreciation for renovation projects. Moreover, corporations are also allowed to expense up to $15,000 of capital costs in lieu of depreciation to remove architectural and transportation barriers to handicapped individuals under §190 of the federal IRC, which is adopted by Delaware law. As such, corporations may receive a Delaware tax benefit of up to $435 (8.7% of the capital project up to $5,000) in addition to expensing or depreciating the capital investment.

Small businesses may also claim the federal "disabled access tax credit" equal to 50% of "eligible access expenditures" (defined under Section 44 of the IRC) that exceed $250 but not exceeding $10,250. To be eligible, a small business must have gross receipts of less than $1 million or no more than 30 full-time employees.

Despite these federal and state inducements, very few companies have responded to them. The primary policy tool in promoting handicapped accessibility is the Americans with Disabilities Act (ADA). Enforcement of the ADA depends primarily upon private lawsuits brought by persons who claim that a business is non-compliant.

Given its history of limited use, it appears that utilization of this tax benefit will remain inconsequential and that this provision will do little to achieve its intended purpose. It is also unclear whether the state should subsidize actions that are already mandated by other laws.

5. Inadvertent Effects
None noted.

## 2.04 Neighborhood Assistance Credit

1. Statutory Provision
Title 30, Delaware Code, Chapter 20, Subchapter I, §§2001 – 2008.

2. Description
Persons that invest in community development programs approved by the Director of the Delaware State Housing Authority and the Neighborhood Assistance Act Advisory Council are entitled to a tax credit equal to 50% of the amount invested by a business firm in a program or in a Community-Based Development Organization. The tax credit is limited to the lesser of 50% of a firm's qualifying investment or $50,000. The aggregate amount of tax credits awarded in any one year may not exceed $1 million.

The term "Neighborhood Assistance" encompasses contributions to neighborhood organizations, Community Development Corporations, or Community-Based Development Organizations, which fund the following activities: job training or education for individuals not employed by the business firm, community services, crime prevention, housing, or economic development in an impoverished area.

Legislation enacted during the 147th General Assembly reduced the maximum annual award of Neighborhood Assistance Credits and capped the amount a firm may receive over a three-year period in order to extend the availability of the credit to a greater number of firms.

3. Estimated Revenue Loss
FY 25: $750,000[1]
FY 26: $700,000 - $900,000

4. Assessment
The goal of this credit is to encourage Delaware businesses to invest in job training, education, crime prevention, and other community services in designated impoverished areas.

5. Inadvertent Effects
None noted.

## 2.05 Tax Credit for Creation of Employment and Qualified Investments in Business Facilities (New Jobs Creation formerly Blue Collar Jobs Act)

1. Statutory Provision
Title 30, Delaware Code, Chapter 20, Subchapter II, §§2010 – 2015.

2. Description
Any corporate taxpayer that makes a qualified investment ($200,000 or more) and that hires five or more qualified employees ($40,000 per employee) is entitled to receive a tax credit. Eligible corporations receive credits of $500 for each qualified employee and $500 for each $100,000 invested, not to exceed 50% of their tax liability in a given year. Credits may be taken in the taxable year in which all eligibility conditions are met and for any of the 9 following taxable years. Unused credits may be carried forward.

Qualified activities are defined as:

1. Manufacturing;
2. Wholesaling;
3. Scientific, agricultural or industrial research development or testing;
4. Computer processing, or data preparation and processing services;
5. Engineering services;
6. Consumer credit reporting services, including adjustment and collection services and credit reporting services;
7. Non-custom computer software;
8. Telecommunications services;
9. Aviation services;

[1] Includes revenue loss due to credits claimed under the personal income tax by pass-through entity partners/owners.

10. Year-round, climate-controlled space used for growing fruits or vegetables;
11. Any combination of the activities described above; or,
12. The administration, management or support operations (including marketing) of any activity described above.

Telecommunication service businesses are required to hire at least 50 qualified employees and make a minimum investment of $15,000 per qualified employee (with a minimum aggregate investment of $750,000, rather than $200,000).

An alternative investment tax credit of $375 per $100,000 of investment is available in cases where the qualified investment is at least the greater of $1 million, or 15% of the unadjusted basis of the qualified facility. The alternative credit is to be used by manufacturers, wholesalers or aviation service firms who do not meet the ordinary requirements for investment credits, such as the required number of new employees).

Eligibility for corporate income tax credits also means firms become eligible for gross receipts and public utility tax breaks.[2] Unused credits may be carried forward for use in future tax years.

Both corporate income tax receipts and the cost of this preference fluctuate considerably from year to year.

3. Estimated Revenue Loss[3]
FY 25: $250,000
FY 26: $250,000 - $1.5 million

4. Assessment
The first goal of these credits is to promote job creation and investment in Delaware by giving employers incentives to hire additional full-time employees

[2] A related type of investment credit can be used against the bank franchise tax (5 Del. C., Chapter 11, Section 1105(h)-(i)).

[3] This estimate only includes the fiscal impact of this provision with respect to the corporate income tax. No assessment is made of the extent to which these credits will be claimed against other eligible taxes. Given this limitation, the fiscal impact estimate does not reflect the full impact of this provision on state revenues. It also excludes any "dynamic" revenue effect the credit may have (i.e., economic improvements resulting from the credit which offset some of its cost). For example, to the extent that the qualified investment in new facilities and employees increases a firm's productivity (and profits) corporate income tax receipts – and other state tax receipts – could increase. Establishing and quantifying a causal effect, however, would be tenuous at best.

or to expand business facilities. The second goal is to offer an incentive to firms that are considering whether to locate a facility in Delaware. Whether a $500 credit per $100,000 of investment (0.5%) offers enough incentive for firms to expand is an open question, but appears improbable. In the absence of increased demand for a firm's products or services, the promise of a relatively small tax subsidy will make little difference in the expansion decision.

These credits also attempt to create a competitive environment to attract new business to Delaware. State development officials have indicated that these credits serve a useful role as a marketing tool in recruiting new businesses to Delaware. On the margin, the existence of tax credits may tip a firm's location decision in Delaware's favor. The credits may have value if they portray Delaware as being committed to economic development.

In general, though, the impact of taxes on business location decisions is often of secondary importance to other elements of a state's business climate. Access to markets, labor skill and supply, and infrastructure quality are typically more important considerations in a business's location decision. It is often unclear whether tax credits are critical to a firm's decision to establish or expand its operations in Delaware or if they merely serve as a bonus to firms that would have chosen to locate here regardless of the credit. The size of the incentives suggests that they are unlikely to have a significant impact on businesses' location decisions. Despite this, proponents argue that such credits must be offered for businesses to even consider Delaware as a potential location. Although the credits often may not be *the* deciding factor in a location decision, they still may be an important consideration. The marginal impact of the credits may be important enough to retain them; they may even be considered a cost of doing business for state development efforts.

An assessment of the fiscal impact of the credits depends on the ability to identify those business decisions that were influenced by the credits and those that were not. Fiscal impacts could then be calculated for both sets of decisions and weighed against each other. However, no data exist that would allow such a comparison to be conducted.

5. Inadvertent Effects

These credits may indeed serve as a useful promotional tool for state development officials. However, there is an equally strong probability that most firms are simply "rewarded" with a bonus for actions that they would

have taken without the existence of a credit, rather than "earning" a credit for actions that would not have occurred without them.

## 2.06 Tax Credit for Creation of Employment and Qualified Investments in Targeted Areas (New Jobs Creation formerly Blue Collar Jobs Act)

1. Statutory Provision
Title 30, Delaware Code, Chapter 20, Subchapter III, §§2020 – 2022.

2. Description
This provision provides employers engaged in qualified activities (as defined in §2010 – see above) an extra credit of $250 (for a total credit of $750) for each additional full-time employee, and an extra credit of $250 (for a total of $750) for each $100,000 investment in qualified facilities located in "targeted areas" (as defined in §2020), in addition to the credits allowable under §2011 above.

A related credit of $500 (the amount for investment in qualified facilities) is allowed for facilities engaged in "commercial or retail activity" within targeted areas. *Commercial activities* (as defined in §2020(1)) include all services except: amusement conductor, amusement park operator, auctioneer, automobile race operator, bowling alley operator, circus exhibitor, entertainment agent, finance or small loan agency, floor show operator, health spa or health club, junk dealer, motion picture theater, outdoor music festival promoter, pawnbroker, pool table operator, public bath keeper, salvage yard operator and self-service laundry or dry cleaner. *Retail activities* (as defined in §2020(2)) include all retail trade except: providing retail food and beverage services (including eating and drinking places, but excluding grocery and convenience stores), engaging in automobile sales, or providing recreation or entertainment. Facilities meeting this expanded definition in targeted areas are treated as if they qualified for the credit described above in 2.05.

3. Estimated Revenue Loss [4]
FY 25: See Item 2.05 above
FY 26: See Item 2.05 above

4. Assessment
These credits were established to further encourage economic development and employment in underdeveloped areas of the state and to create a business environment that is competitive with other states in the region. It is likely that

[4] This figure is included in the fiscal impact estimate for tax credits for the creation of employment and qualified investment in business facilities (Item 2.05).

some of the financial benefit of these credits accrues to firms that would have invested in these areas anyway. In these cases, the use of this preference does not reflect behavioral change induced by the tax benefit; the credits are of secondary importance to other elements of a state's business climate, such as access to markets, the skill and cost of labor, and infrastructure. Given the size of the incentives and the characteristics of the targeted areas, they seem unlikely to have a significant impact on business location decisions.

5. Inadvertent Effects
Certain qualifying firms may be benefiting from a tax incentive for actions that were largely unrelated to the existence of the preference.

## 2.07 Clean Energy Technology Device Manufacturing Tax Credits

1. Statutory Provision
Title 30, Delaware Code, Chapter 20, §2040.

2. Description
Clean energy technology device manufacturers qualifying for the New Job Creation Credit (see Item 2.05) are entitled to increase the income tax credits established under that provision by $250, from $500 to $750. Clean energy technology device manufacturers include makers of the following items:

- Solar power devices;
- Fuel cells;
- Wind power devices; and,
- Geothermal power devices.

3. Estimated Revenue Loss[5]
FY 25: $0
FY 26: $0

4. Assessment
At present this credit has not been claimed.
This credit was established to further encourage economic development and employment with respect to specific forms of manufacturing within the state. While this credit has not been used so far, it may potentially be utilized in the future should clean energy manufacturing become increasingly popular. Like

[5] While these credits have not been used in previous years, their use may grow in the future if Delaware's manufacturing landscape changes.

all economic development credits, it is likely that some of the financial benefit of these credits will ultimately accrue to firms that would have made the investments regardless of the credit.

5. Inadvertent Effects
See Items 2.05 and 2.06.

## 2.08 Credits for Development at "Brownfield" Sites and Facilities

1. Statutory Provision
Title 30, Delaware Code, Chapter 20, §2011(l).
Title 30, Delaware Code, Chapter 20, §2021(d).

2. Description
Brownfield properties are typically abandoned properties where some residual environmental contamination may still exist or where fears of cleanup liability may be preventing re-use of the land. Piggybacked on the New Job Creation Credits, the "brownfield" credits attempt to encourage redevelopment of these lands by offering reduced license fees and tax credits for firms that invest in these properties. Tax credits worth $650 for each qualified employee and $650 for each $100,000 in qualified investment in "brownfield" sites are available. The value of these credits grows to $900 per qualified employee or $900 for each $100,000 in qualified investments if the "brownfield" is also located in a "targeted" area as defined under §2020.

3. Estimated Revenue Loss
FY 25: $0[6]
FY 26: $0

4. Assessment
Since the inception of this program in 1995, this program has gone largely unused.

As with many tax preferences, the brownfield credits may not offer enough incentive to outweigh the large potential cleanup liabilities that investment in or ownership of these properties may entail. Moreover, firms that would actually fund and oversee a brownfield clean up, such as those that specialize in environmental remediation or real estate development, would not typically meet the New Job Creation Credit employment, investment and qualified

[6] When relevant, estimates include revenue losses due to credits claimed under the personal income tax by pass-through entity partners/owners.

activity requirements. As mentioned above, Brownfield Credits can only be awarded if the firm first qualifies for the New Job Creation Credit.

Further diminishing the Brownfield credit's efficacy is the fact that otherwise eligible firms may not be initially profitable. Because of this, they have no corporate income tax liability and are often small enough to be exempt from payment of the gross receipts tax. The offer of a non-refundable tax credit is irrelevant to a firm without any tax liability within the foreseeable future.

5. Inadvertent Effects
Like other tax preferences that try to induce behavioral change, it seems likely that the brownfields credits will reward behavior that would have occurred regardless of the preference.

## 2.09 Research and Development Tax Credit

1. Statutory Provision
Title 30, Delaware Code, Chapter 20, Subchapter VIII, §§2070 – 2075.

2. Description
This preference, adapted from similar federal tax provisions, allows a credit against tax for qualified research conducted within Delaware. As a result of the Commitment to Innovation Act, signed into law March 17, 2016, this credit was amended to ensure that all companies receive the full research and development tax credit for which they qualify. Prior to tax year 2017, the statewide cap on such credits was $5 million per year. If statewide credit applications exceeded $5 million, receipts were allowed *pro rata* according to the approved amount so that the total approved credits would not exceed $5 million. For tax years 2017 and beyond, the Commitment to Innovation Act removes the $5 million cap and the full, approved amount of the credit will be granted.

This legislation also provides that credits issued for tax years 2017 and later will be refundable. Unused credits issued prior to tax year 2017 cannot be carried back but can be carried forward fifteen years; these credits remain nonrefundable.

3. Estimated Revenue Loss
FY 25: $25.7 million
FY 26: $22.0 - $28.0 million

4. Assessment

The purpose of this preference is to enhance Delaware's reputation as a home for research-intensive firms, such as pharmaceutical and biotechnology firms. Like all business tax incentives, it is difficult to isolate that portion which actually results in "new" economic activity from that part which merely serves as a bonus to firms that would have engaged in the desired activity in the absence of the incentive. Because the Research and Development Credit is used by many firms that already had significant research and development activity in Delaware prior to its enactment, it is likely that a large portion of the provision's cost does not add to the level of research and development conducted in Delaware. On the other hand, as may be the case with the New Job Creation Credits, the Research and Development Credits may be considered an unavoidable cost of doing business for states that hope to compete successfully in the area of high-tech economic development.

5. Inadvertent Effects

None noted.

## 2.10 Land and Historic Resource Tax Credit

1. Statutory Provision

Title 30, Delaware Code, Chapter 18, §§1801 – 1807.

2. Description

This preference allows an income tax credit for permanent gifts of land or interest in land to public agencies and qualified private non-profit charitable organizations. Lands that qualify must either:

(1) meet the criteria for Open Space established by the Delaware Land Protection Act;

(2) Consists of natural habitat for the protection of Delaware's unique and rare biological and natural resources; or

(3) Protect Delaware's important historic resources.

The tax credit is 40% of the appraised fair market value of the gift up to $50,000. The credit is not refundable, but unused portions can be carried forward for up to five (5) consecutive years.

3. Estimated Revenue Loss

FY 25: Negligible
FY 26: Negligible

4. Assessment
This credit may not be effective in motivating some corporate donors—this credit only benefits those firms that have a tax liability. Due to fluctuations in net corporate income, in any given year three-quarters of firms have little or no tax liability and would therefore have little incentive to take advantage of the credit.

For further discussion, refer to Section 1.14.

5. Inadvertent Effects
Refer to Section 1.14.

## 2.11 Historic Preservation Credit

1. Statutory Provision
Title 30, Delaware Code, Chapter 18, §1813.

2. Description
Under this provision, a person who wishes to repair or otherwise preserve a historic property may apply to the State Historic Preservation Office for a partial credit for qualified expenditures.

To qualify for the credit, an individual must first submit a rehabilitation proposal to the Historic Preservation Office to ensure that the restoration will meet federal and state guidelines. Credits are to be granted on a first-come, first-served basis, not to exceed $5 million in any one fiscal year. Projects receiving a credit of not more than $300,000 are allocated at least $1.5 million of the total, and $1.5 million of credits are reserved for projects located in Downtown Development Districts, $500,000 of which is reserved for projects receiving a credit of not more than $300,000. Moreover, $100,000 of the credits awarded in a given fiscal year must be reserved for distribution to qualified resident curators. After April 1 of each year, any unused balance from the reserved amounts is available for any eligible project.

Upon project completion, the State Preservation Office must certify that the end product conforms to federal and state requirements. Then the Division of Revenue or the Office of the State Bank Commissioner will determine the appropriate value of the tax credit to be issued. Personal Income Tax, Corporate Income Tax, or Bank Franchise Tax credits may be valued at:

- 20% (30% in the case of low-income housing) of qualified expenditures made in the rehabilitation of any certified historic property eligible for a federal tax credit under §47 of the Internal Revenue Code (income producing properties);

- 30% (40% in the case of low-income housing) of qualified expenditures made in the rehabilitation of any certified historic property not eligible for a federal tax credit under §47 of the Internal Revenue Code (non-income producing properties); or,

- 100% of the qualified expenditures made in the rehabilitation of a certified historic property qualifying for credit award as a resident curatorship property regardless of eligibility for a federal tax credit under § 47 of the Internal Revenue Code [26 U.S.C. § 47].

Rehabilitative efforts taking the following forms do not qualify for the Historic Preservation Credit:

1) The acquisition of real property or interest in real property;

2) Additions to existing structures when the square footage of all additions is greater than or equal to 20% of the total square footage of the historic portion of the property;

3) Paving or landscaping costs that exceed 10% of the total qualified expenditure;

4) Sales and marketing costs; or,

5) Expenditures not properly charged to a capital account, or, in the case of owner-occupied property, would not be charged to a capital account if the owner were using such property in a trade or business.

3. Estimated Revenue Loss[7]
FY 25: (D)
FY 26: (D)

[7] These figures reflect the loss to the Corporate Income Tax only. With the exception of credits owned by individuals (see section 1.16), it appears that most of the remaining Historic Preservation Credits are owned by financial institutions. As such, there are millions of dollars in credits available that could offset Bank Franchise Tax liabilities. Given the transferability of these credits, at any time the credits may be conveyed to corporate taxpayers and then used to immediately reduce corporate income tax liabilities.

4. Assessment
For a more complete discussion, refer to analysis in Section 1.15

5. Inadvertent Effects
Refer to analysis in Section 1.15.

## 2.12 Headquarters Management Company

1. Statutory Provision
Title 30, Delaware Code, Chapter 64 and Chapter 20, §§2061 – 2064.

2. Description
Headquarters Management Corporations (HMC's) are entities treated as a corporation under the Internal Revenue Code of the United States (Title 26 of the United States Code) that:

a. Make an election to be taxed as a Headquarters Management Corporation; and

b. The activities of which in this state are certified by the Director of Revenue to be confined to investment activities and/or the provision of headquarters services to itself and members of its affiliated group.

Headquarters services include accounts receivable and payable; employee benefit plan administration; insurance; legal; payroll; data processing; purchasing; and tax, financial and securities accounting, reporting and compliance services provided by a Headquarters Management Corporation to itself and members of its affiliated group, and the maintenance and management of the intangible investments of other members of its affiliated group.

HMC's were developed as a complement to Delaware Investment Holding Companies (See Item 2.01). Whereas even the most ardent supporters of Investment Holding Companies would admit that they provide little in the way of direct employment benefits, HMC's were designed with the goal of increasing employment in Delaware for firms which limit their activities in Delaware to providing certain services to entities within their affiliated group.

(D) = Per 30 Del. C. §368, the Department of Finance is prohibited from disclosing tax return information identifying specific taxpayers.

HMC's are entitled to generous tax credits, which, by adding as few as five employees, eliminate 99% of the corporate income tax otherwise due. These credits are available for ten years.

3. Estimated Revenue Loss
FY 25: $0
FY 26: $0

4. Assessment
HMC's were established in 2004. Since that time, fewer than twenty HMC applications have been approved. As is the case with Investment Holding Companies, there is a high likelihood that the HMC's would not have been formed were not for 99% tax exemption offered under this provision. The fact that in fifteen-years' time so few firms have opted to take advantage of the HMC statute calls into question its general effectiveness as an economic development incentive.

5. Inadvertent Effects
None noted.

## 2.13 Asset Management Corporation

1. Statutory Provision
Title 30, Delaware Code, Chapter 19, §1903(b)(7).

2. Description
Asset Management Corporations (AMC's) are corporations that derive 90% or more of their federally-reported gross receipts from asset management services. Asset management services include, with respect to intangible investments:
a. Rendering investment advice, including investment analysis;
b. Making determinations as to when sales and purchases are to be made;
c. Selling or purchasing;
d. Rendering administration services;
e. Rendering distribution services; or
f. Managing contracts for sub-advisory services.

Rather than the three-factor apportionment used by other corporations, asset management corporations are entitled to use customer-based sourcing and single factor, receipts-based apportionment.

3. Estimated Revenue Loss
FY 25: Negligible*
FY 26: Negligible*

* Accounts for a very high probability of a sweeping behavioral effect. See discussion in Assessment, below.

4. Assessment
The legislation establishing asset management corporations was adopted in response to evolving business practices within the financial services industry. In the mutual fund industry, for example, firms are increasingly engaging in related activities, such as pension fund management, that would fall outside of the scope of Delaware's mutual fund exemption. Because Delaware's mutual fund exemption is an "all or nothing proposition" (to qualify, 100% of a firm's activities must be confined to the management of intangible investments of mutual funds) any activity outside this scope, no matter how small, results in the loss of the exemption.

This provision is designed to allow firms the flexibility to engage in a wider array of financial activities without risking the loss of their tax advantaged status. The asset management corporation legislation was effective starting in tax year 2009. At present, fewer than five corporations have elected AMC status.

It is likely that any firms which are located in Delaware due to this distinction would not be located here in the absence of this preference. Therefore, the state would not likely stand to gain additional revenue if it were to eliminate the credit as the firms would leave the State.

5. Inadvertent Effects
None noted.

## 2.14 Business Finder's Fee Tax Credit

1. Statutory Provision
Title 30, Delaware Code, Chapter 20, §§2090 – 2097.

2. Description
This tax credit's purpose is to create incentives for existing businesses to partner with the state in the effort to create new employment opportunities for Delaware citizens, and to stimulate the Delaware economy by expanding

the tax base. A finder's fee, a tool used commonly by businesses, is an arrangement by which an intermediary finds, introduces, and brings together parties to a business opportunity.

This provision rewards each Sponsor Firm (the "finder") and each New Business Firm (the business which relocates to Delaware) with a $500 annual tax credit per Delaware job created by the new business. The tax credit is available for three years. The program requires that the new business relocate to Delaware as a result of the efforts of the sponsor, and excludes those businesses, such as real estate agents, banks and commercial landlords, that already have an incentive to bring out-of-state business to Delaware.

3. Estimated Revenue Loss
FY 25: $0
FY 26: $0

4. Assessment
This provision became effective on October 1, 2010. Since its introduction, no businesses have applied for the Business Finder's Fee program.

5. Inadvertent Effects
Like all economic development tax incentives, there is a good chance that some of the firms that eventually take advantage of this legislation would have located in Delaware in its absence. In such cases, this legislation would act as a "bonus" instead of an incentive.

## 2.15 Exemption of Out-of-State Resources During Declared Emergencies

1. Statutory Provision
Title 30, Delaware Code, Chapter 31, §§3101 – 3105.

2. Description
Delaware does not consider equipment and personnel employed during a declared state of emergency by infrastructure companies based in other states to constitute legal presence in the state for tax purposes if those assets are employed in emergency related work.

3. Estimated Revenue Loss
FY 25: Negligible
FY 26: Negligible

4. Assessment

This preference may facilitate the response to future disasters by eliminating tax concerns of companies employing out-of-state resources. During a declared emergency period, Delaware does not consider out-of-state businesses, workers, and property to have legal presence in this state of tax purposes. Companies without prior nexus in the state will benefit from this preference as they will not have to file a corporate income tax return. Companies with prior nexus in the state will also benefit from this preference as they will not be required to consider out-of-state, emergency-related property and personnel in their apportionment formula.

The revenue lost from this preference is likely to be $0 for two reasons. First, the probability of a declared disaster occurring during any given fiscal year is small and unpredictable. Second, enforcement would likely be low if Delaware chose to tax this activity.

5. Inadvertent Effects

None noted.

## 2.16 New Economy Jobs Credit

1. Statutory Provision

Title 30, Delaware Code, Chapter 20, §§2080 – 2086.

2. Description

The purpose of this provision is to incentivize the creation of new, well-paying positions without regard to industry or occupation. Targeted economic incentives are frequently criticized as government's attempt to "pick winners" by singling out a specific industry for tax preferences or direct assistance. Instead, the logic behind this provision is that, in the long-run, labor markets will determine which skills and industries are most in demand. As such, the most effective incentive is one that implicitly accepts those results without limiting the incentive to a predetermined list of preferred activities.

During the 148th General Assembly, this credit expanded to include a benefit for retained jobs. A company involved in or resulting from a recent corporate restructuring which has its principal executive offices in Delaware and is focused on specific industries such as agricultural science, nutrition, biosciences, and safety may be eligible for a job retention credit. A program focused on job retention is founded on differing logic than one which targets new employment. Such a credit should be sufficiently narrow to continue to

allow market forces to direct employment away from declining industries while still allowing the State to compete for retention of large employers in healthy industries considering leaving the State.

To qualify, a new employer must add at least 50 net new jobs with average annual salaries of at least $142,040 for tax year 2024.[8] This provision awards a refundable tax credit ranging from 25% to 40% of the qualified withholding taxes collected and paid on behalf of these new, qualified employees during the taxable year. Additional geographic-based credits are available to businesses that locate qualifying employees within targeted growth zones, incorporated municipalities, former brownfields and targeted growth counties.

The maximum aggregate credit is 65% of qualified withholding. Qualifying firms are eligible for credits over a ten year period. Eligibility in each year during that period is independently determined for new cohorts of employees.

Legislation enacted during the 147th General Assembly added additional ways a firm may qualify for this credit. Employers that create at least 200 jobs with an average salary of $70,000 (not indexed for inflation) in Delaware will be entitled to a tax credit equal to 25% of the withholding paid by the employer for the new jobs. If employers create more than 200 jobs, the size of the tax credit increases and can reach 40% if the employer creates 500 or more new jobs.

For retained jobs, the certified employer must maintain 200 jobs with an average salary of $70,000 in Delaware to earn a tax credit equal to 25% of the withholding paid by the employer on behalf of the retained employees. If employers retain more than 200 jobs, the size of the tax credit increases and can reach 40% if the employer retains 500 or more employees.

3. Estimated Revenue Loss
FY 25: (D)
FY 26: (D)

4. Assessment
This credit provides the Delaware Economic Development Office with a tool to recruit high-paying jobs to Delaware. The possibility that this provision might go unused for several years is expected, because it is designed to help

[8] This salary threshold is adjusted for inflation (CPI growth) annually.
(D) = Per 30 Del. C. §368, the Department of Finance is prohibited from disclosing tax return information identifying specific taxpayers.

Delaware capitalize on rare, significant economic development opportunities, such as the potential relocation of a corporate headquarters.

5. Inadvertent Effects
Like all economic development tax incentives, there is a good chance that some of the firms that take advantage of this legislation would have located or stayed in Delaware in its absence. In such cases, this legislation would act as a "bonus" instead of an incentive.

## 2.17 Vocational Rehabilitation Hiring Credit

1. Statutory Provision
Title 30, Delaware Code, Chapter 20B, §§20B-100 –20B-104.

2. Description
This preference provides an incentive for employers to hire individuals with a state-certified physical or mental disability who are in the process of, or have completed, vocational rehabilitative services. Employers may claim a refundable credit against the bank franchise tax, corporate income tax, personal income tax, or insurance income tax equal to 10% of gross wages or $1,500, whichever is less, for each qualified disabled worker they hire. Credits may be claimed in the year the qualified disabled worker is hired and for two subsequent years.

3. Estimated Revenue Loss
FY 25: Negligible
FY 26: Negligible

4. Assessment
The credit is available for employees hired on or after January 1st, 2017 and may be taken in the year of the hiring and up to two years thereafter. The tax credit can provide a labor market advantage for individuals with a qualified disability to offset other employment disadvantages they might have faced.

5. Inadvertent Effects
Refer to Section 1.18.

## 2.18 Apportionment Election Preference for Worldwide Headquarters and Telecommunication Companies

1. Statutory Provision
Title 30, Delaware Code, Chapter 19, §§1901 – 1903.

2. Description
As part of legislation enacted in the 148th General Assembly to modernize Delaware's apportionment of multi-state firms' profits—moving from three factor apportionment to single sales factor apportionment over a five year period—Telecommunications Corporations (TCCs) and Worldwide Headquarters Corporations (WHCs) are allowed to annually elect their apportionment method between equally weighted three factors or a single sales factor beginning in tax year 2017.

TCCs are members "of a group of corporate and non-corporate entities, which group (a) consists of corporate and non-corporate entities that are affiliated through relationships described in § 267(b) of the Internal Revenue Code, (b) provides both intrastate mobile telecommunications services and other intrastate telephone services, as such terms are used in § 5501(8)a.3. of [Title 30], and (c) in the aggregate earns annual gross receipts in the United States from providing intrastate and interstate telephone and telecommunications services, and from providing Internet access, as such term is defined in § 5501(6) of [Title 30], in excess of" $50 billion.

WHCs are corporations that (a) list the site of their principal executive offices as an address in Delaware in their Form 10-Q filing with the SEC for the quarter immediately prior to January 1st, 2017, (b) employ at least 400 full-time employees at the corporate headquarters in Delaware as of January 1st, 2016, and (c) make or contract for a capital investment of not less than $25 million to renovate or improve the corporate headquarters in Delaware between July 1st, 2014 and June 30th 2018.

3. Estimated Revenue Loss
FY 25: (D)[9]
FY 26: (D)

[9] (D) = Per 30 Del. C. §368, the Department of Finance is prohibited from disclosing tax return information identifying specific taxpayers.

4. Assessment

At the time of enactment, the full impact of the Delaware Competes Act was projected to cost $8.2 million in FY 17 and $17.6 million in FY 18 for all corporate income taxpayers in Delaware. The costs associated with the TCC and WHC provisions are likely to be a very small portion of those estimated costs.

The WHC provisions may be attractive for a few large Delaware-based firms with the potential for growth. Single-sales factor apportionment removes any negative tax consequences for expanding property and payroll in the State. Accordingly, there is no need for WHCs to defer expansion decisions until 2020.

Because TCCs are less likely to have large property and payroll shares in Delaware, this incentive may have less significance for them. Should TCCs continue to utilize three factor apportionment, then the cost of the TCC preference will continue beyond the end of the single-sales apportionment phase-in.

5. Inadvertent Effects

Providing a preference for firms in one sector of the economy may create an incentive for other firms to recharacterize their activities in such a way that they meet the legal requirements for eligibility. While the strict definitions and high barriers to entry in telecommunications industries likely prevent this issue, it is possible that some firms may be able to do so and create a basis for claiming the single-sales apportionment. To the extent they are successful, the cost of this provision rises with no benefit in terms of Delaware employment or property ownership. Such preferences may also increase administrative costs related to enforcing narrowly defined eligibility standards.

## 2.19 Automatic External Defibrillator Tax Credit

1. Statutory Provision

Title 30, Delaware Code, Chapter 20C, §§20C-100 – 20C-101.

2. Description

This preference provides an incentive for employers to place into service automatic external defibrillators (AED) at business locations within the State of Delaware. For each AED placed into service after December 31, 2017, the taxpayer is entitled to a one-time credit of $100.

3. Estimated Revenue Loss
FY 25: Negligible
FY 26: Negligible

4. Assessment
This credit is intended to incentivize private businesses in Delaware to install potentially life-saving devices at their location. The Delaware Department of Health, Office of Emergency Medical Services provides free AED devices through the Delaware Early Defibrillation Program. The $100 credit may not be likely to incentivize the purchase of a device, which typically cost between $1,200 and $3,000. Because this incentive is a credit against taxes due, entities without a tax liability (e.g. non-profits) would not benefit from this preference.

5. Inadvertent Effects
None noted.

## 2.20 Marijuana Tax Business Deduction

1. Statutory Provision
Title 30, Delaware Code, Chapter 16, Subchapter II, §1625

2. Description
This preference allows licensed marijuana establishments to deduct ordinary and necessary business expenses on their Delaware state income tax returns. Such deductions are not currently permitted under federal law due to Internal Revenue Code §280E, which disallows deductions or credits for businesses engaged in the sale of controlled substances. The Delaware provision ensures that marijuana establishments are treated comparably to other businesses for state tax purposes. However, the deduction is not permitted if federal law is amended to allow such expenses under §280E, preventing duplicate benefits. This is effective August 1, 2023.

3. Estimated Revenue Loss
FY 25: $0
FY 26: Indeterminate (subject to review after tax year 2026 returns are filed)

4. Assessment
This deduction aligns Delaware's tax treatment of marijuana establishments with that of other legal state businesses by allowing them to deduct typical

operating expenses. Without the deduction, marijuana businesses would face significantly higher effective state tax burdens compared to other industries, potentially hindering their ability to operate competitively. Supporters argue that the measure promotes fairness and helps stabilize the regulated cannabis market by reducing compliance costs that would otherwise be exacerbated by the federal §280E limitation. Critics contend that the deduction effectively subsidizes marijuana operations, shifting tax burdens to other taxpayers, and could be viewed as premature given the federal government's continued prohibition.

5. Inadvertent Effects

The provision's sunset trigger tied to §280E creates administrative complexity, requiring monitoring of federal law changes to determine ongoing eligibility. If federal law changes, marijuana establishments will need to adjust accounting practices accordingly, which may lead to compliance burdens in transition years. Additionally, while the deduction improves after-tax profitability for marijuana establishments, it could inadvertently incentivize market oversaturation or increase pressure on state regulatory oversight.

# MOTOR FUEL/SPECIAL FUEL TAX

- Statutory Provision

  Title 30, Delaware Code, Chapter 51.

- Collection/Administrative Agency

  The Department of Transportation, Motor Fuel Tax Administration, administers this tax.

- General Liability

  Delaware imposes an excise tax on each gallon of gasoline sold or used in the state. The tax is collected by and paid to the state by licensed distributors. An excise tax is also imposed on the retail sale or use of special fuel, which includes all combustible gases and liquids suitable for propulsion of motor vehicles except fuels that are determined to be gasoline or gasohol. The special fuel tax is collected by and paid to the state by licensed suppliers, users, and dealers. Another excise tax is imposed for certain aviation jet fuel designed for use in the operation of jet or turbo-prop aircraft.

- Tax Rates

  The excise tax rate is 23 cents per gallon of gasoline, 22 cents per gallon of special fuel, or 5 cents per gallon of aviation jet fuel, sold or used in the state.

- Tax Receipts ($ millions)[1]

| Fiscal Year | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total ($) | 124.6 | 129.5 | 131.6 | 142.8 | 138.7 | 128.5 | 136.7 | 136.1 | 135.1 | 132.4 |

[1] Figures are for gasoline, special fuel and aviation jet fuel receipts

- Tax Preferences

The following table identifies motor, special fuel and aviation jet fuel tax preferences within the Delaware Code along with annual estimated costs. Links within the table navigate to more detailed analysis of each tax preference.

| TAX PREFERENCE | FY 25 (EST) | FY 26 (EST) |
|---|---|---|
| 3.01 Motor Fuel Tax Exemptions | $99,000 | $105,000 |
| 3.02 Motor Fuel Tax Refunds | $35,000 | $37,000 |
| 3.03 Special Fuel Exemptions | $47,000 | $50,000 |
| 3.04 Aviation Jet Fuel Exemptions | (D) | (D) |

(D) = Per 30 Del. C. §368, the Department of Finance is prohibited from disclosing tax return information identifying specific taxpayers.

## 3.01 Motor Fuel Tax Exemptions

1. Statutory Provision
Title 30, Delaware Code, Chapter 51, Subchapter I, §5111(a)(5).

2. Description
This provision exempts gasoline sold to volunteer fire companies, veterans' groups, and civic ambulance companies from the motor fuel tax.
Section 5111 of the Delaware Code also exempts gasoline sold to the federal or state government from the motor fuel tax. However, these exemptions for governments are not considered tax preferences for the purpose of this report. (Please see section titled "Delaware Tax Provisions Not Included" for more discussion.)

3. Estimated Revenue Loss
FY 25: $99,000
FY 26: $105,000

4. Assessment
Whether the tax code is the most appropriate policy tool to provide public support for these activities is open to question. Proponents of the preference may argue that the exemption is justified because these organizations perform quasi-public service functions that the state or one of its political subdivisions would otherwise provide.

5. Inadvertent Effects
None noted.

## 3.02 Motor Fuel Tax Refunds

1. Statutory Provision
Title 30, Delaware Code, Chapter 51, Subchapter I, §5120(a).

2. Description
This provision allows for a refund of motor fuel taxes in the following circumstances:

- Gas sold for use in stationary engines, tractors, motor boats, aircraft, and any other vehicle or machine that does not utilize public highways within the State; or,

- Gas sold to operators of a taxicab business with a base of operations in Delaware.

3. Estimated Revenue Loss
FY 25: $35,000
FY 26: $37,000

4. Assessment
Because the motor fuel excise tax is intended to be a road use tax, the exemption of fuel in off-highway vehicles and machines is considered legitimate. However, one may question the exemption for taxicabs, as their operation undoubtedly occurs on public roads and highways. Additionally, with the rise of ride-sharing services, the equity of this preference for taxicabs is further brought into question.

5. Inadvertent Effects
None noted.

## 3.03 Special Fuel Exemptions

1. Statutory Provision
Title 30, Delaware Code, Chapter 51, §5133(a).

2. Description
This provision exempts special fuels—primarily diesel—sold to volunteer fire companies, veterans' groups, and civic ambulance companies from the special fuel tax.

Section 5111 of the Delaware Code also exempts fuel sold to the federal or state government from the special fuel tax. However, these exemptions for governments are not considered tax preferences for the purpose of this report. (Please see section titled "Delaware Tax Provisions Not Included" for more discussion.)

3. Estimated Revenue Loss
FY 25: $47,000
FY 26: $50,000

4. Assessment
The rationale for exempting special fuels used by eligible vehicles is consistent with the exemption of such vehicles from the motor fuels tax. Please refer to the discussion in Items 3.01 and 3.02.

5. Inadvertent Effects
None noted.

## 3.04 Aviation Jet Fuel Exemptions

2. Statutory Provision
Title 30, Delaware Code, Chapter 51, §5172(b).

3. Description
This provision exempts aviation jet fuels used for aerial application within the State from the aviation jet fuel tax. It also exempts, for a temporary period not to exceed 5 years, aviation jet fuel used for the purpose of economic development and job creation in the aviation industry in the State. This exemption must be approved by the Council on Development Finance and the Director of Small Business.

Section 5172 of the Delaware Code also exempts fuel sold to the federal or state government from the aviation jet fuel tax. However, these exemptions for governments are not considered tax preferences for the purpose of this report. (Please see section titled "Delaware Tax Provisions Not Included" for more discussion.)

4. Estimated Revenue Loss
FY 25: (D)
FY 26: (D)

5. Assessment
Aviation jet fuel used for aerial application, which is spraying crops with crop protection products from an agricultural aircraft, is a business input in the agricultural process, not a final product. Taxing business inputs violates several tax policy principles and causes economic distortions.

6. Inadvertent Effects
None noted.

(D) = Per 30 Del. C. §368, the Department of Finance is prohibited from disclosing tax return information identifying specific taxpayers.

# PUBLIC UTILITY TAX

- Statutory Provision

  Title 30, Delaware Code, Chapters 33, 41 and 55.

- Collection/Administrative Agency

  The Department of Finance, Division of Revenue, administers this tax.

- General Liability

  Firms that provide steam, gas, electric, telephone, telegraph, or cable television services are subject to the public utility tax. Except for cable television services, receipts from sales to residential users are exempt from this tax. A separate license tax is based on gross receipts of businesses that produce steam, gas, or electricity.

- Tax Rates

| UTILITY | TAX RATE | PAYMENT DATES |
|---|---|---|
| Electricity Distribution | 4.25% of gross receipts from non-residential users. 2.0% of gross receipts from manufacturers, food processors and agribusinesses. Sales to automobile and certain other types of manufacturers are exempt. | Returns and payment due on or before the 20th day after the end of each calendar month. |
| Gas Distribution | 4.25% of gross receipts from non-residential users. 2.0% of gross receipts from manufacturers, food processors and agribusinesses. Sales to automobile manufacturers are exempt. | Returns and payment due on or before the 20th day after the end of each calendar month. |
| Intrastate Telephone & Telegraph Services | 5.0% of gross receipts from non-residential users | Returns and payment due on or before the 20th day after the end of each calendar month. |
| Cable and Satellite Television Distribution | 2.125% of gross receipts | Returns and payment due on or before the 20th day after the end of each calendar month. |
| Electricity and Gas Manufacturing and Production | 0.1 % (one mill) on each dollar of gross receipts from the production of gas or electricity.<br>Municipalities are exempt. | Returns and payments are due on the first Monday of May. |

- Tax Receipts (millions of dollars)

| Fiscal Year | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total ($) | 45.0 | 43.7 | 43.1 | 37.0 | 35.8 | 35.0 | 29.6 | 35.7 | 34.5 | 36.0 |

- Tax Preferences

The following table identifies public utility tax preferences within the Delaware Code along with annual estimated costs. Links within the table navigate to more detailed analysis of each tax preference.

| TAX PREFERENCE | FY 25 (EST) | FY 26 (EST) |
|---|---|---|
| 4.01 Public Utility Exemption for Corporations Reorganizing Under Provisions of the Bankruptcy Code | Negligible | Negligible |
| 4.02 Exemption of Electricity Used in Certain Manufacturing Processes | $155,000 | $125,000 - $175,000 |
| 4.03 Refunds of Public Utility Tax to Firms That Qualify for the New Facilities Business Credit Program | Negligible | Negligible |
| 4.04 Rate Reduction for Electricity Used by Manufacturing, Agribusiness and Food Processing Firms | $1.3 million | $1.0 - $1.5 million |
| 4.05 Rate Reduction for Gas Used by Manufacturing, Agribusiness and Food Processing Firms | $130,000 | $125,000 - $150,000 |
| 4.06 Exemption of Electricity Used By Automobile Manufacturers | $0 | $0 |
| 4.07 Exemption of Gas Used By Automobile Manufacturers | $0 | $0 |
| 4.08 Rate Reduction for the Provision of Cable and Satellite Television Services | $8.1 million | $7.8 - $8.2 million |
| 4.09 Exemption for Electronic Pager Service | Negligible | Negligible |

## 4.01 Public Utility Exemption for Corporations Reorganizing Under Provisions of the Bankruptcy Code

1. Statutory Provision
   Title 30, Delaware Code, Chapter 55, §5506(f).

2. Description
   The public utility tax on gas and electricity is exempted for 36 consecutive months for any corporation which is a debtor in possession in a reorganization proceeding under Chapter 11 of the United States Bankruptcy Code.

3. Estimated Revenue Loss
   FY 25: Negligible
   FY 26: Negligible

4. Assessment
   This exemption is intended to assist ailing Delaware firms that are considered extremely important to the state economy. This exemption could result in a significant revenue loss if given to one or more firms that are a large electricity consumer. No firms are known to have claimed this exemption over the course of the last several years, and none are expected to do so in the near future.

5. Inadvertent Effects
   None noted.

## 4.02 Exemption of Electricity Used in Certain Manufacturing Processes

1. Statutory Provision
   Title 30, Delaware Code, Chapter 55, §5506(g).

2. Description
   Gross receipts from electricity used in electrolytic (decomposition of a chemical compounds using an electrical current), electroarcthermal (steel production using electric arcs for heating), or air separation manufacturing processes (separation of air into its component parts by electric charge) are exempt from the public utility tax.

3. Estimated Revenue Loss
FY 25: $155,000
FY 26: $125,000 - $175,000

4. Assessment
This preference attempts to strengthen the competitive position of certain Delaware manufacturers relative to neighboring states by assisting specific types of firms that use large amounts of electricity in production. How successfully this tax preference meets its objective is unknown.

5. Inadvertent effects
None noted.

## 4.03 Refunds of Public Utility Tax to Firms That Qualify for the New Facilities Business Credit Program

1. Statutory Provision
Title 30, Delaware Code, Chapter 55, §5507.

2. Description
Any firm that is eligible for New Job Creation Credits (defined under Title 30, Section 2011(a), formerly Blue Collar Jobs Credits) is also entitled to receive for five years a rebate of 50 percent of the public utility tax that it owes on the operation of new or expanded enterprises.

3. Estimated Revenue Loss [1]
FY 25: Negligible
FY 26: Negligible

4. Assessment
This program was implemented as a component of the Blue Collar Jobs Act in order to enhance the business climate for the state's manufacturers. For a full discussion, please refer to Item 2.05, 2.06, 2.08 and 2.09 in the corporate income tax section of this report.

5. Inadvertent effects
None noted.

[1] This estimate can vary significantly from year to year as claims for refunds from a handful of major energy-using firms can widely change the total amount of refunds.

## 4.04 Rate Reduction for Electricity Used by Manufacturing, Agribusiness and Food Processing Firms

1. Statutory Provision
Title 30, Delaware Code, Chapter 55, §5502(b)(2).

2. Description
This provision lowers the tax rate for all manufacturers in the state who do not qualify for the electrochemical manufacturing exemption discussed above (see Item 4.02). The public utility tax on electricity sold to Delaware manufacturers is 2 percent, as opposed to the general 4.25 percent rate.

3. Estimated Revenue Loss
FY 25: $1.3 million
FY 26: $1.0 - $1.5 million

4. Assessment
This preference attempts to strengthen the competitive position of Delaware's manufacturers relative to neighboring states by assisting firms that use large amounts of electricity in production. How successful this tax preference is in its purpose is unknown. For firms using significant amounts of electricity in the production process, overall power rates may be much more important than the 2.25 percentage point reduction provided by this provision in determining whether the state's utility rates are affordable and competitive. While this provision provides a 53 percent reduction in tax rates, the overall reduction in electricity costs is only 2.16 percent. For example, consider a firm that spends $10,000 annually on electricity. The savings provided by this provision are calculated as follows:

| Cost Savings from Utility Rate Reduction | | |
|---|---|---|
| Amount spent on electricity (before taxes): | **$10,000** | |
| Amount spent on electricity under 4.25% rate: | **$10,425** | ($10,000 * 1.0425) |
| Amount spent on electricity under 2.0% rate: | **$10,200** | ($10,000 * 1.02) |
| Difference | **$225** | ($10,425 - $10,200) |
| Percent reduction: | **2.16%** | ($225 / $10,425) |

A flaw of broad, industry-based preferences such as this is that firms obtain tax relief solely because they fall under a definition of "manufacturing." Firms in other industries may actually be larger power users or in more competitively precarious positions but do not meet the statutory definition.

5. Inadvertent effects

Enacting a public utility tax preference for a single sector of the economy may cause firms in that industry to lag in the introduction of more energy-efficient production technologies. Given the relatively small benefit provided by this preference, however, this outcome seems unlikely.

Additionally, providing a preference for firms in one sector of the economy may create an incentive for other firms to construe their activities in such a way that they meet the legal requirements for eligibility. For some firms, non-substantive changes to their activities or accounting practices can create a basis for claiming entitlement to benefits. To the extent that they are successful, the cost of this provision is increased with no concomitant increase in benefits. Such preferences may also increase administrative costs in enforcing narrowly defined eligibility standards.

## 4.05 Rate Reduction for Natural Gas Used by Manufacturing, Agribusiness and Food Processing Firms

1. Statutory Provision

Title 30, Delaware Code, Section §5502(b)(2).

2. Description

This provision reduces the public utility tax rate on receipts from natural gas consumed by manufacturers, agribusinesses and food processing firms to 2.0%. The general rate is 4.25%

3. Estimated Revenue Loss

FY 25: $130,000
FY 26: $125,000 - $150,000

4. Assessment

Generally speaking, the same assessment of the rate reduction for receipts from electricity consumed by manufacturers (item 4.04) can be applied to this preference. However, an evaluation of this preference must also take into account that a rate preference for electricity consumed by manufacturers existed for several years prior to the enactment of this provision. As such, a rate differential existed between electricity and gas used in manufacturing processes. To the extent that these inputs could be substituted, manufacturers had a tax induced incentive to favor electricity over natural gas. By eliminating the rate differential, the economic decisions of manufacturers for inputs in the production process will be less distorted by tax code provisions.

5. Inadvertent effects
See item 4.04.

## 4.06 Exemption of Electricity Used By Automobile Manufacturers

1. Statutory Provision
Title 30, Delaware Code, Chapter 55, §5506(j).

2. Description
This provision exempts automobile manufacturers from paying the public utility tax on electricity that they use in vehicle production.

3. Estimated Revenue Loss
FY 25: $0
FY 26: $0

4. Assessment
Noting the large "multiplier effect" that automobile plants had on Delaware's economy, the General Assembly added this provision in the spring of 1995. Automobile Manufacturers were then critical Delaware employers. While this provision likely provided only a minor benefit to auto manufacturers, it demonstrates a visible commitment by the state to this sector of the economy.

Ultimately, in the wake of the closure of the state's two auto plants, relative to the powerful economic and operational challenges that faced Delaware's auto industry, this preference's relief proved irrelevant.

5. Inadvertent effects
Enacting a public utility tax preference for a single sector of the economy may cause firms in that industry to lag in the introduction of more energy-efficient production technologies. Given the relatively small benefit provided by this preference, however, this outcome seems unlikely.

## 4.07 Exemption of Natural Gas Used By Automobile Manufacturers

1. Statutory Provision
Title 30, Delaware Code, Chapter 55, §5506(j).

2. Description
This provision exempts automobile manufacturers from paying the public utility tax on natural gas that they use in vehicle production.

3. Estimated Revenue Loss
FY 25: $0
FY 26: $0

4. Assessment
Generally speaking, the same assessment of the exemption for receipts from electricity consumed by automobile manufacturers (item 4.06) can be applied to this preference. However, an evaluation of this preference must also take into account that an exemption for electricity consumed by automobile manufacturers existed for several years prior to the enactment of this provision. As such, a rate differential existed between electricity and gas used in this manufacturing process. To the extent that these inputs could be substituted, manufacturers had a tax induced incentive to favor electricity in the production of automobiles over natural gas. By eliminating the rate differential, the economic decisions of automobile manufacturers for inputs in the production process will be less distorted by tax code provisions.

Ultimately, in the wake of the closure of the state's two auto plants, relative to the powerful economic and operational challenges that faced Delaware's auto industry, this preference's relief proved irrelevant.

5. Inadvertent effects
See Item 4.06

## 4.08 Rate Reduction for the Provision of Cable and Satellite Television Services

1. Statutory Provision
Title 30, Delaware Code, Chapter 55, §5502(b)(4).

2. Description
This preference imposes a reduced rate of 2.125% (as opposed to 5.00% for other telecommunication services) on the provision of cable and satellite television communications, commodities and services. The legal incidence of this tax falls on entities distributing cable television services within the state of Delaware.

3. Estimated Revenue Loss
FY 25: $8.1 million
FY 26: $7.8 - $8.2 million

4. Assessment
Although it can be debated whether this provision is appropriately included in this report, it is treated as a tax preference because it taxes one type of public utility service differently from others and it meets the definition of a tax preference found in 8305(6) of Title 29.[2] As this report is meant to be as inclusive as possible, an argument can be made to include this item.

The goal of this preference appears to be the provision of tax relief to residential consumers. Unlike most other elements of the public utility tax, which are limited to nonresidential services, the tax on cable and satellite services applies to residential and nonresidential consumption. By applying a lower tax rate to these services, this provision achieves this goal.

5. Inadvertent effects
None noted.

## 4.09 Exemption for Electronic Pager Service

1. Statutory Provision
Title 30, Delaware Code, Chapter 55, §5501(7)(b).

2. Description
This provision excludes electronic pager service from the public utility tax.

3. Estimated Revenue Loss
FY 23: Negligible
FY 24: Negligible

4. Assessment
This exemption differentiates electronic pager service from other types of telecommunications service. Traditional electronic pagers have limited functionality and advances in telecommunications technology have essentially rendered pagers obsolete. With the advent of smart phones, which provide a wider array of services, it is increasingly clear that "stand-alone" pagers are becoming a technological anachronism, calling into question the policy rationale for continuing this preference.

[2] The definition of a "tax preference" found in §8305(6) describes a preference as a tax code provision that (among other things) "...exempts, in whole or in part, certain persons, income, goods, *services* or property from the impact of established taxes..." The federal definition speaks more directly to the issue by defining a tax preference as "a preferential rate of tax."

5. Inadvertent effects
None Noted.

Government of the
District of Columbia

Muriel E. Bowser
Mayor

Glen Lee
Chief Financial Officer

# District of Columbia
# Tax Expenditure Report

**Produced by the**
**Office of Revenue Analysis**

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Glen Lee
Chief Financial Officer

# Introduction

D.C. Law 13-161, the "Tax Expenditure Budget Review Act of 2000,"[1] requires the Chief Financial Officer to prepare a biennial tax expenditure budget that estimates the revenue loss to the District government resulting from tax expenditures during the current fiscal year and the next two fiscal years. The law defines "tax expenditures" as "the revenue losses attributable to provisions of federal law and the laws of the District of Columbia that allow, in whole or in part, a special exclusion, exemption, or deduction from taxes … or which provide a special credit, a preferential rate of tax, or a deferral of tax liability."[2]

The Chief Financial Officer prepared the first required tax expenditure budget for the proposed fiscal year 2003 budget. This report, which estimates the revenue forgone due to tax expenditures in fiscal years 2024 through 2027,[3] covers more than 200 separate tax expenditure provisions. Several tax expenditures were also removed since the previous tax expenditure report because they are no longer applicable. Additionally, this tax expenditure budget includes a section on individual or specific tax provisions granted to a particular firm or organization. Presenting these individual and categorical tax provisions provides a more comprehensive view of the District's tax system.

**Understanding Tax Expenditures**

Tax expenditures are often described as "spending by another name" or "disguised spending." Policymakers use tax abatements, credits, deductions, deferrals, exemptions, and exclusions to promote various policy goals in education, human services, public safety, economic development, environmental protection, and other areas. Instead of pursuing these objectives through direct spending, policymakers reduce the tax liability associated with certain actions (such as hiring new employees) or conditions (such as being blind or elderly) so that individuals or businesses can keep and spend the money, often for some purpose. Unlike tax expenditures, direct spending programs usually receive an annual appropriation, and the proposed funding levels are reviewed during the annual budget cycle. Tax expenditures, on the other hand, remain in place unless policymakers act to modify or repeal them; in this respect, they are like entitlement programs. Also, direct spending programs are itemized on the expenditure side of the budget, whereas revenues are shown in the budget as aggregate receipts without an itemization of tax expenditures. For example, a program to expand access to higher education could offer tax deductions for college savings that are not accounted for in the budget instead of increasing student loans or grants. Regardless of the government's approach, there is a real resource cost regarding forgone revenue or direct expenditures.

There are two types of tax expenditures: (1) federal conformity tax expenditures, which apply U.S. Internal Revenue Code provisions to the D.C. personal and corporate income taxes, and (2) local tax expenditures authorized only by D.C. law. By conforming to the federal definition of adjusted gross income (with several exceptions), the District adopts most of the exclusions and deductions from income that are part of the federal personal and corporate income tax systems. Most states with an income tax use federal adjusted gross income as the basis for their income tax.

[1] D.C. Law 13-161 took effect on October 4, 2000 and is codified in § 47-318 and § 47-318.01 of the D.C. Official Code.
[2] See D.C. Official Code § 47-318(6).
[3] Although the law requires the tax expenditure budget to estimate the revenue loss for the current fiscal year and the subsequent two fiscal years, this report covers the current year and the subsequent three fiscal years. See D.C. Official Code § 47-392.01(b).

An example of the federal conformity tax expenditure is the home mortgage interest deduction: The District follows the federal practice of allowing taxpayers to deduct home mortgage interest payments. In addition to the 103 federal conformity provisions covered in this report,[4] there are 204 tax expenditures established by local law. An example of a local tax expenditure is the homestead deduction, which allows all D.C. taxpayers who live in their own homes to deduct a certain amount ($87,050 at the time of this writing) from the home's taxable value. Federal conformity and local tax expenditures warrant regular scrutiny to ensure they are effective, efficient, and equitable and highlight the tradeoffs between tax expenditures and other programs.

The District took a major step in scrutinizing local tax expenditures with the passage of D.C. Law 20-155, which requires the Office of the Chief Financial Officer (OCFO) to review all D.C. tax expenditures (such as abatements, credits, and exemptions) on a five-year cycle. The OCFO must summarize the purpose of each provision, estimate the revenue forgone, examine the impacts on the District's economy and social welfare, and offer recommendations about whether to maintain, revise, or repeal the tax preference. Pursuant to the legislation, to date, the Office of Revenue Analysis (ORA) has finished the first cycle of tax expenditure review by policy areas issuing 5 evaluation reports and a summary wrap-up report at the time of this writing: the 2015 District of Columbia Housing Tax Expenditure Review, the District of Columbia 2016 Tax Expenditure Review: Environment, Public Safety, Transportation, and Tax Administration and Equity Provisions, the 2018 Review of Economic Development Tax Expenditures, 2021 Review of Income Security and Social Policy Tax Expenditures, 2022 Health and Education Tax Expenditure Review, and the Summary Report on the District's First Cycle of Tax Expenditure Reviews. ORA published the first report of the second cycle, the Housing Tax Expenditure Review report, in 2023. The second report of the second cycle, the Tax Expenditure Review: Environment, Public Safety, Transportation, and Tax Administration and Equity Provisions report, will be published sometime in 2024.

Since the previous tax expenditure budget was published in 2022, policymakers have established five new local tax expenditures. These include (1) tax abatements for housing in Downtown DC, (2) tax abatement for a redevelopment project located at 3200 Pennsylvania Ave, S.E (3) Community for Creative Non-violence real property tax relief (4) Grace Covenant Church equitable real property tax relief, (5) gross income tax exclusion from funding received from the District Department of the Environment or the District of Columbia Sustainable Energy Utility to incentivize solar installations under the Solar for All program, (6) Affordable Housing Opportunities, Inc. tax abatement, (7) 206 Elm Street N.W. real property tax exemption, (8) Players Lounge tax exemption, and (9) Habitat for Humanity real property tax exemption. Since the previous report, policymakers modified four local tax expenditures: (1) senior and individuals with disabilities real property tax increase limit, which lowers the allowable increase in assessed properties to 2 percent; (2) disabled veterans homestead exemption, which allows a deduction of $445,000 from the assessed value of their homestead property, reducing the tax obligation for that property (3) New Howard University Hospital Tax Abatement Amendment that adds to parcels to the existing tax abatement, (4) tax abatement for Affordable Housing in High-Need Areas Amendment Act of 2023, and (5) Earned Income Tax Credit Expansion Amendment Act of 2022, expands the credit to residents who are not citizens or resident aliens of the United States who would otherwise qualify except for their citizenship or residency status. Additionally, as of January

[4] A small number of federal conformity tax expenditures are not included in this report because they concern tax benefits for industries, such as agriculture and mining, which are non-existent or almost non-existent in the District of Columbia.

1, 2018, the District conforms to the Internal Revenue Tax Code on the individual income standard deduction and personal exemption, which are included in the federal conformity tax expenditures.[5]

The tax expenditure budget aims to subject tax preferences to the same scrutiny as direct appropriations. Itemizing tax expenditures provides policymakers with a more complete picture of how the government uses its resources so they can consider how to allocate resources more effectively. For example, if ineffective or outmoded tax expenditures were eliminated, policymakers could free up resources to expand high-priority direct spending programs or cut tax rates. This exercise is designed to give policymakers the information they need about tax expenditures to make sound fiscal policy decisions.

**Structure of the Report**

This tax expenditure budget and accompanying report, prepared by the staff of the ORA, offers extensive background information on each tax expenditure in addition to estimates of the revenue forgone for fiscal years 2024 through 2027. The report provides (1) the statutory basis and year of enactment for each provision, (2) a description of the tax expenditure and how it is structured, (3) the purpose of the tax expenditure, and (4) a discussion of impacts.

The report begins with a summary table that overviews the District's tax expenditures. The summary table classifies the tax expenditure according to the type of tax and provides the statutory authority, year of enactment, policy area, and estimated revenue loss for fiscal years 2024 through 2027. This summary also includes individual tax expenditures.

The body of the report is organized into separate parts for federal conformity (Part I) and local tax expenditures (Part II). The local tax expenditure section includes sub-sections for each of the District's major taxes: personal and business income taxes, real property tax, deed recordation and transfer tax, sales tax, gross receipts tax, insurance premiums tax, personal property tax, local tax expenditures (unknown if used), unused local tax expenditures (no one is taking them), and unused local tax expenditures (implementing regulations not yet written).

Below are three sub-categories of local tax expenditures: (1) local tax expenditures whose usage is unknown, (2) local tax expenditures that have not been used, and (3) individual tax expenditures.

Local tax expenditures whose usage is unknown: There are some local tax expenditures in the District's tax code for which it is difficult to determine whether they are being used. One of the reasons the usage of some local provisions is unknown is due to a lack of information on the tax provision. An example of a local tax expenditure whose usage is unknown is the employer-assisted home purchase tax credit, where questions pertaining to the tax credit are not captured on the business income tax form; instead, the credit is combined with other tax credits into a single line on the tax form. When completing the tax forms, it is difficult to determine whether companies claim the employer-assisted home purchase tax credit.

Local tax expenditures that have not been used: For several of the local tax expenditures, we know they are not being used in the District because the regulations needed to implement the tax expenditures have not been written by the agency assigned to administer them. In other cases, tax

[5] The District also conforms to the Internal Revenue Tax Code on the state death tax credit, not included in the report.

provisions in the District have not been used, and it is unclear why no one is taking advantage of the tax provisions.[6]

Individual or Specific tax expenditures: Individual tax expenditures are those for which the recipient of the tax preference is specified by name in the authorizing legislation. The recipient of an individual tax provision is granted the tax benefit based on specific circumstances. This is compared to categorical tax expenditures, which may be taken by anyone eligible for them. The list of individual tax expenditures represents those that have been identified in the OCFO's Tax Expenditure Reviews and Annual Unified Economic Development Reports. As of the report's writing, 81 individual tax expenditures have been identified thus far. ORA will continue to update this listing as individual tax provisions are identified through our comprehensive review of the District's tax expenditures as mandated by D.C. Law 20-155.

Each categorical tax expenditure is described in detail, including benefit levels (the amount of abatements, credits, deductions, deferrals, exclusions, and exemptions) and eligibility criteria.

The different types of tax expenditures are as follows:

- Exclusions are items that are not considered part of a taxpayer's gross income for tax purposes, even though they increase his or her resources or wealth. Exclusions do not have to be reported on a tax return but still cause adjusted gross income to be lower than expected. Employer contributions to health and retirement plans are examples.

- Exemptions are per-person reductions in taxable income that taxpayers can claim because of their status or circumstances (such as senior citizens).

- Adjustments are reductions in taxable income available to all tax filers who meet certain criteria, regardless of whether they itemize their deductions. Adjustments are also known as "above-the-line" deductions and are entered on the tax return.

- Deductions are reductions to taxable income that must be itemized on the tax form. This option is not available to those who choose the standard deduction.

- Subtractions are reductions from federal adjusted gross income used to derive District of Columbia adjusted gross income. Subtractions reflect income that is taxed by the federal government but not by the D.C. government.

- Credits, which reduce tax liability directly instead of reducing the amount of income subject to taxation. Credits can be refundable (if the amount of the credit exceeds tax liability, the taxpayer gets the difference as a direct refund) or non-refundable (the amount of the credit cannot exceed tax liability).

- Abatements are reductions in tax liability (typically real property tax liability) that are often applied on a percentage basis or through a negotiated process.

[6] Tax expenditure estimates of $0 under the Deed Recordation and Transfer Tax are not moved to these categories, as the estimates for these provisions will depend on whether property in each category is sold and transferred in the study period.

- Deferrals delay the recognition of income to a future year or years. Because they shift the timing of tax payments, deferrals function like interest-free loans to the taxpayer.

- Rebates are refunds provided to qualifying taxpayers as a separate payment (as contrasted with tax credits that are first applied as a reduction of tax liability).

- Special rules, which is a category used for federal tax expenditures that involve blended tax rates or special accounting procedures and do not fit neatly into any other category.

**Policy and Program Areas**

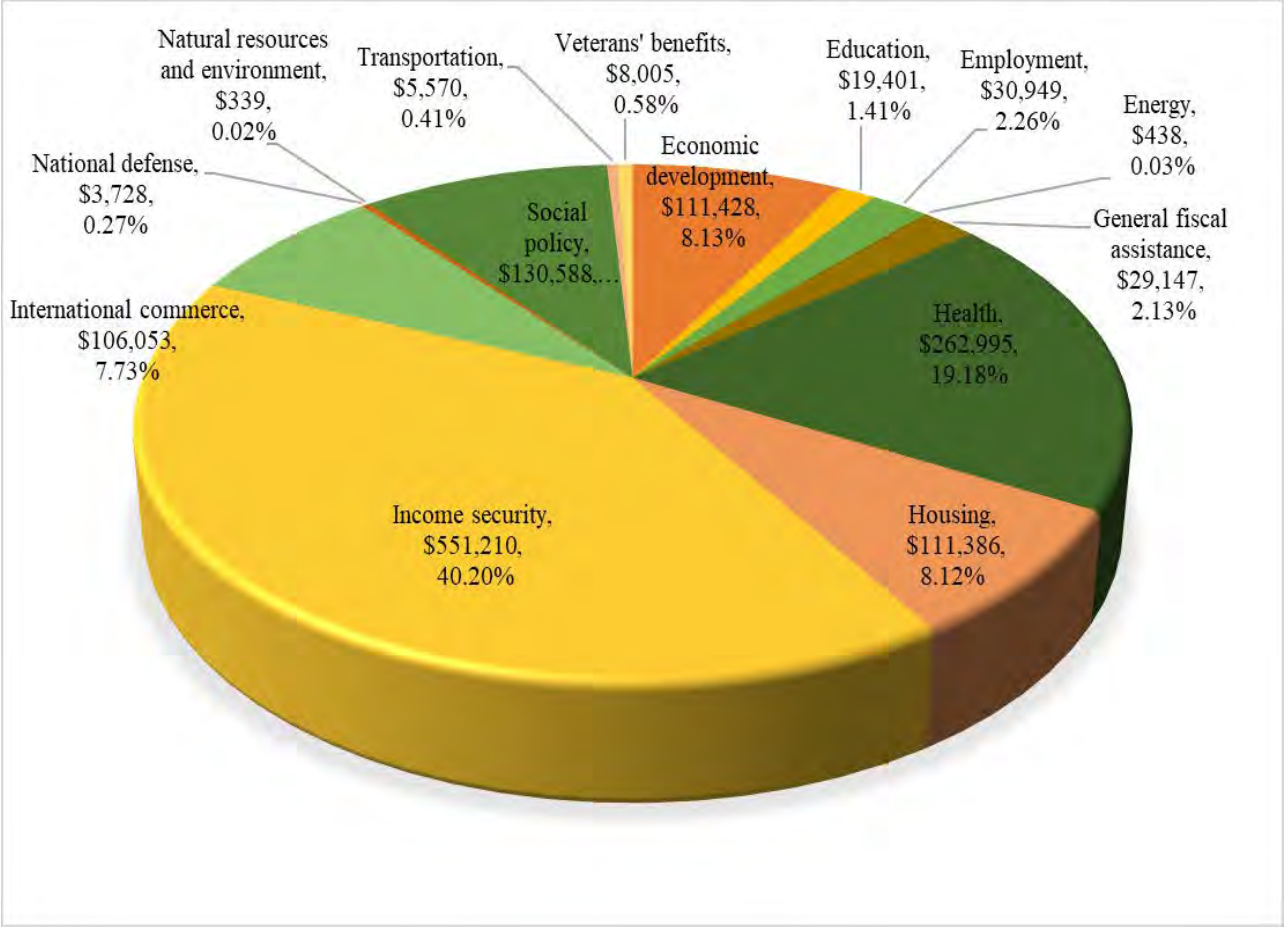
Each tax expenditure is also classified by one of 14 policy or program areas: education, health, social policy, and transportation. The policy areas largely mirror the categories used by the Joint Committee on Taxation (JCT) of the U.S. Congress, the Congressional Research Service (CRS), and the United States Department of Treasury to facilitate comparisons. Nevertheless, the categories were modified and expanded in several cases to make them more relevant to the District of Columbia. For example, the "business and commerce" category used by the JCT was changed to "economic development" to reflect a policy focus of importance in the District, and a "public safety" category was added (there are no public safety tax expenditures at the federal level).

The five policy areas with the largest number of federal conformity provisions are economic development (25 tax expenditures), income security (16), education (11), employment (7), health (7), and social policy (7). Nevertheless, ordering federal conformity tax expenditures by estimated revenue loss for each policy area (FY 2024) produces a different ranking. Income security provisions account for the largest estimated revenue loss due to the forgone revenue from employer pension contributions and earnings plans. Health provisions rank second in revenue loss for federal conformity provisions, followed by social policy, economic development, and housing. Many federal tax expenditures classified under the social policy include charitable contributions, child care, employer-provided child care, and foster care payments.

Assessing the District's local tax expenditure provisions, the four policy areas with the largest number of categorical tax expenditures are housing (35 tax expenditures), social policy (24), economic development (20), general law (15), and income security (9). Once again, the ordering of local tax expenditures by estimated revenue loss for each policy area, excluding general law and tax administration and equity, which are provisions that either aid the government in performing its duties, prevent double taxation, or help in defining the tax base, produces a different ranking.[7] General law usually represents the largest revenue forgone ($2.4b) in local tax expenditures and includes provisions directed to federal and state governments, including buildings owned by the federal, state, and foreign governments, and those more akin to base defining measures, such as the exemption of professional and personal services from the sales tax ($276m). Tax administration and equity, one of the smallest revenue-forgone policy areas (minimal), are tax provisions created to assist in tax administration and prevent double taxation, which is also excluded since they are more akin to base-defining measures. The figure below presents total local District tax expenditures and estimated revenue loss by policy area for fiscal year 2024.

[7] The estimated revenue loss in these calculations is for FY 2024.

**Table 1: Federal Conformity FY 2024 Tax Expenditures, Aggregated by Policy Area in $000s**

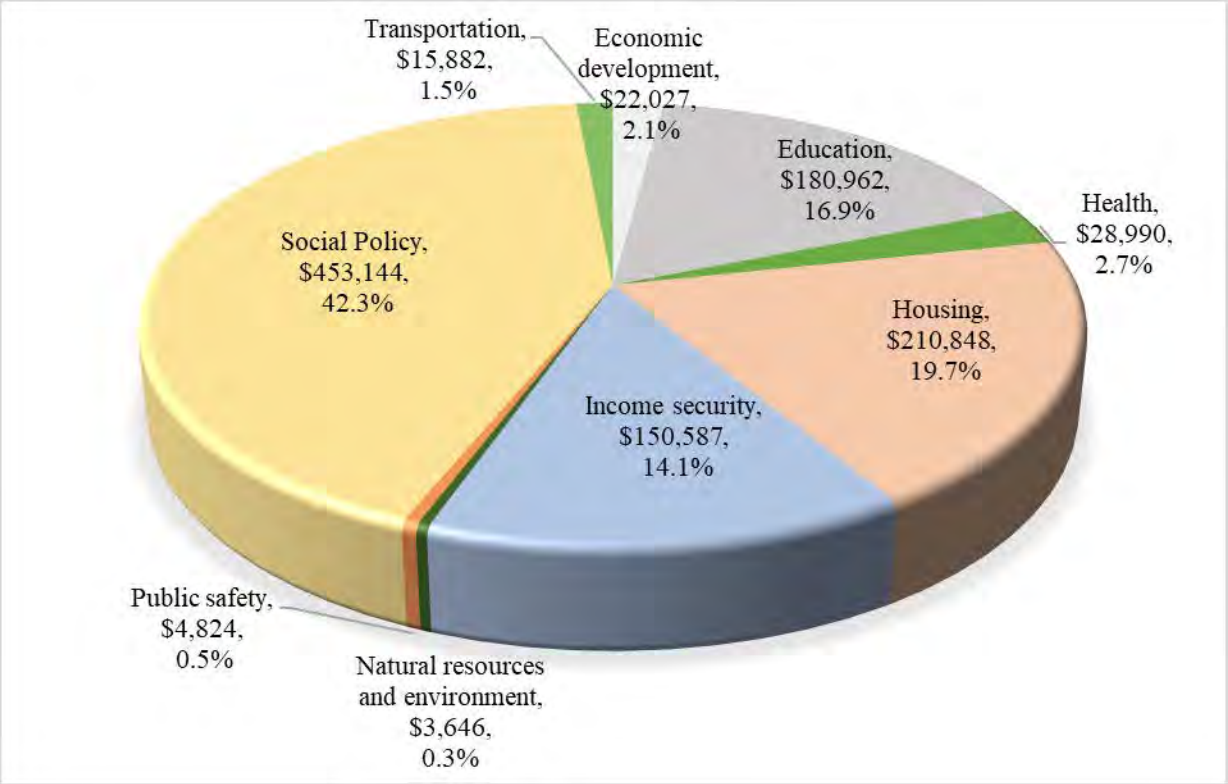



Source: ORA Analysis.
Note: Summing tax expenditures does not consider possible interactions among individual tax expenditures and, therefore, does not produce an exact estimate of the revenue that would be gained if any specific provision were removed.

As the figure below shows, excluding general law, tax administration, and equity, tax preferences targeted to social policy make up the largest category of the District's spending through the tax code. Social policy preferences include property tax exemptions for churches and charitable organizations and the sales tax exemption for groceries. The sales tax exemption for nonprofit organizations and the sales tax exemption for groceries make up the largest forgone revenue in the social policy program area at $170 million and $114.2 million, respectively. Housing tax preferences make up the second largest aggregate amount of forgone revenue, which includes the homestead deduction, the cap on property assessment increases, the property tax circuit breaker (Schedule H), and a tax credit for senior citizens and persons with disabilities. Together, they make up about 83 percent of the total housing provisions. Additionally, 72 individual tax expenditures have been

identified, of which 24 are housing-related. The total individual tax expenditure revenue forgone is $48.2 million for the 2024 fiscal year.

**Table 2: Local FY 2024 Tax Expenditures, Aggregated by Policy Area, $000**




Source: ORA Analysis. Note: The chart does not include tax expenditures not assigned to a policy area, such as the exemption of Federal and D.C. Government property from taxation, or those more akin to base defining measures, such as the exemption of professional and personal services from the sales tax, as well as tax provisions to assist in tax administration. Further, summing tax expenditures does not consider possible interactions among individual tax expenditures, so it does not produce an exact estimate of the revenue that would be gained were any specific provision removed.

**Important Caveats**

Caution about interpreting the revenue loss estimates in the tax expenditure budget deserves emphasis. The forgone revenue estimate is intended to measure what is being "spent" through the tax system or the amount of relief or subsidy provided through that provision. Nevertheless, the forgone revenue is *not* identical to the amount of revenue that could be gained by repealing the tax expenditure. There are three main reasons why:

- First, the revenue loss estimates are "static" and do not reflect behavioral changes that might occur if a tax expenditure were repealed. For example, if the District eliminated the local supplement to the federal earned income tax credit, people might reduce their work hours, and their income tax payments could also drop.

- Second, the revenue loss for each tax expenditure is estimated independently, which does not account for interaction effects among different tax provisions. For example, DC law establishes that taxpayers may not claim the mortgage interest deduction, which is a part of the itemized deduction on Schedule A of the individual income tax return, and the

standard deduction. If the mortgage interest deduction were abolished, more taxpayers might claim the standard deduction.

- Third, the D.C. government may be unable to collect the full amount owed due to administrative reasons. For example, if the District disallowed for local income tax purposes an exemption or exclusion that is allowed on the federal income tax (a process known as "decoupling"), the District would probably not recoup all the forgone revenue. That is because taxpayers would have to make a separate calculation on their District income taxes to add back the dollars that had been excluded, and compliance with this requirement would not be universal (nor would audits detect all violations).

Because of the factors described above, the total forgone revenue from tax expenditures is *not* equivalent to the sum of the individual estimates of forgone revenue. As the U.S. Government Accountability Office has stated:

While sufficiently reliable as a gauge of general magnitude, the sum of the individual revenue loss estimates has important limitations in that any interactions between tax expenditures will not be reflected in the sum … Thus, the revenue loss from all or several tax expenditures together might be greater or less than the sum of the estimated revenue losses from the individual tax expenditures, and no measure of the size or the magnitude of these potential interactions or behavioral responses to all or several tax expenditures is available.[8]

**Methodology**

Summary statistics from the Office of Tax and Revenue (OTR) from D.C. tax returns were an important source of data for the tax expenditure budget and were particularly useful for estimating the forgone revenue from local income tax provisions. Unfortunately, in many instances, tax expenditures cannot be estimated from available tax data because they involve income, property, or economic activity that is not taxed, and the relevant information is never reported to the tax office. Therefore, ORA often uses data from federal sources (such as the Census Bureau and the Bureau of Economic Analysis) and D.C. government agencies to estimate the number of beneficiaries and the revenue lost from certain tax expenditures.

OTR generally lacks information on federal conformity income tax expenditures because the amounts excluded are not reported, and the amounts deducted are subtracted from federal adjusted gross income, which is the starting point for a D.C. income tax return. Therefore, ORA's federal conformity estimates represent a District of Columbia portion of the nationwide tax expenditure estimates prepared by the JCT.[9] ORA estimated the D.C. portion using two fractions: (1) a ratio representing the D.C. share of the relevant activity or population, such as D.C. taxable income divided by national taxable income, and (2) a ratio representing the D.C. average tax rate divided by the U.S. average tax rate.

Because of the methodological challenges and data issues, it is important to view the revenue estimates as indicating orders of magnitude rather than providing precise point estimates.

[8] U.S. Government Accountability Office, Government Performance and Accountability: Tax Expenditures Represent a Substantial Federal Commitment and Need to Be Reexamined (GAO-05-960, September 2005), p. 3.

[9] ORA additionally uses tax expenditure estimates from the U.S. Department of the Treasury and the Congressional Budget Office.

In addition, U.S. Internal Revenue Service rules provide that "No statistical tabulation may be released outside the agency with cells containing data from fewer than three returns" in order to protect the confidentiality of individual tax records.[10] Tax expenditures with fewer than three claimants are, therefore, listed in this report as "no estimate," except for real property tax expenditures, for which different rules apply.[11]

**Key Terms for Summary Tables**

- Too small: According to the JCT, a federal conformity tax expenditure with positive forgone revenue of less than $50 million annually refers to a district's revenue loss from conforming to the federal policy, which would be very close to zero.

- $0: refers to a federal conformity or local tax expenditure with forgone revenue that was $0 or not applicable. The federal conformity tax expenditure estimates are shown separately for individuals and corporations. Some federal tax provisions apply only to corporations or individuals. Therefore, '$0' will refer to the federal conformity tax expenditure estimate for which the federal tax provision is non-applicable.

- sunset means there will be no revenue loss because the provision has expired.

- minimal: refers to a local tax expenditure for which precise data are lacking, but the forgone revenue is estimated to be less than $50,000 annually.

- no estimate: refers to a local tax expenditure for which precise data are lacking but for which the revenue loss might not be minimal. In addition, "no estimate" refers to cases in which calculations cannot be made because there are fewer than three claimants. As previously noted, to protect the confidentiality of individual tax records, U.S. Internal Revenue Service rules provide that "No statistical tabulations may be released with cells containing data from fewer than three returns."

Finally, some tax provisions have changed since the preliminary listing in the Fiscal Year 2023 Approved Budget and Financial Plan (noted with asterisks on the tables below).

**Comments Welcomed**

The Office of Revenue Analysis hopes this report will provide clear and concise information for policymakers and the public and contribute to a more informed discussion of budget and tax policy

[10] U.S. Internal Revenue Service, Publication 1075, "Tax Information Security Guidelines for Federal, State, and Local Agencies and Entities" (January 2014), p. 116. Even if the taxpayers are not specifically identified, it might be possible for someone to figure out the confidential information from an estimate of revenue involving so few people or businesses.

[11] D.C. Official Code § 47-1001 states that, "The Mayor shall publish, by class and by individual property, a listing of all real property exempt from the real property tax in the District. Such listing shall include the address, lot and square number, the name of the owner, the assessed value of the land and improvements of such property, and the amount of the tax exemption in the previous fiscal year." IRS rules do not affect real property taxation because the federal government does not impose a real property tax.

in the District of Columbia. ORA welcomes comments on the report and will use the feedback to improve future versions.

# Summary Data on District of Columbia Tax Expenditures

# I. Federal Conformity Tax Expenditures

(Individual and Corporate Income Taxes)

| # | Name of Tax Expenditure | Program Area | Year Enacted | Internal Revenue Code Section | Revenue Forgone ($ in thousands) FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|---|---|---|---|
| **Federal Exclusions** | | | | | | | | |
| 1 | Capital gains on assets transferred at death | Economic development | 1921 | 1001, 1002, 1014, 1015, 1023, 1040, 1221, and 1222 | $39,801 | $41,301 | $43,686 | $46,276 |
| 2 | Capital gains on assets transferred as a gift | Economic development | 1921 | 1015 | $1,905 | $10,924 | $6,097 | $127 |
| 3 | Cash accounting, other than agriculture | Economic development | 1916 | 446 and 448 | $4,276 | $4,410 | $4,945 | $5,346 |
| 4 | Credit union income | Economic development | 1937 | 501(c)(14) and 12 USC 1768 | $4,289 | $4,595 | $5,055 | $5,361 |
| 5 | Distribution from redemption of stock to pay taxes imposed at death | Economic development | 1950 | 303 | $115 | $115 | $115 | $115 |
| 6 | Gain on like-kind exchanges | Economic development | 1921 | 1031 | $12,566 | $12,037 | $11,402 | $11,148 |
| 7 | Imputed interest | Economic development | 1964 | 163(e), 483, 1274, and 1274A | $978 | $978 | $1,060 | $1,141 |
| 8 | Interest on small-issue qualified private-activity bonds | Economic development | 1968 | 103, 141, 144, and 146 | $107 | $107 | $107 | $107 |
| 9 | Magazine, paperback, and record returns | Economic development | 1978 | 458 | too small | too small | too small | too small |
| 10 | Small business stock gains | Economic development | 1993 | 1202 | $7,720 | $7,605 | $7,720 | $8,181 |
| 11 | Discharge of certain student loan debt | Education | 1984 | 108(f), 20 USC 1087ee(a)(5), 1087(c)(4), 1087e(a)(1), and 1087dd(g)(4) | $822 | $925 | $1,028 | $1,131 |
| 12 | Earnings of Coverdell education savings accounts | Education | 1998 | 530 | $308 | $308 | $308 | $308 |
| 13 | Earnings of qualified tuition programs | Education | 1997 | 529 | $5,345 | $5,551 | $6,168 | $6,579 |
| 14 | Employer-provided education assistance | Education | 1978 | 127 | $1,713 | $1,820 | $1,606 | $1,499 |
| 15 | Employer-provided tuition assistance | Education | 1984 | 117(d) | $321 | $321 | $428 | $428 |
| 16 | Interest on education savings bonds | Education | 1988 | 135 | $33 | $33 | $41 | $41 |
| 17 | Interest on state and local private-activity bonds issued to finance education facilities | Education | 1986 | 103, 141, 142(k), 145, 146, and 501(c)(3) | $2,765 | $2,765 | $3,103 | $3,103 |

| # | Name of Tax Expenditure | Program Area | Year Enacted | Internal Revenue Code Section | Revenue Forgone ($ in thousands) FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|---|---|---|---|
| **Federal Exclusions (cont.)** | | | | | | | | |
| 18 | Interest on state and local private-activity student loan bonds | Education | 1965 | 103, 141, 144(b), and 146 | $339 | $339 | $339 | $339 |
| 19 | Scholarship and fellowship income | Education | 1954 | 117 | $4,875 | $5,074 | $5,970 | $6,368 |
| 20 | Employee awards | Employment | 1986 | 74(c) and 274(j) | $535 | $535 | $535 | $535 |
| 21 | Employee stock ownership plans | Employment | 1974 | 401(a)(28), 404(a)(9), 404(k), 415(c)(6), 512 (e), 1042, 4975(d)(3), 4978, and 4979A | $7,440 | $8,010 | $8,579 | $9,149 |
| 22 | Employer-paid meals and lodging (other than military) | Employment | 1918 | 119 and 132(e)(2) | $9,467 | $9,449 | $7,817 | $8,404 |
| 23 | Housing allowance for ministers | Employment | 1921 | 107 and 265 | $963 | $1,071 | $1,071 | $1,178 |
| 24 | Miscellaneous fringe benefits | Employment | 1984 | 117(d) and 132 | $10,491 | $10,919 | $11,348 | $11,776 |
| 25* | Spread of acquisition of stock under incentive stock option plans and employee stock purchase plans | Employment | 1981 | 421, 422 and 423 | ($88) | ($222) | ($125) | ($10) |
| 26 | Voluntary employees' beneficiary association income | Employment | 1928 | 419, 419A, 501(a), 501(c)(9), and 4976 | $2,141 | $2,141 | $2,248 | $2,676 |
| 27 | Interest on state and local private-activity bonds issued to support energy facilities | Energy | 1980 | 103, 141, 142(f), and 146 | too small | too small | too small | too small |
| 28 | Accrued interest on savings bonds | General fiscal assistance | 1951 | 454(c) | $489 | $489 | $489 | $489 |
| 29 | Allocation of interest expenses attributable to tax-exempt bond interest by financial institutions | General fiscal assistance | 2009 | 141, 265(a), 265(b), and 291(e) | $622 | $622 | $622 | $622 |
| 30 | Interest on public-purpose state and local bonds | General fiscal assistance | 1913 | 103, 141, and 146 | $28,036 | $27,714 | $27,928 | $28,374 |
| 31 | Employer contributions for medical insurance premiums and medical care | Health | 1918 | 105, 106, and 125 | $228,452 | $243,547 | $251,576 | $262,816 |
| 32 | Interest on state and local private-activity bonds issued to support non-profit hospital construction | Health | 1913 | 103, 141, 145(b), 145(c), 146, and 501(c)(3) | $1,873 | $1,873 | $1,873 | $1,873 |
| 33 | Medical care and TriCare medical insurance for military dependents, retirees, retiree dependents, and veterans | Health | 1986 | 112 and 134 | $3,228 | $3,364 | $3,773 | $4,091 |

| # | Name of Tax Expenditure | Program Area | Year Enacted | Internal Revenue Code Section | Revenue Forgone ($ in thousands) FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|---|---|---|---|
| **Federal Exclusions (cont.)** | | | | | | | | |
| 34 | Capital gain on sale of principal residence | Housing | 1997 | 121 | $48,394 | $50,426 | $53,094 | $55,761 |
| 35 | Interest on state and local private-activity bonds issued to finance housing | Housing | 1980 | 103, 141, 143, and 146 | $2,104 | $2,104 | $2,443 | $2,443 |
| 36 | Compensatory damages for physical injury or sickness | Income security | 1918 | 104(a)(2) - 104(a)(5) | $2,141 | $2,248 | $2,248 | $2,248 |
| 37 | Disaster mitigation payments | Income security | 2005 | 139 | $99 | $99 | $99 | $99 |
| 38 | Employer contributions for premiums on accident and disability insurance | Income security | 1954 | 105 and 106 | $6,958 | $7,066 | $8,029 | $8,457 |
| 39 | Employer contributions for premiums on group-term life insurance | Income security | 1920 | 79 | $4,496 | $4,710 | $5,032 | $5,353 |
| 40 | Employer pension contributions and earnings plans | Income security | 1921 | 401-407, 410-418E, and 457 | $365,160 | $464,184 | $560,211 | $657,737 |
| 41 | Income of trusts to finance supplemental unemployment benefits | Income security | 1960 | 501(17)(A) | $43 | $43 | $43 | $43 |
| 42 | Public assistance cash benefits | Income security | 1933 | N.A./administrative | $1,727 | $1,806 | $1,910 | $1,989 |
| 43* | Traditional and Roth IRA earnings and distributions | Income security | 1997 | 219, 408 and 408A | $14,426 | $15,484 | $19,427 | $21,495 |
| 44 | Social Security and Railroad Retirement benefits | Income security | 1938 | 86 | $21,653 | $22,969 | $24,331 | $29,415 |
| 45 | Survivor annuities paid to families of public safety officers | Income security | 1997 | 101(h) | too small | too small | too small | too small |
| 46 | Workers' compensation benefits | Income security | 1918 | 104(a)(1) | $3,212 | $3,212 | $3,319 | $3,319 |
| 47 | Reduced tax rate on active income of controlled foreign corporations | International commerce | 1909 | 11, 882, and 951-964 | $79,347 | $72,148 | $55,911 | $48,864 |
| 48 | Allowances for federal employees working abroad | International commerce | 1943 | 912 | $4,681 | $4,957 | $5,232 | $5,232 |
| 49 | Income earned abroad by U.S. citizens | International commerce | 1926 | 911 | $11,130 | $11,705 | $12,308 | $12,941 |
| 50 | Benefits, allowances, and certain pay for armed forces personnel | National defense | 1925 | 112 and 134 | $3,046 | $3,137 | $3,319 | $3,637 |

| # | Name of Tax Expenditure | Program Area | Year Enacted | Internal Revenue Code Section | Revenue Forgone ($ in thousands) FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|---|---|---|---|
| **Federal Exclusions (cont.)** | | | | | | | | |
| 51 | Combat pay | National defense | 1918 | 112 | $409 | $409 | $500 | $546 |
| 52 | Military disability benefits | National defense | 1942 | 104(a)(4), 104(a)(5) and 104(b) | $136 | $182 | $182 | $182 |
| 53 | Earnings of certain environmental settlement funds | Natural resources and environment | 2005 | 468B | too small | too small | too small | too small |
| 54 | Energy conservation subsidies provided by public utilities | Natural resources and environment | 1992 | 136 | too small | too small | too small | too small |
| 55 | Interest on state and local private-activity bonds issued to finance water, sewer, and hazardous-waste facilities | Natural resources and environment | 1968 | 103, 141, 142, and 146 | $339 | $339 | $339 | $339 |
| 56 | Employer-provided adoption assistance | Social policy | 1996 | 23 and 137 | $985 | $996 | $1,006 | $1,017 |
| 57 | Child care and employer-provided child care | Social policy | 1981 | 21 and 129 | $867 | $921 | $1,188 | $1,338 |
| 58 | Foster care payments | Social policy | 1982 | 131 | $343 | $343 | $412 | $412 |
| 59 | Employer-provided transportation assistance | Transportation | 1992 | 132(f) | $4,464 | $4,554 | $4,751 | $5,055 |
| 60 | Interest on state and local private-activity bonds issued to finance airport, dock and mass commuting facilities | Transportation | 1968 | 103, 141, 142, and 146 | $999 | $999 | $999 | $999 |
| 61 | Interest on state and local private-activity bonds issued to finance highway projects and rail-truck transfer facilities | Transportation | 2005 | 103, 141, 142(m), and 146 | $107 | $107 | $107 | $107 |
| 62 | G.I. Bill education benefits | Veterans' benefits | 1917 | 38 USC 5301 | $686 | $696 | $741 | $827 |
| 63 | Veterans' benefits and services | Veterans' benefits | 1917 | 38 USC 5301 | $7,319 | $7,683 | $8,455 | $9,910 |

| # | Name of Tax Expenditure | Program Area | Year Enacted | Internal Revenue Code Section | Revenue Forgone ($ in thousands) FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|---|---|---|---|
| **Federal Adjustments** | | | | | | | | |
| 64 | Interest on student loans | Education | 1997 | 221 | $2,776 | $2,570 | $3,084 | $3,290 |
| 65 | Contributions to health savings accounts | Health | 2003 | 223 | $8,473 | $9,274 | $10,875 | $11,876 |
| 66 | Health insurance premiums and long-term care insurance premiums paid by the self-employed | Health | 1986 | 162(l) | $7,442 | $8,119 | $10,438 | $11,791 |
| 67 | Contributions to self-employment retirement plans | Income security | 1962 | 401-407, 410-418E, and 457 | $119,192 | $123,520 | $147,892 | $154,980 |
| 68 | Overnight travel expenses of National Guard and Reserve members | National defense | 2003 | 62(a)(2)(E) and 162(p) | $136 | $136 | $136 | $136 |
| **Federal Deductions** | | | | | | | | |
| 69 | Accelerated depreciation of buildings other than rental housing | Economic development | 1954 | 167 and 168 | $987 | $987 | $987 | $1,119 |
| 70 | Accelerated depreciation of equipment | Economic development | 1954 | 167 and 168 | $29 | $29 | $29 | $29 |
| 71 | Amortization of business start-up costs | Economic development | 1980 | 195 | $268 | $268 | $401 | $401 |
| 72 | Completed contract rules | Economic development | 1986 | 460 | $1,376 | $1,376 | $1,665 | $1,665 |
| 73 | Exception from passive loss rules for $25,000 of rental real estate loss | Economic development | 1986 | 469(i) | $5,403 | $5,742 | $6,296 | $6,450 |
| 74 | Expensing of depreciable small business property | Economic development | 1958 | 179 | $9,825 | $9,670 | $11,564 | $13,325 |

| # | Name of Tax Expenditure | Program Area | Year Enacted | Internal Revenue Code Section | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|---|---|---|---|
| **Federal Deductions (cont.)** | | | | | | | | |
| 75 | Expensing of magazine circulation expenditures | Economic development | 1950 | 173 | too small | too small | too small | too small |
| 76 | Gain on non-dealer installment sales | Economic development | 1986 | 453 and 453A(b) | $6,820 | $7,167 | $7,613 | $8,059 |
| 77 | Life insurance company reserves | Economic development | 1984 | 803(a)(2), 805(a)(2), and 807 | $3,523 | $3,676 | $3,829 | $3,983 |
| 78 | Loss from sale of small business corporation stock | Economic development | 1958 | 1244 | $107 | $107 | $107 | $120 |
| 79 | Pro-ration for property and casualty insurance companies | Economic development | 1986 | 832(b) | $306 | $306 | $306 | $460 |
| 80 | Classroom expenses of elementary and secondary school educators | Education | 2002 | 62 | $104 | $104 | $104 | $156 |
| 81 | Amortization of certified pollution control facilities | Energy | 2005 | 169(d)(5) | too small | too small | too small | too small |
| 82 | Depreciation recovery periods for specific energy property | Energy | 1986 | 168(e) | $249 | $497 | $497 | $497 |
| 83 | Energy-efficient commercial building property | Energy | 2005 | 179D | $189 | $204 | $218 | $231 |
| 84 | Blue Cross and Blue Shield companies | Health | 1986 | 833 | $460 | $460 | $460 | $460 |
| 85 | Medical and dental care expenses | Health | 1942 | 213 | $13,067 | $14,684 | $25,387 | $30,613 |
| 86 | Accelerated depreciation of rental housing | Housing | 1954 | 167 and 168 | $4,113 | $3,835 | $3,545 | $3,465 |
| 87 | Mortgage interest on owner-occupied residences | Housing | 1913 | 163(h) | $47,945 | $48,322 | $153,462 | $189,892 |
| 88 | State and local property taxes on owner-occupied residences | Housing | 1913 | 164 | $8,829 | $9,011 | $50,094 | $73,761 |
| 89 | Additional standard deduction for the blind | Income security | 1943 | 63(f) | $23 | $23 | $18 | $23 |
| 90 | Additional standard deduction for the elderly | Income security | 1948 | 63(f) | $3,373 | $3,618 | $2,987 | $3,191 |

| # | Name of Tax Expenditure | Program Area | Year Enacted | Internal Revenue Code Section | Revenue Forgone ($ in thousands) FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|---|---|---|---|
| **Federal Deductions (cont.)** | | | | | | | | |
| 91 | Casualty and theft losses | Income security | 1913 | 165(c)(3), 165(e), and 165(h) - 165(k) | $5 | $5 | $24 | $28 |
| 92 | Deduction of foreign taxes instead of a credit | International commerce | 1913 | 901 | $4,614 | $5,126 | $5,297 | $4,956 |
| 93 | Charitable contributions | Social policy | 1917/1935 | 170 and 642(c) | $95,691 | $101,068 | $118,720 | $162,141 |
| 94 | Deduction for charitable contributions to educational institutions | Social policy | 1917/1935 | 170 and 642(c) | $18,200 | $19,222 | $22,389 | $30,538 |
| 95 | Deduction for charitable contributions to health organizations | Social policy | 1917/1935 | 170 and 642(c) | $14,502 | $15,326 | $17,733 | $23,079 |
| 96 | Costs of removing architectural and transportation barriers to the disabled and elderly | Social policy | 1976 | 190 | too small | too small | too small | too small |
| **Federal Special Rules** | | | | | | | | |
| 97 | 60-40 rule for gain or loss from section 1256 contracts | Economic development | 1981 | 1256 | $2,815 | $2,688 | $2,561 | $2,561 |
| 98 | Interest rate and discounting period assumptions for reserves of property and casualty insurance companies | Economic development | 1986 | 831, 832(b), and 846 | $2,451 | $2,604 | $2,604 | $2,910 |
| 99 | Inventory accounting | Economic development | 1938 | 475, 491-492 | $2,387 | $2,387 | $2,519 | $2,519 |
| 100 | Special alternative tax on small property and casualty insurance companies | Economic development | 1954 | 321(a), 501(c)(15), 832, and 834 | $3,373 | $3,528 | $3,683 | $4,128 |
| 101 | Financing income of certain controlled foreign corporations | International commerce | 1962 | 953 and 954 | $3,064 | $3,064 | $3,064 | $3,064 |
| 102 | Interest-charge domestic international sales corporations | International commerce | 1986 | 991-997 | $3,217 | $3,217 | $3,064 | $2,910 |

# II. Local Tax Expenditures

| # | Name of Tax Expenditure | Program Area | Year Enacted | D.C Code Section | Revenue Forgone ($ in thousands) FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|---|---|---|---|
| **D.C. INCOME TAX** | | | | | | | | |
| **(Local Business and Personal Income Tax)** | | | | | | | | |
| **D.C. Income Tax Exemptions** | | | | | | | | |
| 103 | Investment funds exemption from unincorporated business franchise tax | Income security | 2014 | § 47-1808.01(6) | $3,172 | $3,238 | $3,241 | $3,302 |
| 104 | BID corporation | Economic development | 2018 | § 47-4668 | $0 | $0 | $0 | $0 |
| 105 | DC 529 ABLE Program Trust | Social Policy | 2016 | § 47-4901 & § 47-4902 | $224 | $256 | $288 | $320 |
| **D.C. Income Tax Exclusions** | | | | | | | | |
| 106 | Gross income exclusion | Economic development | 2022 | § 47-1803.02(a)(2)(TT) | $74 | $74 | $74 | $74 |
| **D.C. Income Tax Subtractions** | | | | | | | | |
| 107 | College savings plan contributions | Education | 2001 | § 47-4501 - § 47-4512 | $4,021 | $4,021 | $4,021 | $4,021 |
| 108 | Public school teacher expenses | Education | 2007 | § 47-1803.03(b-2) | $60 | $60 | $60 | $60 |
| 109 | Health insurance premiums paid for a same-sex spouse or domestic partner (personal income tax) | Health | 1992 | §47-1803.03(a)(2)(W) and § 46-401(b) | $113 | $118 | $123 | $127 |
| 110 | Health professional loan repayments | Health | 2006 | § 7-751.11 | $127 | $127 | $127 | $127 |
| 111 | D.C. and federal government survivor benefits | Income security | 1987 | § 47-1803.02(a)(2)(N) | $3,203 | $3,331 | $3,467 | $3,604 |
| 112 | Disability payments for the permanently and totally disabled | Income security | 1985 | § 47-1803.02(a)(2)(M) | $6 | $6 | $6 | $7 |

| # | Name of Tax Expenditure | Program Area | Year Enacted | D.C Code Section | Revenue Forgone ($ in thousands) FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|---|---|---|---|
| **D.C. Income Tax Subtractions (cont.)** | | | | | | | | |
| 113 | Income of persons with a permanent and total disability | Income security | 2005 | § 47-1803.02(a)(2)(V) | $556 | $578 | $601 | $625 |
| 114 | Railroad retirement system benefits | Income security | 1985 | § 47-1803.02(a)(2)(L) | $45,279 | $47,077 | $49,011 | $50,936 |
| 115 | Social Security benefits for retired workers | Income security | 1985 | § 47-1803.02(a)(2)(L) | included in #114 | included in #114 | included in #114 | included in #114 |
| 116 | Social Security benefits for survivors and dependents | Income security | 1985 | § 47-1803.02(a)(2)(L) | included in #114 | included in #114 | included in #114 | included in #114 |
| 117 | Social Security benefits for the disabled | Income security | 1985 | § 47-1803.02(a)(2)(L) | included in #114 | included in #114 | included in #114 | included in #114 |
| 118 | Rental assistance to police officers | Public safety | 1993 | § 42-2902 | $181 | $183 | $185 | $187 |
| 119 | Compensatory damages awarded in a discrimination case | Social policy | 2002 | § 47-1803.02(a)(2)(U) and § 47-1806.10 | $14 | $15 | $15 | $16 |
| 120 | Poverty lawyer loan assistance | Social policy | 2007 | § 47-1803.02(a)(2)(X) | $10 | $10 | $10 | $10 |
| **D.C. Income Tax Credits** | | | | | | | | |
| 121 | Economic development zone incentives for businesses | Economic development | 1988 | § 6-1501, § 6-1502, § 6-1504, and § 47-1807.06 | $160 | $164 | $165 | $165 |
| 122 | Qualified high-technology companies: employment incentives | Economic development | 2001 | § 47-1817.03 | $14,806 | $15,176 | $15,328 | $15,313 |
| 123 | Qualified high-technology companies: incentives to employ disadvantaged workers | Economic development | 2001 | § 47-1817.05 | included in #122 | included in #122 | included in #122 | included in #122 |
| 124 | Qualified high-technology companies: incentives to retrain disadvantaged workers | Economic development | 2001 | § 47-1817.04 | included in #122 | included in #122 | included in #122 | included in #122 |
| 125 | Small retailer property tax relief credit | Economic development | 2018 | § 47-1807.14 | $3,041 | $3,028 | $3,009 | $3,006 |

| # | Name of Tax Expenditure | Program Area | Year Enacted | D.C Code Section | Revenue Forgone ($ in thousands) FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|---|---|---|---|
| **D.C. Income Tax Credits (cont.)** | | | | | | | | |
| 126 | Lower-income, long-term homeownership | Housing | 2002 | § 47-1806.09 - § 47-1806.09f | $1 | $1 | $1 | $1 |
| 127 | Property tax circuit-breaker (Schedule H) | Housing | 1977 | § 47-1806.06 | $38,546 | $40,077 | $41,724 | $43,362 |
| 128 | District of Columbia Low-Income Housing Tax Credit | Housing | 2015 | § 47-4801(8) and § 47-4803 | $509 | $525 | $540 | $557 |
| 129 | Earned income tax credit | Income security | 2000 | § 47-1806.04(f) | $98,372 | $100,347 | $102,681 | $104,502 |
| 130 | Child and dependent care | Social policy | 1977 | § 47-1806.04(c) | $8,258 | $8,258 | $8,258 | $8,258 |
| 131 | Early learning child credit | Social policy | 2018 | § 47-1806.15 | $397 | $413 | $429 | $445 |
| 132 | Alternative fuel vehicle conversion and infrastructure credit (personal income tax) | Transportation | 2015 | § 47-1806.13 and § 47-1806.12 | $425 | $425 | $425 | $425 |
| **Deferrals, Rebates, Multiple Provisions** | | | | | | | | |
| 133 | Opportunity zone | Economic development | 2020 | § 47-1801.04(39A), § 47-1801.04(39B), § 47-1801.04(39C), § 47-1801.04(39D) and 47-1803.03(a)(20) | $1,949 | $2,069 | $638 | $(10,932) |
| **REAL PROPERTY TAX** | | | | | | | | |
| **D.C. Real Property Tax Abatements** | | | | | | | | |
| 134 | New residential developments | Housing | 2002 | § 47-857.01 - § 47-857.10 | $291 | $291 | $291 | $291 |
| 135 | NoMA residential developments | Housing | 2009 | § 47-859.01 - § 47-859.05 | $1,994 | $0 | $0 | $0 |
| 136 | Affordable Housing in High-Need Affordable Housing | Housing | 2021 | § 47-860 | $200 | $4,125 | $4,125 | $4,125 |
| 137 | Tax abatements for housing in downtown | Housing | 2023 | § 47-860.01 - § 47-860.04 | $2,500 | $2,500 | $2,500 | $2,500 |
| 138 | Urban farming and food security | Social Policy | 2014 | § 47-868 | $90 | $90 | $90 | $90 |

| # | Name of Tax Expenditure | Program Area | Year Enacted | D.C Code Section | Revenue Forgone ($ in thousands) FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|---|---|---|---|
| **D.C Real Property Tax Exemptions** | | | | | | | | |
| 139 | Development of a qualified supermarket, restaurant, or retail store | Economic development | 1988 | § 47-1002(23) | $1,506 | $1,497 | $1,509 | $1,527 |
| 140 | BID corporation | Economic development | 2018 | § 47-4668 | n/a | n/a | n/a | n/a |
| 141 | Educational institutions | Education | 1942 | § 47-1002(10) | $175,658 | $170,891 | $169,545 | $169,147 |
| 142 | Libraries | Education | 1942 | § 47-1002(7) | $480 | $488 | $503 | $515 |
| 143 | Higher education institutions | Education | 2016 | § 47–1002(10A) | $130 | $134 | $138 | $142 |
| 144 | Embassies, chanceries, and associated properties of foreign governments | General law | 1942 | § 47-1002(3) | $123,048 | $125,081 | $128,868 | $131,988 |
| 145 | Federal government property | General law | 1942 | § 47-1002(1) | $1,188,257 | $1,129,878 | $1,100,251 | $1,081,091 |
| 146 | District of Columbia government property | General law | 1942 | § 47-1002(2) | $301,986 | $287,150 | $279,620 | $274,751 |
| 147 | Miscellaneous exemptions | General law | multiple years | multiple code sections | $63,215 | $62,825 | $63,333 | $64,108 |
| 148 | Hospital buildings | Health | 1942 | § 47-1002(9) | $16,431 | $16,703 | $17,209 | $17,625 |
| 149 | Historic property | Housing | 1974 | § 47-842 - § 47-844 | $0 | $0 | $0 | $0 |
| 150 | Homestead exemption | Housing | 1978 | § 47-850 | $73,471 | $73,472 | $75,603 | $77,872 |
| 151 | Lower-income homeownership households and cooperative housing associations | Housing | 1983 | § 47-3503 | $12,288 | $12,711 | $13,063 | $13,450 |
| 152 | Multi-family and single-family rental and cooperative housing for low- and moderate-income persons | Housing | 1978 | § 47-1002(20) | $1,365 | $1,412 | $1,451 | $1,494 |
| 153 | Nonprofit housing associations | Housing | 1983 | § 47-3505 | $13,653 | $14,123 | $14,515 | $14,944 |
| 154 | Nonprofit affordable housing developers | Housing | 2012 | § 47-1005.02 | $800 | $824 | $849 | $874 |
| 155 | Low Income Housing Harmonization Act | Housing | 2021 | § 47-1005.03 | $0 | $0 | $0 | $0 |
| 156 | Continuing Care Retirement Community | Housing | 2017 | § 47-1002(32) | $3,918 | $3,895 | $3,926 | $3,973 |
| 157 | Nonprofit workforce housing properties | Housing | 2019 | § 47-1005.03 | $598 | $594 | $599 | $606 |
| 158 | Correctional Treatment Facility | Public safety | 1997 | § 47-1002(25) | $4,643 | $4,394 | $4,261 | $4,175 |
| 159 | Art galleries | Social policy | 1942 | § 47-1002(6) | $3,274 | $3,328 | $3,428 | $3,511 |
| 160 | Cemeteries | Social policy | 1942 | § 47-1002(12) | $8,262 | $8,399 | $8,653 | $8,862 |
| 161 | Charitable organizations | Social policy | 1942 | § 47-1002(8) | $20,983 | $20,413 | $20,252 | $20,205 |

| # | Name of Tax Expenditure | Program Area | Year Enacted | D.C Code Section | Revenue Forgone ($ in thousands) FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|---|---|---|---|
| **D.C. Real Property Tax Exemptions (cont.)** | | | | | | | | |
| 162 | Churches, synagogues, and mosques | Social policy | 1942 | § 47-1002(12) | $71,151 | $72,930 | $74,753 | $76,622 |
| 163 | Nonprofit stormwater infrastructure | Social policy | 2018 | § 47-1005 | $25 | $26 | $27 | $28 |
| 164 | Theater, Music, or Dance Building | Social policy | 1996 | 47-1002(19) | $1,423 | $1,455 | $1,497 | $1,542 |
| 165 | Vault tax exemption | Social policy | 2016 | § 10-1103.04(d)(4) | $41 | $42 | $42 | $43 |
| 166 | Washington Metropolitan Area Transit Authority properties | Transportation | 1966 | § 9-1107.01 | $12,930 | $12,579 | $12,480 | $12,450 |
| **D.C. Real Property Tax Credits** | | | | | | | | |
| 167 | Assessment increase cap | Housing | 2001 | § 47-864 | $24,864 | $21,739 | $17,693 | $16,885 |
| 168 | Credit for senior citizens and persons with disabilities | Housing | 1986 | § 47-863 | $38,187 | $39,041 | $40,174 | $41,379 |
| 169 | Condominium and cooperative trash collection | Natural resources and environment | 1990 | § 47-872 and § 47-873 | $3,646 | $3,830 | $4,024 | $4,228 |
| **D.C. Real Property Tax Deferrals, Rebates, and Multiple Categories** | | | | | | | | |
| 170 | East End grocery and retail incentive tax exemption | Economic development | 2018 | § 47–4667(b)(1)-(c)(1) | $0 | $0 | $0 | $0 |
| 171 | Public charter school tax rebate | Education | 2005 | § 47-867 | $958 | $952 | $960 | $972 |
| 172 | Low-income homeowners | Housing | 2005 | § 47-845.02 | $113 | $116 | $119 | $123 |
| 173 | Low-income, senior-citizen homeowners | Housing | 2005 | § 47-845.03 | $74 | $76 | $78 | $81 |
| 174 | Public space permit fees | Social policy | 2016 | § 10–1141.03a | n/a | n/a | n/a | n/a |

| # | Name of Tax Expenditure | Program Area | Year Enacted | D.C Code Section | Revenue Forgone ($ in thousands) FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|---|---|---|---|
| **DEED RECORDATION AND TRANSFER TAX** | | | | | | | | |
| **Deed Recordation and Transfer Tax Exemptions** | | | | | | | | |
| 175 | BID corporation | Economic development | 2018 | § 47-4668 | n/a | n/a | n/a | n/a |
| 176 | Educational institutions | Education | 1962 and 1980 | § 42-1102(3) and § 47-902(3) | $613 | $695 | $787 | $875 |
| 177 | Embassies, chanceries, and associated properties of foreign governments | General law | 1962 and 1980 | § 42-1102(3) and § 47-902(3) | $794 | $901 | $1,019 | $1,134 |
| 178 | Federal government and DC government | General law | 1962 and 1980 | § 42-1102(2) and § 47-902(2) | $3,626 | $4,112 | $4,654 | $5,177 |
| 179 | Other properties exempt from real property taxation | General law | 1962 and 1980 | § 42-1102(4) and § 47-902(3) | $6,364 | $7,217 | $8,167 | $9,085 |
| 180 | Cooperative housing associations | Housing | 1983 | § 42-1102(14), § 47-3503(a)(2), § 47-3503(a)(3), § 47-902(11), and §47-3503(b)(2) | $37 | $42 | $48 | $53 |
| 181 | Inclusionary zoning program (transfer tax only) | Housing | 2007 | § 47-902(23) | $112 | $112 | $123 | $135 |
| 182 | Lower-income homeownership households | Housing | 1983 | § 42-1102(12), § 47-3503(a)(1), § 47-3503(a)(3), § 47-902(9), and §47-3503(b)(1) | $94 | $107 | $121 | $134 |
| 183 | Nonprofit housing associations | Housing | 1983 | § 42-1102(13), § 47-3503(c), § 47-902(10), and §47-3505(b) | $319 | $362 | $409 | $455 |
| 184 | Deeds to property transferred to a named beneficiary of a revocable transfer on death | Housing | 2015 | § 42-1102(34) and §47-340.01 | no estimate | no estimate | no estimate | no estimate |
| 185 | Exemption on security interest instrument | Housing | 2015 | § 42-1102(33) and § 19-604.01 | no estimate | no estimate | no estimate | no estimate |

| # | Name of Tax Expenditure | Program Area | Year Enacted | D.C Code Section | Revenue Forgone ($ in thousands) FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|---|---|---|---|
| **Deed Recordation and Transfer Tax Exemptions (cont.)** | | | | | | | | |
| 186 | First-time homebuyer recordation tax benefit-local portion only | Housing | 2018 | § 42-1101 and § 42-1103 | $1,428 | $1,619 | $1,832 | $2,038 |
| 187 | Charitable organizations | Social policy | 1962 and 1980 | § 42-1102(3) and § 47-902(3) | $1,282 | $1,453 | $1,645 | $1,830 |
| 188 | Churches, synagogues, and mosques | Social policy | 1962 and 1980 | § 42-1102(3) and § 47-902(3) | $293 | $332 | $375 | $418 |
| **D.C. SALES TAX** | | | | | | | | |
| **Sales Tax Exemptions** | | | | | | | | |
| 189 | Materials used in development of a qualified supermarket | Economic development | 2000 | § 47-2005(28) | $302 | $310 | $320 | $327 |
| 190 | BID corporation | Economic development | 2018 | § 47-4668 | no estimate | no estimate | no estimate | no estimate |
| 191 | Energy products used in manufacturing | General law | 1949 | § 47-2005(11) | $8,340 | $8,502 | $8,756 | $9,030 |
| 192 | Internet access service | General law | 1999 | § 47-2001(n)(2)(F) | $14,682 | $14,967 | $15,415 | $15,896 |
| 193 | Professional and personal services | General law | 1949 | § 47-2001(n)(2)(B) | $276,079 | $281,443 | $289,862 | $298,923 |
| 194 | Transportation and communication services | General law | 1949 | § 47-2001(n)(2)(A) | $89,276 | $91,010 | $93,733 | $96,663 |

| # | Name of Tax Expenditure | Program Area | Year Enacted | D.C Code Section | Revenue Forgone ($ in thousands) FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|---|---|---|---|
| **Sales Tax Exemptions (cont.)** | | | | | | | | |
| 195 | Federal and D.C. governments | General law | 1949 | § 47-2005(1) | $368,911 | $376,078 | $387,329 | $399,436 |
| 196 | Medicine, pharmaceuticals, and medical devices | Health | 1949 | § 47-2005(14) and (15) | $12,318 | $12,558 | $12,933 | $13,337 |
| 197 | Groceries | Social policy | 1949 | § 47-2001(n)(2)(E) | $114,228 | $116,448 | $119,931 | $123,680 |
| 198 | Diapers | Social policy | 2019 | § 47-2005 (39) | $1,904 | $1,941 | $1,999 | $2,061 |
| 199 | Female hygiene products | Social policy | 2019 | § 47-2005 (38) | $588 | $599 | $617 | $637 |
| 200 | Materials used in war memorials | Social policy | 1957 | § 47-2005(16) | $326 | $337 | $349 | $358 |
| 201 | Non-profit (501(c)(4)) organizations | Social policy | 1987 | § 47-2005(22) | $166,954 | $170,198 | $175,289 | $180,769 |
| 202 | Semi-public institutions | Social policy | 1949 | § 47-2005(3) | $53,411 | $54,449 | $56,078 | $57,831 |
| 203 | Miscellaneous | Tax administration and equity | 1949 | § 47-2005 | no estimate | no estimate | no estimate | no estimate |
| 204 | State and local governments | Tax administration and equity | 1949 | § 47-2005(2) | minimal | minimal | minimal | minimal |
| 205 | Electric motor vehicle excise tax exemption | Transportation | 2019 | § 50-2201(j)(3)(J) | $2,070 | $2,091 | $2,124 | $2,158 |
| 206 | Valet parking services | Transportation | 2002 | § 47-2001(n)(1)(L)(iv-I) | $83 | $85 | $88 | $90 |

| # | Name of Tax Expenditure | Program Area | Year Enacted | D.C Code Section | Revenue Forgone ($ in thousands) FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|---|---|---|---|
| **D.C. PERSONAL PROPERTY TAX** | | | | | | | | |
| **Personal Property Tax Exemptions** | | | | | | | | |
| 207 | Qualified supermarkets | Economic development | 2000 | § 47-1508(a)(9) | $1,003 | $301 | $304 | $307 |
| 208 | BID corporation | Economic development | 2018 | § 47-4668 | n/a | n/a | n/a | n/a |
| 209 | Non-profit organizations | Social policy | 1902 | § 47-1508(a)(1) | $6 | $6 | $6 | $6 |
| 210 | Motor vehicles and trailers | Transportation | 1954 | § 47-1508(a)(3) | $375 | $379 | $382 | $387 |
| **D.C. LOCAL TAX EXPENDITURES (unknown if used)** | | | | | | | | |
| **Local Income Tax Credits** | | | | | | | | |
| 211 | Paid leave for organ or bone marrow donors | Health | 2006 | § 47-1807.08 | no estimate | no estimate | no estimate | no estimate |
| 212 | Employer-assisted home purchases | Housing | 2002 | § 47-1807.07 | minimal | minimal | minimal | minimal |
| **D.C. UNUSED LOCAL TAX EXPENDITURES (not taken)** | | | | | | | | |
| **Unused Income Tax Subtraction** | | | | | | | | |
| 213 | Housing relocation assistance | Housing | 2002 | § 42-3403.05 and § 42-2851.05 | $0 | $0 | $0 | $0 |

| # | Name of Tax Expenditure | Program Area | Year Enacted | D.C Code Section | Revenue Forgone ($ in thousands) FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|---|---|---|---|
| **Unused Local Real Property Tax Abatements** | | | | | | | | |
| 214 | New or improved buildings used by high-technology companies | Economic development | 2001 | § 47-811.03 | $0 | $0 | $0 | $0 |
| 215 | Non-profit organizations locating in designated neighborhoods | Economic development | 2010 | § 47-857.11 - § 47-857.16 | $0 | $0 | $0 | $0 |
| 216 | Improvements to low-income housing | Housing | 2002 | § 47-866 | $0 | $0 | $0 | $0 |
| 217 | Preservation of section 8 housing in qualified areas | Housing | 2002 | § 47-865 | $0 | $0 | $0 | $0 |
| 218 | Single-room-occupancy housing | Housing | 1994 | § 42-3508.06 | $0 | $0 | $0 | $0 |
| 219 | Vacant rental housing | Housing | 1985 | § 42-3508.02 | $0 | $0 | $0 | $0 |
| **Unused Local Real Property Tax Exemptions** | | | | | | | | |
| 220 | High-technology commercial real estate database and service providers | Economic development | 2010 | § 47-4630 | $0 | $0 | $0 | $0 |
| 221 | Resident management corporations | Housing | 1992 | § 47-1002(24) | $0 | $0 | $0 | $0 |
| **Unused Local Real Property Tax Deferrals, Rebates, and Multiple Categories** | | | | | | | | |
| 222 | Economic development zone incentives for real property owners | Economic development | 1988 | § 6-1501 - § 6-1503 | $0 | $0 | $0 | $0 |
| **Unused Local Deed Rercordation And Transfer Tax Exemptions** | | | | | | | | |
| 223 | Special act of Congress (recordation tax only) | General law | 1962 | § 42-1102(4) | $0 | $0 | $0 | $0 |
| 224 | Bona-fide gifts to the District of Columbia | General law | 2011 | § 47-902(24) | $0 | $0 | $0 | $0 |
| 225 | Resident management corporations | Housing | 1992 | § 42-1102(20), § 47-3506.01(b)(1), § 47-902(15), and §47-3506.01(b)(2) | $0 | $0 | $0 | $0 |
| 226 | Tax-exempt entities subject to a long-term lease | Tax administration and equity | 2003 | § 42-1102(27) and § 47-902(21) | $0 | $0 | $0 | $0 |

| # | Name of Tax Expenditure | Program Area | Year Enacted | D.C Code Section | Revenue Forgone ($ in thousands) FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|---|---|---|---|
| **Unused Local Personal Property Tax Exemptions** | | | | | | | | |
| 227 | Digital audio radio satellite companies | General law | 2000 | §47-1508(a)(8) | $0 | $0 | $0 | $0 |
| 228 | Solar energy systems | Natural resources and environment | 2013 | §47-1508(a)(11) | $0 | $0 | $0 | $0 |
| 229 | Cogeneration Systems | Natural resources and environment | 2013 | §47-1508(a)(12) | $0 | $0 | $0 | $0 |
| 230 | Wireless telecommunication companies | Tax administration and equity | 1998 | §47-1508(a)(7) | $0 | $0 | $0 | $0 |
| 231 | Works of art lent to the National Gallery by non-residents | Tax administration and equity | 1950 | § 47-1508(a)(2) | $0 | $0 | $0 | $0 |
| **D.C. UNUSED LOCAL TAX EXPENDITURES (implementing regulations not written)** | | | | | | | | |
| **Unused Local Income Tax Subtraction** | | | | | | | | |
| 232 | Environmental savings account contributions and earnings | Natural resources and environment | 2001 | § 8-637.03 | $0 | $0 | $0 | $0 |
| **Unused Local Income Tax Credits** | | | | | | | | |
| 233 | Brownfield revitalization and cleanup | Natural resources and environment | 2001 | § 8-637.01 | $0 | $0 | $0 | $0 |
| **Unused Local Real Property Tax Credits** | | | | | | | | |
| 234 | Brownfield revitalization and cleanup | Natural resources and environment | 2001 | § 8-637.01 | $0 | $0 | $0 | $0 |

# III. Local Individual or Specific Tax Expenditures

| # | Name of Development | Program Area | Year Enacted | D.C Code Section | Revenue Forgone ($ in thousands) FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|---|---|---|---|
| **D.C. Individual Real Property Tax Abatements** | | | | | | | | |
| 235 | 14W And The YMCA Anthony Bowen Project | Economic development | 2009 | § 47-4627 | $553 | $549 | $554 | $560 |
| 236 | EAB Global, Inc. | Economic development | 2019 | § 47-4665.06 | $231 | $230 | $231 | $234 |
| 237 | Line Hotel (Adams Morgan Hotel) | Economic development | 2013 | § 47-4652 | $909 | $910 | $937 | $966 |
| 238 | Randall School Contemporary Art Museum and Housing Development | Economic development | 2019 | § 47–4626.01 | $1,508 | $1,499 | $1,511 | $1,529 |
| 239 | MLK Gateway | Economic development | 2020 | § 47–4672 | $0 | $0 | $0 | $0 |
| 240 | Columbian Quarter Local Jobs and Tax Reduction Incentive | Economic development | 2018 | § 47-4669 | $0 | $0 | $0 | $0 |
| 241 | New Howard University hospital and redevelopment | Health | 2020 | § 47–4673 | $10,695 | $10,631 | $10,716 | $10,844 |
| 242 | Eckington One | Housing | 2009 | § 47-4618 | $0 | $0 | $0 | $0 |
| 243 | Georgia Commons | Housing | 2008 | § 47-4610 | $0 | $0 | $0 | $0 |
| 244 | Parkside Parcel E And J Mixed-income Apartments | Housing | 2013 | § 47-4658 | $260 | $258 | $260 | $263 |
| 245 | International Spy Museum | Social policy | 2018 | § 47-4666 | $1,830 | $2,049 | $2,111 | $2,163 |
| 246 | The Pew Charitable Trusts | Social policy | 2010 | § 47-4637 | $1,076 | $1,069 | $1,078 | $1,091 |
| 247 | National Public Radio, Inc. | Social policy | 2008 | § 47-4615 | $1,800 | $1,800 | $1,800 | $1,800 |

| # | Name of Development | Program Area | Year Enacted | D.C Code Section | Revenue Forgone ($ in thousands) FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|---|---|---|---|
| **D.C. Individual Real Property Tax Exemptions** | | | | | | | | |
| 248 | Alabama Avenue IHOP Property | Economic development | 2018 | § 47–4650.01 | $0 | $0 | $0 | $0 |
| 249 | Soccer Stadium | Economic development | 2015 | § 47-4663 | $8,845 | $8,845 | $8,845 | $8,845 |
| 250 | 3200 Pennsylvania Ave, S.E | Economic development | 2022 | § 47-4676 | $0 | $0 | $362 | $362 |
| 251 | University of the District of Columbia, Lot 114, Square 676 | Education | 2018 | § 47-1099.03 | $875 | $870 | $877 | $888 |
| 252 | St. Paul on Fourth Street, Inc. | Education | 2020 | § 47–1099.07 | $459 | $456 | $1,255 | $1,270 |
| 253 | Shaed School, LLC | Education | 2020 | § 47–1099.05 | $164 | $163 | $165 | $166 |
| 254 | National Education Association | Education | 1906 | § 47–1036 | $5 | $5 | $5 | $6 |
| 255 | KIPP DC—Douglass Property & Shaw Campus | Education | 2009 & 2011 | § 47-1081 & § 47-1085 | $312 | $310 | $313 | $317 |
| 256 | Lowell School | Education | 1999 | § 47–1049 | $1,077 | $1,071 | $1,080 | $1,092 |
| 257 | Washington Latin Public Charter School property | Education | 2013 | § 47–1090 | $1,444 | $1,435 | $1,447 | $1,464 |
| 258 | Meridian Public Charter School — Harrison Campus Property | Education | 2012 | § 47-1088 | $783 | $778 | $784 | $794 |
| 259 | Children's Hospital Research and Innovation Campus tax exemptions | Health | 2021 | § 47–1099.10 | $1,253 | $1,245 | $1,255 | $1,270 |
| 260 | Maime D. Lee, LLC | Health | 2020 | § 47–1099.08 | $459 | $456 | $460 | $465 |
| 261 | Whitman-Walker Clinic, Inc.: Lot 129, Square 241 | Health | 2015 | § 47-4664 | $111 | $110 | $111 | $112 |
| 262 | Park Place at Petworth, Highland Park | Housing | 2010 | § 47-4629 | $452 | $391 | $338 | $286 |
| 263 | Campbell Heights Project | Housing | 2010 | § 47-4632 | $274 | $273 | $275 | $278 |
| 264 | Golden Rule Rehabilitation Project | Housing | 2008 | § 47-1079 | $82 | $81 | $82 | $83 |
| 265 | Douglas Knoll, Golden Rule, 1728 W Street And Wagner | Housing | 2005 | § 47-1065 | $457 | $454 | $457 | $463 |
| 266 | King Towers Residential Housing Rental Project | Housing | 2009 | § 47-4639 | $221 | $220 | $222 | $224 |

| # | Name of Development | Program Area | Year Enacted | D.C Code Section | Revenue Forgone ($ in thousands) FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|---|---|---|---|
| **D.C. Individual Real Property Tax Exemptions (cont.)** | | | | | | | | |
| 267 | Parkside Terrace Development Project | Housing | 2006 | § 47-4607 | $231 | $230 | $231 | $234 |
| 268 | St Martin's Apartments LP | Housing | 2009 | § 47-4620 | $249 | $248 | $250 | $253 |
| 269 | The Elizabeth Ministry, Inc. | Housing | 2013 | § 47-4657 | $23 | $23 | $23 | $24 |
| 270 | Beulah Baptist Church, Dix Street Corridor Senior Housi | Housing | 2011 | § 47-4654 | $66 | $66 | $66 | $67 |
| 271 | 4427 Hayes Street NE | Housing | 2011 | § 47-4649 | $30 | $30 | $30 | $30 |
| 272 | St. Paul Senior Living At Wayne Place | Housing | 2011 | § 47-4642 | $68 | $68 | $68 | $69 |
| 273 | Allen Chapel Ame Senior Residential Rental Project | Housing | 2011 | § 47-4641 | $108 | $107 | $108 | $109 |
| 274 | Carver 2000 Low-income And Senior Housing Project | Housing | 2005 | § 47-4605 | $148 | $147 | $148 | $150 |
| 275 | Affordable Housing Opportunitites, Inc. Project | Housing | 2010 | § 47-1084 | $64 | $63 | $64 | $64 |
| 276 | SOME, Inc. & Affiliates | Housing | 2008 | § 47-1078 | $179 | $178 | $179 | $182 |
| 277 | Jubilee Housing Residential Rental Project | Housing | 2010 | § 47-1089 and § 47-4633 | $271 | $270 | $272 | $275 |
| 278 | Jubilee Ontario Apartments | Housing | 2016 | § 47-1099 | $81 | $81 | $81 | $82 |
| 279 | Israel Senior Residences | Housing | 2013 | § 47-4659 | $29 | $29 | $29 | $29 |
| 280 | The Studio Theatre | Housing | 2009 | § 47-1082 | $21 | $21 | $21 | $21 |
| 281 | Samuel J. Simmons NCBA Estates | Housing | 2012 | § 47–4646 | $200 | $198 | $200 | $202 |
| 282 | Emory Beacon of Light Tax Exemption and Equitable Tax Relief Act | Housing | 2021 | § 47–1099.11 | $236 | $235 | $237 | $239 |
| 283 | N Street Village, Inc. | Housing | 2015 | § 47-1096 | $0 | $0 | $0 | $0 |
| 284 | Rosedale Conservancy, lot 817 in square 1954. | Natural resources and environment | 2003 | § 47-1056 | | | | |
| 285 | Triangle Community Garden; lot 58, square 1966. | Natural resources and environment | 2006 | § 47-1073 | $91 | $91 | $91 | $92 |
| 286 | Washington Parks and People | Social Policy | 2006 | § 47-1099.04 | $1 | $1 | $1 | $1 |
| 287 | United House Of Prayer For All People | Social Policy | 2012 | § 47-1086 | $527 | $524 | $528 | $534 |

| # | Name of Development | Program Area | Year Enacted | D.C Code Section | Revenue Forgone ($ in thousands) FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|---|---|---|---|
| **D.C. Individual Real Property Tax Exemptions (cont.)** | | | | | | | | |
| 288 | Randall School development project | Social Policy | 2009 | § 47–4626 | $1,567 | $1,557 | $1,570 | $1,589 |
| 289 | Naval Lodge Building | Social Policy | 2015 | § 47-1097 | $123 | $120 | $120 | $120 |
| 290 | National League of American Pen Women | Social Policy | 2021 | § 47–1099.09 | $52 | $51 | $52 | $52 |
| 291 | Supreme Council of Scottish Rite Free Masonry of the Southern Jurisdiction of the United States | Social Policy | 2015 | § 47-1094 | $239 | $238 | $240 | $243 |
| 292 | American Academy of Achievement | Social Policy | 2015 | § 47-1093 | $109 | $108 | $109 | $110 |
| 293 | YMCA Community Investment Initiative | Social Policy | 2014 | § 47-1092 | $558 | $555 | $559 | $566 |
| 294 | Basilica of the National Shrine of the Immaculate Concep | Social Policy | 2013 | § 47-1091 | $305 | $303 | $305 | $309 |
| 295 | Meridian International Center | Social Policy | 2015 | § 47–1088.01 | $788 | $784 | $790 | $799 |
| 296 | Tregaron Conservancy | Social Policy | 2008 | § 47–1077 | $21 | $20 | $21 | $21 |
| 297 | National Community Reinvestment Coalition and Subsidi | Social Policy | 2006 and 2018 | § 47–1071 | $1,394 | $1,386 | $1,397 | $1,413 |
| 298 | American Psychological Association | Social Policy | 2005 | § 47–1069 | $1,628 | $1,619 | $1,632 | $1,651 |
| 299 | Department of the District of Columbia Veterans of Foreign Wars | Social Policy | 2005 | § 47–1063 | $12 | $12 | $12 | $13 |
| 300 | Hill East Community Garden | Social Policy | 2006 | § 47–1061 | $1 | $1 | $1 | $1 |
| 301 | American College of Cardiology and American College of Cardiology Foundation | Social Policy | 2004 | § 47–1059 | $1,520 | $1,511 | $1,523 | $1,541 |
| 302 | Crispus Attucks Development Corporation | Social Policy | 2004 | § 47–1057 | $47 | $47 | $47 | $48 |
| 303 | Shakespeare Theatre | Social Policy | 1999 | § 47–1048 | $31 | $31 | $32 | $32 |
| 304 | American Legion, James Reese Europe Post No. 5 | Social Policy | 1999 | § 47–1046 | $5 | $5 | $5 | $6 |
| 305 | Prince Hall Freemason and Eastern Star Charitable Foundation | Social Policy | 1998 | § 47–1045 | $312 | $310 | $313 | $317 |
| 306 | Grace Covenant Church Equitable Real Property Tax Relief | Social Policy | 2023 | | $133 | $0 | $0 | $0 |

| # | Name of Development | Program Area | Year Enacted | D.C Code Section | Revenue Forgone ($ in thousands) FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|---|---|---|---|
| **D.C. Individual Real Property Tax Deferrals, Rebates, and Multiple Categories** | | | | | | | | |
| 307 | D.C. Central Kitchen Inc. | Social Policy | 2022 | § 47–4674 | $208 | $208 | $208 | $208 |
| 308 | The Urban Institute | Social policy | 2010 | § 47–4624 | $1,000 | $1,000 | $1,000 | $1,000 |
| **D.C. Individual Sales Tax Credits** | | | | | | | | |
| 309 | National Law Enforcement Museum | Social policy | 2009 | § 47–4622 | minimal | minimal | minimal | minimal |

Note: *represents updated estimates since the FY 2025 Approved Budget and Financial Plan.

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# PART I: FEDERAL CONFORMITY TAX EXPENDITURES

## Income Tax

*EXCLUSIONS*

# 1. Capital gains on assets transferred at death

Internal Revenue Code Sections: 1001, 1014, 1023, 1040, 1221, and 1222
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1921

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | $39,801 | $41,301 | $43,686 | $46,276 |
| **Total** | **$39,801** | **$41,301** | **$43,686** | **$46,276** |

DESCRIPTION: A capital gains tax are taxes generally levied "on the increased value of a capital asset."[12] That is, the difference between the final sales price and the original cost of the asset. When property is transferred upon an owner's death, unrealized capital gains on the property are excluded from taxable income. The basis of taxation for the heir is the market value of the property when the owner died, rather than the original cost of the asset (this is sometimes called a "step-up" in basis). Income tax is therefore not imposed on any appreciation that occurs before death.

PURPOSE: Although the original rationale for the exclusion is not clear and was never indicated in the legislative history of the provision, a justification currently used is that death should not trigger recognition of income.[13] One author notes that, "Part of the rationale for step-up in basis was that the gains were subject to the estate tax."[14] In addition, there would be an administrative burden both for taxpayers and the IRS to determine the original price of assets that were purchased long ago.

IMPACT: The Congressional Research Service states that, "The exclusion of capital gains at death is most advantageous to individuals who need not dispose of their assets to achieve financial liquidity. Generally speaking, these individuals tend to be wealthier. The deferral of tax on the appreciation involved, combined with the exemption for the appreciation before death, is a significant benefit for those investors and their heirs."[15]

Regarding efficiency, the failure to tax capital gains transferred at death encourages "lock-in" of assets (holding the same assets even though portfolio change might otherwise be more beneficial).[16] CRS points out that, "Lower capital gains taxes may disproportionately benefit real estate investments and may cause corporations to retain more earnings than would otherwise be the case,

[12] U.S. Senate, Committee on the Budget, Tax Expenditures: Compendium of Background Material on Individual Provisions, Senate Print 176-24, prepared by the Congressional Research Service (December 2022), p. 449
[13] U.S. Senate, Committee on the Budget, p. 451.
[14] Gerald Auten, "Capital Gains Taxation," in *The Encyclopedia of Taxation and Tax Policy*, Joseph Cordes, Robert Ebel, and Jane Gravelle, eds. (Washington, D.C.: The Urban Institute Press, 2005), p. 47.
[15] U.S. Senate, Committee on the Budget, p. 450.
[16] Ibid.

thus resulting in efficiency losses. At the same time, lower capital gains taxes reduce the distortion that favors corporate debt over equity, which produces an efficiency gain." [17]

[17] U.S. Senate, Committee on the Budget, p. 452.

***Income Tax***
*Exclusions*

## 2. Capital gains on assets transferred as a gift

Internal Revenue Code Section: 1015,1023, 1040, 1221, and 1222.
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1921

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | $1,905 | $10,924 | $6,097 | $127 |
| **Total** | **$1,905** | **$10,924** | **$6,097** | **$127** |

DESCRIPTION: When property is transferred as a gift during the lifetime of the owner, unrealized capital gains on the property are excluded from taxable income. The basis of taxation is the original cost of the asset paid by the donor, but the tax is not imposed upon the transfer. In addition, tax can be avoided entirely if the recipient holds the asset until death, when it can be transferred to an heir without triggering capital gains taxation.

PURPOSE: Although the original rationale for the exclusion is not clear, a justification currently used is that a gift should not trigger a recognition of income.[18] In addition, another rationale might be that the transfer is subject to the gift tax.

IMPACT: The impact of the capital gains tax exclusion for gifts is somewhat like the exclusion for assets transferred at death (see Tax Expenditure #1, described on pages 39 and 40). The exclusion of capital gains on gifts will be most advantageous to individuals who do not need to dispose of their assets to achieve financial liquidity, and to those who have more valuable assets. These individuals tend to be wealthier. In addition, the exclusion for capital gains on gifts encourages the "lock-in" of assets (maintaining the same assets even though portfolio change might otherwise be more beneficial).

[18] U.S. Senate, Committee on the Budget, p. 532.

***Income Tax***
*Exclusions*

## 3. Cash accounting, other than agriculture

Internal Revenue Code Sections: 446 and 448
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1916

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $932 | $932 | $932 | $932 |
| Personal Income Tax Loss | $3,344 | $3,478 | $4,013 | $4,415 |
| **Total** | **$4,276** | **$4,410** | **$4,945** | **$5,346** |

DESCRIPTION: Employee-owned personal service businesses[19] and other small businesses with average annual gross receipts capped at $25 million[20] have the option of using the cash method of accounting instead of the accrual method. Using the cash method for tax purposes effectively defers corporation and personal income taxes by allowing qualified businesses to record income when it is received rather than when it is earned (the accrual method).

PURPOSE: The purpose of the exclusion is to simplify record keeping and eliminate an additional drain on the working capital of small businesses.

IMPACT: Small businesses and personal service corporations benefit from this provision. The Congressional Research Service states that cash accounting allows businesses to exercise "greater control over when receipts and expenses are recognized for tax purposes. By shifting income or expenses from one year to the next, a business can defer the payment of taxes on income that would be recognized sooner under the accrual method, or it can take advantage of credits or net operating losses that otherwise may expire. As noted earlier, the cash-basis method of accounting entails lower tax compliance costs for small business owners."[21]

[19] This category includes businesses in health, law, accounting, engineering, architecture, actuarial science, performing arts, or consulting.
[20] 26 U.S. Code § 448
[21] U.S. Senate, Committee on the Budget, Tax Expenditures: Compendium of Background Material on Individual Provisions, Senate Print 117-24, prepared by the Congressional Research Service (December 2022), p. 528.

***Income Tax***
*Exclusions*

## 4. Credit union income

Internal Revenue and U.S. Code Sections: 501(c)(14)(A) and 12 USC 1768
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1937

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $4,289 | $4,595 | $5,055 | $5,361 |
| Personal Income Tax Loss | $0 | $0 | $0 | $0 |
| **Total** | **$4,289** | **$4,595** | **$5,055** | **$5,361** |

DESCRIPTION: The income of a credit union is exempt from corporate income tax. Credit unions are non-profit cooperatives organized by people with a common bond (such as membership in the same profession) that distinguishes them from the public. Members of the credit union pool their funds to make loans to one another. The earnings that the credit union distributes to its depositors (as opposed to earnings that it retains) are subject to taxation.

Credit unions initially gained tax-exempt status in 1934[22] when they were included in a broader exemption for domestic building and loan associations. In 1951, a specific tax exemption for credit unions was enacted.

PURPOSE: CRS notes that "Credit unions have never been subject to the federal income tax. Initially, the Attorney General of the United States ruled that credit unions were exempt from income tax because of their similarity to domestic building and loan associations—whose business was at one time confined to lending to members—and cooperative banks operated for mutual purposes, which were specifically exempt by Revenue Acts."[23] Further, according to the U.S. Government Accountability Office (GAO), credit unions "continue to be exempt because of their cooperative, not-for-profit structure, which is distinct from other depository institutions, and because credit unions have historically emphasized serving people of modest means."[24]

IMPACT: Credit unions and their members benefit from this provision. The Congressional Research Service states that "For a given addition to retained earnings, this tax exemption may translate into higher dividends and lower interest rates on loans for credit union members relative to for-profit banks."[25]

[22] Erica York (January 30, 2018). Reviewing the Credit Union. The Tax Exemption. Available at https://taxfoundation.org/reviewing-credit-union-tax-exemption/
[23] U.S. Senate, Committee on the Budget, Tax Expenditures: Compendium of Background Material on Individual Provisions, Senate Print 117-24, prepared by the Congressional Research Service (December 2022), p. 342
[24] U.S. Government Accountability Office, "Financial Institutions: Issues Regarding the Tax-Exempt Status of Credit Unions," Highlights of GAO-06-220T, Testimony before the Committee on Ways and Means, House of Representatives, November 3, 2005.
[25] U.S. Senate, Committee on the Budget, p. 342.

Proponents of the exemption emphasize that credit unions are directed by volunteers for serving their members, rather than maximizing profits. CRS also points out that, "supporters argue that credit unions are subject to certain regulatory constraints not required of other depository institutions and that these constraints reduce the competitiveness of credit unions. For example, credit unions may only accept deposits of members and lend only to members, other credit unions, or credit union organizations."[26]

On the other hand, "Proponents of removing the taxation exemption argue that deregulation has led to increased competition among all depository institutions, including credit unions, and the tax exemption gives credit unions an unwarranted advantage over other depository institutions. Large credit unions may have tax advantages over similar sized banks as a result of the exemption. They argue that depository institutions should have a level playing field for market forces to allocate resources efficiently."[27] The U.S. Treasury Department's 1984 tax reform report to President Reagan proposed repealing the exclusion of credit union income on precisely those grounds.[28]

It is also not clear to what extent credit unions serve people of low or moderate incomes and pass on the savings from the tax exclusion to credit union members. In testimony to the U.S. House Committee on Ways and Means in November 2005, a GAO official stated that, "[S]ome studies, including one of our own, indicate that credit unions serve a slightly lower proportion of households with low and moderate incomes than banks."[29]

[26] U.S. Senate, Committee on the Budget, p. 342.
[27] Ibid.
[28] U.S. Treasury Department, Tax Reform for Fairness, Simplicity, and Economic Growth, The Treasury Department Report to the President, Volume 1, Overview (November 1984), p. 133.
[29] U.S. Government Accountability Office, "Financial Institutions: Issues Regarding the Tax-Exempt Status of Credit Unions," Statement of Richard Hillman, Managing Director, Financial Markets and Community Investments, before the Committee on Ways and Means, House of Representatives (GAO-06-220T), November 3, 2005, p. 9.

***Income Tax***
*Exclusions*

## 5. Distribution from redemption of stock to pay taxes imposed at death

Internal Revenue Code Section: 303
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1950

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | $115 | $115 | $115 | $115 |
| **Total** | **$115** | **$115** | **$115** | **$115** |

DESCRIPTION: "When a shareholder in a closely-held business dies, a partial redemption of the stock (selling the stock back to the corporation) is treated as a sale or exchange of an asset eligible for long-term capital gain treatment."[30] The treatment of the redemption as a capital gain means that there is a "step up" in basis: the stock is valued for purposes of federal income tax as of the date that it was transferred to the decedent's heir or heirs, rather than the value at the initial time of purchase by the decedent. As a result, there will be little or no federal tax due on the redemption (depending on the exact timing of the redemption).[31]

To qualify for this tax benefit, at least 35 percent of the decedent's estate must consist of the stock of the corporation. The benefits of the exclusion cannot exceed the estate taxes and expenses (funeral and administrative) that are incurred by the estate.

PURPOSE: According to the Congressional Research Service, this provision was adopted due to "congressional concern that estate taxes would force some estates to liquidate their holdings in a family business. There was further concern that outsiders could join the business, and the proceeds from any stock sales used to pay taxes would be taxable income under the income tax."[32]

IMPACT: Family businesses benefit from this provision because it creates an incentive to sell stock back to the business to pay estate taxes. CRS observes that, "There are no special provisions in the tax code, however, for favorable tax treatment of other needy redemptions, such as to pay for medical expenses. To take advantage of this provision, the decedent's estate does not need to show that the estate lacks sufficient liquid assets to pay taxes and expenses. Furthermore, the proceeds of the redemption do not have to be used to pay taxes or expenses."[33]

[30] U.S. Senate, Committee on the Budget, p.579.
[31] There could be some tax liability if the stock appreciates between the time it is bequeathed to the heir or heirs and the time it is sold back to the closely held business.
[32] U.S. Senate, Committee on the Budget, p. 580.
[33] Ibid.

***Income Tax***
*Exclusions*

## 6. Gain on like-kind exchanges

Internal Revenue Code Section: 1031
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1921

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $1,769 | $1,622 | $1,622 | $1,622 |
| Personal Income Tax Loss | $10,797 | $10,415 | $9,780 | $9,526 |
| **Total** | **$12,566** | **$12,037** | **$11,402** | **$11,148** |

DESCRIPTION: When business or investment property is exchanged for property of a "like kind," no gain or loss is recognized on the exchange and therefore no tax is paid on any appreciation in the property's value at the time of the exchange. This exclusion contrasts to the general rule that any sale or exchange of money or property is a taxable event.[34]

PURPOSE: According to the Congressional Research Service, the rationale for allowing these tax-free exchanges is "that the investment in the new property is merely a continuation of the investment in the old."[35]

IMPACT: CRS states that, "The like-kind exchange rules have been liberally interpreted by the courts to allow tax-free exchanges of real property of the same general type but of very different quality and use. All real estate, in particular, is considered 'like-kind'… The provision is very popular with real estate interests, some of whom specialize in arranging property exchanges. It is useful primarily to persons who wish to alter their real estate holdings without paying tax on their appreciated gain ... Stocks and financial instruments are generally not eligible for this provision, so it is not useful for rearranging financial portfolios."[36]

In addition, the exclusion serves to "simplify transactions and make it less costly for businesses and investors to replace property. Taxpayers gain further benefit from the loose definition of 'like-kind,' because they can also switch their property holdings to types they prefer without tax consequences. This might be justified as reducing the inevitable bias a tax on capital gains causes against selling property, but it is difficult to argue for restricting the relief primarily to those taxpayers engaged in sophisticated real estate transactions."[37] The "like-kind" rule creates an economic distortion by encouraging investment in land and buildings even when real estate might not represent the most productive use of capital. A *New York Times* article stated that, "Because it allows farmers to avoid capital gains taxes on land swaps, the tax break provides an incentive to sell farmland coveted by developers and buy property in less desirable and more remote areas."[38]

[34] U.S. Senate, Committee on the Budget, p. 459.
[35] Ibid, p. 460.
[36] Ibid, pp. 459-460.
[37] Ibid, p. 461.
[38] David Kocieniewski, "Major Companies Push the Limits of a Tax Break," *The New York Times*, January 6, 2013.

***Income Tax***
*Exclusions*

## 7. Imputed interest

Internal Revenue Code Sections: 163(e), 483, 1274 and 1274A
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1964

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | too small | too small | too small | too small |
| Personal Income Tax Loss | $978 | $978 | $1,060 | $1,141 |
| **Total** | **$978** | **$978** | **$1,060** | **$1,141** |

Note: "Too small" means that the nationwide federal revenue impact was estimated as $50 million or less.

DESCRIPTION: For debt instruments that do not bear a market rate of interest, the Internal Revenue Service assigns or "imputes" a market rate to estimate interest payments for tax purposes. The imputed interest must be included as income to the recipient and is deducted by the payer. There are several exceptions to this general rule, covering debt associated with the sale of property when the total sales price is no more than $250,000; the sale of farms or small businesses by individuals when the sales price is no more than $1 million; and the sale of a personal residence. An interest rate no greater than 9 percent may not be assigned to debt instruments given in exchange for real property for amounts less than an inflation-adjusted maximum (currently $4.6 million or $3.3 million, depending on the debt instrument used).

The tax expenditure is the revenue loss caused by the exceptions to the imputed interest rule listed above. A common example of this exemption is a low-interest, no-interest, or "gift" loan involved in the sale of property between family members.

PURPOSE: The purpose of the exclusion is to reduce the tax burden on the sales of homes, small businesses, and farms, and to allow buyers to finance the purchase of property that would otherwise be unaffordable under prevailing market rates and conditions. Essentially, the exclusion allows a limited set of transactions to take place without restrictions on seller financing. The restrictions on the exclusion are intended to prevent the tax avoidance that may result if the seller charges an artificially high sales price (to shift income toward tax-favored capital gains) and an artificially low interest rate (to shift income out of taxable interest payments).

IMPACT: Sellers of residences, small businesses, and farms who would have to pay tax on interest they do not charge, and otherwise will not receive, benefit from this provision. The exceptions to the imputed interest rules are generally directed at "seller take-back" financing, in which the seller of the property receives a debt instrument (note, mortgage) in return for the property. This financing mechanism allows the sellers to shift taxable income between tax years and thus delay the payment of taxes.[39] The imputed interest rules have been less important since the Tax Reform Act of 1986 took effect, because tighter depreciation rules limited the arbitrage opportunities from seller-financed transactions.[40]

[39] U.S. Senate, Committee on the Budget, p. 504.
[40] Ibid, p. 505.

***Income Tax***
*Exclusions*

## 8. Interest on small-issue qualified private-activity bonds

Internal Revenue Code Sections: 103, 141, 144, and 146
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1968

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | too small | too small | too small | too small |
| Personal Income Tax Loss | $107 | $107 | $107 | $107 |
| **Total** | **$107** | **$107** | **$107** | **$107** |

DESCRIPTION: Interest income on state and local bonds that are used to finance loans of $1 million or less for the construction of private manufacturing facilities is tax-exempt. These bonds, which are known as "small-issue industrial development bonds" (IDBs) are classified as private-activity bonds rather than governmental bonds because a substantial portion of the benefits accrues to private individuals or businesses.[41]

The $1 million loan limit for a single project may be raised to $10 million if the aggregate amount of related capital expenditures (including those financed by tax-exempt bond proceeds) made over a six-year period is not expected to exceed $10 million. Total borrowing for any one borrower is limited to $40 million. The private-activity bond annual volume cap is equal to the greater of $110 per state resident or $335.115 million in 2022.[42] The small-issue IDBs are also subject to caps on the volume of private-activity bonds each state can issue.

State and local governments initially faced no restrictions on using tax-exempt bonds for economic development. Congress first imposed limits on the amount of bond issuance and the size of the projects supported in 1968.

PURPOSE: The Congressional Research Service notes that small-issue IDBs are supported by Congress to promote investment and jobs in their communities.[43] Because the interest on the bonds is tax-exempt, buyers are willing to accept lower interest rates for the small-issue IDBs than they would for taxable securities, which in return reduce the cost of financing for the manufacturers.

IMPACT: CRS states that, "since interest on the bonds is tax exempt, purchasers are willing to accept lower before-tax rates of interest than on taxable securities. These low rates allow issuers to offer loans to manufacturing businesses at reduced interest rates."[44] However, any increase in investment, jobs, and tax base obtained by communities from their use of these bonds likely is offset by the loss of jobs and tax base elsewhere in the economy. "National benefit could arise from relocating jobs and tax base to achieve social or distributional objectives. The use of the bonds, however, is not targeted to specific geographic areas that satisfy explicit federal criteria such as median income or unemployment …"[45] CRS also points out that, "With a greater supply of public

[41] U.S. Senate, Committee on the Budget, p. 535.
[42] Ibid, pp. 535-536.
[43] Ibid, p. 536.
[44] Ibid.
[45] Ibid., p. 537.

bonds, the interest rate on bonds necessarily increases to lure investors. In addition, expanding the availability of tax-exempt bonds also increases the assets available to individuals and corporations to shelter their income from taxation."[46]

[46] Ibid, p. 538.

***Income Tax***
*Exclusions*

## 9. Magazine, paperback and record returns

Internal Revenue Code Section: 458
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1978

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | too small | too small | too small | too small |
| Personal Income Tax Loss | too small | too small | too small | too small |
| **Total** | **too small** | **too small** | **too small** | **too small** |

Note: "Too small" means that the nationwide federal revenue impact was estimated as $50 million or less.

DESCRIPTION: Generally, if a buyer returns goods to the seller, the seller's income is reduced in the year in which the items are returned. This tax expenditure involves an exemption from this rule for publishers and distributors of magazines, paperbacks, and records (records include discs, tapes, and similar objects that contain pre-recorded sounds).

Publishers and distributors may elect to exclude from corporate or personal taxable income any goods sold during a tax year that are returned shortly after the close of the tax year. Specifically, magazines must be returned within two months and 15 days, and paperbacks and records must be returned within two months and fifteen days after the end of the tax year, respectively. This allows publishers and distributors to sell more copies to wholesalers and retailers than they expect will be sold to consumers.

PURPOSE: The purpose of the exclusion is to avoid taxing publishers and distributors of magazines, paperbacks, and records on accrued income when goods that are sold in one year are returned after the close of the year.

IMPACT: Publishers and distributors of magazines, paperbacks and records benefit from this provision. The Congressional Research Service notes that, "The special tax treatment granted to publishers and distributors of magazines, paperbacks, and records is not available to producers and distributors of other goods. On the other hand, publishers and distributors of magazines, paperbacks, and records often sell more copies to wholesalers and retailers than they expect will be sold to consumers."[47] CRS also states that the exclusion "mainly benefits large publishers and distributors."[48] In 1984, the U.S. Treasury Department's tax reform report to President Reagan recommended repealing the exclusion as an unnecessary subsidy.[49]

[47] U.S. Senate, Committee on the Budget, p. 512.
[48] Ibid.
[49] U.S. Department of the Treasury, Tax Reform for Fairness, Simplicity, and Economic Growth, Volume 1, Overview, p. 150.

***Income Tax***
*Exclusions*

## 10. Small business stock gains

Internal Revenue Code Section: 1202 and 1045
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1993

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | $7,720 | $7,605 | $7,720 | $8,181 |
| **Total** | **$7,720** | **$7,605** | **$7,720** | **$8,181** |

DESCRIPTION: Individuals and non-corporate business taxpayers can exclude from gross income a portion of the gain from the sale or exchange of qualified small business stock. The exclusion is 50 percent for qualified stock issued after August 10, 1993; 75 percent for stock acquired from February 18, 2009, to September 27, 2010; and 100 percent of any gain from the sale or exchange of qualified small business stock (QSBS) acquired after September 27, 2010.

In 2022, individuals with adjusted gross incomes (AGIs) under $83,350 for joint filers ($41,675 for single filers) pay 0 percent tax on realized long-term capital gains; the tax rate increases to 15 percent for joint filers with AGIs between $83,351 and $517,200 (single filers with AGIs between $41,676 and $459,750); finally, joint filers with AGIs above $517,200 (above $459,750 for single filers) are taxed at 20 percent.

Qualified small business stock must be acquired by a non-corporate taxpayer at the time of original issue and held for at least five years. A C corporation must issue the stock with no more than $50 million in gross assets and employs at least 80 percent of its assets in a qualified trade or business during the five-year holding period. The qualified business or trade must be a "specialized small business investment company" in any line of business except for health care, law, engineering, architecture, food service, lodging, farming, insurance, finance, or mining.

The exclusion has not been considered a preference item for computing the alternative minimum tax (AMT) for QSBS acquired after September 27, 2010. Additionally, the corporate AMT was repealed beginning in 2018.

PURPOSE: Congressional Research Service states that the exclusion is "intended to increase the flow of equity capital to new or young small firms and SSBICs in a range of industries. These firms may have difficulty raising capital from more traditional sources such as banks, angel investors, or private equity firms. The exclusion encourages a greater flow of equity capital by increasing the risk-adjusted, after-tax rate of return a taxpayer could earn by buying, holding for five years, and then selling QSBS, relative to alternative investments."[50]

IMPACT: CRS posits that the likely beneficiaries from the exclusion are high-income individuals (including pass-through business owners) who have relatively high risk tolerances, as well as angel investors and venture capital funds organized as partnerships.[51] The tax expenditure from the

[50] U.S. Senate, Committee on the Budget, pp. 573.
[51] Ibid, pp. 573 and 575.

exclusion arises from the difference between the effective capital gains tax rate (0 percent) that applies to sales or exchanges of QSBS and the maximum effective capital gains tax rate (20 percent), under both the regular income tax.[52] CRS notes that the exclusion raises some policy questions that concern its economic rationale and effectiveness. According to CRS, proponents of the exclusion "argue that it is needed to address financing gaps that interfere with the formation and growth of young small firms seeking to develop and sell innovative technologies. In their view, these gaps result from the failure of investors, banks, and other financiers to adequately grasp the risk of financing new business ventures pursuing untested but potentially profitable new products and services… established firms generally are likely to have less difficulty accessing financial capital for new technology investments."[53] Others argue that "there is no evidence that too few small start-up firms are being formed, that too many of these firms fail to grow into successful enterprises, or that financial markets systematically prevent the growth of many small start-up firms. As a result, say these critics, a policy initiative like the exclusion might do more harm than good. They are concerned that the exclusion does more to distort the domestic allocation of financial capital than it does to facilitate the creation and growth of innovative small start-up firms. More specifically, critics contend that the exclusion might be steering equity capital toward politically favored businesses and away from those with a greater potential for growth."[54]

The 2017 Tax Cuts and Jobs Act (TCJA) has renewed interest among some investors in QSBS due to the reduction in the top corporate income tax rate from 35 percent to 21 percent, which seems to have increased the interest of investors in QSBS. However, the lack of data on investment in QSBS makes it difficult to evaluate the impact of TCJA on investments in QSBS and funding outcomes for issuing firms.[55]

[52] Ibid, p. 573
[53] Ibid, p.575.
[54] Ibid.
[55] Ibid.

***Income Tax***
*Exclusions*

## 11. Discharge of certain student loan debt

Internal Revenue and U.S. Code Sections: 108(f), 20 U.S.C. 1087ee(a)(5), 20 U.S.C. §§1087(c)(4), 1087e(a)(1), and 1087dd(g)(4)
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1984

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | $822 | $925 | $1,028 | $1,131 |
| **Total** | **$822** | **$925** | **$1,028** | **$1,131** |

DESCRIPTION: In general, canceled or forgiven debt, or debt that is repaid on a borrower's behalf, is considered taxable income. However, federal law allows exclusion for the discharge of student loan debt by the federal, state, or local governments; public benefit corporations that operate a state, county, or municipal hospital; and qualified educational institutions for an individual who agrees to work in a certain type of occupation or areas with unmet needs for a specified period.

Programs covered by the exclusion include loan forgiveness for teachers and public service employees under the federal direct student loan program, loan forgiveness for teachers under federal guaranteed loan programs, and loan cancelation for public service employees under the federal Perkins Loan program. Also eligible for the exclusion are loan payments made on behalf of health professionals who work in shortage areas under the National Health Service Corps Loan Repayment Program or state programs eligible for Public Health Service Act funding, as well as loan payments or forgiveness offered by state programs that recruit health care professionals to underserved or shortage areas. Beginning in 2021, this exclusion from gross income is temporarily extended to include amounts of loans discharged that were made expressly for postsecondary educational expenses by specified types of lenders, were made by a qualifying educational organization, were a private education loan, or by an organization exempt from tax under Section 501(a) to refinance a loan to an individual to assist the individual in attending such an educational organization.[56]

PURPOSE: The purpose of the exclusion is to encourage individuals to work in certain high-priority occupations (such as public health or education) or in certain locations (such as health professional shortage areas) by providing student loan forgiveness as an incentive.

IMPACT: Individuals with student loans forgiven under the program benefit from this provision. The industries and geographic areas targeted for the incentive may also benefit. The Congressional Research Service states that, "The value to an individual of excluding the discharge of student loan indebtedness from gross income depends on that individual's marginal tax rate in the tax year in which the benefit is realized. In some instances, beneficiaries are required to have served in certain types of professions or occupations, including occupations with unmet need, or that are in locations with unmet needs."[57]

[56] The temporary exclusion would end on December 31, 2025.
[57] U.S. Senate, Committee on the Budget, p. 748.

***Income Tax***
*Exclusions*

## 12. Earnings of Coverdell education savings accounts

Internal Revenue Code Section: 530
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1998

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | $308 | $308 | $308 | $308 |
| **Total** | **$308** | **$308** | **$308** | **$308** |

DESCRIPTION: A taxpayer may establish a Coverdell education savings account (ESA) to pay for the qualified education expenses of a named beneficiary.[58] Qualified expenses include tuition, fees, books, supplies, and room and board for elementary, secondary, and higher education. There are two tax advantages to a Coverdell: 1) the earnings can grow tax-free annually until they are withdrawn, and 2) distributions or withdrawals from a Coverdell are tax-free if they are used to pay for qualified expenses. Annual contributions to a beneficiary cannot exceed $2,000 and cannot be made after the beneficiary reaches age 18 unless he or she has special needs. The annual contribution is not deductible, but any earnings on the contributions are tax-free until they are distributed.

The maximum allowable contribution is reduced for taxpayers with annual incomes over $95,000 and is phased out completely at an annual income level of $110,000 (the comparable thresholds are $110,000 and $220,000 for a joint return). The portion of the distribution attributed to principal is not taxed, but the earnings may be taxed depending on the amount of qualified higher education expenses that the beneficiary has incurred. A 6 percent tax is imposed if total contributions exceed the annual per-beneficiary limit.

A contributor may fund multiple accounts for the same beneficiary (subject to the overall $2,000 annual limit) and a student may be the designated beneficiary of multiple accounts. Except for accounts for special needs beneficiaries, Coverdell ESA balances must be fully distributed by the time beneficiaries reach the age of 30.

PURPOSE: According to the Congressional Research Service, "These benefits reflected congressional concern that families faced difficulty paying for college. They also may reflect congressional intent to subsidize middle-income families that otherwise would not qualify for need-based federal student aid."[59] The federal law that expanded eligible expenses to those incurred in connection with enrollment in public and private K-12 schools was intended to encourage families to exercise school choice to provide alternatives to the traditional public school.

IMPACT: CRS points out that families that have the wherewithal to save are more likely to benefit. Higher income families—who both have a greater ability to save and receive a larger tax benefit

[58] The program is named after the late Senator Paul Coverdell of Georgia, who was the chief sponsor of the authorizing legislation. Coverdell ESAs were previously known as "Education IRAs."
[59] Ibid, p. 700.

(due to their high tax bracket)—will tend to benefit the most from these accounts.[60] Additionally, "higher-income families also are more likely than lower income families to establish accounts for their children's K-12 education expenses. The amount of the tax benefit, particularly if the maximum contribution to an account is not made each year, is probably too small to affect a family's decision to send their children to public or private school."[61]

[60] U.S. Senate, Committee on the Budget, p. 701
[61] Ibid.

***Income Tax***
*Exclusions*

## 13. Earnings of qualified tuition programs

Internal Revenue Code Section: 529
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1997

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | $5,345 | $5,551 | $6,168 | $6,579 |
| **Total** | **$5,345** | **$5,551** | **$6,168** | **$6,579** |

DESCRIPTION: Qualified Tuition Programs (QTPs), also known as "529 plans" for their section number in the tax code, are tax-advantaged investments used to pay for higher education and up to $10,000 of elementary and secondary school tuition expenses, apprenticeship programs expenses, fees, books, supplies and equipment required for an apprenticeship program registered and certified by the Department of Labor,[62] and up to $10,000 in student loan payments. These earnings usually grow tax-free if used to pay for qualified higher education expenses. Two types of QTPs allow people to pay in advance or save for tuition expenses for designated beneficiaries: (1) prepaid plans and (2) savings plans. Prepaid tuition plans allow account owners to make tuition payments for beneficiaries at current prices, thereby providing a hedge against inflation. Savings plans allow account owners to save and invest money on a tax-favored basis that can be used to pay for higher education expenses (tuition and fees, books, supplies, room and board).

The District of Columbia sponsors a college savings plan but does not offer a prepaid tuition plan. Nevertheless, it is possible to participate in a prepaid tuition plan outside of one's current state of residence. Only states can sponsor college savings accounts, but both states and institutions of higher education offer prepaid tuition plans.

Contributors can fund multiple QTP accounts for the same beneficiary in different states, and an individual may be the beneficiary of accounts established by different contributors. Sponsors can establish their own restrictions, and the specifics of each plan vary from state to state. One difference between QTPs and Coverdell education savings accounts (see tax expenditure #12 on the previous page) is that there are no income restrictions or annual contribution limits for QTPs. Individuals can contribute to QTPs and Coverdell plans during the same year.

Contributions to QTPs are taxable, but the earnings on contributions, as well as the distributions, are free from federal income tax. Taxpayers must reduce their QTP exclusion by the amount of any other tax-free educational assistance. Non-qualifying distributions are subject to a 10 percent penalty, and the earnings share of a non-qualifying distribution is subject to federal income tax.

PURPOSE: QTPs were established by states in response to widespread concern about the rising cost of college.[63] The purpose of the exclusion is to help families save for higher education. However, the 2017 Tax Cut and Jobs Act and the 2019 Setting Every Community Up for Retirement Enhancement Act expanded the definition of qualifying higher education expense to

[62] U.S. Senate, Committee on the Budget, p. 704.
[63] Ibid., p. 706.

include up to $10,000 per beneficiary per year for tuition expenses at a public, private, or religious elementary and secondary school; and certain expenses associated with apprenticeships as well as up to $10,000 in student loan repayments (for the beneficiary and each sibling of the beneficiary).[64] Additionally, the 2020 FAFSA Simplification excludes 529 plan distributions from an account owned by an eligible student's nonparent family members from the calculation for federal student aid starting in the 2023-2024 aid year.[65]

IMPACT: The Congressional Research Service states that the benefits of QTPs are more likely to benefit higher-income families because those taxpayers are subject to higher taxes and have the resources to save for college. Additionally, families with QTPs had about 25 times the median financial assets of those without and about 3 times the median income as families without 529 plans.[66] CRS notes that "529 plans were intended to encourage families to save for college. However, their disproportionate use by higher-income families, who are more likely to save without 529 plans, suggests these plans may not efficiently encourage college saving. Even with 529 plans, lower- and middle-income families may lack the income or have other financial priorities (like retirement savings) that make it difficult to save for college in the first place. In addition, lower- and middle-income families may be unaware of 529 plans, discouraged from investing with minimum initial contribution requirements or complex fee structures, or unfamiliar with the variety of investment options available.[67] Urban Institute researchers have questioned whether the plans impact college savings because higher-income families have the resources to set aside funding for higher education without tax incentives.[68]

[64] U.S. Senate, Committee on the Budget, p. 707
[65] Ibid
[66] Ibid, pp. 707-708
[67] Ibid, p. 708.
[68] Elaine Maag and Katie Fitzpatrick, "Federal Financial Aid for Higher Education: Programs and Prospects," Urban Institute discussion paper issued January 2004 (available at www.urban.org), pp. 24-25.

***Income Tax***
*Exclusions*

## 14. Employer-provided education assistance

Internal Revenue Code Section: 127 and 3121(a)(18)
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1978

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | $1,713 | $1,820 | $1,606 | $1,499 |
| **Total** | **$1,713** | **$1,820** | **$1,606** | **$1,499** |

DESCRIPTION: An employee may exclude from income certain amounts paid by an employer for education assistance, including tuition, fees, and books. The maximum exclusion is $5,250 per year. There are 3 main requirements of the educational assistance plan for the exclusion to be applicable. First, educational assistance must be provided pursuant to a written qualified educational assistance program. Second, the Plan may not discriminate in favor of highly compensated employees. Third, no more than 5 percent of the total amount paid out during the year may be paid to or for employees who are shareholders or owners of at least 5 percent or more of the business.[69] Any excess is part of an employee's gross income and is subject to income and payroll taxes. The exclusion applies whether the employer pays the expenses, reimburses the employee for expenses, or provides instruction directly. The coursework does not have to be job-related, but classes involving sports, games, or hobbies are eligible only if they are job-related.

PURPOSE: The purpose of the exclusion is to encourage employers to offer education assistance to their employees.

IMPACT: The Congressional Research Service states, "The exclusion of these benefit payments may make continuing education more affordable for employees. It also encourages employers to compensate employees through educational assistance rather than additional taxable wages or benefits. The value of the exclusion is dependent upon the amount of educational expenses furnished and the marginal tax rate."[70] CRS adds, "The availability of employer educational assistance encourages employer investment in human capital, which may be inadequate in a market economy because of spillover effects (i.e., the benefits of the investment extend beyond the individuals undertaking additional education and the employers for whom they work)."[71] The following groups of employees are much more likely to receive employer-provided educational assistance than other workers: employees in management, professional, and related jobs; full-time employees; employees who belong to labor unions; employees whose wages are in the top half of the earnings distribution; and employees at firms with 100 or more employees.[72]

President Bush's Advisory Panel on Federal Tax Reform recommended repealing this exclusion (as well as several other exclusions for fringe benefits) because "The favorable tax treatment of

[69] U.S. Senate, Committee on the Budget, p.761.
[70] Ibid, p. 762.
[71] Ibid, p. 764.
[72] Ibid, pp. 762-763.

fringe benefits results in an uneven distribution of the tax burden as workers who receive the same amount of total compensation pay different amounts of tax depending on the mix of cash wages and fringe benefits."[73]

[73] The President's Advisory Panel on Federal Tax Reform, Simple, Fair, and Pro-Growth: Proposals to Fix America's Tax System (November 2005), p. 85.

***Income Tax***
*Exclusions*

## 15. Employer-provided tuition reduction

Internal Revenue Code Section: 117(d)
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1984

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | $321 | $321 | $428 | $428 |
| **Total** | **$321** | **$321** | **$428** | **$428** |

DESCRIPTION: Tuition reductions for employees of eligible educational institutions may be excluded from federal taxable income if the reductions do not represent payment for services. An eligible education institution normally maintains a regular faculty and curriculum. It normally has a regularly enrolled body of pupils or students in attendance at the place where its educational activities are regularly carried on.[74] The exclusion also applies to tuition reductions for an employee's spouse and dependent children.

PURPOSE: The Congressional Research Service states that "Language regarding tuition reductions was added by the Deficit Reduction Act of 1984 as part of legislation codifying and establishing boundaries for tax-free fringe benefits; similar provisions had existed in regulations since 1956."[75]

IMPACT: CRS notes that "The exclusion of tuition reductions lowers the net cost of education for employees of educational institutions … Educational institutions provide tuition reductions to employees as a fringe benefit, which may reduce labor and job turnover costs. In addition, tuition reductions for graduate students providing research and teaching services for the educational institution also contribute to reducing the educational institution's labor costs. Both employees and graduate students may view the reduced tuition as a benefit of their employment that encourages education. The exclusion may, however, pass some of the education institution's labor costs on to other taxpayers."[76]

[74] U.S. Senate, Committee on the Budget, p. 717.
[75] Ibid, p. 719.
[76] Ibid, pp. 718-719.

***Income Tax***
*Exclusions*

## 16. Interest on education savings bonds

Internal Revenue Code Section: 135
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1988

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | $33 | $33 | $41 | $41 |
| **Total** | **$33** | **$33** | **$41** | **$41** |

DESCRIPTION: Part or all the interest earned on U.S. Series EE or Series I savings bonds can be excluded from taxable income if the bonds are used to finance higher education expenses for the taxpayer, the taxpayer's spouse, or the taxpayer's dependents. The bonds must have been issued after 1989, and the owner must have been at least 24 years old at the time of issuance. The proceeds must be used for qualified higher education expenses (which generally cover tuition and fees but not room and board) in the same year they are redeemed.

The tax exemption is phased out for taxpayers with AGI between $128,650 and $156,650 if married filing jointly ($83,200 and $98,200 for other taxpayers) in tax year 2022.[77] Taxpayers with incomes above those levels did not qualify for any exclusion.

PURPOSE: The purpose of the exclusion is to encourage lower- and middle-income families to save for their children's college education. The legislation "reflects a long-held congressional concern that families have difficulty paying for college, particularly with the cost of higher education often rising faster than prices in general."[78]

IMPACT: The Congressional Research Service states that "Education savings bonds provide lower- and middle-income families with a tax-favored way to save for higher education that is convenient and often familiar. The benefits are greater for families who live in states and localities with high-income taxes because the interest income from Series EE and Series I Bonds is exempt from state and local income taxes."[79]

Several restrictions limit the value of education savings bonds as a college savings vehicle. CRS observes that "Since the interest exclusion for Education Savings Bonds can be limited when the bonds are redeemed, families intending to use them for college expenses must predict their income eligibility far in advance. They must also anticipate the future costs of tuition and fees and whether

[77] U.S. Department of the Treasury Office of Tax Analysis, Tax Expenditures Fiscal Years 2022-2032 (March 6, 2023).
[78] U.S. Senate, Committee on the Budget, Tax Expenditures: Compendium of Background Material on Individual Provisions, Senate Print 111-58, prepared by the Congressional Research Service (December 2010), p. 626
[79] Ibid.

their children might receive scholarships … In these respects, the bonds may not be as attractive an investment as some other education savings vehicles."[80]

[80] U.S. Senate, Committee on the Budget, Tax Expenditures: Compendium of Background Material on Individual Provisions, Senate Print 111-58, prepared by the Congressional Research Service (December 2010), p. 627.

## *Income Tax*
*Exclusions*

# 17. Interest on state and local private-activity bonds issued to finance education facilities

Internal Revenue Code Sections: 103, 141,142(k), 145, 146, and 501(c)(3)
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1968

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $622 | $622 | $746 | $746 |
| Personal Income Tax Loss | $2,143 | $2,143 | $2,357 | $2,357 |
| **Total** | **$2,765** | **$2,765** | **$3,103** | **$3,103** |

DESCRIPTION: Interest income on state and local bonds used to finance the construction of private non-profit educational facilities (such as classrooms and dormitories) and qualified public educational facilities (QPEF) is tax-exempt. These bonds are classified as private-activity rather than governmental bonds because a substantial portion of the benefits accrues to individuals or private organizations instead of the public.

Bonds issued for non-profit educational facilities are not subject to the state volume cap on private-activity bonds (which is $335.115 million as of 2022), but there is a cap of $150 million on the amount of bonds any non-profit institution can have outstanding. Public colleges and universities can also issue tax-exempt bonds to finance facilities owned by private, for-profit corporations, provided the school has a public-private agreement with the local education authority. Tax-exempt bonds issued for qualified public education facilities are subject to a separate state-by-state cap equal to $10 per capita or $5 million per year, whichever is greater.[81]

PURPOSE: The purpose of the education private-activity bonds is to support the construction or substantial rehabilitation of educational facilities by subsidizing low-interest loans. Investors purchase the bonds at low interest rates because the income from them is tax-free.

IMPACT: The tax-exempt bonds benefit educational institutions by helping them finance facilities at reduced interest rates. Some benefits of the tax exemption also flow to bondholders. According to the Congressional Budget Office and the Joint Committee on Taxation, education facility bonds accounted for 17 percent of total state and local private-activity bond issuance from 1991 to 2007, growing 11 percent annually.[82]

The Congressional Research Service observes that non-profit organizations may be "using their tax-exempt status to subsidize goods and services for groups that might receive more critical scrutiny if they were subsidized by direct federal expenditure."[83] Furthermore, "As one of many categories of tax-exempt private-activity bonds, nonprofit educational facilities and QPEFs have increased the financing costs of bonds issued for more traditional public capital stock. The higher

[81] U.S. Senate, Committee on the Budget, pp. 725-726.
[82] Congressional Budget Office and the Joint Committee on Taxation, Subsidizing Infrastructure Investment with Tax-Preferred Bonds (Washington, D.C.: Congressional Budget Office and Joint Committee on Taxation, 2009), pp. 19-23.
[83] U.S. Senate, Committee on the Budget, p. 727.

cost arises because the QPEFs compete for a relatively fixed amount of available investment capital. In addition, this class of tax-exempt bonds has increased the supply of assets that individuals and corporations can use to shelter income from taxation."[84]

[84] U.S. Senate, Committee on the Budget, p. 727.

***Income Tax***
*Exclusions*

## 18. Interest on state and local private-activity student loan bonds

Internal Revenue Code Sections: 103, 141, 144(b), and 146
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1965 (general exclusion for state and local bonds was enacted in 1913, but student loan bonds were not offered until the enactment of the Higher Education Act of 1965)

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $124 | $124 | $124 | $124 |
| Personal Income Tax Loss | $214 | $214 | $214 | $214 |
| **Total** | **$339** | **$339** | **$339** | **$339** |

DESCRIPTION: Student loan bonds, which are issued by state and local governments to finance student loans at a reduced rate, represent another type of tax-exempt, private-activity bond. These bonds are subject to a state's annual volume cap on private-activity bonds and, therefore, must compete for tax-exempt financing with all other private-activity bonds subject to the cap. The tax expenditure represents the revenue loss from excluding interest on the bonds.

Before July 2010, the tax expenditure included the revenue loss from federal government loan programs (such as Stafford, PLUS, and Consolidation loans) that were carried out through private lenders and financed in part by tax-exempt debt. Since July 1, 2010, the federal government has been providing loans directly instead of operating through private lenders. Nevertheless, there is an ongoing revenue loss from loans already issued.

PURPOSE: The purpose of the private-activity bonds is to increase access to higher education by subsidizing low-interest loans. Investors purchase the bonds at below-market interest rates because the income from them is tax-free.

IMPACT: Students benefit from the exclusion, which may also generate spillover benefits to society from a more educated citizenry. The lower interest rate on the bonds may increase the availability of student loans by lowering the cost of government borrowing, but it does not reduce the interest rate charged to students, which is set by federal law. In 2021, $2.97 billion of student loan bonds were issued. Students present a high credit risk due to their uncertain earning prospects, meaning that the private sector may not supply enough capital for higher education due to the risk. Subsidies can help correct this market failure.[85]

The Congressional Research Service points out that other federal programs, such as subsidized direct loans, may be sufficient to address the market failure. Tax-exempt financing also involves potential costs. CRS states, "As one of many categories of tax-exempt private-activity bonds, bonds issued for student loans have increased the financing costs of bonds issued for public capital stock and have increased the supply of assets available to individuals and corporations to shelter their income from taxation."[86]

[85] U.S. Senate, Committee on the Budget, p. 712.
[86] Ibid., p. 714.

***Income Tax***
*Exclusions*

## 19. Scholarship and fellowship income

Internal Revenue Code Section: 117
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1954

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | $4,875 | $5,074 | $5,970 | $6,368 |
| **Total** | **$4,875** | **$5,074** | **$5,970** | **$6,368** |

DESCRIPTION: Scholarships and fellowships are excluded from personal taxable income to the extent that they cover tuition and course-related expenses of students enrolled in primary, secondary, or higher education. The exclusion covers awards based on financial need (such as Pell Grants) and those based on academic achievement or merit (such as National Merit Scholarships). Eligible educational institutions must maintain a regular teaching staff and curriculum and have a regularly enrolled student body attending classes where the school conducts its instructional activities.

PURPOSE: This exclusion was originally enacted to clarify the status of education grants. Until this provision was enacted in 1954, scholarships and fellowships were included in gross income unless it could be proven that the money was a gift. The Congressional Research Service observes that the present rationale for the exclusion, in light of the expansion of need-based grants, "rests upon the hardship that taxation would impose. If the exclusion were abolished, awards could arguably be increased to cover students' additional tax liability, but the likely effect would be that fewer students would get assistance."[87]

IMPACT: CRS states, "The exclusion reduces the net cost of education for students who receive financial aid through scholarships or fellowships. The potential benefit is greatest for students at higher-tuition schools, as they can exclude more scholarship or fellowship assistance."[88] As a result, students attending private colleges and universities may claim a disproportionate share of the benefits.

CRS adds that "The exclusion provides greater benefits to taxpayers with higher marginal tax rates. While students themselves generally pay tax at low (or even zero) marginal rates, many are members of families who are subject to higher rates. Determining the proper taxpaying unit for college students complicates assessment of the exclusion."[89]

[87] U.S. Senate, Committee on the Budget, p. 723.
[88] Ibid, p. 722.
[89] Ibid, p. 723.

***Income Tax***
*Exclusions*

## 20. Employee awards

Internal Revenue Code Sections: 74(b), 74(c) and 274(j)
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1986

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | $535 | $535 | $535 | $535 |
| **Total** | **$535** | **$535** | **$535** | **$535** |

DESCRIPTION: Certain awards of tangible personal property (in 2017, the definition of "tangible personal property" was revised to exclude cash, gift cards, and certain other non-tangible personal property) given to employees for length of service or safety practices or any designated prizes and awards that are transferred to qualified charities are excluded from personal taxable income, departing from the standard treatment of prizes and awards as taxable income. The exclusion amount is limited to $400 per employee but can rise to $1,600 if it is part of a qualified employee achievement award plan that does not discriminate in favor of highly compensated employees. The employer is also allowed to deduct the cost from its taxable income. If the cost of the award to the employer and the fair market value of the award exceeds the limits stated above, the employee must include the extra amount in his or her gross income.

Several other restrictions are designed to ensure that the awards do not constitute disguised compensation. Length of service awards cannot be granted to an employee in the first five years of service or to an employee who received a length of service award in any of the prior four years of service. Awards for safety achievement cannot be awarded to a manager, administrator, clerical employee, or other professional employee. In addition, safety awards cannot be granted to more than 10 percent of employees in any year.

PURPOSE: The purpose of the exclusion is to clarify the tax treatment of employee awards and to encourage longevity in employment as well as safety practices on the job.

IMPACT: Employees who receive length-of-service or safety awards and employers who save costs related to training and time lost to injuries benefit from this provision. The Congressional Research Service points out that "The exclusion promotes a traditional and widespread business practice … Since the dollar limits on the exclusion are relatively small and have not been increased since 1986, the exclusion has not become a vehicle for significant tax avoidance. Still, the lack of an increase in the exclusion may have led over time to reductions in the tax-free portion of qualified awards, undercutting their incentive effect."[90]

[90] U.S. Senate, Committee on the Budget, p. 781.

***Income Tax***
*Exclusions*

## 21. Employee stock ownership plans

Internal Revenue Code Sections: 401(a)(28), 404(a)(9), 404(k), 415(c)(6), 512(e) 1042, 4975(d)(3), 4978, and 4979A
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1974

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $3,479 | $3,728 | $3,976 | $4,225 |
| Personal Income Tax Loss | $3,961 | $4,282 | $4,603 | $4,924 |
| **Total** | **$7,440** | **$8,010** | **$8,579** | **$9,149** |

DESCRIPTION: An employee stock ownership plan (ESOP) is a defined contribution retirement plan that invests in the stock of a sponsoring employer. ESOPs are unique among employee benefit plans in their ability to borrow money to buy stock. An ESOP can be leveraged (that is, borrowed money is used to buy stock) or unleveraged (where stock is acquired through direct employer contributions of cash or stock). ESOPs involve several tax expenditures and must meet the minimum requirements to qualify for the tax advantages.

First, employer contributions may be deducted from corporate taxable income as a business expense. An employer may also deduct dividends paid on stock held by an ESOP if the dividends are paid to plan participants. Second, employees are not taxed on employer contributions or the earnings on invested funds until they are distributed. Third, a stockholder in a closely-held company may defer recognition of the gain from the sale of stock to an ESOP if, after the sale, the ESOP owns at least 30 percent of the company's stock and the seller reinvests the proceeds from the sale of stock in a U.S. company.

PURPOSE: The Congressional Research Service states, "The tax incentives for ESOPs are intended to broaden stock ownership, provide employees with a source of retirement income, and grant employers a tax-favored means of financing."[91]

IMPACT: ESOP tax incentives encourage personal savings through employee stock ownership and a qualified employee benefit plan. "Some evidence suggests that among firms with ESOPs, there is a greater increase in productivity if employees are involved in corporate decision-making."[92] Employers and employees of participating companies benefit from the tax-favored status of ESOPs. Although private companies sponsor most ESOPs, most ESOP participants are employed by public companies.[93]

CRS observes, "These plans are believed to motivate employees by more closely aligning their financial interests with the financial interests of their employers. The distribution of stock ownership achieved through participation in ESOPs is broader than the distribution of stock

[91] U.S. Senate, Committee on the Budget, p. 769.
[92] Ibid, pp. 770-771.
[93] Ibid, p. 769.

ownership in the general population."[94] Nevertheless, "(T)he requirement that ESOPs invest primarily in the stock of the sponsoring employer is consistent with the goal of corporate financing, but it may not be consistent with the goal of providing employees with retirement income. The cost of such a lack of diversification was demonstrated with the failure of Enron and other firms whose employees' retirement plans were heavily invested in company stock."[95]

[94] U.S. Senate, Committee on the Budget, p. 770.
[95] Ibid, p.771.

***Income Tax***
*Exclusions*

## 22. Employer-paid meals and lodging (other than military)

Internal Revenue Code Sections: 119 and 132(e)(2)
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1918

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | -$1,988 | -$2,112 | -$3,852 | -$3,479 |
| Personal Income Tax Loss | $11,455 | $11,562 | $11,669 | $11,883 |
| **Total** | **$9,467** | **$9,449** | **$7,817** | **$8,404** |

DESCRIPTION: Employees can exclude from personal taxable income the fair market value of meals provided by employers if the meals are furnished on the employer's business premises and for the employer's convenience. The fair market value of lodging provided by an employer can also be excluded from personal taxable income if the lodging is furnished on business premises for the convenience of the employer and if the employee is required to accept the lodging as a condition of employment (as when an apartment manager must live on the premises). The exclusion does not apply to cases in which an employee is reimbursed by the employer for amounts spent on meals and lodging.

In addition, the fair market value of meals provided to an employee at a subsidized eating facility operated by the employer is excluded from taxable income.

PURPOSE: The purpose of the exclusion is to eliminate the record-keeping and administrative burdens, and to recognize that the fair market value of employer-provided meals and lodging may be difficult to measure.

IMPACT: The exclusion benefits both the employees (more employed and they receive higher after-tax compensation) and their employers (who might receive their employees' services at a lower net cost).[96] The Congressional Research Service states "The exclusion subsidizes employment in occupations and industries in which employer-provided meals and lodging are relatively frequent. In theory, the exclusion encourages more workers to seek such jobs than would happen without the exclusion, and it increases the after-tax compensation of eligible workers. Their employers would get their services at a lower cost if the employers reduce wages by the monetary value of the meals and lodging they offer."[97]

[96] U.S. Senate, Committee on the Budget, p. 784.
[97] Ibid, p.785.

***Income Tax***
*Exclusions*

## 23. Housing allowance for ministers

Internal Revenue Code Section: 107 and 265
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1921

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | $963 | $1,071 | $1,071 | $1,178 |
| **Total** | **$963** | **$1,071** | **$1,071** | **$1,178** |

DESCRIPTION: Ministers (defined as being "a duly ordained, commissioned, or licensed minister of a church"[98]) can exclude from personal taxable income the fair rental value of a church-owned or church-rented home furnished or a cash housing allowance paid as part of their compensation. The housing allowance used to pay home expenses includes rent, mortgage interest, utilities, repairs, and other expenses directly relating to providing a home. The church must officially designate the allowance as being for housing before paying it to the minister, and the allowance cannot exceed the fair rental value of the minister's home. In addition, ministers who receive cash housing allowances may also claim them as tax deductions on their individual income tax returns if they are used to pay mortgage interest and real estate taxes on their residences, although they are still subject to Social Security payroll taxes.

Ministers may also claim an itemized tax deduction for payments they make for mortgage interest and property taxes on their residences. Ministers can deduct the housing "payments even though they are not subject to income taxation. This is an example of a double tax benefit from the same expenditure, which is unusual under the federal tax code."[99]

PURPOSE: The Revenue Act of 1921 authorized only the exclusion of church-provided housing. Although there was no stated rationale for the exclusion, the Congressional Research Service notes that "Congress may have intended to provide tax relief to a segment of society that was widely seen as essential to the spiritual welfare of Americans, but that often experienced economic deprivation because of their relatively low salaries."[100] Congress added the exclusion for cash housing allowances in 1954, possibly to provide equal treatment among clergy members receiving different housing assistance from their churches. In clarifying the tax treatment of housing assistance to clergy members in the "Clergy Housing Allowance Clarification Act of 2002" (P.L. 107-181), Congress stated its desire to "minimize government intrusion into internal church operations and the relationship between a church and its clergy."[101]

IMPACT: Ministers who receive a housing allowance or live in a church-provided home benefit from this provision. Through the special exclusion, ministers receiving such housing allowances

[98] U.S. Senate, Committee on the Budget, p. 797.
[99] Ibid, p. 798.
[100] Ibid, p. 799.
[101] U.S. Senate, Committee on the Budget, Tax Expenditures: Compendium of Background Material on Individual Provisions, Senate Print 113-32, prepared by the Congressional Research Service (December 2014), p. 727.

pay less than other taxpayers with the same or smaller economic income. CRS observes that the tax-free parsonage allowances encourage some congregations to structure maximum amounts of tax-free housing allowances into their minister's pay and may thereby distort the compensation package. "The provision is inconsistent with the tax principles of horizontal and vertical equity… IRC section 107 gives clergy members a tax benefit that most other taxpayers with similar pre-tax incomes lack, reducing horizontal equity … Ministers with higher incomes receive a greater subsidy than lower-income ministers because the subsidy amount hinges on marginal tax rates. The disproportionate benefit of the tax exclusion to high-income individuals reduces vertical equity, which undergirds the progressivity of the federal income tax."[102] In addition, some ministers can claim the tax benefits twice by deducting mortgage interest payments made with cash housing allowances excluded from taxable income.

[102] U.S. Senate, Committee on the Budget, pp. 800-801.

***Income Tax***
*Exclusions*

## 24. Miscellaneous fringe benefits

Internal Revenue Code Sections: 117(d) and 132
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1984

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | $10,491 | $10,919 | $11,348 | $11,776 |
| **Total** | **$10,491** | **$10,919** | **$11,348** | **$11,776** |

DESCRIPTION: Certain non-cash fringe benefits qualify for an exclusion from an employee's gross income. These benefits include services provided at no additional cost (such as free stand-by flights for airline employees), employee discounts, working condition fringe benefits, certain tuition reductions, and *de minimis* fringe benefits (such as providing coffee to employees or allowing them occasional personal use of an office copy machine).

Benefits may also be provided to employees' spouses and dependent children, retired and disabled former employees, and widows or widowers of former employees. Additionally, certain nondiscrimination requirements apply to the miscellaneous benefits provided for highly compensated employees.

PURPOSE: The Congressional Research Service states, "Congress recognized that in many industries employees receive either free or discounted goods and services that the employer sells to the general public. In many cases, these practices had been long established and generally treated by employers, employees, and the Internal Revenue Service as not giving rise to taxable income."[103] CRS further points out that "Employees receive a benefit from the availability of free or discounted goods or services, but the benefit may not be as great as the full amount of the discount. Employers may have valid business reasons, other than simply providing compensation, for encouraging employees to use the products they sell to the public … As with other fringe benefits, placing a value on the benefit in these cases is difficult."[104]

IMPACT: Both employers and employees benefit from this exclusion, which subsidizes employment in those businesses and industries where ancillary fringe benefits are feasible and commonly offered. CRS states that "Under normal market circumstances, more people are employed in these businesses and industries than they would otherwise be, and they receive higher compensation (after tax). Their employers receive their services at a lower cost. Both sides of the transaction benefit because the loss is imposed on the Treasury through lower tax collections."[105] In addition, "Because the exclusion applies to practices which are common and may be feasible only in some businesses and industries, it creates inequities in tax treatment among different employees and employers."[106]

[103] U.S. Senate, Committee on the Budget, p. 814.
[104] Ibid.
[105] Ibid, pp. 814-815.
[106] Ibid, p. 815.

***Income Tax***
*Exclusions*

## 25. Spread on acquisition of stock under incentive stock option plans and employee stock purchase plans

Internal Revenue Code Sections: 421, 422 and 423
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1981

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | -$1,471 | -$1,605 | -$1,739 | -$1,739 |
| Personal Income Tax Loss | $1,383 | $1,383 | $1,613 | $1,728 |
| **Total** | **-$88** | **-$222** | **-$125** | **-$10** |

DESCRIPTION: Employees may be granted stock options under an incentive stock option plan (which is capped at $100,000 annually per employee and can be confined to officers or highly-paid employees) or an employee stock purchase plan (which is capped at $25,000 annually per employee and must be offered to all full-time employees with at least two years of service). These plans allow employees to exercise stock options within a specified time frame.

Generally, a stock option or purchase plan allows an employee to buy the stock for less than the current market price. Specifically, employee stock option purchase plans allow the option price to be less than 85 percent of the fair market value when granted and 85 percent of the fair market value when acquired. When the employee exercises an option, the stock is transferred from the company to the employee, but the difference in value between the market value and the option prices (also known as the spread) is not considered taxable income. The value of this tax expenditure stems from the deferral of the tax until the employee sells the stock. If the stock is held one year from purchase and two years from the granting of the option, the gain is also taxed at the lower long-term capital gain rate.

The employer is not allowed a tax deduction for granting a stock option, but if the stock is not held for the required amount of time, the employee is taxed at the ordinary income tax rates (rather than lower capital gain rates), and the employer is allowed a deduction.

PURPOSE: According to the Congressional Research Service, the deferral of tax for qualified stock options was re-instituted by the Economic Recovery Tax Act of 1981 "with the justification that encouraging the management of a business to have a proprietary interest in its successful operation would provide an important incentive to expand and improve the profit position of the companies involved."[107] The deferral of taxable gains had been allowed between 1964 and 1976.

IMPACT: The ownership of company stock is thought by many to assure that the company's employees, officers, and directors share the interests of the company's stakeholders. CRS describes the complex effects of this provision as follows: "Taxpayers with above-average or high incomes are the primary beneficiaries of these tax advantages. Because employers (usually corporations) cannot deduct the cost of stock options eligible for the lower tax rate on long-term capital gains

[107] U.S. Senate, Committee on the Budget, p. 789.

employers pay higher income taxes. The prevailing view of tax economists is that the corporate income tax falls primarily on capital income. Because high-income households own most capital income, these households bear the incidence of this aspect of stock options. These conflicting effects on incidence mean that the overall incidence of qualified stock options is uncertain. Because this tax expenditure raises corporate income tax revenue by more than it reduces individual income tax revenue, the net effect is to increase federal tax revenue."[108]

CRS also observes that "Paying for the services of employees, officers, and directors by the use of stock options has several advantages for the companies. Start-up companies often use the method because it does not involve the immediate cash outlays that paying salaries involves; in effect, a stock option is a promise of a future payment contingent on increases in the value of the company's stock. It also makes the employees' pay dependent on the performance of the company's stock, giving them extra incentive to try to improve the company's (or at least the stock's) performance."[109] Additionally, stock options act as a form of forced savings for employees, as the money cannot be spent until the restrictions expire.

[108] U.S. Senate, Committee on the Budget, p. 794.
[109] Ibid, pp. 789-790.

***Income Tax***
*Exclusions*

## 26. Voluntary employees' beneficiary association income

Internal Revenue Code Sections: 419, 419A, 501(a), 501(c)(9), 512(a)(3) and 4976
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1928

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | $2,141 | $2,141 | $2,248 | $2,676 |
| **Total** | **$2,141** | **$2,141** | **$2,248** | **$2,676** |

DESCRIPTION: A voluntary employees' beneficiary association (VEBA) provides life, medical, disability, accident, and other insurance, as well as fringe benefits, to active or retired employees, their dependents, and their beneficiaries. The income earned by a VEBA is generally exempt from federal income taxes,[110] but when the benefits are distributed to individuals, the income is taxable unless there is a specific statutory exclusion. Accident and health benefits are excludable from income, but severance and vacation pay are not.

Most VEBAs are organized as trusts to be legally separate from their employers. VEBAs must meet several general requirements. Most importantly, they must be associations of employees who share a common employment-related bond, such as membership in a collective bargaining unit. In addition, the organization must apply to the IRS for a determination of tax-exempt status to be valid. Furthermore, membership in a VEBA must be voluntary, and the association must be controlled by its members, by an independent trustee such as a bank, or by trustees or fiduciaries, at least some of whom are designated by the members or on behalf of the members. Substantially, all the organization's operations must further the provision of life, sickness, accident, and other welfare benefits to employees and their families, and benefit plans (other than collectively bargained plans) must not discriminate in favor of highly compensated individuals.

PURPOSE: The Congressional Research Service states that "Perhaps VEBAs were seen as providing welfare benefits that served a public interest and normally were exempt from taxation."[111]

IMPACT: CRS points out that "Funding a welfare benefit through a VEBA often offers tax advantages to the employer as well as the employees. The magnitude of the tax advantage depends on the amount of benefits payable and the duration of the liability. Thus, the tax advantage is greater for a VEBA that funds the disabled claim reserve for a Long-Term Disability plan than for a VEBA that funds the Incurred but Not Paid claim reserve for a medical plan."[112] CRS also notes that VEBA withdrawals "could lead to inefficient use of employee fringe benefits. By lowering the after-tax cost of these benefits, the tax preferences for VEBAs could encourage overconsumption of these benefits compared to a situation where there was no tax preference for these benefits.[113]

[110] Income earned by a VEBA to pre-fund retiree health benefits is normally subject to tax, but an important exception applies to VEBAs established through collective bargaining.
[111] U.S. Senate, Committee on the Budget, p. 808.
[112] Ibid, p. 806.
[113] Ibid., p. 809

Additionally, VEBAs provide employee benefits, which are protected by the irrevocable trust fund associated with it. In the case of bankruptcy, the presence of a VEBA with accumulated assets for payment of retiree health benefits offers retirees a measure of protection.

***Income Tax***
*Exclusions*

## 27. Interest on state and local private-activity bonds issued to support energy facilities

Internal Revenue Code Sections: 103, 141, 142(f), and 146
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1980

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | too small | too small | too small | too small |
| Personal Income Tax Loss | too small | too small | too small | too small |
| **Total** | **too small** | **too small** | **too small** | **too small** |

Note: "Too small" means that the nationwide federal revenue impact was estimated as $50 million or less.

DESCRIPTION: Each state receives a certain amount of authority to issue tax-exempt private activity bonds, which are securities issued by a state or local government to finance qualified projects by a private user. Qualified projects, which include constructing certain private energy production facilities such as electric energy or gas, are expected to have a public benefit.

Energy facility bonds are subject to the annual volume cap, adjusted for inflation since 2003, for state-private activity bonds. Generally, only facilities operating as of January 1, 1997, are eligible for tax-exempt financing. The private-activity bond annual volume cap is equal to the greater of $110 per state resident or $335.115 million in 2022.

PURPOSE: The tax preference encourages private entities to invest in energy infrastructure. The bonds reduce the operating cost of electricity-generating facilities for a limited number of entities. Without the tax preference, local electricity generation might not have been economically viable. Investors purchase the bonds at low interest rates because their income is tax-free.

IMPACT: The primary beneficiaries of the tax exemption are bondholders. Energy production companies, as well as residential and commercial users of energy, benefit from this provision. The Congressional Research Service states, "Even if a case can be made for a federal subsidy of energy production facilities based on underinvestment at the state and local level, it is important to recognize the potential costs. As one of many categories of tax-exempt private-activity bonds, those issued for energy production facilities increase the financing cost of bonds issued for other public capital. With a greater supply of public bonds, the interest rate on the bonds necessarily increases to lure investors. In addition, expanding the availability of tax-exempt bonds increases the range of assets available to individuals and corporations to shelter their income from taxation."[114]

[114] U.S. Senate, Committee on the Budget, pp. 138-139.

***Income Tax***
*Exclusions*

## 28. Accrued interest on savings bonds

Internal Revenue Code Section: 454(c)
Federal Law Sunset Date: None for general deduction
Year Enacted in Federal Law: 1951

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | $489 | $489 | $489 | $489 |
| **Total** | **$489** | **$489** | **$489** | **$489** |

DESCRIPTION: Owners of U.S. Treasury Series E, EE, and I savings bonds can include the interest in their taxable income as it accrues or defer taxation on the interest until the bond is redeemed. The estimated revenue loss from this tax expenditure represents the difference between the tax due on the interest upon accrual and the tax paid using the deferral option. Since June 2010, all E bonds no longer earn interest because they have matured.

PURPOSE: The exclusion of accrued interest is intended to encourage people to buy U.S. savings bonds. The Congressional Research Service points out that "The deferral of tax on interest income on savings bonds provides two advantages. First, it delays tax payment on the interest, delivering the equivalent of an interest-free loan for the amount of the tax. Second, if the taxpayer is in a lower income bracket when the bonds are redeemed, the deferral reduces the tax rate paid on the interest. This is particularly common when the bonds are purchased while the owner works and redeemed after the owner retires."[115]

IMPACT: The primary beneficiaries of the provision are middle-income taxpayers. CRS notes that the savings bonds appeal to small savers because the bonds are available in small denominations, are easy to purchase, and serve as a safe investment.

CRS adds that "The savings bond program was established to provide small savers with a convenient and safe debt instrument and to lower the cost of borrowing to the taxpayer. The option to defer taxes on interest increases sales of bonds. There is no empirical study that has determined whether or not the cost savings from increased bond sales more than offset the loss in tax revenue from the accrual."[116]

[115] U.S. Senate, Committee on the Budget, p. 1154.
[116] Ibid, p. 1155.

***Income Tax***
*Exclusions*

## 29. Allocation of interest expenses attributable to tax-exempt bond interest by financial institutions

Internal Revenue Code Sections: 265(b)
Federal Law Sunset Date: None (but only applies to bonds issued in 2009 and 2010)
Year Enacted in Federal Law: 2009

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $622 | $622 | $622 | $622 |
| Personal Income Tax Loss | $0 | $0 | $0 | $0 |
| **Total** | **$622** | **$622** | **$622** | **$622** |

DESCRIPTION: Banks and other financial institutions can deduct their interest payments to depositors as a cost of doing business, thereby reducing their tax liability. Nevertheless, banks must reduce their interest deduction if they invest in tax-exempt bonds. Generally, banks and financial institutions must reduce their interest deduction by the same percentage that tax-exempt bonds make up of total assets (i.e., if tax-exempt bonds are 10 percent of the bank's portfolio, then the interest deduction must be reduced by 10 percent). The reason for this rule is to prevent banks from claiming two tax preferences for the same investment.

This general rule has an important qualification: individuals and non-financial institutions with tax-exempt bond investments that comprise less than 2 percent of their investment portfolio are not required to reduce their interest expense deduction.

This tax expenditure captures the revenue loss from two temporary expansions of the interest deduction offset rules allowed to purchase bonds issued in 2009 and 2010. First, banks and other financial institutions could shelter an amount equal to 2 percent of the bonds issued during those years from the offset to their interest deduction. Second, the definition of "small issuer" was changed to include municipalities issuing up to $30 million in annual bonds, rather than $10 million for bonds issued in 2009 and 2010.

PURPOSE: According to the Congressional Research Service, the rationale for the expanded interest deduction for banks and financial institutions investing in tax-exempt bonds is "to encourage public investment infrastructure generally and to help state and local governments issue debt."[117]

IMPACT: CRS states that "This tax expenditure subsidizes the provision of state and local public goods and services by small issuers. This may not be economically efficient, as this provision favors small projects at the expense of larger projects—regardless of the relative economic value."[118]

[117] U.S. Senate, Committee on the Budget, Tax Expenditures: Compendium of Background Material on Individual Provisions, Senate Print 114-31, prepared by the Congressional Research Service (December 2016), p. 621.

[118] U.S. Senate, Committee on the Budget, p. 1146.

Additionally, CRS states that "Eliminating the requirement to allocate certain interest expenses could increase the demand for small issuer tax-exempt obligations, which would reduce the interest costs to the issuing governments."[119]

[119] U.S. Senate, Committee on the Budget, p. 1146.

***Income Tax***
*Exclusions*

## 30. Interest on public-purpose state and local government bonds

Internal Revenue Code Sections: 103, 141, and 146
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1913

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $6,715 | $6,715 | $6,715 | $6,839 |
| Personal Income Tax Loss | $21,321 | $20,999 | $21,213 | $21,535 |
| **Total** | **$28,036** | **$27,714** | **$27,928** | **$28,374** |

DESCRIPTION: The interest on state or local bonds that are used to build capital facilities that are owned and operated by government entities and serve the public interest (such as schools, highways, and bridges) are excluded from federal taxable income. These bonds can be issued in unlimited amounts, although state governments do have a variety of self-imposed debt limits.

D.C. policymakers had eliminated the exclusion of interest on out-of-state bonds acquired after December 31, 2012, from the District of Columbia personal income tax. This action meant that the District had "decoupled" from the federal exclusion for state and local bond interest, except for bonds issued by the District. Nevertheless, policymakers reversed this decision as part of D.C. Act 20-157, the "Fiscal Year 2014 Budget Support Act of 2013," and all interest on public-purpose state and local bonds will continue to be excluded from D.C. taxes.

PURPOSE: According to the Congressional Research Service, the exclusion was based on the belief that state and local interest income was constitutionally protected from federal taxation. In 1988, the U.S. Supreme Court ruled in *South Carolina v. Baker* that federal taxation of state and local interest income was not barred by the Constitution, but the exclusion has remained in place. CRS states that "many believe the exemption for governmental bonds is still justified on economic grounds, principally as a means of encouraging state and local governments to invest in public capital."[120]

IMPACT: State and local governments benefit from the exclusion because it allows them to offer lower interest rates by increasing the effective rate of return enjoyed by the bondholder. In effect, the federal government subsidizes a state or local government's interest cost by providing the exclusion. The expenditure also encourages state and local taxpayers to provide public services that also benefit residents of other local states or localities.

The impact of this tax expenditure can be measured by (1) how much additional public capital investment occurs because of this tax provision and by (2) the distributional effects across issuers and taxpayers. The impact on public capital investment is mixed because the broad range of public projects financed with tax-exempt bonds diminishes the target efficiency of the public subsidy. Purchasers of state and local bonds also benefit from the exclusion, but the distribution of benefits depends on the interest-rate spread between taxable bonds and the tax-exempt municipal bonds, the percentage of the tax-exempt bond issues purchased by individuals of different income levels, and

[120] U.S. Senate, Committee on the Budget, p. 1132.

the range of marginal tax rates. Higher-income taxpayers are more likely to benefit because they are more likely to own bonds and can gain a windfall from the interest-rate spread due to their higher marginal tax rates. Nevertheless, researchers at the Tax Policy Center have pointed out that low- and moderate-income individuals may gain a significant benefit if the state and local programs supported by municipal bonds (such as school construction) provide roughly equal benefits on a per-capita basis.[121]

The windfall for higher-income taxpayers is illustrated by the following example. Assume that taxable bonds are paying 7 percent interest and that tax-exempt municipal bonds are paying 5 percent, there is a 2.0 percentage-point interest rate subsidy to the issuer. For someone facing a 12 percent marginal tax rate, the effective return on the taxable bond will be 6.16 percent (7 percent minus the .12 tax), a better deal than the tax-exempt rate of 5 percent. For someone facing a 37 percent marginal tax rate, the effective rate on the taxable bond will be 4.1 percent (7 percent minus the .37 tax), making the tax-exempt bond's 5 percent return a better deal. In fact, the 5 percent interest rate exceeds the amount that the higher-income taxpayer would demand (4.1 percent) to buy a tax-exempt bond rather than a taxable bond.[122] Additionally, CRS states that "The tax cuts provided for by the 2017 tax revision (P.L. 115-97) further decreased the inefficiency of this subsidy, as it decreased the top marginal income tax rates faced by individuals and businesses to 37 percent and 21 percent, respectively, beginning in tax year 2018". [123]

The federal subsidy of state and local borrowing for capital investment may generate spillover benefits for nearby states or localities; for example, a modernized wastewater treatment plant may reduce pollution in nearby rivers and lakes. At the same time, some question the subsidy for promoting capital investment at the expense of labor and argue that there is no evidence that state and public governments underprovide capital facilities. Finally, the subsidizing of state and local bonds decreases federal control of the budget because the revenue loss results from the decisions of state and local officials.[124]

[121] Harvey Galper, Joseph Rosenberg, Kim Rueben, and Eric Toder, "Who Benefits from Tax-Exempt Bonds?: An Application of the Theory of Tax Incidence," working paper of the Tax Policy Center, September 27, 2013, pp. 14-18.
[122] U.S. Senate, Committee on the Budget, pp. 1130-1131.
[123] Ibid, p. 1133.
[124] Ibid.

***Income Tax***
*Exclusions*

## 31. Employer contributions for medical care, medical insurance premiums, and long-term care insurance premiums

Internal Revenue Code Sections: 105, 106, and 125
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1918

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | $228,452 | $243,547 | $251,576 | $262,816 |
| **Total** | **$228,452** | **$243,547** | **$251,576** | **$262,816** |

DESCRIPTION: Employer payments for accident insurance, health insurance, long-term care insurance premiums,[125] and other employee medical expenses are not included in an employee's personal taxable income. The exclusion applies to health benefits provided to the employee's family members.

The exclusion also applies to other forms of health coverage like flexible savings accounts (FSAs) or cafeteria plans[126], Archer medical savings accounts (MSAs), health savings accounts (HSAs), or health reimbursement arrangements (HRAs). FSAs allow employees to choose a benefit amount at the start of a year and to use the account to pay for medical expenses not covered by employer-provided health insurance. FSAs are funded through wage and salary reductions and may include limited funds provided through employer contributions, both of which are exempt from federal income and payroll taxes. In 2022, an employee could contribute up to $2,850 to a health FSA and a limited amount may be rolled over to the next year ($570).

These exclusions do not limit the amount of employer contributions that may be excluded, although generous reimbursements paid to highly compensated employees under self-insured medical plans that fail to satisfy specified non-discrimination requirements must be excluded from the employees' taxable income.

PURPOSE: The exclusion of employer-provided health insurance from taxable income is part of a longstanding policy of excluding fringe benefits from taxation. The legislative history of section 106 indicates that the exclusion was intended to remove differences between the tax treatment of employer contributions and non-taxable compensation to employees.[127] The exclusion subsidizes providing health care to employees through employer-provided group health insurance.

IMPACT: The Congressional Research Service states that "The exclusion for employer-provided health benefits is thought to exert a strong influence on the health insurance coverage for a

[125] Before January 1, 2015, the District of Columbia allowed long-term care insurance premiums to be subtracted from federal adjusted gross income; however, based on the taxpayer's age, certain amounts of these expenses may still be deductible as itemized medical expenses.
[126] Cafeteria plans were listed as a separate tax expenditure prior to the 2020 CRS report but are now combined with estimates for health insurance (this chapter) or dependent care.
[127] U.S. Senate, Committee on the Budget, pp. 965-966.

substantial share of the nonelderly working population."[128] In 2021, 53.4 percent of the U.S. population received health insurance coverage through employers, according to the Census Bureau.[129] CRS adds that "Although the tax exclusion benefits a majority of families, the distribution of the benefits accrue more to higher-income taxpayers than to lower-income ones. High-paid employees tend to be more likely to be enrolled in more generous employer-paid health insurance coverage as compared to their low-paid counterparts. And high-paid employees fall in higher tax brackets," which increases the value of the exclusion. Additionally, the value of the provision depends in part on a taxpayer's marginal tax rate so that for a given amount of employer provided health insurance coverage, the higher the tax rate, the greater the tax benefit.

Those least likely to receive employer-provided health insurance include workers under age 25, workers in firms with fewer than 25 employees, part-time workers, low-wage workers, and workers in the construction, business and personal service, entertainment, and wholesale and retail trade industries.[130]

Experts also point out that the health care exclusion imposes significant efficiency costs on society. Employees covered by employer-provided health plans receive greater tax subsidies than individuals who purchase health insurance in the individual market, have no health insurance, pay out of pocket for medical expenses, and claim the medical-expense itemized income tax deduction. The subsidy consequently incentivizes employees to seek compensation through non-taxable health benefits rather than taxable wages. As a result, employees may consume more health insurance than they need. As stated by CRS, "Most health economists think the unlimited exclusion for employer-provided health benefits has distorted the markets for both health insurance and health care. Generous health plans encourage subscribers to use health services that are not cost-effective, putting upward pressure on health care costs."[131]

Nevertheless, as CRS points out, "The exclusion could have some social benefits. Owing to the pooling of risk that employment-based group health insurance provides, the exclusion makes it possible for many employees to purchase health insurance plans that simply would not be available on the same terms or at the same cost in the individual market."[132]

[128] U.S. Senate, Committee on the Budget, p. 968
[129] Ibid, p. 962.
[130] U.S. Senate, Committee on the Budget, prepared by the Congressional Research Service, December 2020, pp. 887-888.
[131] U.S. Senate, Committee on the Budget, December 2022, p. 968.
[132] Ibid.

***Income Tax***
*Exclusions*

## 32. Interest on state and local private-activity bonds issued to finance non-profit hospital construction

Internal Revenue Code Sections: 103, 141, 145(b), 145(c), 146, and 501(c)(3).
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1913

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $373 | $373 | $373 | $373 |
| Personal Income Tax Loss | $1,500 | $1,500 | $1,500 | $1,500 |
| **Total** | **$1,873** | **$1,873** | **$1,873** | **$1,873** |

DESCRIPTION: Interest income on state and local bonds to finance the construction of non-profit hospitals and nursing homes is tax-exempt. These bonds are classified as private-activity bonds rather than governmental bonds because a substantial portion of the benefits accrues to individuals or private organizations instead of the public. Non-profit hospital bonds are not subject to state volume caps on private-activity bonds. The non-profit hospital bonds are not subject to the state private activity bond annual volume cap. According to the U.S. Internal Revenue Service, $37.9 billion of qualified hospital bonds were issued in 2017.[133]

PURPOSE: The intent of the legislation is so the government can support charitable organizations that provide services to the public. The purpose of the bonds is to provide low-cost financing for hospitals and nursing homes owned by non-profit organizations. Investors purchase the bonds at low interest rates because the income from them is tax-free.

IMPACT: Private, non-profit hospitals and the communities they serve benefit from this provision. Some of the benefits of the tax exemption also flow to bondholders. The Congressional Research Service observes that "Questions have also been raised about whether nonprofit hospitals fulfill their charitable purpose and deserve continued access to tax-exempt bond financing. Even if a case can be made for this federal subsidy for nonprofit organizations, it is important to recognize the potential costs. As one of many categories of tax-exempt private-activity bonds, bonds for nonprofit organizations increase the financing cost of bonds issued for other public capital. With a greater supply of public bonds, the interest rate on the bonds necessarily increases to attract investors. In addition, expanding the availability of tax-exempt bonds increases the assets available to individuals and corporations to shelter their income from taxation."[134]

[133] U.S. Senate, Committee on the Budget, p. 928.
[134] U.S. Senate, Committee on the Budget, p. 929.

***Income Tax***
*Exclusions*

## 33. Medical care and TriCare medical insurance for military dependents, retirees, retiree dependents, and veterans

Internal Revenue Code Sections: 112 and 134 and certain court decisions
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1986

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | $3,228 | $3,364 | $3,773 | $4,091 |
| **Total** | **$3,228** | **$3,364** | **$3,773** | **$4,091** |

DESCRIPTION: Active-duty military personnel receive various benefits (such as medical and dental care) or cash in lieu of such benefits that are excluded from taxation. In addition, the following groups are also eligible for medical and dental care benefits without being subject to taxation: dependents of active-duty personnel; retired military personnel and their dependents; veterans; survivors of deceased veterans; and reservists who have served on active duty since September 11, 2001, and joined the Selected Reserve.

Military dependents and retirees can receive medical care in military facilities and from military doctors with sufficient capacity. Civilian health-care providers working under contract with the Department of Defense can also treat these individuals through the TRICARE program. TRICARE provides medical care through a health maintenance organization, a preferred provider organization, or a fee-for-service option.

PURPOSE: The Congressional Research Service notes that this exclusion has evolved over time through a series of legislative, administrative, and legal actions. Thus, the rationale has not been clear-cut. CRS adds that "The Tax Reform Act of 1986 (P.L. 99-514) consolidated various provisions related to military compensation into a new section 134 of the Internal Revenue Code. In taking this step, Congress wanted to make the tax treatment of military fringe benefits more transparent and consistent with the tax treatment of fringe benefits under the Deficit Reduction Act of 1984 (P.L. 98-369)."[135]

IMPACT: Higher-income individuals gain a disproportionate share of the benefits of the exclusion because they face higher marginal tax rates that increase the savings from each dollar excluded. Although the tax exclusion of health benefits may create inefficiencies by encouraging individuals to purchase more health care than they would if they bore the full cost, direct care provided in military facilities may be difficult to value for tax purposes. In addition, the exclusion of medical care for service members' dependents and military retirees might hamper military recruitment and retention. Others have argued that limiting the tax exclusion can be coupled with increasing military pay to prevent adverse impacts on the retention of active-duty military personnel with dependents and high enough incomes to incur tax.[136]

[135] U.S. Senate, Committee on the Budget, p. 973.
[136] Ibid, pp. 974.

***Income Tax***
*Exclusions*

## 34. Capital gain on sale of principal residence

Internal Revenue Code Section: 121
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1997

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | $48,394 | $50,426 | $53,094 | $55,761 |
| **Total** | **$48,394** | **$50,426** | **$53,094** | **$55,761** |

DESCRIPTION: Homeowners may exclude from personal taxable income up to $250,000 (single taxpayers) or $500,000 (married taxpayers filing jointly) of capital gains realized on the sale or exchange of their principal residence. To qualify, the taxpayer must have owned and occupied the home for at least two of the previous five years. The exclusion applies only to the portion of the property associated with the residence, not to portions used in business activity. The exclusion cannot be used more than once every two years.

PURPOSE: Capital gains arising from the sale of an individual's principal residence have long received preferential tax treatment to promote homeownership by reducing its after-tax cost. Previously, homeowners could defer the tax on capital gains from the sale of their principal residence if the sale proceeds were used to buy another home of equal or greater value. In addition, homeowners aged 55 and older were allowed a one-time exclusion of a gain of up to $125,000 from the sale of their principal residence. In 1997, Congress modified these provisions to reduce their complexity by allowing all taxpayers to exclude $250,000 (single) or $500,000 (married filing jointly) of capital gains from the sale of their principal residence.

IMPACT: The Congressional Research Service states, "Excluding the capital gains on the sale of principal residences from gross income primarily benefits middle- and upper-income taxpayers. At the same time, however, this provision avoids putting an additional tax burden on taxpayers, regardless of their income levels, who must sell their homes because of changes in family status, employment, or health. It also provides tax benefits to elderly taxpayers who sell their homes and move to less expensive housing during their retirement years. This provision simplifies income tax administration and record keeping." [137]

Regarding the efficiency impact, CRS states that the exclusion "gives homeownership a competitive advantage over other types of investments, since the capital gains from investments in other assets are generally taxed when the assets are sold. Moreover, when combined with other provisions in the tax code, such as the deductibility of home mortgage interest, homeownership is generally considered an especially attractive investment from a tax perspective. As a result, savings are diverted out of other forms of investment and into housing."[138] Alternatively, the exclusion on the sale of a principal residence is justifiable. After all, the tax law does not allow the deduction of personal capital losses because much of the profit from the sale of a personal residence can

[137] U.S. Senate, Committee on the Budget, pp. 395-396.
[138] Ibid, p. 397.

represent only inflationary gains, and the motivation for such purchases is not profit-based. "Taxing the gain on the sale of a principal residence might also interfere with labor mobility."[139]

[139] U.S. Senate, Committee on the Budget, p. 397.

***Income Tax***
*Exclusions*

## 35. Interest on state and local private-activity bonds issued to finance housing

Internal Revenue Code Sections: 103, 141, 142, 143, and 146
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1980

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $497 | $497 | $622 | $622 |
| Personal Income Tax Loss | $1,607 | $1,607 | $1,821 | $1,821 |
| **Total** | **$2,104** | **$2,104** | **$2,443** | **$2,443** |

DESCRIPTION: Interest income on state and local bonds used to finance owner-occupied housing of first-time homebuyers (mortgage revenue bonds, or MRBs) and the construction of rental housing and veterans' housing for low and moderate-income families is tax-exempt. These bonds are classified as private-activity rather than governmental bonds because a substantial portion of the benefits accrues to individuals or private organizations instead of the public. Housing construction bonds are subject to state volume caps on private-activity bonds ($335.115 million in 2022) and, therefore, must compete with other authorized private activities for bond financing.

The 2008 housing market crisis led Congress to legislate two provisions in the Housing and Economic Recovery Act of 2008 (HERA, P.L. 110-289) to help the housing sector. HERA allowed for interest on qualified private-activity bonds issued for (1) qualified residential rental projects, (2) qualified mortgage bonds, and (3) qualified veterans' mortgage bonds to not be subject to the alternative minimum tax (AMT). Additionally, HERA provided $11 billion of added volume cap space for bonds issued for qualified mortgage bonds and qualified bonds for residential rental projects. The cap space was designated for 2008 but could have been carried forward through 2010.[140]

PURPOSE: The purpose of the bonds is to increase the incidence of homeownership and finance low-interest mortgages for low- and moderate-income homebuyers, along with multi-family housing for low-income renters. Investors purchase housing bonds at low interest rates because the income is tax-free. The interest savings should allow issuers to offer housing for sale or rent at a lower cost.

IMPACT: In 2019, according to the Council of Development Finance Agencies, roughly $9.5 billion of MRBs and $16.4 billion of multifamily-housing qualified private activity bonds were issued in the U.S.[141] Regarding homeownership, the Congressional Research Service notes that "Income, tenure status, and house-price-targeting provisions imposed on MRBs make them more likely to achieve the goal of increased homeownership than many other housing tax subsidies that make no targeting effort, such as is the case for the mortgage-interest deduction. Nonetheless, it has been suggested that most of the mortgage revenue bond subsidy goes to families that would

[140] U.S. Senate, Committee on the Budget, p. 400.
[141] Ibid, pp. 400 and 406

have been homeowners even if the subsidy were not available."[142] Concerning rental housing, CRS states that there is a belief that subsidized housing for low- and moderate-income families provided benefits to the nation, and promotes "equitable treatment for families unable to take advantage of the substantial tax incentives available to those able to invest in owner-occupied housing."[143]

More generally, private-activity bonds impose costs because they "increase the financing cost of bonds issued for other public capital. With a greater supply of public bonds, the interest rate on the bonds necessarily increases to lure investors. In addition, expanding the availability of tax-exempt bonds increases the assets available to individuals and corporations to shelter their income from taxation."[144]

[142] U.S. Senate, Committee on the Budget, p. 402.
[143] Ibid, p. 407.
[144] Ibid.

***Income Tax***
*Exclusions*

## 36. Compensatory damages for physical injury or sickness

Internal Revenue Code Section: 104(a)(2) - 104(a)(5)
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1918

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | $2,141 | $2,248 | $2,248 | $2,248 |
| **Total** | **$2,141** | **$2,248** | **$2,248** | **$2,248** |

DESCRIPTION: Damages paid through a court award or a settlement to compensate for physical injury or illness are excluded from the recipient's taxable income. The exclusion applies to lump-sum and periodic payments but not to punitive damages except in certain states where only punitive damage awards are allowed. In addition, the exclusion does not apply to compensation for discrimination or emotional distress.

PURPOSE: According to the Congressional Research Service, the exclusion "is based on the reasoning that these payments are compensating for a loss."[145] Noting that the interest component of periodic payments would normally be taxable, CRS adds that "An argument for the full exclusion of periodic payments was to avoid circumstances where individuals used up their lump-sum payments and might then require public assistance."[146]

IMPACT: CRS states that "The exclusion benefits individuals who receive cash compensatory damages for physical injuries and illness. It parallels the treatment of workers' compensation, which covers on-the-job injuries. It especially benefits higher-income individuals whose payments would typically be larger, reflecting larger lifetime earnings, and subject to higher tax rates. By restricting tax benefits to compensatory… In recent years, scientific and public awareness has grown concerning the serious nature of psychiatric and emotional reactions that individuals can experience in response to harassment or situational trauma. Perhaps the best-known current example is Post-Traumatic Stress Disorder (PTSD). Some courts have opined that damage awards for emotional distress should also be excluded from taxation under section 104(a)(2). "[147]

[145] U.S. Senate, Committee on the Budget, p. 1012.
[146] Ibid.
[147] Ibid, pp. 1012-1013.

***Income Tax***
*Exclusions*

## 37. Disaster mitigation payments

Internal Revenue Code Section: 139
Federal Law Sunset Date: None
Year Enacted in Federal Law: 2005

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | $99 | $99 | $99 | $99 |
| **Total** | **$99** | **$99** | **$99** | **$99** |

DESCRIPTION: Disaster mitigation payments under the Robert T. Stafford Disaster Relief and Emergency Insurance Act or the National Flood Insurance Act are excluded from taxable income. Disaster mitigation grants cover a variety of expenditures, such as securing items to reduce potential damage from earthquakes, putting houses on stilts to reduce flood damage, tie-downs for mobile homes to protect against hurricanes and other windstorms, and securing roofs and windows from wind damage.

PURPOSE: According to the Congressional Research Service, the Internal Revenue Service ruled in 2004 that disaster mitigation payments would be taxable without a specific exemption in the law. Previously, individuals had not paid taxes on the payments. Congress responded by establishing an explicit statutory exclusion. CRS states, "The tax legislation was in response to that ruling and reflected the general view that individuals and businesses should not be discouraged from mitigation activities due to tax treatment of these payments."[148]

IMPACT: CRS observes that "The tax exemption is most beneficial for higher-income individuals who have higher marginal tax rates. Even individuals with relatively low incomes could be subject to tax, however, since the mitigation payments can be large when used for major construction projects (such as putting houses in flood plains on stilts). These individuals might not have enough income to pay taxes on these grants and taxation might cause them not to participate in the program."[149] The tax expenditure also has an additional benefit of $6 for each dollar spent, making it cost-effective.[150]

The fairness and efficiency issues surrounding the exclusion are complex. CRS states that "An argument can be made that individuals should be responsible for undertaking their own measures to reduce disaster costs since those expenditures would benefit them… Disaster mitigation expenditures for individuals and businesses can also have benefits that spill over to the community at large, and an individual would not take these benefits into account when making an investment decision."[151]

[148] U.S. Senate, Committee on the Budget, p. 1002.
[149] Ibid, pp. 1001-1002.
[150] Ibid, p. 1002.
[151] Ibid.

***Income Tax***
*Exclusions*

## 38. Employer contributions for premiums on accident and disability insurance

Internal Revenue Code Sections: 105 and 106
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1954

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | $6,958 | $7,066 | $8,029 | $8,457 |
| **Total** | **$6,958** | **$7,066** | **$8,029** | **$8,457** |

DESCRIPTION: Employer payments for employee accident and disability insurance premiums are not included in an individual's personal taxable income.

PURPOSE: According to the Congressional Research Service, in 1954, Congress exempted accident and health benefits from taxation "in an attempt to equalize the tax treatment of benefits through an insurance plan and benefits provided in other ways."[152] The intent is to encourage individuals to purchase more accident or disability insurance because of concerns that "many would fail to buy prudent amounts of insurance on their own, thus increasing financial vulnerabilities of workers and their families."[153]

IMPACT: Higher-income individuals and employees working for large firms benefit more from this exclusion since their marginal tax rates are higher, and they are more likely to receive insurance benefits from their employers. Also, lower-income individuals would benefit less since they may have difficulty protecting themselves from income loss due to accidents or disability. CRS argues "(T)he exclusion may motivate employers to design compensation packages that increase accident and disability insurance coverage of workers. Whether this exclusion is the most efficient method of encouraging purchases of prudent levels of insurance coverage is unclear. Some have noted, however, that untaxed fringe benefits increased middle class effective incomes since 1980, while growth in take-home pay has stagnated for some subgroups."[154]

The exclusion may impair both horizontal and vertical equity. In arguing for a repeal of the exclusion, President Bush's Advisory Panel on Federal Tax Reform stated that "Employees who have these employer-provided fringe benefits receive better tax treatment than employees who pay for these expenses out of pocket. Among workers for whom the benefit is available, more of the benefits go to high-income taxpayers, even though they are paid for with higher tax rates for everyone."[155] According to the 2022 Bureau of Labor Statistics Employee Benefits Survey, 41 percent of civilian workers had access to short-term disability benefits, and 40 percent of employees took the benefit; while 36 percent of civilian workers had access to long-term disability benefits, and about 34 percent take up disability benefits.[156]

[152] U.S. Senate, Committee on the Budget, p. 1092.
[153] Ibid.
[154] Ibid, pp. 1093.
[155] The President's Advisory Panel on Federal Tax Reform, p. 85.
[156] U.S. Senate, Committee on the Budget, pp. 1091-1092.

***Income Tax***
*Exclusions*

## 39. Employer contributions for premiums on group-term life insurance

Internal Revenue Code Section: 79 and L.O. 1014, 2 C.B. 8 (1920).
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1920

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | $4,496 | $4,710 | $5,032 | $5,353 |
| **Total** | **$4,496** | **$4,710** | **$5,032** | **$5,353** |

DESCRIPTION: Employer payments for employee life insurance (above $50,000 in coverage) and death benefits are not included in an individual's taxable income. To qualify for the exclusion, the insurance plan must meet certain requirements, including non-discrimination provisions, to ensure that employee benefits are spread widely and equitably.

PURPOSE: The exclusion was originally authorized, without any limitation on the amount of coverage, by a legal opinion issued in 1920. The $50,000 limit on the amount that can be excluded was enacted in 1964, based on the view that it "would encourage the purchase of group life insurance and assist in keeping the family unit intact upon death of the breadwinner."[157]

IMPACT: The Bureau of Labor Statistics Employee Benefits Survey found that 60 percent of civilian workers are offered life insurance benefits, and 98 percent of those workers take up the benefit.[158] CRS states, "Concerns that many individuals would fail to buy prudent amounts of life insurance on their own may justify encouraging individuals to purchase more life insurance to protect surviving family members from financial vulnerabilities. Subsidizing life insurance coverage may help ensure a minimum standard of living for surviving dependent individuals."[159] Employers may also benefit from the exclusion because it allows them to provide this form of compensation at a lower cost than the earnings employees would need to buy the same amount of insurance on their own. On the other hand, self-employed individuals or those who work for an employer without such a plan do not benefit from this tax subsidy for life insurance coverage.

Consequently, there is uneven access to the benefit, giving rise to horizontal and vertical equity concerns. CRS observes that "Aside from administrative convenience, the rationale for subsidizing insurance for employees, but not to the self-employed or those who are not employed is unclear. Higher-income individuals may receive more benefits from fringe benefit exclusions because their marginal tax rates are higher and because they are more likely to receive group life insurance benefits from their employers. Lower-income individuals, whose surviving dependents are probably more financially vulnerable, may benefit less from income exclusion of premiums paid on their behalf, but may value the insurance protection more."[160]

[157] Ibid. p. 1089.
[158] Ibid, p. 1087.
[159] Ibid, p. 1089.
[160] Ibid, pp. 1089-1090.

***Income Tax***
*Exclusions*

## 40. Employer pension contributions and earnings plans

Internal Revenue Code Sections: 401-407, 410-418E, and 457
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1921

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | $365,160 | $464,184 | $560,211 | $657,737 |
| **Total** | **$365,160** | **$464,184** | **$560,211** | **$657,737** |

DESCRIPTION: Employer contributions to qualified pension, profit-sharing, stock bonus, and annuity plans are not included in the employee's personal taxable income in the year of contribution. Earnings on these contributions are also tax-free. Withdrawals are included in taxable income.

There are two major types of pension plans: (1) defined-benefit plans, which guarantee employees a certain benefit level on retirement, and (2) defined-contribution plans, which provide a pension that depends on the employee's contributions and the earnings on those contributions. Employer contributions to both types of plans are excluded from taxable income. The estimated revenue impact of this tax expenditure is the revenue that the government does not collect on pension contributions and earnings, offset by the taxes paid on pension withdrawals.

The Consolidated Appropriations Act of 2023 modified several retirement plans and created two new types of retirement plans: a new type of section 401(k) plan, a "starter 401(k) deferral-on arrangement," and a new type of 403(b) plan, a "safe harbor deferral-only 403(b) plan.

PURPOSE: While the intent for the exclusion is unclear, CRS notes that "the exemptions may have been adopted in part to deal with technical problems of assigning income."[161] Additionally, "The major economic justification for the favorable tax treatment of pension plans is that they arguably increase savings and increase retirement income security… The effects of these plans on savings and overall retirement income security are, however, subject to some uncertainty."[162] The Congressional Research Service observes, "Because individuals cannot directly control employer contributions to plans or are subject to a ceiling on contributions, tax benefits may relate to savings that would have taken place in any case. At the same time, pension plans may force saving and retirement income on employees who otherwise would have total savings less than their pension-plan savings."[163]

IMPACT: CRS states, "The employees who benefit from these provisions consist of taxpayers whose employment is covered by a plan. The benefit derived by a particular employee depends upon the level of tax that would have been paid by the employee if the provision were not in

[161] U.S. Senate, Committee on the Budget, p. 1062
[162] Ibid, p. 1064.
[163] Ibid.

effect."[164] Nevertheless, CRS points out that the benefits are likely to accrue disproportionately to high-income households because employees with higher salaries are more likely to receive pension benefits, and the dollar contributions made on behalf of higher-income employees are larger. For example, in 2021, 45 percent of workers in the bottom 25 percent of wages in the US were covered by a pension plan while 92 percent of workers in the top 25 percent were covered by a pension plan.[165] In addition, higher-income taxpayers derive a larger benefit because their marginal tax rate is higher, increasing the value of the exclusion. Workers are also more likely to be covered by pensions if they work in certain industries, if large firms employ them, or if they are unionized.[166]

[164] U.S. Senate, Committee on the Budget, p. 1061.
[165] Ibid, p. 1062.
[166] Ibid.

***Income Tax***
*Exclusions*

## 41. Income of trusts to finance supplemental unemployment benefits

Internal Revenue Code Section: 501(c)(17)
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1960

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | $43 | $43 | $43 | $43 |
| **Total** | **$43** | **$43** | **$43** | **$43** |

DESCRIPTION: The investment income from a supplemental unemployment benefit trust may be exempt from taxation if it is established by an employer, employees, or both solely to provide supplemental unemployment compensation when an involuntary loss of employment arises from a reduction in force, discontinuation of a plant or operation, temporary layoff, or other similar circumstance.

The trust must be outlined in a written plan that ensures it does not discriminate in favor of officers, shareholders, supervisors, or highly compensated employees. Benefits must be determined according to objective standards.

Supplemental unemployment trusts were first established in the auto industry in 1955. If an employee leaves a company voluntarily or is discharged for misconduct, he or she is not eligible for a benefit. The employee has no vested interest in the amounts paid into the fund on his or her behalf.

PURPOSE: The purpose of the exclusion is to encourage the creation of supplemental unemployment benefit trusts and to increase income support for laid-off workers.

IMPACT: Employers who sponsor a supplemental unemployment benefit trust and the employees who participate in the plans benefit from this provision. The exclusion may harm economic efficiency because the tax-free treatment of investment income encourages the provision of supplemental unemployment benefits when other benefits might be more valuable without tax preference.

***Income Tax***
*Exclusions*

## 42. Public assistance cash benefits

Internal Revenue Code Section: N.A. (this exclusion was established through a series of IRS rulings dating back to 1933)
Federal Law Sunset Date: None
Year Enacted in Federal Law: N.A. (this exclusion was established through a series of IRS rulings dating back to 1933)

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | $1,727 | $1,806 | $1,910 | $1,989 |
| **Total** | **$1,727** | **$1,806** | **$1,910** | **$1,989** |

DESCRIPTION: Under the general welfare exclusion, public assistance benefits in the form of cash payments or in-kind benefits (goods or services), whether provided free or partly subsidized, are not included in the personal taxable income of the recipient. Examples include cash benefits provided by the Temporary Assistance to Needy Families and the Supplemental Security Income program for the aged, blind, and disabled, as well as in-kind benefits provided by Medicaid and the Supplemental Nutrition Assistance Program (Food Stamps). A payment would qualify under the general welfare exclusion if payments: (1) are made to individuals under the government program; (2) are for the promotion of general welfare that is based on need; and (3) do not represent compensation for services.

It should be noted that the estimates shown above reflect only the forgone revenue from public assistance cash benefits because it is difficult to determine the value of in-kind benefits to recipients.

PURPOSE: The exclusion is not specifically authorized by law; instead, the exclusion has been established by a series of Internal Revenue Service rulings. The Congressional Research Service states that "The IRS rulings providing for the general welfare exclusion reflect a rationale that public assistance provided under government programs should not be taxed when made for the promotion of the general welfare. For federal programs, the reasoning might include that Congress did not intend to tax with one hand what it gives with the other. The exclusion also has the effect of harmonizing the tax treatment of public assistance with assistance provided by private charitable entities, which is generally a nontaxable gift to the recipient under section 102."[167]

IMPACT: CRS notes that the "Exclusion of public assistance cash payments from taxation gives no benefit to the poorest recipients and has little impact on the income of many, in the absence of refundable tax credits. This is because welfare payments are relatively low, and many recipients have little if any non-transfer cash income. If cash public assistance payments were made taxable, most recipients would still owe no tax due to insufficient income."[168] Nevertheless, some families with relatively large amounts of cash benefits and those who worked for part of the year and received cash assistance for part of the year would pay tax if public assistance benefits were taxable; these families benefit from the exclusion.

[167] U.S. Senate Committee on the Budget, pp. 1186-1187.
[168] Ibid, p. 1186.

The exclusion violates the principle of horizontal equity because people with identical incomes will face a different tax liability if they receive different amounts of public assistance cash benefits. On the other hand, the exclusion promotes the social goal of protecting a minimum income level for all individuals.

***Income Tax***
*Exclusions*

## 43. Traditional and Roth IRA earnings and distributions

Internal Revenue Code Sections: 219, 408 and 408A
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1997

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | $14,426 | $15,484 | $19,427 | $21,495 |
| **Total** | **$14,426** | **$15,484** | **$19,427** | **$21,495** |

DESCRIPTION: Two types of Individual Retirement Accounts (IRAs) offer tax benefits: the Roth IRA and the traditional IRA. Contributions to a Roth IRA are taxable, but the earnings and qualified distributions made more than five years after the establishment of the IRA are tax-free. The pattern of benefits for a traditional IRA is the opposite. Some contributions to a traditional IRA are tax-deductible for taxpayers below specified income levels, and the earnings on contributions are tax-free, but the qualified distributions are taxable. Participation in IRAs is approximately evenly split between Roth IRAs and traditional IRAs.[169]

Qualified distributions to a Roth IRA are those made after age 59½, upon the death or disability of the individual, or up to $10,000 for first-time homebuyer expenses, for education expenses, or unreimbursed medical expenses. An individual may contribute up to $6,000 to a Roth IRA ($7,000 for an individual above 50) or an amount equal to earned income, whichever is less, but eligibility is conditioned on income.

Qualified distributions to a traditional IRA must start by age 72 if reaching age 70½ after 2019 to avoid any penalty, and individuals are allowed to roll over employer retirement account balances into individual IRAs. The allowable contribution was phased out for single filers with income between $109,000 and $129,000 and for joint filers with income between $68,000 and $78,000 during tax year 2022.

The above expenditure reflects the net effect of traditional and Roth IRAs. It reflects the forgone taxes from the deduction of IRA contributions by some taxpayers, the forgone taxes from not taxing IRA earnings, and the revenue gain from the taxation of IRA distributions (traditional IRAs distributions are taxed).

PURPOSE: According to CRS, "(T)he provision for IRAs was enacted in the Employee Retirement Income Security Act of 1974, but it was limited to individuals not covered by pension plans. The purpose of IRAs was to reduce discrimination against these individuals."[170] The intent of the exclusion is also to provide an incentive for taxpayers to save for retirement and a savings incentive for workers who do not have employer-provided pension plans.

[169] Urban-Brookings Tax Policy Center, The Tax Policy Briefing Book: A Citizens' Guide for the 2008 Election and Beyond, p. II-3-1, available at www.taxpolicycenter.org.
[170] U.S. Senate, Committee on the Budget, p. 1072.

IMPACT: Taxpayers who save for retirement through an IRA benefit from this provision. The Congressional Research Service notes that "IRAs tend to be less concentrated among higher-income taxpayers than some other types of capital tax subsidies, in part because they are capped at a dollar amount and in part because of the income limits in some cases. Their benefits do tend, nevertheless, to accrue more heavily to the upper half of the income distribution. This effect occurs in part because of the low participation rates at lower-income levels. Further, the lower marginal tax rates at lower income levels make the tax benefits less valuable."[171]

It is not clear whether IRAs and other tax-favored retirement plans increase savings. CRS notes that "Another economic justification for IRAs is that they arguably increase savings and increase retirement security. The effects of these plans on savings and overall retirement income are, however, subject to some uncertainty, and this issue has been the subject of a considerable literature."[172] William Gale and Benjamin Harris of the Urban-Brookings Tax Policy Center pointed out that "Savings incentives do not raise private saving to the extent that households finance their contributions by shifting their existing assets into a tax-favored account, or by shifting current-period saving that would have occurred even in the absence of the incentive, or by increasing their debt."[173]

[171] U.S. Senate, Committee on the Budget, p. 1071.
[172] Ibid, pp. 1074.
[173] William Gale and Benjamin Harris, "Savings and Retirement: How Does Tax-Favored Retirement Saving Affect National Saving?" in The Tax Policy Briefing Book: A Citizens' Guide for the 2008 Election and Beyond, pp. II-3-13 – II-3-14, available at www.taxpolicycenter.org.

***Income Tax***
*Exclusions*

## 44. Social Security and Railroad Retirement benefits

Internal Revenue Code Section: 86
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1938

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | $21,653 | $22,969 | $24,331 | $29,415 |
| **Total** | **$21,653** | **$22,969** | **$24,331** | **$29,415** |

DESCRIPTION: A portion of Social Security and Railroad Retirement Board benefits are not subject to federal income tax. By local law, the District of Columbia has extended the tax exemption to the full amount of benefits (see tax expenditures #116-#119 in this report). This description and the estimate of forgone revenue shown above pertain only to exempt benefits due to the District's conformity to the federal income tax rules.

The amount of Social Security benefits and "Tier 1" Railroad Retirement benefits (which are equivalent to Social Security benefits received by a railroad worker) subject to federal taxation depends on the amount of "provisional income" above certain thresholds. Provisional income is adjusted gross income plus one-half of Social Security benefits and otherwise tax-exempt interest income, such as tax-exempt bonds.

Taxpayers with provisional income under $25,000 (single) or $32,000 (married filing jointly) pay no tax on their Social Security or Railroad Retirement benefits.

If provisional income is above the tax-exempt thresholds but below $34,000 (single) or $44,000 (joint), then the amount of benefits subject to tax is the lesser of (1) 50 percent of benefits, or (2) 50 percent of income above the tax-exempt thresholds. If the provisional income is above the second-level threshold of $34,000 ($44,000 for a married couple), the amount of benefits subject to tax is the lesser of (1) 85 percent of benefits or (2) 85 percent of income above the second threshold, plus the smaller of (a) $4,500 ($6,000 for a married couple), or (b) 50 percent of benefits. For married people filing separately, taxable benefits are less than 85 percent of benefits or 85 percent of provisional income. The income thresholds described above are not indexed for inflation.

The proceeds from taxation of Social Security and Railroad Retirement benefits at the 50 percent level are credited to the Social Security Trust Fund and the National Railroad Retirement Investment Trust. The proceeds of the taxation of benefits at the 85 percent level are credited to the Medicare Hospital Insurance Trust Fund.

PURPOSE: The exclusion aims to treat Social Security and Railroad Retirement benefits more like other pension income, thereby enhancing horizontal equity. Social Security and Railroad Retirement benefits were tax-free until 1984, unlike other pension benefits, which are fully taxable except for the proportion of projected lifetime benefits that can be attributed to the worker's contributions. The Social Security amendments of 1983 (P.L. 98-21) made 50 percent of benefits above threshold amounts taxable, and the Omnibus Budget Reconciliation Act of 1993 (P.L. 103-

66) created the second level in which 85 percent of benefits above the threshold are subject to taxation.

The Congressional Research Service points out that the exemption level and the progressive rates for the taxing of benefits reflect the social welfare goals of Social Security, which differs from a regular pension program in basing its benefits on work history and providing additional benefits to people with lower earnings.[174] There have been no direct legislative changes regarding taxation of Social Security benefits since 1993.

IMPACT: CRS observes, "Under the current two-level structure, all Social Security beneficiaries have some untaxed benefits. The Congressional Budget Office estimates that more than 70 percent of benefits are untaxed. Taxes are imposed on at least half of the benefits for middle and upper-income beneficiaries, while lower-income beneficiaries have no benefits taxed."[175]

President Bush's Advisory Panel on Federal Tax Reform criticized the two-tiered structure for the taxation of Social Security and railroad retirement benefits for being overly complicated and permitting "bracket creep," which means that more and more recipients cross the income thresholds each year due to inflation and are required to pay more tax.[176]

[174] U.S. Senate, Committee on the Budget, pp. 1106-1108.
[175] Ibid, p. 1109.
[176] The President's Advisory Panel on Federal Tax Reform, p. 88.

***Income Tax***
*Exclusions*

## 45. Survivor annuities paid to families of public safety officers

Internal Revenue Code Section: 101(h)
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1997

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | too small | too small | too small | too small |
| **Total** | **too small** | **too small** | **too small** | **too small** |

Note: "Too small" means that the nationwide federal revenue impact was estimated as $50 million or less.

DESCRIPTION: The surviving spouse or child of a public safety officer killed in the line of duty can exclude from gross income a survivor annuity payment under a government pension plan. The annuity must be attributable to the individual's service as a public safety officer.

PURPOSE: According to the Congressional Research Service, "Congress intended to subject annuities paid to surviving spouses of public safety officers killed in the line of duty to the same tax treatment as annuities paid to survivors of military service personnel killed in combat."[177]

IMPACT: Surviving family members of officers killed in the line of duty benefit from this provision. The annual revenue loss from this provision has been less than $50 million since its enactment in 1997.[178]

[177] U.S. Senate, Committee on the Budget, p. 1102.
[178] Ibid.

***Income Tax***
*Exclusions*

## 46. Workers' compensation benefits

Internal Revenue Code Section: 104(a)(1)
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1918

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | $3,212 | $3,212 | $3,319 | $3,319 |
| **Total** | **$3,212** | **$3,212** | **$3,319** | **$3,319** |

DESCRIPTION: Workers' compensation benefits (both medical and non-medical benefits) granted to employees in the case of a work-related injury and to survivors in case of an employee's work-related death are not taxable. Employers finance the benefits through insurance or self-insurance, and their costs are deductible as a business expense. Benefits are paid regardless of who was at fault, and workers' compensation is treated as the exclusive remedy for work-related injury or death. The states administer workers' compensation programs.

PURPOSE: The Congressional Research Service states that no rationale for the exclusion is found in the legislative history (the provision was enacted in 1918), "However, it has been maintained that workers' compensation should not be taxed because it is in lieu of court-awarded damages for work-related injury or death that, before the enactment of workers' compensation laws … would have been payable under tort law for personal injury or sickness and not taxed."[179]

IMPACT: Households that benefit the most from the exclusion are those that could continue to work, return to work like those with partial or short-term disabilities, or have other sources of taxable income since their combined incomes would likely be above the taxable threshold level. CRS states that the "Exclusion of workers' compensation benefits from taxation increases the value of these benefits to injured employees and survivors, without direct cost to employers, through a tax subsidy."[180] The exclusion is additionally a regressive subsidy since it replaces more income for higher-income employees than those in poorer households.

[179] U.S. Senate, Committee on the Budget, p. 1007.
[180] Ibid.

***Income Tax***
*Exclusions*

## 47. Reduced tax rate on active income of controlled foreign corporations

Internal Revenue Code Sections: 11(d), 91, 245A, 250, 882, and 951-964
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1909

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $79,347 | $72,148 | $55,911 | $48,864 |
| Personal Income Tax Loss | $0 | $0 | $0 | $0 |
| **Total** | **$79,347** | **$72,148** | **$55,911** | **$48,864** |

DESCRIPTION: Firms incorporated in the US are taxed on their worldwide income, while foreign-chartered corporations are only taxed on their U.S. source income. Firms that change headquarters to foreign countries are treated as U.S. firms if U.S. shareholders of the former U.S. firm retain 80 percent more ownership and are also called surrogate firms. Also, other firms where former U.S. shareholders retain 60 percent but less than 80 percent ownership are called inverted firms.

Generally, some of the overall income of controlled foreign corporation (CFC) subsidiaries is subject to income tax that falls into two types: Subpart F income (Sections 951- 964) and other income. Subpart F income is income related to passive investment rather than income from active business operations. Additionally, it includes certain types of sales, services, and other income whose geographic source can easily be shifted is included in Subpart F. Foreign tax credits associated with that income are allowed to offset U.S. tax on that income and are allowed on an overall basis (combining income and credits from different countries).

A reduced tax rate known as the global intangible low-taxed income (GILTI) is imposed on other income. CRS states that "GILTI income is technically part of Subpart F but is subject to a separate foreign tax credit treatment and other rules. Two deductions are allowed in addition to deducting normal Subpart F income. First, a deemed return to tangible investments, 10 percent of the tax basis (cost less depreciation) for tangible assets net of interest deductions, is excluded so that no taxes are imposed on this income. Second, 50 percent of the remaining income is deducted for taxable years beginning after December 31, 2017, and through taxable years beginning before January 1, 2025. Thus, the tax rate on this income is 10.5 percent (half of the 21 percent corporate tax rate)."[181]

PURPOSE: Deferral has been a part of the US tax system since 1909. As CRS states, "In 1962, the Kennedy Administration proposed a substantial scaling-back of deferral to reduce outflows of U.S. capital. Congress, however, was concerned about the potential effect of such a step on U.S. multinationals and on U.S exports. Instead of repealing deferral, the Subpart F provisions were adopted in The Revenue Act of 1962 (P.L. 87-834) and were aimed at taxpayers who used deferral to accumulate funds in so-called "tax haven" countries. (Hence, Subpart F's concern with income whose source can be easily manipulated.)"[182] The purpose of this tax deferral is to encourage the purchase and operation of foreign subsidiaries by U.S. firms, thereby increasing U.S. firms'

[181] U.S. Senate, Committee on the Budget, p. 44
[182] Ibid, p. 46

penetration of foreign markets and enhancing the firms' global competitiveness. Proponents also contend that the tax deferral boosts U.S. exports.

IMPACT: CRS states, "The exemption from tax for tangible investments creates an incentive to make tangible investments in lower-tax countries abroad rather than in the United States. The deduction for GILTI income also creates an incentive to hold intangible assets abroad in low-tax countries. These effects interact with the U.S. deduction for certain intangible income derived from FDII, which encourages intangibles to be located in the United States but discourages tangible investment."[183]

CRS also points out that in the new tax reform, intangible investment income is not taxed, unlike the old system, where it would be taxed when repatriated. Thus, while the lower corporate tax rate may encourage more investment in the United States, excluding tangible returns may encourage more investment abroad.

[183] U.S. Senate, Committee on the Budget, p. 45.

***Income Tax***
*Exclusions*

## 48. Allowances for federal employees working abroad

Internal Revenue Code Section: 912
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1943

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | $4,681 | $4,957 | $5,232 | $5,232 |
| **Total** | **$4,681** | **$4,957** | **$5,232** | **$5,232** |

DESCRIPTION: U.S. federal civilian employees working abroad can exclude from personal taxable income certain special allowances that are provided to offset the costs of living abroad, such as the costs of housing, education, and travel. Like other U.S. citizens, federal employees who work abroad are subject to U.S. taxes and can credit any foreign taxes paid against their U.S. taxes.

PURPOSE: The exclusion was enacted in response to rising living costs abroad. This exclusion aims to offset the extra costs of working abroad (such as maintaining a home in the U.S. and in a foreign country) and encourage employees to accept assignments abroad.

IMPACT: Federal civilian employees working abroad benefit from this provision. CRS notes, "Federal employees abroad may receive a significant portion of their compensation in housing allowances, cost-of-living differentials, and other allowances. The income exclusions permitted under section 912 can substantially reduce their taxes. Data suggest that real incomes for federal workers abroad are generally higher than real incomes in the United States. Consequently, section 912 exclusions probably reduce the progressivity of the income tax."[184]

The tax expenditure is ambiguous in promoting horizontal equity because without the exclusion, "federal employees in high-cost countries would likely pay higher taxes than persons with identical real incomes who work in the United States. The higher nominal income needed to offset higher living costs abroad could place federal employees stationed abroad in a higher tax bracket."[185] At the same time, the exclusion may also encourage federal agencies to provide more compensation in the form of generous special allowances than would otherwise be the case, thereby undermining efficiency.

[184] U.S. Senate, Committee on the Budget, p. 40.
[185] Ibid.

***Income Tax***
*Exclusions*

## 49. Income earned abroad by U.S. citizens: Housing and Salary

Internal Revenue Code Section: 911
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1926

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | $11,130 | $11,705 | $12,308 | $12,941 |
| **Total** | **$11,130** | **$11,705** | **$12,308** | **$12,941** |

DESCRIPTION: U.S. citizens who live abroad (except for U.S. government employees, who benefit from a separate exclusion described under tax expenditure #48) can exclude up to $112,600 in foreign earned income from personal taxable income in 2022. The limit on excludable income is adjusted annually for inflation. A taxpayer must meet the physical residence tests to receive the exclusion.[186] Taxpayers may also exclude certain foreign housing expenses from taxable income.[187] The combined income and housing exclusion cannot exceed the taxpayer's total foreign-earned income for that year, including the value of a housing allowance.

PURPOSE: The purpose of this exclusion is to compensate U.S. citizens working abroad for the costs of living overseas and the taxes they pay to the foreign country where they live. When the exclusion was originally adopted in 1926, proponents argued that it "would bolster U.S. trade performance since it would provide tax relief to U.S. expatriates engaged in trade promotion."[188] The history of the exclusion shows a continuing attempt by policymakers to find a balance between the provision's perceived beneficial effects on U.S. trade and economic performance and perceptions of tax equity.

IMPACT: U.S. citizens who live and work abroad benefit from this provision. The Congressional Research Service points out that "The impact of the exclusions on Americans working abroad depends partly on whether their foreign taxes are higher or lower than their U.S. taxes (before taking the exclusion into account). For expatriates who pay high foreign taxes, the exclusion holds little importance because they can use the foreign tax credit to offset their U.S. tax liability. For expatriates who pay little or no foreign taxes, however, the exclusion can reduce or eliminate their U.S. tax liability."[189]

[186] Physical presence test: a person must be a U.S. citizen or permanent resident, must have their tax home in a foreign country, and must either be a bona fide resident of a foreign country or have lived abroad for at least 330 days of any 12 consecutive months.
[187] The housing exclusion is equal to the amount by which housing costs exceed 16 percent of the earned income exclusion but cannot exceed 30 percent of the maximum earned income exclusion (which is $112,000 in 2022). In addition, the Treasury Department has the authority to raise the maximum housing exclusion above these levels in high-cost cities.
[188] U.S. Senate, Committee on the Budget, p. 35.
[189] Ibid, p. 34.

Employers also benefit because the exclusion subsidizes the transfer of employees to positions overseas; without the exclusion, employers might have to reimburse employees for the taxes paid on their housing and other expenses of living abroad.

Additionally, CRS notes that "scholars have argued that the exclusions may actually work against U.S. domestic economic interests by encouraging highly compensated U.S. citizens to work overseas, thereby both expatriating U.S. intellectual capital and reducing U.S. tax revenue."[190]

[190] U.S. Senate, Committee on the Budget, p. 37.

***Income Tax***
*Exclusions*

## 50. Benefits and allowances for Armed Forces personnel

Internal Revenue Code Sections: 104, 112, 134 and a court decision: *Jones v. United States*, 60 Ct. Cl. 552 (1925).
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1925

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | $3,046 | $3,137 | $3,319 | $3,637 |
| **Total** | **$3,046** | **$3,137** | **$3,319** | **$3,637** |

DESCRIPTION: Military personnel receive a variety of in-kind or cash benefits that are not taxed. These include medical and dental benefits, group life insurance, professional education and dependent education, moving and storage, premiums for survivor and retirement protection plans, subsistence allowances, uniform allowances, housing allowances, overseas cost-of-living allowances, evacuation allowances, family separation allowances, travel for consecutive overseas tours, emergency assistance, family counseling, defense counsel, burial and death services, certain combat-zone compensation and combat-related benefits, and travel of dependents to a burial site. Any cash payments in lieu of the benefits are also excluded from taxable income.

In addition, payments made to families when members of the armed forces die on active duty or while traveling to or from active duty are excluded from taxation.[191]

PURPOSE: CRS states that "The exemption of armed forces benefits and allowance evolved from the precedent set by *Jones v. United States,* through subsequent statutes, regulations, and administrative practices."[192] The rationale of the exclusion is to reduce tax burdens of military personnel during wartime (as in the use of combat pay provisions); other allowances were based on the belief that certain types of benefits are intrinsic elements in the military structure.

IMPACT: Military service members and their families benefit from the exclusion. CRS states, "Some argue that the exclusion for military allowances and benefits functions as an inequitable substitute for additional taxable compensation, since high-income military personnel derive greater benefits from this treatment than do low-income members."[193] The value of the exclusion, therefore, reduces the progressivity of the income tax system. The exclusion may also harm efficiency by encouraging the Defense Department to provide members of the armed forces with a greater share of non-cash benefits than they would prefer. Nevertheless, CRS states that the "elimination of the exclusions could lead some service members to think that their benefits were being cut, or provide an opportunity for Congress or the president to cut benefits, making it more difficult to recruit new military personnel and to retain existing personnel."[194]

[191] Families of a deceased member of the armed forces receive a $100,000 death gratuity payment.
[192] U.S. Senate, Committee on the Budget, p. 21.
[193] Ibid, p. 22.
[194] Ibid.

***Income Tax***
*Exclusions*

## 51. Combat pay

Internal Revenue Code Section: 112
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1918

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | $409 | $409 | $500 | $546 |
| **Total** | **$409** | **$409** | **$500** | **$546** |

DESCRIPTION: Pay received by active members of the U.S. Armed Forces is excluded from gross income during any month in which the member served in a combat zone or was hospitalized due to an injury or illness incurred while serving in a combat zone. For commissioned officers, the exclusion is limited to the maximum compensation for active enlisted military personnel. For hospitalized service members, the exclusion is limited to two years after he or she ends service in the combat zone.

PURPOSE: The Congressional Research Service states, "Generally, the compensation paid to military personnel serving in a combat zone is increased to reflect the hazards inherent in such a duty. Excluding combat pay from taxation may reflect a general public recognition that service members should be rewarded for putting their lives at risk."[195]

IMPACT: The exclusion of combat pay significantly reduces (for commissioned officers) or eliminates (for enlisted personnel) the tax liability of active military personnel serving in a combat zone.

[195] U.S. Senate, Committee on the Budget, p. 31.

***Income Tax***
*Exclusions*

## 52. Military disability benefits

Internal Revenue Code Section: 104(a)(4), 104(a)(5), and 104(b)
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1942

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | $136 | $182 | $182 | $182 |
| **Total** | **$136** | **$182** | **$182** | **$182** |

DESCRIPTION: Service members who become physically unfit to perform military duties can be retired on military disability under certain conditions. Individuals who were armed forces members on or before September 24, 1975, may be eligible for the exclusion of disability pay from personal taxable income. The amount of military disability pay for these individuals is based on the percentage-of-disability method or the years-of-service method. Under the percentage-of-disability method, the pension equals the percentage of disability multiplied by the terminal monthly basic pay. Under the years-of-service method, terminal monthly basic pay is multiplied by the number of service years times 2.5. Only the portion that would have been paid under the percentage-of-disability method is excluded from gross income.

Individuals who joined the armed forces after September 24, 1975, may exclude military disability payments equivalent to disability payments they could have received from the U.S. Department of Veterans Affairs. Otherwise, their disability payments may be excluded only if the disability is directly attributable to a combat-related injury.

Under the Victims of Terrorism Tax Relief Act of 2001, any civilian or member of the military whose disability is attributable to terrorism or military action anywhere in the world may exclude disability income from gross income.

PURPOSE: The exclusion aims to compensate veterans for economic hardship created by injury or illness. According to the Congressional Research Service, the blanket exclusion for military disability pay was enacted in 1942, based partly on the view that military disability pay was similar to workers' compensation, which was excluded from the federal income tax. In 1976, Congress tightened the exclusion due to concern about abuses by "members of the armed forces who were classified as disabled shortly before becoming eligible for retirement to obtain tax-free pension benefits."[196] However, those who joined the military on or before September 24, 1975, could continue under the prior rules.

IMPACT: According to CRS, The exclusion of disability pension payments provides beneficiaries more after-tax income than they would receive from the same amount of taxable pension benefits.[197] Therefore, exclusion favors higher-income veterans. Additionally, the true cost of the tax expenditure is understated since the exclusion is a form of spending through the tax code.

[196] U.S. Senate, Committee on the Budget, p. 26.
[197] Ibid.

***Income Tax***
*Exclusions*

## 53. Earnings of certain environmental settlement funds

Internal Revenue Code Section: 468B
Federal Law Sunset Date: None
Year Enacted in Federal Law: 2005

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | too small | too small | too small | too small |
| Personal Income Tax Loss | $0 | $0 | $0 | $0 |
| **Total** | **too small** | **too small** | **too small** | **too small** |

Note: "Too small" means that the nationwide federal revenue impact was estimated as $50 million or less.

DESCRIPTION: Hazardous waste site cleanup is sometimes funded by environmental settlement funds, which serve the same purpose as an escrow account. These funds are established in consent decrees between the U.S. Environmental Protection Agency (EPA) and the parties responsible for contaminating a site under the jurisdiction of a federal district court. This provision allows businesses that contribute to certain environmental settlement funds to exclude the earnings on those contributions from taxable income. The provision effectively lowers the after-tax cost to a business settling with the EPA to clean up hazardous wastes identified through the "Superfund" program.

The conditions needed to be satisfied for the fund program to be exempt from taxation include: (1) a court order establishes it; (2) it is created to receive settlement payments as directed by a government entity for the sole purpose of resolving and satisfying one or more liability claims brought under CERCLA; (3) a government entity has the authority and control over the expenditure of the fund; and (4) any remaining funds at termination will be disbursed to the government entity.[198]

PURPOSE: The exclusion aims to incentivize parties deemed responsible for hazardous waste sites to enter into an agreement with the EPA to clean up the sites.

IMPACT: Businesses establishing environmental settlement funds during the eligible period benefit from this provision. The Congressional Research Service states, "The tax expenditure tied to the provision lies in the fund income that escapes taxation. In effect, the provision lowers the after-tax cost to a taxpayer of settling with the EPA to clean up hazardous waste sites identified through the Superfund program."[199]

There may also be a broader public benefit because the exclusion should encourage those responsible for hazardous waste to act more quickly to remediate the sites at their own expense, saving tax dollars that would otherwise be needed to perform the remediation.

[198] U.S. Senate, Committee on the Budget, pp. 287.
[199] Ibid, p. 288.

***Income Tax***
*Exclusions*

## 54. Energy conservation subsidies provided by public utilities

Internal Revenue Code Section: 136
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1992

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | $50 | $40 | $40 | $40 |
| **Total** | **$50** | **$40** | **$40** | **$40** |

DESCRIPTION: Residential energy customers can exclude from personal taxable income any subsidy (directly or indirectly) from a public utility for purchasing or installing an energy conservation device. If an energy conservation expenditure qualifies for this exclusion, the taxpayer may not claim any other tax benefits for the same expenditure.

PURPOSE: The exclusion aims to encourage residential customers to participate in conservation programs sponsored by public utilities. These programs would enhance the energy efficiency of dwelling units and encourage energy conservation in residential buildings.

IMPACT: Homeowners participating in conservation programs and installing energy-saving devices benefit from this provision. The Congressional Research Service points out that this tax preference "can be justified on the grounds of conservation and load management if they result in less pollution or more stable energy provisions during times of peak demand. In general, however, it would be more efficient to tax energy fuels directly than to subsidize a particular method of achieving conservation. From an economic perspective, allowing targeted tax benefits for certain types of investment or consumption can result in a misallocation of resources"[200]

CRS also notes that complex incentives are at play in the case of rental housing. The tenant and landlord lack a strong financial incentive to invest in energy conservation equipment because the benefits may not accrue entirely to the party paying the cost. Tenants may not occupy a rental property long enough to reap the benefits of energy conservation measures, whereas landlords may not have sufficient control over the behavior of renters to be sure that the investment in energy conservation will pay off. As a result, "These market failures may lead to underinvestment in conservation measures in rental housing and provide the economic rationale for this provision." [201] Nevertheless, the exclusion is available both to owners who occupy their homes and those who rent them out.

[200] U.S. Senate, Committee on the Budget, p. 124.
[201] Ibid, p. 125.

***Income Tax***
*Exclusions*

## 55. Interest on state and local private-activity bonds issued to finance water, sewer, and hazardous-waste facilities

Internal Revenue Code Sections: 103, 141, 142, and 146.
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1968

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $124 | $124 | $124 | $124 |
| Personal Income Tax Loss | $214 | $214 | $214 | $214 |
| **Total** | **$339** | **$339** | **$339** | **$339** |

DESCRIPTION: Interest income on state and local bonds used to finance the construction of sewage facilities, facilities used to supply water, and facilities that dispose of hazardous waste is tax-exempt. The bonds are classified as private-activity bonds rather than governmental bonds if a substantial portion of the benefits accrues to private organizations instead of the public. The private-activity bonds issued for these facilities are subject to a state annual volume cap greater than $105 per capita or $321.78 million in 2020.

To qualify for tax-exempt bond financing, water-supply facilities must serve the general public, and must be operated by a governmental unit or have their rates established or approved by a government regulator. The portion of a hazardous waste facility financed with tax-exempt bonds cannot exceed the portion of the facility to be used by entities other than the owner or operator of the facility.

PURPOSE: The purpose of the tax expenditure is to encourage increased investment. It provides low-cost financing of water, sewer, and hazardous-waste facilities. Investors purchase the bonds at low interest rates because the income from them is tax-free.

IMPACT: The Congressional Research Service suggests that tax-exempt water, sewer, and hazardous waste facility financing has public benefits because the subsidy helps correct a market failure that may lead to underinvestment. The benefits of the facilities to the environment and public health across state and local borders, but state and local governments may not recognize the spillover benefits when setting spending levels. CRS adds, "There are significant costs, real and perceived, associated with siting an unwanted hazardous waste facility. The federal subsidy through this tax expenditure may encourage increased investment and spread the cost to more potential beneficiaries (i.e., federal taxpayers)."[202]

CRS also cautions that "As one of many categories of tax-exempt private-activity bonds, bonds for these facilities increase the financing cost of bonds issued for other public capital. With a greater supply of public bonds, the interest cost on the bonds necessarily increases to attract investors. In

[202] U.S. Senate, Committee on the Budget, p. 659.

addition, expanding the availability of tax-exempt bonds increases the range of assets available to individuals and corporations to shelter their income from taxation."[203]

[203] U.S. Senate, Committee on the Budget, p. 659.

***Income Tax***
*Exclusions*

## 56. Employer-provided adoption assistance

Internal Revenue Code Sections: 23 and 137
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1996

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | $985 | $996 | $1,006 | $1,017 |
| **Total** | **$985** | **$996** | **$1,006** | **$1,017** |

DESCRIPTION: Benefits that a taxpayer receives through an employer-sponsored adoption assistance program are excluded from personal taxable income. The employer-sponsored benefits must be provided according to a written plan, and qualified expenses eligible for deduction include reasonable and necessary adoption fees, court costs, attorney fees, and travel expenses. In the case of a special-needs adoption, expenses such as construction, renovations, or alterations may qualify for the exclusion.

For tax year 2022, the maximum exclusion was $14,890 per child. The deduction was phased out for taxpayers with modified adjusted gross income between $223,410 and $263,410; at higher income levels, there is no benefit. The maximum deduction and the income levels over which the benefits are phased out are indexed to inflation.

Qualified adoption expenses claimed under this exclusion cannot also be claimed for the federal adoption tax credit (and vice-versa). The exclusion also does not cover any expenses paid by a federal, state, or local grant.

PURPOSE: The purpose of the exclusion is to encourage and facilitate adoption, especially for children with special needs, by reducing the associated financial costs. CRS states that "Congress enacted the credit and exclusion because of the belief that the financial costs associated with the adoption process should not be a barrier to adoptions."[204] Specifically, it is designed to provide tax relief to moderate-income families for the costs associated with adoptions and to encourage families to seek adoptable children. The belief is that the expenditure expansion would encourage more adoptions and allow more families to afford adoption.

IMPACT: The exclusion primarily benefits middle-income families because it is phased out for wealthy taxpayers. The Congressional Research Service points out that there is little evidence that adoption tax benefits are an effective policy tool to increase adoptions. Although the amount of adoption tax benefits has increased over time, the actual number of children adopted has not. CRS also states that "If adoption tax benefits do not lead to additional adoptions, they are considered economically inefficient by economists and are instead a windfall benefit to families that would have adopted even in the absence of these benefits."[205]

[204] U.S. Senate, Committee on the Budget, p. 866.
[205] Ibid, p. 868.

***Income Tax***
*Exclusions*

## 57. Employer-provided childcare

Internal Revenue Code Sections: 21 and 129
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1981

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | $867 | $921 | $1,188 | $1,338 |
| **Total** | **$867** | **$921** | **$1,188** | **$1,338** |

DESCRIPTION: Employer payments for dependent care through a dependent-care assistance program are not included in an individual's personal taxable income. The maximum annual exclusion is $5,000 and may not exceed the lesser of the employee's earned income or the earned income of the employee's spouse. To qualify, employer assistance must be provided through a plan that meets certain conditions, such as eligibility requirements that do not discriminate in favor of highly compensated employees, shareholders, or owners.

Qualifying dependent-care expenses include household services, daycare centers, and other similar types of non-institutional care. Dependents must be under the age of 13, except for a physically or mentally incapacitated spouse or dependent who lives with the taxpayer for more than half of the year. Day care centers must comply with state and local laws and regulations for the exclusion of payments to be allowable. Payments to relatives are allowable only if the relatives are not dependents of the taxpayer or a child of the taxpayer under age 19.

A taxpayer may also claim a nonrefundable tax credit for certain expenses incurred to care for a dependent child, disabled dependent, or disabled spouse. The expenses must enable the taxpayer to work to qualify for the credit.

PURPOSE: The rationale for the tax credit is that childcare is a work-related cost. The provision was intended to recognize the similarity of childcare expenses to employee business expenses and provide limited benefits. The Congressional Research Service states that the exclusion was intended "to encourage employers to sponsor childcare for their employees."[206] There is also the desire to reduce welfare costs.

IMPACT: CRS notes that the exclusion "provides an incentive for employers to provide, and employees to receive, compensation in the form of dependent-care assistance rather than cash … As is the case with all deductions and exclusions, the tax savings exclusion is proportional to the taxpayer's marginal tax rate and, thus, provides a greater benefit to taxpayers in high tax brackets than those in low tax brackets, all else being equal."[207] Nevertheless, the $6,000 limit on the exclusion restricts the benefit for upper-income families.

[206] U.S. Senate, Committee on the Budget, p. 851.
[207] Ibid, p. 850.

CRS further observes that "The exclusion tends to benefit middle- and higher-income households for a variety of reasons, including that higher-income workers are more likely to work for employers that offer these benefits. And higher-income workers in higher tax brackets will receive a greater tax savings from a given amount of the exclusion than lower-income workers in a lower tax bracket."[208]

On the other hand, CRS states that "the availability of dependent care can reduce employee absenteeism and unproductive work time. The tax exclusion may also encourage full participation of women in the workforce as the lower after-tax cost of childcare may not only affect the labor force participation but hours of work."[209]

[208] U.S. Senate, Committee on the Budget, p. 854.
[209] Ibid.

***Income Tax***
*Exclusions*

## 58. Foster care payments

Internal Revenue Code Section: 131
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1982

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | $343 | $343 | $412 | $412 |
| **Total** | **$343** | **$343** | **$412** | **$412** |

DESCRIPTION: Payments made by a state, local, or qualified foster-care placement agency to a provider who cares for a foster child in the home are excluded from the personal taxable income of the provider. The exclusion applies both to reimbursements for the general cost of caring for a foster child as well as additional payments provided for the care of a child with physical, mental, or emotional handicaps (the latter are referred to as "difficulty of care" payments). Payments made are also not viewed as earned income by the Internal Revenue Service for purposes of the Earned Income Tax Credit (EITC).

The exclusion does not cover foster care payments made for more than 5 children aged 19 or older under the standard reimbursement rates or the "difficulty of care" reimbursement rates, nor does it cover payments for more than 10 children under the age of 19 who are eligible for "difficulty of care" rates.

PURPOSE: According to the Congressional Research Service, the exclusion of qualified foster care payments "was made to relieve foster care providers from the detailed record-keeping requirements of prior law,"[210] which disallowed any exclusion more than the expenses paid in caring for a foster child. "Congress feared that detailed and complex record-keeping requirements might deter families from accepting foster children or from claiming the full tax exclusion to which they were entitled."[211]

IMPACT: CRS observes that "it is generally understood that the tax law treatment of foster care payments prevents unnecessary accounting and record-keeping burdens for foster care providers, which may affect some families' decision to foster. The tax treatment of these payments also provides administrative convenience for the Internal Revenue Service."[212] Children in foster care may benefit from the exclusion because the reduction in the administrative burden may encourage more people to become foster parents, and there may be a broader social benefit from encouraging the placement of children in foster care.

[210] U.S. Senate, Committee on the Budget, p. 873.
[211] Ibid.
[212] Ibid, p. 874.

***Income Tax***
*Exclusions*

## 59. Employer-provided transportation assistance

Internal Revenue Code Section: 132(f)
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1984 (parking benefits) and 1992 (transit benefits)

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | -$4,100 | -$4,225 | -$4,349 | -$4,473 |
| Personal Income Tax Loss | $8,564 | $8,778 | $9,100 | $9,528 |
| **Total** | **$4,464** | **$4,554** | **$4,751** | **$5,055** |

DESCRIPTION: In 2024, taxpayers can exclude up to $315 per month for employer-paid parking and an additional $315 per month for employer-provided transit passes or vanpool benefits. A "transit pass" means any pass, token, fare card, voucher, or similar item that entitles an individual to transportation in a mass transit system or through a commuter highway vehicle (vanpool). The maximum monthly exclusions for employer-provided parking and transit assistance are adjusted annually for inflation.

The 2017 tax legislation (P.L. 115-97) suspended the exclusion of bicycle commuting benefits and disallowed employer deductions for the costs of providing qualified transportation fringe benefits to employees, except as necessary for ensuring an employee's safety, for tax years starting after December 31, 2017, and before January 1, 2026.

Employees can use pre-tax dollars, at their employer's discretion, to pay for parking or mass transit benefits. The pre-tax option is not available for bicycle commuting benefits, which must be paid directly by the employer.

PURPOSE: The exclusion is part of a general policy of excluding employer-provided benefits from taxable income. The exclusion is capped to place a limit on the ability of employers and employees to shift compensation from taxable wages to non-taxable fringe benefits.

IMPACT: The Congressional Research Service states, "The subsidy benefits employees by effectively raising their after-tax compensation. This exemption arguably induces employees to use mass transportation, which reduces traffic congestion and lowers commuting costs for all urban workers. About 8 percent of the civilian workforce receives subsidized commuting benefits."[213]

Regarding mass transit, CRS observes that "Subsidies for mass transit and vanpools encourage the use of mass transportation and may reduce congestion and pollution. Some studies have found that transportation benefit programs can spur non-users of public transportation to become occasional users and occasional users to become more regular users … All commuters in an area may enjoy spillover benefits from reduced traffic congestion, such as lower transportation costs, shorter waiting times, in traffic, and improved air quality."[214] Nevertheless, "Businesses and workers located where mass transportation alternatives are lacking gain little benefit from this provision."[215]

[213] U.S. Senate, Committee on the Budget, p. 615.
[214] Ibid., pp. 616-617.
[215] Ibid., p. 616.

Regarding parking, CRS points out that "Subsidies or favorable tax treatment of parking may encourage more employees to drive to work, which may increase traffic congestion and air pollution. One study found that when employees in California firms were allowed to opt for a cash benefit instead of employer-provided parking benefits, the proportion of employees driving to work fell significantly…. Subsidized employee parking may also make finding parking spaces harder, which can affect quality of life in residential neighborhoods near work areas and the flow of customers for retail businesses." [216]

[216] Ibid, p. 617.

***Income Tax***
*Exclusions*

## 60. Interest on state and local private-activity bonds issued to finance airport, dock, and mass commuting facilities

Internal Revenue Code Sections: 103, 141, 142, and 146
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1968

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $249 | $249 | $249 | $249 |
| Personal Income Tax Loss | $750 | $750 | $750 | $750 |
| **Total** | **$999** | **$999** | **$999** | **$999** |

DESCRIPTION: Each state receives a certain amount of authority to issue tax-exempt private activity bonds and securities issued by a state or local government to finance qualified projects by a private user. Interest in these bonds is tax exempt. These qualified projects, which include the construction of airports, docks, wharves, and mass commuting facilities, are expected to benefit the public.

Although private-activity mass commuting facility bonds are subject to annual volume caps on private-activity bonds (the cap was $110 per capita or $335.115 million, whichever is greater, for each state in 2022), bonds issued for airports, docks, and wharves are not subject to the caps.

PURPOSE: The bonds promote the construction of airport, dock, wharf, and mass-transit infrastructure by subsidizing low interest rates, thereby lowering the cost of the facilities and supporting commerce. Investors purchase the bonds at low interest rates because the income from them is tax-free.

IMPACT: This provision benefits the owners of the airport, dock, wharf, and mass transit infrastructure, as well as the businesses and residents who use these facilities. There may also be spillover benefits from such investment. According to the Congressional Research Service, "Economic theory suggests that to the extent these facilities provide social benefits that extend beyond the boundaries of the state or local government, the facilities might be underprovided due to the reluctance of state and local taxpayers to finance benefits for nonresidents."[217]

CRS also identifies the potential costs of these private activity bonds, stating that "As one of many categories of tax-exempt private-activity bonds, those issued for airports, docks, wharves, and mass commuting facilities increase the financing cost of bonds issued for other public capital. With a greater supply of public bonds, the interest rate on the bonds necessarily increases to attract investors. In addition, expanding the availability of tax-exempt bonds increases the assets available to individuals and corporations to shelter their income from taxation."[218]

[217] U.S. Senate, Committee on the Budget, p. 623.
[218] Ibid.

***Income Tax***
*Exclusions*

## 61. Interest on state and local private-activity bonds issued to finance highway projects and rail-truck transfer facilities

Internal Revenue Code Sections: 103, 141, 142(m), and 146
Federal Law Sunset Date: None
Year Enacted in Federal Law: 2005

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | too small | too small | too small | too small |
| Personal Income Tax Loss | $107 | $107 | $107 | $107 |
| **Total** | **$107** | **$107** | **$107** | **$107** |

DESCRIPTION: States are authorized to issue tax-exempt private activity bonds, which are securities issued by a state or local government to finance qualified projects by a private user. These qualified projects, which include highway projects and surface freight transfer facilities (truck to rail or rail to truck) that receive federal aid, are expected to have a public benefit even though a substantial portion of the benefits will accrue to private individuals or businesses.

These bonds are not subject to the federally imposed annual state volume caps on private-activity bonds, but there is a national limitation of $15 billion on the aggregate value of the bonds, which the U.S. Secretary of Transportation allocates. The national limitation was increased from $15 billion to $30 billion in 2021 through the Infrastructure Investment and Jobs Act (P.L. 117-58).

PURPOSE: According to the Congressional Research Service, in 2005, Congress authorized state and local governments to issue tax-exempt bonds to finance highways and surface freight-transfer facilities "to enhance the efficiency of the nation's long-distance freight transport infrastructure. With more efficient intermodal facilities, proponents suggest that long-distance truck traffic will shift from government-financed interstate highways to privately-owned long-distance rail transport."[219] The bonds promote construction of highways and surface freight-transfer facilities by subsidizing low interest rates, thereby lowering the cost of the facilities and supporting commerce. Investors buy the bonds at low interest rates because the income earned is tax-free.

IMPACT: CRS noted two reasons for federal subsidy of intermodal facilities: "First, state and local governments tend to view these projects as potential economic development tools. ... Second, the federal subsidy may correct a potential market failure, leading to additional investment in qualifying transportation facilities where markets would tend to underinvest."[220] Private businesses should benefit from the construction of a more efficient system of long-distance freight transportation, but there may be spillover benefits to society as well in the form of economic development. CRS notes, "The facilities might be underprovided because state and local taxpayers may be unwilling to finance benefits for nonresidents."[221] At the same time, CRS points out that expanding tax-exempt private-activity bond issuance raises the financing cost of bonds issued for other public capital. "With a greater supply of public bonds, the interest rate on the bonds

[219] U.S. Senate, Committee on the Budget, pp. 602-603
[220] Ibid, p.603
[221] Ibid.

necessarily increases to lure investors. In addition, expanding the availability of tax-exempt bonds increases the assets available to individuals and corporations to shelter their income from taxation."[222] Additionally, "According to the Federal Highway Administration, as of July 2022, $15.20 billion of bonds have been issued under this provision for 38 projects. Thus, just over half (51 percent) of the bond allowance has been subscribed with the recent increase in the national limitation to $30 billion."[223]

[222] U.S. Senate, Committee on the Budget, p. 603.
[223] Ibid.

***Income Tax***
*Exclusions*

## 62. G.I. bill education benefits

U.S. Code Section: U.S. Code Title 38, Section 5301 (not codified in the Internal Revenue Code)
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1917

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | $686 | $696 | $741 | $827 |
| **Total** | **$686** | **$696** | **$741** | **$827** |

DESCRIPTION: Higher education benefits that veterans receive under the G.I. Bill are excluded from recipients' personal taxable income (as are all benefits provided by the U.S. Department of Veterans Affairs).

Veterans who served on active duty for at least three years after September 11, 2001, and received an honorable discharge are eligible for payment of full tuition and fees at all in-state public schools and tuition and fees up to $27,120.05 per academic year at private or foreign schools.[224] These veterans can also receive an annual stipend of up to $1,000 for books and supplies. Depending on their length of service, veterans who served for less than three years can qualify for partial benefits.

Veterans who entered active duty before September 11, 2001, are eligible for up to 36 months of education benefits, the amount of which depends on length of service and other factors.

If a veteran receives another education-related tax benefit, such as the Hope Credit or Lifetime Learning Credit, he or she must reduce the value of the other benefit by the amount of any G.I. bill payment made on his or her behalf.

PURPOSE: The exclusion is intended to recognize the service and sacrifices that veterans made for our country and to help them prepare for civilian employment.

IMPACT: Veterans receiving education benefits under the G.I. Bill benefit from this provision. The tax savings will be greater for veterans with higher incomes because they are in higher marginal tax brackets. The U.S. military benefits as well because the benefits provided under the G.I. Bill serve as a valuable recruitment tool.

[224] United States Department of Veterans Affairs, Education and Training: Post-9/11 GI Bill (Chapter 33) Payment Rates for 2023 Academic Year (August 1, 2023 - July 31, 2024).

***Income Tax***
*Exclusions*

## 63. Veterans' benefits and services

U.S. Code Section: U.S. Code Title 38, Section 5301 (not codified in the Internal Revenue Code)
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1917

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | $7,319 | $7,683 | $8,455 | $9,910 |
| **Total** | **$7,319** | **$7,683** | **$8,455** | **$9,910** |

DESCRIPTION: All cash payments provided by the U.S. Department of Veterans Affairs are excluded from recipients' personal taxable income. The payments include veterans' readjustment benefits, disability compensation, interest on state and local government-qualified private activity bonds for veteran housing, and pension payments.

In addition, surviving spouses and parents of service members are eligible for dependency and indemnity compensation payments if the service member died on active duty, died due to a service-connected illness or condition, or was totally disabled for 10 or more years before death due to a non-service-connected illness or condition (this period is reduced to five years if the veteran was totally disabled upon leaving military service). These benefits are also exempt from taxation.

PURPOSE: The exclusion recognizes the service performed by veterans and the sacrifices they made for our country. It also provides income support to elderly veterans and those with disabilities.

IMPACT: Individuals receiving veterans' benefits and their families benefit from this provision. The Congressional Research Service observes, "Since these exclusions are not counted as part of income, the tax savings are a percentage of the amount excluded, depending on the marginal tax bracket of the veteran. Thus, the exclusion amounts will have greater value for veterans with higher incomes than for those with lower incomes."[225] CRS adds that "The rating schedule for veteran's disability compensation was intended to reflect the average impact of the disability on the average worker. However, because the rating is not directly related to the impact of the disability on the veteran's actual or potential earnings, the tax-exempt status of disability compensation payments may reflect a tax exemption for an inaccurate estimate of the veteran's lost earnings because of the disability."[226]

Additionally, some analysts "have noted that if veterans with new disability ratings below 30 percent were declared ineligible for compensation, it would shift spending to those veterans most impaired."[227] Although 5.1 percent of veterans receiving disability compensation had a combined rating of 30 percent or less, their disability compensation payments accounted for only 6.1 percent of all disability compensation payments for veterans in FY 2019.[228]

[225] U.S. Senate, Committee on the Budget, p. 1118.
[226] Ibid, pp. 1118-1119.
[227] Ibid, p. 1119.
[228] Ibid.

***Income Tax***
*ADJUSTMENTS*

## 64. Interest on student loans

Internal Revenue Code Section: 221
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1997

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | $2,776 | $2,570 | $3,084 | $3,290 |
| **Total** | **$2,776** | **$2,570** | **$3,084** | **$3,290** |

DESCRIPTION: Taxpayers may deduct up to $2,500 in annual interest paid on qualified higher education loans (the maximum deduction is not adjusted for inflation). The deduction is phased out as income levels rise; in tax year 2022, the phase-out ranges were from modified adjusted gross incomes of $70,000 to $85,000 for single filers and $145,000 to $175,000 for joint filers. The deduction can be taken without itemizing (known as an adjustment or an above-the-line deduction).

A qualified education loan represents indebtedness incurred solely to pay for qualified higher education expenses, such as tuition, fees, and room and board, on behalf of a taxpayer or his or her spouse or dependents. The student must have been enrolled on at least a half-time basis in a program leading to a degree, certificate, or credential at an institution eligible to participate in U.S. Department of Education student aid programs or at a hospital or health care facility that offers internship or residency programs leading to a certificate or degree.

Interest on loans from relatives or qualified employer plans may not be deducted. The qualifying expenses eligible for deduction must be reduced by the amount of any scholarship or other payment that is excluded from the federal income tax. The deduction is not allowed for individuals who can be claimed as a dependent by another taxpayer.

PURPOSE: According to the Congressional Research Service, the interest deduction "was authorized … as one of a number of benefits intended to make postsecondary education more affordable for middle-income families who are unlikely to qualify for much need-based federal student aid. The interest deduction is seen as a way to help taxpayers repay education loan debt, which has risen substantially in recent years."[229]

IMPACT: In 2020, 27,470 District tax filers claimed the federal student loan adjustment. Tax filers with federal adjusted gross income of less than $50,000 comprised 34 percent of the claimants and accounted for 37 percent of the total amount deducted.[230] While tax filers with federal adjusted gross income of between $75,000 and $200,000 comprised 24 percent of the claimants and accounted for 17 percent of the total amount deducted, reflecting the phasing out of the benefit at

[229] U.S. Senate, Committee on the Budget, Tax Expenditures Compendium of Background Material on Individual Provisions December 1, 2014. p. 627.
[230] These data are from the Internal Revenue Service's Statistics of Income Tax Stats, "Tax Year 2020: Historic Table 2," available at https://www.irs.gov/statistics/soi-tax-stats-historic-table-2.

income levels from $65,000 to $80,000 (for individual returns) and $135,000 to $165,000 (for joint returns).

Researchers from the Urban Institute have pointed out that "Units that receive the student loan interest deduction differ from units receiving the other tax benefits because benefits accrue to former students who have loans rather than current students and their families."[231]

CRS also discusses the incentives created by the deduction as follows: "The tax deduction can be justified both as a way of encouraging persons to undertake additional education and as a means of easing repayment burdens. The deduction may encourage some graduates to accept public service jobs that may pay lower salaries. On the other hand, the deduction, which subsidizes debt financing of education, may encourage students and their families to take on additional debt to pay for higher education (either more education or more costly education). At the very least, analysis by Pew Trusts indicates that as student loan debt has increased over the past ten years, so has the aggregate costs of the deduction (in terms of reduced revenues). Whether the deduction will affect enrollment decisions is unknown. The deduction has been criticized for providing a subsidy to all borrowers (aside from those with higher income), even those with little debt, and for doing little to help borrowers who have large loans and high-interest payments. It is unlikely to reduce loan defaults, which generally are related to low income and unemployment."[232]

[231] Leonard Burman, Elaine Maag, Peter Orszag, Jeffrey Rohaly, and John O'Hare, "The Distributional Consequences of Federal Assistance for Higher Education: The Intersection of Tax and Spending Programs," Discussion Paper No. 26 of the Urban-Brookings Tax Policy Center, August 2005, p. 8.
[232] U.S. Senate, Committee on the Budget, pp. 693-694.

***Income Tax***
*Adjustments*

## 65. Contributions to health savings accounts

Internal Revenue Code Section: 223
Federal Law Sunset Date: None
Year Enacted in Federal Law: 2003

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | $8,473 | $9,274 | $10,875 | $11,876 |
| **Total** | **$8,473** | **$9,274** | **$10,875** | **$11,876** |

DESCRIPTION: Health savings accounts (HSAs) provide a tax-advantaged vehicle for people to pay for unreimbursed medical expenses, such as deductibles and co-payments, which are not covered by insurance. Eligible individuals can establish and fund an HSA if they have qualifying high-deductible health insurance (at least $1,500 for single coverage and $3,000 for family coverage in tax year 2024). The minimum deductible levels do not apply to preventive care. Furthermore, qualifying healthcare plans cannot have limits on out-of-pocket expenditures that exceed $7,500 for single coverage and $15,000 for family coverage in 2024. The goal is to make individuals more conscious of healthcare costs while protecting them from catastrophic costs. HSA contribution limits were indexed to the Consumer Price Index for All Urban Consumers (CPI-U). However, the 2017 tax revision (P.L. 115-97) permanently changed the inflation adjustment measure to the Chained Consumer Price Index for All Urban Consumers (C-CPI-U), effective with the 2018 tax year.

For 2024, the monthly contribution limit to an HSA was $4,150 for single coverage and $8,300 for family coverage. Individuals who are at least 55 years old but not yet enrolled in Medicare can contribute an additional $1,000 per year. Individuals may deduct their HSA contributions from gross income in calculating their taxable income. An employer can also contribute to an HSA on an employee's behalf, and such contributions are not taxable to the employee or the employer. HSA account earnings are tax-exempt and unused balances may accumulate without limit.

Withdrawals from HSAs are exempt from federal income taxes if they are used for qualified medical expenses. However, withdrawals that are not used for qualified medical expenses are subject to a 20 percent penalty and must be included in the account owner's gross income to determine federal tax liability.

PURPOSE: According to the Congressional Research Service, HSAs "allow individuals to save for routine and other medical costs while insuring against large or catastrophic medical expenses. Properly designed, they may encourage more cost-conscious healthcare use and the accumulation of funds for medical care.[233]

IMPACT: CRS notes that "More recent IRS data on amounts deducted (i.e., individual contributions claimed for the above-the-line deduction) also indicate that in 2019, the deduction primarily benefited upper-middle- and higher-income families. As noted in the table below, roughly

[233] U.S. Senate, Committee on the Budget, pp. 912-913.

65 percent of the amounts deducted are taken by tax filing units with adjusted gross incomes over $100,000, with more than 36 percent claimed by those with adjusted gross incomes above $200,000. In total, $5.7 billion was deducted by individuals for HSA contributions across all income levels in 2019."[234]

CRS also observes that "HDHPs and HSAs have also been touted as a way to lower overall health care costs, as consumers are incentivized to find out what health care providers charge and be willing to switch to lower-cost providers or forgo a doctor's visit for what they may consider a minor ailment. This raises an important issue about the distinction between cost and quality and whether consumers can tell the difference. Similarly, incentives created by an HDHP/HSA to lower expenditures may unintentionally lower expenditures on "necessary" rather than "unnecessary" care."[235] In addition, it is not clear if individual healthcare consumers have the expertise necessary to judge whether they can reduce their healthcare usage or purchase lower-cost services without harming their health, which is necessary for this market-based approach to work.

People who finance more of their own healthcare costs benefit from HSAs because they otherwise enjoy a smaller subsidy from the exclusion of employer-provided healthcare. If an employer-provided health plan switches to a higher deductible, employees would lose out without an HSA.

[234] U.S. Senate, Committee on the Budget, p. 910.
[235] Ibid., p. 913.

***Income Tax***
*Adjustments*

## 66. Health insurance premiums and long-term care insurance premiums paid by the self-employed

Internal Revenue Code Section: 162(l)
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1986

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | $7,442 | $8,119 | $10,438 | $11,791 |
| **Total** | **$7,442** | **$8,119** | **$10,438** | **$11,791** |

DESCRIPTION: Self-employed individuals may deduct amounts paid for health insurance covering themselves, their spouses, or their dependents. In addition, self-employed individuals may also reduce their taxable personal income by the amounts paid for qualified long-term care insurance, subject to annual limits ranging from $470 for individuals aged 40 and under to $5,880 for individuals over age 70 in 2024. The deduction is taken "above the line," meaning it can be used regardless of whether the taxpayer itemizes deductions on his or her tax return.

For this deduction, a self-employed individual is defined as a sole proprietor, working partner in a partnership, or employee of an S corporation who owns more than 2 percent of the corporation's stock. The following limitations apply: (1) the deduction cannot exceed a taxpayer's net earned income from the trade or business in which the health insurance plan was established, minus deductions for 50 percent of the self-employment tax and any contributions to a qualified pension plan, (2) the deduction cannot be taken for any month when a self-employed person is eligible to participate in a health insurance plan offered by an employer or a spouse's employer, and (3) if a self-employed person claims an itemized deduction for medical expenses, those expenses must be reduced by the amount of this deduction.

PURPOSE: According to the Congressional Research Service, the purpose of the deduction is (1) to provide the self-employed with a tax benefit comparable to the exclusion of employer-provided health benefits and (2) to improve access to health care by the self-employed.[236]

IMPACT: Approximately 3.8 million tax filers claimed over $31.4 billion under the health insurance deduction for the self-employed in 2019. It is unknown how many self-employed claimed the deduction for long-term insurance premiums.[237] CRS states that "The deduction lowers the after-tax cost of health insurance purchased by the self-employed proportional to a self-employed individual's marginal income tax rate. Individuals who purchase health insurance coverage in the non-group market but are not self-employed receive no such tax benefit. There is some evidence that the deduction has contributed to a significant increase in health insurance coverage among the self-employed and their immediate families. As one would expect, the gains appear to have been concentrated in higher-income households."[238]

[236] U.S. Senate, Committee on the Budget, p. 958.
[237] Ibid, 956.
[238] Ibid, 958.

The pattern of proportionality to marginal tax rate is evident in the District. In the tax year 2020, 8,920 District tax filers claimed the federal adjustment for medical insurance premiums paid by the self-employed, a 4.7% decline from 2019. However, filers with federal adjusted gross income of $200,000 or more represented about 42.2 percent of the claimants and accounted for more than half (60.9 percent) of the amount deducted.[239]

CRS also describes some of the efficiency losses to society that may result from the deduction, stating that "a 100-percent deduction is likely to encourage higher-income self-employed individuals to purchase health insurance coverage than they otherwise would. That overconsumption leads to wasteful or inefficient use of health care. To reduce the likelihood of such an outcome, some favor capping the deduction at an amount commensurate with a standardized health benefits package, adjusted for regional variations in health care costs."[240]

[239] These data are from the Internal Revenue Service's Statistics of Income Tax Stats, "Tax Year 2020: Historic Table 2," available at https://www.irs.gov/statistics/soi-tax-stats-historic-table-2
[240] U.S. Senate, Committee on the Budget, p. 959.

***Income Tax***
*Adjustments*

## 67. Contributions to self-employment retirement plans

Internal Revenue Code Sections: 401-407, 410-418E, and 457
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1962

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | $119,192 | $123,520 | $147,892 | $154,980 |
| **Total** | **$119,192** | **$123,520** | **$147,892** | **$154,980** |

DESCRIPTION: Self-employed taxpayers who contribute to their own retirement accounts may deduct those contributions from their personal taxable income up to certain limits. The deduction is taken "above the line," meaning it can be used regardless of whether the taxpayer itemizes deductions on his or her tax return.

Taxes on the earnings of the retirement accounts are deferred until the funds are distributed during retirement. The withdrawals from the plans are included in personal taxable income. Therefore, the value of the tax expenditure equals the revenue that the government does not collect on retirement contributions and earnings, offset by the taxes paid on the pensions by those currently drawing down the benefits.

One type of self-employment retirement plan is a "simplified employee pension" (SEP). A self-employed taxpayer is allowed to deduct SEP contributions of as much as 25 percent of self-employment income (net of any SEP contribution) or $69,000 for 2024 (whichever is less). There are other retirement plan options for the self-employed, including 401(k) plans, other defined contribution plans, and defined benefit plans.[241]

PURPOSE: The purpose of the adjustment is to encourage the self-employed to save for retirement.

IMPACT: In tax year 2020, 4,210 District tax filers claimed this adjustment. The benefits were strongly concentrated among upper-income households. Tax filers with federal adjusted gross income of $200,000 or more represented the majority (68.5 percent) of the claimants and accounted for 86.2 percent of the total amount deducted.[242]

The adjustment lowers the after-tax cost of retirement contributions made by the self-employed by a percentage equal to a self-employed individual's marginal income tax rate, which disproportionately benefits high-income households. The tax-favored treatment of some retirement contributions and the earnings on those contributions may encourage individuals to shift their savings from taxable accounts to tax-advantaged accounts without increasing total savings. At the same time, the adjustment also promotes equity among self-employed individuals and individuals who work at public or private-sector organizations.

[241] The information about retirements for self-employed people is retrieved from https://www.irs.gov/Retirement-Plans/Retirement-Plans-for-Self-Employed-People
[242] These data are from the Internal Revenue Service's Statistics of Income Tax Stats, "Tax Year 2020: Historic Table 2," available at https://www.irs.gov/statistics/soi-tax-stats-historic-table-2

***Income Tax***
*Adjustments*

## 68. Overnight travel expenses of National Guard and Reserve members

Internal Revenue Code Sections: 62(a)(2)(E) and 162(p)
Federal Law Sunset Date: None
Year Enacted in Federal Law: 2003

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | $136 | $136 | $136 | $136 |
| **Total** | **$136** | **$136** | **$136** | **$136** |

DESCRIPTION: A deduction from federal gross income is allowed for all unreimbursed overnight travel, meals, and lodging expenses of National Guard and Reserve members. This deduction can be taken without itemizing (an adjustment or above-the-line deduction).

To qualify, members must have traveled more than 100 miles away from home and stayed overnight as part of an activity while on official duty. No deduction is permitted for commuting expenses to and from drill meetings. The expenses may not exceed the general federal government per-diem rate applicable to that locale.

PURPOSE: The adjustment reimburses members of the National Guard and Reserve for expenses incurred in the line of duty. The Congressional Research Service states that "In enacting the deduction, Congress recognized the increasing role that Reserve and National Guard members were playing in national defense."[243]

IMPACT: National Guard and Reserve members benefit from this provision. CRS notes that "Some military benefits are similar to the "for the convenience of the employer" benefits provided in the private sector. These include allowances for housing, meals, moving and storage, overseas cost-of-living, and uniforms. Other military benefits are equivalent in their treatment of employer-provided fringe benefits, such as medical and dental benefits, education assistance, group term life insurance, and disability and retirement benefits. The tax deduction for the overnight travel expenses of National Guard members and reservists had a counterpart among civilian employees in section 162(a) deduction for the unreimbursed travel expenses of employees who are required to travel as part of their job. The Tax Cuts and Jobs Act suspended the latter deduction. Both deductions lower the after-tax cost of required travel."[244]

[243] U.S. Senate, Committee on the Budget, p. 16.
[244] Ibid., pp. 16-17.

***Income Tax***
*DEDUCTIONS*

## 69. Accelerated depreciation of buildings other than rental housing

Internal Revenue Code Sections: 167 and 168
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1954

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $460 | $460 | $460 | $460 |
| Personal Income Tax Loss | $528 | $528 | $528 | $660 |
| **Total** | **$987** | **987** | **$987** | **$1,119** |

DESCRIPTION: This provision allows for accelerated depreciation of buildings as a deduction from personal and corporate income tax. The standard method to calculate depreciation is the straight-line method used under the alternative minimum tax, in which equal amounts are deducted over 40 years. The accelerated method allows buildings used for purposes besides rental housing to be depreciated over 39 years.

The revenue impact of this tax expenditure represents the difference between the tax that would be due under the 40-year period and the tax required under accelerated depreciation.

PURPOSE: The deduction promotes investment in buildings. In addition, accelerated depreciation helps offset any understatement of depreciation that results from using a historical cost basis to calculate depreciation, which does not account for inflation.

IMPACT: This provision benefits owners of buildings used in a trade or business. The Congressional Research Service states that "the direct benefits of accelerated depreciation accrue to owners of buildings, and particularly to corporations … Benefits to capital income tend to concentrate in the higher-income classes."[245]

CRS adds, "Much of the previous concern about the role of accelerated depreciation in encouraging tax shelters in commercial buildings has faded because the current depreciation provisions are less rapid than those previously in place and because there is a restriction on the deduction of passive losses."[246]

[245] U.S. Senate, Committee on the Budget, p. 350.
[246] Ibid, p. 352.

***Income Tax***
*Deductions*

## 70. Accelerated depreciation of equipment

Internal Revenue Code Sections: 167 and 168
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1954

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $22 | $22 | $22 | $22 |
| Personal Income Tax Loss | $7 | $7 | $7 | $7 |
| **Total** | **$29** | **$29** | **$29** | **$29** |

DESCRIPTION: This provision allows for accelerated equipment depreciation as a deduction from personal and corporate income tax. The standard method to calculate depreciation is the straight-line method in which equal amounts are deducted in each period. Equipment is currently divided into six categories depreciated over 3, 5, 7, 10, 15, and 20 years, respectively. Accelerated depreciation allows for faster write-offs than the straight-line method, such as "double declining balance depreciation," which permits taxpayers to apply twice the straight-line depreciation rate to each year's remaining undepreciated balance.

In addition, Congress and the President have periodically authorized "bonus depreciation," which allows a certain percentage of the cost of machinery and equipment to be deducted immediately. Bonus depreciation was in effect under federal law, allowing a 100 percent deduction for equipment placed into service from September 9, 2010, through the end of 2011 and permitting 50 percent expensing through the end of 2013. Nevertheless, in 2008, the District of Columbia "decoupled" from the federal bonus depreciation rules (but not from the regular accelerated depreciation rules described in the first paragraph), meaning that taxpayers could not include the bonus provisions when calculating their District taxes – and will not be able to do so in the future if bonus depreciation is reauthorized. [247]

Taxpayers eligible for another type of accelerated expensing of the cost of business property (known as the "Section 179 allowance") must calculate their Section 179 deduction first and then calculate any additional depreciation from the remaining basis.

PURPOSE: This deduction promotes investment in business machinery and equipment. Proponents of accelerated depreciation contend that the value of machinery and equipment declines faster in the early years and that depreciation should follow the same pattern.

IMPACT: This provision benefits machinery and equipment used in a trade or business. The Congressional Research Service states that "the direct benefits of accelerated depreciation accrue to owners of assets and particularly to corporations … Benefits to capital income tend to concentrate in the higher-income classes."[248]

[247] The statutory provision requiring decoupling was included in D.C. Law 17-219, the "Fiscal Year 2009 Budget Support Act of 2008," which took effect on August 16, 2008. See Title VII-L of the Act.
[248] U.S. Senate, Committee on the Budget, p. 483.

CRS adds, "Evidence suggests that the rate of economic decline of equipment is much slower than the rates allowed under current law, and this provision causes a lower effective tax rate on such investments than would otherwise be the case. The effect of these benefits on investment in equipment are uncertain, although more studies find equipment somewhat more responsive to tax changes than they do structures. … Equipment did not, however, appear to be very responsive to the temporary expensing provisions adopted and expanded in 2003."[249] Another risk is that subsidies for machinery and equipment may encourage the substitution of capital for labor, dampening employment growth.

The Center on Budget and Policy Priorities has urged states to decouple from the federal rules for bonus depreciation, arguing that a substantial portion of the benefits flow to multi-state corporations, which may spend the additional money out-of-state or increase their own profit. CBPP also points out that the bonus depreciation provisions include no requirement or incentive for a firm to buy machinery or equipment in the state.[250]

[249] U.S. Senate, Committee on the Budget, p. 485.

[250] Ashali Singham and Nicholas Johnson, "States Can Avert New Revenue Loss and Protect Their Economies by Decoupling from Federal Expensing Provision," report issued by the Center on Budget and Policy Priorities, April 14, 2011, p. 2.

***Income Tax***
*Deductions*

## 71. Amortization of business start-up costs

Internal Revenue Code Section: 195
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1980

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | too small | too small | too small | too small |
| Personal Income Tax Loss | $268 | $268 | $401 | $401 |
| **Total** | **$268** | **$268** | **$401** | **$401** |

DESCRIPTION: This provision allows a taxpayer to deduct from personal or corporate taxable income eligible start-up expenditures of up to $5,000 and to amortize any remaining amount over 15 years. The deduction must be reduced on a dollar-for-dollar basis when the costs exceed $50,000, and no start-up expenses may be deducted as a current expense once a taxpayer's total start-up expenses reach or exceed $55,000.

Such expenditures must satisfy two requirements to be deducted. First, the expenditures must be paid for creating or investigating a trade or business before the taxpayer begins an active business. Second, the expenditures must reflect costs that would be deductible for an active business.

PURPOSE: The Congressional Research Service states that the deduction is intended "to facilitate the creation of new businesses and reduce the frequency of protracted litigation over the tax treatment of start-up expenditures."[251]

IMPACT: New businesses that incur start-up costs benefit from this provision. CRS states, "Tax preferences for capital income (like IRC section 195) tend to benefit higher-income individuals."[252] CRS also observes that there are tax administration benefits both to start-up businesses and the IRS, stating that "Under the foundational principles of the federal income tax, business start-up costs should be written off over the life of a business because they are a capital expense. Such a view, however, raises the challenge of estimating the useful life of a business at its outset. IRC section 195 has three advantages as a means of addressing this challenge. First, it lowers the likelihood of costly and drawn-out legal disputes involving businesses and the IRS over the tax treatment of start-up costs. Second, it does so at a small revenue cost. Third, it simplifies tax accounting and temporarily increases cash flow for small business owners at an early stage of their firms' existence."[253]

[251] U.S. Senate, Committee on the Budget, p. 499.
[252] Ibid, p. 498.
[253] Ibid, p. 500.

***Income Tax***
*Deductions*

## 72. Completed contract rules

Internal Revenue Code Section: 460
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1986

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $1,242 | $1,242 | $1,397 | $1,397 |
| Personal Income Tax Loss | $134 | $134 | $268 | $268 |
| **Total** | **$1,376** | **$1,376** | **$1,665** | **$1,665** |

DESCRIPTION: Some taxpayers with construction or manufacturing contracts extending for more than one tax year can use the completed contract method of accounting. Under this method, income and costs of the contract are reported when the contract is completed; however, some indirect costs may be deducted from corporate and personal taxable income in the year paid or incurred. This policy has been likened to giving taxpayers an interest-free loan because the speeding up of deductions temporarily provides them with more money.

This deduction is limited to home and other real estate construction contracts if they are in effect for less than two years and the contractor's gross receipts for the previous three years have averaged $10 million or less. The tax expenditure is the revenue loss that results from deferring tax on the contracts covered by the rule relative to the normal tax treatment of such contracts (which is to capitalize indirect costs and report them while the income from the contract is reported).

CRS notes that "Other real estate construction contracts may also be subject to these more relaxed rules if they are of less than two years' duration and the contractor's gross receipts are $25 million or less the year the contract is signed."[254]

PURPOSE: The purpose of the deduction is to recognize the uncertainties involved in certain contracts, which make it difficult to determine profit or loss until the contract is completed. IRS rules authorized the completed contract method of accounting in 1918, but the use of this method has since been restricted due to concern about perceived abuses by large contractors who were using accrual accounting in their own financial statements (which showed that they could estimate the profit or less before the contract was completed).

IMPACT: The Congressional Research Service states, "Use of the completed contract rules allows the deferral of taxes through mismatching income and deductions because they allow some costs to be deducted from other income in the year paid or incurred. This is true, even though the costs relate to the income that will not be reported until the contract's completion, and because economic income accrues to the contractor each year he works on the contract but is not taxed until the year the contract is completed. Tax deferral is the equivalent of an interest-free loan from the government for the amount of the deferred taxes. Because of the restrictions now placed on the use of the completed contract rules, most of the current tax expenditure relates to real estate

[254] U.S. Senate, Committee on the Budget, p. 516

construction, especially housing."[255] Although the deduction has a minor economic impact because it is now restricted to a very small segment of the construction industry, CRS notes that "One area where it is still permitted, however, is in the construction of single-family homes, where it adds some tax advantage to an already heavily tax-favored sector.[256]

[255] U.S. Senate, Committee on the Budget, p. 516.
[256] Ibid, p. 518.

***Income Tax***
*Deductions*

## 73. Exception from passive loss rules for $25,000 of rental real estate loss

Internal Revenue Code Section: 469(i)
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1986

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | $5,403 | $5,742 | $6,296 | $6,450 |
| **Total** | **$5,403** | **$5,742** | **$6,296** | **$6,450** |

DESCRIPTION: Taxpayers who own rental property and meet specific requirements can deduct up to $25,000 in passive losses from their ordinary income. Passive gains and losses generally arise from limited or general partnerships or other investment-oriented ventures in which the taxpayer does not actively participate.

Although passive-loss rules usually prohibit deducting rental property losses from income, this tax expenditure involves an exception to those rules. To qualify for the deduction, the taxpayer must play an active role in the rental process, own a stake of at least 10 percent in the property, and have an adjusted gross income of less than $100,000 for a full deduction or $150,000 for a partial deduction. Taxpayers with adjusted gross income of more than $150,000 cannot receive a deduction.

PURPOSE: The limitations on passive-loss deductions were adopted in the Tax Reform Act of 1986 to reduce opportunities for tax sheltering. Many taxpayers had used passive losses in real estate ventures, oil and gas operations, and farming businesses to offset wage, salary, and active investment income. However, a partial exception for passive losses from rental real estate was offered because "Congress believed that a limited measure of relief … was appropriate in the case of certain moderate-income investors in rental real estate, who otherwise might experience cash flow difficulties with respect to investments that in many cases were designed to provide financial security, rather than to shelter a substantial amount of other income."[257]

IMPACT: Certain owners of rental real estate benefit from this provision. This exception to the passive-loss rules may create economic distortions and efficiency losses. By extending a tax preference to rental real estate investment, this provision may encourage overinvestment in the real estate sector at the expense of other investments that would otherwise be more productive. Although upper-income households are more likely to own rental properties, the income restrictions curtail the benefits for high-income individuals.

[257] U.S. Congress, Joint Committee on Taxation, General Explanation of the Tax Reform Act of 1986, JCS-10-87 (Washington, D.C.: U.S. Government Printing Office, 1987), p. 230.

***Income Tax***
*Deductions*

## 74. Expensing of depreciable small business property (Section 179 expensing allowance)

Internal Revenue Code Section: 179
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1958

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $1,397 | $1,242 | $1,397 | $1,553 |
| Personal Income Tax Loss | $8,428 | $8,428 | $10,167 | $11,772 |
| **Total** | **$9,825** | **$9,670** | **$11,564** | **$13,325** |

DESCRIPTION: Generally, the cost of business property must be deducted from personal and corporate income as it depreciates over its useful life. Section 179 expensing allows certain businesses to deduct the full purchase price of qualified equipment, provided that the amount deducted cannot exceed taxable income from the trade or business in which the property is used. Qualified equipment generally includes new and used machinery, equipment, and off-the-shelf computer software purchased for use in a trade or business. With several exceptions, real property such as buildings and their structural components do not qualify for the deduction.

The maximum deduction under section 179 is $1,000,000 with a phaseout limit of $2.5 million. For each dollar of qualifying property a taxpayer places in service above $2 million, the maximum deduction under section 179 was reduced by one dollar. After tax year 2019, the limit on expensing is indexed for inflation. According to CRS, "For 2022, firms cannot claim a Section 179 deduction for more than $1,080,000 of the cost of assets placed in service that year. Once a firm's investment reached at least $2,700,000 the amount eligible is reduced one dollar for each dollar of investment in excess of $2,700,000."[258]

According to the CRS, "Taxpayers unable to expense the costs of qualified property under Section 179, due to income limitations, may still be able to fully expense qualified property through 2022 under current law. After 2022, full expensing is then replaced by a "bonus depreciation" treatment, which is phased out by 20 percent over four years: 80 percent for 2023, 60 percent for 2024, 40 percent for 2025, 20 percent for 2026 and terminated beginning with the 2027 tax year."[259]

In 2008, the District of Columbia decoupled from the increases to Section 179 expensing, meaning that individuals and firms could not apply the higher expensing levels in calculating their D.C. taxes. [260] The expensing limitation for D.C. taxes equals the lesser of $25,000 or the actual cost of the business property during the year it was placed in service. If Congress restores higher Section 179 levels, the estimated revenue loss to the District from this tax expenditure will not reflect the increased amounts. Taxpayers who are eligible for other types of accelerated depreciation must

[258] U.S. Senate, Committee on the Budget, p. 490.
[259] Ibid.
[260] The statutory provision requiring decoupling was included in D.C. Law 17-219, the "Fiscal Year 2009 Budget Support Act of 2008," which took effect on August 16, 2008. See Title VII-L of the Act.

calculate their Section 179 deduction first and then apply any other deductions to the remaining basis.

Accelerated depreciation of any property does not change the cumulative amount of depreciation allowed. Therefore, this provision allows a taxpayer to deduct more in the first year of the investment and less in the later years of the capital life-cycle.

PURPOSE: The expensing allowance, which has been modified and expanded many times since its initial enactment in 1958, was intended "to reduce the tax burden on small firms, give them an incentive to invest more, and simplify their tax accounting," according to the Congressional Research Service.[261]

IMPACT: CRS states, "In the absence of section 179 (and temporary expensing), the cost of qualified assets would have to be recovered over longer periods. Thus, the provision greatly accelerates the depreciation of relatively small purchases of those assets. This effect has significant implications for business investment. All other things being equal, expensing boosts the cash flow of firms able to take advantage of it, as the present value of taxes owed on the stream of income earned by a depreciable asset is smaller under expensing than other depreciation schedules."[262] The lower cost of capital and the resulting increase in cash flow are intended to stimulate the economy by spurring capital investment and employment.

CRS also points out that "Because the allowance has a phase-out threshold, its benefits are confined to firms that are relatively small in asset, employment, or revenue size. Businesses in excess of the phase-out threshold, though, may still be able to fully expense or claim bonus depreciation through 2026 under current law. Benefits to capital income tend to concentrate in the higher-income classes"[263]

Regarding efficiency, CRS states that "Some argue that investment by smaller firms should be supported by government subsidies because they create more jobs and develop and commercialize more new technologies than larger firms. The evidence on this issue is inconclusive. In addition, economic analysis offers no clear justification for targeting investment tax subsidies at such firms. In theory, taxing the returns to investments made by all firms at the same effective rate does less harm to social welfare than granting preferential tax treatment to the returns earned by many small firms."[264]

Another risk is that subsidies for machinery and equipment may encourage the substitution of capital for labor, dampening employment growth.

[261] U.S. Senate, Committee on the Budget, p. 491.
[262] Ibid, p. 490.
[263] Ibid, p. 491.
[264] Ibid, pp. 494.

***Income Tax***
*Deductions*

## 75. Expensing of magazine circulation expenditures

Internal Revenue Code Section: 173
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1950

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | too small | too small | too small | too small |
| Personal Income Tax Loss | too small | too small | too small | too small |
| **Total** | **too small** | **too small** | **too small** | **too small** |

Note: "Too small" means that the nationwide federal revenue impact was estimated as $50 million or less.

DESCRIPTION: This provision allows publishers of periodicals, newspapers, and magazines to deduct expenditures to establish, maintain, or increase circulation in the year that the expenditures are made. The revenue impact of this tax expenditure is the difference between the current deduction of costs and the recovery that would have been allowed if these expenses were capitalized and deducted over time.

The expenditures eligible for deduction do not include purchases of land and depreciable property or the expansion of circulation through purchasing another publisher or its list of subscribers.

PURPOSE: According to the Congressional Research Service, "Congress wanted to eliminate some of the difficulties associated with distinguishing between expenditures to maintain circulation, which had been treated as currently deductible, and those to establish or develop new circulation, which had to be capitalized."[265] Numerous disputes, dating back to the late 1920s, had existed between publishers and the IRS about how to make this distinction.

IMPACT: Publishers of newspapers, magazines, and periodicals benefit from this provision, but the IRS also benefits from the administrative simplification that results. CRS states that "Section 173 allows publishers to expense the acquisition of certain assets (i.e., costs associated with maintaining or developing lists of subscribers) that yield returns in more years than one. At the same time, it simplifies tax compliance and accounting for them and tax administration for the IRS. Without such treatment, it would be necessary for the IRS or Congress to clarify how to distinguish between expenditures for establishing or expanding circulation and expenditures for maintaining circulation."[266]

[265] U.S. Senate, Committee on the Budget, p. 508.
[266] Ibid, pp. 508-509.

***Income Tax***
*Deductions*

## 76. Gain on non-dealer installment sales

Internal Revenue Code Sections: 453 and 453A(b)
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1986

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $5,427 | $5,774 | $6,120 | $6,467 |
| Personal Income Tax Loss | $1,393 | $1,393 | $1,492 | $1,592 |
| **Total** | **$6,820** | **$7,167** | **$7,613** | **$8,059** |

DESCRIPTION: People who do not deal regularly in selling property (non-dealers) are allowed to report some property sales for personal and corporate tax purposes under a special method of accounting called the installment method. This method allows the taxpayer to pro-rate the gross profit from the sale over a period in which payments are received. The taxpayer gets the advantage of deferring some of the taxes to future years rather than paying the taxes in full. The tax expenditure is the difference between what the tax liability would be under year-of-sale reporting and tax liability under installment reporting.

Non-dealers must pay the government interest on the deferred taxes attributable to the portion of the installment sales that arise during and remain outstanding at the end of the tax year of more than $5 million. A transaction with a sales price of less than $150,000 does not count toward the $5 million threshold. Because the interest payments offset some of the value of the tax deferral, the tax expenditure reflects only the revenue loss from transactions that give rise to interest-free deferrals.

PURPOSE: The deduction's purpose is to match the timing of tax payments to the timing of the cash flow generated by the property's sale. The Congressional Research Service points out that "It has usually been considered unfair, or at least impractical, to attempt to collect the tax when the cash flow is not available, and some form of installment sale reporting has been permitted since at least the Revenue Act of 1921."[267]

IMPACT: This provision benefits infrequent property sellers who sell on an installment basis. CRS notes that "The deferral of taxation permitted under the installment sale rules essentially furnishes the taxpayer an interest-free loan equal to the amount of tax on the gain that is deferred …the primary benefit probably flows to sellers of farms, small businesses, and small real estate investments."[268]

A fair method of taxing such property sales is difficult to structure. CRS states that "The installment sales rules have always been pulled between two opposing goals: taxes should not be avoidable by the way a deal is structured, but they should not be imposed when the money to pay them is not available. Allowing people to postpone taxes by taking a note instead of cash in a sale leaves obvious room for tax avoidance … After having tried many different ways of balancing these goals,

[267] U.S. Senate, Committee on the Budget, p. 456.
[268] Ibid.

lawmakers have settled on a compromise that denies the advantage of the method to taxpayers who would seldom have trouble raising the cash to pay their taxes (retailers, dealers in property, investors with large amounts of sales) and permits its use to small, non-dealer transactions (with 'small' rather generously defined)."[269]

[269] U.S. Senate, Committee on the Budget, p. 457.

***Income Tax***
*Deductions*

## 77. Life insurance company reserves

Internal Revenue Code Sections: 803(a)(2), 805(a)(2), and 807
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1984

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $3,523 | $3,676 | $3,829 | $3,983 |
| Personal Income Tax Loss | $0 | $0 | $0 | $0 |
| **Total** | **$3,523** | **$3,676** | **$3,829** | **$3,983** |

DESCRIPTION: Life insurance companies can deduct net additions to their reserves and must add net subtractions to their reserves when calculating income, subject to certain requirements outlined in section 807 of the Internal Revenue Code. The ability to deduct the net additions to reserves may allow life insurance companies to defer paying some taxes, thus reducing their tax burden by allowing them to offset current income with future expenses. In most years, insurance companies increase their reserves.

PURPOSE: The deduction's purpose is to make tax rules consistent with standard industry accounting practices. In the insurance industry, some form of reserve accounting is a common practice in estimating net income.

Insurance companies have been allowed to deduct any additions to their reserves required by law since the corporate income tax was adopted in 1909. Before Congress adopted the Deficit Reduction Act of 1984 (P.L. 98-369), reserves were required by state law. Because Congress concluded that state rules allowed for a significant overstatement of deductions, it established federal rules for allowable reserves in the Deficit Reduction Act of 1984.

IMPACT: The Congressional Research Service observes, "When life insurance companies can deduct additions to the reserve accounts when computing taxable income, they can purchase assets using tax-free or tax-deferred income. Reserve accounting shelters both premium and investment income from tax because amounts added to reserves include both premium income and the investment income earned by the invested assets."[270]

The deduction's benefits may extend beyond life insurance companies. CRS points out that "Competition in the life insurance market could compel companies to pass along corporate tax reductions to policyholders. Thus, this tax expenditure may benefit life insurance consumers as well as shareholders of private stock insurance companies. For mutual life insurance companies, policyholders may benefit either through lower premiums, better service, or higher policyholder dividends."[271]

[270] U.S. Senate, Committee on the Budget, p. 357.
[271] Ibid.

***Income Tax***
*Deductions*

## 78. Loss from sale of small business corporation stock

Internal Revenue Code Section: 1244
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1958

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | $107 | $107 | $107 | $120 |
| **Total** | **$107** | **$107** | **$107** | **$120** |

DESCRIPTION: Taxpayers may deduct a loss on the sale or exchange of qualifying small business corporation stock as an ordinary loss rather than a capital loss. The deduction as an ordinary loss is more valuable because ordinary income is taxed at a higher rate than capital income.

A small business corporation is defined as having not more than $1 million in money and other property received for its stock. For any taxable year, the aggregate amount a taxpayer may treat as an ordinary loss from the sale or exchange of small business corporation stock may not exceed $50,000 for single filers or $100,000 for joint filers. This write-off is much greater than the $3,000 deduction allowed for losses from the sale or exchange of other corporate stock.

PURPOSE: The deduction encourages investment in small businesses. Because small businesses are often unproven and have a high failure rate, the deduction may encourage entrepreneurs to invest by offering them some protection against investment losses.

IMPACT: This provision benefits individuals with losses from small business corporation stock and small businesses that benefit from greater investment. Nevertheless, the deduction may cause an efficiency loss because it channels resources (in the form of tax relief) to businesses based on their size rather than on their productivity and ability to respond to market forces.

***Income Tax***
*Deductions*

## 79. Property and casualty insurance company reserves

Internal Revenue Code Section: 832(b)
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1986

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $306 | $306 | $306 | $460 |
| Personal Income Tax Loss | $0 | $0 | $0 | $0 |
| **Total** | **$306** | **$306** | **$306** | **$460** |

DESCRIPTION: A property and casualty insurance company's taxable income during a tax year is its underwriting income (i.e., premiums minus incurred losses and expenses) plus investment income and certain other income items minus allowable deductions. Under certain conditions, additions to loss reserves held to pay future claims can also be deducted from taxable income.

The Tax Reform Act of 1986 imposed a 15 percent pro-ration provision due to Congressional concern that using tax-exempt investments to finance additions to loss reserves needed to be regulated. Therefore, the allowable deduction for additions to loss reserves was reduced by 15 percent of the sum of (1) the insurer's tax-exempt interest, (2) the deductible portion of dividends received (with special rules for dividends from affiliates), and (3) the increase in the cash value of life insurance, endowment, or annuity contracts for the taxable year. Even with the 15 percent reduction, property and casualty insurance companies can still shield a considerable amount of income from taxation.

The Tax Cuts and Jobs Act modified the 15 percent pro-ration provision to 25 percent to reflect the lowering of the corporate income tax rate.

PURPOSE: The Congressional Research Service states that Congress adopted this provision because members concluded it was "not appropriate to fund loss reserves on a fully deductible basis out of income which may be, in whole or in part, exempt from tax. The amount of the reserves that is deductible should be reduced by a portion of such tax-exempt income to reflect the fact that reserves are generally funded in part from tax-exempt interest or from wholly or partially deductible dividends."[272]

IMPACT: CRS observes that "The pro-ration provision allows property and casualty insurance companies to fund a substantial portion of their deductible reserves with tax-exempt or tax-deferred income. Life insurance companies, banks and brokerage firms, and other financial intermediaries face more stringent proration rules that prevent or reduce the use of tax-exempt or tax-deferred investments to fund currently deductible reserves or deductible interest expense. Allowing property and casualty insurance companies an advantageous tax status, based on the ability to use tax-exempt income to reduce tax liabilities, may allow those insurers to attract economic resources from other sectors of the economy, thus creating economic inefficiencies."[273] Nevertheless, "A more stringent allocation rule, which could reduce the attractiveness of investing reserves in tax-preferred assets,

[272] U.S. Senate, Committee on the Budget, p. 380.
[273] Ibid., p. 381

which could raise financing costs for those governments. On the other hand, a more stringent allocation rule would allow Congress to target tax incentives for state and local governments more effectively."[274]

[274] U.S. Senate, Committee on the Budget, p.. 381.

***Income Tax***
*Deductions*

## 80. Deduction for classroom expenses of elementary and secondary school educators/ Special deduction for teacher expenses

Internal Revenue Code Sections: 62(a)(2)(D)
Federal Law Sunset Date: None
Year Enacted in Federal Law: 2002

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | $104 | $104 | $104 | $156 |
| **Total** | **$104** | **$104** | **$104** | **$156** |

DESCRIPTION: An eligible educator working at an elementary or secondary school can claim a maximum of $300 (and is annually adjusted for inflation beginning in 2016) for qualified unreimbursed expenses. Qualified expenses include expenses paid for by an eligible educator for books, supplies (other than nonathletic supplies for health or physical education courses), computer equipment, supplementary materials used by the educator in the classrooms, software, and services and other equipment.

An eligible educator is "an individual who, with respect to any tax year, is an elementary or secondary school teacher, instructor, counselor, principal, or aide in a school for a minimum of 900 hours in a school year. A school means any school that provides elementary or secondary education (kindergarten through grade 12), as determined under State law."[275]

PURPOSE: According to the Congressional Research Service, the tax deduction "may encourage educators already purchasing supplies to increase the amount spent and may encourage other educators to purchase supplies."[276]

IMPACT: CRS observes that "If the purpose of the deduction is to reimburse some portion of educators' classroom spending, a deduction may not be a particularly equitable way to provide this type of refund. Deductions are worth more to taxpayers in higher tax brackets than those in lower tax brackets."[277]

[275] U.S. Senate, Committee on the Budget, p. 676.
[276] Ibid, p. 678.
[277] Ibid.

***Income Tax***
*Deductions*

## 81. Amortization of certified pollution control facilities

Internal Revenue Code Sections: 169(d)(5)
Federal Law Sunset Date: None
Year Enacted in Federal Law: 2005

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | too small | too small | too small | too small |
| Personal Income Tax Loss | $0 | $0 | $0 | $0 |
| **Total** | **too small** | **too small** | **too small** | **too small** |

DESCRIPTION: Coal-fired electric generation plants that invested in pollution control equipment placed in service after April 11, 2005, are eligible to amortize the costs over a seven-year period. This rule applies only to plants that began operation on or after January 1, 1976.

Plants that began operating before January 1, 1976, are eligible for five-year amortization if the pollution control equipment has a useful life of 15 years or less.

Both sets of rules (those applying to pre-1976 plants and post-1975 plants) represent a tax expenditure because they allow for faster depreciation than the 15- or 20-year period (depending on the type of equipment) that would ordinarily be allowed under the modified accelerated cost recovery system, which sets the standard depreciation rules.

Qualifying pollution control equipment refers to any technology, such as a scrubber system, installed by a qualifying facility to reduce the air emissions of any pollutant regulated by the U.S. Environmental Protection Agency under the Clean Air Act.

CRS notes that the Tax Cuts and Jobs Act temporarily "allows expensing for equipment through 2022, with that percentage reduced by 20 percent per year starting in 2023. During the period of full expensing, electing amortization for pollution control facilities will not be beneficial compared to the general treatment of equipment."[278]

PURPOSE: According to the Congressional Research Service, the accelerated depreciation for pollution control equipment "targets electric utilities, a major source of air pollution … The incentive should facilitate utilities in meeting a new suite of EPA mandates to reduce emissions of sulfur dioxide ($SO_2$), nitrous oxide ($NO_2$), and mercury (Hg)."[279]

IMPACT: CRS observes that "Because of the time value of money, the earlier deduction is worth more in present value terms, which reduces the cost of capital and the effective tax rates on the investment returns. This should provide an incentive for power plant companies … to invest in pollution control equipment."[280] At the same time, CRS notes a possible perverse consequence of this subsidy, stating that "The Clean Air Act's 'New Source Review' provisions require the installation of state-of-the-art pollution-control equipment whenever an air-polluting plant is built

[278] U.S. Senate, Committee on the Budget, p. 209.
[279] Ibid, p. 208.
[280] Ibid.

or when a 'major modification' is made on an existing plant. By creating a more favorable (in some cases much more favorable) regulatory environment for existing facilities than new ones, grandfathering creates an incentive to keep old, grandfathered facilities up and running."[281]

[281] U.S. Senate, Committee on the Budget, p. 209.

***Income Tax***
*Deductions*

## 82. Depreciation recovery periods for specific energy property

Internal Revenue Code Sections: 168(e)
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1986

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $249 | $497 | $497 | $497 |
| Personal Income Tax Loss | too small | too small | too small | too small |
| **Total** | **$249** | **$497** | **$497** | **$497** |

DESCRIPTION: Federal law allows more rapid depreciation of certain types of tangible energy property than would otherwise be allowed under the modified accelerated cost recovery system, which sets the standard depreciation rules. The accelerated depreciation of specific types of energy property, described in the next paragraph, represents tax expenditure.

The recovery period for certain renewable energy equipment, including solar, wind, geothermal, fuel cell, combined heat and power, and microturbine properties, is five years. Renewable energy generation property that is part of a "small electric power facility" and certain biomass properties are depreciated over five years. Natural gas gathering lines are subject to seven-year depreciation if the original use began after April 11, 2005. A qualified smart meter or smart electric grid system has a recovery period of 10 years. Finally, certain electric transmission properties and natural gas distribution lines placed in service after April 11, 2005, are depreciated over 15 years.

PURPOSE: According to the Congressional Research Service, a detailed legislative history for these provisions is lacking, but the rationale was "presumably to encourage investment in alternative energy sources that are less polluting than conventional fuels."[282]

IMPACT: Commercial property owners who purchase the energy property listed above benefit from the tax subsidy, but society may incur efficiency costs. CRS points out that "Economic theory suggests that economic efficiency is maximized when capital investments are treated equally. Permanent investment subsidies, such as accelerated depreciation, may distort the allocation of capital in the long run, possibly reducing overall efficiency in the allocation of resources."[283] Nevertheless, externalities such as the pollution associated with conventional fossil fuels may justify a tax subsidy for alternative energy sources. CRS also observes that "Generally, economic efficiency is better enhanced by taxing energy sources that produce negative external externalities, rather than subsidizing renewable alternatives."[284]

[282] U.S. Senate, Committee on the Budget, p. 109.
[283] Ibid.
[284] Ibid, p. 110.

***Income Tax***
*Deductions*

## 83. Energy-efficient commercial building property

Internal Revenue Code Section: 179D
Federal Law Sunset Date: None
Year Enacted in Federal Law: 2005

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $31 | $46 | $46 | $46 |
| Personal Income Tax Loss | $158 | $158 | $172 | $185 |
| **Total** | **$189** | **$204** | **$218** | **$231** |

DESCRIPTION: A formula-based tax deduction is available for all or part of the expenditures on energy-efficient commercial property occurring in the taxable year. The deduction is set at $0.50 per square foot and increased by $0.02 for each percentage point by which the certified efficiency improvements reduce energy and power costs, with a maximum amount of $1.00 per square foot. This tax expenditure is projected to create costs because (1) taxpayers can amend their returns in subsequent years to claim the deduction, and (2) the credit could create a net operating loss that could be carried forward into future years.

Starting in 2023, this provision provides that to be able to claim a deduction, a qualifying building must increase its efficiency relative to a reference building by 25 percent, reducing total annual energy and power costs of the building (with respect to interior lighting, heating, cooling, and ventilation; and hot water supply systems).

To qualify as "energy-efficient commercial building property," costs must be associated with depreciable or amortizable property that is installed in a domestic building that is within the scope of Standard 90.1 affirmed by the Department of Energy as of four years prior to the date of the building being placed in service.

PURPOSE: The deduction encourages businesses to retrofit their commercial buildings with energy-conserving components and equipment, enhancing their energy efficiency.[285]

IMPACT: Commercial buildings include a wide variety of building types—such as offices, hospitals, schools, factories, warehouses, hotels, and shopping malls. Businesses that invest in energy-efficient property are the direct beneficiaries of the deduction. The Congressional Research Service points out that "Allowing a current deduction for energy-efficient capital goods that would otherwise be depreciated over (39 years) … greatly accelerates and increases the present value of the deductions."[286]

Spillover benefits to society offer a possible justification for the deduction. CRS notes that "(I)f consumption of energy results in negative effects on society, through the generation of carbon emissions or pollution, the deduction … might be economically justified. In general, however, it

[285] U.S. Senate, Committee on the Budget, p. 102.
[286] Ibid, pp. 101-102.

would be more economically efficient to directly tax polluting energy fuels than to subsidize a particular method of achieving conservation."[287] In addition, CRS notes that there may be market failures in energy conservation for commercial property that is leased; both landlord and tenant may underinvest in energy conservation equipment because each party is not sure that it will realize the savings needed to offset the up-front cost.[288] The tax deduction may help correct the market failure.

[287] U. S. Senate, Committee on the Budget, p. 103.
[288] Ibid.

***Income Tax***
*Deductions*

## 84. Blue Cross and Blue Shield companies

Internal Revenue Code Sections: 833
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1986

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $460 | $460 | $460 | $460 |
| Personal Income Tax Loss | $0 | $0 | $0 | $0 |
| **Total** | **$460** | **$460** | **$460** | **$460** |

DESCRIPTION: Blue Cross and Blue Shield, as well as other smaller health insurance providers that operated on August 16, 1986, and other non-profit health insurers that meet certain community service and medical loss ratio standards, qualify for special tax treatment. A medical loss ratio (MLR) equals total health benefits paid divided by premium income and is used to indicate profitability and administrative efficiency.

This deduction has two main features. First, Blue Cross/Blue Shield and other eligible health insurers can fully deduct unearned premiums,[289] unlike other property and casualty insurance companies (which is how Blue Cross/Blue Shield and the other insurers are classified under tax law). Second, Blue Cross/Blue Shield and the other insurers may deduct 25 percent of the year's health-related claims and expenses minus their accumulated surplus at the beginning of the year. The special deductions apply only to net taxable income for the year and cannot be used in alternative minimum tax calculations.

PURPOSE: In the Tax Reform Act of 1986, Congress repealed a tax exemption that Blue Cross/Blue Shield had enjoyed since the 1930s after finding that the company was engaged in inherently commercial activities and that its tax-exempt status provided an unfair competitive advantage. At the same time, Congress enacted the special deduction to recognize the role of Blue Cross/Blue Shield and other health insurers in providing insurance to high-risk, small groups,[290] which is riskier and more expensive.

IMPACT: Although the preferential tax treatment presumably benefits Blue Cross/Blue Shield, the other insurers, and the people who receive the insurance, the Congressional Research Service notes that the insurers have moved away from their traditional role of covering smaller, high-risk groups. As a result, "these tax preferences have benefited their managers and their affiliated hospitals and physicians more than their communities."[291]

[289] An unearned premium refers to an insurance premium that has been collected in advance by an insurance company but must be returned to the client if the coverage ends before the term covered by the insurance is complete (if the client exercises an option to cancel, for example).
[290] U.S. Senate, Committee on the Budget, pp. 362-363.
[291] Ibid, p. 364.

***Income Tax***
*Deductions*

## 85. Medical and dental care expenses

Internal Revenue Code Section: 213
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1942

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | $13,067 | $14,684 | $25,387 | $30,613 |
| **Total** | **$13,067** | **$14,684** | **$25,387** | **$30,613** |

DESCRIPTION: Taxpayers who itemize their deductions can deduct from their taxable personal income any medical expenses in excess of 7.5 percent of their adjusted gross income (AGI). The deduction includes amounts paid for health insurance and covers the medical expenses of the taxpayer, his or her spouse, and dependents.

Some rules govern the medical expenses eligible for the deduction, which includes amounts paid by the taxpayer and his family for the following purposes:

1. health insurance premiums, diagnosis, treatment, mitigation, or prevention of disease, or for the purpose of affecting any structure or function of the body, including dental care;
2. prescription drugs and insulin, transportation primarily for and essential to medical care, and lodging away from home for and essential to medical care, up to $50 per night for each individual.

There are limits on deductions for long-term care insurance. The limits depend on the insured's age and are adjusted annually for inflation: in 2023, they will range from $480 for individuals aged 40 and under to $5,960 for individuals over 70.

PURPOSE: CRS notes that "[I]n adopting such a rule, Congress was trying to encourage improved standards of public health and ease the burden of high tax rates during World War II."[292] The deduction is also "intended to assist taxpayers who have high out-of-pocket medical expenses relative to their income."[293] The deduction compensates for large medical bills viewed as involuntary and, therefore, reduces an individual's ability to pay taxes.

IMPACT: CRS states that low—to middle-income households claim a large share of the deduction's benefits because "Medical spending constitutes a larger fraction of household budgets among low-income taxpayers than it does among high-income taxpayers, making it easier for low-income taxpayers to exceed the 7.5 percent AGI threshold. Finally, low-income households are more likely to suffer large declines in their incomes than high-income households when serious medical problems cause working adults to lose time from work."[294]

[292] U.S. Senate, Committee on the Budget, p. 922.
[293] U.S. Senate, Committee on the Budget, p. 924.
[294] Ibid, pp. 920-921.

CRS also observes that the deduction does not establish horizontal equity among those who receive employer-sponsored health care and those who pay for health care costs out of pocket because "Employer-paid health care is excluded from income and payroll taxes, whereas the cost of health insurance bought in the non-group market can be deducted from taxable income only to the extent it exceeds a set percent of AGI. Lowering or abolishing the AGI threshold for the deduction would narrow but not eliminate the difference between the tax benefits for health insurance available to the two groups."[295]

[295] Ibid, p. 925.

***Income Tax***
*Deductions*

## 86. Accelerated depreciation of rental housing

Internal Revenue Code Sections: 167 and 168
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1954

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $565 | $565 | $484 | $404 |
| Personal Income Tax Loss | $3,548 | 3,270 | $3,061 | $3,061 |
| **Total** | **$4,113** | **$3,835** | **$3,545** | **$3,465** |

DESCRIPTION: Rental housing placed in service after 1986 benefits from accelerated depreciation calculated on a straight-line basis over 27.5 years. This tax expenditure measures the revenue loss due to rental housing deductions in excess of those allowed under the 40-year straight-line depreciation allowed under the alternative minimum tax.

Rental housing placed in service before 1986 continues to depreciate according to the method in effect when it came on the market, which may allow the property to depreciate faster than under a straight-line method.

PURPOSE: The depreciation policy was developed through administrative rulings before 1954. Accelerated depreciation promotes investment in rental housing by effectively deferring taxes paid on such investment.

IMPACT: The Congressional Research Service states that "The direct benefits of accelerated depreciation accrue to owners of rental housing. Benefits to capital income tend to concentrate in the higher-income classes."[296]

About the economic impact of accelerated depreciation, CRS notes that "evidence indicates that the economic decline rate for residential buildings is much slower than that reflected in tax depreciation methods."[297]

In addition, "Much of the previous concern about the role of accelerated depreciation in encouraging tax shelters in rental housing has faded because the current depreciation provisions are less rapid than those previously in place, and because there is a restriction on the deduction of passive losses."[298]

[296] U.S. Senate, Committee on the Budget, p. 410.
[297] Ibid..
[298] Ibid, p. 412.

***Income Tax***
*Deductions*

## 87. Mortgage interest on owner-occupied residences

Internal Revenue Code Section: 163(h)
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1913

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | $47,945 | $48,322 | $153,462 | $189,892 |
| **Total** | **$47,945** | **$48,322** | **$153,462** | **$189,892** |

DESCRIPTION: Taxpayers may take an itemized deduction for interest paid on debt secured by a principal or second residence. Although some restrictions apply, most taxpayers can deduct the full amount of their mortgage interest. The mortgage interest deduction is for homes valued at $750,000 ($375,000 for married taxpayers but filing separately) for taxable years 2018 through 2025. Mortgage debt includes home equity loans secured by a principal or second residence used to buy, build, or substantially improve a taxpayer's home. Prior to 2018, the mortgage interest deduction limit was $ 1 million ($500,000 for married filing separately). Therefore, under the new law, the treatment of the deduction of mortgage interest paid on refinanced mortgage debt will depend on the date of the original mortgage to determine which mortgage limit applies ($750,000 or $1 million).

After 2025, mortgage interest will be deductible on up to $1 million of debt used to buy, build, or improve a principal or second residence, plus up to $100,000 of home equity indebtedness. The sum of the acquisition indebtedness and home equity debt cannot exceed the fair market value of the home.

The deduction is considered a tax expenditure because homeowners can deduct their mortgage interest even though the implicit rental income from the home (the money they could earn by renting to someone else) is not subject to tax. There were no limits on the home mortgage interest deduction until restrictions were enacted in 1986 and 1987.

PURPOSE: The home mortgage interest deduction was part of a larger deduction for all interest paid that was established when the personal income tax was first enacted in 1913. The Congressional Research Service states that "There is no evidence in the legislative history that the interest deduction was intended to encourage home ownership or to stimulate the housing industry at that time."[299]

Proponents of the deduction contend that it encourages homeownership, which, in turn, is seen as encouraging neighborhood stability and civic responsibility by giving people a stronger stake in their communities.

[299] U.S. Senate, Committee on the Budget, p. 385.

IMPACT: In 2020, 56,470 District tax filers claimed the mortgage interest deduction. Taxpayers with federal adjusted gross income of $100,000 or more comprised about 74 percent of the beneficiaries and claimed 82 percent of the total amount deducted.[300] CRS reports that households with an annual income of at least $100,000 also claimed the bulk (90.4 percent) of the benefits nationwide in 2020.[301] Higher-income households can afford to spend more on housing and qualify to borrow more.

Urban Institute researchers also point out that the mortgage interest deduction "is not a cost-effective tool for increasing homeownership because its main beneficiaries are not individuals on the margin between renting and owning. The deduction is available only to itemizing taxpayers and its value rises with an individual's tax rate."[302] As a result, eliminating the deduction would reduce after-tax income by the largest percentage for those in the 80th to 99th percentiles of the income distribution (those in the top 1 percent would not lose as much because their mortgage costs are lower as a percentage of income).[303]

Regarding economic efficiency, CRS states that "The preferential tax treatment of owner-occupied housing relative to other assets is also criticized for encouraging households to invest more in housing and less in other assets that might contribute more to increasing the nation's productivity and output."[304] Nor is the deduction necessarily effective in promoting homeownership. CRS also notes that "the rate of homeownership in the United States is lower than the average for the Organisation for Economic Co-operation and Development countries, including those without a tax subsidy for mortgage interest (Keightley, 2020). The value of the U.S. deduction may be at least partly capitalized into higher prices at the middle and upper end of the market."[305]

The home mortgage interest deduction also impairs horizontal and vertical equity. Renters do not receive a comparable tax benefit. Landlords may deduct mortgage interest paid for rental properties but must pay tax on the rental income (homeowners don't pay any tax on the imputed rental value of their homes). Finally, many elderly individuals do not have home mortgages (they own their homes outright) and, therefore, do not benefit from the mortgage interest deduction.[306]

[300] Internal Revenue Service's Statistics of Income Tax Stats, "Tax Year 2020: Historic Table 2," available at www.irs.gov/taxstats/index.html.
[301] U.S. Senate, Committee on the Budget, p. 385.
[302] Eric Toder, Margery Austin Turner, Katherine Lim, and Liza Getsinger, "Reforming the Mortgage Interest Deduction," April 2010 (available at www.urban.org), p. 3.
[303] Toder et al. p. 16.
[304] U.S. Senate, Committee on the Budget, p. 387.
[305] Ibid.
[306] Richard Green, "Mortgage Interest Deduction," in The Encyclopedia of Taxation and Tax Policy, Joseph Cordes, Robert Ebel, and Jane Gravelle, eds. Washington, D.C.: The Urban Institute Press, 2005), p. 260.

***Income Tax***
*Deductions*

## 88. State and local property taxes on owner-occupied residences

Internal Revenue Code Section: 164
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1913

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | $8,829 | $9,011 | $50,094 | $73,761 |
| **Total** | **$8,829** | **$9,011** | **$50,094** | **$73,761** |

DESCRIPTION: Taxpayers may take an itemized deduction for real estate taxes paid on an owner-occupied residence. The 2017 Tax Cuts and Jobs Act temporarily eliminated the $10,000 limitation on claims for state and local taxes paid and the deduction of foreign real property tax payment claims until tax year 2026. Between 2018 and 2025, (1) deductions for state and local income, sales, personal property, and domestic real property taxes paid not in the carrying on of a trade or business cannot exceed $10,000 (or $5,000 for married individuals filing separately); and (2) foreign real property tax payment claims are not eligible for the deduction.

PURPOSE: When the U.S. personal income tax was first enacted in 1913, all federal, state, and local taxes were deductible. This was based on the premise that tax payments reduce disposable income and, therefore, should not be included in a measure of the taxpayer's ability to pay. Today, proponents argue that the deduction promotes fiscal federalism by helping state and local governments raise revenue to support public services.

IMPACT: In 2020, 59,410 District tax filers claimed the deduction for property taxes paid. Taxpayers with federal adjusted gross income of $100,000 or more comprised 74 percent of the claimants and accounted for 85 percent of the total amount deducted.[307]

As stated by the Congressional Research Service, "The deduction for real property taxes reduces the cost of home ownership relative to renting, as renters may not deduct rental costs under the federal income tax. Landlords may deduct the property tax they pay on a rental property but are taxed on the rental income."[308]

CRS adds that "Modern theories of the public sector discount the "don't tax a tax" justification for state and local tax deductibility, emphasizing instead that taxes represent citizens' decisions to consume goods and services collectively. From this perspective, state and local taxes are benefit taxes and should be treated the same as expenditures for private consumption. As such, these taxes should not be deductible against federal taxable income."[309]

[307] These data are from the Internal Revenue Service's Statistics of Income Tax Stats, "Tax Year 2020: Historic Table 2," available at www.irs.gov/taxstats/index.html.
[308] U.S. Senate, Committee on the Budget, p.1138.
[309] Ibid, p. 1141.

***Income Tax***
*Deductions*

## 89. Additional standard deduction for the blind

Internal Revenue Code Section: 63(f)
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1943

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | $23 | $23 | $18 | $23 |
| **Total** | **$23** | **$23** | **$18** | **$23** |

DESCRIPTION: An additional standard deduction is available for the blind. The blind taxpayer is entitled to an additional deduction amount of $1,500 ($1,850 for unmarried aged/blind taxpayers). If both 65 and blind, the additional deduction amount is doubled. For the purpose of the tax deduction, an individual is blind only if his central visual acuity does not exceed 20/200 in the better eye with correcting lenses or if his visual acuity is greater than 20/200 but is accompanied by a limitation in the fields of vision such that the widest diameter of the visual field subtends an angle no greater than 20 degrees.

Before January 1, 2018, the District provided local income tax deductions for blind residents[310] and did not conform to the Internal Revenue Service. The Tax Revision Commission Implementation Amendment Act of 2014 (TRC Act)[311], which became effective January 1, 2018, through revenue triggers, increased the standard deduction to conform to the federal level.

PURPOSE: CRS states that "The purpose of the deduction was to help cover the additional expenses directly associated with blindness, such as the hiring of readers and guides. The deduction evolved to a $600 personal exemption in the Revenue Act of 1948 (P.L. 80-471) so that the blind did not forfeit the use of the standard deduction and so that the tax benefit could be reflected directly in the withholding tables."[312]

IMPACT: The additional standard deduction amounts raise the income threshold at which taxpayers begin to pay taxes. In tax year 2017, 815 individuals living in the District of Columbia claimed the exemption and tax filers with income at or below $50,000 accounted for 59 percent of the total amount exempted (see table below).

[310] § 47–1806.02(d)
[311] § 47–181
[312] U.S. Senate, Committee on the Budget, p. 1034.

| Additional personal exemption for the blind- 2017 | | | | |
|---|---|---|---|---|
| **Income Category (AGI)** | **Number** | **Share** | **Amount ($)** | **Share** |
| Breakeven or Loss | 37 | 4.5% | 65,675 | 4.5% |
| $1 to $25,000 | 249 | 30.6% | 441,975 | 30.6% |
| $25,001 to $50,000 | 192 | 23.6% | 340,800 | 23.6% |
| $50,001 to $75,000 | 93 | 11.4% | 165,075 | 11.4% |
| $75,001 to $100,000 | 54 | 6.6% | 95,850 | 6.6% |
| $100,001 to $150,000 | 88 | 10.8% | 156,200 | 10.8% |
| $150,001 to $200,000 | 36 | 4.4% | 63,900 | 4.4% |
| Over $200,000 | 66 | 8.1% | 117,150 | 8.1% |
| **Total** | **815** | **100.0%** | **1,446,625** | **100.0%** |

CRS states that "advocates of the blind justify special tax treatment based on higher living costs and additional expenses associated with earning income. However, other taxpayers with disabilities (deafness, paralysis, loss of limbs) are not accorded similar treatment and may be in as much need of tax relief. Just as the blind incur special expenses, so too do others with different impairments."[313] The special deduction for the blind, therefore, violates the principle of horizontal and vertical equity since similar taxpayers are not treated equally.

[313] U.S. Senate, Committee on the Budget, p. 1035

***Income Tax***
*Deductions*

## 90. Additional standard deduction for the elderly

Internal Revenue Code Sections: 63(f)
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1943

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | $3,373 | $3,618 | $2,987 | $3,191 |
| **Total** | **$3,373** | **$3,618** | **$2,987** | **$3,191** |

DESCRIPTION: An additional standard deduction is available for the elderly. The taxpayer is entitled to an additional deduction amount of $1,500 ($1,850 for single households or head of households). If both 65 and blind, the additional deduction amount is doubled. To qualify for the additional standard deduction amount, a taxpayer must be age 65 (or blind) before the close of the tax year. The amounts, like the basic standard deduction, are adjusted annually for inflation.

Before January 1, 2018, the District provided local income tax deductions for elderly residents[314] and did not conform to the Internal Revenue Service. The Tax Revision Commission Implementation Amendment Act of 2014 (TRC Act),[315] which became effective January 1, 2018, through revenue triggers, increased the standard deduction to conform to the federal level.

PURPOSE: According to the Congressional Research Service, the rationale for the deduction to the elderly is "because of a heavy concentration of low-income individuals in that population, the rise in the cost of living, and to counterbalance changes in the tax system after World War II."[316]

IMPACT: The deduction benefits those taxpayers who are age 65 and older. Elderly taxpayers, as well as taxpayers with an elderly spouse or domestic partner, benefit from this provision. During tax year 2017, 51,509 senior citizens living in the District of Columbia claimed the exemption and those with income at or below $50,000 accounted for 45 percent of the total amount exempted (see table below). The justification for the additional tax deduction is that the elderly face increased living costs primarily due to inflation and high medical costs. However, social security benefits are adjusted annually for inflation, and the federal government has established the Medicare program to provide medical insurance for the elderly.

[314] § 47–1806.02(d)
[315] § 47–181
[316] U.S. Senate, Committee on the Budget, p. 1034.

| Additional personal exemption for the elderly- 2017 | | | | |
|---|---|---|---|---|
| **Income Category (AGI)** | **Number** | **Share** | **Amount ($)** | **Share** |
| Breakeven or Loss | 1,726 | 3.4% | 3,063,650 | 3.4% |
| $1 to $25,000 | 10,981 | 21.3% | 19,491,275 | 21.3% |
| $25,001 to $50,000 | 10,641 | 20.7% | 18,887,775 | 20.7% |
| $50,001 to $75,000 | 6,822 | 13.2% | 12,109,050 | 13.2% |
| $75,001 to $100,000 | 4,399 | 8.5% | 7,808,225 | 8.5% |
| $100,001 to $150,000 | 5,607 | 10.9% | 9,952,425 | 10.9% |
| $150,001 to $200,000 | 3,244 | 6.3% | 5,758,100 | 6.3% |
| $200,001 to $500,000 | 5,860 | 11.4% | 10,401,500 | 11.4% |
| Over $500,000 | 2,229 | 4.3% | 3,956,475 | 4.3% |
| **Total** | **51,509** | **100.0%** | **91,428,475** | **100.0%** |

CRS notes that "The provision also fails the effectiveness test since low-income blind and elderly individuals who already are exempt from tax without the benefit of the additional standard deduction amount receive no benefit from the additional standard deduction. Nor does the provision benefit those blind or elderly taxpayers who itemize deductions (such as those with large medical expenditures in relation to income)."[317]

[317] U.S. Senate, Committee on the Budget, pp.1035-1036.

*Income Tax*
*Deductions*

## 91. Casualty and theft losses

Internal Revenue Code Section: 165(c)(3), 165(e), 165(h) - 165(k)
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1913

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | $5 | $5 | $24 | $28 |
| **Total** | **$5** | **$5** | **$24** | **$28** |

DESCRIPTION: Taxpayers who itemize deductions may subtract from taxable income their non-business casualty and theft losses that are not reimbursed through insurance, subject to the following limitations: (1) total losses during the tax year must exceed 10 percent of adjusted gross income, and (2) losses must exceed $100 per event to be counted. Eligible losses include those arising from fire, storm, shipwreck, or other casualty, or theft, and the cause of the loss must be a sudden, unexpected, or unusual event. Eligible losses also include those associated with a disaster declared by the President under Section 401 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act between tax years 2018 and 2025.

PURPOSE: CRS states that "The deduction was intended to be for extraordinary, nonrecurring losses which go beyond the average or usual losses incurred by most taxpayers in day-to-day living."[318] The $100 floor per event, established in 1964, was intended to reduce the number of small and often improper claims, reduce the costs of record-keeping and audits, and focus the deduction on extraordinary losses.[319]

IMPACT: The Congressional Research Service states, "The deduction grants some financial assistance to taxpayers who suffer substantial casualties and itemize deductions. It shifts part of the loss from the property owner to the general taxpayer and thus serves as a form of government coinsurance. Use of the deduction is low for all income groups."[320]

The benefits may be tilted toward more affluent taxpayers because a dollar of deductible losses is worth more to those with higher marginal tax rates and because the deduction is available only to those who itemize.

Finally, the deduction may protect people who failed to purchase insurance at the expense of those who did. CRS further points out that "It similarly discriminates against people who take preventive measures to protect their property but cannot deduct their expenses. No distinction is made between loss items considered basic to maintaining the taxpayer's household and livelihood versus highly discretionary personal consumption."[321]

[318] U.S. Senate, Committee on the Budget, p. 1038.
[319] Ibid.
[320] Ibid, p.1038.
[321] Ibid, p. 1039.

***Income Tax***
*Deductions*

## 92. Deduction of foreign taxes instead of a credit

Internal Revenue Code Sections: 901
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1913

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $4,614 | $5,126 | $5,297 | $4,956 |
| Personal Income Tax Loss | $0 | $0 | $0 | $0 |
| **Total** | **$4,614** | **$5,126** | **$5,297** | **$4,956** |

DESCRIPTION: Taxpayers may elect to claim a deduction against taxable income or a credit against taxes due for any taxes paid on income earned abroad. Generally, the credit is more advantageous than the deduction because the credit reduces taxes on a dollar-for-dollar basis, whereas the deduction only reduces the amount of income subject to taxation. Nevertheless, if the taxpayer has reached the foreign tax credit limit, he or she will benefit from claiming the deduction, which also represents a tax expenditure.

CRS states that "foreign tax credits were limited in the recent 2017 tax revision (P.L. 115- 97)… For controlled foreign corporations only 80 percent of taxes paid on certain foreign source income can be credited, and no credits are allowed for dividends which are exempt going forward."[322]

PURPOSE: According to the Congressional Research Service, the rationale for this deduction might have been "to recognize foreign taxes, like state taxes, as a possible cost associated with earning income. As such, the provision would help correct for mismeasurement of adjusted gross income and be justified on ability to pay or horizontal equity arguments."[323]

IMPACT: The deduction benefits those taxpayers who are either unable to claim the foreign tax credit or who have reached the foreign tax credit limit. CRS points out that the deduction "results in the foreign return net of foreign tax equaling the domestic before tax return and a nationally efficient allocation of capital. While this provision maximizes the income or output in the domestic market, it also alters the division of income between capital and labor, shifting income towards labor and away from capital. Because national neutrality distorts the location of investment, it may produce an inefficient 'deadweight' reduction in world economic welfare."[324]

[322] U.S. Senate, Committee on the Budget, p. 59.
[323] Ibid, p. 60.
[324] Ibid.

***Income Tax***
*Deductions*

## 93. Financing income of certain controlled foreign corporations

Internal Revenue Code Sections: 953 and 954.
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1962

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $3,064 | $3,064 | $3,064 | $3,064 |
| Personal Income Tax Loss | $0 | $0 | $0 | $0 |
| **Total** | **$3,064** | **$3,064** | **$3,064** | **$3,064** |

DESCRIPTION: Under the U.S. method of taxing overseas investment, income earned abroad by foreign-chartered subsidiary corporations that are owned and controlled by U.S. investors or firms is generally not taxed if it is reinvested abroad. Instead, U.S. taxes are deferred until the income is repatriated to the U.S. parent firm as dividends or other income.

Subpart F of the U.S. Internal Revenue Code disallows the deferral of tax on foreign income by certain firms known as "controlled foreign corporations."[325] In general, income that falls under subpart F and is therefore subject to current taxation includes passive investment income, such as interest, dividends, and gains from the sale of stock and securities, as well as certain types of income whose geographic source is thought to be easily shifted.

Ordinarily, income from banking and insurance would often be covered by Subpart F and, therefore, subject to immediate taxation. Nevertheless, Congress provided a temporary exception from Subpart F for income derived in the active conduct of a banking, financial, or similar business and for the investment income of an insurance company earned on risks in its country of incorporation. Specifically, "[T]wo deductions are allowed in addition to deducting normal Subpart F income. First, a deemed return to tangible investments, 10 percent of the tax basis (cost less depreciation) for tangible assets net of interest deductions, is excluded so that no taxes are imposed on this income. Second, 50 percent of the remaining income is deducted for taxable years beginning after December 31, 2017, and through taxable years beginning before January 1, 2025."[326]

PURPOSE: According to the Congressional Research Service, Subpart F was enacted in 1962 to "curtail the use of tax havens by U.S. investors who sought to accumulate funds in countries with low tax rates – hence Subpart F's emphasis on passive income and income whose source can be manipulated."[327] The stated rationale for the banking and insurance exception from Subpart F was that "interest, dividends, and like income were not thought to be 'passive' income in the hands of banking and insurance firms."[328]

[325] A "controlled foreign corporation" is a firm that is at least 50 percent owned by U.S. stockholders, each of whom owns at least 10 percent of the corporation's stock.
[326] U.S. Senate, Committee on the Budget, p. 54.
[327] Ibid, p. 55.
[328] Ibid.

IMPACT: U.S. firms conducting financial business abroad benefited from this provision. CRS notes that "banks and insurance firms present an almost insoluble technical problem" in the implementation of Subpart F because "the types of income generated by passive investment and income whose source is easily manipulated are also the types of income financial firms earn in the course of their active business. The choice confronting policymakers, then, is whether to establish an approximation that is fiscally conservative or one that places most emphasis on protecting active business income from Subpart F."[329]

More generally, tax incentives for investment abroad can reduce economic efficiency for the capital-exporting country (the U.S., in this case) and the world economy. CRS states that "Economic theory instead recommends a policy known as 'capital export neutrality' under which marginal investments face the same tax burden at home and abroad. From that vantage, then, the exceptions to Subpart F likewise impair efficiency."[330]

[329] U.S. Senate, Committee on the Budget, p. 57.
[330] Ibid.

***Income Tax***
*Deductions*

## 94. Charitable contributions, other than education and health

Internal Revenue Code Sections: 170 and 642(c)
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1917 (individuals) and 1935 (corporations)

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $6,204 | $6,434 | $6,664 | $7,123 |
| Personal Income Tax Loss | $89,487 | $94,634 | $112,056 | $155,018 |
| **Total** | **$95,691** | **$101,068** | **$118,720** | **$162,141** |

DESCRIPTION: Subject to certain limitations, charitable contributions may be deducted by individuals, corporations, estates, and trusts. The contributions must be made to religious, educational, or scientific institutions, public charities, non-profit hospitals, and federal, state, or local governments. Only individuals who itemize their deductions can claim this deduction.

Individuals may deduct charitable contributions of as much as 50 percent of gross income (30 percent for gifts of capital gain property). The limit is temporarily increased to 60 percent for tax years 2018 to 2025. There was a temporary increase to 100 percent for 2020 for cash contributions to public charities (not to private foundations, supporting organizations, or donor-advised funds). An above-the-line deduction for contributions of up to $300 was also allowed for non-itemizers for 2020. Corporations may deduct charitable contributions up to 10 percent (this limit was temporarily increased to 25 percent for 2020) of adjusted taxable income. Contributions made in property are subject to different rules depending on the type of donor, recipient, and purpose.

PURPOSE: According to the Congressional Research Service, the deduction was originally established for individual taxpayers during World War I in response to concern that high wartime tax rates would curtail charitable contributions.[331] The deduction was extended to corporations in 1935. Proponents argue that the deduction for private donations reduces demand for government services and that the services provided by voluntary, non-profit organizations may be more efficient and better tailored to people's needs than public services.

IMPACT: In 2020, 59,250 District tax filers claimed this deduction. Those with federal adjusted gross income (AGI) of less than $100,000 comprised 30 percent of the claimants but accounted for only 11 percent of the total amount deducted. Those with federal AGI of $200,000 or more comprised only 36 percent of claimants but accounted for 79 percent of the total amount deducted.[332]

The unavailability of the deduction to taxpayers who claim the standard deduction is one reason why the benefits of the charitable contribution deduction are tilted toward higher-income individuals. In addition, the higher marginal tax rates faced by higher-income taxpayers mean that

[331] U.S. Senate, Committee on the Budget, p. 880.
[332] These data are from the Internal Revenue Service's Statistics of Income Tax Stats, "Tax Year 2020 Historic Table 2," available at www.irs.gov/taxstats/index.html.

each dollar they deduct translates into a larger reduction in tax. To make the deduction more equitable, President Bush's Advisory Panel on Federal Tax Reform proposed making it available to all taxpayers who contribute more than 1 percent of their income to charity, regardless of whether they itemize their deductions.[333]

CRS notes that contributions vary among income classes. Contributions outside of those to educational and health organizations are relatively less concentrated among higher-income taxpayers while contributions to religious organizations are far more concentrated at the lower end of the income scale.[334]

Society may benefit from the deduction because it supports activities, such as education and scientific innovation, which can have large spillover effects. CRS notes that "[S]upporters note that contributions finance socially desirable activities. Further, the federal government could be forced to step in to assume some activities currently provided by charitable, nonprofit organizations if the deduction were eliminated. Public spending, however, might not be available to make up all of the difference. In addition, many believe that the best method of allocating general welfare resources is through a dual system of private philanthropic giving and governmental allocation."[335]

William Randolph of the U.S. Treasury Department points out that a deduction may not be the most effective way to promote charitable giving because "An efficient subsidy would vary with the amount of external benefits, whereas the tax subsidy rate provided by a charitable deduction varies only with the giver's tax rate … Some argue that a tax credit would be a fairer and more efficient form of subsidy because the subsidy rate would not depend as much on the giver's level of income."[336] Moreover, researchers at the Center on Philanthropy at Indiana University have found that economic growth plays a more important role in spurring charitable giving than changes in tax rates or preferences.[337]

[333] President's Advisory Panel on Federal Tax Reform, pp. 75-76.
[334] U.S. Senate, Committee on the Budget, pp. 879.
[335] Ibid., pp. 881-882.
[336] William Randolph, "Charitable Deductions," in The Encyclopedia of Taxation and Tax Policy, Joseph Cordes, Robert Ebel, and Jane Gravelle, eds. Washington, D.C.: The Urban Institute Press, 2005), p. 52.
[337] The Center on Philanthropy at Indiana University, "How Changes in Tax Rates Might Affect Itemized Charitable Deductions" (March 2009), research paper available at www.philanthropy.iupui.edu.

***Income Tax***
*Deductions*

## 95. Charitable contributions to educational institutions

Internal Revenue Code Sections: 170 and 642(c)
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1917 (individuals) and 1935 (corporations)

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $2,757 | $2,987 | $2,987 | $3,217 |
| Personal Income Tax Loss | $15,442 | $16,234 | $19,402 | $27,321 |
| **Total** | **$18,200** | **$19,222** | **$22,389** | **$30,538** |

DESCRIPTION: Subject to certain limitations, charitable contributions may be deducted by individuals, corporations, estates, and trusts. The contributions must be made to scientific, literary, or educational organizations. Only individuals who itemize their deductions can claim this deduction.

Individuals may deduct charitable contributions of as much as 50 percent of gross income (30 percent for gifts of capital gain property). The limit is temporarily increased to 60 percent for tax years 2018 to 2025. There was a temporary increase to 100 percent for 2020 for cash contributions to public charities (not to private foundations, supporting organizations, or donor-advised funds). An above-the-line deduction for contributions of up to $300 was also allowed for non-itemizers for 2020. Corporations may deduct charitable contributions up to 10 percent (this limit was temporarily increased to 25 percent for 2020) of adjusted taxable income. Contributions made in property are subject to different rules depending on the type of donor, recipient, and purpose.

PURPOSE: According to the Congressional Research Service, the deduction was originally established for individual taxpayers during World War I in response to concern that high wartime tax rates would curtail charitable contributions.[338] The deduction was extended to corporations in 1935. Proponents argue that the deduction for private donations reduces demand for government services and that the services provided by voluntary, non-profit organizations may be more efficient and better tailored to people's needs than public services.

IMPACT: CRS notes that "contributions to education are more heavily concentrated among higher-income taxpayers (and similar to contributions to the arts and health), as compared to contributions for religion, combined purpose charities, and charities to meet basic needs."[339]

CRS states that education produces spillover effects that benefit society through a more efficient workforce, lower unemployment rates, lower welfare costs, and less crime. Proponents, therefore, argue that important activities or services provided by educational organizations may be eliminated if the deduction were eliminated without the availability of public spending to make up the funding difference. However, opponents "say that helping educational organizations may not be the best way to spend government money. Opponents further claim that the present system allows wealthy taxpayers to indulge special interests (such as gifts to their alma maters). It is generally argued that

[338] U.S. Senate, Committee on the Budget, p. 754.
[339] Ibid, p. 753.

the charitable contributions deduction is difficult to administer and adds complexity to the tax code."[340]

[340] U.S. Senate, Committee on the Budget, p. 756.

***Income Tax***
*Deductions*

## 96. Charitable contributions to health organizations

Internal Revenue Code Sections: 170 and 642(c)
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1917 (individuals) and 1935 (corporations)

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $3,217 | $3,447 | $3,667 | $3,677 |
| Personal Income Tax Loss | $11,285 | $11,879 | $14,057 | $19,402 |
| **Total** | **$14,502** | **$15,326** | **$17,733** | **$23,079** |

DESCRIPTION: Subject to certain limitations, charitable contributions may be deducted by individuals, corporations, estates, and trusts. The contributions must be made to organizations that provide medical or hospital care, medical education, or medical research. Only individuals who itemize their deductions can claim this deduction.

Individuals may deduct charitable contributions of as much as 50 percent of gross income (30 percent for gifts of capital gain property). The limit is temporarily increased to 60 percent for tax years 2018 to 2025. There was a temporary increase to 100 percent for 2020 for cash contributions to public charities (not to private foundations, supporting organizations, or donor-advised funds). An above-the-line deduction for contributions of up to $300 was also allowed for non-itemizers for 2020. Corporations may deduct charitable contributions up to 10 percent (this limit was temporarily increased to 25 percent for 2020) of adjusted taxable income. Contributions made in the form of property are subject to different rules depending on the type of donor, recipient, and purpose.

PURPOSE: According to the Congressional Research Service, the deduction was originally established for individual taxpayers during World War I in response to concern that high wartime tax rates would curtail charitable contributions.[341] The deduction was extended to corporations in 1935. Proponents argue that the deduction for private donations reduces demand for government services and that the services provided by voluntary, non-profit organizations may be more efficient and better tailored to people's needs than public services.

IMPACT: CRS states that contributions to health (like those to the arts and education) are more heavily concentrated among higher-income taxpayers, as compared to contributions for religion, combined-purpose charities, and charities to meet basic needs, which are more concentrated in lower-income classes.[342]

Proponents argue that contributions finance services such as hospital care for the poor. In addition, proponents believe that the best method of allocating general welfare resources is through a dual system of private philanthropic giving and governmental allocation.

[341] U.S. Senate, Committee on the Budget, p. 936.
[342] Ibid, p. 935.

Opponents, on the other hand, contend that deductible contributions are made partly with dollars, which are public funds. They feel that helping private charities may not be the optimal way to spend government money.[343]

[343] U.S. Senate, Committee on the Budget, pp. 938-939.

***Income Tax***
*Deductions*

## 97. Costs of removing architectural and transportation barriers to the disabled and elderly

Internal Revenue Code Section: 190
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1976

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | too small | too small | too small | too small |
| Personal Income Tax Loss | too small | too small | too small | too small |
| **Total** | **too small** | **too small** | **too small** | **too small** |

Note: "Too small" means that the nationwide federal revenue impact was estimated as $50 million or less.

DESCRIPTION: Business taxpayers may deduct up to $15,000 in annual expenses for removing physical barriers to the elderly or persons with disabilities in qualified facilities or public transportation vehicles that the taxpayer owns or leases. The tax expenditure associated with this deduction reflects the additional tax savings from the deduction relative to the regular depreciation rules that would otherwise apply.

Costs associated with constructing a new facility or vehicle or undertaking a complete renovation of an existing facility to make it more accessible to the elderly or persons with disabilities do not qualify for the deduction. In the case of a partnership, the $15,000 limit applies separately to the partnership and its individual members.

PURPOSE: According to the Congressional Research Service, the "likely goal" of the deduction "was to engage the private sector in expanding employment opportunities and improving access to goods and services for the elderly and disabled. Supporters of the provision have long contended that without it, firms would be less likely to remove physical barriers to the elderly and disabled from their facilities and transport systems."[344]

IMPACT: CRS states that "Expensing allows a taxpayer to fully deduct a business expense in the first year of investment, in comparison to depreciation whereby the taxpayer deducts the expense over many years according to a depreciation schedule. Expensing will generally provide additional tax savings (in comparison to depreciation) to taxpayers, since the full cost of the property (or improvements to the property) is recovered in the first year, rather than in future years when the value of any associated tax savings will fall."[345]

[344] U.S. Senate, Committee on the Budget, p. 569.
[345] Ibid, pp. 568-569.

***Income Tax***
*SPECIAL RULES*

## 98. 60-40 rule for gain or loss from section 1256 contracts

Internal Revenue Code Section: 1256
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1981

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $147 | $147 | $147 | $147 |
| Personal Income Tax Loss | $2,667 | $2,540 | $2,413 | $2,413 |
| **Total** | **$2,815** | **$2,688** | **$2,561** | **$2,561** |

DESCRIPTION: A "section 1256 contract" is any regulated futures contract, foreign currency contract, non-equity option, dealer equity option, or dealer securities futures contract traded on a qualified board of exchange with a "mark-to-market" accounting system. Under a mark-to-market system, gains and losses must be reported annually for tax purposes.

A tax expenditure arises under section 1256 contracts because the capital gain or loss from applicable contracts consists of 60 percent long-term and 40 percent short-term gain or loss, regardless of how long the contract is held. The "60-40 rule" removes the one-year holding period requirement for long-term capital gains tax treatment, allowing some gains to be taxed at a lower rate.

The "60-40 rule" does not apply to hedging transactions. These are transactions done by a business in its normal operation with the primary purpose of reducing risks or to limited partnerships.

PURPOSE: According to the Congressional Research Service, "Using mark-to-market overcomes the tax sheltering impact of certain commodity futures trading strategies and harmonizes the tax treatment of commodities futures contracts with the realities of the marketplace."[346]

IMPACT: The mark-to-market accounting for section 1256 contracts eliminates the deferral that would result under usual tax rules that recognize gains only when they are realized rather than when they accrued. At the same time, this accounting method removes the one-year holding requirement for long-term capital gains treatment, conferring a benefit to the owners of these assets. According to CRS, this special rule "often results in lower taxes for traders."[347]

[346] U.S. Senate, Committee on the Budget, p. 592.
[347] Ibid.

***Income Tax***
*Special Rules*

## 99. Interest rate and discounting period assumptions for reserves of property and casualty insurance companies

Internal Revenue Code Sections: 831, 832(b), and 846
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1986

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $2,451 | $2,604 | $2,604 | $2,910 |
| Personal Income Tax Loss | $0 | $0 | $0 | $0 |
| **Total** | **$2,451** | **$2,604** | **$2,604** | **$2,910** |

DESCRIPTION: Property and casualty insurance companies may gain a tax advantage from the rules for calculating the present value of future losses. A present value is the current equivalent value of a given cash flow and is calculated using interest rates or discount factors and information about the timing of income and losses. Most businesses calculate taxable income by deducting expenses when they become liable for paying them. However, property and casualty companies pay out a significant portion of losses years after collecting premiums. Therefore, it is necessary to discount losses in future years to prevent the insurer from gaining a tax advantage from deferring loss payments.

Before 2017, the U.S. Treasury Department specified discount factors for various lines of property and casualty insurance used to compute the present value of future losses for tax purposes. Since the 2017 tax change, insurers must employ discount rates calculated by the IRS from an average of yields of high-quality corporate bonds, although transition rules allowed a blended treatment for up to eight years. The tax change constrains insurers' ability to shift net earnings into the future, thus deferring and lowering its tax burden. In June 2019, the IRS further modified the discounting rules to make sure they conformed to the 2017 legislation. The rule applies a single annual rate to all lines of business, calculated from a five-year average of yields on high-quality corporate bonds with maturities ranging from 4½ years to 10 years, with an average maturity of 7¼ years. The IRS also simplified consent procedures for making related accounting changes.[348]

PURPOSE: According to the Congressional Research Service, "Requiring most property and casualty companies to calculate the present value of future losses … with discount rates specified by the Treasury simplified the tax liability calculation and helped ensure more uniform tax treatment of property and casualty companies."[349]

IMPACT: CRS states that "Determining the distribution of benefits … is difficult because ownership of most property and casualty insurance companies is widely dispersed, either among shareholders in stock companies or policyholders in mutual companies. Competitive pressures may force companies to pass some benefits on to property and casualty insurance policyholders via lower premiums."[350] In addition, "Allowing some firms, such as property and casualty insurance

[348] U.S. Senate, Committee on the Budget, p. 374
[349] Ibid, p. 375.
[350] Ibid, pp. 374-375.

companies, to defer certain tax liabilities requires other taxpayers to bear higher burdens or reduces federal revenues. A potential mismatch between simple tax rules and actual financial management practices may allow those insurers to attract economic resources from other sectors of the economy, thus creating economic inefficiencies."[351]

[351] U.S. Senate, Committee on the Budget, pp. 375-376.

***Income Tax***
*Special Rules*

## 100. Inventory accounting

Internal Revenue Code Sections: 475, 491and 492
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1938

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $1,991 | $1,991 | $1,991 | $1,991 |
| Personal Income Tax Loss | $396 | $396 | $528 | $528 |
| **Total** | **$2,387** | **$2,387** | **$2,519** | **$2,519** |

DESCRIPTION: Businesses that sell goods must maintain inventory records to determine the cost of the goods sold. Businesses can account for inventory on an item-by-item basis but may also use rules such as first-in, first-out (FIFO) accounting, which assumes that the most recent item sold is the earliest one that was purchased, and last-in, first-out (LIFO) accounting, which assumes that the most recent item sold is the last one purchased. Under FIFO, firms may choose the lower of cost or market (LCM) method, which allows them to deduct losses on goods that have fallen in value below their original cost while in inventory. LIFO can only be used if it is also used for financial reporting, although it is not allowable for securities dealers.

Basic FIFO is the standard method of accounting for costs by matching the order of purchase with the order of sale. The use of the LCM method under FIFO, as well as LIFO more generally, is considered a tax expenditure because it provides more favorable tax treatment than basic FIFO. LIFO allows a firm to exclude the appreciation in the value of inventory when prices are rising, whereas LCM allows a firm to recognize losses when inventory drops in value.

PURPOSE: According to the Congressional Research Service, LIFO was originally adopted "to allow a standard accounting practice."[352] Because price inflation was very low, LIFO originally had a very minor impact. CRS notes that LCM was "considered a conservative accounting practice which reflected the loss in value of inventories."[353] However, the Economic Recovery Tax Act of 1981 (P.L. 97-34) "simplified LIFO by allowing a simplified dollar-value method that could be applied to all inventory by small businesses ... The reason was to make the method that most effectively mitigates the effects of inflation more accessible to all businesses."[354]

IMPACT: One study found that LIFO is most heavily used by the chemical, furniture, general merchandise, and metal industries, while another study concluded that the chemical and metal industries, furniture, and general merchandise retailers most often use it.[355] LIFO allows firms to lower their tax burden by reducing the difference between the sales price and the cost of inventory. It may even encourage firms expecting a high tax bill to purchase more inventories before the year ends to reduce taxable income. Small firms may benefit from using LCM for both tax and financial purposes.[356]

[352] U.S. Senate, Committee on the Budget, p. 583.
[353] Ibid.
[354] Ibid., p. 584
[355] Ibid, p. 582.
[356] Ibid.

***Income Tax***
*Special Rules*

## 101. Special alternative tax on small property and casualty insurance companies

Internal Revenue Code Sections: 501(c)(15), 831, 832, and 834
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1954

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $3,105 | $3,261 | $3,416 | $3,726 |
| Personal Income Tax Loss | $268 | $268 | $268 | $401 |
| **Total** | **$3,373** | **$3,528** | **$3,682** | **$4,128** |

DESCRIPTION: Insurance companies not classified as life insurance companies (mostly property and casualty insurance companies) enjoy tax-exempt status if their annual gross receipts are $600,000 or less and if premiums account for 50 percent or less of their gross receipts. Mutual insurance companies may enjoy tax-exempt status if their annual gross receipts are $150,000 or less and if more than 35 percent of the receipts are premiums.

Slightly larger insurance companies not classified as life insurance companies may elect to be taxed only on their taxable investment income if net written premiums and direct written premiums each do not exceed $2.2 million for 2015 and indexed to inflation for later years.

PURPOSE: Small insurance companies have enjoyed tax advantages for over a century, dating back to when tax-exempt fraternal organizations provided life insurance to about 30 percent of the adult population. The Congressional Research Service states that "These provisions may have been included to encourage *the* formation of small insurance companies to serve specific groups of individuals or firms that could not easily obtain insurance through existing insurers."[357]

IMPACT: CRS notes that "Some very small non-life insurance companies are exempted from taxation entirely, while slightly larger non-life insurance companies may choose a potentially advantageous tax status instead of being taxed at the regular corporate tax rate of 21 percent."[358] It is difficult to determine how the deduction benefits are distributed because "ownership of some of these companies may be widely dispersed. Competitive pressures may force companies to pass some of these benefits on to insurance policyholders via lower premiums. In other cases, a set of companies may set up a 'captive' or 'minicaptive' insurance company, which provides insurance policies in exchange for premiums. In these cases, stakeholders in the parent companies benefit from the tax exemption."[359]

CRS notes that the deduction violates economic principles and creates costs for society. First, "The principle of basing taxes on the ability to pay, often put forth as a requisite of an equitable and fair tax system, provides no justification for reducing taxes on business income for firms below a certain

[357] U.S. Senate, Committee on the Budget, pp. 368-369.
[358] Ibid, p. 368.
[359] Ibid.

size."[360] In addition, "Imposing lower tax rates on smaller firms distorts the efficient allocation of resources, since it offers a cost advantage based on size and not economic performance. This tax reduction serves no simplification purpose, since it requires an additional set of computations and some complex rules to prevent abuses."[361]

[360] U.S. Senate, Committee on the Budget, p. 369.
[361] Ibid.

***Income Tax***
*Special Rules*

## 102. Interest-charge domestic international sales corporations

Internal Revenue Code Sections: 991-997
Federal Law Sunset Date: None
Year Enacted in Federal Law: 1986

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Loss | $3,217 | $3,217 | $3,064 | $2,910 |
| Personal Income Tax Loss | $0 | $0 | $0 | $0 |
| **Total** | **$3,217** | **$3,217** | **$3,064** | **$2,910** |

DESCRIPTION: An "Interest-Charge Domestic Sales Corporation" (IC-DISC) is a domestic corporation, usually formed as a tax-exempt subsidiary of another corporation or trust, that exports U.S. products. The parent company pays the IC-DISC a tax-deductible commission for its qualified export sales. Because the IC-DISC is tax-exempt, distributions to IC-DISC shareholders are taxed only once at the lower individual dividend and capital gains tax rates. As a result, the shareholders enjoy a preferred after-tax return representing a tax expenditure.

IC-DISC shareholders may also defer up to $10 million in income from qualified export sales. An interest charge is imposed on shareholders, however, based on the distribution that would have occurred without the deferral. The $10 million deferral limit was intended to limit the benefit of IC-DISC activity to smaller businesses.

PURPOSE: According to the Congressional Research Service, "IC-DISC was intended to increase U.S. exports and provide an incentive for U.S. firms to operate domestically rather than abroad. Additionally, IC-DISC … was adopted as a way to partially offset export subsidies offered by foreign countries."[362] CRS also notes that "IC-DISC is a tax incentive that is intended to increase U.S. exports and discourage U.S. corporations from establishing subsidiaries in foreign countries."[363]

IMPACT: IC-DISC reduces the effective tax rate on export income, and the benefit accrues to the owners of export firms and IC-DISC shareholders. Although IC-DISCs are intended to boost the U.S. economy by increasing exports and discouraging U.S. corporations from establishing subsidiaries in other countries, CRS highlights some negative consequences. For example, "With flexible exchange rates, an increase in U.S. exports resulting from IC-DISC likely causes an appreciation of the U.S. dollar relative to foreign currencies. In response, U.S. citizens could be expected to increase their consumption of imported goods, possibly at the expense of domestically produced substitutes. As a result, no improvement in the balance of trade occurs and domestic employment could decrease."[364]

CRS also points to "inefficiencies that IC-DISC may introduce into the allocation of productive economic resources within the U.S. economy, as only domestic exporters may benefit from the subsidy. Additionally, because the tax benefit is related to the production of exported goods and

[362] U.S. Senate, Committee on the Budget, p. 68.
[363] Ibid, p. 69.
[364] Ibid.

services, domestic consumers receive no direct consumption benefit. Foreign consumers, on the other hand, benefit from lower-priced goods."[365]

[365] U.S. Senate, Committee on the Budget, p. 69.

# PART II: LOCAL TAX EXPENDITURES

# INCOME TAX
# (LOCAL BUSINESS AND PERSONAL INCOME TAX)

***Income Tax***
*Exemptions*

## 103. Investment funds exemption from unincorporated business franchise tax

District of Columbia Code: D.C. Official Code § 47-1808.01(6)
Sunset Date: None
Year Enacted: 2014

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Business Income Tax Loss | $3,172 | $3,238 | $3,241 | $3,302 |
| Personal Income Tax Loss | $0 | $0 | $0 | $0 |
| **Total** | **$3,172** | **$3,238** | **$3,241** | **$3,302** |

DESCRIPTION: The District cannot tax non-residents' income, whether earned directly or via pass-through entities. Before 2015, investment funds operating a stock "trading" business in the District were treated as an unincorporated business and, therefore, subject to the unincorporated business franchise tax (UBFT). As of January 1, 2024, the UBFT tax is 8.25 percent. However, UBFT does not apply to trade or business where more than 80 percent of gross income is derived from personal services rendered by individuals or partners without capital as a material income-producing factor. This exempts professional firms, including doctors, lawyers, engineers, and accountants. This changed with the Tax Revision Commission Recommendations Clarification Act of 2014. The Act exempts trades and businesses that trade their own stocks, securities, and commodities from filing unincorporated business franchise taxes.

The exemption stems from whether an investment partnership should be considered as being engaged in a trade or business. An investment partnership, being treated as a business, will apportion its investment income as "business income" among the states where the investment partnership has apportionment factors, and the nonresident partners might be taxed in those states on their distributive shares of the apportioned business income of the investment partnership. On the other hand, an investment partnership not treated as being engaged in a trade or business, will have its income pass through to the partners as nonbusiness income and be taxed only in the partner's state of residence or commercial domicile.[366]

Virginia and Maryland offer similar exemptions to 'pass-through' entities established solely to invest in intangible personal property, such as stocks and bonds, with zero employees and no real or tangible property. These pass-through entities are not considered carrying on a trade or business. Corporations and non-residents in Virginia are not required to file a Virginia income tax return solely because of income from an investment pass-through entity. In Maryland, non-resident members and partnerships whose activities and assets are limited to investment in stocks, bonds, futures, options, or debt obligations other than debt instruments directly secured by real or tangible personal property are not subject to the nonresident member tax merely because a general partner from a Maryland location conducts the investment decisions, trading orders, research and the like.

[366] John A. Biek, "State Income Tax Exemptions for Nonresident Partners in Investment Partnerships" May-June 2009, available at http://www.ngelaw.com/files/Publication/28ece83b-1d2c-4c41-9186-1ee61fac8a1e/Presentation/PublicationAttachment/cd94486d-1a7b-41d1-b908-1caeadd4047d/JPTE.6666.Biek.pdf.



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PURPOSE: The purpose of this provision is to encourage new industries, and thereby expand the District's economy and employment base.

IMPACT: According to DC Tax Revision Commission, the tax imposed on investment funds operating a stock trading business in the District amounts to a "tax on capital gains, dividends, and interest—and represents a liability that would not be imposed on funds in other states. The UBFT effectively precludes investment funds from "trading" stocks or securities in the District."[367] The DC Tax Revision Commission recommended that the "District adopt such a 'trading safe harbor' that would generally exempt investment funds from the UBFT. This step, which would apply only to intangible and not real property, could position the District to attract a vibrant new industry, spurring growth and diversifying the economy."[368]

[367, 375] Final Report of the D.C. Tax Revision Commission. May 2014, p. 18, available at http://media.wix.com/ugd/ddda66_eb2ae0d8b86a4c9c86eaee90501c36aa.pdf.

***Income Tax***
*Exemptions*

## 104. BID corporations

District of Columbia Code: D.C. Official Code § 47-4668
Sunset Date: None
Year Enacted: 2018

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Business Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | $0 | $0 | $0 | $0 |
| **Total** | **$0** | **$0** | **$0** | **$0** |

DESCRIPTION: Business Improvement District (BID) corporations are nonprofit corporations that are organized pursuant to the District law for nonprofit corporations that conduct Business Improvement District Activities (BID activities) in a BID. A BID is organized and established by property and business owners to enhance the economic vitality of a downtown or neighborhood commercial area and is designed and conducted to avoid any material adverse impact on adjoining residential neighborhoods. The cost of BID services is financed by a self-imposed tax on the businesses within the community.

BID expenditures are used primarily for purchasing supplemental services, which include maintaining commercial corridors through litter and graffiti removal and landscaping to supplement city services; increasing security through the presence of ambassadors who walk the commercial district; promoting the commercial district and businesses operating therein; providing homeless and youth services; and making capital investments to supplement city services.[369]

Currently, there are eleven established business improvement districts (Adams Morgan Partnership; Anacostia BID; Capitol Hill (BID); Capitol River Front BID; DowntownDC; Dupont Circle BID Office; Georgetown (BID); Golden Triangle; Mount Vernon Triangle DC; NoMa BID; and Southwest BID), which provide programs that address commercial District-wide issues, such as cleanliness, maintenance, safety, promotion, economic development, and other collective business issues in their coverage areas. The Department of Small and Local Business Development manages the certification of BIDs and the BID charter extension process. The Council authorizes the BID taxes, collected by the District government and remitted to the BID.[370]

PURPOSE: This provision exempts Business Improvement Districts from taxation. Previous law does not provide a tax exemption for BIDs; therefore, the legislation was necessary to exempt BIDs from paying any sales, use, franchise, gross sales or receipts, income, personal or real property, transfer, or excise taxes.[371]

[369] Business Improvement Districts (BIDs), Department of Small and Local Business Development, August 25, 2022, available at https://dslbd.dc.gov/service/business-improvement-districts-bids
[370] Ibid.
[371] Council of the District of Columbia Committee on Business and Economic Development Committee Report (March 27, 2018). Report on Bill 22-0585, the "Business Improvement Districts Tax Exemption Amendment Act of 2018". Available at https://lims.dccouncil.us/Legislation/B22-0585.

Natalie Avery, the Executive director of DC BID Council, testified to the Council during the public hearing on Bill 22-0585, the "Business Improvement Districts Tax Exemption Amendment Act of 2018," that "from 1996 through 2007 there was language in the District's annual appropriation bill that exempted BIDs from paying taxes levied by the District of Columbia based on the following rationale: BIDs are funded by an additional real property tax imposed by the District of Columbia on non-exempt properties in BID areas and provide enhanced public services that contribute to the economic and social health of the city. She further stated that imposing District of Columbia taxes on BIDs would result in a significant reduction in public services customarily provided by BIDs to DC neighborhoods. In addition, the Office of Tax and Revenue stopped renewing BID tax exemption certificates in September 2017, thus the legislation is very important for BIDs to be exempted from certain taxes."[372]

IMPACT: BIDs benefit from this legislation.

[372] Council of the District of Columbia Committee on Business and Economic Development Committee Report (March 27, 2018). Report on Bill 22-0585, the "Business Improvement Districts Tax Exemption Amendment Act of 2018", p. 3. Available at https://lims.dccouncil.us/Legislation/B22-0585.

***Income Tax***
*Exemptions*

## 105. DC 529 ABLE Program Trust

District of Columbia Code: D.C. Official Code § 47-4901 and § 47-4902
Sunset Date: None
Year Enacted: 2016

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Business Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | $224 | $256 | $288 | $320 |
| **Total** | **$224** | **$256** | **$288** | **$320** |

DESCRIPTION: The District's ABLE program was established under the federal Stephen Beck, Jr. Achieving a Better Life Experience (ABLE) Act of 2014. The DC ABLE program offers an income tax exemption on the earnings of deposits made to ABLE savings accounts for eligible individuals[373] to spend on qualified disability expenses such as healthcare, education, housing, and transportation. As of 2024, any individual can contribute up to $18,000 of after-tax dollars a year to any ABLE (also known as 529A) account. The federal legislation amends implemented Section 529 of the Internal Revenue Service Code to create tax-free savings accounts for persons with disabilities, which are established and maintained by states. Persons with a disability would lose access to means-tested public benefits like Supplemental Security Income (SSI) or Medicaid if they possessed a savings account worth more than $2,000 unless the savings are held in an ABLE account.[374]

Both the states of Virginia and Maryland have ABLE programs as well as forty-one other states with their distinct regulations, tax deductions, and residency requirements.[375]

Since the passage of the Tax Cuts and Jobs Act of 2017, two adjustments to states' ABLE programs have been made: ABLE beneficiaries can roll over their 529 accounts into their 529A accounts up to the annual maximum contribution until January 1, 2026, in the event the beneficiary is later diagnosed with a disability; and ABLE beneficiaries who work and earn income, but do not participate in an employer's retirement plan, are incentivized to save additional amount in their 529A accounts up to the federal poverty level (currently $14,580 in continental U.S.) in addition to the maximum annual contribution.

[373] The law defines "eligible individual" as an individual who during the taxable year is entitled to benefits based on blindness or disability under title II or XVI of the Social Security Act, and the blindness or disability occurred before the age of 26, or a disability certification with respect to such individual is filed with the OCFO for such taxable year, as defined in federal ABLE act.
[374] The ABLE savings account is not treated as personal assets towards this $2,000 cut off so long as the account does not exceed $100,000.
[375] The ABLE Nation Resource Center compares plans by state, available at https://www.ablenrc.org/select-a-state-program/

Purpose: According to the law's committee report, the exemption's purpose is to provide eligible District residents with disabilities with a way to pay for certain expenses and save money for the future without losing their eligibility for public benefits such as SSI.

Impact: Like the 529 college savings plan, the ABLE Program Trust benefits the account users whose withdrawals for qualified expenses, as well as investment gains from contributions, are tax-exempt. According to the law's purpose, the program appears to be meeting its goal of helping young residents with disabilities save for future qualified disability expenses, maintain their public benefits eligibility, and provide access to wealth for said persons.

A lack of data precludes us from determining the amount of tax-exempt capital gains from the taxable contributions for these accounts. As of calendar year 2023, the OCFO holds over $1.91 million in 238 DC ABLE accounts.

***Income Tax***
*Exclusions*

## 106. Gross income exclusion

District of Columbia Code: D.C. Official Code § 47-1803.02(a)(2)(RR)- (WW)
Sunset Date: None
Year Enacted: 2022

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Business Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | $74 | $74 | $74 | $74 |
| **Total** | **$74** | **$74** | **$74** | **$74** |

DESCRIPTION: The gross income exclusion exempts income from the Downtown Destination grants awarded to individuals or entities, including Business Improvement Districts and Main Streets, to create or enhance public spaces, exhibits, or businesses that will attract families to the Central Business District or other nearby commercial corridors; and to housing providers to cover the costs of past due rent of District residents who are tenants of the housing providers. Additionally, the exclusion exempts funding from the District Department of the Environment or the District of Columbia Sustainable Energy Utility to incentivize solar installations under the Solar for All program. Moreover, rebates issued for automatic external defibrillators, climate change resilience grants authorized under Subtitle VI-C, and lump sum payments received from the educator pay parity program are exempt.

PURPOSE: This provision exempts specific grants from District income taxes and incentivizes solar installations under the Solar for All program.

IMPACT: The exclusion benefits low to moderate-income residents participating in the Solar for All program. A lack of data precludes us from determining the amount of income that is tax-exempt from the Downtown Destination grants and rebates issued from automatic external defibrillators. However, it is believed that the forgone tax revenue from these exempt grants is minimal.

***Income Tax***
*Subtractions*

## 107. College savings plan contributions

District of Columbia Code: D.C. Official Code § 47-4501 - § 47-4512
Sunset Date: None
Year Enacted: 2001

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Business Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | $4,021 | $4,021 | $4,021 | $4,021 |
| **Total** | **$4,021** | **$4,021** | **$4,021** | **$4,021** |

DESCRIPTION: The District of Columbia College Savings Plan allows residents to create college savings accounts to benefit from incentives for qualified tuition programs provided by section 529 of the U.S. Internal Revenue Code. Contributions to a college savings account must be spent on "qualified higher education expenses and elementary and secondary tuition," which include college tuition, fees, books, supplies, and equipment.[376] Anyone can open a college savings account on behalf of a child. At the end of FY 2022, the D.C. plan had 36,904 accounts with an average balance of $25,696. Although the D.C. plan added 3,772 new accounts in FY 2022, its assets decreased by 6.9% to $948.3 million from FY 2021 due to a combination of historically high inflation, rising interest rates, the war in Ukraine, and lingering COVID-19 issues.[377]

H.R. 1865, P.L. 116-94, also known as the Setting Every Community Up for Retirement Enhancement Act (SECURE Act), was signed into law on December 20, 2019. It expanded the types of eligible expenses for the 529 Plan to include apprenticeship programs and education loan repayments up to $10,000.

Earnings in a college savings account and the distribution of funds to pay for qualified higher education expenses are exempt from federal income tax. The District of Columbia conforms to those federal rules when applying the local income tax (see tax expenditure #13, "Earnings of qualified tuition programs").

The District of Columbia also allows account owners to take a local income tax deduction of as much as $4,000 yearly for single filers or $8,000 for joint filers. If the account owner contributes more than the maximum amount in a tax year, the excess amount may be carried forward, subject to the annual limit, for five years. The estimate of forgone revenue shown above reflects the loss resulting from the local income tax deduction.

College savings plans are offered in 49 states, 35 of which offer state tax deductions or credits to those who contribute to the plans in addition to the federal tax incentives.[378] In Maryland, a taxpayer can deduct up to $2,500 in annual account contributions *per* child, while in Virginia, a taxpayer can deduct up to $4,000 in annual account contributions *per* child. Both states also allow residents to exclude the earnings on their 529 account investments from state income tax.

[376] See Section 529(c)(3) of the Internal Revenue Code for the statutory definition of "qualified higher education expenses."
[377] D.C. 529 College Savings Plan, Fiscal Year 2022 Annual Report, available at www.dccollegesavings.com.
[378] State Section 529 Deductions, available at https://finaid.org/savings/state529deductions/

PURPOSE: This provision aims to increase access to higher education by helping individuals and families save for it on a tax-favored basis.

IMPACT: Families and others who pay for higher education benefit from the subtraction, as do the students whose educations are financed, at least in part, by the tax-favored college savings accounts. Moreover, society may benefit from having a more educated and productive citizenry.

During the tax year 2021 (the last year data was collected), 9,475 tax filers claimed this subtraction. As shown in the workforce table below, tax filers with annual income above $100,000 accounted for 93.1 percent of the total amount subtracted.

Higher-income families benefit more from college savings plans because they have the resources to save for college and face higher marginal tax rates that increase the value of tax deductions and exclusions. Urban Institute researchers have questioned whether the plans impact college savings because higher-income families would likely set aside funding for higher education even without the tax incentives.[379]

**College Savings Program- TY 2021**

| Income Category (AGI) | Number | Share | Amount ($) | Share |
|---|---|---|---|---|
| Breakeven or Loss | 50 | 0.5% | 187,943 | 0.4% |
| $1 to $25,000 | 140 | 1.5% | 384,874 | 0.8% |
| $25,001 to $50,000 | 192 | 2.0% | 569,828 | 1.1% |
| $50,001 to $75,000 | 300 | 3.2% | 866,935 | 1.7% |
| $75,001 to $100,000 | 419 | 4.4% | 1,386,943 | 2.8% |
| $100,001 to $150,000 | 1,135 | 12.0% | 4,344,696 | 8.8% |
| $150,001 to $200,000 | 1,209 | 12.8% | 5,752,013 | 11.6% |
| $200,001 to $500,000 | 4,301 | 45.4% | 24,543,378 | 49.5% |
| Over $500,000 | 1,729 | 18.2% | 11,531,845 | 23.3% |
| **Total** | **9,475** | **100%** | **49,568,455** | **100%** |

Source: ORA Analysis of 2021 Individual Income Tax Data.

[379] Maag and Fitzpatrick, pp. 24-25.



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***Income Tax***
*Subtractions*

## 108. Public school teacher expenses

District of Columbia Code: D.C. Official Code § 47-1803.03(b-2)
Sunset Date: None
Year Enacted: 2007

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Business Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | $60 | $60 | $60 | $60 |
| **Total** | **$60** | **$60** | **$60** | **$60** |

DESCRIPTION: An individual who has served as a classroom teacher in a traditional public school or a public charter school for an entire tax year may subtract the following expenses from District of Columbia gross income: (1) the amount paid for basic classroom materials and supplies needed for teaching, up to $500 per year, and (2) the amount paid as tuition and fees for post-graduate education, professional development, or licensing and certification requirements, up to $1,500 per year. If the taxpayer claimed a deduction for classroom materials and supplies or tuition and fees on his or her federal income tax return, then those expenses may not be claimed as a deduction from the District of Columbia gross income.

Maryland offers public school teachers to deduct up to $250 of unreimbursed classroom supplies purchased during the tax year and a non-refundable annual tuition tax credit of up to $1,500 for courses necessary to achieve or maintain advanced teacher certification. To receive the credit, the teacher must complete the course with a grade of "B" or better, have a satisfactory performance evaluation, and not have been reimbursed by his or her school system for the tuition paid. In 2022, Virginia enacted an income tax deduction of up to $500 for certain expenses incurred by an eligible educator in tax years 2022, 2023, and 2024. Virginia also allows a licensed primary or secondary school teacher to deduct 20 percent of unreimbursed tuition costs paid to attend continuing education courses required as a condition of employment, provided these expenses were not deducted from federal gross income.

PURPOSE: The purpose of the subtraction is to defray the costs that teachers often absorb for classroom supplies, materials, and professional development and to enhance the public school's ability to recruit and retain highly qualified teachers.

IMPACT: Classroom teachers are the direct beneficiaries of the subtraction, but there may be spillover benefits for society if the provision helps public schools in the District of Columbia schools attract and retain skilled teachers. On the other hand, the subtraction may violate the principle of horizontal equity because other professionals, such as child welfare workers, do not receive a similar deduction. Decision-makers might also consider whether it makes more sense to pursue the policy goals through direct spending for school supplies and professional development rather than through a tax provision.

During the tax year 2021, 2,106 tax filers claimed the subtraction, which is geared toward low-to-middle-income earners. As shown in the table below, tax filers with incomes between $25,000 and $75,000 accounted for 41.7 percent of the total amount deducted.

| **Public School Teacher Expenses-2021** | | | | |
|---|---|---|---|---|
| Income Category (AGI) | Number | Share | Amount ($) | Share |
| Breakeven or Loss | 31 | 1.5% | 11,356 | 1.5% |
| $1 to $25,000 | 248 | 11.8% | 84,695 | 11.4% |
| $25,001 to $50,000 | 395 | 18.8% | 133,737 | 18.0% |
| $50,001 to $75,000 | 499 | 23.7% | 175,479 | 23.6% |
| $75,001 to $100,000 | 351 | 16.7% | 122,105 | 16.4% |
| $100,001 to $150,000 | 264 | 12.5% | 104,197 | 14.0% |
| $150,001 to $200,000 | 139 | 6.6% | 52,025 | 7.0% |
| Over $200,000 | 179 | 8.5% | 58,727 | 7.9% |
| **Total** | **2,106** | **100.0%** | **742,321** | **100.0%** |

Source: ORA Analysis of 2021 Individual Income Tax Data.

***Income Tax***
*Subtractions*

## 109. Health insurance premiums paid for a same-sex spouse or domestic partner (personal income tax)

District of Columbia Code: D.C. Official Code § 47-1803.03(a)(15) and § 46-401(b)
Sunset Date: None
Year Enacted: 1992

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Corporate Income Tax Impact | $0 | $0 | $0 | $0 |
| Personal Income Tax Impact | $113 | $118 | $123 | $127 |
| **Total** | **$113** | **$118** | **$123** | **$127** |

DESCRIPTION: An individual taxpayer may subtract from gross income the amount of any health insurance premium paid by his or her employer for a domestic partner.

Individuals can also exclude from gross personal income the health insurance premiums that employers pay for themselves and other family members, but that exclusion is provided in federal law, to which the District conforms (see tax expenditure #31 "Employer contributions for medical care, medical insurance premiums and long-term care insurance premiums"). The federal government now allows any tax deductions or exclusions on behalf of domestic partners. However, the 2013 ruling by the federal government does not apply to registered domestic partnerships, civil unions, or similar formal relationships recognized under state law. The estimated revenue loss shown above reflects the cost of providing the D.C. personal income tax deduction for health insurance premiums paid for a domestic partner.

D.C. law defines a "domestic partner" as a person with whom an individual maintains a committed relationship characterized by mutual caring and sharing of a mutual residence; who is at least 18 years of age and competent to contract; who is the sole domestic partner of the other person; and is not married.[380] A domestic partner can be of the same sex or the opposite sex.

Neither Maryland nor Virginia offers individuals a similar tax deduction for domestic partners.

PURPOSE: The subtraction promotes tax equity for domestic partners and expands their access to health insurance. Because of federal conformity, the health insurance premiums paid by employers on behalf of spouses are not counted in the District of Columbia gross income; this provision offers the same treatment to domestic partners. The provision also makes health insurance more affordable to domestic partners.[381]

IMPACT: Domestic partners and their families benefit from the subtraction. In the tax year 2021, 248 tax filers claimed the subtraction. Tax filers with incomes over $75,000 accounted for 68 percent of the total amount deducted, as shown in the table below. It is estimated that the number of claimants has dropped since 2009 because same-sex marriage is now legal in the District of

[380] See D.C. Official Code § 32-701(3).
[381] Council of the District of Columbia, Committee on Finance and Revenue, Report on Bill 16-495, the "Domestic Partner Health Care Benefits Tax Exemption Act of 2005," October 12, 2005.

Columbia, reducing the appeal of domestic partner benefits for same-sex couples, and the federal government recognizes domestic partners for tax purposes. ORA estimates 248 tax filers will claim the deduction in FY 2022

The deduction for health insurance premium costs may lead employees to seek—and employers to provide—more of their compensation in terms of health benefits than they would otherwise offer, creating an efficiency loss.

| Health Insurance Premiums Paid for a Same-Sex Spouse or Domestic Partner -- TY 2021 | | | | |
|---|---|---|---|---|
| **Income Category (AGI)** | **Number** | **Share** | **Amount ($)** | **Share** |
| Breakeven or Loss | 4 | 2% | 24,888 | 2% |
| $1 to $25,000 | 19 | 8% | 67,090 | 5% |
| $25,001 to $50,000 | 23 | 9% | 117,875 | 8% |
| $50,001 to $75,000 | 39 | 16% | 231,749 | 17% |
| $75,001 to $100,000 | 26 | 10% | 96,188 | 7% |
| $100,001 to $150,000 | 37 | 15% | 233,053 | 17% |
| $150,001 to $200,000 | 32 | 13% | 185,796 | 13% |
| $200,001 to $500,000 | 57 | 23% | 349,732 | 25% |
| Over $500,000 | 11 | 4% | 90,403 | 6% |
| **Total** | **248** | **100%** | **1,396,774** | **100%** |

Source: ORA Analysis of 2021 Individual Income Tax Data.

***Income Tax***
*Subtractions*

## 110. Health professional loan repayments

District of Columbia Code: D.C. Official Code § 7-751.11
Sunset Date: None
Year Enacted: 2006

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Business Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | $127 | $127 | $127 | $127 |
| **Total** | **$127** | **$127** | **$127** | **$127** |

DESCRIPTION: The District of Columbia Health Professional Recruitment Program was established as a recruitment tool for health professionals in the District. Subject to the availability of funds, the program repays the outstanding principal, interest, and related expenses for government or commercial loans an individual obtains for tuition, fees, and reasonable educational expenses incurred while obtaining a health professional degree. The loan repayments made by the District government are taxable under the federal income tax but are not considered income for purposes of the District of Columbia income tax.

In return for the loan repayment, the health professional must work for at least two years and a maximum of four years at a non-profit facility located in a "health professional shortage area" or "medically underserved area" in the District of Columbia designated by the U.S. Department of Health and Human Services. The non-profit facility must offer primary care, mental health, or dental services to District of Columbia residents regardless of their ability to pay.

Physicians, dentists, and nurses are among the health professionals who are eligible to apply for the program. Selection is based on professional qualifications and relevant experience, professional achievements, and other competency indicators. The Department of Health administers the program.

Specifically, for full-time participants in the program, physicians and dentists are eligible to have 100% of their total debt not to exceed $120,000. Physicians who specialize and practice in obstetrics and gynecology, psychiatry, oncology, cardiology, neurology, infectious diseases, pulmonary diseases, nephrology, endocrinology, podiatry, ophthalmology, or another medical sub-specialty identified by the Director shall be eligible to have 100% of their total debt, not to exceed $200,000, provided that the participants provide full-time service in Wards 7 or 8. Also, other health professionals can have 100% of their total debt repaid, up to $66,000. All the debt is repaid over 4 years of service by the participants.

In 2012, Maryland policymakers enacted legislation establishing "Health Enterprise Zones," where residents experience measurable health disparities and poor health outcomes. A health care practitioner who provides primary care, behavioral health services, or dental health services in a designated zone may apply to the Department of Health and Mental Hygiene (DHMH) for a state income tax credit if he or she (1) demonstrates competency in cultural, linguistic, and health literacy, (2) accepts and provides care for Medicaid and uninsured patients, and (3) meets any other criteria set by DHMH. A practitioner in a Health Enterprise Zone may also apply for a refundable

$10,000 credit against the state income tax for hiring workers who help provide healthcare services in the zone. These tax credits are budgeted, so they are subject to the availability of funds and provided on a first-come, first-served basis.

Virginia loan repayment program through the Virginia Department of Health-Office of Minority Health and Health Equity (VDH-OMHHE) provides non-taxed incentives to qualified medical, dental, behavioral health, and pharmaceutical (pharmacists) professionals in return for a minimum of two (2) years of service at an eligible practice site in one of the federally designated Health Professional Shortage Areas (HPSAs) in a qualified field of practice in Virginia. Virginia State Loan Repayment Program VA-SLRP requires a dollar-for-dollar match from the community/practice site. The maximum award for a four (4) year commitment is $140,000 and shall be for a qualifying educational loan. Prioritizing applications for VA-SLRP is done on a first-come, first-served basis, with priority given to renewals. All approvals are based on the availability of funds. The participant shall meet and fulfill all requirements listed below to be eligible for the VA-SLRP.[382]

PURPOSE: This provision aims to "recruit community-based providers to our neediest neighborhoods by creating an incentive for those health professionals who choose to work where a health care shortage exists."[383]

IMPACT: This provision benefits health professionals who agree to work in health professional shortages or medically underserved areas in the District of Columbia. Low-income residents who receive health care from non-profit entities in the targeted areas should also benefit from this provision.

During the tax year 2021, 63 tax filers claimed the subtraction, a five (5) percent increase from 2021. As shown in the table below, in 2021, tax filers with incomes at or below $75,000 accounted for 51 percent of the total amount subtracted, which reflects the lower salaries that health professionals receive at non-profit facilities in medically underserved areas. However, there is an uptick in the number of tax filers with income at or above $100,000 that claimed the subtraction in 2021, which may reflect a shift in the salaries of health professionals.

| **Health Professional Loan Repayments -- 2021** | | | | |
|---|---|---|---|---|
| **Income Category (AGI)** | **Number** | **Share** | **Amount ($)** | **Share** |
| Breakeven or Loss | 12 | 19.0% | 414,666 | 26.4% |
| $1 to $25,000 | 6 | 9.5% | 184,256 | 11.7% |
| $25,001 to $50,000 | 9 | 14.3% | 102,258 | 6.5% |
| $50,001 to $75,000 | 9 | 14.3% | 99,372 | 6.3% |
| $75,001 to $100,000 | 6 | 9.5% | 93,722 | 6.0% |
| $100,001 to $150,000 | 6 | 9.5% | 293,460 | 18.7% |
| $150,001 to $200,000 | 6 | 9.5% | 70,368 | 4.5% |
| Over $200,000 | 9 | 14.3% | 312,318 | 19.9% |
| **Total** | **63** | **100%** | **$1,570,420** | **100%** |

[382] Virginia Loan Repayment Programs available at https://www.vdh.virginia.gov/OMHHE/primarycare/incentives/loanrepayment/

[383] Council of the District of Columbia, Committee on Health, Report on Bill 16-420, the "District of Columbia Health Professional Recruitment Program Act of 2005," October 14, 2005, p. 1.



1420/8585

***Income Tax***
*Subtractions*

## 111. D.C. and federal government survivor benefits

District of Columbia Code: D.C. Official Code § 47-1803.02(a)(2)(N)
Sunset Date: None
Year Enacted: 1987

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Business Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | $3,203 | $3,331 | $3,467 | $3,604 |
| **Total** | **$3,203** | **$3,331** | **$3,467** | **$3,604** |

DESCRIPTION: Taxpayers may exclude from their District of Columbia taxable income the amount of any survivor benefits they received from the D.C. government or federal government if they are 62 or older by the end of the tax year. Maryland and Virginia provide an income subtraction for surviving spouses receiving military retirement benefits. Maryland residents who are a surviving spouse who receives military retirement income can subtract up to $12,500, with an increase to the first $20,000 for individuals who are at least 55 years old on the last day of the taxable year of their military retirement income from their gross income. This benefit also applies to persons who served in other certain commissioned civil service corps. Virginia residents who are surviving spouses of deceased veterans receive a graduated taxable income subtraction. For tax year 2024, a surviving spouse, at any age, who is receiving survivor annuities can deduct $30,000 from their gross income. Beginning in tax year 2024, the age 55 eligibility requirement has been eliminated.

This provision does not affect Social Security survivor benefits, which are excluded from taxation under another provision of D. C. law (see tax expenditure #115), "Social Security benefits for survivors and dependents").

PURPOSE: The exclusion shields the benefits of D.C. government or federal government workers from taxation, promoting income security among elderly survivors.

IMPACT: This provision benefits individuals over 62 who receive survivor benefits from the D.C. or federal government. In 2021, 1,672 tax filers claimed this subtraction. Tax filers with income below $50,000 accounted for the bulk (60.2 percent) of the total subtractions, as shown in the table on the next page.

The exclusion of federal and D.C. government survivor benefits violates the principle of horizontal equity because those with private-sector survivors' benefits do not receive the same exclusion.

| DC and federal government survivor benefits - 2021 | | | | |
|---|---|---|---|---|
| **Income Category (DC AGI)** | **Number** | **Share** | **Amount ($)** | **Share** |
| Breakeven or Loss | 203 | 12.1% | 4,817,069 | 12.2% |
| $1 to $25,000 | 512 | 30.6% | 10,982,780 | 27.8% |
| $25,001 to $50,000 | 395 | 23.6% | 7,987,841 | 20.2% |
| $50,001 to $75,000 | 217 | 13.0% | 5,112,847 | 12.9% |
| $75,001 to $100,000 | 112 | 6.7% | 3,267,397 | 8.3% |
| $100,001 to $150,000 | 110 | 6.6% | 3,294,789 | 8.3% |
| $150,001 to $200,000 | 51 | 3.1% | 1,486,181 | 3.8% |
| $200,001 to $500,000 | 63 | 3.8% | 2,133,242 | 5.4% |
| Over $500,000 | 9 | 0.5% | 411,610 | 1.0% |
| **Total** | **1,672** | **100.0%** | **39,493,756** | **100.0%** |

Source: ORA Analysis of DC Individual Income Tax data.

***Income Tax***
*Subtractions*

## 112. Disability payments for the permanently and totally disabled

District of Columbia Code: D.C. Official Code § 47-1803.02(a)(2)(M)
Sunset Date: None
Year Enacted: 1985

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Business Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | $6 | $6 | $6 | $7 |
| **Total** | **$6** | **$6** | **$6** | **$7** |

DESCRIPTION: Taxpayers may exclude from adjusted gross income up to $5,200 in disability payments, provided that (1) they were permanently and totally disabled when they retired, (2) they had not reached the age required to retire under their employer's regular (non-disability) retirement program as of the first day of the taxable year, and (3) their other income was less than $15,000.

This provision does not apply to Social Security disability benefits, which are excluded from taxation under another provision of D.C. law (see tax expenditure #117), "Social Security benefits for the disabled").

Virginia allows permanently and totally disabled taxpayers to exclude up to $20,000 in disability plan income. However, Virginia taxpayers who claim the state's age deduction for those over 65 are not eligible for the exclusion. Maryland does not have a similar tax provision.

PURPOSE: The purpose of the subtraction is to maintain in D.C. law a provision of the U.S. Internal Revenue Code that was abolished by the Social Security Amendments of 1983, thereby preserving in local law a tax benefit to certain individuals with disability income.[384]

IMPACT: Permanently and totally disabled individuals who receive disability payments, are not eligible for their employer's regular retirement plan, and meet the income standards benefit from this provision. In tax year 2021, about 16 taxpayers will claim the subtraction.

Because of the income limit, the subtraction assists only low-income individuals and households. Moreover, the real value of the benefit has declined over time because the amount that can be excluded ($5,200) and the limitation on other income ($15,000) have not been adjusted for inflation or income growth.

[384] Specifically, the federal government replaced disability income exclusion with a new credit for the permanently and totally disabled. Because a credit is not automatically mirrored in the D.C. income tax system, D.C. policymakers apparently decided to retain the disability income exclusion in local law.

***Income Tax***
*Subtractions*

## 113. Income of persons with a permanent and total disability

District of Columbia Code: D.C. Official Code § 47-1803.02(a)(2)(V)
Sunset Date: None
Year Enacted: 2005

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Business Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | $556 | $578 | $601 | $625 |
| **Total** | **$556** | **$578** | **$601** | **$625** |

DESCRIPTION: A taxpayer who has been determined to have a permanent and total disability by the U.S. Social Security Administration may exclude up to $10,000 from District of Columbia gross income if he or she (1) is receiving supplemental security income or social security disability, railroad retirement disability, or federal or District of Columbia government disability payments, and (2) has a household adjusted gross income of less than $100,000.

Neither Maryland nor Virginia offers a similar exclusion, although Virginia allows permanently and totally disabled taxpayers to exclude up to $20,000 in disability plan income. Maryland has a maximum pension exclusion of $39,500 if a taxpayer is 65 or older or totally disabled (or has a spouse who is totally disabled).

PURPOSE: This exclusion provides income support to people who cannot work due to a permanent total disability.

IMPACT: This provision benefits people with permanent and total disabilities. During tax year 2021, 848 tax filers claimed this subtraction. As shown in the table below, the benefits accrue almost entirely to low-to-moderate income taxpayers: tax filers with income of $50,000 or less accounted for 91 percent of the total amount subtracted.

| Income for people with a permanent and total disability – 2021 | | | | |
|---|---|---|---|---|
| **Income Category (AGI)** | **Number** | **Share** | **Amount ($)** | **Share** |
| Breakeven or Loss | 324 | 38.2% | 2,602,882 | 38.0% |
| $1 to $25,000 | 328 | 38.7% | 2,565,130 | 37.5% |
| $25,001 to $50,000 | 129 | 15.2% | 1,079,063 | 15.8% |
| $50,001 to $75,000 | 48 | 5.7% | 456,630 | 6.7% |
| Over $75,000 | 19 | 2.2% | 145,065 | 2.1% |
| **Total** | **848** | **100.0%** | **6,848,770** | **100.0%** |

Source: ORA Analysis of DC Individual Income Tax data.

***Income Tax***
*Subtractions*

## 114. Social security and railroad retirement benefits

District of Columbia Code: D.C. Official Code § 47-1803.02(a)(2)(L)
Sunset Date: None
Year Enacted: 1985

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Business Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | $45,279 | $47,077 | $49,011 | $50,936 |
| **Total** | **$45,279** | **$47,077** | **$49,011** | **$50,936** |

Note: The estimated revenue loss in the table above covers *all* social security income tax subtractions available to District residents because they are combined into one sum in the District's tax database. In other words, the revenue loss applies to this tax expenditure and #115 - #117.

DESCRIPTION: As required by law, the District of Columbia exempts all railroad retirement benefits from the local income tax, though a portion of those benefits is taxable under the federal income tax (see tax expenditure #44, "Social Security and Railroad Retirement benefits"). The estimate of forgone revenue shown above represents the incremental revenue loss resulting from exempting the railroad retirement benefits that are subject to federal taxation as well as Social Security benefits that are taxable at the federal level, which are reported on the same line of the District income tax form.

Under the federal income tax, the portion of railroad retirement benefits that railroad workers would receive if Social Security instead covered them is taxed on the same basis as Social Security benefits. Specifically, up to 50 percent of Social Security benefits are taxable for taxpayers between $25,000 and $34,000 (single filers) or $32,000 and $44,000 (joint filers). Above those income ranges ($34,000 for a single filer and $44,000 for joint filers), up to 85 percent of Social Security benefits are subject to federal income tax.

In addition, non-Social Security equivalent benefits provided to railroad retirees, such as supplemental annuity benefits, are subject to federal income tax regardless of any other income the retiree receives.

PURPOSE: The subtraction is intended to ensure equitable tax treatment of railroad retirement and Social Security benefits. Under D.C. law, all Social Security benefits are also exempt from the local income tax (see tax expenditure #115, "Social Security benefits for retired workers").

IMPACT: Individuals receiving railroad retirement payments benefit from this subtraction. According to the Railroad Retirement Board, in the District of Columbia there are approximately 400 current beneficiaries of the railroad retirement and survivor benefits program, who receive average benefits of $683 per month.[385] Because D.C. taxpayers report their railroad retirement and Social Security income on the same line of the income tax form, there are no data on the railroad

[385] U.S. Railroad Retirement Board, "Annual Railroad Retirement Act & Railroad Unemployment Insurance Act Data, Table B27: Retirement and Survivor Benefits in Current-Payment Status on September 30, 2022, by Class and State (amounts in thousands)," retrieved on April 26, 2024 from: https://www.rrb.gov/sites/default/files/2023-10/ST22partb.pdf.

retirement subtraction by income level. See the distributional table in the following tax expenditure #115 below for a breakdown of all Social Security and railroad retirement benefits combined by income level.

***Income Tax***
*Subtractions*

## 115. Social Security benefits for retired workers

District of Columbia Code: D.C. Official Code § 47-1803.02(a)(2)(L)
Sunset Date: None
Year Enacted: 1985

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Business Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | included in #114 | included in #114 | included in #114 | included in #114 |
| **Total** | **included in #114** | **included in #114** | **included in #114** | **included in #114** |

DESCRIPTION: The District exempts all Social Security benefits from taxation, a policy that is more generous than the federal treatment of Social Security benefits (see tax expenditure #45, "Social Security and Railroad Retirement Benefits"). Under federal law, up to 50 percent of Social Security benefits are taxable for taxpayers with "provisional income" between $25,000 and $34,000 (single filers) or $32,000 and $44,000 (joint filers). Above those income ranges ($34,000 for a single filer and $44,000 for joint filers), up to 85 percent of Social Security benefits are subject to federal income tax.[386]

The estimate of forgone revenue represents the incremental revenue loss resulting from the District's decision to exempt the Social Security benefits of retired workers from federal taxation. Forty other states, including Maryland and Virginia, provide a full exemption of Social Security benefits from taxation.[387]

PURPOSE: The subtraction shields Social Security benefits from taxation and ensures that Social Security provides adequate income support to the elderly during their retirement.

IMPACT: This provision benefits Retired Social Security recipients. D.C. taxpayers report railroad retirement and all types of Social Security income (for retirees, survivors and dependents, and the disabled) on the same line of the income tax form, so they are necessarily reported together here.

The table on the following page shows the aggregate distribution of Social Security *and* railroad retirement subtractions by income group. Nevertheless, because almost two-thirds of the Social Security recipients in the District are retirees and the number of railroad retirement beneficiaries in the District is small, the distribution suggests that taxpayers with incomes of $150,000 or less claim just over 56 percent of the benefits of the subtraction while taxpayers with annual incomes over $150,000 claim over 43 percent of the benefit. Taxpayers with incomes over $500,000 a year claim about 11 percent of the benefit.

[386] Provisional income consists of federal adjusted gross income, tax-exempt interest, some foreign-source income, and one-half of Social Security benefits.
[387] Nicole Spector (2024). 41 States That Won't Tax Social Security Benefits in 2024. Yahoo Finance, April 28, 2024. Retrieved from https://finance.yahoo.com/news/41-states-won-t-tax-120052096.html

As of December 2022, there were 61,434 retired workers, 1,623 spouses of retired workers, and 812 children of retired workers receiving Social Security benefits in the District of Columbia.[388]

The table below shows that 28,389 tax *filers* claimed the subtraction for Social Security or Railroad Retirement benefits in 2021. The number is lower than the recipients cited in the previous paragraph because those figures include all household members rather than tax filing units.

| Social security and railroad retirement benefits - 2021 | | | | |
|---|---|---|---|---|
| **Income Category (AGI)** | **Number** | **Share (%)** | **Income Amount Subtracted ($)** | **Share (%)** |
| Breakeven or Loss | 492 | 1.7% | 3,993,069 | 0.7% |
| $1 to $25,000 | 4,092 | 14.4% | 23,972,533 | 4.3% |
| $25,001 to $50,000 | 6,428 | 22.6% | 78,088,453 | 14.0% |
| $50,001 to $75,000 | 4,050 | 14.3% | 73,939,630 | 13.2% |
| 75,001 to $100,000 | 2,653 | 9.3% | 56,711,285 | 10.2% |
| $100,001 to $150,000 | 3,258 | 11.5% | 78,785,984 | 14.1% |
| $150,001 to $200,000 | 1,997 | 7.0% | 56,288,695 | 10.1% |
| $200,001 to $500,000 | 3,772 | 13.3% | 123,020,011 | 22.0% |
| Over $500,000 | 1,647 | 5.8% | 63,431,112 | 11.4% |
| **Total** | **28,389** | **100%** | **558,230,772** | **100%** |

Source: ORA Analysis of DC Individual Income Tax data.
Note: The table shows the income levels of Social Security beneficiaries (old-age, survivors and dependents, and disability benefits) and Railroad Retirement beneficiaries in 2021. Approximately two-thirds of these beneficiaries are Social Security old-age (retired worker) beneficiaries.

[388] U.S. Social Security Administration, OASDI Beneficiaries by State and County, 2022, SSA Publication No. 13-11954, released December 2023, p. 2.

***Income Tax***
*Subtractions*

## 116. Social Security benefits for survivors and dependents

District of Columbia Code: D.C. Official Code § 47-1803.02(a)(2)(L)
Sunset Date: None
Year Enacted: 1985

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Business Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | included in #114 | included in #114 | included in #114 | included in #114 |
| **Total** | **included in #114** | **included in #114** | **included in #114** | **included in #114** |

DESCRIPTION: The District exempts all Social Security benefits from taxation, a policy that is more generous than the federal treatment of Social Security benefits. Under federal law, up to 50 percent of Social Security benefits are taxable for taxpayers with "provisional income" between $25,000 and $34,000 (single filers) or $32,000 and $44,000 (joint filers). Above those income ranges ($34,000 for a single filer and $44,000 for joint filers), up to 85 percent of Social Security benefits are subject to federal income tax.[389]

The estimate of forgone revenue represents the incremental revenue loss resulting from the District's decision to exempt the Social Security benefits of survivors and dependents subject to federal taxation.

40 other states provide a full exemption of Social Security benefits from taxation, including Maryland and Virginia.[390]

PURPOSE: The exclusion shields Social Security benefits from taxation and ensures that Social Security provides adequate income support to dependents and survivors.

IMPACT: This provision benefits survivors and dependents who receive Social Security benefits. As of December 2022, 6,841 survivors (including children) received Social Security benefits in the District of Columbia.[391]

Because D.C. taxpayers report railroad retirement and all types of Social Security income (for retirees, survivors and dependents, and the disabled) on the same line of the income tax form, there are no data on the subtraction for Social Security survivors' and dependents' benefits by income level. See the distributional table in tax expenditure #115 for a breakdown of all Social Security and railroad retirement benefits combined by income level.

[389] Provisional income consists of federal adjusted gross income, tax-exempt interest, some foreign-source income, and one-half of Social Security benefits.
[390] Nicole Spector (2024). 41 States That Won't Tax Social Security Benefits in 2024. Yahoo Finance, April 28, 2024. Retrieved from https://finance.yahoo.com/news/41-states-won-t-tax-120052096.html
[391] Ibid.

***Income Tax***
*Subtractions*

## 117. Social Security benefits for the disabled

District of Columbia Code: D.C. Official Code § 47-1803.02(a)(2)(L)
Sunset Date: None
Year Enacted: 1985

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Business Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | included in #114 | included in #114 | included in #114 | included in #114 |
| **Total** | **included in #114** | **included in #114** | **included in #114** | **included in #114** |

DESCRIPTION: The District exempts all Social Security benefits from taxation, a policy that is more generous than the federal treatment of Social Security benefits. Under federal law, up to 50 percent of Social Security benefits are taxable for taxpayers with "provisional income" between $25,000 and $34,000 (single filers) or $32,000 and $44,000 (joint filers). Above those income ranges ($34,000 for a single filer and $44,000 for joint filers), up to 85 percent of Social Security benefits are subject to federal income tax.[392]

The estimate of forgone revenue represents the incremental revenue loss resulting from the District's decision to exempt the Social Security disability benefits subject to federal taxation.

40 other states provide a full exemption of Social Security benefits from taxation, including Maryland and Virginia.[393]

PURPOSE: The exclusion shields Social Security benefits from taxation and ensures that Social Security provides adequate income support to people with disabilities.

IMPACT: Social Security recipients with disabilities benefit from this provision. As of December 2022, there were 11,547 disabled workers, 21 spouses of disabled workers, and 1,198 children of disabled workers receiving Social Security benefits in the District of Columbia.[394]

Because D.C. taxpayers report railroad retirement and all types of Social Security income (for retirees, survivors and dependents, and the disabled) on the same line of the income tax form, there are no data on the subtraction for Social Security disability benefits by income level. See the distributional table in the previous tax expenditure #115 for a breakdown of all Social Security and railroad retirement benefits combined by income level.

[392] Provisional income consists of federal adjusted gross income, tax-exempt interest, some foreign-source income, and one-half of Social Security benefits.
[393] Nicole Spector (2024). 41 States That Won't Tax Social Security Benefits in 2024. Yahoo Finance, April 28, 2024. Retrieved from https://finance.yahoo.com/news/41-states-won-t-tax-120052096.html
[394] U.S. Social Security Administration, OASDI Beneficiaries by State and County, 2022, SSA Publication No. 13-11954, released December 2023, p. 2.

***Income Tax***
*Subtractions*

## 118. Rental assistance to police officers

District of Columbia Code: D.C. Official Code § 42-2902
Sunset Date: None
Year Enacted: 1993

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Business Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | $181 | $183 | $185 | $187 |
| **Total** | **$181** | **$183** | **$185** | **$187** |

DESCRIPTION: Metropolitan Police Department (MPD) officers can receive discounted rent from public and private housing providers in the District of Columbia. The D.C. Housing Authority (DCHA) is also lawfully required to offer public housing units at a discounted rent to MPD officers, prioritizing officers who already live in the District. The discounted rent officers receive is not counted as income in calculating District of Columbia income tax liability.

An officer who receives discounted rent must notify the Chief of Police of the terms of the discount and provide a copy of the lease or written agreement detailing the terms of the housing rental.

A review did not identify similar provisions offered in Virginia. However, in 2022, the City of Baltimore, Maryland's Police Department offered $1,000 monthly housing assistance for new hires for the first year of full-time employment if they live within the city.[395]

PURPOSE: This provision encourages MPD officers to live in the District of Columbia, particularly in public housing, and thereby promotes safety and security in the communities where they live. The report on the legislation by the Council's Committee on Housing stated that "Effective community policing requires a police presence in our community … Police officers who live in our community serve as a positive role model for our children, build a closer rapport with our residents, and their mere presence increases public safety."[396]

IMPACT: MPD officers and the communities where they reside are the intended beneficiaries of this provision. According to DC's 2021 individual income tax returns data, 10 MPD officers participate in the Residential Officer Program.

[395] Media Relations of the Baltimore Police Department (2022). Media Release: Baltimore Police Department announces new recruitment and retention incentives. Baltimore Police Department, August 18, 2022. Retrieved from https://www.baltimorepolice.org/news/media-release-baltimore-police-department-announces-new-recruitment-and-retention-incentives

[396] Council of the District of Columbia, Committee on Housing, Report on Bill 10-325, the "District of Columbia Metropolitan Police Housing Assistance Program and Community Safety Act of 1993," July 20, 1993, p. 2.

***Income Tax***
*Subtractions*

## 119. Compensatory damages awarded in a discrimination case

District of Columbia Code: D.C. Official Code § 47-1803.02(a)(2)(U) and § 47-1806.10
Sunset Date: None
Year Enacted: 2002

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Business Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | $14 | $15 | $15 | $16 |
| **Total** | **$14** | **$15** | **$15** | **$16** |

DESCRIPTION: A taxpayer may exclude from the District of Columbia gross income a court award intended to compensate him or her for the pain and suffering of unlawful employment discrimination. The exclusion does not apply to back pay, front pay (future wages), or punitive damages.[397] A review did not identify similar provisions offered in Virginia. In 2023, Maryland allowed any amount received by a claimant for noneconomic damages due to a claim of unlawful discrimination to be subtracted from Maryland's gross income.[398]

PURPOSE: The subtraction preserves the full value of the awards, which are intended to compensate individuals for the pain and suffering associated with unlawful employment discrimination.

IMPACT: This provision benefits individuals who have won an employment discrimination suit or received a monetary settlement of an employment discrimination claim. In the tax year 2021 (the last year for which data are available), 67 tax filers claimed $174,277 in awards. The maximum award amount in that year was $62,144.

[397] D.C. law provides that damages pertaining to back pay and front pay are to be averaged over the period of back and future wages involved. This spreading of back pay and front pay protects the taxpayers from having to pay a large lump sum in taxes in one year and avoids the perverse result in which a taxpayer could be pushed into a higher tax bracket due to the award of back pay and front pay.
[398] Maryland Form 502SU (2023). Subtractions from Income. Retrieved from https://www.marylandtaxes.gov/forms/23_forms/502SU.pdf

***Income Tax***
*Subtractions*

## 120. Poverty lawyer loan assistance

District of Columbia Code: D.C. Official Code § 47-1803.02(a)(2)(X)
Sunset Date: None
Year Enacted: 2007

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Business Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | $10 | $10 | $10 | $10 |
| **Total** | **$10** | **$10** | **$10** | **$10** |

DESCRIPTION: Loans awarded and subsequently forgiven through the District of Columbia Poverty Lawyer Loan Assistance Repayment Program (LRAP) can be excluded from the District's gross income.

LRAP is intended to encourage law students and attorneys to practice in areas of civil law deemed to serve the public interest. Participants who practice law in the designated areas, live in the District of Columbia, have an individual annual adjusted gross income of less than $100,000 or a joint annual adjusted gross income of less than $200,000,[399] and exhaust all other loan assistance opportunities, can receive loans to repay the debt incurred while obtaining a law degree. The loans are forgiven when the participant completes his or her service obligation. The maximum amount of loan repayment assistance is $12,000 per year per participant.

The District of Columbia Bar Foundation administers LRAP on behalf of the Deputy Mayor for Public Safety and Justice, who oversees the program. The Bar Foundation determines which areas of legal practice qualify for LRAP. According to the D.C. Bar Foundation, "49 Attorneys Enrolled to Receive Loan Forgiveness through LRAP" in 2023.[400] The average participant in 2023 owed $101,630 in educational debt and earned $72,137. The average LRAP-adjusted award in 2023 was $5,800.[401]

PURPOSE: This subtraction encourages attorneys to enter public-interest work and thereby expands access to legal services for low-income residents.

IMPACT: LRAP participants benefit from this provision, as do the organizations and clients who receive legal services from the participants. In the tax year 2021 (the last year for which data were available), 9 tax filers subtracted about $125,000 of income related to LRAP awards. The median income of the filers in that year was $42,702. Organizations that have employed program participants include the Legal Aid Society of the District of Columbia, Legal Counsel for the Elderly, Washington Legal Clinic for the Homeless University Legal Services, and Whitman-Walker Health.

[399] The income ceiling will be increased by 3 percent on October 1 of each year. The next increase will take effect on October 1, 2024. See D.C. Official Code § 4-1704.03(a)(4) and the 2024 LRAP guidelines available at https://dcbarfoundation.org/lrap.
[400] DC Bar Foundation, and from https://www.dcbarfoundation.org/reports.
[401] Ibid. The COVID-19 federal student loan payment suspension has been in effect from March 2020 to October 2023, which impacted the LRAP awards. For this reason, the 2020-2023 LRAP data is atypical.

***Income Tax***
*Credits*

## 121. Economic development zone incentives for businesses

District of Columbia Code: D.C. Official Code § 6-1501, § 6-1502, § 6-1504, and § 47-1807.06
Sunset Date: None
Year Enacted: 1988

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Business Income Tax Loss | $160 | $164 | $165 | $165 |
| Personal Income Tax Loss | $0 | $0 | $0 | $0 |
| **Total** | **$160** | **$164** | **$165** | **$165** |

DESCRIPTION: D.C. law designates three economic development zones eligible for tax and other development incentives: the Alabama Avenue zone, the D.C. Village zone, and the Anacostia zone. The Mayor may also designate additional economic development zones (subject to Council approval) based on evidence of economic distress, such as high levels of poverty, unemployment, low income, population loss, and other criteria outlined in the law.

A business entity that is located within an economic development zone is eligible for corporate franchise tax credits or unincorporated business franchise tax credits if (1) the business has signed a "First Source" agreement with the D.C. government pledging that 51 percent of new hires shall be D.C. residents, and (2) the business is subject to the D.C. franchise tax.

The available credits include (1) a credit equal to 50 percent of wages paid to low-income workers who are D.C. residents, up to a maximum of $7,500 per employee per year, (2) a credit equal to 50 percent of the workers' compensation premiums paid on behalf of workers who are D.C. residents, and (3) a rent credit for businesses that rent space to a non-profit child care center. The value of the rent credit is equal to the difference between the fair market value for the space and the actual rent charged to the childcare center. If the rent credit exceeds the tax liability of a business, it can carry the credit backward or forward for up to five years.

The Mayor must submit, and the Council must approve a resolution that qualifies the business for the incentives. The resolution must identify the business, specify the types of incentives to be granted, and estimate the annual dollar value of each franchise tax credit.

In 1997, the federal government established an enterprise zone in the District of Columbia, which provided businesses operating in the zone with federal wage tax credits, expensing and capital gains tax benefits, and tax-exempt bond financing. The authorization for the federal enterprise zone expired on December 31, 2011.

Maryland provides income tax credits for each new worker hired by a business in any of 29 enterprise zones or a Regional Institution Strategic Enterprise (RISE) zone and allows localities to offer real property tax credits for a portion of any property improvements made by a business in an

enterprise zone.[402] Businesses located in the Baltimore City or Prince George's County zones are eligible for larger property and income tax credits, as well as personal property tax credits. Virginia replaced its enterprise zone tax credits with a grant program.

PURPOSE: The incentives promote economic development in neighborhoods in economic distress and increase the employment of low-income D.C. residents.

IMPACT: Businesses located in an economic development zone and low-income residents are eligible to benefit from these incentives. Nevertheless, only two incentive packages have been approved since the economic development zones were created, and neither package included business tax incentives (both packages included real property tax incentives). ORA is not aware of any entities that have been eligible to claim this credit.

[402] The income tax credits are $1,000 for each new worker, but the credit rises to $9,000 over three years if the worker is "economically disadvantaged." The real property tax credits equal 80 percent of the increased tax liability resulting from property improvements for the first five years and are then phased out over the next five years.

***Income Tax***
*Credits*

## 122. Qualified high-technology companies: employment incentives

District of Columbia Code: D.C. Official Code § 47-1817.03
Sunset Date: None
Year Enacted: 2001

| (Dollars in thousands) | FY 2024 | FY 2025 | FY2026 | FY2027 |
|---|---|---|---|---|
| Business Income Tax Loss | 14,806 | 15,176 | 15,328 | 15,313 |
| Personal Income Tax Loss | $0 | $0 | $0 | $0 |
| **Total** | **14,806** | **15,176** | **15,328** | **15,313** |

DESCRIPTION: A qualified high technology company is allowed a credit against its business tax liability equal to 5 percent of the wages paid during the first 24 calendar months of employment to a qualified employee hired after December 31, 2017. The credit for each qualified employee may not exceed $3,000 per taxable year. If the credit exceeds the amount of tax otherwise due from a high-technology company, the unused amount can be carried forward for 10 years if a qualified employee was hired before October 1, 2019.

A high-technology company is considered "qualified" if it (1) has ten (before 2020, it was two) or more employees in the District and (2) derives at least 51 percent of gross revenues earned in the District from technology-related goods and services such as Internet-related services and sales; information and communication technologies, equipment and systems that involve advanced computer software and hardware; and advanced materials and processing technologies. A qualified employee is a person who is employed in the District of Columbia by a qualified high-technology company.

The employment credits were part of a list of incentives for high-technology firms authorized by D.C. Law 13-256, the "New E-conomy Transformation Act of 2000."[403] The "Downloading Lost Revenues Amendment Act of 2019" amended the provision by reducing the credit amounts.

Maryland offers a job creation tax credit for eligible businesses that locate or expand in the state and create at least 60 new jobs (25 in a "priority funding area" or 10 jobs in certain counties), as well as tax credits for hiring people who are qualified veterans. Still, these incentives are not specific to the high-technology sector (or any other sector). Virginia provides a major business facility tax credit for firms that create at least 51 new jobs (26 new jobs for firms in economically distressed areas or enterprise zones) relative to a base year but cannot also claim the green job creation tax credit or the clean fuel vehicle and advanced cellulosic biofuels job credit. They can, however, claim the new company incentive program; all of these incentives are not targeted at the high-technology sector.

PURPOSE: The credit encourages the growth of high-technology industries and employment in the District of Columbia and thereby strengthens the District's economic base.

[403] The other incentives, which include increased expensing of capital assets, a reduced corporate tax rate, property tax abatements, sales tax exemptions, and personal property tax exemptions, are discussed elsewhere in this section.

IMPACT: This provision benefits high-technology companies in the District of Columbia. There may also be spillover benefits regarding greater employment and business activity. For tax year 2022, 92 companies were certified as QHTCs, while 26 claimed $12.7 million in total QHTC credits, some of which may have been carried forward from previous years. In total, 23 firms claimed 1,155 employees as the basis of the wage credits reported.

## *Income Tax*
*Credits*

# 123. Qualified high-technology companies: incentives to employ and retrain disadvantaged workers

District of Columbia Code: D.C. Official Code §§ 47-1817.04 and 47-1817.05
Sunset Date: 2020
Year Enacted: 2001

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Business Income Tax Loss | Included in #122 | Included in #122 | Included in #122 | Included in #122 |

DESCRIPTION: Before 2020, a qualified high technology company could take credits against its franchise tax liability equal to 50 percent of the wages paid to a qualified disadvantaged employee during the first 24 calendar months of employment. The credit could not exceed $15,000 in a taxable year for each disadvantaged employee, and the credit was not allowable if the company accords the qualified employee lesser benefits or rights than other employees in similar jobs. Until 2020, if the allowable credit amount exceeds the tax otherwise due, the company could carry forward the unused amount for 10 years. As of tax year 2020, the credit for wages paid is no longer applicable, the credit for retraining costs cannot exceed $10,000 for each qualified disadvantaged worker *retrained* during the first 18 months of employment, and the carry forward provision is repealed.[404]

Retraining expenditures for qualified employees who are eligible for the tax credit include tuition, costs, or fees for credit or noncredit courses leading to academic degrees or certification of professional, technical, or administrative skills taken at District-based accredited colleges or universities or the cost for formal enrollment in training programs offered by nonprofit training providers (including community or faith-based organizations certified for the provision of training or job-readiness preparation at skill levels suitable for immediate performance of entry-level jobs), in demand among technology companies and information and telecommunications companies.

A qualified disadvantaged employee refers to a District of Columbia resident who is receiving benefits from the Temporary Assistance to Needy Families (TANF) program; was a recipient of TANF in the period immediately preceding employment; was released from incarceration within 24 months of being hired by a qualified high-technology company; or qualifies for the Welfare-to-Work Tax Credit or the Work Opportunity Tax Credit under the U.S. Internal Revenue Code.

A high-technology company is considered "qualified" if it (1) has ten (it was two before 2020) or more employees in the District and (2) derives at least 51 percent of gross revenues earned in the District from technology-related goods and services such as Internet-related services and sales; information and communication technologies, equipment and systems that involve advanced computer software and hardware; and advanced materials and processing technologies. The

[404] The QHTC Tax Incentives Modification Amendment Act of 2020 (Subtitle (VII)(M) of the FY 2021 Budget Support Act of 2020) amended Section 47-1817.04(d) and repealed Section 47-1817.04(e) and Section 47-1817.05(c).

employment credits are part of a package of incentives for high-technology firms first authorized by D.C. Law 13-256, the "New E-conomy Transformation Act of 2000."[405]

Maryland offers tax credits to its state business tax to employers who hire people with disabilities, but this incentive is not specific to the high-technology sector (or to any other sector). Virginia provides a tax credit of up to $750 for hiring TANF recipients (for businesses with 100 employees or less), but the incentive is not limited to the high-technology sector. Additionally, Virginia provides a non-refundable worker training tax credit of up to 35% of all classroom training costs. Still, it is limited to up to $500 annual credit per student if the course work is incurred at a private school or $300 per qualified employee with retraining in a STEM or STEAM discipline.[406] The worker retraining tax credit is not targeted at the high-technology sector or at disadvantaged workers.

PURPOSE: The purpose of the credit is to encourage high-technology companies to invest in the skills of disadvantaged workers and thereby help disadvantaged workers attain better jobs with higher wages and more potential for advancement within the high-technology sector.

IMPACT: Disadvantaged workers in the District of Columbia and high-technology companies that employ them benefit from this tax credit. In tax year 2022, no claims were made under this provision.

However, the credit violates the principle of horizontal equity because firms in other industries with equivalent income levels are not eligible for similar tax relief.

[405] The other incentives, which include increased expensing of capital assets, a reduced corporate tax rate, property tax abatements, sales tax exemptions, and personal property tax exemptions, are discussed elsewhere in this section.

[406] For classes taken at a private school, Virginia limits the annual credit to $200 per student ($300 per student if the student is undergoing training in science, technology, engineering, or mathematics).

***Income Tax***
*Credits*

## 124. Small retailer property tax relief credit

District of Columbia Code: D.C. Official Code § 47-1807.14
Sunset Date: None
Year Enacted: 2018

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Business Income Tax Loss | $3,041 | $3,028 | $3,009 | $3,006 |
| Personal Income Tax Loss | $0 | $0 | $0 | $0 |
| **Total** | **$3,041** | **$3,028** | **$3,009** | **$3,006** |

DESCRIPTION: A qualified corporation is eligible for a refundable credit equal to 1). 10% of the total rent paid by the corporation for a qualified rental retail location during the taxable year capped at $5,000; and 2) a tax credit equal to the total Class 2 real property taxes, under § 47-811, paid by the qualified corporation for a qualified retail owned location during the taxable year not to exceed the lesser of the real property tax paid during the taxable year or $5,000.

Retail sales include all tangible personal property, food, drink, and alcoholic beverages; digital goods, hotel room or any other transient lodgings or accommodations; admission to public events (except live performances of ballet, dance, or choral performances, concerts (instrumental and vocal), plays (with and without music), operas and readings and exhibitions of paintings, sculpture, photography, graphic and craft arts; parking and motor vehicle storage services; real property maintenance services; landscaping services; health club services; tanning studio services; data processing and information services; newspapers or publications; job seeking services; armored car, private investigation and security services; bottled water delivery services; the storage of household goods; carpet and upholstery cleaning services; car washing services; and bowling alley or billiard parlor services.

A qualified company is a corporation that engages in making retail sales with less than $2,500,000 in federal gross receipts or sales and is current on all District tax filings and payments. A qualified “retail rental location" or “qualified retail owned location” means a building or part of a building that is established in the District and is either the primary place of the retail business of the qualified corporation, owned by the qualified corporation, leased by the qualified corporation; or is classified, in whole or in part, as Class 2 Property, as defined in § 47-813 and has obtained a Certificate of Occupancy for commercial use.

Qualified retail sales companies already receiving any other tax credits towards payment of the real property tax for the qualified rental retail location or a qualified-owned retail location exempt from property tax are not eligible for the credit.

PURPOSE: The credit's purpose is to encourage the investment and growth of small retail businesses in the District. No purpose was expressly stated in this law’s founding committee report, so we assume its intent.

IMPACT: Small retail businesses benefit from this tax credit. In calendar year 2019, 710 small retailers claimed $3.2 million in credits; in 2020, 720 small retailers claimed $3 million in credits;

in 2021, 633 small retailers claimed $2.77 million worth of credits; and 585 small retailers claimed $2.63 million of credits in 2022.

***Income Tax***
*Credits*

## 125. District of Columbia Low-Income Housing Tax Credit

District of Columbia Code: D.C. Official Code § 47-4801- § 47-4812
Sunset Date: None
Year Enacted: 2015

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Business Income Tax Loss | $509 | $525 | $540 | $557 |
| Personal Income Tax Loss | $0 | $0 | $0 | $0 |
| **Total** | **$509** | **$525** | **$540** | **$557** |

DESCRIPTION: The District of Columbia Low-Income Housing Tax Credit (LIHTC) allows investors in qualified, affordable housing developments that receive an allocation of federal LIHTC to also receive a District income tax credit, franchise tax credit, or an insurance premium tax credit, up to 25 percent of the annual federal tax credit. Investors that receive the DC LIHTC can also claim the credit over ten years beginning once the housing project is placed in service and meets certain leasing thresholds. The DC credit is nonrefundable; however, unused credits may be carried forward to any of the 10 remaining subsequent taxable years the investor is eligible for the credit.

The federal LIHTC is currently awarded to certain low-income and mixed-income housing construction or rehabilitation projects through an allocation from the Department of Housing and Community Development (DHCD) or the District of Columbia Housing Finance Agency (DCHFA) when the projects use certain bond financing. The credit is allowed only for the fraction of units serving low-income tenants, subject to a maximum rent.

An owner of a qualified project receiving the DC LIHTC must certify to the Chief Financial Officer (CFO) the amount of credit allocated to the owner. The owner of the qualified project must additionally provide the CFO with the appropriate information so that the low-income housing tax credit can be properly allocated. Owners of the housing development can also sell, transfer, or assign the District LIHTC, provided they file an affidavit with DHCD that they have received an amount that exceeds the lesser of $0.70 per $1.00 in District of Columbia low-income housing tax credit or at least 80 percent of the value of the per dollar price for the federal LIHTCs and that the proceeds have been used to ensure the financial feasibility of the project.

PURPOSE: The District of Columbia LIHTC supports the development and rehabilitation of affordable housing. The Low-Income Housing Tax Credit Program is an investment vehicle created by the Federal Tax Reform Act of 1986, designed to encourage the private sector to invest in the construction and rehabilitation of housing for low—and moderate-income individuals and families.[407]

IMPACT: The LIHTC reduces the cost of investing in qualified low-income housing units. According to the Congressional Research Service (CRS), "Proponents of the credit argue that competitive sale of tax credits by developers to investors and the oversight requirements by housing agencies should prevent excess profits from occurring, and direct much of the benefit to qualified

[407] Department of Housing and Community Development. "Low Income Housing Tax Credit (LIHTC) Program. Available at https://dhcd.dc.gov/page/low-income-housing-tax-credit-lihtc-program

tenants of the housing units. Some critics have argued that the syndication process (the forming of a partnership between a developer and investors) results in a nontrivial portion of LIHTC funding being diverted away from subsidizing construction costs."[408]

[408] U.S. Senate, Committee on the Budget, Tax Expenditures: Compendium of Background Material on Individual Provisions, Senate Print 117-24, prepared by the Congressional Research Service (December 2022), p. 417

***Income Tax***
*Credits*

## 126. Lower-income, long-term homeownership

District of Columbia Code: D.C. Official Code § 47-1806.09 - § 47-1806.09f
Sunset Date: None
Year Enacted: 2002

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Business Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | $1 | $1 | $1 | $1 |
| **Total** | **$1** | **$1** | **$1** | **$1** |

DESCRIPTION: The District offers a lower-income, long-term homeowner credit to eligible residents with a household income equal to or less than 50 percent of the area median income who own an eligible residence (one that receives the homestead deduction) as a principal place of residence and have resided in that home for at least seven consecutive years. Eligible homeowners get a credit on their District of Columbia income tax equal to the difference between the current real property tax bill and 105 percent of their real property tax bill in the prior year.

The credit is refundable, meaning that the taxpayer can get a check for any amount by which the credit exceeds his or her income tax liability. Because household income determines eligibility, the income of anyone who shares the housing—even someone who is unrelated to the taxpayer—counts toward the 50 percent median income cap. To claim the credit, taxpayers must fill out Schedule L, the "Lower Income Long-Term Homeowner Credit."

In tax year 2023, the household income limits ranged from $52,745 for a single-person household to $105,490 for a household of eight people or more.

A review did not identify any tax relief provisions targeted at long-term homeowners in Maryland or Virginia.

PURPOSE: The credit protects lower-income, long-term homeowners in the District of Columbia from rapid increases in real property taxes that could force them to sell their homes and possibly leave the District.

IMPACT: Lower-income, long-term homeowners in the District of Columbia benefit from this provision. In the tax year 2021, 14 tax filers claimed the credit. The credit violates the principle of horizontal equity because lower-income homeowners who have not resided in the same home as a principal place of residence for seven years do not qualify for similar tax relief.

***Income Tax***
*Credits*

## 127. Property tax circuit breaker

District of Columbia Code: D.C. Official Code § 47-1806.06
Sunset Date: None
Year Enacted: 1977

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Business Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | $38,546 | $40,077 | $41,724 | $43,362 |
| **Total** | **$38,546** | **$40,077** | **$41,724** | **$43,362** |

DESCRIPTION: The District's property tax circuit breaker program (also known as "Schedule H") allows low-income homeowners and renters to claim a property tax credit applied to the taxpayer's income tax liability. To qualify, the taxpayer must have been a D.C. resident throughout the taxable year. The credit is refundable; if the amount of the credit exceeds tax liability, the taxpayer receives the excess amount in the form of a refund. The program has been revised substantially since 2014. One of the revisions includes the decision not to use household income to determine eligibility, which is important because taxpayers will no longer have to count the income of anyone who shares their housing – even someone who is unrelated – when applying for the program. Using the income of the tax filing unit (a single person or a family, in essence) expands eligibility and reduces the administrative complexity of the program.

For homeowners, the credit equals the amount by which their property tax bill exceeds a set percentage of household income (the relevant percentage varies with income), up to a maximum of $1,325 in 2023. The maximum credit is adjusted annually for inflation. The Schedule H federal Adjusted Gross Income (AGI) eligibility threshold for those under age 70 increased from $57,600 to $61,300 and from $78,600 to $83,700 for filers aged 70 and older. It is adjusted annually for inflation based on the consumer price index.

For renters, an imputed property tax payment of 20 percent of total rent payments is used to calculate their credit. The renter receives a credit equal to the amount by which his or her imputed property tax payment exceeds a percentage of household income, up to a maximum of $1,325. The maximum credit is also adjusted annually for inflation.

The program is known as a "circuit breaker" because it stops tax liability from increasing once it reaches a certain percentage of income. According to the Institute on Taxation and Economic Policy, 29 states and DC offered a circuit breaker program in 2023. Meanwhile, another 16 states provide property tax credits to some low-income families based on income.[409] In many states, the circuit breaker is available only to the elderly.

Maryland also offers a circuit breaker program. Homeowners with household income up to $60,000 and net worth, not including the value of the property on which you are seeking the credit or any qualified retirement savings or Individual Retirement Accounts, must be less than $200,000, can

[409] Carl Davis and Brakeyshia Samms (May 11, 2023). "Preventing an Overload: How Property Tax Circuit Breakers Promote Housing Affordability", *Institute on Taxation and Economic Policy*, Report, May 2023, p. 2.

claim a credit on taxes that result from the first $300,000 in assessed value. Renters can also qualify for a credit of up to $1,000 based on the assumption that 15 percent of their rent is used to pay property tax. Virginia does not have a circuit-breaker program.

PURPOSE: The credit enhances income security for residents whose property taxes are high relative to their income, such as elderly residents on fixed incomes. Although the tax relief is provided through the income tax system, it is based on the amount by which an individual or family's property tax bill exceeds a specified percentage of income.

IMPACT: Low—to moderate-income individuals and families who own or rent a home in the District of Columbia that serves as their primary residence are the main beneficiaries of this credit. In 2021, 37,133 tax filers claimed the credit, a 5.9 percent increase from the tax year 2019. As shown in the table below, in tax year 2021, 61 percent of tax filers claiming the credit made over $20,000 and claimed more than half of the credit.

| **Property tax circuit breaker- 2021** | | | | |
|---|---|---|---|---|
| **Income Category (AGI)** | **Number** | **Share** | **Amount ($)** | **Share** |
| Breakeven or Loss | 2,688 | 7.2% | 2,827,640 | 7.8% |
| $1 to $5,000 | 3,345 | 9.0% | 3,441,384 | 9.5% |
| $5,001 to $10,000 | 2,728 | 7.3% | 2,805,552 | 7.7% |
| $10,001 to $15,000 | 2,924 | 7.9% | 3,047,012 | 8.4% |
| $15,001 to $20,000 | 2,809 | 7.6% | 2,910,090 | 8.0% |
| Greater than $20,000 | 22,639 | 61.0% | 21,268,889 | 58.6% |
| **Total** | **37,133** | **100.0%** | **36,300,567** | **100.0%** |

Source: ORA Analysis of 2021 Individual Income Tax Data.

***Income Tax***
*Credits*

## 128. Earned income tax credit

District of Columbia Code: D.C. Official Code § 47-1806.04(f)
Sunset Date: None
Year Enacted: 2000

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Business Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | $98,372 | $100,347 | $102,681 | $104,502 |
| **Total** | **$98,372** | **$100,347** | **$102,681** | **$104,502** |

DESCRIPTION: An individual who receives a federal earned income tax credit (EITC) is eligible for a District of Columbia EITC (DC EITC) equal to a percentage of the federal credit. The credit is refundable, meaning that if the taxpayer's credit exceeds their DC income tax liability, they receive the balance as a refund. District taxpayers with qualified dependents who are allowed the federal EITC when filing their federal individual income tax return are eligible for a local EITC equal to 40% of their federal EITC. The Fiscal Year 2022 Budget Support Act of 2021 expanded the DC EITC for families with dependents to the most generous state-funded level in the country, eventually reaching 100% of the federal EITC for tax year 2025 returns. Specifically, the Earned Income Tax Credit as Basic Income Amendment Act of 2021 increases, for filers with a qualifying dependent, the amount of federal EITC matched by DC from 40 percent to 70 percent for tax years 2022 to 2024, 85 percent for tax year 2025, and 100 percent for tax years after 2025. The expansion also allows for monthly payments of a portion of the EITC beginning in tax year 2022. For tax year 2022, recipients will receive 40 percent of the total owed in a lump-sum payment, with the remaining amounts paid in 11-monthly installments. If the remaining credit owed is less than $600, then the recipients will be paid the full credit in one lump sum. After 2022, tax filers owed at least $1,200 will receive the entire amount in equal installments over 12 months, while payments for less than $1,200 will be paid as a lump sum.

The EITC has a phase-in range where the credit increases along with earnings, hits a plateau where the credit remains constant, and then has a phase-out range where the credit falls to zero. The maximum credit amounts for tax year 2024 are $7,830 with three or more qualifying children, $6,960 with two qualifying children, $4,213 with one qualifying child, and $632 with no qualifying children.

Working families with children who have annual income that ranges below $49,084 to $66,819 (depending on marital status and number of children) for tax year 2024 generally are eligible for the federal EITC and investment income of $11,600 or less for the year. In addition, low-income workers without children with incomes below $18,591 ($25,511 for a married couple) can receive a very small federal EITC.[410] In the District, however, the 2014 EITC expansion for childless workers made the maximum credit received by this group at least 100 percent of the federal credit. This expansion widened the earned income range to get the maximum credit from the federal level to a DC-specified earned income range for both unmarried and married childless workers. The expansion also raised the income eligibility limit at which childless workers can receive the credit.

[410] Can the Earned Income Tax Credit Help You? available at https://www.kiplinger.com/taxes/earned-income-tax-credit-awareness.

Before 2014, The federal government modified the federal credit through the American Recovery and Reinvestment Act (ARRA) of 2009. ARRA revised the federal EITC by providing a larger subsidy for families with three or more children and increasing benefits for married couples to reduce a "marriage penalty." Although the ARRA expansions were originally adopted only for 2009 and 2010, Congress extended the provisions through the end of tax year 2017. Those changes are mirrored in the DC EITC.

D.C. EITC program is additionally available to non-custodial parents between the ages of 18 and 30 who comply with a court order for child support payments. Because these taxpayers are not eligible for the federal EITC, they must fill out an additional form (Schedule N, "Non-Custodial Parent EITC Claim") to claim the DC EITC.

Most states (32 of 41) with a broad-based income tax offer their EITCs, including Maryland and Virginia. Maryland offers taxpayers the choice of a 45 percent refundable EITC (100% for childless workers) or a 50 percent non-refundable EITC. Virginia provides a 20 percent non-refundable EITC.[411]

Montgomery County, Maryland, is one of several localities to offer an EITC. Although Montgomery County's EITC was originally designed to equal the taxpayer's state EITC, the percentage was reduced due to budget shortfalls and is set at 95 percent for tax year 2014. The county EITC returned to 100 percent of the state EITC in tax year 2015. However, the County's match for this program is now 56% of the Maryland Refundable Earned Income Tax Credit with the adoption of Resolution 20-184 for the operating budget for fiscal year 2024.

PURPOSE: The credit promotes self-sufficiency among low-income workers, thereby reducing poverty and welfare dependency.

IMPACT: Low-income individuals and families benefit from the credit. During tax year 2021, 74,068 tax filers claimed the DC EITC a 37.7 percent increase in the number of claimants from 2019. Tax filers with income between $10,000 and $30,000 received 62.8 percent of the total share of the credit amount, as shown in the table below.

| **Earned income tax credit- 2021** | | | | |
|---|---|---|---|---|
| **Income Category (AGI)** | **Number** | **Share** | **Amount ($)** | **Share** |
| Breakeven or Loss | 2,249 | 3.0% | 1,924,311 | 2.8% |
| $1 to $10,000 | 20,347 | 27.5% | 16,467,114 | 23.6% |
| $10,001 to $20,000 | 19,508 | 26.3% | 26,390,002 | 37.9% |
| $20,001 to $30,000 | 16,488 | 22.3% | 17,357,645 | 24.9% |
| $30,001 to $40,000 | 13,128 | 17.7% | 6,646,757 | 9.5% |
| Greater than $40,000 | 2,348 | 3.2% | 844,398 | 1.2% |
| **Total** | **74,068** | **100%** | **69,630,227** | **100%** |

Source: ORA Analysis of 2021 Individual Income Tax Data.

[411] Urban Institute. "State Earned Income Tax Credits". Available at https://www.urban.org/policy-centers/cross-center-initiatives/state-and-local-finance-initiative/state-and-local-backgrounders/state-earned-income-tax-credits

Researchers have found that the EITC leads to significant increases in employment among single mothers while not reducing the labor supply among those already in the labor market.[412] One estimate is that the EITC lifted 2.5 million children out of poverty nationwide in 2005, more than any other government program.[413] Proponents also note that the EITC is easy to administer; no additional bureaucracy is needed to deliver benefits. The Center on Budget and Policy Priorities notes that "States with EITCs report very low administrative costs with the credit – typically less than 1 percent – which means that nearly every dollar a state spends on the EITC goes to the working families in need of help."[414]

[412] Nada Eissa and Hilary Hoynes, "Redistribution and Tax Expenditures: The Earned Income Tax Credit," *National Tax Journal* (64) (2, Part 2), June 2011, p. 704.
[413] Ibid, p. 690.
[414] Center on Budget and Policy Priorities, "Policy Basics: State Earned Income Tax Credits," January 2, 2014, p. 2.

***Income Tax***
*Credits*

## 129. Child and dependent care

District of Columbia Code: D.C. Official Code § 47-1806.04(c)
Sunset Date: None
Year Enacted: 1977

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Business Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | $8,258 | $8,258 | $8,258 | $8,258 |
| **Total** | **$8,258** | **$8,258** | **$8,258** | **$8,258** |

DESCRIPTION: An individual who receives a federal child and dependent care tax credit, as authorized by section 21 of the U.S. Internal Revenue Code (26 U.S.C. § 21), is eligible for a District of Columbia income tax credit equal to 32 percent of the federal credit. The credit is not refundable (it cannot exceed the amount of the individual's tax liability).

The U.S. Internal Revenue Code limits the credit to care provided for a dependent child under 13, a spouse, or certain other dependents incapable of self-care. The care must have been provided so that the taxpayer and his or her spouse if the taxpayer is married, can work or look for work. The care recipient must have lived with the taxpayer for at least half the year. The value of the federal credit ranges from 20 percent to 50 percent (declining as income rises) of dependent care expenses of up to $3,000 for one qualifying individual and $6,000 for two or more qualifying individuals.

The expenses qualifying for the credit must be reduced by the amount of any employer-provided dependent care benefits that the taxpayer excluded from his or her gross income.

Maryland offers a child and dependent care tax credit like the District's: single filers with income up to $30,000 and joint filers with income up to $50,000 receive credits equal to 32 percent of the federal credit. The Maryland credit is gradually phased out over income ranges of $30,001 to $103,650 (single filers) and $50,001 to $161,100 (joint filers). Virginia allows taxpayers who qualify for the federal credit to deduct up to $3,000 in care expenses for one dependent and up to $6,000 for two or more dependents. Virginia allows taxpayers to claim the Virginia deduction even if they couldn't claim the federal credit.

PURPOSE: The credit assists families in paying for child and dependent care so that a parent or caretaker may work or look for work.

IMPACT: Individuals and families eligible for the federal child and dependent care tax credit benefit from the D.C. credit. During the tax year 2021, 13,700 tax filers claimed the credit, a 23.5 percent decline (4,209 tax filers) compared to 2019. The income of many of the credit beneficiaries is between $25,000 and $100,000. Urban Institute researchers have noted that "Because the credit is nonrefundable, under current law, the high credit rates remain elusive. Those for whom the highest credit rates apply rarely owe taxes, and as a result, they rarely receive any benefit from this

provision."[415] The same pattern would apply to the District's credit because it follows the federal rules.

| Child and dependent care credit-2021 | | | | |
|---|---|---|---|---|
| **Income Category (AGI)** | **Number** | **Share** | **Amount ($)** | **Share** |
| Breakeven or Loss | 43 | 0.3% | 35,277 | 0.4% |
| $1 to $5,000 | 241 | 1.8% | 85,377 | 1.0% |
| $5,001 to $10,000 | 331 | 2.4% | 192,803 | 2.3% |
| $10,001 to $15,000 | 396 | 2.9% | 275,020 | 3.3% |
| $15,001 to $20,000 | 369 | 2.7% | 267,767 | 3.2% |
| $20,000 to $25,000 | 396 | 2.9% | 249,734 | 3.0% |
| $25,000 to $50,000 | 2,745 | 20.0% | 1,952,099 | 23.6% |
| $50,000 to $100,000 | 2,529 | 18.5% | 2,029,007 | 24.6% |
| $100,000 to $150,000 | 1,227 | 9.0% | 892,134 | 10.8% |
| Greater than $150,000 | 5,423 | 39.6% | 2,278,743 | 27.6% |
| **Total** | **13,700** | **100%** | **8,257,961** | **100%** |

Source: ORA Analysis of 2021 Individual Income Tax Data.

[415] Elaine Maag, Stephanie Rennane, and C. Eugene Steuerle, "A Reference Manual for Child Tax Benefits," Urban-Brookings Tax Policy Center, Discussion Paper No. 32, April 2011, p. 13.

***Income Tax***
*Credits*

## 130. Early learning child credit

District of Columbia Code: D.C. Official Code § 47-1806.15
Sunset Date: None
Year Enacted: 2018

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Business Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | $397 | $413 | $429 | $445 |
| **Total** | **$397** | **$413** | **$429** | **$445** |

DESCRIPTION: The District of Columbia Early Learning Tax Credit (ELC) is a refundable income tax credit enacted in the Fiscal Year 2019 Budget Support Act, effective October 30, 2018 (D.C. Law 22-0168). The ELC is available to taxpayers based on the amount of eligible childcare expenses paid by the taxpayer, up to $1,020 (increased annually according to the cost-of-living adjustment) per eligible child. ELC was originally only available for tax year 2018 for taxpayers earning up to $750,000 annually. The Fiscal Year 2020 Budget Support Act of 2019 extended the credit indefinitely but lowered the maximum income allowed for eligibility to $150,000 per year for those filing single, head of household, or married filing jointly, and $75,000 per year for those married filing separately.

An eligible child must be a dependent of the taxpayer and be 3 or under as of September 31 in the applicable tax year. For example, for the tax year 2018, a child turning 4 between October 1, 2018, and December 31, 2018, was still eligible. Eligible childcare expenses are payments to a qualified child development facility for childcare services provided to an eligible child.

A child development facility is a center, home, or other structure that regularly provides care and other services, supervision, and guidance for children, infants, and toddlers, regardless of its designated name. Child development facilities must be in the District of Columbia and either licensed by the District of Columbia or operated by the federal government or a private provider on federal property.

PURPOSE: The purpose of this act is to assist DC residents with the costs of early childhood care. Research shows that the costs of early childhood care in the District of Columbia are among the highest in the country.[416]

IMPACT: In 2021, 441 tax filers claimed $356,700 in credits for 484 children (a tax filer may claim multiple children). As the distribution below shows, in 2021, just over 49 percent of the total credit awarded went to filers earning $75,000 or higher (up to $150,000). Fewer claimed credit in 2021 compared to 2019, most likely due to the impact of the reduced income eligibility levels. While the reduction in the income eligibility level ensures that the credit is better targeted to lower-income families, a DC-based advocacy group contends that the tax credit is not the best way to

[416] ChildcareAware. "The US and the High Price of Child Care: Examination of a Broken System." 2019 Report. https://info.childcareaware.org/hubfs/2019%20Price%20of%20Care%20State%20Sheets/Final-TheUSandtheHighPriceofChildCare-AnExaminationofaBrokenSystem.pdf; page 18.

improve childcare affordability because the $1,000 credit only offsets a small amount of total annual childcare costs.[417]

| Early Learning Tax Credit - 2021 | | | | | |
|---|---|---|---|---|---|
| **Taxable Income Level** | **Number of Filers** | **Share** | **Amount of Credit ($)** | **Share** | **Number of Children** |
| Breakeven or Loss | 24 | 5.4% | 4,080.00 | 1.1% | 25 |
| $1 to $25,000 | 109 | 24.7% | 92,101 | 25.8% | 119 |
| $25,001 to $50,000 | 52 | 11.8% | 32,763.00 | 9.2% | 56 |
| $50,001 to $75,000 | 60 | 13.6% | 49,980.00 | 14.0% | 65 |
| $75,000 to $100,000 | 49 | 11.1% | 42,121.00 | 11.8% | 54 |
| $100,000 to $125,000 | 74 | 16.8% | 68,380.00 | 19.2% | 83 |
| $125,000 to $150,000 | 73 | 16.6% | 67,275.00 | 18.9% | 82 |
| **Total** | **441** | **100%** | **356,700** | **100%** | **484** |

Source: ORA Analysis of 2021 Individual Income Tax data, Office of Tax and Revenue.

[417]DC Fiscal Policy Institute. "What's in the Proposed Fiscal Year 2020 Budget for Early Childhood Development?" April 5, 2019. https://www.dcfpi.org/all/whats-in-the-proposed-fiscal-year-2020-budget-for-early-childhood-development/

***Income Tax***
*Credits*

## 131. Alternative fuel vehicle conversion and infrastructure credit (personal and business income tax)

District of Columbia Code: D.C. Official Code § 47-1806.12 and § 47-1806.13
Sunset Date: None
Year Enacted: 2015

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Business Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | $425 | $425 | $425 | $425 |
| **Total** | **$425** | **$425** | **$425** | **$425** |

DESCRIPTION: An individual can claim a nonrefundable credit in the amount of 50% of the equipment and labor costs directly attributable to the purchase and installation of alternative fuel storage and dispensing or charging equipment on a qualified alternative fuel vehicle refueling property or in a qualified private residence. The maximum credit that can be claimed is $ 1,000 per vehicle charging station for a qualified private residence and $10,000 per qualified alternative fuel vehicle refueling property or vehicle charging station for a qualified alternative fuel vehicle refueling property.

The equipment and labor cost to claim the credit cannot include any land purchases (or land access) to be used as a qualified alternative fuel vehicle refueling property, purchase of an existing qualified alternative fuel vehicle refueling property, or construction or purchase of any structure. The credit claimed cannot exceed the taxpayer's tax liability for the year. If the amount of the tax credit exceeds the tax liability, the excess amount of the credit can be rolled over for up to 2 tax years.

A tax filer can claim a nonrefundable tax credit of 50% of the labor costs directly attributable to the cost of converting a motor vehicle licensed in the District that operates on petroleum diesel or petroleum-derived gasoline to a motor vehicle that operates on an alternative fuel, with a maximum credit of $19,000 per vehicle.

Alternative fuel is fuel used to power a motor vehicle that includes at least 85% ethanol, natural gas, compressed natural gas, liquefied natural gas, liquefied petroleum gas, biodiesel (not kerosene), electricity provided by a vehicle-charging station, or hydrogen.[418] The tax credit is available until December 31, 2026.

Federal income tax credits are also available for the installation of alternative fuel systems. Vehicle refueling and recharging property placed in service in eligible census tracts must be used to store or dispense clean-burning fuel or recharge electric motor vehicles are eligible for a tax credit. Eligible property includes certain fueling equipment for natural gas, propane, hydrogen, electricity, E85, or biodiesel blends of at least 20% (B20+). The tax credit for businesses is 6% with a maximum credit of $100,000 for each single item of property for qualified refueling property subject to depreciation. Businesses meeting prevailing wage and apprenticeship requirements may be eligible for a 30% credit with a maximum credit of $100,000. Consumers who purchase

[418] § 47-1806.12

qualified residential fueling equipment before January 1, 2033, can receive a tax credit of up to $1,000.[419]

Maryland has an electric vehicle supply equipment rebate program for EVSE purchase and installation. The program is calculated by multiplying 50% by the EVSE's purchase and installation price and is capped at the following amounts: 50% up to $700 for residential purchase and installation and 50% up to $5,000 for commercial. For FY 2024, the total rebate program award is capped at $2.5 million. Virginia currently does not have any incentives.

PURPOSE: The legislation aims to radically transform the fuel options available in the District with initiatives that would facilitate a rapid advance in the diversity of fuel sources available.

IMPACT: DC residents will benefit from the credit, as the tax expenditure will transform their fuel options, allowing them to choose cleaner, greener fuel for their vehicles. About 286 tax filers claimed the credit in tax year 2021.

[419] US Department of Energy. Alternative Fuel Infrastructure Tax Credit. Available at https://afdc.energy.gov/laws/10513

# DEFERRALS, REBATES, MULTIPLE PROVISIONS

***Income Tax***
*Deferrals, Rebates, Multiple Provisions*

## 132. Opportunity Zone

District of Columbia Code: D.C. Official Code § 47-1801.04(39A), § 47-1801.04(39B), § 47-1801.04(39C), § 47-1801.04(39D) and 47-1803.03(a)(20)
Sunset Date: None
Year Enacted: 2020

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Business Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | $1,949 | $2,069 | $638 | ($10,932) |
| **Total** | **$1,949** | **$2,069** | **$638** | **($10,932)** |

DESCRIPTION: Individuals and businesses can benefit from three tax incentives associated with qualified opportunity zones. One, any tax due on capital gains can be deferred temporarily for 180 days after sale if the gains are reinvested in a qualified opportunity fund (QOF). QOF is "an investment vehicle organized as a corporation or a partnership for the purpose of investing in qualified opportunity zone property that holds at least 90 percent of its assets in qualified opportunity zone property or another QOF. Qualified opportunity zone property includes any qualified opportunity zone stock, qualified opportunity zone partnership interest, and qualified opportunity zone business property."[420] Two, the basis of the original gain will increase by 10 percent if the investment in the QOF is held for at least five years. if the investment is held for at least 7 years, the basis of the gain increases by an additional 5 percent. Finally, the third incentive permanently excludes capital gains tax on any gains from the qualified portion of their investment earned within the Opportunity Zone when the QOF investment is sold or disposed of if it is held for at least 10 years and until at least December 31, 2026.[421]

Qualified opportunity zones are specific census tracts in low-income communities designated by the chief executive officer of each state (i.e., the governor) and the District of Columbia. The federal opportunity zone tax incentives are in effect from December 22, 2017, through December 31, 2026.

Nevertheless, DC chose to decouple the capital gains deferral for purposes of District income taxes unless the investment meets certain criteria. These criteria include a requirement that the QOF is certified by the Mayor, that the QOF has invested at least the value of the taxpayer's QOF investment in a qualified opportunity zone (QOZ) located in the District, and that the QOF submits IRS forms 8996 and 8997 to the Office of Tax and Revenue. To be certified by the Mayor, the QOF must submit documentation showing the QOF has invested in a business or property that has received a grant, loan, or tax incentive from the District; has invested in an economic development project managed, owned, or disposed of by the District; has received the support of the Advisory Neighborhood Commission where the investment is located; or that has received at least a score of 75 on the Urban Institute Opportunity Zone Community Impact Assessment Tool. The subtitle also requires that the Office of Tax and Revenue collect data related to taxpayers claiming Opportunity

[420] U.S. Senate, Committee on the Budget, Tax Expenditures Compendium of Background Material on Individual Provisions December 2020, pp. 571-572.
[421] Ibid, p. 571.

Zone tax benefits and provide it in an anonymized format to the Office of the Deputy Mayor for Planning and Economic Development (DMPED).[422]

PURPOSE: Opportunity Zone tax incentives were enacted through the Tax Cuts and Jobs Act of 2017 to spur "economic growth and investment in distressed communities by providing federal tax benefits to businesses and investment located within designated boundaries."[423]

IMPACT: CRS notes that "[O]pportunity Zone tax incentives are designed to be broad incentives to retain investment in or shift investment toward specific geographic areas. Thus investors, who are likely in higher-income and long-term capital gains tax brackets, are the direct beneficiaries. The benefits accrued from investments in QOFs are staggered over time, which could encourage long-term, "patient" capital for development projects in areas that could be classified as higher risk by lenders and financers."[424]

[422] Fiscal Year 2021 Budget Support Act of 2020.
[423] U.S. Senate, Committee on the Budget, Tax Expenditures Compendium of Background Material on Individual Provisions December 2020, p. 573.
[424] Ibid, p. 572.

# REAL PROPERTY TAX

***Real Property Tax***
*Abatements*

## 133. New residential developments

District of Columbia Code: D.C. Official Code § 47-857.01 - § 47-857.10
Sunset Date: None
Year Enacted: 2002

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $291 | $291 | $291 | $291 |

DESCRIPTION: The Mayor is authorized to grant up to $8 million annually in real property tax abatements for new residential developments. The tax abatement for any eligible property expires at the end of the 10th tax year after the tax year in which a certificate of occupancy is issued. An eligible property must be improved by new structures or undergo rehabilitation, with 10 or more units devoted to residential use.

The $8 million annual limit is divided among projects in three areas: (1) $2.5 million in tax abatements for new housing projects and new mixed-income housing projects downtown, (2) $2 million in tax abatements for new housing projects and new mixed-income housing projects in Housing Priority Area A ("Mount Vernon Square North"), and (3) $3.5 million in tax abatements for new, mixed-income housing projects in other parts of the District of Columbia, which includes a set-aside of up to $500,000 for real property located in square 2910.[425]

The amount of tax relief varies according to the property's location and other factors, such as the type of construction and the percentage of affordable housing units. The program's rules are outlined in Title 10-B, Chapter 59 of the D.C. Municipal Regulations. The Office of the Deputy Mayor for Planning and Economic Development administers the program.

A property that receives a tax abatement for vacant rental housing (see tax expenditure #214) or receives tax-increment financing is not eligible for the new residential development abatements.

PURPOSE: The regulations state that the program's purpose is "to provide tax abatements as incentives for the production of new housing downtown and for the production of affordable, mixed-income housing in high-cost areas of the District of Columbia."[426]

IMPACT: The tax abatements are intended to deliver broad-based benefits by promoting the growth of mixed-income communities with commercial and residential uses, thereby strengthening the District's economic and tax base.[427] In particular, the downtown and Mount Vernon Square North areas are targeted beneficiaries of the program.

[425] Square 2910 is bounded by Kansas Avenue, Upshur Street, Georgia Avenue, and Taylor Street in Northwest D.C.
[426] See Title 10-B, Section 5900 of the D.C. Municipal Regulations.
[427] This summary draws on the Council of the District of Columbia, Committee on Finance and Revenue, "Committee Report on Bill 14-183, the 'HomeStart Financial Incentives Act of 2001," dated November 13, 2001.

Revenue loss may decline during FY 2024-2027 because some properties are reaching the end of the 10-year eligibility period. The abatements violate the principle of horizontal equity because similar developments in other parts of the city do not qualify for equivalent tax relief.

***Real Property Tax***
*Abatements*

## 134. NoMA residential developments

District of Columbia Code: D.C. Official Code § 47-859.01 - § 47-859.05
Sunset Date: None
Year Enacted: 2009

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $1,994 | $0 | $0 | $0 |

DESCRIPTION: The Mayor is authorized to grant up to $5 million annually and $50 million in total real property tax abatements for new residential developments in the North of Massachusetts Avenue (NoMA) neighborhood of Wards 5 and 6. The tax abatement for any eligible property expires at the end of the 10th tax year after the tax year in which a certificate of occupancy is issued. An eligible property must be improved by new structures or undergo rehabilitation and have 10 or more units devoted to residential use.

The tax abatement is set at $1.50 per residential floor-area ratio per square foot, multiplied by the total square footage as certified by the project architect and the Mayor. The program's rules are outlined in Title 10-B, Chapter 62 of the D.C. Municipal Regulations. The Deputy Mayor for Planning and Economic Development administers the program.

A property that claims a tax abatement for vacant rental housing (see tax expenditure #214) or receives tax-increment financing is not eligible for the NoMA abatements.

PURPOSE: The abatements are intended to encourage new multi-family residential development in the NoMA neighborhood. Noting that residential development had slowed considerably due to a weakening economy and credit crunch, the Council's Committee on Finance and Revenue stated in its report on the authorizing legislation that "The tax abatement bill would give an incentive to new builders to break ground and create new residential development in the NoMA area. The tax incentives contained in the bill are modeled after the successful Housing Act of 2002."[428] (See tax expenditure #133, "New residential developments").

IMPACT: Housing developers and residents of the new housing developments stand to benefit from the tax abatements, which are also intended to have broader benefits by strengthening the District's economic and tax base. The abatements violate the principle of horizontal equity because similar developments in other parts of the city do not qualify for equivalent tax relief.

Two developments currently receive this abatement (See table on the following page). Two other developments received this abatement until March 31, 2024. The revenue loss from the tax abatements will be constant until the first projects to receive the abatement reach their 10th, and after that, the projected revenue loss will decrease.

[428] Council of the District of Columbia, Committee on Finance and Revenue, Report on Bill 18-18, the "NoMA Residential Development Tax Abatement Act of 2009," March 16, 2009, p. 2.

**Table 1: Recipients of the NoMA Tax Abatement-2024**

| Name of Development | Address | # of Units | Date confirmed | Expiration date |
|---|---|---|---|---|
| Archstone North Capitol Hill 1 | 1160 First St NE, 55 M Street NE | 469 | 05/2013 | 09/30/2027 |
| NoMA West Residential 1, LLC | 150, 151, 200, 201, Q Street NE | 603 | 02/2014 | 09/30/2024 |
| NoMA West Residential, LLC | 60 L St NE | 321 | 02/2014 | 03/31/2024 |
| 77H | 77 H St NE | 303 | 02/2014 | 03/31/2024 |

Source: Office of Tax and Revenue.



1463/8585

***Real Property Tax***
*Abatements*

## 135. Affordable Housing in High-Need Affordable Housing

District of Columbia Code: D.C. Official Code § 47-860
Sunset Date: None
Year Enacted: 2021

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2025 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $200 | $4,125 | $4,125 | $4,125 |

DESCRIPTION: The Mayor is authorized to grant real property tax abatements to affordable housing projects. Eligible properties must contain or be developed with at least 350 housing units, rent at least one-third of the units at a level affordable at 80 percent of the area median income,[429] and be in an area designated through the District's Housing Equity Report[430] as having a high need for affordable housing (Rock Creek West, Rock Creek East, Capitol Hill, and Upper Northeast). Moreover, the developer must enter land covenants, agree to use Certified Business Enterprises[431] for 35 percent of project operations (but not construction costs), and agree to First Source hiring requirements[432] for project operations (but not construction costs). Finally, the mayor will use a competitive process to select the eligible projects that would receive the abatements.

The abatement would begin the tax year immediately following the year the project receives a certificate of occupancy and can continue for 40 years. The abatement becomes effective in fiscal year 2024. The program is also capped at $200,000 in 2024 and $4 million annually thereafter.

PURPOSE: The abatement encourages the development of affordable housing in neighborhoods with a "high need for affordable housing" and little to no available housing for low-income residents.

IMPACT: Once the abatement takes effect, it should increase the supply of affordable housing in DC.

[429] As set forth in section 2(1) of the Housing Production Trust Fund Act of 1988, effective March 16, 1989 (D.C. Law 7-202; D.C. Official Code § 42-2801(1)).
[430] https://planning.dc.gov/publication/housing-equity-report.
[431] Pursuant to the Small and Certified Business Enterprise Development and Assistance Act of 2005, effective October 20, 2005 (D.C. Law 16-33; D.C. Official Code § 2-218.01 et seq.).
[432] Pursuant to the First Source Employment Agreement Act of 1984, effective June 29, 1984 (D.C. Law 5-93; D.C. Official Code § 2- 219.03)

***Real Property Tax***
*Abatements*

## 136. Urban farming and food security

District of Columbia Code: D.C. Official Code § 47-868
Sunset Date: None
Year Enacted: 2014

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $90 | $90 | $90 | $90 |

DESCRIPTION: If a landowner uses, leases, or allows it to be used by an unrelated party for an agricultural purpose, 90 percent of the real property tax on the land value of the relevant portion of the real property can be abated for each real property tax year that the real property is used for agricultural use. To be eligible to apply for an abatement, an applicant must, before the property is used as an urban farm, submit a proposed annual planting plan to the Department of Energy and Environment (DOEE) for approval. The annual planting plan must produce a food commodity or put it to another season-appropriate agricultural-related use (like providing cover cropping, a beehive, or growing seedlings in a greenhouse).

For improvement, real property is not fully used as an urban farm; the portion of the improvement in use as an urban farm is abated. It is computed by dividing the square footage of the portion of the improvement used for urban farming by the gross building area of the improvement.

The abatement cannot exceed the real property tax liability on which the urban farm is located and is capped 20,000 per parcel of real property, per tax year. Subtitle (VI)(M), The Urban Agriculture Funding Amendment Act of 2020, in The Fiscal Year 2021 Budget Support Act of 2020, limits the total real property tax abatements to $150,000 per year beginning in FY 2021. The FY 2022 Urban Agriculture Funding Amendment Act further reduced the maximum annual real property tax abatements to $90,000. The Department of 'Energy and Environment's Office of Urban Agriculture certifies properties to receive abatements.

Food commodity means vegetables, fruits, grains, mushrooms, honey, herbs, nuts, seeds, or rootstock grown in the District by urban farming or by a community garden that is intended to be used as food in its perishable state and is approved by regulatory authorities.

In 2014, Maryland enacted the Urban Agricultural Property Tax Credit, which authorizes counties and the city of Baltimore to implement a property tax credit for urban land used for agricultural purposes. The real property must be between one-eighth of an acre and five acres. To qualify for the tax credit, the real property must be used for urban agricultural purposes, may not be used for any other for-profit purpose that would subject the parcel to property tax liability, and produce agricultural products valued at at least $2,500 per tax year. The credit is capped at $5,000 for each applicant per fiscal year.

PURPOSE: This tax expenditure aims to encourage urban farming, improve access to fresh and healthy food in the District, and promote the productive use of District property.

IMPACT: The provision will benefit property owners and residents because the district now has more healthy foods available. In FY 2024, the DOEE's Office of Urban Agriculture certified 12 properties.

| Year | Number of properties certified |
|---|---|
| 2019 | 2 |
| 2020 | 3 |
| 2021 | 4 |
| 2022 | 8 |
| 2023 | 13 |
| 2024 | 12 |

Source: Office of Urban Agriculture

***Real Property Tax***
*Abatements*

## 137. Tax abatement for housing in Downtown

District of Columbia Code: D.C. Official Code § 47-860.01-§ 47-860.04
Sunset Date: None
Year Enacted: 2022

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $2,500 | $2,500 | $2,500 | $2,500 |

DESCRIPTION: The program provides a 20-year tax abatement to incentivize property owners to convert all or part of their property from commercial to residential uses in eligible downtown areas. The conversions must yield a minimum of 10 affordable housing units for households earning 60% or less of the median family income for at least 20 years or at least 18% of the affordable housing units developed for households earning 80% or less of the median family income during the abatement period.

Eligibe areas include the geographic area bounded by a line starting at the intersection of the center line of Massachusetts Avenue, N.W., and the center of Dupont Circle, N.W.; continuing southeast along the center line of Massachusetts Avenue, N.W., to the center line of North Capitol Street, N.W.; continuing south along the center line of North Capitol Street, N.W., to the center line of Constitution Avenue, N.W.; continuing west along the center line of Constitution Avenue, N.W., to the center line of 15th Street, N.W.; continuing north along the center line of 15th Street, N.W. to the center line of Pennsylvania Avenue, N.W.; continuing west along the center line of Pennsylvania Avenue, N.W., to the center of Washington Circle, N.W.; continuing northeast along the center line of New Hampshire Avenue N.W., to, and terminating at, the intersection of the center line of Massachusetts Avenue, N.W., and the center of Dupont Circle, N.W. (the starting point); and any other portion of the central business district designated by the Mayor.

Other requirements to be eligible for the tax abatement includes filing a covenant in the land records of the District, binding on the owner and all of its successors to follow the affordable housing units requirements of the Inclusionary Zoning Program; the property owner must, at a minimum, contract with certified business enterprises for at least 35% of the contract dollar volume of the construction and operations of the project; the property owner must enter into a First Source Agreement for the operation of the project; a reservation letter must be submitted to the Mayor stating that the proposed development or redevelopment project is eligible for the tax abatement, setting forth the expected amount of the abatement, as determined pursuant to § 47-860.03(a), and reserving that amount for the project; the Mayor transmits to the owner the eligibility and reservation letter requested with the conditions imposed and the abatement cap set by the Mayor; and the property owner has received a certificate of occupancy within 24 months after the date the eligibility and reservation letter was transmitted. The certification deadline could be extended at the Mayor's discretion.

PURPOSE: According to the FY 2023 Budget Support Act of 2022, the purpose behind the abatement is to incentivize the conversion of currently commercial properties to residential uses.[433]

[433] Fiscal Year 2023 Budget Support Act of 2022, Council of the District of Columbia Committee of the Whole Committee Report.

IMPACT: Property owners will benefit from the provision. Residents will also benefit from the provision because of the increase in affordable housing available in the District.

***Real Property Tax***
*Exemptions*

## 138. Development of a qualified supermarket, restaurant, or retail store

District of Columbia Code: D.C. Official Code § 47-1002(23)
Sunset Date: None
Year Enacted: 1988

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $1,506 | $1,497 | $1,509 | $1,527 |

DESCRIPTION: A qualified supermarket, restaurant, or retail store is eligible for a real property tax exemption for 10 consecutive years beginning with the tax year in which a certificate of occupancy was issued for the development. Qualified supermarkets, restaurants, and retail stores must be in census tracts where more than half of the households have incomes below 60 percent of the area median, as determined by the U.S. Department of Housing and Urban Development. The property must continue to be used for the original purpose to maintain the exemption.

If the real property is not owned by the supermarket, restaurant, or retail store, the owner of the property can qualify for the real property tax exemption (also valid for 10 years) if the owner leases the land or structure to the supermarket at a fair-market rent that is reduced by the amount of the tax exemption. The authorizing statute also provides that a qualifying supermarket, restaurant, or retail store that leases real property that is part of a larger development can receive a rebate from the D.C. government for its pro-rata share of the property tax paid if the owner of the property has already paid the tax. However, the authorizing statute provides that any new exemptions for a qualified restaurant or retail store beginning on or after October 1, 2010, shall not be granted "until the fiscal effect of any such new exemptions is included in an approved budget and financial plan."[434]

PURPOSE: This exemption encourages the construction and operation of supermarkets, restaurants, and retail stores in lower-income areas of the city to decrease food deserts. Thus, D.C. residents' access to healthy food will increase, leading to longer-term improvements in their health outcomes.

IMPACT: This provision benefits individuals and organizations constructing and operating supermarkets, restaurants, and retail stores in the target areas, as do residents of these areas. In 2023, four supermarkets claimed the exemption.[435] The exemption violates the horizontal equity principle because other businesses in the target areas do not receive a similar exemption. The forgone revenue estimates are based on experience, suggesting that two more supermarkets will qualify yearly.

[434] See D.C. Official Code § 47-3802(b)(1), as amended by D.C. Law 20-61, the "Fiscal Year 2014 Budget Support Act of 2013," effective December 24, 2013.
[435] Unified Economic Development Budget Report: Fiscal Year 2023 Year-End, March 2024, Appendix I. Pgs. 48-57.

A 2018 report reviewing the District's economic development tax expenditures provided more detail on the District supermarkets' tax incentives.[436] That analysis found that almost $29 million of forgone District revenues could not be shown to have affected supermarkets' location decisions, generally, or produced economic or other benefits that would not have happened but for the incentives. As such, the report recommended that policymakers should consider changing the supermarket tax incentives to better target supermarkets that would not otherwise locate in an area of highest.

[436] "Review of Economic Development Tax Expenditures." Office of Revenue Analysis; Office of the Chief Financial Officer. District of Columbia. November 2018. https://cfo.dc.gov/node/1368546

***Real Property Tax***
*Exemptions*

## 139. BID corporations

District of Columbia Code: D.C. Official Code § 47-4668
Sunset Date: None
Year Enacted: 2018

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | n/a | n/a | n/a | n/a |

DESCRIPTION: Business Improvement District (BID) corporations are nonprofit corporations organized pursuant to the District law for nonprofit corporations conducting Business Improvement District activities (BID activities) in a BID. A BID is organized and established by property and business owners to enhance the economic vitality of a downtown or neighborhood commercial area. It is designed and conducted to avoid any material adverse impact on adjoining residential neighborhoods. The cost of BID services is financed by a self-imposed tax on the businesses within the community.

BID expenditures are used primarily for purchasing supplemental services, which include maintaining commercial corridors through litter and graffiti removal and landscaping to supplement city services; increasing security through the presence of ambassadors who walk the commercial district; promoting the commercial district and businesses operating therein; providing homeless and youth services; and making capital investments to supplement city services.[437]

Currently, there are eleven established business improvement districts (Adams Morgan Partnership; Anacostia BID; Capitol Hill (BID); Capitol River Front BID; DowntownDC; Dupont Circle BID Office; Georgetown (BID); Golden Triangle; Mount Vernon Triangle DC; NoMa BID; and Southwest BID), which provide programs that address commercial District-wide issues, such as cleanliness, maintenance, safety, promotion, economic development, and other collective business issues in their coverage areas. The Department of Small and Local Business Development manages the certification of BIDs and the BID charter extension process. The Council authorizes the BID taxes, collected by the District government and remitted to the BID.[438]

PURPOSE: The purpose of this provision is to exempt Business Improvement Districts from taxation. Previous law does not provide a tax exemption for BIDs; therefore, the legislation must exempt BIDs from paying any sales, use, franchise, gross sales or receipts, income, personal or real property, transfer, or excise taxes.[439] Natalie Avery, the Executive director of DC BID Council, testified to the Council during the public hearing on Bill 22-0585, the "Business Improvement Districts Tax Exemption Amendment Act of 2018," that “from 1996 through 2007 there was language in the District's annual appropriation bill that exempted BIDs from paying taxes levied

[437] Business Improvement Districts (BIDs), Department of Small and Local Business Development, August 25, 2022, available at https://dslbd.dc.gov/service/business-improvement-districts-bids
[438] Ibid.
[439] Council of the District of Columbia Committee on Business and Economic Development Committee Report (March 27, 2018). Report on Bill 22-0585, the “Business Improvement Districts Tax Exemption Amendment Act of 2018”. Available at https://lims.dccouncil.us/Legislation/B22-0585.

by the District of Columbia based on the following rationale: BIDs are funded by an additional real property tax imposed by the District of Columbia on non-exempt properties in BID areas and provide enhanced public services that contribute to the economic and social health of the city. She further stated that imposing District of Columbia taxes on BIDs would result in a significant reduction in public services customarily provided by BIDs to DC neighborhoods. In addition, the Office of Tax and Revenue stopped renewing BID tax exemption certificates in September 2017, thus the legislation is very important for BIDs to be exempted from certain taxes."[440]

IMPACT: BIDs benefit from this legislation.

[440] Council of the District of Columbia Committee on Business and Economic Development Committee Report (March 27, 2018). Report on Bill 22-0585, the "Business Improvement Districts Tax Exemption Amendment Act of 2018", p. 3. Available at https://lims.dccouncil.us/Legislation/B22-0585.

***Real Property Tax***
*Exemptions*

## 140. Educational institutions

District of Columbia Code: D.C. Official Code § 47-1002(10)
Sunset Date: None
Year Enacted: 1942

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $175,658 | $170,891 | $169,545 | $169,147 |

DESCRIPTION: Buildings belonging to and operated by schools, colleges, or universities "not organized or operated for private gain, and which embrace the generally recognized relationship of teacher and student" are exempt from real property taxation.

Exempting educational institutions from the real property tax is standard practice throughout the United States. Both Virginia and Maryland exempt educational institutions from real property taxation.

PURPOSE: The exemption supports a general policy of providing property tax exemptions to non-profit organizations that provide religious, charitable, social, scientific, literary, educational, or cultural benefits to the public.

IMPACT: Educational institutions benefit directly from the exemption, which is also expected to provide broader societal benefits such as a better-informed citizenry and a more productive workforce. During the tax year 2024, 461 properties received the educational institution's exemption.[441]

Educational institutions account for 7.4 percent of the total assessed value of tax-exempt property in the District of Columbia.[442] The tax exemptions given to certain properties shift the burden of paying for public services to taxable properties and may result in those properties paying a higher tax rate.

[441] Real Property Tax Administration Properties Exempt from taxation in TY 2024 for Tax Types: DC, E0-E9 and US. Available at https://otr.cfo.dc.gov/sites/default/files/dc/sites/otr/publication/attachments/Properties_Exempt_From_Taxation_in_2024.pdf

[442] In the tax year 2024, the tax-exempt property of educational institutions was valued at almost 9.3 billion. The total value of tax-exempt properties in the District of Columbia was $125.8 billion. From "Tax Facts 2024." Office of Revenue Analysis, OCFO. https://ora-cfo.dc.gov/page/dc-tax-facts, p. 52.

***Real Property Tax***
*Exemptions*

## 141. Higher education institutions

District of Columbia Code: D.C. Official Code § 47-1002(10A)
Sunset Date: None
Year Enacted: 2016

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $130 | $134 | $138 | $142 |

DESCRIPTION: Buildings belonging to a foundation that is not organized or operated for private gain and that is organized and operated exclusively for the benefit of a college or university that directly uses the building under a lease from the foundation with a term of at least one year to provide dormitory, classroom, and related facilities for its students is exempted from real property taxes.

According to the committee report, some states nationwide do not allow state-funded institutions to own property outside the state. In response to these laws, the institutions establish non-profit foundations. The legislation allows public and private higher education institutions to own property through their foundation in the District and receive a real property tax exemption. Institutions can establish satellite campuses in the District providing housing and courses to students.

PURPOSE: The exemption supports a general policy of providing property tax exemptions to non-profit organizations that provide education to the public.

IMPACT: Foundations benefit directly from the exemption, which is also expected to provide broader societal benefits such as a better-informed citizenry and a more productive workforce.

***Real Property Tax***
*Exemptions*

## 142. Libraries

District of Columbia Code: D.C. Official Code § 47-1002(7)
Sunset Date: None
Year Enacted: 1942

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $480 | $488 | $503 | $515 |

DESCRIPTION: Library buildings that belong to and are operated by organizations that are not organized or operated for private gain and are open to the public generally are exempt from real property taxation.

It is unclear whether private, non-profit libraries in other states are exempt from real property taxation. Libraries may qualify for real property exemptions granted to educational institutions or art and cultural organizations, depending on the specific definitions of those categories in each state and how the statutory language has been interpreted.

PURPOSE: The exemption supports a general policy of providing property tax exemptions to non-profit organizations that provide religious, charitable, social, scientific, literary, educational, or cultural benefits to the public.

IMPACT: Libraries benefit from the exemption, but there may be a wider social benefit because the libraries are open to the public and provide opportunities for learning and enrichment to the general populace. Presently, the Folger Shakespeare Library is the only library that qualifies for this exemption.

## *Real Property Tax*
*Exemptions*

# 143. Embassies, chanceries, and associated properties of foreign governments

District of Columbia Code: D.C. Official Code § 47-1002(3)
Sunset Date: None
Year Enacted: 1942

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $123,048 | $125,081 | $128,868 | $131,988 |

DESCRIPTION: Property belonging to foreign governments and used for diplomatic purposes is exempt from real property taxation in the District of Columbia. To claim the exemption, a foreign government must send a diplomatic note to the U.S. Department of State's Office of Foreign Missions, which submits the request for property tax exemption to the D.C. government along with a "Foreign Government Information Request Form" completed by the foreign government.[443]

Exempting embassies and chanceries from real property taxation is standard practice, but such property is concentrated in D.C. and New York City. Neighboring jurisdictions such as Montgomery County, Arlington County, and Fairfax County exempt the property of foreign governments from the real property tax.

PURPOSE: The purpose of the exemption is to uphold a principle of international law that foreign governments are entitled to a tax exemption for real property owned by the foreign government and used by its diplomatic mission. Any portion of the property that is not used for diplomatic or consular purposes is not exempt from the District's real property tax.

IMPACT: Foreign governments that own embassies, chanceries, and associated properties in the District of Columbia benefit from this exemption. During tax year 2024, 631 properties[444] received the exemption for embassies, chanceries, and associated properties of foreign governments. These properties account for 5.6 percent of the total assessed value of tax-exempt property in the District of Columbia.[445]

[443] U.S. Department of State, Office of Foreign Missions, "Diplomatic Note 06-01," dated April 12, 2006.
[444] Real Property Tax Administration Properties Exempt from taxation in TY 2024 for Tax Types: DC, E0-E9 and US. Available at https://otr.cfo.dc.gov/sites/default/files/dc/sites/otr/publication/attachments/Properties_Exempt_From_Taxation_in_2024.pdf
[445] In tax year 2024, tax-exempt property of foreign governments was valued at $7.1 billion. The total value of tax-exempt property in the District of Columbia was valued at $125.8 billion. From "Tax Facts 2024." Office of Revenue Analysis, OCFO. https://ora-cfo.dc.gov/page/dc-tax-facts, p. 52.

***Real Property Tax***
*Exemptions*

## 144. Federal government property

District of Columbia Code: D.C. Official Code § 47-1002(1)
Sunset Date: None
Year Enacted: 1942

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $1,188,257 | $1,129,878 | $1,100,251 | $1,081,091 |

DESCRIPTION: Property belonging to the United States is exempt from real property taxation in the District of Columbia "unless the taxation of same has been authorized by Congress."[446]

PURPOSE: This exemption recognizes the federal government's immunity from taxation by states or municipalities. This immunity has been established in numerous court decisions, beginning with *McCulloch v. Maryland*, 17 U.S. 316 in 1819, and has been reinforced in other cases including *Clallam County v. United States*, 263 U.S. 341 in 1923; *Cleveland v. United States*, 323 U.S. 329, 333 in 1945; *United States v. Mississippi Tax Commission*, 412 U.S. 363 in 1973; and *United States v. Mississippi Tax Commission*, 421 U.S. 599 in 1975.

IMPACT: The United States government benefits from this exemption. During tax year 2024, 2,958 properties[447] received the federal government exemption. These properties account for 50.4 percent of the total assessed value of tax-exempt property in the District of Columbia.[448]

[446] See D.C. Official Code § 47-1002(1).
[447] Real Property Tax Administration Properties Exempt from taxation in TY 2024 for Tax Types: DC, E0-E9 and US. Available at https://otr.cfo.dc.gov/sites/default/files/dc/sites/otr/publication/attachments/Properties_Exempt_From_Taxation_in_2024.pdf
[448] In tax year 2024, tax-exempt property of the U.S. government was valued at $63.4 billion. The total value of tax-exempt property in the District of Columbia was valued at $125.8 billion. From "Tax Facts 2024." Office of Revenue Analysis, OCFO. https://ora-cfo.dc.gov/page/dc-tax-facts, p. 52.

***Real Property Tax***
*Exemptions*

## 145. District of Columbia government property

District of Columbia Code: D.C. Official Code § 47-1002(2)
Sunset Date: None
Year Enacted: 1942

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $301,986 | $287,150 | $279,620 | $274,751 |

DESCRIPTION: "Property belonging to the District of Columbia and used for governmental purposes (as determined by the Mayor), unless otherwise provided by law" is exempt from taxation in the District of Columbia.[449]

PURPOSE: This exemption recognizes the District government's exemption from its property tax.

IMPACT: The District of Columbia benefits from this exemption. During the tax year 2024, 3,267 properties[450] received the District government exemption. These properties account for 14.7 percent of the total assessed value of tax-exempt property in the District of Columbia.[451]

[449] See D.C. Official Code § 47-1002(2).
[450] Real Property Tax Administration Properties Exempt from taxation in TY 2024 for Tax Types: DC, E0-E9 and US. Available at https://otr.cfo.dc.gov/sites/default/files/dc/sites/otr/publication/attachments/Properties_Exempt_From_Taxation_in_2024.pdf
[451] In tax year 2024, tax-exempt property of the D.C. government was valued at $18.4 billion. The total value of tax-exempt property in the District of Columbia was valued at $125.8 billion. From "Tax Facts 2024." Office of Revenue Analysis, OCFO. https://ora-cfo.dc.gov/page/dc-tax-facts, p. 52.

***Real Property Tax***
*Exemptions*

## 146. Miscellaneous properties

District of Columbia Code: Title 47 of the D.C. Official Code, Chapters 10 and 46
Sunset Date: Varies[452]
Year Enacted: Multiple years

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $63,215 | $62,825 | $63,333 | $64,108 |

DESCRIPTION: This tax expenditure includes (1) properties that qualify for a tax exemption based on multiple categories and (2) individual properties that were granted statutory exemptions but did not fall into any of the other categories of tax-exempt property, such as non-profit educational institutions, non-profit hospitals, and charitable organizations. Real property exemptions for individual properties are found in Chapter 10 ("Property Exempt from Taxation") and Chapter 46 ("Special Tax Incentives") of Title 47 ("Taxation, Licensing, Permits, Assessments, and Fees") of the D.C. Official Code.

An example of property that would qualify as exempt based on multiple categories is land owned by the Washington Metropolitan Area Transit Authority (tax-exempt), which is the site of a tax-exempt affordable housing development.

PURPOSE: The purpose of the exemptions is to reflect special circumstances that were determined to justify a real property tax exemption by the D.C. Council or the U.S. Congress.

IMPACT: The property owners who benefit from these tax exemptions represent a diverse array of organizations and commercial enterprises. During tax year 2024, 642 tax-exempt properties fell into the miscellaneous category. These properties account for 14.5 percent of the total assessed value of tax-exempt property in the District of Columbia.[453] The tax exemptions given to certain properties shift the burden of paying for public services to taxable properties and may result in those properties paying a higher tax rate.

Examples of organizations that have been awarded individual tax exemptions include the Basilica of the National Shrine of the Immaculate Conception, the National League of American Pen Women, the American College of Cardiology and American College of Cardiology Foundation, the National Education Association, the Young Men's Christian Association, the Woolly Mammoth Theatre Company, the Rosedale Conservatory, the Capitol Hill Community Garden Land Trust, and the Audi Soccer Stadium. A full listing of the local individual tax exemptions and abatements is located on pages xxxii-xxxvi.

[452] Some of the individual properties have sunset dates for their tax exemptions, but the more common restriction is that the exemption is valid so long as the property continues to be used for the same purpose as when the exemption was granted.
[453] In tax year 2024, tax-exempt miscellaneous properties were valued at $14.5 billion. The total value of tax-exempt property in the District of Columbia was valued at $125.8 billion. From "Tax Facts 2024." Office of Revenue Analysis, OCFO. https://ora-cfo.dc.gov/page/dc-tax-facts, p. 52.

Several international organizations with tax-exempt property fall into this category, including the World Bank, the International Monetary Fund, and the Inter-American Development Bank.

***Real Property Tax***
*Exemptions*

## 147. Hospital buildings

District of Columbia Code: D.C. Official Code § 47-1002(9)
Sunset Date: None
Year Enacted: 1942

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $16,431 | $16,703 | $17,209 | $17,625 |

DESCRIPTION: Hospital buildings that belong to and are operated by organizations "which are not organized or operated for private gain" are exempt from real property taxation.[454]

Exempting non-profit hospitals from the real property tax is standard practice throughout the United States. Virginia and Maryland exempt non-profit hospitals from real property taxation, but Maryland's exemption is limited to 100 acres of real property.

PURPOSE: The exemption supports a general policy of providing property tax exemptions to non-profit organizations that provide religious, charitable, social, scientific, literary, educational, or cultural benefits to the public.

IMPACT: The exemption benefits non-profit hospitals, but the public is also intended to benefit from this subsidy to hospital care. During the tax year 2024, 8 properties received the hospital building exemption.

Hospitals account for 0.5 percent of the total assessed value of tax-exempt property in the District of Columbia.[455] The tax exemptions given to certain properties shift the burden of paying for public services to taxable properties and may result in those properties paying a higher tax rate.

[454] See D.C. Official Code § 47-1002(9).
[455] In tax year 2024, tax-exempt property of hospitals was valued at $596.4 million. The total value of tax-exempt property in the District of Columbia was $125.8 billion. From "Tax Facts 2024." Office of Revenue Analysis, OCFO. https://ora-cfo.dc.gov/page/dc-tax-facts, p. 52.

***Real Property Tax***
*Exemptions*

## 148. Historic property

District of Columbia Code: D.C. Official Code § 47-842 - § 47-844
Sunset Date: None
Year Enacted: 1974

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $0 | $0 | $0 | $0 |

DESCRIPTION: The D.C. Council is authorized to grant tax relief to the owners of buildings designated as historic by the Historic Preservation Review Board.[456] The tax relief is provided through agreements between the D.C. government and the property owners lasting at least 20 years to assure the continued maintenance of the historic buildings.

The authorizing statute provides that the agreements "shall, as a condition for tax relief, require reasonable assurance that such buildings will be used and properly maintained and such other conditions as the Council finds to be necessary to encourage the preservation of historic buildings."[457] If the conditions for the exemption are not fulfilled, the D.C. government can seek recovery of back taxes with interest.

Montgomery County provides a Historic Preservation Tax Credit against the real property tax, equal from 10 to 25 percent of the amount expended by the taxpayer for restoring or preserving a historic property. Maryland and Virginia offer state historic preservation tax credits against other taxes (personal income, corporate income, insurance premiums taxes in both states and the bank franchise tax in Virginia).

PURPOSE: This provision protects historic buildings and landmarks in the District of Columbia, preserves the city's historic, aesthetic, and cultural heritage, fosters civic pride, and enhances the city's attractiveness to visitors, thereby promoting economic development.

IMPACT: The tax relief directly benefits the owners of historic buildings, but there may be a broader benefit to D.C. residents from the preservation of the city's cultural and social history and neighborhood beautification and improvement.

As of 2021, only one property has received partial tax exemptions due to its historical status. Therefore, the revenue loss estimate is for the historic property, the Potomac Boat Club, at 3530 K Street, N.W.[458]

[456] Although the statute cites the Joint Committee on Landmarks of the National Capital as the designating authority, the Joint Committee was replaced by the Historic Preservation Review Board in 1978.
[457] See D.C. Official Code § 47-844.
[458] Recently, the property has received zero tax relief. It was fully billed, and a full payment was made in the second half of FY 2021 and FY 2022. According to MITS, the exemption period ended 3/31/21. However, there was an abatement application submitted for the property on 5/3/21. The status of the application is unknown. If the application is denied, there is no forgone revenue.

***Real Property Tax***
*Exemptions*

## 149. Homestead deduction

District of Columbia Code: D.C. Official Code § 47-850
Sunset Date: None
Year Enacted: 1978

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $73,471 | $73,472 | $75,603 | $77,872 |

DESCRIPTION: Taxpayers who live in their own homes in the District of Columbia may take a homestead deduction that reduces the taxable value of their home. The homestead deduction is $87,050 for tax year 2024. Annual cost-of-living adjustments to the homestead deduction were suspended for several years due to the budget crisis that resulted from the economic recession, but the adjustments resumed on October 1, 2012.

To qualify for the homestead deduction, a taxpayer must apply with the Office of Tax and Revenue. Only homes with five or fewer dwelling units, including the unit occupied by the owner, are eligible. Taxpayers may not claim the deduction for more than one home.

The FY 2023 Budget Support Act of 2022 provides a separate deduction for veteran homeowners with permanent disability. The law allows veterans certified as having a total and permanent disability to deduct $445,000 from the assessed value of their homestead property, reducing the tax obligation for that property. Homeowners requesting such a deduction must apply to the Office of Veteran's Affairs (OVA), and qualified applicants must be certified by OVA to the Office of Tax and Revenue (OTR). A real property receiving this deduction would no longer be eligible for the reduction in tax liability for persons over age 65 and those with disabilities, and the owner-occupied residential tax credit (the homestead deduction). The law also exempts the disabled veterans' homestead from the requirement that residential property's taxable assessments cannot be less than 40 percent of the current year's assessed value.

Although neighboring jurisdictions in Maryland and Virginia provide a variety of property tax reductions to homeowners, they do not offer a provision like the District's homestead deduction. Maryland offers a "circuit breaker" program that allows credits against a homeowner's property tax bill if property taxes exceed a certain percentage of gross income.[459] Additionally, Maryland allows counties to grant property tax exemptions like a homestead deduction. The Virginia Constitution authorizes localities to grant real property tax exemptions or deferrals to the elderly and disabled homeowners (subject to conditions established in statute by the Virginia General Assembly, but Virginia law does not allow a homestead exemption similar to the District's). The Virginia Constitution also mandates that localities grant a real property tax exemption to veteran homeowners who are permanently and totally disabled or to the surviving spouse of the veteran.

[459] This credit is somewhat similar to the District's "Schedule H" program, but in Maryland the credit is offered against the property tax bill.

PURPOSE: The homestead deduction encourages individuals to own and occupy homes in the District of Columbia and provides tax relief to resident homeowners. Homestead properties account for 32 percent of the total assessed value of taxable property in the District of Columbia.[460]

IMPACT: District of Columbia residents who own their homes benefit from this provision. In tax year 2022, 101,142 owner-occupied residential properties received the homestead exemption. Mark Haveman and Terri Sexton point out that "Exemptions and credits for specified dollar amounts will result in a greater percentage tax reduction for owners of low-value homes, while exemptions and credits for a percentage of value will provide greater dollar savings to owners of high-value homes."[461] The homestead deduction is found to be progressive when comparing lower to higher assessed homes (since assessed values are positively correlated with income) because the deduction is a fixed dollar amount, and the tax rate is a flat rate across all residential properties.[462]

[460] In tax year 2024, homestead properties were valued at $76 billion. The total value of taxable and tax-exempt property in the District of Columbia was $ 375.3 billion. From "Tax Facts 2024." Office of Revenue Analysis, OCFO. https://ora-cfo.dc.gov/page/dc-tax-facts, p. 52.
[461] Mark Haveman and Terri Sexton, "Property Tax Assessment Limits: Lessons from Thirty Years of Experience" Policy Focus Report PF018 of the Lincoln Institute of Land Policy, 2008, p. 33.
[462] District of Columbia Housing Tax Expenditure Review. Office of Revenue Analysis, 2023. Available at https://ora-cfo.dc.gov/node/1686396.

***Real Property Tax***
*Exemptions*

## 150. Lower-income homeownership households and cooperative housing associations

District of Columbia Code: D.C. Official Code § 47-3503
Sunset Date: None
Year Enacted: 1983

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $12,288 | $12,711 | $13,063 | $13,450 |

DESCRIPTION: Certain property transferred to a "qualifying lower income homeownership household" is exempt from real property taxation. A qualifying lower-income homeownership household must meet two requirements: (1) household income can be no greater than 120 percent of the lower-income guidelines established for the Washington metropolitan area by the U.S. Department of Housing and Urban Development (HUD), and (2) the household must own the property in fee simple or receive at least a 5 percent qualified ownership interest as part of a shared equity financing agreement. The fair market value of the property being transferred cannot exceed 80 percent of the median sale price for homes in the District of Columbia.

In addition, if a shared equity financing agreement is in place, the renting household must receive a "credit against rent" equal to the value of the property tax exemption multiplied by the percentage of the household's qualified ownership interest.

The real property tax exemption is valid until the end of the fifth tax year following the year the property was transferred. During this five-year period, the owner must continue to occupy the property. If the property is owned by a cooperative housing association, it must continue to rent at least 50 percent of the units to households that meet the income standard for a qualifying lower-income homeownership household and benefit from the "credit against rent" requirement throughout the five-year period.

PURPOSE: The authorizing statute states, "The purpose of this act is to expand homeownership opportunities for lower-income families to the maximum extent possible at the lowest possible cost to the District of Columbia."[463]

IMPACT: Households with annual income no greater than 120 percent of the lower-income guidelines established for the Washington metropolitan area benefit from this exemption. There may be spillover benefits for society if homeownership leads to neighborhood improvement and stability by giving people a greater stake in their communities.

[463] See D.C. Official Code § 47-3501(7).

## *Real Property Tax*
*Exemptions*

# 151. Multi-family and single-family rental and cooperative housing for low- and moderate-income persons

District of Columbia Code: D.C. Official Code § 47-1002(20)
Sunset Date: None
Year Enacted: 1978

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $1,365 | $1,412 | $1,451 | $1,494 |

DESCRIPTION: Multi-family and single-family rental and cooperative housing, as well as individual condominium units, are exempt from the real property tax if they are rented to low- and moderate-income persons and qualify for at least one of the following federal programs: (1) the mortgage interest subsidy program for owners of rental housing projects for lower-income families, (2) the "Section 8" housing voucher program, (3) the rent supplement program for needy tenants, (4) the mortgage insurance program for moderate-income and displaced families, and (5) the supportive housing direct loan program for the low-income elderly.

PURPOSE: The purpose of this provision is to increase and maintain the stock of affordable housing in the District of Columbia.

IMPACT: This provision benefits the owners and tenants of housing that is rented to low—and moderate-income families.

***Real Property Tax***
*Exemptions*

## 152. Nonprofit housing associations

District of Columbia Code: D.C. Official Code § 47-3505
Sunset Date: None
Year Enacted: 1983

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $13,653 | $14,123 | $14,515 | $14,944 |

DESCRIPTION: Property transferred to a qualifying non-profit housing association[464] is exempt from the real property tax through the end of the third year in which the property was transferred, provided that the association certifies its intent to transfer the property to (1) a qualifying lower-income ownership household, (2) a multi-family housing property where at least 35 percent of the households are qualifying lower income ownership households, or (3) a cooperative housing association where at least 50 percent of the units are occupied by qualifying lower income ownership households and receive a "credit against rent."[465]

A qualifying lower-income homeownership household must meet two requirements: (1) household income can be no greater than 120 percent of the lower-income guidelines established for the Washington metropolitan area by the U.S. Department of Housing and Urban Development (HUD), and (2) the household must own the property in fee simple or receive at least a 5 percent qualified ownership interest as part of a shared equity financing agreement.

Maryland exempts property owned by a non-profit housing corporation from the state real property tax.

PURPOSE: The authorizing statute states that "The purpose of this act is to expand homeownership opportunities for lower-income families to the maximum extent possible at the lowest possible cost to the District of Columbia."

IMPACT: This provision benefits non-profit housing associations and the lower-income residents they assist in attaining homeownership. If homeownership leads to neighborhood improvement and stability by giving people a greater stake in their communities, there may be spillover benefits for society.

[464] Specifically, an eligible non-profit housing association is one that is exempt from federal income tax under sections 501(c)(3) or 501(c)(4) of the U.S. Internal Revenue Code.
[465] The credit against rent is equal to the value of the property tax exemption multiplied by the percentage of the household's qualified ownership interest.

***Real Property Tax***
*Exemptions*

## 153. Nonprofit affordable housing developers

District of Columbia Code: D.C. Official Code § 47-1005.02
Sunset Date: None
Year Enacted: 2012

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $800 | $824 | $849 | $874 |

DESCRIPTION: Non-profit affordable housing developers can maintain their real property tax exemption when a project is under the restrictions of the federal low-income housing tax credit (LIHTC) program. This exemption is necessary because property developed through the LIHTC program is usually transferred to a private, for-profit subsidiary of the developer. Without this exemption, the non-profit organization would have to pay tax on property it is developing as affordable housing. The exemption also applies to security interest instruments, including a mortgage or deed of trust, used in securing debt to acquire, develop, or redevelop or to refinance or modify a debt on the property through the FY 2019 Budget Support Act of 2018 (Title VII-Subtitle H). Moreover, the FY 2022 Budget Support Act of 2021 exempts from real property taxes affordable housing developed or to be developed on a real property that has been awarded financial assistance in the form of a grant or loan from the Housing Production Trust Fund or other District government low-income housing financing assistance program to provide housing affordable to households earning not more than 80% of the adjusted median income as long as the assistance was awarded after August 23, 2021, the real property and owner or lessee has been certified by the Mayor, and the real property complies with the restrictive covenants governing the income of residents that occupy or will occupy the affordable housing units developed or to be developed on the real property.

The LIHTC program was established by Congress in 1986 to provide the private market with an incentive to invest in affordable rental housing. State housing finance agencies award federal housing tax credits to developers of qualified projects, who usually sell the credits to investors to raise capital or equity for their projects.[466] The credit purchaser must be part of the property ownership entity; this transfer is usually accomplished by creating a limited partnership or limited liability company.

This approach reduces the debt that the developer would otherwise incur and thereby makes it possible for an affordable housing project to offer lower rents. If the project maintains compliance with LIHTC program requirements, investors receive a dollar-for-dollar credit against their federal tax liability for a 10-year period. Projects eligible for housing tax credits must meet low-income occupancy requirements.[467]

PURPOSE: The exemption ensures that non-profit developers of affordable housing are not subject to real property taxation when they participate in the LIHTC program.

[466] The developer typically sells the credit to raise up-front cash for the affordable housing project.
[467] Developers are required to set aside at least 20 percent of their units for households with incomes at or below 50 percent of the area median, or at least 40 percent of their units for households at or below 60 percent of the area median (adjusted for family size).

IMPACT: The exemption supports the operations of a program that the D.C. Housing Finance Agency (which awards LIHTC credits in the District of Columbia) describes as one of the two primary long-term financing programs used to develop affordable multi-family rental housing projects.[468]

[468] See www.dchfa.org.

***Real Property Tax***
*Exemptions*

## 154. Nonprofit workforce housing properties

District of Columbia Code: D.C. Official Code § 47–1005.03
Sunset Date: None
Year Enacted: 2019

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $598 | $594 | $599 | $606 |

DESCRIPTION: Land and buildings used by a nonprofit owner to provide rental housing is exempted from District of Columbia real property taxation as of the date of acquisition by the nonprofit owner; 1) if at least 50% of the occupied units are occupied by tenants with household income, for the year preceding the later of the date of acquisition by the nonprofit owner or initial occupancy by such tenants, the maximum of 80% of the adjusted median income; 2) the remaining occupied units are occupied by tenants with household income capped at 120% of the adjusted median income and; 3) rents charged to the tenants are not more than 30% of their adjusted median income for a household consisting of the number of persons indicated by the occupancy standard for the unit occupied by such tenant; provided, that the total rent paid to the non-profit landlord for any individual unit shall not exceed the greater of the Housing Choice Voucher Program rent for the submarket in which the property is located or in any submarket immediately adjacent to the property, established annually by the District of Columbia Housing Authority. Finally, the law requires that certified nonprofit owners maintain a policy to retain the tenants even when they cannot pay rent due to financial hardship and that the owners maintain a reserve to support such policy.

PURPOSE: The provision aims to increase the number of affordable housing units available to low-income residents in D.C.

IMPACT: Nonprofit entities that provide affordable housing to low-income residents benefit from this provision.

***Real Property Tax***
*Exemptions*

## 155. Correctional Treatment Facility

District of Columbia Code: D.C. Official Code § 47-1002(25)
Sunset Date: None
Year Enacted: 1997

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $4,643 | $4,394 | $4,261 | $4,175 |

DESCRIPTION: The Correctional Treatment Facility (CTF), located at 1901 E Street, S.E. (SSL: RES 001300001112E 0007), is exempt from real property taxation if the facility on that site is used as a correctional facility housing inmates in the custody of the Department of Corrections (DOC).

The Corrections Corporation of America owns and manages the CTF, which houses all of DOC's female and juvenile prisoners as well as some male prisoners who are a medium-security risk or lower. The company purchased the facility from the D.C. government in 1997 under a sale/leaseback arrangement that lasted for 20 years.

PURPOSE: This provision maintains the CTF's tax-exempt status following its change from government to private ownership.

IMPACT: This provision benefits the CTF operators. It was offered as part of a larger agreement in which the D.C. government received up-front revenue from the sale of the CTF. As of 2021, only one CTF benefits from this provision.

***Real Property Tax***
*Exemptions*

## 156. Art galleries

District of Columbia Code: D.C. Official Code § 47-1002(6)
Sunset Date: None
Year Enacted: 1942

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $3,274 | $3,328 | $3,428 | $3,511 |

DESCRIPTION: Art gallery buildings belonging to and operated by "organizations which are not organized or operated for private gain" are exempt from real property taxation if they are open to the public generally and do not charge admission more than two days per week.

Non-profit art and cultural organizations are exempt from real property taxation in Maryland and not Virginia.

PURPOSE: The exemption supports a general policy of providing property tax exemptions to non-profit organizations that provide religious, charitable, scientific, literary, educational, or cultural benefits to the public.

IMPACT: Art galleries benefit from the exemption, but there may be a wider social benefit because the galleries are open to the public and provide general cultural enrichment. At the same time, the tax exemptions given to certain properties shift the burden of paying for public services to taxable properties and may result in those properties paying a higher tax rate.

Several galleries or museums benefit from this exemption, including The Phillips Collection, the National Trust for Historic Preservation, the David Lloyd Kreeger Foundation, the Hillwood Estate Museum, and the National Museum of Women in the Arts. Other galleries or museums are exempt through other provisions of the property tax code; for example, some are located on federal property, and others have been exempted from real property taxation by a special act of Congress.

***Real Property Tax***
*Exemptions*

## 157. Theater, Music, or Dance Buildings

District of Columbia Code: § 47-1002(19)
Sunset Date: None
Year Enacted: 1996

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $1,423 | $1,455 | $1,497 | $1,542 |

Note: FY 2020 is the first year theater-related property tax exemptions have been identified and counted as a group. In previous Tax Expenditure Reports, the exemption amounts had been included in the Property Tax Exemption for Miscellaneous Properties.

DESCRIPTION: Buildings that are owned by, occupied, and used for legitimate theater, music, or dance purposes (and open to the public and not organized or operated for commercial purposes or for private gain) are exempt from all real property taxation so long as the property continues to be so owned and occupied and used for the exempt purposes described in § 47-1002(18) and § 47-1002(19), which provide for exemption of certain real properties.

PURPOSE: The exemption supports a general policy of providing property tax exemptions to non-profit organizations that provide religious, charitable, scientific, literary, educational, or cultural benefits to the public.

IMPACT: Theaters benefit from the exemption, but there may be a wider social benefit because the theaters provide general cultural enrichment. At the same time, the tax exemptions given to certain properties shift the burden of paying for public services to taxable properties and may result in those properties paying a higher tax rate.

At least seven theaters benefit from this exemption, including the Avalon Theater Project, the Andrew Keegan Theater, the Studio Theater, the Lansburgh Theater, the Shakespeare Theater, the Atlas Performing Arts Center, and DC Wheel Productions (Dance Place).

***Real Property Tax***
*Exemptions*

## 158. Cemeteries

District of Columbia Code: D.C. Official Code § 47-1002(12)
Sunset Date: None
Year Enacted: 1942

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $8,262 | $8,399 | $8,653 | $8,862 |

DESCRIPTION: Cemeteries dedicated to and used solely for burial purposes and not organized or operated for private gain, including buildings and structures reasonably necessary and usual to the operation of a cemetery, are exempt from real property taxation.

Real property tax exemptions for non-profit cemeteries are standard nationwide. Both Maryland and Virginia exempt non-profit cemeteries from real property taxation.

PURPOSE: The exemption supports a general policy of providing property tax exemptions to non-profit organizations that provide religious, charitable, scientific, literary, educational, or social benefits to the public.

IMPACT: Non-profit cemeteries benefit from the exemption, but there may also be a wider social benefit.

22 cemetery properties received this exemption during the tax year 2024. Cemeteries account for 0.34 percent of the total assessed value of tax-exempt property in the District of Columbia.[469]

[469] In tax year 2024, tax-exempt property of cemeteries was valued at $429.8 million. The total value of tax-exempt property in the District of Columbia was $125.8 billion. From "Tax Facts 2024." Office of Revenue Analysis, OCFO. https://ora-cfo.dc.gov/page/dc-tax-facts, p. 52.

***Real Property Tax***
*Exemptions*

## 159. Charitable organizations

District of Columbia Code: D.C. Official Code § 47-1002(8)
Sunset Date: None
Year Enacted: 1942

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $20,983 | $20,413 | $20,252 | $20,205 |

DESCRIPTION: Buildings belonging to and operated by institutions "which are not organized or operated for private gain," and are used "for purposes of public charity principally in the District of Columbia,"[470] are exempt from real property taxation.

Real property exemptions for charitable organizations represent standard practice throughout the United States. Maryland and Virginia exempt charitable organizations from the real property tax.

PURPOSE: The exemption supports a general policy of providing property tax exemptions to non-profit organizations that provide religious, charitable, scientific, literary, educational, or cultural benefits to the public.

IMPACT: Charitable organizations benefit directly from the exemption, which is also expected to provide broader societal benefits by encouraging the voluntary provision of social services. In the tax year 2024, 398 properties received the charitable use exemption.[471]

Some experts have pointed out that the exemption may be poorly targeted because it favors charitable non-profits that own real estate and may encourage some non-profits to invest more in real property than is optimal for maximizing social welfare (for example, the investment in real estate could come at the expense of an organization's charitable mission itself).

Property owned by charitable organizations accounts for 0.8 percent of the total assessed value of tax-exempt property in the District of Columbia.[472] The tax exemptions given to certain properties shift the burden of paying for public services to taxable properties and may result in those properties paying a higher tax rate.

[470] See D.C. Official Code § 47-1002(8).
[29] "Property Exempt from Taxation TY2022." Office of Tax and Revenue. OCFO. https://otr.cfo.dc.gov/publication/properties-exempt-taxation-fy-2022
[472] In tax year 2024, tax-exempt property of charitable organizations was valued at $1.1 billion. The total value of tax-exempt property in the District of Columbia was $125.8 billion. From "Tax Facts 2024." Office of Revenue Analysis, OCFO. https://ora-cfo.dc.gov/page/dc-tax-facts, p. 52.

***Real Property Tax***
*Exemptions*

## 160. Churches, synagogues, and mosques

District of Columbia Code: D.C. Official Code § 47-1002(13)-(16)
Sunset Date: None
Year Enacted: 1942

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $71,151 | $72,930 | $74,753 | $76,622 |

DESCRIPTION: Churches, including buildings and structures reasonably necessary and usual in performing the church's activities, are exempt from real property taxation. A church building is defined as a building "primarily and regularly used by its congregation for public religious worship."[473]

In addition, the following types of property belonging to religious orders or societies are exempt from real property taxation: buildings belonging to religious corporations or societies primarily and regularly used for religious worship, study, training, and missionary activities; pastoral residences owned by a church and occupied by the church's pastor, rector, minister, or rabbi (with a limit of one pastoral residence for any church or congregation); and Episcopal residences owned by a church and used exclusively as the residence of a bishop of the church.

Real property tax exemptions for churches, synagogues, mosques, and other places of religious worship are standard nationwide. Maryland and Virginia exempt churches, synagogues, and mosques from real property taxation.

PURPOSE: The exemption reflects a general policy of providing property tax exemptions to non-profit organizations that provide religious, charitable, scientific, literary, educational, or cultural benefits to the public. More specifically, the exemption is intended to promote the free exercise of religion and respect the separation of church and state.

IMPACT: The exemption benefits churches, synagogues, mosques, and other places of worship, but it is also intended to benefit society more broadly by promoting the free exercise of religion and the separation of church and state. In the tax year 2024, there were 1078 tax-exempt church properties (sometimes, one church owns several properties).[474] Churches, synagogues, and mosques own 3.3 percent of the total assessed value of tax-exempt property in the District of Columbia.[475]

[473] See D.C. Official Code § 47-1002(13).
[474] A list of properties receiving the religious exemption can be found in the online Exempt Property Report, located at: https://otr.cfo.dc.gov/publication/properties-exempt-taxation-fy-2024
[475] In tax year 2024, tax-exempt property of churches, synagogues, and mosques was valued at $4.2 billion. The total value of tax-exempt property in the District of Columbia was $125.8 billion. From "Tax Facts 2024." Office of Revenue Analysis, OCFO. https://ora-cfo.dc.gov/page/dc-tax-facts, p. 52.

***Real Property Tax***
*Exemptions*

## 161. Continuing care retirement community

District of Columbia Code: D.C. Official Code § 47-1002(32)
Sunset Date: None
Year Enacted: 2017

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $3,918 | $3,895 | $3,926 | $3,973 |

DESCRIPTION: Real property belonging to an organization that is not organized or operated for private gain and that maintains a current license as a continuing care retirement community (CCRC), as provided by § 44-151.02, or any successor provision, shall be exempt from taxation; provided, that the real property is used as a continuing care retirement community.

PURPOSE: The legislation authorizing the property tax exemption was originally introduced to make fully exempt the property of the Ingleside Presbyterian Retirement Community, Inc. Before the exemption passed, the Office of Tax and Revenue determined that while the portion of the Ingleside property that was used for nursing care and assisted living was tax-exempt under District law, the portion attributable to independent living was not eligible for an exemption. As a result, approximately 62 percent of the property became taxable, or the portion of the property used for independent living residences. The Committee Report of the legislation noted numerous property tax relief provisions for seniors. However, none apply to independent living residences for seniors at a CCRC. As such, the purpose was to provide equity among the various types of senior housing. Upon final passage, the legislation was amended to include all CCRCs so long as they remain eligible.

IMPACT: This exemption benefits a facility that operates as a continuing care retirement community. There are currently four companies with continuing care retirement community licensees, with two receiving the exemption: the Ingleside Presbyterian Retirement Community, Inc., and the Army Distaff Foundation, Inc., which runs the Knollwood Military Life Plan Community. Prior to the enactment of the legislation, Ingleside and Army Distaff Foundation had previously enjoyed partially tax-exempt status, as both are run by nonprofit organizations and federally tax-exempt.

***Real Property Tax***
*Exemptions*

## 162. Nonprofit stormwater infrastructure

District of Columbia Code: D.C. Official Code § 47-1005
Sunset Date: None
Year Enacted: 2018

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $25 | $26 | $27 | $28 |

DESCRIPTION: This property tax exemption allows a tax-exempt entity that uses its property to generate stormwater retention credits to maintain its exemption from District property taxation.

PURPOSE: The property tax exemption is necessary to prevent tax-exempt organizations that generate revenue from stormwater retention credits from being subject to real property taxation on the portion of land leased for stormwater management. The portion of land protected by the provision generally represents less than 0.5 percent of the nonprofits' total lots.

IMPACT: Nonprofit organizations that generate stormwater retention credits due to the installation of green infrastructure or the removal of impervious surfaces will benefit from this exemption. Nine organizations currently use the provision, and a Department of Energy and Environment official confirmed that the exemption is an important assurance for nonprofit organizations that install river-protecting green infrastructure that their tax-exempt status will not be affected.

***Real Property Tax***
*Exemptions*

## 163. Vault tax exemption

District of Columbia Code: D.C. Official Code §10-1103.04(d)(3) and §10-1103.04(d)(4)
Sunset Date: None
Year Enacted: 2016

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $41 | $42 | $42 | $43 |

DESCRIPTION: Theaters, music venues, and dance studios are exempted from real property taxes, and real property located at Square 287, Lot 812 (National Museum of Women in the Arts) is exempted from vault taxes. A vault is an underground storage area like a parking garage, electrical transformers, or other utilities that travel underneath the roadway. Vaults are taxed separately from a building's real property taxes in the District. The vault tax rate is dependent on the type of vault, and the assessed value of the land where the vault is located times the square footage of the vault times the utilization factor.

PURPOSE: The exemption supports a general policy of providing property tax exemptions to non-profit organizations that provide cultural benefits to the public.

IMPACT: Owners of theaters, music venues, dance studios, and the National Museum of Women in the Arts benefit from the exemption, but there may be a wider social benefit because the galleries are open to the public and provide general cultural enrichment.

***Real Property Tax***
*Exemptions*

## 164. Washington Metropolitan Area Transit Authority properties

District of Columbia Code: D.C. Official Code § 9-1107.01
Sunset Date: None
Year Enacted: 1966

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $12,930 | $12,579 | $12,480 | $12,450 |

DESCRIPTION: The Washington Metropolitan Area Transit Authority Compact establishes the rules that govern the operation and administration of the regional mass transit system, commonly known as "Metro." The District of Columbia, the State of Maryland, and the Commonwealth of Virginia are signatories to the Compact. Article XVI ("General Provisions"), Section 78 of the Compact, exempts the Washington Metropolitan Area Transit Authority (WMATA) and its Board from all taxes or assessments on any property that WMATA owns or controls.

PURPOSE: As stated in the Compact, WMATA's mission "is in all respects for the benefit of the people of the signatory states and is for a public purpose."[476] WMATA's exemption from all taxes or assessments on its property helps WMATA fulfill its mission of improving transportation throughout the region. It extends to this regional organization the tax exemption provided to federal and local government property.

IMPACT: Residents of the Washington metropolitan area, as well as businesses and visitors who rely on the Metro system, benefit from this tax exemption. The exemption allows WMATA to devote more resources to serving the public. Nevertheless, the tax exemption may reduce the costs of keeping land undeveloped.

During tax year 2024, there were 397 tax-exempt WMATA properties in the District of Columbia.[477] These properties account for 0.5 percent of the total assessed value of tax-exempt property in the District of Columbia.[478]

[476] See Article XVI, Section 70 of the Washington Metropolitan Area Transit Authority Compact.
[477] A list of properties receiving the tax exemption can be found in the online Exempt Property Report, located at: https://otr.cfo.dc.gov/publication/properties-exempt-taxation-fy-2024
[478] In the tax year 2024, the tax-exempt property of WMATA properties was valued at $633.5 million. The total value of tax-exempt property in the District of Columbia was $125.8 billion. From "Tax Facts 2024." Office of Revenue Analysis, OCFO. https://ora-cfo.dc.gov/page/dc-tax-facts, p. 52.

***Real Property Tax***
*Credits*

## 165. Assessment increase cap

District of Columbia Code: D.C. Official Code § 47-864
Sunset Date: None
Year Enacted: 2001

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $24,864 | $21,739 | $17,693 | $16,885 |

DESCRIPTION: Homeowners who qualify for a homestead deduction (those who occupy a home in the District of Columbia as their principal residence) are also eligible for an annual assessment cap credit. This credit limits the taxable assessed value of the individual's home to a 10 percent increase from the prior tax year.

The FY 2019 Budget Support Act of 2018 (Title VII-Subtitle A) decreased the taxable assessed value for homestead-qualified residents who are over the age of 65 or a homestead-qualified resident with a permanent disability and have a household adjusted gross income of less than $125,000[479] from 10 percent to a 5 percent increase from the prior tax year.

The FY 2023 Budget Support Act of 2022 decreased the taxable assessed value for homestead-qualified residents over 65 or a homestead-qualified resident with a permanent disability from five (5) percent to two (2) percent.

If the property was sold during the prior tax year, its value was increased due to a change in its zoning classification, or the assessment of the property was clearly erroneous due to an error in the calculation or measurement of improvements, then the taxpayer does not qualify for the assessment increase cap. In addition, the statute provides that the taxable assessment of a property eligible for a homestead deduction shall not fall below 40 percent of the current tax year's assessed value.

For the state property tax, Maryland also imposes a 10 percent cap on the annual increase in the taxable assessed value of an owner-occupied home. The 10 percent cap also applies to local property taxes in Maryland, but local governments can adopt a cap lower than 10 percent. Virginia law limits the property tax growth in each locality to a 1 percent annual increase, excluding increases in property tax values that result from new construction or improvements, but localities may exceed the 1 percent cap after holding a public hearing on the issue (there is no state property tax in Virginia).

PURPOSE: The purpose of the cap is to protect resident homeowners from sharp growth in property values and assessments. In the early to middle part of the past decade, the value of residential real property soared in the District of Columbia. Assessed values often rose by more than 20 percent annually and sometimes more than doubled in a year. From fiscal year 2014 to fiscal year 2023, the assessed value of residential real property in the District increased by about

[479] Per D.C. Official Code § 47-863. The maximum adjusted gross income increased by a senior/disabled cost of living each year.

79.5 percent from $85.5 billion to $153.4 billion.[480] A 6.7 percent average increase in assessed value per year. The cap was intended to protect resident homeowners from these rapid increases in real property tax liability. It was also designed to smooth the transition from triennial to annual assessments.

IMPACT: Homeowners with a principal residence in the District of Columbia benefit from the assessment increase cap. In the tax year 2024, 31,636 owner-occupied households enjoyed lower taxes due to the cap. ORA found that the "home value of most of the beneficiaries of the assessment cap credit was between $250,000 and $750,000 for eligible homeowners between 2017 and 2022. This group also received more benefit in the value of assessed homes not taxed due to the credit, although beneficiaries with a home value between $500,000 and $750,000 have received the most benefit amongst all assessed value groups."[481] However, since FY 2010, the estimated revenue loss from the cap and the number of beneficiaries has dropped as growth in assessed value has moderated.

Due to the variation in rates of property value growth in different neighborhoods, the assessment increase cap can create equity problems. Some taxpayers will pay real property tax based on the full assessed value, while others who live in rapidly appreciating areas that benefit from the cap will not.

In a paper prepared for the D.C. Tax Revision Commission, University of Georgia professor David Sjoquist found that owners of more expensive houses typically have a smaller percentage reduction in taxable value due to the assessment cap.[482] In addition, the cap creates inequities in the taxable percentage of assessed value by neighborhood.[483]

Professor Sjoquist also found that senior citizens benefit more from the assessment cap (their taxable value is lower as a percentage of assessed value) than non-seniors, possibly because they stay in their homes longer.[484] He also estimated that a 10 percent reduction in a homeowner's tax bill due to the D.C. assessment cap reduces the probability that the owner will move by 2.26 percent. The reduction in mobility is attributed to the sharp rise in property taxes that an owner might face in a new home, which is assessed at market value after being purchased.[485]

[480] Government of the District of Columbia, Office of the Chief Financial Officer, ACFR 2023: Annual Comprehensive Financial Report, Year Ended September 30, 2023 (January 2024), p. 214.
[481] District of Columbia Housing Tax Expenditure Review. Office of Revenue Analysis, 2023. Available at https://ora-cfo.dc.gov/node/1686396.
[482] David Sjoquist, "The Residential Property Tax Credit: An Analysis of the District of Columbia's Assessment Limitation," report prepared for the D.C. Tax Revision Commission, May 2013, pp. 28-30.
[483] Ibid, pp. 32-37.
[484] Ibid, p. 38.
[485] Ibid, pp. 40-43.

***Real Property Tax***
*Credits*

## 166. Credit for senior citizens and persons with disabilities

District of Columbia Code: D.C. Official Code § 47-863
Sunset Date: None
Year Enacted: 1986

| (Dollars in thousands) | FY 2024 | FY 2024 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $38,187 | $39,041 | $40,174 | $41,379 |

DESCRIPTION: Senior citizens (age 65 or older) and persons with disabilities qualify for a 50 percent reduction in real property tax liability on a home that they own and occupy in the District of Columbia, provided that their household adjusted gross income is less than $154,750 in 2024 and they own at least 50% of the property. The maximum is adjusted for changes in the Consumer Price Index.

To qualify, taxpayers must file an application with the Office of Tax and Revenue. A senior citizen or person with a disability must own at least 50 percent of the property or cooperative unit, which must be the taxpayer's principal place of residence.

Montgomery County offers a real property Senior Tax Credit equal to 50 percent of a taxpayer's combined State Homeowners' Tax Credit and the County Supplement to that credit (individuals must be 65 or older). As authorized by Virginia law, the city of Alexandria and Arlington and Fairfax counties provide full or partial real property tax exemptions, to low- and moderate-income senior citizens and those who are permanently and totally disabled. The amount of the exemption depends on household gross income, but the maximum income levels are lower in Virginia,[486] and there is also an asset limit for eligible households.

PURPOSE: The purpose of the credit is to protect senior citizens and people with disabilities, who often live on fixed incomes, from real property tax liabilities that may be difficult or impossible for them to pay. In 2012, when the Council raised the maximum household income from $100,000 to $125,000 (with an annual cost of living adjustment), proponents pointed out that senior citizens and persons with disabilities of modest income might otherwise be ineligible because *household* income (including income of those who are not senior citizens or do not have a disability) is measured.[487]

IMPACT: The beneficiaries of this provision are senior citizens and people with disabilities who live in their own homes in the District of Columbia and have household-adjusted gross income less than the maximum income limit of $154,750. In the tax year 2024, 19,148 properties qualified for the credit. The credit violates the principle of horizontal equity because other homeowners with adjusted gross income of less than $154,750 do not receive the same relief.

[486] The maximum income level in Alexandria City is $100,000; $90,000 in Fairfax County; and in Arlington County, the maximum income is $88,094.
[487] Council of the District of Columbia, Committee on Finance and Revenue, "Report on Bill 19-512, the 'Age-in-Place and Equitable Senior Citizen Real Property Act of 2012'," dated March 1, 2012, p. 3.

***Real Property Tax***
*Credits*

## 167. Condominium and cooperative trash collection

District of Columbia Code: D.C. Official Code § 47-872 (condominiums) and § 47-873 (cooperatives)
Sunset Date: None
Year Enacted: 1990

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $3,646 | $3,830 | $4,024 | $4,228 |

DESCRIPTION: Owners of condominium and cooperative dwelling units may qualify for a trash collection credit against their real property tax liability if they pay for garbage collection instead of receiving city garbage service. The credit, $129 for tax year 2024, is adjusted annually for inflation.

To qualify for the credit, the property must be occupied by the owner and used for non-transient residential purposes. It must also be located in a condominium or cooperative housing building with more than four dwelling units.

PURPOSE: The purpose of the credit is to help defray the costs of garbage collection for real property owners who do not receive trash collection services from the D.C. government.

IMPACT: Condominium or cooperative housing owners who pay for garbage collection benefit from this credit. In the tax year 2024, about 29,168 homeowners received this credit.

***Real Property Tax***
*Rebate*

## 168. Public charter school tax rebate

District of Columbia Code: D.C. Official Code § 47-867
Sunset Date: None
Year Enacted: 2005

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $958 | $952 | $960 | $972 |

DESCRIPTION: A public charter school that leases a school facility from an entity subject to the District's real property tax is entitled to a rebate equal to the school's pro-rata share of the lessor's tax on the property, provided that the school is liable under its lease for that share of the tax and the lessor pays the tax.

Public charter schools must apply for the rebate by filing Form FP-305 with the Office of Tax and Revenue.

PURPOSE: The purpose of the rebate is to put public charter schools that lease their facilities on an equal footing with other public schools that own their facilities and are exempt from taxation on the real property.

IMPACT: Public charter schools that lease their school buildings benefit from this provision. In the most recent full year for which data are available, 16 rebates were issued to 10 charter schools (there are often multiple plots of land per school) for a total of $967,796.

During the 2022-2023 school year there were 135 public charter schools managed by 69 independently run nonprofits with 45,251 students or 48%.[488]

[488] District of Columbia Public Charter School Board, Annual Report 2022, pg. 3.

***Real Property Tax***
*Deferrals*

## 169. Low-income homeowners

District of Columbia Code: D.C. Official Code § 47-845.02
Sunset Date: None
Year Enacted: 2005

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $113 | $116 | $119 | $123 |

DESCRIPTION: A taxpayer who occupies a home or condominium in the District of Columbia as his or her principal place of residence can defer any real property tax above his or her real property tax for the prior year if the taxpayer has a household adjusted gross income of less than $50,000. Real property tax deferred following this provision bears interest at 6 percent annually (decreased from 8 percent beginning in 2015). The amount of real property tax deferred, including the interest on amounts deferred in prior years, cannot exceed 25 percent of the property's assessed value in the current tax year.

To qualify for the deferral, the taxpayer must file an application with the Office of Tax and Revenue. Senior citizens (those 65 or older) must undergo home equity conversion mortgage counseling.

Montgomery County also allows certain homeowners to defer paying the amount by which their real property tax liability exceeds the amount due the prior year. To qualify, the household must have had a gross income of $120,000 or less the previous year, and at least one of the owners must have lived in the home as his or her principal residence for the prior five years. Interest on the deferred taxes accrues at a rate set annually by the county.

PURPOSE: The deferral protects low—and moderate-income property owners from sharp increases in real property tax liability that may outpace their income growth.

IMPACT: Homeowners with annual household adjusted gross income less than $50,000 are the intended beneficiaries of this provision. In 2024, there were 177 claimants in this program. While the interest rate is 6 percent, it still may discourage the use of the deferral, particularly during a period of low interest rates. It is also possible that the deferral could lead to more financial hardship for low-income homeowners by compounding their debt. Research by the American Association of Retired Persons (AARP) has found that participation rates in property tax deferral programs are generally very low (less than 1 percent).[489]

[489] David Baer, "Property Tax Relief Programs and Property Tax Burdens," American Association of Retired Persons, August 19, 2008, p. 22-25, available at www.taxadmin.org.

***Real Property Tax***
*Deferrals*

## 170. Low-income, senior-citizen homeowners

District of Columbia Code: D.C. Official Code § 47-845.03
Sunset Date: None
Year Enacted: 2005

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $74 | $76 | $78 | $81 |

DESCRIPTION: A taxpayer who is 65 years of age or older, occupies a home or condominium in the District of Columbia as his or her principal place of residence, and has a household adjusted gross income of less than $50,000 can defer any real property tax owed in a given tax year. The deferred taxes bear interest at the rate charged by the U.S. Internal Revenue Service on underpayments of federal income taxes. Still, they will not exceed 6 percent yearly (the interest rate was 8 percent before 2015). The amount of tax-deferred, plus interest accrued on the taxes deferred in previous years, is limited to 25 percent of the assessed value of the property in the current tax year. The Budget Support Act of 2015 amended the deferral so that if the homeowner is 75 years of age or older, has less than $12,500 of household interest and dividend income, and has owned a residence in the District for at least the immediately preceding 25 years, would pay no interest shall on taxes.

Several additional requirements apply. The homeowner must live in a home with no more than five dwelling units, and the senior citizen or citizens must own at least 50 percent of the house or condominium. The homeowner must also undergo home equity conversion mortgage counseling and apply with the Office of Tax and Revenue to qualify for the deferral. This tax deferral differs from the deferral available for low-income homeowners described on the previous page (see tax expenditure #169, "Low-income homeowners") by covering the *entire* property tax bill, rather than just the yearly increase in property tax liability.

The City of Alexandria and Arlington County allow tax deferrals for senior citizens and persons with disabilities. To qualify for a property tax deferral in Alexandria, the taxpayer's household gross income must range between $100,000 and $120,000 in 2024, and assets (excluding the home and surrounding two acres) may not exceed $430,000. In Arlington County, senior citizens and people with disabilities may receive a property tax deferral only if they meet income limits (which vary based on household size) and have assets, excluding home, less than $486,098.

Montgomery County also allows certain homeowners (elderly) to defer paying the amount by which their real property tax liability exceeds the amount due the prior year. To qualify, the household must have had a gross income of $80,000 or less the previous year, and at least one of the owners must have lived in the home as his or her principal residence for the prior five years. Interest on the deferred taxes accrues at a rate set annually by the county. In addition to the District of Columbia, 26 states offer some property tax deferral programs.[490]

[490] *Significant Features of the Property Tax.* Lincoln Institute of Land Policy and George Washington Institute of Public Policy. (Residential Property Tax Relief Programs, Accessed May 4, 2016.)

PURPOSE: The tax deferral protects low—and moderate-income senior citizens from real property tax burdens that they cannot afford. This provision recognizes that many senior citizens are "house-rich" but "cash-poor" because they live on fixed incomes that may not keep pace with the assessed value of their homes.

IMPACT: Senior citizen homeowners with annual household adjusted gross income less than $50,000 benefit are the intended beneficiaries of this provision. About 102 seniors received a deferral in 2024. Research by the American Association of Retired Persons (AARP) has found that participation rates in property tax deferral programs are generally very low (less than 1 percent).[491]

The deferral violates the principle of horizontal equity because non-elderly homeowners with household adjusted gross income of less than $50,000 do not receive similar tax relief (the deferral option for low-income homeowners is more limited). The deferral might also compound the financial difficulties of low-income senior citizens by encouraging the buildup of debt.

[491] David Baer, "Property Tax Relief Programs and Property Tax Burdens," American Association of Retired Persons, August 19, 2008, p. 22-25, available at www.taxadmin.org.

***Real Property Tax***
*Rebate*

## 171. Public space permit fees

District of Columbia Code: D.C. Official Code § 10–1141.03a
Sunset Date: None
Year Enacted: 2016

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | n/a | n/a | n/a | n/a |

DESCRIPTION: The Civic Associations Public Space Permit Fee Waiver Amendment Act of 2016 allows civic associations to waive or reduce permit fees, except application fees, for the use of public space, public rights of way, and public structures for events or projects that civic associations conduct. Civic associations are organizations comprised of residents of the community within which the public space, public right of way, or public structure is located; mostly used for the improvement of the community within which the public space, public right of way, or public structure is located; and are exempt from taxation under section 501(c)(3) or (4) of the Internal Revenue Code of 1954, approved August 16, 1954 (68A Stat. 163; 26 U.S.C. § 501(c)(3), (4)).

PURPOSE: The provision reduces the operating cost of civic associations that provide services to local communities in D.C.

IMPACT: Civic organizations like a farmers market would benefit from this provision. The public permit waiver or fee reduction reduces the operating cost of civic organizations that provide valuable services to the community.

# DEED RECORDATION AND TRANSFER TAX

### *Deed Recordation and Transfer Tax*
*Exemptions*

## 172. Educational institutions

District of Columbia Code: D.C. Official Code § 42-1102(3) for the deed recordation tax
D.C.Official Code § 47-902(3) for the transfer tax
Sunset Date: None
Year Enacted: 1962 (deed recordation tax) and 1980 (transfer tax)

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $613 | $695 | $787 | $875 |

DESCRIPTION: Organizations exempt from real property taxation in the District of Columbia pursuant to D.C. Official Code § 47-1002 are also exempt from the deed recordation and transfer taxes. Educational institutions are among the groups covered under § 47-1002 that qualify for this blanket exemption.

PURPOSE: The purpose of the exemption is to extend the real property tax exemption for educational institutions to the other two taxes related to real property: the deed recordation tax and the transfer tax. As a result, there is uniform treatment under the real property, deed recordation, and transfer taxes for educational institutions.

IMPACT: Educational institutions benefit from this exemption, which would also be expected to have spillover benefits for their employees and students. Moreover, there could be broader societal benefits because education promotes a better-trained workforce and a more informed citizenry.

### *Deed Recordation and Transfer Tax*
*Exemptions*

## 173. Embassies, chanceries, and associated properties of foreign governments

District of Columbia Code: D.C. Official Code § 42-1102(3) for the deed recordation tax
D.C. Official Code § 47-902(3) for the transfer tax
Sunset Date: None
Year Enacted: 1962 (deed recordation tax) and 1980 (transfer tax)

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $794 | $901 | $1,019 | $1,134 |

DESCRIPTION: Organizations exempt from real property taxation in the District of Columbia pursuant to D.C. Official Code § 47-1002 are also exempt from deed recordation and transfer taxes. Foreign governments are among the groups covered under § 47-1002 that qualify for this blanket exemption, which applies to embassies and other properties that foreign governments use for diplomatic purposes.

PURPOSE: The exemption upholds the principle of international law that foreign governments are entitled to exemption from taxation of real property owned by the foreign government and used by its diplomatic mission. Any portion of the property not used for diplomatic or consular purposes is not exempt from the District's deed recordation or transfer tax. The exemption also ensures uniform treatment under the real property, deed recordation, and transfer taxes for properties purchased by foreign governments for diplomatic uses.

IMPACT: Foreign governments that buy or sell embassies, chanceries, and assoc}"iated properties in the District of Columbia benefit from this exemption.

***Deed Recordation and Transfer Tax***
*Exemptions*

## 174. Federal government and District of Columbia government

District of Columbia Code: D.C. Official Code § 42-1102(2) for the deed recordation tax
D.C. Official Code § 47-902 (2) for the transfer tax
Sunset Date: None
Year Enacted: 1962 (deed recordation tax) and 1980 (transfer tax)

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $3,626 | $4,112 | $4,654 | $5,177 |

DESCRIPTION: Property acquired by the United States government is exempt from the deed recordation and transfer taxes unless taxation of the property has been specifically authorized by the U.S. Congress.

PURPOSE: This exemption recognizes that the federal government is immune from taxation by the states or municipalities. This immunity has been established in numerous court decisions, beginning with *McCulloch v. Maryland*, 17 U.S. 316 in 1819, and has been reinforced in other cases including *Clallam County v. United States*, 263 U.S. 341 in 1923; *Cleveland v. United States*, 323 U.S. 329, 333 in 1945; *United States v. Mississippi Tax Commission*, 412 U.S. 363 in 1973; and *United States v. Mississippi Tax Commission*, 421 U.S. 599 in 1975.

IMPACT: The United States and District of Columbia governments benefit from this exemption.

***Deed Recordation and Transfer Tax***
*Exemptions*

## 175. Other properties exempt from real property taxation

District of Columbia Code: D.C. Official Code § 42-1102(4) for the deed recordation tax
D.C. Official Code § 47-902(3) for the transfer tax
Sunset Date: None
Year Enacted: 1962 (deed recordation tax) and 1980 (transfer tax)

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $6,364 | $7,217 | $8,167 | $9,085 |

DESCRIPTION: Properties exempted from the real property tax by D.C. Official Code § 47-1002 also receive a blanket exemption from the deed recordation and transfer taxes.[492] In addition to some major types of tax-exempt properties that are specifically exempted by statute from the deed recordation and transfer tax (churches, educational institutions, embassies, and charitable organizations), a number of other institutions also receive the deed recordation and transfer tax exemptions through this blanket exemption. These institutions, which are included in the estimate of forgone revenue shown above, include non-profit hospitals, libraries, art galleries, and cemeteries.

PURPOSE: This exemption promotes equitable treatment for non-profit institutions under the real property tax, the deed recordation tax, and the transfer tax. In addition, the exemption recognizes and encourages the public benefits provided by many non-profit entities, such as hospitals and libraries.

IMPACT: The owners of non-profit hospitals, libraries, art galleries, cemeteries, and other organizations exempt from real property taxation in the District of Columbia benefit from this parallel exemption from the deed recordation and transfer taxes.

[492] There are two narrow exceptions to this rule. D.C. law provides that the following tax-exempt properties do not receive corresponding exemptions from the deed recordation and transfer taxes: (1) property for which payments in lieu of taxes (PILOTs) are being made pursuant to a PILOT agreement, and (2) land in the Capper/Carrollsburg PILOT area that is not otherwise exempt from real property taxation.

***Deed Recordation and Transfer Tax***
*Exemptions*

## 176. Cooperative housing associations

District of Columbia Code: D.C. Official Code § 42-1102(14), § 47-3503(a)(2), and § 47-3503(a)(3) for deed recordation tax
D.C. Official Code § 47-902(11) and § 47-3503(b)(2) for transfer tax
Sunset Date: None
Year Enacted: 1983

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $37 | $42 | $48 | $53 |

DESCRIPTION: A property acquired by a cooperative housing association is exempt from the deed recordation and transfer taxes if households occupy at least 50 percent of the units with an annual income no greater than 120 percent of the lower-income guidelines established by the U.S. Department of Housing and Urban Development (HUD) for the Washington metropolitan area.

The cooperative housing association must receive a credit against the purchase price of the property equal to the total transfer tax that would have been due without the exemption. This provision is necessary because the transfer tax is usually paid by the property's seller.

PURPOSE: The authorizing statute states that "The purpose of this act is to expand homeownership opportunities for lower-income families to the maximum extent possible at the lowest possible cost to the District of Columbia."[493] The statute further states, "Expansion of homeownership opportunities for lower-income families is beneficial to the public peace, health, safety and general welfare."[494]

IMPACT: Cooperative housing associations with at least 50 percent of units occupied by lower-income households benefit from this provision.

[493] See D.C. Official Code § 47-3501(7).
[494] See D.C. Official Code § 47-3501(6).

***Deed Transfer Tax***
*Exemptions*

## 177. Inclusionary zoning program

District of Columbia Code: D.C. Official Code § 47-902(23)
Sunset Date: None
Year Enacted: 2007

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $112 | $112 | $123 | $135 |

DESCRIPTION: Property transfers to a qualifying low-to-moderate income household under the Inclusionary Zoning (IZ) program are exempt from the transfer tax on real property. IZ requires affordable housing set aside in new developments of 10 or more units or a substantial rehabilitation that expands an existing building's floor-area ratio (FAR) by 50 percent or more and adds 10 or more units in exchange for an increase in density. There are exemptions for certain zones and historic districts, and some housing construction projects have been exempt due to geographic location because they received development approvals before the effective date of IZ or because they were subject to housing affordability requirements as a planned unit development or through other D.C. government programs.[495]

IZ is targeted at households earning less than 50 percent of the area median income (AMI) and between 50 percent and 80 percent of AMI, depending on the zoning and the type of construction. The amount of affordable housing set aside (which ranges between 8 and 10 percent of the residential space) also varies depending on the zoning and construction type. Affordable units offered through the IZ program have rental or sales price caps tied to AMI. Developers receive a 20 percent bonus density in return for providing affordable units.

After housing is built under the IZ program, the developer or owner of the affordable unit issues a notice of availability to the Department of Housing and Community Development (DHCD), which then holds a lottery to select an eligible household for each unit. Prospective renters and buyers must submit information about their income and household size, a declaration of eligibility, a mortgage pre-qualification (if applicable), and any other documents the Mayor requires.

PURPOSE: The exemption aims to further the IZ program's goals of producing affordable housing for residents, creating mixed-income neighborhoods, and increasing homeownership opportunities for low-to-moderate-income households.

IMPACT: This provision is intended for low—and moderate-income households. According to DHCD, 413 IZ units were either sold or rented in FY 2023, and 57 were sold.[496] From program inception through the end of FY2023, a total of 373 units have been sold. While this provision represents forgone revenue to the District, the bonus density that is allowed because of the IZ units will generate additional tax revenue for the District.

[495] Department of Housing and Community Development, "Inclusionary Zoning Annual and 5.5 Year Report," April 24, 2013. pp. 5-6.
[496] Communication with Department of Housing and Community Development official, May 22, 2024.

***Deed Recordation and Transfer Tax***
*Exemptions*

## 178. Lower-income homeownership households

District of Columbia Code: D.C. Official Code § 42-1102(12), § 47-3503(a)(1), and § 47-3503(a)(3) for deed recordation tax
D.C. Official Code § 47-902(9) and § 47-3503(b)(1) for transfer tax
Sunset Date: None
Year Enacted: 1983

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $94 | $107 | $121 | $134 |

DESCRIPTION: Property transferred to a "qualifying lower-income homeownership household" is exempt from the deed recordation and transfer taxes. A qualifying lower-income homeownership household must meet two requirements: (1) household income can be no greater than 120 percent of the lower-income guidelines established for the Washington metropolitan area by the U.S. Department of Housing and Urban Development (HUD), and (2) the household must own the property in fee simple or receive at least a 5 percent qualified ownership interest as part of a shared equity financing agreement. The lower-income household must occupy the unit that qualifies for the deed recordation and transfer tax exemption. The fair market value of the property being transferred cannot exceed 80 percent of the median sale price for homes in the District of Columbia.

The lower-income purchaser or the persons acquiring qualified ownership interests under a shared equity financing agreement must receive a credit against the purchase price of the property equal to the total transfer tax that would have been due without the exemption. This provision is necessary because the seller usually pays the transfer tax.

PURPOSE: The authorizing statute states, "The purpose of this act is to expand homeownership opportunities for lower-income families to the maximum extent possible at the lowest possible cost to the District of Columbia."[497] The statute states, "Expansion of homeownership opportunities for lower-income families is beneficial to the public peace, health, safety, and general welfare."[498]

IMPACT: If they meet the other eligibility criteria described above, families with an annual income no greater than 120 percent of the low-income guidelines set by HUD for the Washington metropolitan area benefit from this tax expenditure.

[497] See D.C. Official Code § 47-3501(7).
[498] See D.C. Official Code § 47-3501(6).

***Deed Recordation and Transfer Tax***
*Exemptions*

## 179. Nonprofit housing associations

District of Columbia Code: D.C. Official Code § 42-1102(13) and § 47-3505(c) (deed recordation tax)
D.C. Official Code § 47-902(10) and § 47-3505(b) (transfer tax)
Sunset Date: None
Year Enacted: 1983

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $319 | $362 | $409 | $455 |

DESCRIPTION: Property that is transferred to a "qualifying nonprofit housing organization"[499] is exempt from the deed recordation and transfer taxes if the organization certifies its intent to do the following within the next 36 months: (1) transfer the property to a household with annual income no greater than 120 percent of the lower-income guidelines established by the U.S. Department of Housing and Urban Development for the Washington metropolitan area, (2) transfer at least 35 percent of the units in a multi-family property to households meeting the lower-income standard described above, or (3) transfer the property to a cooperative housing association that will make at least 50 percent of the units available to households meeting the lower-income standard.

An additional requirement for the transfer tax exemption is that the non-profit housing association receive a credit against the purchase price of the property equal to the transfer tax that would have been due without the exemption. This provision is necessary because the seller usually pays the transfer tax.

PURPOSE: The authorizing statute states, "The purpose of this act is to expand homeownership opportunities for lower-income families to the maximum extent possible at the lowest possible direct cost to the District of Columbia."[500] The statute further states that "Additional support for nonprofit housing organizations … through property tax abatements and other incentives can expand homeownership for lower-income families at little or no additional cost to the District of Columbia."[501]

IMPACT: Nonprofit housing associations and the lower-income households they serve benefit from this provision.

[499] A "qualifying nonprofit housing association" has been approved by the U.S. Internal Revenue Service as exempt from federal income taxation under section 501(c)(3) or 501(c)(4) of the Internal Revenue Code.
[500] See D.C. Official Code § 47-3501(7).
[501] See D.C. Official Code § 47-3501(5).

## *Deed Recordation and Transfer Tax*
*Exemptions*

# 180. Deeds to property transferred to a named beneficiary of a revocable transfer on death

District of Columbia Code: D.C. Official Code § 42-1102(34) and § 19-604
Sunset Date: None
Year Enacted: 2015

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | no estimate | no estimate | no estimate | no estimate |

DESCRIPTION: Deeds to property are transferred to a named beneficiary of a revocable transfer on death deed by reason of the grantor's death. The provision was part of the Residential Real Property Equity and Transparency Act of 2014.

PURPOSE: The provision's purpose is unclear, but it was included in the real property tax overhaul in the Residential Real Property Equity and Transparency Act of 2014.

IMPACT: The tax exemption prevents the double payment of deed tax on transferring a revocable property.

***Deed Recordation and Transfer Tax***
*Exemptions*

## 181. Security interest instrument

District of Columbia Code: D.C. Official Code § 42-1102(33)
Sunset Date: None
Year Enacted: 2015

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | no estimate | no estimate | no estimate | no estimate |

DESCRIPTION: A security interest instrument executed by a borrower in connection with a loan under the Industrial Revenue Bond Forward Commitment Program is entitled to an exemption, provided that a certification from the Mayor that the security interest instrument is entitled to this exemption accompanies it at the time it is presented for recordation. The provision helps to minimize risk related to these transactions by helping to indemnify the District.

PURPOSE: The exemption memorializes and documents the current practice related to these IRB transactions.

IMPACT: Most entities that take advantage of IRBs are tax-exempt and, therefore, not subject to recordation tax under current law. There are a few commercial and nonprofit entities that are not exempt from real property taxes and would be subject to recordation tax; however, they are not taxed because the District's practice has been to exempt these instruments, regardless of the entity's underlying tax status, from recordation.

The practice has been to exempt these transactions from recordation taxes because the security instruments are unified deeds of trust and, therefore, involve the financial interests of the borrowing entity and the District Government. The District's financial interest is a small share of the total bond issuance.

### *Deed Recordation and Transfer Tax*
*Exemptions*

## 182. First-time homebuyer recordation-local portion only

District of Columbia Code: D.C. Official Code § 42-1101 and § 42-1103(e)
Sunset Date: None
Year Enacted: 2017

| (Dollars in thousands) | FY 2024 | FY 2026 | FY 2027 | FY 2028 |
|---|---|---|---|---|
| Revenue Loss | $1,428 | $1,619 | $1,832 | $2,038 |

DESCRIPTION: First-time homebuyers in the District are entitled to a partial recordation tax exemption that meets the following criteria: the buyer must be a bona fide District of Columbia resident; the combined federal adjusted gross income is no higher than 180% of the Area Median Income as provided before the beginning of the real property tax year by the Department of Housing and Urban Development; provide proof that the real property to be purchased is eligible; and provide a copy of the homestead deduction application for the eligible property, signed by the applicant.

The tax rate for deed recordation tax is reduced by 34 percent to 0.725 percent of consideration or fair market value for residential property transfers less than $400,000 and 50 percent of consideration or fair market value for residential property transfers greater than or equal to $400,000. For qualified first-time buyers of an economic interest in a cooperative unit, the rate for an economic interest in a cooperative unit is reduced by 17 percent to 1.825 percent when consideration allocable to the real property is less than $400,000 or reduced by 28 percent to 2.175 percent when consideration allocable to the real property is $400,000 or greater.

PURPOSE: The exemption encourages homeownership to combat homelessness and housing affordability in the District.

IMPACT: This legislation benefits first-time homebuyers in the District. The exemption helps make homebuying in DC achievable for those who may not be income-eligible for other homeownership programs offered by the District.

***Deed Recordation and Transfer Tax***
*Exemptions*

## 183. Charitable organizations

District of Columbia Code: D.C. Official Code § 42-1102(3) for the deed recordation tax
D.C. Official Code § 47-902 (3) for the transfer tax
Sunset Date: None
Year Enacted: 1962 (deed recordation tax) and 1980 (transfer tax)

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $1,282 | $1,453 | $1,645 | $1,830 |

DESCRIPTION: Organizations exempt from real property taxation in the District of Columbia under D.C. Official Code § 47-1002 are exempted from the deed recordation and transfer taxes. Charitable entities are among the groups covered by § 47-1002 that qualify for this blanket exemption.

PURPOSE: The exemption extends the real property tax exemption for charitable entities to the other two taxes on real property: the deed recordation tax and the transfer tax. As a result, charitable organizations are treated uniformly under real property, deed recordation, and transfer taxes.

IMPACT: Charitable entities benefit from this exemption, which might also have spillover benefits for those who receive goods or services from charitable organizations.

### *Deed Recordation and Transfer Tax*
*Exemptions*

## 184. Churches, synagogues, and mosques

District of Columbia Code: D.C. Official Code § 42-1102(3) for the deed recordation tax
D.C. Official Code § 47-902(3) for the transfer tax
Sunset Date: None
Year Enacted: 1962 (deed recordation tax) and 1980 (transfer tax)

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $293 | $332 | $375 | $418 |

DESCRIPTION: Organizations exempt from real property taxation in the District of Columbia under D.C. Official Code § 47-1002 are also exempt from the deed recordation tax and transfer taxes. Churches, synagogues, and mosques are among the groups covered under § 47-1002 that qualify for this blanket exemption.

PURPOSE: The exemption extends the real property tax exemption for places of worship to the two other taxes related to real property: the deed recordation tax and the transfer tax. As a result, churches, synagogues, mosques, and other places of worship are treated uniformly under the real property, deed recordation, and transfer taxes.

IMPACT: Churches, synagogues, mosques, and other places of worship benefit from this exemption when their property is sold.

# SALES TAX

***Sales Tax***
*Exemptions*

## 185. Energy products used in manufacturing

District of Columbia Code: D.C. Official Code § 47-2005(11) and (11A)
Sunset Date: None
Year Enacted: 1949

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $8,340 | $8,502 | $8,756 | $9,030 |

DESCRIPTION: Gross receipts from the sale of natural or artificial gas, oil, electricity, solid fuel, or steam are exempt from the sales tax when these energy products are used for (1) manufacturing, assembling, processing, or refining, or (2) preparing or refrigerating goods when used in a restaurant, including a hotel restaurant.

The exemption for energy used to produce goods in a restaurant took effect on January 1, 2010. The rest of the exemption for energy used in manufacturing dates back to 1949, when the District's sales tax was first established.

Similar exemptions are common in many states but are sometimes provided under broader sales tax exemptions. For example, Virginia exempts manufacturing and agricultural businesses from paying sales taxes on their purchases of materials, machinery, and equipment based on the principle that these inputs are included in the value of goods taxed at the retail level.

PURPOSE: The exemption recognizes that energy products used in manufacturing are ordinary and necessary expenses in the production process rather than outputs offered for retail sale. The sales tax is intended to be a consumption tax rather than a tax on intermediate goods and services consumed or directly used in production.

IMPACT: Manufacturing businesses and restaurants benefit from the exemption. Nevertheless, the exemption creates questions of horizontal equity because many service industries use energy products as inputs but do not receive a sales tax exemption for the costs of natural or artificial gas, oil, electricity, solid fuel, or steam that they use.

***Sales Tax***
*Exemptions*

## 186. Internet access service

District of Columbia Code: D.C. Official Code § 47-2001(n)(2)(F)
Sunset Date: None
Year Enacted: 1999

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $14,682 | $14,967 | $15,415 | $15,896 |

DESCRIPTION: Gross receipts from sales of Internet access services are exempt from the sales tax. "Internet access service" is defined as a service that "enables users to access content, information, electronic mail, or other services offered over the Internet and may also include access to proprietary content, information, and other services as part of a package of Internet access services offered to customers."[502]

Internet access service does not include (1) the sales of data processing and information services that do not involve content, information, electronic mail, or other services offered over the Internet or (2) telecommunication services. The exemption also does not cover online purchases.

The 1998 Internet Tax Freedom Act, approved by Congress, barred state and local taxation of Internet access. The federal Act became permanent law on February 24, 2016, in the Trade Facilitation and Trade Enforcement Act of 2015.

PURPOSE: Proponents of the tax exemption for Internet access contend that it will stimulate the continued growth of a technology with very positive economic and social impacts.

IMPACT: Individuals or firms selling Internet access services benefit from this exemption, as do their customers. Nevertheless, sales tax exemptions of this nature may create economic inefficiencies (by favoring the consumption of some items rather than others based on the tax rather than the value of the product) and raise issues of horizontal equity. For example, some experts argue that it is inequitable to tax the computer hardware that provides Internet access but not the Internet access itself.

[502] See D.C. Official Code § 47-2001(n)(2)(F).

***Sales Tax***
*Exemptions*

## 187. Materials used in development of a qualified supermarket

District of Columbia Code: D.C. Official Code § 47-2005(28)
Sunset Date: None
Year Enacted: 2000

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 20257 |
|---|---|---|---|---|
| Revenue Loss | $302 | $310 | $320 | $327 |

DESCRIPTION: Gross receipts from the "sales of building materials related to the development of a qualified supermarket"[503] are exempt from the sales tax. A qualified supermarket is in a census tract where more than half of the households have incomes below 60 percent of the area median, as determined by the U.S. Department of Housing and Urban Development.

PURPOSE: The exemption encourages the construction and operation of supermarkets in underserved areas of the city.

IMPACT: Individuals and organizations constructing and operating supermarkets in the target areas benefit from this provision. Consumers are also intended beneficiaries of this exemption because it incentivizes supermarkets to locate in areas that lack them. The exemption violates the principle of horizontal equity because other businesses locating in the target areas do not receive an exemption on the purchase of building materials.

The estimate of forgone revenue shown above assumes that three qualified supermarkets will be constructed each year.

[503] See D.C. Official Code § 47-2005(28).

***Sales Tax***
*Exemptions*

## 188. Professional and personal services

District of Columbia Code: D.C. Official Code § 47-2001(n)(2)(B)
Sunset Date: None
Year Enacted: 1949

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $276,079 | $281,443 | $289,862 | $298,923 |

DESCRIPTION: Gross receipts from sales of professional, insurance, or personal services are exempt from sales tax. Examples of exempt sales include accounting and bookkeeping, architectural, consulting, dental, engineering, legal, and physician services.

The Tax Revision Commission Implementation Amendment Act of 2014 (BSA Subtitle (VII) (B)) expanded the sales tax base to include some services not previously taxed in the District of Columbia. These include bottled water delivery services and other direct-selling establishments, carpet and upholstery cleaning services, fitness and recreational sports centers, and other personal care services such as tanning, car washes, bowling centers, and billiard parlors.

Maryland and Virginia provide similar professional, insurance, and personal services exemptions. Only four states (Hawaii, New Mexico, South Dakota, and Washington State) tax professional services, including accounting and bookkeeping, architectural, dental, engineering, legal, and medical services.[504]

PURPOSE: This exemption is part of most state tax systems because the sales tax originated as a levy on purchases of tangible personal property by individuals and businesses rather than a tax on all consumption. Even as the service economy has grown, policymakers have kept exempting professional, insurance, or personal services from the sales tax.

IMPACT: Firms providing professional, insurance, or personal services and their consumers benefit from this exemption. Nevertheless, many experts have pointed out that the substantial growth of services as a percentage of the economy means that a large share of consumption expenditures is not taxed and that tax rates on tangible goods may, therefore, be higher than they otherwise would be.[505] Moreover, the exemption violates the principle of horizontal equity because two taxpayers with equal levels of consumption will pay different amounts of sales tax if one consumes more professional services than the other.

[504] A state-by-state analysis of charging sales tax on services. Available at https://www.avalara.com/us/en/learn/whitepapers/service-taxability-by-state.html

[505] See, for example, Virginia Joint Legislative Audit and Review Commission, Review of the Effectiveness of Virginia Tax Preferences, report to the Governor and General Assembly of Virginia (January 2012), pp. 20-22.

***Sales Tax***
*Exemptions*

## 189. Transportation and communication services

District of Columbia Code: D.C. Official Code § 47-2001(n)(2)(A)
Sunset Date: None
Year Enacted: 1949

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $89,276 | $91,010 | $93,733 | $96,663 |

DESCRIPTION: Gross receipts from transportation and communication services sales are exempt from the retail sales tax. The exemption does not include the sales of data processing services, information services, or local telephone service.

Maryland and Virginia provide similar exemptions for transportation and communication services.

PURPOSE: This exemption was included in the original establishment of the D.C. sales tax in 1949, likely because the sales tax originated as a levy on purchases of tangible personal property by individuals and businesses rather than taxes on all consumption. Even as the service economy has grown, policymakers continue to exempt most services from the sales tax.

IMPACT: This exemption benefits firms providing transportation and communication services. However, it violates the principle of horizontal equity because firms in other industries do not receive similar treatment.

***Sales Tax***
*Exemptions*

## 190. Federal and D.C. governments

District of Columbia Code: D.C. Official Code § 47-2005(1)
Sunset Date: None
Year Enacted: 1949

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $368,911 | $376,078 | $387,329 | $399,436 |

DESCRIPTION: Gross receipts from sales to the United States government, the District of Columbia government, or any instrumentalities of either government are exempt from the sales tax, except for sales to national banks and federal savings and loan associations.

Maryland and Virginia also exempt the state and its political subdivisions (such as counties, cities, and townships) from the sales tax and the federal government exemption.

PURPOSE: The exemption for sales to the U.S. government recognizes the federal government's immunity from taxation by the states or municipalities. This immunity has been established in numerous court decisions, beginning with *McCulloch v. Maryland*, 17 U.S. 316 in 1819, and has been reinforced in other cases including *Clallam County v. United States*, 263 U.S. 341 in 1923; *Cleveland v. United States*, 323 U.S. 329, 333 in 1945; *United States v. Mississippi Tax Commission*, 412 U.S. 363 in 1973; and *United States v. Mississippi Tax Commission*, 421 U.S. 599 in 1975.

The sales tax exemption for the District government eliminates a cost that would ultimately be borne by D.C. taxpayers and can be justified because the local government is usually an intermediate consumer of goods and services rather than the end user.

IMPACT: The federal and District of Columbia governments benefit from this exemption.

***Sales Tax***
*Exemptions*

## 191. Medicines, pharmaceuticals, and medical devices

District of Columbia Code: D.C. Official Code § 47-2005(14) and (15)
Sunset Date: None
Year Enacted: 1949

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $12,318 | $12,558 | $12,933 | $13,337 |

DESCRIPTION: Gross receipts from retail sales of medicines, pharmaceuticals, drugs, and medical devices are exempt from the sales tax. Maryland and Virginia exempt medicine, pharmaceuticals, and medical supplies from the sales tax, a standard practice nationwide. [506] However, D.C., Maryland, and Virginia are among only 10 states exempting non-prescription drugs; one state (Illinois) charges a preferential rate of 1 percent.[507]

PURPOSE: The purpose of the exemption is to make the sales tax more equitable by exempting necessities that absorb a relatively large share of the income of low-income households and to avoid adding to the expense of potentially life-saving medicines, drugs, and medical devices. In addition, the exemption protects the elderly and people in poor health, who spend more on medical care, drugs, and medical products.

IMPACT: This exemption benefits sellers and purchasers of medicines, pharmaceuticals, drugs, and medical devices, as do consumers—particularly those with high medical costs, such as the elderly and individuals with chronic conditions. Nevertheless, the exemption may not be well targeted at helping low-income individuals and families because it is available to all taxpayers. Data on consumer expenditures show that out-of-pocket expenditures on drugs and medical care rise along with income.[508]

Nevertheless, Virginia's Joint Legislative Audit and Review Commission (JLARC) concluded that the sales tax exemption for medicine and other health products significantly benefits the elderly. In examining the impact of the exemption in Virginia, JLARC stated that "(A)verage out-of-pocket reductions in tax liability to households with at least one member 65 or older was $66 in 2008, which was above the statewide average ($38) for all households. Their savings enabled them to purchase a year-and-a-half of prescription drugs for common conditions such as arthritis or diabetes, according to prices under a major retailer's discount prescription drug program."[509]

[506] John Due and John Mikesell, "Retail Sales Tax, State and Local" in *The Encyclopedia of Taxation and Tax Policy*, Second Edition, Joseph Cordes, Robert Ebel, and Jane Gravelle, eds. (Washington, D.C.: The Urban Institute Press, 2005), p. 337.
[507] Federation of Tax Administrators, "State Sales Tax Rates and Food & Drug Exemptions," available at www.taxadmin.org.
[508] Virginia Joint Legislative Audit and Review Commission, p. 33.
[509] Virginia Joint Legislative Audit and Review Commission, pp. 33-34.

***Sales Tax***
*Exemptions*

## 192. Groceries

District of Columbia Code: D.C. Official Code § 47-2001(n)(2)(E)
Sunset Date: None
Year Enacted: 1949

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $114,228 | $116,448 | $119,931 | $123,680 |

DESCRIPTION: Gross receipts from sales of food or drinks that are defined as eligible foods under the federal Supplemental Nutrition Assistance Program (SNAP, which was formerly known as the "Food Stamp" program) are exempt from sales tax, except sales of food or drink for immediate consumption or the sale of soft drinks.[510] Snack food is exempt from the sales tax due to a statutory change the district adopted in 2001.[511]

Maryland exempts groceries from the sales tax, while in Virginia, groceries are subject to a one-percent sales tax instead of the general sales tax rate of 5.3.[512] Virginia is one of only five states to impose the sales tax on food and all six states charge a lower rate.[513]

PURPOSE: The exemption makes the sales tax more equitable by exempting necessities that absorb a large share of low-income households' income.

IMPACT: All residents benefit from exempting groceries from the sales tax, but the exemption is particularly important for low-income individuals and families. Some have observed that the benefit for low-income families is smaller than expected because federal law bars sales taxation of food purchased through the SNAP program.

Some experts further contend that sales tax exemptions and reductions for food are poorly targeted because they do not depend on income. Virginia's Joint Legislative Audit and Review Commission reported that households earning more than $70,000 accounted for 44 percent of Virginia households in 2008 but claimed 58 percent of the reduction in tax liability from the partial sales tax exemption for food. At the same time, households earning less than $20,000 comprised 14 percent of Virginia households but received only 7 percent of the total benefit from the lower tax rate.[514] In a report prepared for the D.C. Tax Revision Commission, University of Tennessee professor William Fox stated: "Food could be taxed and low-income households compensated with credits

[510] Food prepared for immediate consumption is taxed at a 10.25 percent rate, compared to the 6 percent general sales tax rate.
[511] This change was part of D.C. Law 13-305, the "Tax Clarity Act of 2000," effective June 9, 2001.
[512] Virginia's sales tax became more complicated due to legislation enacted in 2013. The base rate for the general sales tax is now 5.3 percent, but in the Northern Virginia and Hampton Roads areas, a 0.7 percent add-on raises the total tax to 6 percent. The regional add-on generates revenue for transportation projects.
[513] Federation of Tax Administrators, "State Sales Tax Rates and Food & Drug Exemptions," available at www.taxadmin.org.
[514] Virginia Joint Legislative Audit and Review Commission, p. 33.

against the personal income tax or a smart card could be provided to low-income households to use as payment of sales tax on food purchases."[515]

[515] William Fox, "Sales Taxes in the District of Columbia," paper prepared for the D.C. Tax Revision Commission, May 2013, p. 7.

***Sales Tax***
*Exemptions*

## 193. Electric motor vehicle excise tax exemption

District of Columbia Code: D.C. Official Code § 50-2201.03(j)(3)(J)
Sunset Date: None
Year Enacted: 2019

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $2,070 | $2,091 | $2,124 | $2,158 |

DESCRIPTION: The electric motor vehicle excise tax exemption, part of the CleanEnergy DC Omnibus Amendment Act of 2018, allows electric motor vehicles to be exempt from the District's motor vehicle excise tax on the issuance of every original certificate of title for a motor vehicle or trailer in the District of Columbia and every subsequent certificate of title issued in the District of Columbia in the case of a sale, resale, or gift, except in the case of a bona fide gift of a vehicle already titled in the District given between spouses, parent and child, or domestic partners. The exemption is an extension of the energy conservation and efficiency initiatives to reduce greenhouse gas emissions in the District.

PURPOSE: The purpose of the exemption is to protect the environment by setting more aggressive renewable energy goals and encouraging reductions in energy use through encouraging consumer choices to reduce emissions in the transportation sector.

IMPACT: The exemption benefits the DC residents who buy electric cars.

***Sales Tax***
*Exemptions*

## 194. Diapers

District of Columbia Code: D.C. Official Code § 47-2005 (39)
Sunset Date: None
Year Enacted: 2019

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $1,904 | $1,941 | $1,999 | $2,061 |

DESCRIPTION: Gross receipts from diaper sales are exempt from the sales tax. For the purposes of the exemption, a diaper is "an absorbent incontinence product that is washable or disposable and worn by a person, regardless of age or sex, who cannot control bladder or bowel movements."[516]

Maryland exempts adult diapers from the sales tax as they are considered medical products; however, diapers for babies and children are fully taxable. Virginia reduced the sales tax rate on diapers and other personal hygiene products to 2.5 percent, the same as the tax rate on food.

PURPOSE: The sales tax exemption on diapers removes items that many consider necessities from the tax code.

IMPACT: Proponents of the exemption note that sales taxes, in general, are regressive and, therefore, disproportionately impact lower-income families.[517]

[516] DC Official Code § 47-2005 (39)
[517] Davis, Aaron C. "The 'tampon tax' fight has reached D.C." *The Washington Post*, April 4, 2016.

***Sales Tax***
*Exemptions*

## 195. Female hygiene products

District of Columbia Code: D.C. Official Code § 47-2005 (38)
Sunset Date: None
Year Enacted: 2019

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $588 | $599 | $617 | $637 |

DESCRIPTION: Gross receipts from sales of feminine hygiene products are exempt from the sales tax. For the purposes of the exemption, feminine hygiene products include "sanitary napkin, sanitary towel, tampon, menstrual cup, or sanitary pad."[518]

Maryland exempts feminine hygiene products from the sales tax as they are considered medical products. In 2019, Virginia reduced the tax rate to 1.5 percent by classifying female hygiene products as necessities similar to food. In July 2022, Virginia removed the sales tax on essentials. The bill went into effect on January 1, 2023.

PURPOSE: The sales tax exemption of feminine hygiene products removes items that many consider necessities from the tax code.

IMPACT: Proponents of the exemption note that sales taxes are generally regressive and, therefore, disproportionately impact lower-income women.[519] Researchers on the topic of menstrual equity have noted that limited access to feminine hygiene products is a problem both across the globe and in the US, leading to school absenteeism, among other problems.[520]

[518] DC Official Code § 47-2005 (38)
[519] Davis, Aaron C. "The 'tampon tax' fight has reached D.C." *The Washington Post*, April 4, 2016.
[520] Evans, Tonjanique; Smith, Whitney; and Themistocles, Demetria. "Periods, Poverty, and the Need for Policy," Washington, DC: BRAWS. May 2018.

***Sales Tax***
*Exemptions*

## 196. Materials used in war memorials

District of Columbia Code: D.C. Official Code § 47-2005(16)
Sunset Date: None
Year Enacted: 1957

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $326 | $337 | $349 | $358 |

DESCRIPTION: Gross receipts from the "sales of material to be incorporated permanently in any war memorial authorized by Congress to be erected on public grounds of the United States" are exempt from the sales tax.[521]

PURPOSE: The purpose of the exemption is to facilitate the construction of war memorials on public grounds in the District of Columbia.

IMPACT: The exemption benefits the U.S. government by providing a sales tax exemption for materials used in the construction of war memorials that are authorized by Congress and built on federally owned land.

According to the National Capital Planning Commission (NCPC), work for the World War I Memorial at Pershing Park in Washington, D.C., is underway. The memorial is expected to be completed in Fall 2024. A Desert Storm/Desert Shield Memorial is a new national monument to be built at the National Mall in Washington, D.C. The groundbreaking ceremony occurred on July 14, 2022.

[521] See D.C. Official Code § 47-2005(16).

***Sales Tax***
*Exemptions*

## 197. Nonprofit (501(c)(4)) organizations

District of Columbia Code: D.C. Official Code § 47-2005(22)
Sunset Date: None
Year Enacted: 1987

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $166,954 | $170,198 | $175,289 | $180,769 |

DESCRIPTION: Gross receipts from sales to an organization exempt from federal corporate income tax under section 501(c)(4) of the Internal Revenue Code are exempt from District of Columbia sales taxation. Organizations covered by section 501(c)(4) include "civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare, or local associations of employees, the membership of which is limited to the employees of a designated person or persons in a particular municipality, and the net earnings of which are devoted exclusively to charitable, educational, or recreational purposes."[522]

Maryland and Virginia exempt non-profit organizations from the sales tax, as do all but five states with a broad-based sales tax.[523]

PURPOSE: The purpose of the exemption is to support the activities of non-profit organizations that promote social welfare.

IMPACT: Tax-exempt organizations under section 501(c)(4) of the Internal Revenue Code and the people those organizations serve benefit from this exemption. Still, sales tax exemptions for organizations narrow the tax base and may result in a higher sales tax rate for non-exempt individuals and organizations. Another consideration is that tax benefits for non-profits give them an advantage in direct competition with for-profit firms.[524]

In a recent study, the Virginia Joint Legislative Audit and Review Commission (JLARC) found that the rate of increase in non-profit activity (as measured by per-capita expenditures) did not change significantly after 2004 when statutory changes broadened the number of non-profits eligible for Virginia's sales tax exemption. JLARC found that many charitable non-profits operating in Virginia did not use the exemption. Nevertheless, JLARC concluded that the exemption helps organizations that meet important needs such as emergency medical services, food, and housing assistance and that the non-profits that provide the services reduce the state's burden of directly providing or funding the services.[525]

[522] See 26 U.S.C. 501(c)(4)(A).
[523] Virginia Joint Legislative Audit and Review Commission, p. 62.
[524] William Fox, "Sales Taxes in the District of Columbia," paper prepared for the D.C. Tax Revision Commission, May 2013, p. 9.
[525] Virginia Joint Legislative Audit and Review Commission, pp. 58-61.

***Sales Tax***
*Exemptions*

## 198. Semi-public institutions

District of Columbia Code: D.C. Official Code § 47-2005(3)
Sunset Date: None
Year Enacted: 1949

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $53,411 | $54,449 | $56,078 | $57,831 |

DESCRIPTION: Gross receipts from sales to semi-public institutions are exempt from the sales tax if (1) the institution obtains a certificate from the Mayor stating that the institution is entitled to the sales tax exemption, (2) the vendor keeps a record of each sale, (3) the institution is located in the District of Columbia, and (4) the property or services purchased are for use or consumption, or both, in maintaining and operating the institution for the purpose for which it was established, or for honoring the institution or its members.

A semi-public institution is defined as "any corporation, and any community chest, fund, or foundation, organized exclusively for religious, scientific, charitable, or educational purposes, including hospitals, no part of the net earnings of which inures to the benefit of any private shareholder or individual."[526]

Maryland and Virginia exempt non-profit organizations from the sales tax, as do all but five states with a broad-based sales tax.[527]

PURPOSE: The exemption supports the mission of private, non-profit institutions that provide religious, educational, social, philanthropic, and other services that have important public benefits. It recognizes and encourages the public benefits provided by many non-profit entities, such as hospitals and libraries.

IMPACT: Semi-public (non-profit) institutions and the people they serve benefit from this exemption. Still, sales tax exemptions for particular organizations narrow the tax base and may result in a higher sales tax rate for non-exempt individuals and organizations. Another consideration is that tax benefits for non-profits give them an advantage in direct competition with for-profit firms.[528]

In a recent study, the Virginia Joint Legislative Audit and Review Commission (JLARC) found that the rate of increase in non-profit activity (as measured by per-capita expenditures) did not change significantly after 2004 when statutory changes broadened the number of non-profits eligible for Virginia's sales tax exemption. JLARC found that many charitable non-profits operating in Virginia did not use the exemption. Nevertheless, JLARC concluded that the exemption helps organizations that meet important needs such as emergency medical services,

[526] See D.C. Official Code § 47-2001(r).
[527] Virginia Joint Legislative Audit and Review Commission, p. 62.
[528] William Fox, "Sales Taxes in the District of Columbia," paper prepared for the D.C. Tax Revision Commission, May 2013, p. 9.

food, and housing assistance, and that the non-profits which provide the services reduce the state's burden of directly providing or funding the services.[529]

[529] Virginia Joint Legislative Audit and Review Commission, pp. 58-61.

***Sales Tax***
*Exemptions*

## 199. Miscellaneous

District of Columbia Code: D.C. Official Code § 47-2005
Sunset Date: None
Year Enacted: 1949 and subsequent years

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | no estimate | no estimate | no estimate | no estimate |

DESCRIPTION: D.C. law includes a few sales-tax exemptions that are relatively small in scope. These miscellaneous exemptions cover gross receipts from (1) sales of materials and services to the printing clerks of the U.S. House of Representatives, and sales of materials and services by the printing clerks, (2) casual and isolated sales by a vendor who is not regularly engaged in the business of retail sales, (3) sales of food, beverages, and other goods made for use in the U.S. House of Representatives cloakrooms, and sales of food, beverages, and other goods made by anyone involved in operating the cloakrooms, (4) sales of food or beverages on a train, airline, or other form of transportation operating in interstate commerce, (5) food or drink that is delivered and sold without profit by a non-profit volunteer organization to persons who are confined to their homes, (6) sales of food or drink made by a senior citizen residence to the residents, guests, and employees of the senior residence, (7) sales of vessels that are subject to Article 29 of the Police Regulations, (8) sales of residential cable television services and commodities,[530] (9) sales of printing services and tangible personal property to a publisher that prints and distributes its own newspaper in the District of Columbia free of charge, (10) sales of two-way land mobile radios used for taxicab dispatch and communication, (11) sales of material or equipment used in the construction, repair, or alteration of real property, provided that the materials are temporarily stored in the District of Columbia for not longer than 90 days to transport the property outside the District for use solely outside the District, and (12) sales by the U.S. government or the District government.

Sales tax exemptions for infrequent or isolated transactions are common in other states.

PURPOSE: The miscellaneous exemptions serve a variety of purposes, including (1) avoiding an administrative burden on those who sell goods or services infrequently or incidentally, (2) preventing double-taxation for certain goods or services subject to other taxes when they are sold, (3) exempting goods or carriers that are passing through the District through interstate commerce or transportation, and (4) promoting the purchase of certain items.

IMPACT: As described above, these exemptions benefit various groups of vendors and consumers. The Office of Tax and Revenue may also benefit because the cost of collecting sales tax on incidental or unusual transactions might exceed the revenue generated. There is no estimate of the forgone revenue for these provisions because most of the individual items are very small and difficult to estimate.

[530] These sales are subject to a gross receipts tax.

***Sales Tax***
*Exemptions*

## 200. State and local governments

District of Columbia Code: D.C. Official Code § 47-2005(2)
Sunset Date: None
Year Enacted: 1949

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | Minimal | minimal | minimal | minimal |

Note: "Minimal" means that the forgone revenue is estimated as less than $50,000 per year, although precise data are lacking.

DESCRIPTION: Gross receipts from sales to a state or any of its political subdivisions (counties, cities, townships) are exempt from the sales tax, provided that the state grants a similar exemption to the District of Columbia. The term "state" refers to the states, territories, and possessions of the United States.

PURPOSE: The exemption recognizes that purchases made by state and local governments are not meant for final consumption but rather as inputs to the provision of goods and services by those governments.

IMPACT: State and local governments, as do the taxpayers in those jurisdictions, benefit from the exemption. The District of Columbia also benefits indirectly because it will not receive an exemption from the sales tax in other jurisdictions if it does not provide a reciprocal exemption.

***Sales Tax***
*Exemptions*

## 201. Valet parking services

District of Columbia Code: D.C. Official Code § 47-2001 (n)(1)(L)(iv-I)
Sunset Date: None
Year Enacted: 2002

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $83 | $85 | $88 | $90 |

DESCRIPTION: Gross receipts from sales of valet parking services are exempt from the sales tax.

PURPOSE: The District's sales tax generally includes "the sale of or charge for the service of parking, storing, or keeping motor vehicles or trailers."[531] Nevertheless, the District had never levied the tax on valet parking services, and policymakers decided to codify the sales tax exemption for valet parking services.[532]

IMPACT: Valet parking providers and their customers benefit from this exemption. The exemption creates a horizontal inequity because other forms of parking are not exempt from taxation.

In 2022, the District Department of Transportation reported that 14 valet parking permits were in effect.

[531] See D.C. Official Code § 47-2001(n)(1)(L).
[532] Office of the Chief Financial Officer, "Fiscal Impact Statement: 'Fiscal Year 2003 Budget Support Act of 2002,'" June 4, 2002, p. 7.

# PERSONAL PROPERTY TAX

***Personal Property Tax***
*Exemptions*

## 202. Qualified supermarkets

District of Columbia Code: D.C. Official Code § 47-1508(a)(9)
Sunset Date: None
Year Enacted: 2000

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $349 | $301 | $304 | $307 |

DESCRIPTION: The personal property of a "qualified supermarket" is exempt from personal property taxation for 10 years, subject to several conditions. First, the real property where the personal property is located must continue to be used as a supermarket. Second, if the supermarket leases the real property where it is located, the property owner must reduce the rent charged to the supermarket by the amount of any real property tax exemption it receives for being the site of a qualified supermarket. Third, the supermarket must meet its requirements under the "First Source" program, which requires private organizations receiving D.C. government aid to prioritize D.C. residents filling new jobs.[533]

A "qualified supermarket" is located in a census tract in an eligible area.
Generally, an eligible area is:

(i) An area consisting of those properties within or abutting the boundaries of low-income census tracts where a significant number of residents are more than 1/2 mile from the nearest supermarket, as designated based on the 2019 data from the United States Department of Agriculture Food Access Research Atlas; or
(ii) An area consisting of properties within or abutting proximal neighborhood groups with over 20% participation in the Supplemental Nutrition Assistance Program or other public assistance programs as designated in the 2018 District of Columbia Health Equity Report.

For supermarkets under construction as of January 1, 2021, with a certificate of occupancy issued and an application for certification to get the exemption filed by July 1, 2023, an eligible area is:

(i) A historically underutilized business zone, as defined by section 3(p)(1) of the Small Business Act; or
(ii) Census tracts 103, 33.01, 94, 95.05, 95.07, or 95.08.[534]

PURPOSE: The exemption encourages the construction and operation of supermarkets in underserved areas of the city.

IMPACT: Individuals and organizations constructing and operating supermarkets in the target areas benefit from this provision. By extension, residents of these areas benefit by gaining greater access to a wider range of food in their neighborhoods. The exemption violates the principle of horizontal equity because other businesses that locate in the same areas do not receive similar treatment, nor do supermarkets located outside of the eligible areas.

[533] Specifically, the beneficiaries of D.C. government aid are expected to hire D.C. residents for at least 51 percent of their new jobs.
[534] D.C. Official Code § 47-1508(1D)

***Personal Property Tax***
*Exemptions*

## 203. BID corporations

District of Columbia Code: D.C. Official Code § 47-4668
Sunset Date: None
Year Enacted: 1902

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | n/a | n/a | n/a | n/a |

DESCRIPTION: The personal property of any non-profit organization organized exclusively for religious, scientific, charitable, or educational purposes, including hospitals, is exempt from personal property taxation, provided that the organization obtains a letter from the Chief Financial Officer stating that it is entitled to the exemption. Any personal property used for activities that generate unrelated business income subject to tax under section 511 of the U.S. Internal Revenue Code of 1986 is not exempt from the personal property tax.

PURPOSE: The exemption supports a general policy of providing tax exemptions to non-profit organizations that provide religious, scientific, charitable, educational, or cultural benefits to the public.

IMPACT: This exemption benefits non-profit organizations organized exclusively for religious, scientific, charitable, educational, or cultural purposes. The narrowing of the tax base may make it possible. By narrowing the tax base, this and similar exemptions may increase the tax rate on entities that must pay the tax.

***Personal Property Tax***
*Exemptions*

## 204. Non-profit organizations

District of Columbia Code: D.C. Official Code § 47-1508(a)(1)
Sunset Date: None
Year Enacted: 1902

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $6 | $6 | $6 | $6 |

DESCRIPTION: The personal property of any non-profit organization organized exclusively for religious, scientific, charitable, or educational purposes, including hospitals, is exempt from personal property taxation, provided that the organization obtains a letter from the Chief Financial Officer stating that it is entitled to the exemption. Any personal property used for activities that generate unrelated business income subject to tax under section 511 of the U.S. Internal Revenue Code of 1986 is not exempt from the personal property tax.

PURPOSE: The exemption supports a general policy of providing tax exemptions to non-profit organizations that provide religious, scientific, charitable, educational, or cultural benefits to the public.

IMPACT: This exemption benefits non-profit organizations organized exclusively for religious, scientific, charitable, educational, or cultural purposes. The narrowing of the tax base may make it possible. By narrowing the tax base, this and similar exemptions may increase the tax rate on entities that must pay the tax.

***Personal Property Tax***
*Exemptions*

## 205. Motor vehicles and trailers

District of Columbia Code: D.C. Official Code § 47-1508(a)(3)
Sunset Date: None
Year Enacted: 1954

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2024 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $375 | $379 | $382 | $387 |

DESCRIPTION: Any motor vehicle or trailer registered in the District of Columbia is exempt from personal property taxation, except that special equipment mounted on a motor vehicle or trailer not used for transporting persons or property is taxed as tangible personal property. The District's personal property tax applies only to business property, so the motor vehicles owned by District residents for their personal use would not be taxed even if this exemption were not in place.

PURPOSE: The reason for the exemption is unknown, but many states do not include motor vehicles in their personal property tax.[535] Motor vehicles are exempt from the personal property tax in Maryland, but personal and commercial motor vehicles in Virginia are subject to the personal property tax.[536]

IMPACT: Owners of commercial motor vehicles and trailers benefit from this exemption. As of June 2023, there were 12,511 commercial vehicles registered in the District of Columbia, according to the D.C. Department of Motor Vehicles.

The exemption violates the principle of economic neutrality because firms' personal property tax liability could vary depending on the type of property owned, even if they have the same level of income or assets.

[535] John Bowman, "Personal Property Taxation" in District of Columbia Tax Revision Commission, *Taxing Simply, Taxing Fairly: Full Report* (1998), Chapter H, p. 204.
[536] In Virginia, each city or county sets its own personal property tax rate, and the state subsidizes some personal property tax relief for non-commercial motor vehicles.

# LOCAL TAX EXPENDITURES (unknown if used)

***Income Tax***
*Credits*

## 206. Paid leave for organ or bone marrow donors

District of Columbia Code: D.C. Official Code § 47-1807.08 and § 47-1808.08
Sunset Date: None
Year Enacted: 2006

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Business Income Tax Loss | no estimate | no estimate | no estimate | no estimate |
| Personal Income Tax Loss | $0 | $0 | $0 | $0 |
| **Total** | **no estimate** | **no estimate** | **no estimate** | **no estimate** |

DESCRIPTION: A business that provides its employees with a paid leave of absence to serve as organ or bone marrow donors may claim a non-refundable credit equal to 25 percent of the regular salary paid during the leave of absence, not to exceed 30 days for an organ donation and seven days for a bone marrow donation.

To qualify for the credit, the leave provided by the business must be in addition to any medical, personal, or other paid leave provided to the employee. In addition, the credit does not apply if the employee is eligible for leave under the U.S. Family and Medical Leave Act of 1993. The credit does not reduce a business's minimum tax liability, and the business cannot deduct the salary paid to the employee during any period for which the paid leave is in effect.

Neither Maryland nor Virginia offers employer incentives to encourage organ or bone marrow donations. However, Virginia allows organ and tissue donors to take personal income tax deductions of up to $5,000 (10,000 for joint filers) or the actual amount paid, whichever is less, for unreimbursed medical expenses that have not been claimed as a medical deduction on the taxpayer's federal income taxes. In addition, Virginia allows taxpayers to deduct from their taxable income the fee paid for an initial screening to become a bone marrow donor, provided that the individual was not reimbursed for the fee and did not claim a deduction for the fee on his or her federal return. Maryland provides up to $10,000 tax credit to people donating all or part of their liver, kidney, pancreas, intestine, lung, or bone marrow and up to 30 days (in any 12-month period) of paid leave to state employees for organ donation.

PURPOSE: The purpose of the credit is to increase the number of private employers who allow their employees paid leave to serve as organ and bone marrow donors.

IMPACT: Employers who provide their employees with paid leave to serve as organ or bone marrow donors are the intended beneficiaries of this provision, which should also generate indirect benefits by expanding the number of organ or bone marrow donors.

The revenue loss for FY 2024-FY 2027 cannot be estimated, because ORA follows the policy of the U.S. Internal Revenue Service providing that, "No statistical tabulation may be released outside the agency with cells containing data from fewer than three returns." [537] This policy is intended to protect the confidentiality of individual tax records.

[537] U.S. Internal Revenue Service, Publication 1075, "Tax Information Security Guidelines for Federal, State, and Local Agencies and Entities" (September 2016), p. 125.

***Income Tax***
*Credits*

## 207. Employer-assisted home purchases

District of Columbia Code: D.C. Official Code § 47-1807.07 and § 47-1808.07
Sunset Date: None
Year Enacted: 2002

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Business Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | $0 | $0 | $0 | $0 |
| **Total** | **$0** | **$0** | **$0** | **$0** |

DESCRIPTION: A business in the District of Columbia with at least one employee may receive a tax credit equal to one-half of the amount of homeownership assistance provided to its employees during the taxable year, provided that (1) the credit received for each employee shall not exceed $2,500, (2) the assistance is provided through a certified employer-assisted home purchase program, (3) the assistance is used for the purchase of a qualified residential real property, and (4) the eligible employee is a new homebuyer (someone who did not own a principal place of residence in the District in the prior 12 months).

To be eligible, an employee must have a household income less than or equal to 120 percent of the area median income.

PURPOSE: The credit's purpose is to leverage private-sector assistance for new homeownership in the District of Columbia among low—to moderate-income individuals and families. By providing a tax credit equal to 50 percent of the housing assistance provided by a business, up to $2,500 annually, the District has, in effect, created a matching incentive for employer-assisted home purchases.

IMPACT: This tax credit benefits low—to moderate-income taxpayers who are eligible for an employer-assisted home purchase program. There may also be spillover benefits in terms of a stronger tax base for the District, increased demand for housing, and more stable neighborhoods.

# UNUSED LOCAL TAX EXPENDITURES (not taken)

***Income Tax***
*Subtractions*

## 208. Housing relocation and assistance payments

District of Columbia Code: D.C. Official Code § 42-2851.05, § 42-3403.05, and 47-1803.02(a)(2)(R)
Sunset Date: None
Year Enacted: 1980 (rental housing conversion) and 2002 (federal housing assistance programs)

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Business Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | $0 | $0 | $0 | $0 |
| **Total** | **$0** | **$0** | **$0** | **$0** |

DESCRIPTION: The "Rental Housing Conversion and Sale Act of 1980" (D.C. Law 3-86) requires an owner who converts rental housing into a condominium or cooperative to provide a relocation payment to each tenant who does not purchase a unit, share, or sign a lease of at least five years. In addition, the Department of Housing and Community Development (DHCD) must provide a housing relocation payment of up to $1,000 and housing assistance payments for three years to each low-income tenant who does not purchase a unit or share in a condominium or cooperative conversion. The formula for determining the housing assistance payment is outlined in § 42-3403.04 of the D.C. Official Code. Housing relocation and assistance payments are excluded from D.C. income tax.

In addition, the "Housing Act of 2002" (D.C. Law 14-114) authorizes the Mayor to provide relocation services to the tenants of a building that discontinues its participation in a federal housing assistance program. The relocation services include information about available housing and relevant assistance programs and relocation payments of as much as $500 per tenant. The relocation payments are excluded from D.C. income tax.

PURPOSE: The exclusions for housing relocation and assistance payments aim to protect tenants, particularly low-income tenants, who are displaced by a landlord's decision to convert rental housing into owner-occupied housing or to cease participating in a federal housing assistance program.

IMPACT: Tenants receiving housing relocation and assistance payments are the intended beneficiaries of this provision. Although DHCD advertises the availability of housing relocation and assistance payments to tenants displaced by a rental housing conversion, no one has applied in about five years. Because of the small scale of the housing relocation and assistance program, the revenue loss for fiscal years 2024 through 2027 is estimated as "0".

***Real Property Tax***
*Abatements*

## 209. Non-profit organizations locating in designated neighborhoods

District of Columbia Code: D.C. Official Code § 47-857.11 - § 47-857.16
Sunset Date: None
Year Enacted: 2010

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $0 | $0 | $0 | $0 |

DESCRIPTION: Non-profit organizations,[538] and property owners who lease office space to non-profits can qualify for real property tax abatements for a period of 10 years if they are in an "eligible non-profit zone." The authorizing statute defines five non-profit zones and allows the Mayor to designate additional zones, which an act of the Council must approve.

Eligible non-profits or property owners can receive a real property tax abatement of $8 per square foot for 10 consecutive years if they: (1) purchase or lease 5,000 square feet of office space, (2) occupy at least 75 percent of the space, (3) purchase or lease the space at the market rate, and net of any real estate taxes, (4) do not receive any other real property tax abatement or tax-increment financing for the office space, and (5) occupy the new space by September 30, 2013, if located in the Capitol Riverfront, Mount Vernon Triangle, or NOMA zones, or by September 30, 2016, if located in the Anacostia zone, the Minnesota-Benning zone, or a zone designated by the Mayor.

Eligible non-profits or property owners cannot claim the abatement for more than 100,000 square feet of office space, and the annual abatement cannot exceed their real property tax liability. The total annual abatement is capped at $500,000, and the total abatement for each zone over 10 years is capped as follows: $600,000 for the Anacostia zone, $2.6 million for the Capitol Riverfront zone, $800,000 in zones designated by the Mayor; $600,000 in the Minnesota-Benning zone, $1.2 million in the Mount Vernon Triangle zone, and $2.6 million in the NOMA zone. Non-profits must apply to the Mayor and receive a certification of eligibility to claim an abatement.

PURPOSE: The purpose of the abatement is "to provide an incentive for (non-profits) to locate their offices in emerging commercial neighborhoods of the District of Columbia."[539]

IMPACT: Eligible non-profits and property owners who lease space to the non-profits benefit from the abatements. Two non-profits, the American Iron and Steel Institute at 25 Massachusetts Avenue, N.W., and Case Western Reserve, at 820 First Street, N.E., have been approved for the abatements and received them through FY 2021,[540] but there are no plans to approve additional abatements at this time.

[538] For purposes of this program, eligible non-profit organizations are those that are exempt from federal income tax under sections 501(c)(3), (4), and (6) of the U.S. Internal Revenue Code.
[539] See Title 10-B, Section 6300.1 of the D.C. Municipal Regulations.
[540] Although the Office of Revenue Analysis normally does not provide tax information about specific individuals or organizations, D.C. Official Code § 47-1001 allows disclosure of tax-exempt properties.

***Real Property Tax***
*Abatements*

## 210. Improvements to low-income housing

District of Columbia Code: D.C. Official Code § 47-866
Sunset Date: None
Year Enacted: 2002

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $0 | $0 | $0 | $0 |

DESCRIPTION: If the owner of an eligible housing accommodation makes improvements of at least $10,000 per housing unit in a 24-month period, the owner is eligible for a tax abatement equal to the increase in real property tax liability for each of the subsequent five years, relative to a base year before the improvements were completed.

To qualify, the owner must offer at least 25 percent of the units at affordable rents to households below 50 percent of the area median. In addition, the owner must maintain the property as low-income housing throughout the five-year period and is not eligible for the abatement if he or she has recovered the renovation costs through another program.

The total abatements provided through this tax provision are capped at $1 million annually. To receive the benefit, the property owner must apply to the Mayor at least 30 days before the physical improvements begin and receive certification from the Mayor after the improvements are completed. The Mayor must also determine that the improvements are unlikely to be made without the tax abatement. In Mayor's Order 2009-202, dated November 25, 2009, Mayor Fenty designated the Department of Housing and Community Development (DHCD) as the agency responsible for administering this tax abatement program.[541]

PURPOSE: The abatements are intended to preserve and upgrade the supply of affordable housing by encouraging owners to rehabilitate their housing units and making the abatements contingent on the affordability of the housing to low-income individuals and families.

IMPACT: This provision intends to benefit the owners of affordable housing accommodations who improve their housing, along with the low-income residents who live in the housing units. Nevertheless, DHCD has not received any applications for the abatement in recent years.

[541] Mayor's Order 2009-202, entitled "Delegation of Authority – Tax Abatements under Section 291 of the Housing Act of 2002," was published in the D.C. Register, Vol. 56, No. 49, p. 9222, December 4, 2009.

***Real Property Tax***
*Abatements*

## 211. New or improved buildings used by high-technology companies

District of Columbia Code: D.C. Official Code § 47-811.03
Sunset Date: None
Year Enacted: 2001

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $0 | $0 | $0 | $0 |

DESCRIPTION: Two types of non-residential or mixed-use buildings are eligible for a five-year property tax freeze if more than 50 percent of the tenants are qualified high-technology companies or at least 50 percent of the aggregate square footage is leased to a qualified high-technology company using the premises as an office or retail space.

First, new buildings that received their initial certificate of occupancy after December 31, 2000, are eligible for the property tax freeze. In addition, existing buildings that were improved to adapt or convert the property for use by a qualified high-technology company are also eligible for tax abatement.

As of 2020, a high-technology company is considered "qualified" if it (1) has ten or more employees in the District and (2) derives at least 51 percent of gross revenues earned in the District from technology-related goods and services such as Internet-related services and sales; information and communication technologies, equipment and systems that involve advanced computer software and hardware; and advanced materials and processing technologies. The property tax abatements are part of incentives for high-technology firms authorized by D.C. Law 13-256, the "New E-conomy Transformation Act of 2000."[542]

In recent years, the Downloading Lost Revenues Amendment Act of 2019 and the QHTC Tax Incentives Modification Amendment Act of 2020 (Subtitle (VII)(M) of the FY 2021 Budget Support Act of 2020) have amended or repealed other QHTC provisions, as described elsewhere in this report.

Prince George's County offers a real property tax credit for businesses that are involved primarily in high-technology manufacturing, fabrication, assembling, or research and development and have (1) made at least a $500,000 investment in 5,000 square feet or more of real property that is newly constructed or substantially renovated, and (2) create at least 10 new full-time positions over three years. The credit offsets the property tax arising from any increase in the firm's real property assessment in the first year and is then phased out over the next four years.

PURPOSE: The abatement ensures that high-technology companies have adequate space and protects property owners against sharp increases in their tax liability that may accompany the development or conversion of space for use by high-technology companies. More generally, the

[542] The other incentives, which include increased expensing of capital assets, a reduced corporate tax rate, employment credits, sales tax exemptions, and personal property tax exemptions, are discussed elsewhere in this section.

tax abatement is intended to encourage the growth of high-technology companies in the District of Columbia and thereby expand the District's economy and employment base.

IMPACT: High-technology companies in the District of Columbia and the property owners who lease space to high-technology companies are the intended beneficiaries of this provision. One property in the District of Columbia received the tax abatement for leasing space to a QHTC, and the Office of Tax and Revenue reported that the abatement on that property lasted through the end of FY 2017. The abatement violates the principle of horizontal equity because property owners renting to tenants who are not qualified high-technology companies are not eligible for similar tax relief.

***Real Property Tax***
*Abatements*

## 212. Preservation of section 8 housing in qualified areas

District of Columbia Code: D.C. Official Code § 47-865
Sunset Date: None
Year Enacted: 2002

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $0 | $0 | $0 | $0 |

DESCRIPTION: If the owner of a housing accommodation who receives subsidies through a project-based housing assistance program ("Section 8" program) of the U.S. Department of Housing and Urban Development (HUD) renews or extends the HUD contract with substantially the same conditions for at least five years, the owner is eligible for a tax abatement. To qualify, the housing must be located in an area where the average rent for one-bedroom and two-bedroom apartments exceeds the fair-market rent (as defined by HUD) by 25 percent or more.

If the contract is renewed for five years, the owner qualifies for a tax abatement for each of the five years equal to 75 percent of any increment to his or her real property tax liability compared to a base year immediately before the first year of the abatement. If the contract is renewed for 10 years, the owner qualifies for a tax abatement for each year equal to 100 percent of the increment to his or her real property tax liability compared to the base year.

The Department of Housing and Community Development administers this tax abatement.[543]

PURPOSE: The abatement aims to preserve affordable housing by encouraging landlords to continue participating in federal housing programs for low-income households. The abatements are limited to areas where the average rent exceeds the fair-market rent by 25 percent to target the benefits where they are most needed.[544]

IMPACT: This provision intends to benefit the owners of housing accommodations in qualified areas who renew their contracts with HUD to provide Section 8 housing and residents of federally subsidized housing located in qualified areas. However, there are presently no participants in this abatement program. Only one property owner has claimed the abatement for preserving section 8 housing, but that abatement has expired.

[543] See Mayor's Order 2009-202, entitled "Delegation of Authority – Tax Abatements under Section 291 of the Housing Act of 2002," D.C. Register, Vol. 56, No. 49, p. 9222, December 4, 2009.
[544] This summary draws on the Council of the District of Columbia, Committee on Finance and Revenue, "Committee Report on Bill 14-183, the 'HomeStart Financial Incentives Act of 2001," dated November 13, 2001. The tax abatements for preservation of section 8 housing originated in Bill 14-183, which became Law 14-114, the "Housing Act of 2002," effective April 19, 2002.

***Real Property Tax***
*Abatements*

## 213. Single-room-occupancy housing

District of Columbia Code: D.C. Official Code § 42-3508.06
Sunset Date: None
Year Enacted: 1994

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $0 | $0 | $0 | $0 |

DESCRIPTION: The Mayor is authorized to provide tax abatements, as well as deferral or forgiveness of water and sewer fees and other indebtedness to the District government, to encourage the development of single-room-occupancy housing for low- and moderate-income tenants. These incentives would be granted following negotiations and the signing of a written agreement between the Mayor and housing providers who are developing or operating single-room-occupancy housing accommodations.

The written agreement may establish a formula for abating property tax liability for the relevant property or properties. The abatement applies for a period of no longer than 10 years, beginning during the first year that the newly constructed or rehabilitated single-room occupancy housing becomes available for occupancy.

To qualify for the incentives, a housing provider must demonstrate to the satisfaction of the Mayor that the single-room-occupancy housing (1) is affordable to low- and moderate-income tenants and that the rent is reduced by the benefits received, (2) complies with the District's zoning regulations, (3) includes at least 95 square feet of space and a clothing storage unit, (4) provides toilet and shower or bathing facilities on each floor, (5) includes common day room, kitchen, and laundry facilities, (6) provides a 24-hour manual or electronic security system, and (7) is supervised by a manager who resides on the premises.

PURPOSE: The incentives aim to encourage the development of single-room-occupancy housing for low- and moderate-income tenants.

IMPACT: This provision is intended to benefit organizations that develop or operate single-room occupancy housing for low—and moderate-income tenants and tenants who need affordable housing. Nevertheless, there is no evidence that the incentives have been used.

***Real Property Tax***
*Abatements*

## 214. Vacant rental housing

District of Columbia Code: D.C. Official Code § 42-3508.02
Sunset Date: None
Year Enacted: 1985

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $0 | $0 | $0 | $0 |

DESCRIPTION: An owner of newly constructed rental housing accommodations is eligible for tax abatements equal to 80 percent of tax liability during the first year the housing becomes available for rental. Each succeeding year, the tax abatement would be reduced by 16 percentage points until the property is fully taxable.

When vacant rental accommodations that have been rehabilitated become available, the property owner also becomes eligible for an 80 percent reduction of the increased tax liability that results from the rehabilitation. In each succeeding year, the tax abatement would be reduced by 16 percentage points until the full value of the property is taxable. In addition, the Mayor may defer or forgive any indebtedness owed to the District or forgive any outstanding tax liens when a vacant rental accommodation is being rehabilitated under this program.

A project eligible for tax abatement or forgiveness of any indebtedness or tax lien through this program must be certified by the Mayor as being "in the best interest of the District and … consistent with the District's rental property needs in terms of its location, type, and variety of sizes or rental units."[545] A property is not eligible for this program if the property receives tax incentives for new residential development in targeted neighborhoods (see tax expenditures #133 and #134).

PURPOSE: The abatement's purpose is to expand the supply of safe and affordable rental housing for low—to moderate-income residents of the District of Columbia.

IMPACT: This tax incentive is intended for renters and owners of newly constructed or rehabilitated rental housing. Nevertheless, there is no evidence that any abatements have been awarded through this program in recent years.

[545] D.C. Official Code §42-3508.02(d)

***Real Property Tax***
*Exemptions*

## 215. Resident management corporations

District of Columbia Code: D.C. Official Code § 47-1002(24)
Sunset Date: None
Year Enacted: 1992

| (Dollars in thousands) | FY 2024 | FY 2026 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $0 | $0 | $0 | $0 |

DESCRIPTION: Public housing transferred to a qualifying resident management corporation is exempt from deed recordation and transfer taxes. A resident management corporation is a non-profit corporation where public housing residents are the sole voting members.

PURPOSE: The exemption's purpose is to expand the opportunities of low-income families who live in a public housing project to become owners of the housing. Resident ownership is also expected to help stabilize neighborhoods by giving residents a greater stake in the safety and upkeep of the community.

IMPACT: Resident management corporations and the individuals they serve are the intended beneficiaries of this provision. According to the D.C. Housing Authority, the Kenilworth-Parkside project is the only property transferred to a resident management corporation (this transfer took place in 1992). Presently, no exemptions are projected for the FY 2024 through FY 2027 period.

***Real Property Tax***
*Multiple*

## 216. Economic development zone incentives

District of Columbia Code: D.C. Official Code § 6-1501 - § 6-1503
Sunset Date: None
Year Enacted: 1988

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $0 | $0 | $0 | $0 |

DESCRIPTION: The D.C. law designates three economic development zones eligible for tax and other development incentives: the Alabama Avenue zone, the D.C. Village zone, and the Anacostia zone. The Mayor may also designate additional economic development zones, subject to Council approval by resolution. The designation of additional zones must be based on evidence of economic distress, such as high levels of poverty, unemployment, low income, population loss, and other criteria outlined in the authorizing statute.

The real property incentives include property tax reductions that are gradually phased out over five years (the reduction is 80 percent the first year and is then reduced by 16 percent each year until reaching zero in year six); the deferral or forgiveness of any property tax owed on the property; and the forgiveness of costs or fees associated with a nuisance property infraction. To qualify, a property owner in an eligible zone must have constructed or substantially rehabilitated the property after October 20, 1988, and comply with zoning regulations.

The Mayor must submit, and the Council must approve a resolution that qualifies the property for the incentives. The resolution must identify the real property and its owner, specify each tax or charge to be reduced, deferred, or forgiven, and state the dollar amount of each tax incentive.

Montgomery County offers enterprise zone real property tax credits to businesses that are located in designated areas of downtown Silver Spring, Takoma Park/Long Branch, and Wheaton. The credits start at 80 percent of the increase in real property liability, relative to a base year, and are phased out over 10 years. Prince George's County offers revitalization tax credits for construction or renovation of commercial and residential structures. The credits equal 100 percent of the increased assessment value relative to a base year and are then phased out in 20 percent annual increments. Virginia replaced its enterprise zone tax credits with a grant program.

PURPOSE: The incentives encourage commercial, industrial, and residential development, thereby creating jobs, increasing homeownership, and stabilizing neighborhoods marked by high poverty and unemployment rates, low-income levels, population loss, and other indicators of economic distress.

IMPACT: The incentives are intended for owners of newly constructed or improved real property in an economic development zone. However, only two incentive packages have been approved since the zones were created, and neither is in effect today.

***Real Property Tax***
*Multiple*

## 217. Homeowners in enterprise zones

District of Columbia Code: D.C. Official Code § 47-858.01 - § 47-858.05
Sunset Date: None
Year Enacted: 2002

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $0 | $0 | $0 | $0 |

DESCRIPTION: The D.C. government provides real property tax abatements for homeowners who substantially rehabilitate their homes in an enterprise zone. Census tracts with 20 percent or more poverty rates qualify as enterprise zones.

To qualify for the abatements, a property owner must have a household income of less than 120 percent of the area median income. To receive a tax abatement, an owner must receive certification from the Mayor that the property and rehabilitation meet the law's requirements.

The tax abatement is a percentage of the amount the homeowner's tax liability for the property increased after the substantial rehabilitation. During the year the rehabilitation is completed, and the following three years, the taxpayer can deduct 100 percent of the increased tax liability. In the fourth year, the taxpayer can deduct 75 percent; in the fifth year, 50 percent; and in the sixth year, 25 percent. In the seventh year, the property is fully taxable after completing rehabilitation.

PURPOSE: The abatement promotes the revitalization of neighborhoods classified as enterprise zones, attracts new residents to the District of Columbia, and strengthens the District's tax base.

IMPACT: These provisions are intended for low—to moderate-income homeowners of homes in enterprise zones. They are also expected to create spillover benefits for neighborhoods with poverty rates of 20 percent or more. Presently, there are no beneficiaries of these tax abatements, and none are projected for the FY 2024 to FY 2027.

***Deed Recordation Tax***
*Exemptions*

## 218. Special act of Congress

District of Columbia Code: D.C. Official Code § 42-1102(4)
Sunset Date: None
Year Enacted: 1962

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $0 | $0 | $0 | $0 |

DESCRIPTION: A deed to property acquired by an institution, organization, corporation, or association entitled to an exemption from real property by a special act of Congress is exempt from the deed recordation tax, provided that the property is acquired "solely for a purpose or purposes for which such special exemption was granted."[546]

D.C. Law 14-282, the "Tax Clarity and Recorder of Deeds Act of 2002," which took effect on April 4, 2003, repealed a similar exemption applicable to the transfer tax.[547]

PURPOSE: This exemption extends the deed recordation tax exemption to properties that have been exempted from real property taxation in the District of Columbia by a special act of Congress. Exempting the properties from both taxes promotes uniformity and equity in property taxation.

IMPACT: Property owners who qualify for a real property tax exemption in the District of Columbia by a special act of Congress benefit from this exemption. Examples of past recipients include properties owned by the Daughters of American Revolution, the National Education Association, the American Veterans of World War II, the American Association of University Women, and Woodrow Wilson House.

[546] See D.C. Official Code § 42-1102(4).
[547] See section 11(o)(4) of this legislation.

***Deed Transfer Tax***
*Exemptions*

## 219. Bona-fide gifts to the District of Columbia

District of Columbia Code: D.C. Official Code § 47-902(24)
Sunset Date: None
Year Enacted: 2011

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $0 | $0 | $0 | $0 |

DESCRIPTION: Real property transferred to the District of Columbia as a "bona fide gift" at the D.C. government's request and without any consideration for the transfer is exempt from the real property transfer tax.[548]

PURPOSE: The enactment of this provision was motivated by the 2008 transfer of property from PEPCO to the D.C. government. The property was conveyed as a gift so the D.C. government could complete a portion of the Metropolitan Branch Pedestrian and Bicycle Trail.[549]

IMPACT: The D.C. government and donors of property are the intended beneficiaries of this exemption. The transfer from PEPCO is the only gift of property to the D.C. government known to have occurred in recent years. A more common way of transferring private land to the District involves the exchange of privately owned land for a publicly owned parcel.

[548] The transfer tax on real property is based on consideration paid for the transfer, but when there is no consideration, the tax is based on the fair market value of the property conveyed.
[549] PEPCO was reimbursed by the D.C. government for the $47,850 transfer tax PEPCO paid on transferring the property.

### *Deed Recordation and Transfer Tax*
*Exemptions*

## 220. Resident management corporations

District of Columbia Code: D.C. Official Code § 42-1102(20) and § 47-3506.01(b)(1) for recordation tax
D.C. Official Code § 47-902(15) and § 47-3506.01(b)(2) for transfer tax
Sunset Date: None
Year Enacted: 1992

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $0 | $0 | $0 | $0 |

DESCRIPTION: Public housing transferred to a qualifying resident management corporation is exempt from deed recordation and transfer taxes. A resident management corporation is a non-profit corporation in which public housing residents are the sole voting members.

PURPOSE: The exemption expands the opportunities for low-income families who live in a public housing project to become housing owners. Resident ownership is also expected to help stabilize neighborhoods by giving residents a greater stake in the safety and upkeep of the community.

IMPACT: This provision is intended for resident management corporations and the individuals they serve. According to the D.C. Housing Authority, the Kenilworth-Parkside project is the only property transferred to a resident management corporation (this transfer took place in 1992). Presently, no exemptions are projected for FY 2024 through FY 2027.

### *Deed Recordation and Transfer Tax*
*Exemptions*

## 221. Tax-exempt entities subject to a long-term lease

District of Columbia Code: D.C. Official Code § 42-1102(27) for the deed recordation tax
D.C. Official Code § 47-902(21) for the transfer tax
Sunset Date: None
Year Enacted: 2003

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $0 | $0 | $0 | $0 |

DESCRIPTION: A property is exempt from the deed recordation and transfer taxes if it is subject to a lease or ground rent for a term of at least 30 years and if the lessor would have been exempt from real property taxation under D.C. Official Code § 47-1002 if it had owned the property outright.

PURPOSE: This exemption was created to provide equitable treatment under the deed recordation and transfer taxes for properties under the control of organizations exempt from the real property tax. This provision extends the exemption these entities receive when they acquire a property in fee simple to the conveyance of property subject to a lease or ground rent of at least 30 years.

IMPACT: Organizations that are exempt from the real property tax and assume control of a property through a lease of 30 years or more benefit from this provision. Estimating the revenue loss from this exemption was impossible because deed recordation and transfer tax exemptions are not categorized in a way that identifies tax-exempt entities subject to a long-term lease.

***Personal Property Tax***
*Exemptions*

## 222. Digital audio radio satellite companies

District of Columbia Code: D.C. Official Code § 47-1508(a)(8)
Sunset Date: None
Year Enacted: 2000

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $0 | $0 | $0 | $0 |

DESCRIPTION: The personal property of a digital audio radio satellite service company with a license granted by the Federal Communications Commission is exempt from the personal property tax, provided that the company is subject to a gross receipts tax.

PURPOSE: The purpose of the exemption is to prevent double taxation.

IMPACT: Digital audio radio satellite companies benefit from this exemption. The Office of Revenue Analysis (ORA) cannot estimate the revenue forgone from the exemption because there is only one provider of digital radio service located in the District of Columbia. ORA follows the policy of the U.S. Internal Revenue Service, which states that " no statistical tabulation may be released with cells containing data from fewer than three returns" to protect the confidentiality of individual tax records.[550]

[550] U.S. Internal Revenue Service, Publication 1075, "Tax Information Security Guidelines for Federal, State, and Local Agencies and Entities" (January 2014), p. 116.

***Personal Property Tax***
*Exemptions*

## 223. Solar energy systems

District of Columbia Code: D.C. Official Code § 47-1508(a)(11)
Sunset Date: None
Year Enacted: 2013

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $0 | $0 | $0 | $0 |

DESCRIPTION: Solar energy systems are exempt from the personal property tax. "Solar energy" is defined as "radiant energy, direct, diffuse, or reflected, received from the sun at wavelengths suitable for conversion into thermal, chemical, or electrical energy, that is collected generated, or stored for use at a later time."[551]

The section of D.C. Code authorizing this exemption states that "Systems using exclusively solar energy as defined in § 34-1431(14); provided, that, notwithstanding any other provision of law, the CFO shall transfer $120,000 from the certified revenues deposited in the Renewable Energy Development Fund established by § 34-1436 to the unrestricted fund balance of the General Fund of the District of Columbia and shall recognize the $120,000 as local funds revenue in fiscal year 2013 and in each subsequent fiscal year." Yet, this transfer has not occurred, as there is no indication that the exemption has been taken.

PURPOSE: The exemption encourages the installation of large, commercial solar energy systems and thereby helps the District achieve its target of using at least 2.5 percent of energy from solar sources by 2023.[552]

IMPACT: Proponents argue that solar energy systems are not financially viable without the personal property tax exemption, especially considering the significant capital investment that the systems require. Nevertheless, a "Tax Abatement Financial Analysis" issued by the Chief Financial Officer found that "Because District renewable energy portfolio standards, along with Federal renewable energy incentives currently in place, are sufficient to make investment in solar systems a profitable investment … solar energy exemptions are not generally necessary for solar power systems to be developed in the District."[553]

[551] See D.C. Official Code § 34-1431(14).
[552] See Council of the District of Columbia, "Report on Bill 19-749, the 'Energy Innovation and Savings Amendment Act of 2012,'" dated October 24, 2012, pp. 2, 5-6.
[553] Office of the Chief Financial Officer, "Tax Abatement Financial Analysis: 'Energy Innovation and Savings Amendment Act of 2012,'" dated June 29, 2012, p. 1.

***Personal Property Tax***
*Exemptions*

## 224. Cogeneration systems

District of Columbia Code: D.C. Official Code § 47-1508(a)(12)
Sunset Date: None
Year Enacted: 2013

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $0 | $0 | $0 | $0 |

DESCRIPTION: Beginning on October 1, 2016, cogeneration systems that produce both electric energy and steam or forms of useful energy (such as heat) for industrial, commercial, heating, or cooling purposes are exempt from the personal property tax.

PURPOSE: The exemption encourages the development of cogeneration systems and promotes more efficient energy use. Although traditional power sources are only 33 percent efficient, meaning they waste approximately two-thirds of the energy they produce, cogeneration systems have an efficiency rate of 60 to 80 percent.[554]

IMPACT: The exemption is expected to benefit a cogeneration project planned for a large development on the Southwest waterfront, which was set for a phased delivery beginning in 2016. DOEE stated that the cogeneration plant was constructed in 2017 and sits atop the Channel Apartments at 950 Maine Ave SW. However, whether the system is exempted from personal property tax is unclear. Proponents argue that cogeneration systems are not financially viable without the personal property tax exemption, especially considering the significant capital investment the systems require.

Nevertheless, a "Tax Abatement Financial Analysis" (TAFA) issued by the Chief Financial Officer found that "(C)ogeneration exemptions are … unlikely to be necessary, as cogeneration systems generally provide a reasonable return on investment." The TAFA pointed out that the long-term energy savings from cogeneration can justify the initial up-front capital investment.[555]

[554] Council of the District of Columbia, "Report on Bill 19-749, the 'Energy Innovation and Savings Amendment Act of 2012,'" dated October 4, 2012, pp. 2, 6-7.
[555] Office of the Chief Financial Officer, "Tax Abatement Financial Analysis: 'Energy Innovation and Savings Amendment Act of 2012,'" dated June 29, 2012, pp. 1-2.

***Personal Property Tax***
*Exemptions*

## 225. Wireless telecommunication companies

District of Columbia Code: D.C. Official Code § 47-1508(a)(7)
Sunset Date: None
Year Enacted: 1998

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $0 | $0 | $0 | $0 |

Note: "Minimal" means that the forgone revenue is estimated as less than $50,000 per year, although precise data are lacking.

DESCRIPTION: The personal property of a wireless telecommunication company is exempt from personal property taxation, except for office equipment or office furniture. This exemption includes resellers that purchase telecommunications services from another telecommunications service provider and then resell or integrate the purchased services into a mobile telecommunication service. The exemption is valid whether the wireless company uses the property to provide a service subject to the toll telecommunications tax.

PURPOSE: The exemption provides wireless telecommunication companies with a personal property tax exemption equivalent to that provided to other telecommunication companies.

IMPACT: Wireless telecommunication companies benefit from the exemption. Nevertheless, the number of firms that claim the exemption and the associated reduction in tax are unknown because wireless telecommunication companies do not have to file a form with the Office of Tax and Revenue to be eligible.

The estimated revenue loss is "minimal" (less than $50,000 per year) because U.S. Census Bureau data show that wireless telecommunication companies are typically small (approximately 30 employees).[556] D.C. law exempts the first $225,000 of taxable personal property from the tax, and most wireless telecommunication companies might therefore be exempt, due to their size, even without this blanket exemption. Most D.C. businesses have no personal property tax liability because of the $225,000 exemption.

The exemption violates the principle of horizontal equity because other firms with similar amounts or stocks of personal property do not receive similar treatment.

[556] Specifically, the 2012 Economic Census reported that there were 45 wireless telecommunication companies in the District of Columbia with 510 employees, an average of 11.3 employees per firm.

***Personal Property Tax***
*Exemptions*

## 226. Works of art lent to the National Gallery of Art by non-residents

District of Columbia Code: D.C. Official Code § 47-1508(a)(2)
Sunset Date: None
Year Enacted: 1950

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $0 | $0 | $0 | $0 |

DESCRIPTION: Works of art owned by an individual who is not a resident or a citizen of the United States are exempt from the personal property tax, provided that they are lent to the National Gallery of Art solely for exhibition without charge to the public.

PURPOSE: The U.S. Congress established the exemption to facilitate a National Gallery of Art exhibition of the paintings of oil magnate Calouste Gulbenkian, who was considered to have one of the best private art collections in the world. Mr. Gulbenkian was unwilling to lend his paintings to the National Gallery without assurances that they would be exempt from federal and District of Columbia taxation, particularly if he were to pass away while the paintings were on loan.[557] Therefore, on September 1, 1950, Congress enacted P.L. 81-749, which established that works of art owned by a non-resident of the United States who is not a citizen of the U.S. and lent for exhibition by the National Gallery of Art are exempt from the federal estate tax and from the D.C. inheritance and personal property taxes.[558]

The exhibit, "European Paintings from the Gulbenkian Collection," was open to the public from October 8, 1950, to May 31, 1951. Included were works by Ghirlandaio, Rubens, Van Dyck, Rembrandt, Fragonard, Gainsborough, Corot, Manet, Monet, Degas, and Renoir.

IMPACT: There is no evidence that the exemption has been used in any cases besides the Gulbenkian exhibit.

[557] U.S. House of Representatives, Committee on Ways and Means, 81st Congress, Report to Accompany House J. Res. 497 (Report No. 2724), July 24, 1950, pp. 1-2.
[558] The relevant provision of the inheritance tax was repealed when the inheritance tax law was rewritten in 1987.

# UNUSED LOCAL TAX EXPENDITURES
## (Implementing regulations not yet written)

***Income Tax***
*Subtractions*

## 227. Environmental savings account contributions and earnings

District of Columbia Code: D.C. Official Code § 8-637.03
Sunset Date: None
Year Enacted: 2001

| (Dollars in thousands) | FY 2022 | FY 2023 | FY 2024 | FY 2025 |
|---|---|---|---|---|
| Business Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | $0 | $0 | $0 | $0 |
| **Total** | **$0** | **$0** | **$0** | **$0** |

DESCRIPTION: An individual, partnership, corporation, trust, or government agency may establish an environmental savings account (ESA) to accumulate funds for the cleanup or redevelopment of brownfields. Brownfields are defined as "abandoned, idled property or industrial property where expansion or redevelopment is complicated by actual or perceived environmental contamination."[559] Funds deposited in an ESA and the interest earned on them are exempt from District of Columbia income tax. However, any funds withdrawn and unused for the cleanup and redevelopment of a contaminated property will be subject to income tax and a 10 percent penalty.

A review did not identify similar income tax incentives offered by Virginia. Maryland has a Brownfields Revitalization Incentive Program, which offers tax credits, among other incentives, for brownfield cleanup. Maryland also authorizes local governments to provide property tax credits equal to 50 to 70 percent of the increase in property taxes for property owners participating in the state's Voluntary Cleanup Program. The tax credits may be granted for five or 10 years if the property is in an enterprise zone. Montgomery County and Baltimore City are among the jurisdictions that offer property tax credits.

PURPOSE: The subsidy provides incentives for individuals and organizations to clean up brownfields voluntarily, which would reduce public health risks and promote economic development by encouraging the reuse of contaminated properties.

IMPACT: Owners of property that is contaminated by hazardous substances may benefit from this provision. The subtraction would be claimed on a line of the tax form that includes other subtractions; therefore, there are no data on use of the provision or associated revenue loss. However, according to officials in the D.C. Department of the Environment, the accounts are not being used as there are no implementing regulations.

[559] See D.C. Official Code § 8-631.02(2).

***Income Tax***
*Credits*

## 228. Brownfield revitalization and cleanup

District of Columbia Code: D.C. Official Code § 8-637.01
Sunset Date: None
Year Enacted: 2001

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Business Income Tax Loss | $0 | $0 | $0 | $0 |
| Personal Income Tax Loss | $0 | $0 | $0 | $0 |
| **Total** | **$0** | **$0** | **$0** | **$0** |

DESCRIPTION: The Mayor is authorized to submit proposed rules to the Council to establish business franchise tax credits for businesses that clean up and redevelop "brownfields," which are defined as "abandoned, idled property or industrial property where expansion or redevelopment is complicated by actual or perceived environmental contamination."[560] The total credits awarded to a business would be capped at 100 percent of the costs of cleaning up and 25 percent of the costs of developing the brownfield.

A review did not identify similar income tax incentives offered by Virginia. Maryland has a Brownfields Revitalization Incentive Program, which offers tax credits, among other incentives, for brownfield cleanup. Maryland also authorizes local governments to provide property tax credits equal to 50 to 70 percent of the increase in property taxes for property owners participating in the state's Voluntary Cleanup Program. The tax credits may be granted for five or 10 years if the property is in an enterprise zone. Montgomery County and Baltimore City are among the jurisdictions that offer property tax credits.

PURPOSE: This tax expenditure intends to provide incentives for businesses to clean up brownfields voluntarily, which would, in turn, reduce public health risks and promote economic development by encouraging the reuse of contaminated properties.

IMPACT: Businesses that own contaminated property are the intended beneficiaries of this provision, which is also designed to have spillover benefits to society by reducing environmental risks and contaminants while promoting the redevelopment of brownfields. Nevertheless, the credits have not been offered because implementing regulations have not been proposed.[561]

[560] See D.C. Official Code § 8-631.02(2).
[561] If the Mayor proposed regulations, the Council would have 45 days to review them (excluding Saturdays, Sundays, legal holidays, and periods of Council recess). If the Council did not act within this period, the rules would be deemed approved.

***Real Property Tax***
*Credits*

## 229. Brownfield revitalization and cleanup

District of Columbia Code: D.C. Official Code § 8-637.01
Sunset Date: None
Year Enacted: 2001

| (Dollars in thousands) | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| Revenue Loss | $0 | $0 | $0 | $0 |

DESCRIPTION: The Mayor is authorized to submit proposed rules to the Council to establish real property tax credits for property owners who clean up and redevelop "brownfields," which are defined as "abandoned, idled property or industrial property where expansion or redevelopment is complicated by actual or perceived environmental contamination."[562] The total credits awarded to a property owner would be capped at 100 percent of the cleanup costs and 25 percent of the costs for developing the contaminated property.

Maryland authorizes local governments to provide property tax credits equal to 50 to 70 percent of the increase in property taxes for property owners participating in the state's Voluntary Cleanup Program. The tax credits may be granted for five or 10 years if the property is in an enterprise zone. Montgomery County and Baltimore City are among the jurisdictions that offer property tax credits.

PURPOSE: This tax expenditure provides incentives for property owners to clean up brownfields voluntarily, which would reduce public health risks and promote economic development by encouraging the reuse of contaminated properties.

IMPACT: This provision is intended to benefit the owners of contaminated property and have spillover effects that benefit the public by reducing environmental risks and contaminants while promoting the redevelopment of brownfields. Nevertheless, the credits have not been offered because the implementing regulations have not been proposed.[563]

[562] See D.C. Official Code § 8-631.02(2).
[563] If the Mayor proposed regulations, the Council would have 45 days to review them (excluding Saturdays, Sundays, legal holidays, and periods of Council recess). If the Council did not act within this period, the rules would be deemed approved.

**FLORIDA**
**REVENUE ESTIMATING CONFERENCE**

# 2025
# FLORIDA TAX HANDBOOK
## Including
## Fiscal Impact of Potential Changes

**Honorable Ron DeSantis**
**Governor**
**State of Florida**

**Honorable Ben Albritton**
**President**
**Florida Senate**

**Honorable Daniel Perez**
**Speaker**
**House of Representatives**

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## N O T E

The estimates in the 2025 edition of the Florida Tax Handbook are as accurate as possible given the scope of the document. An attempt has been made to provide point estimates for the fiscal impact of all current exemptions, refunds and allowances, and potential rate changes. Such point estimates, however, may imply greater accuracy than was possible with the time and resources available. In many cases the estimates should be viewed more as an indication of the approximate or relative impact of a law change. As specific legislation is identified during the course of each session, more in-depth analysis will be undertaken which may lead to revisions.

The estimates presented in this book show the revenue impact as if the proposed tax law changes were in effect for the entire year. Normal delays caused by collection and implementation lags will reduce the actual revenue impact in the first year. Tax law changes that only affect revenues for part of a year will further modify the estimates. As a general rule, these estimates make no adjustments for the changes in quantity demanded resulting from changes to the tax rate, nor do they reflect potential losses due to tax avoidance behavior or unusual compliance and enforcement problems. It should also be noted that estimates presented in these analyses are based on historical data from annual collections through Fiscal Year 2024-25.

As each session begins, Impact Conferences are held to consider specific legislative proposals. Those results should be considered the most recent and complete expressions of fiscal impact. The results can be viewed online at http://edr.state.fl.us/Content/conferences/revenueimpact/index.cfm. Please note that the underlying revenue forecasts are typically updated three times each year: in preparation for the Long-Range Financial Outlook, the Governor's budget recommendations, and the General Appropriations Act enacted by the Legislature. The latest forecasts can be viewed online at http://edr.state.fl.us/Content/conferences/index.cfm.

With one exception, all estimates and projections used in this Handbook are based on the series of estimating conferences held June 30, 2025 through August 15, 2025. The exception was supplemental material adopted at the Ad Valorem conference held on October 24, 2025. For additional information regarding a specific revenue source, please contact the Legislative Office of Economic and Demographic Research at (850) 487-1402.

# FOREWORD

The Revenue Estimating Conference is pleased to provide the 2025 edition of the Florida Tax Handbook, Including Fiscal Impact of Potential Changes. The Handbook provides statutory and administering authority for all major revenue sources, a review of tax collections and dispositions, base and rate information, and a brief history of the individual sources. The Handbook also provides current revenue estimates and presents a comprehensive and systematic look at the revenue potential of selected alternative tax sources. The information can be used to analyze the revenue effects of proposals for tax relief, tax increases, dealer allowances, changes in exemptions, or alterations to the tax base. The staffs of the Senate Committee on Finance and Tax, the House Ways & Means Committee, the Legislative Office of Economic and Demographic Research, the Governor's Office of Policy and Budget, the Florida Gaming Control Commission, and the Departments of Revenue, Highway Safety and Motor Vehicles, and Lottery provided the various analyses and updates.

The Handbook is divided into six sections.

Section I presents an overview of Florida's financial structure, including a summary of state tax preferences.

Section II presents an analysis of major and minor state revenue sources. For each major tax source, estimates are provided for the value of an incremental change (increase or decrease) in the existing rate. In addition, for each major tax, estimates are provided for the value of all major exemptions, refunds credits, dealer allowances, deductions, and current distributions. Where possible, estimates are also provided for alternative bases. The values of rate changes are not provided for the minor state revenue sources.

Section III contains information about major local government revenue sources that are explicitly authorized in the Florida Constitution or the Florida Statutes. Not included in this section are local government revenue sources that counties and municipalities impose under their home rule powers (e.g., impact fees, special assessments, fees, etc.); revenue sources authorized by special or local bills; and minor revenue sources authorized in the Florida Statutes. For a more comprehensive description of local government revenue sources, please refer to the Local Government Financial Information Handbook which can be accessed at http://edr.state.fl.us/Content/local-government/reports/index.cfm#local-government. As in Section II, estimates and analyses are provided where available.

Section IV analyzes several alternative tax sources that are significant. Attempts have been made, where information for analysis is available, to present estimates of revenues generated by these alternative taxes. A brief summary of the major advantages and disadvantages of each source is usually presented.

Section V discusses major pending litigation which may affect Florida's tax revenues in the future.

For further information or inquiries, contact the Legislative Office of Economic and Demographic Research, Room 574, Claude Pepper Building, 111 W. Madison Street, Tallahassee, Florida 32399-6588, (850) 487-1402. Notice of any errors appearing in this publication should be sent to the staff of the Legislative Office of Economic and Demographic Research. Please feel free to offer suggestions for improvement of future editions. Copies of this and previous Tax Handbooks can be accessed online at http://edr.state.fl.us/Content/revenues/reports/tax-handbook/index.cfm.

# FLORIDA'S FINANCIAL STRUCTURE

# FLORIDA STATE TREASURY FUNDS

All money received by a state agency is required to be deposited into the treasury, unless specifically exempted from this requirement. Fund receipts can be made through a direct deposit or through a transfer from another fund. Disbursements from the treasury are by warrant drawn upon the treasury by the Chief Financial Officer after an agency that is authorized to make the expenditure initiates the action.

The state treasury consists of three types of funds in the custody of the Chief Financial Officer: (1) the General Revenue Fund; (2) Trust Funds; and (3) the Budget Stabilization Fund.

1. General Revenue Fund consists of all moneys received by the state from every source, except moneys deposited into trust funds and the Budget Stabilization Fund. In Fiscal Year 2024-25, about 39 percent of all taxes, licenses, fees, and other operating receipts were credited to General Revenue, either directly upon deposit into the treasury or by transfer from various clearing and distribution accounts of the trust funds. Beginning in Fiscal Year 2009-10, an 8 percent service charge on all income of a revenue nature deposited into trust funds is also deducted and deposited into the General Revenue Fund. Partial and full exceptions from this requirement are made for trust funds enumerated in subsection (2) of s. 215.20, F.S., and in s. 215.22, F.S. In this regard, specific trust funds and revenues in the Department of Agriculture and Consumer Services and the Department of Citrus are assessed a 4 percent service charge, and other trust funds are exempt entirely.

2. Trust Funds consist of receipts that are earmarked for a specific purpose, either by general law, the Constitution, or a trust agreement. Each receipt is credited to the account related to the trust fund. Based on their principal uses, trust fund accounts can be grouped into the following distinct types:

a. *Operations or operating* – program operations funded by program revenues.
b. *Operations and maintenance* – depository for client services funded by third-party payers.
c. *Administrative* – management activities that are departmental in nature funded by indirect cost earnings and assessments against trust funds.
d. *Grants and donations* – grant or donor agreement activities funded by restricted contractual revenue from private and public nonfederal sources.
e. *Agency working capital* – data processing centers (see s. 216.272, F.S.).
f. *Clearing funds* – depository for collections pending distributions to other funds or lawful recipients.
g. *Federal grant* – grant activities funded by restricted program revenues from federal sources.

3. Budget Stabilization Fund is required by the Florida Constitution and must be maintained at not less than 5 percent of the last completed fiscal year's General Revenue collections. Moneys in the fund may only be used to cover revenue shortfalls in the General Revenue Fund and for emergencies as defined by general law. Please see the separate section on the Budget Stabilization Fund within this document for additional detail.

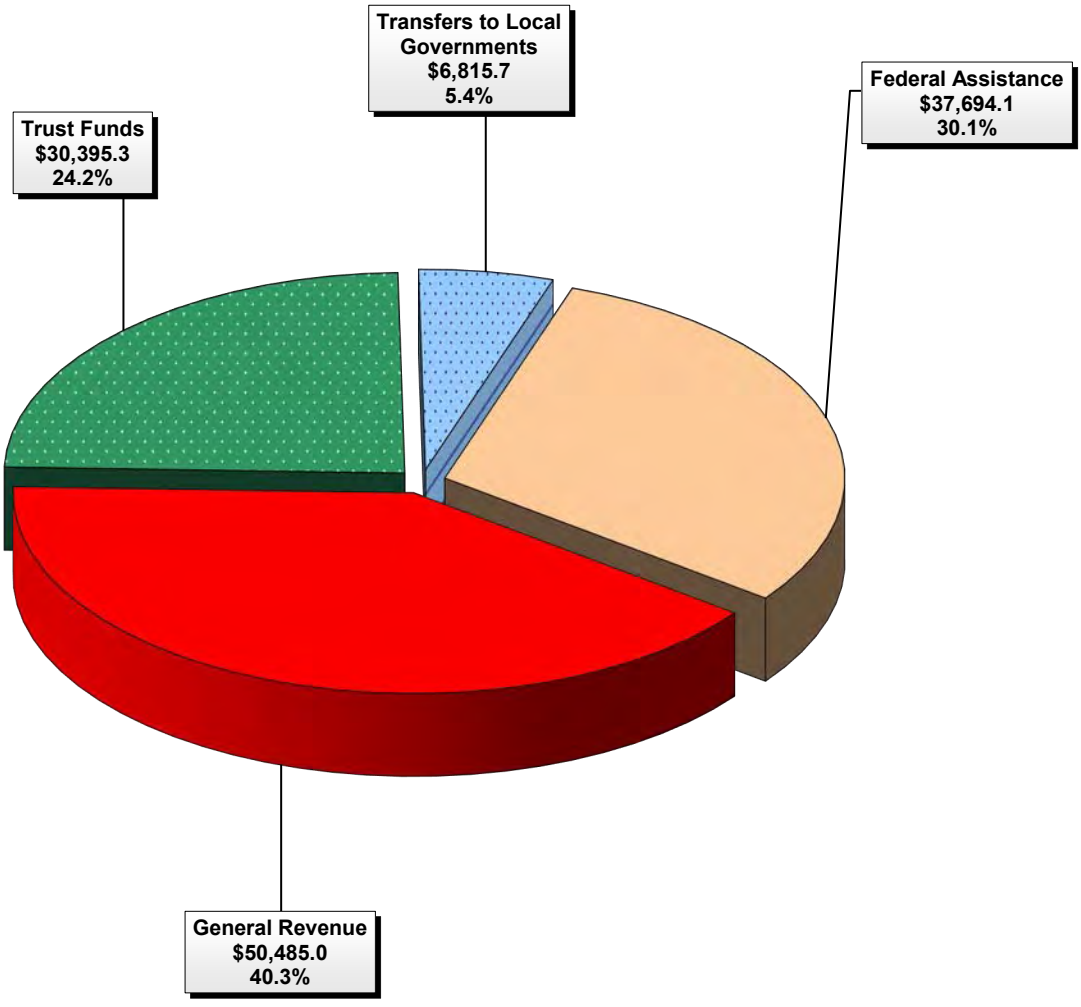
Until 2005, Florida law provided for a separate Working Capital Fund consisting of the money in the General Revenue Fund that was in excess of the amount needed to meet General Revenue Fund appropriations. In 2005, the Working Capital Fund was repealed, and the following language was added to s. 215.32(2)(a), F.S., describing the General Revenue Fund: "Unallocated general revenue shall be considered the working capital balance of the state and shall consist of moneys in the General Revenue Fund that are in excess of the amount needed to meet General Revenue Fund appropriations for the current fiscal year."

Constitution of Florida: Article III, Section 19.

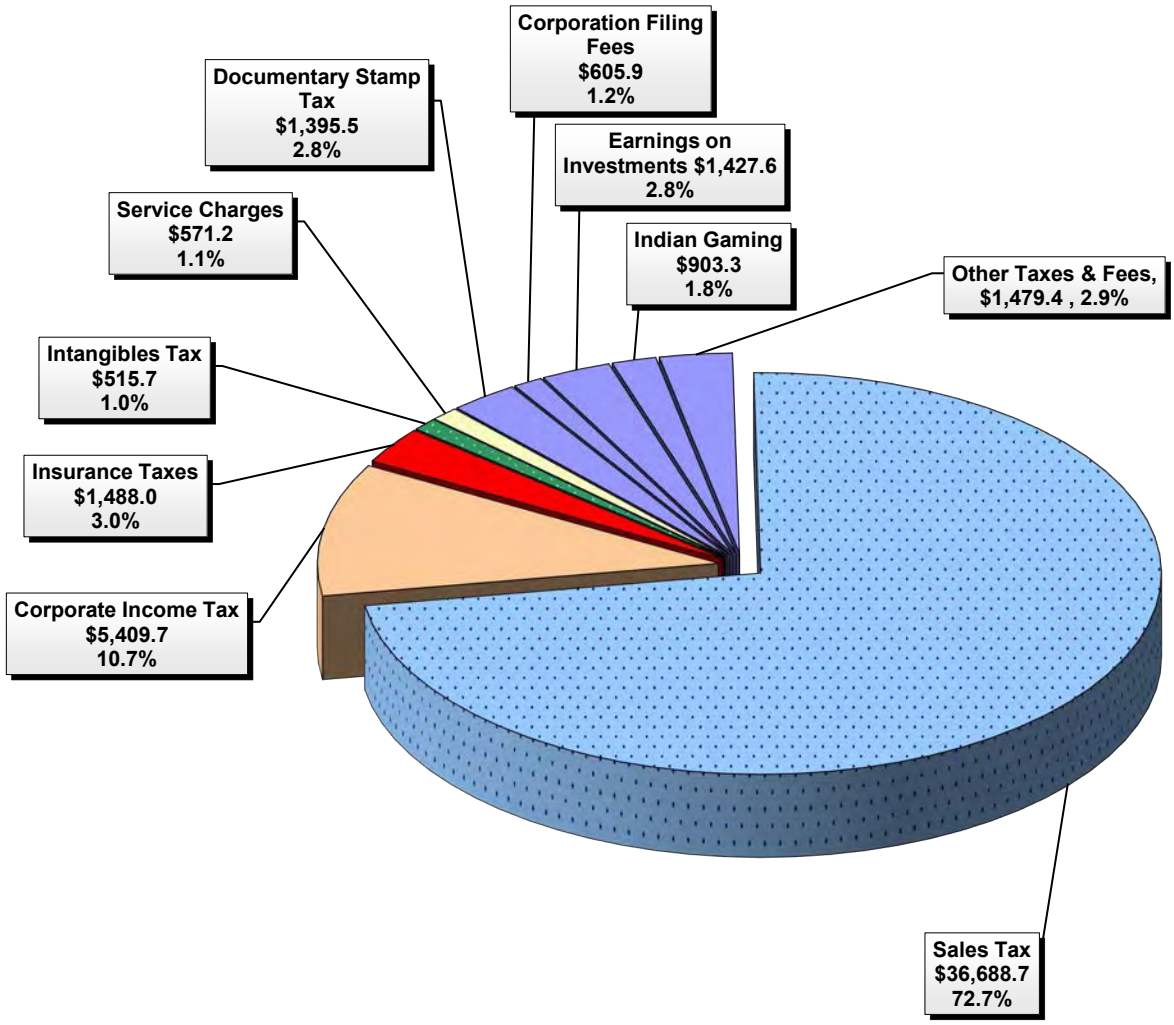
Florida Statutes: Sections 215.18; 215.20; 215.211; 215.22; 215.31; 215.32; 215.35, 216.222; 216.272.

Laws of Florida: 22833(1945); 59-91; 59-257; 61-119; 73-196; 73-316; 87-247; 89-255; 89-356; 94-250; 98-73; 2000-371; 2001-376; 2005-152; 2009-71; 2009-78.

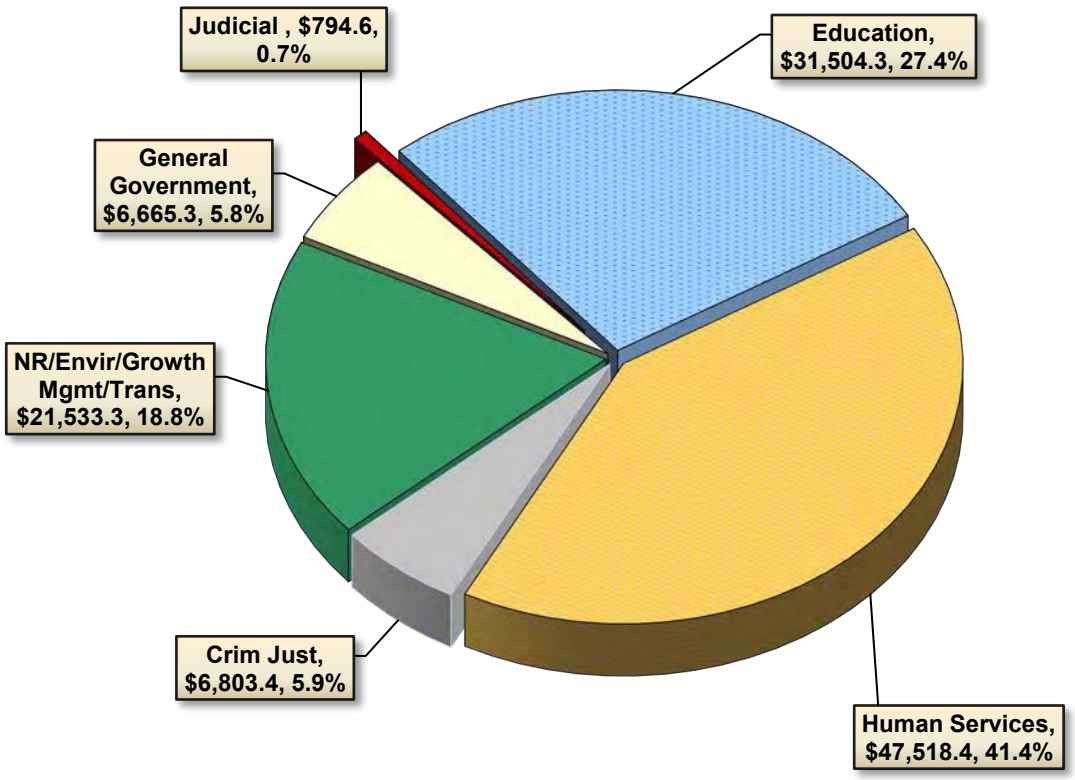
# Classification of State Receipts
# FY 2025-2026
# $125,390.1 Million



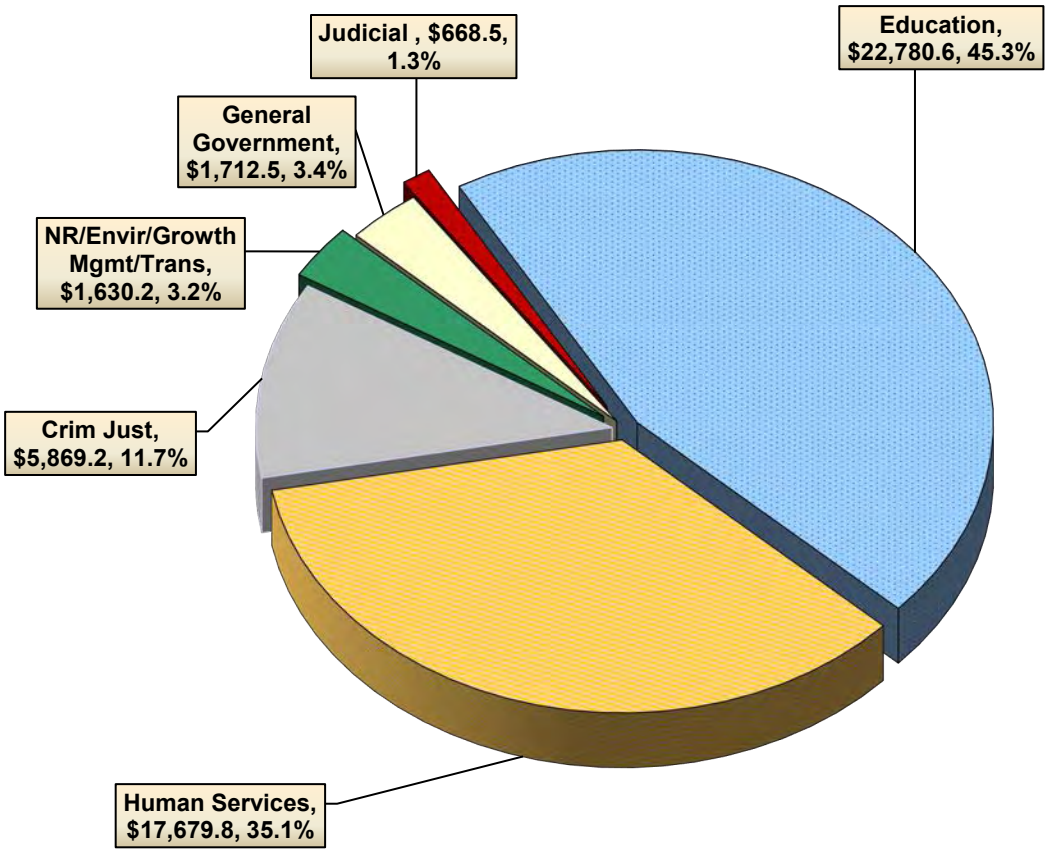
# Sources of General Revenue
# FY 2025-2026 (as adopted by the General Revenue Estimating Conference held August 15, 2025)
# $50,485.0 Million



# Total Appropriations by Program Area FY 2025-2026 $114,819.3



# Total General Revenue Appropriations by Program Area FY 2025-2026 $50,340.8



**Fiscal Year 2025-26 Appropriations by Detail Fund**
**Adjusted for Vetoes, Supplementals**

| Fund Title | Fund # | State Dollars | Federal Dollars | Total Dollars |
|---|---|---|---|---|
| ADMINISTRATIVE TRUST FUND | 2021 | 327,550,224 | 159,368,859 | 486,919,083 |
| AG EMERGENCY ERAD TF | 2360 | 35,278,946 | | 35,278,946 |
| AIR POLLUTION CONTROL TF | 2035 | 26,720,604 | 3,174,379 | 29,894,983 |
| ALCOHOL/DRUGABU/MEN HLH TF | 2027 | | 188,081,858 | 188,081,858 |
| ALCOHOLIC,BEV,TOBACCO TF | 2022 | 97,291,699 | | 97,291,699 |
| ANTI-FRAUD TRUST FUND | 2038 | 200,336 | | 200,336 |
| ARCHITECTS INCIDENTAL TF | 2033 | 44,888,080 | | 44,888,080 |
| BIOMEDICAL RESEARCH TF | 2245 | 127,280,790 | | 127,280,790 |
| BRAIN & SPINAL CORD INJ/TF | 2390 | 9,938,801 | 1,413,854 | 11,352,655 |
| CAMP BLANDING MANAGEMNT TF | 2069 | 2,324,954 | | 2,324,954 |
| CAP IMPROVEMENTS FEE TF | 2071 | 59,238,372 | | 59,238,372 |
| CAPITAL COLLATERAL REG TF | 2073 | 590,592 | 749,753 | 1,340,345 |
| CERTIFICATION PROGRAM TF | 2092 | 1,520,305 | | 1,520,305 |
| CHILD CARE/DEV BLK GRNT TF | 2098 | | 910,609,918 | 910,609,918 |
| CHILD SUPPORT INCENTIVE TF | 2075 | 2,500,000 | 49,206,405 | 51,706,405 |
| CHILD SUPPORT TRUST FUND | 2084 | 15,377,472 | 29,444,679 | 44,822,151 |
| CHILD WELFARE TRAINING TF | 2083 | 2,173,055 | | 2,173,055 |
| CIGARETTE TAX COLL TF | 2086 | 38,400,000 | | 38,400,000 |
| CITRUS ADVERTISING TF | 2090 | 16,785,647 | 5,000,000 | 21,785,647 |
| CITRUS INSPECTION TF | 2093 | 6,273,864 | | 6,273,864 |
| CIVIL RICO TRUST FUND | 2095 | 200,020 | | 200,020 |
| CLERKS OF THE COURT TF | 2588 | 62,447,801 | | 62,447,801 |
| COASTAL PROTECTION TF | 2099 | 15,903,574 | | 15,903,574 |
| COMMUNICATIONS WKG CAP TF | 2105 | 134,064,969 | | 134,064,969 |
| CORRECTION WORK PROGRAM TF | 2151 | 1,714,209 | | 1,714,209 |
| COUNTY HEALTH DEPT TF | 2141 | 818,674,255 | 207,709,707 | 1,026,383,962 |
| COURT EDUCATION TRUST FUND | 2146 | 4,368,090 | | 4,368,090 |
| COURT/CSE COLL SYS TF | 2115 | 858,628 | | 858,628 |
| CRIM JUST STAND & TRAIN TF | 2148 | 10,380,090 | | 10,380,090 |
| CRIME STOPPERS TF | 2202 | 4,833,484 | | 4,833,484 |
| CRIMES COMPENSATION TF | 2149 | 22,949,646 | | 22,949,646 |
| CSE APP FEE & PROG REV TF | 2104 | 8,639,194 | | 8,639,194 |
| DIV OF LICENSING TF | 2163 | 40,839,370 | | 40,839,370 |
| DIV UNIV FAC CONST ADM TF | 2222 | 6,946,944 | | 6,946,944 |
| DOMESTIC VIOLENCE TF | 2157 | 8,038,051 | | 8,038,051 |
| DONATIONS TRUST FUND | 2168 | 8,583,086 | 15,008,917 | 23,592,003 |
| DRINKING WATER REV LOAN TF | 2044 | | 25,607,000 | 25,607,000 |
| ECONOMIC DEVELOPMENT TF | 2177 | 2,920,000 | | 2,920,000 |
| ED CERTIFICATION/SVC TF | 2176 | 9,855,493 | | 9,855,493 |
| ED MEDIA & TECHNOLOGY TF | 2183 | 133,426 | | 133,426 |
| EDUCATIONAL ENHANCEMENT TF | 2178 | 2,512,673,968 | | 2,512,673,968 |
| ELECTIONS COMMISSION TF | 2511 | 2,081,931 | | 2,081,931 |
| EMER MGMG PREP/ASST TF | 2191 | 18,189,139 | | 18,189,139 |
| EMERGENCY COMM TF | 2344 | 169,620,831 | | 169,620,831 |
| EMERGENCY MED SVC TF | 2192 | 22,017,302 | | 22,017,302 |
| EMPLOYMENT SECURITY ADM TF | 2195 | 84,208 | 370,592,249 | 370,676,457 |
| EPILEPSY SERVICES TF | 2197 | 327,928 | | 327,928 |
| EXEC BR LOBBY REGIS TF | 2203 | 193,727 | | 193,727 |
| FED LAW ENFORCEMENT TF | 2719 | | 1,377,000 | 1,377,000 |
| FEDERAL GRANTS TRUST FUND | 2261 | 30,297,874 | 6,578,367,478 | 6,608,665,352 |

**Fiscal Year 2025-26 Appropriations by Detail Fund**
**Adjusted for Vetoes, Supplementals**

| Fund Title | Fund # | State Dollars | Federal Dollars | Total Dollars |
|---|---|---|---|---|
| FEDERAL REHABILITATION TF | 2270 | | 256,428,091 | 256,428,091 |
| FINANCIAL INST REG TF | 2275 | 14,042,373 | | 14,042,373 |
| FL AGRIC PROM CAMPAIGN TF | 2920 | 324,676 | | 324,676 |
| FL CONDO/TIMESHARE/MH TF | 2289 | 12,321,673 | | 12,321,673 |
| FL FACILITIES POOL CLR TF | 2313 | 13,940,745 | | 13,940,745 |
| FL INTER TRADE & PROM TF | 2338 | 6,093,272 | | 6,093,272 |
| FL.CRIME PREV TR IN REV TF | 2302 | 871,961 | | 871,961 |
| FL.PANTHER RESCH & MAN TF | 2299 | 1,076,765 | | 1,076,765 |
| FLORIDA FOREVER TF | 2348 | 3,000,000 | | 3,000,000 |
| FOOD & NUTRITION SVCS TF | 2315 | | 1,970,891,915 | 1,970,891,915 |
| FORFEIT/INVES SUPPORT TF | 2316 | 3,642,264 | 451,262 | 4,093,526 |
| GAS TAX COLLECTION TF | 2319 | 5,978,651 | | 5,978,651 |
| GENERAL INSPECTION TF | 2321 | 92,562,309 | 98,000 | 92,660,309 |
| GRANTS AND DONATIONS TF | 2339 | 2,348,502,286 | 1,228,335,408 | 3,576,837,694 |
| HEALTH CARE TRUST FUND | 2003 | 600,795,201 | 26,873,464 | 627,668,665 |
| HIGHWAY SAFETY OPER TF | 2009 | 601,906,245 | 12,879,212 | 614,785,457 |
| HOTEL AND RESTAURANT TF | 2375 | 33,533,850 | | 33,533,850 |
| INCIDENTAL TRUST FUND | 2381 | 30,516,672 | | 30,516,672 |
| INDIGENT CIVIL DEFENSE TF | 2976 | 310,980 | | 310,980 |
| INDIGENT CRIM DEFENSE TF | 2974 | 34,935,657 | | 34,935,657 |
| INLAND PROTECTION TF | 2212 | 41,591,500 | | 41,591,500 |
| INSTITUTE ASSESSMENT TF | 2380 | 5,602,075 | | 5,602,075 |
| INSURANCE REG TF | 2393 | 262,219,061 | | 262,219,061 |
| INTERNAL IMPROVEMENT TF | 2408 | 34,420,485 | | 34,420,485 |
| INVASIVE PLANT CONTROL TF | 2030 | 4,686,294 | | 4,686,294 |
| JUV CRIME PREV/ERLY INT TF | 2415 | 1,262,903 | | 1,262,903 |
| JUVENILE JUSTICE TRNG TF | 2417 | 1,637,414 | | 1,637,414 |
| L/G HF-CT SALES TAX CL TF | 2455 | 35,800,000 | | 35,800,000 |
| LAND ACQUISITION TF | 2423 | 1,314,683,260 | | 1,314,683,260 |
| LAW ENFORCEMENT RADIO TF | 2432 | 26,519,359 | | 26,519,359 |
| LAW ENFORCEMENT TF | 2434 | 745,315 | | 745,315 |
| LEGAL AFFAIRS REVOLVING TF | 2439 | 25,275,015 | | 25,275,015 |
| LEGAL SERVICES TRUST FUND | 2438 | 29,285,256 | | 29,285,256 |
| LEGIS LOBBYIST REGIS TF | 2442 | 345,264 | | 345,264 |
| LOCAL GOV HOUSING TF | 2250 | 163,800,000 | | 163,800,000 |
| MARINE RESOURCES CONSV TF | 2467 | 93,490,777 | 2,026,039 | 95,516,816 |
| MARKET IMP WKG CAP TF | 2473 | 4,500,525 | | 4,500,525 |
| MAT/CH HLTH BLOCK GRANT TF | 2475 | | 21,003,653 | 21,003,653 |
| MEDICAL CARE TRUST FUND | 2474 | 118,770,932 | 18,988,950,514 | 19,107,721,446 |
| MEDICAL QLTY ASSURANCE TF | 2352 | 92,175,964 | 210,340 | 92,386,304 |
| MINERALS TRUST FUND | 2499 | 1,971,874 | | 1,971,874 |
| MOTOR VEHICLE WARRANTY TF | 2492 | 2,878,571 | | 2,878,571 |
| NON-GAME WILDLIFE TF | 2504 | 9,091,241 | | 9,091,241 |
| NON-MANDATORY LAND RECL TF | 2506 | 2,474,833 | | 2,474,833 |
| NURS STDNT LOAN FORGIVE TF | 2505 | 1,412,208 | | 1,412,208 |
| OPERATING TRUST FUND | 2510 | 538,206,394 | | 538,206,394 |
| OPERATIONS AND MAINT TF | 2516 | 157,284,589 | 169,181,104 | 326,465,693 |
| OPTIONAL RETIREMENT PRG TF | 2517 | 412,797 | | 412,797 |
| PARI-MUTUEL WAGERING TF | 2520 | 31,929,586 | | 31,929,586 |
| PERC TRUST FUND | 2558 | 2,636,750 | | 2,636,750 |

**Fiscal Year 2025-26 Appropriations by Detail Fund**
**Adjusted for Vetoes, Supplementals**

| Fund Title | Fund # | State Dollars | Federal Dollars | Total Dollars |
|---|---|---|---|---|
| PERMIT FEE TRUST FUND | 2526 | 21,057,245 | | 21,057,245 |
| PEST CONTROL TRUST FUND | 2528 | 4,930,302 | | 4,930,302 |
| PHOSPHATE RESEARCH TF | 2530 | 5,237,088 | | 5,237,088 |
| PLAN AND BUDGET SYSTEM TF | 2535 | 7,569,102 | | 7,569,102 |
| PLANNING AND EVALUATION TF | 2531 | 20,699,558 | 9,468,262 | 30,167,820 |
| PLANT INDUSTRY TF | 2507 | 3,739,643 | | 3,739,643 |
| POL/FIREMEN PREMIUM TAX TF | 2532 | 1,360,805 | | 1,360,805 |
| PRETAX BENEFITS TRUST FUND | 2570 | 918,760 | | 918,760 |
| PREVENT HLTH SVCS BL GR TF | 2539 | | 2,074,118 | 2,074,118 |
| PRISON INDUSTRIES TF | 2385 | 1,250,000 | | 1,250,000 |
| PRIVATE INMATE WELFARE TF | 2623 | 6,139,507 | | 6,139,507 |
| PROFESSIONAL REGULATION TF | 2547 | 50,372,950 | | 50,372,950 |
| PROFESSIONAL SPORTS DEV TF | 2551 | 4,000,000 | | 4,000,000 |
| PUB MEDICAL ASST TF | 2565 | 906,883,009 | | 906,883,009 |
| PUBLIC ED CO&DS TRUST FUND | 2555 | 1,452,156,883 | | 1,452,156,883 |
| QUALITY LONG-TERM CARE TF | 2126 | | 6,002,597 | 6,002,597 |
| R-O-W ACQ/BRIDGE CONST TF | 2586 | 448,429,917 | | 448,429,917 |
| RADIATION PROTECTION TF | 2569 | 9,760,509 | 498,492 | 10,259,001 |
| RAPE CRISIS PROGRAM TF | 2089 | 1,744,849 | | 1,744,849 |
| RECORDS MANAGEMENT TF | 2572 | 1,410,983 | | 1,410,983 |
| REFUGEE ASSISTANCE TF | 2579 | | 315,390,433 | 315,390,433 |
| REGULATORY TRUST FUND | 2573 | 58,201,918 | | 58,201,918 |
| RESILIENT FLORIDA TF | 2055 | 135,236,031 | | 135,236,031 |
| RET HLTH INS SUBSIDY TF | 2583 | 239,624 | | 239,624 |
| REVOLVING TRUST FUND | 2600 | 538,995 | 6,618,146 | 7,157,141 |
| SALE/GOODS & SERVICES TF | 2606 | 1,375,896 | | 1,375,896 |
| SALTWTR PRODUCTS PROM TF | 2609 | 1,512,074 | | 1,512,074 |
| SAVE THE MANATEE TF | 2611 | 3,688,567 | | 3,688,567 |
| SCH/DIS & CC/DIS CO&DS TF | 2612 | 136,072,018 | | 136,072,018 |
| SEED TRUST FUND | 2041 | 85,424,163 | | 85,424,163 |
| SHARED CO/STATE JUV DET TF | 2685 | 83,245,654 | | 83,245,654 |
| SOCIAL SVCS BLK GRT TF | 2639 | | 180,695,410 | 180,695,410 |
| SOLID WASTE MGMT TF | 2644 | 24,733,741 | | 24,733,741 |
| SPEC EMPLOYMNT SECU ADM TF | 2648 | 29,854,996 | | 29,854,996 |
| ST ST FIN ASSIST TF | 2240 | 160,500 | | 160,500 |
| ST TRANSPORT (PRIMARY) TF | 2540 | 8,487,236,430 | 3,883,670,854 | 12,370,907,284 |
| STATE ATTNYS REVENUE TF | 2058 | 63,119,292 | | 63,119,292 |
| STATE COURTS REVENUE TF | 2057 | 103,257,789 | | 103,257,789 |
| STATE EMPLOYEES DIS INS TF | 2671 | 39,016 | | 39,016 |
| STATE EMPLY HEALTH INS TF | 2668 | 74,115,902 | | 74,115,902 |
| STATE EMPLY LIFE INS TF | 2667 | 30,328 | | 30,328 |
| STATE GAME TRUST FUND | 2672 | 44,078,370 | | 44,078,370 |
| STATE HOUSING TF | 2255 | 71,200,000 | | 71,200,000 |
| STATE INMATE WELFARE TF | 2523 | 25,286,074 | | 25,286,074 |
| STATE OPIOID SETTLEMENT TF | 2124 | 194,801,741 | | 194,801,741 |
| STATE PARK TRUST FUND | 2675 | 88,124,652 | | 88,124,652 |
| STATE PERSONNEL SYSTEM TF | 2678 | 43,688,205 | | 43,688,205 |
| STATE RISK MGMT TF | 2078 | 92,218,183 | | 92,218,183 |
| STATE SCHOOL TF | 2543 | 410,535,000 | | 410,535,000 |
| STUDENT LOAN OPERATING TF | 2397 | | 20,383,991 | 20,383,991 |

**Fiscal Year 2025-26 Appropriations by Detail Fund**
**Adjusted for Vetoes, Supplementals**

| Fund Title | Fund # | State Dollars | Federal Dollars | Total Dollars |
|---|---|---|---|---|
| SUPERVISION TRUST FUND | 2696 | 83,410,174 | | 83,410,174 |
| SURPLUS PROPERTY REVOLV TF | 2699 | 412,598 | | 412,598 |
| TEACHER CERT EXAM TF | 2727 | 11,220,684 | | 11,220,684 |
| TOBACCO SETTLEMENT TF | 2122 | 334,191,510 | | 334,191,510 |
| TOURISM PROMOTIONAL TF | 2722 | 24,788,702 | | 24,788,702 |
| TRANSPORT DISADVANTAGED TF | 2731 | 64,492,310 | | 64,492,310 |
| TREASURY ADM/INVEST TF | 2725 | 11,179,414 | | 11,179,414 |
| TRUST FUNDS | 2732 | 207,930,838 | 60,111,788 | 268,042,626 |
| TURNPIKE GEN RESERVE TF | 2326 | 1,920,329,845 | | 1,920,329,845 |
| TURNPIKE RENEW/REPLACE TF | 2324 | 184,510,059 | | 184,510,059 |
| U.S. CONTRIBUTIONS TF | 2750 | | 17,979,261 | 17,979,261 |
| U.S. TRUST FUND | 2738 | | 145,012,702 | 145,012,702 |
| UNCLAIMED PROPERTY TF | 2007 | 7,112,525 | | 7,112,525 |
| VITICULTURE TRUST FUND | 2773 | 759,580 | | 759,580 |
| WASTEWTR/STORMWTR REVOL TF | 2661 | | 7,177,000 | 7,177,000 |
| WATER PROTECT/SUSTAIN TF | 2603 | 463,389,202 | | 463,389,202 |
| WATER QUALITY ASSURANCE TF | 2780 | 57,918,333 | | 57,918,333 |
| WELFARE TRANSITION TF | 2401 | 286,608 | 409,964,013 | 410,250,621 |
| WORKERS' COMP ADMIN TF | 2795 | 34,984,121 | | 34,984,121 |
| WORKERS'COMP SPEC DISAB TF | 2798 | 1,171,946 | | 1,171,946 |
| WORKING CAPITAL TRUST FUND | 2792 | 35,027,595 | | 35,027,595 |
| | | | | |
| **TOTAL TRUST FUNDS** | | **28,190,429,114** | **36,288,088,125** | **64,478,517,239** |

# BUDGET STABILIZATION FUND

The Budget Stabilization Fund (BSF) was created upon approval of a constitutional amendment placed on the November 1992 ballot by the Taxation and Budget Reform Commission. The relevant portion of that amendment states:

> (g) BUDGET STABILIZATION FUND. Beginning with the 1994-95 fiscal year, at least 1 percent of an amount equal to the last completed fiscal year's net revenue collections for the General Revenue Fund shall be retained in the BSF. The BSF shall be increased to at least 2 percent of said amount for the 1995-96 fiscal year, at least 3 percent of said amount for the 1996-97 fiscal year, at least 4 percent of said amount for the 1997-98 fiscal year, and at least 5 percent of said amount for the 1998-99 fiscal year and thereafter. Subject to the provisions of this subsection, the BSF's principal balance shall be maintained at an amount equal to at least 5 percent of the last completed fiscal year's net revenue collections for the General Revenue Fund. The BSF's principal balance shall not exceed an amount equal to 10 percent of the last completed fiscal year's net revenue collections for the General Revenue Fund. The Legislature shall provide criteria for withdrawing funds from the BSF in a separate bill for the purpose only of covering revenue shortfalls of the General Revenue Fund or for the purpose of providing funding for an emergency, as defined by general law. General law shall provide for the restoration of this fund. The BSF shall be comprised of funds not otherwise obligated or committed for any purpose.

Section 216.222, F.S., establishes criteria for transferring money from the BSF. The BSF may be used to offset a deficit in the General Revenue Fund and to provide funding for an emergency as defined in s. 252.34, F.S., which is part of the State Emergency Management Act.

> **216.222 Budget Stabilization Fund; criteria for withdrawing moneys.--**
>
> (1) Moneys in the BSF may be transferred to the General Revenue Fund for:
>
> (a)1. Offsetting a deficit in the General Revenue Fund. A deficit is deemed to occur when the official estimate of funds available in the General Revenue Fund for a fiscal year falls below the total amount appropriated from the General Revenue Fund for that fiscal year. Such a transfer must be made pursuant to s. 216.221, or pursuant to an appropriation by law.
>
> 2. Notwithstanding the requirements of s. 216.221, if, after consultation with the Revenue Estimating Conference, the Chief Financial Officer believes that a deficit will occur in the General Revenue Fund and if:
>
> a. Fewer than 30 but more than 4 days are left in the fiscal year, the Legislature is not in session, and neither the Legislature nor the Legislative Budget Commission is scheduled to meet before the end of the fiscal year, or
>
> b. Fewer than 5 days are left in the fiscal year and the Governor and the Chief Justice, the Legislature, or the Legislative Budget Commission have not implemented measures to resolve the deficit, the Chief Financial Officer shall certify the deficit to the Governor, the Chief Justice, the President of the Senate, and the Speaker of the House of Representatives, and may thereafter withdraw funds from the BSF to offset the projected deficit in the General Revenue Fund. The Chief Financial Officer shall consult with the Governor and the chair and vice chair of the Legislative Budget Commission before any funds may be withdrawn from the BSF. At the beginning of the next fiscal year, the Chief Financial Officer shall promptly determine the General Revenue Fund balance to be carried forward. The Chief Financial Officer shall immediately repay the BSF for the withdrawn amount, up to the amount of the balance. If the General Revenue Fund balance carried forward is not sufficient to fully repay the BSF, the repayment of the remainder of the withdrawn funds shall be as provided in s. 215.32(2)(c)3.

(b) Providing funding for an emergency as defined in s. 252.34. The emergency must have been declared by the Governor pursuant to s. 252.36 or declared by law. Such a transfer must be made pursuant to s. 252.37, subject to the conditions in that section, or pursuant to an appropriation by law.

(c) Providing temporary transfers to the General Revenue Fund pursuant to s. 215.18.

(2)(a) Moneys in the BSF may be transferred to the State Risk Management Trust Fund to provide funding for an emergency. For purposes of this subsection, an emergency exists when uninsured losses to state property exceed $2 million per occurrence or $5 million annual aggregate, as this constitutes an unanticipated financial need that the Legislature has found must be funded to serve an essential state responsibility.

(b) At such time that the Division of Risk Management certifies that uninsured property losses exceed $2 million per occurrence or $5 million annual aggregate, the division shall request a budget amendment through the procedures set out in s. 216.181. Transfers into the State Risk Management Trust Fund pursuant to this paragraph may not exceed $38 million in any fiscal year.

Section 215.32(2)(c), F.S., provides for restoration of transfers from the BSF to the General Revenue Fund. Unless otherwise provided by law, these transfers (referred to as expenditures) must be returned in five equal annual installments beginning in the third year after the withdrawal. During Fiscal Years 2004-05, 2005-06, and 2006-07, disbursements were made to the Casualty Insurance Risk Management Trust Fund. In addition, pursuant to Section 77 of the 2008-09 General Appropriations Act (HB 5001/Chapter 2008-152, L.O.F.), $672.4 million was transferred to the General Revenue Fund in September 2008 to offset a deficit in the General Revenue Fund. Another $400 million was transferred in February 2009 pursuant to Section 51 of Chapter 2009-1, L.O.F. (SB 2-A). All transfers have since been repaid.

**215.32 State funds; segregation.--**

(2)(c)1. The BSF shall consist of amounts equal to at least 5 percent of net revenue collections for the General Revenue Fund during the last completed fiscal year. The BSF's principal balance shall not exceed an amount equal to 10 percent of the last completed fiscal year's net revenue collections for the General Revenue Fund. As used in this paragraph, the term "last completed fiscal year" means the most recently completed fiscal year prior to the regular legislative session at which the Legislature considers the General Appropriations Act for the year in which the transfer to the BSF must be made under this paragraph.

2. By September 15 of each year, the Governor shall authorize the Chief Financial Officer to transfer, and the Chief Financial Officer shall transfer pursuant to appropriations made by law, to the BSF the amount of money needed for the balance of that fund to equal the amount specified in subparagraph 1., less any amounts expended and not restored. The moneys needed for this transfer may be appropriated by the Legislature from any funds.

3. Unless otherwise provided in this subparagraph, an expenditure from the BSF must be restored pursuant to a restoration schedule that provides for making five equal annual transfers from the General Revenue Fund, beginning in the third fiscal year following that in which the expenditure was made. For any Budget Stabilization Fund expenditure, the Legislature may establish by law a different restoration schedule and such change may be made at any time during the restoration period. Moneys are hereby appropriated for transfers pursuant to this subparagraph.

House Bill 5011 (Ch. 2021-43, L.O.F.) directed the State Board of Administration to liquidate the assets in the Lawton Chiles Endowment Fund by June 30, 2022, and to transfer all balances remaining to the Budget Stabilization Fund. As of June 30, 2025, the State Board of Administration had transferred $1,056.4 million from the Lawton Chiles Endowment Fund and is expected to transfer an additional $0.1 million in the future.

The Legislature passed House Joint Resolution 5019 proposing an amendment to the Florida Constitution to increase the amount of funds that may be retained in the fund from 10 percent to 25 percent of net general revenue collections. The amendment also requires an annual transfer to the BSF equal to $750 million or the amount required to reach 25 percent maximum no later than June 30th of each fiscal year. The proposed amendment must be approved by at least 60 percent of the electors voting on the measure at the next general election. If approved, the amendment would take effect on January 12, 2027.

Further, the Legislature authorized the transfers of $300.0 million from the General Revenue Fund in the Fiscal Year 2024-25 General Appropriations Act and $429.6 million in Fiscal Year 2025-26, which were transferred to the Budget Stabilization Fund on July 19, 2024, and August 11, 2025, respectively. The current balance in the fund is $4,870.2 million which equals the maximum fund balance for Fiscal Year 2025-26. Because the BSF's principal balance exceeds the required minimum fund balance through Fiscal Year 2030-31, no other transfers are required during this forecast period. Any interest earned on the BSF accrues to the General Revenue Fund.

**BUDGET STABILIZATION FUND CALCULATION**

$ MILLIONS --- EDR Forecast Based on August 2025 GR Estimate

| Fiscal Year | Revenue Base Year | Revenue Base for Calculation* | Minimum BSF Fund Rate | Minimum Fund Balance | Maximum Fund Balance | Constitutional Transfers | Net Loans & Repayments | Distributions to & Repayments from General Revenue | Other Transfers | Subtotal* | Adjusted Fund Cash Balance |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1994-95 | 1992-93 | 12,059.0 | 1.0% | 120.6 | 1,205.9 | 120.6 | 0.0 | 0.0 | 0.0 | 120.6 | 120.6 |
| 1995-96 | 1993-94 | 13,037.3 | 2.0% | 260.7 | 1,303.7 | 140.1 | 0.0 | 0.0 | 0.0 | 140.1 | 260.7 |
| 1996-97 | 1994-95 | 13,647.0 | 3.0% | 409.4 | 1,364.7 | 148.7 | 0.0 | 0.0 | 0.0 | 148.7 | 409.4 |
| 1997-98 | 1995-96 | 14,648.8 | 4.0% | 586.0 | 1,464.9 | 176.6 | 0.0 | 0.0 | 0.0 | 176.6 | 586.0 |
| 1998-99 | 1996-97 | 15,738.4 | 5.0% | 786.9 | 1,573.8 | 200.9 | 0.0 | 0.0 | 0.0 | 200.9 | 786.9 |
| 1999-00 | 1997-98 | 16,939.4 | 5.0% | 847.0 | 1,693.9 | 60.1 | 0.0 | 0.0 | 0.0 | 60.1 | 847.0 |
| 2000-01 | 1998-99 | 17,879.4 | 5.0% | 894.0 | 1,787.9 | 47.0 | 0.0 | 0.0 | 0.0 | 47.0 | 894.0 |
| 2001-02 | 1999-00 | 18,817.1 | 5.0% | 940.9 | 1,881.7 | 46.9 | 0.0 | 0.0 | 0.0 | 46.9 | 940.9 |
| 2002-03 | 2000-01 | 19,178.1 | 5.0% | 958.9 | 1,917.8 | 18.0 | 0.0 | 0.0 | 0.0 | 18.0 | 958.9 |
| 2003-04 | 2001-02 | 19,328.5 | 5.0% | 966.4 | 1,932.9 | 7.5 | 0.0 | 0.0 | 0.0 | 7.5 | 966.4 |
| 2004-05 | 2002-03 | 19,984.2 | 5.0% | 999.2 | 1,998.4 | 32.8 | -3.4 | 0.0 | 0.0 | 29.4 | 995.8 |
| 2005-06 | 2003-04 | 21,823.9 | 5.0% | 1,091.2 | 2,182.4 | 92.0 | -9.8 | 0.0 | 0.0 | 82.2 | 1,078.0 |
| 2006-07 | 2004-05 | 24,969.4 | 5.0% | 1,248.5 | 2,496.9 | 157.3 | 1.5 | 0.0 | 0.0 | 158.8 | 1,236.8 |
| 2007-08 | 2005-06 | 27,074.8 | 5.0% | 1,353.7 | 2,707.5 | 105.2 | 2.8 | 0.0 | 0.0 | 108.0 | 1,344.8 |
| 2008-09 | 2006-07 | 26,400.3 | 5.0% | 1,320.0 | 2,640.0 | 0.0 | 1.5 | -1,072.4 | 0.0 | -1,070.9 | 273.9 |
| 2009-10 | 2007-08 | 24,138.8 | 5.0% | 1,206.9 | 2,413.9 | 0.0 | 1.0 | 0.0 | 0.0 | 1.0 | 274.9 |
| 2010-11 | 2008-09 | 21,036.4 | 5.0% | 1,051.8 | 2,103.6 | 0.0 | 4.3 | 0.0 | 0.0 | 4.3 | 279.2 |
| 2011-12 | 2009-10 | 21,535.5 | 5.0% | 1,076.8 | 2,153.6 | 0.0 | 0.1 | 214.5 | 0.0 | 214.6 | 493.8 |
| 2012-13 | 2010-11 | 22,574.0 | 5.0% | 1,128.7 | 2,257.4 | 0.0 | 0.5 | 214.5 | 0.0 | 215.0 | 708.8 |
| 2013-14 | 2011-12 | 23,623.0 | 5.0% | 1,181.2 | 2,362.3 | 0.0 | 1.5 | 214.5 | 0.0 | 215.9 | 924.7 |
| 2014-15 | 2012-13 | 25,343.6 | 5.0% | 1,267.2 | 2,534.4 | 0.0 | 0.0 | 214.5 | 0.0 | 214.5 | 1,139.2 |
| 2015-16 | 2013-14 | 26,217.8 | 5.0% | 1,310.9 | 2,621.8 | 0.0 | 0.0 | 214.5 | 0.0 | 214.5 | 1,353.7 |
| 2016-17 | 2014-15 | 27,687.4 | 5.0% | 1,384.4 | 2,768.7 | 30.7 | 0.0 | 0.0 | 0.0 | 30.7 | 1,384.4 |
| 2017-18 | 2015-16 | 28,329.0 | 5.0% | 1,416.5 | 2,832.9 | 32.1 | 0.0 | 0.0 | 0.0 | 32.1 | 1,416.5 |
| 2018-19 | 2016-17 | 29,660.7 | 5.0% | 1,483.0 | 2,966.1 | 66.5 | 0.0 | 0.0 | 0.0 | 66.5 | 1,483.0 |
| 2019-20 | 2017-18 | 31,483.4 | 5.0% | 1,574.2 | 3,148.3 | 91.2 | 0.0 | 0.0 | 0.0 | 91.2 | 1,574.2 |
| 2020-21 | 2018-19 | 33,484.6 | 5.0% | 1,674.2 | 3,348.5 | 100.0 | 0.0 | 0.0 | 0.0 | 100.0 | 1,674.2 |
| 2021-22 | 2019-20 | 31,544.8 | 5.0% | 1,577.2 | 3,154.5 | 0.0 | 0.0 | 0.0 | 1,056.0 | 1,056.0 | 2,730.2 |
| 2022-23 | 2020-21 | 36,275.4 | 5.0% | 1,813.8 | 3,627.5 | 0.0 | 0.0 | 0.0 | 410.1 | 410.1 | 3,140.2 |
| 2023-24 | 2021-22 | 44,027.7 | 5.0% | 2,201.4 | 4,402.8 | 0.0 | 0.0 | 0.0 | 1,000.2 | 1,000.2 | 4,140.4 |
| 2024-25 | 2022-23 | 47,512.8 | 5.0% | 2,375.6 | 4,751.3 | 0.0 | 0.0 | 0.0 | 300.1 | 300.1 | 4,440.6 |
| 2025-26 | 2023-24 | 48,701.8 | 5.0% | 2,435.1 | 4,870.2 | 0.0 | 0.0 | 0.0 | 429.6 | 429.6 | 4,870.2 |
| *Forecast:* | | | | | | | | | | | |
| 2026-27 | 2024-25 | 49,886.3 | 5.0% | 2,494.3 | 4,988.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 4,870.2 |
| 2027-28 | 2025-26 | 50,511.7 | 5.0% | 2,525.6 | 5,051.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 4,870.2 |
| 2028-29 | 2026-27 | 52,057.7 | 5.0% | 2,602.9 | 5,205.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 4,870.2 |
| 2029-30 | 2027-28 | 52,983.9 | 5.0% | 2,649.2 | 5,298.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 4,870.2 |
| 2030-31 | 2028-29 | 54,396.2 | 5.0% | 2,719.8 | 5,439.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 4,870.2 |
| 2031-32 | 2029-30 | 55,804.0 | 5.0% | 2,790.2 | 5,580.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 4,870.2 |
| 2032-33 | 2030-31 | 57,255.2 | 5.0% | 2,862.8 | 5,725.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 4,870.2 |

*The "Revenue Base for Calculation" is drawn from the retrospect available during the Session prior to the fiscal year in which the transfer is made. The forecast portion is drawn from the August 15, 2025, General Revenue Financial Outlook Statement.

# CONSENSUS ESTIMATING CONFERENCE PROCESS

Economic, demographic, resource-demand and revenue forecasts are essential for a variety of governmental planning and budgeting functions. Most importantly, revenue and resource-demand estimates are needed to ensure that Florida meets its constitutional balanced budget requirement. In this regard, the various forecasts are primarily used in the development of the constitutionally required Long-Range Financial Outlook, the Governor's budget recommendations and the General Appropriations Act. Economic and demographic forecasts are also used to support the other estimates of revenues and demands for state services.

Florida's revenue forecasting system is founded on a base forecast which typically assumes a "current law, current administration" structure in which no changes are allowed to the legal setting and practices known at the time of the forecast. This multi-stage process begins with the adoption of a national economic forecast based in part on information from a private forecasting firm, and the subsequent development of a Florida-specific economic forecast linked to major elements from the national forecast. Key state economic variables are then used to model the likely growth paths of individual revenue sources. They are further adjusted by recent revenue collection trends and calibrated to current receipts.[1] This process determines the baseline forecasts, and proposed law changes are modeled as deviations from the projected base. In the next round of forecasts, the process begins again, and the baseline is updated to account for any new or changed information, such as data revisions and law changes. All revenue estimates are made on a "cash" basis where revenues are assigned to the fiscal year in which they are likely to be received. The resource-demand conferences follow a similar process, and most rely heavily on the shape of the Florida-specific economic and population forecasts.

Rather than constitutional or statutory guidance, the classification of recurring and non-recurring revenues is based on institutional forecasting conventions developed over time by the principals of the Revenue Estimating Conference. Typically, the forecasted revenue level for each baseline year is deemed to be the "recurring" amount of funds for that year, regardless of the projected levels in subsequent years. Narrow exceptions are made for one-time events such as hurricanes and the receipt of special federal funds, as well as time-limited statutory provisions. Recent estimates have included at least five complete fiscal years in the forecast adopted at the conference. Moreover, the annual Long-Term Revenue Analysis adopted each fall contains 10-year forecasts for all revenues.

Consensus estimating informally began in 1970 and was limited to forecasts of the General Revenue Fund. The law establishing the conference process in statute did not pass until 1985 (Chapter 85-26, L.O.F.). The use of consensus forecasting to support the planning and budgeting process has expanded in the years since, and there are now ten estimating conferences formally identified in statute:

1. Economic Estimating Conference
    a. Florida Economic
    b. National Economic
2. Florida Demographic Estimating Conference
3. Revenue Estimating Conference
    a. Ad Valorem
    b. Article V Fees & Transfers
    c. Documentary Stamp Tax
    d. General Revenue
    e. Gross Receipts/Communications Services Tax
    f. Highway Safety Fees

[1] Designated principals also use independent (but informed) judgment to alter the forecast.

g. Indian Gaming
h. Long-Term Revenue Analysis
i. Lottery
j. Pari-Mutuels
k. Public Education Capital Outlay (PECO)
l. Slot Machines
m. Tobacco Settlement
n. Tobacco Tax and Surcharge
o. Transportation Revenue
p. Unclaimed Property/State School Trust Fund
q. Unemployment Compensation Trust Fund

4. Education Estimating Conference

   a. Public Schools Enrollment
   b. Public Schools Capital Outlay Full-Time Equivalent Enrollment
   c. Florida College System Enrollment
   d. Post-Secondary Financial Aid

5. Criminal Justice Estimating Conference

6. Social Services Estimating Conference

   a. TANF/WAGES
   b. Medicaid Caseload and Expenditures
   c. Federal Medical Assistance Percentage (FMAP)
   d. Kidcare Caseload and Expenditures

7. Labor Market Estimating Conference

8. Early Learning Programs Estimating Conference

   a. School Readiness Program
   b. Voluntary Prekindergarten Education Program

9. Self-Insurance Estimating Conference

   a. Risk Management Trust Fund
   b. State Employees' Health Insurance

10. Florida Retirement System Actuarial Assumption Estimating Conference

    a. Florida Retirement System
    b. Retiree Health Insurance Subsidy and Florida National Guard Benefits

While references to specific conferences exist in several places within the Florida Statutes, general statutory authority for the consensus process is provided in sections 216.133 through 216.138, F.S., which specifies the duties of each conference and designates the conference principals and participants. Conference principals can call conferences and are generally responsible for developing and choosing the forecasts. Participants may be requested to provide alternative forecasts and to generate supporting information. All conferences are open, public meetings.

The four principals for each conference are designated professional staff representing the Governor's Office, Senate, House of Representatives, and Legislative Office of Economic and Demographic Research. Historically, the revenue representatives of the House and Senate have been the staff directors of the tax committees, and the policy coordinator overseeing tax issues has represented the Governor's Office. In the other conferences, the principals represent the same offices, but they are specifically chosen for their subject-matter expertise in the area represented by

the conference. An exception is made for the Coordinator of the Legislative Office of Economic and Demographic Research who – by law – sits as a principal on all conferences.

Consensus forecasting requires the conference principals to agree on the forecasts before they are finalized. Section 216.133(3), F.S., defines "consensus" as "the unanimous consent of all of the principals," essentially meaning that each principal has a veto. All state agencies and the judicial branch must use the official results adopted by the conferences in carrying out their duties under the state planning and budgeting process; however, the Legislature is not bound to use the official consensus forecasts. Nevertheless, since 1970, the Florida Legislature has consistently used the results of these conferences in its official duties.

Over the course of each year, the principals meet in a series of regularly scheduled Consensus Estimating Conferences to provide the forecasts needed to support the planning and budgeting process. Typically, these conferences have occurred in three "seasons" that are geared to the major events of the annual planning and budgeting cycle. In addition, impact conferences are held when estimates are needed to determine the impact of changes or proposed changes to current law or current administration. The statutes do not specify the methods, techniques, or approaches for developing estimates or forecasts; however, the impact conferences typically use static analyses with modest adjustments for likely behavioral changes when conditions warrant their inclusion.

A special case of the estimating conference process has been developed for evaluating the fiscal impact of petition initiatives. In 2004, a constitutional amendment passed that requires initiative petitions be filed with the Secretary of State by February 1st of each general election year to be eligible for ballot consideration. In 2025, the Legislature passed CS/HB 1205 (Chapter 2025-21, L.O.F.), substantially amending the requirements for petition initiatives. Section 100.371(2), F.S., requires the Secretary of State to submit a copy of all proposed amendments to the Office of Economic and Demographic Research on behalf of the Financial Impact Estimating Conference (FIEC) for potential review, analysis, and estimation of the financial impact of the proposed amendment. A formal FIEC may be convened only by the President of the Senate and the Speaker of the House of Representatives, jointly (s. 100.371(16)(c), F.S.). The FIEC consists of four principals: one person from the Executive Office of the Governor; the coordinator of the Legislative Office of Economic and Demographic Research, or his or her designee; one person from the professional staff of the Senate; and one person from the professional staff of the House of Representatives. Each principal must have appropriate fiscal expertise in the subject matter of the initiative. A separate FIEC is appointed for each initiative.

Another special case of the estimating conference process has been developed for evaluating legislative proposals—whether statutory or budgetary—based on tools and models not generally employed by the consensus estimating conferences, including cost-benefit, return-on-investment, or dynamic scoring techniques, when suitable and appropriate for the legislative proposals being evaluated. In 2010, HB 1178 was passed and signed into law (Chapter 2010-101, L.O.F) establishing section 216.138, F.S., authorizing the President of the Senate and the Speaker of the House of Representatives to request special impact estimating conferences employing such tools and models. The Special Impact Estimating Conference consists of four principals: one person from the Executive Office of the Governor; the coordinator of the Legislative Office of Economic and Demographic Research, or his or her designee; one person from the professional staff of the Senate; and one person from the professional staff of the House of Representatives. Each principal must have appropriate fiscal expertise in the subject matter of the legislative proposal. A separate Special Impact Estimating Conference may be appointed for each proposal.

## SUMMARY OF THE CONSTITUTIONAL STATE REVENUE LIMITATION

In November 1994, the voters approved a constitutional amendment to limit state revenues (Article VII, Section 1, Florida Constitution). Placed before the voters by act of the Legislature (HJR 2053), the amendment limits state revenues to a specific dollar amount that is increased annually by an approximation of the growth rate in Florida's economy. If more revenue is collected than is permitted by this limit, it may not be spent; excess revenues must be deposited in the Budget Stabilization Fund until the fund reaches its maximum allowable balance, and thereafter refunded to taxpayers. The Legislature, by two-thirds vote of both houses, may decide to do otherwise. In any year, the revenue limit is determined by multiplying the average annual growth rate in Florida personal income over the previous five years by the amount of revenue permitted under the cap in the previous year.

State revenue is defined as taxes, licenses, fees, and charges for services (but not for goods) imposed by the Legislature on individuals, businesses, or agencies outside of state government. The definition of state revenues includes the proceeds of lottery ticket sales. Exempt from the limitation, either implicitly, through the definition of revenue, or explicitly, through specific exemption, are the following items:

1. Lottery receipts returned as prizes.
2. Balances carried forward from prior years.
3. The proceeds of sales of goods (e.g., land, buildings, surplus property).
4. Funds used for debt service and other payments related to debt.
5. State funds used to match federal money for most of Medicaid (see below).
6. Receipts of the Hurricane Catastrophe Trust Fund.
7. Revenues required to be imposed by amendment to the Constitution after July 1, 1994.

The revenues of cities, counties, school districts, and special districts are not subject to the revenue limitation. In particular, required local effort millage levied by school districts and local option taxes authorized by state law, but levied at the discretion of local governments, are not subject to the revenue limitation. However, state revenues, such as the motor fuel tax, cigarette tax, and sales tax, which are levied and collected by the state and shared, in part, with local governments through a variety of statutory revenue sharing formulas, are subject to the revenue limitation.

State funds used to match federal funds for Medicaid are partially exempt from the revenue limitation. A portion of the state money used to match federal Medicaid funds is appropriated from the Public Medical Assistance Trust Fund (PMATF), a fund originally established for discretionary Medicaid programs. A tax on hospitals, and some cigarette tax revenues provide state support for the PMATF. Since the reason for exempting Medicaid from the revenue limitation is that it is in large part a federal mandate, and since the programs funded from the PMATF were, at least initially, voluntary, the revenues of the PMATF were made subject to the revenue limitation. However, other revenues used to match federal Medicaid money were exempted from the revenue limitation. Additionally, state matching funds for expansions of the Medicaid program voluntarily undertaken by the state after July 1, 1994, are subject to the revenue limitation.

The Constitution requires the Legislature to establish, by general law, the procedures necessary to administer the revenue limitation; however, such legislation has yet to be enacted. In addition, the Legislature is required to provide general law guidelines for adjusting the state revenue limit when the responsibility for providing specific governmental services is transferred between the state and other levels of government.

Over a two-year period beginning in Fiscal Year 2002-03, revenue from the State University System (SUS) was devolved from state accounts to each university's local accounting system. Chapter 2002-387, L.O.F. (SB 20-E), directed the Revenue Estimating Conference to reduce the total receipts subject to the limitation to reflect that transfer. The conference made a one-time adjustment in Fiscal Year 2003-04

after the devolution was complete. From Fiscal Year 2003-04 forward, no SUS revenues are included in state revenues. Additionally, no SUS-related debt service deductions are made.

In 1998, the Constitution was amended (Article V, section 14(b)) to require that "All funding for the offices of the clerks of the circuit and county courts performing court-related functions, except as otherwise provided in this subsection and subsection (c), shall be provided by adequate and appropriate filing fees for judicial proceedings and service charges and costs for performing court-related functions as required by general law." General law has since been passed to impose the required fees. The imposed fees generate revenues higher than necessary to perform the stated functions, and the excess money from those fees is transferred to the General Revenue Fund. The conference interpreted this to mean that any revenues used to perform the stated functions should not be counted as state revenue, while any additional funds should be included. Therefore, only Article V revenues that are transferred to the General Revenue Fund are included as state revenue.

**Impacts of the Constitutional Revenue Limitation**

In the first few years after the adoption of the revenue limitation, actual revenues were close to the constitutional cap. Over the subsequent years, revenues subject to the cap have generally grown more slowly than personal income. Since 1999, the Florida Legislature has enacted significant measures to reduce state revenue. The intangibles tax, sales and use tax, beverage tax, corporate income tax, vehicle emissions testing, health care assessments, unemployment tax, and pari-mutuel tax have all been reduced by the Legislature. Additionally, changes in federal law have effectively eliminated Florida's estate tax. These changes in tax laws contributed to a widening gap between actual revenues and the revenue limit through Fiscal Year 2002-03 when revenues were almost $5 billion below the limit. Over the next three years and despite the tax reductions mentioned above, state revenues grew faster than growth in the limit. As a result, Fiscal Year 2005-06 revenues subject to the limitation were only $658 million below the constitutional cap. This surge in revenues was related to the boom in real estate activity and associated construction spending, as well as the tax revenues derived from rebuilding following the hurricanes in 2004 and 2005. However, state revenue collections fell in Fiscal Years 2006-07 through 2008-09 and grew less than the cap growth rate in Fiscal Year 2009-10. Total receipts grew in the 2010-11 and 2011-12 fiscal years; however, the state match for Medicaid, which is exempt from the cap, grew even faster.

Revenue growth returned to more typical levels beginning in Fiscal Year 2011-12 and continuing through Fiscal Year 2018-19. As result of the Coronavirus pandemic-induced economic contraction that began in Fiscal Year 2019-20, state revenue collections were down $2.1 billion from Fiscal Year 2018-19, widening the gap between actual revenues and the revenue limit. In addition, Medicaid caseload increases as a result of the pandemic and legislative measures affecting corporate income tax refunds further widened the gap. Consequently, state revenues subject to the revenue limitation were $25.4 billion below the constitutional revenue limit in Fiscal Year 2019-20.

In Fiscal Year 2020-21, much of the economy began to recover from the worst of the pandemic effects. In addition, the 2021 Legislature made a revision to the collection of online sales tax revenue beginning Fiscal Year 2021-22. These actions began to close the gap seen in Fiscal Year 2019-20, but it still remained significant. For Fiscal Year 2022-23 and even more so in Fiscal Year 2023-24, the gap began once again to widen as the Legislature initiated state debt reduction projects, and as Medicaid expenditures continued to grow. Although the constitutional revenue limit for Fiscal Year 2024-25 has yet to be completed, it is expected that state revenues will continue to be well below the revenue limit as a result of various, significant recurring tax reductions enacted in the 2022, 2023, and 2024 legislative sessions, as well as additional tax reductions in the 2025 legislative session.

# TAX PREFERENCES

For the individual tax sources included in the Handbook, the preparers of this document have attempted to provide estimates for all current tax preferences, including exemptions, deductions, allowances, exclusions, credits, preferential rates, and deferrals. While individual estimates have not been possible for all, a large portion of the total preferences have been estimated. This section presents these estimates of forgone revenue in a single table to show their relative and absolute magnitude. Preferential tax treatments reduce government revenue and compete with programs funded by appropriations for state and local use.

There are a number of important distinctions between appropriations and tax preferences. Once adopted, tax preferences often receive less scrutiny than appropriations, which must be enacted every year. In contrast, tax preferences typically remain effective until an affirmative action is taken to change them. Also, unlike appropriations which are for fixed amounts, tax preferences are often open-ended.

The following table presents summary estimates of the tax preferences identified in this book by type of preference for each tax source.

# ESTIMATE of FISCAL YEAR 2026-27 STATE TAX PREFERENCES
## (in millions)

| TAX | INCLUDED TAX SOURCE COLLECTIONS | EXEMPTIONS | PREFERRED/ DIFFERENTIAL RATES | CREDITS | REFUNDS | DEDUCTIONS/ ALLOWANCES | TOTAL TAX PREFERENCES |
|---|---|---|---|---|---|---|---|
| Beverage Tax | 294.6 | 3.6 | | 489.4 | 0.1 | 12.8 | 505.9 |
| Cigarette and Other Tobacco Tax | 769.4 | 13.8 | | | 0.6 | 3.5 | 17.9 |
| Communications Services Tax | 1,121.1 | 681.5 | | | | 10.7 | 692.2 |
| Corporate Income and Emergency Excise Tax*** | 5,765.7 | 2,912.2 | | 247.4 | | | 3,159.6 |
| Documentary Stamp Tax | 3,900.2 | 235.1 | 44.8 | | | 17.7 | 297.6 |
| Gross Receipts Tax | 1,402.9 | 626.2 | | | | | 626.2 |
| Insurance Premium Tax | 1,961.3 | 245.0 | | 1,392.1 | | 20.0 | 1,657.1 |
| Intangibles Tax | 529.5 | * | | | 2.6 | 0.8 | 3.4 |
| Lottery | 9,341.7 | | | | | 558.0 | 558.0 |
| Motor Fuel & Diesel Fuel Tax | 3,715.0 | 5.0 | | | 39.0 | 5.5 | 49.5 |
| Pollutant Taxes | 313.7 | 1.0 | | | | | 1.0 |
| Sales and Use Tax** | 41,844.0 | 26,872.1 | | 189.7 | | 87.8 | 27,149.6 |
| Severance Tax Oil & Gas | 1.1 | | | 0.4 | | | 0.4 |
| **TOTAL** | **70,960.2** | **31,595.5** | **44.8** | **2,319.0** | **42.3** | **716.8** | **34,718.4** |

* Indeterminate

** The total of Sales and Use Tax exemptions does not include $42.9 billion of sales tax that could be collected if sales of services were subject to sales tax in Florida. Services are not exempt from the sales tax, instead, they are "excluded" from the tax base because the sales tax generally applies to the sale of tangible personal property, not services.

*** The total of Corporate Income Tax exemptions does not include $1.8 billion of tax that could be collected if S Corporations, Limited Partnerships and Limited Liability Companies were subject to Corporate Income Tax in Florida. These entities are not exempt from the Corporate Income Tax; instead, they are “excluded” from the tax base because the Corporate Income Tax generally applies to “C” corporations and does not apply to these entities.

NOTE: Some exemptions overlap so that repeal of all exemptions would not yield the total shown.

# STATE REVENUE SOURCES

# ARTICLE V FEES AND TRANSFERS

FLORIDA STATUTES: The authority for Article V fees and transfers is provided in Chapters 25, 27, 28, 34, 44, 57, 142, 318, 501, 741, and 775, Florida Statutes. The specific statutory citation and corresponding fees, service charges and fines collected by the Florida Clerks of the Court and remitted to the state for deposit in the General Revenue Fund and various state trust funds are as follows:

| Statutory Citation | Fee, Service Charge, or Fine Description |
|---|---|
| 34.041(1)(b) | First $10 of the filing fees for county civil claims under subparagraph 34.041(1)(a)7 |
| 34.041(1)(b) | $15 of the filing fees for county civil claims under subparagraph 34.041(1)(a)4 |
| 34.041(1)(e) | $195 of the first $200 filing fees for Non-Foreclosure payable under subparagraph (a)5 between $15,001-$50,000 |
| 34.041(1)(e) | $1 of the first $200 filing fees payable under subparagraph (a)5 |
| 34.041(1)(e) | $4 of the first $200 filing fees payable under subparagraph (a)5 |
| 34.041(1)(b) | $3.50 of additional $4 filing fee for county civil claims |
| 34.041(1)(b) | $0.50 of additional $4 filing fee for county civil action |
| 318.21(2)(a) | 20.6 percent of remainder of civil penalties received pursuant to Ch. 318 |
| 318.21(2)(b) | 7.2 percent of remainder of civil penalties received pursuant to Ch. 318 |
| 318.21(2)(c) | 5.1 percent of remainder of civil penalties received pursuant to Ch. 318 |
| 318.21(2)(d) | 8.2 percent of remainder of civil penalties received pursuant to Ch. 318 |
| 318.21(2)(e) | 2 percent of remainder of civil penalties received pursuant to Ch. 318 |
| 318.18(20)(a) | $5 of the $10 fine for all noncriminal moving and nonmoving traffic violations under chapter 316, 320 & 322. |
| 318.18(20)(b) | $3.33 of the $10 fine for all noncriminal moving and nonmoving traffic violations under chapter 316, 320 & 322. |
| 318.18(20)(c) | $1.67 of the $10 fine for all noncriminal moving and nonmoving traffic violations under chapter 316, 320 & 322. |
| 318.21(20) | $25 increase in fines assessed under s. 318.18(3) for unlawful speed |
| 318.18(16)(a)1. | Remaining $30 of $158 civil penalty for violation of ss. 316.075(1)(c)1 or 316.074(1) |
| 318.18(16)(a)1. | Remaining $ 3 of $158 civil penalty for violation of ss. 316.075(1)(c)1 or 316.074(1) |
| 28.101(1)(a) | $5 additional charge for petitions for dissolution of marriage |
| 28.101(1)(c) | $55 additional charge for petitions for dissolution of marriage |
| 28.241(1)(a)1.b. | $95 of first $100 in filing fees for circuit civil action |
| 28.241(1)(a)1.b. | $1.00 of first $100 in filing fees for circuit civil action |
| 28.241(1)(a)1.b. | $4.00 of first $100 in filing fees for circuit civil action |
| 28.241(1)(a)1.a. | $195 of first $200 in filing fees for circuit civil action |
| 28.241(1)(a)1.a. | $1.00 of first $200 in filing fees for circuit civil action |
| 28.241(1)(a)1.a. | $4.00 of first $200 in filing fees for circuit civil action |
| 28.241(1)(a)1.c. & e. | $3.50 of additional $4 filing fee for circuit civil action |
| 28.241(1)(a)1.c. & e. | $0.50 of additional $4 filing fee for circuit civil action |
| 28.2401(1) | $115 of each filing fee collected under paragraphs (1)(a), (1)(c) - (i), and (1)(k) in probate matters |
| 28.2401(3) | $3.50 of additional $4 service charge in probate matters |
| 28.2401(3) | $0.50 of additional $4 service charge in probate matters |
| 25.241, 35.22 | $50 of Supreme Court filing fee (from State Courts Operating TF) |
| 25.241, 35.22 | Supreme Court & DCA filing fees & service charges |
| 34.041(1)(c) | $295 counterclaim filing fee for county civil action |
| 44.108(1) | $1 filing fee on all circuit and county proceedings |
| 44.108(2) | Fees collected for court-ordered mediation services |
| 44.106 | Licenses Mediation Certification |
| 741.01(4) | $25 additional fee upon receipt of application for marriage license |
| 28.241(6) | $100 fee for attorneys appearing pro hac vice in circuit court |
| 34.041(8) | $100 fee for attorneys appearing pro hac vice in county court |
| 27.52(7)(b) | 75 percent of any amount recovered by state attorney for fraudulent indigency claims in criminal proceedings |
| 57.082(7)(b) | 75 percent of any amount recovered by state attorney for fraudulent indigency claims in civil proceedings |

| | |
|---|---|
| Ch. 2010-134 | $50 administration fee per trustee deed for each deed recorded pursuant to the trustee foreclosure procedures set forth in ss. 721.855 and 72 |
| 501.2075 | Up to $10,000 civil penalty assessed against persons found to have committed deceptive and unfair trade practices |
| Ch. 2008-111 | Additional Revenue pursuant to Chapter 2008-111, L.O..F. |
| 34.041(1)(e) | $195 of the first $200 filing fees for Foreclosure payable under subparagraph (a)5 between $15,001-$50,000 |
| 28.241(1)(a)2.d. | $195 in filing fees for circuit civil action relating to real property or mortgage foreclosure |
| 28.241(1)(a)2.d. | $350 in filing fees for circuit civil action relating to real property or mortgage foreclosure |
| 28.241(1)(a)2.d. | $770 in filing fees for circuit civil action relating to real property or mortgage foreclosure |
| 28.241(1)(a)2.d. | $930 in filing fees for circuit civil action relating to real property or mortgage foreclosure |
| 28.241(1)(a)2.d. | $1.00 in filing fees for circuit civil action relating to real property or mortgage foreclosure |
| 28.241(1)(a)2.d. | $4.00 in filing fees for circuit civil action relating to real property or mortgage foreclosure |

ADMINISTERED BY: Florida Department of Revenue, the State Court System, the Justice Administrative Commission, and Florida Clerks of the Court

SUMMARY:
The 67 Clerks of the Court collect fees, service charges, and fines imposed pursuant to law. A portion of these fees, service charges, and fines are remitted monthly to the Florida Department of Revenue for deposit into the General Revenue Fund, State Court Revenue Trust Fund, Clerks of the Court Trust Fund, and various other state trust funds. By February 1 of each year, 50 percent of the cumulative excess revenues remaining in the Clerks of the Court Trust Fund beyond what is needed for current year operations is transferred to the General Revenue Fund pursuant to section 28.37(4), F.S.

REVENUE:

| Fiscal Year | Total Collections | Annual Change % | Article V Fees General Revenue | Adjustments to General Revenue** | Trust Funds |
|---|---|---|---|---|---|
| 2026-27* | 185,900,000 | -4.72% | 56,500,000 | 0 | 129,400,000 |
| 2025-26* | 195,100,000 | 4.37% | 56,500,000 | 9,800,000 | 128,800,000 |
| 2024-25 | 186,938,150 | -12.44% | 52,533,581 | 10,855,958 | 123,548,611 |
| 2023-24 | 213,500,903 | -7.35% | 83,000,000 | 14,209,685 | 116,291,218 |
| 2022-23 | 230,445,878 | 9.19% | 97,677,076 | 2,719,383 | 130,049,419 |
| 2021-22 | 211,047,472 | 13.73% | 88,668,406 | 12,183,091 | 110,195,975 |
| 2020-21 | 185,570,420 | -11.98% | 77,231,862 | 0 | 108,338,558 |

*Estimate
**Pursuant to s. 28.37(4) F.S., not less than 50% the cumulative excess of all fines, fees and charges is to be transferred to General Revenue no later than February 1, 2022 and each year thereafter. The forecasted amount of these funds is $9.8 million for February 1, 2026.

HISTORY:
On November 3, 1998, Florida voters approved Revision 7 to Article V, Section 14 (b) of the Florida Constitution providing that circuit and county courts performing court-related functions be funded by adequate and appropriate filing fees for judicial proceedings, and service charges and costs for performing court-related functions as required by general law.

During the 2000 Legislative Session, the Legislature approved Chapter 2000-237, L.O.F. (SB 1212), setting forth a process for the clerks to develop and propose a schedule of fees and services to the Legislature for consideration.

In 2003, the Legislature approved Chapter 2003-402, L.O.F. (HB 113-A), regarding the implementation of Revision 7 to Article V, section 14 (b) of the Florida Constitution, which was developed in accordance with the process established in Chapter 2000-237, L.O.F. Chapter 2003-402, L.O.F. (HB 113-A), also provided a schedule of fines, fees, and service charges as well as the disposition of revenues to the various entities, funds, and trust funds.

During the 2004 and 2005 Legislative Sessions, the Legislature approved Chapters 2004-265 and 2005-236, L.O.F. (SB 2962 and HB 1935), revising a number of fees, fines, and service charges.

During the 2008 Legislative Session, the Legislature approved Chapter 2008-111, L.O.F. (SB 1790), establishing several new and increasing many existing fines, fees, and service charges.

During the Special Legislative Session held in January 2009, the Legislature approved Chapter 2009-6, L.O.F. (SB 12-A), revising some fines and providing several new fines and fees to be collected by the Clerks of the Court for remission to the state and deposit in the newly created State Courts Revenue, Public Defenders Revenue, and State Attorneys Revenue Trust Funds. During the regular 2009 Legislative Session, Chapters 2009-61 and 2009-204, L.O.F. (SB 1718 and SB 2108), were approved, further revising fees and fines, redirecting some revenues, and changing the manner in which Clerks of the Court revenues and budgets were administered.

The 2013 Legislature approved Chapter 2013-44, L.O.F. (SB 1512), redirecting $80 of circuit filing fee revenues from General Revenue to the Clerks of Court and, in effect, reinstituting the manner in which Clerks of the Court revenues and budgets were administered prior to the 2009 legislative changes.

The 2017 Regular and Special Legislative Sessions made numerous changes to Article V fees. The Displaced Homemaker Trust Fund was abolished and its fees related to dissolution of marriage redirected into the General Revenue Fund. In addition, various fees which were distributed into the General Revenue Fund where instead directed to be distributed into the Clerk's Fine and Forfeiture Funds. The Clerks were also directed to deposit the 10 percent of fines which the Clerks previously received per s. 28.37, F.S. into the Fine and Forfeiture Funds. The Clerk's new revenue was accompanied by the requirement that the total combined budgets of the clerks of court not exceed the revenue estimates established by the most recent Revenue Estimating Conference.

Chapter 2018-118, L.O.F. (HB 7087), passed during the 2018 session, reduced traffic fines when the person elects to attend traffic improvement school and redirected fees to offset the impact to the State Courts Revenue Trust Fund.

During the 2019 session, the Legislature passed Chapter 2019-42, L.O.F. (HB 7123) directing that the State Courts Revenue Trust Fund portion of traffic fines when the person elects to attend traffic improvement school be eliminated with further fee redirects from General Revenue used to offset the loss to the trust fund. The 2019 Legislature also passed Chapter 2019-58, L.O.F, (HB 337), which dealt with numerous court fee issues: most importantly, effective January 1, 2020, the county court jurisdictional threshold was increased from $15,000 to $30,000. Effective January 1, 2023, the county court jurisdictional threshold was further increased from $30,000 to $50,000. As the jurisdictional limit for these cases changes, the filing fees move from circuit court to county court; however, the law was written so that the impact to the various receiving funds was negated. The 2019 legislation also revised numerous statutes referencing the fines, fees, and charges originally increased by Ch. 2008-111 L.O.F. to specify that those fees were to be deposited into the General Revenue Fund. These changes were remedial and clarifying in nature and applied retroactively to July 1, 2008.

The 2020 Legislature passed Chapter 2020-61, L.O.F. (SB 1392), which stated that the circuit courts would no longer have jurisdiction over appeals from county court with certain exceptions effective January 1, 2021.

The 2023 Legislature passed Chapter 2023-284 L.O.F. (HB 977), which shifted fees from the General Revenue Fund to the Clerk's Fine and Forfeiture Funds. These include portions of the fees for Marriage Dissolutions and Foreclosures, as well as a collection of Summons and Probate fees that were previously included as part of the Ch. 2008-111 group.

The 2024 Legislature passed Chapter 2024-153 L.O.F. (CS CS HB 1077), which shifted fees from the General Revenue Fund to the Clerk's Fine and Forfeiture Funds and County funds. These include a collection of Summons and Traffic fees that were previously included as part of the Ch. 2008-111 group. In addition, any interest earned in Clerk's Fine and Forfeiture Funds must be transferred to County funds.

BASE AND RATE:
First $10 of the filing fees for county civil claims under subparagraph 34.041(1)(a)7; $15 of the filing fees for county civil claims under subparagraph 34.041(1)(a)4; $195 of the first $200 filing fees for Non-Foreclosure payable under subparagraph (a)5 between $15,001-$50,000; $1 of the first $200 filing fees payable under subparagraph (a)5; $4 of the first $200 filing fees payable under subparagraph (a)5; $3.50 of additional $4 filing fee for county civil claims; $0.50 of additional $4 filing fee for county civil action; 20.6 percent of remainder of civil penalties received pursuant to Ch. 318; 7.2 percent of remainder of civil penalties received pursuant to Ch. 318; 5.1 percent of remainder of civil penalties received pursuant to Ch. 318; 8.2 percent of remainder of civil penalties received pursuant to Ch. 318; 2 percent of remainder of civil penalties received pursuant to Ch. 318; $5 of the $10 fine for all noncriminal moving and nonmoving traffic violations under chapter 316, 320 & 322.; $3.33 of the $10 fine for all noncriminal moving and nonmoving traffic violations under chapter 316, 320 & 322.; $1.67 of the $10 fine for all noncriminal moving and nonmoving traffic violations under chapter 316, 320 & 322.; $25 increase in fines assessed under s. 318.18(3) for unlawful speed; remaining $30 of $158 civil penalty for violation of ss. 316.075(1)(c)1 or 316.074(1); remaining $ 3 of $158 civil penalty for violation of ss. 316.075(1)(c)1 or 316.074(1); $5 additional charge for petitions for dissolution of marriage; $55 additional charge for petitions for dissolution of marriage; $95 of first $100 in filing fees for circuit civil action; $1.00 of first $100 in filing fees for circuit civil action; $4.00 of first $100 in filing fees for circuit civil action; $195 of first $200 in filing fees for circuit civil action; $1.00 of first $200 in filing fees for circuit civil action; $4.00 of first $200 in filing fees for circuit civil action; $3.50 of additional $4 filing fee for circuit civil action; $0.50 of additional $4 filing fee for circuit civil action; $115 of each filing fee collected under paragraphs (1)(a), (1)(c) - (i), and (1)(k) in probate matters; $3.50 of additional $4 service charge in probate matters; $0.50 of additional $4 service charge in probate matters; $50 of Supreme Court filing fee (from State Courts Operating TF); Supreme Court & DCA filing fees & service charges; $295 counterclaim filing fee for county civil action; $1 filing fee on all circuit and county proceedings; fees collected for court-ordered mediation services ; licenses Mediation Certification; $25 additional fee upon receipt of application for marriage license; $100 fee for attorneys appearing pro hac vice in circuit court; $100 fee for attorneys appearing pro hac vice in county court; 75 percent of any amount recovered by state attorney for fraudulent indigence claims in criminal proceedings; 75 percent of any amount recovered by state attorney for fraudulent indigence claims in civil proceedings; $50 administration fee per trustee deed for each deed recorded pursuant to the trustee foreclosure procedures set forth in ss. 721.855 and 72; up to $10,000 civil penalty assessed against persons found to have committed deceptive and unfair trade practices; additional Revenue pursuant to Chapter 2008-111, L.O.F; $195 of the first $200 filing fees for Foreclosure payable under subparagraph (a)5 between $15,001-$50,000; $195 in filing fees for circuit civil action relating to real property or mortgage foreclosure; $350 in filing fees for circuit civil action relating to real property or mortgage foreclosure; $770 in filing fees for circuit civil action relating to real property or mortgage foreclosure; $930 in filing fees for circuit civil action relating

to real property or mortgage foreclosure; $1.00 in filing fees for circuit civil action relating to real property or mortgage foreclosure; and $4.00 in filing fees for circuit civil action relating to real property or mortgage foreclosure.

DISPOSITION:
The Clerks of the Court collect fees, service charges, and fines from individuals and remit them to the Florida Department of Revenue by the tenth of each month following their collection. The revenues are deposited by the Department of Revenue into the General Revenue Fund and designated state trust funds as provided by law.

THE AFFECTED TRUST FUNDS ARE:

1) COCTF – Clerks of the Court Trust Fund
2) SCRTF – State Courts Revenue Trust Fund
3) DFSATF - Department of Financial Services Administrative Trust Fund
4) CETF – Court Education Trust Fund
5) SARTF – State Attorneys Revenue Trust Fund
6) BSCITF – Brain and Spinal Cord Injury Trust Fund
7) ACCTF – Additional Court Costs Trust Fund
8) EMSTF – Emergency Medical Services Trust Fund
9) DVTF – Domestic Violence Trust Fund
10) DHTF – Displaced Homemaker Trust Fund
11) CWTF – Child Welfare Trust Fund
12) GDTFDVR – Grants and Donations Trust Fund of the Division of Vocational Rehabilitation
13) ICDTF – Indigent Criminal Defense Trust Fund

OTHER STATES:
According to the National Center for State Courts, all 50 states, the District of Columbia, Guam, Puerto Rico, the Virgin Islands, and the U.S. Federal Court System impose some form of court fees.

# AUTO TITLE AND LIEN FEES

FLORIDA STATUTES: Chapter 319

ADMINISTERED BY: Department of Highway Safety and Motor Vehicles

SUMMARY:
Fees are imposed on motor vehicles titled in Florida. For each original certificate of title and for each duplicate copy, the fee is $70.00. An additional $10.00 fee is imposed on each original certificate of title issued for a motor vehicle previously registered outside Florida.

REVENUE:

| Fiscal Year | Total Collections | Annual Change % | General Revenue | State Transportation Trust Fund | Other State Trust Fund |
|---|---|---|---|---|---|
| 2026-27* | 497,300,000 | 0.81% | 110,000,000 | 318,155,355 | 69,144,645 |
| 2025-26* | 493,300,000 | -1.95% | 107,400,000 | 316,980,809 | 68,919,191 |
| 2024-25 | 503,122,082 | 3.50% | 113,355,515 | 319,248,762 | 70,517,805 |
| 2023-24 | 486,103,669 | -3.59% | 101,160,690 | 317,476,062 | 67,466,917 |
| 2022-23 | 504,183,388 | -1.07% | 112,025,590 | 321,858,184 | 70,299,614 |
| 2021-22 | 509,653,105 | 2.20% | 147,727,769 | 321,493,520 | 40,431,816 |
| 2020-21 | 498,664,231 | 14.47% | 141,164,468 | 319,569,838 | 37,929,925 |

* Estimate

HISTORY:
In 1923, Florida passed an act to protect the title of motor vehicles within the state. The act provided for the issuance and registration of certificates of ownership. The motor vehicle title law was revised in 1941, and fees were imposed for the first time. Fees were increased in 1947 and 1967. In 1990, the fee for each original certificate of title and each duplicate copy of a certificate of title on all motor vehicles, except those for hire, was increased from $3 to $24. The $21 increase is for deposit into the State Transportation Trust Fund. Chapter 98-397, L.O.F. (HB 271), required the Department of Highway Safety and Motor Vehicles to charge a fee of $7.00 for each lien placed on a motor vehicle by the state child support enforcement program for deposit into the General Revenue Fund. Effective July 1, 2000, Chapter 2000-257, L.O.F. (SB 862), eliminated the 7 percent General Revenue Service Charge on the $24 original certificate of title fee and each duplicate copy fee, which increased the distribution to the State Transportation Trust Fund. Chapter 2002-235, L.O.F. (SB 522), required all auto title and lien revenues collected by county officials to be submitted by electronic funds transfer to the State Treasury no later than five working days, instead of seven working days as provided for in Chapter 116, F.S., after the close of the business day in which the funds were received. As a result of the 2009 Regular Legislative Session, Chapter 2009-71, L.O.F. (SB 1778), raised fees beginning September 1, 2009.

Chapter 2012-128, L.O.F. (SB 1998), redirected $47 of the title lien revenues then deposited in the General Revenue Fund to the State Transportation Trust Fund. Deposits to the State Transportation Trust Fund resulting from the redirect were limited to $200 million in any fiscal year; any collections in excess of the $200 million cap were deposited into the General Revenue Fund. From the same $47 portion of title fees, Chapter 2022-155 redirected an additional $30 million to the Highway Safety Operating Trust Fund. General Revenue was limited to collections in excess of the $200 State Transportation Trust fund cap and the $30 million Highway Safety Operating Trust Fund cap – a total trust fund cap of $230 million.

# AUTO TITLE AND LIEN FEES

BASE AND RATE:
In accordance with s. 319.32, F.S., a $70.00 fee is levied for original certificate of title and duplicates of title of all motor vehicles except for a motor vehicle for hire registered under s. 320.08(6), F.S. There is an additional $4.25 service charge for the transfer of any certificate of title and a $2.00 fee for assignment by a lien holder, memorandum certificates, and noting a lien and its satisfaction. There is a $1.25 service charge for the recordation or notation of a lien which is not related to the purchase of a vehicle. A service fee of $2.50, for deposit into the Highway Safety Operating Trust Fund, is charged for the shipping and handling of each paper title mailed by the department. A fee of $10 for motor vehicles and mobile homes and $5 for vessels is charged for certain types of expedited services, which is in addition to the fees imposed by s. 319.32, F.S. The fee, after deducting the $1 odometer fee amount referenced by s. 319.324, F.S., and $3.50 to be retained by the processing agency, is deposited into the General Revenue Fund. An additional service charge of not more than $0.50 may be imposed by the tax collector when any of the above mentioned transactions occur at a tax collector's branch office. Application for title must be made within 30 days of acquisition, subject to a $20 late fee penalty.

DISPOSITION:
General Revenue Fund: $48 per each original certificate of title and each duplicate copy of a certificate of title and all other fees collected by the department not specifically earmarked for deposit into a trust fund from a For Hire vehicle. $1 per each original certificate of title and each duplicate copy of a certificate of title and all other fees collected by the department not specifically earmarked for deposit into a trust fund from vehicles other than For Hire vehicles.

State Transportation Trust Fund: $21 per each original certificate of title and each duplicate copy of a certificate of title. This fee is not currently charged on For Hire vehicles per s. 319.32(1), F.S. Titles for vehicles other than For Hire distribute $47 to the State Transportation Trust Fund which is capped at $200 million.

Highway Safety Operating Trust Fund: Titles for vehicles other than For Hire distribute $47 to the Highway Safety Operating Trust Fund which is capped at $30 million. Any amount collected above $230 million is distributed to the General Revenue Fund.

Non-game Wildlife Trust Fund: An additional $10 per each original certificate of title issued for a vehicle previously registered outside Florida.

OTHER STATES:
All states, plus the District of Columbia, assess a fee or a tax for issuing a certificate of title or ownership. Most states charge a fee, ranging from $1 to $35, while others incorporate title fees into auto sales excise taxes. The most frequently occurring fees are in the range of $1 to $10.

| | 2026-27 (millions) |
|---|---|
| VALUE OF RATE CHANGE: | |
| Value of $1 on all titles issued | $ 6.5 |

# BEVERAGE LICENSES

FLORIDA STATUTES: Chapters 561 - 568

ADMINISTERED BY: Department of Business and Professional Regulation, Division of Alcoholic Beverages and Tobacco

SUMMARY:
Beverage licenses are required for any person or entity that would manufacture, bottle, distribute, sell, or in any way deal with the commerce of alcoholic beverages.

REVENUE:

| | | | Beverage License Distributions | | |
|---|---|---|---|---|---|
| Fiscal Year | Total Collections | Annual Change % | Cities & Counties | Trust Fund | General Revenue Service Charge |
| 2026-27* | 51,470,000 | 0.00% | 20,890,000 | 26,460,000 | 4,120,000 |
| 2025-26* | 51,470,000 | 0.02% | 20,620,000 | 26,730,000 | 4,120,000 |
| 2024-25 | 51,458,306 | 4.37% | 20,332,270 | 27,009,372 | 4,116,664 |
| 2023-24 | 49,304,134 | 12.21% | 19,282,460 | 26,077,343 | 3,944,331 |
| 2022-23 | 43,938,966 | -4.63% | 18,640,615 | 21,783,234 | 3,515,117 |
| 2021-22 | 46,072,737 | 0.63% | 19,385,297 | 23,001,621 | 3,685,819 |

* Estimate

HISTORY:
Florida legalized the manufacturing and selling of alcoholic beverages in 1933, subject to county approval. The same form and rates of licenses were in effect from 1935 until 1971. The 1971 Legislature rewrote the alcoholic beverage laws. License fees were increased substantially for vendors of wine and liquor. Vendors' licenses for liquor sales were limited to one per 2,500 residents, but special licenses were issued to certain organizations. Until 1986, distributions of license revenues were as follows: 24 percent to the county where collected; 38 percent to the city where collected; and the remainder to the General Revenue Fund. Beginning July 1, 1986, all beverage license revenue, less distributions to counties and cities, was earmarked for deposit into the Alcoholic Beverage and Tobacco Trust Fund, to be used to operate the Division of Alcoholic Beverages and Tobacco. A surtax of 40 percent of license fees for beer and wine vendors was imposed, for deposit into the trust fund. Bottle clubs became subject to the licensing provisions of Chapter 561, F.S., in 1990, with an annual license fee of $500. In 1992, the Legislature expanded the definition of "licensed premises" to include sidewalks and other outside areas, increased the Hughes Act fee for a new liquor license from $5,000 to $10,750, and revised the formula for the issuance of quota alcoholic beverage licenses. The Legislature also provided for the issuance of a special license for consumption on-premises only, for a qualified performing arts center.

In 1997, the Legislature amended s. 561.24, F.S., to prohibit a wine manufacturer from being dually licensed as a distributor and registered as an exporter. A grandfather clause was added to exempt any manufacturer of wine that held a distributor's license on April 1, 1997, from the new prohibition. An additional exemption was provided for certified Florida Farm Wineries as defined in s. 599.004, F.S., to hold a manufacturer's license and a distributor's license. The Legislature also clarified that the licensure of distributors' salesmen of spirituous or vinous beverages does not apply for cider. Chapter 2000-191, L.O.F. (HB 2281), provided the following changes to the beverage license laws: increased the quota license restriction from one license for every 5,000 residents to one license for every 7,500 residents in a county; required that a transfer fee equal to fifteen times the annual license fee be assessed on the transfer

of any quota license issued after October 1, 2000, which is in addition to the transfer fees assessed in s. 561.32(3)(a), F.S.; and created a special alcoholic beverage license for caterers.

In 2007, legislation was passed prohibiting a licensed alcoholic beverage establishment from denying service to a designated driver. In 2008, the Tied House Evil laws were extended to include importers, primary American sources of supply, brand owners or registrants, or any related brokers, sales agents, or salespersons to the prohibitions of giving financial aid and assistance to vendors. The law was extended to allow vendors to own brands, brand names, or labels of alcoholic beverages.

In 2017, Chapter 2017-137 L.O.F. (HB 689) was amended to eliminate the temporary beverage license fee of $100 and reduce craft distillery licensing fees from $4,000 to $1,000.

In 2021, the Legislature created s. 565.02 (12), F.S., to provide a quota license exemption for a craft distillery's vendor's license if the craft distillery is located on a property within a destination entertainment venue and open for tours during normal business hours. The legislation also amended s. 565.03, F.S., to increase the production limit for distilleries to qualify as craft distilleries from 75,000 gallons per year to 250,000 gallons per year. Effective July 1, 2026, a minimum of 60 percent of a craft distillery's total finished branded products must be distilled in the state and contain one or more of Florida's agricultural products.

In 2023, Section 561.20, F.S. was revised to expand the types of establishments that will be eligible for exemptions to the limitation of special beverage licenses per county. The minimum square footage and seating requirements were lowered but the requirement that 51% of revenue come from food or non-alcoholic drink sales remained unchanged.

BASE AND RATE:
Beer: Vendor, on-premises $40 to $200 depending on the size of the county; off-premises 50 percent of on-premises rate; surtax of 40 percent of license fee. Manufacturers of only malt liquor $3,000; Manufactures brewing less than 10,000 kegs $500. Distributors $1,250.

Wine: Vendor, on-premises $120 to $280 depending on the size of the county; off-premises 50 percent of on-premises rate; surtax of 40 percent of license fee. Manufacturers of wine $l,000; Manufacturers of wine and cordials $2,000. Distributors $50 - $1,250.

Spirits: Vendor, on-premises $624 to $1,820 depending on the size of county and the number of locations on the premises where consumption occurs; off-premises are 75 percent of on-premises rate. Different rates for vendor licenses apply to transportation companies, nightclubs, private clubs, racetracks, and jai alai frontons. License rates are stated as state, county, and city licenses. Manufacturers of liquors $4,000; Craft Distilleries $1,000. Distributors $4,000.

DISPOSITION:
Of the base license tax imposed and collected within a county, 24 percent is returned to the county tax collector; 38 percent of the license tax imposed and collected within an incorporated municipality is returned to the municipality; the remainder plus 100 percent of the surtax on beer and wine licenses is deposited into the Alcoholic Beverage and Tobacco Trust Fund.

OTHER STATES:
There are 17 states that control the sale of beer, wine, or spirits and 33 states and the District of Columbia that license the sale of liquor. Every state that allows alcoholic beverages to be sold by private industry imposes a vendor's license fee. All states impose a license fee on the manufacture or distribution of alcoholic beverages. Some states charge a licensing fee for importers in addition to wholesale license

fees.[1] There is no uniform rate schedule among the states for comparisons, but among the states for which comparisons can be made in the amount of revenues raised, Florida ranks high. Florida collects approximately 9 percent of the total alcoholic beverage license fee revenues in the United States annually, with only Texas, New York, and California collecting more revenues.[2]

[1] Distilled Spirits Taxes by State, https://taxfoundation.org/data/all/state/state-distilled-spirits-taxes-2024/
[2] State Spirits Data, https://www.distilledspirits.org/state-issues-market-modernizations/

# BEVERAGE TAX

FLORIDA STATUTES: Chapters 561 - 568

ADMINISTERED BY: Department of Business and Professional Regulation, Division of Alcoholic Beverages and Tobacco.

SUMMARY:
Taxes on alcoholic beverages are levied at the wholesale level in Florida. An excise tax is imposed on the distributor for each gallon, depending on the alcohol by volume (ABV). Beer is taxed at $0.48 per gallon, wine at $2.25 to $3.50 per gallon, cider at $0.89 per gallon, and spirits at $2.25 to $9.53 per gallon. Of the monthly collections of the excise taxes on alcoholic beverages, 2 percent is deposited into the Alcoholic Beverage and Tobacco Trust Fund to meet the division's appropriation for the state fiscal year. In addition, a flat $60 million is distributed each year to select medical centers. The remainder of the excise taxes is credited to the General Revenue Fund.

| REVENUE: | Beverage Tax Components | | | | |
|---|---|---|---|---|---|
| Fiscal Year | Beverage Wholesale Liability | Passenger Vessel Tax | Direct Wine Tax | Pre-Consensed Tax Credits | Net Tax to be Distributed |
| 2026-27* | 780,300,000 | 1,200,000 | 2,500,000 | 489,400,000 | 294,600,000 |
| 2025-26* | 775,900,000 | 1,200,000 | 2,500,000 | 487,000,000 | 292,600,000 |
| 2024-25 | 778,926,291 | 1,184,409 | 2,500,100 | 478,153,763 | 304,457,037 |
| 2023-24 | 811,500,000 | 1,023,485 | 2,510,896 | 473,600,000 | 341,434,382 |
| 2022-23 | 819,700,000 | 979,045 | 2,813,346 | 506,100,000 | 317,392,391 |
| 2021-22 | 827,800,000 | 535,598 | 3,204,505 | 472,500,000 | 359,040,103 |

* Estimate

| DISTRIBUTIONS: | ABT Trust Fund Components | | General Revenue Components | | | |
|---|---|---|---|---|---|---|
| Fiscal Year | Distribution to Select Medical Centers | Net ABT Trust Fund Distribution | Service Charge** | General Revenue | Unused DBPR Transfer | Beverage Tax & ABT Trust Fund Transfer |
| 2026-27* | 60,000,000 | 9,600,000 | 6,100,000 | 218,900,000 | 5,000,000 | 223,900,000 |
| 2025-26* | 60,000,000 | 9,600,000 | 6,000,000 | 217,000,000 | 15,000,000 | 232,000,000 |
| 2024-25 | 30,000,000 | 8,339,100 | 3,410,938 | 262,706,999 | 12,000,000 | 274,706,999 |
| 2023-24 | 0 | 15,074,686 | 1,290,930 | 325,012,010 | 20,000,000 | 345,012,010 |
| 2022-23 | 0 | 14,211,650 | 1,267,564 | 301,891,563 | 10,000,000 | 311,891,563 |
| 2021-22 | 0 | 15,427,758 | 1,210,572 | 342,369,582 | 10,000,000 | 352,369,582 |

* Estimate
** Calculation

HISTORY:
In 1933, Florida authorized the sale of alcoholic beverages, and a tax was placed on manufacturers, distributors, and vendors of beer and liquor. In 1935, the beverage tax was extended to include beer, wine, and liquor. The tax rates were increased on specific beverage categories in 1937, 1941, 1947, 1949, 1967, 1968, and 1972. The primary tax rates were increased in 1945, 1963, 1977, and 1983 on all alcoholic beverages, and the classification of beverages was established as they now exist. The drinking age was increased from 19 to 21 in 1985. In 1986, the measurement for alcoholic content was changed

from percent of alcohol by weight to percent of alcohol by volume. In 1985, a lower tax rate was imposed for wines and liquors manufactured from Florida citrus products and sugarcane. In 1988, the Supreme Court of Florida ruled that the lower state tax rates for wines and liquors were unconstitutional. The 1988 Legislature imposed an import tax on alcoholic beverages imported into the state, which was later declared unconstitutional by the 2nd Judicial Circuit Court. As a result, all alcoholic beverages sold in the state became subject to the full state excise tax.

In 1990, a surcharge of $0.10 per ounce of liquor, $0.10 per 4 ounces of wine, and $0.04 per 12 ounces of beer was imposed on alcoholic beverages sold for on-premise consumption, to be paid by the retail vendor. In 1997, several provisions increasing enforcement for unlawful shipments of beverages from out-of-state were passed, and the surcharge rate on cider was reduced from $0.10 per 4-ounce serving to $0.06 per 12-ounce serving. In 1999, all surcharge tax rates were reduced by one-third, and in 2000 they were reduced again by one-half. In 2001, the Legislature removed the 8, 12, and 16-ounce restrictions on container sizes of malt beverages sold at retail, allowing malt beverages to be sold in individual containers of any size of 32 ounces or less.

Chapter 2004-2, L.O.F. (SB 2002), directed the following distributions from beverage excise tax collections: Grants and Donations Trust Fund, Department of Elder Affairs - $15 million annually; Biomedical Research Trust Fund - $6 million annually; and the Florida State University School of Chiropractic Medicine - $9 million annually. Chapter 2006-182, L.O.F. (HB 1027), eliminated the distributions to the Grants and Donations Trust Fund in the Department of Elder Affairs, the Biomedical Research Trust Fund, and the Florida State University School of Chiropractic Medicine and restored the funds to the General Revenue Fund. Chapter 2006-162, L.O.F. (HB 7105), repealed the on-premises consumption surcharge, effective July 1, 2007. Chapter 2010-24, L.O.F. (SB 2126), expanded the revenue sources against which tax credits may be granted for contributions to the Florida Tax Credit Scholarship Program to include alcoholic beverage taxes.

Chapter 2016-220, L.O.F. (HB 7099) replaced the beverage and tobacco taxes that cruise lines pay with a new, simplified tax based on ship capacity and the number of times a ship embarks from Florida.

Chapter 2024-158 (HB 7073) created s. 561.1214, F.S., to establish Child Care Tax Credits against beverage tax. Beginning January 1, 2024, a credit is allowed pursuant to s. 402.261 against any tax due under s. 563.05, s. 564.06, or s. 565.12, except excise taxes imposed on wine produced by manufacturers in this state from products grown in this state. There are maximum limits to credits allowed under the section. The credits result only in a reduction in distributions to the General Revenue Fund.

Chapter 2024-158, L.O.F. (HB 7073) amends s. 561.121, F.S., to create a total annual distribution of $30 million to certain medical research centers and programs. Beginning July 1, 2024, after the distribution to the Alcoholic Beverage and Tobacco Trust Fund, 13% of monthly collections, pursuant to ss. 563.05, 564.06, 565.02(9), and 565.12 will be allocated to the University of Miami Sylvester Comprehensive Cancer Center, the Mayo Clinic Comprehensive Cancer Center in Jacksonville, the Brain Tumor Immunotherapy Program at the University of Florida Health Shands Cancer Center, and the Norman Fixel Institute for Neurological Diseases at the University of Florida.

Chapter 2025-208, L.O.F. (HB 7031) amends s. 561.121, F.S., to increase the annual distributions to certain medical research centers and programs from $30 million to $60 million. Beginning July 1, 2025, after the distribution to the Alcoholic Beverage and Tobacco Trust Fund, 26% of monthly collections, pursuant to ss. 563.05, 564.06, 565.02(9), and 565.12 will be allocated to the University of Miami Sylvester Comprehensive Cancer Center ($20 million); the Mayo Clinic Comprehensive Cancer Center in Jacksonville ($20 million); the Brain Tumor Immunotherapy Program at the University of Florida Health

Shands Cancer Center ($10 million) and the Norman Fixel Institute for Neurological Diseases at the University of Florida ($10 million). The distributions are repealed on June 30, 2054.

BASE AND RATE:

| Type of Beverage | Alcohol By Volume | Per Gallon |
|---|---|---|
| Beer | 0.500% or more | $0.48 |
| Wine | Less than 17. 259% | $2.25 |
| Wine | 17.259% or more | $3.00 |
| Sparkling Wine | All | $3.50 |
| Wine Coolers | All | $2.25 |
| Cider | All | $0.89 |
| Liquor | Less than 17.259% | $2.25 |
| Liquor | 17.259% to 55.780% | $6.50 |
| Liquor | 55.780% or more | $9.53 |

Beer distributors are allowed 2.5 percent of taxes collected and remitted, liquor distributors are allowed 1 percent of taxes collected and remitted, and wine distributors are allowed 1.9 percent of taxes collected and remitted as a dealer collection allowance.

DISPOSITION:

Viticulture Trust Fund: 50 percent of all revenue collected from the excise taxes imposed on wine products produced by Florida manufacturers from products grown in the state.

Alcoholic Beverage and Tobacco Trust Fund: 2 percent of the Excise Tax for beer, wine, and liquor, excluding the impact of credits.

General Revenue Fund: Receives the remainder of the proceeds, as well as the 8 percent General Revenue Service Charge.

OTHER STATES:

All states, plus the District of Columbia, tax the sale of alcoholic beverages. There are 17 states that control the sale of liquor, and 33 states plus the District of Columbia that license the sale of liquor. Among the states for which comparisons can be made, Alaska and Georgia are the only states with higher excise tax rates for wine. Florida ranks fifth for excise tax on beer. Lastly, excluding states that control the sale of liquor, Florida is ranked fourth in excise taxes on liquor with Washington, Alaska, and Illinois being higher.[1]

| | 2026-27 (millions) |
|---|---|
| VALUE OF RATE CHANGE: | |
| Value of 1 cent per gallon levy on beer | $4.0 |
| Value of 10 cents per gallon levy on liquor | $7.7 |
| Value of 10 cents per gallon levy on wine | $7.0 |

[1] State Alcohol Excise Tax Rates | Tax Policy Center, https://taxpolicycenter.org/statistics/state-alcohol-excise-tax-rates

# BEVERAGE TAX

| | |
|---|---|
| VALUE OF CREDITS: | |
| Scholarship Funding Organizations ($1,092m cap) | $450.0 |
| This credit may be taken against the Beverage Tax, Corporate Income Tax, Insurance Premium Tax, certain Sales and Use Taxes, or Severance Taxes - Oil and Gas (s. 561.1211) | |
| New Worlds Reading Initiative Tax Credit ($60m cap) | $15.9 |
| This credit may be taken against the Beverage Tax, Corporate Income Tax, Insurance Premium Tax, certain Sales and Use Taxes, or Severance Taxes - Oil and Gas (s. 561.1212) | |
| Strong Families Credit ($40m cap) | $23.5 |
| This credit may be taken against the Beverage Tax, Corporate Income Tax, Insurance Premium Tax, certain Sales and Use Taxes, or Severance Taxes - Oil and Gas (s. 561.1213) | |
| Child Care Tax Credit ($5m cap) (s. 561.1214) | $0.0 |
| | |
| VALUE OF EXEMPTIONS: | |
| Beverages sold on military installations (s. 563.05, beer), (s. 564.06(8), wine), (s. 565.12(3), liquor) | $3.6 |
| | |
| VALUE OF REFUNDS AND ALLOWANCES: | |
| Dealer allowance on wine (1.9 percent) (s. 564.06(7) | $5.6 |
| Dealer allowance on beer (2.5 percent) (s. 563.07) | $3.4 |
| Dealer allowance on liquor (1 percent) (s. 565.13) | $3.8 |
| Tax Refunds | $0.1 |

ALTERNATIVE BASES:

Price-Based Alcoholic Beverage Tax: The current alcoholic beverage tax is an ABV tax. Growth in tax revenue is tied, therefore, to increases in consumption and not increases in price. As an alternative to the current tax base, the alcoholic beverage tax could be converted to a price-based tax. The rate could be either fixed or varied based on an item's alcoholic content. The price used could be at the manufacturing, wholesale, or retail level.

Indexed Alcoholic Beverage Tax: Another option would be to index the current alcoholic beverage tax rate based on general price increases or a percentage increase in alcoholic beverage prices. For example, alcoholic beverage taxes could be annually adjusted by the percentage change in the Consumer Price Index. This would allow taxes to be adjusted for inflation.

# CIGARETTE AND OTHER TOBACCO PRODUCTS TAX AND SURCHARGE

FLORIDA STATUTES: Chapter 210

ADMINISTERED BY: Department of Business and Professional Regulation, Division of Alcoholic Beverages and Tobacco

SUMMARY:
Taxes are imposed on the sale of cigarettes and other tobacco products in Florida. The tax is paid by the wholesale dealer at the time of first sale within the state. For cigarettes of common size, the rate is $0.339 per pack, with rates varying proportionately for cigarettes and packs of non-standard size. Additionally, a $1.00 surcharge per pack of common-size cigarettes is imposed, with rates varying proportionately for cigarettes and packs of non-standard size. For other tobacco products, the tax rate is 25 percent of the wholesale price, with an additional surcharge of 60 percent of the wholesale price.

REVENUE:

| Fiscal Year | Total Collections | Annual Change % | Cigarette Tax Collections | Other Tobacco Products Tax Collections | Cigarette Surcharge | Other Tobacco Products Surcharge |
|---|---|---|---|---|---|---|
| 2026-27* | 769,400,000 | -4.72% | 164,600,000 | 33,400,000 | 491,700,000 | 79,700,000 |
| 2025-26* | 807,500,000 | -5.85% | 173,300,000 | 34,400,000 | 517,600,000 | 82,200,000 |
| 2024-25 | 857,653,331 | -6.78% | 181,209,298 | 36,233,325 | 554,995,304 | 85,215,405 |
| 2023-24 | 920,045,992 | -8.93% | 198,364,085 | 38,327,076 | 592,089,219 | 91,265,612 |
| 2022-23 | 1,010,237,532 | -4.63% | 222,474,253 | 41,328,564 | 649,045,239 | 97,389,476 |
| 2021-22 | 1,059,287,138 | -3.24% | 231,038,284 | 42,004,227 | 688,965,248 | 97,279,378 |
| 2020-21 | 1,094,772,818 | -0.05% | 242,064,056 | 41,559,604 | 723,293,061 | 87,856,097 |

* Estimate

DISTRIBUTIONS:

| Distributions from Cigarette Tax and Other Tobacco Products Tax | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Fiscal Year | Total Distributions | General Revenue | County Revenue Sharing | Public Medical Assistance | Moffitt Center | Biomedical Research Trust Fund ** | GR Service Charge | ABT Transfer |
| 2026-27* | 197,700,000 | 95,000,000 | 4,300,000 | 43,900,000 | 38,400,000 | 1,500,000 | 13,100,000 | 1,500,000 |
| 2025-26* | 207,400,000 | 101,200,000 | 4,600,000 | 46,200,000 | 38,400,000 | 1,600,000 | 13,800,000 | 1,600,000 |
| 2024-25 | 226,246,954 | 113,946,954 | 5,000,000 | 50,000,000 | 38,400,000 | 1,700,000 | 15,500,000 | 1,700,000 |
| 2023-24 | 227,152,277 | 126,552,277 | 5,000,000 | 50,400,000 | 26,900,000 | 1,700,000 | 14,900,000 | 1,700,000 |
| 2022-23 | 263,757,931 | 147,009,931 | 5,800,000 | 58,200,000 | 26,898,000 | 2,000,000 | 21,950,000 | 1,900,000 |
| 2021-22 | 274,569,361 | 157,069,361 | 6,100,000 | 61,800,000 | 26,900,000 | 2,100,000 | 18,500,000 | 2,100,000 |
| 2020-21 | 282,659,604 | 172,559,604 | 6,400,000 | 64,700,000 | 15,500,000 | 2,200,000 | 19,100,000 | 2,200,000 |

* Estimate

** Pursuant to s. 210.20(2)c, F.S., the funds distributed to the Biomedical Research Trust Fund benefit cancer centers participating in the Florida Consortium of National Cancer Institute Centers Program for the advancement of cures for cancers afflicting pediatric populations through basic or applied research.

# CIGARETTE AND OTHER TOBACCO PRODUCTS TAX AND SURCHARGE

| Distributions from Cigarette and Other Tobacco Products Surcharge | | |
|---|---|---|
| Fiscal Year | Health Care Trust Fund | General Revenue Service Charge |
| 2026-27* | 525,700,000 | 45,700,000 |
| 2025-26* | 551,800,000 | 48,000,000 |
| 2024-25 | 630,000,000 | 54,700,000 |
| 2023-24 | 587,774,036 | 51,300,000 |
| 2022-23 | 690,756,715 | 55,550,000 |
| 2021-22 | 732,172,150 | 63,000,000 |
| 2020-21 | 735,000,000 | 64,900,000 |

* Estimate

HISTORY:
Florida began taxing cigarettes at 3 cents per pack in 1943. The tax rate was increased in 1949, 1963, 1971, 1977, 1986, and 1990. In 1949, cities were authorized by the state to levy a 2-cent cigarette tax which was credited against the state tax and collected by the state. In 1971, the cigarette tax was increased by 2 cents per pack for a total of 17 cents. The additional 2 cents per pack was deposited into the Municipal Financial Assistance Trust Fund. In 1972, municipal authority to levy a cigarette tax was repealed. In the Revenue Sharing Act of 1972, cities were allocated 13/17, counties 1/17, and the General Revenue Fund 3/17 of net collections. In 1982, the first proceeds of funds earmarked for deposit in the General Revenue Fund, up to a certain amount, were directed to be deposited in the Chronic Disease Research and Treatment Center Trust Fund for a period of three years. Chapter 85-141, L.O.F., imposed a 25 percent tax on the wholesale price of chewing tobacco, snuff, and loose tobacco for the first time. Chapter 90-132, L.O.F. (HB 3695), provided for a cigarette tax increase of 9.9 cents per pack, earmarked for deposit into the Public Medical Assistance Trust Fund, and authorized the Division of Alcoholic Beverages and Tobacco to withhold 0.9 percent of cigarette tax collections for deposit into the Alcoholic Beverage and Tobacco Trust Fund to fund the division. Chapter 98-286, L.O.F. (HB 3783), provided for a 10-year distribution of 2.59 percent to the H. Lee Moffitt Cancer Center and Research Institute and reduced the General Revenue distribution accordingly. Chapter 2000-355, L.O.F. (HB 2433), eliminated the distribution from cigarette tax to the Municipal Revenue Sharing Trust Fund and the Municipal Financial Assistance Trust Fund, resulting in an increase in the distribution to the General Revenue Fund. Chapter 2002-393, L.O.F. (HB 41-E), provided for an additional distribution to the H. Lee Moffitt Cancer Center and Research Institute: 0.2632 percent in 2002-03 and 2003-04; and 1.47 percent in 2004-05 through 2015-16, with the General Revenue distribution reduced accordingly. Chapter 2002-393, L.O.F. (HB 41-E), determined that from Fiscal Year 2004-2005 forward, the appropriation to Moffitt Center should not be less than the amount that would have been paid in Fiscal Year 2001-2002 had subparagraph (2)(b) of s. 210.20, F.S., been in effect. Chapter 2009-79, L.O.F. (SB 1840), imposed a surcharge of $1.00 per pack of standard sized cigarettes, with proportionate surcharges on non-standard sized cigarettes. Additionally, a surcharge of 60 percent of the wholesale price was imposed on other tobacco products. Enforcement was strengthened concerning phone, mail, delivery service, and Internet sales of tobacco products. Indian-tax-exemption coupons were created to limit sale of untaxed cigarettes on Indian reservations.

Chapter 2009-58, L.O.F. (SB 1664), extended the 1.47 percent Moffitt Center distribution through 2019-20, with a corresponding reduction in the distribution to General Revenue. Chapter 2012-32, L.O.F. (HB 7087), ended the 1.47 percent Moffitt Center distribution and provided for a 2.75 percent distribution from cigarette excise tax beginning July 1, 2013, and continuing through June 30, 2033. Chapter 2014-38, L.O.F. (HB5601), increased the Moffitt Center distribution to 4.04 percent, which resulted in a recurring $5 million increase in the distribution and a $5 million decrease to General Revenue. Additionally, the legislation created s. 210.21(2)(c), F.S., to provide a 1 percent distribution from cigarette excise tax to the Biomedical Research Trust Fund in the Department of Health beginning July 1, 2013, and continuing through June 30, 2021. Chapter 2013-42, L.O.F. (SB 406), extended the distribution to the Biomedical Research Trust Fund through June 30, 2033.

Chapter 2016-220, L.O.F. (HB 7099) replaced the beverage and tobacco taxes that cruise lines pay with a new, simplified tax based on ship capacity and the number of times a ship embarks from Florida.

Chapter 2021-31, L.O.F (HB 7061) increased the portion of net cigarette taxes distributed to the Moffitt Cancer Center from 4.04 percent to 7 percent from July 1, 2021 through June 30, 2024. Thereafter, the law increases the portion of net cigarette taxes distributed to the Moffitt Cancer Center from 7 percent to 10 percent; this treatment begins July 1, 2024, and continues through June 30, 2054.

BASE AND RATE:
Cigarettes of common size (not over 3 lbs. per 1,000) are $1.339 per pack ($.339 tax and $1.00 surcharge). For larger sizes and non-standard packs, other rates are specified (see ss. 210.02 and 210.011, F.S.). All non-cigarette tobacco products other than cigars are taxed at the rate of 85 percent (25 percent tax and 60 percent surcharge) of the wholesale sales price.

DISPOSITION:
Cigarette Tax: Deductions from total collections include 8 percent for the General Revenue Service Charge and 0.9 percent to the Alcoholic Beverage and Tobacco Trust Fund. Distributions are then made from the remaining revenue as follows: 2.9 percent to County Revenue Sharing, 29.3 percent to the Public Medical Assistance Trust Fund, 10 percent to the Board of Directors of the H. Lee Moffitt Cancer Center and Research Institute (shall not be less than the amount that would have been paid to in fiscal year 2001-2002, had the distribution been in effect), 1 percent to the Biomedical Research Trust Fund, and the remainder to General Revenue. Effective 2017, the funds distributed to the Biomedical Research Trust Fund are paid annually to The Florida Consortium of National Cancer Institute Centers Program rather than the Sanford-Burnham Medical Research Institute, s. 210.20(2)c, F.S., (SB 2514).

Cigarette Surcharge: After a deduction of 8 percent for the General Revenue Service Charge, the remainder is distributed to the Health Care Trust Fund within the Agency for Health Care Administration.

Other Tobacco Products Tax: General Revenue Fund

Other Tobacco Products Surcharge: After a deduction of 8 percent for the General Revenue Service Charge, the remainder is distributed to the Health Care Trust Fund within the Agency for Health Care Administration.

OTHER STATES:[1]
All states and the District of Columbia tax cigarettes at varying rates, ranging from $0.17 in Missouri to $5.35 in New York. Thirty-three states and the District of Columbia currently have higher cigarette tax rates than Florida (including the $1.00 per pack surcharge).

| | 2026-27 (millions) |
|---|---|
| VALUE OF RATE CHANGES: | |
| Cigarette Tax: | |
| Value of 1 cent per pack tax levy | $4.9 |
| (Note: this estimate assumes no reduction in consumption would result from a tax increase. With higher increases in the tax, consumption effects would likely occur reducing the associated per penny increase in tax collections.) | |
| Other Tobacco Products Tax: | |
| Value of 1 percent levy on currently taxed products | $1.3 |
| | |
| VALUE OF EXEMPTIONS: | |
| Cigarette Tax: | |
| Cigarettes sold at federal installations (s. 210.04(4)(a), F.S.) | $0.6 |
| (Note: Title 4, Section 107 USC (Buck Act), prohibits states from levying excise taxes on cigarettes sold at federal installations.) | |
| Cigarettes sold on Indian reservations (s. 210.05(5), F.S.) | $5.9 |
| Other Tobacco Products Tax: | |
| Other Tobacco Products sold at federal installations (s. 210.30(5), F.S.) | $1.1 |
| | |
| VALUE OF REFUNDS AND ALLOWANCES: | |
| Dealer collection allowance (s. 210.05(3)(a), F.S.) | $3.5 |
| (2 percent of taxes collected and due calculated on a 24-cent tax rate) | |
| Refund for unsold products (s. 210.11, F.S.) | $0.6 |

[1] State Cigarette Tax Rates & Rank, Date of Last Increase, Annual Pack Sales & Revenues, and Related Data, https://assets.tobaccofreekids.org/factsheets/0099.pdf

# CITRUS TAXES

FLORIDA STATUTES: Chapter 601

ADMINISTERED BY: Florida Citrus Commission

SUMMARY:
Each box of fresh and processed citrus grown and placed into the primary channel of trade in this state is subject to an assessment levied and imposed on citrus. The annual per box assessment rates are determined by the Florida Citrus Commission each year, but cannot exceed maximum rates set forth in s. 601.15, F.S. Florida also imposes an "equalizing" assessment (s. 601.155, F.S.) on processed citrus products imported into the state.

REVENUE:

| Fiscal Year | Total Collections | Annual Change % |
|---|---|---|
| 2026-27* | 5,450,000 | -0.91% |
| 2025-26* | 5,500,000 | -2.59% |
| 2024-25 | 5,646,246 | -2.34% |
| 2023-24 | 5,781,276 | 6.20% |
| 2022-23 | 5,443,741 | -19.54% |
| 2021-22 | 6,765,441 | -13.44% |
| 2020-21 | 7,815,569 | 28.12% |

* Estimate

HISTORY:
The Florida Citrus Commission was established in 1935 to protect and to stabilize the citrus industry in the state. The citrus tax was increased in 1953, 1970, 1971, and 1973, and over the years, various minor rate changes and restrictions on Commission actions have been passed. The "box" tax is imposed upon each box of citrus fruit grown and placed into the primary channel of trade in Florida subject to maximum annual tax rates, determined each season from the tables in s. 601.15, F.S., based upon the previous season's actual statewide production as reported by the USDA and subject to additional maximum limits imposed by the Legislature. Section 601.156, F.S., which imposed an additional excise tax of 2 cents per box on each box of oranges grown in Florida and sold or delivered for processing, was repealed, effective July 1, 1995.

Florida also imposes an "equalizing" assessment (s. 601.155, F.S.) on processed citrus products imported into the state. Products grown within the United States are exempt from this assessment. The equalizing assessment was originally set at a rate equal to the per box assessment. However, in 2002, the Polk County Circuit Court ruled that the equalizing assessment found in s. 601.155, F.S., was unconstitutional as it violated the Commerce Clause.[1] In 2004, the Legislature passed CS/CS/SB 96 which codified the resulting settlement agreement and authorized any person liable for the equalizing assessment to opt out of two-thirds of the payment.

In 2011, legislation removed the tax rate tables based on production and limited the maximum rate to the rate in effect May 1, 2011, effective July 1, 2011. The rate for fresh oranges was capped at 7 cents per

[1] Subsequent to this ruling, the 2002 Legislature passed CS/SB 462, that modified s. 601.155(5), F.S., and removed the exemption from the equalizing tax on products grown in the U.S., replacing it with an exemption for products that have been levied a tax equivalent to Florida's citrus tax.

box, fresh grapefruit at 36 cents per box, and 16 cents per box for other varieties. For processed citrus products, the rates were capped at 25 cents per box for oranges, 36 cents per box for grapefruit, and 25 cents per box for other varieties.

In 2012, the Legislature passed HB 1237 (Chapter 2012-182, L.O.F.), re-designating "excise tax" on citrus fruit as "assessments." The bill also revises the maximum assessment for grapefruit, oranges, tangerines, and citrus hybrids regulated by the Department of Citrus that enter the primary channel of trade for use in processed and fresh form.

In 2020, the Legislature passed SB 1276 (Chapter 2020-151, L.O.F.), creating the "Friends of Florida Citrus Program" that allows private corporations to donate direct funds to the Florida Citrus Advertising Trust Fund.

BASE AND RATE:
The assessment rates per box grown and placed into the primary channel of trade in this state for FY 2025-26 are:

Fresh – 5 cents for oranges, 7 cents for grapefruit, and 7 cents for other varieties.
Processed – 12 cents for oranges, 7 cents for grapefruit, and 7 cents for other varieties.

The effective equalizing assessment on imported citrus is 4 cents for oranges and 2.3 cents for grapefruits (1/3 of the rates for processed oranges and grapefruit).

DISPOSITION:
Citrus Advertising Trust Fund

OTHER STATES:
The nature of this assessment precludes an interstate comparison, but some other states have similar taxes used to promote specific agricultural products.

# COMMUNICATIONS SERVICES TAX

FLORIDA STATUTES: Chapter 202

ADMINISTERED BY: Department of Revenue

SUMMARY:
The communications services tax is imposed on retail sales of communications services which originate and terminate in Florida or originate or terminate in Florida and are billed to a Florida address. Communications services include all forms of telecommunications previously taxed by the gross receipts tax plus cable television and direct-to-home satellite service. The law specifically states that the tax also applies to communications services provided through any "other medium or method now in existence or hereafter devised." The tax imposed by Chapter 203, F.S., on communications services is also administered under Chapter 202, F.S.

REVENUE (in millions):

| **Fiscal Year** | Total Collections | Annual Change % | Distributed by Sales Tax Distribution Formula | Tax on Direct-to-Home Satellite Services ** | Gross Receipts Tax |
|---|---|---|---|---|---|
| 2026-27* | 1121.1 | 2.16% | 714.8 | 29.8 | 376.5 |
| 2025-26* | 1097.4 | 2.27% | 698.3 | 29.9 | 369.2 |
| 2024-25 | 1073.0 | 5.59% | 680.4 | 31.7 | 360.9 |
| 2023-24 | 1016.2 | 1.19% | 627.5 | 37.4 | 351.3 |
| 2022-23 | 1004.2 | 4.09% | 614.7 | 42.6 | 346.9 |
| 2021-22 | 964.8 | 1.32% | 583.6 | 47.1 | 334.0 |
| 2020-21 | 952.2 | -3.20% | 571.6 | 50.8 | 329.7 |

* Estimate
** Distributed to local governments through the Local Government Half-Cent Clearing Trust Fund.
Source: CST-GRUT Estimating Conference, July 2025

HISTORY:
Prior to 2001, nonresidential telecommunications services were subject to sales and use tax under Chapter 212, F.S., at the rate of 7 percent. Cable television and direct satellite television were subject to sales and use tax at a rate of 6 percent. Telecommunications services were also subject to gross receipts tax at the rate of 2.5 percent under Chapter 203, F.S. Chapter 2000-260, L.O.F. (SB 1338), created the Communications Services Tax Simplification Law which provided for a new statewide tax on communications services to replace the sales and use tax on telecommunications services, cable, and direct satellite television. It also provided for a different administration of the gross receipts tax on telecommunications services and extended that tax to cable and direct satellite television. The Communications Services Tax Simplification Law, which applied to bills issued by communications services providers on or after October 1, 2001, also provided for locally imposed communications services tax to be administered by the Department of Revenue. Chapter 2001-140, L.O.F. (SB 1878), established the revenue-neutral tax rates for the state-wide and local communications services taxes. Chapter 2002-48, L.O.F. (HB 1511), conformed the communications services tax exemption for religious and educational institutions to similar provisions in the sales tax statute. It also provided an exemption for the public lodging industry from the requirement that dealers separately state the communications services tax. Chapter 2003-254, L.O.F. (SB 1176), exempted homes for the aged from the tax on communications services. Chapter 2005-187, L.O.F. (SB 2070), repealed the tax on substitute communications systems and provided that the Department of Revenue would not assess this tax back to October 1, 2001, when the communications services tax was implemented. Chapter 2006-229, L.O.F.

(HB 293), redistributed communications services tax revenue from the Local Government Half-Cent Clearing Trust Fund to fiscally constrained counties. Of the tax on direct-to-home satellite services that had been transferred to the Local Government Half-Cent Clearing Trust Fund, 30 percent was redirected to fiscally constrained counties, which are defined as counties for which a mill of property tax will raise no more than $5 million. Chapter 2010-138, L.O.F. (HB 7157), clarified that the partial exemption for residential households described in s. 202.125, F.S., does not apply to any residence that constitutes all or part of a transient public lodging establishment as defined in Chapter 509, F.S. Chapter 2010-83, L.O.F. (HB 281), allowed dealers to report credits for bad debts by netting the credit directly against communications services tax due. Chapter 2010-149, L.O.F. (SB 2024), decreased the sales tax rate to 6.65 percent and increased the gross receipts tax rate to 2.52 percent – effectively shifting 0.15 percent from the sales tax component to the gross receipts tax component – while retaining the exemption for residential households provided by s. 202.125(1), F.S., on the additional 0.15 percent gross receipts tax rate. Chapter 2011-120, L.O.F. (HB 887), required the tax to be calculated using the traditional "4-5" rounding rule, whereby the amount is rounded up if the third decimal place is greater than four, and allows the dealer to utilize rounding on the sales tax portion and gross receipts and at the item or invoice level. Chapter 2012-70, L.O.F. (HB 809), revised provisions of the law holding communications dealers liable for misallocation of taxes across local governments and allowing dealers to unbundle taxable and non-taxable items stated jointly on a customer's bill as long as the dealer could identify the items in its books and records. Chapter 2014-38, L.O.F. (HB 5601), revised the definition of prepaid calling arrangements to include services other than telephone calls, and services which terminate upon the expiration or exhaustion of all prepaid units and do not require the purchase of additional units. Chapter 2015-221, L.O.F. (HB 33A), revised the rate applied to Direct-to-Home (DTH) Satellite Communication Services Tax to 9.07 percent, and non-satellite CST to 4.92 percent as of July 1, 2015. Furthermore, the law revised statutory distributions of CST revenue to ensure local government distributions of the tax imposed on direct-to-homes satellite service pursuant to section 212.20(6), the Local Government Half-cent Sales Tax Clearing Trust Fund pursuant to s. 218.61, F.S., the Local Government Half-cent Sales Tax Clearing Trust Fund– Emergency Distribution pursuant to s. 218.65, F.S., the Revenue Sharing Trust Fund for Counties pursuant to s. 218.215, F.S. and the Revenue Sharing Trust Fund for Municipalities pursuant to s. 218.215; F.S. were not affected by the rate change.

BASE AND RATE:
Gross Receipts CST is derived from two different tax rates plus a portion of direct-to-home satellite collections. First, a tax rate of 2.37 percent is applied to the cable, wireless, landline and miscellaneous services tax bases. Second, an additional tax rate of 0.15 percent is applied to the same tax bases, excluding landlines in residential households. The dollars generated by both of these tax rates, plus 20.7 percent of total direct-to-home satellite collections, comprise total Gross Receipts CST collections.

The tax rate for Sales CST is currently set at 4.92 percent. Sales CST Collections are generated by applying the tax rate against the cable, wireless, landline and miscellaneous services tax bases, coupled with 44.32 percent of total direct-to-home satellite collections. As part of the calculation, the landline tax base is reduced by the residential household telephone exemption for Sales Tax CST. Because the weakening landline base impacts Gross Receipts CST to a greater degree than Sales CST, Sales CST has moderately stronger growth rates.

The tax rate for direct-to-home satellite service is currently set at 11.44 percent. The tax revenue is distributed between Gross Receipts CST, Sales CST, and local governments.

DISPOSITION:
Except for the tax on direct-to-home satellite service, the state tax collected under this chapter is distributed by the same formula as the sales and use tax, as prescribed in s. 212.20(6), F.S. Of the tax on direct-to-home satellite, 55.9 percent is distributed by the sales tax formula (with an adjustment to s.

212.20(6)(d), F.S.) and the remainder is transferred to the Local Government Half-Cent Clearing Trust Fund and is allocated in the same proportion as the half-cent sales tax under s. 218.61, F.S., the emergency distribution under s. 218.65, F.S., and the fiscally constrained counties distribution under s. 218.67, F.S. The gross receipts tax which is administered under this law goes to the Public Education Capital Outlay and Debt Service Trust Fund.

OTHER STATES:
Wireless Telecommunication Services are taxed by all 50 states and the District of Columbia. A state-by-state comparison of tax rates in 2025 is available from the Tax Foundation at:
https://taxfoundation.org/data/all/state/wireless-taxes-cell-phone-tax-rates-by-state-2025/#State

| | 2026-27 (millions) |
|---|---|
| VALUE OF RATE CHANGE: | |
| Value of 1 percent levy on tax base: | |
| Cable Telecommunication Services | $25.5 |
| Wireless Telecommunication Services | $21.5 |
| Direct-to-Home Satellite Telecommunication Services | $7.6 |
| Landline Telephone Services | $8.4 |
| Other Telecommunication Services | $87.6 |
| Total Telecommunication Services | $150.6 |
| VALUE OF EXEMPTIONS: | |
| Residential telephone (not including mobile telephone) (s. 202.125, F.S.) | $34.4 |
| Sales to government agencies, religious or educational 501(c)(3) organizations, and homes for the aged (s. 202.125, F.S.) | $249.4 |
| $100,000 cap on taxes on incoming interstate communications services for holder of direct-pay permits (s. 202.12(3), F.S.)* | $0 |
| Internet access (s. 202.11(1), F.S.) | $397.7 |
| Dealer collection allowance (s. 202.28(1), F.S.) | $10.7 |

**The exemption is limited to holders of direct-pay permits, and for those permitholders, limited to tax in excess of $100,000 due on sales of interstate communications services. No exemption has been claimed since FY 16-17 wherein the total amount claimed was approximately $1,000.*

# CORPORATE INCOME AND EMERGENCY EXCISE TAX

FLORIDA STATUTES: Chapter 220; Florida Constitution Article VII, Subsection 5(b)

ADMINISTERED BY: Department of Revenue

SUMMARY:
Certain corporations doing business in Florida must pay tax of 5.5 percent on income earned in Florida. Florida "piggybacks" the federal income tax code in its determination of taxable income. Taxable income earned by corporations operating in more than one state is taxed in Florida on an apportioned basis using a formula based 25 percent on property, 25 percent on payroll and 50 percent on sales. The first $50,000 of net income is exempt, effective with tax years beginning January 1, 2013.

REVENUE:

| Fiscal Year | Gross Collections | Annual Change % | Refunds | Annual Change % | Net Collections |
|---|---|---|---|---|---|
| 2026-27* | 5,765,700,000 | 0.52% | 325,200,000 | -0.37% | 5,440,500,000 |
| 2025-26* | 5,736,100,000 | -1.25% | 326,400,000 | 0.48% | 5,409,700,000 |
| 2024-25 | 5,808,887,834 | -3.44% | 324,834,078 | -4.12% | 5,484,053,756 |
| 2023-24 | 6,015,780,575 | 9.04% | 338,805,065 | 12.03% | 5,676,975,510 |
| 2022-23 | 5,517,203,760 | 46.67% | 302,411,779 | -64.43% | 5,214,791,981 |
| 2021-22 | 3,761,581,968 | 10.78% | 850,130,851 | 123.16% | 2,911,451,117 |
| 2020-21 | 3,395,582,342 | 37.28% | 380,946,475 | -52.48% | 3,014,635,867 |

* Estimate

HISTORY:
In response to a constitutional amendment which authorized the levy of a state corporate income tax, the 1971 Legislature adopted a 5 percent corporate income tax, which became effective on corporate incomes earned after January 1972. In 1982, a 2 percent Emergency Excise Tax was enacted to counter federal changes to the Internal Revenue Code. The 1983 Legislature significantly changed Florida's corporate income tax base by: (1) adopting a worldwide unitary approach for determining income; (2) distinguishing between business and non-business income for taxation purposes; (3) adopting a "throwback rule" for sales to the federal government and to entities where profits cannot be taxed; and (4) repealing the exemption on profits from foreign sales and foreign source dividends. In a December 1984 special session, the unitary apportionment, both domestic and worldwide, was repealed along with the taxation of foreign source dividends and the "throwback rule" and replaced with an increase in the tax rate. The corporate income tax rate was increased to 5.5 percent, and the emergency excise tax was increased to 2.2 percent.

In 1990, a general definition of "taxable income" was provided for any taxpayer whose taxable income is not otherwise defined, and the Alternative Minimum Tax Credit allowed in later years was clarified. The 1991 Legislature merged most of Ch. 214 (Administrative Procedures and Judicial Review) with Ch. 220, F.S. In 1994, the community contribution tax credit was extended from June 30, 1994, to June 30, 2005, but was restricted to projects within enterprise zones or benefiting low-income housing. The allowable annual contribution amount was reduced from a total of $3 million annually to $2 million annually. The 1996 Legislature adopted a 15 percent enterprise zone job credit for WAGES participants and a 5 percent job credit was adopted for non-WAGES employees whose wages exceed $1,500 a month. In 1997, Chapter 97-50, L.O.F. (SBs 780, 520, 692), created the Rural Job Tax Credit Program and the Urban High Crime Area Job Tax Credit Program. Each program authorizes qualified corporations to take a tax credit per eligible employee of $500, $1,000, or $1,500. This credit can be taken against the corporate income tax or the sales and use tax, but not both.

The 1998 Legislature provided for eight changes in the Florida Income Tax Code in addition to the annual adoption of the Internal Revenue Code in Chapter 98-100, L.O.F (SB 608). The new laws: (1) adjusted the formula for apportionment of federal income to exclude research and development activities through a university (Chapter 98-325, L.O.F., HB 3351); (2) created a capital investment tax credit equal to 5 percent of the capital costs generated by a project (Chapter 98-61, L.O.F., HB 3681); (3) increased the credits available for community revitalization from $2 to $5 million (Chapter 98-219, L.O.F., HB 3113); (4) created a credit for establishing or providing child care facilities scheduled to sunset in 2008 (Chapter 98-293, L.O.F., HB 193); (5) expanded the scope of qualifying employees for the enterprise zone jobs credit (Chapter 98-57, L.O.F., SB 1114); (6) created an exemption for limited liability companies (Chapter 98-101, L.O.F., SB 704); (7) repealed the intangible tax credit for banks (Chapter 98-132, L.O.F., SB 1450); and (8) created a credit for the rehabilitation of contaminated sites (Chapter 98-189, L.O.F., SB 244).

In 1999, in addition to the annual adoption of the Internal Revenue Code in Chapter 99-208, L.O.F. (SB 676), the Legislature: (1) provided that a citrus processing company may elect to use an apportionment formula determined solely by the sales factor; (2) eliminated an apportionment option available to insurance companies; and (3) increased the community contribution tax credit from $5 million to $10 million (Chapter 99-265, L.O.F., SB 290). The 2001 Legislature introduced a new tax credit for contributions made by Florida corporations to non-profit scholarship funding organizations (SFOs) capped at $50 million per state fiscal year in Chapter 2001-225 (HB 21), as well as making administrative adjustments to the terms of the Enterprise Zone Jobs Credit and the Community Contribution Tax Credit in Chapter 2001-201 (HB 1225). The 2002 Legislature provided for piggybacking of the Internal Revenue Code by the Florida Income Tax Code, including the accelerated/bonus depreciation provisions of the Federal Job Creation and Worker Assistance Act of 2002, P.L. 107-147, in Chapter 2002-283 (SB 2028). Other changes pertained to the expansion of the SFO credit scholarship recipients to students in kindergarten and first grade (Chapter 2002-387, L.O.F., SB 20-E), the change in the apportionment factor for industries in NAICS 311411 (SIC 2037, frozen fruit juices, and vegetables) (Chapter 2002-218, L.O.F., SB 426), and the change in the manner of calculating interest on tax deficiencies (Chapter 2002-218, L.O.F., SB 426).

The 2003 Legislature adopted the 2003 Internal Revenue Code in Chapter 2003-85, L.O.F. (HB 1839), and included certain financial services facilities as qualified projects for the capital investment tax credit (Chapter 2003-270, L.O.F., HB 691). Chapter 2003-395, L.O.F. (SB 18-A), created an amnesty program for taxpayers. This law also increased the interest rate on certain tax deficiencies to prime plus 4 percent. Chapter 2003-173, L.O.F., (HB 1123) modified the Contaminated Site Rehabilitation Credit to allow a new five-year carryforward period for the transferee of any credit transferred during the original taxpayer's five year carryforward period. Chapter 2003-391, L.O.F. (SB 30-A), amended the corporate income tax credit scholarship program to provide a cap of $88 million in annual tax credits and allow the carry forward of tax credits for three years. In special session 2003E, the Legislature subsequently reduced from $88 million to $50 million the maximum amount of corporate tax credits and carryforward tax credits for contributions to SFO's for Fiscal Year 2003-04 (Chapter 2003-424, SB 22-E).

The 2004 Legislature adopted the Internal Revenue Code of 2004 in Chapter 2004-262, L.O.F. (SB 1826), and reduced the SFO credits limitation from $88 million to $50 million for Fiscal Year 2004-05 (Chapter 2004-271, L.O.F., HB 1867). The 2005 Legislature adopted the Internal Revenue Code of 2005 in Chapter 2005-112, L.O.F. (SB 1798). In Chapter 2005-178 (SB 1300), it extended the time to file for refunds from two years to three years from the due date of the return with regard to extension. Chapter 2005-282, L.O.F. (SB 202), extended the community contribution tax program through June 30, 2015, and increased the annual cap on the total amount of tax credits granted under the program from $10 million to $12 million. The legislation also allowed the Office of Tourism, Trade, and Economic Development to waive the sector requirements of the Capital Investment Tax Credit Program to induce

the location or expansion of a facility that creates or retains 1,000 jobs, provided that 100 are new jobs, pays an average wage of at least 130 percent of the average private sector wage, and makes a cumulative capital investment of at least $100 million. Chapter 2005-287, L.O.F. (HB 1725), made a number of changes to the Enterprise Zone Job Credit and Enterprise Zone Property Tax Credit, to reflect the extension of the Enterprise Zone program from 2005-2015 in that bill.

Chapter 2006-230, L.O.F. (SB 888), authorized a corporate income tax credit for a new or expanded Florida renewable energy facility. Total credits may not exceed $5 million for any tax year and can be claimed for a maximum period of ten years. The legislation also provided a corporate income tax credit of 75 percent of all capital costs, operation and maintenance costs, and research and development costs incurred between July 1, 2006, and June 30, 2010, up to a limit of $3 million per fiscal year, in connection with an investment in hydrogen powered vehicles and hydrogen vehicle fuel stations in Florida. Chapter 2006-78, L.O.F. (HB 821), increased the annual community contribution tax credit by $2 million. Chapter 2006-55, L.O.F. (SB 2728), established the Florida Capital Investment Trust, the Florida Opportunity Fund Management Corporation, and the Florida Opportunity Fund for the purpose of increasing the availability of seed capital and early stage venture capital for emerging companies in Florida. It provided for a total of $75 million in tax credits, with tax credits exercisable only between July 1, 2011, and June 30, 2036, with an annual cap of $20 million. No major changes were made by the 2007 Legislature other than the annual "piggybacking" legislation in Chapter 2007-35, L.O.F. (SB 1014).

The 2008 Legislature made several major changes. Chapter 2008-206, L.O.F. (HB 5065), provided for piggybacking of the Internal Revenue Code by the Florida Income Tax Code. However, the temporarily increased asset expensing and temporary additional depreciation allowances enacted by Congress in the Economic Stimulus Act of 2008 were disallowed for Florida income tax purposes. Additionally, the legislation slightly accelerated the timing of all estimated payments by requiring remittance only before the first day of the month, not on the first day. Chapter 2008-241, L.O.F. (HB 653), increased the total annual tax credits allowed for contributions made by Florida corporations to non-profit scholarship funding organizations from $88 million to $118 million. Chapter 2008-153, L.O.F. (HB 5003), increased from $10.5 million to $13 million, for Fiscal Year 2008-09 only, the allowed total credits for the portion of the Community Contribution Tax Credit program dedicated to homeownership for low-income and very-low-income households. Chapter 2008-239, L.O.F. (HB 527), added to the Contaminated Site Rehabilitation Tax Credit (brownfields) new allowances for recovering the cost of solid waste removal and the cost of constructing a health care facility. In addition to various clarifications of renewable energy tax credit provisions, Chapter 2008-227, L.O.F. (HB 7135), allowed for the transferability of the corporate tax credits for renewable energy technologies investment.

The 2009 Legislature also made several changes. Chapters 2009-18 and 2009-192, L.O.F. (SB 1112 and SB 2504), required taxpayers to "add back" to Florida income, deductions allowed for federal income tax purposes under the Economic Stimulus Act of 2008 and the American Recovery and Reinvestment Act of 2009, for increased asset expensing and additional depreciation allowances in the same manner as Chapter 2008-206, L.O.F. (HB 5065). However, the 2009 legislation allowed such taxpayers to decrease their Florida taxable income by an amount equal to one-seventh of this "add back" amount for a seven-year period. The American Recovery and Reinvestment Act of 2009 also allowed taxpayers, for federal income tax purposes, to elect to defer recognition of income for certain debt acquisitions, modifications, and forgiveness. Chapter 2009-192, L.O.F. (SB 2504), required taxpayers making such an election to "add back" to Florida income those amounts deferred for federal income tax purposes. Taxpayers are allowed to subtract such amounts from Florida income when such amounts are ultimately recognized for federal income tax purposes. Chapter 2009-50, L.O.F. (HB 485), created the Florida New Markets Development Program to provide state tax credits for investments in low-income communities. These tax credits may be used to offset corporate income or insurance premium tax liabilities. Credits available are capped at $20 million annually and $97.5 million for the life of the program. Chapter 2009-108, L.O.F.

(HB 453), renamed the Corporate Income Tax Scholarship Program the Florida Tax Credit Scholarship Program and expanded the program to include insurance premium tax credits as eligible contributions to the scholarship program. Taxpayers claiming the insurance premium tax credit are not eligible for the corporate income tax credit.

Chapter 2010-24, L.O.F. (SB 2126), increased the Florida Tax Credit Scholarship Program cap from $118 million to $140 million for Fiscal Year 2010-11. For Fiscal Year 2011-12 and thereafter, the cap will increase by 25 percent whenever tax credits approved in the prior fiscal year are equal to or greater than 90 percent of the tax credit cap amount for that year. The law also expanded the revenue sources against which tax credits may be granted for contributions to the program to include: (1) severance taxes on oil and gas production; (2) self-accrued sales tax liabilities of direct pay permit holders; and (3) alcoholic beverage taxes. Chapter 2010-147, L.O.F. (SB 1752), created the Jobs for the Unemployed Tax Credit. The program provides $10 million in total corporate income tax credits over Fiscal Years 2010-11 and 2011-12 to any new or existing qualified targeted industry business that hires a new employee who is unemployed. The legislation also created a five-year, $242 million transferable tax credit incentive program for Florida's film and entertainment industry. Generally, the credits are 20 percent of qualified expenditures, with additional amounts available in certain circumstances. The law provided that credits awarded may be used to offset corporate income tax or sales and use tax liabilities.

Chapter 2011-229, L.O.F. (HB 7185), required taxpayers to "add back" to Florida income, deductions allowed for federal income tax purposes under the Small Business Jobs Act of 2010 and the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, for increased asset expensing and additional depreciation allowances in the same manner as Chapter 2009-18, L.O.F. (SB 1112), and allowed such taxpayers to decrease their Florida taxable income by an amount equal to one-seventh of this "add back" amount for a seven-year period.

Chapter 2011-76, L.O.F. (HB 143), made several changes. The law allowed qualified corporations to use a single sales factor apportionment formula to calculate their corporate income tax liability, instead of the current three factor formula that uses sales, property, and payroll. To qualify, a business must invest a total of $250 million in qualifying capital expenditures within Florida over a two-year period beginning no earlier than July 1, 2011. The law provided an annual corporate income tax credit for qualifying research and development expenses in Florida. The credit will be equal to 10 percent of the current year's expenses that exceed the average expenses over the past four years. The amount of credits available to be awarded under the bill is $9 million. The law increased from $2 million to $5 million the corporate income tax credits that are annually available to partially compensate taxpayers that voluntarily clean up drycleaning-solvent-contaminated or brownfield sites. The law allowed a certified spaceflight business to apply for a credit equal to 50 percent of the business's corporate income tax liability in a given year. A certified spaceflight business may also convert net operating losses into transferable corporate income tax credits. A business wishing to take advantage of either type of credit created by this program must demonstrate that it engaged in spaceflight projects, created 35 new jobs, and invested $15 million dollars in the three years prior to being certified for the credits. The total amount of credits that may be approved under the legislation is $10 million. The law repealed the corporate income emergency excise tax, but allowed taxpayers with unused credits related to the tax to take such credits against corporate income tax. The law increased funding for the film and entertainment tax credit program from $38 million to $42 million per year for Fiscal Years 2012-13, 2013-14, and 2014-15. The law also created three new bonus credit programs and made other changes to qualification criteria and reporting requirements.

Chapter 2011-223, L.O.F. (HB 879), allows certain qualifying businesses that do not have sufficient business tax liability to carry forward and use the capital investment tax credit in years 21-30 after the commencement of operations of the qualified project. Chapter 2011-229, L.O.F. (HB 7185), increased the corporate income tax exemption amount from $5,000 to $25,000 effective for tax years beginning on or

after January 1, 2012. Previously, under the Florida Tax Credit Scholarship Program, corporate income tax credits were limited to 75 percent of the tax due. Chapter 2011-123, L.O.F. (HB 965), removed this limitation.

Chapter 2012-145, L.O.F. (HB 5701), provided that any estimated tax payment originally due on June 30, 2013, must now be made on or before June 28, 2013. The result shifted an estimated $100 million of revenue from Fiscal Year 2013-14 to 2012-13. Chapter 2012-32, L.O.F. (HB 7087), increased the corporate income tax exemption amount from $25,000 to $50,000 effective for tax years beginning on or after January 1, 2013. The legislation provided an additional $42 million for tax credits for the Entertainment Industry Financial Incentive Program for Fiscal Year 2015-16. The legislation also increased the total amount of tax credits available for the New Markets Development Program from $97.5 million to $163.8 million and increased the amount of credits that may be taken in a given fiscal year from $20 million to $33.6 million. Chapter 2012-117, L.O.F. (HB 7117), reinstated and modified the Florida Renewable Energy Production Credit for electricity produced and sold on or after January 1, 2013, through June 30, 2016. The legislation also reinstated the Renewable Energy Technologies Investment Tax Credit for 75 percent of all capital costs, operation and maintenance costs, and research and development costs in connection with an investment in the production, storage, and distribution of biodiesel and ethanol in Florida incurred between July 1, 2012, and June 30, 2016. The law limited the annual tax credits for all applicants to $5 million for Fiscal Year 2012-13 and $10 million for Fiscal Years 2013-14 through 2016-17.

Similar to legislation passed in 2009 and 2011, Chapter 2013-46, L.O.F. (SB 1516), required taxpayers to "add back" to Florida income, deductions allowed for federal income tax purposes under the American Taxpayer Relief Act of 2012 for increased asset expensing and additional depreciation allowances. Additionally, Chapter 2013-42, L.O.F. (SB 406) increased the lifetime cap of New Markets Development Program Credits from $163.8 million to $178.8 million, and the annual cap from $33.6 million to $36.6 million.

In addition to the annual "piggybacking" legislation, the 2014 Legislature passed three bills which impact the corporate income tax. First, Chapter 2014-38, L.O.F. (HB 5601), increased the total amount of tax credits available for the New Markets Development Program from $178.8 million to $216.34 million. Second, Chapter 2014-38, L.O.F. (HB 5601), delayed the repeal of the Community Contributions Tax Credit program by one year and increased the annual cap for that program from $14.0 million to $21.9 million. Third, Chapter 2014-184 L.O.F. (SB 850), revised the Florida Tax Credit Scholarship program by allowing eligible tax credits, once earned, to be taken against the next estimated payment and to be conveyed, transferred, or assigned between members of an affiliated group upon approval of the Department of Revenue.

Chapter 2015-221, L.O.F. (HB 33A), extended the Community Contributions Tax program with a $21.4 million cap in FYs 2016-17 and 2017-18. Chapter 2015-221, L.O.F., also provided a one-time increased allowance for tax credits of $21.6 million for FY 2015-16 under the Contaminated Site Rehabilitation (brownfield) program. Chapter 2015-221, L.O.F., also modified the Research and Development tax credit by narrowing the types of businesses that qualify, providing a one-week window for applications, providing for allocation of credits on a pro-rata basis and increasing the amount available to be awarded in calendar year 2016 to $23 million.

Similar to legislation passed in 2009, 2011, 2013, and 2015, Chapter 2016-220, L.O.F. (HB 7099), required taxpayers to "add back" to Florida income, deductions allowed for federal income tax purposes under the Consolidated Appropriations Act, 2016 for increased asset expensing (bonus depreciation). However, this legislation adopted a permanent increase in the amount of capital costs that may be

expensed under 26 U.S.C. § 179 from $25,000 to $500,000. The legislation also adjusted several Florida tax return due dates to reflect federal due date changes.

Chapter 2017-36, L.O.F. (HB 7109), increased the tax credits available under the Contaminated Site Rehabilitation (brownfield) program from $5 to $10 million per year, increased the amount available for research and development tax credits in calendar year 2018 from $9 million to $16.5 million, and made the Community Contribution Tax Credit permanent, with $14 million in tax credits available each fiscal year beginning in FY 2018-19. The bill also extended the filing deadline applicable to calendar-year corporate income tax payers to 6 months after the original due date and modified the estimated corporate income tax payment deadline at the end of June when the last day of the month is a weekend day to require the payment to be made on or before the last Friday of June.

Chapter 2018-119, L.O.F. (HB 7093), required tax payers to "add back" to Florida income any deductions for increased bonus depreciation allowed for federal tax purposes under the Tax Cuts and Jobs Act of 2017 (Pub. L. 115–97). However, the bill allowed taxpayers to decrease their Florida taxable income by an amount equal to one-seventh of this "add back" amount for a period of seven years.

The bill also required the Department of Revenue to examine the effects of the Tax Cuts and Jobs Act on state corporate income tax and corporate income taxpayers, conduct public workshops, and to submit a comprehensive report discussing the potential effects of the Act on the state corporate income tax structure and revenues. Further, the bill created an automatic corporate income tax rate adjustment mechanism that will reduce the Florida corporate income tax rate for taxable years beginning on or after January 1, 2019, if net collections exceed forecasted collections by at least seven percent during Fiscal Year (FY) 2018-2019. However, the tax rate adjustment would only be effective for one year. The bill further requires the Department of Revenue to refund any excess collections received during FY 2018-2019 to eligible corporate taxpayers by March 1, 2020. Finally, the bill required the 2019 Legislature to consider the Department of Revenue's report to determine if adjustments to the automatic tax rate mechanism were needed.

Chapter 2018-118, L.O.F. (HB 7087), provided an additional $8.5 million for tax credits for FY 2018-2019 for voluntary brownfields clean-up. The bill further provided an additional $5 million for community tax credits to be spread over the next two fiscal years. This credit may also be taken against sales tax.

In addition, Chapter 2018-6, L.O.F. (HB 7055), extended the period in which a corporate income taxpayer may carry forward unused tax credits under the Florida Tax Credit Scholarship Program (FTC) from five years to 10 years and eliminated the requirement to apply for carryforwards. Further, the bill allowed corporate income taxpayers to use tax credits earned from making contributions under the FTC against any of their estimated tax payments due instead of against the estimated payment due immediately following the contribution date. The bill required corporate income taxpayers to make eligible contributions to the SFO on or before the date the taxpayer is required to file a final tax return and prohibits the corporate income taxpayer from using the tax credits to reduce the amount of tax due, after requesting an extension to file a return, for purposes of determining compliance with filing and tentative tax payment requirements.

As a result of Chapter 2018-119, L.O.F. (HB 7093), the automatic corporate income tax rate adjustment mechanism reduced the Florida corporate income tax rate for taxable years beginning on or after January 1, 2019, to 4.458%. Chapter 2019-168, L.O.F. (HB 7127), extended this rate change to last through taxable years beginning on or before December 31, 2021 (subject to further downward revision if net collections exceed forecasted collections by at least seven percent during Fiscal Year 2019-2020 or 2020-2021). The rate will return to 5.5% for taxable years beginning on or after January 1, 2022. Chapter

2019-168, L.O.F., further requires the Department of Revenue to refund any excess collections received during Fiscal Years 2019-2020 and 2020-2021 to eligible corporate taxpayers by May 1 of the following year. This distribution date also applies to refunds authorized under Chapter 2018-119, L.O.F., for FY 2018-2019, which originally had a distribution date of March 1, 2020. Pursuant to this provision, $531 million was distributed in April 2020, related to excess collections in FY 2018-2019.

In addition to specific language related to rate adjustments and refunds, Chapter 2019-168, L.O.F., also provided for the annual adoption of the Internal Revenue Code for the Florida Income Tax Code, with one notable exception. The bill provides for a new subtraction from federal taxable income for the amount of global intangible low-taxed income (GILTI) included in that amount (net of expenses). The bill also requires any business that filed a Florida Corporate Income/Franchise Tax Return for a taxable year beginning in 2018 or 2019 to submit an informational return. The required submission includes business-specific information about credits, deductions, and base adjustments caused by the federal tax changes.

Chapter 2020-10, L.O.F. (HB 7097), made a retroactive amendment to the refund provision in s. 220.1105(4), F.S., to ensure that the calculation of refunds under that section treated the use of credit for contributions to a scholarship-funding organization as tax paid to the state. The annual adoption of the Internal Revenue Code was also adopted in Chapter 2020-184, L.O.F. (HB 7095).

Chapter 2021-242, L.O.F. (HB 7059), contained the annual adoption of the Internal Revenue Code, with four exceptions related to federal changes to the Internal Revenue Code made by the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and the Consolidated Appropriations Act, 2021 (CAA). These exceptions included decoupling from the temporary increase in business interest expense allowable for 2019 and 2020, decoupling from the temporary increase in the allowable deduction for business meal expenses in 2021 and 2022, decoupling from a provision that altered the depreciable life of certain qualified improvement property, and decoupling from the temporary extension through 2025 of certain film, television, and live theatrical production expensing provisions. Other changes made at the federal level were adopted through this bill, including a temporary increase in the allowable Net Operating Loss deduction for 2018, 2019, and 2020; a temporary increase in the limitation on the charitable contribution deduction for contributions in 2020 and 2021; and assorted smaller changes. In addition, the Florida Corporate Income Tax collections were impacted by the Paycheck Protection Program, established by the CARES Act, which essentially granted funds to Florida businesses through a loan forgiveness program, on which no cancellation of debt income was generated, and which was usable for otherwise deductible purposes.

Chapter 2021-31, L.O.F. (HB 7061), made several additional changes to the corporate income tax. First, it increased the credits available to be awarded under the Contaminated Site Rehabilitation (brownfield) Tax Credit program from $10 million to $27.5 million for the 2021-22 fiscal year. Second, it created a temporary Florida Internship Tax Credit Program available for use against corporate income tax, capped at $2.5 million in fiscal years 2021-22 and 2022-23. Third, it created the New Worlds Reading Initiative. The program provides dollar-for-dollar tax credits to businesses that make monetary donations to the administrator of the New Worlds Reading Initiative, a book delivery program for Florida students. Chapter 2021-193, L.O.F. (HB 3), created the Strong Families Tax Credit Program. The program provides dollar-for-dollar tax credits for businesses that make monetary donations to certain eligible charitable organizations that provide services focused on child welfare and well-being. The New Words Reading Initiative and Strong Families tax credits can be taken against severance taxes on oil and gas production, self-remitted sales tax, corporate income tax, alcoholic beverage taxes, or insurance premium taxes. The credits against corporate income tax are available for tax years beginning on or after January 1, 2022.

In addition, ongoing impact from Chapter 2019-168, L.O.F. (HB 7127), further impacted collections by adjusting the tax rate downward from 4.458% (applying to taxable years beginning January 1, 2019 through December 31, 2020) to 3.535% for taxable years beginning in 2021. The rate returned to 5.5% for taxable years beginning on or after January 1, 2022.

Chapter 2022-97, L.O.F. (HB 7071), included the annual adoption of the Internal Revenue Code. While no significant changes were made at the federal level in 2021 that affected the state, there was an amendment to the Internal Revenue Code in the Tax Cuts and Jobs Act of 2017 which was not effective until January 1, 2022. The adoption of the Internal Revenue Code in 2022 therefore picked up the federal change in the treatment of Research and Experimental expenditures, from a 100% first-year deduction ("expensing") to a five-year (domestic) or fifteen-year (foreign) amortization. The bill created a new credit in s. 220.1915, F.S., for qualified Class II or Class III railroad expenditures, equal to 50% of the qualified expenditures and limited based on the number of miles of track owned or leased by the railroad within Florida. The bill also made conforming changes throughout chapter 220, F.S., related to the new railroad credit. The bill amended the Community Contribution Tax Credit program to increase the housing-specific credit cap from $10.5 million to $14.5 million, and the credit cap for all other contributions from $3.5 million to $4.5 million for a total increase from $14 million to $19 million. Finally, the bill also made minor administrative changes to the New Worlds Reading Initiative and Strong Families Tax Credit programs to retroactively allow for corporate income tax donations for tax years beginning on or after January 1, 2021; as well as increasing the allowable credits in each program: from $5 million to $10 million for the Strong Families Tax Credit Program beginning in 2022-23, and from $50 million to $60 million for the New Worlds Reading Initiative Tax Credit Program beginning in 2023-24.

Ongoing impact from Chapter 2019-168, L.O.F., which required the Department of Revenue to refund any excess collections received during Fiscal Years 2019-2020 and 2020-2021 to eligible corporate taxpayers by May 1 of the following year, led to a $642.1 million distribution to taxpayers in April 2022, related to excess collections in FY 2020-21.

Chapter 2023-157, L.O.F. (HB 7063), included the annual adoption of the Internal Revenue Code, along with a permanent increase in the annual cap for the Contaminated Site Rehabilitation (Brownfield) Tax Credit Program from $10 million to $35 million beginning in fiscal year 2023-24, and the creation of two temporary credits against corporate income tax related to the installation of residential graywater systems (up to $2 million per developer or homebuilder per year in calendar years 2024-2026) and related to the production of human breast milk derived human milk fortifiers (up to $5 million per year in state fiscal years 2023-24 and 2024-25). Chapter 2023-17, L.O.F. (SB 102), increased the tax credits available through the Community Contribution Tax Credit Program for affordable housing from $14.5 million to $25 million annually, of which roughly 6% is typically taken against corporate income tax. That bill also created the Live Local Program Tax Credit, which allows up to $100 million in tax credits to be taken against corporate income tax or insurance premium tax. Chapter 2023-173 (HB 5) repealed provisions related to certain expired tax credit programs, and chapter 2023-81 (SB 240) renamed the Florida Internship Tax Credit Program to the Florida Experiential Learning Tax Credit Program and extended that program through 2024-25.

Chapter 2024-158, L.O.F. (HB 7073), included the annual adoption of the Internal Revenue Code, along with revising the timing and application process for the existing credit for qualified railroad expenditures. That bill also recreated the Child Care Tax Credit (can be taken against corporate income tax, insurance premium taxes, severance taxes on oil and gas production, alcoholic beverage tax on beer, wine, and spirits, or self-accrued sales tax liability of direct pay permit holders) and created a credit for companies that employ individuals with unique abilities. Each of these two programs has a $5 million cap for a total of three state fiscal years. The bill also increased the annual cap for the Strong Families Tax Credit

program from $20 million to $40 million, revised criteria for entities that can receive contributions through the program, and clarified when applications for that credit become available. Finally, the bill provided for an automatic extension for filing a state income tax return for a taxpayer that has been granted an extension to file its federal income tax return due to a federally declared disaster that included locations within Florida.

Chapter 2025-208, L.O.F. (HB 7031), included the annual adoption of the Internal Revenue Code and excluded charitable trusts from the definition of a corporation. The bill also created the Home Away from Home Tax Credit and the Rural Community Investment Program. The Home Away from Home Tax Credit is a credit for contributions made to entities that provide low-cost or no-cost housing to family members of critically ill children receiving medical treatment. One hundred percent of the contributions must be used to expand or construct facilities for housing such family members. The tax credit cap is $13 million each fiscal year, and no new applications may be approved for fiscal years after Fiscal Year 2031-32. The Rural Community Investment Program allows a credit based on the amount of a taxpayer's investment in a rural fund which must invest contributions into businesses in rural or agricultural areas. Beginning in Fiscal Year 2025-2026, the tax credit cap amount for the program is $7 million in each state fiscal year, excluding any credits carried forward. The department may not approve a cumulative amount of tax credits that may result in the claim of more than $35 million in tax credits during the existence of the program.

BASE AND RATE:
The Corporate Income Tax is 5.5 percent of net income minus a $50,000 exemption. Section 220.15, F.S., defines net income as the share of adjusted federal income which is apportioned to this state for any given year. Apportionment is weighted by factors of sales (50 percent), property (25 percent) and payroll (25 percent). All business income is apportioned. Nonbusiness income is allocated to a single jurisdiction, generally the state of commercial domicile.

DISPOSITION:
General Revenue Fund

OTHER STATES:
All states and the District of Columbia currently impose some form of corporate income or franchise tax, or business gross receipts tax, except for South Dakota and Wyoming. Nevada, Ohio, Texas and Washington do not have a corporate income tax, but do have business gross receipts taxes. Most levying states and the District of Columbia have flat tax rates. These rates range from 2.5 percent to 9.8 percent. Fifteen states use graduated rates, which fall between 1.0 and 9.4 percent. More comparisons can be found at http://www.taxfoundation.org/data.

| VALUE OF RATE CHANGE: | | 2026-27 (millions) |
|---|---|---|
| Value of a 1 percent levy on apportioned net income | | $1,043.9 |

VALUE OF EXEMPTIONS AND SUBTRACTIONS:

| | | |
|---|---|---|
| Exemptions: | | |
| Standard $50,000 (*note 1) | s. 220.14(1) | $110.5 |
| Subtractions from Federal Taxable Income: | | |
| Foreign Source Income (s. 78, I.R.C., Income) | s. 220.13(1)(b)2.b. | $88.6 |
| Foreign Source Income (s. 951, I.R.C., Subpart F Income) | s. 220.13(1)(b)2.b. | 103.3 |

| | | |
|---|---|---|
| Global Intangible Low-Taxed Income (s.951A, I.R.C., Income) | s. 220.12(1)(b)2.b. | 639.9 |
| Net Foreign Source Dividends (s. 862, I.R.C.) | s. 220.13(1)(b)2.a. | 30.5 |
| Florida Net Operating Loss Carryover | s. 220.13(1)(b)l.a. | 109.1 |
| Florida Net Capital Loss Carryover | s. 220.13(1)(b)l.b. | 2.1 |
| Florida Excess Charitable | s. 220.13(1)(b)l.c. | 0.4 |
| Florida Employee Benefit Plan Contribution Carryover | s. 220.13(1)(b)1.d. | 0.0 |
| Nonbusiness Income | s. 220.13(1)(b)4. | 214.2 |
| International Banking Facility Income | s. 220.63(5) | 31.7 |
| Bonus Depreciation (s. 168(k), I.R.C.) (*note 2) | s. 220.13(1)(e)1. | 1,392.7 |
| All Other Deductions (*note 3) | s. 220.13(1)(b) | 189.2 |

VALUE OF DEDUCTIONS:

| | | |
|---|---|---|
| Deductions from Florida Apportioned Income: | | |
| University Research and Development | s. 220.15(2)(c) | $0.0 |

VALUE OF EXCLUSIONS:

| | | |
|---|---|---|
| S Corporations | s. 220.02(1) | $1,212.9 |
| Limited Partnerships | s. 220.02(1) | 561.7 |
| Limited Liability Companies | s. 220.02(1) | 40.8 |

VALUE OF CREDITS:

| | | |
|---|---|---|
| Credits Against Florida Tax Liability: | | |
| Enterprise Zone Jobs | s. 220.181 | $0.0 |
| Enterprise Zone Ad Valorem | s. 220.182 | 0.0 |
| Community Contribution ($29.5m cap)<br>This credit may be taken against Corporate Income Tax, Insurance Premiums Tax, or Sales and Use Tax. | s. 220.183 | 2.0 |
| Hazardous Waste Facility | s. 220.184 | 0.0 |
| Rehabilitation of Contaminated Sites ($35m cap) | s. 220.1845 | 35.0 |
| State Housing (subject to appropriation; unfunded since 1999) | s. 220.185 | 0.0 |
| Alternative Minimum Tax (AMT)<br>This credit is not operative under current law. | s. 220.186 | 0.0 |
| Scholarship Funding Organizations ($1,092m cap) (*note 4)<br>This credit may be taken against the Beverage Tax, Corporate Income Tax, Insurance Premium Tax, certain Sales and Use Taxes, or Severance Taxes - Oil and Gas. | s. 220.1875 | 290.0 |
| New Worlds Reading Initiative ($60m cap)<br>This credit may be taken against the Beverage Tax, Corporate Income Tax, Insurance Premium Tax, certain Sales and Use Taxes, or Severance Taxes - Oil and Gas. | s. 220.1876 | 13.8 |
| Strong Families ($40m cap)<br>This credit may be taken against the Beverage Tax, Corporate Income Tax, Insurance Premium Tax, certain Sales and Use Taxes, or Severance Taxes - Oil and Gas. | s. 220.1877 | 9.3 |
| Live Local ($100m cap)<br>This credit may be taken against the Corporate Income Tax or Insurance Premiums Tax. | s. 220.1878 | 24.9 |
| Rural ($5m cap) and Urban High-Crime Area Job ($5m cap)<br>This credit may be taken against Corporate Income Tax or Sales | s. 220.1895 | 0.0 |

| | | |
|---|---|---|
| and Use Taxes. | | |
| Entertainment Industry ($42m cap through 2016) | s. 220.1899 | 0.0 |
| This credit is not operative under current law. When it was, it could be taken against Corporate Income Tax, Insurance Premiums Tax, or Sales and Use Tax. | | |
| Child Care ($5m cap through 2026-27) | s. 220.19 | 0.1 |
| Capital Investment | s. 220.191 | 113.8 |
| This credit may be taken against Corporate Income Tax or Insurance Premiums Tax. | | |
| Qualified Railroad Reconstruction or Replacement | s. 220.1915 | 5.5 |
| Renewable Energy Production ($10m cap through 2017) | | |
| This credit is not operative under current law. | s. 220.193 | 0.0 |
| Research and Development ($9m cap) | s. 220.196 | 9.0 |
| Florida Experiential Learning ($2.5m cap through 2024-25) | s. 220.198 | 0.0 |
| Residential Graywater System ($2m cap per Taxpayer) | s. 220.199 | Indeterminate |
| Manufacturing of Human Breast Milk Fortifiers ($5m cap through 2024-25) | s. 220.1991 | 0.0 |
| Individuals with Unique Abilities ($5m cap through 2026-27) | s. 220.1992 | 5.0 |
| New Markets ($216.34m cap, last issued 2015) | s. 288.9916 | 0.0 |
| This credit is not operative under current law. When it was, it could be taken against Corporate Income Tax or Insurance Premiums Tax. | | |
| Florida HMO Consumer Assistance Assessment | s. 631.828 | 0.0 |

ALTERNATIVE BASES:

| | | |
|---|---|---|
| Base Reduction Measures: | | |
| Exempt Florida Nonbusiness Income | s. 220.16 | $(49.1) |
| Delete Florida Alternative Minimum Tax | s. 220.11(3) | (0.0) |
| Exempt Interest on State and Local Bonds | s. 220.13(1)(a)2 | (43.4) |

| | |
|---|---|
| Base Expansion Measures: | |
| Delete the deduction for advertising expenditures | $577.6 |
| Delete the deduction for interest expenses (include financial institutions) | 2,093.3 |
| Delete the deduction for interest expenses (exclude financial institutions) | 659.1 |
| Limit net loss carryforward to one year | Indeterminate |
| Impose a minimum payment requirement of $200: | |
| On C Corporations Only | $52.9 |
| On C and S Corporations | 162.7 |
| Require combined reporting of all domestic corporations (waters-edge unitary apportionment) | Positive Indeterminate |
| Adopt the throwback rule | Positive Indeterminate |
| Apply the tax to gross receipts rather than net profits: | |
| C Corporations (replace CIT) | $81,415.6 |
| Partnerships | 20,232.1 |
| S Corporations | 25,933.0 |
| Proprietorships | 5,047.9 |
| Total | 132,628.6 |

| Apply the tax to Earned Surplus (gross profits plus compensation of officers): | |
|---|---|
| C Corporations (replace CIT) | $37,384.8 |
| Partnerships | 8,687.2 |
| S Corporations | 11,715.4 |
| Proprietorships | 3,640.3 |
| Total | 61,427.7 |

Notes:

1. The Florida Constitution states that there shall be exempt not less than $5,000 (Article VII, Section 5(b)).
2. The deduction for bonus depreciation represents the sum of bonus depreciation deductions taken by all taxpayers in a fiscal year. This number is comprised of 1/7 of the value of property placed in service in that year and 1/7 of the property placed in service in each of the six previous years. The deduction for bonus depreciation is offset in the first year of service through an addition to taxable income pursuant to 220.13(1)(e)1.a., F.S.
3. "All other deductions" represents "Other Subtractions" taken on Schedule II of the Florida Corporate Income Tax Return. This may contain, among other things, subtractions related to partnership adjustments, certain foreign taxes, cancellation of indebtedness income that was deferred, and a subtraction for wages and salaries paid to new employees that was disallowed at the federal level.
4. The forecast for the next five years does not anticipate an additional increase in the cap.
5. Following publication of the 2022 Tax Handbook, a significant effort was made by professional staff from the Senate Committee on Finance and Tax, the House Ways & Means Committee, the Legislative Office of Economic and Demographic Research, the Governor's Office of Policy and Budget, and the Department of Revenue to review the underlying processes, methodologies, and assumptions used for Corporate Income Tax estimates in the Tax Handbook. This effort revealed several opportunities for improvements based primarily upon better sources of state and federal income tax data than had been used in previous editions of the Tax Handbook. Those improvements, including the improved data sources, were used for updates to the Corporate Income Tax section of the Tax Handbook beginning with the 2023 edition.

# CORPORATION FEES

FLORIDA STATUTES: Sections 15.09, 607.0122, 607.193, 605.0213, 609.02, 617.0122, 620.1109, 620.81055, and 679.525

ADMINISTERED BY: Department of State, Division of Corporations

SUMMARY:
All corporations doing business in Florida must file annually with the Department of State. Business entities must pay various fees for the right to do business in Florida. The major fees are the annual report filing fee, corporate filing fees, and the supplemental corporate fee. A comprehensive list of fees can be found in the Florida Statutes sections detailed above. All funds collected by the Division of Corporations are deposited in the General Revenue Fund (s.15.09(4), F.S.).

REVENUE:

| Fiscal Year | Partnership Fees | Annual Report Fees (a) | Corporate Fees | Supple-mental Corporate Fees | Late / Reinstate Fees | Misc Fees (b) | Total Fees | General Revenue Distribution (c) |
|---|---|---|---|---|---|---|---|---|
| 2026-27* | 600,000 | 157,700,000 | 113,300,000 | 249,000,000 | 76,200,000 | 30,100,000 | 626,900,000 | 626,900,000 |
| 2025-26* | 600,000 | 152,400,000 | 109,500,000 | 240,600,000 | 73,700,000 | 29,100,000 | 605,900,000 | 605,900,000 |
| 2024-25 | 604,787 | 153,288,868 | 110,172,839 | 242,089,088 | 64,489,816 | 29,281,725 | 599,927,123 | 588,814,715 |
| 2023-24 | 618,224 | 149,702,920 | 104,233,204 | 233,801,907 | 67,060,999 | 27,748,464 | 583,165,718 | 572,330,485 |
| 2022-23 | 639,698 | 139,823,141 | 101,487,529 | 216,555,617 | 76,466,830 | 29,464,514 | 564,437,329 | 553,877,396 |
| 2021-22 | 632,267 | 133,423,986 | 87,327,403 | 203,766,932 | 72,664,366 | 30,230,944 | 528,045,898 | 527,819,485 |
| 2020-21** | 585,340 | 119,115,468 | 94,200,392 | 195,081,183 | 80,347,737 | 45,105,329 | 534,435,448 | 535,893,403 |

* Estimate

** Pursuant to Executive Order No. 20-52 and the Department of State Emergency Order 2020-01, the May 1st due date for the 2020 annual reports was delayed to June 30th, 2020. The change in due date shifted a significant portion of revenue from Fiscal Year 2019-20 into Fiscal Year 2020-21.

(a) Annual report fees include annual reports for the arts.

(b) Miscellaneous fees include: trademarks, service of process, liens, fictitious names, federal tax liens, penalties for NSF, certificates, certified copies, and photocopies.

(c) The General Revenue distribution does not equal total fees collected due to both timing of deposits and miscellaneous fees that are included in "Other" General Revenue categories.

HISTORY:
In 1943, the Uniform Limited Partnership Law was enacted. Fees of not less than $l0 or more than $500 were adopted; increases were made in 1967, 1971, and 1990. Filing fees for corporations-not-for-profit were first introduced in 1959 and increased by the 1967, 1989, and 1990 Legislatures. In 1965, fees for filing financial statements under chapter 679 of the Uniform Commercial Code were established and increased in 1967, 1971, 1989, 1990, and 1992. In 1987, 1988, and 1990, a number of corporate filing fees for corporations-for-profit were increased.

The 1989 Legislature adopted the Revised Model Business Corporation Act, which went into effect July 1, 1990. In 1990, all fees processed by the Department of State and deposited into the Corporations Trust Fund were increased by 75 percent with 43 percent of all moneys deposited each month into the trust fund to be transferred to the General Revenue Fund. Also in 1990, a supplemental corporate fee of $138.75 was imposed on each business entity authorized to do business in Florida and required to file an annual report with the Department of State. Revenues from the supplemental fee were for deposit into the General Revenue Fund. The date for filing the annual report was changed from July 1 to May 1 of each year.

In 1993, the annual report filing fee was increased for limited liability companies. In 1995, the supplemental corporate fee for not-for-profit corporations was reduced from $138.75 to $68.75, and the fee for not-for-profit corporations was repealed on January 1, 1996. On January 1, 1997, the supplemental corporate fee for corporations-for-profit was reduced from $138.75 to $103.75 and to $88.75 on January 1, 1998. In addition, the supplemental corporate fee late charge was increased from $25 to $385 on January 1, 1997, and increased to $400 on January 1, 1998. In 2001, the Legislature authorized the Department of State to reduce the annual filing fee by an amount equal to the convenience fee for electronic filings. Also, authorization was granted to the department to waive supplemental corporate late charges for filers who had not received the department's prescribed forms.

In 2003, the Corporations Trust Fund was eliminated with all current balances transferred to the General Revenue Fund. Chapter 2007-5, L.O.F. (HB 7003) corrected a reference in s. 607.193, F.S., to render limited liability companies subject to the supplemental filing fee.

Section 679.527, F.S., authorizes the Department of State to select and contract with a private vendor to populate and maintain the Florida Secured Transaction Registry. The collections of the nonrefundable processing fees from secured transactions under the Uniform Commercial Code cover payment to the vendor, with the remaining amount deposited in the General Revenue Fund. Section 679.525(1)(a), F.S., sets a nonrefundable $25 processing fee for filing an initial financing statement. In 2009, SB 1780 (Chapter 2009-72, L.O.F.) was enacted to add paragraph (h) to s. 679.525(1), F.S., to authorize an additional nonrefundable $10 processing fee for the filing of the initial financing statement. The receipts of this fee are deposited into the General Revenue Fund and are not used in the calculation of the private vendor's compensation for performing services regarding the Florida Secured Transaction Registry.

Section 607.193(2) (b), F.S., imposes a late charge of $400 on entities failing to file the supplemental corporate filing fee by May 1 of each year, unless the entity "did not receive the uniform business report prescribed by the department." In 2010, HB 5505 (Chapter 2010-152, L.O.F.) struck the language allowing an exemption from the late fee and also required that entities seeking reinstatement after dissolution or revocation pay the applicable reinstatement fee.

Chapter 2012-71, L.O.F., (HB 827) allows Limited Agricultural Associations to convert to a not-for-profit corporation for a $35 fee.

BASE AND RATE:
Specific fees are charged for each type of filing required by law. The current fee schedule for each type of entity is detailed below:

<u>For corporations (s. 607.0122, F.S):</u>
(1) Articles of incorporation: $35.
(2) Application for registered name: $87.50.
(3) Application for renewal of registered name: $87.50.
(4) Corporation's statement of change of registered agent or registered office or both if not included on the annual report: $35.
(5) Designation of and acceptance by registered agent: $35.
(6) Agent's statement of resignation from a corporation that has not been dissolved: $87.50.
(7) Agent's statement of resignation from a dissolved corporation or a composite statement of resignation from two or more dissolved corporations pursuant to s. 607.0502(6): $35.
(8) Amendment of articles of incorporation: $35.
(9) Restatement of articles of incorporation with amendment of articles: $35.
(10) Articles of merger or share exchange for each party thereto: $35.
(11) Articles of dissolution: $35.

(12) Articles of revocation of dissolution: $35.
(13) Application for reinstatement following administrative dissolution: $600.
(14) Application for certificate of authority to transact business in this state by a foreign corporation: $35.
(15) Application for amended certificate of authority: $35.
(16) Application for certificate of withdrawal by a foreign corporation: $35.
(17) Annual report: $61.25.
(18) Articles of correction: $35.
(19) Application for certificate of status: $8.75.
(20) Certificate of domestication of a foreign corporation: $50.
(21) Certified copy of document: $52.50.
(22) Serving as agent for substitute service of process: $87.50.
(23) Supplemental corporate fee: $88.75 (s. 607.193, F.S).
(24) Any other document required or permitted to be filed by this act: $35.
(25) Late fee for paying supplemental filing fee after May 1: $400 (s. 607.193, F.S.).

For limited liability corporations (s. 605.0213, F.S):
(1) For furnishing a certified copy, $30.
(2) For filing original articles of organization, articles of revocation of dissolution, or a foreign limited liability company's application for a certificate of authority to transact business, $100.
(3) For filing a certificate of merger of limited liability companies or other business entities, $25 per constituent party to the merger, unless a specific fee is required for a party in other applicable law.
(4) For filing an annual report, $50.
(5) For filing an application for reinstatement after an administrative or judicial dissolution or a revocation of authority to transact business, $100.
(6) For filing a certificate designating a registered agent or changing a registered agent, $25.
(7) For filing a registered agent's statement of resignation from a limited liability company that has not been dissolved, $85.
(8) For filing a registered agent's statement of resignation from a dissolved limited liability company or a composite statement of resignation from two or more dissolved limited liability companies pursuant to s. 605.0115(6), $25.
(9) For filing a certificate of conversion of a limited liability company, $25.
(10) For filing any other limited liability company document, $25.
(11) For furnishing a certificate of status, $5.
(12) Supplemental corporate fee: $88.75 (s. 607.193, F.S.).
(13) Late fee for paying supplemental filing fee after May 1: $400 (s. 607.193, F.S.).

For corporations not for profit (s. 617.0122, F.S):
(1) Articles of incorporation: $35.
(2) Application for registered name: $87.50.
(3) Application for renewal of registered name: $87.50.
(4) Corporation's statement of change of registered agent or registered office or both if not included on the annual report: $35.
(5) Designation of and acceptance by registered agent: $35.
(6) Agent's statement of resignation from a corporation that has not been dissolved: $87.50.
(7) Agent's statement of resignation from a dissolved corporation or a composite statement of resignation from two or more dissolved corporations pursuant to s. 617.0502(2)(b): $35.
(8) Amendment of articles of incorporation: $35.
(9) Restatement of articles of incorporation with amendment of articles: $35.
(10) Articles of merger for each party thereto: $35.
(11) Articles of dissolution: $35.
(12) Articles of revocation of dissolution: $35.

(13) Application for reinstatement following administrative dissolution: $175.
(14) Application for certificate of authority to transact business in this state by a foreign corporation: $35.
(15) Application for amended certificate of authority: $35.
(16) Application for certificate of withdrawal by a foreign corporation: $35.
(17) Annual report: $61.25.
(18) Articles of correction: $35.
(19) Application for certificate of status: $8.75.
(20) Certified copy of document: $52.50.
(21) Serving as agent for substitute service of process: $87.50.
(22) Certificate of conversion of a limited agricultural association to a domestic corporation: $35.
(23) Any other document required or permitted to be filed by this chapter: $35.

For partnerships (s. 620.81055, F.S.):
(1) Partnership registration statement: $50.
(2) Statement of partnership authority: $25.
(3) Statement of denial: $25.
(4) Statement of dissociation: $25.
(5) Statement of dissolution: $25.
(6) Statement of qualification: $25.
(7) Statement of foreign qualification: $25.
(8) Limited liability partnership annual report: $25.
(9) Certificate of merger for each party thereto: $25.
(10) Amendment to any statement or registration: $25.
(11) Cancellation of any statement or registration: $25.
(12) Certified copy of any recording or part thereof: $52.50.
(13) Certificate of status: $8.75.
(14) Certificate of conversion: $25.
(15) Any other document required or permitted to be filed by this act: $25.
(16) Supplemental corporate fee: $88.75 (s. 607.193, F.S.).
(17) Late fee for paying supplemental filing fee after May 1: $400 (s. 607.193, F.S.).

For limited liability partnerships (s. 620.1109, F.S):
(1) For furnishing a certified copy, $52.50 for the first 15 pages plus $1.00 for each additional page.
(2) For filing an original certificate of limited partnership, $965.
(3) For filing an original application for registration as a foreign limited partnership, $965.
(4) For filing certificate of conversion, $52.50.
(5) For filing certificate of merger, $52.50 for each party thereto.
(6) For filing a reinstatement, $500 for each calendar year or part thereof the limited partnership was administratively dissolved or foreign limited partnership was revoked in the records of the Department of State.
(7) For filing an annual report, $411.25.
(8) For filing a certificate:
    (a) Designating a registered agent, $35;
    (b) Changing a registered agent or registered office address, $35;
    (c) Resigning as a registered agent, $87.50; or
    (d) Of amendment or restatement of the certificate of limited partnership, $52.50;
(9) For filing a statement of termination, $52.50.
(10) For filing a notice of cancellation for foreign limited partnership, $52.50.
(11) For furnishing a certificate of status or authorization, $8.75.
(12) For filing a certificate of dissolution, $52.50.
(13) For filing a certificate of revocation of dissolution, $52.50.

(14) For filing any other domestic or foreign limited partnership document, $52.50.
(15) Supplemental corporate fee: $88.75 (s. 607.193, F.S.).
(16) Late fee for paying supplemental filing fee after May 1: $400 (s. 607.193, F.S.).

For common-law declarations of trust (s. 609.02, F.S.):
For filing a copy of the declaration of trust, $350.

For first page of initial financing statement (s. 679.525(1)(h), F.S.):
For filing the first page of an initial financing statement, $10 to General Revenue.

DISPOSITION:
All corporate filing fees collected by the Department of State are deposited into the General Revenue Fund. In addition, the Florida Secured Transaction Registry must deposit the fee specified in s. 679.525(1)(h), F.S., to the General Revenue Fund.

OTHER STATES:[1]
All fifty states and the District of Columbia require corporate filing, annual reports, and general fees for doing business in their respective jurisdictions.

[1] Jurisdictional Information | IACA, https://www.iaca.org/about-iaca/jurisdictional-information/

# COUNTIES' MEDICAID SHARE

FLORIDA STATUTES: Section 409.915

ADMINISTERED BY: Agency for Health Care Administration

SUMMARY:
Counties' Medicaid Share, previously known as Medical Hospital Fees (also known as county contributions to Medicaid) are payments made to the state as reimbursement for a portion of the cost of certain services provided to county residents through Florida's Medicaid program.

REVENUE:

| Fiscal Year | Collections | Annual Change % |
|---|---|---|
| 2026-27* | 411,600,000 | -3.54% |
| 2025-26* | 426,700,000 | 15.72% |
| 2024-25 | 368,738,413 | 18.83% |
| 2023-24 | 310,300,236 | 8.08% |
| 2022-23 | 287,093,780 | -2.74% |
| 2021-22 | 295,183,298 | -2.89% |
| 2020-21 | 303,959,493 | 0.76% |

* Estimate

HISTORY:
Chapter 72-225, L.O.F., created s. 409.267, F.S., which required county participation in the cost of the following items provided under Medicaid: 35 percent of the cost of inpatient hospitalization in excess of 12 days and 35 percent of the cost of nursing home or intermediate care facilities in excess of $170 per month. In 1975, a limitation of $55 per resident per month on the required reimbursements for services provided by nursing home and intermediate care facilities was enacted. In 1991, s. 409.267, F.S., was repealed and replaced with s. 409.915, F.S. An exemption for county residents in the Medically Needy program component of Medicaid was also enacted at this time. In 1996, required reimbursements were extended to services provided to health maintenance organization members if the services would have been reimbursable in a fee-for-service setting. In 2001, the 12 day exclusion for inpatient hospital services was reduced to 10 days, and an exemption for the cost of adult lung transplant services was established. In 2012, the law was changed to allow payments to be withheld from the distribution of the half-cent sales tax to the counties, rather than having the counties pay directly.

For the period from State Fiscal Year 1994-95 through Fiscal Year 2006-07, county contributions to Medicaid collections were approximately 93 percent of total billings in any fiscal year. For Fiscal Year 2007-08 through Fiscal Year 2011-12, county contributions to Medicaid collections dropped to less than 90 percent of total billings, with only 64.7 percent of billings in Fiscal Year 2010-11 being paid in that year. The decline in collections was caused mainly by the inability of the agency and individual counties to reach agreement on whether certain Medicaid recipients were residents of the county. The decline in the amount of billings collected resulted in a large backlog of past due billings.

In 2012, the Legislature reacted to this situation by enacting Chapter 2012-33, L.O.F. (HB 5301). That law provided specific processes whereby the agency worked with the counties and the Department of Revenue (DOR) to address payment backlog, prospective billings, and an administrative review and appeal for the billing and refund process.

# COUNTIES' MEDICAID SHARE

Chapter 2013-48, L.O.F. (SB 1520), amended s. 409.915, F.S., to revise the current process for county Medicaid billings. Instead of the current practice based on certain Medicaid expenditures incurred on behalf of a county's residents, the bill provided for an annual county contribution for Medicaid. The bill established a total contribution of $269.6 million for State Fiscal Year 2013-14 and $277.0 million for State Fiscal Year 2014-15. For State Fiscal Years 2015-16 through 2019-20, the total annual amount of the counties' contribution is adjusted by one half of the percentage change in state Medicaid expenditures over the two most recently completed State Fiscal Years. For each State Fiscal Year after 2019-20, the total amount of the counties' annual contribution shall be the total contribution for the prior State Fiscal Year adjusted by the percentage change in the state Medicaid expenditures as determined by the Social Services Estimating Conference.

The agency is responsible for calculating the amount of each county's annual contribution and providing that information to DOR by May 15 of each year.

By June 1 of each year, DOR must notify each county of its annual contribution. Counties must pay, via check or electronic transfer, 1/12th of the total, by the 5th of each month. If a county fails to remit payment by the 5th of the month, DOR is directed to reduce the county's monthly distribution from the Local Government Half-Cent Sales Tax Trust Fund by the amount of the monthly installment. The payments and the amounts by which the distributions are reduced are transferred to the General Revenue Fund.

BASE AND RATE:
The statute establishes a total contribution of $269.6 million for State Fiscal Year 2013-14 and $277.0 million for State Fiscal Year 2014-15. For State Fiscal Years 2015-16 through 2019-20, the total annual amount of the counties' contribution is adjusted by one half of the percentage change in state Medicaid expenditures over the two most recently completed State Fiscal Years. For each State Fiscal Year after 2019-20, the total amount of the counties' annual contribution shall be the total contribution for the prior State Fiscal Year adjusted by the percentage change in the state Medicaid expenditures as determined by the Social Services Estimating Conference.

DISPOSITION:
Reimbursements are deposited into the General Revenue Fund.

OTHER STATES:
Research by the National Association of Counties shows that at least sixteen states (including Florida) require counties to contribute to the non-federal share of Medicaid, while others are required to cover administrative and/or program costs. The research did not capture the level of these contributions.

VALUE OF RATE OR TAX BASE CHANGE:
See BASE AND RATE above.

# DOCUMENTARY STAMP TAX

FLORIDA STATUTES: Chapter 201

ADMINISTERED BY: Department of Revenue

SUMMARY:
The documentary stamp tax comprises two taxes imposed on different bases at different tax rates. The tax on deeds and other documents related to real property is 70 cents per $100. The tax on certificates of indebtedness, promissory notes, wage assignments and retail charge account agreements is 35 cents per $100. Revenue from documentary stamps is divided between the General Revenue Fund and various trust funds. In 2014, Florida voters approved an amendment to the State Constitution that requires 33 percent of documentary stamp tax revenue, net of collection costs, to be transferred to the Land Acquisition Trust Fund and expended for specific environmental purposes, as provided by law. These provisions expire July 1, 2035.

REVENUE:

| Fiscal Year | Collections | Annual Change % |
|---|---|---|
| 2026-27* | 3,900,233,333 | 3.85% |
| 2025-26* | 3,755,733,333 | 1.48% |
| 2024-25 | 3,701,128,087 | 3.46% |
| 2023-24 | 3,577,420,944 | -7.44% |
| 2022-23 | 3,864,772,481 | -27.88% |
| 2021-22 | 5,359,020,713 | 31.26% |
| 2020-21 | 4,082,822,038 | 42.02% |

* Estimate

| Distributions | | | | |
|---|---|---|---|---|
| Fiscal Year | General Revenue | General Revenue Service Charge | Florida Forever Outstanding Debt Service ** | State Transportation Trust Fund |
| 2026-27* | 1,466,310,000 | 209,310,000 | 60,714,913 | 360,080,000 |
| 2025-26* | 1,395,530,000 | 201,570,000 | 81,137,663 | 360,080,000 |
| 2024-25 | 1,309,608,977 | 0 | 104,600,000 | 466,750,000 |
| 2023-24 | 1,257,007,656 | 0 | 101,647,083 | 451,136,876 |
| 2022-23 | 1,357,886,731 | 207,185,551 | 99,608,750 | 449,237,509 |
| 2021-22 | 2,054,161,736 | 287,247,879 | 123,930,724 | 484,262,491 |
| 2020-21 | 1,432,489,710 | 219,050,743 | 154,996,858 | 466,750,000 |

* Estimate

** Beginning Fiscal Year 2015-16, Florida Forever debt service payments are made from the Land Acquisition Trust Fund.

| Distributions | | | | |
|---|---|---|---|---|
| Fiscal Year | State Housing Trust Fund (Live Local Program)[v] | Dept.of Economic Opportunity and Grants and Donations Trust Fund | DACS General Inspection Trust Fund, Oyster Management and Restoration** | Land Acquisition Trust Fund*** |
| 2026-27* | 0 | 3,250,000 | 300,000 | 1,283,840,000 |
| 2025-26* | 0 | 3,250,000 | 300,000 | 1,236,160,000 |
| 2024-25 | 150,000,000 | 3,250,000 | 300,000 | 1,218,140,000 |
| 2023-24 | 150,000,000 | 3,197,107 | 300,000 | 1,175,986,089 |
| 2022-23 | 0 | 3,112,659 | 300,000 | 1,270,755,698 |
| 2021-22 | 0 | 3,387,341 | 324,759 | 1,763,700,724 |
| 2020-21 | 0 | 3,250,000 | 300,000 | 1,343,806,439 |

| Distributions | | | | | |
|---|---|---|---|---|---|
| Fiscal Year | State Housing Trust Fund | Local Government Housing Trust Fund | State Economic Enhancement and Development Trust Fund | Resilient Florida Trust Fund**** | Water Protection and Sustainablity Program Trust Fund**** |
| 2026-27* | 69,530,000 | 163,070,000 | 75,000,000 | 129,870,000 | 129,870,000 |
| 2025-26* | 66,940,000 | 157,000,000 | 75,000,000 | 125,050,000 | 125,050,000 |
| 2024-25 | 65,970,000 | 154,720,000 | 75,000,000 | 123,220,000 | 123,220,000 |
| 2023-24 | 63,685,620 | 149,364,254 | 75,000,000 | 118,958,303 | 118,958,303 |
| 2022-23 | 68,819,715 | 161,405,437 | 75,000,000 | 128,548,273 | 128,548,273 |
| 2021-22 | 95,523,425 | 224,034,640 | 75,000,000 | 178,428,104 | 178,428,104 |
| 2020-21 | 159,078,030 | 372,415,802 | 75,000,000 | 0 | 0 |

* Estimate

** Before Fiscal Year 2015-16, this distribution included additional distributions to the DACS General Inspection Trust Fund

*** Beginning Fiscal Year 2015-16, 33 percent of documentary stamp tax revenue, net of collection costs, must be transferred to the Land Acquisition Trust Fund and expended only for specific environmental purposes. Before Fiscal Year 2015-16 there were distributions to several other trust funds for various environmental purposes.

**** Beginning Fiscal Year 2021-22, these trust funds will each receive 5.42 percent of available funds to be used for specified purposes.

[v] Beginning Fiscal Year 2023-24, and running through July 1, 2033, 8 percent of available funds (up to $150m) were to be transferred to the State Housing Trust Fund and used for affordable housing purposes consistent with provisions of the Live Local Act in Chapter 2023-17 (SB102). Chapter 2025-208, L.O.F. (HB 7031), eliminated the $150 million distribution beginning July 1, 2025.

HISTORY:

*Tax Rate:*

Florida first enacted a documentary stamp tax in 1931, at the rate of 10 cents per $100 of consideration. In 1957, the tax on documents relating to realty (mainly deeds) was raised to 20 cents per $100 of

consideration, and the tax has been assessed at two separate rates on deeds and notes ever since. Major rate increases occurred in 1957, 1963, 1979, 1981, 1985, 1987, 1990, 1991, and 1992, when the current rates—70 cents per $100 for documents relating to realty and 35 cents per $100 for notes of indebtedness—were set. (The tax rate on documents relating to realty is 60 cents in Miami-Dade County, which since 1983 has levied a discretionary surtax on deeds of 45 cents for each $100 of consideration except for deeds on single family residences.)

*Disposition of Tax Proceeds:*
Until 1967, all proceeds from documentary stamps were deposited into the General Revenue Fund. In that year, a surtax was imposed on documents relating to realty with the proceeds going to the Land Acquisition Trust Fund. The surtax was repealed in 1979 and replaced with an increase in the documentary stamp tax on deeds and the Land Acquisition Trust Fund was given a distribution from the tax. Since 1979, increases in the documentary stamp tax rate have been used to fund several programs, including the acquisition of environmentally sensitive land, state infrastructure, and affordable housing.

In 1990, the General Revenue Service Charge was extended to the Documentary Stamp Clearing Trust Fund (among other trust funds), which reduced all distributions from this fund by 7 percent. (The General Revenue Service Charge was increased to 8 percent in 2009.) Chapter 90-217, L.O.F., (HBs 1911, 1039, 1815, 3141), authorized a portion of documentary stamp tax proceeds which had been allocated to General Revenue to be used for Preservation 2000 debt services. (By 2000, nine P2000 bond series were authorized by the Legislature.) In 1992, the Legislature reduced the General Revenue distribution by 8.66 percent and redirected funds to the State Housing Trust Fund, effective July 1, 1995 (Chapter 92-317, L.O.F. (SB 94-H). Chapter 98-311, L.O.F. (HB 3427), required that a portion of documentary stamp tax receipts be deposited in the Ecosystem Management and Restoration Trust Fund for the purpose of funding erosion control; beach preservation, restoration, and re-nourishment; and storm and hurricane protection.

In 1999, the Legislature authorized a portion of documentary stamp tax proceeds which had been allocated to General Revenue to be used for Florida Forever debt services (Chapter 99-247, L.O.F. (SB 908). Additional debt service was limited to $30 million in each fiscal year for ten years, and the total annual debt service was limited to $300 million. This legislation also reduced the documentary stamp distribution to the Water Management Lands Trust Fund and the Conservation and Recreation Lands Trust Fund and provided for distributions to the State Game Trust Fund, the Aquatic Plant Control Trust Fund, the Department of Environmental Protection Water Quality Assurance Trust Fund, and the Department of Agriculture and Consumer Affairs (DACS) General Inspection Trust Fund. In 2000, the Legislature provided that $2 million be paid into the Marine Resources Conservation Trust Fund annually from the documentary stamp tax General Revenue distribution (Chapter 2000-197, L.O.F. (SB 186).

Chapter 2002-261, L.O.F., (HB 813), provided for a portion of the documentary stamp tax collections to be used to pay the debt service on Everglades Restoration Bonds.

Chapter 2005-92, L.O.F., (HB 1889), capped the amounts distributed from documentary stamp tax collections to the Land Acquisition Trust Fund, Water Management Lands Trust Fund, Invasive Plant Control Trust Fund, State Game Trust Fund, State Housing Trust Fund, and Local Government Housing Trust Fund. The law included a growth factor which increased the cap for each fund based on growth in documentary stamp collections. Calculated distributions in excess of the limits specified in the bill were credited to the General Revenue Fund. Chapter 2005-290, L.O.F., (SB 360), provided $750 million annually to fund specified transportation, school, and water projects, effective July 1, 2007. Chapter 2006-185, L.O.F., (HB 1249), repealed the 50 cents per bag surcharge on oysters harvested from the waters of the Apalachicola Bay and replaced the surcharge with a $300,000 annual documentary stamp tax distribution to the DACS General Inspection Trust Fund to fund oyster management and restoration

programs in the bay and other areas of the state. Chapter 2007-60, L.O.F., (SB 1060), eliminated a $105 million annual distribution to the PECO Trust Fund and directed that amount to the General Revenue Fund. Chapter 2007-72, L.O.F., (SB 2800), authorized the sale of $300 million in new Florida Forever bonds and $100 million in new Everglades Restoration bonds.

Chapter 2008-24, L.O.F., (HB 7019), repealed s. 201.022, F.S., which required a return to be filed with the clerk of the circuit court, and provided a commission to the clerks for processing these returns. Chapter 2008-49, L.O.F., (SB 1552), extended authorization for the sale of Everglades Restoration bonds through Fiscal Year 2019-20 and authorized additional bonds to be sold for four years to fund the Florida Keys Area of Critical State Concern protection program. Chapter 2008-114, L.O.F., (SB 1882), changed the distribution of documentary stamp revenues by calculating trust fund distributions as a percentage of available revenue, capped at a dollar amount, and assessing the cost of administering the tax to all funds that receive revenue from it. Chapter 2008-152, L.O.F., (HB 5001), authorized the sale of $300 million in new Florida Forever bonds, and Chapter 2008-229, L.O.F., (SB 542), extended the statutory authority for Florida Forever bond sales through Fiscal Year 2019-20.

Chapter 2011-142, L.O.F., (SB 2156), provided that certain documentary stamp distributions to the State Transportation Trust Fund and the State Housing Trust Fund must be transferred to the newly-created State Economic Enhancement and Development Trust Fund within the Department of Economic Opportunity, beginning in the 2012-13 fiscal year. The total amount to be transferred is $125 million in Fiscal Year 2012-13, $140 million in Fiscal Year 2013-14, and $150 million in subsequent years. The Local Government Housing Trust Fund was also affected by this transfer, since the amount available for distribution to it from the State Housing Trust Fund was reduced. This legislation also removed the statutory caps on distributions to the housing trust funds that were enacted in 2005.

In 2014, Florida voters approved an amendment to the State Constitution that requires 33 percent of documentary stamp tax revenue, net of collection costs, to be transferred to the Land Acquisition Trust Fund and expended for specific environmental purposes, as provided by law. The amendment took effect July 1, 2015 and applies for a period of 20 years. Ch. 2015-229, L.O.F. (SB 2516-A), implemented the amendment, and reduced distributions to General Revenue and certain transportation purposes. It also terminated certain environmental trust funds that had received statutory distributions. Going forward, the Land Acquisition Trust Fund will be the source of documentary stamp tax revenue expended for environmental purposes.

Chapter 2016-220, L.O.F. (HB 7099), required specified minimum distributions from the Land Acquisition Trust Fund (LATF) to fund Everglades projects that implement the Comprehensive Everglades Restoration Plan, including the Central Everglades Planning Project, the Long-Term Plan, and the Northern Everglades and Estuaries Protection Program. In addition, the bill required a minimum distribution from the LATF to fund springs restoration, protection, and management projects, an annual amount to be appropriated to the St. Johns Water Management District for projects dedicated to the restoration of Lake Apopka, and an annual amount to be appropriated to the Southwest Florida Water Management District for projects dedicated to the restoration of Kings Bay or Crystal River. The 2016 legislation also provided an adjustment to the calculation of each distribution for the Everglades, Springs, Lake Apopka, and Kings Bay or Crystal River if debt service is paid on bonds issued after July 1, 2016, for the purposes outlined above.

Chapter 2017-233, L.O.F. (HB 1-A), deleted a $75 million annual transfer from the State Transportation Trust Fund to the State Economic Enhancement and Development Trust Fund and replaced it with a $75 million transfer to the General Revenue Fund.

Chapter 2021-39, L.O.F. (SB 2512, 2021), made multiple changes to the distribution of Documentary Stamp Tax revenue. These changes reduced transfers to the State Transportation Trust Fund, the State Housing Trust Fund, and the Local Government Housing Trust Fund, and created new distributions of tax revenue to the Water Protection and Sustainability Program Trust Fund (2005-289, SB 332) for funding wastewater grants and to a newly-created Resilient Florida Trust Fund (2021-29, SB 2514) where the funds will be used for statewide flood and sea level rise resiliency plans. In addition, a new earmark was created within the LATF for the Lake Okeechobee Watershed Restoration Project.

Chapter 2023-17, L.O.F. (SB 102), also cited as the Live Local Act, suspends the General Revenue Service Charge for 10 years (effective July 1, 2023) and provided an additional distribution to the State Housing Trust Fund—the lesser of 8 percent of the collections remaining after the Land Acquisition Trust Fund distribution or $150 million to the State Housing Trust Fund for projects under the State Apartment Incentive Loan (SAIL) Program (s.201.15 (4), F.S.). If 8 percent of the remainder is greater than $150 million in any fiscal year, the difference is paid to the General Revenue Fund.

Chapter 2025-208, L.O.F. (HB 7031), made three changes to documentary stamp tax revenue distributions. The law eliminated the distribution for the New Starts Transit Program and the Florida Rail Enterprise. The law also eliminated the $150 million distribution to the State Housing Trust Fund created in the Live Local Act (Chapter 2023-17, L.O.F) beginning July 1, 2025, rather than expiring July 1, 2033. Other housing trust fund distributions were unaffected. Finally, the law reapplied the general revenue service charge to all taxes collected, except taxes distributed to the Land Acquisition Trust Fund, beginning July 1, 2025, rather than July 1, 2033.

*Exemptions and Limitations:*
In 1997, transactions of real property made pursuant to the dissolution of marriage were exempted from the tax. Chapter 98-187, L.O.F. (HB 4373), allowed promissory notes to be renewed at an increased level of obligation without the borrower having to pay documentary stamp tax on the full amount of the obligation, but only on the amount of the increase. Chapter 2002-218, L.O.F. (SB 426), capped the amount of documentary stamp tax due on unsecured loans at $2,450. Chapter 2002-218, L.O.F. (SB 426), repealed the tax on original issues of stock certificates. Chapter 2007-198, L.O.F. (HB 1375), provided a documentary stamp tax and intangibles tax exemption for all notes, mortgages, security agreements, letters of credit, or any other instruments connected with financing any housing under Chapter 420, F.S. Chapter 2018-118, L.O.F. (HB 7087), exempted the transfer of homestead property between spouses if the only consideration is the amount of the mortgage or other lien encumbering the homestead property at the time of transfer. The transfer must be recorded within 1 year after the date of marriage.

Chapter 2019-42, L.O.F. (HB 7123), removed the one-year limitation on the exemption for conveyances between spouses created in 2018.

Chapter 2022-97, L.O.F. (HB 7071), exempted any federal loan that is related to a state of emergency. Such emergency must be declared by executive order or proclamation of the Governor.

Chapter 2023-157, L.O.F. (HB 7063), specified that when the principal balance of a note or mortgage is increased, additional tax is owed only on the increased amount above the current principal balance if:

- The note or mortgage is part of an interim loan for purposes of debenture guarantee funding upon which documentary stamp tax has previously been paid, and
- The Small Business Administration is the obligee or mortgagee.

Chapter 2024-158, L.O.F. (HB 7073), made two changes with respect to the documentary stamp tax.

1. The law specified that only the principal limit of a home equity conversion mortgage, as determined at the time of closing, is subject to tax. The maximum claim amount or the stated mortgage amount is not subject to tax.
2. The law exempted from tax all non-interest-bearing promissory notes, all non-interest-bearing nonnegotiable notes, or all non-interest-bearing written obligations to pay money, or assignments of salaries, wages, or other compensation made, executed, delivered, sold, transferred, or assigned in the state, including such renewals, of $3,500 or less, when given by a customer to an alarm system contractor in connection with the sale of an alarm system. This exemption is repealed on June 30, 2027, unless renewed by the Legislature.

*Clarification of Legislative Intent:*
In 2009, the Legislature enacted Chapter 2009-131, L.O.F. (SB 2430), which expressed legislative findings and intent related to a 2005 decision of the Florida Supreme Court holding that the transfer of property between a grantor and its wholly owned grantee, absent any exchange of value, is not subject to the documentary stamp tax. Specifically, the law stated that the Supreme Court's decision in Crescent Miami Center, LLC v. Florida Department of Revenue, 903 So. 2d 913 (Fla. 2005), was inconsistent with the intent of the Legislature because it permits tax avoidance. Rather, the prior holding of the district court of appeal in this same case prevented tax avoidance and therefore was consistent with the intent of the Legislature at the time the relevant statute – s. 201.02, F.S. – was amended in 1990. Finally, the law expressed the intent of the Legislature to impose documentary stamp tax when the beneficial ownership of real property is transferred to a new owner by the use of techniques applicable in the Supreme Court case in combination with transfers of ownership of, or distributions from, artificial entities. Additionally, the law amended s. 201.02, F.S., to provide for the application of documentary stamp tax on certain conveyances of property involving a conduit entity and to impose documentary stamp tax on the transfer for consideration of a beneficial interest in real property. This legislation also provided for priority distribution of documentary stamp tax revenue for the benefit of Florida Forever bonds, Everglades Restoration bonds, and Preservation 2000 bonds issued prior to July 1, 2009, when required to meet these bond obligations. Chapter 2010-138, L.O.F. (HB 7157), codified existing Department of Revenue policy that the unpaid indebtedness that is forgiven or released by a mortgagee holding a mortgage on the grantor's interest in the property as part of a short sale transfer is not subject to documentary stamp tax. Chapter 2012-145, L.O.F. (HB 5701), extended the priority distribution of documentary stamp tax revenue for the benefit of Florida Forever bonds, Everglades Restoration bonds, and Preservation 2000 to bonds issued before January 1, 2013. Chapter 2014-61, L.O.F. (HB 5501), extended the priority distribution to bonds issued before January 1, 2015. Chapter 2016-220, L.O.F. (HB 7099), extended the priority distribution to bonds issued before January 1, 2017.

BASE AND RATE:
Deeds and other documents relating to realty: 70 cents per $l00 or fractional part of $100 of the consideration. (In Miami-Dade County the rate is 60 cents.) Corporate shares, bonds, certificates of indebtedness, promissory notes, wage assignments, retail charge account agreements: 35 cents per $100 or fractional part of $100 of the consideration.

DISPOSITION:
All taxes collected under this chapter are pledged to make payments when due on bonds issued pursuant to s. 215.618 or s. 215.619, F.S., or any other bonds authorized to be issued on a parity basis with such bonds. All taxes collected under this chapter, except taxes distributed to the Land Acquisition Trust Fund, are subject to the General Revenue service charge imposed in s. 215.20(1), F.S.

Before distribution pursuant to this section, the Department of Revenue shall deduct amounts necessary to pay the costs of the collection and enforcement of the tax levied by this chapter. The costs and service

charge may not be levied against any portion of taxes pledged to debt service on bonds to the extent that the costs and service charge are required to pay any amounts relating to the bonds.

All taxes remaining after deduction of costs shall be distributed as follows:
(1) Amounts necessary to make payments on bonds issued pursuant to s. 215.618 or s. 215.619, F.S., or on any other bonds authorized to be issued on a parity basis with such bonds shall be deposited into the Land Acquisition Trust Fund.
(2) If the amounts deposited pursuant to subsection (1) are less than 33 percent of all taxes collected after first deducting the costs of collection, an amount equal to 33 percent of all taxes collected after first deducting the costs of collection, minus the amounts deposited pursuant to subsection (1), shall be deposited into the Land Acquisition Trust Fund.
(3) Amounts on deposit in the Land Acquisition Trust Fund shall be used in the following order:
(a) Payment of debt service or funding of debt service reserve funds, rebate obligations, or other amounts payable with respect to Florida Forever bonds issued pursuant to s. 215.618, F.S. The amount used for such purposes may not exceed $300 million in each fiscal year.
(b) Payment of debt service or funding of debt service reserve funds, rebate obligations, or other amounts due with respect to Everglades restoration bonds issued pursuant to s. 215.619, F.S. Taxes distributed under paragraph (a) and this paragraph must be collectively distributed on a pro rata basis when the available moneys under this subsection are not sufficient to cover the amounts required under paragraph (a) and this paragraph.

Bonds issued pursuant to s. 215.618 or s. 215.619, F.S., are equally and ratably secured by moneys distributed to the Land Acquisition Trust Fund.
(4) After the required distributions to the Land Acquisition Trust Fund pursuant to subsections (1) and (2), and deduction of the service charge, the remainder shall be distributed as follows:
(a) The lesser of 20.5453 percent of the remainder or $360.08 million in each fiscal year shall be paid into the State Treasury to the credit of the State Transportation Trust Fund. The amount credited to the State Transportation Trust Fund shall be used for:
1. 13 percent to the Small County Outreach Program specified in s. 339.2818, F.S.;
2. 78 percent of the funds to the Strategic Intermodal System specified in ss. 339.61, 339.62, 339.63, and 339.64, F.S.;
3. The Transportation Regional Incentive Program specified in s. 339.2819, F.S., in the amount of 9 percent.
(b) The lesser of 0.1456 percent of the remainder or $3.25 million in each fiscal year shall be paid into the State Treasury to the credit of the Grants and Donations Trust Fund in the Department of Economic Opportunity to fund technical assistance to local governments.

Moneys distributed pursuant to paragraphs (a) and (b) may not be pledged for debt service unless such pledge is approved by referendum of the voters.

(c) An amount equaling 4.5 percent of the remainder in each fiscal year shall be paid into the State Treasury to the credit of the State Housing Trust Fund. The funds shall be used as follows:
1. Half of that amount shall be used for the purposes for which the State Housing Trust Fund was created and exists by law.
2. Half of that amount shall be paid into the State Treasury to the credit of the Local Government Housing Trust Fund and used for the purposes for which the Local Government Housing Trust Fund was created and exists by law.
(d) An amount equaling 5.20254 percent of the remainder in each fiscal year shall be paid into the State Treasury to the credit of the State Housing Trust Fund. Of such funds:

1. Twelve and one-half percent of that amount shall be deposited into the State Housing Trust Fund and expended by the Department of Economic Opportunity and the Florida Housing Finance Corporation for the purposes for which the State Housing Trust Fund was created and exists by law.
2. Eighty-seven and one-half percent of that amount shall be distributed to the Local Government Housing Trust Fund and used for the purposes for which the Local Government Housing Trust Fund was created and exists by law. Funds from this category may also be used to provide for state and local services to assist the homeless.
(e) The lesser of 0.017 percent of the remainder or $300,000 in each fiscal year shall be paid into the State Treasury to the credit of the General Inspection Trust Fund to be used to fund oyster management and restoration programs as provided in s. 379.362(3), F.S.
(f) A total of $75 million shall be paid into the State Treasury to the credit of the State Economic Enhancement and Development Trust Fund.
(g) An amount equaling 5.4175 percent of the remainder shall be paid into the Resilient Florida Trust Fund to be used for the purposes for which the Resilient Florida Trust Fund was created and exists by law. Funds may be used for planning and project grants.
(h) An amount equaling 5.4175 percent of the remainder shall be paid into the Water Protection and Sustainability Program Trust Fund to be used to fund wastewater grants as specified in s. 403.0673.
(5) Notwithstanding s. 215.32(2)(b)4.a., funds distributed to the State Housing Trust Fund and the Local Government Housing Trust Fund pursuant to paragraph (4)(c) and (d) may not be transferred to the General Revenue Fund in the General Appropriations Act.
(6) After the distributions provided in the preceding subsections, any remaining taxes shall be paid into the State Treasury to the credit of the General Revenue Fund.

OTHER STATES:
Thirty-five states and the District of Columbia and New York City levy taxes on the recording of certain documents or on property transfers (California authorizes local transfer taxes but does not levy a statewide tax). Alaska, Idaho, Indiana, Louisiana, Kansas, Missouri, Montana, New Mexico, North Dakota, Oregon, Texas, Utah, and Wyoming do not levy document or transfer taxes (however in Oregon, only one county has a real estate transfer tax). South Carolina and Wisconsin impose fees instead of taxes. Although some states levy document recording taxes only on documents relating to real estate transfers, others, including Florida, have a more general tax that is also levied on documents relating to indebtedness.

| | 2026-27 (millions) |
|---|---|
| VALUE OF RATE CHANGE: | |
| Value of 1-cent levy for each $100 of consideration on deeds | $40.1 |
| Value of 1-cent levy for each $100 of consideration on corporate shares, bonds, certificates of indebtedness, promissory notes, wage assignments, and retail charge account agreements | $32.5 |
| VALUE OF EXEMPTIONS AND DIFFERENTIALS: | |
| Stock transfers (s. 201.05 (2001)) | $15.85 |
| Renewal notes (s. 201.09) | $57.66 |
| Certificates of deposit (s. 201.10) | Indeterminate |
| Wholesale warehouse mortgage agreements (s. 201.21) | $60.92 |
| Uniform Commercial Code documents (s. 201.22) | Indeterminate |
| Security dealers - 30 days or less (s. 517.32) | $55.48 |
| Foreign notes (s. 201.23(1)) | $4.04 |
| Obligations of political subdivisions (s. 201.24) | $4.51 |
| International banking transactions (s. 201.23(4)) | $20.51 |
| Out-of-state notes held by Florida businesses (s. 201.08) | $3.42 |

| | |
|---|---|
| Supplements on utility bond financing (s. 201.08(4)) | Indeterminate |
| 10-cent rate differential for Miami-Dade County (s. 201.031) | $44.8 |
| Dissolution of marriage (s. 201.02(7)) | $8.02 |
| Cross collateralization of loans (s. 201.08(7)) | $2.12 |
| Tax only on increased amount of renewed loans (s. 201.09(1)) | $0.15 |
| Spousal transfer of homestead property (s. 201.02(7)) | $2.17 |
| Spousal transfer no filing deadline (s. 201.02(7)) | $0.29 |
| Exempt federal loans related to state of emergency (s. 201.25(2)) | Indeterminate |
| Small Business Administration “504” Loans (s. 201.08(3)(b)) | Insignificant |
| Home Equity Conversion Mortgage - Tax Only the Principal Limit | $4.90 |
| Alarm System Contractors - Exemption for Certain Notes (Repealed June 30, 2027) | $1.89 |
| | |
| VALUE OF REFUNDS AND ALLOWANCES: | |
| Agents commission (0.5 percent) (s. 201.11(2)) | $17.65 |

# DRIVER LICENSES

FLORIDA STATUTES: Chapter 322

ADMINISTERED BY: Department of Highway Safety and Motor Vehicles

SUMMARY:
Driver licenses fees are collected from individuals who apply for the following types of licenses (originals, renewals, and replacements): Learners, Class E operators, Class E with motorcycle endorsement, Class E motorcycle only license, and Class A, B, and C commercial driver licenses with or without endorsements. In addition, fees are collected for delinquent renewals, reinstatements following suspensions, revocations, disqualifications, and cancellations.

REVENUE:

| Fiscal Year | Collections | Annual Change % | General Revenue | Highway Safety Operating Trust Fund |
|---|---|---|---|---|
| 2026-27* | 477,700,000 | 0.29% | 243,300,000 | 234,400,000 |
| 2025-26* | 476,300,000 | 6.98% | 243,900,000 | 232,400,000 |
| 2024-25 | 445,227,804 | 13.11% | 216,128,255 | 229,099,549 |
| 2023-24 | 393,612,716 | 2.87% | 180,841,259 | 212,771,457 |
| 2022-23 | 382,623,146 | -0.38% | 190,342,386 | 192,280,760 |
| 2021-22 | 384,074,521 | 3.66% | 214,608,219 | 169,466,302 |
| 2020-21 | 370,514,188 | 7.31% | 218,633,753 | 151,880,435 |

* Estimate

HISTORY:
Driver licenses for operators and chauffeurs were established in 1939. Proceeds were earmarked for expenses of the Department of Public Safety. In 1951, earmarking ceased and collections were placed in the General Revenue Fund. In 1955, a 50 cent per year driver's education fee was added to the issuance of driver licenses and earmarked for public school driver education. Driver's license fee increases were adopted in 1941, 1945, 1955, 1971, 1984, 1989, 1991, 2008, and 2009. In 1983, a $4 fee was authorized in order to operate a motorcycle or motor-driven vehicle. The 1989 Legislature provided for re-classification of driver licenses and increased most chauffeur license fees to $50, effective April 1, 1991.

In 1986, reinstatement fees following a suspension or revocation of a license were increased, and such increase earmarked for deposit into the Accidents Report Trust Fund. Effective October 1, 1989, in order for a minor to receive a driver license, the minor must be enrolled in an approved educational program or have received a high school diploma, a high school equivalency or special diploma, or a certificate of high school completion. Beginning January 1, 1990, no new driver licenses may be issued until the applicant successfully completes the traffic law and substance abuse education course, as created by the 1989 Legislature. A $3 assessment fee was charged to participate in the course and deposited into the Drivers' Education Trust Fund. In 1990, the duplicate driver's license fee was raised from $5 to $10 and the replacement driver's license fee was raised from $1 to $10. The increased revenue was earmarked for deposit into the Accidents Report Trust Fund. On July 1, 1994, the Accidents Report Trust Fund and the Drivers' Education Trust Fund were re-designated as the Highway Safety Operating Trust Fund. During Special Session A of 2003, the Legislature increased reinstatement fees charged for a suspension or revocation by $10. In addition, identification card renewals were raised from $3 to $10 and a new re-exam fee was created. Drivers failing the written exam are charged $5 for each time they must retake the exam and $10 for each time they retake the driving exam. The 2006 Legislature imposed additional reinstatement fees for specific types of suspended or revoked licenses. Persons convicted of patient

brokering (s. 817.505, F.S.), solicitation (s. 817.234(8), F.S.), or participating in a staged crash (s. 817.234(9), F.S.) are subject to an additional fee of $180 for each offense. These funds are earmarked for the Highway Safety Operating Trust Fund.

In 2008, Chapter 2008-176, L.O.F. (SB 1992), became effective October 1, 2008 and the term of the driver license and identification card was changed from four or six (safe driver) years to eight years. However, applicants who are at least 80 years old will be issued a license valid for a six-year term. These changes resulted in the fees for driver licenses, identification cards, and license endorsements being raised to reflect the new terms. Duplicate and replacement licenses were combined and are all now labeled "replacements." This change caused the distribution of the funds to be modified; however, the General Revenue Fund and the Highway Safety Operating Trust Fund were both held harmless in this change.

As a result of the 2009 Regular Legislative Session, Chapter 2009-71, L.O.F. (SB 1778), raised the following fees effective September 1, 2009.

| Fee Type | Previous Fee | New Fee | New Distribution |
|---|---|---|---|
| Original Class E License | $27 | $48 | General Revenue |
| Renewal Class E License | $20 | $48 | General Revenue |
| Motorcycle Only License (Class E + $7 Endorsement) | $34 | $55 | General Revenue |
| Replacement License (Increased revenue distributed to General Revenue) | $10 | $25 | $18 to General Revenue<br>$7 to Highway Safety Operating TF |
| Commercial Driver License (Original / Renewal) | $67 | $75 | General Revenue |
| School Bus CDL | $27 | $48 | General Revenue |
| Delinquent Fee | $1 | $15 | General Revenue |
| Knowledge Re-Exam | $5 | $10 | $10 to Highway Safety Operating TF or<br>$10 to Tax Collector |
| Skills Re-Exam | $10 | $20 | $20 to Highway Safety Operating TF or<br>$20 to Tax Collector. |
| Identification Card - Original | $10 | $25 | General Revenue |
| Identification Card - Renewal / Replacement | $10 | $25 | $19 to General Revenue<br>$6 to Highway Safety Operating TF or<br>$6 to Tax Collector |
| D6 Reinstatement Fee (Increased revenue distributed to Highway Safety Operating Trust Fund) | $47.50 | $60 | $22.50 to Highway Safety Operating TF<br>$37.50 to Clerk of Court, Tax Collector, or General Revenue |
| Suspension Reinstatement Fee (Increased revenue distributed to Highway Safety Operating Trust Fund) | $35 | $45 | $15 to General Revenue<br>$30 to Highway Safety Operating TF or<br>$15 to Tax Collector/$15 to Highway Safety Operating TF |
| Revocation Reinstatement Fee (Increased revenue distributed to Highway Safety Operating Trust Fund) | $60 | $75 | $35 to General Revenue<br>$40 to Highway Safety Operating TF or<br>$20 to Tax Collector/$20 to Highway Safety Operating TF |
| Disqualification Reinstatement Fee (Increased revenue distributed to Highway Safety Operating Trust Fund) | $60 | $75 | $35 to General Revenue<br>$40 to Highway Safety Operating TF |
| Tax Collector Service Fee | $5.25 | $6.25 | $6.25 to Tax Collector |
| Administrative Review Filing Fee | $0 | $25 | $25 to Highway Safety Operating TF |
| Administrative Hearing Filing Fee | $0 | $12 | $12 to Highway Safety Operating TF |
| DUI Administrative Fee | $115 | $130 | $130 to Highway Safety Operating TF |

| | | | |
|---|---|---|---|
| Ignition Interlock Device Assessment Fee | $0 | $12 | $12 to Highway Safety Operating TF |
| 3-Year Transcript | $2.10 | $8 | $8 to Highway Safety Operating TF |
| 7-Year Transcript | $3.10 | $10 | $10 to Highway Safety Operating TF |
| Certified Transcript | $3.10 | $10 | $10 to Highway Safety Operating TF |

In 2011, Chapter 2011-66, L.O.F, (S.B. 2160), changed the fee split for replacement licenses. Beginning July 1, 2015, or upon completion of the transition to driver license issuance services, if the replacement driver license is issued by the tax collector, the tax collector shall retain the $7 that would otherwise be deposited into the Highway Safety Operating Trust Fund and the remaining revenues shall be deposited into the General Revenue Fund.

In 2018, Chapter 2018-129, L.O.F, (S.B. 322), changed the collection of the fee for subsequent knowledge and skills tests. Beginning July 1, 2018, an applicant who fails to pass the initial knowledge test incurs a $10 fee for each subsequent test, to be deposited into the Highway Safety Operating Trust Fund, unless a subsequent test is administered by the tax collector. In this case, the tax collector shall retain the $10 fee, less the general revenue service charge set forth in s. 215.20(1). Further, an applicant who fails to pass the initial skills test incurs a $20 fee for each subsequent test, to be deposited into the Highway Safety Operating Trust Fund, unless a subsequent test is administered by the tax collector. In that case, the tax collector shall retain such $20 fee, less the general revenue service charge set forth in s. 215.20(1).

In 2018, Chapter 2018-129, L.O.F, (S.B. 322), changed the procedure for handling and collecting the $45 reinstatement fee following a suspension and the $75 reinstatement fee following a revocation. Of the $45 fee received from a licensee for reinstatement following a suspension, the department shall deposit $15 in the General Revenue Fund and $30 in the Highway Safety Operating Trust Fund if it processes the reinstatement. If the reinstatement is processed by the tax collector, $15, less the general revenue service charge shall be retained by the tax collector, $15 shall be deposited into the Highway Safety Operating Trust Fund, and $15 shall be deposited into the General Revenue Fund. Of the $75 fee received from a licensee for reinstatement following a revocation or disqualification, if the reinstatement is processed by the department, the department shall deposit $35 in the General Revenue Fund and $40 in the Highway Safety Operating Fund. If the reinstatement is processed by the tax collector, $20, less the general revenue service charge, shall be retained by the tax collector, $20 shall be deposited into the Highway Safety Operating Trust Fund, and $35 shall be deposited into the General Revenue Fund. In 2025, Ch. 2025-125 L.O.F. set a deadline for transferring driver license services to county tax collectors of no later than June 30, 2027.

OTHER STATES:
All states license vehicle operators. Most states issue four-year licenses at costs ranging from $4.50 to $60. It is common to require somewhat higher fees for a commercial license than for an operator license.

| VALUE OF RATE CHANGE: | 2026-27 (millions) |
|---|---|
| Value of $1 levy on all driver licenses issued or renewed | $ 4.1 |

# DRY CLEANING TAX

FLORIDA STATUTES: Sections 206.9935, 376.303, 376.70, and 376.75

ADMINISTERED BY: Department of Environmental Protection and Department of Revenue

SUMMARY:
The dry-cleaning tax is levied in the amount of 2 percent on gross receipts of all dry-cleaning facilities from the dry-cleaning or laundering of clothing or other fabrics at the facility. The dry-cleaning facility may separately state the tax on retail receipts. An additional tax is imposed of $5.059 per gallon of perchloroethylene that is sold or imported by a dry-cleaning facility.

REVENUE:

| Fiscal Year | Total Collections | Annual Change % | Gross Receipts Tax Collections | Perchloroethylene Tax Collections | Registration Fee Collections |
|---|---|---|---|---|---|
| 2026-27* | 6,866,926 | 0.51% | 6,763,659 | 47,372 | 55,895 |
| 2025-26* | 6,832,083 | 0.46% | 6,729,340 | 47,131 | 55,612 |
| 2024-25 | 6,800,799 | -3.98% | 6,698,526 | 46,916 | 55,357 |
| 2023-24 | 6,959,912 | 1.52% | 6,822,406 | 55,656 | 81,850 |
| 2022-23 | 6,855,531 | 9.97% | 6,710,252 | 61,830 | 83,450 |
| 2021-22 | 6,234,059 | 36.83% | 6,085,405 | 65,130 | 83,525 |
| 2020-21 | 4,555,930 | -25.78% | 4,392,073 | 64,407 | 99,450 |

* Estimate

HISTORY:
Taxation of gross receipts from dry-cleaning and laundry services and the production and importation of perchloroethylene was enacted in 1994, with proceeds used to fund dry-cleaning facility restoration. Chapter 88-393, Laws of Florida, created a 25 cents per gallon tax on solvents, including Perchloroethylene. Chapter 89-171, Laws of Florida, amended that to be 5.9 cents per gallon on solvent. The 1995 Legislature adopted the following changes to the dry-cleaning tax: exempted uniform rental and linen supply services from the gross receipts tax, retroactive to October 1, 1994; exempted perchloroethylene not used by a dry-cleaning facility from the $5 per gallon tax; repealed the gross receipts tax sale-for-resale exemption; and increased the gross receipts tax from 1.5 percent to 2 percent effective January 1, 1996. The 1996 Legislature changed the disposition of funds from the Hazardous Waste Management Trust Fund to the Water Quality Assurance Trust Fund. In 1998, the Legislature clarified that the gross receipts tax applies to drop-off facilities, as well as dry-cleaning facilities. The Legislature also authorized a sale-for-resale exemption for services provided where gross receipts are collected for those same services.

BASE AND RATE:
Dry-cleaning Facilities and Wholesale Suppliers Registration Fee:
$100 annually

Tax on the Gross Receipts of Dry-cleaning Facilities:
2 percent of the gross receipts from the dry-cleaning or laundering of clothing or other fabrics

Tax on the Sale or Importation of Perchloroethylene:
Perchloroethylene sold to or imported into Florida by a dry-cleaning business is taxed at 5.9¢ per gallon for water quality tax as a solvent pursuant to s. 206.9935, F.S., and $5.00 per gallon for water quality tax as a dry-cleaning solvent pursuant to s. 376.75, F.S.

# DRY CLEANING TAX

DISPOSITION:
Total collections, less administrative costs and General Revenue Service Charge, are deposited in the Water Quality Assurance Trust Fund.

OTHER STATES:
Dry-cleaning services are taxed under the general sales or gross receipts tax systems in 21 states, at rates ranging from 0.4 percent to 7 percent, plus local sales or gross receipts tax rates. Connecticut, Illinois, Kansas, Minnesota, North Carolina, South Carolina, Oregon, Tennessee, and Wisconsin also levy environmental taxes on dry-cleaning services or materials.

# EARNINGS ON INVESTMENTS

FLORIDA STATUTES: Sections 17.57 and 17.61

ADMINISTERED BY: Chief Financial Officer

SUMMARY:
Cash balances not needed for day-to-day transactions are invested.

REVENUE:

| Fiscal Year | Collections | Annual Change % | General Revenue | Trust Funds |
|---|---|---|---|---|
| 2026-27* | 1,947,305,156 | -12.0% | 1,256,300,000 | 691,005,156 |
| 2025-26* | 2,212,825,632 | -7.2% | 1,427,600,000 | 785,225,632 |
| 2024-25 | 2,383,503,416 | 50.7% | 1,537,712,429 | 845,790,987 |
| 2023-24 | 1,581,372,348 | 142.0% | 1,093,866,150 | 487,506,197 |
| 2022-23 | 653,456,072 | 85.3% | 493,843,861 | 159,612,211 |
| 2021-22 | 352,724,215 | -35.9% | 181,842,405 | 170,881,811 |
| 2020-21 | 550,162,219 | -32.5% | 342,881,355 | 207,280,863 |

*Estimate

HISTORY:
Within the Department of Financial Services, the Division of Treasury manages a fixed-income investment portfolio for the state that includes General Revenue and trust fund balances. The Treasury Investment Portfolio is made up of internally and externally managed securities. Approximately 50 percent of the portfolio is invested in securities with maturities of three years or less. These short-term fixed-income investments are internally managed by the Treasury. The remainder is composed of intermediate-term fixed-income investments with maturities ranging from five to fifteen years. This portion of the portfolio is externally managed. The portfolio is managed with liquidity and capital preservation as primary goals in order to ensure funds are available to spend when needed. Agencies may request that trust fund balances be invested with earnings accruing to the trust fund. Otherwise, earnings accrue to the General Revenue Fund. Section 17.61, F.S., provides that earnings on specific trust funds accrue to the General Revenue Fund.

BASE AND RATE:
Not applicable.

DISPOSITION:
Earnings on certain trust fund balances accrue to the trust funds. Otherwise, earnings accrue to the General Revenue Fund.

OTHER STATES: All states have policies in place to invest cash balances.

# ESTATE TAX

FLORIDA STATUTES: Chapter 198

ADMINISTERED BY: Department of Revenue

SUMMARY:
The estate tax still exists in law and is imposed on an estate for the privilege of transferring property at death. It is limited to the amount allowable as a credit against federal estate tax for state death taxes paid, and does not increase the total amount of tax paid by the estate. A federal change effectively eliminated Florida's estate tax after December 31, 2004. Previously, federal law allowed a credit for state death taxes on the federal estate tax return. The federal government then changed the credit to a deduction for state estate taxes. Since Florida's estate tax was based solely on the federal credit, estate tax was no longer due on estates of decedents that died on or after January 1, 2005. However, the personal representative of an estate may still need to complete certain forms to remove the automatic Florida estate tax lien.

If the federal estate tax is changed to incorporate a credit for state taxes at some future point, the following amounts would be collected:

| Fiscal Year | (in millions) |
|---|---|
| 2025-26 | $3,029.23 |
| 2026-27 | $3,165.76 |
| 2027-28 | $3,200.90 |
| 2028-29 | $3,285.13 |
| 2029-30 | $3,392.70 |
| 2030-31 | $3,502.70 |
| 2031-32 | $3,614.46 |
| 2032-33 | $3,735.31 |
| 2033-34 | $3,867.13 |
| 2034-35 | $4,003.39 |

REVENUE:

| Fiscal Year | Total Collections | Annual Change % |
|---|---|---|
| 2024-25 | 0 | 0.00% |
| 2023-24 | 0 | 0.00% |
| 2022-23 | 0 | -100.00% |
| 2021-22 | 3,924 | 100.00% |
| 2020-21 | 0 | 0.00% |
| 2019-20 | 0 | -100.00% |
| 2018-19 | 2,771 | -99.86% |

# ESTATE TAX

HISTORY:
Prior to 1924, there were no restrictions on the imposition of a Florida estate or inheritance tax. In 1924, the Florida electorate adopted an amendment to the constitution to prohibit the imposition of inheritance and income taxation. In 1930, the electorate adopted a constitutional amendment allowing the imposition of estate or inheritance taxes on residents to the extent such tax was allowed to be credited against a similar tax imposed by the federal government. In 1984, the date for filing and paying the Florida estate tax was changed to coincide with the date for filing and paying the federal estate tax. In 1991, the Legislature imposed a late penalty of 5 percent of any unpaid tax for the first 30 days and 10 percent of any unpaid tax due for more than 30 days. In 1992, this late penalty was increased to 10 percent for the first 30 days and 20 percent for more than 30 days. The federal Economic Growth and Tax Relief Reconciliation Act of 2001 phased out the federal estate tax and repealed the state credit against the federal tax by 2005. This law, which was to expire on January 1, 2011, was modified in December 2010 and extended for two years. Under the revised law, the federal estate tax was set at 35 percent with a $5 million exemption, with the exemption increasing with inflation. There is, however, no credit for state taxes. As a result, 30 states resumed collecting estate taxes. On January 1, 2013, the American Taxpayer Relief Act of 2012 was passed which permanently established an exemption of $5 million (with an annual inflation adjustment) per person, with a maximum tax rate of 40% for the year 2013 and beyond. The Tax Cuts and Jobs Act (H.R. 1), which became law on December 22, 2017, doubled the estate tax exclusion amount from $5.6 million (the then-current inflation adjusted amount) to $11.2 million for 2018. In 2025, the exclusion amount increased to $13.99 million. Federal legislation, enacted July 4, 2025, made these increased exemption levels permanent and raised the exemption to $15 million per individual starting in 2026, indexed for inflation. Twelve states and the District of Columbia still have an estate tax. For the ones that conform to the federal estate tax, doubling the threshold could mean less revenue.

BASE AND RATE:
An estate tax is imposed on the estate for the privilege of transferring property at death. The tax on estates of resident decedents is equal to the amount allowable as a credit against federal estate tax for state death taxes paid, less any amount paid to other states. Thus, the Florida estate tax on resident decedents will not increase the total tax liability of the estate. The tax on estates of nonresident decedents is equal to the amount allowable as a credit against federal estate tax for state death taxes paid multiplied by the ratio of the value of the property taxable in Florida over the value of the entire gross estate.

DISPOSITION:
General Revenue Fund

OTHER STATES:
Before the enactment of the federal Economic Growth and Tax Relief Reconciliation Act of 2001, which phases out the federal estate tax and repeals the state credit against the federal tax, all 50 states plus the District of Columbia imposed an estate tax at least to the extent of the credit allowed against the federal estate tax, and some imposed additional estate and inheritance taxes. Since the enactment of the federal law, however, many states have amended their estate tax laws. As of 2025, Connecticut, Hawaii, Illinois, Maine, Maryland, Massachusetts, Minnesota, New York, Oregon, Rhode Island, Vermont, Washington, and the District of Columbia all levy estate taxes.

Recent Changes to State Estate Taxes:

- Connecticut matches the federal exemption amount at $13.99 million for 2025.
- Massachusetts increased its estate tax exemption from $1 million to $2 million effective January 1, 2023, through legislation signed October 4, 2023. A second amendment on September 16, 2024, changed the treatment of real and tangible personal property located outside of Massachusetts.
- New York's estate tax exemption increased to $7.16 million for 2025.
- Maryland passed legislation in 2014 that increased its estate tax exemption amount over time. In 2019 it became linked with the federal exemption amount.
- Hawaii restored its state estate tax effective May 1, 2010, with an exemption set at $5.49 million.
- Washington passed legislation in June 2013 that: (1) increased the top rate by 1 percentage point; (2) indexed the value of the exempt amount to the Seattle MSA CPI; (3) allowed a deduction of up to $2.5 million for qualified family-owned business interests; and (4) required a marital QTIP trust to be subject to the estate tax upon the second spouse's death.

States That Have Repealed Estate Tax:

- Arkansas: Simultaneous with the phase-out of the state credit
- Delaware: Beginning of 2018
- Georgia: April 28, 2014 (had been inactive since the phase-out of the credit)
- Indiana: January 1, 2022
- Kansas: January 1, 2010
- New Jersey: January 2018
- North Carolina: July 2013 (retroactive to January 1, 2013)
- Ohio: January 1, 2013
- Oklahoma: January 1, 2010
- Tennessee: January 1, 2016
- Virginia: July 1, 2007
- Wisconsin: January 1, 2008

States With Inheritance Tax:

As of 2025, Kentucky, Maryland, Nebraska, New Jersey, and Pennsylvania levy inheritance taxes. Maryland is the only state that levies both an estate tax and an inheritance tax. Nebraska's inheritance tax is levied at the county level.

Iowa fully phased out its inheritance tax as of January 1, 2025, after gradually reducing rates from 2021 through 2024.

# GROSS RECEIPTS TAX

FLORIDA STATUTES: Chapter 203; Constitution Article XII Section 9(a)

ADMINISTERED BY: Department of Revenue

SUMMARY:
The gross receipts tax is imposed at the rate of 2.5 percent on the gross receipts of sellers of utility services (electricity, and natural or manufactured gas). In addition, a rate of 2.6 percent is levied on sales of electricity to non-residential customers not otherwise exempt. Finally, a rate of 2.52 percent is levied on the gross receipts of sellers of communications services (CST). This is comprised of a tax rate of 2.37 percent on the cable, wireless, landline and miscellaneous services tax bases, and an additional tax rate of 0.15 percent that is applied to the same tax bases, excluding landlines in residential households. The dollars generated by both of these tax rates, plus 20.7 percent of total direct-to-home satellite collections, comprise total gross receipts CST collections.

REVENUE:

| Fiscal Year: | Collections: | Annual Change %: |
|---|---|---|
| 2026-27* | $ 1,402,930,000 | -0.73% |
| 2025-26* | $ 1,414,480,000 | -0.82% |
| 2024-25 | $ 1,379,400,000 | 2.54% |
| 2023-24 | $ 1,404,425,510 | -1.78% |
| 2022-23 | $ 1,374,993,538 | 2.14% |
| 2021-22 | $ 1,206,443,354 | 13.97% |
| 2020-21 | $ 1,109,420,048 | 8.75% |

* Estimate

HISTORY:
A tax on gross receipts of public utility firms was enacted in 1931. The rate was set at $1.50 per $100 of receipts and remained unchanged until 1990. In 1963, collections were earmarked by constitutional amendment for funding capital outlay needs of the universities and junior colleges and for bonds. A 1974 amendment to the state constitution opened up use of these funds to include public schools and authorized the issuance of general obligation bonds in lieu of the former authorization for revenue bonds only. In 1990, the 1.5 percent tax rate was increased to 2.0 percent, again to 2.25 percent on July 1, 1991, and to 2.5 percent on July 1, 1992. In addition, the tax base was expanded to include electricity produced by most cogeneration or small power producers that is in excess of electricity produced and not taxed during the 12-month period ending June 30, 1990. In 1991, the definition of "electricity" was clarified for the purpose of the tax base, and the exemption from gross receipts tax for separately stated tax for telecommunications was repealed. SJR 2H was placed on the November 1992 ballot by the 1992 Legislature and adopted by the electorate. The amendment removed the July 1, 2025, ending date for the bonding of gross receipts taxes, permanently allowing such bonding of revenues, but with a maturity date on the bonds not to exceed 30 years from date of issuance. In 1998, Internet access fees were exempted from gross receipts and other taxes. Effective October 1, 2001, the definition of telecommunications was changed as part of a communications tax overhaul. The new definition includes cable and direct satellite television, and the rate was decreased from 2.5 percent to 2.37 percent. The gross receipts tax on communications services is remitted as a component of the communications services tax, which includes sales tax and local government tax components as well. Chapter 2003-17, L.O.F. (SB 1430), exempted the sale of manufactured gas to an electric utility from the gross receipts tax and Chapter 2003-254,

L.O.F. (SB 1176), exempted homes for the aged from the gross receipts tax on communications services. Chapter 2010-149, L.O.F. (SB 2024), reduced the sales tax rate imposed on communication services that originate and/or terminate in Florida from 6.80 percent to 6.65 percent. The legislation also amended s. 203.01, F.S., to increase the gross receipts tax rate on communications services from 2.37 percent to 2.52 percent. Chapter 2014-38, L.O.F. (HB 5601), reduced the sales tax rate for charges for electrical power by 2.65 percent and increased the gross receipts tax rate for certain purchases of electricity to 2.6 percent.

BASE AND RATE:
A tax of 2.5 percent is imposed on the gross receipts from the sale of electricity, gas, and cogenerated electrical power transmission, and a tax of 2.52 percent is imposed on the sale of communications services. An additional 2.6 percent tax is levied on commercial electricity. Both privately held and publicly held corporations are required to pay the tax. Firms purchasing services for resale are granted a credit equal to the tax paid by their supplier. Gross receipts from the sale of gas used to generate electricity are exempt from the tax. Tax payments are due monthly. The gross receipts tax on communication services is remitted as a component of the communications services tax. Late penalties range from 10 percent to 50 percent of unpaid taxes.

DISPOSITION:
Public Education Capital Outlay and Debt Service Trust Fund

OTHER STATES:
A few states, such as Georgia and Indiana, tax public utilities the same as other businesses. Most states tax them by special forms of taxation, of which the most common is a gross receipts tax. In some states, gross receipts taxes are combined with other measures. Some special taxes on utilities are for revenue; some are simply sufficient to pay regulatory costs. Gross receipts tax rates vary from less than 1 percent to as much as 10 percent. Frequently, different rates are applied to nearly every type of utility. The Florida rate is low in comparison with states basing their tax on gross receipts; however, utilities are also subject to the Florida corporate income tax.

| | 2026-27 (millions) |
|---|---|
| VALUE OF RATE CHANGE: | |
| Value of 0.1 percent levy on the current utilities base | $33.3 |
| | |
| VALUE OF EXEMPTIONS: | |
| Sale of LP Gas – residential (s. 203.012) | $8.3 |
| Sale of LP Gas – nonresidential (s. 203.012) | $6.6 |
| Sale of natural or manufactured gas used to generate electricity (s. 203.01(3)) | $138.5 |
| Sale of communications services to governments, tax-exempt religious or educational organizations, and homes for the aged (s. 202.125) | $60.6 |
| | |
| VALUE OF EXEMPTIONS ON SALES TAX BASE OF ELECTRICITY: | |
| Partial Exemption for production cost of cogenerated energy | $16.3 |
| Wheeling or transmission of electricity | $3.3 |
| Purchases of power & heating fuels by residential households | $349.5 |
| Electricity used in manufacturing | $27.8 |
| Electricity used or dissipated in the transmission of electricity | $15.3 |
| | |
| ALTERNATIVE BASES: | |
| Water Services | $92.2 |
| Sewer Services | $86.4 |
| Solid Waste Services | $90.0 |

# HEALTH CARE ASSESSMENTS

FLORIDA STATUTES: Sections 395.701 and 395.7015

ADMINISTERED BY: Agency for Health Care Administration

SUMMARY:
Health care assessments are imposed on net operating revenues of hospitals at the rate of 1.5 percent for inpatient services and 1.0 percent for outpatient services. Assessments are imposed also at the rate of 1.0 percent on net operating revenues of ambulatory surgical centers and clinical laboratories.

REVENUE:

| | | |
|---|---|---|
| 2026-27* | 946,514,832 | 0.00% |
| 2025-26* | 946,514,832 | 0.00% |
| 2024-25 | 946,514,832 | 11.32% |
| 2023-24 | 850,230,329 | -1.04% |
| 2022-23 | 859,183,009 | 17.36% |
| 2021-22 | 732,113,470 | 0.06% |
| 2020-21 | 731,638,810 | 6.58% |
| 2019-20 | 686,493,312 | 5.28% |

* Estimate

HISTORY:
The assessment on hospitals was enacted in 1984 as part of the Health Care Consumer Protection and Awareness Act (Chapter 84-35, L.O.F.). The assessment was imposed on all hospitals other than those operated by the Department of Health and Rehabilitative Services (now, the Department of Children and Families) or the Department of Corrections, at the rate of 1.5 percent of annual net operating revenues. The Act created the Public Medical Assistance Trust Fund and specified its use to reimburse hospitals for uncompensated care provided to indigent patients. In July 1991, the assessment base was expanded to apply to ambulatory surgical centers, clinical laboratories, freestanding radiation therapy centers, and freestanding diagnostic imaging centers. In July 1992, an assessment was imposed on nursing home facilities in the amount of $1.50 for each patient day provided by the nursing home. The nursing home assessment was repealed on May 1, 1993. In 1998, outpatient radiation therapy services provided by a hospital were exempted from the assessment as well. Effective July 1, 2000, the assessment rate for outpatient services provided by hospitals was reduced from 1.5 percent to 1.0 percent.

The Second Judicial Circuit found the ambulatory assessment to be an unconstitutional income tax. In 2003, on appeal, the parties entered into a court-approved settlement agreement by which the ambulatory portion of the existing monies in the Public Medical Assistance Trust Fund was distributed, and the Agency for Health Care Administration (AHCA) discontinued the assessments. In 2003, a number of hospitals brought separate administrative actions challenging AHCA's implementation of those portions of Chapter 2000-256, L.O.F. (HB 2339), enacting the assessment rate changes currently in effect. A Final Order from the Division of Administrative Hearings supporting the hospitals was issued during calendar year 2006 and was later upheld by the First District Court of Appeals. Assessments subject to the Order were returned to providers during Fiscal Year 2007-08.

# HEALTH CARE ASSESSMENTS

BASE AND RATE:
The annual net operating revenue is determined by AHCA based on the health care entity's prior fiscal year financial reports. The assessment is payable in equal quarterly amounts on or before the first day of each calendar quarter of the assessment year.

DISPOSITION:
Public Medical Assistance Trust Fund

OTHER STATES:
As of FY 2017-18, health care provider taxes are levied in 49 states and the District of Columbia (DC); only Alaska does not levy a tax. Such taxes generally are levied as a percentage of net revenue or as a bed tax per patient day. Of the 49 states and DC, 42 levy assessments on hospitals, 44 tax nursing homes, 36 tax intermediate care facilities for the developmentally disabled, and 13 tax managed care organizations.

| | 2026-27 (millions) |
|---|---|
| VALUE OF RATE CHANGE: | |
| Increase hospital inpatient assessment by an additional percentage point | $438.3 |
| Increase hospital outpatient assessment by an additional percentage point | $289.0 |

# HIGHWAY SAFETY FEES
# LATE CIVIL PENALTIES

FLORIDA STATUTES: Section 318.18(8)(a), F.S.

ADMINISTERED BY: Penalties are collected by the various clerks of court and remitted by the 10th of the following month to the Florida Department of Revenue for deposit into the Highway Safety Operating Trust Fund and the General Revenue Fund.

SUMMARY: Section 318.18(8)(a), F.S., provides for an additional $16 civil penalty for failure to comply with requirements or pay specified penalties within 30 days.

REVENUE:

| Fiscal Year | Total Collections | Annual Change % | General Revenue | Highway Safety Operating Trust Fund |
|---|---|---|---|---|
| 2026-27* | 15,207,500 | 1.31% | 6,178,047 | 9,029,453 |
| 2025-26* | 15,011,519 | -4.96% | 6,098,430 | 8,913,089 |
| 2024-25 | 15,794,448 | 3.29% | 6,130,124 | 9,664,324 |
| 2023-24 | 15,290,799 | -1.93% | 5,842,938 | 9,447,861 |
| 2022-23 | 15,591,227 | 2.99% | 6,274,762 | 9,316,465 |
| 2021-22 | 15,139,203 | 20.87% | 6,094,347 | 9,044,856 |
| 2020-21 | 12,524,916 | -17.55% | 4,903,940 | 7,620,975 |

* Estimate

HISTORY:
The civil penalty was originally established by Chapter 86-154, L.O.F., at a rate of $10 per violation. Chapter 87-108, L.O.F., increased the amount to $12. Chapter 2009-14, L.O.F. (SB 40-A), further increased the amount to the current $16.

BASE AND RATE:
$16 per violation

DISPOSITION:
$9.50 of additional $16 civil penalty for failure to comply with court requirements or pay specified penalties within 30 days is deposited in the Highway Safety Operating Trust Fund, and $6.50 is deposited in the General Revenue Fund.

OTHER STATES: The National Center for State Courts provides comparative information regarding state traffic laws. However, the center does not provide data regarding the mechanism used by states to encourage timely payment of civil traffic penalties. According to the Department of Highway Safety and Motor Vehicles, most, if not all, states provide some mechanism for encouraging the timely payment of civil traffic penalties.

| | 2026-27 (millions) |
|---|---|
| VALUE OF RATE CHANGE: | |
| Value of 10 percent rate change | $1.5 |

# HIGHWAY SAFETY FEES
# TRAFFIC CAMERAS

FLORIDA STATUTES: Sections 316.0083(3), 318.18(15)(a)2. and 3., F.S., & 318.18(3)(d)1., F.S.

ADMINISTERED BY: Department of Highway Safety and Motor Vehicles, Department of Revenue, clerks of the court, and counties and municipalities operating traffic infraction detector programs.

SUMMARY:
Sections 316.0083(3) and 318.18(15)(a)2. and 3., F.S., provide for a civil penalty of $158 to be imposed on the owner of a motor vehicle when a traffic infraction detector has indicated that the driver has failed to stop at a traffic signal and the resulting traffic ticket has been issued by a state or local traffic enforcement officer. Notices of violations are issued by local governments and penalties are collected by those local governments when paid within 60 days of notification. Vehicle owners who do not pay on time or request a local hearing receive a traffic citation which must be paid to the clerk of the court in the county in which the violation occurred. Local governments and the clerks of court remit the state portion of revenues to the Florida Department of Revenue. Section 318.18(3)(d)1., F.S. provides for a civil penalty of $100 to be imposed on the owner of a motor vehicle when speeding in a school zone enforced by traffic infraction detection equipment. The fine is to be distributed as follows: $20 into the General Revenue Fund, $77 to the county/city, and $3 into Department of Law Enforcement Criminal Justice Standards and Training Trust Fund.

REVENUE:

| Fiscal Year | Total Collections | Annual Change % | General Revenue | Department of Health Emergency Medical Trust Fund | Brain & Spinal Cord Injury Trust Fund | Department of Law Enforcement Criminal Justice Standards and Training Trust Fund |
|---|---|---|---|---|---|---|
| 2026-27* | 80,567,812 | 1.80% | 68,273,918 | 8,040,536 | 2,609,181 | 1,644,177 |
| 2025-26* | 79,143,504 | 14.56% | 67,069,249 | 7,888,019 | 2,559,688 | 1,626,547 |
| 2024-25 | 69,085,312 | 3.32% | 58,437,358 | 7,372,883 | 2,392,525 | 882,545 |
| 2023-24 | 66,866,495 | 4.06% | 56,411,418 | 8,042,367 | 2,412,710 | 0 |
| 2022-23 | 64,254,854 | -3.23% | 54,211,064 | 7,733,718 | 2,310,072 | 0 |
| 2021-22 | 66,396,321 | 19.63% | 56,212,208 | 7,833,925 | 2,350,188 | 0 |
| 2020-21 | 55,500,550 | -8.25% | 46,792,630 | 6,698,399 | 2,009,521 | 0 |

* Estimate

HISTORY:
Chapter 2010-80, L.O.F. (HB 325), establishing the Mark Wandall Traffic Safety Program and providing for the use of traffic infraction detectors, was approved by the 2010 Legislature and amended by Chapter 2013-160, L.O.F. (HB 7125), approved by the 2013 Legislature. Chapter 2023-174, L.O.F. (HB 657) establishing enforcement of school zone speed limits via traffic infraction detection equipment.

BASE AND RATE:
The penalty for failure to stop at a traffic signal is $158 per violation. The penalty for excessive speed in a school zone is $100 per violation.

DISPOSITION:
When a red light violation is issued by the Department of Highway Safety and Motor Vehicles, the Department of Revenue deposits $100 into the General Revenue Fund, $10 into the Department of Health Emergency Medical Trust Fund, and $3 into the Brain and Spinal Cord Injury Trust Fund. In addition, the

Department of Revenue or clerk of court remits $45 to the local jurisdiction issuing the violation. To date, the department has not initiated any civil penalties.

When a red light violation is issued by a local government, the Department of Revenue deposits $70 into the General Revenue Fund, $10 into the Department of Health Emergency Medical Trust Fund, and $3 into the Brain and Spinal Cord Injury Trust Fund. In addition, the local government retains, or the clerk of court remits, $75 to the local jurisdiction issuing the violation.

When a school speed violation is detected by traffic infraction detection equipment, the Department of Revenue deposits $20 into the General Revenue Fund and $3 into the Department of Law Enforcement Criminal Justice Standards and Training Trust Fund. In addition, the local government retains, or the clerk of court remits, $77 to the local jurisdiction issuing the violation.

OTHER STATES:
According to the Insurance Institute for Highway Safety, 343 communities in 22 states across the country currently participate in a red light camera program.

| | 2026-27 (millions) |
|---|---|
| VALUE OF RATE CHANGE: | |
| The value of a 10 percent increase in the red light penalty | $6.8 |
| The value of a 10 percent increase in the school speed penalty | $1.3 |

# HOTEL AND RESTAURANT LICENSES AND FEES

FLORIDA STATUTES: Sections 509.251, 509.302, 509.102, 399.01, 399.03, and 399.07

ADMINISTERED BY: Department of Business and Professional Regulation, Division of Hotels and Restaurants

SUMMARY:
Apartments, hotels, motels, rooming houses, timeshare projects, vacation rentals, and food service establishments must pay an annual license fee to the Department of Business and Professional Regulation to cover the cost of regulation. The Department is authorized by statute to establish rules to implement the fees. The fee is based on the number of units for public lodging or the number of seats or services for food service establishments.

REVENUE:

| Fiscal Year | Collections | Annual Change % |
|---|---|---|
| 2026-27* | 41,312,777 | 1.99% |
| 2025-26* | 40,507,394 | 1.31% |
| 2024-25 | 39,982,538 | -2.96% |
| 2023-24 | 41,203,767 | 6.51% |
| 2022-23 | 38,686,495 | 6.38% |
| 2021-22 | 36,367,156 | 5.09% |
| 2020-21 | 34,606,904 | 10.20% |

* Estimates

HISTORY:
Beginning in 1899, sanitary inspection of hotels and restaurants was assigned to the Board of Health and a $2 fee was prescribed. In 1913, hotel and restaurant inspections were taken over by a Hotel and Restaurant Commissioner. Fee changes have been made at frequent intervals by the Division of Hotels and Restaurants. From 1953 to 1975, all collections were deposited into the General Revenue Fund, from which administrative costs were appropriated. In 1975, an increase in fees was enacted and disposition of funds was changed to the Hotel and Restaurant Trust Fund. The $3 hospitality education fee was increased in 1990 to "no more than $6" and is to be "included in" instead of "in addition to" each lodging and food service license fee. In 1992, s. 559.925, F.S., providing for the licensure of receptive tour operators, was repealed. In 1993, the caps on various fees were increased. In 1996, the Legislature required that all hospitality education fees be used for the sole purpose of funding the Hospitality Education Program. Chapter 2001-186, L.O.F. (SB 336/190), increased the caps for various fees related to elevator safety. Chapter 2002-299, L.O.F. (SB 1808), increased the Hospitality Education Fee cap from $6 to $10, and excluded certain fees from the maximum aggregate license fee for public food service establishments. Chapter 2012-165, L.O.F. (HB 249), deregulated all rooming houses and any apartment buildings inspected by the U.S. Department of Housing and Urban Development that are designated primarily as housing for persons age 62 or older. Chapter 2014-721, L.O.F. (HB 807) created a new public lodging establishment classification for Timeshare Projects which also separated timeshares from vacation rentals. Chapter 2020-160, L.O.F. (HB 1193) created s. 509.102, F.S., defining mobile food dispensing vehicle. Chapter 2023-48, L.O.F. (SB 752) expanded s. 509.102, F.S, to include the definition of temporary commercial kitchen. As a result of Chapter 2023-48, L.O.F, a fee was established for temporary commercial kitchens.

# HOTEL AND RESTAURANT LICENSES AND FEES

BASE AND RATE:
Public Lodgings: Apartments - basic fee - transient unit - $125, non-transient unit - $95, plus additional amount based on number of units. Single unit (transient only) - $10; 2 (transient) or 5 (non-transient) to 25 units - $20; 26 to 50 units - $35; 51 to 100 units - $50; 101 to 200 units - $75; 201 to 300 units - $105; 301 to 400 units - $135; 401 to 500 units - $160; over 500 units - $190. Hotels & Motels - basic fee $170, plus additional amount based on number of units, same as apartments, ranging from $10-$190. Single and Group Vacation Rentals and Timeshare Projects - basic fee $150, plus additional amount based on number of units, same as hotels, motels, and rooming houses. Collective Vacation Rentals and Timeshare Projects- basic fee $150, plus $10 per unit up to $1,000 maximum fee (175 units).

Food Service: Each permanent seating establishment $185, plus additional amount according to seats: 1 to 49 seats - $55; 50 to 149 - $65; 150 to 249 - $85; 250 to 349 - $105; 350 to 499 - $125; 500 or more seats - $145. Theme park food carts - base fee $185, plus additional amount based on number of carts like seating, ranging from $55 to $145. Permanent nonseating Establishments - $220. Mobile food dispensing vehicle licenses - base fee $185, plus service type fee $135. Temporary commercial kitchen – base fee $185, plus service type fee $135. Caterers - base fee $185, plus service type fee $55. Vending machines - base fee $10. Temporary food service licenses – 1 to 3 day events - $77; 4 to 30 day events - $90; annual license - $425. A fee of approximately 5 percent is added to each food service license fee for epidemiological services provided by the Department of Health for food borne illness investigations. Except for annual temporary event licenses, aggregate fees per establishment may not exceed $400.

Hospitality Education Fee: Imposed on each lodging and food service establishment - $10.

Elevator Licensing Fees: Basic fee of $75 per device. Certificate of competency fee for elevator professionals is $50 per year.

DISPOSITION:
Hotel and Restaurant Trust Fund.

OTHER STATES:
It is common among the states to inspect and regulate hotels, motels, restaurants, and other food service establishments, by either state or local authority. This may be done by the health authorities or by some specially appointed agency.

# HUNTING AND FISHING LICENSES

FLORIDA STATUTES: Sections 379.353 - 379.357 and 379.361 - 379.377

ADMINISTERED BY: Fish and Wildlife Conservation Commission

SUMMARY:
Hunting and fishing in Florida generally requires a license unless an exemption applies. Permits are also required to hunt and fish certain species or seasons. Florida licenses and permits are issued by the Fish and Wildlife Conservation Commission (FWC). They may be purchased from tax collectors, or for an additional fee, from retail vendors and via the telephone and Internet. License fees are set by statute and are based on intended activity, duration of the license, location, and residency status. License fees support fish and wildlife resource conservation including species/habitat management, research, and law enforcement, and provide hunting and fishing opportunities.

REVENUE:

| Fiscal Year | Total Collections | Annual Change % | State Game Trust Fund | Marine Resources Conservation Trust Fund | Dedicated License Trust Fund | Lifetime Fish and Wildlife Trust Fund |
|---|---|---|---|---|---|---|
| 2026-27* | 69,817,000 | 1.32% | 24,311,324 | 39,270,750 | 2,297,078 | 3,937,848 |
| 2025-26* | 68,910,000 | 1.40% | 23,994,462 | 38,761,875 | 2,267,139 | 3,886,524 |
| 2024-25 | 67,959,173 | -26.34% | 23,830,173 | 38,036,000 | 2,209,225 | 3,883,775 |
| 2023-24 | 92,257,731 | 24.45% | 24,042,438 | 40,064,467 | 2,816,595 | 25,334,231 |
| 2022-23 | 74,130,018 | 2.20% | 25,914,350 | 41,665,126 | 2,384,827 | 4,165,715 |
| 2021-22 | 72,533,304 | -0.04% | 24,931,443 | 40,762,731 | 2,527,541 | 4,311,589 |
| 2020-21 | 72,565,751 | 15.60% | 25,486,254 | 40,890,621 | 2,293,129 | 3,895,747 |

* Estimate

HISTORY:
Florida enacted a law requiring recreational hunting and freshwater fishing licenses in 1929. Recreational license and/or permit fees were increased in 1961, 1963, 1977, 1979, 1985, 1989, 1990, 2007, and 2009. There have been many new types of licenses created over the years, including combination hunting and fishing licenses established in 1985 and a resident sportsman license created in 1987. Beginning in 1989, the Legislature required a saltwater fishing license for the first time. In 1990, persons who operated charter boats (vessels carrying customers who fish for a fee) were required to obtain a saltwater vessel license (customers fishing from a licensed charter boat are exempted from having to obtain a personal recreational saltwater fishing license). Resident lifetime and 5-year hunting and fishing licenses were created in 1991. A special recreational spiny lobster license was created in 1993 (it was repealed during the 2014 Session in Chapter 2014-136, L.O.F. (HB 955)). Chapter 98-333, L.O.F. (HB 3673), eliminated the resident saltwater $10/10-day license; and reduced the resident 5-year hunting license fee from $270 to $55 (and excluded all permits from the license, requiring the licensee to buy permits individually).

In 1999, the Legislature implemented the constitutional amendment that created the Fish and Wildlife Conservation Commission from the former Game and Fresh Water Fish Commission, Marine Fisheries Commission, and marine programs from the Department of Environmental Protection; all hunting, freshwater fishing, and saltwater fishing licenses were transferred to FWC. Chapter 2000-362, L.O.F. (SB 386), created the following annual combination residential licenses: hunting, freshwater, and saltwater fishing; and freshwater and saltwater fishing. Chapter 2005-45, L.O.F. (HB 395), created the Military Gold Sportsman's license with a fee of $18.50 (for residents who are active or retired members of the U.S. Armed Forces, U.S. Armed Forces Reserves, National Guard, U.S. Coast Guard, or the U.S. Coast Guard Reserves). Chapter 2006-304, L.O.F. ( HB 471), created a $5 crossbow permit and,

accordingly, increased the annual fees of the Sportsman's license from $66 to $71 and the Gold Sportsman's license from $82 to $87. Chapter 2007-223, L.O.F. (HB 7173), established commercial license fees associated with the Blue Crab Effort Management Program, increased licenses fees for most recreational fishing and hunting licenses, created a nonresident recreational 3-day freshwater fishing license, and enabled FWC to solicit donations for youth hunting and fishing programs as a voluntary check-off at the time hunting and fishing licenses are sold. Chapter 2008-106, L.O.F. (SB 1286), provided for hunting and fishing license fees and vessel registration fees to be adjusted by the percentage change in the Consumer Price Index (CPI), starting in 2013 and every five years thereafter, unless otherwise provided by law; these provisions were repealed by Chapter 2013-56, L.O.F. (HB 5503).

Chapter 2009-86, L.O.F. (HB 1423), increased the following annual recreational permit fees, effective July 1, 2010: waterfowl permit from $3 to $5; resident turkey permit from $5 to $10; non-resident turkey permit from $100 to $125; snook permit from $2 to $10; and spiny lobster permit from $2 to $5. It also authorized an increase for the special use permit (to participate in limited entry hunting or fishing activities authorized by FWC) from $100 to $150 per day, or from $250 to $300 per week; and authorized an increase, from $25 to $30 per year, of the maximum fee for a management area permit to hunt or fish on land owned, leased, or managed by the FWC. The legislation also created a permit with a maximum fee of $5 per day or $30 per year for anyone to hike, camp, or otherwise engage in other outdoor recreational activities, except hunting or fishing, on management area lands; it also created a $5 annual deer permit.

Chapter 2009-65, L.O.F. (SB 1742), repealed the recreational saltwater shoreline exemption authorized for Florida residents; it required residents who saltwater fish from the shoreline or a structure fixed to the land to purchase a shoreline license at a cost of $7.50; the license is not required if they possess an annual saltwater fishing license or if they fall under an exemption.

Chapter 2010-146, L.O.F. (SB 1514), repealed the fee for the shoreline license created in 2009 (it did not repeal the requirement for the shoreline license).

Chapter 2012-95, L.O.F. (HB 7025), reduced the commercial blue crab/soft shell endorsement annual fee from $250 to $125.

Chapter 2013-194, L.O.F. (HB 333), exempted disabled veterans and active military from having to obtain a recreational hunting or fishing license when participating in a hunting or fishing special event whose organizing entity has obtained an FWC permit; this same legislation modified the restricted species criteria for certain veterans who wish to become commercial saltwater fishermen.

Chapter 2024-251, L.O.F. (HB 1329), provides fee exemptions for hunting, freshwater fishing and saltwater fishing licenses to any Florida resident who is a disabled veteran and honorably discharged, and certified by the United States Department of Veterans Affairs or by any branch of the United States Armed Forces as having a service-connected disability percentage rating of 50 percent or greater. Any license issued under this expanded fee exemption expires after five years and must be reissued, upon request, every five years thereafter.

BASE AND RATE:
Hunting/Game Licenses/Permits, annual unless otherwise specified: Licenses: Resident Hunting: $15.50; 5-year $77.50; Lifetime 4 years or younger $200, 5 - 12 years $350, 13 - 63 years $500. Non-Resident Hunting: $150; 10-day $45. Trapping: Resident $25; Non-Resident $25. Fur and hide dealers: Resident $100; Non-Resident $500. Private hunting preserve: $70; Commercial $500. Game farm $50. Permits, Resident or Non-Resident: Waterfowl $5; Deer $5; Management Area, for hunting and fishing, not to exceed $30; Management Area, for activities other than hunting and fishing, not to exceed $5/day

or $30/year; Muzzle-loading Gun $5; Archery $5; Crossbow $5. Turkey Permit: Resident $10; Non-Resident $125. Special use permits for limited entry hunting or fishing activities, not to exceed $150/day or $300/week.

Freshwater Fishing Recreational License, annual unless otherwise specified: Resident: $15.50; 5-year $77.50; Lifetime 4 years or younger $125; 5 - 12 years $225; 13 years or older $300. Non-Resident: 3-day $15.50; 7-day $28.50; annual $45.50.

Freshwater Fishing Commercial License, annual: Commercial Fishing: Resident $25; Non-Resident $100. Freshwater Fish Dealer: Resident (also allows Wholesale activities) $40; Non-Resident $100. Wholesale Fish Dealer, Non-Resident, $50 - $500. Fish Pond (greater than 20 acres) $3 per surface acre (allows those fishing to be exempt from freshwater fishing license requirement). Annual Gear license: Trawl Seines $50; Haul Seines $100. Lake Okeechobee Permits: Resident Trawl $50; Resident Haul Seines $100; Non-Resident or Alien Trawl or Haul Seines $500; Tag Fee (for sale of game fish commercially harvested from Lake Okeechobee) up to $.50/each.

Alligator Licenses, annual: Alligator Trapping: Resident $250; Non-Resident $1,000. Farming or Processing $250; Trapper or Farmer Agent $50.

Saltwater Fishing, Recreational Licenses/Permits, annual unless otherwise specified: Licenses: Resident $15.50; 5-year: $77.50; Shoreline: $0; Lifetime 4 years or younger $125; 5 - 12 years $225; 13 years or older $300. Non-Resident: 3-day $15.50; 7-day $28.50; annual $45.50. Special Recreational Spiny Lobster License $100. Fishing Pier $500 (allows those fishing to be exempt from saltwater fishing license requirement). Recreational Vessel $2,000 (allows those fishing to be exempt from saltwater fishing license requirement). Permits: Snook $10; Spiny Lobster $5; Tarpon tag $50/each.

Combination Recreational Licenses, annual unless otherwise specified: Hunting and freshwater fishing $31; Freshwater and saltwater fishing $31; Hunting, freshwater and saltwater fishing $46.50; Sportsman's $79; Sportsman's, 64 years and older $12 (lifetime); Gold Sportsman's $98.50; Military Gold Sportsman's $18.50. Resident Lifetime Sportsman: 4 years or younger $400; 5 - 12 years $700; 13 years or older $1,000. [1, 23]

Saltwater Fishing Licenses/Endorsements, Commercial (Saltwater Products), annual: Licenses: Individual Resident $50; Non-Resident $200; Alien $300. Individual/Vessel and all aboard: Resident $150; Non-Resident $600; Alien $900. Vessel and all aboard: Resident $100; Non-Resident $400; Alien $600. Oyster (Apalachicola Bay) Resident $100; Non-Resident $500. Live/dead bait/shrimp production, Tampa Bay, Resident $250, Non-Resident $1,000. Endorsements: Marine Life $75; Stone Crab $125 (plus trap certificate fees); Blue Crab/hard shell $125 (plus trap certificate fees); Blue Crab/soft shell $125 (plus trap certificate fees); Spiny Lobster $125 (plus trap certificate fees). Trap retrieval fee $10. St. Johns Seine Net permit $250. Gear License: purse seines $25.

[1] Executive Order Number 14-295, issued by Governor Rick Scott, authorized FWC to temporarily reduce the Lifetime Sportsman's License fee to $500 for residents aged 5 to 21 from November 24, 2014 through December 31, 2014.

[2] In December 2017, Governor Scott signed a proclamation that offered the Lifetime Sportsman's Licenses for Florida residents 17 years of age and younger at a 25% discount. The discount was available December 1, 2017 through December 31, 2017.

[3] Executive Order Number 23-209, issued by Governor Ron DeSantis, authorized FWC to provide 50% discounts to Floridians on the Gold Sportsman Hunting and Fishing Licenses from October 14, 2023 through January 13, 2024.

Wholesale and Retail Saltwater Products Dealer Licenses, annual: Wholesale/County: Resident $400; Non-Resident $600; Alien $1,100. Wholesale/State: Resident $550; Non-Resident $1,100; Alien $1,600. Retail: Resident $75 ($25 per additional location); Non-Resident $250 ($40 per additional location); Alien $300 ($65 per additional location).

Saltwater Charter Boat Licenses, annual: To carry more than 10 customers $800; to carry no more than 10 customers $400; to carry 6 or fewer customers $200.

Possessing, Selling, Exhibiting Captive Wildlife Licenses, annual: Personal Possession $0-140; Exhibition or Sale $50-$250; Venomous Reptile/Reptile of Concern $100.

DISPOSITION (into trust funds administered by FWC, unless otherwise noted):

Hunting, Freshwater Fishing, and Captive Wildlife Licenses, Fines, Forfeitures, and Administrative Fees: State Game Trust Fund.

Saltwater Fishing Licenses, Fines, Forfeitures, and Administrative Fees: Marine Resources Conservation Trust Fund; General Inspection Trust Fund and Florida Saltwater Products Promotion Trust Fund (administered by the Department of Agriculture and Consumer Services).

Lifetime Fishing and Hunting License Fees: Lifetime Fish and Wildlife Trust Fund.

5-Year Fishing and Hunting License Fees: Dedicated License Trust Fund.

OTHER STATES:
All states collect hunting and fishing license fees.

# INDIAN GAMING REVENUES

FLORIDA STATUTES: Chapter 285

ADMINISTERED BY: Section 16.712, Florida Statutes, designates the Florida Gaming Control Commission as the state compliance agency (SCA) and directs it to oversee the gaming compact with the Seminole Tribe of Florida.

SUMMARY:
Chapter 285 ratifies and approves the 2021 Compact between the Seminole Tribe of Florida and the State of Florida. The Compact recognizes the Tribe's right to offer certain Class III gaming and provides substantial exclusivity for such activities in exchange for a revenue sharing arrangement. The Compact allows the play of covered games at seven Seminole tribal facilities, which may be relocated, expanded, or replaced on Indian Lands as provided for in the compact.

REVENUE:

| Fiscal Year | Total Collections | Annual Change % | General Revenue | Indian Gaming Revenue Clearing Trust Fund |
|---|---|---|---|---|
| 2026-27* | 941,100,000 | 4.18% | 941,100,000 | 0 |
| 2025-26* | 903,300,000 | 10.52% | 903,300,000 | 0 |
| 2024-25 | 817,306,784 | 128.92% | 32,692,271 | 784,614,513 |
| 2023-24 | 357,030,045 | 100.00% | 179,331,914 | 177,698,131 |
| 2022-23 | 0 | -100.00% | 0 | 0 |
| 2021-22 | 187,500,000 | 100.00% | 187,500,000 | 0 |
| 2020-21 | 0 | 0.00% | 0 | 0 |

* Estimate

ADOPTED DISTRIBUTIONS:

| Fiscal Year | Total Collections | General Revenue | Florida Wildlife Corridor | Uplands Management & Invasive Species Removal | Resilient Florida | Water Protection & Sustainability |
|---|---|---|---|---|---|---|
| 2026-27* | 941,100,000 | 941,100,000 | 0 | 0 | 0 | 0 |
| 2025-26* | 903,300,000 | 903,300,000 | 0 | 0 | 0 | 0 |
| 2024-25 | 817,306,784 | 32,692,271 | 100,000,000 | 100,000,000 | 100,000,000 | 484,614,513 |
| 2023-24 | 357,030,045 | 179,331,914 | 46,276,147 | 46,276,147 | 46,276,147 | 38,869,689 |
| 2022-23 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2021-22 | 187,500,000 | 187,500,000 | 0 | 0 | 0 | 0 |
| 2020-21 | 0 | 0 | 0 | 0 | 0 | 0 |

HISTORY:
On November 14, 2007, the Governor and the Seminole Tribe of Florida executed a gaming agreement which was subsequently invalidated by the Florida Supreme Court. On August 28, 2009, and August 31, 2009, the Governor and the Tribe executed a replacement which was sent to the President of the Senate and the Speaker of the House of Representatives, but it was neither ratified nor approved by the Legislature. On April 7, 2010, the Governor and the Tribe executed a third agreement that was ratified by the Legislature as part of Chapter 2010-29, L.O.F. (SB 622), and approved by the United States Secretary of the Interior.

The first ratified Compact (referred to as the 2010 Compact) had a term of 20 years, which began the first day of the month following the publication of the notice of approval in the Federal Register (July 6, 2010), making it effective August 1, 2010. Based on this, the expiration date would have been July 31, 2030. An exception was made to the general expiration for certain named banking or banked card games (including baccarat, chemin de fer, and blackjack, but excluding roulette, craps, roulette-styled games, and craps-styled games); this specific authorization was set to expire after five years.

The 2010 Compact authorized play of covered games at seven Seminole tribal gaming facilities. The games included slot machines at all seven facilities and banked card games at five of the seven facilities. As part of this authorization, the Tribe was granted partial but substantial exclusivity for both the play of banked card games and the operation of slots in counties other than Broward and Miami-Dade. In exchange, the Tribe agreed to a revenue sharing arrangement with the State. The Compact provided that once the authorization for banked card games expired, revenue share payments from all banked card games and all Broward activity would cease. It also provided that the Tribe had 90 days, referred to as a grace period, to cease the operation of banked card games. The authorization for banked card games expired on July 31, 2015, and the grace period ended October 31, 2015. Beginning in November 2015 and running through July 2017, revenue sharing associated with banked card games was not included in the state's official revenue forecasts. The Revenue Estimating Conference met in August 2017 where it took two actions that affected the treatment of past and future receipts. First, based on the Settlement Agreement and Stipulation entered into between the Seminole Tribe of Florida and the State of Florida in July 2017, the payments associated with banked card games that the state had held in reserve ($233.8 million) since November 2015 were released. Of the total, $226.8 million belonged exclusively to the State; the remainder was distributed to local governments pursuant to s. 285.710, Florida Statutes. Second, all future revenue share payments, including those formerly placed in reserve, were treated as nonrecurring revenues since continuation of these payments depended on actions by the State and the Seminole Tribe that could not be anticipated with sufficient certainty. In this regard, the Settlement Agreement and Stipulation required that "...the state takes aggressive enforcement action against the continued operation of banked card games, including Designated Player Games that are operated in a banked game manner..." during a specified Forbearance Period. The original Forbearance Period ended March 31, 2018; however, an amendment to the Settlement Agreement was signed on April 18, 2018, effectively extending the Forbearance Period to May 31, 2019. After making its April 2019 payment, the Tribe ceased all revenue sharing with the State. The Revenue Estimating Conference met in July 2019 where it zeroed out the revenue forecast and projected a remaining $7.2 million local distribution in March of 2020, which was related to a prior State liability.

Florida voters approved a constitutional amendment at the 2018 General Election (Amendment 3) which created Article X, s. 30 of the Florida Constitution. This amendment made citizen's initiatives the exclusive method of authorizing casino gambling (as defined in the amendment), with an exception made for gaming compacts for the conduct of casino gambling on tribal lands.

The Governor and the Seminole Tribe of Florida signed a new Compact on April 23, 2021, with an amendment on May 17, 2021. It was subsequently ratified in Special Session as part of Chapter 2021-268, L.O.F. (CS/SB 2-A), which was approved by the Governor on May 25, 2021. The first part of the amendment removed a reference to online casino gambling (or other casino-style gaming) that broadly referenced all types of covered games. The original provision was dependent on the results of future good faith negotiations that were to occur within 36 months after the effective date of the Compact. The second part of the amendment addressed the initiation of sports betting no earlier than October 15, 2021.

The legislation required that, "Upon receipt of an act ratifying a tribal-state compact, the Secretary of State shall coordinate with the parties to the compact to formally submit a copy of the executed compact and the ratifying act to the United States Secretary of the Interior for his or her review and approval, in

accordance with 25 U.S.C. s. 2710(d)(8).” On August 11, 2021, the Department of Interior, Bureau of Indian Affairs, published a notice entitled “Indian Gaming; Approval by Operation of Law of Tribal-State Class III Gaming Compact in the State of Florida” in the Federal Register. This notice officially triggered the first revenue sharing cycle to begin on September 1, 2021. By operation, the 2010 Compact was superseded when the 2021 Compact became effective.

In addition to the previously authorized games, the 2021 Compact authorizes craps & roulette, sports betting, and fantasy sports contests. It also establishes a new bracket structure based on the different components of Net Win: Slot Machines, Raffles and Drawings + New Games; Table Games (including craps & roulette); Sports Betting – Tribe (direct); and Sports Betting – Qualified Pari-mutuel Permitholders. Further, the 2021 Compact includes a schedule of guaranteed minimum payments that apply to the first five revenue sharing cycles. The guarantees are:

- At least $400 million for any revenue sharing cycle during the first five years of the Compact;
- At least $1.5 billion by the end of the third revenue sharing cycle with the payment due within 30 calendar days after the end of the third cycle; and
- At least $2.5 billion by the end of the fifth revenue sharing cycle with the payment due within 30 calendar days after the end of the fifth cycle.

For this purpose, the end of the third revenue sharing cycle would be August 31, 2024, and the end of the fifth revenue sharing cycle would be August 31, 2026. There are, however, certain enumerated events which affect these calculations. Overall, the Tribe's obligation to make the Guaranteed Minimum Compact Term Payment ceases (i) if the State violates the Tribe's exclusivity and the State fails to cure such violation within 180 days after notice of such breach by the Tribe, or (ii) if the Tribe’s authorization to conduct the Covered Games is invalidated, in whole or in part, as a result of a court decision; provided, if at any time the Tribe is not legally permitted to offer Sports Betting as described in the 2021 Compact, including to patrons physically located in the State but not on Indian Lands, or the Tribe loses the exclusive right to offer Sports Betting, then the Tribe’s obligation to pay the full Guaranteed Minimum Compact Term Payment and the other minimum payments shall be reduced by ten (10) percent.

The State of Florida began receiving Indian Gaming payments pursuant to the 2021 Compact in October of 2021; however, the U.S. District Court for the District of Columbia set aside federal approval of the 2021 Compact on November 22, 2021. Nevertheless, the Seminole Tribe of Florida continued revenue sharing with the State of Florida through February 2022, after which time they discontinued all payments. Between October 2021 and February 2022, the state received 5 payments of $37.5 million, totaling $187.5 million. On June 30, 2023, the United States Court of Appeals, D.C. Circuit, vacated the District Court’s opinion, and directed it to enter judgment for the Secretary of the Department of Interior. The petitioners appealed, and the U.S. Supreme Court denied a petition for a writ of certiorari on June 17, 2024.

The Tribe resumed revenue sharing with the State while the litigation was still ongoing. After a soft opening on November 7, 2023, to test its sports betting platform, the Tribe formally launched the statewide reactivation of its sports betting program on December 7, 2023, as well as the newly authorized games of craps and roulette. The first payment was received in January 2024. The Revenue Estimating Conference formally recognized the renewed stream of receipts as nonrecurring revenue on February 20, 2024—and at its August 2024 Conference, began treating all receipts as recurring given the conclusion of the previously active litigation.

BASE AND RATE:
The revenue sharing bracket structure is based on the different components of net win as follows:

**2021 Compact Brackets for Revenue Sharing**

***Slot Machines, Raffles and Drawings + New Games***

| | |
|---|---|
| 0.120 | 12% of all amounts up to and including Two Billion Dollars ($2,000,000,000) of Net Win |
| 0.175 | 17.5% of all amounts greater than Two Billion Dollars ($2,000,000,000) up to and including Two Billion Five Hundred Million Dollars ($2,500,000,000) of Net Win |
| 0.200 | 20% of all amounts greater than Two Billion Five Hundred Million Dollars ($2,500,000,000) up to and including Three Billion Dollars ($3,000,000,000) of Net Win |
| 0.225 | 22.5% of all amounts greater than Three Billion Dollars ($3,000,000,000) up to and including Three Billion Five Hundred Million Dollars ($3,500,000,000) of Net Win |
| 0.250 | 25% of all amounts greater than Three Billion Five Hundred Million Dollars ($3,500,000,000) of Net Win |

***Table Games (including Craps & Roulette)***

| | |
|---|---|
| 0.150 | 15% of all amounts up to and including One Billion Dollars ($1,000,000,000) of Net Win |
| 0.175 | 17.5% of all amounts greater than One Billion Dollars ($1,000,000,000) up to and including One Billion Five Hundred Million Dollars ($1,500,000,000) of Net Win |
| 0.225 | 22.5% of all amounts greater than One Billion Five Hundred Million Dollars ($1,500,000,000) up to and including Two Billion Dollars ($2,000,000,000) of Net Win |
| 0.250 | 25% of all amounts greater than Two Billion Dollars ($2,000,000,000) of Net Win |

***Sports Betting - Tribe (direct)***

| | |
|---|---|
| 0.1375 | 13.75% of Net Win |

***Sports Betting - Qualified Pari-Mutuel Permitholders***

| | |
|---|---|
| 0.100 | 10% of Net Win |

DISPOSITION:
Legislation passed during the 2024 Session (CS/SB 1638; Chapter No. 2024-58) that significantly changed the expected distribution of receipts. Instead of entirely benefiting the General Revenue Fund, 96 percent of future distributions were directed to trust funds that provide funding for environmental resource management. In addition to recognizing this change, the Conference decided in August 2024 that the local government share distributions required by s. 285.710(10), F.S., and accomplished by nonoperating budget transfers from the General Revenue Fund should be shown on the State's Financial Outlook Statement as effective appropriations. As part of its 2025 Session actions, the Legislature reversed the 2024 statutory change and redirected all revenue share payments back to the General Revenue Fund (SB 2506; Chapter No. 2025-201).

OTHER STATES:
According to the International Center for Gaming Regulation, 29 states have tribal gaming operations within their borders that are regulated pursuant to the Indian Gaming Regulatory Act of 1988 (IGRA). Of these, 25 states permit Class III or "casino-style" gaming. With significant though not total overlap, there

are 22 states in which tribal sports wagering is authorized and/or currently operational, of which five states limit the authorization to in-person sports betting by tribal operators. Florida's model ("hub-and-spoke") is unique. The information regarding other states is current as of September 1, 2022.

# INSPECTION LICENSES AND FEES

FLORIDA STATUTES: Chapter 472; sections 487.041, 487.045, 496.405, 500.90, 500.459, 501.605, 525.09, 526.51, 531.60-531.66, 576.041, 578.08, 580.0365, 580.041, 601.28, 601.59, 603.12, 604.19, and 616.242

ADMINISTERED BY: Department of Agriculture and Consumer Services

SUMMARY:
The Department of Agriculture and Consumer Services is responsible for the regulation and inspection of a wide range of activities related to agriculture and certain consumer commodities. Inspection fees are expected to cover the cost of regulation and inspection.

REVENUE:

| Fiscal Year | Total Collections | Biennial Change % |
|---|---|---|
| 2026-27* | 85,232,628 | 1.63% |
| 2025-26* | 73,668,264 | 1.80% |
| 2024-25 | 83,863,708 | 1.46% |
| 2023-24 | 72,364,074 | -0.69% |
| 2022-23 | 82,660,354 | 2.65% |
| 2021-22 | 72,866,136 | 3.58% |
| 2020-21 | 80,528,439 | -0.87% |

* Estimate

HISTORY:
The following table provides a listing of the various types of fees and the date of their implementation:

| Type of Fee | Base and Rate | Date of Creation | Last Increase | Disposition |
|---|---|---|---|---|
| Citrus Inspection | Fees for inspection of citrus grade and maturity in continuous inspection packing houses, inspection for pounds solid and brix acid levels at processing plants, inspection of imported fruit at terminal markets. | 1949 | 2008 | Citrus Inspection Trust Fund |
| Citrus Licenses | Each applicant that qualifies for a citrus fruit dealer's license must pay a $25 per shipping season license fee. A $10 per shipping season registration fee is required for each agent of the licensed citrus fruit dealer. | 1949 | | Citrus Inspection Trust Fund |
| Gas and Kerosene Inspection | An inspection fee of one-eighth cent per gallon is assessed on all gasoline, | 1919 | | General Inspection Trust Fund |

| | | | | |
|---|---|---|---|---|
| | kerosene (except when used as aviation turbine fuel), and #1 fuel oil for sale or use in this state. | | | |
| Produce Dealers Licenses | A license is required before conducting business as a dealer in agricultural products. The license fee may not exceed $500. | 1941 | 2006 | General Inspection Trust Fund |
| Pesticide Licenses | A license is required for a pesticide applicator that uses or supervises the use of restricted use pesticides. The license fee varies by type of applicant. | 1975 | 2009 | General Inspection Trust Fund |
| Professional Surveyors and Mappers Licenses | A license is required from the department for a professional to practice surveying and mapping in the state. The initial license fee shall not exceed $200. | 1994 | | General Inspection Trust Fund |
| Fairs and Expos Permits | Fees are established by rule to cover the costs and expenditures associated with the Bureau of Fair and Rides Inspection. | 1986 | 2005 | General Inspection Trust Fund |
| Weights & Measures Instruments and Devices Commercial Use Permits | Fees are established to administer permits for the use of various weights & measures instruments and devices. The permit fee is based on the manufacturer's rated capacity, device design, or use and whether measuring by an inch, pound, or the metric equivalent. | 2009 | | General Inspection Trust Fund |
| Fruit and Vegetable Inspection | When requested by the shipper, the department will furnish car lot inspections of fruits, vegetables, nuts, grains, and other agricultural products at shipping point. The expense of the inspection is paid by the shipper in the form of inspection fees. | | 2008 | General Inspection Trust Fund |
| Feed Registration | Each distributor of commercial feed must annually obtain a master registration for each brand that will be distributed in the state. | 1905 | 2008 | General Inspection Trust Fund |

| | | | | |
|---|---|---|---|---|
| | The registration fee is determined by the number of tons of feed distributed in this state by the distributor during the previous year. | | | |
| Fertilizer Inspection | $1 per ton for fertilizer sold in the state. | 1966 | 2008 | General Inspection Trust Fund |
| Seed Registration | A seed dealer must obtain a license prior to selling seed in the state. The license fee is determined by the gross receipts from the sale of such seed for the preceding license year. | 1945 | 1992<br>2009 | General Inspection Trust Fund |
| Brake Fluid Permit | A permit fee of $50 for 12 months or $100 for 24 months is required for the registration of each brand of brake fluid sold in the state. Renewal fees are $50 per year, or $100 for two years. | 1961 | | General Inspection Trust Fund |
| Phosphate and Lime Nitrogen | 30 cents per ton for phosphate and lime sold or used for agricultural purposes in the state. | 2003 | | General Inspection Trust Fund |
| Telecommunication List Solicitor | A license fee of $1,500 is required for businesses to engage in commercial telephone solicitation in the state. | 1991 | | General Inspection Trust Fund |
| Water Vending Permits | A water vending machine permit is required of any person who establishes, maintains, or operates a water vending machine in the state. The permit fee is $35 per machine. | 1984 | | General Inspection Trust Fund |
| Plant Industry | The department regulates nurseries and the movement of nursery stock as may be necessary for the eradication, control, or prevention of the dissemination of plant pests or noxious weeds. | 1999 | 2016 | Plant Industry Trust Fund |
| Substance Abuse Marketing Services | A license fee of $1,500 is required for businesses to provide substance abuse marketing services in the state. | 2017 | | General Inspection Trust Fund |

| | | | | |
|---|---|---|---|---|
| Solicitation of Contributions Fees | The Department collects registration fees from charitable organizations, ranging from $10 to $400, depending on the amount of contributions received by the organization for the last fiscal year. | 1991 | 1994 | General Inspection Trust Fund |

In 2009, Chapter 2009-66, L.O.F. (SB 1744), transferred the regulation and licensing of the surveyors and mappers profession from the Department of Business and Professional Regulation to the Department of Agriculture and Consumer Services (DACS). In that same law, effective retroactively to January 1, 2009, a supplemental biennial registration fee for each registered brand of pesticide was added to defray the expenses of the department for testing pesticides for food safety. Each registration issued to a registrant in an odd numbered year is assessed a supplemental fee of $630 per brand and in an even numbered year is assessed a supplemental fee of $315 per brand. Also, ss. 531.60-531.66, F.S., were established to permit requirements and fees for weighing and measuring devices used for commercial purposes. The various fees for instruments and devices range from $60-$300 for weighing devices of up to and including 100- pound capacity, $200-$1,000 for devices weighing greater than 100-pound capacity including wheel load weighers, static railroad track scales, and in-motion railroad track scales, and $50-$500 for mass flow meters, volumetric flow meters, tanks used as measuring containers, taximeters, grain moisture meters, and multiple-dimension measuring devices. Additionally, the annual fee for specialty fertilizer was revised to $200 for each specialty fertilizer brand registration by an applicant. Also, the annual registration fee for seed dealers was doubled, now ranging from $100-$4,600 based on various levels of gross receipts from the sale of seeds per place of business.

In 2013, Chapter 2013-251, L.O.F. (HB 7023), transferred the collection of motor fuel inspection fees to the Department of Revenue and eliminated the fees on kerosene and #1 oil. The funds continue to be deposited into the General Inspection Trust Fund.

In 2014, Chapter 2014-150, L.O.F. (HB 7091) created two new tiers of annual registration fees for seed dealers with prior year seed sales of less than $2,500. For dealers with receipts of less than $2,500 but greater than or equal to $1,000, the fee remains at $100. For dealers with receipts less than $1,000 but greater than or equal to $500, the new fee is $25. If receipts are less than $500 the new fee is $10.

In 2016, Chapter 2016-61, L.O.F. (HB 7007) made numerous changes to the fees regulated by DACS, including the following:

- Created s. 500.90, F.S., to preempt to DACS the regulation of the use or sale of polystyrene products (i.e., Styrofoam) by entities regulated by ch. 500, F.S., the Florida Food Safety Act. Currently, there are no fees associated with this law change.
- Created s. 580.0365, F.S., to preempt to DACS the regulatory authority for commercial feed and feedstuff. Currently, there are no fees impacted by this law change.
- Created new penalties and administrative fines for anyone who releases a plant pest without a special permit. The fees are associated with reasonable costs and expenses for a plant pest control or eradication program.

In 2016, Chapter 2016-166, L.O.F. (SB 772) made modifications to several licensing and consumer service activities under the jurisdiction of DACS, including the following:

- Provided for the waiver of certain application, license, and registration fees for honorably discharged veterans and in some cases their spouses.

- Removed the permit fee for facilities operating as a charitable entity that have amusement rides that are not open to the general public and do not allow for day rates.
- Clarified several fees and standards related to weights and measures in chs. 527 & 531, F.S.
- Removed "personal trainers," "tour guides," and "tour guide services" from regulation.

In 2017, Chapter 2017-85, L.O.F. (HB 467) made modifications to several licensing and consumer service activities under the jurisdiction of DACS, including the following:

- Removed the requirement to obtain multiple licenses for private investigative agency managers that manage multiple locations.
- Removed the requirement to register a cattle mark or brand.
- Exempted dealers in agricultural products who pay by credit card from certain regulations.
- Excluded taximeters from permitting requirements.

In 2017, the Legislature also passed legislation to eliminate the supplemental fee for each registered brand of pesticide that contains an active ingredient for which the United States Environmental Protection Agency has established a food tolerance limit (Ch. 2017-158, L.O.F. (HB 5401)). In addition, the Legislature created the requirement for entities providing substance abuse marketing services to be licensed by DACS under the Florida Telemarketing Act (Ch. 2017-173, L.O.F. (HB 807)).

In 2018, Chapter 2018-84, L.O.F. (SB 740) extended the repeal date for the weights and measures program which is funded through permit fees from July 1, 2020, to July 1, 2025. Chapter 2018-7, L.O.F. (HB 29) eased professional licensing fees and requirements for certain military members, veterans, and their spouses by creating or expanding fee waivers for certain DACS licensees and applicants.

In 2020, Chapter 2020-141, L.O.F. (HB 1275) clarified DACS authority to establish by rule fees to cover the costs and expenditures associated with the fair rides inspection program, and the requirement that the industry pay the remaining cost of the program if there is not sufficient General Revenue appropriated by the Legislature. The bill also broadened DACS's rulemaking authority to establish certain exemptions. Further, the bill removed the exemption for museums and other exhibition related institutions, thereby requiring these institutions to comply with applicable licensing and permitting requirements, including being subject to fees and fines.

OTHER STATES:
All states engage in some form of regulation and inspection of agricultural commodities.

# INSURANCE LICENSE FEES

FLORIDA STATUTES: Sections 624.501 - 624.506, 624.521, and 624.523

ADMINISTERED BY: Department of Financial Services

SUMMARY:
Each insurance company and insurance agent must be licensed to sell insurance in Florida. Insurance companies pay an annual license fee of $1,000, while resident insurance agents pay a biennial state license fee of $12, an appointment fee of $42, and a county license fee of $6.

REVENUE:

| Fiscal Year | Collections | Annual Change % | Insurance Fees | Agents County Tax Trust Fund |
|---|---|---|---|---|
| 2026-27* | 127,587,507 | 0.00% | 108,645,444 | 9,406,257 |
| 2025-26* | 127,587,507 | 8.00% | 108,645,444 | 9,406,257 |
| 2024-25 | 117,780,998 | 7.73% | 104,765,024 | 9,083,742 |
| 2023-24 | 109,013,230 | 1.55% | 97,128,942 | 8,380,086 |
| 2022-23 | 107,340,562 | 5.88% | 95,877,753 | 7,961,391 |
| 2021-22 | 101,213,996 | 9.66% | 90,327,404 | 7,278,819 |
| 2020-21 | 91,888,157 | 14.46% | 81,834,056 | 6,947,028 |

* Estimate

HISTORY:
As far back as 1887, most insurers were required to be licensed in Florida. In 1903, a $5 state license tax was imposed on agents and was increased in 1925 and 1982. In 1959, an additional county license tax of $3 for each agent or solicitor was created and increased to $6 in 1982. Additional state and county license fees for title insurance agents and limited surety agents were imposed in 1985. In 1989, an annual administrative surcharge of $200 was imposed on all licensed title insurance agents. The $7.50 service fee was increased to $15. In 1992, the fee for filing application for original or modified certificate of authority of insurer was increased from $25 to $1,500 and the annual license tax of each insurer was increased from $200 to $1,000. All appointment fees were increased by $20.

BASE AND RATE:
Each insurer company: $1,000 annually.

Each resident property, casualty, marine, surety, life, health, title, and limited lines insurance agent pays a $60 biennial license fee ($42 appointment fee, $12 state license fee, and $6 county license tax). Each non-resident insurance agent and all adjusters, whether resident or non-resident, pay a $60 biennial appointment fee. Non-resident agents pay a $6 biennial county license tax for each county in which he or she transacts insurance. Each title insurer and title insurance agency pays an annual $200 administrative surcharge to be deposited in the Insurance Regulatory Trust Fund.

DISPOSITION:
Insurance Regulatory Trust Fund: All “state tax” portions ($12) of the agents’ licenses are collected to fund the administrative costs of the Division of Insurance Fraud. The $42 appointment fee is also deposited in the Insurance Regulatory Trust Fund.
General Revenue Fund: Residual of all "state tax" portions of agents’ license fee collections remaining after the administrative distribution to the Insurance Regulatory Trust Fund. There has been no residual to the General Revenue Fund since 1992-93.

Agents County Tax Trust Fund: "County tax" portion of license fees.

OTHER STATES:
All states regulate insurance companies and agents. Fees or taxes imposed vary considerably from state to state. In some instances, they may be credited against premium taxes.

# INSURANCE PREMIUM TAX

FLORIDA STATUTES: Sections 624.509 - 624.519, 624.4625, and 252.372

ADMINISTERED BY: Department of Revenue and Department of Financial Services

SUMMARY:
Taxes are imposed on insurance premiums and paid by insurance companies at the following rates: 1.75 percent on gross premiums minus reinsurance and return premiums; 1 percent on annuity premiums; and 1.6 percent on self-insurers.

REVENUE:

| Receipts | | | Transfers** | Distributions** | | |
|---|---|---|---|---|---|---|
| Fiscal Year | Collections | Annual Change % | Police & Firefighters Premium Tax Trust Fund | General Revenue | Insurance Regulatory Trust Fund | Emergency Mangement Preparedness & Assistance Trust Fund |
| 2026-27* | 1,961,300,000 | 63.39% | 372,800,000 | 1,509,100,000 | 73,700,000 | 17,300,000 |
| 2025-26* | 1,200,400,000 | -20.24% | 359,200,000 | 771,400,000 | 28,700,000 | 17,300,000 |
| 2024-25 | 1,504,961,972 | 3.39% | 331,230,432 | 1,084,000,000 | 63,461,239 | 17,852,148 |
| 2023-24 | 1,455,638,890 | 5.15% | 346,502,957 | 1,048,300,000 | 62,112,515 | 16,721,002 |
| 2022-23 | 1,384,341,261 | 19.26% | 291,900,000 | 1,049,500,000 | 56,700,811 | 16,488,606 |
| 2021-22 | 1,160,732,836 | 5.21% | 221,500,000 | 792,300,000 | 44,930,812 | 16,215,452 |
| 2020-21 | 1,103,304,287 | 23.45% | 206,032,814 | 750,300,000 | 38,679,939 | 15,304,816 |

* Estimate
** Transfers and Distributions do not equal collections since some years are lagged into different fiscal years.

HISTORY:
Adoption of a revised insurance code in 1959 carried forward previous tax arrangements which fully exempted domestic companies and partially exempted foreign companies maintaining regional home offices in Florida. In 1982, a credit was authorized against the premium tax on the emergency excise tax paid to Florida. The 1986 Legislature created the "Tort Reform and Insurance Act," which provided significant reform to the insurance law. In 1988, legislation removed statutory distinctions between domestic, regional home office, and foreign insurance companies, subjecting all insurance companies to a 2 percent premium tax. A new salary tax credit equal to 15 percent of the amount paid by the insurer in salaries to non-licensed employees was authorized with a cap on the combined sum of the salary credit and the corporate income tax credit of 75 percent of total premium tax liability. In 1989, the premium tax rate was reduced from 2 percent to 1.75 percent and the cap on the combined salary and corporate income tax credit was lowered from 75 percent to 65 percent. The 100 percent exclusion from considering the salary credit when calculating retaliatory taxes was reduced to 80 percent exclusion. Also, the distribution of retaliatory taxes was changed with not more than 10 percent going to the Insurance Commissioner's Regulatory Trust Fund and the remainder into the General Revenue Fund. Annual tax credits for the Florida Insurance Guaranty Association (FIGA) and Florida Life and Health Insurance Guaranty Association (FLAHIGA) assessments were reduced from 5 percent to 0.1 percent and totally eliminated after three years. Insurance premium taxes levied on "multiple-employer welfare arrangement" benefit plans were repealed. In 1991, refund payments were authorized to be made in the year following over-payment of premium taxes, and such payments must be made out of the General Revenue Fund.

After Hurricane Andrew in 1992, the 1993 Legislature imposed an annual $2 surcharge on every homeowner's, mobile homeowner's, tenant homeowner's, and condominium unit owner's policy and an annual $4 surcharge on every commercial fire, commercial multiple peril, and business owner's property insurance policy. All proceeds from this surcharge are deposited into the Emergency Management, Preparedness, and Assistance Trust Fund. In 1994, the community contribution tax credit was extended from June 30, 1994, to June 30, 2005, but was restricted to projects within enterprise zones or benefiting low-income housing. The allowable annual contribution amount was reduced from a total of $3 million annually to $2 million annually. Beginning with the 1995 tax year, municipal pension assessments were transferred to the Department of Management Services (now the Department of Financial Services) for distribution to local governments. The 1996 Legislature once again allowed the FLAHIGA assessment credit against premium taxes paid.

Beginning with the 1997 tax year, companies are allowed to take a credit of 0.1 percent of their FLAHIGA assessments paid prior to the 1997 tax year plus a credit of 5.0 percent of assessments paid after the 1996 tax year. These percentage credits may be taken in each year following the payment of the assessment until the full assessment amount has been credited. In 1998, the community contribution tax credit cap was raised to $5 million and raised again to $10 million in 1999. The 2000 tax year introduced many changes in available tax credits. Insurance companies became exempt from the recurring intangibles tax, which meant intangibles tax credit was no longer available. An investment in Capital Companies (CAPCO'S) provided a tax credit limited to $15 million for all companies per year. Investments in approved projects under s. 220.19(2) F.S., the Capital Investment Tax Credit, became available against the insurance premium tax. The Child Care Credit under s. 624.5107, F.S., also became available to insurance companies to take against their premium taxes or corporate income taxes.

The 2004 Legislature passed four laws which impacted the insurance premium tax. Chapter 2004-27, L.O.F. (SB 2488), increased the potential one-year Florida Hurricane Catastrophe Fund (FHCF) assessment from 4 percent to 6 percent. The FHCF multiple years' aggregate assessment limit was also raised from 6 percent to 10 percent. This law also provided for an emergency assessment exemption from the insurance premium tax. Chapter 2004-370, L.O.F. (SB 2038), eliminated a $10 fee required under s. 627.849, F.S., to file forms with the Department of Financial Services regarding insurance premium finance companies. This law and Chapter 2004-390, L.O.F. (SB 2994), provided that any local government workers' compensation self-insurance fund created after October 1, 2004, is subject to the requirements placed on a commercial fund for five years and must pay the insurance premium tax. Chapter 2004-266, L.O.F. (HB 1251), exempted the Florida Workers' Compensation Joint Underwriting Association from the premium tax and from paying assessments under ss. 440.49 and 440.51, F.S.

The 2005 Legislature passed Chapter 2005-280, L.O.F. (HB 1813) allowing foreign insurers to exclude the fraction of their salary tax credit when calculating retaliatory tax. This law also allows for mutual insurance holding companies meeting certain criteria to allocate the salaries of employees of a service company subsidiary among the insurance companies within the group that the employee services, although funding was vetoed. This law also provided that community contributions tax credits will not increase retaliatory tax owed by an insurer. Chapter 2005-94, L.O.F. (HB 105), exempted insurers domiciled outside the U.S. from the requirement that the insurer obtain a certificate of authority to operate from offices within Florida for transactions involving life and annuity contracts sold to non-residents of the United States. Chapter 2005-205, L.O.F. (HB 1159), provided that any municipality that has entered into an inter-local agreement to provide fire protection services to any other incorporated municipality may be eligible to receive the 1.85 percent excise tax reported for such other municipality. In order to be eligible to receive the premium taxes, the municipality providing the fire services must notify the Division of Retirement that it has entered into an inter-local agreement with another municipality. The municipality receiving the fire services is authorized to enact an ordinance levying the tax.

Chapter 2006-55, L.O.F. (SB 2728), allowed certain salary credits to be transferred to a member of an affiliated group. Chapter 2009-97, L.O.F. (SB 538), adjusted the boundaries of a special fire district to include an area that has been annexed until the completion of the four-year period provided in s.171.093(4), F.S., or when a special fire district is providing services pursuant to an inter-local agreement. It also allowed any participating municipality that provides police protection services to other incorporated municipalities for 12 months or more, pursuant to an inter-local agreement, to receive 0.85 percent excise tax in the other incorporated municipality. Chapter 2009-108, L.O.F. (HB 453), permitted the scholarship tax credit to be taken against the insurance tax; this credit does not impact on the retaliatory tax under the insurance premium tax. Chapter 2009-50, L.O.F. (HB 485), created a credit for long-term debt security in low-income communities. The credit is capped at $20 million per year. No credits are provided for the initial investment or the first anniversary of the initial investment. On the second anniversary of the investment, there is a 7 percent credit, and an 8 percent credit for each of the third, fourth, fifth, and sixth anniversaries. If a taxpayer's state tax liability is below the available tax credit, then the unused tax credit may be carried forward for future taxable years; however, all tax credits expire December 31, 2022. The tax credits are allocated on a first-come, first-serve basis.

Chapter 2010-49, L.O.F. (HB 159), amended s. 631.57, F.S., such that neither emergency assessments nor regular assessments of the FIGA will be part of premiums subject to the insurance premium tax. Chapter 2012-32, L.O.F. (HB 7087), increased the lifetime cap of New Market Credits from $97.5 million to $163.8 million, and the annual cap from $20 million to $33.6 million. Chapter 2013-42, L.O.F. (SB 406) increased the lifetime cap of New Market Credits from $163.8 million to $178.8 million, and the annual cap from $33.6 million to $36.6 million. Chapter 2014-38, L.O.F. (HB 5601) increased the lifetime cap of New Market Credits from $178.8 million to $216.34 million.

Chapter 2021-193, L.O.F. (HB 3) establishes the New Worlds Reading Initiative Tax Credit which can be taken against the Insurance Premium Tax. Chapter 2021-31, L.O.F. (HB 7061) establishes the Strong Families Tax Credit which can also be taken against the Insurance Premium Tax. Chapter 2023-17, L.O.F. (SB 102) allows the Live Local Program tax credits to be taken against the Insurance Premium Tax. Finally, Chapter 2024-158, L.O.F. (HB 7073) provided a temporary residential coverage reduction of 1.75% off the premium. This deduction applies to policies that provide coverage for a 12-month period with an effective date between October 1, 2024 and September 30, 2025.

BASE AND RATE:
Premium Tax: Premium tax is applied to insurance premiums written in Florida at the following rates: gross property and casualty premiums less reinsurance and returned premiums, life premiums, accident and health premiums, and prepaid limited health premiums, 1.75 percent; commercial self-insurance, group self-insurance, medical malpractice self-insurance, and assessable mutual insurance, 1.6 percent; and annuities, 1 percent. Corporate income tax and the emergency excise tax paid to Florida are credited against premium tax liability. Exemptions are allowed on annuity premiums paid by annuity policy or contract holders in this state if the savings are passed on to the consumer. A credit is allowed against the premium tax equal to 15 percent of the amount paid by the insurer in salaries to employees located or based in Florida who are covered by unemployment compensation. This credit in combination with the corporate income tax credit may not exceed 65 percent of the tax due for the calendar year.

Credits are also allowed for the municipal pension fund taxes, certain community contributions, certain exempt finance corporate investments, and workers' compensation assessments.

Surcharge: $2 surcharge imposed on every homeowner's, mobile homeowner's, tenant homeowner's, and condominium unit owner's policy; $4 surcharge imposed on every commercial unit fire, commercial multiple perils, and business owner's property insurance policy, issued on or after May 1, 1993, pursuant to s. 252.372, F.S.

# INSURANCE PREMIUM TAX

DISPOSITION:
Premium Tax: Assessments for Police and Firefighter pension funds are sent to the Department of Financial Services for distribution to local governments. Fire Marshal assessments, filing fees and $125,000 annually, adjusted by the lesser of 20 percent or the growth in total retaliatory taxes, are deposited into the Insurance Regulatory Trust Fund. The remainder of the premium tax is deposited into General Revenue.

Surcharge: Emergency Management, Preparedness, and Assistance Trust Fund, which is administered by the Division of Emergency Management.

OTHER STATES:
Premium taxes are imposed in most states and in the District of Columbia on one or more types of insurance companies, usually in the form of excise or privilege taxes. In many states, premium taxes are in lieu of other taxes, except local property taxes. Rates for domestic companies range from 0.4 percent to 4.265 percent, with the average rate for all states being around 2 percent. All insurance taxes are complicated by retaliatory taxes which nearly every state levies under some circumstances.

| | FY 2026-27 (millions) |
|---|---|
| VALUE OF RATE CHANGE: | |
| 0.5 percentage point increase | $730.4 |
| | |
| VALUE OF CREDITS: | |
| New Worlds Reading Initiative Tax Credit ($60m cap) | $4.7 |
| This credit may be taken against the Beverage Tax, Corporate Income Tax, Insurance Premium Tax, certain Sales and Use Taxes, or Severance Taxes - Oil and Gas. (s. 624.51056) | |
| Corporate Income Credits Claimed (s. 624.509(4)) | $263.9 |
| Florida Employee's Salary (s. 624.509(5)) | $630.2 |
| Strong Families Credit ($40m cap) | $5.6 |
| This credit may be taken against the Beverage Tax, Corporate Income Tax, Insurance Premium Tax, certain Sales and Use Taxes, or Severance Taxes - Oil and Gas. (s. 624.51057) | |
| Live Local ($100m cap) (s. 624.51058) | 0.1 |
| This credit may be taken against the Corporate Income Tax or Insurance Premiums Tax. | |
| Municipal Firefighter's Pension Fund (s. 175.141) | $176.1 |
| Municipal Police Officer's Retirement Fund (s. 185.12) | $196.8 |
| Capital Investment Tax Credit (s. 220.191 (2)) | $0.0 |
| This credit may also be taken against Corporate Income Tax | |
| Scholarship Funding Organizations ($1092.0m cap) | $81.0 |
| This credit may be taken against the Beverage Tax, Corporate Income Tax, Insurance Premium Tax, certain Sales and Use Taxes or Severance Taxes - Oil and Gas. (s. 624.51055) | |
| Workers' Compensation Assessments Credit (s. 440.51) | $33.8 |
| | |
| VALUE OF DEDUCTIONS: | |
| Florida Life and Health Insurance Guarantee Association Assessment (s. 631.711) | $20.0 |
| | |
| VALUE OF EXEMPTIONS: | |
| Annuity premiums (s. 624.509(8)) – exempt from 1 percent tax when savings are passed on to policy holders | $349.5 |

# INSURANCE SURPLUS LINES AND INDEPENDENTLY PROCURED INSURANCE TAX

FLORIDA STATUTES: Sections 626.932 and 626.938

ADMINISTERED BY: Department of Financial Services

SUMMARY:
Taxes are imposed on surplus lines premiums and independently procured coverage at 4.94 percent and paid by surplus lines companies.

REVENUE:

| Receipts | | | Distributions | |
|---|---|---|---|---|
| Fiscal Year | Total Collections | Annual Change % | General Revenue | Insurance Regulatory Trust Fund |
| 2026-27* | 906,700,000 | 5.00% | 826,900,000 | 79,800,000 |
| 2025-26* | 863,500,000 | 5.39% | 787,500,000 | 76,000,000 |
| 2024-25 | 819,300,000 | 8.06% | 747,197,686 | 72,102,314 |
| 2023-24 | 758,205,167 | 24.55% | 691,505,167 | 66,700,000 |
| 2022-23 | 608,754,923 | 26.63% | 555,154,923 | 53,600,000 |
| 2021-22 | 480,720,114 | 27.53% | 438,416,744 | 42,303,370 |
| 2020-21 | 376,952,992 | 16.14% | 344,833,221 | 32,119,771 |

* Estimate

HISTORY:
Before 1990, the tax on surplus lines and independently procured insurance was levied at 3 percent. In 1990, this tax was raised to 5 percent. In 2020, the surplus lines tax was reduced to 4.94 percent.

Chapter 2003-395, L.O.F. (HB 1059), changed the distribution of the tax on surplus lines and independently procured coverage from 55 percent to the Insurance Regulatory Trust Fund and 45 percent to the General Revenue Fund to 24.3 percent to the Insurance Regulatory Trust Fund and 75.7 percent to General Revenue. Chapter 2004-27, L.O.F. (SB 2488), made surplus lines insurance policies subject to Florida Hurricane Catastrophe Fund assessments. Chapter 2008-132, L.O.F. (HB 5043), changed the distribution of the Surplus Lines Tax between the General Revenue Fund and the Insurance Regulatory Trust Fund by increasing the percentage deposited into the General Revenue Fund, from 75.7 percent to 84.26 percent. The remainder is deposited into the Insurance Regulatory Trust Fund. Chapter 2009-70, L.O.F. (SB 1758), redirected 100 percent of the Surplus Lines Tax, Independent Procured Coverage Tax, and Risk Retention Group Tax to the General Revenue Fund. The redistribution of 100 percent of tax proceeds to General Revenue expired July 1, 2014, and in Fiscal Year 2014-15, the distribution of tax proceeds changed to the distribution mechanism specified in Chapter 2014-60, L.O.F. (HB 5403), (i.e., 8.8 percent to the Insurance Regulatory Trust Fund and 91.2 percent to the General Revenue Fund).

Chapter 2011-46, L.O.F. (SB 1816), authorized the Department of Financial Services and the Office of Insurance Regulation to enter into a cooperative reciprocal agreement with other states to collect and allocate non-admitted insurance taxes for multistate policies pursuant to the NRRA. It also changed the tax base from the portion of the premium that is properly allocable to risks located in Florida to the entire gross premium if Florida is the insured's "home state" as defined in the Nonadmitted and Reinsurance Reform Act (NRRA) of 2010 (passed by the 111th U.S. Congress).

Chapter 2020-10, L.O.F. (HB 7097), modified the existing 5.0 percent rate to 4.94 percent. Additionally, surplus line policies with partial exposure in this state and Florida as the home state are to be taxed in

accordance with F.S. 626.932(1) – eliminating the variable rate linked to the location of the risk exposure. The bill also required the agent to report the total premium for the risk that is located in this state and the total premium for the risk that is outside this state to the Florida Surplus Lines Service Office in the manner and form directed by the Office.

BASE AND RATE:
Surplus lines and independently procured insurance: 4.94 percent.

DISPOSITION:
From Fiscal Year 2009-10 through Fiscal Year 2013-14, the tax on surplus lines and independently procured coverage was distributed 100 percent to the General Revenue Fund. Starting July 1, 2014, the tax proceeds are distributed 8.8 percent to the Insurance Regulatory Trust Fund and 91.2 percent to the General Revenue Fund.

OTHER STATES:
Surplus lines premium and independently procured coverage taxes are imposed in most states. Taxes imposed vary considerably from state to state, with a range from 1 percent to 6 percent.

# INTANGIBLES TAX

FLORIDA STATUTES: Chapter 199, Section 196.199(2)

ADMINISTERED BY: Department of Revenue

SUMMARY:
The Florida Constitution prohibits the state from levying property tax on real estate or tangible personal property but allows a state tax on intangible personal property. The maximum rate allowed is 2 mills (1 mill = .1 cent or $.001; also expressed as $1 per $1,000 or .1 percent). All other taxes based on property value are reserved for local governments. Obligations secured by liens on Florida realty are taxed at 2 mills at the time they are recorded, and revenue from this source goes to the General Revenue Fund. Leasehold interests in property owned by certain governmental units but used by nongovernmental lessees are taxed as intangible personal property if the lessee does not serve or perform a governmental or municipal function or public purpose. Revenue from the tax on leasehold interests is distributed directly to local school boards.

REVENUE:

| Fiscal Year | Total Collections | Annual Change % | Obligations Secured by Liens on Florida Realty | General Revenue Distribution |
|---|---|---|---|---|
| 2026-27* | 529,500,000 | 2.68% | 529,500,000 | 529,500,000 |
| 2025-26* | 515,700,000 | 2.55% | 515,700,000 | 515,700,000 |
| 2024-25 | 502,870,591 | 13.15% | 502,870,591 | 502,870,591 |
| 2023-24 | 444,415,584 | -15.45% | 444,415,584 | 444,415,584 |
| 2022-23 | 525,637,706 | -38.02% | 525,637,706 | 525,637,706 |
| 2021-22 | 848,018,090 | 20.88% | 848,018,090 | 848,018,090 |
| 2020-21 | 701,556,369 | 42.32% | 701,556,369 | 701,556,369 |

* Estimate

HISTORY:
Prior to 1924, there was no constitutional distinction between intangible property and other property, and all property was subject to ad valorem taxation. The Florida Constitution was amended in 1924 to allow a special tax rate for intangible property, and in 1931 this provision was enacted into law. The 2 mill tax was assessed and collected at the county level, and was deposited in the state's General Revenue Fund. In 1941 intangibles tax revenue was used to fund county tax assessors and collectors, and revenue not needed for these purposes was divided between General Revenue (75 percent) and the county where collected (25 percent). Tax rates were changed to 1 mill on stocks and bonds, 3 mills on mortgages, and 1/20 mill on money.

In 1951, the tax rate on mortgages was reduced to 2 mills and in 1955 the disposition of intangibles tax revenue was changed to pay for retirement of state and county officers and employees, with the balance going to General Revenue. In 1957, the tax on stocks and bonds was raised to 2 mills. In 1961, the Legislature passed a two-year phased reduction to 1 mill.

In 1967, 55 percent of net collections was shared with counties where the revenues were collected. The Department of Revenue began assessing and collecting the tax in 1971 and the tax on money was repealed. The Revenue Sharing Act of 1972 (Chapter 72-360, L.O.F., (SB 2-F)) channeled the counties' 55 percent share through a revenue- sharing formula. In 1974, a $20,000 exemption against the annual tax was created for each taxpayer and spouse.

Several changes were made to the intangibles tax in 1990. The annual tax rate was increased from 1 mill to 1.5 mills. An additional exemption entitled natural persons to exempt the first $100,000 from the 0.5 mill increase. The tax base was broadened to include interests in limited partnerships registered with the SEC. Charitable trusts that distribute 95 percent of their income to organizations exempt from federal income tax under s. 501(c)(3) of the I.R.C. were made exempt from the additional 0.5 mill levy. The credit that banks can take against the corporate income tax for intangible taxes paid was raised from 40 percent to 65 percent of corporate taxes due and banks were guaranteed the higher of this credit or a credit equal to 33 percent of their intangible tax liability. The distribution was changed in 1990 from 55 percent to 41.3 percent to the Revenue Sharing Trust Fund for Counties and from 45 percent to 58.7 percent to the General Revenue Fund.

In 1992, the tax on intangible personal property was increased from 1.5 mills to 2 mills. Banks and savings associations were made exempt from 0.5 mill. The exemption of the first $100,000 for individuals and $200,000 per couple and the exemption for charitable trusts applied to the additional 0.5 mill increase. The intangibles tax distribution was changed from 41.3 percent to 33.5 percent to the Revenue Sharing Trust Fund for Counties and from 58.7 percent to 66.5 percent to the General Revenue Fund.

In 1998, the Legislature made several significant changes to the intangibles tax: the minimum amount of tax due before a return and payment is required was raised from $5 to $60 dollars; one-third of accounts receivable was exempted from the intangibles tax beginning January 1, 1999, and the act expressed the intent of the Legislature to increase the exempt amount to two-thirds on January 1, 2000, and to completely exempt accounts receivable on January 1, 2001. The penalties for late payment and late filing were limited to a total of 10 percent per month and 50 percent of the total tax due. The penalty for under reporting and undervaluation was reduced from 30 percent to 10 percent; and banks, savings associations, as defined in s. 220.62, F.S., and insurers, as defined in s. 624.03, F.S., were exempted from intangibles tax. The distribution rate was changed to 35.3 percent for the Revenue Sharing Trust Fund for Counties for Fiscal Year 1998-1999 and to 37.7 percent for Fiscal Year 1999-00. (Chapter 98-132, L.O.F. (HB 1450)).

In 1999, the Legislature reduced the annual tax on intangible assets to a 1.5 mill tax rate and increased the exemption for accounts receivable to two-thirds. The law also provided that limited liability companies may file consolidated intangibles tax returns. Certain charitable trusts were fully exempted from the annual tax, the calculation of tax on future advances was changed, and an exemption for unit investment trusts was provided (Chapter 99-242 (SB 318) and Chapter 99-274, L.O. F. (SB 2496)). The next year, Chapter 2000-173, L.O.F. (HB 67/187), reduced the annual tax rate to 1 mill and fully exempted accounts receivable from the tax. It revised the treatment of Florida trusts, relieving Florida trustees of paying intangibles tax on trust assets and provided that a Florida resident with a beneficial interest in a trust is responsible for reporting his or her share of trust assets and paying intangibles tax on it. The law also repealed the distribution of intangibles tax to counties and replaced the revenue with a sales tax distribution.

Chapter 2001-225, L.O.F. (HB 21), increased the exemption against the annual tax to $250,000 for each natural taxpayer or $500,000 for husband and wife filing jointly, and created a $250,000 exemption for all other taxpayers, mainly businesses. However, these changes were postponed until the 2004 tax year during Special Session C in December 2001. Chapter 2004-234, L.O.F. (SB 2644), provided that all proceeds of the intangibles tax are deposited in the General Revenue Fund, except for revenue collected pursuant to the tax on governmental leaseholds, which is returned to the local school boards in the counties where the leasehold property is located. In 2005, the Legislature reduced the annual tax on intangible assets from 1 mill to 0.5 mill. Chapter 2006-312, L.O.F. (HB 209), repealed the annual tax on intangible personal property, effective January 1, 2007. The non-recurring tax imposed upon obligations secured by liens on Florida property and the 0.5 mill annual tax imposed on government leaseholds were not affected by this repeal.

# INTANGIBLES TAX

Chapter 2012-32, L.O.F. (HB 7087), exempted governmental leaseholds from intangibles tax when the lessee serves or performs a governmental, municipal, or public purpose or function.

Chapter 2023-157, L.O.F. (HB 7063), specified that when the principal balance of a note or mortgage is increased, which note or mortgage is part of an interim loan for purposes of debenture guarantee funding upon which documentary stamp tax has previously been paid and the Small Business Administration is the obligee or mortgagee, additional tax is owed only on the increased amount above the current principal balance.

BASE AND RATE:
A 2 mill one-time tax is imposed on obligations for the payment of money secured by liens on Florida real property. An annual 0.5 mill tax is imposed on non-exempt governmental leaseholds.

DISPOSITION:
All intangibles tax revenue is deposited into the General Revenue Fund, except for revenue collected pursuant to the tax on governmental leaseholds, which is returned to the local school boards in the counties where the leasehold property is located.

OTHER STATES:
Alabama, Kentucky, Louisiana, Mississippi, Oregon, Pennsylvania, South Dakota, Tennessee, Texas, and Wyoming impose limited state or local taxes on certain intangible assets or dealers of intangible assets. Property subject to tax in these states may be different from property subject to tax in Florida.

| | 2026-27 (Millions) |
|---|---|
| VALUE OF RATE CHANGE: | |
| Value of .5 mill levy on stocks, bonds, notes, etc.* | $709.13 |
| Value of 1 mill levy on liens secured by Florida realty* | $264.75 |
| | |
| VALUE OF EXEMPTIONS and DIFFERENTIALS: | |
| Exemption for credit unions from state and local taxes (s. 213.12(2), F.S.) | Indeterminate |
| Exemption for property owned by the state or by religious, educational, or charitable institutions (s. 199.183, F.S.) | Indeterminate |
| Small Business Administration “504” Loans (s. 199.145, F.S.) | Insignificant |
| | |
| VALUE OF REFUNDS AND ALLOWANCES: | |
| Clerk of Circuit Court Commission (0.5 percent) (s. 199.135(3), F.S.) | $2.6 |
| | |
| DISTRIBUTION TO SCHOOL BOARDS | |
| Government leasehold collections (s. 199.292(1), F.S.) | $0.8 |

* Article VII, section 2 of the Florida Constitution states that the tax rate for both the recurring and non-recurring tax on intangible personal property cannot exceed 2 mills.

# INTERGOVERNMENTAL AID

FLORIDA STATUTES: 215.32(2)(b)

ADMINISTERED BY: Various agencies

SUMMARY:
Approximately 31 percent of total direct revenue received by the state in Fiscal Year 2024-25 was federally funded. Health and Human Services grants make up the majority of this funding and are located in the following agencies/departments: Children and Families, Health, Agency for Health Care Administration, and the Agency for Persons with Disabilities.

REVENUE:

| Fiscal Year | Collections | Annual Change % | Federal Grants | County and City Grants | Other Assistance and Donations Grants |
|---|---|---|---|---|---|
| 2026-27* | 38,592,225,171 | 2.38% | 38,300,558,569 | 98,742,227 | 192,924,375 |
| 2025-26* | 37,694,134,763 | 2.59% | 37,406,275,959 | 97,453,117 | 190,405,688 |
| 2024-25 | 36,742,634,439 | -12.67% | 35,365,186,474 | 96,280,335 | 1,281,167,630 |
| 2023-24 | 42,071,305,146 | -3.52% | 41,568,004,350 | 90,861,297 | 412,439,498 |
| 2022-23 | 43,604,096,890 | 4.85% | 43,124,998,225 | 92,361,162 | 386,737,503 |
| 2021-22 | 41,588,698,043 | -25.41% | 39,840,830,452 | 121,945,108 | 1,625,922,482 |
| 2020-21 | 55,759,947,899 | 54.21% | 54,509,917,827 | 129,359,235 | 1,120,670,837 |

* Estimate

Note: Fiscal Year 2019-20 through Fiscal Year 2024-25 includes Federal Grants funding for various acts related to the Covid pandemic. Fiscal Year 2025-26 through Fiscal Year 2026-27 includes projected funds anticipated from the Congressional Infrastructure Investment and Jobs Act.

HISTORY:
Intergovernmental Aid is a combination of three types of grant funding: County and city grants, federal government grants, and other assistance and donations grants. In FY 2024-25, Intergovernmental Aid made up 28.6 percent of total direct revenue to the state. From FY 1970-71 through FY 2024-25 this funding category averaged 26.4 percent of total direct revenue to the state with a 8.9 percent average annual growth rate.

Federal government grant funds are received from many different federal agencies for the purpose of providing support services to a variety of clients, supporting regulatory activities of the state's various departments, and for other such purposes as may be appropriate. The state's various agencies receive the funds through the federal government grant award process, either directly from the awarding federal agency or through transfers from another state agency. The grants are used for specific purposes in accordance with the directives of the grant.

The state receives county and city grant funds from Boards of County Commissioners, County Health Care Taxing Districts, County School Boards, and various other levels of county or city governments. These funds are generally provided to fund activities appropriate to the services being provided. In addition, the local governments may request that the state provide specific services and enter into agreements related to these specific services.

Other assistance and donations grants are received from various foundations and non-profit organizations for the purpose of providing specific services as directed by the grant or donation, and as matching funds for various services.

BASE AND RATE:
Various matching formulas or maintenance of effort requirements are program-specific. Matching funds required for federal aid may vary from zero to 100 percent.

DISPOSITION:
Various Agency Trust Funds (earmarked accounts appropriate to the purpose of each type of aid received).

OTHER STATES:
All states receive similar types of grant funding at a variety of levels. Federal government grant funding levels are generally guided by population statistics, programmatic considerations, or based on defined need.

FLORIDA STATUTES: Chapter 24

ADMINISTERED BY: Department of Lottery

SUMMARY:
The Department of Lottery operates both instant ticket games and terminal games. In addition to ticket sales, a relatively small portion of Lottery proceeds is generated from interest earnings, terminal fees, retailer fees, and unclaimed prize money. After prizes and administrative expenses are paid from total collections, the remainder is deposited into the Educational Enhancement Trust Fund (EETF).

REVENUE:

| Fiscal Year | Ticket Sales/Other Income | Annual Change % | DOL Distributions to Educational Enhancement Trust Fund** |
|---|---|---|---|
| 2026-27* | 9,341,700,000 | 0.57% | 2,169,600,000 |
| 2025-26* | 9,288,600,000 | 1.33% | 2,126,300,000 |
| 2024-25 | 9,166,400,000 | -2.95% | 2,168,000,000 |
| 2023-24 | 9,444,600,000 | -3.79% | 2,403,000,000 |
| 2022-23 | 9,816,900,000 | 5.16% | 2,374,000,000 |
| 2021-22 | 9,335,200,000 | 2.69% | 2,382,000,000 |
| 2020-21 | 9,091,000,000 | 20.80% | 2,246,000,000 |

* Estimate
**Beginning in Fiscal Year 2012-13, estimates reflect actual cash transfers to the EETF, rather than weekly sales as previously estimated, because there is a delay in the transfer of weekly sales receipts to the EETF of up to two weeks.

HISTORY:
In November 1986, voters approved an amendment to the Florida Constitution (Article X, Section 1) providing for a state-operated lottery. The Department of Lottery was created during the 1987 Regular Legislative Session, and the state lottery officially began selling tickets on January 12, 1988. Beginning July 1989, the allocation for education was increased from the original 35 percent to 37.5 percent and increased again to 38 percent in July 1990. During the 2002 Regular Session, the Legislature authorized the Department of Lottery to determine a variable percentage of revenue from instant tickets to return to players as prizes, removing the requirement that 38 percent of instant game sales be transferred to the EETF. In the following year, the Legislature increased the allocation for education from 38 percent to 39 percent for terminal games. However, in 2005, the terminal game prize and education allocations were made variable as well. The Lottery determines prize percentages that maximize education funding.

In 2003, the Legislature eliminated the $180 million cap on money used from the EETF for bonding, and removed designated transfers going to the Classroom First program. During Special Session E, Chapter 2003-426, L.O.F. (HB 43-E), transferred $30,147,947 of unclaimed lottery prize money to the EETF.

During the 2005 Regular Session, Chapter 2005-84, L.O.F. (HB 840) required 80 percent of unclaimed lottery prize money to be deposited in the EETF and the remaining 20 percent to be added to the pool for future prizes or special prize promotions. The bill also authorized the department to establish variable percentages for terminal games prize payouts and transfers to the EETF, as noted above.

Two bills related to the Lottery were passed during the 2006 and 2007 sessions. Chapter 2006-278, L.O.F. (HB 755), narrowed the standard of review for administrative law judges when considering protests of the

Lottery's competitive procurement actions. The Lottery expected this legislation to reduce agency costs over the long term. Chapter 2007-128, L.O.F. (SB 1376), added the authority to obtain patents to the Lottery's existing ability to hold copyrights, trademarks, and service marks.

The Legislature appropriated funds for Instant Ticket Vending Machines (ITVMs) during the 2009 and 2010 Legislative Sessions. Funds appropriated for the first year were sufficient to lease and install 1,000 ITVMs, primarily in the largest grocery chains in the state. Locations with ITVMs showed net gains in sales exceeding forecasted impacts in Fiscal Year 2009-10. During the 2010 Legislative Session, the Lottery was given a specific appropriation allowing the department to lease and install an additional 500 machines. Installation of these machines in additional grocery chain stores and selected, high-volume convenience stores was completed by January 2011.

Initially, lottery vending machines in Florida could dispense only instant tickets. However, in 2012, Chapter 2012-130, L.O.F. (HB 843), authorized the use of Full Service Vending Machines (FSVMs) in Florida which allows tickets for both instant and terminal games to be purchased at these machines. In Fiscal Year 2012-13 the Lottery was able to activate and place 500 FSVMs and to redeploy the ITVMs to new locations. As of December 2025, all the machines in the department's inventory function as FSVMs. In total, 3,000 of those machines are actively selling throughout the Florida Lottery's retailer network.

BASE AND RATE:
Variable based on the game, but not established by statute. In Fiscal Year 2024-25, approximately 68.9 percent of Lottery ticket sales were spent on prizes, 6.06 percent on retailer compensation, 1.57 percent on vendor fees, and 1.2 percent on operational costs, leaving 22.3 percent for transfer to the EETF.

DISPOSITION:
Total collections are distributed as follows: variable percentages, as determined by the department, of the gross revenue from the sale of terminal and instant lottery tickets are returned to Lottery players as prizes. The next portion of the proceeds is used to compensate the more than 13,500 Lottery retailers around the state that sold the tickets. A third portion of the proceeds is used for operational costs including payments to vendors, advertising and promotional expenses, and administrative expenses of the department. The spending authority for operating costs is appropriated through the legislative budget process. Revenues from ticket sales remaining after payment of prizes, retailer fees and department operating expenses are transferred to the EETF. Following an annual financial audit, any unencumbered balance which remains in the Operating Trust Fund at the end of each fiscal year is also transferred to the EETF.

OTHER STATES:
Currently, 45 states and the District of Columbia are authorized to operate state lotteries. Forty-three of these states and the District of Columbia operate both instant ticket games and terminal games. North Dakota and Wyoming only operate terminal games. According to La Fleur's 2025 World Lottery Almanac, Florida ranked first in total traditional sales and seventh in per capita sales among U.S. lotteries. In regard to transfers to government, the Florida Lottery ranked second. For instant ticket sales, Florida was number two behind Texas.

VALUE OF RATE CHANGE:
The Lottery has had the authority to vary the prize payout and EETF transfer rates since 2002 for instant games and since 2005 for terminal games. According to the Department of Lottery, prize payout and EETF transfer rates have been at or near their optimal levels for maximizing EETF since then, and further gains solely from rate changes are likely to be limited.

VALUE OF REFUNDS AND ALLOWANCES:
The Lottery has a statewide network of 13,500 plus retailers selling lottery games and cashing winning tickets. These retailers are compensated for providing these services and for marketing lottery games through point-of-sale materials and special promotions. Up until Fiscal Year 2022-23, retailers received a 5 percent commission on ticket sales and a 1 percent cashing bonus on the value of prizes redeemed at

that retailer location; total commission was represented by a blended 5.6 percent rate of lottery sales, which intuitively meant that retailers only took advantage of the 1% cashing bonus 60% of the time. In Fiscal Year 2021-22, these commissions and cashing bonuses totaled $522 million, which is consistent with 5.6 percent of ticket sales. In FY 2022-23, these retailer commissions were increased to 5.75% which totaled approximately $570 million. In FY 2023-24, the commission rate increased to 6% and the end of year commissions totaled $571 million. In FY 2024-25, the retailer commission rate was 6% and the preliminary end of year commissions totaled $553 million. In FY 2025-26 the projected commission rate is 6%. The projected retailer commissions based on the projected ticket sales of $9.3 billion is anticipated to be $558 million.

In addition, the Lottery is authorized to spend money on retailer incentives aimed at encouraging greater sales. Typically, the launch of a new or especially important game or promotion is accompanied by a retailer incentive, for example, paying a higher sales commission for the new product for a limited time. The Lottery is appropriated a fixed amount of $2.325 million to spend on such incentive programs.

# MOTOR FUEL & DIESEL FUEL TAXES

FLORIDA STATUTES: Chapter 206, Section 212.0501, F.S.

ADMINISTERED BY: Department of Revenue

SUMMARY:
Motor fuel and diesel fuel are subject to state taxation pursuant to Chapter 206, and s. 212.0501, F.S. For 2021, the combined state tax rate was 26.5 cents per gallon.

State taxes include:
Fuel Sales Tax (17.5 cents per gallon, indexed annually by the Consumer Price Index)
State Comprehensive Enhanced Transportation System (SCETS) Tax (9.7 cents per gallon, indexed annually by the Consumer Price Index)
Constitutional Fuel Tax (2 cents per gallon)
County Fuel Tax (1 cent per gallon)
Municipal Fuel Tax (1 cent per gallon)
Non-Highway Fuels (6 percent of the retail price)
Aviation Fuel (4.27 cents per gallon, certain carriers are eligible for a credit or refund of the tax)
(Federal and local option taxes are also levied on motor fuel and diesel fuel. Local option fuel taxes are described in section III, Major Local Government Revenue Sources)

FUEL TAX REVENUE:

| Fiscal Year | Total Collections** | Annual Change % | Chapter 206 & s. 212.0501 | SCETS Tax |
|---|---|---|---|---|
| 2026-27* | 3,715,028,802 | 0.45 | 2,585,427,987 | 1,129,600,815 |
| 2025-26* | 3,698,386,065 | 0.73 | 2,573,845,681 | 1,124,540,383 |
| 2024-25 | 3,671,583,505 | 4.34 | 2,555,192,774 | 1,116,390,731 |
| 2023-24 | 3,520,440,497 | 10.82 | 2,469,814,103 | 1,050,626,394 |
| 2022-23 | 3,173,196,768 | 15.13 | 2,190,116,317 | 988,360,209 |
| 2021-22 | 3,112,153,299 | 9.67 | 2,184,843,999 | 927,309,300 |
| 2020-21 | 2,837,651,387 | 0.72 | 1,993,764,250 | 843,887,138 |

| Fiscal Year | Fuel Use Tax | Constitutional Fuel Tax | County Fuel Tax | Municipal Fuel Tax | Aviation Fuel Tax |
|---|---|---|---|---|---|
| 2026-27* | 2,455,733,921 | 281,779,893 | 142,980,758 | 143,098,648 | 0 |
| 2025-26* | 2,444,732,625 | 280,517,564 | 142,340,227 | 142,457,589 | 21,730,917 |
| 2024-25 | 2,427,015,412 | 278,484,627 | 141,308,674 | 141,425,185 | 57,436,269 |
| 2023-24 | 2,315,684,986 | 278,519,666 | 141,413,467 | 141,499,427 | 59,176,243 |
| 2022-23 | 2,038,430,643 | 275,178,737 | 139,140,748 | 139,287,563 | 57,345,041 |
| 2021-22 | 2,026,516,187 | 273,010,767 | 138,753,516 | 138,813,435 | 63,016,624 |
| 2020-21 | 1,562,257,813 | 214,213,322 | 124,335,878 | 107,182,068 | 41,084,889 |

* Estimate

DISTRIBUTION OF STATE TAXES ON MOTOR FUELS AND AVIATION FUEL

| Fiscal Year | State Transportation Trust Fund | DOR Admin. Costs | Service Charges | Agriculture Emergency Eradication Trust Fund | Marine Resources Conservation Trust Fund |
|---|---|---|---|---|---|
| 2026-27* | 2,021,447,666 | 16,062,895 | 2,221,898 | 16,103,664 | 13,400,000 |
| 2025-26* | 2,012,391,902 | 15,990,936 | 2,211,944 | 16,031,522 | 13,400,000 |
| 2024-25 | 1,997,807,905 | 15,875,048 | 2,195,914 | 15,915,340 | 13,400,000 |
| 2023-24 | 1,910,484,985 | 15,760,000 | 2,180,000 | 15,800,000 | 13,400,000 |
| 2022-23 | 1,658,238,727 | 15,180,000 | 2,360,000 | 13,500,000 | 13,400,000 |
| 2021-22 | 1,660,848,725 | 15,617,841 | 2,294,975 | 13,851,813 | 13,400,000 |
| 2020-21 | 1,495,648,378 | 15,547,995 | 1,117,878 | 12,275,623 | 13,400,000 |

| Fiscal Year | SBA | Counties | Revenue Sharing Trust Fund for Municipalities |
|---|---|---|---|
| 2026-27* | 239,038,256 | 110,102,150 | 110,956,769 |
| 2025-26* | 237,967,403 | 109,608,910 | 110,459,700 |
| 2024-25 | 236,242,830 | 108,814,564 | 109,659,188 |
| 2023-24 | 235,979,275 | 109,757,816 | 110,400,080 |
| 2022-23 | 233,648,816 | 108,532,198 | 109,094,354 |
| 2021-22 | 228,403,630 | 106,669,993 | 107,478,079 |
| 2020-21 | 212,857,629 | 93,754,961 | 94,769,053 |

* Estimate

| Allocation by Type of Fuel** | | | | |
|---|---|---|---|---|
| Fiscal Year | Motor Fuel | Diesel Fuel | Off-Highway Fuel | Aviation |
| 2026-27* | 2,080,813,357 | 427,545,940 | 18,952,785 | 0 |
| 2025-26* | 2,071,491,644 | 425,630,602 | 18,867,880 | 21,730,917 |
| 2024-25 | 2,056,479,345 | 422,546,016 | 18,731,143 | 57,436,269 |
| 2023-24 | 1,985,642,989 | 403,321,566 | 21,811,794 | 59,176,243 |
| 2022-23 | 1,751,384,538 | 357,775,608 | 25,918,264 | 57,345,041 |
| 2021-22 | 1,767,204,353 | 337,585,853 | 17,037,168 | 63,016,624 |
| 2020-21 | 1,612,676,268 | 330,531,612 | 9,471,481 | 41,084,889 |

* Estimate

** These figures represent gross collections and include refunds, service charges, administrative costs, and collection allowances. The totals by fuel type will not equal Total Collections due to penalties, interest, and other adjustments.

*** Fiscal year 2022-23 is reduced for the motor fuel tax holiday per Ch. 2022-97 s.47.

HISTORY:

Florida began taxing gasoline in 1921. Starting with a rate of 1 cent per gallon, Florida had a series of rate increases until it was set at 7 cents in 1931. In 1939, similar taxation of special motor fuels was provided

(Chapter 206, Part II, F.S.). The rate was increased to 8 cents per gallon in 1971. With enactment of Revenue Sharing in 1972, all 8th cent proceeds were allocated to cities through the Revenue Sharing Trust Fund. In 1980, a five-year exemption was granted from the first gas tax for gasohol and beginning July 1, 1980, to July 1983, gasohol was granted an exemption from the 7th cent tax. The legislation provided that the exemption would be reduced to only 2 cents of the first gas tax in 1985 and then would be totally removed in 1987. The Special Fuel Use Tax was created in 1980.

In 1983, the Legislature repealed the sales tax exemption on motor and special fuels and repealed the "First Gas Tax" of 4 cents per gallon. The 4 cents per gallon tax was replaced with a 5 percent sales tax on all motor and special fuels and aviation fuel sold in Florida. In 1984, the term "alternative fuels" was created to include fuels previously defined as "special fuels." Instead of being subject to the special fuels tax, these "alternative fuels" were made subject to fees as outlined in s. 206.87(7), F.S. The fees collected pursuant to s. 206.87(7), F.S., were deposited into the newly created State Alternative Fuel User Fee Clearing Trust Fund and the Local Alternative Fuel User Fee Clearing Trust Fund.

Aviation fuel was exempt from the state sales tax in 1985. Part III of Chapter 206, F.S., was created, which imposed an excise tax of 5.7 cents per gallon on aviation fuel and which exempted aviation fuel from the County Voted l-cent Gas Tax, the County 1-6 cents Local Option Gas Tax, and the County 1-5 cents Local Option Motor Fuel Tax. All proceeds were deposited in the General Revenue Fund. In 1986, the proceeds from the aviation fuel tax, less service charges and refunds, were redirected for distribution to the State Transportation Trust Fund from the General Revenue Fund. Certain air carriers making an election pursuant to s. 212.0598, F.S., were authorized to use the apportionment formula in s. 212.0598, F.S., for their aviation fuel tax in 1988. The authorization was set to expire July 1, 1989, but was extended by the 1989 and 1990 Legislatures and was scheduled to expire July 1, 1991. In 1990, the sales tax on motor and special fuel was increased from 5 percent to 6 percent and annually adjusted by the change in the average of the Consumer Price Index. The excise tax on aviation fuel was increased from 5.7 cents per gallon to 6.9 cents per gallon. Effective January 1, 1991, the SCETS tax was enacted. The SCETS tax was levied on gasoline in each county levying a local option gas tax at a rate equal to two-thirds of the sum of the county's local option gas taxes, not to exceed 4 cents per gallon. The SCETS tax is annually adjusted by the average of the Consumer Price Index. The equalization of local option fuel taxes on diesel fuel was also adopted. Effective calendar year 1991, the local option tax rate on diesel cannot be lower than 4 cents per gallon; in 1992, 5 cents per gallon; and in 1993, 6 cents per gallon. Effective calendar year 1994, the local option tax rate on diesel fuel was 7 cents per gallon.

Chapter 94-146, L.O.F. (HB 1317), provided that beginning in Fiscal Year 1997-98, all fuel tax administrative costs incurred by the Department of Revenue would begin to be phased-in over a three-year period, so that by Fiscal Year 1999-00, administrative costs would be deducted proportionally from all fuel taxes, except the Constitutional gas tax.

In 1996, the motor and special fuel tax statutes were rewritten to conform to the federal diesel fuel dyed program. All of the motor and special fuel tax provisions found in Chapters 206, 212, and 336, F.S., were combined into Chapter 206, F.S. The major changes, which took effect July 1, 1996, were as follows: (1) changed the point of collection for state motor fuel and state and local diesel fuel tax from the wholesaler, special fuel dealer, importer, or retailer, to the terminal supplier; (2) changed the point of collection for local option motor fuel tax from the retailer to the wholesaler; (3) provided for the tax-free purchase of dyed diesel fuel by exempt users; and (4) imposed a 6 percent use tax on diesel fuel used for business purposes, upon which Chapter 206, F.S., fuel taxes have not been paid.

Chapter 96-323, L.O.F. (SB 330), provided for a five-year aviation fuel tax credit for air carriers offering transcontinental jet service who meet certain employment criteria. Also, kerosene was defined as aviation fuel and made subject to the 6.9 cents aviation fuel tax. Chapter 97-54, L.O.F. (HB 81), allowed owners of noncommercial vessels to purchase tax-exempt (dyed) diesel fuel provided that such fuel purchases were subject to the 6 percent general sales and use tax. Effective July 1, 1999, 0.65 percent of the fuel sales tax and the SCETS tax revenues on motor fuel are to be deposited into the Agricultural Emergency Eradication Trust Fund.

Effective July 1, 1998, the $1.5 million distribution of fuel tax revenues to the Board of Regents for the Center for Urban Transportation Research was repealed. Effective July 1, 1999, the distribution to the Invasive Plant Control Trust Fund was decreased from $7.55 million to $6.3 million; and the distribution to the Fish and Wildlife Conservation Commission was increased from $1.25 million to $2.5 million.

Effective July 1, 2000, the 7.3 percent General Revenue Service Charge was eliminated on the Fuel Tax Collection Trust Fund. The July 1, 2000, date affected motor fuel and special fuel taxes, fuel use taxes, and off-highway fuel taxes. Effective July 1, 2001, the 7.3 percent General Revenue Service Charge was eliminated on SCETS tax collections. Chapter 2000-266, L.O.F. (SB 772), provided that taxes paid on diesel fuel purchased in Florida and consumed by a qualified motor coach during idle time for the purpose of running climate control systems and maintaining electrical systems is subject to a refund. In 2002, the Legislature reinstated the aviation fuel tax exemption for certain air carriers, which expired July 1, 2001. The 2003 Legislature authorized that a portion of the moneys attributable to the sale of motor fuel and diesel fuel at marinas shall be transferred to the Marine Resources Conservation Trust Fund in the Fish and Wildlife Conservation Commission as follows: $2.5 million in 2003-04; $5.0 million in 2004-05; $8.5 million in 2005-06; $10.9 million in 2006-07; and $13.4 million in 2007-08 and each fiscal year thereafter. The 2004 Legislature enacted the "Florida Motor Fuel Tax Relief Act of 2004." For the month of August 2004, the "Fuel Sales Tax" on motor fuel was reduced by 8 cents a gallon. It was the intent of the Legislature that the 8 cent reduction be passed on to the consumer.

Effective July 1, 2007, a refund of the local option fuel tax, the SCETS tax, and the fuel sales tax was granted for any person who used motor fuel in the operation of aviation ground support vehicles or equipment that were not driven or operated on the public highways of Florida.

The 2022 Legislature enacted the "Motor Fuel Tax Relief Act of 2022" as a part of Ch. 2022-97 s. 47 L.O.F. which reduced the motor fuel sales tax, SCETS tax, municipal fuel tax, and county fuel tax rates to zero from October 1, 2022 through October 31, 2022.

The 2025 Legislature voted to repeal the 4.27-cent-per-gallon excise tax on aviation fuel effective January 1, 2026.

BASE, RATE and DISPOSITION

| Tax on Highway Fuels* | Statutory Authorization | Rate (2021) | Indexed | Disposition*** |
|---|---|---|---|---|
| Fuel Sales Tax | ss. 206.41(1)(g), 206.87(1)(e), 206.606, 206.9955(2)(e), and 212.0501, F.S. | 17.5 cents per gallon | yes | State Transportation Trust Fund |
| SCETS** Tax | 206.41(1)(f), 206.608, 206.87(1)(d), and 206.9955(2)(d), F.S. | 9.7 cents per gallon | yes | State Transportation Trust Fund, to be spent in the district where generated |
| Constitutional Fuel Tax | Art. XII, Sec. 9(c), Florida Constitution, ss. 206.41(1)(a), 206.45, 206.47, 336.023, and 336.024, F.S. | 2 cents per gallon | no | Distributed by a formula to meet debt service requirements of local transportation bonds of each county; any surplus funds are distributed to the county. |
| County Fuel Tax | ss. 206.41(1) and 206.60, F.S. | 1 cent per gallon | no | Distributed by a formula to each county. |

| | | | | |
|---|---|---|---|---|
| Municipal Fuel Tax | ss. 206.605(1) and 206.997, F.S. | 1 cent per gallon | no | Municipal Revenue Sharing Trust Fund |

*Non-highway fuels are taxed at 6% of the retail fuel price
**State Comprehensive Enhanced Transportation System
***Detailed information on the disposition of state fuel taxes is available in *Florida's Transportation Tax Sources, A Primer*, published by the Florida Department of Transportation and located at: (https://www.fdot.gov/workprogram)

Large privately-owned vehicles that engage in interstate operations are taxed on fuel use pursuant to the International Fuel Tax Agreement. The tax is calculated by multiplying the number of gallons consumed in this state by the prevailing statewide fuel tax rate of 37.0¢/gallon. Each vehicle must also pay $4 for an identifying decal.

Aviation fuel was taxed at 6.9¢/gallon, pursuant to s. 206.9825, F.S. Certain carriers were eligible for a credit or refund of the tax. As of July 1, 2019, the tax rate dropped to 4.27¢/gallon which has since been eliminated. (Federal and local option taxes are also levied on motor fuel and diesel fuel. Local option fuel taxes are described in section III, Major Local Government Revenue Sources.)

ALLOCATION FORMULAS:
Constitutional and county gas tax: area 25 percent; population 25 percent; collections 50 percent (see Article XII, Sec. 9(c)(4), Florida Constitution). Foregoing subject to debt service requirements established under earlier formula. (see Article IX, Sec. 16(a), Florida Constitution of 1885.)

OTHER STATES:
All states tax motor fuel and diesel fuel. Both motor fuel and diesel fuel state tax rates vary from a low of 9.0 cents per motor fuel gallon (Alaska) to a high of 77.1 cents per diesel gallon (Pennsylvania).

| | 2026-27 (millions) |
|---|---|
| VALUE OF RATE CHANGE: | |
| Value of 1 cent levy per gallon of motor and diesel fuel (excludes off-highway use) | $117.39 |
| Value of 1 cent levy per gallon on aviation fuel | $13.45 |
| (Note: Gross proceeds before deductions, transfers and refunds) | |
| VALUE OF EXEMPTIONS: | |
| Sales to U.S. Government (s.206.62, F.S.) | $1.5 |
| Farmers and Fishermen (s. 206.874(3)(a) and (e), F.S.) | $3.5 |
| VALUE OF REFUNDS AND CREDITS: | |
| Aviation Fuel Employment Refund (s. 206.9855, F.S.) | $30.1 |
| Refunds to Counties (ss. 206.41(4)(d), 206.625(1), 206.874(4), F.S.) | $2.6 |
| Refunds to Municipalities (ss. 206.41(4)(d),206.625(1), 206.874(4), F.S.) | $1.2 |
| Refunds to School Districts (ss. 206.41(4)(e), 206.625(2), 206.874(4), F.S.) | $1.8 |
| Refunds for Farmers and Fishermen (ss. 206.41(4)(c), 206.64, F.S.) | $1.9 |
| Refunds to Local Transit Systems (ss. 206.41(b), 206.874(5)(d), F.S.) | $1.4 |
| Dealer Collection Allowances (ss. 206.43 and 206.91, F.S.) | $5.5 |
| VALUE OF DISTRIBUTIONS: | |
| Aquatic Weed Control and Other Boating Related Activities (s. 206.606(1)(a) and (b), F.S.) | $8.8 |
| Agricultural Emergency Eradication Trust Fund (ss. 206.606(1)(c) and 206.608(1), F.S.) | $11.2 |
| Marine Resources Conservation Trust Fund (s. 206.606(1)(d), F.S.) | $12.14 |

DISTRIBUTION OF MOTOR FUEL AND DIESEL FUEL TAXES
(Thousands of Dollars)

| | 2020-21 | | 2021-22 | | 2022-23 | | 2023-24 | | 2024-25 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Motor | Diesel Fuel | Motor | Diesel Fuel | Motor | Diesel Fuel | Motor | Diesel Fuel | Motor | Diesel Fuel |
| STATE SHARE OF SALES TAX ON FUEL | | | | | | | | | | |
| Dept. of Transportation | 1,218,849 | 276,800 | 1,342,897 | 290,492 | 1,321,220 | 337,019 | 1,551,815 | 358,670 | 1,620,019 | 377,789 |
| Dept. of Env. Protection - Aquatic Weed Control | 5,242 | 1,058 | 5,126 | 1,174 | 5,183 | 319,410 | 5,065 | 338,064 | 5,181 | 353,485 |
| Fish and Wildlife Conservation Commission | 13,230 | 2,670 | 12,937 | 2,963 | 13,080 | 3,494 | 12,782 | 3,863 | 13,077 | 3,498 |
| Agr. Emergency Eradication Trust Fund | 8,095 | 0 | 8,904 | 0 | 8,764 | 0 | 10,270 | 0 | 10,718 | - |
| Refunds - Agr. and Commercial Fish | 100 | 0 | 204 | 0 | 67 | 0 | 130 | 0 | 160 | - |
| Refunds - City Transit | 118 | 635 | 98 | 520 | 89 | 521 | 73 | 405 | 118 | 1,256 |
| Refunds - Municipal, County & School District | 2,315 | 0 | 2,747 | 0 | 1,961 | 0 | 2,647 | 0 | 3,818 | - |
| Refunds as Result of 1996 Fuel Tax Rewrite | 9,739 | 11,887 | 14,166 | 18,260 | 9,539 | 9,503 | 12,004 | 11,616 | 14,868 | 14,011 |
| Administrative Trust Fund | 8,117 | 1,638 | 8,078 | 1,835 | 8,139 | 0 | 7,790 | 0 | 8,573 | - |
| General Revenue Service Charge (8.0%) | | | | | | | | | | |
| TOTAL | 1,265,804 | 294,688 | 1,395,155 | 315,243 | 1,368,040 | 669,947 | 1,602,576 | 712,619 | 1,676,532 | 750,039 |
| CONSTITUTIONAL FUEL TAX (2 Cents) | | | | | | | | | | |
| Counties and County Road Debt | 175,547 | 37,310 | 189,181 | 40,866 | 191,926 | 41,723 | 193,130 | 42,850 | 193,609 | 42,634 |
| Refunds as Result of 1996 Fuel Tax Rewrite | 479 | 876 | 570 | 39,223 | 406 | 41,124 | 438 | 42,102 | 397 | 41,845 |
| TOTAL | 176,027 | 38,187 | 189,751 | 80,089 | 192,332 | 82,847 | 193,568 | 84,952 | 194,006 | 84,478 |
| COUNTY FUEL TAX (1 Cent) | | | | | | | | | | |
| Administrative Trust Fund | 529 | 102 | 518 | 16,124 | 510 | 18,435 | 508 | 18,841 | 478 | 18,622 |
| Refunds - Municipalities, Counties and School Boards | 161 | 146 | 188 | 1,411 | 130 | 1,612 | 163 | 1,647 | 227 | 1,627 |
| Refunds as Result of 1996 Fuel Tax Rewrite | 648 | 735 | 933 | 183 | 586 | 124 | 700 | 144 | 821 | 190 |
| County Aid | 78,211 | 15,544 | 84,097 | 20,460 | 86,165 | 22,367 | 86,588 | 23,170 | 85,981 | 22,834 |
| General Revenue Service Charge (8.0%) | 6,847 | 1,361 | 7,358 | 103 | 7,537 | 98 | 7,574 | 98 | 7,518 | 92 |
| TOTAL | 86,397 | 17,888 | 93,095 | 38,281 | 94,928 | 42,635 | 95,532 | 43,901 | 95,025 | 43,365 |
| MUNICIPAL FUEL TAX (1 Cent) | | | | | | | | | | |
| Administrative Trust Fund | 533 | 106 | 522 | 16,794 | 514 | 18,815 | 511 | 19,266 | 482 | 19,154 |
| Revenue Sharing Trust Fund | 78,757 | 16,013 | 84,891 | 20,551 | 86,680 | 22,415 | 87,200 | 23,200 | 86,777 | 22,882 |
| Refunds - Farmers and Fishermen | 3 | 0 | 2 | 1,470 | 1 | 1,645 | 1 | 1,684 | 1 | 1,674 |
| Refunds as Result of 1996 Fuel Tax Rewrite | 239 | 436 | 284 | 0 | 202 | 0 | 219 | 0 | 197 | - |
| General Revenue Service Charge (8.0%) | 6,895 | 1,402 | 7,427 | 106 | 7,582 | 102 | 7,627 | 101 | 7,588 | 95 |
| TOTAL | 86,426 | 17,957 | 93,127 | 38,921 | 94,979 | 42,977 | 95,559 | 44,251 | 95,045 | 43,805 |
| TOTAL - Motor & Diesel Fuel | 1,614,654 | 368,720 | 1,771,129 | 472,534 | 1,750,279 | 838,406 | 1,987,235 | 885,723 | 2,060,608 | 921,688 |
| TOTAL: Fuel Tax Distribution | 1,983,374 | | 2,243,663 | | 2,588,684 | | 2,872,958 | | 2,982,296 | |
| Annual Change | 1.74% | | 13.12% | | 15.38% | | 10.98% | | 3.81% | |

# MOTOR VEHICLE AND MOBILE HOME LICENSES

FLORIDA STATUTES: Chapter 320

ADMINISTERED BY: Department of Highway Safety and Motor Vehicles

SUMMARY:
Motor vehicles and mobile homes must register annually in Florida. License fees for private autos and light trucks range from $14.50 to $32.50 according to vehicle weight. License fees for truck tractors are based on gross vehicle weight and range from $60.75 to $1,322. Mobile home license fees range from $20 to $80 according to length and recreational vehicle license fees are $27 to $47.25 depending on vehicle type and weight.

REVENUE:

| Fiscal Year | Total Collections | Annual Change % | General Revenue | State Trust Fund | Other |
|---|---|---|---|---|---|
| 2026-27* | 1,608,331,223 | 1.30% | 5,400,000 | 1,397,400,000 | 205,531,223 |
| 2025-26* | 1,587,673,248 | 0.69% | 5,300,000 | 1,381,200,000 | 201,173,248 |
| 2024-25 | 1,576,788,510 | 3.84% | 5,841,867 | 1,375,083,905 | 195,862,738 |
| 2023-24 | 1,518,457,133 | -0.65% | 5,889,037 | 1,330,450,079 | 182,118,016 |
| 2022-23 | 1,528,338,299 | 2.44% | 5,569,220 | 1,343,258,277 | 179,510,802 |
| 2021-22 | 1,491,869,310 | 3.82% | 13,303,618 | 1,301,545,403 | 177,020,289 |
| 2020-21 | 1,436,963,103 | 9.23% | 45,334,826 | 1,217,895,122 | 173,733,155 |

* Estimate

HISTORY:
Motor vehicle licensing began in 1905, with one-time registration. In 1917, annual registrations began. By constitutional amendment adopted in 1930, motor vehicles as property were exempted from personal property assessments. Major revisions to the law occurred in 1927, 1931, 1947, and 1975. Re-classification of vehicles was made in 1953, 1959, 1961, 1972, and 1975. In 1963, rates were increased substantially and a transition to fiscal year licensing rather than calendar year was begun. Constitutional earmarking of the amount required to meet fixed capital outlay allocations under the Minimum Foundation Program ("school tag fees") was approved in November 1952, and amended in 1964 and 1972. In 1965, by constitutional amendment, the following were added to the constitutional categories of motor vehicles: mobile homes, house trailers, camper-type mobile homes, and similar equipment. However, if these are permanently attached to the land, they are taxable as real estate. All mobile home license fees above $2.00 went to the school district (50 percent) and county or city (50 percent) in which they were registered. Rates for truck-tractors and semi-trailers were revised in 1973 and 1983. The disposition of revenues was amended in 1977 to distribute, for the first time, 36.5 percent to the State Transportation Trust Fund. By 1985, all revenues remaining after school districts receive first proceeds were transferred into the State Transportation Trust Fund.

A three-tier tag schedule for passenger cars and light trucks was created in 1977, and license fees for those motor vehicles were increased by $2.00 per tag in 1983. In 1984, provisions were made for the issuance of apportioned motor vehicle licenses in accordance with the International Registration Plan. In 1989, a $30 "new-wheels-on-the-road" fee was imposed upon the initial registration of certain automobiles for private use, trucks weighing less than 5,000 pounds, and recreational vehicles, for deposit into the Law Enforcement Trust Fund. In 1990, the $30 “new-wheels-on-the-road” fee was increased to $100, with the additional $70 for deposit into the State Transportation Trust Fund. In 1991, two changes were made. First, the $30 portion of the fee was redirected to the General Revenue Fund in lieu of the Law Enforcement Trust Fund. Second, as an offset to a loan repayment, the entire proceeds of the $100

fee were deposited into the State Transportation Trust Fund for a two-year period between July 1, 1992, and June 30, 1994. In addition, a $295 motor vehicle impact fee on the initial application for registration of certain automobiles for private use, trucks weighing less than 5,000 pounds, and recreational vehicles, was enacted effective July 1, 1990. The revenues from the impact fee were for deposit into the General Revenue Fund. The imposition of the $295 motor vehicle impact fee was changed in 1991 to require payment at the time of original titling of a motor vehicle previously titled outside the state. In 1991, all motor vehicle license tag fees, except mobile homes, included a $2.00 surcharge for deposit into the State Transportation Trust Fund. Also in 1991, a $2.00 motor vehicle license replacement fee was levied on each annual motor vehicle registration, except mobile homes, for deposit into the Motor Vehicle License Replacement Trust Fund.

In 1992, a $0.50 surcharge was levied on all motor vehicle license taxes imposed under s. 320.08, F.S., except for mobile homes, to be deposited into the Florida Motor Vehicle Theft Prevention Trust Fund. During the 1994 legislative session, the $0.50 motor vehicle license fee for deposit into the Transportation Disadvantaged Trust Fund was increased to $1.50, and the temporary tag fee was increased from $1.00 to $2.00. The 1995 Legislature increased the $0.50 motor vehicle theft prevention surcharge to $1.00. Chapter 95-140, L.O.F. (SB 588), repealed s. 319.231, F.S., the $295 vehicle impact fee. Chapter 96-413, L.O.F. (HB 1329), made the following changes to Chapter 320: provided for a $50 semi trailer permanent license plate; provided an exemption from the $100 “new-wheels-on-the-road” tax for ancient or antique cars or trucks for private use and required that a transfer of title between households must be between family members living in the same house in order for such transactions to be exempt from the “new-wheels-on-the-road” tax; increased mobile home sticker fees based on length; and reduced the number of motor vehicles from 1,000 to 250 for a permanent fleet license plate.

Chapter 97-300, L.O.F. (SB 1002), provided the following exemptions from the $100 “new-wheels-on-the-road” tax: for any member of the U.S. Armed Forces, or his or her spouse or dependent child, who was a resident of Florida at the time of enlistment, who purchased a motor vehicle while stationed outside of Florida and who continues to be stationed outside Florida; and for a motor vehicle registration that is being transferred from a vehicle that is not operational, in storage, or will not be operated in Florida. The legislation also provided for a $10 sample license plate and provided for a wrecker license plate, with fees ranging from $87 to $979, according to gross vehicle weight. Chapter 98-324, L.O.F. (HB 3345), required that a wrecker used to tow a vessel must register and pay a license tax based on gross vehicle weight. Chapter 98-202, L.O.F. (SB 1498), allowed disabled persons to apply for a disabled license plate at no fee beyond the regular license tax. The disabled license plate would replace the $13.50 long-term disabled parking placard.

Chapter 99-248, L.O.F. (SB 1270), created an annual $12.50 manufacturer license plate, increased the Challenger license plate use fee from $15 to $25, and reduced the annual fleet license fee from $6.00 to $2.00. Effective July 1, 2001, Chapter 2000-257, L.O.F. (SB 862), eliminated the 7.3 percent General Revenue Service Charge on the $100 “new-wheels-on-the-road” fee. Also, effective July 1, 2005, the entire $100 “new-wheels-on-the-road” fee was deposited into the State Transportation Trust Fund. Chapter 2002-235, L.O.F. (SB 522), required all taxes and fees collected under Chapter 320, F.S., by county officials to be submitted by electronic funds transfer to the State Treasury no later than five working days, instead of seven working days as provided for in Chapter 116, F.S., after the close of the business day in which the funds were received. Chapter 2002-20, L.O.F. (HB 261), eliminated the $13.50 state portion paid for a long term disabled parking placard. Chapter 2003-179, L.O.F. (SB 954), changed the distribution of the $1.00 surcharge imposed per motor vehicle license registration pursuant to s. 320.08046, F.S., by eliminating the 18 percent distribution to the Florida Motor Vehicle Theft Prevention Trust Fund and increasing the General Revenue distribution from 40 percent to 58 percent. Chapter 2004-337, L.O.F. (SB 2020), amended the requirements for requests to establish specialty license plates by requiring a sample license plate that conforms to specifications and increasing from 15,000 to 30,000,

the results of a scientific sample survey of Florida motor vehicle owners that intend to purchase the proposed specialty license plate.

Chapter 2007-242, L.O.F. (HB 275), created the biennial vehicle registration option. Vehicle owners are permitted to pay the vehicle registration taxes in advance for two years and are then issued the appropriate decal for their license plate. The fees for a two-year registration are double that of an annual registration; however, the distribution of the revenue does not actually occur until the year in which it would have normally been collected.

Chapter 2009-71, L.O.F. (SB 1778), changed all fees related to the registration of all motor vehicles. The increased revenues were primarily directed to General Revenue; however, a small portion of the fees are deposited into the Highway Safety Operating Trust Fund.

Chapter 2014-06, L.O.F. (SB 156), lowered registration tax and some ancillary fees for private vehicles and trucks. The decreased revenues were largely limited to portion of the fees directed to General Revenue.

Chapter 2019-43, L.O.F. (SB 7068), redirected the remaining General Revenue portion of base tax fees to the State Transportation Trust Fund. For the 2019-20 fiscal year, $45 million was retained in the State Transportation Trust Fund, with the remaining funds transferred to the General Revenue Fund. For the 2020-21 fiscal year, $90 million was retained in the State Transportation Trust Fund, with the remaining funds transferred to the General Revenue Fund. For the 2021-22 fiscal year and each fiscal year thereafter, all of the funds shall be retained in the State Transportation Trust Fund.

BASE TAX AND RATE:
Passenger cars: $14.50 to $32.50 in three weight classes.
Trucks: $14.50 to $32.50 in three weight classes.
Truck Tractors: $60.25 to $1,322 per vehicle, according to gross vehicle weight: 5001-72,000 lbs.
Semi-Trailers: drawn by a GVW truck tractor by means of a 5$^{th}$ wheel: $13.50 annual or $68 permanent registration.
Trailers for private use: less than 501 lbs, $6.75; 501 lbs or more, $3.50 plus $1.00 per CWT; for hire: less than 2,000 lbs, $3.50 plus $1.50 per CWT; 2000 lbs or more, $13.50 plus $1.50 per CWT.
Wrecker License Plates: $41 flat or $118 to $1,322 according to gross vehicle weight: 10,000-72,000 lbs.
Antique Cars & Trucks: $7.50 flat.
Recreational Vehicles: $27 to $47.25 depending on vehicle type and weight.
Mobile Homes: $20 to $80 in eight groups according to length.
Motorcycles: $10.00 + $2.50 motorcycle safety education fee.
Mopeds: $5.00 + $2.50 motorcycle safety education fee.
Motor Vehicles "for hire": under nine passengers, $17.00 flat plus $1.50 per 100 lbs; nine passengers and over, $17.00 flat plus $2.00 per 100 lbs.
Dealer and Manufacturer License Plates: $17.00 flat.
School Buses: $41 flat.
Temporary Tags: $2.00.
Transporter Tags: $101.25 flat.
Permanent Fleet Tags: $1.50 manufacturing fee, in addition to applicable license tax pursuant to s. 320.08, F.S.
Sample License Plates: $28.00 flat.
Annual Fleet Management Fee: $2.00 flat.

In addition to the license taxes stated above, the following taxes are imposed:

- $1.20 registration surcharge on each annual motor vehicle registration except for mobile homes (see s. 320.0804, F.S.);
- $2.80 motor vehicle license plate replacement fee on each annual motor vehicle registration except for mobile homes (see s. 320.06, F.S.);
- $0.10 on each motor vehicle as defined in s. 320.01, F.S., and on each moped, as defined in s. 316.003(2), F.S. (see s. 320.0801, F.S.) for Emergency Medical Trust Fund;
- $1.00 surcharge on each annual motor vehicle registration except for mobile homes (see s. 320.08046, F.S.) for Grants and Donation Trust Fund in the Department of Juvenile Justice;
- $1.00 surcharge on each annual motor vehicle registration except mobile homes (see s. 320.0802, F.S.) for Law Enforcement Radio Systems Trust Fund;
- $.50 fee on every license registration (see s. 320.03, F.S.) for Florida Real Time Vehicle Information System;
- $1.00 air pollution surcharge (see s. 320.03, F.S.) for Air Pollution Control Trust Fund;
- $1.00 decal fee (see s. 320.04, F.S.);
- $2.50 service fee (see s. 320.04, F.S.);
- $0.50 retro-reflection materials fee (see s. 320.06, F.S.);
- $1.00 mobile home surcharge to be collected only on mobile home registrations (see s. 320.08015, F.S.);
- $1.50 surcharge for transportation disadvantaged;
- $225 on the initial registration of private automobiles and light trucks, except when the person registering the vehicle is replacing a vehicle already registered in Florida.

DISPOSITION:
The first proceeds of motor vehicle base tax are distributed into the District Capital Outlay and Debt Service Trust Fund (Article XII, Sec. 9(d), Florida Constitution) with the remaining distributed to the State Transportation Trust Fund and General Revenue (through the 2020-2021 fiscal year); mobile home licenses to local governments except for $1.50 per tag which goes into the General Revenue Fund; $0.50 to repay costs of the retro-reflective tag feature (deposited into the Highway Safety Operating Trust Fund (HSOTF)); $0.50 into the HSOTF to cover the costs of the Florida Real Time Vehicle Information System; $1.00 into the HSOTF to cover the cost of decals; $1.00 for the Air Pollution Control Trust Fund; $1.50 for the Transportation Disadvantaged Trust Fund; $2.50 motorcycle safety education fee for deposit into the HSOTF; $0.10 per motor vehicle and moped registration for deposit into the Emergency Medical Service Trust Fund; $1.00 surcharge on each annual motor vehicle registration (except mobile homes) for deposit into the State Agency Law Enforcement Radio System Trust Fund; $1.20 motor vehicle license surcharge on each annual motor vehicle registration except mobile homes($1 is deposited into the State Transportation Trust Fund and $0.20 is deposited in HSOTF); $2.80 motor vehicle license replacement fee on each annual motor vehicle registration except mobile homes for deposit into the HSOTF; $1.00 surcharge on each annual motor vehicle registration except mobile homes deposited into the Grants and Donations Trust Fund in the Department of Juvenile Justice to fund the community juvenile justice partnership grants program; and $1.00 to the Mobile Home Relocation Trust Fund and only charged on mobile home registrations.

Effective July 1, 2005, 100 percent of the “new-wheels-on-the-road” fee was deposited into the State Transportation Trust Fund. Prior to Fiscal Year 2005-06, $30 of the “new-wheels-on-the-road” fee was deposited into the General Revenue Fund and the remaining $70, less the General Revenue Service Charge, was deposited into the State Transportation Trust Fund. (Effective July 1, 2001, the 7.3 percent General Revenue Service Charge was eliminated on the $100 “new-wheels-on-the-road” fee.) Effective

September 1, 2009, the "new-wheels-on-the-road" fee was raised to $225 with 44.5 percent deposited into the State Transportation Trust Fund and 55.5 percent deposited into General Revenue. Effective September 1, 2014, 44.5 percent of the "new-wheels-on-the-road" fee is deposited into the State Transportation Trust Fund, 41.2 percent is deposited into General Revenue and 14.3 percent is deposited in the Highway Safety Operating Trust Fund.

OTHER STATES:
Motor vehicles are licensed in all states. In some states, motor vehicles are subject to personal property taxes in addition to licenses. Most states base fees for private vehicles on weight, some employ a combination of horsepower and weight, and a few relate the fee to the original value of the car. Fees for commercial vehicles are based on weight, capacity, or both. Farm vehicles are commonly exempted or subjected to lower fees.

| | 2026-27 (millions) |
|---|---|
| VALUE OF RATE CHANGE: | |
| Value of $1 levy on all licenses sold | |
| Passenger Cars | $ 12.1 |
| Light Trucks | $ 1.5 |
| Heavy Truck/Truck Tractors | $ 1.9 |
| All Other | $ 3.1 |
| For-Hire | $ 1.5 |
| Total | $ 20.1 |

# P A R I – M U T U E L  T A X

FLORIDA STATUTES: Sections 550.0951(1)(a) and (b); 550.0951(2)(a); 550.0951(2)(b) and (c); 550.0951(3)(a); 550.0951(3)(b)1 and 2; 550.0951(3)(d); 550.09515(2)(a); 550.3551(4); 550.3551(3) through 550.3551(3)(c); 550.0951(3)(b)1; 550.0951(3)(c)2; 550.09511(1)(b); 550.09511(2)(a)1; 550.09511(3)(a); 550.09511(4); 550.09514(1); 550.09515(5) and (6); 550.1645(2); 550.1646; 550.1647; 550.0351(1), (5), and (6); 849.086(5)(d); and 849.086(13)(a) through (c)

ADMINISTERED BY: Formerly, the Department of Business and Professional Regulation; Division of Pari-Mutuel Wagering. As of July 1, 2022, the Florida Gaming Control Commission assumed oversight.

SUMMARY:
Taxes and fees are imposed on pari-mutuel facilities in Florida that conduct greyhound, harness, thoroughbred, and quarter horse races, and jai alai games. Taxes are imposed at each pari-mutuel facility that operates a cardroom at 8 percent of the total cardroom gross receipts. Also imposed is an annual cardroom license fee of $1,000 for each table operated at the cardroom facility. A series of occupational license fees for employees and associated businesses is also imposed.

REVENUE:

| Fiscal Year | Total Cardroom Gross Receipts | Table Fees | Daily License Fees | Occupational Licenses Fees (Including Fingerprint Fees) | Other Pari-Mutuel Tax |
|---|---|---|---|---|---|
| 2026-27* | 18,600,000 | 900,000 | 100,000 | 500,000 | 400,000 |
| 2025-26* | 18,300,000 | 900,000 | 100,000 | 500,000 | 400,000 |
| 2024-25 | 22,456,921 | 937,000 | 314,920 | 554,622 | 856,796 |
| 2023-24 | 22,553,438 | 965,000 | 304,520 | 630,576 | 665,719 |
| 2022-23 | 21,507,059 | 912,000 | 851,460 | 519,167 | 4,721,723 |
| 2021-22 | 19,310,784 | 829,000 | 1,035,360 | 658,948 | 4,804,474 |
| 2020-21 | 14,438,521 | 782,000 | 1,353,679 | 683,362 | 4,517,786 |

* Estimate

DISTRIBUTIONS:

| Fiscal Year | Pari-Mutuel Related Total | Annual Change % | General Revenue (Cardrooms) | Annual Change % | Pari-Mutuel Wagering Trust Fund | Annual Change % |
|---|---|---|---|---|---|---|
| 2026-27* | 20,500,000 | 0.99% | 9,300,000 | 1.09% | 11,200,000 | 0.90% |
| 2025-26* | 20,300,000 | -19.19% | 9,200,000 | -18.07% | 11,100,000 | -20.10% |
| 2024-25 | 25,120,260 | 0.02% | 11,228,461 | -0.43% | 13,891,799 | 0.39% |
| 2023-24 | 25,115,092 | -11.91% | 11,276,719 | 4.87% | 13,838,373 | -22.07% |
| 2022-23 | 28,510,656 | 7.03% | 10,753,529 | 11.49% | 17,757,127 | 4.49% |
| 2021-22 | 26,638,566 | 22.33% | 9,645,197 | 33.60% | 16,993,369 | 16.74% |
| 2020-21 | 21,775,348 | 4.09% | 7,219,261 | 5.15% | 14,556,087 | 3.57% |

* Estimate

HISTORY:
Pari-mutuel betting was first authorized in 1931 with the handle taxed at 3 percent plus an admissions tax. Jai alai frontons were authorized in 1935 with the same tax provisions. In 1941, a tax on "breaks" was enacted. Daily license fees were authorized in 1963. Legislation in 1971 placed a ceiling of $446,500 on the amount of racing revenues distributed annually to each county. The pari-mutuel laws were substantially revised during the 1980 legislative session.

In 1984, all permitholders were authorized to withhold an additional 1 percent commission from exotic wagers to be used for capital improvements, with a 50 percent surtax on the additional commission. In 1987, the Legislature authorized the Florida Pari-mutuel Commission to make recommendations annually to the Legislature for additional operating days. Additional taxes on handle for additional racing days were provided. Jai alai and dog racing permitholders were authorized to withhold in Fiscal Year 1989-90, up to an additional 2 percent from exotic wagers. The additional 2 percent was subject to a 17.5 percent surtax per percentage point. In 1990, intertrack wagering was authorized, with a 3 percent tax rate on handle for horses and a 6 percent tax rate on handle for greyhound racing and jai alai. The additional 2 percent takeout on exotic wagering authorized for Fiscal Year 1989-90 to greyhound and jai alai permitholders was allowed to continue. The Legislature adopted a provision that any increase in future years over the amount of taxes paid from all types of pari-mutuel wagering in Fiscal Year 1989-90 will be redistributed as tax credits to greyhound and jai alai permitholders.

The 1991 Legislature passed CS/SB 1342, which repealed effective July 1, 1992, most of the pari-mutuel statutes, including tax credits and exemptions. Basic provisions relating to taxes and wagering were not repealed. The lower tax rate for intertrack wagering (ITW) was repealed, subjecting ITW to the higher tax rates.

The 1992 Legislature failed to reenact the pari-mutuel statutes. During Special Session A, the 1993 Legislature reenacted the regulatory authority of the Division of Pari-mutuel Wagering and the former permitting and licensing provisions, with some modifications. Tax credits and exemptions and the lower ITW tax rate were not reenacted. In 1993, new tax structures for jai alai games, live harness races, and thoroughbred races were established. Another statutory change adopted in 1993 provided that if a jai alai or horseracing permitholder does not pay state taxes for two consecutive years and incurs no tax liability for failure to operate a full schedule of live races, the permit escheats to the state. The state may reissue the permit to a qualified applicant. Also, the Breeders' Cup Meet was reestablished, but without tax credits. In 1994, the daily license fee for jai alai was reduced from $80 to $40 per game, and the tax on handle for live jai alai performances was reduced from 7.1 percent to 5 percent of handle. However, when the live handle during the preceding state fiscal year is less than $15 million, the tax shall be paid on handle in excess of $30,000 per performance per day. Chapter 94-328, L.O.F. (HB 2813), created s. 550.2704, F.S., and authorized the licensing of one special Jai Alai Tournament of Champions Meet. The meet consists of four performances at different locations each year. During the 1995 legislative session, no legislation was passed that impacted fees or taxes. The only major legislation that was enacted was in reference to various technical matters in Chapter 550, F.S.

The 1996 Legislature enacted major pari-mutuel tax law changes. The significant changes were as follows: capped daily license fees on simulcast racing at $500 per day; reduced tax rate on horse racing intertrack simulcast handle from 3.3 percent to 2.4 percent; reduced tax rate on greyhound intertrack handle from 7.6 percent to 6 percent; reduced the tax rate on jai alai intertrack handle from 7.1 percent to 6.1 percent; reduced the tax rate on live jai alai handle from 5 percent to 4.25 percent; eliminated the breaks on live greyhound handle, permitting such breaks to be retained by the permitholder instead of the state; greyhound permitholders were entitled to a tax exemption on their first $100,000 of live handle with a total tax credit of either $500,000 or $360,000 per fiscal year and an $80 per race tax credit multiplied

by the number of live races conducted in the previous fiscal year; and full-card simulcasting was permitted for all thoroughbred, harness, and jai alai permitholders.

In 1996, the Legislature passed Chapter 1996-364, L.O.F. (HB 337), as a general act covering the entire state. In September 2007, the Florida Supreme Court ruled s. 550.615(6), F.S., to be unconstitutional because of the way it was adopted. The justices found the act should have been a local bill because it only affects South Florida tracks. The high court upheld two lower court decisions that also found the law unconstitutionally restricted the tracks. Section 550.615(6), F.S., limited the ability of South Florida horse racing tracks to simulcast events from other pari-mutuel facilities. As a result of the ruling, effective September 21, 2007, all pari-mutuel facilities in Miami-Dade and Broward counties, were permitted to enter into contractual agreements that allow the host facility to send its live and import simulcast signals to other facilities in the two counties; the tax rate for simulcast handle for the two affected Broward County greyhound facilities increased from 3.9 percent to 5.5 percent.

In addition, the 1996 Legislature permitted the operation of card rooms at pari-mutuel facilities if such activity is approved by ordinance by the county commission where the pari-mutuel facility is located. The fee to operate a card room is $1,000 for the first card table and $500 for each additional card table. A card room can only be operated in conjunction with live pari-mutuel wagering. The gross receipts of a card room are taxed at a rate of 10 percent. One-quarter of the revenues deposited into the Pari-Mutuel Trust Fund from card room operations is to be distributed to the counties where the card rooms are located.

The 1997 Legislature transferred the daily operation of the PMW Laboratory to the University of Florida, College of Veterinary Medicine, for Fiscal Year 1997-98, during which time a feasibility study of the operations of the laboratory was conducted. Greyhound racing purse requirements became effective October 1, 1996, and during the 1996-97 fiscal year; the division completed its comprehensive review of greyhound purse payments and established the minimum purse percentages to be used for compliance purposes. The 1998 Legislature passed into law three bills. Two of the bills, CS/SB 440 and HB 1747, became effective on May 24 and contained continued tax breaks for the pari-mutuel industry by repealing the sunset language enacted in 1996. CS/SB 440 provided for the removal of the admission tax on free passes and complimentary cards issued by all permitholders. The bill allowed simulcasting beyond 10:00 P.M., reduced various tax rates on all wager types, and provided for a feasibility study of the Hialeah Race Track to be performed to address state or municipal ownership. The 1999 Legislature allotted an additional $700,000 to facilitate the relocation of the PMW Racing Laboratory from Tallahassee to Gainesville.

In 2000, the Legislature passed a 76-page amendment affecting pari-mutuel wagering, which included $20 million in tax reductions for permitholders and an assortment of other revisions to Chapter 550, F.S. The following is a brief synopsis of what is contained in the amendment, which became effective, July 1, 2000:

- Reduced taxes for greyhound permitholders to an estimated amount of $14.4 million annually
- Reduced taxes for thoroughbred permitholders to an estimated amount of $4.5 million annually
- Reduced taxes for jai alai permitholders to an estimated amount of $430,000 annually
- Reduced taxes for harness permitholders to an estimated amount of $600,000 annually
- Designated the $29.9 million paid annually to the counties be disbursed directly from the General Revenue Fund rather than the Pari-Mutuel Wagering Trust Fund
- Increased tax credits associated with the Breeders' Cup Championship Meet for certain eligible permitholders

- Reduced the frequency of tax and fee payments made by the permitholder to the division from twice a week to once a week
- Provided jai alai permitholders the option of conducting one additional Charity Day performance
- Provided the authority for the department to enter into an Interstate Compact that will reduce the administrative burden of issuing duplicative licenses to applicants from states that choose to participate
- Eliminated the licensing requirement for all restricted licensees

Section 10 of Chapter 2000-354, L.O.F. (SB 770/286), reenacted and amended paragraph (2) (a) of s. 550.09515, F.S., as amended by s. 4, Chapter 98-190, L.O.F. (SB 440). Effective July 1, 2001, the tax on live handle for thoroughbred horseracing was set at 0.5 percent. In 2003, s. 849.086, F.S., was amended to allow permitholders who operate a cardroom to raise the pot limits from a $10 pot to a bet limit of $2 for up to three raises per round of play. Additionally, horseracing permitholders would be permitted to conduct simulcast racing after 7:00 PM and simultaneously operate a cardroom. Sections 550.26165 and 550.2625, F.S., modified the criteria for breeders' awards and the payment of special racing awards to owners of winning Florida-bred thoroughbred horses.

Chapter 2005-288, L.O.F. (HB 181), reduced the number of live performances constituting a full schedule from 100 to 40 for certain jai alai permitholders. Permitholders taking advantage of this reduction are required to pay the same amount of tax as they paid during the last year in which they conducted at least 100 live performances. Additionally, any quarter horse permitholder wanting to substitute thoroughbred races or take intertrack wagering signals would have to have approval from other permitholders in its proximity. Finally, transfer of cardroom licenses was permitted, with no referendum required if the permitholder relocates its permit within the same county as its existing pari-mutuel facility.

Chapter 2007-163, L.O.F. (SB 134), increased the wagering limits from $2 to $5 and authorized new wagering options such as dominoes and games of Texas Hold-em without betting limits as long as the buy-in did not exceed $100; and poker tournaments as long as the entry fee does not exceed the maximum amount that could be wagered in 10-like kind non-tournament games. Additionally, the per table fee paid by each cardroom operator was increased from $1,000 for the first table and $500 for each additional table to $1,000 for all tables. Finally, the requirement to conduct live performances in conjunction with operating a cardroom was amended, authorizing cardroom operators to operate a cardroom year round without having to conduct a live performance. These amendments to s. 849.086, F.S., had a positive impact on tax revenue to the state.

Chapter 2010-29, L.O.F. (SB 622), gave an effective date for the pari-mutuel provision in Chapter 2009-170, which extended cardroom hours from 12 hours per day to 18 hours per day and 24 hours on the weekends and holidays. Additionally, all wagering limits for cardrooms were removed. Quarter horse permit application requirements were amended, subjecting them to the same mileage restrictions that are applicable to other permit applications. Live performances consisting of a full schedule for quarter horse permitholders were reduced from 40 to 20 in 2010-11, increased to 30 in 2011-12 and 2012-13, and then to 40 every fiscal year thereafter. A quarter horse permitholder may have an agreement with either the Florida Quarter Horse Racing Association or the horsemen's association representing the majority of the quarter horse owner and trainers at their facility authorizing them to run an alternative schedule of at least 20 live performances. Additionally, quarter horse permitholders may substitute 50 percent of their races with thoroughbred races, and were no longer required to have approval from other permitholders within their proximity. Finally, a jai alai permitholder that meets certain conditions may apply to have the permit converted to a greyhound permit.

In November 2018, the Constitution Revision Commission proposal #13 to end greyhound racing was approved by 69.1% of voters. This initiative phased out commercial dog racing in connection with wagering by 2020. Other gaming activities were not affected. Live greyhound racing ended effective December 31, 2020.

During the 2021 Legislative Special Session, Chapter 2021-271, L.O.F. (SB 8-A) passed both the House and Senate chambers and was approved by the Governor. The bill did not become effective until August 11, 2021 when the approved 2021 Gaming Compact between the State of Florida and the Seminole Tribe of Florida was published in the Federal Register. Chapter 2021-271, L.O.F., provided for the following changes: (1) The Division shall revoke permits of any permitholder, other than a permit issued pursuant to s. 550.3345, F.S., who did not hold an operating license for the conduct of pari-mutuel wagering for Fiscal Year 2020-2021. A permit revoked is void and may not be reissued; (2) Greyhound permitholders are no longer authorized to conduct live racing, and jai alai permitholders, harness permitholders, and quarter horse permitholders may elect to not conduct live races or games; (3) Those that elect not to conduct live races or games are eligible but not required to be a guest track for the purchase of intertrack and simulcast wagering; and if a harness permitholder, to be a host track for the purpose of intertrack wagering and simulcasting pursuant to ss. 550.3551, 550.615, 550.623, and 550.6305, F.S.; (4) Removes the requirement that a jai alai permitholder conducting fewer than 100 live performances in any calendar year shall pay to the state the same aggregate amount of live daily license, admission tax, and tax on live handle as such permitholder paid to the state during the most recent prior calendar year in which the jai alai permitholder conducted at least 100 performances; (5) Cardrooms are authorized to be open 24 hours a day throughout the year.

During the 2022 Legislative Session, Chapter 2022-179, L.O.F. (SB2510) passed both the House and Senate chambers and was approved by the Governor. This bill became effective July 1, 2022. Chapter 2022-179, L.O.F. (SB2510) amended Section 550.135, F.S., removing the requirement that all unappropriated funds in excess of $1.5 million in the Pari-Mutuel Wagering Trust Fund, be deposited into the General Revenue Fund.

During the 2023 Legislative Session, Chapter 2023-157, L.O.F. (HB7063) passed both the House and Senate chambers and was approved by the Governor. This bill became effective July 1, 2023. Chapter 2023-157, L.O.F. (HB7063) created Section 550.09516, F.S., authorizing thoroughbred permitholders that conduct pari-mutuel wagering meets to be eligible for a credit equal to the amount paid by such permitholders in the prior state fiscal year to the federal Horseracing Integrity and Safety Authority (HISA), inclusive of any applicable true-up calculations or credits made, granted, or applied to the assessment imposed on the permitholder or the state by HISA, for covered horse racing in the state, pursuant to the Horseracing Integrity and Safety Act of 2020. Each permitholder granted such credits beginning July 1, 2023, and each July 1, thereafter, may apply such credit against their taxes and fees due under ss. 550.0951, 550,095151, and 550.3551(3), F.S., less any credit received by the permitholder under s. 550.09515 (6) F.S., and less the amount of state taxes that would otherwise be due to the state for the conduct of charity day performances under s. 550.0351 (4), F.S.

During the 2024 Legislative Session, Chapter 2024-115, L.O.F. (SB804) passed both the House and Senate chambers and was approved by the Governor. This bill became effective July 1, 2024. Chapter 2024-115, L.O.F., (SB804), amended Section 550.3551, F.S., authorizing horse tracks to receive broadcast of horseraces conducted at other horse racetracks located outside the state at the racetrack enclosure of the licensee, if the horse track conducted a full schedule of live racing during the preceding state fiscal year, or if the horse track does not conduct live racing as authorized under s. 550.01215, F.S.

During the 2025 Legislative Session, Chapter 2025-208, L.O.F. (HB7031) passed both the House and Senate chambers and was approved by the Governor. This bill became effective July 1, 2025 and

amended Section 849.086(13)(a), F.S. changing the tax on cardroom 10 percent of the gross receipts to 8 percent. Additionally, provisions in Section 550.0951(3)(c), F.S., that require a 0.5% tax rate on handle were amended to remove the "currently conducting a live race meet" language and added "that conducted a full schedule of live racing the preceding fiscal year."

BASE AND RATE:

| | Thoroughbreds | Harness | Quarter Horse | Greyhounds | Jai Alai |
|---|---|---|---|---|---|
| Daily License Fee | | | | | |
| Live<br>Simulcast | $100 per race<br>$500 per day | $100 per race<br>$500 per day | $100 per race<br>$500 per day | N/A<br>$500 per day | $40 per game<br>$500 per day |
| Admissions Tax | 15% or 10 cents, whichever is greater<br><br>No tax applies to free or complimentary passes | 15% or 10 cents, whichever is greater<br><br>No tax applies to free or complimentary passes | 15% or 10 cents, whichever is greater<br><br>No tax applies to free or complimentary passes | 15% or 10 cents, whichever is greater<br><br>No tax applies to free or complimentary passes | 15% or 10 cents, whichever is greater<br><br>No tax applies to free or complimentary passes |
| Tax on Handle | | | | | |
| Live | 0.5% of handle | 0.5% of handle | 1.0% of handle | N/A | 2.0% of handle |
| ITW | 2.0% of handle<br><br>0.5% of handle (I) | 3.3% of handle<br><br>0.5% of handle (I) | 2.0% of handle<br><br>0.5% of handle (I) | N/A | 7.1% of handle<br><br>6.1% of handle (III)<br><br>3.3% of handle (IV)<br><br>2.3% of handle (III)<br><br>0.5% of handle (I) |
| Simulcast | 0.5% of handle | 0.5% of handle | 1.0% of handle | 5.5% of handle | 2.0% of handle |
| ITW of Simulcast | 2.4% of handle<br><br>0.5% of handle (I and V) | 1.5% of handle<br><br>0.5% of handle (I) | 2.4% of handle<br><br>0.5% of handle (I) | 5.5% of handle<br><br>3.9% of handle (II)<br>0.5% of handle (I) | Same as intertrack<br><br>0.5% of handle (I) |
| Tax on Cardroom | 8% of gross receipts | 8% of gross receipts | 8% of gross receipts | 8% of gross receipts | 8% of gross receipts |
| Cardroom License Fee | $1,000 per table | $1,000 per table | $1,000 per table | $1,000 per table | $1,000 per table |

DISPOSITION:

Pari-Mutuel Taxes and Fees

Of the total collections, 8 percent is deducted as service charges to the General Revenue Fund, with the remainder deposited into the Pari-Mutuel Wagering Trust Fund.

Cardroom Taxes
One-half of total collections are distributed to the General Revenue Fund. The other half of the collections is deposited into the Pari-Mutuel Wagering Trust Fund. Of the one-half deposited into the Pari-Mutuel Wagering Trust Fund, 8 percent is deducted as service charges to the General Revenue Fund. One-fourth of the collections deposited into the Pari-Mutuel Wagering Trust Fund is distributed the following October to the counties or municipalities where the cardroom was approved.

Cardroom Table Fees
The General Revenue Fund deducts 8 percent as service charges with the remainder deposited into the Pari-Mutuel Wagering Trust Fund.

Pari-Mutuel, and Cardroom, Occupational Licenses
The General Revenue Fund deducts 8 percent as service charges with the remainder deposited into the Pari-Mutuel Wagering Trust Fund.

Prior to the 2022 Legislative Session, all unappropriated funds in excess of $1.5 million in the Pari-mutuel Wagering Trust Fund, collected pursuant to s. 550.135, F.S., were deposited with the Chief Financial Officer to the credit of the General Revenue Fund. This amounted to $2 million in FY 2021-22, $0 million in FY 2020-21, $1 million in FY 2019-20, $2 million in FY 2018-19 and $9 million in FY 2017-18.

OTHER STATES:
There are many other states that permit some type of pari-mutuel and/or cardroom operations. Those operations are sometimes regulated by the state, commissions, or boards. Historically, pari-mutuel and cardroom statutes relating to taxes and fees are very complex and vary greatly from state to state. Most states have some sort of pari-mutuel wagering, except Alaska, Georgia, Hawaii, Mississippi, Missouri, North Carolina, South Carolina, Tennessee, Utah, Vermont, and Washington, DC.

| | 2026-27 (millions) |
|---|---|
| VALUE OF RATE CHANGE: | |
| Value of 1 percent levy on pari-mutuel handle | |
| (Assuming no additional track allowance) | |
| Greyhound (simulcast)* | $0.03 |
| Jai Alai (live and simulcast) | insig. |
| Harness (live and simulcast) | $0.04 |
| Thoroughbred (live and simulcast) | $0.80 |
| Quarter Horse (live and simulcast) | insig. |
| Intertrack Wagering (ITW and ITWS) | $2.94 |
| Total | $3.81 |

*No live greyhound racing effective December 31, 2020.

| | |
|---|---|
| Value of 1 percent levy on cardroom gross receipts | $2.3 |

# POLLUTANT TAXES AND FEES

FLORIDA STATUTES: Chapter 206 Part IV, F.S. (Coastal Protection Tax, Water Quality Tax, and Inland Protection Tax), s. 376.75, F.S. (Perchloroethylene Tax), s. 403.718, F.S. (Waste Tire Fees) and s. 403.7185, F.S. (Lead-acid Battery Fees).

ADMINISTERED BY: Department of Revenue

SUMMARY:
Every barrel of pollutant produced in or imported into Florida is subject to the pollutant tax. Taxable pollutants include petroleum products including gasoline and diesel fuel, pesticides, ammonia, chlorine, solvents, and motor oil and other lubricants. In addition, each new tire sold at retail is subject to a $1 waste tire fee and each new or remanufactured lead-acid battery is subject to a $1.50 lead-acid battery fee.

REVENUE:

| Fiscal Year | Total Collections | Annual Change % | Coastal Protection | Water Quality** | Inland Protection |
|---|---|---|---|---|---|
| 2026-27* | 313,678,613 | 0.16% | 7,266,023 | 33,141,773 | 273,270,818 |
| 2025-26* | 313,179,274 | 0.35% | 7,254,456 | 33,089,015 | 272,835,803 |
| 2024-25 | 312,086,970 | 0.64% | 7,229,154 | 32,973,607 | 271,884,208 |
| 2023-24 | 310,114,192 | 3.97% | 7,171,277 | 33,281,130 | 269,661,785 |
| 2022-23 | 298,268,718 | -0.91% | 7,053,256 | 27,564,239 | 263,651,223 |
| 2021-22 | 301,015,213 | 12.20% | 7,005,461 | 33,142,501 | 260,867,251 |
| 2020-21 | 268,279,511 | -3.56% | 6,268,378 | 29,845,907 | 232,165,226 |

* Estimate

** The Water Quality numbers include the following revenues for the $1.50 lead-acid battery fee: 2020-21 - $11.8 million; 2021-22 - $13.4 million; 2022-23 - $10.6 million; 2023-24 - $13.6 million; 2024-25 - $13.2 million

HISTORY:
The Coastal Protection Tax, Water Quality Tax, and Inland Protection Tax are deposited into the Pollutant Tax Clearing Trust Fund, from which distributions to other trust funds and to the General Revenue Fund (service charges) are made. The Perchloroethylene Tax is deposited into the Water Quality Assurance Trust Fund. The Lead-acid Battery Fees and the Waste Tire Fees are deposited into the Solid Waste Management Clearing Trust Fund.

In 1974, under s. 376.11, F.S., a pollutant tax of 2 cents per barrel of pollutant was levied and revenues deposited into the Florida Coastal Protection Trust Fund. As part of the "State Underground Petroleum Environmental Response Act of 1986", the 1986 Legislature replaced the pollutant tax provisions of Chapter 376, F.S., with Part IV of Chapter 206, F.S., which provided for the taxation of each barrel of pollutant produced in or imported into the state. The definition of "pollutant" included specified petroleum products as well as pesticides, ammonia, and chlorine. In addition to the Coastal Protection Trust Fund and the Water Quality Assurance Trust Fund, the Inland Protection Trust Fund was created and a tax imposed.

In 1988, the Legislature expanded the list of products subject to the Water Quality Assurance Tax to include solvents, lead-acid batteries, and motor oil or other lubricants; provided a two-tiered tax rate; and adopted waste newsprint disposal fees. Solvent mixtures were added to the list of taxable pollutants under the Water Quality Assurance Tax in 1989 and tax rates were adjusted. The lead-acid battery tax was transferred to Chapter 403, F.S. In 1990, provisions were adopted to increase the cap on the Coastal Protection Trust Fund if the U.S. Department of the Interior approves offshore oil drilling, excluding

natural gas drilling activities, in waters off Florida's coast; and if a discharge of catastrophic proportions occurs, the Governor and Cabinet may, by rule, increase the levy of the pollutant tax to an amount not to exceed 10 cents per gallon for a period of time necessary to pay any proven claims against the fund and to restore the balance to $50 million.

In 1992, the tax for inland protection was increased from 10 cents to 30 cents per barrel of taxable pollutant if the unobligated balance of the trust fund falls between $100 million and $150 million, increased from 20 cents to 60 cents if the unobligated balance of the trust fund is above $50 million, but below $100 million; and increased from 30 cents to 80 cents if the unobligated balance of the trust fund is $50 million or less.

The 1-cent Advance Disposal Fee, which was originally enacted in 1988 to take effect in 1992, was substantially amended and took effect October 1, 1993. The fee was scheduled to increase to 2 cents per container on January 1, 1995. Pursuant to ss. 71 and 72 of Chapter 88-130, L.O.F., waste newsprint disposal fees and the advance disposal fee were repealed effective October 1, 1995.

In 1996, the Legislature eliminated solvent mixtures from the definition of taxable pollutants, thus exempting them from the Water Quality Tax. Chapter 2006-16, L.O.F. (SB 818), changed the fuel tax distribution by decreasing the transfer of funds to the Inland Protection Trust Fund and increasing the distribution to the Florida Coastal Protection Trust Funds. Chapter 2007-81, L.O.F. (HB 7063), prescribed a transfer of the greater of $5 million or 2.5 percent of the Inland Protection Trust Fund to the Coastal Protection Trust Fund.

BASE AND RATE:
Tax for Coastal Protection: 2 cents per barrel of pollutant produced in or imported into the state until the balance in the Coastal Protection Trust Fund equals or exceeds $50 million. For the fiscal year immediately following the year in which the balance equals or exceeds $50 million, the excise tax will be discontinued until it is necessary to reinstate the tax. If off-shore oil drilling is approved off Florida's coast the cap on the trust fund is raised to $100 million, and if a catastrophic discharge of pollutants occurs the tax can be increased up to 10 cents a barrel (see s. 206.9935(1), F.S., for details).

Tax for Water Quality: $1.50 per new or remanufactured lead-acid battery; 2.36 cents per gallon of solvents; 1 cent per gallon of motor oil or other lubricants; and 2 cents per barrel of petroleum products, ammonia, and chlorine produced in or imported into the state, until the unobligated balance of the Water Quality Assurance Trust Fund equals or exceeds a balance of $12 million, at which time the tax will be discontinued until it is necessary to reinstate the tax. If the unobligated balance of the fund is or falls below $3 million, the tax will be $1.50 per new or remanufactured lead-acid battery; 5.9 cents per gallon of solvent; 2.5 cents per gallon of motor oil or other lubricants; 2 cents per barrel of ammonia; and 5 cents per barrel of petroleum products, pesticides, and chlorine, until the unobligated fund balance exceeds $5 million, at which time the tax shall revert to the lower rate (see ss. 206.9935(2) (b) and 403.7185(1), F.S., for details).

Tax for Inland Protection: 30 cents per barrel of pollutant, produced in or imported into the state if the unobligated balance of the Inland Protection Trust Fund is between $100 million and $150 million; 60 cents if the unobligated balance of the fund is above $50 million, but below $100 million; and 80 cents if the unobligated balance of the fund is $50 million or less. If the unobligated balance in the fund exceeds $150 million, the tax shall be discontinued until such time as the unobligated balance reaches $100 million (see s. 206.9935(3)(b), F.S., for details).

Waste Tire Fee: There is a $1 per tire fee imposed on each new motor vehicle tire sold at retail. The fee is imposed on tires sold separately or as component parts of a new motor vehicle. The fee is not imposed

on recapped tires. The proceeds from the waste tire fee are deposited into the Solid Waste Management Trust Fund. Waste tire fee revenues are as follow: 2020-21 – $23.6 million; 2021-22 – $23.4 million; 2022-23 - $26.6 million and, 2023-24- $25.7 million; 2024-25-$26.4 million Estimated revenues for 2025-26 are $26.6 million and 2026-27 are $26.7 million for each fiscal year.

Hazardous Waste Taxes and Fees: Local governments within Florida may assess a 3 percent gross receipts tax on facilities within their jurisdictions that store or dispose hazardous waste, with the proceeds being used for facility inspection, security, and road construction costs related to the facility, and environmental protection purposes. The revenues are as follows: 2020-21 - $0.06 million; 2021-22 - $0.06 million; 2022-23 - $0.07; 2023-24 - $0.05; and 2024-25 - $0.05 million Estimated revenues for 2025-26 are $0.05 million and for 2026-27 are $0.05 million.

DISPOSITION:
Florida Coastal Protection Trust Fund: Tax for Coastal Protection

Water Quality Assurance Trust Fund: Tax for Water Quality

Inland Protection Trust Fund: Tax for Inland Protection

Solid Waste Management Trust Fund: Waste Tire Fee

OTHER STATES:
A number of states besides Florida impose some form of pollutants, environmental protection, or oil contingency tax. The Federation of Tax Administrators shows some pollutant-related taxes in its summary of Motor Fuel Excise Tax Rates at http://www.taxadmin.org/assets/docs/Research/Rates/mf.pdf.

| | 2026-27 (millions) |
|---|---|
| VALUE OF RATE CHANGE: | |
| Value of 1 cent levy per barrel of petroleum product: | |
| Coastal Protection | $3.55 |
| Water Quality | $3.26 |
| Inland Protection | $3.43 |
| Value of 10 cent levy per lead-acid battery: | $0.60 |
| Value of 1 cent levy per gallon of motor oil or other lubricant: | $0.89 |
| Value of 1 cent levy per gallon of solvent: | $0.16 |

VALUE OF EXEMPTIONS:
In 1996, the Legislature eliminated solvent mixtures from the definition of taxable pollutants [Chapter 1996-352, L.O.F. (SB 1148)]. "Solvent mixtures" were defined as "a blend or mixture in liquid form containing one or more organic compounds [listed in then subsection (6)], but the term excludes ethanol when used as a motor gas blending agent." Compounds in the "solvents" list that the "solvent mixtures" definitions referred to included acetamide, acetone, acetonitrile, acetophenone, amyl acetates (all), aniline, benzene, butyl acetates (all), butyl alcohols (all), butyl benzyl phthalate, carbon disulfide, carbon tetrachloride, chlorobenzene, chloroform, cumene, cyclohexane, cyclohexanone, dibutyl phthalate, dichlorobenzenes (all), dichlorodifluoromethane, diethyl phthalate, dimethyl phthalate, dioctyl phthalate (di2-ethyl hexyl phthalate), n-dioctyl phthalate, 1,4-dioxane, petroleum-derived ethanol, ethyl acetate, ethyl benzene, ethylene dichloride, 2-ethoxy ethanol (ethylene glycol ethyl ether), ethylene glycol, furfural, formaldehyde, n-hexane, isophorone, isopropyl alcohol, methanol, 2-methoxy ethanol (ethylene

glycol methyl ether), methyl tert-butyl ether, methylene chloride (dichloromethane), methyl ethyl ketone, methyl isobutyl ketone, mineral spirits, 140-F naphtha, naphthalene, nitrobenzene, 2-nitropropane, pentachlorobenzene, phenol, perchloroethylene (tetrachloroethylene), stoddard solvent, tetrahydrofuran, toluene, 1,1,1-trichloroethane, trichloroethylene, 1,1,2-trichloro-1,2,2-trifluoroethane, and xylenes (all).

Based on the revenue loss from the 1996 exemption, and the current levels of revenue from solvents, repeal of the 1996 solvent mixtures exemption in FY 2025-26 and FY 2026-27 would result in a revenue gain of $0.95 million.

# PROFESSIONAL AND OCCUPATIONAL LICENSING FEES

FLORIDA STATUTES: Chapters 112, 310, 383, 390, 394, 395, 400, 408, 429, 440, 450, 455, 469, 471, 472, 473, 474, 475, 476, 477, 481, 483, 489, 492, 499, 548 and sections 468.381 - 468.457, 468.520 - 468.633, and 468.83 - 468.8424, 627, 641, 765

ADMINISTERED BY: Department of Business and Professional Regulation; Agency for Health Care Administration

SUMMARY:
Many professions and occupations are regulated by the Department of Business and Professional Regulation and pay annual or biennial license fees designed to cover the cost of regulation, and in some cases pay fees for examination administration. The Agency for Health Care Administration charges fees to license, certify, and regulate (unless otherwise exempt) over 50,500 health care providers including hospitals, nursing homes, assisted living facilities, residential treatment facilities, home health agencies, clinical laboratories and health care clinics.

REVENUE:

| Fiscal Year | Collections | Annual Change % |
|---|---|---|
| 2026-27* | 99,500,000 | 14.76% |
| 2025-26* | 86,700,000 | -1.62% |
| 2024-25 | 88,124,200 | 6.48% |
| 2023-24 | 82,764,206 | -16.28% |
| 2022-23 | 98,855,371 | 4.46% |
| 2021-22 | 94,632,446 | 6.34% |
| 2020-21 | 88,988,716 | 22.37% |

* Estimate

HISTORY:
The Department of Business and Professional Regulation was formed in 1993 as a result of the merger between the Department of Business Regulation and the Department of Professional Regulation. The Department of Professional Regulation and the Department of Business Regulation were both created by the 1969 Government Reorganization Act. The professions included in the revenue category of professional and occupational licenses are: architects and interior designers, asbestos consultants and contractors, athlete agents, auctioneers, barbers, building code administrators and inspectors, community association managers, the construction industry, cosmetologists, electrical contractors, employee leasing companies, engineering, geologists, landscape architects, harbor pilots, home inspectors, talent agencies, mold-related services, veterinarians, farm labor contractors, the boxing and mixed martial arts industry, real estate, real estate appraisal, certified public accounting, and drugs, devices and cosmetics.

Numerous other occupations, professions, and businesses are regulated through various departments of state government, usually with assistance from boards composed of members of regulated activities. From 1976-1980, as a result of sunset legislation, major changes were made in the department's structure and the responsibilities of the many regulatory boards that serve it. In 1983, Chapter 83-329, L.O.F., made changes affecting the department, various regulatory boards, and nearly all of the professions currently regulated. License fees and caps have been increased over the years for a number of professions and new laws enacted to regulate professions for the first time. Chapter 92-149, L.O.F. (HB 2249), required that professional license fees be set at a level sufficient to cover the costs of regulation of the profession. In that same law, professional licensing boards were given the authority to impose a one-time fee in an amount necessary to eliminate a cash deficit, or if there was not a cash deficit, in an amount

sufficient to maintain the financial integrity of the profession. No more than one such assessment may be made in any four-year period without specific legislative authorization. If a licensing board fails to increase fees to cover costs, then the department was authorized to increase the fees. Chapter 92-33, L.O.F. (SB 2390), transferred the regulation and licensing of the medical profession from the Department of Business and Professional Regulation to the Agency for Health Care Administration. Chapter 97-312, L.O.F. (HB 433), provided for the privatization of the regulation of the engineering profession. In 2007, the Legislature passed SB 2234 (Chapter 2007-235, L.O.F.), which established professional licenses for Home Inspectors and for Mold Assessors or Mold Remediators, effective July 1, 2010.

In 2009, the Legislature passed SB 1744 (Chapter 2009-66, L.O.F.), which transferred the regulation and licensing of the surveyors and mappers profession from the Department of Business and Professional Regulation to the Department of Agriculture and Consumer Services. Chapter 2009-195, L.O.F. (HB 425), removed the allowance for a practical portion of a barber's examination and required only a written segment. Additionally, license fee caps were increased for cosmetologists from $25 to $50 and construction contractors from $200 to $250.

In 2010, the Legislature passed HB 303 (Chapter 2010-84, L.O.F.), requiring the Department of Business and Professional Regulation to regulate and license appraisal management companies effective July 1, 2010. Chapter 2010-176, L.O.F. (HB 663), revised the surcharge on building permit fees for the Building Code Administrators and Inspectors Fund by setting the surcharge rate at 1.5 percent of all permit fees associated with enforcement of the Florida Building Code. The minimum surcharge collected on any building permit issued is $2. Chapter 2010-161, L.O.F. (HB 5311), transferred the administration of the Florida Drug and Cosmetic Act in Chapter 499, F.S., from the Department of Health to the Department of Business and Professional Regulation, effective October 1, 2011.

In 2011, the Legislature passed SB 1040 (Chapter 2011-30, L.O.F.), creating the Florida Drug, Device, and Cosmetic Trust Fund within the Department of Business and Professional Regulation. The trust fund was established to provide for the deposit of revenues and the recording of expenditures related to the regulation and administration of the Florida Drug, Device, and Cosmetic Act authorized in Chapter 499, F.S.

In 2013, the Legislature passed CS/CS/CS/HB 973 (Chapter 2013-203, L.O.F.), exempting certain employees of security alarm companies and subcontractors of telecommunications companies from licensure.

In 2014, the Legislature passed CS/CS/HB 7015 (Chapter 2014-1, L.O.F.), extending to the spouse of a military veteran the general waiver of initial license, initial application, and initial unlicensed activity fees available to military veterans within 24 months after discharge. The bill also extended the 24 month period to 60 months. Also in 2014, the Legislature passed CS/CS/SB 404 (Chapter 2014-73, L.O.F.), which allows certain qualified persons to register as a "geologist-in-training," upon passage of the fundamentals portion of the licensure exam. A non-refundable application fee and a refundable examination fee are required.

In 2015, the Legislature passed CS/HB 401 (Chapter 2015-143, L.O.F.), lowering the fee for renewing certain delinquent licenses to a flat $50 late renewal fee. The Legislature also passed CS/CS/HB 373 (Chapter 2015-174, L.O.F.) amending the definition of licensed firm or public accounting firm and clarifying the practice requirements for partnerships, corporations, limited liability companies, and other business entities practicing public accounting.

In 2016, the Legislature passed HB 303 (Chapter 2016-79, L.O.F.), limiting required payment of an unlicensed activity fee if, at the beginning of the fiscal year, the profession's unlicensed activity account balance totals more than twice the cost of that profession's expenses for unlicensed activity investigations from the preceding two fiscal years combined.

In 2017, the Legislature passed CS/CS/HB 615 (Chapter 2017-135, L.O.F.), creating an initial licensing fee waiver for members of the Armed Forces who served on active duty, their spouse or surviving spouse and certain low income individuals. The bill also requires DBPR to issue a renewable professional license to certain active duty members of the Armed Forces, their spouses and surviving spouses and veterans without an initial licensing fee and without meeting other statutory licensing requirements and qualifications under specified circumstances. The bill also extends the period of time that active duty members remain in good standing after discharge from active duty from six months to two years and allows spouses and surviving spouses to remain in good standing when they are absent from the state due to their spouse's service.

In 2018, the Legislature passed CS/CS/SB 622 (Chapter 2018-24, L.O.F.), which repeals the licensure requirements for clinical laboratories that perform testing on specimens derived from within Florida, as well as the $300 biennial license fee. It also repeals health care risk manager licensure requirements and related licensure fees. In addition, the Legislature passed CS/HB 29 (Chapter 2018-7, L.O.F.), which eased professional licensing fees and requirements for certain military members, veterans, and their spouses by creating or expanding fee waivers for certain Department of Business and Professional Regulation and Department of Health licensees and applicants.

In 2019, the Legislature passed CS/CS/HB 827 (Chapter 2019-086, L.O.F.), which eliminated all fees associated with the qualification of an engineering business and the certificate of authorization for an engineering business.

In 2020, the Legislature passed CS/CS/HB 731 (Chapter 2020-156, L.O.F.), repealing licensure of multiphasic health testing centers and exempting from clinic licensure all federally certified providers, community mental health center-partial hospitalization programs, portable x-ray providers, and rural health clinics. The Legislature also passed CS/HB 1193 (Chapter 2020-160, L.O.F.). This bill, cited as the "Occupational Freedom and Opportunity Act," deregulated and removed licensure requirements for hair braiders, hair wrappers, body wrappers, nail polishers, makeup artists, and boxing announcers and timekeepers. The bill also repealed the licensing requirements and provisions related to licensure of labor organizations and eliminated the additional business license requirements for architects, interior designers, landscape architects, and geologists.

In 2021, the Legislature passed CS/CS/SB 1966 (Chapter 2021-135, L.O.F.), repealing the $4.00 fee that all construction contracting certificate holders and registrants must pay to the Department of Business and Professional Regulation at the time of application or renewal to fund projects relating to the building construction industry or continuing education programs offered to persons engaged in the building construction industry in Florida. The bill also exempted cosmetic manufacturers, with annual gross sales of $25,000 or less, from the requirement of obtaining a cosmetic manufacturing permit.

In 2023, the Legislature passed HB 1091 (Chapter 2023-68, L.O.F.), which directed the Department of Business and Professional Regulation to waive 50 percent of license fees (up to $200 per license) collected by the Department pursuant to Chapter 455, F.S. The waivers apply to applications for initial licenses and renewals in fiscal years 2023-24 and 2024-25. For the 2023-24 fiscal year, $50 million was appropriated to the Department of Business and Professional Regulation to be deposited in the Professional Regulation Trust Fund. Any unexpended balance of funds from this appropriation on June 30, 2024, reverts and is appropriated to the Department for the 2024-25 fiscal year for the same purposes.

In 2023, the Legislature also passed HB 1383 (Chapter 2023-271, L.O.F.), which created numerous types of specialty contractor licenses that are subject to the existing fees for specialty contractors.

In 2024, the Legislature passed CS/HB 813 (Chapter 2024-97, L.O.F.), allowing a Florida-licensed CPA that is at least 65 years of age to place his or her CPA license in a retired status and providing that a retired licensee may reactivate a license in a conditional manner, which requires the payment of fees. The Legislature also passed CS/CS/CS/HB 267 (Chapter 2024-191, L.O.F), reducing building permit application deadlines and revising when a permit fee is applied, which impacts DBPR's collection of surcharges on building permit fees.

BASE AND RATE:
There are 22 professions regulated by the Department of Business and Professional Regulation, based on the Department's 2023-24 Annual Report for the Division of Certified Public Accounting, Division of Professions, Division of Real Estate, and Division of Regulation. There are 38 types of health care providers regulated by the Agency for Health Care Administration. Licensure fees vary by profession or facility type.

DISPOSITION:
Most fees are deposited into the Professional Regulation Trust Fund and are subject to an 8 percent General Revenue Service Charge. When examinations are administered by an outside source, the examination fees, under some contracts, are paid by the applicant directly to the vendor that conducts the testing. Fees charged by the Agency for Health Care Administration are deposited into the Health Care Trust Fund and are subject to the General Revenue Service Charge.

OTHER STATES:
All states engage in some form of regulation and licensing of professions.

# REEMPLOYMENT ASSISTANCE TAX
## (Unemployment Compensation Tax)

FLORIDA STATUTES: Chapter 443

ADMINISTERED BY: Department of Commerce and the Department of Revenue

SUMMARY:
Florida's Reemployment Assistance Program imposes a tax on wages paid by Florida employers to pay for unemployment benefits received by unemployed individuals. The tax is imposed on the first $7,000 of compensation paid to each employee. The tax rate varies from 0.1 percent to 5.4 percent depending upon the benefit experience of the employer. The minimum tax rate is 0.10 percent in calendar year 2025.

REVENUE AS REPORTED IN STATE ACCOUNTS:

| Fiscal Year | Collections (Dollars) | Annual Change (Percent) |
|---|---|---|
| 2026-27* | 402,700,000 | 0.02% |
| 2025-26* | 402,600,000 | -26.52% |
| 2024-25 | 547,887,569 | -18.56% |
| 2023-24 | 672,791,073 | -1.23% |
| 2022-23 | 681,138,415 | 4.30% |
| 2021-22 | 653,059,921 | -38.42% |
| 2020-21** | 1,060,566,490 | 145.41% |

* Estimate

** Collections for FY 2020-21 included $446.2 million in tax overpayments by employers. These overpayments have been refunded from the General Revenue Fund to employers per Chapter 2021-2, L.O.F. (CS for CS for SB 50).

HISTORY:
The U. S. Social Security Act of 1935 provided for a Federal-state program under a Federal tax against which state taxes up to 2.7 percent of covered payrolls could be credited. Florida's legislation was enacted in 1937 to comply with this plan. Florida's maximum benefit was first set at 50 percent of lost wages up to $15 weekly. Maximum benefits were increased in 1974, 1975, 1979, 1980, 1981, 1983, 1985, 1987, 1990, and 1998. Rate schedules were changed in 1979 and 1984. In 1980, the Unemployment Compensation Act was extensively revised (Chapter 80-95, Laws of Florida L.O.F.). The maximum benefit was increased from $200 to $225 in 1990 and to $250 in 1992. Chapter 94-347, L.O.F. (HB 2447), made administrative changes to unemployment compensation, including changing the time frames for tax notification and reporting to make employers' compliance fairer and easier. Chapter 97-29, L.O.F. (HB 3), reduced unemployment taxes for all Florida employers, except those employers that had paid at a rate of 5.4 percent for more than 36 months, by five tenths percent for one year and decreased the initial rate charged new employers from 2.7 percent to 2.0 percent for one year. These tax reductions were effective for the 1998 calendar year. The law also increased the maximum weekly amount an unemployed individual may receive from $250 to $275, effective January 1, 1998. Finally, the law raised the exemption for sole-proprietors from paying unemployment taxes on wages paid to their children from 18 to 21 years of age. Chapter 99-131, L.O.F. (HB 1951), reduced unemployment taxes and benefits for calendar year 2000, in the same manner as calendar year 1998 (see above, Chapter 97-29, L.O.F. (HB 3). Chapter 2002-218, L.O.F. (SB 426), lowered the trigger for increasing the unemployment compensation tax rate from 4 percent of taxable payroll to 3.7 percent of taxable payroll. Chapter 2009-99, L.O.F. (SB 810), increased the cap on an individual's wages subject to the tax from $7,000 to $8,500 for years 2010 through 2014, increased the trigger for increasing the unemployment compensation tax rate from 3.7 percent of taxable payroll to 4.0 percent of taxable payroll, and temporarily (from 2010 through 2014) increased the adjustment to tax rates in the event that an increase is triggered. Additionally, the trigger for

decreasing the unemployment tax rate was increased from 4.7 percent to 5.0 percent of taxable payroll, with no negative adjustment allowed through 2014, or in any year in which the Unemployment Compensation Trust Fund is repaying any advances from the Federal program. Chapter 2010-1, L.O.F. (HB 7033), delayed the increase in wages from $7,000 to $8,500 until 2012, provided for the $8,500 to stay in place in any year where there are outstanding Federal advances, directed that the wage base used to calculate the tax also be used to calculate the tax rates, and provided that no fund size factor tax increase be triggered for 2010 and 2011. Additionally, assessments were imposed against employers to pay any interest due on Federal advances, and provisions were made to allow employers to pay their tax on an installment basis during 2010 and 2011, after paying a $5 annual fee. Chapter 2011-235, L.O.F. (HB 7005), made numerous changes regarding eligibility for benefits: revised the disqualification provision as it related to absenteeism, violation of company policy, disruptive behavior and deductible income, disallowed benefits to be paid when a claimant is receiving severance pay and other forms of payment from his/her former employer, and allowed hearsay evidence in benefits determination. Additionally, benefits used to determine an employer's benefit ratio were reduced by 10 percent between the third quarter 2007 and the first quarter 2011. The maximum number of weeks of state benefits to be paid was reduced from 26 to 23 effective for claims initiated after January 1, 2012, with the maximum number of weeks in any one year dependent on the statewide unemployment rate during the third quarter of the prior calendar year. The installment payment option was extended through calendar year 2014.

Chapter 2012-30, L.O.F. (HB 7027), reduced the wage base from $8,500 to $8,000 for tax years 2012 through 2014, reduced the fund size factor for tax years 2012 through 2017, and allowed for Professional Employer Organizations to make a one-time irrevocable election to calculate, report, and pay state UC taxes under the respective unemployment account of each client. The chapter also rebranded the state's unemployment compensation program and Unemployment Compensation Tax as the reemployment assistance program and the Reemployment Assistance Tax.

A number of changes were made during the 2021 session, which affected Reemployment Assistance Tax calculations. Chapter 2021-2, L.O.F. (CS for CS for SB 50), Section 13 amended subparagraph 6 of paragraph (d) of subsection (6) of section 212.20 and added sub-subparagraph h that directed the Department of Revenue (DOR) to distribute $324,533,334 from Sales Tax Collections on or before the 25th of July, August, and September, 2021 to the Unemployment Compensation Trust Fund, less an adjustment for refunds issued from the General Revenue Fund pursuant to s. 443.131(3)(e)3 before making the distribution. The law also stated that "…adjustments made by the department to the total distributions shall be equal to the total refunds made pursuant to s. 443.131(3)(e)3. If the amount of refunds to be subtracted from any single distribution exceeds the distribution, the department may not make that distribution and must subtract the remaining balance from the next distribution." The Department of Revenue was also directed to distribute $90 million monthly from sales tax collections to the Unemployment Compensation Trust Fund starting in July 2022 on or before the 25th day of each month until the ending balance of the Unemployment Compensation Trust Fund exceeded $4,071,519,600 on the last day of any month, as determined from the United States Department of the Treasury data and as certified by the Office of Economic and Demographic Research. Sub-subparagraph h was repealed and the department directed to end the monthly distributions on the date it received the aforementioned certification.

Chapter 2021-2, L.O.F. (CS for CS for SB 50), Section 16 inserted a new paragraph (f) to section 443.131, F.S. and changed the calculation of tax rates for employers eligible for a variation of contribution rates based on benefit experience until certain conditions were met. The law retroactively applied a benefit multiplication factor of 0 (zero) to benefits paid from April 1, 2020 to December 31, 2020, effectively excluding these benefits from the rate calculation for each eligible employer. The law also excluded from the contribution rate calculation "noncharge benefits" or "benefits paid as a result of a

governmental order related to COVID-19 to close or reduce capacity of a business." In addition, Chapter 2021-2 suspended the application of the positive trust fund adjustment factor in the calculation of the contribution rate for the 2021 and 2022 calendar years. The law provided for the suspension of the application of a trust fund positive adjustment factor for calendar years 2023 and 2024 if the balance of the unemployment compensation trust fund on June 30 of any year did not exceed $4,071,519,600.

The law directed DOR to recalculate CY 2021 rates for eligible employers based on the new stipulations. In addition, Chapter 2021-2 provided for a stepwise reduction in the benefit ratio multiplier of benefits paid from January 1, 2021 to June 30, 2021 if the estimated total contributions calculated were more than $475.5 million in CY 2022. However, the latter condition was not met and the application of this stipulation did not occur. Further, DOR was directed to calculate rates for eligible employers through December 31, 2025 excluding benefits paid from April 1, 2020 to December 31, 2020, excluding noncharges due to COVID, and excluding the application of a positive trust fund factor. The aforementioned calculation method would be repealed in all future years if the balance of the Unemployment Compensation Trust Fund on June 30 of any year exceeded $4,071,519,600.

Although there were no legislative changes to Chapter 443 or Chapter 212 relating to Reemployment Assistance, Fiscal Year 2023-24 marked several significant developments related to certain provisions of Chapter 2021-2, L.O.F. (CS for CS for SB 50) codified in Chapters 212 and 443. The ending balance of Florida's Unemployment Compensation Trust Fund at the United States Department of the Treasury exceeded $4,071,519,600 as of March 31, 2024 for the first time since the fund was nearly depleted during the COVID-19 pandemic period. On April 2, 2024, the Office of Economic and Demographic Research certified to the Department of Revenue that the fund balance exceeded this level, as required by Section 212.20(6)(d)6.e.(III). The satisfaction of this condition triggered the repeal of sub-subparagraph 212.20(6)(d)6.e. as of the date of the certification, as well as the end of the $90 million monthly sales tax distributions to the Unemployment Compensation Trust Fund.

As required by s. 443.131(3)(e)6., the Office of Economic and Demographic Research advised the Department of Revenue that the trust fund balance continued to exceed the same statutory level on June 30, 2024. The satisfaction of that condition repealed subparagraph 5 of s. 443.131(3)(e) for calculation of employer contribution rates effective for the following calendar years. This subparagraph had suspended the application of a positive fund size adjustment factor that otherwise would have automatically increased tax contribution rates until the balance exceeded 4 percent of taxable payroll for the prior fiscal year. With the trust fund deemed replenished, the application of a fund size adjustment factor now reverts to the regular statutory calculations. Subparagraph 5 had also excluded from the rate calculation any benefit charges directly related to COVID-19 as a result of a governmental order to close or reduce capacity of a business, for each employer who is eligible for a variation from the standard rate. This in effect suppressed contribution rates, which would have otherwise increased to ensure employers pay contribution rates according to the level of separations they initiated as provided elsewhere in statute. The tax collection service provider will no longer exclude these COVID-related charges from the calculation of tax rates.

In summary, all COVID-19 taxpayer relief provisions had effectively been repealed, with the Reemployment Assistance tax calculated for 2025 and each subsequent calendar year as otherwise provided in Chapter 443. Between May 2021 and March 2024, the trust fund was replenished to sustainable levels by a total infusion of $2,863.6 million of non- Reemployment Assistance tax funds, including distributions from sales tax and transfers from GR.

Subsequently, during the 2025 legislative session, Chapter 2025-5, L.O.F. (SB 40) deleted repealed, inoperative, or expired statutory text, which emanated from Chapter 2021-2, L.O.F. (CS for CS for SB 50); otherwise, no substantive changes to Chapter 443 were made.

BASE AND RATE:
The tax is applied to employees' annual wages up to $7,000. The employer pays a rate varying from 0.1 percent to 5.4 percent, depending on the benefit experience of the employer.

DISPOSITION:
Unemployment Compensation Clearing Trust Fund: Collections are received by the Department of Revenue and then deposited in the U. S. Treasury. From there, they are withdrawn as needed to pay benefits through the Unemployment Compensation Benefit Trust Fund.

OTHER STATES:
All states have unemployment benefit plans complying with Federal legislation. In 2025, employee taxable wage bases ranged from the federal minimum of $7,000 in Arkansas, California, Florida, and Tennessee, as well as Puerto Rico, to $72,800 for Washington. The average employer base contribution tax rates ranged between 0.35 (South Dakota) and 3.40 (Pennsylvania) percent of taxable wages in calendar year 2024 in the continental United States. Florida's actual average tax rate was 0.83 percent of taxable wages in calendar year 2024. Massachusetts had the highest maximum employer tax rate, set at 12.65 percent. Florida and 13 other states, as well as Puerto Rico and the Virgin Islands, fixed the maximum tax rate at 5.4 percent, which is the lowest maximum tax rate states can set under Federal law without affecting their employers' tax credits.

FLORIDA UNEMPLOYMENT COMPENSATION TRUST FUNDACCOUNT
AT THE UNITED STATES TREASURY:

| Fiscal Year | Revenue* | Other Deposits | Benefits** | Other Withdrawals | Fund Balance (June)*** |
|---|---|---|---|---|---|
| 2024-25 | 644,439,387 | 27,145,116 | 307,473,740 | 20 | 4,835,345,978 |
| 2023-24 | 1,538,303,156 | | 191,373,346 | 431,990 | 4,471,235,235 |
| 2022-23 | 1,765,179,780 | 610 | 388,218,471 | 42 | 3,124,737,415 |
| 2021-22 | 1,140,820,875 | 31,247,682 | 339,398,732 | 36,268,057 | 1,747,775,538 |
| 2020-21 | 1,154,231,839 | 127,270,410 | 2,773,988,427 | 190,298,479 | 951,373,770 |
| 2019-20 | 499,856,573 | 69,571,999 | 2,014,562,616 | 6,500,000 | 2,634,158,427 |
| 2018-19 | 560,674,178 | 4,530,728 | 349,170,319 | 4,500,000 | 4,085,792,471 |
| 2017-18 | 660,502,789 | 6,545,760 | 402,932,884 | 7,100,515 | 3,874,257,884 |
| 2016-17 | 859,430,039 | 12,641,012 | 414,761,012 | 32,972,516 | 3,617,242,734 |
| 2015-16 | 1,114,520,031 | 3,320,556 | 459,717,080 | 28,590,036 | 3,192,905,212 |
| 2014-15 | 1,581,804,065 | 8,362,215 | 642,080,085 | 51,891,270 | 2,563,371,741 |
| 2013-14 | 1,919,615,603 | 20,665,594 | 935,478,958 | 9,063,628 | 1,667,176,817 |
| 2012-13 | 2,673,839,429 | 38,135,565 | 1,166,530,094 | 905,114,428 | 671,438,205 |

* Revenue includes net collections, interest, federal program advances, and transfers from the General Revenue fund.
** Benefits include regular, extended, and Federal Supplemental Benefits programs.
*** Fund balance is end of month at the US Treasury and it includes all other deposits or withdrawals for administrative, loan repayment, and other purposes, not directly related to benefit payments.

# RENTAL CAR SURCHARGE

FLORIDA STATUTES: Section 212.0606

ADMINISTERED BY: Department of Revenue

SUMMARY:
Rental car surcharge is imposed at the rate of $2.00 per day, for the first 30 days of the lease or rental of for-hire vehicles designed to carry fewer than nine passengers. Members of a car-sharing service pay $1.00 per usage under 24 hours and $2.00 per day after the first 24-hour period. Rentals which are facilitated through a peer-to-peer car sharing service pay $1.00 per day.

REVENUE:

| Fiscal Year | Total** Collections | Annual Change % | State Transportation Trust Fund | FL International Trade and Promotion TF | Tourism Promotional Trust Fund |
|---|---|---|---|---|---|
| 2026-27* | 169,800,000 | 0.71% | 135,900,000 | 7,200,000 | 26,700,000 |
| 2025-26* | 168,600,000 | 0.61% | 134,800,000 | 7,200,000 | 26,600,000 |
| 2024-25 | 167,577,182 | 0.37% | 134,061,745 | 7,122,030 | 26,393,406 |
| 2023-24 | 166,959,593 | 11.78% | 133,567,674 | 7,095,783 | 26,296,136 |
| 2022-23 | 149,371,127 | 0.42% | 119,496,902 | 6,348,273 | 23,525,953 |
| 2021-22 | 148,740,683 | 35.45% | 118,992,546 | 6,321,479 | 23,426,658 |
| 2020-21 | 109,808,190 | -31.54% | 87,846,552 | 4,666,848 | 17,294,790 |

* Estimate
** Excluding administrative fees and service charge

HISTORY:
The initial surcharge was set at $0.50 per day in 1989. It was applied to each of the first 30 days of either the lease or rental of a motor vehicle licensed for hire and designed to carry fewer than nine passengers. The proceeds of the $0.50 surcharge were distributed 20 percent to the Law Enforcement Trust Fund (managed by the Department of Highway Safety and Motor Vehicles) and 80 percent to the Children and Adolescents Substance Abuse Trust Fund (managed by the Department of Health and Rehabilitative Services).

In its 1990 session, the Legislature raised the surcharge to $2.00 per day, effective July 1, 1990, and revised the distribution requirements so that, after administrative costs and the 8 percent General Revenue Service Charge (increased from 7.3 percent to 8 percent by the 2009 Legislature) were deducted, the State Transportation Trust Fund (STTF) received 75 percent of the total proceeds (or $1.50 of the $2.00 fee) and the remaining 25 percent was divided between the former recipients in their same relative proportion. The 1991 Legislature revised the distributional breakout still further. The 5 percent of total receipts that had been deposited in the Law Enforcement Trust Fund was redirected to the General Revenue Fund. The share previously distributed to the Children and Adolescents Substance Abuse Trust Fund (20 percent of the total) was, instead, divided between the Tourism Promotional Trust Fund (15.75 percent) and the Florida International Trade and Promotion Trust Fund (4.25 percent). In the 2000 session, the Legislature redirected the General Revenue portion (5 percent of the total) to the STTF. The Department of Transportation now receives 80 percent of the surcharge (excluding administrative costs and the 8 percent General Revenue Service Charge). The tax distributed to the STTF is unique in that beginning in Fiscal Year 2007-08, its proceeds must be spent in the transportation district from which the surcharges were collected. In the 2014 session, the Legislature amended the statute to allow a member of a car-sharing service who used a motor vehicle pursuant to an agreement with the car-sharing service for less than 24 hours pay $1 per usage. A member of a car-sharing service who uses the same motor vehicle for at least

24 consecutive hours must pay a surcharge of $2 per day or any part of a day. During the 2021 session, the statute was amended to enhance the enforceability of the surcharge when rentals are facilitated through a peer-to-peer car sharing service and to reduce the surcharge to $1 per day when rentals are facilitated through a peer-to-peer car sharing service.

BASE AND RATE:
Rental car surcharge is imposed at the rate of $2.00 per day, for the first 30 days of the lease or rental of for-hire vehicles designed to carry fewer than nine passengers. Members of a car-sharing service pay $1.00 per usage under 24 hours and $2.00 per day after the first 24-hour period. Rentals which are facilitated through a peer-to-peer car sharing service pay $1.00 per day.

DISPOSITION:
The State Transportation Trust Fund (80 percent), the Tourism Promotional Trust Fund (15.75 percent), and the Florida International Trade and Promotion Trust Fund (4.25 percent).

OTHER STATES:
Rental car surcharge varies considerably from state to state.

# SALES AND USE TAX

FLORIDA STATUTES: Chapter 212

ADMINISTERED BY: Department of Revenue

SUMMARY:
The state sales and use tax is a 6 percent levy on retail sales of most tangible personal property, admissions, transient lodgings, and motor vehicles.

REVENUE:

| Fiscal Year | Collections@ | Annual Change % |
|---|---|---|
| 2026-27* | 41,844,000,000 | 2.04 |
| 2025-26* | 41,008,100,000 | -0.21 |
| 2024-25 | 41,096,353,791 | 0.03 |
| 2023-24 | 41,084,806,780 | -0.16 |
| 2022-23 | 41,151,629,160 | 6.66 |
| 2021-22 | 38,581,579,589 | 26.94 |
| 2020-21 | 30,393,280,928 | 10.31 |

Distributions of the General Sales and Use Tax**@

| Fiscal Year | General Revenue | Local Governments *** | Unemployment Compensation Trust Fund Distribution | Fixed Distributions to Trust Funds | Sports Facilities Transfer | Emergency Distribution | Public Employees Relations Commission Trust Fund |
|---|---|---|---|---|---|---|---|
| 2026-27* | 37,577,600,000 | 4,183,200,000 | 0 | 27,700,000 | 16,800,000 | 35,700,000 | 2,900,000 |
| 2025-26* | 36,822,400,000 | 4,100,100,000 | 0 | 27,700,000 | 20,200,000 | 35,000,000 | 2,800,000 |
| 2024-25 | 36,906,972,323 | 4,100,207,034 | 0 | 27,683,996 | 23,833,369 | 34,885,166 | 2,771,902 |
| 2023-24 | 36,014,016,258 | 4,169,721,450 | 810,000,000 | 27,683,996 | 25,666,706 | 34,876,578 | 2,841,792 |
| 2022-23 | 35,800,209,922 | 4,204,981,071 | 1,080,000,000 | 183,996 | 28,458,380 | 34,920,262 | 2,875,528 |
| 2021-22 | 34,039,683,116 | 3,950,361,297 | 527,417,205 | 183,996 | 28,500,048 | 32,735,321 | 2,698,606 |
| 2020-21 | 27,158,074,098 | 3,178,626,201 | 0 | 183,996 | 28,500,048 | 25,720,207 | 2,176,378 |

* Estimate
** These figures reflect estimated distributions based on the state's fiscal year of July 1 to June 30.
*** Local Government distributions include the half-cent, county and municipal revenue sharing, and the shift of $29,915,500 to counties that used to be funded from pari-mutual tax revenues.
@ These figures include state Communication Services Taxes imposed under Chapter 202, F.S.

HISTORY:
Since enactment in 1949, Florida's sales tax rate and/or base has been changed to some degree in nearly every legislative session. The most substantial increases were: in 1957, when inexpensive clothing, motor vehicles (1 percent rate), mixed drinks, cigarettes, and industrial machinery ($1,000 maximum) were added; in 1968, when rates were increased from 3 percent to 4 percent on most items (2 percent on motor vehicles); in 1971, when rates on motor vehicles were made equal to the state rate; in 1982, when rates were increased from 4 percent to 5 percent and for the first time a portion of the receipts were deposited into a trust fund (the trust monies, approximately 10 percent of total receipts, were distributed annually to eligible municipal and county governments); and in 1988 when the rates were again increased from 5 percent to 6 percent.

Chapter 83-310, L.O.F., created the "estimated sales tax liability" which was equal to 66 percent of the current month's sales tax liability or 66 percent of the tax liability for the same month in the prior year. The estimated sales tax liability rate of 66 percent was replaced in 1984 with a declining schedule from 50 percent for 1986 to 10 percent in 1990 and set for repeal by December 31, 1990. Chapter 90-132, L.O.F. (HB 3695), increased the estimated sales tax liability for businesses with annual sales tax liability in excess of $200,000 from 10 percent to 66 percent, and in 1991 the threshold for estimated sales tax payments was reduced to $100,000.

The 1986 Legislature passed Chapter 86-166, L.O.F., which repealed the sales tax exemption for all services and for 44 non-service exemptions effective July 1, 1987. During the 1987 Regular Session, the Legislature passed CS/SB 777 (Chapter 87-6, L.O.F.) and CS/HB 1506 (Chapter 87-101, L.O.F.), which integrated the tax on services with the current tax on tangible personal property, provided a number of exemptions from the tax on services and reinstated selected service and non-service exemptions repealed in 1986.

During Special Session D in December 1987, the Legislature passed CS/CS/SB 5D and 6D (Chapter 87-548, L.O.F.). Effective January 1, 1988, the sales tax on all services taxed in 1986 or 1987 was repealed and the general sales tax rate was increased from 5 percent to 6 percent. The formula for the distribution of the half-cent sales tax to local governments was also changed. The cap on the State Infrastructure Fund was changed in 1987 and 1988. The "Fairness in Retail Sales Taxation Act" was created in 1987. The act requires every retailer who transacts a mail order sale in Florida to levy, collect, and remit the state sales tax.

In 1988, an additional annual sales tax dealer registration fee of $25 to $50 was levied and the transfer of 0.2 percent of total sales tax collections to the Solid Waste Management Trust Fund was required. The dealer collection allowance was amended in 1988, 1990, 1991, and 1992. A surcharge of 50 cents per day was imposed upon the lease or rental of for-hire motor vehicles designed to carry fewer than nine passengers in 1989 and increased to $2.00 in 1990, with the $1.50 increase for deposit into the State Transportation Trust Fund. The distribution for the rental car surcharge was changed in 1991. In 1991, the admissions tax was applied for the first time to all recreational or physical fitness facility fees. Amusement game machine sales were made subject to the sales tax in 1991. The gross receipts from vending machine sales became taxable at a calculated rate. The 1991 Legislature authorized, effective July 1, 1992, $166,667 of sales tax revenue to be distributed monthly to each applicant who qualifies as a "facility for a new professional sports franchise" and $41,667 to be distributed monthly to each applicant who qualifies as a "new spring training franchise."

In 1992, the sales tax on nonresidential telecommunication and electric services was increased from 6 percent to 7 percent. Effective September 1, 1992, a 6 percent sales and use tax was imposed on burglar protection services, detective services, nonresidential cleaning and pest control services, and the sale of rare coins. The dealer collection allowance was capped at $30 per month and enterprise zone tax credits were revised. In addition, penalties for failure to pay sales and use taxes were doubled. Services that are subject to the state sales and use tax were made subject to local option sales and use taxes in 1993. The exemption from the local option tax for goods which cost more than $5,000 does not apply to service transactions. In addition, conditions under which a sale of tangible personal property or a service is deemed to occur in a certain county and when a local option tax applies to dealers outside a county were revised. The Legislature authorized $166,667 of sales tax revenue to be distributed monthly to an applicant certified by the Department of Commerce as the professional golf hall of fame, for up to 300 months. In 1994, the emergency distribution from the Local Government Half-Cent Sales Tax Clearing Trust Fund to qualified counties was changed from an annual General Revenue appropriation of not less than $5.5 million to 0.054 percent of the remaining sales tax collection after specific distributions. Effective January 1, 1995, the sales tax on amusement machines was reduced from 6 percent to 4 percent and effective July 1, 1995, an annual $20 sticker per amusement machine was required. In 1995, the per-machine decal for amusement machines was replaced by a location certificate for the number of machines at a location times $30. The sports facility rebate was expanded to include current sports franchises.

The 1996 Legislature adopted a sales tax exemption for charges of electricity used to run certain machinery and equipment. The exemption was phased in over a five-year period beginning July 1, 1996.

Also in 1996, the $100,000 threshold for qualification for the machinery and equipment sales tax exemption for expanding businesses was decreased to $50,000. In addition, the new and expanding industry sales tax exemption was expanded to include printing firms and those publishing firms that export at least 50 percent of their finished product out of the state. The 1997 Legislature adopted a sales tax exemption for Internet access service and similar on-line computer services by removing them from the definition of telecommunication services. In addition, Chapter 97-50, L.O.F. (SB 780/520/692), created the Rural Job Tax Credit Program and the Urban High Crime Area Job Tax Credit Program. Each program authorizes qualified corporations to take a tax credit per eligible employee of $500, $1,000, or $1,500. This credit can be taken against the sales and use tax or the corporate income tax, but not both. The 1998 Legislature enacted a sales tax free week in August 1998 for clothing sold for $50 or less. It also extended the reduced 3 percent tax rate for some agricultural equipment to the rental of such equipment and to a variety of other agricultural equipment. Also exempted from sales tax were machinery and equipment purchased for a printing facility that expands by at least 10 percent and pollution control and solid waste management equipment.

The 1999 Legislature re-enacted a sales tax free week; this time however, it lasted nine days and covered clothing sold for less than $100. The threshold for estimated payments was raised to $200,000 and the percentage lowered to 60 percent. Also, exemptions for the labor portion of repair of machinery and equipment, various advertising agency and printer purchases, and overhead expenses for government contractors were enacted. The 2000 Legislature enacted new exemptions for the space and semi-conductor industry, for the movie and entertainment industry, and for all 501(c)(3) organizations. It also repealed the additional registration fee for large dealers. Previously funded distributions to local government from the intangibles, tobacco, and pari-mutual tax revenues were redirected to the sales tax. Also, effective October 1, 2001, the taxation of communications services was moved to a new Chapter 202, F.S. The 2001 Legislature enacted a tax holiday on purchases of clothing and school supplies of $50 or less.

Chapter 2003-404, L.O.F. (SB 12-A), reduced the sales tax distribution to the Local Government Half-Cent Sales Tax Trust Fund by 0.1 percent effective July 1, 2003. The 0.1 percent of sales tax collections was then distributed to the Public Employees Relations Commission Trust Fund, less $5,000 each month. The $5,000 each month was distributed to qualified counties pursuant to s. 218.65, F.S. Chapter 2003-402, L.O.F. (HB 113-A), changed sales tax distributions to local governments in order to provide funding for the judicial system. Effective July 1, 2004, sales tax distributions were changed as follows: the Local Government Half-Cent Sales Tax Trust Fund was reduced from 9.653 percent to 8.814 percent; the Emergency Distribution was increased from 0.065 percent to 0.095 percent; the County Revenue Sharing Trust Fund was reduced from 2.25 percent to 2.044 percent; and the Municipal Revenue Sharing Trust Fund was increased from 1.0715 percent to 1.3409 percent. The 2005 Legislature enacted sales tax holidays for clothing, books, school supplies, and hurricane preparedness articles. The Legislature also re-enacted the community contribution credit and increased the cap to $12 million, as well as fully exempted agricultural equipment.

Chapter 2007-53, L.O.F. (HB 721), provided a sales tax exemption for payments to a postsecondary educational institution for the right to conduct bookstore operations. This exemption applied retroactively to payments made on or after January 1, 2006. Also in 2007, the Legislature enacted sales tax holidays for clothing, books, school supplies, energy efficient products, and hurricane preparedness articles. Section 23 of Chapter 2007-106, L.O.F. (SB 2482), provided an exemption for certain charges for delivery, inspection, and placement of furniture and appliances. The 2007 Legislature also provided an exemption on land owned by the Florida Turnpike Enterprise and exempted electricity used on a farm.

Chapter 2008-153, L.O.F. (HB 5003), provided tax credits equal to 50 percent of a community contribution to projects that provide homeownership opportunities for low-income or very low income households. Credits were capped at $200,000 per business annually and the program capped the credits at $13.0 million for Fiscal Year 2008-09 only. These credits could be used for sales tax, corporate income tax, or insurance premium tax. Chapter 2009-68, L.O.F. (SB 1750), removed the distribution of sales and use taxes to the Ecosystem Management and Restoration Trust Fund and redirected those monies to general revenue.

In 2010, the Legislature enacted a sales tax holiday lasting for three days, covering clothing and books under $50 and school supplies under $10. Chapter 2010-147, L.O.F. (SB 1752), provided a cap of $18,000 on the tax collected on the sale or use of a boat, limited the tax on fractional aircraft to $300, provided a tax credit for certain film and entertainment companies, and expanded the exemption for sales tax on admissions to championship games to include the MLB Home Run Derby, the NFL Pro Bowl, and any all-star games for either the NBA or NHL.

Chapter 2011-76, L.O.F. (HB 143), provided a three-day sales tax holiday on clothing and shoes under $75 and school supplies under $15.

Chapter 2012-32, L.O.F. (HB 7087), provided a three-day back-to-school sales tax holiday exempting sales tax for clothing and shoes under $75 and school supplies under $15; extended credit through Fiscal Year 2015-16 for the film entertainment industry; provided credit against sales tax for some enterprise zones; modified an existing urban high-crimes job credit; provided sales tax exemption for sales or leases on taxicabs with handicap accessible capabilities; exempted sales tax for turbine engine manufacturing; expanded the manufacturers' machinery and equipment exemption; exempted sales tax on electricity used in beef and pork packing houses; and exempted sales tax on repair costs for aircrafts with weight between 2,000 and 15,000 pounds. Chapter 2012-145, L.O.F. (HB 5701), eliminated the sales tax collection allowance for paper filers. Chapter 2012-104, L.O.F. (HB 59), expanded the definition of spaceport territory to include additional counties and areas in the state. Chapter 2012-22, L.O.F. (HB 859), revised the limitations on the amount of tax credits available for contributions to the Florida Tax Credit Scholarship Program, some of which may come from holders of a direct pay sales tax certificate.

Chapter 2013-42, L.O.F. (SB 406), provided a three-day sales tax holiday on clothing and shoes less than $75, school supplies less than $15, and personal computers and accessories less than $750; amended the brownfield building materials refund, exempted natural gas used in a fuel cell, exempted certain rotary wing aircraft, and provided distributions for spring training facilities. Chapter 2013-82, L.O.F. (HB 423), exempted off-highway dyed diesel used in commercial fishing. Chapter 2013-39, L.O.F. (HB 7007), provided a temporary exemption for machinery and equipment purchased by certain specified industrial classifications; the exemption was effective April 30, 2014 and expired April 30, 2017.

Chapter 2014-199, L.O.F. (HB 343), provided for a surcharge of $1 per usage of less than 24 hours for certain uses by car sharing services. Chapter 2014-38, L.O.F. (HB5601), clarified the definition of "Prepaid Mobile Communication Services" which are subject to sales and use tax; extended the Community Contribution tax credit until 2017; added cement mixers to the eligible items for the temporary manufacturing machinery and equipment exemption authorized in 2013; exempted certain college meal plans; exempted child car seats; exempted therapeutic pet food; exempted youth bicycle helmets; provided a method for private label credit cards to take a credit for bad debt; reduced the sales tax rate on commercial electricity from 7 percent to 4.35 percent and provides for revised distributions from sales tax to local governments through the Local Government Half Cent Revenue Sharing Program, the County Revenue Sharing Program, and the Municipal Revenue Sharing Program; provided a nine-day sales tax holiday on certain hurricane preparedness items; provided a three day sales tax holiday for the first $1,500 of sales price on certain energy efficient appliances, and provided a three day sales tax holiday on clothing and footwear less than $100, school supplies less than $15, and for the first $750 of the sales price for computers and accessories.

Chapter 2015-221, L.O.F. (HB33A), provided an exemption for certain agricultural products including irrigation equipment, replacement parts and accessories for power farm equipment and irrigation equipment, repairs of power farm equipment and irrigation equipment, stakes used by a farmer to support plants during agricultural production and the sale price below $20,000 of a trailer weighing 12,000 pounds or less when purchased by a farmer for exclusive use in agricultural production or to transport farm products; provided an exemption for admissions and membership fees for gun clubs; provided a one-year exemption for textbooks and printed and digital materials required for postsecondary education; exempted any motor vehicle purchased or used for six months or longer in a foreign country by an active member of the United States Armed Forces or that member's

spouse; provides a cap on the amount paid for repairs of boats at $60,000; provided a 10-day sales tax holiday on clothing and shoes priced at $100 or less and personal computers and accessories priced at $750 or less.

Chapter 2016-220, L.O.F. (HB7099), provided a permanent extension of the sales tax exemption for certain manufacturing machinery and equipment and expanded the exemption to include machinery and equipment used for certain agricultural postharvest activities and metals recycling; provided an exemption for sales of food and drink by military veterans service organizations to their members; provided a three-year phase out of the tax on asphalt used for government public works projects; provided a three-day sales tax holiday on clothing and shoes priced at $60 or less and school supplies priced at $15 or less.

Chapter 2017-36, L.O.F. (HB7109), reduced the tax rate on the rental of commercial real estate from 6 percent to 5.8 percent beginning January 1, 2018; provided a sales tax exemption for certain feminine hygiene products, certain animal and aquaculture health products, certain resales of admissions, certain products purchased for the operation and maintenance of municipally owned golf courses by third parties, purchases of certain construction materials, equipment and electricity for datacenters and purchases of certain materials, goods and services used for new construction in Rural Areas of Opportunity; provided a three-day sales tax holiday on clothing and shoes priced at $60 or less, school supplies priced at $15 or less, and personal computers and accessories priced at $750 or less; provided a three-day sales tax holiday on certain items related to disaster preparedness.

Chapter 2018-6, L.O.F. (HB 7055) created the Hope Scholarship Program and the Florida Sales Tax Credit Program.

Chapter 2018-118, L.O.F. (HB 7087) further reduced the tax rate on the rental of commercial real estate from 5.8 percent to 5.7 percent beginning January 1, 2019; provided a three-day sales tax holiday on clothing and shoes priced at $60 or less and school supplies priced at $15 or less; provided a seven-day sales tax holiday for certain items related to disaster preparedness; provided certain refunds for farm buildings and fencing materials damaged by Hurricane Irma; provided exemptions for roll off containers, and provided certain aquaculture exemptions.

Chapter 2019-42, L.O.F. (HB 7123) reduced the tax rate on the rental of commercial real estate from 5.7 percent to 5.5 percent beginning January 1, 2020; provided a five-day sales tax holiday on clothing and shoes priced at $60 or less, school supplies priced at $15 or less, and personal computers and accessories priced at $1000 or less; provided a seven-day sales tax holiday for certain items related to disaster preparedness; provided an exemption of items purchased for resale and subsequently donated to 501(c)(3) organizations; and provides refunds for sales tax paid on agricultural fencing and building materials for property damaged by Hurricane Michael.

Chapter 2021-2, L.O.F. (SB 50) (“Park Randall ‘Randy’ Miller Act”) required out-of-state retailers and marketplace providers with no physical presence in Florida to collect Florida’s sales tax on sales of taxable items delivered to purchasers in Florida if the out-of-state retailers or marketplace provider makes a substantial number of sales into Florida; required out-of-state retailers and marketplaces providers to collect a county’s local discretionary sales surtax when a taxable item is delivered into a county that imposes a surtax; and provided a reduction of the tax rate on the rental of commercial real estate from 5.5 percent to 2.0 percent effective on the first day of the second month following the repeal of s. 212.20(6)(d)6.h., F.S.

Chapter 2021-31, L.O.F. (HB 7061) provided a ten-day back-to-school sales tax holiday exempting sales tax for clothing and shoes under $60, school supplies under $15, and the first $1000 of the sales price of personal computers and accessories; provided a ten-day sales tax holiday for certain items related to disaster preparedness; provided a seven-day sales tax holiday for certain items related to recreational activities and specified admissions; provided a sales tax exemption for certain tangible personal property items that assist in independent living; and created the Strong Families Tax Credit Program.

Chapter 2021-193, L.O.F. (HB 3) provided a tax credit for donations to the New Worlds Reading Initiative. The New Worlds Reading Initiative is a program providing books to elementary school students in Florida who read below their current grade level. The tax credits are a dollar-for-dollar credit against the business's liability for several state taxes including the Sales and Use Taxes due from direct pay permits holders. The annual cap for the program is $60 million per state fiscal year.

Chapter 2022-97, L.O.F. (HB7071) provided an exemption for admission to FIFA World Cup matches, Formula One Grand Prix races, and Daytona 500 events; provided a 3% tax on the retail sale of new mobile homes; provided an exemption for agricultural fences; expands the exemption for agricultural trailers; provided an exemption for machinery and equipment for the production of electrical or steam energy from the burning of hydrogen; provides a three-month sales tax holiday on the retail sale of children's books; halts sales tax collection on "Energy Star appliances" including certain appliances selling for $1,500 or less, and refrigerator or combination refrigerator/freezers selling for $3,000 or less, from July 1, 2022, through June 30, 2023; halts sales tax collection on children's diapers and baby/toddler clothes, apparel, and shoes from July 1, 2022, through June 30, 2023; halts sales tax collection on the retail sale of impact-resistant windows, doors, and garage doors from July 1, 2022 through June 30, 2024; provides a 14-day sales tax holiday for clothing and shoes $100 or less, school supplies $50 or less, learning aids $30 or less, and computers or related accessories $1,500 or less; provided a 14-day sales tax holiday on certain disaster preparedness items; provided a week-long sales tax holiday for admission to certain events/activities and the retail sale of certain accessories related to these activities; provided a week-long sales tax holiday for certain tools commonly used by skilled trade workers.

Chapter 2023-157, L.O.F. (HB7063) reduced the tax rate on the rental of commercial real estate from 5.5 percent to 4.5 percent beginning December 1, 2023; provided a sales tax exemption for baby and toddler products including baby cribs, baby strollers, baby safety gates, baby monitors, child safety locks and latches, bicycle child carrier seats and trailers, baby exercisers, breast pumps, baby wipes, changing tables, children's diapers and baby and toddler clothing and shoes for children age 5 or younger; provided a sales tax exemption for diapers and incontinence products; provided an exemption for oral hygiene products; provided an exemption for firearm safety devices; provided an exemption for private investigators; provided an exemption for materials used to construct or repair fencing used to contain cattle on agricultural land; and provided a sales tax exemption for machinery and equipment that is primarily used in the production, storage, transportation, compression or blending of renewable natural gas. Also in 2023, the Legislature provided a one year sales tax holiday on natural gas ranges and cooktops; provided a one year sales tax holiday on energy star appliances; provided two 14-day back-to-school sales tax holidays exempting sales tax for clothing, wallets and bags under $100, school supplies under $50, learning aids and jigsaw puzzles under $30 and personal computers and accessories under $1,500 per item; provided two 14-day sales tax holidays for certain items related to disaster preparedness; provided a three-month sales tax holiday for certain items related to recreational activities and specified admissions; and provided a 7-day sales tax holiday for tools and equipment commonly used in skilled trades.

Chapter 2024-158, L.O.F. (HB7073) provided a 14-day back-to-school exemption for certain clothing and school supplies, two 14-day disaster preparedness exemptions for disaster preparedness supplies, a 31-day freedom month exemption for recreational items and activities, and a 7-day tool time exemption for tools. Additionally, the bill allowed leasing companies to pay sales tax up front on vehicles, allowed Duval County to levy an indigent care sales surtax if voters approve, and provided instructions for how an invalid discretionary sales surtax is to be suspended.

Chapter 2025-208, L.O.F. (HB 7031) provided a hunting, fishing, and camping exemption on ammunition, firearms, firearm accessories, bows, crossbows, bow and crossbow accessories, camping supplies, and fishing supplies from September 8 through December 31, 2025. The bill also provided a permanent back-to-school exemption on clothing, wallets, bags, apparel, footwear, school supplies, learning aids, jigsaw puzzles, personal computers of $1,500 sale price or less, and computer accessories occurring annually in the month of August. Additionally, the following items became permanently exempt: admissions to the NASCAR Cup Series Championship Race, sanctioned by NASCAR, when held at the Homestead-Miami Speedway, including any qualifying or support races held at the same track up to 72 hours before the race; admission to state parks;

batteries; bicycle helmets; bullion; carbon monoxide detectors; fire extinguishers; ground anchor systems; insect repellent; life jackets; portable gas cans; portable generators; smoke detectors; sunscreen; and tarpaulins. Finally, the bill repeals the tax on commercial rent. In addition, Chapter 2025-100, L.O.F. (HB 999) provided a tax exemption for any gold coin or silver coin recognized as legal tender in this state pursuant to s. 215.986, F.S.

BASE AND RATE:
Chapter 212, F.S.: 6 percent - retail sales of most tangible personal property items; admissions to amusements; transient lodgings; motor vehicles; and ships and commercial fishing equipment. 6 percent - burglar protection services; detective services; nonresidential cleaning and pest control services. 4.35 percent - nonresidential electric services, and 4 percent - coin-operated amusement machines. Use tax is imposed at corresponding rates. The 6.8 percent tax on cable and non-residential telephone services can be found in Chapter 202, F.S. – see the communications services tax chapter in this publication.

DISPOSITION:
General sales and use tax:

Ecosystem and Restoration Management Trust Fund: the 0.2 percent distribution from total sales tax collections was removed by Chapter 2009-68, L.O.F. (SB 1750), and the monies were redirected to the General Revenue Fund.

Local Government Half-Cent Sales Tax Clearing Trust Fund: 8.9744 percent of collections remaining after distribution to the General Revenue Fund in the amount previously distributed to the State Infrastructure Fund and the Ecosystem and Restoration Management Trust Fund. Beginning July 1, 2003, the amount to be transferred to the Local Government Half-Cent Sales Tax Clearing Trust Fund was reduced by 0.1 percent. The 0.1 percent, less $5,000 each month, is distributed to the Public Employees Relations Commission Trust Fund.

Fiscally Constrained Counties: Since July 1, 2006, a special distribution of 30 percent of the remaining portion of communications services tax proceeds remitted under Chapter 202, F.S., and transferred to the Local Government Half-Cent Sales Tax Clearing Trust Fund pursuant to s. 202.18(2)(c), F.S., is distributed to fiscally constrained counties in accordance with s. 218.67, F.S.

A fiscally constrained county is defined by s. 218.67(1), F.S., as any county that is entirely within a Rural Area of Critical Economic Concern as designated by the Governor pursuant to s. 288.0656, F.S., or each county for which the value of a mill will raise no more than $5 million in revenue, based on the taxable value certified pursuant to s. 1011.62(4)(a)1.a., F.S., from the previous July 1.

In all, 29 counties are receiving fiscally constrained county distributions from the Half-Cent Sales Tax Clearing Trust Fund. When these distributions began in Fiscal Year 2006-07, 30 counties were receiving the distribution; Sumter County has since fallen off. The following table depicts the estimated distributions from the Half-Cent Sales Tax Clearing Trust Fund to fiscally constrained counties in the 2025-26 fiscal year:

**Estimated Fiscally Constrained County Distributions for Fiscal Year 2025-26**

| No. | COUNTY | Fiscally Constrained Distribution | No. | COUNTY | Fiscally Constrained Distribution |
|---|---|---|---|---|---|
| 1 | Baker | $256,376 | 16 | Holmes | $510,258 |
| 2 | Bradford | $351,528 | 17 | Jackson | $278,355 |
| 3 | Calhoun | $332,840 | 18 | Jefferson | $289,066 |
| 4 | Columbia | $273,613 | 19 | Lafayette | $348,326 |
| 5 | De Soto | $281,262 | 20 | Levy | $305,505 |
| 6 | Dixie | $336,190 | 21 | Liberty | $331,710 |
| 7 | Franklin | $181,866 | 22 | Madison | $327,883 |
| 8 | Gadsden | $305,856 | 23 | Okeechobee | $280,974 |
| 9 | Gilchrist | $289,805 | 24 | Putnam | $293,841 |
| 10 | Glades | $309,468 | 25 | Suwannee | $314,971 |
| 11 | Gulf | $206,633 | 26 | Taylor | $271,090 |
| 12 | Hamilton | $363,517 | 27 | Union | $537,294 |
| 13 | Hardee | $296,098 | 28 | Wakulla | $271,991 |
| 14 | Hendry | $251,231 | 29 | Washington | $291,027 |
| 15 | Highlands | $273,177 | | | |
| | TOTAL | | | | $8,961,750 |

Emergency Distribution: After the above mentioned distributions, 0.0966 percent is transferred to the Local Government Half-Cent Sales Tax Clearing Trust Fund, along with $5,000 per month, and distributed to qualified counties pursuant to s. 218.65, F.S.

County Revenue Sharing: After the above distributions, 2.0810 percent is transferred to the County Revenue Sharing Trust Fund. (These distributions used to be funded from intangibles taxes.)

Municipal Revenue Sharing: After the first three distributions, 1.3653 percent is distributed to the Municipal Revenue Sharing Trust Fund. (These distributions used to be funded from tobacco taxes.)

County Distribution: $29,915,500 is distributed to counties in even shares. (These distributions used to be funded from the pari-mutuel tax.)

Professional Sports Franchise: $166,667 distributed monthly to each applicant who qualifies as a "facility for a new professional sports franchise" and $41,667 monthly to each applicant who qualifies as a "new spring training franchise."

Professional Golf Hall of Fame: $166,667 distributed monthly to an applicant certified by the Department of Economic Opportunity, for up to 300 months. The last scheduled distribution to the selected applicant (St. Johns County Industrial Development Authority) was June 2023.

General Revenue Fund: Remainder of taxes remitted.

OTHER STATES:
Alaska, Delaware, Montana, New Hampshire, and Oregon do not have a state sales tax. Rates in other levying states (other than special rates for specified types of transactions) vary from 2.9 percent to 7.25 percent. The median rate is 6 percent and many states allow local option sales taxes. Fifteen states have higher state rates than Florida. Twenty-seven states have higher state and local rates than Florida, where at least one local jurisdiction levies that rate. Individual state's rates can be found at www.taxadmin.org.

# SALES AND USE TAX

| | 2026-27 (millions) |
|---|---|
| VALUE OF RATE CHANGE: | |
| Value of 1 percent levy on tax base Chapters 212 and 202, F.S. | $7,231.7 |

Note: The above estimate does not take into account reduced or increased demand as a result of the price effect of a tax change.

| | |
|---|---|
| DISTRIBUTION TO LOCAL GOVERNMENT: | |
| Local Government Half-Cent Sales Tax (s. 218.61, F.S.) | $2,883.4 |
| County Revenue Sharing (s. 212.20(6)(d)5, F.S.) | $766.8 |
| Municipal Revenue Sharing (s. 212.20(6)(d)6, F.S.) | $503.1 |
| County Share (s. 212.20(6)(d)7, F.S.) | $29.9 |
| | |
| ALTERNATIVE BASES: | |
| Convert sales tax to an invoice-credit value added tax (tax all final consumption at 6 percent) | $79,271.2 |
| Broaden resale exemption under current sales tax to exempt any business purchase | ($11,830.6) |

**EXCLUSIONS, EXEMPTIONS, DEDUCTIONS AND CREDITS FROM THE SALES & USE TAX**
**In Statutory Order**

| Line No. | Enactment Date | Florida Statute | | FY 2026-27 (in $ m) | Ex. Type |
|---|---|---|---|---|---|
| 1 | 1949 | 212.02(1),212.04(1)(b) | Federal tax on admissions. | 0.9 | H |
| 2 | 1990 | 212.02(1) | Hospital physical fitness facility charges. | 6.0 | H |
| 3 | 1949 | 212.02(2) | Occasional or isolated sales by businesses and individuals. (*1) | 24.5 | M |
| 4 | 1970 | 212.02(2) | Rent on low income housing. | 3.8 | H |
| 5 | 1990 | 212.02(2) | Leasing of real property between certain corporations. | 11.0 | B |
| 6 | 1979 | 212.02(10)(g) | Per diem and mileage charges paid to owners of railroad cars. | 2.1 | B |
| 7 | 1995 | 212.02(10)(j) | Privilege, franchise and other fees paid to do business at airports | 28.7 | B |
| 8 | 1949 | 212.02(14)(a) | *Items purchased for subsequent resale. (*2)* | *49,026.8* | (*) |
| 9 | 1949 | 212.02(14)(c) | Materials used for packaging. | 38.7 | B |
| 10 | 1949 | 212.02(14)(c) | Components or ingredients of processed or manufactured goods. (*3) | insig. | B |
| 11 | 1998 | 212.02(14)(c) | Parts incorporated into repair for resale | insig. | B |
| 12 | 1998 | 212.02(16) | Federal excise taxes imposed on retailers | 1.4 | B |
| 13 | 1949 | 212.02(19) | *Intangible personal property. (*4)* | *40,667.3* | (*) |
| 14 | 1998 | 212.02(20) | Automobiles loaned to driver education and safety programs | insig. | B |
| 15 | 1998 | 212.02(28) & (29) | Fish breeding | 0.2 | B |
| 16 | 2015 | 212.02(29) | Aquaculture | insig. | B |
| 17 | 2015 | 212.02(32) | Power Farm Equipment - Raw Storage | 0.3 | B |
| 18 | 2006 | 212.02(33) | Small private aircraft fleet of more than 25 planes | 0.0 | B |
| 19 | 1949 | 212.03(4), 212.031(1)(a)2. | Rent charges paid by certain long term occupants. | 8.1 | H |
| 20 | 1979 | 212.03(7)(a) | Rent charges paid by certain full-time students. | 6.1 | H |
| 21 | 1979 | 212.03(7)(a) | Rent charges paid by active military personnel. | 17.2 | H |
| 22 | 1972 | 212.03(7)(a) | Rent charges paid by permanent residents. | 3,355.2 | H |
| 23 | 1972 | 212.03(7)(c) | Charges for rent in certain mobile home parks. | 6.6 | H |
| 24 | 1979 | 212.03(7)(d) | Rent charges for living accommodations in migrant labor camps. | 3.6 | H |
| 25 | 1969 | 212.031(1)(a)1. | Charges for renting property assessed as agricultural. | 6.7 | B |
| 26 | 1985 | 212.031(1)(a)4. | Condominium recreational leases. | 10.0 | H |
| 27 | 1987 | 212.031(1)(a)5. | Streets used by a utility for utility purposes. | 83.5 | B |
| 28 | 1999 | 212.031(1)(a)5. | Cell phone towers & co-located equipment | 32.7 | B |
| 29 | 1987 | 212.031(1)(a)6. | Street parking meter charges. | 4.5 | M |
| 30 | 1987 | 212.031(1)(a)6. | Toll road charges. | 149.3 | M |
| 31 | 1987 | 212.031(1)(a)7. | Airport property used for landing, taxiing, or loading. | 90.3 | B |
| 32 | 1987 | 212.031(1)(a)8. | Port property used for moving, loading or fueling of ships. | 22.0 | B |
| 33 | 1997 | 212.031(1)(a)8. | Wharfage guarantees | 0.5 | B |
| 34 | 1987 | 212.031(1)(a)9. | Leases/rentals of certain property used for movie productions | 12.2 | B |
| 35 | 1983 | 212.031(1)(a)10. | Movie theater concession rent. | 45.0 | B |
| 36 | 1999 | 212.031(1)(a)10. | Rents, subleases, or licenses in recr. or sports arenas, civic centers | 1.5 | B |
| 37 | 2006 | 212.031(1)(a)12. | Rents, based on sales, from Souvenirs' leases in civic centers, 7-1-09 | 0.0 | B |
| 38 | 2000 | 212.031(1)(a)13. | Commercial Leases/Space Flight | 1.4 | B |
| 39 | 1998 | 212.031(1)(b) | Pro-rated exemption for for-profit homes for the aged | insig. | B |
| 40 | 17/18/19/24 | 212.031(1)(c) | Commercial Rent | 3,084.9 | B |
| 41 | 1977 | 212.031(5) | Convention hall subleases. | 38.7 | B |
| 42 | 1978 | 212.031(6) | Leases by agricultural fair associations. (*5) | insig. | B |
| 43 | 1998 | 212.031(7) | Certain utility charges if separately billed | 57.1 | H |
| 44 | 1998 | 212.031(8) | Certain lease termination payments | 10.3 | B |
| 45 | 1999 | 212.031(9) | Highschool and college teams' stadium skyboxes | 2.4 | O |
| 46 | 2017 | 212.04(1)(c) | Admissions Resale | 7.7 | B |
| 47 | 1949 | 212.04(2)(a)1. | Admissions to certain school and state events. | 2.8 | M |
| 48 | 2006 | 212.04(1)(b) | Local seat surcharges or service charges | 4.1 | B |
| 49 | 1998 | 212.04(1)(d) | Travel agent mark-up on taxed admissions or transient rentals | insig. | M |
| 50 | 1978 | 212.04(2)(a)2.a. | Dues, fees, and admissions charged by non-profit entities. | 26.1 | O |
| 51 | 1980 | 212.04(2)(a)3. | Admissions paid by students for required sports or recreation. | 16.8 | M |
| 52 | 1981 | 212.04(2)(a)4. | Super Bowl football tickets (impact only when held in Florida). (*6) | insig. | H |
| 53 | 1994 | 212.04(2)(a)5. | Governmental participation or sponsorship fees | 27.6 | O |
| 54 | 2025 | 212.04(2)(a)5 | Admissions to NASCAR Cup Series at Homestead | 0.1 | O |
| 55 | 1989 | 212.04(2)(a)6. | Tickets for certain non-profit theater, opera or ballet events. | 5.8 | O |
| 56 | 1998 | 212.04(2)(a)8. | Particip. fees to athletic events where spectators are charged admission | insig. | O |

**EXCLUSIONS, EXEMPTIONS, DEDUCTIONS AND CREDITS FROM THE SALES & USE TAX**
**In Statutory Order**

| Line No. | Enactment Date | Florida Statute | | FY 2026-27 (in $ m) | Ex. Type |
|---|---|---|---|---|---|
| 57 | 2015 | 212.04(2)(a)11. | Gun Club Memberships | 3.2 | H |
| 58 | 1998 | 212.04(2)(a)12 | State Park Admissions | 2.2 | H |
| 59 | 1963 | 212.04(2)(c), 212.02(20) | Pari-mutuel admissions tax imposed by s. 550.09. | insig. | B |
| 60 | 1976 | 212.05(1)(a)2. | Sales of boats or airplanes removed from the state. | 105.3 | M |
| 61 | 1971 | 212.05(1)(c) | Long term vehicle leases if tax paid when purchased by lessor. | 3.4 | B |
| 62 | 1998 | 212.05(1)(g) | Newspaper and magazine inserts | 6.8 | B |
| 63 | 1994 | 212.05(1)(h)1. | 2% rate abatement for coin-operated amusement machines | 6.3 | B |
| 64 | 1999 | 212.05(1)(k) | US legal coins and coins in excess of $500 | 0.8 | B |
| 65 | 1993 | 212.05(1)(k) | Law enforcement officers' protection services. | 3.4 | B |
| 66 | 1998 | 212.05(1)(m) | When TPP prizes are awarded, operator can pay tax on 25% of receipts | 0.8 | B |
| 67 | 2010 | 212.05(5) | $18,000 cap of sales tax on boats | 8.7 | H |
| 68 | 2015 | 212.05(5) | $60,000 cap of sales tax on Boat Repairs | 6.5 | H |
| 69 | 1989 | 212.0506(3) | Certain service warranties relating to real property fixtures. | 8.2 | B |
| 70 | 1989 | 212.0506(7) | Service warranties on which ins. prem. tax is due (homeowner warr.). | 4.5 | H |
| 71 | 1998 | 212.0506(10) | Certain materials and supplies used in fulfillment of service warranty | 85.3 | B |
| 72 | 1998 | 212.051(1) | Pollution control equipment used in manufacturing | 20.0 | B |
| 73 | 1998 | 212.051(2) | Solid waste management equipment | 6.7 | B |
| 74 | 1982/2006 | 212 | Items fabricated for use in research and development activities. | 69.6 | B |
| 75 | 1987 | 212 | Partial exemption for air carriers' maintenance bases. (*7) | insig. | B |
| 76 | 1984 | 212.06(1)(b) | Partial exemption for production cost of cogenerated energy. (*11) | 18.1 | B |
| 77 | 1969 | 212.06(1)(b) | Fabrication labor used in the production of qualified motion pictures. | 0.5 | B |
| 78 | 1982 | 212.06(1)(b) | Portion of price of factory built building attributable to labor costs. | insig. | B |
| 79 | 1984 | 212.06(1)(b) | Electricity consumed or dissipated in the transmission of electricity at 4.35 rate. | 15.3 | B |
| 80 | 1999/2016 | 212.06(1)(c) | Partial exemption for asphalt sold to governments | 4.8 | B |
| 81 | 1988 | 212.06(1)(c) | Use tax on asphalt; special calculations. | insig. | B |
| 82 | 1998 | 212.06(1)(d) | Cost price calculation for certain industries | insig. | B |
| 83 | 1992 | 212.06(2)(d),5(c), 212.0596(2)(c),(j) | *Printing for out-of-state customer, when he provides the paper.* | *28.4* | B |
| 84 | 2000 | 212.06(3)(b) | Certain Printed Materials | 0.5 | B |
| 85 | 1949 | 212.06(5)(a) | Tangible personal property imported or produced for export. | *6,453.0* | (*) |
| 86 | 1949 | 212.06(5)(a) | Aircraft being exported outside the U.S. | 51.0 | B |
| 87 | 1949 | 212.06(5)(a), 212.081(5) | Any sale exempted by federal law or the U.S. Constitution. | insig. | M |
| 88 | 1983 | 212.06(5)(b) | Non-resident dealers purchasing items for resale overseas. | 5.1 | B |
| 89 | 1949 | 212.06(7) | Credit for tax paid to other states. | 74.6 | M |
| 90 | 1969 | 212.06(8) | Imported items if used in another state for 6 months or more. | 360.4 | M |
| 91 | 1949 | 212.06(9) | Sales of religious items. | 31.6 | M |
| 92 | 1992 | 212.06(11) | Certain magazine promotional materials, if exported. | 6.6 | B |
| 93 | 1998 | 212.06(13) | 1% tax rate/month for airplanes purchased for resale but used by dealer | 2.4 | B |
| 94 | 1998 | 212.06(14) | Mobile home improvements | insig. | B |
| 95 | 1998 | 212.06(15) | Contractors' use of rock, shell, fill dirt for own use | 3.4 | B |
| 96 | 2000 | 212.06(15)(a) | Fill Dirt | insig. | B |
| 97 | 1987 | 212 | Partial exemption from use tax for motor vehicle dealers. | 1.3 | B |
| 98 | 1998 | 212.0601(3) | Vehicles loaned by car dealer at no charge: calc. based on IRS table | insig. | B |
| 99 | 1998 | 212.0601(4) | Vehicles loaned by car dealer while repairs are made. | 0.6 | B |
| 100 | 1997/1999 | 212 | Purchases of cinematography school, including leases | 2.7 | O |
| 101 | 1949 | 212.07(5) | Sales of farm products sold directly by the producer. | 2.6 | B |
| 102 | 1998 | 212.07(5)(b) | *Horses sold at claiming races are taxed on first sale; then on mark-up* | *0.8* | B |
| 103 | 1949 | 212.07(6) | Agricultural products consumed on the farm. | insig. | B |
| 104 | 1949 | 212.07(7) | Purchases of ag. products for further processing for resale. | *925.2* | (*) |
| 105 | 1949 | 212.08(1)(a) | Groceries purchased for human consumption. | 6,322.7 | H |
| 106 | 1986 | 212.08(1)(b) | Food purchased with food stamps [not exempt under s. 212.08(1)(a)]. | 16.6 | H |
| 107 | 1949 | 212.08(2)(a) | Prescription drugs. | 2,745.7 | H |
| 108 | 1949 | 212.08(2)(a) | Medical supplies and products such as syringes and prosthetics. | 408.2 | H |
| 109 | 1951 | 212.08(2)(a) | Funerals except for tangible personal property used. (*8) | 42.4 | H |
| 110 | 1990 | 212.08(2)(a) | Contact lens molds cost in excess of $100,000. | 12.2 | B |

**EXCLUSIONS, EXEMPTIONS, DEDUCTIONS AND CREDITS FROM THE SALES & USE TAX**
**In Statutory Order**

| Line No. | Enactment Date | Florida Statute | | FY 2026-27 (in $ m) | Ex. Type |
|---|---|---|---|---|---|
| 111 | 1949 | 212.08(2)(a) | Non-prescription drugs. | 279.6 | H |
| 112 | 1949 | 212.08(2)(a) | Eyeglasses and other corrective lenses. | 88.2 | H |
| 113 | 1998 | 212.08(2)(d) | Lithotripters | 0.6 | B |
| 114 | 1998 | 212.08(2)(e) | Human organs | insig. | B |
| 115 | 1998 | 212.08(2)(f) & (h) | Veterinary medicines | 14.9 | B |
| 116 | 1999 | 212.08(2)(f) & (h) | Non-retail pharmacies | 835.4 | B |
| 117 | 2014 | 212.08(2)(i) | Therapeutic veterinary diets | 5.3 | H |
| 118 | 1998 | 212.08(2)(j) | Special lettering or similar attachments used to aid handicapped persons | 6.0 | H |
| 119 | 63/98/05 | 212.08(3) | Farm equipment. | 64.4 | B |
| 120 | 2005 | 212.08(3) | Agricultural diesel engines and irrigators. | 4.6 | B |
| 121 | 2015 | 212.08(3)(a) | Irrigation Equipment used in Agricultural production | 5.4 | B |
| 122 | 2015 | 212.08(3)(a) | Power Farm Equipment - Parts and Repairs | 12.6 | B |
| 123 | 2015 | 212.08(3)(b) | Trailers purchased and used by a farmer | 2.9 | B |
| 124 | 1949 | 212.08(4)(a)1. | Metered Water, excluding well. | 634.8 | M |
| 125 | 1949 | 212.08(4)(a)1. | Bottled (except carbonated) Water | 112.0 | H |
| 126 | 1969 | 212.08(4)(a)2. | Purchases of fuel by public and private utilities. | 285.2 | B |
| 127 | 1963 | 212.08(4)(a)2. | Fuel for vehicles and vessels in interstate commerce (partial). | 4.8 | B |
| 128 | 1987 | 212.08(4)(a)3. | Wheeling or transmission of electricity at 4.35% rate. (*11) | 11.2 | B |
| 129 | 1949 | 212.08(5)(a) | Purchase of commercial fishing nets. | insig. | B |
| 130 | 1949/1998 | 212.08(5)(a) | Purchase of agricultural items (pesticides, seeds, fertilizers, etc.) | 114.1 | B |
| 131 | 1978 | 212.08(5)(a) | Fuels used to heat poultry structures. | 0.2 | B |
| 132 | 1998 | 212.08(5)(a) | Poultry structure generators | 0.3 | B |
| 133 | 2015 | 212.08(5)(a) | Stakes used in Agricultural production | 1.1 | B |
| 134 | 2017 | 212.08(5)(a) | Animal Health Products | 3.3 | B |
| 135 | 2022/2023 | 212.08(5)(a) | Fencing | 0.8 | B |
| 136 | 1978 | 212.08(5)(b)1. | Purchases of machinery and equipment by new businesses. | 18.8 | B |
| 137 | 78/89/06/12 | 212.08(5)(b) | M&E purchased by expanding businesses or for spaceports | 13.1 | B |
| 138 | 1980 | 212.08(5)(c)1. | Certain M&E used to produce energy. (*9) | 19.9 | B |
| 139 | 2000 | 212.08(5)(c)1. & 2. | Boiler Fuels | 0.7 | B |
| 140 | 1997 | 212.08(5)(c)2. | Proration of M&E using nonresidual fuels | insig. | B |
| 141 | 1983 | 212.08(5)(d) | Certain M&E purchased pursuant to federal contract. | insig. | B |
| 142 | 1988 | 212.08(5)(e)1. | Butane and other gases (except natural) used for agricultural purposes. | 1.5 | B |
| 143 | 1993 | 212.08(5)(e)1. | Natural gas used for agricultural purposes. | 1.0 | B |
| 144 | 2018 | 212.08(5)(e)1 & 2 and (5)(t) | Aquaculture Exemption | 0.2 | B |
| 145 | 2012 | 212.08(5)(e)2. | Electricity used in packing houses for fruits and vegetables at 4.35% rate | 1.0 | B |
| 146 | 2012 | 212.08(5)(e)2. | Electricity used in packing houses for meat of cattle and hog at 4.35% rate | 1.2 | B |
| 147 | 2006/07 | 212.08(5)(e)2. | Diesel fuel/electricity used in farming at 4.35% rate | 1.1 | B |
| 148 | 2000 | 212.08(5)(f) | Motion Picture Video Equipment | 16.2 | B |
| 149 | 2000 | 212.08(5)(f) | Additional Movie Exemptions | 25.5 | B |
| 150 | 1984/2015 | 212.08(5)(g) | Certain building materials used in an enterprise zone. | insig. | B |
| 151 | 1984/2015 | 212.08(5)(h) | Certain depreciable business equip. used in an enterprise zone; refund. | 0.6 | B |
| 152 | 1988 | 212.08(5)(i) | Certain aircraft modification services. | 46.1 | B |
| 153 | 2000 | 212.08(5)(j) | Semi-conductor clean rooms | 0.2 | B |
| 154 | 1997 | 212.08(5)(j) | M & E used in semiconductor, defense or space technology | 4.4 | B |
| 155 | 1998 | 212.08(5)(k) | Paint color cards and samples | 0.7 | B |
| 156 | 1998 | 212.08(5)(l) | Cattle growth enhancers | 0.5 | B |
| 157 | 1999 | 212.08(5)(m) | Gold Seal child care facilities' purchases of educational materials | 0.5 | B |
| 158 | 2000 | 212.08(5)(n) | Materials for construction of single-family homes in EZ | 0.0 | B |
| 159 | 2000 | 212.08(5)(o) | Building materials in redevelopment projects | 10.4 | B |
| 160 | 01/05/06/15/17 | 212.08(5)(p) | Community Contribution Credit | 10.5 | B |
| 161 | 2017 | 212.08(5)(r) | New Construction Building Materials in Rural Areas of Opportunity | 10.4 | B |
| 162 | 2017 | 212.08(5)(s) | Data Centers | 2.4 | B |
| 163 | 2021 | 212.08(5)(u) | Items that Assist in Independent Living | 4.2 | H |
| 164 | 2023 | 212.08(5)(v) | Building Materials Used in Construction of Affordable Housing Units | 42.7 | B |
| 165 | 2023 | 212.08(5)(w) | Renewable Natural Gas Machinery and Equipment | 1.1 | B |
| 166 | 1949 | 212.08(6) | Direct purchases by government (*10) | 889.2 | O |

**EXCLUSIONS, EXEMPTIONS, DEDUCTIONS AND CREDITS FROM THE SALES & USE TAX**
**In Statutory Order**

| Line No. | Enactment Date | Florida Statute | | FY 2026-27 (in $ m) | Ex. Type |
|---|---|---|---|---|---|
| 167 | 1987 | 212.08(6)(a) | Services by radio and TV stations. | insig. | B |
| 168 | 2017 | 212.08(6)(d) | Governments/ Golf Courses | 0.5 | O |
| 169 | 1978 | 212.08(7)(a) | Sales of artificial commemorative flowers by V.A. | insig. | O |
| 170 | 1978 | 212.08(7)(b) | Purchases of boiler fuels for use in industrial manufacturing. | 82.6 | B |
| 171 | 1974 | 212.08(7)(c) | Purchases of crab bait by commercial fishermen. | 0.7 | B |
| 172 | 1949 | 212.08(7)(d) | Feed for poultry and livestock, including racehorses, and ostriches. | 36.6 | B |
| 173 | 1949 | 212.08(7)(e) | Film rentals, when admissions are charged. | 12.9 | B |
| 174 | 1970 | 212.08(7)(e) | License fee charges for films & tapes used by broadcasters. | 8.4 | B |
| 175 | 1974 | 212.08(7)(f) | Sales of U.S. and State flags. | 4.6 | M |
| 176 | 1982 | 212.08(7)(g) | Supplies & equipment by the Fla. Retired Educators' Assn. | insig. | O |
| 177 | 1971 | 212.08(7)(h) | Purchases of, and supplies for, guide dogs for the blind. | 1.4 | H |
| 178 | 1963 | 212.08(7)(i) | Charges for hospital meals and rooms. | 822.6 | H |
| 179 | 1995 | 212.08(7)(i) | In-facility meals purchased by residents of homes for the aged | 67.5 | H |
| 180 | 1972 | 212.08(7)(j) | Purchases of power & heating fuels by residential households. (*11) | 748.2 | H |
| 181 | 1980 | 212.08(7)(j) | Utilities purchased for use in a residential model home. (*11) | 0.5 | B |
| 182 | 1996 | 212.08(7)(j) | Purchases of power & heating fuels by licensed day care homes (*11) | 0.7 | B |
| 183 | 1978 | 212.08(7)(k) | Charges for certain meals provided by non-profit orgs. | 56.0 | O |
| 184 | 1983 | 212.08(7)(l) | Purchases by orgs. providing certain benefits to minors. | 15.1 | O |
| 185 | 1949 | 212.08(7)(m)1. | Sales or leases to churches. | 24.4 | O |
| 186 | 1983 | 212.08(7)(m)1. | Items purchased or leased by certain non-profit organizations. | 11.8 | O |
| 187 | 1984 | 212.08(7)(m)2. | Non-profit orgs. providing free transportation to church members. | 0.2 | O |
| 188 | 1988 | 212.08(7)(m)2. | Purchases by religious non-profit TV stations. | 0.7 | O |
| 189 | 1995 | 212.08(7)(m)2. | Purchases by orgs. providing religious services to state prisoners (*13) | 0.0 | O |
| 190 | 1995 | 212.08(7)(m)2. | Purchases by certain orgs. supporting charitable service providers (*13) | 0.3 | O |
| 191 | 1998 | 212.08(7)(m)2. | Religious tapes for the blind | 0.3 | O |
| 192 | 1998 | 212.08(7)(m)2. | Organizations w/o permanent location conducting religious services | 1.7 | O |
| 193 | 1978/1999 | 212.08(7)(n)1. | Items purchased or leased by qualified veterans organizations. | 1.5 | H |
| 194 | 2016 | 212.08(7)(n)1. | Certain Food or Drink sold by Qualified Veterans Organizations | 4.1 | O |
| 195 | 1949/2000 | 212.08(7)(p)1. | Section 501(c)(3) organizations | 504.1 | O |
| 196 | 2019 | 212.08(7)(p)2. | Items purchased for resale donated to Section 501(c)(3) organizations | 4.5 | O |
| 197 | 1978 | 212.08(7)(q) | Purchases of "resource recovery equipment" by local govts. | 0.4 | O |
| 198 | 1963 | 212.08(7)(r) | K-12 schoolbooks and lunches. | 78.6 | H |
| 199 | 1998 | 212.08(7)(r) | School yearbooks, magazines, newspapers, and bulletins | 5.6 | O |
| 200 | 2014 | 212.08(7)(r) | College Meal Plans | 40.1 | H |
| 201 | 1987 | 212.08(7)(s) | Alcoholic beverages used by businesses for tasting. | 5.4 | B |
| 202 | 1986 | 212.08(7)(t) | Boats temporarily docked in Florida. | 3.3 | B |
| 203 | 1969 | 212.08(7)(u) | Purchases of fire-fighting equipment by volunteer fire depts. | 0.6 | O |
| 204 | 1949/1988 | 212.08(7)(v) | Charges for professional, personal and insurance services: | insig. | M |
| 205 | 1990 | 212.08(7)(w) | Free advertising publications. | 3.1 | B |
| 206 | 1996 | 212.08(7)(w) | Subscription newspapers, newsletters & magazines delivered by mail | 19.2 | H |
| 207 | 1987 | 212.08(7)(x) | Sporting equipment brought to Florida for certain events. | 0.3 | B |
| 208 | 1988 | 212.08(7)(y) | Charter fishing boats. | 21.3 | B |
| 209 | 1988 | 212.08(7)(z) | Certain candy sold in vending machines by non-profit orgs. | insig. | O |
| 210 | 1988 | 212.08(7)(aa) | Commercial trucks sold between commonly owned companies. | 0.7 | B |
| 211 | 1992 | 212.08(7)(bb) | Community cemeteries. | 0.2 | B |
| 212 | 1992/1999 | 212.08(7)(cc) | Works of art provided to an educational institution. | 21.0 | O |
| 213 | 1994 | 212.08(7)(dd) | Lease or license to use taxicab equipment | 39.7 | B |
| 214 | 1994/1998 | 212.08(7)(ee) | Aircraft repair and maintenance labor charges for aircraft > 15,000 lbs | 4.7 | B |
| 215 | 1998 | 212.08(7)(ee) | Aircraft repair and maintenance labor charges for helicopters > 10,000 lbs | 0.4 | B |
| 216 | 2012 | 212.08(7)(ee) | Aircraft repair and maintenance labor charges for aircraft > 2K lbs and < 15K lb | 5.5 | B |
| 217 | 1996 | 212.08(7)(ff) | Electricity used in Manufacturing at 4.35% rate (*11) | 51.8 | B |
| 218 | 1996 | 212.08(7)(gg) | Leases to or by fair associations for real or tangible personal property | 2.6 | B |
| 219 | 1997/2005 | 212.08(7)(hh) | Solar energy systems | 3.0 | B |
| 220 | 1997 | 212.08(7)(ii) | Nonprofit cooperative hospital laundries | 0.3 | B |
| 221 | 1997 | 212.08(7)(jj) | Complimentary meals served by hotels & motels | 12.2 | B |
| 222 | 1997 | 212.08(7)(kk) | PRIDE | 3.6 | O |
| 223 | 1998 | 212.08(7)(ll) | Items sold by PTO's and PTA's, if tax paid at purchase | 4.5 | O |

**EXCLUSIONS, EXEMPTIONS, DEDUCTIONS AND CREDITS FROM THE SALES & USE TAX**
**In Statutory Order**

| Line No. | Enactment Date | Florida Statute | | FY 2026-27 (in $ m) | Ex. Type |
|---|---|---|---|---|---|
| 224 | 1998 | 212.08(7)(ll) | Vending machine items in lunchrooms, if tax paid at purchase | 0.7 | O |
| 225 | 2015 | 212.08(7)(ll) | School Concessions, if tax paid at purchase | 4.8 | O |
| 226 | 1998 | 212.08(7)(mm) | Mobile Home Lot Improvements | 0.4 | B |
| 227 | 1998 | 212.08(7)(nn) | Portions of purchase price of boats, cars, planes paid by Veterans' Org. | 2.2 | O |
| 228 | 1998 | 212.08(7)(oo) | Complimentary food items | 1.0 | B |
| 229 | 1998 | 212.08(7)(pp) | Food or beverages donated to non-profit organizations. | 0.3 | O |
| 230 | 1998 | 212.08(7)(qq) | Racing dogs by breeders | 15.8 | B |
| 231 | 1998 | 212.08(7)(rr) | Parts used in aircraft maintenance or repair for aircraft > 15,000 lbs | 16.2 | B |
| 232 | 2012 | 212.08(7)(rr) | Parts used in aircraft maintenance or repair for aircraft >2K lbs and < 15k lbs | 10.2 | B |
| 233 | 1998 | 212.08(7)(ss) | Aircraft leases and sales by common carriers, if in excess of 15,000 lbs | 1.7 | B |
| 234 | 1999/2000 | 212.08(7)(tt) | Non-profit water systems | 0.3 | O |
| 235 | 1999 | 212.08(7)(uu) | Library co-operatives | 48.3 | O |
| 236 | 1999 | 212.08(7)(v v) | Certain advertising services | 22.2 | B |
| 237 | 1999 | 212.08(7)(ww) | Gold, silver, platinum bullion in excess of $500 | 11.8 | H |
| 238 | 2025 | 212.08(7)(ww) | Gold, silver, platinum bullion worth less than $500 | 2.3 | H |
| 239 | 1999/2000 | 212.08(7)(xx) | Shipping and parts and labor for repair of certain machinery | 14.6 | B |
| 240 | 1999 | 212.08(7)(yy) | Film and printing supplies | 20.4 | B |
| 241 | 2000 | 212.08(7)(zz) | People Mover Systems | 0.7 | B |
| 242 | 2000 | 212.08(7)(aaa) | Florida Fire and Emergency Services | insig. | O |
| 243 | 2000 | 212.08(7)(bbb) | Railroad Bed Materials | 2.0 | B |
| 244 | 2006 | 212.08(7)(ccc) | Advertising materials distributed free by mail in an envelope | 2.0 | B |
| 245 | 2006 | 212.08(7)(ddd) | Certain Delivery Charges | 1.9 | B |
| 246 | 2007 | 212.08(7)(eee) | Bookstore operations at a postsecondary education institution | 2.0 | B |
| 247 | 2010 | 212.08(7)(fff) | Aircraft temporarily in the state | insig. | H |
| 248 | 2010 | 212.08(7)(ggg) | Fractional Aircraft | 1.5 | B |
| 249 | 2012 | 212.08(7)(hhh) | Turbine Engine Manufacturing | 0.6 | B |
| 250 | 2012 | 212.08(7)(iii) | Taxicabs, sale or lease of accessible vehicles | 92.9 | B |
| 251 | 2013/2016 | 212.08(7)(jjj) | Certain Machinery and Equipment | 105.6 | B |
| 252 | 2016 | 212.08(7)(jjj) | Metal Recyclers Machinery and Equipment Exemption | 1.4 | B |
| 253 | 2016 | 212.08(7)(jjj) | Post Harvest Machinery and Equipment | 4.5 | B |
| 254 | 2014 | 212.08(7)(kkk) | Child car Seats | 0.4 | H |
| 255 | 2014/2025 | 212.08(7)(lll) | Bicycle Helmets | 2.6 | H |
| 256 | 2015 | 212.08(7)(mmm) | Importation of Motor Vehicles by Deployed Military or Spouse | 18.8 | O |
| 257 | 2017 | 212.08(7)(nnn) | Feminine Hygiene Products | 1.6 | H |
| 258 | 2018 | 212.08(7)(ooo) | Recycling roll off containers | 60.3 | B |
| 259 | 2022 | 212.08(7)(ppp) | Green Hydrogen | 0.3 | B |
| 260 | 2023 | 212.08(7)(qqq) | Baby and Toddler Products | 168.5 | H |
| 261 | 2023 | 212.08(7)(rrr) | Diapers and Incontinence Products | 29.2 | H |
| 262 | 2023 | 212.08(7)(sss) | Oral Hygiene Products | 42.3 | H |
| 263 | 2023 | 212.08(7)(ttt) | Firearm Safety Devices | 4.9 | H |
| 264 | 2023 | 212.08(7)(uuu) | Small Private Investigative Agencies | 1.6 | M |
| 265 | 2025 | 212.08(7)(vvv) | Batteries | 42.3 | H |
| 266 | 2025 | 212.08(7)(www) | Smoke Detectors | 4.8 | H |
| 267 | 2025 | 212.08(7)(xxx) | Carbon Monoxide Detectors | 4.8 | H |
| 268 | 2025 | 212.08(7)(yyy) | Fire Extinguishers | 4.9 | H |
| 269 | 2025 | 212.08(7)(zzz) | Portable Generators | 7.9 | H |
| 270 | 2025 | 212.08(7)(aaaa) | Tarpaulins | 19.2 | H |
| 271 | 2025 | 212.08(7)(bbbb) | Ground Anchoring Systems | 13.8 | H |
| 272 | 2025 | 212.08(7)(cccc) | Portable Gas Cans | 13.8 | H |
| 273 | 2025 | 212.08(7)(dddd) | Life Jackets | 2.1 | H |
| 274 | 2025 | 212.08(7)(eeee) | Sunscreen | 38.2 | H |
| 275 | 2025 | 212.08(7)(ffff) | Insect Repellant | 5.2 | H |
| 276 | 1957 | 212.08(8) | Vessels, parts & related items used in interstate commerce (partial). | 61.9 | B |
| 277 | 1957 | 212.08(9) | RR equip, MV & pts. used in interstate commerce (*12) | 80.6 | B |
| 278 | 1977 | 212.08(10) | Partial exemption on motor vehicles sold to out-of-state residents. | 68.0 | M |
| 279 | 1978 | 212.08(11) | "Flyable aircraft" sold by a Fla. mfgr. to out-of-state resident (partial). | 2.8 | B |
| 280 | 1998 | 212.08(11) | Aircraft temporarily located in Fla for repairs. | 3.2 | B |

**EXCLUSIONS, EXEMPTIONS, DEDUCTIONS AND CREDITS FROM THE SALES & USE TAX**
**In Statutory Order**

| Line No. | Enactment Date | Florida Statute | | FY 2026-27 (in $ m) | Ex. Type |
|---|---|---|---|---|---|
| 281 | 1984 | 212.08(12) | Master tapes, records, films or video tapes (partial). | 17.7 | B |
| 282 | 1984 | 212.08(15) | Certain electrical energy used in an enterprise zone. (*11) | 1.0 | B |
| 283 | 1989 | 212.08(16)(a)1. | The sale or use of satellites or other space vehicles. | 88.0 | B |
| 284 | 1989 | 212.08(16)(a)2. | The sale or use of tangible personal property placed on satellites. | insig. | B |
| 285 | 1999 | 212.08(17) | Overhead items purchased by certain gov't contractors | 1.1 | B |
| 286 | 2006 | 212.08(18) | Machinery and Equipment used for R&D at least 50% | 96.7 | B |
| 287 | 2025 | 212.08(20) | Annual Back to School Holiday | 196.8 | H |
| 288 | 1984 | 212.0821(1) | Items bought by Parent-Teacher Orgs. through school districts. | 83.0 | O |
| 289 | 1984 | 212.0821(2) | Items bought by certain community groups through local govts. | insig. | O |
| 290 | 1984 | 212.0821(3) | Items bought by certain library fund raising groups. | insig. | O |
| 291 | 1949 | 212.09, 212.02(16) | The value of trade-ins or discounts. | 1,241.3 | M |
| 292 | 1984/2015 | 212.1 | Credit for job creation in enterprise zones. | 0.0 | B |
| 293 | 1997/2012 | 212.1 | Urban High-crime area job tax credit | 0.0 | B |
| 294 | 1997 | 212.1 | Rural job tax credit | 0.5 | B |
| 295 | 1949 | 212.12(1), 212.04(5) | Collection allowance of 2.5% for the first $1,190 of tax per return. | 87.8 | B |
| 296 | 2014 | 212.0 | Private Label Credit Cards - Credits for Bad Debt | 12.7 | B |
| 297 | 1991/2006 | 212.20(6)(d)6.b. & e. | Up to $2.0m annual subsidy for certain professional sports teams. | 16.8 | B |
| 298 | 1998 | 376.75(1) | Tax on perchloroethylene | 0.2 | B |
| 299 | 2010 | 212.2 | Traditional Scholarship Credit | 4.2 | B |
| 300 | 2018 | 212.1 | Commercial Rental Credit | 0.0 | B |
| 301 | 2018 | 212.2 | Motor Vehicle Credit | 72.9 | B |
| 302 | 2021 | 212.2 | New Worlds Reading Credit | 25.6 | B |
| 303 | 2021 | 212.2 | Strong Families Credit | 1.6 | B |
| | | | **GRAND TOTAL** | **27,149.6** | |
| | | | Note: Some exemptions overlap, so repeal of all items would NOT yield the total shown | | |

| | |
|---|---|
| **H = Household Items** | **15,927.1** |
| **O = Organizations** | **1,771.1** |
| **B = Business Items** | **6,731.3** |
| **M = Miscellaneous** | **2,720.1** |
| **Grand Total (*).....** | **27,149.6** |

n/a - Estimate not available.

**(*) Items shown in italics are NOT included in the grand total for all exemptions.**

Repeal of items shown in italics would substantially alter the character of the tax. For example, repeal of the resale provision (item #8 and others) would effectively convert the sales tax to a transactional gross receipts tax.

1 Estimate reflects only sales by businesses.

2 Estimate excludes items exempt under other provisions as well.

3 Impact included in estimate for item #8

4 The estimate represents only sales of stocks and bonds traded in national markets. A variety of additional items would also be potentially taxed.

5 Impact included in estimate for #210 -Leases to or by fair associations for real or tangible personal property .

6 The 2005 Super Bowl was held in Jacksonville. This exemption is estimated to cost $2.4m. In 2007, it was held in Miami, in 2009 it was held in Tampa, and in 2010 it was held in Miami. The Superbowl is scheduled to be held in Miami in 2020 and in Tampa in 2021.

7 No evidence exists that any taxpayers currently avail themselves of this exemption.

8 Estimate reflects entire charge for funeral and crematory services. Net revenue from repeal may be reduced by value of caskets, depending on the billing procedures of each business.

9 Based on exemption permits issued, this amount could increase significantly if taxpayers receive development authorization.

10 Excludes tax on federal purchases. Taxation would require congressional authorization.

11 The statutory tax rate for electricity is 4.35%.

12 Estimate assumes other supporting statutory changes in addition to exemption repeal.

13 Item #182 is included in #183 due to a rewrite of the religious and 501(c)(3) exemptions in 2000.

**EXCLUSIONS, EXEMPTIONS, DEDUCTIONS AND CREDITS FROM THE SALES & USE TAX**
**In Statutory Order**

| Line No. | Enactment Date | Florida Statute | | FY 2026-27 (in $ m) | Ex. Type |
|---|---|---|---|---|---|
| | **REPEALED/SUNSETTED EXEMPTIONS:** | | | | |
| | 1990 | 212.04(2)(a)4. | World Cup Soccer Games tickets (impact only when held in Florida) | | |
| | 2000 | 212.031(10) | Entertainment Facilities; repeal 7-1-09 | | |
| | 1987 | 212.08(5)(j) | Marine discharge response corporation M&E. | | |
| | 2000 | 212.08(5)(p) | Broad Band Technology , sunset on 6-30-05 | | |
| | 1949 | 212.08(7)(w) | Newspapers (Exemption declared unconstitutional) | | |
| | 1995 | 212.08(7)(hh) | Electric motor vehicles (exemption terminates 6/30/2000) | | |
| | 1996 | 212.08(7)(hh) & (ii) | State Park Citizen Support Organizations and Florida Folk Festival | | |
| | 2000 | 212.08(7)(ccc) | Crime Prevention | | |
| | 2014 | 212.08(7)(jjj) | Cement Mixer Drums (Expires 4/30/2017) | | |
| | 1996 | 212.20(6)(g)4.c. | $1m annual subsidy for Intern'l Game Fish Association World Center (Ended 2/2014) | | |

| 2022 NAICS Code(s) | Business Type | (1) 6% Annualized Receipts SFY 2026/27 $m | (2) 6% First Year Cash SFY 2026/27 $m | (3) 6% Annualized Receipts On Services Taxed in 1987 $m |
|---|---|---|---|---|
| | **PERSONAL SERVICES** | | | |
| **812** | **Personal and Laundry Services** | | | |
| 8121 | Personal Care Services (includes Beauty and Barber Shops) | $231.73 | $173.16 | $0.00 |
| 8123 | Drycleaning and Laundry Services | $89.90 | $67.18 | $76.72 |
| 8129 | Other Personal Services (Pet Care, Photo Finishing, Valet Parking, Parking Lots and Garages) | $30.85 | $23.05 | $30.85 |
| | **Subtotal: All Personal Services……** | **$352.48** | **$263.39** | **$107.57** |
| | **PROFESSIONAL SERVICES** | | | |
| **531** | **Real Estate** | | | |
| 5312 | Offices of Real Estate Agents and Brokers | $627.26 | $468.73 | $318.67 |
| 5313 | Activities Related to Real Estate (Property Managers and Appraisers) | $506.75 | $378.68 | $257.44 |
| **533** | **Lessors of Non-Financial Intangible Assets (except Copyighted Work) Buying, Licensing, Leasing of Industrial Designs, Franchises, Brand Names, Patents, Trademarks** | $215.43 | $160.98 | $215.43 |
| **541** | **Professional, Scientific, and Technical Services** | | | |
| 5411 | Legal Services (includes Title Search and Abstract Services) | $1,488.79 | $1,112.53 | $1,329.49 |
| 5412 | Accounting, Tax Preparation, Bookkeeping, and Payroll Services | $877.49 | $655.72 | $877.49 |
| 5413 | Architectural, Engineering, and Related Services | $845.64 | $631.92 | $364.84 |
| 5414 | Specialized Design Services (Interior, industrial, Graphic, Fashion, and other Design Services) | $188.14 | $140.59 | $0.00 |
| 5415 | Computer Systems Design and Related Services | $1,129.11 | $843.75 | $1,072.71 |
| 5416 | Management, Scientific, and Technical Consulting Services | $1,545.29 | $1,154.74 | $1,545.34 |
| 5417 | Scientific Research and Development Services | $84.55 | $63.18 | $0.00 |
| 5418 | Advertising and Related Services | $374.89 | $280.15 | $324.41 |
| 5419 | Other Professional, Scientific, and Technical Services (Marketing Research, Photographic, Veterinary, Translation Services) | $650.06 | $485.76 | $0.00 |
| **551** | **Management of Companies and Enterprises** | | | |
| 551111 | Offices of Bank Holding Companies | $19.62 | $14.66 | $19.62 |
| 551112 | Offices of Other Holding Companies | $178.31 | $133.24 | $178.31 |
| 551114 | Corporate, Subsidiary, and Regional Managing Offices | $396.00 | $295.92 | $396.00 |
| **561** | **Administrative and Support Services** | | | |
| 5611 | Office Administrative Services | $134.52 | $100.52 | $134.52 |
| 5612 | Facilities Support Services | $39.55 | $29.55 | $39.55 |
| 5613 | Employment Services | $1,092.18 | $816.15 | $163.83 |

| 2022 NAICS Code(s) | Business Type | (1) 6% Annualized Receipts SFY 2026/27 $m | (2) 6% First Year Cash SFY 2026/27 $m | (3) 6% Annualized Receipts On Services Taxed in 1987 $m |
|---|---|---|---|---|
| 5614 | Business Support Services (includes Credit and Colletion Agencies, Secretarial an Court ReportingServices) | $287.58 | $214.90 | $0.00 |
| 5615 | Travel Arrangement and Reservation Services (Travel Agencies and Tour Operators) | $75.89 | $56.71 | $0.00 |
| 5616 | Investigation and Security Services | $0.00 | $0.00 | $0.00 |
| 5617 | Services to Buildings and Dwellings (includes Cleaning and Pest Control) | $273.65 | $204.49 | $273.66 |
| 5619 | Other Support Services (Packaging and Labeling Services, Convention and Trade Show Organizors) | $105.67 | $78.96 | $52.84 |
| **813** | **Professional Organizations** | | | |
| 8132 | Grantmaking and Giving Services | $21.08 | $15.75 | $0.00 |
| 8133 | Social Advocacy Organizations | $39.59 | $29.59 | $0.00 |
| 8134 | Civic and Social Organizations | $23.31 | $17.42 | $0.00 |
| 8139 | Business, Professional, Labor, Political, and Similar Organizations | $255.38 | $190.84 | $0.00 |
| | **Subtotal: All Professional Services……** | **$11,475.73** | **$8,575.43** | **$7,564.15** |
| | **BUSINESS SERVICES** | | | |
| **115** | **Support Activities for Agriculture and Forestry** | | | |
| 1151 | Support Activities for Crop Production | $71.23 | $53.23 | $22.85 |
| 1152 | Support Activities for Animal Production | $132.96 | $99.35 | $42.65 |
| 1153 | Support Activities for Forestry | $48.10 | $35.94 | $0.00 |
| **213** | **Support Activities for Mining** | | | |
| 213111 | Drilling Oil and Gas Wells | $2.57 | $1.92 | $0.00 |
| 213112 | Support Activities for Oil and Gas Operations | $0.67 | $0.50 | $0.00 |
| 213113 | Support Activities for Coal Mining | $0.00 | $0.00 | $0.00 |
| **323** | **Printing and Related Support Activities** | | | |
| 323120 | Prepress Services | $3.51 | $2.62 | $3.51 |
| **492** | **Couriers and Messengers** | | | |
| 4921 | Couriers | $549.32 | $410.49 | $393.08 |
| 4922 | Local Messengers and Local Delivery | $119.02 | $88.94 | $85.16 |
| | **Subtotal: All Business Services……** | **$927.38** | **$693.00** | **$547.26** |

| 2022 NAICS Code(s) | Business Type | (1) 6% Annualized Receipts SFY 2026/27 $m | (2) 6% First Year Cash SFY 2026/27 $m | (3) 6% Annualized Receipts On Services Taxed in 1987 $m |
|---|---|---|---|---|
| | **FINANCIAL SERVICES** | | | |
| **522** | **Credit Intermediation and Related Activities** | | | |
| 5221 | Depository Credit Intermediation (Banks, S&Ls, Credit Unions, et.al) | $2,616.87 | $1,955.50 | $0.00 |
| 5222 | Nondepository Credit Intermediation (Credit Cards, Sales Financing, Consumer Lending, Real Estate Credit) | $856.79 | $640.25 | $0.00 |
| 5223 | Activities Related to Credit Intermediation (Loan Brokers, EFT Networks, Clearinghouse Assoc., Credit Card Svcs) | $480.37 | $358.96 | $168.13 |
| **523** | **Securities, Commodity Contracts, and Other Financial Investments** | | | |
| 5231 | Securities and Commodity Contracts Intermediation and Brokerage | $498.51 | $372.52 | $104.70 |
| **524** | **Insurance Carriers and Related Activities** | | | |
| 5241 | Insurance Carriers | $4,046.01 | $3,023.45 | $0.00 |
| 5242 | Agencies, Brokerages, and Other Insurance Related Activities | $1,477.81 | $1,104.32 | $0.00 |
| **525** | **Funds, Trusts, and other Financial Vehicles** | | | |
| 5259 | Other Investment Pools and Funds (REITs) | $41.28 | $30.84 | $41.28 |
| | **Subtotal: All Financial Services……** | **$10,017.63** | **$7,485.84** | **$314.10** |
| | **MEDIA SERVICES** | | | |
| **511** | **Publishing Industries** | | | |
| 5132 | Software Publishers | $1,272.22 | $950.69 | $1,208.67 |
| **512** | **Motion Picture and Sound Recording Industies** | | | |
| 5121 | Motion Picture and Video Industries | $193.87 | $144.87 | $0.00 |
| **334/516** | **Broadcasting and Telecommunications** | | | |
| 3342 | Radio and Television Broadcasting | $303.64 | $226.90 | $303.64 |
| 5162 | Cable Networks and Program Distribution | $49.20 | $36.77 | $0.00 |
| **518/519** | **ISPs, Web Search Portals, and Data Processing Services** | | | |
| 5192 | Wired and Wireless Telecommunications Carriers | $1,016.45 | $759.56 | $965.67 |
| 5182 | Data Processing, Hosting, and related Services | $403.83 | $301.77 | $383.65 |
| | **Subtotal: All Media Services……** | **$3,239.20** | **$2,420.55** | **$2,861.63** |

| 2022 NAICS Code(s) | Business Type | (1) 6% Annualized Receipts SFY 2026/27 $m | (2) 6% First Year Cash SFY 2026/27 $m | (3) 6% Annualized Receipts On Services Taxed in 1987 $m |
|---|---|---|---|---|
| | **ENTERTAINMENT & SPORTS SERVICES** | | | |
| **711** | **Performing Arts, Spectator Sports, and Related Industries** | | | |
| 7111 | Performing Arts Companies | $3.33 | $2.49 | $2.80 |
| 7112 | Spectator Sports (Sports Teams and Clubs, Racetracks, etc.) | $34.38 | $25.69 | $0.00 |
| 7113 | Promoters of Performing Arts, Sports, and Similar Events | $172.37 | $128.80 | $0.00 |
| 7114 | Agents and Managers for Artists, Athletes, Entertainers, and Other Public Figures | $22.28 | $16.65 | $18.73 |
| 7115 | Independent Artists, Writers, and Performers | $59.35 | $44.35 | $0.00 |
| **713** | **Amusement, Gambling, and Recreation Industries** | | | |
| 7139 | Other Amusement and Recreation Industries (includes Physical Fitness Facilities, Dance Studios, Golf Courses, etc) | $44.81 | $33.48 | $0.00 |
| | **Subtotal: All Entertainment and Sports Services……** | **$336.51** | **$251.46** | **$21.53** |
| | **CONSTRUCTION SERVICES** | | | |
| **236** | **Building, Developing, and General Contracting** | | | |
| 2361 | Residential Building Construction | $877.51 | $655.73 | $877.51 |
| 2362 | Nonresidential Building Construction | $484.75 | $362.24 | $484.75 |
| **237** | **Heavy Construction** | | | |
| 2371 | Utility System Construction | $760.56 | $568.34 | $0.00 |
| 2372 | Land Subdivision and Land Development | $73.16 | $54.67 | $0.00 |
| 2373 | Highway, Street, and Bridge Construction | $256.36 | $191.57 | $256.36 |
| 2379 | Other Heavy Construction | $77.68 | $58.05 | $77.68 |
| **238** | **Special Trade Contractors** | | | |
| 2381 | Building Foundation and Exterior Contractors | $400.95 | $299.62 | $400.95 |
| 2382 | Building Equipment Contractors | $897.36 | $670.57 | $897.36 |
| 2383 | Building Finishing Contractors | $352.04 | $263.06 | $352.04 |
| 2389 | Other Specialty Trade Contractors | $413.72 | $309.16 | $413.72 |
| | **Subtotal: All Construction Services……** | **$4,594.09** | **$3,433.01** | **$3,760.37** |
| | **INSTITUTIONAL SERVICES** | | | |
| **562** | **Waste Management and Remediation Services** | | | |
| 5621 | Waste Collection | $348.76 | $260.61 | $115.10 |
| 5622 | Waste Treatment and Disposal | $42.07 | $31.43 | $13.88 |
| 5629 | Remediation and Other Waste Management Services | $126.16 | $94.28 | $41.64 |

| 2022 NAICS Code(s) | Business Type | (1) 6% Annualized Receipts SFY 2026/27 $m | (2) 6% First Year Cash SFY 2026/27 $m | (3) 6% Annualized Receipts On Services Taxed in 1987 $m |
|---|---|---|---|---|
| **611** | **Educational Services** | | | |
| 6114 | Business Schools and Computer and Management Training | $75.82 | $56.65 | $25.02 |
| 6115 | Technical and Trade Schools | $116.27 | $86.89 | $38.37 |
| 6116 | Other Schools and Instruction | $131.38 | $98.17 | $43.36 |
| 6117 | Educational Support Services | $23.67 | $17.69 | $7.81 |
| **624** | **Social Assistance** | | | |
| 6241 | Individual and Family Services | $58.68 | $43.85 | $0.00 |
| 6242 | Community Food and Housing, and Emergency and Other Relief Services | $1.25 | $0.93 | $0.00 |
| 6243 | Vocational Rehabilitation Services | $8.73 | $6.53 | $0.00 |
| 6244 | Child Care Services | $130.80 | $97.75 | $0.00 |
| | **Subtotal: All Institutional Services……** | **$1,063.58** | **$794.78** | **$285.18** |
| | **TRANSPORTATION SERVICES** | | | |
| **481** | **Air Transportation** | | | |
| 481111 | Scheduled Passenger AirTransportation | $1,468.87 | $1,097.64 | $1,192.93 |
| 481112 | Scheduled Freight Air Transportation | $40.82 | $30.50 | $33.15 |
| 481211 | Nonscheduled Chartered Passenger Air Transportation | $349.38 | $261.08 | $283.74 |
| 481212 | Nonscheduled Chartered Freight Air Transportation | $70.93 | $53.00 | $57.61 |
| 481219 | Other Nonscheduled Air Transportation | $33.56 | $25.08 | $27.26 |
| **482** | **Rail Transportation** | | | |
| 482111 | Line-Haul Railroads (Long Distance Cargo and Passenger) | $52.00 | $38.86 | $0.00 |
| 482112 | Short Line Railroads (Short Distance Cargo) | $13.00 | $9.71 | $0.00 |
| **483** | **Water Transportation** | | | |
| 4831 | Deep Sea, Coastal, and Great Lakes Water Transportation | $80.13 | $59.87 | $4.23 |
| 4832 | Inland Water Transportation | $3.66 | $2.73 | $0.19 |
| **484** | **Truck Transportation** | | | |
| 4841 | General Freight Trucking | $558.24 | $417.15 | $0.00 |
| 4842 | Specialized Freight Trucking | $247.82 | $185.19 | $0.00 |
| **485** | **Transit and Ground Passenger Transportation** | | | |
| 4851 | Urban Transit Systems | $10.87 | $8.13 | $0.54 |
| 4852 | Interurban and Rural Bus Transportation | $4.39 | $3.28 | $0.00 |
| 4853 | Taxi and Limousine Service | $20.28 | $15.15 | $0.00 |
| 4854 | School and Employee Bus Transportation | $9.98 | $7.46 | $0.50 |

| 2022 NAICS Code(s) | Business Type | (1) 6% Annualized Receipts SFY 2026/27 $m | (2) 6% First Year Cash SFY 2026/27 $m | (3) 6% Annualized Receipts On Services Taxed in 1987 $m |
|---|---|---|---|---|
| 4855 | Charter Bus Industry | $18.47 | $13.81 | $18.47 |
| 4859 | Other Transit and Ground Passenger Transportation | $36.82 | $27.51 | $1.84 |
| **486** | **Pipeline Transportation** | | | |
| 4862 | Pipeline Transportation of Natural Gas | $7.50 | $5.60 | $0.00 |
| **487** | **Scenic and Sightseeing Transporation** | | | |
| 4871 | Scenic and Sightseeing Transportation, Land | $2.72 | $2.03 | $2.72 |
| 4872 | Scenic and Sightseeing Transportation, Water | $15.52 | $11.60 | $0.82 |
| 4879 | Scenic and Sightseeing Transportation, Other | $1.55 | $1.16 | $0.00 |
| **488** | **Support Activities for Transportation** | | | |
| 4881 | Support Activities for Air Transportation (Air Traffic Control and Airport Terminal Services) | $260.60 | $194.74 | $211.64 |
| 4882 | Support Activities for Rail Transportation (Loading Services, Terminal Services, Rail Car Rentals) | $4.97 | $3.71 | $4.97 |
| 4883 | Support Activities for Water Transportation (Port and Harbor Operations, Cargo Handoling, Navigational Services) | $83.50 | $62.40 | $4.41 |
| 4884 | Support Activities for Road Transportation (Auto Towing, Terminal and Service Facilities) | $31.19 | $23.31 | $29.38 |
| 4885 | Freight Transportation Arrangement | $434.05 | $324.35 | $0.00 |
| 4889 | Other Support Activities for Transportation | $9.10 | $6.80 | $0.00 |
| | **Subtotal: All Transportation Services……** | **$3,869.92** | **$2,891.86** | **$1,874.41** |
| | **HEALTH SERVICES** | | | |
| **621** | **Ambulatory Health Care Services** | | | |
| 6211 | Offices of Physicians | $3,102.74 | $2,318.57 | $0.00 |
| 6212 | Offices of Dentists | $591.39 | $441.93 | $0.00 |
| 6213 | Offices of Other Health Practitioners | $530.16 | $396.17 | $0.00 |
| 6214 | Outpatient Care Centers | $361.58 | $270.19 | $0.00 |
| 6215 | Medical and Diagnostic Laboratories | $337.20 | $251.98 | $0.00 |
| 6216 | Home Health Care Services | $287.72 | $215.00 | $0.00 |
| 6219 | Other Ambulatory Health Care Services | $151.83 | $113.46 | $0.00 |
| **622** | **Hospitals - except Government** | | | |
| 6221 | General Medical and Surgical Hospitals | $265.80 | $198.62 | $0.00 |
| 6222 | Psychiatric and Substance Abuse Hospitals | $0.32 | $0.24 | $0.00 |
| 6223 | Specialty (except Psychiatric and Substance Abuse) Hospitals | $29.18 | $21.80 | $0.00 |

| 2022 NAICS Code(s) | Business Type | (1) 6% Annualized Receipts SFY 2026/27 $m | (2) 6% First Year Cash SFY 2026/27 $m | (3) 6% Annualized Receipts On Services Taxed in 1987 $m |
|---|---|---|---|---|
| **622** | **Hospitals - Government** | | | |
| 6221 | General Medical and Surgical Hospitals | $718.57 | $773.21 | $0.00 |
| 6222 | Psychiatric and Substance Abuse Hospitals | $8.73 | $9.10 | $0.00 |
| 6223 | Specialty (except Psychiatric and Substance Abuse) Hospitals | $18.16 | $20.24 | $0.00 |
| **623** | **Nursing and Residential Care Facilities** | | | |
| 6231 | Nursing Care Facilities | $325.65 | $243.35 | $0.00 |
| 6232 | Residential Intellectual and Developmental Disability, Mental Health, and Substance Abuse Facilities | $82.40 | $61.58 | $0.00 |
| 6233 | Community Care Facilities for the Elderly | $193.05 | $144.26 | $0.00 |
| 6239 | Other Residential Care Facilities | $22.58 | $16.87 | $0.00 |
| | **Subtotal: All Health Services……** | **$7,027.04** | **$5,496.58** | **$0.00** |
| | **TOTAL STATE 6% SALES & USE TAX ON SERVICE TRANSACTIONS** | **$42,903.56** | **$32,305.90** | **$17,336.20** |
| | **General Revenue Fund Share (Assumes same % as current law)** | **$38,227.07** | **$28,784.56** | **$15,446.55** |
| | **Local Govt. Half-Cent and Revenue Sharing From Tax on Services** | **$4,556.36** | **$3,430.89** | **$1,841.10** |

Notes: The estimates presume an exemption for Florida sales of services consumed out of state, and a use tax on services consumed in Florida. Also, the construction service estimates presume no internal pyramiding.

# Total Impact of Sales Tax Exemptions and Exclusions
# ($ Billions)

| | *(in $ b)* |
|---|---|
| **H = Household Items** | **15.927** |
| **O = Organizations** | **1.771** |
| **B = Business Items** | **6.731** |
| **M = Miscellaneous** | **2.720** |
| **Exemption Total.....** | **27.149** |
| **TOTAL POTENTIAL SALES TAX ON SERVICE TRANSACTIONS** | **42.904** |
| **COMBINED TOTAL IMPACT OF TAXING EXEMPTIONS AND SERVICES** | **70.053** |

# SERVICE CHARGES

FLORIDA STATUTES: Sections 215.20, 215.211, 215.22, 215.23, and 215.24

ADMINISTERED BY: Department of Financial Services

SUMMARY:
All income of a revenue nature deposited in all trust funds is subject to an 8 percent service charge to be deposited into the General Revenue Fund except for funds and revenues enumerated in ss. 215.22 and 215.211, F.S., and except for certain revenues subject to a 4 percent service charge in the Department of Agriculture and Consumer Services and the Department of Citrus pursuant to s. 215.20(2), F.S. The Governor is also authorized under s. 215.24, F.S., to exempt certain revenues from the service charge under certain conditions.

REVENUE:

| Fiscal Year | Collections | Annual Change % |
|---|---|---|
| 2026-27* | 578,400,000 | 1.26% |
| 2025-26* | 571,200,000 | 50.14% |
| 2024-25 | 380,443,822 | 4.19% |
| 2023-24 | 365,144,373 | -34.76% |
| 2022-23 | 559,688,479 | -11.67% |
| 2021-22 | 633,649,898 | 17.93% |
| 2020-21 | 537,311,939 | 11.07% |

* Estimate

HISTORY:
General Revenue Service Charges are transfers from trust funds to the General Revenue Fund. In the past, rates ranged from 0.3 percent to 7.3 percent. Current rates are either 4 percent (specific trust funds and revenues in the Department of Agriculture and Consumer Services and the Department of Citrus) or 8 percent (trust funds in all other departments and agencies).

The policy of assessing certain specified trust funds a service charge was established in 1941, and rates were set at 3 percent. Rate changes occurred in 1961, 1979, 1983, and 1990. A large number of trust funds were added in 1983.

In 1990, all trust funds not specifically exempt under s. 215.22, F.S., were made subject to the 7 percent General Revenue Service Charge. An additional 0.3 percent General Revenue Service Charge was imposed on trust funds specifically enumerated in s. 215.20(4), F.S.

In order to fund Mobility 2000, service charges imposed on collections of motor fuel and diesel fuel taxes, local option fuel taxes, auto title fees, and the $100 “new-wheels-on-the-road” fee were eliminated pursuant to Chapter 2000-257, L.O.F. (SB 862). Effective July 1, 2000, the 7.3 percent General Revenue Service Charge was eliminated on the Fuel Tax Collection Trust Fund for motor fuel and diesel fuel tax collections and on the $24 original certificate of title fee and each duplicate copy fee. Effective July 1, 2001, the 7.3 percent General Revenue Service Charge was eliminated on State Comprehensive Enhanced Transportation System (SCETS) tax collections and on the $100 “new-wheels-on-the road” fee. The service charge on local option fuel tax collections was phased out over a two-year period. Effective July 1, 2005, the General Revenue Service Charge rate on the Fuel Tax Collection Trust Fund was reduced from 7.3 percent to 3.5 percent and effective July 1, 2006, and thereafter, the 3.5 percent General Revenue Service Charge was eliminated.

Chapter 2008-114, L.O.F. (SB 1882), redirected the 7.3 percent General Revenue Service Charge assessed on the second local option fuel tax imposed under s. 336.0251(1)(b), F.S., from the University Concurrency Trust Fund to the General Revenue Fund.

Chapter 2009-78, L.O.F. (SB 1806), abolished the 0.3 percent service charge on certain funds and imposed a service charge of 8 percent on all trust funds except those specified in the Departments of Citrus and Agriculture and Consumer Services, which were made subject to a service charge of 4 percent.

Chapter 2011-174, L.O.F. (SB 1087), changed the assessment calculation for the Special Disabilities Trust Fund from a fiscal-year basis to a calendar-year basis, which shifted the collection of $34.8 million of trust fund revenues into FY 2011-12 from FY 2012-13. The shift resulted in an increase to service charge revenues of $2.8 million in FY 2011-12 and a decrease of $3.0 million in FY 2012-13.

Chapter 2013-44, L.O.F. (SB 1512), exempted from the General Revenue Service Charge all moneys from service charges, fees, costs, and fines deposited into the Clerks of the Court Trust Fund within the Department of Revenue. The exemption was estimated to reduce General Revenue Service Charge revenues by $32.8 million in FY 2013-14.

Chapter 2015-229, L.O.F. (SB 2516-A), implemented the Water and Land Conservation Constitutional Amendment, which was approved by Florida voters in 2014. The bill changed the distribution formula for documentary stamp tax revenues under s. 201.15, F.S. The revised formula resulted in an estimated reduction of $59.3 million in General Revenue Service Charge revenues in FY 2015-16.

Chapter 2023-017, L.O.F. (SB 102), redirected the service charge on documentary stamp taxes for ten years—from FY 2023-24 through FY 2032-33—to provide up to $150 million annually for affordable housing initiatives.

Chapter 2025-200, L.O.F. (HB 7031), reinstated the service charge on documentary stamp taxes beginning FY 2025-26 and eliminated the $150 million additional annual distribution for affordable housing initiatives.

BASE AND RATE:
All trust funds that are not exempt from the service charge are assessed an 8 percent service charge except specified trust funds in the Department of Agriculture and Consumer Services and the Department of Citrus, which are assessed 4 percent. The service charge is normally transferred during the quarter following the quarter in which revenue is collected.

DISPOSITION:
Service charges are deposited into the General Revenue Fund by transfer from specified trust fund accounts.

OTHER STATES:
There is no data available for interstate comparison on such service charges. The practice developed from the extensive earmarking of revenues for particular agencies or programs. It may be viewed as an internal accounting device by which to apportion some of the costs of general government to specific functional activities that are supported entirely by earmarked funds.

# SEVERANCE TAXES - OIL AND GAS

FLORIDA STATUTES: Chapter 211, Part I

ADMINISTERED BY: Department of Revenue

SUMMARY:
Oil and gas production in Florida is subject to the severance tax. Ordinary oil production is taxed at 8 percent of the gross value at the point of production. A small well (less than 100 barrels per day) of oil is taxed at 5 percent of gross value. Tertiary oil and mature field recovery oil are taxed at a graduated rate depending upon the price per barrel. If the price is $60 per barrel or lower, the tax is 1 percent of gross value at the point of production. If the price is between $60 and $80 per barrel, the first $60 is taxed at 1 percent of gross value, and the remaining price is taxed at 7 percent of gross value. If the price is $80 per barrel or higher, the first $60 is taxed at 1 percent of gross value, the price between $60 and $80 per barrel is taxed at 7 percent of gross value, and the remaining price is taxed at 9 percent of gross value. Gas and sulfur are taxed at rates that are recalculated annually, using a base rate and adjustment factor based on the previous calendar year's producer price indices.

REVENUE:

| Fiscal Year | Collections | Annual Change % | General Revenue Distribution | Distribution to Counties | Minerals Trust Fund |
|---|---|---|---|---|---|
| 2026-27* | 1,100,000 | 10.00% | 650,000 | 250,000 | 200,000 |
| 2025-26* | 1,000,000 | -15.17% | 580,000 | 220,000 | 200,000 |
| 2024-25 | 1,178,884 | -44.54% | 809,404 | 305,862 | 63,619 |
| 2023-24 | 2,125,659 | -32.72% | 1,324,487 | 435,937 | 365,235 |
| 2022-23 | 3,159,281 | 16.94% | 2,014,410 | 620,785 | 524,086 |
| 2021-22 | 2,701,644 | 122.71% | 1,743,074 | 516,613 | 441,957 |
| 2020-21 | 1,213,063 | -31.48% | 628,106 | 201,320 | 383,637 |

* Estimate
Note: Collections and General Revenue Distribution provided above have been reduced by tax scholarship program credits.

HISTORY:
Currently, the severance tax on oil and gas is composed of four separate taxes with different bases and rates. Small well oil is taxed at the rate of 5 percent of gross value. Tertiary oil and mature field recovery oil are taxed at a graduated rate. All other oil is taxed at the rate of 8 percent of gross value. Gas is taxed by volume using a base rate adjusted each year for the gas fuels producer price index; this process is described in s. 211.025, F.S. Sulfur is taxed by long ton (2,240 pounds) using a base rate adjusted each year for the sulfur producer price index; this process is described in s. 211.026, F.S. Definitions for each tax are provided in s. 211.01, F.S.

Severance taxation of oil and gas began in 1945 at a 5 percent rate. The rate on oil was increased to 8 percent in 1977. In 1979, the disposition of funds was changed to reflect the creation of the Division of State Lands, with 50 percent of the tax going to the Conservation and Recreation Land (CARL) Trust Fund, 37.5 percent of the oil tax and 30 percent of the gas tax going to the General Revenue Fund, and 12.5 percent of the oil tax and 20 percent of the gas tax going to the producing county.

In 1986, Part I of Chapter 211, F.S., was substantially rewritten to make the basis for the tax on severing gas and oil an indexed rate per unit of production instead of a percentage of value. At that time, sulfur produced from hydrogen sulfide gas was made taxable.

In 1987, the disposition of the oil, gas, and sulfur tax was changed. The 50 percent disposition to the CARL Trust Fund was eliminated and placed into the General Revenue Fund, resulting in 87.5 percent of the 8 percent oil tax and 80 percent of the 5 percent oil, gas, and sulfur tax going to the General Revenue Fund. The disposition of the oil and gas tax was changed again by the 1994 Legislature. Effective July 1, 1995, 75 percent of the 8 percent oil tax and 67.5 percent of the 5 percent oil, gas, and sulfur tax were distributed to the General Revenue Fund, and 12.5 percent of all sources to the Minerals Trust Fund. The remaining 12.5 percent of the 8 percent oil and 20 percent of the 5 percent small well oil and tertiary oil, gas, and sulfur is returned to the board of county commissioners of the county where production occurred.

Chapter 96-323, L.O.F. (SB 330), provided for a five-year tax exemption for new oil wells completed after July 1, 1997; this exemption has expired.

Chapter 2009-139, L. O. F. (HB 515), changed the tax rate on tertiary oil from 5 percent of gross value to a graduated rate based on the per-barrel price. If the price is $60 per barrel or lower, the tax is 1 percent of gross value at the point of production. If the price is between $60 and $80 per barrel, the first $60 is taxed at 1 percent of gross value, and the remaining price is taxed at 7 percent of gross value. If the price is $80 per barrel or higher, the first $60 is taxed at 1 percent of gross value, the price between $60 and $80 per barrel is taxed at 7 percent of gross value, and the remaining price is taxed at 9 percent of gross value (codified at s. 211.02, F.S.).

Chapter 2010-24, L.O.F. (SB 2126), expanded the revenue sources against which the Florida Tax Credit Scholarship credits may be granted to taxes authorized under s. 211.0251, F.S., relating to taxes on the production of oil and gas.

Chapter 2012-32, L O.F. (HB 7087), defined mature field recovery oil and taxed the oil from a mature field at the same tax rate as tertiary oil. The distribution of the proceeds was also changed. For small well oil, tertiary oil, and mature field recovery oil: 63.5 percent is distributed to the General Revenue Fund; 20 percent to the county where it was produced; and 16.5 percent to the Minerals Trust Fund.

Chapter 2021-31, L.O.F. (HB 7061), created the New Worlds Reading Initiative. The program provides tax credits to businesses that make monetary donations to the administrator may receive a dollar-for-dollar credit. The tax credit can be taken against severance taxes on oil and gas production. Only amounts distributed to the General Revenue fund are reduced.

Chapter 2021-193, L.O.F. (HB 3), created the Strong Families Tax Credit Program. The program provides tax credits for businesses that make monetary donations to certain eligible charitable organizations that provide services focused on child welfare and well-being. The tax credit can be taken against severance taxes on oil and gas production. Only amounts distributed to the General Revenue fund are reduced.

Chapter 2024-158, L.O.F. (HB 7073), created the Child Care Tax Credit Program. The program provides tax credits for businesses via three possible pathways: Build a Child Care Facility, Operate a Child Care Facility, or Contract with a Child Care Facility. All three set up different individual caps based on the number of employees. The tax credit can be taken against severance taxes on oil and gas production. Only amounts distributed to the General Revenue fund are reduced.

BASE AND RATE:
Oil: Small wells are taxed at 5 percent of gross value at the point of production, while all other wells are taxed at 8 percent of the gross value. Oil produced by tertiary methods is taxed at a graduated rate based on the per-barrel price.

Gas: The tax is determined by the volume, in 1,000 cubic feet (MCF), of gas produced and sold or used. The tax rate incorporates a ratio of the annual average of the gas fuels Producer Price Index from the prior calendar

year, as of May, and 1109.0. The ratio is then applied to the base rate of $0.171 per MCF. The tax rate effective July 1, 2025, was $0.171 per MCF. (DOR TIP #25B07-02)

Sulfur: The tax is determined by the long tons of sulfur produced or recovered from the hydrogen sulfide gas contained in oil or gas production. The tax rate incorporates a ratio of the annual average of the sulfur Producer Price Index from the prior calendar year, as of May, and 100.0. The ratio is then applied to the base rate of $2.43 per long ton. The tax rate effective July 1, 2025, was $6.38 per long ton. (DOR TIP #25B07-02)

DISPOSITION:

| Distributions of: | To General Revenue | To County* | To Minerals Trust Fund |
|---|---|---|---|
| 8% Oil | 75.0% | 12.5% | 12.5% |
| 5% Oil (small wells), tertiary, mature fields | 63.5% | 20.0% | 16.5% |
| Gas | 67.5% | 20.0% | 12.5% |
| Sulfur | 67.5% | 20.0% | 12.5% |

* County where production took place.

OTHER STATES:[1]
Various types of severance taxes are levied in other states. Thirty-two other states specifically tax the production of oil and gas. Some states include petroleum production taxes in mineral severance regulations.

| | 2026-27 (Millions) |
|---|---|
| VALUE OF RATE CHANGE: | |
| Value of 1 percent increase in tax rate: | |
| Oil currently taxed at 8 percent of gross value | $0.1 |
| Oil currently taxed at 5 percent of gross value | $0.1 |
| Mature Fields and Tertiary oil taxed at graduated rate (increase each rate by 1 percent) | $0.5 |
| VALUE OF CREDITS: | |
| Scholarship Funding Organizations ($1,092.0m cap) | $0.4 |
| This credit may be taken against the Beverage Tax, Corporate Income Tax, Insurance Premium Tax, certain Sales and Use Taxes and Severance Taxes - Oil and Gas. (s. 211.0251 F.S.) | |
| New Worlds Reading Initiative Tax Credit ($60m cap) | $0.0 |
| This credit may be taken against the Beverage Tax, Corporate Income Tax, Insurance Premium Tax, certain Sales and Use Taxes, or Severance Taxes - Oil and Gas (s. 211.0252) | |
| Strong Families Credit ($40m cap) | $0.0 |
| This credit may be taken against the Beverage Tax, Corporate Income Tax, Insurance Premium Tax, certain Sales and Use Taxes, or Severance Taxes - Oil and Gas (s. 211.0253) | |
| Child Care Tax Credit ($5m cap) (s. 211.0254) | $0.0 |

[1] The Book of the States | 2021 | Volume 53 by The Council of State Governments (Table 7.29), https://issuu.com/csg.publications/docs/bos_2021_issuu

# SEVERANCE TAXES - SOLID MINERALS

FLORIDA STATUTES: Chapter 211, Part II

ADMINISTERED BY: Department of Revenue

SUMMARY:
Phosphate, heavy minerals, and other solid minerals are subject to the severance tax. The tax rate on the severance of phosphate rock is $1.61 per ton. According to s. 211.3106 (3)(a), F. S., the tax rate for heavy minerals should be calculated annually by multiplying the base rate ($1.34 per ton) and the change in the 5-year moving average of the annual producer price index (PPI) for titanium dioxide relative to the base period. However, this PPI is no longer available and there is no comparable index, the adjustment is held constant to the 2019 adjustment, resulting in a stable tax of $3.80 per ton. Other solid minerals are taxed at 8 percent of the value at the point of severance.

REVENUE:

| Fiscal Year | Total Collections | Annual Change % | General Revenue Distribution | Distribution to Counties |
|---|---|---|---|---|
| 2026-27* | 16,730,000 | -1.12% | 5,950,000 | 3,670,000 |
| 2025-26* | 16,920,000 | 1.20% | 6,020,000 | 3,720,000 |
| 2024-25 | 16,719,873 | -15.99% | 6,578,904 | 4,081,902 |
| 2023-24 | 19,901,278 | -21.78% | 6,759,060 | 4,201,009 |
| 2022-23** | 25,442,935 | 13.92% | 7,234,820 | 4,529,260 |
| 2021-22** | 22,333,841 | -21.04% | 8,120,686 | 5,148,636 |
| 2020-21 | 28,283,276 | 4.33% | 9,258,176 | 5,894,141 |

* Estimate
** A payment of $4.2m that was due June 30th, 2022 was recorded in July 2022. The timing of the payment makes FY 2021-22 artificially low and FY 2022-23 artificially high.

HISTORY:
Currently, severance tax on solid minerals is composed of three separate taxes. Severance of phosphate rock is taxed at $1.61 per ton severed. As of 2019, severance of heavy minerals is taxed at a constant rate. Severance of other solid minerals are taxed at the rate of 8 percent of value at the point of severance.

Severance taxation of solid minerals was first enacted into law in 1971. Transition rates were provided during the first four years; 1971 through 1975. Tax rates were changed in 1977, 1981, 1987, and 1988. The 1988 tax rate became the new base and is adjusted annually by changes in the phosphate rock index. Disposition of revenues were changed in 1979, 1980, 1987, 1989, 1991, and 1994. The disposition of the solid minerals severance tax was changed by the 2000 Legislature. Effective July 1, 2000, 55.15 percent of the phosphate tax and 32 percent of the other solid minerals tax was distributed to the General Revenue Fund and 14.35 percent of the phosphate tax and 68 percent of the other solid minerals tax to the Minerals Trust Fund.

In 2003, during Special Session E, Chapter 2003-423, L.O.F. (SB 18-E), amended Part II of Chapter 211 to increase the severance tax on phosphate rock from $1.31 per ton severed to $1.62 per ton. In addition, a new distribution formula for the tax proceeds was adopted, eliminating the General Revenue distribution for Fiscal Year 2003-04. Beginning July 1, 2003, after the first $10 million goes to the Conservation and Recreation Lands (CARL) Trust Fund, the remaining revenues were distributed as follows: 18.75 percent to the county where mined; 11.25 percent to the Phosphate Research Trust Fund; 11.25 percent to the Minerals Trust Fund; 43.75 percent to Non-Mandatory Land Reclamation (NMLR) Trust Fund; and 15.0

percent to counties that have been designated a Rural Area of Critical Economic Concern. Beginning July 1, 2004, after the first $10 million goes to the CARL Trust Fund, the remaining revenues were distributed as follows: 40.1 percent to the General Revenue Fund; 16.5 percent to the county where mined; 9.3 percent to the Phosphate Research Trust Fund; 10.7 percent to the Minerals Trust Fund; 10.4 percent to NMLR Trust Fund; and 13.0 percent to any county designated a Rural Area of Critical Economic Concern.

Chapter 2008-150, L.O.F. (SB 1294), amended s. 211.3103, F.S., relating to the severance tax on phosphate rock. A surcharge of $1.38 per ton severed was imposed, and the excise tax rate was set at $1.945 per ton severed. This excise tax rate is to remain constant until July 1 of the fiscal year following the date when revenues collected from the surcharge equal or exceed $60 million. At that point, a base rate of $1.51 per ton severed is established. Each taxpayer is allowed a surcharge offset equal to the difference between the rate that would have been charged based on the base rate adjustment during the period and the rate of $1.51 times the tonnage severed. Distribution of the tax will also change when the surcharge equals $60 million. At that time, proceeds of the tax on phosphate rock will be exempt from the General Revenue Service Charge, with the proceeds divided as follows: 25.5 percent to the CARL Trust Fund; 37 percent to the General Revenue Fund; 13.6 percent to counties in proportion to the tons of phosphate rock produced within each county; 10.7 percent to counties designated as Rural Areas of Critical Economic Concern in proportion to the tons of phosphate rock produced within each county; 6.6 percent to the NMLR Trust Fund; and 6.6 percent to the Phosphate Research Trust Fund in the Division of Universities of the Department of Education.

Chapter 2010-166, L.O.F. (HB 5801), amended s. 211.3103, F.S., relating to the severance tax on phosphate rock. The tax rate for Fiscal Year 2010-11 was set at $1.71 per ton severed, and the tax rate for Fiscal Year 2011-12 was set at $1.61 per ton severed. The distribution of the tax for Fiscal Year 2010-11 is: 21.9 percent to the CARL Trust Fund; 37.1 percent to General Revenue; 12 percent to counties in proportion to the tons of phosphate rock produced within each county; 9.4 percent to counties designated as Rural Areas of Critical Economic Concern in proportion to the tons of phosphate rock produced within each county; 5.8 percent to the NMLR Trust Fund; 5.8 percent to the Phosphate Research Trust Fund; and 8.0 percent to the Minerals Trust Fund. Beginning in Fiscal Year 2010-11, severance tax proceeds are exempt from the General Revenue Service Charge. The legislation also set distribution percentages for Fiscal Year 2011-12 at: 25.5 percent to the CARL Trust Fund; 35.7 percent to General Revenue; 12.8 percent to counties in proportion to the tons of phosphate rock produced within each county; 10.0 percent to counties designated as Rural Areas of Critical Economic Concern in proportion to the tons of phosphate rock produced within each county; 6.2 percent to the NMLR Trust Fund; 6.2 percent to the Phosphate Research Trust Fund; and 3.6 percent to the Minerals Trust Fund.

Chapter 2012-32, L.O.F. (HB 7087), amended s. 211.3103, F.S., relating to the severance tax on phosphate. For the period between January 1, 2015, and December 31, 2022, the tax rate shall be $1.80 per ton severed. The distribution for this period is: 22.8 percent to the CARL Trust Fund; 31.9 percent to General Revenue; 11.5 percent to counties in proportion to the tons of phosphate rock produced within each county, 8.9 percent to counties designated as Rural Areas of Critical Economic Concern in proportion to the tons of phosphate rock produced within each county; 16.1 percent to the NMLR Trust Fund; 5.6 percent to the Phosphate Research Trust Fund, and 3.2 percent to the Minerals Trust Fund.

Chapter 2015-229 amended s.211.3103, F.S., relating to the severance tax on phosphate. The State Park Trust Fund replaced the Conservation and Recreation Lands Trust Fund, receiving 22.8 percent of the severance tax on phosphate. After January 1, 2024, the distribution for the tax is: 25.5 percent to the State Park Trust Fund; 35.7 percent to General Revenue; 12.8 percent to counties in proportion to the tons of phosphate rock produced within each county, 10.0 percent to counties designated as Rural Areas of Critical Economic Concern in proportion to the tons of phosphate rock produced within each county; 6.2

percent to the NMLR Trust Fund; 6.2 percent to the Phosphate Research Trust Fund, and 3.6 percent to the Minerals Trust Fund.

BASE AND RATE:
Phosphate: Beginning January 1, 2023, the tax rate is $1.61 per ton severed. From January 1, 2015 through December 31, 2022, the rate was $1.80.

| Calendar Year | Tax Rate Per Ton of Phosphate | Total Tons |
|---|---|---|
| 2024 | $1.61 | 11,119,926 |
| 2023 | $1.61 | 11,437,298 |
| 2022 | $1.80 | 12,112,097 |
| 2021 | $1.80 | 15,715,916 |
| 2020 | $1.80 | 14,087,012 |
| 2019 | $1.80 | 15,322,254 |

Heavy Minerals: Calculated annually by multiplying the base rate ($1.34 per ton) by the base rate adjustment for that year. The base rate adjustment factor is a five-year moving average of the annual Producer Price Index for heavy metals. The tax rate for calendar year 2025 is set at $3.80 per ton (DOR TIP #25B07-01).

Other Solid Minerals: Eight percent of value at the point of severance.

DISPOSITION:

| Phosphate Distribution: | Fiscal Year 2024-25 | Fiscal Year 2025-26 | Fiscal Year 2026-27 |
|---|---|---|---|
| State Park Trust Fund | 25.5% | 25.5% | 25.5% |
| General Revenue Fund | 35.7% | 35.7% | 35.7% |
| County where Mined | 12.8% | 12.8% | 12.8% |
| Phosphate Research Trust Fund | 6.2% | 6.2% | 6.2% |
| Minerals Trust Fund | 3.6% | 3.6% | 3.6% |
| Non-Mandatory Land Reclamation Trust Fund | 6.2% | 6.2% | 6.2% |
| Counties Designated as Rural Areas of Critical Economic Concern | 10.0% | 10.0% | 10.0% |
| | | | |
| Other Solid Minerals (Excluding Phosphate and Heavy Minerals) Distribution: | Fiscal Year 2024-25 | Fiscal Year 2025-26 | Fiscal Year 2026-27 |
| General Revenue Fund | 32.0% | 32.0% | 32.0% |
| Minerals Trust Fund | 68.0% | 68.0% | 68.0% |

OTHER STATES:[1]
Thirty-nine other states levy a severance tax on natural resources. Many states levy taxes on specific resources, but some have general resource severance taxes, which may include oil and gas, minerals, and forestry products. The tax is generally based on the market value of the resource severed, except for coal,

[1] The Book of the States | 2021 | Volume 53 by The Council of State Governments (Table 7.29), https://issuu.com/csg.publications/docs/bos_2021_issuu

where the rate is sometimes based on the amount of production. Some states assess a percentage of gross value while others levy a dollar amount. The rate varies from state to state and is often graduated according to type and quality. Credits or refunds are sometimes given for reclamation work.

VALUE OF RATE CHANGE:
Increasing the current tax rate on phosphate by 10 cents in Fiscal Year 2026-27 would produce about $1.0 million in total (about $0.3 million to General Revenue).

VALUE OF EXEMPTIONS:
Although s. 211.3108, F.S., provides four specific exemptions, no exemptions have been taken in the past five years. The four exemptions are for taxes due on: (1) solid minerals sold to governmental entities in Florida; (2) solid minerals, except phosphate rock and heavy minerals, on which the sales tax is ultimately paid; (3) solid minerals extracted by the owner of the site for improving the site, subject to a restoration or reclamation program; and (4) solid minerals, except for phosphate rock, which are severed solely for direct application in agricultural uses.

Although s. 212.085(5)(b)5., F.S., provides a credit against severance taxes due for machinery and equipment purchased for use in phosphate or other solid mineral severance, mining, or processing operations, no credit has been taken under this provision for the past five years. Additionally, the exemption is conditioned upon the machinery and equipment purchase being made for a new or expanding business.

DISTRIBUTION TO TRUST FUNDS (TF) (in $M):

| Distribution to: | State Parks TF | Nonmandatory Land Reclamation TF | Phosphate Research TF | Minerals TF |
|---|---|---|---|---|
| 2024-25 | $4.6 | $0.9 | $0.9 | $1.0 |
| 2023-24 | $4.7 | $0.9 | $0.9 | $1.1 |
| 2022-23 | $5.0 | $2.3 | $1.1 | $1.1 |
| 2021-22 | $5.7 | $2.5 | $1.3 | $1.1 |
| 2020-21 | $6.4 | $4.2 | $1.5 | $1.4 |
| 2019-20 | $6.3 | $4.1 | $1.4 | $1.5 |

DISTRIBUTION TO COUNTIES* (in $M):

| Distribution to: | Counties of Production | Counties within designated Rural Areas of Critical State Concern |
|---|---|---|
| 2024-25 | $2.292 | $1.790 |
| 2023-24 | $2.366 | $1.834 |
| 2022-23 | $2.551 | $1.978 |
| 2021-22 | $2.814 | $2.177 |
| 2020-21 | $3.146 | $2.435 |
| 2019-20 | $3.171 | $2.454 |

* Provided by the Department of Revenue

ALTERNATIVE BASES:
A number of other states impose a severance tax or fee on other severed products, including fisheries, coal, and timber or forestry products. Several states currently impose a severance tax on timber or forestry products.[2]

| *State* | *Tax or Fee* |
|---|---|
| **Alabama** | Forest Products Severance Tax |
| **Arkansas** | Timber Severance Tax |
| **California** | Lumber Products Assessment |
| **Illinois** | Timber Fee |
| **Louisiana** | Timber Severance Tax |
| **Mississippi** | Timber Severance Tax |
| **New Hampshire** | Timber Tax |
| **North Carolina** | Primary Forest Product Assessment Tax |
| **Oregon** | Forest Products Harvest Tax<br>STF Severance Tax - Eastern Oregon Forestland Option<br>STF Severance Tax - Western Oregon Forestland Option |
| **South Carolina** | Forest Renewal Tax |
| **Virginia** | Forest Products Tax |
| **Washington** | Timber Excise Tax |
| **West Virginia** | Timber Severance Tax |
| **Wisconsin** | Forest Crop Law Severance Tax<br>Managed Forest Law Tax |

Florida has an estimated 16,952,518 acres of forest land.[3] There are about 68 primary wood processing mills accounting for production in the State. The majority of roundwood production is from pulpwood (45.8%), with saw logs (26.3%) coming in second.

The timber industry was hard hit by Hurricane Michael in 2018.

| Year | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|
| Volume (MCF) of roundwood[4] | 645,107 | 514,241 | 533,792 | 498,174 | 454,040 | 409,237 |

A one-cent severance tax per cubic foot on all roundwood output would have yielded $4.09 million in 2023.

[2] Ibid
[3] Florida State and Private Forestry Fact Sheet 2025, https://apps.fs.usda.gov/nicportal/temppdf/sfs/naweb/fl_std.pdf
[4] Timber Products Output (TPO) Interactive Reporting Tool | US Forest Service Research and Development, https://research.fs.usda.gov/products/dataandtools/timber-products-output-tpo-interactive-reporting-tool

# SLOT MACHINE TAX & FEES

FLORIDA STATUTES: Chapter 551 & 550.135

ADMINISTERED BY: Formerly, the Department of Business and Professional Regulation, Division of Pari-Mutuel Wagering. As of July 1, 2022, the Florida Gaming Control Commission assumed oversight.

SUMMARY:
Taxes are imposed at a rate of 35 percent on slot machine revenues at each pari-mutuel facility that has slot machines. Each facility must also pay an annual license fee of $2.0 million and a fee of $250,000 to fund programs for the prevention of compulsive gambling. A series of occupational license fees for employees of the facilities and associated businesses is also imposed.

REVENUE:

| Fiscal Year | Total Collections | Annual Change % | Slot Machine Tax Collections | Facility License Fee Collections | Occupational Licenses Fees (Including Fingerprint Fees) | Addictive Gambling Program Fee Collections |
|---|---|---|---|---|---|---|
| 2026-27* | 261,900,000 | 0.96% | 245,700,000 | 14,000,000 | 200,000 | 2,000,000 |
| 2025-26* | 259,400,000 | 1.06% | 243,200,000 | 14,000,000 | 200,000 | 2,000,000 |
| 2024-25 | 256,683,308 | -2.00% | 240,631,566 | 14,000,000 | 301,743 | 1,750,000 |
| 2023-24 | 261,927,980 | -0.05% | 243,578,429 | 16,000,000 | 349,552 | 2,000,000 |
| 2022-23 | 262,067,731 | 0.18% | 241,619,936 | 18,000,000 | 197,795 | 2,250,000 |
| 2021-22 | 261,596,932 | 40.25% | 241,035,489 | 18,000,000 | 311,443 | 2,250,000 |
| 2020-21 | 186,516,786 | 6.60% | 168,162,562 | 16,000,000 | 354,224 | 2,000,000 |

* Estimate

HISTORY:
Slot machines were first made legal in Florida for a limited time period running from 1935 to 1937. Slots activity after that was illegal. Florida voters rejected separate casino gambling proposals in 1979 and 1986. In November 1994, Florida voters defeated a proposed constitutional amendment which would have authorized up to 47 casinos, including five riverboat casinos and 30 casinos at existing pari-mutuel facilities. In November of 2004, voters approved an amendment to the Florida Constitution which resulted in the creation of Section 23, Article X, which allows the authorization of slot machines in pari-mutuel facilities in Miami-Dade and/or Broward Counties, subject to voter approval. In 2005, the voters of Broward County approved slot machines by referendum, while Miami-Dade voters did not. Chapter 2005-362, L.O.F. (HB 1-B), provided for the regulation of slot machines. A tax rate of 50 percent was assessed on slot machine revenues, and facility license fees, occupational license fees, and a fee to fund an addictive gambling prevention program were established. Slot machines began operating in Broward County in late 2006. Chapter 2007-252, L.O.F. (HB 1047), increased the maximum number of machines in a facility from 1,500 to 2,000 and provided for increased operating hours.

In 2008, Miami-Dade voters approved slot machines in the pari-mutuel facilities in their county. Chapter 2010-29, L.O.F. (SB 622), provided for the following changes: (1) reduced the facility license fee from $3.0 million to $2.5 million in Fiscal Year 2010-11 and to $2.0 million beginning in Fiscal Year 2011-12; (2) changed the payment frequency for taxes due from weekly to monthly beginning July 1, 2012; (3) authorized slot machines at Hialeah Park; (4) reduced the tax rate from 50 percent to 35 percent, with a floor on tax collections equal to 2008-09 collections; (5) allowed for progressive games; (6) changed the required prize payout percentage; and (7) reduced the minimum age for players from 21 to 18.

Chapter 2021-271, L.O.F. (SB 8-A) established a revised and updated Indian Gaming Compact, but did not become effective until August 11, 2021 when the approved 2021 Gaming Compact between the State of Florida and the Seminole Tribe of Florida was published in the Federal Register. Chapter 2021-271, L.O.F. (SB 8-A) provided that slot machine gaming areas may be open 24 hours per day throughout the year.

Chapter 2022-179, L.O.F. (SB 2510) provided that the Florida Gaming Control Commission shall evaluate the slot license fees and make specified recommendations to the Legislature before January 1, 2026. Additionally, it removed the requirement in s. 550.135, F.S., that unappropriated funds in excess of those necessary for incurred obligations and subsequent year cash flow for slot machine regulation operations be deposited into the General Revenue Fund.

Chapter 2025-208, L.O.F. (HB 7031) amended Section 551.106(1)(a), F.S. adding, "Beginning July 1, 2025, each thoroughbred permitholder in compliance with this chapter is not required to pay an annual license fee to the commission as a condition of renewal."

BASE AND RATE:
Slot Machine Tax: 35 percent of slot machine revenues.

Facility License Fee: $2.0 million annually.

Occupational Licenses: Determined by rule. Up to $50 annually for a general or professional occupational license for an employee of the slot machine licensee; up to $1,000 annually for a business occupational license for nonemployees of the licensee providing goods or services to the slot machine licensee.

Addictive Gambling Program Fee: $250,000 annually for each facility which has slot machines.

DISPOSITION:
Slot Machine Tax: All proceeds are distributed to the Educational Enhancement Trust Fund.

Facility License Fee: Of total collections, 8 percent are deducted as service charges to the General Revenue Fund, with the remainder going to the Pari-Mutuel Wagering Trust Fund.

Occupational Licenses: Of total collections, 8 percent are deducted as service charges to the General Revenue Fund, with the remainder going to the Pari-Mutuel Wagering Trust Fund.

Addictive Gambling Program Fee: Of total collections, 8 percent are deducted as service charges to the General Revenue Fund, with the remainder going to the Pari-Mutuel Wagering Trust Fund to contract for services related to the prevention of compulsive and addictive gambling.

Prior to the 2022 Legislative Session, funds deposited into the Pari-mutuel Wagering Trust Fund pursuant to ss. 551.106, 551.107(2)(a)1., and 551.118 were reserved in the trust fund for slot machine regulatory operations. On June 30, any unappropriated funds in excess of those necessary for incurred obligations and subsequent year cash flow for slot machine regulatory operations were deposited with the Chief Financial Officer to the credit of the General Revenue Fund. This amounted to $3 million in FY 2021-22, $10 million in FY 2020-21, $11.7 million in FY 2019-20, $11.6 million in FY 2018-19 and $11.5 million in FY 2017-18. This transfer is no longer required.

OTHER STATES:
Currently, many states offer slot machines or video lottery terminals in some venue. Tax rates and venue restrictions vary widely by state.

| | 2026-27 (millions) |
|---|---|
| VALUE OF RATE CHANGE: | |
| 1 percent increase in Slot Machines Tax Rate (s.551.106 (2)(a)) | $7.1 |

# TOBACCO SETTLEMENT PAYMENTS

FLORIDA STATUTES: Sections 17.41 and 215.56005

ADMINISTERED BY: Department of Financial Services

SUMMARY:
Tobacco settlement payments are funds received by the state that result from the settlement of State of Florida vs. American Tobacco Co., et al.

REVENUE:

| Fiscal Year | Collections | Annual Change % |
|---|---|---|
| 2026-27* | 319,000,000 | -0.96% |
| 2025-26* | 322,100,000 | -1.80% |
| 2024-25 | 327,991,528 | -6.88% |
| 2023-24 | 352,233,719 | -8.53% |
| 2022-23 | 385,095,678 | -6.55% |
| 2021-22 | 412,100,751 | 2.37% |
| 2020-21 | 402,568,422 | 20.06% |

* Estimate

HISTORY:
On August 25, 1997, the State of Florida as plaintiff entered into a settlement agreement as the result of a lawsuit (State of Florida, et al. v. American Tobacco Company, et al.). The settlement provided for payments to the state in perpetuity in the amount of $440 million annually beginning in 1999, with annual adjustments for inflation, profits and the level of sales of the settling defendants. In addition, the state received payments from 1998 through 2002 as a result of the Multi-State Settlement Agreement between the tobacco companies and 46 other states which were not party to the original agreement. Since FY 2010-11, the state of Florida has also received annual settlement funds from Liggett; those payments will expire in FY 2030-31.

In 1999, the Lawton Chiles Endowment Fund (Chapter 99-167, L.O.F.; HB 1855) was established to provide a perpetual funding source for the enhancement of state health programs and biomedical research. The fund was established with the initial settlement payments and payments accruing to the state from the Multi-State Settlement Agreement. Chapter 2000-128, L.O.F. (HB 1721), created the Tobacco Settlement Financing Corporation which was granted authority to issue bonds secured by tobacco settlement funds, but the Corporation has never used its bonding authority.

On January 18, 2017, the State of Florida filed a Motion to Join ITG Brands, LLC as a Defendant and to enforce the Settlement Agreement in the State of Florida, et. al., v. Am. Tobacco Co., R.J. Reynolds Tobacco Co., et. al., No. 95-1466 AH (Fla. 15th Cir. Ct.). On August 18, 2018, the Circuit Court entered a final judgment specifying the principal sum and interest due from R.J. Reynolds to the State of Florida for the period June 12, 2015, through April 30, 2018, as well as providing guidance on how any future unpaid liability to the State should be calculated. In addition, the final judgment reflected the court's rulings issued December 27, 2017, and May 24, 2018, collectively known as the "Liability Orders." R.J. Reynolds subsequently appealed the lower court's decision regarding its liability. On July 29, 2020, the District Court of Appeal unanimously affirmed the lower court's final judgment in all respects, and on September 18, 2020, denied the Appellant's motion for rehearing, rehearing en banc, and certification to the Florida Supreme Court. In response, R.J. Reynolds paid the State of Florida $192,869,589.86 million to cover the full amount of the outstanding judgment (inclusive of principal and interest). This amount

was deposited into the General Revenue Fund on October 6, 2020. Notwithstanding this payment, R.J. Reynolds filed Notice to Invoke Discretionary Jurisdiction of the Florida Supreme Court on October 15, 2020, seeking review of the District Court of Appeal's opinion. On December 18, 2020, the Florida Supreme Court declined to accept jurisdiction and denied the petition for review, indicating that no motion for rehearing would be entertained.

In 2021, Chapter 2021-43 L.O.F. (HB 5011) terminated the Lawton Chiles Endowment Fund and repealed section 215.5601, Florida Statutes, which established the fund. The legislation directed the State Board of Administration to redirect all existing funds from the Lawton Chiles Endowment Fund to the Budget Stabilization Trust Fund by June 30, 2022.

DISPOSITION:
Settlement payments are deposited in the Tobacco Settlement Trust Fund for use as appropriated by the Legislature.

OTHER STATES:
All states now receive payments through various settlements. Some states have transferred their rights to future payments to other entities in return for lump-sum payments.

# UNCLAIMED PROPERTY
# (STATE SCHOOL TRUST FUND)

FLORIDA STATUTES: Chapter 717

ADMINISTERED BY: Department of Financial Services

SUMMARY:
Real and intangible property of Florida citizens held by businesses is deemed abandoned after a statutorily defined period of inactivity or nonuse. Such property is required to be transferred to the state pending claims from rightful owners. Property held by the state is available to the rightful owners indefinitely, upon filing a claim and establishing rightful ownership. All funds received under Chapter 717, F.S., are deposited in the Unclaimed Property Trust Fund, from which the Department of Financial Services makes payment of claims and pays the costs of administering the unclaimed property program. All remaining funds in excess of $15 million are typically transferred to the State School Trust Fund administered by the Department of Education.

REVENUE:

| Fiscal Year | Total Collections | Annual Change % | State School Trust Fund |
|---|---|---|---|
| 2026-27* | 795,400,000 | -2.10% | 338,300,000 |
| 2025-26* | 812,500,000 | -57.60% | 367,400,000 |
| 2024-25** | 1,916,200,000 | 149.25% | 450,000,000 |
| 2023-24 | 768,800,000 | -8.22% | 395,000,000 |
| 2022-23 | 837,700,000 | 31.32% | 425,000,000 |
| 2021-22 | 637,900,000 | -7.21% | 263,300,000 |
| 2020-21 | 687,500,000 | 37.06% | 328,500,000 |

*Estimate
** The sharp spike in collections in FY 2024-25 includes $1.09 billion in atypical collections prompted by Chapter 2024-140, Laws of Florida, being enacted

HISTORY:
Abandoned property is a category of the common law of property which deals with personal property which has left the possession of its rightful owner without having directly entered the possession of another person. In 1981, the National Conference of Commissioners on Uniform State Laws sought to address the problems arising from these types of property through provisions of the Uniform Unclaimed Property Act. In 1987, Florida adopted the Florida Disposition of Unclaimed Property Act (Chapter 87-105, L.O.F.) to provide a statutory procedure for the escheat and disposition of presumably abandoned property to the state. In 2001, Chapter 717, F.S., was rewritten primarily to update the administration of the Act (Chapter 2001-36, L.O.F. (HB 107)).

Chapter 2003-281, L.O.F. (HB 513), provided that dormant proceeds from insurance demutualization were deemed abandoned after two years. Chapter 2007-256, L.O.F. (SB 1638), removed gift cards and similar items from property subject to the provisions of Chapter 717, F.S.

Chapter 2013-172, L.O.F. (SB 492), reduced the dormancy period from five years to two years for intangible property held in trust by a fiduciary. As implemented by the Department of Financial Services, this law change only affects testamentary and inheritance-type trusts. Chapter 2013-34, L.O.F. (SB 464), authorized the Department of Financial Services to allow electronic submission of claims, including an alternative method of identity verification for property under $1,000 in value.

## UNCLAIMED PROPERTY
## (STATE SCHOOL TRUST FUND)

Chapter 2016-90, L.O.F. (HB 783), increased the value of small estates that can be claimed without a probate court order from $5,000 to $10,000 and expanded the authorization of the Department of Financial Services with respect to estimating the value of unclaimed property when a property holder refuses to provide records requested by the department during an audit. Chapter 2016-219, L.O.F. (SB 966), required all life insurance companies to conduct an annual match of policies against the Death Master File to determine whether the death of an insured, annuitant, or retained asset account holder is indicated. The legislation also changed the start of the dormancy period from the date the "funds became due and payable as established from the records of the insurance company" to the "date of death of the insured, the annuitant, or the retained asset account holder."

Chapter 2018-71, L.O.F. (HB 1361), clarified that unclaimed property in the court registry will escheat to the state under the provisions of Chapter 717, F.S., and required Clerks of Court to report and remit any funds that remain unclaimed one year after an owner or entitlement has been determined. The legislation eliminated the surplus trustee process for judicial sales and, instead, required Clerks of Court to report and remit to the state under the provisions of Chapter 717, F.S., any funds that remain unclaimed one year after the judicial sale. The legislation specified that any surplus of less than $10 will escheat to the Clerk rather than to the state and also repealed the $25 surplus trustee annual application/renewal fee.

Chapter 2019-140, L.O.F. (HB 1393), authorized DFS to develop and implement an identification verification and disbursement process for accounts valued at $2,000 or less. The process would allow the department to disburse refunds automatically to apparent owners after the department verifies that the owner is living and the current address is correct. The new legislation also authorized DFS to develop and implement an identification verification and disbursement process for accounts for which the apparent owner is a public agency, including state agencies, county governments, public school districts, municipalities, and special taxing districts.

Chapter 2021-144, L.O.F. (HB 425), required the Division of Unclaimed Property to adopt forms for an Unclaimed Property Recovery Agreement and an Unclaimed Purchase Agreement. The legislation allows the Division of Unclaimed Property to accept electronic claims for unclaimed property valued at $2,000 or less. Prior to the legislation, electronic claims for unclaimed property could only be accepted at $1,000 or less.

Chapter 2024-140, L.O.F. (CS/CS/CS/HB 989), updated statutory definitions and procedures to account for modern business and consumer practices. The legislation revised section 717.1101, F.S., which now clearly states stock, or other equity interest in a business association, is presumed unclaimed after notice of the owner's death or 3 years after the most recent owner-generated activity recorded in the holder's database or records system. The legislation also defined virtual currency and set a dormancy period of five years before a banking organization, corporation, custodian, exchange, or other entity filing a report of unclaimed property with the Division of Unclaimed Property must liquidate the virtual currency and remit the proceeds to the state.

DISPOSITION:
Property transferred to the state is deposited into the Unclaimed Property Trust Fund for eventual transfer to the State School Trust Fund.

OTHER STATES:
Every state has unclaimed property laws which declare money, property, and other assets to be abandoned after a period of inactivity.

# VESSEL LICENSES

FLORIDA STATUTES: Chapter 328

ADMINISTERED BY: Department of Highway Safety and Motor Vehicles

SUMMARY:
All motorboats operated on Florida waters must be registered annually with the Department of Highway Safety and Motor Vehicles. License fees are based on the length of the boat and range from a low of $5.50 to a high of $189.75. All counties are authorized to impose an annual vessel registration fee which must be equal to 50 percent of the applicable state vessel registration fee. State License Fees may be discounted when the owner has proved ownership of an e-PIRB locator beacon.

REVENUE:

| Fiscal Year | Total Collections | Annual Change % | Marine Resources Conservation TF/ Invasive Plant Control TF | State Agency Law Enforcement Radio System Trust Fund | General Inspection Trust Fund |
|---|---|---|---|---|---|
| 2026-27* | 24,568,777 | -0.64% | 23,404,181 | 789,934 | 374,662 |
| 2025-26* | 24,726,752 | -1.22% | 23,552,308 | 797,410 | 377,034 |
| 2024-25 | 25,032,916 | -2.69% | 23,848,564 | 802,576 | 381,776 |
| 2023-24 | 25,725,680 | -4.04% | 24,544,143 | 804,098 | 377,439 |
| 2022-23 | 26,807,590 | 3.65% | 25,585,195 | 817,360 | 405,035 |
| 2021-22 | 25,864,469 | -0.66% | 24,665,875 | 822,831 | 375,763 |
| 2020-21 | 26,037,162 | 14.82% | 24,814,285 | 851,589 | 371,288 |

* Estimate

HISTORY:
In lieu of property taxes, boats must be registered and numbered in Florida. A major portion of collections are appropriated annually for boating related programs operated by counties. The 1984 Legislature authorized the annual appropriation of $250,000 from the Motorboat Revolving Trust Fund to the Save the Manatee Trust Fund to be used to protect and recover manatee and other marine mammals. Applicants may pay an additional $2 - $5 voluntary contribution for manatee and marine protection and an additional $5 voluntary contribution to the Marine Turtle Protection Trust Fund to be used for turtle protection, research, and recovery. In 1988, a $1 surcharge was added to each annual vessel registration for deposit into the State Agency Law Enforcement Radio System Trust Fund for the acquisition and implementation of a statewide law enforcement radio communications system. In 1990, all counties, not just those counties with a population of 100,000 or more, were authorized to impose an annual vessel registration fee. The fee must be equal to 50 percent of the applicable state vessel registration fee. The annual appropriation to the Save the Manatee Trust Fund was changed from a flat "$250,000" to "equal to" $1 for each vessel registration in the state. An additional 50 cents per vessel registration was authorized for transfer to the Save the Manatee Trust Fund in 1991 and vessel registrations fees were increased by 50 cents.

Chapter 95-333, L.O.F. (HB 725), transferred vessel registrations from the Department of Environmental Protection to the Department of Highway Safety and Motor Vehicles. Effective July 1, 1996, the vessel registration period was changed from June 1 to the vessel owner's birth month. The legislation also required county tax collectors to remit vessel registration fees to the department within five working days after the close of the business day the fees are collected. The 1996 Legislature terminated the Motorboat Revolving Trust Fund effective July 1, 1996, and provided for the deposit of vessel registration fees into

the Marine Resources Conservation Trust Fund. Chapter 99-289, L.O.F. (HB 589), changed the Florida Statutes references from Chapter 327 to Chapter 328. Chapter 99-248, L.O.F. (SB 1270), added a 50 cent fee on every annual vessel registration for deposit into the Highway Safety Operating Trust Fund to cover the cost of the Florida Real Time Vehicle Information System. The 2000 Legislature authorized the tax collector to distribute the county portion of vessel registration fees directly to the board of county commissioners instead of to the Department of Highway Safety and Motor Vehicles for distribution back to the counties where collected. Chapter 2001-196, L.O.F. (SB 1956), capped administrative costs for vessel registration at $1.4 million for deposit into the Highway Safety Operating Trust Fund. Chapter 2005-157, L.O.F. (HB 955), distributed $1 of the county portion of the state vessel registration fee to the Marine Resources Conservation Trust Fund to fund grant programs for public launching facilities.

Chapter 2007-242, L.O.F. (HB 275), created the biennial vehicle registration option. Vehicle owners are permitted to pay the vehicle registration taxes in advance for two years and are then issued the appropriate decal for their license plate. The fees for a two-year registration are double that of an annual registration however the distribution of the revenue does not actually occur until the year in which it would have normally been collected.

Chapter 2008-106, L.O.F. (SB 1286), raised all vessel registration fees effective July 1, 2008, by 50 to 60 percent. The vessel dealer registration fee was also raised to $25.50. In addition, beginning in 2013 and every five years thereafter, the vessel registration fees are to be adjusted by the percentage change in the Consumer Price Index for All Urban Consumers.

Chapter 2013-194, L.O.F. (HB 333), deleted the requirement that vessel registration fees be adjusted by the percentage change in Consumer Price Index for All Urban Consumers. Chapter 2013-160, L.O.F. (HB 7125), changed the deposit ceiling to Highway Safety Operating Trust Fund from $1.4 million to equal the administrative costs incurred by the department.

Chapter 2016-126, L.O.F. (HB 427), provided a license fee reduction for vessels that have an authorized e-PIRB locator beacon. The discount varies by vessel size and ranges from a $1.26 to $22.64 reduction in the license fee.

Chapter 2016-126, L.O.F. (HB427), allowed a $400,000 transfer from the Department of Highway Safety and Motor Vehicles to the General Inspection Trust Fund to expire on July 1, 2017. These funds were used to fund activities relating to the protection, restoration, and research of the natural oyster reefs and beds of the state.

Chapter 2019-54, L.O.F. (SB1666), redirected a portion of the county retained vessel registration fee to the Marine Resources Trust Fund to fund derelict vessel removal grants. The amounts vary by vessel size and range from $0.25 to $25.46 for each 12 month period registered.

BASE AND RATE:
All motorboats: Boats and canoes with motors under 12 feet - $5.50; others - $16.25 to $189.75, depending on length. Dealer - $25.50 and $2.50 service fee to issuing agent. All counties may impose an annual vessel registration fee which must be equal to 50 percent of the applicable state vessel registration fee. In addition, a $1.00 surcharge annually on each vessel registration as provided for in s. 328.72(1), F.S., for deposit in the State Agency Law Enforcement Radio System Trust Fund. In addition, a 50 cents annual fee on each vessel registration to cover the cost of the Florida Real Time Vehicle Information System for deposit into the Highway Safety Operating Trust Fund.

DISPOSITION:
Marine Resources Conservation Trust Fund: Administration, recreational channel marking, public launching facilities, law enforcement, quality control programs, aquatic weed control, manatee protection, recovery, rescue, and rehabilitation, marine mammal protection and recovery, and marine research.

Invasive Plant Control Trust Fund: Aquatic plant research and control.

State Agency Law Enforcement Radio System Trust Fund: Acquiring and implementing a statewide radio communications system to serve state and local law enforcement agencies.

General Inspection Trust Fund: Shellfish and aquaculture development and quality control programs and research of the natural oyster reefs and beds of the state.

OTHER STATES:
Registration of recreational boats is required in all states. Forty-seven states conduct their own registration and licensing within terms of Federal statutes. Registration in the other three states is performed by the U. S. Coast Guard.

# WORKERS' COMPENSATION ASSESSMENTS

FLORIDA STATUTES: Chapter 440

ADMINISTERED BY: Department of Financial Services, Division of Workers' Compensation

SUMMARY:
The Special Disability Trust Fund was created to facilitate the reemployment of a worker with a disability or reemployment of a worker following an injury by reducing an employer's insurance premium for reemploying an injured worker. The Workers' Compensation Administration Trust Fund was established for the purpose of providing for the payment of all expenses with respect to the administration of Chapter 440, F.S. The Workers' Compensation Administration Trust Fund and the Special Disability Trust Fund are maintained by annual assessments on net premiums paid by insurance companies writing workers' compensation in Florida.

REVENUE:

| Fiscal Year | Workers' Compensation Administration Trust Fund | Annual Change % | Special Disability Trust Fund | Annual Change % |
|---|---|---|---|---|
| 2026-27* | 55,509,796 | 2.49% | 13,183,684 | 0.72% |
| 2025-26* | 54,161,548 | 2.70% | 13,089,803 | -11.25% |
| 2024-25 | 52,735,703 | -2.43% | 14,749,848 | -16.66% |
| 2023-24 | 54,051,832 | 0.55% | 17,698,944 | -1.29% |
| 2022-23 | 53,758,284 | 7.92% | 17,930,035 | 10.71% |
| 2021-22 | 49,811,043 | 1.54% | 16,196,011 | 3.16% |
| 2020-21 | 49,053,224 | -12.74% | 15,699,533 | -14.76% |

* Estimate

HISTORY:
Florida adopted workers' compensation laws in 1935. The purpose of the assessments is to fund the Workers' Compensation Administration Trust Fund and the Special Disability Trust Fund. These funds are for administrative expenses and the funding of the Special Disability Trust Fund. Assessments are made annually according to estimated expenses. In 1979, major revisions were made in the statutes for administrative purposes. The 1990 Legislature performed a comprehensive rewrite of the Workers' Compensation statute and in 1991, certain exemptions were reinstated. Substantial reform of the workers' compensation system was adopted by the 1993 Legislature in SB 12-C, during Special Session "C." Chapter 96-423, L.O.F. (HB 2723), postponed the Special Disability rate increase to 7.25 percent from July 1, 1996, to July 1, 1997. Chapter 97-262, L.O.F. (HB 1933), provided that the Special Disability Trust Fund assessment rate could not exceed 4.52 percent. In addition, the Special Disability Trust Fund is supplemented by a $250 notification fee on each notice of claim filed or re-filed after July 1, 1997, and a $500 fee on each proof of claim filed after July 1, 1997. Chapter 2000-150, L.O.F. (SB 2532), reduced the cap on the assessment for the Administration Trust Fund from 4 percent to 2.75 percent, effective January 1, 2001. Chapter 2014-109 L.O.F. (HB 271), reduced the cap on the assessment for the Special Disability Trust Fund from 4.52 percent to 2.5 percent effective January 1, 2015.

Effective January 1, 2004, the department imposed a $25 penalty for late payments or disallowances or denials of medical, hospital, pharmacy, or dental bills that are below the 95 percent timely performance standard, but meeting a 90 percent timely standard; and $50 for each bill below a 90 percent timely performance standard. These penalties are paid by the carrier to the Workers' Compensation Administration Trust Fund. In order to ensure carrier compliance, the department imposed a penalty of $50 per number of installments below the 95 percent timely payment performance standard and equal to or greater than 90 percent timely payment performance standard and $100 per number of installments of compensation below a 90 percent timely payment performance standard to the Workers' Compensation Administration Trust Fund.

# WORKERS' COMPENSATION ASSESSMENTS

BASE AND RATE:
Assessments are applied to calendar year premiums for the Workers' Compensation Administration Trust Fund and on a fiscal year basis for the Special Disability Trust Fund. The assessment rates for the Workers' Compensation Administration Trust Fund for calendar year 2025 is 0.79 percent. The rate for calendar year 2026 is one quarter at 0.79 percent and three quarters at 0.90 percent. The Fiscal Year 2025-26 and Fiscal Year 2026-27 assessment rates for the Special Disability Trust Fund are 0.30 percent.

Assessment Base: Both funds are supported by annual assessments against workers' compensation insurance premiums, actual and estimated. For insurance companies, assessable mutual insurers, and self-insurance funds, assessments are based on actual premiums; for individual self-insurers, assessments are based on the amount of premiums calculated by the Division of Workers' Compensation.

DISPOSITION:
Workers' Compensation Administration Trust Fund and Special Disability Trust Fund

OTHER STATES:
All states and the District of Columbia have workers' compensation laws. Some require compulsory insurance. Others allow self-insurers to operate, as Florida does. Most levy a tax or assessment on insurance premiums to finance administration of the laws.

# MAJOR LOCAL GOVERNMENT REVENUE SOURCES

# AD VALOREM TAXES

FLORIDA STATUTES: Chapters 192, 193, 194, 195, 196, 197, and 200

ADMINISTERED BY: Units of Local Government and Florida Department of Revenue

SUMMARY: Ad valorem taxes are annual taxes levied by local governments based on the value of real and tangible personal property as of January 1 of each year. Florida's constitution prohibits the state government from levying ad valorem tax on any property except for intangible personal property. The taxable value of real and tangible personal property is the just value (i.e., the fair market value) of the property adjusted for any exclusion, differential, or exemption allowed by the Florida Constitution or the statutes. The Florida Constitution strictly limits the Legislature's authority to provide exemptions or adjustments to fair market value. Also, with certain exceptions for voter-approved levies, the Florida Constitution limits county, municipal and school district levies to ten mills each. Tax bills are mailed to property owners in November of each year based on the previous January 1st valuation and payment is due by the following March 31. Discounts are granted for early payment and most taxpayers pay by late November.

REVENUE: (millions)*

| Fiscal Year | Total Taxes Levied | % Change | Counties | % Change | School Districts | % Change | Municipalities | % Change | Special Districts ** | % Change |
|---|---|---|---|---|---|---|---|---|---|---|
| 2025-26*** | 59,367.4 | 8.1 | 23,222.1 | 8.4 | 22,935.8 | 7.6 | 9,432.5 | 9.2 | 3,777.1 | 6.5 |
| 2024-25 | 54,905.2 | 8.5 | 21,413.5 | 9.8 | 21,312.2 | 7.0 | 8,634.3 | 9.2 | 3,545.3 | 8.8 |
| 2023-24 | 50,589.2 | 14.2 | 19,507.1 | 12.1 | 19,915.5 | 16.8 | 7,907.5 | 12.6 | 3,259.2 | 14.9 |
| 2022-23 | 44,316.3 | 12.3 | 17,405.3 | 12.3 | 17,050.3 | 11.9 | 7,025.0 | 12.9 | 2,835.7 | 12.3 |
| 2021-22 | 39,474.1 | 5.3 | 15,492.1 | 6.3 | 15,237.5 | 4.0 | 6,220.3 | 5.6 | 2,524.3 | 6.2 |
| 2020-21 | 37,494.4 | 5.4 | 14,570.0 | 6.3 | 14,655.5 | 4.2 | 5,891.1 | 6.5 | 2,377.7 | 5.7 |
| 2019-20 | 35,556.7 | 7.4 | 13,711.2 | 7.5 | 14,062.8 | 7.7 | 5,533.9 | 7.2 | 2,248.9 | 5.3 |
| 2018-19 | 33,103.4 | 5.9 | 12,753.3 | 7.4 | 13,051.6 | 3.8 | 5,162.8 | 8.7 | 2,135.6 | 3.8 |
| 2017-18 | 31,250.6 | 5.6 | 11,874.3 | 7.7 | 12,568.6 | 2.5 | 4,749.3 | 9.3 | 2,058.4 | 4.3 |
| 2016-17 | 29,604.0 | 5.2 | 11,022.5 | 6.9 | 12,263.3 | 2.7 | 4,345.0 | 8.2 | 1,973.2 | 4.4 |
| 2015-16 | 28,152.9 | 6.8 | 10,306.4 | 7.2 | 11,939.7 | 6.3 | 4,016.9 | 8.8 | 1,889.9 | 3.7 |
| 2014-15 | 26,360.3 | 6.2 | 9,615.1 | 6.7 | 11,229.1 | 5.9 | 3,693.5 | 7.5 | 1,822.6 | 2.8 |
| 2013-14 | 24,822.8 | 3.6 | 9,010.3 | 5.2 | 10,605.1 | 2.5 | 3,435.1 | 3.8 | 1,772.3 | 1.3 |
| 2012-13 | 23,970.1 | -1.2 | 8,561.7 | -0.9 | 10,348.9 | -2.1 | 3,309.4 | 1.3 | 1,750.1 | -1.3 |
| 2011-12 | 24,250.9 | -5.0 | 8,640.6 | -5.0 | 10,570.6 | -4.3 | 3,265.8 | -3.1 | 1,773.9 | -12.4 |
| 2010-11 | 25,536.7 | -8.2 | -9,092.3 | -7.3 | 11,049.7 | -8.4 | 3,369.8 | -8.0 | 2,025.0 | -11.0 |
| 2009-10 | 27,818.8 | -7.9 | 9,811.3 | -8.5 | 12,069.4 | -7.7 | 3,662.9 | -6.5 | 2,275.2 | -9.1 |
| 2008-09 | 30,207.2 | -2.7 | 10,717.5 | -4.0 | 13,070.2 | -1.2 | 3,917.6 | -3.0 | 2,502.0 | -3.9 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| 2007-08 | 31,039.5 | 2.0 | 11,168.0 | -2.6 | 13,231.7 | 7.6 | 4,037.2 | -0.5 | 2,602.6 | 0.1 |
| 2006-07 | 30,420.5 | 18.4 | 11,468.7 | 16.9 | 12,294.6 | 18.6 | 4,058.4 | 20.3 | 2,598.8 | 21.6 |

* Includes operating and debt service taxes.
** Includes independent special districts only; dependent special district and MSTU levies are included with supervisory unit levy.
*** Estimates based on proposed millage rates as of August 2025.

HISTORY:
Property taxation in Florida dates from 1839, when a territorial enactment provided a tax "on every acre of first-rate land, half a cent; on every acre of second-rate land, one quarter cent; on every acre of third-rate land, one-eighth of a cent," and various levies on other real and personal property. In the early days of statehood the most significant ad valorem tax was imposed not by local governments but by the state. The ad valorem tax was imposed primarily on agricultural land and slaves.[1]

The Florida Constitution of 1885 required the Legislature to provide for a uniform and equal rate of taxation, and to prescribe such regulations as shall secure a just valuation of all property, both real and personal, except such property as may be exempted by law for municipal, educational, literary, scientific, religious, or charitable purposes. It also provided an exemption to every widow with dependents and to every person who had lost a limb or become disabled by war or misfortune.

Amendments to the Florida Constitution of 1885:

- Intangible personal property may be taxed at a different rate from real and personal property, at a maximum rate of five mills. (1924) Before this amendment, there was no distinction between intangible and other property for tax purposes. This provision was implemented in 1931 by Chapter 15789, Laws of Florida. The new legislation levied a rate of two mills on most types of intangible property.
- Motor vehicles are not subject to ad valorem tax as personal property, and are subject only to a license tax for the operation of such vehicles. (1929)
- $5,000 homestead exemption. (1934)
- No levy of ad valorem taxes on real or personal property for any state purpose. (1940)

In 1967, the Legislature passed a law providing for assessment of required pollution control facilities at salvage value. (Ch. 67-436, L.O.F.)

The current Florida Constitution, adopted in 1968, included these property tax provisions:

- No state ad valorem taxes on real or personal property;
- No ad valorem taxes on motor vehicles, boats, airplanes, trailers, trailer coaches, or mobile homes, as defined by law;
- All ad valorem taxation shall be at a uniform rate within each taxing district;
- property owned by a municipality and used exclusively by it for municipal or public purposes is exempt;
- Property used predominantly for educational, literary, scientific, religious or charitable purposes may be exempted by general law;
- $1,000 minimum exemption for household goods, to be fixed by general law;
- $500 exemption for widows, blind or totally and permanently disabled persons;

[1] In 1865, the Legislature imposed, as part of the general county tax, a levy of $2 on every dog over six months old. The tax collector was directed to kill any dog for which the tax was not paid. An exemption to the tax was provided for the City of Apalachicola. (Ch. 1502, L.O.F.)

- Regulations shall be prescribed by law which shall secure a just valuation of all property for ad valorem taxation;
- Agricultural land or land used for non-commercial recreational purposes may be classified by general law and assessed on the basis of character or use;
- Tangible personal property held as stock in trade or livestock may be valued at a specified percentage of its value, by general law;
- A $5,000 homestead exemption, and authorization for the legislation to enact general law providing a $10,000 homestead exemption to property owners who are 65 or older or permanently and totally disabled;
- Counties, school districts, and municipalities shall, and special districts may, be authorized by law to levy ad valorem taxes;
- Millage rates are limited to ten mills for all county purposes, ten mills for municipal purposes, and ten mills for all school purposes; and a county furnishing municipal services may, to the extent authorized by law, levy additional taxes within the municipal millage; and
- The 1968 Florida Constitution changed the treatment of municipal property. Prior to 1968, Article IX, section 1 of the Florida Constitution provided that "(t)he Legislature shall provide for a uniform and equal rate of taxation;… and shall prescribe such regulations as shall secure a just valuation of all property, both real and personal, excepting such property as may be exempted by general law for municipal, education, literary, scientific, religious or charitable purposes." Article VII, section 3 of the 1968 Florida Constitution, provides "(a)ll property owned by a municipality and used exclusively by it for municipal or public purposes shall be exempt from taxation." The 1968 Florida Constitution does not authorize the Legislature to exempt municipal property from taxation unless it is used exclusively by the municipality for municipal or public purposes. This provision has led to extensive litigation when the Legislature has attempted to provide ad valorem tax exemptions for property leased by municipalities to private users.

Significant Constitutional and Statutory Changes to Ad Valorem Property Taxation Since 1968

In 1975, Article VII, section 9 of the Florida Constitution, was amended to authorize ad valorem taxes for Water Management Districts. The Northwest Florida Water Management District is limited to 0.05 mill; the other districts are limited to one mill. Actual millage limits within these constitutional bounds are determined by the Legislature.

In 1976, the Legislature provided property tax exemptions for non-profit homes for the aged. (Ch. 76-234, L.O.F.) This legislation specified that residential units are used for a charitable purpose if they are occupied by permanent residents with incomes below certain limits. This legislation also provided the equivalent of a homestead exemption to residential units which did not qualify as being used charitable purpose, but were nonetheless occupied by permanent residents.

Several amendments to Article VII of the Florida Constitution were adopted in 1980:

- The homestead exemption was increased to $25,000, but the exemption increase was tied to improvement in the level of assessment of homestead property. (The increase for city and county purposes was phased in over a three year period.)
- Counties and cities were given authority to enact ad valorem exemptions for new and expanding businesses, if such exemptions were approved by a referendum. The exemptions were limited to local-option millage levied by the county or city enacting the exemption. Such exemptions would expire after 10 years unless renewed by a subsequent referendum. (Implemented by Ch. 80-347, L.O.F.)

- Tangible personal property held for sale as stock in trade or livestock may be classified for tax purposes or may be exempted from taxation. The legislature exempted all items of inventory. (Implemented by Ch. 81-308, L.O.F.)
- Ad valorem tax relief for permanent resident renters was authorized, but must be enacted by general law. (Prior to this amendment, the Legislature provided for such relief only for residents of non-profit homes for the aged and proprietary continuing care facilities.)
- State aid to local governments may be tied to relative ad valorem assessment levels. (The Florida Education Finance Program adjusts state funding by the level of assessment in each school district.)
- The Legislature was authorized to enact a tangible personal property exemption for renewable energy source devices and a real property exemption for parcels onto which such devices are installed. (An exemption was enacted by Ch. 80-163, L.O.F., but was limited to ten years for devices installed before December 31, 1990.) This constitutional provision was repealed in 2008 and replaced. (See discussion of 2008 constitutional changes.)

Prior to 1980, the exemption for property owned by governmental units did not apply to those portions of a leasehold estate which are used predominantly for a private, commercial purpose and serve no governmental, municipal, or public purpose. In 1980, the Legislature amended s. 196.199, F.S., to make such leaseholds subject to intangibles tax if rental payments are paid for the use of the property.

In 1980 the Legislature also enacted ad valorem tax reform legislation, popularly known as the "Truth in Millage" or "TRIM" law, which contained a number of major changes related to the administration of property assessments. This legislation improved the assessment review process, strengthened state supervision of assessment procedures and mandated full disclosure to taxpayers of property tax information.

In 1987, Article VII, section 6 of the Florida Constitution, was amended to permit the legislation to enact general law permitting lands which provide high recharge to Florida's aquifers to be assessed based on character of use. Prior to 1987, classification had been authorized only for agricultural land and land used exclusively for non-commercial recreational uses. Chapter 96-204, L.O.F. (SB 10), provided for classification of high-water recharge areas.

In 1992, Florida voters approved two changes to the Florida Constitution. One change authorized cities or counties to grant ad valorem tax exemptions to owners of historic properties engaging in rehabilitation or renovation of these properties, subject to general law. Chapter 92-152, L.O.F. (HB 2439), provided the general law implementation of this amendment. The second change was initiated by a petition, and limited increases in the assessment of homestead property to three percent per year or the percent change in the Consumer Price Index, whichever is lower. After a change in ownership or other termination of the homestead the property is reassessed at just value. This amendment was popularly known as "Save Our Homes."

The Florida Constitution was amended in 1998 to authorize, by general law, an additional homestead exemption for persons 65 or older whose household income is less than $20,000. The exemption is by local option, and applies to the millage of the county or municipality providing the exemption. The income limitation is adjusted annually based on changes to the Consumer Price Index. The Legislature enacted Chapter 99-341, L.O.F. (HB 291), to provide for this additional homestead exemption.

Another 1998 amendment authorized a historic preservation ad valorem tax exemption for owners of historic properties. This exemption may be offered by any county or municipality for its respective tax

levy, and the amount of this exemption and the requirements for eligible properties must be specified by general law, as well as the period of time for which this exemption may be granted.

In 2002, the Legislature increased the amount of the exemption available to certain disabled veterans from $500 to $5,000. In addition, the Florida Constitution was amended to allow local governments to grant a reduction in the assessed value of homestead property when there has been an increase in the assessed value of that property due to the construction or reconstruction of the property in order to provide living quarters for the natural or adoptive parents or grandparents of the owner, provided that at least one of the parents or grandparents is age 62 or older. This reduction in value is limited to the lesser of the increase in value resulting from the construction or reconstruction, or 20 percent of the value of the property as improved.

In 2005, legislation was passed to extend the $5,000 exemption granted to disabled ex-service members to a member's un-remarried widow or widower as long as they were married to the veteran for at least five years at the time of death. In addition, special provisions were made for persons who lost their homestead property during the 2004 hurricane season to allow them to rebuild their property without losing their Save Our Homes benefit, provided the rebuilt home was no larger than 1500 square feet (if the home originally measured 1350 square feet or less) or 110 percent of the previous square footage.

Two constitutional amendments affecting ad valorem taxation were adopted in 2006. First, the maximum value of the additional homestead exemption authorized for low income seniors was raised from $25,000 to $50,000. Second, a discount on ad valorem taxes owed on homestead property was authorized for veterans with combat related disabilities, provided that the veteran was a Florida resident at the time he or she entered service. The percentage of the discount is equal to the veteran's percentage of disability as determined by the United States Department of Veterans Affairs.

In 2007, the Legislature enacted statutory changes requiring most county, municipal, and special district governments to reduce their 2007-08 millage rates below their rolled back rates. Exceptions were made for certain fiscally limited governments and for certain types of activities. Local governments were allowed to override the prescribed rate reductions by extraordinary votes of their governing boards or by referenda of the electorate. For fiscal year 2008-09 and beyond, the same legislation limited growth of each county, city, and independent special district property tax levy to the growth in state per capita personal income growth plus growth attributable to the value of net new construction added to the tax roll each year. Again, overrides of the limitation are allowed by certain extraordinary votes or referenda.

In January 2008, a constitutional amendment proposed by the Legislature was approved that made four major changes. First, an additional homestead exemption of up to $25,000 for assessed value between $50,000 and $75,000 was granted. This exemption does not apply to school district tax bases. Second, owners of homesteads relocating within the state were given the ability to transfer up to $500,000 of value protected from taxation due to the Save Our Homes assessment limitation. Third, an exemption was granted for the first $25,000 of tangible personal property. Finally, a per parcel annual assessed value growth limitation of ten percent was created for non-homestead, non-agricultural property. The value protected from taxation as a result of this limitation does not apply to school district tax bases.

In November 2008, the voters approved three constitutional amendments proposed by the Taxation and Budget Reform Commission. One amendment required classified use assessments for certain defined working waterfront properties. Another amendment required an exemption for property dedicated in perpetuity for conservation purposes and provided for classified used assessments for land used for conservation purposes. The third amendment allowed an assessment limitation for renewable energy source devices and wind resistance improvements installed on real property used for residential purposes.

In 2009, the Legislature implemented a constitutional amendment providing tax exemptions for property dedicated in perpetuity to conservation purposes. (Ch. 2009-157, L.O.F. (HB 7157)) The Legislature also changed the burden of proof necessary to challenge a property tax assessment. (Ch. 2009-121, L.O.F. (HB 521)).

In November 2010, the voters approved a constitutional amendment that requires an additional homestead exemption for military personnel deployed on active duty outside of the United States in support of military operations designated by the Legislature. The exempt amount is based upon the number of days in the previous calendar year that the person was deployed outside of the U.S. The 2010 Legislature also clarified that offering land for sale is not a sufficient reason for denying agricultural use classification if the land continues to be used primarily for bona fide agricultural purposes. (Ch. 2010-277, L.O.F. (HB 981))

In 2011, the Legislature implemented a constitutional amendment providing an additional homestead exemption for deployed military personnel. (Ch. 2011-93, L.O.F. (HB 1141)) The Legislature also made changes to the value adjustment board process, including requiring petitioners challenging an assessment in certain circumstances to make a partial payment of ad valorem taxes before those taxes become delinquent and requiring interest to be paid on taxes owed in excess of the amount paid or on a refund determined to be due, if such a payment has been made. (Ch. 2011-181, L.O.F. (HB 281))

In November 2012, voters approved constitutional amendments that: 1) extended the current homestead property tax discount for certain disabled combat veterans to include veterans who were not Florida residents at the time they entered military service; 2) authorized the Legislature to provide a homestead property tax exemption for the surviving spouses of military veterans and first responders that die in the line of duty; and 3) authorized the Legislature to allow cities and counties to grant an additional homestead exemption for homestead property of certain low income seniors who have maintained their residence on such property for 25 years or more. The Legislature also passed a bill that clarified ambiguous language, deleted obsolete statutory provisions, and eliminated unneeded reporting requirements in the property tax statutes. The bill, among other things: amended statutory requirements for scheduling value adjustment board hearings; allowed a husband and wife who abandon jointly titled homestead property to designate the percentage of the differential between just (market) value and assessed value that is portable to a new homestead property and attributable to each spouse; allowed certain disabled veterans and other disabled persons to apply for property tax exemptions before they have received required documentation from certain agencies of the federal government; provided an exemption for certain property used exclusively for educational purposes; clarified that rental of all or substantially all of a dwelling previously claimed to be a homestead constitutes abandonment of such dwelling as a homestead. (Ch. 2012-193, L.O.F. (HB 7097))

Chapter 2013-72, Laws of Florida (SB 1830) made the following significant changes:

- Deleted the exemption for property owned by a Florida-based limited partnership whose sole general partner is a nonprofit charitable corporation. This provision applied retroactively to the 2013 tax role; (See also Ch. 2013-83, L.O.F. (HB 437));
- Made revisions relating to the meaning of aquaculture and property used exclusively for educational purposes;
- Deleted the express requirement that titleholders of homesteads must live on the homestead to qualify for the homestead tax exemption;
- Provided that a change in ownership for purposes of assessing property at just value does not apply to lessees entitled to the homestead; and

- Authorized the property appraiser to waive the application requirement after the initial application, and changed penalty provisions for improper filings for reduced assessments for living quarters of parents and grandparents.

In 2013, a number of procedural changes involving property tax assessments were also made, including changes that facilitate electronic communication in lieu of paper communication. (Chs. 2013-72, 2013-192 and 2013-109, L.O.F. (SB 1830, HB 247, and SB 556)) The requirements for a showing of adverse possession were revised. (Ch. 2013-246, L.O.F. (HB 903)) A provision was created allowing homestead property to be rented for up to 30 days per calendar year without being considered abandoned or affecting the homestead status of the property. (Ch. 2013-64., L.O.F. (SB 342)) Chapter 2013-77, L.O.F. (HB 277), implements a portion of Article VII, section 4(i) of the Florida Constitution, which allows the Legislature to prohibit the assessment of improvements to residential real property associated with installation of a renewable energy source or device.

In 2014, legislation was passed to amend the procedure for taxpayers to claim the Economic Development Ad Valorem Tax Exemption. Prior to 2014, Economic Development Ad Valorem Tax exemptions required improvements to be made or tangible personal property to be added after the adoption of an ordinance by the local government. In 2014, the Legislature amended s. 196.1995, F.S., to allow the improvements to be made after a local motion or resolution is passed but prior to adoption of an ordinance. (Ch. 2014-40, ss. 1 and 14, L.O.F. (HB 7081, and SB 730)).

The 2014 Legislature also amended the tax certificate process used for collecting unpaid tax revenue, including changes to the application to obtain a tax deed by the holder of a tax certificate, the redemption of tax certificates, sales at public auction, and the disbursement of proceeds from the sale. (Ch. 2014-211, L.O.F. (HB 797)).

In the 2015 regular session, legislation was passed to allow a taxpayer to include multiple items of substantially similar tangible personal property on a single value adjustment board petition and to pay a single filing fee (Ch. 2015-115, L.O.F. (HB 489)). In addition, the Legislature recognized in statute that leaseholds and improvements constructed and used to provide housing pursuant to the federal Military Housing Privatization Initiative on land owned by the federal government are exempt from ad valorem taxation (Ch. 2015-80, L.O.F. (HB 361)). Further, legislation was passed to require local boards of county commissioners to fund their respective property appraiser's office according to the amount determined by the DOR in its final budget determination, regardless of a pending appeal to the Administration Commission (Ch. 2015-87, L.O.F. (HB 213)).

In the first special session of 2015, the Legislature passed an omnibus tax-cut bill that, in section 1 of the bill, modified the statutory definition of "common elements" for ad valorem tax purposes to include property within the same county as a subdivision and used for at least 10 years exclusively for the benefit of lot owners within the subdivision (Ch. 2015-221, L.O.F. (HB 33-A)).

The 2016 legislature revised various procedures relating to the value adjustment board process and set a new interest rate applicable to delinquent taxes, replacing the old statutory rate of 12% with the bank prime loan rate. ((Ch. 2016-128, L.O.F. (HB 499)). Finally, the legislature clarified that for a period of up to 10 years, local option ad valorem tax exemptions may be granted in areas designated as enterprise zones as of December 30, 2015. This same legislation also specifies that replacement equipment purchased for data centers qualifies for enterprise zone exemptions and in the case of data centers, the exemption shall remain in place for a period of 20 years instead of the usual 10. (Ch. 2016-220, L.O.F. (HB 7099)).

In August and November of 2016, voters approved amendments authorizing the legislature to enact laws creating ad valorem exemptions for solar and other renewable energy source devices and certain totally and permanently disabled first responders. November 2016 also saw voter approval of an amendment limiting just value determinations for purposes of the homestead exemption for low-income seniors. The newly enacted amendment limits determinations of just valuation to the first tax year the owner applies for the exemption. The practical effect of this amendment is to allow low income seniors to maintain their exempt status even if their home value rises above the existing $250,000 cap. This amendment is retroactive to 2013, meaning property owners who originally qualified for the exemption, but subsequently lost it due to increased home value may once again qualify.

In 2017, the Legislature implemented two constitutional amendments. The first amendment provides ad valorem tax relief to certain totally and permanently disabled first responders by providing a 100 percent homestead tax exemption to first responders who are totally and permanently disabled as a result of injury sustained in the line of duty. The 100 percent exemption is also extended to the surviving spouse of the totally and permanently disabled first responder, provided certain conditions are met. (Ch. 2017-108, L.O.F. (HB 455)) The second amendment exempts 80 percent of the assessed value of renewable energy source devices from ad valorem taxes on nonresidential real property and tangible personal property. (Ch. 2017-118, L.O.F. (SB 90)).

In 2017, the Legislature also passed an omnibus tax bill that included several ad valorem tax provisions. For property tax purposes, the bill amends the definition of inventory to include certain construction and agricultural equipment. The bill further provides property tax relief for certain property used to provide affordable housing, clarifies the documentation required to obtain a property tax exemption for certain nonprofit homes for the aged, exempts charitable assisted living facilities from ad valorem taxation, clarifies the current exemption for property leased to a charter school and extends the deadline for charter schools to apply for an exemption for the 2016 tax year. (Ch. 2017-36, L.O.F. (HB 7109)).

During the 2018 session, the Legislature passed a bill that included property tax relief for certain property damaged by hurricanes or tropical storms, for certain citrus processing equipment idled due to citrus greening or Hurricane Irma, and for certain surviving spouses of disabled ex-servicemembers. The bill also updated the list of military operations for which deployed servicemembers may receive property tax relief, clarified the tax exempt status of entities created under the Florida Interlocal Cooperation Act of 1969, and clarified the property tax treatment of multiple parcel buildings. (Ch. 2018-118, L.O.F. (HB 7087)). In November 2018, voters approved a constitutional amendment to permanently retain the 10 percent cap on annual nonhomestead parcel assessment increases for property tax purposes, effective January 1, 2019.

In 2019, the Legislature passed a bill that provided property tax relief of certain agricultural equipment damaged by Hurricane Michael. The bill also provided additional flexibility to the Department of Revenue in conducting in-depth reviews of property assessment rolls in counties affected by natural disasters and adjusted the timing of payments to local governments in fiscally constrained counties and Monroe County to offset property tax refunds granted to homeowners due to hurricanes in 2016 and 2017. Further, the bill provided that school district voted discretionary operating levies are to apply proportionately to charter schools in the levying district and be used in a manner consistent with the purposes of the levy for any levy approved by a vote on or after July 1, 2019. Referenda after this date must include an explanation of how the funds will be distributed in accordance with the new requirements. (Ch. 2019-42, L.O.F. (HB 7123)).

In November 2020, voters approved an amendment to allow the same ad valorem tax discount on homestead property for combat-disabled veterans age 65 or older to carry over to the surviving spouse of a veteran receiving the discount if the surviving spouse holds legal or beneficial title to the homestead and

permanently resides thereon, provided certain requirements are met. The discount would apply to the property until the surviving spouse remarries, sells, or otherwise disposes of the property. If the surviving spouse sells the property, the discount may be transferred to the surviving spouse's new residence as long as the new residence is used as the surviving spouse's permanent residence and he or she does not remarry. (Ch. 2020-179, L.O.F. (HB 879)).

During the 2020 Legislative session, the Legislature passed a bill to allow a veteran who was honorably discharged with a service-connected total and permanent disability to receive a property tax refund of the ad valorem taxes paid for a newly acquired property prorated as of the date of the transfer if the veteran receives the homestead property tax exemption on a property in a given year, acquires legal or beneficial title to another property between January 1 and November 1 of the same year, and applies for and receives an exemption for the newly acquired property in the next year. (Ch. 2020-140, L.O.F. (HB 1249)).

In 2020, the Legislature also passed a tax bill that included several ad valorem tax provisions. The bill amended the requirements for hospitals to qualify for a charitable tax exemption. Non-profit hospitals will be required to document the value of charitable services they provide and their current charity tax exemption will be limited to the value of that charity care. The bill also updated the provisions that address conflict of interest for special magistrates, and restricted information that may be mailed with the yearly TRIM notice. Further, the bill exempts from property tax vacant affordable housing units and units occupied by persons or families that met the qualifying income thresholds at the time they began their tenancy, but whose income grew through the income thresholds. The bill also exempts from property tax an affordable housing project owned by a limited liability company, which is also owned by a limited liability company, as long as the owner of the second limited liability company is a qualifying 501(c)(3) entity. (Ch. 2020-10, L.O.F. (HB 7097)).

During the 2021 Legislative session, the Legislature passed a bill amending the process by which a low-income senior, who is 65 or older, verifies his or her income for purposes of receiving an additional homestead exemption. The bill requires the taxpayer to submit a sworn statement of household income when initially claiming the additional exemption only, rather than annually, and requires the property appraiser to annually notify each taxpayer receiving the exemption of the adjusted income limitation for that year. The taxpayer must notify the property appraiser by May 1 of each year in which his or her income exceeds the income limitation. (Ch. 2021-208, L.O.F. (HB 597)).

The Legislature also passed a comprehensive tax bill that included several ad valorem tax provisions. The bill increased a property tax discount from 50 percent to a full exemption for certain multifamily projects that provide affordable housing to low-income families; clarified the application of an exemption from ad valorem taxation for portions of property used for charitable, religious, scientific, or literary purposes; allowed certain transfers of property without loss of homestead protection; provided property tax exemptions for certain property used by certain educational institutions for educational purposes; and removed the requirement for certain hospitals to report to the Department of Revenue information regarding charitable services provided. (Ch. 2021-31, L.O.F. (HB 7061)).

During the 2022 Legislative session, the Legislature passed an omnibus tax bill that included several ad valorem tax provisions. The bill provided an abatement of ad valorem taxes for those parcels impacted by the 2021 Surfside building collapse; amended the events from which fifteen years is measured to qualify for the affordable housing property tax exemption; and specified the method for assessing agricultural land and infrastructure located on that land in the production of aquaculture. The bill further updated the list of military operations for which deployed servicemembers may receive property tax relief; expanded real property eligible for homestead exemption to that which also includes portions assessed pursuant to classified use; provided for the refund of ad valorem taxes for residential improvements rendered

uninhabitable as a result of a catastrophic event beginning in 2023; and increased the property tax exemption for widows, widowers, blind persons, and persons totally and permanently disabled from $500 to $5000. (Ch. 2022-97, L.O.F. (HB 7071)).

During the 2022A Special Legislative Session, the Legislature passed Senate Bill 4-A (Ch. 2022-272, L.O.F.), which created a refund of ad valorem taxes for residential improvements rendered uninhabitable due to 2022 Hurricanes Ian and Nicole.

In 2023, the Legislature passed two omnibus bills that contained significant ad valorem tax provisions. First, SB 102 (Ch. 2023-17, L.O.F.), created exemptions for (1) land owned by a non-profit entity that is leased for a minimum of 99 years for the purpose of providing affordable housing; (2) rent-restricted units within a newly constructed development that sets aside at least 70 units for affordable housing for households earning 120 percent of area median income or less; and (3) property owners who dedicate units for affordable housing for households earning 60 percent of area median income or less, subject to approval of an ordinance by the county or municipality.

Second, the Legislature passed HB 7063 (Ch. 2023-157, L.O.F.), which made small changes to exemptions related to educational properties and properties owned by veterans, first responders, and the surviving spouses of veterans or first responders; as well as amending the threshold for property appraisers to challenge value adjustment board decisions.

In 2024, the Legislature passed SB 328 (Ch. 2024-188, L.O.F.) which made changes to affordable housing provisions passed in Ch. 2023-17, L.O.F., (the “Live Local Act”) to address local issues in the Florida Keys, to clarify the role of the Florida Housing Finance Corporation and the property appraiser with regard to approving an exemption, to provide administrative improvements, and to clarify how property appraisers should determine the value of tax-exempt units. HB 7073 (Ch. 2024-158, L.O.F.) made additional changes to the Live Local Act by allowing local governments to opt out of the exemption for certain affordable housing units if the jurisdiction has sufficient affordable housing as determined by the Shimberg Center for Housing Studies.

That bill also allowed for an affordable housing tax exemption on the first 15 years of certain new low-income housing projects; expands the ad valorem tax benefits for renewable energy sources to include facilities used to capture and convert biogas to renewable natural gas; clarifies the timing of when certain construction works in progress constructed or installed by an electric utility become taxable; increases from three years to five years the period in which a homeowner must start repair of a damaged homestead in order to retain homestead, and makes several adjustments to notification procedures and taxpayers’ liability for unpaid taxes, penalties, and interest, if the liability is based on clerical mistakes or omissions of the property appraiser.

In 2025, the Legislature passed a comprehensive tax bill that included several ad valorem tax provisions. HB 7031 (Ch. 2025-208, L.O.F) updated provisions related to the value adjustment board process by requiring property appraisers to provide evidence to taxpayers at least 15 days before a VAB hearing, extending their deadline from 7 days; allowing petitioners to appear at VAB hearings remotely, unless a county with a population of less than 70,000 opts out; extending the period to file an appeal if the tax roll has been extended; and increasing the cap on filing fees that VABs are authorized to charge from $15 to $50.

The bill also amends three existing affordable housing provisions by expanding the exemption for land leased by a nonprofit for affordable housing for at least 99 years to include property leased from a local housing finance authority; expanding the exemption for new multifamily affordable housing subject to a land use restriction for 99 years to include property under a restriction with a local housing finance

authority and expanding the eligibility to allow successive owners of affordable housing projects to apply for the existing exemption for new multifamily affordable housing that is based on the income of the tenants. In addition, the bill also creates two new affordable housing exemptions, one for newly constructed multifamily affordable housing of at least 70 units which is on government owned property leased for at least 30 years for the purpose of affordable housing and another for multifamily affordable housing of at least 70 units which is on state-owned property leased for at least 60 years.

The bill also provides that flight simulators are treated as owned by a governmental unit rather than leased, if the simulator reverts to the government upon expiration of a lease; extends the educational property exemption to include Gold Seal certified childcare facilities if the facility is responsible for the payment of property taxes under the terms of the lease and modifies provisions related to citrus-related agricultural properties by allowing citrus packing housing and processor equipment to be assessed at salvage value for the 2025 tangible personal property tax roll if property is not able to be used due to citrus greening and extending the agricultural classification for agricultural properties affected by citrus greening or other state or federal quarantine programs to 10 years, instead of 5.

The Legislature also passed CS/CS/CS/SB 700 (Ch. 2025-22, L.O.F) which requires lands used for agricultural education or for Future Farmers of America or 4-H activities be considered agricultural lands pursuant to s. 193.461 F.S. and subject to s. 823.14, F.S. and CS/CS/SB 180 (CH. 2025-190, L.O.F.) which increases the maximum square footage a home damaged by a calamity or misfortune may rebuild or improve while still retaining the property's assessed value as of January 1 prior to the damage.

BASE AND RATE:

Base:

Taxable base is the fair market value of locally assessed real estate, tangible personal property and state assessed railroad property, less certain exclusions, differentials, exemptions, and credits.

Exclusions are specific types of property constitutionally or statutorily removed from ad valorem taxation. Major categories include: (1) transportation vehicles such as automobiles, boats, airplanes, and trailer coaches, which are constitutionally excluded from ad valorem taxes but "shall be subject to a license tax" (Fla. Const. Article VII, section 1(b)); and (2) personal property brought into the state for transshipment, which statutorily is not considered to have acquired taxable situs and therefore is not part of the tax base.

Differentials are reductions in assessments that result from a valuation standard other than fair market value. Such standards are either (1) value in current use only (e.g., agricultural value), (2) value at a specified percentage of fair market value (e.g., the Florida Constitution allows inventory and livestock to be assessed on a percentage basis, although the Legislature has exercised its option to totally exempt such property), or (3) value that results from a limitation on annual increases (e.g., increases in assessments of homestead property are limited to the lesser of 3 percent or the change in consumer price index and increases in nonhomestead property assessments are limited to a 10 percent cap).

Exemptions are deductions from assessed value, which are typically specified as a dollar amount (e.g., homestead exemption of $25,000). However, certain exemptions are equal to the total assessed value of the property (e.g., property used exclusively for charitable purposes), or are equal to a portion of the total assessment, based on the ratio of exempt use to total use provided that the exempt use must exceed 50 percent (e.g., property used predominantly for charitable purposes).

Credits, which may take the form of allowances, discounts, rebates, etc., are deductions from the tax liability of a particular taxpayer. Credits currently allowed in Florida are early payment and installment discounts of not more than 4 percent.

Deferrals do not reduce the overall tax liability of a taxpayer, but do allow for changes in the timing of payment. For example, under certain circumstances a taxpayer may defer a portion of the taxes due on homestead property for the remaining lifetime of the property owner and his or her spouse or until sale of the property.

Rate:

Millage rates vary among local governments, but are subject to both constitutional and statutory limitations. All counties, cities, and school districts are subject to a constitutional limitation of ten mills for operating purposes. Dependent special district millage rates are included in the limit applicable to the authority to which they are dependent. Independent special district millage rates are limited by the law establishing such districts. Mills above the ten mill limitation may be authorized by local voters, by referendum, to be levied for debt service without a time restriction and for other purposes for a period of not longer than two years. Counties providing municipal services may also levy up to an additional ten mills above the ten mill county limitation within those areas receiving municipal-type services. In addition, school districts are subject to certain statutory limits less than ten mills to be eligible to participate in the state K-12 funding program (FEFP). For fiscal years 1982-83 through 1984-85 county and municipal millage rates, including dependent districts, were subject to certain statutory limitations restricting the rate of growth in revenues. (See s. 200.085, F.S. (1985)) Beginning in fiscal year 2007-08 and thereafter, county, city and special district tax rates were made subject to certain statutory limitations restricting the rate of growth in revenues. (See ss. 200.065(5) and 200.185, F.S.)

Average Millage Rates* (1 mill = .1 cent or $.00l; also expressed as $1 per $1,000 or .1%)

| Fiscal Year | Total Counties | School Boards | Municipalities | Total Millage Levied* |
|---|---|---|---|---|
| 2025-26 | 6.68 | 5.99 | 4.93 | 16.47 |
| 2024-25 | 6.65 | 5.90 | 5.00 | 16.33 |
| 2023-24 | 6.70 | 5.95 | 5.02 | 16.45 |
| 2022-23 | 6.75 | 5.85 | 5.00 | 16.43 |
| 2021-22 | 6.87 | 6.27 | 4.94 | 17.01 |
| 2020-21 | 6.87 | 6.40 | 5.12 | 17.16 |
| 2019-20 | 6.90 | 6.52 | 5.07 | 17.33 |
| 2018-19 | 6.88 | 6.46 | 5.08 | 17.27 |
| 2017-18 | 6.87 | 6.64 | 5.03 | 17.45 |
| 2016-17 | 6.88 | 6.96 | 4.99 | 17.79 |
| 2015-16 | 6.93 | 7.29 | 5.00 | 18.19 |
| 2014-15 | 6.95 | 7.43 | 5.01 | 18.37 |
| 2013-14 | 6.91 | 7.52 | 4.97 | 18.43 |
| 2012-13 | 6.77 | 7.60 | 4.97 | 18.37 |
| 2011-12 | 6.77 | 7.70 | 4.91 | 18.43 |

| Fiscal Year | Total Counties | School Boards | Municipalities | Total Millage Levied* |
|---|---|---|---|---|
| 2010-11 | 6.83 | 7.73 | 4.87 | 18.62 |
| 2009-10 | 6.54 | 7.53 | 4.70 | 18.04 |
| 2008-09 | 5.80 | 7.25 | 4.40 | 16.82 |
| 2007-08 | 6.18 | 7.30 | 4.30 | 17.16 |
| 2006-07 | 7.01 | 7.50 | 4.76 | 18.58 |

* Includes both operating and debt service levies. Rates shown are weighted averages based on the sum of ad valorem taxes for each type of local government relative to their respective statewide taxable base. The school taxable base is used for both counties and school districts to allow comparability of rates. The Total Millage column includes special district levies not shown separately and is calculated to equal the millage rate which would raise the total taxes levied by all taxing authorities if applied against the statewide tax roll.

DISPOSITION:
To the Local Government levying the tax.

VALUE OF RATE CHANGE, EXEMPTIONS, DIFFERENTIALS, DISCOUNTS AND ALLOWANCES:

RATE CHANGE
Value of 1 mill levy on 2025-26 tax base (est.)

| | |
|---|---|
| School Tax Base | $3,827.7 million |
| County Tax Base | $3,477.7 million |

| VALUE OF EXEMPTIONS, DIFFERENTIALS, ETC. | 2026-27 Estimated Taxable Value | 2026-27 Estimated Revenue Impacts# |
|---|---|---|
| | (*millions of dollars*) | |
| Exclusions | | |
| Transportation vehicles | Indeterminate | Indeterminate |
| Property held for transshipment | Indeterminate | Indeterminate |
| Differentials | | |
| Homestead assessment limitation (Save Our Homes) (s. 193.155) (Note 1) | 868,223.9 | 9,095.3 |
| Agricultural land (s. 193.461(6)(a)) | 8,880.6 | 1,463.7 |
| Conservation easement, environmentally endangered lands and private park and recreational land (s. 193.501) | 88.5 | 1.5 |
| Historically significant (s. 193.505) | 0.0 | 0.0 |
| Pollution control devices (s. 193.621(1)) | 6,490.1 | 106.9 |
| Building renovations for the physically handicapped (s. 193.623) | Indeterminate | Indeterminate |
| Annual agricultural crops*, non-bearing fruit trees and nursery stock (not assessed) (s. 193.451(3)) | Indeterminate | Indeterminate |
| Nonhomestead residential assessment limitation (s. 193.1554) | 120,461.0 | 1,261.9 |
| Nonresidential assessment limitation (s. 193.1555) | 112,407.7 | 1,851.1 |
| Living Quarters for Parents or Grandparents (s. 193.703) | 51.0 | 0.8 |

| | | |
|---|---|---|
| Working Waterfront | 407.9 | 6.7 |
| Renewable Energy Source Devices (Real Property) (s. 193.624) | Indeterminate | Indeterminate |
| | | |
| Exemptions | | |
| $25,000 Homestead Exemption (s. 196.031(1)(a)) | 135,274.6 | 2,227.7 |
| $25,000 Homestead Exemption above $50,000 in value (s. 196.031(1)(b)) (Note 1) | 127,358.8 | 1,334.2 |
| Deployed Military Personnel (s. 196.173) | 109.9 | 1.8 |
| Permanently and totally disabled veterans (s. 196.081) | 38,303.3 | 630.8 |
| Disabled veterans confined to wheelchairs (s. 196.091) | 29.4 | 0.5 |
| Totally and permanently disabled persons (s. 196.101) (Note 2) | 1,023.5 | 16.9 |
| $25,000 Tangible Personal Property (s. 196.183) | 8,119.4 | 133.7 |
| Blind (s. 196.202) | 18.4 | 0.3 |
| $5000 Totally and permanently disabled persons (s. 196.202) (Note 2) | 591.2 | 9.7 |
| Widows' and Widowers exemption (s. 196.202) | 2,300.0 | 37.9 |
| Property used by hospitals, nursing homes and homes for special services (s. 196.197) | 22,764.0 | 374.9 |
| Property used by nonprofit homes for the aged (s. 196.1975) | 3,281.1 | 54.0 |
| Educational property (s. 196.198) | 25,527.5 | 420.4 |
| Labor organizations (s. 196.1985) (Note 3) | 79.1 | 1.3 |
| Community centers (s. 196.1986) | 316.6 | 5.2 |
| Institutional exempt property (Note 4) | 126,499.1 | 2,083.2 |
| | | |
| Totally exempt & immune | | |
| Government Property (s. 196.199) (Note 5) | | |
| Federal property | 34,247.0 | 564.0 |
| State property | 41,211.0 | 678.7 |
| Local government property | 161,567.8 | 2,660.7 |
| Government leaseholds | 2,581.8 | 42.5 |
| Local Option Economic Development (s. 196.1995) (Note 6) | 2,625.1 | 21.1 |
| Not-for-profit sewer and water company (s. 196.2001) | 239.0 | 3.9 |
| $5,000 Disabled, Ex-Servicemen Exemption (s. 196.24) | 1,229.6 | 20.2 |
| Historic property (s. 196.1997) (Note 6) | 340.1 | 5.6 |
| Additional Homestead for 65 and older – up to $50,000 (s. 196.075(2)(a)) (Note 8) | 8,403.3 | 66.4 |
| Additional Homestead for 65 and older – assessed value (s. 196.075(2)(b)) (Note 8) | 976.9 | 7.6 |
| Conservation lands (s. 196.26) | 522.5 | 8.6 |
| First Responders (s. 196.102) | 255.7 | 4.2 |
| Renewable Energy Source Devices (TPP) (s. 196.182) | 4,040.3 | 66.5 |
| | | |
| VALUE OF DISCOUNTS AND ALLOWANCES | | |
| | | |
| Discounts for early payments (s. 197.162) | | 1,365.8 |
| Veterans discount (s. 196.082) | | 2,550.1 |

\# Revenue impacts are based on an aggregate average millage rate of 16.47 unless otherwise indicated.

* Includes timber. Current administrative practice has resulted in the non-assessment of timber in virtually all counties, although timber is not an "annual agricultural crop," per the statutory requirement for exemption.

Notes

1. The revenue impact is calculated using total statewide millage minus the school millage.
2. Available to: quadriplegics and the following, if total household income does not exceed an annually adjusted income limit: (a) paraplegics; (b) hemiplegics; (c) other totally and permanently disabled persons confined to a wheelchair; and (d) other totally and permanently disabled persons who are blind. An inconsistency in the statutes has resulted in the administrative determination that blind persons who are not totally and permanently disabled may also receive the total exemption if they meet the income test.
3. The portions of labor union property used for educational purposes may be separately assessed, thus avoiding the predominant use requirement.
4. Applies to property used exclusively or predominantly (greater than 50 percent) for the following purposes: (a) charitable, (b) literary, (c) religious, (d) scientific, and (e) educational. Exemption is total if use for stated purposes is exclusive. For predominant use, exemption is proportional to use for stated purposes. Special statutory criteria exist for determining the eligibility of hospitals, nursing homes, homes for special services, homes for the aged, educational institutions, community centers, and labor union property.
5. U.S. government, state, county and school district property is immune from taxation. Other local government property is exempt if used exclusively by the government for municipal or public purposes. Government-owned property used by non-governmental lessees is exempt only when the lessee serves or performs a governmental or public purpose or function. The leasehold estate (i.e., the right or interest in the property created by virtue of the lease contract) is by law subject only to intangibles taxation.
6. Eligibility for exemption is determined separately for county taxes and municipal taxes. In no event does the exemption apply to school or independent district taxes. The revenue impact is calculated by assuming 50 percent of the taxable value reduction is also in cities, and applying county and city average millages to the respective amounts.
7. Computed using average county millage rate only.
8. Total value loss is for both counties and municipalities.

OTHER STATES:
All states and the District of Columbia impose local government property taxes.

# DISCRETIONARY SURTAX ON DOCUMENTS

FLORIDA STATUTES: Sections 125.0167, 201.031, F.S.

ADMINISTERED BY: Department of Revenue

SUMMARY:
Each county, as defined by s. 125.011(1), F.S., (currently only Miami-Dade County), may levy a discretionary surtax on documents for the purpose of establishing and financing a Housing Assistance Loan Trust Fund. The surtax is $0.45 per $100 or fractional part thereof, and applies only to documents taxable under s. 201.02, F.S., which are "deeds, instruments, or writings whereby any lands, tenements, or other real property, or any interest therein, shall be granted, assigned, transferred, or otherwise conveyed to, or vested in, the purchaser or any other person by his or her direction…" The surtax is not imposed on any deed conveying a single-family residence, identified as a detached dwelling, a condominium unit, or a unit held through stock ownership or membership representing a proprietary interest in a corporation owning a fee or a lease-hold initially in excess of 98 years.

REVENUE:

| Fiscal Year | Collections | Annual Change % |
|---|---|---|
| 2026-27* | 56,705,740 | 3.80% |
| 2025-26* | 54,629,807 | 1.50% |
| 2024-25 | 53,822,470 | 22.82% |
| 2023-24 | 43,822,166 | -33.37% |
| 2022-23 | 65,766,303 | -28.53% |
| 2021-22 | 92,021,573 | 137.49% |
| 2020-21 | 38,747,973 | 2.90% |

* Estimate

HISTORY:
In 1983, the Legislature enacted Chapter 83-220, L.O.F. (SB 56), creating s. 125.0167, F.S., authorizing the governing body of Miami-Dade County to levy a discretionary surtax on documents for the purpose of establishing and financing a Home Ownership Assistance Loan Trust Fund. Revenues in the fund assisted low and moderate income families in purchasing a home or an apartment. Not less than 1/2 of the funds were to be used to assist low-income families, defined as families whose income did not exceed 80 percent of the median income for the area. The remaining funds could be used to assist families whose income was in excess of 80 percent, but not more than 140 percent, of the median income for the area. The surtax could not exceed $0.45 per $100 or fractional part thereof, and could apply only to documents taxable under s. 201.02, F.S., except that no surtax could be imposed on a deed conveying a single-family residence, identified as a detached dwelling, a condominium unit, or a unit held through stock ownership or membership representing a proprietary interest in a corporation owning a fee or a leasehold initially in excess of 98 years.

The governing body was directed to adopt an ordinance to levy the discretionary surtax and create the trust fund. The ordinance was required to establish the policies and procedures of the assistance program. The county was directed to deposit revenues from the surtax into the trust fund to be used only for the purchase of a home or an apartment, or the rehabilitation of an existing home or apartment. The surtax could not be used for rent subsidies or grants.

Section 201.031, F.S., also enacted by Chapter 83-220, L.O.F. (SB 56), established the discretionary surtax and required the county levying the surtax to submit a financial report (under s. 218.32, F.S.)

showing the revenues and expenses of the trust fund. The Department of Revenue was directed to distribute all surtaxes collected to that county's governing authority. This authority granted to Miami-Dade county was set to expire on October 1, 1993, or ten years after the effective date of the act.

In 1984, Chapter 84-270, L.O.F. (SB 336), amended Chapter 83-220, L.O.F. (SB 56), changing the name of the Home Ownership Assistance Loan Trust Fund to the Housing Assistance Loan Trust Fund and increased the authorized uses of funds. With this amendment, the funds could be used for financing of construction, rehabilitation, or purchase of housing for low and moderate income families. Funds could also be used for first or second mortgages, and buying property to form housing cooperatives. Special consideration was to be given to neighborhood economic development programs of Community Development Corporations. Not more than 1/2 of the revenues collected each year could be used to finance new construction. This act also removed the statutory references to the program.

In 1989, the Legislature enacted Chapter 89-252, L. O. F. (SB 38), to extend the repeal date from October 1, 1993, to October 1, 2011.

In 1992, the Legislature enacted Chapter 92-317, L.O.F. (SB 94-H), to provide that a portion of the discretionary surtax revenues deposited into the Housing Assistance Loan Trust Fund could be deposited into the Home Investment Trust Fund of the county as defined by and created under the requirements of federal law. These set-aside funds are to be used to finance the construction, rehabilitation, or purchase of housing for low-income and moderate-income families and to fund any local matching contributions required under federal law. In 1993, ss. 125.0167 and 201.031, F.S., were restored to the Florida Statutes.

In 2009, the Legislature enacted Chapter 2009-131, L.O.F. (SBs 2430 and 1960), to extend the sunset of the program until October 1, 2031. It also amended s. 125.0167, F.S., limiting the amount of surtax revenue that may be used for administrative costs to 10 percent of revenues collected, and specifying a minimum amount of surtax revenues to be used for providing low income and moderate income housing. It authorized the creation of a housing assistance voucher program, under which vouchers may be used for down payment assistance for the purchase of single-family residences by low-income or moderate-income persons. Also, the law amended s. 201.031, F.S, requiring Miami-Dade County to adopt a housing plan every three years, to have adopted an affordable housing element of its comprehensive plan, and to have a report prepared for the county’s governing body that explains how the housing assistance program is being implemented.

In 2022, the Legislature enacted Chapter 2022-97, L.O.F., (HB 7071), prohibiting any county from imposing any requirement as a condition to receive financial assistance on a borrower other than requiring proof that the borrower's income does not exceed 140 percent of the area median income. In addition to the income eligibility requirement, borrowers may only be subject to loan qualifications of lenders licensed to provide mortgage financing as to the amount of the loan. A county may not create requirements that restrict participation by eligible borrowers.

BASE AND RATE:
Miami-Dade County levies a surtax on deeds and documents relating to realty at the rate of 45 cents for each $100 or fractional part thereof, except for documents relating to single family residences.

DISPOSITION:
The department returns proceeds, less costs of administration, to the county’s governing body. The funds must be deposited in the county's Housing Assistance Loan Trust Fund, and no less than 35 percent shall be used to provide home ownership assistance for low-income and moderate-income families, and no less

than 35 percent shall be used for construction, rehabilitation, and purchase of rental housing units. The remaining amount may be allocated to provide for home ownership assistance or rental housing units.

OTHER STATES:
California, Colorado, Connecticut, Delaware, Illinois, Maryland, Massachusetts, Michigan, Nevada, New York, North Carolina, Ohio, Oregon, Pennsylvania, Virginia, Washington, and West Virginia authorize some or all local governments to levy taxes on transfers of real estate or other assets.

| | 2026-27 (millions) |
|---|---|
| VALUE OF RATE CHANGE: | |
| Value of a 10 cent/$100 levy on: | |
| 1) All deeds | $44.8 |
| 2) Deeds other than for documents related to single family dwellings | $12.6 |
| VALUE OF EXEMPTIONS: | |
| Exemption for documents related to single family dwellings | $144.8 |
| VALUE OF REFUNDS AND ALLOWANCES: | |
| Agents' commission at .5% of taxes collected | $0.28 |

# LOCAL COMMUNICATIONS SERVICES TAX

FLORIDA STATUTES: Chapter 202

ADMINISTERED BY: Department of Revenue

SUMMARY:
The governing authority of each county and municipality may, by ordinance, levy a local communications services tax on retail sales of communications services that originate or terminate in Florida and are billed to an address in the city or county imposing the tax. This tax replaces the public service tax on telecommunication services and franchise fees imposed on communications services providers for use of public rights-of-way plus the discretionary sales surtax previously imposed on telecommunications services. Communications services include all forms of telecommunication currently taxed by the gross receipts tax, except direct-to-home satellite services. The law also specifically applies the tax to communications services provided through any "other medium or method now in existence or hereafter devised."

REVENUE:

| Fiscal Year | Total Collections | Annual Change % |
|---|---|---|
| 2026-27* | 745,654,350 | 2.09% |
| 2025-26* | 730,421,410 | 2.71% |
| 2024-25 | 711,182,309 | 4.10% |
| 2023-24 | 683,191,858 | 1.63% |
| 2022-23 | 672,254,996 | 5.71% |
| 2021-22 | 635,920,459 | 1.42% |
| 2020-21 | 627,028,642 | -1.49% |

* Estimate

HISTORY:
Prior to October 1, 2001, local and in-state telecommunication services were subject to the municipal utility tax under s. 166.231, F.S. This law allowed municipalities and charter counties to impose a tax of up to 10 percent or 7 percent, depending upon whether the tax was imposed on local service only or on local service plus in-state long-distance service. Cities and charter counties were also authorized to charge telecommunication service providers franchise fees for the use of public rights of way and all local governments could impose franchise fees on cable providers. Chapter 2000-260, L.O.F. (SB 1338), created the Communications Services Tax Simplification Law which provides for local communications services taxes to be administered by the Department of Revenue. The communications services tax rates in cities and counties were to provide as much revenue as had been generated by the municipal utilities tax and franchise fees, which were replaced by the new tax. The local communications services tax applies to services that had not been subject to the municipal utility tax, including cable television and all telecommunication services. Satellite television service is not subject to local communications services tax. Chapter 2001-140, L.O.F. (SB 1878), established revenue-neutral conversion tax rates for the statewide and local communication services taxes, and maximum allowable tax rates for each local government. These maximum allowable rates included any capacity which had existed but was not exercised under the taxes and fees which were replaced by the local communications services tax.

Chapter 2005-187, L.O.F. (SB 2070), repealed the tax on substitute communications systems and provided that the Department of Revenue will not assess this tax back to October 1, 2001, when the communications services tax was implemented. The bill created a task force of experts in the areas of telecommunications policy, taxation, law, or technology to study the implications of emerging

technologies on Florida's communication service tax. This task force was dissolved by Chapter 2006-311, L.O.F. (HB 7109).

Prior to July 1, 2012, dealers of communications services were held harmless from any liability, including tax, interest, and penalties associated with the incorrect assignment of taxing jurisdictions if they were exercising due diligence in applying specific methods, provided under s. 202.22, F.S., for determining the local taxing jurisdiction in which a service address is located. Chapter 2012-70, L.O.F. (HB 809), provides that even if the dealer of communications services is not using one of the methods from s. 202.22, F.S., they are not liable for any tax, interest, or penalty unless the department is able to determine a net aggregate underpayment for any tax period or periods in question. In order to determine if there has been a net aggregate underpayment the department shall take into account all underpayments and overpayments for the appropriate period or periods. The change to this process that was made by Chapter 2012-70, L.O.F. (HB 809), is both remedial and retroactive without creating a right to a refund or credit of any tax paid before the general effective date.

Chapter 2023-157, L.O.F. (HB 7063) states that the local communications services tax may not be increased before January 1, 2026. This freeze extends to the discretionary sales conversion rate. Chapter 2025-208, L.O.F. (HB 7031) later extended the freeze through January 1, 2031.

BASE AND RATE:
The local communications services tax is imposed on retail sales of communications services, including cable services, which originate or terminate in Florida and are billed to an address in the city or county imposing the tax. Private communications services provided within the county or municipality are also subject to the tax. Direct-to-home satellite service is not subject to local communications services tax. Local tax rates vary for each county and city. The maximum rate for municipalities or charter counties is 5.1 percent or 4.98 percent, if the municipality or charter county levies permit fees. The maximum rate for non-charter counties is 1.6 percent. Add-ons of .12 percent or .24 percent are authorized under s. 337.401, F.S., and temporary emergency rates may exceed the statutory limits.

DISPOSITION:
The local communications services tax is remitted by dealers to the Department of Revenue, which distributes monthly the appropriate amount to each municipality, county or school board, after deducting the department's costs of administration not to exceed 1 percent of the total revenue generated for all municipalities, counties, and school boards.

OTHER STATES:
Taxes imposed vary considerably from state to state.

# LOCAL DISCRETIONARY SALES SURTAXES

# LOCAL DISCRETIONARY SALES SURTAXES

FLORIDA STATUTES: Sections 212.054 and 212.055

ADMINISTERED BY: Department of Revenue

SUMMARY:
Nine different types of local discretionary sales surtaxes (also referred to as local option sales taxes) are currently authorized in law and represent potential revenue sources for county and municipal governments and school districts. The local discretionary sales surtaxes apply to all transactions subject to the state tax imposed on sales, use, services, rentals, admissions, and other authorized transactions authorized pursuant to ch. 212, F.S., and communications services as defined for purposes of ch. 202, F.S.

| Surtax Name | Year Enacted | Statutory Authority |
|---|---|---|
| Charter County and Regional Transportation System Surtax | 1976 | s. 212.055(1), F.S. |
| Local Government Infrastructure Surtax | 1987 | s. 212.055(2), F.S. |
| Small County Surtax | 1992 | s. 212.055(3), F.S. |
| Indigent Care and Trauma Center Surtax | 1991 | s. 212.055(4), F.S. |
| County Public Hospital Surtax | 1991 | s. 212.055(5), F.S. |
| School Capital Outlay Surtax | 1995 | s. 212.055(6), F.S. |
| Voter-Approved Indigent Care Surtax | 2000 | s. 212.055(7), F.S. |
| Emergency Fire Rescue Services and Facilities Surtax | 2009 | s. 212.055(8), F.S. |
| Pension Liability Surtax | 2016 | s. 212.055(9), F.S. |

The local discretionary sales surtax rate varies from county to county, depending on the particular levies authorized in that jurisdiction. Discretionary sales surtax must be collected when the transaction occurs in, or delivery is into, a county that imposes the surtax, and the sale is subject to state's sales and use tax. The following table summarizes how the surtax is collected.

| **If a selling dealer located in any Florida county** | **with a discretionary surtax** | **sells and delivers** | **into the county where the selling vendor is located** | **surtax is collected at the county rate where the delivery is made** |
|---|---|---|---|---|
| If a selling dealer located in any Florida county | with or without a discretionary surtax | sells and delivers | into counties with different discretionary surtax rates | surtax is collected at the county rate where the delivery is made |
| **If a selling dealer located in any Florida county** | **with or without a discretionary surtax** | **sells and delivers** | **into counties without a discretionary surtax** | **surtax is not collected** |
| If an out-of-state selling dealer | | sells and delivers | into a Florida county with a discretionary surtax | surtax is collected at the county rate where delivery is made |
| **If an out-of-state selling dealer** | | **sells and delivers** | **into a Florida county without a discretionary surtax** | **surtax is not collected** |

Discretionary sales surtax applies to the first $5,000 of any single taxable item, when sold to the same purchaser at the same time. Single items include items normally sold in bulk and items assembled to

comprise a working unit. The $5,000 limitation does not apply to the rental of commercial real property, transient rentals, or services. With regard to the sale of motor vehicles, mobile homes, boats, or aircraft, the surtax applies only to the first $5,000 of the total sales price. On the sale of a motor vehicle or mobile home, the tax rate is determined by the county where the purchaser resides as shown on the title or registration. On the sale of a boat or aircraft, the tax rate is determined by the county where the boat or aircraft is delivered.

The local discretionary sales surtax applies to communications services as broadly defined in ch. 202, F.S. Because the new communications services tax base is much larger than the base under prior law, discretionary sales surtax conversion rates were specified in law. For any county or school board that levies the surtax, the tax rate on communications services as authorized by s. 202.19(5), F.S., is expressed in law.

REVENUE:

| Fiscal Year | Total Collections** | Annual Change % |
|---|---|---|
| 2025-26* | 5,887,359,373 | 2.04% |
| 2025-26* | 5,769,750,069 | -0.21% |
| 2024-25 | 5,782,173,686 | 2.37% |
| 2023-24 | 5,648,372,575 | 0.32% |
| 2022-23 | 5,630,574,457 | 7.25% |
| 2021-22 | 5,250,059,865 | 23.50% |
| 2020-21 | 4,251,229,433 | 8.77% |

* Estimate

** Includes collections where the taxing county cannot be identified when reported. These collections are not reflected in individual surtax collection totals.

Annual tax receipts by county can be found on the Office of Economic and Demographic Research's (EDR) Local Government Data webpage under the heading of Local Option Tax Receipts via the following link:
http://edr.state.fl.us/Content/local-government/data/data-a-to-z/g-l.cfm

HISTORY:
Chapter 76-284, L.O.F., created s. 212.055, F.S., to authorize counties, which adopted a charter before June 1, 1976, to levy an additional 1 percent tax on all transactions that are taxed at 4 percent. It limited the surtax to the first $1,000 of any one transaction. The county was required to have a majority vote of the county's electorate in order to levy the surtax. The Department of Revenue was required to administer and collect the tax and distribute the revenues on a regular and periodic basis.

Chapter 82-154, L.O.F., changed the transactions eligible for the surtax from all transactions taxed at 4 percent to all transactions taxed at 3 or 5 percent under s. 212.055, F.S. Chapter 83-3, L.O.F., disallowed the surtax on motor fuel and special fuel as defined in s. 212.02(21) and (22), F.S., to s. 212.055, F.S. Chapter 85-342, L.O.F., transferred s. 125.0165, F.S., into s. 212.055, F.S. It eliminated references to the 1 percent surtax on all transactions taxed at 3 or 5 percent as well as the references to the $1,000 limit, and the restrictions for motor fuels or special fuels. The references for the Department to administer and collect the tax and counties notifying the Department of Revenue after the approval of an ordinance were eliminated. The rate was 20 percent of any amount of tax imposed and paid to the state. In addition, Chapter 85-342, L.O.F., created s. 212.054, F.S., to specify the eligible counties and the tax rate, if levied, to that named in s. 212.055, F.S. The surtax was the rate times the amount of taxes imposed and rounded

to the nearest penny. Sales amount above $1,000 and long distance telephone service were excluded from the surtax. Utility, telecommunications, and wired television billings after the effective date included the full surtax; billings after the last day that the surtax was in effect were not subject to the surtax. Contracts signed prior to the effective date were subject to the surtax if the work was not completed by the effective date. Contractors were to pay the surtax, but could apply for a refund. It was a second degree misdemeanor to fraudulently attempt to obtain a refund. A transaction was considered as occurring in the county imposing the surtax if the dealer was located in the county and the sale included tangible property except in the case of utilities, telecommunications, and wired television, in which case, it was the county where it was used. A charged event occurring in the county was also subject to the surtax. Imported vehicles requiring licensing or titling were subject to the surtax unless used for more than 6 months outside the county. Real property rentals and transient rental properties inside the county were also subject to the surtax. The Department of Revenue was to administer, collect, and enforce the tax and was authorized to deduct up to 3 percent for administrative costs. Discretionary sales surtaxes were only to take effect on January 1. The county was required to notify the Department within 10 days after ordinance adoption, and the notice was required to include the time period the surtax would be in effect.

Chapter 86-152, L.O.F., made two changes. First, if a dealer owing use tax on purchases or leases was located in a county subject to the surtax, then the sale or lease was considered as occurring in the county and was subject to the surtax. Second, the dealer was not required to separately state the surtax on the receipt. Chapter 87-6, L.O.F., included services, except those otherwise exempted, as a transaction subject to the surtax and increased the penalty of fraudulently attempting to obtain a refund from a second degree misdemeanor to a third degree felony. Chapter 87-548, L.O.F., changed the base from taxes collected to taxable sales. This base change occurred in tandem with the rate change in s. 212.055, F.S., from 20 percent to 1 percent. Also, the surtax became applicable to sales up to $5,000; the prior limit was $1,000. For vehicle sales, the county of the registration of the purchaser must be of the county with the surtax in order for the transaction to be eligible for the surtax. Chapter 88-119, L.O.F., required that a delivery had to be made to a location in a surtax county in order for the transaction to be eligible for the surtax. It also required that if tangible personal property was brought back into a surtax county, the customer was responsible to pay the surtax. Additionally, it required a dealer outside of a surtax county to collect the surtax on deliveries of tangible personal property from a Florida manufacturer or wholesaler into a surtax county. Chapter 89-356, L.O.F., restated the provision requiring a dealer outside of a surtax county to collect the surtax on deliveries of tangible personal property from a Florida manufacturer or wholesaler into a surtax county. The new version required the following. If a dealer located outside a surtax county delivered tangible personal property to a customer in a surtax county in which the manufacturer or wholesaler was located, the dealer was required to collect and remit the surtax.

Chapter 90-132, L.O.F. (HB 1299), revised references of “wired television” to “television system program” and exempted certain mail-order transactions from these surtaxes. Chapter 90-203, L.O.F. (SB 862), changed the name of the Surtax Trust Fund to the Surtax Clearing Trust Fund and stipulated that the Department distribute monies in the trust fund each month. Section 91-81, L.O.F. (SB 186), reenacted s. 212.054(2)(a), F.S., and excluded services from surtax levy. Chapter 91-112, L.O.F. (HB 2523), specified that two or more items sold simultaneously as a unit or in bulk would count as a single unit with respect to the $5,000 limitation. Additionally, it subjected items imported into the county after six months that are provided for in s. 212.06(8)(b), F.S., and coin-operated amusement or vending machines located in the county to the surtax. It also required that any change in the distribution formula must take effect on the first day of any month beginning at least 60 days after written notification of the change had been sent to the Department. Chapter 92-319, L.O.F. (SB 26-H), revised the sales tax on boats and airplanes and expanded the sales tax base to include previously untaxed items. Chapter 92-320, L.O.F. (SB 68-H), required counties that locally administer local option taxes to distribute an annual report enumerating the tax proceeds and how the proceeds were expended. Chapter 93-222, L.O.F. (HB 729), provided for the application of surtaxes to services. It stated that the surtax was not levied if the property or service was

delivered within a non-surtax county. Unless there was reasonable documentation to the contrary, it was assumed that delivery was made to the location of the place of business. The $5,000 limitation was not applicable to services other than rentals. The counties with surtax authorizations were required to report revenues to the Department in a timely manner.

Chapter 96-325, L.O.F. (SB 1094), revised provisions specifying when a transaction regarding the sale of tangible personal property by a florist is deemed to occur in a surtax county. Chapter 96-397, L.O.F. (SB 584), removed language concerning the distribution of surtax collections through June 30, 1994. Chapter 97-99, L.O.F. (SB 432), replaced reference of "transactions by this part" with "transactions by this chapter" in s. 212.054(2)(a), F.S. Chapter 98-141, L.O.F. (SB 1690), added provisions for partial exemptions from the surtax to vessels, railroad, and motor vehicle common carriers. Chapter 98-342, L.O.F. (HB 4413), provided for a number of administrative changes including specifying that any discretionary sales surtax rate increase or decrease could only take effect on January 1st and any termination only on December 31st.

Chapter 2001-140, L.O.F. (SB 1878), implemented Chapter 2000-260, L.O.F. (SB 1338), establishing the Communications Services Tax Simplification Law, which repealed the levy of a discretionary sales surtax on various communications services and replaced it with a local option component of the new communications services tax.

Chapter 2010-102, L.O.F. (SB 1412), deleted the requirement that the Department submit a written report that details the costs of administering the discretionary sales surtaxes to the Senate President, House Speaker, and the governing authority of each county levying a surtax. Chapter 2018-118, L.O.F. (CS/HB 7087), amended s. 212.055. F.S., to require that for any referendum to adopt a local discretionary sales surtax held on or after the legislation's effective date, an independent certified public accountant, licensed pursuant to Chapter 473, F.S., must conduct a performance audit of the program associated with the surtax adoption proposed by the county or school district. This performance audit must be completed, and the findings made available to the public, at least 60 days before the referendum is held. Chapter 2019-64, L.O.F. (CS/CS/HB 5), amended s. 212.055, F.S., to require, effective January 1, 2020, that any referendum to adopt or amend a local discretionary sales surtax be held at a general election, which is defined in s. 97.021, F.S., to mean an election held on the first Tuesday after the first Monday in November in the even-numbered years. Upon adoption of an ordinance or a resolution by a county or school district to hold a local discretionary sales surtax referendum on or after January 1, 2020, the legislation required the county or school district to provide the Florida Legislature's Office of Program Policy Analysis and Government Accountability (OPPAGA) with a copy of the final ordinance or resolution calling for the referendum at least 180 days before the referendum is held. Additionally, the legislation maintained the requirement that OPPAGA select and pay for a certified public accountant to conduct a performance audit of the program associated with the proposed surtax and the requirement that the performance audit be completed and made available on the county or school district website at least 60 days prior to the referendum. OPPAGA is required to procure the certified public accountant to conduct the performance audit within 60 days of receiving the final resolution or ordinance. Furthermore, the legislation declared void any local discretionary sales surtax referendum if the county or school district failed to provide notice to OPPAGA or failed to publish the results of the performance audit on its website at least 60 days before the referendum was held.

Chapter 2021-2, L.O.F. (CS/CS/SB 50), required marketplace providers and persons located outside of this state to remit discretionary sales surtax when delivering tangible personal property to a county imposing a surtax. Chapter 2023-157, L.O.F (HB 7063), required a referendum to reenact a local discretionary sales surtax to be held at a general election as defined in s. 97.021, F.S. A referendum to reenact an expiring surtax must be held at a general election occurring within the 48-month period immediately preceding the effective date of the reenacted surtax. Such a referendum may appear on the

ballot only once within the 48-month period. Chapter 2024-158, L.O.F. (CS/HB 7073), amended s. 212.054(1)(b)1., F.S., to clarify that a boat and a corresponding boat trailer sold to the same purchaser at the same time and with both items located on the same invoice, are considered a single item for discretionary sales surtax purposes. Additionally, it amended s. 212.054(3)(a), F.S., to clarify that the sale of the boat and boat trailer is deemed to occur in the county where the purchaser resides as shown on the title or registration documents. Furthermore, it added s. 212.054(9), F.S., to specify how discretionary sales surtax moneys are disposed of when there is a final adjudication finding that the discretionary sales surtax was enacted, levied, collected, or is otherwise contrary to the U.S. Constitution or State Constitution, until such provisions expire on June 30, 2030. Chapter 2025-208, L.O.F. (HB 7031), removes a provision in s. 212.054(3), F.S., to reflect the repeal of the business rent tax. Additionally, the legislation provides express authority for a levying local government (the Board of County Commissioners or the School Board) of any discretionary sales surtax, which does not have an expiration date, to reduce or repeal that surtax with a two-thirds vote of the board, beginning four years after a surtax is levied. The reduced rate can be any lower rate otherwise allowable under the applicable statutory provision. A reduced or repealed rate is effective on the January 1st following the board's vote, or on any subsequent January 1st as provided by the board.

ADMINISTRATIVE PROCEDURES:
Legislation enacted in 2018 required the completion of a performance audit prior to any referendum to adopt a local discretionary sales surtax held on or after March 23, 2018. Legislation enacted in 2019 amended that requirement. For any surtax referendum held on or after January 1, 2020, an independent certified public accountant (CPA), licensed pursuant to Chapter 473, F.S., must conduct a performance audit of the program associated with the proposed surtax. At least 180 days prior to the referendum date, the county or school district must provide the Florida Legislature's Office of Program Policy Analysis and Government Accountability (OPPAGA) with a copy of the final resolution or ordinance. Within 60 days after receiving the final resolution or ordinance, OPPAGA must procure the CPA and may use carryforward funds to pay for the CPA's services. The performance audit must be completed at least 60 days before the referendum is held. The audit report, including any findings, recommendations, or other accompanying documents, must be made available on the county or school district's official website and kept on the website for two years from the date posted. A county or school district's failure to comply with the requirements of providing OPPAGA with a copy of the final resolution or ordinance at least 180 days prior to the referendum date, or publishing the performance audit results on its website at least 60 days before the referendum date, will render the referendum void.

The term *performance audit* means an examination of the program conducted according to applicable government auditing standards or auditing and evaluation standards of other appropriate authoritative bodies. At a minimum, a performance audit must address the following issues.

1. The economy, efficiency, or effectiveness of the program.
2. The program's structure or design to accomplish its goals and objectives.
3. Alternative methods of providing program services or products.
4. Goals, objectives, and performance measures used by the program to monitor and report program accomplishments.
5. The accuracy or adequacy of public documents, reports, and requests prepared by the county or school district that relate to the program.
6. The program's compliance with appropriate policies, rules, and laws.

A referendum to adopt, amend, or reenact a local discretionary sales surtax must be held at a general election as defined in s. 97.021, F.S. A referendum to reenact an expiring surtax must be held at a general election occurring within the 48-month period immediately preceding the effective date of the reenacted surtax. Such a referendum may appear on the ballot only once within the 48-month period.

The administrative procedures relevant to local discretionary sales surtaxes are outlined in s. 212.054, F.S. The Department of Revenue (DOR) administers, collects, and enforces the surtaxes. The governing body of any county levying a local discretionary sales surtax enacts an ordinance levying the surtax in accordance with the procedures described in s. 125.66(2), F.S. Current law requires that any initial levy or rate change can only take effect on January 1st, and any levy termination can only take effect on December 31st.

The proceeds of each county's discretionary sales surtax collections are transferred to the Discretionary Sales Surtax Clearing Trust Fund [hereinafter, the Trust Fund]. A separate account in the Trust Fund is established for each county imposing the surtax. The DOR is authorized to take an administrative cost deduction not to exceed 3 percent of the total surtax revenue generated by all levying counties. The administrative cost deduction is used only for those costs solely and directly attributable to the surtax, and the costs are prorated among those counties levying the surtax on the basis of the amount collected for a particular county to the total amount collected for all counties.

REPORTING REQUIREMENTS:
The governing body of any county or school board that levies the surtax shall notify the Department within 10 days after the final adoption by ordinance or referendum of an imposition, termination, or rate change. The Department must receive this notice no later than November 16th prior to the January 1st effective date. The notice must specify the rate as well as the time period during which the surtax will be in effect and must include a copy of the ordinance and such other information required by departmental rule. Failure to timely provide such notification to the Department shall result in the delay of the effective date for a period of one year.

Additionally, the governing body of any county or school board proposing to levy the surtax shall notify the Department by October 1st if the referendum or consideration of the ordinance that would result in the imposition, termination, or rate change of a surtax is scheduled to occur on or after October 1st of that year. Failure to timely provide such notification to the Department shall result in the delay of the effective date for a period of one year.

DISPOSITION:
The Department shall distribute funds using a distribution factor determined for each levying county that is multiplied by the amount available for distribution. The county's distribution factor shall equal the product of the county's latest official population, pursuant to s. 186.901, F.S.; the county's surtax rate; and the number of months the county has levied the surtax during the most recent distribution period divided by the sum of all such products of the counties levying the surtax during the most recent distribution period. The Department shall compute distribution factors for eligible counties once each quarter and make appropriate quarterly distributions. A county that fails to provide timely information waives its rights to challenge the Department's determination of the county's share of the revenues.

OTHER STATES:
According to the Tax Foundation, 38 states collect local sales taxes as of July 2025. A listing of those states can be found in the Tax Foundation's article entitled *State and Local Sales Tax Rates, Midyear 2025* via the following link:
https://taxfoundation.org/data/all/state/sales-tax-rates/

ADDITIONAL INFORMATION:
A table summarizing the counties eligible to levy the various surtaxes and the 2025 county tax rates immediately follows this section. Summaries of the nine individual surtax authorizations can be found in the sections immediately following the surtax rate table.

Annual tax distributions by county as well as a historical summary of surtax impositions, expirations, extensions, rate changes, and repeals can be found on the EDR's Local Government Data webpage under the heading of Local Option Sales Taxes via the following link:
http://edr.state.fl.us/Content/local-government/data/data-a-to-z/g-l.cfm

A more detailed description of each surtax in its present form as well as estimated revenue distributions to county and municipal governments can be found in the Office of Economic and Demographic Research's annual report *Local Government Financial Information Handbook* via the following link:
http://edr.state.fl.us/Content/local-government/reports/index.cfm

# 2025 Local Discretionary Sales Surtax Rates in Florida's Counties

| County | April 1, 2024 Countywide Population Estimates | County Government Levies: Charter County and Regional Transportation System Surtax s. 212.055(1), F.S. *Up to 1%* | Certain Levy Combinations Are Subject to Tax Rate Caps - See Notes Below: Local Gov't Infrastructure Surtax s. 212.055(2), F.S. *0.5% or 1%* | Small County Surtax s. 212.055(3), F.S. *0.5% or 1%* | Indigent Care and Trauma Center Surtax s. 212.055(4), F.S. *Up to 0.25%, 0.5 %* | County Public Hospital Surtax s. 212.055(5), F.S. *0.5%* | Voter-Approved Indigent Care Surtax s. 212.055(7), F.S. *Up to 0.5%, 1%* | Pension Liability Surtax s. 212.055(9), F.S. *Up to 0.5%* | Emergency Fire Rescue Services and Facilities Surtax s. 212.055(8), F.S. *Up to 1%* | Maximum Potential Tax Rate | Current Tax Rate | Unutilized Tax Rate | School District Levy: School Capital Outlay Surtax s. 212.055(6), F.S. *Up to 0.5%* | Maximum Potential Tax Rate | Current Tax Rate | Unutilized Tax Rate |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Alachua | 296,313 | | 1 | | | | | | | 3.5 | 1.0 | 2.5 | 0.5 | 0.5 | 0.5 | 0.0 |
| Baker | 28,899 | | | 1 | | | | | | 2.5 | 1.0 | 1.5 | | 0.5 | 0.0 | 0.5 |
| Bay | 196,112 | | 0.5 | | | | | | | 2.0 | 0.5 | 1.5 | 0.5 | 0.5 | 0.5 | 0.0 |
| Bradford | 27,335 | | | 1 | | | | | | 2.5 | 1.0 | 1.5 | | 0.5 | 0.0 | 0.5 |
| Brevard | 653,703 | | 0.5 | | | | | | | 3.0 | 0.5 | 2.5 | 0.5 | 0.5 | 0.5 | 0.0 |
| Broward | 1,981,888 | 1 | | | | | | | | 3.0 | 1.0 | 2.0 | | 0.5 | 0.0 | 0.5 |
| Calhoun | 13,700 | | | 1 | | | | | | 2.5 | 1.0 | 1.5 | 0.5 | 0.5 | 0.5 | 0.0 |
| Charlotte | 210,645 | | 1 | | | | | | | 3.0 | 1.0 | 2.0 | | 0.5 | 0.0 | 0.5 |
| Citrus | 166,151 | | | | | | | | | 2.0 | 0.0 | 2.0 | | 0.5 | 0.0 | 0.5 |
| Clay | 236,365 | | 1 | | | | | | | 3.0 | 1.0 | 2.0 | 0.5 | 0.5 | 0.5 | 0.0 |
| Collier | 408,381 | | | | | | | | | 2.0 | 0.0 | 2.0 | | 0.5 | 0.0 | 0.5 |
| Columbia | 72,155 | | | 1 | | | | | | 3.0 | 1.0 | 2.0 | 0.5 | 0.5 | 0.5 | 0.0 |
| DeSoto | 35,487 | | | 1 | | | 0.5 | | | 2.5 | 1.5 | 1.0 | | 0.5 | 0.0 | 0.5 |
| Dixie | 17,555 | | | 1 | | | | | | 2.5 | 1.0 | 1.5 | | 0.5 | 0.0 | 0.5 |
| Duval | 1,062,593 | 0.5 | 0.5 | | | | | | | 3.0 | 1.0 | 2.0 | 0.5 | 0.5 | 0.5 | 0.0 |
| Escambia | 336,358 | | 1 | | | | | | | 2.0 | 1.0 | 1.0 | 0.5 | 0.5 | 0.5 | 0.0 |
| Flagler | 136,310 | | | 0.5 | | | | | | 2.0 | 0.5 | 1.5 | 0.5 | 0.5 | 0.5 | 0.0 |
| Franklin | 13,321 | | | 1 | | | | | | 2.5 | 1.0 | 1.5 | 0.5 | 0.5 | 0.5 | 0.0 |
| Gadsden | 44,853 | | | 1 | | | 0.5 | | | 2.5 | 1.5 | 1.0 | | 0.5 | 0.0 | 0.5 |
| Gilchrist | 19,503 | | | 1 | | | | | | 2.5 | 1.0 | 1.5 | | 0.5 | 0.0 | 0.5 |
| Glades | 12,815 | | | 1 | | | | | | 2.5 | 1.0 | 1.5 | | 0.5 | 0.0 | 0.5 |
| Gulf | 16,947 | | | 1 | | | | | | 2.5 | 1.0 | 1.5 | | 0.5 | 0.0 | 0.5 |
| Hamilton | 14,228 | | | 1 | | | | | 1 | 2.5 | 2.0 | 0.5 | | 0.5 | 0.0 | 0.5 |
| Hardee | 25,883 | | | 1 | | | | | | 2.5 | 1.0 | 1.5 | | 0.5 | 0.0 | 0.5 |
| Hendry | 45,413 | | | 1 | | | | | | 2.5 | 1.0 | 1.5 | 0.5 | 0.5 | 0.5 | 0.0 |
| Hernando | 210,577 | | | | | | | | | 3.0 | 0.0 | 3.0 | 0.5 | 0.5 | 0.5 | 0.0 |
| Highlands | 106,109 | | 1 | | | | | | | 2.0 | 1.0 | 1.0 | 0.5 | 0.5 | 0.5 | 0.0 |
| Hillsborough | 1,560,449 | | 0.5 | | 0.5 | | | | | 3.0 | 1.0 | 2.0 | 0.5 | 0.5 | 0.5 | 0.0 |
| Holmes | 20,059 | | | 1 | | | 0.5 | | | 2.5 | 1.5 | 1.0 | | 0.5 | 0.0 | 0.5 |
| Indian River | 171,029 | | 1 | | | | | | | 2.0 | 1.0 | 1.0 | | 0.5 | 0.0 | 0.5 |
| Jackson | 49,345 | | | 1 | | | | | | 2.5 | 1.0 | 1.5 | 0.5 | 0.5 | 0.5 | 0.0 |
| Jefferson | 15,667 | | | 1 | | | | | | 2.5 | 1.0 | 1.5 | | 0.5 | 0.0 | 0.5 |
| Lafayette | 8,504 | | | 1 | | | | | | 2.5 | 1.0 | 1.5 | | 0.5 | 0.0 | 0.5 |
| Lake | 433,331 | | 1 | | | | | | | 2.0 | 1.0 | 1.0 | | 0.5 | 0.0 | 0.5 |
| Lee | 827,016 | | | | | | | | | 3.0 | 0.0 | 3.0 | 0.5 | 0.5 | 0.5 | 0.0 |
| Leon | 302,197 | | 1 | | | | | | | 3.5 | 1.0 | 2.5 | 0.5 | 0.5 | 0.5 | 0.0 |
| Levy | 45,845 | | | 1 | | | | | | 2.5 | 1.0 | 1.5 | | 0.5 | 0.0 | 0.5 |
| Liberty | 8,016 | | | 1 | | | | | 0.5 | 2.5 | 1.5 | 1.0 | | 0.5 | 0.0 | 0.5 |
| Madison | 18,649 | | | 1 | | | 0.5 | | | 1.5 | 1.5 | 0.0 | | 0.5 | 0.0 | 0.5 |
| Manatee | 455,356 | | 0.5 | | | | | | | 3.0 | 0.5 | 2.5 | 0.5 | 0.5 | 0.5 | 0.0 |
| Marion | 419,510 | | 1 | | | | | | | 2.0 | 1.0 | 1.0 | 0.5 | 0.5 | 0.5 | 0.0 |
| Martin | 164,853 | | 0.5 | | | | | | | 2.0 | 0.5 | 1.5 | 0.5 | 0.5 | 0.5 | 0.0 |
| Miami-Dade | 2,774,841 | 0.5 | | | | 0.5 | | | | 2.0 | 1.0 | 1.0 | | 0.5 | 0.0 | 0.5 |
| Monroe | 84,147 | | 1 | | | | | | | 2.0 | 1.0 | 1.0 | 0.5 | 0.5 | 0.5 | 0.0 |
| Nassau | 103,990 | | | 1 | | | | | | 2.0 | 1.0 | 1.0 | | 0.5 | 0.0 | 0.5 |
| Okaloosa | 221,806 | | 0.5 | | | | | | | 2.0 | 0.5 | 1.5 | 0.5 | 0.5 | 0.5 | 0.0 |
| Okeechobee | 40,230 | | | 1 | | | | | | 2.5 | 1.0 | 1.5 | | 0.5 | 0.0 | 0.5 |
| Orange | 1,511,568 | | | | | | | | | 3.0 | 0.0 | 3.0 | 0.5 | 0.5 | 0.5 | 0.0 |
| Osceola | 451,231 | | 1 | | | | | | | 3.0 | 1.0 | 2.0 | 0.5 | 0.5 | 0.5 | 0.0 |
| Palm Beach | 1,545,905 | | 1 | | | | | | | 3.0 | 1.0 | 2.0 | | 0.5 | 0.0 | 0.5 |
| Pasco | 633,029 | | 1 | | | | | | | 3.0 | 1.0 | 2.0 | | 0.5 | 0.0 | 0.5 |
| Pinellas | 971,218 | | 1 | | | | | | | 3.0 | 1.0 | 2.0 | | 0.5 | 0.0 | 0.5 |
| Polk | 826,090 | | | | | | 0.5 | | | 3.0 | 0.5 | 2.5 | 0.5 | 0.5 | 0.5 | 0.0 |
| Putnam | 76,138 | | 1 | | | | | | | 2.0 | 1.0 | 1.0 | | 0.5 | 0.0 | 0.5 |
| St. Johns | 331,479 | | | | | | | | | 2.0 | 0.0 | 2.0 | 0.5 | 0.5 | 0.5 | 0.0 |
| St. Lucie | 385,746 | | 0.5 | | | | | | | 2.0 | 0.5 | 1.5 | 0.5 | 0.5 | 0.5 | 0.0 |
| Santa Rosa | 207,983 | | 0.5 | | | | | | | 2.0 | 0.5 | 1.5 | 0.5 | 0.5 | 0.5 | 0.0 |
| Sarasota | 479,027 | | 1 | | | | | | | 3.0 | 1.0 | 2.0 | | 0.5 | 0.0 | 0.5 |
| Seminole | 493,282 | | 1 | | | | | | | 3.0 | 1.0 | 2.0 | | 0.5 | 0.0 | 0.5 |
| Sumter | 156,743 | | | 1 | | | | | | 2.0 | 1.0 | 1.0 | | 0.5 | 0.0 | 0.5 |
| Suwannee | 46,519 | | | 1 | | | | | | 2.5 | 1.0 | 1.5 | | 0.5 | 0.0 | 0.5 |
| Taylor | 21,802 | | | 1 | | | | | | 2.5 | 1.0 | 1.5 | | 0.5 | 0.0 | 0.5 |
| Union | 16,100 | | | 1 | | | | | | 2.5 | 1.0 | 1.5 | | 0.5 | 0.0 | 0.5 |
| Volusia | 594,643 | | | | | | | | | 3.0 | 0.0 | 3.0 | 0.5 | 0.5 | 0.5 | 0.0 |
| Wakulla | 37,313 | | 1 | | | | | | | 3.5 | 1.0 | 2.5 | 0.5 | 0.5 | 0.5 | 0.0 |
| Walton | 87,728 | | | 1 | | | | | | 2.0 | 1.0 | 1.0 | | 0.5 | 0.0 | 0.5 |
| Washington | 26,568 | | | 1 | | | | | | 2.5 | 1.0 | 1.5 | 0.5 | 0.5 | 0.5 | 0.0 |
| # Eligible to Levy: | | 23 | 67 | 31 | 66 | 1 | 59 | 27 | 65 | | **67** | | 67 | | **67** | |
| # Levying: | | 3 | 27 | 30 | 1 | 1 | 5 | 0 | 2 | | **60** | | 31 | | **31** | |

# 2025 Local Discretionary Sales Surtax Rates in Florida's Counties

| | | County Government Levies | | | | | | | | | | | | School District Levy | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Certain Levy Combinations Are Subject to Tax Rate Caps - See Notes Below | | | | | | | | | | | | | | |
| County | April 1, 2024 Countywide Population Estimates | Charter County and Regional Transportation System Surtax s. 212.055(1), F.S. *Up to 1%* | Local Gov't Infrastructure Surtax s. 212.055(2), F.S. *0.5% or 1%* | Small County Surtax s. 212.055(3), F.S. *0.5% or 1%* | Indigent Care and Trauma Center Surtax s. 212.055(4), F.S. *Up to 0.25%, 0.5 %* | County Public Hospital Surtax s. 212.055(5), F.S. *0.5%* | Voter-Approved Indigent Care Surtax s. 212.055(7), F.S. *Up to 0.5%, 1%* | Pension Liability Surtax s. 212.055(9), F.S. *Up to 0.5%* | Emergency Fire Rescue Services and Facilities Surtax s. 212.055(8), F.S. *Up to 1%* | **Maximum Potential Tax Rate** | **Current Tax Rate** | **Unutilized Tax Rate** | School Capital Outlay Surtax s. 212.055(6), F.S. *Up to 0.5%* | **Maximum Potential Tax Rate** | **Current Tax Rate** | **Unutilized Tax Rate** |

Notes:
1) Boxed areas indicate those counties eligible to impose particular surtaxes authorized for county governments or school districts eligible to impose the School Capital Outlay Surtax.

2) The Indigent Care and Trauma Center Surtax consists of two separate levies for different groups of eligible counties. Non-consolidated counties with a total population of 800,000 or more may impose, either by an extraordinary vote of the county's governing body or voter approval in a countywide referendum, a surtax not to exceed 0.5% for the purpose of funding health care services for qualified residents. Non-consolidated counties with a total population of less than 800,000 may impose, subject to voter approval in a countywide referendum, a surtax not to exceed 0.25% for the sole purpose of funding trauma services provided by a trauma center licensed pursuant to Chapter 395, Florida Statutes.

3) Pursuant to ss. 212.055(2)(h) and 212.055(3)(f), F.S., a county cannot levy the Local Government Infrastructure, Small County, Indigent Care and Trauma Center, and County Public Hospital surtaxes in excess of a combined rate of 1%.

4) Pursuant to s. 212.055(4)(b)5., F.S., a county cannot levy the Local Government Infrastructure, Small County, and Indigent Care and Trauma Center surtaxes in excess of a combined rate of 1%.

5) Pursuant to s. 212.055(5)(f), F.S., a county cannot levy the Local Government Infrastructure, Small County, and County Public Hospital surtaxes in excess of a combined rate of 1%.

6) Subject to referendum approval, the Voter-Approved Indigent Care Surtax may be levied by counties with less than 800,000 residents at a rate not to exceed 0.5%. However, if a publicly supported medical school is located within the qualifying county, the rate cannot exceed 1%, pursuant to s. 212.055(7)(a), F.S. Currently, Florida has publicly supported medical schools at the following universities: Florida International University in Miami-Dade County; Florida State University in Leon County; University of Central Florida in Orange County; University of Florida in Alachua County; and the University of South Florida in Hillsborough County. The Florida International University, University of Central Florida, and University of South Florida medical schools are each located in counties having a resident population greater than 800,000; therefore, Hillsborough, Miami-Dade, and Orange counties are not eligible to levy the surtax. Only Alachua and Leon counties could levy the surtax at the maximum 1% rate. Additionally, the governing body of any county that has a population of less than 50,000 residents may levy the surtax, at a rate not to exceed 1%, subject to voter approval in countywide referendum pursuant to Chapter 2005-242, Laws of Florida. Consequently, if a publicly supported medical school is located in the county, or the county has a population of less than 50,000 residents, the combined tax rate of this levy and any Local Government Infrastructure Surtax and Small County Surtax levies cannot exceed 1.5% pursuant to s. 212.055(7)(f), F.S. For all other counties eligible to levy this surtax, the combined tax rate cannot exceed 1%.

7) During the 2025 calendar year, DeSoto, Gadsden, Holmes, Madison, and Polk counties will be levying the Voter-Approved Indigent Care Surtax at 0.5 percent. Based on the April 1, 2024, official population estimates, 58 counties have a total population of less than 800,000 and are eligible to levy this surtax. Based on these same estimates, the total populations of nine counties (i.e., Broward, Duval, Hillsborough, Lee, Miami-Dade, Orange, Palm Beach, Pinellas, and Polk) exceed 800,000. Although the total population of Polk County now exceeds 800,000, the county originally authorized this surtax levy, effective January 1, 2005, when its total population was well below the 800,000-population limit. That initial levy was scheduled to expire on December 31, 2019; however, prior to that expiration date, the county extended the levy when its total population was still below the 800,000-population limit. Polk County's levy is now scheduled to expire on December 31, 2044.

8) Effective July 1, 2009, Chapter 2009-146, L.O.F., renamed the Charter County Transit System Surtax as the Charter County Transportation System Surtax and extended eligibility for surtax levy to 13 additional charter counties. Effective July 1, 2010, Chapter 2010-225, L.O.F., renamed the Charter County Transportation System Surtax as the Charter County and Regional Transportation System Surtax and extended eligibility for surtax levy to each county that is within or under an interlocal agreement with a regional transportation or transit authority created under Chapters 343 or 349, Florida Statutes (i.e., South Florida Regional Transportation Authority, Central Florida Regional Transportation Authority, Northwest Florida Transportation Corridor Authority, Tampa Bay Area Regional Transit Authority, and Jacksonville Transportation Authority). As a result of the legislation, seven counties within the Northwest Florida Transportation Corridor Authority (i.e., Bay, Escambia, Franklin, Gulf, Okaloosa, Santa Rosa, and Walton) and three counties of the Tampa Bay Area Regional Transit Authority (i.e., Hernando, Manatee, and Pasco) are eligible to levy this surtax. Effective March 15, 2021, the 1% Charter County and Regional Transportation System Surtax in Hillsborough County was terminated after the Florida Supreme Court ruled that the county's levy was unconstitutional. Effective July 1, 2021, Chapter 2021-188, L.O.F., dissolved the Northwest Florida Transportation Corridor Authority by repealing Part III of Chapter 343, F.S. Consequently, the non-charter counties of Bay, Escambia, Franklin, Gulf, Okaloosa, Santa Rosa, and Walton, which were served by the authority, are no longer eligible to levy this surtax. Although Wakulla County was also served by the Authority, it is still eligible to levy the surtax because it is also a charter county.

9) Effective July 1, 2009, Chapter 2009-182, L.O.F., created the Emergency Fire Rescue Services and Facilities Surtax. A county's governing body, other than a county that has imposed two separate discretionary surtaxes without expiration, may levy this surtax at a rate of up to 1%, subject to voter approval in a countywide referendum. Madison and Miami-Dade counties are not eligible to levy this surtax since each county has imposed two separate discretionary surtaxes without expiration. The remaining 65 counties are eligible to levy this surtax. However, if Orange or Osceola impose the surtax, neither county can levy the surtax within the boundaries of the Reedy Creek Improvement District pursuant to s. 212.055(8)(j), F.S.

10) Since both the Charter County and Regional Transportation System Surtax and Emergency Fire Rescue Services and Facilities Surtax are not subject to any tax rate limitations, the maximum potential tax rates for nearly all county governments have increased since July 1, 2009. For Madison and Miami-Dade counties, the maximum potential tax rate did not change. For 24 counties (i.e., Alachua, Bay, Brevard, Charlotte, Citrus, Clay, Columbia, Escambia, Franklin, Gulf, Hernando, Lee, Leon, Manatee, Okaloosa, Orange, Osceola, Palm Beach, Pasco, Polk, Santa Rosa, Seminole, Wakulla, and Walton), the maximum potential tax rate increased by 2%. For all other counties, the maximum potential tax rate increased by 1%. Currently, Alachua, Franklin, Gulf, Leon, and Wakulla counties have the highest maximum potential tax rate for county government levies at 3.5%.

11) Effective July 1, 2016, Chapter 2016-146, L.O.F., created the Pension Liability Surtax and specified that a county considering a Pension Liability Surtax levy must currently levy the Local Government Infrastructure Surtax, which is scheduled to terminate and is not subject to renewal. Additionally, the legislation created a number of preconditions that must be satisfied prior to a Pension Liability Surtax levy and specified that a county may not levy this surtax as well as the Local Government Infrastructure Surtax, Small County Surtax, Indigent Care and Trauma Center Surtax, and County Public Hospital Surtax, in excess of a combined rate of 1%.

12) Effective May 7, 2024, Chapter 2024-158, L.O.F., removed statutory language that excluded counties consolidated with one or more municipalities (i.e., Duval County only) from the authority to levy the Indigent Care and Trauma Center Surtax. Additionally, it removed a county's ability to authorize the surtax levy by an extraordinary vote of the governing body and now requires voters to approve the levy.

13) New or extended surtax levies effective January 1, 2025: Hamilton County's 1% Emergency Fire Rescue Services and Facilities Surtax levy; Marion County's 1% Local Government Infrastructure Surtax levy; Marion County's 0.5% School Capital Outlay Surtax levy; Martin County's 0.5% Local Government Infrastructure Surtax levy; and Seminole County's 1% Local Government Infrastructure Surtax levy.

14) Effective January 1, 2025, the 0.5% Local Government Infrastructure Surtax and 0.5% Indigent Care and Trauma Center Surtax levies in Hillsborough County will be temporarily suspended. In March 2021, the Florida Supreme Court ruled that Hillsborough County's levy of the 1% Charter County and Regional Transportation System Surtax, which was adopted in November 2018, was unconstitutional. The Florida Legislature enacted Chapter 2024-231, Laws of Florida, which provides that the invalidated transportation surtax proceeds will be used to temporarily offset all Hillsborough County surtax levies, except the School Capital Outlay Surtax, beginning January 1, 2025. The length of the surtax suspension is based on several factors and will be determined by the Department of Revenue. Because the suspension of the two Hillsborough County surtaxes is temporary, the rates remain listed in this table.

15) During 2024, the following surtax levies, which were set to expire in future years, were extended: Bay County's 0.5% Local Government Infrastructure Surtax levy; Excambia County's 0.5% School Capital Outlay Surtax levy; Hernando County's 0.5% School Capital Outlay Surtax levy; Hillsborough County's 0.5% Local Government Infrastructure Surtax levy; Holmes County's 0.5% Voter-Approved Indigent Care Surtax levy; Jackson County's 0.5% School Capital Outlay Surtax; Monroe County's 0.5% School Capital Outlay Surtax; Orange County's 0.5% School Capital Outlay Surtax; St. Johns County's 0.5% School Capital Outlay Surtax; and St. Lucie County's 0.5% School Capital Outlay Surtax.

16) The following levies are scheduled to expire on December 30, 2025: Jackson County's 1% Small County Surtax levy and Martin County's 0.5% School Capital Outlay Surtax levy.

17) The following levies are scheduled to expire on December 30, 2026: Brevard County's 0.5% Local Government Infrastructure Surtax and 0.5% School Capital Outlay Surtax levies; Charlotte County's 1% Local Government Infrastructure Surtax levy; Liberty County's 0.5% Emergency Fire Rescue Services and Facilities Surtax levy; Palm Beach County's 1% Local Government Infrastructure Surtax levy; and Santa Rosa County's 0.5% Local Government Infrastructure Surtax levy.

Data Sources: Florida Department of Revenue's "History of Local Sales Tax and Current Rates" (March 1, 2025) available at https://floridarevenue.com/taxes/Documents/flHistorySalesTaxRates.pdf

# CHARTER COUNTY AND REGIONAL TRANSPORTATION SYSTEM SURTAX

FLORIDA STATUTES: Section 212.055(1)

ADMINISTERED BY: Department of Revenue

SUMMARY:
Each charter county that has adopted a charter, each county the government of which is consolidated with that of one or more municipalities, and each county that is within or under an interlocal agreement with a regional transportation or transit authority created under ch. 343 or 349, F.S., may levy the Charter County and Regional Transportation System Surtax at a rate of up to 1 percent. The levy is subject to approval by a majority vote of the county's electorate or by a charter amendment approved by a majority vote of the county's electorate. Generally, the use of the proceeds is for the development, construction, operation, and maintenance of fixed guideway rapid transit systems, bus systems, on-demand transportation services, and roads and bridges. Broward, Duval, and Miami-Dade counties will be levying this surtax during the 2025 calendar year.

REVENUE:

| Fiscal Year | Total Collections | Annual Change % |
|---|---|---|
| 2026-27* | 895,891,143 | 2.04% |
| 2025-26* | 877,994,302 | -0.21% |
| 2024-25 | 879,884,829 | 1.86% |
| 2023-24 | 863,837,026 | -0.31% |
| 2022-23 | 866,523,994 | 5.27% |
| 2021-22 | 823,166,134 | 0.51% |
| 2020-21 | 818,997,666 | -2.79% |

* Estimate

HISTORY:
Chapter 76-284, L.O.F., authorized charter counties, which adopted a charter prior to June 1, 1976, to levy a 1 percent surtax subject to voter approval in a countywide referendum. The surtax proceeds were restricted to costs associated with the development and construction of fixed guideway rapid transit systems.

Chapter 85-180, L.O.F., authorized the expenditure of surtax proceeds for countywide bus systems that function as supportive services for a fixed guideway rapid transit system. Chapters 87-99 and 87-100, L.O.F., authorized counties to remit surtax proceeds to an expressway or transportation authority for the development, construction, operation, and maintenance of roads or bridges, or for the operation and maintenance of a bus system. Chapter 87-548, L.O.F., authorized any county, which was consolidated with one or more municipalities, to levy the surtax at the rate of 1 percent.

Chapter 99-385, L.O.F. (HB 591), authorized the surtax proceeds to be applied to as many or as few of the authorized uses in whatever combination the county's governing body deems appropriate.

Chapter 2002-20, L.O.F. (HB 261), expanded levy eligibility by authorizing any county that adopted a charter prior to January 1, 1984, to levy this surtax. Chapter 2003-254, L.O.F. (SB 1176), authorized a number of expanded uses for the surtax proceeds. Chapter 2004-66, L.O.F. (SB 2264), authorized all charter counties eligible to levy this surtax to use up to 25 percent of the proceeds for non-transit purposes. Chapter 2009-146, L.O.F. (HB 1205), renamed the surtax as the Charter County Transportation System Surtax and extended eligibility for surtax levy to 13 additional charter counties and allowed for

the surtax proceeds to be remitted to transit authorities. Additionally, it required interlocal agreements specifying the distribution of surtax proceeds with one or more municipalities to be revised no less than every five years to reflect recent municipal incorporations.

Chapter 2010-225, L.O.F. (HB 1271), renamed the surtax as the Charter County and Regional Transportation System Surtax and extended eligibility for surtax levy to counties within or under an interlocal agreement with a regional transportation or transit authority. The surtax proceeds could be expended for the planning, development, construction, expansion, operation, and maintenance of statutorily-defined, on-demand transportation services. Chapter 2019-64, L.O.F. (CS/CS/HB 5), amended s. 212.055, F.S., to require, effective January 1, 2020, that any referendum to adopt or amend a local discretionary sales surtax be held at a general election, which is defined in s. 97.021, F.S., to mean an election held on the first Tuesday after the first Monday in November in the even-numbered years. Upon adoption of an ordinance or a resolution by a county or school district to hold a local discretionary sales surtax referendum on or after January 1, 2020, the legislation required the county or school district to provide the Florida Legislature's Office of Program Policy Analysis and Government Accountability (OPPAGA) with a copy of the final ordinance or resolution calling for the referendum at least 180 days before the referendum is held. Additionally, the legislation maintained the requirement that OPPAGA select and pay for a certified public accountant to conduct a performance audit of the program associated with the proposed surtax and the requirement that the performance audit be completed and made available on the county or school district website at least 60 days prior to the referendum. OPPAGA is required to procure the certified public accountant to conduct the performance audit within 60 days of receiving the final resolution or ordinance. Furthermore, the legislation declared void any local discretionary sales surtax referendum if the county or school district failed to provide notice to OPPAGA or failed to publish the results of the performance audit on its website at least 60 days before the referendum was held. Chapter 2019-169, L.O.F. (CS/CS/CS/HB 385), changed the authorized uses of the surtax proceeds, effective October 1, 2022.

Chapter 2020-10, L.O.F. (CS/HB 7097), required that any levy of this surtax, pursuant to a referendum held on or after July 1, 2020, shall not be levied for more than 30 years. Chapter 2023-157, L.O.F (HB 7063), required a referendum to reenact a local discretionary sales surtax to be held at a general election as defined in s. 97.021, F.S. A referendum to reenact an expiring surtax must be held at a general election occurring within the 48-month period immediately preceding the effective date of the reenacted surtax. Such a referendum may appear on the ballot only once within the 48-month period.

IMPOSITION AND RATE:
Any county that has adopted a home rule charter, any county government that has consolidated with one or more municipalities, and any county that is within or under an interlocal agreement with a regional transportation or transit authority created under ch. 343 or 349, F.S., may levy this surtax at a rate of up to 1 percent, subject to approval by a majority vote of the county's electorate or a charter amendment approved by a majority vote of the county's electorate.

Based on these criteria, 23 counties (i.e., Alachua, Brevard, Broward, Charlotte, Clay, Columbia, Duval, Hernando, Hillsborough, Lee, Leon, Manatee, Miami-Dade, Orange, Osceola, Palm Beach, Pasco, Pinellas, Polk, Sarasota, Seminole, Volusia, and Wakulla) are eligible to levy the surtax. During the 2025 calendar year, Broward County will be levying at 1 percent, and Duval and Miami-Dade counties will be levying at 0.5 percent. Effective March 15, 2021, the surtax levy in Hillsborough County was terminated after the Florida Supreme Court ruled that the county's levy was unconstitutional. This surtax, in addition to the Emergency Fire Rescue Services and Facilities Surtax and the School Capital Outlay Surtax, is not subject to a combined rate limitation that impacts the other discretionary sales surtax levies.

## CHARTER COUNTY AND REGIONAL TRANSPORTATION SYSTEM SURTAX

DISPOSITION AND USES:
The Department of Revenue shall distribute the surtax proceeds to the county government for deposit into the county trust fund or remittance by the county's governing body to an expressway, transit, or transportation authority created by law. Generally, the surtax proceeds may be expended by the county government or an expressway, transit or transportation authority created by law for the planning, development, construction, operation, and maintenance of roads and bridges in the county; for the planning, development, expansion, operation, and maintenance of bus and fixed guideway systems; for the planning, development, construction, operation, and maintenance of on-demand transportation services; and for the payment of principal and interest on bonds issued for the construction of fixed guideway rapid transit systems, bus systems, roads, or bridges. Effective October 1, 2022, additional uses of the surtax proceeds in Miami-Dade County were authorized.

ADDITIONAL INFORMATION:
A more detailed description of this surtax in its present form as well as estimated revenue distributions to county and municipal governments can be found in the Office of Economic and Demographic Research's annual report *Local Government Financial Information Handbook* via the following link: http://edr.state.fl.us/Content/local-government/reports/index.cfm

# EMERGENCY FIRE RESCUE SERVICES AND FACILITIES SURTAX

FLORIDA STATUTES: Section 212.055(8)

ADMINISTERED BY: Florida Department of Revenue

SUMMARY:
The Emergency Fire Rescue Services and Facilities Surtax may be levied at the rate of up to 1 percent pursuant to an ordinance enacted by a majority vote of the county's governing body and approved by voters in a countywide referendum. However, any county that has imposed two separate discretionary surtaxes without expiration cannot levy this surtax. The proceeds must be expended for specified emergency fire rescue services and facilities. Hamilton and Liberty counties will be levying this surtax during the 2025 calendar year.

REVENUE:

| Fiscal Year | Total Collections | Annual Change % |
|---|---|---|
| 2026-27* | 195,634 | 2.04% |
| 2025-26* | 191,726 | -0.21% |
| 2024-25 | 192,139 | 30.53% |
| 2023-24 | 147,194 | -26.30% |
| 2022-23 | 199,734 | 20.66% |
| 2021-22 | 165,532 | 20.60% |
| 2020-21 | 137,256 | 16.71% |

HISTORY:
Chapter 2009-182, L.O.F. (SB 1000), created the Emergency Fire Rescue Services and Facilities Surtax. It authorized a county's governing body, other than a county that has imposed two separate discretionary surtaxes without expiration, to levy a discretionary sales surtax of up to 1 percent, subject to voter approval in a countywide referendum, for emergency fire rescue services and facilities.

Chapter 2015-169, L.O.F. (CS/CS/HB 209), removed the requirement for the county government to enter into an interlocal agreement as a prerequisite for holding a referendum on the surtax. If the surtax is approved by referendum, the proceeds will be distributed to all local government entities providing emergency fire rescue services in the county. Surtax proceeds will be distributed to all participating entities providing emergency fire rescue services in the county based on each entity's pro rata share of spending on such services in the county over the five preceding fiscal years. Local government entities receiving any share of the surtax proceeds are required to reduce ad valorem taxes by the amount of revenue projected from surtax collections. If the surtax raises more revenue than the amount that would reduce the millage rate to zero, the funds are applied to non-ad valorem assessments by the entity, with any excess surtax proceeds transferred to the county to reduce the county's millage rate. If any entity declines its share of surtax proceeds, those proceeds are redistributed proportionally to participating entities on a pro rata basis. Chapter 2019-64, L.O.F. (CS/CS/HB 5), amended s. 212.055, F.S., to require, effective January 1, 2020, that any referendum to adopt or amend a local discretionary sales surtax be held at a general election, which is defined in s. 97.021, F.S., to mean an election held on the first Tuesday after the first Monday in November in the even-numbered years. Upon adoption of an ordinance or a resolution by a county or school district to hold a local discretionary sales surtax referendum on or after January 1, 2020, the legislation required the county or school district to provide the Florida Legislature's Office of Program Policy Analysis and Government Accountability (OPPAGA) with a copy of the final ordinance or resolution calling for the referendum at least 180 days before the referendum is held. Additionally, the legislation maintained the requirement that OPPAGA select and pay for a certified

public accountant to conduct a performance audit of the program associated with the proposed surtax and the requirement that the performance audit be completed and made available on the county or school district website at least 60 days prior to the referendum. OPPAGA is required to procure the certified public accountant to conduct the performance audit within 60 days of receiving the final resolution or ordinance. Furthermore, the legislation declared void any local discretionary sales surtax referendum if the county or school district failed to provide notice to OPPAGA or failed to publish the results of the performance audit on its website at least 60 days before the referendum was held.

Chapter 2023-157, L.O.F. (HB 7063), required a referendum to reenact a local discretionary sales surtax to be held at a general election as defined in s. 97.021, F.S. A referendum to reenact an expiring surtax must be held at a general election occurring within the 48-month period immediately preceding the effective date of the reenacted surtax. Such a referendum may appear on the ballot only once within the 48-month period.

IMPOSITION AND RATE:
The rate is up to 1 percent. Any county, except Madison, Miami-Dade, and certain portions of Orange and Osceola, is eligible to levy the surtax, subject to voter approval in a countywide referendum. The rate is up to 1 percent. Madison and Miami-Dade counties are not eligible to levy this surtax because both counties currently levy two separate discretionary surtaxes without expiration. Madison County levies both the Small County Surtax and Voter-Approved Indigent Care Surtax without expiration dates, and Miami-Dade County levies both the Charter County and Regional Transportation System Surtax and County Public Hospital Surtax without expiration dates. During the 2025 calendar year, Hamilton County will be levying at the 1 percent rate, and Liberty County will be levying at the 0.5 percent rate.

Additionally, the legislation provides that, notwithstanding s. 212.054, F.S., if a multicounty independent special district created pursuant to Chapter 67-764, L.O.F., levies ad valorem taxes on district property to fund emergency fire rescue service within the district and is required by s.2, Art. VII of the State Constitution to maintain a uniform ad valorem tax rate throughout the district, the county may not levy the surtax within the district's boundaries. This provision relates specifically to the Central Florida Tourism Oversight District (formerly the Reedy Creek Improvement District), which is located within portions of Orange and Osceola counties. The cities of Bay Lake and Lake Buena Vista as well as the Walt Disney World Resort Complex are located within the district. This provision prevents either county from levying the surtax within the district's boundaries if an ad valorem tax is levied to fund emergency fire rescue services. Currently, the district levies such an ad valorem tax and maintains a uniform ad valorem tax rate. Consequently, Orange and Osceola counties are prohibited from levying the surtax within the district's boundaries.

In addition to the Charter County and Regional Transportation System Surtax and the School Capital Outlay Surtax, this surtax is not subject to a combined rate limitation that impacts the other discretionary sales surtaxes.

DISPOSITION AND USES:
The surtax proceeds, less an administrative fee that may be retained by the Department of Revenue, are distributed by the Department to the county. The county distributes the surtax proceeds it receives from the Department to each local government entity providing emergency fire rescue services in the county. The surtax proceeds, less an administrative fee not to exceed 2 percent of the surtax collected, must be distributed by the county based on each entity's average annual expenditures for fire control and emergency fire rescue services in the five fiscal years preceding the fiscal year in which the surtax takes effect in proportion to the average annual total of the expenditures for such entities in the five fiscal years preceding the fiscal year in which the surtax takes effect. The county must revise the distribution

proportions to reflect a change in the service area of an entity receiving a distribution of the surtax proceeds. If an entity declines its share of surtax revenue, such revenue must be redistributed proportionally to the entities that are participating in the sharing of such revenue based on each participating entity's average annual expenditures for fire control and emergency fire rescue services in the preceding five fiscal years in proportion to the average annual total of the expenditures for the participating entities in the preceding five fiscal years.

The surtax shall be expended for emergency fire rescue services and facilities, which includes but is not limited to the following: 1) preventing and extinguishing fires; 2) protecting and saving life and property from fires, natural or intentional acts, or disasters; 3) enforcing municipal, county, or state fire protection codes and laws pertaining to the prevention and control of fires; and 4) providing pre-hospital emergency medical treatment.

ADDITIONAL INFORMATION:
A more detailed description of this surtax in its present form as well as estimated revenue distributions to county and municipal governments can be found in the Office of Economic and Demographic Research's annual report *Local Government Financial Information Handbook* via the following link:
http://edr.state.fl.us/Content/local-government/reports/index.cfm

# LOCAL GOVERNMENT INFRASTRUCTURE SURTAX

FLORIDA STATUTES: Section 212.055(2)

ADMINISTERED BY: Department of Revenue

SUMMARY:
The Local Government Infrastructure Surtax may be levied at the rate of 0.5 or 1 percent pursuant to an ordinance enacted by a majority vote of the county's governing body and approved by voters in a countywide referendum. Generally, the proceeds must be expended to finance, plan, and construct infrastructure; to acquire land for public recreation, conservation, or protection of natural resources; or to finance the closure of local government-owned solid waste landfills that have been closed or are required to be closed by order of the Department of Environmental Protection (DEP). Additional expenditure authority exists for select counties. All counties are eligible to levy this surtax, and 27 counties will be levying this surtax during the 2025 calendar year.

REVENUE:

| Fiscal Year | Total Collections | Annual Change % |
|---|---|---|
| 2026-27* | 1,825,867,704 | 2.04% |
| 2025-26* | 1,789,393,112 | -0.21% |
| 2024-25 | 1,793,246,092 | -1.30% |
| 2023-24 | 1,816,780,780 | -2.81% |
| 2022-23 | 1,869,244,096 | 6.20% |
| 2021-22 | 1,760,176,531 | 19.11% |
| 2020-21 | 1,477,819,583 | 10.02% |

* Estimate

HISTORY:
Chapter 87-239, L.O.F., created the Local Government Infrastructure Surtax, which authorized county governments, pursuant to voter approval in a countywide referendum, to levy a surtax of up to 1 percent in increments of ¼ cent for a period of up to 15 years. The distribution of proceeds was to be governed by interlocal agreement or default formula methodology, and the proceeds could be expended only for the financing, planning, and construction of infrastructure. Local government could not use the proceeds to supplant user fees or reduce existing ad valorem taxes. Chapter 87-548, L.O.F., authorized the surtax levy at a rate of 0.5 or 1 percent. Additionally, one or more municipalities representing a majority of the county's municipal population were authorized to place a surtax levy referendum on the ballot by adopting uniform resolutions to that effect.

Chapter 90-132, L.O.F. (HB 1299), authorized the surtax proceeds to also be used to acquire land for public recreation or conservation, or for the protection of natural resources. Chapter 90-203, L.O.F. (SB 862), required that municipalities adopting uniform resolutions called for a surtax levy referendum represent a majority of the county's population. Chapter 90-282, L.O.F. (HB 475), authorized school districts to share in the surtax proceeds pursuant to an interlocal agreement, subject to the consent of the county's governing body and the governing bodies of municipalities representing a majority of the county's municipal population. Chapter 92-309, L.O.F. (HB 193-H), limited the combined rate, in varying combinations of this and several other surtaxes to 1 percent. In addition, counties having a total population of 50,000 or less on April 1, 1992, were authorized to use the surtax proceeds for any public purpose if several conditions were met. Chapter 93-207, L.O.F. (HB 461), authorized local governments to use the surtax proceeds to finance the closure of county or municipal-owned solid waste landfills that

were already closed or required to be closed. In addition, counties having a total population of less than 50,000 were authorized to use the surtax proceeds for long-term maintenance costs associated with landfill closures. Chapter 93-222, L.O.F. (HB 729), limited the length of surtax levy and specified that any levy could only be extended by referendum approval. Also, the definition of infrastructure was expanded to include emergency vehicles and equipment. Chapter 94-459, L.O.F. (HB 475), authorized the Clay County BOCC to use the surtax proceeds to retire or service bond indebtedness incurred prior to July 1, 1987, and subsequently refunded, for the purpose of financing infrastructure. Chapter 94-487, L.O.F. (HB 2091), authorized the Alachua County BOCC and the county's municipalities to use surtax proceeds for the operation and maintenance of parks and recreation programs. Chapter 96-240, L.O.F. (SB 2334), authorized any county designated as an area of critical state concern to use the surtax proceeds for any public purpose if several conditions were met. In addition, any county in which 40 percent or more of the just value of real property is exempt or immune from ad valorem taxation (and the municipalities within such a county) was authorized to use the surtax proceeds for operation and maintenance of parks and recreation programs. Chapter 96-410, L.O.F. (HB 751), specified that once a county having a total population of 50,000 or less was qualified to use the surtax proceeds for long-term maintenance costs associated with the closure of solid waste landfills, the county would retain that qualification until its population exceeds 75,000. Chapter 98-342, L.O.F. (HB 4413), provided for an additional authorized use of the surtax that is imposed or extended after July 1, 1998, by authorizing that no more than 15 percent of surtax proceeds may be allocated for the purpose of funding economic development projects of a general public purpose targeted to improve local economies. Such funding could include the operational costs and incentives related to such economic development. Chapter 98-258, L.O.F. (HB 1589), increased the maximum population limit from 50,000 to 75,000 for a small county to qualify to use the surtax proceeds for long-term maintenance costs associated with landfill closure. Chapter 99-340, L.O.F. (HB 289), authorized charter counties to use the surtax proceeds to retire or service indebtedness for bonds issued prior to July 1, 1987, for infrastructure purposes as well as for bonds subsequently issued to refund such bonds. Additionally, the use of such proceeds for retiring or servicing indebtedness incurred for such refunding bonds issued prior to July 1, 1999, was ratified.

Chapter 2003-254, L.O.F. (SB 1176), eliminated the restrictions on the use of surtax proceeds to supplant or replace user fees or to reduce ad valorem taxes. Chapter 2003-402, L.O.F. (HB 113-A), expanded the allowable uses of the surtax proceeds to include the construction, lease, or maintenance of, provision of utilities or security for, those court facilities as defined in s. 29.008, F.S. Chapter 2006-66, L.O.F. (HB 737), modified the definition of infrastructure to include any fixed capital expenditure or fixed capital outlay associated with the improvement of private facilities that have a life expectancy of five or more years and that the owner agrees to make available for use on a temporary basis as needed by a local government as a public emergency shelter or staging area for emergency response equipment during an emergency officially declared by the state or local government. Chapter 2006-223, L.O.F. (HB 1299), authorized a county, which was designated as an area of critical state concern for at least 20 consecutive years prior to removal of the designation and qualified to use the surtax proceeds for any public purpose at the time of the designation's removal, to continue to use up to 10 percent of the surtax proceeds for any public purpose other than for infrastructure purposes for 20 years. After the 20 year period expires, a county could adopt an ordinance providing for such continued use of surtax proceeds. Chapter 2007-196, L.O.F. (SB 1974), deleted a provision prohibiting a school district, county, or municipality from issuing bonds more than once each year pledging the surtax proceeds. Chapter 2009-96, L.O.F. (SB 360), expanded the definition of infrastructure to include any land-acquisition expenditure for a residential housing project in which at least 30 percent of the units are affordable to individual or families whose total annual household income does not exceed 120 percent of the area median income adjusted for household size, if the land is owned by a local government or special district that enters into a written agreement with the local government to provide such housing.

Chapter 2012-117, L.O.F. (HB 7117), authorized the surtax proceeds to be used for the additional purpose of providing loans, grants, or rebates to residential or commercial property owners who make energy efficiency improvements to their residential or commercial property, if a local government ordinance authorized such use is approved by referendum. Chapter 2013-198, L.O.F. (HB 579), expanded the definition of energy efficiency improvement to include the installation of systems for natural gas fuels as defined in s. 206.9951, F.S. This change allows a local government to provide loans, grants, or rebates to residential or commercial property owners who install a defined natural gas fueling system, if a local ordinance authorizing such use is approved by referendum. Chapter 2016-225, L.O.F. (CS/CS/HB 447), expanded the purposes for which the surtax proceeds and accrued interest can be used to include the prevention or satisfaction of private property rights claims resulting from limitations imposed by the designation of an area of critical state concern. Additionally, the legislation expanded the definition of infrastructure in s. 212.055(2)(d)1.a., F.S. Prior to this law change, the statute limited the definition, in part, to mean any fixed capital expenditure or fixed capital outlay associated with the construction, reconstruction, or improvement of public facilities that have life expectancies of 5 or more years, related land acquisition, land improvement, design, and engineering costs. The legislation expanded this definition to include all other professional and related costs required to bring public facilities into service. As used here, the term public facilities means facilities as defined in ss. 163.3164(38), 163.3221(13), or 189.012(5), F.S. Chapter 2018-118, L.O.F. (CS/HB 7087), amended the definition of infrastructure to clarify that public facilities also includes facilities that are necessary to carry out governmental purposes, including, but not limited to, fire stations, general governmental office buildings, and animal shelters. Additionally, the legislation amended the definition of infrastructure to include instructional technology used solely in a school district's classrooms. Instructional technology is defined as an interactive device that assists a teacher in instructing a class or group of students. The hardware and software necessary to operate the interactive device and support systems in which an interactive device may mount are also included as authorized expenditures. Chapter 2019-64, L.O.F. (CS/CS/HB 5), amended s. 212.055, F.S., to require, effective January 1, 2020, that any referendum to adopt or amend a local discretionary sales surtax be held at a general election, which is defined in s. 97.021, F.S., to mean an election held on the first Tuesday after the first Monday in November in the even-numbered years. Upon adoption of an ordinance or a resolution by a county or school district to hold a local discretionary sales surtax referendum on or after January 1, 2020, the legislation required the county or school district to provide the Florida Legislature's Office of Program Policy Analysis and Government Accountability (OPPAGA) with a copy of the final ordinance or resolution calling for the referendum at least 180 days before the referendum is held. Additionally, the legislation maintained the requirement that OPPAGA select and pay for a certified public accountant to conduct a performance audit of the program associated with the proposed surtax and the requirement that the performance audit be completed and made available on the county or school district website at least 60 days prior to the referendum. OPPAGA is required to procure the certified public accountant to conduct the performance audit within 60 days of receiving the final resolution or ordinance. Furthermore, the legislation declared void any local discretionary sales surtax referendum if the county or school district failed to provide notice to OPPAGA or failed to publish the results of the performance audit on its website at least 60 days before the referendum was held.

Chapter 2023-157, L.O.F. (HB 7063), required a referendum to reenact a local discretionary sales surtax to be held at a general election as defined in s. 97.021, F.S. A referendum to reenact an expiring surtax must be held at a general election occurring within the 48-month period immediately preceding the effective date of the reenacted surtax. Such a referendum may appear on the ballot only once within the 48-month period. Chapter 2025-109, L.O.F. (CS/CS/CS/HB 1105), specifies that any interlocal agreement for the distribution of Local Government Infrastructure Surtax revenues, which includes a school district, must require the surtax revenues allocated to the school district be shared with eligible charter schools based on the charter school's proportionate share of the total school district enrollment. The surtax revenues must be expended by a charter school consistent with the allowable uses for charter school capital outlay funds. If a school's charter is not renewed or is terminated and the school is dissolved, any

unencumbered funds received from such a surtax must be returned to the charter school's sponsor. The requirement that revenues from such a surtax are shared with eligible charter schools applies to levies authorized on or after July 1, 2025.

IMPOSITION AND RATE:
Local governments may levy this surtax at a rate of 0.5 or 1 percent. This levy shall be pursuant to an ordinance enacted by a majority of the members of the county's governing body and approved by the voters in a countywide referendum. In lieu of action by the county's governing body, municipalities representing a majority of the county's population may initiate the surtax through the adoption of uniform resolutions calling for a countywide referendum on the issue. If the proposal to levy the surtax is approved by a majority of the electors, the levy shall take effect.

Additionally, the surtax may not be levied beyond the time established in the ordinance if the surtax was levied pursuant to a referendum held before July 1, 1993. If the pre-July 1, 1993 ordinance did not limit the period of the levy, the surtax may not be levied for more than 15 years. There is no state-mandated limit on the length of levy for those surtax ordinances enacted after July 1, 1993. The levy may only be extended by voter approval in a countywide referendum.

During the 2025 calendar year, 9 counties will be levying at the 0.5 percent rate, and 18 counties will be levying at the 1 percent rate. This surtax is one of several surtaxes subject to a combined rate limitation. A county shall not levy this surtax and the Small County Surtax, Indigent Care and Trauma Center Surtax, and County Public Hospital Surtax in excess of a combined rate of 1 percent.

DISPOSITION AND USES:
The Department of Revenue shall distribute the surtax proceeds to the county and its respective municipalities pursuant to distribution percentages specified in a locally determined interlocal agreement, which may include a school district, or the default formula methodology based on the Local Government Half-cent Sales Tax formulas provided in s. 218.62, F.S.

The surtax proceeds and any accrued interest shall be expended by the school district, within the county and municipalities within the county, or, in the case of a negotiated joint county agreement, within another county, to: 1) finance, plan, and construct infrastructure; 2) acquire any interest in land for public recreation, conservation, or protection of natural resources or to prevent or satisfy private property rights claims resulting from limitations imposed by the designation of an area of critical state concern; 3) provide loans, grants, or rebates to residential or commercial property owners who make energy efficiency improvements to their residential or commercial property, if a local government ordinance authorizing such use is approved by referendum; or 4) finance the closure of county or municipal-owned solid waste landfills that have been closed or are required to be closed by order of the DEP.

A county with a total population of 50,000 or less on April 1, 1992, or any county designated as an area of critical state concern that imposed the surtax before July 1, 1992, may use the proceeds and accrued interest of the surtax for any public purpose if the county satisfies all of the following criteria: 1) the debt service obligations for any year are met; 2) the county's comprehensive plan has been determined to be in compliance with part II of ch. 163, F.S; and 3) the county has adopted an amendment to the surtax ordinance pursuant to the procedure provided in s. 125.66, F.S., authorizing additional uses of the proceeds and accrued interest. Additional expenditure authority exists for select counties.

ADDITIONAL INFORMATION:
A more detailed description of this surtax in its present form as well as estimated revenue distributions to county and municipal governments can be found in the Office of Economic and Demographic Research's annual report *Local Government Financial Information Handbook* via the following link:
http://edr.state.fl.us/Content/local-government/reports/index.cfm

# SMALL COUNTY SURTAX

FLORIDA STATUTES: Section 212.055(3)

ADMINISTERED BY: Department of Revenue

SUMMARY:
Any county with a total population of 50,000 or less on April 1, 1992, is authorized to levy the Small County Surtax at the rate of 0.5 or 1 percent. County governments may impose the levy by either an extraordinary vote of the governing body if the proceeds are to be expended for operating purposes or by voter approval in a countywide referendum if the proceeds are to be used to service bonded indebtedness. If the surtax is enacted by an extraordinary vote of the county's governing body, the proceeds may be used for the operational expenses of any infrastructure or for any public purpose authorized in the ordinance. If the surtax is enacted by countywide referendum, the proceeds may be used to service bonded indebtedness to finance, plan, and construct infrastructure, and to acquire land for public recreation, conservation, or natural resource preservation. Thirty counties will be levying this surtax during the 2025 calendar year.

REVENUE:

| Fiscal Year | Total Collections | Annual Change % |
|---|---|---|
| 2026-27* | 162,810,144 | 2.04% |
| 2025-26* | 159,557,754 | -0.21% |
| 2024-25 | 159,901,319 | 1.79% |
| 2023-24 | 157,095,817 | -1.93% |
| 2022-23 | 160,182,821 | 6.30% |
| 2021-22 | 150,688,041 | 17.20% |
| 2020-21 | 128,571,184 | 19.81% |

* Estimate

HISTORY:
Chapter 92-309, L.O.F. (HB 193-H), created the Small County Surtax. It authorized counties with a total population of 50,000 or less on April 1, 1992, to levy a surtax of 0.5 or 1 percent, pursuant to an extraordinary vote of the county's governing body if the proceeds were to be used for operating purposes or voter approval in a countywide referendum if the proceeds were to be used for bonded indebtedness. The proceeds were to be shared with municipalities located within the county, and if levied pursuant to referendum, sharing with the county school district or shared with another county for joint county project as conditioned by the referendum. In addition, it limited the combined rate, in varying combinations, of this surtax and the Local Government Infrastructure Surtax, Indigent Care Surtax, County Public Hospital Surtax, and the then Small County Indigent Care Surtax.

Chapter 2019-64, L.O.F. (CS/CS/HB 5), amended s. 212.055, F.S., to require, effective January 1, 2020, that any referendum to adopt or amend a local discretionary sales surtax be held at a general election, which is defined in s. 97.021, F.S., to mean an election held on the first Tuesday after the first Monday in November in the even-numbered years. Upon adoption of an ordinance or a resolution by a county or school district to hold a local discretionary sales surtax referendum on or after January 1, 2020, the legislation required the county or school district to provide the Florida Legislature's Office of Program Policy Analysis and Government Accountability (OPPAGA) with a copy of the final ordinance or resolution calling for the referendum at least 180 days before the referendum is held. Additionally, the legislation maintained the requirement that OPPAGA select and pay for a certified public accountant to conduct a performance audit of the program associated with the proposed surtax and the requirement that

the performance audit be completed and made available on the county or school district website at least 60 days prior to the referendum. OPPAGA is required to procure the certified public accountant to conduct the performance audit within 60 days of receiving the final resolution or ordinance. Furthermore, the legislation declared void any local discretionary sales surtax referendum if the county or school district failed to provide notice to OPPAGA or failed to publish the results of the performance audit on its website at least 60 days before the referendum was held.

Chapter 2023-157, L.O.F (HB 7063), required a referendum to reenact a local discretionary sales surtax to be held at a general election as defined in s. 97.021, F.S. A referendum to reenact an expiring surtax must be held at a general election occurring within the 48-month period immediately preceding the effective date of the reenacted surtax. Such a referendum may appear on the ballot only once within the 48-month period.

IMPOSITION AND RATE:
Only those counties, defined as having a total population of 50,000 or less on April 1, 1992, are eligible to levy this surtax at a rate of 0.5 or 1 percent. Based on the population criterion, 31 counties (i.e., Baker, Bradford, Calhoun, Columbia, DeSoto, Dixie, Flagler, Franklin, Gadsden, Gilchrist, Glades, Gulf, Hamilton, Hardee, Hendry, Holmes, Jackson, Jefferson, Lafayette, Levy, Liberty, Madison, Nassau, Okeechobee, Sumter, Suwannee, Taylor, Union, Wakulla, Walton and Washington) are eligible to levy the surtax.

During the 2025 calendar year, 30 of 31 eligible counties will be levying this surtax. Flagler County will be levying at the 0.5 percent rate and 29 counties will be levying at the 1 percent rate. This surtax is one of several surtaxes subject to a combined rate limitation. A county shall not levy this surtax and the Local Government Infrastructure Surtax, Indigent Care and Trauma Center Surtax, and County Public Hospital Surtax in excess of a combined rate of 1 percent.

DISPOSITION AND USES:
The Department of Revenue shall distribute the surtax proceeds to the county and its respective municipalities pursuant to distribution percentages specified in a locally determined interlocal agreement, which may include a school district, or the default formula methodology based on the Local Government Half-cent Sales Tax formulas provided in s. 218.62, F.S.

If the surtax is levied as a result of voter approval in a countywide referendum, the proceeds and any accrued interest may be used by the school district, county, or municipalities within the county, or municipalities within another county in the case of a negotiated joint county agreement, for the purpose of servicing bonded indebtedness to finance, plan, and construct infrastructure and to acquire land for public recreation, conservation, or protection of natural resources. In this case, infrastructure means any fixed capital expenditure or cost associated with the construction, reconstruction, or improvement of public facilities having a life expectancy of five or more years and any related land acquisition, land improvement, design, and engineering costs. If the surtax is levied pursuant to an ordinance approved by an extraordinary vote of the county's governing body, the proceeds and accrued interest may be used for operational expenses of any infrastructure or for any public purpose authorized in the ordinance. School districts, counties, and municipalities may pledge the surtax proceeds for the purpose of servicing new bonded indebtedness.

ADDITIONAL INFORMATION:
A more detailed description of this surtax in its present form as well as estimated revenue distributions to county and municipal governments can be found in the Office of Economic and Demographic Research's annual report *Local Government Financial Information Handbook* via the following link: http://edr.state.fl.us/Content/local-government/reports/index.cfm

# INDIGENT CARE AND TRAUMA CENTER SURTAX

FLORIDA STATUTES: Section 212.055(4)

ADMINISTERED BY: Department of Revenue

SUMMARY:
This surtax consists of two separate levies for different groups of eligible counties. Any county with a total population of 800,000 or more may impose, subject to voter approval in a countywide referendum, a surtax not to exceed 0.5 percent for the purpose of funding health care services for qualified residents. However, Miami-Dade County is not eligible to levy this surtax because it is authorized to levy the separate County Public Hospital Surtax. Non-consolidated counties with a total population of less than 800,000 may impose, subject to voter approval in a countywide referendum, a surtax not to exceed 0.25 percent for the sole purpose of funding trauma services provided by a trauma center licensed pursuant to ch. 395, F.S. Hillsborough County will be levying this surtax during the 2025 calendar year.

REVENUE:

| Fiscal Year | Total Collections | Annual Change % |
|---|---|---|
| 2026-27* | 162,754,143 | 2.04% |
| 2025-26* | 159,502,872 | -0.21% |
| 2024-25 | 159,846,319 | 3.40% |
| 2023-24 | 154,594,532 | -0.39% |
| 2022-23 | 155,207,396 | 6.21% |
| 2021-22 | 146,134,846 | 21.66% |
| 2020-21 | 120,115,543 | 12.40% |

* Estimate

HISTORY:
Chapter 91-81, L.O.F. (SB 156), created the Indigent Care Surtax. It authorized any non-consolidated county having a total population of 800,000 or more to levy a 0.5 percent surtax, pursuant to an ordinance adopted by an extraordinary vote of the county's governing body or voter approval in a countywide referendum. The surtax proceeds were to be used to fund health care services for indigent and medically poor persons and to supplement funding of the county public general hospital. Chapter 92-309, L.O.F. (HB 193-H), set an October 1, 1998 repeal date for the surtax. In addition, it limited the combined rate, in varying combinations, of this surtax in addition to the Local Government Infrastructure Surtax, Small County Surtax, County Public Hospital Surtax, and the then Small County Indigent Care Surtax to 1 percent. Chapter 97-83, L.O.F. (SB 392), extended the surtax's repeal date to October 1, 2005.

Chapters 2000-312 and 318, L.O.F. (HB 509 and HB 591), renamed the Indigent Care Surtax as the Indigent Care and Trauma Center Surtax and required that the county's plan setting forth the use of the surtax proceeds should also address the services to be provided by the Level I trauma center. In addition, requirements for the disbursement of funds to health care service providers were modified. Chapter 2003-77, L.O.F. (HB 457), repealed the October 1, 2005 sunset provision and imposed the requirement of a biennial audit of the county's indigent care trust fund. Chapter 2004-259, L.O.F. (SB 1762), authorized non-consolidated counties having a total population of less than 800,000 to impose, subject to voter approval in a countywide referendum, a surtax not to exceed 0.25 percent for the sole purpose of funding trauma services provided by a trauma center.

Chapter 2019-64, L.O.F. (CS/CS/HB 5), amended s. 212.055, F.S., to require, effective January 1, 2020, that any referendum to adopt or amend a local discretionary sales surtax be held at a general election, which is defined in s. 97.021, F.S., to mean an election held on the first Tuesday after the first Monday in

November in the even-numbered years. Upon adoption of an ordinance or a resolution by a county or school district to hold a local discretionary sales surtax referendum on or after January 1, 2020, the legislation required the county or school district to provide the Florida Legislature's Office of Program Policy Analysis and Government Accountability (OPPAGA) with a copy of the final ordinance or resolution calling for the referendum at least 180 days before the referendum is held. Additionally, the legislation maintained the requirement that OPPAGA select and pay for a certified public accountant to conduct a performance audit of the program associated with the proposed surtax and the requirement that the performance audit be completed and made available on the county or school district website at least 60 days prior to the referendum. OPPAGA is required to procure the certified public accountant to conduct the performance audit within 60 days of receiving the final resolution or ordinance. Furthermore, the legislation declared void any local discretionary sales surtax referendum if the county or school district failed to provide notice to OPPAGA or failed to publish the results of the performance audit on its website at least 60 days before the referendum was held.

Chapter 2023-157, L.O.F (HB 7063), required a referendum to reenact a local discretionary sales surtax to be held at a general election as defined in s. 97.021, F.S. A referendum to reenact an expiring surtax must be held at a general election occurring within the 48-month period immediately preceding the effective date of the reenacted surtax. Such a referendum may appear on the ballot only once within the 48-month period. Chapter 2024-158, L.O.F., (CS/HB 7073) removed statutory language that excluded counties consolidated with one or more municipalities (i.e., Duval County only) from the authority to levy the surtax. Additionally, it removed a county's ability to authorize the surtax levy by an extraordinary vote of the governing body and now requires voters to approve the levy.

IMPOSITION AND RATE:
As previously mentioned, this surtax consists of two separate levies for different groups of eligible counties. First, any county having a total population of 800,000 or more is eligible to levy a surtax at a rate not to exceed 0.5 percent subject to voter approval in a countywide referendum. Based on 2024 official population estimates, the eight counties of Broward, Duval, Hillsborough, Lee, Orange, Palm Beach, Pinellas, and Polk are eligible to levy the 0.5 percent surtax. Although Miami-Dade County has a total population greater than 800,000, the county is prohibited from levying the 0.5 percent surtax because it already has authority to levy the County Public Hospital Surtax.

Second, non-consolidated counties having a total population of less than 800,000 are eligible to levy a surtax at a rate not to exceed 0.25 percent. This surtax can only be imposed subject to voter approval in a countywide referendum. Based on the population criterion, 58 counties are eligible to levy the 0.25 percent surtax.

In total, 66 counties are eligible to levy this surtax. During the 2025 calendar year, only Hillsborough County will be levying at the 0.5 percent rate. Both of these surtaxes are subject to a combined rate limitation. A county eligible to levy either the 0.5 or 0.25 percent surtax shall not levy it along with the Local Government Infrastructure Surtax and Small County Surtax in excess of a combined rate of 1 percent.

DISPOSITION AND USES:
The Department of Revenue distributes the surtax proceeds on a regular and periodic basis to the Clerk of Circuit Court as the designated custodian of the proceeds. The clerk shall maintain the monies in an indigent health care or trauma services trust fund, invest any funds held on deposit in the trust fund, disburse the funds to the appropriate provider upon directive from the authorizing county, and prepare on a biennial basis an audit of the trust fund.

# INDIGENT CARE AND TRAUMA CENTER SURTAX

The 0.5 percent surtax proceeds shall be used to fund a broad range of health care services for both indigent persons and the medically poor, including, but not limited to, primary care and preventive care as well as hospital care. The 0.25 percent surtax proceeds shall be used for the sole purpose of funding trauma services provided by a trauma center licensed pursuant to Chapter 395, F.S.

ADDITIONAL INFORMATION:
A more detailed description of this surtax in its present form as well as estimated revenue distributions to county and municipal governments can be found in the Office of Economic and Demographic Research's annual report *Local Government Financial Information Handbook* via the following link:
http://edr.state.fl.us/Content/local-government/reports/index.cfm

# COUNTY PUBLIC HOSPITAL SURTAX

FLORIDA STATUTES: Section 212.055(5)

ADMINISTERED BY: Department of Revenue

SUMMARY:
Any county, as defined in s. 125.011(1), F.S., [i.e., Miami-Dade County] is authorized to levy the County Public Hospital Surtax at a rate of 0.5 percent. The levy may be authorized either by an extraordinary vote of the county's governing body or voter approval in a countywide referendum. Proceeds shall be used to supplement the operation, maintenance, and administration of the county public general hospital. Miami-Dade County will be levying this surtax during the 2025 calendar year.

REVENUE:

| Fiscal Year | Total Collections | Annual Change % |
|---|---|---|
| 2026-27* | 345,438,068 | 2.04% |
| 2025-26* | 338,537,397 | -0.21% |
| 2024-25 | 339,266,347 | 3.38% |
| 2023-24 | 328,185,113 | -0.51% |
| 2022-23 | 329,862,948 | 5.53% |
| 2021-22 | 312,591,846 | 32.66% |
| 2020-21 | 235,639,898 | 3.50% |

* Estimate

HISTORY:
Chapter 91-81, L.O.F. (SB 186), created the County Public Hospital Surtax. It authorized any county, as defined in s. 125.011(1), F.S., [i.e., Miami-Dade County] to levy the surtax at the rate of 0.5 percent pursuant to an extraordinary vote of the county's governing body or voter approval in a countywide referendum. The surtax proceeds were designated for the operation, maintenance, and administration of the county public general hospital. Chapter 92-309, L.O.F. (HB 193-H), limited the combined tax rate, in varying combinations, of this surtax and the Local Government Infrastructure Surtax, Small County Surtax, Indigent Care Surtax, and the then Small County Indigent Care Surtax to 1 percent.

Chapter 2000-312, L.O.F. (HB 509), reduced the county's proportional contribution for the county public general hospital's operation, administration, and maintenance. The monies were redirected for the development and implementation of a county plan for indigent health care services. Additionally, the surtax was scheduled for repeal on October 1, 2005. Chapter 2005-96, L.O.F. (SB 300), reenacted the surtax, which had been set to repeal on October 1, 2005.

Chapter 2019-64, L.O.F. (CS/CS/HB 5), amended s. 212.055, F.S., to require, effective January 1, 2020, that any referendum to adopt or amend a local discretionary sales surtax be held at a general election, which is defined in s. 97.021, F.S., to mean an election held on the first Tuesday after the first Monday in November in the even-numbered years. Upon adoption of an ordinance or a resolution by a county or school district to hold a local discretionary sales surtax referendum on or after January 1, 2020, the legislation required the county or school district to provide the Florida Legislature's Office of Program Policy Analysis and Government Accountability (OPPAGA) with a copy of the final ordinance or resolution calling for the referendum at least 180 days before the referendum is held. Additionally, the legislation maintained the requirement that OPPAGA select and pay for a certified public accountant to conduct a performance audit of the program associated with the proposed surtax and the requirement that the performance audit be completed and made available on the county or school district website at least

60 days prior to the referendum. OPPAGA is required to procure the certified public accountant to conduct the performance audit within 60 days of receiving the final resolution or ordinance. Furthermore, the legislation declared void any local discretionary sales surtax referendum if the county or school district failed to provide notice to OPPAGA or failed to publish the results of the performance audit on its website at least 60 days before the referendum was held.

Chapter 2023-157, L.O.F. (HB 7063), required a referendum to reenact a local discretionary sales surtax to be held at a general election as defined in s. 97.021, F.S. A referendum to reenact an expiring surtax must be held at a general election occurring within the 48-month period immediately preceding the effective date of the reenacted surtax. Such a referendum may appear on the ballot only once within the 48-month period.

IMPOSITION AND RATE:
Any county, as defined in s. 125.011(1), F.S., [i.e., Miami-Dade County] is authorized to levy the County Public Hospital Surtax at a rate of 0.5 percent. The levy may be authorized either by an extraordinary vote of the county's governing body or voter approval in a countywide referendum.

Only Miami-Dade County is eligible to levy this surtax, and the county will be levying at the 0.5 percent rate during the 2025 calendar year. This surtax is one of several surtaxes subject to a combined rate limitation. An eligible county shall not levy this surtax along with the Local Government Infrastructure Surtax and Small County Surtax in excess of a combined rate of 1 percent.

DISPOSITION AND USES:
The surtax proceeds shall be distributed by the Department of Revenue to the county for deposit into a special fund set aside from other county funds. The proceeds are designated to supplement the operation, maintenance, and administration of the county public general hospital.

ADDITIONAL INFORMATION:
A more detailed description of this surtax in its present form as well as estimated revenue distributions to county and municipal governments can be found in the Office of Economic and Demographic Research's annual report *Local Government Financial Information Handbook* via the following link: http://edr.state.fl.us/Content/local-government/reports/index.cfm

# VOTER–APPROVED INDIGENT CARE SURTAX

FLORIDA STATUTES: Section 212.055(7)

ADMINISTERED BY: Department of Revenue

SUMMARY:
Counties with a total population of less than 800,000 are eligible to levy the Voter-Approved Indigent Care Surtax subject to voter approval in a countywide referendum. If a publicly supported medical school is located within the county, the tax rate shall not exceed 1 percent. If no such medical school is located within the county, the tax rate is capped at 0.5 percent. However, any county with a total population of less than 50,000 may levy the surtax at a rate not to exceed 1 percent. The proceeds are to be used to fund health care services for the medically poor. Five counties will be levying this surtax during the 2025 calendar year.

REVENUE:

| Fiscal Year | Total Collections | Annual Change % |
|---|---|---|
| 2026-27* | 66,805,423 | 2.04% |
| 2025-26* | 65,470,880 | -0.21% |
| 2024-25 | 65,611,854 | 1.54% |
| 2023-24 | 64,614,343 | 0.04% |
| 2022-23 | 64,590,418 | 8.79% |
| 2021-22 | 59,368,932 | 15.25% |
| 2020-21 | 51,513,733 | 13.31% |

* Estimate

HISTORY:
Chapter 92-309, L.O.F. (HB 193-H), created the Small County Indigent Care Surtax within s. 212.055(6), F.S., which authorized counties with a total population of 50,000 or less on April 1, 1992, to levy a 0.5 percent pursuant to an extraordinary vote of the governing body to fund health services for indigent or medically poor county residents. The surtax was scheduled to repeal on October 1, 1998. Chapter 99-4, L.O.F. (HB 1045), repealed s. 212.055(6), F.S., since the surtax had expired on October 1, 1998.

Chapter 2000-312, L.O.F. (HB 509), created the Voter-Approved Indigent Care Surtax within s. 212.055(7), F.S., which authorized counties with a total population of less than 800,000 to the surtax subject to voter approval in a countywide referendum. If a publicly supported medical school was located within the county, the surtax rate could not exceed 1 percent. If no such medical school was located within the county, the tax rate was capped at 0.5 percent. The surtax proceeds were to be used to fund health care services for the medically poor. The surtax was scheduled to repeal on October 1, 2005. Chapter 2005-96, L.O.F. (SB 300), reenacted s. 212.055(7), F.S., which was set to repeal on October 1, 2005. Chapter 2005-242, L.O.F. (SB 470), authorized any county with a total population of less than 50,000 to levy this surtax, subject to referendum approval, at a rate not to exceed 1 percent. The surtax proceeds could be pledged to service new or existing bond indebtedness incurred to finance, plan, construct, or reconstruct a public or not-for-profit hospital in the county and any land acquisition, land improvement, design, or engineering costs related to the hospital if the county's governing body determined that a public or not-for-profit hospital existing at the time of the bond issuance would, more likely than not, cease to operate.

Chapter 2019-64, L.O.F. (CS/CS/HB 5), amended s. 212.055, F.S., to require, effective January 1, 2020, that any referendum to adopt or amend a local discretionary sales surtax be held at a general election,

which is defined in s. 97.021, F.S., to mean an election held on the first Tuesday after the first Monday in November in the even-numbered years. Upon adoption of an ordinance or a resolution by a county or school district to hold a local discretionary sales surtax referendum on or after January 1, 2020, the legislation required the county or school district to provide the Florida Legislature's Office of Program Policy Analysis and Government Accountability (OPPAGA) with a copy of the final ordinance or resolution calling for the referendum at least 180 days before the referendum is held. Additionally, the legislation maintained the requirement that OPPAGA select and pay for a certified public accountant to conduct a performance audit of the program associated with the proposed surtax and the requirement that the performance audit be completed and made available on the county or school district website at least 60 days prior to the referendum. OPPAGA is required to procure the certified public accountant to conduct the performance audit within 60 days of receiving the final resolution or ordinance. Furthermore, the legislation declared void any local discretionary sales surtax referendum if the county or school district failed to provide notice to OPPAGA or failed to publish the results of the performance audit on its website at least 60 days before the referendum was held.

Chapter 2023-157, L.O.F. (HB 7063), required a referendum to reenact a local discretionary sales surtax to be held at a general election as defined in s. 97.021, F.S. A referendum to reenact an expiring surtax must be held at a general election occurring within the 48-month period immediately preceding the effective date of the reenacted surtax. Such a referendum may appear on the ballot only once within the 48-month period.

IMPOSITION AND RATE:
Counties with a total population of less than 800,000 are eligible to levy this surtax subject to voter approval in a countywide referendum. If a publicly supported medical school is located within the county, the tax rate shall not exceed 1 percent. If no such medical school is located within the county, the tax rate is capped at 0.5 percent. However, any county with a total population of less than 50,000 may levy the surtax at a rate not to exceed 1 percent. The rate is capped at 0.5 percent or 1 percent if a publicly supported medical school is located in the county.

During the 2025 calendar year, DeSoto, Gadsden, Holmes, Madison, and Polk counties will be levying the surtax at 0.5 percent. Based on the April 1, 2024, official population estimates, 58 counties have a total population of less than 800,000 and are eligible to levy this surtax. Based on these same estimates, the total populations of nine counties (i.e., Broward, Duval, Hillsborough, Lee, Miami-Dade, Orange, Palm Beach, Pinellas, and Polk) exceed 800,000.

Although the total population of Polk County now exceeds 800,000, the county originally authorized this surtax levy, effective January 1, 2005, when its total population was well below the 800,000-population limit. That initial levy was scheduled to expire on December 31, 2019; however, prior to that expiration date, the county extended the levy when its total population was still below the 800,000-population limit. Polk County's levy is now scheduled to expire on December 31, 2044.

This surtax is one of several surtaxes subject to a combined rate limitation. A county eligible to levy this surtax shall not levy it along with the Local Government Infrastructure Surtax and Small County Surtax in excess of a combined rate of 1 percent with the following exceptions. If a publicly supported medical school is located within the county or the county has a total population of less than 50,000, the combined rate cannot exceed 1.5 percent.

DISPOSITION AND USES:
The Department of Revenue distributes the surtax proceeds on a regular and periodic basis to the Clerk of Circuit Court as the designated custodian of the proceeds. The clerk shall maintain the monies in an indigent health care trust fund, invest any funds held on deposit in the trust fund, and disburse the funds to

any provider of health care services or to service the authorized bonded indebtedness, subject to statutory provisions and upon directive from the authorizing county. The clerk must maintain the moneys in an Indigent Health Care Trust Fund, to be used to fund a broad range of health care services for both indigent and medically poor people.

ADDITIONAL INFORMATION:
A more detailed description of this surtax in its present form as well as estimated revenue distributions to county and municipal governments can be found in the Office of Economic and Demographic Research's annual report *Local Government Financial Information Handbook* via the following link:
http://edr.state.fl.us/Content/local-government/reports/index.cfm

# PENSION LIABILITY SURTAX

FLORIDA STATUTES: Section 212.055(9)

ADMINISTERED BY: Florida Department of Revenue

SUMMARY:
The county's governing body may levy the Pension Liability Surtax, at a rate not to exceed 0.5 percent, pursuant to an ordinance conditioned to take effect upon approval by a majority vote of county electors voting in a referendum. The surtax proceeds must be used to fund an underfunded defined benefit retirement plan or system. However, in order to impose this surtax, a county must satisfy five prerequisites. Twenty-seven counties are potentially eligible to levy this surtax; however, no county will be levying this surtax during the 2025 calendar year.

REVENUE:
This surtax was enacted in 2016, and no eligible county has yet levied.

HISTORY:
Chapter 2016-146, L.O.F. (CS/HB 1297), created the Pension Liability Surtax. Chapter 2019-64, L.O.F. (CS/CS/HB 5), amended s. 212.055, F.S., to require, effective January 1, 2020, that any referendum to adopt or amend a local discretionary sales surtax be held at a general election, which is defined in s. 97.021, F.S., to mean an election held on the first Tuesday after the first Monday in November in the even-numbered years. Upon adoption of an ordinance or a resolution by a county or school district to hold a local discretionary sales surtax referendum on or after January 1, 2020, the legislation required the county or school district to provide the Florida Legislature's Office of Program Policy Analysis and Government Accountability (OPPAGA) with a copy of the final ordinance or resolution calling for the referendum at least 180 days before the referendum is held. Additionally, the legislation maintained the requirement that OPPAGA select and pay for a certified public accountant to conduct a performance audit of the program associated with the proposed surtax and the requirement that the performance audit be completed and made available on the county or school district website at least 60 days prior to the referendum. OPPAGA is required to procure the certified public accountant to conduct the performance audit within 60 days of receiving the final resolution or ordinance. Furthermore, the legislation declared void any local discretionary sales surtax referendum if the county or school district failed to provide notice to OPPAGA or failed to publish the results of the performance audit on its website at least 60 days before the referendum was held.

Chapter 2023-157, L.O.F. (HB 7063), required a referendum to reenact a local discretionary sales surtax to be held at a general election as defined in s. 97.021, F.S. A referendum to reenact an expiring surtax must be held at a general election occurring within the 48-month period immediately preceding the effective date of the reenacted surtax. Such a referendum may appear on the ballot only once within the 48-month period.

IMPOSITION AND RATE:
Eligible county governments may levy this surtax at a rate not to exceed 0.5 percent pursuant to an ordinance conditioned to take effect upon approval by a majority vote of electors in a countywide referendum. A county may not impose the surtax unless the underfunded defined benefit retirement plan or system is below 80 percent of actuarial funding at the time the ordinance or referendum is passed. The most recent actuarial report submitted to the Department of Management Services (DMS) pursuant to s. 112.63, F.S., must be used to establish the level of actuarial funding for purposes of determining eligibility to impose the surtax.

The county's governing body may only impose the surtax if the following five prerequisites are satisfied. First, an employee, including a police officer or firefighter, who enters employment on or after the date when the local government certifies that the defined benefit retirement plan or system formerly available to such an employee has been closed may not enroll in a defined benefit retirement plan or system that will receive surtax proceeds. Second, the local government and the collective bargaining representative for the members of the underfunded defined benefit retirement plan or system or, if there is no representative, a majority of the members of the plan or system, mutually consent to requiring each member to make an employee retirement contribution of at least 10 percent of each member's salary for each pay period beginning with the first pay period after the plan or system is closed. Third, the pension board of trustees for the underfunded defined benefit retirement plan or system, if such board exists, is prohibited from participating in the collective bargaining process and engaging in the determination of pension benefits. Fourth, the county currently levies a Local Government Infrastructure Surtax pursuant to s. 212.055(2), F.S., which is scheduled to terminate and is not subject to renewal. Fifth, the Pension Liability Surtax does not take effect until the Local Government Infrastructure Surtax is terminated.

The surtax can only be imposed by a county that currently levies a Local Government Infrastructure Surtax, which is scheduled to terminate and not subject to renewal. The county must then terminate the Local Government Infrastructure Surtax as a prerequisite to imposition of the Pension Liability Surtax. There are 27 counties levying a Local Government Infrastructure Surtax that are potentially eligible to levy the Pension Liability Surtax, assuming the other prerequisites are satisfied. During the 2025 calendar year, no county will be levying this surtax.

This surtax is one of several surtaxes subject to a combined rate limitation. A county eligible to levy this surtax cannot levy it along with the Local Government Infrastructure Surtax, Small County Surtax, Indigent Care and Trauma Center Surtax, and County Public Hospital Surtax in excess of a combined rate of 1 percent.

DISPOSITION AND USES:
The surtax proceeds, less an administrative fee that may be retained by the Department of Revenue (DOR), are distributed back to the local government that generated the proceeds.

The surtax proceeds are to be used in the following manner. If the surtax proceeds have been actuarially recognized as provided in s. 112.64(6), F.S., the local government must distribute the proceeds to an eligible defined benefit retirement plan or system, not including the Florida Retirement System. However, if the surtax proceeds have not been actuarially recognized, the local government is authorized to distribute the proceeds to an eligible defined benefit retirement plan or system, not including the Florida Retirement System, to pledge the surtax proceeds to repay debts incurred for the purpose of making advanced payments toward the unfunded liability of an underfunded defined benefit retirement plan or system and to reimburse itself from the surtax proceeds for any borrowing costs associated with such debts.

ADDITIONAL INFORMATION:
A more detailed description of this surtax in its present form as well as estimated revenue distributions to county and municipal governments can be found in the Office of Economic and Demographic Research's annual report *Local Government Financial Information Handbook* via the following link:
http://edr.state.fl.us/Content/local-government/reports/index.cfm

# SCHOOL CAPITAL OUTLAY SURTAX

FLORIDA STATUTES: Section 212.055(6)

ADMINISTERED BY: Department of Revenue

SUMMARY:
Florida's school districts may authorize the levy of the School Capital Outlay Surtax at a rate of up to 0.5 percent pursuant to a resolution conditioned to take effect only upon voter approval in a countywide referendum. The proceeds must be expended for school-related capital projects, technology implementation, and bond financing of such projects. Thirty-one of 67 counties will be levying this surtax during the 2025 calendar year.

REVENUE:

| Fiscal Year | Total Collections | Annual Change % |
|---|---|---|
| 2026-27* | 1,240,076,227 | 2.04% |
| 2025-26* | 1,215,303,745 | -0.21% |
| 2024-25 | 1,217,920,578 | 0.14% |
| 2023-24 | 1,216,209,487 | -1.52% |
| 2022-23 | 1,235,041,746 | 7.53% |
| 2021-22 | 1,148,513,820 | 34.32% |
| 2020-21 | 855,082,583 | 11.98% |

* Estimate

HISTORY:
Chapter 95-258, L.O.F. (SB 562), created the School Capital Outlay Surtax. It authorized district school boards to levy the surtax, pursuant to resolution conditioned to take effect only upon approval by a majority vote in a countywide referendum, at a rate of up to 0.5 percent. The surtax proceeds were to be expended for school-related capital projects, technology implementation, and bond financing of such projects; however, the proceeds and any accrued interest could not be used for operational expenses. Any school board imposing the surtax was required to implement a freeze on non-capital local school property taxes, at the millage rate imposed in the year prior to surtax implementation, for a period of at least three years from the imposition date.

Chapter 2005-56, L.O.F. (SB 388), provided that a required freeze on certain taxes does not apply to taxes authorized in the General Appropriations Act.

Chapter 2010-154, L.O.F. (HB 5101), deleted the requirement that a district school board imposing the school capital outlay surtax implement a freeze on non-capital local school property taxes. Chapter 2019-64, L.O.F. (CS/CS/HB 5), amended s. 212.055, F.S., to require, effective January 1, 2020, that any referendum to adopt or amend a local discretionary sales surtax be held at a general election, which is defined in s. 97.021, F.S., to mean an election held on the first Tuesday after the first Monday in November in the even-numbered years. Upon adoption of an ordinance or a resolution by a county or school district to hold a local discretionary sales surtax referendum on or after January 1, 2020, the legislation required the county or school district to provide the Florida Legislature's Office of Program Policy Analysis and Government Accountability (OPPAGA) with a copy of the final ordinance or resolution calling for the referendum at least 180 days before the referendum is held. Additionally, the legislation maintained the requirement that OPPAGA select and pay for a certified public accountant to conduct a performance audit of the program associated with the proposed surtax and the requirement that the performance audit be completed and made available on the county or school district website at least

60 days prior to the referendum. OPPAGA is required to procure the certified public accountant to conduct the performance audit within 60 days of receiving the final resolution or ordinance. Furthermore, the legislation declared void any local discretionary sales surtax referendum if the county or school district failed to provide notice to OPPAGA or failed to publish the results of the performance audit on its website at least 60 days before the referendum was held.

Chapter 2020-10, L.O.F. (CS/HB 7097), required that surtax levies authorized on or after July 1, 2020, must be shared with eligible charter schools based on their proportionate share of the total school district enrollment. Chapter 2022-97, L.O.F. (CS/HB 7071), expanded the authorized uses to include any purchase, lease-purchase, lease, or maintenance of school buses, as defined in s. 1006.25, F.S., which have a life expectancy of 5 years or more. These additional uses may apply to a surtax in effect on the date this act became law only to the extent such use was authorized in the original referendum adopting the surtax or is authorized pursuant to a subsequent resolution conditioned to take effect only upon approval of a majority vote of the county's electors voting in a referendum. Chapter 2023-69, L.O.F. (CS/CS/HB 1259), required that surtax revenues shared with charter schools shall be shared based on their proportionate share of total school district capital outlay full-time equivalent enrollment as adopted by the education estimating conference established in s. 216.136, F.S., and expended by the charter school in a manner consistent with the allowable uses set forth in s. 1013.62(4), F.S. Chapter 2023-157, L.O.F (HB 7063), required a referendum to reenact a local discretionary sales surtax to be held at a general election as defined in s. 97.021, F.S. A referendum to reenact an expiring surtax must be held at a general election occurring within the 48-month period immediately preceding the effective date of the reenacted surtax. Such a referendum may appear on the ballot only once within the 48-month period.

IMPOSITION AND RATE:
District school boards may levy, pursuant to a resolution conditioned to take effect only upon voter approval in a countywide referendum, this surtax at a rate of up to 0.5 percent. The resolution shall set forth a plan for use of the surtax proceeds in accordance with authorized uses.

All 67 counties are eligible to levy this surtax, and thirty-one counties will be levying at the 0.5 percent rate. In addition to the Charter County and Regional Transportation System Surtax and Emergency Fire Rescue Services and Facilities Surtax, this surtax is not subject to a combined rate limitation that impacts the other discretionary sales surtaxes.

DISPOSITION AND USES:
The surtax revenues collected by the Department of Revenue shall be distributed to the school board imposing the surtax. The surtax proceeds shall be used to fund fixed capital expenditures or fixed capital costs associated with the construction, reconstruction, or improvement of school facilities and campuses which have a useful life expectancy of five or more years, as well as any related land acquisition, land improvement, design and engineering costs. Additionally, the proceeds shall be used to fund the costs of retrofitting and providing for technology implementation, including hardware and software, for the various sites within the school district. The proceeds may be used for the purpose of servicing bonded indebtedness used to finance authorized projects, and any accrued interest may be held in trust to finance such projects. However, the surtax proceeds and any accrued interest shall not be used for operational expenses.

Surtax revenues shared with charter schools shall be shared based on their proportionate share of total school district capital outlay full-time equivalent enrollment as adopted by the education estimating conference established in s. 216.136, F.S., and expended by the charter school in a manner consistent with the allowable uses set forth in s. 1013.62(4), F.S. All revenues and expenditures must be accounted for in a charter school's monthly or quarterly financial statement pursuant to s. 1002.33(9), F.S. The charter school's eligibility to receive surtax funds shall be determined in accordance with s. 1013.62(1), F.S. If a

school's charter is not renewed or is terminated and the school is dissolved under the provisions of law under which it was organized, any unencumbered surtax funds revert to the sponsor.

ADDITIONAL INFORMATION:
A more detailed description of this surtax in its present form as well as estimated revenue distributions to county and municipal governments can be found in the Office of Economic and Demographic Research's annual report *Local Government Financial Information Handbook* via the following link:
http://edr.state.fl.us/Content/local-government/reports/index.cfm

# LOCAL MOTOR FUEL AND DIESEL FUEL TAXES

# 2025 Federal, State, and County Tax Rates on Motor Fuel and Diesel Fuel in Florida's Counties

| | Motor Fuel Tax Rates (# of Cents Per Gallon) | | | | | | | | | | Unutilized County-Imposed Motor Fuel Taxes | | | | Diesel Fuel Tax Rates (# of Cents Per Gallon) | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Federal | State | | | | | County (Local Option) | | | | | | | | Federal | State | | | County (Local Option) | | | |
| County | Fuel Excise Tax | Fuel Sales Tax | SCETS Tax | Constit. Fuel Tax | County Fuel Tax | Municipal Fuel Tax | Ninth-cent Fuel Tax | 1-6 Cents Fuel Tax | 1-5 Cents Fuel Tax | Total Tax | Ninth-cent Fuel Tax | 1-6 Cents Fuel Tax | 1-5 Cents Fuel Tax | Total Unutilized Tax | Fuel Excise Tax | Fuel Sales Tax | SCETS Tax | Fuel Excise Tax | Ninth-cent Fuel Tax | 1-6 Cents Fuel Tax | 1-5 Cents Fuel Tax | Total Tax |
| Alachua | 18.4 | 17.5 | 9.7 | 2 | 1 | 1 | 1 | 6 | 5 | **61.6** | 0 | 0 | 0 | **0** | 24.4 | 17.5 | 9.7 | 4 | 1 | 6 | n/a | **62.6** |
| Baker | 18.4 | 17.5 | 9.7 | 2 | 1 | 1 | 1 | 6 | 0 | **56.6** | 0 | 0 | 5 | **5** | 24.4 | 17.5 | 9.7 | 4 | 1 | 6 | n/a | **62.6** |
| Bay | 18.4 | 17.5 | 9.7 | 2 | 1 | 1 | 1 | 6 | 0 | **56.6** | 0 | 0 | 5 | **5** | 24.4 | 17.5 | 9.7 | 4 | 1 | 6 | n/a | **62.6** |
| Bradford | 18.4 | 17.5 | 9.7 | 2 | 1 | 1 | 1 | 6 | 5 | **61.6** | 0 | 0 | 0 | **0** | 24.4 | 17.5 | 9.7 | 4 | 1 | 6 | n/a | **62.6** |
| Brevard | 18.4 | 17.5 | 9.7 | 2 | 1 | 1 | 0 | 6 | 0 | **55.6** | 1 | 0 | 5 | **6** | 24.4 | 17.5 | 9.7 | 4 | 1 | 6 | n/a | **62.6** |
| Broward | 18.4 | 17.5 | 9.7 | 2 | 1 | 1 | 1 | 6 | 5 | **61.6** | 0 | 0 | 0 | **0** | 24.4 | 17.5 | 9.7 | 4 | 1 | 6 | n/a | **62.6** |
| Calhoun | 18.4 | 17.5 | 9.7 | 2 | 1 | 1 | 0 | 6 | 0 | **55.6** | 1 | 0 | 5 | **6** | 24.4 | 17.5 | 9.7 | 4 | 1 | 6 | n/a | **62.6** |
| Charlotte | 18.4 | 17.5 | 9.7 | 2 | 1 | 1 | 1 | 6 | 5 | **61.6** | 0 | 0 | 0 | **0** | 24.4 | 17.5 | 9.7 | 4 | 1 | 6 | n/a | **62.6** |
| Citrus | 18.4 | 17.5 | 9.7 | 2 | 1 | 1 | 1 | 6 | 5 | **61.6** | 0 | 0 | 0 | **0** | 24.4 | 17.5 | 9.7 | 4 | 1 | 6 | n/a | **62.6** |
| Clay | 18.4 | 17.5 | 9.7 | 2 | 1 | 1 | 1 | 6 | 5 | **61.6** | 0 | 0 | 0 | **0** | 24.4 | 17.5 | 9.7 | 4 | 1 | 6 | n/a | **62.6** |
| Collier | 18.4 | 17.5 | 9.7 | 2 | 1 | 1 | 1 | 6 | 5 | **61.6** | 0 | 0 | 0 | **0** | 24.4 | 17.5 | 9.7 | 4 | 1 | 6 | n/a | **62.6** |
| Columbia | 18.4 | 17.5 | 9.7 | 2 | 1 | 1 | 1 | 6 | 0 | **56.6** | 0 | 0 | 5 | **5** | 24.4 | 17.5 | 9.7 | 4 | 1 | 6 | n/a | **62.6** |
| DeSoto | 18.4 | 17.5 | 9.7 | 2 | 1 | 1 | 1 | 6 | 5 | **61.6** | 0 | 0 | 0 | **0** | 24.4 | 17.5 | 9.7 | 4 | 1 | 6 | n/a | **62.6** |
| Dixie | 18.4 | 17.5 | 9.7 | 2 | 1 | 1 | 0 | 6 | 0 | **55.6** | 1 | 0 | 5 | **6** | 24.4 | 17.5 | 9.7 | 4 | 1 | 6 | n/a | **62.6** |
| Duval | 18.4 | 17.5 | 9.7 | 2 | 1 | 1 | 1 | 6 | 5 | **61.6** | 0 | 0 | 0 | **0** | 24.4 | 17.5 | 9.7 | 4 | 1 | 6 | n/a | **62.6** |
| Escambia | 18.4 | 17.5 | 9.7 | 2 | 1 | 1 | 1 | 6 | 4 | **60.6** | 0 | 0 | 1 | **1** | 24.4 | 17.5 | 9.7 | 4 | 1 | 6 | n/a | **62.6** |
| Flagler | 18.4 | 17.5 | 9.7 | 2 | 1 | 1 | 1 | 6 | 0 | **56.6** | 0 | 0 | 5 | **5** | 24.4 | 17.5 | 9.7 | 4 | 1 | 6 | n/a | **62.6** |
| Franklin | 18.4 | 17.5 | 9.7 | 2 | 1 | 1 | 0 | 6 | 0 | **55.6** | 1 | 0 | 5 | **6** | 24.4 | 17.5 | 9.7 | 4 | 1 | 6 | n/a | **62.6** |
| Gadsden | 18.4 | 17.5 | 9.7 | 2 | 1 | 1 | 0 | 6 | 0 | **55.6** | 1 | 0 | 5 | **6** | 24.4 | 17.5 | 9.7 | 4 | 1 | 6 | n/a | **62.6** |
| Gilchrist | 18.4 | 17.5 | 9.7 | 2 | 1 | 1 | 1 | 6 | 0 | **56.6** | 0 | 0 | 5 | **5** | 24.4 | 17.5 | 9.7 | 4 | 1 | 6 | n/a | **62.6** |
| Glades | 18.4 | 17.5 | 9.7 | 2 | 1 | 1 | 1 | 6 | 0 | **56.6** | 0 | 0 | 5 | **5** | 24.4 | 17.5 | 9.7 | 4 | 1 | 6 | n/a | **62.6** |
| Gulf | 18.4 | 17.5 | 9.7 | 2 | 1 | 1 | 1 | 6 | 0 | **56.6** | 0 | 0 | 5 | **5** | 24.4 | 17.5 | 9.7 | 4 | 1 | 6 | n/a | **62.6** |
| Hamilton | 18.4 | 17.5 | 9.7 | 2 | 1 | 1 | 0 | 6 | 0 | **55.6** | 1 | 0 | 5 | **6** | 24.4 | 17.5 | 9.7 | 4 | 1 | 6 | n/a | **62.6** |
| Hardee | 18.4 | 17.5 | 9.7 | 2 | 1 | 1 | 1 | 6 | 5 | **61.6** | 0 | 0 | 0 | **0** | 24.4 | 17.5 | 9.7 | 4 | 1 | 6 | n/a | **62.6** |
| Hendry | 18.4 | 17.5 | 9.7 | 2 | 1 | 1 | 1 | 6 | 2 | **58.6** | 0 | 0 | 3 | **3** | 24.4 | 17.5 | 9.7 | 4 | 1 | 6 | n/a | **62.6** |
| Hernando | 18.4 | 17.5 | 9.7 | 2 | 1 | 1 | 1 | 6 | 5 | **61.6** | 0 | 0 | 0 | **0** | 24.4 | 17.5 | 9.7 | 4 | 1 | 6 | n/a | **62.6** |
| Highlands | 18.4 | 17.5 | 9.7 | 2 | 1 | 1 | 1 | 6 | 5 | **61.6** | 0 | 0 | 0 | **0** | 24.4 | 17.5 | 9.7 | 4 | 1 | 6 | n/a | **62.6** |
| Hillsborough | 18.4 | 17.5 | 9.7 | 2 | 1 | 1 | 1 | 6 | 0 | **56.6** | 0 | 0 | 5 | **5** | 24.4 | 17.5 | 9.7 | 4 | 1 | 6 | n/a | **62.6** |
| Holmes | 18.4 | 17.5 | 9.7 | 2 | 1 | 1 | 1 | 6 | 0 | **56.6** | 0 | 0 | 5 | **5** | 24.4 | 17.5 | 9.7 | 4 | 1 | 6 | n/a | **62.6** |
| Indian River | 18.4 | 17.5 | 9.7 | 2 | 1 | 1 | 0 | 6 | 0 | **55.6** | 1 | 0 | 5 | **6** | 24.4 | 17.5 | 9.7 | 4 | 1 | 6 | n/a | **62.6** |
| Jackson | 18.4 | 17.5 | 9.7 | 2 | 1 | 1 | 1 | 6 | 5 | **61.6** | 0 | 0 | 0 | **0** | 24.4 | 17.5 | 9.7 | 4 | 1 | 6 | n/a | **62.6** |
| Jefferson | 18.4 | 17.5 | 9.7 | 2 | 1 | 1 | 1 | 6 | 5 | **61.6** | 0 | 0 | 0 | **0** | 24.4 | 17.5 | 9.7 | 4 | 1 | 6 | n/a | **62.6** |
| Lafayette | 18.4 | 17.5 | 9.7 | 2 | 1 | 1 | 0 | 6 | 0 | **55.6** | 1 | 0 | 5 | **6** | 24.4 | 17.5 | 9.7 | 4 | 1 | 6 | n/a | **62.6** |
| Lake | 18.4 | 17.5 | 9.7 | 2 | 1 | 1 | 1 | 6 | 0 | **56.6** | 0 | 0 | 5 | **5** | 24.4 | 17.5 | 9.7 | 4 | 1 | 6 | n/a | **62.6** |
| Lee | 18.4 | 17.5 | 9.7 | 2 | 1 | 1 | 1 | 6 | 5 | **61.6** | 0 | 0 | 0 | **0** | 24.4 | 17.5 | 9.7 | 4 | 1 | 6 | n/a | **62.6** |
| Leon | 18.4 | 17.5 | 9.7 | 2 | 1 | 1 | 1 | 6 | 5 | **61.6** | 0 | 0 | 0 | **0** | 24.4 | 17.5 | 9.7 | 4 | 1 | 6 | n/a | **62.6** |
| Levy | 18.4 | 17.5 | 9.7 | 2 | 1 | 1 | 0 | 6 | 5 | **60.6** | 1 | 0 | 0 | **1** | 24.4 | 17.5 | 9.7 | 4 | 1 | 6 | n/a | **62.6** |
| Liberty | 18.4 | 17.5 | 9.7 | 2 | 1 | 1 | 1 | 6 | 0 | **56.6** | 0 | 0 | 5 | **5** | 24.4 | 17.5 | 9.7 | 4 | 1 | 6 | n/a | **62.6** |
| Madison | 18.4 | 17.5 | 9.7 | 2 | 1 | 1 | 1 | 6 | 5 | **61.6** | 0 | 0 | 0 | **0** | 24.4 | 17.5 | 9.7 | 4 | 1 | 6 | n/a | **62.6** |
| Manatee | 18.4 | 17.5 | 9.7 | 2 | 1 | 1 | 1 | 6 | 5 | **61.6** | 0 | 0 | 0 | **0** | 24.4 | 17.5 | 9.7 | 4 | 1 | 6 | n/a | **62.6** |
| Marion | 18.4 | 17.5 | 9.7 | 2 | 1 | 1 | 1 | 6 | 5 | **61.6** | 0 | 0 | 0 | **0** | 24.4 | 17.5 | 9.7 | 4 | 1 | 6 | n/a | **62.6** |
| Martin | 18.4 | 17.5 | 9.7 | 2 | 1 | 1 | 1 | 6 | 5 | **61.6** | 0 | 0 | 0 | **0** | 24.4 | 17.5 | 9.7 | 4 | 1 | 6 | n/a | **62.6** |
| Miami-Dade | 18.4 | 17.5 | 9.7 | 2 | 1 | 1 | 1 | 6 | 3 | **59.6** | 0 | 0 | 2 | **2** | 24.4 | 17.5 | 9.7 | 4 | 1 | 6 | n/a | **62.6** |
| Monroe | 18.4 | 17.5 | 9.7 | 2 | 1 | 1 | 1 | 6 | 5 | **61.6** | 0 | 0 | 0 | **0** | 24.4 | 17.5 | 9.7 | 4 | 1 | 6 | n/a | **62.6** |
| Nassau | 18.4 | 17.5 | 9.7 | 2 | 1 | 1 | 1 | 6 | 5 | **61.6** | 0 | 0 | 0 | **0** | 24.4 | 17.5 | 9.7 | 4 | 1 | 6 | n/a | **62.6** |
| Okaloosa | 18.4 | 17.5 | 9.7 | 2 | 1 | 1 | 1 | 6 | 3 | **59.6** | 0 | 0 | 2 | **2** | 24.4 | 17.5 | 9.7 | 4 | 1 | 6 | n/a | **62.6** |
| Okeechobee | 18.4 | 17.5 | 9.7 | 2 | 1 | 1 | 1 | 6 | 5 | **61.6** | 0 | 0 | 0 | **0** | 24.4 | 17.5 | 9.7 | 4 | 1 | 6 | n/a | **62.6** |
| Orange | 18.4 | 17.5 | 9.7 | 2 | 1 | 1 | 0 | 6 | 0 | **55.6** | 1 | 0 | 5 | **6** | 24.4 | 17.5 | 9.7 | 4 | 1 | 6 | n/a | **62.6** |
| Osceola | 18.4 | 17.5 | 9.7 | 2 | 1 | 1 | 1 | 6 | 5 | **61.6** | 0 | 0 | 0 | **0** | 24.4 | 17.5 | 9.7 | 4 | 1 | 6 | n/a | **62.6** |
| Palm Beach | 18.4 | 17.5 | 9.7 | 2 | 1 | 1 | 1 | 6 | 5 | **61.6** | 0 | 0 | 0 | **0** | 24.4 | 17.5 | 9.7 | 4 | 1 | 6 | n/a | **62.6** |
| Pasco | 18.4 | 17.5 | 9.7 | 2 | 1 | 1 | 1 | 6 | 5 | **61.6** | 0 | 0 | 0 | **0** | 24.4 | 17.5 | 9.7 | 4 | 1 | 6 | n/a | **62.6** |
| Pinellas | 18.4 | 17.5 | 9.7 | 2 | 1 | 1 | 1 | 6 | 0 | **56.6** | 0 | 0 | 5 | **5** | 24.4 | 17.5 | 9.7 | 4 | 1 | 6 | n/a | **62.6** |
| Polk | 18.4 | 17.5 | 9.7 | 2 | 1 | 1 | 1 | 6 | 5 | **61.6** | 0 | 0 | 0 | **0** | 24.4 | 17.5 | 9.7 | 4 | 1 | 6 | n/a | **62.6** |
| Putnam | 18.4 | 17.5 | 9.7 | 2 | 1 | 1 | 1 | 6 | 5 | **61.6** | 0 | 0 | 0 | **0** | 24.4 | 17.5 | 9.7 | 4 | 1 | 6 | n/a | **62.6** |
| St. Johns | 18.4 | 17.5 | 9.7 | 2 | 1 | 1 | 0 | 6 | 0 | **55.6** | 1 | 0 | 5 | **6** | 24.4 | 17.5 | 9.7 | 4 | 1 | 6 | n/a | **62.6** |
| St. Lucie | 18.4 | 17.5 | 9.7 | 2 | 1 | 1 | 1 | 6 | 5 | **61.6** | 0 | 0 | 0 | **0** | 24.4 | 17.5 | 9.7 | 4 | 1 | 6 | n/a | **62.6** |
| Santa Rosa | 18.4 | 17.5 | 9.7 | 2 | 1 | 1 | 1 | 6 | 5 | **61.6** | 0 | 0 | 0 | **0** | 24.4 | 17.5 | 9.7 | 4 | 1 | 6 | n/a | **62.6** |
| Sarasota | 18.4 | 17.5 | 9.7 | 2 | 1 | 1 | 1 | 6 | 5 | **61.6** | 0 | 0 | 0 | **0** | 24.4 | 17.5 | 9.7 | 4 | 1 | 6 | n/a | **62.6** |
| Seminole | 18.4 | 17.5 | 9.7 | 2 | 1 | 1 | 1 | 6 | 0 | **56.6** | 0 | 0 | 5 | **5** | 24.4 | 17.5 | 9.7 | 4 | 1 | 6 | n/a | **62.6** |
| Sumter | 18.4 | 17.5 | 9.7 | 2 | 1 | 1 | 1 | 6 | 0 | **56.6** | 0 | 0 | 5 | **5** | 24.4 | 17.5 | 9.7 | 4 | 1 | 6 | n/a | **62.6** |
| Suwannee | 18.4 | 17.5 | 9.7 | 2 | 1 | 1 | 1 | 6 | 5 | **61.6** | 0 | 0 | 0 | **0** | 24.4 | 17.5 | 9.7 | 4 | 1 | 6 | n/a | **62.6** |
| Taylor | 18.4 | 17.5 | 9.7 | 2 | 1 | 1 | 0 | 6 | 0 | **55.6** | 1 | 0 | 5 | **6** | 24.4 | 17.5 | 9.7 | 4 | 1 | 6 | n/a | **62.6** |
| Union | 18.4 | 17.5 | 9.7 | 2 | 1 | 1 | 1 | 6 | 0 | **56.6** | 0 | 0 | 5 | **5** | 24.4 | 17.5 | 9.7 | 4 | 1 | 6 | n/a | **62.6** |
| Volusia | 18.4 | 17.5 | 9.7 | 2 | 1 | 1 | 1 | 6 | 5 | **61.6** | 0 | 0 | 0 | **0** | 24.4 | 17.5 | 9.7 | 4 | 1 | 6 | n/a | **62.6** |
| Wakulla | 18.4 | 17.5 | 9.7 | 2 | 1 | 1 | 1 | 6 | 0 | **56.6** | 0 | 0 | 5 | **5** | 24.4 | 17.5 | 9.7 | 4 | 1 | 6 | n/a | **62.6** |
| Walton | 18.4 | 17.5 | 9.7 | 2 | 1 | 1 | 1 | 6 | 0 | **56.6** | 0 | 0 | 5 | **5** | 24.4 | 17.5 | 9.7 | 4 | 1 | 6 | n/a | **62.6** |
| Washington | 18.4 | 17.5 | 9.7 | 2 | 1 | 1 | 1 | 6 | 0 | **56.6** | 0 | 0 | 5 | **5** | 24.4 | 17.5 | 9.7 | 4 | 1 | 6 | n/a | **62.6** |

# 2025 Federal, State, and County Tax Rates on Motor Fuel and Diesel Fuel in Florida's Counties

| | Motor Fuel Tax Rates (# of Cents Per Gallon) | | | | | | | | | | Unutilized County-Imposed Motor Fuel Taxes | | | | Diesel Fuel Tax Rates (# of Cents Per Gallon) | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Federal | State | | | | | County (Local Option) | | | | | | | | Federal | State | | | County (Local Option) | | | |
| County | Fuel Excise Tax | Fuel Sales Tax | SCETS Tax | Constit. Fuel Tax | County Fuel Tax | Municipal Fuel Tax | Ninth-cent Fuel Tax | 1-6 Cents Fuel Tax | 1-5 Cents Fuel Tax | **Total Tax** | Ninth-cent Fuel Tax | 1-6 Cents Fuel Tax | 1-5 Cents Fuel Tax | **Total Unutilized Tax** | Fuel Excise Tax | Fuel Sales Tax | SCETS Tax | Fuel Excise Tax | Ninth-cent Fuel Tax | 1-6 Cents Fuel Tax | 1-5 Cents Fuel Tax | **Total Tax** |

Notes:

1) Federal taxes on motor and diesel fuels are authorized pursuant to Title 26, United States Code.

2) State taxes on motor fuel consist of the Fuel Sales Tax, pursuant to s. 206.41(1)(g), F.S.; the State Comprehensive Enhanced Transportation System (SCETS) Tax, pursuant to s. 206.41(1)(f), F.S.; the Constitutional Fuel Tax, pursuant to s. 206.41(1)(a), F.S.; the County Fuel Tax, pursuant to s. 206.41(1)(b), F.S.; and the Municipal Fuel Tax, pursuant to s. 206.41(1)(c), F.S. The Municipal Fuel Tax is one of the revenue sources that fund the Municipal Revenue Sharing Program. This table excludes the state inspection fee of $0.00125 per gallon imposed on motor fuel.

3) County local option taxes on motor fuel consist of the 1 cent Ninth-cent Fuel Tax, pursuant to s. 206.41(1)(d), F.S.; the 1 to 6 cents of Local Option Fuel Tax and the 1 to 5 cents of Local Option Fuel Tax, pursuant to s. 206.41(1)(e), F.S.

4) State taxes on diesel fuel consist of the Fuel Sales Tax, pursuant to s. 206.87(1)(e), F.S.; the State Comprehensive Enhanced Transportation System (SCETS) Tax, pursuant to s. 206.87(1)(d), F.S.; and the Fuel Excise Tax, pursuant to s. 206.41(1)(a), F.S.

5) County taxes on diesel fuel for local use consist of the 1 cent Ninth-cent Fuel Tax, pursuant to s. 206.87(1)(b), F.S.; and 1 to 6 cents of Local Option Fuel Tax, pursuant to s. 206.87(1)(c), F.S. The 1 to 5 cents Local Option Fuel Tax is not authorized for levy on diesel fuel.

6) County local option tax rate changes for 2025: Jackson County will levy the 1-5 Cents Fuel Tax at the maximum rate of 5 cents.

7) For a list of transportation funding sources, please refer to the Florida Department of Transportation's "Florida's Transportation Tax Sources: A Primer".

Data Sources:
1) Florida Department of Revenue, "2025 Florida Fuel Tax, Collection Allowance, Refund, and Pollutants Tax Rates" available at https://floridarevenue.com/taxes/Documents/fuel_charts/24B05-05_chart.pdf.
2) Florida Department of Transportation, Office of Work Program and Budget, "Florida's Transportation Tax Sources - A Primer (2024)" available at https://fdotewp1.dot.state.fl.us/FMSupportApps/Documents/pra/Primer.pdf.

# NINTH-CENT FUEL TAX

FLORIDA STATUTES: Sections 206.41(1)(d), 206.87(1)(b), and 336.021

ADMINISTERED BY: Department of Revenue

SUMMARY:
The Ninth-Cent Fuel Tax is a local option tax of 1 cent on every net gallon of motor and diesel fuel sold within a county. The tax may be authorized by an ordinance adopted by an extraordinary vote of the governing body or voter approval in a countywide referendum. Generally, the tax proceeds may be used to fund transportation expenditures. Since January 1, 1994, the tax has been imposed on diesel fuel in every county as the result of statewide equalization. All counties are eligible to levy this tax on motor fuel, and 55 counties will be levying the tax during the 2025 calendar year.

REVENUE:

| Fiscal Year | Total Collections | Annual Change % |
|---|---|---|
| 2026-27* | 104,986,742 | 0.45% |
| 2025-26* | 104,516,418 | 0.73% |
| 2024-25 | 103,758,977 | 0.73% |
| 2023-24 | 103,007,026 | -0.19% |
| 2022-23 | 103,199,531 | 4.54% |
| 2021-22 | 98,713,547 | 9.14% |
| 2020-21 | 90,445,219 | -0.24% |

* Estimate

Annual tax receipts by county can be found on the Office of Economic and Demographic Research's (EDR) Local Government Data webpage under the heading of Local Option Tax Receipts via the following link:
http://edr.state.fl.us/Content/local-government/data/data-a-to-z/g-l.cfm

HISTORY:
Chapter 72-384, L.O.F., authorized county governments to levy a 1 cent per gallon tax on motor and special fuels subject to referendum approval. Chapter 77-390, L.O.F., allowed the county's governing body to limit the number of years that tax would be in effect and expanded the authorized uses of the tax proceeds.

Chapter 80-397, L.O.F., authorized the county and municipalities within the county's boundaries to negotiate a joint agreement for the purpose of allowing the tax proceeds to be used in both the incorporated and unincorporated areas of the county. Chapter 83-3, L.O.F., designated the name of this tax as the voted gas tax. Chapter 83-137, L.O.F., required official notification of the ordinance proposing the tax levy to be sent to the Department within 10 days after approval by the county's governing body and also 10 days after voter approval by referendum. Chapter 85-342, L.O.F., established a dealer collection allowance of three percent of the first $1,000 of tax due and one percent of any remaining tax due. Chapter 87-99, L.O.F., specified the tax's effective date as 60 days after passage of the referendum.

Chapter 90-351, L.O.F. (SB 2984), required all counties to impose this tax on special fuel by January 1, 1994 (i.e., statewide equalization). Chapter 92-184, L.O.F. (HB 833), changed the system of motor fuel tax collections by requiring motor fuel taxpayers to report fuel purchases based on the net amount of fuel pumped from the loading rack rather than on the gross amount of fuel. Chapter 92-309, L.O.F. (HB 193-H), changed the name of this tax from voted gas tax to ninth-cent gas tax and authorized counties having a

total population of 50,000 or less on April 1, 1992, to levy the tax by an extraordinary vote of the governing body. If enacted by this method, the tax proceeds could not be used to service bonded indebtedness. Chapter 93-206, L.O.F. (HB 2315), authorized any county to impose the tax by an extraordinary vote of the governing body, in addition to the existing method of voter approval in a countywide referendum. In addition, counties with a total population of 50,000 or less were no longer precluded from using these funds for bonding purposes. Chapter 94-146, L.O.F. (HB 1317), authorized the Department to deduct administrative costs from the tax proceeds and limited the deduction to 2 percent of total collections. The deduction would be phased-in over several fiscal years. Administrative costs would be prorated among the levying counties according to a formula based on each county's proportional share of active taxpayer accounts (weighted by two-thirds) and collections (weighted by one-third), and the formula would be revised on July 1st of each year. Chapter 95-417, L.O.F. (HB 1639), constituted a major rewrite of the state statutes dealing with state and local fuel tax implementation and administration in order to adopt fuel taxing procedures used by the federal government with the goals of reducing tax evasion and fraud and increasing administrative efficiency. References to gas tax and special fuel were changed to fuel tax and diesel fuel, respectively. The point of tax collection on diesel fuel was moved to the terminal rack. The point of tax collection of all local option and SCETS taxes on motor fuel was moved from collection by retailers to collection by wholesalers or terminal suppliers on deliveries to retail service stations and end users. The effective date for all local option fuel tax levies was changed from September 1st to January 1st of the following year. Chapter 95-428, L.O.F. ( HB 2553), authorized any county having a total population of 10,000 or less on April 1, 1993, to transfer and use legally restricted fuel tax (including all local option fuel taxes) for unrestricted purposes for all fiscal years prior to and through 1994-95. Chapter 96-323, L.O.F. (SB 330), changed the procedure for the distribution of local option taxes collected on sales and use of diesel fuel. Chapter 97-54, L.O.F. (HB 81), provided a technical change to allow counties to correct expiration problems with local option fuel tax levies. Additionally, it authorized county and municipal governments to use the Ninth-Cent Fuel Tax proceeds to transportation expenditures as defined in s. 336.025(7), F.S., in order to allow the authorized uses for this tax and the 1-6 Cents Local Option Fuel Tax to be identical.

Chapter 2002-218, L.O.F. (SB 426), revised time limitations on impositions and rate changes for all local option fuel taxes. All impositions and rate changes were to be levied before July 1st of each year to be effective January 1st of the following year. All tax impositions and rescissions were required to end on December 31st of a year, and any rescission required a minimum 60 days' notice to the Department. Chapter 2003-254, L.O.F. (SB 1176), revised certain dates for purposes of qualifying new retail stations with respect to diesel fuel and required local option fuel taxes on motor fuel reported by wholesalers to be included in the distribution process. Additionally, it expanded the definition of transportation expenditures to include expenditures for sidewalks.

Chapter 2010-138, L.O.F. (HB 7157), authorized the Department to make distributions of the Ninth-Cent Fuel Tax collected on diesel fuel that more accurately reflect the current fuel market. Chapter 2012-174, L.O.F. (HB 599), revised time limitations on impositions and rate changes for all local option fuel taxes. All impositions and rate changes were to be levied before October 1st of each year to be effective January 1st of the following year. Additionally, the legislation incorporated the installation, operation, maintenance, and repair of street lighting, traffic signs, traffic engineering, signalization, and pavement markings as permitted uses of the tax proceeds.

Chapter 2022-214, L.O.F., (CS/CS/HB 777) required a referendum authorizing the levy of the tax to be held at a general election, as defined in s. 97.021, F.S. Chapter 2023-157, L.O.F (HB 7063), required a referendum to adopt, amend, or reenact the tax to be held at a general election as defined in s. 97.021, F.S. A referendum to reenact an expiring tax must be held at a general election occurring within the 48-month period immediately preceding the effective date of the reenacted tax. Such a referendum may appear on the ballot only once within the 48-month period.

# NINTH-CENT FUEL TAX

IMPOSITION AND RATE:
Any county government may levy a 1 cent per gallon tax on motor and diesel fuels sold in the county by extraordinary vote of the county's governing body or voter approval in a countywide referendum. Since January 1, 1994, this tax has been imposed on diesel fuel in every county as the result of statewide equalization. During the 2025 calendar year, 55 counties will be levying the tax on motor fuel.

All impositions of the tax shall be levied before October 1st to be effective January 1st of the following year. However, levies of the tax which were in effect on July 1, 2002, and which expire on August 31st of any year may be reimposed at the current authorized rate to be effective September 1st of the year of expiration. A decision to rescind the tax shall not take effect on any other date than December 31st and shall require a minimum of 60 days' notice to the Department of Revenue of such decision.

A referendum to adopt, amend, or reenact the tax must be held at a general election as defined in s. 97.021, F.S. A referendum to reenact an expiring tax must be held at a general election occurring within the 48-month period immediately preceding the effective date of the reenacted tax. Such a referendum may appear on the ballot only once within the 48-month period.

DISPOSITION AND USES:
The Department of Revenue returns the proceeds to the county where the tax is levied. The county's governing body may provide by joint agreement with one or more of its respective municipalities for the authorized transportation purposes and the distribution of tax proceeds within both the incorporated and unincorporated areas of the county. However, the county is not required to share the tax proceeds with municipalities. Even if the county does not levy the tax on motor fuel, it still receives proceeds from the levy on diesel fuel. County and municipal governments may use the tax proceeds for transportation expenditures as defined in s. 336.025(7), F.S.

OTHER STATES:
According to the American Petroleum Institute (API), a number of states have local option fuel taxes. A listing of those states can be found in the API's report entitled *State Gasoline Tax Reports* via the following link:
http://www.api.org/oil-and-natural-gas/consumer-information/motor-fuel-taxes

ADDITIONAL INFORMATION:
Annual tax distributions by county can be found on the EDR's Local Government Data webpage under the heading of Local Option Fuel Taxes via the following link:
http://edr.state.fl.us/Content/local-government/data/data-a-to-z/g-l.cfm

A more detailed description of this tax in its present form as well as estimated revenue distributions to county and municipal governments can be found in the Office of Economic and Demographic Research's annual report *Local Government Financial Information Handbook* via the following link:
http://edr.state.fl.us/Content/local-government/reports/index.cfm

# 1 TO 6 CENTS LOCAL OPTION FUEL TAX

FLORIDA STATUTES: Sections 206.41(1)(e), 206.87(1)(c), and 336.025(1)(a)

ADMINISTERED BY: Department of Revenue

SUMMARY:
Local governments are authorized to levy a tax of 1 to 6 cents on every net gallon of motor fuel sold in a county. The tax is imposed on diesel fuel in each county at the maximum rate of 6 cents per gallon. The tax on motor fuel may be authorized by an ordinance adopted by a majority vote of the governing body or voter approval in a countywide referendum. Generally, the proceeds may be used to fund transportation expenditures. Since 1993, the tax has been imposed on diesel fuel in every county at the maximum rate of 6 cents per gallon as the result of statewide equalization. All counties are eligible to levy this tax on motor fuel and will be levying the tax during the 2025 calendar year.

REVENUE:

| Fiscal Year | Total Collections | Annual Change % |
|---|---|---|
| 2026-27* | 661,479,701 | 0.45% |
| 2025-26* | 658,516,377 | 0.73% |
| 2024-25 | 653,744,046 | 4.05% |
| 2023-24 | 628,309,099 | -3.04% |
| 2022-23 | 648,034,546 | 1.52% |
| 2021-22 | 638,331,177 | 7.56% |
| 2020-21 | 593,457,875 | -0.51% |

* Estimate

Annual tax receipts by county can be found on the Office of Economic and Demographic Research's Local Government Data webpage under the heading of Local Option Tax Receipts via the following link: http://edr.state.fl.us/Content/local-government/data/data-a-to-z/g-l.cfm

HISTORY:
Chapter 83-3, L.O.F., authorized county governments to levy a local option gas tax of up to 4 cents per gallon on motor and special fuels. Chapter 83-339, L.O.F., increased the General Revenue Service Change on the Local Option Gas Tax Trust Fund from 4 to 6 percent. Chapter 84-369, L.O.F., required a certified copy of the interlocal agreement establishing the distribution of the tax proceeds be sent to the Department. Chapter 85-180, L.O.F., increased the rate at which the tax could be levied by 2 cents. Chapter 85-342, L.O.F., established a dealer collection allowance of three percent of the first $1,000 of tax due and one percent of any remaining tax due. Chapter 86-152, L.O.F., changed the requirements for authorizing the levy of optional gas tax and those regarding interlocal agreements and distribution of tax proceeds. Chapter 86-243, L.O.F., allowed for the entire proceeds to be pledged toward bonds.

Chapters 90-110 and 90-132, L.O.F. (HB 149 and HB 3695), had the combined effect of increasing the General Revenue Service Charge on the Local Option Gas Tax Trust Fund from 6 to 7.3 percent. Chapter 90-351, L.O.F. (SB 2984), equalized the tax rate on special fuel in all counties at 4 cents in 1991, 5 cents in 1992, and 6 cents in 1993. Chapter 92-184, L.O.F. (HB 833), changed the system of motor fuel tax collections by requiring motor fuel taxpayers to report fuel purchases based on the net amount of fuel pumped from the loading rack rather than on the gross amount of fuel. Chapter 92-309, L.O.F. (HB 193-H), authorized counties having a total population of 50,000 or less on April 1, 1992, to use the tax proceeds to fund infrastructure projects if designated projects were consistent with the local government's approved comprehensive plan and all transportation needs as identified in the comprehensive plan had

been met. Chapter 93-164, L.O.F. (SB 1328), authorized local governments to use the tax proceeds to fund the costs of structures used for the storage and maintenance of road equipment. Chapter 93-222, L.O.F. (HB 729), modified the definition of infrastructure to include official emergency responder vehicles, which expanded the uses to which small counties could use the tax proceeds. Chapter 94-146, L.O.F. (HB 1317), authorized the Department to deduct administrative costs from the tax proceeds and limited the deduction to 2 percent of total collections. The deduction would be phased-in over several fiscal years. Administrative costs would be prorated among the levying counties according to a formula based on each county's proportional share of active taxpayer accounts (weighted by two-thirds) and collections (weighted by one-third), and the formula would be revised on July 1st of each year. Chapter 94-237, L.O.F. (SB 2156), provided for biennial review and public hearing requirements by local governments of the distribution method for local option gas tax proceeds specified in interlocal agreements. Chapter 95-257, L.O.F. (SB 510), provided that interlocal agreements that included provision for automatic adjustment of the revenue distribution were not subject to biennial review and public hearing requirements. Chapter 95-343, L.O.F. (HB 1919), authorized any county having a total population of 50,000 or less on April 1, 1992, and subject to a court-ordered refund of special assessments to use the proceeds of up to 4 cents of gas tax to finance the refund. (Note: Legislation provided Madison County with a source of funds to finance a court-ordered refund of $2.2 million in special assessments.)

Chapter 95-417, L.O.F. (HB 1639), constituted a major rewrite of the state statutes dealing with state and local fuel tax implementation and administration in order to adopt fuel taxing procedures used by the federal government with the goals of reducing tax evasion and fraud and increasing administrative efficiency. References to gas tax and special fuel were changed to fuel tax and diesel fuel, respectively. The point of tax collection on diesel fuel was moved to the terminal rack. The point of tax collection of all local option and SCETS taxes on motor fuel was moved from collection by retailers to collection by wholesalers or terminal suppliers on deliveries to retail service stations and end users. The effective date for all local option fuel tax levies was changed from September 1st to January 1st of the following year. Chapter 95-428, L.O.F. (HB 2553), authorized any county having a total population of 10,000 or less on April 1, 1993, to transfer and use legally restricted fuel tax (including all local option fuel taxes) for unrestricted purposes for all fiscal years prior to and through 1994-95. Chapter 96-323, L.O.F. (SB 330), authorized any inland county with a population greater than 500,000 as of July 1, 1996, and an interlocal agreement with one or more municipalities within the county, to utilize the most recent official population estimates for dividing the fuel tax proceeds. (Note: At the time of enactment, Orange County was the only county eligible to use this new authority.) Additionally, it changed the procedure for the distribution of local option taxes collected on sales and use of diesel fuel. Chapter 97-54, L.O.F. (HB 81), provided a technical change to allow counties to correct expiration problems with local option fuel tax levies.

Chapter 2002-20, L.O.F. (HB 261), amended s. 339.12, F.S., to provide that any county with a population greater than 50,000 that levies the full 6 cents of fuel tax for improvements to the state transportation system or local projects directly upgrading the state transportation system within the county's boundaries shall receive preference for receipt of any transportation grant for which the county applies. Chapter 2002-218, L.O.F. (SB 426), revised time limitations on impositions and rate changes for all local option fuel taxes. All impositions and rate changes were to be levied before July 1st of each year to be effective January 1st of the following year. All tax impositions and rescissions were required to end on December 31st of a year, and any rescission required a minimum 60 days notice to the Department. Chapter 2003-86, L.O.F. (HB 1813), expanded the definition of transportation expenditures to include expenditures for sidewalks and authorized municipalities in certain less-populated counties to expend the proceeds for additional uses. Chapter 2003-254, L.O.F. (SB 1176), revised certain dates for purposes of qualifying new retail stations with respect to diesel fuel and required local option fuel taxes on motor fuel reported by wholesalers to be included in the distribution process. Additionally, it expanded the definition of transportation expenditures to include expenditures for sidewalks. Chapter 2007-196, L.O.F. (HB 985),

deleted a provision prohibiting counties and municipalities from issuing bonds more than once each year pledging the tax proceeds.

Chapter 2012-174, L.O.F. (HB 599), revised time limitations on impositions and rate changes for all local option fuel taxes. All impositions and rate changes were to be levied before October 1st of each year to be effective January 1st of the following year. Additionally, the legislation incorporated the installation, operation, maintenance, and repair of street lighting, traffic signs, traffic engineering, signalization, and pavement markings as permitted uses of the tax proceeds.

Chapter 2022-214, L.O.F., (CS/CS/HB 777) required a referendum authorizing the levy of the tax to be held at a general election, as defined in s. 97.021, F.S. Chapter 2023-157, L.O.F (HB 7063), required a referendum to adopt, amend, or reenact the tax to be held at a general election as defined in s. 97.021, F.S. A referendum to reenact an expiring tax must be held at a general election occurring within the 48-month period immediately preceding the effective date of the reenacted tax. Such a referendum may appear on the ballot only once within the 48-month period.

IMPOSITION AND RATE:
Any county government may levy 1 to 6 cents per gallon tax on motor fuel sold in the county by majority vote of the county's governing body or voter approval in a countywide referendum. In lieu of action by the county, municipal governments within the county can adopt uniform resolutions to initiate a countywide referendum. Since 1993, this tax has been imposed on diesel fuel at the rate of 6 cents per gallon in every county as the result of statewide equalization. During the 2025 calendar year, all counties will be levying the tax on motor fuel at the maximum rate of 6 cents per gallon.

All impositions and rate changes shall be levied before October 1st to be effective January 1st of the following year for a period not to exceed 30 years. However, levies of the tax which were in effect on July 1, 2002, and which expire on August 31st of any year may be reimposed at the current authorized rate to be effective September 1st of the year of expiration. A decision to rescind the tax shall not take effect on any other date than December 31st and shall require a minimum of 60 days' notice to the Department of Revenue of such decision.

A referendum to adopt, amend, or reenact the tax must be held at a general election as defined in s. 97.021, F.S. A referendum to reenact an expiring tax must be held at a general election occurring within the 48-month period immediately preceding the effective date of the reenacted tax. Such a referendum may appear on the ballot only once within the 48-month period.

DISPOSITION AND USES:
The Department shall distribute the tax proceeds according to the distribution factors determined at the local level by interlocal agreement between the county and municipalities within the county's boundaries. If no interlocal agreement has been established, then the distribution shall be based on the transportation expenditures of each local government for the immediately preceding 5 fiscal years, as a proportion of the total of such expenditures for the county and all municipalities within the county. These proportions shall be recalculated every 10 years based on the transportation expenditures of the immediately preceding 5 years.

County and municipal governments may use the tax proceeds for transportation expenditures as defined in s. 336.025(7), F.S. Small counties, which are defined as having a total population of 50,000 or less on April 1, 1992, and municipalities within such counties are authorized to use the proceeds to fund infrastructure projects, if such projects are consistent with the local government's approved comprehensive plan. Except as provided for in s. 336.025(7), F.S., such funds shall not be used for the operational expenses of any infrastructure.

OTHER STATES:
According to the American Petroleum Institute (API), a number of states have local option fuel taxes. A listing of those states can be found in the API's report entitled *State Gasoline Tax Reports* via the following link:
http://www.api.org/oil-and-natural-gas/consumer-information/motor-fuel-taxes

ADDITIONAL INFORMATION:
Annual tax distributions by county can be found on the EDR's Local Government Data webpage under the heading of Local Option Fuel Taxes via the following link:
http://edr.state.fl.us/Content/local-government/data/data-a-to-z/g-l.cfm

A more detailed description of this tax in its present form as well as estimated revenue distributions to county and municipal governments can be found in the Office of Economic and Demographic Research's annual report *Local Government Financial Information Handbook* via the following link:
http://edr.state.fl.us/Content/local-government/reports/index.cfm

# 1 TO 5 CENTS LOCAL OPTION FUEL TAX

FLORIDA STATUTES: Sections 206.41(1)(e) and 336.025(1(b)

ADMINISTERED BY: Department of Revenue

SUMMARY:
County governments are authorized to levy a tax of 1 to 5 cents upon every net gallon of motor fuel sold within a county. Diesel fuel is not subject to this tax. This tax shall be levied by an ordinance adopted by a majority plus one vote of the county's governing body or voter approval in a countywide referendum. Generally, the tax proceeds may be used for transportation expenditures needed to meet the requirements of the capital improvements element of an adopted local government comprehensive plan. All counties are eligible to levy this tax on motor fuel, and 38 counties will be levying the tax during the 2025 calendar year.

REVENUE:

| Fiscal Year | Total Collections | Annual Change % |
|---|---|---|
| 2026-27* | 306,557,373 | 0.45% |
| 2025-26* | 305,184,045 | 0.73% |
| 2024-25 | 302,972,347 | 0.48% |
| 2023-24 | 301,510,277 | -0.05% |
| 2022-23 | 301,657,086 | 6.57% |
| 2021-22 | 283,049,736 | 21.74% |
| 2020-21 | 232,506,412 | -8.14% |

* Estimate

Annual tax receipts by county can be found on the Office of Economic and Demographic Research's Local Government Data webpage under the heading of Local Option Tax Receipts via the following link: http://edr.state.fl.us/Content/local-government/data/data-a-to-z/g-l.cfm

HISTORY:
Chapter 93-206, L.O.F. (HB 2315), authorized county governments to impose a tax of 1 to 5 cents per gallon of motor fuel sold at the retail level within the county. Chapter 94-146, L.O.F. (HB 1317), authorized the Department to deduct administrative costs from the tax proceeds and limited the deduction to 2 percent of total collections. The deduction would be phased-in over several fiscal years. Administrative costs would be prorated among the levying counties according to a formula based on each county's proportional share of active taxpayer accounts (weighted by two-thirds) and collections (weighted by one-third), and the formula would be revised on July 1st of each year. Chapter 94-237, L.O.F. (SB 2156), provided for biennial review and public hearing requirements by local governments of the distribution method for local option gas tax proceeds specified in interlocal agreements. Chapter 95-257, L.O.F. (SB 510), provided that interlocal agreements that included provision for automatic adjustment of the revenue distribution were not subject to biennial review and public hearing requirements. Chapter 95-417, L.O.F. (HB 1639), constituted a major rewrite of the state statutes dealing with state and local fuel tax implementation and administration in order to adopt fuel taxing procedures used by the federal government with the goals of reducing tax evasion and fraud and increasing administrative efficiency. References to gas tax and special fuel were changed to fuel tax and diesel fuel, respectively. The point of tax collection on diesel fuel was moved to the terminal rack. The point of tax collection of all local option and SCETS taxes on motor fuel was moved from collection by retailers to collection by wholesalers or terminal suppliers on deliveries to retail service stations and end users. The effective date for all local option fuel tax levies was changed from September 1st to January 1st of the

following year. Chapter 95-428, L.O.F. (HB 2553), authorized any county having a total population of 10,000 or less on April 1, 1993, to transfer and use legally restricted fuel tax (including all local option fuel taxes) for unrestricted purposes for all fiscal years prior to and through 1994-95. Chapter 96-323, L.O.F. (SB 330), changed the procedure for the distribution of local option taxes collected on sales and use of diesel fuel. Chapter 97-54, L.O.F. (HB 81), provided a technical change to allow counties to correct expiration problems with local option fuel tax levies. Additionally, it authorized county and municipal governments to include additional projects, such as the construction of new roads and reconstruction or resurfacing of existing paved roads, in the capital improvements element of an adopted comprehensive plan thereby expanding the authorized uses on the tax proceeds.

Chapter 2000-266, L.O.F. (SB 772), authorized the tax proceeds to be used for the paving of existing graded roads when undertaken in part to relieve or mitigate existing or potential adverse environmental impacts. Chapter 2001-201, L.O.F. (HB 1225), provided that the relief or mitigation of existing or potential adverse environmental impacts was no longer a condition for using tax proceeds to pave existing graded roads. Chapter 2002-218, L.O.F. (SB 426), revised time limitations on impositions and rate changes for all local option fuel taxes. All impositions and rate changes were to be levied before July 1st of each year to be effective January 1st of the following year. All tax impositions and rescissions were required to end on December 31st of a year, and any rescission required a minimum 60 days notice to the Department. Chapters 2003-86 and 2003-254, L.O.F. (HB 1813 and SB 1176), expanded the authorized uses to include expenditures needed to meet immediate local transportation problems and for other transportation-related expenditures critical for building comprehensive roadway networks. Chapter 2007-196, L.O.F. (HB 985), deleted a provision prohibiting counties and municipalities from issuing bonds more than once each year pledging the tax proceeds.

Chapter 2012-174, L.O.F. (HB 599), revised time limitations on impositions and rate changes for all local option fuel taxes. All impositions and rate changes were to be levied before October 1st of each year to be effective January 1st of the following year. Additionally, the legislation incorporated the installation, operation, maintenance, and repair of street lighting, traffic signs, traffic engineering, signalization, and pavement markings as permitted uses of the tax proceeds.

Chapter 2022-214, L.O.F., (CS/CS/HB 777) required a referendum authorizing the levy of the tax to be held at a general election, as defined in s. 97.021, F.S. Chapter 2023-157, L.O.F (HB 7063), required a referendum to adopt, amend, or reenact the tax to be held at a general election as defined in s. 97.021, F.S. A referendum to reenact an expiring tax must be held at a general election occurring within the 48-month period immediately preceding the effective date of the reenacted tax. Such a referendum may appear on the ballot only once within the 48-month period.

IMPOSITION AND RATE:
Any county government may levy 1 to 5 cents per gallon tax on motor fuel sold in the county by majority plus one vote of the county's governing body or voter approval in a countywide referendum. Diesel fuel is not subject to this tax. During the 2025 calendar year, 34 counties will be levying the tax on motor fuel at the maximum rate of 5 cents per gallon, 1 county will be levying at 4 cents, 2 counties will be levying at 3 cents, and 1 county will be levying at 2 cents.

All impositions and rate changes shall be levied before October 1st to be effective January 1st of the following year for a period not to exceed 30 years. However, levies of the tax which were in effect on July 1, 2002, and which expire on August 31st of any year may be reimposed at the current authorized rate to be effective September 1st of the year of expiration. A decision to rescind the tax shall not take effect on any other date than December 31st and shall require a minimum of 60 days' notice to the Department of Revenue of such decision.

A referendum to adopt, amend, or reenact the tax must be held at a general election as defined in s. 97.021, F.S. A referendum to reenact an expiring tax must be held at a general election occurring within the 48-month period immediately preceding the effective date of the reenacted tax. Such a referendum may appear on the ballot only once within the 48-month period.

DISPOSITION AND USES:
The tax proceeds shall be distributed by the Department according to the distribution factors determined at the local level by interlocal agreement between the county and municipalities within the county's boundaries. If no interlocal agreement is established, then the distribution shall be based on the transportation expenditures of each local government for the immediately preceding five fiscal years as a proportion of the total of such expenditures for the county and all municipalities within the county.

The tax proceeds shall be used for transportation expenditures needed to meet the requirements of the capital improvements element of an adopted comprehensive plan or for expenditures needed to meet immediate local transportation problems and for other transportation-related expenditures that are critical for building comprehensive roadway networks by local governments. Expenditures for the construction of new roads, the reconstruction or resurfacing of existing paved roads, or the paving of existing graded roads shall be deemed to increase capacity and such projects shall be included in the capital improvements element of an adopted comprehensive plan. Routine maintenance of roads is not considered an authorized expenditure.

OTHER STATES:
According to the American Petroleum Institute (API), a number of states have local option fuel taxes. A listing of those states can be found in the API's report entitled *State Gasoline Tax Reports* via the following link:
http://www.api.org/oil-and-natural-gas/consumer-information/motor-fuel-taxes

ADDITIONAL INFORMATION:
Annual tax distributions by county can be found on the EDR's Local Government Data webpage under the heading of Local Option Fuel Taxes via the following link:
http://edr.state.fl.us/Content/local-government/data/data-a-to-z/g-l.cfm

A more detailed description of this tax in its present form as well as estimated revenue distributions to county and municipal governments can be found in the Office of Economic and Demographic Research's annual report *Local Government Financial Information Handbook* via the following link:
http://edr.state.fl.us/Content/local-government/reports/index.cfm

# LOCAL OPTION FOOD AND BEVERAGE TAXES

# LOCAL OPTION FOOD AND BEVERAGE TAX

FLORIDA STATUTES: Section 212.0306(1)(b)

ADMINISTERED BY: Self-administered by Miami-Dade County

SUMMARY:
Any county, as defined in s. 125.011(1), F.S., [i.e., Miami-Dade County] may impose a 1 percent tax on the sale of food, beverages, and alcoholic beverages in establishments that are licensed by the state to sell alcoholic beverages for consumption on the premises, except for hotels and motels. Not less than 15 percent of the tax proceeds shall be used for construction and operation of domestic violence centers. The remainder shall be used for programs to assist the homeless or those about to become homeless. Miami-Dade County levies this tax.

REVENUE:
Because the tax is self-administered, the following revenue figures were obtained from current and prior years' county budget documents.

| Fiscal Year | Total Collections | Annual Change % |
|---|---|---|
| 2025-26* | 47,400,000 | -2.6% |
| 2024-25* | 48,677,000 | 10.4% |
| 2023-24 | 44,091,000 | 3.4% |
| 2022-23 | 42,636,472 | 6.4% |
| 2021-22 | 40,089,598 | 35.7% |
| 2020-21 | 29,536,394 | 35.7% |
| 2019-20 | 21,761,086 | -25.9% |

* Estimate

HISTORY:
Chapter 93-233, L.O.F. (HB 557), authorized any county, as defined in s. 125.011(1), F.S., to impose a 1 percent tax on food, beverages, and alcoholic beverages sold in county establishments, except hotels and motels, having a state-issued alcoholic beverage license for on-premises consumption. For the first 12 months of levy, the proceeds were to be used for programs to assist the homeless. Thereafter, a portion of the proceeds were to be made available for construction and operation of domestic violence centers with the remainder used for programs to assist the homeless or those about to become homeless. The county was required to self-administer the tax, and the tax was scheduled for repeal on October 1, 2008. Chapters 94-351 and 94-353, L.O.F. (HB 2509 and HB 2557), clarified that the tax was not to be applied to alcoholic beverages sold by the package for off-premises consumption. It revised an exemption related to establishments with gross annual revenues of $400,000 or less and eliminated an exemption for sales in fraternal clubs licensed under s. 565.02(4), F.S. Additionally, it removed the October 1, 2008 repeal date.

Chapter 2023-157, L.O.F. (HB 7063), authorized the imposition of this 1 percent tax in a city or town that levies the Municipal Resort Tax (i.e., Bal Harbour, Surfside, and Miami Beach) if the levy is approved by referendum in the city or town at a general election as defined in s. 97.021, F.S. Any tax levied by such city or town takes effect on the first day of January following the general election in which the ordinance was approved. A referendum to reenact an expiring tax must be held at a general election occurring within the 48-month period immediately preceding the effective date of the reenacted tax, and the referendum may appear on the ballot only once within the 48-month period. Chapter 2024-158, L.O.F. (CS/HB 7073) clarified that in a referendum to adopt this 1 percent tax in a municipality that levies the Municipal Resort

Tax, the ordinance must pass by a majority vote of the voters voting in the election, rather than by a majority of the registered voters.

IMPOSITION AND RATE:
Any county, as defined in s. 125.011(1), F.S., [i.e., Miami-Dade County] may impose a 1 percent tax on the sale of food, beverages, and alcoholic beverages in establishments that are licensed by the state to sell alcoholic beverages for consumption on the premises, except for hotels and motels, pursuant to an ordinance adopted by a majority vote of the county's governing body. However, the tax does not apply to any alcoholic beverage sold by the package for off-premise consumption. Miami-Dade County is the only county that satisfies the statutory definition of s. 125.011(1), F.S., and therefore eligible to levy the tax.

This 1 percent tax may be imposed in a city or town that levies the Municipal Resort Tax (i.e., Bal Harbour, Surfside, and Miami Beach) if the levy is approved by referendum in the city or town at a general election as defined in s. 97.021, F.S. Any tax levied by such city or town takes effect on the first day of January following the general election in which the ordinance was approved. A referendum to reenact an expiring tax must be held at a general election occurring within the 48-month period immediately preceding the effective date of the reenacted tax, and the referendum may appear on the ballot only once within the 48-month period.

DISPOSITION AND USES:
The county must locally administer the tax using the powers and duties enumerated for local administration of the tourist development tax. The tax proceeds shall be distributed by the county by the county pursuant to the guidelines provided in the approved plans for addressing homeless needs as well as the construction and operation of domestic violence centers. The county and its respective municipalities shall continue to contribute each year at least 85 percent of aggregate expenditures from the respective county or municipal general fund budget for county-operated or municipally-operated homeless shelter services at or above the average level of such expenditures in the two fiscal years preceding the levy date of this tax.

For the first 12 months of the levy, the proceeds shall be used by the county to assist persons who have become or are about to become homeless. These funds shall be made available for emergency homeless shelters, food, clothing, medical care, counseling, alcohol and drug abuse treatment, mental health treatment, employment and training, education, and housing. Thereafter, not less than 15 percent of the proceeds shall be made available for construction and operation of domestic violence centers. The remainder shall be used for programs to assist the homeless or those about to become homeless. In addition, the proceeds and accrued interest may be used as collateral, pledged, or hypothecated for authorized projects, including bonds issued in connection with such authorized projects.

OTHER STATES:
Counties and/or municipalities in other states have established food and beverage taxes that are consumed on the premises including hotels and motels.

ADDITIONAL INFORMATION:
A more detailed description of this tax in its present form can be found in the Office of Economic and Demographic Research's annual report *Local Government Financial Information Handbook* via the following link: http://edr.state.fl.us/Content/local-government/reports/index.cfm

FLORIDA STATUTES: Section 212.0306(1)(a)

ADMINISTERED BY: Self-administered by Miami-Dade County

SUMMARY:
Any county, as defined in s. 125.011(1), F.S., [i.e., Miami-Dade County] may impose a 2 percent tax on the sale of food, beverages, and alcoholic beverages in hotels and motels, pursuant to an ordinance adopted by a majority of the county's governing body. The proceeds shall be used for promoting the county and its constituent municipalities as a destination site for conventions, trade shows, and pleasure travel. Miami-Dade County levies this tax.

REVENUE:
Because the tax is self-administered, the following revenue figures were obtained from current and prior years' county budget documents.

| Fiscal Year | Total Collections | Annual Change % |
|---|---|---|
| 2025-26* | 10,938,000 | -4.1% |
| 2024-25* | 11,400,000 | 2.8% |
| 2023-24 | 11,088,000 | 0.9% |
| 2022-23 | 10,993,916 | 17.1% |
| 2021-22 | 9,387,008 | 83.2% |
| 2020-21 | 5,124,141 | -7.3% |
| 2019-20 | 5,529,196 | -34.5% |

* Estimate

HISTORY:
Chapter 89-362, L.O.F., authorized any county, as defined in s. 125.011(1), F.S., to impose a 2 percent tax on the sale of food, beverages, or alcoholic beverages in hotels and motels for use in promoting the county and its constituent municipalities as destinations for conventions, trade shows, and pleasure travel. Chapter 93-233, L.O.F. (HB 557), amended and renumbered s. 125.0104(3)(n), F.S., as s. 212.0306, F.S., authorizing the continued levy of this tax and requiring the county to self-administer the tax. The tax was scheduled for repeal on October 1, 2008. Chapters 94-351 and 94-353, L.O.F. (HB 2509 and HB 2557), clarified that the tax was not to be applied to alcoholic beverages sold by the package for off-premises consumption. It revised an exemption related to establishments with gross annual revenues of $400,000 or less and eliminated an exemption for sales in fraternal clubs licensed under s. 565.02(4), F.S. Additionally, it removed the October 1, 2008 repeal date.

IMPOSITION AND RATE:
Any county, as defined in s. 125.011(1), F.S., [i.e., Miami-Dade County] may impose a 2 percent tax on the sale of food, beverages, and alcoholic beverages in hotels and motels, pursuant to an ordinance adopted by a majority vote of the county's governing body. Miami-Dade County is the only county that satisfies the statutory definition of s. 125.011(1), F.S., and therefore eligible to levy the tax.

DISPOSITION AND USES:
The county must locally administer the tax using the powers and duties enumerated for local administration of the tourist development tax. The tax proceeds shall be distributed to a countywide convention and visitors' bureau, which by interlocal agreement and contract with the county has been given primary responsibility for tourist and convention promotion. If the county is not a party to such an

interlocal agreement or contract with a countywide convention and visitors' bureau, the county must spend the proceeds as specified in statute.

The tax proceeds shall be used to promote and advertise tourism in the state, nationally, and internationally; and fund convention bureaus, tourist bureaus, tourist information centers, and new bureaus as county agencies or by contract with the chambers of commerce or similar associations in the county.

OTHER STATES:
Counties and/or municipalities in other states have established food and beverage taxes that are consumed on the premises including hotels and motels.

ADDITIONAL INFORMATION:
A more detailed description of this tax in its present form can be found in the Office of Economic and Demographic Research's annual report *Local Government Financial Information Handbook* via the following link: http://edr.state.fl.us/Content/local-government/reports/index.cfm

# PUBLIC SERVICE TAX

FLORIDA STATUTES: Sections 166.231, 166.232, 166.233, 161.234, and 166.235, F.S.

ADMINISTERED BY: Municipalities and Charter Counties

SUMMARY:
Municipalities and charter counties may levy by ordinance a public service tax on the purchase of electricity, metered natural gas, liquefied petroleum gas either metered or bottled, manufactured gas either metered or bottled, and water service. The tax is levied only upon purchases within the municipality or charter county's unincorporated area and cannot exceed 10 percent of the payments received by the seller of the taxable item. Services competitive with those listed above, as defined by ordinance, can be taxed on a comparable base at the same rates; however, the tax rate on fuel oil cannot exceed 4 cents per gallon. The tax proceeds are considered general revenue for the municipality or charter county.

REVENUE: MUNICIPALITIES

| Fiscal Year | Total Collections | Annual Change (%) | Electricity | Water | Other** |
|---|---|---|---|---|---|
| 2026-27* | 1,325,679,547 | -1.5% | 1,087,160,956 | 182,060,592 | 56,457,998 |
| 2025-26* | 1,345,896,454 | 2.9% | 1,103,740,402 | 184,837,057 | 57,318,995 |
| 2024-25* | 1,308,243,282 | -3.0% | 1,072,861,855 | 179,666,004 | 55,715,423 |
| 2023-24* | 1,349,053,301 | 3.9% | 1,106,329,264 | 185,270,598 | 57,453,439 |
| 2022-23 | 1,297,954,904 | 11.9% | 1,064,424,580 | 178,253,062 | 55,277,262 |
| 2021-22 | 1,160,283,287 | 5.0% | 940,524,690 | 162,558,153 | 57,200,445 |
| 2020-21 | 1,104,886,372 | 3.1% | 894,820,661 | 158,248,664 | 51,817,047 |
| 2019-20 | 1,071,804,947 | 1.0% | 869,788,247 | 153,044,064 | 48,972,636 |

CHARTER COUNTIES

| Fiscal Year | Total Collections | Annual Change (%) | Electricity | Water | Other** |
|---|---|---|---|---|---|
| 2026-27* | 392,962,956 | -1.5% | 342,077,244 | 39,397,283 | 11,488,429 |
| 2025-26* | 398,955,728 | 2.9% | 347,293,998 | 39,998,101 | 11,663,630 |
| 2024-25* | 387,794,432 | -3.0% | 337,578,004 | 38,879,103 | 11,337,325 |
| 2023-24* | 399,891,493 | 3.9% | 348,108,588 | 40,091,918 | 11,690,987 |
| 2022-23 | 384,744,712 | 4.0% | 334,923,200 | 38,573,347 | 11,248,165 |
| 2021-22 | 369,830,849 | 9.1% | 321,341,981 | 36,973,281 | 11,515,587 |
| 2020-21 | 338,896,367 | 1.9% | 292,727,706 | 35,993,192 | 10,175,469 |
| 2019-20 | 332,694,637 | 2.8% | 290,508,650 | 33,049,262 | 9,136,725 |

* Estimate
** Includes natural gas, propane gas, fuel oil, and kerosene.

HISTORY:
On June 11, 1945, Chapter 22829, L.O.F., provided municipalities with the authority to tax public services. This tax, originally levied on electricity, metered or bottled gas, water service, and telephone and telegraph service, was called the municipal utility tax. In 1972, the Florida Supreme Court ruled that the Florida Constitution granted charter counties the authority to levy the municipal service tax. Specifically, the Court determined that charter counties have the "authority to levy any tax not inconsistent with

general or special law as is permitted municipalities." Volusia County v. Dickinson, 269 So.2d 9 (Fla. 1972) and McLeod v. Orange County, 19 Fla L. Weekly 5536 (Oct, 1994). Charter counties may levy the tax only within the respective county's unincorporated area.

In 1985, telecommunications services, rather than telephone services, were made taxable by municipalities. A municipality could tax local telecommunications services alone at up to 10 percent or up to 7 percent on local service plus intrastate long-distance service, which originated or terminated within the municipality and was billed to a person, telephone number or device, or telecommunications number or device within the municipality (s. 166.231(9), F.S.). Authority to levy a tax upon cable TV service was removed effective October 1, 1977, unless the tax was necessary to pay off bonds (s. 166.231(1), F.S.).

In 1978, municipalities were authorized to levy the tax on a physical unit basis, provided that upon conversion the effective tax rate for each type of service was preserved in the first year. Subsequently, rates may be amended by ordinance (s. 166.232, F.S.). In 1993, the municipalities were authorized to exempt metered or bottled gas or fuel oil used for agricultural purposes. In 1996, municipalities were authorized to exempt electricity and gas used directly in manufacturing. In 1997, the Legislature provided an exemption for Internet and similar computer on-line services by removing them from the definition of telecommunications services.

Chapter 2000-260, L.O.F. (SB 1338), rewrote Florida's communications tax laws by replacing the existing taxes imposed on telecommunications and cable television services with a statewide tax and local taxes to be administered by the Department of Revenue. Effective October 1, 2001, s. 166.231(9), F.S., was repealed to be replaced by the local communications services tax under s. 202.19, F.S. The law provided that rates would be set to replace revenue that would have been generated by the public service tax plus other sources of local revenue replaced by the new tax. Chapter 2001-140, L.O.F. (SB 1878), established the revenue-neutral local communications services tax and maximum allowable rates. Local governments adopted their communications services tax rates on July 15, 2001. Chapter 2005-287, L.O.F. (HB 1725), repealed the tax on substitute communications systems and provided that the Department would not assess this tax back to October 1, 2001, when the communications services tax was implemented. The law created a task force of experts in the areas of telecommunications policy, taxation, law, or technology to study implications of emerging technologies on Florida's communications services tax.

BASE AND RATE:
Municipalities and charter counties may levy up to a 10 percent tax on purchases of electricity, metered natural gas, liquefied petroleum gas either metered or bottled, manufactured gas either metered or bottled, and water service. (s. 166.231(1), F.S.)

DISPOSITION:
The tax is collected by the seller of the service from the purchaser at the time of payment for such service and remitted to the municipality or charter county imposing the tax as prescribed by local ordinance.

OTHER STATES:
Information relating to other states that may have authorized local governments to impose a public service tax is not available.

ADDITIONAL INFORMATION:
Taxing authorities are required to furnish information to the Department, including the services taxed, the tax rate applied to each service, and the effective date of the levy or repeal as well as other additional information. The Department maintains an online database, which is available via the following link: http://floridarevenue.com/taxes/governments/Pages/mpst.aspx

# PUBLIC SERVICE TAX

Summaries of prior years' revenues, as reported by municipalities and charter counties in their respective Annual Financial Reports submitted to the Department of Financial Services, have been compiled by the Office of Economic and Demographic Research (EDR) and are available on the EDR's website via the following link: http://edr.state.fl.us/Content/local-government/data/data-a-to-z/m-r.cfm.

| | 2026-27 (millions) |
|---|---|
| VALUE OF RATE CHANGE:<br>Many municipalities and charter counties levy utility taxes of 10 percent. Some jurisdictions that tax less than 10 percent do so on a sliding scale (e.g., 10 percent on the first $25; 5 percent on the next $50; and 2 percent thereafter. Many jurisdictions tax different services at different rates. Each municipality must be examined individually to arrive at an estimate of the value of a tax rate change. However, an overall change of 10 percent in current rates would have the following estimated impact on municipalities and charter counties. | $171.9 |
| Fuel Adjustment Charges (s. 166.231(1)(b), F.S.)<br>All increases in the cost of utility services to the ultimate consumer resulting from an increase in the cost of fuel to the utility, subsequent to October 1, 1973, are exempt from taxation. | $179.0 |
| Fuel Oil (s. 166.231(2), F.S.)<br>Fuel oil shall be taxed at a rate not to exceed 4 cents per gallon. For municipalities levying less than 10 percent on other services, the tax on fuel oil must be reduced proportionately. | $0.4 |
| Government Purchases (s. 166.231(5), F.S.)<br>Purchases by the U.S. Government, the State of Florida, all counties, school districts, and municipalities in the state, and public bodies exempted by law or court order, are exempt from taxation. | Indeterminate |
| Church Purchases (s. 166.231(5), F.S.)<br>Purchases of service by any recognized church in this state, for use exclusively for church purchases, are exempt from taxation. | Indeterminate |
| Enterprise Zones (s. 166.231(8), F.S.)<br>From July 1, 1995 to December 31, 2015, municipalities may exempt not less than 50 percent of the tax imposed on purchasers of electricity located within enterprise zones. However, any qualified business that satisfied the requirements of s. 166.231(8), F.S., prior to December 31, 2015, shall be allowed the full benefit of the exemption as if the expiration had not occurred. | Indeterminate |

# TOURIST AND CONVENTION DEVELOPMENT TAXES

# 2025 Local Option Tourist / Food and Beverage / Tax Rates in Florida's Counties

**Local Option Taxes on Transient Rental Transactions**

| | **Tourist Development Taxes s. 125.0104(3), F.S.** | | | | | | **Convention Development Taxes s. 212.0305(4), F.S.** | | | | | | **Local Option Food and Beverage Taxes s. 212.0306, F.S.** | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| County | Original Tax (1 or 2%) | Additional Tax (1%) | Professional Sports Franchise Facility Tax (up to 1%) | High Tourism Impact Tax (1%) | Additional Professional Sports Franchise Facility Tax (up to 1%) | **Tourist Impact Tax s. 125.0108, F.S.** (1%) | Consolidated County Convention Tax (2%) | Charter County Convention Tax (3%) | Special District, Special, & Subcounty Convention Tax (up to 3%) | Maximum Potential Tax Rate | Current Tax Rate | Unutilized Tax Rate | Food and Beverages in Hotels and Motels (2%) | Food and Beverages in Other Establishments (1%) |
| Alachua * | 2 | 1 | 1 | | 1 | | | | | 5 | 5 | 0 | | |
| Baker * | 2 | 1 | | | | | | | | 5 | 3 | 2 | | |
| Bay * | 2 | 1 | 1 | | 1 | | | | | 6 | 5 | 1 | | |
| Bradford | 2 | 1 | 1 | | | | | | | 5 | 4 | 1 | | |
| Brevard * | 2 | 1 | 1 | | 1 | | | | | 5 | 5 | 0 | | |
| Broward * | 2 | 1 | 1 | 1 | 1 | | | | | 6 | 6 | 0 | | |
| Calhoun | | | | | | | | | | 4 | 0 | 4 | | |
| Charlotte * | 2 | 1 | 1 | | 1 | | | | | 5 | 5 | 0 | | |
| Citrus | 2 | 1 | 1 | | 1 | | | | | 5 | 5 | 0 | | |
| Clay * | 2 | 1 | 1 | | 1 | | | | | 5 | 5 | 0 | | |
| Collier * | 2 | 1 | 1 | | 1 | | | | | 6 | 5 | 1 | | |
| Columbia | 2 | 1 | 1 | | 1 | | | | | 5 | 5 | 0 | | |
| DeSoto | 2 | 1 | | | | | | | | 5 | 3 | 2 | | |
| Dixie | 2 | 1 | | | | | | | | 5 | 3 | 2 | | |
| Duval * | 2 | | 1 | | 1 | | 2 | | | 6 | 6 | 0 | | |
| Escambia * | 2 | 1 | 1 | | 1 | | | | | 5 | 5 | 0 | | |
| Flagler * | 2 | 1 | 1 | | 1 | | | | | 5 | 5 | 0 | | |
| Franklin | 2 | 1 | | | | | | | | 5 | 3 | 2 | | |
| Gadsden | 2 | | | | | | | | | 5 | 2 | 3 | | |
| Gilchrist | 2 | 1 | | | | | | | | 5 | 3 | 2 | | |
| Glades | 2 | | | | | | | | | 5 | 2 | 3 | | |
| Gulf * | 2 | 1 | 1 | | 1 | | | | | 5 | 5 | 0 | | |
| Hamilton | 2 | 1 | | | | | | | | 5 | 3 | 2 | | |
| Hardee | 2 | | | | | | | | | 5 | 2 | 3 | | |
| Hendry | 2 | 1 | | | | | | | | 5 | 3 | 2 | | |
| Hernando * | 2 | 1 | 1 | | 1 | | | | | 5 | 5 | 0 | | |
| Highlands | 2 | 1 | 1 | | 1 | | | | | 5 | 5 | 0 | | |
| Hillsborough * | 2 | 1 | 1 | 1 | 1 | | | | | 6 | 6 | 0 | | |
| Holmes | 2 | 1 | | | | | | | | 5 | 3 | 2 | | |
| Indian River * | 2 | 1 | 1 | | 1 | | | | | 5 | 5 | 0 | | |
| Jackson | 2 | 1 | 1 | | 1 | | | | | 5 | 5 | 0 | | |
| Jefferson | 2 | 1 | | | | | | | | 5 | 3 | 2 | | |
| Lafayette | | | | | | | | | | 4 | 0 | 4 | | |
| Lake * | 2 | 1 | 1 | | | | | | | 5 | 4 | 1 | | |
| Lee * | 2 | 1 | 1 | | 1 | | | | | 6 | 5 | 1 | | |
| Leon * | 2 | 1 | 1 | | 1 | | | | | 5 | 5 | 0 | | |
| Levy | 2 | 1 | 1 | | | | | | | 5 | 4 | 1 | | |
| Liberty | | | | | | | | | | 4 | 0 | 4 | | |
| Madison | 2 | 1 | 1 | | 1 | | | | | 5 | 5 | 0 | | |
| Manatee * | 2 | 1 | 1 | 1 | 1 | | | | | 6 | 6 | 0 | | |
| Marion * | 2 | 1 | 1 | | | | | | | 5 | 4 | 1 | | |
| Martin * | 2 | 1 | 1 | | 1 | | | | | 5 | 5 | 0 | | |
| Miami-Dade * | 2 | | 1 | | | | | 3 | | 6 | 6 | 0 | 2 | 1 |
| Monroe * | 2 | 1 | | 1 | | 1 | | | | 7 | 5 | 2 | | |
| Nassau * | 2 | 1 | 1 | | 1 | | | | | 5 | 5 | 0 | | |
| Okaloosa * | 2 | 1 | 1 | 1 | 1 | | | | | 6 | 6 | 0 | | |
| Okeechobee | 2 | 1 | | | | | | | | 5 | 3 | 2 | | |
| Orange * | 2 | 1 | 1 | 1 | 1 | | | | | 6 | 6 | 0 | | |
| Osceola * | 2 | 1 | 1 | 1 | 1 | | | | | 6 | 6 | 0 | | |
| Palm Beach * | 2 | 1 | 1 | 1 | 1 | | | | | 6 | 6 | 0 | | |
| Pasco * | 2 | 1 | 1 | | 1 | | | | | 5 | 5 | 0 | | |
| Pinellas * | 2 | 1 | 1 | 1 | 1 | | | | | 6 | 6 | 0 | | |
| Polk * | 2 | 1 | 1 | | 1 | | | | | 6 | 5 | 1 | | |
| Putnam * | 2 | 1 | 1 | | | | | | | 5 | 4 | 1 | | |
| St. Johns * | 2 | 1 | 1 | | 1 | | | | | 5 | 5 | 0 | | |

# 2025 Local Option Tourist / Food and Beverage / Tax Rates in Florida's Counties

**Local Option Taxes on Transient Rental Transactions**

| County | Tourist Development Taxes s. 125.0104(3), F.S. | | | | | Tourist Impact Tax s. 125.0108, F.S. | Convention Development Taxes s. 212.0305(4), F.S. | | | | | | Local Option Food and Beverage Taxes s. 212.0306, F.S. | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Original Tax (1 or 2%) | Additional Tax (1%) | Professional Sports Franchise Facility Tax (up to 1%) | High Tourism Impact Tax (1%) | Additional Professional Sports Franchise Facility Tax (up to 1%) | (1%) | Consolidated County Convention Tax (2%) | Charter County Convention Tax (3%) | Special District, Special, & Subcounty Convention Tax (up to 3%) | Maximum Potential Tax Rate | Current Tax Rate | Unutilized Tax Rate | Food and Beverages in Hotels and Motels (2%) | Food and Beverages in Other Establishments (1%) |
| St. Lucie * | 2 | 1 | 1 | | 1 | | | | | 5 | 5 | 0 | | |
| Santa Rosa * | 2 | 1 | 1 | | 1 | | | | | 5 | 5 | 0 | | |
| Sarasota * | 2 | 1 | 1 | 1 | 1 | | | | | 6 | 6 | 0 | | |
| Seminole * | 2 | 1 | 1 | | 1 | | | | | 5 | 5 | 0 | | |
| Sumter | | | | | | | | | | 4 | 0 | 4 | | |
| Suwannee * | 2 | 1 | | | | | | | | 5 | 3 | 2 | | |
| Taylor * | 2 | 1 | 1 | | 1 | | | | | 5 | 5 | 0 | | |
| Union | | | | | | | | | | 4 | 0 | 4 | | |
| Volusia * | 2 | | 1 | | | | | | 3 | 6 | 6 | 0 | | |
| Wakulla | 2 | 1 | 1 | | | | | | | 5 | 4 | 1 | | |
| Walton * | 2 | 1 | 1 | 1 | | | | | | 6 | 5 | 1 | | |
| Washington | 2 | 1 | | | | | | | | 5 | 3 | 2 | | |
| # Eligible to Levy: | 67 | 59 | 67 | 15 | 65 | 1 | 1 | 1 | 1 | | 67 | | 1 | 1 |
| # Levying: | 62 | 56 | 46 | 11 | 37 | 1 | 1 | 1 | 1 | | 62 | | 1 | 1 |

Notes:

1) County names followed by an asterick indicate those counties that self-administer these taxes, and boxed areas indicate those counties eligible to impose a particular tax.

2) Pursuant to s. 125.0104(3)(d), F.S., no county can levy the Additional Tax unless the county has imposed the Original Tax [i.e., s. 125.0104(3)(c), F.S.] for a minimum of three years prior to the effective date of the levy and imposition of the Additional Tax.

3) Pursuant to s. 125.0104(3)(b), F.S., no county authorized to levy a convention development tax pursuant to s. 212.0305, F.S., (i.e., Duval, Miami-Dade, and Volusia) is allowed to levy more than 2% of tourist development taxes. However, pursuant to s. 125.0104(3)(l), F.S., this prohibition does not apply to the levy of the Professional Sports Franchise Facility Tax. In addition, this prohibition does not apply in a county authorized to levy the Consolidated County Convention Development Tax if such county also levies the Additional Professional Sports Franchise Facility Tax, pursuant to s. 125.0104(3)(n), F.S. This exemption is applicable only to Duval County.

4) Pursuant to s. 125.0104(3)(n), F.S., only a county that has levied the Professional Sports Franchise Facility Tax [i.e., s. 125.0104(3)(l), F.S.] is eligible to levy the Additional Professional Sports Franchise Facility Tax. Consequently, the levy of the Professional Sports Franchise Facility Tax must occur prior to the levy of the Additional Professional Sports Franchise Facility Tax.

5) The county-wide tourist development tax rate for Miami-Dade County is 3% except within the municipal jurisdictions of Bal Harbour, Miami Beach, and Surfside, which are eligible to impose the Municipal Resort Tax.

6) The tourist development tax levies in Bay, Nassau, and Walton counties are less than countywide. In Okaloosa County, the rate is 6% within the Tourist Development Tax district, but 5% within the Expansion district.

7) In Santa Rosa County, the countywide tourist development tax rate is 2%. The rate in the special taxing district of Navarre Beach is 3%; however, the funds generated from this levy go to Escambia County pursuant to an agreement adopted when this area was transferred to Santa Rosa County by Escambia County.

8) Pursuant to s. 125.0104(3)(m), F.S., a county is considered to be a high tourism impact county after the Department of Revenue has certified to such county that the sales subject to the tax levied pursuant to this section exceeded $600 million during the previous calendar year or were at least 18% of the county's total taxable sales under Ch. 212, F.S., where the sales subject to the tax levied pursuant to this section were a minimum of $200 million. No county authorized to levy a Convention Development Tax shall be considered a high tourism impact county. Once a county qualifies as a high tourism impact county, it shall retain this designation for the period of the tax levy.

Data Source: Florida Department of Revenue's "History of Local Sales Tax and Current Rates" (Last Updated: March 1, 2025) available at https://floridarevenue.com/taxes/Documents/flHistorySalesTaxRates.pdf.

# 1 OR 2 PERCENT
# TOURIST DEVELOPMENT TAX

FLORIDA STATUTES: Section 125.0104(3)(c)

ADMINISTERED BY: Department of Revenue or self-administered by levying counties

SUMMARY:
Section 125.0104, F.S., authorizes the levy of five separate local option taxes on rental charges subject to the transient rentals tax under s. 212.03, F.S., to be used in various ways to promote tourism within the county. Generally, the revenues from these levies may be used for capital construction of tourist-related facilities, tourist promotion, and beach and shoreline maintenance; however, the authorized uses vary according to the particular levy. No tourist development tax may be levied in any municipality imposing the Municipal Resort Tax authorized under Chapter 67-930, L.O.F., (i.e., Miami Beach, Bal Harbour and Surfside). There is a prohibition against any county levying a convention development tax from levying tourist development taxes at a rate of more than 2 percent; however, this prohibition does not apply to a county's levy of the Professional Sports Franchise Facility Tax and Duval County's levy of the Additional Professional Sports Franchise Facility Tax.

The 1 or 2 Percent Tourist Development Tax was the original of the five tourist development taxes authorized under s. 125.0104, F.S. If adopted, the rate must be either 1 or 2 percent. Under certain conditions, the tax may be levied in a sub-county area. The county ordinance levying the tax must be approved by a vote of the electors. Authorized uses are contained in s. 125.0104(5), F.S. Generally, such uses include the capital construction of tourist-related facilities, tourist promotion, and beach and shoreline maintenance, including the funding and refunding of revenue bonds.

REVENUE:

| Fiscal Year | Total Collections | Annual Change % |
|---|---|---|
| 2026-27* | 585,509,725 | 2.20% |
| 2025-26* | 572,905,798 | -0.30% |
| 2024-25 | 574,629,687 | 4.25% |
| 2023-24 | 551,228,601 | 4.82% |
| 2022-23 | 525,896,477 | -9.73% |
| 2021-22 | 582,581,235 | 72.53% |
| 2020-21 | 337,666,440 | 1.87% |

* Estimate

Annual tourist development tax receipts by county can be found on the Office of Economic and Demographic Research's Local Government Data webpage under the heading of Local Option Tax Receipts via the following link.
http://edr.state.fl.us/Content/local-government/data/data-a-to-z/g-l.cfm

HISTORY:
Chapter 77-209, L.O.F., authorized any county subject to voter approval to levy a tourist development tax at the rate of 1 or 2 percent (i.e., the 1 or 2 Percent Tax). The proceeds were to be used to promote tourism, finance tourist-related facilities, or fund tourist promotion bureaus.

Chapter 87-175, L.O.F., gave levying counties the option of collecting and administering the tax at the local level and restricted self-administering counties from retaining more than 3 percent of total collections for administrative costs. Chapter 87-280, L.O.F., authorized counties with a total population of less than 500,000 to use the tax proceeds for museums, zoological parks, fishing piers, or nature centers.

Chapters 92-175 and 92-204, L.O.F. (SB 2178 and HBs 147, 1551, and 1967), authorized any county to use the tax proceeds to fund museums, which was a use previously limited to those counties having a total population of less than 500,000. Additionally, it authorized a county to create a tourism promotion agency to undertake advertising and marketing research studies and provide booking and reservations services and created a joint legislative interim study committee to review current tourist-related tax issues and laws. Chapter 94-353, L.O.F. (HB 2557), clarified legislative intent regarding those transient rental transactions subject to tax. Chapter 95-133, L.O.F. (SB 1082), revised an exemption from public records requirements for county tourism promotion agencies. Chapter 95-360, L.O.F. (HB 485), authorized counties to use the tax proceeds for promotion of zoological parks.

Chapter 2000-312, L.O.F. (HB 509), authorized counties that self-administer the tax to use certified public accountants to perform those functions associated with self-administration. Chapter 2001-252, L.O.F. (SB 1132), authorized certain counties to continue using a tourist development tax after retirement of applicable bonds under certain circumstances. Chapter 2003-34, L.O.F. (SB 1162), increased the population threshold from 500,000 to 750,000 for eligible counties to expend the tax proceeds for optional uses. Chapter 2003-37, L.O.F. (SB 1566), limited the use of tax proceeds, which were specifically designated for beach improvement, maintenance, renourishment, restoration, and erosion control. Chapter 2003-78, L.O.F. (HB 533), made administrative changes pertaining to county tourism promotion agencies. Chapter 2005-96, L.O.F. (SB 300), reenacted provisions related to referenda and local administration that had been scheduled for repeal. Chapter 2009-133, L.O.F. (HB 61), provided for the application of tourist development taxes to short-term stays at timeshare resorts.

Chapter 2012-180, L.O.F. (HB 1015), authorized additional uses by allowing county governments to spend tax proceeds for purposes related to publicly owned and operated aquariums, including acquisition, construction, maintenance, or promotion. Chapter 2013-168, L.O.F. (SB 336), authorized additional uses by allowing county governments to spent tax proceeds for purposes related to aquariums owned and operated by not-for-profit organizations and clarified the automatic expiration of the tax upon the retirement of all bonds issued to finance certain facilities. Chapter 2016-6, L.O.F., (CS/CS/SB 182) reenacted a public records exemption of trade secret information held by a county tourism promotion agency to conform to the definition of trade secret, which expressly includes financial information within the definition. This exemption protected financial information deemed to be a trade secret from public disclosure. Chapter 2016-220, L.O.F., (HB 7099) specified additional uses for tourist development tax revenues for certain coastal counties. The legislation provided that, under specified conditions, a county located adjacent to the Gulf of Mexico or the Atlantic Ocean, except a county that receives revenue from taxes levied pursuant to s. 125.0108, F.S., (i.e., the Tourist Impact Tax levied only by Monroe County) may use up to 10 percent of tourist development tax revenues to reimburse expenses incurred in providing public safety services, including emergency medical services as defined in s. 401.107(3), F.S., and law enforcement services, which are needed to address impacts related to increased tourism and visitors to an area, as long as such funds are not used to supplant pre-existing expenditures on such services. To receive reimbursement, a county must: 1) generate a minimum of $10 million in annual proceeds from any tax, or any combination of taxes, authorized to be levied pursuant to s. 125.0104, F.S.; 2) have at least three municipalities; and 3) have an estimated population of less than 225,000, according to the most recent population estimate prepared pursuant to s. 186.901, F.S., excluding the inmate population. The board of county commissioners must, by majority vote, approve reimbursement upon receipt of a recommendation from the tourist development council. Chapter 2017-36, L.O.F., (HB 7109) expanded the authorized uses of tourist development tax revenues to include the acquisition, construction, extension, enlargement, remodel, repair, improvement, maintenance, operation, or promotion of auditoriums that are publicly owned and open to the public, but operated by an organization that is exempt from federal taxation under 26 U.S.C. s. 501(c)(3) and within the boundaries of the county or subcounty special taxing district in which the tax is levied. Chapter 2018-118, L.O.F., (CS/HB 7087) extended the current authorization to use tourist development tax revenues on such things as restoration and maintenance of beaches, inland

lakes and rivers, to expressly include the same types of expenditures for channels, estuaries, and lagoons as well as the construction of beach groins. Additionally, the legislation allowed counties to use tax revenues in connection with developing or operating public facilities within the boundaries of the county or subcounty special taxing district in which the tax was levied if the public facilities were needed to increase tourist-related business activities in the county or subcounty special district and were recommended by the county tourist development council. Tax revenues may also be used for any related land acquisition, land improvement, design, and engineering costs and all other professional and related costs required to bring the public facilities into service. Finally, tax revenues can only be used for these authorized public facilities if several preconditions were satisfied.

Chapter 2020-10, L.O.F., (CS/HB 7097) increased a population limit from 750,000 to 950,000 for counties that may use certain tourist development tax revenues (i.e., 1 or 2 Percent Tax, Additional 1% Tax, and High Tourism Impact Tax) for certain uses. Chapter 2022-5, L.O.F., (SB 850) deleted statutory language relating to a public records exemption for a trade secret, as defined in s. 812.081, F.S., held by a county tourism promotion agency. The exemption was not reenacted by the Legislature and repealed on October 2, 2021. Chapter 2022-214, L.O.F., (CS/CS/HB 777) required a referendum authorizing the levy of this tax to be held at a general election, as defined in s. 97.021, F.S. Chapter 2023-157, L.O.F. (HB 7063) required a referendum to reenact this tax must be held at a general election occurring within the 48-month period immediately preceding the effective date of the reenacted tax. Such a referendum may appear on the ballot only once within the 48-month period. Additionally, the legislation allowed the continued use of these tax revenues for public safety purposes by certain counties located adjacent to the Gulf of Mexico or the Atlantic Ocean (i.e., Bay, Okaloosa, and Walton) by increasing the population threshold from 225,000 to 275,000. Furthermore, it allowed the use of funds for public safety purposes by fiscally constrained counties that border the Gulf of Mexico or Atlantic Ocean, which expands current eligibility to Dixie, Franklin, Gulf, Levy, Taylor, and Wakulla counties. Chapter 2025-8, L.O.F., (HB 575) updates provisions to reflect the name change from the Gulf of Mexico to the Gulf of America. Chapter 2025-208, L.O.F., (HB 7031) allows coastal fiscally constrained counties to use funds for certain capital improvements. Additionally, it allows all coastal counties to use funds for the provision of beach lifeguards certified by an approved entity.

IMPOSITION AND RATE:
If levied, the rate must be either 1 or 2 percent. The tax is levied on all rental charges subject to the transient rental tax pursuant to s. 212.03, F.S. All counties are eligible to levy this tax, and 62 counties levy at the maximum rate of 2 percent.

DISPOSITION AND USES:
In counties for which the tax is administered by the Department of Revenue, collections are returned monthly to the county levying the tax, less costs of administration, for use by the county in accordance with the provisions of s. 125.0104, F.S. In counties self-administering the tax pursuant to s. 125.0104(10), F.S., collections are retained by the county, less cost of administration not to exceed 3 percent, for use in accordance with the provisions of s. 125.0104, F.S.

OTHER STATES:
The National Conference of State Legislatures has published a listing of state lodging tax rates, which is available via the link below. These statewide taxes on lodging are often levied in addition to state sales taxes and/or local lodging taxes.
https://www.ncsl.org/state-legislatures-news/details/travel-can-be-taxing-in-more-ways-than-one

ADDITIONAL INFORMATION:
A table summarizing the history of tourist tax impositions, expirations, extensions, and repeals can be found on the Office of Economic and Demographic Research's Local Government Data webpage under the heading of Local Option Tourist Taxes via the following link.
http://edr.state.fl.us/Content/local-government/data/data-a-to-z/g-l.cfm

A more detailed description of this tax in its present form as well as a table summarizing taxable sales reported by transient rental facilities, which is used to estimate county revenues, can be found in the Office of Economic and Demographic Research's annual report *Local Government Financial Information Handbook* via the following link.
http://edr.state.fl.us/Content/local-government/reports/index.cfm

# ADDITIONAL 1 PERCENT TOURIST DEVELOPMENT TAX

FLORIDA STATUTES: Section 125.0104(3)(d)

ADMINISTERED BY: Department of Revenue or self-administered by levying counties

SUMMARY:
Section 125.0104, F.S., authorizes the levy of five separate local option taxes on rental charges subject to the transient rentals tax under s. 212.03, F.S., to be used in various ways to promote tourism within the county. Generally, the revenues from these levies may be used for capital construction of tourist-related facilities, tourist promotion, and beach and shoreline maintenance; however, the authorized uses vary according to the particular levy. No tourist development tax may be levied in any municipality imposing the Municipal Resort Tax authorized under Chapter 67-930, L.O.F., (i.e., Miami Beach, Bal Harbour and Surfside). There is a prohibition against any county levying a convention development tax from levying tourist development taxes at a rate of more than 2 percent; however, this prohibition does not apply to a county's levy of the Professional Sports Franchise Facility Tax and Duval County's levy of the Additional Professional Sports Franchise Facility Tax.

The Additional 1 Percent Tourist Development Tax is one of the five tourist development taxes authorized under s. 125.0104, F.S. It may be levied by referendum; however, it may only be levied after the 1 or 2 percent tourist development tax has been levied for a minimum of 3 years. If levied, the tax must be levied at the rate of 1 percent. Uses of the revenue are the same as for the 1 or 2 percent tax, except that revenues cannot be used for certain debt service or refinancing unless approved by referendum.

REVENUE:

| Fiscal Year | Total Collections | Annual Change % |
|---|---|---|
| 2026-27* | 275,814,223 | 2.20% |
| 2025-26* | 269,876,931 | -0.30% |
| 2024-25 | 270,688,998 | 0.10% |
| 2023-24 | 270,418,677 | 9.73% |
| 2022-23 | 246,432,794 | -0.86% |
| 2021-22 | 248,581,710 | 67.21% |
| 2020-21 | 148,660,826 | 6.33% |

* Estimate

Annual tourist development tax receipts by county can be found on the Office of Economic and Demographic Research's Local Government Data webpage under the heading of Local Option Tax Receipts via the following link.
http://edr.state.fl.us/Content/local-government/data/data-a-to-z/g-l.cfm

HISTORY:
Chapter 86-4, L.O.F., authorized an additional 1 percent tax levy for those counties that had imposed the 1 or 2 Percent Tax for the previous three years and prohibited the tax proceeds from being used for the refinancing of debt service on existing facilities unless approved by an extraordinary vote of the county's governing body. In addition, it prohibited counties that levy a convention development tax from levying more than 2 percent of tourist development tax. Chapter 87-175, L.O.F., gave levying counties the option of collecting and administering the tax at the local level and restricted self-administering counties from retaining more than 3 percent of total collections for administrative costs. Chapter 87-280, L.O.F., authorized counties with a total population of less than 500,000 to use the tax proceeds for museums,

zoological parks, fishing piers, or nature centers. Chapter 88-243, L.O.F., authorized any county, which had imposed the tax for a period of one year to impose an additional 2 percent tax (later repealed) for economic development projects.

Chapters 92-175 and 92-204, L.O.F. (SB 2178 and HBs 147, 1551, and 1967), authorized any county to use the tax proceeds to fund museums, which was a use previously limited to those counties having a total population of less than 500,000. Additionally, it authorized a county to create a tourism promotion agency to undertake advertising and marketing research studies and provide booking and reservations services and created a joint legislative interim study committee to review current tourist-related tax issues and laws. Chapter 94-353, L.O.F. (HB 2557), clarified legislative intent regarding those transient rental transactions subject to tax. Chapter 95-133, L.O.F. (SB 1082), revised an exemption from public records requirements for county tourism promotion agencies. Chapter 95-360, L.O.F. (HB 485), authorized counties levying the tax to use the proceeds for promotion of zoological parks. Chapter 96-397, L.O.F. (SB 584), repealed the 2 percent tax for economic development projects authorized by Chapter 88-243, L.O.F.

Chapter 2000-312, L.O.F. (HB 509), clarified that the tax could not be repealed by referendum until outstanding bonds supported by such taxes were satisfied. It authorized counties that self-administer the tax to use certified public accountants to perform those functions associated with self-administration. Chapter 2001-252, L.O.F. (SB 1132), authorized certain counties to continue using a tourist development tax after retirement of applicable bonds under certain circumstances. Chapter 2003-34, L.O.F. (SB 1162), increased the population threshold from 500,000 to 750,000 for eligible counties to expend tax proceeds for optional uses. Chapter 2003-37, L.O.F. (SB 1566), limited the use of tax proceeds, which were specifically designated for beach improvement, maintenance, renourishment, restoration, and erosion control. Chapter 2003-78, L.O.F. (HB 533), made administrative changes pertaining to county tourism promotion agencies. Chapter 2005-96, L.O.F. (SB 300), reenacted provisions related to referenda and local administration that had been scheduled for repeal. Chapter 2009-133, L.O.F. (HB 61), provided for the application of tourist development taxes to short-term stays at timeshare resorts.

Chapter 2012-180, L.O.F. (HB 1015), authorized additional uses by allowing county governments to spend tax proceeds for purposes related to publicly owned and operated aquariums, including acquisition, construction, maintenance, or promotion. Chapter 2013-168, L.O.F. (SB 336), authorized additional uses by allowing county governments to spent tax proceeds for purposes related to aquariums owned and operated by not-for-profit organizations and clarified the automatic expiration of the tax upon the retirement of all bonds issued to finance certain facilities. Chapter 2016-6, L.O.F., (CS/CS/SB 182) reenacted a public records exemption of trade secret information held by a county tourism promotion agency to conform to the definition of trade secret, which expressly includes financial information within the definition. This exemption protected financial information deemed to be a trade secret from public disclosure. Chapter 2016-220, L.O.F., (HB 7099) specified additional uses for tourist development tax revenues for certain coastal counties. The legislation provided that, under specified conditions, a county located adjacent to the Gulf of Mexico or the Atlantic Ocean, except a county that receives revenue from taxes levied pursuant to s. 125.0108, F.S., (i.e., the Tourist Impact Tax levied only by Monroe County) may use up to 10 percent of tourist development tax revenues to reimburse expenses incurred in providing public safety services, including emergency medical services as defined in s. 401.107(3), F.S., and law enforcement services, which are needed to address impacts related to increased tourism and visitors to an area, as long as such funds are not used to supplant pre-existing expenditures on such services. To receive reimbursement, a county must: 1) generate a minimum of $10 million in annual proceeds from any tax, or any combination of taxes, authorized to be levied pursuant to s. 125.0104, F.S.; 2) have at least three municipalities; and 3) have an estimated population of less than 225,000, according to the most recent population estimate prepared pursuant to s. 186.901, F.S., excluding the inmate population. The board of county commissioners must, by majority vote, approve reimbursement upon receipt of a recommendation

from the tourist development council. Chapter 2017-36, L.O.F., (HB 7109) expanded the authorized uses of tourist development tax revenues to include the acquisition, construction, extension, enlargement, remodel, repair, improvement, maintenance, operation, or promotion of auditoriums that are publicly owned and open to the public, but operated by an organization that is exempt from federal taxation under 26 U.S.C. s. 501(c)(3) and within the boundaries of the county or subcounty special taxing district in which the tax is levied. Chapter 2018-118, L.O.F., (CS/HB 7087) extended the current authorization to use tourist development tax revenues on such things as restoration and maintenance of beaches, inland lakes and rivers, to expressly include the same types of expenditures for channels, estuaries, and lagoons as well as the construction of beach groins. Additionally, the legislation allowed counties to use tax revenues in connection with developing or operating public facilities within the boundaries of the county or subcounty special taxing district in which the tax was levied if the public facilities were needed to increase tourist-related business activities in the county or subcounty special district and were recommended by the county tourist development council. Tax revenues may also be used for any related land acquisition, land improvement, design, and engineering costs and all other professional and related costs required to bring the public facilities into service. Finally, tax revenues can only be used for these authorized public facilities if several preconditions were satisfied.

Chapter 2020-10, L.O.F., (CS/HB 7097) increased a population limit from 750,000 to 950,000 for counties that may use certain tourist development tax revenues (i.e., 1 or 2 Percent Tax, Additional 1% Tax, and High Tourism Impact Tax) for certain uses. Chapter 2022-5, L.O.F. (SB 850) deleted statutory language relating to a public records exemption for a trade secret, as defined in s. 812.081, F.S., held by a county tourism promotion agency. The exemption was not reenacted by the Legislature and repealed on October 2, 2021. Chapter 2023-157, L.O.F. (HB 7063), required a referendum to levy this tax. It also required a referendum to reenact this tax, which must be held at a general election occurring within the 48-month period immediately preceding the effective date of the reenacted tax. Such a referendum may appear on the ballot only once within the 48-month period. Additionally, the legislation allowed the continued use of these tax revenues for public safety purposes by certain counties located adjacent to the Gulf of Mexico or the Atlantic Ocean (i.e., Bay, Okaloosa, and Walton) by increasing the population threshold from 225,000 to 275,000. Furthermore, it allowed the use of funds for public safety purposes by fiscally constrained counties that border the Gulf of Mexico or Atlantic Ocean, which expands current eligibility to Dixie, Franklin, Gulf, Levy, Taylor, and Wakulla counties. Chapter 2025-8, L.O.F., (HB 575) updates provisions to reflect the name change from the Gulf of Mexico to the Gulf of America. Chapter 2025-208, L.O.F., (HB 7031) allows coastal fiscally constrained counties to use funds for certain capital improvements. Additionally, it allows all coastal counties to use funds for the provision of beach lifeguards certified by an approved entity.

IMPOSITION AND RATE:
If levied, the rate must be 1 percent. The tax is levied on all rental charges subject to the transient rental tax pursuant to s. 212.03, F.S. Fifty-nine counties are eligible to levy this tax, and 56 counties levy this tax.

DISPOSITION AND USES:
In counties for which the tax is administered by the Department of Revenue, collections are returned monthly to the county levying the tax, less costs of administration, for use by the county in accordance with the provisions of s. 125.0104, F.S. In counties self-administering the tax pursuant to s. 125.0104(10), F.S., collections are retained by the county, less cost of administration not to exceed 3 percent, for use in accordance with the provisions of s. 125.0104, F.S.

OTHER STATES:
The National Conference of State Legislatures has published a listing of state lodging tax rates, which is available via the link below. These statewide taxes on lodging are often levied in addition to state sales taxes and/or local lodging taxes.
https://www.ncsl.org/state-legislatures-news/details/travel-can-be-taxing-in-more-ways-than-one

ADDITIONAL INFORMATION:
A table summarizing the history of tourist tax impositions, expirations, extensions, and repeals can be found on the Office of Economic and Demographic Research's Local Government Data webpage under the heading of Local Option Tourist Taxes via the following link.
http://edr.state.fl.us/Content/local-government/data/data-a-to-z/g-l.cfm

A more detailed description of this tax in its present form as well as a table summarizing taxable sales reported by transient rental facilities, which is used to estimate county revenues, can be found in the Office of Economic and Demographic Research's annual report *Local Government Financial Information Handbook* via the following link.
http://edr.state.fl.us/Content/local-government/reports/index.cfm

# PROFESSIONAL SPORTS FRANCHISE FACILITY TOURIST DEVELOPMENT TAX

FLORIDA STATUTES: Section 125.0104(3)(l)

ADMINISTERED BY: Department of Revenue or self-administered by levying counties

SUMMARY:
Section 125.0104, F.S., authorizes the levy of five separate local option taxes on rental charges subject to the transient rentals tax under s. 212.03, F.S., to be used in various ways to promote tourism within the county. Generally, the revenues from these levies may be used for capital construction of tourist-related facilities, tourist promotion, and beach and shoreline maintenance; however, the authorized uses vary according to the particular levy. No tourist development tax may be levied in any municipality imposing the Municipal Resort Tax authorized under Chapter 67-930, L.O.F., (i.e., Miami Beach, Bal Harbour and Surfside). There is a prohibition against any county levying a convention development tax from levying tourist development taxes at a rate of more than 2 percent; however, this prohibition does not apply to a county's levy of the Professional Sports Franchise Facility Tax and Duval County's levy of the Additional Professional Sports Franchise Facility Tax.

The Professional Sports Franchise Facility Tax may be levied by referendum at a rate up to 1 percent. Uses of the tax revenues are contained in s. 125.0104(3)(l), F.S. Generally, proceeds can be used to pay debt service on bonds for the construction or renovation of professional sports franchise facilities, spring training facilities of professional sports franchises and convention centers, and to promote and advertise tourism.

REVENUE:

| Fiscal Year | Total Collections | Annual Change % |
|---|---|---|
| 2026-27* | 261,225,285 | 2.20% |
| 2025-26* | 255,602,040 | -0.30% |
| 2024-25 | 256,371,153 | -0.54% |
| 2023-24 | 257,760,205 | 6.21% |
| 2022-23 | 242,698,043 | -10.49% |
| 2021-22 | 271,147,436 | 80.68% |
| 2020-21 | 150,068,345 | -1.30% |

* Estimate

Annual tourist development tax receipts by county can be found on the Office of Economic and Demographic Research's Local Government Data webpage under the heading of Local Option Tax Receipts via the following link.
http://edr.state.fl.us/Content/local-government/data/data-a-to-z/g-l.cfm

HISTORY:
Chapter 88-226, L.O.F., authorized certain counties to impose an additional 1 percent tax (i.e., Professional Sports Franchise Facility Tax) to pay debt service on bonds issued to finance the construction, reconstruction, or renovation of a professional sports franchise facility. Chapter 89-217, L.O.F., clarified that any county could impose the tax.

Chapter 90-349, L.O.F. (SB 1624), authorized those counties levying more than 2 percent of convention development tax to levy the Professional Sports Franchise Facility Tax to pay debt service on a professional sports franchise facility. Chapter 94-353, L.O.F. (HB 2557) , clarified legislative intent regarding those transient rental transactions subject to tax. Chapter 95-133, L.O.F. (SB 1082), revised an

exemption from public records requirements for county tourism promotion agencies. Chapter 95-304, L.O.F. (HB 1757), expanded the authorized uses to include paying debt service on bonds issued to finance the construction, reconstruction, or renovation of a convention center. Chapter 95-416, L.O.F. (HB 1523), expanded the authorized uses to include planning and design costs incurred for the facility prior to the issuance of bonds and for facilities that are publicly owned and operated, or publicly owned and operated by the professional sports franchise facility owner or another qualified lessee. Chapter 96-397, L.O.F. (SB 584), authorized a county levying the tax to use the proceeds for convention center planning and design costs. Chapter 98-106, L.O.F. (SB 884), authorized any county levying the tax to use the proceeds for operation and maintenance of a convention center for a period of up to ten years, conditioned on the county's levy of the tax to pay debt service on a convention center. Chapter 99-287, L.O.F. (HB 519), authorized the use of the tax proceeds to pay the debt service on bonds issued to finance a retained spring training franchise facility.

Chapter 2000-312, L.O.F. (HB 509), clarified that the tax could not be repealed by referendum until outstanding bonds supported by such taxes were satisfied. It authorized counties that self-administer the tax to use certified public accountants to perform those functions associated with self-administration. Chapter 2000-351, L.O.F. (SB 1604), authorized any county that levies the tax after July 1, 2000, for the purpose of paying debt service on bonds related to convention centers to use the tax proceeds to pay the operation and maintenance costs of a convention center for the life of the bonds. Chapter 2001-252, L.O.F. (SB 1132), authorized certain counties to continue using a tourist development tax after retirement of applicable bonds under certain circumstances. Chapter 2002-265, L.O.F. (SB 1844), authorized the tax proceeds to be used to promote and advertise tourism. Chapter 2003-78, L.O.F. (HB 533), made administrative changes pertaining to county tourism promotion agencies. Chapter 2005-96, L.O.F. (SB 300), reenacted provisions related to referenda and local administration that had been scheduled for repeal. Chapter 2009-133, L.O.F. (HB 61), provided for the application of tourist development taxes to short-term stays at timeshare resorts.

Chapter 2012-180, L.O.F. (HB 1015), authorized additional uses by allowing county governments to spend tax proceeds for purposes related to publicly owned and operated aquariums, including acquisition, construction, maintenance, or promotion. Chapter 2013-168, L.O.F. (SB 336), clarified the automatic expiration of the tax upon the retirement of all bonds issued to finance certain facilities. Chapter 2016-6, L.O.F., (CS/CS/SB 182) reenacted a public records exemption of trade secret information held by a county tourism promotion agency to conform to the definition of trade secret, which expressly includes financial information within the definition. This exemption protected financial information deemed to be a trade secret from public disclosure.

Chapter 2022-5, L.O.F. (SB 850) deletes statutory language relating to a public records exemption for a trade secret, as defined in s. 812.081, F.S., held by a county tourism promotion agency. The exemption was not reenacted by the Legislature and repealed on October 2, 2021. Chapter 2023-157, L.O.F. (HB 7063), required a referendum to levy this tax. It also required a referendum to reenact this tax, which must be held at a general election occurring within the 48-month period immediately preceding the effective date of the reenacted tax. Such a referendum may appear on the ballot only once within the 48-month period.

IMPOSITION AND RATE:
The tax may be levied at a rate up to 1 percent. It is levied on all rental charges subject to the transient rental tax pursuant to s. 212.03, F.S. All counties are eligible to levy this tax, and 46 counties levy the tax.

DISPOSITION AND USES:
In counties for which the tax is administered by the Department of Revenue, collections are returned monthly to the county levying the tax, less costs of administration, for use by the county in accordance

with the provisions of s. 125.0104, F.S. In counties self-administering the tax pursuant to s. 125.0104(10), F.S., collections are retained by the county, less cost of administration not to exceed 3 percent, for use in accordance with the provisions of s. 125.0104, F.S.

OTHER STATES:
The National Conference of State Legislatures has published a listing of state lodging tax rates, which is available via the link below. These statewide taxes on lodging are often levied in addition to state sales taxes and/or local lodging taxes.
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ADDITIONAL INFORMATION:
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A more detailed description of this tax in its present form as well as a table summarizing taxable sales reported by transient rental facilities, which is used to estimate county revenues, can be found in the Office of Economic and Demographic Research's annual report *Local Government Financial Information Handbook* via the following link.
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# HIGH TOURISM IMPACT
# TOURIST DEVELOPMENT TAX

FLORIDA STATUTES: Section 125.0104(3)(m)

ADMINISTERED BY: Department of Revenue or self-administered by levying counties

SUMMARY:
Section 125.0104, F.S., authorizes the levy of five separate local option taxes on rental charges subject to the transient rentals tax under s. 212.03, F.S., to be used in various ways to promote tourism within the county. Generally, the revenues from these levies may be used for capital construction of tourist-related facilities, tourist promotion, and beach and shoreline maintenance; however, the authorized uses vary according to the particular levy. No tourist development tax may be levied in any municipality imposing the Municipal Resort Tax authorized under Chapter 67-930, L.O.F., (i.e., Miami Beach, Bal Harbour and Surfside). There is a prohibition against any county levying a convention development tax from levying tourist development taxes at a rate of more than 2 percent; however, this prohibition does not apply to a county's levy of the Professional Sports Franchise Facility Tax and Duval County's levy of the Additional Professional Sports Franchise Facility Tax.

The High Tourism Impact Tax is one of the five tourist development taxes authorized under s. 125.0104, F.S. This 1 percent tax may be levied, subject to referendum approval, by any county in which sales subject to the tourist development tax exceeded $600 million in the previous calendar year or were at least 18 percent of the county's total taxable sales under Chapter 212, F.S., where sales subject to the tourist development tax were a minimum of $200 million. However, no county levying a convention development tax can be considered a high tourism impact county. The tax revenues can only be used for one or more of the authorized uses pursuant to s. 125.0104(5), F.S.

REVENUE:

| Fiscal Year | Total Collections | Annual Change % |
|---|---|---|
| 2026-27* | 169,341,655 | 2.20% |
| 2025-26* | 165,696,335 | -0.30% |
| 2024-25 | 166,194,920 | 0.96% |
| 2023-24 | 164,611,999 | 9.09% |
| 2022-23 | 150,901,731 | -1.68% |
| 2021-22 | 153,486,185 | 90.14% |
| 2020-21 | 80,722,686 | -8.76% |

* Estimate

Annual tourist development tax receipts by county can be found on the Office of Economic and Demographic Research's Local Government Data webpage under the heading of Local Option Tax Receipts via the following link.
http://edr.state.fl.us/Content/local-government/data/data-a-to-z/g-l.cfm

HISTORY:
Chapter 89-356, L.O.F., authorized a 1 percent levy for counties certified as high tourism impact counties (i.e., High Tourism Impact Tax) and imposed new auditing and accounting requirements on counties that locally administer tourist development taxes.

Chapter 90-107, L.O.F. (SB 1882), added an optional condition for qualification as a high tourism impact county, which had the effect of making Osceola County eligible to levy the High Tourist Impact Tax.
Chapter 94-353, L.O.F. (HB 2557), clarified legislative intent regarding those transient rental transactions

subject to tax. Chapter 95-133, L.O.F. (SB 1082), revised an exemption from public records requirements for county tourism promotion agencies.

Chapter 2000-312, L.O.F. (HB 509), authorized counties that self-administer the tax to use certified public accountants to perform those functions associated with self-administration. Chapter 2001-252, L.O.F. (SB 1132), authorized certain counties to continue using a tourist development tax after retirement of applicable bonds under certain circumstances. Chapter 2003-34, L.O.F. (SB 1162), increased the population threshold from 500,000 to 750,000 for eligible counties to expend the tax proceeds for optional uses. Chapter 2003-37, L.O.F. (SB 1566), limited the use of tax proceeds, which were specifically designated for beach improvement, maintenance, renourishment, restoration, and erosion control. Chapter 2003-78, L.O.F. (HB 533), made administrative changes pertaining to county tourism promotion agencies. Chapter 2005-96, L.O.F. (SB 300), reenacted provisions related to referenda and local administration that had been scheduled for repeal. Chapter 2009-133, L.O.F. (HB 61), provided for the application of tourist development taxes to short-term stays at timeshare resorts.

Chapter 2012-180, L.O.F. (HB 1015), authorized additional uses by allowing county governments to spend tax proceeds for purposes related to publicly owned and operated aquariums, including acquisition, construction, maintenance, or promotion. Chapter 2013-168, L.O.F. (SB 336), authorized additional uses by allowing county governments to spend tax proceeds for purposes related to aquariums owned and operated by not-for-profit organizations and clarified the automatic expiration of the tax upon the retirement of all bonds issued to finance certain facilities. Chapter 2016-6, L.O.F., (CS/CS/SB 182) reenacted a public records exemption of trade secret information held by a county tourism promotion agency to conform to the definition of trade secret, which expressly includes financial information within the definition. This exemption protected financial information deemed to be a trade secret from public disclosure. Chapter 2016-220, L.O.F., (HB 7099) specified additional uses for tourist development tax revenues for certain coastal counties. The legislation provided that, under specified conditions, a county located adjacent to the Gulf of Mexico or the Atlantic Ocean, except a county that receives revenue from taxes levied pursuant to s. 125.0108, F.S., (i.e., the Tourist Impact Tax levied only by Monroe County) may use up to 10 percent of tourist development tax revenues to reimburse expenses incurred in providing public safety services, including emergency medical services as defined in s. 401.107(3), F.S., and law enforcement services, which are needed to address impacts related to increased tourism and visitors to an area, as long as such funds are not used to supplant pre-existing expenditures on such services. To receive reimbursement, a county must: 1) generate a minimum of $10 million in annual proceeds from any tax, or any combination of taxes, authorized to be levied pursuant to s. 125.0104, F.S.; 2) have at least three municipalities; and 3) have an estimated population of less than 225,000, according to the most recent population estimate prepared pursuant to s. 186.901, F.S., excluding the inmate population. The board of county commissioners must, by majority vote, approve reimbursement upon receipt of a recommendation from the tourist development council. Chapter 2017-36, L.O.F., (HB 7109) expanded the authorized uses of tourist development tax revenues to include the acquisition, construction, extension, enlargement, remodel, repair, improvement, maintenance, operation, or promotion of auditoriums that are publicly owned and open to the public, but operated by an organization that is exempt from federal taxation under 26 U.S.C. s. 501(c)(3) and within the boundaries of the county or subcounty special taxing district in which the tax is levied. Chapter 2018-118, L.O.F., (CS/HB 7087) extended the current authorization to use tourist development tax revenues on such things as restoration and maintenance of beaches, inland lakes and rivers, to expressly include the same types of expenditures for channels, estuaries, and lagoons as well as the construction of beach groins. Additionally, the legislation allowed counties to use tax revenues in connection with developing or operating public facilities within the boundaries of the county or subcounty special taxing district in which the tax was levied if the public facilities were needed to increase tourist-related business activities in the county or subcounty special district and were recommended by the county tourist development council. Tax revenues may also be used for any related land acquisition, land improvement, design, and engineering costs and all other professional and related

costs required to bring the public facilities into service. Finally, tax revenues can only be used for these authorized public facilities if several preconditions were satisfied.

Chapter 2020-10, L.O.F., (CS/HB 7097) increased a population limit from 750,000 to 950,000 for counties that may use certain tourist development tax revenues (i.e., 1 or 2 Percent Tax, Additional 1% Tax, and High Tourism Impact Tax) for certain uses. Chapter 2022-5, L.O.F. (SB 850) deleted statutory language relating to a public records exemption for a trade secret, as defined in s. 812.081, F.S., held by a county tourism promotion agency. The exemption was not reenacted by the Legislature and repealed on October 2, 2021. Chapter 2023-157, L.O.F. (HB 7063), required a referendum to levy this tax. It also required a referendum to reenact this tax, which must be held at a general election occurring within the 48-month period immediately preceding the effective date of the reenacted tax. Such a referendum may appear on the ballot only once within the 48-month period. Additionally, the legislation allowed the continued use of these tax revenues for public safety purposes by certain counties located adjacent to the Gulf of Mexico or the Atlantic Ocean (i.e., Bay, Okaloosa, and Walton) by increasing the population threshold from 225,000 to 275,000. Furthermore, it allowed the use of funds for public safety purposes by fiscally constrained counties that border the Gulf of Mexico or Atlantic Ocean, which expands current eligibility to Dixie, Franklin, Gulf, Levy, Taylor, and Wakulla counties. Chapter 2025-8, L.O.F., (HB 575) updates provisions to reflect the name change from the Gulf of Mexico to the Gulf of America. Chapter 2025-208, L.O.F., (HB 7031) allows coastal fiscally constrained counties to use funds for certain capital improvements. Additionally, it allows all coastal counties to use funds for the provision of beach lifeguards certified by an approved entity.

IMPOSITION AND RATE:
If levied, the rate must be 1 percent. The tax is levied on all rental charges subject to the transient rental tax pursuant to s. 212.03, F.S. Once a county qualifies as a high tourism impact county and levies the tax, the county shall retain the designation for the period of the tax levy. Fifteen counties are eligible to levy this tax. The following 11 counties levy the tax: Broward, Hillsborough, Manatee, Monroe, Okaloosa, Orange, Osceola, Palm Beach, Pinellas, Sarasota, and Walton counties levy this tax, and each county retains this designation until its tax levy ends.

DISPOSITION AND USES:
In counties for which the tax is administered by the Department of Revenue, collections are returned monthly to the county levying the tax, less costs of administration, for use by the county in accordance with the provisions of s. 125.0104, F.S. In counties self-administering the tax pursuant to s. 125.0104(10), F.S., collections are retained by the county, less cost of administration not to exceed 3 percent, for use in accordance with the provisions of s. 125.0104, F.S.

OTHER STATES:
The National Conference of State Legislatures has published a listing of state lodging tax rates, which is available via the link below. These statewide taxes on lodging are often levied in addition to state sales taxes and/or local lodging taxes.
https://www.ncsl.org/state-legislatures-news/details/travel-can-be-taxing-in-more-ways-than-one

ADDITIONAL INFORMATION:
A table summarizing the history of tourist tax impositions, expirations, extensions, and repeals can be found on the Office of Economic and Demographic Research's Local Government Data webpage under the heading of Local Option Tourist Taxes via the following link.
http://edr.state.fl.us/Content/local-government/data/data-a-to-z/g-l.cfm

## HIGH TOURISM IMPACT
## TOURIST DEVELOPMENT TAX

A more detailed description of this tax in its present form as well as a table summarizing taxable sales reported by transient rental facilities, which is used to estimate county revenues, can be found in the Office of Economic and Demographic Research's annual report *Local Government Financial Information Handbook* via the following link.
http://edr.state.fl.us/Content/local-government/reports/index.cfm

# ADDITIONAL PROFESSIONAL SPORTS FRANCHISE FACILITY TOURIST DEVELOPMENT TAX

FLORIDA STATUTES: Section 125.0104(3)(n)

ADMINISTERED BY: Department of Revenue or self-administered by levying counties

SUMMARY:
Section 125.0104, F.S., authorizes the levy of five separate local option taxes on rental charges subject to the transient rentals tax under s. 212.03, F.S., to be used in various ways to promote tourism within the county. Generally, the revenues from these levies may be used for capital construction of tourist-related facilities, tourist promotion, and beach and shoreline maintenance; however, the authorized uses vary according to the particular levy. No tourist development tax may be levied in any municipality imposing the Municipal Resort Tax authorized under Chapter 67-930, L.O.F., (i.e., Miami Beach, Bal Harbour and Surfside). There is a prohibition against any county levying a convention development tax from levying tourist development taxes at a rate of more than 2 percent; however, this prohibition does not apply to a county's levy of the Professional Sports Franchise Facility Tax and Duval County's levy of the Additional Professional Sports Franchise Facility Tax.

The Additional Professional Sports Franchise Facility Tax may be levied at a rate up to 1 percent by referendum. Uses of the tax revenues are contained in s. 125.0104(3)(n), F.S. Generally, the proceeds can be used to pay debt service on bonds for the construction or renovation of professional sports franchise facilities, spring training facilities of professional sports franchises, and to promote and advertise tourism.

REVENUE:

| Fiscal Year | Total Collections | Annual Change % |
|---|---|---|
| 2026-27* | 244,670,546 | 2.20% |
| 2025-26* | 239,403,666 | -0.30% |
| 2024-25 | 240,124,038 | -0.88% |
| 2023-24 | 242,245,166 | 6.41% |
| 2022-23 | 227,659,125 | 6.77% |
| 2021-22 | 213,220,879 | 63.28% |
| 2020-21 | 130,585,860 | 2.82% |

* Estimate

Annual tourist development tax receipts by county can be found on the Office of Economic and Demographic Research's Local Government Data webpage under the heading of Local Option Tax Receipts via the following link.
http://edr.state.fl.us/Content/local-government/data/data-a-to-z/g-l.cfm

HISTORY:
Chapters 94-275, L.O.F. (SB 1502) and 94-338, L.O.F. (HB 1875), authorized any county, which had imposed the Professional Sports Franchise Facility Tax, to impose an additional 1 percent tax (i.e., Additional Professional Sports Franchise Facility Tax) to pay debt service on bonds issued to finance the construction, reconstruction, or renovation of a new professional sports franchise facility as defined in s. 288.1162, F.S. Chapter 94-353, L.O.F. (HB 2557), clarified legislative intent regarding those transient rental transactions subject to tax. Chapter 95-133, L.O.F. (SB 1082), revised an exemption from public records requirements for county tourism promotion agencies. Chapter 95-416, L.O.F. (HB 1523), expanded the authorized uses to include planning and design costs incurred for the facility prior to the issuance of bonds and for facilities that are publicly owned and operated, or publicly owned and operated

by the professional sports franchise facility owner or another qualified lessee. Chapter 99-287, L.O.F. (HB 519), authorized the use of the tax proceeds to pay the debt service on bonds issued to finance a retained spring training franchise facility.

Chapter 2000-312, L.O.F. (HB 509), authorized counties that self-administer the tax to use certified public accountants to perform those functions associated with self-administration. Chapter 2001-252, L.O.F. (SB 1132), authorized certain counties to continue using a tourist development tax after retirement of applicable bonds under certain circumstances. Chapter 2002-265, L.O.F. (SB 1844), authorized the tax proceeds to be used to promote and advertise tourism. Chapter 2003-78, L.O.F. (HB 533), made administrative changes pertaining to county tourism promotion agencies. Chapter 2005-96, L.O.F. (SB 300), reenacted provisions related to referenda and local administration that had been scheduled for repeal. Chapter 2009-133, L.O.F. (HB 61), provided for the application of tourist development taxes to short-term stays at timeshare resorts.

Chapter 2012-180, L.O.F. (HB 1015), authorized additional uses by allowing county governments to spend tax proceeds for purposes related to publicly owned and operated aquariums, including acquisition, construction, maintenance, or promotion. Chapter 2013-168, L.O.F. (SB 336), clarified the automatic expiration of the tax upon the retirement of all bonds issued to finance certain facilities. Chapter 2016-6, L.O.F., (CS/CS/SB 182) reenacted a public records exemption of trade secret information held by a county tourism promotion agency to conform to the definition of trade secret, which expressly includes financial information within the definition. This exemption protected financial information deemed to be a trade secret from public disclosure.

Chapter 2022-5, L.O.F. (SB 850) deletes statutory language relating to a public records exemption for a trade secret, as defined in s. 812.081, F.S., held by a county tourism promotion agency. The exemption was not reenacted by the Legislature and repealed on October 2, 2021. Chapter 2023-157, L.O.F. (HB 7063), required a referendum to levy this tax. It also required a referendum to reenact this tax, which must be held at a general election occurring within the 48-month period immediately preceding the effective date of the reenacted tax. Such a referendum may appear on the ballot only once within the 48-month period.

IMPOSITION AND RATE:
The tax may be levied at a rate up to 1 percent. It is levied on all rental charges subject to the transient rental tax pursuant to s. 212.03, F.S. Sixty-five counties are eligible to levy this tax; however, the county must already levy the Professional Sports Franchise Facility Tax to impose this tax as well. Thirty-seven counties levy the tax.

DISPOSITION AND USES:
In counties for which the tax is administered by the Department of Revenue, collections are returned monthly to the county levying the tax, less costs of administration, for use by the county in accordance with the provisions of s. 125.0104, F.S. In counties self-administering the tax pursuant to s. 125.0104(10), F.S., collections are retained by the county, less cost of administration not to exceed 3 percent, for use in accordance with the provisions of s. 125.0104, F.S.

OTHER STATES:
The National Conference of State Legislatures has published a listing of state lodging tax rates, which is available via the link below. These statewide taxes on lodging are often levied in addition to state sales taxes and/or local lodging taxes.
https://www.ncsl.org/state-legislatures-news/details/travel-can-be-taxing-in-more-ways-than-one

## ADDITIONAL PROFESSIONAL SPORTS FRANCHISE FACILITY TOURIST DEVELOPMENT TAX

ADDITIONAL INFORMATION:
A table summarizing the history of tourist tax impositions, expirations, extensions, and repeals can be found on the Office of Economic and Demographic Research's Local Government Data webpage under the heading of Local Option Tourist Taxes via the following link.
http://edr.state.fl.us/Content/local-government/data/data-a-to-z/g-l.cfm

A more detailed description of this tax in its present form as well as a table summarizing taxable sales reported by transient rental facilities, which is used to estimate county revenues, can be found in the Office of Economic and Demographic Research's annual report *Local Government Financial Information Handbook* via the following link.
http://edr.state.fl.us/Content/local-government/reports/index.cfm

# TOURIST IMPACT TAX

FLORIDA STATUTES: Section 125.0108

ADMINISTERED BY: Department of Revenue or self-administered by levying counties

SUMMARY:
Section 125.0108, F.S., authorizes any county creating a land authority pursuant to s. 380.0663(1), F.S., to levy a 1 percent tax on transient rental facilities within the county area designated as an area of critical state concern pursuant to ch. 380, F.S. If the area(s) of critical state concern are greater than 50 percent of the county's total land area, the tax may be levied countywide. The tax proceeds are used to purchase property in the area of critical state concern and to offset the loss of ad valorem taxes due to those land acquisitions. Only Monroe County is currently eligible to levy the tax, and the county levies the tax.

REVENUE:

| Fiscal Year | Total Collections | Annual Change % |
|---|---|---|
| 2026-27* | 18,491,382 | 2.20% |
| 2025-26* | 18,093,328 | -0.30% |
| 2024-25 | 18,147,772 | 11.86% |
| 2023-24 | 16,223,997 | 29.87% |
| 2022-23 | 12,492,156 | -31.32% |
| 2021-22 | 18,189,270 | 62.24% |
| 2020-21 | 11,211,150 | 32.03% |

* Estimate

Annual tax receipts by county can be found on the Office of Economic and Demographic Research's Local Government Data webpage under the heading of Local Option Tax Receipts via the following link. http://edr.state.fl.us/Content/local-government/data/data-a-to-z/g-l.cfm

HISTORY:
Chapter 86-170, L.O.F., authorized counties containing an area of critical state concern to levy a 1 percent tax on the lease of transient rentals, the sale of food and beverages at public food service establishments, or the purchase of admissions if the county had created a land development authority. The tax levy is subject to referendum approval. One half of the tax proceeds shall be used to purchase property in areas of critical state concern, and the other half shall be distributed to the county's governing body for the purpose of offsetting the loss of property taxes from land purchases. Chapter 87-280, L.O.F. deleted the tax's applicability to the sale of food and beverages at public food service establishments and the purchase of admissions.

Chapter 2001-252, L.O.F. (SB 1132), provided that the tax could be levied throughout the entire county if the area or areas of critical state concern are greater than 50 percent of the land area of the county. Chapter 2006-223, L.O.F. (HB 1299), provided that a county that has levied the tax for at least 20 consecutive years prior to removal of the critical state concern designation may continue to levy the tax for 20 years following removal of the designation. After expiration of the 20-year period, a county may continue to levy the tax if the county adopts an ordinance reauthorizing the tax levy and approves the tax by referendum approval. Chapter 2009-133, L.O.F. (HB 61), provided for the application of the tax to consideration paid for occupancy of certain timeshare resort products. Monroe County, the only county to levy the tax, has levied the tax countywide since 1988.

Chapter 2016-6, L.O.F., (CS/CS/SB 182) reenacted a public records exemption of trade secret information held by a county tourism promotion agency to conform to the definition of trade secret, which expressly includes financial information within the definition. This exemption protected financial information deemed to be a trade secret from public disclosure. Chapter 2018-159, L.O.F., (CS/CS/HB 1173) amended s. 380.0666(3), F.S., to authorize each land authority to contribute tourist impact tax revenues to the county or the county's housing authority to purchase any land in the county, not just land within the most populous municipality, for the construction, redevelopment, or preservation of affordable housing in an area of critical state concern. Additionally, the legislation authorized each land authority to use the tax revenues to pay specified costs related to affordable housing projects.

Chapter 2022-214, L.O.F., (CS/CS/HB 777) requires a referendum authorizing the levy of this tax to be held at a general election, as defined in s. 97.021, F.S. Chapter 2023-157, L.O.F. (HB 7063), required a referendum to reenact an expiring tourist impact tax must be held at a general election occurring within the 48-month period immediately preceding the effective date of the reenacted tax. Such a referendum may appear on the ballot only once within the 48-month period.

BASE AND RATE:
This 1 percent tax must be approved by qualified electors voting in referendum held during a general election, as defined in s. 97.021, F.S. The tax base is the same as for the Tourist Development Tax. The tax may be repealed by passage of a resolution by four-fifths vote of the county's governing body.

DISPOSITION:
Unless self-administered, the Department of Revenue returns proceeds, less costs of administration, to the county that imposed the tax. Monroe County, the only county levying the tax, self-administers it. Proceeds of the tax must be used equally for acquisition of property in the area of critical state concern and to offset the loss of ad valorem taxes caused by such acquisitions. Areas that have been statutorily designated as areas of critical state concern include the Big Cypress area, primarily in Collier County; the Green Swamp area, in central Florida; the Florida Keys area, in south Florida; and the Apalachicola Bay area in Franklin County.

OTHER STATES:
The National Conference of State Legislatures has published a listing of state lodging tax rates, which is available via the link below. These statewide taxes on lodging are often levied in addition to state sales taxes and/or local lodging taxes.
https://www.ncsl.org/state-legislatures-news/details/travel-can-be-taxing-in-more-ways-than-one

ADDITIONAL INFORMATION:
A table summarizing the history of tourist tax impositions, expirations, extensions, and repeals can be found on the Office of Economic and Demographic Research's Local Government Data webpage under the heading of Local Option Tourist Taxes via the following link.
http://edr.state.fl.us/Content/local-government/data/data-a-to-z/g-l.cfm

A more detailed description of this tax in its present form as well as estimates of taxable sales reported by transient rental facilities, which is used to estimate county revenues, can be found in the Office of Economic and Demographic Research's annual report *Local Government Financial Information Handbook* via the following link.
http://edr.state.fl.us/Content/local-government/reports/index.cfm

# MUNICIPAL RESORT TAX
# ON TRANSIENT RENTALS AND FOOD/BEVERAGES

LAWS OF FLORIDA: Chapters 67-930, 82-142, 83-363, 93-286, and 94-344

ADMINISTERED BY: Self-administered by those municipalities levying the tax.

SUMMARY:
The Municipal Resort Tax may be levied at a rate up to 4 percent on transient rental transactions and up to 2 percent on the sale of food and beverages consumed in restaurants and bars in certain municipalities whose respective county population fell within specified limits based on the 1960 Census and whose municipal charter specifically provided for the levy of this tax prior to January 1, 1968. The tax levy must be adopted by an ordinance approved by the governing body. The tax proceeds can be used for tourism promotion activities, capital construction and maintenance of convention and cultural facilities, and relief of ad valorem taxes used for those purposes. Three municipalities in Miami-Dade County (i.e., Bal Harbour, Miami Beach, and Surfside) are eligible to impose the tax, and each municipality currently imposes the tax at the rate of 4 percent on transient rental transactions and 2 percent on the sale of food and beverages.

REVENUE:
Because the tax is self-administered, the following historical revenue figures were obtained from the municipalities' Comprehensive Annual Financial Reports.

| Fiscal Year | Bal Harbour | Miami Beach | Surfside | Total Collections | Annual Change % |
|---|---|---|---|---|---|
| 2023-24 | 5,659,962 | 109,139,198 | 5,254,000 | 120,053,160 | -3.8% |
| 2022-23 | 5,775,431 | 113,784,990 | 5,219,482 | 124,779,903 | -3.1% |
| 2021-22 | 5,931,450 | 117,307,417 | 5,491,734 | 128,730,601 | 40.9% |
| 2020-21 | 4,813,175 | 82,207,342 | 4,372,990 | 91,393,507 | 51.5% |
| 2019-20 | 2,777,408 | 54,972,321 | 2,583,931 | 60,333,660 | -37.6% |
| 2018-19 | 4,526,248 | 88,246,170 | 3,901,559 | 96,673,977 | 3.4% |
| 2017-18 | 3,825,266 | 87,595,052 | 2,054,141 | 93,474,459 | 7.9% |
| 2016-17 | 3,331,088 | 81,910,032 | 1,374,357 | 86,615,477 | -0.8% |

HISTORY:
Chapter 67-930, L.O.F., authorized municipalities in counties having a total population between 330,000 and 340,000 (i.e., Broward County) or more than 900,000 (i.e., Miami-Dade County), according to the 1960 Census, to levy a tax not to exceed 2 percent on transient rentals and food, beverages, and alcoholic beverages other than beer or malt beverages sold at an establishment licensed by the state hotel and restaurant commission or by the state beverage department. Municipalities were eligible to impose the tax by ordinance if the municipal charter specifically provided or was amended prior to January 1, 1968, to provide for the tax levy.

In 1970, the state challenged the law as unconstitutional and contended that the "…classification of the act as to the cities and towns which can qualify to collect a resort tax in the counties of the prescribed population brackets is so restrictive that the act on its face is a local act…" STATE v. CITY OF MIAMI BEACH [234 So.2d 103, 1970 Fla.SCt 1197]. The Florida Supreme Court upheld the law as valid.

Chapter 82-142, L.O.F., authorized a tax increase on transient rentals to a rate not to exceed 3 percent and provided that the increase must be approved by referendum prior to January 1, 1983. Chapter 83-363, L.O.F., authorized a tax increase on transient rentals to a rate not to exceed 4 percent and provided that the increase must be approved by referendum.

Chapter 93-286, L.O.F. (HB 1969), removed an exemption of the tax to sales of beer and malt beverages. Chapter 94-344, L.O.F. (HB 2079), expanded the tax levy to the sale of food or beverages sold at retail and alcoholic beverages sold at retail for consumption on the premises at any place of business required by law to be licensed by the state hotel and restaurant commission or the state beverage department.

IMPOSITION AND RATE:
Municipalities in counties having a population of not less than 330,000 and not more than 340,000 (i.e., Broward County) and in counties having a population of more than 900,000 (i.e., Miami-Dade County), according to the 1960 decennial census, whose charter specifically provided or whose charter was so amended prior to January 1, 1968, for the levy of this exact tax, are eligible to impose it by ordinance adopted by the governing body. The tax shall be levied upon the rent of every occupancy of a room or rooms in any hotel, motel, apartment house, rooming house, tourist or trailer camp, as the same are defined in part I of ch. 212, F.S., and upon the retail sale price of all items of food or beverages sold at retail, and of alcoholic beverages sold at retail for consumption on the premises at any place of business required by law to be licensed by the state hotel and restaurant commission or by the state beverage department. Only three municipalities in Miami-Dade County (i.e., Bal Harbour, Miami Beach, and Surfside) are currently eligible to impose the tax. All three municipalities impose the tax at 4 percent on transient rental transactions and 2 percent on the sale of food and beverages.

DISPOSITION AND USES:
Each municipality levying the tax is responsible for the collection and administration of funds. The tax proceeds shall only be used for the creation and maintenance of convention and publicity bureaus; development and maintenance of art and cultural centers; enhancement of tourism; publicity and advertising; construction, operation, and maintenance of auditoriums, community centers, and convention structures; or relief from ad valorem taxes being used for any of these other purposes.

OTHER STATES:
The National Conference of State Legislatures has published a listing of state lodging tax rates, which is available via the link below. These statewide taxes on lodging are often levied in addition to state sales taxes and/or local lodging taxes.
https://www.ncsl.org/state-legislatures-news/details/travel-can-be-taxing-in-more-ways-than-one

ADDITIONAL INFORMATION:
A more detailed description of this tax in its present form can be found in the Office of Economic and Demographic Research's annual report *Local Government Financial Information Handbook* via the following link.
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# CONSOLIDATED COUNTY CONVENTION DEVELOPMENT TAX

FLORIDA STATUTES: Section 212.0305(4)(a)

ADMINISTERED BY: Self-administered by the consolidated City of Jacksonville/Duval County government pursuant to the authority granted by s. 212.0305(5), F.S.

SUMMARY:
Each county operating under a government consolidated with one or more municipalities in the county may impose a 2 percent tax on the total consideration charged for transient rental transactions. The tax shall be levied pursuant to an ordinance enacted by the county's governing body. Only the City of Jacksonville/Duval County consolidated government is currently eligible to levy the tax, and the consolidated government levies the tax.

REVENUE:

| Fiscal Year | Total Collections | Annual Change % |
|---|---|---|
| 2026-27* | 11,187,932 | 2.20% |
| 2025-26* | 10,947,096 | -0.30% |
| 2024-25 | 10,980,036 | 4.41% |
| 2023-24 | 10,516,655 | -2.55% |
| 2022-23 | 10,791,363 | 17.67% |
| 2021-22 | 9,171,126 | 32.68% |
| 2020-21 | 6,912,214 | 0.51% |

* Estimate

Annual tax receipts by county can be found on the Office of Economic and Demographic Research's Local Government Data webpage under the heading of Local Option Tax Receipts via the following link. http://edr.state.fl.us/Content/local-government/data/data-a-to-z/g-l.cfm

HISTORY:
Chapter 83-356, L.O.F., authorized any county operating under a government consolidated with one or more municipalities in the county to impose a 2 percent tax on the total consideration charged for transient rental transactions. Chapter 87-99, L.O.F., authorized counties to locally collect and administer convention development taxes.

Chapter 90-349, L.O.F. (SB 1624), authorized municipalities within the county to use tax proceeds to acquire and develop municipal parks, lifeguard stations, or athletic fields. Chapter 93-286, L.O.F. (HB 1969), authorized any county or municipality wherein the tax was levied to adopt and implement a convention center booking policy applying to those centers owned or operated by the local government. Chapter 96-397, L.O.F. (SB 584), authorized municipalities having a population of 10,000 or more in a county authorized to levy the tax to use the tax proceeds to promote and advertise tourism.

Chapter 2000-312, L.O.F. (HB 509), authorized counties that self-administer convention development taxes to use certified public accountants to perform the functions associated with self-administration. Chapter 2005-96, L.O.F. (SB 300), reenacted provisions related to self-administration of the tax, which had been set to repeal. Chapter 2009-133, L.O.F. (HB 61), provided for the application of convention development taxes to short-term stays at timeshare resorts.

# CONSOLIDATED COUNTY CONVENTION DEVELOPMENT TAX

IMPOSITION AND RATE:
Only a county operating under a government consolidated with one or more municipalities in the county is eligible to levy the 2 percent tax on the total consideration charged for transient rental transactions. The tax shall be levied pursuant to an ordinance enacted by the consolidated government's governing body. The consolidated City of Jacksonville/Duval County is the only government currently eligible to levy the tax, and the consolidated government began levying the tax in 1984.

DISPOSITION AND USES:
The consolidated government began self-administration of the tax in 1990 and retains all tax proceeds. The proceeds shall be used for any of the following purposes: 1) to extend, enlarge, and improve existing publicly owned convention centers; 2) to construct a multipurpose convention/coliseum/exhibition center; or 3) to acquire, construct, extend, enlarge, remodel, repair, improve, or maintain one or more convention centers, stadiums, exhibition halls, arenas, coliseums, or auditoriums. Additionally, municipalities with a population of 10,000 or more may use the proceeds to promote and advertise tourism.

OTHER STATES:
The National Conference of State Legislatures has published a listing of state lodging tax rates, which is available via the link below. These statewide taxes on lodging are often levied in addition to state sales taxes and/or local lodging taxes.
https://www.ncsl.org/state-legislatures-news/details/travel-can-be-taxing-in-more-ways-than-one

ADDITIONAL INFORMATION:
A table summarizing the history of tourist tax impositions, expirations, extensions, and repeals can be found on the Office of Economic and Demographic Research's Local Government Data webpage under the heading of Local Option Tourist Taxes via the following link.
http://edr.state.fl.us/Content/local-government/data/data-a-to-z/g-l.cfm

A more detailed description of this tax in its present form as well as estimates of taxable sales reported by transient rental facilities, which is used to estimate county revenues, can be found in the Office of Economic and Demographic Research's annual report *Local Government Financial Information Handbook* via the following link.
http://edr.state.fl.us/Content/local-government/reports/index.cfm

# CHARTER COUNTY
# CONVENTION DEVELOPMENT TAX

FLORIDA STATUTES: Section 212.0305(4)(b)

ADMINISTERED BY: Self-administered by Miami-Dade County pursuant to the authority granted by s. 212.0305(5), F.S.

SUMMARY:
Each county, as defined by s. 125.011(1), F.S., (i.e., Miami-Dade County) may impose a 3 percent tax on the total consideration charged for transient rental transactions. The tax shall be levied pursuant to an ordinance enacted by the county's governing body. The governing body of a municipality levying the Municipal Resort Tax may adopt a resolution prohibiting the imposition of the tax within its jurisdiction. If the levy is prohibited, no tax revenue shall be expended within that municipality. Only Miami-Dade County is currently eligible to levy the tax, and the county levies the tax.

REVENUE:

| Fiscal Year | Total Collections | Annual Change % |
|---|---|---|
| 2026-27* | 129,762,292 | 2.20% |
| 2025-26* | 126,968,974 | -0.30% |
| 2024-25 | 127,351,027 | 4.41% |
| 2023-24 | 121,976,535 | -6.07% |
| 2022-23 | 129,854,428 | 2.60% |
| 2021-22 | 126,567,370 | -8.09% |
| 2020-21 | 137,710,963 | 82.33% |

* Estimate

Annual tax receipts by county can be found on the Office of Economic and Demographic Research's Local Government Data webpage under the heading of Local Option Tax Receipts via the following link. http://edr.state.fl.us/Content/local-government/data/data-a-to-z/g-l.cfm

HISTORY:
Chapter 83-354, L.O.F., authorized any county, as defined in s. 125.011(1), F.S., to impose a 3 percent tax on the total consideration charged for transient rental transactions. Chapter 87-99, L.O.F., authorized counties to locally collect and administer convention development taxes.

Chapter 93-286, L.O.F. (HB 1969), authorized any county or municipality wherein the tax was levied to adopt and implement a convention center booking policy applying to those centers owned or operated by the local government. Chapter 94-351, L.O.F. (HB 2509), authorized a county levying the tax to use the proceeds and accrued interest to operate an authority upon completion of authorized projects. Additionally, the authorized uses were expanded to include golf courses or related buildings and parking facilities.

Chapter 2000-312, L.O.F. (HB 509), authorized counties that self-administer convention development taxes to use certified public accountants to perform the functions associated with self-administration. Chapter 2005-96, L.O.F. (SB 300), reenacted provisions related to self-administration of the tax, which had been set to repeal. Chapter 2009-133, L.O.F. (HB 61), provided for the application of convention development taxes to short-term stays at timeshare resorts.

## CHARTER COUNTY
## CONVENTION DEVELOPMENT TAX

IMPOSITION AND RATE:
Each county, as defined in s. 125.011(1), F.S., is eligible to levy the 3 percent tax on the total consideration charged for transient rental transactions. The tax shall be levied pursuant to an ordinance enacted by the county's governing body. Miami-Dade County is the only government currently eligible to levy the tax, and the county began levying the tax in 1984. No municipalities within the county have opted out of the levy.

DISPOSITION AND USES:
The county government began self-administration of the tax in 1988 and retains all tax proceeds. The proceeds shall be used in the following manner. Two-thirds of tax proceeds shall be used to extend, enlarge, and improve the largest existing publicly owned convention center in the county. After completion of this project, the tax proceeds may be used to acquire, construct, extend, enlarge, remodel, repair, improve, plan for, operate, manage, or maintain one or more convention centers, stadiums, exhibition halls, arenas, coliseums, auditoriums, or golf courses, and may be used to acquire and construct an intercity light rail transportation system. One-third of tax proceeds shall be used to construct a new multipurpose convention/coliseum/exhibition center/stadium or the maximum components thereof as funds permit in the most populous municipality in the county. After completion of these projects, the tax proceeds may be used, as determined by the county to operate an authority created pursuant to s. 212.0305(4)(b)4., F.S., or to acquire, construct, extend, enlarge, remodel, repair, improve, operate, or maintain one or more convention centers, stadiums, exhibition halls, arenas, coliseums, auditoriums, golf courses, or related buildings and parking facilities in the most populous municipality in the county.

OTHER STATES:
The National Conference of State Legislatures has published a listing of state lodging tax rates, which is available via the link below. These statewide taxes on lodging are often levied in addition to state sales taxes and/or local lodging taxes.
https://www.ncsl.org/state-legislatures-news/details/travel-can-be-taxing-in-more-ways-than-one

ADDITIONAL INFORMATION:
A table summarizing the history of tourist tax impositions, expirations, extensions, and repeals can be found on the Office of Economic and Demographic Research's Local Government Data webpage under the heading of Local Option Tourist Taxes via the following link.
http://edr.state.fl.us/Content/local-government/data/data-a-to-z/g-l.cfm

A more detailed description of this tax in its present form as well as estimates of taxable sales reported by transient rental facilities, which is used to estimate county revenues, can be found in the Office of Economic and Demographic Research's annual report *Local Government Financial Information Handbook* via the following link.
http://edr.state.fl.us/Content/local-government/reports/index.cfm

## SPECIAL DISTRICT, SPECIAL, AND SUBCOUNTY CONVENTION DEVELOPMENT TAX

FLORIDA STATUTES: Sections 212.0305(4)(c)–(e) and 212.03055

ADMINISTERED BY: Self-administered by Volusia County pursuant to the authority granted by s. 212.0305(5), F.S.

SUMMARY:
Each county chartered under Article VII of the Florida Constitution, and which levied a tourist advertising ad valorem tax within a special taxing district on January 1, 1984 (i.e., Volusia County) may impose a tax of up to 3 percent of the total consideration charged for transient rental transactions. Three separate taxes are authorized for levy in three separate taxing districts with the combined effect of authorizing the levy countywide. The taxes can be levied by ordinance enacted by the county's governing body. Any rate increase in excess of 2 percent must be approved by a majority plus one vote of the county's governing body.

The three taxes authorized by s. 212.0305(4)(c)-(e), F.S., are the:

- Special District Convention Development Tax, which is levied within the boundaries of the special district formerly levying a tourist advertising ad valorem tax within a special taxing district (i.e., Halifax Area Advertising Authority).
- Special Convention Development Tax, which is levied outside the boundaries of the special district and to the southeast of State Road 415 (i.e., Southeast Volusia Advertising Authority).
- Subcounty Convention Development Tax, which is levied outside the boundaries of the special district and to the northwest of State Road 415 (i.e., West Volusia Advertising Authority).

Only Volusia County is currently eligible to levy the tax, and the county levies the tax.

REVENUE (of three taxes combined):

| Fiscal Year | Total Collections | Annual Change % |
|---|---|---|
| 2026-27* | 18,430,416 | 2.20% |
| 2025-26* | 18,033,675 | -0.30% |
| 2024-25 | 18,087,939 | 40.19% |
| 2023-24 | 12,902,678 | -2.55% |
| 2022-23 | 13,239,713 | -22.67% |
| 2021-22 | 17,121,510 | -6.64% |
| 2020-21 | 18,338,695 | 43.35% |

* Estimate

Annual tax receipts by county can be found on the Office of Economic and Demographic Research's Local Government Data webpage under the heading of Local Option Tax Receipts via the following link. http://edr.state.fl.us/Content/local-government/data/data-a-to-z/g-l.cfm

HISTORY:
Chapters 84-67, 84-324, and 84-373, L.O.F., authorized any county levying a tourist advertising ad valorem tax within a special taxing district, pursuant to s. 212.057, F.S., to levy a 1 percent Special District Convention Development Tax within the district's boundaries located in northeast Volusia County. With this tax's authorization, a county was prohibited from levying the tourist advertising ad valorem tax previously authorized. Chapter 87-99, L.O.F., authorized counties to locally collect and administer convention development taxes. Chapter 87-258, L.O.F., authorized Volusia County to levy a 1 percent in two separate, non-overlapping, geographically designated areas (i.e., Special Convention

Development Tax and Subcounty Convention Development Tax) outside of the Special District Convention Development Tax district. This legislation had the effect of authorizing a 1 percent tax countywide to be levied in three separate taxing districts.

Chapter 91-155, L.O.F. (SB 1986), increased the authorized tax rates of convention development taxes levied in Volusia County from 1 to 2 percent. Chapter 93-286, L.O.F. (HB 1969), authorized any county or municipality wherein the tax was levied to adopt and implement a convention center booking policy applying to those centers owned or operated by the local government. Chapter 95-290, L.O.F. (HB 355), authorized a tax rate increase from 2 percent to up to 3 percent. Any rate increase in excess of 2 percent must be approved by a supermajority (majority plus one) vote of the county's governing body.

Chapter 2000-312, L.O.F. (HB 509), authorized counties that self-administer convention development taxes to use certified public accountants to perform the functions associated with self-administration. Chapter 2005-96, L.O.F. (SB 300), reenacted provisions related to self-administration of the tax, which had been set to repeal. Chapter 2009-133, L.O.F. (HB 61), provided for the application of convention development taxes to short-term stays at timeshare resorts.

IMPOSITION AND RATE:
Only a county, chartered under Article VIII of the Florida Constitution and levying a tourist advertising ad valorem tax within a special taxing district on January 1, 1984, (i.e., Volusia County) is eligible to levy a tax of up to 3 percent tax on the total consideration charged for transient rental transactions. The tax shall be levied pursuant to an ordinance enacted by the county's governing body; however, any rate increase in excess of 2 percent must be approved by a supermajority (i.e., majority plus one) vote of the county's governing body. Volusia County is the only government currently eligible to levy the tax. The county began levying the tax at 1 percent in 1984, and the tax is currently levied countywide at 3 percent.

DISPOSITION AND USES:
The county government began self-administration of the tax in 1990 and retains all tax proceeds. The proceeds shall be used to promote and advertise tourism and to fund convention bureaus, tourist bureaus, tourist information centers, and news bureaus.

OTHER STATES:
The National Conference of State Legislatures has published a listing of state lodging tax rates, which is available via the link below. These statewide taxes on lodging are often levied in addition to state sales taxes and/or local lodging taxes.
https://www.ncsl.org/state-legislatures-news/details/travel-can-be-taxing-in-more-ways-than-one

ADDITIONAL INFORMATION:
A table summarizing the history of tourist tax impositions, expirations, extensions, and repeals can be found on the Office of Economic and Demographic Research's Local Government Data webpage under the heading of Local Option Tourist Taxes via the following link.
http://edr.state.fl.us/Content/local-government/data/data-a-to-z/g-l.cfm

A more detailed description of this tax in its present form as well as estimates of taxable sales reported by transient rental facilities, which is used to estimate county revenues, can be found in the Office of Economic and Demographic Research's annual report *Local Government Financial Information Handbook* via the following link.
http://edr.state.fl.us/Content/local-government/reports/index.cfm

# ALTERNATIVE SOURCES

# PERSONAL INCOME TAX

FLORIDA CONSTITUTION: Article VII, Section 5(a) of the Florida Constitution reads:
NATURAL PERSONS. No tax upon estates or inheritances or upon the income of natural persons who are residents or citizens of the state shall be levied by the state, or under its authority, in excess of the aggregate of amounts which may be allowed to be credited upon or deducted from any similar tax levied by the United States or any state.

SUMMARY:
Florida currently does not levy a personal income tax.

ESTIMATED REVENUE:
Not applicable.

| | FY 2026-27 (millions) |
|---|---|
| Data based on Federal Personal Income Tax of Florida Residents: | |
| 1 Percent of Estimated: | |
| Federal Taxable Income (FT) | $9,339.4 |
| Federal Taxable Income $20K Exempt* | $6,679.6 |
| Federal Taxable Income $40K Exempt* | $4,613.6 |
| Federal Taxable Income $60K Exempt* | $4,099.6 |
| 1 Percent of Estimated: | |
| Federal Tax Liability | $1,989.5 |
| Federal Tax Liability Double Per Exempt# | $1,895.1 |
| Federal Tax Liability Double Std Ded# | $1,912.7 |

* Allows each taxpayer to exempt stated amount of federal taxable income from state tax.

\# Allows double current standard deductions or personal exemptions in computing federal tax liability.

BASE AND RATE:
Currently 42 states and the District of Columbia levy a personal income tax. Forty-one levy a broad-based tax while the remaining one has selected a more limited income base. Alaska, Florida, Nevada, South Dakota, Tennessee, Texas, Washington, and Wyoming are the eight states that currently do not levy a personal income tax.

Limited Income Bases

New Hampshire taxes only interest and dividend income after exemptions, at a rate of 5 percent.

Broad Income Bases

All but five of the states (Alabama, Arkansas, Mississippi, New Jersey, and Pennsylvania) impose broad-based personal income taxes using the Federal Internal Revenue Code as the starting point in determining taxable income.

Tax rate schedules are of two basic types: flat rate and incremental rate. Twelve states levy a flat rate tax: Arizona, 2.5 percent on taxable income; Colorado, 4.40 percent on federal taxable income; Georgia, 5.5 percent on federal adjusted gross income; Idaho, 5.8 percent on taxable income; Illinois, 4.95 percent on federal adjusted gross income; Indiana, 3.05 percent on federal adjusted gross income; Kentucky, 4.0 percent on taxable income; Massachusetts, 5.0 percent on federal adjusted gross income; Michigan, 4.25

percent on federal adjusted gross income; North Carolina, 4. 5 percent on federal adjusted gross income; Pennsylvania, 3.07 percent on taxable income; and Utah, 4.8 percent on federal adjusted gross income.

Incremental tax rate schedules vary considerably among states. Minimum rates range from 0.25 percent (for the first $1,000 in Oklahoma) to 5.8 percent (for the first $24,500 in Maine). Maximum marginal rates range from 2.9 percent (for income above $491,350 in North Carolina) to 12.3 percent (for income above $677,275 in California). Currently, 16 states provide some type of indexing. Arizona, Arkansas, California, Idaho, Iowa, Maine, Massachusetts, Michigan, Minnesota, Missouri, Montana, Nebraska, New York, North Dakota, Ohio, Oregon, Rhode Island, Vermont, and Wisconsin have statutory provision for automatic adjustment of tax brackets, personal exemption, or standard deductions to the rate of inflation.

Five states give some type of tax credit against federal income taxes paid: Alabama, Iowa, Missouri, Montana, and Oregon.

Tax rates can be found at https://taxadmin.memberclicks.net/tax-rates

ECONOMIC INCIDENCE:
The person whose income is subject to an income tax is considered to bear the full burden of the tax after allowing for federal income tax deductibility.

Unless a state has a large commuter work force, nearly 100 percent of the initial impact of a personal income tax will fall upon residents of the levying state.

Most state income taxes are considered progressive with respect to a person's income, but because of the multiple tax bases and rate schedules possible, the incidence of the tax is conditioned by each state’s specific tax structure, including its exemptions and exclusions.

# STATE PROPERTY TAX

FLORIDA CONSTITUTION: Prohibited by Article VII, Section I

SUMMARY: Florida does not impose a state property (ad valorem) tax on real or tangible personal property.

TAXABLE VALUE AND ESTIMATED TAX:

| Fiscal Year | Taxable Value** (Billions) | Value of a 1 Mill Levy (Millions) | Annual Change % |
|---|---|---|---|
| 2025-26* | 3,802.3 | 3,802 | 4.42% |
| 2024-25# | 3,641.3 | 3,641 | 5.51% |
| 2023-24 | 3,451.2 | 3,451 | 18.38% |
| 2022-23 | 2,915.4 | 2,915 | 19.89% |
| 2021-22 | 2,431.7 | 2,432 | 6.14% |
| 2020-21 | 2,291.0 | 2,291 | 6.19% |
| 2019-20 | 2,157.4 | 2,157 | 6.76% |
| 2018-19 | 2,020.8 | 2,021 | 6.82% |
| 2017-18 | 1,891.8 | 1,892 | 7.36% |
| 2016-17 | 1,762.1 | 1,762 | 7.65% |
| 2015-16 | 1,636.9 | 1,637 | 8.33% |
| 2014-15 | 1,511.0 | 1,511 | 7.19% |
| 2013-14 | 1,409.7 | 1,410 | 3.46% |
| 2012-13 | 1,362.6 | 1,363 | -0.74% |
| 2011-12 | 1,372.7 | 1,373 | -3.96% |
| 2010-11 | 1,429.3 | 1,429 | -11.94% |
| 2009-10 | 1,623.1 | 1,623 | -10.39% |
| 2008-09 | 1,811.2 | 1,811 | -0.11% |

* Estimate
\# Preliminary
** Assumes the same tax base (including real estate, personal property, and centrally assessed property) and exemption structure as currently allowed for school districts.

HISTORY:
The 1868 Constitution of the State of Florida authorized a state ad valorem school tax of not less than one mill. In 1885, the Constitution of the State of Florida was modified to establish a statewide one mill ad valorem tax. [See Article VIII, Section 5 of The Constitution of the State of Florida, adopted on February 25, 1868, and Article XII, Section 6 of The Constitution of the State of Florida, adopted by the Convention of 1885.] According to a historical review of the mid-1880's written by Arthur O. White, "The bulk of the state's school tax dollar came from real estate levies. A one-mill tax on the assessed value of property sustained the state school fund." The first modern state school funding program that excluded the use of this state-imposed ad valorem tax on real and personal property was adopted in 1941, and it was further formalized in 1947 with the introduction of the Minimum Foundation Program. In the 1968 Florida Constitution, adopted by referendum on November 5, 1968, the state replaced the 1885

Constitution and inserted language in Article VII, Section 1(a) expressly barring the state government from levying ad valorem taxes on real estate or tangible personal property.
Also see discussion of Ad Valorem Taxes in the Major Local Government Revenue Sources section of this handbook.

OTHER STATES:
In the 19th century, property taxes generally were imposed at the state level. During the 20th century the property tax became the major source of local government revenue and the use of the tax as a state revenue source declined substantially. However, as of 2021, 36 states imposed state property taxes on selected types of property.

# VALUE-ADDED TAX

SUMMARY:
Florida currently does not levy a value-added tax (VAT).

ESTIMATED REVENUE:
Estimated revenue for 2026-27 from a 1 percent VAT in Florida:

| | | |
|---|---|---|
| Michigan-type SBT (additive method) | - | $ 9.4 billion |
| Invoice-credit VAT | - | $ 13.2 billion |
| New Hampshire-type BET | - | $ 10.0 billion |

HISTORY:
The value-added tax (VAT) is paid by producers on the value-added by their firms. Value-added is simply a firm's total revenue minus the value of purchased non-labor inputs (from outside suppliers) that the firm uses to produce goods and services. For example, if a firm uses labor, equipment (which it owns), and raw materials (which it purchases) to make a product, then value-added by the firm will be revenue minus the cost of raw materials. A VAT would be a percentage levy on that amount.

Measuring Value-Added - Invoice-Credit Method

In practice, measuring value-added is not as simple as portrayed above. In those countries with national VATs, the tax is commonly computed using the invoice-credit method. Under this method a firm applies the VAT rate to its gross receipts (revenue) and subtracts any VAT that was paid on purchased inputs, such as intermediate goods and capital goods. This is alleged to enhance compliance under a VAT in several ways. First, invoices provide a way of cross-checking the credits claimed by a taxpayer. Second, since taxpayers have the incentive to maximize the credit they can claim, it is in their interest that their suppliers pay the proper amount of VAT. It also concentrates the remittance burden on larger upstream businesses that can be audited more cost effectively, and it reduces the amount of tax at risk due to skimming and under-reporting by smaller retailers.

Measuring Value-Added - Income- Additive Method

A second method for calculating a VAT is the income or additive approach. Instead of subtracting the value of inputs from receipts, this approach directly adds up those categories of expenditure and net income of a given business that represent value-added (i.e., wages + interest + rent + profit). Strict utilization of federal income tax accounting (e.g., measurement of income and expenditures, timing or recognition of these items, reporting time frames, etc.) in calculating the VAT would result in value-added being measured directly from items already reported on federal income tax returns. For multi-state entities, national value-added could be apportioned in the same manner as corporate profits.

Experience in Other Jurisdictions

Most European countries rely on a VAT for a substantial portion of their revenue and have done so for at least four decades. The measurement method of choice has been the invoice-credit method. The VATs imposed in these jurisdictions are far from the pure VAT of theory. Equity considerations have led to substantial exemptions from the tax. Common among these are food, medical care and housing. Concern for record-keeping has led to exemptions for small businesses. In conformity with the concept that VATs are fundamentally taxes on consumption, businesses have been allowed to deduct the total expense of plant and equipment in the year of purchase. Nonetheless, the European experience with VATs seems to have been largely favorable.

In the United States, the state of Michigan used a form of VAT known as the "Single Business Tax" (SBT) as its form of general business taxation. It is the only state in the U.S. to have used a VAT. When it was adopted in 1975, it replaced seven business taxes, including a corporate income tax. On August 9, 2006, the Michigan legislature approved voter-initiated legislation to repeal the Single Business Tax. The repeal became effective January 1, 2008.

Business Enterprise Tax

The Business Enterprise Tax (BET) was enacted in the mid-1990's by the State of New Hampshire. It is a broad-based business tax with the major component of the BET is compensation paid to employees. The BET also taxes interest paid. However, the only other addition to the BET base is dividends paid to shareholders. Thus, it does not attempt to tax corporate profits. New Hampshire has a separate corporate profits tax. The tax is paid by businesses of all types (i.e., corporations, partnerships, proprietorships) but businesses with less than $150,000 in gross receipts or less than $75,000 in taxable base are exempt. The tax rate is currently .55 percent.

Incidence of the VAT

Firms subject to the VAT will try to pass it along to their consumers. The extent to which they are able to do so will depend on competitive conditions in markets for inputs to the production process and output markets. For practical purposes, it is generally assumed that the tax is fully-shifted forward in the production chain. In this case, the effect of a VAT is equivalent to taxing the total value of all taxable goods and services sold to final consumers. In the case where firms operate in multiple jurisdictions subject to a VAT the matter is more complicated and the outcome is dependent, in large part, upon the form of VAT being employed.

OTHER STATES:
New Hampshire

# MAJOR PENDING LITIGATION

## CURRENTLY PENDING LITIGATION

### A. Ad Valorem Tax

***City of Gulf Breeze v. Brown***
1st Judicial Circuit (Santa Rosa County), Case No.: 2017-CA-000012; 1st DCA, Case No.: 1D19-4245; Florida Supreme Court, Case No.: SC22-741
Issue: Whether city-owned property is being used for a municipal/governmental purpose.

In 2012, the City of Gulf Breeze acquired property that it used for both sewage and wastewater treatment and the operation of a golf course, driving range, and clubhouse. The city operated the property through 2015 and received an ad valorem tax exemption on the property through 2015. In October 2015, the city leased the golf course and related facilities to a private entity. The property appraiser then denied the exemption beginning in 2016 believing the property was no longer used for a governmental purpose after it was leased.

The trial court found that the property appraiser wrongly removed the exemption. The 1st DCA reversed and remanded and certified the question to the Florida Supreme Court. Oral Argument before the Florida Supreme Court was held April 5, 2023.

The Florida Supreme Court issued an opinion on November 27, 2024, holding that a municipally owned golf course property over which the municipality exercises extensive control is not disqualified from exemption under article VII, section 3(a) by having a management company used by the municipality in the operation of the property compensated not by a fixed fee but based on a formula tied to the difference between revenue and expenses.

***Gulf Marine Repair Corp. v. Henriquez***
13th Judicial Circuit (Hillsborough County), Consolidated Case Nos.: 2015-CA-004485A001; 2015-CA-011042A001; 2016-CA-011070A001; 2017-CA-010850A001; 2018-CA-011746A001; 2019-CA-012333A001; 2nd DCA, Case No. 2D20-2613, 375 So. 3d 306 (2023); Florida Supreme Court, Case No.: SC2024-0083.
Issue: "Governmental-governmental" use test; Sufficiency of property appraiser's written notice of exemption denial.

The 2nd DCA held that use of property as a for-profit shipyard does not serve a "governmental-governmental" function and that therefore the property is not tax exempt under the "governmental-governmental" use test established by *Williams v. Jones*, 326 So. 2d 425 (Fla. 1975).

The court noted that the legislature amended the definition in s. 196.012(6), F.S., to include maritime functions in 1997 and 2014 but did not "expressly grant an exemption for proprietary activities undertaken for profit" by lessees at deepwater ports. By contrast, the legislature expressly exempted the aviation uses at issue in this case with Hillsborough County Aviation Authority. Therefore, any activity by a lessee that is deemed to perform a port purpose or operation still must satisfy the initial sentence of s. 196.012(6), F.S., and the constitutional governmental-governmental use test arising from it, i.e., it must relate to the administration of government as opposed to the commercial endeavor of a private lessee.

Cases with an "*" are new cases that have not been reported in a prior version of the Handbook.

The court also addressed the notice provisions under s. 196.193(5)(b), F.S., for written exemption denials, rejecting the claim that the property appraiser failed to meet the notice requirements for the tax years. The court held that s. 196.193(5), F.S., is a procedural due process provision that enables an applicant to evaluate the reasons before seeking relief in the VAB or circuit court. The court stated that if the property appraiser fails to provide notice, the remedy is to toll or extend commencement of the VAB or circuit court filing period. Since Gulf Marine had actual knowledge of the property appraiser's denial of its exemption since 2014, the court said it suffered no prejudice even if the notices were deficient.

On the notice issue, the 2nd DCA disapproved of the 1st DCA's award of the religious tax exemption in *Genesis Ministries, Inc. v. Brown* (*Genesis II*), 250 So. 3d 865, 869 (Fla. 1st DCA 2018) under s. 196.193(5)(b), F.S., solely because the property appraiser failed in the denial notice to inform the applicant of its right to file a VAB action. The court stated that such a remedy is "not authorized" by the statute: "It is not for this Court or the Legislature to grant ad valorem taxation exemptions not provided for in the present constitutional provisions."

The Florida Supreme Court denied review on October 2, 2024.

***Hillsborough County Aviation Authority v. Henriquez***
13th Judicial Circuit (Hillsborough County), Case No.: 2020-CA-4927; 2nd DCA, Case No.: 2D20-3602.
Issue: Use of government property by a private, for-profit lessee.

In 2020, the Hillsborough County Aviation Authority (HCAA) applied for an ad valorem tax exemption for fifteen different properties that it owns and leases to private entities. The 2nd DCA ruled that the properties serve a governmental purpose as defined in s. 196.012(6), F.S., which reversed the trial court judgment. For that reason, the 2nd DCA remanded the case and instructed the trial court to enter judgment for the HCAA.

The court mentioned two other 2nd DCA decisions issued the same day in *Gulf Marine Repair Corporation v. Bob Henriquez*, (Case No. 2D20-2613), and *Tampa Port Authority v. Bob Henriquez*, (Case No. 2D20-2605), noting that while all three cases share the basic characteristic of being appeals from orders granting summary judgment in favor of the property appraiser on the issue of a lessee's entitlement to exemption from taxation under ss. 196.012(6) and 196.199(2)(a), F.S., the similarities end there.

As the court recognized in *Gulf Marine*, the legislature did not include language in the exemption statute, s. 196.012(6), F.S., to specifically exempt proprietary, for-profit activities undertaken by lessees at deepwater ports. By contrast, the legislature expressly exempted the aviation uses at issue in this case with HCAA.

The court noted that while the property appraiser raised valid points concerning the governmental-governmental test to determine if a tax exemption is constitutionally permitted, the court declined to apply the test to the statute involved, s. 196.012(6), F.S. Under the governmental-governmental test, said the court, an "exemption is constitutionally permitted only if the use by the private entity 'could properly be performed or served by an appropriate governmental unit, or which is demonstrated to perform a function or serve a purpose which would otherwise be a valid subject for the allocation of public funds.'" In contrast, when a nongovernmental lessee utilizes governmental property for-proprietary and for-profit aims, a governmental-proprietary function occurs.

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Recognizing the importance of the governmental-governmental test, the court certified a question to the Florida Supreme Court as one of great public importance: "WHERE PROPERTY IS EXPRESSLY EXEMPT FROM AD VALOREM TAXATION UNDER A SPECIFIC STATUTE AND THE STATUTE'S CONSTITUTIONALITY IS NOT CHALLENGED, DOES THE GOVERNMENTAL-GOVERNMENTAL TEST OVERRIDE AN EXPRESS STATUTORY EXEMPTION AND ULTIMATELY DETERMINE WHETHER THE PROPERTY IS EXEMPT FROM TAXATION?"

The 2nd DCA reversed the case, in part, and remanded the case, in part. In its July 7, 2023 decision, the court remanded the case back to the circuit court decision and directed that judgment be entered in favor of Defendant (exempting the subject properties). The Florida Supreme Court's August 21, 2024, order declined to exercise discretionary jurisdiction. The circuit court entered final judgment that the property is exempt.

***Marriott Resorts Hospitality Corporation, Grand Vista of Orlando Condominium Association, Inc. v. Mercado***
9th Judicial Circuit (Orange County), Case No.: 2018-CA-013570-O; 6th DCA, Case No. 6D2023-3618.
Issue: Assessment methodology of timeshare property

In the event of inadequate resales, s. 192.037(11), F.S., requires property appraisers to use "the original purchase price" of the timeshare interest. This case involves the issues of adequate resales under s. 192.037(10), F.S. and original developer sales under s. 192.037(11), F.S. Also involved are ss. 194.301, 194.3015, and 193.011, F.S. relating to required professionally accepted appraisal practices and appropriate appraisal methodology, and rule 12D-1.002, F.A.C. relating to just valuation under a prevailing market.

The trial court agreed with the property appraiser and determined there were inadequate resales of timeshares; i.e., that there were not enough arms-length deeded week resales in Orange County. The case has been appealed to the 6th DCA and the DCA held oral argument on June 19, 2025.

***Mercado v. Florida Department of Revenue***
Department of Revenue Case No. 23-12100; 1st DCA, Case No. 1D2024-0680.
Issue: Methodology for VAB determinations

Each year, the property appraisers make deductions under 193.011(8), F.S., to recorded selling prices of properties used to develop assessments and report these amounts to the Department of Revenue. VABs make deductions to recorded selling prices, presented as evidence, in the same standard amounts. The use of adjusted recorded selling prices to calculate fair market values results in adjusted fair market values. In cases where comparable sales are not used in calculating assessments, the adjustments are made in calculating fair market values.

Under s. 194.036(1)(c), F.S., the property appraiser filed an assertion seeking probable cause from the Department for the property appraiser to proceed to circuit court to appeal 154 of the VAB's 2022 decisions, in which the property appraiser said the VAB made the deduction to recorded selling prices or fair market values. The property appraiser argues that any sales used after deduction in developing assessments, and any other sales presented as evidence at a VAB, cannot be adjusted the same way by the VAB in reviewing the assessment. The contention is that only the sales used in the

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assessment can be adjusted. The property appraiser's written assertion alleged that any cost of sale deductions is unconstitutional.

The Department investigated the assertion and filed an investigative finding, determining that the VAB's deduction amounts made to comparable sales presented as evidence by petition parties was a professionally accepted appraisal practice that is referenced and required under s. 194.301, F.S., and that there was not probable cause that the VAB committed a consistent and continuous violation of the intent of the law and administrative rules in making deductions under s. 193.011(8), F.S.

The property appraiser appealed the denial of the assertion to the 1st DCA. The case is awaiting a briefing schedule.

***Rogers v. Gregor***
1st Judicial Circuit (Walton County), Case No.: 2017-CA-615; 1st DCA, Case No. 1D2022-3549.
Issue: Sufficiency of property appraiser written notice of exemption denial and whether s. 196.193, F.S. applies to denials of homestead exemption.

In both the notice of exemption disapproval and correspondence, the property appraiser informed Rogers of their appeal rights afforded by ss. 196.011 and 196.193, F.S., and not s. 196.151, F.S. But in the trial court and in this appeal the property appraiser argued that s. 196.151, F.S. controls.

The trial court found that the property appraiser provided Rogers with adequate notice of the homestead exemption denial, and that the notice requirement set forth in s. 196.193(5)(b), F.S., does not apply to homestead property. The trial court found that the notice sent to Rogers satisfied the requirements of s. 196.151, F.S., and that the notice satisfied the requirements of s. 196.193(5)(b), F.S., which were the applicable standard. Oral argument before the 1st DCA was held April 9, 2024.

The 1st DCA issued its opinion holding that the homestead exemption denial is invalid because it did not comply with the notice requirements of s. 196.193(5)(b), F.S . The court reversed the circuit court order granting summary judgment for the property appraiser and remanded to the lower court with instructions to grant summary final judgment in the Rogers' favor. The property appraiser sought review in the Florida Supreme Court.

The Florida Supreme Court accepted the case for review on June 17, 2025. The case is in the briefing schedule.

### B. Alcohol, Beverage and Tobacco Taxes

***C&S Wholesale Grocers, Inc. v. Florida Department of Business & Professional Regulation***
2nd Judicial Circuit (Leon County), Case No.: 2020-CA-000565; 1st DCA, Case No. 1D22-3040
Issue: Constitutionality of imposing excise taxes and surcharges on cigarettes without imposing excise taxes and surcharges on cigars.

A wholesale dealer of cigarette and tobacco products is challenging the Department's denial of its refund request for excise taxes and surcharges paid for the period November 2016–November 2019. The plaintiff alleges that the taxes and surcharge on cigarettes under ss. 210.02(1) and 210.011(1), F.S., violate the Commerce and Equal Protection Clauses of the U.S. Constitution because they apply to cigarettes but not to cigars. The trial court granted judgment on the pleadings in the Department's

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favor. The wholesaler appealed to the 1st DCA. The 1st DCA has affirmed the judgment of the trial court, but this is not final until any timely and authorized motions have been disposed of.

***C&S Wholesale Grocers, Inc. v. Florida Department of Business & Professional Regulation***
DBPR Case No. 2016-020992; 1st DCA, Case No.: 1D22-2940
Issue: Entitlement to an administrative hearing on a timely filed petition and subsequently amended petition protesting Department's denial of tax refund request.

The Department denied C&S Wholesale's request for a refund of tobacco taxes paid from the period of August 2013 through June 2015. C&S Wholesale timely filed a petition for hearing challenging the constitutionality of the taxes and surcharges levied pursuant to ss. 72.011(5) and 120.569, F.S., but requested that the Department not refer the petition to the Division of Administrative Hearings until a "substantially similar case" pending before Fla. 9th Circuit was decided. Four years after filing their initial petition, C&S Wholesale filed an amended petition requesting that the Department refer the petition to the Division of Administrative Hearings and removing contingency on the 9th Circuit case. The Department entered a Final Order dismissing C&S Wholesale's initial petition and amended petition on the basis that the petition did not comport with the 60-day jurisdictional requirements of s. 120.569, F.S. C&S Wholesale appealed the Department's Final Order to the 1st DCA. The 1st DCA affirmed the Department's dismissal of the amended petition and reversed the dismissal of the initial petition, with instructions to the Department to conduct a hearing under s. 120.57, F.S., in response to the initial petition.

***Basik Trading, Inc. v. Florida Department of Business & Professional Regulation***
2nd Judicial Circuit (Leon County), Case No.: 2022-CA-000702
Issue: Validity of Final Tax Assessment issued by Department; validity of/entitlement to tax deductions taken on prior returns; facial and as-applied constitutional challenges to s. 210.40 OTP surety bonds.

The Department determined after a series of routine audits that the plaintiff, a distributor of other tobacco products ("OTP"), owed additional taxes and surcharges after the Department disallowed certain deductions claimed for OTP purchases reported or previously reported on prior monthly reports. The distributor alleges that many of the taxed transactions were for products that were previously reported and taxed as a purchase, but were later subsequently shipped or transported outside of Florida and therefore are not subject to taxation in accordance with s. 210.276(1), F.S. The distributor claims that it is entitled to refunds or credits for taxes paid on those transactions, and the parties dispute whether the products entered and/or left Florida. The distributor also challenges the Department's authority to increase the amount of its surety bond and claims that the governing statute (s. 210.40, F.S.) is unconstitutionally vague because it confers discretion on the Department to increase the amount of the statutorily required bond in an amount that the Department deems necessary to fully protect the State. Bench trial is scheduled for January 6, 2025, in the 2nd Judicial Circuit, Leon County.

***Basik Trading, Inc. v. Florida Department of Business & Professional Regulation***
2nd Judicial Circuit (Leon County), Case No.: 2024 CA 0523
Issue: Refunds of taxes on other tobacco products

Plaintiff, a distributor of other tobacco products, contests the legality of the Department's denial of a Refund Application for the destruction of tobacco products previously reported and assessed as taxable purchases in a total amount of $129,795.

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Section 210.67, F.S., provides OTP distributors a right to a refund of taxes and surcharges on OTP purchases previously paid and reported, which is later returned to the manufacturer, sold out of state, or destroyed. The Department's Rule 61A-10.055 provides that in order for a distributor to receive a refund, Department personnel must witness the OTP destruction and provide the Department with "a copy of the signed destruction form." Plaintiff provided the destruction form signed & witnessed by the Department with its application for refund.

***Basik Trading, Inc. v. Florida Department of Business & Professional Regulation***
2nd Judicial Circuit (Leon County), Case No.: 2024 CA 001023
Issue: Refunds of taxes on other tobacco products

Plaintiff, a distributor of other tobacco products, contests the legality of the Department's denial of a Refund Application for the out of state sale of tobacco products previously reported and assessed as taxable purchases in a total amount of $676,483.87.

Section 210.67, F.S., provides OTP distributors a right to a refund of taxes and surcharges on OTP purchases previously paid and reported, which is later returned to the manufacturer, sold out of state, or destroyed.

***Global Hookah Distributors, Inc. v. Florida Department of Business & Professional Regulation***
DOAH Case No.: 23-0636; DOAH Case No.: 23-1638RU
Issue: Taxability of tobacco products; rule challenge.

A hookah tobacco products distributor filed an application for refund for excise taxes and surcharges paid on their products sold in Florida from April 2016 through January 2019 totaling $1,412,75.16, on the basis that hookah tobacco does not meet the definition of "tobacco products" under s. 210.25(12), F.S. The Department denied the distributor's refund application and the distributor, pursuant to s. 72.011, F.S., elected to contest the Department's denial before the DOAH. The distributor subsequently filed an unadopted rule challenge, alleging that the Department's classification and resulting taxation of hookah tobacco as a "tobacco product" under s. 210.25(12), F.S., constitutes an unadopted rule. The unadopted rule challenge, DOAH Case No. 23-1638RU, was consolidated with the refund denial in DOAH Case No.: 23-0636. A recommended order was entered in DOAH Case No. 23-0636 affirming the Department's denial which was subsequently adopted by Final Order in full by the Department. A final order was entered in DOAH Case No. 23-1638RU determining that the Department's determination and taxation of hookah tobacco as a taxable tobacco product within s. 210.25, F.S., did not constitute an unadopted rule violate of s. 120.54(1)(a), F.S.

Petitioner timely appealed the final order to the 1st DCA, and it is assigned DCA Case No. 1D23-2608.

### C. Communications Services Tax

* ***T-Mobile South LLC v. State of Florida, Department of Revenue***
2nd Judicial Circuit (Leon County); Case No.: 2024 CA 002137
Amount in Controversy: $1,312,729.17
Issue: This involves a Communications Services Tax audit. The issue is whether subscription on-demand (SVOD) services that are provided to T-Mobile Florida customers are subject to Communications Services Tax.

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The Department filed its Answer on February 14, 2025. A non-jury trial is set for February 9, 2026. Discovery is ongoing.

### D. Corporate Income Tax

***9395 CH, LLC v. Florida Department of Revenue***
2nd Judicial Circuit (Leon County), Case No.: 2023 CA 001324
1st District Court of Appeal, Case No.: 1D25-0594
Amount in Controversy: $308,188.55
Issue: Bonus depreciation

The Taxpayer is a real estate rental company and prior to 2019 was taxed as a partnership for federal and state purposes, and so did not file Florida corporate income tax returns. In subsequent years, Taxpayer elected to be taxed as a corporation. On its Florida returns, Taxpayer claimed a depreciation for assets purchased before it was taxed as a corporation in Florida, on which it took a bonus depreciation on its federal returns, but which depreciation was never "added back" to Florida returns as required by s. 220.13(1)(e), F.S. The Taxpayer contests the Department's denial of depreciation subtractions during the years at issue.

The Taxpayer filed a Notice of Constitutional Question and a Notice of Constitutional Challenge on January 29, 2024, essentially asking if the Department's application of s. 220.13(1)(e), F.S., violates the Equal Protection Clause. On February 10, 2025, Final Summary Judgment was granted in favor of the Department. The Taxpayer timely appealed.

***Apple, Inc. v. Florida Department of Revenue***
2nd Judicial Circuit (Leon County), Case No.: 2024 CA 001111
Amount in Controversy: $15,816,631.35
Issues: Whether certain intercompany sales should be included in the denominator of the sales factor and whether certain revenue should be sourced to Florida and therefore included in the sales factor numerator.

The Department was served on July 18, 2024, and Taxpayer filed a second complaint (Case No. 2025 CA 000407) which was consolidated with this case. Discovery is ongoing.

* ***Apple, Inc. v. Florida Department of Revenue***
2nd Judicial Circuit (Leon County), Case No.: 2025 CA 000407
Amount in Controversy: $26,290,023.89
Issue: Whether certain revenue should be sourced to Florida and therefore included in the sales factor numerator. Otherwise known as "cost of performance" or "market sourcing."

The Department was served on March 18, 2025. This complaint was consolidated with the first complaint (Case No. 2024 CA 001111). Discovery is ongoing.

***Capital One Bank (USA) N.A. v. Florida Department of Revenue***
2nd Judicial Circuit (Leon County), Case No.: 2022 CA 2070
Amount in Controversy: $14,316,099

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***Capital One, N.A. v. Florida Department of Revenue***
2nd Judicial Circuit (Leon County), Case No.: 2022 CA 2073
Amount in Controversy: $3,569,463
Issue: Location of income-generating activity.

Both of these cases are centered on the same issue: Whether Florida Corporate Income Tax/Bank Franchise Tax is due: 1. On interest income that is earned by the taxpayer from unsecured loans made to Florida customers; 2. On interchange fees that are earned by the taxpayer when a customer makes a purchase using a credit card that is issued by the taxpayer; and 3. On other interest that is earned by the taxpayer.

The taxpayer asserts that the vast majority of credit card payments it receives, and all of its interchange income, are electronic and received outside Florida and, thus, not subject to Florida corporate income tax, pursuant to s. 220.15(5)(c)3., F.S. The taxpayer also asserts it has no employees or property within Florida. The taxpayer asserts that the interchange income that it received is not attributable to Florida because it does not represent "fees" earned by the taxpayer from financial services performed in Florida, pursuant to s. 220.15(5)(c)1., F.S. The taxpayer also asserts that there is no factual or legal basis for asserting that other interest that was earned by the taxpayer is attributable to Florida.

The Department takes the position that certain receipts were attributable for Florida bank franchise tax purposes and that the location of receipt of payments is not relevant.

Both parties have filed motions for Summary Judgment and the Department has filed a Motion to Dismiss. A hearing on the motions was held on March 6, 2025. Both parties have submitted proposed orders.

***Checkfree Services Corporation v. Florida Department of Revenue***
2nd Judicial Circuit (Leon County), Case No.: 2024 CA 001026
Amount in Controversy: $3,396,471.61
Issue: Location of income-generating activity.

Taxpayer primarily derives revenue from the facilitation of online bill payment services through payment processing networks. The Taxpayer asserts that the vast majority of the costs to perform its income producing activities were incurred outside of Florida.

The Department was served on July 3, 2024. Discovery is ongoing.

***Cosmo International Corp v. Florida Department of Revenue***
17th Judicial Circuit (Broward County); Case No.: CACE-23-013288 and CACE-23-013304
Amount in Controversy: the total for both cases: $84,616.63 (refunds)
Issue: Inclusion of wages paid by an Employee Leasing Company in the payroll factor

These two cases involve a Corporate Income Tax refund dispute involving the question of whether wages paid to an individual by an Employee Leasing Company ("ELC") should be included in the Taxpayer's payroll factor. The Taxpayer argues that it pays the ELC a fee for services rendered and does not handle any employment-related matters or taxes, nor does it pay any wages directly to employees. The Taxpayer argues that because the employees are employed directly by the ELC, pursuant to Rule 12C-1.054(3), F.A.C., the wages paid to these employees by the ELC should be

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excluded from Taxpayer's payroll factor. The Department believes that the rule and s. 220.15(4), F.S., do not intend to exclude from the payroll factor wages paid by the common law employer and that the common law employer in this case is the Taxpayer and not the ELC. Although the amount in controversy is below $100,000, if applied to similarly situated taxpayers, a judicial outcome endorsing the Taxpayer's position would impact state revenues by that amount or more.
Both parties have filed respective motions for Summary Judgment. Parties are awaiting a hearing date.

***Humana, Inc. v. Florida Department of Revenue***
2nd Judicial Circuit (Leon County); Case No: 2024 CA 1232 (audit), 2024 CA 1233 (refund)
Amount in Controversy: $1,844,104.99 (audit 2024 CA 1232); $13,418,986.00 (refund 2024 CA 1233)
Issue(s):
(1) Whether audit adjustments increasing the federal tax-exempt interest income addition per §220.13(1)(a)2., F.S. are correct?
(2) Whether Taxpayer should source receipts from its pharmacy benefit management services and other services to Florida?
(3) Whether Humana's reverse break-up fee from Aetna should be treated as apportionable business income?

In addition to the above issues, the refund case involves the Department's refusal to make adjustments to its scholarship contribution tax credit for tax years 2016 and 2017.

The Department was served with both complaints on August 1, 2024. Pretrial motions have been ordered to be filed by December 31, 2025. Discovery is ongoing.

***Jetblue Airways Corporation v. Florida Department of Revenue***
2nd Judicial Circuit (Leon County), Case No.: 2024 CA 001177
Amount in Controversy: $631,632.11
Issue: Constitutionality of method for apportioning revenue for air and sea transportation.

The Taxpayer is a commercial airline that operates flights originating from and/or terminating at Florida commercial airports. The Taxpayer's flights traverse what is referred to as "The Box" which is the statutory boundary created pursuant to s. 220.151(2)(c), F.S., for apportioning the revenue miles for air and sea transportation. The Taxpayer asserts that "The Box" violates the Florida Constitution, the Federal Supremacy Clause, the Federal Commerce Clause (substantial nexus and fair apportionment, fairly related, the Foreign Commerce Clause) and the Due Process Clause.

The Department was served on July 26, 2024. On September 1, 2025, the Court granted Final Summary Judgment in favor of the Department as a matter of law on all counts of the operative complaint and granted the Taxpayer's motion to dismiss the Department's counterclaims. As of this writing, the parties are considering their respective next steps.

* ***OptumRx, Inc. v. State of Florida, Department of Revenue***
2nd Judicial Circuit (Leon County); Case No.: 2025 CA 000188
Amount in Controversy: $12,265,275.10
Issue: Apportionment ("cost of performance" v. "market sourcing") of income from management receipts.

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This case involves a Corporate Income Tax audit wherein Petitioner disputes the Department's apportionment of Petitioner's pharmacy benefits management receipts to Florida, claiming that Rule 12C-1.0155(2)(l), F.A.C., mandates that these sales be attributed to Florida if the greater portion of the income producing activity engaged by Petitioner directly occurs in Florida based on the costs of performance. Petitioner also contends that the Department erred in its application of Florida net operation loss provisions to deny Petitioner the utilization of net operating losses during the audit period. Discovery is ongoing.

* ***Verizon Communications, Inc. & Affiliates v. Florida Department of Revenue***
2nd Judicial Circuit (Leon County); Case No.: 2025 CA 000430
Amount in Controversy: $24,719,438.56 (refund)
Issue: Should Taxpayer have included inter-company sales in its sales factor and numerator, excluded sales of services to Florida residents and apportioned its income to Florida using a single sales factor per s. 220.153, F.S.?

This involves a Corporate Income Tax refund claim. Verizon filed a complaint in circuit court contesting the Department's Notice of Proposed Refund Denial based on amended returns using a single sales factor instead of the original three factor formula utilized when filing its original corporate income tax return. The Department was served in March 2025. Discovery is ongoing.

* ***Verizon Communications, Inc. & Affiliates v. Florida Department of Revenue***
2nd Judicial Circuit (Leon County); Case No.: 2025 CA 001008
Amount in Controversy: $2,457,014.00 (refund)
Issue: What is the correct amount of interest that should be refunded?

This involves a Corporate Income Tax refund claim that was considered during an on-going CIT compliance audit. The compliance audit resulted in a refund to the Taxpayer. At issue is the Taxpayer's demand for accrued interest for the 2019 Tax Period. A second issue involves interest paid by the Taxpayer with its 2018 and 2020 amended returns. The Taxpayer asserts that it is owed interest as being overpaid. The Department was served on June 5, 2025. Discovery is ongoing.

### E. Documentary Stamp Tax

***Bank of America N.A. v. Florida Department of Revenue***
2nd Judicial Circuit (Leon County), Case No.: 2021 CA 1288
1st District Court of Appeal, Case No.: 1D24-0153
Amount in Controversy: $5,187,684
Issue: Tax calculation on loan renewals.

The case arises out of refund requests by the taxpayer. The taxpayer executed renewal loans with its customers. In some instances, the renewal was for the face amount of the original loan or less, but in some instances, the renewal was for an amount greater than the original loan. The taxpayer originally paid documentary stamp tax and intangibles tax on the full amount of all loans. The taxpayer filed refund claims arguing that the only portion of the renewal that is taxable is the amount of the renewal loan that exceeds the original loan amount. Parties completed mediation; however, no resolution was obtained.

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On December 19, 2023, the Circuit Court issued its Final Judgment for Plaintiff Bank of America, N.A. The Department timely appealed. Oral Argument was held on July 22, 2025. Parties are awaiting a decision.

### F. Insurance Premium Tax

***Genworth Life Insurance Company v. Florida Department of Revenue***
2nd Judicial Circuit (Leon County); Case No.: 2024 CA 001063
Amount in Controversy: $487,240.62, plus interest
Issue: Audit methodologies.

The Taxpayer is domiciled in Delaware and is authorized to write life, accident, and health insurance in Florida and throughout the United States. The Taxpayer disagrees with audit adjustments to the calculation of net premiums tax due on the Delaware side of the retaliatory tax calculation that disallowed the inclusion of guaranty fund association (GFA) credits based on the Florida GFA assessments that were paid by the Taxpayer. The Department believes that the proper GFA credits to be included on the Delaware side of the retaliatory tax calculation should be based on the Delaware GFA assessments that were paid by the Taxpayer. The Department's adjustments during informal protest resulted in the calculation of a refund amount of $246,268.38 that has not yet been refunded to the Taxpayer. The Taxpayer is claiming that it should instead receive a refund of $733,509.00 plus interest.

The Department was served on July 9, 2024. The Taxpayer filed a Motion for Summary Judgment on July 23, 2025.

### G. Motor Fuel Tax

***SEI Fuel Services, Inc. v. Florida Department of Revenue***
Division of Administrative Hearings, Case No.: 21-1403
1st District Court of Appeal. Case No.:1D22-3284;
2nd Judicial Circuit (Leon County), Case No.: 2024 CA 000797
1st District Court of Appeal, Case No.:1D24-2098
Amount in Controversy: $555,585 (refund) ($1,220,821.00 in interest)
Issue: Whether the taxpayer is due a refund of motor fuel taxes paid to specific vendors as the result of erroneous reporting on its return.

The taxpayer is a licensed terminal supplier of motor fuels who paid tax on certain purchases of motor fuels, both to its wholesale vendors and to the Department. The taxpayer sought a refund of the taxes paid to its wholesale vendors, which was denied due to Florida Statutes expressly prohibiting the refund of those taxes paid to wholesale vendors.

The case was referred to DOAH and the Final Order upheld the denial of the application for a refund of fuel tax. The taxpayer timely appealed and on February 14, 2024, the 1st DCA reversed and remanded holding for the taxpayer.

On May 21, 2024, the taxpayer filed a Writ of Mandamus with the 2nd Judicial Circuit Court seeking that the Department be ordered to pay statutory interest. On August 1, 2024, the Circuit Court issued a Final Order Granting the Department's Motion to Dismiss and Denying Plaintiff's Complaint for

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Writ of Mandamus. The Taxpayer appealed to the 1st DCA. Oral Arguments are scheduled for October 9, 2025.

### H. Sales and Use Tax

***27 Entrepreneurs Brickell LLC v. Florida Department of Revenue***
1st District Court of Appeal. Case No.: 1D24-1717
Amount in Controversy: $487,560.43
Issue: Timeliness of filings.

On June 11, 2024, the Department issued an Order Dismissing Petition with Prejudice because the Taxpayer's First Amended Petition and its Initial Petition were filed beyond the statutory jurisdictional deadline The taxpayer timely appealed the decision to the 1st DCA on July 8, 2024.

**** A+ Auto, Inc. v. Florida Department of Revenue***
1st District Court of Appeal. Case No.:1D24-2197
Amount in Controversy: $2,331,652.32
Issue: The Taxpayer appealed the Department's Order Dismissing Petition with Prejudice that was based on the decision that the Taxpayer's petition for administrative hearing was time-barred.

The Taxpayer is challenging a Sales and Use Tax audit. It asserts that the audit was not carried out according to law in that the only communication it claims to have received during the audit was a Demand to Appear letter and that it did not receive a Notice of Intent to Audit or the Notice of Proposed Assessment. On July 31, 2024, the Department issued an Order Dismissing Petition with Prejudice because the Petition was filed untimely. The Taxpayer timely appealed the decision to the 1st DCA.

***ADN Global, LLC v. Florida Department of Revenue***
1st District Court of Appeal. Case No.: 1D24-0471
Amount in Controversy: $228,419.10
Issue: Timeliness of filings.

On January 31, 2024, the Department issued an Order Dismissing Petition with Prejudice because the Taxpayer's petition was beyond the statutory jurisdictional deadline for filing.

On February 22, 2024, the Taxpayer filed a Notice of Appeal. Its Initial Brief asserts that DOR's Order dismissing the case was improper because their petition raised disputed issues of material fact as to the issuance and/or receipt of the NOD by the Taxpayer, however the brief fails to address the inconsistent allegations, and the bases stated in the Department's Order.

In a *per curiam* decision issued on July 9, 2025, the 1st DCA reversed the Department's Order and remanded the matter for an evidentiary hearing. The Department filed a Motion for Rehearing, Rehearing En Banc, Certification of a Question of Great Public Importance and Clarification on August 8, 2025. As of this writing, the parties are awaiting a ruling on the motion.

**** L and D Beauty Nail Supply, Inc. v. Department of Revenue***
Division of Administrative Hearings, Case No.: 25-2479
Amount in Controversy: $706,231.66
Issue: Unreported sales, export sales and exempt sales.

Cases with an "*" are new cases that have not been reported in a prior version of the Handbook.

Taxpayer contests this Sales and Use Tax audit assessment on their nail salon product and equipment wholesale sales business. Main issues concern unreported sales, export sales and exempt sales.

Discovery is ongoing.

***Miami British Corp v. Florida Department of Revenue***
11th Judicial Circuit (Miami-Dade County), Case No.: 23-021674-CA
Amount in Controversy: $510,247.53
Issue: Taxation of e-commerce.

The Taxpayer's Complaint asserts that it sells automotive parts through "e-marketplace platforms such as Amazon, Pay Pal and E-Bay." The Taxpayer asserts that proper credit was not given to Sales and Use Tax collected and remitted by the platforms and that the Department applied incorrect tax rates to out-of-state sales. Further, it objects to the Department's position that there are inconsistencies between the Taxpayer's Federal Income Tax returns, its financial statements, and its state sales tax returns.

A non-jury trial has been scheduled for November 10, 2025.

**** Miami Prime Catering and Food Services, Inc. v. Department of Revenue***
Division of Administrative Hearings, Case No.: 24-4601
Amount in Controversy: $317,553.89
Issue: The Taxpayer asserts business records were lost or damaged due to flooding and the assessment should be adjusted. It also asserts various sales were made to exempt organizations.

A final hearing is scheduled for September 10 and 11, 2025.

**** Orlando SMSA Limited Partnership v. Department of Revenue***
Division of Administrative Hearings, Case No.; 24-4234
Amount in Controversy: $2,665,514.13
Issue: Taxpayer, a wholly owned subsidiary of AT&T, is protesting a refund denial for various items, including county surtaxes, sales taxes on purchases of software, use taxes on services, use taxes on real property improvements, and use taxes on purchases.

The Final Hearing has been scheduled for January 20 to January 23, 2026.

***Seventy7, LLC v. Florida Department of Revenue***
Division of Administrative Hearings, Case No.: 23-3744 (audit); Case No.: 23-3951RU (rule challenge)
1st District Court of Appeal. Case No:1D25-0532 (rule challenge)
Amount in Controversy: $535,875.28
Issue: Assessment methodologies.

The Taxpayer operates a dance club and contests the assessment of additional sales and use tax related to the entrance fees it imposes to enter into a private room. It further contests the Department's assessment of sales and use tax under s. 212.031, F.S., as it relates to "Scrip Redemption" and involves the use of space by entertainers. The Taxpayer has filed an Unadopted Rule Challenge. The Taxpayer asserts that the Department has a policy that interprets s. 212.031,

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F.S., in a way that would require rulemaking. The Department increased the assessment from $181,714.71 to $535,875.28 during litigation due to additional documentation the Taxpayer was ordered to provide during discovery.

The audit challenge and the Rule Challenge were consolidated. A hearing was held, and a Recommended Order was issued on February 13, 2025. The same day, DOAH entered a final order denying the petition related to the unadopted rule challenge. The Taxpayer appealed the final order, an Initial Brief was filed on August 22, 2025. The court's final order in the assessment case is pending.

***West Boca Medical Center, Inc. v. Florida Department of Revenue***
2nd Judicial Circuit (Leon County), Case No.: 2023 CA 000232
1st District Court of Appeal. Case No.:1D2024-2887
Amount in Controversy: $506,859 (refund)
Issue: Sales and use tax refunds.

The taxpayer operates a hospital. It paid a vendor to provide specialized environmental cleaning services. The vendor's services meet the guidelines issued by federal, state, and local health departments for the purpose of reducing the spread of healthcare associated infections and protecting health. The taxpayer obtained an assignment of rights from its vendor in order to apply for this refund.

The Department denied the refund because it classifies the Taxpayer as a nonresidential cleaning service which is not exempt from taxation.

The parties have both filed motions for Summary Judgment. On October 11, 2024, the Court Granted the Department's Motion for Summary Judgment and denied the Taxpayer's Motion for Summary Judgment.

The Taxpayer timely appealed. The parties have filed their respective briefs and oral Argument has been set for September 9, 2025.

**** Wild Cargo Pets, Inc. v. Florida Department of Revenue and Jim Zingale, Executive Director, Florida Department of Revenue***
15th Judicial Circuit (Palm Beach County), Case No.; 50-2024-CA-004590
Amount in Controversy: $133,920.21
Issue: In contesting a Bank Levy, the Taxpayer challenges the underlying assessment that assessed Sales and Use Tax on various sales that the Taxpayer claims were exempt.

During the pendency of this action, a Suggestion of Bankruptcy has been raised. In re: Wild Cargo Pets, Inc., is being heard in the United States Bankruptcy Court for the Southern District of Florida (West Palm Beach Division), Case No. 24-18380-EPK. An evidentiary hearing has been scheduled in the Bankruptcy Court on October 16, 2025. Based on the bankruptcy court's ruling, the circuit court case may be reopened. The circuit court case is currently administratively closed.

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## RECENTLY CONCLUDED LITIGATION

### A. Ad Valorem Tax

***Pinellas County v. Joiner***
6th Judicial Circuit (Pasco County), Case No.: 2015-CA-1376; 2nd DCA, Case No.: 2D17-1040; Florida Supreme Court, Case No.: SC19-1819
Issue: County owned property; immunity from taxation.

Pinellas County owns 12,400 acres of property within Pasco County which consist of forests, grazing lands, environmental wetlands, lakes, wildlife habitats, and educational facilities. In the 1990s, the then-Pasco County Property Appraiser determined the land was immune from taxation; however, Pinellas County paid to Pasco County contributions in lieu of ad valorem taxes.

In 2014, Pasco County began assessing ad valorem tax on the property. In May 2015, Pinellas County filed suit against the Pasco County Property Appraiser seeking declaratory and injunctive relief and claiming that Pinellas County was immune from taxation on its property located within Pasco County. The trial court found that the property was immune from taxation. The 2nd DCA reversed, holding that a county's immunity from taxation does not extend to property located in another county. The Florida Supreme Court issued an opinion on June 27, 2024, holding that sovereign immunity did not shield the county from the obligation of paying ad valorem taxes for property owned by that county but located outside its territorial boundaries.

***Tampa Port Authority v. Henriquez***
13th Judicial Circuit (Hillsborough County), Consolidated Case Nos.: 2015-CA-004485; 2015-CA-011042; 2016-CA-011070; 2017-CA-010850; 2018-CA-011746; 2019-CA-012333; 2nd DCA, Case No.: 2D20-2605, 377 So. 3d 187, corrected opinion December 29, 2023.
Issue: Standing; Timeliness of property appraiser's amended complaint.

The property appraiser challenged exemptions granted by the VAB for the 2014 tax year and several separate lawsuits filed by Gulf Marine to set aside assessments on the property in subsequent tax years. The property appraiser challenged the 2014 VAB decision, naming Gulf Marine as a defendant but not the Port Authority. The circuit court later permitted the property appraiser to amend his complaint to add the Port Authority as a defendant.

On appeal, the Port Authority argued that the property appraiser lacked standing for the suit in circuit court and that the property appraiser did not timely add the Port Authority as a defendant, and for that reason the suit should have been dismissed with prejudice. Regarding the standing argument, the DCA determined that the issue was waived because it was not raised when the case was being handled by the circuit court. As for the timing of the property appraiser's amending of the complaint, the DCA reasoned that the time limit in s. 193.122(4), F.S., which governed the property appraiser's suit in the lower court, contains no language establishing it as a statute of nonclaim or imposing a jurisdictional bar to application of the relation-back rule. Further, the DCA stated that the relation-back rule could apply to the amended complaint because the new and former parties (i.e., Gulf Marine and the Port Authority) shared an identity of interests in the exemption issues. Therefore, the amendment related back to the timely initial complaint, and the property appraiser properly added the Port Authority as a party.

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## B. Corporate Income Tax

***Billmatrix Corp, et al vs. Florida Department of Revenue***
2nd Judicial Circuit (Leon County), Case No.: 2020-CA-0435
1st District Court of Appeal, Case No.: 1D23-1920
Amount in Controversy: $4,360,433 (assessment); $271,503 (refund claim)
Issue: Location of income-generating activity.

This consolidated case involves six audits for the various named plaintiffs/taxpayers. The taxpayers generally provide payment processing, software, and related services. The Department conducted routine audits of the taxpayers and assessed them corporate income tax for the period 2015 through 2017.

Taxpayers argue that the Department improperly found that the taxpayers' income producing activity was performed within Florida. The taxpayers contend that their income producing activities which gave rise to the sales subject to the proposed assessments are not performed wholly in Florida and therefore are not subject to Florida corporate income tax.

On March 1, 2023, the Circuit Court granted Taxpayers' Motion for Summary Judgment. On July 11, 2023, the Circuit Court granted the Department's Motion for Compulsory Judicial Notice, granted in part and denied in part the Department's Motion to Dismiss for Lack of Subject Matter Jurisdiction, and denied Taxpayers' Motion for Alternative Security Arrangement. The Taxpayers appealed. The 1st DCA denied a motion for oral argument.

On November 15, 2024, in a *per curiam* decision, the 1st DCA affirmed the Circuit Court's mixed decision. The 1st DCA denied the Taxpayer's Motion for En Banc Hearing on January 29, 2025. The 1st DCA issued its mandate on February 17, 2025.

***Fiserv Par, Inc. v. Florida Department of Revenue***
2nd Judicial Circuit (Leon County), Case No.: 2022 CA 605
1st District Court of Appeal. Case No.: 1D23-1968
Amount in Controversy: $113,006
Issue: Location of income-generating activity.

This case centers on whether the Department used the proper methodology to assess corporate income tax on the income the taxpayer derived from its transaction processing services. The taxpayer contends that the Department erred because its income producing activities are not performed wholly within Florida.The trial court granted the Department's Motion for Compulsory Judicial Notice and Motion to Dismiss for Lack of Subject Matter Jurisdiction.

The case was appealed to the 1st DCA. On November 25, 2024, in a *per curiam* decision, the 1st DCA affirmed the Circuit Court's decision. The 1st DCA denied the Taxpayer's motion for En Banc Rehearing and Certification.

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***HCA Healthcare Inc v. Florida Department of Revenue***
2nd Judicial Circuit (Leon County); Case No.: 2024 CA 278
Amount in Controversy: $13,813,508.63 (audit), $30,246,475.00 (refunds)
Issues:
(1) Whether investment income was correctly reclassified as business income?
(2) Whether an adjustment made for tax exempt interest is correct?
(3) Whether the disallowance of certain federal wage credits and limiting the amount of other wage credits claimed is correct?
(4) Whether the exclusion of management fees and payments received from partnerships (income from staffing) from the sales factor is correct?
(5) Whether one of Taxpayer's subsidiaries should be classified as a financial organization, and its loans included in the denominator property factor?
(6) Whether refunds for 2018 and 2020 were improperly offset for the automatic refund provided in s. 220.1105, F.S.

The Department was served on June 18, 2024. In November 2024, the parties reached an amicable resolution, and the Taxpayer voluntarily dismissed its complaint.

***Microsoft Corporation v. Florida Department of Revenue***
2nd Judicial Circuit (Leon County); Case No.: 2024 CA 000213
Amount in Controversy: $9,078,639.44

Issues:
(1) Whether the income Taxpayer derives from its numerous products and services qualify to be sourced using a cost of performance methodology?
(2) Taxpayer argues that the Department made "other adjustments," including adjustments to its net operating loss carryover (NOLCO) and Florida payroll factor.

On July 8, 2024, the Circuit Court issued an Agreed Order staying the case so that the parties can continue to work towards achieving a global resolution of all the issues. In May 2025, the parties reached an amicable resolution, and the Taxpayer voluntarily dismissed its complaint.

***Verizon Communications, Inc. v. Florida Department of Revenue***
2nd Judicial Circuit (Leon County), Case No.: 2018-CA-001543
1st District Court of Appeal. Case No.:1D22-2094 and 1D22-2096
Florida Supreme Court, Case No.: SC2024-0737
Amount in Controversy: $1,304,901
Issue: Whether statutory laches (s. 95.011(6), F.S.) and the statute of nonclaim (s. 215.26, F.S.) prevent Verizon from seeking income tax refunds based upon NOLs incurred before 2000?

The circuit court determined that Florida did not adopt the Federal mitigation provisions and that the Florida statute of nonclaim (s. 215.26, F.S.) is a jurisdictional bar to Verizon's refund requests because it is undisputed that Verizon did not file timely refund applications in accordance with that statute.

The 1st DCA upheld the Circuit Court decision. The 1st DCA denied Verizon's Motion for Rehearing or certifying question to send to the Florida Supreme Court. On May 17, 2024, Verizon filed a Notice to Invoke Discretionary Jurisdiction with the Florida Supreme Court. On August 28, 2024, the

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Florida Supreme Court denied Verizon's jurisdictional briefs and advised that no motion for rehearing would be entertained.

### C. Sales and Use Tax

***Children's World Inc. v. Florida Department of Revenue***
***Genius Kids, LLC v. Florida Department of Revenue***
Division of Administrative Hearings; Case No.: 24-001403 (the two cases are consolidated and are using the lower case's number)
Issue: Exemption of sales or leases to state tax-supported schools.

The Taxpayers' petitions provide that they are for-profit corporations engaged in the business of providing educational services to children in Florida. They assert that they applied for Certificate(s) of Exemption under s. 212.08(7)(o), F.S., as they contend that they are state tax-supported schools because they receive funding from the State of Florida pursuant to the School Readiness Program via the Early Learning Coalition.

The Department issued a Final Order on February 11, 2025, adopting the Recommended Order of the Administrative Law Judge that the Department deny each of the Taxpayers' applications for an exemption.

***International Bonded Couriers v. Florida Department of Revenue***
DOAH, Case No.: 20-4221RU
1st District Court of Appeal. Case No.:1D23-0780
Issue: Freight forwarding.

Florida businesses have begun acting as "freight forwarders" for international purchasers, whereby the purchaser will make a remote purchase and have the property delivered to the freight forwarder in Florida. The freight forwarder will receive the tangible personal property from the seller, prepare the property for shipment, and export the property from Florida to the purchaser, primarily located in the Caribbean and South America.

Many of these freight forwarders were able to obtain individual zip codes from the United States Postal Service, which allowed them to be easily identified. For several years, the Florida Department of Revenue maintained a database with these individualized zip codes to alert the seller that a sale delivered to that zip code should not include tax, as that was a sale for export from Florida.

The Legislature has passed legislation outlining a statutory procedure for documenting these types of sales, and the Department of Revenue has stopped providing the database due to administrative issues.

International Bonded Couriers (IBC) initiated litigation claiming that the Department's action in ceasing to provide the database was an unpromulgated rule. The final hearing was held on December 12, 2022, and DOAH entered a final order on March 7, 2023, finding the case to be moot.

IBC appealed to the 1st District Court of Appeal. In a *per curiam* decision issued on June 6, 2024, the 1st DCA affirmed the Final Order.

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## SIGNIFICANT LITIGATION AFFECTING REVENUES

***Mist Technologies of Southwest Florida, LLC v. Florida Department of Revenue***
Division of Administrative Hearings; Case No.: 24-2722
Amount in Controversy: $176,781.58
Issue: Taxation of certain services.

The Taxpayer sells and installs misting systems. The Taxpayer provides pest control products and services for the control of mosquitoes to commercial and residential customers. The Taxpayer asserts the installation of its systems would most accurately be classified as real property improvements instead of installation of Tangible Personal Property as it says the Department determined. It objects to the Department disallowing certain exempt sales. The Taxpayer's petition describes a situation where a former employee made various accounting and recordkeeping mistakes and that the Department ignored the Taxpayer's corrected data.

The case was referred to DOAH on July 22, 2024. In September 2024, the parties amicably settled and the Taxpayer voluntarily dismissed its Petition.

***New Cingular Wireless PCS, LLC v. Florida Department of Revenue***
Division of Administrative Hearings; Case No.: 24-2560
Amount in Controversy: $3,219,838.97 (refund)
Issue: Sales and use tax refunds.

The Taxpayer is a provider of wireless communication equipment and sells wireless devices and contracts for wireless service. It contests the denial of its refund application for sales and use tax. The refund deals with sales and use tax paid on handheld devices that were returned under the Taxpayer's "turn-in" program. Taxpayer asserts that the "turn-in" transactions should be subject to a refund of sales and use tax because the devices were sold as part of a credit sale.

The case was referred to DOAH on July 11, 2024. On January 14, 2025, DOAH relinquished jurisdiction to the Department. After the DOAH case closed, Taxpayer voluntarily withdrew its Petition.

***Nike Retail Services, Inc. v. Florida Department of Revenue***
Division of Administrative Hearings; Case No.: 24-2563
Amount in Controversy: $1,938,621.81
Issue: Assessment methodologies.

The Taxpayer operates retail stores in Florida. The Taxpayer was assessed sales and use tax in various exhibits. It is contesting the assessment of taxable store sales returns, taxable store sales and exempt store sales, as well as the Department's methodology for the calculation of the assessment. The Taxpayer believes that its self-audit review for the audit period is accurate.

The case was referred to DOAH on July 11, 2024. In November 2024, the parties amicably settled this matter.

***Noveed Food Mart, Inc. v. Florida Department of Revenue***
11th Judicial Circuit (Miami Dade County); Case No.: 2023-024864-CA
Amount in Controversy: $131,738.54
Issue: Sales and use tax collection.

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The Taxpayer challenges a Notice of Intent to Levy issued by the Department against the Taxpayer on October 9, 2023. The Complaint challenges the amount that the Department contends is due. On December 7, 2023, the Department filed a Motion to Dismiss arguing among other things, that an attempt to contest the basis of the Notice of Intent to Levy (an audit assessment) is now time barred and that the Taxpayer failed to tender the contested sum into the court registry.

On September 23, 2024, the Court granted the Department's Motion to Dismiss.

***Oracle America, Inc. v. Florida Department of Revenue***
Division of Administrative Hearings. Case No.: 22-1053
1st District Court of Appeal. Case No.: 1D23-0987 (consolidated with 1D23-1075 and 1D23-1077)
Amount in Controversy: $739,145 (refund)
Issue: Sales and use tax refunds.

For all three consolidated cases, the same facts are present. Oracle sells electronically-delivered software, hardware (tangible personal property), and maintenance agreements to its customers in furtherance of its various services. Oracle charged SUT on the total sales price and remitted same to the State. Asserting that electronically-delivered software was not taxable, customers requested refunds from Oracle of SUT paid for those portions of their purchases. Oracle subsequently applied to DOR for refunds. The Department denied the refunds based on Oracle failing to first refund the SUT to its customer.

DOAH's Recommended Order (adopted in full by the Department's Final Order) held that the totality of the evidence established that the software sold by Oracle was sold independently of any hardware, was completely optional on the customer's behalf, and was delivered exclusively by electronic means. However, the refund denial was sustained because Oracle failed to first refund the SUT to its customer.

Oracle appealed to the First District Court of Appeal. The three Oracle matters were consolidated at the DCA. In a written decision issued on December 4, 2024, the 1st DCA affirmed the Department's Final Orders.

Cases with an "*" are new cases that have not been reported in a prior version of the Handbook.

Economic and Demographic Research

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Georgia Department
of Audits & Accounts

**Greg S. Griffin**
State Auditor

January 12, 2026

The Honorable Brian P. Kemp, Governor
The Honorable Burt Jones, Lieutenant Governor
The Honorable Jon Burns, Speaker of the House of Representatives
Members of the General Assembly

Ladies and Gentlemen:

I am pleased to submit to you the Georgia Tax Expenditure Report for FY 2027 prepared by Georgia State University on behalf of the Department of Audits and Accounts. This report was prepared for inclusion in the Governor's Budget Report as required by Georgia Code §45-12-75. A copy of this report will be made available to the public on the Governor's Office of Planning and Budget's website and is also filed as a permanent record with the State Auditor.

This report provides a comprehensive listing of the State's statutory tax provisions ("tax expenditures") that allow preferential tax treatment of certain types of taxpayers or activities. Although not direct government expenditures, tax expenditures represent an allocation of government resources in the form of taxes that could have been collected (and appropriated) if not for their preferential tax treatment. To the extent possible, the dollar value of each tax expenditure has been included in this report. It is important to note, however, that data for numerous tax expenditures is not captured by the Department of Revenue. In these instances, the lack of available information is either noted or an estimate, if possible, is provided. The data included in this report has not been verified or validated by the Department of Audits and Accounts and no opinion or other form of assurance is expressed in this data.

We appreciate the staff of the Georgia State University Fiscal Research Center for preparing this report.

Respectfully Submitted,

Greg S. Griffin
State Auditor

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# Georgia Tax Expenditure Report for FY 2027

Prepared by the Fiscal Research Center of the Andrew Young School of Policy Studies at Georgia State University

**January 2026**

Funding for this project was provided by the Georgia Department of Audits and Accounts. We would like to thank the Georgia Department of Revenue and the Georgia Office of Insurance and Safety Fire Commissioner for their contributions to the preparation of this report. Lastly, we would like to thank the Georgia Department of Audits and Accounts for their comments and recommendations. All estimates presented in this report are the work of the Fiscal Research Center. We are solely responsible for its contents.

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## Introduction

Tax expenditures are provisions in the tax code that allow for special treatment of a source of income or a certain type of expense. Such treatment usually results in a reduction in tax liability for the taxpayer. In principle, these tax benefits could be provided by direct appropriation, thus these provisions are referred to as "expenditures". They represent tax revenues that would have been otherwise generated if not for this preferential treatment in the tax code.

Like direct government expenditures, tax expenditures are an allocation of government revenue that are intended to achieve a particular policy outcome or encourage some activity. The value of a tax expenditure can be thought of as representing the amount of money that would be necessary to provide the same level of financial support in the form of a government grant instead of through the tax code. Tax expenditures are received by businesses and individual taxpayers and are present in all of Georgia's major taxes, including the individual income tax, corporate income tax, and sales tax.

Tax expenditures, also referred to as tax preference items, can take several forms. Many are structured as tax credits and deductions, such as the corporate credit for hiring a new worker or the individual deduction for the mortgage interest paid on a primary residence. Other expenditures are in the form of exclusions of income. For example, at the state level, individuals in Georgia can exclude the value of Social Security benefits from the calculation of Georgia taxable income. Lastly, some tax expenditures may be provided in the form of reduced rates for selected taxable transactions, such as the reduced title ad valorem tax for rental vehicles and certain vehicle title transfers.

### Tax Expenditure Report

Preparation of a tax expenditure report is required by the Official Code of Georgia Annotated §45-12-75. The purpose of the report is to list all tax expenditures and their value. In this way, these items can be tracked over time in a fashion analogous to a budget of direct governmental expenditures.

While direct expenditures for such items as education or transportation are reviewed annually with every budget, tax expenditures are often not subject to such periodic review. It is important to monitor the value associated with these provisions as they are a reduction in tax revenue and their presence results in special treatment for some taxpayers relative to others. For example, the state government supports education through direct expenditure programs and through HOPE scholarships but also allows a tax deduction for certain educational expenses borne by the taxpayer or paid by an employer. Both the direct expenditure and the tax expenditure represent an allocation of government resources toward education, but only the direct expenditures are listed in an annual budget.

Leaving tax expenditures out of the annual budgetary review process creates two types of distortions. First, it under-represents the amount of government resources allocated for a given

purpose. Second, it incorrectly represents the distribution of the benefits of government expenditures. The benefits of tax expenditure provisions are usually targeted to higher income taxpayers compared to direct expenditure programs, so that the absence of tax expenditures in the overall analysis may lead to the conclusion that government resources are targeted toward less affluent taxpayers. In addition, not all tax expenditure programs have a direct budgetary counterpart, thus without a tax expenditure report, these provisions and their distributional effects escape notice.

The presence of tax expenditures is not necessarily bad tax policy. However, not recognizing or monitoring the resources allocated through the tax system is not good fiscal policy. Through this report, we hope to provide a consolidated listing of government resources provided through this means. This report does not, however, provide any information on how effective the provision may be in terms of fulfilling its purpose. For instance, while the value of the Research and Development (R&D) credit may be reported annually in the tax expenditure report, there is no accompanying analysis to determine the extent to which more research activities have been undertaken due to the presence of the special provision.

**Identifying Tax Expenditures**

In most cases, identifying a tax expenditure is straightforward. Tax expenditures are deviations or special exceptions from the generally defined tax base, sometimes referred to as the normal tax base or the reference tax base. However, there may be disagreement as to what constitutes the normal or reference tax base. Even at the federal level, the list of tax expenditure items included by the Administration differs from the list estimated by Congress because each works from a different definition of the standard tax base. The appropriate norm against which tax expenditures are defined is somewhat subjective and may, in some cases, be driven by the intent of the policy underlying the legislation. For example, one would not consider the difference between the current top income tax rate of 5.75 percent and the tax rate of 1 percent a tax expenditure.

Tax credits and deductions for certain types of activities, such as the jobs tax credit or the low-income housing credit, are always classified as tax expenditures. This is also the case for items that are taxed at a reduced rate. In addition, specific exclusions from the tax base are, in most cases, considered tax expenditures. Because the Georgia individual and corporate tax systems are both tied to the federal individual and corporate bases, exclusions or deductions at the federal level apply to the state tax base as well. In some cases, Georgia chooses not to conform to federal provisions, such as the Section 199 deduction for domestic production activities. In these cases, we do not include the provision as a tax expenditure. It is also important to note that tax expenditures are not computed for revenue that is due but not collected.

There are instances when it is unclear whether a given tax provision should be listed as a tax expenditure. This is because it is unclear what constitutes the general rule, and therefore, it is

sometimes difficult to determine which provisions are exceptions to that rule. Consider the individual income tax exemption. Individuals are allowed to exclude an amount of income for each taxpayer included on the return, but this exemption of income is not considered a tax expenditure by all states. Another example is the provision allowing for the use of a single-factor apportionment formula in allocating income earned by corporations operating in more than one state. Because the general rule of the single-factor apportionment formula has been established at the state level, only deviations from that rule would be listed as a tax expenditure. Alternatively, if one considers the status-quo method of apportionment to be the equally weighted three-factor apportionment formula, any deviation from that rule, such as the double-weighted three-factor or single-factor apportionment formula, would be reported as a tax expenditure. This sort of problematic classification of tax expenditures also applies to the taxation of services under the state sales tax. Because state legislation refers to the purchase of tangible goods, the exclusion of services from the base may not be seen as a deviation from the general rule. On the other hand, if it is really the intent of the general rule to tax all consumption, then the exclusions provided to the consumption of services should be listed as a tax expenditure. In this report we attempt to incorporate as comprehensive a definition as possible.

Defining a tax expenditure in the case of the sales tax requires particular discussion. Because there is no federal sales tax, there is no list of federal sales tax expenditures to use as a starting point. For this report, we use the state tax statute as the basis for identifying sales tax expenditures. Therefore, if an exemption specifically exists in the state statute, it is listed as a sales tax expenditure. This has the advantage of being a very straightforward and non-subjective rule to apply. As a second advantage, this method provides a comprehensive list of all statutory exemptions allowing for comparison between provisions affecting taxpayers and industries.

This rule has the disadvantage of identifying many sales tax provisions as tax expenditures that would not be identified as tax expenditures under the rule of good tax policy. This is particularly true in the case of business inputs. There are several business inputs, such as the exemption for inputs used in manufacturing, which are listed in this report as tax expenditures but are not activities that would be included in the tax base if the base were defined using the best economic principles. When business inputs are included in the sales tax base, those inputs are taxed and the tax is included in the price when the input is sold to the next stage of production. The more these inputs are taxed at the intermediate stages of production, the more tax is embedded in the price of the final good. This embedded tax distorts prices and influences economic decisions. Therefore, it is important to understand that while some business exemptions are listed as tax expenditures in this report, policymakers may find it helpful to distinguish the business inputs from tax expenditures that are provided for more societal reasons, such as the tax exemption for public school lunches or for the sale of food for off-premises consumption. To aid policy makers, this report identifies in the appendix the sales tax expenditure provisions that are considered business inputs.

**Tax Expenditures vs. Revenue Estimates**

The estimate associated with a tax expenditure provision does not necessarily represent the revenue that would be gained from the repeal of the enabling legislation. Instead, the cost of the tax expenditure represents the value of the deduction or credit taken via the particular provision by itself, without consideration of potential interactions with other provisions. Although the presence of one provision may interact with the use of another provision, tax expenditures are estimated as independent provisions. For instance, if the federal research and development tax credit were repealed, federal revenues would not increase by the amount of the federal tax expenditure estimate but by a smaller amount. This is because some of the research expenditures claimed through the federal tax credit would be shifted over to another tax deduction or credit so that the savings to the government would be less than the value of the tax expenditure estimate. In addition, tax expenditure estimates do not incorporate behavioral effects that may occur due to the elimination of a provision. For instance, the tax expenditure estimate associated with the deduction for charitable giving is based on a current level of charitable contributions. If the deduction for charitable contributions were proposed to be eliminated, the revenue effect presented in the fiscal note would incorporate both the initial value of charitable contributions from the tax expenditure estimate and a timing effect that would result from people speeding up their level of contributions in response to the future loss of the deduction. Thus, tax expenditure estimates can only act as a preliminary indication of the revenue effect that would occur if the provision were eliminated or modified.

**Data Sources and Reliability of Estimates**

To the extent possible, data from the Georgia Department of Revenue (DOR) is used to estimate the expenditures included in this report. Unfortunately, the required information is not always collected or available. When it is not, other data sources, such as information from the U.S. Census Bureau, the U.S. Bureau of Economic Analysis, or the U.S. Bureau of Labor Statistics, are used. Every effort is made to provide reliable, well supported estimates of the provisions. Because of the time lag in processing income tax returns, the most recent data available from the Georgia DOR was calendar year (CY) 2023. Therefore, even in cases in which the Georgia DOR data is used as the primary data source, the tax expenditure costs presented in this report are estimates.

Two subjective measures of reliability are provided in this report: the estimate reliability and the data reliability. The reliability of both the estimate and data are categorized into three classes: A, B, and C. Class A estimates and data sources are considered the most reliable. Data sources with a Class A status consist of data from the federal statistical agencies or from the Georgia DOR. Estimates with a Class A status are typically those estimates that are based on Class A data that is particularly applicable to the expenditure provision. For instance, most of the state business tax credit expenditures are listed as Class A estimates. They are based on tax credit data provided by the Georgia DOR that specifically addresses or measures the tax expenditure provision. On the

other hand, most sales tax estimates are given a Class B status. While these provisions may be based on Class A data sources, such as the Economic Census or the Consumer Expenditure Survey from the Bureau of Labor Statistics, the data may only be available at a national level, or the data may refer to more activities than is covered by the tax expenditure provision. In these cases, the data must be adjusted to represent the specific activity associated with the expenditure provision and scaled down to represent the value of the activity within Georgia. Class C estimates are believed to provide reasonable estimates and are based on the best data available. For some items, no reliable information is available. In these cases, no estimate for the expenditure is provided.

| Class of Estimate/Class of Data | Description of Estimate Reliability | Examples of Data Sources by Reliability Status |
|---|---|---|
| Class A | Based on data specifically related to the tax expenditure provision and to Georgia taxpayers | Data from Department of Revenue, Bureau of Labor Statistics Consumer Expenditure Survey, Bureau of Economic Analysis, U.S. Census Bureau datasets |
| Class B | Based on national data which has been modified to represent Georgia and the specific tax activity covered by the expenditure | Industry surveys and trade magazines, most proprietary information |
| Class C | Represents best available estimate at this time | Newspaper articles, secondary sources |

**Local Government Effects**

In addition to the state estimates, this report attempts, where possible, to estimate the effects on local government revenues. There are many state exemptions that have local ramifications, such as numerous exemptions from the sales tax base. The local estimates that are provided represent the aggregate value of the exemptions that would accrue to the counties, municipalities, school districts, and special service districts, including tax allocation and community improvement districts.

**Consistency with prior estimates**

The current report, prepared for FY 2027, presents estimates for FY 2025-FY 2027. The report for FY 2026 provided estimates for FY 2024-FY 2026. In most cases, the estimates between the current and past reports are consistent, with the latest report continuing the same trend in the value of the estimates that was established in earlier reports. On the other hand, there are some cases in which estimates presented in the FY 2027 report differ significantly from those presented in the past reports. This usually occurs because new information has become available

or because a new forecast of economic activity is relied upon to predict future values. The updated estimates are included in the current report and any major inconsistency with prior reports is noted in the discussion relating to the expenditure.

**Outline of the Report**

The report continues with a summary table containing a title of each tax expenditure provision, the tax base it is associated with, the type of expenditure, and the estimated values for FY 2025-27 for all tax expenditures identified in the report. Provisions that are assigned a positive value denote an expenditure that is estimated to reduce state or local revenues. Provisions assigned a value of "(m)" denote a tax expenditure that is estimated to reduce state revenues by less than $1 million. Provisions assigned a negative value denote a positive tax expenditure that is estimated to increase state revenues. Provisions assigned a value of "(-m)" denote a tax expenditure that is estimated to increase state revenues by less than $1 million.

In addition to an identifying title, each expenditure provision is assigned an expenditure number, the first digit of which corresponds to the different sections of this report, such as 1 for the individual income tax and 5 for the insurance premium tax. The remaining portion of the numeric identifier is used to divide the expenditures into different subcategories such as federal and state expenditures, and deductions and credits. Only in the case of the sales tax exemptions does the expenditure number have any relationship to the state tax code section to which the expenditure item is associated. The numeric identifiers for each provision are consistent across tax expenditure reports and can be used to compare expenditure estimates from one report to the next.

Following the summary tables are detailed sections for each of the specific taxes covered in this report. These detailed sections begin with a brief description of the tax, latest figures on revenue collection and any information on recent modifications to the base. These detailed sections also include additional information for each of the expenditure items such as the statute number, the year in which the expenditure provision was enacted and the year in which it became effective, information on the data and estimate reliability and data source, a more detailed description of the tax expenditure provision, and the value of the expenditure provision. The report concludes with an appendix that includes tables listing recently expired provisions, sales and use tax expenditures by type, and distributional analysis for a selected number of income tax provisions.

## Summary of State Tax Expenditures

| Expenditure | Summary | Tax | Type of Expenditure | State FY 2025 | State FY 2026 | State FY 2027 |
|---|---|---|---|---|---|---|
| | | | | *(in Millions)* | | |
| **Federal Income Tax Provisions**[1] | | | | | | |
| 1.1.001 | Exclusion of employee meals and lodging | Federal Individual Income Tax | Exclusion | 78 | 79 | 80 |
| 1.1.002 | Exclusion of housing allowances for ministers | Federal Individual Income Tax | Exclusion | 8 | 9 | 9 |
| 1.1.003 | Exclusion of employer-provided child care | Federal Individual Income Tax | Exclusion | 21 | 22 | 23 |
| 1.1.004 | Exclusion of employee awards | Federal Individual Income Tax | Exclusion | 4 | 4 | 4 |
| 1.1.005 | Exclusion of employer contributions and earnings to pension plans including Keoghs, defined benefit and defined contribution plans | Federal Individual Income Tax | Exclusion | 2,828 | 3,131 | 3,607 |
| 1.1.006 | Exclusion of employer contributions for health care, health insurance premiums and long-term care insurance premiums | Federal Individual Income Tax | Exclusion | 1,656 | 1,720 | 1,772 |
| 1.1.007 | Exclusion of employer-paid accident and disability premiums | Federal Individual Income Tax | Exclusion | 48 | 52 | 56 |

[1] These are Internal Revenue Code (IRC) provisions adopted by Georgia as part of its personal and corporate income tax.

## Summary of State Tax Expenditures

| Expenditure | Summary | Tax | Type of Expenditure | State FY 2025 | State FY 2026 | State FY 2027 |
|---|---|---|---|---|---|---|
| | | | | *(in Millions)* | | |
| 1.1.008 | Exclusion of employer contributions for premiums on group-term life insurance | Federal Individual Income Tax | Exclusion | 32 | 34 | 36 |
| 1.1.009 | Exclusion of employer-paid transportation benefits and employer-provided transit and vanpool benefits | Federal Individual Income Tax | Exclusion | 62 | 64 | 67 |
| 1.1.011 | Exclusion of employer-provided adoption assistance | Federal Individual Income Tax | Exclusion | 2 | 2 | 2 |
| 1.1.012 | Exclusion of employer-provided education benefits (including education assistance and tuition reduction benefits) | Federal Individual Income Tax | Exclusion | 14 | 13 | 13 |
| 1.1.013 | Exclusion of miscellaneous fringe benefits | Federal Individual Income Tax | Exclusion | 73 | 76 | 79 |
| 1.1.014 | Exclusion of foreign earned income (including housing and salary) | Federal Individual Income Tax | Exclusion | 35 | 39 | 41 |
| 1.1.015 | Exclusion of certain allowances for federal employees abroad | Federal Individual Income Tax | Exclusion | 11 | 11 | 12 |

## Summary of State Tax Expenditures

| Expenditure | Summary | Tax | Type of Expenditure | State FY 2025 | State FY 2026 | State FY 2027 |
|---|---|---|---|---|---|---|
| | | | | *(in Millions)* | | |
| 1.1.016 | Exclusion of benefits and allowances to armed forces personnel (includes expenditure for military disability benefits) | Federal Individual Income Tax | Exclusion | 93 | 96 | 101 |
| 1.1.017 | Exclusion of medical care and Tricare medical insurance for military dependents, retirees, and retiree dependents | Federal Individual Income Tax | Exclusion | 127 | 132 | 137 |
| 1.1.018 | Exclusion of veterans' benefits (includes veterans disability compensation, pensions, and readjustment benefits) | Federal Individual Income Tax | Exclusion | 166 | 174 | 183 |
| 1.1.019 | Exclusion of income attributable to the discharge of certain student loan debt and National Health Service Corp and certain state educational loan repayments | Federal Individual Income Tax | Exclusion | 6 | 7 | 7 |

## Summary of State Tax Expenditures

| Expenditure | Summary | Tax | Type of Expenditure | State FY 2025 | State FY 2026 | State FY 2027 |
|---|---|---|---|---|---|---|
| | | | | *(in Millions)* | | |
| 1.1.020 | Exclusion of workers' compensation benefits (includes disability and survivor benefits and medical benefits, and exclusion of damages on account of personal physical injuries or physical sickness) | Federal Individual Income Tax | Exclusion | 79 | 88 | 97 |
| 1.1.021 | Exclusion of special benefits for disabled coal miners | Federal Individual Income Tax | Exclusion | (m) | (m) | (m) |
| 1.1.022 | Exclusion of untaxed Social Security and railroad retirement benefits | Federal Individual Income Tax | Exclusion | 324 | 369 | 415 |
| 1.1.024 | Exclusion of certain foster care payments | Federal Individual Income Tax | Exclusion | 3 | 3 | 3 |
| 1.1.026 | Exclusion of scholarship and fellowship income | Federal Individual Income Tax | Exclusion | 38 | 43 | 47 |
| 1.1.027 | Exclusion of earnings on Coverdell education savings accounts and interest on educational savings bonds | Federal Individual Income Tax | Exclusion | 2 | 2 | 2 |

## Summary of State Tax Expenditures

| Expenditure | Summary | Tax | Type of Expenditure | State FY 2025 | State FY 2026 | State FY 2027 |
|---|---|---|---|---|---|---|
| | | | | *(in Millions)* | | |
| 1.1.028 | Exclusion of earnings on qualified tuition programs (including prepaid tuition programs and savings account programs) | Federal Individual Income Tax | Exclusion | 39 | 40 | 40 |
| 1.1.029 | Exclusion of certain agricultural cost-sharing payments | Federal Individual Income Tax | Exclusion | (m) | (m) | (m) |
| 1.1.030 | Exclusion of cancellation of indebtedness income for farmers | Federal Individual Income Tax | Exclusion | (m) | (m) | (m) |
| 1.1.031 | Exclusion of interest on state and local government private activity bonds | Federal Individual Income Tax | Exclusion | 3 | 3 | 3 |
| 1.1.032 | Exclusion of capital gains on sales of principal residences | Federal Individual Income Tax | Exclusion | 351 | 402 | 450 |
| 1.1.033 | Exclusion of capital gains at death | Federal Individual Income Tax | Exclusion | 331 | 347 | 372 |
| 1.1.034 | Carryover basis of capital gains on gifts | Federal Individual Income Tax | Exclusion | 58 | 52 | 25 |
| 1.1.035 | Permanent exemption from imputed interest rules | Federal Individual Income Tax | Exclusion | 5 | 6 | 6 |
| 1.1.036 | Exclusion of combat pay | Federal Individual Income Tax | Exclusion | 12 | 14 | 15 |

## Summary of State Tax Expenditures

| Expenditure | Summary | Tax | Type of Expenditure | State FY 2025 | State FY 2026 | State FY 2027 |
|---|---|---|---|---|---|---|
| | | | | *(in Millions)* | | |
| 1.1.037 | Exclusion of energy conservation subsidies provided by public utilities | Federal Individual Income Tax | Exclusion | (m) | (m) | (m) |
| 1.1.039 | Exclusion of gain for certain small business stock | Federal Individual Income Tax | Exclusion | 17 | 17 | 18 |
| 1.1.040 | Exclusion of interest on public purpose state and local government bonds | Federal Individual Income Tax | Exclusion | 1 | 1 | 1 |
| 1.1.041 | Exclusion of income earned by voluntary employees' beneficiary associations | Federal Individual Income Tax | Exclusion | 21 | 23 | 27 |
| 1.1.043 | Exclusion of disaster mitigation payments | Federal Individual Income Tax | Exclusion | 1 | 3 | 4 |
| 1.1.044 | Deduction for non-itemizers of Charitable Contributions | Federal Individual Income Tax | Exclusion | Estimate included in 1.2.021 | | |
| 1.1.045 | Exclusion of income attributable to the discharge of principal residence acquisition indebtedness | Federal Individual Income Tax | Exclusion | 1 | 2 | 1 |
| 1.2.001 | Accelerated depreciation (MACRS) | Federal Individual Income Tax | Deduction | 48 | 47 | 46 |

## Summary of State Tax Expenditures

| Expenditure | Summary | Tax | Type of Expenditure | State FY 2025 | State FY 2026 | State FY 2027 |
|---|---|---|---|---|---|---|
| | | | | *(in Millions)* | | |
| 1.2.002 | Deduction for expenditures on energy-efficient commercial building property | Federal Individual Income Tax | Deduction | (m) | (m) | (m) |
| 1.2.003 | Expensing of exploration and development costs: nonfuel minerals | Federal Individual Income Tax | Deduction | (m) | (m) | (m) |
| 1.2.004 | Amortization of business start-up costs | Federal Individual Income Tax | Deduction | 2 | 2 | 2 |
| 1.2.006 | Expensing of magazine circulation expenditures | Federal Individual Income Tax | Deduction | (m) | (m) | (m) |
| 1.2.007 | Deductions for oil and gas exploration and development costs | Federal Individual Income Tax | Deduction | 0 | 0 | 0 |
| 1.2.008 | Special treatment for expenses related to timber production | Federal Individual Income Tax | Deduction | 3 | 3 | 3 |
| 1.2.009 | Expensing under IRC Section 179 of depreciable business property | Federal Individual Income Tax | Deduction | 43 | 47 | 55 |
| 1.2.010 | Exceptions for publicly traded partnerships with qualified income derived from certain energy-related activities | Federal Individual Income Tax | Deduction | 3 | 4 | 5 |

## Summary of State Tax Expenditures

| Expenditure | Summary | Tax | Type of Expenditure | State FY 2025 | State FY 2026 | State FY 2027 |
|---|---|---|---|---|---|---|
| | | | | *(in Millions)* | | |
| 1.2.011 | Treatment of income from exploration and mining of natural resources as qualifying income under the publicly traded partnerships rules | Federal Individual Income Tax | Deduction | (m) | 1 | 1 |
| 1.2.012 | Various agricultural expensing provisions | Federal Individual Income Tax | Deduction | 1 | 1 | 1 |
| 1.2.013 | Community and regional development incentives | Federal Individual Income Tax | Deduction | 2 | 1 | 0 |
| 1.2.014 | Expenses to remove architectural and transportation barriers to the handicapped and elderly | Federal Individual Income Tax | Deduction | (m) | (m) | (m) |
| 1.2.015 | Inventory methods and valuation, (including last-in first-out, lower of cost or market, specific identification for homogenous products) | Federal Individual Income Tax | Deduction | 4 | 3 | 3 |
| 1.2.017 | Health Savings Accounts | Federal Individual Income Tax | Deduction | 96 | 108 | 120 |
| 1.2.018 | Deduction for property taxes on real property | Federal Individual Income Tax | Deduction | 202 | 569 | 965 |

## Summary of State Tax Expenditures

| Expenditure | Summary | Tax | Type of Expenditure | State FY 2025 | State FY 2026 | State FY 2027 |
|---|---|---|---|---|---|---|
| | | | | *(in Millions)* | | |
| 1.2.020 | Deduction for mortgage interest on owner-occupied residences | Federal Individual Income Tax | Deduction | 238 | 502 | 766 |
| 1.2.021 | Deduction for charitable contributions | Federal Individual Income Tax | Deduction | 562 | 672 | 836 |
| 1.2.022 | Deduction for casualty and theft losses | Federal Individual Income Tax | Deduction | 1 | 3 | 4 |
| 1.2.023 | Deduction for unreimbursed overnight expenses for National Guard and Reserve members | Federal Individual Income Tax | Deduction | 2 | 3 | 3 |
| 1.2.025 | Deduction for interest on student loans | Federal Individual Income Tax | Deduction | 18 | 20 | 21 |
| 1.2.027 | Deduction for teacher classroom expenses | Federal Individual Income Tax | Deduction | 2 | 2 | 2 |
| 1.2.028 | Deduction for health insurance premiums and long-term care insurance premiums by the self-employed | Federal Individual Income Tax | Deduction | 50 | 60 | 69 |
| 1.2.029 | Deduction for medical, dental, and long-term care expenses | Federal Individual Income Tax | Deduction | 87 | 123 | 157 |
| 1.2.030 | Net exclusion for pension contributions and earnings: traditional and Roth IRAs | Federal Individual Income Tax | Deduction | 228 | 276 | 324 |

## Summary of State Tax Expenditures

| Expenditure | Summary | Tax | Type of Expenditure | State FY 2025 | State FY 2026 | State FY 2027 |
|---|---|---|---|---|---|---|
| | | | | *(in Millions)* | | |
| 1.2.031 | Limit on net operating loss deduction[2] | Federal Individual Income Tax | Deduction | (m) | (m) | (m) |
| 1.2.032 | 7-year recovery period for motorsport entertainment complexes | Federal Individual Income Tax | Deduction | (m) | (m) | (m) |
| 1.3.001 | Deferral of gain on like-kind exchanges | Federal Individual Income Tax | Deferral | 42 | 41 | 39 |
| 1.3.002 | Special rules for magazine, paperback book, and record returns | Federal Individual Income Tax | Special Rule | (m) | (m) | (m) |
| 1.3.003 | Two-year carryback for net operating losses attributable to farming | Federal Individual Income Tax | Special Rule | 1 | 1 | 1 |
| 1.3.004 | Special rules for mining reclamation reserves | Federal Individual Income Tax | Special Rule | (m) | (m) | (m) |
| 1.3.005 | Cash accounting, for certain businesses | Federal Individual Income Tax | Special Rule | 19 | 21 | 23 |
| 1.3.006 | Deferral of gain on non-dealer installment sales | Federal Individual Income Tax | Special Rule | 8 | 8 | 8 |
| 1.3.007 | Completed contract rules | Federal Individual Income Tax | Special Rule | 1 | 1 | 1 |

[2] Negative values denote a tax expenditure that is estimated to increase state revenues.

## Summary of State Tax Expenditures

| Expenditure | Summary | Tax | Type of Expenditure | State FY 2025 | State FY 2026 | State FY 2027 |
|---|---|---|---|---|---|---|
| | | | | *(in Millions)* | | |
| 1.3.008 | Special treatment of employee stock ownership plans (ESOPs) (includes deferral of tax on certain employee stock plans) | Federal Individual Income Tax | Deferral | 27 | 30 | 32 |
| 1.3.009 | Various agricultural expensing provisions | Federal Individual Income Tax | Special Rule | 2 | 2 | 2 |
| 1.3.010 | Qualified Opportunity Zones | Federal Individual Income Tax | Special Rule | 18 | -2 | -49 |
| **Georgia Individual Income Tax Provisions** | | | | | | |
| 1.4.001 | Personal Exemption | State Individual Income Tax | Exemption | 556 | 545 | 540 |
| 1.4.002 | Retirement Income | State Individual Income Tax | Exemption | 1,423 | 1,428 | 1,460 |
| 1.4.003 | Exclusion of federally taxable Social Security benefits | State Individual Income Tax | Exemption | 509 | 512 | 521 |
| 1.4.004 | Georgia Higher Education Savings Plan Contributions | State Individual Income Tax | Exemption | 23 | 22 | 22 |
| 1.4.005 | Interest on U.S. obligations | State Individual Income Tax | Exemption | 29 | 27 | 26 |
| 1.4.006 | Certain military income of members of the National Guard and Reserves | State Individual Income Tax | Exemption | Estimate not available at this time | | |
| 1.4.007 | Organ donation expenses | State Individual Income Tax | Exemption | (m) | (m) | (m) |

## Summary of State Tax Expenditures

| Expenditure | Summary | Tax | Type of Expenditure | State FY 2025 | State FY 2026 | State FY 2027 |
|---|---|---|---|---|---|---|
| | | | | *(in Millions)* | | |
| 1.4.008 | Aged 65/Blind deduction | State Individual Income Tax | Exemption | 0 | 0 | 0 |
| 1.4.009 | Certain dependent's unearned income | State Individual Income Tax | Exemption | (m) | (m) | (m) |
| 1.4.010 | Premiums for high-deductible health plans | State Individual Income Tax | Exemption | 8 | 8 | 9 |
| 1.4.011 | Exclusion of qualified insurance benefits for firefighters | State Individual Income Tax | Exemption | Estimate not available at this time | | |
| 1.4.012 | Individual retirement account, Keogh, SEP, and Sub-S plan withdrawals where tax has been paid to Georgia because of the difference between Georgia and Federal law for tax years 1981 through 1986 | State Individual Income Tax | Exemption | Estimate not available at this time | | |
| 1.4.013 | Depreciation because of differences in Georgia and Federal law during tax years 1981 through 1986 | State Individual Income Tax | Exemption | Estimate not available at this time | | |
| 1.4.014 | Income from any fund, program or system which is exempted by federal law or treaty | State Individual Income Tax | Exemption | Estimate not available at this time | | |

## Summary of State Tax Expenditures

| Expenditure | Summary | Tax | Type of Expenditure | State FY 2025 | State FY 2026 | State FY 2027 |
|---|---|---|---|---|---|---|
| | | | | *(in Millions)* | | |
| 1.4.015 | Certain income in which the Sub-S election is not recognized by Georgia or another state in order to avoid double taxation | State Individual Income Tax | Exemption | Estimate not available at this time | | |
| 1.4.016 | Adjustment for certain teachers retired from the Teachers Retirement System of Georgia | State Individual Income Tax | Exemption | Estimate not available at this time | | |
| 1.4.017 | Amount claimed by certain employers in food and beverage establishments | State Individual Income Tax | Deduction | Estimate not available at this time | | |
| 1.4.018 | Adjustment of certain payments to minority subcontractors | State Individual Income Tax | Exemption | Estimate not available at this time | | |
| 1.4.019 | Adjustments to federal AGI for certain Georgia resident partners | State Individual Income Tax | Exemption | Estimate not available at this time | | |
| 1.4.020 | Exemption for certain disaster relief firms | State Individual Income Tax | Exemption | Estimate not available at this time | | |
| 1.4.021 | Exclusion of Military Survivor Benefits | State Individual Income Tax | Exclusion | (m) | (m) | (m) |
| 1.4.022 | Exclusion from the income tax for disability payments for disabled first responders | State Individual Income Tax | Exclusion | (m) | (m) | (m) |
| 1.4.023 | USDA Disaster Relief Payments Exemption | State Individual Income Tax | Exclusion | 0 | 50 | 79 |

## Summary of State Tax Expenditures

| Expenditure | Summary | Tax | Type of Expenditure | State FY 2025 | State FY 2026 | State FY 2027 |
|---|---|---|---|---|---|---|
| | | | | *(in Millions)* | | |
| 1.4.024 | Military Retirement Income Exclusion | State Individual Income Tax | Exclusion | 22 | 22 | 22 |
| 1.5.001 | Standard Deduction | State Individual Income Tax | Deduction | 2,926 | 2,871 | 2,844 |
| 1.5.002 | Deduction of qualified insurance premiums for former firefighters | State Individual Income Tax | Deduction | Estimate not available at this time | | |
| 1.6.001 | Rural Physician Credit | State Individual Income Tax | Credit | 1 | 2 | 2 |
| 1.6.002 | Disabled person's home purchase or retrofit credit | State Individual Income Tax | Credit | (m) | (m) | (m) |
| 1.6.004 | Disaster Assistance Credit | State Individual Income Tax | Credit | 2 | 3 | (m) |
| 1.6.005 | Qualified Caregiving Expense Credit | State Individual Income Tax | Credit | (m) | (m) | (m) |
| 1.6.006 | Tax credit for life insurance for Georgia National Guard and Air National Guard | State Individual Income Tax | Credit | (m) | (m) | (m) |
| 1.6.007 | Child and Dependent Care Credit | State Individual Income Tax | Credit | 43 | 44 | 44 |
| 1.6.008 | Adoption of Foster Child Credit | State Individual Income Tax | Credit | 12 | 13 | 14 |
| 1.6.009 | Low-Income Credit | State Individual Income Tax | Credit | 3 | 3 | 3 |
| 1.6.010 | Credit for taxes paid to another state | State Individual Income Tax | Credit | 355 | 337 | 339 |

## Summary of State Tax Expenditures

| Expenditure | Summary | Tax | Type of Expenditure | State FY 2025 | State FY 2026 | State FY 2027 |
|---|---|---|---|---|---|---|
| | | | | *(in Millions)* | | |
| 1.6.011 | Credit for Community-Based Faculty Preceptors | State Individual Income Tax | Credit | 3 | 3 | 3 |
| 1.6.012 | Georgia Job Tax Credit | Total State Credit | Credit | 197 | 200 | 203 |
| 1.6.013 | Quality Jobs Tax Credit | Total State Credit | Credit | 128 | 140 | 143 |
| 1.6.014 | New Facilities Jobs Credit | Total State Credit | Credit | Estimate combined with 1.6.012 | | |
| 1.6.015 | New Manufacturing Facilities Property Credit | Total State Credit | Credit | 0 | 0 | 0 |
| 1.6.016 | Manufacturer's Investment Tax Credit | Total State Credit | Credit | 21 | 24 | 25 |
| 1.6.017 | Optional Investment Tax Credit | Total State Credit | Credit | 2 | 3 | 3 |
| 1.6.018 | Port Activity Tax Credit | Total State Credit | Credit | 5 | 5 | 5 |
| 1.6.019 | Alternate Port Activity Tax Credit | Total State Credit | Credit | Estimate combined with 1.6.018 | | |
| 1.6.020 | Film Tax Credit | Total State Credit | Credit | 532 | 631 | 630 |
| 1.6.021 | Research Tax Credit | Total State Credit | Credit | 225 | 238 | 250 |
| 1.6.022 | Seed-Capital Fund Credit | Total State Credit | Credit | (m) | (m) | (m) |
| 1.6.023 | Qualified Health Insurance Expense Credit | Total State Credit | Credit | (m) | (m) | (m) |
| 1.6.026 | Business Enterprise Vehicle Credit | Total State Credit | Credit | (m) | (m) | (m) |

## Summary of State Tax Expenditures

| Expenditure | Summary | Tax | Type of Expenditure | State FY 2025 | State FY 2026 | State FY 2027 |
|---|---|---|---|---|---|---|
| | | | | *(in Millions)* | | |
| 1.6.027 | Employer's credit for providing or sponsoring child care for employees and employer's credit for purchasing child care property | Total State Credit | Credit | 19 | 18 | 19 |
| 1.6.028 | Low-Income Housing Credit | Total State Credit | Credit | 396 | 412 | 430 |
| 1.6.029 | Historic Rehabilitation Credit | Total State Credit | Credit | 22 | 20 | 21 |
| 1.6.031 | Low/Zero-Emission Vehicle Charger Credit | Total State Credit | Credit | (m) | (m) | (m) |
| 1.6.032 | Land Conservation Credit | Total State Credit | Credit | 1 | 1 | 1 |
| 1.6.035 | Employer's Credit for Approved Employee Retraining | Total State Credit | Credit | 59 | 61 | 61 |
| 1.6.036 | Qualified Education Expense Credit | Total State Credit | Credit | 92 | 96 | 109 |
| 1.6.038 | Energy-efficient or water-efficient equipment credit | Total State Credit | Credit | Estimate not available at this time | | |
| 1.6.041 | Tax credit for existing business enterprises undergoing qualified business expansion | Total State Credit | Credit | Estimate combined with 1.6.013 | | |
| 1.6.043 | Bank Tax Credit | Total State Credit | Credit | 57 | 55 | 55 |

## Summary of State Tax Expenditures

| Expenditure | Summary | Tax | Type of Expenditure | State FY 2025 | State FY 2026 | State FY 2027 |
|---|---|---|---|---|---|---|
| | | | | *(in Millions)* | | |
| 1.6.045 | Income tax credit for contributions to rural health care organizations | Total State Credit | Credit | 80 | 93 | 94 |
| 1.6.046 | Revitalization Zone Tax Credit | Total State Credit | Credit | 1 | 2 | 2 |
| 1.6.047 | Georgia Musical Investment Tax Credit | Total State Credit | Credit | (m) | (m) | (m) |
| 1.6.048 | Public Education Innovation Fund Tax Credit | Total State Credit | Credit | 5 | 5 | 6 |
| 1.6.049 | Agribusiness Tax Credit | Total State Credit | Credit | 7 | 3 | 2 |
| 1.6.050 | Railroad Track Maintenance Tax Credit | Total State Credit | Credit | 6 | 6 | 6 |
| 1.6.051 | Reforestation credit for losses incurred on commercial timberland due to hurricane damage | Total State Credit | Credit | 0 | 40 | 44 |
| 1.6.052 | Qualified Post-Production Expenditures Credit | Total State Credit | Credit | 1 | 2 | 3 |
| 1.6.053 | Personal protective equipment manufacturer job tax credit | Total State Credit | Credit | (m) | (m) | (m) |
| 1.6.054 | Medical equipment, medical supplies, pharmaceuticals, and medicine manufacturers job tax credit | Total State Credit | Credit | 1 | 1 | 1 |
| 1.6.055 | Teacher Recruitment and Retention Credit | Total State Credit | Credit | (m) | (m) | (m) |

## Summary of State Tax Expenditures

| Expenditure | Summary | Tax | Type of Expenditure | State FY 2025 | State FY 2026 | State FY 2027 |
|---|---|---|---|---|---|---|
| | | | | *(in Millions)* | | |
| 1.6.056 | Qualified Foster Child Donation Credit | Total State Credit | Credit | 2 | 11 | 18 |
| 1.6.057 | Qualified Law Enforcement Donation Credit | Total State Credit | Credit | 8 | 11 | 13 |
| 1.6.058 | Itemizer Tax Credit | Total State Credit | Credit | 194 | 196 | 198 |
| **Federal Corporate Income Tax Provisions** | | | | | | |
| 2.1.001 | Permanent exemption from imputed interest rules | Federal Corporate Income Tax | Exclusion | (m) | (m) | (m) |
| 2.1.002 | Exclusion of interest on state and local government private activity bonds | Federal Corporate Income Tax | Exclusion | 1 | 1 | 1 |
| 2.1.004 | Exclusion of earnings of certain environmental settlement funds | Federal Corporate Income Tax | Exclusion | (m) | (m) | (m) |
| 2.1.005 | Exclusion of certain agricultural cost-sharing payments | Federal Corporate Income Tax | Exclusion | (m) | (m) | (m) |
| 2.1.006 | Exclusion of gain or loss on sale or exchange for brownfield property | Federal Corporate Income Tax | Exclusion | (m) | (m) | (m) |
| 2.1.009 | Exclusion of interest on public purpose state and local government bonds | Federal Corporate Income Tax | Exclusion | (m) | (m) | (m) |

## Summary of State Tax Expenditures

| Expenditure | Summary | Tax | Type of Expenditure | State FY 2025 | State FY 2026 | State FY 2027 |
|---|---|---|---|---|---|---|
| | | | | *(in Millions)* | | |
| 2.1.010 | Various foreign provisions including inventory property sales source rule exception, interest expense allocation, deferral of active income of controlled foreign corporations, and deferral of active financing income | Federal Corporate Income Tax | Exclusion | 262 | 216 | 194 |
| 2.1.011 | Exclusion of employee meals and lodging | Federal Corporate Income Tax | Deduction | -13 | -17 | -19 |
| 2.1.012 | Exclusion of employer-paid transportation benefits and employer-provided transit and vanpool benefits | Federal Corporate Income Tax | Exclusion | -22 | -22 | -23 |
| 2.2.001 | Accelerated depreciation (MACRS) | Federal Corporate Income Tax | Deduction | 8 | 8 | 8 |
| 2.2.002 | Deduction for expenditures on energy-efficient commercial building property | Federal Corporate Income Tax | Deduction | (m) | (m) | (m) |
| 2.2.003 | Expensing of exploration and development costs: nonfuel minerals | Federal Corporate Income Tax | Deduction | (m) | (m) | (m) |
| 2.2.004 | Amortization of business start-up costs | Federal Corporate Income Tax | Deduction | (m) | (m) | (m) |

## Summary of State Tax Expenditures

| Expenditure | Summary | Tax | Type of Expenditure | State FY 2025 | State FY 2026 | State FY 2027 |
|---|---|---|---|---|---|---|
| | | | | *(in Millions)* | | |
| 2.2.006 | Expensing of magazine circulation expenditures | Federal Corporate Income Tax | Deduction | (m) | (m) | (m) |
| 2.2.007 | Deductions of oil and gas exploration and development costs | Federal Corporate Income Tax | Deduction | 0 | 0 | 0 |
| 2.2.008 | Special treatment of expenses related to timber production | Federal Corporate Income Tax | Deduction | 6 | 6 | 6 |
| 2.2.009 | Deduction of charitable contributions for health, education, and other purposes | Federal Corporate Income Tax | Deduction | 52 | 54 | 56 |
| 2.2.011 | Expensing under IRC Section 179 of depreciable business property | Federal Corporate Income Tax | Deduction | 5 | 5 | 6 |
| 2.2.012 | Amortization of air pollution control facilities | Federal Corporate Income Tax | Deduction | (m) | (m) | (m) |
| 2.2.014 | Various agricultural expensing provisions | Federal Corporate Income Tax | Deduction | (m) | (m) | (m) |
| 2.2.015 | Community and regional development incentives | Federal Corporate Income Tax | Deduction | 1 | 1 | 0 |
| 2.2.016 | Deduction for architectural and transportation barrier removal expenses for the handicapped and elderly | Federal Corporate Income Tax | Deduction | (m) | (m) | (m) |
| 2.2.017 | Inventory methods and valuation | Federal Corporate Income Tax | Deduction | 12 | 11 | 11 |

## Summary of State Tax Expenditures

| Expenditure | Summary | Tax | Type of Expenditure | State FY 2025 | State FY 2026 | State FY 2027 |
|---|---|---|---|---|---|---|
| | | | | *(in Millions)* | | |
| 2.2.018 | Limits on deductible compensation and disallowance of deduction for excess parachute payments | Federal Corporate Income Tax | Exemption | -34 | -36 | -41 |
| 2.2.019 | Deduction for foreign-derived intangible income | Federal Corporate Income Tax | Deduction | 28 | 26 | 24 |
| 2.2.020 | Limitation on deduction of FDIC premium | Federal Corporate Income Tax | Deduction | -10 | -10 | -10 |
| 2.2.021 | Limitation on net operating loss deduction | Federal Corporate Income Tax | Deduction | -3 | -3 | -3 |
| 2.2.022 | 7-year recovery period for motorsport entertainment complexes | Federal Corporate Income Tax | Deduction | (m) | (m) | (m) |
| 2.3.001 | Deferral of gain on like-kind exchanges | Federal Corporate Income Tax | Deferral | 14 | 13 | 13 |
| 2.3.002 | Special rules for magazine, paperback book, and record returns | Federal Corporate Income Tax | Special Rule | (m) | (m) | (m) |
| 2.3.003 | Two-year carryback for net operating losses attributable to farming | Federal Corporate Income Tax | Special Rule | (m) | (m) | (m) |
| 2.3.004 | Special rules for mining reclamation reserves | Federal Corporate Income Tax | Special Rule | (m) | (m) | (m) |
| 2.3.005 | Cash accounting, for certain businesses | Federal Corporate Income Tax | Special Rule | 4 | 4 | 4 |

## Summary of State Tax Expenditures

| Expenditure | Summary | Tax | Type of Expenditure | State FY 2025 | State FY 2026 | State FY 2027 |
|---|---|---|---|---|---|---|
| | | | | *(in Millions)* | | |
| 2.3.006 | Deferral of gain on non-dealer installment sales | Federal Corporate Income Tax | Special Rule | 24 | 26 | 27 |
| 2.3.007 | Completed contract rules | Federal Corporate Income Tax | Special Rule | 5 | 6 | 6 |
| 2.3.008 | Special treatment of employee stock ownership plans (ESOPs) (includes deferral of tax on certain employee stock plans) | Federal Corporate Income Tax | Deferral | 6 | 6 | 7 |
| 2.3.009 | Deferral of capital construction costs of shipping companies | Federal Corporate Income Tax | Deferral | (m) | (m) | (m) |
| 2.3.010 | Qualified Opportunity Zones | Federal Corporate Income Tax | Special Rule | 16 | -11 | -46 |
| 2.3.012 | Special rules for interest-charge domestic international sales corporations (IC-DISC) | Federal Corporate Income Tax | Credit | 11 | 12 | 12 |
| **Georgia Corporate Income Tax Provisions** | | | | | | |
| 2.4.001 | Single-Factor Apportionment | Corporate Income Tax | Apportionment | Estimate not available at this time | | |
| 2.4.002 | Throwback Rule | Corporate Income Tax | Apportionment | Estimate not available at this time | | |
| 2.4.003 | Corporate Receipts Sourcing | Corporate Income Tax | Apportionment | Estimate not available at this time | | |
| 2.5.001 | Interest on obligations of United States | Corporate Income Tax | Deduction | Estimate not available at this time | | |

## Summary of State Tax Expenditures

| Expenditure | Summary | Tax | Type of Expenditure | State FY 2025 | State FY 2026 | State FY 2027 |
|---|---|---|---|---|---|---|
| | | | | *(in Millions)* | | |
| 2.5.002 | Exception to intangible expenses and related interest cost | Corporate Income Tax | Deduction | Estimate not available at this time | | |
| 2.5.003 | Exclusion of global intangible low-taxed income (GILTI) | Corporate Income Tax | Exclusion | 144 | 164 | 180 |
| 2.6.001 | Georgia Job Tax Credit | Total State Credit | Credit | 197 | 200 | 203 |
| 2.6.002 | Quality Jobs Tax Credit | Total State Credit | Credit | 128 | 140 | 143 |
| 2.6.003 | New Facilities Jobs Credit | Total State Credit | Credit | Estimate combined with 2.6.001 | | |
| 2.6.004 | New Manufacturing Facilities Property Credit | Total State Credit | Credit | 0 | 0 | 0 |
| 2.6.005 | Manufacturer's Investment Tax Credit | Total State Credit | Credit | 21 | 24 | 25 |
| 2.6.006 | Optional Investment Tax Credit | Total State Credit | Credit | 2 | 3 | 3 |
| 2.6.007 | Port Activity Tax Credit | Total State Credit | Credit | 5 | 5 | 5 |
| 2.6.008 | Alternative Port Activity Tax Credit | Total State Credit | Credit | Estimate Combined with 2.6.007 | | |
| 2.6.009 | Film Tax Credit | Total State Credit | Credit | 532 | 631 | 630 |
| 2.6.010 | Research Tax Credit | Total State Credit | Credit | 225 | 238 | 250 |
| 2.6.011 | Seed-Capital Fund Credit | Total State Credit | Credit | (m) | (m) | (m) |
| 2.6.012 | Qualified Health Insurance Expense Credit | Total State Credit | Credit | (m) | (m) | (m) |
| 2.6.015 | Business Enterprise Vehicle Credit | Total State Credit | Credit | (m) | (m) | (m) |

## Summary of State Tax Expenditures

| Expenditure | Summary | Tax | Type of Expenditure | State FY 2025 | State FY 2026 | State FY 2027 |
|---|---|---|---|---|---|---|
| | | | | *(in Millions)* | | |
| 2.6.016 | Employer's credit for providing or sponsoring childcare for employees and employer's credit for purchasing child-care property | Total State Credit | Credit | 19 | 18 | 19 |
| 2.6.017 | Low-Income Housing Credit | Total State Credit | Credit | 396 | 412 | 430 |
| 2.6.018 | Historic Rehabilitation Credit | Total State Credit | Credit | 22 | 20 | 21 |
| 2.6.020 | Low- and Zero-emission Vehicle and Charger Credit | Total State Credit | Credit | (m) | (m) | (m) |
| 2.6.021 | Land Conservation Credit | Total State Credit | Credit | 1 | 1 | 1 |
| 2.6.024 | Employer's credit for approved employee retraining | Total State Credit | Credit | 59 | 61 | 61 |
| 2.6.025 | Qualified Education Expense Credit | Total State Credit | Credit | 92 | 96 | 109 |
| 2.6.027 | Energy-efficient or water-efficient equipment credit | Total State Credit | Credit | Estimate not available at this time | | |
| 2.6.030 | Tax credit for existing business enterprises undergoing qualified business expansion | Total State Credit | Credit | Estimate combined with 2.6.002 | | |
| 2.6.032 | Bank Tax Credit | Total State Credit | Credit | 57 | 55 | 55 |

## Summary of State Tax Expenditures

| Expenditure | Summary | Tax | Type of Expenditure | State FY 2025 | State FY 2026 | State FY 2027 |
|---|---|---|---|---|---|---|
| | | | | *(in Millions)* | | |
| 2.6.034 | Income tax credit for contributions to rural health care organizations | Total State Credit | Credit | 80 | 93 | 94 |
| 2.6.035 | Revitalization Zone Tax Credit | Total State Credit | Credit | 1 | 2 | 2 |
| 2.6.036 | Georgia Musical Investment Tax Credit | Total State Credit | Credit | (m) | (m) | (m) |
| 2.6.037 | Public Education Innovation Fund Tax Credit | Total State Credit | Credit | 5 | 5 | 6 |
| 2.6.038 | Agribusiness Tax Credit | Total State Credit | Credit | 7 | 3 | 2 |
| 2.6.039 | Railroad Track Maintenance Tax Credit | Total State Credit | Credit | 6 | 6 | 6 |
| 2.6.040 | Reforestation credit for losses incurred on commercial timberland due to hurricane damage | Total State Credit | Credit | 0 | 40 | 44 |
| 2.6.041 | Qualified Post-Production Expenditures Credits | Total State Credit | Credit | 1 | 2 | 3 |
| 2.6.042 | Personal protective equipment manufacturer job tax credit | Total State Credit | Credit | (m) | (m) | (m) |
| 2.6.043 | Medical equipment, medical supplies, pharmaceuticals, and medicine manufacturers job tax credit | Total State Credit | Credit | 1 | 1 | 1 |
| 2.6.044 | Qualified Foster Child Donation Credit | Total State Credit | Credit | 2 | 11 | 18 |

## Summary of State Tax Expenditures

| Expenditure | Summary | Tax | Type of Expenditure | State FY 2025 | State FY 2026 | State FY 2027 |
|---|---|---|---|---|---|---|
| | | | | *(in Millions)* | | |
| 2.6.045 | Qualified Law Enforcement Donation Credit | Total State Credit | Credit | 8 | 11 | 13 |
| **Corporate Net Worth Tax** | | | | | | |
| 3.001 | Exemption for nonprofit corporations | Net Worth Tax | Exemption | Estimate not available at this time | | |
| 3.002 | Exemption for insurance companies separately taxed | Net Worth Tax | Exemption | Estimate not available at this time | | |
| 3.003 | Exemption for corporations with net worth of $100,000 or less | Net Worth Tax | Exemption | 6 | 6 | 7 |
| **Sales and Use Tax** | | | | | | |
| 4.00100 | Sales to Federal Government, State of Georgia or a county or municipality in Georgia or any agency of such governments | Sales and Use Tax | Exemption | Estimate not available at this time | | |
| 4.00200 | Tangible personal property furnished by the federal government, or by any county or municipality, and used by a contractor in the installation, repair, or extension of any public water, gas, or sewer system | Sales and Use Tax | Exemption | Estimate not available at this time | | |

## Summary of State Tax Expenditures

| Expenditure | Summary | Tax | Type of Expenditure | State FY 2025 | State FY 2026 | State FY 2027 |
|---|---|---|---|---|---|---|
| | | | | *(in Millions)* | | |
| 4.00300 | Federal retailer's excise tax if separately itemized to the consumer and Georgia motor fuel tax imposed on the sale of motor fuel | Sales and Use Tax | Exemption | Estimate not available at this time | | |
| 4.00400 | Sale of transportation furnished by a county or municipal public transit system or public transit authorities | Sales and Use Tax | Exemption | 6 | 7 | 7 |
| 4.00500 | Sale of transportation furnished by an approved and authorized urban transit system | Sales and Use Tax | Exemption | Estimate combined with 4.00400 | | |
| 4.00600 | Sales to any Hospital Authority created by Georgia law | Sales and Use Tax | Exemption | 83 | 88 | 92 |
| 4.00610 | Sales to any Housing Authority created by Georgia law | Sales and Use Tax | Exemption | 2 | 2 | 2 |
| 4.00620 | Sales to local government authorities created on or after January 1, 1980, for the principal purpose of constructing, owning, or operating a coliseum and related facilities | Sales and Use Tax | Exemption | (m) | (m) | (m) |

## Summary of State Tax Expenditures

| Expenditure | Summary | Tax | Type of Expenditure | State FY 2025 | State FY 2026 | State FY 2027 |
|---|---|---|---|---|---|---|
| | | | | *(in Millions)* | | |
| 4.00630 | Sales to any agricultural commission created by the Department of Agriculture | Sales and Use Tax | Exemption | (m) | (m) | (m) |
| 4.00700 | Sale of tangible personal property and services to an approved nursing home, inpatient hospice, general hospital or mental hospital when used specifically in the treatment function | Sales and Use Tax | Exemption | 69 | 73 | 77 |
| 4.00705 | Sale of tangible personal property to a non-profit health center established and receiving funds pursuant to the U.S. Public Health Service Act | Sales and Use Tax | Exemption | 2 | 3 | 3 |
| 4.00710 | Sale of tangible personal property and services to a nonprofit organization whose primary function is to provide services to persons with intellectual disabilities | Sales and Use Tax | Exemption | 1 | 1 | 1 |

## Summary of State Tax Expenditures

| Expenditure | Summary | Tax | Type of Expenditure | State FY 2025 | State FY 2026 | State FY 2027 |
|---|---|---|---|---|---|---|
| | | | | *(in Millions)* | | |
| 4.00720 | Sales to Georgia Society of the Daughters of the American Revolution | Sales and Use Tax | Exemption | (m) | (m) | (m) |
| 4.00730 | Sale of tangible property and services to a nonprofit volunteer health clinic primarily treating patients with incomes below 200 percent of the poverty level | Sales and Use Tax | Exemption | 2 | 2 | 2 |
| 4.00800 | Sale of tangible personal property and services to the University System of Georgia and its educational units | Sales and Use Tax | Exemption | 62 | 65 | 67 |
| 4.00900 | Sale of tangible personal property and services used exclusively in the educational function of an approved private college or university located in Georgia in which the credits are accepted by the University System of Georgia | Sales and Use Tax | Exemption | Estimate combined with 4.00800 | | |

## Summary of State Tax Expenditures

| Expenditure | Summary | Tax | Type of Expenditure | State FY 2025 | State FY 2026 | State FY 2027 |
|---|---|---|---|---|---|---|
| | | | | *(in Millions)* | | |
| 4.01000 | Sale of tangible personal property and services used exclusively in the educational function of an approved private elementary or secondary school | Sales and Use Tax | Exemption | 8 | 8 | 9 |
| 4.01100 | Sale of tangible personal property or services to, and the purchase of tangible personal property or services by, any educational or cultural institute | Sales and Use Tax | Exemption | (m) | (m) | (m) |
| 4.01200 | School lunches sold and served to pupils and employees of public schools | Sales and Use Tax | Exemption | 4 | 4 | 4 |
| 4.01300 | School lunches sold and served to pupils and employees of approved private schools | Sales and Use Tax | Exemption | 1 | 1 | 1 |
| 4.01400 | Sale of art and other artifacts for display or exhibition to museums | Sales and Use Tax | Exemption | (m) | (m) | (m) |

## Summary of State Tax Expenditures

| Expenditure | Summary | Tax | Type of Expenditure | State FY 2025 | State FY 2026 | State FY 2027 |
|---|---|---|---|---|---|---|
| | | | | *(in Millions)* | | |
| 4.01500 | Specific fundraising sales by any religious institution lasting no more than 30 days in a calendar year and sales of religious paper when the paper is owned and operated by the religious institution | Sales and Use Tax | Exemption | (m) | (m) | (m) |
| 4.01510 | Sale of pipe organs or steeple bells to any church qualifying as a nonprofit | Sales and Use Tax | Exemption | (m) | (m) | (m) |
| 4.01700 | Sale of fuel or consumable supplies used by ships engaged in inter-coastal or foreign commerce | Sales and Use Tax | Exemption | 5 | 5 | 6 |
| 4.01800 | Charges for transportation of tangible personal property made in connection with interstate or intrastate transportation | Sales and Use Tax | Exemption | Estimate not available at this time | | |

## Summary of State Tax Expenditures

| Expenditure | Summary | Tax | Type of Expenditure | State FY 2025 | State FY 2026 | State FY 2027 |
|---|---|---|---|---|---|---|
| | | | | *(in Millions)* | | |
| 4.01900 | All tangible personal property purchased outside this State by a nonresident when the property is brought into Georgia upon the nonresident becoming a resident | Sales and Use Tax | Exemption | Estimate not available at this time | | |
| 4.02000 | Water delivered through water mains, lines, or pipes | Sales and Use Tax | Exemption | 12 | 13 | 13 |
| 4.02100 | Sales, transfers, or exchanges of tangible personal property resulting from business reorganization when the owners, partners, or stockholders maintain the same proportionate interest or share in the newly formed business | Sales and Use Tax | Exemption | Estimate not available at this time | | |

## Summary of State Tax Expenditures

| Expenditure | Summary | Tax | Type of Expenditure | State FY 2025 | State FY 2026 | State FY 2027 |
|---|---|---|---|---|---|---|
| | | | | *(in Millions)* | | |
| 4.02200 | Professional, insurance or personal service transactions which involve sales as inconsequential elements for which no separate charge is made | Sales and Use Tax | Exemption | Estimate included in sales tax for services: 4.50500 | | |
| 4.02300 | Repair services when a separate charge is made to the customer | Sales and Use Tax | Exemption | Estimate included in sales tax for services: 4.51100 | | |
| 4.02400 | Rental of videotape or film to persons charging admission to view the tape or film | Sales and Use Tax | Exemption | 6 | 6 | 6 |
| 4.03000 | Vehicles purchased by service-connected disabled veterans when the U.S. Dept. of Veterans Affairs supplies a grant to purchase a specially adapted vehicle | Sales and Use Tax | Exemption | (m) | (m) | (m) |
| 4.03100 | Sale of tangible personal property manufactured or assembled in Georgia for export when delivery is taken outside of Georgia | Sales and Use Tax | Exemption | Estimate not available at this time | | |

## Summary of State Tax Expenditures

| Expenditure | Summary | Tax | Type of Expenditure | State FY 2025 | State FY 2026 | State FY 2027 |
|---|---|---|---|---|---|---|
| | | | | *(in Millions)* | | |
| 4.03200 | Aircraft, watercraft, motor vehicles, and other transportation equipment manufactured or assembled in this State for exclusive use outside Georgia | Sales and Use Tax | Exemption | Estimate not available at this time | | |
| 4.03300 | The sale of aircraft, watercraft, railroad locomotives and rolling stock, motor vehicles which will be used principally to cross the state line to transport persons or cargo when purchased by common or common and contract carriers | Sales and Use Tax | Exemption | Estimate not available at this time | | |
| 4.03410 | Machinery and equipment used to handle, move, or store tangible personal property in certain distribution facilities | Sales and Use Tax | Exemption | Estimate not available at this time | | |
| 4.03420 | Machinery and equipment used directly to remanufacture certain aircraft engines or aircraft engine parts | Sales and Use Tax | Exemption | (m) | (m) | (m) |

## Summary of State Tax Expenditures

| Expenditure | Summary | Tax | Type of Expenditure | State FY 2025 | State FY 2026 | State FY 2027 |
|---|---|---|---|---|---|---|
| | | | | *(in Millions)* | | |
| 4.03600 | Machinery and equipment used in a facility for the primary purpose of reducing or eliminating air and water pollution | Sales and Use Tax | Exemption | (m) | (m) | (m) |
| 4.03610 | Machinery and equipment used for water conservation and incorporated into a qualified water conservation facility | Sales and Use Tax | Exemption | Estimate not available at this time | | |
| 4.03800 | Sale of tangible personal property and fees and charges for services by the Rock Eagle 4-H Center | Sales and Use Tax | Exemption | (m) | (m) | (m) |
| 4.03900 | Certain sales by a public or private school of tangible personal property, concessions, and tickets for admission to school functions | Sales and Use Tax | Exemption | 7 | 7 | 8 |
| 4.03910 | Cargo containers and related chassis used for storage or shipping by persons engaged in international shipment of tangible personal property | Sales and Use Tax | Exemption | Estimate not available at this time | | |

## Summary of State Tax Expenditures

| Expenditure | Summary | Tax | Type of Expenditure | State FY 2025 | State FY 2026 | State FY 2027 |
|---|---|---|---|---|---|---|
| | | | | *(in Millions)* | | |
| 4.04000 | Sale of major components or repair parts installed in military aircraft, vehicles, or missiles | Sales and Use Tax | Exemption | 29 | 32 | 31 |
| 4.04100 | Sale of tangible personal property and services to a nonprofit child-caring institution, child-placing agency, or maternity home | Sales and Use Tax | Exemption | 1 | 1 | 1 |
| 4.04200 | Use or lease of tangible personal property when the lessor and lessee are under 100 percent common ownership and where the person who furnishes, leases, or rents the property has paid sales or use tax on the property | Sales and Use Tax | Exemption | Estimate not available at this time | | |
| 4.04300 | Revenues from coin-operated amusement machines for which individual permits are required | Sales and Use Tax | Exemption | 47 | 50 | 52 |

## Summary of State Tax Expenditures

| Expenditure | Summary | Tax | Type of Expenditure | State FY 2025 | State FY 2026 | State FY 2027 |
|---|---|---|---|---|---|---|
| | | | | *(in Millions)* | | |
| 4.04400 | Sale of motor vehicles to nonresident purchasers when vehicles are immediately removed from Georgia and titled in another state | Sales and Use Tax | Exemption | Estimate not available at this time | | |
| 4.04500 | The sale or use of paper stock when used to print catalogs for distribution outside Georgia | Sales and Use Tax | Exemption | Estimate not available at this time | | |
| 4.04600 | Sale of tangible personal property or taxable services to nonprofit blood banks | Sales and Use Tax | Exemption | 3 | 3 | 3 |
| 4.04700 | Sale of drugs dispensed by prescription, prescription glasses, contact lenses, contact lens samples and sales or use of certain controlled substances or dangerous drugs | Sales and Use Tax | Exemption | 671 | 710 | 749 |
| 4.04800 | Sale of crab bait to licensed commercial fishermen | Sales and Use Tax | Exemption | (m) | (m) | (m) |
| 4.05000 | Sale of insulin syringes and blood glucose level measuring strips dispensed without a prescription | Sales and Use Tax | Exemption | 11 | 12 | 13 |

## Summary of State Tax Expenditures

| Expenditure | Summary | Tax | Type of Expenditure | State FY 2025 | State FY 2026 | State FY 2027 |
|---|---|---|---|---|---|---|
| | | | | *(in Millions)* | | |
| 4.05100 | Sale of oxygen when prescribed by a licensed physician | Sales and Use Tax | Exemption | 2 | 2 | 2 |
| 4.05200 | Sale or use of hearing aids | Sales and Use Tax | Exemption | 6 | 7 | 8 |
| 4.05300 | Transactions in which food stamps or WIC coupons are used as the method of payment | Sales and Use Tax | Exemption | 146 | 146 | 150 |
| 4.05400 | Sale or use of any durable medical equipment or prosthetic device prescribed by a physician | Sales and Use Tax | Exemption | 66 | 71 | 75 |
| 4.05500 | Sale of Georgia lottery tickets | Sales and Use Tax | Exemption | 249 | 259 | 269 |
| 4.05600 | Sale by any qualified nonprofit parent teacher organization | Sales and Use Tax | Exemption | (m) | (m) | (m) |
| 4.05700 | Food purchased for off-premises consumption | Sales and Use Tax | Exemption | 1,175 | 1,214 | 1,253 |
| 4.05710 | Sale of food and beverages to a qualified food bank | Sales and Use Tax | Exemption | 1 | 1 | 1 |
| 4.05720 | Exemption for prepared food and food ingredients that are donated to a qualified nonprofit agency and used for hunger relief purposes | Sales and Use Tax | Exemption | 4 | 5 | 5 |

## Summary of State Tax Expenditures

| Expenditure | Summary | Tax | Type of Expenditure | State FY 2025 | State FY 2026 | State FY 2027 |
|---|---|---|---|---|---|---|
| | | | | *(in Millions)* | | |
| 4.05730 | Exemption for food and food ingredients that are donated following a natural disaster and used for disaster relief | Sales and Use Tax | Exemption | (m) | (m) | (m) |
| 4.05900 | Sale of eligible food and beverages by any Girl or Boy Scout council | Sales and Use Tax | Exemption | 2 | 2 | 2 |
| 4.06000 | Sale of certain machinery and equipment used to improve air quality in a clean room of Class 100,000 or less | Sales and Use Tax | Exemption | (m) | (m) | (m) |
| 4.06100 | Advertising inserts that are used in newspapers for resale | Sales and Use Tax | Exemption | Estimate not available at this time | | |
| 4.06200 | Sod grass sold in the original state of production by the sod producer, employee of the producer, or family member of the producer | Sales and Use Tax | Exemption | 4 | 4 | 4 |
| 4.06300 | Funeral merchandise when paid with funds from the Georgia Crime Victims Emergency Fund | Sales and Use Tax | Exemption | (m) | (m) | (m) |

## Summary of State Tax Expenditures

| Expenditure | Summary | Tax | Type of Expenditure | State FY 2025 | State FY 2026 | State FY 2027 |
|---|---|---|---|---|---|---|
| | | | | *(in Millions)* | | |
| 4.06500 | Sale of dyed diesel fuel used exclusively for operations of vessels or boats by licensed commercial fishermen | Sales and Use Tax | Exemption | (m) | (m) | (m) |
| 4.06600 | Sale of gold, silver, or platinum bullion | Sales and Use Tax | Exemption | 4 | 4 | 4 |
| 4.06700 | Sale of coins or currency | Sales and Use Tax | Exemption | (m) | (m) | (m) |
| 4.06800 | Sale of certain computer equipment when the total qualifying purchases by a high technology company exceed $15 million | Sales and Use Tax | Exemption | 552 | 710 | 854 |
| 4.06810 | High-Tech Data Center Equipment Exemption | Sales and Use Tax | Exemption | 474 | 625 | 762 |
| 4.06900 | Sale of machinery and equipment and material incorporated and used in a clean room of Class 100 or less | Sales and Use Tax | Exemption | Estimate Combined with 4.06000 | | |
| 4.07000 | Sale of natural gas used directly in the manufacture of electricity | Sales and Use Tax | Exemption | 89 | 82 | 83 |

## Summary of State Tax Expenditures

| Expenditure | Summary | Tax | Type of Expenditure | State FY 2025 | State FY 2026 | State FY 2027 |
|---|---|---|---|---|---|---|
| | | | | *(in Millions)* | | |
| 4.07100 | Sale to or by an organization whose primary purpose is to raise funds for books, materials, and programs for public libraries | Sales and Use Tax | Exemption | (m) | (m) | (m) |
| 4.07200 | Sale of prescribed mobility enhancing equipment | Sales and Use Tax | Exemption | (m) | (m) | (m) |
| 4.07600 | Exemption for personal property used in the renovation or expansion of an aquarium or zoo | Sales and Use Tax | Exemption | (m) | (m) | (m) |
| 4.08100 | The purchase of food and nonalcoholic beverages provided at no charge aboard a qualified airline | Sales and Use Tax | Exemption | 7 | 7 | 7 |
| 4.08300 | Sale of biomass materials used to produce electricity or steam intended for sale | Sales and Use Tax | Exemption | 4 | 4 | 5 |
| 4.08600 | Sale of engines, parts, equipment, and other tangible personal property used in the maintenance or repair of certain aircraft | Sales and Use Tax | Exemption | 13 | 13 | 13 |

## Summary of State Tax Expenditures

| Expenditure | Summary | Tax | Type of Expenditure | State FY 2025 | State FY 2026 | State FY 2027 |
|---|---|---|---|---|---|---|
| | | | | *(in Millions)* | | |
| 4.09100 | Sale of prewritten software which has been delivered to the purchaser electronically or by means of load and leave | Sales and Use Tax | Exemption | Estimate not available at this time | | |
| 4.09300 | Sale of tangible personal property used for and in the construction of a competitive project of regional significance, for the period commencing January 1, 2012, until December 31, 2026 | Sales and Use Tax | Exemption | 12 | 12 | 9 |
| 4.09400 | The sale, use, consumption, or storage of materials, containers, labels, sacks, or bags used for packaging tangible personal property for shipment or sale | Sales and Use Tax | Exemption | Estimate Combined with 4.3.3 | | |
| 4.09700 | Sale of admission to a nonrecurring major sporting event | Sales and Use Tax | Exemption | 8 | 8 | 8 |
| 4.10000 | Exemption for sales of tickets to a qualified fine arts performance or exhibition | Sales and Use Tax | Exemption | 3 | 3 | 3 |

## Summary of State Tax Expenditures

| Expenditure | Summary | Tax | Type of Expenditure | State FY 2025 | State FY 2026 | State FY 2027 |
|---|---|---|---|---|---|---|
| | | | | *(in Millions)* | | |
| 4.10100 | The sale of certain written material by a nonprofit | Sales and Use Tax | Exemption | 11 | 9 | 0 |
| 4.10200 | Partial exemption for qualified manufactured homes | Sales and Use Tax | Exemption | 5 | 5 | 5 |
| 4.10400 | Exemption for poultry diagnostic and disease monitoring service nonprofit organization | Sales and Use Tax | Exemption | (m) | (m) | (m) |
| 4.3.2 | Exemption for energy, machinery or equipment, industrial material, and consumable supplies used in manufacturing | Sales and Use Tax | Exemption | 4,338 | 4,565 | 4,791 |
| 4.3.3 | Sale and use by a qualified agriculture producer of agricultural production inputs, energy used in agriculture, and agricultural machinery and equipment | Sales and Use Tax | Exemption | 159 | 161 | 163 |
| 4.3.4 | Exemption for qualified boat repairs | Sales and Use Tax | Exemption | (m) | (m) | (m) |
| 4.3.5 | Exemption for the sale and use of jet fuel | Sales and Use Tax | Exemption | 54 | 53 | 55 |
| 4.3.6 | Exemption for sales within an enterprise zone | Sales and Use Tax | Exemption | Estimate not available at this time | | |

## Summary of State Tax Expenditures

| Expenditure | Summary | Tax | Type of Expenditure | State FY 2025 | State FY 2026 | State FY 2027 |
|---|---|---|---|---|---|---|
| | | | | *(in Millions)* | | |
| 4.50100 | Construction Services | Sales and Use Tax | Exemption | 3,120 | 3,212 | 3,271 |
| 4.50200 | Automotive Services by Motor Vehicle and Parts Dealers | Sales and Use Tax | Exemption | 134 | 134 | 135 |
| 4.50300 | Investment and Financial Advisers | Sales and Use Tax | Exemption | 773 | 809 | 810 |
| 4.50400 | Real Estate Services | Sales and Use Tax | Exemption | 487 | 493 | 503 |
| 4.50500 | Professional, Scientific and Technical Services | Sales and Use Tax | Exemption | 3,258 | 3,292 | 3,308 |
| 4.50600 | Administrative and Support Services | Sales and Use Tax | Exemption | 1,027 | 1,027 | 1,053 |
| 4.50700 | Waste Management and Remediation Services | Sales and Use Tax | Exemption | 218 | 225 | 228 |
| 4.50800 | Educational Services (excluding schools) | Sales and Use Tax | Exemption | 84 | 85 | 86 |
| 4.50900 | Health Care and Social Assistance Services | Sales and Use Tax | Exemption | 3,930 | 4,113 | 4,224 |
| 4.51000 | Promoters of Events; Agents for Entertainers | Sales and Use Tax | Exemption | 24 | 25 | 25 |
| 4.51100 | Repair and Maintenance Services | Sales and Use Tax | Exemption | 137 | 137 | 138 |
| 4.51200 | Personal and Laundry Services | Sales and Use Tax | Exemption | 214 | 216 | 218 |
| 4.70000 | Compensation of dealers for reporting and paying tax | Sales and Use Tax | Exemption | 138 | 144 | 147 |

## Summary of State Tax Expenditures

| Expenditure | Summary | Tax | Type of Expenditure | State FY 2025 | State FY 2026 | State FY 2027 |
|---|---|---|---|---|---|---|
| | | | | *(in Millions)* | | |
| 4.90000 | Sales tax exemption for casual sales | Sales and Use Tax | Exemption | (m) | (m) | (m) |
| **Insurance Premium Tax** | | | | | | |
| 5.00100 | Deduction of retaliatory taxes paid to other states | Insurance Premium Tax | Deduction | 1 | 1 | 1 |
| 5.00200 | Georgia Job Tax Credit | Total State Credit | Credit | 197 | 200 | 203 |
| 5.00300 | Exemption for premiums of high-deductible health plans | Insurance Premium Tax | Exemption | 2 | 2 | 2 |
| 5.00400 | Exemption for insurance companies that only insure places of worship | Insurance Premium Tax | Exemption | (m) | (m) | (m) |
| 5.00500 | Insurance abatements | Insurance Premium Tax | Rate Reduction | 316 | 315 | 327 |
| 5.00600 | Special deductions for life insurance companies | Insurance Premium Tax | Deduction | 250 | 258 | 277 |
| 5.00700 | Low Income Housing Credit | Total State Credit | Credit | 396 | 412 | 430 |
| 5.00800 | Insurance Premium Tax Exemption for multiple employer self-insured health plans | Insurance Premium Tax | Exemption | 2 | 2 | 2 |
| 5.00900 | Agribusiness Tax Credit | Total State Credit | Credit | 7 | 3 | 2 |
| 5.01000 | Qualified Education Expense Credit | Total State Credit | Credit | 92 | 96 | 109 |
| **Motor Fuel Tax** | | | | | | |
| 6.00400 | Motor fuel tax exemption for aviation fuel | Motor Fuel Tax | Exemption | 2 | 2 | 2 |

## Summary of State Tax Expenditures

| Expenditure | Summary | Tax | Type of Expenditure | State FY 2025 | State FY 2026 | State FY 2027 |
|---|---|---|---|---|---|---|
| | | | | *(in Millions)* | | |
| 6.00500 | Motor fuel tax vendor compensation | Motor Fuel Tax | Exemption | 22 | 23 | 24 |
| **Alcoholic Beverage Tax** | | | | | | |
| 7.00100 | Sales to persons outside the state for resale or consumption outside the state | Alcoholic Beverage Tax | Exemption | Estimate not available at this time | | |
| 7.00200 | Sales to stores or canteens in U.S. military reservations | Alcoholic Beverage Tax | Exemption | Estimate not available at this time | | |
| 7.00300 | 200 gallons annually of homebrew per household | Alcoholic Beverage Tax | Exemption | 1 | 1 | 1 |
| 7.00400 | Sales to and use by religious organizations for sacramental purposes | Alcoholic Beverage Tax | Exemption | (m) | (m) | (m) |
| 7.00500 | Exemption for ethyl alcohol used for certain purposes | Alcoholic Beverage Tax | Exemption | Estimate not available at this time | | |
| 7.00600 | Malt beverages containing less than one-half of 0.5 percent alcohol by volume | Alcoholic Beverage Tax | Exemption | 1 | 1 | 1 |
| **Tobacco Products Excise Tax** | | | | | | |
| 8.00100 | Exemption for purchases for use exclusively by patients at the Georgia War Veterans Home and the Georgia War Veterans Nursing Home | Cigar and Cigarette Excise Tax | Exemption | (m) | (m) | (m) |
| 8.00200 | De minimis amount brought into the state by one person | Cigar and Cigarette Excise Tax | Exemption | Estimate not available at this time | | |

## Summary of State Tax Expenditures

| Expenditure | Summary | Tax | Type of Expenditure | State FY 2025 | State FY 2026 | State FY 2027 |
|---|---|---|---|---|---|---|
| | | | | *(in Millions)* | | |
| 8.00300 | Cigars and cigarettes stored in a public warehouse | Cigar and Cigarette Excise Tax | Exemption | Estimate not available at this time | | |
| 8.00400 | Certain cigars and cigarettes held by licensed dealers | Cigar and Cigarette Excise Tax | Exemption | Estimate not available at this time | | |
| **Financial Institutions Special State Occupation Tax** | | | | | | |
| 9.00100 | Deduction for interest paid | Financial Institutions Business License Tax | Deduction | 13 | 11 | 10 |
| 9.00200 | Deduction for income from authorized activities of a domestic international banking facility | Financial Institutions Business License Tax | Deduction | Estimate not available at this time | | |
| 9.00300 | Deduction for income from banking business with persons or entities outside the U.S. | Financial Institutions Business License Tax | Deduction | Estimate not available at this time | | |
| **Special Assessment of Forest Land Conservation Use Property** | | | | | | |
| 10.00000 | Special assessment of forest land conservation use property | State Grant | Credit | 25 | 33 | 31 |
| **Alternative Ad Valorem Tax on Motor Vehicles** | | | | | | |
| 11.001 | Reduced rate for related family transfers | Title Fee | Rate Reduction | 18 | 19 | 19 |
| 11.002 | Disabled veteran exemption | Title Fee | Exemption | (m) | (m) | (m) |
| 11.003 | Reduced rate for rental vehicles | Title Fee | Rate Reduction | 23 | 24 | 24 |
| 11.004 | Reduced rate for vehicles manufactured in years 1963-89 | Title Fee | Rate Reduction | (m) | (m) | (m) |

## Summary of State Tax Expenditures

| Expenditure | Summary | Tax | Type of Expenditure | State FY 2025 | State FY 2026 | State FY 2027 |
|---|---|---|---|---|---|---|
| | | | | *(in Millions)* | | |
| 11.005 | Reduced rate for salvage vehicles | Title Fee | Rate Reduction | 15 | 15 | 16 |
| 11.006 | Dealer loaner vehicle exemption | Title Fee | Deferral | 2 | 3 | 3 |
| 11.007 | Reduced rate for donated vehicles | Title Fee | Rate Reduction | (m) | (m) | (m) |
| 11.008 | Extended payment period for out-of-state vehicles | Title Fee | Rate Reduction | 21 | 22 | 23 |
| 11.009 | Trade-in exemption (including rebates and cash discounts) | Title Fee | Exemption | 163 | 167 | 172 |
| 11.010 | Special assessment for used vehicles | Title Fee | Special Rule | 10 | 10 | 10 |
| 11.012 | Buy Here Pay Here transactions | Title Fee | Rate Reduction | 5 | 6 | 6 |
| 11.013 | Exemption for leased vehicles qualifying for manufacturing headquarters | Title Fee | Exemption | Estimate not available at this time | | |
| 11.014 | Treatment of leased vehicles | Title Fee | Special Rule | 15 | 15 | 16 |
| 11.015 | Treatment of vehicles involved in divorce settlement or business reorganization | Title Fee | Rate Reduction | (m) | (m) | (m) |
| 11.016 | Treatment of non-IRP Buses | Title Fee | Deferral | (m) | (m) | (m) |
| **Special Excise Tax on Consumer Fireworks** | | | | | | |
| **State Hotel-Motel Tax** | | | | | | |
| **For-Hire Ground Transportation Excise Tax** | | | | | | |

# 1. Individual Income Tax

The individual income tax was first levied in Georgia in 1929 at a rate equal to one-third the federal rate of income taxation. The rate structure effective January 1, 2019, and until January 1, 2024, included six brackets, ranging from 1 percent to 5.75 percent, with bracket thresholds depending on filing status. Prior to 2019, the rate structure had a top rate of 6 percent and had remained unchanged since 1955 when the 7 percent rate on taxable incomes over $20,000 was eliminated. Effective January 1, 2024, the bracket structure was replaced by a single rate of 5.49 percent, though legislation enacted in 2024 reduced that rate to 5.39 percent, retroactive to the beginning of the year. Subsequent legislation in 2025 reduced the flat rate further, to 5.19 percent, effective January 1, 2025.

The law also provides for triggered reductions in the flat rate by 10 basis points each year that certain conditions are met, until the rate reaches 4.99 percent. The conditions that must be met for such automatic rate reductions are 1) the Governor's budget projects revenues grow by at least 3 percent from the then-current fiscal year—i.e., the amended fiscal year estimate—to the subsequent fiscal year, 2) the prior fiscal year's reported net revenues were no less than any of the preceding three years, and 3) the revenue shortfall reserve contains an amount at least equivalent to the potential reduction in income taxes resulting from the rate decrease.

The initial base of the Georgia individual income tax is the taxpayer's federal adjusted gross income (AGI). Several adjustments are made to this starting point to arrive at the version of AGI adopted by Georgia. After computing the Georgia version of AGI, taxpayers deduct an amount representing either the value of their Georgia itemized deductions or the Georgia standard deduction. Effective January 1, 2024, taxpayers that opt to itemize nonbusiness deductions will be allowed a $300 per taxpayer credit. For nonitemizers the following tables summarize the current and previous deductions authorized under the Georgia code:

**Allowable Standard Deductions**

| | Prior to January 1, 2024 | Effective January 1, 2024 |
|---|---|---|
| Married Filing Jointly | $7,100 | $24,000 |
| Single/Head of Household | $5,400 | $12,000 |

**Dependent Exemption**

| | Prior to January 1, 2024 | Effective January 1, 2024 |
|---|---|---|
| Married Filing Jointly | $3,000 | $4,000 |
| Single/Head of Household | $3,000 | $4,000 |

**Personal Exemption**

| | Prior to January 1, 2024 | Effective January 1, 2024 |
|---|---|---|
| Married Filing Jointly | $7,400 | $0 |
| Married Filing Separately | $3,700 | $0 |
| Single Head of Household | $2,700 | $0 |

The tax is administered by the Georgia DOR. Individual income tax collections equaled $16.02 billion in FY 2024 and accounted for 48.4 percent of Georgia's revenues from taxation. In CY 2023, 5.3 million individual state returns were processed. While predominately paid by individuals, a significant number of business entities are organized so that income associated with these enterprises is reported through the individual income tax. All revenue collected from the individual income tax is deposited in the State General Fund.

It is important to keep in mind that tax expenditure estimates may differ from revenue estimates presented in fiscal notes. Estimates included in fiscal notes incorporate behavioral effects that are not considered when estimating tax expenditure provisions. The purpose of a tax expenditure estimate is to convey the cost that would be necessary if the item were offered as a direct budgetary expenditure instead of a reduction in the tax liability. A second caveat concerns the estimates associated with the state individual income tax credit provisions. Forecasting the value of the revenue loss stemming from the use of these credits is problematic because of the presence of extensive carryforwards in the case of some credits. Because of past credit carryforwards, taxpayers may claim credits on current or future year tax returns that were created in prior years. In some cases, the credit may have expired such that taxpayers are no longer able to create new credits, but the revenue loss to the state continues for several years until all carryforward liabilities have been exhausted. Therefore, the estimates provided in this report should be interpreted as the expected revenue loss stemming from the use of currently created or previously created credits and not an estimate of the value of credits created in a given year.

The Tax Expenditure Report includes the expenditures associated with both state and federal tax provisions. Because the Georgia individual income tax is based on the federal system, expenditures that are present at the federal level have revenue implications at the state level. For example, changes to itemized deductions by the federal government have repercussions on state tax revenues. The value of the expenditure as it relates to state taxes paid by those filing a Georgia return is presented in section 1.1 on federal exclusions. In some cases, Georgia might not adopt a federal provision. In that case, the expenditure is not listed because there is no loss of revenue to the state. In general, the value of the federal tax expenditure to the state of Georgia is determined by allocating a portion of the federal tax base associated with the expenditure estimate as estimated by the Joint Committee on Taxation for the U.S. Congress. The data and estimate reliability for the conformity provisions are considered class A. In some cases, however, the values of the Georgia estimates are highly sensitive to the assumptions made concerning the appropriate tax rate for a given expenditure provision and the allocation factor that is used to determine the amount of federal activity associated with Georgia. The estimates associated with the federal conformity provisions are based on current law as it existed on January 1, 2024; any changes to provisions that may occur because of federal legislative action after that date are not reflected in the estimates.

The explanations of the federal conformity provisions are taken from *Tax Expenditures: Compendium of Background Material on Individual Provisions*, prepared by the Congressional

Research Service for the U.S. Senate Committee on the Budget, December 2024. Estimates of the federal provisions generally rely on the U.S. Congress Joint Committee on Taxation's *Estimates of Federal Tax Expenditures for Fiscal Years 2024-2028*, published December 7, 2024.

## 1.1 Federal Exclusions

**1.1.001** Exclusion of employee meals and lodging

Federal Statute IRC section 119 and 132(e)(2)

**Description:** Employees are allowed to exclude the fair market value of meals and lodging furnished by employers if provided on the employer's premises for the convenience of the employer.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 78 | 79 | 80 |

(m) Denotes a value of less than $1 million

**1.1.002** Exclusion of housing allowances for ministers

Federal Statute IRC Section 107 and 265

**Description:** In general, this provision allows ministers to deduct certain housing related expenditures from their gross income.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 8 | 9 | 9 |

(m) Denotes a value of less than $1 million

**1.1.003** Exclusion of employer-provided child care

Federal Statute IRC Section 129

**Description:** Payments by an employer, under a dependent care assistance program, for qualified dependent care assistance provided to an employee are excluded from the employee's income.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 21 | 22 | 23 |

(m) Denotes a value of less than $1 million

**1.1.004** Exclusion of employee awards

Federal Statute IRC Section 74(c) and 274(j)

**Description:** This provision provides an exclusion for certain awards of tangible personal property given to employees for length of service or for safety achievement.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 4 | 4 | 4 |

(m) Denotes a value of less than $1 million

**1.1.005** Exclusion of employer contributions and earnings to pension plans including Keoghs, defined benefit and defined contribution plans

Federal Statute IRC Sections 401-407, 410-418E, and 457

**Description:** Employer contributions to qualified pension, profit-sharing, stock-bonus, and annuity plans on behalf of an employee are not taxable to the employee.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 2,828 | 3,131 | 3,607 |

(m) Denotes a value of less than $1 million

**1.1.006** Exclusion of employer contributions for health care, health insurance premiums and long-term care insurance premiums

Federal Statute IRC Sections 105,106, and 125

**Description:** Employees are allowed to exclude contributions by their employers for healthcare coverage for themselves and their dependents.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 1,656 | 1,720 | 1,772 |

(m) Denotes a value of less than $1 million

**1.1.007** Exclusion of employer-paid accident and disability premiums

Federal Statute IRC Sections 105 and 106

**Description:** Premiums paid by employers for employee accident and disability insurance plans are excluded from the taxable income of employees.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 48 | 52 | 56 |

(m) Denotes a value of less than $1 million

**1.1.008** Exclusion of employer contributions for premiums on group-term life insurance

Federal Statute IRC Section 79

**Description:** Premiums paid by the employer for qualified group-term life insurance plans for the employee are excluded from employee's taxable income.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 32 | 34 | 36 |

(m) Denotes a value of less than $1 million

**1.1.009** Exclusion of employer-paid transportation benefits and employer-provided transit and vanpool benefits

Federal Statute IRC Section 132(f)

**Description:** Employer provided qualified transportation benefits are excluded from employee taxable income.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 62 | 64 | 67 |

(m) Denotes a value of less than $1 million

**1.1.011** Exclusion of employer-provided adoption assistance

Federal Statute IRC Section 137

**Description:** Benefits received from a qualified employer-sponsored adoption assistance program are excludable from taxable income for the employee.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 2 | 2 | 2 |

(m) Denotes a value of less than $1 million

**1.1.012** Exclusion of employer-provided education benefits (including education assistance and tuition reduction benefits)

Federal Statute IRC Section 117(d) and Section 127

**Description:** Tuition reductions for employees of educational institutions may be excluded from taxable income. In addition, an employee may exclude amounts paid by the employer for qualified educational assistance programs.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 14 | 13 | 13 |

(m) Denotes a value of less than $1 million

**1.1.013** Exclusion of miscellaneous fringe benefits

Federal Statute IRC Section 132 and 117(D)

**Description:** Certain miscellaneous fringe benefits provided by employers, including services provided at no additional costs, employee discounts, working condition fringes, de minimis fringes and certain tuition reductions, can be excluded from the employee's taxable income.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 73 | 76 | 79 |

(m) Denotes a value of less than $1 million

**1.1.014** Exclusion of foreign earned income (including housing and salary)

Federal Statute IRC Section 911

**Description:** U.S. taxpayers who live and work abroad are allowed a capped exclusion of their wage and salary income. In addition, qualified individuals can also exclude certain excess foreign housing costs. This provision does not apply to federal employees working abroad.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 35 | 39 | 41 |

(m) Denotes a value of less than $1 million

**1.1.015** Exclusion of certain allowances for federal employees abroad

Federal Statute IRC Section 912

**Description:** U.S. federal civilian employees who work abroad are allowed to exclude from taxable income certain special allowances they receive that are generally linked to the cost of living.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 11 | 11 | 12 |

(m) Denotes a value of less than $1 million

**1.1.016** Exclusion of benefits and allowances to armed forces personnel (includes expenditure for military disability benefits)

Federal Statute IRC Section 112, 134, 104(a)(4) or (5) and 104(b)

**Description:** Military personnel are provided with a variety of in-kind benefits (or cash payments in lieu of such benefits) that are not taxed. In addition, certain members of the armed forces are eligible for tax exclusion of disability pay.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 93 | 96 | 101 |

(m) Denotes a value of less than $1 million

**1.1.017** Exclusion of medical care and Tricare medical insurance for military dependents, retirees, and retiree dependents

Federal Statute IRC Section 112 and 134

**Description:** Military personnel are provided with a variety of in-kind benefits (or cash payments in lieu of such benefits) that are not taxed. In addition, certain members of the armed forces are eligible for tax exclusion of disability pay.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 127 | 132 | 137 |

(m) Denotes a value of less than $1 million

**1.1.018** Exclusion of veterans' benefits (includes veterans disability compensation, pensions, and readjustment benefits)

Federal Statute 38 U.S.C. Section 5301

**Description:** All benefits administered by the U.S. Department of Veterans Affairs are exempt from income.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 166 | 174 | 183 |

(m) Denotes a value of less than $1 million

**1.1.019** Exclusion of income attributable to the discharge of certain student loan debt and National Health Service Corp and certain state educational loan repayments

Federal Statute IRC Section 108(f)

**Description:** This section provides that student loan cancellation for individuals that take jobs in certain underserved areas and student loan repayment assistance may be excluded from gross income.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 6 | 7 | 7 |

(m) Denotes a value of less than $1 million

**1.1.020** Exclusion of workers' compensation benefits (includes disability and survivor benefits and medical benefits, and exclusion of damages on account of personal physical injuries or physical sickness)

Federal Statute IRC Section 104(a)(1)-(5)

**Description:** Employees are not taxed on the value of insurance contributions for workers' compensation medical benefits made on their behalf by employers, or on the medical benefits or reimbursements they actually receive. Workers' compensation benefits to employees in cases of work-related injury and to survivors in cases of work-related death are not taxable. Damages paid, through either a court award or a settlement, to compensate for physical injury or sickness, are not included in income of the recipient.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 79 | 88 | 97 |

(m) Denotes a value of less than $1 million

**1.1.021** Exclusion of special benefits for disabled coal miners

Federal Statute IRC Sections 412(c) and 104(a)(1)

**Description:** Cash and medical benefits to coal mine workers or their survivors for total disability or death resulting from coal workers' pneumoconiosis (black lung disease) paid under the Black Lung Benefits Act generally are not taxable.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | (m) | (m) | (m) |

(m) Denotes a value of less than $1 million

**1.1.022** Exclusion of untaxed Social Security and railroad retirement benefits

Federal Statute IRC Section 86

**Description:** In general, Social Security and railroad retirement benefits are not subject to tax.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 324 | 369 | 415 |

(m) Denotes a value of less than $1 million

**1.1.024** Exclusion of certain foster care payments

Federal Statute IRC Section 131

**Description:** Qualified payments are excluded from the foster care provider's gross income.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 3 | 3 | 3 |

(m) Denotes a value of less than $1 million

**1.1.026** Exclusion of scholarship and fellowship income

Federal Statute IRC Section 117

**Description:** Scholarships and fellowships can be excluded from the gross income of students and their families provided: (1) the students are pursuing degrees and (2) the amounts are used for tuition and fees required for enrollment or for books, supplies, and equipment required for courses at a qualified institution. Amounts used for room, board and incidental expenses are not excluded from gross income.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 38 | 43 | 47 |

(m) Denotes a value of less than $1 million

**1.1.027** Exclusion of earnings on Coverdell education savings accounts and interest on educational savings bonds

Federal Statute IRC Section 530

**Description:** Contributions to a Coverdell Education Savings Account are not deductible at the federal level but the earnings grow on a tax deferred basis.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 2 | 2 | 2 |

(m) Denotes a value of less than $1 million

**1.1.028** Exclusion of earnings on qualified tuition programs (including prepaid tuition programs and savings account programs)

Federal Statute IRC Section 529

**Description:** Contributions to qualified tuition programs are not deductible at the federal level but earnings accumulate on a tax-deferred basis.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 39 | 40 | 40 |

(m) Denotes a value of less than $1 million

**1.1.029** Exclusion of certain agricultural cost-sharing payments

Federal Statute IRC Section 126

**Description:** Grants made for the purpose of conserving soil and water resources or protecting the environment are excluded from the recipient's taxable income.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | (m) | (m) | (m) |

(m) Denotes a value of less than $1 million

**1.1.030** Exclusion of cancellation of indebtedness income for farmers

Federal Statute Sections 108 and 1070(b)(4)

**Description:** The provision allows farmers who are solvent to treat the income arising from the cancellation of certain indebtedness as if they were insolvent taxpayers. As such, income that would normally be subject to tax would be excluded from tax under qualifying conditions.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | (m) | (m) | (m) |

(m) Denotes a value of less than $1 million

**1.1.031** Exclusion of interest on state and local government private activity bonds

Federal Statute Various

**Description:** Interest earned on qualified private activity bonds is tax exempt.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 3 | 3 | 3 |

(m) Denotes a value of less than $1 million

**1.1.032** Exclusion of capital gains on sales of principal residences

Federal Statute Federal Statute IRC Section 121

**Description:** A taxpayer may exclude from federal income tax up to $250,000 of capital gains ($500,000 in the case of married taxpayers filing joint returns) from the sale or exchange of their principal residence.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 351 | 402 | 450 |

(m) Denotes a value of less than $1 million

**1.1.033** Exclusion of capital gains at death

Federal Statute IRC Sections 1001,1002,1014,1015,1023,1040,1221, and 1222

**Description:** Capital gains tax is not imposed on the increased value of an asset when ownership of the property is transferred as a result of the death of the owner.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 331 | 347 | 372 |

(m) Denotes a value of less than $1 million

**1.1.034** Carryover basis of capital gains on gifts

Federal Statute IRC Sections 1001, 1014, 1015, 1023, 1040, 1221, and 1222

**Description:** Capital gains tax is not imposed on the increased value of an asset when ownership of the property is transferred as a gift during the owner's lifetime.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 58 | 52 | 25 |

(m) Denotes a value of less than $1 million

**1.1.035** Permanent exemption from imputed interest rules

Federal Statute IRC Sections 163(e), 483, 1274, and 1274A

**Description:** Debt instruments for amounts not exceeding an inflation adjusted maximum that are given in exchange for real property may not have imputed to them an interest rate greater than 9 percent.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 5 | 6 | 6 |

(m) Denotes a value of less than $1 million

**1.1.036** Exclusion of combat pay

Federal Statute IRC Section 112

**Description:** Compensation received by active members of the armed forces is excluded from gross income for any month the service member served in a combat zone or was hospitalized as a result of an injury or illness incurred while serving in a combat zone.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 12 | 14 | 15 |

(m) Denotes a value of less than $1 million

**1.1.037** Exclusion of energy conservation subsidies provided by public utilities

Federal Statute IRC Section 136

**Description:** In general, this provision allows customers to exclude from their gross income the value of any subsidy provided by a public utility for the

purchase or of any energy conservation measure.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | (m) | (m) | (m) |

(m) Denotes a value of less than $1 million

**1.1.039** Exclusion of gain for certain small business stock

Federal Statute IRC Sections 1202 and 303

**Description:** This provision allows non-corporate taxpayers to exclude from gross income 50 percent of any gain from the sale or exchange of qualified small business stock issued after August 10, 1993. When a shareholder in a closely held business dies there is no reported gain or loss on the partial redemption of stock.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 17 | 17 | 18 |

(m) Denotes a value of less than $1 million

**1.1.040** Exclusion of interest on public purpose state and local government bonds

Federal Statute IRC Sections 103, 141 and 146

**Description:** Interest income of qualifying governmental bonds is excluded from taxable income (expenditure estimate has been adjusted to reflect GA law that only interest on GA bonds is excluded from income).

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 1 | 1 | 1 |

(m) Denotes a value of less than $1 million

**1.1.041** Exclusion of income earned by voluntary employees' beneficiary associations

Federal Statute IRC Sections 501(a) and 501(c)(9)

**Description:** Provided certain requirements are met, the income earned by a voluntary employee beneficiary association (VEBA) is exempt from federal income taxes.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 21 | 23 | 27 |

(m) Denotes a value of less than $1 million

**1.1.043** Exclusion of disaster mitigation payments

Federal Statute IRC Section 139

**Description:** Payments made for disaster mitigation under the Robert T. Stafford Disaster Relief and Emergency Insurance Act or the National Flood Insurance Act are excluded from income.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 1 | 3 | 4 |

(m) Denotes a value of less than $1 million

**1.1.044** Deduction for Non-Itemizers of Charitable Contributions

Federal Statute IRC Section 170

**Description:** For 2020, individuals who don't itemize deductions can take up to a $300 above-the-line deduction for cash contributions to "qualified charitable organizations." For 2021, this above-the-line deduction allowed on a joint return is $600 (it remains at $300 for other taxpayers).

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | Estimate included in 1.2.021 | | |

(m) Denotes a value of less than $1 million

**1.1.045** Exclusion of income attributable to the discharge of principal residence acquisition indebtedness

Federal Statute IRC Section 108

**Description:** Income from discharge of indebtedness on qualified principal residence debt, up to a $750 thousand limit ($375 thousand for married individuals filing separately), is excluded from gross income for tax years beginning Jan. 1, 2021 through Dec. 31, 2025. For tax years beginning before Jan. 1, 2021, the limits were $2 million and $1 million, respectively.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 1 | 2 | 1 |

(m) Denotes a value of less than $1 million

## 1.2 Federal Deductions

**1.2.001** Accelerated depreciation (MACRS)

Federal Statute IRC Sections 167 and 168

**Description:** Under the Modified Accelerated Cost Recovery System (MACRS) the cost of tangible depreciation property of certain energy property is allowed a shorter depreciation period. Taxpayers are allowed to depreciate the costs of new rental housing and certain other buildings and equipment on an accelerated schedule.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 48 | 47 | 46 |

(m) Denotes a value of less than $1 million

**1.2.002** Deduction for expenditures on energy-efficient commercial building property

Federal Statute IRC Section 179D

**Description:** This provision provides a formula-based tax deduction for all or part of the cost of energy-efficient commercial building property placed in service after December 31, 2005. This deduction was modified in August of 2022.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | (m) | (m) | (m) |

(m) Denotes a value of less than $1 million

**1.2.003** Expensing of exploration and development costs: nonfuel minerals

Federal Statute IRC Sections 263, 291, 616-617, 56, 1254

**Description:** Firms engaged in mining are permitted to expense certain exploration and development costs.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | (m) | (m) | (m) |

(m) Denotes a value of less than $1 million

**1.2.004** Amortization of business start-up costs

Federal Statute IRC Section 195

**Description:** This provision allows a business taxpayer to deduct up to $10,000 in qualified start-up expenditures.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 2 | 2 | 2 |

(m) Denotes a value of less than $1 million

**1.2.006** Expensing of magazine circulation expenditures

Federal Statute IRC Section 173

**Description:** In general, current federal tax law allows publishers of newspapers, magazines, and other periodicals to deduct their expenditures to maintain, establish, or increase circulation in the year in which they are made.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | (m) | (m) | (m) |

(m) Denotes a value of less than $1 million

**1.2.007** Deductions for oil and gas exploration and development costs

Federal Statute IRC Sections 611, 612, 613, 613A and 291; 263(c), 616-617, 57(a)(2), 59(e) and 1254

**Description:** Firms that extract oil, gas or other minerals are permitted a deduction to recover their capital investment in a mineral reserve, which depreciates due to the physical and economic depletion or exhaustion as the mineral is recovered. Firms engaged in the exploration and development of oil, gas or geothermal properties have the option of expensing certain intangible drilling and development costs.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 0 | 0 | 0 |

(m) Denotes a value of less than $1 million

**1.2.008** Special treatment for expenses related to timber production

Federal Statute IRC Sections 194, 263A(c)(5)

**Description:** This provision allows expensing of production costs of growing timber. Taxpayers are also allowed different depreciation practices for qualified reforestation expenses.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 3 | 3 | 3 |

(m) Denotes a value of less than $1 million

**1.2.009** Expensing under IRC Section 179 of depreciable business property

Federal Statute IRC Section 179

**Description:** Within certain limits, a taxpayer may elect to deduct as a current expense the cost of qualifying property in the tax year when it is placed in service.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 43 | 47 | 55 |

(m) Denotes a value of less than $1 million

**1.2.010** Exceptions for publicly traded partnerships with qualified income derived from certain energy-related activities

Federal Statute IRC Section 7704

**Description:** This code section allows publicly traded partnerships to be treated as a corporation for the purposes of the federal income tax under most situations.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 3 | 4 | 5 |

(m) Denotes a value of less than $1 million

**1.2.011** Treatment of income from exploration and mining of natural resources as qualifying income under the publicly traded partnerships rules.

Federal Statute IRC Sections 162, 175, 180, 446, 448, 461, 464

**Description:** Qualifying income sources include gains from mining and natural resource activities, such as the exploration, development, mining or production, processing, refining, transportation, storage, and marketing of any depletable mineral or natural resource.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | (m) | 1 | 1 |

(m) Denotes a value of less than $1 million

**1.2.012** Various agricultural expensing provisions

Federal Statute IRC Sections 162, 175, 180, 446, 448, 461, 464

**Description:** Taxpayers in the business of farming may choose to expense costs associated with soil and water conservation, soil conditioning and the costs associated with raising dairy cattle and breeding cattle.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 1 | 1 | 1 |

(m) Denotes a value of less than $1 million

**1.2.013** Community and regional development incentives

Federal Statute IRC Sections 38(b), 39(d), 45A, 280C(a), 1391-97D

**Description:** Communities designated as empowerment zones are eligible for special development incentives.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 2 | 1 | 0 |

(m) Denotes a value of less than $1 million

**1.2.014** Expenses to remove architectural and transportation barriers to the handicapped and elderly

Federal Statute IRC Section 190

**Description:** This provision allows taxpayers to deduct up to $15,000 of expenses incurred in a single year for removing physical barriers to handicap or elderly individuals in qualified facilities or public transportation vehicles owned or leased by the taxpayer.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | (m) | (m) | (m) |

(m) Denotes a value of less than $1 million

**1.2.015** Inventory methods and valuation, (including last-in first-out, lower of cost or market, specific identification for homogenous products)

Federal Statute IRC Sections 475, 491-492

**Description:** This provision allows taxpayers to use alternative inventory systems to determine cost of goods sold.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 4 | 3 | 3 |

(m) Denotes a value of less than $1 million

**1.2.017** Health Savings Accounts

Federal Statute IRC Section 223

**Description:** This provision allows taxpayers to exclude their health savings account contributions from their gross income in determining their taxable income.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 96 | 108 | 120 |

(m) Denotes a value of less than $1 million

**1.2.018** Deduction for property taxes on real property

Federal Statute IRC Section 164

**Description:** Taxpayers may claim an itemized deduction for property taxes paid on owner-occupied residences. The deduction for property and state income or sales taxes in total cannot exceed $10,000.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 202 | 569 | 965 |

(m) Denotes a value of less than $1 million

**1.2.020** Deduction for mortgage interest on owner-occupied residences

Federal Statute IRC Section 163(h)

**Description:** A taxpayer may claim an itemized deduction for "qualified residence interest" which includes interest paid on a mortgage secured by a principal residence and a second residence.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 238 | 502 | 766 |

(m) Denotes a value of less than $1 million

**1.2.021** Deduction for charitable contributions)

Federal Statute IRC Sections 170 and 642(c)

**Description:** Subject to certain limitations, charitable contributions may be deducted by individuals.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 562 | 672 | 836 |

(m) Denotes a value of less than $1 million

**1.2.022** Deduction for casualty and theft losses

Federal Statute IRC Sections 165(c)(3), 165(e), 165(h)-165(k)

**Description:** An individual may claim an itemized deduction for unreimbursed personal casualty or theft losses up to a specified limit.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 1 | 3 | 4 |

(m) Denotes a value of less than $1 million

**1.2.023** Deduction for unreimbursed overnight expenses for National Guard and Reserve members

Federal Statute IRC Sections 162(p) and 62(a)(2)(E)

**Description:** An above-the-line deduction is available for unreimbursed overnight travel, meals, and lodging expenses of National Guard and Reserve members.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 2 | 3 | 3 |

(m) Denotes a value of less than $1 million

**1.2.025** Deduction for interest on student loans

Federal Statute IRC Section 221

**Description:** Taxpayers may deduct interest paid on qualified education loans in determining their adjusted gross income.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 18 | 20 | 21 |

(m) Denotes a value of less than $1 million

**1.2.027** Deduction for teacher classroom expenses

Federal Statute IRC Section 62

**Description:** An eligible employee of a public or private elementary or secondary school may claim a deduction, up to $250, for certain unreimbursed expenses.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 2 | 2 | 2 |

(m) Denotes a value of less than $1 million

**1.2.028** Deduction for health insurance premiums and long-term care insurance premiums by the self-employed

Federal Statute IRC Section 162(l)

**Description:** Generally, a self-employed individual may deduct the entire amount paid for health insurance or long-term care insurance.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 50 | 60 | 69 |

(m) Denotes a value of less than $1 million

**1.2.029** Deduction for medical, dental, and long-term care expenses

Federal Statute IRC Section 213

**Description:** Most medical expenses that are paid by an individual but not reimbursed by an employer or insurance company may be deducted from taxable income to the extent they exceed 10 percent of adjusted gross income.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 87 | 123 | 157 |

(m) Denotes a value of less than $1 million

**1.2.030** Net exclusion of pension contributions and earnings: traditional and Roth IRAs

Federal Statute Section 219 and 408 and 408A

**Description:** Individuals participating in a traditional or Roth IRA are allowed to deduct contributions in the case of traditional IRAs and distributions in the case of Roth IRAs. Both exemptions are phased out for higher-income individuals.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 228 | 276 | 324 |

(m) Denotes a value of less than $1 million

**1.2.031** Limit on net operating loss deduction

Federal Statute Pub. L. No. 115-63

**Description:** The deduction for net operating losses is limited to 80 percent of taxable income.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | (m) | (m) | (m) |

(m) Denotes a value of less than $1 million

**1.2.032** 7-year recovery period for motorsports entertainment complexes

Federal Statute IRC Sections 167 and 168

**Description:** Taxpayers are allowed to deduct the cost of certain depreciable assets from motorsports complexes over 7 years.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | (m) | (m) | (m) |

(m) Denotes a value of less than $1 million

## 1.3 Special Federal Conformity Provisions

**1.3.001** Deferral of gain on like-kind exchanges

Federal Statute IRC Section 1031

**Description:** When business or investment property is exchanged for property of a like-kind, no gain or loss is recognized on the exchange and therefore no tax is paid at the time of the exchange

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 42 | 41 | 39 |

(m) Denotes a value of less than $1 million

**1.3.002** Special rules for magazine, paperback book, and record returns

Federal Statute IRC Section 458

**Description:** Publishers and distributors of magazines, paperbacks, and records may elect to exclude from gross income for a tax year, the income from the sale of goods that are returned after the close of the tax year.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | (m) | (m) | (m) |

(m) Denotes a value of less than $1 million

**1.3.003** Two-year carryback for net operating losses attributable to farming

Federal Statute IRC Section 172

**Description:** Current law provides a two-year carryback period for losses related to farming.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 1 | 1 | 1 |

(m) Denotes a value of less than $1 million

**1.3.004** Special rules for mining reclamation reserves

Federal Statute IRC Sections 468 and 1274

**Description:** Electing taxpayers may deduct the current value equivalent of certain estimated future reclamation and closing costs for mining and solid waste disposal sites.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | (m) | (m) | (m) |

(m) Denotes a value of less than $1 million

**1.3.005** Cash accounting, for certain businesses

Federal Statute IRC Sections 446 and 448

**Description:** The cash method of accounting may be used by any business taxpayer that is not a tax shelter and falls into at least one of three specified categories. These are farming businesses, qualified personal service corporations, and entities that meet a gross receipts test.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 19 | 21 | 23 |

(m) Denotes a value of less than $1 million

**1.3.006** Deferral of gain on non-dealer installment sales

Federal Statute IRC Sections 453 and 453A(b)

**Description:** Some taxpayers are allowed to report some sales using the installment method of accounting in which the gross profit from the sale is prorated over the years during which the payments are received.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 8 | 8 | 8 |

(m) Denotes a value of less than $1 million

**1.3.007** Completed contract rules

Federal Statute IRC Section 460

**Description:** Some taxpayers with construction or manufacturing contracts extending for more than one tax year are allowed to report some or all of the profit on the contracts under special accounting rules rather than the normal rules of tax accounting.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 1 | 1 | 1 |

(m) Denotes a value of less than $1 million

**1.3.008** Special treatment of employee stock ownership plans (ESOPs) (includes deferral of tax on certain employee stock plans)

Federal Statute IRC Sections 401(a)(28), 404(a)(9), 404(k), 415(c)(6), 512(e), 1042, 4975(d)(3), 4978, 4979A

**Description:** Employer contributions may be deducted as a business expense. In addition, some contributions are subject to less restrictive limits than contributions to other employee benefit plans. Tax on qualified employee stock purchase plans are not taxed when granted or excised. Tax is deferred until stock is sold.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 27 | 30 | 32 |

(m) Denotes a value of less than $1 million

**1.3.009** Various agricultural expensing provisions

Federal Statute IRC Section 1301

**Description:** Beginning with tax years after 1997, taxpayers engaged in farming or fishing business, have the option to calculate their current year income tax by averaging over a prior three-year period, all or a portion of their income from farming and/or fishing.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 2 | 2 | 2 |

(m) Denotes a value of less than $1 million

**1.3.010** Qualified Opportunity Zones

Federal Statute PL 115-97; IRS 1400Z-1

**Description:** The inclusion in gross income of capital gains reinvested in a qualified opportunity fund may be temporarily deferred and 15 percent of capital gains reinvested may be excluded if the investment is held for seven years. Capital gains from the sale or exchange of an investment in the qualified opportunity fund held for at least 10 years are excluded from gross income. A qualified opportunity fund is an investment vehicle organized as a corporation or a partnership for the purpose of investing in qualified opportunity zone property that holds at least 90 percent of its assets in qualified opportunity zone property. Qualified opportunity zone property includes any qualified opportunity zone stock, any qualified opportunity zone partnership interest, and any qualified opportunity zone business property. Certain low-income community population census tracts may be designated as qualified opportunity zones by the chief executive officer of the State (which includes the District of Columbia).

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 18 | -2 | -49 |

(m) Denotes a value of less than $1 million

## 1.4 Georgia Exemptions

**1.4.001** Personal Exemption

| | |
|---|---|
| Statute | §48-7-26 |
| Year Enacted | 1987 |
| Year Effective | 1987 |
| Data Source | DOR data as of TY 2023 |
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | For distributional analysis, see Table 3 in Appendix. |

**Description:** For tax years 2024 and after, the personal exemption is eliminated. In addition, $4,000 is excluded from income for each dependent claimed on the tax return.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 556 | 545 | 540 |

(m) Denotes a value of less than $1 million

**1.4.002** Retirement Income

| | |
|---|---|
| Statute | §48-7-27(a)(5) |
| Year Enacted | 1971 |
| Year Effective | 1971 |
| Data Source | DOR data as of TY 2023 |
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | The definition of retirement income was modified, effective tax year 2018, to include Dept. of Defense survivor benefit payments regardless of age of beneficiary. For distributional analysis of this provision, see Table 4 in Appendix. |

**Description:** For tax years beginning in 2012, individuals age 62 and above may exclude a maximum of $35,000 and age 65 and above may exclude a maximum of $65,000 of retirement income. This income exclusion may include a maximum of $5,000 of earned income.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 1,423 | 1,428 | 1,460 |

(m) Denotes a value of less than $1 million

**1.4.003** Exclusion of federally taxable Social Security benefits

| | |
|---|---|
| Statute | §48-7-27(a)(7) |
| Year Enacted | 1971 |
| Year Effective | 1971 |
| Data Source | DOR data as of TY 2023 |
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | |

**Description:** Social Security and tier 1 railroad retirement benefits are excluded from state taxable income.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 509 | 512 | 521 |

(m) Denotes a value of less than $1 million

**1.4.004** Georgia Higher Education Savings Plan Contributions

| | |
|---|---|
| Statute | §48-7-27(a)(11) and (11.1) |
| Year Enacted | NA |
| Year Effective | Taxable years beginning on or after January 1, 2002 |
| Data Source | DOR data as of TY 2023 |
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | The contribution limits were increased from $2,000 to $4,000 effective January 1, 2016 and again in 2019 from $4,000 to $8,000, effective January 1, 2020. For distributional analysis, see Table 5 in Appendix. |

**Description:** An exemption from income is allowed for contributions to a qualified higher education savings plan. The exemption is limited to $8,000 per qualified plan beneficiary starting in 2020.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 23 | 22 | 22 |

(m) Denotes a value of less than $1 million

**1.4.005** Interest on U.S. obligations

| | |
|---|---|
| Statute | §48-7-27(b)(2) |
| Year Enacted | 1971 |
| Year Effective | 1971 |
| Data Source | DOR data as of TY 2023 |
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | For distributional analysis see Table 6 in Appendix |

**Description:** Interest earned on U.S. government bonds and other obligations are not included as taxable income.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 29 | 27 | 26 |

(m) Denotes a value of less than $1 million

**1.4.007** Organ donation expenses

| | |
|---|---|
| Statute | §48-7-27(a)(13) |
| Year Enacted | 1981 |
| Year Effective | Taxable years beginning on or after January 1, 2005 |
| Data Source | U.S. Dept. of Health and Human Services, Organ Procurement and Transplantation Network |
| Estimate Reliability | Class B |
| Data Reliability | Class A |
| Note | |

**Description:** Certain unreimbursed expenses associated with the donation of organs in accordance with the National Organ Procurement Act are deductible from

federal adjusted gross income up to a maximum value of $25,000.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | (m) | (m) | (m) |

(m) Denotes a value of less than $1 million

**1.4.008** Aged 65/Blind deduction

| | |
|---|---|
| Statute | §48-7-27(a)(1) |
| Year Enacted | 1971 |
| Year Effective | 1971 |
| Data Source | DOR data as of TY 2023 |
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | For distributional analysis see Table 7 in Appendix |

**Description:** Taxpayers aged 65 or older are allowed an annual deduction from income of $1,300 per taxpayer. Taxpayers who are blind are allowed an annual deduction from income of $1,300 per taxpayer. For tax years 2024 and after, old and blind deduction is eliminated.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 0 | 0 | 0 |

(m) Denotes a value of less than $1 million

**1.4.009** Certain dependent's unearned income

| | |
|---|---|
| Statute | §48-7-27(a)(8) |
| Year Enacted | 1971 |
| Year Effective | 1971 |
| Data Source | DOR data as of TY 2023 |
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | |

**Description:** Taxpayers can exclude unearned income of dependents that was included in the federal AGI of a parent's return.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | (m) | (m) | (m) |

(m) Denotes a value of less than $1 million

**1.4.010** Premiums for high-deductible health plans

| | |
|---|---|
| Statute | §48-7-27(a)(13.1) |
| Year Enacted | 2008 |
| Year Effective | Taxable years beginning on or after January 1, 2009 |
| Data Source | DOR data as of TY 2023 |
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | |

**Description:** Taxpayers are allowed to exclude 100 percent of premiums paid for certain high-deductible health plans.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 8 | 8 | 9 |

(m) Denotes a value of less than $1 million

**1.4.021** Exclusion of Military Survivor Benefits

| | |
|---|---|
| Statute | §48-7-27(a)(5)(E)(ii) |
| Year Enacted | 2018 |
| Year Effective | 2018 |
| Data Source | Fiscal note for HB 749 (2018) and DoD Statistical Report of the Military Retirement System |
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | |

**Description:** Income received by a surviving family member based on the service record of a deceased service member is exempt from state income tax

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | (m) | (m) | (m) |

(m) Denotes a value of less than $1 million

**1.4.022** Exclusion from the income tax for disability payments for disabled first responders

| | |
|---|---|
| Statute | §48-7-27(a)(12.4) |
| Year Enacted | 2019 |
| Year Effective | 2019 |
| Data Source | Fiscal note SB 138 LC 43 1258 (2019) |
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | |

**Description:** An income tax exclusion is allowed for first responders equal to 100 percent of the payments made to and received by a that disabled first responder pursuant to O.C.G.A 45-9-85. This exclusion requires that such amounts are included in the taxpayer's federal adjusted gross income and are not otherwise exempt from the tax imposed by this article under any other provision of law.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | (m) | (m) | (m) |

(m) Denotes a value of less than $1 million

**1.4.023** USDA Disaster Relief Payments Exemption

| | |
|---|---|
| Statute | §48-7-27(a)(11.2) |
| Year Enacted | 2020 |
| Year Effective | Taxable years beginning on or after January 1, 2019, and ending on or before December 31, 2023 |
| Data Source | Fiscal Note for HB 105 LC 43 1601S (2020) |
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | |

**Description:** Income received as payments from a federal disaster relief or assistance

grant program administered by this state or its instrumentalities or the United States Department of Agriculture to address agricultural losses suffered due to Hurricane Michael, to the extent such income is included in federal adjusted gross income or federal taxable income, is exempt from state income tax.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 0 | 50 | 79 |

(m) Denotes a value of less than $1 million

**1.4.024** Military Retirement Income Exclusion

| | |
|---|---|
| Statute | §48-7-27(a)(5.1) |
| Year Enacted | 2022 |
| Year Effective | Taxable years beginning on or after July 1, 2022 |
| Data Source | Fiscal note HB 1064 LC 43 2172 (2022) |
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | |

**Description:** For tax years beginning in 2024, Georgia taxpayers under the age of 62 may exclude up to $17,500 of retirement benefits received from the United States armed forces. An additional $17,500 of such income may be excluded if the taxpayer has at least $17,500 of other income included in their Georgia taxable income.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 22 | 22 | 22 |

(m) Denotes a value of less than $1 million

## Georgia individual income tax expenditures for which an estimate is not currently available

| Expenditure | Statute | Summary |
|---|---|---|
| 1.4.006 | §48-7-27(a)(12) | Certain military income of members of the National Guard and Reserves |
| 1.4.011 | §48-7-27(a)(12.2) | Exclusion of qualified insurance benefits for firefighters |
| 1.4.012 | §48-7-27 | Individual retirement account, Keogh, SEP, and Sub-S plan withdrawals where tax has been paid to Georgia because of the difference between Georgia and Federal law for tax years 1981 through 1986 |
| 1.4.013 | §48-7-27 | Depreciation because of differences in Georgia and Federal law during tax years 1981 through 1986 |
| 1.4.014 | §48-7-27(a)(4)(A) | Income from any fund, program or system which is exempted by federal law or treaty |
| 1.4.015 | §48-7-27(d) | Certain income in which the Sub-S election is not recognized by Georgia or another state in order to avoid double taxation |

| | | |
|---|---|---|
| 1.4.016 | §48-7-27(a)(9) | Adjustment for certain teachers retired from the Teachers Retirement System of Georgia |
| 1.4.017 | §48-7-28.2 | Amount of employer social security credit claimed by certain food and beverage establishments |
| 1.4.018 | §48-7-27 | Adjustment of certain payments to minority subcontractors |
| 1.4.019 | §48-7-27 | Adjustments to federal AGI for certain Georgia resident partners |
| 1.4.020 | §48-2-100 | Exemption for certain disaster relief firms |

## 1.5 Georgia Deductions

**1.5.001** Standard Deduction

| | |
|---|---|
| Statute | §48-7-27(a)(1) |
| Year Enacted | 1971 |
| Year Effective | 1971 |
| Data Source | DOR data as of TY 2023 |
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | For distributional analysis see Table 8 in Appendix. The allowable standard deduction amounts were increased effective January 1, 2022. |

**Description:** Taxpayers who do not itemize expenses on their federal return are allowed a standard deduction of $12,000 for single, head of household, and married separate filers, and $24,000 for married joint filers.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 2,926 | 2,871 | 2,844 |

(m) Denotes a value of less than $1 million

## Georgia individual income tax expenditures for which an estimate is not currently available

| Expenditure | Statute | Summary |
|---|---|---|
| 1.5.002 | §48-7-27 | Deduction of qualified insurance premiums for former firefighters |

## 1.6 Georgia Credits

**1.6.001** Rural Physician Credit

| | |
|---|---|
| Statute | §48-7-29 |
| Year Enacted | 1995 |
| Year Effective | Taxable years beginning on or after January 1, 1996 |
| Data Source | DOR Tax Credit data as of 2023 |
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | |

**Description:** This credit is for certain physicians practicing in rural counties. The value of the credit is equal to the lessor of $5,000 or the taxpayer's income tax liability and may be claimed for five years. For tax years 2024 and after, this credit is available for physicians and dentists practicing in rural counties. The annual credit remains at $5,000 and cannot be carried forward. The credit is capped at $2 million annually.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 1 | 2 | 2 |

(m) Denotes a value of less than $1 million

**1.6.002** Disabled person's home purchase or retrofit credit

| | |
|---|---|
| Statute | §48-7-29.1 |
| Year Enacted | 1998 |
| Year Effective | Taxable years beginning on or after January 1, 1999 |
| Data Source | DOR Tax Credit data as of 2023 |
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | |

**Description:** This credit provides a $500 credit for the purchase of a new single-family home containing accessibility features or for the retrofit of an existing home.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | (m) | (m) | (m) |

(m) Denotes a value of less than $1 million

**1.6.004** Disaster Assistance Credit

| | |
|---|---|
| Statute | §48-7-29.4 |
| Year Enacted | 2000 |
| Year Effective | Taxable years beginning on or after January 1, 2000 |
| Data Source | DOR Tax Credit data as of 2023 and FEMA disasters database |
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | |

**Description:** This credit is for individuals receiving disaster relief payments from the Georgia Emergency Management Agency or from the Federal Emergency Management Agency. The credit amount is the actual amount of the disaster relief assistance or $500, whichever is less. For tax years beginning on or after January 1, 2024 carry forwards are limited to three years.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 2 | 3 | (m) |

(m) Denotes a value of less than $1 million

**1.6.005** Qualified Caregiving Expense Credit

| | |
|---|---|
| Statute | §48-7-29.2 |
| Year Enacted | 1998 |
| Year Effective | Taxable years beginning on or after January 1, 1999 |
| Data Source | DOR Tax Credit data as of 2023 |
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | |

**Description:** This credit is for taxpayers with expenses related to the care of a qualifying family member. The value of the credit is equal to no more than 10 percent of the total amount expended for qualifying caregiving expenses. In no event shall the credit exceed $150 or the taxpayer's income tax liability, whichever is less.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | (m) | (m) | (m) |

(m) Denotes a value of less than $1 million

**1.6.006** Tax credit for life insurance for Georgia National Guard and Air National Guard

| | |
|---|---|
| Statute | §48-7-29.9 |
| Year Enacted | 2005 |
| Year Effective | Taxable years beginning on or after January 1, 2005 |
| Data Source | DOR Tax Credit data as of 2023 |
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | |

**Description:** This credit is available for active duty members of the Georgia National Guard and Air National Guard on active duty for more than 90 consecutive days and who purchase qualified life insurance through the Services' Group Life Insurance program administered by the U.S. Department of Veterans Affairs. The credit amount is equal to the cost of the premiums of the life insurance policy. For tax years beginning on or after January 1, 2024 carry forwards are limited to three years.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | (m) | (m) | (m) |

(m) Denotes a value of less than $1 million

**1.6.007** Child and Dependent Care Credit

| | |
|---|---|
| Statute | §48-7-29.10 |
| Year Enacted | 2006 |
| Year Effective | Taxable years beginning on or after January 1, 2006 |
| Data Source | DOR Tax Credit data as of 2023 |
| Estimate Reliability | Class A |
| Data Reliability | Class A |

Note

**Description:** This credit is equal to 30 percent of the federal credit claimed for qualified expenses related to the care of children and dependents.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 43 | 44 | 44 |

(m) Denotes a value of less than $1 million

**1.6.008** Adoption of Foster Child Credit

| | |
|---|---|
| Statute | §48-7-29.15 |
| Year Enacted | 2008 |
| Year Effective | Tax years beginning on or after January 1, 2008 |
| Data Source | DOR Tax Credit data as of 2023 and fiscal note for HB 114 LC 43 1943S (2021) |
| Estimate Reliability | Class A |
| Data Reliability | Class A |

Note

**Description:** This credit provides an annual tax credit for taxpayers adopting qualified foster children. The value of the credit is $2,000 per child annually until the child attains the age of 18 and applies to adoptions occurring in taxable years beginning on or after January 1, 2008. For adoptions beginning January 1, 2021, the credit for the first five years is increased to $6,000 and credits not utilized for the year of adoption may not be carried forward.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 12 | 13 | 14 |

(m) Denotes a value of less than $1 million

**1.6.009** Low-Income Credit

| | |
|---|---|
| Statute | §48-7A-3 |
| Year Enacted | 1991 |
| Year Effective | Taxable years beginning on or after January 1, 1992 |
| Data Source | DOR Tax Credit data as of 2023 |
| Estimate Reliability | Class A |
| Data Reliability | Class A |

Note

**Description:** This credit provides a tax credit to low-income individuals. The credit is based on the taxpayer's AGI. The maximum value of the credit is $26 per dependent. For tax years beginning on January 1, 2010 and after, the credit is nonrefundable.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 3 | 3 | 3 |

(m) Denotes a value of less than $1 million

**1.6.010** Credit for taxes paid to another state

| | |
|---|---|
| Statute | §48-7-28 |
| Year Enacted | 1931 |
| Year Effective | 1931 |
| Data Source | DOR Tax Credit data as of 2023 |

| | |
|---|---|
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | |

**Description:** A resident individual with income taxed by another state is allowed a credit for such tax. The maximum value of this credit is equal to the amount that would be due if the income were taxed by Georgia.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 355 | 337 | 339 |

(m) Denotes a value of less than $1 million

**1.6.011** Credit for Community-Based Faculty Preceptors

| | |
|---|---|
| Statute | §48-7-29.22 |
| Year Enacted | 2019 |
| Year Effective | 2019 |
| Data Source | DOR Tax Credit data as of 2023 and fiscal note for HB 287 LC 43 1215 (2019) |
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | Effective for tax years beginning on or after January 1, 2019, the deduction under O.C.G.A. 48-7-27 was replaced by a tax credit and definition of the physician that qualifies changed from community based faculty physicians to community based faculty preceptors. |

**Description:** Tax credits are earned by community-based faculty preceptors that are physicians, as defined by O.C.G.A.§43-34-21, in the amount of $500 for their first, second, and third preceptor rotations and $1,000 for each of their fourth through tenth preceptorship rotations. Tax credits for community-based faculty preceptors that are advanced practice registered nurses or physician assistants, as defined by O.C.G.A.§43-34-21, are $375 for their first through third preceptor rotations and $750 for their fourth through tenth preceptor rotations. This credit expires December 31, 2026.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 3 | 3 | 3 |

(m) Denotes a value of less than $1 million

**1.6.012** Georgia Job Tax Credit

| | |
|---|---|
| Statute | §48-7-40 and §48-7-40.1 |
| Year Enacted | §48-7-40: 1989; §48-7-40.1: 1993 |
| Year Effective | §48-7-40: Taxable years beginning on or after January 1, 1990; §48-7-40.1: Taxable years beginning on or after January 1, 1994 |
| Data Source | DOR data as of TY 2023 and Office of Insurance and Safety Fire Commissioner |
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | The same estimate is provided in the corporate income tax and insurance premium tax sections, see 2.6.001 and 5.00200. In 2018, the qualifying areas were expanded to include counties |

with military bases and industrial parks that are owned and operated by a government entity.

**Description:** The credit provides a statewide job tax credit to any business or headquarters engaged in manufacturing, warehousing and distribution, processing, telecommunications, broadcasting, tourism, or research and development. Retail establishments are only allowed the credit if located in one of the 40 least-developed counties of the state. Average wages must be greater than the average wage of the county in the state with the lowest average wage. To be eligible, employers must offer health insurance to all new employees. It also provides a tax credit for businesses enterprises designated as operating in less-developed areas. These include areas with ten or more contiguous census tracts with higher than 15 percent poverty and counties with both a military base and a government owned and operated industrial park.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| Income Tax Expenditure | 76 | 77 | 78 |
| Corporate Income Tax Expenditure | 118 | 120 | 122 |
| Insurance Premium Tax Expenditure | 3 | 3 | 3 |
| State Tax Expenditure | 197 | 200 | 203 |

(m) Denotes a value of less than $1 million. Numbers may not sum due to rounding

**1.6.013** Quality Jobs Tax Credit

| | |
|---|---|
| Statute | §48-7-40.17 |
| Year Enacted | 2009 |
| Year Effective | Taxable years beginning on or after January 1, 2009 |
| Data Source | DOR data as of TY 2022 |
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | This provision was modified to allow consideration of jobs in disregarded entities for purposes of qualifying for the credit. This statute was modified in 2017 allowing taxpayers to establish subsequent job creation periods for a qualified project. The same estimate is provided in the corporate income tax section, see 2.6.002. |

**Description:** This credit is for employers creating new high-wage jobs or relocating high-wage jobs into the state. A quality job or high-wage job has 30 hours a week of regular work; is not already located in Georgia; and pays at or above 110 percent of the average wage of the county in which it is located.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| Income Tax Expenditure | 1 | 1 | 1 |
| Corporate Income Tax Expenditure | 127 | 139 | 142 |
| Insurance Premium Tax Expenditure | 0 | 0 | 0 |
| State Tax Expenditure | 128 | 140 | 143 |

(m) Denotes a value of less than $1 million. Numbers may not sum due to rounding

**1.6.014** New Facilities Jobs Credit

| | |
|---|---|
| Statute | §48-7-40.24 |
| Year Enacted | 2003 |

| | |
|---|---|
| Year Effective | Latest modifications are effective for taxable years beginning on or after July 1, 2021 |
| Data Source | Fiscal note for HB 587 LC 43 2010S for 2021 |
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | The same estimate is provided in the corporate income tax section, see 2.6.003. |

**Description:** This provision provides for a credit of $5,250 per year per qualified new job for up to five years, subject to recapture based on job and payroll maintenance requirements, and until July 1, 2021, limited to 4,500 such new jobs for any one qualified project. For business enterprises that first qualify in a taxable year beginning on or after January 1, 2009, the business enterprise must meet the job creation requirement of 1,800 eligible new full-time employees and either the qualified investment requirement of $450 million in qualified investment property, or the payroll requirement of $150 million in total annual Georgia W-2 reported payroll within the six-year period, subject to extension under certain conditions.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | Estimate combined with 1.6.012 | | |

(m) Denotes a value of less than $1 million.

**1.6.015** New Manufacturing Facilities Property Credit

| | |
|---|---|
| Statute | §48-7-40.25 |
| Year Enacted | 2003 |
| Year Effective | Latest modifications are effective for taxable years beginning on or after July 1, 2021 |
| Data Source | Fiscal note for HB 587 LC 43 2010S for 2021 |
| Estimate Reliability | NA |
| Data Reliability | NA |
| Note | Utilization of this credit resulting from known or anticipated projects is expected to be material, but not within the time horizon of this report; see fiscal note.<br>The same estimate is provided in the corporate income tax section, see 2.6.004. |

**Description:** This is an incentive for a manufacturer who has operated a manufacturing facility in this state for at least 3 years and who spends $800 million on a new manufacturing facility in this state, subject to a job requirement of 1,800 full-time employees. The credit equal to 6 percent of the cost of all qualified investment property purchased or acquired, up to $50 million with respect to any one project. For qualified high-impact aerospace defense projects certified on or after July 1, 2021, the maximum credit for any one project is increased to $100 million and the taxpayer may begin claiming credits once investment and job thresholds of $500 million and 1,000, respectively, are reached. For tax years on or after January 1, 2025, carryforwards are limited from fifteen to ten years.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 0 | 0 | 0 |

(m) Denotes a value of less than $1 million.

**1.6.016** Manufacturer's Investment Tax Credit

| | |
|---|---|
| Statute | §§48-7-40.2, 48-7-40.3, and 48-7-40.4 |
| Year Enacted | 1994 |
| Year Effective | Taxable years beginning on or after January 1, 1994 |
| Data Source | DOR data as of TY 2023 |
| Estimate Reliability | Class B |
| Data Reliability | Class A |
| Note | The same estimate is provided in the corporate income tax section, see 2.6.005. |

**Description:** For tax years beginning on or after January 1, 2020, the taxpayer must invest a minimum of $100,000 per project per location during the tax year to receive credit, up from a $50,000 minimum in prior years. Eligible taxpayers must be in operation for the immediately preceding three years. Property lease for a period of five years or longer is eligible for the credit. For tax years on or after January 1, 2025, carryforwards are limited from ten to five years.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| Income Tax Expenditure | 3 | 4 | 4 |
| Corporate Income Tax Expenditure | 18 | 20 | 21 |
| State Tax Expenditure | 21 | 24 | 25 |

(m) Denotes a value of less than $1 million. Numbers may not sum due to rounding

**1.6.017** Optional Investment Tax Credit

| | |
|---|---|
| Statute | §§48-7-40.7, 48-7-40.8, and 48-7-40.9 |
| Year Enacted | 1995 |
| Year Effective | Taxable years beginning on or after January 1, 1996. |
| Data Source | DOR data as of TY 2023 |
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | The same estimate is provided in the corporate income tax section, see 2.6.006. |

**Description:** An alternative investment tax credit is available for taxpayers based on their investments in manufacturing or telecommunications facilities or support facilities where these facilities have been operating for the three immediately preceding years. The credit is available for investments in excess of $5 million and placed in service no earlier than January 1, 1996, for tier 1 counties. The investment threshold is $10 million for tier 2 counties and is $20 million for tier 3 and 4 counties. For tax years on or after January 1, 2025, carryforwards are limited from ten to five years.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| Income Tax Expenditure | 1 | 1 | 1 |
| Corporate Income Tax Expenditure | 1 | 1 | 1 |
| State Tax Expenditure | 2 | 3 | 3 |

(m) Denotes a value of less than $1 million. Numbers may not sum due to rounding

**1.6.018** Port Activity Tax Credit

| | |
|---|---|
| Statute | §48-7-40.15 |
| Year Enacted | 1998 |

| | |
|---|---|
| Year Effective | Latest modifications apply to taxable years beginning on or after January 1, 2010 |
| Data Source | DOR data as of TY 2022 |
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | Estimate combined with 1.6.019. The same estimate is provided in the corporate income tax section, see 2.6.007. |

**Description:** For taxable years beginning before January 1, 2010, businesses or the headquarters of any such businesses engaged in manufacturing, warehousing and distribution, processing, telecommunications, broadcasting, tourism, or research and development that have increased shipments out of Georgia ports during the previous 12-month period by more than 10 percent over their 1997 base year port traffic, or by more than 10 percent over 75 net tons, five containers or 10 20-foot equivalent units (TEU's) during the previous 12-month period are qualified for increased job tax credits or investment tax credits. For taxable years beginning on or after January 1, 2010, the increase is based on a comparison of the previous 12-month period to the second preceding 12-month period. For tax years on or after January 1, 2025, carryforwards are limited from ten to five years.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| Income Tax Expenditure | (m) | (m) | (m) |
| Corporate Income Tax Expenditure | 5 | 5 | 5 |
| State Tax Expenditure | 5 | 5 | 5 |

(m) Denotes a value of less than $1 million. Numbers may not sum due to rounding

**1.6.019** Alternate Port Activity Tax Credit

| | |
|---|---|
| Statute | §48-7-40.15A |
| Year Enacted | 2009 |
| Year Effective | 2009 |
| Data Source | DOR data as of TY 2023 |
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | Estimate combined with 1.6.018. The same estimate is provided in the corporate income tax section, see 2.6.008. |

**Description:** Credit is allowed to any business enterprise located in a tier 2 or 3 county or in a less developed area and which qualifies and receives the Jobs Tax Credit and which:
1. Consists of a distribution facility of greater than 650,000 square feet in operation in this state prior to December 31, 2008;
2. Distributes product to retail stores owned by the same legal entity or its subsidiaries as such distribution facility; and
3. Has a minimum of eight retail stores in this state in the first year of operations.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | Estimate combined with 1.6.018 | | |

(m) Denotes a value of less than $1 million. Numbers may not sum due to rounding

**1.6.020** Film Tax Credit

| | |
|---|---|
| Statute | §48-7-40.26 |
| Year Enacted | 2005 |
| Year Effective | Taxable years beginning on or after January 1, 2005 |
| Data Source | DOR data for TY 2020 |
| Estimate Reliability | Class B |
| Data Reliability | Class A |
| Note | The same estimate is provided in the corporate income tax section, see 2.6.009. Tax credit provisions applicable to qualified interactive entertainment production companies were modified in 2015. |

**Description:** Production companies which have at least $500,000 of qualified expenditures in a state-certified production may claim this credit. Certification must be approved through the Georgia Department of Economic Development. There are special provisions relating to the tax credits awarded to interactive entertainment companies. Under the 2017 modifications to this statute, the 2019 sunset for the qualified interactive entertainment production company tax credit has been eliminated. For tax years on or after January 1, 2025, carryforwards are limited from five to three years.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| Income Tax Expenditure | 398 | 472 | 471 |
| Corporate Income Tax Expenditure | 134 | 159 | 159 |
| State Tax Expenditure | 532 | 631 | 630 |

(m) Denotes a value of less than $1 million. Numbers may not sum due to rounding

**1.6.021** Research Tax Credit

| | |
|---|---|
| Statute | §48-7-40.12 |
| Year Enacted | 1997 |
| Year Effective | Taxable years beginning on or after January 1, 1998 |
| Data Source | DOR data as of TY 2023 and National Science Foundation |
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | The same estimate is provided in the corporate income tax section, see 2.6.010. |

**Description:** This credit is for expenses resulting from research conducted in Georgia by businesses engaged in manufacturing, warehousing and distribution, processing, telecommunications, tourism, or research and development industries. A tax credit is allowed provided that the business enterprise for the same taxable year claims and is allowed a research credit under Section 41 of the Internal Revenue Code of 1986, as amended. For tax years on or after January 1, 2025, carryforwards are limited from ten to five years.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| Income Tax Expenditure | 17 | 18 | 19 |
| Corporate Income Tax Expenditure | 208 | 219 | 230 |
| State Tax Expenditure | 225 | 238 | 250 |

(m) Denotes a value of less than $1 million. Numbers may not sum due to rounding

**1.6.022** Seed-Capital Fund Credit

| | |
|---|---|
| Statute | §48-7-40.27 & 40.28 |
| Year Enacted | 2008 |
| Year Effective | Applicable to investments made on or after July 1, 2008 |
| Data Source | DOR data as of TY 2022 |
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | The same estimate is provided in the corporate income tax section, see 2.6.011. |

**Description:** This provides a tax credit for certain qualified investments made on or after July 1, 2008, in a research fund, the purpose of which is to provide early-stage financing for businesses formed as a result of research conducted in Georgia's research universities.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| Income Tax Expenditure | (m) | (m) | (m) |
| Corporate Income Tax Expenditure | (m) | (m) | (m) |
| State Tax Expenditure | (m) | (m) | (m) |

(m) Denotes a value of less than $1 million. Numbers may not sum due to rounding

**1.6.023** Qualified Health Insurance Expense Credit

| | |
|---|---|
| Statute | §48-7-29.13 |
| Year Enacted | 2008 |
| Year Effective | Taxable years beginning on or after January 1, 2009 |
| Data Source | DOR data as of TY 2023 |
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | The same estimate is provided in the corporate income tax section, see 2.6.012. |

**Description:** Employers earn a tax credit based on the premiums paid for a high-deductible health plan. Employers must employ 50 or fewer persons for whom the employer provides high-deductible health plans as defined by Section 223 of the Internal Revenue Code and in which such employees are enrolled. The qualified health insurance must be made available to all employees and compensated individuals of the employer pursuant to the applicable provisions of Section 125 of the Internal Revenue Code. The qualified health insurance premium expense must equal at least $250 annually. For tax years beginning on or after January 1, 2025 carry forwards are limited to three years.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| Income Tax Expenditure | (m) | (m) | (m) |
| Corporate Income Tax Expenditure | (m) | (m) | (m) |
| State Tax Expenditure | (m) | (m) | (m) |

(m) Denotes a value of less than $1 million. Numbers may not sum due to rounding

**1.6.026** Business Enterprise Vehicle Credit

| | |
|---|---|
| Statute | §48-7-40.22 |
| Year Enacted | 2001 |
| Year Effective | Taxable years beginning on or after January 1, 2002. |

| | |
|---|---|
| Data Source | DOR data as of TY 2021 |
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | The same estimate is provided in the corporate income tax section, see 2.6.015. |

**Description:** This is a credit given to a business enterprise for the purchase of a motor vehicle that is used exclusively to provide transportation for its employees. To qualify, a business enterprise must certify that each vehicle carries an average daily ridership of not less than four employees for an entire taxable year.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| Income Tax Expenditure | (m) | (m) | (m) |
| Corporate Income Tax Expenditure | (m) | (m) | (m) |
| State Tax Expenditure | (m) | (m) | (m) |

(m) Denotes a value of less than $1 million. Numbers may not sum due to rounding

**1.6.027** Employer's credit for providing or sponsoring child care for employees, and employer's credit for purchasing child-care property

| | |
|---|---|
| Statute | §48-7-40.6 |
| Year Enacted | 1994 & 1999 |
| Year Effective | Credit for cost of operation: taxable years beginning on or after January 1, 1994. Credit for cost of qualified child-care property: taxable years beginning on or after January 1, 2000. |
| Data Source | DOR data as of TY 2023 |
| Estimate Reliability | Class B |
| Data Reliability | Class A |
| Note | The same estimate is provided in the corporate income tax section, see 2.6.016. |

**Description:** This credit is provided to employers based on their expenses related to providing or sponsoring childcare for their employees' children and for the purchase of qualified child-care property.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| Income Tax Expenditure | 5 | 5 | 5 |
| Corporate Income Tax Expenditure | 14 | 13 | 14 |
| State Tax Expenditure | 19 | 18 | 19 |

(m) Denotes a value of less than $1 million. Numbers may not sum due to rounding

**1.6.028** Low-Income Housing Credit

| | |
|---|---|
| Statute | §48-7-29.6 |
| Year Enacted | 2000 |
| Year Effective | Taxable years beginning on or after January 1, 2001. |
| Data Source | DOR data as of TY 2023 |
| Estimate Reliability | Class B |
| Data Reliability | Class A |
| Note | The same estimate is provided in the corporate income and insurance premium tax section, see 2.6.017 and 5.00700. |

**Description:** This is a credit against Georgia income taxes for taxpayers owning developments which receive the federal low-income housing tax credit and

that are placed in service on or after January 1, 2001.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| Income Tax Expenditure | 145 | 148 | 153 |
| Corporate Income Tax Expenditure | 37 | 38 | 39 |
| Insurance Premium Tax Expenditure | 215 | 227 | 237 |
| State Tax Expenditure | 396 | 412 | 430 |

(m) Denotes a value of less than $1 million. Numbers may not sum due to rounding

**1.6.029** Historic Rehabilitation Credit

| | |
|---|---|
| Statute | §48-7-29.8 |
| Year Enacted | 2002 |
| Year Effective | Taxable years beginning on or after January 1, 2004 |
| Data Source | DOR data as of TY 2024 and Fiscal Note for HB 469 LC 43 2035S (2021) |
| Estimate Reliability | Class B |
| Data Reliability | Class B |
| Note | The same estimate is provided in the corporate income tax section, see 2.6.018. This provision expires December 31, 2030. |

**Description:** A credit is provided based on expenses related to the certified rehabilitation of a certified structure or historic home. Standards set by the Department of Community Affairs must be met. A $25 million per calendar year aggregate cap applies to projects earning more than $300,000 in credits. The credit was modified in 2015 to allow unused credits to be assigned or sold to other taxpayers. Further modifications in 2021 applied a $5 million per calendar year cap on smaller projects and added a sunset date for the credit of December 31, 2030.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| Income Tax Expenditure | 14 | 13 | 13 |
| Corporate Income Tax Expenditure | 8 | 7 | 8 |
| State Tax Expenditure | 22 | 20 | 21 |

(m) Denotes a value of less than $1 million. Numbers may not sum due to rounding

**1.6.031** Low/Zero-Emission Vehicle Charger Credit

| | |
|---|---|
| Statute | §48-7-40.16 |
| Year Enacted | 1998 |
| Year Effective | Taxable years beginning on or after January 1, 1998 |
| Data Source | DOR data as of TY 2024 |
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | The same estimate is provided in the corporate income tax, see 2.6.020. |

**Description:** This credit applies to the purchase or lease of an electric vehicle charger and to the conversion of a standard vehicle to a low- or zero-emission vehicle. The credit for the purchase or lease of a new low- or zero-emission vehicle was eliminated effective July 1, 2015.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2024 | 2025 | 2026 |
| Income Tax Expenditure | (m) | (m) | (m) |
| Corporate Income Tax Expenditure | (m) | (m) | (m) |
| State Tax Expenditure | (m) | (m) | (m) |

(m) Denotes a value of less than $1 million. Numbers may not sum due to rounding

**1.6.032** Land Conservation Credit

| | |
|---|---|
| Statute | §48-7-29.12 |
| Year Enacted | 2006 |
| Year Effective | Taxable years beginning on or after January 1, 2006 |
| Data Source | DOR data as of TY 2023 |
| Estimate Reliability | Class B |
| Data Reliability | Class A |
| Note | The same estimate is provided in the corporate income tax section, see 2.6.021. |

**Description:** This provides for an income tax credit for the qualified donation of real property that qualifies as conservation land pursuant to Chapter 22 of O.C.G.A. Title 36. This credit was modified in 2015 such that the aggregate value of credits awarded under this provision cannot exceed $30 million per year and no new credit applications will be accepted after December 31, 2026. For taxable years beginning on or after 2025, any credits generated but not used may be carried forward for five years. No new applications accepted after December 31, 2026.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| Income Tax Expenditure | 1 | 1 | 1 |
| Corporate Income Tax Expenditure | (m) | (m) | (m) |
| State Tax Expenditure | 1 | 1 | 1 |

(m) Denotes a value of less than $1 million. Numbers may not sum due to rounding

**1.6.035** Employer's credit for approved employee retraining

| | |
|---|---|
| Statute | §48-7-40.5 |
| Year Enacted | 1994 |
| Year Effective | Latest modifications are effective for taxable years beginning on or after January 1, 2009 |
| Data Source | DOR data as of TY 2023 |
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | The same estimate is provided in the corporate income tax section, see 2.6.024. |

**Description:** The tax credit reimburses employers for the cost of providing retraining services to their employees. Retraining programs shall not include any retraining on commercially, mass produced software packages for word processing, database management, presentations, spreadsheets, e-mail, personal information management, or computer operating systems except a retraining tax credit shall be allowable for those providing support or training on such software. For tax years on or after January 1, 2025, carryforwards are limited from ten to five years.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| Income Tax Expenditure | 17 | 17 | 17 |
| Corporate Income Tax Expenditure | 43 | 44 | 44 |
| State Tax Expenditure | 59 | 61 | 61 |

(m) Denotes a value of less than $1 million. Numbers may not sum due to rounding

**1.6.036** Qualified Education Expense Credit

| | |
|---|---|
| Statute | §48-7-29.16; §33-8-4 |
| Year Enacted | 2008 |
| Year Effective | Taxable years beginning on or after January 1, 2008 |
| Data Source | DOR data as of TY 2023 |
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | The same estimate is provided in the corporate income tax and insurance premium tax sections, see 2.6.025 and 5.01000. |

**Description:** This provides a tax credit for donations made by taxpayers to a student This provides a tax credit for donations made by taxpayers to a student scholarship organization which are used for tuition and fees for a qualified school or program. As of January 1, 2023 the annual cap increased to $120 million, and credits were allowed against the insurance premium tax up to $6 million annually. For tax years beginning on or after January 1, 2025 carry forwards are limited from five to three years.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| Income Tax Expenditure | 67 | 71 | 80 |
| Corporate Income Tax Expenditure | 21 | 22 | 25 |
| Insurance Premium Tax | 3 | 3 | 3 |
| State Tax Expenditure | 92 | 96 | 109 |

(m) Denotes a value of less than $1 million. Numbers may not sum due to rounding

**1.6.041** Tax credit for existing business enterprises undergoing qualified business expansion

| | |
|---|---|
| Statute | §48-7-40.21 |
| Year Enacted | 2001 |
| Year Effective | Latest modifications are applicable to tax years beginning on or after January 1, 2008 |
| Data Source | DOR data as of TY 2023 |
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | The same estimate is provided in the corporate income tax section, see 2.6.030. |

**Description:** This credit applies to businesses that create at least 500 new full-time jobs within a taxable year.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | Estimate combined with 1.6.013 | | |

(m) Denotes a value of less than $1 million.

**1.6.043** Bank Tax Credit

| | |
|---|---|
| Statute | §48-7-29.7 |
| Year Enacted | 2000 |
| Year Effective | 2001 |
| Data Source | DOR data as of TY 2023 |
| Estimate Reliability | Class B |
| Data Reliability | Class A |
| Note | The same estimate is provided in the corporate income tax section, see 2.6.032. |

**Description:** Depository financial institutions are allowed a credit against their state income tax liability equal to the sum of the amount of their business license taxes paid to local governments and any special state occupation taxes paid to the state.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| Income Tax Expenditure | 3 | 3 | 3 |
| Corporate Income Tax Expenditure | 54 | 53 | 52 |
| State Tax Expenditure | 57 | 55 | 55 |

(m) Denotes a value of less than $1 million. Numbers may not sum due to rounding

**1.6.045** Income tax credit for contributions to rural health care organizations

| | |
|---|---|
| Statute | §48-7-29.20 |
| Year Enacted | 2016 |
| Year Effective | 2017 |
| Data Source | DOR data for 2024 |
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | This statute was modified in 2017 and 2018 to increase taxpayer limitations and the credit rate, modify the aggregate state cap, and extend the expiration. This statute was modified again in 2019 to extend the expiration. The same estimate is provided in the corporate income tax section, see 2.6.034. |

**Description:** An individual taxpayer shall be allowed an income tax credit equal to a maximum of $5,000 for an individual filing a single return or $10,000 for joint returns. A corporation or other entity shall be allowed an income tax credit equal to a maximum of 75 percent of the corporation's income tax liability. The aggregate amount of credits cannot exceed $100 million in any year. The provision expires December 31, 2029.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| Income Tax Expenditure | 59 | 69 | 70 |
| Corporate Income Tax Expenditure | 20 | 24 | 24 |
| State Tax Expenditure | 80 | 93 | 94 |

(m) Denotes a value of less than $1 million. Numbers may not sum due to rounding

**1.6.046** Revitalization Zone Tax Credit

| | |
|---|---|
| Statute | §48-7-40.32 |
| Year Enacted | 2017 |
| Year Effective | Taxable years beginning on or after January 1, 2018. |
| Data Source | DOR data as of TY 2023 |

| | |
|---|---|
| Estimate Reliability | Class B |
| Data Reliability | Class A |
| Note | The same estimate is provided in the corporate income tax section, see 2.6.035. |

**Description:** An income tax credit to promote the revitalization of vacant rural Georgia downtowns. The statute includes three credits. The first allows certified entities to claim an annual tax credit for five consecutive years of $2,000 per qualified employee but not to exceed $40,000 per taxable year for any taxpayer. The second provides for a credit equal to 25 percent of the purchase price of qualified property up to an amount equal to $125,000 per project. The third provides for a tax credit of 30 percent of qualified rehabilitation expenses but not to exceed $150,000 per project.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 1 | 2 | 2 |

(m) Denotes a value of less than $1 million

**1.6.047** Georgia Musical Investment Tax Credit

| | |
|---|---|
| Statute | §48-7-40.33 |
| Year Enacted | 2017 |
| Year Effective | Taxable years beginning on or after January 1, 2018. |
| Data Source | DOR data as of TY 2023 |
| Estimate Reliability | Class C |
| Data Reliability | Class A |
| Note | The same estimate is provided in the corporate income tax section, see 2.6.036. |

**Description:** This income tax credit is equal to 15 percent of qualified production expenditures of a musical or theatrical performance, or a recorded musical performance incorporated into or synchronized with a movie, television, or interactive entertainment production. An additional credit equal to 5 percent may be allowed for certain expenditures in tier 1 or tier 2 counties.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | (m) | (m) | (m) |

(m) Denotes a value of less than $1 million

**1.6.048** Public Education Innovation Fund Tax Credit

| | |
|---|---|
| Statute | §48-7-29.21 |
| Year Enacted | 2017 |
| Year Effective | Taxable years beginning on or after January 1, 2018. |
| Data Source | DOR data as of TY 2023 and Fiscal Note for HB 237 LC 33 7049S (2017) |
| Estimate Reliability | Class C |
| Data Reliability | Class A |
| Note | The same estimate is provided in the corporate income section, see 2.6.037. |

**Description:** This income tax credit is equal to contributions to a qualified Public Education Innovation fund. The value of the credit varies by personal income filing type from $1,000 to $10,000. Corporate filers are allowed a credit equal to 75 percent of their current income tax liability. The aggregate amount of credits awarded each year may not exceed $5 million

for taxable years on or before December 31, 2023, and $15 million for tax year 2024 and all subsequent years. This credit expires December 31, 2029. For tax years on or after January 1, 2025, carryforwards are limited from five to three years.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| Income Tax Expenditure | 1 | 1 | 2 |
| Corporate Income Tax Expenditure | 4 | 3 | 4 |
| State Tax Expenditure | 5 | 5 | 6 |

(m) Denotes a value of less than $1 million. Numbers may not sum due to rounding

**1.6.049** Agribusiness Tax Credit

| | |
|---|---|
| Statute | §33-1-25 |
| Year Enacted | 2017 |
| Year Effective | Taxable years beginning on or after January 1, 2018. |
| Data Source | DOR data as of TY 2023 and Office of Insurance and Safety Fire Commissioner |
| Estimate Reliability | Class B |
| Data Reliability | Class B |
| Note | The same estimate is provided in the corporate income and insurance premium tax sections, see 2.6.038 and 5.00900. |

**Description:** This income tax credit establishes qualified low-income community rural investment funds and tax credits. The credit amount is 15 percent of the eligible investment per year beginning in the third year after the investment is made and continuing through the sixth year, for a total credit equal to 60 percent of the eligible investment. The credit is nonrefundable and may not be sold, but may be carried forward indefinitely. The amount of credits available is subject to a cumulative cap of $100 million.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| Income Tax Expenditure | 1 | 0 | 0 |
| Corporate Income Tax Expenditure | 2 | 1 | 1 |
| Insurance Premium Tax Expenditure | 4 | 2 | 1 |
| State Tax Expenditure | 7 | 3 | 2 |

(m) Denotes a value of less than $1 million

**1.6.050** Railroad Track Maintenance Tax Credit

| | |
|---|---|
| Statute | §48-7-40.34 |
| Year Enacted | 2018 |
| Year Effective | 2019 |
| Data Source | Fiscal Note for LC 39 2856 (2021) |
| Estimate Reliability | Class C |
| Data Reliability | Class B |
| Note | The same estimate is provided in the corporate income tax section, see 2.6.039. |

**Description:** This income tax credit is based on maintenance expenditures related to railroad track owned or leased by Class III railroads. The credit equals 50 percent of railroad track maintenance expenditures, subject to a maximum credit of $3,500 per track mile per year. In addition to Class III railroads, persons transporting property using a Class III railroad's facilities

or persons furnishing railroad-related property or services to a Class III railroad are eligible for the credit with respect to maintenance of their assigned track miles. This credit expires December 31, 2026. For tax years on or after January 1, 2025, carryforwards are reduced from five to three years.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 6 | 6 | 6 |

(m) Denotes a value of less than $1 million

**1.6.051** Reforestation credit for losses incurred on commercial timberland due to hurricane

| | |
|---|---|
| Statute | §48-7-40.36 |
| Year Enacted | 2018 |
| Year Effective | 2018 |
| Data Source | Fiscal Note for HB 223S LC 50 1215-ECS (2025) and DOR data as of TY 2023 |
| Estimate Reliability | Class B |
| Data Reliability | Class A |
| Note | The same estimate is provided in the corporate income tax, see section 2.6.040. |

**Description:** Provides for a credit for casualty losses incurred on commercial timberland due to damage attributed to Hurricane Helene in the fall of 2024, subject to replanting requirements as described below. The amount of the credit is equal to 100 percent of the casualty loss deduction reported on the taxpayer's federal return, provided that the credit amount does not exceed $550 per acre. Taxpayers must seek preapproval for the credit on or before December 31, 2025. Taxpayers are eligible to claim the credit in the taxable year in which the taxpayer replants 90 percent of the timber lost in the hurricane. Credits claimed are nonrefundable, but can be carried forward for up to 10 years. The total amount of credits preapproved may not exceed $200 million.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| Income Tax Expenditure | 0 | 24 | 26 |
| Corporate Income Tax Expenditure | 0 | 16 | 18 |
| State Tax Expenditure | 0 | 40 | 44 |

(m) Denotes a value of less than $1 million. Numbers may not sum due to rounding

**1.6.052** Qualified Post-Production Expenditures Credit

| | |
|---|---|
| Statute | §48-7-40.26A |
| Year Enacted | 2017 |
| Year Effective | 2018 |
| Data Source | DOR data as of TY 2023 |
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | The same estimate is provided in the corporate income tax, see section 2.6.041. |

**Description:** Postproduction companies with at least $500,000 in qualified postproduction expenditures per year will be eligible for a credit equal to 20 percent of the qualified postproduction expenditures. An additional 10

percent credit is allowed if the qualified production expenditures were incurred in the state. An additional 5 percent credit is allowed if the qualified production expenditures were incurred in a tier 1 or tier 2 county. The value of credits awarded is limited to a maximum of $10 million for 2018 through 2022. If in any year the aggregate amount of credits allowable is not awarded, the remaining credits will be rolled in the allowable credits for the following year. Postproduction companies with expenditures between $100,000 and $500,000 per year are eligible for a separate credit equal to 20 percent of the qualified postproduction expenditures. Aggregate annual claims on this credit are limited to $1 million. The $1 million small company credit limit does not count against the credit limit for the large company credit discussed above. No credits shall be earned in years after 2022. HB 129 resumes postproduction expenditure tax credit beginning January 1, 2026 and before January 1, 2031.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| Income Tax Expenditure | 1 | 1 | 2 |
| Corporate Income Tax Expenditure | 0 | 1 | 1 |
| State Tax Expenditure | 1 | 2 | 3 |

(m) Denotes a value of less than $1 million. Numbers may not sum due to rounding

**1.6.053** Personal protective equipment manufacturer job tax credit

| | |
|---|---|
| Statute | §48-7-40.1A |
| Year Enacted | 2020 |
| Year Effective | Taxable years beginning on or after January 1, 2020 |
| Data Source | |
| Estimate Reliability | Class A |
| Data Reliability | NA |
| Note | |

**Description:** Personal protective equipment manufacturers that qualify for the Georgia job tax credit may earn $1,250 per for each qualifying new job in addition to the amounts earned under the existing job credit. No credits shall be earned for jobs created after January 1, 2025.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | (m) | (m) | (m) |

(m) Denotes a value of less than $1 million. Numbers may not sum due to rounding

**1.6.054** Medical equipment, medical supplies, pharmaceuticals, and medicine manufacturers job tax credit

| | |
|---|---|
| Statute | §48-7-40.1B |
| Year Enacted | 2021 |
| Year Effective | Taxable years beginning on or after January 1, 2021 |
| Data Source | Fiscal Note for HB 587 LC 43 2010S (2021) |
| Estimate Reliability | Class A |
| Data Reliability | NA |
| Note | The same estimate is provided in the corporate income tax, see section 2.6.043. |

**Description:** Medical equipment and supply manufacturers, and pharmaceutical and

medicine manufacturers that qualify for the Georgia job tax credit (see 1.6.012/2.6.001/5.00200) may earn $1,250 per for each qualifying new job in addition to the amounts earned under the existing job credit.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| Income Tax Expenditure | (m) | (m) | (m) |
| Corporate Income Tax Expenditure | 1 | 1 | 1 |
| State Tax Expenditure | 1 | 1 | 1 |

(m) Denotes a value of less than $1 million. Numbers may not sum due to rounding

**1.6.055** Teacher Recruitment and Retention Credit

| | |
|---|---|
| Statute | §48-7-29.23 and §20-2-251 |
| Year Enacted | 2021 |
| Year Effective | Taxable years beginning on or after January 1, 2022 |
| Data Source | Fiscal note for HB 32 LC 43 2019S for 2021 |
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | |

**Description:** This credit is for teachers who agree to teach in certain rural schools or certain low-performing schools in high-need subject areas. The credit amount equals $3,000 per year for up to five consecutive years for teachers who remain employed in qualifying schools. No new applications for the program shall be accepted after December 31, 2026.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | (m) | (m) | (m) |

(m) Denotes a value of less than $1 million.

**1.6.056** Qualified Foster Child Donation Credit

| | |
|---|---|
| Statute | §48-7-29.24 |
| Year Enacted | 2021 |
| Year Effective | Taxable years beginning on or after January 1, 2023 |
| Data Source | Fiscal note for SB 370 43 2189 (2022) |
| Estimate Reliability | Class A |
| Data Reliability | NA |
| Note | The same estimate is provided in the personal income tax, see section 2.6.044. |

**Description:** This credit is equal to 100 percent of qualified donations paid by the taxpayer to approved foster child support organizations. The Georgia Department of Humans Services qualifies organizations for purposes of the program. Credits are nonrefundable, but any unutilized credits can be carried forward for up to five years. The aggregate amount of credits allowed per year is subject to a statewide cap of $20 million, enforced through an annual credit preapproval process.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 2 | 11 | 18 |

(m) Denotes a value of less than $1 million.

**1.6.057** Qualified Law Enforcement Donation Credit

| | |
|---|---|
| Statute | §48-7-29.25 |
| Year Enacted | 2021 |
| Year Effective | Taxable years beginning on or after January 1, 2023 |
| Data Source | Fiscal note for SB361 LC 43 2159 (2022) |
| Estimate Reliability | Class A |
| Data Reliability | NA |
| Note | The same estimate is provided in the personal income tax, see section 2.6.045. |

**Description:** This credit is equal to 100 percent of qualified donations paid by the taxpayer to qualified law enforcement foundations. The credits are nonrefundable, but any unutilized credits can be carried forward for up to five years. Effective for tax years starting on or after 2026 unused credits cannot be carried forward. The aggregate amount of credits allowed per year is subject to a statewide cap of $75 million, enforced through an annual credit preapproval process.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 8 | 11 | 13 |

(m) Denotes a value of less than $1 million.

**1.6.058** Itemizer Tax Credit

| | |
|---|---|
| Statute | §48-7-27.1 |
| Year Enacted | 2023 |
| Year Effective | Taxable years beginning on or after January 1, 2024 |
| Data Source | DOR data as of TY 2023 |
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | |

**Description:** This credit of $300 is for each full-year and part-year residents who itemize their deductions. Unused credits can be carried-forward for one year or applied against the previous tax years tax liability.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 194 | 196 | 198 |

(m) Denotes a value of less than $1 million.

## Individual Income tax expenditures for which an estimate is not currently available

| Expenditure | Statute | Summary |
|---|---|---|
| 1.6.038 | §48-7-40.29 | Energy-efficient or water-efficient equipment credit |

## 2. Corporate Income Tax

Similar to the individual tax, the corporate income tax was first levied in Georgia in 1929 at a rate equal to one-third of the federal corporate tax rate. While the corporate tax rates have changed since its introduction, the tax has always remained a flat rate tax, with a single rate applying to all Georgia taxable income of the corporation. During the 2024 session of the General Assembly, legislation was enacted that would tie the corporate tax rate to statutory personal income tax rate. This reduced the rate from 5.75 percent to 5.39 percent on July 1, 2024. The corporate tax rate was reduced to 5.19 percent effective January 1, 2025 and is subject to the same scheduled reductions that would be applied to personal income tax, up to 4.99 percent.

The starting point for the construction of the tax base is federal taxable income of a corporation. Several adjustments are made in order to determine Georgia business income. For example, although corporations are allowed certain special depreciation deductions at the federal level, some of these deductions are not allowed at the state level. Firms taking these deductions on their federal return must add these deductions back to their tax base when determining their state taxable income. In addition, firms operating in multiple states must apportion their corporate income to each of the states in which they have a legal obligation to pay the tax. Since 2008, firms with multistate income determine the portion of their total income associated with Georgia by computing their total Georgia receipts relative to their total receipts. Prior to 2008, Georgia firms were required to use a three-factor apportionment formula.

It is important to keep in mind that tax expenditure estimates may differ from revenue estimates presented in fiscal notes. Estimates included in fiscal notes incorporate behavioral effects that are not considered when estimating tax expenditure provisions. The purpose of a tax expenditure estimate is to convey the cost that would be necessary if the item were offered as a direct budgetary expenditure instead of a reduction in the tax liability. A second caveat concerns the estimates associated with the state corporate credit provisions. Forecasting the value of the revenue loss stemming from the use of these credits is problematic due to the presence of extensive carry forwards in the case of some credits. Because of past credit carry forwards, firms may claim credits on current or future year tax returns that were created in prior years. In some cases, the credit may have expired such that taxpayers are no longer able to create new credits, but the revenue loss to the state continues for several years until all carryforward liabilities have been exhausted. Therefore, the estimates provided in this report should be interpreted as the expected revenue loss stemming from the use of currently created or previously created credits and not an estimate of the value of credits created in a given year.

The tax is administered by the Georgia DOR. Corporate tax collections for FY 2024 were $3.5 billion or 10.6 percent of total state tax revenues. Approximately 369 thousand corporate returns were processed in CY 2024. All revenue collected from this tax is deposited into the State General Fund..

## 2.1 Federal Corporate Exclusions

**2.1.001** Permanent exemption from imputed interest rules

Federal Statute IRC Sections 163(e), 483, 1274, and 1274(A)

**Description:** Debt instruments for amounts not exceeding an inflation adjusted maximum, given in exchange for real property, may not have imputed to them an interest rate greater than 9 percent.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | (m) | (m) | (m) |

(m) Denotes a value of less than $1 million

**2.1.002** Exclusion of interest on state and local government private activity bonds

Federal Statute IRC Section 103,141,142 and 146

**Description:** Interest earned on qualified private activity bonds is tax exempt.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 1 | 1 | 1 |

(m) Denotes a value of less than $1 million

**2.1.004** Exclusion of earnings of certain environmental settlement funds

Federal Statute IRC Section 468B

**Description:** Under certain conditions environmental settlement funds are exempt from tax.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | (m) | (m) | (m) |

(m) Denotes a value of less than $1 million

**2.1.005** Exclusion of certain agricultural cost-sharing payments

Federal Statute IRC Section 126

**Description:** Grants made for the purpose of conserving soil and water resources or protecting the environment are excluded from the recipient's gross income.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | (m) | (m) | (m) |

(m) Denotes a value of less than $1 million

**2.1.006** Exclusion of gain or loss on sale or exchange for brownfield property

Federal Statute IRC Section 512 and 514

**Description:** Qualifying brownfield property that is acquired from an unrelated party, subject to remediation, and sold to another unrelated party is exempt from unrelated business income tax.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | (m) | (m) | (m) |

(m) Denotes a value of less than $1 million

**2.1.009** Exclusion of interest on public purpose state and local government bonds

Federal Statute IRC Sections 103, 141 and 146

**Description:** Interest income of qualifying governmental bonds is excluded from taxable income.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | (m) | (m) | (m) |

(m) Denotes a value of less than $1 million

**2.1.010** Various foreign provisions including inventory property sales source rule exception, interest expense allocation, deferral of active income of controlled foreign corporations, deferral of active financing income

Federal Statute IRC Sections 861-863, 865, 953-954, 864

**Description:** These provisions provide certain exceptions to the general treatment of foreign sourced income

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 262 | 216 | 194 |

(m) Denotes a value of less than $1 million

**2.1.011** Exclusion of employee meals and lodging

Federal Statute IRC Section 119 and 132(e)(2)

**Description:** Only 50 percent of expenses for meals provided on or near business premises for the convenience of the employer or as a de minimis fringe is allowed as deduction.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | -13 | -17 | -19 |

(m) Denotes a value of less than $1 million

**2.1.012** Exclusion of employer-paid transportation benefits and employer-provided transit and vanpool benefits.

Federal Statute IRC Section 132(f)

**Description:** Employer provided qualified transportation benefits are excluded from employee taxable income.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | -22 | -22 | -23 |

(m) Denotes a value of less than $1 million

## 2.2 Federal Corporate Deductions

**2.2.001** Accelerated depreciation (MACRS)

Federal Statute IRC Sections 167 and 168

**Description:** Under the Modified Accelerated Cost Recovery System (MACRS), the cost of tangible depreciation property of certain energy property is allowed a shorter depreciation period. Taxpayers are allowed to depreciate the costs of new rental housing and certain other buildings and equipment on an accelerated schedule

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 8 | 8 | 8 |

(m) Denotes a value of less than $1 million

**2.2.002** Deduction for expenditures on energy-efficient commercial building property

Federal Statute IRC Section 179D

**Description:** This provision provides a formula-based tax deduction for all or part of the cost of energy-efficient commercial building property placed in service after December 31, 2005. This deduction was modified in August of 2022.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | (m) | (m) | (m) |

(m) Denotes a value of less than $1 million

**2.2.003** Expensing of exploration and development costs: nonfuel minerals

Federal Statute IRC Sections 263, 291, 616-617, 56, 1254

**Description:** Firms engaged in mining are permitted to expense certain exploration and development costs.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | (m) | (m) | (m) |

(m) Denotes a value of less than $1 million

**2.2.004** Amortization of business start-up costs

Federal Statute IRC Section 195

**Description:** This provision allows a business taxpayer to deduct up to $5,000 in qualified start-up expenditures.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | (m) | (m) | (m) |

(m) Denotes a value of less than $1 million

**2.2.006** Expensing of magazine circulation expenditures

Federal Statute IRC Section 173

**Description:** In general, current federal tax law allows publishers of newspapers, magazines, and other periodicals to deduct their expenditures to maintain, establish, or increase circulation in the year in which they are made.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | (m) | (m) | (m) |

(m) Denotes a value of less than $1 million

**2.2.007** Deductions of oil and gas exploration and development costs

Federal Statute IRC Sections 611, 612, 613, 613A and 291; 263(c), 616-617, 57(a)(2), 59(e) and 1254

**Description:** Firms that extract oil, gas or, other minerals are permitted a deduction to recover their capital investment in a mineral reserve, which depreciates due to the physical and economic depletion or exhaustion as the mineral is recovered. Firms engaged in the exploration and development of oil, gas or geothermal properties have the option of expensing certain intangible drilling and development costs.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 0 | 0 | 0 |

(m) Denotes a value of less than $1 million

**2.2.008** Special treatment of expenses related to timber production

Federal Statute IRC Sections 194, 263A(c)(5)

**Description:** This provision allows expensing of production costs of growing timber. Taxpayers are also allowed different depreciation practices for qualified reforestation expenses.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 6 | 6 | 6 |

(m) Denotes a value of less than $1 million

**2.2.009** Deduction of charitable contributions (includes deductions for health, education, and for purposes other than health and education)

Federal Statute IRC Sections 170 and 642(c)

**Description:** Subject to certain limitations, charitable contributions may be deducted by taxpayers.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 52 | 54 | 56 |

(m) Denotes a value of less than $1 million

**2.2.011** Expensing under IRC Section 179 of depreciable business property

Federal Statute IRC Section 179

**Description:** Within certain limits, a taxpayer may elect to deduct, as a current expense, the cost of qualifying property in the tax year when it is placed in service

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 5 | 5 | 6 |

(m) Denotes a value of less than $1 million

**2.2.012** Amortization of air pollution control facilities

Federal Statute IRC Section 169(d)(5)

**Description:** This provision allows plants placed in service after January 1, 1976 the option of amortizing investments in pollution control equipment for coal-fired electric generation plants.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | (m) | (m) | (m) |

(m) Denotes a value of less than $1 million

**2.2.014** Various agricultural expensing provisions

Federal Statute IRC Section 162, 175, 180, 446, 448, 461, 464

**Description:** Taxpayers in the business of farming may choose to expense costs associated with soil and water conservation, soil conditioning and the costs associated with raising dairy cattle and breeding cattle.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | (m) | (m) | (m) |

(m) Denotes a value of less than $1 million

**2.2.015** Community and regional development incentives

Federal Statute IRC Sections 38(b), 39(d), 45A, 280C(a), 1391-1397D and 1400F,H,I and J

**Description:** Communities designated as empowerment zones and renewable communities are eligible for special development incentives.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 1 | 1 | 0 |

(m) Denotes a value of less than $1 million

**2.2.016** Deduction for architectural and transportation barrier removal expenses for the handicapped and elderly

Federal Statute IRC Section 190

**Description:** This provision allows taxpayers to deduct up to $15,000 of expenses incurred in a single year for removing physical barriers to handicap or elderly individuals in qualified facilities or public transportation vehicles owned or leased by the taxpayer.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | (m) | (m) | (m) |

(m) Denotes a value of less than $1 million

**2.2.017** Inventory methods and valuation

Federal Statute IRC Section 475, 491-492

**Description:** This provision allows taxpayers to use alternative inventory systems to determine the cost of goods sold.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 12 | 11 | 11 |

(m) Denotes a value of less than $1 million

**2.2.018** Limits on deductible compensation and disallowance of deduction for excess parachute payments

Federal Statute IRC Sections 280G, 4999, and 162(m)

**Description:** Excess parachute payments are not allowable deductions against the corporate income tax. In the case of publicly held corporations only executive compensation of $1 million or less is deductible against the corporate income tax.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | -34 | -36 | -41 |

(m) Denotes a value of less than $1 million

**2.2.019** Deduction for foreign-derived intangible income

Federal Statute P.L. 115-97, Sec. 250(a)

**Description:** A domestic corporation is allowed a deduction equal to 50 percent of foreign-derived intangible income until 2025 and 37.5 percent thereafter.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 28 | 26 | 24 |

(m) Denotes a value of less than $1 million

**2.2.020** Limitation on deduction of FDIC premium

Federal Statute Pub. L. No. 115-97

**Description:** The deduction for the applicable percentage of any Federal Deposit Insurance Corporation ("FDIC") premium paid or incurred by the taxpayer is disallowed. For taxpayers with total consolidated assets of $50 billion or more, the applicable percentage is 100 percent. Otherwise, the applicable percentage is the ratio of the excess of total consolidated assets (as of the close of the taxable year) over $10 billion to $40 billion. The provision does not apply to taxpayers with total consolidated assets (as of the close of the taxable year) that do not exceed $10 billion.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | -10 | -10 | -10 |

(m) Denotes a value of less than $1 million

**2.2.021** Limitation on net operating loss deduction

Federal Statute Pub. L. No. 115-63

**Description:** The deduction for net operating losses is limited to 80 percent of taxable income.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | -3 | -3 | -3 |

(m) Denotes a value of less than $1 million

**2.2.022** 7-year recovery period for motorsports entertainment complexes

Federal Statute IRC Sections 167 and 168

**Description:** Taxpayers are allowed to deduct the cost of certain depreciable assets from motorsports complexes over 7 years.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | (m) | (m) | (m) |

(m) Denotes a value of less than $1 million

## 2.3 Special Federal Corporate Conformity Provisions

**2.3.001** Deferral of gain on like-kind exchanges

Federal Statute IRC Section 1031

**Description:** When business or investment property is exchanged for property of a like kind no gain or loss is recognized on the exchange and therefore no tax is paid at the time of the exchange.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 14 | 13 | 13 |

(m) Denotes a value of less than $1 million

**2.3.002** Special rules for magazine, paperback book, and record returns

Federal Statute IRC Section 458

**Description:** Publishers and distributors of magazines, paperbacks, and records may elect to exclude from gross income for a tax year, the income from the sale of goods that are returned after the close of the tax year.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | (m) | (m) | (m) |

(m) Denotes a value of less than $1 million

**2.3.003** Two-year carryback for net operating losses attributable to farming

Federal Statute IRC Section 172

**Description:** Current law provides a two-year carryback period for losses related to farming. The normal carryback period for losses is two years.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | (m) | (m) | (m) |

(m) Denotes a value of less than $1 million

**2.3.004** Special rules for mining reclamation reserves

Federal Statute IRC Sections 468 and 1274

**Description:** Electing taxpayers may deduct the current value equivalent of certain estimated future reclamation and closing costs for mining and solid waste disposal sites.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | (m) | (m) | (m) |

(m) Denotes a value of less than $1 million

**2.3.005** Cash accounting, for certain businesses

Federal Statute IRC Sections 446 and 448

**Description:** The cash method of accounting may be used by any business taxpayer that is not a tax shelter and falls into at least one of three specified categories. These are farming businesses, qualified personal service corporations, and entities that meet a gross receipts test.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 4 | 4 | 4 |

(m) Denotes a value of less than $1 million

**2.3.006** Deferral of gain on non-dealer installment sales

Federal Statute IRC Sections 453 and 453A(b)

**Description:** Some taxpayers are allowed to report some sales using the installment method of accounting in which the gross profit from the sale is prorated over the years during which the payments are received.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 24 | 26 | 27 |

(m) Denotes a value of less than $1 million

**2.3.007** Completed contract rules

Federal Statute IRC Section 460

**Description:** Some taxpayers with construction or manufacturing contracts extending for more than one tax year are allowed to report some or all of the profit on the contracts under special accounting rules rather than the normal rules of tax accounting.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 5 | 6 | 6 |

(m) Denotes a value of less than $1 million

**2.3.008** Special treatment of employee stock ownership plans (ESOPs) (includes deferral of tax on certain employee stock plans)

Federal Statute IRC Sections 401(a)(28), 404(a)(9), 404(k), 415(c)(6), 512(e), 1042, 497(e)(7), 4975(d)(3), 4978, 4979A

**Description:** ESOPs are provided special tax treatment. Employer contributions may be deducted as a business expense. In addition, some contributions are subject to less restrictive limits than contributions to other employee benefit plans. Tax on qualified employee stock purchase plans are not taxed when granted or excised. Tax is deferred until stock is sold.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 6 | 6 | 7 |

(m) Denotes a value of less than $1 million

**2.3.009** Deferral of capital construction costs of shipping companies

Federal Statute IRC Section 7518

**Description:** U.S. operators of vessels in foreign, or domestic commerce of the U.S., or in U.S. fisheries, may establish a capital construction fund into which they may make certain tax deductible deposits. In addition, the earnings on the deposits are tax deferred.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | (m) | (m) | (m) |

(m) Denotes a value of less than $1 million

**2.3.010** Qualified Opportunity Zones

Federal Statute PL 115-97; IRS 1400Z-1

**Description:** A qualified opportunity fund is an investment vehicle organized as a corporation or a partnership for the purpose of investing in qualified opportunity zone property that holds at least 90 percent of its assets in qualified opportunity zone property. Qualified opportunity zone property includes any qualified opportunity zone stock, any qualified opportunity zone partnership interest, and any qualified opportunity zone business property. Certain low-income community population census tracts may be designated as qualified opportunity zones by the chief executive officer of the State (which includes the District of Columbia).

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 16 | -11 | -46 |

(m) Denotes a value of less than $1 million

**2.3.012** Special rules for interest-charge domestic international sales corporations (IC-DISC)

Federal Statute IRC Sections 991-997

**Description:** Shareholders of Interest-Charge Domestic International Sales Corporation are taxed only once. IC-DISC shareholders may defer up to $10 million annually that is attributable to qualified export sales. An interest charge is imposed on shareholders based on the distribution that would have occurred had deferral not been elected.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 11 | 12 | 12 |

(m) Denotes a value of less than $1 million

## 2.4 Corporate Apportionment

Discussed below are three issues relating to corporate apportionment that can be considered tax expenditures because they are deviations from the traditional formula of corporate apportionment and result in a benefit to some taxpayers. No estimate of the value of these expenditures is available at this time.

### 2.4.001 Single-Factor Apportionment

The traditional apportionment formula calculates corporate income tax liability of multi-state corporations based on the ratio of company property, payroll, and gross receipts in Georgia to all other states. This three-factor formula applies an equal weight of 33.33 percent to each ratio and was used in Georgia until the mid-2000s. Beginning in 2008, Georgia transitioned to a single-factor apportionment formula wherein firms determine state tax liability based solely on the ratio of Georgia receipts to total receipts. Products that are shipped or delivered to customers in Georgia are subject to the Georgia corporate tax, while sales negotiated or delivered to customers outside of Georgia are excluded. The only exception is for airline companies that ship passengers and cargo across state lines. Instead of using the single factor approach, income generated through these businesses is taxed by a three-factor formula as a ratio of Georgia activity to total activity. The formula weighs revenue air miles traveled at 25 percent, tons handled by aircraft at 25 percent, and originating passenger and cargo revenue at 50 percent. The single-factor formula benefits firms that have manufacturing presence in one state but significant sales outside of the state. Firms that are located and operate in a single state are not affected by the apportionment formula.

### 2.4.002 Throwback Rule

Under a throwback rule, out-of-state sales from a corporation are taxed by the state of origin if the corporation has no nexus in the destination state. Twenty states, including Washington D.C., have a throwback rule. Georgia, Alabama, North Carolina, Florida, Tennessee, South Carolina, and Virginia do not, but Mississippi does. An alternative rule is the “throw-out rule,” which eliminates sales to non-nexus states from both the numerator and denominator of the corporate apportionment formula. Only three states—Louisiana, Kentucky, and Maine—have a throw-out rule.

### 2.4.003 Corporate Receipts Sourcing

Georgia is among 34 states, including Washington D.C., that use the single sales factor method (i.e., a 100-percent sales factor). This creates a destination-based corporate income tax system. Under this approach, corporations pay taxes based on the state in which their products are sold, not where production takes place. This rule applies to the sale of tangible property. When considering apportionment for services provided across state lines, Georgia employs a market-based sourcing rule. At the present, there is no consensus between the states on how to define a

"market" for the purpose of implementing this rule but, in general, it means that services will be taxed based on the state in which the customer receives the benefit. The rule is meant to apply a consistent destination-based treatment to services when compared to tangible goods.

## Corporate apportionment expenditures for which an estimate is not currently available

| Expenditure | Statute | Summary |
|---|---|---|
| 2.4.001 | N/A | Single-factor Apportionment |
| 2.4.002 | N/A | Throwback Rule |
| 2.4.003 | N/A | Corporate Receipts Sourcing |

## 2.5 Georgia Deductions and Exclusions

**2.5.003** Exclusion of global intangible low-taxed income (GILTI)

| | |
|---|---|
| Statute | §48-7-21 |
| Year Enacted | 2018 |
| Year Effective | 2018 |
| Data Source | Estimates of Federal Tax Expenditures for Fiscal Years 2025-2029, Joint Committee on Taxation, U.S. Congress |
| Estimate Reliability | Class B |
| Data Reliability | Class B |
| Note | |

**Description:** Global intangible low-taxed income is defined for the purpose of Federal taxation in Section 951A of the Internal Revenue Code of 1986 as excess returns realized by U.S. shareholders from controlled foreign corporations in low-tax areas outside of the United States. GILTI is includable in federal taxable income net of a 50 percent deduction in tax years 2018-25 and a 37.5 percent deduction thereafter. Georgia does not tax any portion of GILTI.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 144 | 164 | 180 |

(m) Denotes a value of less than $1 million

## Corporate income tax expenditures for which an estimate is not currently available

| Expenditure | Statute | Summary |
|---|---|---|
| 2.5.001 | §48-7-21 | Interest on obligations of United States |
| 2.5.002 | §48-7-21 | Exception to intangible expenses and related interest cost |

## 2.6 Georgia Credits

**2.6.001** Georgia Job Tax Credit

| | |
|---|---|
| Statute | §48-7-40 and §48-7-40.1 |
| Year Enacted | §48-7-40: 1989; §48-7-40.1: 1993 |
| Year Effective | §48-7-40: Taxable years beginning on or after January 1, 1990; §48-7-40.1: Taxable years beginning on or after January 1, 1994. |
| Data Source | DOR data as of 2021 and Office of Insurance and Safety Fire Commissioner |
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | The same estimate is provided in the personal income tax and insurance premium tax sections, see 1.6.012 and 5.00200. In 2018, the qualifying areas were expanded to include counties with military bases and industrial parks that are owned and operated by a government entity. |

**Description:** The credit provides a statewide job tax credit to any business or headquarters engaged in manufacturing, warehousing and distribution, processing, telecommunications, broadcasting, tourism, or research and development. Retail establishments are only allowed the credit if located in one of the 40 least-developed counties of the state. Average wages must be greater than the average wage of the county in the state with the lowest average wage. To be eligible, employers must offer health insurance to all new employees. It also provides a tax credit for business enterprises designated as operating in less-developed areas. These include areas with ten or more contiguous census tracts with higher than 15 percent poverty and counties with both a military base and a government owned and operated industrial park.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| Income Tax Expenditure | 76 | 77 | 78 |
| Corporate Income Tax Expenditure | 118 | 120 | 122 |
| Insurance Premium Tax Expenditure | 3 | 3 | 3 |
| State Tax Expenditure | 197 | 200 | 203 |

(m) Denotes a value of less than $1 million. Numbers may not sum due to rounding

**2.6.002** Quality Jobs Tax Credit

| | |
|---|---|
| Statute | §48-7-40.17 |
| Year Enacted | 2009 |
| Year Effective | Taxable years beginning on or after January 1, 2009 |
| Data Source | DOR data as of TY 2022 |
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | This statute was modified in 2017 allowing taxpayers to establish subsequent job creation periods for a qualified project. The same estimate is provided in the personal income tax section, see 1.6.013. Estimate of this provision is higher than in previous reports because new data are available. |

**Description:** This credit is for employers creating new high-wage jobs or relocating

high-wage jobs into the state. A quality job or high-wage job has 30 hours a week of regular work; a job that is not already located in Georgia; and pays at or above 110 percent of the average wage of the county in which it is located.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| Income Tax Expenditure | 1 | 1 | 1 |
| Corporate Income Tax Expenditure | 127 | 139 | 142 |
| Insurance Premium Tax Expenditure | 0 | 0 | 0 |
| State Tax Expenditure | 128 | 140 | 143 |

(m) Denotes a value of less than $1 million. Numbers may not sum due to rounding

**2.6.003** New Facilities Jobs Credit

| | |
|---|---|
| Statute | §48-7-40.24 |
| Year Enacted | 2003 |
| Year Effective | Latest modifications are effective for taxable years beginning on or after July 1, 2021 |
| Data Source | Fiscal note for HB 587 LC 43 2010S for 2021 |
| Estimate Reliability | NA |
| Data Reliability | NA |
| Note | The same estimate is provided in the personal income tax section, see 1.6.014. |

**Description:** This provision provides for a credit of $5,250 per year per qualified new job for up to five years, subject to recapture based on job and payroll maintenance requirements, and until July 1, 2021, limited to 4,500 such new jobs for any one qualified project. For business enterprises that first qualify in a taxable year beginning on or after January 1, 2009, the business enterprise must meet the job creation requirement of 1,800 eligible new full-time employees and either the qualified investment requirement of $450 million in qualified investment property, or the payroll requirement of $150 million in total annual Georgia W-2 reported payroll within the six-year period, subject to extension under certain conditions.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | Estimate combined with 2.6.001 | | |

(m) Denotes a value of less than $1 million.

**2.6.004** New Manufacturing Facilities Property Credit

| | |
|---|---|
| Statute | §48-7-40.24 |
| Year Enacted | 2003 |
| Year Effective | Latest modifications are effective for taxable years beginning on or after July 1, 2021 |
| Data Source | Fiscal note for HB 587 LC 43 2010S for 2021 |
| Estimate Reliability | NA |
| Data Reliability | NA |
| Note | Utilization of this credit resulting from known or anticipated projects is expected to be material, but not within the time horizon of this report; see fiscal note.<br>The same estimate is provided in the personal income tax section, see 1.6.015. |

**Description:** This is an incentive for a manufacturer who has operated a manufacturing

facility in this state for at least 3 years and who spends $800 million on a new manufacturing facility in this state, subject to a job requirement of 1,800 full-time employees. The credit equal to 6 percent of the cost of all qualified investment property purchased or acquired, up to $50 million with respect to any one project. For qualified high-impact aerospace defense projects certified on or after July 1, 2021, the maximum credit for any one project is increased to $100 million and the taxpayer may begin claiming credits once investment and job thresholds of $500 million and 1,000, respectively, are reached. For tax years on or after January 1, 2025, carryforwards are limited from fifteen to ten years.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 0 | 0 | 0 |

(m) Denotes a value of less than $1 million.

**2.6.005** Manufacturer's Investment Tax Credit

| | |
|---|---|
| Statute | §§48-7-40.2, 48-7-40.3, and 48-7-40.4 |
| Year Enacted | 1994 |
| Year Effective | Taxable years beginning on or after January 1, 1994 |
| Data Source | DOR data as of TY 2023 |
| Estimate Reliability | Class B |
| Data Reliability | Class A |
| Note | The same estimate is provided in the personal income tax section, see 1.6.016. |

**Description:** For tax years beginning on or after January 1, 2020, the taxpayer must invest a minimum of $100,000 per project per location during the tax year to receive credit, up from a $50,000 minimum in prior years. Eligible taxpayers must be in operation for the immediately preceding three years. Property for a period of five years or longer is eligible for the credit. For tax years on or after January 1, 2025, carryforwards are limited from ten to five years.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| Income Tax Expenditure | 3 | 4 | 4 |
| Corporate Income Tax Expenditure | 18 | 20 | 21 |
| State Tax Expenditure | 21 | 24 | 25 |

(m) Denotes a value of less than $1 million. Numbers may not sum due to rounding

**2.6.006** Optional Investment Tax Credit

| | |
|---|---|
| Statute | §§48-7-40.7, 48-7-40.8, and 48-7-40.9 |
| Year Enacted | 1995 |
| Year Effective | Taxable years beginning on or after January 1, 1996. |
| Data Source | DOR data as of TY 2022 |
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | The same estimate is provided in the personal income tax section, see1.6.017. |

**Description:** An alternative investment tax credit available for investments in manufacturing or telecommunications facilities or support facilities that have been operating for the three immediately preceding years. The credit is available for investments in excess of $5 million and placed in service no

earlier than January 1, 1996, for tier 1 counties. The investment threshold is $10 million for tier 2 counties and is $20 million for tier 3 and 4 counties. For tax years on or after January 1, 2025, carryforwards are limited from ten to five years.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| Income Tax Expenditure | 1 | 1 | 1 |
| Corporate Income Tax Expenditure | 1 | 1 | 1 |
| State Tax Expenditure | 2 | 3 | 3 |

(m) Denotes a value of less than $1 million. Numbers may not sum due to rounding

**2.6.007** Port Activity Tax Credit

| | |
|---|---|
| Statute | §48-7-40.15 |
| Year Enacted | 1998 |
| Year Effective | Latest modifications apply to taxable years beginning on or after January 1, 2010 |
| Data Source | DOR data as of TY 2022 |
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | Estimate combined with 2.6.008. The same estimate is provided in the personal income tax section, see 1.6.018. |

**Description:** For taxable years beginning before January 1, 2010, businesses or the headquarters of any such businesses engaged in manufacturing, warehousing and distribution, processing, telecommunications, broadcasting, tourism, or research and development that have increased shipments out of Georgia ports during the previous 12-month period by more than 10 percent over their 1997 base year port traffic, or by more than 10 percent over 75 net tons, five containers or 10 20-foot equivalent units (TEU's) during the previous 12-month period are qualified for increased job tax credits or investment tax credits. For taxable years beginning on or after January 1, 2010, the increase is based on a comparison of the previous 12-month period to the second preceding 12-month period. For tax years on or after January 1, 2024, carryforwards are limited from ten to five years. For tax years on or after January 1, 2025, carryforwards are limited from ten to five years.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| Income Tax Expenditure | (m) | (m) | (m) |
| Corporate Income Tax Expenditure | 5 | 5 | 5 |
| State Tax Expenditure | 5 | 5 | 5 |

(m) Denotes a value of less than $1 million. Numbers may not sum due to rounding

**2.6.008** Alternative Port Activity Tax Credit

| | |
|---|---|
| Statute | §48-7-40.15A |
| Year Enacted | 2009 |
| Year Effective | 2009 |
| Data Source | DOR data as of TY 2023 |
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | Estimate combined with 2.6.007. The same estimate is |

provided in the personal income tax section, see 1.6.019.

**Description:** Credit is allowed to any business enterprise located in a tier 2 or 3 county or in a less developed area and which qualifies and receives the Jobs Tax Credit and which;
1. Consists of a distribution facility of greater than 650,000 square feet in operation in this state prior to December 31, 2008;
2. Distributes product to retail stores owned by the same legal entity or its subsidiaries as such distribution facility; and
3. Has a minimum of eight retail stores in this state in the first year of operations.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | Estimate combined with 2.6.007 | | |

(m) Denotes a value of less than $1 million.

**2.6.009** Film Tax Credit

| | |
|---|---|
| Statute | §48-7-40.26 |
| Year Enacted | 2005 |
| Year Effective | Taxable years beginning on or after January 1, 2005 |
| Data Source | DOR data as of TY 2023 |
| Estimate Reliability | Class B |
| Data Reliability | Class A |
| Note | The same estimate is provided in the personal income tax section, see 1.6.020. Tax credit provisions applicable to qualified interactive entertainment production companies were modified in 2015. |

**Description:** Production companies which have at least $500,000 of qualified expenditures in a state-certified production may claim this credit. Certification must be approved through the Georgia Department of Economic Development. There are special provisions relating to the tax credits awarded to interactive entertainment companies. Under the 2017 modifications to this statute, the 2019 sunset for the qualified interactive entertainment production company tax credit has been eliminated. For tax years on or after January 1, 2025, carryforwards are limited from five to three years.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| Income Tax Expenditure | 398 | 472 | 471 |
| Corporate Income Tax Expenditure | 134 | 159 | 159 |
| State Tax Expenditure | 532 | 631 | 630 |

(m) Denotes a value of less than $1 million. Numbers may not sum due to rounding

**2.6.010** Research Tax Credit

| | |
|---|---|
| Statute | §48-7-40.12 |
| Year Enacted | 1997 |
| Year Effective | Taxable years beginning on or after January 1, 1998 |
| Data Source | DOR data as of TY 2023 and National Science Foundation |
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | The same estimate is provided in the personal income tax section, see 1.6.021. |

**Description:** This credit is for expenses resulting from research conducted in Georgia by businesses engaged in manufacturing, warehousing and distribution, processing, telecommunications, tourism, or research and development industries. A tax credit is allowed provided that the business enterprise for the same taxable year claims and is allowed a research credit under Section 41 of the Internal Revenue Code of 1986, as amended. For tax years on or after January 1, 2024, carryforwards are limited from ten to five years.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| Income Tax Expenditure | 17 | 18 | 19 |
| Corporate Income Tax Expenditure | 208 | 219 | 230 |
| State Tax Expenditure | 225 | 238 | 250 |

(m) Denotes a value of less than $1 million. Numbers may not sum due to rounding

**2.6.011** Seed-Capital Fund Credit

| | |
|---|---|
| Statute | §48-7-40.27 & 40.28 |
| Year Enacted | 2008 |
| Year Effective | Applicable to investments made on or after July 1, 2008 |
| Data Source | DOR data as of TY 2022 |
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | The same estimate is provided in the personal income tax section, see 1.6.022. |

**Description:** This provides a tax credit for certain qualified investments made on or after July 1, 2008, in a research fund, the purpose of which is to provide early-stage financing for businesses formed as a result of research conducted in Georgia's research universities.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| Income Tax Expenditure | (m) | (m) | (m) |
| Corporate Income Tax Expenditure | (m) | (m) | (m) |
| State Tax Expenditure | (m) | (m) | (m) |

(m) Denotes a value of less than $1 million. Numbers may not sum due to rounding

**2.6.012** Qualified Health Insurance Expense Credit

| | |
|---|---|
| Statute | §48-7-29.13 |
| Year Enacted | 2008 |
| Year Effective | Taxable years beginning on or after January 1, 2009 |
| Data Source | DOR data as of TY 2023 |
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | The same estimate is provided in the personal income tax section, see 1.6.023. |

**Description:** Employer credit for the premiums paid for a high-deductible health plan. Employers must employ 50 or fewer persons for whom the employer provides high-deductible health plans as defined by Section 223 of the Internal Revenue Code and in which such employees are enrolled. The qualified health insurance must be made available to all employees and compensated individuals of the employer pursuant to the applicable provisions of Section 125 of the Internal Revenue Code. The qualified

health insurance premium expense must equal at least $250 annually. For tax years beginning on or after January 1, 2025 carry forwards are limited to three years.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| Income Tax Expenditure | (m) | (m) | (m) |
| Corporate Income Tax Expenditure | (m) | (m) | (m) |
| State Tax Expenditure | (m) | (m) | (m) |

(m) Denotes a value of less than $1 million. Numbers may not sum due to rounding

**2.6.015** Business Enterprise Vehicle Credit

| | |
|---|---|
| Statute | §48-7-40.22 |
| Year Enacted | 2001 |
| Year Effective | Taxable years beginning on or after January 1, 2002. |
| Data Source | DOR data as of TY 2021 |
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | The same estimate is provided in the personal income tax section, see 1.6.026. |

**Description:** This is a credit given to a business enterprise for the purchase of a motor vehicle that is used exclusively to provide transportation for its employees. To qualify, a business enterprise must certify that each vehicle carries an average daily ridership of not less than four employees for an entire taxable year.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| Income Tax Expenditure | (m) | (m) | (m) |
| Corporate Income Tax Expenditure | (m) | (m) | (m) |
| State Tax Expenditure | (m) | (m) | (m) |

(m) Denotes a value of less than $1 million. Numbers may not sum due to rounding

**2.6.016** Employer's credit for providing or sponsoring childcare for employees, and employer's credit for purchasing child-care property

| | |
|---|---|
| Statute | §48-7-40.6 |
| Year Enacted | 1994 & 1999 |
| Year Effective | Credit for cost of operation: taxable years beginning on or after January 1, 1994. Credit for cost of qualified child-care property: taxable years beginning on or after January 1, 2000. |
| Data Source | DOR data as of TY 2023 |
| Estimate Reliability | Class B |
| Data Reliability | Class A |
| Note | The same estimate is provided in the personal income tax section, see 1.6.027. |

**Description:** This credit is provided to employers based on their expenses related to providing or sponsoring childcare for their employees' children and for the purchase of qualified child-care property.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| Income Tax Expenditure | 5 | 5 | 5 |
| Corporate Income Tax Expenditure | 14 | 13 | 14 |
| State Tax Expenditure | 19 | 18 | 19 |

(m) Denotes a value of less than $1 million. Numbers may not sum due to rounding

**2.6.017** Low-Income Housing Credit

| | |
|---|---|
| Statute | §48-7-29.6 |
| Year Enacted | 2000 |
| Year Effective | Taxable years beginning on or after January 1, 2001. |
| Data Source | DOR data as of TY 2023 |
| Estimate Reliability | Class B |
| Data Reliability | Class A |
| Note | The same estimate is provided in the personal income tax and insurance premium tax sections, see 1.6.028 and 5.00700. |

**Description:** This is a credit against Georgia income and insurance premium taxes for owners of rental housing qualifying for the federal low-income housing tax credit and that are placed in service on or after January 1, 2001.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| Income Tax Expenditure | 145 | 148 | 153 |
| Corporate Income Tax Expenditure | 37 | 38 | 39 |
| Insurance Premium Tax Expenditure | 215 | 227 | 237 |
| State Tax Expenditure | 396 | 412 | 430 |

(m) Denotes a value of less than $1 million. Numbers may not sum due to rounding

**2.6.018** Historic Rehabilitation Credit

| | |
|---|---|
| Statute | §48-7-29.8 |
| Year Enacted | 2002 |
| Year Effective | Taxable years beginning on or after January 1, 2004 |
| Data Source | DOR data as of TY 2024 and Fiscal Note for HB 469 LC 43 2035S (2021) |
| Estimate Reliability | Class B |
| Data Reliability | Class B |
| Note | The same estimate is provided in the personal income tax section, see 1.6.029. This provision expires December 31, 2030. |

**Description:** A credit is provided based on expenses related to the certified rehabilitation of a certified structure or historic home. Standards set by the Department of Community Affairs must be met. A $25 million per calendar year aggregate cap applies to projects earning more than $300,000 in credits. The credit was modified in 2015 to allow unused credits to be assigned or sold to other taxpayers. Further modifications in 2021 applied a $5 million per calendar year cap on smaller projects and added a sunset date for the credit of December 31, 2030.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| Income Tax Expenditure | 14 | 13 | 13 |
| Corporate Income Tax Expenditure | 8 | 7 | 8 |
| State Tax Expenditure | 22 | 20 | 21 |

(m) Denotes a value of less than $1 million. Numbers may not sum due to rounding

**2.6.020** Low- and Zero-emission Vehicle and Charger Credit

| | |
|---|---|
| Statute | §48-7-40.16 |
| Year Enacted | 1998 |
| Year Effective | Taxable years beginning on or after January 1, 1998 |
| Data Source | DOR data as of TY 2024 |
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | The same estimate is provided in the personal income tax, see 1.6.031. |

**Description:** This credit applies to the purchase or lease of an electric vehicle charger and to the conversion of a standard vehicle to a low- or zero-emission vehicle. The credit for the purchase or lease of a new low- or zero-emission vehicle was eliminated effective July 1, 2015.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| Income Tax Expenditure | (m) | (m) | (m) |
| Corporate Income Tax Expenditure | (m) | (m) | (m) |
| State Tax Expenditure | (m) | (m) | (m) |

(m) Denotes a value of less than $1 million. Numbers may not sum due to rounding

**2.6.021** Land Conservation Credit

| | |
|---|---|
| Statute | §48-7-29.12 |
| Year Enacted | 2006 |
| Year Effective | Taxable years beginning on or after January 1, 2006 |
| Data Source | DOR data as of TY 2023 |
| Estimate Reliability | Class B |
| Data Reliability | Class A |
| Note | The same estimate is provided in the personal income tax section, see 1.6.032. |

**Description:** This provides for an income tax credit for the qualified donation of real property that qualifies as conservation land pursuant to Chapter 22 of O.C.G.A. Title 36. This credit was modified in 2015 such that the aggregate value of credits awarded under this provision cannot exceed $30 million per year and no new credit applications will be accepted after December 31, 2026. For taxable years beginning on or after 2025, any credits generated but not used may be carried forward for five years. Now new applications accepted after December 31, 2026.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| Income Tax Expenditure | 1 | 1 | 1 |
| Corporate Income Tax Expenditure | (m) | (m) | (m) |
| State Tax Expenditure | 1 | 1 | 1 |

(m) Denotes a value of less than $1 million. Numbers may not sum due to rounding

**2.6.024** Employer's credit for approved employee retraining

| | |
|---|---|
| Statute | §48-7-40.5 |
| Year Enacted | 1994 |
| Year Effective | Latest modifications are effective for taxable years beginning on or after January 1, 2009 |
| Data Source | DOR data as of TY 2023 |
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | The same estimate is provided in the personal income tax section, see 1.6.035. |

**Description:** The tax credit reimburses employers for the cost of providing retraining services to their employees. Retraining programs shall not include any retraining on commercially mass-produced software packages for word processing, data base management, presentations, spreadsheets, e-mail, personal information management, or computer operating systems except a retraining tax credit shall be allowable for those providing support or training on such software. For tax years on or after January 1, 2025, carryforwards are limited from ten to five years.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| Income Tax Expenditure | 17 | 17 | 17 |
| Corporate Income Tax Expenditure | 43 | 44 | 44 |
| State Tax Expenditure | 59 | 61 | 61 |

(m) Denotes a value of less than $1 million. Numbers may not sum due to rounding

**2.6.025** Qualified Education Expense Credit

| | |
|---|---|
| Statute | §48-7-29.16; §33-8-4 |
| Year Enacted | 2008 |
| Year Effective | Taxable years beginning on or after January 1, 2008 |
| Data Source | DOR data as of TY 2023 |
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | The same estimate is provided in the personal income tax and insurance premium tax sections, see 1.6.036 and 5.01000. |

**Description:** This provides a tax credit for donations made by taxpayers to a student scholarship organization which are used for tuition and fees for a qualified school or program. As of January 1, 2023 the annual cap increased to $120 million and credits were allowed against the insurance premium tax up to $6 million annually. For tax years beginning on or after January 1, 2025 carry forwards are limited from five to three years.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| Income Tax Expenditure | 67 | 71 | 80 |
| Corporate Income Tax Expenditure | 21 | 22 | 25 |
| Insurance Premium Tax | 3 | 3 | 3 |
| State Tax Expenditure | 92 | 96 | 109 |

(m) Denotes a value of less than $1 million. Numbers may not sum due to rounding

**2.6.030** Tax credit for existing business enterprises undergoing qualified business expansion

| | |
|---|---|
| Statute | §48-7-40.21 |
| Year Enacted | 2001 |
| Year Effective | Latest modifications are applicable to tax years beginning on or after January 1, 2008 |
| Data Source | DOR data as of TY 2023 |
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | The same estimate is provided in the income tax section, see 1.6.041. |

**Description:** This credit applies to businesses that create at least 500 new full-time jobs within a taxable year.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | Estimate combined with 2.6.002 | | |

(m) Denotes a value of less than $1 million.

**2.6.032** Bank Tax Credit

| | |
|---|---|
| Statute | §48-7-29.7 |
| Year Enacted | 2000 |
| Year Effective | 2001 |
| Data Source | DOR data as of TY 2023 |
| Estimate Reliability | Class B |
| Data Reliability | Class A |
| Note | The same estimate is provided in the personal income tax section, see 1.6.043. |

**Description:** Depository financial institutions are allowed a credit against their state income tax liability equal to the sum of the amount of business license taxes paid to local governments and any special state occupation taxes paid to the state. For tax years beginning on or after January 1, 2024 carry forwards are limited from five to three years. For tax years beginning on or after January 1, 2024 carry forwards are limited from five to three years.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| Income Tax Expenditure | 3 | 3 | 3 |
| Corporate Income Tax Expenditure | 54 | 53 | 52 |
| State Tax Expenditure | 57 | 55 | 55 |

(m) Denotes a value of less than $1 million. Numbers may not sum due to rounding

**2.6.034** Income tax credit for contributions to rural health care organizations

| | |
|---|---|
| Statute | §48-7-29.20 |
| Year Enacted | 2016 |
| Year Effective | 2017 |
| Data Source | DOR data for 2024 |
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | This statute was modified in 2017 and 2018 to increase taxpayer limitations and the credit rate, modify the aggregate state cap, and extend the expiration. This statute was modified again in 2019 to extend the expiration. The same estimate is provided in the personal income tax section, see 1.6.045. |

**Description:** An individual taxpayer shall be allowed an income tax credit equal to a maximum of $5,000 for an individual filing a single return or $10,000 for joint returns. A corporation or other entity shall be allowed an income tax credit equal to a maximum of 75 percent of the corporation's income tax liability. The aggregate amount of credits cannot exceed $100 million in any year. The provision expires December 31, 2029.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| Income Tax Expenditure | 59 | 69 | 70 |
| Corporate Income Tax Expenditure | 20 | 24 | 24 |
| State Tax Expenditure | 80 | 93 | 94 |

(m) Denotes a value of less than $1 million. Numbers may not sum due to rounding

**2.6.035** Revitalization Zone Tax Credit

| | |
|---|---|
| Statute | §48-7-40.32 |
| Year Enacted | 2017 |
| Year Effective | Taxable years beginning on or after January 1, 2018. |
| Data Source | DOR data for 2021 |
| Estimate Reliability | Class B |
| Data Reliability | Class A |
| Note | The same estimate is provided in the personal income section, see 1.6.046. |

**Description:** This income tax credit is to promote the revitalization of vacant rural Georgia downtowns. The statute includes three credits. The first allows certified entities to claim an annual tax credit for five consecutive years of $2,000 per qualified employee but not to exceed $40,000 per taxable year for any taxpayer. The second provides for a credit equal to 25 percent of the purchase price of qualified property up to an amount equal to $125,000 per project. The third provides for a tax credit of 30 percent of qualified rehabilitation expenses but not to exceed $150,000 per project. For tax years beginning on or after January 1, 2024 carry forwards are limited from five to three years. For tax years beginning on or after January 1, 2024 carry forwards are limited from five to three years.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 1 | 2 | 2 |

(m) Denotes a value of less than $1 million.

**2.6.036** Georgia Musical Investment Tax Credit

| | |
|---|---|
| Statute | §48-7-40.33 |
| Year Enacted | 2017 |
| Year Effective | Taxable years beginning on or after January 1, 2018 |
| Data Source | DOR data as of TY 2023 |
| Estimate Reliability | Class C |
| Data Reliability | Class A |
| Note | The same estimate is provided in the personal income tax section, see 1.6.047. |

**Description:** This income tax credit is equal to 15 percent of qualified production expenditures of a musical or theatrical performance, or a recorded musical performance incorporated into or synchronized with a movie, television, or interactive entertainment production. An additional credit equal to 5 percent

may be allowed for certain expenditures in tier 1 or tier 2 counties.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | (m) | (m) | (m) |

(m) Denotes a value of less than $1 million.

**2.6.037** Public Education Innovation Fund Tax Credit

| | |
|---|---|
| Statute | §48-7-29.21 |
| Year Enacted | 2017 |
| Year Effective | Taxable years beginning on or after January 1, 2018. |
| Data Source | DOR data as of TY 2023 and Fiscal Note for HB 237 LC 33 7049S (2017) |
| Estimate Reliability | Class C |
| Data Reliability | Class A |
| Note | The same estimate is provided in the personal income section, see 1.6.048. |

**Description:** This income tax credit is equal to contributions to a qualified Public Education Innovation fund. The value of the credit varies by personal income filing type from $1,000 to $10,000. Corporate filers are allowed a credit equal to 75 percent of their current income tax liability. The aggregate amount of credits awarded each year may not exceed $5 million. for taxable years on or before December 31, 2023, and $15 million for tax year 2024 and all subsequent years. This credit expires December 31, 2029. For tax years on or after January 1, 2025, carryforwards are limited from five to three years.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| Income Tax Expenditure | 1 | 1 | 2 |
| Corporate Income Tax Expenditure | 4 | 3 | 4 |
| State Tax Expenditure | 5 | 5 | 6 |

(m) Denotes a value of less than $1 million. Numbers may not sum due to rounding

**2.6.038** Agribusiness Tax Credit

| | |
|---|---|
| Statute | §33-1-25 |
| Year Enacted | 2017 |
| Year Effective | Taxable years beginning on or after January 1, 2018 |
| Data Source | DOR data as of TY 2023 and Office of Insurance and Safety Fire Commissioner |
| Estimate Reliability | Class B |
| Data Reliability | Class B |
| Note | The same estimate is provided in the personal income and insurance premium tax sections, see 1.6.049 and 5.00900. |

**Description:** This income tax credit is to establish qualified low-income community rural investment funds and tax credits. The credit amount is 15 percent of the eligible investment per year beginning in the third year after the investment is made and continuing through the sixth year, for a total credit equal to 60 percent of the eligible investment. The credit is nonrefundable and may not be sold, but may be carried forward indefinitely. The amount of credits available is subject to a cumulative cap of $100 million.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| Income Tax Expenditure | 1 | 0 | 0 |
| Corporate Income Tax Expenditure | 2 | 1 | 1 |
| Insurance Premium Tax Expenditure | 4 | 2 | 1 |
| State Tax Expenditure | 7 | 3 | 2 |

(m) Denotes a value of less than $1 million.

**2.6.039** Railroad Track Maintenance Tax Credit

| | |
|---|---|
| Statute | §48-7-40.34 |
| Year Enacted | 2018 |
| Year Effective | 2019 |
| Data Source | Fiscal Note for LC 39 2856 (2021) |
| Estimate Reliability | Class C |
| Data Reliability | Class B |
| Note | The same estimate is provided in the personal income tax section, see 1.6.050. |

**Description:** This income tax credit is based on maintenance expenditures related to railroad track owned or leased by Class III railroads. The credit equals 50 percent of railroad track maintenance expenditures, subject to a maximum credit of $3,500 per track mile per year. In addition to Class III railroads, persons transporting property using a Class III railroad's facilities or persons furnishing railroad-related property or services to a Class III railroad are eligible for the credit with respect to maintenance of their assigned track miles. This credit expires December 31, 2026. For tax years on or after January 1, 2025, carryforwards are reduced from five to three years.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 6 | 6 | 6 |

(m) Denotes a value of less than $1 million

**2.6.040** Reforestation credit for losses incurred on commercial timberland due to hurricane damage

| | |
|---|---|
| Statute | §48-7-40.36 |
| Year Enacted | 2018 |
| Year Effective | 2018 |
| Data Source | Fiscal Note for HB 223S LC 50 1215-ECS (2025) and DOR data as of TY 2023 |
| Estimate Reliability | Class B |
| Data Reliability | Class A |
| Note | The same estimate is provided in the personal income tax, see section 1.6.051. |

**Description:** Provides for a credit for casualty losses incurred on commercial timberland due to damage attributed to Hurricane Helene in the fall of 2024, subject to replanting requirements as described below. The amount of the credit is equal to 100 percent of the casualty loss deduction reported on the taxpayer's federal return, provided that the credit amount does not exceed $550 per acre. Taxpayers must seek preapproval for the credit on or before December 31, 2025. Taxpayers are eligible to claim the credit in the taxable year in which the taxpayer replants 90 percent of the timber lost in the hurricane. All tax credits must be claimed by December 31, 2024. Credits

can be sold once prior to January 1, 2024. Credits claimed are nonrefundable, but can be carried forward for up to 10 years. The total amount of credits preapproved may not exceed $200 million.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| Income Tax Expenditure | 0 | 24 | 26 |
| Corporate Income Tax Expenditure | 0 | 16 | 18 |
| State Tax Expenditure | 0 | 40 | 44 |

(m) Denotes a value of less than $1 million. Numbers may not sum due to rounding

**2.6.041** Qualified Post-Production Expenditures Credit

| | |
|---|---|
| Statute | 48-7-40.26A |
| Year Enacted | 2017 |
| Year Effective | 2018 |
| Data Source | DOR data as of TY 2023 |
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | The same estimate is provided in the personal income tax, see section 1.6.052. |

**Description:** Postproduction companies with at least $500,000 in qualified postproduction expenditures per year will be eligible for a credit equal to 20 percent of the qualified postproduction expenditures. An additional 10 percent credit is allowed if the qualified production expenditures were incurred in the state. An additional 5 percent credit is allowed if the qualified production expenditures were incurred in a tier 1 or tier 2 county. The value of credits awarded is limited to a maximum of $10 million for 2018 through 2022. If in any year the aggregate amount of credits allowable is not awarded, the remaining credits will be rolled in the allowable credits for the following year. Postproduction companies with expenditures between $100,000 and $500,000 per year are eligible for a separate credit equal to 20 percent of the qualified postproduction expenditures. Aggregate annual claims on this credit are limited to $1 million. The $1 million small company credit limit does not count against the credit limit for the large company credit discussed above. No credits shall be earned in years after 2022. HB 129 resumes postproduction expenditure tax credit beginning January 1, 2026 and before January 1, 2031.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| Income Tax Expenditure | 1 | 1 | 2 |
| Corporate Income Tax Expenditure | 0 | 1 | 1 |
| State Tax Expenditure | 1 | 2 | 3 |

(m) Denotes a value of less than $1 million. Numbers may not sum due to rounding

**2.6.042** Personal protective equipment manufacturer job tax credit

| | |
|---|---|
| Statute | §48-7-40.1A |
| Year Enacted | 2020 |
| Year Effective | Taxable years beginning on or after January 1, 2020 |
| Data Source | |
| Estimate Reliability | Class A |
| Data Reliability | NA |
| Note | |

**Description:** Personal protective equipment manufacturers that qualify for the Georgia job tax credit may earn $1,250 per for each qualifying new job in addition to the amounts earned under the existing job credit. No credits shall be earned for jobs created after January 1, 2025.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | (m) | (m) | (m) |

(m) Denotes a value of less than $1 million. Numbers may not sum due to rounding

**2.6.043** Medical equipment, medical supplies, pharmaceuticals, and medicine manufacturers job tax credit

| | |
|---|---|
| Statute | 48-7-40.1B |
| Year Enacted | 2021 |
| Year Effective | Taxable years beginning on or after January 1, 2021 |
| Data Source | Fiscal Note for HB 587 LC 43 2010S (2021) |
| Estimate Reliability | Class A |
| Data Reliability | NA |
| Note | The same estimate is provided in the personal income tax, see section 1.6.054. |

**Description:** Medical equipment and supply manufacturers, and pharmaceutical and medicine manufacturers that qualify for the Georgia job tax credit (see 1.6.012/2.6.001/5.00200) may earn $1,250 per for each qualifying new job in addition to the amounts earned under the existing job credit.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| Income Tax Expenditure | (m) | (m) | (m) |
| Corporate Income Tax Expenditure | 1 | 1 | 1 |
| State Tax Expenditure | 1 | 1 | 1 |

(m) Denotes a value of less than $1 million. Numbers may not sum due to rounding

**2.6.044** Qualified Foster Child Donation Credit

| | |
|---|---|
| Statute | §48-7-29.24 |
| Year Enacted | 2021 |
| Year Effective | Taxable years beginning on or after January 1, 2023 |
| Data Source | Fiscal note for SB 370 43 2189 (2022) |
| Estimate Reliability | Class A |
| Data Reliability | NA |
| Note | The same estimate is provided in the personal income tax, see section 1.6.056. |

**Description:** This credit is equal to 100 percent of qualified donations paid by the taxpayer to approved foster child support organizations. The Georgia Department of Humans Services qualifies organizations for purposes of the program. Credits are nonrefundable, but any unutilized credits can be carried forward for up to five years. The aggregate amount of credits allowed per year is subject to a statewide cap of $20 million, enforced through an annual credit preapproval process.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2024 | 2025 | 2026 |
| State Tax Expenditure | 2 | 11 | 18 |

(m) Denotes a value of less than $1 million. Numbers may not sum due to rounding

**2.6.045** Qualified Law Enforcement Donation Credit

| | |
|---|---|
| Statute | §48-7-29.25 |
| Year Enacted | 2021 |
| Year Effective | Taxable years beginning on or after January 1, 2023 |
| Data Source | Fiscal note for SB361 LC 43 2159 (2022) |
| Estimate Reliability | Class A |
| Data Reliability | NA |
| Note | The same estimate is provided in the personal income tax, see section 1.6.057. |

**Description:** This credit is equal to 100 percent of qualified donations paid by the taxpayer to qualified law enforcement foundations. The credits are nonrefundable, but any unutilized credits can be carried forward for up to five years. The aggregate amount of credits allowed per year is subject to a statewide cap of $75 million, enforced through an annual credit preapproval process.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2024 | 2025 | 2026 |
| State Tax Expenditure | 8 | 11 | 13 |

(m) Denotes a value of less than $1 million. Numbers may not sum due to rounding

## Corporate income tax expenditures for which an estimate is not currently available

| Expenditure | Statute | Summary |
|---|---|---|
| 2.6.027 | §48-7-40.29 | Energy-efficient or water-efficient equipment credit |

## 3. Corporate Net Worth Tax

Georgia imposes a tax on the net worth of corporations doing business or owning property in the state. The net worth of foreign corporations subject to the Georgia tax is based upon the ratio of assets in Georgia and gross receipts in Georgia to total assets and gross receipts. The tax is graduated based upon the corporation's taxable net worth. Corporations with less than $100,000 of net worth are not subject to the tax.

The tax is administered by the Georgia DOR. Revenues from this tax totaled $68.9 million in FY 2024. All revenues from this tax are deposited into the State General Fund.

**3.003** Exemption for corporations with net worth of $100,000 or less

| | |
|---|---|
| Statute | §48-13-71 |
| Year Enacted | 2017 |
| Year Effective | Tax years beginning on or after January 1, 2018 |
| Data Source | Fiscal Note SB 133/LC 40 1296 for 2017 |
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | |

**Description:** The statute increases the threshold net worth value with regards to the Net Worth tax. Corporations with net worth equal to $100,000 or less are exempted from the net worth tax.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 6 | 6 | 7 |

(m) Denotes a value of less than $1 million

## Corporate net worth tax expenditures for which an estimate is not currently available

| Expenditure | Statute | Summary |
|---|---|---|
| 3.001 | §48-13-72 | Exemption for nonprofit corporations |
| 3.002 | §48-13-72 | Exemption for insurance companies separately taxed |

## 4. Sales and Use Tax

The sales and use tax was first enacted in Georgia in 1951 at a rate of 3 percent. The rate was increased to its current rate of 4 percent in 1989. The sales tax base consists of retail sales, leases, rentals, use or consumption of tangible personal property. Under legislation enacted in 2023 and effective July 1, 2023, the tax base now includes the purchase of certain digital products.

In addition to the state sales tax, local governments are authorized to impose an assortment of local option sales taxes. In most counties, the local sales taxes imposed consist of a combination of a Local Option Sales Tax (LOST), Special Purpose Local Option Sales Tax (SPLOST) and/or an Educational Special Purpose Local Option Sales Tax (E-SPLOST) with tax rates of 1 percent for each. Starting July 1, 2023, qualified consolidated governments were authorized to impose a dedicated C-SPLOST to fund coliseum projects. The following table summarizes the local options sales taxes, their rates and areas that have them currently enacted.

| Description of Local Lax | Covered Areas | Tax Rate Imposed |
|---|---|---|
| Local Option Sales Tax (LOST) | 155 Counties | 1 percent |
| Special Purpose Local Option Sales Tax (SPLOST) | 155 Counties | 1 percent |
| Educational Special Purpose Local Option Sales Tax (E-SPLOST) | 158 Counties | 1 percent |
| Sales tax dedicated to transportation purposes (T-SPLOST) | City of Atlanta<br>Fulton County<br>109 Counties | 1.4 percent<br>0.75 percent<br>1 percent |
| Homestead Option Sales Tax (HOST) | City of Atlanta | 1 percent |
| Sales tax dedicated to Metropolitan Atlanta Rapid Transit Authority (MARTA) | 3 Counties<br>City of Atlanta – | 1 percent<br>1.5 percent |
| Coliseum Special Purpose Local Option sales Tax (C-SPLOST) | Augusta | 0.5 percent |

In general, the local tax base is consistent with the state sales tax base, which is defined to include mainly tangible personal property. The major exception is food for home consumption, which is included in the local sales tax base, but is exempted from the state tax. Services, with a few exceptions, are generally excluded from both the state and the local tax base. This report provides estimates of some services that are implicitly exempt from the sales tax by virtue of not being tangible personal property. Lastly, this report categorizes each sales tax expenditure by type to allow the reader to distinguish between tax expenditures, such as those for business inputs, that are provided for reasons of reducing economic distortions from those provided on the basis of more societal reasons.

The tax is administered by the Georgia DOR. The sales tax is remitted to the Georgia DOR by the retailer and the use tax is remitted by the consumer in cases where the retailer does not collect and remit sales tax. In FY 2024, the state sales and use tax generated $9.0 billion in state

revenues and accounted for approximately 27.2 percent of total state tax revenues. All proceeds from the state sales and use tax, net of vendor compensation, are deposited into the State General Fund.

## 4.0-4.3 Sales and Use Tax Exemptions

**4.00400** Sales of transportation furnished by a county or municipal public transit system or public transit authorities

| | |
|---|---|
| Statute | §48-8-3(4) |
| Year Enacted | 1968 |
| Year Effective | 1968 |
| Data Source | National Transit Database |
| Estimate Reliability | Class B |
| Data Reliability | Class A |
| Note | Estimate combined with 4.00500 |

**Description:** Sales by counties and municipalities arising out of their operation of any public transit facility and sales by public transit authorities or charges by counties, municipalities, or public transit authorities for the transportation of passengers upon their conveyances.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 6 | 7 | 7 |
| Local Tax Expenditure | 6 | 6 | 6 |

(m) Denotes a value of less than $1 million

**4.00500** Sales of transportation furnished by an approved and authorized urban transit system

| | |
|---|---|
| Statute | §48-8-3(5) |
| Year Enacted | 1970 |
| Year Effective | 1970 |
| Data Source | National Transit Database |
| Estimate Reliability | Class B |
| Data Reliability | Class A |
| Note | |

**Description:** Fares and charges, except charges for charter or sightseeing service, collected by an urban transit system for the transportation of passengers.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | Estimate combined with 4.00400 | | |

(m) Denotes a value of less than $1 million

**4.00600** Sales to any Hospital Authority created by Georgia law

| | |
|---|---|
| Statute | §48-8-3(6) |
| Year Enacted | 1976 |
| Year Effective | 1976 |
| Data Source | Georgia Office of Planning and Budget and Georgia Department of Community Health |
| Estimate Reliability | Class B |
| Data Reliability | Class B |
| Note | Estimate combined with 4.00700 |

**Description:** Sales to any hospital authority created by Article 4 of Chapter 7 of O.C.G.A. Title 31.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 83 | 88 | 92 |
| Local Tax Expenditure | 71 | 75 | 78 |

(m) Denotes a value of less than $1 million

**4.00610** Sales to any Housing Authority created by Georgia law

| | |
|---|---|
| Statute | §48-8-3(6.1) |
| Year Enacted | 1999 |
| Year Effective | 1999 |
| Data Source | Georgia Department of Community Affairs and the American Community Survey |
| Estimate Reliability | Class C |
| Data Reliability | Class A |
| Note | |

**Description:** Sales to any housing authority created by Article 1 of Chapter 3 of O.C.G.A. Title 8.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 2 | 2 | 2 |
| Local Tax Expenditure | 1 | 1 | 1 |

(m) Denotes a value of less than $1 million

**4.00620** Sales to local government authorities created on or after January 1, 1980 for the principal purpose of constructing, owning, or operating a coliseum and related facilities

| | |
|---|---|
| Statute | §48-8-3(6.2) |
| Year Enacted | 2002 |
| Year Effective | 2002 |
| Data Source | Georgia Department of Community Affairs |
| Estimate Reliability | Class B |
| Data Reliability | Class B |
| Note | This exemption expires December 31, 2029. |

**Description:** Sales to local government authorities created on or after January 1, 1980 for the principal purpose of constructing, owning, or operating a coliseum and related facilities.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | (m) | (m) | (m) |
| Local Tax Expenditure | (m) | (m) | (m) |

(m) Denotes a value of less than $1 million

**4.00630** Sales to any agricultural commission created by the Department of Agriculture

| | |
|---|---|
| Statute | §48-8-3(6.3) |
| Year Enacted | 2002 |
| Year Effective | 2002 |
| Data Source | Georgia Department of Agriculture and the Georgia Office of Planning and Budget |
| Estimate Reliability | Class C |
| Data Reliability | Class C |
| Note | This exemption expires December 31, 2029. |

**Description:** Sales to any agricultural commission created by the Department of Agriculture

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | (m) | (m) | (m) |
| Local Tax Expenditure | (m) | (m) | (m) |

(m) Denotes a value of less than $1 million

**4.00700** Sale of tangible personal property and services to an approved nursing home, inpatient hospice, general hospital or mental hospital when used specifically in the treatment function

| | |
|---|---|
| Statute | §48-8-3(7) |
| Year Enacted | 1971 |
| Year Effective | 1971 |
| Data Source | Georgia Office of Planning and Georgia Department of Community Health |
| Estimate Reliability | Class B |
| Data Reliability | Class B |
| Note | |

**Description:** Sales of tangible personal property and services to an approved non-profit nursing home, inpatient hospice, general hospital or mental hospital when used specifically in the treatment function and used exclusively by the facility.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 69 | 73 | 77 |
| Local Tax Expenditure | 68 | 72 | 75 |

(m) Denotes a value of less than $1 million

**4.00705** Sale of tangible personal property to a non-profit health center established and receiving funds pursuant to the U.S. Public Health Service Act

| | |
|---|---|
| Statute | §48-8-3(7.05) |
| Year Enacted | 2015 |
| Year Effective | 2015 |
| Data Source | IRS Form 990 Data |
| Estimate Reliability | Class C |
| Data Reliability | Class C |
| Note | This exemption was eliminated in 2010 and reinstated in 2015. |

**Description:** Sales of tangible personal property to a non-profit health center established and receiving funds pursuant to the U.S. Public Health Service Act. This exemption does not apply local sales taxes.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 2 | 3 | 3 |
| Local Tax Expenditure | 0 | 0 | 0 |

(m) Denotes a value of less than $1 million

**4.00710** Sale of tangible personal property and services to a nonprofit organization whose primary function is to provide services to persons with intellectual disabilities

| | |
|---|---|
| Statute | §48-8-3(7.1) |
| Year Enacted | 2001 |
| Year Effective | 2002 |
| Data Source | IRS Form 990 Data |
| Estimate Reliability | Class C |
| Data Reliability | Class A |
| Note | |

**Description:** Sales of tangible personal property and services to a nonprofit organization, the primary function of which is the provision of services to persons with intellectual disabilities, when such organization is a tax-exempt organization under the Internal Revenue Code and obtains an exemption determination letter from the State Revenue Commissioner.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 1 | 1 | 1 |
| Local Tax Expenditure | 1 | 1 | 1 |

(m) Denotes a value of less than $1 million

**4.00720** Sales to Georgia Society of the Daughters of the American Revolution

| | |
|---|---|
| Statute | §48-8-3(7.2) |
| Year Enacted | 2002 |
| Year Effective | 2002 |
| Data Source | IRS 990 Form Data |
| Estimate Reliability | Class C |
| Data Reliability | Class C |
| Note | This exemption expires December 31, 2029. |

**Description:** Sales of tangible personal property or services to any chapter of the Georgia State Society of the Daughters of the American Revolution which is tax exempt under IRS Code Section 501(c)(3) and obtains an exemption determination letter from the State Revenue Commissioner.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | (m) | (m) | (m) |
| Local Tax Expenditure | (m) | (m) | (m) |

(m) Denotes a value of less than $1 million

**4.00730** Sale of tangible property and services to a nonprofit volunteer health clinic primarily treating patients with incomes below 200 percent of the poverty level

| | |
|---|---|
| Statute | §48-8-3(7.3) |
| Year Enacted | 2015 |
| Year Effective | 2015 |
| Data Source | Fiscal Note for HB 426 LC 34 4527 for 2015 |
| Estimate Reliability | Class C |
| Data Reliability | Class C |
| Note | This exemption was eliminated in 2010 and reinstated in 2015. |

**Description:** Sales of tangible personal property and services to a nonprofit volunteer health clinic primarily treating patients with incomes below 200 percent of

the poverty level and when the item sold is used exclusively for general treatment function.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 2 | 2 | 2 |
| Local Tax Expenditure | 2 | 2 | 2 |

(m) Denotes a value of less than $1 million

**4.00800** Sale of tangible personal property and services to the University System of Georgia and its educational units

| | |
|---|---|
| Statute | §48-8-3(8) |
| Year Enacted | 1963 |
| Year Effective | 1963 |
| Data Source | University System of Georgia Annual Financial Report |
| Estimate Reliability | Class B |
| Data Reliability | Class A |
| Note | Estimate combined with 4.00900 |

**Description:** Sales of tangible personal property and services to the University System of Georgia and its educational units.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 62 | 65 | 67 |
| Local Tax Expenditure | 53 | 56 | 58 |

(m) Denotes a value of less than $1 million

**4.00900** Sale of tangible personal property and services used exclusively in the educational function of an approved private college or university located in Georgia in which the credits are accepted by the University System of Georgia

| | |
|---|---|
| Statute | §48-8-3(9) |
| Year Enacted | 1966 |
| Year Effective | 1966 |
| Data Source | University System of Georgia Annual Financial Report |
| Estimate Reliability | Class C |
| Data Reliability | Class C |
| Note | Estimate combined with 4.00800 |

**Description:** Sales of tangible personal property and services used exclusively in the educational function of an approved private college or university located in Georgia whose credits are accepted by the University System of Georgia.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | Estimate combined with 4.00800 | | |
| Local Tax Expenditure | | | |

(m) Denotes a value of less than $1 million

**4.01000** Sale of tangible personal property and services used exclusively in the educational function of an approved private elementary or secondary school

| | |
|---|---|
| Statute | §48-8-3(10) |
| Year Enacted | 1968 |
| Year Effective | 1968 |

| | |
|---|---|
| Data Source | The National Center for Education Statistics and the Georgia Department of Education |
| Estimate Reliability | Class C |
| Data Reliability | Class C |
| Note | |

**Description:** Sales of tangible personal property and services used exclusively in the educational function of an approved private elementary or secondary school

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 8 | 8 | 9 |
| Local Tax Expenditure | 7 | 7 | 7 |

(m) Denotes a value of less than $1 million

**4.01100** Sale of tangible personal property or services to, and the purchase of tangible personal property or services by, any educational or cultural institute

| | |
|---|---|
| Statute | §48-8-3(11) |
| Year Enacted | 1968 |
| Year Effective | 1968 |
| Data Source | Fiscal Note for HB 445/LC 34 4571S for 2015 |
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | This exemption expires December 31, 2029. |

**Description:** Sales of tangible personal property or services to, and the purchase of tangible personal property or services by, any educational or cultural institute which: (A) Is tax exempt under Section 501(c)(3) of the Internal Revenue Code; (B) Furnishes at least 50 percent of its programs through universities and other institutions of higher education in support of their educational programs; (C) Is paid for by government funds of a foreign country; and (D) Is an instrumentality, agency, department, or branch of a foreign government operating through a permanent location in this state.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | (m) | (m) | (m) |
| Local Tax Expenditure | (m) | (m) | (m) |

(m) Denotes a value of less than $1 million

**4.01200** School lunches sold and served to pupils and employees of public schools

| | |
|---|---|
| Statute | §48-8-3(12) |
| Year Enacted | 1953 |
| Year Effective | 1953 |
| Data Source | Georgia School Nutrition Association and the Georgia Department of Education |
| Estimate Reliability | Class B |
| Data Reliability | Class B |
| Note | |

**Description:** Food, food ingredients, and prepared food sold and served to pupils and employees of public schools.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 4 | 4 | 4 |
| Local Tax Expenditure | 3 | 3 | 3 |

(m) Denotes a value of less than $1 million

**4.01300** School lunches sold and served to pupils and employees of approved private schools

| | |
|---|---|
| Statute | §48-8-3(13) |
| Year Enacted | 1967 |
| Year Effective | 1967 |
| Data Source | Georgia School Nutrition Association and the National Center of Education Statistics |
| Estimate Reliability | Class B |
| Data Reliability | Class B |
| Note | |

**Description:** Food, food ingredients, and prepared food sold and served to pupils and employees of approved private elementary and secondary schools

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 1 | 1 | 1 |
| Local Tax Expenditure | 1 | 1 | 1 |

(m) Denotes a value of less than $1 million

**4.01400** Sale of art and other artifacts for display or exhibition to museums

| | |
|---|---|
| Statute | §48-8-3(14) |
| Year Enacted | 1973 |
| Year Effective | 1973 |
| Data Source | U.S. Economic Census and IRS Form 990 data |
| Estimate Reliability | Class C |
| Data Reliability | Class C |
| Note | This exemption expires December 31, 2029. |

**Description:** Sales of art and anthropological, archeological, geological, horticultural, or zoological objects or artifacts and other similar tangible personal property to or for the use by any museum or organization which is tax exempt under Section 501(c)(3) of the Internal Revenue Code of such tangible personal property for display or exhibition in a museum within this state

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | (m) | (m) | (m) |
| Local Tax Expenditure | (m) | (m) | (m) |

(m) Denotes a value of less than $1 million

**4.01500** Specific fundraising sales by any religious institution lasting no more than 30 days in a calendar year and sales of religious paper when the paper is owned and operated by the religious institution

| | |
|---|---|
| Statute | §48-8-3(15B) |
| Year Enacted | 1953 |
| Year Effective | 1953 |
| Data Source | National Center for Charitable Statistics |
| Estimate Reliability | Class C |

Data Reliability Class B
Note

**Description:** Sales of any religious paper in this state when the paper is owned and operated by religious institutions or denominations and no part of the net profit from the operation of the institution or denomination inures to the benefit of any private person. Exempt sales must occur during a fundraising activity with a duration that does not exceed 30 days in any calendar year.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | (m) | (m) | (m) |
| Local Tax Expenditure | (m) | (m) | (m) |

(m) Denotes a value of less than $1 million

**4.01510** Sale of pipe organs or steeple bells to any church qualifying as a nonprofit

Statute §48-8-3(15.1)
Year Enacted 2001
Year Effective 2001
Data Source The Atlanta Chapter for The American Guild of Organists
Estimate Reliability Class C
Data Reliability Class C
Note This exemption expires December 31, 2029.

**Description:** Sales of pipe organs or steeple bells to any church qualifying as a nonprofit.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | (m) | (m) | (m) |
| Local Tax Expenditure | (m) | (m) | (m) |

(m) Denotes a value of less than $1 million

**4.01700** Sale of fuel or consumable supplies used by ships engaged in inter-coastal or foreign commerce

Statute §48-8-3(17)
Year Enacted 1951
Year Effective 1951
Data Source U.S. Energy Information Administration and the U.S. Department of Energy
Estimate Reliability Class B
Data Reliability Class A
Note

**Description:** Sales of fuel or consumable supplies used by ships engaged in inter-coastal or foreign commerce.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 5 | 5 | 6 |
| Local Tax Expenditure | 5 | 5 | 5 |

(m) Denotes a value of less than $1 million

**4.02000** Water delivered through water mains, lines, or pipes

Statute §48-8-3(20)
Year Enacted 1966
Year Effective 1966

| | |
|---|---|
| Data Source | Georgia Office of Planning and Budget and DOXO Utilities Report |
| Estimate Reliability | Class C |
| Data Reliability | Class C |
| Note | This estimate differs from previous years due to new data. |

**Description:** The sale of water delivered to consumers through water mains, lines, or pipes.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 12 | 13 | 13 |
| Local Tax Expenditure | 10 | 11 | 11 |

(m) Denotes a value of less than $1 million

**4.02200** Professional, insurance or personal service transactions which involve sales as inconsequential elements for which no separate charge is made

| | |
|---|---|
| Statute | §48-8-3(22) |
| Year Enacted | 1951 |
| Year Effective | 1951 |
| Data Source | NA |
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | |

**Description:** Professional, insurance or personal service transactions which involve sales as inconsequential elements for which no separate charge is made.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | Estimate included in sales tax for services: 4.50500 | | |
| Local Tax Expenditure | | | |

(m) Denotes a value of less than $1 million

**4.02300** Repair services when a separate charge is made to the customer

| | |
|---|---|
| Statute | §48-8-3(23) |
| Year Enacted | 1951 |
| Year Effective | 1951 |
| Data Source | NA |
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | |

**Description:** Repair services when a separate charge is made to the customer.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | Estimate included in sales tax for services: 4.51100 | | |
| Local Tax Expenditure | | | |

(m) Denotes a value of less than $1 million

**4.02400** Rental of videotape or film to persons charging admission to view the tape or film

| | |
|---|---|
| Statute | §48-8-3(24) |
| Year Enacted | 1989 |
| Year Effective | 1989 |
| Data Source | US Economic Census and Nash Information Services Box |

| | |
|---|---|
| | Office Data |
| Estimate Reliability | Class C |
| Data Reliability | Class C |
| Note | |

**Description:** Rental of videotape or film to persons charging admission to view the tape or film.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 6 | 6 | 6 |
| Local Tax Expenditure | 5 | 5 | 5 |

(m) Denotes a value of less than $1 million

**4.03000** Vehicles purchased by service-connected disabled veterans when the U.S. Dept. of Veterans Affairs supplies a grant to purchase a specially adapted vehicle

| | |
|---|---|
| Statute | §48-8-3(30) |
| Year Enacted | 1972 |
| Year Effective | 1972 |
| Data Source | The Department of Veteran Affairs |
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | This exemption expires December 31, 2029. |

**Description:** The sale of a vehicle to a service-connected disabled veteran when the veteran received a grant from the United States Department of Veterans Affairs to purchase and specially adapt the vehicle to the veteran's disability.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | (m) | (m) | (m) |
| Local Tax Expenditure | (m) | (m) | (m) |

(m) Denotes a value of less than $1 million

**4.03420** Machinery and equipment used directly to remanufacture certain aircraft engines or aircraft engine parts

| | |
|---|---|
| Statute | §48-8-3(34.2) |
| Year Enacted | 1996 |
| Year Effective | 1996 |
| Data Source | Fiscal Note for HB 933 LC 40 0540 for 2014 |
| Estimate Reliability | Class B |
| Data Reliability | Class A |
| Note | This exemption expires December 31, 2029. |

**Description:** Machinery and equipment used directly to remanufacture certain aircraft engines or aircraft engine parts or components in a remanufacturing facility.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | (m) | (m) | (m) |
| Local Tax Expenditure | (m) | (m) | (m) |

(m) Denotes a value of less than $1 million

**4.03600** Machinery and equipment used in a facility for the primary purpose of reducing or eliminating air and water pollution

| | |
|---|---|
| Statute | §48-8-3(36) |
| Year Enacted | 1972 |
| Year Effective | 1972 |
| Data Source | Fiscal Note for HB 445 LC 40 4571S for 2015 |
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | |

**Description:** Machinery and equipment or any repair or replacement component used in a facility for the primary purpose of reducing or eliminating air and water pollution

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | (m) | (m) | (m) |
| Local Tax Expenditure | (m) | (m) | (m) |

(m) Denotes a value of less than $1 million

**4.03800** Sale of tangible personal property and fees and charges for services by the Rock Eagle 4-H Center

| | |
|---|---|
| Statute | §48-8-3(38) |
| Year Enacted | 1976 |
| Year Effective | 1976 |
| Data Source | Fiscal Note for HB 445/LC 34 4571S for 2015 |
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | This exemption expires December 31, 2029. |

**Description:** Sale of tangible personal property and fees and charges for services by the Rock Eagle 4-H center.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | (m) | (m) | (m) |
| Local Tax Expenditure | (m) | (m) | (m) |

(m) Denotes a value of less than $1 million

**4.03900** Certain sales by a public or private school of tangible personal property, concessions, and tickets for admission to school functions

| | |
|---|---|
| Statute | §48-8-3(39) |
| Year Enacted | 1994 |
| Year Effective | 1994 |
| Data Source | Georgia Department of Education, IRS Form 990 data, and the National High School Athletic Association |
| Estimate Reliability | Class C |
| Data Reliability | Class C |
| Note | |

**Description:** Sales by any public or private school containing any combination of grades kindergarten through 12 of tangible property, concessions, or tickets for admission to a school event or function, provided that the net proceeds from such sales are used solely for the benefit of such school or its students

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 7 | 7 | 8 |
| Local Tax Expenditure | 6 | 6 | 7 |

(m) Denotes a value of less than $1 million

**4.04000** Sale of major components or repair parts installed in military aircraft, vehicles, or missiles

| | |
|---|---|
| Statute | §48-8-3(40) |
| Year Enacted | 1965 |
| Year Effective | 1965 |
| Data Source | USASpending.gov and the U.S. Economic Census |
| Estimate Reliability | Class C |
| Data Reliability | Class C |
| Note | |

**Description:** Sale of major components or repair parts installed in military aircraft, vehicles, or missiles.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 29 | 32 | 31 |
| Local Tax Expenditure | 25 | 27 | 26 |

(m) Denotes a value of less than $1 million

**4.04100** Sale of tangible personal property and services to a nonprofit child-caring institution, child-placing agency, or maternity home

| | |
|---|---|
| Statute | §48-8-3(41) |
| Year Enacted | 2004 |
| Year Effective | 2004 |
| Data Source | IRS 990 Data and Georgia Department of Human Services |
| Estimate Reliability | Class B |
| Data Reliability | Class B |
| Note | |

**Description:** Sales of tangible personal property and services to a child-caring institution as defined in paragraph (1) of O.C.G.A §49-5-3; a child-placing agency as defined in paragraph (2) of O.C.G.A. §49-5-3, or maternity home as defined in paragraph (14) of O.C.G.A. §49-5-3, when such institution, agency, or home is engaged primarily in providing child services and is a non-profit, tax-exempt organization under Section 501(c)(3) of the IRS revenue code. Also includes sales from certain Fundraising activities (limited to 30 days per year).

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 1 | 1 | 1 |
| Local Tax Expenditure | 1 | 1 | 1 |

(m) Denotes a value of less than $1 million

**4.04300** Revenues from coin-operated amusement machines for which individual permits are required

| | |
|---|---|
| Statute | §48-8-3(43) |
| Year Enacted | 1992 |
| Year Effective | 1993 |

Data Source: Georgia Lottery Commission Annual Report
Estimate Reliability: Class C
Data Reliability: Class B
Note

**Description:** Gross revenue generated from all bona fide coin-operated amusement machines which vend or dispense music or are operated for skill, amusement, entertainment, or pleasure.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 47 | 50 | 52 |
| Local Tax Expenditure | 41 | 43 | 45 |

(m) Denotes a value of less than $1 million

**4.04600** Sale of tangible personal property or taxable services to nonprofit blood banks

Statute: §48-8-3(46)
Year Enacted: 1980
Year Effective: 1980
Data Source: U.S. Economic Census and IRS 990 Form Data
Estimate Reliability: Class C
Data Reliability: Class B
Note

**Description:** Sale to certain blood banks having a nonprofit status according to Section 501(c)(3) of the IRS revenue code.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 3 | 3 | 3 |
| Local Tax Expenditure | 3 | 3 | 3 |

(m) Denotes a value of less than $1 million

**4.04700** Sale of drugs dispensed by prescription, prescription glasses, contact lenses, contact lens samples and sales or use of certain controlled substances or dangerous drugs

Statute: §48-8-3(47)
Year Enacted: 1984
Year Effective: 1985
Data Source: State Health Expenditures from the Centers for Medicare and Medicaid Services
Estimate Reliability: Class B
Data Reliability: Class B
Note

**Description:** Sale or use of drugs that are lawfully dispensable only by prescription for the treatment of natural persons; prescription insulin and insulin dispensed without prescription, prescription eyeglasses and contact lenses; prescription contact lens samples; drugs dispensable by prescription for the treatment of natural persons without charge to physicians, hospitals, etc. by pharmaceutical manufacturers or distributors; drugs and durable medical equipment dispensed or distributed without charge solely for the purposes of a clinical trial approved by the FDA or an institutional review board. Note: This exemption does not include over-the-counter drugs, drugs sold for animal use, or non-prescription eyeglasses. Effective January 1, 2025 sales to or by an eligible recipient which provides pharmacy related

services only for the purpose of dispensing donated or purchased drugs to a drug repository program of over the counter drugs are included in this exemption.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 671 | 710 | 749 |
| Local Tax Expenditure | 577 | 611 | 644 |

(m) Denotes a value of less than $1 million

**4.04800** Sale of crab bait to licensed commercial fishermen

| | |
|---|---|
| Statute | §48-8-3(48) |
| Year Enacted | 1985 |
| Year Effective | 1985 |
| Data Source | Georgia Department of Natural Resources and the U.S. Economic Census |
| Estimate Reliability | Class C |
| Data Reliability | Class C |
| Note | This exemption expires December 31, 2029. |

**Description:** Sale of crab bait to licensed commercial fisherman.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | (m) | (m) | (m) |
| Local Tax Expenditure | (m) | (m) | (m) |

(m) Denotes a value of less than $1 million

**4.05000** Sale of insulin syringes and blood glucose level measuring strips dispensed without a prescription

| | |
|---|---|
| Statute | §48-8-3(50) |
| Year Enacted | 1986 |
| Year Effective | 1986 |
| Data Source | American Diabetes Association |
| Estimate Reliability | Class C |
| Data Reliability | Class C |
| Note | |

**Description:** Sale of blood measuring devices, monitoring equipment, or insulin delivery systems used exclusively by diabetics; insulin, insulin syringes and blood glucose monitoring strips; when dispensed without a prescription.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 11 | 12 | 13 |
| Local Tax Expenditure | 10 | 10 | 11 |

(m) Denotes a value of less than $1 million

**4.05100** Sale of oxygen when prescribed by a licensed physician

| | |
|---|---|
| Statute | §48-8-3(51) |
| Year Enacted | 1986 |
| Year Effective | 1986 |
| Data Source | The Medical Expenditure Panel Survey and The Department of Health and Human Services |
| Estimate Reliability | Class C |

Data Reliability Class A
Note
**Description:** Sale of oxygen when prescribed by a licensed physician.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 2 | 2 | 2 |
| Local Tax Expenditure | 2 | 2 | 2 |

(m) Denotes a value of less than $1 million

**4.05200** Sale or use of hearing aids

Statute §48-8-3(52)
Year Enacted 1986
Year Effective 1986
Data Source Fortune Business Insights and U.S. Census Bureau
Estimate Reliability Class C
Data Reliability Class C
Note
**Description:** Exempts the sale or use of approved hearing aids from sales and use tax.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 6 | 7 | 8 |
| Local Tax Expenditure | 5 | 6 | 7 |

(m) Denotes a value of less than $1 million

**4.05300** Transactions in which food stamps or WIC coupons are used as the method of payment

Statute §48-8-3(53)
Year Enacted 1986
Year Effective 1987
Data Source U.S. Food and Nutrition Service and the U.S. Department of Agriculture
Estimate Reliability Class B
Data Reliability Class A
Note
**Description:** Sales tax is not applied on items purchased using food stamps or WIC coupons.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 146 | 146 | 150 |
| Local Tax Expenditure | 125 | 125 | 129 |

(m) Denotes a value of less than $1 million

**4.05400** Sale or use of any durable medical equipment or prosthetic device prescribed by a physician

Statute §48-8-3(54)
Year Enacted 1992
Year Effective 1993
Data Source U.S. Census of National Health Expenditures and the Medical Expenditure Panel Survey
Estimate Reliability Class B
Data Reliability Class A

Note

**Description:** Sale or use of any durable medical equipment or prosthetic device prescribed by a physician.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 66 | 71 | 75 |
| Local Tax Expenditure | 57 | 61 | 64 |

(m) Denotes a value of less than $1 million

**4.05500** Sale of Georgia lottery tickets

| | |
|---|---|
| Statute | §48-8-3(55) |
| Year Enacted | 1992 |
| Year Effective | 1992 |
| Data Source | Georgia Lottery Commission Annual Report |
| Estimate Reliability | Class A |
| Data Reliability | Class A |

Note

**Description:** Sale of lottery tickets authorized by O.C.G.A. Chapter 27 of Title 50.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 249 | 259 | 269 |
| Local Tax Expenditure | 214 | 223 | 231 |

(m) Denotes a value of less than $1 million

**4.05600** Sale by any qualified nonprofit parent teacher organization

| | |
|---|---|
| Statute | §48-8-3(56) |
| Year Enacted | 1995 |
| Year Effective | 1995 |
| Data Source | Georgia Parent Teacher Association and IRS Form 990 data |
| Estimate Reliability | Class C |
| Data Reliability | Class B |

Note

**Description:** Sale by any qualified nonprofit parent teacher organization.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | (m) | (m) | (m) |
| Local Tax Expenditure | (m) | (m) | (m) |

(m) Denotes a value of less than $1 million

**4.05700** Food purchased for off-premises consumption

| | |
|---|---|
| Statute | 48-8-3(57) |
| Year Enacted | 1996 |
| Year Effective | 1998 |
| Data Source | U.S. Department of Agriculture Economic Research Service |
| Estimate Reliability | Class B |
| Data Reliability | Class A |

Note

**Description:** Exemption applies to food and food ingredients, which means substances, whether in liquid, concentrated, solid, frozen, dried, or dehydrated form, that are sold for ingestion or chewing by humans and are consumed for

their taste or nutritional value. It does not apply to alcoholic beverages, tobacco, immediate consumption items, vitamins, and minerals. It does not apply to the local option sales taxes or items used primarily for medical or hygiene purposes (cough drops, breath strips, over the counter medication, etc.).

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 1,175 | 1,214 | 1,253 |
| Local Tax Expenditure | 0 | 0 | 0 |

(m) Denotes a value of less than $1 million

**4.05710** Sale of food and beverages to a qualified food bank

| | |
|---|---|
| Statute | §48-8-3(57.1) |
| Year Enacted | 2006 |
| Year Effective | 2006 |
| Data Source | Feeding America and IRS Form 990 Data |
| Estimate Reliability | Class C |
| Data Reliability | Class C |
| Note | |

**Description:** Sales of food and beverages to a qualified food bank

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 1 | 1 | 1 |
| Local Tax Expenditure | 1 | 1 | 1 |

(m) Denotes a value of less than $1 million

**4.05720** Exemption for prepared food and food ingredients that are donated to a qualified nonprofit agency and used for hunger relief purposes

| | |
|---|---|
| Statute | §48-8-3(57.2) |
| Year Enacted | 2015 |
| Year Effective | 2015 |
| Data Source | Feeding America and IRS Form 990 Data |
| Estimate Reliability | Class C |
| Data Reliability | Class C |
| Note | This exemption was eliminated in 2011 and reinstated in 2015. |

**Description:** The use of food and food ingredients that are donated to a qualified nonprofit agency and that are used for hunger relief purposes. "Qualified nonprofit agency" means any entity that is tax exempt under section 501(c)(3) of the Internal Revenue Code and that provides hunger relief. Does not include drugs or over-the-counter drugs.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 4 | 5 | 5 |
| Local Tax Expenditure | 4 | 4 | 4 |

(m) Denotes a value of less than $1 million

**4.05730** Exemption for food and food ingredients that are donated following a natural disaster and used for disaster relief

| | |
|---|---|
| Statute | §48-8-3(57.3) |

Year Enacted 2015
Year Effective 2015
Data Source Feeding America and IRS Form 990 Data
Estimate Reliability Class C
Data Reliability Class C
Note

**Description:** Exemption for food and food ingredients that are donated following a natural disaster and used for disaster relief and does not apply to any donated over the counter drugs.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | (m) | (m) | (m) |
| Local Tax Expenditure | (m) | (m) | (m) |

(m) Denotes a value of less than $1 million

**4.05900** Sale of eligible food and beverages by any Girl or Boy Scout council

Statute §48-8-3(59)
Year Enacted 1996
Year Effective 1996
Data Source The American Community Survey, IRS Form 990 data, and Girl Scouts of America annual report
Estimate Reliability Class B
Data Reliability Class B
Note

**Description:** Sales of food or food ingredients to and by member councils of the Girl Scouts or Boy Scouts of America in connection with fundraising activities.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 2 | 2 | 2 |
| Local Tax Expenditure | 2 | 2 | 2 |

(m) Denotes a value of less than $1 million

**4.06000** Sale of certain machinery and equipment used to improve air quality in a clean room of Class 100,000 or less

Statute §48-8-3(60)
Year Enacted 2000
Year Effective 2001
Data Source Fiscal Note for HB 165/LC 50 0947 for 2025
Estimate Reliability Class C
Data Reliability Class C
Note Estimate combined with 4.06700. This exemption expires December 31, 2029.

**Description:** Sales of certain machinery and equipment used to improve air quality in a clean room of Class 100,000 or less when incorporated into telecommunications manufacturing facility.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | (m) | (m) | (m) |
| Local Tax Expenditure | (m) | (m) | (m) |

(m) Denotes a value of less than $1 million

**4.06200** Sod grass sold in the original state of production by the sod producer, employee of the producer, or family member of the producer

| | |
|---|---|
| Statute | §48-8-3(62) |
| Year Enacted | 1998 |
| Year Effective | 1998 |
| Data Source | U.S. Census of Agriculture, the U.S. Economic Census, and the Annual Survey of Sod Producers |
| Estimate Reliability | Class B |
| Data Reliability | Class A |
| Note | |

**Description:** Sod grass sold in the original state of production by the sod producer, employee of the producer, or family member of the producer. This exemption does not apply to sales from a nursery or other places where plants are sold.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 4 | 4 | 4 |
| Local Tax Expenditure | 3 | 3 | 3 |

(m) Denotes a value of less than $1 million

**4.06300** Funeral merchandise when paid with funds from the Georgia Crime Victims Emergency Fund

| | |
|---|---|
| Statute | §48-8-3(63) |
| Year Enacted | 1998 |
| Year Effective | 1998 |
| Data Source | The Uniform Crime Report and the National Office for Victims of Crime |
| Estimate Reliability | Class C |
| Data Reliability | Class C |
| Note | This exemption expires December 31, 2029. |

**Description:** The sale or use of funeral merchandise, outer burial containers, and cemetery markers as defined in O.C.G.A §43-18-1, which are purchased with funds received from the Georgia Crime Victims Emergency Fund under Chapter 15 of Title 17.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | (m) | (m) | (m) |
| Local Tax Expenditure | (m) | (m) | (m) |

(m) Denotes a value of less than $1 million

**4.06500** Sale of dyed diesel fuel used exclusively for operations of vessels or boats by licensed commercial fishermen

| | |
|---|---|
| Statute | §48-8-3(65) |
| Year Enacted | NA |
| Year Effective | NA |
| Data Source | The Georgia Department of Natural Resources and the U.S. Economic Census |
| Estimate Reliability | Class C |
| Data Reliability | Class C |

Note This exemption expires December 31, 2029.

**Description:** Sale of dyed diesel fuel used exclusively for operations of vessels or boats by licensed commercial fishermen.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | (m) | (m) | (m) |
| Local Tax Expenditure | (m) | (m) | (m) |

(m) Denotes a value of less than $1 million

**4.06600** Sale of gold, silver, or platinum bullion

Statute §48-8-3(66)
Year Enacted 2000
Year Effective 2000
Data Source U.S. Mint Annual Report
Estimate Reliability Class C
Data Reliability Class C
Note

**Description:** Sale of gold, silver, or platinum bullion.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 4 | 4 | 4 |
| Local Tax Expenditure | 3 | 3 | 3 |

(m) Denotes a value of less than $1 million

**4.06700** Sale of coins or currency

Statute §48-8-3(67)
Year Enacted 2000
Year Effective 2000
Data Source Professional Numismatists Guild
Estimate Reliability Class C
Data Reliability Class C
Note This exemption expires December 31, 2029.

**Description:** Sale of coins or currency.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | (m) | (m) | (m) |
| Local Tax Expenditure | (m) | (m) | (m) |

(m) Denotes a value of less than $1 million

**4.06800** Sale of Certain Computer Equipment

Statute § 48-8-3(68)
Year Enacted 2000
Year Effective 2001
Data Source Fiscal Note for HB 1192/LC 50 0718S for 2024 – SB 366
Credit Evaluation Study 2022-2025
Estimate Reliability Class A
Data Reliability Class A
Note This estimate differs from previous years due to new data on a dramatic increase in data center construction

**Description:** Sales or lease of certain computer equipment when the total qualifying

purchases by a High Technology Company in a calendar year exceed $15 million. A High Technology Company must be classified under the 2017 North American Industry Classification System code 334413, 334611, 511210, 517311, 517312, 517410, 517911, 517919, 518210, 522320, 541330, 541511, 541512, 541513, 541519, 541713, 541715, or 541720. Persons claiming this exemption shall be subject to paying 10 percent of all sales taxes on the first $15 million of its eligible purchases or leases for which an exemption is claimed.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 552 | 710 | 854 |
| Local Tax Expenditure | 468 | 602 | 724 |

(m) Denotes a value of less than $1 million

**4.06810** High-Tech Data Center Equipment Exemption

| | |
|---|---|
| Statute | § 48-8-3(68.1) |
| Year Enacted | 2018 |
| Year Effective | 2018 |
| Data Source | Fiscal Note for HB 1192/LC 50 0718S for 2024 – SB 366 Credit Evaluation Study 2025 |
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | This estimate differs from previous years due to new data on a dramatic increase in data center construction |

**Description:** Exemption for high-technology data center equipment, subject to a minimum investment threshold of $250 million over ten years, and certain other structural infrastructural system requirements.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 474 | 625 | 762 |
| Local Tax Expenditure | 402 | 530 | 645 |

(m) Denotes a value of less than $1 million

**4.06900** Sale of machinery and equipment and material incorporated and used in a clean room of Class 100 or less

| | |
|---|---|
| Statute | §48-8-3(69) |
| Year Enacted | 2000 |
| Year Effective | 2001 |
| Data Source | Fiscal Note for HB 445/LC 34 4571S for 2015 |
| Estimate Reliability | Class C |
| Data Reliability | Class C |
| Note | Estimate Combined with 4.06000 |

**Description:** Sales of machinery, equipment, and material incorporated and used in construction or operation of a clean room of Class 100 or less when the clean room is used directly in the manufacture of tangible personal property.

| | State Fiscal Years ($ in Millions) 2025 | 2026 | 2027 |
|---|---|---|---|
| State Tax Expenditure | Estimate Combined with 4.06000 | | |

(m) Denotes a value of less than $1 million

**4.07000** Sale of natural gas used directly in the manufacture of electricity

| | |
|---|---|
| Statute | §48-8-3(70) |
| Year Enacted | 1999 |
| Year Effective | 2000 |
| Data Source | U.S. Energy Information Administration |
| Estimate Reliability | Class B |
| Data Reliability | Class A |
| Note | |

**Description:** Sale of natural or artificial gas used directly in the manufacture of electricity which is subsequently sold. This exemption does not apply local sales taxes.

| | State Fiscal Years ($ in Millions) 2025 | 2026 | 2027 |
|---|---|---|---|
| State Tax Expenditure | 89 | 82 | 83 |
| Local Tax Expenditure | 0 | 0 | 0 |

(m) Denotes a value of less than $1 million

**4.07100** Sale to or by an organization whose primary purpose is to raise funds for books, materials, and programs for public libraries

| | |
|---|---|
| Statute | §48-8-3(71) |
| Year Enacted | 1999 |
| Year Effective | 2000 |
| Data Source | National Center for Charitable Statistics |
| Estimate Reliability | Class B |
| Data Reliability | Class B |
| Note | This exemption expires December 31, 2029. |

**Description:** Sale to or by an organization whose primary purpose is to raise funds for books, materials, and programs for public libraries.

| | State Fiscal Years ($ in Millions) 2025 | 2026 | 2027 |
|---|---|---|---|
| State Tax Expenditure | (m) | (m) | (m) |
| Local Tax Expenditure | (m) | (m) | (m) |

(m) Denotes a value of less than $1 million

**4.07200** Sale of prescribed mobility enhancing equipment

| | |
|---|---|
| Statute | §48-8-3(72) |
| Year Enacted | 1999 |
| Year Effective | 2000 |
| Data Source | State Health Expenditures from the Centers for Medicare and Medicaid Services and the Medical Expenditure Panel Survey |
| Estimate Reliability | Class B |
| Data Reliability | Class B |
| Note | This exemption expires December 31, 2029. |

**Description:** The sale to or use by a patient of all mobility enhancing equipment

prescribed by a physician.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | (m) | (m) | (m) |
| Local Tax Expenditure | (m) | (m) | (m) |

(m) Denotes a value of less than $1 million

**4.07600** Exemption for personal property used in the renovation or expansion of an aquarium

| | |
|---|---|
| Statute | 48-8-3(76) |
| Year Enacted | 2015 |
| Year Effective | 2015 |
| Data Source | Fiscal Note for HB 238 LC 28 7425 for 2015 |
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | This exemption is set to expire December 31, 2026, or when aggregate state and local taxes refunded exceed $4.5 million. |

**Description:** Sale or use of tangible personal property used for or in the renovation or expansion of an aquarium located in this state that charges admission and is owned or operated by an organization that is tax exempt under 501(c)(3). Qualifying aquarium must pay tax and apply for refund.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | (m) | (m) | (m) |
| Local Tax Expenditure | (m) | (m) | (m) |

(m) Denotes a value of less than $1 million

**4.08100** The purchase of food and nonalcoholic beverages provided at no charge aboard a qualified airline

| | |
|---|---|
| Statute | §48-8-3(81) |
| Year Enacted | 2005 |
| Year Effective | 2005 |
| Data Source | Bureau of Transportation Statistics |
| Estimate Reliability | Class B |
| Data Reliability | Class B |
| Note | |

**Description:** The purchase of food and nonalcoholic beverages provided at no charge aboard a qualified airline not including alcohol or tobacco.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 7 | 7 | 7 |
| Local Tax Expenditure | 6 | 6 | 6 |

(m) Denotes a value of less than $1 million

**4.08300** Sale of biomass materials used to produce electricity or steam intended for sale

| | |
|---|---|
| Statute | §48-8-3(83) |
| Year Enacted | 2006 |
| Year Effective | 2006 |
| Data Source | U.S. Energy Information Administration |
| Estimate Reliability | Class B |
| Data Reliability | Class A |

Note

**Description:** The sale or use of biomass material, including pellets or other fuels derived from compressed, chipped, or shredded biomass material, utilized in the production of energy, including without limitation the production of electricity and/or steam.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 4 | 4 | 5 |
| Local Tax Expenditure | 3 | 4 | 4 |

(m) Denotes a value of less than $1 million

**4.08600** Sale of engines, parts, equipment and other tangible personal property used in the maintenance or repair of certain aircraft

| | |
|---|---|
| Statute | §48-8-3(86) |
| Year Enacted | 2009 |
| Year Effective | 2009 |
| Data Source | IBISWorld Industry Data |
| Estimate Reliability | Class C |
| Data Reliability | Class C |

Note

**Description:** The sale or use of engines, parts, equipment, and other tangible personal property used in the maintenance or repair of aircraft when such engines, parts, equipment, and other tangible personal property are installed on such aircraft that is being repaired or maintained in this state, so long as such aircraft is not registered in this state.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 13 | 13 | 13 |
| Local Tax Expenditure | 11 | 11 | 11 |

(m) Denotes a value of less than $1 million

**4.09300** Sale of tangible personal property used for and in the construction of a competitive project of regional significance.

| | |
|---|---|
| Statute | §48-8-3(93) |
| Year Enacted | 2012 |
| Year Effective | 2012 |
| Data Source | Fiscal Note for HB 587 LC 43 2010S for 2021 and Georgia Department of Economic Development |
| Estimate Reliability | Class B |
| Data Reliability | Class B |

Note

**Description:** For the period commencing January 1, 2012, until December 31, 2026, sales of tangible personal property used for and in the construction of a competitive project of regional significance. The exemption applies to purchases made during the entire time of construction of the competitive project of regional significance so long as such project meets the definition of a "competitive project of regional significance".

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 12 | 12 | 9 |
| Local Tax Expenditure | 10 | 10 | 7 |

(m) Denotes a value of less than $1 million

**4.09400** The sale, use, consumption, or storage of materials, containers, labels, sacks, or bags used for packaging tangible personal property for shipment or sale

| | |
|---|---|
| Statute | §48-8-3(94) |
| Year Enacted | 2014 |
| Year Effective | 2014 |
| Data Source | Fiscal Note for HB 586 LC 43 2029S for 2021 |
| Estimate Reliability | Class B |
| Data Reliability | Class A |
| Note | Estimate Combined with 4.3.3 |

**Description:** The sale, use, consumption, or storage of materials, containers, labels, sacks, or bags used for packaging tangible personal property for shipment or sale. To qualify for the packaging exemption, the items shall be used solely for packaging and shall not be purchased for reuse. The packaging exemption shall not include materials purchased at a retail establishment for consumer use.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | Estimate Combined with 4.3.3 | | |
| Local Tax Expenditure | | | |

(m) Denotes a value of less than $1 million

**4.09700** Sale of admission to a nonrecurring major sporting event

| | |
|---|---|
| Statute | §48-8-3(97) |
| Year Enacted | 2016 |
| Year Effective | 2017 |
| Data Source | Fiscal Note for HB 951 LC 34 4805 for 2016 |
| Estimate Reliability | Class B |
| Data Reliability | Class B |
| Note | This exemption expires December 31, 2031. |

**Description:** Sales of admissions to nonrecurring major sporting events in this state that are expected to generate over $50 million in the host locality.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 8 | 8 | 8 |
| Local Tax Expenditure | 9 | 9 | 9 |

(m) Denotes a value of less than $1 million

**4.10000** Exemption for sales of tickets to a qualified fine arts performance or exhibition

| | |
|---|---|
| Statute | §48-8-3(100) |
| Year Enacted | 2017 |
| Year Effective | Transactions occurring on or after April 25, 2017 |
| Data Source | Fiscal Note for HB 586 LC 43 2029S for 2021 |
| Estimate Reliability | Class B |

Data Reliability Class B
Note This exemption expires December 31, 2027.

**Description:** A sales tax exemption on the sale of tickets, fees, or charges for admission to a qualified fine arts performance or exhibition.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 3 | 3 | 3 |
| Local Tax Expenditure | 2 | 3 | 3 |

(m) Denotes a value of less than $1 million

**4.10100** The sale of certain written material by a nonprofit

Statute §48-8-3(101)
Year Enacted 2018
Year Effective 2018
Data Source Fiscal Note HB 217 for 2018 and IRS 990 Data
Estimate Reliability Class B
Data Reliability Class B
Note This exemption expires July 1, 2026.

**Description:** The sale or use of noncommercial written materials or mailings by an organization which is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code, if the organization is located in this state and provides such materials to charity supporters for educational, charitable, religious, or fundraising purposes. This exemption shall apply from July 1, 2018 until July 1, 2026.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 11 | 9 | 0 |
| Local Tax Expenditure | 10 | 8 | 0 |

(m) Denotes a value of less than $1 million

**4.10200** Partial exemption for qualified manufactured homes

Statute §48-8-3(102)
Year Enacted 2018
Year Effective 2018
Data Source U.S. Census Bureau Manufactured Housing Survey
Estimate Reliability Class B
Data Reliability Class B
Note

**Description:** A partial exemption from state sales and use tax for qualified manufactured homes equal to 50 percent of the sale price of such homes. Qualified manufactured homes are those that are to be converted, and actually converted within 30 days of sale, to real property in the state pursuant to O.C.G.A. §8-2-183.1. The exemption does not apply to any local sales or use tax in the state.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 5 | 5 | 5 |
| Local Tax Expenditure | 0 | 0 | 0 |

(m) Denotes a value of less than $1 million

**4.10400** Exemption for poultry diagnostic and disease monitoring service nonprofit organization

| | |
|---|---|
| Statute | § 48-8-3(104) |
| Year Enacted | 2019 |
| Year Effective | 2019 |
| Data Source | IRS Form 990 Data |
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | This exemption expires December 31, 2029. |

**Description:** Sales to or by any nonprofit organization which has as its primary purpose providing poultry diagnostic and disease monitoring services.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | (m) | (m) | (m) |
| Local Tax Expenditure | (m) | (m) | (m) |

(m) Denotes a value of less than $1 million

**4.3.2** Exemption for energy, machinery or equipment, industrial material, and consumable supplies used in manufacturing

| | |
|---|---|
| Statute | § 48-8-3.2 |
| Year Enacted | 2012 |
| Year Effective | 2013 |
| Data Source | U.S. Bureau of Economic Analysis |
| Estimate Reliability | Class B |
| Data Reliability | Class A |
| Note | Modified in 2017 to include maintenance and replacement parts for certain machinery or equipment, stationary or in transit, used to mix, agitate, and transport freshly mixed concrete in a plastic and unhardened state. |

**Description:** Exemptions for energy, machinery or equipment, industrial material, and consumable supplies used in manufacturing.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 4,338 | 4,565 | 4,791 |
| Local Tax Expenditure | 3,730 | 3,926 | 4,120 |

(m) Denotes a value of less than $1 million

**4.3.3** Sale and use by a qualified agriculture producer of agricultural production inputs, energy used in agriculture, and agricultural machinery and equipment

| | |
|---|---|
| Statute | § 48-8-3.3 |
| Year Enacted | 2012 |
| Year Effective | 2013 |
| Data Source | National Agricultural Statistical Service |
| Estimate Reliability | Class B |
| Data Reliability | Class B |
| Note | |

**Description:** Sale to, or use by, a qualified agriculture producer of agricultural production inputs, energy used in agriculture, and agricultural machinery and equipment. Effective July 1, 2024 purchases of diesel exhaust fluid are included in this exemption.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 159 | 161 | 163 |
| Local Tax Expenditure | 136 | 138 | 140 |

(m) Denotes a value of less than $1 million

**4.3.4** Exemption for qualified boat repairs

| | |
|---|---|
| Statute | §48-8-3.4 |
| Year Enacted | 2017 |
| Year Effective | Transactions occurring on or after July 1, 2017 |
| Data Source | Fiscal Note for HB 586 LC 43 2029S for 2021 |
| Estimate Reliability | Class C |
| Data Reliability | Class C |
| Note | The provision expires on June 30, 2031 |

**Description:** The maximum amount of sales and use tax imposed and collected to maintain, refit, or repair a boat in Georgia during a single event shall not exceed $35,000.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | (m) | (m) | (m) |
| Local Tax Expenditure | (m) | (m) | (m) |

(m) Denotes a value of less than $1 million

**4.3.5** Exemption for the sale and use of jet fuel

| | |
|---|---|
| Statute | §48-8-3.5 |
| Year Enacted | 2018 |
| Year Effective | 2018 |
| Data Source | Fiscal Note for LC 43 1712 for 2020 |
| Estimate Reliability | Class B |
| Data Reliability | Class B |
| Note | |

**Description:** The sale of jet fuel is exempt from the state sales and use tax.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 54 | 53 | 55 |
| Local Tax Expenditure | 0 | 0 | 0 |

(m) Denotes a value of less than $1 million

## 4.5 Sales and Use Tax for Services

**4.50100** Construction Services

**Description:** Sales by establishments primarily engaged in the construction of buildings or engineering projects (e.g., highways and utility systems), and preparation of sites for new construction, but excluding cost of materials taxed under current law and land. (NAICS 23)

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 3,120 | 3,212 | 3,271 |
| Local Tax Expenditure | 2,644 | 2,722 | 2,772 |

(m) Denotes a value of less than $1 million

**4.50200** Automotive Services by Motor Vehicle and Parts Dealers

**Description:** Labor charges for service and repair of vehicles (by motor vehicle and parts dealers only). (NAICS 441).

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 134 | 134 | 135 |
| Local Tax Expenditure | 114 | 114 | 115 |

(m) Denotes a value of less than $1 million

**4.50300** Investment and Financial Advisers

**Description:** Fees charged by trusts, financial planning and investment management services. (NAICS 52392-99)

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 773 | 809 | 810 |
| Local Tax Expenditure | 655 | 686 | 687 |

(m) Denotes a value of less than $1 million

**4.50400** Real Estate Services

**Description:** Charges for real estate brokerage, property management and appraisal services. (NAICS 5312-3)

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 487 | 493 | 503 |
| Local Tax Expenditure | 413 | 418 | 426 |

(m) Denotes a value of less than $1 million

**4.50500** Professional, Scientific and Technical Services

**Description:** Charges for professional, scientific and technical services, excluding internet and streaming services, tangible good sales, temp staffing and other non-qualifying sales. (NAICS 54)

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 3,258 | 3,292 | 3,308 |
| Local Tax Expenditure | 2,761 | 2,790 | 2,804 |

(m) Denotes a value of less than $1 million

**4.50600** Administrative and Support Services

**Description:** Sales by firms engaged primarily in administrative and support services, excluding correctional facilities. Estimate also excludes the sale of tangible goods, health care and temp staffing by such establishments. (NAICS 561)

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 1,027 | 1,027 | 1,053 |
| Local Tax Expenditure | 871 | 870 | 893 |

(m) Denotes a value of less than $1 million

**4.50700** Waste Management and Remediation Services

**Description:** Sales by firms that provide waste management and remediation services, excluding tangible good sales. (NAICS 562)

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 218 | 225 | 228 |
| Local Tax Expenditure | 185 | 190 | 193 |

(m) Denotes a value of less than $1 million

**4.50800** Educational Services (excluding schools)

**Description:** Sales by establishments that provide educational services, such as training, tutoring, coaching and support services, excluding pre-K-12 schools, colleges and universities. Estimate excludes the sale of tangible goods, and other non-qualifying revenue such as grants and donations. (NAICS 61)

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 84 | 85 | 86 |
| Local Tax Expenditure | 71 | 72 | 73 |

(m) Denotes a value of less than $1 million

**4.50900** Health Care and Social Assistance Services

**Description:** Sales by establishments primarily engaged in health care and social assistance, excluding tangible good sales, grants, government revenue, donations and other non-service revenue. (NAICS 62)

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 3,930 | 4,113 | 4,224 |
| Local Tax Expenditure | 3,331 | 3,486 | 3,580 |

(m) Denotes a value of less than $1 million

**4.51000** Promoters of Events; Agents for Entertainers

**Description:** Fees charged by event promoters and agents for athletes and entertainers. Excludes admissions fees and tangible good sales. (NAICS 7113-4)

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 24 | 25 | 25 |
| Local Tax Expenditure | 20 | 21 | 22 |

(m) Denotes a value of less than $1 million

**4.51100** Repair and Maintenance Services

**Description:** Sales by establishments primarily engaged in the repair and maintenance of vehicles, electronics, appliances and other goods. Excludes merchandise and parts sales by such establishments. (NAICS 811)

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 137 | 137 | 138 |
| Local Tax Expenditure | 116 | 116 | 117 |

(m) Denotes a value of less than $1 million

**4.51200** Personal and Laundry Services

**Description:** Sales by establishments engaged in miscellaneous personal services, such as hair and nail salons, laundromats, funeral homes and parking garages. Excludes tangible good sales. (NAICS 812)

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 214 | 216 | 218 |
| Local Tax Expenditure | 182 | 183 | 185 |

(m) Denotes a value of less than $1 million

## 4.7 Vendor Compensation

**4.70000** Compensation of dealers for reporting and paying tax

| | |
|---|---|
| Statute | §48-8-50 |
| Year Enacted | 1964 |
| Year Effective | 1964 |
| Data Source | DOR and Fiscal Note for HB 439S LC 44 3130S for 2025 |
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | |

**Description:** Georgia allows a vendor collection fee of 3 percent for the first $3,000 and then 0.5 percent for amounts above $3,000 but does not impose a maximum limitation per vendor.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 138 | 144 | 147 |

(m) Denotes a value of less than $1 million

## 4.9 Casual Sales

**4.90000** Sales tax exemption for casual sales

| | |
|---|---|
| Statute | DOR administrative rule |
| Year Enacted | NA |
| Year Effective | NA |
| Data Source | Georgia Department of Natural Resources and the General Aviation Manufacturers Association |
| Estimate Reliability | Class C |
| Data Reliability | Class C |
| Note | |

**Description:** Purchases of boats, planes and other tangible goods sold by persons not in the business of selling such items are not subject to sales tax. (Prior to the implementation of the Alternative Ad Valorem Tax on Motor Vehicles this estimate included casual sale of motor vehicles.)

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | (m) | (m) | (m) |
| Local Tax Expenditure | (m) | (m) | (m) |

(m) Denotes a value of less than $1 million

## Sales and Use Tax expenditures for which an estimate is not currently available

| Expenditure | Expenditure | Expenditure |
|---|---|---|
| 4.00100 | §48-8-3(1) | Sales to Federal Government, State of Georgia or a county or municipality in Georgia or any agency of such governments |
| 4.00200 | §48-8-3(2) | Tangible personal property furnished by the Federal Government or any county or municipality used by a contractor in the installation, repair, or extension of any public water, gas, or sewer system |
| 4.00300 | §48-8-3(3) | Federal retailer's excise tax if separately itemized to the consumer and Georgia motor fuel tax imposed on the sale of motor fuel |
| 4.01800 | §48-8-3(18) | Charges for transportation of tangible personal property made in connection with interstate or intrastate transportation |
| 4.01900 | §48-8-3(19) | All tangible personal property purchased outside this state by a nonresident when the property is brought into Georgia upon the nonresident becoming a resident |
| 4.02100 | §48-8-3(21) | Sales, transfers or exchanges of tangible personal property resulting from business reorganization when the owners, partners, or stockholders maintain the same proportionate interest or share in the newly formed business |
| 4.03100 | §48-8-3(31) | Sale of tangible personal property manufactured or assembled in Georgia for export when delivery is taken outside of Georgia |
| 4.03200 | §48-8-3(32) | Aircraft, watercraft, motor vehicles, and other transportation equipment manufactured or assembled in this State for exclusive use outside Georgia |
| 4.03300 | §48-8-3(33) | The sale of aircraft, watercraft, railroad locomotives and rolling stock, motor vehicles which will be used principally to cross the state line to transport persons or cargo when purchased by common or common and contract carriers |
| 4.03410 | §48-8-3(34.1) | Machinery and equipment used to handle, move, or store tangible personal property in certain distribution facilities |
| 4.03610 | §48-8-3(36.1) | Machinery and equipment used for water conservation and incorporated into a qualified water conservation facility |
| 4.03910 | §48-8-3(39.1) | Cargo containers and related chassis used for storage or shipping by persons engaged in international shipment of tangible personal property |
| 4.04200 | §48-8-3(42) | Use or lease of tangible personal property when the lessor and lessee are under 100 percent common ownership and where the person who furnishes, leases, or rents the property has paid sales or use tax on the property |
| 4.04400 | §48-8-3(44) | Sale of motor vehicles to nonresident purchasers when vehicles are immediately removed from Georgia and titled in another state |

## Sales and Use Tax expenditures for which an estimate is not currently available

| Expenditure | Expenditure | Expenditure |
|---|---|---|
| 4.04500 | §48-8-3(45) | The sale or use of paper stock when used to print catalogs for distribution outside Georgia |
| 4.06100 | §48-8-3(61) | Advertising inserts that are used in newspapers for resale |
| 4.09100 | §48-8-3(91) | The sale of prewritten software which has been delivered to the purchaser electronically or by means of load and leave |
| 4.3.6 | §36-88-3(8.1) | Exemption for sales within an enterprise zone |

## 5. Insurance Premium Tax

The premium tax is imposed upon gross direct premiums received by insurers doing business in the state to insure persons, property, or risks in Georgia. The state tax rate is imposed at a rate of 2.25 percent of gross direct premiums, though the rate is reduced to 1.25 percent for insurers holding at least 25 percent of their total assets, exclusive of direct obligations of the United States, in specified classes of Georgia assets. For insurers holding 75 percent of such total assets in Georgia, the rate is reduced further to 0.5 percent.

Counties levy a tax at 1 percent on gross direct premiums of life insurance companies for policies covering persons residing in unincorporated areas of the county, except that the county tax shall not apply to life insurers that qualify for the abatement of the state tax for firms with 75 percent Georgia assets. Municipalities may levy a tax of up to 1 percent on life policies covering persons residing in the given municipality. Counties and municipalities may levy rates of up to 2.5 percent on gross direct premiums for policies other than life insurance policies.

This tax is administered by the State Insurance Commissioner. In FY 2024, state revenues from this tax equaled $768 million and local revenues equaled $842 million. The state proceeds from the tax are deposited into the State General Fund.

**5.00100** Deduction of retaliatory taxes paid to other states

| | |
|---|---|
| Statute | §33-8-7 |
| Year Enacted | 1960 |
| Year Effective | Prior to 2000 |
| Data Source | Office of Insurance and Safety Fire Commissioner |
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | Not applicable at the local level. |

**Description:** Property and casualty insurance companies domiciled in Georgia are able to deduct from their Georgia tax liability taxes paid to other states on policies written in those states.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 1 | 1 | 1 |

(m) Denotes a value of less than $1 million

**5.00200** Georgia Job Tax Credit

| | |
|---|---|
| Statute | §33-8-4.1 |
| Year Enacted | 1960 |
| Year Effective | 2000 |
| Data Source | DOR data as of 2021 and Office of Insurance and Safety Fire Commissioner |
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | The same estimate is provided in the corporate and personal Income tax sections, see 1.6.012 and 2.6.001. In 2018, the qualifying areas were expanded to include counties with |

military bases and industrial parks that are owned and operated by a government entity.

**Description:** The credit provides a statewide job tax credit to any business or headquarters engaged in manufacturing, warehousing and distribution, processing, telecommunications, broadcasting, tourism, or research and development. Retail establishments are only allowed the credit if located in one of the 40 least-developed counties of the state. Average wages must be greater than the average wage of the county in the state with the lowest average wage. To be eligible, employers must offer health insurance to all new employees. It also provides a tax credit for businesses enterprises designated as operating in less-developed areas. These include areas with ten or more contiguous census tracts with higher than 15 percent poverty and counties with both a military base and a government owned and operated industrial park.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| Income Tax Expenditure | 76 | 77 | 78 |
| Corporate Income Tax Expenditure | 118 | 120 | 122 |
| Insurance Premium Tax Expenditure | 3 | 3 | 3 |
| State Tax Expenditure | 197 | 200 | 203 |

(m) Denotes a value of less than $1 million

**5.00300** Exemption for premiums of high-deductible health plans

| | |
|---|---|
| Statute | §33-8-4 |
| Year Enacted | 2008 |
| Year Effective | 2009 |
| Data Source | Office of Insurance and Safety Fire Commissioner |
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | The local exemption expired on December 31, 2014. |

**Description:** Insurance companies are allowed to exempt from their insurance premium tax liability any premiums paid by Georgia residents for high-deductible health plans as defined by Section 233 of the Internal Revenue Code.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 2 | 2 | 2 |

(m) Denotes a value of less than $1 million

**5.00400** Exemption for insurance companies that only insure places of worship

| | |
|---|---|
| Statute | §33-8-13 |
| Year Enacted | 1996 |
| Year Effective | 1996 |
| Data Source | Office of Insurance and Safety Fire Commissioner |
| Estimate Reliability | Class C |
| Data Reliability | Class C |
| Note | Not applicable at the local level. |

**Description:** Insurance companies that only insure the risks of places of worship are exempt from the state premium tax.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | (m) | (m) | (m) |

(m) Denotes a value of less than $1 million

**5.00500** Insurance abatements

| | |
|---|---|
| Statute | §33-8-5 |
| Year Enacted | 1996 |
| Year Effective | Prior to 2000 |
| Data Source | Office of Insurance and Safety Fire Commissioner |
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | Not applicable at the local level. |

**Description:** Georgia imposes a reduced state rate of 1.25 percent on insurance companies that invest at least 25 percent of their assets in qualified Georgia assets. If the amount invested in qualified Georgia assets is greater than 75 percent, the rate is reduced to 0.50 percent.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 316 | 315 | 327 |

(m) Denotes a value of less than $1 million

**5.00600** Special deductions for life insurance companies

| | |
|---|---|
| Statute | §§33-8-4, 33-8-8, 33-8-8.1 |
| Year Enacted | 1981 |
| Year Effective | Prior to 2000 |
| Data Source | Office of Insurance and Safety Fire Commissioner |
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | Not applicable at the local level. |

**Description:** Life insurance companies are permitted to deduct contributions to state guarantee funds, license fees paid to local governments, local premium taxes from premium taxes otherwise payable to the State.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 250 | 258 | 277 |

(m) Denotes a value of less than $1 million

**5.00700** Low-Income Housing Credit

| | |
|---|---|
| Statute | §33-1-18 |
| Year Enacted | 1960 |
| Year Effective | 2001 |
| Data Source | DOR data as of TY 2023 and Office of Insurance and Safety Fire Commissioner |
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | The same estimate is provided in the personal income tax section and the corporate income tax section, see 1.6.028 and 2.6.017. |

**Description:** This is a credit against Georgia income and insurance premium taxes for

owners of rental housing qualifying for the federal low-income housing tax credit and that are placed in service on or after January 1, 2001.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| Income Tax Expenditure | 145 | 148 | 153 |
| Corporate Income Tax Expenditure | 37 | 38 | 39 |
| Insurance Premium Tax Expenditure | 215 | 227 | 237 |
| State Tax Expenditure | 396 | 412 | 430 |

(m) Denotes a value of less than $1 million

**5.00800** Insurance Premium Tax Exemption for multiple employer self-insured health plans

| | |
|---|---|
| Statute | §33-50-3 |
| Year Enacted | 2016 |
| Year Effective | 2016 |
| Data Source | Office of Insurance and Safety Fire Commissioner |
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | |

**Description:** Multiple employer self-insured health plans are exempt from the state insurance premium tax on the plan's net premiums.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 2 | 2 | 2 |

(m) Denotes a value of less than $1 million

**5.00900** Agribusiness Tax Credit

| | |
|---|---|
| Statute | §33-1-25 |
| Year Enacted | 2017 |
| Year Effective | Taxable years beginning on or after January 1, 2018 |
| Data Source | DOR data as of TY 2023 and Office of Insurance and Safety Fire Commissioner |
| Estimate Reliability | Class B |
| Data Reliability | Class B |
| Note | The same estimate is provided in the personal and Corporate income tax sections, see 1.6.049 and. |

**Description:** This income tax credit is to establish qualified low-income community rural investment funds and tax credits. The credit amount is 15 percent of the eligible investment per year beginning in the third year after the investment is made and continuing through the sixth year, for a total credit equal to 60 percent of the eligible investment. The credit is nonrefundable and may not be sold, but may be carried forward indefinitely. The amount of credits available is subject to a cumulative cap of $100 million.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| Income Tax Expenditure | 1 | 0 | 0 |
| Corporate Income Tax Expenditure | 2 | 1 | 1 |
| Insurance Premium Tax Expenditure | 4 | 2 | 1 |
| State Tax Expenditure | 7 | 3 | 2 |

(m) Denotes a value of less than $1 million

**5.01000** Qualified Education Expense Credit

| | |
|---|---|
| Statute | §48-7-29.16; §33-8-4 |
| Year Enacted | 2008 |
| Year Effective | Taxable years beginning on or after January 1, 2008 |
| Data Source | DOR data as of TY 2023 |
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | The same estimate is provided in the personal and corporate income tax sections, see 1.6.036 and 2.6.035. |

**Description:** This provides a tax credit for donations made by taxpayers to a student scholarship organization which are used for tuition and fees for a qualified school or program. As of January 1, 2023 the annual cap increased to $120 million and credits were allowed against the insurance premium tax up to $6 million annually. For tax years beginning on or after January 1, 2025 carry forwards are limited from five to three years.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| Income Tax Expenditure | 67 | 71 | 80 |
| Corporate Income Tax Expenditure | 21 | 22 | 25 |
| Insurance Premium Tax | 3 | 3 | 3 |
| State Tax Expenditure | 92 | 96 | 109 |

(m) Denotes a value of less than $1 million. Numbers may not sum due to rounding

## 6. Motor Fuel Tax

The tax on motor fuels was substantially modified in 2015. Under the new law, tax rates are adjusted annually for inflation and for the change in average fuel economy of new vehicles registered in the state in the prior year from the year before. The base of the motor fuel tax is imposed on any source of energy that can be used for propulsion of a motor vehicle on the public highways, including, but not limited to gasoline, fuel oils, compressed petroleum gas, and special fuels. The rates as of January 1, 2025 are as follows:

| Description | Tax Rate |
|---|---|
| Motor Fuels, other than diesel and aviation gasoline | 33.1 cents per gallon |
| Diesel fuel | 37.1 cents per gallon |
| Aviation gasoline | 1 cent per gallon |

Legislation passed in 2023 added electricity and hydrogen to taxable motor fuels. The gallon equivalent for electricity was set at not more than 11 kilowatt-hours and for hydrogen not less than 2.2 pounds.

The tax is administered by the Georgia DOR and revenues generated from this tax are allocated by the state constitution to the Georgia Department of Transportation for highway purposes. State motor fuel tax revenues for FY 2024 totaled $1.76 billion.

**6.00400** Motor fuel tax exemption for aviation fuel

| | |
|---|---|
| Statute | §48-9-3 |
| Year Enacted | 1978 |
| Year Effective | 1978 |
| Data Source | Fiscal Note for LC 34 1367S for 2018 |
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | |

**Description:** Exemption for aviation fuel

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 2 | 2 | 2 |

(m) Denotes a value of less than $1 million

**6.00500** Motor fuel tax vendor compensation

| | |
|---|---|
| Statute | §48-9-8(b) |
| Year Enacted | 1992 |
| Year Effective | 1992 |
| Data Source | Office of Planning and Budget Data for FY 2019 |
| Estimate Reliability | Class A |

Data Reliability Class A
Note

**Description:** Motor fuel dealers are allowed to retain 1 percent of total amounts collected as reimbursement for the cost of collection.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 22 | 23 | 24 |

(m) Denotes a value of less than $1 million

## 7. Alcoholic Beverage Tax

This state and local tax is imposed on alcoholic beverages including malt beverages, wine, and distilled spirits. The following tables outline the state and local rates applied to various alcoholic beverages.

**State Tax Rates**

| Description of Tax | Tax Rate * |
|---|---|
| Malt beverages sold in bulk | $10 per container up to 31 gallons |
| Bottled and canned malt beverages | 4 ½ cents per 12 ounces |
| Table wines produced in Georgia | 11 cents per liter |
| Table wines produced outside of Georgia and imported into the state | 11 cents per liter and an additional state import tax of 29 cents per liter |
| Distilled spirits produced in Georgia | 50 cents per liter |
| Distilled spirits produced outside of Georgia and imported into the state | 50 cents per liter and an additional state import tax of 50 center per liter |
| Alcohol produced in Georgia ** | 70 cents per liter |
| Alcohol produced outside of Georgia and imported into the state ** | 70 cents per liter and an additional state import tax of 70 cents per liter |

*Proportionate tax is applied on fractional parts in excess of the volumes noted.
**Alcohol is defined to mean ethyl alcohol greater than 190 proof intended for use as a beverage, including grain alcohol and spirits of wine.

**Local Tax Rates**

| Description of Tax | Tax Rate * |
|---|---|
| Bottled and canned malt beverages | 5 cents per 12 ounces |
| Tap or draft malt beverages | $6 per containers up to 15 ½ gallons |
| Wine | An excise tax not to exceed 22 cents per liter may be levied |
| Distilled spirits | An excise tax not to exceed 22 cents per liter may be levied |
| Mixed drinks | An excise tax not to exceed 3 percent of the price charged for mixed drinks may be levied |

*Proportionate tax is applied on fractional parts in excess of the volumes noted, where applicable.

The state portion of the tax is administered by the Georgia DOR. Proceeds from the state tax are deposited into the State General Fund. In FY 2024, state collections equaled $223 million. Local collections for FY 2022[3] equaled $182 million.

**7.00300** 200 gallons annually of homebrew per household

| | |
|---|---|
| Statute | §§3-5-61, 3-6-70 |
| Year Enacted | 1977 |
| Year Effective | 1977 |
| Data Source | American Homebrewers' Association |
| Estimate Reliability | Class B |
| Data Reliability | Class C |
| Note | |

**Description:** Allows an exemption for up to 200 gallons annually of homebrew per household.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 1 | 1 | 1 |

(m) Denotes a value of less than $1 million

**7.00400** Sales to and use by religious organizations for sacramental purposes

| | |
|---|---|
| Statute | §§3-5-61, 3-6-70 |
| Year Enacted | 1977 |
| Year Effective | 1977 |
| Data Source | National Center for Charitable Statistics & Catholic.org |
| Estimate Reliability | Class B |
| Data Reliability | Class C |
| Note | |

**Description:** Sales to and use by religious organizations for sacramental purposes

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | (m) | (m) | (m) |

(m) Denotes a value of less than $1 million

**7.00600** Malt beverages containing less than one-half of 0.5 percent alcohol by volume

| | |
|---|---|
| Statute | §3-5-90 |
| Year Enacted | 1987 |
| Year Effective | 1987 |
| Data Source | U.S. Economic Census & American Beer Institute |
| Estimate Reliability | Class B |
| Data Reliability | Class B |
| Note | |

**Description:** Malt beverages which contain less than one-half of 1 percent alcohol by volume shall not be subject to any tax levied under this title or any tax levied pursuant to authority granted by this title.

[3] US Census of Governments. Latest data available.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 1 | 1 | 1 |

(m) Denotes a value of less than $1 million

## Alcoholic beverages tax expenditures for which an estimate is not currently available

| Expenditure | Statute | Summary |
|---|---|---|
| 7.00100 | §3-5-61 | Sales to persons outside the state for resale or consumption outside the state |
| 7.00200 | §§3-5-61, 3-6-70 | Sales to stores or canteens in U.S. military reservations |
| 7.00500 | §§3-5-61, 3-6-70 | Exemption for ethyl alcohol used for certain purposes |

## 8. Tobacco Products Excise Tax

This tax is levied upon the sale, receipt, purchase, possession, consumption, handling, distribution, or use of tobacco, cigars, and cigarettes in Georgia. The tax is imposed at a rate of 37 cents per pack of 20 cigarettes and a like rate, pro rata, for other sized packages. Little cigars, weighing not more than three pounds per thousand are taxed at a rate of 2.5 mills each ($2.50 per 1000). All other cigars are taxed at 23 percent of the wholesale cost price, exclusive of any trade, cash, of other discounts or any promotion, advertising, display or other similar allowances. Loose or smokeless tobacco is taxed at a rate of 10 percent of the wholesale cost price.

Under legislation enacted in 2020, excise taxes are also levied on consumable vapor products beginning January 1, 2021. The tax is imposed at a rate of 5 cents per fluid milliliter for consumable vapor products in a closed system and 7 percent of the wholesale cost price for other consumable vapor products and devices.

The tax is administered by the Georgia DOR. In FY 2024, the tax totaled $223 million. The proceeds of the tax are deposited into the State General Fund.

**8.00100** Exemption for purchases for use exclusively by patients at the Georgia War Veterans Home and the Georgia War Veterans Nursing Home

| | |
|---|---|
| Statute | §48-11-2 |
| Year Enacted | 1955 |
| Year Effective | Latest Modification 2003 |
| Data Source | Georgia Department of Veterans Services |
| Estimate Reliability | Class B |
| Data Reliability | Class B |
| Note | |

**Description:** Exemption for purchases for use exclusively by patients at the Georgia War Veterans Home and the Georgia War Veterans Nursing Home

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | (m) | (m) | (m) |

(m) Denotes a value of less than $1 million

### Tobacco Products excise tax expenditures for which an estimate is not currently available

| Expenditure | Statute | Summary |
|---|---|---|
| 8.00200 | §48-11-3 | De minimis amount brought into the state by one person |
| 8.00300 | §48-11-3 | Cigars and cigarettes stored in a public warehouse |
| 8.00400 | §48-11-3 | Certain cigars and cigarettes held by licensed dealers |

## 9. Financial Institutions Special State Occupation Tax

This is a special state occupation tax imposed on the adjusted gross receipts of each depository financial institution that does business or owns property in the state. The state tax rate is levied at a rate of 0.25 percent. In addition to the state tax, counties and municipalities may levy a rate not to exceed 0.25 percent of gross receipts. Any amount paid under the special state occupation tax by a financial institution reduces the institution's state income tax liability by an equal amount.

The tax is administered by the Georgia DOR. The revenues from this tax in FY 2024 equaled $38 million. The proceeds of the tax are deposited into the State General Fund.

**9.00100** Deduction for interest paid

| | |
|---|---|
| Statute | §48-6-95 |
| Year Enacted | 1975 |
| Year Effective | 1975 |
| Data Source | FDIC – Statistics on Depository Institutions |
| Estimate Reliability | Class B |
| Data Reliability | Class A |
| Note | |

**Description:** Financial institutions are allowed to deduct from gross receipts interest paid on all liabilities.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 13 | 11 | 10 |

(m) Denotes a value of less than $1 million

## Financial institutions tax expenditures for which an estimate is not currently available

| Expenditure | Statute | Summary |
|---|---|---|
| 9.00200 | §48-6-95 | Deduction for income from authorized activities of a domestic international banking facility |
| 9.00300 | §48-6-95 | Deduction for income from banking business with persons or entities outside the U.S. |

## 10. Special Assessment of Forest Land Conservation Use Property

Real property devoted to qualified conservation use is assessed at 40 percent of its current use value. This tax treatment is designed to reduce the property tax burden on landowners in an effort to discourage the conversion of land to residential or commercial use. The property must be maintained in a qualifying conservation use for a period of 10 years. Because the state offsets the loss of local government property tax revenue stemming from this exemption, this exemption represents a reduction in state tax revenues.

**10.00000** Special assessment of forest land conservation use property

| | |
|---|---|
| Statute | §48-5A-2 |
| Year Enacted | 2008 |
| Year Effective | 2008 |
| Data Source | DOR data as of FY 2023 |
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | |

**Description:** Grants made available by the Georgia General Assembly through annual appropriations and awarded to counties, municipalities and county or independent school districts for purposes of the Special Assessment of Forest Land Conservation Use Property program

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 25 | 33 | 31 |

(m) Denotes a value of less than $1 million

## 11. Alternative Ad Valorem Tax on Motor Vehicles

As of March 1, 2013, motor vehicles titled in Georgia are subject to a title ad valorem tax, referred to as the TAVT or Motor Vehicle Title Fee. This legislation was passed in the 2012 session of the General Assembly and was substantially amended in the 2013 session. As part of the legislation, sales and use tax on the sale of motor vehicles was eliminated for purchases or leases occurring on or after March 1, 2013.

The tax base is the fair market value, at the time of titling, of new and used motor vehicles registered and titled in the state, including casual sales, dealer sales, leased vehicles, rental and salvage vehicles, and vehicles being brought into the state by people relocating to Georgia. For dealer sales, the tax base is reduced by the value of the purchaser's trade-in vehicle, if any. For dealer sales of new vehicles, the tax base is also reduced by the amounts of dealer rebates and cash discounts, if any. For most transactions occurring on or after January 1, 2020, the fair market value is equal to the retail selling price.

The statutory TAVT rate from January 1, 2020, through June 30, 2023, was 6.6 percent. The current statutory rate is 7.0 percent. The revenue from the tax is shared between the state and local governments as specified by law; beginning July 1, 2019, the state and local shares are 35 percent and 65 percent, respectively.

The tax is administered by the Georgia DOR but collected at the local level. All proceeds from the state portion of the TAVT are deposited into the State General Fund. The TAVT generated $827 million in state receipts for FY 2024 and $1.525 billion for local governments.

**11.001** Reduced rate for related family transfers

| | |
|---|---|
| Statute | §48-5C-1(d)(1)-(2) |
| Year Enacted | 2012 |
| Year Effective | 2013 |
| Data Source | DOR Data |
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | |

**Description:** A reduced rate of 0.25 percent applies to transfers for a vehicle transferred between immediate family members or a transfer occurring as a result of the death of an immediate family member.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 18 | 19 | 19 |
| Local Tax Expenditure | 36 | 37 | 38 |

(m) Denotes a value of less than $1 million

**11.002** Disabled veteran exemption

| | |
|---|---|
| Statute | §48-5C-1(d)(1)-(2) |
| Year Enacted | 2012 |
| Year Effective | 2013 |

Data Source DOR Data
Estimate Reliability Class A
Data Reliability Class A
Note

**Description:** Exemption from the title fee of the sale of a vehicle to a service-connected disabled veteran when the veteran received a grant from the U.S. Department of Veterans Affairs to purchase and specifically adapt the vehicle to his or her disability.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | (m) | (m) | (m) |
| Local Tax Expenditure | (m) | (m) | (m) |

(m) Denotes a value of less than $1 million

**11.003** Reduced rate for rental vehicles

Statute §48-5C-1(d)(11)(A)
Year Enacted 2012
Year Effective 2013
Data Source DOR Data
Estimate Reliability Class A
Data Reliability Class A
Note

**Description:** Rental vehicles are subject to a reduced state title fee rate of 0.625 percent of the fair market value and a local title fee rate of 0.625 percent of the fair market value.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 23 | 24 | 24 |
| Local Tax Expenditure | 53 | 54 | 55 |

(m) Denotes a value of less than $1 million

**11.004** Reduced rate for vehicles manufactured in years 1963-89

Statute §48-5C-1(d)(17)
Year Enacted 2012
Year Effective 2013
Data Source DOR Data
Estimate Reliability Class B
Data Reliability Class B
Note

**Description:** Vehicles manufactured in years 1963 through 1989 are subject to a reduced state title fee rate of 0.5 percent and reduced local title fee rate of 0.5 percent of the fair market value of the vehicle. This provision allows kit cars to be valued at the greater of the retail selling price of the kit; the average of the current fair market value; or the current wholesale value of the motor vehicle. Vehicles with a model year prior to 1963, for which a conditional title has been obtained, are allowed to opt into the TAVT system upon payment of a state TAVT payment equal to 0.5 percent of the fair market value of the vehicle and a local TAVT payment equal to 0.5 percent of the fair market value of the vehicle.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | (m) | (m) | (m) |
| Local Tax Expenditure | (m) | (m) | (m) |

(m) Denotes a value of less than $1 million

**11.005** Reduced rate for salvage vehicles

| | |
|---|---|
| Statute | §48-5C-1(b)(2) |
| Year Enacted | 2012 |
| Year Effective | 2013 |
| Data Source | DOR Data |
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | |

**Description:** Salvage vehicles are subject to a state title fee rate of 1 percent and are not subject to the local title fee

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 15 | 15 | 16 |
| Local Tax Expenditure | 47 | 48 | 49 |

(m) Denotes a value of less than $1 million

**11.006** Dealer loaner vehicle exemption

| | |
|---|---|
| Statute | §48-5C-1(d)(12) |
| Year Enacted | 2012 |
| Year Effective | 2013 |
| Data Source | DOR Data |
| Estimate Reliability | Class B |
| Data Reliability | Class A |
| Note | |

**Description:** Dealer loaner vehicles are exempt from the state and local title fee for a period of 366 days.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 2 | 3 | 3 |
| Local Tax Expenditure | 15 | 11 | 11 |

(m) Denotes a value of less than $1 million

**11.007** Reduced rate for donated vehicles

| | |
|---|---|
| Statute | §48-5C-1(d)(13) |
| Year Enacted | 2012 |
| Year Effective | 2013 |
| Data Source | DOR Data |
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | |

**Description:** Vehicles donated to nonprofit organizations for the purpose of being transferred to another person are subject to a reduced state title fee rate of 1 percent of the fair market value of the vehicle. No local title fee applies

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | (m) | (m) | (m) |
| Local Tax Expenditure | (m) | (m) | (m) |

(m) Denotes a value of less than $1 million

**11.008** Extended payment period for out-of-state vehicles

| | |
|---|---|
| Statute | §48-5C-1(d)(3) |
| Year Enacted | 2012 |
| Year Effective | 2013 |
| Data Source | DOR Data |
| Estimate Reliability | Class B |
| Data Reliability | Class B |
| Note | In 2017, the treatment of out-of-state vehicles changed from 12 percent of fair market value paid in two equal installments over two years to 3 percent of fair market value due upon registration. |

**Description:** Vehicles registered by individuals moving from out-of-state are allowed to pay reduced title fee rate of three percent

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 21 | 22 | 23 |
| Local Tax Expenditure | 40 | 41 | 42 |

(m) Denotes a value of less than $1 million

**11.009** Trade-in exemption (including rebates and cash discounts)

| | |
|---|---|
| Statute | §48-5C-1(a)(1) |
| Year Enacted | 2012 |
| Year Effective | 2013 |
| Data Source | DOR Data |
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | |

**Description:** Both the state and local title fee is imposed on the fair market value of a vehicle net of the trade-in value of another motor vehicle, rebates or cash discounts.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 163 | 167 | 172 |
| Local Tax Expenditure | 303 | 309 | 319 |

(m) Denotes a value of less than $1 million

**11.010** Special assessment for used vehicles

| | |
|---|---|
| Statute | §48-5C-1(a)(1)(C) |
| Year Enacted | 2012 |
| Year Effective | 2013 |
| Data Source | DOR Data |
| Estimate Reliability | Class B |
| Data Reliability | Class C |
| Note | |

**Description:** Under certain conditions, used vehicles may be valued based on bill of sale, odometer reading, and values from alternative pricing guides.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 10 | 10 | 10 |
| Local Tax Expenditure | 18 | 19 | 19 |

(m) Denotes a value of less than $1 million

**11.012** Buy Here Pay Here transactions

| | |
|---|---|
| Statute | §48-5C-1(b)(1)(B)(iv) |
| Year Enacted | 2013 |
| Year Effective | 2014 |
| Data Source | DOR Data |
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | |

**Description:** Seller financed used car transactions are subject to a title fee rate that is two and a half percentage points below the standard title fee rate.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 5 | 6 | 6 |
| Local Tax Expenditure | 10 | 10 | 11 |

(m) Denotes a value of less than $1 million

**11.014** Treatment of Leased Vehicles

| | |
|---|---|
| Statute | §48-5C-1(a)(1)(E) |
| Year Enacted | 2017 |
| Year Effective | 2018 |
| Data Source | DOR Data |
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | |

**Description:** The TAVT is levied only on the base payments under the lease agreement.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | 15 | 15 | 16 |
| Local Tax Expenditure | 28 | 29 | 30 |

(m) Denotes a value of less than $1 million

**11.015** Treatment of vehicles involved in divorce settlement or business reorganization

| | |
|---|---|
| Statute | §48-5C-1(d)(18), §48-5C-1(d)(15) |
| Year Enacted | 2018 |
| Year Effective | 2018 |
| Data Source | Fiscal Note for HB 329 LC 28 8929S for 2018 |
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | |

**Description:** Vehicles transferred because of a divorce decree are subject to a reduced state TAVT rate of 0.5 percent of vehicle fair market value and a reduced local TAVT rate of 0.5 percent of vehicle fair market value. The transfer of

a title made as a result of a business reorganization is exempt from the title fee.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | (m) | (m) | (m) |
| Local Tax Expenditure | (m) | (m) | (m) |

(m) Denotes a value of less than $1 million

**11.016** Treatment of non-IRP Buses

| | |
|---|---|
| Statute | §48-5C-1(d)(7.1) |
| Year Enacted | 2018 |
| Year Effective | 2018 |
| Data Source | Fiscal Note for HB 329 LC28 8929S for 2018 |
| Estimate Reliability | Class A |
| Data Reliability | Class A |
| Note | |

**Description:** In the case of for-hire charter buses and motor coaches which seat at least 15 passengers or more, the legislation allows the TAVT to be paid over a 12-month period in two equal installments.

| | State Fiscal Years ($ in Millions) | | |
|---|---|---|---|
| | 2025 | 2026 | 2027 |
| State Tax Expenditure | (m) | (m) | (m) |
| Local Tax Expenditure | 1 | 1 | 1 |

(m) Denotes a value of less than $1 million

## Title ad valorem tax expenditures for which an estimate is not currently available

| Expenditure | Statute | Summary |
|---|---|---|
| 11.013 | §48-5C-1 | Exemption for leased vehicles qualifying for Manufacturing Headquarters |

## 12. Special Excise Tax on Consumer Fireworks

An excise tax of 5 percent is levied on gross receipts from the retail sale of fireworks, in addition to any state and local taxes otherwise imposed by law. This tax was enacted in 2015, effective for sales on or after July 1, 2015. The tax is administered by the Georgia DOR and the proceeds from this excise tax are deposited into the State General Fund. The consumer fireworks tax generated $2.68 million in state receipts for FY 2024.

## 13. State Hotel-Motel Tax

An excise tax of $5.00 per day is levied on each room rented or leased. This tax was enacted in 2015 and became effective on July 1, 2015. The tax is administered by the Georgia DOR. Although collections from this tax are deposited into the State General Fund, they must be appropriated exclusively for transportation purposes. The state hotel-motel tax generated $204 million in state receipts for FY 2024.

## 14. For-Hire Ground Transport Excise Tax

An excise tax is imposed on for hire ground transport trips (50 cents per trip) and shared for hire ground transport trips (25 cents per trip). The per-trip amount of the tax is to be adjusted annually for inflation using the Consumer Price Index for All Urban Consumers rate published by the U.S. Bureau of Labor Statistics. The tax was enacted in 2020 and produced $38 million in state receipts for FY 2024.

# Appendix of Tables

## Table 1: Summary of Recently Expired Provisions[4]

| Expenditure | Summary | Tax | Expiration Date |
|---|---|---|---|
| 1.6.003 | Driver Education Credit | State Individual Income Tax | 12/31/2018 |
| 1.6.025 | Qualified Transportation Credit | Total State Credit | 12/31/2018 |
| 1.6.030 | Diesel Particulate Emission Reduction Technology Equipment Credit | Total State Credit | 12/31/2018 |
| 1.6.034 | Georgia Employer GED Tax Credit (previously known as the Employer's Credit for Basic Skills Education) | Total State Credit | 12/31/2019 |
| 1.6.037 | Qualified Investor Tax Credit | State Individual Income Tax | 12/31/2020 |
| 1.6.039 | Tax credit for water conservation facilities and qualified water conservation investment property | Total State Credit | 12/31/2016 |
| 1.6.040 | Tax credit for shift from groundwater usage | Total State Credit | 12/31/2016 |
| 1.6.042 | Tax credit for purchase of alternative fuel heavy-duty or medium-duty vehicle | Total State Credit | 6/30/2017 |
| 1.6.044 | Employer tax credit for hiring qualified parolees | Total State Credit | 12/31/2019 |
| 2.6.014 | Qualified Transportation Credit | Total State Credit | 12/31/2018 |
| 2.6.019 | Diesel Particulate Emission Reduction Technology Equipment Credit | Total State Credit | 12/31/2018 |
| 2.6.023 | Georgia Employer GED Tax Credit (previously known as the Employer's Credit for Basic Skills Education) | Total State Credit | 12/31/2019 |
| 2.6.028 | Tax credit for water-conservation facilities and qualified water-conservation investment property | Total State Credit | 12/31/2016 |
| 2.6.029 | Tax credit for shift from groundwater usage | Total State Credit | 12/31/2016 |
| 2.6.031 | Tax credit for purchases of alternative fuel heavy-duty or medium-duty vehicle | Total State Credit | 6/30/2017 |
| 4.07500 | Sales tax holiday for back to school items | Sales and Use Tax | 7/30/2016 |
| 4.08200 | Sales tax holiday for water-efficient and energy-efficient purchases | Sales and Use Tax | 10/2/2016 |

[4] Summary of provisions that have expired since January 1, 2016

**Table 1: Summary of Recently Expired Provisions[4]**

| Expenditure | Summary | Tax | Expiration Date |
|---|---|---|---|
| 4.09600 | Exemption for sales or use of construction materials used for or in the construction of buildings at a private college | Sales and Use Tax | 6/30/2016 |
| 4.09800 | Sale of tangible personal property and services to a qualified job training organization | Sales and Use Tax | 6/30/2020 |
| 4.09900 | Exemption for expenses related to the renovation or expansion of qualified theatres | Sales and Use Tax | 7/1/2019 |
| 4.10300 | Exemption for construction materials used in construction of an automobile museum | Sales and Use Tax | 1/1/2021 |

**Table 2: Sales and Use Tax Expenditures by Type**

| Expenditure | Summary | State FY 2025 | State FY 2026 | State FY 2027 |
|---|---|---|---|---|
| **Sales Tax Exemption for a Business Input[5]** | | | | |
| 4.01700 | Sales of fuel or consumable supplies used by ships engaged in inter-coastal or foreign commerce | 5 | 5 | 6 |
| 4.03410 | Machinery and equipment used to handle, move, or store tangible personal property in certain distribution facilities | Estimate not available at this time | | |
| 4.03420 | Machinery and equipment used directly to remanufacture certain aircraft engines or aircraft engine parts | (m) | (m) | (m) |
| 4.03910 | Cargo containers and related chassis used for storage or shipping by persons engaged in international shipment of tangible personal property | Estimate not available at this time | | |
| 4.04500 | The sale or use of paper stock when used to print catalogs for distribution outside Georgia | Estimate not available at this time | | |
| 4.04800 | Sale of crab bait to licensed commercial fishermen | (m) | (m) | (m) |
| 4.06000 | Sale of certain machinery and equipment used to improve air quality in a clean room of Class 100,000 or less | (m) | (m) | (m) |
| 4.06500 | Sale of dyed diesel fuel used exclusively for operations of vessels or boats by licensed commercial fishermen | (m) | (m) | (m) |
| 4.06800 | Sale of certain computer equipment when the total qualifying purchases by a high technology company exceed $15 million | 552 | 710 | 854 |
| 4.06900 | Sales of machinery and equipment and material incorporated and used in a clean room of Class 100 or less | Estimate Combined with 4.06000 | | |
| 4.07000 | Sale of natural gas used directly in the manufacture of electricity | 89 | 82 | 83 |
| 4.08100 | The purchase of food and nonalcoholic beverages provided at no charge aboard a qualified airline | 7 | 7 | 7 |
| 4.08300 | Sale of biomass materials used to produce electricity or steam intended for sale | 4 | 4 | 5 |
| 4.09400 | The sale, use, consumption, or storage of materials, containers, labels, sacks, or bags used for packaging tangible personal property for shipment or sale | Estimate Combined with 4.3.3 | | |

[5] Sales tax exemptions which are defined primarily as an exemption for a profit making business.

**Table 2: Sales and Use Tax Expenditures by Type**

| Expenditure | Summary | State FY 2025 | State FY 2026 | State FY 2027 |
|---|---|---|---|---|
| 4.3.2 | Exemption for energy, machinery or equipment, industrial material, and consumable supplies used in manufacturing | 4,338 | 4,565 | 4,791 |
| 4.3.3 | Sale and use by a qualified agriculture producer of agricultural production inputs, energy used in agriculture, and agricultural machinery and equipment | 159 | 161 | 163 |
| 4.3.4 | Exemption for qualified boat repairs | (m) | (m) | (m) |
| **Sales Tax Exemption for a Specific Item[6]** | | | | |
| 4.00300 | Federal retailer's excise tax if separately itemized to the consumer and Georgia motor fuel tax imposed on the sale of motor fuel | Estimate not available at this time | | |
| 4.00400 | Sales of transportation furnished by a county or municipal public transit system or public transit authorities | 6 | 7 | 7 |
| 4.00500 | Sales of transportation furnished by an approved and authorized urban transit system | Estimate combined with 4.00400 | | |
| 4.01200 | School lunches sold and served to pupils and employees of public schools | 4 | 4 | 4 |
| 4.01300 | School lunches sold and served to pupils and employees of approved private schools | 1 | 1 | 1 |
| 4.01800 | Charges for transportation of tangible personal property made in connection with interstate or intrastate transportation | Estimate not available at this time | | |
| 4.02000 | Water delivered through water mains, lines, or pipes | 12 | 13 | 13 |
| 4.02200 | Professional, insurance or personal service transactions which involve sales as inconsequential elements for which no separate charge is made | Estimate included in sales tax for services: 4.50500 | | |
| 4.02300 | Repair services when a separate charge is made to the customer | Estimate included in sales tax for services: 4.51100 | | |
| 4.02400 | Rental of videotape or film to persons charging admission to view the tape or film | 6 | 6 | 6 |
| 4.03300 | Common or common and contract carriers | Estimate not available at this time | | |

[6] Sales tax exemptions which are defined primarily by the item being purchased and not defined, or only generally defined, by the seller or purchaser.

**Table 2: Sales and Use Tax Expenditures by Type**

| Expenditure | Summary | State FY 2025 | State FY 2026 | State FY 2027 |
|---|---|---|---|---|
| 4.04200 | Use or lease of tangible personal property when the lessor and lessee are under 100 percent common ownership and where the person who furnishes, leases, or rents the property has paid sales or use tax on the property | Estimate not available at this time | | |
| 4.04300 | Revenues from coin-operated amusement machines for which individual permits are required | 47 | 50 | 52 |
| 4.04700 | Sale of drugs dispensed by prescription, prescription glasses, contact lenses, contact lens samples and sales or use of certain controlled substances or dangerous drugs | 671 | 710 | 749 |
| 4.05000 | Sale of insulin syringes and blood glucose level measuring strips dispensed without a prescription | 11 | 12 | 13 |
| 4.05100 | Sale of oxygen when prescribed by a licensed physician | 2 | 2 | 2 |
| 4.05200 | Sale or use of hearing aids | 6 | 7 | 8 |
| 4.05400 | Sale or use of any durable medical equipment or prosthetic device prescribed by a physician | 66 | 71 | 75 |
| 4.05500 | Sale of Georgia lottery tickets | 249 | 259 | 269 |
| 4.05700 | Food purchased for off-premises consumption | 1,175 | 1,214 | 1,253 |
| 4.06100 | Advertising inserts that are used in newspapers for resale | Estimate not available at this time | | |
| 4.06200 | Sod grass sold in the original state of production by the sod producer, employee of the producer, or family member of the producer | 4 | 4 | 4 |
| 4.06600 | Sale of gold, silver, or platinum bullion | 4 | 4 | 4 |
| 4.06700 | Sale of coins or currency | (m) | (m) | (m) |
| 4.09100 | The sale of prewritten software which has been delivered to the purchaser electronically or by means of load and leave | Estimate not available at this time | | |

**Table 2: Sales and Use Tax Expenditures by Type**

| Expenditure | Summary | State FY 2025 | State FY 2026 | State FY 2027 |
|---|---|---|---|---|
| 4.10000 | Exemption for sales of tickets to a qualified fine arts performance or exhibition | 3 | 3 | 3 |
| 4.10200 | Partial exemption for qualified manufactured homes | 5 | 5 | 5 |
| 4.3.5 | Exemption for the sale and use of jet fuel | 54 | 53 | 55 |
| **Sales Tax Exemption for a Specific Purchaser**[7] | | | | |
| 4.00100 | Sales to Federal Government, State of Georgia or a county or municipality in Georgia or any agency of such governments | Estimate not available at this time | | |
| 4.00600 | Sales to any Hospital Authority created by Georgia law | 83 | 88 | 92 |
| 4.00610 | Sales to any Housing Authority created by Georgia law | 2 | 2 | 2 |
| 4.00620 | Sales to local government authorities created on or after January 1, 1980 for the principal purpose of constructing, owning, or operating a coliseum and related facilities | (m) | (m) | (m) |
| 4.00630 | Sales to any agricultural commission created by the Department of Agriculture | (m) | (m) | (m) |
| 4.00700 | Sales of tangible personal property and services to an approved nursing home, inpatient hospice, general hospital or mental hospital when used specifically in the treatment function | 69 | 73 | 77 |
| 4.00705 | Sales of tangible personal property to a non-profit health center established and receiving funds pursuant to the U.S. Public Health Service Act | 2 | 3 | 3 |
| 4.00710 | Sales of tangible personal property and services to a nonprofit organization whose primary function is to provide services to persons with intellectual disabilities | 1 | 1 | 1 |
| 4.00720 | Sales to Georgia Society of the Daughters of the American Revolution | (m) | (m) | (m) |
| 4.00730 | Sales of tangible property and services to a nonprofit volunteer health clinic primarily treating patients with incomes below 200 percent of the poverty level | 2 | 2 | 2 |
| 4.00800 | Sales of tangible personal property and services to the University System of Georgia and its educational units | 62 | 65 | 67 |

[7] Sales tax exemptions which are defined primarily by the purchaser and not defined, or only generally defined, by the seller or the item being purchased.

**Table 2: Sales and Use Tax Expenditures by Type**

| Expenditure | Summary | State FY 2025 | State FY 2026 | State FY 2027 |
|---|---|---|---|---|
| 4.00900 | Sale of tangible personal property and services used exclusively in the educational function of an approved private college or university located in Georgia in which the credits are accepted by the University System of Georgia | Estimate combined with 4.00800 | | |
| 4.01000 | Sales of tangible personal property and services used exclusively in the educational function of an approved private elementary or secondary school | 8 | 8 | 9 |
| 4.01100 | Sale of tangible personal property or services to, and the purchase of tangible personal property or services by, any educational or cultural institute | (m) | (m) | (m) |
| 4.01900 | All tangible personal property purchased outside this state by a nonresident when the property is brought into Georgia upon the nonresident becoming a resident | Estimate not available at this time | | |
| 4.02100 | Sales, transfers or exchanges of tangible personal property resulting from business reorganization when the owners, partners, or stockholders maintain the same proportionate interest or share in the newly formed business | Estimate not available at this time | | |
| 4.03100 | Sale of tangible personal property manufactured or assembled in Georgia for export when delivery is taken outside of Georgia | Estimate not available at this time | | |
| 4.03600 | Machinery and equipment used in a facility for the primary purpose of reducing or eliminating air and water pollution | (m) | (m) | (m) |
| 4.03610 | Machinery and equipment used for water conservation and incorporated into a qualified water conservation facility. | Estimate not available at this time | | |
| 4.04000 | Sale of major components or repair parts installed in military aircraft, vehicles, or missiles | 29 | 32 | 31 |
| 4.04100 | Sale of tangible personal property and services to a nonprofit child-caring institution, child-placing agency, or maternity home | 1 | 1 | 1 |
| 4.04600 | Sale of tangible personal property or taxable services to nonprofit blood banks | 3 | 3 | 3 |
| 4.06810 | High-Tech Data Center Equipment Exemption | 474 | 625 | 762 |
| 4.07100 | Sale to or by an organization whose primary purpose is to raise funds for books, materials, and programs for public libraries | (m) | (m) | (m) |

**Table 2: Sales and Use Tax Expenditures by Type**

| Expenditure | Summary | State FY 2025 | State FY 2026 | State FY 2027 |
|---|---|---|---|---|
| 4.07600 | Exemption for personal property used in the renovation or expansion of an aquarium | (m) | (m) | (m) |
| 4.09300 | Sale of tangible personal property used for and in the construction of a competitive project of regional significance | 12 | 12 | 9 |
| 4.09700 | Sales of admission to a nonrecurring major sporting event | 8 | 8 | 8 |
| 4.10400 | Exemption for poultry diagnostic and disease monitoring service nonprofit organization | (m) | (m) | (m) |
| **Sales Tax Exemption for a Specific Purchaser of a Specific Item[8]** | | | | |
| 4.01400 | Sale of art and other artifacts for display or exhibition to museums | Sales and Use Tax | Exemption | (m) |
| 4.01510 | Sales of pipe organs or steeple bells to any church qualifying as a nonprofit | (m) | (m) | (m) |
| 4.03000 | Vehicles purchased by service-connected disabled veterans when the U.S. Dept. of Veterans Affairs supplies a grant to purchase a specially adapted the vehicle | (m) | (m) | (m) |
| 4.03200 | Aircraft, watercraft, motor vehicles, and other transportation equipment manufactured or assembled in this State for exclusive use outside Georgia | Estimate not available at this time | | |
| 4.04400 | Sale of motor vehicles to nonresident purchasers when vehicles are immediately removed from Georgia and titled in another state | Estimate not available at this time | | |
| 4.05300 | Transactions where food stamps or WIC coupons are used as the method of payment | 146 | 146 | 150 |
| 4.05710 | Sales of food and beverages to a qualified food bank | 1 | 1 | 1 |
| 4.06300 | Funeral merchandise when paid with funds from the Georgia Crime Victims Emergency Fund | (m) | (m) | (m) |
| 4.07200 | Sale of prescribed mobility enhancing equipment | (m) | (m) | (m) |

[8] Sales tax exemptions which are specifically defined by the purchaser as well as the item being purchased.

**Table 2: Sales and Use Tax Expenditures by Type**

| Expenditure | Summary | State FY 2025 | State FY 2026 | State FY 2027 |
|---|---|---|---|---|
| 4.08600 | Sales of engines, parts, equipment and other tangible personal property used in the maintenance or repair of certain aircraft | 13 | 13 | 13 |
| 4.10100 | The sale of certain written material by a nonprofit | 11 | 9 | 0 |
| **Sales Tax Exemption for a Specific Seller**[9] | | | | |
| 4.00200 | Tangible personal property furnished by the Federal Government or any county or municipality used by a contractor in the installation, repair, or extension of any public water, gas, or sewer system | Estimate not available at this time | | |
| 4.01500 | Specific fundraising sales by any religious institution lasting no more than 30 days in a calendar year and sales of religious paper when the paper is owned and operated by the religious institution | (m) | (m) | (m) |
| 4.03800 | Sale of tangible personal property and fees and charges for services by the Rock Eagle 4-H Center | (m) | (m) | (m) |
| 4.03900 | Certain sales by a public or private school of tangible personal property, concessions, and tickets for admission to school functions | 7 | 7 | 8 |
| 4.05600 | Sale by any qualified nonprofit parent teacher organization | (m) | (m) | (m) |
| 4.05720 | Exemption for prepared food and food ingredients that are donated to a qualified nonprofit agency and used for hunger relief purposes | 4 | 5 | 5 |
| 4.05730 | Exemption for food and food ingredients that are donated following a natural disaster and used for disaster relief | Sales and Use Tax | Exemption | (m) |
| 4.05900 | Sale of eligible food and beverages by any Girl or Boy Scout council | 2 | 2 | 2 |
| 4.3.6 | Exemption for sales within an enterprise zone | Estimate not available at this time | | |
| 4.70000 | Compensation of dealers for reporting and paying tax | 138 | 144 | 147 |

[9] Sales tax exemptions which are specifically defined by the seller.

**Tables 3-9: Distributional Tables of Selected Provisions**

Tables 3 through 9 provide information on the distribution across Georgia AGI for selected exemptions and deductions from the state personal income tax. The data used to produce the tables are from the state personal income tax files for 2022. It has not been adjusted for inflation, nor does it reflect any legislative changes that may have occurred since 202. Column 1 of each table provides the categories of Georgia AGI. Column 2 (Number of Returns) provides the number of returns for each AGI category. Column 3 (Average Value) gives the average value of the tax exemption or deduction taken by filers in each AGI category. Column 4 (Total) provides the total value of the deduction or exemption associated with each AGI category and column 5 (Percent of Total) provides the percent of the total value of the deduction or exemption that falls into that AGI category.

**Table 3: Total Personal Exemptions**

| | Number of Returns | Average Value | Total | Percent of Total Dollars |
|---|---|---|---|---|
| GA AGI ≤ 0 | $385,854 | $4,811 | $1,856,510,600 | 7% |
| 0 <GA AGI ≤$25,000 | 1,261,630 | 4,838 | 6,103,854,900 | 22% |
| $25,000 <GA AGI ≤$50,000 | $1,015,125 | $5,630 | $5,715,277,200 | 21% |
| $50,000 <GA AGI ≤$100,000 | $924,062 | $6,407 | $5,920,349,000 | 22% |
| $100,000 <GA AGI ≤$500,000 | $812,990 | $9,056 | $7,362,139,000 | 27% |
| $500,000 <GA AGI ≤$1,000,000 | $37,194 | $10,326 | $384,078,200 | 1% |
| GA AGI >$1,000,000 | $14,075 | $9,930 | $139,766,300 | 1% |
| Total | $4,450,930 | $6,174 | $27,481,975,200 | |

The percent of total column may not sum to 100 percent due to rounding.

**Table 4: Retirement Income Exclusion**

| | Number of Returns | Average Value | Total | Percent of Total Dollars |
|---|---|---|---|---|
| GA AGI ≤ 0 | $322,633 | $25,372 | $8,185,991,726 | 35% |
| 0 <GA AGI ≤$25,000 | 202,712 | 25,310 | 5,130,542,138 | 22% |
| $25,000 <GA AGI ≤$50,000 | $121,993 | $23,518 | $2,869,066,610 | 12% |
| $50,000 <GA AGI ≤$100,000 | $119,331 | $25,290 | $3,017,902,564 | 13% |
| $100,000 <GA AGI ≤$500,000 | $108,604 | $31,386 | $3,408,630,621 | 15% |
| $500,000 <GA AGI ≤$1,000,000 | $7,488 | $45,665 | $341,942,763 | 1% |
| GA AGI >$1,000,000 | $3,826 | $52,259 | $199,942,986 | 1% |
| Total | $886,587 | $26,116 | $23,154,019,408 | |

The percent of total column may not sum to 100 percent due to rounding.

**Table 5: Georgia Higher Education Savings Plan Deduction**

| | Number of Returns | Average Value | Total | Percent of Total Dollars |
|---|---|---|---|---|
| GA AGI ≤ 0 | $1,282 | $6,960 | $8,922,651 | 2% |
| 0 <GA AGI ≤$25,000 | 2,351 | 4,041 | 9,501,185 | 2% |
| $25,000 <GA AGI ≤$50,000 | $2,675 | $4,044 | $10,816,416 | 3% |
| $50,000 <GA AGI ≤$100,000 | $6,450 | $3,945 | $25,442,996 | 6% |
| $100,000 <GA AGI ≤$500,000 | $44,116 | $6,305 | $278,149,475 | 66% |
| $500,000 <GA AGI ≤$1,000,000 | $5,448 | $12,593 | $68,609,063 | 16% |
| GA AGI >$1,000,000 | $1,416 | $15,154 | $21,457,685 | 5% |
| Total | $63,738 | $6,635 | $422,899,471 | |

The percent of total column may not sum to 100 percent due to rounding.

**Table 6: Interest on U.S. Obligations**

| | Number of Returns | Average Value | Total | Percent of Total Dollars |
|---|---|---|---|---|
| GA AGI ≤ 0 | $15,885 | $5,199 | $82,583,912 | 48% |
| 0 <GA AGI ≤$25,000 | 12,328 | 3,869 | 47,692,495 | 7% |
| $25,000 <GA AGI ≤$50,000 | $8,715 | $4,214 | $36,722,244 | 4% |
| $50,000 <GA AGI ≤$100,000 | $14,174 | $3,944 | $55,898,624 | 7% |
| $100,000 <GA AGI ≤$500,000 | $39,261 | $5,316 | $208,705,093 | 16% |
| $500,000 <GA AGI ≤$1,000,000 | $7,168 | $13,182 | $94,489,628 | 5% |
| GA AGI >$1,000,000 | $4,988 | $56,145 | $280,051,481 | 13% |
| Total | $102,519 | $7,863 | $806,143,477 | 100% |

The percent of total column may not sum to 100 percent due to rounding.

**Table 7: Blind and Age 65 Deductions**

| | Number of Returns | Average Value | Total | Percent of Total Dollars |
|---|---|---|---|---|
| GA AGI ≤ 0 | $305,090 | $1,820 | $555,258,600 | 47% |
| 0 <GA AGI ≤$25,000 | 164,771 | 1,790 | 294,959,600 | 24% |
| $25,000 <GA AGI ≤$50,000 | $85,772 | $1,764 | $151,264,100 | 11% |
| $50,000 <GA AGI ≤$100,000 | $73,771 | $1,785 | $131,671,800 | 10% |
| $100,000 <GA AGI ≤$500,000 | $53,140 | $1,857 | $98,692,100 | 7% |
| $500,000 <GA AGI ≤$1,000,000 | $2,411 | $2,006 | $4,837,300 | 0% |
| GA AGI >$1,000,000 | $846 | $2,008 | $1,699,100 | 0% |
| Total | $685,801 | $1,806 | $1,238,382,600 | 100% |

The percent of total column may not sum to 100 percent due to rounding.

**Table 8: Standard Deduction**

| | Number of Returns | Average Value | Total | Percent of Total Dollars |
|---|---|---|---|---|
| GA AGI ≤ 0 | $358,023 | $6,036 | $2,161,083,150 | 9% |
| 0 <GA AGI ≤$25,000 | 1,231,759 | 5,572 | 6,862,942,950 | 30% |
| $25,000 <GA AGI ≤$50,000 | $960,690 | $5,647 | $5,425,335,400 | 23% |
| $50,000 <GA AGI ≤$100,000 | $795,938 | $5,979 | $4,759,019,300 | 21% |
| $100,000 <GA AGI ≤$500,000 | $569,018 | $6,735 | $3,832,188,950 | 17% |
| $500,000 <GA AGI ≤$1,000,000 | $14,458 | $6,916 | $99,987,650 | 0% |
| GA AGI >$1,000,000 | $3,629 | $6,840 | $24,822,200 | 0% |
| Total | $3,933,515 | $5,889 | $23,165,379,600 | |

The percent of total column may not sum to 100 percent due to rounding.

**Table 9: Federally Taxable Social Security Benefits**

| | Number of Returns | Average Value | Total | Percent of Total Dollars |
|---|---|---|---|---|
| GA AGI ≤ 0 | $242,376 | $28,303 | $6,860,021,516 | 44% |
| 0 <GA AGI ≤$25,000 | 137,982 | 18,655 | 2,574,004,411 | 16% |
| $25,000 <GA AGI ≤$50,000 | $93,930 | $21,337 | $2,004,227,912 | 13% |
| $50,000 <GA AGI ≤$100,000 | $85,133 | $25,780 | $2,194,704,757 | 14% |
| $100,000 <GA AGI ≤$500,000 | $63,423 | $30,077 | $1,907,544,969 | 12% |
| $500,000 <GA AGI ≤$1,000,000 | $3,894 | $37,476 | $145,931,875 | 1% |
| GA AGI >$1,000,000 | $2,001 | $39,775 | $79,590,091 | 1% |
| Total | $628,739 | $25,076 | $15,766,025,531 | |

The percent of total column may not sum to 100 percent due to rounding.

# Tax Credits

## Claimed by Hawai‘i Taxpayers

## Tax Year 2023

**(January 1, 2023 – December 31, 2023)**

**Department of Taxation**

**State of Hawai‘i**

**December 2025**

2151/8585

STATE OF HAWAIʻI

Josh Green, M.D., Governor

DEPARTMENT OF TAXATION

Gary S. Suganuma, Director

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OFFICE OF TAX RESEARCH & PLANNING

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# 1. INTRODUCTION

This study examines tax credits that may be applied to reduce taxpayer's tax liability including Hawai'i's net income taxes, the tax on insurance premiums, or the tax on public utilities. Tax credits are subtracted directly from the tax liability, so they reduce the amount of taxes dollar-for-dollar. This makes them more valuable to taxpayers than ordinary deductions, which reduce the amount of income against which tax is applied. Tax credits may be refundable or nonrefundable. If a tax credit is nonrefundable, it can provide a tax benefit only to the extent that the taxpayer has a tax liability.[1] In contrast, the taxpayer is ensured of receiving the full amount of a refundable tax credit in the year it is claimed. If the tax credit exceeds the tax liability, the taxpayer is compensated for the difference.

The study reports the value of tax credits that either reduced a tax liability or that were refunded to taxpayers in tax year 2023. The study does not include the value of tax credits that were claimed if the tax credits were denied or carried over to a future year.

The tax returns examined for this study were those filed for tax year 2023 and processed by March 31, 2025. The tax year is the same as the calendar year for most taxpayers, but for taxpayers that have a fiscal year that differs from the calendar year, tax year 2023 is the fiscal year ending in calendar year 2023.

Hawai'i's first tax credit was established in 1957 to avoid double taxation of income. Since then, numerous tax credits have been enacted. Most of them are designed to promote social welfare or to encourage certain industries or economic activities. There are a total of 22 active tax credits in 2023.[2] There were also 7 expired tax credits for which excess credits from prior years could be carried over into tax year 2023.[3]

The Department of Taxation ("Department") has prepared studies on tax credits for tax years 1965, 1970, 1977 through 2005, and 2011 through 2023 (the present study).[4] The studies on tax credits produced for tax years before 1986 included only tax credits claimed by individuals. The studies for tax years after 1986 were expanded to include tax credits claimed by businesses, fiduciaries (trusts and estates), and exempt organizations, as well as the lifeline telephone service tax credit. The present study examines the following active and expired tax credits:

---

[1] For most nonrefundable tax credits, the unused credits can be carried forward to future years, so the full value of the tax credit is usually realized eventually.

[2] The study does not include the tax credit from a regulated investment company or the credit for taxes withheld on the sale of Hawai'i real property. These are not proper tax credits but are instead deductions from income tax that account for Hawai'i income taxes already paid, similar to the deduction for taxes that were withheld on wages.

[3] The count of expired tax credits does not include the renewable energy technologies income tax credit for systems installed prior to July 1, 2009.

[4] Work on the studies was discontinued in 2009 owing to budgetary cutbacks. The study on tax credits for tax year 2011 was the first one produced since December 2007, when the study for tax year 2005 was published.

**Active Tax Credits**

*Tax Credits to Promote Social Welfare*

- Refundable Food/Excise Tax Credit
- Tax Credit for Low-Income Household Renters
- Tax Credit for Child and Dependent Care Expenses
- Tax Credit for Child Passenger Restraint Systems
- Tax Credit for Employment of Vocational Rehabilitation Referrals
- Low-Income Housing Tax Credit
- Tax Credit for School Repair and Maintenance
- Earned Income Tax Credit
- Lifeline Telephone Service Tax Credit

*Tax Credits to Encourage Certain Industries or Economic Activities*

- Fuel Tax Credit for Commercial Fishers
- Motion Picture, Digital Media, and Film Production Income Tax Credit
- Renewable Energy Technologies Income Tax Credit
- Enterprise Zone Tax Credit
- Important Agricultural Land Qualified Agricultural Cost Tax Credit
- Tax Credit for Research Activities
- Renewable Fuels Production Tax Credit
- Healthcare Preceptor Income Tax Credit
- Historic Preservation Income Tax Credit

*Tax Credits to Avoid Double Taxation or Pyramiding of Taxes*

- Capital Goods Excise Tax Credit
- Income Tax Paid to Another State or Foreign Country
- Pass-Through Entity (PTE) Tax Credit

**Expired Tax Credits**

*Tax Credits to Encourage Certain Industries or Economic Activities*

- High Technology Business Investment Tax Credit
- Energy Conservation Tax Credit
- Hotel Construction and Remodeling Tax Credit
- Technology Infrastructure Renovation Tax Credit
- Residential Construction and Remodeling Tax Credit
- Capital Infrastructure Tax Credit
- Cesspool Upgrade, Conversion or Connection Income Tax Credit
- Organic Foods Production Tax Credit

## 2. DATA SOURCE AND METHODOLOGY

The primary data source for the study is the GenTax program of the Department's Tax System Modernization (TSM). The data are from individual income tax returns (Forms N-11 and N-15), corporate income tax returns (Form N-30), fiduciary (estates and trusts) income tax returns (Form N-40), and exempt organization income tax returns (Form N-70NP). In addition, data from franchise tax returns (Form F-1) that are filed by banks and other financial corporations, including building and loan associations, financial services and loan companies, and small investment companies are utilized. The data include all tax returns that were filed for tax year 2023 and processed by March 31, 2025, with a query run in April 2025. Some tax credits are reported directly on the tax returns, but most are reported on Schedules CR, "Schedule of Tax Credits." The tax credits reported on Schedules CR are summed and only the total is reported on the income tax returns. Therefore, the data on tax credits were obtained from tax returns in conjunction with Schedules CR, wherever applicable. The data on tax credits are before any adjustments by subsequent audits but they include the automatic adjustments the Department made when processing the tax returns.

Data on the lifeline telephone tax credit were obtained from the Public Utilities Commission, and data on tax credits claimed by insurance companies were provided by the Insurance Division of the Department of Commerce and Consumer Affairs, which administers the tax on insurance premiums. The tax forms used for the study and their instructions are available on the Department's website at *tax.hawaii.gov*.

To maintain taxpayer confidentiality, the Department does not disclose tabulations containing data for 5 or fewer returns at the state level, 10 or fewer returns below the state level, and when an individual return represents a large percentage in a tabulation.

The data for the study come from 794,350 tax returns that were filed for tax year 2023. Table 1 shows the total number of each type of tax return examined for the study. Resident individual taxpayers filed the largest number of returns with 644,374. The second largest number is for nonresident individuals with 110,164, followed by nonfinancial corporations (20,021) and fiduciaries (17,620).

**Table 1**
**Number of Tax Returns by Type of Taxpayer**
**for Tax Year 2023**

| Type of Taxpayer | Tax Form | Number of Returns |
|---|---|---|
| Individual - Resident | Form N-11 | 644,374 |
| Individual - Nonresident / Part-Year Resident | Form N-15 | 110,164 |
| Nonfinancial Corporation | Form N-30 | 20,021 |
| Financial Corporation | Form F-1 | 273 |
| Fiduciary | Form N-40 | 17,620 |
| Exempt Organization | Form N-70NP | 797 |
| Insurance Underwriter* | Form 314 | 1,101 |
| TOTAL | | 794,350 |

* Data supplied by the Insurance Division of the Department of Commerce and Consumer Affairs.

Table 2 shows the number of returns by income class and by taxation district for individual income tax returns (Forms N-11 and N-15).[5] The State has four taxation districts: District 1 is the City and County of Honolulu (Oʻahu), District 2 consists of Maui County, District 3 is Hawaiʻi County and District 4 is Kauaʻi County. The table also shows the number of individual income tax returns by income class. For residents (who file Form N-11), the income class is determined by the Hawaiʻi Adjusted Gross Income (Hawaiʻi AGI). For part-year residents and nonresidents (who file Form N-15), the income class is determined by total AGI, which is the taxpayer's global adjusted gross income as it would be defined if the taxpayer had been a Hawaiʻi resident for the full tax year.

[5] District breakdowns for tax returns from businesses should be interpreted with caution because the location is determined by the taxpayer's mailing address. Many businesses with operations throughout the State are headquartered on Oʻahu and use an Oʻahu mailing address. Moreover, nonresident businesses with out-of-state addresses are attributed to Oʻahu. Therefore, county breakdowns for business tax returns are not shown.

## Table 2
## Total Number of Individual Income Tax Returns for Tax Year 2023 by Income Class and by Tax District

**By Income Class***

| Hawai‘i AGI* | Forms N – 11 | Forms N - 15 | All Individual Returns |
|---|---|---|---|
| Less than $10,000 | 123,887 | 12,838 | 136,725 |
| $10,000 to $29,999 | 120,079 | 15,007 | 135,086 |
| $30,000 to $59,999 | 158,587 | 16,663 | 175,250 |
| $60,000 to $99,999 | 109,027 | 14,263 | 123,290 |
| $100,000 to $199,999 | 95,897 | 18,309 | 114,206 |
| $200,000 or more | 36,897 | 33,084 | 69,981 |
| Total | 644,374 | 110,164 | 754,538 |

**By Tax District****

| Tax District | Forms N – 11 | Forms N - 15 | All Individual Returns |
|---|---|---|---|
| O‘ahu (District 1) | 444,412 | 105,157 | 549,569 |
| Maui (District 2) | 76,644 | 1,816 | 78,460 |
| Hawai‘i (District 3) | 88,858 | 2,377 | 91,235 |
| Kaua‘i (District 4 | 34,460 | 814 | 35,274 |
| Total | 644,374 | 110,164 | 754,538 |

* For Form N-15, the income is the taxpayer's global adjusted gross income as defined for Hawai‘i income tax purposes.

** Returns that have an out-of-state address are allocated to O‘ahu.

## 3. OVERVIEW AND SUMMARY OF RESULTS

In tax year 2023, a total of $621.3 million was claimed in tax credits, up from $443.9 million claimed for tax year 2022, a 40% increase mainly driven by the introduction of the pass-through entity (PTE) tax credit and the expansion of EITC, child/ dependent care expenses and food/exercise tax credit (see Act 50 and Act 163, SLH 2023 in Appendix Table B-1).

Figure 1 shows the breakdown by type of taxpayer for tax credits claimed in tax year 2023. The largest dollar value of tax credits was claimed against individual income tax liabilities. Such claims added up to $429.7 million, or 69.2% of the total claims for tax credits, up 75.1% from $245.3 million claimed for tax year 2022. Claims against income tax liabilities of nonfinancial corporations were the second largest category, amounting to $117.5 million, or 18.9% of the total claims for tax credits, down 13.8% from $136.3 million claimed for tax year 2022. The third largest tax credit claims were from Insurance Underwriters, which totaled $32.8 million, or 5.3% of the total claims, up 9% from $30.0 million claimed for tax year 2022.

**Figure 1**
**Distribution of Tax Credit Amounts by Taxpayer Type in Tax Year 2023 (Dollar amounts are in $ millions)**

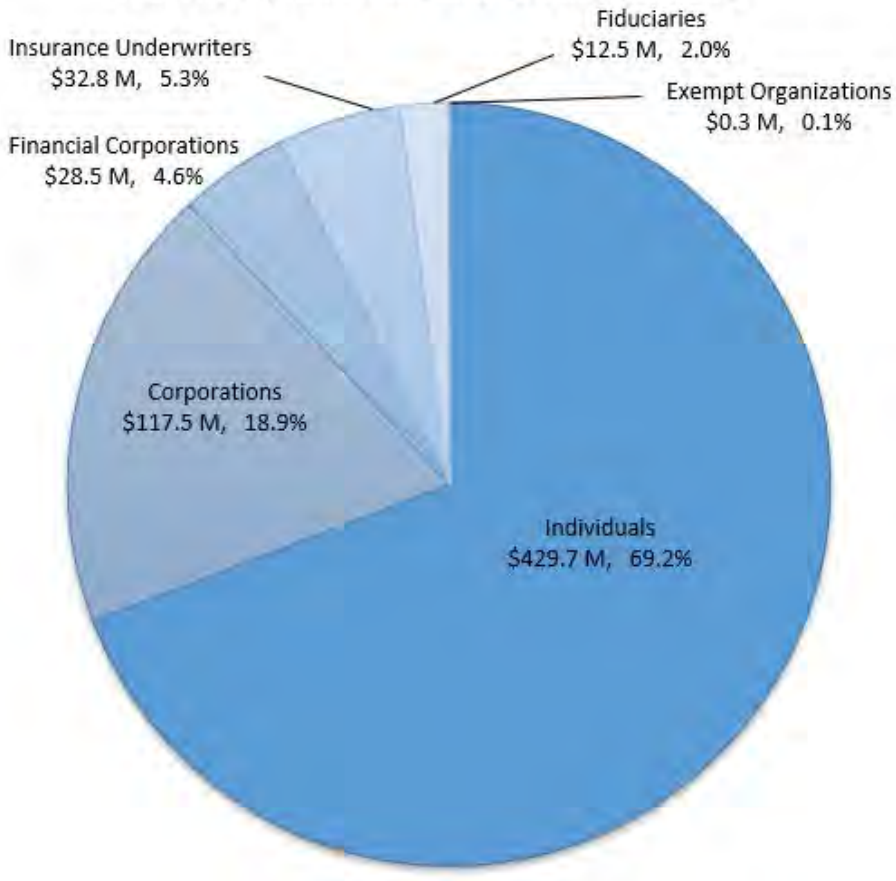


Figure 2 shows the amount of tax credits as a proportion of total tax liability by taxpayer type in tax year 2023.[6] Financial Corporations had the largest percentage of tax credits against their tax liability, with 47.5% of their tax liability written off by tax credit claims, up from 40.6% in 2022. The second largest percentage reduction of tax liability was Corporations with 40.3% of their tax liability reduced by tax credit claims, down from 44.3% for tax year 2022. Individuals had the smallest percentage tax reduction due to tax credits (13.3% of their tax liability), followed by Insurance Underwriters with 13.4% of their tax liability reduced by tax credit claims.

**Figure 2**
**Amount of Tax Credits as a Proportion of Total Tax Liability by Taxpayer Type in Tax Year 2023**

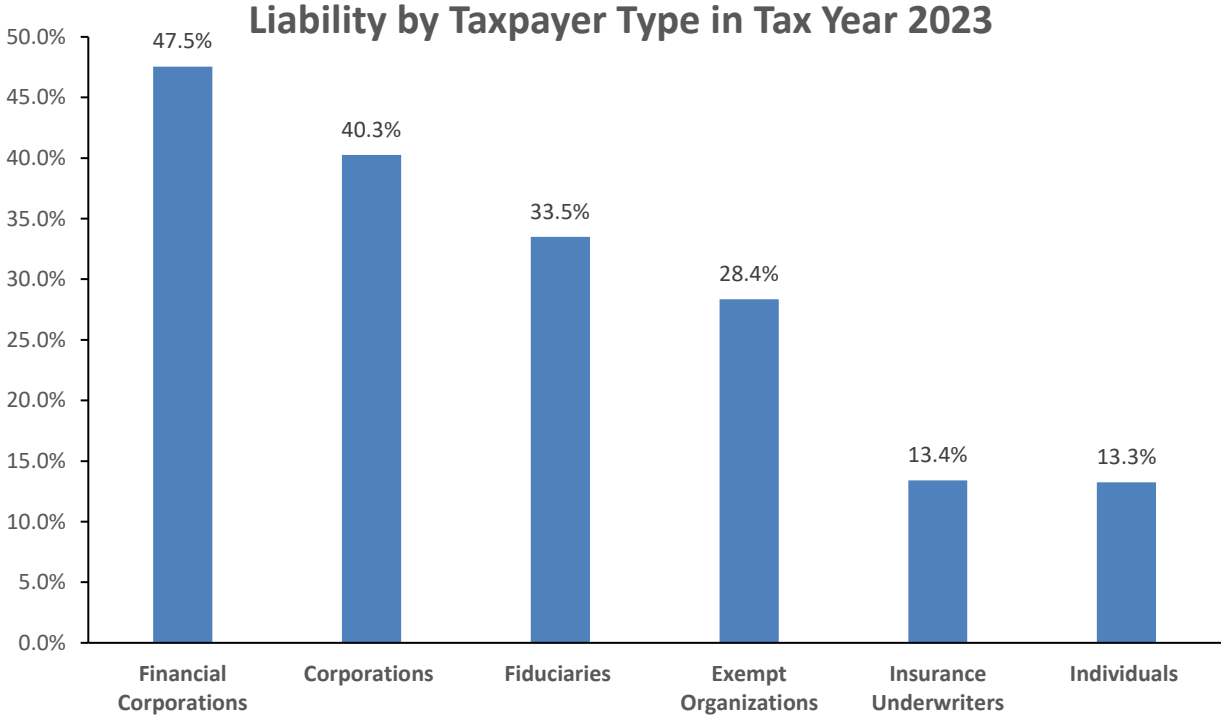
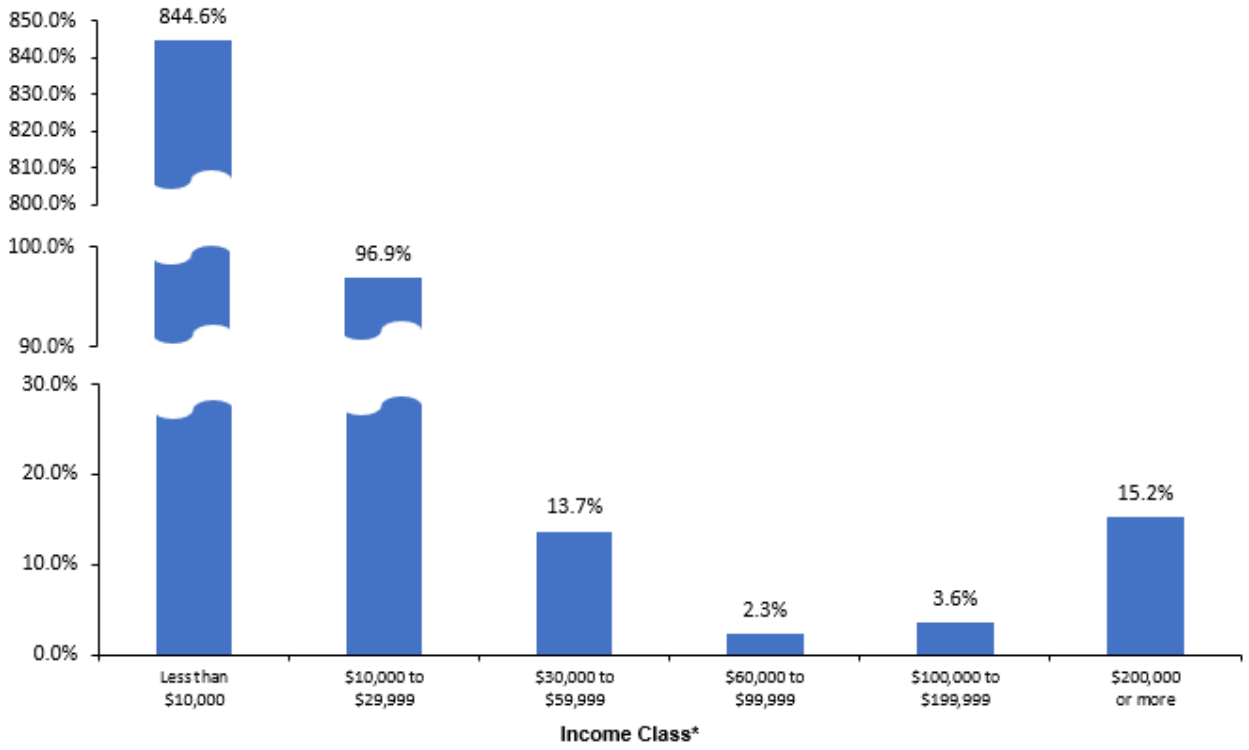



Figure 3 shows the amount of tax credits claimed by individuals as a proportion of their total tax liability by income class in tax year 2023. The amount of tax credits claimed by individual taxpayers with Hawai'i AGI of less than $10,000 was 844.6% of their aggregate tax liability before tax credits in 2023, up from 269.8% for tax year 2022. Taxpayers with Hawai'i AGI of $10,000 to $29,999 claimed 96.9% of tax credits against their tax liability, while taxpayers with Hawai'i AGI of $60,000 to $99,999 claimed the smallest (2.3%).

[6] The total tax liability for insurance underwriters also includes surplus lines tax, foreign risk retention group tax and workers compensation special compensation fund levy.

Figure 3 Amount of Tax Credits Claimed by Individuals as a Proportion of Their Total Tax Liability by Income Class in Tax Year 2023




* Income class is measured using Hawaii AGI for Form N-11 and total AGI for Form N-15.

Table 3 presents the number and proportion of taxpayers who claimed tax credits by taxpayer type. The resident individual taxpayers were the largest group, with 44.5% of them claiming tax credits, while fiduciary, exempt organizations, and insurance underwriters were the smallest, with only 1.4% to 2.6 % of them making tax credit claims. In tax year 2023, tax credit claims were filed by 8.6% of nonresident or part-year resident taxpayers and 3.7% of nonfinancial corporations, ranking second and third, respectively.

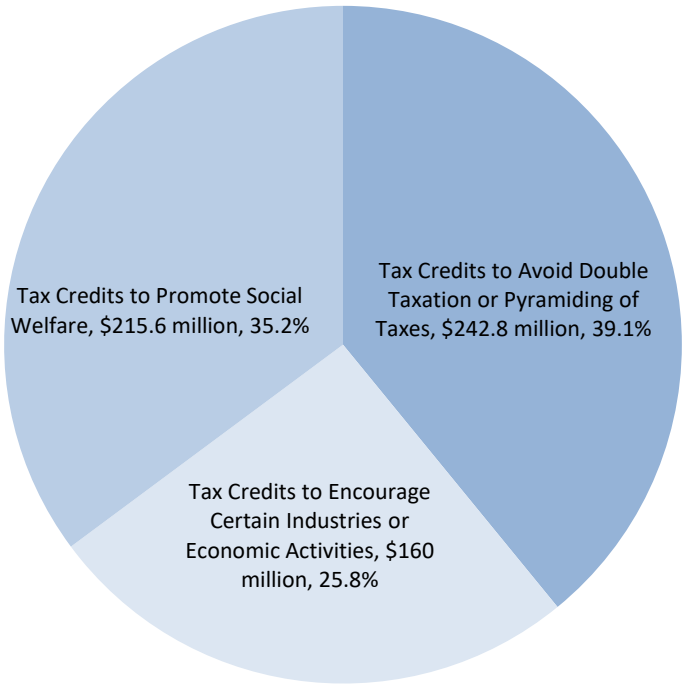
Figure 4 summarizes the amount of tax credits by purpose of the tax credit in tax year 2023. The largest amount claimed was for tax credits to avoid double taxation or pyramiding of taxes ($242.8 million or 39.1% of total credits claimed), followed by tax credits to promote social welfare ($215.6 million, or 35.2%) and tax credits encouraging certain industries or economic activities ($160.0 million, or 25.8%).

**Table 3**
**Number and Proportion of Taxpayers Claiming Tax Credits**
**by Taxpayer Type for Tax Year 2023**

| Type of Taxpayer | # of Taxpayers | # of Taxpayers with Claims | % of Taxpayers with Claims |
|---|---|---|---|
| Individual - Resident | 644,374 | 286,455 | 44.5% |
| Individual - Nonresident / Part-Year Resident | 110,164 | 9,507 | 8.6% |
| Nonfinancial Corporation | 20,021 | 736 | 3.7% |
| Financial Corporation | 273 | 9 | 3.3% |
| Fiduciary | 17,620 | 419 | 2.4% |
| Exempt Organization | 797 | 11 | 1.4% |
| Insurance Underwriter* | 1,101 | 29 | 2.6% |

* Data supplied by the Insurance Division of the Department of Commerce and Consumer Affairs.

**Figure 4**
**Amount of Tax Credits by Purpose of the Tax Credit in Tax Year 2023**



## Table 4
## Distribution of Tax Credits in Tax Year 2023

| | Amount (in $1,000) | % of Total |
|---|---|---|
| **Total, All Tax Credits** | $621,270 | 100.0 |
| ***Active Tax Credits*** | | |
| ***Tax Credits to Promote Social Welfare*** | | |
| Refundable Food/Excise Tax Credit | $63,957 | 10.29 |
| Tax Credit for Low-Income Household Renters | $1,645 | 0.26 |
| Tax Credit for Child and Dependent Care Expenses | $14,820 | 2.39 |
| Tax Credit for Child Passenger Restraint Systems | $53 | 0.01 |
| Tax Credit for Employment of Vocational Rehabilitation Referrals | - | - |
| Low-Income Housing Tax Credit | $60,907 | 9.80 |
| Tax Credit for School Repair and Maintenance | - | - |
| Earned Income Tax Credit * | $77,054 | 12.40 |
| Lifeline Telephone Service Tax Credit | $9 | 0.00 |
| ***Tax Credits to Encourage Certain Industries or Economic Activities*** | | |
| Fuel Tax Credit for Commercial Fishers | $603 | 0.10 |
| Motion Picture, Digital Media, and Film Production Income Tax Credit | $43,504 | 7.00 |
| Renewable Energy Technologies Income Tax Credit | $100,075 | 16.11 |
| Enterprise Zone Tax Credit | $639 | 0.10 |
| Important Agricultural Land Qualified Agricultural Cost Tax Credit | *d* | *d* |
| Tax Credit for Research Activities | $7,034 | 1.13 |
| Renewable Fuels Production Tax Credit | $69 | 0.01 |
| Healthcare Preceptor Income Tax Credit | $516 | 0.08 |
| Historic Preservation Income Tax Credit | *d* | *d* |
| ***Tax Credits to Avoid Double Taxation or Pyramiding of Taxes*** | | |
| Capital Goods Excise Tax Credit | $34,608 | 5.57 |
| Income Tax Paid to Another State or Foreign Country | $74,446 | 11.98 |
| Pass-Through Entity (PTE) Tax Credit | $133,791 | 21.54 |
| ***Expired Tax Credits*** | | |
| ***Tax Credits to Encourage Certain Industries or Economic Activities*** | | |
| High Technology Business Investment Tax Credit | $3,022 | 0.49 |
| Energy Conservation Tax Credit ** | *** | * |
| Hotel Construction and Remodeling Tax Credit | *d* | *d* |
| Technology Infrastructure Renovation Tax Credit | *d* | *d* |
| Residential Construction and Remodeling Tax Credit | $549 | 0.09 |
| Capital Infrastructure Tax Credit | $417 | 0.07 |
| Cesspool Upgrade, Conversion or Connection Income Tax Credit | $35 | 0.01 |
| Organic Foods Production Tax Credit | *d* | *d* |

* The data for the Earned Income Tax Credit in this report was extracted at a later date than the data from the 2023 Earned Income Tax Credit Report. The different dates of data extraction account for the difference in the numbers between the two reports.

** Data for the energy conservation tax credit are included with the renewable energy technologies tax credit.

Note: "*d*" denotes that the data were suppressed to avoid potential disclosure of confidential taxpayer information.

Table 4 provides a summary distribution of tax credits claimed by the type of tax credit. The largest tax credit by dollar value was the pass-through entity (PTE) tax credit, which amounted to $133.8 million, or 21.5% of the total tax credits claimed in 2023. The second largest tax credit was the renewable energy technologies income tax credit, which amounted to $100.1 million, or 16.1% of the total.

Table 5 compares selected tax credits by selected taxpayer type for tax years 2022 and 2023. For individuals, total tax credits claimed increased by $184.3 million (or 75.1%) from 2022 to 2023. The biggest shifts came from the introduction of the new pass-through entity tax credit ($124.1 million increase) and the increase in Earned Income Tax Credit, which was doubled from 20% to 40% of the federal EITC level by Act 163 SLH 2023 ($57.3 million or 289.4% increase). For nonfinancial corporations, the total tax credit amount claimed decreased by 13.8% (or $18.8 million) from 2022 to 2023. The main reason for the change is the decrease in claims for renewable energy technologies income tax credit ($10.3 million or 21.0% decrease). Financial corporations had claims in only four tax credit categories: low-income housing tax credit, renewable energy technologies income tax credit, capital goods excise tax credit, and high technology business investment tax credit totaling $28.5 million in 2023, an increase of $0.6 million or 2.1%.

Figure 5 shows per capita amounts of selected social welfare tax credits claimed by individuals in various Hawai‘i AGI brackets.[7] The amounts were generated by dividing the dollar amount of each type of tax credit by the number of individuals within each AGI bracket. The number of individuals was calculated by adding the number of exemptions for taxpayers, spouses, and dependents claimed on all tax returns in each respective AGI bracket. In addition, minor children who received more than half their support from public agencies, such as the State Department of Human Services, are also included in the total. Their children cannot be claimed as dependents, but they are included as qualified exemptions for the purpose of the refundable food/excise tax credit.

The refundable food/excise tax credit drops as AGI increases and recipients are phased out of the credit (the credit is generally not available for taxpayers with AGI over $50,000), whereas the low-income household renter’s tax credit was distributed fairly evenly among the different eligible AGI groups (those with AGI below $30,000) in tax year 2023. Per capita claims for the child and dependent care tax credit were greater in the higher AGI groups. The claims for earned income tax credit per capita went up as AGI increased up to the $25,000 to $30,000 bracket, then declined as AGI increased after the $30,000 to $40,000 bracket.

[7] For Form N-15, the income is the taxpayer's global adjusted gross income as defined for Hawai‘i income tax purposes.

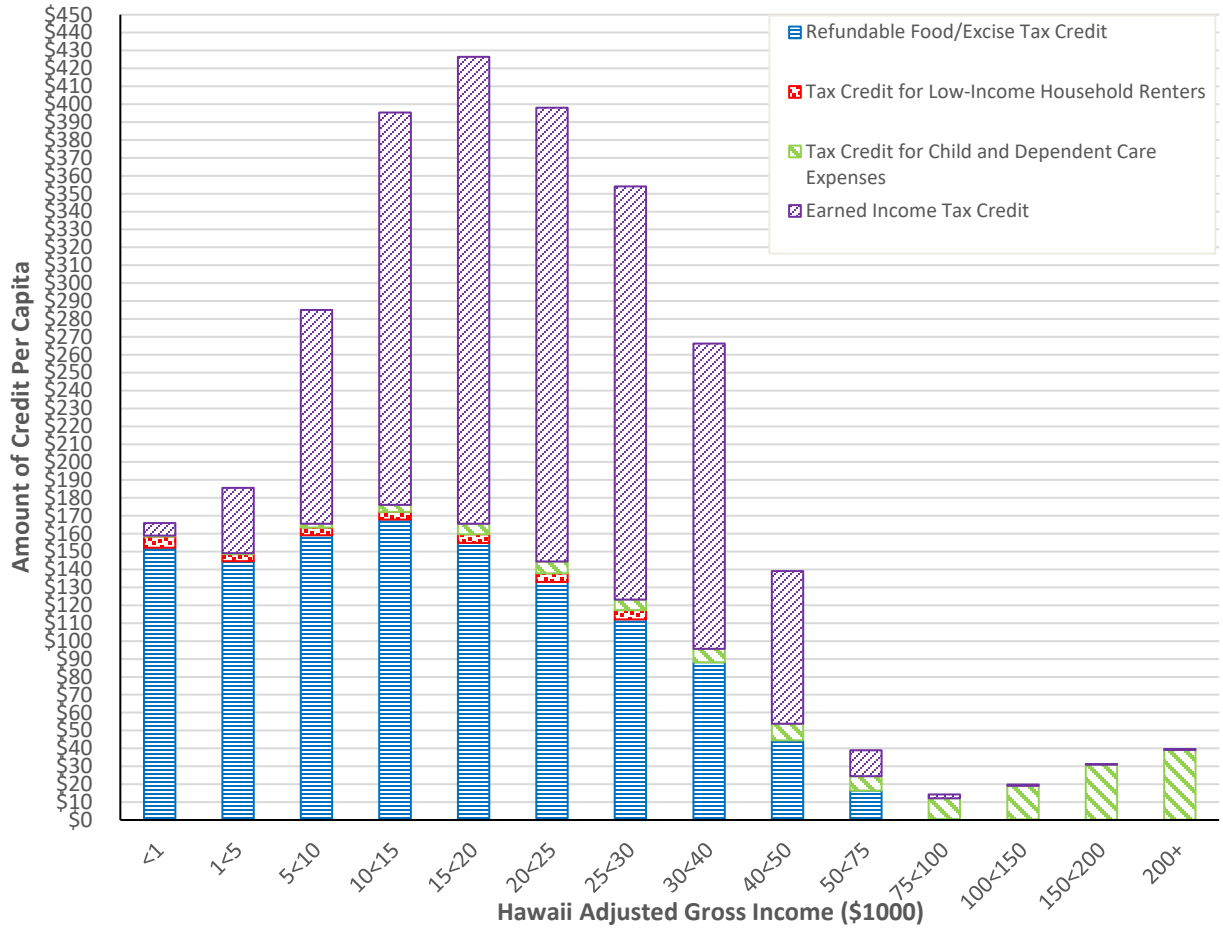
**Table 5**
**Comparison of Selected Tax Credits and Taxpayer Type**
**Tax Year 2022 and 2023 (in $1,000)**

| Taxpayer Type and Credit | 2023 | 2022 | Difference | |
|---|---|---|---|---|
| | | | Amount | % change |
| ***Individuals*** | | | | |
| ***Total Credits*** | **$429,666** | **$245,337** | **$184,329** | **75.1** |
| Income Tax Paid to Another State or Foreign Country | $72,992 | $121,726 | ($48,734) | -40.0 |
| Renewable Energy Technologies Income Tax Credit | $58,293 | $55,023 | $3,270 | 5.9 |
| Refundable Food Excise Tax Credit (Food/Excise) | $63,957 | $24,961 | $38,996 | 156.2 |
| Earned Income Tax Credit | $77,054 | $19,786 | $57,268 | 289.4 |
| Tax Credit for Child and Dependent Care Expenses | $14,820 | $6,479 | $8,341 | 128.7 |
| Capital Goods Excise Tax Credit | $9,353 | $8,453 | $900 | 10.7 |
| Tax Credit for Low-Income Household Renters | $1,645 | $1,675 | ($30) | -1.8 |
| Pass-Through Entity (PTE) Tax Credit | $124,103 | - | $124,103 | - |
| ***Corporations*** | | | | |
| ***Total Credits*** | **$117,519** | **$136,281** | **($18,762)** | **-13.8** |
| Motion Picture, Digital Media, and Film Production Income Tax Credit | *d* | $56,474 | *d* | *d* |
| Capital Goods Excise Tax Credit | $21,750 | $20,669 | $1,081 | 5.2 |
| Renewable Energy Technologies Income Tax Credit | $38,565 | $48,837 | ($10,272) | -21.0 |
| Tax Credit for Research Activities | *$6,003* | *d* | *d* | *d* |
| ***Financial Corporations*** | | | | |
| ***Total Credits*** | **$28,461** | **$27,884** | **$577** | **2.1** |
| Capital Goods Excise Tax Credit | *d* | $2,368 | *d* | *d* |

Note: "*d*" denotes that the data were suppressed to avoid potential disclosure of confidential taxpayer information.
"*na*" denotes "not applicable."

The tables in Appendix A show further details on the tax credits claimed. Appendix B provides a history of Hawai'i's tax credits. The table in Appendix B-1 provides an outline showing the historical development of the tax credits and the year in which each tax credit was enacted.

## Figure 5
## Average Per Capita Amounts of Selected Credits Claimed by Individuals in Tax Year 2023



# 4. DESCRIPTIONS AND ANALYSES OF THE TAX CREDITS

This section describes the tax credits available for tax year 2023, including expired tax credits for which unused credits could be carried forward and applied against tax liabilities in tax year 2023. It also compares the amount of each tax credit that was claimed with the previous two years. Appendix Table A-13 shows the dollar amounts and number of claims made for each tax credit in tax years 2021, 2022 and 2023. For most tax credits, the amount and number of claims starting from 2000 or their inception year to 2023 are also presented in Figures 6 through 20.

## 4.1. ACTIVE TAX CREDITS

### *4.1.1. Tax Credits to Promote Social Welfare*

1. Refundable Food/Excise Tax Credit (HRS §235-55.85)

The refundable food/excise tax credit was introduced for tax year 2008 by Act 211, Session Laws of Hawai'i (SLH) 2007, to replace the low-income refundable tax credit. Later, Act 223, SLH 2015 amended this tax credit for taxable years 2016 to 2017 to increase the tax credit amount and remove the residency requirement, made permanent by Act 107, SLH 2017. Relevant to the current report, Act 163, SLH 2023 amended this tax credit by doubling the amount of the credit per qualified exemption and increasing the adjusted gross income limits by $10,000 in all income brackets for taxable years 2023 to 2027. To claim the tax credit, the taxpayer must have a federal adjusted gross income as defined by the Internal Revenue Code of less than $60,000 if filing status is Married Filing Jointly, Married Filing Separately, Head of Household, or Qualifying Surviving Spouse, and less than $40,000 if filing status is Single.

The tax credit is computed by multiplying an allowable tax credit amount by the number of qualified exemptions. The qualified exemptions are personal exemptions permitted under Hawai'i law, excluding the additional exemptions for being age 65 or older or for having a disability. A person for whom the tax credit is claimed must have been present in Hawai'i for more than nine months of the taxable year and cannot have been confined in jail, prison, or a youth correctional facility for the entire taxable year. Married persons filing separate tax returns can claim only the tax credit to which they would have been entitled had they filed a joint return. The allowable amount of the tax credit per qualified exemption is based on the taxpayer's income, but parents or guardians of minor children who cannot be claimed as dependents because they receive more than half their support

from public agencies (such as the State Department of Human Services) are eligible for the maximum amount of the tax credit ($220) regardless of their income.

The allowable amounts for tax year 2023 are shown below:

**If filing status is Married Filing Jointly, Married Filing Separately, Head of Household, or Qualifying Surviving Spouse:**

| Federal Adjusted Gross Income | Tax Credit per Qualified Exemption |
|---|---|
| Under $15,000 | $220 |
| $15,000 and over but under $20,000 | $200 |
| $20,000 and over but under $25,000 | $170 |
| $25,000 and over but under $30,000 | $140 |
| $30,000 and over but under $40,000 | $110 |
| $40,000 and over but under $50,000 | $90 |
| $50,000 and over but under $60,000 | $70 |
| $60,000 and over | $0 |

**If filing status is Single:**

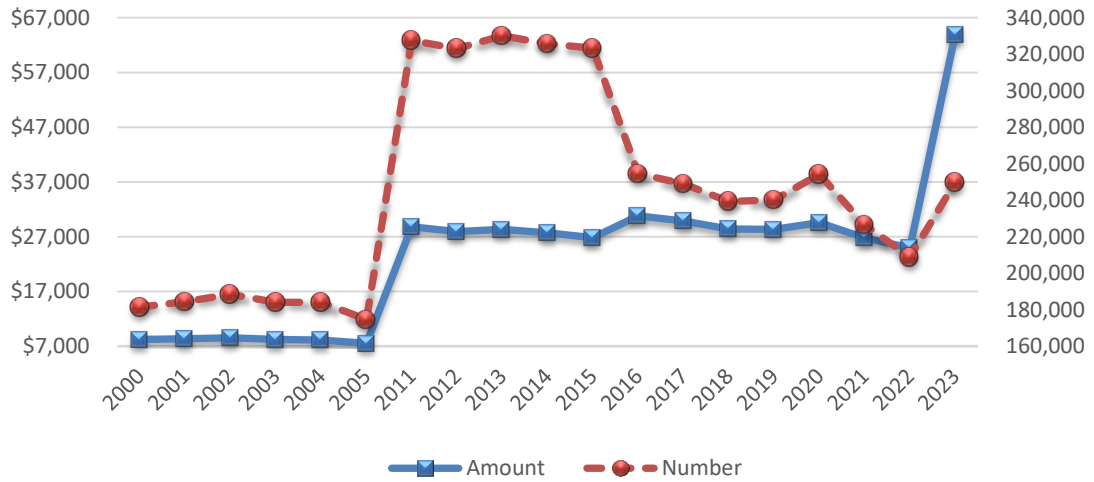
| Federal Adjusted Gross Income | Tax Credit per Qualified Exemption |
|---|---|
| Under $15,000 | $220 |
| $15,000 and over but under $20,000 | $200 |
| $20,000 and over but under $25,000 | $170 |
| $25,000 and over but under $30,000 | $140 |
| $30,000 and over but under $40,000 | $110 |
| $40,000 and over | $0 |

The refundable food/excise tax credit was the most commonly claimed tax credit in tax year 2023. The tax credit appeared on 249,806 individual income tax returns, or 33.1% of the total number of such returns filed for the tax year. Claims for the tax credit totaled $64.0 million for tax year 2023, up from $25.0 million claimed in 2022 and $26.8 million in 2021.

Figure 6 shows the amount and number of claims for the tax credit from 2000 to 2023. The jump in both amount and number of claims from 2005 to 2011 is due to the increase in credit per exemption and expansion of the eligible maximum federal AGI from $20,000 to $50,000 introduced by Act 211, SLH 2007, starting in tax year 2008. The drop in number of claims from 2015 to 2016 is due to the reduction in the eligible maximum federal AGI for taxpayers filing a single return from $50,000 to $30,000 enacted by Act 223, SLH 2015. The increase in the total credit amount from 2015 to 2016 occurred

because the rise in the credit amount per exemption more than offset the decline in the number of eligible taxpayers resulting from Act 223, SLH 2015. Claims for the refundable food/excise tax credit declined steadily after 2016, with a temporary increase observed in 2020 (presumably due to the adverse economic impact of the COVID-19 pandemic). The sharp increase in both the amount and number of claims from tax year 2022 to 2023 is caused by Act 163, SLH 2023, which doubled the amount of credit per qualified exemption and increased the adjusted gross income limits by $10,000 in all income brackets.

**Figure 6. The Amount (in $1,000) and Number of Refundable Food/Excise Tax Credit Claims by Year**




Note: The tax credit was called low-income tax credit before 2008

## 2. Tax Credit for Low-Income Household Renters (HRS §235-55.7)

Taxpayers who rented residential real property during the taxable year may qualify for the refundable tax credit for low-income household renters. To claim the tax credit, the taxpayer must be a Hawai‘i resident with Hawai‘i AGI of less than $30,000 who is not claimed or eligible to be claimed as a dependent by another taxpayer. Furthermore, the taxpayer must have paid more than $1,000 in annual rent for real property in Hawai‘i that was the taxpayer's residence (or the residence of the taxpayer's immediate family) and that was not wholly or partially exempt from the real property tax. Married persons filing separate tax returns must combine their Hawai‘i AGI to determine their eligibility for the tax credit. If a rental unit is shared with another person, the individual's portion of the rent is used to determine eligibility.

The tax credit is computed by multiplying $50 by the number of personal exemptions permitted under Hawai‘i law, including the additional exemption for being age 65 or older.

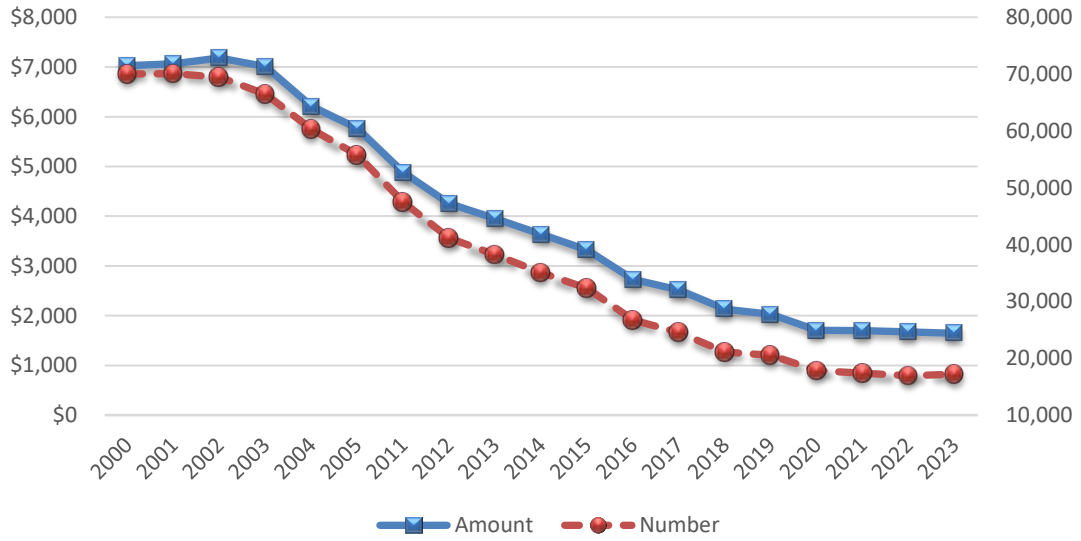
A person for whom the tax credit is claimed must have physically resided in Hawai‘i for more than nine months of the taxable year.

The $30,000 income limitation has not been changed since 1989, when it was raised from $20,000. The amount of the tax credit per exemption was raised from $20 to $50 in 1981, but has remained unchanged since then, despite substantial rises in the cost of housing.

The low-income household renter's tax credit was claimed on 17,205 individual income tax returns for tax year 2023. It was the third most claimed tax credit. The amount claimed for tax year 2023 totaled $1.65 million, down from $1.68 million claimed in 2022 and $1.70 million in 2021.

Figure 7 presents the amount and number of claims for the tax credit from 2000 to 2023. An overall downward trend was observed in both the total amount and the number of claims for the low-income household renter’s tax credit.

**Figure 7. The Amount (in $1,000) and Number of Low-Income Household Renters Tax Credit Claims by Year**




3. Tax Credit for Child and Dependent Care Expenses (HRS §235-55.6)

A resident taxpayer who is gainfully employed and who pays for the care of a child under 13 years of age or for a spouse or dependent incapable of self-care qualifies for the child and dependent care tax credit. The tax credit can be taken for care expenses up to $10,000 for one qualified individual and up to $20,000 for two or more qualified individuals, as amended by Act 163, SLH 2023. Allowable expenses may not exceed the taxpayer’s earned income. For joint tax returns, the amount may not exceed the income of the spouse with the lower earned income.

The tax credit is refundable and the amount ranges from 15% to 25% of qualified care expenses, with the rate declining as Hawai'i AGI increases. The percentages and adjusted gross income ranges for calculating the credit has been the same since tax year 2016 when they were last amended (Act 235, SLH 2016).

The percentages and adjusted gross income ranges for calculating the tax credit for child and dependent care expenses for tax year 2023 is shown below:

| Hawai'i Adjusted Gross Income | Percent of Allowable Expenses |
|---|---|
| Under $25,001 | 25% |
| $25,001 - $30,000 | 24% |
| $30,001 - $35,000 | 23% |
| $35,001 - $40,000 | 22% |
| $40,001 - $45,000 | 21% |
| $45,001 - $50,000 | 20% |
| $50,001 and over | 15% |

For tax year 2023, the dependent care tax credit was the third most claimed tax credit and was reported on 18,119 individual income tax returns. The amount claimed totaled $14.8 million, up from $6.5 million claimed in 2022 and $5.6 million in 2021.

Figure 8. The Amount (in $1,000) and Number of Child and Dependent Care Expenses Tax Credit Claims by Year

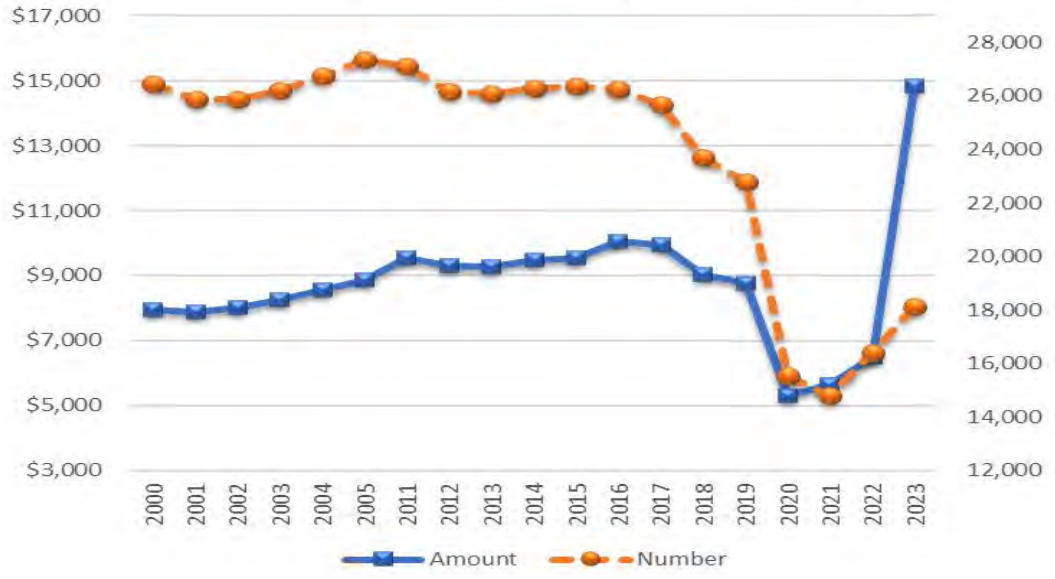


Figure 8 shows the amount and number of claims for the tax credit since 2000. The previous increase observed in 2016 reflects policy changes that raised the applicable percentages for certain lower-income taxpayers beginning with tax year 2016.Claims for the dependent care tax credit have declined since 2016. A significant drop occurred at the onset of the COVID-19 pandemic in 2020, when many individuals began working from home, reducing the need for dependent care. The sharp increase in the dollar amount from 2022 to 2023 is mainly driven by Act 163, SLH 2023, which increased the cap on employment-related expenses that may be used to claim the credit from $2,400 to $10,000 for one qualifying individual and from $4,800 to $20,000 for two or more qualifying individuals.

4. Tax Credit for Child Passenger Restraint Systems (HRS §235-15)

An individual taxpayer who buys a new child passenger restraint system that complies with the federal motor vehicle safety standards in effect at the time of purchase may claim a tax credit of $25 for the tax year, regardless of the cost of the restraint system or the number of restraint systems bought during the year. The tax credit, which is refundable, was enacted in 1982 to encourage people to buy child restraint systems, but the systems became mandatory the following year. For tax year 2023, the tax credit was claimed on 2,108 individual income tax returns, totaling $53,000, down from $54,000 claimed in 2022 and up from $52,000 claimed in 2021.

Figure 9. The Amount (in $1,000) and Number of Child Passenger Restraint Systems Tax Credit Claims by Year

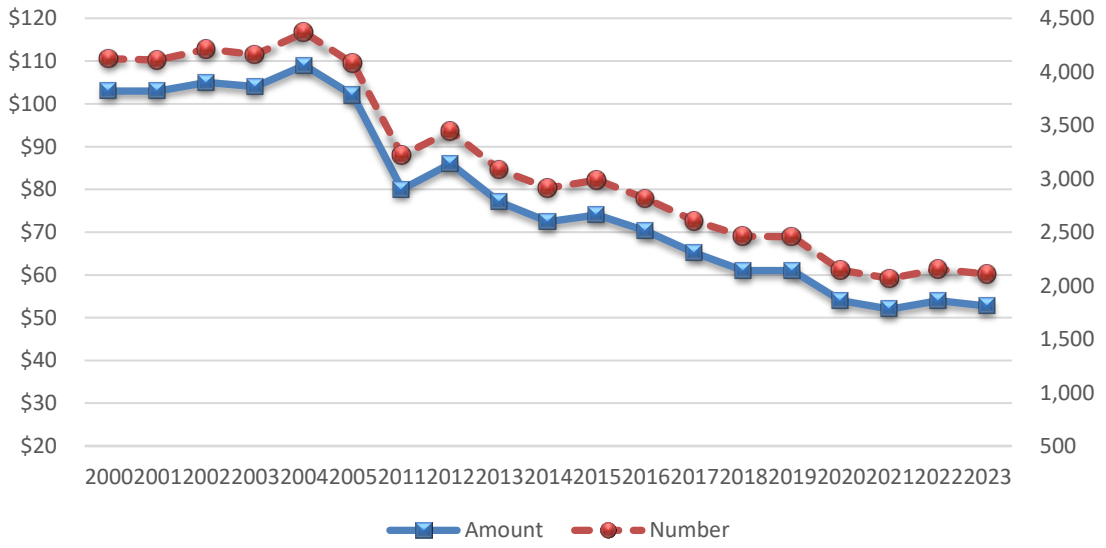



Figure 9 shows the trend for the tax credit from 2000 to 2023. Overall, claims have shown a declining trend since 2004.

5. Tax Credit for Employment of Vocational Rehabilitation Referrals (HRS §235-55.91)

A taxpayer who employs an individual who is certified by the Vocational Rehabilitation and Services for the Blind Division of the Department of Human Services, in consultation with the Hawai‘i State Employment Service of the Department of Labor and Industrial Relations, as having a physical or mental disability that results in a substantial handicap to employment, or who has been referred upon completion of certain rehabilitation plans, may qualify for a tax credit. The tax credit is equal to 20% of the qualifying first-year wages for the taxable year, up to $6,000, and is nonrefundable. There were no claims for this credit reported in 2023.

6. Low-Income Housing Tax Credit (HRS §235-110.8 and §241-4.7, §431:7-208)

Owners of residential buildings who provide low-income housing may claim the low-income housing tax credit. This nonrefundable tax credit is equal to a percentage of the "applicable percentage" of qualified basis, where the applicable percentage is calculated as provided under section 42 of the Internal Revenue Code. The percentage is 30% for buildings placed in service prior to July 1, 2005, and 50% for buildings placed in service after June 30, 2005. Act 158, SLH 2011 allowed the taxpayer to elect to receive a low-income housing loan in lieu of the tax credit after July 1, 2011. Act 129, SLH 2016 created an additional incentive to encourage investment in buildings that are intended for low-income individuals and families by shortening the time over which the State tax credit is taken from ten years to five years and set a sunset date of December 31, 2021. Act 226, SLH 2021 relaxed the rules on allocating the Low-Income Housing Tax Credit (LIHTC), allowing the taxpayers to allocate the credit freely among their partners or members, and also relaxed the installment method, at-risk, and passive activity loss rules applicable to the LIHTC and allowed the credit to be claimed in the initial year even if federal Form 8609 had not been received by the taxpayer. However, Act 226, SLH 2021 also prohibited the deductions and expenses claimed by all Hawai‘i taxpayers to exceed the deductions and expenses claimed by all taxpayers on federal returns. The Act applied to taxable years beginning after December 31, 2020, and extended the sunset date to December 31, 2027. The tax credit was claimed on 55 tax returns for tax year 2023, totaling $60.9 million, up from $58.1 million in 2022 and $53.1 million in 2021.

Figure 10. The Amount (in $1,000) and Number of Low-Income Housing Tax Credit Claims by Year

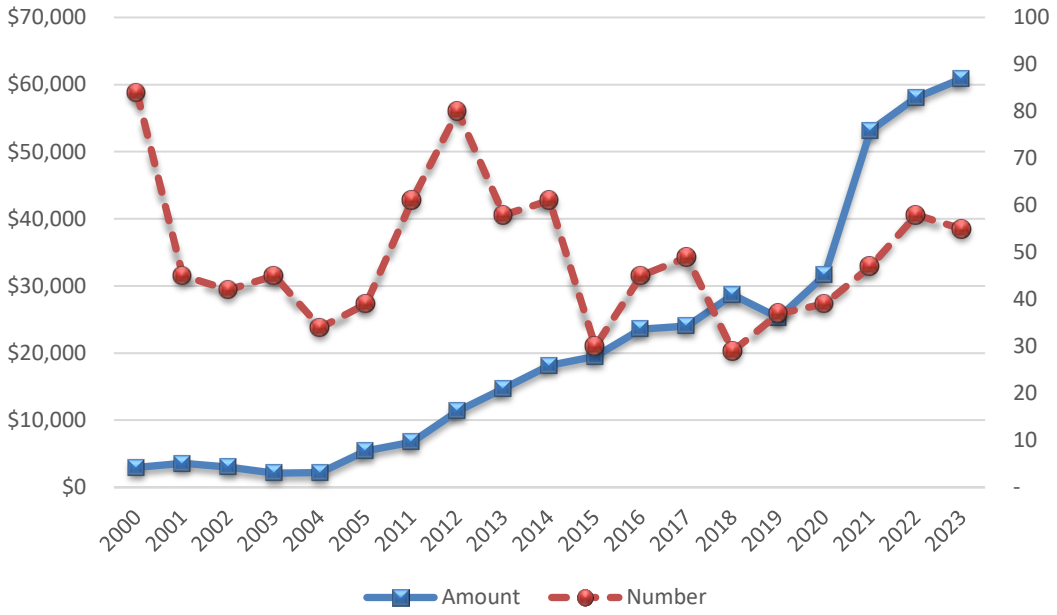



Figure 10 presents the amount and number of claims for the tax credit since 2000. While the number of claims fluctuated over time, the amount of the tax credit claims has been increasing since 2004, with a significant jump since 2021 due to the relaxed rules under Act 226, SLH 2021.

7. Tax Credit for School Repair and Maintenance (HRS §235-110.2)

Act 309, SLH 2001, allows licensed contractors to claim a 10% nonrefundable tax credit, up to $4,000, on the fair market value of repair and maintenance services provided at no cost to public schools. There have been no claims of the tax credit since 2020.

8. Earned Income Tax Credit (HRS §235-55.75)

Act 107, SLH 2017, established a state nonrefundable earned income tax credit (EITC) equal to 20% of the federal EITC allowed and properly claimed under section 32, IRC, and reported on the taxpayer's federal income tax return. The state EITC was to apply to taxable years beginning after December 31, 2017, and sunset after December 31, 2022. Act 114, SLH 2022 made the state EITC refundable and permanent beginning with the 2023 tax year. Finally, Act 163, SLH 2023 amended the refundable earned income tax credit by increasing the amount of the credit from 20% to 40% of the federal earned income tax credit allowed and properly claimed under IRC section 32.

For tax year 2023, the earned income tax credit was the second most claimed tax credit and was reported on 84,470 tax returns. The amount claimed for tax year 2023 totaled $77.1 million, up from claims of $19.8 million in 2022 and $21.8 million in 2021. [8]

Figure 11. The Amount (in $1,000) and Number of Earned Income Tax Credit Claims by Year

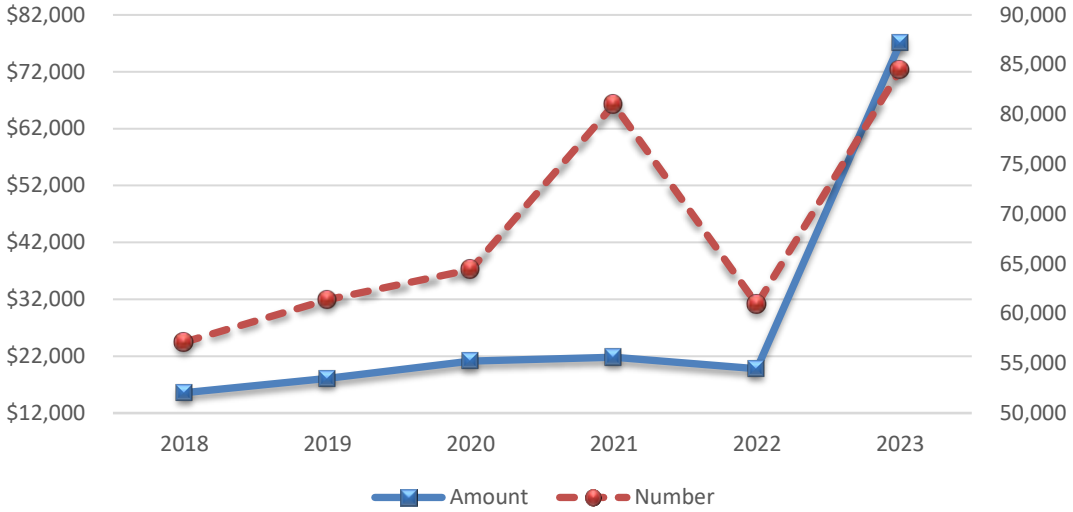



Figure 11 shows the amount and number of claims for the tax credit since its inception in 2018. Both the number and the amount of tax credit claims steadily increased through 2020. There was a sharp rise in the number of claims in 2021 which temporarily reversed in 2022. The dramatic increase in the state EITC amount claimed in 2023 was primarily driven by the rise in the state match rate for the federal EITC, which doubled from 20% to 40% per Act 163, SLH 2023. In 2023, the number of claims also bounced back and surpassed their peak in 2021.

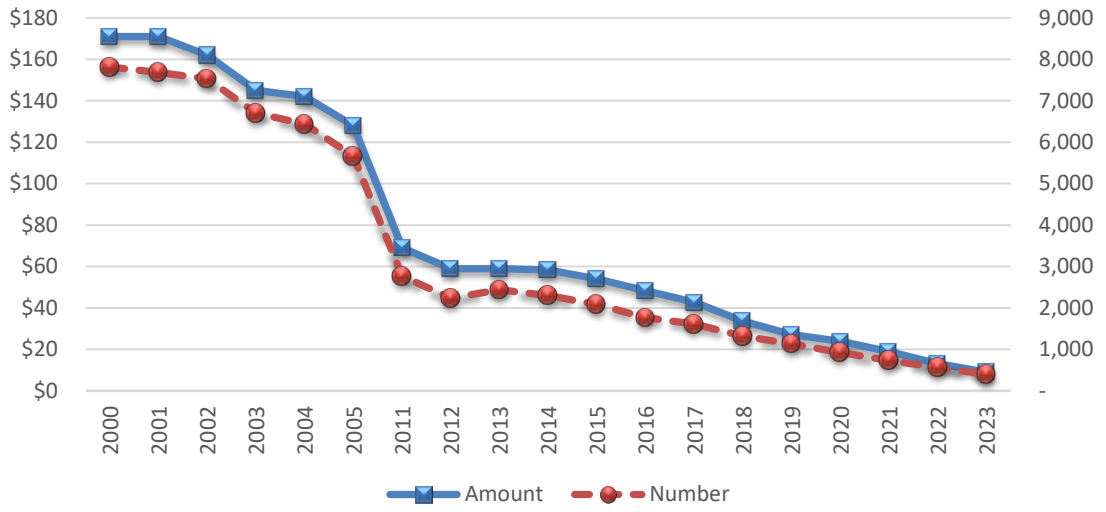
9. Lifeline Telephone Service Tax Credit (HRS §239-6.5)

Lifeline telephone service is available to elderly and disabled residential telephone subscribers who have an annual income less than $10,000. The Public Utilities Commission determines and certifies the lifeline service costs. The telephone public utility may claim a nonrefundable tax credit equal to the sum of foregone revenues and the administrative costs of providing the telephone service to the eligible individuals.

The tax credit was claimed on behalf of 396 subscribers as of the end of calendar year 2023 and the amount claimed by the public utility was $9,000, down from $13,000 in 2022 and $19,000 in 2021. The tax credit has been declining since 2000 (Figure 12).

[8] The data for the Earned Income Tax Credit in this report was extracted at a later date than the data from the 2023 Earned Income Tax Credit Report. The different dates of data extraction account for the difference in the numbers between the two reports.

Figure 12. The Amount (in $1,000) and Number of Lifeline Telephone Service Tax Credit Claims by Year




### *4.1.2. Tax Credits to Encourage Certain Industries or Economic Activities*

10. Fuel Tax Credit for Commercial Fishers (HRS §235-110.6)

The principal operator of a commercial fishing vessel may claim a refundable tax credit for certain fuel taxes paid during the taxable year. The amount of the tax credit is equal to the fuel taxes imposed under section 243-4(a), HRS. The tax credit was claimed on 124 returns in 2023, totaling $603,000, up from $347,000 in 2022 and $381,000 in 2021.

Figure 13. The Amount (in $,1000) and Number of Fuel Tax Credit for Commercial Fishers Claims by Year

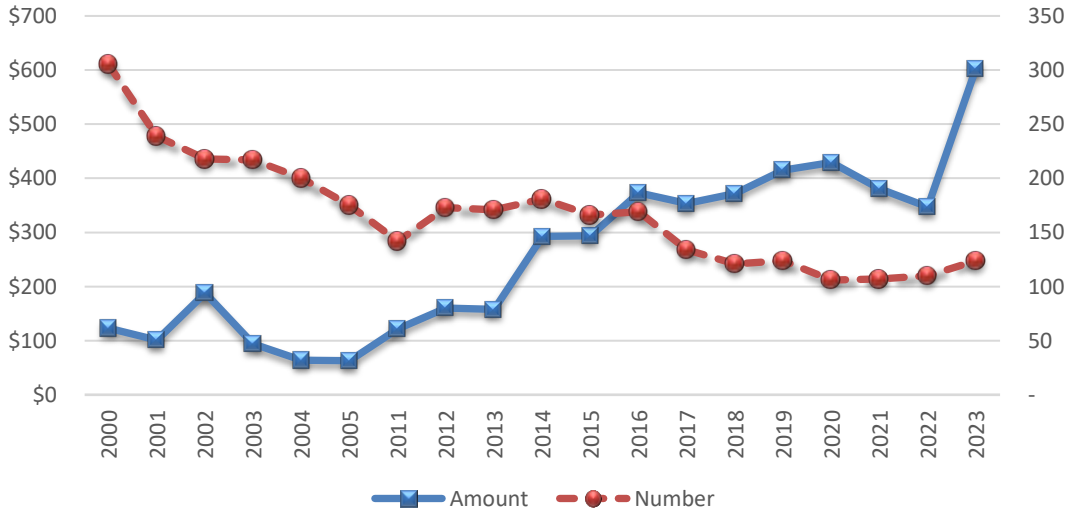



Figure 13 shows the amount and number of claims for the tax credit from 2000 to 2023.

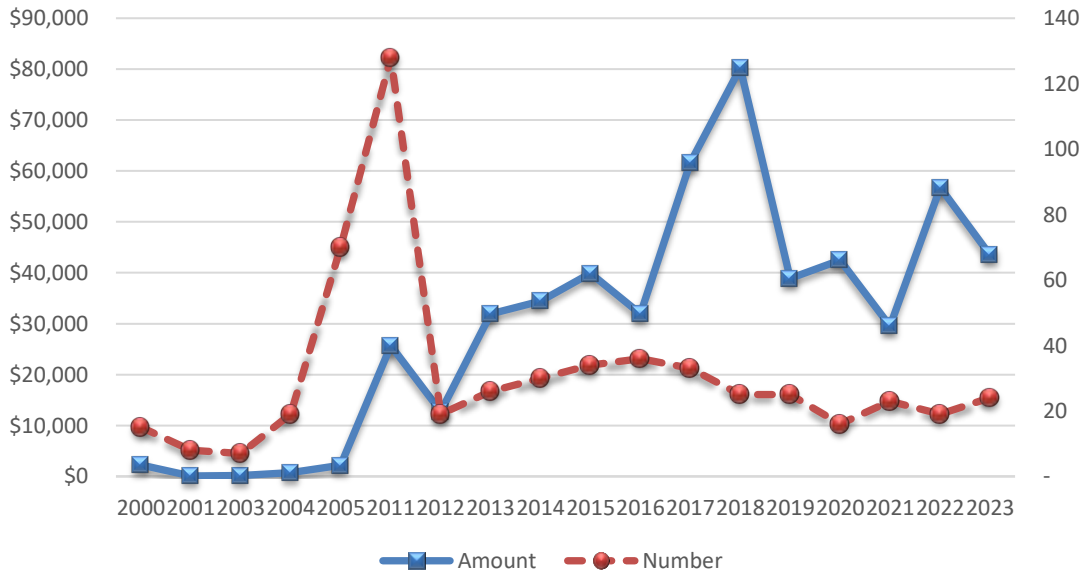
11. Motion Picture, Digital Media, and Film Production Income Tax Credit (HRS §235-17)

Taxpayers may claim a refundable tax credit equal to 22% of the qualified production costs incurred in the City and County of Honolulu and 27% of the qualified production costs incurred in the Kaua'i, Maui, or Hawai'i counties before January 1, 2033.

Effective January 1, 2019, Act 143, Session Laws of Hawaii (SLH) 2017, established an annual aggregate limit of $35 million for the motion picture, digital media, and film production income tax credit. This limit operates as a rolling ceiling, allowing tax credit claims that exceed the annual threshold to be carried forward and applied against the cap in subsequent years—except in the final year of the program, 2026, when no carryforward is permitted. Subsequently, Act 275, SLH 2019, increased the annual aggregate limit from $35 million to $50 million in 2019. Finally, Act 217, SLH 2022, introduced several key amendments to the tax credit program: (a) Increased the credit rate by 2 percentage points across all categories of qualified production costs; (b) Reduced the minimum qualified production expenditure threshold from $200,000 to $100,000; (c) Eliminated the requirement for a verification review by a certified public accountant as part of the application process; (d) Raised the per-production credit limit from $15 million to $17 million; and (e) Extended the period for claiming excess tax credits from December 31, 2025, to December 31, 2032. The tax credit was claimed on 24 tax returns in 2023, totaling $43.5 million, down from $56.8 million in 2022 and up from $29.6 million in 2021.

Figure 14 shows the amount and number of claims for the tax credit since 2000. The variation in the amounts claimed reflect the changes in the qualified credit amounts, individual credit ceilings, and annual aggregate limits over the years.

**Figure 14. The Amount (in $1,000) and Number of Motion Picture, Digital Media, and Film Production Income Tax Credit Claims by Year**



12. Renewable Energy Technologies Income Tax Credit (HRS §235-12.5 and §241-4.6)

Taxpayers who installed a renewable energy technology system (solar thermal energy system, wind powered energy system, or photovoltaic energy system) and placed it in service after June 30, 2003, may claim the renewable energy technologies income tax credit. The tax credit applies to the actual cost of the system, including the cost of accessories and installation.

For systems installed and placed in service after July 1, 2006, the tax credit was 35% of the cost for solar thermal systems and photovoltaic systems, and 20% of the cost for wind powered systems. For single-family residential properties, the amount of the tax credit was capped at $2,250 for solar thermal systems, $5,000 for photovoltaic systems, and $1,500 for wind powered systems. For commercial properties, the tax credit was capped at $500,000 for wind powered systems and for photovoltaic systems, and at $250,000 for solar thermal systems. For multifamily residential properties, the tax credit per residential unit was capped at $350 for solar thermal systems and photovoltaic systems, and at $200 for wind powered systems. Act 154, SLH 2009 made the tax credit refundable for certain low-income taxpayers and gave other taxpayers the option to claim the tax credit as refundable by accepting a 30% reduction in the amount of the tax credit. The Act was effective for systems installed and placed in service on or after July 1, 2009.

According to the new Administrative Rules that came into effect during tax year 2013, to gain tax credit for a system classified under "other solar energy system" such as a photovoltaic system, each system was required to have a total output capacity of at least 5 kilowatts for single-family residential properties, or 0.360 kilowatts per unit per system for multi-family residential properties, or 1,000 kilowatts for commercial properties unless an exception applies, such as only one credit being claimed or only one system does not meet the requirement.

Act 61, SLH 2020 disallows the Renewable Energy Technologies Income Tax Credit for commercial projects of 5 megawatts of total output capacity or greater. The Act also provides multiple exceptions, including for systems subject to a power purchase agreement which receives Public Utilities Commission (PUC) approval or was pending approval before December 31, 2019, and for certain systems integrated with a pumped hydroelectric energy storage system where the requisite approval filings are submitted to the PUC by December 31, 2021.

Table 6 shows the number of returns, and the amount of the tax credit claimed for the renewable energy technologies income tax credit, and also for carryovers of the energy conservation tax credit that expired on June 30, 2003.

The first part of the table shows carryovers of tax credits for the renewable energy systems that were installed and placed in service prior to July 1, 2009, along with carryovers of the energy conservation tax credit and carryovers of the renewable energy

technologies income tax credit for which the date of installation could not be determined. Carryovers of these tax credits were reported on 141 tax returns in 2023, totaling $0.42 million, up from $0.31 in 2022 and down from $0.52 in 2021.

## Table 6
## Claims for the Renewable Energy Technologies Income Tax Credit and the Energy Conservation Tax Credit in Tax Year 2023

**Carryover of the tax credit for systems installed and placed in service before July 1, 2009 1/**

| Number of returns | | | Credit amount (in $1,000) 3/ | | |
|---|---|---|---|---|---|
| All | Individuals | Corporations and others 2/ | All | Individuals | Corporations and others 2/ |
| 141 | *d* | *d* | $418 | *d* | *d* |

**Refundable tax credits for systems installed and placed in service on or after July 1, 2009**

| | Number of returns | | | Credit amount (in $1,000) 3/ | | |
|---|---|---|---|---|---|---|
| | All | Individuals | Corporations and others 2/ | All | Individuals | Corporations and others 2/ |
| Solar only | 1,800 | *d* | *d* | $50,562 | *d* | *d* |
| Wind only or Breakdown Unknown | 21 | *d* | *d* | $171 | *d* | *d* |
| Total | 1,821 | 1,801 | 20 | $50,733 | $13,396 | $37,337 |

**Nonrefundable tax credits for systems installed and placed in service on or after July 1, 2009**

| | Number of returns | | | Credit amount (in $1,000) 3/ | | |
|---|---|---|---|---|---|---|
| | All | Individuals | Corporations and others 2/ | All | Individuals | Corporations and others 2/ |
| Solar only | 7,786 | 7,757 | 29 | $44,427 | $40,484 | $3,943 |
| Wind only | 29 | 29 | - | $53 | $53 | - |
| Breakdown unknown | 1,014 | 994 | 20 | $4,358 | $3,944 | $414 |
| Total | 8,829 | 8,780 | 49 | $48,838 | $44,481 | $4,357 |

1/ Includes carryovers of the energy conservation tax credit given by section 235-12, HRS, and carryovers of the renewable energy technologies tax credit for which the date of installation could not be determined.

2/ Includes nonfinancial corporations, fiduciaries, nonprofit organizations and financial corporations.

3/ Details may not add to totals due to rounding.

The second and third parts of Table 6 show the renewable energy tax credit for systems that were installed on or after July 1, 2009, by type of system, by type of taxpayer, and by whether the claim was for a refundable or nonrefundable tax credit. Because unused

tax credits can be carried over, and extensions of existing systems made in later years are also eligible for the tax credit, the number of returns claiming the credit in a year may be larger than the number of new systems installed that year. The tax credit for systems installed and placed in service on or after July 1, 2009, was claimed on 10,650 returns in 2023 totaling $99,571 million. This is down from $105.7 million in 2022 and up from $67.3 million in 2021.

Claims for all systems, including carryovers of the energy conservation tax credit, totaled $100.0 million for tax year 2023. This was the second-largest tax credit.

**Figure 15. The Amount (in $,1000) and Number of Renewable Energy Technologies Income Tax Credit Claims by Year**

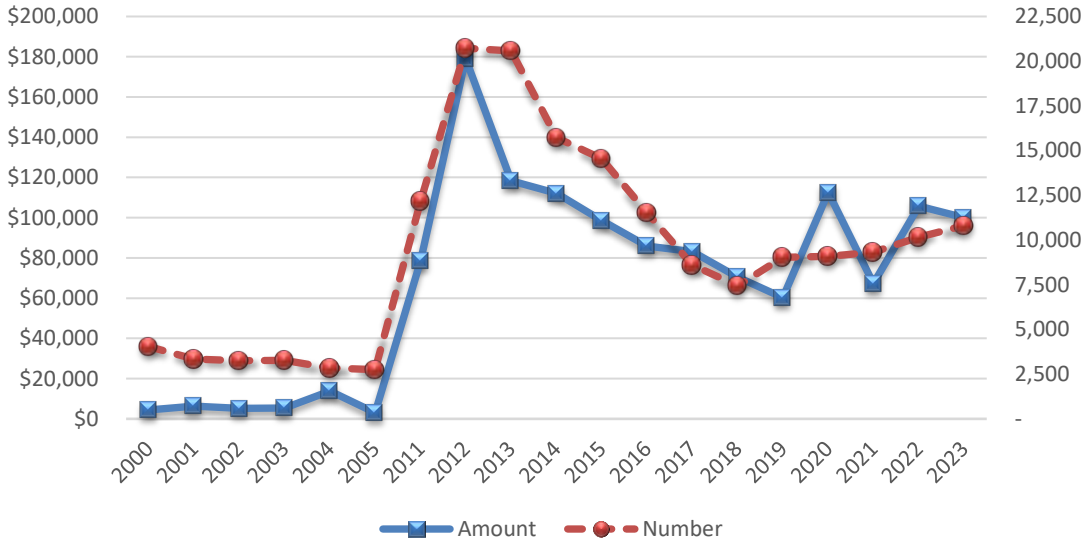


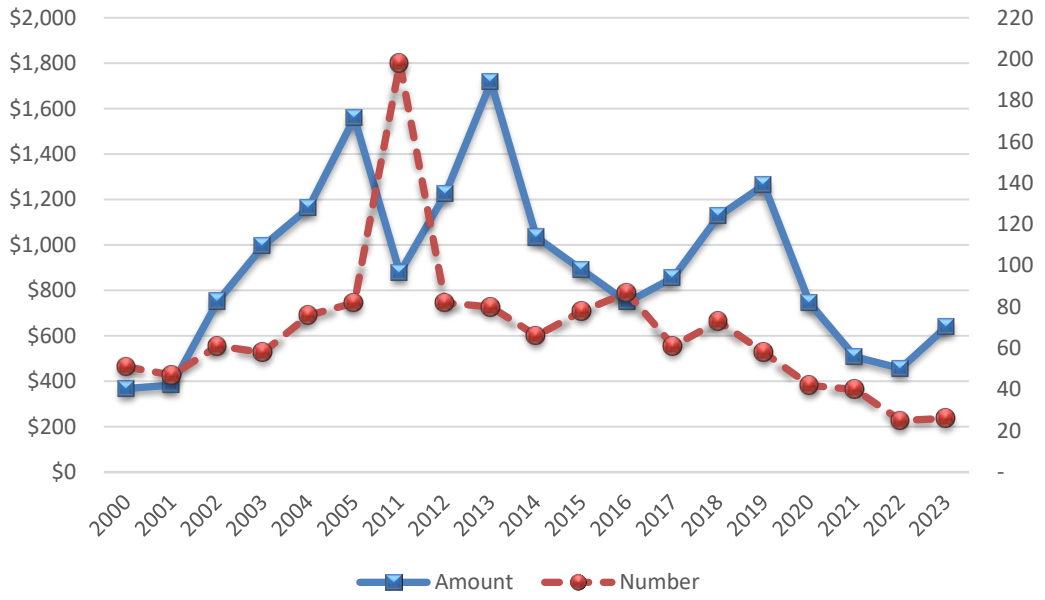

Figure 15 shows the amount and number of claims for the tax credit since tax year 2000. The dramatic increase from 2005 to 2011 and 2012 was likely due to Act 240, SLH 2006 (effective July 1, 2006) and Act 154, SLH 2009 (effective July 1, 2009), which increased the credit limits and made it refundable. The reduction of the tax credit claimed in 2014 was in part due to the imposition of Administrative Rules 18-235-12.5-01 through 18-235-12.5-06 that altered the definition of a solar energy system. The continued decline of the claims for the tax credit after 2014 up to 2018 is likely the result of the termination of the Net Energy Metering (NEM) program to new participants by the Public Utilities Commission in October 2015, which would reduce the cost-benefit of installing a rooftop photovoltaic system for single-family residential property owners. Since 2018, the total number of claims has increased steadily, primarily reflecting sustained growth in individual claims. However, the aggregate value of credits has been more volatile, with year-to-year swings largely attributable to refundable credit claims by corporations.

13. Enterprise Zone Tax Credit (HRS §209E-10, §209E-11)

A qualified business located in a designated enterprise zone may claim a tax credit equal to a percentage of its net income tax liability and of the unemployment insurance premiums it paid for employees located in the enterprise zone. In the first year, the tax credit is 80% of the qualified amounts. The percentage decreases by 10 points each year until it reaches 20% in the seventh year, after which the business is no longer eligible for the tax credit. The tax credit is nonrefundable, and any unused tax credit may not be carried forward. The tax credit was claimed on 26 tax returns for tax year 2023, totaling $0.64 million This is up from $0.46 million in 2022 and $0.5 million in 2021.

Figure 16 displays the amount and number of claims since tax year 2000.

Figure 16. The Amount (in $1,000) and Number of Enterprise Zone Tax Credit Claims by Year




14. Important Agricultural Land Qualified Agricultural Cost Tax Credit (HRS §235-110.93)

The important agricultural land tax credit is awarded for qualified agricultural costs incurred after July 1, 2008, and it is refundable. In the first year, the tax credit per taxpayer is the lesser of 25% of the qualified agricultural costs or $625,000. In the second year, the tax credit is the lesser of 15% of the qualified costs or $250,000, and in the third year the tax credit is the lesser of 10% of the qualified costs or $125,000. More than 50% of the land used by the agricultural business must be deemed “important agricultural land.” Tax credits must be certified by the Department of Agriculture and the aggregate amount of credits claimed cannot exceed $7.5 million in any tax year. Act 139, SLH 2021 extended the tax credit through tax year 2030. Data on the tax credit was suppressed in 2022 and

2023 to prevent the potential disclosure of confidential taxpayer information. There were no claims for the credit in 2021 and 2020.

15. Tax Credit for Research Activities (HRS §235-110.91)

The tax credit for research activities was reinstated by Act 270, SLH 2013. This refundable tax credit became available for tax years beginning after December 31, 2012. Each qualified high technology business subject to Hawai'i's income tax can claim an income tax credit for qualified research activities equal to the federal credit for increasing research activities provided by Internal Revenue Code (IRC) section 41, provided that the qualified high technology business also claims a federal tax credit for the same qualified research activities under IRC section 41. Qualified research expenses cannot include research expenses incurred outside Hawai'i and must be certified by the Department of Taxation. Act 261, SLH 2019 amended the tax credit such that references to the base amount contained in section 41 of the IRC do not apply, and credit may be taken based upon all qualified research expenses incurred in Hawai'i without regard to the amount of expenses for previous years. The Act became effective for taxable years beginning after December 31, 2019, and extended the credit through December 31, 2024, establishing an annual aggregate cap of $5.0 million.

The tax credit was claimed on 27 tax returns for tax year 2023, totaling $7.0 million, up from $4.1 million in 2022 but down from $3.4 million in 2021.

Figure 17. The Amount (in $1,000) and Number of Research Activities Tax Credit Claims by Year

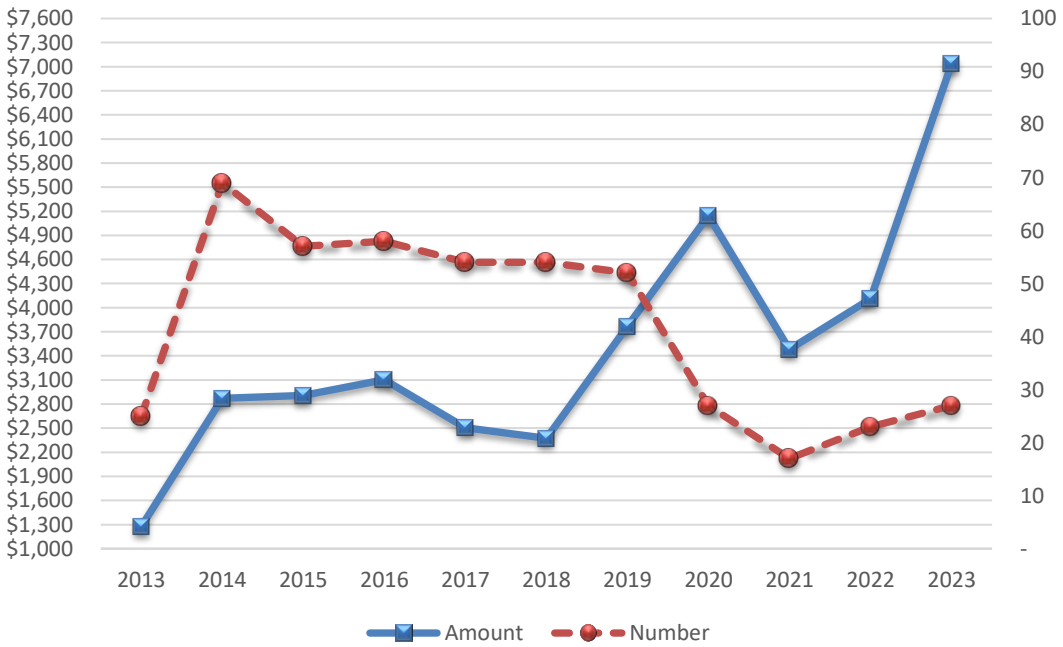


Figure 17 shows the amount and number of tax credits for research activities claimed by year. The divergence between the number of tax credits claimed (decreased) and the total amount claimed (increased) from 2019 to 2020 is likely the result of Act 261, SLH 2019, which increased the eligible amount of the credit for each taxpayer by rendering section 41 of the IRC not appliable but meanwhile, capped the annual aggregate amount. The net effect is that fewer taxpayers can claim the tax credit from 2020 and beyond if the cap is kept unchanged.

16. Renewable Fuels Production Tax Credit (HRS §235-110.31)

Act 202, SLH 2016, provided that each taxpayer producing renewable fuels may claim a nonrefundable renewable fuels production tax credit for taxable years beginning after December 31, 2016, and before December 31, 2021. Act 142, SLH 2017 changed the certification process. The tax credit is the lesser of 20 cents per 76,000 British thermal units of renewable fuels using the lower heating value sold for distribution in Hawai‘i or $3 million per taxable year. The taxpayer's production of renewable fuels cannot be less than 15 billion British thermal units of renewable fuels per year. The total amount of the tax credit is capped at $3 million per year and certified by the Department of Business, Economic Development, and Tourism (DBEDT). Act 143, SLH 2018 lowered the production threshold for eligibility for the credit from 15 billion British thermal units of renewable fuels per calendar year to 2.5 billion British thermal units per calendar year and added logs, wood chips, wood pellets, wood bark, and other renewable organic material to the definition of "Renewable feedstocks" which qualify for the credit. Act 216 SLH 2022 reinstated the Renewable Fuels Production Tax Credit and allowed it to be refunded under certain conditions. The tax credit was claimed on 13 tax returns in 2023, totaling $69,000. In 2022 and 2021, the amount claimed was $416,000 and $522,000 respectively.

17. Healthcare Preceptor Income Tax Credit (HRS §235-110.25)

Act 43, SLH 2018, established a nonrefundable income tax credit for advanced practice registered nurses, pharmacists, and physicians who supervise volunteer-based supervised clinical training rotations. The credit is equal to $1,000 per rotation supervised by the taxpayer, up to a maximum of $5,000 per taxpayer per year. The credit can be carried forward to future years until exhausted. Additionally, the credit is subject to an aggregate cap of $1.5 million per year and applies to taxable years beginning after December 31, 2028. The tax credit was claimed on 234 returns for tax year 2023, totaling $516,000. This is up from $509,000 in 2022 and $455,000 in 2021.

18. Historic Preservation Income Tax Credit (HRS §235-110.97)

Act 267, SLH 2019, established a nonrefundable income tax credit for taxpayers who rehabilitate historic structures pursuant to a rehabilitation plan certified by the Department of Land and Natural Resources' State Historic Preservation Division. The credit is equal to 30% of the qualified expenses incurred as part of the certified rehabilitation plan. In addition, the credit is subject to an aggregate cap of $1,000,000 per year and is subject to recapture if the projected expenditures do not materialize, or the rehabilitation does not proceed in a timely manner or in accordance with the approved plan. The Act applies to qualified rehabilitation expenditure incurred in taxable years beginning after December 31, 2019, and is repealed on December 31, 2024. There were no such tax credit claims in tax year 2020. Data on the tax credit for 2021, 2022 and 2023 have been suppressed to prevent potential disclosure of confidential taxpayer information.

### *4.1.3. Tax Credits to Avoid Double Taxation or Pyramiding of Hawai'i Taxes*

19. Capital Goods Excise Tax Credit (HRS §235-110.7, §241-4.5)

Businesses may claim the capital goods excise tax credit for the purchase of eligible depreciable tangible personal property used in a trade or business in Hawai'i. The tax credit is refundable and is equal to 4% of the qualifying cost of the eligible property, which excludes costs deducted under Internal Revenue Code Section 179. The tax credit serves to reduce pyramiding of the General Excise Tax (GET) by rebating the GET on business-to-business purchases that consist of eligible capital equipment. The cost of such capital equipment ultimately must be recaptured in the price of goods or services it is used to help produce, so without the rebate, the price of the produced goods or services would include the tax on the capital equipment. The tax credit was claimed on 3,932 tax returns for tax year 2023 and the amounts claimed totaled $34.6 million, up from $32.1 million in 2022 and $29.3 million in 2021.

Figure 18. The Amount (in $1,000) and Number of Capital Goods Excise Tax Credit Claims by Year

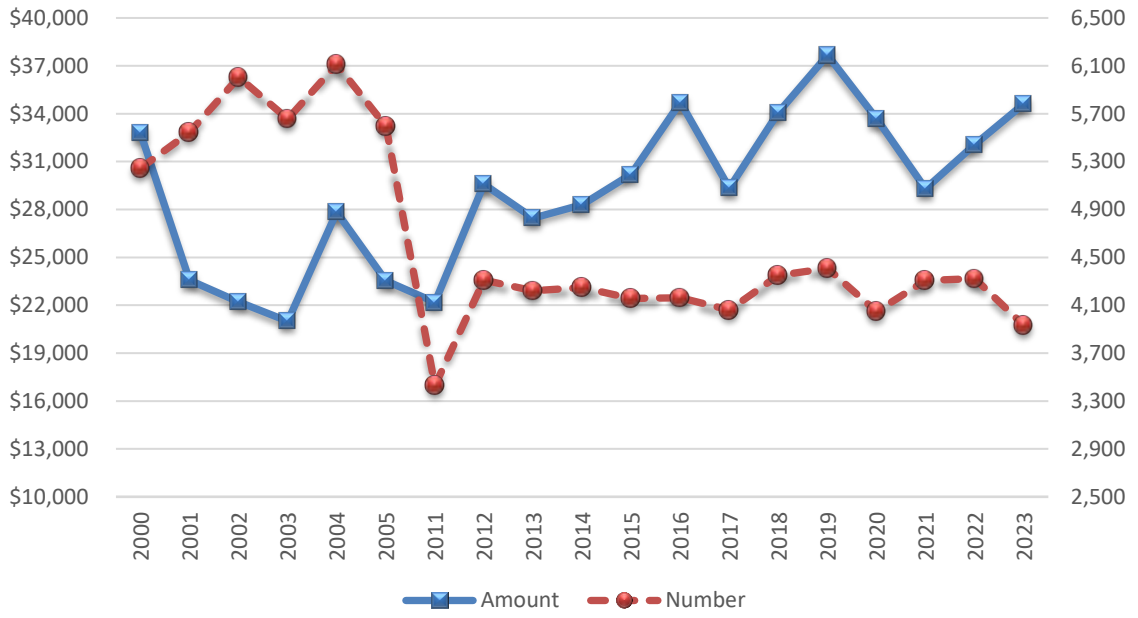



Figure 18 displays the amount and number of credits claimed from tax year 2000 up to 2023.

20. Income Tax Paid to Another State or Foreign Country (HRS §235-55)

A Hawai‘i resident individual or other person may claim a credit for income taxes paid to another state or to a foreign country if the income was earned in the other state or country and is not exempt from Hawai‘i or federal income tax, and if certain other requirements are met. This nonrefundable tax credit was claimed on 10,885 tax returns for tax year 2023, totaling $74.4 million. This is down from $124.6 million in 2022 and $180.5 million in 2021.

Figure 19. The Amount (in $1,000) and Number of Income Tax Paid to Another State or Foreign Country Tax Credit Claims by Year

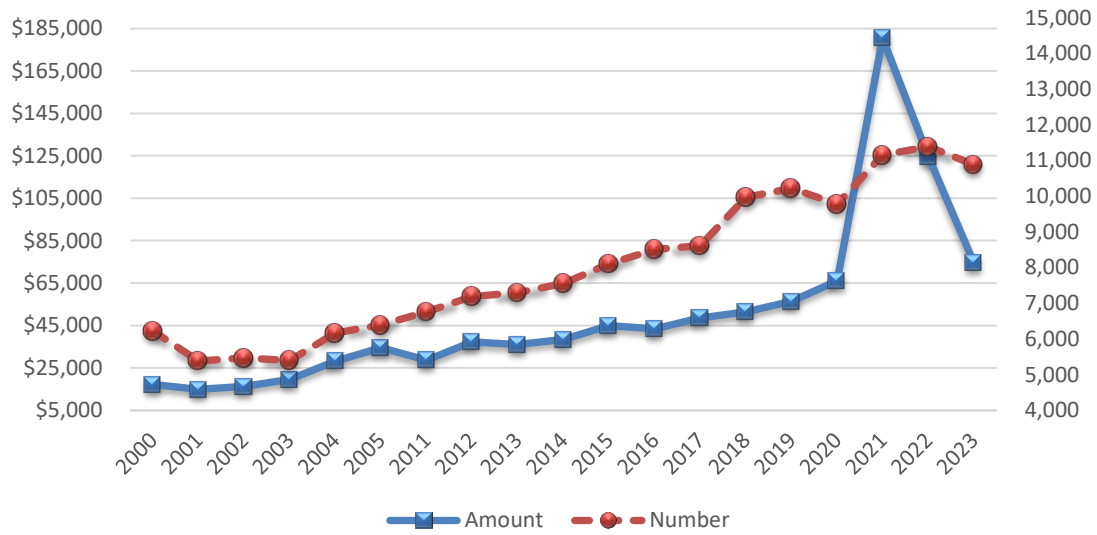



Figure 19 displays the amount and number of credits claimed from tax year 2000 up to 2023.

21. Passthrough Entity Tax Credit (HRS §235-51)

In 2023, Act 50 amended chapter 235, Hawai‘i Revised Statues (HRS) to allow partnerships and S corporations to annually elect to pay Hawai‘i income taxes at the entity level. An electing pass-through entity (PTE) is liable for Hawai‘i income tax on the sum of all eligible members' distributive shares and guaranteed payments of Hawai‘i taxable income, multiplied by the highest rate of tax applicable to the individual under section 235-51, HRS. Eligible members of an electing PTE may claim a nonrefundable income tax credit for their pro rata share of PTE taxes paid by the entity. Additionally, residents and part-year residents are entitled to a nonrefundable credit for their share of taxes paid to another state or to the District of Columbia on income of any partnership or S corporation, so long as the taxes paid to the other state are found to be substantially similar to the taxes imposed by Act 50. Act 50 was effective on January 1, 2024, and applied to taxable years beginning after December 31, 2022, and hence, it was the applicable law for this report covering tax year 2023. In 2024 and 2025, amendments were made to the PTE tax that do not apply to this report.

Effective tax year 2024, Act 50, SLH 2024 made several amendments to the PTE tax under HRS Section §235-51.5. Act 50 SLH 2024 modified the definition of qualified members, which is defined as all members of an electing PTE that are individuals, trusts, or estates. It also amended the PTE tax rate to 9 percent from 11 percent and allowed for a nonrefundable carry forward of unused PTE credits to subsequent years.

When a pass-through entity pays Hawai'i state income tax at the entity level, that tax is fully deductible as a business expense on the entity's federal return. This may reduce the federal taxable income passed through to the owners, effectively bypassing the federal SALT (State and Local Tax) deduction cap.

Act 58, SLH 2025 further amended HRS Section §235-51.5(e). For taxable years beginning after December 31, 2024, any qualified member of an electing pass-through entity (PTE) who claims the PTE tax credit is required to add back to their taxable income their pro rata share of the taxes paid by the electing PTE (the "tax add-back" rule). The original Act 50, SLH 2023 was meant to be revenue neutral but in practice, there was an additional benefit to electing in tax years 2023 and 2024. Act 58, SLH 2025 eliminated this double benefit of the PTE tax.

Nevertheless, the tax credit was claimed on 2,369 tax returns for tax year 2023, totaling $133.8 million, which was the largest tax credit claim in 2023.

## 4.2. EXPIRED TAX CREDITS

### *4.2.1. Tax Credits to Encourage Certain Industries or Economic Activities*

1. High Technology Business Investment Tax Credit (HRS §235-110.9, §241-4.8, §431:7-209)

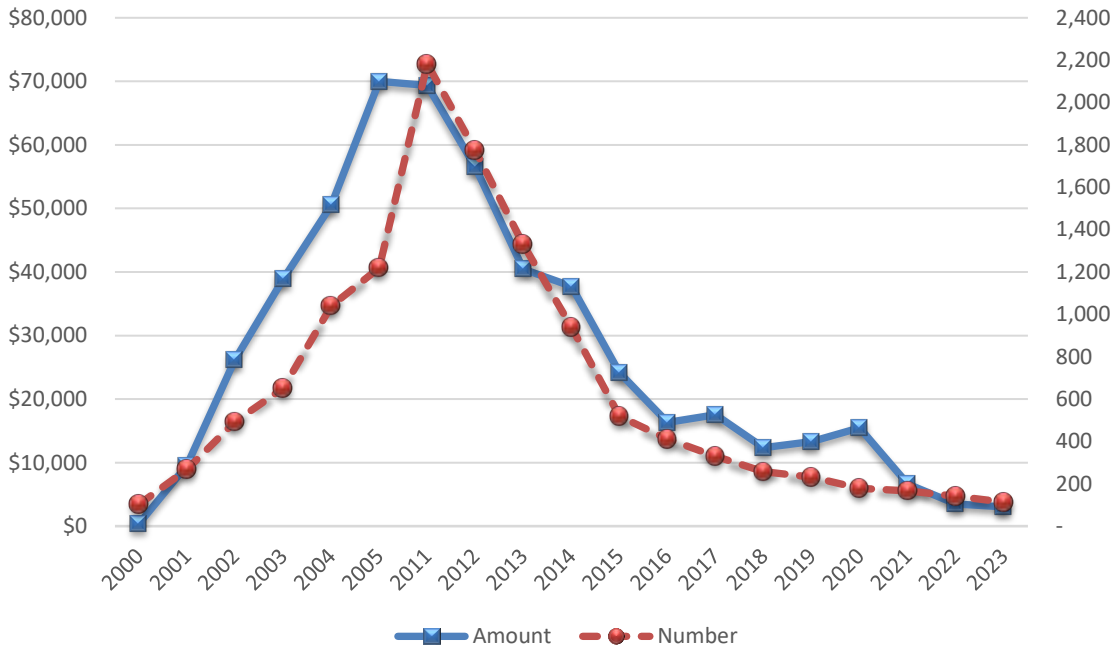
Taxpayers were allowed to claim the high technology business investment tax credit for tax years beginning after December 31, 1998. As originally enacted, the tax credit was nonrefundable and equal to 10% of investments made on or after July 1, 1999, in a qualified high technology business, up to a maximum credit amount of $500,000. Act 221, SLH 2001, expanded the tax credit to 100% of the qualified investment, up to a maximum of $2 million per investment.

The tax credit was claimed over five years as follows:

| | Tax Credit Percentage | Tax Credit Limitation |
|---|---|---|
| Year of investment | 35% | $700,000 |
| Year 2 | 25% | $500,000 |
| Year 3 | 20% | $400,000 |
| Year 4 | 10% | $200,000 |
| Year 5 | 10% | $200,000 |

Taxpayers who had previously claimed the 10% investment tax credit for tax years 1999 or 2000 were able to claim the tax credit for tax years 2001 and later as applicable under the amended law. For investments made after May 1, 2009, and for taxable years beginning on or after January 1, 2009, and ending before January 1, 2011, no claim for the tax credit could exceed 80% of the taxpayer's tax liability. The tax credit expired for taxable years beginning after December 31, 2010, but claims for the tax credit can be made for four years after the year of the investment. Carry-overs of the tax credit can continue indefinitely. The tax credit was claimed on 114 tax returns for tax year 2023, totaling $3.0 million, down from $3.5 million in 2022 and $6.6 million in 2021.

**Figure 20. The Amount (in $1,000) and Number of High Technology Business Investment Tax Credit Claims by Year**




Before its expiration in 2011, claims for the tax credit grew year over year. The claims have been declining after 2011, indicating the gradual exhaustion of the remaining carryover credits (Figure 20).

2. Energy Conservation Tax Credit (HRS §235-12)

Taxpayers who installed an energy conservation device prior to July 1, 2003, could claim the energy conservation tax credit, which was nonrefundable. The tax credit applied only to the actual cost of the systems, including accessories and installation, but not the cost of repairs to existing systems.

The tax credit was equal to 35% of the cost of solar systems, 20% of the cost of wind energy systems and heat pumps, and 50% of the cost of ice storage systems. The eligible cost was reduced by any consumer incentive premiums offered with the system. For

single-family residential buildings, the tax credit was limited to $1,750 for solar systems and $400 for heat pumps. For multiunit residential buildings, the tax credit was limited to $350 per unit for solar systems and $200 per unit for heat pumps. There were no limits for hotels, commercial buildings, industrial facilities, wind energy systems, or ice storage systems. The tax credit expired on June 30, 2003, but unused tax credits may be carried over to subsequent years until exhausted. Data on carryovers of the tax credit are included with those for the renewable energy technologies income tax credit.

3. Hotel Construction and Remodeling Tax Credit (HRS §235-110.4, repealed)

The hotel construction and remodeling tax credit was repealed by Act 9, SLH 2007, but unused credits from claims made prior to the expiration date may be carried forward and applied against tax. Although the tax credit was not repealed until 2007, it was not available for costs incurred in taxable years beginning after December 31, 2005. Data on the tax credit have been suppressed to prevent potential disclosure of confidential taxpayer information from 2020 to 2023.

4. Technology Infrastructure Renovation Tax Credit (HRS §235-110.51)

The technology infrastructure renovation tax credit was nonrefundable and was equal to 4% of costs incurred after December 31, 2000, for planning, designing, installing, constructing, or purchasing equipment to provide a commercial building with technology infrastructure. The tax credit was not available for taxable years beginning after December 31, 2010, but amounts claimed for the tax credit prior to its expiration can be carried forward and applied against tax liability in later years until exhausted. For costs incurred after May 1, 2009, and for taxable years beginning on or after January 1, 2009, and ending before January 1, 2011, no claim for the tax credit could exceed 80% of the taxpayer's tax liability. Data for tax year 2021 to 2023 have been suppressed to prevent potential disclosure of confidential taxpayer information. The tax credit amounted to $75,000 in 2020.

5. Residential Construction and Remodeling Tax Credit (HRS §235-110.45, repealed)

Act 10, SLH 2001, Third Special Session, provided a nonrefundable tax credit equal to 4% of home construction or renovation costs incurred after December 31, 2000, up to a maximum of $250,000. The tax credit expired on June 30, 2003, but any unused tax credit may be carried over to subsequent years until exhausted. Carryovers of the tax credit were claimed on 12 tax returns in 2023, totaling $549,000. This is up from $448,000 in 2022 and $240,000 in 2021.

6. Capital Infrastructure Tax Credit (HRS §235-17.5, §241-4.4)

Act 200, SLH 2014, established the capital infrastructure tax credit for tenants who were relocated due to the Kapalama container terminal modernization project and Act 213,

SLH 2017 expanded it and raised the cap from $1.25 million to $2.5 million. The tax credit is equal to 50% of the capital infrastructure costs incurred by the qualified infrastructure tenant during the taxable year, up to a maximum of $2.5 million. The tax credit is nonrefundable and available for taxable years beginning after December 31, 2013, but not for taxable years beginning after December 31, 2019. Act 260, SLH 2019, repealed the tax credit entirely. Thus, 2019 was the last year when this credit could be claimed. However, unused tax credits claimed before tax year 2020 can be carried over to future years until exhausted. The tax credit was claimed on 24 tax returns for tax year 2023, totaling $417,000. This is down from $643,000 in 2022 and $1.3 million in 2021.

7. Cesspool Upgrade, Conversion or Connection Income Tax Credit (HRS §235-16.5)

Act 200, SLH 2014, established the credit for the costs to upgrade or convert a qualified cesspool into a septic system or an aerobic treatment unit system, or to connect a qualified cesspool to a sewer system, effective for taxable years beginning after December 31, 2015, but expires after December 31, 2020. Act 125, SLH 2017 expanded the definition of qualified cesspool. Act 133, SLH 2018 eliminated the provision preventing certification of more than two residential large-capacity cesspools as qualified cesspools. This nonrefundable tax credit is equal to the qualified expenses of the taxpayer, up to a maximum of $10,000 per cesspool or $10,000 per residential dwelling connected to a residential large-capacity cesspool. The taxpayer must obtain a certificate by the Department of Health verifying the qualified expenses and the credit amount for the taxable year and file this certificate with their tax return. The annual amount of certified credits is capped at $5 million. Any remaining applications for certification above the cap for that taxable year may be carried forward to the subsequent year for certification in that taxable year. The tax credit expired in 2021, but the carryover was claimed on 15 tax returns in 2023, totaling $35,000, up from $29,000 in 2022 but down from $133,000 in 2021.

8. Organic Foods Production Tax Credit (HRS §235-110.94)

Act 258, SLH 2016, provides that a qualified taxpayer incurring qualified expenses associated with the production or handling of organic foods may claim a nonrefundable organic foods production tax credit for taxable years beginning after December 31, 2016, and before December 31, 2021. The tax credit is 100% of qualified expenses up to a maximum of $50,000 per qualified taxpayer. The amount of tax credits certified, by the Department of Agriculture, in any given tax year cannot exceed $2 million. The tax credit expired in 2022, but the carryover was claimed on 9 tax returns in 2023, totaling $51,000. This is down from $55,000 in 2022 and $96,000 in 2021.

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# APPENDIX A

# STATISTICAL TABLES

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**Table A-1**

**DOLLAR AMOUNTS OF TAX CREDITS CLAIMED**
**BY TYPE OF CREDIT AND TYPE OF TAXPAYER - 2023 (in $ 1,000)**

| | TAXPAYER TYPE | | | | | | |
|---|---|---|---|---|---|---|---|
| **Type of Credit** | ALL | Individuals | Corporations | Financial Corporations | Fiduciaries | Exempt Organizations | Insurance Underwriters* |
| ***Active Tax Credits*** | | | | | | | |
| ***Tax Credits to Promote Social Welfare*** | | | | | | | |
| Refundable Food/Excise Tax Credit | $63,957 | $63,957 | *na* | *na* | *na* | *na* | *na* |
| Tax Credit for Low-Income Household Renters | $1,645 | $1,645 | *na* | *na* | *na* | *na* | *na* |
| Tax Credit for Child and Dependent Care Expenses | $14,820 | $14,820 | *na* | *na* | *na* | *na* | *na* |
| Tax Credit for Child Passenger Restraint Systems | $53 | $53 | *na* | *na* | *na* | *na* | *na* |
| Tax Credit for Employment of Vocational Rehabilitation Referrals | - | - | - | - | - | - | - |
| Low-Income Housing Tax Credit | $60,907 | $484 | *d* | *d* | *d* | - | $32,795 |
| Tax Credit for School Repair and Maintenance | - | - | - | - | - | - | - |
| Earned Income Tax Credit | $77,054 | $77,054 | *na* | *na* | *na* | *na* | *na* |
| Lifeline Telephone Service Tax Credit** | $9 | *na* | *na* | *na* | *na* | *na* | *na* |
| ***Tax Credits to Encourage Certain Industries or Economic Activities*** | | | | | | | |
| Fuel Tax Credit for Commercial Fishers | $603 | *d* | *d* | - | - | - | - |
| Motion Picture, Digital Media, and Film Production Income Tax Credit | $43,504 | *d* | *d* | - | *d* | - | - |
| Renewable Energy Technologies Tax Credit | $100,075 | $58,293 | $38,565 | *d* | *d* | *d* | - |
| Enterprise Zone Tax Credit | $639 | *d* | *d* | - | - | - | - |
| Important Agricultural Land Qualified Agricultural Cost Tax Credit | *d* | *d* | - | - | - | - | - |
| Tax Credit for Research Activities | $7,034 | $1,031 | $6,003 | - | - | - | - |
| Renewable Fuels Production Tax Credit | $69 | *d* | - | - | *d* | - | - |
| Healthcare Preceptor Income Tax Credit | $516 | $516 | *na* | *na* | *na* | *na* | *na* |
| Historic Preservation Income Tax Credit | *d* | *d* | - | - | - | - | - |
| ***Tax Credits to Avoid Double Taxation or Pyramiding of Taxes*** | | | | | | | |
| Capital Goods Excise Tax Credit | $34,608 | $9,353 | $21,750 | *d* | $669 | *d* | - |
| Income Tax Paid to Another State or Foreign Country | $74,446 | $72,992 | *na* | *na* | *d* | *d* | *na* |
| Pass-Through Entity (PTE) Tax Credit | $133,791 | $124,103 | - | - | $9,688 | - | - |
| ***Expired Tax Credits*** | | | | | | | |
| ***Tax Credits to Encourage Certain Industries or Economic Activities*** | | | | | | | |
| High Technology Business Investment Tax Credit | $3,022 | $2,796 | *d* | - | *d* | - | - |
| Energy Conservation Tax Credit | *** | *** | *** | *** | *** | *** | *** |
| Hotel Construction and Remodeling Tax Credit | *d* | - | *d* | - | - | - | - |
| Technology Infrastructure Renovation Tax Credit | *d* | *d* | - | - | - | - | - |
| Residential Construction and Remodeling Tax Credit | $549 | *d* | *d* | - | - | - | - |
| Capital Infrastructure Tax Credit | $417 | *d* | *d* | - | *d* | - | - |
| Cesspool Upgrade, Conversion or Connection Income Tax Credit | $35 | $35 | - | - | - | - | - |
| Organic Foods Production Tax Credit | *d* | *d* | - | - | - | - | - |
| **GRAND TOTAL** | $621,270 | $429,666 | $117,519 | $28,461 | $12,476 | $344 | $32,795 |
| **AGGREGATE TAX LIABILITY BEFORE TAX CREDITS** | $3,877,357 | $3,242,451 | $291,966 | $59,865 | $37,252 | $1,213 | $244,610 |

* Data supplied by the Insurance Division of the Department of Commerce and Consumer Affairs. ** Data supplied by the Public Utilities Commission.

*** Data for the energy conservation tax credit are included with those for the renewable energy tax credit. Notes: "*d*" denotes that data in the cell were suppressed to prevent potential disclosure of confidential taxpayer information. "*na*" denotes "not applicable." Details may not add to totals due to rounding.

**Table A-2**

**NUMBER OF TAX CREDITS CLAIMED**
**BY TYPE OF CREDIT AND TYPE OF TAXPAYER - 2023**

| Type of Credit | TAXPAYER TYPE | | | | | | |
|---|---|---|---|---|---|---|---|
| | ALL | Individuals | Corporations | Financial Corporations | Fiduciaries | Exempt Organizations | Insurance Underwriters* |
| ***Active Tax Credits*** | | | | | | | |
| ***Tax Credits to Promote Social Welfare*** | | | | | | | |
| Refundable Food/Excise Tax Credit | 249,806 | 249,806 | *na* | *na* | *na* | *na* | *na* |
| Tax Credit for Low-Income Household Renters | 17,205 | 17,205 | *na* | *na* | *na* | *na* | *na* |
| Tax Credit for Child and Dependent Care Expenses | 18,119 | 18,119 | *na* | *na* | *na* | *na* | *na* |
| Tax Credit for Child Passenger Restraint Systems | 2,108 | 2,108 | *na* | *na* | *na* | *na* | *na* |
| Tax Credit for Employment of Vocational Rehabilitation Referrals | - | - | - | - | - | - | - |
| Low-Income Housing Tax Credit | 55 | 18 | *d* | *d* | *d* | - | 29 |
| Tax Credit for School Repair and Maintenance | - | - | - | - | - | - | - |
| Earned Income Tax Credit | 84,470 | 84,470 | *na* | *na* | *na* | *na* | *na* |
| Lifeline Telephone Service Tax Credit** | *na* | *na* | *na* | *na* | *na* | *na* | *na* |
| ***Tax Credits to Encourage Certain Industries or Economic Activities*** | | | | | | | |
| Fuel Tax Credit for Commercial Fishers | 124 | *d* | *d* | - | - | - | - |
| Motion Picture, Digital Media, and Film Production Income Tax Credit | 24 | *d* | *d* | - | *d* | - | - |
| Renewable Energy Technologies Tax Credit | 10,799 | 10,726 | 54 | *d* | *d* | *d* | - |
| Enterprise Zone Tax Credit | 26 | *d* | *d* | - | - | - | - |
| Important Agricultural Land Qualified Agricultural Cost Tax Credit | *d* | *d* | - | - | - | - | - |
| Tax Credit for Research Activities | 27 | 16 | 11 | - | - | - | - |
| Renewable Fuels Production Tax Credit | 13 | *d* | - | - | d | - | - |
| Healthcare Preceptor Income Tax Credit | 234 | 234 | *na* | *na* | *na* | *na* | *na* |
| Historic Preservation Income Tax Credit | *d* | *d* | - | - | - | - | - |
| ***Tax Credits to Avoid Double Taxation or Pyramiding of Taxes*** | | | | | | | |
| Capital Goods Excise Tax Credit | 3,932 | 3,106 | 664 | *d* | 145 | *d* | - |
| Income Tax Paid to Another State or Foreign Country | 10,885 | 10,696 | *na* | *na* | *d* | *d* | *na* |
| Pass-Through Entity (PTE) Tax Credit | 2,369 | 2,244 | - | - | *125* | - | - |
| ***Expired Tax Credits*** | | | | | | | |
| ***Tax Credits to Encourage Certain Industries or Economic Activities*** | | | | | | | |
| High Technology Business Investment Tax Credit | 114 | 103 | *d* | - | *d* | - | - |
| Energy Conservation Tax Credit | *** | *** | *** | *** | *** | *** | *** |
| Hotel Construction and Remodeling Tax Credit | *d* | - | *d* | - | - | - | - |
| Technology Infrastructure Renovation Tax Credit | *d* | *d* | - | - | - | - | - |
| Residential Construction and Remodeling Tax Credit | 12 | *d* | *d* | - | - | - | - |
| Capital Infrastructure Tax Credit | 24 | d | *d* | - | *d* | - | - |
| Cesspool Upgrade, Conversion or Connection Income Tax Credit | 15 | 15 | - | - | - | - | - |
| Organic Foods Production Tax Credit | *d* | *d* | - | - | - | - | - |
| **GRAND TOTAL** | 400,382 | 399,083 | 760 | 15 | 483 | 12 | 29 |

* Data supplied by the Insurance Division of the Department of Commerce and Consumer Affairs. ** Data supplied by the Public Utilities Commission.

*** Data for the energy conservation tax credit are included with those for the renewable energy tax credit. Notes: "*d*" denotes that data in the cell were suppressed to prevent potential disclosure of confidential taxpayer information. "*na*" denotes "not applicable." Details may not add to totals due to rounding.

**Table A-3**
**DOLLAR AMOUNTS OF TAX CREDITS CLAIMED BY INDIVIDUALS**
**BY TYPE OF CREDIT AND TAX DISTRICT - 2023 (in $1,000)**

| Type of Credit | STATE TOTAL | TAX DISTRICT | | | |
|---|---|---|---|---|---|
| | | OAHU* (DISTRICT 1) | MAUI (DISTRICT 2) | HAWAII (DISTRICT 3) | KAUAI (DISTRICT 4) |
| ***Active Tax Credits*** | | | | | |
| ***Tax Credits to Promote Social Welfare*** | | | | | |
| Refundable Food/Excise Tax Credit | $63,957 | $41,307 | $7,778 | $11,497 | $3,376 |
| Tax Credit for Low-Income Household Renters | $1,645 | $1,240 | $171 | $179 | $54 |
| Tax Credit for Child and Dependent Care Expenses | $14,820 | $11,693 | $1,366 | $1,238 | $524 |
| Tax Credit for Child Passenger Restraint Systems | $53 | $38 | $5 | $8 | $3 |
| Tax Credit for Employment of Vocational Rehabilitation Referrals | . | . | . | . | . |
| Low-Income Housing Tax Credit | $484 | *d* | *d* | . | *d* |
| Tax Credit for School Repair and Maintenance | . | . | . | . | . |
| Earned Income Tax Credit | $77,054 | $49,158 | $9,107 | $15,067 | $3,722 |
| Lifeline Telephone Service Tax Credit | *na* | *na* | *na* | *na* | *na* |
| ***Tax Credits to Encourage Certain Industries or Economic Activities*** | | | | | |
| Fuel Tax Credit for Commercial Fishers | *d* | $543 | *d* | *$16* | *d* |
| Motion Picture, Digital Media, and Film Production Income Tax Credit | *d* | *d* | *d* | *d* | |
| Renewable Energy Technologies Tax Credit | $58,293 | $44,797 | $6,100 | $5,424 | $1,970 |
| Enterprise Zone Tax Credit | *d* | *d* | - | *d* | *d* |
| Important Agricultural Land Qualified Agricultural Cost Tax Credit | *d* | *d* | *d* | *d* | - |
| Tax Credit for Research Activities | $1,031 | *d* | *d* | *d* | - |
| Renewable Fuels Production Tax Credit | *d* | *d* | *d* | *d* | - |
| Healthcare Preceptor Income Tax Credit | $516 | $439 | *d* | $45 | *d* |
| Historic Preservation Income Tax Credit | *d* | *d* | - | - | - |
| ***Tax Credits to Avoid Double Taxation or Pyramiding of Taxes*** | | | | | |
| Capital Goods Excise Tax Credit | $9,353 | $6,407 | $1,517 | $743 | $687 |
| Income Tax Paid to Another State or Foreign Country | $72,992 | $42,031 | $14,876 | $10,065 | $6,020 |
| Pass-Through Entity (PTE) Tax Credit | $124,103 | $99,210 | $11,623 | $5,621 | $7,650 |
| ***Expired Tax Credits*** | | | | | |
| ***Tax Credits to Encourage Certain Industries or Economic Activities*** | | | | | |
| High Technology Business Investment Tax Credit | $2,796 | $2,404 | *d* | *d* | *d* |
| Energy Conservation Tax Credit | ** | ** | ** | ** | ** |
| Hotel Construction and Remodeling Tax Credit | - | - | - | - | - |
| Technology Infrastructure Renovation Tax Credit | *d* | *d* | - | - | - |
| Residential Construction and Remodeling Tax Credit | *d* | *d* | - | *d* | - |
| Capital Infrastructure Tax Credit | *d* | *d* | - | - | - |
| Cesspool Upgrade, Conversion or Connection Income Tax Credit | $35 | *d* | - | *d* | *d* |
| Organic Foods Production Tax Credit | *d* | *d* | - | *d* | - |
| **GRAND TOTAL** | $429,667 | $302,287 | $52,723 | $50,048 | $24,608 |

* The figures for Oahu include tax credits claimed on Form N-15 by nonresidents who had an out-of-state adddress. ** Data for the energy conservation tax credit are included with those for the renewable energy tax credit. Notes: "*d*" denotes the data in the cell were suppressed to prevent potential disclosure of confidential taxpayer information. "*na*" denotes "not applicable." Details may not add to totals due to rounding.

**Table A-4**

**NUMBER OF TAX CREDITS CLAIMED ON INDIVIDUAL INCOME TAX RETURNS**
**BY TYPE OF CREDIT AND TAX DISTRICT - 2023**

| Type of Credit | STATE TOTAL | TAX DISTRICT | | | |
|---|---|---|---|---|---|
| | | OAHU* (DISTRICT 1) | MAUI (DISTRICT 2) | HAWAII (DISTRICT 3) | KAUAI (DISTRICT 4) |
| ***Active Tax Credits*** | | | | | |
| ***Tax Credits to Promote Social Welfare*** | | | | | |
| Refundable Food/Excise Tax Credit | 249,806 | 164,440 | 30,712 | 41,354 | 13,300 |
| Tax Credit for Low-Income Household Renters | 17,205 | 13,022 | 1,797 | 1,798 | 588 |
| Tax Credit for Child and Dependent Care Expenses | 18,119 | 13,900 | 1,726 | 1,779 | 714 |
| Tax Credit for Child Passenger Restraint Systems | 2,108 | 1,507 | 194 | 304 | 103 |
| Tax Credit for Employment of Vocational Rehabilitation Referrals | - | - | - | - | - |
| Low-Income Housing Tax Credit | 18 | *d* | *d* | - | *d* |
| Tax Credit for School Repair and Maintenance | - | - | - | - | - |
| Earned Income Tax Credit | 84,470 | 55,302 | 10,109 | 14,855 | 4,204 |
| Lifeline Telephone Service Tax Credit | *na* | *na* | *na* | *na* | *na* |
| ***Tax Credits to Encourage Certain Industries or Economic Activities*** | | | | | |
| Fuel Tax Credit for Commercial Fishers | *d* | 73 | *d* | 28 | *d* |
| Motion Picture, Digital Media, and Film Production Income Tax Credit | *d* | *d* | *d* | *d* | - |
| Renewable Energy Technologies Tax Credit | 10,726 | 7,693 | 1,245 | 1,324 | 464 |
| Enterprise Zone Tax Credit | *d* | d | - | *d* | *d* |
| Important Agricultural Land Qualified Agricultural Cost Tax Credit | *d* | d | *d* | *d* | - |
| Tax Credit for Research Activities | 16 | *d* | *d* | *d* | - |
| Renewable Fuels Production Tax Credit | *d* | *d* | *d* | *d* | - |
| Healthcare Preceptor Income Tax Credit | 234 | 191 | d | 25 | *d* |
| Historic Preservation Income Tax Credit | *d* | d | - | - | - |
| ***Tax Credits to Avoid Double Taxation or Pyramiding of Taxes*** | | | | | |
| Capital Goods Excise Tax Credit | 3,106 | 2,040 | 442 | 390 | 234 |
| Income Tax Paid to Another State or Foreign Country | 10,696 | 6,864 | 1,500 | 1,613 | 719 |
| Pass-Through Entity (PTE) Tax Credit | 2,244 | 1,761 | 228 | 120 | 135 |
| ***Expired Tax Credits*** | | | | | |
| ***Tax Credits to Encourage Certain Industries or Economic Activities*** | | | | | |
| High Technology Business Investment Tax Credit | 103 | 88 | *d* | *d* | *d* |
| Energy Conservation Tax Credit | ** | ** | ** | ** | ** |
| Hotel Construction and Remodeling Tax Credit | - | - | - | - | - |
| Technology Infrastructure Renovation Tax Credit | *d* | *d* | - | - | - |
| Residential Construction and Remodeling Tax Credit | *d* | *d* | - | *d* | - |
| Capital Infrastructure Tax Credit | *d* | *d* | - | - | - |
| Cesspool Upgrade, Conversion or Connection Income Tax Credit | 15 | *d* | - | *d* | *d* |
| Organic Foods Production Tax Credit | *d* | d | - | *d* | - |
| **GRAND TOTAL** | 399,083 | 266,986 | 47,982 | 63,616 | 20,499 |

* The figures for Oahu include tax credits claimed on Form N-15 by nonresidents who had an out-of-state adddress. ** Data for the energy conservation tax credit are included with those for the renewable energy tax credit. Notes: "*d*" denotes the data in the cell were suppressed to prevent potential disclosure of confidential taxpayer information.

"*na*" denotes "not applicable." Details may not add to totals due to rounding.

**Table A-5**

**DOLLAR AMOUNTS OF TAX CREDITS CLAIMED BY INDIVIDUALS**

**BY TYPE OF CREDIT AND INCOME CLASS* - 2023 (in $1,000)**

| Type of Credit | ALL | INCOME CLASS: Less than $10,000 | $10,000 to $29,999 | $30,000 to $59,999 | $60,000 to $99,999 | $100,000 to $199,999 | $200,000 or more |
|---|---|---|---|---|---|---|---|
| ***Active Tax Credits*** | | | | | | | |
| ***Tax Credits to Promote Social Welfare*** | | | | | | | |
| Refundable Food/Excise Tax Credit | $63,957 | $23,147 | $25,352 | $15,076 | $308 | $55 | $20 |
| Tax Credit for Low-Income Household Renters | $1,645 | $787 | $857 | . | . | . | . |
| Tax Credit for Child and Dependent Care Expenses | $14,820 | $152 | $987 | $2,181 | $2,095 | $5,494 | $3,911 |
| Tax Credit for Child Passenger Restraint Systems | $53 | $3 | $6 | $11 | $11 | $15 | $6 |
| Tax Credit for Employment of Vocational Rehabilitation Referrals | . | . | . | . | . | . | . |
| Low-Income Housing Tax Credit | $484 | . | . | *d* | *d* | *d* | *d* |
| Tax Credit for School Repair and Maintenance | . | . | . | . | . | . | . |
| Earned Income Tax Credit | $77,054 | $6,917 | $43,014 | $26,173 | $753 | $145 | $54 |
| Lifeline Telephone Service Tax Credit | *na* | *na* | *na* | *na* | *na* | *na* | *na* |
| ***Tax Credits to Encourage Certain Industries or Economic Activities*** | | | | | | | |
| Fuel Tax Credit for Commercial Fishers | *d* | $169 | $77 | $79 | $55 | $94 | $90 |
| Motion Picture, Digital Media, and Film Production Income Tax Credit | *d* | *d* | *d* | *d* | - | *d* | *d* |
| Renewable Energy Technologies Tax Credit | $58,293 | $4,731 | $2,522 | $3,121 | $5,752 | $16,150 | $26,018 |
| Enterprise Zone Tax Credit | *d* | - | *d* | *d* | *d* | *d* | *d* |
| Important Agricultural Land Qualified Agricultural Cost Tax Credit | *d* | *d* | *d* | - | - | - | *d* |
| Tax Credit for Research Activities | $1,031 | *d* | - | *d* | *d* | *d* | *d* |
| Renewable Fuels Production Tax Credit | *d* | *d* | - | *d* | *d* | *d* | *d* |
| Healthcare Preceptor Income Tax Credit | $516 | - | *d* | *d* | *d* | *d* | $417 |
| Historic Preservation Income Tax Credit | *d* | - | - | - | - | - | *d* |
| ***Tax Credits to Avoid Double Taxation or Pyramiding of Taxes*** | | | | | | | |
| Capital Goods Excise Tax Credit | $9,353 | $654 | $263 | $340 | $380 | $696 | $7,021 |
| Income Tax Paid to Another State or Foreign Country | $72,992 | $20 | $239 | $742 | $1,521 | $5,280 | $65,191 |
| Pass-Through Entity (PTE) Tax Credit | $124,103 | *d* | *d* | $77 | $201 | $1,062 | $122,738 |
| ***Expired Tax Credits*** | | | | | | | |
| ***Tax Credits to Encourage Certain Industries or Economic Activities*** | | | | | | | |
| High Technology Business Investment Tax Credit | $2,796 | - | *d* | *d* | $46 | $221 | $2,503 |
| Energy Conservation Tax Credit | ** | ** | ** | ** | ** | ** | ** |
| Hotel Construction and Remodeling Tax Credit | - | - | - | - | - | - | - |
| Technology Infrastructure Renovation Tax Credit | *d* | - | - | *d* | - | *d* | *d* |
| Residential Construction and Remodeling Tax Credit | *d* | - | *d* | *d* | *d* | *d* | - |
| Capital Infrastructure Tax Credit | *d* | - | *d* | *d* | - | *d* | *d* |
| Cesspool Upgrade, Conversion or Connection Income Tax Credit | $35 | - | *d* | *d* | *d* | - | *d* |
| Organic Foods Production Tax Credit | *d* | - | *d* | *d* | *d* | *d* | *d* |
| **GRAND TOTAL** | $429,667 | $36,753 | $73,367 | $47,857 | $11,170 | $29,537 | $230,983 |
| **AGGREGATE TAX LIABILITY BEFORE TAX CREDITS*** ** | $3,242,451 | $4,351 | $75,749 | $348,975 | $476,407 | $817,473 | $1,519,496 |

* Income class is measured using Hawaii AGI for Form N-11 and total AGI for Form N-15. ** Data for the energy conservation tax credit are included with those for the renewable energy tax credit. Notes: "d" denoted that data in the cell were suppressed to prevent potential disclosure of confidential taxpayer information. "*na*" denotes "not applicable." Details may not add to totals due to rounding.

**Table A-6**

**NUMBER OF TAX CREDITS CLAIMED ON INDIVIDUAL INCOME TAX RETURNS**
**BY TYPE OF CREDIT AND INCOME CLASS* - 2023**

| Type of Credit | ALL | INCOME CLASS: Less than $10,000 | $10,000 to $29,999 | $30,000 to $59,999 | $60,000 to $99,999 | $100,000 to $199,999 | $200,000 or more |
|---|---|---|---|---|---|---|---|
| ***Active Tax Credits*** | | | | | | | |
| ***Tax Credits to Promote Social Welfare*** | | | | | | | |
| Refundable Food/Excise Tax Credit | 249,806 | 82,982 | 90,061 | 75186 | 1380 | 154 | 43 |
| Tax Credit for Low-Income Household Renters | 17,205 | 8,010 | 9,195 | - | - | - | - |
| Tax Credit for Child and Dependent Care Expenses | 18,119 | 194 | 1,050 | 2,850 | 3,151 | 6,986 | 3,888 |
| Tax Credit for Child Passenger Restraint Systems | *2108* | *138* | *260* | *436* | *433* | *601* | *240* |
| Tax Credit for Employment of Vocational Rehabilitation Referrals | - | - | - | - | - | - | - |
| Low-Income Housing Tax Credit | 18 | - | - | *d* | *d* | *d* | *d* |
| Tax Credit for School Repair and Maintenance | - | - | - | - | - | - | - |
| Earned Income Tax Credit | 84,470 | 18,712 | 35,672 | 28,523 | 1316 | 203 | 44 |
| Lifeline Telephone Service Tax Credit | *na* | *na* | *na* | *na* | *na* | *na* | *na* |
| ***Tax Credits to Encourage Certain Industries or Economic Activities*** | | | | | | | |
| Fuel Tax Credit for Commercial Fishers | *d* | 31 | 15 | 18 | 16 | 26 | 13 |
| Motion Picture, Digital Media, and Film Production Income Tax Credit | *d* | *d* | *d* | *d* | - | *d* | *d* |
| Renewable Energy Technologies Tax Credit | 10,726 | 521 | 908 | 1,587 | 1,913 | 3,288 | 2,509 |
| Enterprise Zone Tax Credit | *d* | - | *d* | *d* | *d* | *d* | *d* |
| Important Agricultural Land Qualified Agricultural Cost Tax Credit | *d* | *d* | *d* | - | - | - | *d* |
| Tax Credit for Research Activities | 16 | *d* | - | *d* | *d* | *d* | *d* |
| Renewable Fuels Production Tax Credit | *d* | *d* | - | *d* | *d* | *d* | *d* |
| Healthcare Preceptor Income Tax Credit | 234 | - | *d* | *d* | *d* | *d* | 181 |
| Historic Preservation Income Tax Credit | *d* | - | - | - | *d* | - | *d* |
| ***Tax Credits to Avoid Double Taxation or Pyramiding of Taxes*** | | | | | | | |
| Capital Goods Excise Tax Credit | 3,106 | 248 | 265 | 302 | 356 | 527 | 1,408 |
| Income Tax Paid to Another State or Foreign Country | 10,696 | 407 | 1,116 | 1,384 | 1,570 | 2,614 | 3,605 |
| Pass-Through Entity (PTE) Tax Credit | 2,244 | *d* | *d* | 43 | 69 | 202 | 1,903 |
| ***Expired Tax Credits*** | | | | | | | |
| ***Tax Credits to Encourage Certain Industries or Economic Activities*** | | | | | | | |
| High Technology Business Investment Tax Credit | 103 | - | *d* | *d* | 16 | 30 | 37 |
| Energy Conservation Tax Credit | ** | ** | ** | ** | ** | ** | ** |
| Hotel Construction and Remodeling Tax Credit | - | - | - | - | - | - | - |
| Technology Infrastructure Renovation Tax Credit | *d* | - | - | *d* | - | *d* | *d* |
| Residential Construction and Remodeling Tax Credit | *d* | - | *d* | *d* | *d* | *d* | - |
| Capital Infrastructure Tax Credit | *d* | - | *d* | *d* | - | *d* | *d* |
| Cesspool Upgrade, Conversion or Connection Income Tax Credit | 15 | - | *d* | *d* | *d* | - | *d* |
| Organic Foods Production Tax Credit | *d* | - | *d* | *d* | *d* | *d* | *d* |
| **GRAND TOTAL** | 399,083 | 111,255 | 138,578 | 110,369 | 10,243 | 14,699 | 13,939 |

* Income class is measured using Hawaii AGI for Form N-11 and total AGI for Form N-15.

** Data for the energy conservation tax credit are included with those for the renewable energy tax credit.

Notes: "*d*" denotes that the data in the cell were suppressed to prevent potential disclosure of confidential taxapyer information. "*na*" denotes "not applicable."

**Table A-7**

**NUMBER OF RESIDENT INDIVIDUAL RETURNS (FORM N-11) CLAIMING SELECTED TAX CREDITS**

**BY GEOGRAPHICAL AREAS - 2023**

| | Number of Returns | Refundable Food/Excise Tax Credit | Tax Credit for Low-Income Household Renters | Tax Credit for Child and Dependent Care Expenses | Earned Income Tax Credit | Tax Credit for Child Passenger Restraint Systems | Renewable Energy Technologies Tax Credit | Capital Goods Excise Tax Credit | Income Tax Paid to Another State or to a Foreign Country |
|---|---|---|---|---|---|---|---|---|---|
| **State Total** | 644,374 | 246,661 | 17,045 | 17,787 | 79,583 | 1,909 | 10,221 | 2,727 | 10,388 |
| **Oahu** | | | | | | | | | |
| Downtown & Nuuanu | 56,115 | 23,034 | 2,788 | 1,402 | 6,865 | 146 | 401 | 300 | 819 |
| Kaimuki to Hawaii Kai | 48,651 | 13,526 | 1,133 | 1,835 | 3,386 | 155 | 1,268 | 423 | 1,325 |
| Makiki to Waikiki | 49,125 | 18,021 | 2,730 | 1,205 | 4,914 | 120 | 407 | 217 | 901 |
| Airport, Kalihi | 36,494 | 15,493 | 1,392 | 1,016 | 5,530 | 78 | 339 | 91 | 201 |
| Aiea, Pearl City | 35,920 | 11,746 | 602 | 1,169 | 3,328 | 100 | 754 | 106 | 295 |
| Waipahu | 34,768 | 14,013 | 861 | 996 | 4,448 | 98 | 498 | 52 | 130 |
| Kapolei, Ewa | 52,388 | 18,085 | 802 | 2,091 | 6,290 | 168 | 1,191 | 109 | 467 |
| Wahiawa, Mililani | 35,549 | 11,289 | 559 | 1,207 | 3,457 | 143 | 777 | 88 | 325 |
| Waianae Coast | 18,639 | 9,638 | 418 | 386 | 4,222 | 56 | 255 | 14 | 79 |
| Kailua, Kaneohe | 47,132 | 14,195 | 705 | 1,685 | 4,038 | 160 | 1,115 | 213 | 964 |
| Oahu NorthShore | 12,279 | 5,561 | 409 | 235 | 2,073 | 38 | 147 | 47 | 213 |
| **Maui** | | | | | | | | | |
| Wailuku, Kahului | 30,564 | 12,100 | 607 | 727 | 3,897 | 75 | 452 | 121 | 269 |
| Kihei | 12,830 | 4,844 | 395 | 244 | 1,544 | 21 | 203 | 63 | 426 |
| Lahaina | 8,894 | 3,221 | 166 | 104 | 976 | 15 | 106 | 39 | 224 |
| Rural Maui | 19,910 | 8,230 | 534 | 576 | 2,729 | 66 | 447 | 203 | 520 |
| Molokai | 2,838 | 1,610 | 45 | 27 | 617 | *d* | *d* | *d* | *d* |
| Lanai | 1,608 | 592 | 39 | 30 | 187 | *d* | *d* | *d* | *d* |
| **Hawaii** | | | | | | | | | |
| Hilo | 25,318 | 11,599 | 645 | 694 | 4,018 | 97 | 302 | 84 | 238 |
| Hamakua Coast | 6,199 | 2,998 | 91 | 109 | 978 | 12 | 89 | 35 | 96 |
| Kohala | 12,119 | 4,446 | 152 | 281 | 1,431 | 48 | 202 | 58 | 371 |
| Kona | 24,827 | 10,235 | 487 | 411 | 3,672 | 64 | 394 | 155 | 626 |
| Puna to Kau | 20,395 | 11,891 | 418 | 272 | 4,492 | 68 | 294 | 51 | 265 |
| **Kauai** | | | | | | | | | |
| Lihue | 9,036 | 3,433 | 135 | 189 | 1,016 | 22 | 106 | 62 | 98 |
| North Kauai | 13,669 | 5,468 | 271 | 273 | 1,834 | 43 | 183 | 107 | 363 |
| Koloa-Poipu | 2,668 | 978 | 52 | 56 | 337 | *d* | 40 | 19 | 97 |
| West Kauai | 9,087 | 3,364 | 130 | 189 | 954 | 28 | 130 | 42 | 151 |
| **Other/Unknown** | 17,352 | 7,051 | 479 | 378 | 2,350 | 71 | 101 | 16 | 882 |

Notes: "*d*" denotes that the data in the cell were suppressed to prevent potential disclosure of confidential taxapyer information.

**Table A-8**

**NUMBER AND AMOUNT OF LOW-INCOME HOUSEHOLD RENTERS TAX CREDITS CLAIMED, NUMBER OF QUALIFIED EXEMPTIONS BY HAWAII ADJUSTED GROSS INCOME - 2023**

| Adjusted Gross Income Class * | Number of Returns with Claims | Number of Exemptions | Amount of Tax Credits Claimed |
|---|---|---|---|
| Under $1,000 | 4,496 | 9,629 | $464,200 |
| $1,000 - < $3,000 | 783 | 1,558 | $76,250 |
| $3,000 - < $5,000 | 728 | 1,317 | $64,350 |
| $5,000 - < $7,000 | 781 | 1,494 | $73,250 |
| $7,000 - < $9,000 | 803 | 1,471 | $72,600 |
| $9,000 - < $11,000 | 851 | 1,552 | $76,050 |
| $11,000 - < $13,000 | 859 | 1,621 | $79,300 |
| $13,000 - < $15,000 | 871 | 1,636 | $80,650 |
| $15,000 - < $17,000 | 858 | 1,714 | $83,900 |
| $17,000 - < $20,000 | 1,368 | 2,701 | $133,300 |
| $20,000 - < $25,000 | 2,324 | 4,370 | $216,650 |
| $25,000 - < $35,000 | 2,483 | 4,566 | $224,050 |
| State Total | 17,205 | 33,629 | $1,644,550 |

* Income class is measured using Hawaii AGI for Form N-11 and total AGI for Form N-15.

**Table A-9**

**NUMBER AND AMOUNT OF CAPITAL GOODS EXCISE TAX CREDITS CLAIMED BY INDIVIDUAL RETURNS BY HAWAII ADJUSTED GROSS INCOME - 2023**

| Adjusted Gross Income Class* | Number of Claims | Amount Claimed |
|---|---|---|
| Under $10,000 | 248 | $653,655 |
| $10,000 - < $20,000 | 129 | $124,083 |
| $20,000 - < $30,000 | 136 | $138,810 |
| $30,000 - < $40,000 | 113 | $142,567 |
| $40,000 - < $50,000 | 91 | $103,245 |
| $50,000 - < $75,000 | 252 | $254,074 |
| $75,000 - < $100,000 | 202 | $220,284 |
| $100,000 - < $150,000 | 306 | $339,669 |
| $150,000 - < $200,000 | 221 | $355,892 |
| $200,000 or more | 1,408 | $7,021,128 |
| Total | 3,106 | $9,353,407 |

* Income class is measured using Hawaii AGI for Form N-11 and total AGI for Form N-15

**Table A-10**

**NUMBER AND AMOUNT OF CAPITAL GOODS EXCISE TAX CREDIT CLAIMED ON CORPORATION AND FINANCIAL CORPORATION RETURNS BY GROSS RECEIPTS CLASS - 2023**

| Gross Receipts Class | Number Claiming | Amount Claimed |
|---|---|---|
| Under $100,000 | 38 | $115,286 |
| $100,000 - < $500,000 | 55 | $308,816 |
| $500,000 - < $1,000,000 | 45 | $59,480 |
| $1,000,000 - < $5,000,000 | 196 | $1,224,448 |
| $5,000,000 - < $10,000,000 | 96 | $627,245 |
| $10,000,000 and over | 241 | $21,975,790 |
| Total | 671 | $24,311,065 |

**Table A-11**

**NUMBER AND AMOUNT OF REFUNDABLE FOOD/EXCISE TAX CREDIT CLAIMED BY INDIVIDUAL RETURNS BY HAWAII ADJUSTED GROSS INCOME - 2023**

| Adjusted Gross Income Class* | Number of Claims | Amount Claimed |
|---|---|---|
| less than $10,000 | 82,982 | $23,146,758 |
| $10,000 to $29,999 | 90,061 | $25,351,504 |
| $30,000 to $59,999 | 75,186 | $15,075,500 |
| $60,000 to $99,999 | 1,380 | $308,210 |
| $100,000 to $199,999 | 154 | $55,010 |
| $200,000 or more | 43 | $20,460 |
| Total | 249,806 | $63,957,442 |

* Income class is measured using Hawaii AGI for Form N-11 and total AGI for Form N-15.

**Table A-12**

**NUMBER AND AMOUNT OF PASS-THROUGH ENTITY TAX CREDIT CLAIMED BY INDIVIDUAL RETURNS BY HAWAII ADJUSTED GROSS INCOME - 2023**

| Adjusted Gross Income Class* | Number of Claims | Amount Claimed |
|---|---|---|
| less than $10,000 | 6 | $10,900 |
| $10,000 to $29,999 | 21 | $14,125 |
| $30,000 to $59,999 | 43 | $76,622 |
| $60,000 to $99,999 | 69 | $200,814 |
| $100,000 to $199,999 | 202 | $1,062,478 |
| $200,000 or more | 1,903 | $122,737,804 |
| Total | 2,244 | $124,102,743 |

* Income class is measured using Hawaii AGI for Form N-11 and total AGI for Form N-15.

**Table A-13**
**DISTRIBUTION OF TAX CREDITS IN TAX YEARS 2021 - 2023**

| Type of Credit | 2021 Amount (in $1,000) | 2021 % of Total | 2021 # of Claims | 2022 Amount (in $1,000) | 2022 % of Total | 2022 # of Claims | 2023 Amount (in $1,000) | 2023 % of Total | 2023 # of Claims |
|---|---|---|---|---|---|---|---|---|---|
| **Total, All Tax Credits** | $429,951 | 100.0 | 367,189 | $443,901 | 100.0 | 331,767 | $621,270 | 100.0 | 400,382 |
| ***Active Tax Credits*** | | | | | | | | | |
| ***Tax Credits to Promote Social Welfare*** | | | | | | | | | |
| Refundable Food/Excise Tax Credit | $26,760 | 6.2 | 226,416 | $24,961 | 5.6 | 208,786 | $63,957 | 10.3 | 249,806 |
| Tax Credit for Low-Income Household Renters | $1,697 | 0.4 | 17,387 | $1,675 | 0.4 | 16,925 | $1,645 | 0.3 | 17,205 |
| Tax Credit for Child and Dependent Care Expenses | $5,637 | 1.3 | 14,807 | $6,479 | 1.5 | 16,415 | $14,820 | 2.4 | 18,119 |
| Tax Credit for Child Passenger Restraint Systems | $52 | 0.0 | 2,067 | $54 | 0.0 | 2,153 | $53 | 0.0 | 2,108 |
| Tax Credit for Employment of Vocational Rehabilitation Referrals | - | - | - | - | - | - | - | - | - |
| Low-Income Housing Tax Credit | $53,140 | 12.4 | 47 | $58,068 | 13.1 | 58 | $60,907 | 9.8 | 55 |
| Tax Credit for School Repair and Maintenance | - | - | - | - | 0.0 | - | - | 0.0 | - |
| Earned Income Tax Credit | $21,802 | 5.1 | 80,990 | $19,786 | 4.5 | 60,903 | $77,054 | 12.4 | 84,470 |
| Lifeline Telephone Service Tax Credit | $19 | 0.0 | *na* | $13 | 0.0 | *na* | $9 | 0.0 | na |
| ***Tax Credits to Encourage Certain Industries or Economic Activities*** | | | | | | | | | |
| Fuel Tax Credit for Commercial Fishers | $381 | 0.1 | 107 | $347 | 0.1 | 110 | $603 | 0.1 | 124 |
| Motion Picture, Digital Media, and Film Production Income Tax Credit | $29,558 | 6.9 | 23 | $56,778 | 12.8 | 19 | $43,504 | 7.0 | 24 |
| Renewable Energy Technologies Income Tax Credit | $67,317 | 15.7 | 9,313 | $105,764 | 23.8 | 10,168 | $100,075 | 16.1 | 10,799 |
| Enterprise Zone Tax Credit | $507 | 0.1 | 40 | $457 | 0.1 | 25 | $639 | 0.1 | 26 |
| Important Agricultural Land Qualified Agricultural Cost Tax Credit | - | - | - | *d* | *d* | *d* | *d* | *d* | *d* |
| Tax Credit for Research Activities | $3,482 | 0.8 | 17 | $4,109 | 0.9 | 15 | $7,034 | 1.1 | 27 |
| Renewable Fuels Production Tax Credit | $522 | 0.1 | 16 | $416 | 0.1 | 23 | $69 | 0.0 | 13 |
| Healthcare Preceptor Income Tax Credit | $455 | 0.1 | 197 | $509 | 0.1 | 222 | $516 | 0.1 | 234 |
| Historic Preservation Income Tax Credit | *d* | *d* | *d* | *d* | *d* | *d* | *d* | *d* | *d* |
| ***Tax Credits to Avoid Double Taxation or Pyramiding of Taxes*** | | | | | | | | | |
| Capital Goods Excise Tax Credit | $29,305 | 6.8 | 4,306 | $32,077 | 7.2 | 4,324 | $34,608 | 5.6 | 3,932 |
| Income Tax Paid to Another State or Foreign Country | $180,496 | 42.0 | 11,154 | $124,560 | 28.1 | 11,392 | $74,446 | 12.0 | 10,885 |
| Pass-Through Entity (PTE) Tax Credit | - | - | - | - | - | - | $133,791 | 21.5 | 2,369 |
| ***Expired Tax Credits*** | | | | | | | | | |
| ***Tax Credits to Encourage Certain Industries or Economic Activities*** | | | | | | | | | |
| High Technology Business Investment Tax Credit | $6,588 | 1.5 | 166 | $3,511 | 0.8 | 141 | $3,022 | 0.5 | 114 |
| Energy Conservation Tax Credit* | * | * | * | * | * | * | * | * | * |
| Hotel Construction and Remodeling Tax Credit | *d* | *d* | *d* | *d* | *d* | *d* | *d* | *d* | *d* |
| Technology Infrastructure Renovation Tax Credit | *d* | *d* | *d* | *d* | *d* | *d* | *d* | *d* | *d* |
| Residential Construction and Remodeling Tax Credit | $240 | 0.1 | 13 | $448 | 0.1 | 11 | $549 | 0.1 | 12 |
| Capital Infrastructure Tax Credit | $1,318 | 0.3 | 54 | $643 | 0.1 | 38 | $417 | 0.1 | 24 |
| Cesspool Upgrade, Conversion or Connection Income Tax Credit | $133 | 0.0 | 45 | $29 | 0.0 | 23 | $35 | 0.0 | 15 |
| Organic Foods Production Tax Credit | $96 | 0.0 | 18 | *d* | 0.0 | *d* | *d* | 0.0 | *d* |

* Data for the energy conservation tax credit are included with those for the renewable energy tax credit.

Notes: "*d*" denotes that data in the cell were suppressed to prevent potential disclosure of confidential taxpayer informatio

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# APPENDIX B

# TAX CREDIT HISTORY

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## Table B-1
## Outline of Tax Credit History by Year of Enactment

| Year | Act | Type of Tax Credit | Description of the Tax Credit or Its Modification |
|---|---|---|---|
| 1965 | 155 | Consumer-type | Range established at $18 to $0.45 per qualified exemption based on modified adjusted gross income (MAGI). |
| | 155 | Education credit | Set at $50 to $2 for higher education, $20 to $2 for K12, based on modified adjusted gross income (MAGI). |
| 1967 | 229 | Credit against individual income tax | Formerly named the consumer-type credit; limited to residents with MAGI under $7,000; credit range changed to $20 to $1 per qualified exemption. |
| | 229 | Education credit | Limited to residents with adjusted gross income (AGI) under $7,000. |
| 1969 | 60 | Credit against individual income tax | Expands upper income limit to MAGI under $10,000, raises maximum credit per qualified exemption to $21. |
| 1970 | 180 | Drug and medical expense credit | Credit range established at 4% to 1% of expenses, based on MAGI under $14,000. |
| | 180 | Rent credit | Credit range of 2% to 1% of rent paid, inversely graduated to AGI under $15,000. |
| 1971 | 59 | Drug and medical expense credit | Person aged 65 or older allowed two exemptions beginning with 1972 tax year. |
| 1974 | 221 | Excise credit | Replaces four previous credits: credit against individual income tax, education, drug and medical expense, and rent credits; set at $30 to $6 per qualified exemption based on AGI under $15,000. |
| 1976 | 189 | Energy device credit | Set at 10% of cost of solar device installed after 12/31/74 but before 12/31/81. |
| | 208 | Excise credit | Raises maximum credit to $40 per qualified exemption; raised AGI ceiling to under $20,000; person aged 65 or over allowed two exemptions. |
| 1977 | 15 | Rent credit | Set at $20 per qualified exemption; AGI must be less than $20,000 and annual rent must be greater than $1,000; age 65 or over allowed two exemptions. |
| | 196 | Child and dependent care credit | Set at 5% of care expenses; maximum credit $100 for one and $200 for two or more qualified dependents. |
| 1978 | 19 | Hot water insulation credit | Up to $30 for cost of materials; expired 12/31/84. |
| 1980 | 228 | Excise Credit | Increases credit per qualified exemption; new range $48 to $8. |

## Table B-1 (Cont.)
## Outline of Tax Credit History by Year of Enactment

| Year | Act | Type of Tax Credit | Description of the Tax Credit or Its Modification |
|---|---|---|---|
| 1981 | 230 | Rent credit | Raised to $50 per qualified exemption. |
| | 231 | General income credit | Set at $100 per qualified exemption. |
| | 233 | Energy device credit | Expanded to include home heat pumps and wind energy devices; extended expiration date to 12/30/85. |
| | 234 | Child and dependent care credit | Raised to 10% of expenses; maximum credit raised to $200 for one and $400 for two or more qualified decedents. |
| 1982 | 25 | Child and dependent care credit | Changed to graduated credit ranging from 15% to 10% of expenses, based on AGI; maximum credit raised to $360 for one and $720 for two or more qualified dependents. |
| | 134 | Child passenger restraint credit | Set at $25 per return for purchase of qualified care seat. |
| | 265 | General income credit | Reduced to $25 per qualified exemption. |
| 1983 | 67 | Energy device credit | Eligibility extended to heat pumps for commercial use. |
| | 97 | General income credit | Reduced to $1 per qualified exemption. |
| 1984 | 55 | General income credit | $1 per qualified exemption. |
| 1985 | 81 | General income credit | $1 per qualified exemption. |
| | 232 | Energy device credit | Extended expiration date to 12/30/92; increases to 15% if federal energy credit not extended beyond 12/31/85. |
| 1986 | 49 | General income credit | $1 per qualified exemption. |
| | 66 | Energy device credit | Raised to 15% if federal energy credit not retroactively extended or reenacted. |
| | 70 | Energy device credit | Expanded to include ice storage systems with credit set at 10% of cost. |
| 1987 | 41 | General income credit | $1 per qualified exemption. |
| | 239 | Food credit | Set at $45 per qualified exemption; to expire 12/31/90. |
| | 239 | Capital goods excise credit | Set at 3% of cost of qualified tangible business property for tax year 1988 and 4% of cost for 1989 and thereafter. |
| 1988 | 11 | Excise credit | Credit range changed to $55 to $10 per qualified exemption; AGI ceiling raised to $30,000. |
| | 185 | General income credit | $1 per qualified exemption. |
| | 216 | Low-income housing credit | 30% credit on the qualified basis of each low-income building located in Hawai'i as provided in IRC section 43(b). |

## Table B-1 (Cont.)
## Outline of Tax Credit History by Year of Enactment

| Year | Act | Type of Tax Credit | Description of the Tax Credit or Its Modification |
|---|---|---|---|
| 1989 | 307 | Energy device credit | Raised to 20% of cost if placed in service after 12/31/89. |
| | 321 | Medical services excise credit | Set at 4% of qualified medical expenses; maximum credit $200 for most residents, $400 if 65 or older, and $600 if both joint taxpayers 65 years or older. |
| | 321 | Rent credit | AGI ceiling raised to $30,000. |
| | 321 | Child and dependent care credit | Credit made refundable if it exceeds tax liability; AGI ceiling for maximum 15% rate raised from $10,000 to $22,000. |
| | 322 | Child and dependent care credit | Raises rate to 25% to 15% of qualified expenses effective after 12/31/89. |
| | 323 | General income credit | $125 per qualified exemption. |
| 1990 | 98 | Renter's credit | Allows residents with no taxable income to claim the credit. |
| | 186 | General income credit | Reduced to $60 per qualified exemption. |
| | 187 | Food/excise credit | Repeals excise credit and created a permanent food/excise credit; food credit increased from $45 to $55 per qualified exemption; no change in excise credit rates. |
| | 319 | Energy device credit | Extends expiration date to 12/31/98; credit ceilings set according to device and type of dwelling: solar device--lesser of 35% of cost or $1,750 if placed in single-family dwelling or $350 if placed in multi-family dwelling, no cap for hotel, commercial, or industrial installation; heat pump--lesser of 20% of cost or $400 if installed in single-family unit or $200 if placed in multi-family unit; no cap for hotel, commercial, or industrial installations; wind energy device--rate increased from 15% to 20% of cost; ice storage systems--rate increased to 50% of cost if installed and placed in service after 12/31/90. |
| 1991 | 137 | Job credit | 20% of wage up to $1,200 per vocational rehabilitation employee. |
| | 179 | General income credit | $1 per qualified exemption. |
| | 217 | Medical services excise credit | Extends the medical service excise credit to 12/31/96. |
| 1992 | 128 | General income credit | $1 per qualified exemption. |
| 1993 | 184 | General income credit | $1 per qualified exemption. |
| | 315 | Medical services excise credit | 6% of nursing facility expenses. |
| 1994 | 85 | General income credit | $1 per qualified exemption. |

## Table B-1 (Cont.)
## Outline of Tax Credit History by Year of Enactment

| Year | Act | Type of Tax Credit | Description of the Tax Credit or Its Modification |
|---|---|---|---|
| 1995 | 23 | Medical services excise credit | Repeals the 4% portion of the tax credit and retains 6% of the nursing facility tax portion. |
| | 93 | General income credit | $1 per qualified exemption. |
| | 134 | Medical services excise credit | Repeals the medical service tax credit and the nursing facilities tax credit. |
| | 134 | Food/excise credit | Reduces the food portion of the food/excise tax credit from $55 to $27 per qualified exemption, and repeals the excise portion of the food/excise tax credit. |
| 1996 | 286 | Enterprise zone credit | Exempts general excise taxes on the gross proceeds from manufacture of tangible personal property, the wholesale of tangible personal property, or the engaging in a service business by qualified businesses in the enterprise zone. |
| 1997 | 107 | Motion picture credit | Provides an income tax credit of up to 4% of costs incurred, and of up to 6% of transient accommodations costs incurred in the production of motion picture or television films in the state. |
| | 108 | Hotel remodeling credit | Provides an income tax credit equal to 4% of the renovation costs for each qualified hotel facility located in Hawai‘i, with tax credit cap of 10% of the transient accommodations tax paid by the taxpayer in the preceding tax year. |
| 1998 | 156 | Motion picture credit | Increases credit from 6% to 7.25% of transient accommodations costs incurred. |
| | 157 | Food tax credit | Repeals food tax credit beginning tax year 1999. |
| | 157 | Low-income credit | Establishes refundable graduated low-income credit beginning tax year 1999. |
| | 163 | Energy device credit | Extends sunset date for energy device credits to July 1, 2003. |
| 1999 | 24 | Low-income housing credit | Expands to include insurance companies. |
| | 160 | IDA credit | IDA tax credit up to 50% of contribution to an individual development account (IDA). |
| | 178 | High technology credit | 10% of the investment made by the taxpayer in each qualified high technology business, up to a maximum allowed credit of $500,000, effective tax years 1999 to 2005. |
| | 178 | Research activity credit | Adopts federal income tax credit for increasing research activities, effective tax years 2000 to 2005. |
| | 306 | Qualified improvement credit | Qualified improvement tax credit for capitalized costs of construction and equipment of a permanent nature with respect to resort and hotel properties. Unspecified percent of credit may be applied against GET, income, PSC or TAT. |
| 2000 | 148 | Low-income housing credit | Allows partnerships to claim low-income housing credit. |

## Table B-1 (Cont.)
## Outline of Tax Credit History by Year of Enactment

| Year | Act | Type of Tax Credit | Description of the Tax Credit or Its Modification |
|---|---|---|---|
| 2000 | 184 | Individual development account | 5% of amount contributed to an IDA up to $1 million, between January 01, 2000, and December 31, 2004. |
| | 174 | Research activity credit | Retains credit for increasing research activities, even if federal credit is repealed. |
| | 289 | Ethanol investment credit | 16 step investment tax credits for ethanol production facility based on gallons produced, capped at lesser of 30% of investment of specified dollar amount per step. Effective after December 31, 2001. |
| | 297 | Research activity credit | Makes the credit refundable. |
| | 297 | High technology credit | Eases requirements to qualify for credit. |
| 2001 | 36 | General income credit | $1 per qualified exemption. |
| | 221 | Research activities credit | Removes requirement for increasing research. |
| | 221 | High technology business investment credit | Increases maximum credit to $2 million and credit percentage to 100%. |
| | 221 | Technology infrastructure renovation income tax credit | Provides a nonrefundable technology infrastructure renovation income tax credit equal to 4% of the "renovation costs" for each commercial building located in Hawai'i. The credit is available for tax years 2001 through 2005. |
| | 293 | Drought mitigation credit | 4% of cost of construction or repair of qualified water storage facility for farmers and ranchers. |
| | 309 | School repair and maintenance credit | 10% of fair-market value of repair and maintenance of public schools by licensed contractors. |
| 2001 (3rd SS) | 10 | Hotel construction and remodeling credit | Increases credit to 10% of costs and makes it nonrefundable until June 30, 2003. |
| | 10 | Residential construction and remodeling credit | 4% of cost of new residential construction or remodeling. |
| 2002 | 63 | General income credit | $1 per qualified exemption. |

## Table B-1 (Cont.)
## Outline of Tax Credit History by Year of Enactment

| Year | Act | Type of Tax Credit | Description of the Tax Credit or Its Modification |
|---|---|---|---|
| 2002 | 174 | Residential construction and remodeling credit | Extends the credit to costs incurred before July 1, 2003. |
| 2003 | 207 | Renewable energy technologies credit (Energy device credit) | Energy technology installed and placed in service after 6/30/03. Credit ceilings set according to device and type of dwelling: solar-device-lesser of 35% of cost or $1,750 if placed in single family dwelling, $350 for multi-family dwelling, $250,000 for commercial properties; wind powered system-lesser of 20% of cost or $1,500 if installed in single family unit, $200 if placed in multi-family unit, or $250,000 if placed in a commercial property; photovoltaic energy systems-lesser of 35% of cost or $1,750 if installed in single family unit, $350 if installed in multi-family unit, $250,000 if installed in a commercial property. |
| | 100 | Ko Olina resort and marina attractions and educational facilities tax credit | Establishes a nonrefundable, carry-forward tax credit for qualified costs incurred for the development of attractions and educational facilities at the Ko Olina resorts and marina, or for the development of a training and educational facility at the Makaha Resort. It takes effect on May 29, 2003, and is available for tax year 2005. |
| 2004 | 97 | Renewable energy technologies credit (Energy device credit) | Clarifies that the tax credit is nonrefundable, and that unused credit may be claimed in subsequent years until exhausted. Allows financial institutions to claim the credit for taxable years beginning after 12/30/02, provided that the system was installed after 6/30/03. |
| | 140 | Ethanol Facility tax credit | Clarifies that the tax credit is equal to 30% of the ethanol production facility's nameplate capacity if greater than 500,000 but less than 15 million gallons. Tax credit is limited to 100% of the total of all investments made by the taxpayer during the 8-year tax credit period. Requires that the facility be operating at a level of production of at least 75%. Facility must be in production before 1/1/12. Effective 7/01/04 and applied to taxable years beginning after 12/21/03. |
| | 215 | Technology infrastructure renovation tax credit, high technology tax credit and tax credit for research activities | Extends the technology infrastructure renovation tax credit, the high technology business investment tax credit, and the tax credit for research activities for another five years. |
| 2005 | 196 | Low-income housing tax credit | Provides incentives for developers to build affordable housing projects by increasing the low-income housing tax credit from 30 to 50 percent of the applicable percentage of the qualified basis of each building located in Hawai‘i. Effective 7/01/05. |

## Table B-1 (Cont.)
## Outline of Tax Credit History by Year of Enactment

| Year | Act | Type of Tax Credit | Description of the Tax Credit or Its Modification |
|---|---|---|---|
| 2006 | 88 | Motion Picture and Film Production Income Tax Credit | Increases the Motion Picture and Film Production income tax credit to 15% or 20% of qualified production costs, depending on locale of production. Effective for production occurring after June 30, 2006. |
| | 110 | Tax Credit for Flood Victims | Establishes the one-time Tax Credit for Flood Victims, for non-reimbursable costs stemming from the Manoa flooding of October 30, 2004, and the statewide flooding during the first quarter of 2006. |
| | 240 | Renewable energy | Increases the limits on the Renewable Energy Technologies credit for single-family residential systems to $2,250 (for solar thermal systems) or $5000 (for photovoltaic systems). Increases the limits for commercial systems to $500,000 per system. Higher limits effective for systems installed after June 30, 2006. |
| 2007 | 128 | Ethanol Facility tax credit | Extended the date for which a qualified ethanol production facility must be in production for purposes of qualifying for the Ethanol Production Facility tax credit by five years, to 1/1/2017. |
| | 151 | Renewable Energy | Requires that all renewable energy technology systems be in the State in order to qualify for the Renewable Energy Technologies tax credit. Applies to taxable years beginning after 12/31/2006. |
| | 210 | General income credit | The credit is refundable and declines as federal AGI increases. The maximum credit is $160 (for married filing jointly with federal AGI under $5,000). |
| | 211 | Food/Excise tax credit | Changes the name of the Low-Income Refundable tax credit to the Refundable Food/Excise tax credit. Amends the credit payout schedule and the adjusted gross incomes. The highest payout is $85 for federal AGI under $5,000 per exemption. Effective for taxable years beginning after 12/31/2007. |
| 2008 | 58 | General income credit | Provides a refundable credit of $1 per exemption (not including extra exemptions for age or disability). |
| | 204 | Renewable energy | Requires single family residences with building permits issued after 1/1/2010 to include a solar hot water heating system and disallows the Renewable energy credit for the required systems. For solar, wind or photovoltaic systems placed in service after 12/21/2008, residential home developers are ineligible to claim the credit. |
| | 143 | Enterprise Zone tax credit | Extends Enterprise Zone benefits to certain qualifying agricultural businesses, including processing of agricultural products. Effective 7/1/2008. |
| | 233 | Important Agricultural Lands tax credit | Provides a refundable tax credit for certain costs benefiting property designated as "Important Agricultural Land," effective 7/1/2008. |
| 2009 | 84 | General income credit | Provides a refundable credit of $1 per exemption, excluding multiple exemptions for age or disability. |

## Table B-1 (Cont.)
## Outline of Tax Credit History by Year of Enactment

| Year | Act | Type of Tax Credit | Description of the Tax Credit or Its Modification |
|---|---|---|---|
| 2009 | 154 | Renewable Energy | Combines solar and photovoltaic systems into the single category "solar." The caps per system are unchanged, however, as solar systems used to heat water are still subject to the lower cap of $2,250 per system. An election is granted to make the credit refundable for systems placed in service on or after 7/1/2009. |
| | 155 | Renewable Energy | Amends the requirement that a building permit not be issued for new single-family dwellings that to not include a solar water heating system on or after 1/1/2010. |
| | 174 | Enterprise Zone tax credit | Amends the definitions of eligible business. Allows agricultural producers, manufacturers and wholesalers to renew eligibility in the program for an additional three years. Effective 7/1/2009. |
| | 178 | High technology credit and the technology infrastructure renovation tax credit | For investment made, or renovations costs incurred, on or after May 1, 2009, provides that beginning after January 1, 2009, and ending before January 1, 2011, no claim for qualified high technology business investment tax credits or technology infrastructure renovation tax credits under income tax, taxation of banks and other financial corporations, and insurance shall exceed 80 percent of a taxpayer's tax liability, and no credit carryover is allowed. |
| 2010 | 21 | All tax credits | Requires refundable credits to be claimed first, followed by nonrefundable credits after 1/1/2010. |
| 2011 | 158 | Low-income housing tax credit | Grants low-income housing tax credit loans in lieu of low-income housing tax credits and provides a tax credit for certain awards under the American Recovery and Reinvestment Act of 2009. Applies to qualified buildings placed in service after 12/31/2011. |
| 2013 | 89 | Motion Picture and Film Production Income Tax Credit | Extends the Motion Picture and Film Production income tax credit to January 1, 2019, increases the credit ceiling amount from $8 million to $15 million per qualified production, and increases the credit amount from 15% to 20% of qualified production costs in a county with a population of over 700 thousand and increases the credit amount from 20% to 25% in a county with a population of 700 thousand or less. Effective for production occurring after June 30, 2013. |
| | 270 | Tax Credit for Research Activities | Reenacts the State tax credit for research activities. The State credit is equal to 20% of qualified research expenses incurred in Hawai'i. The new credit is effective for tax years beginning after December 31, 2012. The Act sunsets December 31, 2019. |
| 2014 | 101 | Important Agricultural Lands Tax Credit | Clarifies that the tax credit amount is 25% of qualified agricultural costs or $625,000 in the first year, the lesser of 15% of qualified costs or $250,000 in the second year, and the lesser of 10% of qualified costs or $125,000 in the third year. |
| | 200 | Capital Infrastructure Tax Credit | Establishes a capital infrastructure tax credit for tenants who are relocated due to the Kapalama container terminal modernization project. The tax credit is the lesser of 50% of the capital infrastructure costs paid or incurred by the qualified infrastructure tenant during the taxable year or $1,250,000. The tax credit is available for taxable years beginning after December 31, 2013, but not for taxable years beginning after December 31, 2019. |

## Table B-1 (Cont.)
## Outline of Tax Credit History by Year of Enactment

| Year | Act | Type of Tax Credit | Description of the Tax Credit or Its Modification |
|---|---|---|---|
| 2015 | 120 | Cesspool Upgrade, Conversion or Connection Tax Credit | Creates a temporary, nonrefundable income tax credit for the costs incurred in converting a qualified cesspool to a septic system or to an aerobic treatment unit system, or for the cost of connecting a cesspool to a sewer system. The Department of Health must certify all credit claims, and the credit amount is 100% of qualified costs up to a maximum of $10,000 per taxpayer. The amount of tax credits certified in any given tax year cannot exceed $5 million. The Tax credit is available for taxable years ending after December 31, 2015, but not for taxable years ending after December 31, 2020. |
| | 223 | Refundable Food/Excise Tax Credit | Amends the Refundable Food/Excise Tax Credit in several ways. First, removes the requirement that the individual claiming the credit must have resided in the State for nine months during the taxable year and replaces it with a requirement that the individual must have been physically present in the state for nine months during the taxable year. Second, adjusts the maximum adjusted gross income an unmarried individual taxpayer may have in order to be eligible to claim the credit. Third, adjusts the amount of credit per qualified exemption available to eligible taxpayers. Applies to taxable year beginning after December 31, 2015, but is repealed December 31, 2017, and the law as it read prior to this Act's amendments will be reenacted. |
| 2016 | 129 | Low-Income Housing Tax Credit | The tax credit is amended by shortening the time over which the credit is taken from ten years to five years for qualified low income buildings awarded credits for taxable years 2017 to 2021. |
| | 182 | Cesspool Upgrade, Conversion or Connection Tax Credit | Amends the Income Tax Credit for Converting Cesspools by correcting an oversight made when section 235-16.5, HRS, was enacted last session, and permits large capacity cesspools to qualify for the credit, with each tax map key parcel associated with the large capacity cesspool eligible for the credit of up to $10,000. |
| | 202 | Ethanol Facility Tax Credit | Repeals the Ethanol Facility Tax Credit is for taxable years beginning after December 31, 2016. |
| | 202 | Renewable Fuels Production Tax Credit | Act 202 also creates a new nonrefundable tax credit for the production of renewable fuels for taxable years 2017 to 2021. The credit is available for five consecutive years beginning with the first taxable year in which the taxpayer claiming the credit begins producing at least 15 billion British thermal units of renewable fuel per year. |
| | 235 | Credit for Child and Dependent Care Expenses | Amends the credit for taxable years beginning after December 31, 2015, by increasing the credit amount that certain taxpayers may claim for expenses for household and dependent care services necessary for gainful employment. It modifies the phase-down of percentage of expenses on which the credit can be claimed at various AGI thresholds. |
| | 258 | Organic Foods Production Tax Credit | Creates a nonrefundable tax credit for expenses incurred to produce organic agricultural products and to obtain organic certification for taxable years 2017 to 2021. The Department of Agriculture is responsible for certifying all credit claims. |

## Table B-1 (Cont.)
## Outline of Tax Credit History by Year of Enactment

| Year | Act | Type of Tax Credit | Description of the Tax Credit or Its Modification |
|---|---|---|---|
| 2017 | 107 | Refundable Food/Excise Tax Credit | Repeals the sunset date for the amendments made to the tax credit by Act 223, SLH 2015, rendering them permanent. |
| | 107 | Earned Income Tax Credit | Establishes a state nonrefundable earned income tax credit (EITC) equal to 20 percent of the federal EITC allowed and properly claimed under section 32, IRC, and reported on the taxpayer's federal income tax return. The state EITC applies to taxable years beginning after December 31, 2017, but shall not apply to taxable years beginning after December 31, 2022. |
| | 125 | Cesspool Upgrade, Conversion or Connection Tax Credit | Expands the class of cesspools which are eligible to claim the credit to include: (1) A cesspool within 500 feet (increased from the current 200 feet) of a shoreline, perennial stream, or wetland; (2) A cesspool shown to impact drinking water supplies or recreational waters; or (3) A cesspool certified by a county or private sewer company to be appropriate for connection to its existing sewer system. |
| | 142 | Renewable Fuels Production Tax Credit | Changes the certification process for the tax credit. Taxpayers claiming a credit must file a third-party-certified statement with the Department of Business, Economic Development, and Tourism (DBEDT) within 30 days after the close of the calendar year with information on the type and amount of qualified fuel, type of feedstock used, amount of the credit, number and residency of employees of the facility, and number and location of all renewable fuel production facilities. DBEDT will thereafter issue a certificate to the taxpayer with the amount of renewable fuels produced and sold, amount of credit the taxpayer is entitled to claim for the previous calendar year, and the cumulative amount of the credit during the period. |
| | 143 | Motion Picture and Film Production Income Tax Credit | For taxable years beginning after December 31, 2018, several amendments are made to the tax credit including provisions to (1) extend the repeal date from January 1, 2019, to January 1, 2026, (2) limit the total credit to $35 million per year, and (3) amend the qualifications a production must meet in order to claim the credit. |
| | 213 | Capital Infrastructure Tax Credit | Makes several amendments to the tax credit including provisions to (1) double the amount of credit per taxable year from $1.25 million to $2.5 million, and (2) include structures, machinery, equipment, and capital assets in the definition of “capital infrastructure costs”. |
| 2018 | 43 | Healthcare Preceptor Tax Credit | Establishes an income tax credit for advanced practice registered nurses, pharmacists, and physicians who supervise volunteer-based supervised clinical training rotations. The credit is equal to $1,000 per rotation supervised by the taxpayer, up to a maximum of $5,000 per taxpayer per year. Additionally, the credit is subject to an aggregate cap of $1,500,000 per year. It also establishes the Preceptor Credit Assurance Committee. The Committee certifies all claims for the credit and issues taxpayers a certificate verifying the number of rotations supervised. The Department is authorized to require taxpayers to furnish this certificate to claim the credit. The Committee is also tasked with ceasing certifications if total claims for certification reach the aggregate cap during any year. Act 43 applies to taxable years beginning after December 31, 2018. |

## Table B-1 (Cont.)
## Outline of Tax Credit History by Year of Enactment

| Year | Act | Type of Tax Credit | Description of the Tax Credit or Its Modification |
|---|---|---|---|
| 2018 | 87 | Important Agricultural Land Qualified Agricultural Cost Tax Credit | Extends the Important Agricultural Land Qualified Agricultural Cost Tax Credit through taxable year 2021. |
| | 133 | Cesspool Upgrade, Conversion or Connection Tax Credit | Eliminates the provision preventing certification of more than two residential large capacity cesspools as qualified cesspools. The Act applies to taxable years beginning after December 31, 2017. |
| | 143 | Renewable Fuels Production Tax Credit | Amends the renewable fuels production tax credit (RFPTC), as follows:<br>• Lowers the production threshold for eligibility for the credit from 15 billion British thermal units of renewable fuels per calendar year to 2.5 billion British thermal units per calendar year; and<br>• Adds logs, wood chips, wood pellets, wood bark, and other renewable organic material to the definition of "Renewable feedstocks" which qualify for the credit.<br>It applies to taxable years beginning after December 31, 2017. |
| 2019 | 261 | Tax Credit for Research Activities | Amends the Tax Credit for Research Activities (TCRA) such that references to the base amount contained in section 41 of the IRC do not apply, and credit may be taken based upon all qualified research expenses incurred in Hawai'i without regard to the amount of expenses for previous years. The Act provides that the Department of Business, Economic Development, and Tourism must certify all claims for the tax credit and establishes an annual aggregate cap of $5,000,000. Taxpayers must still claim the federal research credit under IRC section 41 to claim the TCRA. Act 261 is effective for taxable years beginning after December 31, 2019, and extends the TCRA through December 31, 2024. |
| | 267 | Historic Preservation Income Tax Credit | Establishes a new, nonrefundable income tax credit for taxpayers who rehabilitate historic structures pursuant to a rehabilitation plan certified by the Department of Land and Natural Resources' State Historic Preservation Division (SHPD). The credit is equal to 30% of the qualified expenses incurred as part of the certified rehabilitation plan. In addition, the credit is subject to an aggregate cap of $1,000,000 per year and is subject to recapture if the projected expenditures do not materialize, or the rehabilitation does not proceed in a timely manner or in accordance with the approved plan. The Act is effective July 1, 2019, and applies to qualified rehabilitation expenditures incurred in taxable years beginning after December 31, 2019 and is repealed on December 31, 2024. |
| | 260 | Ship Repair Industry Tax Credit | Establishes a new Ship Repair Industry Tax Credit which is intended to offset costs incurred in constructing and placing into service a purpose-built floating drydock at Pearl Harbor for use by the United States Navy, provided that no credit is allowed after December 31, 2026. The Act is effective on January 1, 2020, and applies to taxable years beginning after December 31, 2021. |

## Table B-1 (Cont.)
## Outline of Tax Credit History by Year of Enactment

| Year | Act | Type of Tax Credit | Description of the Tax Credit or Its Modification |
|---|---|---|---|
| 2019 | 260 | Capital Infrastructure Tax Credit | Repeals the Capital Infrastructure Tax Credit under section 235-17.5, HRS. |
| | 275 | Motion Picture, Digital Media, and Film Production Tax Credit | Amends motion picture, digital media, and film production income tax credit (film credit) by increasing the film credit annual aggregate cap from $35 million to $50 million. The Act is effective July 10, 2019, and applies to taxable years beginning after December 31, 2018. |
| 2020 | 61 | Renewable Energy Technologies Income Tax Credit | Disallows the Renewable Energy Technologies Income Tax Credit for commercial projects of 5 megawatts of total output capacity or greater. The Act also provides multiple exceptions, including for systems subject to a power purchase agreement which receives Public Utilities Commission (PUC) approval or was pending approval before December 31, 2019, and for certain systems integrated with a pumped hydroelectric energy storage system where the requisite approval filings are submitted to the PUC by December 31, 2021. The Act is effective December 31, 2019. |
| 2021 | 226 | Low-Income Housing Tax Credit | Relaxes the rules on allocating the Low-Income Housing Tax Credit (LIHTC), allowing taxpayers to allocate the credit freely among their partners or members. Act 226 also relaxes the installment method, at-risk, and passive activity loss rules applicable to the LIHTC and allows the Hawai'i LIHTC to be claimed in the initial year even if federal Form 8609 has not been received by the taxpayer. However, Act 226 expressly prohibits the deductions and expenses claimed by all Hawai'i taxpayers to exceed the deductions and expenses claimed by all taxpayers on federal returns.<br><br>Finally, Act 226 extends the shortened credit period provided by Act 129, Session Laws of Hawai'i 2016 (Act 129), to apply through December 31, 2027. This extension is not repealed when section 235-110.8, HRS, is repealed and reenacted on December 31, 2027. |
| 2022 | 114 | Earned Income Tax Credit | Act 113 makes the State earned income tax credit permanent. It makes the credit refundable beginning with the 2023 tax year. All carryforwards of nonrefundable EITC expire at the end of the 2024 tax year. |
| | 139 | Important Agricultural Land Qualified Agricultural Cost Tax Credit | Extends the period during which the important agricultural land qualified agricultural cost tax credit is available through tax year 2030. |
| | 216 | Renewable Fuels Production Credit | Act 216 (Senate Bill 2478, S.D. 2, H.D. 2, C.D. 1) reinstates the Renewable Fuels Production Tax Credit (RFPTC), which was previously codified at section 235-110.31, HRS, before its duly scheduled repeal on December 31, 2021. Act 216 also allows the RFPTC to be refunded under certain conditions. Act 216 became effective on June 27, 2022, and applies to taxable years beginning after December 31, 2021. |

## Table B-1 (Cont.)
## Outline of Tax Credit History by Year of Enactment

| Year | Act | Type of Tax Credit | Description of the Tax Credit or Its Modification |
|---|---|---|---|
| 2023 | 50 | Passthrough Entity Tax Credit | Act 50 (Senate Bill 1437, S.D. 1, H.D.2, C.D. 1) amends chapter 235, Hawai‘i Revised Statutes (HRS), to allow partnerships and S corporations to annually elect to pay Hawai’i income taxes at the entity level. Act 50 is effective on January 1, 2024, and applied to taxable years beginning after December 31, 2022. |
| | 163 | Household and Dependent Care Expenses Credit | Act 163 (House Bill 954, H.D. 2, S.D. 2, D.D. 1) amends the household and dependent care services credit in section 235-55.6, HRS, by increasing the cap on employment-related expenses that may be used to claim the credit from $2,400 to $10,000 for one qualifying individual and from $4,800 to $20,000 for two or more qualifying individuals. Act 163 became effective on June 30, 2023, applies to taxable years beginning after December 31, 2022, and will be repealed on December 31, 2027. |
| | 163 | Refundable Earned Income Tax Credit | Act 163 also amends the refundable earned income tax credit in section 235-55.75, HRS, by increasing the amount of the credit from 20% to 40% of the federal earned income tax credit allowed and properly claimed under IRC section 32. Act 163 became effective on June 30, 2023, applies to taxable years beginning after December 31, 2022, and will be repealed on December 31, 2027. |
| | 163 | Refundable Food/Excise Tax Credit | Act 163 amends the refundable food/excise tax credit in section 235-55.85, HRS, by doubling the amount of credit per qualified exemption and increasing the adjusted gross income limits by $10,000 in all income brackets. Act 163 became effective on June 30, 2023, applies to taxable years beginning after December 31, 2022, and will be repealed on December 31, 2027. |

# General Fund Revenue Book

- Economic Forecast
- Revenue Forecast
- Tax Expenditures

Idaho Fiscal Year 2026
July 1, 2025 – June 30, 2026

BRAD LITTLE
Governor

2224/8585

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# Introduction

**This publication's basis.** This is a culminating product of several forecasting steps. The first is a national economic forecast, for which DFM is a consumer. For the present publication this is the December 2024 baseline edition of the Moody's forecast for the US economy. On that, DFM bases its *Idaho Economic Forecast*, part of which is included here. That forecast uses similar structure to how the US bureaus of Labor Statistics and Economic Analysis categorize the US economy by job sectors and income types. Upon that forecast, DFM produces both the revenue forecast as well as the tax expenditures forecast.

**Uncertainty in forecasting.** Although the revenue model is specified in precise quantitative terms, several levels of uncertainty exist. Every statistical process relies upon probabilities. Most of these are conditional: the probability of one thing occurring given other events or measurements. Almost always, those probabilities are strictly between 0 and 100%, meaning that there are no guarantees, only likelihoods. As an example, a probability distribution relates wage growth to job growth.

Since most of Idaho's revenue sectors depend heavily on Idaho total personal income level, the revenue forecast is particularly sensitive to those factors that influence Idaho's personal income.

**Economic forecast.** The latest economic forecast can be accessed via

https://dfm.idaho.gov/publication/economicpublications/

and obtaining the latest *Idaho Economic Forecast*. Summary tables within that as well as graphs give an indication of baseline forecast. Numeric details are provided via xlsx link within the introduction of that publication.

# Idaho General Fund Revenue

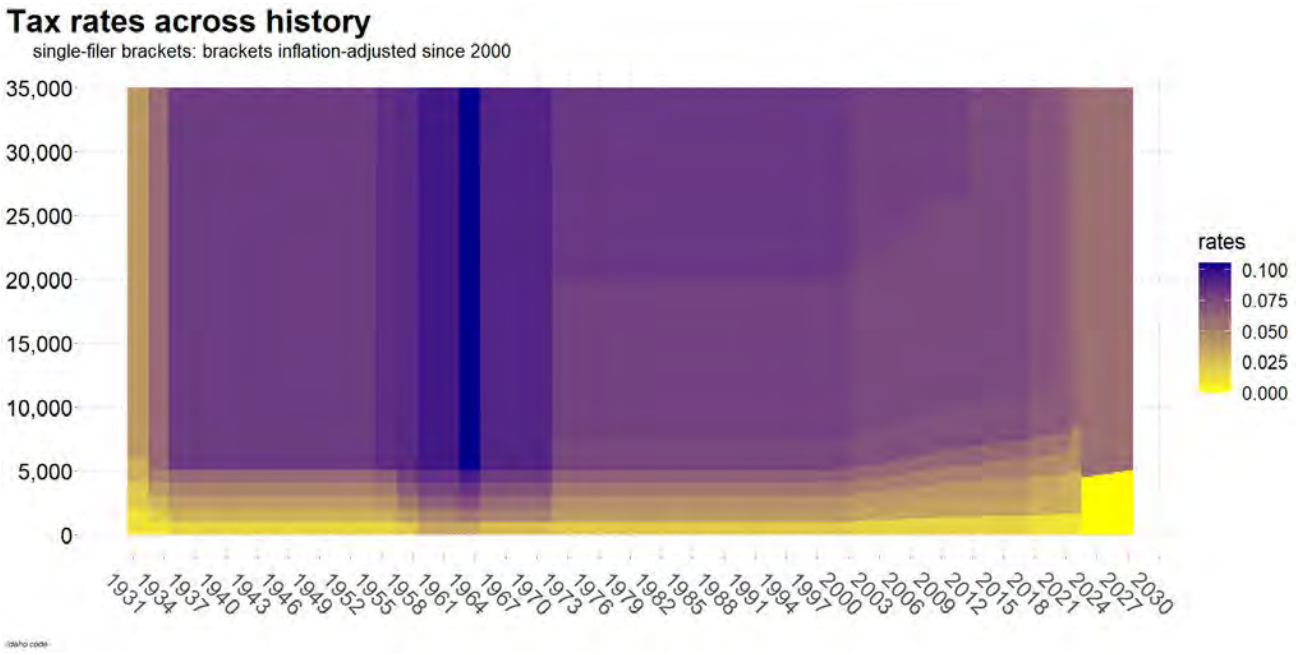
**Classifications.** Individual income, sales, and corporate income taxes account for about 95 percent of Idaho's General Fund revenue. Historically, individual income tax has been the largest contributor to the General Fund. Sales tax collections have, on net, been greater for several years, but the portion directed to the General Fund has been less than accrued receipts from individual income taxes. Corporate tax receipts have historically been well under half of the value of the other two main streams of income for the General Fund, but that changed in 2022 with corporate tax receipts approaching half of the value of one of those other two main streams of income. In this year, Idaho fiscal 2025, there are again new diversions in the sales tax stream before any sales tax revenue hits the general fund.

Product taxes and miscellaneous revenue sources are the remaining sources of General Fund revenue.

**Method.** All these revenue sources are forecast using a combination of econometric methods. The main econometric method employed is multiple regression, using variables contained in the *Idaho Economic Forecast*. History informs the take-off and trajectories for the forecast, with manual overrides for impending law changes. In particular, the forecasts use all available recent collections history, i.e., receipts to date, meaning receipts through November 2024.

The tables in this text show both history (thus far, and this includes preliminary December data) for Idaho fiscal year 2025 as well as the forecast total for all of Idaho fiscal year 2025.

Within the miscellaneous and product taxes, some components are projected by experts in various Idaho government departments. For example, the insurance premium tax reported in this document has historically been prepared by the staff of the Department of Insurance. This year, we adjusted for expected population growth and inflation going forward.



# Predicted and Actual General Fund revenues, thousand dollars

| | Idaho fiscal year: history | | | | | Idaho fiscal year: forecast | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2023** | **2024** | **2025** | **2026** | **2027** | **2028** | **2029** |
| Individual | 1,905,246 | 2,446,316 | 2,602,647 | 2,148,710 | 2,228,701 | 2,448,833 | 2,689,056 | 2,909,386 | 3,102,598 | 3,306,404 |
| % | 14.70 | 28.40 | 6.39 | -17.44 | -14.37 | 9.88 | 9.81 | 8.19 | 6.64 | 6.57 |
| Sales | 1,689,376 | 2,004,203 | 2,195,373 | 2,299,158 | 1,823,862 | 1,858,573 | 1,940,004 | 2,010,828 | 2,110,727 | 2,219,545 |
| % | 5.74 | 18.64 | 9.54 | 4.73 | -16.92 | 1.90 | 4.38 | 3.65 | 4.97 | 5.16 |
| Corp. | 243,337 | 348,555 | 1,039,159 | 1,031,854 | 867,483 | 868,156 | 979,247 | 1,098,559 | 1,247,759 | 1,417,532 |
| % | -14.06 | 43.24 | 198.13 | -0.70 | -16.52 | 0.08 | 12.80 | 12.18 | 13.58 | 13.61 |
| Product | 67,690 | 73,993 | 85,876 | 71,611 | 73,078 | 68,376 | 71,686 | 72,322 | 73,435 | 74,872 |
| % | 1.53 | 9.31 | 16.06 | -16.61 | -14.90 | -6.43 | 4.84 | 0.89 | 1.54 | 1.96 |
| Codes | 110,754 | 116,646 | 141,646 | 168,742 | 178,624 | 169,082 | 174,955 | 178,592 | 182,198 | 186,004 |
| % | 8.32 | 5.32 | 21.43 | 19.13 | 26.11 | -5.34 | 3.47 | 2.08 | 2.02 | 2.09 |
| Misc. | 15,575 | 19,381 | 132,665 | 227,969 | 209,513 | 204,811 | 222,670 | 236,915 | 247,659 | 251,093 |
| % | -34.17 | 24.43 | 584.53 | 71.84 | 57.93 | -2.24 | 8.72 | 6.40 | 4.53 | 1.39 |
| **Total** | **4,031,978** | **5,009,094** | **6,197,366** | **5,948,045** | **5,381,262** | **5,617,831** | **6,077,619** | **6,506,602** | **6,964,376** | **7,455,450** |
| **%** | **7.96** | **24.23** | **23.72** | **-4.02** | **-13.17** | **4.40** | **8.18** | **7.06** | **7.04** | **7.05** |

Some details for the revenue streams labeled Product, Codes, and Misc. are given next.

| | Idaho fiscal year: history | | | | | Idaho fiscal year: forecast | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2020** | **2021** | **2022** | **2023** | **2024** | **2025** | **2026** | **2027** | **2028** | **2029** |
| **Product** | | | | | | | | | | |
| cigarette | 7,939 | 8,797 | 9,524 | 1,288 | 0 | - | - | - | - | - |
| tobacco | 13,043 | 12,952 | 11,932 | 10,909 | 10,440 | 11,397 | 11,487 | 11,637 | 11,775 | 11,917 |
| beer | 2,095 | 2,244 | 2,237 | 2,229 | 2,168 | 2,108 | 2,096 | 2,072 | 2,048 | 2,023 |
| wine | 5,071 | 5,413 | 4,930 | 5,427 | 5,440 | 6,062 | 6,185 | 5,982 | 6,130 | 6,318 |
| liquor | 37,400 | 42,603 | 55,620 | 50,080 | 52,646 | 46,810 | 49,887 | 50,313 | 50,828 | 51,518 |
| kwh | 2,066 | 1,961 | 1,619 | 1,649 | 2,072 | 1,986 | 2,032 | 2,318 | 2,654 | 3,095 |
| mine | 77 | 24 | 14 | 28 | 312 | 13 | - | - | - | - |
| **Codes** | | | | | | | | | | |
| interest | 144 | 1,929 | 14,737 | 27,893 | 21,165 | 16,570 | 18,407 | 18,848 | 19,277 | 19,712 |
| courts | 7,156 | 6,979 | 7,077 | 7,296 | 7,554 | 8,155 | 8,485 | 8,523 | 8,589 | 8,692 |
| insurance | 84,421 | 85,518 | 97,366 | 97,924 | 106,756 | 109,384 | 112,518 | 115,274 | 117,964 | 120,696 |
| UCC | 4,851 | 6,030 | 6,842 | 6,881 | 6,828 | 7,116 | 7,318 | 7,362 | 7,423 | 7,555 |
| unclaimed | 14,110 | 16,095 | 15,314 | 28,720 | 36,321 | 27,823 | 28,228 | 28,584 | 28,945 | 29,349 |
| lands | 72 | 95 | 311 | 28 | - | 34 | - | - | - | - |
| **Misc.** | | | | | | | | | | |
| one-time | - | - | 110,000 | 204,206 | 188,095 | 179,378 | 195,121 | 227,711 | 236,000 | 236,000 |
| other | 15,575 | 19,381 | 22,665 | 23,763 | 21,418 | 25,433 | 27,549 | 9,204 | 11,659 | 15,093 |

Further history and details on the main taxes follow.

# History and forecast details

## Individual income tax, dollars

| History ID FY | Withholding | Net payments | Perm. bldg fund | Miscellaneous | General Fund |
|---|---|---|---|---|---|
| **2001** | 824,737,355 | 545,244,619 | 6,073,061 | 6,557,185 | **1,023,970,174** |
| **2002** | 747,903,737 | 477,521,316 | 5,636,609 | 6,520,789 | **835,854,806** |
| **2003** | 762,261,364 | 460,900,687 | 5,358,290 | 5,981,499 | **837,798,601** |
| **2004** | 805,227,502 | 480,985,342 | 5,346,820 | 5,854,839 | **902,125,524** |
| **2005** | 862,003,929 | 569,557,967 | 5,160,470 | 15,481,314 | **1,035,542,464** |
| **2006** | 939,677,041 | 689,111,703 | 5,408,550 | 6,262,793 | **1,216,486,694** |
| **2007** | 1,046,281,848 | 808,712,462 | 5,716,240 | 6,555,864 | **1,400,159,016** |
| **2008** | 1,086,746,575 | 885,408,091 | 6,389,550 | 8,025,753 | **1,429,891,951** |
| **2009** | 1,019,771,037 | 761,140,373 | 6,378,960 | 7,744,849 | **1,167,889,064** |
| **2010** | 991,079,607 | 680,906,153 | 6,064,810 | 7,501,814 | **1,061,875,202** |
| **2011** | 1,050,002,198 | 689,473,119 | 5,887,570 | 17,211,551 | **1,152,651,023** |
| **2012** | 1,076,065,745 | 739,079,218 | 5,793,320 | 7,507,509 | **1,206,406,502** |
| **2013** | 1,092,435,837 | 833,125,128 | 6,452,110 | 8,834,790 | **1,284,383,928** |
| **2014** | 1,158,316,387 | 814,069,044 | 6,297,350 | 8,010,100 | **1,329,264,562** |
| **2015** | 1,238,299,789 | 901,980,523 | 6,282,609 | 8,012,433 | **1,470,856,953** |
| **2016** | 1,303,135,485 | 954,578,321 | 7,136,160 | 8,827,696 | **1,513,168,518** |
| **2017** | 1,406,349,942 | 1,005,673,395 | 7,008,350 | 8,622,385 | **1,651,195,565** |
| **2018** | 1,547,213,290 | 1,092,618,068 | 7,102,850 | 9,235,087 | **1,828,281,687** |
| **2019** | 1,260,251,141 | 1,077,303,295 | 7,259,180 | 8,938,540 | **1,661,130,210** |
| **2020** | 1,365,182,966 | 1,063,459,572 | 7,174,130 | 8,825,478 | **1,905,245,518** |
| **2021** | 1,592,134,122 | 1,443,071,938 | 8,181,960 | 11,043,437 | **2,446,316,311** |
| **2022** | 1,839,329,671 | 1,514,744,063 | 7,516,656 | 2,561,274 | **2,602,646,946** |
| **2023** | 1,890,574,061 | 269,620,990 | 8,717,740 | 10,750,736 | **2,148,712,723** |
| **2024** | 2,136,747,289 | 107,427,018 | 8,459,410 | 15,473,134 | **2,228,701,173** |
| **2025** | 2,267,165,463 | 192,725,991 | 11,058,542 | | **2,448,832,912** |
| **2026** | 2,476,217,847 | 225,766,720 | 12,928,988 | | **2,689,055,580** |
| **2027** | 2,677,526,199 | 244,752,788 | 12,892,565 | | **2,909,386,421** |
| **2028** | 2,910,888,445 | 204,755,056 | 13,045,142 | | **3,102,598,358** |
| **2029** | 3,174,384,660 | 144,934,036 | 12,914,445 | | **3,306,404,252** |
| **Forecast** | | | | | |

For current data on FY 2025, see https://dfm.idaho.gov/publication/economicpublications/ and select the most recent Idaho General Fund Revenue Report. Fiscal year to data information is available in table form on the second page of the pdf.

# Corporate income tax, dollars

| History ID FY | Gross | Refunds | Perm. bldg. fund | Multi-state tax comp. | General Fund |
|---|---|---|---|---|---|
| **2001** | 173,578,812 | 31,593,028 | 349,042 | 109,506 | **141,527,236** |
| **2002** | 110,751,223 | 33,982,316 | 311,959 | 161,359 | **76,295,588** |
| **2003** | 119,810,712 | 26,320,761 | 345,136 | 15,124 | **93,129,692** |
| **2004** | 126,911,498 | 23,127,107 | 367,770 | 401,646 | **103,014,975** |
| **2005** | 162,696,232 | 22,110,841 | 337,050 | 686,842 | **139,561,498** |
| **2006** | 211,505,151 | 13,202,546 | 340,816 | 3,836,676 | **194,125,114** |
| **2007** | 211,189,816 | 22,960,662 | 497,056 | (2,490,058) | **190,222,155** |
| **2008** | 212,879,756 | 22,705,540 | 471,092 | 419,616 | **189,283,508** |
| **2009** | 174,502,954 | 32,277,266 | 503,570 | 696,750 | **141,025,367** |
| **2010** | 136,835,198 | 38,507,864 | 490,255 | 816,031 | **97,021,048** |
| **2011** | 191,154,777 | 20,940,571 | 455,347 | 809,103 | **168,949,756** |
| **2012** | 206,626,694 | 18,037,282 | 453,269 | 1,121,978 | **187,014,165** |
| **2013** | 223,113,635 | 22,773,429 | 542,984 | 1,138,172 | **198,659,050** |
| **2014** | 217,543,706 | 27,208,997 | 479,133 | 1,564,152 | **188,291,425** |
| **2015** | 236,860,072 | 19,778,084 | 615,250 | 1,063,863 | **215,402,876** |
| **2016** | 222,753,059 | 33,757,700 | 694,432 | 1,431,829 | **186,869,097** |
| **2017** | 242,764,997 | 26,124,160 | 571,844 | 2,048,916 | **214,020,077** |
| **2018** | 267,239,226 | 26,429,814 | 822,338 | 1,278,618 | **238,708,456** |
| **2019** | 308,600,941 | 23,639,640 | 799,391 | 999,169 | **283,162,741** |
| **2020** | 275,045,206 | 29,088,221 | 690,618 | 1,929,470 | **243,336,896** |
| **2021** | 384,855,368 | 33,376,089 | 827,166 | 2,097,217 | **348,554,896** |
| **2022** | 1,063,577,328 | 22,624,116 | 1,131,867 | 662,060 | **1,039,159,285** |
| **2023** | 1,139,742,867 | 105,432,608 | 1,115,962 | 1,340,092 | **1,031,854,204** |
| **2024** | 1,020,696,193 | 150,953,926 | 1,230,842 | 1,021,716 | **867,482,749** |
| **2025** | 949,106,555 | 78,894,425 | 2,055,970 | | **868,156,160** |
| **2026** | 1,067,590,249 | 85,789,377 | 2,553,556 | | **979,247,317** |
| **2027** | 1,212,360,050 | 111,292,482 | 2,509,015 | | **1,098,558,553** |
| **2028** | 1,356,074,309 | 105,736,367 | 2,578,770 | | **1,247,759,172** |
| **2029** | 1,519,613,701 | 99,364,838 | 2,717,219 | | **1,417,531,644** |
| **Forecast** | | | | | |

For current data on FY 2025, see https://dfm.idaho.gov/publication/economicpublications/ and select the most recent Idaho General Fund Revenue Report. Fiscal year to data information is available in table form on the second page of the pdf.

# Sales and select distributions

| History ID FY | Gross | Refunds | Tax Relief Fund | Revenue sharing | TECM | Circuit Breaker | General Fund |
|---|---|---|---|---|---|---|---|
| **2001** | 778,886,913 | 3,464,059 | - | 106,024,668 | - | 11,711,317 | **647,293,769** |
| **2002** | 791,623,565 | 4,103,388 | - | 108,500,397 | - | 11,983,517 | **657,119,235** |
| **2003** | 839,180,863 | 3,119,127 | - | 112,947,416 | - | 12,787,109 | **700,240,653** |
| **2004** | 1,032,987,503 | 4,312,633 | - | 117,825,356 | - | 14,097,706 | **886,079,007** |
| **2005** | 1,125,316,962 | 3,478,317 | - | 128,485,050 | - | 14,995,253 | **950,825,246** |
| **2006** | 1,071,204,918 | 7,667,208 | - | 143,195,331 | - | 15,466,651 | **880,772,833** |
| **2007** | 1,272,854,661 | 4,507,569 | - | 154,818,091 | - | 15,402,668 | **1,077,455,903** |
| **2008** | 1,339,278,004 | 8,445,886 | - | 152,578,192 | - | 15,405,563 | **1,142,099,076** |
| **2009** | 1,201,248,330 | 5,195,373 | - | 136,994,687 | - | 15,459,099 | **1,022,201,626** |
| **2010** | 1,123,885,277 | 3,088,374 | - | 128,496,021 | - | 15,706,902 | **955,908,660** |
| **2011** | 1,166,271,517 | 21,124,106 | - | 131,214,731 | - | 16,001,655 | **972,379,781** |
| **2012** | 1,216,228,286 | 8,738,459 | - | 138,440,353 | - | 16,069,761 | **1,027,344,322** |
| **2013** | 1,313,371,986 | 11,087,563 | - | 149,426,493 | - | 15,901,451 | **1,109,828,532** |
| **2014** | 1,369,521,594 | 3,780,626 | - | 156,568,551 | - | 15,728,218 | **1,145,731,785** |
| **2015** | 1,456,971,421 | 5,534,512 | - | 166,329,438 | - | 16,318,758 | **1,218,769,691** |
| **2016** | 1,553,033,874 | 4,839,906 | - | 177,833,957 | - | 16,606,132 | **1,303,027,519** |
| **2017** | 1,643,649,282 | 5,312,585 | - | 188,174,718 | - | 16,968,084 | **1,382,418,159** |
| **2018** | 1,784,749,176 | 4,552,478 | - | 204,185,059 | 15,713,372 | 17,426,654 | **1,490,015,437** |
| **2019** | 1,901,712,280 | 5,764,617 | - | 217,332,610 | 16,725,162 | 17,990,465 | **1,597,703,602** |
| **2020** | 2,092,204,366 | 6,294,412 | 83,565,965 | 230,305,650 | 17,685,303 | 19,464,870 | **1,689,375,984** |
| **2021** | 2,508,871,275 | 7,035,823 | 135,892,540 | 273,236,256 | 20,901,861 | 20,596,419 | **2,004,203,411** |
| **2022** | 2,891,911,865 | 11,189,811 | 183,594,688 | 312,358,293 | 107,154,845 | 23,884,427 | **2,195,372,931** |
| **2023** | 3,054,432,230 | 11,909,966 | 185,152,657 | 327,518,622 | 113,420,416 | 23,447,724 | **2,299,158,374** |
| **2024** | 3,102,225,320 | 12,863,254 | 220,246,575 | 329,137,235 | 113,981,656 | 24,215,101 | **1,823,862,358** |
| **2025** | 3,373,964,227 | 10,658,087 | 252,987,057 | 357,851,352 | 123,820,314 | 24,120,966 | **1,858,572,972** |
| **2026** | 3,536,141,937 | 11,095,407 | 307,627,997 | 370,003,131 | 128,133,693 | 24,000,000 | **1,940,004,165** |
| **2027** | 3,648,975,988 | 11,293,751 | 333,388,432 | 379,993,788 | 131,593,501 | 24,000,000 | **2,010,827,571** |
| **2028** | 3,799,417,704 | 11,527,221 | 359,388,822 | 394,277,691 | 136,540,079 | 24,000,000 | **2,110,727,263** |
| **2029** | 3,965,595,623 | 11,851,324 | 391,134,712 | 409,700,103 | 140,000,000 | 24,000,000 | **2,219,545,071** |
| **Forecast** | | | | | | | |

For current data on FY 2025, see https://dfm.idaho.gov/publication/economicpublications/ and select the most recent Idaho General Fund Revenue Report. Fiscal year to data information is available in table form on the second page of the pdf.

# Further sales distributions

| | | | | | | | | HB292 | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **History** | PBF | WPCF | PP | AgP | DPP | EC | HB1 | HPRT | SDFF | MSTC |
| **2001** | 5,000,000 | 4,800,000 | - | - | - | - | - | - | | 593,103 |
| **2002** | 5,000,000 | 4,800,000 | - | - | - | - | - | - | | 117,030 |
| **2003** | 5,000,000 | 4,800,000 | - | - | - | - | - | - | | 286,557 |
| **2004** | 5,000,000 | 4,800,000 | - | - | - | - | - | - | | 872,804 |
| **2005** | 5,000,000 | 4,800,000 | - | 16,810,566 | - | - | - | - | | 922,530 |
| **2006** | 5,000,000 | 4,800,000 | - | 13,448,453 | - | - | - | - | | 854,442 |
| **2007** | 5,000,000 | 4,800,000 | - | 9,727,440 | - | - | - | - | | 621,507 |
| **2008** | 5,000,000 | 4,800,000 | - | 8,487,103 | 932,755 | - | - | - | | 1,028,340 |
| **2009** | 5,000,000 | 4,800,000 | - | 8,487,103 | 1,448,521 | - | - | - | | 893,948 |
| **2010** | 5,000,000 | 4,800,000 | - | 8,487,103 | 1,571,606 | - | - | - | | 826,610 |
| **2011** | 5,000,001 | 4,800,000 | - | 8,487,105 | 2,361,817 | 4,100,001 | - | - | | 802,321 |
| **2012** | 5,000,000 | 4,800,000 | - | 8,487,103 | 2,495,395 | 4,248,777 | - | - | | 604,116 |
| **2013** | 5,000,000 | 4,800,000 | - | 8,487,103 | 3,947,100 | 4,308,619 | - | - | | 585,125 |
| **2014** | 5,000,000 | 4,800,000 | 18,933,640 | 8,487,103 | 5,436,472 | 4,393,098 | - | - | | 662,101 |
| **2015** | 5,000,000 | 4,800,000 | 18,921,801 | 8,487,103 | 7,196,419 | 4,480,623 | - | - | | 1,133,077 |
| **2016** | 5,000,000 | 4,800,000 | 18,889,735 | 8,487,103 | 8,437,786 | 4,488,220 | - | - | | 623,515 |
| **2017** | 5,000,000 | 4,800,000 | 18,852,109 | 8,487,103 | 8,779,625 | 4,525,701 | - | - | | 331,198 |
| **2018** | 5,000,000 | 4,800,000 | 18,837,362 | 8,487,103 | 10,061,059 | 4,606,719 | - | - | | 1,063,934 |
| **2019** | 4,999,999 | 4,800,000 | 18,730,150 | 8,487,103 | 3,057,564 | 4,739,323 | - | - | | 1,381,684 |
| **2020** | 5,000,000 | 4,800,000 | 18,604,660 | 8,487,103 | 3,174,825 | 4,817,464 | - | - | | 628,131 |
| **2021** | 5,000,000 | 4,800,000 | 18,550,086 | 8,487,103 | 4,243,407 | 4,872,755 | - | - | | 1,051,822 |
| **2022** | 5,000,000 | 4,800,000 | 18,574,043 | 8,487,103 | 14,450,988 | 5,144,807 | - | - | | 1,876,170 |
| **2023** | 5,000,000 | 4,800,000 | 23,081,285 | 8,487,103 | 11,509,366 | 5,536,293 | - | - | | 1,491,426 |
| **2024** | 5,000,000 | 4,800,000 | 24,215,101 | 8,487,103 | 10,099,917 | 5,784,534 | 410,000,000 | 54,426,242 | 54,426,242 | 1,576,217 |
| **2025** | 5,000,000 | 4,800,000 | 22,939,470 | 8,487,103 | 13,096,715 | 5,859,377 | 410,000,000 | 60,979,524 | 88,081,098 | 1,710,189 |
| **2026** | 5,000,000 | 4,800,000 | 22,939,470 | 8,487,103 | 14,687,319 | 5,936,423 | 410,000,000 | 64,066,847 | 92,541,001 | 1,819,378 |
| **2027** | 5,000,000 | 4,800,000 | 22,939,470 | 8,487,103 | 12,721,795 | 6,022,815 | 410,000,000 | 65,796,750 | 95,039,751 | 2,071,258 |
| **2028** | 5,000,000 | 4,800,000 | 22,939,470 | 8,487,103 | 11,375,425 | 6,118,331 | 410,000,000 | 68,270,039 | 98,612,279 | 2,353,978 |
| **2029** | 5,000,000 | 4,800,000 | 22,939,470 | 8,487,103 | 10,820,731 | 6,233,481 | 410,000,000 | 70,940,463 | 102,469,558 | 2,673,604 |
| **Forecast** | | | | | | | | | | |

## Individual Income Tax

Idaho taxable income is derived from federal taxable income. For Idaho residents, income from all sources is taxable in Idaho, with credit provided for taxes paid to other states. For non-residents, only income earned in Idaho is subjected to Idaho income tax. For part-year residents, income from all sources is taxable during the period of Idaho residency, while only income earned in Idaho is subject to Idaho income tax during the period of non-residency.

Although Idaho conforms to most of the federal income tax provisions for determining taxable income, a few differences exist. Idaho's definition of taxable income excludes 100% of social security income, 60% of certain capital gains, and 100% of interest earned on US government securities. Idaho also provides some credits that are not included in the federal tax code. For a complete delineation of Idaho's income tax structure, please refer to the Tax Structure section of this publication.

Idaho income derived from wages and salaries is subject to payroll withholding. Idaho does not require estimated payments for individual income tax, so tax payments derived from business income and most investment income are paid when the tax return is due (typically April 15 following the end of the tax year; notable exceptions to that date have occurred in 2020 and 2021, when the dates were June 15 and May 15).

Most net revenue from income tax is distributed to the General Fund. A notable exception is withholding collections on Idaho lottery winnings: those collections are distributed to public schools and counties. An amount equal to 20% of the individual income taxes collected by the Idaho State Tax Commission is required to be deposited in the State Refund Fund. Any balance exceeding $5 million in this fund at the end of the fiscal year is transferred to the General Fund on June 30. That last amount was set in 63–3067 as part of HB1 from the 2022 special legislative session.

A separate filing tax of $10 per income tax return has been assessed since 1959. Proceeds of the filing tax went to the General Fund until 1961, when their distribution was changed to the Permanent Building Fund. The income tax return form includes a variety of other checkoffs that can be used by the taxpayer to donate various amounts (usually from refunds) to special funds, such as non-game wildlife and veterans' support.

## Sales tax

Idaho's 6% sales tax applies to the sale, rental, or lease of tangible personal property and some services. Sales tax receipts are distributed in the following manner. Revenue sharing receives 11.5% of the gross sales tax collections less refunds and both multistate compact revenues and online sales tax collections headed for the Tax Relief Fund before Idaho fiscal year 2026. The Transportation Expansion and Congestion Mitigation (TECM) Fund is allocated 3.5% of the amount remaining after the revenue sharing distribution, and simultaneously 1% goes towards the local distribution formula for highways. Beginning in fiscal year 2024 4.5% of the money remaining after the TECM distribution was split between the homeowner property tax relief fund and school facilities funds. In fiscal year 2025 and beyond the amount due to the school

facilities fund increased to 3.25%. Beginning in fiscal year 2024 the state directs $410m to fund public education and in-demand careers. The Permanent Building Fund receives $5,000,000. The Water Pollution Control Fund gets $4,800,000. Another $8,487,103 funds the Agricultural Equipment Property Tax Exemption and approximately $20 million is currently dedicated to Personal Property Tax Relief. Other distributions are made to fund the Demonstration Pilot Project and Election Consolidation. All remaining revenue accrues to the General Fund.

## Corporate income tax

Idaho requires corporations to file quarterly payments of estimated taxes. Since its enactment in 1931, all net revenues associated with the corporate income tax have been distributed to the General Fund. An amount equal to 20% of the corporate income taxes is deposited in the State Refund Fund. An additional filing tax of $10 per tax return has been assessed since 1959. That value is now $20.

## Cigarette tax

Idaho's cigarette tax rate is 57 cents per pack of 20 cigarettes. Each year the net amount collected is distributed as follows. The Public School Income Fund and Department of Juvenile Corrections each receive $3,315,000. The Permanent Building Fund receives $5,000,000. The Central Tumor Registry Fund receives $360,000. The Cancer Control Fund receives $300,000. All remaining revenues are distributed as follows. The first $4,700,000 is deposited in the Grant Anticipation Revenue Vehicle (GARVEE) Debt Service Fund. The next $5,000,000 is dedicated to the Secondary Aquifer Planning, Management, and Implementation Fund. All remaining revenue is deposited into the Transportation Expansion and Congestion Mitigation Fund.

Historically, the General Fund received an amount needed to fund the School Bond Levy Equalization Program, but the general fund portion of cigarette taxes was often overriden by session laws.[1] Currently no cigarette tax money is directed to the general fund.

## Tobacco tax

Idaho levies a 35% tax on the wholesale price of tobacco products, except cigarettes provided the tax does not exceed $0.50 per cigar. This amount, net of refunds, is remitted to the General Fund. An additional 5% of the wholesale price is also collected. Half of this additional amount is earmarked for the Public School Income Fund, with $200,000 appropriated to Idaho State Police and $80,000 to the Commission on Hispanic Affairs. The other half of the 5% collected is distributed to the Department of Juvenile Corrections for county juvenile probation services.

## Beer tax

A tax of $4.65 on each 31-gallon barrel of beer is levied if the beer is $< 5\%$ ABV (alcohol by volume). Otherwise the rate is $13.95 per 31-gallon barrel. For the $< 5\%$ ABV beer, the amount collected after refunds is distributed: 20% to the Substance Abuse Treatment Fund (SATF),

[1] For an example, volume 2 can be searched. Press ctrl+f and search for 63-2520(b)(4).

33% to the Permanent Building Fund (PBF), and the remainder to the general fund. For the $\geq$ 5% ABV beer, the distribution phases in, with the stable distribution beginning in Idaho fiscal year 2024, when: 12% goes to the SATF, 5% goes to the Idaho hop grower's commission fund, and the remainder goes to the general fund.

### Wine tax

A tax of $0.45 per gallon is levied on wine.[2] The amount collected after refunds is distributed in a stable maner beginning in Idaho fiscal year 2024; prior to that was a phase-in period. The distribution is: 12% goes to the SATF, 5% of out-of-state wine goes to the Idaho grape growers and wine producers' account while 88% of Idaho wine goes to the Idaho grap growers and wine producers' account, the remainder goes to the general fund.

### Kilowatt-hour tax

Idaho levies a one-half mill ($0.0005) per kilowatt-hour tax on locally produced hydro-generated electricity. However, electricity used by industrial consumers and for irrigation is exempt from this tax. All collections accrue to the General Fund. This tax was enacted on July 1, 1931.

### Mine license tax

Revenue is derived from a 1% "profit" tax on Idaho mining operations. It was initially set at 3% in 1935. It was lowered to 2% in 1972 and lowered again to 1% in 2002. For mining operations without a cyanidation facility, 66% of the net tax collected accrues to the General Fund and the remaining 34% goes to the Abandoned Mine Reclamation Fund. The distribution for the mine license tax collected from mining operations with cyanidation facilities is slightly different. Thirty-three percent of the net tax collected from operations with a cyanidation facility is distributed to the General Fund, 33% goes to the Cyanidation Facility Closure Fund, and the remaining 34% goes to the Abandoned Mine Reclamation Fund.

### Liquor fund

The Idaho Liquor Dispensary distributes income from its operations to several state funds. Two percent of net income is dedicated to the Drug Court, Mental Health Court, and Family Court Services Fund. Half of the amount remaining is distributed to cities and counties. The other half is distributed as follows: the Substance Abuse Treatment Fund receives $2.08 million; the Community College Fund receives $0.8 million; the Public School Income Fund receives $1.2 million; the Cooperative Welfare Fund receives $0.65 million; the Drug Court, Mental Health Court and Family Court Services Fund receives $0.68 million; the Drug and Mental Health Court Supervision Fund receives $0.44 million; and the General Fund receives the remainder.

The forecast is prepared by the Idaho State Liquor Division.

[2] $\$0.45 \times 31$ gallons = $13.95, in case you compare this with the beer tax on 31-gallon barrels of beer.

### Interest earnings

The State Treasurer's interest income is derived from investments of idle state funds. Investments are made in securities permitted per Idaho Code. All net interest earnings, except those derived from the trust and agency funds, accrue to the General Fund.

### Court fees and fines

Revenues are derived from court fees and from 8.6% of all fines and forfeitures collected pursuant to the judgment of any court of the state. In the case of Fish and Game law violations, 2.5% goes to the General Fund. In addition to the previous two items, 80% of the court surcharge fees are distributed to the General Fund.

### Insurance premium tax

Idaho assesses a 1.5% tax on insurance premiums for policies written in Idaho. Premium taxes are collected on a quarterly prepayment basis based upon a percentage of the previous year's business and current year's tax rate. Prepayment percentages are 60% in June, 20% in September, and 15% in December. The balance is paid in March. Up to 20% of the tax collections may be directed to the Insurance Refund Fund. However, the amount in the Insurance Refund Fund that exceeds $40,000 at the end of the fiscal year is transferred to the General Fund. In addition to the refund fund, distributions are made to the Fireman's Retirement and Insolvency Administration funds. Twenty-five percent of the net tax collected in excess of $45 million is paid to the Idaho High Risk Individual Reinsurance Pool and the remainder is deposited into the General Fund.

The insurance premium tax estimate is prepared by the Deparment of Insurance.

### Unclaimed property

The State Treasurer forecasts revenue from unclaimed property from bank accounts, safe deposit boxes, travelers' checks, life insurance policies, utility deposits, and other intangible property that accrue to the state after five years. The state serves as the custodian of these unclaimed properties until they are claimed by their owners. Unclaimed Property Fund balances exceeding $250,000 are transferred to the General Fund by the end of each fiscal year.

### UCC filings

The principal source of revenue from the Secretary of State is derived from the filings of articles of incorporation. The Secretary of State also collects other miscellaneous fees, such as Uniform Commercial Code filing fees and notary fees.

The forecast is provided by the Secretary of State.

### Other departments and transfers

The miscellaneous revenue category includes receipts from other sources, such as the Idaho Historical Society.

# Tax Structure

**Introduction.** This is a guide to the structure of Idaho's primary General Fund revenue sources. It provides an examination of the various departures from the broadly defined base of the income and sales taxes. These two taxes typically supply over 90 percent of the revenue that goes to the General Fund.

We define these departures from the tax base as tax preferences – noting that they derive from the Idaho legislature. The most common forms they take in the codification of taxes are exemptions, credits, exclusions, and deductions. The result is always the same: a tax that is defined based on a broad economic concept (income, consumption, wealth, etc.) is not applied uniformly against the broad base of the tax.

Herein, a tax preference is any provision of Idaho law that excludes some portion of the tax base on a selective basis. Two illustrative examples are the sales tax exemption for prescription drugs and the income tax exclusion for interest earned on certain government-issued securities. In the first case a specific type of good (prescription drugs) is excused from the sales and use tax. In the second case a specific source of income (interest from government issued securities) is excused from the income tax. This report ignores tax expenditures that originate in federal tax law. It does, however, look at Idaho departures from the federal tax structure and treats them as Idaho-specific tax expenditures.

To serve the goals of the legislature and other stakeholders this report now only lists estimates of tax preferences for the most significant or most reliably estimated items.[3] These tax preferences can be thought of as foregone revenue the state could be collecting if the expenditure is repealed or thought of as tax relief currently provided to Idaho consumers and businesses.

The estimates listed in the table in this section could be treated as upper bounds since they are computed by taking tax rates and applying them to existing sales and income figures. An effective increase in tax rates on economic activity would generally cause less of that activity and result in less taxable revenue – hence the belief that these are upper bounds. Tax preference estimates are also likely to be upper bounds because they presume complete compliance and collection of new tax revenues.

For a concrete example, if the legislature repeals the Idaho small lottery winnings exclusion pursuant to Idaho Code 69–7439 our estimates do not account for Idahoans buying fewer lottery tickets. How many fewer lottery tickets would be purchased is not estimated because it would require assumptions about consumer preferences for goods that are beyond the scope of this report.

In previous versions of this publication, an effort was made to provide an estimate of as many tax preferences as possible even when there was little underlying data supporting the estimates. This has led to an unrealistic picture about what data exist for the purposes of estimating tax preferences. In addition to using higher quality and verifiable data this report also includes improved forecasts with an emphasis on using as much Idaho, rather than national, information as possible. These changes are in part a response to an April 2021 report by the Office of

[3]This generally includes preferences estimated to be worth more than a million dollars.

Performance of Evaluation. In addition to adopting the language of the report regarding tax preferences we also reviewed all of the items flagged by the report as significant underestimates and most of the preferences we now omit estimates for were found to be out of date or lack sufficient data for estimation.

While this report will no longer include estimates of tax preferences with insufficient, it will continue to list descriptions of tax preferences in the history section to provide a catalog of past tax preferences. Our department will also perform regular reviews to take advantage of new data that may become available.

Lastly, it is important to stress that the estimates reported are estimates. Even historical values listed in the General Fund Revenue Book should not be taken as actual values when it comes to tax preferences. Some estimates are based upon periodically available values, such as every five years, and the intervening "history" are interpolated historical values. In contrast, income tax credits, deductions, and exclusions are updated with actual historic data provided by the Idaho Tax Commission.

We have removed five previously reported on items including the Reimbursement and Incentive Tax Credit, Indigenous Earnings on Reservations Exclusion, First-time Homebuyer Deduction, Idaho Lottery Winnings Exclusion, and the sales tax exemption on interstate trucks. The items were removed once they were re-estimated and found be below the $1m threshold or found to have insufficient supporting data.

The remaining three sections of this report include estimates of the most significant and reliably estimated tax preferences along with a catalog of previously reported tax preferences. The first section includes estimates of income tax preferences. The second section includes estimates of sales tax preferences. The last section includes a catalog of all tax preferences, including repealed ones and ones for which we no longer report an estimate.

**Individual Income and Business Tax.** The Idaho income tax is a tax levied on individuals and corporations based on their income during a 12– month tax period. In the case of businesses (proprietorships, partnerships, and corporations) the concept of income is not gross receipts, but rather is associated with the economic concept of profit.

This tax has been reduced four times in the last four years with the most recent rates for 2024 being a flat 5.695% on corporate income and individual income beyond a certain threshold.

A special note concerning tax expenditure definitions is relevant in the case of the income tax. Since Idaho income tax is federal taxable income, there are some federal tax expenditures that are adopted in Idaho almost by default. These federal tax expenditures could technically be considered Idaho tax expenditures, since Idaho adopts them by law. However, this report takes the approach that federal tax expenditures related to the definition of taxable income are not Idaho tax expenditures. Idaho's exclusion of social security income from the income tax base is treated as an Idaho tax expenditure only to the extent that it exceeds the partial federal exclusion for social security income.

**The principal Idaho income tax credits are:**

- Grocery Credit
- Elderly Dependent Credit
- Other States Tax Credit
- Schools, Libraries, and Museums Credit
- Investment Tax Credit
- Youth and Rehabilitation Credit
- Research Activity Credit
- Broadband Investment Credit
- Child Income Tax Credit
- Reimbursement Incentive Credit

**The principal Idaho income tax deductions and exclusions are:**

- Social Security Exclusion
- Retirement Benefit Exclusion
- Energy Efficiency Upgrades Deduction
- Alternative Energy Device Deduction
- Child Care Deduction
- Capital Gains Exclusion
- Medical Savings Account Deduction
- Government Interest Exclusion
- College Savings Deduction
- Health Insurance Deduction
- Long–Term Care Insurance Deduction
- Indigenous Earnings on Reservation Exclusion
- First–time Homebuyer Deduction
- Idaho Lottery Winnings Exclusion

The tables (after page 18) present estimates of the fifty-seven largest tax preferences. The table groups these preferences by category and provides sub-totals. All sub-category totals increase with time, which mirrors our expectations of continued growth in the state. These values include our updated estimates for prior years.

Income tax credit preferences are expected to be worth no more than $538 million in calendar year 2024 or $556 million in 2025. The largest contributors are the grocery tax credit and other states tax credit. The grocery tax credit increased $20 per person in tax year 2023 which explains the large jump. The investment tax credit and child income tax credit are both significant and expected to continue growing.

Income tax deductions and exclusions are expected to be worth no more than $291 million in 2024 or $294 million in 2025. Deductions and exclusions may have a smaller impact because they reduce taxable income rather refund actual taxes. Many of the deductions are expected to stall

or slow down in 2023 because of the tax cuts passed in HB1 of the 2022 special session. Social security remains the largest exclusion although capital gains may be competitive if corporate profits and stock prices grow quickly enough.

Sales tax preferences relating to specific uses and entities are expected to be worth no more than $1.53 billion in 2024 or $1.57b in 2025. The overwhelming bulk of these sales tax exemptions are for equipment and supplies used in industry, mining, agriculture, and irrigation. Sales tax preferences relating to goods and services are expected to be worth no more than $3.4 billion in 2024 or $3.5 billion in 2025, the majority coming from services rather than goods. Health care and professional services are expected to make up half of this amount.

Together these preferences are expected to be worth no more than $5.78 billion in 2024 or $5.94 billion in 2025. We believe the value increased around 10% between 2021 and 2020 and has since slowed down, only showing 5.8% growth between 2022 and 2023 and 2.6% growth in 2023 and 2024 before growth accelerates in 2026 and beyond. This mirrors Moody's opinion on the near and medium term performance of the overall US economy.

**Idaho Tax Preferences (Thousands)**

| Code | Income Tax Credits | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|
| 63-3024A | Grocery Credit | $162,597 | $164,444 | $183,235 | $186,070 | $189,098 | $191,888 | $194,726 |
| 63-3025D | Elderly Dependent Credit | $872 | $919 | $956 | $994 | $1,034 | $1,072 | $1,108 |
| 63-3029 | Other States Tax Credit | $183,951 | $177,533 | $187,580 | $199,230 | $212,182 | $225,944 | $241,039 |
| 63-3029A | Schools, Libraries, and Museums Credit | $8,984 | $8,927 | $8,978 | $9,055 | $9,133 | $9,190 | $9,250 |
| 63-3029B | Investment Tax Credit | $44,502 | $46,396 | $49,802 | $51,031 | $52,731 | $54,252 | $56,079 |
| 63-3029C | Youth and Rehabilitation Credit | $9,707 | $9,304 | $9,357 | $9,437 | $9,518 | $9,578 | $9,640 |
| 63-3029G | Research Activity Credit | $6,903 | $5,267 | $5,577 | $5,627 | $5,722 | $5,801 | $5,909 |
| 63-3029I | Broadband Investment Credit | $2,041 | $2,290 | $2,341 | $2,378 | $2,453 | $2,519 | $2,584 |
| 63-3029L | Child Income Tax Credit | $66,297 | $65,539 | $65,913 | $66,475 | $67,050 | $67,469 | $67,909 |
| | Total | $485,854 | $480,619 | $513,739 | $530,298 | $548,921 | $567,712 | $588,243 |

| Code | Income Tax Deductions and Exclusions | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|
| 63-3022(l) | Social Security Exclusion | $133,434 | $135,109 | $135,847 | $138,697 | $144,295 | $149,530 | $154,597 |
| 63-3022(n) | College Savings Deduction | $4,294 | $3,760 | $3,656 | $3,620 | $3,651 | $3,674 | $3,698 |
| 63-3022A | Retirement Benefit Exclusion | $8,398 | $9,038 | $9,898 | $10,276 | $10,333 | $10,800 | $10,535 |
| 63-3022B | Energy Efficiency Upgrades Deduction | $3,396 | $3,850 | $3,773 | $3,762 | $3,823 | $3,880 | $3,937 |
| 63-3022C | Alternative Energy Device Deduction | $1,957 | $2,427 | $2,379 | $2,372 | $2,411 | $2,446 | $2,482 |
| 63-3022D | Child Care Deduction | $5,880 | $4,384 | $14,242 | $14,087 | $13,948 | $13,792 | $13,648 |
| 63-3022H | Capital Gains Exclusion | $108,525 | $74,400 | $73,672 | $75,972 | $74,615 | $75,646 | $79,611 |
| 63-3022K | Medical Savings Account Deduction | $1,645 | $1,477 | $1,524 | $1,560 | $1,602 | $1,639 | $1,678 |
| 63-3022M | Government Interest Exclusion | $1,485 | $2,795 | $3,673 | $3,975 | $3,878 | $3,867 | $3,913 |
| 63-3022P | Health Insurance Deduction | $32,299 | $31,985 | $32,992 | $35,707 | $34,836 | $34,731 | $35,148 |
| 63-3022Q | Long-Term Care Insurance Deduction | $1,883 | $1,749 | $1,758 | $1,795 | $1,868 | $1,936 | $2,001 |
| | Total | $303,196 | $270,975 | $283,414 | $291,823 | $295,260 | $301,941 | $311,250 |

| Code | Sales Tax Relating to Specific Uses & Entities | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|
| 63-3613(b)2 | Trade-in Allowance | $9,665 | $14,089 | $14,818 | $16,249 | $16,548 | $16,336 | $17,617 |
| 63-3613(b)8 | Auto Manufacturer Rebates | $19,630 | $28,613 | $30,094 | $33,001 | $33,607 | $33,176 | $35,778 |
| 63-3622D | Production Exemption - Equipment & Supplies | $484,218 | $502,618 | $514,410 | $535,461 | $552,981 | $569,108 | $593,005 |
| 63-3622D, 63-3622W | Agricultural & Irrigation Equipment Exemption | $419,612 | $444,315 | $479,343 | $486,184 | $492,871 | $503,992 | $522,461 |
| 63-3622J | School Lunches and Senior Citizen Meals | $6,924 | $8,717 | $4,830 | $5,006 | $5,206 | $5,421 | $5,637 |
| 63-3622O(1)(a), 33-5204 | Educational Institution Purchases | $13,559 | $16,920 | $17,017 | $17,162 | $17,310 | $17,419 | $17,532 |
| 63-3622O(1)(a) | Hospital Purchases | $138,960 | $146,874 | $156,722 | $163,337 | $167,796 | $171,686 | $175,720 |
| 63-3622O(1)(f) | State of Idaho and Local Government Purchases | $48,916 | $70,977 | $73,188 | $76,087 | $78,789 | $81,608 | $84,516 |
| 63-3622R(a) | Vehicles and Vessels Sold to Non-residents | $36,850 | $42,020 | $42,645 | $42,258 | $42,179 | $42,731 | $43,471 |
| 63-3622R(c) | Interstate Trucks | $11,783 | $13,495 | $13,726 | $13,602 | $13,566 | $13,757 | $14,019 |
| 63-3622X | Pollution Control Equipment | $30,997 | $36,271 | $38,934 | $39,895 | $41,224 | $42,413 | $43,841 |
| 63-3622CC, 63-3622DD | Railroad Rolling Stock and Remanufacturing | $3,078 | $3,414 | $3,693 | $3,837 | $3,889 | $3,966 | $4,087 |
| 63-3622EE, 63-3622FF | SNAP/WIC | $17,552 | $13,548 | $14,525 | $15,054 | $15,656 | $16,303 | $16,950 |
| 63-3622GG | Commercial Aircraft | $7,397 | $8,686 | $10,116 | $10,239 | $10,434 | $10,683 | $11,046 |
| 63-3622RR | Research and Development Equipment | $51,869 | $60,960 | $65,581 | $67,203 | $69,387 | $71,458 | $73,988 |
| 63-3641 | State Tax Anticipation Revenue | $12,708 | $11,467 | $11,490 | $11,775 | $12,157 | $12,520 | $12,963 |
| | Total | $1,313,719 | $1,422,985 | $1,491,131 | $1,536,350 | $1,573,601 | $1,612,578 | $1,672,630 |

| Code | Sales Tax For Goods and Services | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|
| 63-3609 | Construction Services | $189,318 | $223,104 | $246,828 | $256,170 | $267,736 | $279,699 | $292,205 |
| 63-3613(b)4 | Repair Services | $55,991 | $63,846 | $64,795 | $64,208 | $64,088 | $64,927 | $66,052 |
| 63-3613(b)7 | Transportation Services | $43,466 | $45,252 | $47,878 | $49,870 | $51,658 | $53,567 | $55,896 |
| 63-3613(c) | New Manufactured Homes or Modular Buildings | $2,512 | $3,324 | $1,794 | $1,835 | $1,803 | $1,783 | $1,794 |
| 63-3613(f) | Gratuities | $8,616 | $9,408 | $9,726 | $9,906 | $10,282 | $10,669 | $11,083 |
| 63-3616(b) | Remotely-Accessed Computer Software | $193,544 | $197,048 | $199,722 | $202,371 | $205,097 | $208,114 | $211,272 |
| 63-3622C | Motor Fuels | $209,601 | $207,695 | $202,352 | $154,504 | $138,875 | $164,306 | $187,762 |
| 63-3622F | Utility Sales | $136,413 | $152,391 | $158,236 | $166,965 | $175,050 | $180,573 | $186,439 |
| 63-3622N | Prescriptions and Durable Medical Equipment | $92,907 | $97,109 | $100,752 | $105,285 | $110,099 | $114,867 | $119,701 |
| 63-3622R(b) | Used Manufactured Homes | $2,296 | $2,789 | $3,244 | $3,318 | $3,259 | $3,224 | $3,243 |
| 63-3622S | Broadcasting Equipment | $5,407 | $6,017 | $6,235 | $6,433 | $6,743 | $7,027 | $7,315 |
| 67-7439 | Lottery Tickets | $22,363 | $22,579 | $25,386 | $25,779 | $26,198 | $26,585 | $26,978 |
| Not taxed | Agricultural Services | $5,731 | $6,117 | $6,600 | $6,694 | $6,781 | $6,941 | $7,207 |
| Not taxed | Industrial and Mining Services | $53,610 | $55,686 | $56,900 | $59,373 | $61,362 | $63,218 | $65,987 |
| Not taxed | Trade and Retail Services | $305,205 | $298,034 | $331,337 | $356,980 | $370,441 | $383,990 | $398,436 |
| Not taxed | Information Services | $66,951 | $73,782 | $79,578 | $83,637 | $86,894 | $90,324 | $94,160 |
| Not taxed | Financial and Real Estate Services | $88,502 | $94,442 | $96,937 | $99,850 | $103,367 | $107,312 | $111,644 |
| Not taxed | Professional, Management, Administrative Services | $677,609 | $742,222 | $791,577 | $825,200 | $865,670 | $911,648 | $963,301 |
| Not taxed | Education Services | $9,357 | $9,787 | $9,977 | $10,124 | $10,215 | $10,305 | $10,416 |
| Not taxed | Health Care Services | $753,588 | $796,507 | $849,911 | $885,785 | $909,966 | $931,062 | $952,941 |
| Not taxed | All Other Services | $41,223 | $43,410 | $43,328 | $43,627 | $44,004 | $44,431 | $45,099 |
| | Total | $2,964,210 | $3,150,550 | $3,333,094 | $3,417,914 | $3,519,588 | $3,664,572 | $3,818,927 |
| | **Grand Total (Thousands)** | $5,066,979 | $5,325,128 | $5,621,378 | $5,776,385 | $5,937,370 | $6,146,802 | $6,391,050 |

# Tax Structure Detail

Specific Idaho tax expenditures are detailed in the sections below. Each section contains the relevant Idaho Code reference, a brief description of the expenditure, and some significant legislative and judicial history.

**Individual and Corporate Income Tax.** Income tax expenditures fall into one of three categories: exclusions, deductions, or credits. Exclusions are sources of income that are wholly, or partly, exempt from taxation. Deductions are uses of income (either actual spending or proxies for actual spending) that are wholly, or partly, exempt from taxation. Credits are reductions from the tax that are expressed either as a percentage of some qualifying amount or as a lump sum. Some credits are refundable, meaning that they can exceed the taxpayer's tax liability and lead to a refund. Other credits are nonrefundable: they are only usable if there is a tax liability to offset.

In general, deductions and exclusions must be used in the year they are incurred, except for business net operating loss (NOL) carry forwards. Credits may be carried forward for limited time periods in certain cases where specifically authorized in the law. For example, the state's investment tax credit from a qualified purchase can be carried forward for up to 14 years.

*Income Tax Credits.*

**Corporate Headquarters Investment Credit:** **63–2903**

Description: This credit is contingent on a taxpayer qualifying under the "Idaho Corporate Headquarters Incentive Act of 2005". It provides an income tax credit of 6% of the purchase price of new equipment installed anywhere in Idaho. Qualifying equipment is the same as equipment that qualifies under Idaho's 3% investment tax credit (see 63–3029B). This credit is in lieu of the investment tax credit, is limited to no more than $5 million in any one tax year and is not subject to the 50% limit specified in 63–3029B. This credit can be generated for eligible equipment purchases which occurred through December 31, 2009. Unused credits can be carried forward for up to 14 years. General qualification criteria are specified in 63–2902, and can be summed up as making an investment of at least $50 million in new corporate headquarters facilities and adding at least 500 new jobs that either a) each pay over $50,000 per year, or b) that average $65,000 per year.

History: Enacted in 2005. Repealed July 1, 2008.

**Corporate Headquarters Real Property Investment Credit:** **63–2904**

Description: This credit is contingent on a taxpayer qualifying under the "Idaho Corporate Headquarters Incentive Act of 2005". It provides an income tax credit of 10% of the purchase price of new plant (buildings and structural components of buildings) within the project site as specified in 63–2902. This credit is limited to no more than $500,000 in any one tax year and is not subject to the 50% limit specified in 63–3029B. This credit can be generated for plant purchases which occurred through December 31, 2009.

Unused credits can be carried forward for up to 14 years. General qualification criteria are specified in 63–2902, and can be summed up as making an investment of at least $50 million in new corporate headquarters facilities and adding at least 500 new jobs that either a) each pay over $50,000 per year, or b) that average $65,000 per year.

HISTORY: Enacted in 2005. Repealed July 1, 2008.

**Corporate Headquarters New Jobs Credit:** **63–2905**

DESCRIPTION: This credit is contingent on a taxpayer qualifying under the "Idaho Corporate Headquarters Incentive Act of 2005". It provides an income tax credit ranging from $1,500 to $3,000 for each eligible new job created through December 31, 2009. This credit is not subject to the 50% limit specified in 63–3029B. Unused credits can be carried forward for up to ten years. General qualification criteria are specified in 63–2902, and can be summed up as making an investment of at least $50 million in new corporate headquarters facilities and adding at least 500 new jobs that either a) each pay over $50,000 per year, or b) that average $65,000 per year.

HISTORY: Enacted in 2005. Repealed July 1, 2008.

**Grocery Credit:** **63–3024A**

DESCRIPTION: Idaho grants a $120 grocery tax credit for each taxpayer and their dependents. All Idahoans who are at least 65 years of age receive an additional $20 credit. The grocery tax credit is prorated for SNAP participants, incarcerated persons, and partyear residents.

HISTORY: The grocery credit was originally enacted in 1965 at a level of $10. It was amended in 1972 to make the credit refundable to residents at least 65 years of age. It was amended in 1973 to increase the amount of the credit to $15. It was amended in 1975 to make the credit refundable to all resident taxpayers who meet the filing requirement and to increase the credit amount to $20 for taxpayers at least 65 years of age. In 1978 the credit for resident seniors (at least 65 years of age) was increased to $30. In 2001 the credit was increased to $35 for resident seniors and to $20 for residents under 65 years of age. In 2008, Idaho households with no more than $1,000 of taxable income received a $50 grocery tax credit for each taxpayer and each dependent. After that year, the credit increased by $10 per year until it reached $100. The grocery tax credit for households with more than $1,000 of taxable income started at $30 in 2008 and increased by $10 annually until it reached $100. The credit is set to be increased to $120 starting in 2023.

**Riparian Land Improvements Credit:** **63–3024B**

DESCRIPTION: This is a 50% credit for expenditures related to improving the habitat for threatened/endangered species or riparian habitat. The credit is limited to no more than $2,000 per person per year, and no more than $250,000 for all such credits allowed in a single tax year.

HISTORY: Effective January 1, 1998. Sunset December 31, 2002.

**Elderly Dependent Credit:** **63–3025D**

DESCRIPTION: This is a refundable credit provided to a resident taxpayer who maintains a household for a family member(s), where that family member is over 65 years of age or developmentally disabled and the taxpayer provides over one-half of the family member's support. The amount of credit is $100 for each eligible family member, with no more than $300 available to the taxpayer in any single year. This credit is allowed in lieu of the elderly and developmental disability deduction allowed under , Section 63-3022E.

HISTORY: Enacted in 1981. Amended in 1994 to add developmentally disabled persons to the credit.

**Other States Tax Credit:** **63–3029**

DESCRIPTION: The credit for taxes paid to other states is available to Idaho resident and part-year resident taxpayers who must pay income tax to another state or territory (or political subdivision thereof) on income that is also taxed by Idaho. The amount of credit is the lesser of the actual tax paid to the other state or territory, or the portion of Idaho tax attributed to the double–taxed income. The Idaho credit is not allowed if the other state or territory provides a credit for taxes paid to Idaho.

HISTORY: Initially enacted in 1939 along with the Idaho Income Tax Act. Amended in 1996 to add corporate income, franchise, or excise taxes paid by a subchapter S corporation. Amended in 2007 to include a limitation that requires a recalculation of the adjusted income earned by the Idaho resident in the other state using Idaho's rules for the calculation of that income. Amended in 2008 to include part-year residents. Amended in 2009 to include estates and trusts.

**Schools, Libraries, and Museums Credit:** **63–3029A**

DESCRIPTION: A credit is allowed for qualifying charitable monetary contributions to Idaho public and private nonprofit schools (elementary, secondary, and higher education), their foundations, trusts, or associations; to Idaho Public Libraries and Library Districts, or their foundations; to Idaho Education Public Broadcast foundations; to the Idaho State Historical Society or its foundation; to the Idaho commission for libraries; to nonprofit public or private museums located within Idaho; to the Idaho Commission on Hispanic Affairs; to the Idaho Commission for the Blind and Visually Impaired; to the Idaho Council on Developmental Disabilities; to the Idaho State Independent Living Council; to the Idaho Council for the Deaf and Hard of Hearing; to the Idaho STEM action center; or to Idaho-based, accredited medical education residency programs or their nonprofit support organizations. The credit is 50% of the qualified contribution. In the case of individuals, it is limited to 50% of the taxpayer's income tax liability or $500 ($1,000 on a jointly filed return), whichever is less. In the case of corporations, the credit is limited to 10% of the income tax liability or $5,000, whichever is less. Credits for donations to certain educational foundations, trusts, or associations are not allowed after December 31, 2019.

HISTORY: Originally enacted in 1976, this credit applied only to private nonprofit secondary or higher education institutions. Elementary schools were added in 1977. Public institutions of higher education were added in 1978. All public schools and public libraries were added in 1984. The Idaho Public Broadcast System was added in 1986. Foundations of the qualifying institutions were added in 1987. The Idaho Historical Society was added in 1992. Nonprofit museums were added in 1994. The Idaho State Library (now Idaho Commission for Libraries) was added in 1998. University–related research parks were added in 1999. Amended in 2016 to include donations to the Idaho STEM action center. Medical residency contributions were added in 2018.

**Investment Tax Credit:** **63–3029B**

DESCRIPTION: Idaho's investment tax credit (ITC) is provided to businesses (proprietorships, partnerships, and corporations) that purchase qualifying property for use in their business. The credit amount is 3% of the qualified investment in depreciable property and is not refundable. The credit taken in a given tax year is limited to no more than 50% of the taxpayer's tax liability as calculated before considering the credit. Credits not used may be carried forward up to 14 years from the year of qualifying property purchase. The definition of qualified investment is tied to the old federal ITC (repealed in the Tax Reform Act of 1986), with the exceptions that: a) the equipment must have Idaho situs; and b) motor vehicles under 8,000 pounds do not qualify. Mobile property that is only partially used in Idaho is allowed ITC in proportion to its use in Idaho.

HISTORY: Idaho's ITC was enacted in 1982. It was amended in 1987 to prevent its automatic repeal by the federal repeal of ITC in 1986. It was amended in 1992 in response to an Idaho Supreme Court case that changed the interpretation of how the credit is applied to equipment that is used both inside and outside Idaho. It was amended in 1994 to make technical changes relating to unitary corporations. It was amended in 1995 to extend the carryover period from five to seven years, reduced the portion of tax liability that could be offset from 50% to 45%, and eliminated a restriction on replacement property. It was amended in 2000 to increase the portion of tax liability that could be offset from 45% to 50%, and to extend the carryover period from seven to fourteen years. It was amended in 2003 to provide an option to take a property tax exemption instead of the ITC.

**Youth and Rehabilitation Credit:** **63–3029C**

DESCRIPTION: This is a credit provided to taxpayers who make charitable contributions to the Anchor House; North Idaho Children's Home; Idaho Youth Ranch; Children's Home Society of Idaho, Inc.; Kinderhaven; Women's and Children's Alliance; Children's Village; Gem Youth Services; Hope House; nonprofit centers for independent living located within Idaho; Idaho Drug Free Youth, Inc.; Shepherd's Home, Inc.; Project Safe Place; Learning Lab, Inc.; Project P.A.T.C.H. (Planned Assistance for Troubled Children); or to nonprofit rehabilitation facilities located in Idaho and accredited by the Commission

on Accreditation of Rehabilitation Facilities or their foundations. The credit is calculated as 50% of the contribution. For individual taxpayers, the credit is limited to the lesser of $100 or 20% of the taxpayer's income tax liability. For corporations, the credit is limited to the lesser of $500 or 10% of the taxpayer's income tax liability. There is no carryover provision.

HISTORY: The credit was enacted in 1982. Numerous entities have been added over the years.

**Recycling Equipment Credit:** **63–3029D**

DESCRIPTION: This nonrefundable credit is for 20% of the cost of manufacturing equipment used to produce goods from postconsumer waste. The credit is limited to no more than $30,000 in a single tax year, but unused portions may be carried forward up to seven years.

HISTORY: This credit was enacted in 1994.

**Right Income Adjustment Credit:** **63–3029F**

DESCRIPTION: A refundable credit for the difference between the Idaho state income tax liability for the year income was included in taxable income and the Idaho state income tax that would have been paid had the income not been included in taxable under the claim of right doctrine. Applies in situations where a taxpayer does not receive a benefit from the deduction thereby effectively paying tax on income they had fully repaid.

HISTORY: Enacted in 2015.

**Research Activity Credit:** **63–3029G**

DESCRIPTION: This is a 5% credit for expenditures related to qualified research as defined in section 41 of the Internal Revenue Code. The research must be conducted in Idaho. The credit is limited to no more than the taxpayer's liability after all other credits in a single tax year and can be carried forward up to 14 years.

HISTORY: Enacted in 2001.

**Broadband Investment Credit:** **63–3029I**

DESCRIPTION: This is a 3% credit for expenditures in qualified broadband equipment in Idaho. This credit is in addition to the 3% investment tax credit (see 63–3029B), for a total credit of 6% on broadband investments. The 3% credit is limited to no more than $750,000 per taxpayer per year and no more than the taxpayer's liability after all other credits in a single tax year. It can be carried forward for up to 14 years. This credit is transferable to other taxpayers.

HISTORY: Effective January 1, 2001.

**County Incentive Investment Tax Credit:** **63–3029J**

DESCRIPTION: This is a variable rate credit for expenditures that qualify for Idaho's investment tax credit (see 63–3029B). Its rate is the greater of one-half of the amount by which the average three–year unemployment rate in the county in which the property is located exceeds 6%, or one-tenth of one percentage point for each full percentage point the three–year average per-capita income level in the county in which the property is

located is below 90% of the statewide average per-capita income level. The credit is limited to no more than $500,000 per taxpayer, and no more than the taxpayer's liability after all other credits in a single tax year. It can be carried forward for up to 14 years. This credit may be transferred to other taxpayers.

HISTORY: Enacted in 2001. Repealed in 2018.

**Live Organ Donation Expenses Credit:** **63–3029K**

DESCRIPTION: This credit is for a donor's expenses associated with a live organ donation. Only the portion of direct expenses that are not reimbursed is eligible. The total credit is limited to the lower of the actual expenses or $5,000. This credit can be carried forward up to five years.

HISTORY: Effective January 1, 2007.

**Child Income Tax Credit:** **63–3029L**

DESCRIPTION: The state provides a nonrefundable $205 individual income tax credit per qualifying child of the taxpayer.

HISTORY: Effective from January 1, 2018 to December 31, 2025.

**Employer College Credit:** **63–3029M**

DESCRIPTION: The state provides employers an income tax credit for contributions to employees' Ideal 529 College accounts. The credit is 20% of the contribution up to $500 annually per employee.

HISTORY: Enacted in 2020.

**Special Job Credit:** **63–3029EE**

DESCRIPTION: For the period prior to April 14, 2011, a $1,000 credit is granted for each new employee who was paid an average of $15.50 per hour during the calendar year and was eligible to receive employer-provided accident or health insurance. A $500 credit is available for each new employee in a business involved in manufacturing or processing any natural resource product. Businesses must choose between credits, since only one type of credit per new job can be used. The amount of credit that can be claimed in any one tax year is limited (along with most other credits) to 50% of the tax otherwise imposed and may not exceed 3.25% of the taxpayer's net income. Unused credits may be carried forward up to three years.

HISTORY: Effective January 1, 2011 to December 31, 2016.

**Promoter Sponsored Events Credit:** **63–3620C(3)(b)**

DESCRIPTION: This provides a refundable income tax credit in the amount of $1.00 for each temporary sales tax permit a sponsor or promoter of "promoter sponsored events" issues. Promoter sponsored events may include swap meets, flea markets, gun shows, fairs, and other similar events.

HISTORY: Enacted in 1999.

**Small Employer Capital Investment Credit:** **63–4403**

DESCRIPTION: This credit is contingent on a taxpayer qualifying under the "Idaho Small Employer Incentive Act of 2005". It provides an income tax credit of 3.75% of the purchase price of new equipment installed anywhere in Idaho. Qualifying equipment is the same as equipment that qualifies under Idaho's 3% investment tax credit (see 63–3029B). This credit is in lieu of the investment tax credit, is limited to no more than $750,000 in any one tax year, and is subject to a 62.5% limit instead of the 50% limit specified in 63–3029B. This credit can be generated for eligible equipment purchases occurring from January 1, 2006 through December 31, 2030. Unused credits can be carried forward for up to 14 years. General qualification criteria are specified in 63–4402 and can be summed up as making an investment of at least $500,000 in new facilities and adding at least ten new jobs paying at least $19.23 per hour. The average wage for each additional job above the initial ten must be at least $15.50 per hour, not including employees earning more than $48.08 per hour.

HISTORY: Enacted in 2005. Amended in 2006. Average wage calculation amended in 2008. Amended in 2020 to extend this credit through 2030.

**Small Employer Real Property Improvement Credit: 63–4404**

DESCRIPTION: This credit is contingent on a taxpayer qualifying under the "Idaho Small Employer Incentive Act of 2005". It provides an income tax credit of 2.5% of the purchase price of new plant (buildings and structural components of buildings) within the project site as specified in 63–2902. This credit is limited to no more than $125,000 in any one tax year. This credit can be generated for plant purchases occurring from January 1, 2006 through December 31, 2030. Unused credits can be carried forward for up to 14 years. General qualification criteria are specified in 63–4402 and can be summed up as making an investment of at least $500,000 in new facilities and adding at least ten new jobs paying at least $19.23 per hour. The average wage for each additional job above the initial ten must be at least $15.50 per hour, not including employees earning more than $48.08 per hour.

HISTORY: Enacted in 2005. Amended in 2006. Average wage calculation amended in 2008. Amended in 2009 to extend this credit through 2020. Amended in 2020 to extend this credit through 2030.

**Small Employer New Jobs Credit: 63–4405**

DESCRIPTION: This credit is contingent on a taxpayer qualifying under the "Idaho Small Employer Incentive Act of 2005". It provides an income tax credit ranging from $1,500 to $3,000 for each eligible new job created from January 1, 2006 through December 31, 2030. This credit is limited to 62.5% of the taxpayer's tax liability in any given year. Unused credits can be carried forward for up to ten years. General qualification criteria are specified in 63-4402 and can be summed up as making an investment of at least $500,000 in new facilities and adding at least ten new jobs paying at least $19.23 per hour. The average wage for each additional job above the initial ten must be at least $15.50 per hour, not including employees earning more than $48.08 per hour.

History: Enacted in 2005. Amended in 2006. Average wage calculation amended in 2008. Amended in 2009 to extend this credit through 2020. Amended in 2020 to extend this credit through 2030.

**Reimbursement Incentive Credit:** **67–4737**

Description: A refundable income tax credit of up to 30% for up to 15 years on new corporate business income tax (from corporations, pass through entities and proprietorships), sales and use tax, and individual income tax withheld from employees paid as a result of a qualifying project. The actual tax credit percentage and project term is negotiated by the Director of the Idaho Department of Commerce and subject to the approval of the Idaho Economic Advisory Council based upon the quality of jobs created, regional economic impact, and return on investment for Idaho. The Governor may suspend the issuance of new credits if a holdback is issued. However, all credits set prior to any holdback will be honored by the state.

History: Effective July 1, 2014.

*Income Tax Deductions and Exclusions.*

**Social Security Exclusion:** **63–3022(l)**

Description: This exclusion is for social security income that is included in arriving at federal adjusted gross income. No social security income is subject to Idaho's income tax.

History: This exclusion was enacted in 1984 in response to federal taxation of a portion of social security income.

**Railroad Retirement Exclusion:** **63–3022(l)**

Description: This exclusion is for railroad retirement benefits paid by the Railroad Retirement Board that are included in federal adjusted gross income. Railroad retirement is the equivalent of social security for railroad employees.

History: Enacted in 1984.

**Workers' Compensation Premium Deduction:** **63–3022(m)**

Description: This deduction is available to self–employed individuals for the cost of workers' compensation insurance that has not already been deducted in arriving at taxable income.

History: Enacted in 1990.

**College Savings Deduction:** **63–3022(n)**

Description: A deduction is allowed for amounts contributed to a college savings program defined in Chapter 54, Title 33, . The amount of the deduction is limited to a maximum of $6,000 per tax year or $12,000 per tax year for married couples filing a joint return.

History: Enacted in 2000. Amended in 2017 to increase maximum for single filers from $4,000 to $6,000 and joint filers from $8,000 to $12,000.

**Retirement Benefit Exclusion:** **63–3022A**

DESCRIPTION: This exclusion is for retirement benefits paid by any of the following: a) US civil service retirement system; b) fireman's retirement fund of Idaho; c) policeman's retirement fund of a city within Idaho; and d) US Military. The exclusion is available to either retirees or un-remarried widows of retirees who are 65 years of age or older, or are disabled and 62 years of age or older. The exclusion is limited to the actual retirement payment or the maximum amount of social security benefits available, whichever is less. Expanded in 2015 to include benefits of the Foreign Service Retirement and Disability System.

HISTORY: This exclusion was enacted in 1973. It is revised annually by the Idaho Tax Commission to adjust the maximum exclusion amount.

**Energy Efficiency Upgrades Deduction:** **63–3022B**

DESCRIPTION: This deduction is for the cost of insulation installed in Idaho residences that existed as of January 1, 2002 and served as the taxpayer's primary residence. A building existed if it was already built, under construction, or subject to an outstanding building permit.

HISTORY: Enacted in 1976 for buildings existing as of January 1, 1976. Amended in 2012 to include residences existing as of January 1, 2002. Amended in 2013 to include only primary residences.

**Alternative Energy Device Deduction:** **63–3022C**

DESCRIPTION: This deduction is for the cost of acquiring, constructing, and/or installing wood, pellet, solar, wind, geothermal energy, or natural gas/propane devices to replace residential wood stoves that do not meet environmental protection agency certification requirements. The deduction is limited to 40% of the cost in the first year and 20% of the cost in each of the next three years. No single year's deduction may exceed $5,000. A taxpayer who buys a residence may claim any unused deduction associated with that residence subject to the restrictions noted above.

HISTORY: Enacted in 1976. Amended in 1994 to add natural gas and propane heating units, and to require that replaced wood burning stoves be surrendered to the Idaho Department of Environmental Quality.

**Child Care Deduction:** **63–3022D**

DESCRIPTION: The Child Care Deduction allows individual taxpayers to deduct childcare expenses that qualify for purposes of computing the federal child care credit. The maximum deduction allowed is $3,000 for one qualifying child and $6,000 for two or more qualifying children.

HISTORY: This deduction was enacted in 1977.

**Elderly and Developmental Disability Deduction:** **63–3022E**

DESCRIPTION: This is a deduction from taxable income of $1,000 for each eligible member of a household that is maintained by the taxpayer. The eligible members must be at least

65 years old or developmentally disabled. The maximum amount of the deduction that the taxpayer can claim in any one tax year is$3,000.

History: This deduction was enacted in 1981. Amended in 1984 to add developmentally disabled persons to the qualifying dependents. Amended in 1994 to allow the deduction on the developmentally disabled person's own return.

**World War II Reparations Exclusion** **63–3022G**

Description: Amounts paid to individuals from the US Civil Liberties Public Education Fund.

History: Enacted in 1989.

**Capital Gains Exclusion:** **63–3022H**

Description: This exclusion is allowed for 60% of the gain from the sale of certain property. To qualify for this exclusion the property must have had an Idaho situs at the time of sale and is limited to real property held for at least 12 months. These properties include: tangible personal property that was used in a revenue-producing enterprise and held for 12 months or longer; certain cattle or horses held for 24 months or longer; other breeding livestock held 12 months or longer; or timber held for over 24 months or longer. Certain partnership interest held at least 12 months.

History: Enacted in 1987. Amended in 1995 to add various restrictions, including a requirement that qualifying timber must be grown in Idaho and livestock gain claimants must derive at least half of their gross income from farming or ranching operations in Idaho. Amended in 1998 to reduce the holding period for real estate from five years to 18 months. Amended in 2005 to reduce the holding period for real estate from 18 months to 12 months. Amended in 2008 to clarify pass-through entity holding periods. Amended in 2015 to allow exclusion to owners for income from pass-through entities that derive at least half their gross income from farming or ranching. Amended in 2015 to include qualified conservation easements, certain grazing permits and leases, and any 1250 property as defined in the Internal Revenue Code.

**Adoption Expense Deduction:** **63–3022I**

Description: This deduction is for up to $10,000 of actual legal fees and medical costs incurred in an adoption.

History: This deduction was enacted in 1994 with a ceiling of $3,000. The ceiling was raised to $10,000 in 2018.

**Technological Equipment Deduction:** **63–3022J**

Description: A deduction from taxable income is allowed to individuals and corporations for the fair–market value of computers, scientific equipment, and computer software that are donated to Idaho elementary and secondary schools, public libraries, or public and nonprofit private colleges and universities. The equipment may not be over five years old at the time of donation and the recipient must issue a written statement accepting

the donation. The deduction cannot exceed the taxpayer's cost of the technological equipment or reduce taxable income to less than zero.

HISTORY: This deduction was enacted for schools in 1984 as 63–3025B. Libraries were added in 1985. Colleges and universities were added in 1995. The section was moved to 63–3022J in 1995. Private elementary and secondary schools were added in 2009.

**Medical Savings Account Deduction:** **63–3022K**

DESCRIPTION: This is a deduction for contributions to medical savings accounts. It is limited to a maximum of $10,000 per taxpayer each year. The limit for married couples filing joint returns is $20,000.

HISTORY: This deduction was enacted in 1994 as Title 41, Chapter 53. It was amended in 1995 to eliminate a restriction to high–deductible insurance policies, to eliminate administrative responsibilities from the depository institution, and to allow taxpayer funded accounts to qualify. It was moved to 63–3022K in 1995. The maximum deduction was raised to $10,000 per taxpayer in 2014. The previous cap was $2,000 per taxpayer.

**Government Interest Exclusion:** **63–3022M**

DESCRIPTION: This exclusion is for interest earned on securities issued by the State of Idaho and/or local governments and the interest earned on federal government securities. The interest exclusion must be reduced by an amount that is calculated by multiplying the taxpayer's total deductible interest expense, times the ratio of the taxpayer's interest income from the tax-exempt obligations to the taxpayer's total income.

HISTORY: This exclusion has been in effect since enactment of the income tax. The offset calculation was modified and moved to 63–3022M in 1998 and modified in 1999 to correct the calculation of deductible interest expense.

**Marriage Penalty Deduction:** **63–3022N**

DESCRIPTION: Idaho joint income tax returns are given an additional standard deduction amount equal to double the single standard deduction less the joint deduction. This deduction is not available to returns that claim itemized deductions. Since 2003 the federal standard deduction for joint filers has been twice the standard deduction for single filers.

HISTORY: Enacted in 1999 at a level of $150. Amended in 2000 to make it the difference between the joint standard deduction and two times the single standard deduction.

**Health Insurance Deduction:** **63–3022P**

DESCRIPTION: A deduction is allowed for payments for health insurance, so long as those payments were not otherwise deductible from taxable income.

HISTORY: Enacted in 2000 for self–employed persons. Expanded to all persons in 2001.

**Long–Term Care Insurance Deduction:** **63–3022Q**

DESCRIPTION: This deduction from Idaho taxable income is for 100% of premiums for long–term care insurance not already deducted or accounted for in arriving at taxable income.

HISTORY: Enacted in 2001. The original deduction applied to half of premiums. Amended in 2004 to cover all long-term care insurance premiums.

**Certain Loss Recoveries Deduction:** **63–3022R**

DESCRIPTION: A deduction is allowed in the amount equal to the amount of the loss recovery if no deduction for the loss was claimed on a prior return.

HISTORY: Enacted in 2013.

**Indian Earnings on Reservation Exclusion** **63–3022S**

DESCRIPTION: Income earned on an Indian reservation by enrolled tribal members residing on a reservation.

HISTORY: This exclusion is the result of various treaties and case law. Codified in 2014 and is retroactive to January 1, 2013.

**Certain Charitable Contributions Deduction:** **63–3022U**

DESCRIPTION: This deduction is allowed when a net operating loss occurs in the same tax period as a charitable contribution and causes the taxpayer to lose part of the charitable contribution deduction. This allows an additional deduction in the amount of the charitable contribution deduction that was lost.

HISTORY: Effective July 1, 2014.

**First-Time Homebuyer Deduction** **63–3022V**

DESCRIPTION: Idaho allows an income tax deduction for contributions into a First-Time Homebuyer Savings Account. The maximum deduction is $15,000 per year for an individual and $30,000 per year for a married couple.

HISTORY: Enacted in 2020.

**Nonresident Guaranteed Partnership Income Exclusion:** **63–3026A(3)(a)(i)**

DESCRIPTION: Guaranteed payments to nonresident, retired partners that are sourced to the taxpayers' domiciles are excluded from Idaho taxable income. Up to $250,000 of the guaranteed payments made to each nonresident partner are sourced as compensation for services. The amount of the guaranteed payment more than $250,000 is sourced to Idaho based upon the partnership's apportionment factor. The $250,000 threshold is adjusted annually for inflation.

HISTORY: Enacted in 2013.

**Idaho Lottery Winnings Exclusion:** **67–7439**

DESCRIPTION: Excludes Idaho Lottery prizes of less than $600 from taxable income.

HISTORY: Originally enacted in 1988 as 100% exclusion. Amended in 1997 to limit the income exclusion to prizes of less than $600 starting on January 1, 1998. Amended in 1998 to restrict the exclusion to Idaho State Lottery winnings.

**Sales and Use Tax Detail.** The following sales tax expenditures can be divided into two broad categories: sales tax relating to specific uses or entities and sales tax for goods and services. Previously our report separately estimated some services based on data from Economic Censuses and classification following the NAICS system. We now list all services at the two digit NAICS level to provide more detailed estimate of the value of services in the state.

While we generally try to assign one piece of Idaho code to one preference for sales tax preferences there are cases where multiple portions of Idaho code are assigned to the same sales tax exemption. Often this is because the exempt goods are similar.

For example, in prior reports we listed the production exemption described by 63-3622D separately for agriculture, mining, and industry. Now we have grouped the mining and industry components together and combined the agriculture component with the exemption for irrigation equipment described by 63-3622W. The decision was data driven as the agricultural Census formed the basis of our new estimate for agricultural equipment and the Census did not separately provide an estimate for irrigation equipment.

**Corporate Headquarters Construction:** **63–2908**

DESCRIPTION: This rebate is contingent on a taxpayer qualifying under the "Idaho Corporate Headquarters Incentive Act of 2005". It provides a rebate for all sales and use taxes paid on property constructed, located, or installed in the "project site" (as specified in 63–2902) through December 31, 2009. General qualification criteria are specified in 63–2902, and can be summed up as making an investment of at least $50 million in new corporate headquarters facilities and adding at least 500 new jobs that either a) each pay over$50,000 per year, or b) that average $65,000 per year.

HISTORY: Enacted in 2005. Repealed July 1, 2008.

**Incidental Sales of Tangible Personal Property:** **63–3609**

DESCRIPTION: Exempts goods sold incidentally when selling real property, such as an appliance included with a home purchase.

HISTORY: Enacted in 1985.

**Construction:** **63–3609**

DESCRIPTION: Sales tax is paid on the cost of materials that are used in construction projects, but the labor component is generally not taxed. Taxable revenue is half of Idaho's share of construction revenue NAICS 23 from US Economic Census.

HISTORY: The original language of the sales tax defined a "sale" as any transaction involving the exchange of tangible personal property for a consideration under 63–3612. In 63–3609(a) of the Sales Tax Act defining a retail sale it is stated that "all persons engaged in constructing, altering, repairing or improving real estate are consumers of the material used by them; all sales to or use by such persons of tangible personal property are taxable whether or not such persons intend resale of the improved property".

**Lodging, Eating, and Drinking Places:** **63–3612**

DESCRIPTION: Allows these industries an exemption for nondepreciable goods that are consumed by customers, such as guest hand soap provided in a motel room.

HISTORY: Enacted in 1988.

**Trade-in Allowance:** **63–3613(b)2**

DESCRIPTION: Excludes from the taxable sales price any amounts allowed for merchandise traded in on other like goods. Specific exclusions for this allowance exist for new manufactured homes, new park model recreational vehicles, and modular buildings.

HISTORY: Enacted in 1965. Amended in 1976 to exclude a trade in allowance on the purchase of a new mobile home. Amended in 1986 to change mobile home to manufactured home and added modular buildings, excluding trade-in allowances on the purchase of new manufactured homes and modular buildings. Amended in 1990 to extend allowance to trade-downs. Amended in 2017 to exclude a trade-in allowance on the sale of a park model recreational vehicle.

**Repairs:** **63–3613(b)4**

DESCRIPTION: Taxable Revenue is 60% of NAICS codes 811 revenue.

HISTORY: Not subject to sales and use taxes.

**Federal Excise Tax Imposed at Retail Level:** **63–3613(b)5**

DESCRIPTION: Excludes retail level federal excise taxes from the taxable sales price. 85

HISTORY: Originally enacted in 1965.

**Transportation Services:** **63–3613(b)7**

DESCRIPTION: Taxable revenue is 20% of Idaho's share of revenue for NAICS 48-49 from US Economic Census.

HISTORY: Transportation services have generally been exempted since the enactment of the sales tax in 1965. The exclusion for transportation of manufactured homes was added in 1986. Air charter transportation of freight and passengers was made taxable in 1988.

**Auto Manufacturer Rebates:** **63–3613(b)8**

DESCRIPTION: Allows dealers to deduct the amount of a rebate given to the buyer, by the motor vehicle manufacturer, from the taxable sales price of the vehicle.

HISTORY: Enacted in 1990.

**Sales by Outfitters and Guides:** **63–3613(b)9**

DESCRIPTION: Allows outfitters to exclude from the taxable amount charged to their customers the federal fees imposed on outfitters for the right to use recreational sites.

HISTORY: Enacted in 1990. Amended in 1994 to eliminate the provision that the federal fees must be for the purpose of managing the land or water upon which the outfitting occurs.

**Telecommunications Equipment:** **63–3613(b)10; 63-3621(a)**

DESCRIPTION: Exempts from taxation the amount of discount or price reduction that is offered as an inducement to commence or continue telecommunications service.

HISTORY: Enacted in 1996.

**New Manufactured Homes or Modular Buildings:** **63–3613(c)**

DESCRIPTION: Excludes 45% of the sales price of new manufactured homes and modular buildings from the taxable sales price.

HISTORY: Originally exempted 60% of the sales price of mobile homes when enacted in 1965. It was amended in 1976 to exempt 45% and add modular buildings (which were previously treated as real property improvements and taxed on materials as built).

**Sales Through Vending Machines:** **63–3613(e)**

DESCRIPTION: Allows retailers selling products through vending machines for $1.00 or less to pay tax on 117% of their acquisition cost of the products rather than on the retail sales price.

HISTORY: Enacted in 1977.

**Gratuities for Meals:** **63–3613(f)**

DESCRIPTION: Exempts mandatory and voluntary gratuities for meals from the Idaho sales tax.

HISTORY: Enacted in 2011.

**Remotely-Accessed Computer Software:** **63–3616(b)**

DESCRIPTION: Certain computer software are not tangible personal property by definition and therefore not subject to the Idaho sales tax. They are: custom computer programs; computer software that is delivered electronically; remotely-accessed computer software; and computer software that are delivered by the load-and-leave method. Digital music, digital books, digital videos, and digital games are not tangible personal property subject to the sales tax if purchaser does not have permanent rights to the product.

HISTORY: Enacted in 2013. Amended in 2014 to exclude computer software delivered electronically or by the load-and-leave method. Amended in 2015 to specify that digital music, digital books, digital videos, and digital games are not tangible personal property subject to the sales tax if purchaser does not have permanent rights to the product.

**Motor Vehicles of Nonresident Students:** **63–3621(k)**

DESCRIPTION: Exempts full-time, nonresident post-secondary students' vehicles from the use tax.

HISTORY: Enacted in 2011.

**Personal Property of Military Personnel:** **63–3621(l)**

DESCRIPTION: Exempts personal items, including vehicles, brought into the state by military personnel temporarily assigned to Idaho and their spouses from the use tax.

HISTORY: Enacted in 2011.

**Donations of Real Property to Idaho Government:** **63–3621(m)**

DESCRIPTION: Allows an exemption from use tax for goods that are donated to the State of Idaho, its political subdivisions, or a nonprofit listed in 63–3622O, where the donated goods are incorporated into real property.

HISTORY: Enacted in 1991.

**Beverage and Food Samples:** **63–3621(n)**

DESCRIPTION: Exempts beverages including, wine and beer, and food if given as a free tasting to a potential customer.

HISTORY: Enacted in 2012. Expanded in 2013 to exempt food samples offered to shoppers.

**Beverage and Food Donations:** **63–3621(o)**

DESCRIPTION: Exempts beverages and food donated to individuals or nonprofit organizations.

HISTORY: Enacted in 2014.

**Prepared Beverage and Food Given to Employees:** **63–3621(p)**

DESCRIPTION: Exempts food or beverages provided free of charge to their employees by food and beverage retailers.

HISTORY: Enacted in 2015.

**Federal Constitutional Prohibitions:** **63–3622A**

DESCRIPTION: State cannot tax goods when prohibited by the US Constitution.

HISTORY: Originally enacted in 1965 as 63–3622(a).

**Other Federal and State Statutory Prohibitions:** **63–3622A**

DESCRIPTION: Exemptions granted from state sales tax by other state statutes and by federal statutes, such as the American Red Cross, Amtrak, credit unions, Emergency 911, Federal Intermediate Credit Banks, Federal Land Banks, foreign diplomats, Idaho Health Facility Authority, Idaho Housing Authority, Idaho Life and Health Insurance Guaranty Association, Idaho Onion Commission, Idaho Potato Commission, Idaho Turnpike Authority, Idaho Wheat Commission, Junior College Dormitory Housing Authority, Production Credit Association, Regional Airport Authority, aircraft flights, and navigable water-based transportation.

HISTORY: Varies by statute.

**Out-of-State Contracts:** **63–3622B**

DESCRIPTION: Exempts goods purchased by contractors to install into real property in non-taxing states.

HISTORY: Originally enacted in 1965 as 63–3622(b), it was amended in 1993 to extend to non-Idaho contractors.

**Motor Fuels:** **63–3622C**

DESCRIPTION: Exempts on-road use of motor fuels subject to motor fuels tax and exempts off-road fuels loaded in Idaho and used outside Idaho.

HISTORY: Originally enacted in 1965 as 63–3622(c). Exempted on-road use of motor fuels; amended in 1986 to exempt locomotive fuels unless loaded and burned off in Idaho.

**Production Exemption – Equipment and Supplies:** **63–3622D**

DESCRIPTION: This feature of the production exemption exempts equipment and supplies used to produce a taxable product for retail sale. Production activities covered by

this exemption are limited to manufacturing, processing, fabricating, logging, farming, mining, and fishing and hunting operations. The equipment must be primarily and directly used in the production activity to qualify. Also, the claiming entity must be primarily engaged in a qualifying activity for its equipment to qualify. Certain specific exclusions from the production exemption exist. They include: equipment that is used in activities other than the actual production activity; equipment used in transportation, including motor vehicles and aircraft that are required to be licensed by any state; equipment used to make repairs; any tangible personal property that is or is intended to become a component of real property; recreational vehicles; and equipment used to produce exempted gas, electricity, water, or literature.

HISTORY: This exemption was originally enacted in 1965 as 63–3622D. In 1987, custom farmers were added to the exemption by amending 63-3603, the definition of farming. In 1989, 63–3605A was added to include contract loggers in the production exemption. In 1990, logging was moved to a separate section and expanded to include persons who are not primarily engaged in logging. It was amended in 1991 in response to the Haener decision (Idaho Supreme Court) by adopting the integrated plant doctrine, exempting equipment used to fabricate or install production equipment, and adding safety equipment. Amended in 2006 to include equipment used to manufacture heating materials. Amended in 2008 to include equipment used to process certain materials to produce energy. Amended in 2015 to remove the exclusion for hand tools with a unit purchase price of $100 or less and to include in the exemption fishing and hunting operations. Amended in 2016 to extend the end of the production process for farming operations from "initial storage" to removal from initial storage. This amendment exempts equipment and supplies used to remove produce from initial storage. The logging exemption (63–3622JJ) was amended in 2016 to remove the exclusion for hand tools with a unit purchase price of $100.00 or less.

**Containers:** **63–3622E**

DESCRIPTION: Exempts containers that are part of goods for sale, including returnable containers.

HISTORY: Originally enacted in 1965 as 63–3622(e).

**Utility Sales:** **63–3622F**

DESCRIPTION: Exempts sales of natural gas, electricity, and water delivered to consumers by means of wires, pipes, mains, or similar systems.

HISTORY: Originally enacted in 1965 as 63–3622(f).

**Heating Materials:** **63–3622G**

DESCRIPTION: Exempts any material burned to heat buildings or homes.

HISTORY: Originally enacted in 1965 as 63–3622(g).

**Nonprofit Literature:** **63–3622I**

DESCRIPTION: Exempts literature published and sold by 501(c)(3) nonprofit organizations.

HISTORY: Originally enacted in 1965 as 63–3622(j), exempting only religious literature. Amended in 1989 to include literature of all 501(c)(3) nonprofit organizations. Amended in 1999 to include alternative forms, including audio-visual, magnetic, optical, and other machine-readable media.

**Sales of Meals by Churches to Members:** **63–3622J**

DESCRIPTION: Exempts meals sold at church functions to members of the congregation.

HISTORY: Originally enacted as 63–3622(k) in 1965.

**School Lunches and Senior Citizen Meals:** **63–3622J**

DESCRIPTION: Exempts federal meals programs for youth and elderly.

HISTORY: School lunch programs were exempted in 1965 as 63–3622(k). Amended in 1974 to add sales of meals to aging persons under the Older Americans Act.

**Sales by Nonretailers (Yard and Occasional Sales):** **63–3622K(b)(1,6,8)**

DESCRIPTION: Exempts sales of items by individuals who are not retailers and who are not behaving as retailers. Covers transactions such as occasional yard sales, occasional classified ad sales, etc. Motor vehicle sales are specifically excluded from this exemption.

HISTORY: Originally enacted as 63–3622(l) in 1965. Yard sales added as 63–3622H in 1984 and moved to 63–3622K(b)(8) in 1997.

**Sale or Lease of Businesses or Business Assets:** **63–3622K(b)(2-5)**

DESCRIPTION: Exempts sales of otherwise taxable merchandise, equipment, and supplies in cases where the entire business operation is undergoing transfer of ownership and the business itself will continue its operations. It also exempts sales of businesses that amount to a change in the form of business ownership. It also exempts sales and leases of capital assets between closely related businesses, but only if the sales tax has previously been paid on the capital asset.

HISTORY: Originally enacted as 63–3622(l), it was amended in 1967 to add bulk sales and change in form of doing business by adopting a new definition (Section 63–3612A). Section 63–3612A was repealed and moved to 63–3622K in 1988 and was amended to exclude aircraft, boats, snowmobiles, off-highway motorbikes, and recreational vehicles from the occasional sale exemptions. Amended in 1989 to limit the exclusion to subsections (b)(1), (b)(4), (b)(6) or (b)(8). Amended in 1990 to add related business transfers and capital asset sales. Amended in 1996 to exempt leases between related parties as described in subsection (b)(4). Also provided that subsequent sales of the same assets would be exempt between related parties if the initial purchaser paid the sales tax.

**Sales by 4–H and FFA Clubs at Fairs:** **63–3622K(b)7**

DESCRIPTION: Exempts sales of animals by 4-H or FFA clubs held in conjunction with a fair or the Western Idaho Spring Lamb Sale.

HISTORY: Enacted in 1979 by amending 63–3612A. Moved to 63–3622K in 1988.

**Motor Vehicle Purchases by Family Members:** **63–3622K(c)(1)**

DESCRIPTION: Exempts sales of motor vehicles between family members related within the second degree of consanguinity.

HISTORY: Section 63–3612A was amended in 1980 to add the sale of motor vehicles to family members. It was repealed and moved to 63–3622K(c)(1) in 1988.

**Prescriptions and Durable Medical Equipment:** **63–3622N**

DESCRIPTION: Exempts most prescription medical items.

HISTORY: This exemption was originally enacted as 63–3622(o) in 1967 to exempt prescription drugs. It was amended in 1971 to add prescription oxygen and amended in 1976 to add prosthetics, artificial limbs, wheelchairs, hearing aids, and crutches. It was amended in 1990 to add durable medical equipment and numerous other prescription items. Amended in 1998 to exempt dental prostheses and other orthodontic appliances, except fillings. Amended in 2008 to include dental fillings and qualified items prescribed by physician assistants. Amended in 2015 to include eyeglasses and contact lenses in 2016.

**Educational Institution Purchases:** **63–3622O(1)(a); 33–5204**

DESCRIPTION: Exempts all purchases by nonprofit colleges, universities, and primary and secondary schools. Excludes from exemption schools that primarily teach business, dancing, gymnastics, dramatics, music, cosmetology, writing, exercise, and "other special accomplishments".

HISTORY: This exemption was originally enacted as 63–3622(s) in 1967 and amended in 1990 to add nonresident schools with Idaho facilities. It was amended in 1993 to add all nonresident schools not otherwise excluded. In 1999, 33–5204 was added to explicitly include charter schools to this exemption. Amended in 2008 to include the Idaho Digital Learning Academy.

**Hospital Purchases:** **63–3622O(1)(a)**

DESCRIPTION: Exempts all purchases by nonprofit hospitals that are licensed by the state for the care of ill persons. Excludes from exemption nursing homes or similar institutions.

HISTORY: Originally enacted as 63–3622(s) in 1967.

**Health Entity Purchases:** **63–3622O(1)(a)**

DESCRIPTION: Exempts all purchases by certain specified "health-related entities". The list consists of the following: Idaho Cystic Fibrosis Foundation, Idaho Epilepsy League, Idaho Lung Association, March of Dimes, American Cancer Society, Camp Rainbow Gold, Mental Health Association, The ARC, The Children's Home Society of Idaho, American Heart Association, Idaho Ronald McDonald House, United Cerebral Palsy, Arthritis Foundation, Muscular Dystrophy Foundation, National Multiple Sclerosis Society, Rocky Mountain Kidney Association, American Diabetes Association, Easter Seals, Idaho Community Action Agencies, Idaho Primary Care Association and its community

health care centers, Idaho Diabetes Youth Program, Idaho Women's and Children's Alliance, Special Olympics Idaho and the Idaho Association of Free and Charitable Clinics. It also includes the local or regional chapters or divisions of these entities.

HISTORY: Amended in 1980 to add a first list of health-related entities. Amended several times to expand the list of eligible entities.

**Canal Company Purchases:** **63–3622O(1)(a)**

DESCRIPTION: Exempts all purchases by canal companies. Canal companies are defined as nonprofit corporations whose sole purpose is operating and maintaining dams, reservoirs, canals, lateral and drainage ditches, pumps, and pumping plants.

HISTORY: Originally enacted in 1967 as 63–3622(s).

**Forest Protective Association Purchases:** **63–3622O(1)(a)**

DESCRIPTION: Exempts all purchases by forest protective associations. Forest protective associations are associations that detect, prevent, and suppress forest or range fires. They include only those associations that contract with the State of Idaho under the Idaho Forestry Act.

HISTORY: Enacted in 1979.

**Food Bank Purchases:** **63–3622O(1)(b,c)**

DESCRIPTION: Exempts all purchases by food banks or soup kitchens. Includes the Idaho Food Bank Warehouse, Inc. by specific reference and other nonprofit corporations or associations that furnish food to others without charge.

HISTORY: Enacted in 1991.

**Nonsale Clothier Purchases:** **63–3622O(1)(d)**

DESCRIPTION: Exempts donations or sales of clothes to nonsale clothiers. Nonsale clothiers are defined nonprofit corporations or associations that provide clothes to others without charge.

HISTORY: Enacted in 1992.

**Centers for Independent Living:** **63–3622O(1)(e)**

DESCRIPTION: Exempts sales to or purchases by centers for independent living. Centers for independent living are defined as private, nonprofit, nonresidential organizations where at least 51% of the governing boards are individuals with disabilities.

HISTORY: Enacted in 1997.

**State of Idaho and Local Government Purchases:** **63–3622O(1)(f)**

DESCRIPTION: Exempts Idaho governmental agencies from paying sales tax on purchases.

HISTORY: Enacted in 1997; exemption was done by Tax Commission regulation from enactment of the sales tax to 1997.

**Volunteer Fire Departments and Emergency Medical Service Agencies:** **63–3622O(1)(g)**

DESCRIPTION: Exempts purchases by volunteer fire departments and emergency medical service agencies.

HISTORY: Enacted in 2002.

**Senior Citizens Centers:** **63–3622O(1)(h)**

DESCRIPTION: Exempts purchases by senior citizen centers.

HISTORY: Enacted in 2002.

**Blind Services Foundation, Inc:** **63–3622O(1)(i)**

DESCRIPTION: Exempts purchases by Blind Services Foundation, Inc.

HISTORY: Enacted in 2004.

**Advocates for Survivors of Domestic Violence and Sexual Assault:** **63–3622O(1)(j)**

DESCRIPTION: Exempts purchases by Advocates for Survivors of Domestic Violence and Sexual Assault.

HISTORY: Enacted in 2006.

**Free Dental Clinics:** **63–3622O(1)(k)**

DESCRIPTION: Exempts purchases by dental clinics providing free dental services to children.

HISTORY: Enacted in 2006.

**Museums:** **63–3622O(1)(l)**

DESCRIPTION: Exempts purchases by and admissions to nonprofit museums.

HISTORY: Enacted in 2006.

**Ronald McDonald House Rooms:** **63–3622O(5)**

DESCRIPTION: This exempts the renting of a place to sleep by the Ronald McDonald House.

HISTORY: Enacted in 1997.

**Common Carrier Purchases and Out-of-State Sales:** **63–3622Q; 63–3622P**

DESCRIPTION: Exempts goods delivered to buyers outside Idaho (63–3622Q) and in-state purchases by common carriers for use outside Idaho (63–3622P) if transported out of Idaho under a bill of lading.

HISTORY: Originally enacted as 63–3622(p) and 63–3622(o) in 1965.

**Vehicles and Vessels Sold to Nonresidents:** **63–3622R(a)**

DESCRIPTION: Exempts from the sales tax certain vehicles and vessels sold to nonresidents for use outside the state.

HISTORY: Originally enacted as 63–3622(v) in 1965, it exempted motor vehicles and trailers sold in Idaho for use out-of-state. Amended in 2001 to extend the exemption to vessels with attached motor, snowmobiles, ATVs, and utility trailers. Amended in 2002 to provide a definition for vessel and ATV, remove the requirement that the vessel be sold with an attached motor, limit the exemption to sales to nonresidents only, and extend the exemption to sales of off–road motorcycles. Amended in 2015 to exempt utility type vehicles and specialty off–highway vehicles. Amended in 2017 to increase the amount of

time the nonresident can use a vehicle or vessel exempted by this subjection in Idaho from 60 days to 90 days.

**Used Manufactured Homes:** **63–3622R(b)**

DESCRIPTION: Exempts sales of used manufactured homes from the sales tax.

HISTORY: Original 63–3622(u) amended in 1976 to exempt sales of used manufactured homes.

**Interstate Trucks:** **63–3622R(c)**

DESCRIPTION: Exempts the sale or lease of trucks with maximum gross registered weight over twenty-six thousand (26,000) when immediately registered in the international registration plan and used 10% or more outside of Idaho, as well as their trailers.

HISTORY: Enacted in 1989. Amended in 2003 and 2012 to change the measurement period for the 10% requirement.

**Glider Kit Vehicles:** **63–3622R(d)**

DESCRIPTION: Glider kit vehicles, as defined in 49–123(f), are exempted from the Idaho sales tax.

HISTORY: Enacted in 2006.

**Drivers Education Automobiles:** **63–3622R(e)**

DESCRIPTION: Exempts the value of motor vehicles that are temporarily donated to drivers education programs.

HISTORY: Enacted in 1995. Designation changed from Idaho Code 63–3622R(d) to Idaho Code 63–3622R(e) in 2006.

**Broadcast Equipment and Supplies:** **63–3622S**

DESCRIPTION: Provides an exemption for equipment and supplies used to produce and broadcast radio and television programs.

HISTORY: It was originally enacted in 1975 as 63–3622(w). Amended in 2016 to remove the exclusion for hand tools with a unit purchase price of $100 or less.

**Publishing Equipment and Supplies:** **63–3622T**

DESCRIPTION: Provides an exemption for equipment and supplies used to publish advertising type newspapers that are sold or given away to the public, as long as the paper contains at least 10% editorial comment and advertising revenue is the publisher's primary source of income.

HISTORY: This exemption was originally enacted in 1979 as 63–3622(x). Amended in 2016 to remove the exclusion for hand tools with a unit purchase price of $100 or less.

**Funeral Caskets:** **63–3622U**

DESCRIPTION: Exempts goods sold in conjunction with a funeral.

HISTORY: Originally enacted in 1977 as 63–3622(y).

**Precious Metal Bullion:** **63–3622V**

DESCRIPTION: Exempts sales of precious metal bullion and coins.

HISTORY: Originally enacted in 1982 as 63–3622(z).

**Irrigation Equipment and Supplies:** **63–3622W**

DESCRIPTION: Exempts agricultural irrigation equipment and supplies, including those attached to real property and regardless if purchased by a contractor for an agricultural irrigation project.

HISTORY: Originally enacted in 1975 as 63–3622(f). Amended in 2016 to remove the exclusion for hand tools with a unit purchase price of $100 or less.

**Pollution Control Equipment:** **63–3622X**

DESCRIPTION: Exempts equipment required by regulatory agencies for air or water pollution control.

HISTORY: Originally enacted in 1977 as 63–3622(e). Amended in 1997 to add certain drycleaning equipment. Amended in 2006 to include liners and reagents mandated by state or federal governments to meet water quality standards. Amended in 2007 to include personal property that is primarily used for meeting air or water quality standards that becomes a component, fixture, or improvement to real property.

**Ski Lifts and Snowgrooming Equipment:** **63–3622Y**

DESCRIPTION: Exempts the lifts, snowgroomers, and snowmaking equipment used by the owner of a ski area.

HISTORY: Enacted in 1995.

**Sales by Indian Tribes on Reservations:** **63–3622Z**

DESCRIPTION: Exempts sales made by Idaho Indian tribal businesses on an Indian reservation from sales and use taxes. This exemption includes a detailed definition of a reservation.

HISTORY: Originally enacted as 63–3622(aa) in 1984; exempted sales of tangible personal property by tribes within reservation boundaries; amended in 1987 to include sales of services and to define a reservation.

**Official Documents:** **63–3622AA**

DESCRIPTION: Exempts sales of documents when the fee for the document is set by and sale, purchase, or use of public records requested pursuant to 74–102.

HISTORY: Originally enacted in 1984. Amended in 2019 to exempt the sale, purchase, or use of public records requested pursuant to 74–102.

**INL Research and Development Purchases:** **63–3622BB**

DESCRIPTION: Exempts goods used for research and development at the Idaho National Laboratory (INL).

HISTORY: It was originally enacted in 1967 and exempted all federal research and development and nuclear fuel reprocessing under 63–3615. It was amended in 1969 to limit to INL only. It was recodified in 1985 as 63–3622BB and removed nuclear fuel reprocessing from the exemption.

**Railroad Rolling Stock and Remanufacturing:** **63–3622CC; 63–3622DD**

DESCRIPTION: Provides an exemption for railroad rolling stock and for parts, equipment, and supplies used in the process of remanufacturing railroad rolling stock, whether or not the rolling stock is for resale. Rolling stock must have been used in interstate commerce at least three months prior to rebuild to qualify.

HISTORY: Enacted in 1986.

**SNAP/WIC:** **63–3622EE; 63–3622FF**

DESCRIPTION: Exempts from the sales tax items purchased under the federal WIC and SNAP programs.

HISTORY: Mandated in 1987 by the federal government.

**Commercial Aircraft:** **63–3622GG**

DESCRIPTION: Exempts aircraft purchased for commercial transport of passengers or freight and parts used in nonresident, private aircraft.

HISTORY: Enacted in 1988. Amended in 1994 to add any aircraft that are for use outside Idaho. Amended in 2001 to exempt repair parts for aircraft primarily used to transport passengers or freight for hire. Amended in 2009 to limit the aircraft exemption to those aircraft that are used as allowed by law to provide passenger or freight services for hire to the public from one point on land or water to another. Amended in 2012 to include parts used in nonresident privately owned aircraft at FAA approved Idaho repair stations. This includes parts installed in warranty repairs. Amended in 2016 to exempt from tax the sale, lease, purchase or use of a fixed-wing aircraft primarily used as an air tactical group supervisor platform under contract with a governmental entity for wildfire activity. Amended in 2020 to include aircraft primarily used for agricultural production or forest and wildlife conservation purposes.

**Vending Machines and Amusement Devices:** **63–3622II**

DESCRIPTION: Exempts money-operated machines that vend a taxable product or service.

HISTORY: Enacted in 1990.

**Incidental Sales by Churches:** **63–3622KK**

DESCRIPTION: Exempts sales by churches that do not regularly compete with private enterprise.

HISTORY: Enacted in 1990.

**Media Measurement Services:** **63–3622LL**

DESCRIPTION: Exempts the sale and purchase of any television, radio, newspaper, or other media measurement service.

HISTORY: Enacted in 1997.

**Clean Rooms:** **63–3622NN**

DESCRIPTION: Exempts any tangible personal property that is used in or becomes a part of a clean room used to manufacture semiconductors. Also includes property that is used to maintain a clean room.

HISTORY: Enacted in 1999. Extended to include clean rooms used for research and development in 2005.

**Dealer Labor for New Vehicle Accessories:** **63–3622OO**

DESCRIPTION: Exempts a motor vehicle dealer's labor or service charge to add an accessory to a new, factory delivered motor vehicle when the dealer sells the accessory with the motor vehicle.

HISTORY: Enacted in 2019.

**Idaho Commemorative Silver Medallions:** **63–3622PP**

DESCRIPTION: Exempts sales of Idaho commemorative silver medallions.

HISTORY: Originally enacted in 2003.

**Alternative Electricity–Producing Equipment:** **63–3622QQ**

DESCRIPTION: Provides a refund of sales tax paid for machinery and equipment used in alternative types of electricity production. To qualify, the facility must have a capacity of at least 25 kilowatts. The alternative methods that qualify for this exemption are fuel cells, low-impact hydro, wind, geothermal, cogeneration, solar, landfill gases, and biomass.

HISTORY: Enacted in 2005. Sunset on June 30, 2011.

**Research and Development Equipment:** **63–3622RR**

DESCRIPTION: Exempts tangible personal property used in research and development activities.

HISTORY: Enacted in 2005.

**Nonprofit Shooting Range Fees:** **63–3622SS**

DESCRIPTION: Exempts fees and memberships of nonprofit shooting and hunting organizations from the Idaho sales tax.

HISTORY: Enacted in 2006.

**Custom Meat Processing:** **63–3622TT**

DESCRIPTION: This bill exempts custom meat processing from the sales tax for customer-provided carcasses when the meat will not be resold.

HISTORY: Enacted in 2020.

**Personal Property Tax on Rentals:** **63–3622UU**

DESCRIPTION: Exempts from taxation the amount of property tax included in a rent payment for tangible personal property. To be eligible the property must initially be leased for at least a year.

HISTORY: Enacted in 2008.

**Information Technology Equipment:** **63–3622VV**

DESCRIPTION: This bill exempts from sales tax all materials going towards data centers which cost at least $250 million and creates at least 30 new full-time jobs that pay at least the average county wage rate.

HISTORY: Enacted in 2020.

**State Tax Anticipation Revenue:** **63–3641**

DESCRIPTION: Rebates sales tax paid to developer for costs of building or improving qualified freeway exchanges. The developer must spend at least $4 million on a retail commercial complex and at least $6 million on a freeway interchange or interchange improvements. The maximum any developer could be reimbursed for a given freeway project is $35 million.

HISTORY: Enacted in 2007. Amended in 2009 to lower minimum freeway interchange project threshold from $8 million to $6 million.

**Small Employer Headquarters Construction:** **63–4408**

DESCRIPTION: This rebate is contingent on a taxpayer qualifying under the "Idaho Small Employer Incentive Act of 2005". It provides a rebate for 25% of sales and use taxes paid on property constructed, located, or installed in the "project site" (as specified in 63-4402) from January 1, 2006 through December 31, 2030. General qualification criteria are specified in 63-4402, and can be summed up as making an investment of at least $500,000 in new facilities and adding at least ten new jobs paying at least $19.23 per hour. The average wage for each additional job above the initial ten must be at least $15.50 per hour.

HISTORY: Enacted in 2005. Amended in 2006. Average wage calculation amended in 2008. Amended in 2009 to extend this exemption through December 31, 2020. Amended in 2020 to extend this exemption through December 31, 2030.

**Lottery Tickets and Pari-Mutuel Betting:** **67–7439**

DESCRIPTION: Exempts the sale and purchase of lottery tickets and pari-mutuel betting from the sales tax. Also exempts from sales tax any equipment used in lottery operations.

HISTORY: Enacted in 1988.

**Agricultural Services**

DESCRIPTION: Includes the value of contract work included in the revenue portion of the Census of Agriculture.

HISTORY: Not subject to sales and use taxes.

**Industrial and Mining Services**

DESCRIPTION: Taxable revenue is the sum of 2.5% of Idaho's share of NAICS 21 revenue and 3.75% of Idaho's share of NAICS 31-33 revenue.

HISTORY: Not subject to sales and use taxes.

**Trade and Retail Services**

DESCRIPTION: Taxable revenue is the sum of 10% of Idaho's share of NAICS 42 revenue and 2.5% of Idaho's share of NAICS 44-45 revenue subtracting 4411,4412,4413,444,44719 which are included in repair services.

HISTORY: Not subject to sales and use taxes.

**Information Services**

DESCRIPTION: Taxable revenue is 100% of Idaho's share of NAICS 51 revenue.
HISTORY: Not subject to sales and use taxes.

**Financial and Real Estate Services**

DESCRIPTION: Taxable revenue is the sum of 75% of Idaho's share of NAICS 52 revenue and 75% of Idaho's share of NAICS 53 revenue.
HISTORY: Not subject to sales and use taxes.

**Professional, Management, Administrative Services Services**

DESCRIPTION: Taxable revenue is 100% of Idaho's share of NAICS 54,55,56 revenue.
HISTORY: Not subject to sales and use taxes.

**Education Services**

DESCRIPTION: Taxable revenue is 100% of Idaho's share of NAICS 61 revenue.
HISTORY: Not subject to sales and use taxes.

**Health Care Services**

DESCRIPTION: Taxable revenue is 100% of Idaho's share of NAICS 62 revenue.
HISTORY: Not subject to sales and use taxes.

**All Other Services**

DESCRIPTION: Taxable revenue is 66% of Idaho's share of NAICS 81 revenue subtracting the revenue from NAICS 8111,8112,8113, and 8114 included in repair services.
HISTORY: Not subject to sales and use taxes.

# TAX EXPENDITURE REPORT

## FOR FISCAL YEAR ENDED JUNE 30, 2024

ILLINOIS

SUSANA A. MENDOZA
ILLINOIS STATE COMPTROLLER
illinoiscomptroller.gov

2272/8585

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# INTRODUCTION

## Tax Expenditures and Their Impact

Illinois law states that a tax expenditure *"is any tax incentive authorized by law that by exemption, exclusion, deduction, allowance, credit, preferential tax rate, abatement, or other device reduces the amount of tax revenues that would otherwise accrue to the State."* Hundreds of expenditures approved by legislators and governors have been implemented over the years to assist individuals, taxpayers, and businesses.

Tax expenditures have been used since the early 1930s. However, the 1980s saw a surge in the number of expenditures, when 75 of the existing tax expenditures were enacted. Of these, at least 29 were related to economic development efforts, including various tax expenditures related to enterprise zones, foreign trade zones, and high-impact business investments.

In fiscal year 2024, 58 agencies identified 207 tax expenditures: 89 associated with taxes and 118 associated with licenses or fees.

The computations of the costs of tax expenditures for the *individual income tax* are derived from tax year 2023 returns. The Department of Revenue waits an additional year to obtain more complete tax information for computing tax expenditures for the *corporate income tax*, so computations of tax expenditures for the corporate income tax in this report are derived from tax year 2022 returns. The fiscal year 2024 *Tax Expenditure Report* includes corporate income tax computations that reflect the corporate income tax rate of 7%, and the individual income tax rate of 4.95%.

The total impact of tax expenditures in Illinois in fiscal year 2024, as reported by state agencies, was $12.457 billion from 48 revenue sources; however, $12.090 billion, or 97.1%, came from just five tax sources: the Individual Income Tax, the Corporate Income Tax, the Sales and Use Tax, the Retaliatory Tax, and the Hospital Provider Assessment.

Tax expenditures against the Individual Income Tax totaled $6.039 billion, or 48.5% of total tax expenditures. This represents an increase of about $5 million, or 0.1%, from fiscal year 2023. Individual Income Tax expenditures represent 20.0% of the total $30.136 billion in appropriated funds revenues generated by the Individual Income Tax in fiscal year 2024.

Tax expenditures against the Sales and Use Tax of $5.134 billion made up 41.2% of total expenditures, an increase of $257 million, or 5.3%, from fiscal year 2023. Against revenues of $12.481 billion reported by the Department of Revenue, fiscal year Sales and Use Tax expenditures represent 41.1% of appropriated funds Sales and Use Tax revenues.

Corporate income tax expenditures of $613 million comprised 4.9% of total expenditures and reflected a decrease of $119 million (16.3%) from fiscal year 2023. Tax expenditures from the Retaliatory Tax, imposed on out-of-state insurance companies if the company would pay a higher tax in its state of incorporation than in Illinois, totaled $170 million, a decrease of $32 million (15.8%) from fiscal year 2023. Hospital Provider Assessment expenditures of $135 million represent 1.1% of the total expenditures and reflect a decrease of $10 million from the assessment's fiscal year 2023 expenditures.

## What's New in Tax Expenditures

### *Tax Expenditures of $12.457 Billion in Fiscal Year 2024*

Reported tax expenditures of $12.457 billion in fiscal year 2024 reflect an increase of 0.9% compared to reported tax expenditures of $12.343 billion in fiscal year 2023.

Sales tax expenditures of $5.134 billion reflect an increase of 5.3% from the fiscal year 2023 amount of $4.878 billion. The reported cost of the highest tax expenditure – the Food, Drugs and Medical Appliances Rate Reduction – of $2.764 billion reflects an increase of $349 million, or 14.5%, from fiscal year 2023.

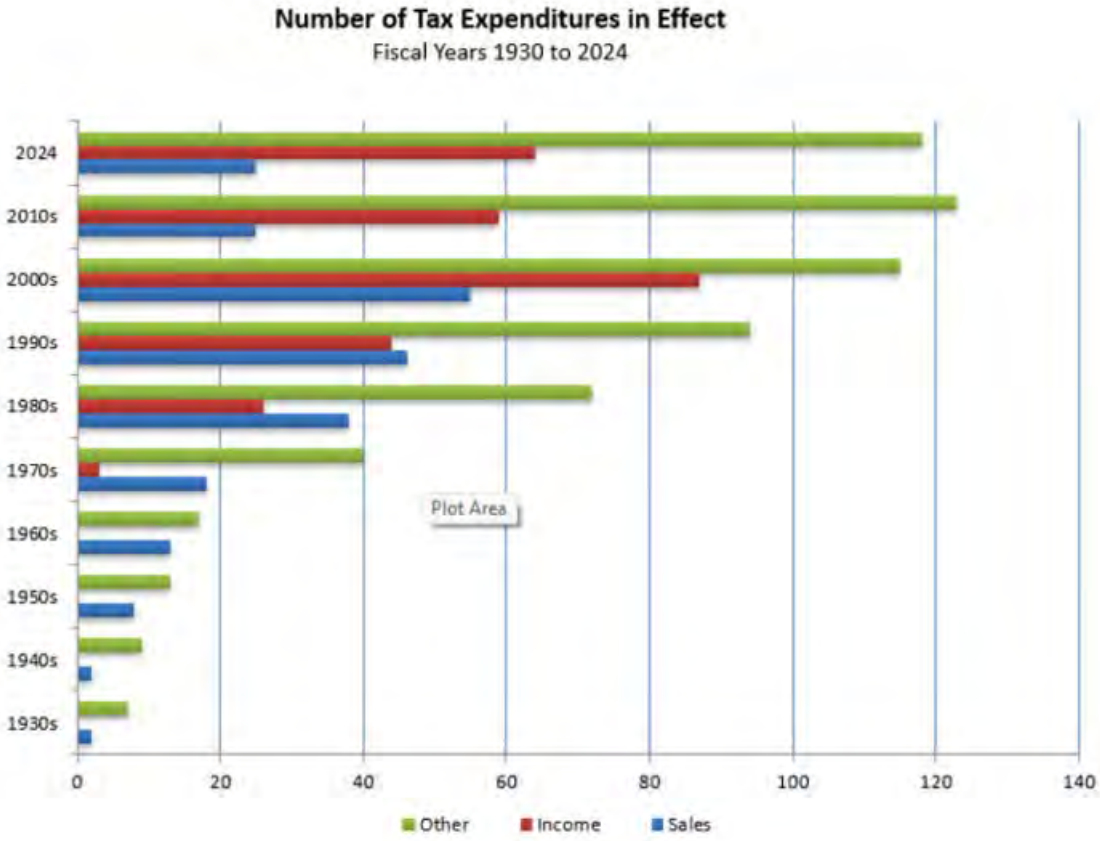
Individual income tax expenditures increased by more than $5 million, or 0.09%, from $6.033 billion in fiscal year 2023 to $6.039 billion in fiscal year 2024. The three highest *individual income tax expenditures* were the Federally Taxed Retirement and Social Security Subtraction at $3.336 billion, the Standard Exemption for Taxpayers and Dependents at $1.246 billion, and the Tax Credit for Residential Real Property Taxes at $565 million. Federally Taxed Retirement and Social Security Subtractions increased by $44 million from fiscal year 2023. The reported cost of the Standard Exemption increased by $37 million, from $1.209 billion in fiscal year 2023. The Tax Credit for Residential Real Property Taxes increased by more than $8 million compared to fiscal year 2023.

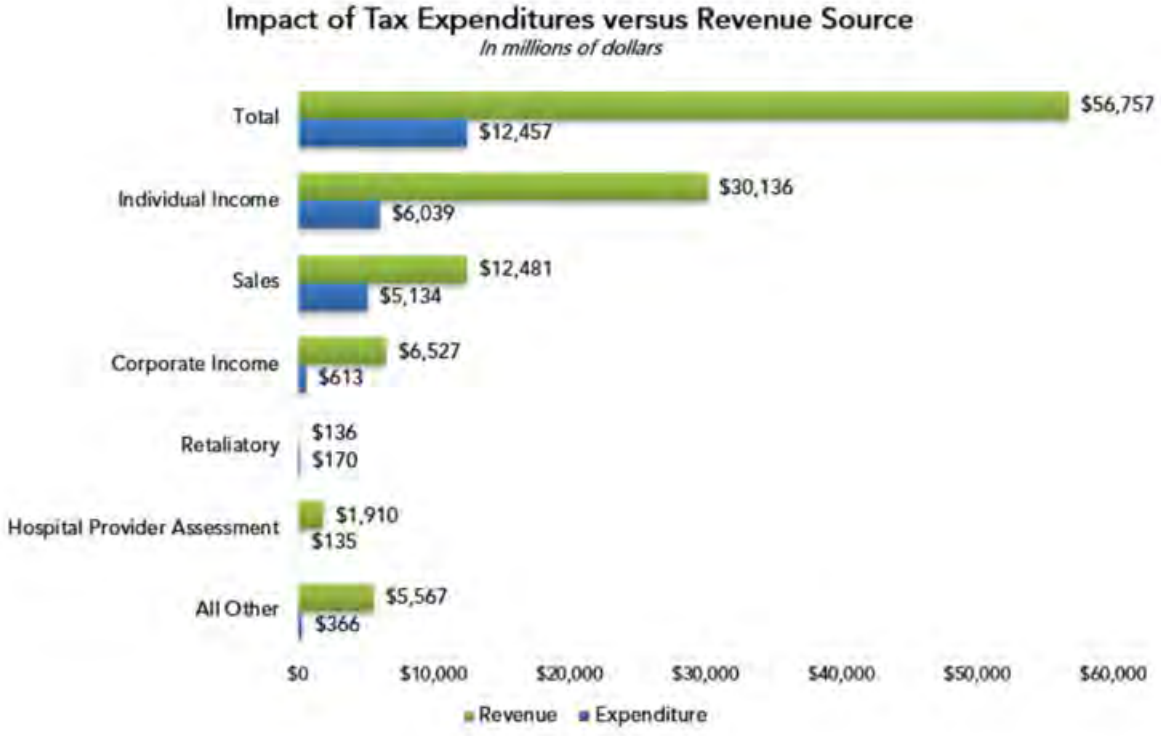
The cost of corporate income tax expenditures decreased in fiscal year 2024 by 16.3%, from $732 million to $613 million. The Economic Development for a Growing Economy Tax Credit (EDGE) and the Film Production Services Credit both declined in fiscal year 2024 – the EDGE credit by 8.1% and the Film Production Services Credit by 31.2%. Research and Development Credit tax expenditures increased by 8.1%, from $105 million to $114 million, and was extended to January 1, 2032, under Public Act 103-0595, a business development omnibus package. Net Operating Loss Deduction tax expenditures increased by almost 2.1%, from $62 million in fiscal year 2023 to $63 million in fiscal year 2024.

Public Act 103-0592, the fiscal year 2025 budget revenue bill, limited the Net Operating Loss Deduction to $500,000 for tax years of 2024-2027. The law also amended the Illinois Income Tax Act to rename the Wages Paid to Ex-Felons Credit to the Credit for Wages Paid to Returning Citizens starting in 2025. Additional credits under this law will take effect after fiscal year 2025.

Also included in the fiscal year 2025 budget package under public Act 103-0592 was the Illinois Child Tax Credit, a refundable credit that can be claimed by taxpayers in tax years 2024 and 2025 who qualify for the Earned Income Tax Credit (EITC) and have at least one qualifying child under the age of 12 on the last day of the taxable year. Tax year 2024 allows for a credit equal to 20% of the EITC the taxpayer is allowed to claim. For tax year 2025, the credit allowance increases to 40% of the EITC. If the amount of the credit exceeds the income tax liability, the taxpayer will be refunded the excess credit. In 2024, the Department of Revenue reported Illinois EITC expenditures of $370 million, a 2.1% decrease from the prior year. In addition to the Illinois Child Tax Credit, Public Act 103-0592 also extended the Adoption Credit for individual taxpayers and the Student-Assistance Contribution Tax Credit through December 31, 2029.

The Secretary of State continued updating and streamlining tax expenditures to better reflect the statutes governing the associated fees. The No Cost ($0.00) and Reduced ($5.00) Corrected and Duplicate Identification Card Fees expenditure was added to the Corrected and Duplicate Identification Card Fee Exemption. Under the Motor Vehicle Registration (1st Division), the agency eliminated the Charitable Organization Vehicle Exemption, the Disabled Veteran Vehicle Registration Exemption, the Driver's Education Vehicles Exemption, the Municipality Owned Passenger Vehicle Exemption, and the Senior Citizen Plate Renewal Reduction. The Charitable Organization and Driver's Education Vehicle Exemptions, the Municipality Owned and Sheriff Vehicle Exemptions, the Senior Citizen (Benefit Access) Vehicle Exemption, and the Congressional Medal of Honor Recipient, Disabled Veteran, Ex-Prisoner of War, Purple Heart Recipient, Gold Star, I Served, and Ambulance Vehicle Exemptions replaced the prior expenditures.


Number of Tax Expenditures in Effect
Fiscal Years 1930 to 2024
2024
2010s
2000s
1990s
1980s
1970s
1960s
1950s
1940s
1930s
Plot Area
0
20
40
60
80
100
120
140
Other
Income
Sales


Impact of Tax Expenditures versus Revenue Source
In millions of dollars
Total
$56,757
$12,457
Individual Income
$30,136
$6,039
Sales
$12,481
$5,134
Corporate Income
$6,527
$613
Retaliatory
$136
$170
Hospital Provider Assessment
$1,910
$135
All Other
$5,567
$366
$0
$10,000
$20,000
$30,000
$40,000
$50,000
$60,000
Revenue
Expenditure

## Tax Expenditures of $100 Million or More

Eighteen tax expenditures each produced reported costs of at least $100 million in fiscal year 2024. Nine of these tax expenditures were from the Sales and Use Tax, five from the Individual Income Tax, three from Corporate Income Tax, and one from the Hospital Provider Assessment.

The top three tax expenditures – the Federally Taxed Retirement Income and Social Security Subtraction, the Food, Drugs and Medical Appliances Rate Reduction, and the Standard Exemption for Taxpayers and Dependents – totaled $7.346 billion, an increase of $430 million, or 6.2%, from fiscal year 2023. These three expenditures accounted for 59.0% of the total reported expenditures in fiscal year 2024.

At $3.336 billion, the Federally Taxed Retirement and Social Security Subtraction represented 26.8% of tax expenditures' total reported impact. The Food, Drugs, and Medical Appliances Rate Reduction expenditure accounted for $2.764 billion, or 22.2%, of the total impact, and the Standard Exemption for Individual Income Tax accounted for $1.246 billion, or 10.0%, of the total impact.

The 18 largest tax expenditures totaled $11.238 billion, or 90.2% of the total impact of all tax expenditures.

**Tax Expenditures of $100 Million or More: Fiscal Year 2024**
**(dollars in millions)**

| Amount | Expenditure | Applied Against |
|---|---|---|
| $3,336 | Federally Taxed Retirement and Social Security Subtractions | Individual Income Tax |
| $2,764 | Food, Drugs, and Medical Appliances Rate Reduction | Sales and Use Tax |
| $1,246 | Standard Exemption: Taxpayers and Dependents | Individual Income Tax |
| $780 | Sales to Exempt Organizations | Sales and Use Tax |
| $565 | Tax Credit for Residential Real Property Taxes | Individual Income Tax |
| $370 | Earned Income Tax Credit | Individual Income Tax |
| $274 | Farm Chemicals (Includes Feed, Seed, and Fertilizer) Exemption | Sales and Use Tax |
| $268 | Traded-In Property Exemption | Sales and Use Tax |
| $234 | Other Subtractions | Individual Income Tax |
| $205 | Biodiesel Exemption | Sales and Use Tax |
| $204 | Farm Machinery and Equipment Exemption | Sales and Use Tax |
| $191 | Manufacturing and Assembling Machinery and Equipment Exemption | Sales and Use Tax |
| $188 | Sales of Motor Vehicles to Non-Residents Exemption | Sales and Use Tax |
| $135 | Hospital Provider exemption | Hospital Provider Assessment |
| $129 | Economic Development for a Growing Economy Tax Credit | Corporate Income Tax |
| $128 | Rolling Stock Exemption | Sales and Use Tax |
| $114 | Research and Development Credit | Corporate Income Tax |
| $108 | Film Production Services Credit | Corporate Income Tax |
| **$11,238** | Total Impact of Tax Expenditures of $100 Million or More | |
| **$12,457** | Total Impact of All Tax Expenditures | |
| **90.2%** | Percent of Total Impact | |

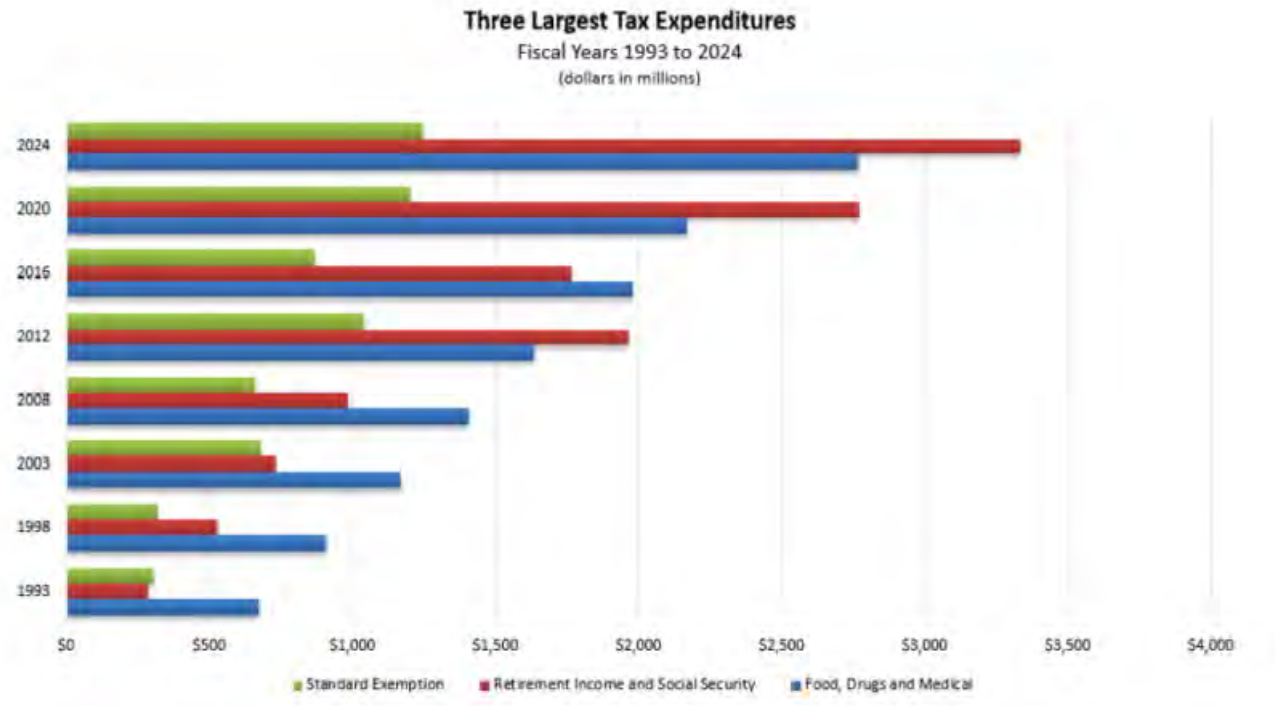
## Three Largest Tax Expenditures: Fiscal Years 1993 to 2024

Reported tax expenditures in fiscal year 1993, the first year the *Tax Expenditure Report* was issued, totaled $3.062 billion. In fiscal year 2024, reported tax expenditures totaled $12.457 billion, an increase of $9.395 billion since fiscal year 1993, or 306.8%, and an increase of $114 million over fiscal year 2023, or nearly 1.0%.

The three largest expenditures in fiscal year 2024 accounted for 59.0% of the total reported cost of all tax expenditures for the year. The largest tax expenditure is the Federally Taxed Retirement Income and Social Security Subtraction under the Individual Income Tax. Retirement subtractions from the Illinois individual income tax apply to all retirement income, including Individual Retirement Accounts, disability, Social Security, and Railroad Retirement income that are subject to the federal income tax. The reported $3.336 billion cost of this tax expenditure in fiscal year 2024 is $44 million more compared to fiscal year 2023.

The second-largest tax expenditure is the Food, Drugs and Medical Appliances Rate Reduction, making up 22.2% of total reported expenditures. Between fiscal year 2023 and fiscal year 2024, its cost increased by $349 million, from $2.415 billion to $2.764 billion, or 14.5%.

The third-largest tax expenditure, the Standard Exemption for Taxpayers and Dependents, had been one of the slowest growing tax expenditures, increasing from $306 million to $320 million between fiscal years 1993 and 1998, an increase of 4.6%. But between fiscal years 1998 and 2003, the expenditure grew from $320 million to $680 million, a 112.5% increase. This increase was due in part to the phase-in of a greater exemption amount, from $1,300 per taxpayer in tax year 1998 to $2,000 in tax year 2000, a



53.8% increase. Between fiscal years 2012 and 2024, the expenditure grew from $1.036 billion to $1.246 billion, an increase of 83.2%.

Between tax years 2000 and 2011, the standard exemption was $2,000 per taxpayer. Then a law enacted in 2012 created annual cost-of-living increases in the exemption tied to the Consumer Price Index for Urban Consumers (CPI-U) beginning in tax year 2013. Between tax years 2012 and 2022, the exemption increased from $2,050 to $2,425.

The increase in the expenditure has grown alongside the increase in the exemption, which in tax year 2024 was $2,775. The reason for the one-year $350 increase was the reinstatement of the cost-of-living adjustment, which was paused for tax year 2023. In fiscal year 2024, the expenditure reported $1.246 billion, an increase of 3.1% from fiscal year 2023.

## Who Received Tax Expenditures?

Tax expenditures in fiscal year 2024 totaled $8.140 billion for all individual expenditure categories, making up 65.9% of the total cost for the fiscal year.

Tax expenditures for all business categories totaled $1.957 billion, or 15.7% of the total cost. Expenditures for charities decreased between fiscal years 2023 and 2024, from $850 million to $805 million. Sales to Exempt Organizations made up $780 million of the $805 million in tax expenditures for charities, a decrease of $39 million, or 4.8% from fiscal year 2023. The expenditure made up 96.9% of the total charitable expenditures.

Of the $1.126 billion in Other tax expenditures, the largest was the Traded-In Property Exemption from sales tax with $268 million. Four additional expenditures in this category exceeded $100 million: $234 million from Individual Income Tax Other Subtractions, $188 million from Sales of Motor Vehicles to Non-Residents Exemption, $170 million from Retaliatory Tax offsets and credits, and $135 million from the Hospital Provider Assessment.

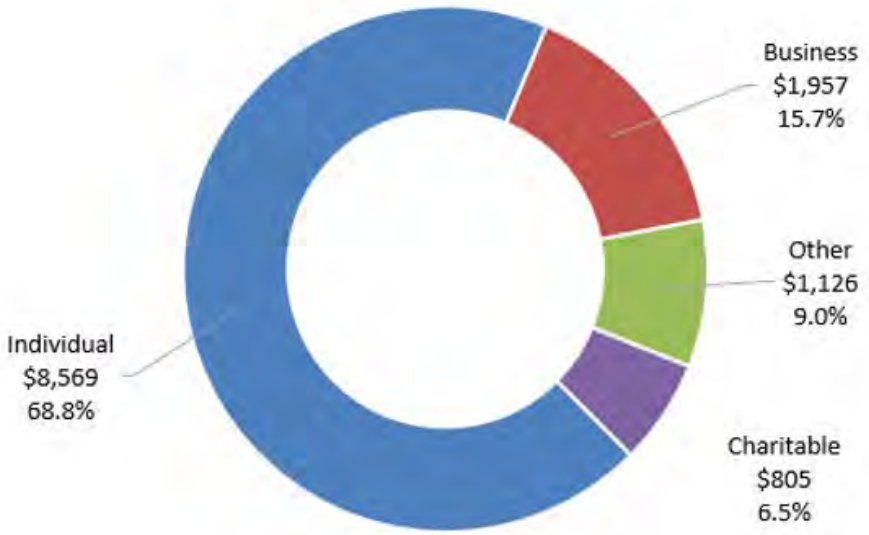
Individuals received $4.997 billion in broad-based tax expenditures, which are small individual exemptions applied to a large amount of taxes. The three largest were the Food, Drugs and Medical Appliances Rate Reduction at $2.764 billion, the Standard Exemption for Taxpayers and Dependents at $1.246 billion, and the Tax Credit for Residential Real Property Taxes at $565 million.

Other broad-based tax expenditures include the Earned Income Tax Credit at $370 million and the Education Expense Credit at $52 million. Tax expenditures for the elderly and persons with disabilities totaled $3.431 billion, with the Federally Taxed Retirement and Social Security Subtraction making up 97.2% of that amount at $3.336 billion. Other expenditures for individuals totaled $140 million, a decrease of 3.6% from fiscal year 2023. The Military Pay Subtraction credit decreased by 2.1% in fiscal year 2024, from $71 million to $70 million.

The impact of general business tax expenditures totaled $1.268 billion, while agricultural tax expenditures totaled $689 million for a combined $1.957 billion in business tax expenditures, a decrease of $165 million, or 7.8%, from fiscal year 2023. The Manufacturing and Assembling Machinery and Equipment Exemption with $191 million, the Sales and Use Tax Rolling Stock Exemption with $128 million, and the

## Tax Expenditures by Purpose

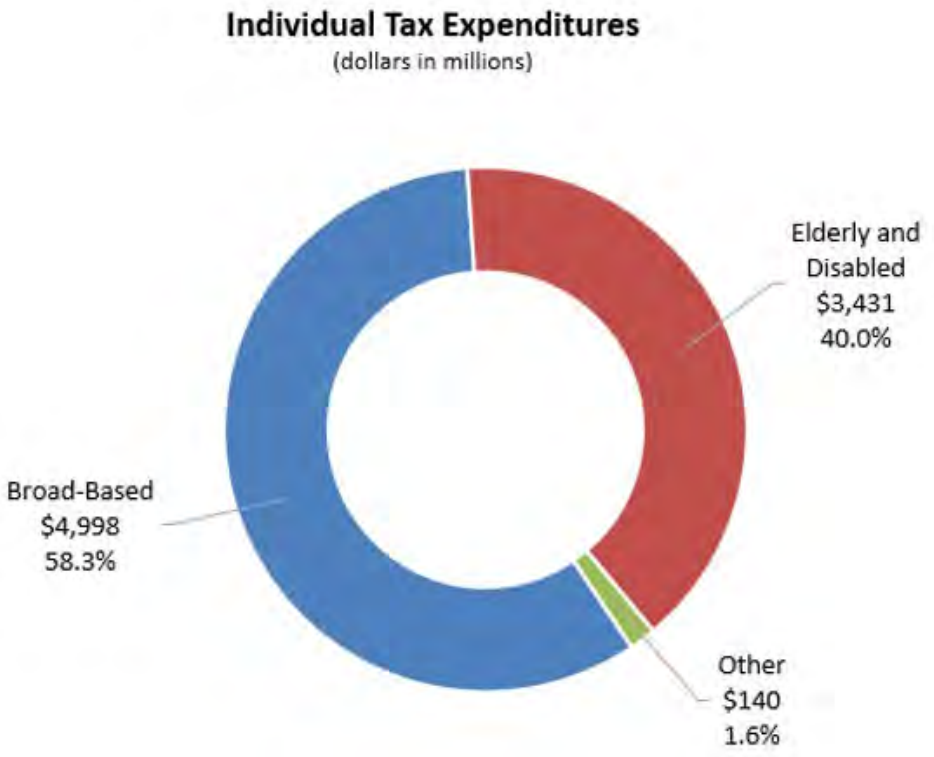
(dollars in millions)

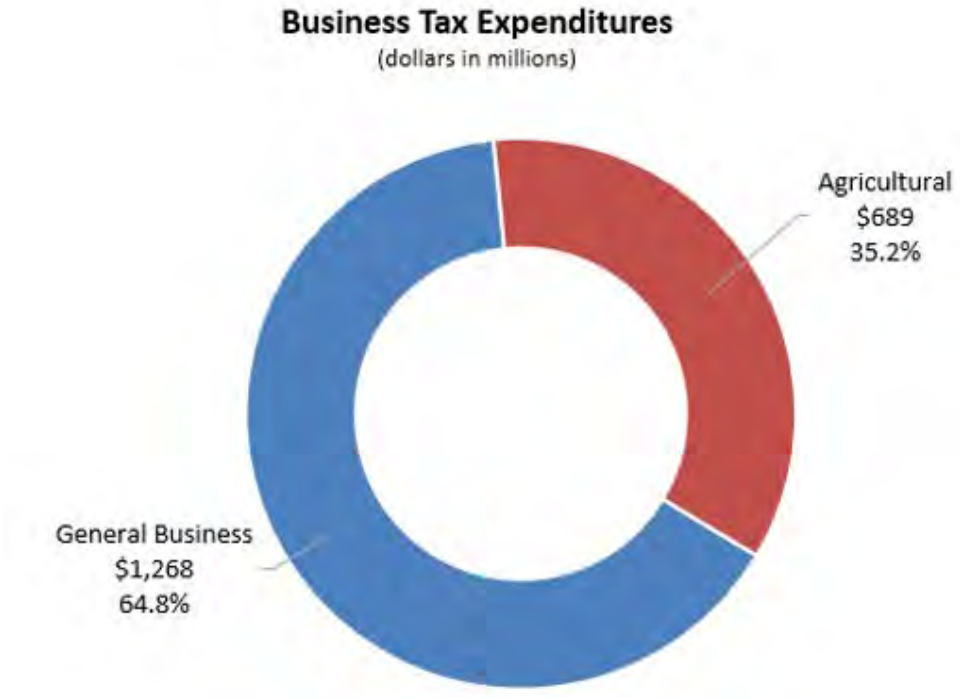



## Economic Development Tax Expenditures by Source and Impact

(dollars in thousands)

| | Fiscal Year 2023 Annual Impact | Fiscal Year 2024 Annual Impact |
|---|---|---|
| **Corporate Income Tax:** | | |
| Economic Development for a Growing Economy Tax Credit | $140,004 | $128,691 |
| Research and Development Credit | $105,658 | $114,240 |
| Film Production Services Credit | $156,171 | $107,504 |
| Enterprise Zone Investment Credit | $29,007 | $21,387 |
| River Edge Historic Preservation Credit | $38,037 | $16,889 |
| High Impact Business Investment Credit | $1,030 | $508 |
| Angel Investment Credit | $226 | $214 |
| Apprenticeship Education Expense Credit | $225 | $149 |
| High Impact Business Dividend Subtraction | $711 | $0 |
| Wages Paid to Ex-Felons Credit | $208 | $0 |
| **Electricity Excise Tax:** | | |
| Enterprise Zone and Foreign Trade Zone Exemption | $11,805 | $11,828 |
| High Impact Business Electricity Excise Tax Exemption | $1,337 | $1,430 |
| **Gas Revenue Tax:** | | |
| Enterprise Zone and Foreign Trade Zone Exemption | $20,929 | $13,156 |
| High Impact Business Exemption | $491 | $190 |
| **Gross Receipts Tax (Public Utility Fund):** | | |
| Enterprise Zone Revenue Exemption | $31 | $28 |
| **Individual Income Tax:** | | |
| Income Tax Credits | $94,941 | $51,648 |
| Income Tax Subtractions | $2,947 | $3,048 |
| **Sales Taxes:** | | |
| Manufacturing and Assembling Machinery and Equipment Exemption | $185,523 | $191,288 |
| Building Materials within Special Zones Exemption | $72,577 | $84,395 |
| High Impact Business Building Materials Exemption | $19,419 | $22,404 |
| Designated Tangible Personal Property within Enterprise Zone Exemption | $14,727 | $12,319 |
| High Impact Business Designated Tangible Personal Property Exemption | $13,960 | $4,933 |
| **Telecommunications Excise Tax:** | | |
| Enterprise Zone and Foreign Trade Zone Exemption | $837 | $3,110 |
| **Total** | **$910,801** | **$789,359** |


Individual Tax Expenditures
(dollars in millions)
Elderly and Disabled $3,431 40.0%
Broad-Based $4,998 58.3%
Other $140 1.6%


Business Tax Expenditures
(dollars in millions)
Agricultural $689 35.2%
General Business $1,268 64.8%

Economic Development for a Growing Economy Tax Credit with $129 million were the largest general business tax expenditures. Other notable expenditures include the Research and Development Credit at $114 million, and the Film Production Services Credit at $108 million.

Sales tax made up nearly 100% of the reported total of agricultural tax expenditures, with the largest expenditure being the Farm Chemicals Exemption at $274 million, followed by the Biodiesel Discount and Exemption with $205 million and the Farm Machinery and Equipment Exemption of $204 million.

## Economic Development Tax Incentives

Tax expenditures can be received by businesses in the form of tax credits, sales tax exemptions, exemptions for manufacturing equipment, tax incentives for investments in enterprise zones, and tax credits for research and development and filming movies and television series in the state.

These tax expenditures totaled $789 million in fiscal year 2024, a $121 million decrease from fiscal year 2023. The largest, at $191 million, was the Manufacturing and Assembling Machinery and Equipment Exemption, a credit that gives manufacturers a sales tax exemption for purchases of machinery and equipment used in manufacturing or assembling. Five other tax expenditures exceeded $70 million each: the Economic Development for a Growing Economy Tax Credit, the Research and Development Credit, the Film Production Services Credit, the Building Materials within Special Zones Exemption, and Income Tax Credits. The High Impact Business Building Materials Exemption and the Enterprise Zone Investment Credit each had expenditures exceeding $20 million.

The Economic Development for a Growing Economy Tax Credit Program, widely known as EDGE, decreased in fiscal year 2024, from $140 million down to $129 million, a decrease of 8.1%. The EDGE program provides annual corporate tax credits to qualifying businesses that support job creation, capital investment, and improve the standard of living for all Illinois residents. The credits are non-refundable and are equal to 50% of the income tax withholdings of new jobs created in the state, or 75% if the project is in an underserved area. The credit also provides 10% of eligible training costs for new hires in full-time positions.

The Research and Development Credit is a non-refundable tax credit geared toward supporting job growth in Illinois. Businesses can claim a 6.5% credit on increases in Research and Development spending that occurs within the state for a qualified purpose with research relying on hard sciences. The expenditure increased from $106 million in fiscal year 2023 to $114 million in fiscal year 2024, an increase of 8.1%.

The Film Production Services Credit reported $108 million in tax expenditures in fiscal year 2024. This credit incentivizes film production in Illinois by giving companies 30% tax credits on qualified Illinois production costs and salaries up to $500,000 per worker. Additionally, the credit includes a 15% credit

on the salaries of individuals who make at least $1,000 and live in economically disadvantaged areas and areas with high unemployment (150% of the state's annual average). This credit is geared toward increasing the use of Illinois vendors and residents in films and television shows and can be carried forward for five tax years from the year of issuance.

The Building Materials within Special Zones Exemption is the sales of qualified building materials by a retailer to be incorporated by remodeling, rehabilitation, or new construction into real estate located in an enterprise zone, river edge redevelopment zone, or intermodal terminal facility redevelopment project area. The retailer's place of business must be located within the county or municipality which has established the enterprise zone areas exempt. The expenditure reported $84 million for fiscal year 2024, an increase of $12 million over fiscal year 2023.

# TAX EXPENDITURES BY FUND GROUP AND FUND NAME (dollars in thousands)

| Fund Group: Debt Service | | | |
|---|---|---|---|
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| Capital Projects Fund | 0694 | $ 20,782 | $ 22,333 |
| **Total Impact, Debt Service** | | $ 20,782 | $ 22,333 |
| **Fund Group:** General | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| Common School Fund | 0412 | $ 860 | $ 1,267 |
| Education Assistance Fund | 0007 | 447,349 | 438,866 |
| General Revenue - Common School Special Account Fund | 0005 | 1,180,413 | 1,240,616 |
| General Revenue Fund | 0001 | 9,268,092 | 9,328,673 |
| **Total Impact, General** | | $ 10,896,714 | 11,009,422 |
| **Fund Group:** Highway | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| Road Fund | 0011 | 170,724 | 192,451 |
| State Construction Account Fund | 0902 | 8,401 | 7,033 |
| **Total Impact, Highway** | | $ 179,125 | $ 199,484 |
| **Fund Group:** Special State | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| Build Illinois Fund | 0960 | $ 20,922 | $ 22,799 |
| Cannabis Regulation Fund | 0912 | 866 | 1,363 |
| Chicago Travel Industry Promotion Fund | 0624 | 841 | 1,588 |
| Compassionate Use of Medical Cannabis Fund | 0075 | 167 | 151 |
| Comptroller's Administrative Fund | 0543 | 12,204 | 6,626 |
| Corporate Franchise Tax Refund Fund | 0380 | 475 | 0 |
| Drivers Services Administration Fund | 0182 | 9 | 13 |
| Drivers Education Fund | 0031 | 4,298 | 4,599 |
| Environmental Protection Permit and Inspection Fund | 0944 | 414 | 355 |
| Facility Licensing Fund | 0118 | 408 | 408 |
| Health Facility Plan Review Fund | 0524 | 104 | 104 |
| Horse Racing Fund | 0632 | 0 | 711 |
| Hospital Provider Fund | 0346 | 144,717 | 134,564 |
| Illinois Adoption Registry and Medical Information Exchange Fund | 0638 | 15 | 15 |
| Illinois Clean Water Fund | 0731 | 188 | 344 |
| Illinois Health Facilities Planning Fund | 0238 | 2 | 2 |
| Illinois School Asbestos Abatement Fund | 0175 | 2 | 2 |
| Income Tax Refund Fund | 0278 | 660,955 | 642,423 |
| International Tourism Fund | 0621 | 435 | 822 |
| Lead Poisoning, Screening, Prevention and Abatement Fund | 0360 | 8 | 8 |
| Local Government Distributive Fund | 0515 | 381,532 | 390,663 |
| Local Tourism Fund | 0969 | 1,410 | 2,661 |
| Long Term Care Monitor/Receiver Fund | 0285 | 471 | 471 |
| Metabolic Screening and Treatment Fund | 0920 | 391 | 388 |
| Park and Conservation Fund | 0962 | 322 | 342 |
| Pesticide Control Fund | 0576 | 9 | 9 |
| Private Sewage Disposal Program Fund | 0790 | 21 | 21 |
| Public Health Water Permit Fund | 0256 | 4 | 4 |
| Public Utility Fund | 0059 | 254 | 264 |
| School Infrastructure Fund | 0568 | 640 | 929 |
| Secretary of State Special Services Fund | 0483 | 0 | 184 |
| State Police Vehicle Fund | 0246 | 161 | 184 |
| Tourism Promotion Fund | 0763 | 8,056 | 6,557 |
| Underground Storage Tank Fund | 0072 | 4,534 | 4,354 |
| Wildlife and Fish Fund | 0041 | 1,556 | 1,502 |
| **Total Impact, Special State** | | $ 1,246,391 | $ 1,225,430 |
| **GRAND TOTAL IMPACT** | | $ 12,343,012 | $ 12,456,669 |

# TAX EXPENDITURES BY TOTAL IMPACT OF REVENUE SOURCE (dollars in thousands)

**Revenue Source:** Individual Income Tax

| Expenditure: | FY 2023 | FY 2024 |
|---|---|---|
| Federally Taxed Retirement and Social Security Subtractions | $ 3,291,989 | $ 3,335,540 |
| Standard Exemption: Taxpayers and Dependents | 1,209,027 | 1,246,030 |
| Tax Credit for Residential Real Property Taxes | 556,280 | 564,579 |
| Earned Income Tax Credit | 378,090 | 370,019 |
| Other Subtractions[1] | 252,735 | 233,517 |
| Military Pay Subtraction | 70,981 | 69,523 |
| Education Expense Credit | 51,948 | 52,372 |
| Invest in Kids Credit | 49,729 | 48,517 |
| Additional Exemptions: Blind and Elderly | 44,689 | 39,240 |
| Research and Development Credit | 54,895 | 25,086 |
| Economic Development for a Growing Economy Tax Credit | 26,646 | 22,876 |
| Credit for Instructional Materials and Supplies | 15,533 | 15,801 |
| Angel Investment Credit | 6,689 | 3,484 |
| Foreign Trade Zone Dividends Subtractions | 2,283 | 2,403 |
| Film Production Services Credit | 9,945 | 2,123 |
| Other Income Tax Credits[2] | 11,754 | 7,584 |
| **Total Impact** | $ 6,033,213 | $ 6,038,694 |

**Revenue Source:** Sales and Use Tax

| Expenditure: | FY 2023 | FY 2024 |
|---|---|---|
| Food, Drugs, and Medical Appliances Rate Reduction | $ 2,415,239 | $ 2,764,471 |
| Sales to Exempt Organizations | 818,920 | 779,647 |
| Farm Chemicals (Includes Feed and Seed) Exemption | 282,641 | 274,343 |
| Traded-In Property Exemption[3] | 292,983 | 268,449 |
| Biodiesel Discount and Exemption | 244,840 | 204,992 |
| Farm Machinery and Equipment Exemption | 185,747 | 204,239 |
| Manufacturing and Assembling Machinery and Equipment Exemption | 185,523 | 191,288 |
| Sales of Motor Vehicles to Non-Residents Exemption[4] | 196,055 | 187,940 |
| Rolling Stock Exemption | 125,529 | 127,708 |
| Building Materials Within Enterprise Zone, River Edge Redevelopment Zone, or Intermodal Terminal Facility Redevelopment Project Exemption | 72,577 | 84,395 |
| High Impact Business Building Materials Exemption | 19,419 | 22,404 |
| Designated Tangible Personal Property within Enterprise Zone Exemption | 14,727 | 12,319 |
| High Impact Business Designated Tangible Personal Property Exemption | 13,960 | 4,933 |
| All Other[5] | 9,765 | 7,249 |
| **Total Impact** | $ 4,877,925 | $ 5,134,377 |

1 Includes subtractions for a variety of items, many of which (interest expenses, job training contributions, acceleration of life insurance benefits for a terminal illness, Persian Gulf War bonuses, medical care savings accounts, college savings accounts, self-employed health insurance, Roth IRA conversions, compensation of Nazi victims, non-salary ride sharing compensation, and amounts awarded for wrongful imprisonment) are tax expenditures.

2 Includes the Affordable Housing Donations Credit; Adoption Credit; Enterprise Zone and River Edge Redevelopment Zone Investment Credit; Enterprise Zone Dividends Subtraction; Student-Assistance Contribution Credit; TECH-PREP Youth Vocational Programs; Ex-Felons Jobs Credit; Apprenticeship Education Expense Tax Credit; Dependent Care Assistance Program Tax Credit; and the High Impact Business Investment Credit.

3 Beginning in fiscal year 2013, this expenditure applies only to motor vehicles. The Department of Revenue no longer has data to estimate the non-motor vehicle share.

4 This exemption is given only to buyers whose home state extends the same exemption to Illinois residents. Thus, Illinois taxes the full amount of out-of-state sales when an Illinois resident brings a vehicle back to register. In that way, Illinois receives some compensation for this tax expenditure in a way that it does not for others.

5 Includes the Back-to-School State Sales Tax Holiday, Majority Blended Ethanol Exemption, and the Sales of Vehicles to Automobile Rentors Exemption.

# TAX EXPENDITURES BY TOTAL IMPACT OF REVENUE SOURCE (dollars in thousands)

**Revenue Source:** Corporate Income Tax

| Expenditure: | FY 2023 | FY 2024 |
|---|---|---|
| Economic Development for a Growing Economy Tax Credit | $ 140,004 | $ 128,691 |
| Research and Development Credit | 105,658 | 114,240 |
| Film Production Services Credit | 156,171 | 107,504 |
| Illinois Net Operating Loss Deduction | 61,999 | 63,268 |
| Federally Disallowed Deductions | 48,646 | 49,000 |
| Foreign Insurer Rate Reduction | 84,496 | 39,458 |
| Other Schedule M Subtractions | 13,114 | 27,732 |
| Enterprise Zone Investment Credit | 29,007 | 21,387 |
| Affordable Housing Donations | 24,887 | 20,007 |
| River Edge Historic Preservation Credit | 38,037 | 16,889 |
| Hospital Credit | 20,065 | 15,999 |
| All Other 1299-D Credits | 6,914 | 6,385 |
| Invest in Kids Credit | 592 | 1,553 |
| High Impact Business Investment Credit | 1,030 | 508 |
| Angel Investment Credit | 226 | 214 |
| Apprenticeship Education Expense Credit | 225 | 149 |
| Interest on Certain Obligations of Illinois State and Local Government | 83 | 41 |
| High Impact Business Dividend Subtraction | 711 | 0 |
| Wages Paid to Ex-Felons Credit | 208 | 0 |
| Job Training Contribution Subtraction | 100 | 0 |
| Employee Child Care Tax Credit | 84 | 0 |
| **Total Impact** | $ 732,257 | $ 613,025 |

**Revenue Source:** Retaliatory Tax

| Expenditure: | FY 2023 | FY 2024 |
|---|---|---|
| Privilege Tax Offset | $ 93,947 | $ 78,895 |
| Replacement Income Tax Credit | 49,488 | 39,919 |
| Fire Department Tax Credit | 28,470 | 24,528 |
| Fire Marshal Tax Offset | 18,557 | 17,085 |
| Financial Regulation Fee Offset | 9,486 | 8,300 |
| Policy Form Filings | 411 | 393 |
| Other | 476 | 424 |
| Fire Investigations by Office of Fire Marshall | 476 | 0 |
| **Total Impact** | $ 201,311 | $ 169,544 |

**Revenue Source:** Hospital Provider Assessment

| Expenditure: | FY 2023 | FY 2024 |
|---|---|---|
| Hospital Provider Exemption | $ 144,717 | $ 134,564 |
| **Total Impact** | $ 144,717 | $ 134,564 |

**Revenue Source:** Gas Revenue Tax

| Expenditure: | FY 2023 | FY 2024 |
|---|---|---|
| Gas Used in Production of Electric Energy | $ 45,658 | $ 50,725 |
| Enterprise Zone and Foreign Trade Zone Exemption | 20,929 | 13,156 |
| Gas Used in Petroleum Refinery Operation | 10,136 | 10,964 |
| Gas Used in Liquefaction Process | 10,092 | 10,092 |
| Cost of Collection Discount (Gas Use Tax) | 668 | 733 |
| High Impact Business Exemption | 491 | 190 |
| **Total Impact** | $ 87,974 | $ 85,860 |

# TAX EXPENDITURES BY TOTAL IMPACT OF REVENUE SOURCE (dollars in thousands)

**Revenue Source:** Insurance Privilege Tax

| Expenditure: | FY 2023 | FY 2024 |
|---|---|---|
| Replacement Corporate Income Tax Credit | 30,915 | $ 31,447 |
| Fire Department Tax Credit | 31,278 | 28,148 |
| Illinois New Markets Tax Credit | 3,660 | 8,956 |
| **Total Impact** | $ 65,853 | $ 68,551 |

**Revenue Source:** Vehicle Use Tax

| Expenditure: | FY 2023 | FY 2024 |
|---|---|---|
| Family Member Preferential Tax Rate | $ 22,261 | $ 23,432 |
| Out-of-State Resident Exemption | 8,601 | 7,600 |
| Rolling Stock Exemption | 5,009 | 3,849 |
| Estate Gift to Beneficiary Preferential Tax Rate | 1,246 | 1,244 |
| Surviving Spouse Exemption | 513 | 485 |
| Business Reorganization Preferential Tax Rate | 536 | 331 |
| Government, Charitable, Educational, Religious Entities Exemption | 330 | 308 |
| Farm Implement - Ready Mix Exemption | 170 | 152 |
| **Total Impact** | $ 38,666 | $ 37,401 |

**Revenue Source:** Hotel Operators' Occupation and Use Tax

| Expenditure: | FY 2023 | FY 2024 |
|---|---|---|
| Permanent Residents Exemption | $ 22,439 | $ 24,373 |
| Cost of Collection Discount | 9,679 | 10,054 |
| **Total Impact** | $ 32,118 | $ 34,427 |

**Revenue Source:** Annual Reports of Corporations

| Expenditure: | FY 2023 | FY 2024 |
|---|---|---|
| Two Million Dollar Cap on Franchise Tax for Corporations | $ 24,267 | $ 29,803 |
| **Total Impact** | $ 24,267 | $ 29,803 |

**Revenue Source:** Standard Driver's License Fee

| Expenditure: | FY 2023 | FY 2024 |
|---|---|---|
| No Cost ($0.00) and Reduced ($2.00 or $5.00) | $ 25,747 | $ 27,550 |
| **Total Impact** | $ 25,747 | $ 27,550 |

**Revenue Source:** Motor Vehicle Registration (1st Division)

| Expenditure: | FY 2023 | FY 2024 |
|---|---|---|
| Senior Citizen (Benefit Access) Vehicle Exemption | $ 0 | $ 18,705 |
| Congressional Medal of Honor Recipient, Disabled Veteran, Ex-Prisoner of War, Purple Heart Recipient, Gold Star, I Served, and Ambulance Vehicle Exemptions | 0 | 4,581 |
| Charitable Organization and Driver's Education Vehicle Exemptions | 0 | 1,849 |
| Municipality Owned and Sheriff Vehicle Exemptions | 0 | 1,123 |
| Senior Citizen Plate Renewal Reduction | 15,725 | 0 |
| Charitable Organization Vehicle Exemption | 305 | 0 |
| Municipality Owned Passenger Vehicle Exemption | 5,169 | 0 |
| Drivers Education Vehicles | 46 | 0 |
| Disabled Veteran Vehicle Registration Exemption | 4 | 0 |
| **Total Impact** | $ 21,249 | $ 26,258 |

# TAX EXPENDITURES BY TOTAL IMPACT OF REVENUE SOURCE (dollars in thousands)

**Revenue Source:** Electricity Excise Tax

| **Expenditure:** | **FY 2023** | **FY 2024** |
|---|---|---|
| Enterprise Zone and Foreign Trade Zone Exemption | $ 11,805 | $ 11,828 |
| Sales to Municipal Transit Systems | 0 | 1,442 |
| High Impact Business Electricity Excise Tax Exemption | 1,337 | 1,430 |
| **Total Impact** | $ 13,142 | $ 14,700 |

**Revenue Source:** All Other

| **Expenditure:** | **FY 2023** | **FY 2024** |
|---|---|---|
| All Other[6] | $ 15,588 | $ 10,648 |
| **Total Impact** | $ 15,588 | $ 10,648 |

**Revenue Source:** Cigarette and Cigarette Use Taxes

| **Expenditure:** | **FY 2023** | **FY 2024** |
|---|---|---|
| Cost of Collection Discount | $ 10,983 | $ 9,898 |
| **Total Impact** | $ 10,983 | $ 9,898 |

**Revenue Source:** Telecommunications Excise Tax

| **Expenditure:** | **FY 2023** | **FY 2024** |
|---|---|---|
| Cost of Collection Discount | $ 3,580 | $ 3,396 |
| Enterprise Zone and Foreign Trade Zone Exemption | 837 | 3,110 |
| **Total Impact** | $ 4,417 | $ 6,506 |

**Revenue Source:** Underground Storage Tank Tax

| **Expenditure:** | **FY 2023** | **FY 2024** |
|---|---|---|
| Rail Carrier Exemption | $ 2,832 | $ 2,777 |
| Timely Filing and Full Payment Discount | 1,174 | 1,177 |
| Exemption for Ships, Barges & Vessels Conducting Interstate Commerce on Border Rivers | 528 | 400 |
| **Total Impact** | $ 4,534 | $ 4,354 |

**Revenue Source and Annual Receipts:** Standard Identification Card Fee

| **Expenditure:** | **FY 2023** | **FY 2024** |
|---|---|---|
| No Cost ($0.00) and Reduced ($5.00) | $ 4,087 | $ 3,990 |
| **Total Impact** | $ 4,087 | $ 3,990 |

**Revenue Source:** Automobile Renting Occupation and Use Tax

| **Expenditure:** | **FY 2023** | **FY 2024** |
|---|---|---|
| Other/Miscellaneous Deductions | $ 1,530 | $ 1,845 |
| Timely Filing and Full Payment Discount | 532 | 934 |
| Exempt Organization Rentals | 107 | 179 |
| Insurance Coverage Deduction | 85 | 73 |
| Claims for Loss or Damage Deduction | 30 | 47 |
| Refueling Deduction | 19 | 27 |
| **Total Impact** | $ 2,303 | $ 3,105 |

**Revenue Source and Annual Receipts:** Liquor Gallonage Tax

| **Expenditure:** | **FY 2023** | **FY 2024** |
|---|---|---|
| Cost of Collection Discount | $ 1,097 | $ 1,174 |
| **Total Impact** | $ 1,097 | $ 1,174 |

[6] The total for FY 2023 "All Other" expenditures has changed from $15,685 to $15,588 because the Corrected and Duplicate Driver's License Fee exemption was separated as its own item.

# TAX EXPENDITURES BY TOTAL IMPACT OF REVENUE SOURCE (dollars in thousands)

| | | |
|---|---|---|
| **Revenue Source:** Cannabis Purchaser Excise Tax | | |
| **Expenditure:** | **FY 2023** | **FY 2024** |
| Timely Filing and Full Payment Discount | $ 699 | $ 1,169 |
| **Total Impact** | $ 699 | $ 1,169 |
| **Revenue Source:** Water Main Construction Permit Application Fee | | |
| **Expenditure:** | **FY 2023** | **FY 2024** |
| State and Local Government Exemption | $ 413 | $ 355 |
| **Total Impact** | $ 413 | $ 355 |
| **Revenue Source:** NPDES Permit Discharge Fee | | |
| **Expenditure:** | **FY 2023** | **FY 2024** |
| State Government and School District Exemption | $ 188 | $ 344 |
| **Total Impact** | $ 188 | $ 344 |
| **Revenue Source:** Cannabis Cultivation Privilege Tax | | |
| **Expenditure:** | **FY 2023** | **FY 2024** |
| Timely Filing and Full Payment Discount | $ 167 | $ 194 |
| **Total Impact** | $ 167 | $ 194 |
| **Revenue Source:** Corrected and Duplicate Driver's License Fee | | |
| **Expenditure:** | **FY 2023** | **FY 2024** |
| No Cost ($0.00) and Reduced ($2.00) Corrected and Duplicate Driver's License Fees | $ 97 | $ 99 |
| **Total Impact** | $ 97 | $ 99 |
| **Revenue Source:** Corrected and Duplicate Identification Card Fee | | |
| **Expenditure:** | **FY 2023** | **FY 2024** |
| No Cost ($0.00) and Reduced ($5.00) Corrected and Duplicate Identification Card Fees | $ 0 | $ 79 |
| **Total Impact** | $ 0 | $ 79 |
| **GRAND TOTAL IMPACT** | **$ 12,343,012** | **$ 12,456,669** |

# SUMMARY OF TAX EXPENDITURES BY AGENCY, REVENUE SOURCE, AND FUND NAME (dollars in thousands)

## Commerce Commission

**Revenue Source: Gross Receipts Tax (Public Utility Fund)**

| Fund Name and Code: | | FY 2023 | FY 2024 |
|---|---|---|---|
| Public Utility Fund | 0059 | $ 31 | $ 28 |

## Comptroller

**Revenue Source: Non-Electric Warrant Processing Fee**

| Fund Name and Code: | | FY 2023 | FY 2024 |
|---|---|---|---|
| Comptroller's Administrative Fund | 0543 | $ 12,204 | $ 6,626 |

## Environmental Protection Agency

**Revenue Source: NPDES Permit Discharge Fee**

| Fund Name and Code: | | FY 2023 | FY 2024 |
|---|---|---|---|
| Illinois Clean Water Fund | 0731 | $ 188 | $ 344 |

**Revenue Source: Sewer Construction Permit Application Fee**

| Fund Name and Code: | | FY 2023 | FY 2024 |
|---|---|---|---|
| Environmental Protection Permit and Inspection Fund | 0731 | $ 1 | $ 0 |

**Revenue Source: Water Main Construction Permit Application Fee**

| Fund Name and Code: | | FY 2023 | FY 2024 |
|---|---|---|---|
| Environmental Protection Permit and Inspection Fund | 0944 | $ 413 | $ 355 |

## Healthcare and Family Services

**Revenue Source: Hospital Provider Assessment**

| Fund Name and Code: | | FY 2023 | FY 2024 |
|---|---|---|---|
| Hospital Provider Fund | 0346 | $ 144,717 | $ 134,564 |

## Insurance

**Revenue Source: Insurance Privilege Tax**

| Fund Name and Code: | | FY 2023 | FY 2024 |
|---|---|---|---|
| General Revenue Fund | 0001 | $ 65,853 | $ 68,551 |

**Revenue Source: Retaliatory Tax**

| Fund Name and Code: | | FY 2023 | FY 2024 |
|---|---|---|---|
| General Revenue Fund | 0001 | 201,311 | 169,544 |

# SUMMARY OF TAX EXPENDITURES BY AGENCY, REVENUE SOURCE, AND FUND NAME (dollars in thousands)

## Natural Resources

**Revenue Source: Fishing Licenses**

| Fund Name and Code: | | FY 2023 | FY 2024 |
|---|---|---|---|
| Wildlife and Fish Fund | 0041 | $ 663 | $ 568 |

**Revenue Source: Hunting and Licenses Permits**

| Fund Name and Code: | | FY 2023 | FY 2024 |
|---|---|---|---|
| Wildlife and Fish Fund | 0041 | $ 371 | $ 414 |

**Revenue Source: Sportsman License**

| Fund Name and Code: | | FY 2023 | FY 2024 |
|---|---|---|---|
| Wildlife and Fish Fund | 0041 | $ 522 | $ 520 |

## Public Health

**Revenue Source: Asbestos Abatement License Fee**

| Fund Name and Code: | | FY 2023 | FY 2024 |
|---|---|---|---|
| Illinois School Asbestos Abatement Fund | 0175 | $ 2 | $ 2 |

**Revenue Source: Environmental Lead License Application Fee**

| Fund Name and Code: | | FY 2023 | FY 2024 |
|---|---|---|---|
| Lead Poisoning, Screening, Prevention and Abatement Fund | 0360 | $ 8 | $ 8 |

**Revenue Source: Facility Plan Review**

| Fund Name and Code: | | FY 2023 | FY 2024 |
|---|---|---|---|
| Health Facility Plan Review Fund | 0524 | $ 100 | $ 100 |

**Revenue Source: Health Care Facility Permit Application Fee**

| Fund Name and Code: | | FY 2023 | FY 2024 |
|---|---|---|---|
| Illinois Health Facilities Planning Fund | 0238 | $ 2 | $ 2 |

**Revenue Source: Long Term Care Facility Fee**

| Fund Name and Code: | | FY 2023 | FY 2024 |
|---|---|---|---|
| Long Term Care Monitor/Receiver Fund | 0285 | $ 471 | $ 471 |

**Revenue Source: Newborn Screening and Treatment Fee**

| Fund Name and Code: | | FY 2023 | FY 2024 |
|---|---|---|---|
| Metabolic Screening and Treatment Fund | 0920 | $ 391 | $ 388 |

**Revenue Source: Pesticide Control Fee**

| Fund Name and Code: | | FY 2023 | FY 2024 |
|---|---|---|---|
| Pesticide Control Fund | 0576 | $ 9 | $ 9 |

# SUMMARY OF TAX EXPENDITURES BY AGENCY, REVENUE SOURCE, AND FUND NAME
## (dollars in thousands)

### Public Health (concluded)

**Revenue Source: Plan Review Fee - LTC Facilities**

| Fund Name and Code: | | FY 2023 | FY 2024 |
|---|---|---|---|
| Health Facility Plan Review Fund | 0524 | $ 4 | $ 4 |

**Revenue Source: Private Sewage Fee**

| Fund Name and Code: | | FY 2023 | FY 2024 |
|---|---|---|---|
| Private Sewage Disposal Program Fund | 0790 | $ 21 | $ 21 |

**Revenue Source: Recreational Area Fee**

| Fund Name and Code: | | FY 2023 | FY 2024 |
|---|---|---|---|
| General Revenue Fund | 0001 | $ 114 | $ 114 |

**Revenue Source: Salvage Warehouse and Salvage Warehouse Store Act**

| Fund Name and Code: | | FY 2023 | FY 2024 |
|---|---|---|---|
| General Revenue Fund | 0001 | $ 5 | $ 5 |

**Revenue Source: Swimming Pool and Bathing Beach Fee**

| Fund Name and Code: | | FY 2023 | FY 2024 |
|---|---|---|---|
| Facility Licensing Fund | 0118 | $ 408 | $ 408 |

**Revenue Source: Vital Records Fees**

| Fund Name and Code: | | FY 2023 | FY 2024 |
|---|---|---|---|
| General Revenue Fund | 0001 | $ 72 | $ 76 |
| General Revenue Fund | 0638 | 15 | 15 |

**Revenue Source: Water Pump Installation Contractor Fee**

| Fund Name and Code: | | FY 2023 | FY 2024 |
|---|---|---|---|
| Public Health Water Permit Fund | 0256 | $ 4 | $ 4 |

**Revenue Source: Youth Camp License Application Fee**

| Fund Name and Code: | | FY 2023 | FY 2024 |
|---|---|---|---|
| General Revenue Fund | 0001 | $ 3 | $ 3 |

### Racing Board

**Revenue Source: Horse Racing Admission Tax**

| Fund Name and Code: | | FY 2023 | FY 2024 |
|---|---|---|---|
| Horse Racing Fund | 0632 | $ 0 | $ 7 |

**Revenue Source: Racing Pari-mutuel (aka: Privilege Tax)**

| Fund Name and Code: | | FY 2023 | FY 2024 |
|---|---|---|---|
| Horse Racing Fund | 0632 | 0 | 704 |

# SUMMARY OF TAX EXPENDITURES BY AGENCY, REVENUE SOURCE, AND FUND NAME (dollars in thousands)

Revenue

**Revenue Source: Automobile Renting Occupation and Use Tax**

| Fund Name and Code: | | FY 2023 | FY 2024 |
|---|---|---|---|
| General Revenue Fund | 0001 | $ 2,303 | $ 3,105 |

**Revenue Source: Cannabis Cultivation Privilege Tax**

| Fund Name and Code: | | FY 2023 | FY 2024 |
|---|---|---|---|
| Cannabis Regulation Fund | 0912 | $ 167 | $ 194 |

**Revenue Source: Cannabis Purchaser Excise Tax**

| Fund Name and Code: | | FY 2023 | FY 2024 |
|---|---|---|---|
| Cannabis Regulation Fund | 0912 | $ 699 | $ 1,169 |

**Revenue Source: Cigarette and Cigarette Use Taxes**

| Fund Name and Code: | | FY 2023 | FY 2024 |
|---|---|---|---|
| General Revenue Fund | 0001 | $ 10,983 | $ 9,898 |

**Revenue Source: Corporate Income Tax**

| Fund Name and Code: | | FY 2023 | FY 2024 |
|---|---|---|---|
| Education Assistance Fund | 0007 | $ 47,665 | $ 38,377 |
| General Revenue Fund | 0001 | 537,447 | 449,059 |
| Income Tax Refund Fund | 0278 | 102,883 | 89,883 |
| Local Government Distributive Fund | 0515 | 44,262 | 35,706 |

**Revenue Source: Electricity Excise Tax**

| Fund Name and Code: | | FY 2023 | FY 2024 |
|---|---|---|---|
| General Revenue Fund | 0001 | $ 12,919 | $ 14,464 |
| Public Utility Fund | 0059 | 223 | 236 |

**Revenue Source: Gas Revenue Tax**

| Fund Name and Code: | | FY 2023 | FY 2024 |
|---|---|---|---|
| General Revenue Fund | 0001 | $ 87,974 | $ 85,860 |

**Revenue Source: Hotel Operators' Occupation and Use Tax**

| Fund Name and Code: | | FY 2023 | FY 2024 |
|---|---|---|---|
| Build Illinois Fund | 0960 | $ 20,922 | $ 22,799 |
| Chicago Travel Industry Promotion Fund | 0624 | 841 | 1,588 |
| General Revenue Fund | 0001 | 454 | 0 |
| International Tourism Fund | 0621 | 435 | 822 |
| Local Tourism Fund | 0969 | 1,410 | 2,661 |
| Tourism Promotion Fund | 0763 | 8,056 | 6,557 |

# SUMMARY OF TAX EXPENDITURES BY AGENCY, REVENUE SOURCE, AND FUND NAME
## (dollars in thousands)

**Revenue (concluded)**

| Revenue Source: Individual Income Tax | | | |
|---|---|---|---|
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| Education Assistance Fund | 0007 | $ 399,684 | $ 400,489 |
| General Revenue Fund | 0001 | 4,738,187 | 4,730,708 |
| Income Tax Refund Fund | 0278 | 558,072 | 552,540 |
| Local Government Distributive Fund | 0515 | 337,270 | 354,957 |

| Revenue Source: Liquor Gallonage Tax | | | |
|---|---|---|---|
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| Capital Projects Fund | 0694 | $ 400 | $ 500 |
| General Revenue Fund | 0001 | 697 | 674 |

| Revenue Source: Medical Cannabis Cultivation Privilege Tax | | | |
|---|---|---|---|
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| Compassionate Use of Medical Cannabis Fund | 0075 | $ 167 | $ 151 |

| Revenue Source: Sales and Use Tax | | | |
|---|---|---|---|
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue - Common School Special Account Fund | 0005 | $ 1,180,413 | $ 1,240,616 |
| General Revenue Fund | 0001 | 3,541,126 | 3,721,843 |
| Road Fund | 0011 | 156,386 | 171,918 |

| Revenue Source: Telecommunications Excise Tax | | | |
|---|---|---|---|
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| Common School Fund | 0412 | $ 860 | $ 1,267 |
| General Revenue Fund | 0001 | 2,917 | 4,310 |
| School Infrastructure Fund | 0568 | 640 | 929 |

| Revenue Source: Underground Storage Tank Tax | | | |
|---|---|---|---|
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| Underground Storage Tank Fund | 0072 | $ 4,534 | $ 4,354 |

| Revenue Source: Vehicle Use Tax | | | |
|---|---|---|---|
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 38,666 | $ 37,401 |

# SUMMARY OF TAX EXPENDITURES BY AGENCY, REVENUE SOURCE, AND FUND NAME (dollars in thousands)

## Secretary of State

**Revenue Source: Annual Reports of Corporations**

| Fund Name and Code: | | FY 2023 | FY 2024 |
|---|---|---|---|
| General Revenue Fund | 0001 | $ 23,792 | $ 29,803 |
| Corporate Franchise Tax Refund Fund | 0380 | 475 | 0 |

**Revenue Source: Corrected and Duplicate Driver's License Fee**

| Fund Name and Code: | | FY 2023 | FY 2024 |
|---|---|---|---|
| Road Fund | 0011 | $ 61 | $ 62 |
| State Construction Account Fund | 0902 | 36 | 37 |

**Revenue Source: Corrected and Duplicate Identification Card Fee**

| Fund Name and Code: | | FY 2023 | FY 2024 |
|---|---|---|---|
| General Revenue Fund | 0001 | $ 0 | $ 63 |
| Road Fund | 0011 | 0 | 10 |
| State Construction Account Fund | 0902 | 0 | 6 |

**Revenue Source: Motor Vehicle Registration (1st Division)**

| Fund Name and Code: | | FY 2023 | FY 2024 |
|---|---|---|---|
| Capital Projects Fund | 0694 | $ 3,215 | $ 3,466 |
| Park and Conservation Fund | 0962 | 322 | 342 |
| Road Fund | 0011 | 11,059 | 17,067 |
| Secretary of State Special Services Fund | 0483 | 0 | 184 |
| State Construction Account Fund | 0902 | 6,492 | 5,015 |
| State Police Vehicle Fund | 0246 | 161 | 184 |

**Revenue Source: Standard Driver's License Fee**

| Fund Name and Code: | | FY 2023 | FY 2024 |
|---|---|---|---|
| Capital Projects Fund | 0694 | $ 17,167 | $ 18,367 |
| Driver Services Administration Fund | 0182 | 9 | 13 |
| Drivers Education Fund | 0031 | 4,298 | 4,599 |
| Road Fund | 0011 | 2,703 | 2,891 |
| State Construction Account Fund | 0902 | 1,570 | 1,680 |

**Revenue Source: Standard Identification Card Fee**

| Fund Name and Code: | | FY 2023 | FY 2024 |
|---|---|---|---|
| General Revenue Fund | 0001 | $ 3,269 | $ 3,192 |
| Road Fund | 0011 | 515 | 503 |
| State Construction Account Fund | 0902 | 303 | 295 |

| | | | |
|---|---|---|---|
| **GRAND TOTAL IMPACT** | | **$ 12,343,012** | **$ 12,456,669** |

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# DETAIL OF TAX EXPENDITURE BY AGENCY, REVENUE SOURCE, EXPENDITURE, AND FUND CODE (dollars in thousands)

## Commerce Commission

| | | FY 2023 | FY 2024 |
|---|---|---|---|
| **Revenue Source and Annual Receipts:** Gross Receipts Tax (Public Utility Fund) | | $ 9,537 | $ 7,068 |
| **Expenditure:** Enterprise Zone Revenue Exemption | | | |
| **Fund Name and Code:** | | **FY 2024** | **FY 2024** |
| Public Utility Fund | 0059 | $ 31 | $ 28 |
| **Total** | | 31 | 28 |
| **Total Tax Impact per Revenue Source** | | $ 31 | $ 28 |
| **Total Tax Impact, Commerce Commission** | | $ 31 | $ 28 |

## Comptroller

| | | FY 2023 | FY 2024 |
|---|---|---|---|
| **Revenue Source and Annual Receipts:** Non-Electric Warrant Processing Fee | | $ 231 | $ 238 |
| **Expenditure:** Non-Electric Warrant Processing Fee Waiver | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| Comptroller's Administrative Fund | 0543 | $ 12,204 | $ 6,626 |
| **Total** | | 12,204 | 6,626 |
| **Total Tax Impact per Revenue Source** | | $ 12,204 | $ 6,626 |
| **Total Tax Impact, Comptroller** | | $ 12,204 | $ 6,626 |

## Environmental Protection Agency

| | | FY 2023 | FY 2024 |
|---|---|---|---|
| **Revenue Source and Annual Receipts:** NPDES Permit Discharge Fee | | $ 15,383 | $ 15,335 |
| **Expenditure:** State Government and School District Exemption | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| Illinois Clean Water Fund | 0731 | $ 188 | $ 344 |
| **Total** | | 188 | 344 |
| **Total Tax Impact per Revenue Source** | | $ 188 | $ 344 |

| | | FY 2023 | FY 2024 |
|---|---|---|---|
| **Revenue Source and Annual Receipts:** Sewer Construction Permit Application Fee | | $ 575 | $ 496 |
| **Expenditure:** State and Local Government Exemption | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| Environmental Protection Permit and Inspection Fund | 0944 | $ 1 | $ 0 |
| **Total** | | 1 | 0 |
| **Total Tax Impact per Revenue Source** | | $ 1 | $ 0 |

| | | FY 2023 | FY 2024 |
|---|---|---|---|
| **Revenue Source and Annual Receipts:** Water Main Construction Permit Application Fee | | $ 285 | $ 219 |
| **Expenditure:** State and Local Government Exemption | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| Environmental Protection Permit and Inspection Fund | 0944 | $ 413 | $ 355 |
| **Total** | | 413 | 355 |
| **Total Tax Impact per Revenue Source** | | $ 413 | $ 355 |
| **Total Tax Impact, Environmental Protection Agency** | | $ 602 | $ 699 |

## Healthcare and Family Services

| | | FY 2023 | FY 2024 |
|---|---|---|---|
| **Revenue Source and Annual Receipts:** Hospital Provider Assessment | | $ 1,850,715 | $ 1,910,056 |
| **Expenditure:** Hospital Provider Exemption | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| Hospital Provider Fund | 0346 | $ 144,717 | $ 134,564 |
| **Total** | | 144,717 | 134,564 |
| **Total Tax Impact per Revenue Source** | | $ 144,717 | $ 134,564 |
| **Total Tax Impact, Healthcare and Family Services** | | $ 144,717 | $ 134,564 |

# DETAIL OF TAX EXPENDITURE BY AGENCY, REVENUE SOURCE, EXPENDITURE, AND FUND CODE (dollars in thousands)

## Insurance

| | | FY 2023 | FY 2024 |
|---|---|---|---|
| **Revenue Source and Annual Receipts:** Insurance Privilege Tax | | $ 235,378 | $ 237,571 |
| **Expenditure:** Fire Department Tax Credit | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 31,278 | $ 28,148 |
| **Total** | | 31,278 | 28,148 |
| **Expenditure:** Illinois New Markets Tax Credit | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 3,660 | $ 8,956 |
| **Total** | | 3,660 | 8,956 |
| **Expenditure:** Replacement Corporate Income Tax Credit | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 30,915 | $ 31,447 |
| **Total** | | 30,915 | 31,447 |
| **Total Tax Impact per Revenue Source** | | $ 65,853 | $ 68,551 |

| | | FY 2023 | FY 2024 |
|---|---|---|---|
| **Revenue Source and Annual Receipts:** Retaliatory Tax | | $ 130,871 | $ 136,246 |
| **Expenditure:** Financial Regulation Fee Offset | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 9,486 | $ 8,300 |
| **Total** | | 9,486 | 8,300 |
| **Expenditure:** Fire Department Tax Credit | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 28,470 | $ 24,528 |
| **Total** | | 28,470 | 24,528 |
| **Expenditure:** Fire Investigations by Office of Fire Marshall | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 476 | $ 0 |
| **Total** | | 476 | 0 |
| **Expenditure:** Fire Marshal Tax Offset | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 18,557 | $ 17,085 |
| **Total** | | 18,557 | 17,085 |
| **Expenditure:** Other | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 476 | $ 424 |
| **Total** | | 476 | 424 |
| **Expenditure:** Policy Form Filings | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 411 | $ 393 |
| **Total** | | 411 | 393 |

| | | | |
|---|---|---|---|
| **Revenue Source and Annual Receipts:** Retaliatory Tax (concluded) | | | |
| **Expenditure:** Privilege Tax Offset | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 93,947 | $ 78,895 |
| **Total** | | 93,947 | 78,895 |
| **Expenditure:** Replacement Income Tax Credit | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 49,488 | $ 39,919 |
| **Total** | | 49,488 | 39,919 |
| **Total Tax Impact per Revenue Source** | | $ 201,311 | $ 169,544 |
| **Total Tax Impact, Insurance** | | $ 267,164 | $ 238,095 |

# DETAIL OF TAX EXPENDITURE BY AGENCY, REVENUE SOURCE, EXPENDITURE, AND FUND CODE (dollars in thousands)

## Natural Resources

| | | FY 2023 | FY 2024 |
|---|---|---|---|
| **Revenue Source and Annual Receipts:** Fishing Licenses | | $ 7,041 | $ 7,404 |
| **Expenditure:** Disabled, Under 16, 65 or Over, Fee Fishing Areas, Owners/Tenants Discount | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| Wildlife and Fish Fund | 0041 | $ 663 | $ 568 |
| **Total** | | 663 | 568 |
| **Total Tax Impact per Revenue Source** | | $ 663 | $ 568 |

| | | FY 2023 | FY 2024 |
|---|---|---|---|
| **Revenue Source and Annual Receipts:** Hunting Licenses and Permits | | $ 27,725 | $ 28,627 |
| **Expenditure:** Disabled, 65 or Over, Landowners/Tenants Discount | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| Wildlife and Fish Fund | 0041 | $ 371 | $ 414 |
| **Total** | | 371 | 414 |
| **Total Tax Impact per Revenue Source** | | $ 371 | $ 414 |

| | | FY 2023 | FY 2024 |
|---|---|---|---|
| **Revenue Source and Annual Receipts:** Sportsman License | | $ 2,524 | $ 2,514 |
| **Expenditure:** Disabled, 65 or Over, Landowners/Tenants Discount | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| Wildlife and Fish Fund | 0041 | $ 522 | $ 520 |
| **Total** | | 522 | 520 |
| **Total Tax Impact per Revenue Source** | | $ 522 | $ 520 |
| **Total Tax Impact, Natural Resources** | | $ 1,556 | $ 1,502 |

## Public Health

| | | FY 2023 | FY 2024 |
|---|---|---|---|
| **Revenue Source and Annual Receipts:** Asbestos Abatement License Fee | | $ 427 | $ 424 |
| **Expenditure:** Governmental Employee Waiver | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| Illinois School Asbestos Abatement Fund | 0175 | $ 2 | $ 2 |
| **Total** | | 2 | 2 |
| **Total Tax Impact per Revenue Source** | | $ 2 | $ 2 |

| | | FY 2023 | FY 2024 |
|---|---|---|---|
| **Revenue Source and Annual Receipts:** Environmental Lead License Application Fee | | $ 236 | $ 230 |
| **Expenditure:** Department of Public Health and Delegate Agency Employee Waiver | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| Lead Poisoning, Screening, Prevention and Abatement Fund | 0360 | $ 8 | $ 8 |
| **Total** | | 8 | 8 |
| **Total Tax Impact per Revenue Source** | | $ 8 | $ 8 |

| | | FY 2023 | FY 2024 |
|---|---|---|---|
| **Revenue Source and Annual Receipts:** Facility Plan Review | | $ 1,107 | $ 859 |
| **Expenditure:** Disproportionate Share and Rural Hospitals' Exemption from 50% Plan Review Fee | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| Health Facility Plan Review Fund | 0524 | $ 100 | $ 100 |
| **Total** | | 100 | 100 |
| **Total Tax Impact per Revenue Source** | | $ 100 | $ 100 |

# DETAIL OF TAX EXPENDITURE BY AGENCY, REVENUE SOURCE, EXPENDITURE, AND FUND CODE (dollars in thousands)

**Public Health (continued)**

| | | FY 2023 | FY 2024 |
|---|---|---|---|
| **Revenue Source and Annual Receipts:** Health Care Facility Permit Application Fee | | $ 2,584 | $ 1,092 |
| **Expenditure:** Natural Disaster and Other Emergency Waiver | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| Illinois Health Facilities Planning Fund | 0238 | $ 2 | $ 2 |
| **Total** | | 2 | 2 |
| **Total Tax Impact per Revenue Source** | | $ 2 | $ 2 |

| | | FY 2023 | FY 2024 |
|---|---|---|---|
| **Revenue Source and Annual Receipts:** Long Term Care Facility Fee | | $ 1,734 | $ 1,457 |
| **Expenditure:** Facility Fee Exemption | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| Long Term Care Monitor/Receiver Fund | 0285 | $ 471 | $ 471 |
| **Total** | | 471 | 471 |
| **Total Tax Impact per Revenue Source** | | $ 471 | $ 471 |

| | | FY 2023 | FY 2024 |
|---|---|---|---|
| **Revenue Source and Annual Receipts:** Newborn Screening and Treatment Fee | | $ 17,539 | $ 17,540 |
| **Expenditure:** State Agency Lab Exemption | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| Metabolic Screening and Treatment Fund | 0920 | $ 391 | $ 388 |
| **Total** | | 391 | 388 |
| **Total Tax Impact per Revenue Source** | | $ 391 | $ 388 |

| | | FY 2023 | FY 2024 |
|---|---|---|---|
| **Revenue Source and Annual Receipts:** Pesticide Control Fee | | $ 260 | $ 245 |
| **Expenditure:** State Agency Employee Exemption | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| Pesticide Control Fund | 0576 | $ 9 | $ 9 |
| **Total** | | 9 | 9 |
| **Total Tax Impact per Revenue Source** | | $ 9 | $ 9 |

| | | FY 2023 | FY 2024 |
|---|---|---|---|
| **Revenue Source and Annual Receipts:** Plan Review Fee - LTC Facilities | | $ 187 | $ 176 |
| **Expenditure:** VA Facilities Exempt from Plan Review Fee | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| Health Facility Plan Review Fund | 524 | $ 4 | $ 4 |
| **Total** | | 4 | 4 |
| **Total Tax Impact per Revenue Source** | | $ 4 | $ 4 |

| | | FY 2023 | FY 2024 |
|---|---|---|---|
| **Revenue Source and Annual Receipts:** Private Sewage Fee | | $ 197 | $ 195 |
| **Expenditure:** Plumbing License Exemption | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| Private Sewage Disposal Program Fund | 0790 | $ 21 | $ 21 |
| **Total** | | 21 | 21 |
| **Total Tax Impact per Revenue Source** | | $ 21 | $ 21 |

# DETAIL OF TAX EXPENDITURE BY AGENCY, REVENUE SOURCE, EXPENDITURE, AND FUND CODE (dollars in thousands)

**Public Health (continued)**

| | | FY 2023 | FY 2024 |
|---|---|---|---|
| **Revenue Source and Annual Receipts:** Recreational Area Fee | | $ 42 | $ 39 |
| **Expenditure:** Not-for-Profit and Governmental Agency Construction Application Fee Waiver | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 38 | $ 38 |
| **Total** | | 38 | 38 |
| **Expenditure:** Not-for-Profit Organization and Governmental Agency License Renewal Fee Waiver | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 38 | $ 38 |
| **Total** | | 38 | 38 |
| **Expenditure:** Not-for-Profit Organization and Governmental Agency Original License Application Fee Waiver | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 38 | $ 38 |
| **Total** | | 38 | 38 |
| **Total Tax Impact per Revenue Source** | | $ 114 | $ 114 |

| | | FY 2023 | FY 2024 |
|---|---|---|---|
| **Revenue Source and Annual Receipts:** Salvage Warehouse and Salvage Warehouse Store Act | | $ 4 | $ 3 |
| **Expenditure:** Not-for-Profit Organization Waiver | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 5 | $ 5 |
| **Total** | | 5 | 5 |
| **Total Tax Impact per Revenue Source** | | $ 5 | $ 5 |

| | | FY 2023 | FY 2024 |
|---|---|---|---|
| **Revenue Source and Annual Receipts:** Swimming Pool and Bathing Beach Fee | | $ 1,576 | $ 1,614 |
| **Expenditure:** Tax Exempt 501(c)(3) and Governmental Facility Construction Application Fee Waiver | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| Facility Licensing Fund | 0118 | $ 7 | $ 7 |
| **Total** | | 7 | 7 |
| **Expenditure:** Tax Exempt 501(c)(3) and Governmental Facility- Inspection Fee Waiver | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| Facility Licensing Fund | 0118 | $ 280 | $ 280 |
| **Total** | | 280 | 280 |
| **Expenditure:** Tax Exempt 501(c)(3) and Governmental Facility License Renewal Fee Waiver | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| Facility Licensing Fund | 0118 | $ 90 | $ 90 |
| **Total** | | 90 | 90 |
| **Expenditure:** Tax Exempt 501(c)(3) and Governmental Facility Original License Fee Waiver | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| Facility Licensing Fund | 0118 | $ 31 | $ 31 |
| **Total** | | 31 | 31 |
| **Total Tax Impact per Revenue Source** | | $ 408 | $ 408 |

# DETAIL OF TAX EXPENDITURE BY AGENCY, REVENUE SOURCE, EXPENDITURE, AND FUND CODE (dollars in thousands)

## Public Health (concluded)

| | | FY 2023 | FY 2024 |
|---|---|---|---|
| **Revenue Source and Annual Receipts:** Vital Records Fees | | $ 1,216 | $ 1,237 |
| **Expenditure:** Groups Chartered by U.S. Congress Exemption | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 2 | $ 2 |
| **Total** | | 2 | 2 |
| **Expenditure:** Homeless Person Birth Record Request Waiver | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 5 | $ 7 |
| **Total** | | 5 | 7 |
| **Expenditure:** Illinois Adoption Registry and Medical Information Exchange | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| Illinois Adoption Registry and Medical Information Exchange Fund | 0638 | $ 15 | $ 15 |
| **Total** | | 15 | 15 |
| **Expenditure:** Illinois Department of Corrections Inmate & Department of Juvenile Justice Waiver | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 55 | $ 55 |
| **Total** | | 55 | 55 |
| **Expenditure:** U.S. Veterans Administration Exemption | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 2 | $ 2 |
| **Total** | | 2 | 2 |
| **Expenditure:** Youth in Care Birth Record Request Waiver | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 8 | $ 10 |
| **Total** | | 8 | 10 |
| **Total Tax Impact per Revenue Source** | | $ 87 | $ 91 |

| | | FY 2023 | FY 2024 |
|---|---|---|---|
| **Revenue Source and Annual Receipts:** Water Pump Installation Contractor Fee | | $ 15 | $ 16 |
| **Expenditure:** Licensed Plumber Exemption | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| Public Health Water Permit Fund | 0256 | $ 4 | $ 4 |
| **Total** | | 4 | 4 |
| **Total Tax Impact per Revenue Source** | | $ 4 | $ 4 |

| | | FY 2023 | FY 2024 |
|---|---|---|---|
| **Revenue Source and Annual Receipts:** Youth Camp License Application | | $ 3 | $ 2 |
| **Expenditure:** Governmental Agency Waiver | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 3 | $ 3 |
| **Total** | | 3 | 3 |
| **Total Tax Impact per Revenue Source** | | $ 3 | $ 3 |
| **Total Tax Impact, Public Health** | | $ 1,629 | $ 1,630 |

## Racing Board

| | | FY 2023 | FY 2024 |
|---|---|---|---|
| **Revenue Source and Annual Receipts:** Horse Racing Admission Tax | | $ 46 | $ 47 |
| **Expenditure:** Free General Admission | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| Horse Racing Fund | 0632 | $ 0 | $ 7 |
| **Total** | | 0 | 7 |
| **Total Tax Impact per Revenue Source** | | $ 0 | $ 7 |

# DETAIL OF TAX EXPENDITURE BY AGENCY, REVENUE SOURCE, EXPENDITURE, AND FUND CODE (dollars in thousands)

**Racing Board (concluded)**

| | | FY 2023 | FY 2024 |
|---|---|---|---|
| **Revenue Source and Annual Receipts:** Racing Pari-mutuel (aka: Privilege Tax) | | $ 6,241 | $ 6,368 |
| **Expenditure:** Real Estate Tax Credit | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| Horse Racing Fund | 0632 | $ 0 | $ 704 |
| **Total** | | 0 | 704 |
| **Total Tax Impact per Revenue Source** | | $ 0 | $ 704 |
| **Total Tax Impact, Environmental Protection Agency** | | $ 0 | $ 711 |

**Revenue**

| | | FY 2023 | FY 2024 |
|---|---|---|---|
| **Revenue Source and Annual Receipts:** Automobile Renting Occupation and Use Tax | | $ 54,395 | $ 53,736 |
| **Expenditure:** Claims for Loss or Damage Deduction | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 30 | $ 47 |
| **Total** | | 30 | 47 |
| **Expenditure:** Exempt Organization Rentals[1] | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 107 | $ 179 |
| **Total** | | 107 | 179 |
| **Expenditure:** Insurance Coverage Deduction | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 85 | $ 73 |
| **Total** | | 85 | 73 |
| **Expenditure:** Other/Miscellaneous Deductions | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 1,530 | $ 1,845 |
| **Total** | | 1,530 | 1,845 |
| **Expenditure:** Refueling Deduction | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 19 | $ 27 |
| **Total** | | 19 | 27 |
| **Expenditure:** Timely Filing and Full Payment Discount | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 532 | $ 934 |
| **Total** | | 532 | 934 |
| **Total Tax Impact per Revenue Source** | | $ 2,303 | $ 3,105 |

| | | FY 2023 | FY 2024 |
|---|---|---|---|
| **Revenue Source and Annual Receipts:** Cannabis Cultivation Privilege Tax | | $ 30,979 | $ 32,099 |
| **Expenditure:** Timely Filing and Full Payment Discount | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 167 | $ 194 |
| **Total** | | 167 | 194 |
| **Total Tax Impact per Revenue Source** | | $ 167 | $ 194 |

| | | FY 2023 | FY 2024 |
|---|---|---|---|
| **Revenue Source and Annual Receipts:** Cannabis Purchaser Excise Tax | | $ 224,549 | $ 229,650 |
| **Expenditure:** Cost of Collection Discount | | | |
| **Expenditure:** Timely Filing and Full Payment Discount | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 699 | $ 1,169 |
| **Total** | | 699 | 1,169 |
| **Total Tax Impact per Revenue Source** | | $ 699 | $ 1,169 |

[1] Includes government, charitable, religious, and not-for-profit senior citizen entities.

# DETAIL OF TAX EXPENDITURE BY AGENCY, REVENUE SOURCE, EXPENDITURE, AND FUND CODE (dollars in thousands)

**Revenue (continued)**

| | | FY 2023 | FY 2024 |
|---|---|---|---|
| **Revenue Source and Annual Receipts:** Cigarette and Cigarette Use Taxes | | $ 713,968 | $ 638,088 |
| **Expenditure:** Cost of Collection Discount | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 10,983 | $ 9,898 |
| **Total** | | 10,983 | 9,898 |
| **Total Tax Impact per Revenue Source** | | $ 10,983 | $ 9,898 |

| | | FY 2023 | FY 2024 |
|---|---|---|---|
| **Revenue Source and Annual Receipts:** Corporate Income Tax[2] | | $ 7,319,826 | $ 6,526,901 |
| **Expenditure:** Affordable Housing Donations | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 18,375 | $ 14,600 |
| Education Assistance Fund | 0007 | 1,562 | 1,241 |
| Income Tax Refund Fund | 0278 | 3,484 | 3,001 |
| Local Government Distributive Fund | 0515 | 1,466 | 1,165 |
| **Total** | | $ 24,887 | $ 20,007 |
| **Expenditure:** All Other 1299-D Credits | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 0 | $ 4,659 |
| Education Assistance Fund | 0007 | 1,710 | 396 |
| Income Tax Refund Fund | 0278 | 3,663 | 958 |
| Local Government Distributive Fund | 0515 | 1,541 | 372 |
| **Total** | | $ 6,914 | $ 6,385 |
| **Expenditure:** Angel Investment Credit | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 175 | $ 165 |
| Education Assistance Fund | 0007 | 16 | 15 |
| Income Tax Refund Fund | 0278 | 22 | 21 |
| Local Government Distributive Fund | 0515 | 13 | 13 |
| **Total** | | $ 226 | $ 214 |
| **Expenditure:** Apprenticeship Education Expense Credit | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 167 | $ 109 |
| Education Assistance Fund | 0007 | 14 | 9 |
| Income Tax Refund Fund | 0278 | 31 | 22 |
| Local Government Distributive Fund | 0515 | 13 | 9 |
| **Total** | | $ 225 | $ 149 |
| **Expenditure:** Economic Development for a Growing Economy Tax Credit | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 104,355 | $ 94,027 |
| Education Assistance Fund | 0007 | 9,005 | 8,009 |
| Income Tax Refund Fund | 0278 | 18,402 | 19,161 |
| Local Government Distributive Fund | 0515 | 8,242 | 7,494 |
| **Total** | | $ 140,004 | $ 128,691 |
| **Expenditure:** Employee Child Care Tax Credit | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 62 | $ 0 |
| Education Assistance Fund | 0007 | 5 | 0 |
| Income Tax Refund Fund | 0278 | 12 | 0 |
| Local Government Distributive Fund | 0515 | 5 | 0 |
| **Total** | | $ 84 | $ 0 |

[2] Expenditures derived from 2022 tax year returns.

# DETAIL OF TAX EXPENDITURE BY AGENCY, REVENUE SOURCE, EXPENDITURE, AND FUND CODE (dollars in thousands)

**Revenue (continued)**

| | | FY 2023 | FY 2024 |
|---|---|---|---|
| **Revenue Source and Annual Receipts:** Corporate Income Tax (continued) | | | |
| **Expenditure:** Enterprise Zone Investment Credit | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 21,425 | $ 15,630 |
| Education Assistance Fund | 0007 | 1,823 | 1,332 |
| Income Tax Refund Fund | 0278 | 4,050 | 3,180 |
| Local Government Distributive Fund | 0515 | 1,709 | 1,245 |
| **Total** | | $ 29,007 | $ 21,387 |
| **Expenditure:** Federally Disallowed Deductions | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 35,934 | $ 35,757 |
| Education Assistance Fund | 0007 | 3,058 | 3,040 |
| Income Tax Refund Fund | 0278 | 6,788 | 7,350 |
| Local Government Distributive Fund | 0515 | 2,866 | 2,853 |
| **Total** | | $ 48,646 | $ 49,000 |
| **Expenditure:** Film Production Services Credit | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 115,303 | $ 78,452 |
| Education Assistance Fund | 0007 | 9,804 | 6,671 |
| Income Tax Refund Fund | 0278 | 21,864 | 16,122 |
| Local Government Distributive Fund | 0515 | 9,200 | 6,259 |
| **Total** | | $ 156,171 | $ 107,504 |
| **Expenditure:** Foreign Insurer Rate Reduction | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 62,384 | $ 28,794 |
| Education Assistance Fund | 0007 | 5,305 | 2,448 |
| Income Tax Refund Fund | 0278 | 11,829 | 5,919 |
| Local Government Distributive Fund | 0515 | 4,978 | 2,297 |
| **Total** | | $ 84,496 | $ 39,458 |
| **Expenditure:** High Impact Business Dividend Subtraction | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 549 | $ 0 |
| Education Assistance Fund | 0007 | 50 | 0 |
| Income Tax Refund Fund | 0278 | 70 | 0 |
| Local Government Distributive Fund | 0515 | 42 | 0 |
| **Total** | | $ 711 | $ 0 |
| **Expenditure:** High Impact Business Investment Credit | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 760 | $ 371 |
| Education Assistance Fund | 0007 | 65 | 32 |
| Income Tax Refund Fund | 0278 | 144 | 75 |
| Local Government Distributive Fund | 0515 | 61 | 30 |
| **Total** | | $ 1,030 | $ 508 |
| **Expenditure:** Hospital Credit | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 14,845 | $ 11,676 |
| Education Assistance Fund | 0007 | 1,267 | 993 |
| Income Tax Refund Fund | 0278 | 2,771 | 2,398 |
| Local Government Distributive Fund | 0515 | 1,182 | 932 |
| **Total** | | $ 20,065 | $ 15,999 |

# DETAIL OF TAX EXPENDITURE BY AGENCY, REVENUE SOURCE, EXPENDITURE, AND FUND CODE (dollars in thousands)

**Revenue (continued)**

| | | FY 2023 | FY 2024 |
|---|---|---|---|
| **Revenue Source and Annual Receipts:** Corporate Income Tax (continued) | | | |
| **Expenditure:** Illinois Net Operating Loss Deduction | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 46,183 | $ 46,673 |
| Education Assistance Fund | 0007 | 3,981 | 4,026 |
| Income Tax Refund Fund | 0278 | 8,185 | 8,882 |
| Local Government Distributive Fund | 0515 | 3,650 | 3,687 |
| **Total** | | $ 61,999 | $ 63,268 |
| **Expenditure:** Interest on Certain Obligations of Illinois State and Local Government | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 63 | $ 30 |
| Education Assistance Fund | 0007 | 5 | 3 |
| Income Tax Refund Fund | 0278 | 10 | 6 |
| Local Government Distributive Fund | 0515 | 5 | 2 |
| **Total** | | $ 83 | $ 41 |
| **Expenditure:** Invest in Kids Credit | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 453 | $ 1,189 |
| Education Assistance Fund | 0007 | 41 | 107 |
| Income Tax Refund Fund | 0278 | 63 | 166 |
| Local Government Distributive Fund | 0515 | 35 | 91 |
| **Total** | | $ 592 | $ 1,553 |
| **Expenditure:** Job Training Contribution Subtraction | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 74 | $ 0 |
| Education Assistance Fund | 0007 | 6 | 0 |
| Income Tax Refund Fund | 0278 | 14 | 0 |
| Local Government Distributive Fund | 0515 | 6 | 0 |
| **Total** | | $ 100 | $ 0 |
| **Expenditure:** Other Schedule M Subtractions | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 10,009 | $ 21,209 |
| Education Assistance Fund | 0007 | 895 | 1,913 |
| Income Tax Refund Fund | 0278 | 1,439 | 2,988 |
| Local Government Distributive Fund | 0515 | 771 | 1,622 |
| **Total** | | $ 13,114 | $ 27,732 |
| **Expenditure:** Research and Development Credit | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 78,094 | $ 83,393 |
| Education Assistance Fund | 0007 | 6,652 | 7,094 |
| Income Tax Refund Fund | 0278 | 14,688 | 17,101 |
| Local Government Distributive Fund | 0515 | 6,224 | 6,652 |
| **Total** | | $ 105,658 | $ 114,240 |
| **Expenditure:** River Edge Historic Preservation Credit | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 28,083 | $ 12,325 |
| Education Assistance Fund | 0007 | 2,388 | 1,048 |
| Income Tax Refund Fund | 0278 | 5,325 | 2,533 |
| Local Government Distributive Fund | 0515 | 2,241 | 983 |
| **Total** | | $ 38,037 | $ 16,889 |

# DETAIL OF TAX EXPENDITURE BY AGENCY, REVENUE SOURCE, EXPENDITURE, AND FUND CODE (dollars in thousands)

**Revenue (continued)**

| | | FY 2023 | FY 2024 |
|---|---|---|---|
| **Revenue Source and Annual Receipts:** Corporate Income Tax (concluded) | | | |
| **Expenditure:** Wages Paid to Ex-Felons Credit | | | |
| **Fund Name and Code:** | | FY 2023 | FY 2024 |
| General Revenue Fund | 0001 | $ 154 | $ 0 |
| Education Assistance Fund | 0007 | 13 | 0 |
| Income Tax Refund Fund | 0278 | 29 | 0 |
| Local Government Distributive Fund | 0515 | 12 | 0 |
| **Total** | | $ 208 | $ 0 |
| **Total Tax Impact per Revenue Source** | | $ 732,257 | $ 613,025 |

| | | FY 2023 | FY 2024 |
|---|---|---|---|
| **Revenue Source and Annual Receipts:** Electricity Excise Tax | | $ 382,535 | $ 357,152 |
| **Expenditure:** Enterprise Zone and Foreign Trade Zone Exemption | | | |
| **Fund Name and Code:** | | FY 2023 | FY 2024 |
| General Revenue Fund | 0001 | $ 11,605 | $ 11,638 |
| Public Utility Fund | 0059 | 200 | 190 |
| **Total** | | $ 11,805 | $ 11,828 |
| **Expenditure:** High Impact Business Electricity Excise Tax Exemption | | | |
| **Fund Name and Code:** | | FY 2023 | FY 2024 |
| General Revenue Fund | 0001 | $ 1,314 | $ 1,407 |
| Public Utility Fund | 0059 | 23 | 23 |
| **Total** | | $ 1,337 | $ 1,430 |
| **Expenditure:** Sales to Municipal Transit Systems | | | |
| **Fund Name and Code:** | | FY 2023 | FY 2024 |
| General Revenue Fund | 0001 | $ 0 | $ 1,419 |
| Public Utility Fund | 0059 | 0 | 23 |
| **Total** | | $ 0 | $ 1,442 |
| **Total Tax Impact per Revenue Source** | | $ 13,142 | $ 14,700 |

| | | FY 2023 | FY 2024 |
|---|---|---|---|
| **Revenue Source and Annual Receipts:** Gas Revenue Tax | | $ 168,663 | $ 145,013 |
| **Expenditure:** Cost of Collection Discount (Gas Use Tax) | | | |
| **Fund Name and Code:** | | FY 2023 | FY 2024 |
| General Revenue Fund | 0001 | $ 668 | $ 733 |
| **Total** | | $ 668 | $ 733 |
| **Expenditure:** Enterprise Zone and Foreign Trade Zone Exemption | | | |
| **Fund Name and Code:** | | FY 2023 | FY 2024 |
| General Revenue Fund | 0001 | $ 20,929 | $ 13,156 |
| **Total** | | $ 20,929 | $ 13,156 |
| **Expenditure:** Gas Used in Liquefaction Process | | | |
| **Fund Name and Code:** | | FY 2023 | FY 2024 |
| General Revenue Fund | 0001 | $ 10,092 | $ 10,092 |
| **Total** | | $ 10,092 | $ 10,092 |
| **Expenditure:** Gas Used in Petroleum Refinery Operation | | | |
| **Fund Name and Code:** | | FY 2023 | FY 2024 |
| General Revenue Fund | 0001 | $ 10,136 | $ 10,964 |
| **Total** | | $ 10,136 | $ 10,964 |
| **Expenditure:** Gas Used in Production of Electric Energy | | | |
| **Fund Name and Code:** | | FY 2023 | FY 2024 |
| General Revenue Fund | 0001 | $ 45,658 | $ 50,725 |
| **Total** | | $ 45,658 | $ 50,725 |

# DETAIL OF TAX EXPENDITURE BY AGENCY, REVENUE SOURCE, EXPENDITURE, AND FUND CODE (dollars in thousands)

**Revenue (continued)**

| | | FY 2023 | FY 2024 |
|---|---|---|---|
| **Revenue Source and Annual Receipts:** Gas Revenue Tax (concluded) | | | |
| **Expenditure:** High Impact Business Exemption | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 491 | $ 190 |
| **Total** | | $ 491 | $ 190 |
| **Total Tax Impact per Revenue Source** | | $ 87,974 | $ 85,860 |

| | | FY 2023 | FY 2024 |
|---|---|---|---|
| **Revenue Source and Annual Receipts:** Hotel Operators' Occupation and Use Tax | | $ 311,088 | $ 321,599 |
| **Expenditure:** Cost of Collection Discount | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | 137 | 0 |
| International Tourism Fund | 0621 | 131 | 240 |
| Chicago Travel Industry Promotion Fund | 0624 | 253 | 464 |
| Tourism Promotion Fund | 0763 | 2,428 | 1,915 |
| Build Illinois Fund | 0960 | 6,305 | 6,658 |
| Local Tourism Fund | 0969 | 425 | 777 |
| **Total** | | $ 9,679 | $ 10,054 |
| **Expenditure:** Permanent Residents Exemption | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | 317 | 0 |
| International Tourism Fund | 0621 | 304 | 582 |
| Chicago Travel Industry Promotion Fund | 0624 | 588 | 1,124 |
| Tourism Promotion Fund | 0763 | 5,628 | 4,642 |
| Build Illinois Fund | 0960 | 14,617 | 16,141 |
| Local Tourism Fund | 0969 | 985 | 1,884 |
| **Total** | | $ 22,439 | $ 24,373 |
| **Total Tax Impact per Revenue Source** | | $ 32,118 | $ 34,427 |

| | | FY 2023 | FY 2024 |
|---|---|---|---|
| **Revenue Source and Annual Receipts:** Individual Income Tax[3] | | $ 27,891,121 | $ 30,136,335 |
| **Expenditure:** Additional Exemptions: Blind and Elderly | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 35,096 | $ 30,741 |
| Education Assistance Fund | 0007 | 2,961 | 2,602 |
| Income Tax Refund Fund | 0278 | 4,134 | 3,590 |
| Local Government Distributive Fund | 0515 | 2,498 | 2,307 |
| **Total** | | $ 44,689 | $ 39,240 |
| **Expenditure:** Adoption Credit | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 1,682 | $ 2,009 |
| Education Assistance Fund | 0007 | 142 | 170 |
| Income Tax Refund Fund | 0278 | 198 | 235 |
| Local Government Distributive Fund | 0515 | 120 | 151 |
| **Total** | | $ 2,142 | $ 2,565 |
| **Expenditure:** Affordable Housing Donations Tax Credit | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 4,113 | $ 2,081 |
| Education Assistance Fund | 0007 | 347 | 176 |
| Income Tax Refund Fund | 0278 | 484 | 243 |
| Local Government Distributive Fund | 0515 | 293 | 156 |
| **Total** | | $ 5,237 | $ 2,656 |

[3] Expenditures derived from 2023 tax year returns.

# DETAIL OF TAX EXPENDITURE BY AGENCY, REVENUE SOURCE, EXPENDITURE, AND FUND CODE (dollars in thousands)

**Revenue (continued)**

| | | FY 2023 | FY 2024 |
|---|---|---|---|
| **Revenue Source and Annual Receipts:** Individual Income Tax (continued) | | | |
| **Expenditure:** Angel Investment Credit | | | |
| **Fund Name and Code:** | | FY 2023 | FY 2024 |
| General Revenue Fund | 0001 | $ 5,253 | $ 2,729 |
| Education Assistance Fund | 0007 | 443 | 231 |
| Income Tax Refund Fund | 0278 | 619 | 319 |
| Local Government Distributive Fund | 0515 | 374 | 205 |
| **Total** | | $ 6,689 | $ 3,484 |
| **Expenditure:** Apprenticeship Education Expense Tax Credit | | | |
| **Fund Name and Code:** | | FY 2023 | FY 2024 |
| General Revenue Fund | 0001 | $ 36 | $ 7 |
| Education Assistance Fund | 0007 | 3 | 1 |
| Income Tax Refund Fund | 0278 | 4 | 1 |
| Local Government Distributive Fund | 0515 | 3 | 1 |
| **Total** | | $ 46 | $ 10 |
| **Expenditure:** Credit for Instructional Materials and Supplies | | | |
| **Fund Name and Code:** | | FY 2023 | FY 2024 |
| General Revenue Fund | 0001 | $ 12,199 | $ 12,378 |
| Education Assistance Fund | 0007 | 1,029 | 1,048 |
| Income Tax Refund Fund | 0278 | 1,437 | 1,446 |
| Local Government Distributive Fund | 0515 | 868 | 929 |
| **Total** | | $ 15,533 | $ 15,801 |
| **Expenditure:** Dependent Care Assistance Program Tax Credit | | | |
| **Fund Name and Code:** | | FY 2023 | FY 2024 |
| General Revenue Fund | 0001 | $ 3 | $ 4 |
| **Total** | | $ 3 | $ 4 |
| **Expenditure:** Earned Income Tax Credit | | | |
| **Fund Name and Code:** | | FY 2023 | FY 2024 |
| General Revenue Fund | 0001 | $ 296,933 | $ 289,872 |
| Education Assistance Fund | 0007 | 25,048 | 24,540 |
| Income Tax Refund Fund | 0278 | 34,973 | 33,857 |
| Local Government Distributive Fund | 0515 | 21,136 | 21,750 |
| **Total** | | $ 378,090 | $ 370,019 |
| **Expenditure:** Economic Development for a Growing Economy Tax Credit | | | |
| **Fund Name and Code:** | | FY 2023 | FY 2024 |
| General Revenue Fund | 0001 | $ 20,926 | $ 17,921 |
| Education Assistance Fund | 0007 | 1,765 | 1,517 |
| Income Tax Refund Fund | 0278 | 2,465 | 2,093 |
| Local Government Distributive Fund | 0515 | 1,490 | 1,345 |
| **Total** | | $ 26,646 | $ 22,876 |
| **Expenditure:** Education Expense Credit | | | |
| **Fund Name and Code:** | | FY 2023 | FY 2024 |
| General Revenue Fund | 0001 | $ 40,798 | $ 41,029 |
| Education Assistance Fund | 0007 | 3,441 | 3,473 |
| Income Tax Refund Fund | 0278 | 4,805 | 4,792 |
| Local Government Distributive Fund | 0515 | 2,904 | 3,078 |
| **Total** | | $ 51,948 | $ 52,372 |
| **Expenditure:** Enterprise Zone and River Edge Redevelopment Zone Investment Credit | | | |
| **Fund Name and Code:** | | FY 2023 | FY 2024 |
| General Revenue Fund | 0001 | $ 892 | $ 1,158 |
| Education Assistance Fund | 0007 | 75 | 98 |
| Income Tax Refund Fund | 0278 | 105 | 135 |
| Local Government Distributive Fund | 0515 | 64 | 87 |
| **Total** | | $ 1,136 | $ 1,478 |

# DETAIL OF TAX EXPENDITURE BY AGENCY, REVENUE SOURCE, EXPENDITURE, AND FUND CODE (dollars in thousands)

**Revenue (continued)**

| | | FY 2023 | FY 2024 |
|---|---|---|---|
| **Revenue Source and Annual Receipts:** Individual Income Tax (continued) | | | |
| **Expenditure:** Enterprise Zone Dividends Subtraction | | | |
| **Fund Name and Code:** | | FY 2023 | FY 2024 |
| General Revenue Fund | 0001 | $ 522 | $ 505 |
| Education Assistance Fund | 0007 | 44 | 43 |
| Income Tax Refund Fund | 0278 | 61 | 59 |
| Local Government Distributive Fund | 0515 | 37 | 38 |
| **Total** | | $ 664 | $ 645 |
| **Expenditure:** Ex-Felons Jobs Credit | | | |
| **Fund Name and Code:** | | FY 2023 | FY 2024 |
| General Revenue Fund | 0001 | $ 37 | $ 43 |
| Education Assistance Fund | 0007 | 3 | 4 |
| Income Tax Refund Fund | 0278 | 4 | 5 |
| Local Government Distributive Fund | 0515 | 3 | 3 |
| **Total** | | $ 47 | $ 55 |
| **Expenditure:** Federally Taxed Retirement and Social Security Subtractions | | | |
| **Fund Name and Code:** | | FY 2023 | FY 2024 |
| General Revenue Fund | 0001 | $ 2,585,365 | $ 2,613,060 |
| Education Assistance Fund | 0007 | 218,086 | 221,215 |
| Income Tax Refund Fund | 0278 | 304,509 | 305,202 |
| Local Government Distributive Fund | 0515 | 184,029 | 196,063 |
| **Total** | | $ 3,291,989 | $ 3,335,540 |
| **Expenditure:** Film Production Service Credit | | | |
| **Fund Name and Code:** | | FY 2023 | FY 2024 |
| General Revenue Fund | 0001 | $ 7,810 | $ 1,663 |
| Education Assistance Fund | 0007 | 659 | 141 |
| Income Tax Refund Fund | 0278 | 920 | 194 |
| Local Government Distributive Fund | 0515 | 556 | 125 |
| **Total** | | $ 9,945 | $ 2,123 |
| **Expenditure:** Foreign Trade Zone Dividends Subtraction | | | |
| **Fund Name and Code:** | | FY 2023 | FY 2024 |
| General Revenue Fund | 0001 | $ 1,793 | $ 1,883 |
| Education Assistance Fund | 0007 | 151 | 159 |
| Income Tax Refund Fund | 0278 | 211 | 220 |
| Local Government Distributive Fund | 0515 | 128 | 141 |
| **Total** | | $ 2,283 | $ 2,403 |
| **Expenditure:** High Impact Business Investment Credit | | | |
| **Fund Name and Code:** | | FY 2023 | FY 2024 |
| General Revenue Fund | 0001 | $ 5 | $ 3 |
| Income Tax Refund Fund | 0278 | 1 | 0 |
| **Total** | | $ 6 | $ 3 |
| **Expenditure:** Invest in Kids Credit | | | |
| **Fund Name and Code:** | | FY 2023 | FY 2024 |
| General Revenue Fund | 0001 | $ 39,055 | $ 38,008 |
| Education Assistance Fund | 0007 | 3,294 | 3,218 |
| Income Tax Refund Fund | 0278 | 4,600 | 4,439 |
| Local Government Distributive Fund | 0515 | 2,780 | 2,852 |
| **Total** | | $ 49,729 | $ 48,517 |

# DETAIL OF TAX EXPENDITURE BY AGENCY, REVENUE SOURCE, EXPENDITURE, AND FUND CODE (dollars in thousands)

**Revenue (continued)**

| | | FY 2023 | FY 2024 |
|---|---|---|---|
| **Revenue Source and Annual Receipts:** Individual Income Tax (continued) | | | |
| **Expenditure:** Military Pay Subtraction | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 55,745 | $ 54,464 |
| Education Assistance Fund | 0007 | 4,702 | 4,611 |
| Income Tax Refund Fund | 0278 | 6,566 | 6,361 |
| Local Government Distributive Fund | 0515 | 3,968 | 4,087 |
| **Total** | | $ 70,981 | $ 69,523 |
| **Expenditure:** Other Subtractions[4] | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 198,486 | $ 182,937 |
| Education Assistance Fund | 0007 | 16,743 | 15,487 |
| Income Tax Refund Fund | 0278 | 23,378 | 21,367 |
| Local Government Distributive Fund | 0515 | 14,128 | 13,726 |
| **Total** | | $ 252,735 | $ 233,517 |
| **Expenditure:** Research and Development Credit | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 43,111 | $ 19,652 |
| Education Assistance Fund | 0007 | 3,637 | 1,664 |
| Income Tax Refund Fund | 0278 | 5,078 | 2,295 |
| Local Government Distributive Fund | 0515 | 3,069 | 1,475 |
| **Total** | | $ 54,895 | $ 25,086 |
| **Expenditure:** River Edge Historic Preservation Credit | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 1,799 | $ 0 |
| Education Assistance Fund | 0007 | 152 | 0 |
| Income Tax Refund Fund | 0278 | 212 | 0 |
| Local Government Distributive Fund | 0515 | 128 | 0 |
| **Total** | | $ 2,291 | $ 0 |
| **Expenditure:** Standard Exemption: Taxpayers and Dependents | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 949,510 | $ 976,139 |
| Education Assistance Fund | 0007 | 80,095 | 82,637 |
| Income Tax Refund Fund | 0278 | 111,835 | 114,012 |
| Local Government Distributive Fund | 0515 | 67,587 | 73,242 |
| **Total** | | $ 1,209,027 | $ 1,246,030 |
| **Expenditure:** Student-Assistance Contribution Credit | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 125 | $ 67 |
| Education Assistance Fund | 0007 | 11 | 6 |
| Income Tax Refund Fund | 0278 | 15 | 8 |
| Local Government Distributive Fund | 0515 | 9 | 5 |
| **Total** | | $ 160 | $ 86 |
| **Expenditure:** Tax Credit for Residential Real Property Taxes | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 436,875 | $ 442,291 |
| Education Assistance Fund | 0007 | 36,852 | 37,443 |
| Income Tax Refund Fund | 0278 | 51,456 | 51,659 |
| Local Government Distributive Fund | 0515 | 31,097 | 33,186 |
| **Total** | | $ 556,280 | $ 564,579 |

[4] Includes subtractions for a variety of items, many of which (such as interest expenses, job training contributions, acceleration of life insurance benefits for a terminal illness, Persian Gulf War bonuses, medical care savings accounts, college savings accounts, self-employed health insurance, Roth IRA conversions, compensation of Nazi victims, non-salary ride-sharing compensation, and amounts awarded for wrongful imprisonment) are tax expenditures.

# DETAIL OF TAX EXPENDITURE BY AGENCY, REVENUE SOURCE, EXPENDITURE, AND FUND CODE (dollars in thousands)

**Revenue (continued)**

| | | FY 2023 | FY 2024 |
|---|---|---|---|
| **Revenue Source and Annual Receipts:** Individual Income Tax (concluded) | | | |
| **Expenditure:** TECH-PREP Youth Vocational Programs | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 18 | $ 64 |
| Education Assistance Fund | 0007 | 1 | 5 |
| Income Tax Refund Fund | 0278 | 2 | 8 |
| Local Government Distributive Fund | 0515 | 1 | 5 |
| **Total** | | $ 22 | $ 82 |
| **Total Tax Impact per Revenue Source** | | $ 6,033,213 | $ 6,038,694 |

| | | FY 2023 | FY 2024 |
|---|---|---|---|
| **Revenue Source and Annual Receipts:** Liquor Gallonage Tax | | $ 316,296 | $ 311,137 |
| **Expenditure:** Cost of Collection Discount | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 697 | $ 674 |
| Capital Projects Fund | 0694 | 400 | 500 |
| **Total** | | $ 1,097 | $ 1,174 |
| **Total Tax Impact per Revenue Source** | | $ 1,097 | $ 1,174 |

| | | FY 2023 | FY 2024 |
|---|---|---|---|
| **Revenue Source and Annual Receipts:** Medical Cannabis Cultivation Privilege Tax | | $ 23,877 | $ 19,636 |
| **Expenditure:** Timely Filing and Full Payment Discount | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| Compassionate Use of Medical Cannabis Fund | 0075 | $ 167 | $ 151 |
| **Total** | | $ 167 | $ 151 |
| **Total Tax Impact per Revenue Source** | | $ 167 | $ 151 |

| | | FY 2023 | FY 2024 |
|---|---|---|---|
| **Revenue Source and Annual Receipts:** Sales and Use Tax | | $ 12,326,247 | $ 12,550,591 |
| **Expenditure:** Back-to-School State Sales Tax Holiday | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 4,373 | $ 0 |
| General Revenue - Common School Special Account Fund | 0005 | 1,458 | 0 |
| **Total** | | $ 5,831 | $ 0 |
| **Expenditure:** Biodiesel Exemption | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 68,195 | $ 27,830 |
| General Revenue - Common School Special Account Fund | 0005 | 22,732 | 9,277 |
| Road Fund | 0011 | 153,913 | 167,885 |
| **Total** | | $ 244,840 | $ 204,992 |
| **Expenditure:** Building Materials within Enterprise Zone, River Edge Redevelopment Zone, and Intermodal Terminal Facility Redevelopment Project Exemption | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 54,433 | $ 63,296 |
| General Revenue - Common School Special Account Fund | 0005 | 18,144 | 21,099 |
| **Total** | | $ 72,577 | $ 84,395 |
| **Expenditure:** Designated Tangible Personal Property within Enterprise Zone Exemption[5] | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 11,045 | $ 9,239 |
| General Revenue - Common School Special Account Fund | 0005 | 3,682 | 3,080 |
| **Total** | | $ 14,727 | $ 12,319 |

[5] Tangible personal property used or consumed within an enterprise zone in the process of manufacturing or assembling or by producers of graphic arts.

# DETAIL OF TAX EXPENDITURE BY AGENCY, REVENUE SOURCE, EXPENDITURE, AND FUND CODE (dollars in thousands)

**Revenue (continued)**

| | | FY 2023 | FY 2024 |
|---|---|---|---|
| **Revenue Source and Annual Receipts:** Sales and Use Tax (continued) | | | |
| **Expenditure:** Farm Chemicals (Includes Feed, Seed, and Fertilizer) Exemptions | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 211,981 | $ 205,757 |
| General Revenue - Common School Special Account Fund | 0005 | 70,660 | 68,586 |
| **Total** | | $ 282,641 | $ 274,343 |
| **Expenditure:** Farm Machinery and Equipment Exemption | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 139,310 | $ 153,179 |
| General Revenue - Common School Special Account Fund | 0005 | 46,437 | 51,060 |
| **Total** | | $ 185,747 | $ 204,239 |
| **Expenditure:** Food, Drugs, and Medical Appliances Rate Reduction | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 1,811,429 | $ 2,073,353 |
| General Revenue - Common School Special Account Fund | 0005 | 603,810 | 691,118 |
| **Total** | | $ 2,415,239 | $ 2,764,471 |
| **Expenditure:** High Impact Business Building Materials Exemption | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 14,564 | $ 16,803 |
| General Revenue - Common School Special Account Fund | 0005 | 4,855 | 5,601 |
| **Total** | | $ 19,419 | $ 22,404 |
| **Expenditure:** High Impact Business Designated Tangible Personal Property Exemption | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 10,470 | $ 3,700 |
| General Revenue - Common School Special Account Fund | 0005 | 3,490 | 1,233 |
| **Total** | | $ 13,960 | $ 4,933 |
| **Expenditure:** Majority Blended Ethanol | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 1,096 | $ 669 |
| General Revenue - Common School Special Account Fund | 0005 | 365 | 223 |
| Road Fund | 0011 | 2,473 | 4,033 |
| **Total** | | $ 3,934 | $ 4,925 |
| **Expenditure:** Manufacturing and Assembling Machinery and Equipment Exemption[6] | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 139,142 | $ 143,466 |
| General Revenue - Common School Special Account Fund | 0005 | 46,381 | 47,822 |
| **Total** | | $ 185,523 | $ 191,288 |
| **Expenditure:** Rolling Stock Exemption | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 94,147 | $ 95,781 |
| General Revenue - Common School Special Account Fund | 0005 | 31,382 | 31,927 |
| **Total** | | $ 125,529 | $ 127,708 |
| **Expenditure:** Sales of Motor Vehicles to Non-Residents Exemption[7] | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 147,041 | $ 140,955 |
| General Revenue - Common School Special Account Fund | 0005 | 49,014 | 46,985 |
| **Total** | | $ 196,055 | $ 187,940 |

[6] Includes the Photo Processing Machinery and Equipment exemption.

[7] Applies to property acquired outside Illinois by a non-resident and brought to Illinois after being used at least three months outside of Illinois. Tax expenditure estimate applies only to motor vehicles.

# DETAIL OF TAX EXPENDITURE BY AGENCY, REVENUE SOURCE, EXPENDITURE, AND FUND CODE (dollars in thousands)

**Revenue (continued)**

| | | FY 2023 | FY 2024 |
|---|---|---|---|
| **Revenue Source and Annual Receipts:** Sales and Use Tax (concluded) | | | |
| **Expenditure:** Sales of Vehicles to Automobile Rentors Exemption[8] | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 0 | $ 1,743 |
| General Revenue - Common School Special Account Fund | 0005 | 0 | 581 |
| **Total** | | $ 0 | $ 2,324 |
| **Expenditure:** Sales to Exempt Organizations[9] | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 614,190 | $ 584,735 |
| General Revenue - Common School Special Account Fund | 0005 | 204,730 | 194,912 |
| **Total** | | $ 818,920 | $ 779,647 |
| **Expenditure:** Traded-In Property Exemption[10] | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 219,710 | $ 201,337 |
| General Revenue - Common School Special Account Fund | 0005 | 73,273 | 67,112 |
| **Total** | | $ 292,983 | $ 268,449 |
| **Total Tax Impact per Revenue Source** | | $ 4,877,925 | $ 5,134,377 |

| | | FY 2023 | FY 2024 |
|---|---|---|---|
| **Revenue Source and Annual Receipts:** Telecommunications Excise Tax | | $ 240,202 | $ 231,557 |
| **Expenditure:** Cost of Collection Discount | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 2,364 | $ 2,250 |
| Common School Fund | 0412 | 697 | 661 |
| School Infrastructure Fund | 0568 | 519 | 485 |
| **Total** | | $ 3,580 | $ 3,396 |
| **Expenditure:** Enterprise Zone and Foreign Trade Zone Exemption | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 553 | $ 2,060 |
| Common School Fund | 0412 | 163 | 606 |
| School Infrastructure Fund | 0568 | 121 | 444 |
| **Total** | | $ 837 | $ 3,110 |
| **Total Tax Impact per Revenue Source** | | $ 4,417 | $ 6,506 |

| | | FY 2023 | FY 2024 |
|---|---|---|---|
| **Revenue Source and Annual Receipts:** Underground Storage Tank Tax | | $ 66,015 | $ 66,206 |
| **Expenditure:** Exemption for Ships, Barges, and Vessels Conducting Interstate Commerce on Border Rivers | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| Underground Storage Tank Fund | 0072 | $ 528 | $ 400 |
| **Total** | | $ 528 | $ 400 |
| **Expenditure:** Rail Carrier Exemption | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| Underground Storage Tank Fund | 0072 | $ 2,832 | $ 2,777 |
| **Total** | | $ 2,832 | $ 2,777 |
| **Expenditure:** Timely Filing and Full Payment Discount | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| Underground Storage Tank Fund | 0072 | $ 1,174 | $ 1,177 |
| **Total** | | $ 1,174 | $ 1,177 |
| **Total Tax Impact per Revenue Source** | | $ 4,534 | $ 4,354 |

[8] This exemption is given only to buyers whose home state extends the same exemption to Illinois residents. Thus, Illinois taxes the full amount of out-of-state sales when an Illinois resident brings a vehicle back to register. In that way, Illinois receives some compensation for this tax expenditure in a way that it does not for others.

[9] Sales to government bodies, organizations operated exclusively for charitable, religious, or educational purposes, not-for-profit organizations for the recreation of persons 55 or older, county fair associations, teacher-sponsored student organizations, not-for-profit artistic organizations, meals for the Nutrition Programs for the Elderly, nursing home food and drugs, public service corporations for municipal convention halls, and community water supply construction items.

[10] Beginning in fiscal year 2013, this expenditure applies only to motor vehicles. The Department of Revenue no longer has data to estimate the non-motor vehicle share.

# DETAIL OF TAX EXPENDITURE BY AGENCY, REVENUE SOURCE, EXPENDITURE, AND FUND CODE (dollars in thousands)

## Revenue (concluded)

| | | FY 2023 | FY 2024 |
|---|---|---|---|
| **Revenue Source and Annual Receipts:** Vehicle Use Tax | | $ 83,757 | $ 80,550 |
| **Expenditure:** Business Reorganization Preferential Tax Rate | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 536 | $ 331 |
| **Total** | | $ 536 | $ 331 |
| **Expenditure:** Estate Gift to Beneficiary Preferential Tax Rate | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 1,246 | $ 1,244 |
| **Total** | | $ 1,246 | $ 1,244 |
| **Expenditure:** Family Member Preferential Tax Rate | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 22,261 | $ 23,432 |
| **Total** | | $ 22,261 | $ 23,432 |
| **Expenditure:** Farm Implement Exemption - Ready Mix Exemption | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 170 | $ 152 |
| **Total** | | $ 170 | $ 152 |
| **Expenditure:** Government, Charitable, Educational, Religious Entities Exemption | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 330 | $ 308 |
| **Total** | | $ 330 | $ 308 |
| **Expenditure:** Out-of-State Resident Exemption | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 8,601 | $ 7,600 |
| **Total** | | $ 8,601 | $ 7,600 |
| **Expenditure:** Rolling Stock Exemption | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 5,009 | $ 3,849 |
| **Total** | | $ 5,009 | $ 3,849 |
| **Expenditure:** Surviving Spouse Exemption | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 513 | $ 485 |
| **Total** | | $ 513 | $ 485 |
| **Total Tax Impact per Revenue Source** | | $ 38,666 | $ 37,401 |
| **Total Tax Impact, Revenue** | | $ 11,839,662 | $ 11,985,035 |

## Secretary of State

| | | FY 2023 | FY 2024 |
|---|---|---|---|
| **Revenue Source and Annual Receipts:** Annual Reports of Corporations | | $ 284,395 | $ 271,589 |
| **Expenditure:** Two Million Dollar Cap on Franchise Tax for Corporations | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 23,792 | $ 29,803 |
| Corporate Franchise Tax Refund Fund | 0380 | 475 | 0 |
| **Total** | | $ 24,267 | $ 29,803 |
| **Total Tax Impact per Revenue Source** | | $ 24,267 | $ 29,803 |

**Secretary of State (continued)**

| | | FY 2023 | FY 2024 |
|---|---|---|---|
| **Revenue Source and Annual Receipts:** Corrected and Duplicate Driver's License Fee | | $ 3,142 | $ 3,025 |
| **Expenditure:** No Cost ($0.00) and Reduced ($2.00) Corrected and Duplicate Driver's License Fees | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| Road Fund | 0011 | $ 61 | $ 62 |
| Driver Services Administration Fund | 0182 | 0 | 37 |
| Drivers Education Fund | 0031 | 36 | 0 |
| **Total** | | $ 97 | $ 99 |
| **Total Tax Impact per Revenue Source** | | $ 97 | $ 99 |

| | | FY 2023 | FY 2024 |
|---|---|---|---|
| **Revenue Source and Annual Receipts:** Corrected and Duplicate Identification Card Fee | | $ 0 | $ 913 |
| **Expenditure:** No Cost ($0.00) and Reduced ($5.00) Corrected and Duplicate Identification Card Fees | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 0 | $ 63 |
| Road Fund | 0011 | 0 | 10 |
| State Construction Account Fund | 0902 | 0 | 6 |
| **Total** | | $ 0 | $ 79 |
| **Total Tax Impact per Revenue Source** | | $ 0 | $ 79 |

| | | FY 2023 | FY 2024 |
|---|---|---|---|
| **Revenue Source and Annual Receipts:** Motor Vehicle Registration (1st Division) | | $ 800,754 | $ 1,312,671 |
| **Expenditure:** Charitable Organization and Driver's Education Vehicle Exemptions | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| Road Fund | 0011 | $ 0 | $ 1,202 |
| State Police Vehicle Fund | 0246 | 0 | 13 |
| Secretary of State Special Services Fund | 0483 | 0 | 13 |
| Capital Projects Fund | 0694 | 0 | 244 |
| State Construction Account Fund | 0902 | 0 | 353 |
| Park and Conservation Fund | 0962 | 0 | 24 |
| **Total** | | $ 0 | $ 1,849 |
| **Expenditure:** Charitable Organization Vehicle Exemption | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| Road Fund | 0011 | $ 162 | $ 0 |
| State Police Vehicle Fund | 0246 | 2 | 0 |
| Capital Projects Fund | 0694 | 42 | 0 |
| State Construction Account Fund | 0902 | 95 | 0 |
| Park and Conservation Fund | 0962 | 4 | 0 |
| **Total** | | $ 305 | $ 0 |
| **Expenditure:** Congressional Medal of Honor Recipient, Disabled Veteran, Ex-Prisoner of War, Purple Heart Recipient, Gold Star, I Served, and Ambulance Vehicle Exemptions | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| Road Fund | 0011 | $ 0 | $ 2,977 |
| State Police Vehicle Fund | 0246 | 0 | 32 |
| Secretary of State Special Services Fund | 0483 | 0 | 32 |
| Capital Projects Fund | 0694 | 0 | 605 |
| State Construction Account Fund | 0902 | 0 | 875 |
| Park and Conservation Fund | 0962 | 0 | 60 |
| **Total** | | $ 0 | $ 4,581 |
| **Expenditure:** Disabled Veteran Vehicle Registration Exemption | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| Road Fund | 0011 | $ 3 | $ 0 |
| Capital Projects Fund | 0694 | 0 | 0 |
| State Construction Account Fund | 0902 | 1 | 0 |
| **Total** | | $ 4 | $ 0 |

# DETAIL OF TAX EXPENDITURE BY AGENCY, REVENUE SOURCE, EXPENDITURE, AND FUND CODE (dollars in thousands)

**Secretary of State (continued)**

| | | FY 2023 | FY 2024 |
|---|---|---|---|
| **Revenue Source and Annual Receipts:** Motor Vehicle Registration (1st Division) (concluded) | | $ | |
| **Expenditure:** Drivers Education Vehicles | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| Road Fund | 0011 | $ 25 | $ 0 |
| State Police Vehicle Fund | 0246 | 0 | 0 |
| Capital Projects Fund | 0694 | 6 | 0 |
| State Construction Account Fund | 0902 | 14 | 0 |
| Park and Conservation Fund | 0962 | 1 | 0 |
| **Total** | | $ 46 | $ 0 |
| **Expenditure:** Municipality Owned and Sheriff Vehicle Exemptions | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| Road Fund | 0011 | $ 0 | $ 730 |
| State Police Vehicle Fund | 0246 | 0 | 8 |
| Secretary of State Special Services Fund | 0483 | 0 | 8 |
| Capital Projects Fund | 0694 | 0 | 148 |
| State Construction Account Fund | 0902 | 0 | 214 |
| Park and Conservation Fund | 0962 | 0 | 15 |
| **Total** | | $ 0 | $ 1,123 |
| **Expenditure**: Municipality Owned Passenger Vehicle Exemption | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| Road Fund | 0011 | $ 2,756 | $ 0 |
| State Police Vehicle Fund | 0246 | 35 | 0 |
| Capital Projects Fund | 0694 | 691 | 0 |
| State Construction Account Fund | 0902 | 1,618 | 0 |
| Park and Conservation Fund | 0962 | 69 | 0 |
| **Total** | | $ 5,169 | $ 0 |
| **Expenditure:** Senior Citizen (Benefit Access) Vehicle Exemption | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| Road Fund | 0011 | $ 0 | $ 12,158 |
| State Police Vehicle Fund | 0246 | 0 | 131 |
| Secretary of State Special Services Fund | 0483 | 0 | 131 |
| Capital Projects Fund | 0694 | 0 | 2,469 |
| State Construction Account Fund | 0902 | 0 | 3,573 |
| Park and Conservation Fund | 0962 | 0 | 243 |
| **Total** | | $ 0 | $ 18,705 |
| **Expenditure:** Senior Citizen Plate Renewal Reduction | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| Road Fund | 0011 | $ 8,113 | $ 0 |
| State Police Vehicle Fund | 0246 | 124 | 0 |
| Capital Projects Fund | 0694 | 2,476 | 0 |
| State Construction Account Fund | 0902 | 4,764 | 0 |
| Park and Conservation Fund | 0962 | 248 | 0 |
| **Total** | | $ 15,725 | $ 0 |
| **Total Tax Impact per Revenue Source** | | $ 21,249 | $ 26,258 |

# DETAIL OF TAX EXPENDITURE BY AGENCY, REVENUE SOURCE, EXPENDITURE, AND FUND CODE (dollars in thousands)

**Secretary of State (concluded)**

| | | FY 2023 | FY 2024 |
|---|---|---|---|
| **Revenue Source and Annual Receipts:** Standard Driver's License Fee | | $ 57,635 | $ 54,742 |
| **Expenditure:** No Cost ($0.00) and Reduced ($2.00 or $5.00) Standard Driver's License Fees | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| Road Fund | 0011 | $ 2,703 | $ 2,891 |
| Drivers Education Fund | 0031 | 4,298 | 4,599 |
| Driver Services Administration Fund | 0182 | 9 | 13 |
| Capital Projects Fund | 0694 | 17,167 | 18,367 |
| State Construction Account Fund | 0902 | 1,570 | 1,680 |
| **Total** | | $ 25,747 | $ 27,550 |
| **Total Tax Impact per Revenue Source** | | $ 25,747 | $ 27,550 |

| | | FY 2023 | FY 2024 |
|---|---|---|---|
| **Revenue Source and Annual Receipts:** Standard Identification Card Fee | | $ 8,877 | $ 8,673 |
| **Expenditure:** No Cost ($0.00) and Reduced ($5.00) Standard Identification Card Fees | | | |
| **Fund Name and Code:** | | **FY 2023** | **FY 2024** |
| General Revenue Fund | 0001 | $ 3,269 | $ 3,192 |
| Road Fund | 0011 | 515 | 503 |
| State Construction Account Fund | 0902 | 303 | 295 |
| **Total** | | $ 4,087 | $ 3,990 |
| **Total Tax Impact per Revenue Source** | | $ 4,087 | $ 3,990 |
| **Total Tax Impact, Secretary of State** | | $ 75,447 | $ 87,779 |
| **GRAND TOTAL IMPACT** | | **$ 12,343,012** | **$ 12,456,669** |

# LEGAL AUTHORITY OF TAX EXPENDITURES

| | |
|---|---|
| **Commerce Commission** | |
| **Revenue Source:** Gross Receipts Tax (Public Utility Fund) | 220 ILCS 5/2-202 |
| **Expenditure:** | |
| Enterprise Zone Revenue Exemption | 220 ILCS 5/3-121 |
| **Comptroller** | |
| **Revenue Source:** Non-Electric Warrant Processing Fee | 15 ILCS 405/9.03(b) |
| **Expenditure:** | |
| Non-Electric Warrant Processing Fee Waiver | 15 ILCS 405/9.03(b-5),(c),(c-1),(d),(f) |
| **Environmental Protection Agency** | |
| **Revenue Source:** NPDES Permit Discharge Fee | 415 ILCS 5/12.5 |
| **Expenditure:** | |
| State Government and School District Exemption | 415 ILCS 5/12.5 |
| **Revenue Source:** Sewer Construction Permit Application Fee | 415 ILCS 5/12.2 |
| **Expenditure:** | |
| State and Local Government Exemption | 415 ILCS 5/12.2 |
| **Revenue Source:** Water Main Construction Permit Application Fee | 415 ILCS 5/16.1 |
| **Expenditure:** | |
| State and Local Government Exemption | 415 ILCS 5/16.1 |
| **Financial and Professional Regulation** | |
| **Revenue Source:** Boxing/Martial Arts Events Tax | 225 ILCS 105/13 |
| **Expenditure:** | |
| Gross Receipts Tax Cap | 225 ILCS 105/13 |
| **Gaming Board** | |
| **Revenue Source:** Riverboat Gambling Admission Tax | 230 ILCS 10/12(a) |
| **Expenditure:** | |
| Tax-Free Admission Passes | 230 ILCS 10/12(a)(3) |
| **Revenue Source:** Riverboat Gambling Admission Fee | 230 ILCS 10/12(a-5) |
| **Expenditure:** | |
| Fee-Free Admission Passes | 230 ILCS 10/12(a-5)(3) |
| **Healthcare and Family Services** | |
| **Revenue Source:** Hospital Provider Assessment | 305 ILCS 5/5A-2 |
| **Expenditure:** | |
| Hospital Provider Exemption | 305 ILCS 5/5A-3 |
| **Revenue Source:** Long Term Care Provider Assessment | 305 ILCS 5/5B-2 |
| **Expenditure:** | |
| Long Term Care Provider - Occupied Bed Assessment Exemption | 305 ILCS 5/5B-3 |
| **Revenue Source:** Nursing Home Provider Fee | 305 ILCS 5/5E-10 |
| **Expenditure:** | |
| 100% Contribution Homes Exemption | 305 ILCS 5/5E-5 |
| **Insurance** | |
| **Revenue Source:** Insurance Privilege Tax | 215 ILCS 5/409 |
| **Expenditure:** | |
| Fire Department Tax Credit | 215 ILCS 5/409 |
| Illinois New Markets Tax Credit | 215 ILCS 5/409(6) |
| Replacement Corporate Income Tax | 215 ILCS 5/409 |

# LEGAL AUTHORITY OF TAX EXPENDITURES

### Insurance (concluded)

| | |
|---|---|
| **Revenue Source:** Retaliatory Tax | 215 ILCS 5/444, 5/444.1 |
| **Expenditure:** | |
| Financial Regulation Fee | 215 ILCS 5/444 |
| Fire Department Tax Credit | 215 ILCS 5/444 |
| Fire Marshal Tax Offset | 425 ILCS 25/12 and 50 Ill. Adm. Code |
| Other | 215 ILCS 5/444 |
| Policy Form Filing Fees | 215 ILCS 5/444 |
| Privilege Tax Offset | 215 ILCS 5/444 |
| Replacement Corporate Income Tax Credit | 215 ILCS 5/444 |
| Replacement Income Tax Credit | 215 ILCS 5/444 |

### Natural Resources

| | |
|---|---|
| **Revenue Source:** Camping and Beach Fees | 20 ILCS 805/63a23, 805/63a21.1 |
| **Expenditure:** | |
| Disabled Persons, Former POWs, and Illinois Residents Over 62 | 20 ILCS 805/63a23 |
| **Revenue Source:** Fishing Licenses | 515 ILCS 5/20-5, 5/20-20, 5/20-45, 5/20-55 |
| **Expenditure:** | |
| Disabled, Under 16, 65 or Over, Fee Fishing Areas, Owners/Tenants Disc. | 515 ILCS 5/20-5, 5/20-15 |
| **Revenue Source:** Habitat Stamps | 520 ILCS 5/3.1 |
| **Expenditure:** | |
| Under 16 | 520 ILCS 5/3.1 |
| **Revenue Source:** Hunting Licenses and Permits | 520 ILCS 5/1/13, 5/2.11, 5/2.26, 5/3.2 |
| **Expenditure:** | |
| Disabled, 65 or Over, Landowners/Tenants | 520 ILCS 5/3.1, 5/3.1-2 |
| **Revenue Source:** Inland Trout Stamp | 515 ILCS 5/20-11, 5/20-51 |
| **Expenditure:** | |
| Disabled, Under 16 | 515 ILCS 5/20-11 |
| **Revenue Source:** Salmon Stamp | 515 ILCS 5/20-10, 5/20-50 |
| **Expenditure:** | |
| Disabled, Under 16 | 515 ILCS 5/20-10 |
| **Revenue Source:** Sportsman License | 515 ILCS 5/20-45, 520 ILCS 5/3.39 |
| **Expenditure:** | |
| Disabled, 65 or Over, Landowners/Tenants | 515 ILCS 5/20-5, 520 ILCS 5/3.1 |
| **Revenue Source:** Trapping License | 520 ILCS 5/3.3, 3.4 |
| **Expenditure:** | |
| Owners, Bona Fide Tenants and Their Children | 520 ILCS 5/3.3 |
| **Revenue Source:** Watercraft Registration Fee | 625 ILCS 45/3-2 |
| **Expenditure:** | |
| Canoe or Kayak Owned by Non-Profit Organization | 624 ILCS 45/3-12 |
| **Revenue Source:** Waterfowl Stamps | 520 ILCS 5/3.1, 5/3.2 |
| **Expenditure:** | |
| Disabled, Landowners/Tenants | 520 ILCS 5/3.1 |

# LEGAL AUTHORITY OF TAX EXPENDITURES

## Public Health

| | |
|---|---|
| **Revenue Source:** Asbestos Abatement License Fee | 105 ILCS 105/6 and 225 ILCS 207/20 |
| **Expenditure:** | |
| Governmental Employee Waiver | 105 ILCS 105/6 and 225 ILCS 207/20 |
| **Revenue Source:** Childhood Lead Screening Fee | 410 ILCS 45/1 |
| **Expenditure:** | |
| Low Income Family Waiver | 410 ILCS 45/1 |
| **Revenue Source:** Environmental Lead License Application Fee | 410 ILCS 45/8.1 |
| **Expenditure:** | |
| Department of Public Health and Delegate Agency Employee Waiver | 410 ILCS 45/8.1 |
| **Revenue Source:** Facility Plan Review | 210 ILCS 85/8 Sec. 8 |
| **Expenditure:** | |
| Disproportionate Share and Rural Hospitals Exempt from 50% of the Plan Review Fee | 210 ILCS 85/8 Sec. 8 |
| Under $500,000 Exempt from Fee and Disproportionate Share and Rural Hospitals Exempt 50% Plan Review Fee | 210 ILCS 85/8 Sec. 8 |
| **Revenue Source:** Health Care Facility Permit Application Fee | 20 ILCS 3960/5 |
| **Expenditure:** | |
| Natural Disaster and Other Emergency Waiver | 20 ILCS 3960/5 |
| **Revenue Source:** Long Term Care Facility Fee | 210 ILCS 45/3-103 |
| **Expenditure:** | |
| Facilities License for Intermediate Care Facility for Developmentally Disabled and/or Skilled, under 22 Beds Only | 210 ILCS 45/3-103 |
| **Revenue Source:** Newborn Screening and Treatment Fee | 410 ILCS 240/1 |
| **Expenditure:** | |
| State Agency Lab Exemption | 410 ILCS 240/1 |
| **Revenue Source:** Pesticide Control Fee | 225 ILCS 235/9 |
| **Expenditure:** | |
| State Agency Employee Exemption | 225 ILCS 235/22 |
| **Revenue Source:** Plan Review Fee - LTC Facilities | 210 ILCS 45/3-202.5 |
| **Expenditure:** | |
| Projects Costing Less than $100,000 | 210 ILCS 45/3-202.5 |
| VA Facilities Exempt from Plan Review Fee | 210 ILCS 45/3-202.6 |
| **Revenue Source:** Private Sewage Fee | 225 ILCS 225/5 |
| **Expenditure:** | |
| Plumbing License Exemption | 225 ILCS 225/5 |
| **Revenue Source:** Recreational Area Fee | 210 ILCS 95 |
| **Expenditure:** | |
| Not-for-Profit and Governmental Agency Construction Application Fee Waiver | 210 ILCS 95/4 |
| Not-for-Profit and Governmental Agency License Renewal Waiver | 210 ILCS 95/6 |
| Not-for-Profit and Governmental Agency Original License Application Fee Waiver | 210 ILCS 95/5 |
| **Revenue Source:** Salvage Warehouse and Salvage Warehouse Store Act | 240 ILCS 30/0.1 |
| **Expenditure:** | |
| Not-for-Profit Organization Waiver | 240 ILCS 30/0.1 |
| **Revenue Source:** Swimming Pool and Bathing Beach Fee | 210 ILCS 125 |
| **Expenditure:** | |
| Tax-Exempt 501(c)(3) and Governmental Facility Construction Application Fee Waiver | 210 ILCS 125/5 |
| Tax-Exempt 501(c)(3) and Governmental Facility Inspection Fee Waiver | 210 ILCS 125/8 |
| Tax-Exempt 501(c)(3) and Governmental Facility License Renewal Fee Waiver | 210 ILCS 125/6 |
| Tax-Exempt 501(c)(3) and Governmental Facility Original License Fee Waiver | 210 ILCS 125/4 |

# LEGAL AUTHORITY OF TAX EXPENDITURES

| | |
|---|---|
| **Public Health (concluded)** | |
| **Revenue Source:** Vital Records Fees | 410 ILCS 535 |
| **Expenditure:** | |
| Groups Chartered by U. S. Congress Exemption | 410 ILCS 535/25-1(b) |
| Homeless Person Birth Record Request Waiver | 410 ILCS 535/25.3 |
| Illinois Adoption Registry | 750 ILCS 50/18.6 |
| Illinois Department of Corrections Inmate & Department of Juvenile Justice Waiver | 410 ILCS 535/25-1(b) |
| U. S. Veterans Administration Exemption | 410 ILCS 535/25-7(b) |
| Youth in Care Birth Record Request Waiver | 410 ILCS 535/25.4 |
| **Revenue Source:** Water Pump Contractor Fee | 225 ILCS 345/13 |
| **Expenditure:** | |
| Licensed Plumber Exemption | 225 ILCS 345/1 |
| **Revenue Source:** Youth Camp License Application Fee | 210 ILCS 100/5 |
| **Expenditure:** | |
| Governmental Agency Waiver | 210 ILCS 100/5 |
| **Racing Board** | |
| **Revenue Source:** Horse Racing Admission Tax | 230 ILCS 5/25 |
| **Expenditure:** | |
| Free General Admission | 230 ILCS 5/25 |
| **Revenue Source:** Racing Pari-mutuel (Privilege Tax) | 230 ILCS 5/27 |
| **Expenditure:** | |
| Real Estate Tax Credit | 230 ILCS 5/32.1 |
| **Revenue** | |
| **Revenue Source:** Aircraft/Watercraft Use Tax | 35 ILCS 157, 35 ILCS 158 |
| **Expenditure:** | |
| Rolling Stock Exemption | 35 ILCS 157/10-15(iii), 35 ILCS 158/15-10(iii) |
| Sales to Exempt Organizations | 35 ILCS 157/10-15(ii), 35 ILCS 158/15-10(ii) |
| Surviving Spouse Exemption | 35 ILCS 157/10-15(iv), 35 ILCS 158/15-10(iv) |
| Watercraft Temporarily Used in Illinois Exemption | 35 ILCS 158/15-10(v) |
| **Revenue Source:** Automobile Renting Occupation and Use Tax | 35 ILCS 155/1 - 155/4 |
| **Expenditure:** | |
| Claims for Loss or Damage Deduction | 35 ILCS 155/2 |
| Exempt Organization Rentals | 35 ILCS 155/3 |
| Insurance Coverage Deduction | 35 ILCS 155/2 |
| Loaner Vehicles on Warranty | 35 ILCS 155/2 |
| Other/Miscellaneous Deduction | 35 ILCS 155/2 |
| Refueling Deduction | 35 ILCS 155/2 |
| Timely Filing and Full Payment Discount | 35 ILCS 120/3, 155/3 |
| **Revenue Source:** Cigarette and Cigarette Use Taxes | 35 ILCS 130/1 - 130/30, and 135/1 - 135/37 |
| **Expenditure:** | |
| Cost of Collection Discount | 35 ILCS 130/2, 135/3 |
| Prison and Mental Health Facility Exemption | 35 ILCS 130/1 |

# LEGAL AUTHORITY OF TAX EXPENDITURES

**Revenue (continued)**

| | |
|---|---|
| **Revenue Source:** Corporate Income Tax | 35 ILCS 5/101 et. seq. |
| **Expenditure:** | |
| Affordable Housing Donations | 35 ILCS 5/214 |
| Angel Investment Credit | 35 ILCS 5/220 |
| Cemetery Pre-Need Sales | 225 ILCS 45/4a |
| Dependent Care Assistance Credit | 35 ILCS 5/210 |
| Economic Development for a Growing Economy Tax Credit | 35 ILCS 5/211 |
| Employee Child Care Tax Credit | 35 ILCS 5/210.5 |
| Enterprise Zone Investment Credit | 35 ILCS 5/201(e)9f |
| Ex-Felons Jobs Credit | 35 ILCS 5/216 |
| Federally Disallowed Deductions | 35 ILCS 5/203(b)(2)(I) |
| Film Production Services Credit | 35 ILCS 5/213 |
| Foreign Insurer Rate Reduction | 35 ILCS 5/201(d-1) |
| High Impact Business Dividend Subtraction | 35 ILCS 5/203 (b) (L) |
| High Impact Business Interest Subtraction | 35 ILCS 5/203(b)(M-1) |
| High Impact Business Investment Credit | 35 ILCS 5/201(h) |
| Historic Preservation Credit | 35 ILCS 5/219 |
| Hospital Credit | 35 ILCS 5/223 |
| IRC 965 Dividend Subtraction | 35 ILCS 5/203(2)(B)(O) |
| Illinois Net Operating Loss Deduction | 35 ILCS 5/207(a) & (b) |
| Interest Expense Subtraction | 35 ILCS 5/203(b)(I) |
| Job Training Contribution Subtraction | 35 ILCS 5/203(b)(P) |
| Live Theater Production Credit | 35 ILCS 17 |
| New Markets Tax Credit | 20 ILCS 663 |
| Nuclear Decommissioning Trusts | 220 ILCS 5/8-508.1 |
| Research and Development Credit | 35 ILCS 5/201(k) |
| River Edge Historic Preservation Credit | 35 ILCS 5/221 |
| River Edge Redevelopment Zone Investment Credit | 35 ILCS 5/201(f) |
| River Edge Redevelopment Zone Site Remediation Tax Credit | 35 ILCS 5/201(n) |
| TECH-PREP Youth Vocational Program Credit | 35 ILCS 5/209 |
| Veterans Jobs Credit | 35 ILCS 5/217 |
| **Other Schedule M Subtractions:** | |
| Attorney-In-Fact Subtraction | 35 ILCS 5/203(b)(2)(R) |
| Bonds Issued by the Central Illinois Economic Development Authority | 70 ILCS 506/40 |
| Bonds Issued by the Downstate Illinois Sports Facilities Authority | 70 ILCS 3210/60 |
| Bonds Issued by the Eastern Illinois Economic Development Authority | 70 ILCS 506/40 |
| Bonds Issued by the Illinois Development Finance Authority | 20 ILCS 3505/7.50-7.61 |
| Bonds Issued by the Illinois Development Finance Authority or the Illinois Finance Authority under the Asbestos Abatement Finance Act | 20 ILCS 3510/8 |
| Bonds Issued by the Illinois Finance Authority | 20 ILCS 3501/various sections |
| Bonds Issued by the Illinois Housing Development Authority | 20 ILCS 3805/31 |
| Bonds Issued by the Illinois Sports Facilities Authority | 70 ILCS 3205/15 |
| Bonds Issued by the Illinois Urban Development Authority | 70 ILCS 531/11 |
| Bonds Issued by the Quad Cities Interstate Metropolitan Authority | 45 ILCS 35/110 |
| Bonds Issued by the Quad Cities Regional Economic Development Authority | 70 ILCS 510/11-13 |
| Bonds Issued by the Southeastern Illinois Economic Development Authority | 70 ILCS 518/40 |
| Bonds Issued by the Southern Illinois Economic Development Authority | 70 ILCS 519/5-45 |
| Bonds Issued by the Southwestern Illinois Development Authority | 70 ILCS 520/7.5 |
| Bonds Issued by the Upper Illinois River Valley Development Authority | 70 ILCS 530/7.1 |
| Bonds Issued by the Western Illinois Economic Development Authority | 70 ILCS 532/45 |
| Bonds Issued by the Will-Kankakee Regional Development Authority | 70 ILCS 535/14 |
| Bonds Issued pursuant to Sections 7.8 through 7.87 of the Illinois Development Finance Authority Act | 20 ILCS 3505/7-86 |
| Bonds Issued under the Rural Bond Bank Act | 30 ILCS 360/3-12 |
| Credit for Student Assistance Contributions | 35 ILCS 5/218 |
| Illinois Power Agency Bonds Issued by the Illinois Finance Authority under the Other Powers Article in the Illinois Finance Authority Act | 20 ILCS 3501/825-55 |

# LEGAL AUTHORITY OF TAX EXPENDITURES

**Revenue (continued)**

| | |
|---|---|
| **Revenue Source:** Electricity Excise Tax | 35 ILCS 640/15- 640/99 |
| **Expenditure:** | |
| Business Exemption | 220 ILCS 5/9-222.1 |
| Enterprise Zone Exemption | 220 ILCS 5/9-222 and 9-222.1A |
| Enterprise Zone and Foreign Trade Zone High Economic Impact | 220 ILCS 5/9-222.1 |
| | 35 ILCS 640/2-4 |
| High Impact Business Exemption | 220 ILCS 5/9-222 and 9-222.1A |
| **Revenue Source:** Gas Revenue Tax | 35 ILCS 615/1 -615/15; |
| **Expenditure:** | |
| Cost of Collection Discount (Gas Use Tax) | 35 ILCS 173/5-40 |
| Enterprise Zone Exemption | 220 ILCS 5/9-222 and 9-222.1A |
| Gas Used in Petroleum Refinery Operation | 35 ILCS 173/5-50(4) |
| Gas Used in Production of Electric Energy | 35 ILCS 173/5-50(3) |
| Gas Used in Production of Fertilizer | 35 ILCS 173/5-50(6) |
| Gas Used in Liquefaction Process | 35 ILCS 173/5-50(5) |
| High Impact Business Exemption | 220 ILCS 5/9-222 and 9-222.1A |
| **Revenue Source:** Hotel Operators' Occupation and Use Tax | 35 ILCS 145/1 - 145/10 |
| **Expenditure:** | |
| Cost of Collection Discount | 35 ILCS 145/6 |
| Permanent Residents Exemption | 35 ILCS 145/3, 145/9 |
| **Revenue Source:** Individual Income Tax | 35 ILCS 5/101 et. seq. |
| **Expenditure:** | |
| Additional Exemptions: Blind and Elderly | 35 ILCS 5/204(d) |
| Adoption Credit | 35 ILCS 5/227 |
| Affordable Housing Donations Tax Credit | 35 ILCS 5/214 |
| Credit for Instructional Materials and Supplies | 35 ILCS 5/225 |
| Dependent Care Assistance Program Tax Credit | 35 ILCS 5/210 |
| Earned Income Tax Credit | 35 ILCS 5/212 |
| Economic Development for a Growing Economy Tax Credit | 35 ILCS 5/211 |
| Education Expense Credit | 35 ILCS 5/201(m) |
| Enterprise Zone and River Edge Redevelopment Zone Investment Credit | 20 ILCS 655/1 |
| Enterprise Zone Dividends Subtraction | 35 ILCS 5/203(a)(J) |
| Ex-Felons Jobs Credit | 35 ILCS 5/216 |
| Federally Taxed Retirement and Social Security Subtractions | 35 ILCS 5/203(a)(F)(L) |
| Film Production Services Credit | 35 ILCS 5/213 |
| Foreign Trade Zone Dividends Subtraction | 35 ILCS 5/203(a)(K) |
| High Impact Business Investment Credit | 35 ILCS 5/201(h) |
| Hospital Credit | 35 ILCS 5/223 |
| Invest in Kids Credit | 35 ILCS 40/1 |
| Jobs Tax Credit | 35 ILCS 5/201(g) |
| Military Pay Subtraction | 35 ILCS 5/203(a)(E) |
| New Markets Tax Credits | 20 ILCS 663 |
| Research and Development Credit | 35 ILCS 5/201(k) |
| River Edge Redevelopment Zone Site Remediation Tax Credit | 35 ILCS 5/201(n) |
| Standard Exemption: Taxpayers and Dependents | 35 ILCS 5/204(a),(b),(c) |
| Student-Assistance Contribution Credit | 35 ILCS 5/218 |
| Tax Credit for Residential Real Property Taxes | 35 ILCS 5/208 |
| TECH-PREP Youth Vocational Credit | 35 ILCS 5/209 |
| Veterans Jobs Credit | 35 ILCS 5/217 |

# LEGAL AUTHORITY OF TAX EXPENDITURES

**Revenue (continued)**

| | |
|---|---|
| **Revenue Source:** Individual Income Tax (concluded) | 35 ILCS 5/101 et. seq. |
| **Other Subtractions:** | |
| Acceleration of Life Insurance Benefits Subtraction | 35 ILCS 5/203(a)(Q) |
| Bonus Depreciation | 35 ILCS 5/203(a)(Z) |
| Capital Gain or Loss Bonus Depreciation | 35 ILCS 5/203(a)(AA) |
| College Savings Pool Account | 35 ILCS 5/203(a)(Y) |
| Compensation of Nazi Victims | 35 ILCS 5/203(a)(X) |
| IRA Converted to Roth IRA Subtraction | 35 ILCS 5/203(a)(W) |
| Interest Expense Subtraction | 35 ILCS 5/203(a)(M) |
| Job Training Contribution Subtraction | 35 ILCS 5/203(a)(O) |
| Medical Care Savings Account Subtraction | 35 ILCS 5/203(a)(S)&(T) |
| Persian Gulf War Bonus Subtraction | 35 ILCS 5/203(a)(R) |
| Ride Sharing Subtraction | 35 ILCS 5/203(a)(BB) |
| Self-Employed Health Insurance Subtraction | 35 ILCS 5/203(a)(V) |
| Wrongfully Imprisoned Restitution | 35 ILCS 5/203(a)(FF) |
| 80/20 Rules (1) | 35 ILCS 5/203(a)(CC) |
| 80/20 Rules (2) | 35 ILCS 5/203(a)(DD) |
| 80/20 Rules (3) | 35 ILCS 5/203(a)(EE) |
| **Revenue Source:** Liquor Gallonage Tax | 235 ILCS 5/1-1 - 5/11-2 |
| **Expenditure:** | |
| Cost of Collection Discount | 235 ILCS 5/8-2 |
| Non-Beverage User Exemption | 235 ILCS 5/8-1 |
| Sacramental Wine Exemption | 235 ILCS 5/1-3.05 |
| **Revenue Source:** Motor Fuel Taxes | 35 ILCS 505/1 - 505/21 |
| **Expenditure:** | |
| Aviation Purposes Exemption | 35 ILCS 505/6,505/6a |
| Municipal Corporation Owning Transportation System Exemption | 35 ILCS 505/6,505/6a |
| Sales for Use Other Than in Motor Vehicles Exemption | 35 ILCS 505/6,505/6a |
| **Revenue Source:** Real Estate Transfer Tax | 35 ILCS 200/31 |
| **Expenditure:** | |
| Corporate Franchise Tax Exemption | 35 ILCS 200/31-46 |
| Exempted Deeds or Trust Documents | 35 ILCS 200/31-45 |
| Homeownership Made Easy Act | 35 ILCS 200/31-45(m) |
| Other Exempted Deeds or Trust Documents | 35 ILCS 200/31-45 |
| **Revenue Source:** Sales and Use Tax | 35 ILCS 105, 110, 115, 120 |
| **Expenditure:** | |
| Aircraft Support Center Exemption | 35 ILCS 105/12, 110/12, 115/12, 120/1o |
| Biodiesel Discount and Exemption | 35 ILCS 120/2-10; 105/3-10; 110/3-10; 115/3-10 |
| Building Materials with Intermodal Terminal Facility Redevelopment Project Area Exemption | 35 ILCS 120/2-6 |
| Building Materials within Enterprise Zone Exemption | 35 ILCS 105/12, 110/12, 115/12, 120/5k |
| Building Materials within River Edge Redevelopment Zone Exemption | 35 ILCS 120/2-54 |
| Charitable, Religious, Governmental, and Educational Exemption | 35 ILCS 105/3-5(4), 110/2, 115/2, 120/2-5(11) |
| Demonstration Use Prior to Resale | 35 ILCS 105/2, 110/2 |
| Designated Personal Property within Enterprise Zone Exemption | 35 ILCS 105/12, 110/12, 115/12, 120/1d |

# LEGAL AUTHORITY OF TAX EXPENDITURES

**Revenue (continued)**

| | |
|---|---|
| **Revenue Source:** Sales and Use Tax (concluded) | 35 ILCS 105, 110, 115, 120 |
| **Expenditure:** | |
| Farm Chemicals Exemption | 35 ILCS 105/3-5(7), 120/2-5(1) |
| Farm Machinery and Equipment Exemption | 35 ILCS 105/3-5(11), 110/3-5(7), 115/3-5(7), 120/2-5(2) |
| Feed and Seed Exemption | 35 ILCS 105/2, 120/1 |
| Food, Drugs, and Medical Appliances Rate Reduction | 35 ILCS 105/3-10, 110/3-10, 115/3-10, 120/2-10 |
| Fuel and Petroleum Products for International Flight Exemption | 35 ILCS 105/3-5(12), 110/3-5(8), 115/3-5(8), 120/2-5(22) |
| Gasohol Discount | 35 ILCS 105/3-10, 110/3-10, 115/3-10, 120/2-10 |
| Graphic Arts Machinery and Equipment Exemption | 35 ILCS 105/3-5(6), 110/3-5(5), 115/3-5(5), 120/2-5(4) |
| High Impact Business Building Materials Exemption | 35 ILCS 120/5l (from Ch. 120, par. 444l) |
| High Impact Business Designated Tangible Personal Property Exemption | (35 ILCS 120/1d) (from Ch. 120, par. 444d) |
| Interim Use Prior to Sale Exemption | 35 ILCS 105/2, 110/2 |
| Leased Property to Hospitals or Government Bodies | 35 ILCS 105/3-5(22) & (23), 110/3-5(15) & (16), 115/3-5(16) & (17), 120/2-5(28) & (29) |
| Legal Tender, Medallions, and Bullion Exemption | 35 ILCS 105/3-5(8), 110/3-5(4), |
| Low Sulfur Dioxide Emission Coal Fueled Device Exemption | 35 ILCS 105/2a-1, 110/2b, 115/2b, 120/1a-1 |
| Majority Blended Ethanol | (35 ILCS 105/3-10) (from Ch. 120, par. 439.3-10) |
| Manufacturer's Purchase Credit | 35 ILCS 105/3-85, 110/3-70 115/3-5(3), 120/2-5(9) 115/3-5(4), 120/2-5(18) |
| Manufacturing and Assembling Machinery and Equipment Exemption | 35 ILCS 105/3-5(18), 110/2(5), 115/2(e), 120/2-5(14) |
| Property Acquired by Non-Resident before Relocating in Illinois Exemption | 35 ILCS 105/3-70, 110/3-60 |
| Rolling Stock Exemption | 35 ILCS 105/3-55(b) & (c), 110/3-45(b), 115/2(d) & (d-1), 120/2-5(12) & (13) |
| Sale of Non-Resident Aircraft | 35 ILCS 105/3-55(h-2), 120/2-5 (25-7) |
| Sales by Exempt Organizations | 35 ILCS 105/2, 120/1 |
| Sales of Fuel to Vessels on Bordering Rivers | 35 ILCS 120/2-5(24) |
| Sales of Machinery and Equipment in Operation of Aircraft Maintenance Facilities | 35 ILCS 105/12, 110/12, 115/12, 120/1m |
| Sales of Motor Vehicles to Non-Residents Exemption | 35 ILCS 105/3-55, 120/2-5(25) |
| Sales of Tangible Personal Property Used by Aircraft Maintenance Facilities | 35 ILCS 105/12, 110/12, 115/12, 120/1n |
| Sales of Vehicles to Automobile Rentors Exemption | 35 ILCS 105/3-5(10) & 120/2-5(5) |
| Traded-In Property Exemption | 35 ILCS 105/2, 120/1 |
| **Revenue Source:** Telecommunications Excise Tax | 35 ILCS 630/1 - 630/21 |
| **Expenditure:** | |
| Coin-Operated Telecommunications Devices Exemption | 35 ILCS 630/2 |
| Cost of Collection Discount | 35 ILCS 630/6 |
| Enterprise Zone Exemption | 220 ILCS 5/9-222 and 9-222.1A |
| High Impact Business Exemption | 220 ILCS 5/9-222 and 9-222.1A |
| State Universities Exemption | 35 ILCS 630/2(k) |

# LEGAL AUTHORITY OF TAX EXPENDITURES

**Revenue (concluded)**

| | |
|---|---|
| **Revenue Source:** Underground Storage Tank Tax | 35 ILCS 505/1 - 505/21 |
| **Expenditure:** | |
| Airport Exemption | 35 ILCS 505/2a |
| Exemption for Ships, Barges, and Vessels in Interstate Commerce on Border Rivers | 35 ILCS 505/2a |
| Liquefied Propane Gas Exemption | 35 ILCS 505/2a |
| Rail Carrier Exemption | 35 ILCS 505/2a |
| Timely Filing and Full Payment Discount | 35 ILCS 505/2b (UST); 415 ILCS 125/301 (EIF) |
| **Revenue Source:** Vehicle Use Tax | 625 ILCS 5/3-1001 - 5/3-1006 |
| **Expenditure:** | |
| Business Reorganization Preferential Tax Rate | 625 ILCS 5/3-1001 |
| Estate Gift to Beneficiary Preferential Tax Rate | 625 ILCS 5/3-1001 |
| Family Member Preferential Tax Rate | 625 ILCS 5/3-1001 |
| Farm Implement - Ready Mix Exemption | 625 ILCS 5/3-1001 |
| Government, Charitable, Educational, Religious Entities Exemption | 625 ILCS 5/3-1001 |
| Out-of-State Resident Exemption | 625 ILCS 5/3-1001, 35 ILCS 105/3-55 |
| Rolling Stock Exemption | 625 ILCS 5/3-1001, 35 ILCS 105/3-55 |
| Surviving Spouse Exemption | 625 ILCS 5/3-1001 |

**Secretary of State**

| | |
|---|---|
| **Revenue Source:** Annual Reports of Corporations | 805 ILCS 5/15 |
| **Expenditure:** | |
| Two Million Dollar Cap on Annual Franchise Tax for Corporations | 805 ILCS 5/15.45, 5/15.75 |
| **Revenue Source:** Driver's License Four Year Renewal Fee | 625 ILCS 5/6-118(a), (b), (c) |
| **Expenditure:** | |
| Reduced Renewal Fee for Senior Citizens | 625 ILCS 5/6-118(a) & 6-115(g) |
| **Revenue Source:** Corrected and Duplicate Driver's License Fee | 625 ILCS 5/6-118(a), (b), (c) |
| **Expenditure:** | |
| No Cost ($0.00) and Reduced ($2.00) Corrected and Duplicate Driver's License Fees | 625 ILCS 5/6-118(a) & 6-115(g) |
| **Revenue Source:** Corrected and Duplicate Identification Card Fee | 625 ILCS 5/6-118(a) |
| **Expenditure:** | |
| No Cost ($0.00) and Reduced ($5.00) Corrected and Duplicate Identification Card Fees | 625 ILCS 5/6-118 (a) |
| **Revenue Source:** Motor Vehicle Registration (1st Division) | 625 ILCS 3-806 |
| **Expenditure:** | |
| Charitable Organization and Driver's Education Vehicle Exemptions | 625 ILCS 5/3-808 |
| Congressional Medal of Honor Recipient, Disabled Veteran, Ex-Prisoner of War, Purple Heart Recipient, Gold Star, I Served, and Ambulance Vehicle Exemptions | 625 ILCS 5/3-609, 5/3-806, 5/3-808 |
| Municipality Owned and Sheriff Vehicle Exemptions | 625 ILCS 5/3-808 |
| Senior Citizen (Benefit Access) Vehicle Exemption | 625 ILCS 5/3-806.3 |
| **Revenue Source:** Standard Driver's License Fee | 625 ILCS 5/6-118(a), (b), (c) |
| **Expenditure:** | |
| No Cost ($0.00) and Reduced ($2.00 or $5.00) Standard Driver's License Fees | 625 ILCS 5/6-118(a) & 6-115(g) |
| **Revenue Source:** Standard Identification Card Fee | 15 ILCS 335/12 |
| **Expenditure:** | |
| No Cost ($0.00) and Reduced ($5.00) Standard Identification Card Fees | 15 ILCS 335/4(d), 12A |

**Treasurer**

| | |
|---|---|
| **Revenue Source:** Estate and Generation Skipping Transfer Tax | 35 ILCS 405 |
| **Expenditure:** | |
| Exclusion Amount | 35 ILCS 405/2 |
| Qualified Terminable Interest Property (QTIP) Trust | 35 ILCS 405/2(b-1) |

# TAX EXPENDITURES BY PURPOSE
## (dollars in thousands)

### Agricultural Expenditures

| | Fiscal Year 2023 Annual Impact | Fiscal Year 2024 Annual Impact |
|---|---|---|
| **Tax:** Sales Tax | | |
| Biodiesel Discount and Exemption | $ 244,840 | $ 204,992 |
| Farm Chemicals (Includes Feed and Seed) Exemption | 282,641 | 274,343 |
| Farm Machinery and Equipment Exemption | 185,747 | 204,239 |
| Majority Blended Ethanol | 3,934 | 4,925 |
| **Total** | $ 717,162 | $ 688,499 |
| **Tax:** Other | | |
| Farm Implement - Ready Mix Exemption | $ 170 | $ 152 |
| **Total** | $ 170 | $ 152 |
| **Total, Agricultural Expenditures** | $ 717,332 | $ 688,651 |

### Business Expenditures

| | Fiscal Year 2023 Annual Impact | Fiscal Year 2024 Annual Impact |
|---|---|---|
| **Tax:** Corporate Income Tax | | |
| All Other 1299-D Credits | $ 6,914 | $ 6,385 |
| Angel Investment Credit* | 226 | 214 |
| Apprenticeship Education Expense Credit | 225 | 149 |
| Economic Development for a Growing Economy Tax Credit* | 140,004 | 128,691 |
| Employee Child Care Tax Credit | 84 | 0 |
| Enterprise Zone Investment Credit* | 29,007 | 21,387 |
| Federally Disallowed Deductions | 48,646 | 49,000 |
| Film Production Services Credit* | 156,171 | 107,504 |
| Foreign Insurer Rate Reduction | 84,496 | 39,458 |
| High Impact Business Dividend Subtraction* | 711 | 0 |
| High Impact Business Investment Credit* | 1,030 | 508 |
| Hospital Credit | 20,065 | 15,999 |
| Illinois Net Operating Loss Deduction | 61,999 | 63,268 |
| Interest on Certain Obligations of IL State & Local Government | 83 | 41 |
| Invest in Kids Credit | 592 | 1,553 |
| Job Training Contribution Subtraction | 100 | 0 |
| Other Schedule M Subtractions | 13,114 | 27,732 |
| Research and Development Credit* | 105,658 | 114,240 |
| River Edge Historic Preservation Credit* | 38,037 | 16,889 |
| Wages Paid to Ex-Felons Credit* | 208 | 0 |
| **Total** | $ 707,370 | $ 593,018 |
| **Tax:** Individual Income Tax | | |
| Income Tax Credits* | $ 94,941 | $ 51,648 |
| Income Tax Subtractions* | 2,947 | 3,048 |
| **Total** | $ 97,888 | $ 54,696 |
| **Tax:** Sales Tax | | |
| Back-to-School State Sales Tax Holiday | $ 5,831 | $ 0 |
| Building Materials within Special Zone Exemption* | 72,577 | 84,395 |
| Designated Tangible Personal Property within Enterprise Zone Exemption* | 14,727 | 12,319 |
| High Impact Business Building Materials Exemption* | 19,419 | 22,404 |
| High Impact Business Designated Tangible Personal Property Exemption* | 13,960 | 4,933 |
| Manufacturing and Assembling Machinery and Equipment Exemption* | 185,523 | 191,288 |
| Rolling Stock Exemption | 125,529 | 127,708 |
| Sales of Vehicles to Automobile Rentors Exemption | 0 | 2,324 |
| **Total** | $ 437,566 | $ 445,371 |

# TAX EXPENDITURES BY PURPOSE
## (dollars in thousands)

| Business Expenditures (concluded) | Fiscal Year 2023 Annual Impact | Fiscal Year 2024 Annual Impact |
|---|---|---|
| **Tax:** Other | | |
| Business Reorganization Preferential Tax Rate | $ 536 | $ 331 |
| Cost of Collection Discount - Cigarettes | 10,983 | 9,898 |
| Cost of Collection Discount - Gas Use Tax | 668 | 733 |
| Cost of Collection Discount - Hotel | 9,679 | 10,054 |
| Cost of Collection Discount - Liquor | 1,097 | 1,174 |
| Cost of Collection Discount - Telecommunications | 3,580 | 3,396 |
| Enterprise & Foreign Trade Zone Exemption - Gas* | 20,929 | 13,156 |
| Enterprise & Foreign Trade Zone Exemption - Electricity* | 11,805 | 11,828 |
| Enterprise & Foreign Trade Zone Exemption - Telecommunications* | 837 | 3,110 |
| Enterprise Zone Revenue Exemption* | 31 | 28 |
| Exemption for Vessels Conducting Interstate Commerce on Border Rivers | 528 | 400 |
| Gas Used In Liquefaction Process | 10,092 | 10,092 |
| Gas Used in Petroleum Refinery Operation | 10,136 | 10,964 |
| Gas Used in Production of Electric Energy | 45,658 | 50,725 |
| High Impact Business Exemption - Electricity* | 1,337 | 1,430 |
| High Impact Business Exemption - Gas* | 491 | 190 |
| New Markets Development Program | 3,660 | 8,956 |
| Rail Carrier Exemption | 2,832 | 2,777 |
| Real Estate Tax Credit | 0 | 704 |
| Sales to Municipal Transit Systems | 0 | 1,442 |
| Timely Filing and Full Payment Discount - Automobile Renting and Use | 532 | 934 |
| Timely Filing and Full Payment Discount - Cannabis Cultivation Privilege | 167 | 194 |
| Timely Filing and Full Payment Discount - Cannabis Purchaser Excise | 699 | 1,169 |
| Timely Filing and Full Payment Discount - Medical Cannabis Cultivation Privilege Tax | 167 | 151 |
| Timely Filing and Full Payment Discount - Underground Storage Tank | 1,174 | 1,177 |
| $2 Million Cap on Franchise Tax for Corporations | 24,267 | 29,803 |
| **Total** | $ 161,885 | $ 174,816 |
| **Total, Business Expenditures** | $ 1,404,709 | $ 1,267,901 |

* Tax expenditures intended to provide an economic incentive for business activities.

| Charitable Expenditures | Fiscal Year 2023 Annual Impact | Fiscal Year 2024 Annual Impact |
|---|---|---|
| **Tax:** Corporate Income Tax | | |
| Affordable Housing Donations | $ 24,887 | $ 20,007 |
| **Total** | $ 24,887 | $ 20,007 |
| **Tax:** Sales Tax | | |
| Sales to Exempt Organizations | $ 818,920 | $ 779,647 |
| **Total** | $ 818,920 | $ 779,647 |
| **Tax:** Other | | |
| Affordable Housing Donations Tax Credit - IIT | $ 5,237 | $ 2,656 |
| Charitable Organization and Driver's Education Vehicle Exemptions | 0 | 1,849 |
| Charitable Organization Vehicle Exemption | 305 | 0 |
| Exempt Organization Rentals | 107 | 179 |
| Government, Charitable, Educational, Religious Entities Exemption | 330 | 308 |
| Tax Exempt 501(c)(3) and Governmental Facility Fee Waivers | 408 | 408 |
| Not for Profit and Governmental Agency Fee Waivers | 114 | 114 |
| Not for Profit Organization Waiver | 5 | 5 |
| **Total** | $ 6,506 | $ 5,519 |
| **Total, Charitable Expenditures** | $ 850,313 | $ 805,173 |

# TAX EXPENDITURES BY PURPOSE
## (dollars in thousands)

| Individual Expenditures - Broad Based | Fiscal Year 2023 Annual Impact | Fiscal Year 2024 Annual Impact |
|---|---|---|
| **Tax:** Individual Income Tax | | |
| Earned Income Tax Credit | $ 378,090 | $ 370,019 |
| Education Expense Credit | 51,948 | 52,372 |
| Standard Exemption: Taxpayers and Dependents | 1,209,027 | 1,246,030 |
| Tax Credit for Residential Real Property Taxes | 556,280 | 564,579 |
| **Total** | $ 2,195,345 | $ 2,233,000 |
| **Tax:** Sales Tax | | |
| Food, Drugs, and Medical Appliances Rate Reduction | $ 2,415,239 | $ 2,764,471 |
| **Total** | $ 2,415,239 | $ 2,764,471 |
| **Total, Individual Expenditures - Broad Based** | $ 4,610,584 | $ 4,997,471 |

| Individual Expenditures - Elderly and Disabled | Fiscal Year 2023 Annual Impact | Fiscal Year 2024 Annual Impact |
|---|---|---|
| **Tax:** Individual Income Tax | | |
| Additional Exemptions: Blind and Elderly | $ 44,689 | $ 39,240 |
| Federally Taxed Retirement and Social Security Subtractions | 3,291,989 | 3,335,540 |
| **Total** | $ 3,336,678 | $ 3,374,780 |
| **Tax:** Other | | |
| Congressional Medal of Honor Recipient, Disabled Veteran, Ex-Prisoner of War, Purple Heart Recipient, Gold Star, I Served, and Ambulance Vehicle Exemptions | $ 0 | $ 4,581 |
| Disabled, Under 16, 65 & Over, Fee Fishing Area, Owner/Tenant Discount | 663 | 568 |
| Disabled, 65 or Over, Landowners/Tenants- Hunting Licenses and Permits | 371 | 414 |
| Disabled, 65 or Over, Landowners/Tenants- Sportsman Licenses | 522 | 520 |
| Disabled Veteran Vehicle Registration Exemption | 4 | 0 |
| No Cost ($0.00) and Reduced ($2.00) Corrected and Duplicate Driver's License Fees | 97 | 99 |
| No Cost ($0.00) and Reduced ($5.00) Corrected and Duplicate Identification Card Fees | 0 | 79 |
| No Cost ($0.00) and Reduced ($2.00 or $5.00) Standard Driver's License Fees | 25,747 | 27,550 |
| No Cost ($0.00) and Reduced ($5.00) Standard Identification Card Fees | 4,087 | 3,990 |
| Senior Citizen (Benefit Access) Vehicle Exemption | 0 | 18,705 |
| Senior Citizen Plate Renewal Reduction | 15,725 | 0 |
| **Total** | $ 47,216 | $ 56,506 |
| **Total, Individual Expenditures - Elderly and Disabled** | $ 3,383,894 | $ 3,431,286 |

# TAX EXPENDITURES BY PURPOSE
# (dollars in thousands)

| Individual Expenditures - Other | Fiscal Year 2023 Annual Impact | Fiscal Year 2024 Annual Impact |
|---|---|---|
| **Tax:** Individual Income Tax | | |
| Adoption Credit | $ 2,142 | $ 2,565 |
| Angel Investment Credit | 6,689 | 3,484 |
| Credit for Instructional Materials and Supplies | 15,533 | 15,801 |
| Invest in Kids Tax Credit | 49,729 | 48,517 |
| Military Pay Subtraction | 70,981 | 69,523 |
| Other | 96 | 69 |
| **Total** | $ 145,170 | $ 139,959 |
| **Tax:** Other | | |
| Illinois Adoption Registry and Medical Information Exchange | $ 15 | $ 15 |
| **Total** | $ 15 | $ 15 |
| **Total, Individual Expenditures - Other** | $ 145,185 | $ 139,974 |

| Other Expenditures | Fiscal Year 2023 Annual Impact | Fiscal Year 2024 Annual Impact |
|---|---|---|
| **Tax:** Hospital Provider Assessment | | |
| Hospital Provider Exemption | $ 144,717 | $ 134,564 |
| **Total** | $ 144,717 | $ 134,564 |
| **Tax:** Individual Income Tax | | |
| Student Assistance Contribution Credit | $ 160 | $ 86 |
| Other Subtractions | 252,735 | 233,517 |
| **Total** | $ 252,895 | $ 233,603 |
| **Tax:** Sales Tax | | |
| Sales of Motor Vehicles to Non-Residents Exemption | $ 196,055 | $ 187,940 |
| Traded-In Property Exemption | 292,983 | 268,449 |
| **Total** | $ 489,038 | $ 456,389 |
| **Tax:** Vehicle Use Tax | | |
| Family Member Preferential Tax Rate | $ 22,261 | $ 23,432 |
| Out-of-State Resident Exemption | 8,601 | 7,600 |
| Rolling Stock Exemption | 5,009 | 3,849 |
| Other | 1,759 | 1,729 |
| **Total** | $ 37,630 | $ 36,610 |
| **Tax:** Other | | |
| NPDES Permit Discharge Fee - State Government and School District Exemption | $ 188 | $ 344 |
| Permanent Residents Exemption - HOOT | 22,439 | 24,373 |
| Retaliatory Tax Offsets | 201,311 | 169,544 |
| Water Main Construction Permit Application Fee - State and Local Government Exemption | 413 | 355 |
| Other | 82,364 | 70,431 |
| **Total** | $ 306,715 | $ 265,047 |
| **Total, Other Expenditures** | $ 1,230,995 | $ 1,126,213 |

# TECHNICAL APPENDIX

**Tax Expenditures Included in This Report**

The Illinois Office of Comptroller has limited required-agency reporting to tax expenditures that are:

1) State-levied taxes accruing to the state (excluding tax expenditures related to locally levied taxes that are collected by the state, and tax expenditures for state-levied taxes such as the personal property replacement tax and local share of state sales taxes that are automatically distributed to local governments).

2) Authorized directly by state law (tax expenditures arising from the adoption of federal income tax provisions as the starting point for state income tax computations need not be reported). This includes statutorily mandated exemptions to fees.

3) In excess of $1 million in fiscal year 2024 (however, some agencies reported smaller tax expenditures, and the receipting agencies were asked to list any tax expenditures for which detailed cost estimates were not provided, either because the tax expenditures were less than $1 million or were not calculable).

**Limitations on Using Tax Expenditure Data**

Unlike other data released by the Illinois Office of Comptroller, the costs of many reported tax expenditures are estimates, and their accuracy may be affected by the limitations of the data used to construct each estimate. The measurement of a tax expenditure may require assumptions about the tax base that are subjective and may differ if made by another analyst.

Revenues realized by eliminating a tax expenditure may vary from the figures presented in this report, as the elimination of a tax expenditure may result in changes in taxpayer behavior and revenues generated by the state. Further, adding the impacts of the various tax expenditures may overstate the total cost of the tax expenditures, as some transactions may be exempt under multiple tax expenditures.

Transactions that are not taxed because they fall outside the Illinois tax base are not tax expenditures. For example, the Illinois sales tax is a tax on the transfer of tangible personal property for final use. In most cases, services are taxed only to the extent tangible personal property is transferred as part of the service agreement. Thus, auto repair services are only taxed on the parts used in the repairs. Not fully taxing service purchases is not a tax expenditure, as services lie outside the state tax base.

# TECHNICAL APPENDIX

## State Versus Federal Law

In some cases, federal tax law serves as the basis for starting state tax computations. For example, computation of the Illinois personal income tax begins with adjusted gross income (AGI) as determined on federal tax returns. Thus, some federal tax expenditures are implicitly extended to Illinois' personal income taxpayers.

For this report, such indirect tax expenditures are not considered to be authorized by state law. Illinois statutes may set AGI as the starting point for Illinois personal income tax computations, but the actual authorization of the tax expenditure is determined by federal law and can be modified by amending federal law. The portion of the tax expenditure statute asking for the "citation of the legal authority for the tax expenditure, the year it was enacted, and the fiscal year in which it first took effect" is interpreted to apply only to state statutes.

However, the state may require specific federal tax expenditures to be added to the state tax base. An example is the municipal bond interest deductions, which are added to taxable income when computing the Illinois personal income tax base.

Tax expenditures based on the U.S. Constitution are also excluded from this report. An example would be items exempt from state taxation under the federal Commerce Clause.

## Overlapping Taxes

In some cases, transactions or income are exempted from one state tax because they are subject to another state tax. For example, transactions subject to the state sales tax are exempt from the state use tax. Exemptions included in the statutes to prevent double taxation are not considered tax expenditures for purposes of this report. Similarly, credits for taxes paid to other states prevent double-taxation and are not tax expenditures.

**For More Detailed Information**

Agency *Tax Expenditure Report* submissions are available on the Comptroller's website. To access the detailed submissions:

- Go to illinoiscomptroller.gov.
- Click "Financial Reports & Data" in the navigation bar, then hover over "Find A Report," and click on "Find a Report" in the pop-up menu on the right.
- In the dropdown menu under the "Find a Report" heading, choose "Tax Expenditure Report" and click the "Search" button. Within the Tax Expenditure Report section, select the "here" hyperlink at the top of the page.
- Use the dropdown menu to select the agency of interest. Then select the appropriate fiscal year and click "Select Agency."
- Reports may be created for all receipts from an agency or for a selected group of receipts. If "Select Tax Receipts" is chosen, use the dropdown menus to choose the first and last of the desired group of receipts.
- Three standardized reports may be created: "Tax Expenditure Detail" contains the detailed agency submissions, "Tax Expenditures by Fund" provides cost estimates by fund, and "Total Tax Expenditure Cost" lists total cost estimates.
- The reports described above may be printed as HTML files.

If you have questions about the *Tax Expenditure Report*, please contact Jennifer Kovats at TaxExp@illinoiscomptroller.gov or Jennifer.Kovats@illinoiscomptroller.gov.

2024

# TAX EXPENDITURE REVIEW

OFFICE OF FISCAL AND MANAGEMENT ANALYSIS
LEGISLATIVE SERVICES AGENCY

2339/8585

**The Office of Fiscal and Management Analysis (OFMA) is a division of the Legislative Services Agency that performs fiscal, budgetary, and management analysis for the Indiana General Assembly.**

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# PREFACE

IC 2-5-3.2-2 requires the Legislative Services Agency (LSA) to prepare and publish a tax expenditure report before November 1 in even-numbered years for use in the preparation and consideration of the state biennial budget.

The report must include at least the following:

- A listing and explanation of each tax expenditure.
- The history of each tax expenditure.
- An estimate for each state fiscal year of the next biennial budget of the cost of each tax expenditure.
- A discussion of the criteria used to determine whether a tax provision is a tax expenditure.

This biennial tax expenditure report is conducted by the Office of Fiscal and Management Analysis of LSA. The report must be submitted to the Interim Study Committee on Fiscal Policy, the Legislative Council, and the chairpersons and ranking minority members of the House Committee on Ways and Means and the Senate Committee on Appropriations.

LSA would like to thank the Department of State Revenue and the Indiana Economic Development Corporation for providing much of the data used to prepare this report.

# INTRODUCTION

## DEFINING TAX EXPENDITURES

IC 2-5-3.2-2 defines a tax expenditure as a tax exemption, tax deduction, tax credit, preferential tax rate, or tax provision that reduces a person's state tax liability.

A tax expenditure is broadly defined as a tax provision that reduces the amount of revenue that would otherwise be generated from the "normal" tax base. Therefore, defining the "normal" tax base is a crucial step in identifying and measuring tax expenditures. Because there is not one single definition of the norm, the determination of a tax provision as a tax expenditure may differ from state to state. This report uses a reference law baseline model for classifying tax provisions as part of the normal tax base or as tax expenditures. This approach identifies exemptions, deductions, credits, and other statutory provisions as tax expenditures, while recognizing that some revenue reducing provisions are part of the baseline structure of the tax.[1]

Generally, the following criteria are

[1]Mikesell, J. L. (2002). Tax expenditure budgets, budget policy, and tax policy: Confusion in the states. *Public Budgeting & Finance,* 22(4), 34-51.

used to determine whether a provision constitutes a tax expenditure:

1. The provision reduces the state's General Fund revenue.
2. The item would have been part of the defined tax base.
3. The item is not subject to an alternative tax.
4. The provision is subject to change by state legislative action.

Below are descriptions of the basic structure of Indiana's individual income tax, corporate income tax, and sales and use tax and the criteria LSA used in deciding whether to classify a tax provision as an expenditure.

## Individual Income Tax

Individual income taxation begins with gross income, which consists primarily of wages, salaries, taxable interest, business income, realized net capital gains, rents, royalties, taxable pension and annuity income, and alimony received. Federal law provides several adjustments to an individual's or entity's gross income to arrive at federal adjusted gross income (AGI) as defined by Section 62 of the Internal Revenue Code. These adjustments are commonly referred to as being "above the line" because they are adjustments to income before the computation of federal AGI. "Above the line" also has another meaning for Indiana taxation purposes. Taxpayers are required to carry over their federal AGI from their federal return to their Indiana return. Those "above the line" adjustments are made before the first line of Indiana's income tax filings, and those adjustments do not appear on Indiana's income tax return.

Indiana statute requires certain "above the line" adjustments to be added back to the taxpayer's federal AGI. Most of the adjustments are related to federal tax provisions that Indiana does not recognize, like the bonus depreciation deduction. Pursuant to IC 2-5-3.2-2, a tax expenditure is a provision that reduces a person's state tax liability. Therefore, for the purposes of this tax expenditure report, the tax base is equal to federal AGI, plus Indiana add-backs.

After adding back certain amounts to federal AGI, deductions, such as the homeowner's property tax deduction and exemptions for each qualifying family member, are subtracted. The resulting amount equals Indiana AGI. The state AGI tax is computed by multiplying Indiana AGI by the appropriate tax rate, which is 3.05% for tax year 2024 and 3.00% for tax year 2025. The tax rate will continue to decrease annually until tax year 2027. See Table 1.

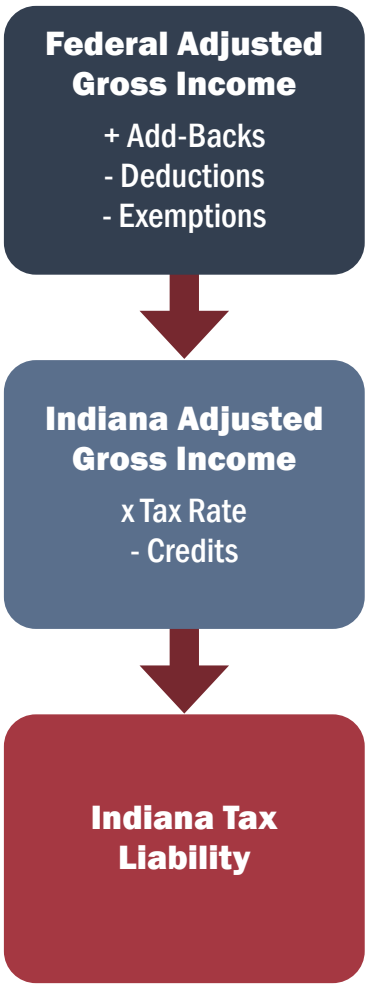
**TABLE 1.**
INDIANA INDIVIDUAL INCOME TAX RATE

| Tax Year | Tax Rate |
|---|---|
| 2023 | 3.15% |
| 2024 | 3.05% |
| 2025 | 3.00% |
| 2026 | 2.95% |
| 2027 and after | 2.90% |

**SOURCE:** IC 6-3-2-1

Credits, such as the earned income tax credit, venture capital investment credit, and certain credits for charitable donations, are subtracted from this tax amount. The resulting amount is the Indiana individual income tax liability. For purposes of this report, Indiana

deductions and exemptions subtracted from federal AGI and credits subtracted from the state tax amount are considered tax expenditures.

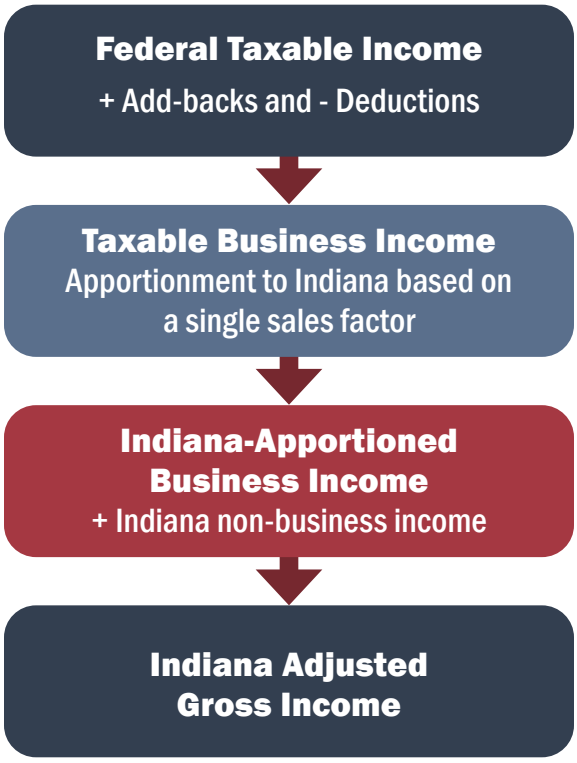



## Corporate Income Tax

Indiana corporate income taxation begins with federal "taxable income before federal net operating loss (NOL) and special deductions" (e.g., net qualifying dividends deduction). NOL at the federal level refers to losses from all subsidiaries of a corporation, including those outside of Indiana. NOL in this form is not considered for Indiana taxation purposes.

Any additional adjustment to income that occurs after the calculation of "taxable income before NOL and special deductions" on Federal Form 1120 is not considered a tax expenditure for the purposes of this report.

Federal taxable income is then modified by add-backs and deductions to arrive at taxable business income. Corporate taxpayers must apportion their taxable business income to Indiana using a single sales factor, by which a corporation's tax is based on the percentage of its sales in Indiana. Finally, Indiana-apportioned business income is modified by non-business income (e.g., sale of property) to arrive at Indiana AGI. Any available Indiana NOL is then deducted from Indiana AGI to arrive at taxable Indiana AGI. A taxpayer's liability is computed by multiplying taxable AGI by the appropriate tax rate, which is currently 4.9%.[2]




[2] The tax rate was 5.5% in FY 2020 and 5.25% in FY 2021.

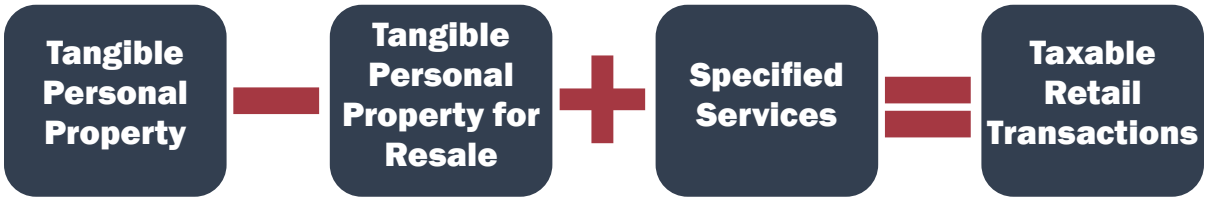
## Sales and Use Tax

Indiana imposes a gross retail tax, also known as the sales tax, on retail transactions made in Indiana. A complementary tax, known as the use tax, is imposed on the storage, use, or consumption of tangible personal property in Indiana if the property was acquired in a retail transaction, regardless of the location of the transaction or the retail merchant. The tax rate is 7% of the gross retail income received by a retail merchant. Gross retail income includes cash, credit, property, and services and excludes the value of tangible personal property received in a like-kind exchange, interest, finance charges, insurance premiums, discounts, taxes, installation charges, or postage. Sales tax is paid by the purchaser and collected by the seller at the time of the transaction. Use tax is paid and remitted by the purchaser.

Taxable retail transactions include the sale, lease, and rental of tangible personal property, which is defined as personal property that can be seen, weighed, measured, felt, or touched, or is in any other manner perceptible to the senses. Electricity, water, gas, steam, and prewritten computer software are defined as tangible personal property. In addition, certain services specified in statute, such as water softening and conditioning and the rental of rooms and other accommodations for less than 30 days, are subject to sales tax. Because services are not generally included in the definition of taxable retail transactions, the exclusion of most services from the tax base is not considered a tax expenditure.

Transactions involving tangible personal property are exempt from sales and use tax if the person acquiring the property acquires it for resale without changing the form of the property [IC 6-2.5-5-8(b)]. This provision defines the tax base by preventing an item from being taxed multiple times before it is sold to the consumer. Therefore, the resale exemption is not considered a tax expenditure.

To summarize, the normal sales and use tax base for the purposes of this report consists of transactions involving tangible personal property and specified services. It excludes most services and tangible personal property acquired for resale. Any exemptions from this base are considered tax expenditures in this report.



## Data Sources and Methods

This report provides estimates of the cost of each tax expenditure for each year of the next biennial budget (FY 2026 and FY 2027), as well as the previous and current biennia (FY 2022 through FY 2025). It is important to note that these are estimates of the financial benefit received by taxpayers, or the revenue forgone by state government. They do not represent the estimated revenue that would be gained if the provisions were repealed. In addition, the estimates do not adjust for taxpayer behavior or economic impacts that would be caused by the repeal of a tax expenditure.

Tax expenditure estimates were derived using various data sources as described below. Individual and corporate income tax expenditure estimates are based on tax return data. Tax return data are not available for most sales and use tax expenditures, so these estimates were calculated using various other data sources.

### *Individual and Corporate Income Tax*

Tax return data for individual and corporate income taxes are obtained by LSA from the Department of State Revenue (DOR). The data are transferred to LSA approximately 20 months after the end of the taxable year. The most recent year for which we have data is tax year 2022. However, the database may not contain returns that were suspended or in audit at the time of the data transfer.

The income tax expenditure forecast estimates are largely based on historical claim information. Many expenditures have established trends and are not subject to extreme annual fluctuations. However, because the available tax data are lagged by two years, LSA consulted secondary information sources for certain expenditures. For example, LSA reviewed credit agreements posted on the Indiana Economic Development Corporation's (IEDC) transparency portal. These information sources assist in determining whether the historical trends are still valid, and they provide insight in estimating future expenditure claims. The estimates for recently enacted tax expenditures were taken directly from the appropriate fiscal note published by LSA.

### *Sales and Use Tax*

Sales and use tax expenditures were estimated using various data sources, including federal government agencies and IMPLAN Group, LLC. Following are brief descriptions of the data sources that were primarily used to estimate sales tax expenditures when data from DOR were not available.

#### Bureau of Economic Analysis: Detailed Data for Fixed Assets and Consumer Durable Goods

The U.S. Bureau of Economic Analysis (BEA) publishes estimates for investments in private nonresidential fixed assets by industry and asset type. This data source provides national totals, so a portion of the BEA's estimates was allocated to Indiana based on Indiana's estimated share of each industry relative to the national total.

#### Bureau of Economic Analysis: Personal Consumption Expenditures

The BEA provides monthly, quarterly, and annual estimates of household expenditures by type of product. The national personal consumption

expenditures (PCE) data provide detailed spending information, and state-specific expenditure estimates are provided at a more aggregate level. The PCE estimates are based on information from the Census Bureau, Center for Medicare and Medicaid Services, and Bureau of Labor Statistics. This data source was primarily used to estimate sales tax exemptions for purchases that are typically made by private households, such as food and prescription drugs.

### Bureau of Labor Statistics: Consumer Expenditure Surveys

The U.S. Bureau of Labor Statistics conducts nationwide household surveys, known as the Consumer Expenditure Surveys. This program provides data on expenditures, income, and demographic characteristics of consumers in the United States. LSA used detailed expenditure data from the Consumer Expenditure Surveys, along with PCE data, to estimate sales tax exemptions for household purchases.

### Bureau of Transportation Statistics: National Transportation Statistics

The National Transportation Statistics publication reports data on all aspects of the U.S. transportation system. LSA used data on sales and leases of new and used passenger vehicles to estimate certain tax expenditures.

### Census Bureau: Economic Census

The Economic Census covers all U.S. business locations and industries and provides operational and performance data for these businesses. The Census Bureau also provides state-level business and industry data. The Census Bureau conducts the Economic Census every five years. The most recently published state data are from the 2017 Economic Census.

### Census Bureau: Manufactured Housing Survey

The Manufactured Housing Survey provides data on shipments, prices, and characteristics of new manufactured housing, including shipment and price data by state.

### IMPLAN Input-Output Model

Input-output data provide estimates of products and services purchased by industries. The input-output model provided by IMPLAN Group LLC aims to account for all monetary transactions between industries for a specific period. The data used for this report provide a detailed representation of the state's industrial structure in CY 2022.

### National Science Foundation

The National Science Foundation conducts the Business Enterprise Research and Development Survey. This is an annual survey on research and development performed or funded by businesses within the United States. The survey provides research and development costs by industry and by state. This data source was used to estimate the sales tax exemption for research and development property.

### State Lottery Commission of Indiana

State Lottery Commission Annual Reports, which include the amount of revenue from lottery ticket sales, are used to estimate the sales tax exemption for lottery tickets.

Sales tax expenditures were forecasted based on projected growth in certain economic variables. Like the estimates for income taxes, the estimates for recently enacted sales tax exemptions were taken directly from the appropriate fiscal note published by LSA.

# LEGISLATIVE CHANGES

Several tax expenditures were added or amended due to legislation enacted in 2023. No legislative changes to tax expenditures passed during the 2024 legislative session.

This section provides a summary of legislation that either resulted in additional tax expenditures or caused significant changes in the estimated cost of a tax expenditure compared to the 2022 Tax Expenditure Review. However, this is not a comprehensive list of all changes that were made to tax provisions. The estimated state fiscal impact is listed for each provision for which data is available.

| 529/ABLE Account Contribution Dates | |
|---|---|
| **Code:** | IC 6-3-3-12; IC 6-3-3-12.1 |
| **Enrolled Act:** | HEA 1454-2023, sec. 65-66 |
| **Effective Date:** | January 1, 2024 |
| **Description:** | For purposes of the 529 college contribution credit and the 529 ABLE account contribution credit, HEA 1454-2023 allows taxpayers to allocate all or part of a contribution made after the end of a taxable year, and not later than the due date of the taxpayer's income tax return for the taxable year, to the taxable year preceding the contribution. |
| **Estimate:** | The provision could reduce General Fund revenue from individual income taxes by an indeterminable amount starting in FY 2025. |
| **Attainable Homeownership Tax Credit** | |
| **Code:** | IC 6-3.1-40.9 |
| **Enrolled Act:** | HEA 1001-2023, sec. 104 |
| **Effective Date:** | January 1, 2024 |
| **Description:** | HEA 1001-2023 establishes a nonrefundable tax credit for contributions made by a taxpayer to an affordable housing organization. The amount of the tax credit is equal to 50% of the actual amount donated up to $20,000. |
| **Estimate:** | The tax credit is effective in tax year 2024 through 2029, and the provision may decrease revenue deposited into the General Fund by up to $4 M annually beginning in FY 2025 depending on the amount donated to eligible organizations. |
| **Broadband Expansion Grants Taxation Deduction** | |
| **Code:** | IC 6-3-1-3.5(b)(20) |
| **Enrolled Act:** | SEA 419-2023, sec. 7 |
| **Effective Date:** | January 1, 2023 |

| Broadband Expansion Grants Taxation Deduction (Continued) | |
|---|---|
| **Description:** | SEA 419-2023 provides for a corporate income tax deduction for: (1) federal, state, or local grants received by the taxpayer; and (2) discharged federal, state, or local indebtedness incurred by the taxpayer; for purposes of providing or expanding access to broadband services in Indiana. This would reduce the corporate income tax for taxpayers that receive broadband related grants or discharged debt. |
| **Estimate:** | Since recent federal legislation, including the Infrastructure Investment and Jobs Act (IIJA 2021) and the American Rescue Plan (ARP 2021), provides for a substantial amount of federal grants towards expanding broadband, the deduction could have significant but indeterminable fiscal impact on corporate tax revenues deposited in the state General Fund. Since the provision is retroactively effective January 1, 2023, the fiscal impact could begin in FY 2023. The full year impact from the provision will begin in FY 2024. |
| **Career Scholarship Account (CSA) Grant Deduction** | |
| **Code:** | IC 6-3-1-3.5(a)(37) |
| **Enrolled Act:** | HEA 1002-2023, sec. 7 |
| **Effective Date:** | July 1, 2023 |
| **Description:** | SEA 1002-2023 establishes an AGI Tax deduction equal to the amount of a CSA annual grant amount distributed to a taxpayer's CSA and used toward qualified expenses. |
| **Estimate:** | The deduction may reduce state General Fund revenue and local income tax by an indeterminable amount to the extent that any portion of the grant would be included in the taxpayer's federal adjusted gross income. |
| **Deduction for Health Care Sharing** | |
| **Code:** | IC 6-3-2-28 |
| **Enrolled Act:** | SEA 419-2023, sec. 17 |
| **Effective Date:** | January 1, 2024 |
| **Description:** | SEA 419-2023 establishes an Individual AGI Tax deduction for certain individual taxpayers who paid qualified health care sharing expenses. The deduction is effective beginning in tax year 2024. |
| **Estimate:** | The deduction could reduce state General Fund revenue by an estimated $1.5 M per year beginning in FY 2025. The fiscal impact could change as membership numbers and health care costs fluctuate. |

| Dependent Exemption | |
|---|---|
| **Code:** | IC 6-3-1-3.5(a)(5) |
| **Enrolled Act:** | HEA 1001-2023, sec. 94 |
| **Effective Date:** | January 1, 2023 |
| **Description:** | HEA 1001-2023 allows a taxpayer to receive a $3,000 exemption in the first year in which the taxpayer is able to claim an exemption for that child rather than a $1,500 exemption. |
| **Estimate:** | Increasing the exemption for newly claimed children would reduce state General Fund revenues by an estimated $3.8 M in FY 2024 and FY 2025. |
| **Earned Income Tax Credit** | |
| **Code:** | IC 6-3.1-21-6 |
| **Enrolled Act:** | HEA 1001-2023, sec. 100 |
| **Effective Date:** | January 1, 2023 |
| **Description:** | HEA 1001-2023 recouples with the federal EITC as in effect on January 1, 2023, at 10% of the federal EITC amount. |
| **Estimate:** | The provision would reduce state General Fund revenue by an estimated $14.7 M to $20.2 M annually beginning in FY 2024. |
| **Employer Child Care Expenditure Credit** | |
| **Code:** | IC 6-3.1-39.5 |
| **Enrolled Act:** | HEA 1001-2023, sec. 103 |
| **Effective Date:** | January 1, 2024 |
| **Description:** | HEA 1001-2023 creates a new nonrefundable tax credit for employers with 100 or fewer employees for capital expenses related to establishing childcare facilities for their employees. The tax credit is available for qualified expenditures between January 1, 2024, and July 1, 2025. |
| **Estimate:** | The credit will reduce General Fund revenue beginning in FY 2025 by an indeterminate amount, but likely less than the $2.5 M annual maximum credits allowable. |
| **Employment of Individuals with Disability** | |
| **Code:** | IC 6-3.1-38.3 |
| **Enrolled Act:** | HB 1454-2023, sec. 68 |
| **Effective Date:** | January 1, 2024 |
| **Description:** | HB 1454-2023 establishes a new nonrefundable state tax credit for employers who employ individuals with a disability. The tax credit is available in tax years 2024 through 2028. |
| **Estimate:** | The credit could reduce state General Fund revenues by approximately $3.4 M in FY 2025. The revenue impact would increase in future years since employers receive a credit for all eligible employees hired after December 30, 2023, and receive a larger percentage of eligible employee's salaries if they are employed for over a year. |

| Foster Care Support Tax Credit | |
|---|---|
| **Code:** | IC 6-3.1-35.8 |
| **Enrolled Act:** | SEA 151-2023, sec. 1-7 |
| **Effective Date:** | July 1, 2023 |
| **Description:** | SEA 151-2023 extends the nonrefundable Foster Care Support Tax Credit through December 31, 2027, rather than allowing it to sunset on June 30, 2025. It allows donations to the Insuring Foster Youth Trust Fund to be eligible for the tax credit. |
| **Estimate:** | The provision may reduce General Fund revenue in FY 2024 and FY 2025 by an indeterminable amount. The annual cap on credit claimed remains at $2 M. Extension of the credit to December 31, 2027, will reduce General Fund revenue by an indeterminable amount up to $2 M in FY 2026 through FY 2028. |
| **Health Reimbursement Tax Credit** | |
| **Code:** | IC 6-3.1-38 |
| **Enrolled Act:** | HEA 1004-2023, sec. 2 |
| **Effective Date:** | January 1, 2024 |
| **Description:** | HEA 1004-23 established a new nonrefundable tax credit for employers who adopt health reimbursement arrangements instead of traditional employer health insurance plans. |
| **Estimate:** | The provision will reduce General Fund revenue up to $10 M per year beginning in FY 2025. |
| **Historic Rehabilitation Tax Credit** | |
| **Code:** | IC 6-3.1-17.1 |
| **Enrolled Act:** | HEA 1454-2023, sec. 67 |
| **Effective Date:** | January 1, 2024 |
| **Description:** | HEA 1454-2023 established a new nonrefundable tax credit for the rehabilitation of qualified historic structures. The total amount of credits allowed is capped at $10 M per fiscal year. |
| **Estimate:** | The credit is available in tax years 2024 through 2029 and could reduce General Fund revenues by approximately $10 M beginning in FY 2025. The actual revenue loss will depend on the amount of tax credits awarded by the IEDC and on the number of qualifying projects and expenditures. |
| **Income Tax Exemption for Military Pay** | |
| **Code:** | IC 6-3-1-34 |
| **Enrolled Act:** | HEA 1034-2023 |
| **Effective Date:** | July 1, 2023 |

| Income Tax Exemption for Military Pay (Continued) | |
|---|---|
| **Description:** | HEA 1034-2023 exempts military pay from the individual income tax. The provision increases the military income tax deduction for active duty servicemembers, members of the reserve components of the armed forces, and members of the National Guard from a maximum of $5,000 to a full exemption beginning in tax year 2024. Military pay earned by members of the National Guard and in reserve components was already exempt from individual income tax if the servicemember was serving on active duty. Combat pay is already excluded from both federal gross income tax and state individual income tax. |
| **Estimate:** | The state General Fund revenue loss for the increase in the military income tax deduction for active-duty military to a full exemption is estimated to be $20 M in FY 2025. The revenue loss could potentially grow by 3% to 5% annually thereafter.<br><br>Fully exempting income earned by National Guard members and reserve components is estimated to cause a significant but indeterminable reduction in state individual income tax revenues which could potentially grow by 3% to 5% annually. This provision is effective July 1, 2023, and would impact income tax revenue collections beginning in FY 2024. |
| **Income Tax Exemption for Nonresidents** | |
| **Code:** | IC 6-3-2-27.5 |
| **Enrolled Act:** | SEA 419-2023, sec. 16 |
| **Effective Date:** | January 1, 2024 |
| **Description:** | SEA 419-2023 exempts nonresidents who work in the state for less than 30 days from Indiana state income taxes. |
| **Estimate:** | The provision could reduce income tax revenue by an indeterminable amount beginning in FY 2025. |
| **Indiana Economic Development Corporation Tax Credit Limit** | |
| **Code:** | IC 5-28-6-9 |
| **Enrolled Act:** | HEA 1001-2023, sec. 85 |
| **Effective Date:** | July 1, 2023 |
| **Description:** | HEA 1001-2023 changes certain administrative guidelines related to IEDC from mandatory to discretionary. It reduces the annual cap from $300 M to $250 M for awarding IEDC certified tax credits and allows the IEDC to certify a tax credit above the cap if the IEDC determines that a tax credit should be certified. The certification above the cap is subject to review by the Budget Committee. |
| **Estimate:** | This would have an indeterminable impact on the state General Fund in FY 2024 and after. |

| Mine Reclamation Tax Credit | |
|---|---|
| **Code:** | IC 6-3.1-37.2 |
| **Enrolled Act:** | HEA 1106-2023 |
| **Effective Date:** | January 1, 2023 |
| **Description:** | HEA 1106-2023 established a Mine Reclamation Tax Credit for qualified investment for development of property located on reclaimed coal mining land. The credit is available in tax years 2023 through 2027. The amount of the credit is equal to 30% of the amount of the qualified investment made by the taxpayer during the taxable year up to a maximum tax credit of $5 M for a project. |
| **Estimate:** | The amount of the tax credit that will be awarded in a particular year is indeterminable and is capped at $5 M. The combined total of tax credits awarded in 2023-2027 cannot exceed $25 M. The credit may decrease Individual Income Tax, Corporate Income Tax, Insurance Premiums Tax, and Financial Institutions Tax revenue deposited in the state General Fund beginning in FY 2024. |
| **Net Operating Loss (NOL)** | |
| **Code:** | IC 6-3-2-2.6 |
| **Enrolled Act:** | SEA 419-2023, sec. 13 |
| **Effective Date:** | January 1, 2023 |
| **Description:** | SEA 419-2023 makes changes to the calculation of the Indiana NOL deduction. Although most of these changes are clarifications of existing treatment of NOL, certain changes in the methods of calculations would change or limit a taxpayer's annual NOL that offsets the taxpayer's business income or nonbusiness income. |
| **Estimate:** | The fiscal impact from changes in the method of calculating NOL is indeterminable. |
| **Nonprofit Organization Sales Tax Exemption Threshold** | |
| **Code:** | IC 6-2.5-5-26 |
| **Enrolled Act:** | SEA 417-2023, sec. 1, 4 |
| **Effective Date:** | July 1, 2023 |
| **Description:** | SEA 417-2023 increased the sales threshold after which nonprofit organizations are required to collect sales tax. It also eliminated the threshold for churches, monasteries, convents, public schools, parochial schools, and youth organizations focused on agriculture. |
| **Estimate:** | The provision would reduce sales tax revenue by an indeterminable amount beginning in FY 2024. |
| **Physician Practice Ownership Tax Credit** | |
| **Code:** | IC 6-3.1-40 |
| **Enrolled Act:** | HEA 1004-2023, sec. 3 |
| **Effective Date:** | July 1, 2023 |

| Physician Practice Ownership Tax Credit (Continued) | |
|---|---|
| **Description:** | HEA 1004-23 established a new nonrefundable tax credit for physicians who have ownership in a medical practice. The first tax year the credit could be claimed is in tax year 2024. Physicians would be eligible for a credit of up to $20,000 for a tax year for up to three years. |
| **Estimate:** | The provision would reduce General Fund revenue by an indeterminate amount beginning in FY 2025. |
| **Sales Tax Exemption for Agricultural Machinery, Tools, or Equipment** | |
| **Code:** | IC 6-2.5-5-2 |
| **Enrolled Act:** | SEA 419-2023, sec. 1 |
| **Effective Date:** | July 1, 2023 |
| **Description:** | SEA 419-2023 provided that agricultural machinery, tools, and equipment that are predominantly used for exempt purposes will receive a 100% exemption, regardless of the percentage of time that an item is used for an exempt purpose. If the item is not used predominantly for exempt purposes, the amount of sales tax paid on the purchase is prorated based on the purchaser's non-exempt use. [Before SEA 419-2023 took effect, the exemption only applied to the extent that the item was used for an exempt purpose.] |
| **Estimate:** | The provision will reduce sales tax revenue by an indeterminable amount beginning in FY 2024. |
| **Sales Tax Exemption for Solar or Wind Energy** | |
| **Code:** | IC 6-2.5-5-10.7 |
| **Enrolled Act:** | SEA 419-2023, sec. 3 |
| **Effective Date:** | July 1, 2023 |
| **Description:** | SEA 419-2023 added a sales tax exemption for certain components of a solar or wind energy system. |
| **Estimate:** | The fiscal impact is indeterminable but will likely result in a significant reduction in sales tax revenue beginning in FY 2024. |
| **School Scholarship Tax Credit** | |
| **Code:** | IC 6-3.1-30.5-13 |
| **Enrolled Act:** | HEA 1001-2023, sec. 101 |
| **Effective Date:** | July 1, 2023 |
| **Description:** | HEA 1001-2023 increases the total amount of School Scholarship Tax Credits that may be awarded from $16.5 M to $18.5 M for FY 2024 and after. |
| **Estimate:** | Increasing the credit cap will reduce state General Fund revenues if the amount of School Scholarship Tax Credits awarded annually increases above $16.5 M and credit claims increase. In tax year 2021, taxpayers claimed $13.0 M in credits. |

| Specified Research or Experimental Expenditures | |
|---|---|
| **Code:** | IC 6-3-1-3.5; IC 6-3-2-29; IC 6-5.5-1-2 |
| **Enrolled Act:** | SEA 419-2023, sec. 7, 18, 25 |
| **Effective Date:** | January 1, 2022 |
| **Description:** | SEA 419-2023, retroactively beginning tax year 2022, decouples with that provision of the Tax Cuts and Jobs Act of 2017 and allows the taxpayer to deduct all "specified research or experimental expenditures" in the current year. This could expedite the deduction and lower the taxable income of businesses that incur qualified expenses during a taxable year. |
| **Estimate:** | The impact will reduce Corporate AGI Tax and Individual AGI Tax. It will have a significant but indeterminable impact on the state General Fund. |

# TAX EXPENDITURE ESTIMATES

## INDIVIDUAL AND CORPORATE INCOME TAX, ESTIMATED REVENUE FORGONE ($ MILLIONS)

| Item # | Tax Expenditure | FY 2022 Actual | FY 2023 Actual & Estimated | FY 2024 Estimated | FY 2025 Estimated | FY 2026 Estimated | FY 2027 Estimated |
|---|---|---|---|---|---|---|---|
| *Deductions* | | | | | | | |
| IT1 | Broadband expansion grants taxation deduction (Corporate) | N/A | N/A | 0.2 | 0.2 | 0.2 | 0.2 |
| IT2 | Career scholarship account (CSA) grant deduction (Individual) | N/A | N/A | ** | * | * | * |
| IT3 | Civil service annuity income deduction (Individual) | 5.3 | 5.2 | 4.9 | 4.7 | 4.5 | 4.3 |
| IT4 | COVID-related employee retention credit disallowed expenses deduction (Individual) | 17.6 | 0.8 | 0.0 | 0.0 | 0.0 | 0.0 |
| IT4 | COVID-related employee retention credit disallowed expenses deduction (Corporate) | 3.5 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| IT5 | Disability retirement income deduction (Individual) | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |

| Item # | Tax Expenditure | FY 2022 Actual | FY 2023 Actual & Estimated | FY 2024 Estimated | FY 2025 Estimated | FY 2026 Estimated | FY 2027 Estimated |
|---|---|---|---|---|---|---|---|
| IT6 | Education scholarship account deduction (Individual) | N/A | * | * | * | * | * |
| IT7 | Employer student loan payment interest deduction (Individual) | ** | ** | ** | ** | ** | ** |
| IT8 | Enrichment scholarship account deduction (Individual) | N/A | * | * | * | * | * |
| IT9 | Foreign source dividends deduction (Corporate) | * | * | * | * | * | * |
| IT10 | Government or civic group capital contribution deduction (Individual) | 0.0 | 0.0 | 0.2 | 0.1 | 0.1 | 0.1 |
| IT10 | Government or civic group capital contribution deduction (Corporate) | 0.4 | 0.2 | 0.3 | 0.3 | 0.3 | 0.3 |
| IT11 | Health care sharing deduction (Individual) | N/A | N/A | N/A | 1.5 | 1.5 | 1.6 |
| IT12 | Homeowner's property taxes deduction (Individual) | 69.6 | 74.6 | 82.7 | 83.6 | 85.8 | 88.0 |
| IT13 | Human services recipients deduction (Individual) | 0.6 | 0.6 | 0.6 | 0.5 | 0.5 | 0.5 |
| IT14 | Income earned by enterprise zone employees deduction (Individual) | 0.5 | 0.5 | 0.5 | 0.4 | 0.4 | 0.4 |
| IT15 | Indiana partnership long-term care insurance premiums deduction (Individual) | 1.6 | 1.5 | 1.5 | 1.4 | 1.4 | 1.4 |

| Item # | Tax Expenditure | FY 2022 Actual | FY 2023 Actual & Estimated | FY 2024 Estimated | FY 2025 Estimated | FY 2026 Estimated | FY 2027 Estimated |
|---|---|---|---|---|---|---|---|
| IT16 | Military service income, retirement income, survivor's benefits deduction (Individual) | 18.8 | 23.4 | 29.1 | 53.3 | 54.3 | 55.4 |
| IT17 | Net operating loss deduction (Individual) | 39.4 | 39.4 | 39.4 | 39.4 | 39.4 | 39.4 |
| IT17 | Net operating loss deduction (Corporate) | 278.7 | 277.0 | 281.2 | 281.2 | 281.2 | 281.2 |
| IT18 | Olympic/Paralympic medal winners deduction (Individual) | ** | ** | ** | ** | ** | ** |
| IT19 | Patent-derived income deduction (Individual) | ** | ** | ** | ** | ** | ** |
| IT19 | Patent-derived income deduction (Corporate) | ** | ** | ** | ** | ** | ** |
| IT20 | Private school/ homeschool expenses deduction (Individual) | 3.5 | 3.5 | 3.6 | 3.5 | 3.5 | 3.5 |
| IT21 | Railroad retirement income deduction (Individual) | 4.3 | 4.3 | 4.2 | 4.1 | 4.0 | 4.0 |
| IT22 | Railroad unemployment and sickness benefits deduction (Individual) | ** | ** | ** | ** | ** | ** |
| IT23 | Regional development authority infrastructure fund contribution deduction (Individual) | ** | ** | ** | ** | ** | ** |
| IT24 | Rent on principal residence deduction (Individual) | 60.7 | 59.7 | 58.2 | 56.4 | 55.4 | 54.5 |
| IT25 | Small business insurance premium deduction (Individual) | N/A | N/A | * | * | * | * |

| Item # | Tax Expenditure | FY 2022 Actual | FY 2023 Actual & Estimated | FY 2024 Estimated | FY 2025 Estimated | FY 2026 Estimated | FY 2027 Estimated |
|---|---|---|---|---|---|---|---|
| IT26 | Social Security benefits deduction (Individual) | 267.8 | 291.1 | 352.1 | 366.3 | 387.1 | 408.9 |
| IT27 | Specified research or experimental expenses deduction (Individual) | N/A | * | * | * | * | * |
| IT27 | Specified research or experimental expenses deduction (Corporate) | N/A | * | * | * | * | * |
| IT28 | Unemployment compensation deduction (Individual) | 27.1 | 0.8 | 0.8 | 0.7 | 0.7 | 0.7 |
| ***Exemptions*** | | | | | | | |
| IT29 | Adopted child exemption (Individual) | N/A | 1.1 | 1.2 | 1.2 | 1.2 | 1.1 |
| IT30 | Dependent child exemption (Individual) | 79.2 | 78.4 | 76.4 | 74.0 | 72.8 | 71.6 |
| IT31 | Dependent exemption (Individual) | 58.3 | 58.2 | 56.7 | 54.9 | 54.0 | 53.1 |
| IT32 | Elderly or blind exemption (Individual) | 30.7 | 31.4 | 33.1 | 32.9 | 33.2 | 33.5 |
| IT33 | Low income and elderly exemption (Individual) | 7.0 | 7.0 | 6.7 | 6.5 | 6.3 | 6.2 |
| IT34 | Nonresident tax exemption (Individual) | N/A | N/A | N/A | * | * | * |
| IT35 | Personal exemption (Individual) | 143.3 | 141.6 | 138.1 | 133.7 | 131.5 | 129.4 |
| ***Credits*** | | | | | | | |
| IT36 | ABLE account contribution credit (Individual) | N/A | N/A | N/A | 0.6 | 0.6 | 0.6 |
| IT37 | Adoption credit (Individual) | 0.9 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 |
| IT38 | Affordable and workforce housing credit (Individual and Corporate) | N/A | N/A | 2.1 | 4.2 | 6.3 | 8.4 |

| Item # | Tax Expenditure | FY 2022 Actual | FY 2023 Actual & Estimated | FY 2024 Estimated | FY 2025 Estimated | FY 2026 Estimated | FY 2027 Estimated |
|---|---|---|---|---|---|---|---|
| IT39 | Attainable homeownership credit (Individual and Corporate) | N/A | N/A | N/A | 4.0 | 4.0 | 4.0 |
| IT40 | Coal gasification technology investment credit[1] (Corporate) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| IT41 | Community revitalization enhancement district credit (Individual) | 9.1 | 1.6 | 0.8 | 0.8 | 0.8 | 0.8 |
| IT41 | Community revitalization enhancement district credit (Corporate) | 0.9 | 1.5 | 1.9 | 1.9 | 1.9 | 1.9 |
| IT42 | Earned income tax credit (Individual) | 77.5 | 90.9 | 112.5 | 120.0 | 120.0 | 120.0 |
| IT43 | Economic Development for a Growing Economy (EDGE) credit (Individual) | 11.3 | 11.7 | 11.5 | 11.5 | 11.5 | 11.5 |
| IT43 | Economic Development for a Growing Economy (EDGE) credit (Corporate) | 56.0 | 73.8 | 64.9 | 64.9 | 64.9 | 64.9 |
| IT44 | Employer child care expenditure credit (Individual and Corporate) | N/A | N/A | * | 2.5 | 2.5 | * |
| IT45 | Employment of individuals with disability credit (Individual and Corporate) | N/A | N/A | N/A | 3.4 | 6.1 | 8.8 |
| IT46 | Enterprise zone employment expense credit (Individual) | 0.7 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 |
| IT46 | Enterprise zone employment expense credit (Corporate) | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 |

| Item # | Tax Expenditure | FY 2022 Actual | FY 2023 Actual & Estimated | FY 2024 Estimated | FY 2025 Estimated | FY 2026 Estimated | FY 2027 Estimated |
|---|---|---|---|---|---|---|---|
| IT47 | Enterprise zone investment cost credit (Individual) | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| IT47 | Enterprise zone investment cost credit (Corporate) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| IT48 | Enterprise zone loan interest credit (Individual) | ** | ** | ** | ** | ** | ** |
| IT48 | Enterprise zone loan interest credit (Corporate) | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |
| IT49 | Film and media production credit (Individual and Corporate) | N/A | * | * | * | * | * |
| IT50 | Foster care support credit (Individual) | N/A | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| IT51 | Headquarters relocation credit (Individual and Corporate) | 0.7 | 0.0 | 0.5 | 0.0 | 0.0 | 0.0 |
| IT52 | Health reimbursement credit (Individual and Corporate) | N/A | N/A | N/A | 10.0 | 10.0 | 10.0 |
| IT53 | Historic rehabilitation credit (Individual and Corporate) | N/A | N/A | N/A | 10.0 | 10.0 | 10.0 |
| IT54 | Hoosier Business Investment (HBI) credit (Individual) | 2.3 | 2.2 | 1.4 | 1.4 | 1.4 | 1.4 |
| IT54 | Hoosier Business Investment (HBI) credit (Corporate) | 4.6 | 5.2 | 3.5 | 3.5 | 3.5 | 3.5 |
| IT55 | Indiana 529 College Savings Account contribution credit (Individual) | 81.8 | 107.3 | 111.1 | 115.0 | 119.0 | 123.1 |
| IT56 | Indiana colleges and universities contribution credit (Individual) | 5.7 | 6.3 | 5.7 | 5.5 | 5.3 | 5.1 |
| IT56 | Indiana colleges and universities contribution credit (Corporate) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

| Item # | Tax Expenditure | FY 2022 Actual | FY 2023 Actual & Estimated | FY 2024 Estimated | FY 2025 Estimated | FY 2026 Estimated | FY 2027 Estimated |
|---|---|---|---|---|---|---|---|
| IT57 | Indiana Insurance Guaranty Association assessment credit[2] | 0.1 | 5.7 | 0.8 | 0.8 | 0.8 | 0.8 |
| IT58 | Individual development account credit (Individual) | ** | ** | ** | ** | ** | ** |
| IT59 | Industrial recovery (dinosaur) credit (Individual) | 3.1 | 2.0 | ** | ** | ** | ** |
| IT59 | Industrial recovery (dinosaur) credit (Corporate) | 17.6 | 8.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| IT60 | Lake County homeowner's property tax credit (Individual) | 4.9 | 4.4 | 4.4 | 4.4 | 4.4 | 4.4 |
| IT61 | Mine reclamation credit (Individual and Corporate) | N/A | N/A | 5.0 | 5.0 | 5.0 | 5.0 |
| IT62 | Neighborhood assistance credit (Individual) | 2.1 | 1.9 | 2.0 | 2.0 | 2.0 | 2.0 |
| IT62 | Neighborhood assistance credit (Corporate) | ** | ** | ** | ** | ** | ** |
| IT63 | Physician practice ownership credit (Individual and Corporate) | N/A | N/A | N/A | * | * | * |
| IT64 | Redevelopment credit (Individual) | 3.0 | 8.7 | 21.3 | 34.2 | 41.4 | 49.6 |
| IT64 | Redevelopment credit (Corporate) | 4.7 | 22.4 | 21.8 | 26.5 | 34.8 | 30.7 |
| IT65 | Research expense credit (Individual) | 30.4 | 26.2 | 29.5 | 30.6 | 31.8 | 33.1 |
| IT65 | Research expense credit (Corporate) | 86.4 | 90.6 | 90.6 | 90.6 | 90.6 | 90.6 |
| IT66 | Residential historic rehabilitation credit (Individual) | 0.1 | 0.1 | 0.2 | 0.2 | 0.2 | 0.2 |
| IT67 | School scholarship contribution credit (Individual) | 13.0 | 12.1 | 12.1 | 12.1 | 12.1 | 12.1 |

| Item # | Tax Expenditure | FY 2022 Actual | FY 2023 Actual & Estimated | FY 2024 Estimated | FY 2025 Estimated | FY 2026 Estimated | FY 2027 Estimated |
|---|---|---|---|---|---|---|---|
| IT67 | School scholarship contribution credit (Corporate) | ** | ** | ** | ** | ** | ** |
| IT68 | Teacher classroom supplies credit (Individual) | 4.7 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 |
| IT69 | Unified tax credit for elderly (Individual) | 10.9 | 10.6 | 10.6 | 10.6 | 10.6 | 10.6 |
| IT70 | Venture capital investment credit (Individual) | 6.2 | 5.8 | 5.6 | 5.6 | 5.5 | 5.5 |
| IT70 | Venture capital investment credit (Corporate) | 0.3 | 22.4 | 3.7 | 3.7 | 3.7 | 3.7 |

**NOTES:**
***Indeterminable.**
****Less than $100,000.**
1. **Coal gasification technology investment credits were usually claimed against utility receipts tax liability until the repeal of the tax in FY 2023.**
2. **The majority of credits for assessments paid to the Indiana Insurance Guaranty Association are claimed against insurance premium tax liability.**

# TAX EXPENDITURE ESTIMATES

## SALES TAX, ESTIMATED REVENUE FORGONE ($ MILLIONS)

| Item # | Tax Expenditure | FY 2022 | FY 2023 | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|---|---|---|
| *Exemptions* | | | | | | | |
| ST1 | Agricultural machinery, tools, and equipment | 6.1 | 6.4 | 6.4 | 6.8 | 6.8 | 6.9 |
| ST2 | Aircraft acquired for rental or leasing | 6.0 | 6.2 | 6.4 | 6.5 | 6.5 | 6.6 |
| ST3 | Aircraft based outside of Indiana | * | * | * | * | * | * |
| ST4 | Aircraft repair, maintenance, refurbishment, remodeling, and remanufacturing | 1.7 | 1.9 | 2.0 | 2.1 | 2.1 | 2.2 |
| ST5 | Blood glucose monitoring supplies and drug samples | * | * | * | * | * | * |
| ST6 | Change of motor vehicle title | * | * | * | * | * | * |

| Item # | Tax Expenditure | FY 2022 | FY 2023 | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|---|---|---|
| ST7 | Children's diapers | N/A | 7.6 | 10.7 | 11.0 | 11.2 | 11.5 |
| ST8 | Cigarette and tobacco tax meter machines | * | * | * | * | * | * |
| ST9 | Coins, bullion, and legal tender | 5.9 | 6.3 | 6.5 | 6.7 | 6.8 | 7.0 |
| ST10 | Commercial printing | * | * | * | * | * | * |
| ST11 | Components of solar and wind energy systems | NA | NA | 14.8 | 17.0 | 17.0 | 17.4 |
| ST12 | Data center equipment | * | * | * | * | * | * |
| ST13 | Drainage water management systems | 0.4 | 0.4 | 0.3 | 0.3 | 0.3 | 0.2 |
| ST14 | Environmental quality compliance | * | * | * | * | * | * |
| ST15 | Exchange of owned vehicle for like-kind vehicle | 56.4 | 47.3 | 47.3 | 45.8 | 45.6 | 46.7 |
| ST16 | Food and food ingredients for human consumption | 1,090.7 | 1,171.6 | 1,217.0 | 1,240.5 | 1,264.0 | 1,290.3 |
| ST17 | Food sold by certain not-for-profit organizations | * | * | * | * | * | * |
| ST18 | Free distribution newspapers | * | * | * | * | * | * |
| ST19 | Intrastate telecommunication service, video and Internet access, and VOIP services | 25.2 | 27.3 | 29.7 | 31.4 | 32.6 | 33.8 |
| ST20 | Lottery tickets | 119.2 | 122.2 | 126.3 | 129.4 | 132.6 | 135.7 |
| ST21 | Manufactured homes and industrialized residential structures | 3.3 | 3.7 | 3.9 | 4.0 | 4.1 | 4.2 |
| ST22 | Manufacturing machinery, tools, and equipment | 1,688.6 | 1,776.8 | 1,785.0 | 1,879.2 | 1,925.3 | 1,980.8 |
| ST23 | Material or integral part of public street or public utility | 111.5 | 118.2 | 126.4 | 133.6 | 139.4 | 145.2 |
| ST24 | Motion picture film, audio or video tape for broadcast | 26.0 | 28.9 | 31.4 | 33.1 | 34.5 | 35.7 |
| ST25 | Motor vehicles transported outside Indiana | 20.3 | 21.3 | 21.0 | 20.5 | 20.3 | 20.8 |

| Item # | Tax Expenditure | FY 2022 | FY 2023 | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|---|---|---|
| ST26 | Newspapers | 20.2 | 19.4 | 18.6 | 17.8 | 17.1 | 16.4 |
| ST27 | Nonreusable property | 22.7 | 24.1 | 25.0 | 25.6 | 26.2 | 26.8 |
| ST28 | Prescription drugs and medical equipment, supplies, and devices | 400.3 | 441.6 | 474.1 | 499.0 | 524.3 | 552.2 |
| ST29 | Production of food and food ingredients | 200.7 | 211.2 | 212.2 | 223.4 | 219.2 | 217.6 |
| ST30 | Production of machinery, tools, and equipment | 254.8 | 268.1 | 269.3 | 283.5 | 289.2 | 296.6 |
| ST31 | Production of tangible personal property; Material part of tangible personal property | 5,556.7 | 5,846.8 | 5,873.9 | 6,183.7 | 6,315.9 | 6,479.3 |
| ST32 | Production plant and power production expenses of electrical energy, steam, and steam heat utilities | 315.3 | 331.7 | 333.2 | 350.8 | 350.8 | 359.7 |
| ST33 | Production plant, storage plant, production expenses, and underground storage expenses of natural and artificial gas utilities | 34.6 | 36.4 | 36.6 | 38.5 | 38.5 | 39.5 |
| ST34 | Professional motor racing | * | * | * | * | * | * |
| ST35 | Property acquired by certain not-for-profit organizations | 184.7 | 197.1 | 206.4 | 212.3 | 217.6 | 222.7 |
| ST36 | Property added to certain structures | 178.4 | 190.7 | 204.2 | 215.1 | 224.3 | 234.4 |
| ST37 | Property incorporated into a transportation facility | N/A | * | * | * | * | * |
| ST38 | Property used by manufacturers of hot mix asphalt | * | * | * | * | * | * |
| ST39 | Property used in providing public transportation | 168.5 | 177.3 | 178.2 | 187.5 | 196.4 | 205.1 |
| ST40 | Public safety equipment and materials | * | * | * | * | * | * |

| Item # | Tax Expenditure | FY 2022 | FY 2023 | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|---|---|---|
| ST41 | Purchases by licensed practitioners and health care facilities | 35.6 | 37.8 | 40.0 | 42.5 | 45.0 | 47.6 |
| ST42 | Purchases by state and local government agencies | 253.5 | 268.8 | 287.4 | 303.7 | 316.8 | 330.0 |
| ST43 | Purchases by utilities | 4.2 | 4.1 | 3.9 | 3.9 | 4.0 | 4.0 |
| ST44 | Qualified computer equipment | * | * | * | * | * | * |
| ST45 | Recreational vehicles and cargo trailers | 30.7 | 29.0 | 28.5 | 27.9 | 27.6 | 28.3 |
| ST46 | Recycling materials | 270.9 | 285.0 | 286.3 | 301.4 | 308.6 | 317.2 |
| ST47 | Remotely accessed prewritten computer software | * | * | * | * | * | * |
| ST48 | Rental of a residence for fewer than 15 days | * | * | * | * | * | * |
| ST49 | Rental of booth or display space | * | * | * | * | * | * |
| ST50 | Required product labels | * | * | * | * | * | * |
| ST51 | Research and development property | 65.5 | 68.5 | 71.7 | 75.0 | 78.4 | 82.0 |
| ST52 | Returnable containers and wrapping materials | 206.8 | 217.6 | 218.6 | 230.1 | 235.6 | 242.2 |
| ST53 | Rolling stock | 31.0 | 32.2 | 33.0 | 33.5 | 33.9 | 34.4 |
| ST54 | Sales by certain not-for-profit organizations | 8.5 | 9.1 | 9.4 | 9.6 | 9.9 | 10.1 |
| ST55 | Sales by public libraries | ** | ** | ** | ** | ** | ** |
| ST56 | Sales of race horses in claiming races | 0.5 | 0.5 | 0.4 | 0.5 | 0.5 | 0.5 |
| ST57 | Sales to city or town for municipal golf course | * | * | * | * | * | * |
| ST58 | School building materials | * | * | * | * | * | * |
| ST59 | School meals | 86.1 | 105.6 | 107.7 | 108.5 | 110.6 | 112.9 |
| ST60 | Sharing of a passenger motor vehicle for fewer than 15 days | * | * | * | * | * | * |

| Item # | Tax Expenditure | FY 2022 | FY 2023 | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|---|---|---|
| ST61 | Supply, pumping, and water treatment plant and expenses; Collection, disposal, and system pumping plant and expenses | 1.5 | 1.6 | 1.6 | 1.7 | 1.7 | 1.7 |
| ST62 | Utilities purchased by business in inactive or closed military base | * | * | * | * | * | * |
| ST63 | Utility scale battery energy storage systems | * | * | * | * | * | * |

**NOTES:**
*Indeterminable.
**Less than $100,000.

# TAX EXPENDITURE DESCRIPTIONS
## INCOME TAX

### Indiana Income Tax Deductions

**IT1. Broadband Expansion Grants Taxation Deduction (IC 6-3-1-3.5(b)(20))**

**Year Enacted:** 2023

**Description:** Corporate taxpayers may deduct: (1) federal, state, or local grants received by the taxpayer; and (2) discharged federal, state, or local indebtedness incurred by the taxpayer; for purposes of providing or expanding access to broadband services in Indiana.

**IT2. Career Scholarship Account (CSA) Grant Deduction (IC 6-3-1-3.5(a)(36))**

**Year Enacted:** 2023

**Description:** Individual taxpayers may deduct the amount of a CSA annual grant amount distributed to a taxpayer's career scholarship account to the extent the distribution used for the CSA qualified expense is included in the taxpayer's federal adjusted gross income.

**IT3. Civil Service Annuity Income Deduction (IC 6-3-2-3.7)**

**Year Enacted:** 1977

**Description:** Individual taxpayers ages 62 and older may deduct a portion of their federal civil service annuity income from adjusted gross income (AGI). The deduction equals the difference of:

(1) the lesser of the amount of taxable civil service annuity income or $16,000; and
(2) the total amount of social security and railroad retirement benefits received by the taxpayer.

An individual's surviving spouse is also eligible to claim the deduction.

### IT4. COVID-related Employee Retention Credit Disallowed Expenses Deduction (IC 6-3-1-3.5(a)(31))

**Year Enacted:** 2021

**Description:** Individual taxpayers can deduct certain expenses for which a deduction is not permitted for federal income tax purposes because an employer claimed a COVID-related employee retention credit.

### IT5. Disability Retirement Income Deduction (IC 6-3-2-9)

**Year Enacted:** 1985

**Description:** Individual taxpayers who are retired on disability before the end of the taxable year and are permanently and totally disabled at the time of retirement are eligible to deduct their disability retirement income from AGI. The deduction is limited to a maximum of $5,200 per qualifying individual.

### IT6. Education Scholarship Account Deduction (IC 6-3-1-3.5(a)(32))

**Year Enacted:** 2021

**Description:** Individual taxpayers may deduct the amount of an annual grant distributed to the taxpayer's education scholarship account that is used to pay for qualified expenses if the grant was included in the taxpayer's federal adjusted income.

### IT7. Employer Student Loan Payment Interest Deduction (IC 6-3-1-3.5(a)(27))

**Year Enacted:** 2021

**Description:** Individual taxpayers required to add back employer-paid student loan payments may deduct from their AGI the amount of student loan interest that was paid by their employer and which they would have been permitted to deduct if federal law did not disallow that deduction.

### IT8. Enrichment Scholarship Account Deduction (IC 6-3-1-3.5(a)(32))

**Year Enacted:** 2022

**Description:** Individual taxpayers may deduct the amount of an annual grant distributed to the taxpayer's Indiana enrichment scholarship account that is used to pay for qualified expenses if the grant was included in the taxpayer's federal adjusted income.

### IT9. Foreign Source Dividends Deduction (IC 6-3-1-3.5; IC 6-3-2-12)

**Year Enacted:** 1987

**Description:** Corporate taxpayers may deduct certain foreign source dividends (dividends from corporations organized outside the U. S.). Global intangible low-taxed income also qualifies for the deduction as of January 1, 2018. The deduction is made from total AGI before apportionment to Indiana. The deduction amount is determined by the percentage of voting stock the taxpayer owns in the foreign corporation computed as follows:

(1) 100% of the foreign source dividends included in AGI if the taxpayer owns at least 80% of the total combined voting power of all classes of stock of the foreign corporation from which the dividend is derived;
(2) 85% of the foreign source dividends included in AGI if the taxpayer owns at least 50% but less than 80% of the total combined voting power of all classes of stock of the foreign corporation from which the dividend is derived; or
(3) 50% of the foreign source dividends included in AGI if the taxpayer owns less than 50% of the total combined voting power of all classes of stock of the foreign corporation from which the dividend is derived.

### IT10. Government or Civic Group Capital Contribution Deduction (IC 6-3-1-3.5)

**Year Enacted:** 2018

**Description:** Taxpayers can deduct the amount included in federal taxable income that are capital contributions from a government or civic group and not excluded under IRC Section 118.

### IT11. Health Care Sharing Deduction (IC 6-3-2-28)

**Year Enacted:** 2023

**Description:** Beginning in tax year 2024, individual taxpayers who are members of a health care sharing ministry may deduct the total amount of qualified health care sharing expenses they paid during the tax year.

### IT12. Homeowner's Property Taxes Deduction (IC 6-3-1-3.5(a)(13))

**Year Enacted:** 1979

**Description:** Individual taxpayers may deduct up to $2,500 of property taxes paid on their principal place of residence in Indiana.

### IT13. Human Services Recipients Deduction (IC 6-3-1-3.5(a)(10))

**Year Enacted:** 1989

**Description:** Individual taxpayers who are Medicaid recipients and live in

a hospital, skilled nursing facility, intermediate care facility, licensed county home, licensed boarding or residential home, or a certified Christian Science Facility are allowed the Human Services Deduction. The deduction equals an amount sufficient to eliminate the individual's tax liability.

### IT14. Income Earned by Enterprise Zone Employees Deduction (IC 6-3-2-8)

**Year Enacted:** 1983

**Description:** Individual taxpayers who are qualified employees in an enterprise zone may deduct half of the AGI earned as a qualified employee during the year up to a maximum deduction of $7,500. A qualified employee is an individual who lives and is employed within an enterprise zone.

### IT15. Indiana Partnership Long-Term Care Insurance Premiums Deduction (IC 6-3-1-3.5(a)(12))

**Year Enacted:** 1999

**Description:** Individual taxpayers may deduct from AGI the amount of premiums paid during the year on a qualifying long term care policy for the taxpayer and/or spouse. The policy must qualify under the Indiana Long-Term Care program for Medicaid Asset Protection to be eligible for the deduction.

### IT16. Military Service Income, Retirement Income, Survivor's Benefits Deduction (IC 6-3-1-3.5(a)(18); IC 6-3-1-34; IC 6-3-2-4)

**Year Enacted:** 1977; 2007

**Description:** Individual taxpayers may deduct military service income from their AGI. Beginning in tax year 2024, all military service income is exempt from state income tax for active duty servicemembers, members of the Indiana National Guard, and members of a reserve unit of the armed forces. Combat pay is not eligible for a deduction because it is not taxed at the federal or state level.

Taxpayers may deduct 100% of military retirement income or survivor's benefits.

Through tax year 2023, military personnel on active duty or in the active reserves could deduct up to $5,000 of their military pay.

Through tax year 2023, individual taxpayers who are members of the Indiana National Guard or a reserve unit of the armed forces may deduct qualified military income received while on full-time involuntary orders, while mobilized and deployed for full-time service, or when an Indiana National Guard unit is federalized.

### IT17. Net Operating Loss Deduction (IC 6-3-2-2.5; IC 6-3-2-2.6)

**Year Enacted:** 1987

**Description:** Individual and corporate taxpayers may deduct the Indiana portion of federal net operating loss from their AGI. Net operating loss is defined as the excess of allowable deductions over gross income (with required adjustments). Unused net operating loss deductions may be carried forward up to 20 years.

### IT18. Olympic/Paralympic Medal Winners Deduction (IC 6-3-2-24)

**Year Enacted:** 2014

**Description:** Individuals who won a gold, silver, or bronze medal from participating in the Olympic/Paralympic games may deduct the income attributable to winning the medal. The deduction equals the value of the medal(s) won plus the amount of income received during the taxable year from the United States Olympic Committee as prize money.

### IT19. Patent-Derived Income Deduction (IC 6-3-2-21.7)

**Year Enacted:** 2007

**Description:** Individual and corporate taxpayers may deduct from AGI certain income derived from patents. The deduction for patent derived income applies to income derived by an individual or corporate taxpayer from utility patents or plant patents issued after December 31, 2007. The income can be from the following:

(1) Licensing fees or other income received for the use of a patent.
(2) Royalties received for the infringement of a patent.
(3) Receipts from the sale of a patent.
(4) Certain income from the taxpayer's own use of the qualified patent to produce the claimed invention.

A taxpayer may claim the exemption for 10 years with respect to a particular patent. During the first five taxable years, the exemption is equal to 50% of the income derived from a patent, with the exemption percentage declining by 10 percentage points per year during the sixth through tenth year of the exemption. The total exemption amount that a taxpayer may claim in a taxable year is $5 million.

### IT20. Private School/Homeschool Expenses Deduction (IC 6-3-2-22)

**Year Enacted:** 2011

**Description:** Individual taxpayers may claim a deduction based on education expenditures paid for each dependent child who is enrolled in

a private primary or secondary school or is homeschooled. The deduction equals $1,000 per dependent for whom the taxpayer made qualifying education expenditures in the taxable year.

**IT21. Railroad Retirement Income Deduction (IC 6-3-1-3.5(a)(7))**

**Year Enacted:** 1978

**Description:** Individual taxpayers may deduct from their AGI benefits issued by the U.S. Railroad Retirement Board not excluded from their federal income tax.

**IT22. Railroad Unemployment and Sickness Benefits Deduction (IC 6-3-1-3.5(a)(1))**

**Year Enacted:** 1971

**Description:** Individual taxpayers may deduct unemployment or sick pay benefits issued by the U.S. Railroad Retirement Board if they were included as taxable income for federal tax purposes and not already deducted under the railroad retirement income deduction.

**IT23. Regional Development Authority Infrastructure Fund Contribution Deduction (IC 6-3-2-26)**

**Year Enacted:** 2017

**Description:** A taxpayer is eligible to deduct contributions or gifts to an infrastructure fund established by a regional development authority up to the amount of the allowable federal charitable income tax deduction.

**IT24. Rent on Principal Residence Deduction (IC 6-3-2-6)**

**Year Enacted:** 1979

**Description:** Individual taxpayers who rent a dwelling that is their principal place of residence and the rented place is subject to Indiana property tax may deduct rent paid up to $3,000 from their AGI.

**IT25. Small Business Insurance Premium Deduction (IC 6-3-1-3.5(a)(34))**

**Year Enacted:** 2022

**Description:** Small businesses are eligible to deduct amounts paid for employee health insurance premiums beginning in tax year 2023.

**IT26. Social Security Benefits Deduction (IC 6-3-1-3.5(a)(8))**

**Year Enacted:** 1978

**Description:** Individual taxpayers may deduct from their AGI Social Security benefits not excluded from federal income tax.

### IT27. Specified Research or Experimental Expenses Deduction (IC 6-3-1-3.5; IC 6-3-2-29; IC 6-5.5-1-2)

**Year Enacted:** 2023

**Description:** Taxpayers may deduct the amount of specified research or experimental expenditures paid or incurred by the taxpayer during the taxable year from their AGI if they claim a federal income tax deduction for specified research and experimental expenses which is required to be amortized under IRC section 174.

### IT28. Unemployment Compensation Deduction (IC 6-3-2-10)

**Year Enacted:** 1987

**Description:** Individual taxpayers receiving unemployment compensation may deduct some portion of this compensation from their AGI. The deduction is equal to the difference between the taxpayer's unemployment compensation and one-half of the amount by which the taxpayer's federal AGI exceeds a specified base amount ($12,000 for single filers and $18,000 for joint filers).

## Indiana Income Tax Exemptions

### IT29. Adopted Child Exemption (IC 6-3-1-3.5(a)(5)(D))

**Year Enacted:** 2022

**Description:** Beginning in tax year 2022, individual taxpayers may claim an exemption of $3,000 for each adopted child younger than 19 years old or younger than 24 years old if a full-time student.

### IT30. Dependent Child Exemption (IC 6-3-1-3.5(a)(5)(A), (B))

**Year Enacted:** 1997

**Description:** Individual taxpayers may claim an AGI exemption of $1,500 for each of the taxpayer's qualifying dependent children younger than 19 years old, or for full-time students younger than 24 years old. Beginning in tax year 2023, a taxpayer may claim a $3,000 exemption in the first year in which the taxpayer is able to claim the exemption for that child rather than a $1,500 exemption.

### IT31. Dependent Exemption (IC 6-3-1-3.5(a)(4)(A))

**Year Enacted:** 1963

**Description:** A taxpayer may claim an exemption of $1,000 for each of the taxpayer's dependents for which they would be eligible to claim an exemption on their federal tax return. A dependent can be a child, grandchild, or relative of the taxpayer or other person residing with the taxpayer who meets certain dependency requirements.

### IT32. Elderly or Blind Exemption (IC 6-3-1-3.5(a)(4)(B))

**Year Enacted:** 1963

**Description:** Individual taxpayers may claim an AGI exemption of $1,000 if the taxpayer is at least 65 years old, $1,000 if the taxpayer is legally blind, or $2,000 if the taxpayer is both. The exemption can also be claimed if the taxpayer's spouse is at least 65 years old, legally blind, or both.

### IT33. Low Income and Elderly Exemption (IC 6-3-1-3.5(a)(5)(C))

**Year Enacted:** 1999

**Description:** Individual taxpayers may claim an AGI exemption of $500 if the taxpayer or taxpayer's spouse is at least 65 years old and their AGI is less than $40,000. If the taxpayer and taxpayer's spouse are both at least 65 years old, the exemption is $1,000.

### IT34. Nonresident Tax Exemption (IC 6-3-2-27.5)

**Year Enacted:** 2023

**Description:** Compensation received by an individual—other than a professional athlete or performer—who: (1) is not a resident of Indiana; and (2) receives compensation for employment duties performed in Indiana for 30 days or less during the calendar year; is exempt from the adjusted gross income tax.

### IT35. Personal Exemption (IC 6-3-1-3.5(a)(3))

**Year Enacted:** 1963

**Description:** Individual taxpayers may claim an AGI exemption of $1,000 for himself or herself, plus an additional exemption of $1,000 for his or her spouse if the taxpayer files a joint return.

## Indiana Income Tax Credits

### IT36. ABLE Account Contribution Credit (IC 6-3-3-12.1)

**Year Enacted:** 2022

**Description:** Beginning in tax year 2024, taxpayers can receive a tax credit equal to 20% of taxpayer contributions to Indiana ABLE accounts up to a maximum credit of $500. ABLE accounts are tax-advantaged savings accounts for individuals with disabilities.

### IT37. Adoption Credit (IC 6-3-3-13)

**Year Enacted:** 2014

**Description:** The credit was created to help families offset the cost of adopting a child. Taxpayers eligible to claim the federal adoption tax credit may be eligible to claim the Indiana adoption tax credit.

Through tax year 2021, the credit was nonrefundable and equaled the lesser of 10% of the qualifying federal adoption credit the taxpayer claimed for the taxable year, or $1,000 per eligible child. Beginning in tax year 2022, the credit equals 20% of the qualifying federal adoption credit up to $2,500. The credit is refundable, is capped at $2,500 per adoption, and must be used in the same year as the qualifying federal adoption credit.

### IT38. Affordable and Workforce Housing Credit (IC 6-3.1-35)

**Year Enacted:** 2022

**Description:** The Indiana Housing and Community Development Authority (IHCDA) may award total credits up to $30 million in fiscal years 2024 through 2028. The credit is nonrefundable. Taxpayers apply to the IHCDA to receive the credit. The IHCDA may award up to 100% of a taxpayer's total federal low-income housing tax credit. The credit may be allocated for five taxable years beginning with the taxable year in which a building in a qualified project is placed into service.

### IT39. Attainable Homeownership Credit (IC 6-3.1-40.9)

**Year Enacted:** 2023

**Description:** The attainable homeownership tax credit provides a nonrefundable tax credit for taxpayers who donate to an affordable housing organization. The amount of the credit is equal to 50% of the amount donated. Credit awards are capped at $10,000 per taxpayer per year. Up to $4 million in tax credits may be awarded in each fiscal year. The tax credit is effective in tax years 2024 through 2029 and may be carried forward for up to five years. The credit may be used to reduce the taxpayer's tax liability under the individual or corporate AGI tax or the financial institutions tax.

### IT40. Coal Gasification Technology Investment Credit (IC 6-3.1-29)

**Year Enacted:** 2005

**Description:** The coal gasification technology investment tax credit was established to encourage the use of Indiana coal to produce synthesis gas to generate electricity and for the production of synthesis gas to be used as a substitute for natural gas. The credit is equal to 10% of the first $500 million in qualified investment in an integrated coal gasification power plant, and 5% of the qualified investment that exceeds $500 million. The credit for fluidized bed combustion technology is equal to 7% of the qualified investment for the first $500 million invested,

and 3% of the amount of the qualified investment that exceeds $500 million. Credits are approved by the IEDC Board.

The credit must be taken in 10 annual installments. The annual amount of the credit is equal to the lesser of the total amount of the credit awarded divided by 10, or the greater of the taxpayer's liability for the utility receipts tax (before its repeal as of July 1, 2022), or 25% of the taxpayer's total state tax liability (AGI tax, financial institutions tax, and insurance premiums tax), multiplied by the percentage of Indiana coal used by the taxpayer in the power plant for the taxable year of the installment.

Taxpayers may assign part or all of the credit to one or more utilities by entering into a contract approved by the Indiana Utility Regulatory Commission. A taxpayer who makes a qualified investment in an integrated coal gasification power plant and enters into a contract to sell substitute natural gas to the Indiana Finance Authority may choose to claim the credit as a refundable tax credit for a period of 20 years.

### IT41. Community Revitalization Enhancement District Credit (IC 6-3.1-19)

**Year Enacted:** 1998

**Description:** This tax credit is for taxpayers who make qualified investments for the redevelopment or rehabilitation of property located within a community revitalization enhancement district. The credit equals 25% of the qualified investment. The credit is nonrefundable, but unused credits may be carried forward to subsequent years. Unused credits may not be carried back. The taxpayer awarded the credit may transfer any unused credits to a lessee of the property where the qualifying investment is made. The credit may be used to reduce the taxpayer's tax liability under the individual or corporate AGI tax, local income taxes, the financial institutions tax, nonprofit agricultural organization health coverage tax, or the insurance premiums tax. Starting in CY 2020, taxpayers may claim the credit for qualified investments made after a district has expired if the taxpayer satisfies certain conditions.

### IT42. Earned Income Tax Credit (IC 6-3.1-21)

**Year Enacted:** 1999

**Description:** An individual AGI taxpayer is eligible for the Indiana earned income tax credit if they are eligible for the federal Earned Income Tax Credit under Section 32 of the Internal Revenue Code as in effect on January 1, 2023. The credit amount is equal to 10% of the federal EITC amount. The credit is refundable.

### IT43. Economic Development for a Growing Economy (EDGE) Credit (IC 6-3.1-13)

**Year Enacted:** 1994

**Description:** The EDGE credit is for businesses that create new jobs in Indiana or undertake projects to retain existing jobs in Indiana. Credit amounts are determined by the IEDC, but they may not exceed the incremental income tax withholdings of new or retained employees. EDGE credits are awarded for up to 20 years, during which time the credit amounts may be used. (Credits were awarded for up to 10 years prior to July 1, 2022.) The IEDC is authorized to make EDGE credits refundable. EDGE credits may be taken against a taxpayer's individual or corporate AGI tax, insurance premiums tax, nonprofit agricultural organization health coverage tax, or financial institutions tax liabilities.

There is no cap on the total amount of EDGE credits that can be awarded; however, total tax credits awarded by the IEDC cannot exceed $250 million annually.

### IT44. Employer Child Care Expenditure Credit (IC 6-3.1-39.5)

**Year Enacted:** 2023

**Description:** This tax credit may be claimed by employers with 100 or fewer employees for capital expenses related to establishing childcare facilities for their employees. The credit amount is the lesser or capital expenditures or $100,000. The tax credit is available for qualified expenditures between January 1, 2024 and July 1, 2025. The credit is nonrefundable and may be carried forward for three years. The credit may be applied against individual or corporate AGI tax, financial institutions tax, nonprofit agricultural organization health coverage tax, or insurance premiums tax liabilities.

### IT45. Employment of Individuals with Disability Credit (IC 6-3.1-38.3)

**Year Enacted:** 2023

**Description:** This tax credit may be claimed by employers with 500 or fewer workers who hire an individual with a disability through a referral to the employer from the Vocational Rehabilitation Services Program. The credit is available beginning in tax year 2024 and sunsets in 2028. The credit is nonrefundable and may be carried forward for up to five years. The credit may be applied against individual or corporate AGI tax, financial institutions tax, nonprofit agricultural organization health coverage tax, or insurance premiums tax liabilities.

### IT46. Enterprise Zone Employment Expense Credit (IC 6-3-3-10)

**Year Enacted:** 1983

**Description:** This tax credit is for employers that hire qualified employees that live and work half of the time in an enterprise zone. The credit is equal to the lesser of 10% multiplied by the qualified increased employment expenditures of the taxpayer for the taxable year, or $1,500 multiplied by the number of qualified employees employed by the taxpayer during the taxable year. The credit is nonrefundable, but unused credits may be carried forward for up to 10 years or carried back for up to three years. The credit may be applied against individual or corporate AGI tax, financial institutions tax, nonprofit agricultural organization health coverage tax, or insurance premiums tax liabilities.

### IT47. Enterprise Zone Investment Cost Credit (IC 6-3.1-10)

**Year Enacted:** 1986

**Description:** The enterprise zone investment cost credit is based on qualified investments made within Indiana enterprise zones. It can equal up to a maximum of 30% of the investment depending on the number of employees, the type of business, and the amount of investment in an enterprise zone. The credit is not available to corporate taxpayers or pass-through entities. However, a pass-through entity that invests in the Vigo County enterprise zone may be eligible to claim the credit. The credit is nonrefundable, but unused credits may be carried forward. Unused credits may not be carried back. This credit may be applied against individual or corporate AGI tax liability. Taxpayers are entitled to receive a credit for a qualified investment made before January 1, 2018. However, a taxpayer may receive a credit for qualified investments made in 2018 through 2027 if the IEDC approves the investment before January 1, 2018.

### IT48. Enterprise Zone Loan Interest Credit (IC 6-3.1-7)

**Year Enacted:** 1984

**Description:** The enterprise zone loan interest credit can be up to 5% of the interest received from all qualified loans made during a tax year for use in an Indiana enterprise zone. The credit is nonrefundable, but unused credits may be carried forward for up to ten years after the date on which the qualified loan was made.

Unused credits may not be carried back. This credit may

be applied against the individual or corporate AGI tax, the financial institutions tax, the nonprofit agricultural organization health coverage tax, and the insurance premiums tax. Taxpayers may not receive a credit for interest received on a loan made after December 31, 2017.

### IT49. Film and Media Production Credit (IC 6-3.1-36)

**Year Enacted:** 2022

**Description:** The tax credit is available to taxpayers who make qualified media production expenditures in Indiana between July 1, 2022, and July 1, 2027. The IEDC will determine the amount of credit to award to an applicant, but the credit may not exceed 30% of the taxpayer's qualified production expenses. The credit is nonrefundable, and unused credits may be carried forward for up to nine years. The tax credit may be applied to individual or corporate AGI tax or the financial institutions tax.

### IT50. Foster Care Support Credit (IC 6-3.1-35.8)

**Year Enacted:** 2021

**Description:** The nonrefundable tax credit is for taxpayers who make an eligible contribution to a qualifying foster care organization during the taxable year. The credit is effective beginning on July 1, 2022, and sunsets on December 31, 2027. The credit is equal to 50% of the amount of the contribution made to the foster care organization, up to $10,000. The annual state revenue loss cannot exceed $2 million per fiscal year.

### IT51. Headquarters Relocation Credit (IC 6-3.1-30)

**Year Enacted:** 2005

**Description:** The headquarters relocation credit was created as an incentive for businesses to relocate their corporate headquarters, a division or subdivision principal office, or research center to Indiana. An eligible business meets either of the following requirements:

(1) It had at least $50 million in worldwide revenues in the year prior to applying for the credit, has a qualifying facility located outside Indiana, and has not previously maintained a qualifying facility in Indiana.

(2) It received at least $4 million in venture capital in the six months immediately preceding the business's application for a tax credit or closes on at least $4 million in venture capital not later than six months

after submitting the business's application. It must also commit contractually to relocating its corporate headquarters to Indiana or to move a number of jobs that is equal to 80% of the total payroll to Indiana.

An eligible business that completes a qualifying project and incurs relocation costs is entitled to a credit against the taxpayer's state tax liability for the year in which the relocation costs are incurred. The amount of the credit equals up to 50% of the amount of the relocation costs incurred in the taxable year. However, the amount claimed may not result in an Indiana tax liability that is lower than the Indiana tax liability in the taxable year immediately preceding the taxable year in which the taxpayer first incurred the relocation costs. The credit is nonrefundable, but unused credits may be carried forward for up to nine succeeding taxable years. Unused credits may not be carried back. The tax credit may be applied to individual or corporate AGI tax, financial institutions tax, or insurance premiums tax liabilities.

### IT52. Health Reimbursement Credit (IC 6-3.1-38)

**Year Enacted:** 2023

**Description:** The nonrefundable tax credit is for employers who adopt health reimbursement arrangements instead of traditional employer health insurance plans. Employers with fewer than 50 employees are eligible for the credit for two years. The credit amount is equal to $400 per covered employee in a health reimbursement arrangement in the first year and $200 per covered employee in the second year. The amount of tax credits granted may not exceed $10 million in a taxable year. The tax credit may be applied to individual or corporate AGI tax, financial institutions tax, insurance premiums tax, or nonprofit agricultural organization health coverage tax liabilities.

### IT53. Historic Rehabilitation Credit (IC 6-3.1-17.1)

**Year Enacted:** 2023

**Description:** The nonrefundable tax credit is for taxpayers who rehabilitate qualified historic structures. The credit amount is 25% of rehabilitation expenses of $5,000 or more. It increases to 30% of qualified expenses for nonprofit historic structures. The tax credit may be applied to individual or corporate AGI tax liabilities. The amount of tax credits granted may not exceed $10 million in a fiscal year. The credit is also subject to the

annual $250 million aggregate limitation on applicable tax credits managed by the IEDC under IC 5-28-6-9. The credit may be transferred to another taxpayer or carried forward for up to 10 years.

### IT54. Hoosier Business Investment (HBI) Credit (IC 6-3.1-26)

**Year Enacted:** 2003

**Description:** The HBI credit is for qualified investments that the IEDC determines will foster job creation and higher wages in Indiana. The credit is calculated differently depending on the type of investment (i.e. logistics, non-logistics, and digital manufacturing equipment). The credit equals up to 10% of qualifying non-logistics investments. For logistics investments, the credit equals up to 25% of the difference of the logistics investments made in the taxable year and 105% of the average logistics investments made in the prior two years. For tax years 2019 through 2029, the credit equals 15% of the amount of investments in digital manufacturing equipment. The credit is nonrefundable, but unused credits may be carried forward for a number of years determined by the IEDC up to a maximum of nine years. Unused credits may not be carried back. The credit may be applied against individual or corporate AGI tax, financial institutions tax, nonprofit agricultural organization health coverage tax, and insurance premiums tax liabilities.

There is no cap on the amount of HBI credits that can be awarded annually; however, total credits awarded by the IEDC cannot exceed $250 million annually.[1]

### IT55. Indiana 529 College Savings Account Contribution Credit (IC 6-3-3-12)

**Year Enacted:** 2006

**Description:** This tax credit may be claimed by individual taxpayers who made contributions to an Indiana CollegeChoice 529 Education Savings Plan. The credit is equal to 20% of the taxpayer's annual contributions to an Indiana CollegeChoice 529 Education Savings Plan for qualified higher education or K-12 expenses, up to a maximum credit of $1,500. The credit is nonrefundable and unused credits may not be carried forward or carried back.

[1] The $250 million limit on the total amount of credits that the IEDC may award applies to the HBI tax credit, EDGE tax credit, headquarters relocation tax credit, CRED tax credit, redevelopment tax credit, historic rehabilitation tax credit, mine reclamation tax credit, and film and media production tax credit.

### IT56. Indiana Colleges and Universities Contribution Credit (IC 6-3-3-5)

**Year Enacted:** 1967

**Description:** The tax credit is for contributions by individual and corporate AGI taxpayers to Indiana colleges and universities. The amount of an individual taxpayer's credit is 50% of the total amount contributed by the taxpayer during a taxable year up to a maximum credit of $100 for a single return or $200 for a joint return. The amount of a corporate taxpayer's credit is equal to 50% of the total amount contributed during a taxable year. However, the credit may not exceed the lesser of 10% of the corporation's AGI tax liability or $1,000. The credit is nonrefundable and unused credits may not be carried forward or carried back.

### IT57. Indiana Insurance Guaranty Association Assessment Credit (IC 27-6-8-15)

**Year Enacted:** 1971

**Description:** This tax credit is for insurers that pay assessments to the Indiana Insurance Guaranty Association. The credit may be applied to the AGI tax or insurance premiums tax liabilities. This credit is limited to 20% of the assessments paid by an insurance company. The credit is nonrefundable, and unused credits may not be carried forward or carried back.

### IT58. Individual Development Account Credit (IC 6-3.1-18)

**Year Enacted:** 1997

**Description:** The individual development account credit is for contributions made to community development corporations that participate in Individual Development Account programs. Individual Development Account programs assist qualifying low-income residents in accumulating savings and building personal finance skills. The credit is equal to 50% of the amount contributed, which must not be less than $100 and not more than $50,000. The tax credit is nonrefundable and may only be used for the taxable year when the contribution is made. No more than $200,000 in tax credits may be claimed in any state fiscal year. This tax credit may be applied to individual or corporate AGI tax or financial institutions tax liabilities.

### IT59. Industrial Recovery (Dinosaur) Credit (IC 6-3.1-11)

**Year Enacted:** 1987

**Description:** The industrial recovery credit is based on a taxpayer's qualified investment in a qualified industrial recovery site. An industrial recovery site is land where a vacant facility having

at least 100,000 square feet of floor space exists or land where a plant existed within five years before application is filed. The IEDC must approve applications and plans for rehabilitation in order to receive this tax credit. The amount of the credit is equal to the qualified investment made during the taxable year, multiplied by one of the applicable percentages below:

(1) 15% for a facility located on an industrial recovery site that was placed in service 15 to 30 years ago;
(2) 20% for a facility located on an industrial recovery site that was placed in service 30 to 40 years ago; or
(3) 25% for a facility located on an industrial recovery site that was placed in service at least 40 years ago.

The tax credit is nonrefundable, but unused credits may be carried forward. Unused credits may not be carried back. Effective July 1, 2020, unused credits may be assigned to any taxpayer. The tax credit may be applied against individual or corporate AGI tax, financial institutions tax, and insurance premiums tax liabilities. A taxpayer may not receive an industrial recovery tax credit for a qualified investment made after December 31, 2019.

### IT60. Lake County Homeowner's Property Tax Credit (IC 6-3.1-20)

**Year Enacted:** 2001

**Description:** The Lake County homeowner's property tax credit is for property taxes paid by an individual taxpayer on a home the taxpayer owns and resides within Lake County. The credit is refundable. To qualify for the property tax credit the taxpayer's Indiana AGI must be less than $18,600, and the taxpayer may not claim the income tax deduction for property taxes paid on the home. If the taxpayer's Indiana AGI is $18,000 or less, the credit is equal to the lesser of $300 or the amount of property taxes paid on the taxpayer's home. The tax credit phases out for taxpayers with Indiana AGI exceeding $18,000. Under the phase-out, for every dollar of Indiana AGI exceeding $18,000, the tax credit is reduced by $0.50 until the credit is $0 for taxpayers with an Indiana AGI of at least $18,600. The entire cost of this credit is reimbursed to the state General Fund from riverboat admission tax revenue distributed to Lake County (50%), East Chicago (16.67%), Gary (16.67%), and Hammond (16.67%).

### IT61. Mine Reclamation Credit (IC 6-3.1-37.2)

**Year Enacted:** 2023

**Description:** The mine reclamation credit is available to taxpayers who make a qualified investment for the development of property located on reclaimed coal mining land. The credit is available in tax years 2023 through 2027. The amount of the credit is equal to 30% of the investment amount up to a maximum tax credit of $5 million for a project.

The credit is nonrefundable. The credit can be applied against individual or corporate AGI tax, insurance premiums tax, or financial institutions tax liabilities. Unused credits may be carried forward for ten years and may be assigned to other taxpayers. The credit is subject to the $250 million aggregate limit on tax credits managed by the IEDC.

### IT62. Neighborhood Assistance Credit (IC 6-3.1-9)

**Year Enacted:** 1984

**Description:** The neighborhood assistance credit is available to taxpayers that contribute to qualifying nonprofit organizations for approved projects that assist people living in economically disadvantaged areas. This credit is equal to 50% of the amount contributed up to a maximum credit of $25,000 in any taxable year. The credit is nonrefundable, and unused credits may not be carried forward or carried back. The credit can be applied against individual or corporate AGI tax or financial institutions tax liabilities. The total amount of neighborhood assistance credit allowed to all taxpayers in any state fiscal year is limited to $2.5 million.

### IT63. Physician Practice Ownership Credit (IC 6-3.1-40)

**Year Enacted:** 2023

**Description:** The credit may be claimed by physicians who have ownership in a medical practice beginning in tax year 2024. Taxpayers may claim a credit up to $20,000 in the year the medical practice opens and the two immediately following tax years. The credit is nonrefundable and may be carried forward for up to ten years.

### IT64. Redevelopment Credit (IC 6-3.1-34)

**Year Enacted:** 2019

**Description:** The redevelopment credit is available beginning January 1, 2020, to taxpayers for investment in qualifying redevelopment sites. The credit is awarded to taxpayers who redevelop or rehabilitate real property located within qualified

redevelopment areas that are approved by the IEDC. The credit percentage is determined by the IEDC but may not exceed 30% of a qualified investment. The maximum credit percentage is 35% if the qualified redevelopment site is in a federally designated qualified opportunity zone or the project qualifies for the federal New Markets Tax Credit.

Unused credits may be carried forward for up to nine years. Credits are nonrefundable and may not be carried back. The credit is assignable. The credit can be applied against individual or corporate AGI tax, financial institutions tax, or insurance premiums tax liabilities. The total amount of redevelopment credit is not capped, though total credits certified by the IEDC cannot exceed $250 million annually.

### IT65. Research Expense Credit (IC 6-3.1-4)

**Year Enacted:** 1984

**Description:** The research expense credit is available for taxpayers who have increased research activities conducted in Indiana. The credit is calculated based on the difference between the qualified research expenses for the taxable year and the base amount. If the difference is less than $1 million, multiply the difference by 15%. If the difference is greater than $1 million, multiply the amount exceeding $1 million by 10% and add $150,000. The credit is nonrefundable, but unused credits may be carried forward for up to 10 years. Unused credits may not be carried back.

A taxpayer may elect an alternative method to calculate the research expense tax credit for Indiana qualified research expenses incurred after December 31, 2009. The alternative calculation of the credit is equal to 10% of the difference between: (1) the taxpayer's current year Indiana qualified research expenses; and (2) 50% of the taxpayer's average Indiana qualified research expenses for the three preceding taxable years. If the taxpayer did not have Indiana qualified research expenses in any one of the three preceding taxable years, then the amount of the credit is equal to 5% of the taxpayer's Indiana qualified research expenses for the taxable year. The alternative calculation method is similar to an alternative calculation method allowed for the federal income tax credit for increasing research activities.

### IT66. Residential Historic Rehabilitation Credit (IC 6-3.1-22)

**Year Enacted:** 2001

**Description:** The residential historic rehabilitation credit for individual taxpayers equals 20% of qualified expenditures as approved by the Office of Community and Rural Affairs for the preservation or rehabilitation of a historic building that is the taxpayer's principal residence. Qualified expenditures for the historic property must exceed $10,000. The credit is nonrefundable, but unused credits may be carried forward for up to 15 years. Unused credits may not be carried back. The maximum statewide credit may not exceed $250,000 in a state fiscal year. The tax credit may be claimed against individual AGI tax liabilities.

### IT67. School Scholarship Contribution Credit (IC 6-3.1-30.5)

**Year Enacted:** 2009

**Description:** The school scholarship contribution credit is equal to 50% of the contributions made by an individual or corporate taxpayer to a nonprofit K-12 school scholarship-generating organization. The tax credit is nonrefundable and unused credits may be carried forward for up to nine years. Unused credits may not be carried back. Total credits allowed may not exceed $18.5 million in FY 2023 and in following years. The tax credit may be applied to individual or corporate AGI tax, financial institutions tax, or insurance premiums tax liabilities.

### IT68. Teacher Classroom Supplies Credit (IC 6-3-3-14.5)

**Year Enacted:** 2015

**Description:** A teacher in Indiana can claim a nonrefundable individual AGI tax credit for purchasing classroom supplies. For purposes of the tax credit, the definition of classroom supplies is based on the federal educator expense deduction. The amount of the tax credit is the lesser of $100 or the total cost of the classroom supplies purchased by the teacher. The tax credit cannot be carried forward or carried back.

### IT69. Unified Tax Credit for Elderly (IC 6-3-3-9)

**Year Enacted:** 1982

**Description:** An individual AGI taxpayer is eligible for the unified tax credit for the elderly if they meet all the following requirements: (1) the taxpayer and/or spouse must be at least 65 years old by the end of the taxable year; (2) their federal AGI must be less than $10,000; and (3) the qualifying taxpayer and/or spouse must have been a resident of Indiana at least six

months during the taxable year. The credit is refundable.

The amount of the credit is based upon income and marital status. If the taxpayer is filing a single return and is age 65 or older, or if the taxpayer is filing a joint return and only the taxpayer or spouse is over 65, then the credit will be calculated as follows:

| Income Amount | Credit Amount |
|---|---|
| Less than $1,000 | $100 |
| Between $1,000 and $2,999 | $50 |
| Between $3,000 and $9,999 | $40 |

If the taxpayer and spouse are filing a joint return and both are 65 or older, then the credit will be calculated as follows:

| Income Amount | Credit Amount |
|---|---|
| Less than $1,000 | $140 |
| Between $1,000 and $2,999 | $90 |
| Between $3,000 and $9,999 | $80 |

### IT70. Venture Capital Investment Credit (IC 6-3.1-24)

**Year Enacted:** 2002

**Description:** The venture capital investment credit is equal to 25% of annual qualified venture capital investment up to $1 million. For a minority business enterprise or a women's business enterprise, the credit is 30% of qualified investment up to $1.5 million. For qualified investment capital to certain qualified Indiana investment funds, the credit is equal to the lesser of 20% of investment in a qualified fund or $5 million.

The IEDC certifies businesses to receive creditable venture capital investment. Total new credits awarded may not exceed $20 million, provided that not more than $7.5 million is awarded for proposed investments in a qualified fund. The credit is nonrefundable, but unused credits may be carried forward for up to five years. Unused credits may not be carried back. Taxpayers may assign all or part of a venture capital investment credit for investments made after June 30, 2020. The credit may be applied to individual or corporate AGI tax, financial institutions tax, insurance premiums tax, nonprofit agricultural organization health coverage tax, or sales tax liabilities.

## Sales Tax

### ST1. Agricultural Machinery, Tools, and Equipment (IC 6-2.5-5-2)

**Year Enacted:** 1963

**Description:** Agricultural machinery, tools, and equipment used directly in the direct production, extraction, harvesting, or processing of agricultural commodities are exempt from sales and use tax. Agricultural machinery and equipment are exempt only if they are acquired for use in conjunction with the production of food and food ingredients or commodities for sale; the purchaser is occupationally engaged in the production of food or commodities; and the machinery or equipment is designed for use in gathering, moving, or spreading animal waste. This exemption includes material handling equipment purchased for the purpose of transporting materials into the production process from an onsite location.

Machinery and equipment acquired for direct use in the direct application of fertilizers, pesticides, fungicides, seeds, and other tangible personal property or the direct extraction, harvesting, or processing of agricultural commodities are also exempt. The purchaser must be occupationally engaged in providing these services on property that is (1) owned or rented by another person occupationally engaged in agricultural production and (2) used for agricultural production.

If the machinery, tool, or equipment is used predominantly for exempt purposes and is included on a business tangible personal property tax return, the entire amount of the transaction is exempt. Otherwise, the exemption is prorated based on the purchaser's nonexempt use.

### ST2. Aircraft Acquired for Rental or Leasing (IC 6-2.5-5-8.2)

**Year Enacted:** 2007

**Description:** An aircraft acquired for renting or leasing in the ordinary course of the person's business is exempt if the person establishes under guidelines adopted by the DOR that the annual gross lease revenue derived from renting or leasing of the aircraft is equal to or greater than 7.5% of the book value of the aircraft (as published in the VREF Aircraft Value Reference guide) or the net acquisition price of the aircraft. An aircraft acquired for renting or leasing to another person for predominant use in public transportation is also exempt, regardless of whether the revenue threshold listed above is met.

### ST3. Aircraft Based Outside of Indiana (IC 6-2.5-5-42)

**Year Enacted:** 2005

**Description:** Transactions involving aircraft, including completion work, are exempt if the aircraft is transported outside Indiana within 30 days and is titled, registered, or based in another state or country.

### ST4. Aircraft Repair, Maintenance, Refurbishment, Remodeling, and Remanufacturing (IC 6-2.5-5-46)

**Year Enacted:** 2012

**Description:** Tangible personal property used, consumed, or installed in the repair, maintenance, refurbishment, remodeling, or remanufacturing of an aircraft or avionics system of an aircraft is exempt from sales and use tax. The exemption applies to a transaction only if (1) the retail merchant possesses a valid repair station certificate issued by the Federal Aviation Administration (FAA) or (2) the retail merchant has leased a facility at a public use airport and meets the airport's minimum standards for an aircraft maintenance facility, and the work is performed by a mechanic who is certified by the FAA.

### ST5. Blood Glucose Monitoring Supplies and Drug Samples (IC 6-2.5-5-19.5)

**Year Enacted:** 1997

**Description:** Drug samples, the packaging and literature for a drug sample, blood glucose monitoring supplies, and the packaging and literature for a blood glucose monitoring supply, as well as the tangible personal property that will be processed, manufactured, or incorporated into any of these items are exempt from sales and use tax. Blood glucose meters and the packaging and literature for a blood glucose meter furnished without charge by a diabetic supply distributor are also exempt from sales tax.

### ST6. Change of Motor Vehicle Title (IC 6-2.5-5-15.5)

**Year Enacted:** 1993

**Description:** Transactions consisting of changing a motor vehicle title to add or delete an individual are sales tax-exempt if the individual being added or deleted is the spouse, child, grandparent, parent, or sibling of the owner.

### ST7. Children's Diapers (IC 6-2.5-5-57)

**Year Enacted:** 2022

**Description:** Sales of children's diapers are exempt from sales and use tax beginning in August 2022.

### ST8. Cigarette and Tobacco Tax Meter Machines (IC 6-2.5-5-45)

**Year Enacted:** 2012

**Description:** Tangible personal property acquired to comply with cigarette and other tobacco taxes, including cigarette and tobacco tax meter machines and related accessories, are exempt from sales and use tax.

### ST9. Coins, Bullion, and Legal Tender (IC 6-2.5-5-47)

**Year Enacted:** 2016

**Description:** Transactions involving coins, bullion, or legal tender are exempt from sales and use tax. To qualify for the exemption, coins and bullion must be permitted investments by an individual retirement account or by an individually directed retirement account.

### ST10. Commercial Printing (IC 6-2.5-5-36)

**Year Enacted:** 1993

**Description:** Tangible personal property acquired by a person who has contracted with a commercial printer is exempt if the property is acquired for use at the commercial printer's premises and the commercial printer could have acquired the property exempt from sales and use tax.

### ST11. Components of Solar and Wind Energy Systems (IC 6-2.5-5-10.7)

**Year Enacted:** 2023

**Description:** Components of a solar or wind energy system are exempt if the purchaser is a public utility; power subsidiary; or business that furnishes or sells electrical energy to a public utility, a power subsidiary, or a renewable energy grade solar electricity or wind facility.

### ST12. Data Center Equipment (IC 6-2.5-15)

**Yeat Enacted:** 2019

**Description:** The sale of qualified data center equipment for use in a qualified data center is exempt from sales tax. Data center equipment is defined as computer equipment or software purchased or leased for the processing, storage, retrieval, or communication of data that is preapproved by the IEDC. The IEDC must approve a data center for the exemption and issue a specific transaction award certificate. A qualified data center must create a minimum qualified investment in the first five years after the issuance of a specific transaction award certificate of at least the following:

(1) $150 million if it is located in a county with a population greater than 100,000;
(2) $100 million if it is located in a county with a population between 50,000 and 100,000; or
(3) $25 million if it is located in a county with a population of not more than 50,000.

### ST13. Drainage Water Management Systems (IC 6-2.5-5-48)

**Year Enacted:** 2018

**Description:** Components of a drainage water management system are exempt from sales and use tax if the person acquiring the component is engaged in the business of agriculture. For the purposes of this exemption, a drainage water management system is a subsurface system of drainage tubing, drainage tiles, water flow gates, control valves, and related control systems designed to facilitate controlled water drainage from agricultural land used for crop production.

### ST14. Environmental Quality Compliance (IC 6-2.5-5-30)

**Year Enacted:** 1980

**Description:** Tangible personal property purchased for the purpose of complying with state, local, or federal environmental quality statutes, regulations, or standards is exempt from sales and use tax. The property must be purchased by a person engaged in the business of manufacturing, processing, refining, mining, agriculture, or recycling.

### ST15. Exchange of Owned Vehicle for Like-Kind Vehicle (IC 6-2.5-5-38.2)

**Year Enacted:** 1997

**Description:** The value of an owned vehicle is exempt in a vehicle lease transaction if the owned vehicle is exchanged for a like-kind vehicle.

### ST16. Food and Food Ingredients for Human Consumption (IC 6-2.5-5-20)

**Year Enacted:** 1973

**Description:** Food and food ingredients for human consumption are exempt from sales tax. For purposes of this exemption, food and food ingredients for human consumption includes the following items if sold without eating utensils provided by the seller: food sold by a seller whose primary NAICS classification is food manufacturing in sector 311, food sold in an unheated state by weight or volume as a single item, and bakery items. Several items, such as candy and soft drinks, are not exempt from sales tax. A provision that excluded food sold through a vending machine from this exemption was removed effective July 1, 2019.

**ST17. Food Sold by Certain Not-for-Profit Organizations (IC 6-2.5-5-21)**

**Year Enacted:** 1974

**Description:** Sales of food and food ingredients by certain not-for-profit organizations are exempt if the food is delivered to a person confined to his or her home or to a hospitalized person and if the delivery is prescribed as medically necessary by a physician.

**ST18. Free Distribution Newspapers (IC 6-2.5-5-31)**

**Year Enacted:** 1981

**Description:** Manufacturing machinery, tools, equipment, and other tangible personal property acquired for direct use in the direct production or publication of a free distribution newspaper or for incorporation as a material part of a free distribution newspaper are exempt from sales and use tax. Sales of a free distribution newspaper or printing services performed in publishing a free distribution newspaper are also exempt.

**ST19. Intrastate Telecommunication Service, Video and Internet Access, and VOIP Services (IC 6-2.5-5-13)**

**Year Enacted:** 1963

**Description:** Tangible personal property that is used to furnish or sell intrastate telecommunication service or to furnish video, Internet access, or VOIP services is exempt from sales and use tax. The following classifications of property are exempt: (1) central office equipment, station equipment or apparatus, station connection wiring, or large private branch exchanges; (2) mobile telecommunications switching office equipment, radio or microwave transmitting or receiving equipment; or (3) property that is part of a national, regional, or local headend or similar facility operated by a person furnishing video services, cable radio services, satellite television or radio services, or internet access services.

**ST20. Lottery Tickets (IC 6-2.5-5-34)**

**Year Enacted:** 1989

**Description:** Sales of Indiana state lottery tickets are exempt from sales tax.

**ST21. Manufactured Homes and Industrialized Residential Structures (IC 6-2.5-5-29)**

**Year Enacted:** 1979

**Description:** Manufactured homes and industrialized residential structures are exempt to the extent that the gross retail income from the sale is not attributable to the cost of materials used in

manufacturing the home or structure. The cost of materials is presumed to be 35% of the gross retail income. Sales of pre-owned manufactured homes are also exempt.

**ST22. Manufacturing Machinery, Tools, and Equipment (IC 6-2.5-5-3)**

**Year Enacted:** 1963

**Description:** Manufacturing machinery, tools, and equipment acquired for direct use in the direct production, manufacture, fabrication, assembly, extraction, mining, processing, refining, or finishing of other tangible personal property are exempt from sales and use tax. For purposes of the exemption, tire retreading, tree felling, and commercial printing are treated as the production and manufacture of tangible personal property. The exemption includes material handling equipment purchased for the purpose of transporting materials into the production process from an onsite location. Industrial processors may claim the exemption, but public electric utilities may not claim the exemption for distribution equipment or transmission equipment.

**ST23. Material or Integral Part of Public Street or Public Utility (IC 6-2.5-5-7)**

**Year Enacted:** 1978

**Description:** Tangible personal property is exempt if the person acquiring the property is in the construction business and acquires the property for incorporation as a material or integral part of a public street or a public water, sewage, or other utility service.

**ST24. Motion Picture Film, Audio or Video Tape for Broadcast (IC 6-2.5-4-10(c))**

**Year Enacted:** 1967

**Description:** A person who rents or leases motion picture film, audio tape, or video tape to another person is not required to collect sales tax if the person who pays to rent or lease the film (1) charges admission to those who view it or (2) broadcasts the film or tape for home viewing or listening.

**ST25. Motor Vehicles Transported Outside Indiana (IC 6-2.5-2-3)**

**Year Enacted:** 2014

**Description:** Motor vehicles transported outside Indiana within 30 days after delivery and titled or registered in another state or country are taxed at the rate of the destination state or country.

**ST26. Newspapers (IC 6-2.5-5-17)**

**Year Enacted:** 1963

**Description:** Sales of newspapers are exempt from sales tax.

### ST27. Nonreusable Property (IC 6-2.5-5-35)

**Year Enacted:** 1992

**Description:** Tangible personal property that is used, consumed, or removed in the service or consumption of taxable food and is made unusable after its first use is exempt from sales and use tax. In addition, tangible personal property that is consumed by a guest in a hotel or motel or rendered nonreusable by the property's first use by a guest is exempt. The exemption does not apply to electricity, water, gas, or steam.

### ST28. Prescription Drugs and Medical Equipment, Supplies, and Devices (IC 6-2.5-5-18)

**Year Enacted:** 1967

**Description:** The following items are exempt if acquired upon a prescription or drug order: durable medical equipment, mobility enhancing equipment, prosthetic devices, other medical supplies or devices that are used exclusively for medical treatment of a medically diagnosed condition, hearing aids, legend drugs, nonlegend drugs (if the user is confined to a hospital or health care facility), and food and dietary supplements sold by a licensed practitioner or pharmacist.

The following items are exempt from sales and use tax regardless of whether the person has a prescription or drug order: hearing aids that are fitted or dispensed by a person licensed or registered for that purpose; prosthetic devices that are fitted or dispensed by a person licensed or registered for that purpose; colostomy bags and ileostomy bags; devices and equipment used to administer insulin; and insulin, oxygen, blood, and blood plasma purchased for medical purposes.

### ST29. Production of Food and Food Ingredients (IC 6-2.5-5-1(a))

**Year Enacted:** 1963

**Description:** Animals, feed, seed, plants, fertilizer, pesticides, fungicides, and other tangible personal property used directly in the direct production of food and food ingredients or commodities are exempt from sales and use tax. The purchaser must be occupationally engaged in the production of food and food ingredients or commodities which the person sells for human or animal consumption or uses for further food and food ingredient or commodity production.

**ST30. Production of Machinery, Tools, and Equipment (IC 6-2.5-5-4)**

**Year Enacted:** 1963

**Description:** Property acquired for direct use in the direct production of agricultural or manufacturing machinery, tools, or equipment is exempt from sales and use tax. The exemption includes material handling equipment purchased for the purpose of transporting materials into the production process from an onsite location.

**ST31. Production of Tangible Personal Property (IC 6-2.5-5-5.1); Material Part of Tangible Personal Property (IC 6-2.5-5-6)**

**Year Enacted:** 1981; 1965

**Description:** Tangible personal property (including electricity, gas, water, and steam) acquired for direct consumption as a material to be consumed in the direct production of other tangible personal property is exempt from sales and use tax. This exemption includes purchases made by industrial processors and agricultural service providers.

Tangible personal property acquired for incorporation as a material part of other tangible personal property is exempt from sales and use tax. The purchaser must be in the business of manufacturing, assembling, refining, or processing. The exemption includes tangible personal property used in commercial printing.

**ST32. Production Plant and Power Production Expenses of Electrical Energy, Steam, and Steam Heat Utilities (IC 6-2.5-5-10)**

**Year Enacted:** 1963

**Description:** Property that is classified as production plant or power production expenses according to the uniform system of accounts adopted by the Indiana Utility Regulatory Commission is exempt from sales and use tax if the purchaser is a public utility or power subsidiary that furnishes or sells electrical energy, steam, or steam heat.

**ST33. Production Plant, Storage Plant, Production Expenses, and Underground Storage Expenses of Natural and Artificial Gas Utilities (IC 6-2.5-5-11)**

**Year Enacted:** 1963

**Description:** Property that is classified as production plant or power production expenses according to the uniform system of accounts adopted by the Indiana Utility Regulatory Commission is exempt from sales and use tax if the purchaser is a public utility or power subsidiary that furnishes or sells electrical energy, steam, or steam heat.

**ST34. Professional Motor Racing (IC 6-2.5-5-37)**

**Year Enacted:** 1994

**Description:** Tangible personal property that comprises any part of a professional motor racing vehicle, excluding tires and accessories, that is leased, owned, or operated by a professional racing team is exempt from sales and use tax. In addition, tangible personal property that comprises any part of a two-seater Indianapolis 500 style race car, excluding tires and accessories, is exempt if it is leased, owned, or operated by a company that is engaged in offering a competitive racing experience during a competitive racing event.

**ST35. Property Acquired by Certain Not-for-Profit Organizations (IC 6-2.5-5-25)**

**Year Enacted:** 1963

**Description:** Tangible personal property, accommodations, and services acquired by certain not-for-profit organizations are exempt if the property, accommodations, or service is used to carry on or to raise money to carry on the organization's not-for-profit purpose.

**ST36. Property Added to Certain Structures (IC 6-2.5-4-9(c))**

**Year Enacted:** 1965

**Description:** In general, tangible personal property that will be added to a structure or facility and will become part of the real estate on which the structure or facility is located is subject to sales and use tax. However, this tangible personal property is not subject to the tax if the ultimate purchaser or recipient would be able to purchase the property from the supplier exempt from tax.

**ST37. Property Incorporated into a Transportation Facility (IC 6-2.5-5-56)**

**Year Enacted:** 2022

**Description:** Tangible personal property is exempt if it is acquired for incorporation into a transportation facility under a public-private agreement or development agreement executed in accordance with IC 5-23-8-1. For purposes of this exemption, transportation facility means any new or existing road, highway, toll highway, bridge, tunnel, railroad, or intermodal facility, located in the jurisdiction of a governmental body. The exemption applies to agreements entered into beginning January 1, 2023.

**ST38. Property Used by Manufacturers of Hot Mix Asphalt (IC 6-2.5-5-52)**

**Year Enacted:** 2018

**Description:** Certain purchases by operators of hot mix asphalt plants are

exempt from sales and use tax. Items that are exempt under this provision include the following: (1) trucks that are used to transport hot mix asphalt from the plant to a job site, (2) pavers that are used to spread hot mix asphalt, (3) plant equipment directly used to directly produce hot mix asphalt, (4) fuel used to operate exempt trucks, pavers, or equipment, and (5) repair parts installed on exempt trucks, pavers, or equipment.

### ST39. Property Used in Providing Public Transportation (IC 6-2.5-5-27)

**Year Enacted:** 1963

**Description:** Property and services directly used in providing public transportation of persons or property are exempt from sales and use tax. Natural gas purchased after December 31, 2013, and before January 1, 2017, for public transportation of property was not exempt.

### ST40. Public Safety Equipment and Materials (IC 6-2.5-5-55)

**Year Enacted:** 2021

**Description:** Public safety equipment and materials are exempt from sales tax if they are predominantly used by the purchaser to protect the general public and workers during the performance of public works construction or maintenance. Examples of exempt items include concrete or metal barriers, temporary pavement markings, cones, and static and electronic signage and signals. However, hard hats, safety glasses, safety vests, pest control, and other personal protective equipment are not exempt.

### ST41. Purchases by Licensed Practitioners and Health Care Facilities (IC 6-2.5-5-19)

**Year Enacted:** 1969

**Description:** Drugs, insulin, oxygen, blood, and blood plasma are exempt from sales and use tax if purchased by a licensed practitioner or a health care facility for direct consumption in treating patients or for resale to a patient.

### ST42. Purchases by State and Local Government Agencies (IC 6-2.5-5-16)

**Year Enacted:** 1963

**Description:** Tangible personal property, accommodations, public utility commodities, and public utility services acquired by the state of Indiana, an agency or instrumentality of the state, a political subdivision of the state, or an agency or instrumentality of a political subdivision are exempt if the property, accommodations, commodities, or services are predominantly used to perform governmental functions.

**ST43. Purchases by Utilities (IC 6-2.5-5-14)**

**Year Enacted:** 1978

**Description:** Purchases made by a municipally owned utility, a utility owned or operated by a special district, or a public utility owned or operated by a not-for-profit corporation are exempt from sales and use tax.

**ST44. Qualified Computer Equipment (IC 6-2.5-5-38.1)**

**Year Enacted:** 1997

**Description:** Qualified computer equipment sold by an educational service center or school to the parent or guardian of a student is exempt from sales tax. Qualified computer equipment includes hardware and software.

**ST45. Recreational Vehicles and Cargo Trailers (IC 6-2.5-5-39; IC 6-2.5-2-5)**

**Year Enacted:** 2005

**Description:** Cargo trailers and recreational vehicles that are transported out of Indiana within 30 days and registered for use outside Indiana are exempt from sales tax if the trailer or vehicle will be registered in a state that provides a reciprocal exemption for Indiana residents. In 2017, a provision was added to allow a person purchasing a cargo trailer or recreational vehicle that is not exempt to pay the sales tax rate of the state in which it will be registered. This provision expired on June 30, 2019, but was reinstated effective July 1, 2020.

**ST46. Recycling Materials (IC 6-2.5-5-45.8)**

**Year Enacted:** 2012

**Description:** Recycling materials, recycling carts, and other tangible personal property acquired for direct use in the processing of recycling materials are exempt from sales and use tax if the purchaser is occupationally engaged in the business of recycling.

**ST47. Remotely Accessed Prewritten Computer Software (IC 6-2.5-4-16.7)**

**Year Enacted:** 2018

**Description:** A transaction in which an end user purchases, rents, leases, or licenses the right to remotely access prewritten computer software over the internet, over private or public networks, or through wireless media is not subject to sales and use tax.

**ST48. Rental of a Residence for Fewer than 15 Days (IC 6-2.5-5-53)**

**Year Enacted:** 2019

**Description:** The rental or furnishing of rooms, lodging, or other

accommodations in a house, condominium, or apartment is exempt from sales tax if (1) the owner maintains the house, condominium, or apartment as their primary personal residence; (2) the residence is rented for fewer than 15 days in a calendar year; (3) no payments were made through a marketplace facilitator; and (4) the rental qualifies for the special rule for certain use under Section 280A(g) of the Internal Revenue Code.

### ST49. Rental of Booth or Display Space (IC 6-2.5-4-4(e))

**Year Enacted:** 1987

**Description:** A promoter that rents a booth or display space to an exhibitor is not required to collect sales tax if (1) the booth or display space is located in a hotel, motel, inn, tourist camp, tourist cabin, gymnasium, hall, coliseum, or other place where rooms, lodgings, or accommodations are regularly furnished for consideration and (2) the facility is operated by a political subdivision or the State Fair Commission. However, this provision does not exempt the renting of accommodations by a political subdivision or the State Fair Commission to a promoter or an exhibitor.

### ST50. Required Product Labels (IC 6-2.5-5-50)

**Year Enacted:** 2015

**Description:** Labels are exempt from sales and use tax if (1) they are affixed to other tangible personal property being sold by a retail merchant and (2) they are required to be affixed to the tangible personal property in order to comply with any state or federal statute or regulation.

### ST51. Research and Development Property (IC 6-2.5-5-40)

**Year Enacted:** 2005

**Description:** Research and development property is exempt from sales and use tax. For purposes of this exemption, research and development property is defined as tangible personal property that has not been previously used in Indiana for any purpose and is devoted to experimental or laboratory research and development for new products, new uses of existing products, or improving or testing existing products.

### ST52. Returnable Containers and Wrapping Materials (IC 6-2.5-5-9)

**Year Enacted:** 1963

**Description:** The following items are exempt: (1) returnable containers, the contents of which were sold in a retail transaction; (2) returnable containers that are transferred empty for the

purpose of refilling; and (3) wrapping materials and empty containers acquired for use as nonreturnable packages for selling the contents or shipping or delivering tangible personal property that is owned by another person in certain circumstances.

### ST53. Rolling Stock (IC 6-2.5-5-27.5)

**Year Enacted:** 1997

**Description:** Rolling stock, as well as all spare, replacement, and rebuilding parts, accessories, components, materials, and supplies for rolling stock are exempt from sales and use tax. For purposes of this exemption, rolling stock means rail transportation equipment, locomotives, box cars, flatbed cars, hopper cars, tank cars, and freight cars.

### ST54. Sales by Certain Not-for-Profit Organizations (IC 6-2.5-5-26)

**Year Enacted:** 1963

**Description:** Sales by certain not-for-profit organizations are exempt if the organization does not make more than $100,000 in sales in a calendar year. Once sales exceed $100,000, the organization is required to collect sales tax for the remainder of the calendar year. Churches, monasteries, convents, schools that are part of the Indiana public school system, and parochial schools regularly maintained by a recognized religious denomination are not required to collect sales tax regardless of the dollar amount of sales in a year. Sales by certain not-for-profit organizations are also exempt if the property sold is designated for the organization's educational, cultural, or religious purpose or for improvement of the work skills or professional qualifications of the organization's members. [The sales threshold was increased from $20,000 to $100,000, and the organizations excepted from this threshold were added beginning in FY 2024.]

### ST55. Sales by Public Libraries (IC 6-2.5-5-26(c))

**Year Enacted:** 2018

**Description:** Sales of items in a public library's circulated and publicly available collections are exempt from sales tax. Also exempt are items that would typically be included in the library's collections that are donated by individuals or organizations. Exempt sales may be made by a public library or a charitable organization formed to support a public library.

**ST56. Sales of Race Horses in Claiming Races (IC 6-2.5-5-1(b))**

**Year Enacted:** 2017

**Description:** A transaction involving the sale of a race horse in a claiming race is exempt.

**ST57. Sales to City or Town for Municipal Golf Course (IC 6-2.5-5-44)**

**Year Enacted:** 2010

**Description:** Sales of tangible personal property to a city or town for use in the operation of a municipal golf course are exempt from sales and use tax.

**ST58. School Building Materials (IC 6-2.5-5-23)**

**Year Enacted:** 1965

**Description:** Tangible personal property acquired for incorporation into a school building that is being constructed by a lessor corporation (private or public holding company) is exempt from sales and use tax.

**ST59. School Meals (IC 6-2.5-5-22)**

**Year Enacted:** 1963

**Description:** Meals sold by schools, not-for-profit colleges and universities, fraternities, sororities, and student cooperative housing organizations are sales tax exempt.

**ST60. Sharing of a Passenger Motor Vehicle for Fewer than 15 Days (IC 6-2.5-5-54)**

**Year Enacted:** 2019

**Description:** Transactions involving the sharing of a passenger motor vehicle are exempt from sales tax if (1) the owner shares the vehicle for fewer than 15 days in a calendar year and (2) no payments were made through a marketplace facilitator, including a peer-to-peer vehicle sharing program.

**ST61. Supply, Pumping, and Water Treatment Plant and Expenses (IC 6-2.5-5-12); Collection, Disposal, and System Pumping Plant and Expenses (IC 6-2.5-5-12.5)**

**Year Enacted:** 1963; 2007

**Description:** Property that is classified as source of supply plant and expenses, the pumping plant and expenses, or water treatment plant and expenses according to the uniform system of accounts adopted by the Indiana Utility Regulatory Commission is exempt from sales and use tax if the purchaser is a public utility that furnishes or sells water.

In addition, property that is classified as collection plant and expenses, treatment and disposal plant and expenses, or system pumping plant and expenses is exempt from sales and use tax if the person acquiring the property is a public utility that collects, treats, or processes wastewater.

### ST62. Utilities Purchased by Business in Inactive or Closed Military Base (IC 6-2.5-5-8.5)

**Year Enacted:** 2004

**Description:** Utility services or commodities are exempt when purchased by a business that relocates or expands all or part of its operations in a facility located in a military base that is inactive, closed, or scheduled for closing; a military base reuse area; or a qualified military base enhancement area. The exemption applies only during the first five years after the new operations commence.

### ST63. Utility Scale Battery Energy Storage Systems (IC 6-2.5-5-10.5)

**Year Enacted:** 2021

**Description:** Property classified as a utility scale battery energy storage system is exempt from sales tax if the person acquiring the property (1) is a public utility that furnishes or sells electrical energy or a power subsidiary that furnishes or sells electrical energy to a public utility and (2) uses the property to store electrical energy in front of the customer's meter. Utility scale battery energy storage system is defined as a system capable of storing and releasing greater than 1 MW of electrical energy for a minimum of 1 hour utilizing an AC inverter and DC storage or equipment which receives, stores, and delivers energy using batteries, compressed air, pumped hydropower, hydrogen storage (including hydrolysis), thermal energy storage, regenerative fuel cells, flywheels, capacitors, and superconducting magnets.

Iowa Department of REVENUE

# 2020 Iowa Tax Expenditures Study

## January, 2022

**Tax Research Bureau**
**Iowa Department of Revenue**

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# Executive Summary

The 2020 Iowa Tax Expenditure Study provides information on the impact of tax credits, deductions, exemptions, and income exclusions on the revenue-raising capacity of the State's three major General Fund taxes. The taxes considered in the report with an effect on the General Fund are the individual income tax, the corporate income tax, and the sales and use tax. In most years these three taxes account for at least 90 percent of net General Fund tax receipts. In addition, property tax expenditures are considered, but they do not affect the General Fund, as funds are distributed to local governments.

Most tax expenditures provided in this report are estimated for calendar year 2020, and are based on the most recent year for which complete tax information is available, which in most cases is 2018. For individual income tax and corporate income tax expenditures, calendar year corresponds to tax year. For sales and use tax expenditures, tax year (TY) normally corresponds to fiscal year (FY). For this study, however, sales and use tax expenditure estimates have been adjusted to a calendar year basis. Property tax expenditures, on the other hand, are based on taxes due in fiscal year 2020, and were estimated based on property assessments as of January 1, 2018. For this reason, for property tax revenue and expenditures cited in this study, tax year is equivalent to fiscal year, and will be hereafter referred to as "tax year."

For tax year 2020 Iowa collected $4,071.3 million in individual income taxes, $693.7 million in corporate income taxes, and $3,193.1 million in sales and use taxes. Other taxes, totaling $286.0 million, include inheritance, insurance, franchise, and miscellaneous tax types. Property tax generated $6,002.5 million for local governments.

**Net Tax Revenue by Tax Type, Tax Year 2020**

| Tax Type Payable to General Fund and Local Governments | Net Revenue ($ Millions) |
|---|---|
| Individual Income Tax | $ 4,071.3 |
| Corporate Income Tax | $ 693.7 |
| Sales and Use Tax | $ 3,193.1 |
| Other Tax | $ 286.0 |
| Total Revenue Payable to General Fund | $ 8,244.1 |
| Property Tax Revenue Payable to Local Governments | $ 6,002.5 |

Sources: State of Iowa Tax Receipts and Refunds (General Fund) and Property Taxes by Class of Property (Local Governments)

In preparing this report, 357 separate tax law provisions were identified as meeting the definition of tax expenditures for tax year 2020, as applicable to the General Fund. The report quantifies the impact of 246 of these provisions, including 31 where the impact was determined to be minimal (under $100,000) or the impact could not be estimated separately and was incorporated under another provision. For 111 General Fund expenditures, the impact could not be determined due to the lack of adequate or timely

data. All provisions for which estimates are provided had an estimated General Fund impact of -$15,966.7 million in tax year 2020 (see table, below). Estimated expenditures for each tax type are detailed in the attached tables (see Tables 3 through 6). Expenditures that were not estimated are listed in Table 8, attached.

An additional 56 provisions were quantified in terms of the impact on property taxes, which impact local government tax revenue. Property tax expenditure estimates are included in the attached tables in Table 7. The total impact of property tax expenditures is estimated to be -$9,377.4 million for tax year 2020, affecting local government funds (see table, below). Seven property tax expenditures were not able to be estimated and are included in Table 8, attached.

The impacts by tax type are as follows:

**Estimated Tax Expenditures by Tax Type, Tax Year 2020**

| Expenditure Tax Type | Expenditure Count | Impact ($ Millions) |
|---|---|---|
| Individual Income Tax | 58 | $ (4,068.7) |
| Corporate Income Tax | 8 | $ (69.3) |
| Tax Credits (Multiple tax types) | 42 | $ (437.2) |
| Sales and Use Tax | 138 | $ (11,391.5) |
| Total Impact to General Fund | 246 | $ (15,966.7) |
| Property Tax (Impact to Local Governments) | 56 | $ (9,377.4) |

Source: Iowa Department of Revenue (IDR) estimated expenditures by tax type, derived from internal models, federal data, and historical IDR data.

# Introduction

The 2020 Iowa Tax Expenditure Study provides information on the revenue impact of tax credits, exemptions, deductions, nontaxable transactions, or other deviations from the operation or collection of a tax in Iowa. This release presents tax expenditures related to corporation income tax, individual income tax, the State's sales and use tax, and property tax levied at the local level. (To the extent other tax types, such as insurance premium, and moneys and credit, are affected, their impact is usually minimal and is combined with the predominant tax type impacted by the expenditure being measured.) The Department has completed similar studies for 2000, 2005, 2010, and 2015.

This Study is designed to provide expenditure information in a manner that is consistent with the definitions used in Iowa Code Section 2.48 (2021).[1] In preparing this report, 420 separate types of transactions impacting either the General Fund or local government were identified as tax expenditures for 2020. This release quantifies the impact of 302 of these tax expenditures. The estimated amounts are attached in Tables 3 through 7. For 118 other tax expenditures, lack of timely data precluded estimation. These are listed in Table 8, attached. Note that not all items that are defined as tax expenditures under Iowa Code Section 2.48 are considered tax expenditures under a normal tax structure. For example, items purchased for resale and many business inputs are exempt from sales tax consistent with the generally accepted principle that sales tax should apply only to final purchases by consumers. Nevertheless, these items are included in this study as tax expenditures.

## Purpose of the Tax Expenditure Study

Government programs funded through direct appropriations are subject to periodic review as part of the state budget process. Programs funded through special features or omissions of the tax code, such as nontaxable events, tax exemptions, tax credits, tax deductions, and income tax exclusions, generally escape such examination. Therefore, this study is intended to provide more information about these features of the Iowa tax statutes and to improve government accountability.

The estimates presented in this study are for taxable events occurring in calendar year 2020 and are based upon the most recent data available, adjusted to reflect the levels of activity in 2020, if necessary. For income tax and sales and use tax, the estimates are based only upon the impact on receipts of the State of Iowa and only upon receipts going into the General Fund. Impacts on local option income surtaxes or local option sales taxes are not estimated.

## Definition of Tax Expenditure

[1] From Iowa Code Section 2.48 (2021): "For purposes of this section, "tax expenditure" means an exclusion from the operation or collection of a tax imposed in this state. Tax expenditures include tax credits, exemptions, deductions, and rebates. Tax expenditures also include sales tax refunds issued pursuant to section 423.3 or section 423.4."

A tax expenditure is any exemption, credit, deduction, or exclusion from the tax base that is tied to a specific provision in tax law (with the exception of certain sales and use tax expenditures which are considered exempt by omission from taxation under Iowa Code).[2] A tax expenditure is generally understood to be a preferential provision in the tax law that produces a reduction in tax from that which would be imposed without the provision. In addition, tax expenditures are generally targeted to a limited group of taxpayers. The basis of this study is to identify provisions in Iowa law and estimate the impact to the General Fund of each of the provisions that satisfy the definition of a tax expenditure.

Tax expenditures are, in general, not appropriations, but can be viewed as an alternative to direct government appropriations. However, some property tax expenditures are directly funded by State of Iowa appropriations. The funding may be distributed to local governments or to individuals. Although tax expenditures allocate resources for specific public purposes like appropriations, they achieve policy goals indirectly by changing the cost of a particular action.

In general, tax changes that alter the timing of when revenues or expenses are realized for tax purposes, such as depreciation and amortization of assets, are not treated as tax expenditures in this study (see Appendix I). Additionally, new tax expenditures that took effect with legislation passed in the 2020-2021 Iowa legislative session are not included in this study. In particular, exclusions, exemptions, and tax credits related to Covid-19 pandemic relief are not included as separate expenditures, but may impact other expenditures to the extent they decrease taxable income or other sources of revenue (see Appendix II).

**How the Tax Expenditures Have Been Estimated**

Two primary assumptions have been used for the Iowa tax expenditure study that are generally consistent with the assumptions used for calculating tax expenditures in other states and by the federal government. The first of these assumptions is that economic behavior is not altered. By definition, tax expenditures are sometimes created in order to bring about an expected result or to encourage a particular behavior. Estimates in this study are done assuming that the elimination of the tax expenditure will not otherwise change behavior. This assumption avoids the necessity for making subjective assumptions about behavior and the possibility of inconsistency in methods and outcomes. Such analysis is beyond the scope of this study.

The second assumption used in this study is that tax expenditures are independent of other tax provisions. In practice, however, the fiscal impact of one tax provision can affect the fiscal impact of another tax provision. For example, under the individual income tax, eliminating a nonrefundable credit such as the personal credit could result in taxpayers being able to utilize more of other nonrefundable credits; but for purposes of this study,

[2] Examples of sales and use tax expenditures that are not tied to specific provisions in tax law are dental services and self-pay washer/dryer use.

the estimate of the tax expenditure value for each credit assumes all other credits are unaffected.

Another important issue to note is that tax expenditure estimates are not the same as budgetary fiscal estimates. Although the provided estimates of tax expenditures indicate the magnitude of the revenue impact from the application of specific provisions, actual budgetary fiscal impacts of legislative changes may produce different results. The primary reason for this variance is the use of different basic economic assumptions or time periods when compiling the estimates. Another reason for possible differences is the assumption of independence when calculating tax expenditures, as contrasted with budgetary fiscal estimates that are often considered in the context of other changes.

In calculating each tax expenditure, preference was given to internal data when available. If unavailable, the 2017 Economic Census published by the US Census Bureau was frequently used. Other data sources include industry data identified on the internet or gathered through phone calls and emails, the Agricultural Census published by the US Department of Agriculture, other federal data, or comparable data from other states. Although data sources often are consistent across studies, large changes in estimates over time may reflect a change in data source. See References table at the end of this document.

The General Fund estimates for sales and use tax in this study relate to expenditures estimated for the 2020 calendar year. For corporate and individual income tax, the estimates are based on 2020 tax year where available, and 2020 fiscal year if not. For property tax, the estimates relate to property valuations or assessments for calendar year 2018 that would correspond to tax bills payable in fiscal year 2020. Note, property tax expenditures do not affect the General Fund since funds are distributed to local governments. Also, property tax expenditures are estimated in two ways: (1) reductions in collectible property tax revenue (through credits and exemptions, for example), and (2) reductions in property assessment values for purposes of taxation. For some tax items, only one or the other method is practicable to use for estimation. In other cases, both methods can be used. The method applied will be indicated in the property tax expenditure tables.

**Data Presentation**

This study is a comprehensive tax expenditure study by the Iowa Department of Revenue for 2020. The total estimated expenditures by expenditure category (described below) are presented in Tables 1a and 1b (below and attached). Table 2 (below and attached) lists the top five expenditures by tax type. This is provided to give a quick overview of how each tax type is impacted by tax expenditures, and is followed by a description of historical rates and other information about the tax types covered in this study.

Full details of expenditures by tax type are found in Tables 3 through 7, attached. In the individual and corporate income tax types (Tables 3 and 4), the Iowa Code Citation column may include an “IRC” citation. This designation means that the tax expenditure is tied to federal law under the Internal Revenue Code (IRC). The total impact of federal

conformity cannot always be quantified, however, and the federal citation is not meant to imply capture of all revenue impacts that result from conformity with the IRC. For purposes of this study the impact of federal conformity is not addressed.

A description of the fields presented in Tables 3 through 8 (see attached) is provided below and is reproduced for reference in the attached tables as well.

Tax Expenditure Tables Data Fields

**Expenditure name (and tax type):** Name of the tax expenditure. If multiple tax types are involved, the applicable tax base is cited. This pertains to the Tax Credit expenditures table (Table 5).

**Expenditure Category:** Broad group of expenditure purpose. See full list, below.

**Expenditure Type:** Means by which the tax expenditure is applied against the estimated item: Exclusion, Exemption, Partial Exemption, Credit, Deduction, Indexation, and Refund.

**Iowa Code Citation:** Chapter and section from Iowa Code containing the expenditure. Iowa Code citations are from the 2021 Code, unless otherwise specified. If IRS conformity is a factor in the expenditure, then the Internal Revenue Code (IRC) chapter is also listed.[3]

**Iowa Administrative Code Citation:** Chapter and section from Iowa Administrative Code containing the rules used to administer the expenditure. Iowa Administrative Code citations are from the 2021 Code, unless otherwise specified.

**Description:** Details about the expenditure, as taken from Iowa Code.

**Data Source**: Primary source of data for estimating the expenditure. Sources cited include “Internal,” meaning the estimates are based on Iowa Department of Revenue (IDR) data; “Model,” meaning estimates are based on a combination of IDR data and other sources such as Federal data or industry data; and “JCT Tax Expenditure,” where estimates are based on data from the Joint Committee on Taxation, a legislative body of the US Congress. Other sources may be “Industry Data,” “Comparative State Data,” and federal data such as the economic census from the US Census Bureau, and data from the US Department of Agriculture (USDA). In cases where the expenditure could not be separately estimated and is included in the estimate for another expenditure, that is indicated in the source column as “See Description.”

**Tax Expenditure Value:** Estimated reduction in General Fund (or local government, in the case of property taxes) tax revenue as a result of the exemption, credit, or deduction; rounded to the nearest one hundred thousand. Entry is listed as “Minimal” if significantly under $100,000.

[3] IRC references are shown for information only. The impact of conformity with the IRC is not factored into the tax expenditure estimates.

**Reduction in Taxable Property Value** (For Property Tax Only): Estimated change in the assessment of property values as a result of an exemption or credit, rounded to the nearest $100,000.

Categories of Tax Expenditures

The tax expenditure report categorizes each expenditure by the intent of the provision. Some exemptions are in place for an administrative purpose, such as to avoid double taxation, while others reflect conscious policy decisions to pursue a certain social, economic, or environmental goal.

The estimated expenditure total for each of these tax expense categories is found in the explanation of each expenditure category below, and is summarized in Table 1a for General Fund impact and in Table 1b for local governments impact, below and attached. The highest expenditure in each category is also discussed below, and is displayed in Tables 1a and 1b.

**Administrative:** This category contains expenditures that are nontaxable or exempt because taxability would result in double taxation or the taxation of an incidental transfer. They are generally not implemented to pursue policy goals. Examples include the exemption for interstate sales or prepaid merchandise cards as well as the nontaxable status of property transferred in corporate mergers. Total administrative tax expenditures are $5,703.2 million. The single highest expenditure in this category is the tax exemption on resale of tangible personal property under the sales and use tax type, at $3,342.4 million. (See Table 1a.)

**Agricultural Input:** This category exempts most personal property used by farmers to produce, or an input which becomes food or fuel including items that are depleted in the creation of food or fuel. Examples include grain dryers, commercial fertilizer and lime, and agricultural feed. Total expenditures under this category are $560.8 million. Exemptions in this category apply mostly to sales and use tax, with the highest impact attributable to sales of agricultural feed, which are exempt from sales tax totaling $241.3 million. (See Table 1a.)

**Agriculture Support:** This category applies to expenditures made by farmers in the course of operation. Examples include agricultural assets transfer, acquisition of breeding stock, aerial spraying of fields, capital gains on agricultural assets, and laboratory tests on animals. Exemptions and deductions in this category apply to corporate and personal income tax, and to sales and use tax, with the latter having the largest impact to the General Fund. It also makes up the majority of expenditures in property tax, with the impact going against local government revenue. Total expenditures in this category going against the General Fund are $39.5 million, with the highest impact attributable to sales of agricultural drainage tile (see Table 1a). The highest impact in property tax expenditures attributable to agriculture support is due to the reduced assessment of agricultural real estate, which is based on productivity rather than market value. The total impact is estimated at $4,025 million in foregone property tax revenue due to this

expenditure (see Table 1b).

**Business - inputs for Manufacturing:** This category exempts items used in a business's production process to avoid levying taxes at each link in a supply chain. Examples include inert gases used in manufacturing, and packaging containers. The main tax type applicable to this category is sales and use, with the highest expenditure at $253 million for exempt sales tax on products used in processing. Total expenditures in this category are $1,229.1 million. (See Table 1a).

**Business Incentive:** This category provides benefits to businesses in the interest of facilitating economic and/or employment growth. Examples include the reduced tax rate on construction equipment, the High Quality Job Program Sales Tax Refund, and the Workforce Housing Tax Incentive Sales Tax Refund. There are multiple tax types that are applicable to exemptions and deductions in this category, including corporate income, property tax, withholding, and sales and use tax. Sales and use tax make up the majority of the estimated expenditures, with the highest single expenditure due to sales tax exemption on gambling boat games and admissions, at $574.0 million. Total expenditures in this category are $1,596.3 million. (See Table 1a.)

**Charitable Organization Support:** This category exempts certain items sold by or sold to certain nonprofits generally engaging in activities in the public interest, or for items sold to support educational, religious, or charitable activities. Examples include exemptions for sales to nonprofit hospice facilities, Community Action Agencies, or private art centers. The main tax advantages in this category apply to individual income, property, and sales and use taxes, with the majority of expenditures attributable to sales and use tax exemptions. Total General Fund expenditures in this category are $369.6 million, with the highest item being the exemption of sales tax to non-profit hospitals at $152.4 million (see Table 1a). The highest local government expenditure in this category is due to property tax exemptions on religious, literary, and charitable societies' property, totaling $356.3 million (see Table 1b).

**Community Development Support:** This category exempts taxes for qualified expenses associated with economic or cultural development in a community. Examples include speculative shell buildings, historic preservation, cultural and entertainment district development. It applies to multiple tax types in the form of tax credits. Total expenditures are $24.5 million. The highest expenditure associated with this category is the historic preservation tax credit, estimated at $24.5 million. (See Table 1a.)

**Consumer Benefit:** This category exempts taxes or reduces the tax rate for items commonly purchased by consumers, often items considered necessities. Examples include food sales for human consumption, medical services, and residential utilities. Expenditures in this category mainly apply to sales and use taxes. Total General Fund expenditures are $3,631.7 million (see Table 1a), and local government expenditures are $2,723.4 million (see Table 1b). The highest General Fund expenditure in this category is attributable to the sales tax exemption on medical services, at $693.3 million (see Table 1a), while the top local government expenditure is $2,493.9 million for residential classification valuation rollback (see Table 1b).

**Education Support:** This category exempts, or provides an income deduction or exclusion of, certain expenses associated with education. Examples include educator expense, contributions to a 529 plan, employee assistance for education expense, and early childhood development expenses. Individual income tax is the main focus for this category. Expenditures in this category total $41.0 million. The largest expenditure in this category is the tuition and textbook tax credit, which is applied against individual income tax, and is estimated at $14.8 million in tax year 2020. (See Table 1a).

**Environmental Support:** This category exempts, or provides an income deduction or exclusion of, certain expenses associated with environmental benefit. Examples include solar, geothermal, and wind energy systems, and property used for pollution control and recycling. General Fund expenditures total $1.6 million, with the largest item in this category being the geothermal heat pump income tax credit at $1.1 million (see Table 1a). Local government expenditures in this category total $116.3 million, with the largest expenditure attributable to a partial property tax exemption for wind energy conversion property, estimated at $103.2 million (see Table 1b).

**Family Support:** This category exempts taxation of items or income benefits associated with family care. Examples include the Earned Income Tax Credit, child and dependent care, dependent income tax exemption, employee child care benefit, and public assistance payments. Individual income tax is the focus for this category. The largest expenditure in this category is the Earned Income Tax Credit, which is applied against individual income tax. The estimate for this credit is $72.3 million. Total expenditures in this category are estimated at $111.8 million. (See Table 1a.)

**Government:** This category exempts items or property sold to, sold by, or owned by any level of local, state, or the federal government. Examples include sales by the Legislative Services Agency or the Department of Cultural Affairs as well as refunds for materials used in the construction of government buildings. These expenditures can be applied to various tax types, including corporate and individual income tax, property tax, and sales and use tax, with the latter contributing most of the expenditures total. The largest General Fund estimated expenditure in this category is a sales tax exemption on sales to tax levying or certifying bodies in Iowa, at $311.8 million (see Table 1a). Tax expenditures total $438.5 million for General Fund (see Table 1a) and $255.8 million for local governments (see Table 1b). The largest expenditure item impacting local governments is municipal and military property at $210.5 million (see Table 1b).

**Individual Benefit:** This category exempts taxation on certain expenses incurred by, or benefits accruing to, individuals. Examples include victim compensation awards, unskilled in-home health care service, standard income deduction, and life insurance death benefits. Individual income taxes are the most affected tax type by expenditures in this category. The largest item in this category is an itemized deduction for interest paid on qualifying items. The deduction is applied against individual income, and is estimated at $128 million in tax year 2020. Total General Fund expenditures are estimated at $718.1 million. (See Table 1a.)

**Inputs for Transportation:** This category exempts sales and use taxation on items used

for inputs to transportation, such as aircraft repair and replacement parts, ships and barges, and railroad rolling stock. The largest expenditure in this category is $5.4 million in sales tax exemption for sales associated with railroad rolling stock. Total expenditures are estimated at $6.7 million. (See Table 1a.)

**Low-Income Support**: This category exempts taxation on income in support of low-income persons. No expenditures were estimated in this category for tax year 2020.

**Military/Veterans' Support**: This category exempts taxation on income accruing to military veterans or active duty military. Examples include military active duty pay and benefits, veterans education benefits, military disability pensions, and Veterans Trust fund distributions. Individual income taxes are the most affected tax type. The highest expenditure in this category is $23.2 million for exclusion of military disability pensions from individual taxable income (see Table 1a). Total expenditures in the category are $51.5 million for General Fund (see Table 1a) and $1.8 million for local governments (see Table 1b). The highest expenditure item for the latter is a property tax exemption and credit for Military Service (see Table 1b).

**Natural Resources Support:** This category exempts or reduces the tax rate for sales or property that promotes the health of wildlife, reduces pollution, or facilitates the transition to renewable energy. Examples include the sales and property tax exemption for solar energy equipment, the exemption of pollution control and recycling property, and the property tax exemption for native prairie and wetlands. The main tax type affected by these expenditures is property tax, impacting local government revenue. The top expenditure in this category is $22.2 million in property tax exemption for forest and fruit-tree reservations, which is applied against local government revenue (see Table 1b). Total expenditures in the category are $0.6 million for General Fund (see Table 1a) and $23.8 million for local governments (see Table 1b). The highest expenditure item for the latter is the Charitable Conservation Contribution Tax Credit at $0.6 million (see Table 1a).

**Retirement Support:** This category exempts certain income and benefits paid to retired individuals. Examples include: IRA and 401k contributions, and social security and pension distributions. Individual income taxes are the most effected tax type. The highest expenditure in this category is the exclusion from taxable income of pension contributions and earnings in 401(k) plans. The estimate for this expenditure is $649.4 million. Total estimated expenditures for retirement support is $1,442.2 million (see Table 1a), and impacts General Fund revenue only.

## Table 1a. Tax Expenditure Estimates by Category
## General Fund Impact Only*

| Tax Expenditures Category | Expenditure Estimate ($ millions) | Ranking | Top Tax Expenditure Item** | Expenditure Estimate ($ millions) |
|---|---|---|---|---|
| Administrative | $5,703.2 | 1 | Resale of Tangible Personal Property[1] | $3,342.4 |
| Agricultural Input | $560.8 | 7 | Agricultural Feed[1] | $241.3 |
| Agriculture Support | $39.5 | 13 | Agricultural Drainage Tile[1] | $9.3 |
| Business - Inputs for Manufacturing | $1,229.1 | 5 | Products Used in Processing[1] | $253.0 |
| Business Incentive | $1,596.3 | 3 | Gambling Boat Games and Admissions [1] | $574.0 |
| Charitable Organization Support | $369.6 | 9 | Nonprofit Hospitals[1] | $152.4 |
| Community Development Support | $24.5 | 14 | Historic Preservation Tax Credit[2] | $24.5 |
| Consumer Benefit | $3,631.7 | 2 | Medical Services[1] | $693.3 |
| Education Support | $41.0 | 12 | Tuition and Textbook Tax Credit[2] | $14.8 |
| Environmental Support | $1.6 | 16 | Geothermal Heat Pump Tax Credit[2] | $1.1 |
| Family Support | $111.8 | 10 | Earned Income Tax Credit[2] | $72.3 |
| Government | $438.5 | 8 | Tax Levying or Certifying Bodies In Iowa[1] | $311.8 |
| Individual Benefit | $718.1 | 6 | Itemized Deduction for Interest Paid[2] | $128.0 |
| Inputs for Transportation | $6.7 | 15 | Railroad Rolling Stock[1] | $5.4 |
| Low-Income Support | $0.0 | 18 | --- | $0.0 |
| Military/Veterans' Support | $51.5 | 11 | Military Disability Pensions[2] | $23.2 |
| Natural Resources Support | $0.6 | 17 | Charitable Conservation Contribution Tax Credit[3] | $0.6 |
| Retirement Support | $1,442.2 | 4 | Pension Contributions and Earnings in Employer Plans[2] | $525.4 |
| Total | $15,966.7 | | Total | $6,372.8 |

* General Fund estimates generally pertain to tax year 2020.
**Tax type:
1 Sales and Use
2 Individual Income Tax
3 Individual and Corporate Income Tax

## Table 1b. Tax Expenditure Estimates by Category
## Local Governments Impact Only*

| Tax Expenditures Category | Expenditure Estimate ($ millions) | Ranking | Top Tax Expenditure Item** | Expenditure Estimate ($ millions) |
|---|---|---|---|---|
| Agriculture Support | $5,196.1 | 1 | Agricultural Classification Valuation | $4,025.0 |
| Business Incentive | $671.7 | 3 | Commercial and Industrial Property Tax Rollback | $187.7 |
| Charitable Organization Support | $388.5 | 4 | Religious, Literary, and Charitable Societies' Property | $356.3 |
| Consumer Benefit | $2,723.4 | 2 | Residential Classification Valuation Rollback | $2,493.9 |
| Environmental Support | $116.3 | 6 | Wind Energy Conversion Property | $103.2 |
| Government | $255.8 | 5 | Municipal and Military Property | $210.5 |
| Military/Veterans' Support | $1.8 | 8 | Military Service Exemption and Credit | $1.8 |
| Natural Resources Support | $23.8 | 7 | Forest and Fruit-Tree Reservations | $22.2 |
| Total | $9,377.4 | | Total | $7,400.6 |

*Local government estimates pertain to 2018 property assessments, with expenditures realized in fiscal year 2020.
**Tax type is property tax.

## Top Five Tax Expenditures by Tax Type

Table 2 presents the top five expenditures by tax type. This is provided to give a quick overview of how each tax type is impacted by tax expenditures, relative to other tax types. The top expenditure category estimate will be covered briefly in the discussion of each tax type below.

## Table 2. Top Five Tax Expenditures by Tax Type*

| Expenditure Name | Expenditure Category | Estimated Amount ($ Millions) |
|---|---|---|
| **Individual Income Tax** | | |
| Federal Deductibility | Administrative | $821.6 |
| Pension Contributions and Earnings in 401(k) Plans | Retirement Support | $649.4 |
| Indexation of the Tax Brackets | Administrative | $565.0 |
| Pension Contributions and Earnings in Employer Plans | Retirement Support | $525.4 |
| Capital Gain-Home Sales Exclusion | Individual Benefit | $145.2 |
| | | $2,706.6 |
| **Corporate Income Tax** | | |
| Fifty Percent Deduction of Federal Tax | Administrative | $38.0 |
| Foreign Dividends | Administrative | $27.7 |
| Tax Free Like-Kind of Exchanges | Business Incentive | $2.2 |
| Alternative Minimum Tax Exemption | Administrative | $0.6 |
| Corporate Charitable Contributions | Charitable Organization Support | $0.5 |
| | | $69.0 |
| **Tax Credits** | | |
| Research Activities Tax Credit | Business Incentive | $77.4 |
| Earned Income Tax Credit | Family Support | $72.3 |
| S-Corporation Apportionment Tax Credit | Administrative | $50.9 |
| Historic Preservation and Cultural and Entertainment District Tax Credit | Community Development Support | $24.5 |
| Iowa Industrial New Jobs (260E) Withholding Tax Credit | Business Incentive | $23.9 |
| | | $249.0 |
| **Sales and Use Taxes** | | |
| Resale of Tangible Personal Property | Administrative | $3,342.4 |
| Medical Services | Consumer Benefit | $693.3 |
| Gambling Boat Games and Admissions | Business Incentive | $574.0 |
| Construction Services | Business Incentive | $492.2 |
| Food Sales for Human Consumption | Consumer Benefit | $477.3 |
| | | $5,579.2 |
| **Property Taxes** | | |
| Agricultural Classification Valuation | Agriculture Support | $4,025.0 |
| Residential Classification Valuation Rollback | Consumer Benefit | $2,493.9 |
| Agricultural Classification Valuation Rollback | Agriculture Support | $680.4 |
| Agricultural Produce | Agriculture Support | $461.6 |
| Religious, Literary, and Charitable Societies' Property | Charitable Organization Support | $356.3 |
| | | $8,017.2 |

* Estimates generally pertain to tax year 2020. Tax Credits may be applicable to more than one tax type.

# Tax Base Descriptions and History

A general description of the current tax base and rates and a short history are provided below. These descriptions cover the taxes considered in this study. Detailed tax expenditure estimates for each tax type are found in Tables 3 through 7 (attached).

**Individual Income Tax**

The Iowa individual income tax was enacted in 1934 and is imposed on Iowa net income of individuals, estates, and trusts. Individuals may also be subject to a minimum tax and a tax on lump-sum distributions from qualified retirement plans.

For the Iowa individual income tax, adjusted gross income is calculated in much the same way as for federal income tax purposes. This means that Iowa net income generally conforms to federal definitions of sources included in income as well as adjustments to gross income. The history of individual income tax rates and tax brackets is presented in the table below.

## History of Iowa Individual Income Tax Rates and Brackets

| Tax Year | Rates and Income Tax Bracket |
|---|---|
| 1934 | Graduated rates imposed ranging from 1.0% to 5.0% over 5 taxable income brackets with a top bracket of $4,000 |
| 1953 | Rates lowered to range from 0.75% to 3.75% over 5 taxable income brackets with top bracket raised to $5,000 |
| 1955 | Rates increased to range from 0.8% to 4.0% over 5 taxable income brackets with the top bracket lowered to $4,000 |
| 1957 | Rates lowered to range from 0.75% to 3.75% over the same taxable income brackets |
| 1965 | Rate changed to range from 0.75% to 4.5% over 6 taxable income brackets with the top bracket of $9,000 |
| 1967 | Additional bracket and new top 5.25% rate introduced. |
| 1971 | Rates increased on all brackets except lowest two, rates ranging from 0.75% to 7.0% |
| 1975 | Rates ranging from 0.5% to 13.0% over 13 taxable income brackets with the top bracket of $75,000 |
| 1979 | One-time indexation of brackets, raising top bracket to $76,725 |

| Tax Year | Rates and Income Tax Bracket |
|---|---|
| 1987 | Rates changed to 0.4% to 9.98% over 9 taxable income brackets with the top bracket of $45,000 |
| 1996 | Annual indexation of brackets instituted |
| 1999 | All tax rates cut 10% with a range of 0.36% through 8.98% over 9 taxable income brackets with the top bracket of $51,660 |
| 2019 | All tax rates cut with a range of 0.33% through 8.53% over 9 taxable income brackets with a top bracket of $73,710 (indexed annually) |

Features that distinguish Iowa's individual income tax from federal individual income tax include:

- The ability of married taxpayers to file separately on the same return, which eliminates the "marriage penalty" that would otherwise be encountered by many married taxpayers;

- Personal and dependent credits, where the impact on tax liability is equal regardless of taxpayers' income, instead of personal exemptions, where the impact on tax liability varies with the taxpayers' marginal tax rate;

- For Iowa residents, only single individuals with Iowa net income over $9,000, and other filers with Iowa net income over $13,500, are required to file tax returns. For nonresidents, Iowa returns only have to be filed by those with over $1,000 Iowa net income. For single taxpayers aged 65 or older, the filing threshold is $24,000 and for married taxpayers with one spouse aged 65 or older, the filing threshold is $32,000;

- A 100 percent deduction for federal income tax payments, reduced by federal refunds of prior federal payments received during the tax year.

Individual Income Tax Results

In tax year 2019, the latest year for which most returns are available, 1.64 million Iowa individual income tax returns were filed. The total tax liability reported on returns was $3.63 billion, with nearly 94 percent attributable to residents.[4]

Estimated tax expenditures for individual income in tax year 2020 are found in Table 3. Total estimated individual income tax expenditures are $4,068.7 million. This includes $318 million in tax credits claimed on a separate line on the IA 1040. (Tax credits that are

[4] 2019 Individual Income Tax Statistical Report, Table 4.

claimed in the IA 148 form are accounted for separately in the "Tax Credits" section of this report and in Table 5, attached.) The largest individual income tax expenditure was deductibility of federal income tax, estimated at $821.6 million. This is considered an administrative expenditure.

**Corporation Income Tax**

The Iowa corporation income tax was enacted in 1934 and generally uses federal definitions of business income and deductions. The history of corporate income tax rates and tax brackets is presented in the table below.

**History of Iowa Corporation Income Tax Rates and Brackets**

| Tax Year | Rate and Income Tax Bracket |
|---|---|
| 1934 | Flat rate of 2.0% |
| 1955 | Rate increased to 3.0% |
| 1957 | Rate lowered to 2.0% |
| 1959 | Rate increased to 3.0% |
| 1965 | Rate increased to 4.0% |
| 1967 | Additional rates increased with 3 taxable income brackets:<br>Up to $25,000 – 4.0%<br>$25,000 to $100,000 – 6.0%<br>Over $100,000 – 8.0% |
| 1971 | Up to $25,000 – 6.0%<br>$25,000 to $100,000 – 8.0%<br>Over $100,000 – 10.0% |
| 1981 - 2020 | Up to $25,000 – 6.0%<br>$25,000 to $100,000 – 8.0%<br>$100,000 to $250,000 – 10.0%<br>Over $250,000 – 12.0% |

The starting point for the determination of tax liability for Iowa corporate income tax is net income from the federal return. Corporations that have sales both within Iowa and outside the State only owe tax on a portion of income based on the ratio of sales within Iowa to total sales nationally. Basing Iowa's apportionment formula exclusively on sales is believed to provide a competitive advantage in attracting new business to the state, particularly manufacturers.

Other significant features of Iowa's corporation income tax include:

- No nationwide combined reporting,
- A deduction for 50 percent of federal tax payments less refunds received,
- Allowing operating losses to be carried forward 20 years, and
- Excluding foreign dividends from taxable income.

Corporate Income Tax Results

In tax year 2018, the latest year for which these data are available, 20,410 C-corporations filed Iowa corporation tax returns; 13,616 (66.7%) of these corporations were domiciled within Iowa, and accounted for $135.1 million of total tax liability, or about 28 percent. The remaining 6,794 corporate filers were domiciled outside the state, and accounted for $351.3 million of the tax liability. The total tax liability of C-corporations for tax year 2018 was estimated at $486.3 million.[5]

Estimated tax expenditures for corporate income are found in Table 4, attached. Total estimated corporate income tax expenditures for tax year 2020 are $69.3 million. The largest expenditure was for the fifty percent deduction of federal tax, estimated at $38.0 million, an administrative expenditure. Three of the top five corporate income tax expenditures are administrative in nature.

**Tax Credits**

A tax credit is an amount deducted from a taxpayer's liability to decrease the amount of tax owed to the State. Iowa has two types of tax credits, nonrefundable and refundable. If a nonrefundable tax credit exceeds a taxpayer's tax liability, the amount of tax allowed is limited to tax liability and the balance of the credit either expires or can be carried forward to the next tax year. Refundable tax credits can be claimed for the full amount regardless of tax liability; any amount that exceeds tax liability will be paid to the taxpayer as a refund. Tax credits may be applied towards individual income, corporate income, insurance premium, fiduciary, franchise, sales & use, replacement, moneys & credits, and withholding taxes depending on the tax credit type.

[5] Source: IDR Corporation Income Tax Report 2018, Table 4.

Only the Iowa Legislature can enact or repeal tax credits, although some credits have established sunset dates upon enactment. The very first tax credit was the Motor Vehicle Fuel Tax Credit which was enacted in 1973. Since then there have been many tax credits that have been enacted, although some of those tax credits have subsequently been repealed. In tax year 2006, there were 26 nonrefundable and refundable tax credits that could be claimed on the IA 148. That increased to 30 tax credits in tax year 2010, and to at least 42 credits in tax year 2020. (Some credits have been repealed, but are available on a carry-forward basis from prior years' claims.)

The Tax Credit Award, Claim, and Transfer Tracking System (CACTAS) was established in 2005. Prior to the establishment of CACTAS, the Department of Revenue (IDR) did not track the specific tax credits claimed on tax returns. Starting in tax year 2006, IDR required the IA 148 Tax Credits Schedule to be filed by all taxpayers claiming "other nonrefundable" and/or "other refundable" tax credits on their returns. This allows IDR to verify tax credit claims and to accurately report claim information. Every tax credit claim reported on the IA 148 is examined and corrections are made when errors are identified.

Tax Credits Results

The tax credits represented in this study include all credits that were eligible to be claimed during the 2020 tax year using the IA 148 Tax Credits Schedule or on the quarterly withholding return. Estimated tax expenditures for these tax credits are found in Table 5, attached. Total tax expenditures estimated for tax credits claimed in TY 2020 is $437.2 million. The largest expenditure due to tax credits was for the research activities tax credit, estimated at $77.4 million. This credit can be applied to either individual or corporate income, and is a business incentive expenditure. Tax credit expenditures items are detailed in Table 5, attached.

**Sales and Use Taxes**

Both the Iowa sales tax and the use tax were enacted in 1934. Sales tax is imposed on the gross receipts from the sale of tangible personal property sold at retail and of enumerated services. The use tax is meant to complement the Iowa sales tax. The general rule is that a transaction is subject to Iowa use tax when it is completed outside the State but involves tangible personal property sold for use in Iowa. The principle also applies to the sale of taxable services purchased outside of Iowa for use in Iowa. Any transaction where sales tax has been paid, at a rate equal to or higher than the Iowa sales tax rate, is exempt from use tax.

Whereas tangible personal property is considered subject to sales tax unless otherwise exempted, all services are considered nontaxable unless explicitly listed as taxable in the Iowa Code. Iowa taxes more services than some states, but many business services, such as accounting, engineering, and legal services, remain nontaxable.

The sales and use tax rate in 2020 equaled six percent and was applied to most purchases of goods and a select group of services. One percentage point of the Iowa sales and use tax is appropriated to school infrastructure and property tax relief.

Additionally, a local option sales tax may apply with a maximum rate of one percent for a maximum State and local sales tax rate of seven percent. The local option sales tax is a local government tax and is not taken into consideration in the estimates presented. The history of the Iowa sales and use tax rate is presented in the table below.

**History of Iowa Sales and Use Tax Rates**

| Date of Change | Tax Rate |
|---|---|
| April 1, 1934 | 2.00% |
| July 1, 1955 | 2.50% |
| July 1, 1957 | 2.00% |
| October 1, 1967 | 3.00% |
| March 1, 1983 | 4.00% |
| July 1, 1992 | 5.00% |
| July 1, 2008 | 6.00% |

Sales and Use Tax Results

During FY 2020, sales tax, retailers use tax, and consumers use tax receipts reported through tax returns totaled $3,142.6 million.[6] In comparison, total sales and use tax expenditures estimated for FY 2020 are $11,391.5 million, which include exemptions attributable to sales that are not required to be included on tax returns. The largest expenditure attributable to sales and use tax in TY 2020 was $3,342.4 million, for the exemption of taxes on the resale of tangible personal property, an administrative tax expenditure. All estimated sales and use tax expenditures are presented in Table 6, attached.

## Property Tax

In Iowa, the property tax is used only by local government entities that are permitted by State statute to impose the tax. The property tax is levied on the taxable value of real property. The consolidated tax rate differs in each locality and is a composite of county, city, school district, and special levy authorities. Some estimates in this study are presented only in terms of the reduction in taxable property values due to tax exemptions or other special treatment. Other estimates are presented as the estimated change in tax revenue as a result of the exempted values or tax credits. Where feasible, both estimates are presented.

Assessment

Real property is placed in one of five classes: agricultural, residential, multiresidential, commercial, or industrial. Commercial property formerly included buildings containing three or more separate residences, except condominiums, multiple housing cooperatives, and certain non-profit housing. Effective assessment year 2015, however, multiresidential was introduced as a fifth property class, and included some property formerly classified

[6] For Sales and Use tax revenue details, see IDR FY 2020 Annual Report

as commercial. Multiresidential is classified as property that is a mobile home park, manufactured home community, land-leased community, assisted living facility, or that is property primarily used or intended for human habitation containing three or more separate dwelling units.[7] Effective assessment year 2021, the multiresidential property class has been eliminated, and was reclassified as residential. Because this study pertains to valuations for assessment year 2018, however, tax expenditures related to the multiresidential property class will be estimated separately, apart from either commercial or residential.

Most real property is assessed locally by either the county or city assessor. The assessment year starts on January 1 of each calendar year. Every two years in the odd-numbered year, local assessors are required to revalue all real property in their jurisdictions. Also, every two years in the odd-numbered years, the Department of Revenue issues equalization orders. In this process, the Department of Revenue reviews the level of assessment of property within each class of property, excluding industrial. If the aggregate assessed valuation of that class of property is at least five percent above or below the actual valuation of that class of property as determined by the Director as set out in the abstract of assessment, the Department of Revenue orders the equalization of the levels of assessment of that class of property.

Tax base assessment for taxable real property is one hundred percent of market value, except for agricultural property where the tax base is productivity value rather than market value. This difference in valuation is used as one of the measures to estimate the tax expenditure attributable to the agricultural classification valuation method.

Central Assessment

All lands, buildings, machinery, and equipment belonging to electric companies (including rural cooperatives), gas companies (including pipelines), railway companies, and telephone/telegraph companies are assessed by the Department of Revenue and subject to property taxation by local governments.

For assessment years beginning January 1, 1999 and after, central assessment of entities involved in the production, delivery, and transmission of electricity and natural gas was replaced with an excise tax on their production, delivery, and transmission. The excise tax rates vary annually by service area. An annual statewide property tax is also imposed, at a rate of three cents per $1,000 of assessed value, on all property subject to the excise tax.

Equalization

In order to prevent wide variations between assessments statewide of real property in any one class, the equalization process takes place in each odd-numbered year. As the first step of the process, which is carried out in its entirety by the Department of Revenue, the Department conducts a statewide review of the level of assessment of property within each class, except industrial, for every jurisdiction. If the aggregate assessed valuation

[7] Iowa Code section 441.21, subsection 13

of a class of property within a jurisdiction is at least five percent above or below the market value of that class of property as established through statistical analysis and abstract of assessment submissions, equalization of that class of property is required. Equalization is accomplished by increasing or decreasing the aggregate valuations of certain classes of property within jurisdictions by a percentage necessary to adjust the level of assessment to actual value. Equalization orders are restricted to equalizing the aggregate valuations of entire classes of property and may not adjust the valuations of individual properties. Equalization is not considered a tax expenditure but rather an establishment of a tax base.

Rollback

The taxable value of property may be a percentage of the assessed value as a result of statewide limitations on annual growth in assessed value. The statewide limitation on growth is three percent annually (eight percent annually for utilities). Increases in the assessment of residential and agricultural property are tied to each other. The annual increase in each class of property is limited to the smaller of the two increases in either class of property. In November of each year, the Director of Revenue certifies the limitation percentages to county auditors. The rollback percentage is multiplied by the assessed value to obtain the taxable value of the property less any exemptions or partial exemptions. The reduction in taxable value of the property due to the annual rollback is used to estimate the value of certain tax expenditures in Table 7, and the rollback rates are presented below.

Tax Base and Rates

Tax levy rates are expressed in dollars and cents per $1,000 of assessed valuation. The property tax due and payable in a fiscal year is determined by multiplying the consolidated levy rate by the taxable value of the property. The assessed value of the property is that determined as of January 1 of the year preceding the year in which the fiscal year begins, i.e., 18 months prior, adjusted by the applicable rollback. The consolidated levy rate is the total levy rates of all levy-authority jurisdictions in which the property is located.

The levy rates and rollback rates applicable to Assessment Year 2018 are listed below. The total rates are based on the average of all property classifications' rollback percentage and tax levy per $1,000 of taxable valuation.

**Assessment Year 2018 Property Tax Rollback Percentage and Tax Levy per $1000**

| Property Classification | Rollback % | 2018 tax levy per $1000 |
|---|---|---|
| Agricultural Land And Structures | 56.1324% | $24.97030 |
| Ag Dwelling Realty | 56.9180% | $34.45441 |
| Residential Realty | 56.9180% | $34.45441 |
| Commercial Realty | 90.0000% | $37.23209 |
| Industrial Realty | 90.0000% | $31.28531 |
| Multiresidential Realty | 75.0000% | $37.90968 |
| | 63.1389% | $32.15060 |

Property Tax Expenditures Results

Estimated tax expenditures for property due to exemptions and assessment rollbacks are found in Table 7, attached. Total property tax expenditures for TY 2020 are estimated at $9,377.4 million. The largest expenditure was agricultural classification valuation, estimated at $4,025 million. In all, three of the top five property tax expenditures are in the agriculture support category.

Table 7 also displays the estimated changes in property assessment value due to the application of lower assessment rates, compared to other property in the same (or similar) classification. Estimated differences in property valuation totaled $291.5 billion in TY 2020. The largest difference in valuation as a result of applying a lower valuation rate was attributable to agricultural classification valuation, which was $160.7 billion, or over half of the total $291.5 billion in valuation reduction.

# Conclusion

The impact of tax expenditures on General Fund revenue varies by tax type and expenditure category. In terms of tax expenditures categories, the highest amount of expenditures is attributable to administrative tax expenditures, at $5,703.2 million, followed by consumer benefit tax expenditures at $3,631.7 million (see Table 1a).

As shown in Table 2, the tax type with the highest impact to the General Fund is sales and use taxes, with the top five expenditures in excess of $5,579.2 million, most of which is attributable to the exemption of sales tax from the resale of tangible personal property, with a total of $3,342.4 million. The next highest impact to the General Fund is attributable to individual income tax expenditures, with federal tax deductibility constituting the single highest expenditure at $821.6 million. Results for all individual income tax expenditures are displayed in Table 3, while corporate income, tax credits, and sales and use tax expenditures are enumerated in Tables 4, 5, and 6, respectively.

Also shown in Table 2 is the property tax top five tax expenditures total of $8,017.2 million, where the impact is to local governments rather than the General Fund. The single highest property tax expenditure is agricultural classification valuation at $4,025 million. This is due to the tax rate being assessed on the productivity value of farmland rather than the market value. Residential classification valuation rollback is next highest at $2,493.9 million. Results for all property tax expenditures are found in Table 7.

In all, the impact to the General Fund was estimated at $15,966.7 million, and impact to local governments was estimated at $9,377.4 million for tax year 2020.

## References

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# Appendix I

## Tax Features that Alter the Timing of When Revenues or Expenses Are Realized

**(Not Treated as Tax Expenditures in this Study)**

Firms are allowed to deduct the costs of doing business when determining taxable income. These business expenses often include the purchase of long-lived assets such as buildings or machinery. Because these assets have value to the firm in more than one tax period, tax law requires that the costs of these assets be deducted over the life of the asset. For certain types of assets, tax policies are often changed to speed the deduction of expenses, therefore redistributing taxes, across periods. For example, allowing certain assets to be expensed in the year of purchase creates a large deduction in the first year, but higher taxes are paid in subsequent years because no further deduction is available. Such policies theoretically do not reduce lifetime tax receipts related to the firm's purchase of an asset; rather, they only reduce revenues to the State through the opportunity cost of when those tax revenues are received. These policies are not treated as tax expenditures for this study.

Examples of policies that alter the timing of when expenses are deducted from taxable income and thus move tax receipts across tax periods are:

- 50% bonus depreciation
- amortization of start-up costs
- corporate farm exceptions to accrual
- accelerated depreciation on buildings
- accelerated depreciation on machinery and equipment
- expensing of certain agricultural capital outlays
- expensing of multi-year agricultural costs
- expensing of multi-year timber costs
- expensing of small capital investments
- expensing of soil and water conservation
- increased Section 179 expensing
- rapid amortization for reforestation
- speculative shell building depreciation.

Likewise, tax policies that alter the timing of when revenues are realized as income are also not treated as tax expenditures. Examples of such policies are:

- corporate farm exceptions to accrual
- installment sales income deferral.

# Appendix II

## 2020-2021 Legislative Updates Excluded from Tax Expenditures Estimates

Several laws pertaining to tax expenditures were enacted in the 2020-2021 Iowa legislative session that were made retroactive to income or expenses relating to tax year 2020 or earlier. Such expenditures were not included in this study.

Examples include:

- Iowa COVID-19 Grant Income Tax Exclusion (retroactive to tax year 2019 and 2020 returns). Includes 24 Qualifying COVID-19 Grant Programs.

- Payroll Protection Program (PPP) (retroactive to 2019).

- Broadband Grant Exemption. The Act took effect June 29, 2020, and applies retroactively to tax years beginning on or after January 1, 2019.

- Iowa Income Exclusion — Stimulus Checks (tax years beginning in the 2020 calendar year).

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# *TAX EXPENDITURE REPORT*

*Calendar Year 2024*

Prepared by
Kansas Department of Revenue
Mark A. Burghart, Secretary of Revenue

# Introduction

The Kansas Department of Revenue has compiled this report to indicate the fiscal impact of exemptions, credits, deductions, modifications, and exclusions relating to the following taxes and programs:

- Individual, Fiduciary and Corporate Income, Privilege Taxes;
- Retailers' Sales Tax Exemptions;
- Mineral Taxes;
- Motor Fuel Taxes;
- Homestead;
- Food Sales Tax Refund; and
- Kansas IMPACT.

This report shall be a working document. It is our hope and intention that this report will continue to develop and provide information to the Governor, Kansas Legislature and the citizens of the state of Kansas to allow for the making of informative analysis and decisions.

This report covers expenditures for the calendar year of 2024.

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# TAX EXPENDITURE REPORT
# SUMMARY

| PROGRAM | TAX EXPENDITURE |
|---|---|
| Kansas Addition/Subtraction Modifications (PY 2024-Income & Privilege) | $94,623,363 |
| Kansas Tax Deductions (PY 2024-Income & Privilege) | ($902,440,651) |
| Kansas Tax Credits (PY 2024 Income & Privilege) | ($792,774,112) |
| Kansas Sales Tax Exemptions (FY 2025) | ($9,000,660,000) |
| Mineral Tax (FY 2025) | ($61,593,839) |
| Motor Fuel Tax (CY 2024-Diesel, Gas, Gasohol) | ($616,540,994) |
| Homestead Refund, Safe Senior, SVR Programs (TY 2023) | ($27,444,300) |
| Food Sales Tax Credit Program (TY 2023) | ($6,577,467) |
| IMPACT (FY 2025) | ($20,000,000) |
| | **($11,333,408,000)** |

A positive number in the tax expenditure column represents enhanced state tax revenues. A negative number in the tax expenditure column represents foregone revenue.

**Year Enacted:** 1933
**Statutory Citation:** K.S.A. Chapter 79, Article 32

A Kansas resident is required to file an individual income tax return if:

- They are required to file a federal income tax return, or
- Their Kansas adjusted gross income is more than the total of their Kansas standard deduction and exemption allowance.

The Kansas income tax is imposed on the entire income of every resident individual. Nonresidents of Kansas are taxed on income derived from Kansas sources.

Kansas begins its individual income tax calculation with federal adjusted gross income. This connection to the federal tax code adopts many of the tax expenditures that exist at the federal level. Any special provisions allowed by the federal government that reduce adjusted gross income will flow through to the Kansas tax return, thereby resulting in lower Kansas tax collections. The majority of these special provisions at the federal level are not specifically enumerated in this report. This report will provide the cost of several addition/subtraction modifications to federal adjusted gross income.

Kansas law allows a taxpayer to claim a standard deduction or itemized deductions and allows for a personal exemption deduction.

For tax years 2018 through 2023, married individuals filing joint returns with taxable income of $5,000 or less, and all other individuals with taxable income of $2,500 or less, shall have a tax liability of zero.

For process year 2024, tax year 2023, Kansas income tax was imposed as follows:

Schedule I-Married Filing Joint

| If Kansas taxable income is: | The Tax is: |
|---|---|
| Not over $30,000 | 3.1% of Kansas taxable income |
| Over $30,000 but not over $60,000 | $930 + 5.25% of excess over $30,000 |
| Over $60,000 | $2,505.50 + 5.7% of excess over $60,000 |

Schedule II-Single, Head of Household, or Married Filing Separate

| If Kansas taxable income is: | The Tax is: |
|---|---|
| Not over $15,000 | 3.1% of Kansas taxable income |
| Over $15,000 but not over $30,000 | $465 + 5.25% of excess over $15,000 |
| Over $30,000 | $1,252.50 + $5.7% of excess over $30,000 |

Modifications and deductions have been separately stated according to resident filers and nonresident filers. Nonresident filers of Kansas in many cases have a small percentage of income from Kansas

sources. As a nonresident, a taxpayer must apply a nonresident percentage to come up with an actual Kansas tax liability. The tax expenditures presented for nonresident filers apply this percentage in order to provide the reader with truer cost of expenditures associated with these filers.

## FIDUCIARY INCOME TAX

The fiduciary of a resident estate or trust must file a Kansas fiduciary income tax return if the estate or trust had any taxable income and/or there is withholding tax due for the nonresident beneficiaries. The fiduciary of a nonresident estate must file a Kansas fiduciary income tax return if the estate or trust had taxable income or gain derived from Kansas source.

Kansas begins its fiduciary income tax calculation with federal taxable income and allows for several addition/subtraction modifications.

For process year 2024, tax year 2023, Kansas fiduciary income tax was imposed as follows:

| If Kansas taxable income is: | The Tax is: |
|---|---|
| Not over $15,000 | 3.1% of Kansas taxable income |
| Over $15,000 but not over $30,000 | $465 + 5.25% of excess over $15,000 |
| Over $30,000 | $1,252.50 + $5.7% of excess over $30,000 |

# INDIVIDUAL AND FIDUCIARY INCOME TAX RESIDENT TAX FILERS
## PROCESS YEAR 2024

### ADDITION MODIFICATIONS

| Statutory Reference | Description | Number of Filers | *Tax Expenditure |
|---|---|---|---|
| K.S.A. 79-32,117(b)(i) | State and municipal bond interest not specifically exempt from Kansas income tax. | 39,821 | $13,259,755 |
| K.S.A. 79-32,117(b)(iv) | Contributions to all Kansas public employee's retirement systems | 152,869 | $20,209,775 |
| K.S.A. 79-32,143(a) | Kansas expensing recapture | 320 | $87,812 |
| K.S.A. 72-99a07 | Low income student scholarship contributions | 652 | $134,887 |
| K.S.A. 79-32,117(b)(xxvii) | Business interest expense carryforward deduction | 8,447 | $210,512 |
| K.S.A. 79-32,117(b)(xxviii) | Unqualified withdrawals from First Time Homebuyer Savings Acct | 26 | $3,149 |
| Various | Other additions to federal adjusted gross income | 23,920 | $27,160,610 |

### SUBTRACTION MODIFICATIONS

| Statutory Reference | Description | Number of Filers | *Tax Expenditure |
|---|---|---|---|
| K.S.A. 79-32,117(c)(i) | Interest on US Government obligations | 69,065 | ($15,758,991) |
| K.S.A. 79-32,117(c)(v) | State income tax refund | 22,615 | ($1,320,663) |
| PL 108-189, Section 511(d) | Nonresident Military | 57 | ($65,053) |
| K.S.A. 79-32,117(c)(xv) | Learning Quest | 30,218 | ($8,314,097) |
| K.S.A. 79-32,117(c)(xvii) | Armed Forces Recruitment | 720 | ($439,137) |
| K.S.A. 79-32,117(c)(xix) | Taxable Social Security Benefits | 130,544 | ($29,643,046) |
| K.S.A. 74-4923(b) | KPERS Lump Sum Distributions | 2,312 | ($1,685,209) |
| Various | Retirement benefits specifically exempt from Kansas income tax | 119,752 | ($143,879,118) |
| K.S.A. 79-32,117(c)(xxv) | Global Intangible Low-Taxed Income | 8,422 | ($17,453) |
| K.S.A. 79-32,117(c)(xxvi) | Disallowed business interest deduction | 8,724 | ($3,377,232) |
| K.S.A. 79-32,117(c)(xxvii) | Disallowed business meal expenses | 20,635 | ($904,941) |
| K.S.A. 75-655;656;657 | Contributions to ABLE Savings Account | 497 | ($85,659) |
| K.S.A. 79-143a | Kansas expensing deduction | 4,627 | ($3,896,710) |
| K.S.A. 79-32,117(c)(xxviii) | Qualified contributions to First Time Home Buyer Savings Acct | 139 | ($20,393) |
| Various | Other subtractions from federal adjusted gross income | 8,623 | ($17,266,740) |

### DEDUCTIONS

| Statutory Reference | Description | Number of Filers | *Tax Expenditure |
|---|---|---|---|
| K.S.A. 79-32,119; K.S.A. 79-32,120 | Standard deduction or Itemized deductions | 1,325,699 | ($596,920,072) |
| K.S.A. 79-32,121 | Exemption allowance | 1,250,165 | ($276,218,312) |

A positive number in the tax expenditure column represents enhanced state tax revenues. A negative number in the tax expenditure column represents foregone revenue.

# INDIVIDUAL AND FIDUCIARY INCOME TAX NONRESIDENT TAX FILERS
## PROCESS YEAR 2024



### ADDITION MODIFICATIONS

| Statutory Reference | Description | Number of Filers | *Tax Expenditure |
|---|---|---|---|
| K.S.A. 79-32,117(b)(i) | State and municipal bond interest not specifically exempt from Kansas income tax. | 17,247 | $658,598 |
| K.S.A. 79-32,117(b)(iv) | Contributions to all Kansas public employee's retirement systems | 10,618 | $563,162 |
| K.S.A. 79-32,143(a) | Kansas expensing recapture | 38 | $2,279 |
| K.S.A. 72-99a07 | Low income student scholarship contributions | 102 | $271 |
| K.S.A. 79-32,117(b)(xxvii) | Business interest expense carryforward deduction | 2,046 | $877,264 |
| K.S.A. 79-32,117(b)(xxviii) | Unqualified withdrawals from First Time Homebuyer Savings Acct | 7 | $1,161 |
| Various | Other additions to federal adjusted gross income | 9,557 | $1,720,109 |

### SUBTRACTION MODIFICATIONS

| Statutory Reference | Description | Number of Filers | *Tax Expenditure |
|---|---|---|---|
| K.S.A. 79-32,117(c)(i) | Interest on US Government obligations | 22,089 | ($2,736,100) |
| K.S.A. 79-32,117(c)(v) | State income tax refund | 7,978 | ($150,908) |
| PL 108-189, Section 511(d) | Nonresident Military | 5,635 | ($5,195,907) |
| K.S.A. 79-32,117(c)(xv) | Learning Quest | 2,775 | ($191,229) |
| K.S.A. 79-32,117(c)(xvii) | Armed Forces Recruitment | 71 | ($16,077) |
| K.S.A. 79-32,117(c)(xix) | Taxable Social Security Benefits | 10,389 | ($744,588) |
| K.S.A. 74-4923(b) | KPERS Lump Sum Distributions | 104 | ($34,512) |
| K.S.A. 79-32,117(c)(xxv) | Global Intangible Low-Taxed Income | 2,082 | ($243,498) |
| K.S.A. 79-32,117(c)(xxvi) | Disallowed business interest deduction | 2,153 | ($4,252,143) |
| K.S.A. 79-32,117(c)(xxvii) | Disallowed business meal expenses | 2,996 | ($255,593) |
| Various | Retirement benefits specifically exempt from Kansas income tax | 4,732 | ($1,531,719) |
| K.S.A. 75-655;656;657 | Contributions to ABLE Savings Account | 44 | ($2,255) |
| K.S.A. 79-143a | Kansas expensing deduction | 166 | ($79,774) |
| K.S.A. 79-32,117(c)(xxviii) | Qualified contributions to First Time Home Buyer Savings Acct | 23 | ($3,128) |
| Various | Other subtractions from federal adjusted gross income | 2,144 | ($1,314,234) |

### DEDUCTIONS

| Statutory Reference | Description | Number of Filers | *Tax Expenditure |
|---|---|---|---|
| K.S.A. 79-32,119; K.S.A. 79-32,120 | Standard deduction or Itemized deductions | 306,950 | ($18,735,556) |
| K.S.A. 79-32,121 | Exemption allowance | 296,053 | ($6,143,139) |

*CONFIDENTIAL-This information is confidential as there are less than 5 filers. This information is not included in the total.

A positive number in the tax expenditure column represents enhanced state tax revenues. A negative number in the tax expenditure column represents foregone revenue.

# INDIVIDUAL AND FIDUCIARY INCOME TAX RESIDENT AND NONRESIDENT TAX FILERS

## PROCESS YEAR 2024

**TAX CREDITS**

| Statutory Reference | Description | Number of Filers | Expenditure |
|---|---|---|---|
| K.S.A. 79-32,202 | Adoption Credit | 1,038 | ($2,155,505) |
| K.S.A. 79-32,306 | Affordable Housing Credit | 0 | ($0) |
| K.S.A. 74-50,173 | Agritourism Liability Insurance Credit | 0 | ($0) |
| K.S.A. 79-32,201 | Alternative-Fuel Tax Credit | 0 | ($0) |
| K.S.A. 74-8133 | Angel Investor Credit | 150 | ($2,692,672) |
| K.S.A. 74-50,231 | Apprenticeship Credit | 0 | ($0) |
| K.S.A. 65-7101 | Assistive Technology Contribution Credit | 0 | ($0) |
| K.S.A. 79-32,290-293 | Aviation/Aerospace Credit | 2,393 | ($6,084,031) |
| K.S.A. 79-32,233 | Biomass-to-Energy Credit | 0 | ($0) |
| K.S.A. 79-32,153 | Business and Job Development Tax Credit | 0 | ($0) |
| K.S.A. 79-32,160a | Business and Job Development Tax Credit (Carry Over) | 0 | ($0) |
| K.S.A. 79-32,190 | Child Day Care Assistance Credit | 0 | ($0) |
| K.S.A. 79-32, 111c | Child and Dependent Care Expenses Credit | 50,741 | ($7,784,200) |
| K.S.A. 79-32,211 | Commercial Restoration & Preservation Credit | 0 | ($0) |
| K.S.A. 74-99c09 | Center for Entrepreneurship Credit | 51 | ($933,132) |
| K.S.A. 79-32,197 | Community Service Contribution Credit | 661 | ($3,206,249) |
| K.S.A.79-32,261 | Community College and Technical College Credit | 102 | ($306,168) |
| K.S.A. 79-32,111 | Credit for Taxes Paid to Other States | 121,747 | ($507,537,315) |
| K.S.A. 79-32,176 | Disabled Access Credit | 11 | ($53,835) |
| K.S.A. 79-32,273 | Disability Employment Credit | 0 | ($0) |
| K.S.A. 79-32,205 | Earned Income Credit | 171,232 | ($76,378,592) |
| K.S.A. 79-32, 274 | Eisenhower Foundation Credit | 22 | ($64,411) |
| K.S.A. 79-32,246 | Electric Cogeneration Facility Credit | 0 | ($0) |
| K.S.A. 79-32,222 | Environmental Compliance Credit | 0 | ($0) |
| K.S.A.79-32,275 | Friends of Cedar Crest Association Credit | 12 | ($12,335) |
| K.S.A. 79-32,143 | Farm Net Operating Loss Credit | 0 | ($0) |
| K.S.A. 79-32,160a(e); K.S.A. 74-50,132 | High Performance Incentive Program Credit | 157 | ($12,302,914) |
| K.S.A. 79-32,211 | Historic Preservation Tax Credit | 98 | ($1,089,849) |
| K.S.A. 79-32,310 | Housing Investor Credit | 21 | ($533,736) |
| K.S.A. 74-50,208 | Individual Development Acct Credit | 31 | ($188,138) |
| K.S.A. 72-4357 | Low Income Student Scholarship Credit | 498 | ($4,855,369) |
| K.S.A. 79-32,229 | Nitrogen Fertilizer Plant Credit | 0 | ($0) |
| K.S.A. 79-32,266 | Owners Promoting Employment Across Kansas (PEAK) Credit | 0 | ($0) |
| K.S.A. 79-32,218 | Petroleum Refinery Credit | 0 | ($0) |
| K.S.A. 79-32,207 | Plugging an Abandoned Oil or Gas Well Credit | *CONF | *CONFIDENTIAL |
| K.S.A.74-50,313 | Powerful Economic Expansion Credit | 0 | ($0) |
| K.S.A. 79-32,224 | Qualifying Pipeline Credit | 0 | ($0) |
| K.S.A. 79-32,182b | Research and Development Credit | 31 | ($52,342) |
| K.S.A. 79-32,267 | Rural Opportunity Zone Credit | 640 | ($2,533,176) |
| K.S.A. 79-32,297 | Short Line Railroad Credit | 0 | ($0) |
| K.S.A. 79-32,212 | Single City Port Authority Credit | 0 | ($0) |
| K.S.A. 40-2246 | Small Employer Health Insurance Contribution Credit | 0 | ($0) |
| K.S.A. 79-32,252 | Storage Blending Equipment Credit | 0 | ($0) |
| K.S.A. 79-32,204 | Swine Facility Improvement Credit | 0 | ($0) |
| K.S.A.79-32,300 | Targeted Employment Credit | 0 | ($0) |
| K.S.A. 79-32,296 | Teachers School & Classroom Supply Credit | 12,177 | ($3,102,852) |
| K.S.A. 79-32,283 | Technology Enabled Fiduciary Financial Credit | 0 | ($0) |
| K.S.A. 79-32,210 | Telecommunications Credit | 0 | ($0) |
| K.S.A. 79-32,200 | Temporary Assistance to Families Contribution Credit | 0 | ($0) |
| K.S.A. 74-8205; 74-8206; 74-8304; 74-8316 | Venture and Local Seed Capital Credit | 0 | ($0) |
| K.S.A. 74-32,287 | Workforce Retention Incentive | 0 | ($0) |

*CONFIDENTIAL-This information is confidential as there are less than 5 filers. This information is not included in the total. A positive number in the tax expenditure column represents enhanced state tax revenues. A negative number in the tax expenditure column represents foregone revenue.

# CORPORATE INCOME TAX

**Year Enacted:** 1933
**Statutory Citation:** K.S.A. Chapter 79, Article 32

All corporations doing business within or deriving income from sources within Kansas that are required to file a federal income tax return, shall also be required to file a Kansas corporate income tax return

Kansas begins its corporate income tax calculation with federal taxable income. This connection to the federal tax code adopts many of the tax expenditures that exist at the federal level. Any special provisions allowed by the federal government that reduce taxable income will flow through to the Kansas tax return, thereby resulting in lower Kansas tax collections. The majority of these special provisions at the federal level are not specifically enumerated in this report. This report will provide the cost of several addition/subtraction modifications to federal taxable income. Kansas law allows certain deductions in arriving at Kansas taxable income.

Corporations not based in Kansas in many cases have a small percentage of income from Kansas sources and use a three-factor formula of payroll, sales and property to determine the amount of income apportioned to Kansas. The tax expenditures presented for corporations not based in Kansas have had the apportionment percentage applied in order to provide the reader with truer cost of expenditures associated with these filers.

For process year 2024, tax year 2023, the normal tax for Kansas corporate income tax is imposed at the rate of 4% and a surtax at the rate of 3% is imposed on those corporations where the Kansas taxable income is in excess of $50,000.

# CORPORATE INCOME TAX
# RESIDENT TAX FILERS
## PROCESS YEAR 2024



**ADDITION MODIFICATIONS**

| Statutory Reference | Description | Number of Filers | *Tax Expenditure |
|---|---|---|---|
| K.S.A. 79-32,138(b)(i)<br>K.S.A. 79-32,117(b)(i) | State and municipal bond interest not specifically exempt from Kansas income tax. | 134 | $348,510 |
| K.S.A. 79-32,117(b)(iii) | Federal net operating loss deduction | 3,215 | $37,004,304 |
| K.S.A. 79-32,117(b)(ii) | Taxes on or measured by income or fees or payments in lieu of income taxes | 4,698 | $14,422,030 |
| Various | Other additions to federal adjusted gross income | 258 | $3,183,175 |

**SUBTRACTION MODIFICATIONS**

| Statutory Reference | Description | Number of Filers | *Tax Expenditure |
|---|---|---|---|
| K.S.A. 79-32,138(c)(i)<br>K.S.A. 79-32,117(c)(i) | Interest on US Government obligations | 264 | ($214,287) |
| Various | Other subtractions from federal adjusted gross income | 715 | ($4,507,769) |
| K.S.A. 79-32,143 | Kansas Net Operating Loss | 2,609 | ($37,449,358) |

A positive number in the tax expenditure column represents enhanced state tax revenues. A negative number in the tax expenditure column represents foregone revenue.

# CORPORATE INCOME TAX
# NONRESIDENT TAX FILERS
## PROCESS YEAR 2024



**ADDITION MODIFICATIONS**

| Statutory Reference | Description | Number of Filers | *Tax Expenditure |
|---|---|---|---|
| K.S.A. 79-32,138(b)(i)<br>K.S.A. 79-32,117(b)(i) | State and municipal bond interest not specifically exempt from Kansas income tax. | 422 | $4,116,453 |
| K.S.A. 79-32,117(b)(iii) | Federal net operating loss deduction | 4,233 | $195,061,573 |
| K.S.A. 79-32,117(b)(ii) | Taxes on or measured by income or fees or payments in lieu of income taxes | 8,940 | $68,336,427 |
| Various | Other additions to federal adjusted gross income | 1,930 | $210,355,150 |

*Tax expenditure is computed using average tax rate of 6.5%.

**SUBTRACTION MODIFICATIONS**

| Statutory Reference | Description | Number of Filers | *Tax Expenditure |
|---|---|---|---|
| K.S.A. 79-32,138(c)(i)<br>K.S.A. 79-32,117(c)(i) | Interest on US Government obligations | 608 | ($8,608,705) |
| Various | Other subtractions from federal adjusted gross income | 1,856 | ($85,587,296) |
| K.S.A. 79-32,143 | Kansas Net Operating Loss | 3,019 | ($141,751,649) |

A positive number in the tax expenditure column represents enhanced state tax revenues. A negative number in the tax expenditure column represents foregone revenue.

# CORPORATE INCOME TAX
# RESIDENT AND NONRESIDENT TAX FILERS
## PROCESS YEAR 2024

**TAX CREDITS**

| Statutory Reference | Description | Number of Filers | Tax Expenditure |
|---|---|---|---|
| K.S.A. 79-32,306 | Affordable Housing Credit | 0 | ($0) |
| K.S.A. 79-32,181a | Agricultural Loan Interest Reduction Credit | 0 | ($0) |
| K.S.A. 74-50,173 | Agritourism Liability Insurance Credit | 0 | ($0) |
| K.S.A. 79-32,201 | Alternative-Fuel Tax Credit | 0 | ($0) |
| K.S.A. 74-50,231 | Apprenticeship Credit | 36 | ($359,247) |
| K.S.A. 65-7101 | Assistive Technology Contribution Credit | 0 | ($0) |
| K.S.A. 79-32,290-293 | Aviation/Aerospace Credit | 19 | ($536,835) |
| K.S.A. 79-32,233 | Biomass-to-Energy credit | 0 | ($0) |
| K.S.A. 79-32,153 | Business and Job Development Tax Credit | 0 | ($0) |
| K.S.A. 79-32,160a | Business and Job Development Tax Credit -Carryover | *CONF | *CONFIDENTIAL |
| K.S.A. 79-32,190 | Child Day Care Assistance Credit | *CONF | *CONFIDENTIAL |
| K.S.A. 79-32,211 | Commercial Restoration & Preservation Credit | *CONF | *CONFIDENTIAL |
| K.S.A. 74-99c09 | Center for Entrepreneurship Credit | 7 | ($236,156) |
| K.S.A.79-32,261 | Community College and Technical College Credit | 26 | ($155,017) |
| K.S.A. 79-32,197 | Community Service Contribution Credit | 48 | ($458,233) |
| K.S.A. 79-32,176(a), 177 | Disabled Access Credit | *CONF | *CONFIDENTIAL |
| 79-32,273 | Disability Employment Credit | *CONF | *CONFIDENTIAL |
| K.S.A. 79-32, 274 | Eisenhower Foundation Credit | 0 | ($0) |
| K.S.A. 79-32,246 | Electric Cogeneration Facility Credit | 0 | ($0) |
| K.S.A. 79-32,222 | Environmental Compliance Credit | 0 | ($0) |
| K.S.A. 79-32,143 | Farm Net Operating Loss Credit | 0 | ($0) |
| K.S.A. 79-32, 275 | Friends of Cedar Crest Association Credit | *CONF | *CONFIDENTIAL |
| K.S.A. 79-32,160a(e); K.S.A. 74-50,132 | High Performance Incentive Program Credit | 304 | ($137,118,774) |
| K.S.A. 79-32,211 | Historic Preservation Tax Credit | 7 | ($1,247,513) |
| K.S.A. 79-32,310 | Housing Investor Credit | 7 | ($863,873) |
| K.S.A. 74-50,208 | Individual Development Account Credit | *CONF | *CONFIDENTIAL |
| K.S.A. 72-4357 | Low Income Student Scholarship Credit | 10 | ($11,625) |
| K.S.A. 79-32,229 | Nitrogen Fertilizer Plant Credit | 0 | ($0) |
| K.S.A. 79-32,266 | Owners Promoting Employment Across Kansas (PEAK) Credit | 0 | ($0) |
| K.S.A. 79-32,218 | Petroleum Refinery Credit | 0 | ($0) |
| K.S.A. 79-32,207 | Plugging an Abandoned Oil or Gas Well Credit | 0 | ($0) |
| K.S.A.74-50,311, 74-50,324 | Powerful Economic Expansion Credit | *CONF | *CONFIDENTIAL |
| K.S.A. 79-32,224 | Qualifying Pipeline Credit | 0 | ($0) |
| K.S.A. 79-32,182b | Research and Development Credit | 153 | ($4,661,437) |
| K.S.A. 79-32,297 | Short Line Railroad Credit | 9 | ($7,322,663) |
| K.S.A. 79-32,212 | Single City Port Authority Credit | 0 | ($0) |
| K.S.A. 40-2246 | Small Employer Health Insurance Contribution Credit | 0 | ($0) |
| K.S.A. 79-32,252 | Storage Blending Equipment Credit | 0 | ($0) |
| K.S.A. 79-32,204 | Swine Facility Improvement Credit | 0 | ($0) |
| K.S.A.79-32,300 | Targeted Employment Credit | 6 | ($10,444) |
| K.S.A. 79-32,283 | Technology Enabled Fiduciary Financial Credit | 0 | ($0) |
| K.S.A. 79-32,210 | Telecommunications Credit | 23 | ($815,548) |
| K.S.A. 79-32,200 | Temporary Assistance to Families Contribution Credit | 0 | ($0) |
| K.S.A. 74-8205; 74-8206; 74-8304; 74-8316 | Venture and Local Seed Capital Credit | 0 | ($0) |
| K.S.A. 74-32,287 | Workforce Retention Incentive | 0 | ($0) |

*CONFIDENTIAL – This information is confidential as there are less than 5 filers. This information is not included in the total.

A positive number in the tax expenditure column represents enhanced state tax revenues. A negative number in the tax expenditure column represents foregone revenue.

**Year Enacted:** 1963
**Statutory Citation:** K.S.A. Chapter 79, Article 11

Every national banking association, bank, trust company, federally chartered savings bank, and savings and loan association located or doing business within the state shall be required to file a privilege tax return and pay a tax according to or measured by its net income for the next preceding taxable year.

Kansas begins its privilege tax calculation with federal taxable income. This connection to the federal tax code adopts many of the tax expenditures that exist at the federal level. Any special provisions allowed by the federal government that reduce taxable income will flow through to the Kansas tax return, thereby resulting in lower Kansas tax collections. Most of these special provisions at the federal level are not specifically enumerated in this report. This report will provide the cost of several addition/subtraction modifications to federal taxable income. Kansas law allows certain deductions in arriving at Kansas taxable income.

For process year 2024, tax year 2023, a tax consisting of a normal tax and a surtax shall be imposed for privilege tax filers. The normal tax shall be an amount equal to 2.25% of Kansas taxable income and a surtax in an amount equal to 2.125% of Kansas taxable income that is in excess of $25,000 for banks and 2.25% of Kansas taxable income that is in excess of $25,000 for savings & loans and trust companies.

# PRIVILEGE TAX
## PROCESS YEAR 2024

### ADDITION MODIFICATIONS

| Statutory Reference | Description | Number of Filers | *Tax Expenditure |
|---|---|---|---|
| K.S.A. 79-1109 | State and municipal bond interest not specifically exempt from Kansas income tax. | 297 | $17,532,853 |
| K.S.A. 79-1109<br>K.S.A. 79-32,138(b)<br>K.S.A. 79-32,117(b)(iii) | Federal net operating loss deduction | 62 | $429,896 |
| K.S.A. 79-1109 | Savings & Loan Bad Debt Deduction included in federal deductions | 15 | $1,078,238 |
| Various | Other additions to federal taxable income | 70 | $841,056 |

### SUBTRACTION MODIFICATIONS

| Statutory Reference | Description | Number of Filers | *Tax Expenditure |
|---|---|---|---|
| Various | Subtractions from federal taxable income | 210 | ($1,430,475) |

### DEDUCTIONS

| Statutory Reference | Description | Number of Filers | *Tax Expenditure |
|---|---|---|---|
| K.S.A. 79-32,143 | Kansas Net Operating Loss | 29 | ($1,441,746) |
| K.S.A. 79-1109 | Savings and Loan Bad Debt Deduction | 17 | ($2,981,826) |

### TAX CREDITS

| Statutory Reference | Description | Number of Filers | Tax Expenditure |
|---|---|---|---|
| K.S.A. 79-32,306 | Affordable Housing Credit | 0 | ($0) |
| K.S.A. 79-1126a | Agricultural Loan Interest Reduction Credit | 0 | ($0) |
| K.S.A. 79-32,153 | Business and Job Development Tax Credit | 0 | ($0) |
| K.S.A. 79-32,160a | Business and Job Development Tax Credit -Carryover | 0 | ($0) |
| K.S.A. 79-32,206 | Business Machinery and Equipment Tax Credit | 0 | ($0) |
| K.S.A. 74-99c09 | Center for Entrepreneurship Credit | 0 | ($0) |
| K.S.A. 79-32,190 | Child Day Care Assistance Credit | 0 | ($0) |
| K.S.A. 79-32,211 | Commercial Restoration & Preservation Credit | 0 | ($0) |
| K.S.A.79-32,261 | Community College and Technical College Credit | 6 | ($15,000) |
| K.S.A. 79-32,197 | Community Service Contribution Credit | 17 | ($119,925) |
| K.S.A. 79-1117 | Disabled Access Credit | 0 | ($0) |
| K.S.A. 79-32, 274 | Eisenhower Foundation Credit | 0 | ($0) |
| K.S.A. 79-32, 275 | Friends of Cedar Crest Association Credit | 0 | ($0) |
| K.S.A. 79-32,160a(e);<br>K.S.A. 74-50,132 | High Performance Incentive Program Credit | 6 | ($1,342,070) |
| K.S.A. 79-32,211 | Historic Preservation Tax Credit | 12 | ($4,151,916) |
| K.S.A. 79-32,310 | Housing Investor Credit | 9 | ($1,481,015) |
| K.S.A. 72-4357 | Low Income Student Scholarship Credit | * CONF | *CONFIDENTIAL |
| K.S.A.74-50,311, 74-50,324 | Powerful Economic Expansion Credit | 0 | ($0) |
| K.S.A. 79-32,212 | Single City Port Authority Credit | 0 | ($0) |
| K.S.A.79-32,300 | Targeted Employment Credit | 0 | ($0) |
| K.S.A. 79-32,283 | Technology Enabled Fiduciary Financial credit | 0 | ($0) |
| K.S.A. 74-8205; 74-8206;<br>74-8304; 74-8316 | Venture and Local Seed Capital Credit | 0 | ($0) |
| K.S.A. 74-32,287 | Workforce Retention Incentive | 0 | ($0) |

*CONFIDENTIAL-This information is confidential as there are less than 5 filers. This information is not included in the total.

A positive number in the tax expenditure column represents enhanced state tax revenues. A negative number in the tax expenditure column represents foregone revenue.

# KANSAS RETAILERS' SALES TAX

**Year Enacted:** 1937
**Statutory Citation:** K.S.A. Chapter 79, Article 36

Kansas imposes a state retailers' sales tax of 6.50% (effective July 1, 2015), plus local sales taxes on the following:

- Retail sale, rental or lease of tangible personal property;
- Labor services to install, apply, repair, service, alter, or maintain tangible personal property; and
- Admissions to places providing entertainment, amusement, or recreation in Kansas.

Kansas law allows many exemptions from the imposition of sales tax.

| | Legal Exemptions | |
|---|---|---|
| **Statute** | **Description of Exemption or Exclusion** | **FY 2025 ($ in Millions)** |
| 3606 (e) | Property or services purchases by federal government, its agencies or instrumentalities | $ 65.43 |
| 3606 (f) | Property purchased by railroad or public utility for use in the movement of interstate commerce | $ 32.01 |
| 3606 (g) | Sales, repair, parts and labor, or modification of aircraft sold for interstate commerce directly through an authorized agent. | $ 18.92 |
| 3606 (y) | Sales of materials and services used in repairing, maintaining, etc., of railroad rolling stock used in interstate commerce | $ 1.57 |
| 3606 (aa) | Materials and services brought into Kansas for usage outside of Kansas for repair, services, alteration, maintenance, etc. used for the transmission of liquids or national gas by a pipeline in interstate commerce | $ - |
| 3606 (dd) | Property purchased with food stamps issued by US Department of Agriculture | $ 35.23 |
| 3606 (gg) | Property purchased with vouchers issued pursuant to the federal special supplemental food program for women, infants and children | $ 2.15 |
| 3606 (ddd) | Property and services purchases by any class II or III railroad (shortline) for track and facilities used directly in interstate commerce. Only for calendar year 1999. | $ - |
| | **Subtotal** | **$ 155.31** |

| | Conceptual Exclusions | |
|---|---|---|
| **Statute/Regulation** | **Description of Exemption or Exclusion** | **FY 2025 ($ in Millions)** |

| | | |
|---|---|---|
| 92-19-2a(7) | Exempting from sales tax wholesale sales and sales for resale. A wholesaler is a company that sells only to other wholesalers or to retailers registered for sales tax. A wholesaler by definition never sells to the final consumer (retail sale). Kansas wholesalers are not required to register with the Kansas Department of Revenue to collect sales tax. An exemption certificate must accompany wholesale sales when a wholesaler sells to a Kansas retailer for resale. | Kansas<br>$ - |
| 3606 (a) | Motor fuels and items already taxed by sales or excise tax and not subject to a refund except cigarettes and electronic cigarettes, alcohol greater than 3.2% beer, tires subject to tire excise tax and dry cleaning and laundry services | $ 487.93 |
| 3606 (k) | Vehicles, trailers or aircraft purchased sold and delivered in this state to a bona fide resident of another state, which is not to be registered or based in this state and which will not remain in this state more than 10 days. | $ 31.56 |
| 3606 (l) | Isolated or occasional sales, except motor vehicles | no estimate |
| 3606 (m) | Property which becomes an ingredient or component part of property or services produced or manufactured for ultimate sale at retail | $ 2,953.50 |
| 3606 (n) | Property consumed in the production, manufacturing, processing, mining, drilling, refining or compounding of property; or irrigation of crops for ultimate sale at retail. | $ 216.98 |
| 3606 (o) | Sales of animals, fowl, aquatic plants, and animals used in agriculture or aquaculture, for production of food for human consumption, the production of animal, dairy, poultry, or aquatic products, fiber or fur or the production of offspring. | $ 1,180.57 |
| | **Subtotal** | **$ 4,870.53** |

| | **Public Policy:<br>Charitable, Religious, Benevolent Exemptions** | |
|---|---|---|
| **Statute** | **Description of Exemption or Exclusion** | **FY 2025<br>($ in Millions)** |
| 3603 (e) | Admission to any cultural and historical event which occurs triennially (occurs every three years) | $ - |
| 3603 (w) | Sales of charitable raffle tickets in accordance with K.S.A. 75-5171 et seq. | $ - |
| 3606 (v) | Sales of food products purchased by contractor for use in preparing meals for delivery to homebound elderly and disabled persons and all personal property purchased by contractor and sales of food products by or on behalf of contractor or organization. | $ 10.71 |

| | | Kansas |
|---|---|---|
| 3606 (ii) | Property purchased by nonprofit organization for nonsectarian comprehensive multidiscipline youth development programs and activities and sales of property by or on behalf of such organization | $ 2.54 |
| 3606 (oo) | Property purchased by a community action group or agency to repair or weatherize housing occupied by low income individuals. | -- |
| 3606 (qq) | All sales of tangible personal property and services purchased by a nonprofit museum or historical society or any combination thereof, including a nonprofit organization which is organized for the purpose of stimulating public interest in the exploration of space by providing educational information, exhibits and experiences, which is exempt from federal income taxation pursuant to section 501(c)(3) of the federal internal revenue code of 1986; | $ 6.12 |
| 3606 (rr) | Property which will admit purchases to an annual event sponsored by a nonprofit organization organized under the federal income taxation code as a 501 (c)(3) | $ 0.05 |
| 3606 (tt) | Property and services purchased by not-for-profit corporation for the sole purpose of constructing a Kansas Korean War memorial and is organized under the federal income taxation code as a 501 (c)(3) | $ - |
| 3606 (xx) | Property and services purchases by nonprofit zoo or on behalf of a zoo by an entity that is a 501(c)(3) | $ 0.09 |
| 3606 (yy) | Property and services purchased by a parent-teacher association or organizations and all sales of tangible personal property by or on behalf of such association | $ 1.41 |
| 3606 (aaa) | Property and services purchased by religious organizations and used exclusively for religious purposes | $ 29.01 |
| 3606 (bbb) | Sales of food for human consumption by organizations exempt by 501(c)(3) pursuant to food distribution programs which offers such food at a price below cost in exchange for the performance of community service by the purchaser. | $ - |
| 3606 (hhh) | Property and services purchased by or on behalf of Domestic Violence Shelters as members of the Kansas Coalition Against Sexual and Domestic Violence | $ 0.19 |
| 3606 (iii) | Property and services purchased by organizations distributing food without charge to other nonprofit food distribution programs. | $ 0.33 |

| | | Kansas |
|---|---|---|
| 3606 (ppp) | Property and services purchased by non-profit Homeless Shelters, and sales made by or on behalf of these organizations. | $ 0.01 |
| 3606 (ttt) | Property and services purchased by a contractor for the purpose of restoring, constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling a home or facility owned by a nonprofit museum which is qualified under the governor hometown heritage act (KSA 75-5071) | $ - |
| 3606 (pppp) | Property or services purchased by a not-for-profit corporation that is designated as an area agency on aging for the purpose of coordinating and providing seniors and those living with disabilities with services that promote person-centered care, including home-delivered meals, congregate meal settings, long-term case management, transportation, information, assistance and other preventative and intervention services to help service recipients remain in their homes and communities or for the purpose of constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling facilities for such area agency on aging | $ 0.13 |
| 3606 (wwww) | Personal property or services purchased by a pregnancy resource center or residential maternity facility. | $ 0.39 |
| | **Subtotal** | **$ 50.99** |

| | **Public Policy:**<br>**Exemptions to Charitable Organizations by Name** | |
|---|---|---|
| **Statute** | **Description of Exemption or Exclusion** | **FY 2025**<br>**($ in Millions)** |
| 3606 (v v) | Property purchased by the following organizations who are organized under the federal income taxation code as a 501 (c)(3): American Heart Association, Kansas Affiliate; Kansas Alliance for the Mentally Ill, Inc.; Kansas Mental Illness Awareness Council; American diabetes association Kansas affiliate, inc, American lung association of Kansas, inc, Kansas chapters of the Alzheimer's disease and related disorders association, inc, Kansas chapters of the Parkinson's disease association, national kidney foundation of Kansas and western Missouri, Heartstrings Community Foundation, Cystic Fibrosis , Spina Bifida Assn, CHWC, Inc., Cross-lines Cooperative Council, Dreams Work, Inc., KSDS, Inc., Lyme Association of Greater Kansas City, Inc, Dream Factory, Ottawa Suzuki Strings, International Assn of Lions Clubs, Johnson County young Matrons, American Cancer Society, Community Services of Shawnee, Angel Babies Assn, Kansas Fairground Foundation. | $ 1.12 |

| | | |
|---|---|---|
| 3606 (ww) | Property purchased by the Habitat for Humanity for use within a housing project | Kansas $ 1.02 |
| 3606 (ggg) | Property and services purchased by or on behalf of the Kansas Academy of Science. | *** |
| 3606 (lll) | Property and services purchased by Special Olympics Kansas, Inc., and sales made by or on behalf of Special Olympics. | *** |
| 3606 (mmm) | Property and services purchased by Marillac Center, Inc. and sales made by or on behalf of the Marillac Center. | *** |
| 3606 (nnn) | Property and services purchased by West Sedgwick County - Sunrise Rotary Club for constructing boundless playground. | *** |
| 3606 (qqq) | Property and services purchased by TLC for Children and Families, Inc. and sales made by or on behalf of TLC | *** |
| 3606 (sss) | Property and services purchased by catholic charities or youthville and sales made by or on behalf of catholic charities or youthville | *** |
| 3606 (uuu) | Property and services purchased by Kansas Children's Service League and sales made by or on behalf of the KCSL | *** |
| 3606 (vvv) | Property and services purchased by Jazz in the Woods and sales made by or on behalf of such organization | *** |
| 3606 (www) | Property purchased by or behalf of Frontenac Education Foundation and sales made by or on behalf of such organization | *** |
| 3606 (xxx) | Property and services purchased by the Booth Theatre Foundation, Inc. | *** |
| 3606 (yyy) | Property and services purchased by the TLC Charities Foundation, Inc. and sales made by or on behalf of these organizations. | *** |
| 3606 (zzz) | Property purchased by Rotary Club of Shawnee Foundation | *** |
| 3606 (aaaa) | Property and services purchased by or on behalf of Victory in the Valley and sales made by or on behalf of such organization | *** |
| 3606 (bbbb) | Guadalupe Health Foundation, sales of entry or participation fees, charges or tickets for annual fundraising event | *** |
| 3606 (cccc) | Property and services purchased by or on behalf of Wayside Waifs for the purpose of providing such organizations annual fundraising event and sales made by or on behalf of such organization | *** |

| | | |
|---|---|---|
| 3606 (dddd) | Property or services purchased by or on behalf of Goodwill Industries or Easter Seals of Kansas, Inc for the purpose of providing education, training and employment opportunities for people with disabilities and other barriers to employment | Kansas<br>*** |
| 3606 (eeee) | Property or services purchased by or on behalf of All Beef Battalion, Inc. for the purpose of educating, promoting and participating as a contract group through the beef cattle industry in order to carry out such projects that provide support and morale to members of the United States armed forces and military services. | *** |
| 3606 (ffff) | Property and services purchased by Sheltered Living, Inc for the purpose of providing residential and services for people with developmental disabilities or mental retardation, or both; and sales made on behalf of such organization | *** |
| 3606 (iiii) | Project Exemption Certificates (PEC) for constructing, maintaining, repairing, enlarging, furnishing or remodeling a facility for Wichita Children's Home | *** |
| 3606 (jjjj) | Property and services purchased by or on behalf of Beacon, Inc for the purpose of providing those desiring help with food, shelter, clothing and other necessities of life during times of special need. | *** |
| 3606 (kkkk) | Property and services purchased by or on behalf of Reaching Out from Within, Inc for the purpose of sponsoring self-help programs for incarcerated persons to enable them to become role models for non-violence while in correctional facilities and productive family members and citizens upon return to the community | *** |
| 3606 (llll) | Property and services purchased by Gove County Healthcare Endowment Foundation, Inc. for the purpose of constructing and equipping an airport in Quinter, Kansas. Exemption sunsets on July 1, 2019. | $ - |
| 3606 (nnnn) | Property and services purchased by Friends of Hospice of Jefferson County for the purpose of providing support to the Jefferson County Hospice Agenccy in end-of-life care of Jefferson County families, frends, and neighbors, and all sales of entry or participation fees, charges or tickets for the organization's fundraising event | *** |
| 3606 (qqqq) | Property and services purchased by Kansas suicide prevention HQ for the purpose of bringing suicide prevention training and awareness to communities across the state | *** |

| | | |
|---|---|---|
| 3606 (ssss) | Personal property or services purchased by or on behalf of Doorstep for the purpose of providing short-term emergency aid to families and individuals in need, including assistance with food, clothing, rent, prescription medications, transportation and utilities, and providing information on services to promote long-term self-sufficiency | Kansas *** |
| 3606 (tttt) | Personal property or services purchased by Exploration Place for the purpose of constructing, remodeling, furnishing or equipping a riverfront amphitheater, a destination playscape, an education center and indoor renovations and personal property or services purchased by Kansas Children's Discovery Center for the purpose of constructing, remodeling, furnishing or equipping projects that include indoor-outdoor classrooms, an expanded multimedia gallery, a workshop and loading dock and safety upgrades. Exemption sunsets on December 31, 2030. | *** |
| 3606 (v v v v) | Personal property or services purchased by a contractor for the purpose of constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling a building that is operated by, or is intended to be operated by, the Kansas Fairgrounds Foundation. | *** |
| | **Subtotal** | **$ 3.58** |

**Public Policy:**
**Consumer Exemptions**

| Statute | Description of Exemption or Exclusion | FY 2025 ($ in Millions) |
|---|---|---|
| 3602 (ll)(3)(E) | Modified definition of sales or selling price to not include cash rebates granted by a manufacturer to a purchaser or lessee of a new motor vehicle if paid directly to the retailer as a result of the original sale. | $ 4.31 |
| 3602 (ll)(3)(G) | Excludes the amount of a manufacturer coupon from the sales price | $ 2.11 |
| 3603 (b) | Taxes telephone and telegraph services except any interstate or international 800 or 900 service; (2) any interstate or international private communications service | $ 3.05 |
| 3603 (c) | Residential and agricultural use utilities exempt from sales tax. (Gas & Electricity exempt from state sales tax not local sales tax. Water exempt from state and local sales tax) | $ 136.98 |
| 3603 (o) | Motor vehicles exchanged for corporate stock (1970), corporate transfer to itself (1970) and immediate family member sales (1995). | $ 0.35 |
| 3603 (p) | Labor services of installing or applying tangible property in conjunction with the original construction of a building or facility or the construction reconstruction, restoration, replacement or repair of a residence, bridge or highway | $ 182.88 |

| | | |
|---|---|---|
| 3603 (v) | Sales of bingo cards, bingo faces and instant bingo tickets. | $ 3.80 |
| 3603 (x) | Sales of food and food ingredients in accordance with K.S.A. 79-3603d | $ 430.28 |
| 3606 (u) | Leases or rentals of property used as a dwelling for more than 28 consecutive days. | $ 5.98 |
| 3606 (w) | All sales of natural gas, electricity, heat and water delivered through mains, lines or pipes: (1) To residential premises for noncommercial use by the occupant of such premises; (2) for agricultural use and also, for such use, all sales of propane gas; (3) for use in the severing of oil; and (4) to certain property which is exempt from property taxation. Provisions (1) and (2) sunset Dec. 31, 2005. | $ 19.39 |
| 3606 (x) | All sales of propane gas, LP-gas, coal, wood and other fuel sources for the production of heat or lighting for noncommercial use of an occupant of residential premises occurring prior to January 1, 2006. | $ - |
| 3606 (bb) | All sales of used mobile homes or manufactured homes. | $ 7.41 |
| 3606 (ee) | Lottery tickets and shares made as part of a lottery operated by the State of Kansas | $ 23.57 |
| 3606 (ff) | New mobile or manufactured homes to the extent of 40% of the gross receipts | $ 1.37 |
| 3606 (mmmm) | Sales of gold or silver coins, and palladium, platinum, gold or silver bullion | $ - |
| 3606 (rrrr) | Sales of the services of slaughtering, butchering, custom cutting, dressing, processing and packaging of an animal for human consumption when the animal is delivered or furnished by a customer that owns the animal and such meat or poultry is for use or consumption by such customer | $ 1.70 |
| | **Subtotal** | **$ 823.19** |

**Public Policy:**
**Governmental Exemptions**

| Statute | Description of Exemption or Exclusion | FY 2025 ($ in Millions) |
|---|---|---|
| 3603 (g) | Service of renting of rooms by hotels or accommodation brokers to federal government or any federal employee in performance of official government duties. | $ 0.44 |
| 3603 (h) | Service of leasing or renting machinery and equipment owned by city purchased with industrial revenue bonds prior to July 1, 1973 | $ - |

| | | Kansas |
|---|---|---|
| 3606 (b) | Property or services purchases directly by State of Kansas, political subdivision, nonprofit hospital or nonprofit blood, tissue or organ bank and used exclusively for state, political subdivision, hospital or public hospital authority or nonprofit blood, tissue or organ bank purposes, | $ 1,722.63 |
| 3606 (d) | Property or services purchased by contractor for building or repair of buildings for nonprofit hospital, elementary or secondary schools or nonprofit educational institutions, and for state correctional institution with use of a project exemption certificate. | $ 242.52 |
| 3606 (s) | Sales of property or services purchased by a groundwater management district, rural water district, or water supply district. | $ 3.05 |
| 3606 (z) | Property and services purchased directly by a port authority or a contractor therefore. | $ - |
| 3606 (ss) | Property and services purchased by a public broadcasting station licensed by FCC as a noncommercial educational television or radio station except that for taxable years commencing after December 31, 2013, this subsection shall not apply to any sales of such tangible personal property purchased by a nonprofit organization which performs any abortion, as defined in K.S.A. 65-6701, and amendments thereto; | $ - |
| 3606 (uu) | Property and services purchased by rural fire fighting organization | $ - |
| 3606 (ooo) | Sales made by or on behalf of a public library | $ 0.01 |
| 3606 (rrr) | Property and services purchased by county law library. | $ 0.15 |
| | **Subtotal** | **$ 1,968.81** |

**Public Policy:**
**Educational Exemptions**

| Statute | Description of Exemption or Exclusion | FY 2025 ($ in Millions) |
|---|---|---|
| 3606 (c) | Property or services purchased and leasing by elementary or secondary schools and educational institutions | $ 206.60 |
| 3606 (h) | Rental of nonsectarian textbooks by elementary or secondary schools | $ 3.19 |
| | **Subtotal** | **$ 209.79** |

**Public Policy:**
**Health Care Exemptions**

| Statute | Description of Exemption or Exclusion | Kansas<br>FY 2025<br>($ in Millions) |
|---|---|---|
| 3606 (p) | Sales for prescription drugs | $ 110.57 |
| 3606 (q) | Sales of insulin dispensed by pharmacist for treatment of diabetes | $ 6.16 |
| 3606 (r) | Sales of prosthetic or orthopedic appliances prescribed by a doctor. All hearing aids, parts and batteries by licensed providers. mobility enhancing equipment prescribed in writing by a person licensed to practice the healing arts, dentistry or optometry. | $ 11.32 |
| 3606 (hh) | Medical supplies and equipment purchased by nonprofit skilled nursing home or intermediate nursing care home for providing medical services to residents | $ 2.63 |
| 3606 (jj) | All sales of tangible personal property or services, including the renting and leasing of tangible personal property, purchased directly on behalf of a community-based facility for people with intellectual disability or mental health center. | $ 3.33 |
| 3606 (ll) | Educational materials purchased for distribution to the public at no charge by a nonprofit public health corporation | $ 0.23 |
| 3606 (ccc) | Property and services purchases by health care centers and clinics who are serving the medically underserved. | $ 0.63 |
| 3606 (jjj) | Sales of dietary supplements dispensed by prescription order by a licensed practitioner or mid-level practitioner. | $ - |
| | **Subtotal** | **$ 134.87** |

**Public Policy:**
**Agriculture Exemptions**

| Statute | Description of Exemption or Exclusion | FY 2025<br>($ in Millions) |
|---|---|---|
| 3606 (t) | Sales of farm or aquaculture machinery and equipment, parts and services for repair and replacement including precision farm equipment and work-site utility vehicle. | $ 194.40 |
| 3606 (mm) | Seeds, tree seedlings, fertilizers, insecticides, etc., and services purchased and used for producing plants to prevent soil erosion on land devoted to agricultural use. | $ 1.06 |

| | | |
|---|---|---|
| 3606 (hhhh) | Project Exemption Certificates (PEC) for specific agricultural industries for construction, reconstruction enlarging or remodeling a facility and the sale and installation of machinery and equipment when project exceed $50,000 | $ 4.38 |
| | **Subtotal** | **$ 199.84** |

**Public Policy:**
**Exemption of Certain Services**

| Statute | Description of Exemption or Exclusion | FY 2025 ($ in Millions) |
|---|---|---|
| 3603 (f) | Sales tax exclusion for Coin operated Laundry Services | $ 1.82 |
| 3603 (m) | Fees and charges by any political subdivision, youth recreation organization exclusively providing services to persons 18 or younger organized as a 501(c)(3) for sports, games and other recreational activities and entry fees and charges for participation. | $ 1.14 |
| 3603 (n) | Dues charged by any organization pursuant to paragraph 8 and 9 of 79-201 (veteran & humanitarian organizations) and zoos | $ 0.42 |
| 3606 (nn) | Services rendered by advertising agency or broadcast station | $ 2.98 |
| | **Subtotal** | **$ 6.36** |

**Public Policy:**
**Exemptions for Businesses**

| Statute | Description of Exemption or Exclusion | FY 2025 ($ in Millions) |
|---|---|---|
| 3603 (s) | Tax on prewritten software. Custom software is excluded from tax. | $ 63.05 |
| 3606 (i) | Lease or rental of films, records, tapes, etc. by motion picture exhibitors | $ 3.49 |
| 3606 (j) | Meals served without charge to employees if duties include furnishing or sale of such meals or drinks | $ 15.73 |
| 3606 (cc) | Property or services purchased for constructing, reconstructing, enlarging or remodeling a business; sale and installation of machinery and equipment purchased for installation in such business. (Enterprise Zone Exemption) | $ 194.79 |

| | | Kansas |
|---|---|---|
| 3606 (kk) | Machinery and equipment used directly and primarily in the manufacture, assemblage, processing, finishing, storing, warehousing or distributing of property for resale by the plant or facility. Integrated Production Machinery and Equipment. | $ 269.83 |
| 3606 (pp) | Drill bits and explosives used in the exploration and production of oil or gas | $ 0.38 |
| 3606 (zz) | Machinery and equipment purchased by over-the-air free access radio or television station used directly and primarily for producing signal or the electricity essential for producing the signal. | $ 3.99 |
| 3606 (eee) | Property and services purchases for reconstruction, reconstruction, renovation, repair of grain storage facilities or railroad sidings. Only for calendar year 1999 and 2000. | $ - |
| 3606 (fff) | Material handling equipment, racking systems & other related machinery & equipment used for the handling, movement or storage of tangible personal property in a warehouse or distribution facility; installation, repair, maintenance services, and replacement parts. | $ 10.49 |
| 3606 (gggg) | Sales of game birds for use in hunting | $ 0.07 |
| 3606 (oooo) | Attracting Powerful Economic Expansion Act (APEX) | $ - |
| 3606 (uuuu) | Sales of equipment, machinery, software, ancillary components, appurtenances, accessories or other infrastructure purchased for use in the provision of communications services and services purchased by a provider in the provision of the communications service used in the repair, maintenance or installation in such communications service | $ 15.58 |
| *(Updated 12/2025)* | **Subtotal** | **$ 577.40** |
| | **Total** | **$ 9,000.66** |

# KANSAS MINERAL TAX

**Year Enacted:** 1983
**Statutory Citation:** K.S.A. Chapter 79, Article 42

Gas and oil are taxed on the gross value at the time of removal from the earth or water. The tax rate is 8% less property tax credits equal to 3.67%, making the tax rate 4.33% after the credit.

Tax exemptions for oil are based on the average price per barrel, average daily productions, depth of the well, new pools and inactive wells.

Tax exemptions for gas wells are for wells with an average daily production valued at $87 or less, as used for domestic or agricultural purposes on the production unit, and gas from any new pool.

The state general fund receives 93% of the total collection and counties receive the remaining 7%.

Fiscal Year 2025 Mineral Tax Expenditures

| Description | Number of Filers | *Tax Expenditure |
|---|---|---|
| Oil | 33 | ($4,250,552) |
| Gas | 106 | ($6,935,139) |
| Special Co. Mineral Production Fund | -- | ($2,699,881) |
| Mineral Production Education Fund | -- | ($9,376,020) |
| Property Tax Credit | -- | ($38,332,247) |

*Tax expenditure computed using a rate of 4.33%

**Year Enacted:** 1925 – gasoline tax
1941 – special fuels tax
1959 – LP gas tax
1979 – gasohol tax

**Statutory Citation:** K.S.A. Chapter 79, Article 34

A tax is imposed on the use, sale or delivery of all motor vehicle fuels or special fuels that are used, sold or delivered in this state. Distributors are allowed to deduct a 2.5 percent handling allowance on gasoline and special fuels received. No allowances are made on gasoline and special fuels exported from the state or sold to the federal government or its agencies; nor are allowances made on gasoline or special fuels sold or disposed of to consumers in tank cars, transport, or pipeline lots.

Kansas law provides that, unless specifically exempt from sales tax, sale of motor fuels will be subject to the Kansas sales tax if no Kansas excise tax has been imposed. No motor fuel tax is imposed on gasoline or special fuel for the following transactions in Calendar Year 2024:

- export from the state to any other state or territory;

| Fuel Type | Gallons | Tax Rate | Tax Expenditure |
|---|---|---|---|
| CY24 Gasoline/Gasohol | 1,345,857,623 | $0.24 | ($323,005,830) |
| CY24 Diesel | 569,975,943 | $0.26 | ($148,193,745) |
| CY24 E85 | 2,464,928 | $0.17 | ($419,038) |

- sale to the federal government or its agencies (combined below);
- sale to a contractor who performs work for the federal government or its agencies;

| Fuel Type | Gallons | Tax Rate | Tax Expenditure |
|---|---|---|---|
| CY24 Gasoline/Gasohol | 1,819,932 | $0.24 | ($436,784) |
| CY24 Diesel | 534,459 | $0.26 | ($138,959) |
| CY24 E85 | 51,057 | $0.17 | ($8,680) |

- sale which is aviation fuel;

| Fuel Type | Gallons | Tax Rate | Tax Expenditure |
|---|---|---|---|
| CY24 Gasoline/Gasohol | 6,314,550 | $0.24 | ($1,515,492) |
| CY24 Diesel | 51,228,425 | $0.26 | ($13,319,391) |

- first sale or delivery to a duly licensed distributor who resells to another duly licensed distributor, (No numbers available. This exemption merely ensures that double taxation does not occur.);

- sale of indelibly dyed special fuel to be used for non-highway purposes, and

| Fuel Type | Gallons | Tax Rate | Tax Expenditure |
|---|---|---|---|
| CY24 Dyed Diesel | 455,043,089 | $0.26 | ($118,311,203) |

- shrinkage allowance @ 2.5%.

| Fuel Type | Gallons | Tax Rate | Tax Expenditure |
|---|---|---|---|
| CY24 Gasoline/Gasohol | 33,155,887 | $0.24 | ($7,957,413) |
| CY24 Diesel | 12,367,858 | $0.26 | ($3,215,643) |
| CY24 E85 | 110,681 | $0.17 | ($18,816) |

## KANSAS HOMESTEAD REFUND PROGRAM

**Year Enacted:** 1970
**Statutory Citation:** K.S.A. Chapter 79, Article 45

The homestead refund program is a rebate of a portion of the property taxes paid on a Kansas resident's homestead. (Effective January 1, 2013, renters no longer qualify and may not claim a Homestead Property Tax Refund.) If an individual owns their home, the refund is a percentage of the general property tax. In tax years 2023 and 2024, the maximum refund was $700. As a Kansas resident the entire year, an individual is eligible if the total household income is $40,500 or less in tax year 2023; $42,600 or less in tax year 2024, and the individual:

- is 55 years of age or older, OR
- was blind or totally and permanently disabled in calendar year of claim, OR
- had a dependent child under 18 who lived with you all year whom you claim as a personal exemption

A claimant may receive either a Homestead or a SAFE SENIOR refund, but not both. The refund percentage is based on the total household income. In tax year 2023, the Kansas Department of Revenue issued $10,070,318 in homestead refunds to 46,398 homeowners.

## SELECTIVE ASSISTANCE FOR EFFECTIVE SENIOR RELIEF (SAFE SENIOR)

**Year Enacted:** 2008
**Statutory Citation:** K.S.A. Chapter 79, Article 45

Safe Senior is a property tax refund program administered under the provisions of the Kansas Homestead Act (property tax refund). For tax year 2011 and all tax years thereafter, the refund is 75% of the general property tax paid or to be paid. As a Kansas resident the entire year, an individual is eligible if the total household income is $23,700 or less in tax year 2023; $24,500 or less in tax year 2024 and the individual:

- is 65 years of age or older for all of calendar year
- owned a home in Kansas during calendar year

A claimant may receive either a Homestead or a SAFE SENIOR refund, but not both.

During the last reported tax year, the Kansas Department of Revenue issued $9,674,582 in SAFE SENIOR refunds to 7,012 homeowners. This is reported as a part of the total homestead refunds issued.

## HOMESTEAD SENIORS AND DISABLED VETERANS (HOMESTEAD SVR)

**Year Enacted:** 2022
**Statutory Citation:** K.S.A. Chapter 79, Article 45

In 2022, the legislature created a new Homestead SVR program for seniors and disabled veterans, for refund claims to be paid to claimants for the amount by which the claimant's residential property tax exceeds the amount of the claimant's property tax in the claimant's base year. In Tax Year 2023, the maximum household income was $53,600. In Tax Year 2024, the maximum household income was $56,450. During the last reported tax year, the Kansas Department of Revenue issued $7,699,400 in Homestead SVR refunds to 18,561 homeowners.

# KANSAS FOOD SALES TAX CREDIT PROGRAM

**Year Enacted:** 2013
**Statutory Citation:** K.S.A. Chapter 79, Article 32

The food sales tax credit program offers a nonrefundable income tax credit of the sales tax paid on food. To qualify for the program an individual must have lived in Kansas for the entire year and:

- be 55 years of age or older, OR
- was blind or totally and permanently disabled in calendar year of claim, OR
- had a dependent child under 18 who lived with you all year whom you claim as a personal exemption

During the 2022 legislative session, House Bill 2106 was signed into law. It reduced the state sales and compensating use tax rate on food and food ingredients. The bill also sunsets the Food Sales Income Tax Credit at the end of Tax Year 2024.

The food sales tax refund is computed as follows:

| If the qualifying income is: | The refund is: |
|---|---|
| $0 to $30,615 | $125 per number of qualified federal exemptions and must be applied to Kansas tax liability after all other credits. |

In tax year 2023, the Kansas Department of Revenue issued $6,577,467 in food sales tax credits to 48,432 eligible filers.

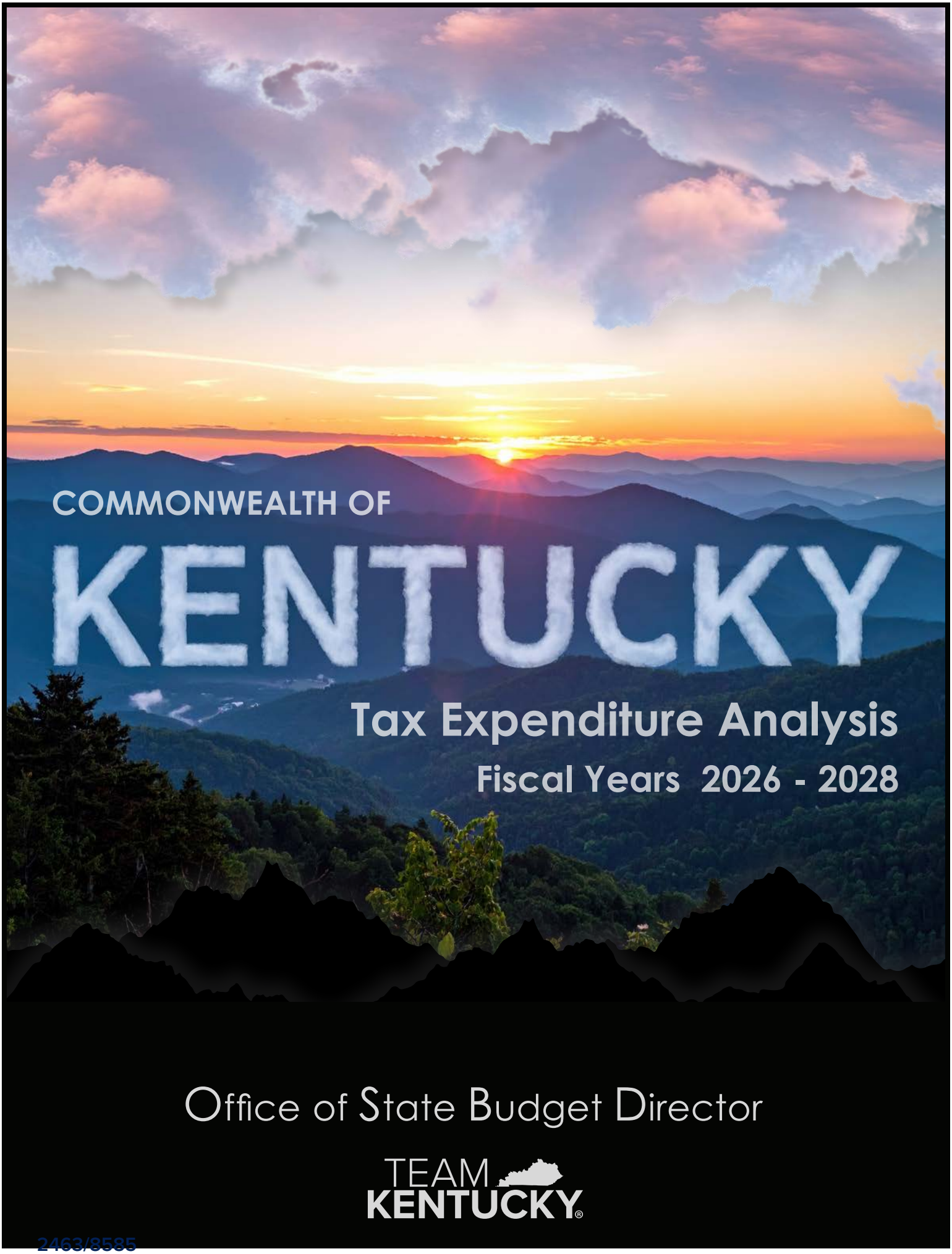
# KANSAS IMPACT PROGRAM

**Year Enacted:** 1991
**Statutory Citation:** K.S.A. Chapter 74, Article 50

The IMPACT act provides for major project investment to provide financial assistance to defray business costs. IMPACT also provides financial assistance for new job training.

Commencing on July 1, 2021, and on the first day of each month thereafter during fiscal year 2025, fiscal year 2026 and fiscal year 2027, the secretary of revenue shall apply a rate of 2% to that portion of moneys withheld from the wages of individuals and collected under the Kansas withholding and declaration of estimated tax act, K.S.A. 79-3294 et seq., and amendments thereto. The amount so determined shall be credited on a monthly basis as follows: (1) An amount necessary to meet obligations of the debt services for the IMPACT program repayment fund; (2) an amount to the IMPACT program services fund as needed for program administration; and (3) any remaining amounts to the job creation program fund created pursuant to K.S.A. 74-50,224, and amendments thereto. During fiscal year 2025, fiscal year 2026 and fiscal year 2027, the aggregate amount that is credited to the job creation program fund pursuant to this subsection shall not exceed $20,000,000 for each such fiscal year.

In fiscal year 2025, the Kansas IMPACT program expended $20,000,000.


COMMONWEALTH OF
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Tax Expenditure Analysis
Fiscal Years 2026 - 2028
Office of State Budget Director
TEAM KENTUCKY

2463/8585

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# Executive Summary

The Office of State Budget Director is presenting this Tax Expenditure Report as required by House Bill 6 of the 2024 Regular Session of the General Assembly. This report, which will be delivered to each branch of government, includes detailed estimates of General Fund and Road Fund revenue losses attributable tax expenditures for the current fiscal year (FY26) and next two fiscal years (FY27 and FY28).

House Bill 6 defines "tax expenditure" as: an exemption, exclusion, or deduction from the base of a tax, a credit against the tax, a deferral of a tax, or a preferential tax rate.

This report includes estimates of the amount of revenue loss for each tax expenditure, a citation of the legal authority for the tax expenditure, and a categorization of the data source associated with the estimated amount of the tax expenditure.

A grand total of all tax expenditures, including Tourism credits/subsidies and Tax Increment Financing projects, is as follows:

**FY26: $9,267.7 million**
**FY27: $9,636.6 million**
**FY28: $9,909.3 million**

The purpose of a Tax Expenditure Analysis is to quantify and catalog specific tax reductions that have been established by statute. An item is determined to be a tax expenditure if state tax revenues are reduced because of a specific statute enacted by the Kentucky General Assembly.

Direct budgetary expenditures, or appropriations, are made by distributing funds actually collected by the Commonwealth. Tax expenditures are made by authorizing preferential tax treatment that allows the targeted recipient to retain money or receive refunds that would otherwise be received by the Commonwealth as tax receipts.

Direct expenditures are evaluated during each budget cycle and are approved, adjusted, or rejected during the budget process. State tax expenditures, however, are evaluated and approved primarily at the time of adoption and implementation, unless

the enabling legislation expires, or "sunsets" at some future date. There is no formal process to systematically review or periodically re-evaluate tax expenditures in subsequent years, except through this Tax Expenditure Analysis. While the use of sunsets has increased at the state level in recent years, sunset provisions are much more common at the federal level, thereby forcing Congress to re-examine the efficacy of programs before renewal.

Tax expenditures come in many forms. Tax relief may be granted to specific recipients or perhaps to specific goods or types of transactions. For example, sales tax exemptions usually result in an exemption of a type of taxable property or a type of transaction from taxation. A common example is textbooks in Kentucky. Textbooks are exempt from taxation as a class of tangible personal property regardless of the nature of the transaction. A common example of a transactional expenditure is the gross receipts from the sale of sewer services, water, and fuel to Kentucky residents for use in heating, water heating, cooking, lighting, and other residential uses. In general, Kentucky imposes tax on the sale of electricity, but not if it is used for residential purposes at the owner's primary residence. Regardless of whether the tax expenditure is for exempt property or exempt transactions, these exemptions result in lower revenues to the Commonwealth.

An individual income tax exemption will usually result in lower amounts of tax withheld from employees (or a refund) and a correspondingly lower amount retained by the Commonwealth. Corporate tax expenditures usually result in lower direct tax payments from businesses. Tax expenditures cover these and many more taxes. Whatever the expenditure may be and whatever the tax type involved, tax revenues are directly reduced because of the provisions in statute.

This report itemizes tax expenditures using multiple displays and assists in an annual review of the expenditures. The report briefly explains each tax containing tax expenditures and quantifies the estimated amount of potential tax revenue that is foregone because of the statutory implementation of these expenditures.

The following list describes each major tax type containing tax expenditures, with a brief description of the tax and an estimate of the amount of potential tax revenue not collected because of each tax expenditure.

## Summary of Tax Expenditures for the Major Taxes

- ***Sales and Use Tax*** – The sales and use tax was first levied in its current form in 1960. The tax is collected on retail sales of tangible personal property, digital property, and certain services within the state, at a rate of six percent of the gross receipts. The use tax is imposed on the storage, use or other consumption of tangible property, digital property, or selected services at a rate of six percent of the sales price. For FY25, the sales and use taxes generated $5,821.3 million. Tax expenditures are estimated at $4,020.5 million for FY26.

- ***Individual Income Tax –*** First imposed in 1936, this tax became the most productive revenue source in Kentucky from FY87 through FY24. For tax years beginning on or after January 1, 2019, Kentucky has adopted a flat rate of five percent for net income minus allowable tax credits. The rate was reduced to 4.5 percent for tax year 2023 and was reduced to four percent effective in tax year 2024. The rate is scheduled to be further reduced effective on January 1, 2026, to 3.5 percent. For FY25, this tax generated $5,319.2 million. Tax expenditures for the individual income tax are estimated at $2,405.9 million for FY26.

- ***Property Taxes*** – Kentucky has levied a property tax since becoming a Commonwealth on June 1, 1792. Property is constitutionally assessed at its fair market value with rates that vary depending upon the type of property. For FY25, property taxes generated $839.3 million. Tax expenditures are estimated at $1,310.2 million for FY26.

- ***Multiple Tax Incentive Programs*** – Kentucky has numerous business incentives and credit programs that allow taxpayers to take credits against multiple taxes. In previous versions of this report, these programs were included within the respective tax chapters. This report aggregates these tax expenditures into a single chapter to provide a concise description and estimation of the impact of these programs. Tax expenditures for these programs and incentives are estimated at $581.5 million for FY26.

- ***Corporation Income Tax and Limited Liability Entity Tax*** – The corporate income tax was first assessed in 1936 against the net income attributable to Kentucky. The Limited Liability Entity Tax (LLET) was enacted during the 2006 Extraordinary Session of the General Assembly. The tax base for the

LLET is gross receipts or gross profits, and it applies to all entities that are provided limited liability to owners. The LLET is assessed for the privilege of doing business in Kentucky. The tax applies to taxable periods beginning on or after January 1, 2007. For FY25, the corporation income tax and LLET generated $1,834.5 million. Tax expenditures for these taxes are estimated at $297.3 million for FY26.

- ***Motor Vehicle Usage Tax*** – First assessed in 1936, the motor vehicle usage tax is assessed at rate of six percent of the retail price of motor vehicles. Many people think of this tax as a "sales" tax since the rates are identical, but the usage tax is assessed for the privilege of using a motor vehicle on the public highways of the Commonwealth. As such, the proceeds are deposited in the Road Fund. For FY25, this tax generated $719.5 million. Tax expenditures are estimated at $209.0 million for FY26.

- ***Earmarked Funds*** – These items are included for informational purposes only. Funds collected are not available for the General Fund but are technically not a tax expenditure because the tax is still collected from the taxpayer. Identified earmarked funds that are not deposited into the General Fund are estimated at $184.1 million for FY26.

- ***Inheritance Tax*** – First adopted in 1906, the inheritance tax is assessed against the value transferred to surviving beneficiaries of deceased Kentuckians. The tax rate and the amount subject to tax are based on the "class" of the beneficiary. For FY25, the inheritance tax generated $77.7 million. Tax expenditures for this tax are estimated at $81.0 million for FY26.

- ***Gasoline, Liquefied Petroleum, and Special Fuels Tax*** – First levied in 1920, these taxes are assessed on gallons of gasoline sold in Kentucky. The liquefied petroleum tax was implemented in 1960 as a "companion" to the gasoline tax, and the tax is assessed on gallons sold. The special fuels tax includes fuels other than gasoline that are used in motor vehicles. The floor of the variable gasoline, liquefied petroleum and special fuels rate is 19.6 cents per gallon; if the weighted wholesale price of gasoline rises above $2.177, the variable tax rate rises above the floor. For FY25, these taxes generated $836.4 million. Tax expenditures for these taxes are estimated at $73.3 million for FY26.

- ***Coal and Natural Resources Severance and Processing Tax*** – Assessed on the severance (removal) and processing of coal, the coal severance tax was first imposed in 1972. The tax is assessed at the rate of 4.5 percent of the gross value of the coal, with a minimum of fifty cents per ton. The tax is assessed against the entity severing or processing the coal. Natural Resources severance taxes were first assessed in 1980. These taxes are levied against the gross value of all minerals severed or processed in Kentucky, excluding coal, natural gas, and oil which are taxed separately. For FY25, the combination of all severance taxes generated $88.4 million. Tax expenditures for this tax type are estimated at $27.1 million for FY26.

- ***Alcoholic Beverage Taxes*** – Various excise and gross receipts taxes are assessed on all types of alcoholic beverages. First assessed in 1936, rates vary significantly based on the type of beverage and the percent of alcohol the beverage contains. The tax is paid at the wholesaler or distributor level of the product. For FY25, alcoholic beverage taxes generated $178.7 million in Kentucky. Tax expenditures within these tax types are estimated at $13.0 million for FY26.

- ***Insurance Premiums Tax*** - First adopted in 1942, this tax is assessed on the receipts of premiums collected by insurance companies in the Commonwealth. The rate of taxation varies according to type of insurer, with different rates for life insurers, insurers other than life, and captive insurers (licensed insurers owned by a business entity and offering insurance only to their owners). For FY25, the insurance premiums tax generated $239.2 million. Tax expenditures for these taxes are estimated to total $2.2 million in FY26.

- ***Tobacco Taxes*** – The cigarette tax is a tax on each pack of cigarettes and was first assessed in 1936. The per-pack rate currently equals $1.10 and is composed of the original excise tax of three cents ($0.03), a surtax of $1.06, and a cancer research surtax of one cent ($0.01). The tobacco products tax includes taxes on loose tobacco, cigars, dry snuff, and various smokeless tobacco products. Moist snuff is taxed at the rate of nineteen cents ($0.19) per tin. Chewing tobacco is taxed at nineteen cents ($0.19) per single unit sold, $0.40 per each half pound, or $0.65 per each pound sold. All remaining tobacco products are taxed at 15 percent of the actual distributor price. The taxation of vaping products began in 2019. Closed vapor cartridges are taxed at a rate of $1.50 per cartridge. Open vapor systems are taxed at 15% of the actual distributor sales price. The distributor, wholesaler, or stamping agent pays all tobacco taxes except the final retail sales tax. For FY25, tobacco and vaping taxes generated $281.9 million. The tax expenditures associated with these taxes are estimated at $3.3 million for FY26.

- ***Pari-Mutuel Wagering Taxes*** – First assessed in 1948, pari-mutuel wagering taxes are imposed on live racing, historical horse racing, telephone account wagering, intertrack wagering, simulcasts and interstate wagering under the jurisdiction of the Kentucky Horse Racing Commission. For FY25, pari-mutuel taxes generated $74.2 million. Tax expenditures are estimated to be Minimal for FY26.

- ***Tax Increment Financing and Tourism Development Act*** – The funding mechanism for Tax Increment Financing (TIF) projects typically involves the individual income tax, sales and use tax, and property taxes; the pledge of these aforementioned revenue sources may be in amounts equal to the cost of public infrastructure created by the new development.

  In addition to the certification of TIF projects, the Office of State Budget Director and the Cabinet for Finance and Administration are required to perform similar due diligence regarding the Tourism Development Act (TDA). The funding mechanism for TDA projects is limited to recovery through the sales tax collected at the tourism destination, not to exceed 25 percent of the certified approved cost of construction, as determined by the Tourism Arts, and Heritage Cabinet.

# Introduction

House Bill 6 from the 2024 Regular Session of the General Assembly directs the Office of State Budget Director to prepare estimates of the state tax expenditure.

> ***Tax Expenditure Revenue Loss Estimates:*** *The Office of State Budget Director shall provide to each branch of government detailed estimates for the General Fund and Road Fund for the current and next two fiscal years of the revenue loss resulting from tax expenditures. The Department of Revenue shall provide assistance and furnish data which is not restricted by KRS 131.190. "Tax expenditure" as used in this section means an exemption, exclusion, or deduction from the base of a tax, a credit against the tax, a deferral of a tax, or a preferential tax rate. The estimates shall include for each tax expenditure the amount of revenue loss, a citation of the legal authority for the tax expenditure, the year in which it was enacted, and the tax year in which it became effective.*

The reporting of tax expenditures was incorporated into the federal budget process through the enactment of the *Congressional Budget and Impoundment Act* in 1974. This Act requires the President to report on tax expenditures in the budget and requires Congressional committees to provide tax expenditure estimates for each tax bill they report. Through the process, legislators may recognize the costs associated with tax expenditures and analyze such measures under comparable scrutiny to traditional budget expenditures.

The Commonwealth of Kentucky began tracking tax expenditures in 1988, when the Finance and Administration Cabinet and the Revenue Cabinet produced the inaugural edition of the Tax Expenditure Report. As stated in the introduction of that report, the purpose of a state tax expenditure analysis is to provide legislators, business groups, government officials and other interested persons, information about the various tax expenditures existing in the Kentucky Revised Statutes. This information was collected to permit the review and evaluation of the numerous tax expenditures in much the same manner as that used for the review of direct outlays of government funds during the normal budgetary process.

Tax expenditures differ from normal budget expenditures in that normal budget expenditures are explicitly appropriated on an annual or biennial basis as part of the budgetary process. Tax expenditures are approved by the legislature and then become a permanent part of a state's tax laws until modified by future sessions of the General Assembly. As a result, tax expenditures have a tendency to become an increasingly larger part of state government expenditures without the need for explicit approval by succeeding legislatures. That is, once a tax expenditure has been adopted, future balance sheets of legislative sessions do not explicitly account for these revenue losses.

***What are tax expenditures***

Tax expenditures are provisions such as special exemptions, exclusions, deductions, credits, deferrals, and preferential rates in tax law that result in a loss of tax revenue. House Bill 6, enacted by the General Assembly during the 2024 Regular Session, defines the term "tax expenditure" to mean an exemption, exclusion, or deduction from the base of a tax, a credit against the tax, a deferral of a tax, or a preferential tax rate.

Not all deductions and exemptions allowed pursuant to the revised statutes are classified as tax expenditures. Tax expenditures could be thought of as deviations from the "normal" or "appropriate" tax structure. For example, a business income tax is normally levied on net income, after reducing gross income by the customary expenses incurred to produce that income. Consequently, many business expenses are not tax expenditures. Similarly, sales tax is usually levied on retail sales of tangible property. Therefore, the failure to tax sales for resale, wholesale sales, or sales of certain services do not create a tax expenditure because these classes of transactions are incongruous with the philosophical underpinnings of a retail sales tax. However, actual income that is exempted because of special circumstances, such as retirement income, would be considered a tax expenditure because all types of individual income, in general, are subject to taxation.

***The importance of tracking tax expenditures***

Tax expenditures are increasingly used to encourage certain legislatively-desired outcomes or to provide financial benefit to taxpayers in certain circumstances. The unintended side effect is an increase in the complexity of the tax laws. Individual taxpayers, as well as tax experts, have found it difficult to keep informed of these numerous changes. In many cases, the decision to enact tax expenditures leads to less similarity between state and federal laws and ultimately to even more complexity. When tax expenditures are enacted, the resulting tax loss reduces the revenue available to fund other programs through the budget process. Tax expenditures narrow the base of taxation, so unless tax rates are raised or new taxes are enacted, funds available for appropriation are reduced.

Unlike direct appropriations, which must be continuously reviewed and approved by the General Assembly to remain in effect, state tax expenditures are usually not included in this review process. As a result, programs funded through tax expenditures receive priority funding over all other programs because they are automatically deducted from the revenue projections used to formulate the biennial budget. In all probability, some "tax expenditure" programs would not receive the same priority if they had to compete on equal footing during the biennial appropriation process.

A comprehensive review of tax expenditures has value in its own right. Without thorough, long-term reviews, tax policy often becomes overly focused on immediate, short-term problems. In such an environment, more fundamental goals of government may fall by the wayside. For example, day-to-day tax policy issues often involve the analysis of a single tax expenditure designed to address a particular perceived need. When viewed in isolation, a tax expenditure may have considerable merit and be motivated by the best of intentions. However, insular preferences incrementally add to the complexity of the tax code and may threaten its fairness, distort decision-making, and gradually erode the tax base. Before long, the fundamental objectives of a tax system – equity, efficiency, simplicity and adequacy – may be compromised.

Periodic review is necessary because time can dramatically alter the complexion of tax expenditures. Tax breaks for a select and small group of people can quickly grow into expensive entitlements as demographic conditions or economic incentives induce change. Conversely, tax preferences can lose their usefulness as the income or business conditions that undergird the tax expenditure evolve.

Tax expenditure reports are useful tools in the budget process. They offer insight into foregone revenue that could be recovered, allowing budget shortfalls to be closed without resorting to tax rate increases or direct expenditure cuts. Incorporating tax expenditure reports directly into the budget process would enhance the visibility of these fiscal options.

A tax expenditure analysis can be used to evaluate the cost to state government of the many programs funded through tax expenditures. This analysis identifies and explains many of the Kentucky tax expenditures. Estimates of the costs of the tax expenditures were developed from numerous sources and each tax expenditure is labeled to identify the data source used in the calculation.

The data sources are grouped, as follows:

**Kentucky Taxpayer Data** – Kentucky Taxpayer Data includes tax expenditures measured directly from data on a tax form, or other information submitted by taxpayers to the Department of Revenue. Examples would include specific line items from Kentucky tax form 720 or other tax schedules.

**Kentucky Agency Data** – Kentucky Agency Data includes tax expenditures measured using aggregate data obtained from Kentucky governmental agencies. Examples would include Cabinet for Economic Development databases, Department of Revenue reports, etc.

**Kentucky Agency Estimate** – Kentucky agency estimates are produced by an agency within Kentucky government. They typically include tax expenditures estimated using internal, non-public data, agency data, publicly-available data, or other research.

**Federal Agency Data** – Federal Agency data estimates are estimated indirectly using data obtained from Federal agency estimates of economic activity. Examples would include, U.S. Census Bureau Data, U.S. Census Bureau County Business Patterns reports, US Department of Agriculture data, etc.

**Federal Apportioned Estimates** – Federal apportioned estimates are calculated using tax expenditures reported by the Federal government or other entities. These amounts are apportioned to Kentucky based on population, income, or other relevant factors. Examples include information from the Federal Joint Committee on Taxation, the Federal Office of Management and Budget, etc.

***Caveats and interpretations***

Whenever possible, an estimate of the expected value or cost of a tax expenditure that exceeds one hundred thousand dollars ($0.1 million) is included in this report. There are some tax expenditures that cannot be reliably quantified, because of conflicting data or lack of data. Whenever this situation occurs, the value of the expenditure is reported as:

- "Substantial" if its value is expected to be above $25 million. Every attempt was made to use the "Substantial" category very sparingly.
- "Limited" if its value is below $100,000
- "Minimal" if its value is below $10,000

Furthermore, the estimates for each tax expenditure contained in this analysis were made independently, with the assumption that all other provisions of the tax laws remained unchanged and that taxpayer behavior remained constant. This was done because the analysis attempts to measure the costs of the expenditures and not what would happen if one or more were repealed. This analysis should not be viewed as an estimate of the impact of repealing one or more tax expenditures because the estimated cost of the expenditure(s) may not necessarily equal the increased revenue resulting from repeal. Similarly, the costs of two or more expenditures cannot be added together to produce the impact of simultaneous repeal because each was computed without regard to the others. Due to a variety of factors, the combined impact may be more or less than the sum of the individual tax expenditure amounts.

Additionally, while the Commonwealth's income tax statutes specify certain exemptions, exclusions, or deductions from the base of the income tax, Kentucky's income tax computations begin with Federal adjusted gross income (AGI). Consequently, many of the Commonwealth's income tax expenditures are the same as the tax expenditures imbedded in Federal tax law.

***How to read this report***

This report catalogs and aggregates the various tax expenditures by tax type to provide a more concise listing for quicker reference and comparison.

This report also contains the traditional method of identifying each expenditure by statute(s), with an estimate of the impact of that particular item, whether deduction, credit, exemption, rate reduction, or other means utilized to alter or reduce a taxpayer's liability. Each identified tax type includes the following sections:

- ***Current rate structure*** - how the tax is assessed and in what amount;
- ***Tax base*** – what items are taxed in a particular tax category;
- ***Tax due*** - how, when, and where the tax is paid; and
- ***Background*** - a brief history of the tax.

Readers of this report may be inclined to compare current estimates of tax expenditures in this report with estimates in previous editions of the report. Estimates in the previous edition represent a two-year forecast while the current estimates are based on the most up-to-date information available. Several tax expenditure estimates have materially changed since 2023 due to the availability of more detailed and current data. In many instances, the experience of taxpayer behavior regarding the use of deductions, credits, or other benefits can significantly influence the estimates.

Some taxes are allocated to a particular fund or purpose. These items are not listed as tax expenditures. Rather, these allocations are listed under the heading "Earmarked Funds" and can be found in a dedicated chapter of this publication.

The Office of State Budget Director welcomes your comments and any questions you may have about this report. We wish to extend our deepest appreciation to Tom Miller, Commissioner of the Department of Revenue, and to the many members of his staff who participated in the data collection process of this project also other departments within State Government. Without their assistance, this publication would not have been possible:

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**Tourism, Arts and Heritage Cabinet**
Kimberly Gester

**Department of Revenue**
Melissa Adams
David Best
Linda Benton
Melissa Bottoms
Jeremy Branham
Pat Brookman
Richard Dobson
Toni Fields
Travis Gooch
David Gordon
Nick Harren
Joshua Hays
Kimberly Hensley
Kim Holt
Jessica Johnston

**Defense Finance Accounting Service**
Joel Carter
Daniel Lawson
Matthew Whyde

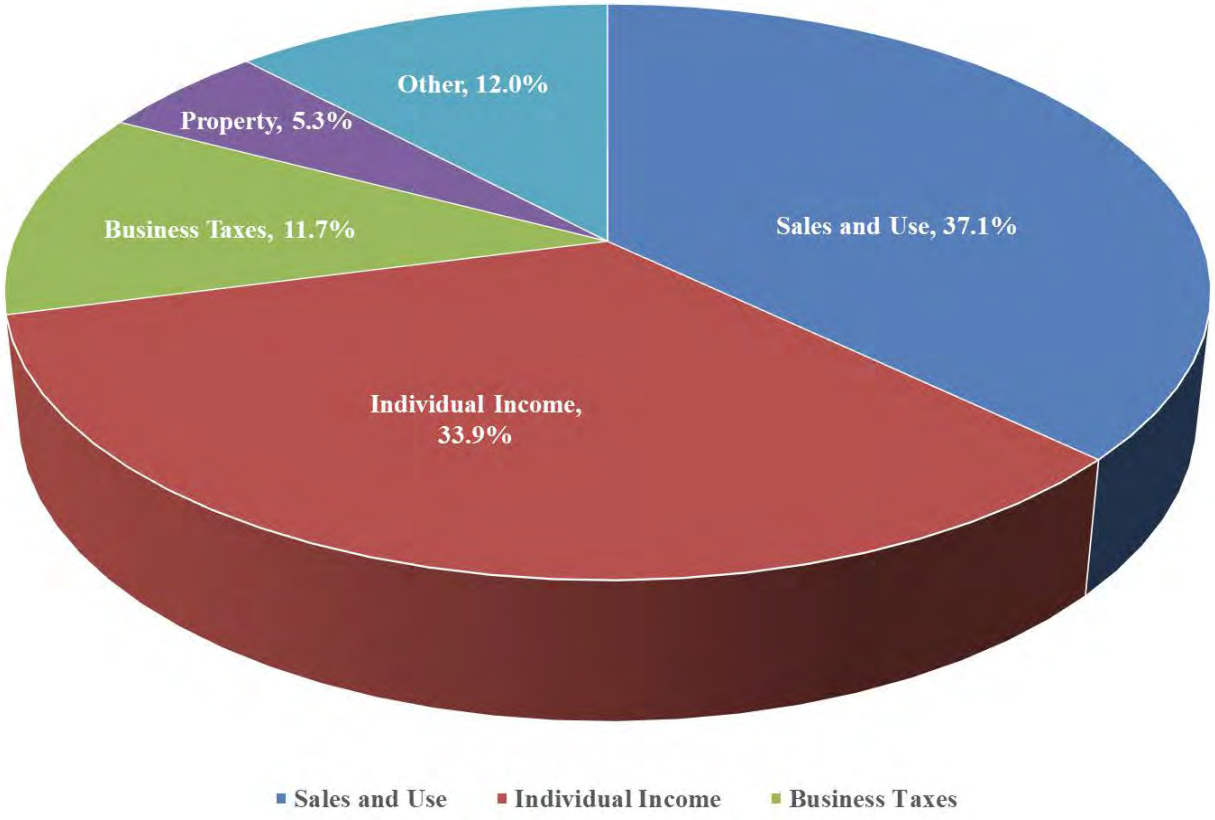
**State Board of Elections**
Karen Sellers

**Military Affairs Commission**
Zach Morgan

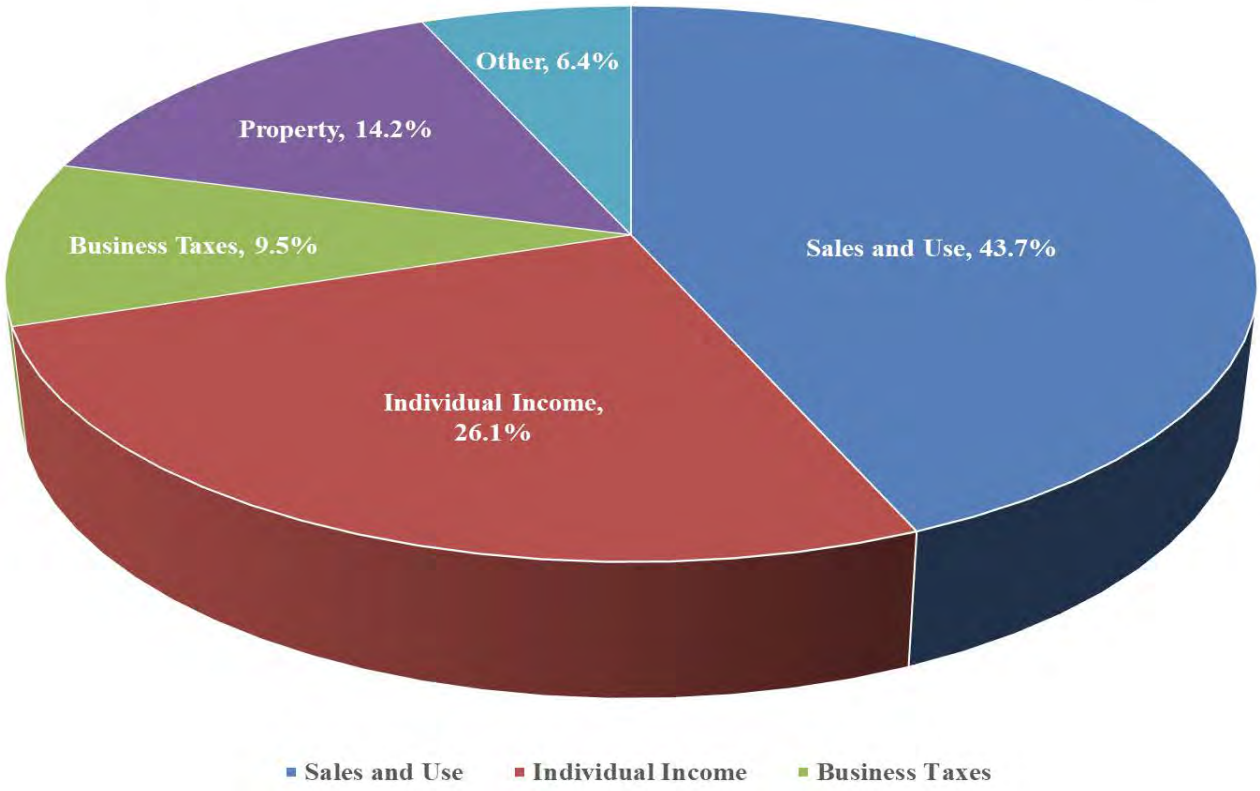
**Department of Revenue**
Melissa Klink
Lowell Manning
Leslie Mayes
Gary Morris
James Orr
Lori Phillips
Nathan Polly
Michael Powell
Barbara Quackenboss
Sridhar Ramakrishnan
Kathryn Reaves
Matthew Smothermon
Tracy Tunstill
Danna Ware
Matthew Watts

**Office of the Attorney General**
Aaron Silletto
Stacy Woodrum

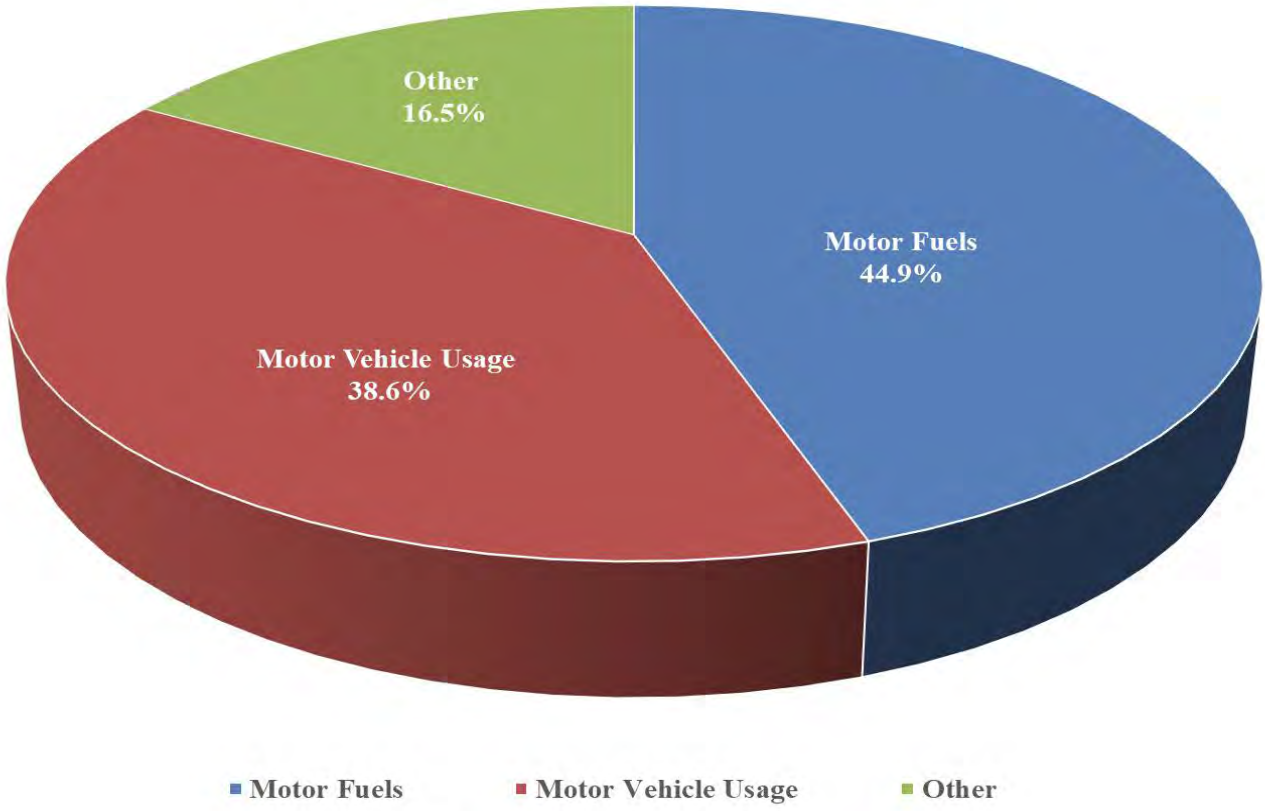
## Figure 1. Tax Types, Percent of FY25 General Fund



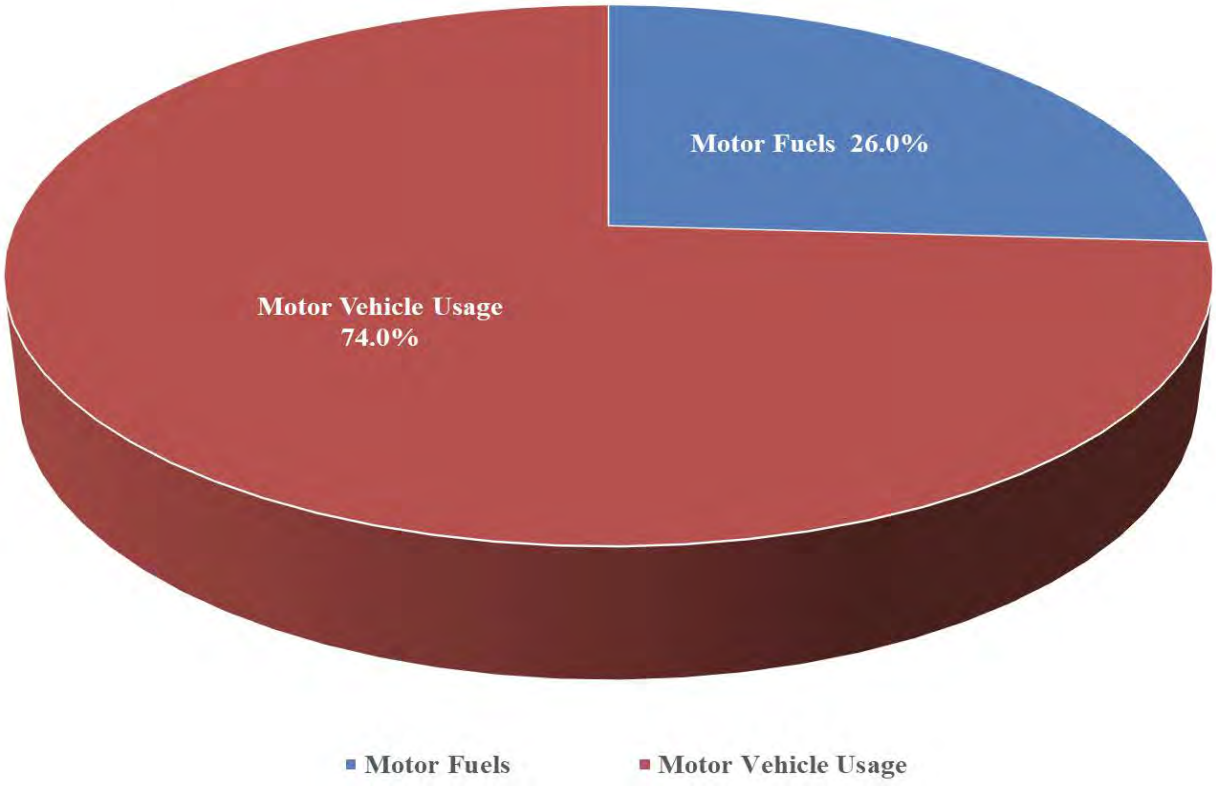

## Figure 2. Estimated FY26 General Fund Tax Expenditures



## Figure 3. Tax Types, Percent of FY25 Road Fund




## Figure 4. Estimated FY26 Road Fund Tax Expenditures



# Summary Table of Tax Expenditures

## Tax Expenditures by Tax Type ($millions)

| | FY26 | FY27 | FY28 |
|---|---|---|---|
| **Total Sales and Use Tax Expenditures ($millions)** | **4,021.4** | **4,135.9** | **4,242.6** |
| Prescription Medicine, Prosthetic Devices & Physical Aids | 979.6 | 1,022.3 | 1,068.3 |
| Food Items | 721.9 | 737.0 | 751.7 |
| State, Cities, Counties and Special Districts | 513.5 | 526.4 | 537.4 |
| Non-Profit Educational, Qualified Non-Profit Organizations, Charitable and Religious Institutions | 442.6 | 453.8 | 463.3 |
| Residential Utilities | 362.4 | 362.5 | 361.4 |
| Machinery for New & Expanded Industry | 140.0 | 146.1 | 152.7 |
| Industrial Supply Exemption expanded to include repair, replacement, or spare parts | 75.2 | 79.6 | 82.0 |
| Energy and Energy Producing Fuels | 61.0 | 63.2 | 65.9 |
| Coal Used in the Manufacture of Electricity | 55.4 | 34.2 | 31.7 |
| Admissions to Nonprofit Civic, Governmental, or Other Nonprofit Organizations and Fundraising Event Sales | 28.3 | 29.4 | 30.5 |
| Jet Fuel | 22.7 | 23.2 | 23.7 |
| Interstate Cargo & Passenger Aircraft, Parts & Supplies | 20.9 | 21.8 | 22.8 |
| Reimbursement of Seller's Collection Costs | 17.8 | 18.2 | 18.6 |
| Federal Taxes Imposed on Sales of Tangible Personal Property | 14.6 | 15.0 | 15.3 |
| Locomotives and Rolling Stock | 11.2 | 11.3 | 11.5 |
| Tombstones and Other Grave Markers | 8.9 | 9.1 | 9.5 |
| Building Materials, Fixtures, and Supplies for Sewer and Water Projects | 8.2 | 7.5 | 6.9 |
| Occasional Sales | 8.2 | 8.5 | 8.7 |
| Semi-Trailers and Trailers | 8.0 | 8.2 | 8.4 |
| Medicinal Cannabis | 7.5 | 15.0 | 15.2 |
| Sales by Elementary and Secondary Nonprofit, School-Sponsored Clubs and Organizations | 7.3 | 7.5 | 7.6 |
| De Minimis Standard for Services | 7.2 | 7.9 | 8.5 |
| Procurement, Processing or Distribution of Blood or Human Tissue | 6.8 | 7.0 | 7.3 |
| Vessels and Maritime Supplies | 6.0 | 6.2 | 6.3 |
| Data Center Equipment | 5.0 | 15.0 | 15.0 |
| Lodgings of Thirty Days or More | 4.8 | 5.0 | 5.3 |
| Recycling Machinery and Equipment | 4.8 | 4.8 | 4.8 |
| Textbooks | 4.7 | 4.8 | 4.9 |
| Kentucky Enterprise Initiative | 3.9 | 4.0 | 4.1 |
| Entertainment Events with Qualifying Attractions | 3.8 | 4.1 | 4.3 |
| Garage or Yard Sales | 3.8 | 4.0 | 4.2 |
| Repair or Replacement Parts for Large Trucks | 2.1 | 2.2 | 2.2 |
| Currency or Bullion | 2.0 | 1.8 | 2.1 |
| Purchases by Historical Sites | 1.0 | 1.0 | 1.0 |
| Donated Goods | 0.9 | 0.9 | 0.9 |
| Refund on Building Materials Used for Disaster Recovery | 0.3 | 0.4 | 0.9 |
| Sales by Nonprofit Higher Educational School-Sponsored Clubs and Organizations | 0.3 | 0.4 | 0.4 |

| | | | |
|---|---|---|---|
| Water Withdrawal Fees Paid to Kentucky River Authority | 0.3 | 0.3 | 0.4 |
| Rebate on Sales of Admission & Tangible Personal Property at Governmental Facility | 0.2 | 0.2 | 0.2 |
| Charter Bus Repair & Replacement Parts | 0.1 | 0.1 | 0.1 |
| Admissions to Fishing Tournaments and Boat Ramp Fees | Limited | Limited | Limited |
| Sales to Motion Picture Companies | Limited | Limited | Limited |
| 4-H Sales | Limited | Limited | Limited |
| Coin-Operating Bulk Vending Machines | Minimal | Minimal | Minimal |
| Construction Expenses for Alternative Fuel or Gasification Facility | Minimal | Minimal | Minimal |
| Construction Expenses for Near-Zero Emission Power Plants | Minimal | Minimal | Minimal |
| Interstate Business Communication Service | Minimal | Minimal | Minimal |
| Marketing Services | Minimal | Minimal | Minimal |
| New & Replacement Machinery or Equipment for Energy Efficient Projects | Minimal | Minimal | Minimal |
| Pay Phones | Minimal | Minimal | Minimal |
| Property Certified as a Fluidized Bed Energy Production Facility | Minimal | Minimal | Minimal |
| Sales of Extended Warranty Services, Small Telephone Utilities and CMRS Providers of Communication Services or Broadband | Minimal | Minimal | Minimal |

**Sales Tax Exemptions for Farmers**

| | | | |
|---|---|---|---|
| Livestock, Poultry, Ratite Birds, Llama, Alpaca, Aquatic Organisms, Buffalo, Cervids, Embryos and Semen, Farm Work Stock and Feed, Seeds and Fertilizers | 244.6 | 256.3 | 259.8 |
| Farm Machinery, Attachments, and Replacements, On-Farm Grain Storage Facilities, and On-Farm Facilities for Raising Chickens, Livestock, Ratite Birds, Llamas and Alpacas, and Buffalo | 66.5 | 68.2 | 70.7 |
| Farm Chemicals | 56.5 | 57.4 | 58.5 |
| Water Used for Farm Purposes | 19.8 | 20.3 | 20.7 |
| Fuel Used for Farm Purposes | 19.3 | 20.0 | 20.5 |
| Horses Purchased for Breeding | 15.7 | 16.4 | 17.0 |
| Horses Less Than Two Years of Age | 12.3 | 13.2 | 14.6 |
| Farm Drugs and Over-the-Counter Drugs used in the Treatment of Livestock | 9.3 | 9.8 | 10.2 |
| Equine Water | 2.9 | 3.0 | 3.1 |
| Aquaculture | 0.8 | 0.9 | 1.0 |
| Twine and Wire | 0.5 | 0.5 | 0.5 |

| **Total Individual Income Tax Expenditures** | **2,405.9** | **2,558.1** | **2,654.1** |
|---|---|---|---|
| **Individual Income Tax - Exclusions** | | | |
| Employer Contributions for Medical Insurance and Medical Care | 631.3 | 701.1 | 740.6 |
| Pension Plans, Retirement Income, and Individual Retirement Accounts | 378.5 | 387.0 | 394.8 |
| Gain on the Sale of a Principal Residence | 145.5 | 155.7 | 161.8 |
| Pension, Profit-Sharing, & Annuity Plans of Self-Employed Individuals | 119.6 | 125.0 | 130.9 |
| Capital Gain on Property Transferred at Death | 84.8 | 95.9 | 105.0 |
| Social Security Benefits for Retired Workers, Disabled Workers, Dependents, and Survivors | 80.0 | 92.8 | 96.1 |
| Armed Forces Personnel Benefits and Allowances | 41.7 | 38.9 | 39.5 |
| Interest on Life Insurance Savings | 40.4 | 42.6 | 43.3 |
| Veteran's Pension, Death and Disability Compensation | 35.8 | 40.9 | 42.6 |
| Miscellaneous Fringe Benefits | 24.6 | 25.6 | 26.5 |
| Worker's Compensation Benefits | 20.6 | 20.6 | 20.6 |
| Employer-Provided Meals and Lodging | 18.9 | 20.7 | 21.4 |
| Active Duty Military Pay | 14.9 | 15.3 | 15.6 |
| Income Earned Abroad by U.S. Citizens | 13.6 | 13.9 | 14.3 |
| Passive Loss Rules Exception | 13.6 | 13.0 | 12.3 |
| Basis of Property Acquired by Gifts and Transfers in Trust | 13.3 | 16.0 | 15.9 |
| Employer-Provided Benefits of Premiums on Group Term Life, Accident and Disability Insurance | 13.2 | 14.0 | 14.4 |
| Scholarship and Fellowship Income | 12.6 | 14.4 | 15.2 |
| Installment Sales | 4.3 | 4.5 | 4.7 |
| Employer-Provided Educational Assistance | 3.9 | 3.6 | 3.8 |
| GI Bill Benefits | 3.8 | 4.3 | 4.4 |
| Assistance for Adopted Foster Children and Foster Care Payments | 2.4 | 2.6 | 2.7 |
| Public Assistance Benefits | 1.8 | 1.9 | 1.9 |
| Alimony Payments | 1.1 | 1.1 | 1.2 |
| Cancellation of Indebtedness | 0.6 | 0.6 | 0.6 |
| Railroad & Supplemental Railroad Retirement System Benefits | 0.6 | 0.6 | 0.5 |
| Employee Stock Ownership Plan Provisions | 0.5 | 0.6 | 0.6 |
| Income Averaging for Farmers | 0.5 | 0.5 | 0.5 |
| Disaster Workers | 0.4 | 0.4 | 0.4 |
| Disabled Coal Miners | 0.2 | 0.1 | 0.1 |
| Precinct Workers | 0.2 | 0.2 | 0.2 |
| Community Property Trust Act | Limited | Limited | Limited |
| Employer-Provided Child Care | Limited | Limited | Limited |
| Capital Gains - Eminent Domain | Minimal | Minimal | Minimal |

| | | | |
|---|---|---|---|
| **Individual Income Tax - Deductions** | | | |
| Standard Deduction | 166.2 | 169.9 | 173.4 |
| Individual Retirement Account Contributions | 96.4 | 102.1 | 107.3 |
| Home Mortgage Interest | 93.6 | 95.7 | 97.6 |
| Charitable Contributions | 75.2 | 76.9 | 78.5 |
| Health Savings Accounts | 37.8 | 41.1 | 42.4 |
| Net Operating Loss | 14.4 | 14.7 | 15.0 |
| Gambling Losses | 7.4 | 7.6 | 7.7 |
| Interest on Educational Loans | 6.3 | 7.2 | 7.3 |
| Investment Interest | 5.0 | 5.1 | 5.2 |
| Excess of Percentage over Cost Depletion | 4.4 | 4.4 | 4.6 |
| Parsonage Allowances | 2.6 | 2.7 | 2.9 |
| Interest on US Savings Bonds | 1.9 | 1.8 | 1.8 |
| Keogh Plan Contributions | 1.0 | 1.0 | 1.0 |
| | | | |
| **Individual Income Tax - Credits** | | | |
| Family Size Tax Credit | 130.0 | 133.0 | 135.7 |
| Blind, over 65, and National Guard | 19.6 | 20.0 | 20.4 |
| Postsecondary Education Tuition | 14.3 | 14.6 | 14.9 |
| Child and Dependent Care | 6.0 | 5.9 | 6.0 |
| Kentucky Angel Investment Act | 0.6 | Minimal | Minimal |
| High School Equivalency Diploma Program | Minimal | Minimal | Minimal |
| | | | |
| **Total Property Tax Expenditures ($millions)** | **1,310.2** | **1,361.2** | **1,410.5** |
| **Real Property** | | | |
| State Real Property Tax Yearly Revenue Ceiling | 768.4 | 811.6 | 855.1 |
| Real Property Owned by Exempt Entities | 70.0 | 72.0 | 73.0 |
| Agricultural Value of Real Property | 60.9 | 64.3 | 67.8 |
| Homestead Exemption | 27.8 | 28.9 | 29.9 |
| Leasehold Interest in Buildings Financed with | 6.6 | 6.8 | 6.9 |
| Intrastate Railroads and Railway Companies | 0.3 | 0.3 | 0.3 |
| Agricultural and Horticultural Land Assessment Protection | Minimal | Minimal | Minimal |
| Alcohol Production and Fluidized Bed Energy Production Facilities | Minimal | Minimal | Minimal |
| Distilled Spirits Stored or Aging in a Revenue Bond-Financed Warehouse | Minimal | Minimal | Minimal |
| Environmental Remediation Property | Minimal | Minimal | Minimal |
| Property of Local Governments in Neighboring States | Minimal | Minimal | Minimal |
| | | | |
| **Tangible Property** | | | |
| Business Inventories | 130.0 | 129.0 | 128.0 |
| Manufacturing Machinery; Pollution Control Equipment; and Radio, and Television Equipment | 111.0 | 111.0 | 110.0 |
| In-Transit Goods | 83.0 | 84.0 | 85.0 |
| Foreign Trade Zone | 35.0 | 36.0 | 37.0 |
| Machinery Used in Farming and Livestock & Domestic Fowl | 6.4 | 6.4 | 6.4 |
| Agricultural Products | 2.9 | 2.9 | 2.9 |
| Leasehold Interests | 2.9 | 2.8 | 2.7 |
| Noncommercial Aircraft | 2.5 | 2.6 | 2.7 |
| Car Lines | 1.5 | 1.6 | 1.7 |
| Federally Documented Vessels | 0.5 | 0.5 | 0.5 |
| Intrastate Railroads and Railway Companies | 0.3 | 0.3 | 0.4 |
| Historic Vehicles | 0.2 | 0.2 | 0.2 |
| Micro-Business Personal Property Tax Return Filing | Minimal | Minimal | Minimal |
| Motor Vehicles with a Salvage Title | Minimal | Minimal | Minimal |
| Personal Property Used in Vending Stands Operated by the Blind | Minimal | Minimal | Minimal |
| Veteran Service Organizations | Minimal | Minimal | Minimal |

| **Total Multiple Tax Incentive Programs ($millions)** | **581.4** | **591.1** | **600.8** |
|---|---|---|---|
| Expensing Capital Purchases (Section 179 Expensing) | Substantial | Substantial | Substantial |
| Limited Liability Entity Tax | 263.1 | 268.9 | 274.6 |
| Kentucky Historic Preservation Tax Credit | 75.0 | 75.0 | 75.0 |
| Kentucky Entertainment Incentive (KEI) Program | 55.5 | 57.2 | 59.4 |
| Kentucky Job Retention Agreement Tax Credit (KJRA) | 54.9 | 55.5 | 56.1 |
| Kentucky Business Investment Credit (KBI) | 45.7 | 46.7 | 47.5 |
| Inventory Tax Credit | 22.0 | 22.3 | 22.6 |
| Biodiesel Tax Credit | 10.0 | 10.0 | 10.0 |
| Ethanol Tax Credit | 10.0 | 10.0 | 10.0 |
| New Markets Development Program Tax Credit | 10.0 | 10.0 | 10.0 |
| Decontamination Property Credit | 7.0 | 7.0 | 7.0 |
| Broadband Investment Credit | 5.0 | 5.0 | 5.0 |
| Kentucky Rural Economic Development Act Credit (KREDA) | 4.7 | 4.8 | 4.9 |
| Metropolitan College Program Tax Credit | 4.6 | 4.6 | 4.6 |
| Endow Kentucky | 2.7 | 2.7 | 2.7 |
| Recycling and/or Composting Equipment Credit | 2.7 | 2.7 | 2.7 |
| Kentucky Industrial Revitalization Agreement Credit (KIRA) | 2.1 | 2.2 | 2.2 |
| Kentucky Industrial Development Act Credit (KIDA) | 1.3 | 1.3 | 1.3 |
| Construction of Research Facilities | 1.1 | 1.1 | 1.1 |
| Railroad Maintenance and Improvement Tax Credit | 1.0 | 1.0 | 1.0 |
| Skills Training Investment Tax Credit | 1.0 | 1.0 | 1.0 |
| Distilled Spirits Credit | 0.9 | 0.9 | 0.9 |
| Kentucky Small Business Investment Credit (KSBTC) / Selling Farmers Tax Credit | 0.8 | 0.9 | 0.9 |
| Kentucky Jobs Development Act Credit (KJDA) | 0.2 | 0.2 | 0.2 |
| Kentucky Reinvestment Act Tax Credit (KRA) | 0.1 | 0.1 | 0.1 |
| Cryptocurrency Incentives | Limited | Limited | Limited |
| Cellulosic Ethanol Credit | Minimal | Minimal | Minimal |
| Clean Coal Incentive Credit | Minimal | Minimal | Minimal |
| Hiring the Unemployed Tax Credit | Minimal | Minimal | Minimal |
| Kentucky Investment Fund Act Credit (KIFA) | Minimal | Minimal | Minimal |
| Voluntary Environmental Remediation Credit | Minimal | Minimal | Minimal |

| **Total Corporation Income & Limited Liability Entity Tax Expenditures ($millions)** | **297.3** | **341.8** | **342.1** |
|---|---|---|---|
| **Exemptions** | | | |
| Dividend Income | 213.0 | 213.0 | 213.0 |
| Alternative Apportionment and Retained Three-Factor Apportionment | 40.0 | 40.0 | 40.0 |
| Costs of Goods Sold, Bulk Delivery Charges, and Indirect Labor | 25.0 | 25.0 | 25.0 |
| Small Business Relief from the Limited Liability Entity Tax | 5.4 | 5.4 | 5.4 |
| Publicly Traded Partnerships | 2.0 | 2.0 | 2.2 |
| Real Estate Investment Trust | 1.2 | 1.2 | 1.3 |
| Personal Service Corporations | 1.0 | 1.0 | 1.0 |
| Cooperatives, Cooperatives and Their Patrons | | | |
| Homeowners' Associations, Political Organizations | 0.6 | 0.6 | 0.6 |
| Limited Liability Entity Tax Exemptions | 0.5 | 0.5 | 0.5 |
| Alcohol Production Facility | Minimal | Minimal | Minimal |
| Certified Fluidized Bed Energy Production Facility | Minimal | Minimal | Minimal |
| Coal Royalties | Minimal | Minimal | Minimal |
| Open-End Registered Investment Companies | Minimal | Minimal | Minimal |
| Premiums Paid for Health Insurance | Minimal | Minimal | Minimal |
| Qualified Farming Operation | Minimal | Minimal | Minimal |
| Real Estate Mortgage Investment Conduit | Minimal | Minimal | Minimal |
| Regulated Investment Company | Minimal | Minimal | Minimal |

| | | | |
|---|---|---|---|
| **Deductions from Income** | | | |
| Net Operating Loss Deduction | Substantial | Substantial | Substantial |
| Charitable Contributions | 6.5 | 6.5 | 6.5 |
| Corporation Deferred Tax Deduction | Minimal | 44.5 | 44.5 |
| | | | |
| **Tax Credits** | | | |
| Construction of Research Facilities Credit | 1.1 | 1.1 | 1.1 |
| Railroad Expansion or Upgrade to Accommodate Transportation of Fossil Energy Resources or Biomass Resources Tax Credit | 1.0 | 1.0 | 1.0 |
| Coal Conversion Credit | Minimal | Minimal | Minimal |
| Employer GED Credit | Minimal | Minimal | Minimal |
| | | | |
| **Total Motor Vehicle Usage Tax Expenditures ($millions)** | **209.0** | **207.1** | **205.7** |
| Trade-In Allowance on New or Used Motor Vehicle Purchases | 156.0 | 155.0 | 154.0 |
| Large Truck Exclusion | 25.0 | 24.0 | 23.5 |
| Sales to Governments | 17.1 | 17.2 | 17.3 |
| Educational & Charitable Organizations | 3.0 | 3.0 | 3.0 |
| Immediate Family Member | 3.0 | 3.0 | 3.2 |
| Military Exemption | 3.0 | 3.0 | 2.8 |
| Transfers by Will or Court Order | 0.6 | 0.7 | 0.8 |
| Repossessed Exemption | 0.5 | 0.4 | 0.3 |
| Insurance Company Transfers | 0.3 | 0.3 | 0.3 |
| Transfers Between a Limited Liability Company and its Members | 0.2 | 0.2 | 0.2 |
| Change in Business Structure | 0.1 | 0.1 | 0.1 |
| Rentals or Leases to Government | 0.1 | 0.1 | 0.1 |
| Transfers Between a Subsidiary and a Parent Corporation | 0.1 | 0.1 | 0.1 |
| Adapted Equipment for Physically Handicapped Persons | Minimal | Minimal | Minimal |
| Charter Bus Exemption | Minimal | Minimal | Minimal |
| Commercial Motor Vehicle Exemption | Minimal | Minimal | Minimal |
| Partnership Interests | Minimal | Minimal | Minimal |
| | | | |
| **Total Earmarked Funds ($millions)** | **184.1** | **190.2** | **196.5** |
| Kentucky Thoroughbred Development Fund | 58.0 | 59.0 | 60.0 |
| Sports Wagering Administration Fund - Excise Tax | 38.2 | 39.7 | 41.3 |
| Kentucky Aviation Economic Development Fund – Sales Tax | 21.1 | 21.9 | 22.6 |
| Equine Breeder Development Funds - Sales Tax - | | | |
| Kentucky Thoroughbred Breeders Incentive Fund | 20.1 | 22.0 | 23.9 |
| Kentucky Standardbred Breeders Incentive Fund | 3.3 | 3.6 | 3.9 |
| Kentucky Horse Breeders Incentive Fund | 1.8 | 1.9 | 2.1 |
| Kentucky Standardbred Development Fund | 20.0 | 21.0 | 22.0 |
| TVA Payments in-lieu of Taxes | 6.0 | 6.0 | 6.0 |
| Resident Advanced Deposit Wagering | 4.6 | 4.3 | 4.1 |
| Kentucky Quarter Horse, Appaloosa and Arabian Development Fund | 3.7 | 3.9 | 4.0 |
| Cancer Research Fund - Cigarette Tax | 2.3 | 2.1 | 2.0 |
| Equine Industry Program Trust and Revolving Fund – Pari-mutuel Tax | 2.2 | 2.1 | 2.0 |
| Tobacco Research Trust Fund – Cigarette Tax | 1.2 | 1.1 | 1.0 |
| Malt Beverage Educational Fund | 0.8 | 0.8 | 0.8 |
| Equine Drug Research – Pari-Mutuel Tax | 0.4 | 0.4 | 0.4 |
| Higher Education Equine Trust and Revolving Fund – Pari-mutuel Tax | 0.4 | 0.4 | 0.4 |
| County Clerk Share for Collection - Sales Tax | Limited | Limited | Limited |
| Department of Energy Development & Independence Ad Valorem Tax | Limited | Limited | Limited |
| Kentucky Heritage Land Conservation Fund | Limited | Limited | Limited |
| Kentucky Transportation Center – Motor Fuels Tax | Limited | Limited | Limited |
| Tobacco Enforcement Program – Cigarette Tax | Limited | Limited | Limited |

| | | | |
|---|---|---|---|
| **Total Inheritance and Estate Tax Expenditures ($millions)** | **81.0** | **83.0** | **85.0** |
| Class A Beneficiaries | 81.0 | 83.0 | 85.0 |
| Annuities Under Qualified Retirement Plans | Minimal | Minimal | Minimal |
| Assessment of Land at its Agricultural or Horticultural Value | Minimal | Minimal | Minimal |
| Benefits Paid to a Beneficiary of Military Personnel Under | Minimal | Minimal | Minimal |
| Certain Retirement Plans | Minimal | Minimal | Minimal |
| Benefits Paid by the Federal Government Due to Service | | | |
| in Time of War | Minimal | Minimal | Minimal |
| Certificates of Deposit Exempt from the | | | |
| Contemplation of Death Rule | Minimal | Minimal | Minimal |
| Class B Beneficiaries | | | |
| Class C Beneficiaries | Minimal | Minimal | Minimal |
| | | | |
| **Total Gasoline, Liquefied Petroleum & Special Fuels Tax** | **73.3** | **73.4** | **73.3** |
| Railroad Companies | 22.0 | 22.0 | 22.0 |
| Non-Highway Use | 21.0 | 21.5 | 22.0 |
| Dealer's Monthly Reporting Allowance | 18.5 | 18.0 | 17.5 |
| Agricultural Exemption | 8.7 | 8.7 | 8.7 |
| Bus, Taxicab, and Certain Senior Citizen's Programs Refund | 1.1 | 1.2 | 1.2 |
| Watercraft Refund | 0.8 | 0.8 | 0.8 |
| State and Local Government Use | 0.6 | 0.6 | 0.5 |
| Aircraft Refund | 0.3 | 0.3 | 0.3 |
| Residential Heating | 0.3 | 0.3 | 0.3 |
| Religious, Charitable or Educational Use | Limited | Limited | Limited |
| Approved Carburetion Systems | Minimal | Minimal | Minimal |
| | | | |
| **Total Coal Severance & Natural Resources Processing Tax Expenditures ($millions)** | **27.1** | **11.2** | **10.9** |
| Exported Coal Refund | 15.0 | Minimal | Minimal |
| Coal Transportation Expense | 3.5 | 3.0 | 2.8 |
| Natural Resources Transportation Expense | 3.4 | 3.0 | 2.9 |
| Limestone Sold in Interstate Commerce | 3.0 | 3.0 | 3.0 |
| Thin Seam Tax Credit | 2.2 | 2.2 | 2.2 |
| Inactive Crude Oil & Natural Gas Wells | Limited | Limited | Limited |
| Clay Used in Landfill Construction | Minimal | Minimal | Minimal |
| Coal Purchased for Alternative Energy or Gasification Facility | Minimal | Minimal | Minimal |
| Coal Used to Burn Solid Waste | Minimal | Minimal | Minimal |
| Fluorspar, Lead, Zinc and Barite used for Privately Maintained | Minimal | Minimal | Minimal |
| but Publicly Dedicated Roads | | | |
| Limestone Sold or Used for Agricultural Purposes | Minimal | Minimal | Minimal |
| | | | |
| **Total Alcoholic Beverage Taxes Expenditures ($millions)** | **13.0** | **13.5** | **13.8** |
| Wholesale Sales Tax Imposed Rate on Beer | 7.0 | 7.1 | 7.2 |
| Wholesale Sales Tax Imposed Rate on Wine | 2.1 | 2.2 | 2.3 |
| Low Volume Distilled Spirits Taxed at Reduced Rate | 1.8 | 2.0 | 2.0 |
| Allowance for Collecting and Reporting | 1.7 | 1.8 | 1.9 |
| Small Farm Winery Exemption | 0.4 | 0.4 | 0.4 |
| Malt Beverage Excise Tax at Reduced Rate | Limited | Limited | Limited |
| | | | |
| **Total Insurance Premiums Taxes Expenditures ($millions)** | **2.2** | **2.2** | **2.2** |
| Hospital, Medical, or Dental Service Companies | | | |
| Exempt from Premiums Tax | 2.2 | 2.2 | 2.2 |
| Life and Health Guaranty Fund Assessment Credit | Minimal | Minimal | Minimal |
| | | | |
| **Total Tobacco Taxes Expenditures ($millions)** | **3.3** | **3.0** | **2.8** |
| Compensation Allowed Wholesaler | 3.3 | 3.0 | 2.8 |
| | | | |
| **Total Pari-Mutuel Wagering Taxes ($millions)** | **Minimal** | **0.9** | **Minimal** |
| International Horse Racing Event | Minimal | 0.9 | Minimal |
| Live Harness Racing at a County Fair | Minimal | Minimal | Minimal |
| Noncontiguous Track Facility | Minimal | Minimal | Minimal |
| | | | |
| **Tourism Development Act and Tax Increment Financing ($millions)** | **58.5** | **64.0** | **69.0** |

# Sales and Use Tax

**Current Rate Structure:**
Sales and use taxes are imposed at the rate of 6 percent of gross receipts or purchase price.

**Since our Last Report:**

Enacted legislation in 2025 has added two new tax expenditures. In addition, one item was added that was enacted in 2023 but with an effective date beyond prior reports. Finally, the investment threshold and county population was reduced to allow qualified data centers to be built all around the Commonwealth.

- The first new tax expenditure is a sales tax refund program for certain facility operators and sponsoring entities of entertainment events, with an effective date of July 1, 2025. (HB 775 2025 Regular Session).
- The second new tax expenditure is a sales tax exemption for the sale, use, storage, or other consumption of currency or bullion currency, with an effective date of August 1, 2024. {2025 Regular Session HB 2 (KRS 139.480 (37)}.
- From HB 5 in 2023: Materials and equipment used in the construction of new bourbon warehouses for spending over $20.0 million (2023, HB 5), with the fiscal impact beginning in FY27.
- Expansion of the data centers tax expenditure that reduces the county population and investment thresholds for a qualified data center. (HB 775 2025 Regular Session).

**Tax Base:**
The tax base for the sales tax is gross receipts derived from retail sales of tangible personal property or digital property and sales of statutorily enumerated services. Retail sales are defined as any sale, lease, or rental for any purpose other than resale, sublease, or subrent. The lease and rental of tangible personal property or digital property transferred electronically for a consideration is considered a sale or purchase, the receipts of which are subject to the sales and use tax.

The tax base for the use tax is the purchase price of tangible personal property, digital property, extended warranty services, and other enumerated services purchased for storage, use, or other consumption in Kentucky. The use tax is a “back stop” for sales tax and generally applies to tangible personal property, digital property,

extended warranty services, and other enumerated services purchased outside the state for storage, use, or consumption within the state. The purchaser's liability for the use tax is not completed until the tax has been paid to the state, either by the purchaser or by the retailer from whom the property was purchased. However, the purchaser will not be held liable for the tax provided a receipt is obtained from a retailer engaged in business in this state, or from a retailer authorized to collect Kentucky use tax, showing that the tax was collected by the retailer as a separately stated charge and the receipt is maintained in the purchaser's files.

**Tax Unit:**
The sales tax levied under KRS 139.200 is imposed on gross receipts from the retail sale, lease, or rental price of tangible personal property, digital property, and certain enumerated services in Kentucky. The use tax is an excise tax imposed on the storage, use, or other consumption of tangible personal property, digital property, extended warranty services, and other enumerated services in Kentucky, measured by the purchase price. Every person storing, using, or otherwise consuming in this state tangible personal property, digital property, or an extended warranty service purchased from a retailer is liable for the use tax levied under KRS 139.310.

**Tax Due:**
The tax must normally be reported and remitted on a monthly basis. In some cases, the taxpayer may be permitted to file on a quarterly or annual basis. For most taxpayers, the tax return and payment of the tax liability are due on the twentieth day of the month following the close of the tax period. Large taxpayers must file monthly returns and include an estimate of the first fifteen days of the following calendar month. The return for accelerated filers is due on the twenty-fifth day following the close of the calendar period. The Department of Revenue notifies taxpayers when they have an obligation to file an accelerated return.

**Background:**
Kentucky's first entry into the sales tax field occurred in 1934 when the General Assembly enacted a tax of 3 percent on general retail gross receipts. The tax was subsequently repealed by the 1936 General Assembly.

Kentucky again enacted a sales and use tax effective on July 1, 1960, at the same rate of 3 percent on general retail gross receipts. That rate stood until 1968 when the rate was raised to 5 percent. The rate was subsequently changed in 1990 to 6 percent, where it stands today.

The sales tax is imposed upon all retailers for the privilege of making retail sales of tangible personal property, digital property, and selected services in Kentucky. Except in very rare cases, the retailer must pass the tax along to the consumer as a separate charge and not be absorbed by the retailer. The use tax is imposed on the storage, use, or other consumption of tangible personal property, digital property, extended warranty services, and other enumerated services in Kentucky. Tangible personal property, digital property, and services subject to Kentucky sales tax are not subject to the use tax.

From its inception in 1960 until 1986, the sales and use tax was the most productive tax in the General Fund. In 1986, it was surpassed by the individual income tax until FY24, when the sales and use tax surpassed the individual income tax to become the most productive General Fund revenue source once again in terms of nominal dollars. Reductions to the individual income tax rate, and expansions of the sales tax base to include more enumerated services, both contributed to the sales tax regaining its place as the highest grossing tax in Kentucky. Receipts for FY25 totaled $5,821.3 million. The sales and use tax represented 37.1 percent of total General Fund revenues in FY25.

Recent legislative actions related to the sales and use taxes have been enacted to broaden the base, in particular, additional services and online transactions have been added to the base in growing recognition of the change in consumer consumption patterns. Remote retailers became subject to the sales tax in July 2018. Marketplace providers were brought into the sales tax base in July 2019. The receipts from these categories totaled $265.9 million in FY 2022, $321.7 million in FY 2023, and $352.2 million in FY24. The Marketplace Providers alone show receipts of $174.7 million in FY 2022, $215.5 million in FY 2023, 245.1 million in FY24, and $266.5 million in FY25.

**The total sales and use tax expenditures do not include the cost of excluding services from the sales tax.** Historically, these sales were never included in the tax base in Kentucky, are generally not part of most states' sales tax base and therefore do not meet the technical qualifications of a tax expenditure. However, due to the enactment HB 487 in 2018, HB 354 in 2019, and HB 8 in 2022, more services have been added to the sales tax base. The current list of taxable services includes:

- Accommodation rentals for periods of less than 30 days;
- Sewer services;
- Admissions, except:

1. Admissions to racetracks taxed under KRS 138.480;
2. Admissions to historical sites exempt under KRS 139.482;
3. Admissions to entertainment events taxed under KRS 229.031;
4. Admissions that are charged by nonprofit educational, charitable, or religious institutions and for which an exemption is provided under KRS 139.495; and
5. Admissions that are charged by nonprofit civic, governmental, or other nonprofit organizations and for which an exemption is provided under KRS 139.498;

- Prepaid calling service and prepaid wireless calling services;
- Intrastate, interstate, and international communications services, except pay telephone service; and
- Natural gas distribution, transmission, and transportation services;
- Landscaping services, including but not limited to: lawn care and maintenance services; tree trimming, pruning, or removal services; landscape design and installation services; landscape care and maintenance services; and snow plowing or removal services;
- Janitorial services, including but not limited to residential and commercial cleaning services, and carpet, upholstery, and window-cleaning services;
- Small animal veterinary services, excluding veterinary services for equine, cattle, swine, sheep, goats, llamas, alpacas, flightless birds, buffalo, and hoofed animals like deer;
- Pet care services, including but not limited to grooming and boarding services, pet-sitting services, and pet obedience training services;
- Fitness and recreational sports centers;
- Golf courses and country clubs;
- Overnight trailer campgrounds;
- Bowling centers;
- Industrial laundry services, including but not limited to industrial uniform supply services, protective apparel supply services, and industrial mat and rug supply services;
- Non-coin-operated laundry and dry cleaning services;
- Linen supply services, including but not limited to table and bed linen supply services and non-industrial uniform supply services;
- Indoor skin tanning services, including but not limited to tanning booth or tanning bed services and spray-tanning services;
- Non-medical diet and weight-reducing services;
- Labor and services for certain repair, installation and maintenance of personal property, such as cars;

- Extended warranty services;
- Extended warranty services (Real Property);
- Photography and photo finishing services;
- Photographic services;
- Telemarketing services;
- Public opinion and research polling services;
- Lobbying services;
- Executive employee recruitment services;
- Website design and development services;
- Website hosting services;
- Facsimile transmission services;
- Private mailroom services including:
    1. Presorting mail and packages by postal code;
    2. Address barcoding;
    3. Tracking;
    4. Delivery to postal service; and
    5. Private mailbox rentals;
- Bodyguard services;
- Residential and nonresidential security system monitoring services;
- Private investigation services;
- Process server services;
- Repossession of tangible personal property services;
- Personal background check services;
- Parking services including:
    1. Valet services ; and
    2. The use of parking lots and parking structures;
- Road and travel services by auto clubs as defined in KRS 281.010;
- Condominium time-share exchange services;
- Meeting space for conventions, short-term business uses, entertainment events, weddings, banquets, parties, and other short-term social events;
- Social event planning and coordination services;
- Leisure, recreational, and athletic instructional services;
- Recreational camp tuition and fees;
- Personal fitness training services;
- Massage services, except when medically necessary;
- Cosmetic surgery services;
- Body modification services including tattooing, piercing, scarification, branding, tongue splitting, transdermal and subdermal implants, ear pointing,

teeth pointing, and any other modifications that are not necessary for medical or dental health;
- Laboratory testing services, except testing for medical or veterinary reasons, or testing required for federal, state, or other government-related requirements;
- Interior decorating and design services;
- Household moving services;
- Specialized design services including the design of clothing, costumes, fashion, furs, jewelry, shoes, textiles, and lighting;
- Lapidary services, including cutting, polishing, engraving precious stones;
- Labor and services to repair or maintain commercial refrigeration equipment and systems when no tangible personal property is sold in that transaction including service calls and trip charges;
- Labor to repair or alter apparel, footwear, watches, or jewelry when no tangible personal property is sold in that transaction; and
- Prewritten computer software access services.

Finally, it should be noted that not every exempt transaction or exempt tangible property constitutes a tax expenditure. KRS 139.470 contains exempt transactions that are not included in this report. The same treatment holds for exempt property in KRS 139.480.

**Table 1. Total Sales and Use Tax Expenditures**

| | |
|---|---|
| **FY 2026** | $4,021.4 million |
| **FY 2027** | $4,135.9 million |
| **FY 2028** | $4,242.6 million |

# Tax Expenditures

## 1. Prescription Medicine, Prosthetic Devices and Physical Aids

*Kentucky Revised Statutes 139.472, effective 1971*
Data Source: Kentucky Taxpayer Data

Prescription drug, over-the-counter drugs with a prescription, medical oxygen and oxygen delivery equipment purchased for use in the home, insulin, diabetic supplies, colostomy, urostomy or ileostomy supplies, prosthetic devices, and mobility enhancing equipment, and durable medical equipment are exempt from sales and use tax. Prosthetic devices include artificial limbs, artificial eyes, hearing aids, crutches, and wheelchairs.

**FY 2026** $979.6 million
**FY 2027** $1,022.3 million
**FY 2028** $1,068.3 million

## 2. Food Items

*Kentucky Revised Statutes 139.480(21)*
*First effective 1972, revised 1986, Kentucky Revised Statutes 139.480(22)*
Data Source: Kentucky Taxpayer Information

Food and food ingredients for human consumption are exempt from sales and use tax. This exemption includes all purchases made with food stamps and the exemption for baked goods which became effective July 1, 2004**.** The food items exemption does **not** apply to food sold through vending machines or nonmechanical vending systems, or to prepared food served in restaurants.

**FY 2026** $721.9 million
**FY 2027** $737.0 million
**FY 2028** $751.7 million

### 3. State, Cities, Counties and Special Districts

*Kentucky Revised Statutes 139.470(6), effective 1960 and revised 1976*
Data Source: Kentucky Taxpayer Data

Sales of tangible personal property, digital property, or services to any cabinet, department, bureau, commission, board, or other statutory or constitutional agency of the state, and to cities, counties, and special districts defined in KRS 65.005 are exempt if the property or service is used solely in the governmental function.

**FY 2026** $513.5 million
**FY 2027** $526.4 million
**FY 2028** $537.4 million

### 4. Non-Profit Educational, Qualified Non-Profit Organizations, Charitable and Religious Institutions

*Kentucky Revised Statutes 139.495, effective 1976*
Data Source: Kentucky Taxpayer Data

Sales to resident, nonprofit educational, charitable, and religious institutions qualified for exemption from federal income taxation pursuant to Section 501(c)(3) of the Internal Revenue Code, for use solely within their exempt function, are exempt.

**FY 2026** $442.6 million
**FY 2027** $453.8 million
**FY 2028** $463.3 million

### 5. Residential Utilities

*Kentucky Revised Statutes 139.470(7), effective 1979*
Data Source: Kentucky Agency Data

Sales of electricity, sewer services, water, and fuel to Kentucky residents for use in heating, cooling, lighting, and other residential uses are exempt from sales and use tax.

**FY 2026** $362.4 million
**FY 2027** $362.5 million
**FY 2028** $361.4 million

### 6. Machinery for New and Expanded Industry

*Kentucky Revised Statutes 139.480(10), effective 1960*
*Data Source: Kentucky Agency Data*

Machinery for new and expanded industry that is used directly in manufacturing or processing and is incorporated for the first time into plant facilities in this state, and does not replace machinery in such plant, is exempt.

**FY 2026** $140.0 million
**FY 2027** $146.1 million
**FY 2028** $152.7 million

### 7. Industrial Supply Exemption expanded to include repair, replacement, or spare parts

*Expansion of Kentucky Revised Statutes 139.470(9), effective 2023*
Data Source: Kentucky Agency Estimate

The Kentucky Supreme Court's judgment in Century Aluminum of Kentucky, GP v. Department of Revenue, 664 S.W.3d 546 (Dec. 15, 2022) effectively expanded KRS 139.470(9) by altering the supply exemption from sales and use tax for gross receipts derived from the sale of tangible personal property to a manufacturer or industrial processor. If the property is to be directly used in the manufacturing or the act of industrial processing, then the property is exempt in certain cases -- changing and expanding the Department of Revenue's longstanding administrative treatment.

As a result of the judgment, tangible personal property that qualifies as an exempt supply but for the "repair, replacement, or spare part" exclusion will still qualify as an exempt supply. If all the other criteria for the exemption are met as provided under KRS 139.470(9), the items being consumed in the manufacturing process are exempt even if performing a maintenance function. Examples include lubricating and compounding oils, grease, machine waste, abrasives, chemicals, solvents, fluxes, anodes, filtering materials, fire brick, catalysts, dyes, refrigerants, explosives, and other like items having a useful life of less than one year that are used directly in the manufacturing or industrial processing process. The Department of Revenue will continue to make determinations as to whether the exemption is applicable on a case-by-case basis based upon this expanded interpretation.

**FY 2026** $75.2 million
**FY 2027** $79.6 million
**FY 2028** $82.0 million

### 8. Energy and Energy Producing Fuels

*Kentucky Revised Statutes 139.480(3)(c), effective 1960*
*Data Source: Kentucky Taxpayer Data*

Energy and energy producing fuels used in manufacturing, processing, mining, or refining, to the extent that the cost of the energy or energy-producing fuels used exceeds 3 percent of the cost of production, are exempt. For plant facilities that begin tolling operations after July 1, 2018, the costs of tangible property shall be excluded from the toller's cost of production at a plant facility with tolling operations in place as of July 1, 2018.

**FY 2026** $61.0 million
**FY 2027** $63.2 million
**FY 2028** $65.9 million

### 9. Coal Used in the Manufacture of Electricity

*Kentucky Revised Statutes 139.480(2), effective 1960*
Data Source: Kentucky Agency Estimate

Coal used in the manufacturing of electricity is exempt.

**FY 2026** $55.4 million
**FY 2027** $34.2 million
**FY 2028** $31.7 million

### 10. Admissions to Nonprofit Civic, Governmental, or Other Nonprofit Organizations and Fundraising Event Sales

*Kentucky Revised Statutes 139.495(2)(a)6., effective 2019*
Data Source: Kentucky Agency Estimate

For resident nonprofit, educational, charitable, or religious institutions which have qualified for an exemption from income taxation under Section 501 (c) (3) of the internal revenue code, except as described in KRS 139.497, the sales tax does not apply to:

1. Ongoing retail operations;
2. The sale of admissions; or
3. a. Fundraising event sales.
   b. For the purposes of this category, "fundraising event sales" does not include sales related to the operation of a retail business, including but not limited to thrift stores, bookstores, surplus property auctions, recycle and reuse stores, or any ongoing operations in competition with for-profit retailers.

**FY 2026** $28.3 million
**FY 2027** $29.4 million
**FY 2028** $30.5 million

### 11. Jet Fuel

*Kentucky Revised Statutes 144.132(2), effective 2005*
Data Source: Kentucky Taxpayer Data

Any certificated air carrier which is engaged in the air transportation of persons or property for hire shall be entitled to a credit against the Kentucky sales and use tax paid on aircraft fuel, including jet fuel. Certificated air carriers shall pay the first $1,000,000 in Kentucky sales and use tax due on the purchase of aircraft fuel, including jet fuel. The sales and use tax credit shall be an amount equal to the Kentucky sales and use tax otherwise applicable to the purchase of aircraft fuel, including jet fuel, purchased by the certificated air carrier during each fiscal year, in excess of one $1,000,000.

**FY 2026** $22.7 million
**FY 2027** $23.2 million
**FY 2028** $23.7 million

### 12. Interstate Cargo and Passenger Aircraft, Parts and Supplies

*Kentucky Revised Statutes 139.480(18), effective 1982*
Data Source: Kentucky Agency Estimate

Aircraft and repair and replacement parts therefor, and supplies except fuel, for the direct operation of aircraft in interstate commerce and used exclusively for the conveyance of property or passengers for hire, are exempt.

**FY 2026** $20.9 million
**FY 2027** $21.8 million
**FY 2028** $22.8 million

## 13. Reimbursement of Seller's Collection Costs

*Kentucky Revised Statutes 139.570, effective 1960, amended 2013*
Data Source: Kentucky Taxpayer Data

As reimbursement for the cost of collecting and remitting tax, the taxpayer shall deduct 1.75 percent of the first $1,000 of tax due and 1.5 percent of the tax due in excess of $1,000 if the amount due is not delinquent at the time of payment. The total reimbursement allowed for each seller in any reporting period shall not exceed $50.

**FY 2026** $17.8 million
**FY 2027** $18.2 million
**FY 2028** $18.6 million

## 14. Federal Taxes Imposed on Sales of Tangible Personal Property

*Kentucky Revised Statutes 139.470(18)*
*First effective 1960 Kentucky Revised Statutes 139.470(20)*
Data Source: Federal Agency Data

Manufacturer's excise and import duties imposed by the United States upon or with respect to retail sales are exempt.

**FY 2026** $14.6 million
**FY 2027** $15.0 million
**FY 2028** $15.3 million

## 15. Locomotives and Rolling Stock

*Kentucky Revised Statutes 139.480(1), effective 1960*
Data Source: Kentucky Agency Estimate

Locomotives or rolling stock, including materials for their construction, repair, or modification, or fuel and supplies for the direct operation of locomotives and trains used in interstate commerce are exempt.

**FY 2026** $11.2 million
**FY 2027** $11.3 million
**FY 2028** $11.5 million

### 16. Tombstones and Other Memorial Grave Markers

*Kentucky Revised Statutes 139.480(12), effective 1976*
Data Source: Kentucky Agency Estimate

Tombstones and other memorial grave markers for humans are exempt.

**FY 2026** $8.9 million
**FY 2027** $9.1 million
**FY 2028** $9.5 million

### 17. Building Materials, Fixtures, and Supplies for Sewer and Water Projects

*Kentucky Revised Statutes 139.480(34), effective 2023*
Data Source: Kentucky Agency Estimate

A new exemption was created in 2023 for the purchase of building materials, fixtures, or supplies by a construction contractor if those purchases are for use in fulfilling a construction contract for a governmental sewer or water project. To meet the requirements for exemption, the building materials and fixtures must be permanently incorporated into a structure or improvement to real property. In addition, the eligible supplies purchased must be completely consumed in fulfillment of the water or sewer contract.

**FY 2026** $8.2 million
**FY 2027** $7.5 million
**FY 2028** $6.9 million

### 18. Occasional Sales

*Kentucky Revised Statutes 139.470(3) and 139.010(24), effective 1960*
Data Source: Kentucky Agency Estimate

Casual or isolated sales of property not held or used by a seller in the course of an activity for which the seller is required to hold a seller's permit are exempt. This tax expenditure for occasional sales is related to the tax expenditure for garage and yard sales, but occasional sales do not have the $1,000 transaction value limit that is present for garage and yard sales.

**FY 2026** $8.2 million
**FY 2027** $8.5 million
**FY 2028** $8.7 million

### 19. Semi-Trailers and Trailers

*Kentucky Revised Statutes 139.470(20), effective 2008*
Data Source: Kentucky Agency Estimate

The sales of semi-trailers and trailers as defined by KRS 189.010(12) and KRS 189.010(17) are exempt.

**FY 2026** $8.0 million
**FY 2027** $8.2 million
**FY 2028** $8.4 million

### 20. Medicinal Cannabis

*Kentucky Revised Statutes 139.480(38), effective 2025*
Data Source: Kentucky Agency Estimate

Sales of medicinal cannabis are exempt from sales tax when sold, used, stored, or consumed in accordance with KRS Chapter 218B.

**FY 2026** $7.5 million
**FY 2027** $15.0 million
**FY 2028** $15.2 million

### 21. Sales by Elementary and Secondary Nonprofit, School-Sponsored Clubs and Organizations

*Kentucky Revised Statutes 139.497(1), effective 1984*
Data Source: Kentucky Agency Estimate

Sales made by elementary and secondary schools, nonprofit elementary or secondary school-sponsored clubs and organizations and nonprofit elementary or secondary school affiliated groups such as parent-teacher organizations and booster clubs, 4-H programs and sales made by FFA at their annual convention are exempt.

**FY 2026** $7.3 million
**FY 2027** $7.5 million
**FY 2028** $7.6 million

## 22. De Minimis Standard for Services

*Kentucky Revised Statutes 139.470 (24)*
*First effective June 27, 2019. Amended in HB 8, 2024 Regular Session Effective January 1, 2025*
Data Source: Kentucky Agency Estimate

For persons that first begin making sales of services included in KRS 139.200(2)(g) to (ax) on or after January 1, 2025, gross receipts derived from the sale of those services if the gross receipts are less than $12,000 within the first calendar year of operation. When gross receipts from these services exceed $12,000 in a calendar year:

1. All gross receipts over twelve thousand dollars ($12,000) are taxable in that calendar year; and
2. All gross receipts are subject to tax in subsequent calendar years.

**FY 2026** $7.2 million
**FY 2027** $7.9 million
**FY 2028** $8.5 million

## 23. Procurement, Processing, or Distribution of Blood or Human Tissue

*Kentucky Revised Statutes 139.125, effective 1968*
Data Source: Kentucky Agency Estimate

Whole blood, plasma, blood products, and tissues such as corneas, bones, or organs for the purpose of injecting, transfusing, or transplanting any of them into the human body are exempt.

**FY 2026** $6.8 million
**FY 2027** $7.0 million
**FY 2028** $7.3 million

## 24. Vessels and Maritime Supplies

*Kentucky Revised Statutes 139.483, effective 1966*
Data Source: Kentucky Agency Estimate

Ships and vessels, including their repair and construction, supplies, and fuel used in their operation and supplies consumed by crew members aboard such ships and vessels, used principally in transporting property for hire are exempt.

**FY 2026** $6.0 million
**FY 2027** $6.2 million
**FY 2028** $6.3 million

## 25. Data Center Equipment

*Kentucky Revised Statutes 139.499*
*First effective July 15, 2024, revised effective June 27, 2025*
Data Source: Kentucky Agency Estimate

A data center project meeting the requirements of KRS154.20-220 and is an approved or preliminarily approved company, a certificate of exemption may be issued. Upon receipt of the certificate of exemption, the sales and use taxes shall not apply to the sale, purchase, use, storage, consumption, installation, repair, and replacement of data center equipment.

**FY 2026** $5.0 million
**FY 2027** $15.0 million
**FY 2028** $15.0 million

## 26. Lodgings of Thirty Days or More

*Kentucky Revised Statutes 139.200(2)(a), effective 2009*
Data Source: Kentucky Taxpayer Data

Rooms, lodging or accommodations supplied for a continuous period of 30 days or more to an individual are exempt. Prior to 1992 lodging of 90 days or more were exempt.

**FY 2026** $4.8 million
**FY 2027** $5.0 million
**FY 2028** $5.3 million

## 27. Recycling Machinery and Equipment

*Kentucky Revised Statutes 139.480(22), effective 1991*
Data Source: Kentucky Agency Data

Replacement machinery that will increase the consumption of recycled materials by not less than 10 percent and machinery and equipment purchased or leased by a business, industry or organization in order to collect, source separate, compress, bale, shred or otherwise handle waste materials, if that machinery or equipment is primarily used for recycling purposes, are exempt.

**FY 2026** $4.8 million
**FY 2027** $4.8 million
**FY 2028** $4.8 million

## 28. Textbooks

*Kentucky Revised Statutes 139.480(16), effective 1978*
Data Source: Kentucky Agency Estimate

Textbooks, related workbooks, and other course material purchased for use in a course of study conducted by an institution qualified as a non-profit educational institution are exempt. The term "course materials" means only those items specifically required of all students for a particular course but shall not include notebooks, paper, pencils, calculators, tape recorders, or similar student aids.

**FY 2026** $4.7 million
**FY 2027** $4.8 million
**FY 2028** $4.9 million

## 29. Kentucky Enterprise Initiative

*Kentucky Revised Statutes 154.20-200(6), effective 2005*
Data Source: Kentucky Taxpayer Data

A new statewide tax incentive program replaced the Enterprise Zone program as the enterprise zones expired. It extended to eligible companies the opportunity to receive refunds of sales and use tax paid on the purchase of building materials and research and development materials for tourist attractions, services, technology, manufacturing and company headquarters for any industry. The program gives preference to companies in previous enterprise zones. The minimum investment is $100,000 for companies within the enterprise zone boundaries, $500,000 elsewhere. It also created a statewide cap in each year of $20 million for building materials and $5 million for equipment used in research and development.

**FY 2026** $3.9 million
**FY 2027** $4.0 million
**FY 2028** $4.1 million

### 30. Entertainment Events with Qualifying Attractions

*Kentucky Revised Statutes 139.5325(2), effective 2025*
Data Source: Kentucky Agency Estimate

A sponsoring entity and facility operator shall be granted a sales tax incentive totaling 50% of the Kentucky sales tax generated by the sale of admissions to a qualifying attraction held at a venue, and the sales of tangible personal property and services at the qualifying attraction, including but not limited to the sale of food and beverage concessions, souvenirs, camping, and parking

**FY 2026** $3.8 million
**FY 2027** $4.1 million
**FY 2028** $4.3 million

### 31. Garage or Yard Sales

*Kentucky Revised Statutes 139.496*
*First effective 1976, revised 1990*
Data Source: Kentucky Agency Estimate

Sales and use tax does not apply to the first $1,000 of sales of household items made in any calendar year by an individual not engaged in the business of selling. Prior to July 1, 1990, the exemption applied to the first $500 of sales made in any calendar year.

**FY 2026** $3.8 million
**FY 2027** $4.0 million
**FY 2028** $4.2 million

### 32. Repair or Replacement Parts for Large Trucks

*Kentucky Revised Statutes 139.480(31)(a), effective 2006*
Data Source: Kentucky Taxpayer Data

Repair parts for those trucks and their towed units over 44,001 pounds that are used exclusively in interstate commerce and repair or replacement parts for direct operation and maintenance of charter buses are exempt from sales tax.

**FY 2026** $2.1 million
**FY 2027** $2.2 million
**FY 2028** $2.2 million

## 33. Currency or Bullion

*Kentucky Revised Statutes 139.480(37), effective 2024*
Data Source: Kentucky Agency Estimate

Currency or Bullion are exempt from sales tax. "Bullion" means bars, ingots, or coins, which are made of gold, silver, platinum, palladium, or a combination of these metals; valued based on the content of the metal and not its form; and used, or have been used, as a medium of exchange, security, or commodity by any state, the United States government, or a foreign nation

**FY 2026** $2.0 million
**FY 2027** $1.8 million
**FY 2028** $2.1 million

## 34. Purchases by Historical Sites

*Kentucky Revised Statutes 139.482, effective 1976*
Data Source: Kentucky Agency Estimate

Certain purchases made by an historical site operated by a nonprofit corporation, society, or organization and listed by the United States Department of Interior in the National Register of Historic Places are exempt.

**FY 2026** $1.0 million
**FY 2027** $1.0 million
**FY 2028** $1.0 million

## 35. Donated Goods

*Kentucky Revised Statutes 139.495(3)*
*First effective August 1, 2005, Kentucky Revised Statutes 139.495(5)*
Data Source: Kentucky Taxpayer Data

A sales tax refund equal to 25 percent (up to $1 million) of the tax collected on sales of donated goods by resident, nonprofit, educational, charitable or religious institutions is allowed, if the entity uses the refund exclusively as reimbursement for capital construction costs of additional retail locations in this state.

**FY 2026** $0.9 million
**FY 2027** $0.9 million
**FY 2028** $0.9 million

## 36. Refund on Building Materials Used for Disaster Recovery

*Kentucky Revised Statutes 139.519, effective 2012*
Data Source: Kentucky Taxpayer Data

A legal owner of a building located in a disaster area and damaged, in whole or in part, as a result of a disaster may qualify for a refund of the sales and use tax paid on the purchase of building materials to: (1) repair that building; (2) construct a new building in a disaster area to replace the building damaged or destroyed by the disaster. The refund allowed shall be to the lesser of: 100 percent of the Kentucky sales and use tax actually paid, reduced by the amount of vendor compensation allowed under KRS 139.570: or six thousand dollars ($6,000) for each building in the disaster area which is damaged or destroyed by the disaster regardless of the number of legal owners.

**FY 2026** $0.3 million
**FY 2027** $0.4 million
**FY 2028** $0.9 million

## 37. Sales by Nonprofit Higher Educational School-Sponsored Clubs and Organizations

*Kentucky Revised Statutes 139.495(2)(a)(4), effective 1980*
Data Source: Kentucky Agency Estimate

Sales made by nonprofit school-sponsored clubs and organizations of higher education institutions are exempt provided such sales do not include tickets for athletic events.

**FY 2026** $0.3 million
**FY 2027** $0.4 million
**FY 2028** $0.4 million

### 38. Water Withdrawal Fees Paid to Kentucky River Authority

*Kentucky Revised Statutes 139.470(10), effective 2005*
Data Source: Kentucky Agency Estimate

Any water use fee paid or passed through to the Kentucky River Authority by facilities using water from the Kentucky River basin to the Kentucky River Authority in accordance with KRS 151.700 to 151.730 and administrative regulations promulgated by the Authority shall be excluded.

**FY 2026** $0.3 million
**FY 2027** $0.3 million
**FY 2028** $0.4 million

### 39. Rebate on Sales of Admission and Tangible Personal Property at Governmental Facility

*Kentucky Revised Statutes 139.533(2)(a)&(c), effective 2010*
Data Source: Kentucky Taxpayer Data

A governmental entity may be granted a sales tax rebate of up to 100 percent of the Kentucky sales tax generated by the sale of admissions to the public facility and the sale of tangible personal property at the public facility. The tax rebate shall be reduced by the vendor compensation allowed under KRS 139.570 on or after July 1, 2010. The total tax rebate for each public facility shall not exceed two hundred fifty thousand dollars ($250,000) in each calendar year.

**FY 2026** $0.2 million
**FY 2027** $0.2 million
**FY 2028** $0.2 million

### 40. Charter Bus Repair and Replacement Parts

*Kentucky Revised Statutes 139.480(31)(b)&(c), effective June 27, 2019*
*First effective August 1, 2005, Kentucky Revised Statutes 139.480(32)(b)*
Data Source: Kentucky Taxpayer Data

Repair and replacement parts for directly operating and maintaining a charter bus certified by the Transportation Cabinet are exempt.

**FY 2026** $0.1 million
**FY 2027** $0.1 million
**FY 2028** $0.1 million

### 41. Admissions to Fishing Tournaments and Boat Ramp Fees

*Kentucky Revised Statutes 139.010(1)(b), effective 2019*
Data Source: Kentucky Taxpayer Data

Taxable "Admissions" do not include:

1. Any fee paid to enter or participate in a fishing tournament; or
2. Any fee paid for the use of a boat ramp for the purpose of allowing boats to be launched into or hauled out from the water.

**FY 2026** Limited
**FY 2027** Limited
**FY 2028** Limited

### 42. Sales to Motion Picture Companies

*Kentucky Revised Statutes 139.538, effective 1986*
Data Source: Kentucky Agency Estimate

Motion picture production companies filming or producing motion pictures in Kentucky are exempt from the tax. The exemption is accomplished by granting a refundable credit of taxes paid on purchases made in Kentucky in connection with the filming or producing of a motion picture in this state.

**FY 2026** Limited
**FY 2027** Limited
**FY 2028** Limited

### 43. 4-H Sales

*Kentucky Revised Statutes 139.497(2)*
*First effective 1988, revised 1990, revised 2014*
Data Source: Kentucky Agency Estimate

Sales made by nonprofit educational youth programs affiliated with a land grant university cooperative extension service are exempt if the net proceeds from the sales are used solely for the benefit of the affiliated programs.

**FY 2026** Limited
**FY 2027** Limited
**FY 2028** Limited

## 44. Coin-Operating Bulk Vending Machines

*Kentucky Revised Statutes 139.470(5)*
*First effective 1966, revised 1998*
Data Source: Kentucky Agency Estimate

Bulk vending machine sales of fifty cents or less are exempt from tax. From 1966 to 1986 the exempt sale was one cent. From 1986 until the 1998 legislative change, the amount exempt was twenty-five cents or less.

**FY 2026** Minimal
**FY 2027** Minimal
**FY 2028** Minimal

## 45. Construction Expenses for Alternative Fuel or Gasification Facility

*Kentucky Revised Statutes 139.517 and KRS 154.27-070, effective 2007*
Data Source: Kentucky Taxpayer Data

Sales taxes paid on tangible personal property used in the process of constructing retrofitting, or upgrading an alternative fuel, gasification facility, or renewable energy facility, may be refunded at the end of the calendar year. This tax expenditure has only been utilized once since its inception. Due to its underutilization up to the present time, it is not expected to be employed further within the biennium.

**FY 2026** Minimal
**FY 2027** Minimal
**FY 2028** Minimal

## 46. Construction Expenses for Near-Zero Emission Power Plants

*Kentucky Revised Statutes 139.537, effective 2009*
Data Source: Kentucky Taxpayer Data

Tangible personal property used to construct, repair, renovate or upgrade a coal-based near-zero emission power plant is exempt from sales tax, including repair and replacement parts.

**FY 2026** Minimal
**FY 2027** Minimal
**FY 2028** Minimal

## 47. Interstate Business Communication Service

*Kentucky Revised Statutes 139.505, effective 2005*
Data Source: Kentucky Taxpayer Data

Any business whose interstate communications service, subject to the sales tax imposed under KRS Chapter 139 and deducted for federal income tax purposes, exceeds 5 percent of the business's Kentucky gross receipts during the preceding calendar year is entitled to a refundable credit if the business annual Kentucky gross receipts are equal to or more than $1 million and the majority of the interstate communications service billed to a Kentucky service address for the annual period is for communication service originating outside of this state and terminating in this state.

**FY 2026** Minimal
**FY 2027** Minimal
**FY 2028** Minimal

## 48. Marketing Services

*Kentucky Revised Statutes 139.200 and 139.310 (Marketing services were removed from these two spots)*
*First effective January 1, 2023*
Data Source: Kentucky Agency Estimate

Effective 01/01/2023, KRS 139.200 and 139.310 were amended to remove marketing services from the list of enumerated services subject to Kentucky sales and use tax. Therefore, marketing services are no longer subject to tax.

**FY 2026** Minimal
**FY 2027** Minimal
**FY 2028** Minimal

## 49. New and Replacement Machinery or Equipment for Energy Efficient Projects

*Kentucky Revised Statutes 139.518(3), effective 2008*
Data Source: Kentucky Taxpayer Data

A manufacturer who purchases machinery or equipment that reduces energy consumption at its facility by 15 percent or more is eligible for a refund of the sales tax on the purchase.

**FY 2026** Minimal
**FY 2027** Minimal
**FY 2028** Minimal

### 50. Pay Phones

*Kentucky Revised Statutes 139.200(2)(e), effective 2006*
Data Source: Kentucky Agency Estimate

Communication services furnished via a pay telephone are exempt from sales tax.

**FY 2026** Minimal
**FY 2027** Minimal
**FY 2028** Minimal

### 51. Property Certified as a Fluidized Bed Energy Production Facility

*Kentucky Revised Statutes 139.480(19), effective 1986*
Data Source: Kentucky Taxpayer Data

Any sale, use, storage or consumption of tangible property that has been certified as a fluidized bed energy production facility, as defined in KRS 211.390, is exempt.

**FY 2026** Minimal
**FY 2027** Minimal
**FY 2028** Minimal

### 52. Sales of Extended Warranty Services, Small Telephone Utilities and CMRS Providers of Communication Services or Broadband

*Kentucky Revised Statutes 139.010(15)(b), effective 2019*
Data Source: Kentucky Agency Estimate

Extended warranty services do not include the sale of a service contract agreement for tangible personal property to be used by a small telephone utility as defined in KRS 278.516 or a Tier III CMRS provider as defined in KRS 65.7621 to deliver communications services or broadband as defined in KRS 278.5461.

**FY 2026** Minimal
**FY 2027** Minimal
**FY 2028** Minimal

## Sales Tax Exemptions for Farmers

### Table 1. Subtotal for Farming Tax Expenditures

**FY 2026** $448.2 million
**FY 2027** $466.0 million
**FY 2028** $476.6 million

The following tax expenditures pertain to the farming industry.

### 1. Livestock, Poultry, Ratite Birds, Llama, Alpaca, Aquatic Organisms, Buffalo, Cervids, Embryos and Semen, Farm Work Stock and Feed, Seeds and Fertilizers

*Kentucky Revised Statutes 139.480(4),(5),(6),(7),(9),(23),(24),(25),(28),(29),(30), effective 1960*
Data Source: Federal Agency Data

Livestock that ordinarily constitutes food for human consumption, provided the sales are made for breeding or dairy purposes and by or to a person regularly engaged in the business of farming; poultry for use in breeding or egg production; embryos and semen used in the reproduction of livestock; and farm work stock for use in farming operations are exempt from the tax. Seeds, feed, and fertilizer, the products of which ordinarily constitute food for human consumption or which are to be sold in the regular courses of business are exempt. Llamas, alpacas, aquatic organisms, buffalo and cervids are also exempt.

**FY 2026** $244.6 million
**FY 2027** $256.3 million
**FY 2028** $259.8 million

### 2. Farm Machinery, Attachments and Replacements, On-Farm Grain Storage Facilities, and On-Farm Facilities for Raising Chickens, Livestock, Ratite Birds, Llamas and Alpacas, and Buffalo

*Kentucky Revised Statutes 139.480(11), effective 1968*
Data Source: Federal Agency Data

Farm machinery and repair and replacement parts for the operation of farm machinery are exempt.

*Kentucky Revised Statutes 139.480(13), effective 1978*
Data Source: Federal Agency Data

On-farm facilities used exclusively for grain or soybean storing, drying, processing or handling, including all construction, renovation, or repair materials, parts, and equipment, are exempt.

*Kentucky Revised Statutes 139.480(14)(23)(25)(28) (29) and (30), effective 1990, 1994, and 1996*
Data Source: Federal Agency Data

On-farm facilities used exclusively for raising livestock, and poultry, the products of which ordinarily constitute food for human consumption, ratite birds, llamas, alpacas, buffalo, aquatic organisms, or cervids including equipment, machinery, attachments, repair and replacement parts, and any materials incorporated into the construction, renovation, or repair of the facility are exempt.

**FY 2026** $66.5 million
**FY 2027** $68.2 million
**FY 2028** $70.7 million

### 3. Farm Chemicals

*Effective 1960 by Administration Regulation, codified Kentucky Revised Statutes 139.480(8),(23),(25),(28),(29),(30), effective 1992*
Data Source: Federal Agency Data

Insecticides, fungicides, herbicides, rodenticides, and other farm chemicals used in the production of crops as a business, or in the raising and feeding of ratite birds, llamas and alpacas, livestock and poultry, buffalo, aquatic organism, or cervids -- the products of which ordinarily constitute food for human consumption are exempt.

**FY 2026** $56.5 million
**FY 2027** $57.4 million
**FY 2028** $58.5 million

### 4. Water Used for Farm Purposes

*Kentucky Revised Statutes 139.480(27), effective 1998*
Data Source: Federal Agency Data

Water sold to persons regularly engaged in the business of farming and used in the production of crops, milk for sale, or raising and feeding livestock, poultry, ratites, llamas, alpacas, buffalo, cervids or aquatic organisms is exempt.

**FY 2026** $19.8 million
**FY 2027** $20.3 million
**FY 2028** $20.7 million

### 5. Fuel Used for Farm Purposes

*Kentucky Revised Statutes 139.480(15), effective 1978*
Data Source: Federal Agency Data

Gasoline, special fuels, liquefied petroleum gas and natural gas used to operate farm machinery, on-farm grain, poultry, livestock, ratite, llama, alpaca, or dairy facilities are exempt.

**FY 2026** $19.3 million
**FY 2027** $20.0 million
**FY 2028** $20.5 million

### 6. Horses Purchased for Breeding

*Kentucky Revised Statutes 139.531(2)(a), effective 1976*
Data Source: Federal Agency Data

The sales and use tax does not apply to horses, interests in horses, or shares in horses, provided the purchase or use is made for breeding purposes only.

**FY 2026** $15.7 million
**FY 2027** $16.4 million
**FY 2028** $17.0 million

### 7. Horses Less Than Two Years of Age

*Kentucky Revised Statutes 139.531(2)(d), effective 1976*
Data Source: Kentucky Agency Estimate

Sales of horses less than two years of age at the time of sale, provided the sale is made to a nonresident of Kentucky, and the horse is transported out of state, either immediately following the sale or immediately following training within the state are exempt**.**

**FY 2026** $12.3 million
**FY 2027** $13.2 million
**FY 2028** $14.6 million

### 8. Farm Drugs and Over-the-Counter Drugs used in the Treatment of Livestock

*Kentucky Revised Statutes 139.480(33), effective 2023*
Data Source: Kentucky Agency Estimate

Drugs and over-the counter drugs, as defined in KRS 139.472, that are purchased by a person regularly engaged in the business of farming and used in the treatment of cattle, sheep, goats, swine, poultry, ratite birds, llamas, alpacas, buffalo, aquatic organisms, or cervids.

**FY 2026** $9.3 million
**FY 2027** $9.8 million
**FY 2028** $10.2 million

### 9. Equine Water

*Kentucky Revised Statutes 139.470(12), effective 1998*
Data Source: Federal Agency Data

Gross receipts from the sale of water used in the raising of equine as a business.

**FY 2026** $2.9 million
**FY 2027** $3.0 million
**FY 2028** $3.1 million

## 10. Aquaculture

*Kentucky Revised Statutes 139.480(29), effective 1998*
Data Source: Federal Agency Data

Aquatic organisms, feed, feed additives, chemicals, on-farm facilities, machinery repairs and replacement parts sold directly to a person regularly engaged in the business of producing products of aquaculture for sale and items necessary for the production of aquatic organisms are exempt.

**FY 2026** $0.8 million
**FY 2027** $0.9 million
**FY 2028** $1.0 million

## 11. Twine and Wire

*Kentucky Revised Statutes 139.480(26), effective 1998*
Data Source: Kentucky Agency Estimate

Baling twine and baling wire used for the purpose of baling hay and straw are exempt, including net wrapping for roll-baled hay.

**FY 2026** $0.5 million
**FY 2027** $0.5 million
**FY 2028** $0.5 million

# Individual Income Tax

Tax liability for the individual income tax is computed based on taxable income. The starting point for Kentucky taxable income is federal adjusted gross income. There are several additions, subtractions, deductions, exclusions, and tax credits that alter federal adjusted gross income. Those alterations to gross income are detailed in this section of the tax expenditure report.

**Calculation Outline:**
Gross Income ➡ Adjusted Gross Income ➡ Net Income ➡ Tax ➡ Tax Liability

Gross Income is the sum of income sources, including salaries, wages, tips, taxable interest, and taxable dividends. All of these income sources are taxed with no allocation or apportionment for out-of-state income. However, there is an allowable credit for taxes paid to other states on that income which is taxed in Kentucky under KRS 141.070. Non-residents are taxed on income from sources within Kentucky, from business occurring within Kentucky. This includes income from business conducted through partnerships, S corporations and limited liability companies.

Adjusted Gross Income is the reduction in Gross Income by allowable exclusions and adjustments. Specifically, Gross Income is converted to Adjusted Gross Income by subtracting the deductions allowed by Section 62 of the IRC, as modified by KRS 141.019 (1) (a) through (p).

Net Income is Adjusted Gross Income less allowable deductions. Allowable deductions are detailed in Chapter 1 of the IRC, KRS 141.0101, and the modifications included in KRS 141.019 (2) (a) through (i). One such deduction is the Standard Deduction. Adjusted Gross Income is reduced by the standard deduction ($3,270 for tax year 2025) or at the option of the taxpayer by itemized deductions. In an attempt to broaden the base of the income tax, the number of itemized deductions in Kentucky was reduced significantly by the enactment of HB 487 during the 2018 Regular Session of the General Assembly and modified by HB 354 in the 2019 Regular Session.

A flax tax rate is applied to Net Income. Tax Liability is equal to the calculated tax less allowable tax credits. Some credits can be applied to corporate, LLET or individual income tax. Taxpayers must use the same accounting period as is used for federal purposes. Taxpayers with income from sources not subject to withholding

must, in most cases, file tax liability declarations and pay estimated tax. Declarations payments are due on April 15th, June 15th, September 15th, and January 15th.

The tax return and payment of any remaining tax liability are due on the fifteenth day of the fourth month following the close of the taxable period, which is April 15 for calendar-year taxpayers. A six-month extension for filing the return is permitted by filing Kentucky tax form 740EXT.

Each individual is taxed on his or her separate income. Married couples may choose to file a joint return. The fiduciary income of estates, trusts, and receivers, which has not been disbursed as a distribution payment, is subject to the same provisions as other individual income.

**Background:**
The individual income tax was first imposed in Kentucky in 1936. From 1943 to 1960, it was the most productive General Fund revenue source. From 1960 through 1986, it was second only to the sales and use tax. From FY87 through FY24, the individual income tax became the largest revenue source for the Commonwealth. In FY25, the sales and use tax once again overtook the individual income tax due to the recent rate reductions that have occurred for the individual income tax. In FY88, the individual income tax became Kentucky's first billion-dollar tax. Collections from the tax totaled $5,319.2 million in FY25. The individual income tax made up 33.9 percent of total General Fund revenues in FY25.

In 1954, Kentucky became the fourth state to adopt a general withholding system. Previously, the law provided for withholding on nonresidents only. The 1954 law also adopted the federal definition of net income, using the Internal Revenue Code as a base, with minor exceptions.

Prior to 1954, Kentucky's income tax was different from the federal tax in many ways. The first adoption of the federal code provided uniformity in determining income and itemized deductions. For example, nothing existed in Kentucky statutes about medical expenses, most business expenses, and qualifications for dependents. Such items are included by reference to the federal code.

In tax year 2018, Kentucky moved from a progressive tax rate structure to a flat tax structure. In 2018, the flat tax rate was 5.0 percent.

In the 2022 Regular Session (HB 8), Kentucky reduced the flat tax rate from 5.0 percent to 4.5 percent on net income less allowable credits for tax years beginning after January 1, 2023. In the 2023 Regular Session (HB 1), Kentucky reduced the flat tax rate from 4.5 percent to 4.0 percent on net income less allowable credits for tax years beginning after January 1, 2024. In the 2024 Regular Session, Kentucky reduced the rate from 4.0 percent to 3.5 percent for tax years beginning after January 1, 2026.

The Kentucky General Assembly periodically adopts many changes in the federal Internal Revenue Code as a basis for generating Kentucky Adjusted Gross Income. Kentucky currently references the Internal Revenue Code in effect on December 31, 2023 for most provisions.

The individual income tax return is filed by individuals, including sole proprietors, shareholders in an S corporation, partners in a partnership, and individual members of a limited liability company.

**Table 2. Total Individual Income Tax Expenditures**

**FY 2026** $2,405.9 million
**FY 2027** $2,558.1 million
**FY 2028** $2,654.1 million

## Individual Income Tax - Exclusions

### 1. Employer Contributions for Medical Insurance and Medical Care

*IRC Section 106, effective 1982*
Data Source: Federal Apportioned Estimates

Gross income does not include employer-provided coverage under a health plan.

**FY 2026** $631.3 million
**FY 2027** $701.1 million
**FY 2028** $740.6 million

### 2. Pension Plans, Retirement Income, and Individual Retirement Accounts

*Kentucky Revised Statutes 141.019(1)(g)(1)(b), effective 2006, modified 2018*
Data Source: Kentucky Taxpayer Data

Up to $31,110 in benefits received by the taxpayer from pension plans, annuity contracts, profit sharing plans, retirement plans, or employee savings plans. Individual Retirement Accounts (IRAs), and Roth IRAs is exempted from income. The exemption changed from $41,110 to $31,110 effective January 1, 2018. "Pension plans, profit sharing plans, retirement plans, or employee savings plans" means any trust or other entity created or organized under a written retirement plan and forming part of a stock bonus, pension, or profit sharing plan of a public or private employer for the exclusive benefit of employees, and includes plans qualified or unqualified under Section 401 of the IRC and IRAs as defined in Section 408 of the IRC.

| | |
|---|---|
| **FY 2026** | $378.5 million |
| **FY 2027** | $387.0 million |
| **FY 2028** | $394.8 million |

### 3. Gain on the Sale of a Principal Residence

*IRC Section 121, effective 1964 with various amendments*
Data Source: Federal Apportioned Estimates

A homeowner can exclude from tax up to $250,000 for individuals (or $500,000 for a joint return) of the capital gains from the sale of a principal residence. The exclusion may not be used more than once every two years.

| | |
|---|---|
| **FY 2026** | $145.5 million |
| **FY 2027** | $155.7 million |
| **FY 2028** | $161.8million |

### 4. Pension, Profit-Sharing, and Annuity Plans of Self-Employed Individuals

*IRC Section 404(a)(8), effective 1954*
Data Source: Federal Apportioned Estimates

In the case of an individual who is an employee within the meaning of IRC Section 401(c)(1), pensions, profit-sharing, and annuity plans are deducted from federal gross income.

**FY 2026** $119.6 million
**FY 2027** $125.0 million
**FY 2028** $130.9 million

### 5. Capital Gains - Property Transferred at Death

*IRC Section 1014, effective 1954*
Data Source: Federal Apportioned Estimates

No tax is imposed on capital gains resulting from the transfer of appreciated property at death. The appreciation that accrued during the lifetime of the decedent is never taxed as income.

**FY 2026** $84.8 million
**FY 2027** $95.9 million
**FY 2028** $105.0 million

### 6. Social Security Benefits for Retired Workers, Disabled Workers, Dependents, and Survivors

*Kentucky Revised Statutes 141.019 (1)(e), effective 2010*
Data Source: Kentucky Taxpayer Data

Social Security and railroad retirement benefits that are subject to the federal income tax and restrictions are excluded from Kentucky adjusted gross income.

**FY 2026** $80.0 million
**FY 2027** $92.8 million
**FY 2028** $96.1 million

### 7. Armed Forces Personnel Benefits and Allowances

*IRC Section 134, effective 1986*
Data Source: Federal Apportioned Estimates

Any qualified military benefit such as any allowance or in-kind benefit (other than personal use of a vehicle) is excluded from gross income. These exclusions include housing, meals, housing vouchers and combat service pay.

**FY 2026** $41.7 million
**FY 2027** $38.9 million
**FY 2028** $39.5 million

### 8. Interest on Life Insurance Savings

*IRC Section 101(a)(1) and (a)(2), effective 2006*
Data Source: Federal Apportioned Estimates

Favorable tax treatment is provided for investment income within qualified life insurance and annuity contracts. Investment income earned on qualified life insurance contracts held until death is permanently exempt from income tax. Investment income distributed prior to the death of the insured is tax-deferred, if not tax-exempt. Investment income earned on annuities is treated less favorably than income earned on life insurance contracts, but it benefits from tax deferral without annual contribution or income limits generally applicable to other tax-favored retirement income plans.

**FY 2026** $40.4 million
**FY 2027** $42.6 million
**FY 2028** $43.3 million

### 9. Veteran's Pension, Death and Disability Compensation

*IRC Section 104(a)(4) and (5), effective 1960*
Data Source: Federal Apportioned Estimates

All compensation due to pension payments, death or disability paid by the Veterans Administration is excluded from taxable income.

**FY 2026** $35.8 million
**FY 2027** $40.9 million
**FY 2028** $42.6 million

## 10. Miscellaneous Fringe Benefits

*IRC Section 132, effective 1986*
Data Source: Federal Apportioned Estimates

Any fringe benefit that qualifies as a no-additional-cost service, qualified employee discount, working condition fringe, de minimis fringe, qualified transportation fringe, qualified moving expense reimbursement, qualified retirement planning services, or qualified military base realignment and closure fringe are excluded from gross income.

**FY 2026** $24.6 million
**FY 2027** $25.6 million
**FY 2028** $26.5 million

## 11. Worker's Compensation Benefits

*IRC Section 104(a)(1), effective 1960*
Data Source: Federal Apportioned Estimates

Workers' compensation benefits, paid to disabled employees or their survivors for employment-related injuries or diseases, are not taxed.

**FY 2026** $20.6 million
**FY 2027** $20.6 million
**FY 2028** $20.6 million

## 12. Employer-Provided Meals and Lodging

*IRC Section 119, effective 1978*
Data Source: Federal Apportioned Estimates

Employer-provided meals and lodging are excluded from an employee's gross income.

**FY 2026** $18.9 million
**FY 2027** $20.7 million
**FY 2028** $21.4 million

## 13. Active Duty Military Pay

*Kentucky Revised Statutes 141.019 (1)(l), effective 2010*
Data Source: Federal Agency Estimate

For taxable years beginning on or after January 1, 2010, exclude all non-combat military pay received by active duty members of the Armed Forces of the United States, members of reserve components of the Armed Forces of the United States, and members of the National Guard, including compensation for state active duty as described in KRS 38.205.

**FY 2026** $14.9 million
**FY 2027** $15.3 million
**FY 2028** $15.6 million

## 14. Income Earned Abroad by U.S. Citizens

*IRC Section 911 and 912, effective 1954 and 1981, respectively*
Data Source: Federal Apportioned Estimates

U.S. citizens who lived abroad, worked in the private sector, and satisfied a foreign residency requirement may be entitled to a foreign earned income exclusion that reduces taxable income. In addition, if these taxpayers receive an allowance for foreign housing from their employers, they may also exclude the value of that allowance. Federal civilian employees and Peace Corps members who work outside the continental United States are allowed to exclude from U.S. taxable income allowances they receive to compensate them for the relatively high costs associated with living overseas. The allowances supplement wage income and cover expenses like rent, education, and the cost of travel to and from the United States.

**FY 2026** $13.6 million
**FY 2027** $13.9 million
**FY 2028** $14.3 million

### 15. Passive Loss Rules Exception

*IRC Section 469(i), effective 1993*
Data Source: Federal Apportioned Estimates

In general, the passive activity loss or the passive activity credits may not offset income from other sources. Losses up to $25,000 attributable to certain rental real estate activity are exempt under this rule.

**FY 2026** $13.6 million
**FY 2027** $13.0 million
**FY 2028** $12.3 million

### 16. Basis of Property Acquired by Gifts and Transfers in Trust

*IRC Section 1015, effective 1959*
Data Source: Federal Apportioned Estimates

When a gift is made, the donor's basis in the transferred property (the cost that was incurred when the transferred property was first acquired) carries over to the recipient. The carryover of the donor's basis allows a continued deferral of unrealized capital gains. This exclusion only applies to property acquired as a gift after December 31, 1920.

**FY 2026** $13.3 million
**FY 2027** $16.0 million
**FY 2028** $15.9 million

### 17. Employer-Provided Benefits of Premiums on Group Term Life, Accident and Disability Insurance

*IRC Section 79(a) and 106, effective 1936*
Data Source: Federal Apportioned Estimates

Gross income does not include employer-provided coverage under an accident or insurance plan. Employer payment of employee group term life insurance premiums for coverage up to $50,000 per employee is excluded from an employee's gross income.

**FY 2026** $13.2 million
**FY 2027** $14.0 million
**FY 2028** $14.4 million

## 18. Scholarship and Fellowship Income

*IRC Section 117, effective 1961*
Data Source: Federal Apportioned Estimates

Scholarships and fellowships are excluded from taxable income to the extent they pay for tuition and course-related expenses of the grantee. Similarly, tuition reductions for employees of educational institutions and their families are not included in taxable income.

**FY 2026** $12.6 million
**FY 2027** $14.4 million
**FY 2028** $15.2 million

## 19. Installment Sales

*IRC Section 453, effective 1960*
Data Source: Federal Apportioned Estimates

The general rule for installment sales is that the income is taxed when each installment is received and not in the year of the sale. The exception to this general rule is that a "dealer" cannot defer the tax on the sale, i.e., they must report the entire sales price on an installment sale regardless of when the income is received. The tax expenditure occurs since the Federal Government permits an irrevocable election, approved by the IRS commissioner, to opt out of the exception, thereby allowing the deferral of income and making the general rule apply to the dealer once again. The delay in taxation of future installments is the basis for the tax expenditure. Kentucky automatically honors the irrevocable election by virtue of our code update that synchronized the Kentucky statutes to federal tax code.

**FY 2026** $4.3 million
**FY 2027** $4.5 million
**FY 2028** $4.7 million

## 20. Employer-Provided Educational Assistance

*IRC Section 127, effective 1986*
Data Source: Federal Apportioned Estimates

Employer-provided educational assistance is excluded from an employee's gross income.

**FY 2026** $3.9 million
**FY 2027** $3.6 million
**FY 2028** $3.8 million

## 21. GI Bill Benefits

*IRC Section 134, effective 1944*
Data Source: Federal Apportioned Estimates

GI bill benefits paid by the Veterans Administration are excluded from gross income.

**FY 2026** $3.8 million
**FY 2027** $4.3 million
**FY 2028** $4.4 million

## 22. Assistance for Adopted Foster Children and Foster Care Payments

*IRC Section 137, effective 1996*
Data Source: Federal Apportioned Estimates

Taxpayers who adopt eligible children from the public foster care system can receive monthly payments for the children's significant and varied needs and a reimbursement of up to $2,000 for nonrecurring adoption expenses. These payments are excluded from gross income. This federal provision will sunset for some taxpayers for taxable years beginning after December 31, 2009. Additionally, gross income does not include amounts received by a foster care provider. There is a $13,170 exclusion for adoption of a child with special needs regardless of expenses.

**FY 2026** $2.4 million
**FY 2027** $2.6 million
**FY 2028** $2.7 million

## 23. Public Assistance Benefits

*IRC Section 42, effective 1999*
Data Source: Federal Apportioned Estimates

Public assistance or welfare benefits are not taxed. These include Temporary Assistance for Needy Families (TANF) and Supplemental Security Income (SSI) benefits.

**FY 2026** $1.8 million
**FY 2027** $1.9 million
**FY 2028** $1.9 million

## 24. Alimony Payments

*IRC Section 215, effective 1984, TCJA 2018*
Data Source: Kentucky Taxpayer Data

For alimony agreements which began before January 1, 2019, the payer of alimony shall be eligible to receive an exemption from income equal to the amount of alimony payments made. Alimony payments based on an alimony agreement which began after January 1, 2019, are not eligible to receive an income exemption. This tax expenditure is associated with Kentucky's conformity with Federal tax law.

**FY 2026** $1.1 million
**FY 2027** $1.1 million
**FY 2028** $1.2 million

## 25. Cancellation of Indebtedness

*IRC Section 108, effective 1980*
Data Source: Federal Apportioned Estimates

Individuals are not required to report the cancellation of certain indebtedness as current income. If the canceled debt is not reported as current income, the basis of the underlying property must be reduced by the amount canceled. Discharge of mortgage debt, business debt and student loan debt are the biggest categories of cancellation.

**FY 2026** $0.6 million
**FY 2027** $0.6 million
**FY 2028** $0.6 million

## 26. Railroad and Supplemental Railroad Retirement System Benefits

*45 USCA Section 231M, KRS 141.010(10)(b) and KRS 141.019(1)(b), effective 2010*
Data Source: Federal Apportioned Estimates

All Railroad Retirement Board benefits and supplemental railroad retirement benefits are not taxed.

**FY 2026** $0.6 million
**FY 2027** $0.6 million
**FY 2028** $0.6 million

## 27. Employee Stock Ownership Plan Provisions

*IRC Section 409, effective 1981, amended 2004*
Data Source: Federal Apportioned Estimates

Employer-paid contributions to ESOPs are not included in the employee's gross income for tax purposes until they are paid out as benefits.

**FY 2026** $0.5 million
**FY 2027** $0.6 million
**FY 2028** $0.6 million

## 28. Income Averaging for Farmers

*IRC Section 1301, effective 1986 with various amendments*
Data Source: Federal Apportioned Estimates

A taxpayer may lower his or her tax liability by averaging, over the prior three-year period, the taxable income from farming and fishing.

**FY 2026** $0.5 million
**FY 2027** $0.5 million
**FY 2028** $0.5 million

## 29. Disaster Workers

*Kentucky Revised Statutes 141.020, effective 2021*
Data Source: Kentucky Agency Estimate

Disaster response income for disaster response employees and disaster response businesses receive an individual income tax exemption on that income. This statute has a sunset date of January 1, 2025.

**FY 2026** $0.4 million
**FY 2027** $0.4 million
**FY 2028** $0.4 million

## 30. Disabled Coal Miners

*IRC Section 104(a)(2), effective 1960*
Data Source: Federal Apportioned Estimates

Disability payments to former coal miners which come from the Black Lung Trust Fund are not subject to the income tax.

**FY 2026** $0.2 million
**FY 2027** $0.1 million
**FY 2028** $0.1 million

## 31. Precinct Workers

*Kentucky Revised Statutes 141.019(1)(i), effective 1997*
Data Source: Kentucky Agency Estimate

Income received by precinct workers for election training or work at election booths in state, county, and local primaries or regular or special elections is excluded from income.

**FY 2026** $0.2 million
**FY 2027** $0.2 million
**FY 2028** $0.2 million

## 32. Community Property Trust Act

*Kentucky Revised Statutes 141.019, effective 2020*
Data Source: Kentucky Agency Estimate

If a spouse dies, then the surviving spouse can ignore the change in cost basis of the property owned by a Kentucky community property trust. So this only has a tax liability effect if the spouse chooses to sell the property following the death of their spouse.

**FY 2026** Limited
**FY 2027** Limited
**FY 2028** Limited

## 33. Employer-Provided Child Care

*IRC Section 129, effective 1981*
Data Source: Federal Apportioned Estimates

Up to $5,000 of employer-provided childcare is excluded from an employee's gross income.

**FY 2026** Limited
**FY 2027** Limited
**FY 2028** Limited

## 34. Capital Gains - Eminent Domain

*Kentucky Revised Statutes 141.019(1)(j), effective 2010*
Data Source: Kentucky Agency Estimate

Capital gains on property taken by eminent domain are exempt from individual income tax. When incoming tax receipts from past deferrals are greater than deferred receipts from new activity, the cash-basis tax expenditure estimate can be negative despite the fact that in present-value terms, current deferrals have a positive cost to the government.

**FY 2026** Minimal
**FY 2027** Minimal
**FY 2028** Minimal

## Individual Income Tax - Deductions

### 35. Standard Deduction

*Kentucky Revised Statutes 141.019(2)(i) and KRS 141.081(2), effective 1946, with various amendments*
Data Source: Kentucky Taxpayer Data

A taxpayer who does not itemize deductions is permitted a deduction of a predetermined amount referred to as the "standard deduction". The amount of the deduction has been amended several times; under current law it increases based on inflation. For tax year 2025 the standard deduction is $3,270 per taxpayer.

**FY 2026** $166.2 million
**FY 2027** $169.9 million
**FY 2028** $173.4 million

### 36. Individual Retirement Account Contributions

*IRC Section 219, effective 1977*
Data Source: Federal Apportioned Estimates

Individual taxpayers can take advantage of several different IRAs: deductible IRAs, non-deductible IRAs, and Roth IRAs. The annual contributions limit applies to the total of a taxpayer's deductible, non-deductible, and Roth IRAs contributions. The IRA contribution limit is $5,500 in 2017 and shall be increased by such dollar amount, multiplied by the cost of living adjustment thereafter. The tax on investment income earned by 401(k) plans, non-deductible IRAs, and deductible IRAs is deferred until the money is withdrawn.

**FY 2026** $96.4 million
**FY 2027** $102.1 million
**FY 2028** $107.3 million

## 37. Home Mortgage Interest

*IRC Section 163(a), effective 1962*
Data Source: Kentucky Taxpayer Data

An itemized deduction is allowed for all interest paid or accrued on owner-occupied homes during the taxable year. The overall deductibility of mortgage interest may be impacted by the total amount of the mortgage and the date of the mortgage.

**FY 2026** $93.6 million
**FY 2027** $95.7 million
**FY 2028** $97.6 million

## 38. Charitable Contributions

*IRC Section 170(a)(1), effective 1956*
Data Source: Kentucky Taxpayer Data

The deduction ceiling for most charitable contributions is 50 percent of Adjusted Gross Income, computed without regard to any net operating loss deduction. If the aggregate amount of contributions exceeds the limitation, it can be carried over 15 succeeding years in order of time. Gifts to private nonprofit organizations are to 20 percent of AGI. Some capital gain property is to 30 percent of AGI.

**FY 2026** $75.2 million
**FY 2027** $76.9 million
**FY 2028** $78.5 million

## 39. Health Savings Accounts

*IRC Section 223, effective 2006*
Data Source: Federal Apportioned Estimates

Employee contributions to a Health Savings Account are deductible within the same limitations provided for federal purposes.

**FY 2026** $37.8 million
**FY 2027** $41.1 million
**FY 2028** $42.4 million

## 40. Net Operating Loss

*Kentucky Revised Statutes 141.011, effective 2018*
Data Source: Kentucky Taxpayer Data

The Kentucky net operating loss deduction is permitted in computing Adjusted Gross Income. Beginning in 2005, taxpayers are no longer allowed to carry back a net operating loss but may continue to carry forward any net operating losses. For taxable years beginning on or after January 1, 2005, but prior to January 1, 2019, the portion of a net operating loss that is not used to offset income is up to 50 percent. For net operating losses generated on or after January 1, 2018, the limitation is 80 percent.

**FY 2026** $14.4 million
**FY 2027** $14.7 million
**FY 2028** $15.0 million

## 41. Gambling Losses

*IRC Section 165(d), KRS 141.019(2)(b), effective 2019*
Data Source: Kentucky Taxpayer Data

In 2018, deductions pursuant to 26 U.S.C. sec. 165 for losses were eliminated. In 2019, there was an exception created for wagering losses allowed under Section 165(d) of the Internal Revenue Code.

**FY 2026** $7.4 million
**FY 2027** $7.6 million
**FY 2028** $7.7 million

## 42. Interest on Educational Loans

*IRC Section 221, effective 1998*
Data Source: Federal Apportioned Estimates

Up to $2,500 of interest paid on qualified educational loans is deductible from gross income.

**FY 2026** $6.3 million
**FY 2027** $7.2 million
**FY 2028** $7.3 million

## 43. Investment Interest

*IRC Section 163(d), effective 1970*
Data Source: Kentucky Taxpayer Data

In 2018, deductions pursuant to 26 U.S.C. sec. 163 for investment interest were eliminated. In 2019, the deduction for investment allowed under Section 163 of the IRC was reinstated in Kentucky.

**FY 2026** $5.0 million
**FY 2027** $5.1 million
**FY 2028** $5.2 million

## 44. Excess of Percentage over Cost Depletion

*IRC Section 613, effective 1963*
Data Source: Federal Apportioned Estimates

In the case of mines, wells, and other natural deposits, an allowance (a deduction) is given, which is the larger of the value of property being expensed by cost or by percentage of depletion.

**FY 2026** $4.4 million
**FY 2027** $4.4 million
**FY 2028** $4.6 million

## 45. Parsonage Allowances

*IRC Section 107, effective 1954*
Data Source: Federal Apportioned Estimates

The value of a minister's housing allowance and the rental value of parsonages are not included in a minister's taxable income.

**FY 2026** $2.6 million
**FY 2027** $2.7 million
**FY 2028** $2.9 million

## 46. Interest on U.S. Savings Bonds

*IRC Section 149, effective 1959*
Data Source: Federal Apportioned Estimates

Taxpayers may defer paying tax on interest earned on registered U.S. savings bonds until the bonds are redeemed.

**FY 2026** $1.9 million
**FY 2027** $1.8 million
**FY 2028** $1.8 million

## 47. Keogh Plan Contributions

*IRC Section 404(a)(8), effective 1963*
Data Source: Federal Agency, Kentucky Estimate

A self-employed individual may make deductible contributions to his or her own retirement (Keogh) plan equal to 25 percent of his or her income, up to an indexed maximum amount of income. Total plan contributions are to 25 percent of a firm's total wages. The tax on the investment income earned by Keogh plans is deferred until withdrawn.

**FY 2026** $1.0 million
**FY 2027** $1.0 million
**FY 2028** $1.0 million

## Individual Income Tax - Credits

All credits are non-refundable, unless explicitly stated otherwise.

### 48. Family Size Tax Credit

*Kentucky Revised Statutes 141.066, effective 2005*
Data Source: Kentucky Taxpayer Data

Kentucky residents are allowed a low-income tax credit based on modified Adjusted Gross Income (MGI) that is equal to federal Adjusted Gross Income plus any interest income from other states' municipal bonds and pension income from a qualifying lump-sum distribution. Single individuals whose MGI and married couples whose combined MGI is at or below federal poverty level for their family size will receive a 100 percent tax credit. The amounts are indexed for inflation each year. The 2024 threshold amounts for a family of one is $15,060, $20,440 for a family of two, $25,820 for a family of three, and $31,200 for a family of four or more.

**FY 2026** $130.0 million
**FY 2027** $133.0 million
**FY 2028** $135.7 million

### 49. Blind, Over 65, and National Guard

*Kentucky Revised Statutes 141.020(3), effective 2013*
Data Source: Kentucky Agency Data

Personal exemption credits are allowable as follows: $40 for 65 years old or older; $40 if taxpayer is blind, and $20 for members of the Kentucky National Guard.

**FY 2026** $19.6 million
**FY 2027** $20.0 million
**FY 2028** $20.4 million

## 50. Postsecondary Education Tuition

*Kentucky Revised Statutes 141.069, effective 2005*
Data Source: Kentucky Taxpayer Data

A credit equal to 25 percent of the amount of the federal Hope Scholarship and the lifetime learning credit is available. The credit shall not be allowed for expenses for graduate level course study. Any unused credit may be carried forward for five years.

**FY 2026** $14.3 million
**FY 2027** $14.6 million
**FY 2028** $14.9 million

## 51. Child and Dependent Care

*Kentucky Revised Statutes 141.067, effective 1990*
Data Source: Kentucky Taxpayer Data

A resident individual may deduct from the tax computed under the provisions of KRS 141.020 a credit for household and dependent care services necessary for gainful employment. A credit equal to 20 percent of the federal credit amount is allowed under Section 21 of the Internal Revenue Code. The American Rescue Plan of 2021 altered the childcare and dependent care credit in 2021 at the federal level. In January 2023, Kentucky conformed to the IRC containing these changes, which made the credit refundable, increased the percentages of employment-related expenses for qualifying care, and modified the phase-out of the credit for higher income earners.

**FY 2026** $5.7 million
**FY 2027** $5.9 million
**FY 2028** $6.0 million

## 52. Kentucky Angel Investment Act

*Kentucky Revised Statutes 154.20 – 232 effective 2014 and 154.20 – 236, effective 2018*
*Kentucky Revised Statutes 141.396, effective 2018*
Data Source: Kentucky Taxpayer Data

A credit is allowed for certain investments in small businesses located in the Commonwealth, operating in the fields of knowledge-based, high-tech, and research and development, and showing a potential for rapid growth. The total amount of tax credit to all qualified investors shall be no more than ($3,000,000) and for any individual qualified investor shall be no more than ($200,000). The total amount of tax credit shall be no more than ($40,000,000) in total for all years.

**FY 2026** $0.6 million
**FY 2027** Minimal
**FY 2028** Minimal

### 53. High School Equivalency Diploma Program

*Kentucky Revised Statutes 151B.402 and 141.0205(1)(k), effective 2006*
Data Source: Kentucky Taxpayer Data

An employer who assists an individual to complete their learning contract under the provisions of this program shall receive a tax credit.

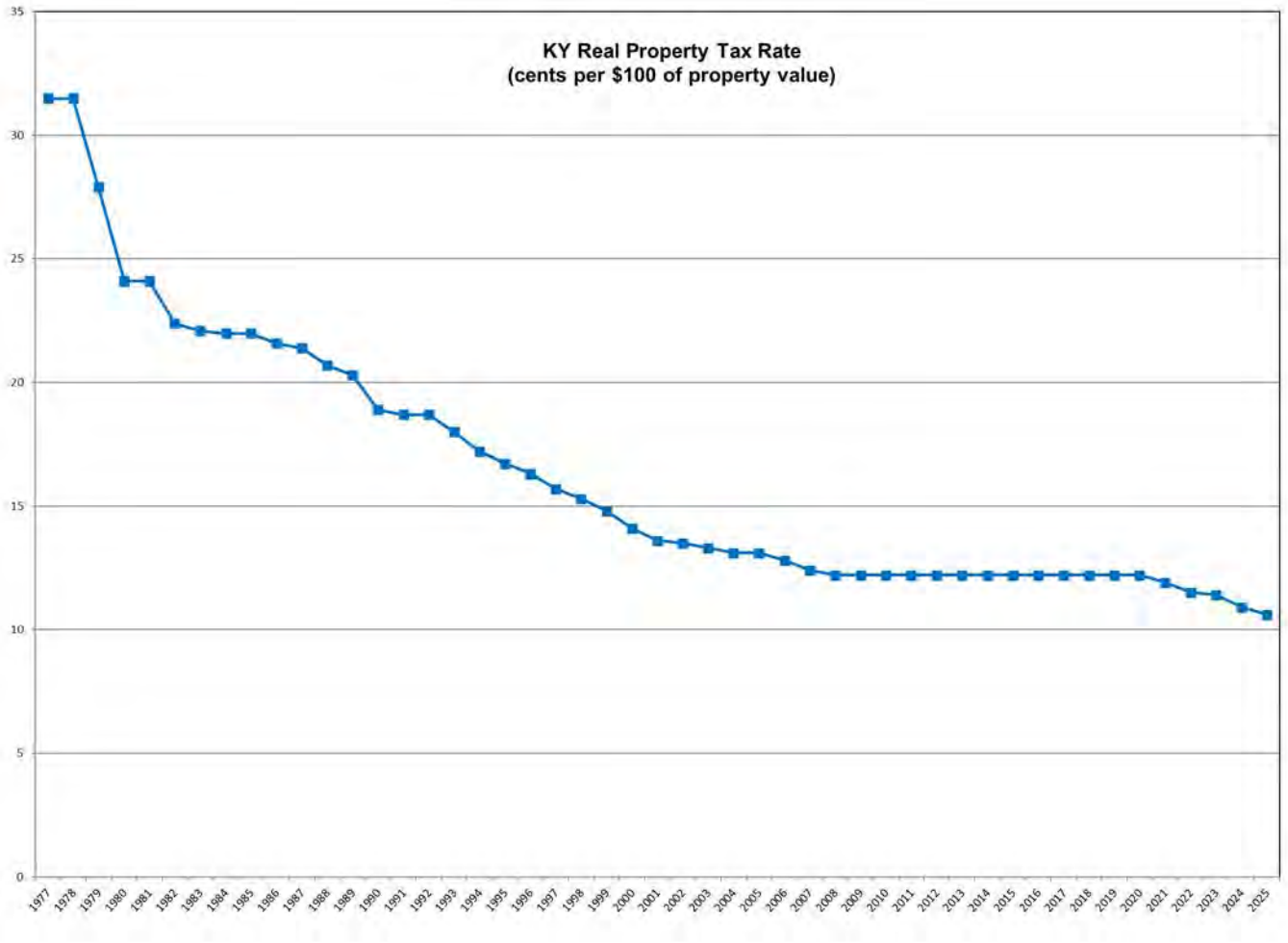
**FY 2026** Minimal
**FY 2027** Minimal
**FY 2028** Minimal

# Property Taxes

**Current Rate Structure:**
The state tax rate for real property may be adjusted annually to comply with the provisions of House Bill 44. For tax year 2025, the rate was set at 10.9 cents per $100 of assessed value. The rate in effect prior to House Bill 44 was 31.5 cents per $100 of assessed value. It must be noted that an increase in the tax base may necessitate a corresponding decrease in the rate. Consequently, any estimates of the cost of exemptions in the real property area are based on the assumption that House Bill 44 would not affect the outcome.

The normal state rate applicable to tangible personal property is forty-five cents per $100 of assessed value. The General Assembly has reduced the rates for some classes of tangible and intangible personal property over the years. These reduced rates give rise to many of the expenditures detailed later.

**Figure 5.**



**Tax Base:**
The property tax is levied on the fair cash value of all real, tangible, or intangible property unless a specific exemption exists in the Kentucky Constitution or, in the case of personal property, has been granted by the General Assembly. Taxpayers who are 65 years of age or older, or are classified as totally disabled, qualify for a Homestead Exemption. This exemption, applied against the assessed value of a qualifying single-unit residential property, is adjusted every two years in accordance with the cost-of-living index. The 2025-2026 exemption is $49,100.

In general, property is assessed at its fair cash value as of January 1 of each year. Real property must be listed for assessment with the Property Valuation Administrator (PVA) between January 1 and March 1. Tangible personal property is listed with the PVA by May 15.

**Tax Due:**
When the Department of Revenue certifies the assessments and all local tax rates have been set, the county clerk prepares tax bills for delivery to the sheriff of the county, not later than September 15. The sheriff mails a notice to each taxpayer reflecting the total tax, date due, any discount, and the discount period. The tax becomes delinquent if not paid before the following January 1.

An exception to the usual method of paying property taxes involves motor vehicles. The appropriate property tax is due and payable to the county clerk on or before the last day of the month in which registration renewal is required for the vehicle.

**Background:**
Kentucky has had a tax on property since becoming a state on June 1, 1792. The original method of taxation began with a set levy for each item of tangible property owned in the state. It was not until 1814 that the standard for establishing the tax liability was changed to the ad valorem or fair value approach, which taxes property at its fair market value. This approach remains the standard today.

In 1793, property tax collections represented over 86 percent of all state government receipts. That percentage has declined dramatically over the past 200-plus years. Much of the recent decline can be attributed to legislation passed during the 1979 Special Session of the General Assembly. House Bill 44, enacted during that session, limited growth from the tax levied on real property to 4 percent per year. The high rate of inflation was causing property values, and the resulting tax, to rise dramatically. To compensate for rapidly growing values, the tax rate is adjusted annually to ensure that the growth in tax receipts does not exceed legal limits. This

restriction remains in effect at the present time. House Bill 272, passed by the 2005 General Assembly, altered the rate setting mechanism by excluding new property and property subject to tax increment financing when the 4 percent growth limit is calculated.

Voters amended section 172 of the Kentucky Constitution in 1998 to give the General Assembly the authority to exempt any class of personal property. Personal property includes both tangible and intangible property. Real property, not specifically exempted by the constitution or Kentucky statutes, must be assessed for taxation at its fair cash value and taxed accordingly.

Legislation enacted in 2005 repealed the intangible property tax.

In 2019, the definition of business inventory was broadened to include “qualified heavy equipment” by a ***"heavy equipment rental company"***.

In 2022, prefabricated homes held in inventory by retailers and wholesalers were exempted from property tax. Additionally, the valuation method for motor vehicles was changed from the “rough” or “clean” value to the “average” trade-in value.

In 2023, legislation was enacted which exempted from state and local taxation tangible property valued at 1/10 of a cent per $100 of assessed value.

Figure 6. Allocation of Property Tax Receipts for FY25

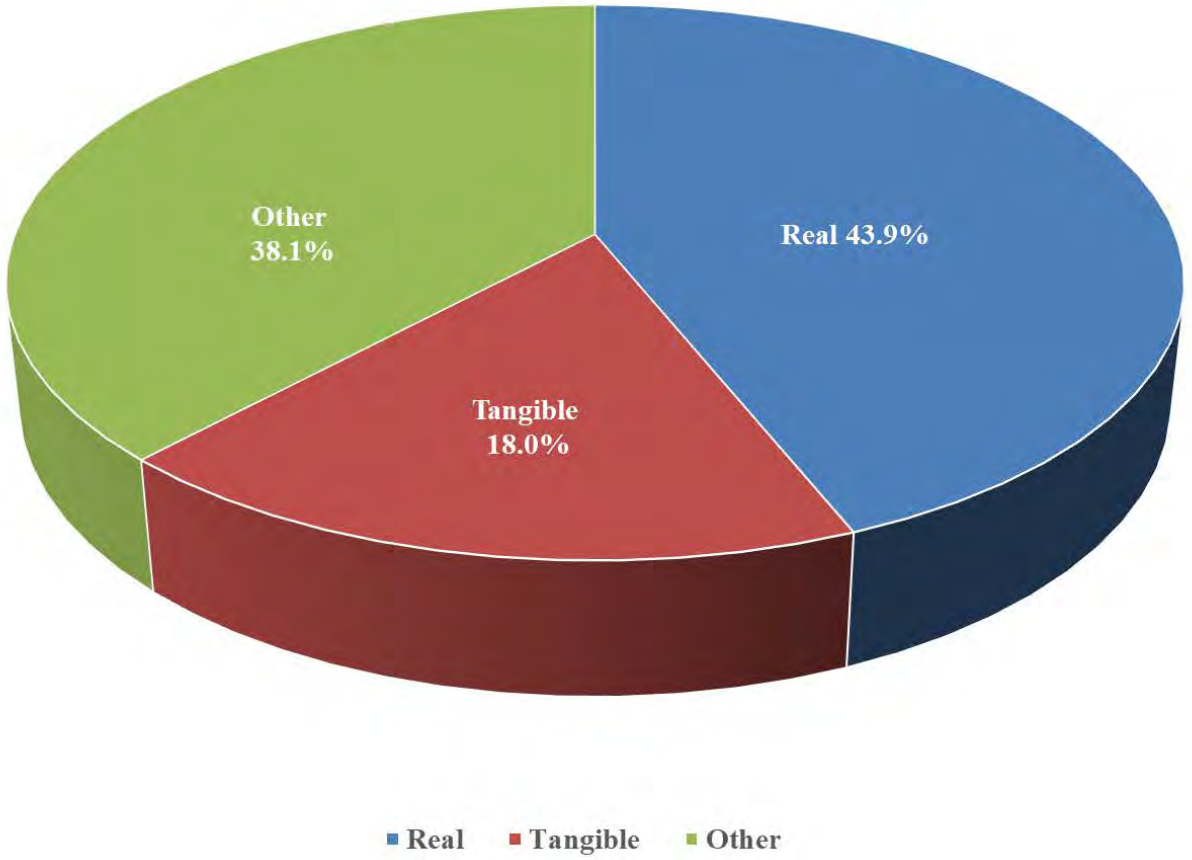



**Table 3. Total Property Tax Expenditures**

| | |
|---|---|
| **FY 2026** | $1,310.2 million |
| **FY 2027** | $1,361.2 million |
| **FY 2028** | $1,410.5 million |

The property tax expenditures have been categorized between real property and tangible personal property.

## Real Property Tax Expenditures

Real property is defined as land, improvements, and all rights inherent in real estate.

### 1. State Real Property Tax Yearly Revenue Ceiling

*Kentucky Revised Statutes 132.020(2), effective 1979*
Data Source: Kentucky Agency Estimate

Prior to the passage of House Bill 44 in 1979, the real property tax rate was 31.5 cents per $100 of assessed value. The adjusted tax rate has decreased for the fifth year in a row to 10.6 cents in 2025.

**FY 2026** $768.4 million
**FY 2027** $811.6 million
**FY 2028** $855.1 million

### 2. Real Property Owned by Exempt Entities

*Section 170 of the Kentucky Constitution, effective 1891*
Data Source: Kentucky Taxpayer Data

Real property owned and occupied by institutions of religion, government owned properties, cemeteries not held for private or corporate profit, public libraries, institutions of purely public charity, and institutions of education are exempted from taxation by the Kentucky Constitution.

**FY 2026** $70.0 million
**FY 2027** $72.0 million
**FY 2028** $73.0 million

### 3. Agriculture Value of Real Property

*Kentucky Revised Statutes 132.450, effective 1942*
Data Source: Kentucky Taxpayer Data

A special procedure is provided for assessing real property at its agricultural or horticultural assessed value.

**FY 2026** $60.9 million
**FY 2027** $64.3 million
**FY 2028** $67.8 million

### 4. Homestead Exemption

*Sections 170 of the Kentucky Constitution, effective 1970*
*Kentucky Revised Statutes 132.810, effective 1972*
Data Source: Kentucky Taxpayer Data

Taxpayers 65 years of age or older, or totally and permanently disabled, are allowed an exemption against the assessed value of a single-unit residence. The maximum homestead exemption is $49,100 for the 2025 and 2026 tax periods. The exemption reflects a $2,750 increase over the 2023-2024 amount. The amount of the homestead exemption is recalculated every two years to adjust for inflation.

**FY 2026** $27.8 million
**FY 2027** $28.9 million
**FY 2028** $29.9 million

### 5. Leasehold Interests in Buildings Financed with Industrial Revenue Bonds

*Kentucky Revised Statutes 132.020(1)(f)(1), effective 1978*
Data Source: Kentucky Taxpayer Data

Leasehold interests privately held in industrial buildings owned and financed by tax-exempt governmental units are taxed at a reduced rate of one and one-half cents per $100 of value. Note: This is the real estate portion only.

**FY 2026** $6.6 million
**FY 2027** $6.8 million
**FY 2028** $6.9 million

### 6. Intrastate Railroads and Railway Companies

*Kentucky Revised Statutes 132.020(1)(d), effective 1990*
Data Source: Kentucky Taxpayer Data

Railroads or railway companies operating solely within the Commonwealth are taxed at a reduced rate of ten cents per each $100 of value on their operating real property.

**FY 2026** $0.3 million
**FY 2027** $0.3 million
**FY 2028** $0.3 million

### 7. Agricultural and Horticultural Land Assessment Protection

*Kentucky Revised Statutes 132.450(2)(c), effective 1992*
Data Source: Kentucky Agency Estimate

This land will not lose its agricultural or horticultural assessment if it fails to meet the minimum acreage requirement due to the fact a portion of the land has been acquired for public purposes.

**FY 2026** Minimal
**FY 2027** Minimal
**FY 2028** Minimal

### 8. Alcohol Production and Fluidized Bed Energy Production Facilities

*Kentucky Revised Statutes 132.096(4)&(5), effective 2023*
Data Source: Kentucky Taxpayer Data

Alcohol production and fluidized bed energy production facilities are exempt from state and local taxation. Alcohol production facilities are defined in KRS 247.910 as facilities whose primary purpose is producing ethanol. Fluidized bed energy production facilities are defined in KRS 211.390.

**FY 2026** Minimal
**FY 2027** Minimal
**FY 2028** Minimal

### 9. Distilled Spirits Stored or Aging in Barrels in a Revenue Bond-Financed Warehouse

*Kentucky Revised Statutes 132.140(2)(a)(1)(b)(1)) and 132.140(3), effective 2025*
Data Source: Kentucky Agency Estimate

Distilled spirits stored or aging in barrels in a revenue bond-financed warehouse shall be exempt from the portion of the assessed value that is subject to state and local ad valorem taxes assessed after January 1, 2043. For tax assessments made on January 1, 2026 until January 1, 2043, a portion of the assessed value shall be exempted on a gradually reducing basis.

Tax assessments made on January 1, 2026, 96 percent of the assessed value shall be subject to taxation. An annual reduction of four percentage points will be applied to assessments made on January 1, 2027 through January 1, 2033. For assessments made on January 1, 2034, 61 percent of the assessed value shall be subject to taxation, a seven percent reduction from the previous year's assessment.

The annual reduction fluctuates until January 1, 2042, after which distilled spirits stored or aging in barrels located in a bonded warehouse or premises shall be exempt from state and local ad valorem taxes for tax assessments made on or after January 1, 2043.

**FY 2026** Minimal
**FY 2027** Minimal
**FY 2028** Minimal

### 10. Environmental Remediation Property

*Kentucky Revised Statutes 132.020(1)(f)(2), effective 2005*
Data Source: Kentucky Taxpayer Data

Owners of qualifying voluntary environmental remediation properties pay tax at the rate of one and one-half cents upon each one hundred dollars of value for this property.

**FY 2026** Minimal
**FY 2027** Minimal
**FY 2028** Minimal

### 11. Property of Local Governments in Neighboring States – Repealed by 2023 Ky. Acts Ch. 92, § 52

*Kentucky Revised Statutes 132.096(10), effective 2005*
Data Source: Kentucky Agency Estimate

All real property owned by another state or a political subdivision of another state that is used exclusively for public purposes is exempt from taxation if a comparable exemption is provided in that state or political subdivision for property owned by the Commonwealth or its political subdivisions.

**FY 2026** Minimal
**FY 2027** Minimal
**FY 2028** Minimal

## Tangible Property Tax Expenditures

The normal tangible rate is forty-five cents per $100 of assessed value.

### 1. Business Inventories

*Kentucky Revised Statutes 132.020(1)(e), effective 1990*
*Kentucky Revised Statutes, 132.200(20), effective 2023*
Data Source: Kentucky Taxpayer Data

Business inventories are taxed at a reduced rate of five cents per $100 of value of goods held for sale in the regular course of business. This category includes (1) machinery and equipment held in a retailer's inventory for sale or lease and originating under a floor plan financing arrangement; (2) motor vehicles whether are held for sale in the inventory of a licensed motor vehicle dealer, or that are in the possession of a licensed motor vehicle dealer; (3) raw materials; (4) in-process materials, which includes distilled spirits and distilled spirits inventory, held for incorporation in finished goods held for sale in the regular course of business; and (5) qualified heavy equipment, as defined in KRS 131.010(28) through (30). Additionally, prefabricated homes, which include manufactured, mobile and modular homes; which are held in inventory by retailers and wholesalers are exempt from the business inventory tax.

**FY 2026** $130.0 million
**FY 2027** $129.0 million
**FY 2028** $128.0 million

### 2. Manufacturing Machinery; Pollution Control Equipment; and Radio and Television Equipment

*Kentucky Revised Statutes 132.020(1)(c), effective 1977*
Data Source: Kentucky Taxpayer Data

Manufacturing machinery, tangible pollution control equipment, and commercial radio and television equipment are all taxed at a reduced rate of fifteen cents per $100 of valuation.

**FY 2026** $111.0 million
**FY 2027** $111.0 million
**FY 2028** $110.0 million

### 3. In-Transit Goods

*Kentucky Revised Statutes 132.097, effective 2000*
Data Source: Kentucky Taxpayer Data

Goods shipped into Kentucky and placed in a warehouse or distribution center with the purpose of continued shipment outside of Kentucky within six months are exempt from property tax at the state level.

**FY 2026** $83.0 million
**FY 2027** $84.0 million
**FY 2028** $85.0 million

### 4. Foreign Trade Zone

*Kentucky Revised Statutes 132.096(3), effective 2023*
Data Source: Kentucky Taxpayer Data

Property located in an activated foreign trade zone established pursuant to 19 U.S.C. secs. 81a to 81u is exempt from state and local taxation.

**FY 2026** $35.0 million
**FY 2027** $36.0 million
**FY 2028** $37.0 million

### 5. Machinery Used in Farming, Livestock, and Domestic Fowl

*Kentucky Revised Statutes 132.096(1)&(2), effective 2023*
Data Source: Kentucky Taxpayer Data

Farm implements and machinery used in farming, as well as livestock, ratite birds, and domestic fowl are exempt from state and local taxation.

**FY 2026** $6.4 million
**FY 2027** $6.4 million
**FY 2028** $6.4 million

### 6. Agricultural Products

*Kentucky Revised Statutes 132.020(1)(f)(4), effective 1950*
Data Source: Kentucky Taxpayer Data

Unmanufactured agricultural products are taxed at a reduced rate of one and one-half cents per $100 of assessed value.

**FY 2026** $2.9 million
**FY 2027** $2.9 million
**FY 2028** $2.9 million

### 7. Leasehold Interests

*Kentucky Revised Statutes 132.020(1)(f)(1), effective 1990*
Data Source: Kentucky Taxpayer Data

Leasehold interests privately held in industrial buildings owned and financed by tax-exempt governmental units are taxed at a reduced rate of one and one-half cents per $100 of assessed value.

**FY 2026** $2.9 million
**FY 2027** $2.8 million
**FY 2028** $2.7 million

### 8. Noncommercial Aircraft

*Kentucky Revised Statutes 132.020(1)(f)(5), effective 1999*
Data Source: Kentucky Taxpayer Data

Aircraft not used in the business of transporting persons or property for compensation or hire, are taxed at the reduced state rate of one and one-half cents per $100 of assessed value.

**FY 2026** $2.5 million
**FY 2027** $2.6 million
**FY 2028** $2.7 million

### 9. Car Lines

*Kentucky Revised Statutes 136.120(1)(a)(17), effective 1990*
Data Source: Kentucky Taxpayer Data

Any company, other than a railroad company, which owns, uses, furnishes, leases, rents, or operates to, from, through, in, or across this state or any part thereof, any kind of railroad car is taxed at a reduced rate. The rate is computed annually. The state rate on affected tangible property is 22.06 cents per $100 of valuation. The aggregate state and local rate is 71.14 cents per $100 of assessed value. For railroad car lines and apportioned vehicles, the aggregate rate is applied since the state and local taxes are collected together at the state level.

**FY 2026** $1.5 million
**FY 2027** $1.6 million
**FY 2028** $1.7 million

### 10. Federally Documented Vessels

*Kentucky Revised Statutes 132.020(1)(f)(6), effective 1999*
Data Source: Kentucky Taxpayer Data

Federally documented vessels not used in the business of transporting persons or property for compensation or hire or any other commercial purposes, are taxed at a reduced rate of one and one-half cents per $100 of assessed value.

**FY 2026** $0.5 million
**FY 2027** $0.5 million
**FY 2028** $0.5 million

### 11. Intrastate Railroads and Railway Companies

*Kentucky Revised Statutes 132.020(1)(d), effective 1990*
Data Source: Kentucky Taxpayer Data

Railroads or railway companies operating solely within the Commonwealth are taxed at a reduced rate of ten cents per $100 on their operating tangible property.

**FY 2026** $0.3 million
**FY 2027** $0.3 million
**FY 2028** $0.4 million

## 12. Historic Vehicles

*Kentucky Revised Statutes 132.020(1)(b), effective 1984*
Data Source: Kentucky Taxpayer Data

Motor vehicles qualifying for permanent registration as historic motor vehicles under KRS 186.043 are taxed at a reduced rate of twenty-five cents per $100 of assessed value.

**FY 2026** $0.2 million
**FY 2027** $0.2 million
**FY 2028** $0.2 million

## 13. Micro-Business Personal Property Tax Return Filing

*Kentucky Revised Statutes 132.220(1)(b)(2)(b), effective 2020*
Data Source: Kentucky Taxpayer Data

Effective January 1, 2020, micro-businesses and those participating in the "gig" economy are not required to file a tangible personal property tax return if the sum of the fair cash value of all tangible property is less than $1,000.

**FY 2026** Minimal
**FY 2027** Minimal
**FY 2028** Minimal

## 14. Motor Vehicles with a Salvage Title

*Kentucky Revised Statutes 134.810(6)(c), effective 1999*
Data Source: Kentucky Taxpayer Data

Motor vehicles with a salvage title held by an insurance company on January 1 are taxed at a reduced rate of five cents per $100 of assessed value. Under the provisions of KRS 132.020(1)(e) and 132.220, salvage vehicles held by an insurance company are to be taxed in the same manner as motor vehicle dealers' inventory.

**FY 2026** Minimal
**FY 2027** Minimal
**FY 2028** Minimal

## 15. Personal Property Used in Vending Stands Operated by the Blind

*Kentucky Revised Statutes 132.193(1), effective 1998*
Data Source: Kentucky Taxpayer Data

Personal property used in vending stands leased and operated by blind persons under the auspices of the Office for the Blind is exempt from taxation.

**FY 2026** Minimal
**FY 2027** Minimal
**FY 2028** Minimal

## 16. Veteran Service Organizations

*Kentucky Revised Statutes 132.212, effective 2021*
Data Source: Kentucky Taxpayer Data

Veteran service organizations with over 50 percent of its annual net income expended on behalf of military veterans and other charitable causes are exempt from taxation.

**FY 2026** Minimal
**FY 2027** Minimal
**FY 2028** Minimal

# Multi-Tax Incentive Programs

Due to the many types of businesses or individual taxpayers that qualify for tax incentives, several of the tax incentives that have been enacted can be claimed against multiple taxes. For instance, many of these tax credits can be used against KRS 141.020 (Individual Income Taxes), KRS 141.040 (Corporation Income Taxes), and KRS 140.0401 (The Limited Liability Entity Tax). This has been especially true since 2006 when the Limited Liability Entity Tax (LLET) was enacted. Payment of the LLET creates a credit that can be used to offset liabilities of the individual and corporation income taxes. Thus, the Office of State Budget Director decided it would be more concise and helpful to have these tax expenditures aggregated and placed into a chapter where the reader could centrally go to find all of the fiscal impacts associated with tax incentives that apply to multiple taxes.

The main data source for the estimation of these tax expenditure is actual taxpayer data queried by the Department of Revenue. In those instances, OSBD gathered information from each tax type and aggregate them on the tables below.

## 1. Expensing Capital Purchases (Section 179 Expensing)

*Kentucky Revised Statutes 141.0101(16), effective 2019*
Data Source: Kentucky Agency Estimate and Kentucky Taxpayer Data

For property placed in service on or after January 1, 2020, a business may expense a larger portion of the assets placed in service during a taxable year. If the business elects to expense any property under IRC §179, the business must reduce the amount on which depreciation or amortization is calculated. The IRC §179 limit is reduced in any taxable year by the amount by which the cost of IRC § 179 property placed in service during the tax year exceeds $400,000. Section 179 expensing speeds up the deductibility of capital expenditures, transitioning from the practice of longer-term depreciation schedules in favor of the ability to claim the deduction in the year the expense was made.

| | Corporate | Individual | Total |
|---|---|---|---|
| **FY 2026** | Substantial | $17.9 million | Substantial |
| **FY 2027** | Substantial | $17.9 million | Substantial |
| **FY 2028** | Substantial | $17.9 million | Substantial |

## 2. Limited Liability Entity Tax

*Kentucky Revised Statutes 141.0401(2), effective 2006*
Data Source: Kentucky Taxpayer Data

For taxable years beginning on or after January 1, 2007, an annual limited liability entity tax (LLET) shall be paid by every corporation and every limited liability pass-through entity doing business in Kentucky on all Kentucky gross receipts or Kentucky gross profits. A nonrefundable credit shall be allowed against the tax imposed by KRS 141.020 or 141.040 equal to the amount of LLET taxes paid.

| | Corporate | Individual | Total |
|---|---|---|---|
| **FY 2026** | $230.0 million | $33.1 million | $263.1 million |
| **FY 2027** | $235.0 million | $33.9 million | $268.9 million |
| **FY 2028** | $240.0 million | $34.6 million | $274.6 million |

## 3. Kentucky Historic Preservation Tax Credit

*Kentucky Revised Statutes 141.382, effective 2009*
Data Source: Kentucky Taxpayer Data

The 2005 Kentucky General Assembly created the Kentucky Historic Preservation Credit. The credit applies to tax imposed by KRS 141.020, KRS 141.040, or KRS 141.0401. For all applications for a preliminary approval received prior to April 30, 2010, the credit may be an amount equal to 30 percent of the qualified rehabilitation expenses, in the case of owner-occupied residential property, and 20 percent of the qualified rehabilitation expenses, in the case of all other property. For all applications for a preliminary approval received on or after April 30, 2010, the credit shall be refundable or transferable if the taxpayer makes an irrevocable election under (2)(b) in KRS 171.397. The maximum credit that may be claimed with regard to owner-occupied residential property is $120,000. The maximum credit which may be claimed with regard to all other property that is not owner-occupied residential shall be $10 million. The total amount of credit approved for calendar years before 2010 was $3.0 million. After calendar year 2010, the annual cap was raised to $5.0 million. Following the 2021 Regular Session, the certified rehabilitation credit cap is $100 million annually for applications received on or after April 30, 2022, with 25 percent of the cap awarded to owner-occupied residential property and 75 percent awarded to property other than owner-occupied resident property.

| | Corporate | LLET | Individual | Total |
|---|---|---|---|---|
| **FY 2026** | $40.0 million | $15.0 million | $20.0 million | $75.0 million |
| **FY 2027** | $40.0 million | $15.0 million | $20.0 million | $75.0 million |
| **FY 2028** | $40.0 million | $15.0 million | $20.0 million | $75.0 million |

### 4. Kentucky Entertainment Incentive (KEI) Program

*Kentucky Revised Statutes 141.383, effective 2009*
Data Source: Kentucky Agency Data

Approved companies may recover up to 30 percent of qualifying expenditures for a motion picture or entertainment production filmed or produced in whole or in part in any Kentucky county other than in an enhanced incentive county and 35 percent for work in an enhanced incentive county. Qualifying expenditures include expenditures made in Kentucky that are directly used in or for a motion picture or entertainment production. Incentives were capped at $5.0 million for FY11 and $7.5 million for FY12. The cap was repealed in FY12 but re-imposed in 2018 at a level of $100 million and then subsequently lowered to $75 million in 2021 but made refundable again.

Beginning January 1, 2022, to qualify for the film industry tax credit, all applicants shall begin production within 6 months of filing an application with the Kentucky Economic Development Finance Authority and complete production within 2 years of the production start date. Prior to this date, film industry tax credits were approved and administered by the Kentucky Film Office and the Kentucky Film Commission which operated in the Tourism, Arts, and Heritage Cabinet.

Beginning with calendar year 2024, $25 million of the $75 million total tax credit limit shall be held until July 1 of each calendar year pending applications from approved companies with a continuous film production. On the first day of April 2025, and on April 1 of each calendar year thereafter, any unused balance allocated for continuous film productions shall be made available for all approved companies.

The following chart details the history for the film industry tax credit, detailing when the credit was refundable or nonrefundable and how the total tax credit cap has been modified over time.

| Year Enacted | Refundability | Description | Tax Credit Cap |
|---|---|---|---|
| 2009 SS | Refundable only if the refund is issued on or after July 1, 2010 | Tax incentive agreements executed prior to January 1, 2015, the original sunset date for the tax credit | Caps in Budget FY 2011-$5 M FY 2012-$7.5 M |
| 2014 RS | | The sunset date of 1/1/15 was removed | |
| 2018 RS | Nonrefundable Nontransferable | Applications approved on or after April 27, 2018, but before January 1, 2022 | $100 M for each calendar year |
| 2021 RS | Refundable | Applications approved on or after January 1, 2022 | $75 M |

| | Corporate | LLET | Individual | Total |
|---|---|---|---|---|
| **FY 2026** | Minimal | $45.0 million | $10.0 million | $55.5 million |
| **FY 2027** | Minimal | $47.0 million | $10.2 million | $57.2 million |
| **FY 2028** | Minimal | $49.0 million | $10.4 million | $59.4 million |

## 5. Kentucky Jobs Retention Act Tax Credit (KJRA)

*Kentucky Revised Statutes 154.25-030 (2)(b)(1), effective 2007*
Data Source: Kentucky Taxpayer Data

Jobs retention project means the acquisition, construction, and installation of new equipment to facilities necessary to house the acquisition, construction, and installation of new equipment to improve the economic and operational situation of an approved company to allow the approved company to reinvest in its operations and retain a significant number of existing jobs within the Commonwealth. 100 percent of the KJRA tax credit is applied against KRS 141.020 (individual income tax), 141.040 (corporation income tax) and 141.0401 (limited liability entity tax). The balance of unused approved costs from a previously existing economic development tax incentive project may be available to be transferred to KJRA project.

| | Corporate | LLET | Individual | Total |
|---|---|---|---|---|
| **FY 2026** | $26.0 million | Minimal | $28.9 million | $54.9 million |
| **FY 2027** | $26.0 million | Minimal | $29.5 million | $55.5 million |
| **FY 2028** | $26.0 million | Minimal | $30.1 million | $56.1 million |

## 6. Kentucky Business Investment Credit (KBI)

*Kentucky Revised Statutes 154.32-020, effective 2009*
Data Source: Kentucky Taxpayer Data

Tax incentives are available for the approved company for up to 15 years in enhanced incentive counties or up to 10 years in other counties via:

- Tax Credits up to 100 percent of corporate income or limited liability entity tax liability arising from the project.

- Wage Assessment incentives up to 100 percent of gross wages of each employee in enhanced incentive counties or up to 4 percent (including up to 1 percent required local participation) of gross wages of each employee in other counties. The employee receives credits for the fees against state income taxes and local occupational taxes so there is no impact on the employee. If the local community does not have a local occupational fee, then an alternative form of participation may be required. Local jurisdictions that impose a local occupational license fee may request to waive the local occupational fee requirement if the local jurisdiction offers alternative inducements of similar value satisfactory to KEDFA. Any credit not used in the year in which it was first available may be carried forward to subsequent years, provided that no credit may be carried forward beyond the term of the tax incentive agreement.

The amount of incentives allowed in any year shall not exceed the lesser of the tax liability of the approved company related to the economic development project for that year or the annual maximum approved costs set forth in the tax incentive agreement. The incentives shall be allowed for each fiscal year of the approved company during the term of the tax incentive agreement for which a tax return is filed by the approved company.

| | Corporate | LLET | Individual | Total |
|---|---|---|---|---|
| **FY 2026** | $3.5 million | Minimal | $42.2 million | $45.7 million |
| **FY 2027** | $3.5 million | Minimal | $43.2 million | $46.7 million |
| **FY 2028** | $3.5 million | Minimal | $44.0 million | $47.5 million |

## 7. Inventory Tax Credit

*Kentucky Revised Statutes 141.408, effective 2018*
Data Source: Kentucky Taxpayer Data

The inventory tax credit is a nonrefundable and nontransferable credit for the amount of timely paid tangible property tax on business inventories. The amount of the tax credit equals the property tax payments made to both local governments and the state. The credit may be taken against the tax imposed by KRS 141.020 (individual income tax), KRS 141.040 (corporation income tax), and KRS 141.0401 (limited liability entity tax). Unused credit amounts cannot be carried forward to later tax years. (Note: the bourbon distillers are now allowed to utilize the unused credits from past year per HB 5 2023 Regular Session)

The non-refundable and nontransferable credit to each taxpayer paying the ad valorem tax on inventory on a timely basis was phased in as follows:

1. 25 percent of the ad valorem taxes timely paid for taxable years beginning on or after January 1, 2018, and before January 1, 2019;
2. 50 percent of the ad valorem taxes timely paid for taxable years beginning on or after January 1, 2019, and before January 1, 2020;
3. 75 percent of the ad valorem taxes timely paid for taxable years beginning on or after January 1, 2020, and before January 1, 2021; and
4. 100 percent of the ad valorem taxes timely paid, for taxable years beginning on or after January 1, 2021.

| | Corporate | LLET | Individual | Total |
|---|---|---|---|---|
| **FY 2026** | $3.5 million | $6.5 million | $12.0 million | $22.0 million |
| **FY 2027** | $3.5 million | $6.5 million | $12.3 million | $22.3 million |
| **FY 2028** | $3.5 million | $6.5 million | $12.6 million | $22.6 million |

## 8. Biodiesel Tax Credit

*Kentucky Revised Statutes 141.423, effective 2007*
Data Source: Kentucky Taxpayer Data

A credit of up to $1 per gallon may be taken for producing or blending biodiesel and renewable diesel fuels. The total amount that may be taken is capped each fiscal year. The annual biodiesel, renewable diesel, and renewable chemical production tax credit cap for calendar years beginning on or after January 1, 2021, is $10.0 million. The amounts shown below are equal to the tax credit cap for each year. The nonrefundable tax credit may be applied against the taxes imposed by KRS 141.020, 141.040 and 141.0401. Any unused credit may not be carried forward to subsequent tax years.

| | Corporate | LLET | Individual | Total |
|---|---|---|---|---|
| **FY 2026** | $0.3 million | $9.7 million | Minimal | $10.0 million |
| **FY 2027** | $0.3 million | $9.7 million | Minimal | $10.0 million |
| **FY 2028** | $0.3 million | $9.7 million | Minimal | $10.0 million |

## 9. Ethanol Tax Credit

*Kentucky Revised Statutes 141.4242, effective 2007*
Data Source: Kentucky Taxpayer Data

A producer of ethanol is allowed a credit equal to $1 per gallon, capped at a total of $5 million in credits authorized per year for all producers. For taxable years beginning after December 31, 2017, the non-refundable credit shall be applied both to the income tax imposed under KRS 141.020 or 141.040 and to the limited liability entity tax imposed under KRS 141.0401. The ethanol tax credit provided shall not be carried forward to a return for any other period. Unused portions of the annual cellulosic ethanol tax credit cap maybe transferred to the ethanol tax credit program on an annual basis.

| | Corporate | LLET | Individual | Total |
|---|---|---|---|---|
| **FY 2026** | Minimal | $10.0 million | Minimal | $10.0 million |
| **FY 2027** | Minimal | $10.0 million | Minimal | $10.0 million |
| **FY 2028** | Minimal | $10.0 million | Minimal | $10.0 million |

## 10. New Markets Development Program Tax Credit

*Kentucky Revised Statutes 141.434, effective 2010*
Data Source: Kentucky Taxpayer Data

This credit was created to encourage taxpayer investment in low-income communities via a nonrefundable credit against the taxes imposed by KRS141.020, 141.040, 141.0401, 136.320, 136.330, 136.340, 136.350, 136.370, 136.390, or 304.3-270. The maximum amount of tax credit is capped at $10 million in each fiscal year. The amount of the credit shall be equal to 39 percent of the purchase price of the qualified equity investment made by the person or entity claiming the credit. The qualified community development entity must invest at least 85 percent of the funds received via a qualified equity investment in qualified active low-income community businesses located in the Commonwealth of Kentucky within 24 months after the issuance of the investment for years prior to 2014. For years beginning in 2014 the qualified community development entity must invest 100 percent of the funds received via a qualified equity investment in qualified active low-income community businesses located in the Commonwealth of Kentucky within 12 months after the issuance of the investment.

| | Corporate | LLET | Individual | Ins. Premium | Total |
|---|---|---|---|---|---|
| **FY 2026** | $10.0 million | Minimal | Minimal | Minimal | $10.0 million |
| **FY 2027** | $10.0 million | Minimal | Minimal | Minimal | $10.0 million |
| **FY 2028** | $10.0 million | Minimal | Minimal | Minimal | $10.0 million |

## 11. Decontamination Property Credit

*Kentucky Revised Statutes 141.419, effective 2022*
Data Source: Kentucky Taxpayer Data

A taxpayer may take a refundable credit for making a qualifying expenditure at a qualifying decontamination property to encourage investment and decontamination or remediation of qualifying decontamination property. The credit is equal to the qualifying expenditures. This credit cannot be taken in combination with credits under KRS 141.418.

| | Corporate | LLET | Individual | Total |
|---|---|---|---|---|
| **FY 2026** | Minimal | Minimal | $7.0 million | $7.0 million |
| **FY 2027** | Minimal | Minimal | $7.0 million | $7.0 million |
| **FY 2028** | Minimal | Minimal | $7.0 million | $7.0 million |

## 12. Broadband Investment Credit

*Kentucky Revised Statutes 141.391, effective 2024*
Data Source: Kentucky Agency Estimate

For taxable years January 1, 2025, to January 1, 2029, a tax credit equal to 50 percent of the sales and use tax paid on a qualified broadband investment in Kentucky is established. It is limited to a total of $5 million for all tax credits in each year.

| | Corporate | LLET | IIT | Total |
|---|---|---|---|---|
| **FY 2026** | $4.5 million | Minimal | $0.5 million | $5.0 million |
| **FY 2027** | $4.5 million | Minimal | $0.5 million | $5.0 million |
| **FY 2028** | $4.5 million | Minimal | $0.5 million | $5.0 million |

## 13. Kentucky Rural Economic Development Act Credit (KREDA)

*Kentucky Revised Statutes 154.22-050(8)(a), effective 1988*
Data Source: Kentucky Taxpayer Data

A 100 percent credit is allowed against the income tax and the limited liability entity tax of an approved company imposed under KRS 141.020 or KRS 141.040 and KRS 141.0401 generated by or arising out of the economic development project. The credit can be carried forward for up to fifteen years but cannot exceed the authorized cumulative approved costs under the respective financing agreement.

In 2009, the General Assembly consolidated all economic credits into one program. No new applications for KREDA are being accepted, preliminary or final approval in accordance with KRS154.22 on or before June 26, 2009, determine the credit allowed. Kentucky continues to pay out credits that were previously approved.

| | Corporate | LLET | Individual | Total |
|---|---|---|---|---|
| **FY 2026** | $1.0 million | Minimal | $3.7 million | $4.7 million |
| **FY 2027** | $1.0 million | Minimal | $3.8 million | $4.8 million |
| **FY 2028** | $1.0 million | Minimal | $3.9 million | $4.9 million |

## 14. Metropolitan College Program Tax Credit

*Kentucky Revised Statutes 141.381, effective 2009*
Data Source: Kentucky Taxpayer Data

To be eligible for the tax credit provided by this section, a qualified taxpayer must be a partner in Metropolitan College. A qualified taxpayer is allowed a nonrefundable credit against the tax imposed by KRS 141.020 or 141.040, and KRS 141.0401. Parties to the Metropolitan College Consortium Agreement may qualify for a 50 percent tax credit of the actual costs incurred by the qualified taxpayer for tuition paid to an educational institution and other educational expenses paid on behalf of a student participating in the metropolitan college. The credit shall expire on April 15, 2027, unless extended by the General Assembly.

| | Corporate | LLET | Individual | Total |
|---|---|---|---|---|
| **FY 2026** | $4.0 million | Minimal | $0.6 million | $4.6 million |
| **FY 2027** | $4.0 million | Minimal | $0.6 million | $4.6 million |
| **FY 2028** | $4.0 million | Minimal | $0.6 million | $4.6 million |

## 15. Endow Kentucky

*Kentucky Revised Statutes 141.438, effective 2010*
Data Source: Kentucky Taxpayer Data

For taxable years beginning on or after January 1, 2011, the Endow Kentucky tax credit shall be equal to 20 percent of the value of the endowment gift provided by the taxpayer, not to exceed $10,000.

The credit shall be nonrefundable tax under KRS 141.020, KRS 141.040, or KRS 141.0401 but any amount of credit that a taxpayer is not able to utilize during a particular taxable year may be carried forward for use in a subsequent taxable year, for a period not to exceed 5 years.

The total amount of tax credit that may be awarded under this section shall be limited to: (a) $500,000 in each fiscal year beginning on or before July 1, 2015; and (b) $1.0 million in each fiscal year beginning on or after July 1, 2016.

| | Corporate | LLET | Individual | Total |
|---|---|---|---|---|
| **FY 2026** | $1.0 million | $1.0 million | $0.7 million | $2.7 million |
| **FY 2027** | $1.0 million | $1.0 million | $0.7 million | $2.7 million |
| **FY 2028** | $1.0 million | $1.0 million | $0.7 million | $2.7 million |

## 16. Recycling and/or Composting Equipment Credit

*Kentucky Revised Statutes 141.390, effective 1991*
Data Source: Kentucky Taxpayer Data

A credit of 50 percent of the installed cost of recycling or composting equipment, used exclusively in this state, for post-consumer waste is allowed against KRS 141.020 or 141.040 and 141.0401. This credit can be taken until the amount of credit awarded has been completely utilized.

The credit shall be limited to a period of ten years commencing with the approval of the recycling credit application. The recycling credit was updated by HB 354 of the 2019 Regular Session of the General Assembly. For major recycling projects investing more than $500 million, 25 percent of the cost of the installed cost of the recycling or composting equipment may be deducted over thirty years against up to 75 percent of the tax liability.

| | Corporate | LLET | Individual | Total |
|---|---|---|---|---|
| **FY 2026** | $1.5 million | Minimal | $1.2 million | $2.7 million |
| **FY 2027** | $1.5 million | Minimal | $1.2 million | $2.7 million |
| **FY 2028** | $1.5 million | Minimal | $1.2 million | $2.7 million |

## 17. Kentucky Industrial Revitalization Act Credit (KIRA)

*Kentucky Revised Statutes 141.403 and 154.26-090, effective 1992*
Data Source: Kentucky Taxpayer Data

Tax incentives are available for the approved company for up to 10 years via:

- Tax Credits up to 100 percent of corporate income or limited liability entity tax liability arising from the project.

- Wage Assessment incentives up to 5 percent (including up to 1 percent required local participation) of gross wages of each employee. The employee receives credits for the fees against state income taxes and local occupational taxes.

The tax incentives remain in place until the authorized incentive amount is realized or for the term of the tax incentive agreement, whichever occurs first. Unused credits that have been authorized for the project may be carried forward for the term of the tax incentive agreement; however, unused credits expire at the maturity of the agreement.

| | Corporate | LLET | Individual | Total |
|---|---|---|---|---|
| **FY 2026** | Minimal | Minimal | $2.1 million | $2.1 million |
| **FY 2027** | Minimal | Minimal | $2.2 million | $2.2 million |
| **FY 2028** | Minimal | Minimal | $2.2 million | $2.2 million |

### 18. Kentucky Industrial Development Act Credit (KIDA)

*Kentucky Revised Statutes 141.400, effective 1992*
*Kentucky Revised Statutes 154.28-090, effective 1992*
Data Source: Kentucky Taxpayer Data

A 100 percent credit is allowed against the income of an approved company under KRS 141.020, 141.040 and 141.0401 generated by or arising out of the economic development project. The credit can be carried forward for up to ten years from the activation date, but cannot exceed, in any fiscal year, the authorized cumulative approved costs paid in the three-year period commencing with the date of final approval of the economic development project. In 2009, the General Assembly consolidated all economic credits into one program. No new applications are being accepted. Kentucky continues to pay out credits that were approved before the repealed date of the statute.

| | Corporate | LLET | Individual | Total |
|---|---|---|---|---|
| **FY 2026** | $0.2 million | Minimal | $1.1 million | $1.3 million |
| **FY 2027** | $0.2 million | Minimal | $1.1 million | $1.3 million |
| **FY 2028** | $0.2 million | Minimal | $1.2 million | $1.3 million |

### 19. Construction of Research Facilities

*Kentucky Revised Statutes 141.395, effective 2002*
Data Source: Kentucky Taxpayer Data

A credit is permitted against the tax for the construction of research facilities under KRS 141.020, 141.040 and 141.0401. Any unused credit may be carried forward 10 years. The credit allowed shall equal 5 percent of the qualified costs of construction of research facilities.

| | Corporate | LLET | Individual | Total |
|---|---|---|---|---|
| **FY 2026** | $0.7 million | $0.4 million | Minimal | $1.1 million |
| **FY 2027** | $0.7 million | $0.4 million | Minimal | $1.1 million |
| **FY 2028** | $0.7 million | $0.4 million | Minimal | $1.1 million |

## 20. Railroad Maintenance and Improvement Tax Credit

*Kentucky Revised Statutes 141.385, effective 2009*
Data Source: Kentucky Taxpayer Data

For taxable years beginning after December 31, 2009, an eligible taxpayer shall be entitled to a nonrefundable credit against the taxes imposed by KRS 141.020 or 141.040, and 141.0401 in an amount equal to 50 percent of the qualified expenditures paid or incurred by the taxpayer during the taxable year. Class II and Class III railroads, as defined by the Federal Surface Transportation Board, may receive credit against costs incurred for railroad maintenance and improvement and for railroad expansion or upgrades to accommodate the transport of fossil energy or biomass resources.

| | Corporate | LLET | Individual | Total |
|---|---|---|---|---|
| **FY 2026** | $1.0 million | Minimal | Minimal | $1.0 million |
| **FY 2027** | $1.0 million | Minimal | Minimal | $1.0 million |
| **FY 2028** | $1.0 million | Minimal | Minimal | $1.0 million |

## 21. Skills Training Investment Credit

*Kentucky Revised Statutes 154.12-2086, effective 1998*
Data Source: Kentucky Taxpayer Data

An amount equal to 50 percent of the approved cost incurred by the approved company's skills training program is allowed against the taxes imposed by KRS 141.020 or 141.040, and KRS 141.0401, to an approved company. The credit amount shall not exceed $500 per employee and, shall not exceed $100,000 for each approved company every two years. The Bluegrass State Skills Corporation shall only approve one application every two years for each qualified company.

| | Corporate | LLET | Individual | Total |
|---|---|---|---|---|
| **FY 2026** | Minimal | Minimal | Limited | Limited |
| **FY 2027** | Minimal | Minimal | $0.1 million | $0.1 million |
| **FY 2028** | Minimal | Minimal | $0.1 million | $0.1 million |

## 22. Distilled Spirits Credit

*Kentucky Revised Statutes 141.389, effective 2014*
Data Source: Kentucky Taxpayer Data

There shall be allowed a nonrefundable and nontransferable credit to each taxpayer paying the distilled spirits ad valorem tax on a timely basis as follows:

1. For taxable years beginning on or after January 1, 2015, and before December 31, 2015, the credit shall be equal to 20 percent of the tax;
2. For taxable years beginning on or after January 1, 2016, and before December 31, 2016, the credit shall be equal to 40 percent of the tax;
3. For taxable years beginning on or after January 1, 2017, and before December 31, 2017, the credit shall be equal to 60 percent of the tax;
4. For taxable years beginning on or after January 1, 2018, and before December 31, 2018, the credit shall be equal to 80 percent of the tax;
5. For taxable years beginning on or after January 1, 2019, the credit shall be equal to 100 percent of the tax.

The credit may be taken against the tax imposed by KRS 141.020 (individual income tax), KRS 141.040 (corporation tax), and KRS 141.0401 (limited liability entity tax). The amount of distilled spirits tax credit allowed is only for capital improvements at the premises of the licensed distiller. Unused credit amounts cannot be carried forward to later tax years. However, the distilled spirits tax credit may be accumulated for multiple taxable years. The amount of the credit cannot exceed the amount of distilled spirits ad valorem tax paid during the period the capital improvements were made and completed.

| | **Corporate** | **LLET** | **Individual** | **Total** |
|---|---|---|---|---|
| **FY 2026** | $0.8 million | Minimal | $0.1 million | $0.9 million |
| **FY 2027** | $0.8 million | Minimal | $0.1 million | $0.9 million |
| **FY 2028** | $0.8 million | Minimal | $0.1 million | $0.9 million |

## 23. Kentucky Small Business Tax Credit (KSBTC) / Selling Farmers Tax Credit

*Kentucky Revised Statutes 141.384, 154.60-020, effective 2009*
*Kentucky Revised Statutes 141.3841, effective 2020*
Data Source: Kentucky Taxpayer Data

A small business under the provisions of 154.60-020 may be eligible for a non-refundable credit of up to 100 percent of the tax imposed pursuant to KRS 141.020 or 141.040 and KRS 141.0401. The maximum amount of credits that may be committed in each fiscal year by the Kentucky Economic Development Finance Authority is capped at $3 million. The maximum amount of credit for each small business for each year cannot exceed $25,000. Unused credits may be carried forward for up to five years. In the 2019 Regular Session of the General Assembly, the program eligibility requirements were expanded to assist farmers selling active agricultural land and assets to beginning farmers.

A tax credit equal to 5 percent of the selling price of qualifying agricultural assets is available for selling farmers. There is a $25,000 cap for each taxable year for each farmer. And a $100,000 lifetime cap for each farmer. The Selling Farmers tax credit and the Small Business tax credit are together capped at $3 million.

| | Corporate | LLET | Individual | Total |
|---|---|---|---|---|
| **FY 2026** | Minimal | Minimal | $0.8 million | $0.8 million |
| **FY 2027** | Minimal | Minimal | $0.9 million | $0.9 million |
| **FY 2028** | Minimal | Minimal | $0.9 million | $0.9 million |

## 24. Kentucky Jobs Development Act Credit (KJDA)

*Kentucky Revised Statutes 154.24-110, effective 1992*
*Kentucky Revised Statutes 154.24-130, effective 1992*
Data Source: Kentucky Taxpayer Data

A 100 percent of the tax credit is allowed against the income of an approved company under KRS 141.020 or KRS 141.040 and KRS 141.0401 generated by or arising out of the economic development project. The credit can be carried forward for up to ten years, but cannot exceed 50 percent of the total approved start-up costs plus 50 percent of the annual rental payments connected to the project.

In 2009, the General Assembly consolidated all economic credits into one program. No new applications for KJDA are being accepted. Kentucky continues to pay out credits that were previously approved.

| | Corporate | LLET | Individual | Total |
|---|---|---|---|---|
| **FY 2026** | $0.2 million | Minimal | Minimal | $0.2 million |
| **FY 2027** | $0.2 million | Minimal | Minimal | $0.2 million |
| **FY 2028** | $0.2 million | Minimal | Minimal | $0.2 million |

## 25. Kentucky Reinvestment Act Credit (KRA)

*Kentucky Revised Statutes 154.34-120, effective 2009*
Data Source: Kentucky Taxpayer Data

For taxable years beginning after December 31, 2009, an approved company may be eligible for a nonrefundable credit of up to 100 percent of the Kentucky income tax imposed under KRS 141.020 or 141.040 and 141.0401. The tax incentive remains in place until the authorized incentive amount is realized (up to 20 percent of the incentive per year) or for the term of the reinvestment agreement, up to 10 years, whichever occurs first. Unused credits that have been authorized for the project may be carried forward for the term of the reinvestment agreement, however, unused credits expire at the maturity of the agreement.

| | Corporate | LLET | Individual | Total |
|---|---|---|---|---|
| **FY 2026** | Minimal | Minimal | $0.1 million | $0.1 million |
| **FY 2027** | Minimal | Minimal | $0.1 million | $0.1 million |
| **FY 2028** | Minimal | Minimal | $0.1 million | $0.1 million |

## 26. Cryptocurrency Incentives

*Kentucky Revised Statute 154.27-080, effective 2021*
*Kentucky Revised Statute 139.516(2), effective 2021*
Data Source: Kentucky Agency Estimate, Fiscal Impact from the 2021 Session

The cryptocurrency incentives include a sales tax incentive that exempts all electricity sold or purchased on or after the effective date of application and before July 1, 2030. Also included are all of the incentives offered under the previously named Energy Independence Act, now called the "Incentives for Energy-related Business Act." These incentives from the Incentives for Energy-Related Business Act include:

(a) An advance disbursement of post-construction incentives for which an approved company has been approved, the maximum amount of which is based upon the estimated labor component of the total capital investment of the eligible project, and the utilization of Kentucky residents during the construction period as set forth in KRS 154.27-090;

(b) Sales and use tax incentives of up to 100 percent of the taxes paid on purchases of tangible personal property made to construct, retrofit, or upgrade the cryptocurrency mining equipment at a facility, as set forth in KRS 139.517 and 154.27-070;

(c) Up to 80 percent of the severance taxes paid on the purchase or severance of: 1. Coal that is subject to the tax imposed under KRS 143.020 and that is specifically used by a cryptocurrency mining project as feedstock for an eligible project, as set forth in KRS 143.024 and 154.27-060;

(d) Up to 100 percent of the Kentucky income tax imposed under KRS 141.040 or 141.020, and the limited liability entity tax imposed under KRS 141.0401 on the income, Kentucky gross profits, or Kentucky gross receipts of the approved company generated by or arising from the eligible project; and

(e) Authorization for the approved company to impose a wage assessment of up to 4 percent of the gross wages of each employee subject to the Kentucky income tax.

The maximum recovery from all incentives shall not exceed 50 percent of the capital investment in the eligible project.

| | Corporate | LLET | Individual | Sales | Total |
|---|---|---|---|---|---|
| **FY 2026** | Limited | Limited | Minimal | Minimal | Limited |
| **FY 2027** | Limited | Limited | Minimal | Minimal | Limited |
| **FY 2028** | Limited | Limited | Minimal | Minimal | Limited |

### 27. Cellulosic Ethanol Credit

*Kentucky Revised Statutes 141.4244, effective 2007*
*Kentucky Revised Statutes 141.4248, effective 2007*
Data Source: Kentucky Taxpayer Data

For taxable years beginning after December 31, 2007, a cellulosic ethanol producer shall be eligible for a non-refundable tax credit against the taxes imposed by KRS 141.020 or 141.040 and 141.0401. The credit rate shall be one dollar ($1) per cellulosic ethanol gallon produced, unless the total amount of approved credit for all cellulosic ethanol producers exceeds the annual cellulosic ethanol tax credit cap of $5 million. Unused portions of the annual cellulosic ethanol tax credit cap may be transferred to the other ethanol-based tax credit program (KRS 141.4242) on an annual basis.

| | Corporate | LLET | Individual | Total |
|---|---|---|---|---|
| **FY 2026** | Minimal | Minimal | Minimal | Minimal |
| **FY 2027** | Minimal | Minimal | Minimal | Minimal |
| **FY 2028** | Minimal | Minimal | Minimal | Minimal |

### 28. Clean Coal Incentive Credit

*Kentucky Revised Statutes 141.428, effective 2005*
Data Source: Kentucky Taxpayer Data

A credit is available at a rate of $2 per ton of qualifying coal purchased and used to generate power by an electricity generation facility investing more than $150 million that is located in Kentucky and certified by the Energy and Environmental Cabinet as using clean coal equipment and technology and burning coal subject to Kentucky's severance tax. The credit may be taken against the taxes imposed by KRS 141.020 or 141.040, and 141.0401. The credit shall not be carried forward and must be used on the tax return filed for the period during which the eligible coal was purchased.

| | Corporate | LLET | Individual | Total |
|---|---|---|---|---|
| **FY 2026** | Minimal | Minimal | Minimal | Minimal |
| **FY 2027** | Minimal | Minimal | Minimal | Minimal |
| **FY 2028** | Minimal | Minimal | Minimal | Minimal |

## 29. Hiring the Unemployed Credit

*Kentucky Revised Statutes 141.065, effective 1982*
Data Source: Kentucky Taxpayer Data

Any taxpayer hiring persons who have been unemployed for 60 days and who remain employed for 180 consecutive days, are allowed a $100 a nonrefundable credit for each qualified person. The credit may be taken against taxes imposed by KRS 141.020 or 141.040 and 141.0401.

| | Corporate | LLET | Individual | Total |
|---|---|---|---|---|
| **FY 2026** | Minimal | Minimal | Minimal | Minimal |
| **FY 2027** | Minimal | Minimal | Minimal | Minimal |
| **FY 2028** | Minimal | Minimal | Minimal | Minimal |

## 30. Kentucky Investment Fund Act Credit (KIFA)

*Kentucky Revised Statutes 154.20-258, effective 2002*
Data Source: Kentucky Taxpayer Data

For investments approved before January 1, 2023, an investor making a cash contribution to a qualified investment fund is allowed a credit equal to 40 percent of the ownership share of all qualified investments made by its fund. For investments approved after January 1, 2023, the tax credit shall not exceed 25 percent. The credit may be carried forward up to 15 years, but cannot exceed 50 percent of the initial aggregate credit amount approved for the investment fund, which would be proportionally available to investors. The credit may be applied against KRS 141.020, 141.040 and 141.0401. The credit may also be applied against Bank Franchise and Insurance Premiums taxes. The total amount of tax credits available to any single investment fund awarded tax credits shall not exceed, in aggregate, $8 million for all investors and all taxable years.

| | Corporate | LLET | Individual | Total |
|---|---|---|---|---|
| **FY 2026** | Minimal | Minimal | Minimal | Minimal |
| **FY 2027** | Minimal | Minimal | Minimal | Minimal |
| **FY 2028** | Minimal | Minimal | Minimal | Minimal |

## 31. Voluntary Environmental Remediation Credit

Kentucky Revised Statutes 141.418, effective 2005
Data Source: Kentucky Taxpayer Data

There shall be allowed a nonrefundable credit against the tax imposed under KRS 141.020 or KRS 141.040 for taxable years beginning after December 31, 2004. There shall be allowed a nonrefundable credit against the tax imposed under KRS 141.0401 for taxable years beginning after December 31, 2006. The credit is based on expenditures made at a qualifying voluntary environmental remediation property in order to correct the effect of release of hazardous substances, pollutants, contaminants, petroleum, or petroleum products on the property consistent with a corrective action plan approved by the Energy and Environment Cabinet. The maximum total credit for each taxpayer shall not exceed $150,000. The amount of the allowable credit for any taxable year shall be 25 percent of the maximum credit approved. The credit may be carried forward for a maximum of 10 successive taxable years.

| | Corporate | LLET | Individual | Total |
|---|---|---|---|---|
| **FY 2026** | Minimal | Minimal | Minimal | Minimal |
| **FY 2027** | Minimal | Minimal | Minimal | Minimal |
| **FY 2028** | Minimal | Minimal | Minimal | Minimal |

# Corporation Income and Limited Liability Entity Taxes

**Corporation Income Tax Rates:**
For taxable years beginning on or after January 1, 2018, the corporate income tax rate is a flat rate of 5 percent of taxable net income.

For those entities covered by the limited liability entity tax, the tax is the lesser of two computations, based on either Kentucky gross receipts or Kentucky gross profits.

When computing the tax using the gross receipts method, the tax rate is nine and one-half cents ($0.095) per one hundred dollars ($100) of gross receipts. When computing the tax using the gross profits method, the tax rate is seventy-five cents ($0.75) per one hundred dollars ($100) of gross profits. If gross receipts or gross profits are less than $3.0 million, the LLET tax shall be $175. For taxpayers with gross receipts or gross profits between $3.0 million and $6.0 million, a partial exemption is given.

**Tax Base:**
The tax base for the corporation income tax is taxable net income. Taxable net income is essentially gross income minus allowable deductions, with apportionment and allocation provisions for multistate corporations.

Corporations apportion income to Kentucky using a single-factor apportionment fraction based on receipts. Additionally, receipts are now sourced to Kentucky if the taxpayer's market for that sale is in this state. Prior to this change, receipts from the sale of a service and sales other than tangible personal property were sourced based on the greater cost of performance for that sale.

A provider of communications service, cable service, or internet access continues to apportion taxable income to Kentucky using the three-factor formula based on property, payroll, and receipts.

For taxable years beginning on or after January 1, 2021, every corporation doing business in Kentucky shall, for each taxable year, file a combined report if the corporation is a member of a unitary business group; a Federal consolidated return, by making an election to file, for a period of 48 consecutive calendar months, with

all members of the affiliated group that file for federal income tax purposes; or a separate return, if not required to file a combined report.

For taxable years beginning on or after January 1, 2021, financial institutions will be subject to the corporation income tax and the limited liability entity tax.

Every corporation doing business in this state must pay an annual tax. The term "doing business" is defined to include, but is not limited to:

- Being organized under the laws of this state;
- Having a commercial domicile in this state;
- Owning or leasing property in this state;
- Having one or more individuals performing services in this state;
- Maintaining an interest in a pass-through entity doing business in this state;
- Deriving income from or attributable to sources within this state, including deriving income directly or indirectly from a trust or disregarded single-member limited liability company that is doing business in this state; or
- Directing activities at Kentucky customers for the purpose of selling them goods or services.

For tax years beginning on or after January 1, 2021, the following corporations are specifically exempted from the corporation income tax:

(a) Insurance companies, including farmers' or other mutual hail, cyclone, windstorm, or fire insurance companies, insurers, and reciprocal underwriters;

(b) Corporations or other entities exempt under Section 501 of the IRC;

(c) Religious, educational, charitable, or like corporations not organized or conducted for pecuniary profit; and

(d) Corporations whose only owned or leased property located in this state is located at the premises of a printer with which it has contracted for printing, provided that: (1) the property consists of the final printed product, or copy from which the printed product is produced; and (2) the corporation has no employee receiving compensation in this state as provided in KRS 141.120(8)(b).

The taxable period for income tax is one year (or less in limited circumstances). Corporations must use the same accounting period as is used for federal income tax purposes. Corporations with an anticipated liability in excess of $5,000 for the year must file declarations of estimated tax and make estimated tax payments. For tax years beginning on or after January 1, 2019, 25 percent declaration payments are due on the 15th day of the fourth month, sixth month, ninth month, and twelfth month of the tax year.

**Tax Due:**
The tax return and payment of any corporate or limited liability entity tax liability are due on the fifteenth day of the fourth month following the close of the taxable period, April 15th for calendar-year corporations.

Extensions of time within which to file the return are available. To avoid penalty, the entire amount of tax due must be paid by the original due date of the return.

**Background:**
The corporation income tax was first levied in 1936. The rate was 4.0 percent of net income attributable to Kentucky after the deduction of federal income tax. In 1972, the deduction of federal income tax was repealed. Several rate changes have occurred, including increasing the top rate of the graduated scale to 7.25 percent and 8.25 percent in 1985 and 1990, respectively.

The 2005 General Assembly made significant changes to the corporation income statutes by:

- including limited liability entities within the definition of corporation;
- providing an alternative minimum calculation with two optional calculations;
- reducing the top rate of the graduated scale to 7 percent for taxable years beginning on or after January 1, 2005 and prior to January 1, 2007 and 6 percent for taxable years beginning on or after January 1, 2007; and
- closing multiple loopholes in order to provide a broader base on which to assess the lower rates.

During the 2006 Special Session of the General Assembly, the inclusion of limited liability entities and the alternative minimum calculation were repealed. Effective for taxable periods beginning on or after January 1, 2007, only formally incorporated entities file the corporation income tax return. The treatment of pass-through income from limited liability pass-through entities conforms to the federal treatment. The

alternative minimum calculation was eliminated, and a new limited liability entity tax (LLET) was enacted.

Effective for taxable years beginning on or after January 1, 2007, the LLET is imposed on corporations and other entities which afford limited liability to their owners, including limited liability companies, limited liability partnerships, limited partnerships, and S corporations.

During the 2018 Regular Session of the General Assembly, substantial changes to the Kentucky tax code were enacted. Effective for taxable periods beginning on or after January 1, 2018, the corporate tax rate is a flat tax rate of 5 percent for all corporations. Additionally, Kentucky replaced the three-factor apportionment with a single receipts factor formula. The single factor sales apportionment applies to apportionable income rather than business income. Kentucky also adopted market-based sourcing which requires corporations to assign certain receipts to the apportionment formula based on the destination of the sales. In general, if the market for a corporation's sales is in Kentucky, the receipts must be assigned to Kentucky in the numerator of the sales factor for apportionment.

Finally, a nonrefundable and nontransferable credit for state and local property taxes paid on certain business inventory was created. The credit, which is now completely phased in, increased from 25 percent to 100 percent from the 2018 to 2021 tax years. The credit may be applied against the limited liability entity tax, the corporate income tax, and the personal income tax.

A new Decontamination Tax Credit was created in the 2022 Regular Session of the General Assembly. The tax credit is refundable and transferable against the corporate income tax and the LLET for 100 percent of qualifying expenses at a qualifying decontamination property.

Additionally, legislation enacted in 2022 raised the maximum credit available for the Historic Rehabilitation Tax Credit as well as allowing taxpayers to claim the Kentucky Investment Fund Tax Credit (KIFA) in the same tax year that the investment was made.

The 2024 Regular Session of the General Assembly enacted House Bill 8 GA which affected the corporation income and LLET taxes. One provision delayed the date that taxpayers can take the tax deferred tax deduction from January 1, 2024 to January 1, 2026.

Additionally, the bill created a tax credit for taxable years January 1, 2025, to January 1, 2029, equal to 50 percent of the sales and use tax paid on a qualified broadband investment in Kentucky, limited to a total of $5 million for all tax credits in each year.

**Table 5. Total Corporation Income and LLET Tax Expenditures**

| | Corporate | LLET | Total |
|---|---|---|---|
| **FY 2026** | $261.2 million | $36.1 million | $297.3 million |
| **FY 2027** | $261.2 million | $80.6 million | $341.8 million |
| **FY 2028** | $305.7 million | $36.4 million | $342.1 million |

## Exemptions

### 1. Dividend Income

*Kentucky Revised Statutes 141.039(1)(b), effective 1969*
Data Source: Kentucky Taxpayer Data

Dividend income (domestic and foreign) is excluded from gross income. As part of the Tax Cuts and Jobs Act of 2017, Global Intangible Low-Taxed Income ("GILTI") provisions were enacted to require a U.S. shareholder of a controlled foreign corporation to include in its gross income GILTI in manner similar to Subpart F income. KRS 141.039(1)(b) excludes dividend income in calculating the gross income for Kentucky income tax purposes. Kentucky treats Subpart F income as dividend income and, therefore, GILTI is considered nontaxable for Kentucky corporate income tax purposes.

This tax expenditure is associated with Kentucky's conformity with Federal tax law.

| | Corporate |
|---|---|
| **FY 2026** | $213.0 million |
| **FY 2027** | $213.0 million |
| **FY 2028** | $213.0 million |

## 2. Alternative Apportionment and Retained Three-Factor Apportionment

*Kentucky Revised Statutes 141.121(3), effective 2018*
Data Source: Kentucky Agency Estimate

Single sales factor apportionment is not required for certain communications services, cable services, and Internet access providers.

| | Corporate |
|---|---|
| **FY 2026** | $40.0 million |
| **FY 2027** | $40.0 million |
| **FY 2028** | $40.0 million |

## 3. Costs of Goods Sold, Bulk Delivery Charges, and Indirect Labor

*Kentucky Revised Statutes 141.0401(1)(d-g), effective 2007*
Data Source: Kentucky Taxpayer Data

When computing the LLET using the gross profits method, Kentucky gross receipts are reduced by the amount of costs of goods sold (COGS) as defined in KRS 141.0401(1)(d) attributable to Kentucky gross receipts. For manufacturing, producing, reselling, retailing, or wholesaling activities, COGS only includes costs directly incurred in the acquiring or producing the tangible product. For any activity other than manufacturing, producing, reselling, retailing, or wholesaling activities, no costs shall be included in a COGS reduction to gross profits.

| | LLET |
|---|---|
| **FY 2026** | $25.0 million |
| **FY 2027** | $25.0 million |
| **FY 2028** | $25.0 million |

### 4. Small Business Relief from the Limited Liability Entity Tax

*Kentucky Revised Statutes 141.0401(2)(b), effective 2008*
Data Source: Kentucky Taxpayer Data

To provide relief for small businesses, all entities with Kentucky gross profits or receipts less than $3 million are subject to the $175 minimum Limited Liability Entity Tax. Additionally, entities with Kentucky gross receipts or gross profits of $3 million to $6 million receive a proportional reduction based upon a prescribed calculation. Those entities with Kentucky gross receipts or profits over $6 million pay the full LLET.

| | **LLET** |
|---|---|
| **FY 2026** | $5.4 million |
| **FY 2027** | $5.4 million |
| **FY 2028** | $5.4 million |

### 5. Publicly Traded Partnerships

*Kentucky Revised Statutes 141.0401(6)(b)(14), effective 2007*
Data Source: Kentucky Agency Data

The LLET tax does not apply to a publicly traded partnership as defined by Section 7704(b) of the Internal Revenue Code that is treated as a partnership for federal tax purposes pursuant to Section 7704(c) of the Internal Revenue Code, or their publicly traded partnership affiliate.

This tax expenditure is associated with Kentucky's conformity with Federal tax law.

| | **LLET** |
|---|---|
| **FY 2026** | $2.0 million |
| **FY 2027** | $2.0 million |
| **FY 2028** | $2.2 million |

### 6. Real Estate Investment Trust

*Kentucky Revised Statutes 141.0401(6)(b)(9), effective* 1998
Data Source: Kentucky Taxpayer Data

The LLET tax does not apply to a real estate investment trust as defined in Section 856 of the Internal Revenue Code. For a corporation that meets the requirements established under Section 856 of the Internal Revenue Code to be a real estate investment trust, means "real estate investment trust taxable income" as defined in Section 857(b)(2) of the Internal Revenue Code, except that a captive real estate investment trust shall not be allowed any deduction for dividends paid, as defined by KRS 141.010(28)(d).

| | **LLET** |
|---|---|
| **FY 2026** | $1.2 million |
| **FY 2027** | $1.2 million |
| **FY 2028** | $1.3 million |

### 7. Personal Service Corporations

*Kentucky Revised Statutes 141.0401(6)(b)(12), effective 2007*
Data Source: Kentucky Taxpayer Data

The LLET tax does not apply to a personal service corporation as defined in Section 269A(b)(1) of the Internal Revenue Code.

| | **LLET** |
|---|---|
| **FY 2026** | $1.0 million |
| **FY 2027** | $1.0 million |
| **FY 2028** | $1.0 million |

## 8. Cooperatives, Cooperatives and Their Patrons, Homeowners Associations, Political Organizations

*Kentucky Revised Statutes 141.0401(6)(b)(13), effective 1998*
*Data Source: Kentucky Taxpayer Data*

LLET taxes do not apply to cooperatives described in Sections 521 and 1381 of the Internal Revenue Code. These include farmers' agricultural and other cooperatives organized or recognized under KRS Chapter 272, advertising cooperatives, purchasing cooperatives, homeowners associations, including those described in Section 528 of the Internal Revenue Code, political organizations as defined in Section 527 of the Internal Revenue Code, and rural electric and rural telephone cooperatives.

This tax expenditure is associated with Kentucky's conformity with Federal tax law.

| | **LLET** |
|---|---|
| **FY 2026** | $0.6 million |
| **FY 2027** | $0.6 million |
| **FY 2028** | $0.6 million |

## 9. Limited Liability Entity Tax Exemptions

*Kentucky Revised Statutes 141.0401(6)(a), effective 2007*
Data Source: Kentucky Taxpayer Data

For taxable years beginning prior to January 1, 2021, the LLET shall not apply to the following:

- Financial institutions, as defined in KRS 136.500, except banker's banks organized under KRS 287.135 or 286.3-135;
- Savings and loan associations organized under the laws of this state and under the laws of the United States and making loans to members only;
- Banks for cooperatives;
- Production credit associations;
- Insurance companies, including farmers' or other mutual hail, cyclone, windstorm, or fire insurance companies, insurers, and reciprocal underwriters;
- Corporations or other entities exempt under Section 501 of the Internal Revenue Code;
- Religious, educational, charitable, or like corporations not organized or conducted for pecuniary profit;

- Corporations whose only owned or leased property located in this state is located at the premises of a printer with which it has contracted for printing, provided that:
    a. The property consists of the final printed product, or copy from which the printed product is produced; and
    b. The corporation has no individuals receiving compensation in this state as provided in KRS 141.901;
- Public service corporations subject to tax under KRS 136.120;
- Open-end registered investment companies organized under the laws of this state and registered under the Investment Company Act of 1940;
- Any property or facility which has been certified as a fluidized bed energy production facility as defined in KRS 211.390;
- An alcohol production facility as defined in KRS 247.910;
- Real estate investment trusts as defined in Section 856 of the Internal Revenue Code;
- Regulated investment companies as defined in Section 851 of the Internal Revenue Code;
- Real estate mortgage investment conduits as defined in Section 860D of the Internal Revenue Code;
- Personal service corporations as defined in Section 269A(b)(1) of the Internal Revenue Code;
- Cooperatives described in Sections 521 and 1381 of the Internal Revenue Code, including farmers' agricultural and other cooperatives organized or recognized under KRS Chapter 272, advertising cooperatives, purchasing cooperatives, homeowners associations including those described in Section 528 of the Internal Revenue Code, political organizations as defined in Section 527 of the Internal Revenue Code, and rural electric and rural telephone cooperatives; or
- Publicly traded partnerships as defined by Section 7704(b) of the Internal Revenue Code that are treated as partnerships for federal tax purposes under Section 7704(c) of the Internal Revenue Code, or their publicly traded partnership affiliates. "Publicly traded partnership affiliates" shall include any limited liability company or limited partnership for which at least 80 percent of the limited liability company member interests or limited partner interests are owned directly or indirectly by the publicly traded partnership.

For taxable years beginning on or after January 1, 2021:

- Insurance companies, including farmers' or other mutual hail, cyclone, windstorm, or fire insurance companies, insurers, and reciprocal underwriters;
- Corporations or other entities exempt under Section 501 of the Internal Revenue Code;
- Religious, educational, charitable, or like corporations not organized or conducted for pecuniary profit;
- Corporations whose only owned or leased property located in this state is located at the premises of a printer with which it has contracted for printing, provided that:
    a. The property consists of the final printed product, or copy from which the printed product is produced; and
    b. The corporation has no individuals receiving compensation in this state as provided in KRS 141.901;
- Public service corporations subject to tax under KRS 136.120;
- Open-end registered investment companies organized under the laws of this state and registered under the Investment Company Act of 1940;
- Any property or facility which has been certified as a fluidized bed energy production facility as defined in KRS 211.390;
- An alcohol production facility as defined in KRS 247.910;
- Real estate investment trusts as defined in Section 856 of the Internal Revenue Code;
- Regulated investment companies as defined in Section 851 of the Internal Revenue Code;
- Real estate mortgage investment conduits as defined in Section 860D of the Internal Revenue Code;
- Personal service corporations as defined in Section 269A(b)(1) of the Internal Revenue Code;
- Cooperatives described in Sections 521 and 1381 of the Internal Revenue Code, including farmers' agricultural and other cooperatives organized or recognized under KRS Chapter 272, advertising cooperatives, purchasing cooperatives, homeowners associations including those described in Section 528 of the Internal Revenue Code, political organizations as defined in Section 527 of the Internal Revenue Code, and rural electric and rural telephone cooperatives; or
- Publicly traded partnerships as defined by Section 7704(b) of the Internal Revenue Code that are treated as partnerships for federal tax purposes under Section 7704(c) of the Internal Revenue Code, or their publicly traded

partnership affiliates. "Publicly traded partnership affiliates" shall include any limited liability company or limited partnership for which at least 80 percent of the limited liability company member interests or limited partner interests are owned directly or indirectly by the publicly traded partnership.

| | LLET |
|---|---|
| **FY 2026** | $0.5 million |
| **FY 2027** | $0.5 million |
| **FY 2028** | $0.5 million |

### 10. Alcohol Production Facility

*Kentucky Revised Statutes 141.0401(6)(b)(8), effective 2007*

Data Source: Kentucky Taxpayer Data

The LLET tax does not apply to an alcohol production facility as defined in KRS 247.910.

| | LLET |
|---|---|
| **FY 2026** | Minimal |
| **FY 2027** | Minimal |
| **FY 2028** | Minimal |

### 11. Certified Fluidized Bed Energy Production Facility

*Kentucky Revised Statutes 141.0401(6)(b)(7), effective 2007*

Data Source: Kentucky Taxpayer Data

The LLET tax does not apply to certified fluidized bed energy production facilities as defined in KRS 211.390.

| | LLET |
|---|---|
| **FY 2026** | Minimal |
| **FY 2027** | Minimal |
| **FY 2028** | Minimal |

## 12. Coal Royalties

*Kentucky Revised Statutes 141.039(1)(d), effective 1962*
Data Source: Kentucky Taxpayer Data

A corporation owning an economic interest in coal land may exclude 50 percent of any royalties received from such land if it does not deduct certain expenses related to the production of the royalty income, including percentage depletion.

| | Corporate |
|---|---|
| **FY 2026** | Minimal |
| **FY 2027** | Minimal |
| **FY 2028** | Minimal |

## 13. Open-End Registered Investment Companies

*Kentucky Revised Statutes 141.0401(6)(b)(6), effective 2007*
Data Source: Kentucky Taxpayer Data

The LLET tax does not apply to an open-end registered investment company organized under the laws of this state and registered under the Investment Company Act of 1940.

| | LLET |
|---|---|
| **FY 2026** | Minimal |
| **FY 2027** | Minimal |
| **FY 2028** | Minimal |

## 14. Premiums Paid for Health Insurance

*Kentucky Revised Statutes 141.062, effective 2006*
Data Source: Kentucky Taxpayer Data

Premiums paid for health insurance shall be treated as an income tax credit for state income tax purposes, and as a credit against the limited liability entity tax imposed by KRS 141.0401, with the ordering of the credits as provided in KRS 141.0205 as follows:

20 percent of the first year premium;
15 percent of the second year premium;
10 percent of the third year premium; and
5 percent of the fourth year premium.

Employers maintain participation in the trust for all full-time and part-time employees for a period of four continuous years; and employers pay at least 50 percent of the premium.

| | LLET |
|---|---|
| **FY 2026** | Minimal |
| **FY 2027** | Minimal |
| **FY 2028** | Minimal |

### 15. Qualified Farming Operation

Kentucky Revised Statutes 141.412, effective 2006
Data Source: Kentucky Taxpayer Data

A qualified farming operation shall be entitled to a nonrefundable credit against the Kentucky income tax liability on any income of the qualified farming operation generated by or arising out of the qualified farming operation's participation in a networking project, and against the limited liability entity tax on any Kentucky gross profits or Kentucky gross receipts of the qualified farming operation generated by or arising out of the qualified farming operations' participation in a networking project. The annual credit shall be available for the first five years that the farming operation is involved in the networking project. The annual credit shall be equal to the approved costs incurred by the qualified farming operation during the tax year and shall not exceed the income. Kentucky gross profits or Kentucky gross receipts, as the case may be, of the qualified farming operation generated by or arising out of the qualified farming operations participation in a networking project. Credit not used in the tax year in which it first becomes available may be carried forward to the next succeeding five tax years until the credit has been fully used.

| | LLET |
|---|---|
| **FY 2026** | Minimal |
| **FY 2027** | Minimal |
| **FY 2028** | Minimal |

## 16. Real Estate Mortgage Investment Conduit

*Kentucky Revised Statutes 141.0401(6)(b)(11), effective 2007*
Data Source: Kentucky Taxpayer Data

The LLET tax does not apply to a real estate mortgage investment conduit as defined in Section 860D of the Internal Revenue Code.

This tax expenditure is associated with Kentucky's conformity with Federal tax law.

| | LLET |
|---|---|
| **FY 2026** | Minimal |
| **FY 2027** | Minimal |
| **FY 2028** | Minimal |

## 17. Regulated Investment Company

*Kentucky Revised Statutes 141.0401(6)(b)(10), effective 2007*
Data Source: Kentucky Taxpayer Data

The LLET tax does not apply to a regulated investment company (mutual fund) as defined in Section 851 of the Internal Revenue Code.

This tax expenditure is associated with Kentucky's conformity with Federal tax law.

| | LLET |
|---|---|
| **FY 2026** | Minimal |
| **FY 2027** | Minimal |
| **FY 2028** | Minimal |

# Deductions from Income

## 1. Net Operating Loss Deduction

*Kentucky Revised Statutes 141.011, effective 1980*
*Kentucky Revised Statutes 141.200 (11), effective 2019*
Data Source: Kentucky Agency Estimate

In calculating Kentucky taxable income, a corporation may carry forward a net operating loss for twenty years, in order to reduce taxable income in profitable years. The net operating loss carry back deduction is not allowed for losses incurred in taxable years beginning on or after January 1, 2005. For taxable years beginning on or after January 1, 2005, but prior to January 1, 2019, mandatory nexus consolidated return filers shall not deduct an amount that exceeds, in the aggregate, 50 percent of the income realized by the remaining includible corporations that did not realize a net operating loss. For net operating losses generated on or after January 1, 2018, the limitation is 80 percent of the taxable net income as allowed by Section 172 of the Internal Revenue Code.

For taxable years beginning on or after January 1, 2019, the sharing of net operating loss among members of a unitary group is permitted, but when utilizing shared NOL limited to offsetting up to 50 percent of the taxable income. The sharing of tax credits among members of a unitary group is not permitted.

This tax expenditure is associated with Kentucky's conformity with Federal tax law.

| | **Corporate** |
|---|---|
| **FY 2026** | Substantial |
| **FY 2027** | Substantial |
| **FY 2028** | Substantial |

## 2. Charitable Contributions

*IRC Sec. 170, effective 1954*
Data Source: Kentucky Taxpayer Data

Charitable donations of up to 10 percent of taxable income are deductible from net income. A carryover of excess contributions is allowed for up to five years. This tax expenditure is associated with Kentucky's conformity with Federal tax law.

| | Corporate |
|---|---|
| **FY 2026** | $6.5 million |
| **FY 2027** | $6.5 million |
| **FY 2028** | $6.5 million |

## 3. Corporation Deferred Tax Deduction

*Kentucky Revised Statutes 141.039(2)(d)(5), effective 2024*
Data Source: Kentucky Taxpayer Data

A corporation tax deduction allows publicly traded taxpayers to offset the effects of combined reporting tax changes for financial statement reporting purposes by deducting one-tenth of the determined deduction annually, beginning with the combined group's first taxable year beginning on or after January 1, 2026 for ten years.

| | Corporate |
|---|---|
| **FY 2026** | Minimal |
| **FY 2027** | $44.5 million |
| **FY 2028** | $44.5 million |

# Tax Credits

## 1. Construction of Research Facilities Credit

*Kentucky Revised Statutes 141.395(3), effective 2002*
Data Source: Kentucky Taxpayer Data

Five percent of the qualified costs of construction of research facilities is allowed as a nonrefundable credit against individual income tax, corporation income tax and limited liability entity tax. Any unused credit may be carried forward ten years.

| | Corporate | LLET | Total |
|---|---|---|---|
| **FY 2026** | $0.7 million | $0.4 million | $1.1 million |
| **FY 2027** | $0.7 million | $0.4 million | $1.1 million |
| **FY 2028** | $0.7 million | $0.4 million | $1.1 million |

## 2. Railroad Expansion or Upgrade to Accommodate Transportation of Fossil Energy Resources or Biomass Resources Tax Credit

*Kentucky Revised Statutes 141.386(3), effective 2009*
Data Source: Kentucky Taxpayer Data

For taxable years beginning after December 31, 2009, a corporation that owns fossil energy resources or a railway company shall be entitled to a nonrefundable tax credit against the taxes imposed under KRS 141.040 and 140.0401. The credit shall be equal to 25 percent of the expenditures paid or incurred by the corporation or railway company to expand or upgrade railroad track, including roadbeds, bridges, and related track structures, to accommodate the transport of fossil energy resources or biomass resources. The credit amount approved for a calendar year for all taxpayers under this section shall be limited to $1 million.

| | Corporate | LLET | Total |
|---|---|---|---|
| **FY 2026** | $1.0 million | Minimal | $1.0 million |
| **FY 2027** | $1.0 million | Minimal | $1.0 million |
| **FY 2028** | $1.0 million | Minimal | $1.0 million |

### 3. Coal Conversion Credit

*Kentucky Revised Statutes 141.041, effective 1984*
Data Source: Kentucky Taxpayer Data

There shall be allowed a nonrefundable credit against the tax imposed on any corporation in which, on or after July 1, 1984, installs, modifies and utilizes facilities located in Kentucky for generating steam or hot water for space-heating or materials processing or for providing direct heat for industrial processes. The amount of the allowable credit shall be equal to 4.5 percent of the purchase price of the coal subject to taxation, consumed or substituted in each eligible heating facility minus any transporting costs included in the purchase price. The credit can be carried forward for 10 consecutive years. This credit shall be applied against the tax imposed by KRS 141.040 or KRS 141.0401.

| | Corporate | LLET | Total |
|---|---|---|---|
| **FY 2026** | Minimal | Minimal | Minimal |
| **FY 2027** | Minimal | Minimal | Minimal |
| **FY 2028** | Minimal | Minimal | Minimal |

### 4. Employer GED Credit

*Kentucky Revised Statutes 151B.402, effective 2000*
Data Source: Kentucky Taxpayer Data

An employer who assists an individual to complete his or her learning contract leading to his or her high school equivalency diploma (GED) shall receive a state tax credit against the income tax equal to 50 percent of the student's hourly salary for time released by the employer to study for the test, limited to a total of $1,250.

| | Corporate | LLET | Total |
|---|---|---|---|
| **FY 2026** | Minimal | Minimal | Minimal |
| **FY 2027** | Minimal | Minimal | Minimal |
| **FY 2028** | Minimal | Minimal | Minimal |

# Motor Vehicle Usage Tax

**Current Rate Structure:**
The motor vehicle usage tax is levied on the retail price of the vehicle at the rate of 6 percent. A credit against the tax is allowed for substantially identical taxes paid to another state or foreign country on vehicles previously registered in such state or country, provided that the other state or country grants a similar credit for taxes paid in Kentucky.

**Tax Base:**
The retail price is defined as the total consideration given, reduced by the trade-in value of a motor vehicle presented by the buyer. The total consideration paid must be disclosed in a notarized affidavit signed by both buyer and seller. If an affidavit is not submitted, 90 percent of the Manufacturer's Suggested Retail Price (MSRP), including all standard and optional equipment and transportation charges is used. In the case of trucks with gross weight in excess of 10,000 pounds, the tax base is 81 percent of MSRP.

A person holding a certificate to operate as a U-Drive-It lessee may elect to pay the motor vehicle usage tax based on gross rental or lease charges instead of the retail price of the vehicle(s). Gross rental charges include only time and mileage charges.

**Taxable Unit:**
The tax is for the privilege of using a motor vehicle on the public highways of Kentucky and levied on the vehicle's retail price.

**Tax Due:**
The tax is paid to the county clerk when the vehicle is titled or registered for the first time in the state or upon the transfer of a previously registered vehicle.

**Background**:
Motor vehicles were originally taxed under the 3 percent gross receipts tax which was repealed in 1936. After the repeal of that tax, a special 3 percent tax on motor vehicles was enacted. The rate was increased to 5 percent in 1968 and to 6 percent in 1990.

Since 1936, the tax has been paid to the county clerk when a vehicle is first registered in the owner's name. In 2005, the General Assembly changed the incidence of taxation to the time when the vehicle is titled instead of when it is registered. The proceeds derived from the tax are deposited in the Road Fund to be used in the construction and maintenance of Kentucky's roads.

In 2009, a temporary trade-in allowance on new car purchases was introduced. For the period September 1, 2009 to August 31 2010, the purchase price of a new car was reduced by the value of the trade-in vehicle. The trade-in credit was available for one year or until a cap of $25 million was reached. In 2013, the General Assembly modified the temporary allowance for new vehicle trade-in credit, making the credit permanent for sales on or after July 1, 2014. Prior to 2009, there was a trade-in credit on used car purchases but not for new car transactions.

**Table 6. Total Motor Vehicle Usage Tax Expenditures**

| | |
|---|---|
| **FY 2026** | $209.0 million |
| **FY 2027** | $207.1 million |
| **FY 2028** | $205.7 million |

## Tax Expenditures

### 1. Trade-In Allowance on New and Used Motor Vehicle Purchases

*Kentucky Revised Statutes 138.4603, effective 2015*
Data Source: Kentucky Taxpayer Data

The retail price of a motor vehicle is reduced by the amount of total consideration given by the trade-in allowance of any motor vehicle traded in by the buyer.

| | |
|---|---|
| **FY 2026** | $156.0 million |
| **FY 2027** | $155.0 million |
| **FY 2028** | $154.0 million |

### 2. Large Truck Exclusion

*Kentucky Revised Statutes 138.470(16), effective 2003*
Data Source: Kentucky Taxpayer Data

Motor vehicles and farm trucks registered with a gross weight of 44,001 pounds or greater are not subject to the motor vehicle usage tax.

**FY 2026** $25.0 million
**FY 2027** $24.0 million
**FY 2028** $23.5 million

### 3. Sales to the United States, Commonwealth of Kentucky or any of its Political Subdivisions

*Kentucky Revised Statutes 138.470(1)(a), effective1942*
Data Source: Kentucky Taxpayer Data

Motor vehicle sales to the United States, Commonwealth of Kentucky or any of its political subdivisions are exempt from the motor vehicle usage tax.

**FY 2026** $17.1 million
**FY 2027** $17.2 million
**FY 2028** $17.3 million

### 4. Educational and Charitable Organizations

*Kentucky Revised Statutes 138.470(2), effective 2006*
Data Source: Kentucky Taxpayer Data

Motor vehicles sold to institutions of purely public charity and institutions of education not used or employed for gain by any person or corporation are exempt from the motor vehicle usage tax.

**FY 2026** $3.0 million
**FY 2027** $3.0 million
**FY 2028** $3.0 million

### 5. Immediate Family Member

*Kentucky Revised Statutes 138.470(6), effective 1976*
Data Source: Kentucky Taxpayer Data

Motor vehicles previously registered in Kentucky on or after July 1, 2005, or previously registered in Kentucky, transferred between husband and wife, parent and child, stepparent and stepchild, or grandparent and grandchild are exempt from the motor vehicle usage tax.

**FY 2026** $3.0 million
**FY 2027** $3.0 million
**FY 2028** $3.2 million

### 6. Military Exemption

*Kentucky Revised Statutes 138.470(4), effective 1968*
Data Source: Kentucky Taxpayer Data

Motor vehicles (both new and used) sold by or transferred from Kentucky dealers to resident and nonresident members of the Armed Forces on duty in this state are exempt from the motor vehicle usage tax.

House Bill 378 enacted in the 2015 General Assembly expanded KRS 138.470 to exempt resident military service members who are on duty in Kentucky from the usage tax on motor vehicles purchased from a Kentucky dealer. This is effective for vehicles purchased on or after June 28, 2015.

**FY 2026** $3.0 million
**FY 2027** $3.0 million
**FY 2028** $2.8 million

### 7. Transfers by Will or Court Order

*Kentucky Revised Statutes 138.470(9), effective 1970*
Data Source: Kentucky Taxpayer Data

Motor vehicles transferred by will, court order, or under the statutes covering descent and distribution of property are exempt if the vehicles were titled in Kentucky on or after July 1, 2005, or previously registered in Kentucky.

**FY 2026** $0.6 million
**FY 2027** $0.7 million
**FY 2028** $0.8 million

### 8. Repossessed Exemption

*Kentucky Revised Statutes 138.470(13), effective 1972*
Data Source: Kentucky Taxpayer Data

Motor vehicles that are repossessed by a secured party who has a security interest in effect at the time of repossession and a repossession affidavit are exempt provided that the repossessor has acted in accordance with all statutory requirements and the vehicle is held for resale only.

**FY 2026** $0.5 million
**FY 2027** $0.4 million
**FY 2028** $0.3 million

### 9. Insurance Company Transfers

*Kentucky Revised Statutes 138.470(14), effective 1976*
Data Source: Kentucky Taxpayer Data

Motor vehicles transferred to an insurance company to settle a claim are exempt. Such vehicles must be junked or held for resale only.

**FY 2026** $0.3 million
**FY 2027** $0.3 million
**FY 2028** $0.3 million

### 10. Transfers Between a Limited Liability Company and its Members

*Kentucky Revised Statutes 138.470(11), effective 1998*
Data Source: Kentucky Taxpayer Data

Motor vehicles transferred between a limited liability company and any of its members when there is no consideration, nominal consideration, or in sole consideration of the cancellation or surrender of stock are exempt.

**FY 2026** $0.2 million
**FY 2027** $0.2 million
**FY 2028** $0.2 million

### 11. Change in Business Structure

*Kentucky Revised Statutes 138.470(8), effective 1980*
Data Source: Kentucky Agency Estimate

Motor vehicles transferred to a corporation from a proprietorship or limited liability company, to a limited liability company from a corporation or proprietorship, or from a corporation or limited liability company to a proprietorship, within six months from the time that the business is incorporated, organized, or dissolved are exempt.

**FY 2026** $0.1 million
**FY 2027** $0.1 million
**FY 2028** $0.1 million

### 12. Rentals or Leases to the United States, Commonwealth of Kentucky or any of its Political Subdivisions

*Kentucky Revised Statutes 138.470(1)(b), effective 2021*
Data Source: Agency Estimate

Gross rental or lease charges are exempt from the motor vehicle usage tax for the lease or rental of motor vehicles to the United States, Commonwealth of Kentucky or any of its political subdivisions.

**FY 2026** $0.1 million
**FY 2027** $0.1 million
**FY 2028** $0.1 million

### 13. Transfers Between a Subsidiary and a Parent Corporation

*Kentucky Revised Statutes 138.470(10), effective 1970*
Data Source: Kentucky Taxpayer Data

Motor vehicles transferred between a subsidiary corporation and its parent when there is no consideration, nominal consideration, or in sole consideration of the cancellation or surrender of stock are exempt.

**FY 2026** $0.1 million
**FY 2027** $0.1 million
**FY 2028** $0.1 million

## 14. Adaptive Equipment for Physically Handicapped Persons

*Kentucky Revised Statutes 138.4603(1)(b), effective 1992, amended 2006*
Data Source: Kentucky Taxpayer Data

Retail price does not include that portion of the price of a vehicle attributable to equipment or adaptive devices necessary to facilitate or accommodate an operator or passenger with physical disabilities.

**FY 2026** Minimal
**FY 2027** Minimal
**FY 2028** Minimal

## 15. Charter Bus Exemption

*Kentucky Revised Statutes 138.470(15), effective 2005*
Data Source: Kentucky Agency Estimate

Motor carriers operating under a charter bus certificate issued by the Transportation Cabinet pursuant to KRS Chapter 281 are not subject to the motor vehicle usage tax.

**FY 2026** Minimal
**FY 2027** Minimal
**FY 2028** Minimal

## 16. Commercial Motor Vehicle Exemption

*Kentucky Revised Statutes 138.470(5), effective 1968*
Data Source: Kentucky Taxpayer Data

An exemption is provided for commercial motor vehicles, excluding passenger vehicles having a seating capacity of nine persons or less, owned by nonresidents, used primarily in interstate commerce, and based in another state, which are required to be registered in Kentucky by reason of operational requirements or fleet proration agreements, and which are registered pursuant to the forced registration provisions.

**FY 2026** Minimal
**FY 2027** Minimal
**FY 2028** Minimal

## 17. Partnership Interests

*Kentucky Revised Statutes 138.470(12), effective 1970*
Data Source: Kentucky Taxpayer Data

The motor vehicle usage tax is not applied to the value of a transferred interest in a vehicle when a partner in a motor vehicle transfers his or her ownership to another partner.

**FY 2026** Minimal
**FY 2027** Minimal
**FY 2028** Minimal

# Earmarked Funds

Earmarked funds are dedicated taxes or user fees, from which the proceeds must be spent on the legislatively authorized programs. Although not considered a tax expenditure, earmarked funds are included in the Tax Expenditure Analysis to account for the impact the dedicated funds have on the General Fund and the Road Fund Revenue.

**Table 7. Total Earmarked Funds**

| | |
|---|---|
| **FY 2026** | $184.1 million |
| **FY 2027** | $190.2 million |
| **FY 2028** | $196.5 million |

## 1. Kentucky Thoroughbred Development Fund

*Kentucky Revised Statutes 138.510 (1)(d)(1)(b) and 138.510 (2)(d)(1)(a), effective 1990*
*Kentucky Revised Statutes 230.400 (1)(b)(1), effective 2024*
*Kentucky Revised Statutes 230.400 (1)(b)(2)(a)(b), effective 2025*
Data Source: Kentucky Taxpayer Data

An amount equal to 0.75 percent of all money wagered on live races and historical horse races at the track for Thoroughbred racing shall be deposited in the Kentucky Thoroughbred development fund established in KRS 230.400 until $45.0 million has been deposited during a fiscal year, at which point the amount deposited in the fund shall decrease to 0.4 percent of all money wagered on live and historical horse races at the track for Thoroughbred racing for the remainder of the fiscal year to promote, enhance, improve, and encourage the further and continued development of the Thoroughbred breeding industry in Kentucky.

$100,000 per each fiscal year shall be transferred to the Kentucky Problem Gambling Assistance account established in KRS 230.826, any remaining moneys to the Kentucky Horse Racing and Gaming Corporation shall be divided, at least ninety percent shall be allocated to each licensed association and up to ten percent shall be allocated for administration and operation of the corporation.

| | |
|---|---|
| **FY 2026** | $58.0 million |
| **FY 2027** | $59.0 million |
| **FY 2028** | $60.0 million |

## 2. Sports Wagering Administration Fund - Excise Tax

*Kentucky Revised Statutes 230.817, effective 2023*
Data Source: Kentucky Taxpayer Data, Fiscal Impact 2023 Regular Session

Moneys deposited in the fund include the fees paid by licensees and the new excise tax imposed. Moneys are to be used for administrative expenses relating to or associated with the purposes of sports wagering which shall be disbursed by the Finance and Administration Cabinet upon the warrant of the Public Protection Cabinet, with 2.5 percent of the moneys transferred to the Kentucky Problem Gambling Assistance account. The remaining moneys are to be deposited in the Kentucky Permanent Pension Fund established in KRS 42.205.

**FY 2026** $38.2 million
**FY 2027** $39.7 million
**FY 2028** $41.3 million

## 3. Kentucky Aviation Economic Development Fund - Sales Tax

*Kentucky Revised Statutes 183.525, effective 2000*
Data Source: Kentucky Taxpayer Data

All receipts from sales and use tax collected on aviation jet fuel is dedicated to the development fund. Moneys deposited finance the development, rehabilitation, and maintenance of publicly owned or operated aviation facilities and other aviation programs within the Commonwealth that will benefit publicly owned or operated aviation facilities.

**FY 2026** $21.1 million
**FY 2027** $21.9 million
**FY 2028** $22.6 million

## 4. Equine Breeders Incentive Funds - Sales Tax

*Kentucky Revised Statutes 230.800, 230.802 and 230.804, effective 2005*
Data Source: Kentucky Taxpayer Data

At least ninety percent of all receipts collected under KRS 139.531(1)(a) from the sales and use tax on the fees paid for breeding a stallion to a mare in Kentucky are dedicated to the breeders incentive funds on a percentage basis. Up to ten percent may be allocated for administration and operation purposes. The Kentucky Horse Racing and Gaming Corporation administers the funds and incentivizes breeders of horses bred and foaled in Kentucky, as well as provides incentive for breeders or owners of Kentucky-bred Standardbred horses.

Eighty percent of all receipts collected are dedicated to the Kentucky Thoroughbred Breeders Incentive Fund.

**FY 2026** $20.1 million
**FY 2027** $22.0 million
**FY 2028** $23.9 million

Thirteen percent of all receipts collected are dedicated to the Kentucky Standardbred Breeders Incentive Fund.

**FY 2026** $3.3 million
**FY 2027** $3.6 million
**FY 2028** $3.9 million

Seven percent of all receipts collected are dedicated to the Kentucky Horse Breeders Incentive Fund.

**FY 2026** $1.8 million
**FY 2027** $1.9 million
**FY 2028** $2.1 million

## 5. Kentucky Standardbred Development Fund

*Kentucky Revised Statutes 138.510 (1)(d)(2)(a)(b) and 138.510 (2)(d)(1)(b), effective 1990*
*Kentucky Revised Statutes 230.770 (1)(c)(1), effective 2024*
*Kentucky Revised Statutes 230.770 (1)(c)(2)(a)(b), effective 2025*
Data Source: Kentucky Taxpayer Data

An amount equal to 1.0 percent of all money wagered on live races and historical horse races at the track for harness racing shall be deposited in the Kentucky standardbred development fund until a total of $20.0 million has been deposited during a fiscal year from this subparagraph, at which point the amount deposited shall decrease to 0.4 percent of all money wagered for the remainder of the fiscal year. The Kentucky Horse Racing and Gaming Corporation shall use this fund, established by KRS 230.770 to promote races and provide purses for Kentucky-bred Standardbred horses.

$75,000 per each fiscal year shall be transferred to the Kentucky Problem Gambling Assistance account established in KRS 230.826, any remaining moneys to the Kentucky Horse Racing and Gaming Corporation shall be divided, at least ninety percent shall be allocated to each licensed association and up to ten percent shall be allocated for administration and operation of the corporation.

**FY 2026** $20.0 million
**FY 2027** $21.0 million
**FY 2028** $22.0 million

## 6. TVA Payments in lieu of Taxes

*Kentucky Revised Statute 96.895(5)(a)(b), effective 2021*
Data Source: Kentucky Taxpayer Data

For fiscal years beginning on or after July 1, 2020, a portion of the total fiscal year payment received by the Commonwealth from the Tennessee Valley Authority (TVA) that is allocated to the general fund shall be transferred from the general fund to the Regional Development Agency Assistance Program Fund. The portion shall be equal to $6.0 million and disbursed equally amongst each fund-eligible county.

**FY 2026** $6.0 million
**FY 2027** $6.0 million
**FY 2028** $6.0 million

## 7. Resident Advanced Deposit Wagering

*Kentucky Revised Statues 138.530(3)(e)(2)(a), effective 2014*
Data Source: Kentucky Taxpayer Data

Eighty-five percent of the revenues received from all amounts wagered by Kentucky residents through advanced deposit wagering licensees, imposed by KRS 138.513 is allocated equally between the recognized host track and the association that conducted the race.

**FY 2026** $4.6 million
**FY 2027** $4.3 million
**FY 2028** $4.1 million

## 8. Kentucky Quarter Horse, Paint Horse, Appaloosa, and Arabian Development Fund - Pari-Mutuel Tax

*Kentucky Revised Statutes 138.510(1)(d)(3) and 138.510(2)(d)(1)(c), effective 1990*
*Kentucky Revised Statutes 230.445(1)(c)(1), effective 2024*
*Kentucky Revised Statutes 230.445(1)(c)(2)(a)(b), effective 2025*
Data Source: Kentucky Taxpayer Data

One percent of all money wagered on live races and historical horse races at the track for quarter horse, paint horse, Appaloosa, and Arabian horse racing shall be deposited in the Kentucky quarter horse, paint horse, Appaloosa, and Arabian development fund established by KRS 230.445 to promote races and provide purses for races for horses bred and foaled in the Commonwealth.

$25,000 per each fiscal year shall be transferred to the Kentucky Problem Gambling Assistance account established in KRS 230.826, any remaining moneys to the Kentucky Horse Racing and Gaming Corporation shall be divided, at least ninety percent shall be allocated to each licensed association and up to ten percent shall be allocated for administration and operation of the corporation.

**FY 2026** $3.7 million
**FY 2027** $3.9 million
**FY 2028** $4.0 million

## 9. Cancer Research Fund - Cigarette Tax

*Kentucky Revised Statute 138.140(1)(c), effective 2005*
Data Source: Kentucky Taxpayer Data

A surtax on the sale of cigarettes at a proportionate rate of one cent on each twenty cigarettes sold is dedicated to the cancer research institutions matching fund, created in KRS 164.043. The surtax is in addition to the tax levied on the sale of cigarettes within the state at a proportionate rate of three cents and one dollar and six cents on each twenty cigarettes.

**FY 2026** $2.3 million
**FY 2027** $2.1 million
**FY 2028** $2.0 million

## 10. Equine Industry Program Trust and Revolving Fund - Pari-Mutuel Tax

*Kentucky Revised Statutes 138.510(1)(4)(a)(b)(c)(d) and 138.510(2)(d)(2), effective 2022*
*Kentucky Revised Statutes 138.510(1)(d)(4)(d)(i)(ii), effective 2024*
Data Source: Kentucky Taxpayer Data

An amount equal to 0.2 percent of the total amount wagered on live races and historical horse races at the track is earmarked to support the Equine Industry Programs at the University of Louisville, the University of Kentucky, and Bluegrass Community and Technical College. Any amount remaining from historical horse races is earmarked for the Kentucky Horse Racing and Gaming Corporation for the benefit of Thoroughbred, standardbred, and American quarter horse aftercare facilities in Kentucky, in an amount not to exceed $250,000 and the Kentucky equine management internship program for equine management training, in an amount not to exceed $250,000.

An amount equal to 0.025 percent of the amount wagered on all tracks conducting telephone account wagering, participating as receiving tracks in intertrack wagering and receiving tracks displaying simulcasts are earmarked to support the Equine Industry Program at the University of Louisville.

**FY 2026** $2.2 million
**FY 2027** $2.1 million
**FY 2028** $2.0 million

## 11. Tobacco Research Trust Fund - Cigarette Tax

*Kentucky Revised Statutes 248.540, effective 1970*
Data Source: Kentucky Taxpayer Data

The tax revenues received from the additional one-half cent tax levied by Chapter 255 of the Acts of 1970 are dedicated to the tobacco research-trust fund. The funds are used to finance research projects and programs authorized under the provisions of KRS 248.510 to 248.570.

**FY 2026** $1.2 million
**FY 2027** $1.1 million
**FY 2028** $1.0 million

## 12. Malt Beverage Educational Fund – Beer Wholesale and Excise Tax

*Kentucky Revised Statutes 211.285(1), effective 1998*
Data Source: Kentucky Taxpayer Data

One percent of the wholesale tax collected from distributors of malt beverages and microbreweries under KRS 243.884, and 1.0 percent of the excise tax collected from the sale and distribution of malt beverages under KRS 243.720 are dedicated to the malt beverage educational fund. In partnership with the Malt Beverage Educational Corporation, moneys are matched to fund educational materials aiming to deter or eliminate underage drinking.

**FY 2026** $0.8 million
**FY 2027** $0.8 million
**FY 2028** $0.8 million

## 13. Equine Drug Research - Pari-Mutuel Tax

*Kentucky Revised Statutes 138.510(l)(d)(6), effective 1982*
Data Source: Kentucky Taxpayer Data

An amount equal to 0.1 percent of the total amount wagered on live races and historical horse races is earmarked for the corporation to support equine drug testing as provided in KRS 230.265(3). The amount derived from money wagered on historical horse races in any fiscal year shall not exceed $320,000.

**FY 2026** $0.4 million
**FY 2027** $0.4 million
**FY 2028** $0.4 million

### 14. Higher Education Equine Trust and Revolving Fund - Pari-Mutuel Tax

*Kentucky Revised Statutes 138.510(1)(d)(5)(a), effective 1992*
Data Source: Kentucky Taxpayer Data

An amount equal to 0.1 percent of the total amount wagered on live races and historical horse races at the track is dedicated to fund construction, expansion, or renovation of facilities or the purchase of equipment for equine programs at state universities and the Bluegrass Community and Technical College. The amount derived from money wagered on historical horse races in any fiscal year shall not exceed $320,000.

**FY 2026** $0.4 million
**FY 2027** $0.4 million
**FY 2028** $0.4 million

### 15. County Clerk Share for Collection - Sales Tax

*Kentucky Revised Statutes 139.778(4), effective 2007*
Data Source: Kentucky Agency Estimate

County clerks retain a fee of 3 percent to compensate for services provided in the collection of sales and use tax on tangible personal property purchased out of state for titling or initial registration. The remaining tax balance is remitted to the Department of Revenue as provided in KRS 138.464.

**FY 2026** Limited
**FY 2027** Limited
**FY 2028** Limited

### 16. Department of Energy Development and Independence – Ad Valorem Tax

*Kentucky Revised Statutes 132.020(5), effective 1994*
Data Source: Kentucky Taxpayer Data

An annual amount of $400,000 of state property tax revenue is credited to the Office of Energy Policy for the purpose of public education regarding coal-related issues.

**FY 2026** Limited
**FY 2027** Limited
**FY 2028** Limited

### 17. Kentucky Heritage Land Conservation Fund – Ad Valorem Tax

*Kentucky Revised Statutes 132.020(2) and (5), effective 1994*
Data Source: Kentucky Taxpayer Data

All real property tax derived from unmined coal property is devoted to the Kentucky Heritage Land Conservation Fund, with exception to $400,000 that is paid annually to the State Treasury and credited to the Office of Energy Policy for the purpose of public education of coal-related issues. The calculated real property tax rate is established through provisions of subsection (2) and (5) of KRS 132.020.

**FY 2026** Limited
**FY 2027** Limited
**FY 2028** Limited

### 18. Kentucky Transportation Center - Motor Fuels Tax

*Kentucky Revised Statutes 177.320(4), effective 1986*
Data Source: Kentucky Taxpayer Data

An amount equal to 0.1 percent of all revenues arising from the imposition of taxes on gasoline and special fuels provided by KRS 138.220(1) and (2), 138.660 and liquefied petroleum gas provided by KRS 234.320 are dedicated to the Kentucky Transportation Center to finance construction, reconstruction, and maintenance of secondary and rural roads. The amount deposited to the center in any fiscal year shall not exceed $190,000.

**FY 2026** Limited
**FY 2027** Limited
**FY 2028** Limited

### 19. Tobacco Enforcement Program - Cigarette Tax

*Kentucky Revised Statutes 438.335 effective 1996*
Data Source: Kentucky Taxpayer Data

One-twentieth of one cent of the three-cent per pack revenue collected from state excise tax on the sale of cigarettes as imposed by KRS 138.140 is earmarked for the Department of Agriculture to offset the cost of enforcement aimed to educate the public and sellers of tobacco products, alternative nicotine products, or vapor products about provisions and penalties of KRS 438.305 to 438.350.

**FY 2026** Limited
**FY 2027** Limited
**FY 2028** Limited

# Inheritance & Estate Tax

**Tax Base:**
The tax base for the inheritance tax is the fair cash value of a Kentucky domiciled decedent's property. For decedents domiciled outside Kentucky, the base is the fair cash value of real property located in Kentucky, tangible personal property that has acquired a situs in Kentucky and is not taxed elsewhere, and intangible personal property with a business situs in Kentucky.

Transfers giving rise to an inheritance or estate tax liability include transfers by testate (a will), intestate succession (no will), and terms of the instrument (a deed, a trust, beneficiary of an annuity, payable on death accounts, a grant, a bargain, a sale or a gift made in contemplation of death or intended to take effect in possession or enjoyment at or after the death of the grantor or donor, survivorship, etc.) The tax is based on the net amount transferred to the beneficiaries, heirs, or donees which is the value of the distributive shares reduced by administration expenses, funeral expenses, debts, mortgages and liens, federal estate taxes, and the personal exemption.

**Taxable Unit:**
The inheritance tax is an excise tax on a beneficiary's privilege of receiving property from a decedent by reason of death. Beneficiaries are divided into three classes, with Class A beneficiaries being totally exempt:

- **(a)** Class A includes surviving spouse, parent, child (adult or infant) – child by blood, stepchild, child adopted during infancy, or a child adopted during adulthood who was reared by decedent during infancy, grandchild – issue of child by blood, stepchild, child adopted during infancy, or of a child adopted during adulthood who was reared by decedent during infancy, and, as of July 1, 1995, brother, sister, half-brother, and half-sister;
- **(b)** Class B includes nephew, niece, half-nephew and half-niece, daughter-in-law, son-in-law, aunt, uncle, and great-grandchild who is a grandchild of child by blood, stepchild, or child adopted during infancy (Note: Nephews and nieces by marriage and great nephews and nieces are Class C beneficiaries.); and,
- **(c)** Class C includes all persons not included in Classes A or B and educational, religious, or other institution, societies or associations, or public institutions not exempted by KRS 140.060.

**Current Rate Structure:**
The inheritance tax is imposed at graduated rates from four percent to 16 percent for Class B beneficiaries, and six percent to 16 percent for Class C beneficiaries. The statutory exemptions are charges against the lowest brackets in applying the rates to the base.

The estate tax has no fixed rate structure. It is dependent on the amount of Kentucky's share of the state death tax credit for federal purposes and the amount of the Kentucky inheritance tax. When all the taxable property is not located in Kentucky, the state tax credit is prorated based on the net estate in Kentucky subject to federal estate tax over the total net estate subject to federal estate tax.

**Tax Due:**
The inheritance and estate taxes are levied at the decedent's death, with payment of the taxes due eighteen months thereafter. If the inheritance tax is paid within nine months after the death, a five percent discount is allowed. No discount is allowed on estate tax.

**Background:**
Inheritance and estate taxes are two separate taxes that are often referred to as death taxes because both are occasioned by the death of a property owner. The amount due from each tax is determined by the value of property transferred, but is imposed on different aspects of the transfer.

The inheritance tax is a tax on a beneficiary's right to receive property from a decedent's estate; both the tax and exemptions are based on the relationship of the beneficiary to the decedent. A five percent discount is allowed if the tax is paid within nine months of the date of death. The estate tax or "pick up tax" is a tax on the estate equal to the amount by which the credit for state death taxes allowable under the Federal estate tax law exceeds the Kentucky inheritance tax. The Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) repealed the credit with a deduction. It was made permanent by the American Taxpayer Relief Act, which was signed into law on January 2, 2013. Since state death taxes are no longer treated as a credit for federal estate taxes, there has been no Kentucky estate tax since January 2005.

The Kentucky inheritance tax was adopted in 1906, making it the second oldest General Fund tax. The estate tax was enacted in 1936. The tax has seen several significant changes through the years.

The most recent change occurred in 1995, when the Class A beneficiary classification was changed to include brother, sister, half-brother, and half-sister. This year also began a phase-out of tax for all Class A beneficiaries beginning with dates of death that occurred on or after July 1, 1995. The exemption increased by 25 percent each year until complete on June 30, 1998.

The 2001 Federal Economic Growth and Tax Relief Reconciliation Act (EGTRRA) increased the exemption from federal estate tax allowed to an estate. From $1.0 million in 2002, the exemption increased to $3.5 million in 2009, with a complete repeal of the tax in 2010. Additionally, the highest rate dropped to 50 percent in 2002 and decreased to 45 percent by 2007 before the repeal of the tax in 2010.

The 2010 Federal Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act (2010 Tax Relief Act) retroactively reinstates the estate tax for estates of decedents dying in 2010 and provides for an applicable exclusion amount of $5.0 million and a maximum tax rate of 35 percent for the year 2010. This amount may be adjusted for inflation for 2011 and 2012. The 2010 Tax Relief Act also repeals the new basis rules pursuant to Section 1022 of the Internal Revenue Code enacted pursuant to EGTRRA that are applicable to estates of decedents dying in 2010. However, the 2010 Tax Relief Act provides that an executor of a decedent's estate who died in 2010 may elect out of the estate tax and instead have the new basis rules pursuant to Section 1022 apply to the property acquired from the decedent.

The exclusion amount remained at $5.0 million for 2011 and was adjusted for inflation to $5.12 million for 2012.

Before the provisions of the 2010 Tax Relief Act was set to expire on December 31, 2012, President Obama signed into law on January 2, 2013 the American Taxpayer Relief Act of 2012. It permanently provides for a maximum federal estate tax rate of 40 percent with an annually inflation-adjusted $5.0 million exclusion for estates of decedents dying after December 31, 2012.

The Tax Cut and Jobs Act (TCJA) was signed into law by President Trump on December 22, 2017. The tax reform legislation raised the estate tax exemption to $11.18 million for estates of decedents dying after December 31, 2017, and is adjusted annually for inflation. If congress does not make this exemption permanent by the end of 2025, the exemption amounts will revert to previous levels, adjusted for inflation. The estate exemption for 2023 was $12.92 million. The estate exemption for 2024 is 13.61 million. The estate exemption amount is adjusted for inflation each year.

The American Taxpayer Relief Act makes permanent "portability" between spouses. Prior to the permanent extension, portability was only available to the estates of decedents dying after December 31, 2010 and before January 1, 2013. Since the American Taxpayer Relief Act extended the deduction for state estate taxes, there will not be a Kentucky estate tax under current state law.

During FY25, the inheritance tax produced $77.7 million in General Fund revenues. This was an increase of 2.7 percent over the prior year and accounted for less than one percent of total General Fund tax receipts.

**Table 9. Total Inheritance and Estate Tax Expenditures**

**FY 2026** $81.0 million
**FY 2027** $83.0 million
**FY 2028** $85.0 million

## Tax Expenditures

### 1. Class A Beneficiaries

*Kentucky Revised Statutes 140.080(1)(b) and (c), effective 2005*
Data Source: Kentucky Agency Data

For dates of death on or after July 1, 1998, Class A beneficiaries are totally exempt.

**FY 2026** $81.0 million
**FY 2027** $83.0 million
**FY 2028** $85.0 million

## 2. Annuities Under Qualified Retirement Plans

*Kentucky Revised Statutes 140.063(1) and (2), effective 1982*
Data Source: Kentucky Agency Estimate

The decedent's gross estate does not include the value of an annuity or other payment to the extent attributable to the employer's contribution receivable by any beneficiary other than the executor or equivalent.

**FY 2026** Minimal
**FY 2027** Minimal
**FY 2028** Minimal

## 3. Assessment of Land at its Agricultural or Horticultural Value

*Kentucky Revised Statutes 140.310, effective 1978,*
*Kentucky Revised Statutes 140.360, effective 1978*
Data Source: Kentucky Agency Estimate

In lieu of the fair cash value, agricultural or horticultural land that is qualified real estate and passes to qualified heirs may be reported in a decedent's estate at its agricultural or horticultural value. The assessed value for ad valorem purposes is presumed to be its value for inheritance tax purposes.

**FY 2026** Minimal
**FY 2027** Minimal
**FY 2028** Minimal

## 4. Benefits Paid to a Beneficiary of Military Personnel Under Certain Retirement Plans

*Kentucky Revised Statutes 140.015(2), effective 1980*
Data Source: Kentucky Agency Estimate

Payments to a beneficiary of the Retired Serviceman's Family Protection Plan or Survivor Benefit Plan are not considered taxable transfers.

**FY 2026** Minimal
**FY 2027** Minimal
**FY 2028** Minimal

### 5. Benefits Paid by the Federal Government Due to Service in Time of War

*Kentucky Revised Statutes 140.015(1), effective 1980*
Data Source: Kentucky Agency Estimate

Any benefit paid by the federal government to the surviving spouse or heirs of any person by reason or arising out of service in the armed forces of the United States in time of war is not considered a taxable transfer.

**FY 2026** Minimal
**FY 2027** Minimal
**FY 2028** Minimal

### 6. Certificates of Deposit Exempt from the Contemplation of Death Rule

*Kentucky Revised Statutes 140.020(3), effective 1982*
*Kentucky Revised Statutes 140.050, effective 1942*
Data Source: Kentucky Agency Estimate

All certificates of deposit jointly owned are exempt from the possibility of inclusion at 100 percent of their value regardless of when placed in joint names.

**FY 2026** Minimal
**FY 2027** Minimal
**FY 2028** Minimal

### 7. Class B Beneficiaries

*Kentucky Revised Statutes 140.080(1)(d), effective 2005*
*Kentucky Revised Statutes 140.070(2), effective 1995*
Data Source: Kentucky Agency Estimate

Class B beneficiaries receive an exemption of $1,000.

**FY 2026** Minimal
**FY 2027** Minimal
**FY 2028** Minimal

## 8. Class C Beneficiaries

*Kentucky Revised Statutes 140.080(1)(e), effective 2005*
*Kentucky Revised Statutes 140.070(3), effective 1995*
Data Source: Kentucky Agency Estimate

Class C beneficiaries are granted a $500 exemption.

**FY 2026** Minimal
**FY 2027** Minimal
**FY 2028** Minimal

# Gasoline, Liquefied Petroleum, and Special Fuels Tax

**Current Rate Structure:**
The gasoline and special fuels taxes are comprised of a variable component and two fixed parts. The variable portion of the tax is 9 percent of the average wholesale price (AWP) of gasoline. The fixed parts are the supplemental highway user tax which is assessed at five cents per gallon of gasoline and at two cents per gallon of special fuels, and the petroleum storage tank environmental assurance fee which is assessed at 1.4 cents per gallon of gasoline or special fuels.

The liquefied petroleum tax rate also has a variable component and a fixed part. The variable portion of the tax is 9 percent of the average wholesale price (AWP) of gasoline. The fixed part is the supplemental highway user tax which is assessed at five cents per gallon.

A weighted average wholesale price of gasoline is calculated on a quarterly basis by the Department of Revenue based on grade and formulation of the motor fuel. The AWP is calculated in the first month of each fiscal quarter (July, October, January, and April) and the average quarterly AWP sets the variable portion of the tax rate for the following year. The AWP cannot increase by more than 10 percent over the AWP in effect at the close of the previous fiscal year and is limited to a decline of 10 percent.

The current AWP floor is $2.177 per gallon of gasoline, liquefied petroleum, and special fuels. Therefore, the variable portion of the gasoline, liquefied petroleum, and special fuels tax cannot be less than 19.6 cents per gallon. Adding the fixed components of the tax brings the minimum gasoline tax to twenty-six cents per gallon of gasoline and liquefied petroleum and twenty-three cents per gallon of special fuels.

**Tax Base:**
The gasoline and special fuels tax becomes a per gallon liability of the dealer when the fuel is received or enters the dealer's storage facility. In reporting and paying the tax, the dealer is allowed a deduction of 2.25 percent to cover evaporation, shrinkage, unaccountable losses, collection costs, bad debts, and handling and reporting the tax. An exemption is allowed for sales to the federal government, transfers to other licensed dealers, and for amounts exported out of state or lost

through accountable losses. Refunds or exemptions are allowed for amounts used in agriculture, aircraft, motorboats, city and suburban buses and taxicabs, senior citizen transportation programs, and nonprofit buses.

Unlike the gasoline and special fuels tax, the tax is applicable to liquefied petroleum gas when use is determined. If the fuel is used to propel motor vehicles on the public highways, the tax applies, but if used for non-highway purposes, the fuel is not subject to tax. The dealer is allowed a deduction to cover unaccountable losses, bad debts, and handling and reporting the tax.

**Taxable Unit:**
The unit for levying the gasoline, liquefied petroleum, and special fuels tax is a "per gallon" basis.

**Tax Due:**
Returns and payments of the tax are due monthly and are to be submitted by the twenty-fifth day of the following month.

**Background:**
For Kentucky taxation purposes, gasoline means all liquid fuels ordinarily, practically, or commercially used in internal combustion engines meeting the requirements for gasoline fuel established by the American Society for Testing and Material. The term "special fuels" is defined to include all combustible gases and liquids capable of being used in motor vehicles, except gasoline, as defined in KRS 138.210, and liquefied petroleum gas, as defined in KRS 234.100. The term "liquefied petroleum gas" includes any material that is composed predominantly of any of the following hydrocarbons, or mixtures of them, whether in the liquid or gaseous states, and are used to propel vehicles of any kind upon the public highways: propane, propylene, butane (normal butane and isobutane), and butylene.

In 1920, Kentucky levied a tax at the rate of one cent per gallon of gasoline. It was the fifth state to implement such a tax. A tax on special fuels was first enacted in 1952, and the tax on liquefied petroleum gas was first levied in 1960.

In 1980, because the price of gasoline had increased so rapidly and was projected to continue to increase, the legislature changed the tax base to the average wholesale price per gallon and the rate to 9 percent of the average wholesale price per gallon. As designed, if the price of gasoline increased, the tax increased proportionally. At the same time, a minimum wholesale price of $1.00 per gallon was established, thus

creating a “floor”, or minimum tax, of nine cents per gallon. The base for the special fuels and liquefied petroleum taxes were also adjusted accordingly.

In 1982, the minimum wholesale price was increased to $1.11 per gallon, increasing the “floor” to ten cents per gallon. In 1986, the “supplemental highway user tax” was enacted and applied to all three fuel taxes at the rate of five cents per gallon. This raised the minimum tax to fifteen cents per gallon.

In 1988, the General Assembly made a major change in the special fuels law. The law now requires that the tax be levied on the dealer at the point of receipt of the fuels (as is the case for gasoline) instead of the point of sale by the dealer. Generally, special fuels used for off-highway purposes are subject to a refund of the tax, provided proper applications are filed and other procedures are followed.

Over the years, the minimum wholesale price has been changed several times by the Kentucky Legislature. In 2009, the minimum wholesale price was increased to $1.786. Effective April 1, 2015, the wholesale floor price was increased to $2.177 per gallon.

In 2015, the way in which the variable portion of the gasoline tax is calculated was changed. The quarterly tax rate adjustment method was replaced with an annual rate. For FY16, the AWP was set as the floor and for FY17 and beyond, the tax rate is calculated as the average of the four quarters from the previous fiscal year. Moreover, in addition to a 10 percent limit on an annual increase in the AWP, there is a 10 percent limit on how far the AWP can decline in a given year.

Pursuant to the provisions of Section 230 of the Kentucky Constitution, the receipts generated by the fuel taxes are deposited in the Road Fund to be used for the construction and maintenance of Kentucky’s roads.

**Table 8. Total Gasoline, Liquefied Petroleum, and Special Fuels Tax Expenditures**

| | Gasoline | Liquefied Petroleum | Special Fuels | Total |
|---|---|---|---|---|
| **FY 2025** | $16.4 million | Minimal | $56.9 million | $73.3 million |
| **FY 2026** | $15.9 million | Minimal | $57.5 million | $73.4 million |
| **FY 2027** | $15.4 million | Minimal | $57.9 million | $73.3 million |

## Tax Expenditures

### 1. Railroad Companies

*Kentucky Revised Statutes 138.240(2)(f), effective 1988*
Data Source: Kentucky Taxpayer Data

Special fuels delivered to railroad companies principally engaged in the business of transporting property for others as a common carrier or in the conveyance of persons for hire are exempt.

| | Special Fuels |
|---|---|
| **FY 2026** | $22.0 million |
| **FY 2027** | $22.0 million |
| **FY 2028** | $22.0 million |

### 2. Non-Highway Use

*Kentucky Revised Statutes 138.344(1), effective 1946*
Data Source: Kentucky Taxpayer Data

Special fuels used exclusively for non-highway use by qualified purchasers are exempt sales.

| | Special Fuels |
|---|---|
| **FY 2026** | $21.0 million |
| **FY 2027** | $21.5 million |
| **FY 2028** | $22.0 million |

### 3. Dealer's Monthly Reporting Allowance

*Kentucky Revised Statutes 138.270(1)(b), effective 1942,*
*Kentucky Revised Statutes 234.320(1), effective 1960*
Data Source: Kentucky Taxpayer Data

An allowance of 2.25 percent of the net tax due is allowed a dealer of gasoline or special fuels and 1 percent for a dealer of liquefied petroleum on a timely filed and paid monthly return. This allowance is given to offset the costs of evaporation, shrinkage, unaccountable losses, collection costs, bad debts, and handling and reporting the tax.

| | Gasoline | Liquefied Petroleum | Special Fuels | Total |
|---|---|---|---|---|
| **FY 2026** | $14.5 million | Minimal | $4.0 million | $18.5 million |
| **FY 2027** | $14.0 million | Minimal | $4.0 million | $18.0 million |
| **FY 2028** | $13.5 million | Minimal | $4.0 million | $17.5 million |

### 4. Agricultural Exemption

*Kentucky Revised Statutes 138.344(1), effective 1946*
*Kentucky Revised Statutes 138.358(2), effective 1988*
Data Source: Kentucky Taxpayer Data

Gasoline and special fuels are sold tax-free if the fuel is used exclusively in tractors or stationary engines for agricultural. Taxes paid on gasoline or special fuels shall be reimbursed if the refund is requested.

| | Gasoline | Special Fuels | Total |
|---|---|---|---|
| **FY 2026** | $0.2 million | $8.5 million | $8.7 million |
| **FY 2027** | $0.2 million | $8.5 million | $8.7 million |
| **FY 2028** | $0.2 million | $8.5 million | $8.7 million |

### 5. Bus, Taxicab and Certain Senior Citizens' Programs Refund

*Kentucky Revised Statutes 138.446, effective 1960*
Data Source: Kentucky Taxpayer Data

Seven-ninths of the tax paid is refunded if the gasoline is used in regularly scheduled operations of city and suburban buses or taxicabs. Senior citizen transportation programs that utilize Title III funds of the Older Americans Act are also entitled to the refund.

| | Gasoline | Special Fuels | Total |
|---|---|---|---|
| **FY 2026** | $0.6 million | $0.5 million | $1.1 million |
| **FY 2027** | $0.6 million | $0.6 million | $1.2 million |
| **FY 2028** | $0.6 million | $0.6 million | $1.2 million |

### 6. Watercraft Refund

*Kentucky Revised Statutes 138.445, effective 1960*
Data Source: Kentucky Taxpayer Data

The entire tax paid is refunded to qualified boat dock operators if the gasoline or special fuel is used to operate or propel watercraft.

| | Gasoline | Special Fuels | Total |
|---|---|---|---|
| **FY 2026** | $0.8 million | Limited | $0.8 million |
| **FY 2027** | $0.8 million | Limited | $0.8 million |
| **FY 2028** | $0.8 million | Limited | $0.8 million |

### 7. State and Local Government Use

*Kentucky Revised Statutes 138.358(3), effective 1988*
Data Source: Kentucky Taxpayer Data

An exemption is allowed for sales to qualifying state and local government agencies.

| | Special Fuels |
|---|---|
| **FY 2026** | $0.6 million |
| **FY 2027** | $0.6 million |
| **FY 2028** | $0.5 million |

### 8. Aircraft Refund

*Kentucky Revised Statutes 138.341(1), effective 1942*
Data Source: Kentucky Taxpayer Data

100 percent of the tax paid is refunded to qualified purchasers if the gasoline is used in aircraft engaged in the transportation of persons or property.

| | Gasoline |
|---|---|
| **FY 2026** | $0.3 million |
| **FY 2027** | $0.3 million |
| **FY 2028** | $0.3 million |

### 9. Residential Heating

*Kentucky Revised Statutes 138.358(1), effective 1988*
Data Source: Kentucky Taxpayer Data

An exemption is allowed for special fuels used exclusively for heating personal residences.

| | Special Fuels |
|---|---|
| **FY 2026** | $0.3 million |
| **FY 2027** | $0.3 million |
| **FY 2028** | $0.3 million |

### 10. Religious, Charitable or Educational Use

*Kentucky Revised Statutes 138.358(3), effective 1988*
Data Source: Kentucky Taxpayer Data

An exemption is allowed for sales to qualifying non-profit religious, charitable, or educational organizations.

| | Special Fuels |
|---|---|
| **FY 2026** | Limited |
| **FY 2027** | Limited |
| **FY 2028** | Limited |

### 11. Approved Carburetion Systems

*Kentucky Revised Statutes 234.321, effective 1972*
Data Source: Kentucky Taxpayer Data

The tax is not collected when motor vehicles using liquefied petroleum gas are equipped with carburetion systems approved by the Energy and Environment Cabinet.

| | Liquefied Petroleum |
|---|---|
| **FY 2026** | Minimal |
| **FY 2027** | Minimal |
| **FY 2028** | Minimal |

# Coal Severance & Natural Resources Severance Taxes

**Coal Severance Tax**
The severance and processing tax rate is 4.5 percent of gross value with a minimum tax of fifty cents per ton *(KRS 143.020).* The minimum tax does not apply to taxpayers who only process coal. The tax on coal used for burning solid waste is limited to the lesser of 4 percent of the selling price or fifty cents per ton or 4 percent of the selling price per ton whichever is less. *(KRS 143.023).*

The tax is levied on the gross value of coal. Gross value is the amount received for the coal, or market value if the coal is consumed and not sold, less transportation expense. In instances where coal is purchased for processing, the gross value is reduced by the amount paid or payable to the registered taxpayer that severed the coal and transportation expense. The tax return and payment is due on the twentieth day of the month following the close of the taxable period.

**Background:**
The coal severance tax was enacted in 1972. The 1974 session of the General Assembly provided for a portion of the severance tax to be returned to the counties in which the coal was severed. The Governor's Office for Local Development administers the local program. The tax base was broadened in 1978 to tax both the severance and processing of coal in Kentucky. During FY25, the coal severance tax produced $56.1 million in tax revenue, which accounted for less than one percent of total General Fund receipts.

**Natural Resources Severance Taxes**
The natural resources severance and processing tax rate is 4.5 percent of the gross value *(KRS 143A.020)*.

Effective in 1991, the tax on severing clay was limited to twelve cents per ton *(KRS 143A.037)*. The tax on limestone used in manufacture of cement shall be limited to fourteen cents per ton of limestone mined in Kentucky *(KRS 143A.036)*. Taxpayers who sever or process clay within the state, which is sold to and used as a component of landfill construction by an approved waste management or waste disposal facility in Kentucky, are entitled to a credit equal to the tax paid.

The base for this tax is gross value, the amount received or receivable from the sale of the mineral after it is processed and loaded for shipment. The base for natural gas and natural gas liquids is the sales price or market value in the immediate vicinity of the well. The amount of transportation expense incurred in transporting the natural resource to the customer is deductible in arriving at gross value.

When resources are purchased for processing, gross value is the amount received or receivable reduced by the amount paid for the natural resource and the transportation expense. The tax is levied on taxpayers engaged in the business of severing or processing natural resources in Kentucky, except that no tax is levied on the processing of ball clay. The tax must normally be reported and remitted on a monthly basis. The Revenue Cabinet may permit or require returns or tax payments for periods other than monthly. The tax return and payment are due on the last day of the month following the close of the tax period.

**Background:**
Effective June 1, 1980, the General Assembly levied a 4.5 percent tax on the gross value of all minerals severed in Kentucky, including natural gas and natural gas liquids. Coal and oil were specifically excluded due to taxation under other statutes. The legislation imposed no minimum rate of tax per unit as is the case with the coal severance tax.

In 1984, the General Assembly exempted fluorspar, lead, zinc, barite, and tar sands from the tax. In addition, taxpayers who sever or process limestone through the rip-rap, construction aggregate, or agricultural limestone stages, and who sell at least 60 percent of such stone in interstate commerce, are entitled to a tax credit.

KRS 42.450(2) and 42.470(2) require that one-half of the taxes collected on the sale of minerals, other than coal, be distributed among the mineral producing counties. In FY25, the natural gas severance tax, the minerals severance tax, and oil production tax revenues totaled $ 37.5 million, which represents less than one percent of total General Fund tax receipts.

**Table 10. Total Coal Severance and Natural Resources Severance Tax Expenditures**

| | |
|---|---|
| **FY 2026** | $27.1 million |
| **FY 2027** | $11.2 million |
| **FY 2028** | $10.9 million |

## Tax Expenditures

### 1. Exported Coal Refund

*Kentucky Revised Statutes 143.022, effective 2022*
Data Source: Kentucky Agency Estimate

Taxpayers who have paid their coal severance tax may apply for a refund on coal which is transported directly to a market outside of North America. This tax credit sunsets on July 1, 2026.

**FY 2026** $15.0 million
**FY 2027** Minimal
**FY 2028** Minimal

### 2. Coal Transportation Expense

*Kentucky Revised Statutes 143.010(6)(h), effective 2013*
Data Source: Kentucky Agency Estimate

Transportation expense incurred in transporting coal shall not be considered as gross income from the property and are therefore not taxable.

**FY 2026** $3.5 million
**FY 2027** $3.0 million
**FY 2028** $2.8 million

### 3. Natural Resource Transportation Expense

*Kentucky Revised Statutes 143A.010(5)(h), effective 2013*
Data Source: Kentucky Agency Estimate

Expenses incurred in transporting minerals are excluded from gross value and are therefore not taxable.

**FY 2026** $3.4 million
**FY 2027** $3.0 million
**FY 2028** $2.9 million

### 4. Limestone Sold in Interstate Commerce

*Kentucky Revised Statutes 143A.035, effective 1984*
Data Source: Kentucky Agency Estimate

A credit is allowed equal to the tax on the gross value of limestone sold in interstate commerce. The credit extends only to those taxpayers who sever or process

limestone through the rip-rap, construction aggregate, or agricultural limestone stages, and who sell at least 60 percent of such stone in interstate commerce.

**FY 2026** $3.0 million
**FY 2027** $3.0 million
**FY 2028** $3.0 million

### 5. Thin Seam Coal Tax Credit

*Kentucky Revised Statutes 143.021, effective 2000*
Data Source: Kentucky Taxpayer Data

A nonrefundable tax credit is allowed for mining coal from thin seams or from areas with a high mining ratio. The credit is on a sliding scale from 2.25 percent to 3.75 percent of the gross value of the severed coal, based on the thickness of the seam and whether the coal is mined from an above-drainage seam or a below-drainage seam.

**FY 2026** $2.2 million
**FY 2027** $2.2 million
**FY 2028** $2.2 million

### 6. Inactive Crude Oil and Natural Gas Wells

*Kentucky Revised Statutes 143A.033, effective 2010*
Data Source: Kentucky Agency Estimate

A credit equal to 4.5 percent of the total tax is allowed for natural gas and oil produced from recovered inactive wells.

**FY 2026** Limited
**FY 2027** Limited
**FY 2028** Limited

### 7. Clay Used in Landfill Construction

*Kentucky Revised Statutes 143A.037, effective 1991*
Data Source: Kentucky Taxpayer Data

A credit is allowed against the tax on clay severed or processed within this state and sold to and used as a component of landfill construction by an approved waste management or waste disposal facility within this state. The credit is equal to the tax, which is twelve cents per ton.

**FY 2026** Minimal
**FY 2027** Minimal
**FY 2028** Minimal

### 8. Coal Purchased for Alternative Energy or Gasification Facility

*Kentucky Revised Statutes 154.27-060, effective 2010*
*Kentucky Revised Statutes 143.024, effective 2010*
Data Source: Kentucky Agency Data

An approved company that purchases or severs coal used by an alternative fuel facility or a gasification facility may be eligible for an incentive up to 80 percent of the severance taxes paid on the purchase or severance of coal that is specifically used as feedstock for the facility.

**FY 2025** Minimal
**FY 2026** Minimal
**FY 2027** Minimal

### 9. Coal Used to Burn Solid Waste

*Kentucky Revised Statutes 143.023, effective 1991*
Data Source: Kentucky Taxpayer Data

Tax is limited to fifty cents per ton or 4 percent of the selling price, whichever is less, on coal used for burning solid waste.

**FY 2025** Minimal
**FY 2026** Minimal
**FY 2027** Minimal

### 10. Fluorspar, Lead, Zinc, and Barite, Used for Privately Maintained but Publicly Dedicated Roads

*Kentucky Revised Statutes 143A.030, effective 2002*
Data Source: Kentucky Taxpayer Data

The severing or processing of these minerals for privately maintained roads is exempt from the tax.

**FY 2025** Minimal
**FY 2026** Minimal
**FY 2027** Minimal

### 11. Limestone Sold or Used for Agricultural Purposes

*Kentucky Revised Statutes 143A.030, effective 2002*
Data Source: Kentucky Agency Estimate

Limestone sold or used for agricultural purposes is exempt if such sale or use qualifies for exemption from sales and use tax pursuant to KRS 139.480.

**FY 2025** Minimal
**FY 2026** Minimal
**FY 2027** Minimal

# Alcoholic Beverage Taxes

**Current Rate Structure**:

Total alcoholic beverage taxes were $178.8 million in FY25, which represents 1.2 percent of total General Fund revenue.

- Distilled Spirits Excise Tax: $1.92 a gallon but not less than $0.12 per half-pint retail container *(KRS 243.720)*
- Distilled Spirits of 6 percent or less alcohol of the total volume: $0.25 per gallon *(KRS 243.720)*
- Distilled Spirits Case Sales Tax: $0.05 per case *(KRS 243.710)*
- Beer/Malt Beverages Excise Tax: $2.50 per barrel of 31 gallons *(KRS 243.720)*
- Wine Excise Tax: $0.50 a gallon but not less than $0.04 per any retail container *(KRS 243.720)*
- Wholesale Sales Tax: 10 percent of gross receipts *(KRS 243.884)*

**Tax Base:**

- For excise and consumption taxes, the tax base is volume
- For the wholesale taxes, the tax base is wholesale sales price

**Tax Due:**

The consumption tax is a gallonage tax and becomes the liability of the distilled spirits and wine wholesaler when these beverages are sold to retailers or consumers within the state. The gallonage tax on beer is paid by the distributor or microbrewer selling in this state. The wholesale sales tax is based on gross receipts derived at the wholesale level.

Wholesalers of distilled spirits and wine, distributors of malt beverages, and direct shippers licensees, shall pay and report the wholesale sales tax and excise tax on or before the 20th day of the calendar month next succeeding the month in which possession or title of the distilled spirits, wine or malt beverages is transferred from the wholesaler or distributor to retailers, or by microbreweries, distillers, or direct shipper licensees to consumers in Kentucky.

Effective for tax periods beginning April 1, 2021 forward, direct shippers of alcohol will file and remit the excise tax and wholesale sales tax to the Department of Revenue (DOR) by the 20th of each month following the reporting period. Monthly reports are due even if there are no direct shipments to report that month. In addition,

direct shippers will file one or both of the detailed reports of direct shipments to Kentucky consumers, depending on alcohol type whether distilled spirits/wine or malt beverages. These forms are due by the 20th of the month following the end of each quarter.

Effective January 1, 2022, Kentucky distillers, rectifiers, and bottlers will file and remit the excise tax and wholesale sales tax to the Department of Revenue (DOR) by the 20th of each month following the month of the transactions and report all product sold at retail. Quantities shall not exceed an aggregate of four and one-half liters per purchaser per day for sales prior to January 1, 2021, and in quantities not to exceed an aggregate of nine liters per purchaser per day on and after January 1, 2021. *(KRS 243.0305(3)(b), (8) and (9))*.

**Exemptions:**

- Wine manufactured, sold, given away, or distributed and used solely for sacramental purposes *(KRS 243.720 (4)(a))*.
- Distilled spirits and wine purchased by holders of special licenses provided for in KRS 243.320 and used as non-beverage alcohol, e.g. medicinal alcohol, antiseptic alcohol, flavoring extracts, syrups, etc.
- Sales to federal agencies and instrumentalities *(103 KAR 40:035)*.
- Sales for shipment outside Kentucky for sales through retail outlets and consumption outside Kentucky *(KRS 243.790).*

**Background:**
Alcoholic beverage excise taxes on distilled spirits, beer, and wine became effective in 1936 at the following rates: distilled spirits - $1.04 a gallon; beer - $1.50 a barrel; and wine - $0.25 a gallon.

In 1940, the excise tax rate for distilled spirits was raised to $1.20. In 1948, it was raised to $1.28. In 1970, the rate for excise taxes on distilled spirits was raised to $1.92 a gallon where it remains today. In 1986, the tax rate was lowered to $0.25 per gallon on distilled spirits placed in containers for sale at retail, where the distilled spirits represent 6 percent or less of the total volume of contents of such containers.

In 1954, the rate on wine excise was raised to $0.50 a gallon, and the rate on beer excise was increased to $2.50 a barrel ($0.081/gallon). Effective August 1, 1992, the liability for the excise tax on beer was shifted from the brewer to the distributor or retailer.

In 1982, a wholesale sales tax was imposed at the rate of 9 percent of the gross receipts derived from "sales at wholesale" or "wholesale sales of distilled spirits, wine, and beer". The 2005 General Assembly raised the wholesale sales tax to 11 percent. In 2014, the General Assembly voted to lower the wholesale sales tax by .25 percent each year beginning July 1, 2015 until June 1, 2018. Effective June 1, 2018 the wholesale sale tax for wine and beer wholesalers is 10 percent. The wholesale rate on distilled spirits remains at 11 percent.
Although insignificant from a revenue standpoint, each wholesaler pays a five cents-per-case tax on each case of distilled spirits sold within the state.

Effective April 13, 2018, KY licensed distilleries, small farm wineries and wineries were permitted to ship alcoholic beverages directly to Kentucky consumers with certain limitations for wine size and distilled spirits size. Distillers, small farm wineries, and wineries are responsible for the KY excise and wholesale sales tax due. Effective July 14, 2018 microbreweries making wholesale sales were required to file and remit the KY excise tax and wholesale sales tax.

**Table 11. Total Alcoholic Beverage Tax Expenditures**

| | |
|---|---|
| **FY 2026** | $13.0 million |
| **FY 2027** | $13.5 million |
| **FY 2028** | $13.8 million |

## Tax Expenditures

### 1. Wholesale Sales Tax Imposed Rate on Beer

*Kentucky Revised Statutes 243.884(1)(c)(2) and 243.884(1)(d)(2), effective 2015*
Data Source: Kentucky Agency Data

Effective July 1, 2015 the gross receipts of any such wholesalers or distributors derived from "sales at wholesale' or "wholesale sales" for beer made within the Commonwealth have been reduced from the rate of 11 percent to 10.75 percent for wholesale sales or sales at wholesale made on or after July 1, 2015 and before June 1, 2016; 10.5 percent for wholesale sales or sales at wholesale made on or after July 1, 2016 and before June 1, 2017; 10.25 percent for wholesale sales or sales at wholesale made on or after July 1, 2017 and before June 1, 2018; 10 percent for wholesales or sales at wholesale made on or after June 1, 2018; 10 percent for wholesale sales or sales at wholesale made on or after March 12, 2021 for direct shipper sales.

**FY 2026** $7.0 million
**FY 2027** $7.1 million
**FY 2028** $7.2 million

### 2. Wholesale Sales Tax Imposed Rate on Wine

*Kentucky Revised Statutes 243.884(1)(c)(2) and 243.884(1)(d)(2), effective 2015*
Data Source: Kentucky Agency Data

Effective July 1, 2015 the wholesale sales tax imposed upon all wholesalers of wine have been reduced from the rate of 11 percent to 10.75 percent for wholesale sales or sales at wholesale made on or after July 1, 2015 and before June 1, 2016; 10.5 percent for wholesale sales or sales at wholesale made on or after July 1, 2016 and before June 1, 2017; 10.25 percent for wholesale sales or sales at wholesale made on or after July 1, 2017 and before June 1, 2018; 10 percent for wholesales or sales at wholesale made on or after June 1, 2018 ; 10 percent for wholesale sales or sales at wholesale made on or after March 12, 2021 for direct shipper sales.

**FY 2026** $2.1 million
**FY 2027** $2.2 million
**FY 2028** $2.3 million

### 3. Low Volume Distilled Spirits Taxed at Reduced Rate

*Kentucky Revised Statutes 243.720(1)(b), effective 1986*
Data Source: Kentucky Agency Data

Distilled spirits in containers where the distilled spirits represent 6 percent or less of the total volume of the contents of such containers are taxed for purposes of the distilled spirits excise tax at the reduced rate of twenty-five cents per gallon.

**FY 2026** $1.8 million
**FY 2027** $2.0 million
**FY 2028** $2.0 million

### 4. Allowance for Collecting and Reporting

*Kentucky Revised Statutes 243.886, effective 1982*
Data Source: Kentucky Agency Data

As compensation, each wholesaler required to pay and report the wholesale sales tax, other than a microbrewery or a distiller, shall deduct on each report 1 percent of the tax due, provided the amount due is not delinquent at the time of payment. A microbrewery or distiller that reports and pays the wholesale sales tax levied by KRS 243.884, in accordance with KRS 243.0305 or KRS 243.157 as applicable, shall not be entitled to deduct 1 percent of the tax due.

**FY 2026** $1.7 million
**FY 2027** $1.8 million
**FY 2028** $1.9 million

### 5. Small Farm Winery Exemption

*Kentucky Revised Statutes 243.884(3)(b)(1)(2), effective 2016*
Data Source: Kentucky Agency Data

Gross receipts from sales at wholesale or wholesale does not include sales from the first 50,000 gallons of wine produced by a small farm winery in a calendar year made by the small farm winery or a wholesaler of that wine produced by the small farm winery.

**FY 2026** $0.4 million
**FY 2027** $0.4 million
**FY 2028** $0.4 million

## 6. Malt Beverage Excise Tax at Reduced Rate

*Kentucky Revised Statutes 243.720(3)(b), effective 1986*
Data Source: Kentucky Agency Data

Each brewer producing malt beverages in Kentucky shall be entitled to a credit of 50 percent of the tax levied on each barrel of malt beverages sold in Kentucky, up to 300,000 barrels per annum.

**FY 2026** Limited
**FY 2027** Limited
**FY 2028** Limited

# Insurance Premiums Tax

**Current Rate Structure:**

The first insurance premiums taxes were enacted in 1892 and have been modified several times since then.

- Life insurance companies *(KRS 136.330):* $1.50 per $100 of premium receipts.
- Stock insurance companies other than life *(KRS 136.340, KRS 136.370 and KRS 136.390)*: $2.00 per $100 of premium receipts.
- Mutual insurance companies and Lloyds insurers other than life *(KRS 136.350)*: 2 percent of premiums or other receipts.
- Domestic fire insurance companies or cooperative and assessment fire insurance *(KRS 299.530)*: $2.00 per $100 of premium receipts.
- Domestic mutual companies as unauthorized reinsurance *(KRS 304.4-030)*: 2 percent of premiums or other receipts.
- Every stock insurer other than life doing business in Kentucky shall pay 0.75 percent of all amounts paid to such insurance company or its representative for fire insurance and that portion allocable to insurance against the hazard of fire included in other coverage than life and disability insurances *(KRS 136.360).*
- Retaliatory tax and fees on insurers *(KRS 304.3-270 and KRS 304.4-010)*: The companies must calculate what their tax liability would have been using the premium receipts from Kentucky based on their home state's tax rates. If their tax liability is higher in their home state verses what they paid to Kentucky, then they must pay Kentucky the difference.
- Captive insurance: Direct premiums *(KRS 304.49-220(1))*:

  0.4% on the first $20.0 million
  0.3% on the next $20.0 million
  0.2% on the next $20.0 million
  0.075% on each dollar thereafter

  Reinsurance premiums *(KRS 304.49-220(2)*

  0.225% on the first $20.0 million
  0.150% on the next $20.0 million
  0.050% on the next $20.0 million
  0.025% on each dollar thereafter

**Tax Base:**
The minimum tax payment remitted by a captive insurer is $5,000 regardless of calculated tax liability.

The tax is levied on premium receipts of insurance companies doing business in Kentucky. Premium receipts include single premiums, annuity premiums, premiums received for original insurance, premiums received for renewal, revival or reinstatement of the policies, annual and periodical premiums, dividends applied for premiums and additions, and all other premium payments received on policies that have been written in Kentucky, or elsewhere on business done in this state, less returned premiums. No deduction is made for dividends on life insurance or annuity policies, but dividends on accident and health insurance policies may be deducted. Premium receipts beginning in calendar year 2000 do not include annuity premiums or annuity dividends.

**Tax Due:**
Any company whose tax was $5,000 or more in the previous year must file a declaration of estimated tax by June 1. The tax must be paid in three equal installments, on June 1, October 1, and March 1 of the following year.
Insurance premium taxes generated $239.2 million in FY25.

**Background:**
Insurance premiums taxes include several taxes levied on the receipts of insurance premiums collected by insurers in the Commonwealth. All life insurance companies, all stock and mutual insurance companies other than life and captive insurers except fraternal assessment life insurance companies doing business in Kentucky must pay a tax on the gross premiums collected from policyholders. The rate of tax varies by type of insurance company. Life insurance companies are assessed at a rate of $1.50 per $100 of premium receipts. Stock and mutual insurance companies other than life are assessed $2 per $100 of receipts. Lastly, all stock insurers other than life, every mutual insurance company, and Lloyd's insurer must pay 0.75 percent of premiums paid for fire insurance and for that portion allocable to fire insurance included in other coverage. A captive insurer (defined as an insurance company owned by one or more business entities that are licensed insurance producers and that only insure risks on policies placed through their owners) must pay a minimum of $5,000 and/or a tax calculated on a sliding scale as a percentage of receipts.

## Table 12. Total Insurance Premiums Tax Expenditures

**FY 2026** $2.2 million
**FY 2027** $2.2 million
**FY 2028** $2.2 million

### 1. Hospital, Medical or Dental Service Companies Exempt From Premiums Tax

*Kentucky Revised Statutes 136.395, effective 1972*
Data Source: Kentucky Agency Data

No tax shall be imposed upon or measured by the premiums paid to or received by a hospital service corporation, a medical service plan corporation, a dental service plan corporation, or a domestic mutual insurer against the risk or cost of medical and/or surgical care organized under KRS 304.24-010 to 304.24-440 and KRS 304.32-010 to 304.32-270.

**FY 2026** $2.2 million
**FY 2027** $2.2 million
**FY 2028** $2.2 million

### 2. Life and Health Guaranty Fund Assessment Credit

*Kentucky Revised Statutes 304.42-130(1), effective 1978*
Data Source: Kentucky Taxpayer Data

A member insurer, other than a nonprofit hospital, medical, surgical, dental, or health service corporation, may offset its tax liability under KRS 136.320(3) and (4), 136.330, 136.340, or 136.350, whichever may be applicable, against the amount of the assessment. The offset may be taken in the amount of 20 percent of the assessment for each of the five calendar years following the year in which the assessment was paid.

**FY 2026** Minimal
**FY 2027** Minimal
**FY 2028** Minimal

# Tobacco Taxes

**Current Tax Rate:**
The tax rate on cigarettes, including both the cigarette excise tax and the cigarette surtaxes, is $1.10 (60) cents per package of twenty cigarettes. The other tobacco products are taxed at 15 percent of wholesale gross receipts. The tax on snuff and moist chewing tobacco is nineteen cents per each single unit purchased. Similar rates apply for larger volumes of moist chewing tobacco.

- Forty cents per each half-pound unit (net weight of at least 4 ounces but not more than 8 ounces) sold. For retail distributors, the tax is levied on purchases of untaxed chewing tobacco at the same rate.

- Sixty-five cents per each pound unit (net weight of more than 8 ounces but not more than 16 ounces) sold. For retail distributors the tax is levied on purchases of untaxed chewing tobacco at the same rate.

- If the container, pouch, or package on which the tax is levied contains more than 16 ounces by net weight, the rate that shall be applied to the unit shall equal the sum of sixty-five cents plus nineteen cents for each increment of 4 ounces or portion thereof exceeding 16 ounces sold. For retail distributors the tax is levied on purchase of untaxed chewing tobacco at the same rate.

House Bill (HB) 351 was enacted in 2019 and established a tax on vapor products. Effective August 1, 2020, the vapor products tax rate on closed vaping systems is $1.50 per cartridge and the rate on open vaping systems is 15 percent of the actual price at which the distributor sells the product (i.e., wholesale sales tax). Taxable items include both nicotine and non-nicotine products.

House Bill (HB) 659 was enacted in 2022 and amended KRS 138.146 to increase the compensation rate for licensed wholesalers for the purchase of cigarette tax stamps to one and one-half cents per pack of 20 cigarettes equal to $450 on a roll of 30,000 stamps, effective August 1, 2022.

Both the cigarette excise tax and the cigarette surtax are paid through the purchase of stamps or meter units from the Department of Revenue. These stamps must be affixed on each package of cigarettes as evidence that the tax has been paid. For affixing the tax evidence, the wholesaler is generally allowed the equivalent of a .01364 percent discount against the cigarette tax when the evidence is purchased.

**Tax Base:**

The tax base for tobacco products, other than cigarettes, moist snuff, and chewing tobacco is 15 percent of the wholesale sales price. Moist snuff is taxed at the current rate of nineteen cents per each 1.5 ounces or portion thereof by net weight. Moist chewing tobacco is also taxed at nineteen cents per each single unit. For Vaping products, the tax base is a "cartridge" for closed vaping systems and the actual wholesale value for open vaping systems.

**Tax Due:**

The wholesaler pays the cigarette tax at the time the tax stamps or meter units are purchased from the Department of Revenue. A monthly report is required by the twentieth of each month reflecting purchases and trafficking of cigarettes for the preceding month. A monthly report of tobacco products and excise tax payment is due by the twentieth day of the succeeding month within which the transaction occurred.

For FY25, tobacco tax collections deposited to the General Fund were $281.8 million and represented 1.9 percent of total General Fund tax revenues. The aforementioned total for FY25 includes the portion of the excise tax that goes to the General Fund, the cigarette surtax, the floor stocks tax, and the taxes on all other tobacco products (including moist snuff, chewing tobacco, and other tobacco products).

**Background:**

Kentucky was the twentieth state to enact a tax on cigarettes, which became effective in 1936. The original cigarette excise tax rate was one cent per ten cents of the sales price. Over time, the "two-cents-per-package" tax gradually became a three-cent levy as more and more retailers began to charge above twenty cents per pack of cigarettes.

On July 1, 1960, a proportionate rate of two and one-half cents on each twenty cigarettes sold within the Commonwealth was assessed.

The 1970 General Assembly created the Tobacco Research Trust Fund. The legislation increased the cigarette excise tax by one-half cent per pack, to three cents per pack. The revenue generated by this tax increase was earmarked for the Tobacco Research Trust Fund.

In 1982, the General Assembly provided for a cigarette enforcement fee, in an amount calculated annually by the Department of Revenue, to recover applicable costs of enforcing the fair-trade law and administering the cigarette tax law. The present rate is one-tenth of one cent per package of twenty cigarettes.

In 1994, the General Assembly enacted the Teen Tobacco Education Fund and provided that one-twentieth of one cent of the three-cent-per-pack revenue be used to offset the cost of the education efforts.

In 2000, the General Assembly enacted the Teen Tobacco Enforcement Fund and provided that one-twentieth of one cent of the three-cent-per-pack revenue be deposited in a trust and agency account to offset the costs of enforcement.

In 2005, the General Assembly enacted a cigarette surtax of a proportionate rate of twenty-six cents on each twenty cigarettes. An additional one cent was enacted and dedicated to the Cancer Research Matching Fund. The two additional surtaxes brought Kentucky's total tax on a pack of twenty cigarettes to thirty cents. Additionally, a 7.5 percent gross receipts tax was imposed on other tobacco products and a tax on snuff was imposed at nine and one-half cents per unit.

In 2006, the General Assembly clarified the taxation of other tobacco products by making a distinction between moist snuff and dry snuff. Dry snuff was taxed at 7.5 percent as another tobacco product (OTP). Moist snuff was taxed as snuff. Additionally, a new wholesale cigarette paper excise tax was created. The tax was twenty-five cents per package of 32 sheets of paper.

In 2009, the General Assembly added an additional thirty cents for the cigarette surtax and doubled the rates on both other tobacco products and snuff. Also, moist chewing tobacco was pulled out of the "other tobacco products" and was taxed by the pouch in excise form.

In 2018, the General Assembly added an additional fifty cents to the cigarette surtax. The tax on "other tobacco products" was not changed at that time. In 2019 the General Assembly added a tax on "vapor" products, or so-called "e-cigarettes". Effective August 1, 2020, the vapor products tax rate on closed vaping systems is $1.50 per cartridge and the rate on open vaping systems is 15 percent of the actual price at which the distributor sells the product (i.e., wholesale sales tax). Taxable items include both nicotine and non-nicotine products.

**Table 13. Total Tobacco Tax Expenditures**

| | |
|---|---|
| **FY 2026** | $3.3 million |
| **FY 2027** | $3.0 million |
| **FY 2028** | $2.8 million |

## Tax Expenditures

### 1. Compensation Allowed Wholesaler

*Kentucky Revised Statues 138.146(4)(a), effective 1982*
Data Source: Kentucky Taxpayer Data

For affixing the tax evidence to each package of cigarettes, the cigarette wholesaler is allowed an amount of tax evidence equal to a proportionate rate of one-half cents on each twenty cigarettes.

| | |
|---|---|
| **FY 2026** | $3.3 million |
| **FY 2027** | $3.0 million |
| **FY 2028** | $2.8 million |

# Pari-Mutuel Wagering Taxes

**Tax Base:**
The Department of Revenue administers the horse racing taxes imposed on all tracks conducting pari-mutuel wagering under the jurisdiction of the Kentucky Horse Racing and Gaming Corporation on live racing, telephone account wagering, inter-track wagering, simulcasts and interstate wagering.

Effective August 1, 2022, the pari-mutuel excise tax for live wagering, simulcast wagering, and advanced deposit wagers (ADW) is set at 1.5 percent due to the passage of HB 607 in the 2022 Regular Session.

Instant racing is taxed at 1.5 percent of the amount wagered on historical horse races.

Before August 1, 2022, wagers placed on live races, the base is the live handle and the rate is the two-tiered system of 3.5 percent for large tracks with an average daily handle of $1.2 million or more and 1.5 percent for track with an average daily handle of less than $1.2 million.

Beginning August 1, 2022, the excise tax imposed on all tracks conducting pari-mutuel wagering on live racing is set at 1.5 percent of all money wagered on live races at the track during the fiscal year *(KRS 138.510 (1)(a)&(b)).*

Before August 1, 2022, wagers at Receiving Tracks or Telephone Account Wagers or Whole Card Simulcast shall be 3 percent of all money wagered if total anticipated annual live racing handle is more than $250,000.

Beginning August 1, 2022, all money wagered at Receiving Tracks or Telephone Account Wagers or Whole Card Simulcast shall be 1.5 percent of all money wagered if total anticipated annual live racing handle is more than $250,000 *(KRS 138.510 (2)(a) & (b)).*

Effective July 14, 2022, the admissions tax imposed under KRS 138.480 – 138.490 is repealed. Before July 14, 2022, racetracks were required to collect from each person entering the racetrack on paid or free admissions for all race meetings except county fairs conducting harness racing. (Excluded: employees of the racetrack, owners or trainers of horses, jockeys, or their employees). The rate of the admissions tax was fifteen cents for each admission *(KRS 138.480-138.490).*

Beginning August 1, 2014, but before August 1, 2022, an excise tax of 0.5 percent was set on all advance deposit wagering amounts wagered through the licensee by Kentucky residents. Beginning August 1, 2022, an excise tax of 1.5 percent is set on all advance deposit account wagering licensees licensed under KRS 230.260 *(KRS138.513 (1)(a)&(b)).*

Racetracks conducting live horse races must report and pay a license tax for each day of racing based on the average daily handle of the preceding race year *(KRS 137.170-137.190)*.

| **Average Daily Live Handle** | **License Tax** |
|---|---|
| $0 - $25,000 | $ 0 |
| $25,001 - $250,000 | $ 175 |
| $250,001 - $450,000 | $ 500 |
| $450,001 - $700,000 | $ 1,000 |
| $700,001 - $800,000 | $ 1,500 |
| $800,001 - $900,000 | $ 2,000 |
| $900,001 and above | $ 2,500 |

**See Comment**

**Background:**
Pari-mutuel wagering taxes were adopted in 1948 and have been modified several times to arrive at the current statutory language *(KRS 138.510)*.

In 1948, all pari-mutuel races were taxed identically with an excise tax equal to 3 percent of the total amount of all money deposited in the pari-mutuel pool. None of the wagering handle went to any association or corporation that operates a running or trotting horse racetrack.

In 1954, the statute started differentiating the rate of the pari-mutuel taxes depending on the amount wagered at each track. The pari-mutuel excise tax was raised to 4 percent of the first $18 million wagered during the year and 6 percent of all wagered amounts in excess of that amount.

In the seventies, the pari-mutuel excise tax increased again to four and three-fourths percent of the amount wagered. Later a new section of KRS chapter 230 was created

and a trust and revolving fund for the Kentucky Harness Racing Commission was designated as the Kentucky Standardbred development fund and then as the Kentucky thoroughbred development fund.

In 1988, the pari-mutuel taxes started including all money used to place telephone account wagers tracks.

Starting in 1990, the rate on the amount wagered was adjusted to 3.5 percent if the average daily handle was equal to or greater than $1.2 million. If the daily average handled was less than $1.2 million, the rate was reduced to 1.5 percent.

Effective January 1, 2001, a one day international horse racing events that distributes in excess of a total of $10 million in purses was exempt from the pari-mutuel wagering tax on live racing conducted that day at the race track. That exemption remained in effect for any succeeding one day international horse racing event as long as the event returned within three years of the previously held event. Later, the amounts wagered at the track on live races conducted at the track during the expanded two day international horse racing event was not included in calculating the daily average live handle for the period starting 2015 through the end of 2017.

In 2003, licensed quarter horse racetracks were allowed to receive simulcasts and conduct interstate wagering on certain quarter horse races.

The issue of Advanced Deposit Wagering (ADW) firms was addressed during the 2009 Regular Session of the General Assembly. The prior years had seen significant growth in wagers made through ADW firms, which allow a patron to wager through a pre-funded account by telephone or through an internet enabled device. House Bill 472, which defined ADW firms, gave the Kentucky Horse Racing Authority jurisdiction over ADW firms and required a $10,000 license fee. During the 2011 Regular Session, HB 387 was passed which required additional reporting requirements on the amount of ADW wagers placed on Kentucky races and the amounts wagered by Kentucky residents through ADW firms. Beginning August 1, 2014, an excise tax was imposed on all advance deposit account wagering licensees licensed under KRS 230.260 at a rate of 0.5 percent of all amounts wagered through the licensee by Kentucky residents.

In 2010, the Kentucky Horse Race Commission (KHRC) determined that historical racing (or instant racing) was a permissible form of pari-mutuel wagering. The promulgated regulations require the machines to be located at the tracks or track-owned facilities. Previously run races rather than the outcome of a live horse race determine outcomes on this type of pari-mutuel wagering.

**Table 14. Total Pari-Mutuel Wagering Tax Expenditures**

| | |
|---|---|
| **FY 2026** | Minimal |
| **FY 2027** | $0.9 million |
| **FY 2028** | Minimal |

## Tax Expenditures

### 1. International Horse Racing Event

*Kentucky Revised Statutes 138.510(3), effective 2000*
Data Source: Kentucky Agency Estimate

The excise tax shall not apply to money wagered at the track on live races conducted at the track during the two day international horse racing event that distributes in excess of a total of $20 million in purses and awards. The amounts wagered at the track on live races conducted at the track during the two day international horse event shall not be included in calculating the daily average live handle.

| | |
|---|---|
| **FY 2026** | Minimal |
| **FY 2027** | $0.9 million |
| **FY 2028** | Minimal |

### 2. Live Harness Racing at a County Fair

*Kentucky Revised Statutes 138.510(1)(e), effective 1942*
Data Source: Kentucky Agency Estimate

The excise tax imposed on all tracks conducting pari-mutuel wagering on live racing at a set rate of 1.5 percent of all money wagered on live races at the track during the fiscal year shall not apply to pari-mutuel wagering on live harness racing at a county fair.

| | |
|---|---|
| **FY 2026** | Minimal |
| **FY 2027** | Minimal |
| **FY 2028** | Minimal |

### 3. Noncontiguous Track Facility

*Kentucky Revised Statutes 138.510(2)(c), effective 2000*
Data Source: Kentucky Agency Estimate

A noncontiguous track facility approved by the commission on or after January 1,1999, shall be exempt from the tax imposed if the facility is established and operated by a licensed track that has a total annual handle on live racing of $250,000 or less.

**FY 2026** Minimal
**FY 2027** Minimal
**FY 2028** Minimal

# Tax Increment Financing and Tourism Development Act

Recent acts of the Kentucky General Assembly have significantly broadened the state's arsenal of financing mechanisms for economic development and tourism. Incremental state revenues resulting from the development of certain areas of the Commonwealth may be pledged to pay for public infrastructure and certain other costs necessary to make development feasible.

Several amendments to the TIF statutes have been adopted since the original HB 549 in 2007. For the purposes of quantifying tax expenditures, the most significant change deals with Senate Bill 129, passed in the 2025 regular session, which revised the Mixed Use and Signature TIF programs specifically to exclude the independent consultant report required in KRS 154.30-030(2)(a)3.b and the net positive economic impact certification required by KRS 154.30-030(6)(b) for projects with a residential use comprising at least 50 percent of the total finished square footage of the proposed project. For projects not meeting the residential requirement, the independent consultant report is still required.

The funding mechanism for TIF projects typically involves the withholding component of the individual income tax from the project footprint, the sales and use tax, and state real property taxes. Historically, the pledge of these aforementioned revenue sources for most TIF projects is limited by the actual amount of approved public infrastructure costs created by the new development.

For TIF projects approved prior to January 1, 2023, any state tax revenue received by the Commonwealth from individual income tax shall be computed using modified new revenues for income tax. The purpose of the modifier is to ensure that the state revenues related to individual income tax remain whole as the individual income tax rate is reduced over time. The modifier is the result of dividing five percent by the individual income tax rate for the calendar year in which the new revenues for income tax are being computed. Senate Bill 129, passed in the 2024 regular session, allow modified new revenues for individual income tax until January 1, 2027.

In addition to the certification of select TIF projects, OSBD and the Cabinet for Finance and Administration are required to due similar diligence regarding the Tourism Development Act (TDA). In particular, TDA projects are subjected to the

same finding of net positive economic impact as defined in KRS 148.855. The funding mechanism for TDA projects is limited to recovery through the sales tax collected at the tourism destination, not to exceed twenty five percent of the certified approved cost of construction, with exception to a tourism attraction project located in an enhanced incentive county with a population equal to or less than 20,000 based on the most recent decennial census at the time the eligible company becomes an approved company as provided in KRS 148.857(6) and specialized lodging facility projects as provided in KRS 148.851 (15)(b) which shall not exceed fifty percent of approved project costs as certified by the Tourism Arts, and Heritage Cabinet. For both the TIF and TDA programs, the operational conveyance of the presence of a positive fiscal analysis is a letter co-signed by the State Budget Director and Secretary of Finance and Administration.

**Table 15. Total Tax Increment Financing and Tourism Development Act**

| | |
|---|---|
| **FY 2026** | $58.5 million |
| **FY 2027** | $64.0 million |
| **FY 2028** | $69.0 million |

# TAX INCREMENT FINANCING PROJECTS

| Project | Location | Final Approval | Type of TIF | Taxes Pledged | Estimated Project Costs | Eligible Incentive Amount |
|---|---|---|---|---|---|---|
| Downtown Marriott | Jefferson | 7/11/2002 | Project Specific | Withholding Tax. Sales Tax. | $ 100,000,000 | $ 32,486,781 |
| Churchill Downs | Jefferson | 7/12/2002 | Project Specific | Corporate Income Tax Credit. Sales Tax. | $ 127,000,000 | $ 25,000,000 |
| Renaissance Zone | Jefferson | 12/8/2003 | Pilot Program | Withholding Tax. Sales Tax. Property Tax. | | |
| Louisville Arena | Jefferson | 12/19/2006 | Pilot Program | Withholding Tax (Arena only) Sales Tax. Property Tax. | $ 435,000,000 | $ 250,000,000 |
| WKU Gateway | Warren | 10/19/2007 | Signature | Withholding Tax. Sales Tax. Property Tax. | $ 531,125,818 | $ 285,533,316 |
| Ovation | Campbell | 11/28/2007 | Signature | Withholding Tax. Corporate Income Tax Credit. Sales Tax. Property Tax. | $ 762,670,066 | $ 311,426,623 |
| Nucleus | Jefferson | 11/30/2007 | Signature | Withholding Tax. Corporate Income Tax Credit. Individual Income Tax Credit. | $ 1,090,951,981 | $ 601,620,351 |
| Center City/Omni | Jefferson | 12/27/2007 | Signature | Withholding Tax. Sales Tax. Property Tax. | $ 706,000,000 | $ 204,000,000 |
| Phoenix Park/CentrePointe/City Center | Fayette | 9/24/2009 | Signature | Withholding Tax. Sales Tax. Property Tax. | $ 455,294,792 | $ 48,833,000 |
| Manhattan Harbour | Campbell | 12/10/2009 | Real Property | Property Tax. | $ 473,148,299 | $ 8,000,000 |
| The Red Mile Project | Fayette | 8/25/2011 | Mixed-use blighted Urban | Withholding Tax. Sales Tax. Property Tax. | $ 186,891,071 | $ 13,786,000 |
| The UofL Research Park/Belknap | Jefferson | 6/28/2012 | Signature | Withholding Tax. Sales Tax. Property Tax. | $ 1,113,303,500 | $ 709,414,000 |
| 21c Museum Hotel | Fayette | 12/31/2012 | Real Property | Property Tax. | $ 36,556,250 | $ 500,000 |
| The Summit | Fayette | 9/25/2014 | Mixed Use | Withholding Tax. Sales Tax. Property Tax. | $ 155,000,000 | $ 24,109,000 |
| Turfland Town Center Mixed Use | Fayette | 10/30/2014 | Real Property | Property Tax. | $ 38,600,000 | $ 793,600 |
| Hotel NuLu | Jefferson | 6/25/2015 | Mixed-use blighted Urban | Withholding Tax. Sales Tax. Property Tax. | $ 72,998,230 | $ 4,312,000 |
| Gateway Commons | Daviess | 10/27/2016 | Mixed-use blighted Urban | Withholding Tax. Sales Tax. Property Tax. | $ 198,857,200 | $ 20,571,000 |
| Downtown Owensboro Riverfront | Daviess | 12/8/2016 | Mixed-use blighted Urban | Withholding Tax. Sales Tax. Property Tax. | $ 153,898,990 | $ 24,500,000 |
| Midland Ave Redevelopment Project | Fayette | 1/26/2017 | Mixed-use blighted Urban | Withholding Tax. Sales Tax. Property Tax. | $ 167,269,239 | $ 4,000,000 |
| Butchertown Stadium District | Jefferson | 5/31/2018 | Mixed-use blighted Urban | Withholding Tax. Sales Tax. Property Tax. | $ 193,100,000 | $ 21,700,000 |
| Fort Mitchell Gateway | Kenton | 6/28/2018 | Mixed-use blighted Urban | Withholding Tax. Sales Tax. Property Tax. | $ 134,900,440 | $ 13,674,000 |
| Coldstream Research Campus Project | Fayette | 5/30/2019 | Mixed-use blighted Urban | Withholding Tax. Sales Tax. Property Tax. | $ 199,025,029 | $ 4,634,000 |
| Lexington Center Project | Fayette | 10/31/2019 | Signature | Withholding Tax. Sales Tax. Property Tax. | $ 679,283,821 | $ 41,000,000 |
| Fountains at Palomar | Fayette | 10/31/2019 | Real Property | Property Tax. | $ 46,877,436 | $ 634,000 |
| Northern Kentucky University Campus Gateway | Campbell | 12/12/2019 | Mixed-use blighted Urban | Withholding Tax. Sales Tax. Property Tax. | $ 112,672,500 | $ 14,216,000 |
| Ashland Plaza Redevelopment Project | Boyd | 1/30/2020 | Mixed Use | Sales Tax. Property Tax. | $ 43,450,000 | $ 6,800,000 |

| Project | Location | Final Approval | Type of TIF | Taxes Pledged | Estimated Project Costs | Eligible Incentive Amount |
|---|---|---|---|---|---|---|
| Paducah Downtown Riverfront Redevelopment Project | McCracken | 3/25/2021 | Mixed Use | Withholding Tax. Sales Tax. Property Tax. | $ 156,344,483 | $ 21,400,000 |
| World Peace Hospitality Mixed-Use Redevelopment Project | Campbell | 10/28/2021 | Mixed-use blighted Urban | Withholding Tax. Sales Tax. Property Tax. | $ 45,595,751 | $ 4,000,000 |
| Logistics Air Park Development Project (LAP 2) | Jefferson | 12/9/2021 | Real Property | Property Tax. | $ 48,862,998 | $ 800,000 |
| Shelby Street Redevelopment Project | Jefferson | 3/31/2022 | Real Property | Property Tax. | $ 114,725,000 | $ 1,000,000 |
| Covington Central Riverfront | Kenton | 5/26/2022 | Signature | Withholding Tax. Sales Tax. Property Tax. | $ 394,377,667 | $ 45,500,000 |
| Radcliff Mixed-Use Redevelopment Project at Fort Knox | Hardin | 8/25/2022 | Mixed-use blighted Urban | Withholding Tax. Sales Tax. Property Tax. | $ 94,824,969 | $ 12,000,000 |
| | | | | | $9,068,605,530 | $2,756,243,671 |

# TOURISM DEVELOPMENT ACT PROJECTS

| Project | Location | Final Approval | Estimated Project Cost | Maximum Potential Refund | Positive Fiscal Impact | Positive Economic Impact |
|---|---|---|---|---|---|---|
| Newport Aquarium | Newport | June 19, 1997 | $31,665,969 | $7,916,492 | $27,100,000 | $299,000,000 |
| Kentucky Speedway | Sparta | August 27, 1998 | $96,187,655 | $24,047,000 | $13,400,000 | $172,300,000 |
| Newport on the Levee | Newport | October 29, 1998 | $188,604,285 | $47,151,071 | $45,776,000 | $1,600,000,000 |
| The Glassworks Building | Louisville | May 25, 2000 | $3,900,000 | $975,000 | $1,300,000 | $40,000,000 |
| Owsley Brown Frazier Historical Arms Museum | Louisville | September 25, 2001 | $16,573,000 | $787,537 | $1,114,400 | $1,610,500 |
| Hilton Garden Inn and Conference Center | Louisville | January 7, 2002 | $17,910,000 | $4,477,500 | $1,800,000 | $51,200,000 |
| Heaven Hill Visitor's Center | Bardstown | July 23, 2002 | $2,850,000 | $712,500 | $65,900 | $7,000,000 |
| The Galt House Hotel | Louisville | November 7, 2002 | $47,467,350 | $11,866,838 | $35,890,000 | $286,100,000 |
| 4th Street Live! | Louisville | November 7, 2002 | $61,680,000 | $11,455,123 | $6,464,877 | $319,000,000 |
| 21c Museum Hotel Louisville | Louisville | April 22, 2003 | $21,150,000 | $3,000,000 | $765,000 | $63,416,000 |
| Hofbräuhaus Newport | Newport | September 23, 2003 | $4,167,455 | $916,353 | $1,183,647 | $19,000,000 |
| Hyatt Regency Lexington | Lexington | November 2, 2007 | $16,425,000 | $3,901,423 | $1,283,000 | $6,700,000 |
| Crowne Plaza Louisville Airport Expo Center | Louisville | February 8, 2008 | $23,776,825 | $5,994,202 | $2,259,000 | $203,500,000 |
| Jim Beam Brands Company | Clermont | November 19, 2008 | $14,931,000 | $3,732,750 | $2,762,235 | $74,000,000 |
| Kentucky Speedway | Sparta | December 20, 2010 | $82,000,000 | $20,500,000 | $47,425,000 | $386,200,000 |
| Hampton Inn & Suites Downtown Owensboro/Waterfront | Owensboro | November 22, 2011 | $20,500,000 | $4,000,000 | $397,000 | $69,855,000 |
| Wild Turkey Distillery | Lawrenceburg | April 5, 2012 | $4,000,000 | $1,000,000 | $5,251,000 | $80,743,000 |
| 21c Museum Hotel Lexington | Lexington | December 17, 2012 | $42,000,000 | $9,500,000 | $10,600,000 | $133,000,000 |
| Holiday Inn Owensboro Riverfront | Owensboro | February 13, 2013 | $14,610,000 | $3,535,000 | $4,242,000 | $81,625,500 |
| Kentucky Kingdom Theme Park | Louisville | April 13, 2013 | $40,000,000 | $10,000,000 | $18,700,000 | $419,500,000 |
| Woodford Reserve Distillery | Versailles | October 24, 2013 | $1,630,000 | $407,500 | $886,000 | $15,600,000 |
| Aloft Newport on the Levee | Newport | April 9, 2014 | $33,065,000 | $8,900,000 | $809,100 | $122,000,000 |
| Buffalo Trace Distillery | Frankfort | April 9, 2014 | $2,870,000 | $717,500 | $358,000 | $10,400,000 |
| Maker's Mark Distillery | Loretto | June 26, 2014 | $2,025,000 | $500,000 | $1,546,000 | $26,000,000 |
| Courtyard by Marriott Somerset | Somerset | December 10, 2014 | $11,523,750 | $2,550,000 | $330,000 | $25,000,000 |
| Ark Encounter | Williamstown | April 25, 2016 | $73,000,000 | $18,000,000 | $22,400,000 | $720,000,000 |
| Hotel Covington | Covington | April 8, 2015 | $20,304,500 | $5,076,125 | $2,830,000 | $111,000,000 |
| Jim Beam Urban Stillhouse | Louisville | April 8, 2015 | $5,214,900 | $1,000,000 | $180,000 | $11,346,000 |
| Castle and Key Distillery | Millville | April 8, 2015 | $6,794,500 | $1,698,625 | $1,165,000 | $36,973,000 |
| Kentucky Kingdom (Phase 2) | Louisville | May 22, 2015 | $15,000,000 | $3,750,000 | $7,460,000 | $128,400,000 |
| Maker's 46 Visitor Experience | Loretto | September 9, 2015 | $4,000,000 | $1,000,000 | $234,000 | $13,061,000 |
| Holiday Inn Paducah Riverfront | Paducah | September 9, 2015 | $18,029,000 | $4,507,250 | $5,592,750 | $123,000,000 |
| Paristown Pointe | Louisville | March 4, 2016 | $33,860,000 | $6,400,000 | $7,430,000 | $71,580,000 |
| Rabbit Hole Distilling | Louisville | March 4, 2016 | $14,239,500 | $2,200,000 | $2,663,000 | $23,400,000 |

| Project | Location | Final Approval | Estimated Project Cost | Maximum Potential Refund | Positive Fiscal Impact | Positive Economic Impact |
|---|---|---|---|---|---|---|
| Prizer Point Marina & Resort | Cadiz | April 25, 2016 | $5,398,000 | $1,619,400 | $2,278,000 | $39,919,000 |
| New Riff Distilling | Newport | September 14, 2016 | $18,050,000 | $1,500,000 | $6,617,000 | $81,303,000 |
| Six Mile Creek Distillery | Pleasureville | December 6, 2016 | $10,100,000 | $1,800,000 | $600,000 | $30,000,000 |
| Yogi Bear's Jellystone Park Mammoth Cave | Cave City | September 14, 2016 | $9,000,000 | $2,250,000 | $3,526,000 | $43,184,000 |
| Holiday Inn & Suites Hopkinsville | Hopkinsville | December 13, 2017 | $8,288,000 | $2,072,000 | $1,036,000 | $56,000,000 |
| Bulleit Distilling Company | Shelbyville | December 13, 2017 | $9,250,336 | $2,312,584 | $2,004,000 | $52,909,000 |
| Jim Beam American Stillhouse | Clermont | August 8, 2018 | $45,000,000 | $11,250,000 | $4,593,000 | $115,774,000 |
| The Galt House Hotel | Louisville | September 12, 2018 | $80,000,000 | $20,000,000 | $11,100,000 | $579,000,000 |
| Heaven Hill Distillery | Bardstown | December 12, 2018 | $17,500,000 | $4,375,000 | $2,597,000 | $98,000,000 |
| MB Roland Distillery | Pembroke | May 19, 2021 | $5,725,000 | $710,000 | $1,797,000 | $33,951,000 |
| Kentucky Downs | Franklin | July 17, 2019 | $17,000,000 | $4,250,000 | $6,849,000 | $184,000,000 |
| The Morehead Hotel | Morehead | February 19, 2020 | $26,817,306 | $6,704,327 | $4,400,000 | $73,800,000 |
| Hotel North (614 Madison YMCA) | Covington | December 18, 2019 | $22,598,250 | $5,649,563 | $5,660,000 | $61,417,000 |
| Newport on the Levee | Newport | February 19, 2020 | $122,835,350 | $30,708,837 | $30,708,837 | $672,705,000 |
| The Rickhouse Hotel and Still | Versailles | June 17, 2020 | $6,325,000 | $1,501,250 | $3,200,000 | $29,428,000 |
| Park Mammoth Resort | Park City | November 18, 2020 | $5,049,715 | $1,262,429 | $1,514,915 | $15,200,000 |
| The Manchester Hotel | Lexington | November 18, 2020 | $32,193,684 | $7,200,000 | $6,140,000 | $82,000,000 |
| Log Still Distillery | New Haven | March 17, 2021 | $24,028,550 | $6,007,000 | $9,800,000 | $202,000,000 |
| The Myriad Hotel | Louisville | May 19, 2021 | $14,035,000 | $3,508,750 | $2,896,000 | $51,000,000 |
| The Delegate Hotel | Frankfort | May 19, 2021 | $9,725,000 | $2,431,250 | $990,000 | $15,000,000 |
| Bardstown Motor Lodge | Bardstown | May 19, 2021 | $5,926,000 | $1,481,500 | $980,000 | $17,000,000 |
| Springhill Suites at The Mint Kentucky Downs | Franklin | August 18, 2021 | $25,000,000 | $6,250,000 | $4,050,000 | $73,000,000 |
| Horse Soldier Farms Distillery | Somerset | September 15, 2021 | $103,910,388 | $31,173,116 | $25,822,000 | $450,000,000 |
| Cumberland Run \| The Mint Gaming Hall Cumberland | Corbin / Williamsburg | October 18, 2021 | $90,000,000 | $27,000,000 | $17,000,000 | $292,000,000 |
| The Trail Hotel | Bardstown | August 17, 2022 | $22,710,000 | $5,677,500 | $4,461,000 | $63,000,000 |
| Augusta Distillery | Augusta | January 4, 2023 | $36,478,770 | $9,119,693 | $6,136,000 | $115,125,000 |
| Dine and Play Social House | Franklin | June 21, 2023 | $33,827,017 | $8,456,754 | $5,248,000 | $102,201,000 |
| Elizabethtown Courthouse Hotel | Elizabethtown | March 15, 2023 | $8,180,000 | $2,045,000 | $1,545,000 | $22,307,000 |
| Lexington Sporting Club Youth Training Complex | Lexington | June 21, 2023 | $25,416,878 | $6,354,220 | $4,856,000 | $92,400,000 |
| Sandy Ridge and Sandy's Racing \| Gaming | Ashland | August 16, 2023 | $82,325,000 | $20,581,250 | $10,831,000 | $192,036,000 |
| Crowne Plaza Louisville Airport | Louisville | June 21, 2023 | $25,000,000 | $12,500,000 | $6,833,000 | $145,765,000 |
| The Garden Outdoor Resort | Williamstown | October 3, 2023 | $15,577,890 | $3,894,473 | $2,540,000 | $43,273,000 |
| Pennyroyal Distillery | Columbia | May 15, 2024 | $3,870,000 | $967,500 | $738,700 | $14,048,000 |
| TKC Distilling Company | Versailles | January 17, 2024 | $20,200,000 | $5,050,000 | $3,162,000 | $55,867,000 |
| The Kentucky Castle | Versailles | January 17, 2024 | $15,157,500 | $3,789,375 | $1,030,000 | $8,325,000 |
| RD1 Distillery at The Commons | Lexington | December 20, 2023 | $4,791,588 | $1,197,897 | $521,000 | $15,757,000 |

| Project | Location | Final Approval | Estimated Project Cost | Maximum Potential Refund | Positive Fiscal Impact | Positive Economic Impact |
|---|---|---|---|---|---|---|
| Keeneland | Lexington | January 17, 2024 | $92,619,059 | $23,154,765 | $9,466,000 | $132,814,000 |
| Eagle Landing Resort | Grand Rivers | May 15, 2024 | $27,195,310 | $6,798,828 | $4,172,000 | $83,259,000 |
| Lexington SC Stadium | Lexington | October 30, 2024 | $30,779,000 | $7,694,750 | $7,747,374 | $148,160,000 |
| Louisville Pickleball | Louisville | March 20, 2024 | $22,672,005 | $5,668,001 | $4,012,000 | $73,915,000 |
| Maker's Mark Distillery | Loretto | August 21, 2024 | $18,500,000 | $4,625,000 | $3,387,000 | $63,635,000 |
| Purple Toad Winery BG | Bowling Green | December 18, 2024 | $4,490,000 | $1,122,500 | $630,000 | $10,566,000 |
| The Franklin | Frankfort | October 30, 2024 | $20,500,000 | $5,125,000 | $1,441,000 | $13,467,000 |
| Big E (Big Entertainment Center) | Owensboro | March 19, 2025 | $18,297,000 | $4,574,250 | $2,007,000 | $33,400,000 |
| Crowne Plaza University Plaza - Bowling Green | Bowling Green | May 21, 2025 | $8,000,000 | $2,000,000 | $2,913,000 | $90,145,000 |
| Kentucky Kingdom Theme and Water Park | Louisville | June 18, 2025 | $27,500,000 | $6,875,000 | $2,913,000 | $90,145,000 |
| | | | **$2,269,797,285** | **$562,464,551** | **$524,411,735** | **$10,709,710,000** |

## West End Opportunity Partnership

*Kentucky Revised Statues 65.029, effective 2021*
Data Source: Kentucky Agency Estimate

House Bill 321, passed in the 2021 regular session, creates a new economic development area that is very similar to a TIF program. The West End Opportunity Partnership aims to foster transformational change in the West End of Louisville by encouraging investment in the established development area through the implementation of state and local Tax Increment Financing or TIF incentives. Eighty percent of incremental revenues from the development area are pledged for twenty years by the consolidated local government and the Commonwealth. Local tax revenues include real property ad valorem taxes and occupational license taxes. State tax revenues include state real property ad valorem taxes, individual income tax required to be withheld by an employer, and sales taxes. State tax revenues do not include revenues that have been pledged to support other TIF and economic development projects within the development area.

In conjunction with the West End TIF Project, HB 321 created a refundable and nontransferable tax credit to be used against individual income tax. The new refundable income tax credit is created for residential property owners within the development area who maintain the property as their principal residence. Heirs to that property within the development area as of January 1, 2021 are also eligible. The income tax credit is equal to the amount in which the timely paid property tax on the residential property in any taxable year exceeds the amount of property tax assessed on that residential property on January 1, 2021.

The following bullet points are unique characteristics of the West End Opportunity Partnership incentives:

- HB 321 does not provide a specific year for the base year "old revenues" calculation.
- The bill allows for increments to be calculated after the required $20 million in private investment threshold is reached. The investment threshold is provided in another bill that passed in the 2021 Regular Session, House Bill 556.
- The base year can be the calendar year prior to the year in which the $20 million threshold is reached. In theory, this could be 2021.
- If 2021 is the base year for "old revenues", then increments could be requested for calendar year 2022 and applied for in 2023.

# Tax Exemption Budget

2025 - 2026

2657/8585

*R-1005 (03/26)*

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**2658/8585**

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# Introduction
## Part 1

# Introduction

Louisiana's state government relies on tax revenues to fund valuable services for its citizens. Ensuring that the system of taxation is fair, equitable, and efficient is vital to our economic success and quality of life. In setting tax policies, we must consider the taxpayer's ability to pay, the impact of those policies on economic development, and the interaction of tax policies with other policy goals.

Tax exemptions are an important component of Louisiana's tax policies. According to Revised Statute 47:1517(E), tax exemptions refer to "those revenue losses attributable to provisions of the state tax statutes or rules promulgated pursuant to such statutes, which allow a special exclusion, exemption, or deduction from gross income or sales or which provide a special credit, a preferential rate of tax, or a deferral of tax liability." Granting a tax exemption can be a powerful tool for providing economic development incentives or for mitigating the regressive qualities of certain tax types. However, tax exemptions always come with a cost. Exemptions reduce revenues otherwise available for programs or for tax relief for taxpayers who do not benefit from the exemptions. Therefore, it is critical that policy makers understand both the cost of exemptions and their effectiveness at achieving their intended goals.

Recognizing the need for this information, the legislature mandated in Section 1517 of Title 47 of the Louisiana Revised Statutes ("R.S.") that the Louisiana Department of Revenue ("Department of Revenue") prepare and submit to the governor and the legislature an annual tax exemption budget. In addition, the House Committee on Ways and Means and the Senate Committee on Revenue and Fiscal Affairs are required to conduct hearings on the tax exemption budget every odd-numbered year. These committees analyze and consider tax exemptions which have caused revenue loss to the state of $10 million or more in any one of the last three fiscal years. These committees may also report to the legislature findings or recommendations developed as a result of the hearings.

## Statutory Requirements

According to R.S. 47:1517(B) the Tax Exemption Budget must include the following information pertaining to the state's tax exemptions:

1. Listing of each tax exemption
2. Statutory citation
3. Purpose
4. Revenue loss to the state for the three preceding years
5. Estimate of revenue loss to the state for the current fiscal year
6. Estimate of revenue loss to the state for the ensuing fiscal year
7. Estimated cost of administering and implementing each tax exemption for the three preceding fiscal years, the current fiscal year, and the ensuing fiscal year
8. Number of businesses that receive each tax exemption
9. Parish or location of each business that receives a tax exemption
10. Number of taxpayers in each industry group by North American Industry Classification System sector that receives a tax exemption
11. Total tax burden by industry group for each tax before the exemption, total value to each industry group for each exemption, and total tax value by each industry group for each tax after the exemption
12. Schedule listing all tax exemptions by categories

In addition, R.S. 47:1517(C) requires that the annual Tax Exemption Budget include an assessment of each tax exemption based on the following criteria:

1. Whether or not each tax exemption has been successful in meeting the purpose for which it was enacted, in particular, whether each tax exemption benefits those originally intended to be benefited, and if not, those who do benefit
2. Whether each tax exemption is the most fiscally effective means of achieving its purpose
3. Unintended or inadvertent effects, benefits, or harm caused by each tax exemption, including whether each tax exemption conflicts with other state laws or regulations
4. Whether each tax exemption simplifies or complicates the state tax statutes

# Introduction

## Contents of the Report

Part 1, the Introduction, provides a general description of the statutory requirements for the Department of Revenue to prepare an annual Tax Exemption Budget.

Part 2, the Overview, provides further explanation of the purpose of the Tax Exemption Budget, methodology for measuring the fiscal effect of tax exemptions, reliability and source data of estimates, and terminology used to describe the fiscal effect of a tax exemption.

Part 3, the Executive Summary, provides graphical representations of revenue losses related to Fiscal Year 2024-2025, by major tax type.

Part 4, the Five-Year Estimate of Revenue Loss, is a listing of each tax exemption by major tax type and the revenue losses for the three preceding years, and estimated losses for the current year, and the ensuing year. The number of each tax exemption corresponds to its placement in the Listing of Exemptions. The category into which each exemption fits is also noted.

Part 5, the Listing of Exemptions, is arranged alphabetically by major tax type and provides general information regarding each tax exemption. Each section contains a discussion of the major tax type, the legal citations, the tax base, the tax rate, and any significant changes to the imposition or administration of the tax exemption enacted during the prior year. In addition, an index of each tax exemption, the legal citation, and the page number is provided to aid the reader.

Part 6, Appendix, provides a copy of Louisiana Revised Statute 47:1517.

Part 7, Glossary, provides definitions for terms used in the Tax Exemption Budget.

## Data Limitations of the Tax Exemption Budget

The Department of Revenue is able to provide all of the required information for the annual Tax Exemption Budget except for the following:

1. The cost of administering and implementing each tax exemption
2. A determination of whether each tax exemption has been successful in meeting the purpose for which it was enacted and whether it benefits those originally intended to be benefited
3. A determination of whether each tax exemption is the most fiscally effective means of achieving its purpose
4. A determination of unintended or inadvertent effects, benefits, or harm caused by each tax exemption
5. A determination of whether each tax exemption simplifies or complicates the state tax statutes
6. Number of businesses that receive each tax exemption
7. Parish or location of each business that receives a tax exemption
8. Number of taxpayers in each North American Industry Classification System (NAICS) sector that receives a tax exemption
9. Total tax burden by industry group for each tax before the exemption, total value to each industry group for each exemption, and total tax value by each industry group for each tax after the exemption

Currently, the Department of Revenue does not capture the data required to offer an opinion on the information listed in items 1 through 5 above. The lack of historical data for specific exemptions, both financial and statistical in nature, limits the Department of Revenue's ability to make a determination with any significant confidence about its degree of accuracy. Additionally, because many exemptions are either reported within a consolidated group or by the seller/vendor, the parish and NAICS information available to the Department does not accurately reflect the location or industry group of the business receiving the tax exemption.

# Overview
## Part 2

# Overview

## The Purpose of the Tax Exemption Budget

Louisiana's governmental policy objectives are achieved through direct spending programs and through tax exemptions which reduce actual tax collection revenues. Similar to direct spending programs, tax exemptions are designed to encourage certain activities or to provide financial assistance to persons, businesses, or groups in particular situations. The purpose of this report is to provide information to facilitate a regular, comprehensive legislative review of state tax exemptions.

## Measurements of Tax Exemptions

The fiscal impacts of tax exemptions are often difficult to measure and estimates of the effect of tax exemptions are subject to limitations and require that assumptions be made. Generally, in calculating the revenue loss related to a tax exemption, it is assumed that only the provision in question is changed and that all other aspects of the tax system remain the same.

Consistent with accepted revenue estimating practices, the estimates also assume that economic variables, taxpayer behavior and other factors would be unaffected by the repeal of a tax exemption. As a result, the calculations do not consider any side effects that could result from the removal of any other tax exemption.

In addition, the estimates are limited to the accuracy and completeness of the source data. In some cases, little data is available, and estimates were made using external sources or indirect information. Specifically, the following three scenarios are highlighted as areas of potential understatement or overstatement of estimates in the Tax Exemption Budget:

- Revenue losses associated with nonrefundable individual income tax, corporation income tax, fiduciary income tax, and corporation franchise tax credits, including nonrefundable credits reported in the tax incentive and exemption contracts section have been limited to the tax liability reported.
- Revenue losses associated with transferable tax credits, such as the Motion Picture Investor Tax Credit and the credit for the Rehabilitation of Historic Structures used as payments for outstanding liabilities are only reported if the tax credit is in the Tax Credit Registry under R.S. 47:1524.
- Revenue losses are reported based on all tax returns filed during the fiscal year. If returns for prior periods are filed in the current fiscal year, the revenue losses attributable to those prior tax periods are reflected in the data reported. As a result, revenue losses may continue to be reported in a given fiscal year even after a provision has been repealed or has sunset.

## Reliability of Data Sources

The precision of the fiscal effect of the tax exemptions reported in this document varies with the source of the data and the applicability of the data to the specific tax exemption provision. Regardless of the data source, the reliability of estimates for the current and ensuing years is of distinctly lower quality than that of the historical numbers.

Whenever possible, data from actual tax returns is used to estimate the fiscal effect of a tax exemption. Other sources of data include informational reports filed with the Department of Revenue, the Department of Revenue's Summary of Refunds and Rebates Issued Report, and information gathered from the Office of Motor Vehicles, Louisiana Economic Development, Department of Education and Department of Culture, Recreation & Tourism.

For purposes of this report, the following terminology is used to describe the fiscal effect for tax exemptions with the following situations:

*Negligible* – revenue loss is reported or estimated at $10,000 or less

*No data* – historical data was not available to report or estimate the revenue loss

*Unable to anticipate* – source data was not available to predict the future revenue loss

*** – tax exemption was not in effect for tax periods that would be filed during the fiscal year

*NRR* – source data was not available because there is no reporting requirement for the data

*See number (x)* – used in the sales tax and individual income tax listings to indicate that the fiscal effect for a tax exemption is included with the fiscal effect of the referenced exemption. Generally, this applies to those tax exemptions that have been superseded by another form of exemption or grouped with a like item.

## Reliability of Sales Tax Return Reporting

There is a risk that taxpayers have erroneously classified exempt transactions. Consequently, classification errors for sales tax revenue losses may be undetected and amounts erroneously reported in the Tax Exemption Budget document.

## Explanation of Certain Reporting Disclosures in the Five-Year Revenue Loss Schedule

*State Exemptions and Federal Exemptions* – There are several statutory tax exemptions that are also prohibited from taxation by the state constitution, federal laws, or existing reciprocal agreements. Because of these additional prohibitions, repeal of the statutory exemption would not yield the fiscal effect indicated. For this reason, these exemptions are separately grouped at the end of each major tax listing.

## Explanation of Certain Reporting Disclosures in the Five-Year Revenue Loss Schedule – Sales Tax

Act 1 of the 2018 Third Extraordinary Legislative Session amended R.S. 47:321.1 to reduce the additional state sales tax imposed by Act 26 of the 2016 First Extraordinary Legislative Session from 1% to 0.45%. This reduced the overall state sales tax rate from 5% to 4.45%. Only those exclusions and exemptions listed in Act 1 remained in effect with respect to the impositions in R.S. 47:302, 321, 321.1 and 331. Act 1 also provided that business utilities, which include the sale or use of steam, water, electric power or energy, natural gas, or energy sources as provided in R.S. 47:305(D)(1)(b), (c), (d), (g), and (h), are subject to a 2% state sales tax pursuant to R.S. 47:302. The state sales tax rate of 4.45% was in effect from July 1, 2018, until December 31, 2024.

Act 11 of the 2024 Third Extraordinary Session amended the levies in R.S. 47:321.1 (to 1%) and 331 (to 1%), resulting in an overall state sales tax rate of 5% beginning January 1, 2025. The levy in R.S. 51:1286 was repealed and replaced with an equivalent dedication of the collections received from R.S. 47:331. Act 11 also repealed many of the exclusions and exemptions that had previously been suspended.

The Louisiana Sales and Use Tax Commission for Remote Sellers serves as the tax collecting entity for state and local taxing jurisdictions collecting sales taxes due from remote sales. State and local sales and use taxes have been collected by this commission since July 1, 2020. State sales tax exemptions and exclusions associated with remote sales transactions are included in the TEB Five-Year Revenue Loss.

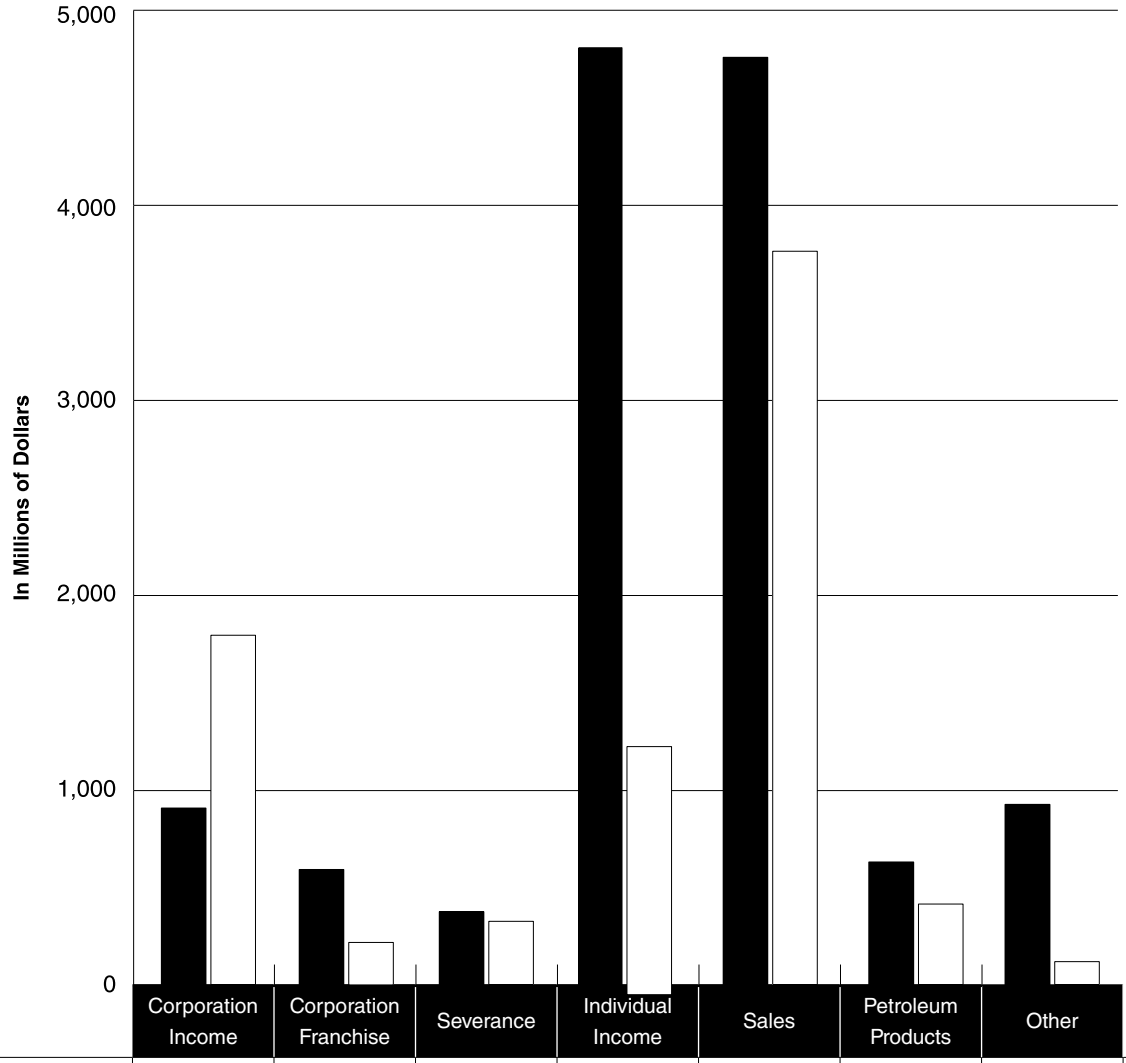
# Executive Summary
## Part 3

# Executive Summary

**Analysis of Tax Collections vs. Exemptions***

In Millions

(FY 2024-2025)



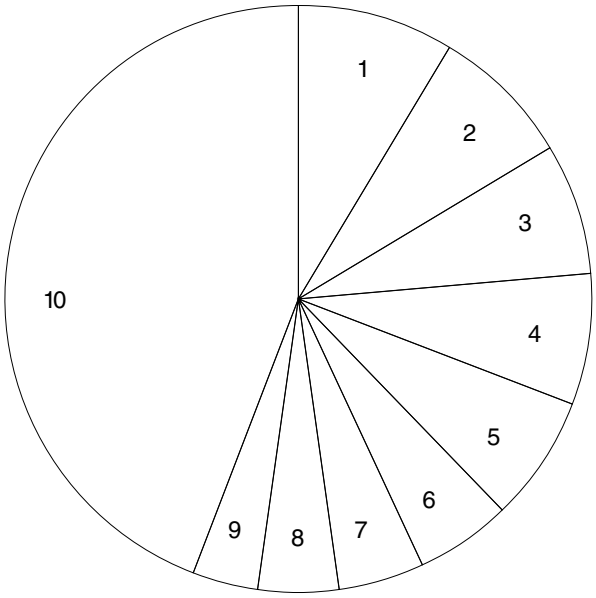

| | Corporation Income | Corporation Franchise | Severance | Individual Income | Sales | Petroleum Products | Other | TOTAL |
|---|---|---|---|---|---|---|---|---|
| Actual Collections | $ 858 | $ 565 | $ 350 | $ 4,780 | $ 4,764 | $ 598 | $ 959 | $ 12,874 |
| Estimated Exemptions | $ 1,760 | $ 169 | $ 327 | $ 1,194 | $ 3,732 | $ 385 | $ 96 | $ 7,663 |
| **Total Potential Collections** | **$ 2,618** | **$ 734** | **$ 677** | **$ 5,974** | **$ 8,496** | **$ 983** | **$1,055** | **$ 20,537** |
| Percentage of Estimated Exemptions to Total Potential Collections | 67.23% | 23.02% | 48.30% | 19.99% | 43.93% | 39.17% | 9.10% | 37.31% |

* The revenue losses reported under tax incentive and exemption contracts have been included with their respective taxes of corporation income, sales, corporation franchise, and individual income.

# Executive Summary

## Top Tax Exemptions 2024-25

All Taxes Administered by the Department of Revenue

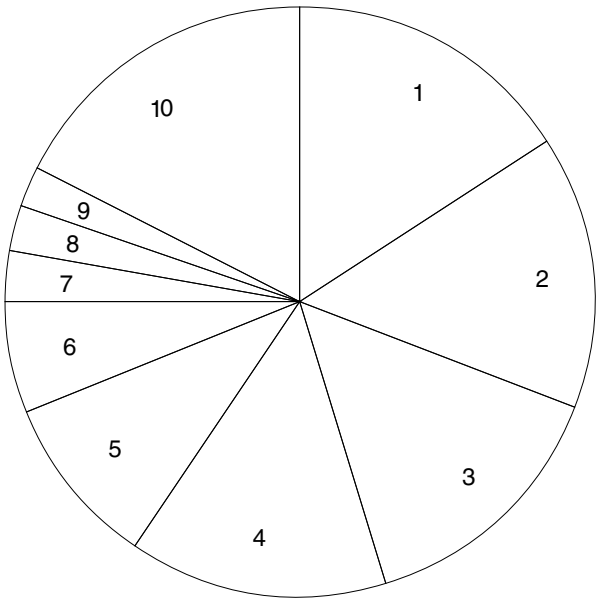



| | | | |
|---|---|---|---|
| **1** | Subchapter S Corporation Exclusion (Corporation Income Tax)[1] | $ 673,493,865 | 8.79% |
| **2** | Sales of Food for Preparation and Consumption in the Home (Sales Tax) | 597,035,996 | 7.79% |
| **3** | Purchases by State and Local Governments (Sales Tax) | 559,677,025 | 7.30% |
| **4** | Drugs Prescribed by Physicians or Dentists (Sales Tax) | 534,151,983 | 6.97% |
| **5** | Sales of Gasoline, Gasohol, and Diesel (Sales Tax) | 533,500,563 | 6.96% |
| **6** | Inventory Tax/Ad Valorem Tax (Individual, Corporation, and Fiduciary Income, Corporation Franchise Taxes) | 422,475,283 | 5.51% |
| **7** | Sales of Electric Power or Energy, Natural Gas, and Energy Sources Used as Boiler Fuel, Except Refinery Gas - Nonresidential (Sales Tax) | 347,968,286 | 4.54% |
| **8** | Net Louisiana Operating Loss (Corporation Income Tax) | 347,964,811 | 4.54% |
| **9** | Horizontal Wells - Natural Gas Exemptions (Severance Tax) | 271,754,073 | 3.55% |
| **10** | All Other Exemptions (All Taxes) | 3,374,518,873 | 44.05% |
| | **Total Exemptions** | **$7,662,540,758** | **100.00%** |

**Footnotes for Executive Summary**

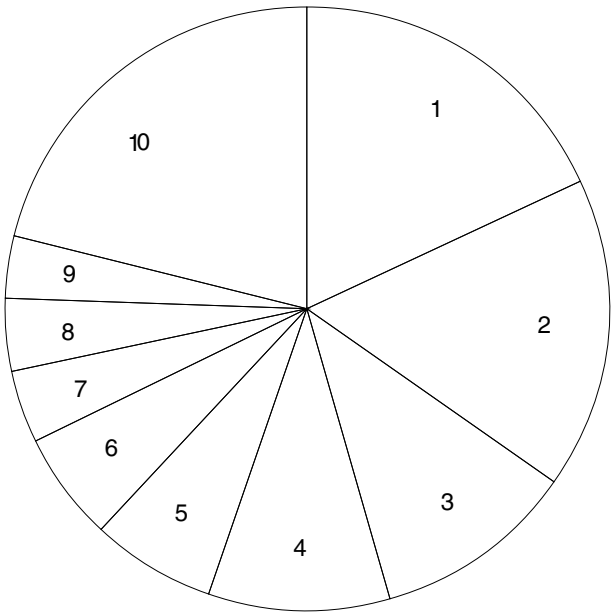
1. The amount reported for this exemption is a preferential tax rate. Shareholders utilizing this exclusion pay the income tax on the individual income tax return

**Top Tax Exemptions 2024-25**
Sales Tax




| | | | |
|---|---|---|---|
| **1** | Sales of Food for Preparation and Consumption in the Home | $ 597,035,996 | 16.00% |
| **2** | Purchases by State and Local Governments | 559,677,025 | 15.00% |
| **3** | Drugs Prescribed by Physicians or Dentists | 534,151,983 | 14.31% |
| **4** | Sales of Gasoline, Gasohol, and Diesel | 533,500,563 | 14.30% |
| **5** | Sales of Electric Power or Energy, Natural Gas, and Energy Sources Used as Boiler Fuel, Except Refinery Gas - Nonresidential | 347,968,286 | 9.32% |
| **6** | Sales of Electric Power or Energy to the Consumer for Residential Use | 234,170,385 | 6.27% |
| **7** | Purchases of Automobiles for Lease or Rental | 96,166,447 | 2.58% |
| **8** | Procurement Processing Company Rebate Program | 94,041,228 | 2.52% |
| **9** | Property Purchased for Exclusive Use Outside the State | 86,542,397 | 2.32% |
| **10** | All Other Exemptions | 648,574,067 | 17.38% |
| | **Total Sales Tax Exemptions** | **$3,731,828,377** | **100.00%** |

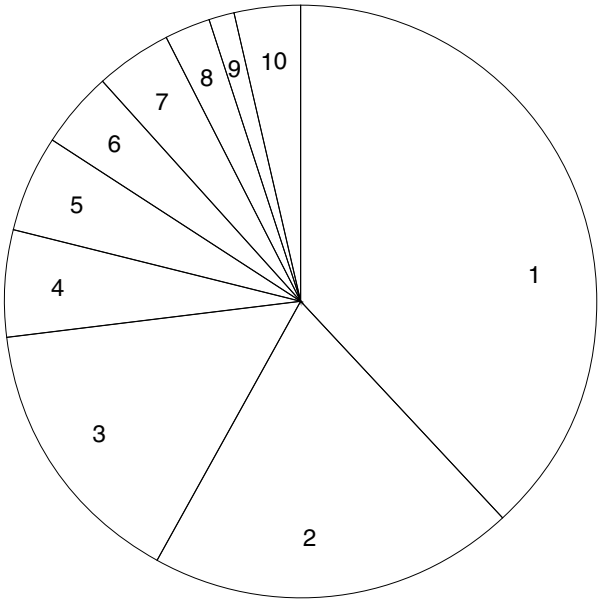
**Top Tax Exemptions 2024-25**
Individual Income Tax




| | | | |
|---|---|---|---|
| **1** | Personal Exemption-Standard Deduction | $ 217,500,897 | 18.21% |
| **2** | Social Security Benefits Deduction | 199,909,377 | 16.74% |
| **3** | State Employees, Teachers, and Other Retirement Benefits Deduction | 129,203,503 | 10.82% |
| **4** | Net Income Taxes Paid to Other States Credit | 114,925,014 | 9.62% |
| **5** | Earned Income Tax Credit | 78,713,535 | 6.59% |
| **6** | Pass -Through Entity Tax Election | 70,299,169 | 5.89% |
| **7** | Federal Retirement Benefits Deduction | 47,819,039 | 4.00% |
| **8** | Net Capital Gains Deduction | 46,779,264 | 3.92% |
| **9** | Annual Retirement Income Exclusion | 38,065,994 | 3.19% |
| **10** | All Other Exemptions | 250,980,331 | 21.02% |
| | **Total Individual Income Exemptions** | **$ 1,194,196,123** | **100.00%** |

# Executive Summary

**Top Tax Exemptions 2024-25**
Corporation Income Tax




| | | | |
|---|---|---|---|
| **1** | Subchapter S Corporation Exclusion[1] | $ 673,493,865 | 38.28% |
| **2** | Net Louisiana Operating Loss Deduction | 347,964,811 | 19.78% |
| **3** | Inventory Tax/Ad Valorem Tax Credit | 265,952,096 | 15.11% |
| **4** | Motion Picture Investor Tax Credit | 101,819,468 | 5.79% |
| **5** | Pass-Through Entity Tax Election | 95,450,797 | 5.42% |
| **6** | Insurance Company Premium Tax Credit | 72,654,023 | 4.13% |
| **7** | Louisiana Quality Jobs Program | 72,510,287 | 4.12% |
| **8** | Digital Interactive Media & Software Tax Credit | 42,599,358 | 2.42% |
| **9** | Rehabilitation of Historic Structures Credit | 28,094,033 | 1.60% |
| **10** | All Other Exemptions | 59,058,527 | 3.35% |
| | **Total Corporation Income Exemptions** | **$ 1,759,597,265** | **100.00%** |

**Footnotes for Executive Summary**

1. The amount reported for this exemption is a preferential tax rate. Shareholders utilizing this exclusion pay the income tax on the individual income tax return.

## Tax Incentives and Exemption Contracts 2024-2025
By Tax Type

| Exemptions[1] | Corporation Income | Fiduciary Income | Individual Income | Sales | Corporation Franchise | Total |
|---|---|---|---|---|---|---|
| Motion Picture Investor Tax Credit | $101,819,468 | $0 | $209,780 | N/A | N/A | $102,029,248 |
| Research and Development Tax Credit | 5,276,388 | 419,955 | 8,926,257 | N/A | 2,355,341 | 16,977,941 |
| Digital Interactive Media & Software Tax Credit | 42,599,358 | 0 | 1,089,951 | N/A | 0 | 43,689,309 |
| Industrial Tax Equalization Program | 1,563,908 | 0 | 0 | 0 | 1,413,579 | 2,977,487 |
| Exemptions for Manufacturing Establishments | 0 | 0 | 0 | 0 | 940,279 | 940,279 |
| Enterprise Zones | 17,591,634 | 108,842 | 1,503,801 | 1,341,818 | 519,318 | 21,065,413 |
| Sound Recording Investor Tax Credit | 60,460 | 0 | 0 | N/A | N/A | 60,460 |
| Angel Investor Tax Credit Program | 442,581 | 74,761 | 1,787,520 | N/A | 0 | 2,304,862 |
| Musical & Theatrical Productions Tax Credit | 2,143,446 | 0 | 0 | N/A | N/A | 2,143,446 |
| Retention and Modernization Credit | 0 | 0 | 0 | N/A | 5,640,478 | 5,640,478 |
| Louisiana Quality Jobs Program | 72,510,287 | 0 | 0 | 5,512,715 | N/A | 78,023,002 |
| Procurement Processing Company Rebate Program | N/A | N/A | N/A | 94,041,228 | N/A | 94,041,228 |
| **Total Exemptions** | **$244,007,530** | **$603,558** | **$13,517,309** | **$100,895,761** | **$10,868,995** | **$369,893,153** |

**Footnotes for Tax Incentives and Exemption Contracts**

1. Programs not included because revenue loss was $0: Louisiana Capital Companies Tax Credit Program and New Markets Tax Credit.

# Five-Year Estimated Revenue Loss

## Part 4

# Summary of All Taxes

| Tax Type (Listed in order of magnitude by FYE 6-25) | FYE 6-23 | FYE 6-24 | FYE 6-25 | FYE 6-26 (projected) | FYE 6-27 (projected) |
|---|---|---|---|---|---|
| **1.** Sales Tax[1] | $3,229,035,473 | $3,242,369,750 | $3,630,932,616 | $3,804,899,000 | $3,845,071,000 |
| **2.** Income Tax - Individual, Corporation, Franchise, and Fiduciary[2] | $3,248,230,420 | $2,743,675,067 | $2,863,433,945 | $2,975,617,000 | $2,463,539,000 |
| **3.** Natural Resources - Severance Tax | $247,139,419 | $452,894,035 | $327,259,865 | $276,478,000 | $274,906,000 |
| **4.** Tax Incentive and Exemption Contracts | $417,098,671 | $355,308,290 | $369,893,153 | $451,848,000 | $445,373,000 |
| **5.** Petroleum Products Tax | $251,654,512 | $288,017,657 | $384,690,101 | $287,919,000 | $319,610,000 |
| **6.** Tobacco Tax | $92,807,629 | $82,054,718 | $74,854,445 | $74,977,000 | $66,542,000 |
| **7.** Public Utilities and Carriers Taxes[3] | $9,381,294 | $8,812,053 | $7,948,413 | $10,342,000 | $9,515,000 |
| **8.** Liquors - Alcoholic Beverage Tax | $4,402,761 | $4,853,870 | $3,413,282 | $3,843,000 | $3,527,000 |
| **9.** Telecommunication Tax for the Deaf[3] | $74,874 | $76,464 | $79,630 | $125,000 | $98,000 |
| **10.** Oil Spill Contingency Fee[3] | $36,099 | $33,126 | $35,308 | $34,000 | $36,000 |
| **11.** Hazardous Waste Disposal Tax[3] | Negligible | Negligible | Negligible | $11,000 | $10,000 |
| **12.** Consumable Hemp Products Tax[3] | NRR | NRR | NRR | NRR | NRR |
| **Total Tax Revenue Loss** | **$7,499,861,152** | **$7,178,095,030** | **$7,662,540,758** | **$7,886,093,000** | **$7,428,227,000** |



**Footnotes for Summary of all Taxes**

1. Due to the potential of taxpayer reporting errors on Form R-1029, *Louisiana Department of Revenue Sales Tax Return*, there is a risk of classification errors for sales tax revenue losses reported in the Tax Exemption Budget document.
2. The estimated revenue loss for FYE 6-26 and FYE 6-27 may not reflect all tax reform changes due to insufficient data currently available to fully assess their impact.
3. The revenue loss is included in the Miscellaneous Tax table.

| Exemptions | FYE 6-23 | FYE 6-24 | FYE 6-25 | FYE 6-26 (projected) | FYE 6-27 (projected) | Exemption Classification |
|---|---|---|---|---|---|---|
| **Exemptions and Exclusions** | | | | | | |
| **1.** Purchases by Pari-Mutuel Horse Racetracks[1] | *** | *** | Negligible | Negligible | Negligible | Specialty - Specific Taxpayer |
| **2.** Purchases by Off-Track Wagering Facilities[1] | *** | *** | $0 | Negligible | Negligible | Specialty - Specific Taxpayer |
| **3.** Purchases by Nonprofit Electric Cooperatives | $1,093,275 | $1,140,027 | $1,273,572 | $1,208,000 | $1,232,000 | Specialty - Group |
| **4.** Purchases by a Public Trust[1] | *** | *** | $21,684 | $56,000 | $58,000 | Specialty - Group |
| **5.** Sales by State-Owned Domed Stadiums and Baseball Facilities | $147,553 | $235,195 | $34,035 | $48,000 | $49,000 | Specialty - Group |
| **6.** Sales by Certain Publicly-Owned Facilities | $896,331 | $851,274 | $1,166,007 | $1,264,000 | $1,289,000 | Specialty - Group |
| **7.** Installation Charges on Tangible Personal Property | $35,057,713 | $47,537,206 | $52,572,667 | $80,880,000 | $82,498,000 | Specialty - Group |
| **8.** Installation of Board Roads to Oilfield Operators | $296,342 | $316,599 | $268,411 | *** | *** | Specialty - Specific Taxpayer |
| **9.** Manufacturers Rebates on New Motor Vehicles | $3,548,602 | $8,756,334 | $13,161,224 | $13,424,000 | $13,693,000 | Business Environment - General |
| **10.** Room Rentals at Camp and Retreat Facilities | Negligible | $24,650 | Negligible | *** | *** | Specialty - Group |
| **11.** Admissions to Places of Amusement at Camp or Retreat Facilities | $13,034 | $33,081 | Negligible | *** | *** | Specialty - Group |
| **12.** Rentals or Leases of Certain Oilfield Property to be Re-Leased or Re-Rented[1] | $2,401,687 | $3,699,232 | $3,427,747 | $3,751,000 | $3,826,000 | Business Environment - Direct Inputs |
| **13.** Leases or Rentals by Short-Term Equipment Rental Dealers for Re-Lease or Re-Rental | $92,252 | $295,699 | $292,429 | $321,000 | $327,000 | Specialty - Group |
| **14.** Sales and Rentals to Boys State of Louisiana, Inc. and Girls State of Louisiana, Inc. | Negligible | $13,183 | $10,375 | *** | *** | Specialty - Group |
| **15.** Digital Products Consumed Where the Digital Product Becomes an Ingredient or Component of a New Product or Taxable Service | *** | *** | $941,672 | $961,000 | Unable to anticipate | Business Environment - Direct Inputs |
| **16.** Purchases by a Private Postsecondary Academic Degree-Granting Institution | $620,913 | $727,558 | $279,699 | *** | *** | Education - Breaks for Institutions |
| **17.** Purchases of New or Used School Buses | $282,457 | $1,151,562 | $391,718 | *** | *** | Specialty - Specific Taxpayer |
| **18.** Certain Aircraft Assembled in Louisiana | $29,330 | Negligible | $14,078 | *** | *** | Specialty - Specific item |
| **19.** Admissions Charges to Athletic or Entertainment Events of Colleges and Universities | $48,554 | $69,337 | $57,323 | *** | *** | Specialty - Group |
| **20.** Sales of Platinum, Gold, and Silver Bullion and Numismatic Coins at Certain Trade Shows | $4,198,897 | $3,940,643 | $4,916,881 | $5,341,000 | $5,448,000 | Specialty - Specific item |
| **21.** Certain Geophysical Survey Information and Data Analyses | $19,565 | Negligible | Negligible | *** | *** | Specialty - Specific item |
| **22.** Work Products of Certain Professionals | $829,414 | $891,507 | $947,710 | $1,043,000 | $1,063,000 | Normal Tax - General |

Due to the potential of taxpayer reporting errors on Form R-1029, *Louisiana Department of Revenue Sales Tax Return*, there is a risk of classification errors for sales tax revenue losses reported in the Tax Exemption Budget document.

**Footnotes for Sales Tax**

1. Pertinent transactions are fully exempt effective January 1, 2025.

| Exemptions | FYE 6-23 | FYE 6-24 | FYE 6-25 | FYE 6-26 (projected) | FYE 6-27 (projected) | Exemption Classification |
|---|---|---|---|---|---|---|
| **Exemptions and Exclusions** *...Continued* | | | | | | |
| **23.** Other Constructions Permanently Attached to the Ground | $33,510,404 | $36,812,499 | $35,637,289 | $38,747,000 | $39,522,000 | Normal Tax - General |
| **24.** Miscellaneous Telecommunication Services | No data | No data | No data | No data | No data | Specialty - Specific item |
| **25.** Isolated or Occasional Sales of Tangible Personal Property | $5,065,156 | $3,090,931 | $2,547,983 | $2,765,000 | $2,820,000 | Normal Tax - General |
| **26.** Articles Traded in on Tangible Personal Property | $841,784 | $670,642 | $619,488 | $674,000 | $687,000 | Normal Tax - General |
| **27.** Steam Used in Processing of Raw Agricultural Product[1] | Negligible | Negligible | $0 | *** | *** | Agricultural/Rural |
| **28.** Sale and Purchase of Electricity for Use in Production Activity of Stripper Wells | Negligible | $0 | $0 | *** | *** | Business Environment - Utility |
| **29.** Sales of Steam - Nonresidential | See number 31 | See number 31 | See number 31 | See number 31 | See number 31 | Business Environment - Utility |
| **30.** Sales of Electric Power or Energy, Natural Gas, and Energy Sources Used as Boiler Fuel, Except Refinery Gas - Nonresidential | $258,628,607 | $159,271,716 | $347,968,286 | $226,355,000 | $230,882,000 | Business Environment - Utility |
| **31.** Sales of Water - Nonresidential | $10,347,802 | $6,405,402 | $12,743,011 | $8,318,000 | $8,485,000 | Business Environment - Utility |
| **32.** Tangible Personal Property Sold or Donated to Food Banks | $11,973 | Negligible | $13,141 | $15,000 | $15,000 | Specialty - Specific Taxpayer |
| **33.** Sales of Food Items by Youth Organizations | $84,924 | Negligible | Negligible | Negligible | Negligible | Specialty - Group |
| **34.** Trucks, Automobiles, and New Aircraft Removed from Inventory for Use as Demonstrators | Negligible | $103,310 | Negligible | Negligible | Negligible | Specialty - Specific item |
| **35.** Boats, Vessels, and Other Water Craft as Demonstrators | Negligible | Negligible | Negligible | *** | *** | Specialty - Specific item |
| **36.** Sales of Food by Certain Institutions | $527,554 | $925,928 | $572,896 | $612,000 | $624,000 | Specialty - Group |
| **37.** Room Rentals at Certain Homeless Shelters | Negligible | $22,820 | Negligible | Negligible | Negligible | Specialty - Group |
| **38.** Membership Fees or Dues of Nonprofit or Civic Organizations | $87,245 | $103,006 | $100,876 | $110,000 | $113,000 | Specialty - Group |
| **39.** Surface Preparation, Coating, and Painting of Certain Aircraft | $535,041 | $466,901 | $228,592 | $262,000 | $267,000 | Specialty - Specific item |
| **40.** Repair Services Performed in Louisiana When the Repaired Property is Exported | $3,495,737 | $4,495,018 | $3,175,024 | $3,639,000 | $3,712,000 | Normal Tax - General |
| **41.** Property Purchased for Exclusive Use Outside the State | $56,889,838 | $62,651,567 | $86,542,397 | $112,477,000 | $114,726,000 | Normal Tax Structure - Interstate Commerce |
| **42.** Repairs, Renovations, or Conversions of Drilling Rigs | $13,996,682 | $18,544,665 | $21,275,006 | $23,214,000 | $23,678,000 | Specialty - Specific item |
| **43.** Advertising Services | $1,793,370 | $1,712,334 | $6,194,131 | $5,793,000 | $5,909,000 | Normal Tax - General |
| **44.** Used Manufactured Homes and 54 Percent of Cost of New Manufactured Homes | $20,511,418 | $20,150,831 | $22,637,621 | $23,090,000 | $23,552,000 | Specialty - Specific item |
| **45.** Purchases or Leases of Motor Vehicles for Re-Lease or Re-Rent by Qualified Lessors | *** | *** | Negligible | $34,000 | $35,000 | Normal Tax Structure - Interstate Commerce |

Due to the potential of taxpayer reporting errors on Form R-1029, *Louisiana Department of Revenue Sales Tax Return*, there is a risk of classification errors for sales tax revenue losses reported in the Tax Exemption Budget document.

**Footnotes for Sales Tax**

1. Pertinent transactions are subject to 2% effective January 1, 2025.

| Exemptions | FYE 6-23 | FYE 6-24 | FYE 6-25 | FYE 6-26 (projected) | FYE 6-27 (projected) | Exemption Classification |
|---|---|---|---|---|---|---|
| **Exemptions and Exclusions** *...Continued* | | | | | | |
| **46.** Purchases of Tangible Personal Property for Lease or Rental | $39,142,188 | $19,060,630 | $22,820,074 | $24,879,000 | $25,377,000 | Normal Tax - General |
| **47.** Purchases of Automobiles for Lease or Rental | $68,117,709 | $91,313,276 | $96,166,447 | $98,090,000 | $100,052,000 | Business Environment - General |
| **48.** Vehicle Rentals for Re-Rent to Warranty Customers | Negligible | $1,896,349 | $48,309 | $55,000 | $56,000 | Specialty - Group |
| **49.** Sales of 50-Ton Vessels and New Component Parts and Sales of Certain Materials, Software, and Services to Vessels Operating in Interstate Commerce (updated effective July 1, 2025) | $13,561,662 | $12,017,598 | $13,745,456 | $14,939,000 | $15,238,000 | Specialty - Group |
| **50.** Ostomy, Colostomy, Ileostomy, and Other Appliance Devices | $148,251 | $141,560 | $229,376 | $135,000 | $138,000 | MISC - Healthcare/Medical |
| **51.** Medical Devices Used by Patients Under the Supervision of a Physician | $45,528,468 | $51,375,846 | $48,046,864 | $52,394,000 | $53,442,000 | MISC - Healthcare/Medical |
| **52.** Adaptive Driving Equipment and Motor Vehicle Modification | Negligible | Negligible | $11,366 | $12,000 | $12,000 | Specialty - Specific Taxpayer |
| **53.** Sales of Insulin Without a Prescription[1] | *** | *** | Negligible | Negligible | Negligible | MISC - Healthcare/Medical |
| **54.** Purchases, Leases, and Sales of Services by Free Hospitals | $1,857,551 | $2,654,049 | $3,057,862 | $3,384,000 | $3,452,000 | MISC - Healthcare/Medical |
| **55.** Sales of Marijuana for Therapeutic Use | $1,375,259 | $2,561,790 | $4,936,984 | $6,568,000 | $6,699,000 | Specialty - Specific item |
| **56.** Materials Used Directly in the Collection of Blood | $20,479 | $10,442 | $14,126 | $21,000 | $22,000 | MISC - Healthcare/Medical |
| **57.** Apheresis Kits and Leuko Reduction Filters | $0 | Negligible | $0 | *** | *** | MISC - Healthcare/Medical |
| **58.** Orthotic and Prosthetic Devices | $7,723,456 | $8,108,904 | $13,732,043 | $14,953,000 | $15,252,000 | MISC - Healthcare/Medical |
| **59.** Restorative Materials Used by Dentists | $662,918 | $653,672 | $719,957 | $792,000 | $808,000 | MISC - Healthcare/Medical |
| **60.** Kidney Dialysis Machines, Parts, and Supplies for Home Use when Prescribed by a Physician | Negligible | $182,334 | $647,008 | $499,000 | $509,000 | MISC - Healthcare/Medical |
| **61.** Pharmaceutical Samples Distributed in Louisiana | $575,135 | $632,095 | $585,301 | $638,000 | $651,000 | Specialty - Specific item |
| **62.** Sales of Human-Tissue Transplants | $2,883,612 | $3,600,053 | $3,285,109 | $3,640,000 | $3,712,000 | Specialty - Specific item |
| **63.** Sales of Raw Agricultural Commodities | $7,852,868 | $7,488,414 | $5,640,966 | $6,170,000 | $6,293,000 | Agricultural/Rural |
| **64.** Sales of Agriculture Fencing Materials to Commercial Farmers[1] | *** | $60,225 | $98,204 | $120,000 | $123,000 | Agricultural/Rural |
| **65.** Sales of Seeds for Planting Crops | $28,063,523 | $21,049,545 | $20,218,167 | $21,282,000 | $21,708,000 | Agricultural/Rural |
| **66.** Pharmaceuticals Administered to Livestock for Agricultural Purposes | $152,759 | $174,832 | $204,095 | $221,000 | $225,000 | Agricultural/Rural |
| **67.** Sales of Certain Fuels Used for Farm Purposes | $3,609,220 | $3,135,159 | $2,955,294 | $3,256,000 | $3,321,000 | Agricultural/Rural |
| **68.** First $150,000 of the Sales Price of Certain Farm Equipment and Attachments ($50,000 prior to January 1, 2025) | $9,520,238 | $6,685,745 | $5,823,516 | $6,156,000 | $6,279,000 | Agricultural/Rural |
| **69.** Sales of Polyroll Tubing | $253,741 | $173,569 | $95,171 | $109,000 | $111,000 | Agricultural/Rural |
| **70.** Sales of Farm Products Direct from the Farm | $5,774,845 | $12,567,028 | $8,177,508 | $8,734,000 | $8,908,000 | Agricultural/Rural |

Due to the potential of taxpayer reporting errors on Form R-1029, *Louisiana Department of Revenue Sales Tax Return*, there is a risk of classification errors for sales tax revenue losses reported in the Tax Exemption Budget document.

**Footnotes for Sales Tax**

1. Pertinent transactions are subject to 2% effective January 1, 2025.

| Exemptions | FYE 6-23 | FYE 6-24 | FYE 6-25 | FYE 6-26 (projected) | FYE 6-27 (projected) | Exemption Classification |
|---|---|---|---|---|---|---|
| **Exemptions and Exclusions** *...Continued* | | | | | | |
| **71.** Livestock Sold at Market and Racehorses Claimed in Louisiana | $1,596,991 | $2,005,496 | $1,584,991 | $1,774,000 | $1,810,000 | Agricultural/Rural |
| **72.** Feed and Feed Additives for Animals Held for Business Purposes | $1,360,546 | $1,730,253 | $1,132,667 | $1,248,000 | $1,273,000 | Agricultural/Rural |
| **73.** Materials Used in the Production or Harvesting of Crawfish | $227,078 | $165,422 | $296,759 | $318,000 | $325,000 | Agricultural/Rural |
| **74.** Bait and Feed Used in the Production or Harvesting of Crawfish | $829,373 | $484,411 | $762,760 | $813,000 | $829,000 | Agricultural/Rural |
| **75.** Materials Used in the Production or Harvesting of Catfish | $62,449 | $46,694 | $46,766 | $52,000 | $53,000 | Agricultural/Rural |
| **76.** Farm Products Produced and Used by the Farmer | $15,299,251 | $12,996,844 | $14,945,980 | $15,762,000 | $16,077,000 | Agricultural/Rural |
| **77.** Sales of Utilities to Commercial Farmers for On-Farm Storage | Negligible | Negligible | $26,364 | $28,000 | $28,000 | Agricultural/Rural |
| **78.** Sales of Pesticides for Agricultural Purposes | $2,855,033 | $2,343,481 | $882,546 | $1,011,000 | $1,032,000 | Agricultural/Rural |
| **79.** Certain Purchases by Student Farmers | Negligible | $19,232 | Negligible | Negligible | Negligible | Agricultural/Rural |
| **80.** Sales of Fertilizers and Containers to Farmers | See number 65 | See number 65 | See number 65 | See number 65 | See number 65 | Agricultural/Rural |
| **81.** Natural Gas Used in the Production of Iron[1] | See number 30 | See number 30 | See number 30 | Unable to anticipate | Unable to anticipate | Business Environment - Utility |
| **82.** Purchases of Manufacturing Machinery and Equipment | $21,810,593 | $17,015,324 | $84,165,174 | $92,838,000 | $94,695,000 | Business Environment - MME |
| **83.** Purchases of Machinery and Equipment by Certain Utilities[2] | $3,872,545 | $753,288 | See number 82 | See number 82 | See number 82 | Business Environment - MME |
| **84.** Electricity for Chlor-Alkali Manufacturing Process | $20,506,576 | $12,729,701 | $15,984,951 | $17,314,000 | $17,660,000 | Business Environment - Utility |
| **85.** Purchases of Consumables by Paper and Wood Manufacturers and Loggers | $51,796,073 | $11,917,873 | $10,697,739 | $11,560,000 | $11,792,000 | Business Environment - Direct Inputs |
| **86.** Sales of Admission Tickets by Little Theater Organizations | $27,210 | $30,211 | $54,724 | *** | *** | Specialty - Group |
| **87.** Certain Educational Materials and Equipment Used for Classroom Instruction | $580,858 | $1,372,750 | $878,686 | $967,000 | $986,000 | Education - Breaks for Institutions |
| **88.** Purchases of Food Items for School Lunch or Breakfast Programs by Nonpublic Elementary or Secondary Schools | See number 36 | See number 36 | See number 36 | See number 36 | See number 36 | Education - Breaks for Institutions |
| **89.** Donations to Certain Schools | $501,057 | $974,351 | $689,679 | $756,000 | $771,000 | Education - Breaks for Institutions |
| **90.** Admissions Charges to Athletic or Entertainment Events of Elementary and Secondary Schools | $410,677 | $700,022 | $285,751 | $295,000 | $301,000 | Specialty - Group |
| **91.** Purchases by Regionally Accredited Independent Educational Institutions or by the Edward Via College of Osteopathic Medicine (updated effective July 1, 2025) | $906,987 | $1,067,027 | $1,043,221 | $1,166,000 | $1,189,000 | Education - Breaks for Institutions |

Due to the potential of taxpayer reporting errors on Form R-1029, *Louisiana Department of Revenue Sales Tax Return*, there is a risk of classification errors for sales tax revenue losses reported in the Tax Exemption Budget document.

**Footnotes for Sales Tax**

1. Pertinent transactions were subject to 2% out of 4.45% state sales tax rate until December 31, 2024. Beginning January 1, 2025, pertinent transactions are fully exempt from the 5% state sales tax rate. The revenue losses for return periods prior to January 1, 2025, are included in number 30 in this Section.
2. The revenue losses for return periods before January 1, 2025, are included in manufacturing machinery and equipment. See number 82 in this Section.

| Exemptions | FYE 6-23 | FYE 6-24 | FYE 6-25 | FYE 6-26 (projected) | FYE 6-27 (projected) | Exemption Classification |
|---|---|---|---|---|---|---|
| **Exemptions and Exclusions** *...Continued* | | | | | | |
| **92.** Purchases by State and Local Governments[1] | $443,716,306 | $506,014,090 | $559,677,025 | $610,202,000 | $622,407,000 | Normal Tax - Intergovernment |
| **93.** Purchases Made by General Contractors/Subcontractors for Work Performed Under Construction Contracts for Public Projects | *** | *** | $0 | $841,000 | $858,000 | Normal Tax - Intergovernment |
| **94.** Purchases, Services, and Rentals by a Private Company Working for Local Authority on Construction or Operation of Sewerage or Wastewater Treatment Facilities[2] | *** | *** | Negligible | $20,000 | $20,000 | Normal Tax - Intergovernment |
| **95.** Sales of Tangible Personal Property by the Louisiana Military Department | Negligible | Negligible | Negligible | $12,000 | $12,000 | Retirement, Disability, and Military |
| **96.** Sales by Thrift Shops on Military Installations | See number 95 | See number 95 | See number 95 | See number 95 | See number 95 | Retirement, Disability, and Military |
| **97.** Certain Transactions Involving the Construction or Overhaul of U.S. Navy Vessels | $3,382,971 | $3,606,451 | $4,919,831 | $5,383,000 | $5,491,000 | Normal Tax - Federal Mandatory |
| **98.** Sale to the United States Government and its Agencies | See number 92 | See number 92 | See number 92 | See number 92 | See number 92 | Normal Tax - Federal Mandatory |
| **99.** Purchases of Equipment by Bona Fide Volunteer and Public Fire Departments | $108,247 | $377,670 | $1,150,810 | $1,966,000 | $2,005,000 | Specialty - Specific Taxpayer |
| **100.** Tickets to Musical Performances by Nonprofit Musical Organizations | $12,484 | Negligible | Negligible | *** | *** | Specialty - Group |
| **101.** Rentals of Motion Picture Film to Commercial Theaters[2] | *** | *** | $0 | Negligible | Negligible | Specialty - Specific Item |
| **102.** Additional Tax Levy on Contracts Entered into Prior to and Within 90 Days of Tax Levy[3] | $0 | $0 | $44,327 | $893,000 | $911,000 | Specialty - Specific Taxpayer |
| **103.** Purchase of Software and Digital Products for a Business, Banking, or Healthcare Use[2] | *** | *** | $149,700 | $6,124,000 | $6,246,000 | Specialty - Specific Taxpayer |
| **104.** Admissions to Entertainment by Domestic Nonprofit Charitable, Educational, and Religious Organizations | $99,035 | $89,361 | $67,167 | *** | *** | Specialty - Group |
| **105.** Purchases of Certain Bibles, Songbooks, or Literature by Certain Religious Institutions for Instructional Classes[4] | Prohibited | Prohibited | Prohibited | Prohibited | Prohibited | Specialty - Group |
| **106.** Sales of Tangible Personal Property at or Admissions to Events Sponsored by Certain Nonprofit Groups | $2,232,766 | $3,061,380 | $2,691,400 | $2,752,000 | $2,807,000 | Specialty - Group |
| **107.** Sales or Purchases by Blind Persons Operating Small Businesses | See number 108 | See number 108 | See number 108 | See number 108 | See number 108 | Specialty - Specific Taxpayer |
| **108.** Purchases by Certain Organizations that Promote Training for the Blind | $0 | Negligible | $16,044 | $17,000 | $17,000 | Specialty - Specific Taxpayer |

Due to the potential of taxpayer reporting errors on Form R-1029, *Louisiana Department of Revenue Sales Tax Return*, there is a risk of classification errors for sales tax revenue losses reported in the Tax Exemption Budget document.

**Footnotes for Sales Tax**

1. The total revenue loss includes purchases by state and local governments, as well as sales to the U.S. government. See number 98 in this Section.
2. Pertinent transactions are fully exempt from 5% state sales tax effective January 1, 2025.
3. The revenue loss refers to the decline in revenue from the sale of materials and services that were subject to a 4.45% state sales tax before January 1, 2025. This calculation does not include the revenue loss from transportation charges, which were exempt from state sales tax prior to that date.
4. See Revenue Information Bulletin No. 06-022 issued May 5, 2006.

| Exemptions | FYE 6-23 | FYE 6-24 | FYE 6-25 | FYE 6-26 (projected) | FYE 6-27 (projected) | Exemption Classification |
|---|---|---|---|---|---|---|
| **Exemptions and Exclusions** *...Continued* | | | | | | |
| **109.** Cable Television Installation and Repair Services | $172,986 | $258,148 | $250,908 | *** | *** | Specialty - Specific Taxpayer |
| **110.** Purchases by Nonprofit Entities that Sell Donated Goods | $3,757,193 | $7,199,912 | $5,018,249 | $5,396,000 | $5,504,000 | Specialty - Group |
| **111.** Receipts from Coin-Operated Washing and Drying Machines in Commercial Laundromats | $733,369 | $805,005 | $852,753 | $921,000 | $940,000 | Specialty - Specific item |
| **112.** Outside Gate Admissions and Parking Fees at Fairs, Festivals, and Expositions Sponsored by Nonprofit Organizations | Negligible | Negligible | Negligible | *** | *** | Specialty - Group |
| **113.** Lease or Rental of Certain Vessels in Mineral Production | $2,297,094 | $2,220,357 | $2,261,163 | $2,476,000 | $2,525,000 | Business Environment - MME |
| **114.** Purchases of Supplies, Fuels, and Repair Services for Boats Used by Commercial Fishermen | $675,762 | $468,485 | $540,403 | $551,000 | $562,000 | Agricultural/Rural |
| **115.** Sickle Cell Disease Organizations[1] | *** | *** | $0 | Negligible | Negligible | Specialty - Group |
| **116.** Sales of Construction Materials to Habitat for Humanity Affiliates located in Louisiana (effective January 1, 2025)[1] | *** | *** | $0 | Negligible | Negligible | Specialty - Specific item |
| **117.** $20,000 State and Local Sales Tax Cap on Boats Registered in Louisiana (state loss only) | *** | *** | $0 | $24,000 | $24,000 | Specialty - Group |
| **118.** Purchases by Certain Child Advocacy Centers | *** | *** | $0 | Negligible | Negligible | Specialty - Group |
| **119.** Sale of Certain Antique Motor Vehicles | No data | No data | No data | No data | No data | Specialty - Specific item |
| **120.** Qualifying Events Providing Louisiana Heritage, Culture, Crafts, Art, Food and Music Sponsored by a Domestic Nonprofit Organization | $0 | $0 | Negligible | Negligible | Negligible | Specialty - Group |
| **121.** Sales or Purchases by Certain Sheltered Workshops or Supported Employment Providers | $38,344 | $77,139 | $52,514 | $57,000 | $58,000 | Specialty - Specific Taxpayer |
| **122.** Piggy-Back Trailers or Containers and Rolling Stock | See number 124 | See number 124 | See number 124 | See number 124 | See number 124 | Specialty - Specific item |
| **123.** Certain Trucks and Trailers Used 80 Percent in Interstate Commerce | $26,072,499 | $37,928,200 | $31,273,809 | $31,899,000 | $32,537,000 | Business Environment- General |
| **124.** Rail Rolling Stock Sold or Leased in Louisiana | $27,601 | $10,018 | Negligible | Negligible | Negligible | Business Environment- General |
| **125.** Rail Rolling Stock Repaired or Fabricated in Louisiana | $380,875 | $1,018,042 | $2,366,059 | $2,512,000 | $2,562,000 | Specialty - Specific item |
| **126.** Sales of Railroad Ties to Railroads for Use in Other States | $0 | $0 | $0 | Negligible | Negligible | Specialty - Specific item |
| **127.** Utilities Used by Steelworks and Blast Furnaces[1] | See number 30 | See number 30 | See number 30 | See number 30 | See number 30 | Business Environment - Utility |
| **128.** Sales of Construction Materials to Habitat for Humanity, Fuller Center for Housing, and Make it Right Foundation | Negligible | Negligible | Negligible | *** | *** | Specialty - Specific Taxpayer |
| **129.** Sales of Construction Materials to Animal Shelters for Construction of New Animal Shelters in Louisiana | Negligible | Negligible | $0 | *** | *** | Specialty - Specific Taxpayer |
| **130.** Second Amendment Sales Tax Holiday | *** | $389,481 | $765,398 | $860,000 | $877,000 | Specialty - Holidays |

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**Footnotes for Sales Tax**

1. Pertinent transactions are fully exempt from 5% state sales tax effective January 1, 2025.

| Exemptions | FYE 6-23 | FYE 6-24 | FYE 6-25 | FYE 6-26 (projected) | FYE 6-27 (projected) | Exemption Classification |
|---|---|---|---|---|---|---|
| **Exemptions and Exclusions** *...Continued* | | | | | | |
| **131.** Purchase, Lease or Repair of Certain Capital Equipment, and Computer Software by Qualifying Radiation Therapy Treatment Centers | Negligible | $71,703 | Negligible | Negligible | Negligible | Specialty - Specific Taxpayer |
| **132.** Parish Councils on Aging | $63,782 | $49,107 | $28,299 | $31,000 | $32,000 | Specialty - Specific Taxpayer |
| **133.** Purchases of Breastfeeding Items[1] | *** | *** | $0 | Negligible | Negligible | Specialty - Specific item |
| **134.** Donation of Toys | Negligible | Negligible | Negligible | $57,000 | Negligible | Specialty - Group |
| **135.** Hurricane Laura, Hurricane Delta and COVID-19 Pandemic Sales Tax Holiday | Negligible | *** | $0 | *** | *** | Specialty - Holidays |
| **136.** Purchases of Feminine Hygiene Products, Diapers, or Both for Individual Personal Use | $981,269 | $1,481,257 | $1,119,532 | $1,235,000 | $1,260,000 | Specialty - Specific item |
| **137.** Helicopters Leased for Use in the Extraction, Production, or Exploration for Oil, Gas, or Other Minerals | $0 | $0 | $0 | $0 | $0 | Alt Report |
| **138.** Cash-Basis Sales Tax Reporting and Remitting for Health and Fitness Club Membership Contracts | $0 | $0 | $0 | $0 | $0 | Alt Report |
| **139.** Cash-Basis Reporting Procedure for Rental and Lease Transactions | $0 | $0 | $0 | $0 | $0 | Alt Report |
| **140.** Collection from Interstate and Foreign Transportation Dealers | $0 | $0 | $0 | $0 | $0 | Alt Report |
| **141.** Extended Time to Register Mobile Homes | $0 | $0 | $0 | $0 | $0 | Alt Report |
| **142.** "Sales or Cost Price" of Refinery Gas | $0 | $0 | $0 | $0 | $0 | Alt Report |
| **143.** Leases or Rentals of Railroad Rolling Stock and Leases or Rentals by Railway Companies and Railroad Corporations | $0 | $0 | $0 | $0 | $0 | Alt Report |
| **Credits** | | | | | | |
| **144.** Vendor's Compensation | $29,280,276 | $28,266,022 | $39,615,871 | $40,408,000 | $41,216,000 | Dealers and Vendors Comp |
| **Refunds** | | | | | | |
| **145.** Sales Tax Remitted on Bad Debts from Credit Sales | $1,437,352 | $40,900 | $661,708 | Unable to anticipate | Unable to anticipate | Normal Tax - General |
| **146.** State Sales Tax Paid on Property Destroyed in a Natural Disaster | Negligible | Negligible | $0 | *** | *** | MISC - Natural Disasters |
| **147.** Sales, Leases, or Rentals of Durable Medical Equipment Paid by or Under Provisions of Medicare | $0 | $0 | $0 | Unable to anticipate | Unable to anticipate | Normal Tax - Federal Mandatory |
| **148.** Louisiana Tax Free Shopping Program | $238,100 | $283,712 | $67,136 | *** | *** | Specialty - Group |
| **Rebates** | | | | | | |
| **149.** Motor Vehicles Used by Those with Orthopedic Disabilities | $44,025 | $13,538 | Negligible | $10,000 | $11,000 | Specialty - Specific Taxpayer |

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**Footnotes for Sales Tax**

1. Pertinent transactions are fully exempt from 5% state sales tax effective January 1, 2025.

| Exemptions | FYE 6-23 | FYE 6-24 | FYE 6-25 | FYE 6-26 (projected) | FYE 6-27 (projected) | Exemption Classification |
|---|---|---|---|---|---|---|
| **Rebates** *...Continued* | | | | | | |
| **150.** Fiber-Optic Cable Equipment Rebate and Data Center Equipment Rebate/Exemption | $0 | $0 | $35,156 | Unable to anticipate | Unable to anticipate | Specialty - Specific Taxpayer |
| **Total State Sales Tax Loss** | **$1,331,122,969** | **$1,290,736,130** | **$1,658,396,196** | **$1,681,998,000** | **$1,714,601,000** | |
| **State Exemptions with Prohibitions on Taxation** | | | | | | |
| **151.** Credit for Sales and Use Taxes Paid to Other States on Property Imported into Louisiana | No data | No data | No data | No data | No data | Normal Tax - Federal Mandatory |
| **152.** Credit for Use Tax Paid on Automobiles Imported by Certain Members of the Armed Services | No data | No data | No data | No data | No data | Normal Tax - Federal Mandatory |
| **153.** Use of Vehicles in Louisiana by Active Military Personnel | No data | No data | No data | No data | No data | Normal Tax - Federal Mandatory |
| **154.** Purchases Made with Food Stamps and WIC Vouchers | $104,023,481 | $67,918,158 | $73,279,882 | $74,745,000 | $76,240,000 | Normal Tax - Federal Mandatory |
| **155.** Sales of Water to the Consumer for Residential Use | See number 156 | See number 156 | See number 156 | See number 156 | See number 156 | Louisiana Constitutional Mandates |
| **156.** Sales of Electric Power or Energy to the Consumer for Residential Use | $251,335,231 | $216,295,231 | $234,170,385 | $252,776,000 | $257,831,000 | Louisiana Constitutional Mandates |
| **157.** Sales of Natural Gas to the Consumer for Residential Use | See number 156 | See number 156 | See number 156 | See number 156 | See number 156 | Louisiana Constitutional Mandates |
| **158.** Drugs Prescribed by Physicians or Dentists | $405,793,229 | $608,127,143 | $534,151,983 | $575,245,000 | $586,750,000 | Louisiana Constitutional Mandates |
| **159.** Sales of Food for Preparation and Consumption in the Home | $584,488,663 | $577,300,152 | $597,035,996 | $644,045,000 | $656,926,000 | Louisiana Constitutional Mandates |
| **160.** Purchases of Butane, Propane, and Liquefied Petroleum Gas by Residential Consumers | See number 156 | See number 156 | See number 156 | See number 156 | See number 156 | Louisiana Constitutional Mandates |
| **161.** Purchases of Certain Fuels for Private Residential Consumption | $497,656 | $163,056 | $397,611 | $428,000 | $437,000 | Louisiana Constitutional Mandates |
| **162.** Sales of Gasoline, Gasohol, and Diesel | $551,774,244 | $481,829,880 | $533,500,563 | $575,662,000 | $552,286,000 | Louisiana Constitutional Mandates |
| **Total Revenue Loss from Exemptions with Prohibitions on Taxation** | **$1,897,912,504** | **$1,951,633,620** | **$1,972,536,420** | **$2,122,901,000** | **$2,130,470,000** | |
| **Total Sales Tax Revenue Loss** | **$3,229,035,473** | **$3,242,369,750** | **$3,630,932,616** | **$3,804,899,000** | **$3,845,071,000** | |

Due to the potential of taxpayer reporting errors on Form R-1029, *Louisiana Department of Revenue Sales Tax Return*, there is a risk of classification errors for sales tax revenue losses reported in the Tax Exemption Budget document.

| Exemptions | FYE 6-23 | FYE 6-24 | FYE 6-25 | FYE 6-26[1] (projected) | FYE 6-27[1,2] (projected) | Exemption Classification |
|---|---|---|---|---|---|---|
| **Exemptions and Exclusions** | | | | | | |
| **1.** CREDIT UNIONS | | | | | | |
| Corporation Income Tax | NRR | NRR | NRR | NRR | NRR | Business Environment - General |
| Corporation Franchise Tax | NRR | NRR | NRR | NRR | NRR | |
| **2.** CERTAIN FOREIGN CORPORATIONS | | | | | | |
| Corporation Income Tax | NRR | NRR | NRR | NRR | NRR | Business Environment - General |
| Corporation Franchise Tax | NRR | NRR | NRR | NRR | NRR | |
| **3.** ELECTRIC COOPERATIVES | | | | | | |
| Corporation Income Tax | NRR | NRR | NRR | NRR | NRR | Business Environment - General |
| Corporation Franchise Tax | NRR | NRR | NRR | NRR | NRR | |
| **4.** STATE BANKING CORPORATIONS AND SHAREHOLDERS | | | | | | |
| Corporation Income Tax | NRR | NRR | NRR | NRR | NRR | Business Environment - General |
| **5.** ANNUAL RETIREMENT INCOME | | | | | | |
| Individual Income Tax | $35,111,441 | $35,460,518 | $38,065,994 | $45,679,000 | $46,593,000 | Retirement, Disability, and Military |
| **6.** DISABILITY INCOME[3] | | | | | | |
| Individual Income Tax | $750,191 | $327,645 | $293,750 | $288,000 | $282,000 | Retirement, Disability, and Military |
| **7.** STATE EMPLOYEES, TEACHERS, AND OTHER RETIREMENT BENEFITS | | | | | | |
| Individual Income Tax | $122,246,591 | $126,282,100 | $129,203,503 | $131,788,000 | $134,424,000 | Retirement, Disability, and Military |
| **8.** FEDERAL RETIREMENT BENEFITS | | | | | | |
| Individual Income Tax | $39,646,298 | $43,548,747 | $47,819,039 | $49,254,000 | $51,739,000 | Retirement, Disability, and Military |
| **9.** SOCIAL SECURITY BENEFITS | | | | | | |
| Individual Income Tax | $158,869,675 | $176,810,619 | $199,909,377 | $205,907,000 | $210,025,000 | Retirement, Disability, and Military |
| **10.** INTEREST ON STATE OR LOCAL GOVERNMENT OBLIGATIONS | | | | | | |
| Corporation Income Tax | NRR | NRR | NRR | NRR | NRR | Normal Tax Structure - Intergovernment |
| Fiduciary Income Tax | NRR | NRR | NRR | NRR | NRR | |
| Individual Income Tax | NRR | NRR | NRR | NRR | NRR | |
| **11.** GOVERNMENTAL SUBSIDIES FOR OPERATING PUBLIC TRANSPORTATION SYSTEMS | | | | | | |
| Corporation Income Tax | $0 | $0 | $0 | $0 | $0 | MISC - Specialty - Community Development |

**Footnotes for Income & Franchise Tax**

1. The estimated revenue loss for FYE 6-26 and FYE 6-27 may not reflect all tax reform changes due to insufficient data currently available to fully assess their impact.
2. The revenue loss for FYE 6-27 reflects the repeal of franchise tax according to Acts 2024, 3rd Ex. Sess., No. 6.
3. This includes the revenue loss and projected loss for disability income exclusion, deduction for military family assistance fund, deduction for adaptive home improvements for disabled individuals, and exemption for mobile workforce.

| Exemptions | FYE 6-23 | FYE 6-24 | FYE 6-25 | FYE 6-26[1] (projected) | FYE 6-27[1] (projected) | Exemption Classification |
|---|---|---|---|---|---|---|
| **Exemptions and Exclusions** *...Continued* | | | | | | |
| **12.** COMPENSATION FOR DISASTER SERVICES | | | | | | |
| Corporation Income Tax | No data | No data | No data | No data | No data | MISC - Natural Disasters |
| Fiduciary Income Tax | $0 | $0 | $0 | Unable to anticipate | Unable to anticipate | |
| Individual Income Tax | $0 | $0 | $0 | Unable to anticipate | Unable to anticipate | |
| **13.** CERTAIN EXEMPT ENTITIES | | | | | | |
| Corporation Income Tax | NRR | NRR | NRR | NRR | NRR | Business Environment - General |
| **14.** MOBILE WORKFORCE | | | | | | |
| Individual Income Tax | See number 6 | See number 6 | See number 6 | See number 6 | See number 6 | Normal Tax Structure - General |
| **15.** DIVIDENDS FROM NATIONAL BANKING CORPORATIONS AND STATE BANKING CORPORATIONS | | | | | | |
| Corporation Income Tax | NRR | NRR | NRR | NRR | NRR | Business Environment - General |
| **16.** SUBCHAPTER S CORPORATION | | | | | | |
| Corporation Income Tax | $824,249,891 | $726,379,984 | $673,493,865 | $660,024,000 | $382,814,000 | Normal Tax Structure-Double Taxation |
| **17.** COVID-19 RELIEF BENEFITS | | | | | | |
| Corporation Income Tax | No data | No data | No data | No data | No data | MISC - Total Specialty - Community Development |
| Individual Income Tax | $3,118,448 | $3,372,830 | $1,908,877 | $273,000 | $41,000 | |
| **18.** DIGITAL NOMAD | | | | | | |
| Individual Income Tax | Negligible | $11,888 | Negligible | $10,000 | Negligible | MISC - Specialty - Performance of Specific Activity |
| **19.** MILITARY PAY | | | | | | |
| Individual Income Tax | $7,715,798 | $8,370,468 | $9,017,411 | $9,288,000 | $9,474,000 | Retirement, Disability, and Military |
| **20.** PASS-THROUGH ENTITY TAX ELECTION | | | | | | |
| Fiduciary Income Tax | *** | $156,736 | $1,161,143 | $1,184,000 | $1,208,000 | Normal Tax Structure - Double Taxation |
| Individual Income Tax | $19,762,938 | $34,111,212 | $70,299,169 | $71,705,000 | $73,139,000 | |
| **21.** S BANK INCOME | | | | | | |
| Individual Income Tax | $5,167,921 | $7,366,430 | $6,488,104 | $6,358,000 | $6,231,000 | Normal Tax Structure - General |
| Fiduciary Income Tax | $809,998 | $483,585 | $379,373 | $372,000 | $365,000 | |
| **22.** RESIDENT ESTATES AND TRUSTS EXEMPTION | | | | | | |
| Fiduciary Income Tax | $730,601 | $612,492 | $610,045 | $600,000 | $570,000 | MISC - Personal Income Tax Formula |

**Footnotes for Income & Franchise Tax**

1. The estimated revenue loss for FYE 6-26 and FYE 6-27 may not reflect all tax reform changes due to insufficient data currently available to fully assess their impact.

| Exemptions | FYE 6-23 | FYE 6-24 | FYE 6-25 | FYE 6-26[1] (projected) | FYE 6-27[1] (projected) | Exemption Classification |
|---|---|---|---|---|---|---|
| **Deductions** | | | | | | |
| **23.** START SAVINGS PROGRAM CONTRIBUTION | | | | | | |
| Individual Income Tax | $3,021,856 | $2,991,179 | $3,045,796 | $2,985,000 | $2,925,000 | Education - Breaks for Taxpayers |
| **24.** START K-12 SAVINGS PROGRAM CONTRIBUTION | | | | | | |
| Individual Income Tax | $50,575 | $112,426 | $124,040 | $127,000 | $130,000 | Education - Breaks for Taxpayers |
| **25.** ENTITY-LEVEL INCOME TAX PAID TO OTHER STATES | | | | | | |
| Individual Income Tax | Negligible | $13,040 | $1,082,626 | $1,104,000 | $1,126,000 | Normal Tax Structure-Double Taxation |
| **26.** ADAPTIVE HOME IMPROVEMENTS FOR DISABLED INDIVIDUALS | | | | | | |
| Individual Income Tax | See number 6 | See number 6 | See number 6 | See number 6 | See number 6 | MISC - Specialty - Performance of Specific Activity |
| **27.** DEPENDENT/BLIND/AGED EXEMPTION/DEDUCTION | | | | | | |
| Individual Income Tax | $28,353,316 | $28,720,751 | $28,946,864 | $3,474,000 | $1,737,000 | MISC - Personal Income Tax Formula |
| **28.** PERCENTAGE DEPLETION | | | | | | |
| Fiduciary Income Tax | $267,082 | $105,817 | $232,474 | $228,000 | $223,000 | Business Environment - General |
| Corporate Income Tax | No data | No data | No data | No data | No data | |
| **29.** NET LOUISIANA OPERATING LOSS | | | | | | |
| Corporate Income Tax | $256,416,744 | $377,368,385 | $347,964,811 | $341,006,000 | $334,186,000 | Normal Tax Structure - Net Operating Loss |
| **30.** STANDARD DEDUCTION | | | | | | |
| Corporate Income Tax | *** | *** | *** | Unable to anticipate | Unable to anticipate | MISC - Personal Income Tax Formula |
| **31.** I.R.C. SECTION 280E EXPENSE | | | | | | |
| Corporate Income Tax | No data | No data | No data | No data | No data | Normal Tax Structure - General |
| **32.** I.R.C. SECTION 280C EXPENSE | | | | | | |
| Individual Income Tax | $19,064,514 | $7,809,116 | $2,843,882 | $1,209,000 | $121,000 | Normal Tax Structure - General |
| Corporate Income Tax | No data | No data | No data | No data | No data | |
| **33.** INTEREST INCOME AND DIVIDEND INCOME | | | | | | |
| Corporate Income Tax | No data | No data | No data | No data | No data | MISC - Specialty - Corporate Income Tax Formula |
| **34.** HURRICANE RECOVERY ENTITY BENEFITS | | | | | | |
| Corporate Income Tax | No data | No data | No data | No data | No data | MISC - Natural Disaster |
| Individual Income Tax | Negligible | Negligible | Negligible | Negligible | Negligible | |

**Footnotes for Income & Franchise Tax**

1. The estimated revenue loss for FYE 6-26 and FYE 6-27 may not reflect all tax reform changes due to insufficient data currently available to fully assess their impact.

| Exemptions | FYE 6-23 | FYE 6-24 | FYE 6-25 | FYE 6-26[1] (projected) | FYE 6-27[1,2] (projected) | Exemption Classification |
|---|---|---|---|---|---|---|
| **Deductions** ...*Continued* | | | | | | |
| **35.** BONUS DEPRECIATION AND AMORTIZATION | | | | | | |
| Corporate Income Tax | *** | *** | *** | Unable to anticipate | Unable to anticipate | Business Environment - General |
| Fiduciary Income Tax | *** | *** | *** | Unable to anticipate | Unable to anticipate | |
| Individual Income Tax | *** | *** | *** | Unable to anticipate | Unable to anticipate | |
| **36.** CONSTRUCTION CODE RETROFITTING | | | | | | |
| Individual Income Tax | Negligible | Negligible | $34,336 | $35,000 | $70,000 | MISC - Specialty - Performance of Specific Activity |
| **37.** EXCESS FEDERAL ITEMIZED DEDUCTIONS | | | | | | |
| Individual Income Tax | $95,761,358 | $15,676,046 | $15,020,014 | $14,720,000 | $14,426,000 | MISC - Personal Income Tax Formula |
| **38.** NET CAPITAL GAINS | | | | | | |
| Individual Income Tax | $86,853,986 | $67,851,997 | $46,779,264 | $42,101,000 | $4,210,000 | MISC - Specialty - Performance of Specific Activity |
| **39.** LOUISIANA FORTIFY HOMES PROGRAM GRANTS | | | | | | |
| Individual Income Tax | *** | *** | *** | Unable to anticipate | Unable to anticipate | MISC - Specialty - Performance of Specific Activity |
| **40.** DEPOSITS TO ABLE ACCOUNTS | | | | | | |
| Individual Income Tax | *** | *** | *** | *** | Unable to anticipate | MISC - Personal Income Tax Formula |
| **41.** PERSONAL EXEMPTION-STANDARD DEDUCTION[2] | | | | | | |
| Individual Income Tax | $220,332,054 | $218,631,293 | $217,500,897 | $326,251,000 | $407,814,000 | MISC - Personal Income Tax Formula |
| **42.** RECREATION VOLUNTEER | | | | | | |
| Individual Income Tax | $18,005 | $26,771 | $27,661 | $28,000 | $29,000 | MISC - Specialty - Performance of Specific Activity |
| **43.** VOLUNTEER FIREFIGHTER | | | | | | |
| Individual Income Tax | $41,142 | $41,554 | $40,033 | $39,000 | $38,000 | MISC - Specialty - Performance of Specific Activity |
| **44.** ELEMENTARY & SECONDARY SCHOOL TUITION | | | | | | |
| Individual Income Tax | $17,068,498 | $16,528,851 | $18,266,098 | $18,631,000 | $19,004,000 | Education - Breaks for Taxpayers |
| **45.** EDUCATIONAL EXPENSES FOR HOME-SCHOOLED CHILDREN | | | | | | |
| Individual Income Tax | $379,942 | $393,605 | $440,346 | $449,000 | $458,000 | Education - Breaks for Taxpayers |
| **46.** FEES AND OTHER EDUCATIONAL EXPENSES FOR A QUALITY PUBLIC EDUCATION | | | | | | |
| Individual Income Tax | $2,730,323 | $2,825,250 | $2,771,918 | $2,827,000 | $2,884,000 | Education - Breaks for Taxpayers |

**Footnotes for Income & Franchise Tax**

1. The estimated revenue loss for FYE 6-26 and FYE 6-27 may not reflect all tax reform changes due to insufficient data currently available to fully assess their impact.
2. The fiscal effect assumes no restrictions on eliminating this deduction. Assuming that to reduce this deduction below the levels in effect January 1, 1974, would require a constitutional amendment, 58 percent of the fiscal effect should be considered protected. This estimated revenue loss increased significantly due to tax reform changes as provided by Acts 2024, 3rd Ex. Sess., No. 11.

| Exemptions | FYE 6-23 | FYE 6-24 | FYE 6-25 | FYE 6-26[1] (projected) | FYE 6-27[1,2] (projected) | Exemption Classification |
|---|---|---|---|---|---|---|
| **Deductions** ...*Continued* | | | | | | |
| **47.** EMPLOYMENT OF QUALIFIED DISABLED INDIVIDUALS | | | | | | |
| Fiduciary Income Tax | $0 | $0 | $0 | Negligible | Negligible | Incentives - Employment |
| Individual Income Tax | $0 | Negligible | Negligible | Negligible | Negligible | |
| Corporate Income Tax | No data | No data | No data | No data | No data | |
| **48.** COVID-19 EDUCATIONAL EXPENSES | | | | | | |
| Individual Income Tax | Negligible | Negligible | Negligible | Negligible | *** | MISC - Total Specialty - Community Development |
| **49.** PRIVATE ADOPTION OF CERTAIN INFANTS | | | | | | |
| Individual Income Tax | See number 57 | See number 57 | See number 57 | See number 57 | See number 57 | MISC - Specialty - Performance of Specific Activity |
| **50.** HARDSHIP RETIREMENT DISTRIBUTION | | | | | | |
| Individual Income Tax | *** | *** | *** | *** | Unable to anticipate | MISC - Personal Income Tax Formula |
| **51.** BANK-HOLDING CORPORATIONS | | | | | | |
| Corporation Franchise Tax | No data | No data | No data | No data | No data | Business Environment - General |
| **52.** PUBLIC-UTILITY HOLDING CORPORATIONS | | | | | | |
| Corporation Franchise Tax | No data | No data | No data | No data | No data | Business Environment - General |
| **53.** PUBLIC WATER UTILITY COMPANIES | | | | | | |
| Corporation Franchise Tax | No data | No data | No data | No data | No data | Business Environment - General |
| **54.** MEMBERS OF CONTROLLED GROUPS THAT INCLUDE A TELEPHONE CORPORATION | | | | | | |
| Corporation Franchise Tax | No data | No data | No data | No data | No data | Business Environment - General |
| **55.** HOLDING COMPANY | | | | | | |
| Corporation Franchise Tax | No data | No data | No data | No data | No data | Business Environment - General |
| **56.** REGULATED UTILITY COMPANIES | | | | | | |
| Corporation Franchise Tax | No data | No data | No data | No data | No data | Business Environment - General |
| **57.** ADOPTION FROM FOSTER CARE[3] | | | | | | |
| Individual Income Tax | $38,935 | $39,492 | $27,911 | $27,000 | $28,000 | MISC - Specialty - Performance of Specific Activity |
| **58.** MILITARY FAMILY ASSISTANCE FUND | | | | | | |
| Individual Income Tax | See number 6 | See number 6 | See number 6 | See number 6 | See number 6 | Retirement, Disability, and Military |

**Footnotes for Income & Franchise Tax**

1. The estimated revenue loss for FYE 6-26 and FYE 6-27 may not reflect all tax reform changes due to insufficient data currently available to fully assess their impact.
2. The revenue loss for FYE 6-27 reflects the repeal of franchise tax according to Acts 2024, 3rd Ex. Sess., No. 6.
3. This includes the revenue loss and projected loss for deduction for adoption from foster care, and deduction for private adoptions of certain infants.

| Exemptions | FYE 6-23 | FYE 6-24 | FYE 6-25 | FYE 6-26[1] (projected) | FYE 6-27[1,2] (projected) | Exemption Classification |
|---|---|---|---|---|---|---|
| **Preferential Tax Rate** | | | | | | |
| **59.** FRANCHISE TAX SUSPENSION FOR CERTAIN BUSINESSES | | | | | | |
| Corporate Franchise Tax | $5,073,638 | $492,991 | $88,180 | *** | *** | MISC - Preferential Income Tax Rate |
| **60.** PASS-THROUGH ENTITY TAX ELECTION | | | | | | |
| Corporation Income Tax | $16,585,980 | $47,220,367 | $95,450,797 | $97,360,000 | $99,307,000 | MISC - Preferential Income Tax Rate |
| **Credits** | | | | | | |
| **61.** NET INCOME TAXES PAID TO OTHER STATES | | | | | | |
| Individual Income Tax | $129,816,933 | $106,933,347 | $114,925,014 | $112,627,000 | $110,374,000 | Normal Tax Structure - Double Taxation |
| Fiduciary Income Tax | $3,521,548 | $3,052,457 | $1,916,672 | $1,878,000 | $1,840,000 | |
| **62.** NEW JOBS | | | | | | |
| Corporation Income Tax | Negligible | Negligible | Negligible | *** | *** | Incentives - Employment |
| **63.** NEIGHBORHOOD ASSISTANCE | | | | | | |
| Corporation Income Tax | $0 | $0 | $0 | $0 | $0 | MISC - Specialty - Community Development |
| **64.** CONTRIBUTION OF TANGIBLE PROPERTY OF A SOPHISTICATED AND TECHNOLOGICAL NATURE TO EDUCATIONAL INSTITUTIONS | | | | | | |
| Individual Income Tax | Negligible | Negligible | Negligible | Negligible | *** | Education - Breaks for Institutions |
| **65.** INSURANCE COMPANY PREMIUM TAX | | | | | | |
| Corporation Income Tax | $53,724,877 | $80,604,082 | $72,654,023 | $71,201,000 | $69,777,000 | Normal Tax Structure - Double Taxation |
| **66.** CERTAIN REFUNDS ISSUED BY UTILITIES | | | | | | |
| Fiduciary Income Tax | $0 | $0 | $0 | $0 | $0 | Business Environment - General |
| Corporation Income Tax | $0 | $0 | $0 | $0 | $0 | |
| **67.** LOUISIANA WORK OPPORTUNITY | | | | | | |
| Individual Income Tax | $0 | $14,177 | Negligible | Negligible | Negligible | Incentives - Employment |
| Corporate Franchise Tax | $0 | $0 | $0 | Unable to anticipate | Unable to anticipate | |
| Corporation Income Tax | $0 | $66,775 | $0 | Unable to anticipate | Unable to anticipate | |
| **68.** CERTAIN DISABILITIES | | | | | | |
| Individual Income Tax | $16,695 | Negligible | Negligible | Negligible | *** | Retirement, Disability, and Military |
| **69.** SPECIAL ALLOWABLE CREDITS | | | | | | |
| Individual Income Tax | Negligible | Negligible | Negligible | Negligible | *** | Normal Tax Structure - General |

**Footnotes for Income & Franchise Tax**

1. The estimated revenue loss for FYE 6-26 and FYE 6-27 may not reflect all tax reform changes due to insufficient data currently available to fully assess their impact.
2. The revenue loss for FYE 6-27 reflects the repeal of franchise tax according to Acts 2024, 3rd Ex. Sess., No. 6.

| Exemptions | FYE 6-23 | FYE 6-24 | FYE 6-25 | FYE 6-26[1] (projected) | FYE 6-27[1] (projected) | Exemption Classification |
|---|---|---|---|---|---|---|
| **Credits** *...Continued* | | | | | | |
| **70.** EDUCATION | | | | | | |
| Individual Income Tax | Negligible | Negligible | Negligible | Negligible | *** | Education - Breaks for Taxpayers |
| **71.** SMALL-TOWN HEALTH PROFESSIONAL | | | | | | |
| Individual Income Tax | Negligible | Negligible | $0 | *** | *** | MISC - Healthcare/Medical |
| **72.** PURCHASE OF BULLETPROOF VEST | | | | | | |
| Individual Income Tax | Negligible | Negligible | $0 | *** | *** | MISC - Specialty - Purchase of Certain Items |
| **73.** LIVING ORGAN DONATION | | | | | | |
| Individual Income Tax | $0 | Negligible | -$250 | *** | *** | MISC - Specialty - Performance of Specific Activity |
| **74.** ACCESSIBLE AND BARRIER-FREE CONSTRUCTED HOME | | | | | | |
| Individual Income Tax | $0 | Negligible | $0 | *** | *** | MISC - Specialty - Performance of Specific Activity |
| **75.** EMPLOYMENT-RELATED EXPENSE FOR MAINTAINING HOUSEHOLD FOR CERTAIN DISABLED DEPENDENTS | | | | | | |
| Individual Income Tax | Negligible | Negligible | $0 | *** | *** | Retirement, Disability, and Military |
| **76.** CERTAIN CHILD CARE EXPENSES | | | | | | |
| Individual Income Tax | $13,523,287 | $11,353,855 | $10,637,329 | $10,425,000 | $10,216,000 | MISC - Specialty - Performance of Specific Activity |
| **77.** REHABILITATION OF AN OWNER OCCUPIED RESIDENTIAL OR MIXED-USE PROPERTY | | | | | | |
| Individual Income Tax | $91,067 | Negligible | $21,968 | Negligible | *** | Incentives - Department of Culture, Recreation & Tourism |
| **78.** EARNED INCOME TAX CREDIT | | | | | | |
| Individual Income Tax | $66,045,533 | $71,780,712 | $78,713,535 | $80,288,000 | $81,894,000 | MISC - Specialty - Performance of Specific Activity |
| **79.** AMOUNTS PAID BY CERTAIN MILITARY SERVICEMEMBERS FOR OBTAINING LOUISIANA HUNTING AND FISHING LICENSES | | | | | | |
| Individual Income Tax | Negligible | Negligible | Negligible | Negligible | *** | Retirement, Disability, and Military |
| **80.** STILLBORN CHILD | | | | | | |
| Individual Income Tax | $36,085 | $103,380 | $75,411 | $74,000 | $73,000 | MISC - Healthcare/Medical |
| **81.** ADOPTION OF UNRELATED INFANT | | | | | | |
| Individual Income Tax | *** | $155,000 | $305,250 | $311,000 | $317,000 | MISC - Specialty - Performance of Specific Activity |
| **82.** PREGNANCY RELATED DEATH | | | | | | |
| Individual Income Tax | Negligible | $18,704 | $10,368 | $11,000 | $11,000 | MISC - Healthcare/Medical |
| Fiduciary Income Tax | $0 | $0 | $0 | Unable to anticipate | Unable to anticipate | |

**Footnotes for Income & Franchise Tax**

1. The estimated revenue loss for FYE 6-26 and FYE 6-27 may not reflect all tax reform changes due to insufficient data currently available to fully assess their impact.

| Exemptions | FYE 6-23 | FYE 6-24 | FYE 6-25 | FYE 6-26[1] (projected) | FYE 6-27[1,2] (projected) | Exemption Classification |
|---|---|---|---|---|---|---|
| **Credits** *...Continued* | | | | | | |
| **83.** FIREARM SAFETY DEVICE | | | | | | |
| Individual Income Tax | *** | $37,616 | $195,068 | $199,000 | $203,000 | MISC - Specialty - Performance of Specific Activity |
| **84.** WORK-BASED LEARNING TAX CREDIT | | | | | | |
| Individual Income Tax | *** | *** | *** | *** | Unable to anticipate | MISC - Specialty - Training Employees |
| Corporate Franchise Tax | *** | *** | *** | *** | Unable to anticipate | |
| Corporation Income Tax | *** | *** | *** | *** | Unable to anticipate | |
| **85.** PURCHASE OF QUALIFIED RECYCLING EQUIPMENT | | | | | | |
| Corporate Franchise Tax | Negligible | Negligible | $11,671 | $11,000 | Negligible | MISC - Specialty - Purchase of Certain Items |
| Fiduciary Income Tax | $0 | $0 | $0 | $0 | $0 | |
| Individual Income Tax | $40,952 | $0 | $17,643 | $17,000 | $17,000 | |
| Corporate Income Tax | $0 | $39,789 | Negligible | Unable to anticipate | Unable to anticipate | |
| **86.** INVENTORY TAX/AD VALOREM TAX | | | | | | |
| Corporate Franchise Tax | $107,012,279 | $89,418,233 | $127,806,026 | $125,250,000 | $31,313,000 | Business Environment - Inventory Tax/ Ad Valorem Tax |
| Fiduciary Income Tax | $2,244,699 | $1,900,302 | $2,143,719 | $2,101,000 | $2,059,000 | |
| Individual Income Tax | $28,918,258 | $25,118,954 | $26,573,442 | $27,105,000 | $27,647,000 | |
| Corporate Income Tax | $146,072,527 | $187,685,109 | $265,952,096 | $271,271,000 | $135,636,000 | |
| **87.** AD VALOREM TAX ON NATURAL GAS | | | | | | |
| Corporate Franchise Tax | $4,380,309 | $7,535,893 | $9,241,659 | $9,057,000 | $2,264,000 | Business Environment - Inventory Tax/ Ad Valorem Tax |
| Fiduciary Income Tax | $0 | $0 | $0 | $0 | $0 | |
| Corporate Income Tax | $2,206,965 | $914,794 | $4,430,283 | $4,519,000 | $2,260,000 | |
| Individual Income Tax | $0 | Negligible | -$437 | $0 | $0 | |
| **88.** AD VALOREM TAX ON OFFSHORE VESSELS | | | | | | |
| Corporate Franchise Tax | $4,027,467 | $20,655,598 | $9,597,217 | $8,733,000 | $2,183,000 | Business Environment - Inventory Tax/ Ad Valorem Tax |
| Fiduciary Income Tax | $10,731 | $366,683 | $701,180 | $715,000 | $729,000 | |
| Corporate Income Tax | $4,529,126 | $7,858,659 | $12,812,453 | $13,069,000 | $13,330,000 | |
| Individual Income Tax | $2,011,323 | $4,862,502 | $4,326,504 | $4,413,000 | $4,501,000 | |

**Footnotes for Income & Franchise Tax**

1. The estimated revenue loss for FYE 6-26 and FYE 6-27 may not reflect all tax reform changes due to insufficient data currently available to fully assess their impact.
2. The revenue loss for FYE 6-27 reflects the repeal of franchise tax according to Acts 2024, 3rd Ex. Sess., No. 6.

| Exemptions | FYE 6-23 | FYE 6-24 | FYE 6-25 | FYE 6-26[1] (projected) | FYE 6-27[1,2] (projected) | Exemption Classification |
|---|---|---|---|---|---|---|
| **Credits** *...Continued* | | | | | | |
| **89.** DONATIONS TO ASSIST QUALIFIED PLAYGROUNDS | | | | | | |
| Fiduciary Income Tax | $0 | $0 | $0 | $0 | $0 | MISC - Specialty - Community Development |
| Corporate Income Tax | $0 | $0 | $0 | $0 | $0 | |
| Individual Income Tax | Negligible | $0 | $0 | Unable to anticipate | Unable to anticipate | |
| Corporate Franchise Tax | $0 | $0 | $0 | $0 | $0 | |
| **90.** DONATIONS TO PUBLIC ELEMENTARY OR SECONDARY SCHOOLS | | | | | | |
| Corporate Income Tax | $0 | $0 | $617,500 | $0 | $0 | Education - Breaks for Institutions |
| **91.** AD VALOREM TAX PAID BY CERTAIN TELEPHONE COMPANIES | | | | | | |
| Corporate Franchise Tax | $1,547,415 | $1,247,944 | $2,014,601 | $1,833,000 | $458,000 | Business Environment - Inventory Tax/ Ad Valorem Tax |
| Fiduciary Income Tax | $0 | $0 | $0 | $0 | $0 | |
| Corporate Income Tax | $8,850,025 | $7,234,105 | $5,022,715 | $4,922,000 | $4,824,000 | |
| Individual Income Tax | $0 | $0 | $0 | $0 | $0 | |
| **92.** DEBT ISSUANCE COSTS | | | | | | |
| Corporate Franchise Tax | $0 | $0 | $0 | $0 | $0 | MISC - Specialty - Community Development |
| Fiduciary Income Tax | $0 | $0 | $0 | $0 | $0 | |
| Corporate Income Tax | $0 | $0 | $0 | $0 | $0 | |
| Individual income Tax | $0 | $0 | $0 | $0 | $0 | |
| **93.** REHABILITATION OF HISTORIC STRUCTURES | | | | | | |
| Corporate Franchise Tax | $4,276,716 | $6,209,692 | $8,314,941 | $12,236,000 | $3,059,000 | Incentives - Department of Culture, Recreation & Tourism |
| Individual Income Tax | $53,878,134 | $37,595,211 | $31,058,078 | $45,704,000 | $38,848,000 | |
| Corporate Income Tax | $27,110,506 | $23,732,649 | $28,094,033 | $41,342,000 | $35,141,000 | |
| Fiduciary Income Tax | $994,234 | $256,925 | $488,040 | $718,000 | $610,000 | |
| **94.** LA CITIZENS PROPERTY INSURANCE CORPORATION ASSESSMENT[3] | | | | | | |
| Corporate Income Tax | -$7,857 | -$513 | $0 | *** | *** | MISC - Natural Disasters |
| Individual Income Tax | $16,025 | $12,259 | Negligible | Negligible | *** | |

**Footnotes for Income & Franchise Tax**

1. The estimated revenue loss for FYE 6-26 and FYE 6-27 may not reflect all tax reform changes due to insufficient data currently available to fully assess their impact.
2. The revenue loss for FYE 6-27 reflects the repeal of franchise tax according to Acts 2024, 3rd Ex. Sess., No. 6.
3. The estimated revenue loss includes credits claimed on a stand-alone form for taxpayers not required to file an income tax return.

| Exemptions | FYE 6-23 | FYE 6-24 | FYE 6-25 | FYE 6-26[1] (projected) | FYE 6-27[1,2] (projected) | Exemption Classification |
|---|---|---|---|---|---|---|
| **Credits** *...Continued* | | | | | | |
| **95.** YOUTH JOBS | | | | | | |
| Corporate Franchise Tax | Negligible | Negligible | Negligible | Negligible | Negligible | Incentives - Employment |
| Corporate Income Tax | Negligible | $22,500 | $15,000 | $13,000 | $13,000 | |
| Fiduciary Income Tax | $0 | $0 | $0 | $0 | $0 | |
| Individual Income Tax | Negligible | Negligible | $15,000 | $28,000 | $29,000 | |
| **96.** MILK PRODUCERS | | | | | | |
| Corporate Franchise Tax | $0 | $0 | $0 | Unable to anticipate | $0 | Agricultural/Rural |
| Corporate Income Tax | $25,200 | Negligible | $75,600 | $36,000 | $35,000 | |
| Fiduciary Income Tax | $21,600 | $0 | $0 | $0 | $0 | |
| Individual Income Tax | $417,600 | $307,800 | $487,800 | $478,000 | $468,000 | |
| **97.** APPRENTICESHIP (2007) | | | | | | |
| Corporate Franchise Tax | Negligible | Negligible | $22,996 | $11,000 | Negligible | MISC - Specialty - Training Employees |
| Corporate Income Tax | $0 | $0 | Negligible | $0 | *** | |
| Fiduciary Income Tax | $0 | $0 | Negligible | -$6,000 | $0 | |
| Individual Income Tax | Negligible | Negligible | Negligible | Negligible | *** | |
| **98.** APPRENTICESHIP (2022) | | | | | | |
| Individual Income Tax | $0 | $179,181 | $250,646 | $256,000 | $261,000 | MISC - Specialty - Training Employees |
| Fiduciary Income Tax | $0 | $19,818 | Negligible | $26,000 | $17,000 | |
| Corporate Income Tax | $0 | $18,757 | $16,069 | $16,000 | $16,000 | |
| Corporation Franchise Tax | $0 | $146,121 | $141,962 | $129,000 | $32,000 | |
| **99.** CONVERSION OF VEHICLES TO ALTERNATIVE FUEL | | | | | | |
| Individual Income Tax | $201,210 | Negligible | Negligible | *** | *** | MISC - Specialty - Purchase of Certain Items |
| Corporate Income Tax | $17,263 | $0 | $0 | Negligible | Negligible | |
| **100.** COVID-19 PANDEMIC ATC LICENSE | | | | | | |
| Individual Income Tax | Negligible | $0 | $0 | *** | *** | MISC - Total Specialty - Community Development |
| Corporate Income Tax | Negligible | $0 | $0 | *** | *** | |

**Footnotes for Income & Franchise Tax**

1. The estimated revenue loss for FYE 6-26 and FYE 6-27 may not reflect all tax reform changes due to insufficient data currently available to fully assess their impact.
2. The revenue loss for FYE 6-27 reflects the repeal of franchise tax according to Acts 2024, 3rd Ex. Sess., No. 6.

| Exemptions | FYE 6-23 | FYE 6-24 | FYE 6-25 | FYE 6-26[1] (projected) | FYE 6-27[1,2] (projected) | Exemption Classification |
|---|---|---|---|---|---|---|
| **Credits** *...Continued* | | | | | | |
| **101.** DONATIONS TO QUALIFIED FOSTER CARE ORGANIZATIONS | | | | | | |
| Corporate Income Tax | $0 | $0 | $0 | Unable to anticipate | Unable to anticipate | MISC - Specialty - Performance of a Specific Activity |
| Individual Income Tax | $0 | $15,000 | $195,068 | $199,000 | $203,000 | |
| **102.** RESTAURANT RECYCLING OF OYSTER SHELLS | | | | | | |
| Fiduciary Income Tax | *** | *** | $0 | Unable to anticipate | Unable to anticipate | MISC - Specialty - Community Development |
| Individual Income Tax | *** | *** | $0 | Negligible | Negligible | |
| Corporate Income Tax | *** | *** | $0 | Negligible | Negligible | |
| **103.** LOUISIANA FORTIFIED ROOF | | | | | | |
| Individual Income Tax | *** | *** | *** | *** | Unable to anticipate | MISC - Specialty - Performance of a Specific Activity |
| **104.** WORKFORCE CHILD CARE | | | | | | |
| Individual Income Tax | $1,439,242 | $1,291,774 | $1,117,531 | $1,095,000 | $1,073,000 | Education - Breaks for Taxpayers |
| **105.** WORKFORCE CHILD CARE PROVIDER | | | | | | |
| Corporate Franchise Tax | $1,206,014 | $1,071,592 | $1,163,557 | $1,140,000 | $285,000 | Education - Breaks for Institutions |
| Individual Income Tax | $5,275,286 | $7,818,529 | $6,145,419 | $6,023,000 | $5,902,000 | |
| Corporation Income Tax | $4,106,750 | $4,611,408 | $4,788,693 | $4,884,000 | $4,982,000 | |
| **106.** WORKFORCE CHILD CARE DIRECTORS AND STAFF | | | | | | |
| Individual Income Tax | $15,974,743 | $18,408,813 | $19,680,949 | $20,075,000 | $20,476,000 | Education - Breaks for Institutions |
| **107.** WORKFORCE BUSINESS-SUPPORTED CHILD CARE | | | | | | |
| Corporate Franchise Tax | $25,333 | $93,750 | $25,000 | $25,000 | Negligible | Education - Breaks for Institutions |
| Individual Income Tax | $265,914 | $193,251 | $97,957 | $97,000 | $98,000 | |
| Corporate Income Tax | $443,901 | $297,438 | $432,233 | $441,000 | $450,000 | |
| **108.** WORKFORCE FEES AND GRANTS TO RESOURCE AND REFERRAL AGENCIES | | | | | | |
| Corporate Income Tax | $366,001 | $479,185 | $607,992 | $620,000 | $632,000 | Education - Breaks for Institutions |
| Corporate Franchise Tax | $121,328 | $63,540 | $150,307 | $147,000 | $37,000 | |
| Individual Income Tax | $1,257,343 | $1,720,449 | $1,494,811 | $1,525,000 | $1,555,000 | |

**Footnotes for Income & Franchise Tax**

1. The estimated revenue loss for FYE 6-26 and FYE 6-27 may not reflect all tax reform changes due to insufficient data currently available to fully assess their impact.
2. The revenue loss for FYE 6-27 reflects the repeal of franchise tax according to Acts 2024, 3rd Ex. Sess., No. 6.

| Exemptions | FYE 6-23 | FYE 6-24 | FYE 6-25 | FYE 6-26[1] (projected) | FYE 6-27[1] (projected) | Exemption Classification |
|---|---|---|---|---|---|---|
| **Credits** *...Continued* | | | | | | |
| **109.** DONATIONS TO ELIGIBLE MATERNAL WELLNESS CENTERS | | | | | | |
| Fiduciary Income Tax | *** | *** | *** | Unable to anticipate | Unable to anticipate | MISC - Specialty - Performance of a Specific Activity |
| Corporate Income Tax | *** | *** | *** | Unable to anticipate | Unable to anticipate | |
| Individual Income Tax | *** | *** | *** | Unable to anticipate | Unable to anticipate | |
| **110.** DONATIONS TO SCHOOL TUITION ORGANIZATION | | | | | | |
| Corporate Income Tax | $3,463,255 | $2,871,236 | $2,752,403 | $5,987,000 | $3,173,000 | Education - Breaks for Taxpayers |
| Fiduciary Income Tax | $15,421 | $142,025 | $193,722 | $166,000 | $205,000 | |
| Individual Income Tax | $15,389,522 | $15,667,947 | $18,502,545 | $23,281,000 | $22,634,000 | |
| **111.** DONATION TO PUBLIC SCHOOLS | | | | | | |
| Corporate Income Tax | *** | *** | *** | *** | Unable to anticipate | Education - Breaks for Institutions |
| Fiduciary Income Tax | *** | *** | *** | *** | Unable to anticipate | |
| Individual Income Tax | *** | *** | *** | *** | Unable to anticipate | |
| **Total State Revenue Loss** | **$2,685,166,524** | **$2,702,349,192** | **$2,836,388,610** | **$2,952,053,000** | **$2,447,781,000** | |
| **Exemption Required by the State Constitution, Federal Law, or US Constitution** | | | | | | |
| **112.** FEDERAL INCOME TAX DEDUCTION | | | | | | |
| Corporation Income Tax | $138,624,895 | $9,569,840 | $409,169 | $5,650,000 | $565,000 | Louisiana Constitutional Mandates |
| Fiduciary Income Tax | $21,515,161 | $957,659 | $18,826 | Negligible | *** | |
| Individual Income Tax | $399,378,265 | $23,374,029 | $12,952,757 | $3,987,000 | $997,000 | |
| **113.** INTEREST ON UNITED STATES GOVERNMENT OBLIGATIONS | | | | | | |
| Fiduciary Income Tax | $182,742 | $448,940 | $742,085 | $757,000 | $772,000 | Normal Tax Structure - Federal Mandatory |
| Individual Income Tax | $3,167,604 | $6,792,876 | $12,663,919 | $12,917,000 | $13,176,000 | |
| **114.** NATIVE AMERICAN INCOME | | | | | | |
| Individual Income Tax | $195,229 | $182,531 | $258,579 | $253,000 | $248,000 | Normal Tax Structure - Tribal |
| **Total Income & Franchise Tax Revenue Loss** | **$3,248,230,420** | **$2,743,675,067** | **$2,863,433,945** | **$2,975,617,000** | **$2,463,539,000** | |

**Footnotes for Income & Franchise Tax**

1. The estimated revenue loss for FYE 6-26 and FYE 6-27 may not reflect all tax reform changes due to insufficient data currently available to fully assess their impact.

# Tax Incentives and Exemption Contracts

| Exemptions | FYE 6-23 | FYE 6-24 | FYE 6-25 | FYE 6-26 (projected) | FYE 6-27[1] (projected) |
|---|---|---|---|---|---|
| **1.** Motion Picture Investor Tax Credit | $134,482,210 | $132,439,615 | $102,029,248 | $125,000,000 | $125,000,000 |
| **2.** Research and Development Tax Credit | $11,488,084 | $14,451,399 | $16,977,941 | $12,000,000 | $12,000,000 |
| **3.** Digital Interactive Media & Software Tax Credit | $16,914,877 | $18,969,966 | $43,689,309 | $62,000,000 | $60,760,000 |
| **4.** Louisiana Capital Companies Tax Credit Program | $0 | $0 | $0 | *** | *** |
| **5.** New Markets Tax Credit | $0 | $0 | $0 | *** | *** |
| **6.** Industrial Tax Equalization Program | $2,204,958 | $1,381,141 | $2,977,487 | $2,367,000 | $1,184,000 |
| **7.** Exemptions for Manufacturing Establishments | $886,430 | $0 | $940,279 | Unable to anticipate | Unable to anticipate |
| **8.** Enterprise Zones | $23,070,138 | $7,294,061 | $21,065,413 | $28,000,000 | $27,440,000 |
| **9.** Sound Recording Investor Tax Credit | $47,229 | $22,642 | $60,460 | $22,000 | $22,000 |
| **10.** Angel Investor Tax Credit Program | $1,782,014 | $1,448,718 | $2,304,862 | $1,420,000 | $1,392,000 |
| **11.** Musical & Theatrical Productions Tax Credit | $758,797 | $852,752 | $2,143,446 | $5,616,000 | $5,504,000 |
| **12.** Retention and Modernization Credit | $2,302,000 | $3,430,579 | $5,640,478 | $6,000,000 | $3,000,000 |
| **13.** Louisiana Quality Jobs Program | $150,061,656 | $94,409,917 | $78,023,002 | $113,501,000 | $111,231,000 |
| **14.** Procurement Processing Company Rebate Program | $73,100,278 | $80,607,500 | $94,041,228 | $95,922,000 | $97,840,000 |
| **Total Tax Incentive and Exemption Contracts Revenue Loss** | **$417,098,671** | **$355,308,290** | **$369,893,153** | **$451,848,000** | **$445,373,000** |

**Footnotes for Tax Incentives and Exemption Contracts**

1. The projected revenue loss for FYE 6-26 and FYE 6-27 may not reflect all tax reform changes due to insufficient data currently available to fully assess their impact.

# Petroleum Products Tax

| | Exemptions | FYE 6-23 | FYE 6-24 | FYE 6-25 | FYE 6-26 (projected) | FYE 6-27 (projected) | Exemption Classification |
|---|---|---|---|---|---|---|---|
| | **Gasoline Tax Exemptions** | | | | | | |
| **1.** | Casinghead Gasoline | NRR | NRR | NRR | NRR | NRR | Business Environment - General |
| **2.** | Aviation Gasoline | $160,921 | $157,057 | $199,018 | $227,000 | $234,000 | Business Environment - General |
| | **Gasoline Tax Refunds** | | | | | | |
| **3.** | School Bus Drivers | Negligible | Negligible | Negligible | $0 | $0 | Education – Breaks for Taxpayers |
| **4.** | Farmers, Fishermen, and Aircraft | $11,071 | Negligible | Negligible | Negligible | Negligible | Agricultural/Rural |
| | **Gasoline Tax Discount** | | | | | | |
| **5.** | Timely Filing and Payment by Suppliers/Permissive Suppliers | $2,073,100 | $2,129,199 | $2,204,542 | $2,250,000 | $2,250,000 | Dealers and Vendors Comp |
| | **Diesel Fuels Tax Exemption** | | | | | | |
| **6.** | Dyed Diesel & Dyed Kerosene Gallons Removed for Non-Highway Purposes | $133,681,704 | $140,679,937 | $133,425,751 | $150,372,000 | $144,357,000 | Business Environment - General |
| | **Diesel Fuels Tax Refunds** | | | | | | |
| **7.** | School Bus Drivers | $138,039 | $116,815 | $109,896 | $120,000 | $120,000 | Education – Breaks for Taxpayers |
| **8.** | Diesel Fuels Used in Licensed Vehicles by Commercial Fishermen | $0 | $0 | $0 | $0 | $0 | Agricultural/Rural |
| **9.** | Undyed Diesel Fuels Used for Nontaxable Purposes | $646,734 | $623,224 | $586,708 | $462,000 | $439,000 | Business Environment - General |
| | **Diesel Fuels Tax Discount** | | | | | | |
| **10.** | Timely Filing and Payment by Suppliers/Permissive Suppliers | $734,687 | $698,497 | $721,478 | $789,000 | $757,000 | Dealers and Vendors Comp |
| | **Special Fuels Tax Refunds** | | | | | | |
| **11.** | School Bus Owners | $0 | $0 | $0 | $0 | $0 | Education – Breaks for Taxpayers |
| | **Special Fuels Tax Discount** | | | | | | |
| **12.** | Timely Filing and Payment by Dealers | Negligible | Negligible | Negligible | Negligible | Negligible | Dealers and Vendors Comp |
| | **Inspection Fee Exemptions** | | | | | | |
| **13.** | Gasoline and Undyed Diesel Brought into Louisiana in Fuel Supply Tanks of Interstate Motor Fuel Users | $40,798 | $52,618 | $50,909 | $61,000 | $61,000 | Normal Tax - Interstate Commerce |
| **14.** | Undyed Diesel Fuel Used by Commercial Fishermen | $0 | $0 | $0 | $0 | $0 | Agricultural/Rural |
| **15.** | Diesel Fuels Used in or Distributed to Seagoing Vessels | $556,946 | $567,407 | $565,891 | $640,000 | $366,000 | Normal Tax - Interstate Commerce |
| **16.** | Exports of Gasoline or Diesel Fuels | $890,433 | $1,084,239 | $1,695,099 | $917,000 | $703,000 | Normal Tax - Interstate Commerce |
| | **Total State Revenue Loss** | **$138,934,433** | **$146,108,993** | **$139,559,292** | **$155,838,000** | **$149,287,000** | |
| | **Federally Imposed Exemptions** | | | | | | |
| **17.** | Gasoline and Diesel Sales to the Federal Government and Its Agencies | $4,666,371 | $8,287,120 | $5,774,246 | $5,171,000 | $4,903,000 | Normal Tax - Federal Mandatory |
| **18.** | Interstate Gasoline and Diesel Shipments/Exports | $108,053,708 | $133,621,544 | $239,356,563 | $126,910,000 | $165,420,000 | Normal Tax - Interstate Commerce |
| | **Total Revenue Loss from Federally Imposed Exemptions** | **$112,720,079** | **$141,908,664** | **$245,130,809** | **$132,081,000** | **$170,323,000** | |
| | **Total Petroleum Products Tax Revenue Loss** | **$251,654,512** | **$288,017,657** | **$384,690,101** | **$287,919,000** | **$319,610,000** | |

# Natural Resources - *Severance Tax*

| Exemptions | FYE 6-23 | FYE 6-24 | FYE 6-25 | FYE 6-26 (projected) | FYE 6-27 (projected) | Exemption Classification |
|---|---|---|---|---|---|---|
| **Natural Gas Exclusions** | | | | | | |
| **1.** Injection | $1,222,368 | $195,485 | $46,052 | $21,000 | $22,000 | Business Environment - General |
| **2.** Produced Outside the State of Louisiana | Negligible | (Negligible) | Negligible | $11,000 | Negligible | Normal Tax - Severance |
| **3.** Flared or Vented | $431,801 | $305,917 | $194,636 | $155,000 | $143,000 | Business Environment - General |
| **4.** Consumed in Field Operations | $4,204,325 | $5,909,414 | $2,630,631 | $1,924,000 | $2,155,000 | Business Environment - Direct Input |
| **5.** Consumed in the Production of Natural Resources in the State of Louisiana | $0 | $0 | $0 | $0 | $0 | Business Environment - Direct Input |
| **6.** Used in the Manufacture of Carbon Black | $72,101 | $52,546 | $32,801 | $10,000 | $11,000 | Business Environment - Direct Input |
| **Natural Gas Exemptions** | | | | | | |
| **7.** Horizontal Wells | $163,184,111 | $370,106,151 | $271,754,073 | $223,123,000 | $223,123,000 | Normal Tax - Severance |
| **Natural Gas Suspension** | | | | | | |
| **8.** Deep Wells | Negligible | $971,900 | $802,836 | $1,636,000 | $1,636,000 | Normal Tax - Severance |
| **Natural Gas Special Rates** | | | | | | |
| **9.** Incapable Oil-Well Gas | $415,516 | $576,136 | $214,577 | $361,000 | $451,000 | Normal Tax - Severance |
| **10.** Incapable Gas-Well Gas | $15,398,582 | $22,699,124 | $11,414,911 | $8,495,000 | $9,344,000 | Normal Tax - Severance |
| **11.** Orphan Wells | $0 | $0 | $0 | $0 | $0 | Normal Tax - Severance |
| **12.** Inactive Wells | $36,306 | $12,355 | Negligible | $37,000 | $21,000 | Normal Tax - Severance |
| **Natural Gas Incentive** | | | | | | |
| **13.** Produced Water Injection - Gas Wells | Negligible | Negligible | Negligible | Negligible | Negligible | Normal Tax - Severance |
| **Oil Deduction** | | | | | | |
| **14.** Trucking, Barging, and Pipeline Fees | $340,319 | $481,927 | $304,197 | $415,000 | $410,000 | Normal Tax - Severance |
| **Oil Exemptions** | | | | | | |
| **15.** Horizontal Wells | $9,296,623 | $2,918,590 | $1,342,632 | $618,000 | $618,000 | Normal Tax - Severance |
| **16.** Orphan Well Rework Program | $0 | $0 | $0 | $0 | $0 | Normal Tax - Severance |
| **Oil Suspension** | | | | | | |
| **17.** Deep Wells | $42,207 | $2,919,899 | $1,170,858 | $5,266,000 | $5,266,000 | Normal Tax - Severance |
| **18.** Tertiary Recovery | $13,306,287 | $11,602,821 | $9,186,560 | $8,761,000 | $7,710,000 | Normal Tax - Severance |
| **Oil Special Rates** | | | | | | |
| **19.** Incapable Oil Wells | $10,352,114 | $8,343,955 | $5,414,654 | $5,112,000 | $4,550,000 | Normal Tax - Severance |
| **20.** Stripper Oil Wells | $26,794,939 | $23,621,684 | $21,479,386 | $17,910,000 | $16,656,000 | Normal Tax - Severance |

# Natural Resources - *Severance Tax*

| Exemptions | FYE 6-23 | FYE 6-24 | FYE 6-25 | FYE 6-26 (projected) | FYE 6-27 (projected) | Exemption Classification |
|---|---|---|---|---|---|---|
| **Oil Special Rates** *...Continued* | | | | | | |
| **21.** Stripper Oil Wells - Value Less than $20 per Barrel | $0 | $0 | $0 | $0 | $0 | Normal Tax - Severance |
| **22.** Orphan Wells | $0 | $0 | $0 | $872,000 | $872,000 | Normal Tax - Severance |
| **23.** Inactive Wells | $681,667 | $480,584 | $450,816 | $1,187,000 | $997,000 | Normal Tax - Severance |
| **24.** Salvage Oil | $0 | $0 | $0 | $0 | $0 | Normal Tax - Severance |
| **25.** Horizontal Mining and Drilling Projects | $0 | $0 | $0 | $0 | $0 | Normal Tax - Severance |
| **Oil Incentive** | | | | | | |
| **26.** Produced Water Injection - Oil Wells | $0 | $0 | $0 | $0 | $0 | Normal Tax - Severance |
| **Mineral Exemption** | | | | | | |
| **27.** Owned and Severed by Political Subdivisions | $0 | $0 | $0 | $0 | $0 | Normal Tax - Intergovernment |
| **Total State Revenue Loss** | **$245,779,266** | **$451,198,488** | **$326,439,620** | **$275,914,000** | **$273,985,000** | |
| **Federally Imposed Tax Exemptions** | | | | | | |
| **28.** U.S. Government Royalty - Gas Wells | $1,157,155 | $1,532,607 | $660,774 | $424,000 | $785,000 | Normal Tax - Federal Mandatory |
| **29.** U.S. Government Royalty - Oil Wells | $202,998 | $162,940 | $159,471 | $140,000 | $136,000 | Normal Tax - Federal Mandatory |
| **Total Revenue Loss From Federally Imposed Exemptions** | **$1,360,153** | **$1,695,547** | **$820,245** | **$564,000** | **$921,000** | |
| **Total Natural Resources - Severance Tax Revenue Loss** | **$247,139,419** | **$452,894,035** | **$327,259,865** | **$276,478,000** | **$274,906,000** | |

# Tobacco Tax

| Exemptions | FYE 6-23 | FYE 6-24 | FYE 6-25 | FYE 6-26 (projected) | FYE 6-27 (projected) | Exemption Classification |
|---|---|---|---|---|---|---|
| **Discounts** | | | | | | |
| **1.** Tobacco Stamps | $10,124,514 | $9,391,788 | $8,828,757 | $8,770,000 | $8,068,000 | Dealers and Vendors Comp |
| **2.** Timely Filing and Payment | $2,602,913 | $2,977,405 | $3,136,498 | $3,503,000 | $3,223,000 | Dealers and Vendors Comp |
| **Exemptions** | | | | | | |
| **3.** Sales to State Institutions | NRR | NRR | NRR | NRR | NRR | Normal Tax - Intergovernment |
| **Refunds** | | | | | | |
| **4.** Return of Taxable Cigarettes to the Manufacturer | $466,442 | $794,386 | $392,199 | $178,000 | $178,000 | Normal Tax - General |
| **5.** Return of Taxable Product to the Manufacturer | ### | ### | ### | ### | ### | Normal Tax - General |
| **6.** Return of Taxable Vapor Product by Retail Dealer to the Manufacturer | Negligible | $0 | $0 | $0 | $0 | Normal Tax - General |
| **Total State Revenue Loss** | **$13,193,869** | **$13,163,579** | **$12,357,454** | **$12,451,000** | **$11,469,000** | |
| **Federally Imposed Exemptions** | | | | | | |
| **7.** Sales to the Federal Government and Its Agencies | ### | ### | ### | ### | ### | Normal Tax - Federal Mandatory |
| **8.** Interstate Shipments of Cigarettes | $62,574,152 | $53,386,613 | $46,615,846 | $45,640,000 | $39,707,000 | Normal Tax - Interstate Commerce |
| **9.** Interstate Shipments of Tobacco Products | ### | ### | ### | ### | ### | Normal Tax - Interstate Commerce |
| **Total Revenue Loss from Federally Imposed Exemptions** | **$62,574,152** | **$53,386,613** | **$46,615,846** | **$45,640,000** | **$39,707,000** | |
| **Other Exemptions** | **$17,039,608** | **$15,504,526** | **$15,881,145** | **$16,886,000** | **$15,366,000** | MISC - Other Exemptions |
| **Total Tobacco Tax Revenue Loss** | **$92,807,629** | **$82,054,718** | **$74,854,445** | **$74,977,000** | **$66,542,000** | |



**Footnotes for Tobacco Tax**

### Included in the row labeled Other Exemptions.

# Liquors - *Alcoholic Beverage Tax*

| | Exemptions | FYE 6-23 | FYE 6-24 | FYE 6-25 | FYE 6-26 (projected) | FYE 6-27 (projected) | Exemption Classification |
|---|---|---|---|---|---|---|---|
| | **Low Alcohol Tax Discount** | | | | | | |
| **1.** | Timely Filing and Payment | $532,563 | $528,284 | $506,810 | $507,000 | $486,000 | Dealers and Vendors Comp |
| | **Low Alcohol, Liquor and Wine Tax Refund/Credit** | | | | | | |
| **2.** | Products Returned to Manufacturer or Destroyed by a Dealer | $694,496 | $1,286,277 | $301,567 | $488,000 | $375,000 | Normal Tax - General |
| | **Liquor and Wine Tax Exemptions** | | | | | | |
| **3.** | Antiseptic, Scientific, Religious, and Chemical Uses | NRR | NRR | NRR | NRR | NRR | Normal Tax - General |
| | **Liquor and Wine Tax Discount** | | | | | | |
| **4.** | Timely Filing and Payment | $1,041,129 | $1,020,951 | $1,002,760 | $924,000 | $906,000 | Dealers and Vendors Comp |
| | **Total State Revenue Loss** | **$2,268,188** | **$2,835,512** | **$1,811,137** | **$1,919,000** | **$1,767,000** | |
| | **Federally Imposed Exemptions** | | | | | | |
| | **Low Alcohol Tax Exemptions** | | | | | | |
| **5.** | Interstate Shipments | $1,180,525 | $1,504,021 | $1,305,244 | $1,129,000 | $1,118,000 | Normal Tax - Interstate Commerce |
| **6.** | Sales to the Federal Government and Its Agencies | $137,897 | $144,514 | $141,282 | $155,000 | $158,000 | Normal Tax - Federal Mandatory |
| **7.** | Sales to Ships Engaged in Interstate or Foreign Commerce | Negligible | Negligible | Negligible | Negligible | Negligible | Normal Tax - Interstate Commerce |
| | **Liquor and Wine Tax Exemptions** | | | | | | |
| **8.** | Interstate Shipments of Alcoholic Beverages | $720,580 | $283,259 | $96,394 | $281,000 | $191,000 | Normal Tax - Interstate Commerce |
| **9.** | Foreign Consul and Foreign Commerce | $15,695 | Negligible | Negligible | $261,000 | $188,000 | Normal Tax - Federal Mandatory |
| **10.** | Sales to the Federal Government and Its Agencies | $79,876 | $86,564 | $59,225 | $98,000 | $105,000 | Normal Tax - Federal Mandatory |
| | **Total Revenue Loss from Federally Imposed Exemptions** | **$2,134,573** | **$2,018,358** | **$1,602,145** | **$1,924,000** | **$1,760,000** | |
| | **Total Liquors - Alcoholic Beverage Tax Revenue Loss** | **$4,402,761** | **$4,853,870** | **$3,413,282** | **$3,843,000** | **$3,527,000** | |

| | Exemptions | FYE 6-23 | FYE 6-24 | FYE 6-25 | FYE 6-26 (projected) | FYE 6-27 (projected) | Exemption Classification |
|---|---|---|---|---|---|---|---|
| | **Exemptions** | | | | | | |
| | **Consumable Hemp Products Tax** | | | | | | |
| **1.** | CBD Products Approved for Marketing as a Prescription Medication | NRR | NRR | NRR | NRR | NRR | MISC - Health Care/Medical |
| **2.** | CBD Products Recommended for Therapeutic Use Pursuant to R.S. 40:1046 | NRR | NRR | NRR | NRR | NRR | MISC - Health Care/Medical |
| | **Total Consumable Hemp Products Tax Revenue Loss** | **NRR** | **NRR** | **NRR** | **NRR** | **NRR** | |
| | **Hazardous Waste Disposal Tax** | | | | | | |
| **3.** | Timely Payment | Negligible | Negligible | Negligible | $11,000 | $10,000 | Dealers and Vendors Comp |
| | **Total Hazardous Waste Disposal Tax Revenue Loss** | **Negligible** | **Negligible** | **Negligible** | **$11,000** | **$10,000** | |
| | **Oil Spill Contingency Fee** | | | | | | |
| **4.** | Timely Payment | $36,099 | $33,126 | $35,308 | $34,000 | $36,000 | Dealers and Vendors Comp |
| | **Total Oil Spill Contingency Fee Revenue Loss** | **$36,099** | **$33,126** | **$35,308** | **$34,000** | **$36,000** | |
| | **Public Utilities and Carriers Taxes** | | | | | | |
| | **Inspection and Supervision Fee** | | | | | | |
| **5.** | Ten-Mile Zone | NRR | NRR | NRR | NRR | NRR | Business Environment - General |
| **6.** | Power Cost | NRR | NRR | NRR | NRR | NRR | Business Environment - General |
| | **Transportation and Communication Utilities Tax** | | | | | | |
| **7.** | Seven-Mile Zone | $9,381,294 | $8,812,053 | $7,948,413 | $10,342,000 | $9,515,000 | Business Environment - General |
| | **Total Public Utilities and Carriers Taxes Revenue Loss** | **$9,381,294** | **$8,812,053** | **$7,948,413** | **$10,342,000** | **$9,515,000** | |
| | **Telecommunication Tax for the Deaf** | | | | | | |
| **8.** | Timely Payment | $74,874 | $76,464 | $79,630 | $83,000 | $84,000 | Dealers and Vendors Comp |
| **9.** | Prepaid Wireless Devices and Wireless Devices Used for Data Only | Negligible | $0 | $0 | $42,000 | $14,000 | MISC - Specialty Purchase |
| | **Federally Imposed Tax Exemptions** | | | | | | |
| **10.** | Sales to the Federal Government and Its Agencies | Negligible | Negligible | Negligible | $0 | $0 | Normal Tax - Federal Mandatory |
| | **Total Telecommunication Tax for the Deaf Revenue Loss** | **$74,874** | **$76,464** | **$79,630** | **$125,000** | **$98,000** | |
| | **Total Miscellaneous Taxes Revenue Loss** | **$9,492,267** | **$8,921,643** | **$8,063,351** | **$10,512,000** | **$9,659,000** | |

# Listing of Exemptions
## Part 5

# Consumable Hemp Products Tax Exemptions

# Consumable Hemp Products Tax

## { Introduction }

Act 247 of the 2019 Regular Session levied an excise tax on industrial hemp-derived CBD products at the rate of 3% of the retail sales price. Act 336 of the 2021 Regular Session expanded the tax to apply to all consumable hemp products and changed the name to the Consumable Hemp Products Tax. The tax is paid by the retailer on a monthly basis and is in addition to any other state and local sales tax due on the retail sale. Collections from this tax are dedicated to the Early Childhood Education Fund. The tax applies to industrial-hemp derived CBD products for the period January 1, 2020 – July 31, 2021, and to all consumable hemp products as of August 1, 2021.

### Legal Citations
R.S. 47:1693

### Tax Base
January 1, 2020 - July 31, 2021: Retail sales price of industrial hemp-derived CBD products

Beginning August 1, 2021: Retail sales price of consumable hemp products

### Tax Rate
3% of retail sales price

### Type of Tax Exemptions
Consumable hemp products tax exemptions are in the form of exemptions from the tax. Exemptions are included in the tax base but specifically exempted by statute.

### Significant Changes
There were no changes to the consumable hemp products tax laws during the past year.

# Consumable Hemp Products Tax

*Index of Exemptions*

{ Introduction }

**{ EXEMPTIONS }**

**1. CBD Products Approved for Marketing as a Prescription Medication . . . . . 50**
R.S. 47:1693(B)

**2. CBD Products Recommended for Therapeutic Use Pursuant to R.S. 40:1046 . . . . . 50**
R.S. 47:1693(B)

# Consumable Hemp Products Tax

{ Exemptions }

### 1. CBD Products Approved for Marketing as a Prescription Medication

This exemption applies to industrial hemp-derived CBD products approved for marketing as a prescription medication by the U.S. Food and Drug Administration.

**Legal Citation**
R.S. 47:1693(B)

**Origin**
Acts 2019, No. 247

**Effective Date**
Taxable periods beginning on or after January 1, 2020

**Beneficiaries**
Consumers who purchase CBD products approved for marketing as a prescription medication by the U.S. Food and Drug Administration

**Estimated Fiscal Effect**
The Department is unable to estimate the fiscal effect; there is no reporting requirement for this data.

### 2. CBD Products Recommended for Therapeutic Use Pursuant to R.S. 40:1046

This exemption applies to industrial hemp-derived CBD products recommended for therapeutic use pursuant to R.S. 40:1046.

**Legal Citation**
R.S. 47:1693(B)

**Origin**
Acts 2019, No. 247

**Effective Date**
Taxable periods beginning on or after January 1, 2020

**Beneficiaries**
Consumers who purchase CBD products recommended for therapeutic use pursuant to R.S. 40:1046

**Estimated Fiscal Effect**
The Department is unable to estimate the fiscal effect; there is no reporting requirement for this data.

# Hazardous Waste Disposal Tax Exemption

# Hazardous Waste Disposal Tax

## { Introduction }

Act 8 of the 1984 First Extraordinary Session levied a one-time tax on the existing hazardous waste content of the land. The tax rate was $2 per ton of waste disposed of or stored in the land during 1981, 1982, 1983, and the first six months of 1984. The tax was administered by the Department of Environmental Quality and collected by the Department of Revenue.

Act 8 also levied the hazardous waste disposal tax for both disposal and certain storage of hazardous waste in Louisiana. Disposal tax rates were set as follows: (1) $5 per dry-weight ton of waste disposed at the same site where produced or generated, and (2) $10 per dry-weight ton for waste disposed of or stored at a site other than where produced or generated. The tax is collectible from the generator if the generator disposed of their own hazardous waste, or from the disposer, who is responsible for collecting the tax from the generator at the time the waste is received. All generators and disposers are required to register with the Department of Environmental Quality.

Act 655 of the 1988 Regular Session increased the disposal tax rates to $10 per dry-weight ton for on-site disposal and $20 per dry-weight ton for disposal at another site. The Act provided for an annual increase of $1 per year until 1998. Act 655 also imposed a tax of $25 per dry-weight ton on extremely hazardous waste disposed of in Louisiana and extended taxation to waste imported into Louisiana for disposal or storage.

Act 391 of the 1990 Regular Session further increased the rates to $30, $60, and $100 per dry-weight ton for on-site disposal, off-site disposal, and extremely hazardous waste, respectively. Additionally, a tax of $25 per gross-weight ton was levied on the transportation of hazardous or extremely hazardous waste within Louisiana for disposal or storage.

Act 526 of the 1992 Regular Session reduced the off-site disposal tax from $60 to $40 per dry-weight ton and repealed the tax on transporting hazardous or extremely hazardous waste.

### Legal Citations
R.S. 47:821 through 832

### Tax Base
Dry-weight ton, or fraction thereof, of hazardous or extremely hazardous wastes disposed in Louisiana and hazardous waste stored in Louisiana for over 90 days

### Tax Rate
- $30 per ton for hazardous waste disposed of at the site where it was produced
- $40 per ton for hazardous waste disposed of at a site other than where produced
- $100 per ton of extremely hazardous waste disposed of

Imported hazardous waste produced out-of-state and disposed of in Louisiana is taxed at the higher of either the current Louisiana tax rate or at the rate that would be applied in the state where the waste was generated.

### Types of Tax Exemptions
For hazardous waste disposal tax purposes, the tax exemption is provided in the form of a credit. A credit is generally defined as a reduction in the amount of tax due.

### Significant Changes
There were no changes to the hazardous waste disposal tax laws during the past year.

**{ CREDIT }**


**1. Timely Payment** . . . . . **54**
R.S. 47:823(E)

{ Credit }

### 1. Timely Payment

A credit of 0.5% is allowed for accurately reporting and timely remitting taxes due. This credit is intended to encourage compliance and to compensate companies for the administrative costs of collecting and remitting the tax.

**Legal Citation**
R.S. 47:823(E)

**Origin**
Acts 1990, No. 391

**Effective Date**
Taxable periods beginning on or after August 1, 1990

**Beneficiaries**
Registered generators and disposers of hazardous waste who accurately report and timely remit the taxes owed

**Estimated Fiscal Effect**

| FYE 6-26 | FYE 6-27 |
|---|---|
| $11,000 | $10,000 |

# Income and Corporation Franchise Tax Exemptions

*Corporation Income, Corporation Franchise, Individual and Fiduciary*

# Income and Corporation Franchise Tax

*Corporation Income, Corporation Franchise, Individual and Fiduciary*

{ Introduction }

### Corporation Income

The Louisiana corporation income tax was authorized by the 1921 state constitution. The first tax was levied in 1934 at the rate of 4% of corporate earnings exceeding $3,000. In 1977, Louisiana raised the income tax rate from a flat rate of 4% to a five-tier tax rate schedule that ranged from 4% of the first $25,000 of taxable income to a maximum of 8% of the taxable income exceeding $200,000. In 2021, Louisiana reduced the income tax rate to a three-tier tax rate schedule that ranged from 3.5% of the first $50,000 of taxable income to a maximum of 7.5% of the taxable income exceeding $150,000. In 2025, Louisiana reduced the income tax rate to a flat rate of 5.5%.

Until 2022, Louisiana allowed a deduction for 100% of the federal income taxes paid on income taxable to Louisiana, which reduced the effective corporation income tax rate. This deduction was repealed for taxable periods beginning on or after January 1, 2022.

Like many other states that impose a corporation income tax, Louisiana closely follows the federal system. The state employs the federal definition of income and deductions with certain modifications. Act 16 of the First Extraordinary Session of 1986 enacted R.S. 47:287.2 through 287.785 relative to corporation income tax and provided for the conformance to the federal tax system.

For multi-state corporations, Louisiana net income is generally determined through formula apportionment. Under the formula apportionment method, total net income is generally apportioned to Louisiana based on the average of three factors: property, revenue, and wages.

Domestic corporations and other entities taxed as corporations for federal income tax purposes that organized under the laws of Louisiana, unless specifically exempted, must file an income tax return each year. Foreign corporations and other entities taxed as corporations for federal income tax purposes, organized under the laws of other states, who derive income from Louisiana sources, regardless of whether or not they have net income, must file an income tax return unless specifically exempted.

The income tax return is due by the fifteenth day of the fifth month following the close of an accounting period.

### Legal Citations

R.S. 47:21 through 285, R.S. 47:287.2 through 287.785

### Tax Base

Taxable income earned within or derived from sources within Louisiana after adjustments.

### Tax Rate

Corporations pay tax on net income computed at the following rates:

| Effective for Tax Years beginning prior to January 1, 2022 | Effective for Tax Years 2022 - 2024 | Effective for Tax Years beginning on January 1, 2025 and after |
|---|---|---|
| 4% on the first $25,000 | 3.5% on the first $25,000 | **5.5%** |
| 5% on the next $25,000 | 5.5% on the next $50,000 | |
| 6% on the next $50,000 | 7.5% on net income above $150,000 | |
| 7% on the next $100,000 | | |
| 8% on net income above $200,000 | | |

### Types of Tax Exemptions

Corporation income tax exemptions are in the form of exemptions/exclusions, deductions, and credits. An exemption/exclusion generally means that a corporation is statutorily exempt from the imposition of the corporation income tax because of the nature of the corporation's business or a specific item of income that is not taxed. Deductions are generally defined as a reduction in net income to arrive at taxable income. Credits are generally defined as a reduction to the amount of tax due. All exemptions related to corporation income tax are contained in this report.

The federal income tax deduction, although a statutory deduction, was required by the state constitution. For this reason, this deduction has been separated from the other exemptions and appears at the end of this section. The federal income tax deduction was removed from the constitution and is repealed for taxable periods beginning on or after January 1, 2022.

## Significant Changes

### 2024 Third Extraordinary Session

**Act 376**

Act 376 establishes the Work-Based Learning Tax Credit. R.S. 47:6003 authorizes a nonrefundable credit for the employment of an "apprentice," "youth worker," or "intern," as defined therein, for a minimum of 100 hours per taxable period, equal to $2.50 per hour of employment up to $2,500 per taxable period. Unused credits can be carried forward for up to five (5) years. Beginning January 1, 2027, taxpayers must apply for the credit during the annual application period following the year the credit is earned. The credit has an initial cap of $1 million, with an annual increase of $1 million, up to a maximum of $7.5 million, if 80% of the credit cap amount authorized for the previous calendar year is utilized, as determined by the LDR. The credit cannot be combined with any other incentive received for the hiring of an eligible apprentice, youth worker, or intern and sunsets on December 31, 2031. Act 376 is applicable to taxable periods beginning on or after January 1, 2026.

**Act 382**

Act 382 repeals the treatment and taxation of an S corporation as a C corporation. For taxable periods beginning on or after January 1, 2026, S corporations will be recognized as a pass-through entity for state income tax purposes consistent with federal treatment. Act 382 repeals the optional election of a qualified Subchapter S subsidiary to be treated and taxed as a separate entity in favor of treatment and taxation of such entity as a disregarded entity. S corporations must file an annual informational return, electronically, which includes the income attributable to Louisiana as well as the income not attributable to Louisiana, of each shareholder. If a shareholder fails to timely pay its taxes due with respect to its share of income of the S corporation the LDR can collect payment directly from the S corporation.

**Act 423**

Act 423 authorizes a nonrefundable income tax credit for a donation to a public school receiving a "D" or "F" letter grade for the most recent school year pursuant to the Louisiana School and District Accountability System. The credit is earned in the year of the donation and is equal to 90% of the amount donated. Donated amounts must be used by the public school for qualifying purposes, as provided in the statute. The governing authority of the public school must submit a public report prepared by a certified public accountant which contains all required identifying information. The report is due no later than the last day of February of each year and must be submitted to the LDR and the Department of Education. The credit is capped at $1 million per calendar year. Taxpayers must apply for the credit, electronically, during an annual application period following the year in which the credit is earned. The credit will be granted on a first-come, first-serve basis, with any requests received in excess of the credit cap being treated as received on the first day of the subsequent calendar year. The credit sunsets on December 31, 2027. Act 423 is applicable to taxable periods beginning on or after January 1, 2026.

**Act 454**

Act 454 amends the amount of the School Readiness Tax Credit for business-supported childcare and makes several key changes. Specifically, the credit amounts for centers rated three stars or higher were increased from 10%, 15% and 20%, to 30%, 40%, and 50%, respectively, while qualifying centers rated two stars or below are no longer eligible for the credit. Additionally, Act 454 outlines the expanded limits on eligible business childcare expenses. Beginning January 1, 2027, taxpayers must apply for the credit during the annual application period following the year the credit is earned. Finally, Act 454 renames the credit the "Work Force Childcare Tax Credit" and authorizes an initial annual credit cap of $1 million, with an annual increase of $1 million, when 80% of the credit cap amount authorized for the previous calendar year is utilized, as determined by the LDR up to a maximum of $5 million. The credit is applicable to taxable periods beginning on or after January 1, 2026.

# Income and Corporation Franchise Tax

*Corporation Income, Corporation Franchise, Individual and Fiduciary*

{ Introduction }

### Corporation Franchise

The Louisiana corporation franchise tax was enacted in 1932. The tax was imposed on every domestic corporation and every foreign corporation authorized or doing business in the state or using any part of its capital, plant, or any other property in the state. As originally enacted, the tax levied was due and payable for the privilege of carrying on or doing business, the exercising of its charter, or the continuance of its charter within the state.

An initial tax return covering the period beginning with the date the corporation first becomes liable for filing a return and ending with the close of the accounting period must be filed on or before the fifteenth day of the fourth month after the corporation first becomes liable. Thereafter, an annual return is due by the fifteenth day of the fifth month after the close of an accounting period. The tax is due on the first day of the calendar year or the taxpayer's fiscal year.

The law has been amended many times since 1932. However, an amendment in 1970 to replace the privilege of doing business language in the original act with the statement that the tax levied is due and payable on any one or all of the incidents referred to in the law was one of the more important amendments. For taxable periods beginning after December 31, 2005, the amount of borrowed capital included in taxable capital was reduced until fully phased out for the 2011 franchise tax year.

For taxable periods beginning before January 1, 2017, a limited liability company (LLC) is not considered to be a corporation for franchise tax purposes and therefore is not subject to franchise tax. For taxable periods beginning on or after January 1, 2017, the imposition of the franchise tax was extended to any entity taxed as a corporation for federal income tax purposes if it meets any of the criteria for franchise tax, with two exceptions: (1) Any LLC qualified and eligible to make an election to be taxed as an S Corporation on the first day of the franchise tax period and (2) Any other entity that was acquired during the period January 1, 2012, to December 31, 2013, by an entity that was taxed as an S Corporation for federal purposes.

The franchise tax is repealed for taxable periods beginning on or after January 1, 2026.

### Legal Citations

R.S. 47:601 through 618

### Tax Base

Capital stock, surplus, and undivided profits

### Tax Rate

For taxable periods beginning prior to January 1, 2023, the tax was assessed on the taxable base at the rate of $1.50 per $1,000 on the first $300,000 and $3.00 per $1,000 over $300,000. For taxable periods beginning on or after January 1, 2023, through December 31, 2025, the tax was assessed on the taxable base at the rate of $2.75 for each $1,000 in excess of $300,000. The tax is based on the larger of the assessed value of all real and personal property in the state or the amount of issued and outstanding capital stock, surplus, and undivided profits attributable to Louisiana.

### Types of Tax Exemptions

Corporation franchise tax exemptions are in the form of exemptions/exclusions, deductions, and credits. Exemptions/exclusions generally refer to organizations or corporations that are statutorily exempt from the imposition of the corporation franchise tax due to the nature of their operation. Deductions are generally defined as a reduction to the taxable base. Credits are generally defined as a reduction to the amount of tax due.

# Income and Corporation Franchise Tax

*Corporation Income, Corporation Franchise, Individual and Fiduciary*

{ Introduction }

### Individual Income

Louisiana's individual income tax was first imposed in 1934. The tax is assessed on a resident individual's income derived from all sources and a nonresident individual's income derived from Louisiana sources. Resident individuals are allowed a credit for income tax paid to other states on income that is also taxed by Louisiana.

Like other states that impose an individual income tax, Louisiana closely follows the federal system utilizing the federal definition of income and deductions with certain modifications. Louisiana tax-table income is a modified federal adjusted gross income less federal income taxes paid for taxable periods beginning before January 1, 2022, and a modified federal adjusted gross income for taxable periods beginning on or after January 1, 2022.

For taxable periods before January 1, 2025, the income tax base was partially diminished by a combined personal exemption/standard deduction of $4,500 for single filers and married taxpayers filing separately or $9,000 for married taxpayers filing jointly, head-of-household filers, and qualifying surviving spouses. Additional $1,000 deductions were given for each dependent and each taxpayer who is blind or 65 years of age or older.

For taxable periods on or after January 1, 2025, the combined personal exemption/standard deduction is eliminated in favor of a standard deduction of $12,500 for single filers and married taxpayers filing separately or 200% of the amount provided for single filers for taxpayers with filing status married filing joint, head-of-household, and qualified surviving spouse. Beginning January 1, 2026, the standard deduction amount is adjusted annually for inflation.

Any resident, nonresident, or part-year resident required to file a tax return must do so by the fifteenth day of the fifth month after the close of their taxable year. For taxable periods on or after January 1, 2022, all individual income tax filers receive an automatic filing extension of six months.

### Legal Citations

R.S. 47:21 through 285, R.S. 47:290 through 299

### Tax Base

For taxable periods beginning before January 1, 2022, the tax base is comprised of federal adjusted gross income less federal income tax and the portion of federal itemized deductions that were in excess of the federal standard deduction with adjustments for other modifications to federal adjusted gross income.

For taxable periods beginning on or after January 1, 2022, the tax base is comprised of federal adjusted gross income less the portion of federal itemized deductions for medical expenses that were in excess of the federal standard deduction with adjustments for other modifications to federal adjusted gross income.

For taxable periods beginning on or after January 1, 2025, the tax base is comprised of federal adjusted gross income less the Louisiana standard deduction and the portion of federal itemized deductions for medical expenses that were in excess of the federal standard deduction with adjustments for other modifications to federal adjusted gross income.

### Tax Rate

| Filing Status | Taxable Income | Effective for Tax Years 2009-2021 | Effective for Tax Years 2022-2024 | Effective for Tax Years beginning on January 1, 2025 and after |
|---|---|---|---|---|
| **Single, married filing separately, or head of household** | $0 - $12,500 | 2.00% | 1.85% | **3%** |
| | $12,501 - $50,000 | 4.00% | 3.50% | **3%** |
| | $50,001 and over | 6.00% | 4.25% | **3%** |
| **Married filing jointly or qualified surviving spouse** | $0 - $25,000 | 2.00% | 1.85% | **3%** |
| | $25,001-$100,000 | 4.00% | 3.50% | **3%** |
| | $100,001 and over | 6.00% | 4.25% | **3%** |

### Types of Tax Exemptions

Individual income tax exemptions are in the form of exemptions/exclusions, deductions, and credits. Exemptions/exclusions generally mean a specific item of income that is not included in taxable income. Deductions are generally defined as a reduction in net income to arrive at taxable income. Credits are generally defined as a reduction to the amount of tax due. All exemptions related to individual income tax are contained in this report.

## Significant Changes

### 2025 Regular Session

**Act 32**

Act 32 exempts grants received from the Louisiana Fortify Homes Program pursuant to R.S. 22:1483.1, from tax table income for purposes of individual income tax. This exemption is applicable to grant amounts received on or after January 1, 2025.

**Act 110**

Act 110 authorizes a Louisiana individual income tax exclusion for deposits made into Achieving a Better Life Experience Account Program (ABLE) accounts beginning January 1, 2026. Account owners may exclude up to $2,400 per beneficiary, per tax year if filing a single return, and up to $4,800 per beneficiary if filing a joint return. Unused exclusion amounts may be carried forward to subsequent years. Interest earned is also excluded, but amounts withdrawn for non-qualified expenses must be added back to tax table income. The LA Tuition Trust Authority is required to submit an annual report no later than January 31st each year to the LDR listing all deposits made by account owners during the prior calendar year. The exclusion is applicable to taxable periods beginning on or after January 1, 2026.

**Act 251**

Act 251 authorizes an individual income tax deduction for hardship distributions from retirement accounts when the withdrawal results from a serious and immediate financial need, as determined by the retirement plan. To qualify, the taxpayer, or in the case of married joint filers, the taxpayer's spouse, must be diagnosed with a terminal illness by a licensed physician. Act 251 applies to taxable periods beginning on or after January 1, 2026.

**Act 376**

Act 376 establishes the Work-Based Learning Tax Credit. R.S. 47:6003 authorizes a nonrefundable credit for the employment of an "apprentice," "youth worker," or "intern," as defined therein, for a minimum of 100 hours per taxable period, equal to $2.50 per hour of employment up to $2,500 per taxable period. Unused credits can be carried forward for up to five (5) years. Beginning January 1, 2027, taxpayers must apply for the credit during the annual application period following the year the credit is earned. The credit has an initial cap of $1 million, with an annual increase of $1 million, up to a maximum of $7.5 million, if 80% of the credit cap amount authorized for the previous calendar year is utilized, as determined by the LDR. The credit cannot be combined with any other incentive received for the hiring of an eligible apprentice, youth worker or intern and sunsets on December 31, 2031. Act 376 is applicable to taxable periods beginning on or after January 1, 2026.

**Act 404**

Act 404 establishes a nonrefundable individual income tax credit for Louisiana resident taxpayers who install a fortified roof on their primary residence, as certified by the Insurance Institute for Business and Home Safety. The credit is equal to the full amount of qualified installation costs, up to $10,000 per residence. The credit applies only to owner-occupied homes with a homestead exemption. New construction, condominiums, and mobile homes do not qualify. The credit is capped at $10 million per fiscal year, allocated on a first-come, first-served basis, with proration required if the amount of requests received exceeds the available amount. Credits may be carried forward for up to three years but cannot be claimed in combination with other state tax benefits or fortified roof grant funds received pursuant to La. R.S. 22:1483.1. LDR is required to promulgate rules to establish policies relative to administration of the eligibility criteria or any other matter deemed necessary to implement the credit. The credit applies to qualifying expenses incurred on or after July 1, 2025, and may not be earned after December 31, 2031.

**Act 423**

Act 423 authorizes a nonrefundable income tax credit for a donation to a public school receiving a "D" or "F" letter grade for the most recent school year pursuant to the Louisiana School and District Accountability System. The credit is earned in the year of the donation and is equal to 90% of the amount donated. Donated amounts must be used by the public school for qualifying purposes, as provided in the statute. The governing authority of the public school must submit a public report prepared by a certified public accountant which contains all required identifying information. The report is due no later than the last day of February of each year and must be submitted to the LDR and the Department of Education. The credit is capped at $1 million per calendar year. Taxpayers must apply for the credit, electronically, during an annual application period following the year in which the credit is earned. The credit will be granted on a first-come, first-serve basis, with any requests

received in excess of the credit cap being treated as received on the first day of the subsequent calendar year. The credit sunsets on December 31, 2027. Act 423 is applicable to taxable periods beginning on or after January 1, 2026.

**Act 454**

Act 454 amends the amount of the School Readiness Tax Credit for business-supported childcare and makes several key changes. Specifically, the credit amounts are increased for centers rated three stars or higher from 10%, 15% and 20%, to 30%, 40%, and 50%, respectively, while qualifying centers rated two stars or below are ineligible for the credit. Additionally, Act 454 outlines the expanded limits on eligible business childcare expenses. Beginning January 1, 2027, taxpayers must apply for the credit during the annual application period following the year the credit is earned. Finally, Act 454 renames the credit the "Work Force Childcare Tax Credit" and authorizes an initial annual credit cap of $1 million, with an annual increase of $1 million, when 80% of the credit cap amount authorized for the previous calendar year is utilized, as determined by the LDR up to a maximum of $5 million. Act 454 is applicable to taxable periods beginning on or after January 1, 2026.

# Income and Corporation Franchise Tax

*Corporation Income, Corporation Franchise, Individual and Fiduciary*

{ Introduction }

### Fiduciary

Louisiana's fiduciary income tax was first imposed in 1934. In 1996, the Louisiana Legislature enacted legislation to conform Louisiana income tax laws on estates and trusts to the Internal Revenue Code for purposes of simplifying preparation and filing of returns as well as to improve enforcement and aid in the interpretation of the income tax law. Resident estates and trusts with income from whatever source derived must file a fiduciary income tax return in Louisiana. Nonresident estates and trusts must file a fiduciary income tax return in Louisiana if they have income earned within or derived from sources within the state.

Like other states that impose a fiduciary income tax, Louisiana closely follows the federal system utilizing the federal definition of income and deductions with certain modifications. Before January 1, 2022, Louisiana taxable income was a modified federal taxable income less federal income taxes paid . For taxable periods beginning on or after January 1, 2022, the deduction for federal income taxes paid is no longer available.

Any resident or nonresident estate or trust required to file a tax return must do so by the fifteenth day of the fifth month after the close of their taxable year. Beginning in tax year 2022, resident and nonresident estates and trusts are allowed an automatic filing extension of six months.

## Legal Citations

R.S. 47:181 through 188, R.S. 47:300.1 through 300.11

## Tax Base

For taxable periods beginning before January 1, 2022, the tax base is comprised of federal taxable income less federal income taxes paid with adjustments for other modifications to federal taxable income. For taxable periods beginning on or after January 1, 2022, the tax base is comprised of federal taxable income with adjustments for other modifications to federal taxable income.

## Tax Rate

Tax is computed at the following rates:

| Effective for Tax Years beginning prior to January 1, 2022 | Effective Tax Years 2022-2024 | Effective for Tax Years beginning January 1, 2025 and after |
|---|---|---|
| 2% on the first $10,000 | 1.85% on the first $10,000 | **3%** |
| 4% on the next $40,000 | 3.5% on the next $40,000 | |
| 6% on taxable income above $50,000 | 4.25% on taxable income above $50,000 | |

## Types of Tax Exemptions

Fiduciary income tax exemptions are in the form of exemptions/exclusions, deductions, and credits. Exemptions/exclusions generally mean a specific item of income that is not included in taxable income. Deductions are generally defined as a reduction in net income to arrive at taxable income. Credits are generally defined as a reduction to the amount of tax due. All exemptions related to fiduciary income tax are contained in this report.

Until 2022, the federal income tax deduction, although a statutory deduction, was also required by the state constitution. For this reason, this deduction has been separated from the other exemptions and appears at the end of this section. The deduction was repealed for taxable periods beginning on or after January 1, 2022.

## Significant Changes

## 2025 Regular Session

**Act 376**

Act 376 establishes the Work-Based Learning Tax Credit. R.S. 47:6003 authorizes a nonrefundable credit for the employment of an "apprentice," "youth worker," or "intern," as defined therein, for a minimum of 100 hours per taxable period, equal to $2.50 per hour of employment up to $2,500 per taxable period. Unused credits can be carried forward for up to five (5) years. Beginning January 1, 2027, taxpayers must apply for the credit during the annual application period following the year the credit is earned. The credit has an initial cap of $1 million, with an annual increase of $1 million, up to a maximum of $7.5 million, if 80% of the credit cap amount authorized for the previous calendar year is utilized, as determined by the LDR. The credit cannot be combined with any other incentive received for the hiring of an eligible apprentice, youth worker or intern and sunsets on December 31, 2031. Act 376 is applicable to taxable periods beginning on or after January 1, 2026.

**Act 423**

Act 423 authorizes a nonrefundable income tax credit for a donation to a public school receiving a "D" or "F" letter grade for the most recent school year pursuant to the Louisiana School and District Accountability System. The credit is earned in the year of the donation and is equal to 90% of the amount donated. Donated amounts must be used by the public school for qualifying purposes, as provided in the statute. The governing authority of the public school must submit a public report prepared by a certified public accountant which contains all required identifying information. The report is due no later than the last day of February of each year and must be submitted to the LDR and the Department of Education. The credit is capped at $1 million per calendar year. Taxpayers must apply for the credit, electronically, during an annual application period following the year in which the credit is earned. The credit will be granted on a first-come, first-serve basis, with any requests received in excess of the credit cap being treated as received on the first day of the subsequent calendar year. The credit sunsets on December 31, 2027. Act 423 is applicable to taxable periods beginning on or after January 1, 2026.

# Income and Corporation Franchise Tax

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### 1. Credit Unions

Credit unions, including all their accumulated assets, are exempt from all taxes except for those on immovable property they own. Shares in a credit union are not subject to stock transfer taxes, whether issued by the credit union or transferred between members. Additionally, credit unions are not subject to the fees, taxes, or capital stock requirements that apply to regular corporations under general law. This exemption is intended to reduce the tax burden on these nonprofit organizations.

This exemption is applicable against corporation income and franchise tax.

#### Legal Citation
R.S. 6:662

#### Origin
Acts 1924, No. 40

#### Effective Date
Taxable periods beginning on or after July 1, 1924

#### Beneficiaries
Individuals who are a member of a state or federal chartered credit union

#### Estimated Fiscal Effect
The Department is unable to estimate the fiscal effect; there is no reporting requirement for this data.

### 2. Certain Foreign Corporations

Foreign corporations operating as mutual savings banks, mutual savings fund societies, real estate investment trusts (REITs), state banks or trust companies, insurance companies, corporations serving as REIT advisors, group insurance and annuity companies, and nonprofit or non-trading corporations are exempt from Louisiana corporation income and franchise taxes if their activities in the state are limited to certain loan-related services, such as making, acquiring, or participating in loans. This exemption is intended to support access to financing for Louisiana businesses and individuals.

This exemption is applicable against corporation income and franchise tax.

#### Legal Citation
R.S. 12:302(K) and (L)

#### Origin
Acts 1968, No. 105, amended by Acts 1972, No. 751

#### Effective Date
Taxable periods beginning on or after January 1, 1968

#### Beneficiaries
Certain foreign corporations referred to in the law

#### Estimated Fiscal Effect
The Department is unable to estimate the fiscal effect; there is no reporting requirements for this data.

### 3. Electric Cooperatives

Electric cooperatives are exempt from all individual income, corporation income, franchise, and excise taxes, except for a fee of $10 for every 100 people (or part thereof) they provide electricity to within the state. This exemption is intended to reduce the tax burden on these nonprofit electric cooperatives.

This exemption is applicable to individual and corporation income tax and corporation franchise tax.

#### Legal Citation
R.S. 12:425

#### Origin
Acts 1940, No. 266, renumbered from R.S. 1950, §12:325 by Acts 1968, No. 105 - *Corporation Franchise*

Acts 1940, No. 266 - *Corporation Income*

#### Effective Date
Taxable periods beginning on or after July 18, 1940 - *Corporation Franchise*

Taxable periods beginning on or after July 1, 1940 - *Corporation Income*

#### Beneficiaries
Individuals and companies purchasing electricity from electric cooperatives

#### Estimated Fiscal Effect
The Department is unable to estimate the fiscal effect; there is no reporting requirement for this data.

### 4. State Banking Corporations and Shareholders

State banking corporations and their shareholders are taxed the same as national banking corporations, which are exempt from corporation income tax. This exemption is intended to give state banks and their shareholders the same tax benefits available to national banking corporations and their shareholders.

This exemption is applicable to corporation income tax.

#### Legal Citations
R.S. 47:8, R.S. 47:121(2)

#### Origin
Acts 1966, No. 445

#### Effective Date
Taxable periods beginning on or after July 1, 1966

#### Related Provision
R.S. 12:302(K) and (L)

#### Beneficiaries
State chartered banks and their shareholders

#### Estimated Fiscal Effect
The Department is unable to estimate the fiscal effect; there is no reporting requirement for this data.

### 5. Annual Retirement Income

An exclusion is allowed for certain retirement income of taxpayers 65 years or older. The exclusion is intended to reduce the tax burden for seniors in Louisiana.

For taxable periods beginning before January 1, 2025, individuals aged 65 or older may exclude up to $6,000 of annual retirement income from their taxable income.

For taxable periods beginning on or after January 1, 2025, individuals aged 65 or older may exclude up to $12,000 of annual retirement income from their taxable income. This amount will be adjusted annually for inflation.

This exclusion is applicable to individual income tax.

#### Legal Citation
R.S. 47:44.1(A)

#### Origin
Acts 1981, No. 881, amended by Acts 2024, 3rd Ex. Sess., No. 11

#### Effective Date
Taxable periods beginning on or after January 1, 1981

#### Beneficiaries
Retirees, 65 years or older, with taxable retirement income

#### Estimated Fiscal Effect
The estimated revenue loss for FYE 6-26 and FYE 6-27 may not reflect all tax reform changes due to insufficient data currently available to fully assess their impact.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $45,679,000 | $46,593,000 |

### 6. Disability Income

Individuals receiving annual disability income for a permanent total disability, as defined in R.S. 23:1221(2), may exclude up to $6,000 of that income from taxation. This exclusion is intended to reduce the tax liability for individuals with a permanent total disability.

For taxable periods beginning before January 1, 2025, an individual who claims the exemption under R.S. 47:79(A)(2) for blindness, loss of limbs, mental incapacity, or deafness is not eligible to claim this exclusion.

This exclusion is applicable to individual income tax.

#### Legal Citation
R.S. 47:44.1(B)

#### Origin
Acts 2000, No. 34

#### Effective Date
Taxable periods beginning on or after January 1, 2001

#### Beneficiaries
Individuals receiving certain disability income

#### Estimated Fiscal Effect
The estimated revenue loss for FYE 6-26 and FYE 6-27 may not reflect all tax reform changes due to insufficient data currently available to fully assess their impact.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $288,000 | $282,000 |

*Note:* This amount includes the total revenue loss for the deduction for adaptive home improvements for disabled individuals, mobile workforce, and deduction for military family assistance fund. See numbers 14, 26, and 58 in this Section.

### 7. State Employees, Teachers, and Other Retirement Benefits

Individuals receiving benefits from specific retirement systems may exclude those benefits from their Louisiana tax table income. This exclusion is intended to protect certain public retirement benefits from being taxed.

This exclusion is applicable to individual income tax.

#### Legal Citations

R.S. 11:405 State Employees' Retirement System
R.S. 11:570 Funded Judicial Retirement Plan
R.S. 11:1378 Non-contributory Judicial Retirement Plan

Beginning January 1, 1981

R.S. 11:704 Teachers' Retirement System
R.S. 11:704 Teachers' Retirement System of Orleans Parish
R.S. 11:1003 Louisiana School Employees' Retirement System
R.S. 11:1331 Louisiana State Police Retirement System
R.S. 11:1403 Assessors' Retirement Fund
R.S. 11:1526 Clerks' of Court Retirement and Relief Fund
R.S. 11:1583 District Attorneys' Retirement System
R.S. 11:1735 Municipal Employees' Retirement System
R.S. 11:1735 City of Baton Rouge Retirement System
R.S. 11:1735 Employees' Retirement System of East Baton Rouge Parish
R.S. 11:1735 Employees' Retirement System of Shreveport
R.S. 11:1905 Parochial Employees' Retirement System
R.S. 11:3014 City of Alexandria Employees' Retirement System
R.S. 11:2033 Registrars of Voters Employees' Retirement System
R.S. 11:2182 Sheriffs' Pension and Relief Fund
R.S. 11:2228 Municipal Police Employees' Retirement System
R.S. 11:2263 Firefighters' Retirement System *(See note at end of this list.)*
R.S. 11:3389 Firefighters' Pension and Relief Fund of New Orleans
R.S. 11:3566 Policemen's Pension and Relief Fund for Alexandria
R.S. 11:3568 Policemen's Pension and Relief Fund for City of Bossier City

### 7. State Employees, Teachers, and Other Retirement Benefits (*continued*)

R.S. 11:3608 Policemen's Pension and Relief Fund for City of Lafayette
R.S. 11:3658 Policemen's Pension and Relief Fund for the Police Department of the City of New Orleans
R.S. 11:2228 Policemen's Pension and Relief Fund for Lafayette
R.S. 11:3691 Harbor Police Retirement System (Port of New Orleans)
R.S. 11:2228 Policemen's Pension and Relief Fund of the City of Shreveport
R.S. 11:3823 Employees' Retirement System of the City of New Orleans
R.S. 11:952.3 LSU Retirement System

*Note:* The Firefighters' Retirement System was established effective January 1, 1980, by R.S. 11:2251 et seq. As of October 1999, all of the local firefighters' retirement systems have merged with this system except the systems for the cities of Baton Rouge and New Orleans.

Firemen's Pension and Relief Fund of the following:

R.S. 11:3118 Alexandria
R.S. 11:3205 Bossier City
R.S. 11:3300 Lafayette
R.S. 11:3389 New Orleans

#### Origin

Various legislation since 1946

#### Effective Date

Taxable periods beginning on or after January 1, 1946

#### Beneficiaries

Retirees of various Louisiana public retirement systems

#### Estimated Fiscal Effect

The estimated revenue loss for FYE 6-26 and FYE 6-27 may not reflect all tax reform changes due to insufficient data currently available to fully assess their impact.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $131,788,000 | $134,424,000 |

### 8. Federal Retirement Benefits

Any federal retirement benefit received by a military or a nonmilitary federal retiree is exempt from Louisiana taxable income. This exemption aims to protect federal retirement benefits from Louisiana income tax.

For taxable periods beginning on or after January 1, 2021, military survivor benefit plan payments made to surviving spouses or to designated beneficiaries are also exempt from Louisiana income tax.

This exemption is applicable to individual income tax.

#### Legal Citations

R.S. 47:44.2 Federal Retirement System Benefits

R.S. 47:44.2 Railroad Retirement System Benefits

R.S. 47:52 Disability Pay to World War II Veterans

R.S. 47:297.17 Military Survivor Benefits

U.S.C.A. 45:231(m) Railroad Retirement Supplemental

#### Origin

Acts 1989, No. 812

#### Effective Date

Taxable periods beginning on or after January 1, 1988

#### Beneficiaries

Individuals receiving federal retirement income, both military and nonmilitary

#### Estimated Fiscal Effect

The estimated revenue loss for FYE 6-26 and FYE 6-27 may not reflect all tax reform changes due to insufficient data currently available to fully assess their impact.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $49,254,000 | $51,739,000 |

### 9. Social Security Benefits

Social Security benefits that are taxable at the federal level are exempt from Louisiana taxable income. This exemption is intended to protect Social Security benefits from being subject to Louisiana income tax.

This exemption is applicable to individual income tax.

#### Legal Citations

R.S. 47:44.2

#### Origin

Acts 1989, No. 812

#### Effective Date

Taxable periods beginning on or after January 1, 1984

#### Related Provision

R.S. 47:111(A)(12) and 112.2

#### Beneficiaries

Individuals receiving Social Security income

#### Estimated Fiscal Effect

The estimated revenue loss for FYE 6-26 and FYE 6-27 may not reflect all tax reform changes due to insufficient data currently available to fully assess their impact.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $205,907,000 | $210,025,000 |

### 10. Interest on State or Local Government Obligations

Interest earned from obligations issued by the state of Louisiana, or its political and municipal subdivisions is exempt from Louisiana income tax. This exemption is designed to promote investment in Louisiana-issued obligations.

This exemption is applicable to individual, fiduciary, and corporation income tax.

#### Legal Citations

R.S. 47:48, R.S. 47:293(9)(b) - *Individual Income*

R.S. 47:300.6(B)(1)(a), R.S. 47:300.7 - *Fiduciary Income*

R.S. 47:48, R.S. 47:287.71(B)(4) - *Corporation Income*

#### Origin

Acts 1934, No. 21

#### Effective Date

Interest earned on or after January 1, 1935

#### Beneficiaries

State and local governments and the individuals and entities that invest in their obligations

#### Estimated Fiscal Effect

The Department is unable to estimate the fiscal effect; there is no reporting requirement for this data.

### 11. Governmental Subsidies for Operating Public Transportation Systems

Funds received by a corporation from a government entity to support the operation and maintenance of public transportation systems are excluded from gross income. This exclusion aims to provide financial aid to public transportation services.

For returns filed after July 1, 2018, the exclusion is equal to 100% of the funds received. For returns filed from July 1, 2015, through June 30, 2018, and for taxable periods beginning during calendar years 2015, 2016, and 2017, regardless of the return filing date, the exclusion is limited to 72% of the funds received.

If an extension was granted before July 1, 2015, and the return was filed by the extended due date, the exclusion was reduced and one-third of the reduced amount could be claimed for each of the taxable periods beginning during calendar years 2017, 2018, and 2019.

This exclusion is applicable to corporation income tax.

#### Legal Citations

R.S. 47:51, R.S. 47:287.71(B)(2)

#### Origin

Acts 1979, No. 300; Acts 1986, 1st Ex. Sess., No. 16, amended by Acts 2015, No. 123; Acts 2018, 2nd Ex. Sess., No. 4

#### Effective Date

Taxable periods beginning on or after January 1, 1979

#### Beneficiaries

Certain public-service corporations

#### Estimated Fiscal Effect

The estimated revenue loss for FYE 6-26 and FYE 6-27 is $0; no activity is anticipated.

### 12. Compensation for Disaster Services

A nonresident business entity providing services at the request of a registered Louisiana business or a state or local government during a declared disaster or emergency period may exclude all income earned from disaster or emergency-related work performed within Louisiana during that period. Similarly, out-of-state employees conducting disaster or emergency-related work in Louisiana during the declared period may also exclude all income received for such work from Louisiana taxable income. The purpose of this exclusion is to provide tax relief during emergencies and natural disasters.

This exclusion is applicable to individual and corporation income tax.

#### Legal Citation

R.S. 47:53.5, R.S. 47:242(1)(h), R.S. 47:287.71(B)(8) - *Corporation Income*

R.S. 47:111, R.S. 47:242(2)(a), R.S. 47:293(10) - *Individual Income*

#### Origin

Acts 2017, No. 358

#### Effective Date

Taxable periods beginning on or after January 1, 2018

#### Beneficiaries

Nonresident businesses and nonresident individuals that perform disaster or emergency-related work within the state during a disaster period

#### Estimated Fiscal Effect

The Department is unable to estimate the fiscal effect; there is no data on this exclusion.

### 13. Certain Exempt Entities

Organizations classified under Internal Revenue Code sections 401(a) or 501 are exempt from Louisiana corporation income tax to the extent they are exempt from federal income taxation. This exemption is intended to offer financial support to certain nonprofit organizations. The following is a list of entities eligible for this exemption:

A. Labor, agricultural, and horticultural organizations that are educational or instructive and are established to promote the development of agricultural and horticultural products. To qualify, all income generated by these organizations must be used solely to cover the necessary expenses related to their upkeep and operation.

B. Mutual savings banks, national banking corporations, and banking corporations organized under Louisiana law, provided they either pay a tax on behalf of their shareholders or their shareholders are taxed on their stock under other Louisiana laws. This exemption also applies to building and loan associations.

C. Fraternal beneficiary societies, orders, or associations operating under the lodge system, or established exclusively for the benefit of members of a fraternity that operates under such a system. To qualify, these organizations must provide life, sickness, accident, or similar benefits to their members or their dependents.

D. Nonprofit cemetery companies owned and operated exclusively for the benefit of their members.

E. Any corporation, community chest, or fund that is organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals.

F. Business leagues, chambers of commerce, real estate boards, and boards of trade that operate on a nonprofit basis, with no portion of their net earnings benefiting private shareholders or individuals.

G. Nonprofit civic leagues or organizations that operate exclusively for charitable, educational, or recreational purposes.

H. Clubs organized and operated exclusively for pleasure, recreation, or other nonprofit purposes.

I. Benevolent life insurance associations of a purely local nature, mutual ditch or irrigation companies, mutual or cooperative telephone companies, and similar organizations, provided at least 85% of their income is derived from amounts collected from members for farmers' or other mutual hail, cyclone, casualty, or fire insurance companies or associations, including interinsurers and reciprocal underwriters. The income must be used or held exclusively to cover losses and expenses related to these insurance purposes.

### 13. Certain Exempt Entities (continued)

J. Farmers' or other mutual hail, cyclone, casualty, or fire insurance companies or associations, including interinsurers and reciprocal underwriters, only if their income is used or held exclusively to pay losses or related expenses.

K. Certain farmers', fruit growers', or similar associations that are organized and operated on a cooperative basis for the purpose of marketing products or purchasing supplies and equipment.

L. Corporations organized by exempt farmers' cooperatives to finance crop operations of members.

M. Corporations organized exclusively to hold title to property, collect income from that property, and remit the entire amount—after deducting expenses—to organizations that operate solely for religious, charitable, scientific, literary, or educational purposes. To qualify, no part of the corporation's net earnings may benefit any private stockholder.

N. Voluntary employees' beneficiary associations that provide life, sickness, accident, or other benefits to their members or their dependents.

O. Teachers' retirement fund associations of a purely local nature, provided that no part of their net earnings—other than through the payment of retirement benefits—benefits any private shareholder or individual. To qualify, the association's income must be derived solely from public tax revenues, assessments on members' teaching salaries, and investment income.

This exemption is applicable to individual and corporation income tax.

#### Legal Citation
R.S. 47:121(1)-(15), R.S. 47:287.501, R.S. 47:287.521(A)

#### Origin
Acts 1934, Nos. 21 and 28, amended by Acts 1964, No. 461; Acts 1981, No. 121; Acts 1986, 1st Ex. Sess., No. 16

#### Effective Date
Taxable periods beginning on or after January 1, 1934

#### Beneficiaries
Members and shareholders of these exempt corporations

#### Estimated Fiscal Effect
The Department is unable to estimate the fiscal effect; there is no reporting requirement for this data.

### 14. Mobile Workforce

Income earned by a nonresident employee for performing work in Louisiana for 30 days or less is exempt from state income tax. However, if the employee works in Louisiana for more than 30 days within a taxable year, they become subject to state taxation on all income earned in the state, including income from the first 30 days.

To qualify for this exemption, the employee must perform duties in multiple states, and the wages cannot be for work as a professional athlete, staff member of a professional athletic team, professional entertainer, public figure, or qualified production employee. Additionally, the exemption does not apply if the nonresident has other income sourced from Louisiana during the taxable year.

For taxable periods prior to January 1, 2026, the exemption applies to employment duties performed for the first 25 days.

The purpose of this exemption is to relieve certain remote workers from having to file and pay Louisiana income tax.

This exemption is applicable to individual income tax.

#### Legal Citation
R.S. 47:242(1)(g)(ii), R.S. 47:242(2)(b), R.S. 47:248, R.S. 47:293(10)

#### Origin
Acts 2021, No. 383; amended by Acts 2025, No. 382

#### Effective Date
Taxable periods beginning on or after January 1, 2022

#### Related Provision
R.S. 47:111(A)(12), R.S. 47:112.2

#### Beneficiaries
Nonresident employees who work less than 30 days in Louisiana

#### Estimated Fiscal Effect
See number 6 in this Section.

### 15. Dividends from National Banking Corporations and State Banking Corporations

Dividends received from national and state banking corporations are excluded from the gross income of corporations for Louisiana corporation income tax purposes. When Louisiana's income tax statutes were enacted, federal law prohibited states from taxing dividends of national banking corporations. Although this federal restriction has since been lifted, Louisiana has chosen not to amend its statutes to tax these dividends. This exclusion reflects compliance with the federal laws in place at the time of the statutes' enactment.

This exclusion is applicable to corporation income tax.

#### Legal Citation
R.S. 47:287.71(B)(6)

#### Origin
Acts 1934, No. 21; Acts 1986, 1st Ex. Sess., No. 16, amended by Acts 2015, No. 123; Acts 2016, 1st Ex. Sess., No. 1; Acts 2017, No. 352

#### Effective Date
Taxable periods beginning on or after January 1, 1935

#### Related Provision
R.S. 47:287.738(F)

#### Beneficiaries
Individual and corporate shareholders of national banking corporations

#### Estimated Fiscal Effect
The Department is unable to estimate the fiscal effect; there is no reporting requirement for the data.

### 16. Subchapter S Corporation

An S corporation is a corporation that elects to be taxed under Subchapter S of the Internal Revenue Code. Unlike a traditional C corporation, an S corporation is generally treated as a pass-through entity for federal income tax purposes. This means the corporation itself does not pay income tax. Instead, its income, loss, deductions, and credits pass through to its shareholders, who report those amounts on their individual income tax returns.

For taxable periods prior to January 1, 2026, S corporations are treated as C corporations for Louisiana state income tax purposes. As a result, S corporations are required to file a Louisiana corporation income tax return and are subject to entity-level tax. However, the corporation can exclude a portion of its Louisiana net income based on the percentage of issued and outstanding shares owned by Louisiana resident individuals on the last day of the tax year. A shareholder's ownership can be counted toward this exclusion only if the shareholder filed a Louisiana income tax return reporting their share of the S corporation's income.

This exclusion is intended to prevent the same income from being taxed twice — once at the corporate level and again at the shareholder level. For reporting purposes, the exclusion is measured as a gross revenue loss on corporate returns without reducing that amount by the taxes paid by shareholders on their individual returns.

Beginning January 1, 2026, S corporations are treated as pass-through entities for Louisiana state income tax purposes aligning with federal treatment. All items of income, loss, deduction, and credit of the S corporation must be reported on the shareholders' Louisiana income tax returns. In addition, a Qualified Subchapter S Subsidiary (QSub) will be treated as a disregarded entity, meaning its income, loss, deductions, and credits are reported on the return of its S corporation parent rather than on a separate return. This exclusion is eliminated as unnecessary effective January 1, 2026.

This exclusion is applicable to corporation income tax.

#### Legal Citation
R.S. 47:287.732

#### Origin
Acts 1986, 1st Ex. Sess., No. 16, amended by Acts 1989, No. 622; Acts 2002, No. 17

#### Effective Date
Taxable periods beginning on or after January 1, 1991

#### Repealed
Repealed for taxable periods beginning on or after January 1, 2026, by Acts 2025, No. 382

### 16. Subchapter S Corporation *(continued)*

**Related Provision**
R.S. 47:287.738(F)

**Beneficiaries**
Subchapter S corporation shareholders

**Estimated Fiscal Effect**

| FYE 6-26 | FYE 6-27 |
|---|---|
| $660,024,000 | $382,814,000 |

### 17. COVID-19 Relief Benefits

Louisiana provides an exemption from income tax for all state and federal COVID-19 relief benefits received by a taxpayer. These benefits include any gratuitous grants, loans, rebates, tax credits, advance refunds, or other qualified disaster relief payments, whether provided directly or indirectly by the state or federal government. The purpose of this exemption is to ensure that relief benefits provided to taxpayers are not treated as taxable income.

Covered programs include, but are not limited to, the Coronavirus Aid, Relief, and Economic Security (CARES) Act, the Taxpayer Certainty and Disaster Relief Act, the COVID-Related Tax Relief Act, the Consolidated Appropriations Act of 2021, the State Coronavirus Relief Program, the Coronavirus Local Recovery Allocation Program, the Louisiana Main Street Recovery Program, and the Critical Infrastructure Worker's Hazard Pay Rebate, as well as any similar current or future relief legislation. However, this exemption does not apply to unemployment compensation benefits received by the taxpayer.

This exemption is applicable to individual and corporation income tax.

**Legal Citation**
R.S. 47:293(9)(a) and (10), R.S. 47:287.738(H), R.S. 47:297.16

**Origin**
Acts 2021, No. 54

**Effective Date**
The exemption applied retroactively and prospectively to exempt all COVID-19 benefits from Louisiana income tax, regardless of when the benefits were received in relation to the enactment of Act 54 which became effective June 4, 2021.

**Beneficiaries**
Taxpayers in receipt of COVID-19 relief benefits

**Estimated Fiscal Effect**

| FYE 6-26 | FYE 6-27 |
|---|---|
| $273,000 | $41,000 |

### 18. Digital Nomad

Individuals who meet the criteria of a digital nomad may exclude 50% of their gross wages, up to a maximum of $150,000, from Louisiana income tax. This exclusion applies exclusively to gross wages earned by a digital nomad through remote work and may be claimed for up to two taxable years during 2022, 2023, 2024, and 2025. The exclusion is limited to a total of 500 eligible taxpayers.

To qualify, an individual must establish residency in Louisiana after December 31, 2021, and must be considered a covered person with major medical health insurance. The individual must work remotely on a full-time basis for a nonresident business, as defined by rule, and must file a Louisiana resident or part-year resident individual income tax return for the year in which the exclusion is claimed.

Additionally, the individual must not have established residency or domicile in Louisiana, nor been required to file a resident or part-year resident tax return, in any of the three years immediately preceding the establishment of residency after December 31, 2021. The majority of employment duties must be performed within the state, either remotely or at a co-working space. The purpose of this exclusion is to encourage remote workers to relocate to Louisiana and contribute to the state's economic development.

This exclusion is applicable to individual income tax.

#### Legal Citation
R.S. 47:293(9)(a)(xxii) and 297.18

#### Origin
Acts 2021, No. 387

#### Effective Date
Taxable periods beginning on or after January 1, 2022

#### Sunset Date
December 31, 2025

#### Beneficiaries
Taxpayers who qualify as digital nomads

#### Estimated Fiscal Effect
The estimated revenue loss is $10,000 for FYE 6-26; the estimated revenue loss for FYE 6-27 is negligible.

### 19. Military Pay

For taxable periods beginning after December 31, 2002, and before January 1, 2022, the first $30,000 of compensation paid to a member of the United States Armed Forces for military services performed outside Louisiana is excluded from state income tax. For tax years beginning on or after January 1, 2022, the exemption increases to the first $50,000 of compensation. To qualify, the service member must be on active duty, and the duty must be continuous and uninterrupted for at least 120 days. The purpose of this exemption is to recognize and offset the unique burdens of military service.

This exclusion is applicable to individual income tax.

#### Legal Citation
R.S. 47:293(9)(e)

#### Origin
Act 2000, No. 34, amended by Acts 2006, 1st Ex. Sess. No. 25; Acts 2007, No. 160; Acts 2021, No. 161

#### Effective Date
Taxable periods beginning on or after January 1, 2003

#### Beneficiaries
Military personnel deriving military income outside Louisiana

#### Estimated Fiscal Effect

| FYE 6-26 | FYE 6-27 |
|---|---|
| $9,288,000 | $9,474,000 |

### 20. Pass-Through Entity Tax Election Exclusion

A resident or nonresident estate, trust, or individual who is a shareholder, partner, or member of a pass-through entity that elects to pay Louisiana income tax at the entity level under R.S. 47:287.732.2 is permitted to exclude from their own taxable income any net income or loss received from that entity. However, this exclusion does not apply to any portion of income that is not taxed at the entity level. The purpose of this exclusion is to prevent double taxation.

This exclusion is applicable to individual and fiduciary income tax.

#### Legal Citation

R.S. 47:297.14 – *Individual Income*

R.S. 47:300.6(B)(2)(e), R.S. 47:300.7(C)(2)(d) – *Fiduciary Income*

#### Origin

Acts 2019, No. 442, amended by Acts 2024, 3rd Ex. Sess., No. 11 - *Individual Income*

Acts 2023, No. 450, amended by Acts 2024, 3rd Ex. Sess., No. 11 – *Fiduciary Income*

#### Effective Date

Taxable periods beginning on or after January 1, 2019 – *Individual Income*

Taxable periods beginning on or after January 1, 2023 – *Fiduciary Income*

#### Related Provision

R.S. 47:287.732.2, R.S. 47:293(9)(a)(xviii) and (10)

#### Beneficiaries

Individuals who are shareholders, partners and members of pass-through entities who make the election under R.S. 47:287.732.2

#### Estimated Fiscal Effect

The estimated revenue loss for FYE 6-26 and FYE 6-27 may not reflect all tax reform changes due to insufficient data currently available to fully assess their impact.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $72,889,000 | $74,347,000 |

### 21. S Bank Income

An S Bank shareholder may exclude from Louisiana income an amount equal to their share of the S Bank's nontaxable income. This nontaxable income refers to the portion of income reported on Form 1120S Schedule K-1, or an equivalent document, that is attributable to the net earnings used in calculating the S Bank's shares tax under R.S. 47:1967. The purpose of this exclusion is to prevent double taxation.

This exclusion is applicable to individual and fiduciary income tax.

#### Legal Citation

R.S. 47:297.3 – *Individual Income*

R.S. 47:300.6(B)(2)(d), R.S. 47:300.7(C)(2)(c) – *Fiduciary Income*

#### Origin

Acts 2002, No. 30

#### Effective Date

Taxable periods beginning on or after January 1, 2003

#### Beneficiaries

Individuals, trusts, and estates that are S Bank shareholders

#### Estimated Fiscal Effect

The estimated revenue loss for FYE 6-26 and FYE 6-27 may not reflect all tax reform changes due to insufficient data currently available to fully assess their impact.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $6,730,000 | $6,596,000 |

{Exemptions and Exclusions}

### 22. Resident Estates and Trusts Exemption

Resident estates and trusts are allowed to exempt up to $2,500 of their federal taxable income when calculating their Louisiana taxable income. The $2,500 exemption includes any exemption allowed under IRC section 642(b). The purpose of this exemption is to provide relief to estates and trusts because of their tax treatment at the federal level.

This exemption is applicable to fiduciary income tax.

#### Legal Citations
R.S. 47:300.6(B)(2)(c)

#### Origin
Acts 2000, No. 40

#### Effective Date
Taxable periods beginning on or after January 1, 2001

#### Beneficiaries
Resident estates and trusts subject to Louisiana income tax

#### Estimated Fiscal Effect
The estimated revenue loss for FYE 6-26 and FYE 6-27 may not reflect all tax reform changes due to insufficient data currently available to fully assess their impact.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $600,000 | $570,000 |

{ Deductions }

### 23. START Savings Program Contribution

Under the Student Tuition Assistance and Revenue Trust (START) Program, account owners may deduct from their taxable income the amount of money they deposit into an education savings account, up to $2,400 per beneficiary per taxable year for single filers, and up to $4,800 per beneficiary per taxable year for joint filers. Taxpayers may also elect to have any portion of their income tax refund deposited into the fund.

Withdrawals from the account used for expenses other than qualified higher education costs, as defined by law, must be included in taxable income. An amendment made in 2001 allows any unused portion of the $2,400/$4,800 annual deposit limit to be carried forward to future years if the maximum was not reached. The purpose of this deduction is to encourage contributions to the START Savings Program.

This deduction is applicable to individual income tax.

#### Legal Citations
R.S. 17:3095(A)(1), R.S. 17:3098, R.S. 47:120.62, R.S. 47:293(9)(a)(vi)

#### Origin
Acts 2000, No. 45, amended by Acts 2001, No. 332; Acts 2005, No. 292

#### Effective Date
Taxable periods beginning on or after January 1, 2001

#### Beneficiaries
All individuals who deposit funds into a qualified education savings account

#### Estimated Fiscal Effect

The estimated revenue loss for FYE 6-26 and FYE 6-27 may not reflect all tax reform changes due to insufficient data currently available to fully assess their impact.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $2,985,000 | $2,925,000 |

### 24. START K-12 Savings Program Contribution

Under the Louisiana Student Tuition Assistance and Revenue Trust (START) Kindergarten Through Grade Twelve Program, account owners may deduct from their taxable income the amount of money they deposit into an education savings account, up to $1,200 per account per taxable year for single filers, and up to $2,400 per account per taxable year for joint filers.

Withdrawals used for expenses other than qualified education expenses, as defined by law, must be included in taxable income. Any unused portion of the annual deposit limit may be carried forward to future years. The purpose of this deduction is to encourage contributions to the START K-12 Savings Program.

This deduction is applicable to individual income tax.

#### Legal Citation
R.S. 17:3100.5(A)(1), R.S. 47:293(9)(a)(xx)

#### Origin
Acts 2021, No. 52

#### Effective Date
Taxable periods beginning on or after January 1, 2022

#### Beneficiaries
Taxpayers who deposit funds into a qualified education savings account

#### Estimated Fiscal Effect
The estimated revenue loss for FYE 6-26 and FYE 6-27 may not reflect all tax reform changes due to insufficient data currently available to fully assess their impact.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $127,000 | $130,000 |

### 25. Entity-Level Income Tax Paid to Other States

A deduction is permitted for individual partners, members, or shareholders for their proportionate share of an entity-level tax paid to another state, provided the tax is based solely on net income included in the entity's federal taxable income and does not include any capital component. This deduction applies to taxes paid during the tax year and is limited to the extent that the related income is or was subject to taxation by Louisiana. It serves as a substitute for, and not an addition to, the credit for taxes paid to other states.

This deduction is applicable to individual and fiduciary income tax.

#### Legal Citation
R.S. 47:33(6)

#### Origin
Acts 2018, 2nd Ex. Sess., No 6, amended by Acts 2023, No. 413

#### Effective Date
Taxable periods beginning on or after January 1, 2018

#### Beneficiaries
Taxpayers that are partners, members, or shareholders of entities that are subject to entity level income taxes imposed by other states whose taxes do not qualify for the credit for taxes paid to other states

#### Estimated Fiscal Effect
The estimated revenue loss for FYE 6-26 and FYE 6-27 may not reflect all tax reform changes due to insufficient data currently available to fully assess their impact.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $1,104,000 | $1,126,000 |

### 26. Adaptive Home Improvements for Disabled Individuals

Individuals with a permanent disability, as defined by R.S. 51:2232(3), may deduct up to $5,000 from their taxable income for expenses related to necessary adaptations made to their homes. To qualify, the individual's gross family income must not exceed $50,000. This deduction aims to provide financial assistance to low-income individuals modifying their homes to accommodate disabilities.

This deduction is applicable to individual income tax.

#### Legal Citation
R.S. 47:59.1

#### Origin
Acts 1994, No. 11, amended by Acts 1997, No. 658; Acts 2001, No. 1032

#### Effective Date
For expenses incurred on or after June 7, 1994

#### Beneficiaries
Individuals with disabilities who incur qualified home adaptation expenses

#### Estimated Fiscal Effect
See number 6 in this Section.

### 27. Dependent/Blind/Aged Exemption/ Deduction

Until January 1, 2025, a $1,000 income tax deduction from the lowest tax bracket was permitted for each dependent, as well as for taxpayers who are blind or aged 65 or older. This deduction was designed to alleviate the tax burden for individuals with dependents and those who are blind or seniors.

This deduction is applicable to individual income tax.

#### Legal Citation
R.S. 47:79(B), R.S. 47:294(B)

#### Origin
Acts 1934, No. 21, amended by Acts 1980, No. 316; Acts 2024, 3rd Ex. Sess., No. 11

#### Effective Date
Taxable periods beginning on or after January 1, 1935

#### Repealed
Repealed for taxable periods beginning on or after January 1, 2025, by Acts 2024, 3rd Ex. Sess., No. 11

#### Beneficiaries
All individual taxpayers who file a tax return and claim one or more dependents, are blind, or aged 65 or older

#### Estimated Fiscal Effect
The estimated revenue loss for FYE 6-26 and FYE 6-27 may not reflect all tax reform changes due to insufficient data currently available to fully assess their impact.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $3,474,000 | $1,737,000 |

### 28. Percentage Depletion

Louisiana permits a depletion deduction for oil and gas wells equal to the greater of the federal cost depletion or Louisiana's own percentage depletion. This deduction aims to encourage oil and gas exploration and production.

For corporation income tax returns filed before July 1, 2015, the Louisiana depletion was calculated as 22% of each property's gross income minus 100% of rents or royalties paid, limited to 50% of the property's net income.

For returns filed from July 1, 2015, through June 30, 2018, and for taxable periods beginning in calendar years 2015, 2016, and 2017, Louisiana depletion was adjusted to 15.8% of gross income minus 72% of rents or royalties, limited to 36% of net income. If a filing extension was granted before July 1, 2015, with the return filed by the extended due date, the exemption amount was reduced; however, one-third of the reduced exemption could be claimed in each of the taxable years beginning in 2017, 2018, and 2019.

This deduction applies to fiduciary and corporation income tax.

#### Legal Citation

R.S. 47:158(C), R.S. 47:287.745 – *Corporation Income*

R.S. 47:300.6(B)(2)(b), R.S. 47:300.7(C)(2)(b) – *Fiduciary Income*

#### Origin

Acts 1934, No. 21, Acts 1986, 1st Ex. Sess., No. 16, amended by Acts 2015, No. 123; Acts 2018, 2nd Ex. Sess., No. 4 – *Corporation Income*

Acts 1996, No. 41, amended by Acts 1998, No. 61; Acts 2000, No. 40; Acts 2002, No. 30; Acts 2016, 1st Ex. Sess., No. 30 – *Fiduciary Income*

#### Effective Date

Taxable periods beginning on or after January 1, 1934 – *Corporation Income*

Taxable periods beginning on or after January 1, 1997 – *Fiduciary Income*

#### Beneficiaries

Taxpayers with percentage depletion on oil and gas properties that is greater than their cost depletion

#### Estimated Fiscal Effect

The estimated revenue loss for FYE 6-26 and FYE 6-27 may not reflect all tax reform changes due to insufficient data currently available to fully assess their impact.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $228,000 | $223,000 |

### 29. Net Louisiana Operating Loss

The Net Operating Loss (NOL) deduction permits a corporation to apply losses incurred in one tax year against income earned in other tax years. The purpose of the deduction is to provide flexibility in measuring taxable income by allowing losses to offset income across different years.

For losses arising in tax years beginning on or after January 1, 2001, the applicable carryforward period depends on the date the return is filed.

For returns filed on or after July 1, 2015, and before January 1, 2022, NOLs may be carried forward for up to 20 years, regardless of the tax year in which the loss was incurred. During this period, the deduction is limited to 72% of both the available net operating loss and the corporation's net income for the year.

For returns filed on or after January 1, 2022, NOLs attributable to tax years beginning on or after January 1, 2001, may be carried forward indefinitely until fully utilized. The indefinite carryforward provision supersedes the prior twenty-year limitation for such returns.

Prior to July 1, 2015, corporations were permitted to carry NOLs back three years and forward 15 years, and there was no limitation on the amount of the deduction. If an extension was granted prior to July 1, 2015, and the return was timely filed by the extended due date, the deduction is reduced; however, one-third of the reduced amount may be claimed in each of the 2017, 2018, and 2019 taxable years.

With respect to ordering rules, NOLs were originally required to be applied beginning with the earliest loss year. Beginning with the 2017 tax year, corporations were required to apply losses starting with the most recent loss year. This change was reversed for the 2020 tax year, restoring the requirement that NOLs be applied beginning with the earliest loss year.

#### Legal Citations

R.S. 47:246, R.S. 47:287.86

#### Origin

Acts 1979, No. 586, amended by Acts 1986, 1st Ex. Sess., No. 16; Acts 2015, Nos. 103 and 123; Acts 2016 1st Ex. Sess., Nos. 6 and 24; Acts 2016, 2nd Ex. Sess., No. 2; Acts 2018, 2nd Ex. Sess., No. 4; Acts 2019, No. 304; Acts 2021, No. 459

#### Effective Date

Taxable periods beginning on or after January 1, 1979

#### Beneficiaries

Corporations that have losses that can be offset against income earned in other years

### 29. Net Louisiana Operating Loss *(continued)*

**Estimated Fiscal Effect**

| FYE 6-26 | FYE 6-27 |
|---|---|
| $341,006,000 | $334,186,000 |

### 30. Corporation Standard Deduction

Taxpayers subject to the corporation income tax under R.S. 47:287.11 are allowed a standard deduction of $20,000 from their federal gross income tax. The purpose of this deduction is to shelter a portion of income from state income tax. The amount of the deduction is limited to a taxpayer's taxable income.

This deduction is applicable to corporation income tax.

**Legal Citation**
R.S. 47:287.71(9)

**Origin**
Acts 2024, 3rd Ex. Sess., No. 5

**Effective Date**
Taxable periods beginning on or after January 1, 2025

**Beneficiaries**
All taxpayers who file a corporation income tax return

**Estimated Fiscal Effect**
The Department is unable to estimate the fiscal effect. The effective date for this deduction is January 1, 2025, and there is currently insufficient data to assess its impact.

### 31. I.R.C. Section 280E Expense

A deduction is permitted for expenses disallowed under Internal Revenue Code Section 280E. While federal law prohibits claiming expenses related to businesses trafficking controlled substances, this deduction allows Louisiana taxpayers to reduce their federal taxable income by the amount of expenses disallowed federally that are associated with the production or dispensing of therapeutic marijuana. This deduction is limited to taxpayers licensed under Louisiana law, specifically Part X-E, Chapter 4, Title 40 of the Louisiana Revised Statutes.

This deduction is applicable to corporation income tax.

#### Legal Citation
R.S. 47:287.73(C)(1)

#### Origin
Acts 2019, No. 331

#### Effective Date
Expenses incurred on or after July 1, 2019

#### Beneficiaries
Corporations who are licensed through the state of Louisiana to produce or dispense therapeutic marijuana

#### Estimated Fiscal Effect
The Department is unable to estimate the fiscal effect; there is no data on this deduction.

### 32. I.R.C. Section 280C Expense

Until January 1, 2025, an income tax deduction was allowed for expenses disallowed under Internal Revenue Code Section 280C, which prohibits taxpayers from both claiming certain federal tax credits and deducting the related expenses. Section 280C requires a reduction in the federal deduction equal to the amount of the credit claimed. Louisiana allowed taxpayers to deduct the amount of those disallowed expenses for state income tax purposes, thereby reducing their federal taxable income.

For returns filed on or after July 1, 2015, but before June 30, 2018—regardless of the applicable tax year—and for tax periods beginning in calendar years 2015, 2016, and 2017, the deduction was limited to 72% of the expenses disallowed under Section 280C. If an extension was granted prior to July 1, 2015, and the return was filed by the extended due date, the deduction was reduced. However, one-third of the reduced portion could be claimed in each of the tax years beginning in 2017, 2018, and 2019.

This deduction is applicable to corporation income tax.

#### Legal Citation
R.S. 47:287.73(C)(4) – *Corporation Income*

R.S. 47:293(9)(a)(ix) – *Individual Income*

#### Origin
Acts 1986, 1st Ex. Sess., No. 16, amended by Acts 2015, No. 123; Acts 2018, 2nd Ex. Sess., No. 4; Acts 2024, 3rd Ex. Sess., No. 11 – *Corporation Income*

Acts 2006, 1st Ex. Sess., No. 25 – *Individual Income*

#### Effective Date
Expenses incurred on or after December 24, 1986

#### Repealed
Repealed for taxable periods beginning on or after January 1, 2025, by Acts 2024, 3rd Ex. Sess., No. 11

#### Beneficiaries
Corporations claiming certain credits on their federal returns

#### Estimated Fiscal Effect
The estimated revenue loss for FYE 6-26 and FYE 6-27 may not reflect all tax reform changes due to insufficient data currently available to fully assess their impact.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $1,209,000 | $121,000 |

### 33. Interest Income and Dividend Income

A deduction from gross income is allowed for corporations for the full amount of interest and dividend income included on the taxpayer's federal income tax return. This provision is intended to prevent double taxation of investment income at both the federal and state levels.

For returns filed on or after July 1, 2015, but before June 30, 2018—regardless of the tax year involved—and for tax periods beginning in calendar years 2015, 2016, and 2017, the deduction for dividend income was limited to 72% of the amount that would otherwise be included in gross income.

If an extension was granted prior to July 1, 2015, and the return was filed by the extended due date, the deduction was reduced. However, one-third of the reduced portion could be claimed in each of the tax years beginning in 2017, 2018, and 2019.

This deduction is applicable to corporation income tax.

#### Legal Citation
R.S. 47:287.738(F)

#### Origin
Acts 2005, No. 401, amended by Acts 2015, No. 123; Acts 2018, 2nd Ex. Sess., No. 4

#### Effective Date
Taxable periods beginning on or after January 1, 2006

#### Beneficiaries
Taxpayers who have received interest income or dividend income that was included on their federal income tax return

#### Estimated Fiscal Effect
The Department is unable to estimate the fiscal effect; there is no data on this deduction.

### 34. Hurricane Recovery Entity Benefits

Individuals and corporations that receive funds from designated hurricane recovery entities and were required to report those funds on their federal tax returns are allowed a corresponding deduction for state income tax purposes. This deduction applies to recovery benefits provided by the Road Home Corporation, the Louisiana Recovery Authority, the Louisiana Family Recovery Corps, the Disaster Recovery Unit, and the Restore Louisiana program, specifically for recovery efforts related to the Great Flood of 2016. The purpose of this deduction is to shelter recovery benefits from income tax.

For corporation income tax returns filed from July 1, 2015, through June 30, 2018, and for taxable periods beginning during calendar years 2015, 2016, and 2017, regardless of the return filing date, the deduction was limited to 72% of the funds received. If an extension was granted before July 1, 2015, and the return was filed by the extended due date, the deduction was reduced and one-third of the reduced amount could be claimed for each of the taxable periods beginning during calendar years 2017, 2018, and 2019.

This deduction is applicable to individual and corporation income tax.

#### Legal Citation
R.S. 47:287.738(G) – *Corporation Income*

R.S. 47:293(5) – *Individual Income*

#### Origin
Acts 2007, No. 247, amended by Acts 2011, No. 401; Acts 2015, No. 123; Acts 2018, 2nd Ex. Sess., No. 4

#### Effective Date
All hurricane recovery benefits received, without regard to receipt date, including those received before, on, or after July 6, 2007.

#### Beneficiaries
Taxpayers who have received hurricane recovery benefits that were included on their federal income tax return

#### Estimated Fiscal Effect
The revenue loss for FYE 6-26 and FYE 6-27 is negligible.

### 35. Bonus Depreciation and Amortization

Taxpayers can immediately deduct 100% of the cost of certain qualified property, qualified improvement property, and certain research and experimental expenditures in lieu of recovering those costs over time through standard depreciation or amortization. For purposes of the deduction, "qualified improvement property," "qualified property," and "research and experimental expenditures," have the same meanings as defined in Internal Revenue Code Sections 168(e)(6), 168(k), and 174, respectively. The deduction can be taken in the year the property is placed in service. The purpose of this deduction is to encourage businesses to invest in equipment, machinery, and other capital assets in Louisiana.

This deduction is applicable to individual, fiduciary, and corporation income tax.

#### Legal Citation

R.S. 47:287.744 – *Corporation Income*

R.S. 47:297.25 – *Individual Income*

R.S. 47:300.6 and 300.7 – *Fiduciary Income*

#### Origin

Acts 2024, 3rd Ex. Sess., No. 5

#### Effective Date

Taxable periods beginning on or after January 1, 2025

#### Beneficiaries

Capital-intensive businesses, startups, and other taxpayers who purchase qualifying property and place it in service in Louisiana

#### Estimated Fiscal Effect

The Department is unable to estimate the fiscal effect. The effective date for this deduction is January 1, 2025, and there is currently insufficient data to assess its impact.

### 36. Construction Code Retrofitting

Louisiana allows an income tax deduction for homeowners who claim the homestead exemption and voluntarily retrofit their homes to meet or exceed the State Uniform Construction Code or the Fortified Home Standard of the Insurance Institute for Business and Home Safety. Voluntary retrofitting means the work is not required for new construction or to repair damage.

The deduction equals 50% of qualified costs, reduced by any other government incentives, and is limited to $10,000 per home for taxable periods beginning on or after January 1, 2026. The deduction must be claimed in the year in which the work is completed, and homeowners who claim it may also qualify for grant funds through the Louisiana Fortify Home Program.

For taxable periods on or after January 1, 2007, but before January 1, 2026, the deduction is 50% of qualified costs, reduced by any other government incentives, and is limited to $5,000 per home.

The purpose of this deduction is to encourage homeowners to meet or exceed construction standards provided by the State Uniform Construction Code or the Fortified Home Standard of the Insurance Institute for Business and Home Safety.

This deduction is applicable to individual income tax.

#### Legal Citation

R.S. 47:293(2)(a)(i)

#### Origin

Acts 2007, No. 467, amended by Acts 2023, No. 262; Acts 2025, No. 473

#### Effective Date

Taxable periods beginning on or after January 1, 2008

#### Beneficiaries

Individual taxpayers who voluntarily make improvements to their primary residence to meet or exceed the State Uniform Construction Code or Fortified Home Standards

#### Estimated Fiscal Effect

| FYE 6-26 | FYE 6-27 |
|---|---|
| $35,000 | $70,000 |

### 37. Excess Federal Itemized Deductions

Taxpayers are allowed an income tax deduction equal to 100% of their federal itemized deductions that exceed the federal standard deduction for tax periods beginning on and after January 1, 2009, but before January 1, 2022.

For tax periods beginning on or after January 1, 2022, Louisiana taxpayers are allowed an income tax deduction for federal itemized deductions which are medical expenses that exceed the amount of the federal standard deduction. The purpose of this deduction is to reduce a taxpayer's state individual income tax liability by allowing certain federally disallowed deductions to be recognized at the state level.

This deduction is applicable to individual income tax.

#### Legal Citation
R.S. 47:293(3)

#### Origin
Acts 1980, No. 316, amended by Acts 2000, No. 38; Acts 2002, No. 24; Acts 2002, No. 51; Acts 2007, No. 399; Acts 2021, No. 395

#### Effective Date
Reestablished August 15, 2007, for taxable periods beginning on or after January 1, 2007

#### Beneficiaries
Individual taxpayers who itemize their federal deductions

#### Estimated Fiscal Effect

| FYE 6-26 | FYE 6-27 |
|---|---|
| $14,720,000 | $14,426,000 |

### 38. Net Capital Gains

Until January 1, 2025, taxpayers could deduct from income an amount equal to the amount of net capital gains that arise from the sale or exchange of an equity interest in, or substantially all of the assets of, a nonpublicly traded business entity commercially domiciled in Louisiana. This deduction was only available for gains that are recognized and treated as capital gains for federal income tax purposes. The purpose of this deduction is to encourage businesses to be domiciled in Louisiana.

For sales or exchanges occurring before June 28, 2016, the full amount of the gain included in federal adjusted gross income qualified for the deduction. For transactions occurring on or after June 28, 2016, and before January 1, 2025, the deduction is available only if the business was both held and commercially domiciled in Louisiana for at least five (5) years immediately prior to the sale or exchange. The amount of the deduction is determined by the length of commercial domicile, as shown below.

This deduction is applicable to individual income tax. Although repealed, gains from installment sales which closed prior to January 1, 2025, can still be deducted.

| Length of Commercial Domicile Deduction | Amount of Deduction |
|---|---|
| At least 5 years but less than 10 years | 50% |
| At least 10 years but less than 15 years | 60% |
| At least 15 years but less than 20 years | 70% |
| At least 20 years but less than 25 years | 80% |
| At least 25 years but less than 30 years | 90% |
| 30 or more years | 100% |

#### Legal Citation
R.S. 47:293(9)(a)(xvii) and 293.2

#### Origin
Acts 2009, No. 457, amended by Acts 2016, 2nd Ex. Sess., No. 11; Acts 2023, No. 242

#### Effective Date
Taxable periods beginning on or after January 1, 2010

#### Repealed
Repealed for taxable periods beginning on or after January 1, 2025, by Acts 2024, 3rd Ex. Sess., No. 11

#### Beneficiaries
Investors in non-publicly traded companies domiciled in Louisiana

### 38. Net Capital Gains *(continued)*

#### Estimated Fiscal Effect

The estimated revenue loss for FYE 6-26 and FYE 6-27 may not reflect all tax reform changes due to insufficient data currently available to fully assess their impact.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $42,101,000 | $4,210,000 |

### 39. Louisiana Fortify Homes Program Grants

Grant amounts received from the Louisiana Fortify Homes Program pursuant to R.S. 22:1483.1, are excluded from tax table income for purposes of individual income tax. This exemption is applicable to grant amounts received on or after January 1, 2025. The purpose of this deduction is to encourage installation of a fortified roof and provide relief to those participating in the program.

This exemption is applicable to individual income tax.

#### Legal Citation

R.S. 22:1483.1(F); R.S. 47:293(9)(a)(xxvii)

#### Origin

Acts 2025, No. 32

#### Effective Date

Taxable periods beginning on or after January 1, 2025

#### Beneficiaries

Recipients of the Louisiana Fortify Homes Program Grants

#### Estimated Fiscal Effect

The Department is unable to estimate the fiscal effect; the effective date for this deduction is January 1, 2025, and there is insufficient data currently available to fully assess the impact.

### 40. Deposits to ABLE Accounts

Achieving a Better Life Experience Account Program ("ABLE") account owners may exclude up to $2,400 of qualifying contributions per beneficiary, per tax year if filing a single return, and up to $4,800 of qualifying contributions per beneficiary if filing a joint return. Unused exclusion amounts may be carried forward to subsequent years. Interest earned is also excluded, but amounts withdrawn for non-qualified expenses must be added back to tax table income. The purpose of the exclusion is to encourage savings for individuals with a qualifying disability.

The exclusion is applicable to individual income tax.

#### Legal Citation
R.S. 17:3088; R.S. 47:293(9)(a)(xxvii)

#### Origin
Acts 2025, No. 110

#### Effective Date
Taxable periods beginning on or after January 1, 2026

#### Beneficiaries
Account owners of ABLE accounts

#### Estimated Fiscal Effect
The Department is unable to estimate the fiscal effect. The effective date for this deduction is January 1, 2026, and there is currently insufficient data to assess its impact.

### 41. Personal Exemption-Standard Deduction

Louisiana permits a personal, standard deduction. The primary purpose of this provision is to provide tax relief by exempting a baseline amount of income from taxation.

For taxable periods prior to January 1, 2025, a combined personal exemption/standard deduction of $4,500 is allowed for individuals filing single or married separate and $9,000 for individuals filing joint returns, as a qualified surviving spouse, or as head of household. This deduction is applied against the lowest tax bracket.

For taxable periods on or after January 1, 2025, taxpayers are entitled to an income tax deduction from tax table income in the form of a standard deduction of $12,500 for single and married-separate filers, and for twice that amount for those filing jointly, as a qualifying surviving spouse, or as head of household. Beginning January 1, 2026, these amounts are adjusted annually for inflation.

This deduction is applicable to individual income tax.

#### Legal Citation
R.S. 47:294(A)

#### Origin
Acts 1934, No. 21, amended by Acts 2024, 3rd Ex. Sess., No. 11

#### Effective Date
Taxable periods beginning on or after January 1, 1934

#### Beneficiaries
All individual taxpayers who file a tax return

#### Estimated Fiscal Effect
The estimated revenue loss for FYE 6-26 and FYE 6-27 may not reflect all tax reform changes due to insufficient data currently available to fully assess their impact.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $326,251,000 | $407,814,000 |

The fiscal effect assumes no restrictions on eliminating this deduction. Assuming that to reduce this deduction below the levels in effect January 1, 1974, would require a constitutional amendment, 58% of the fiscal effect should be considered constitutionally protected.

### 42. Recreation Volunteer

Individuals who volunteer with a recreation department for at least 30 hours within a calendar year are eligible for a $500 individual income tax deduction. To qualify, the volunteer must obtain written certification from the recreation department verifying completion of the required service hours. This deduction is intended to recognize and encourage volunteer service within local recreational programs.

This deduction is applicable to individual income tax.

#### Legal Citation
R.S. 47:293(7)(a)

#### Origin
Acts 2007, No. 458

#### Effective Date
Taxable periods beginning on or after January 1, 2007

#### Beneficiaries
Communities where individuals volunteer with their recreation departments

#### Estimated Fiscal Effect

| FYE 6-26 | FYE 6-27 |
|---|---|
| $28,000 | $29,000 |

### 43. Volunteer Firefighter

A $500 income tax deduction is available to individual taxpayers who serve as volunteer firefighters, provided they meet specific criteria. To qualify, the individual must complete at least 24 hours of continuing education within the calendar year and must either be an active member of the Louisiana State Fireman's Association or be listed on the personnel roster for the State Fire Marshal's Volunteer Fireman's Insurance Program. This deduction is designed to support and incentivize the service and ongoing training of volunteer firefighters in Louisiana.

This deduction is applicable to individual income tax.

#### Legal Citation
R.S. 47:293(7)(a)

#### Origin
Acts 2007, No. 458

#### Effective Date
Taxable periods beginning on or after January 1, 2007

#### Beneficiaries
Volunteer firefighters

#### Estimated Fiscal Effect

| FYE 6-26 | FYE 6-27 |
|---|---|
| $39,000 | $38,000 |

### 44. Elementary & Secondary School Tuition

Resident individuals with dependents who attend qualifying schools are allowed an income tax deduction for certain educational expenses. Eligible institutions include nonpublic elementary or secondary schools that meet the requirements set forth in *Brumfield, et al. v. Dodd*, et al. 425 F. Supp. 528 and Section 501(c)(3) of the Internal Revenue Code, as well as public elementary or secondary laboratory schools operated by a public college or university.

The deduction applies to tuition, fees, uniforms, textbooks, and other school-required supplies purchased on or after January 1, 2009. The student must be claimed as a dependent on the taxpayer's current or prior year return. This provision is intended to ease the financial burden on families who incur out-of-pocket educational expenses for their dependents.

For taxable periods on or after January 1, 2008, but before January 1, 2011, the deduction is equal to 50% of the tuition and fees per dependent.

For taxable periods on or after January 1, 2011, the deduction is equal to the full amount paid, up to $5,000 per dependent. The per dependent cap increased to $6,000 beginning January 1, 2024.

This deduction is applicable to individual income tax.

#### Legal Citation
R.S. 47:297.10

#### Origin
Acts 2008, 2nd Ex. Sess., No. 8, amended by Acts 2009, Nos. 460 and 451; Acts 2011, No. 121; Acts 2023, No. 423

#### Effective Date
Expenses paid on or after January 1, 2009

#### Beneficiaries
Taxpayers with dependents attending a qualifying elementary or secondary school

#### Estimated Fiscal Effect
The estimated revenue loss for FYE 6-26 and FYE 6-27 may not reflect all tax reform changes due to insufficient data currently available to fully assess their impact.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $18,631,000 | $19,004,000 |

### 45. Educational Expenses for Home-schooled Children

Resident individuals in Louisiana with dependents who are home-schooled are allowed an income tax deduction for certain educational expenses. This provision is intended to ease the financial burden on families who homeschool their children and incur educational expenses.

The deduction applies to textbooks and curricula necessary for home-schooling purchased on or after January 1, 2009. To qualify, the student must be claimed as a dependent on the taxpayer's current or prior year tax return.

The deduction is equal to 50% of the qualified educational expenses for each dependent, limited to $5,000. Beginning with the 2024 tax year, the deduction limit increases to $6,000.

This deduction is applicable to individual income tax.

#### Legal Citation
R.S. 47:297.11

#### Origin
Acts 2008, 2nd Ex. Sess., No. 8, amended by Acts 2009, Nos. 451 and 460; Acts 2023, No. 423

#### Effective Date
Expenses paid on or after January 1, 2009

#### Beneficiaries
Taxpayers who are home-schooling their dependents

#### Estimated Fiscal Effect
The estimated revenue loss for FYE 6-26 and FYE 6-27 may not reflect all tax reform changes due to insufficient data currently available to fully assess their impact.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $449,000 | $458,000 |

### 46. Fees and Other Educational Expenses for a Quality Public Education

Resident individuals in Louisiana with dependents attending a public elementary or secondary school are allowed an income tax deduction for certain educational fees or expenses. This provision is intended to ease the financial burden on families that incur educational expenses.

The deduction applies to uniforms, textbooks, and other supplies required by the school for the dependent purchased on or after January 1, 2009. To qualify, the student must be claimed as a dependent on the taxpayer's current or prior year tax return.

The deduction is equal to 50% of the qualified educational expenses for each dependent, limited to $5,000. Beginning with the 2024 tax year, the deduction limit increases to $6,000.

This deduction is applicable to individual income tax.

#### Legal Citation
R.S. 47:297.12

#### Origin
Acts 2008, 2nd Ex. Sess., No. 8, amended by Acts 2009, Nos. 451 and 460; Acts 2023, No. 423

#### Effective Date
Expenses paid on or after January 1, 2009

#### Beneficiaries
Taxpayers with dependents attending a public elementary or secondary school

#### Estimated Fiscal Effect
The estimated revenue loss for FYE 6-26 and FYE 6-27 may not reflect all tax reform changes due to insufficient data currently available to fully assess their impact.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $2,827,000 | $2,884,000 |

### 47. Employment of Qualified Disabled Individuals

A deduction from income is allowed for each taxpayer who provides continuous employment to a qualified disabled individual within Louisiana. The purpose of this deduction is to encourage the employment of certain disabled individuals.

To be eligible, the taxpayer must have employed the qualified individual with a disability for at least four continuous months, working no less than an average of 20 hours per week, at a rate comparable to and in the same setting as other employees performing the same or similar tasks.

This deduction is applicable to individual, fiduciary, and corporation income tax.

#### Legal Citation
R.S. 47:297.13

#### Origin
Acts 2015, No. 117

#### Effective date
Individuals employed on or after June 19, 2015

#### Beneficiaries
Taxpayers that employ qualified disabled individuals within Louisiana

#### Estimated Fiscal Effect
The estimated revenue loss for FYE 6-26 and FYE 6-27 is negligible.

### 48. COVID-19 Educational Expenses

Resident individuals with dependents attending a public elementary or secondary school, a nonpublic elementary or secondary school that meets the criteria set forth in *Brumfield, et al. v. Dodd*, et al. 425 F. Supp. 528 and Section 501(c)(3) of the Internal Revenue Code, or any public elementary or secondary laboratory school operated by a public college or university, were allowed an income tax deduction for educational coaching services for an in-person facilitator of virtual education paid or incurred between March 13, 2020, and December 31, 2020, due to the COVID-19 pandemic.

This deduction applied to a child claimed as a dependent on the current or prior year's tax return and equaled the actual amount paid, limited to $5,000 per child.

An "in-person facilitator of virtual education" is someone who provided in-person instruction or assistance to one or more elementary or secondary school students. The facilitator must have been at least 18 years old at the time of service or, if younger than 18, must have graduated from high school. The facilitator could not be the taxpayer, the taxpayer's spouse, the taxpayer's child, the spouse of the taxpayer's child, the taxpayer's siblings or their spouses, the taxpayer's parents, or the parents of the taxpayer's spouse.

Expenses claimed for this deduction could not also be claimed for the Elementary and Secondary School Tuition Deduction, Educational Expenses for Home-schooled Children Deduction, Educational Expenses for a Quality Public Education Deduction, or the Child Care Credit. The purpose of this deduction was to provide relief for extra expenses incurred by families during the COVID-19 pandemic.

This deduction is applicable to individual income tax.

#### Legal Citation
R.S. 47:297.15

#### Origin
Acts 2020, 2nd Ex. Sess., No. 13

#### Effective date
Expenses paid or incurred between March 13, 2020, and December 31, 2020

#### Beneficiaries
Taxpayers who paid for educational coaching services during COVID-19 pandemic

#### Estimated Fiscal Effect
The estimated revenue loss is negligible for FYE 6-26; the estimated revenue loss for FYE 6-27 is $0. The exemption was effective for tax year 2020 only.

### 49. Private Adoption of Certain Infants

An individual taxpayer is allowed a $5,000 income tax deduction for adopting an unrelated infant under one year of age through a private agency, as defined in Children's Code Article 1169(1), or through an attorney. The infant's age is determined at the time of adoption placement.

This deduction is claimed in the year the adoption becomes final and is in lieu of the $1,000 dependency deduction authorized under R.S. 47:294. The purpose of this deduction is to encourage private adoptions in Louisiana.

This deduction is applicable to individual income tax.

#### Legal Citation
R.S. 47:297.21

#### Origin
Acts 2021, No. 378

#### Effective date
Taxable periods beginning on or after January 1, 2022

#### Beneficiaries
Taxpayers who adopt certain infants from an attorney or private agency

#### Estimated Fiscal Effect
See number 57 in this Section.

### 50. Hardship Retirement Distribution

A tax deduction is allowed for hardship withdrawals from retirement accounts when the distribution is due to a serious and urgent financial need, as defined by the retirement plan. To qualify, the taxpayer—or the taxpayer's spouse, if filing jointly—must be diagnosed with a terminal illness by a licensed physician. The purpose of this deduction is to provide financial relief to taxpayers forced to make a hardship withdrawal.

This deduction is applicable to individual income tax.

#### Legal Citation
R.S. 47:293(9)(a)(xxvii) and 293.26

#### Origin
Acts 2025, No. 251

#### Effective date
Taxable periods beginning on or after January 1, 2026

#### Beneficiaries
Taxpayers receiving an eligible hardship distribution from their retirement account in the event of terminal illness

#### Estimated Fiscal Effect
The Department is unable to estimate the fiscal effect. The effective date for this deduction is January 1, 2026, and there is currently insufficient data to assess its impact.

### 51. Bank-Holding Corporations

Bank-holding corporations are allowed a deduction from their franchise taxable base for the portion of their assets used to finance the operation of their subsidiary banks. To qualify, the investments in and advances to the subsidiaries must be included in the taxable capital of the holding corporation. This deduction aims to prevent double taxation of these assets—first by the holding company and then by the subsidiary bank.

This deduction is applicable to corporation franchise tax.

#### Legal Citation
R.S. 47:602(B)

#### Origin
Acts 1970, No. 385

#### Effective date
Taxable periods beginning on or after January 1, 1971

#### Repealed
Repealed for taxable periods beginning on or after January 1, 2026, by Acts 2024, 3rd Ex. Sess., No. 6

#### Beneficiaries
Bank holding corporations and shareholders

#### Estimated Fiscal Effect
The Department is unable to estimate the fiscal effect; there is no data on this deduction.

### 52. Public-Utility Holding Corporations

A regulated public-utility holding corporation may deduct from its franchise taxable base the portion of its assets used to finance its subsidiaries' operations. This deduction is calculated by multiplying the total investments in and advances to its subsidiary corporations by the corporation's Louisiana franchise tax apportionment percentage. To qualify, these investments and advances must be included in the taxable capital of the holding corporation. However, public-utility holding companies are subject to a minimum annual corporation franchise tax of $100,000. The purpose of this deduction is to encourage corporations to relocate their principal office to Louisiana.

This deduction is applicable to corporation franchise tax.

#### Legal Citation
R.S. 47:602(C)

#### Origin
Acts 1973, No. 119, amended by Acts 1994, No. 40

#### Effective date
Investments and advances made on or after June 19, 1973

#### Repealed
Repealed for taxable periods beginning on or after January 1, 2026, by Acts 2024, 3rd Ex. Sess., No. 6

#### Related Provision
R.S. 47:602(G)(4)

#### Beneficiaries
Public-utility holding companies who own subsidiary corporations and who locate their home office in Louisiana and their shareholders

#### Estimated Fiscal Effect
The Department is unable to estimate the fiscal effect; there is no data on this deduction.

### 53. Public Water Utility Companies

Corporations that have one or more subsidiary public water utility corporations are allowed to deduct the amounts of their investments in and advances to these subsidiaries from their taxable capital for franchise tax purposes. To qualify for this deduction, the investments and advances must be included in the taxable capital of the holding corporation. The purpose of this deduction is to ensure that these assets are taxed only at the subsidiary corporation level, preventing double taxation.

This deduction is applicable to corporation franchise tax.

#### Legal Citation
R.S. 47:602(D)

#### Origin
Acts 1990, No. 385

#### Effective Date
Taxable periods beginning on or after January 1, 1991

#### Repealed
Repealed for taxable periods beginning on or after January 1, 2026, by Acts 2024, 3rd Ex. Sess., No. 6 §3

#### Beneficiaries
Public utility water corporations with investments in and advances to subsidiary corporations and shareholders of public utility water corporations

#### Estimated Fiscal Effect
The Department is unable to estimate the fiscal effect; there is no data on this deduction.

### 54. Members of Controlled Groups that Include a Telephone Corporation

For corporation franchise tax purposes, any corporation that is part of a controlled group which includes a telephone corporation regulated by the Louisiana Public Service Commission is allowed to deduct, from its taxable capital, its investment in and advances to any member of the controlled group, provided these amounts are included in its taxable capital. The purpose of this deduction is to eliminate double taxation on investments in and advances to affiliated corporations within the controlled group that includes a telephone company.

This deduction is applicable to corporation franchise tax.

#### Legal Citation
R.S. 47:602(E)

#### Origin
Acts 1994, No. 134

#### Effective Date
Taxable periods beginning on or after January 1, 1994

#### Repealed
Repealed for taxable periods beginning on or after January 1, 2026, by Acts 2024, 3rd Ex. Sess., No. 6 §3

#### Beneficiaries
Corporations in a controlled group having as a member of such group a telephone corporation regulated by the Louisiana Public Service Commission

#### Estimated Fiscal Effect
The Department is unable to estimate the fiscal effect; there is no data on this deduction.

### 55. Holding Company

Corporations with one or more subsidiaries are allowed to deduct from their taxable capital the amounts of their investment in and advances to these subsidiary corporations. To qualify for this deduction, the investments in and advances to subsidiaries must be included in the taxable capital of the holding corporation. The purpose of this deduction is to ensure these assets are taxed only at the subsidiary corporation level. A subsidiary, for this deduction, is defined as any corporation subject to franchise tax in which at least 80% of the voting and nonvoting power of all classes of stock, membership, partnership, or other ownership interests are owned, directly or indirectly, by a corporation subject to the franchise tax under R.S. 47:601(A).

This deduction is applicable to corporation franchise tax.

#### Legal Citation
R.S. 47:602(G)

#### Origin
Acts 2016, 1st Ex. Sess., No. 12

#### Effective Date
Taxable periods beginning on or after January 1, 2017

#### Repealed
Repealed for taxable periods beginning on or after January 1, 2026, by Acts 2024, 3rd Ex. Sess., No. 6

#### Beneficiaries
Corporations whose subsidiary corporations are subject to franchise tax

#### Estimated Fiscal Effect
The Department is unable to estimate the fiscal effect; there is no data on this deduction.

### 56. Regulated Utility Companies

Certain regulated public utility companies are allowed to deduct from surplus those accounts representing assets for which no money, service, or thing of value was paid by the utility companies, except for the regulated service or product. The purpose of this deduction is to ensure equal tax treatment between regulated and non-regulated utility companies.

This deduction is applicable to corporation franchise tax.

**Legal Citation**
R.S. 47:605(C), R.S. 47:606(E)

**Origin**
Acts 1992, No. 156, amended by Acts 2008, 2nd Ex. Sess., No. 10

**Effective Date**
Taxable periods beginning on or after January 1, 1993

**Repealed**
Repealed for taxable periods beginning on or after January 1, 2026, by Acts 2024, 3rd Ex. Sess., No. 6 §3

**Beneficiaries**
Public utility companies that are required by their regulatory authority to increase assets and surplus by amounts meeting the statutes' criteria

**Estimated Fiscal Effect**
The Department is unable to estimate the fiscal effect; there is no data on this deduction.

### 57. Adoption from Foster Care

An individual taxpayer who adopts a child in foster care, as defined in Children's Code Article 603, or adopts a youth receiving extended foster care services under the Extended Foster Care Program Act, may claim a $5,000 deduction from taxable income. This deduction is in lieu of the standard $1,000 dependency deduction provided for under R.S. 47:294 that was available for taxable periods beginning before January 1, 2025. The deduction is applied in the year the adoption is finalized. The purpose is to encourage adoption of children in foster care.

This deduction is applicable to individual income tax.

**Legal Citation**
R.S. 47:297.20

**Origin**
Acts 2021, No. 378, amended by Acts 2025, No. 349

**Effective Date**
Taxable periods beginning on or after January 1, 2025

**Beneficiaries**
Taxpayers who adopt youth or children from foster care

**Estimated Fiscal Effect**

| FYE 6-26 | FYE 6-27 |
|---|---|
| $27,000 | $28,000 |

*Note:* This amount includes the total revenue loss for the deduction for private adoption of certain infants. See number 49 in this Section.

## { Deductions }

### 58. Military Family Assistance Fund

Activated military personnel or family members of activated military personnel who receive payments or awards from the Louisiana Military Family Assistance Fund are allowed an income tax deduction equal to the amount of the payments received from the fund. The purpose of this deduction is to provide financial relief for military personnel or family members of activated military personnel receiving payments or awards from the Louisiana Military Family Assistance Fund.

This deduction is applicable to individual income tax.

**Legal Citations**
R.S. 47:297.5

**Origin**
Acts 2005, No. 151

**Effective Date**
Payments or awards received on or after June 28, 2005

**Beneficiaries**
Activated military personnel and family members of activated military personnel receiving benefits from the Military Family Assistance Fund

**Estimated Fiscal Effect**
See number 6 in this Section.

## { Preferential Tax Rate }

### 59. Franchise Tax Suspension for Certain Businesses

The corporation franchise tax levied at a rate of $1.50 for each $1,000, or major fraction thereof, on the first $300,000 of taxable capital will not apply to small business corporations for franchise tax periods beginning between July 1, 2020, and June 30, 2021. A small corporation is defined as a business that is exercising its charter, qualified to do business, or actually doing business in the state, or owning or using any part of its capital, plant, or other property in this state, which is subject to the corporation franchise tax and has taxable capital of one million dollars or less.

Acts 2021, No. 389 extended the suspension through franchise tax periods beginning before July 1, 2023. With the passage of Constitutional Amendment No. 2 in November 2021, the $1.50 rate does not apply to taxable periods beginning on or after January 1, 2023. The purpose of the suspension was to provide relief to small businesses following the hardships of the COVID-19 pandemic.

This exemption is applicable to corporation franchise tax.

**Legal Citation**
R.S. 47:601.1

**Origin**
Acts 2020 1st Ex. Sess., No. 15, amended by Acts 2021, No. 389; Acts 2024, 3rd Ex. Sess., No. 11

**Effective date**
Taxable periods between July 1, 2020, and July 1, 2023

**Repealed**
Repealed for taxable periods beginning on or after January 1, 2026, by Acts 2024, 3rd Ex. Sess., No. 6 §3

**Related Provision**
HCR 66 of the 2020 Regular Session

**Beneficiaries**
Corporations that have taxable capital of one million dollars or less

**Estimated Fiscal Effect**
The estimated revenue loss for FYE 6-26 and FYE 6-27 is $0; no activity is anticipated.

{ Preferential Tax Rate }

### 60. Pass-Through Entity Tax Election

S corporations and other flow-through entities are allowed to elect to file and pay Louisiana income tax on Louisiana-sourced income as if they were C corporations. These electing entities will pay income tax at individual income tax rates. For taxable periods beginning prior to January 1, 2022, the election also allows S corporations and pass-through entities to claim a federal income tax deduction equal to the income tax that the pass-through entity would have paid on its Louisiana income if it had been taxed as a C corporation for federal income tax purposes. All corporation income tax provisions apply to any entity making this election. The purpose of this preferential tax rate is to allow the electing entity to pay the same tax rate that would have been applied to its shareholders, partners, and members had the entity not made the election.

This preferential tax rate is applicable to corporation income tax.

#### Legal Citation
R.S. 47:287.732.2

#### Origin
Acts 2019, No. 442, amended by Acts 2023, No. 450; Acts 2024, 3rd Ex. Sess., No. 11

#### Effective Date
Taxable periods beginning on or after January 1, 2019

#### Related Provision
R.S. 47:297.14

#### Beneficiaries
Entities who make the election and their shareholders, members and partners

#### Estimated Fiscal Effect

| FYE 6-26 | FYE 6-27 |
|---|---|
| $97,360,000 | $99,307,000 |

{ Credits }

### 61. Net Income Taxes Paid to Other States

A nonrefundable income tax credit is allowed for net income taxes paid to other states by Louisiana resident individuals. The purpose of the credit is to prevent double taxation.

For returns filed on or after July 1, 2015, regardless of the taxable year involved, the credit is limited to the amount of Louisiana income tax that would have been due had the income earned in the other state been earned in Louisiana. The credit was also denied for income taxes paid to a state that allowed nonresidents a credit for taxes paid to their state of residence. Although the credit was conditioned on reciprocity, the Louisiana Supreme Court invalidated this limitation in 2018.

If an extension to file was granted prior to July 1, 2015, and the return was filed after that date, one-third of the disallowed portion of the credit could be claimed in each of the taxable years beginning in calendar years 2017, 2018, and 2019.

For taxable periods beginning on or after January 1, 2018, the credit is also limited to the amount computed by multiplying the taxpayer's Louisiana income tax liability by a ratio. The numerator of the ratio is the Louisiana tax table income attributable to other states on which tax has been paid, and the denominator is the taxpayer's total Louisiana tax table income. A taxpayer may not claim both the credit and the deduction afforded by R.S. 47:33(6) for the same net income taxes paid to other states.

This credit is applicable to individual income tax.

#### Legal Citation
R.S. 47:33

#### Origin
Acts 1946, No. 203, amended by Acts 2015, No. 109; Acts 2018, 2nd Ex. Sess., No. 6; Acts 2023, No. 413

#### Effective Date
Taxable periods beginning on or after January 1, 1946

#### Beneficiaries
Louisiana resident individuals who derive taxable income from other states

#### Estimated Fiscal Effect
The estimated revenue loss for FYE 6-26 and FYE 6-27 may not reflect all tax reform changes due to insufficient data currently available to fully assess their impact.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $114,505,000 | $112,214,000 |

### 62. New Jobs

A nonrefundable tax credit is allowed against income tax for each employee hired into a newly created job. The credit amount depends on whether the new employee is classified as economically disadvantaged or is a resident of a neighborhood with an unemployment rate of 10% or more. Any unused credit can be carried forward for five (5) years. The purpose of this credit is to encourage job creation within Louisiana.

For returns filed prior to July 1, 2015, the total credit is limited to 50% of the corporation's income tax liability.

For returns filed on or after July 1, 2015, regardless of the tax year to which the return applies, the credit is limited to 36% of the tax liability. If a filing extension was granted prior to July 1, 2015, and the return was filed after that date, one-third of the reduced portion of the credit may be claimed on the taxpayer's return for each of the taxable years beginning in calendar years 2017, 2018, and 2019. This credit sunset on December 31, 2019.

This credit is applicable to corporation income tax.

#### Legal Citation
R.S. 47:34, R.S. 47:287.749

#### Origin
Acts 1978, No. 596, amended by Acts 1986, No. 16; Acts 2015, No. 125; Acts 2017, Nos. 400 and 403

#### Effective Date
Taxable periods beginning on or after January 1, 1978

#### Sunset Date
December 31, 2019

#### Repealed
Repealed for taxable periods beginning on or after January 1, 2025, by Acts 2024, 3rd Ex. Sess., No. 11

#### Beneficiaries
Corporations creating new jobs

#### Estimated Fiscal Effect
This provision has been repealed; therefore, there is no estimated revenue loss for FYE 6-26 or FYE 6-27.

### 63. Neighborhood Assistance

A nonrefundable credit is allowed against income tax for businesses that provide neighborhood assistance, job training for individuals, community service, or crime prevention programs designed to upgrade impoverished areas. However, the credit can only be granted with the approval of the Commissioner of Administration. Any unused credit can be carried forward for five (5) years. The total amount of tax credits granted for all approved programs may not exceed 1% of the total state corporation income tax collected in the prior fiscal year. The purpose of this credit is to encourage businesses to support efforts that assist impoverished areas.

For returns filed prior to July 1, 2015, the Commissioner of Administration could approve a credit equal to up to 70% of the actual amount contributed to approved programs. The maximum credit that any corporation could claim annually was $250,000.

For returns filed on or after July 1, 2015, regardless of the tax year to which it relates, the Commissioner may allow a credit equal to up to 50% of the actual amount contributed, with the credit limited to $180,000 per corporation per year. If an extension was granted before July 1, 2015, and the return was filed by the extended due date, the exemption was reduced and one-third of the reduced amount could be claimed for each of the taxable periods beginning during calendar years 2017, 2018, and 2019.

#### Legal Citation
R.S. 47:35, R.S. 47:287.753

#### Origin
Acts 1982, No. 653, amended by Acts 2015, No. 125; Acts 2017, No. 400

#### Effective date
Services rendered on or after July 22, 1982

#### Beneficiaries
Residents of impoverished areas of the state

#### Estimated Fiscal Effect
The estimated revenue loss for FYE 6-26 and FYE 6-27 is $0; no activity is anticipated.

### 64. Contribution of Tangible Property of a Sophisticated and Technological Nature to Educational Institutions

A nonrefundable tax credit is allowed for contributions of tangible personal property of a sophisticated and technological nature to educational institutions in Louisiana. The purpose of this credit is to incentivize corporations, individuals, estates, and trusts to donate or sell, at a discount, technologically advanced equipment or materials to educational institutions in Louisiana, thereby enhancing educational resources and opportunities.

For returns filed prior to July 1, 2015, the credit is equal to 40% of the property's value. In cases where the property is sold below cost, the credit is equal to 40% of the difference between the price received and the property's value, subject to statutory limitations.

For returns filed on or after July 1, 2015, regardless of the tax year to which it relates, the credit is reduced to 29% of the value or the difference in value for below-cost sales, again subject to statutory limitations. If a filing extension was granted prior to July 1, 2015, and the return was filed after that date, one-third of the reduced portion of the credit may be claimed on the taxpayer's return for each of the taxable years beginning in calendar years 2017, 2018, and 2019. The credit sunset on December 31, 2019.

This credit is applicable to individual and corporation income tax.

#### Legal Citations
R.S. 47:37, R.S. 47:287.755

#### Origin
Acts 1983, No. 667, and Acts 1986, 1st Ex. Sess., No. 16, amended by Acts 1997, No. 658; Acts 2015, No. 125; Acts 2017, Nos. 400 and 403; Acts 2024, 3rd Ex. Sess., No. 11

#### Effective Date
Taxable periods beginning on or after January 1, 1984

#### Sunset Date
December 31, 2019

#### Repealed
Repealed for taxable periods beginning on or after January 1, 2025, by Acts 2024, 3rd Ex. Sess., No. 11

#### Beneficiaries
Educational institutions, students, teachers, the state as a whole, and donors who make a contribution of equipment

#### Estimated Fiscal Effect
The estimated revenue loss is negligible for FYE 6-26; there is no estimated revenue loss for FYE 6-27. The credit sunset on December 31, 2019.

### 65. Insurance Company Premium Tax

A nonrefundable income tax credit is allowed against Louisiana income tax for any premium taxes paid by an insurance company to the Insurance Commissioner of the state of Louisiana. The credit is equal to 100% of the amount of premium taxes paid during the preceding 12 months. The purpose of this credit is to offset the burden of premium taxes paid by insurance companies.

For returns filed on or after July 1, 2015, regardless of the tax year to which it relates, the amount of the credit was limited to 72% of the premium taxes paid. If a filing extension was granted prior to July 1, 2015, and the return was filed after that date, one-third of the reduced portion of the credit could be claimed on the taxpayer's return for each of the taxable years beginning during calendar years 2017, 2018, and 2019.

The 72% reduction was later repealed by Acts 2017, No. 403, which became effective on June 26, 2017, thereby restoring the credit to 100% of premium taxes paid from that point forward.

This credit is applicable to corporation income tax.

#### Legal Citations
R.S. 47:227

#### Origin
Acts 1934, Nos. 21 and 61, amended by Acts 2015, No. 125; Acts 2017, Nos. 400 and 403

#### Effective Date
Taxable periods beginning on or after January 1, 1934

#### Beneficiaries
Insurance companies that pay premium taxes

#### Estimated Fiscal Effect

| FYE 6-26 | FYE 6-27 |
|---|---|
| $71,201,000 | $69,777,000 |

### 66. Certain Refunds Issued by Utilities

Refunds made by utility companies due to the denial of rate increases may be credited against gross income for income tax purposes. If deducting the refund from gross income would result in a net loss, the utility company has the option to instead elect a nonrefundable income tax credit, subject to specific limitations. The purpose of this credit is to ensure that utility companies' gross income is accurately reflected after rate refunds.

For returns filed on or after July 1, 2015, regardless of the tax year to which the return relates, the credit is limited to a maximum of 72% of the income tax increase caused by the rate refund. If a filing extension was granted prior to July 1, 2015, and the return was filed after that date, one-third of the reduced portion of the credit could be claimed on the utility company's return for each of the tax years beginning in calendar years 2017, 2018, and 2019.

This credit is applicable to corporation income tax.

#### Legal Citation
R.S. 47:265, R.S. 47:287.664

#### Origin
Acts 1960, Nos. 1 and 210, amended by Acts 2015, No. 125; Acts 2017, No. 400

#### Effective Date
Taxable periods beginning on or after January 1, 1960

#### Beneficiaries
Utility companies making refunds under these circumstances

#### Estimated Fiscal Effect
The effects of this credit have been replaced by the provisions of the net operating loss statute. (See R.S. 47:287.86) Therefore, as long as §287.86 is valid, there should be no revenue loss.

### 67. Louisiana Work Opportunity

A nonrefundable income tax credit is allowed for businesses that hire an eligible re-entrant. An "eligible re-entrant" is defined as an inmate or former inmate who is eligible to participate and actively participates in a work release program as provided in R.S. 15:711, 1111, 1199.9, or 1199.10, and meets all criteria outlined in R.S. 15:1199.7. The credit equals 5% of the total wages paid to the eligible re-entrant in an eligible job for 12 consecutive months following their release from imprisonment. This credit is limited to $2,500 per eligible re-entrant and is earned upon certification from the Department of Public Safety and Corrections or the applicable sheriff. Only one credit may be earned per eligible re-entrant, and the credit can be carried forward for up to five (5) years. The purpose of this credit is to encourage businesses to hire certain individuals that were previously incarcerated.

This credit is applicable to individual and corporation income tax.

#### Legal Citation
R.S. 47:287.750

#### Origin
Acts 2021, No. 453, amended by Acts 2024, 3rd Ex. Sess., No. 11

#### Effective Date
Individuals employed with a release date occurring on or after January 1, 2021

#### Sunset Date
No certifications to receive tax credits will be approved for requests received after June 30, 2025. However, any unused credit may be carried forward for the applicable carryforward period.

#### Beneficiaries
Businesses employing one or more eligible re-entrants

#### Estimated Fiscal Effect
The estimated revenue loss for FYE 6-26 and FYE 6-27 is negligible.

### 68. Certain Disabilities

A nonrefundable individual income tax credit was allowed for individual taxpayers, spouses, or dependents who are blind, deaf, mentally incapacitated, or have lost the use of a limb. The purpose of this credit is to reduce the tax burden for persons with certain disabilities.

For returns filed prior to July 1, 2015, the credit amount was $100.

For returns filed on or after July 1, 2015, regardless of the tax year, the credit amount is $72. If a filing extension was granted prior to July 1, 2015, and the return was filed after that date, one-third of the reduced portion of the credit could be claimed on the taxpayer's return for each taxable year beginning during the calendar years 2017, 2018, and 2019. This credit sunset on December 31, 2019.

This credit is applicable to individual income tax

#### Legal Citation
R.S. 47:297(A)

#### Origin
Acts 1980, No. 316, amended by Acts 2015, No. 125; Acts 2017, No. 400

#### Effective Date
Taxable periods beginning on or after January 1, 1980

#### Sunset Date
December 31, 2019

#### Repealed
Repealed for taxable periods beginning on or after January 1, 2025, by Acts 2024, 3rd Ex. Sess., No. 11

#### Beneficiaries
Individual taxpayers with certain disabilities

#### Estimated Fiscal Effect
The estimated revenue loss is negligible for FYE 6-26; there is no estimated revenue loss for FYE 6-27. This credit sunset on December 31, 2019.

### 69. Special Allowable Credits

A nonrefundable credit was allowed for a percentage of certain federal income tax credits. The purpose of this credit was to allow some of the federal credits to also be applied against the state tax liability.

Beginning in 1975, the use of federal tax as an entry into state tax tables gave taxpayers the benefit of the following credits:

- credit for contributions to candidates for public office
- credit for the elderly
- investment credit
- foreign tax credit
- work incentive credit
- jobs credit
- residential energy credit

In 1980, the method was changed to use federal adjusted gross income to calculate the amount of tax due. Because the change eliminated federal tax credits, this provision was enacted.

Beginning in 1986, the credit was equal to 10% of certain federal income tax credits, limited to $25.

For returns filed on or after July 1, 2015, regardless of the tax year to which it relates, the credit was equal to 7.2% of the federal income tax credit, limited to $18. If an extension was granted before July 1, 2015, and the return was filed by the extended due date, the exemption was reduced and one-third of the reduced amount could be claimed for each of the taxable periods beginning during calendar years 2017, 2018, and 2019.

For taxable periods beginning on or after January 1, 2017, the credit was equal to 7% of the federal income tax credit, limited to $18.

The purpose of this credit was to allow a portion of certain federal credits to also be applied against state tax liability.

This credit was applicable to individual income tax.

#### Legal Citation
R.S. 47:297(B)

#### Origin
Acts 1980, No. 316, amended by Acts 2015, No. 125; Acts 2017, Nos. 400 and 403

#### Effective Date
Taxable periods beginning on or after January 1, 1980

#### Sunset Date
December 31, 2019

### 69. Special Allowable Credits *(continued)*

#### Repealed
Repealed for taxable periods beginning on or after January 1, 2025, by Acts 2024, 3rd Ex. Sess., No. 11

#### Beneficiaries
Individual taxpayers who are entitled to certain federal credits

#### Estimated Fiscal Effect
The estimated revenue loss is negligible for FYE 6-26. There is no estimated revenue loss for FYE 6-27. This credit sunset on December 31, 2019.

### 70. Education

A nonrefundable credit is allowed for each qualified dependent child who was in school, kindergarten through 12th grade, at least part of the year. This credit, enacted in 1980, was suspended beginning with the tax year 1986 through tax year 1995. It was again suspended for tax years 2000 through 2005.

For taxable periods beginning on or after January 1, 2015, the credit was limited to Louisiana residents for dependents attending school in Louisiana who did not claim the elementary and secondary school tuition deduction. For returns filed before July 1, 2015, the credit was equal to $25 per qualified dependent child. For returns filed on or after July 1, 2015, regardless of the tax year to which it relates, the credit is equal to $18. If an extension was granted before July 1, 2015, and the return was filed by the extended due date, the exemption was reduced and one-third of the reduced amount could be claimed for each of the taxable periods beginning during calendar years 2017, 2018, and 2019.

The credit has sunset and is no longer available for taxable periods beginning on or after January 1, 2017.

This credit is applicable to individual income tax.

#### Legal Citation
R.S. 47:297(D)

#### Origin
Acts 1980, No. 316, amended by Acts 2000, No. 38; Acts 2002, No. 25; Acts 2015, Nos. 125 and 140; Acts 2017, No. 375

#### Effective Date
Taxable periods beginning on or after January 1, 2006

#### Sunset Date
December 31, 2016

#### Repealed
Repealed for taxable periods beginning on or after January 1, 2025, by Acts 2024, 3rd Ex. Sess., No. 11

#### Beneficiaries
Individual taxpayers with school age dependent children

#### Estimated Fiscal Effect
The estimated revenue loss is negligible for FYE 6-26; there is no estimated revenue loss for FYE 6-27. This credit sunset on December 31, 2016.

### 71. Small-Town Health Professional

A nonrefundable credit was allowed for qualified doctors, primary nurse practitioners, and dentists who relocated their primary office to certain locations. For any claim for a credit filed on or after July 1, 2015, the credit was equal to the lesser of the tax due or a reduced amount of $3,600 from the previous $5,000 per taxable year for up to a maximum of five (5) years. The purpose of this credit is to encourage eligible medical professionals to locate to small towns.

If an extension was granted before July 1, 2015, and the return was filed by the extended due date, the exemption was reduced and one-third of the reduced amount could be claimed for each of the taxable periods beginning during calendar years 2017, 2018, and 2019.

For taxable periods beginning on or after January 1, 2019, Act 338 of the 2019 Regular Session expanded eligibility of the credit to include qualified physician assistants and optometrists. The amount of credit certified by the Department of Health and granted by the Department of Revenue was capped at $1.5 million per calendar year.

This credit is applicable to individual income tax.

#### Legal Citation
R.S. 47:297(H)

#### Origin
Acts 1991, No. 1059, amended by Acts 2015, No. 125; Acts 2017, Nos, 342 and 400; Acts 2019, No. 338

#### Effective Date
Taxable periods beginning on or after January 1, 1991

#### Sunset Date
December 31, 2020

#### Repealed
Repealed for taxable periods beginning on or after January 1, 2025, by Acts 2024, 3rd Ex. Sess., No. 11

#### Beneficiaries
Eligible medical professionals who are located in small towns and the hospitals, residents, and patients of that area

#### Estimated Fiscal Effect
There is no estimated revenue loss for FYE 6-26 or FYE 6-27. There were no claims issued in FYE 6-25. This credit sunset on December 31, 2020.

### 72. Purchase of Bulletproof Vest

A nonrefundable credit was allowed for the purchase of a bulletproof vest by qualified law enforcement officers and certain employees of the Department of Public Safety and Corrections.

For returns filed prior to July 1, 2015, the credit was for the purchase price of the vest or $100, whichever was less.

For returns filed on or after July 1, 2015, regardless of the tax year, the credit allowed was equal to 72% of the purchase price or $72, whichever was less. Only one credit is allowed within a five (5) year period starting from the vest purchase date. If an extension was granted before July 1, 2015, and the return was filed by the extended due date, the exemption was reduced and one-third of the reduced amount could be claimed for each of the taxable periods beginning during calendar years 2017, 2018, and 2019.

This credit is applicable to individual income tax.

#### Legal Citation
R.S. 47:297(L)

#### Origin
Acts 1998, No. 20, amended by Acts 2015, No. 125; Acts 2017, Nos. 400 and 403

#### Effective Date
Taxable periods beginning on or after January 1, 1998

#### Sunset Date
December 31, 2019

#### Repealed
Repealed for taxable periods beginning on or after January 1, 2025, by Acts 2024, 3rd Ex. Sess., No. 11

#### Beneficiaries
Law enforcement officers and certain employees of the Department of Public Safety and Corrections

#### Estimated Fiscal Effect
There is no estimated revenue loss for FYE 6-26 or FYE 6-27. There were no claims issued in FYE 6-25. This credit sunset on December 31, 2019.

### 73. Living Organ Donation

A nonrefundable credit was allowed for expenses incurred by a taxpayer related to the taxpayer's or the taxpayer spouse's travel or absence from work due to a living organ donation.

For returns filed prior to July 1, 2015, the credit amount could not exceed $10,000 per organ donation.

For returns filed on or after July 1, 2015, regardless of the tax year to which it relates, the credit was equal to 72% of the qualifying expenses, limited to $7,200 per organ donation. If an extension was granted before July 1, 2015, and the return was filed by the extended due date, the exemption was reduced and one-third of the reduced amount could be claimed for each of the taxable periods beginning during calendar years 2017, 2018, and 2019. Any unused credit amount can be carried forward for up to ten (10) years.

This credit is applicable to individual income tax.

#### Legal Citation
R.S. 47:297(N)

#### Origin
Acts 2005, No. 277, amended by Acts 2015, No. 125; Acts 2017, Nos. 400 and 403

#### Effective Date
Donations occurring during taxable periods beginning on or after January 1, 2005

#### Sunset Date
December 31, 2019; however, taxpayers have ten years to utilize the credit

#### Repealed
Repealed for taxable periods beginning on or after January 1, 2025, by Acts 2024, 3rd Ex. Sess., No. 11

#### Beneficiaries
Taxpayers making a living organ donation

#### Estimated Fiscal Effect
There is no estimated revenue loss for FYE 6-26 or FYE 6-27. This credit sunset December 31, 2019.

### 74. Accessible and Barrier-Free Constructed Home

A nonrefundable credit was allowed for taxpayers who include accessible and barrier-free design elements in the construction of a new one- or two-family dwelling. To qualify, the taxpayer must own the dwelling, claim the homestead exemption on it, and the credit must be taken in the year construction of the dwelling is completed. Only one tax credit could be granted per dwelling.

For tax years beginning before 2018, the credit was the lesser of 72% of the tax due or $720.

Beginning with the 2018 tax year, the credit amount was $5,000 or the actual cost of constructing a new dwelling or renovating an existing dwelling, whichever was less. The taxpayer must still own the dwelling and qualify for the homestead exemption. Additionally, the credit was available in cases where the taxpayer enters into a valid lease contract with an individual who has a physical disability requiring accessible features, and that individual resides in the home under the lease terms. Any unused credit can be carried forward for up to five (5) years.

The total amount of credits granted under this provision could not exceed $500,000 in any calendar year.

This credit is applicable to individual income tax.

#### Legal Citation
R.S. 47:297(P)

#### Origin
Acts 2011, No. 392, amended by Acts 2015, No. 125; Acts 2017, Nos. 270, 400 and 403

#### Effective date
Taxable periods beginning on or after January 1, 2012

#### Sunset Date
December 31, 2019; however, any unused credits can be carried forward for five (5) years.

#### Repealed
Repealed for taxable periods beginning on or after January 1, 2025, by Acts 2024, 3rd Ex. Sess., No. 11

#### Beneficiaries
Taxpayers who include accessible and barrier-free design elements in either the construction of a new home or renovation of an existing dwelling

#### Estimated Fiscal Effect
There is no estimated revenue loss for FYE 6-26 or FYE 6-27. There were no claims issued in FYE 6-25. This credit sunset on December 31, 2019.

### 75. Employment-Related Expense for Maintaining Household for Certain Disabled Dependents

A nonrefundable credit was allowed for individuals who maintain a household that includes dependents who are physically or mentally disabled. The credit amount was equal to the applicable percentage of employment-related expenses allowed under Section 21 of the Internal Revenue Code. If the credit exceeded the taxpayer's liability, the unused portion could be carried forward to the next tax year. The purpose of this credit is to offer financial relief to taxpayers who bear the cost of caring for dependents with disabilities.

This credit is applicable to individual income tax.

#### Legal Citation
R.S. 47:297.2

#### Origin
Acts 1996, No. 27, amended by Acts 2017, No. 403

#### Effective Date
Taxable periods beginning on or after January 1, 1997

#### Sunset Date
December 31, 2019

#### Repealed
Repealed for taxable periods beginning on or after January 1, 2025, by Acts 2024, 3rd Ex. Sess., No. 11

#### Beneficiaries
Families with disabled dependents benefit from this credit

#### Estimated Fiscal Effect
There is no estimated revenue loss for FYE 6-26 or FYE 6-27. There were no claims issued in FYE 6-25. This credit sunset on December 31, 2019.

### 76. Certain Child Care Expenses

Taxpayers are allowed a credit equal to a percentage of the federal child and dependent care credit that is claimed on a resident's federal income tax return as shown in the chart below. For taxpayers whose federal adjusted gross income is $25,000 or less the credit is refundable and is allowed even if no federal credit was claimed.

For taxpayers whose federal adjusted gross income exceeds $25,000, the credit is only available if the federal credit was actually taken. If the federal credit was not claimed—such as when a taxpayer is subject to the alternative minimum tax—then the Louisiana credit is not allowed, because it is directly based on the amount claimed on the federal return. For these taxpayers, the credit is nonrefundable but can be carried forward for five (5) years.

| *Federal Adjusted Gross Income* | *Percent of Federal Credit* |
|---|---|
| $25,000 or less | 50% |
| $25,001 to $35,000 | 30% |
| $35,001 to $60,000 | 10% |
| Over $60,000 | Lesser of $25 or 10% |

This provision ensures that lower income taxpayers receive state-level relief even if they do not qualify for or do not claim the federal child and dependent care credit. This credit is applicable to individual income tax.

#### Legal Citation
R.S. 47:297.4

#### Origin
Acts 2002, No. 25, amended by Acts 2005, No. 495

#### Effective Date
Taxable periods beginning on or after January 1, 2003

#### Beneficiaries
Individual taxpayers who are claiming a child and dependent care credit on their federal income tax return

#### Estimated Fiscal Effect
The estimated revenue loss for FYE 6-26 and FYE 6-27 may not reflect all tax reform changes due to insufficient data currently available to fully assess their impact.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $10,425,000 | $10,216,00 |

### 77. Rehabilitation of an Owner Occupied Residential or Mixed-Use Property

This provision allowed a refundable credit for part of the cost of rehabilitating an owner-occupied residential or mixed-use property. To qualify, the property must be located in a National Register historic district, a local historic district, a main street district, a cultural products district, or a downtown development district. Properties could also qualify if it was eligible for listing on the National Register or certified by the State Historic Preservation Office. The credit was paid out over five years, with one equal portion claimed each year beginning when the property is first placed in service.

For returns filed before July 1, 2015, the credit was limited to $25,000 per structure. The amount of expenses eligible for the credit depended on the taxpayer's income. Total credits granted could not exceed $10 million statewide in any calendar year.

For returns filed on or after July 1, 2015, regardless of the tax year to which the return relates, the credit was limited to $18,600 per structure, with the percentage of allowable expenses still varying by income level. The statewide cap for total credits granted was reduced to $7.2 million per calendar year. If an extension was granted before July 1, 2015, and the return was filed by the extended due date, the exemption was reduced and one-third of the reduced amount could be claimed for each of the taxable periods beginning during calendar years 2017, 2018, and 2019.

This credit is applicable to individual income tax.

#### Legal Citation
R.S. 47:297.6

#### Origin
Acts 2005, No. 479, amended by Acts 2007, Nos. 188 and 298; Acts 2015, No. 125; Acts 2017, No. 400

#### Effective Date
Taxable periods beginning on or after January 1, 2006

#### Sunset Date
December 31, 2017

#### Repealed
Repealed for taxable periods beginning on or after January 1, 2025, by Acts 2024, 3rd Ex. Sess., No. 11

#### Beneficiaries
Individuals rehabilitating qualified property

#### Estimated Fiscal Effect
The estimated revenue loss is negligible for FYE 6-26; there is no estimated revenue loss for FYE 6-27. The credit sunset December 31, 2017.

### 78. Earned Income Tax Credit

A refundable credit is allowed for residents of Louisiana who are eligible for the federal earned income tax credit. For taxable periods beginning before January 1, 2019, the Louisiana credit is equal to 3.5% of the federal earned income tax credit taken on the resident's federal income tax return.

For taxable periods beginning on or after January 1, 2019, and through December 31, 2030, the credit increases to 5% of the federal earned income tax credit taken on the resident's federal return.

This credit is applicable to individual income tax.

#### Legal Citation
R.S. 47:297.8

#### Origin
Acts 2007, No. 278, amended by Acts 2018, 2nd Ex. Sess., No. 6; Acts 2021, No. 453

#### Effective Date
Taxable periods beginning on or after January 1, 2008

#### Beneficiaries
Individual taxpayers who are claiming the earned income tax credit on their federal income tax return

#### Estimated Fiscal Effect

| FYE 6-26 | FYE 6-27 |
|---|---|
| $80,288,000 | $81,894,000 |

### 79. Amounts Paid by Certain Military Servicemembers for Obtaining Louisiana Hunting & Fishing Licenses

For returns filed prior to July 1, 2015, a refundable credit was allowed for amounts paid by an active or reserve military servicemember, their spouse, or their dependent for obtaining a Louisiana noncommercial hunting or fishing license. The license must be valid only during the time the servicemember is on active duty. This credit does not apply to the purchase of lifetime licenses.

For returns filed on or after July 1, 2015, regardless of the tax year to which it relates, the credit was equal to 72% of the amounts paid. If an extension was granted before July 1, 2015, and the return was filed by the extended due date, the exemption was reduced and one-third of the reduced amount could be claimed for each of the taxable periods beginning during calendar years 2017, 2018, and 2019. This credit sunset on December 31, 2019.

This credit is applicable to individual income tax.

#### Legal Citation
R.S. 47:297.9

#### Origin
Acts 2007, No. 306, amended by Acts 2015, No. 125; Acts 2017, Nos. 400 and 403

#### Effective Date
Amounts paid on or after July 1, 2007

#### Sunset Date
December 31, 2019

#### Repealed
Repealed for taxable periods beginning on or after January 1, 2025, by Acts 2024, 3rd Ex. Sess., No. 11

#### Beneficiaries
Military personnel obtaining Louisiana hunting and fishing licenses

#### Estimated Fiscal Effect
The estimated revenue loss is negligible for FYE 6-26; there is no estimated revenue loss for FYE 6-27. This credit sunset on December 31, 2019.

### 80. Stillborn Child

A refundable credit of $2,000 is allowed for individual taxpayers who have undergone the delivery of a stillborn child. A "stillborn child" is defined according to the requirements outlined in R.S. 47:297.19(B). To be eligible for the credit, the taxpayer must be a Louisiana resident and must claim the credit on the return for the taxable year in which the stillbirth occurred.

This credit is applicable to individual income tax.

#### Legal Citation
R.S. 47:297.19

#### Origin
Acts 2021, No. 467

#### Effective Date
Taxable periods beginning on or after January 1, 2022

#### Beneficiaries
Any taxpayer who delivers a stillborn child

#### Estimated Fiscal Effect

| FYE 6-26 | FYE 6-27 |
|---|---|
| $74,000 | $73,000 |

### 81. Adoption of Unrelated Infant

A refundable credit of $5,000 is allowed for individual taxpayers who adopt a child unrelated to the taxpayer and under three years old at the time of placement. This credit cannot be claimed for children adopted from foster care. Taxpayers who claim this credit are not eligible to claim the deduction provided in R.S. 47:297.21. The credit is claimed in the year the adoption becomes final.

This credit is applicable to individual income tax.

**Legal Citation**
R.S. 47:297.23

**Origin**
Acts 2023, No. 452

**Effective Date**
Adoptions finalized on or after January 1, 2023

**Sunset Date**
December 31, 2028

**Beneficiaries**
Taxpayers who adopt an unrelated child through an attorney or private agency

**Estimated Fiscal Effect**

| FYE 6-26 | FYE 6-27 |
|---|---|
| $311,000 | $317,000 |

### 82. Pregnancy Related Death

A refundable income tax credit is allowed for the reasonable funeral and burial expenses associated with a pregnancy-related death of a Louisiana resident. The credit may be claimed by the estate of the deceased. If the estate does not claim it, the individual who actually paid the funeral and burial expenses may do so. The credit amount is equal to the actual reasonable expenses paid or $5,000, whichever is less, and must be claimed for the taxable year in which the death occurred.

To qualify for the credit, the death must have occurred while the individual was pregnant, during labor and delivery, or within one year after childbirth due to a pregnancy complication, a chain of events initiated by the pregnancy, or the aggravation of an unrelated condition caused by the normal effects of pregnancy.

This credit is applicable to individual income tax.

**Legal Citation**
R.S. 47:297.22

**Origin**
Acts 2021, No. 470

**Effective Date**
Taxable periods beginning on or after January 1, 2022

**Beneficiaries**
Individuals or estates who pay funeral and burial expenses for a pregnancy-related death

**Estimated Fiscal Effect**

| FYE 6-26 | FYE 6-27 |
|---|---|
| $11,000 | $11,000 |

### 83. Firearm Safety Device

A nonrefundable credit is allowed for the purchase of one or more firearm safety devices in an eligible transaction. The credit is equal to the amount of the purchase price limited to $500. The transaction must be a Louisiana sale conducted by a dealer who is required to collect sales and use tax on the sale of the firearm safety device. Eligible items include safes, gun safes, gun cases, lock boxes, or other devices designed to be or that can be used to store a firearm and which can only be unlocked by a key, combination or other similar means.

The credit may not be claimed for more than one transaction, but multiple qualifying items can be purchased in the single transaction. The amount of credits granted by the Department of Revenue is capped at $500,000 per calendar year and will be granted on a first-come, first-serve basis. Unused credits may be carried forward five (5) years.

This credit is applicable to individual income tax.

#### Legal Citation
R.S. 47:297.24

#### Origin
Acts 2023, No. 403, amended by Acts 2025, No. 160

#### Effective Date
Taxable periods beginning on or after January 1, 2023

#### Sunset Date
December 31, 2027

#### Beneficiaries
Taxpayers who purchase eligible firearm safety device

#### Estimated Fiscal Effect

| FYE 6-26 | FYE 6-27 |
|---|---|
| $199,000 | $203,000 |

### 84. Work-Based Learning Tax Credit

Authorizes a nonrefundable tax credit for businesses employing an "eligible apprentice," "intern," or "youth worker" as defined therein, for at least 100 hours per taxable period. The credit equals the lesser of $2.50 per hour worked or $2,500 per taxable period. Unused credits can be carried forward for up to five (5) years.

Starting January 1, 2027, taxpayers must apply for the credit during the annual application period following the year the credit is earned. The credit has an initial $1 million cap, which can increase by $1 million each year—up to a maximum of $7.5 million—if at least 80% of the previous year's cap is used, as determined by the Louisiana Department of Revenue.

The credit cannot be combined with any other incentive for hiring an eligible apprentice, youth worker, or intern.

This credit is applicable to individual, fiduciary, and corporation income tax.

#### Legal Citation
47:6003

#### Related Provision
23:386

#### Origin
Acts 2025, No. 376

#### Effective Date
Taxable periods beginning on or after January 1, 2026

#### Sunset Date
December 31, 2031

#### Beneficiaries
Employers who hire an eligible apprentice, youth worker, or intern.

#### Estimated Fiscal Effect
The Department is unable to estimate the fiscal effect. The effective date for this credit is January 1, 2026, and there is currently insufficient data to assess its impact.

### 85. Purchase of Qualified Recycling Equipment

A nonrefundable credit was allowed for the purchase of new recycling manufacturing or process equipment and/or qualified service contracts. If the equipment was sold before the total credit was claimed, the credit that would have otherwise been allowable could be claimed in the tax year of the sale, but any remaining unused credit is canceled for future periods.

For returns filed prior to July 1, 2015, the credit was calculated as 20% of the cost of the equipment, less any other tax credits received for the purchase, and could not exceed 50% of the taxpayer's liability before the credit. The total amount of credits certified by the Secretary of the Department of Environmental Quality in any calendar year is limited to $5 million for calendar years prior to July 1, 2015, and $3.6 million for calendar years on or after July 1, 2015.

For returns filed on or after July 1, 2015, for periods prior to January 1, 2017, the credit was equal to 14.4% of the qualifying purchase or contract. If an extension was granted before July 1, 2015, and the return was filed by the extended due date, the exemption was reduced and one-third of the reduced amount could be claimed for each of the taxable periods beginning during calendar years 2017, 2018, and 2019.

For tax years beginning on or after January 1, 2017, the credit is 14%. The total credits certified in any calendar year are limited to $3.6 million.

This credit is applicable to individual income tax.

#### Legal Citation
R.S. 47:6005

#### Origin
Acts 1991, Nos. 359 and 1052, amended by Acts 2005, No. 319; Acts 2015, No. 125; Acts 2016 1st Ex. Sess., No. 29; Acts 2017, No. 400

#### Effective Date
Reestablished for expenses incurred on or after June 30, 2005

#### Beneficiaries
Individuals and corporations who invest in qualifying equipment in the state as well as Louisiana citizens who benefit from an improved environment

#### Repealed
Repealed for taxable periods beginning on or after January 1, 2025, by Acts 2024, 3rd Ex. Sess., No. 11

#### Estimated Fiscal Effect

| FYE 6-26 | FYE 6-27 |
|---|---|
| $28,000 | $17,000 |

### 86. Inventory Tax/Ad Valorem Tax

An income tax credit is allowed for ad valorem property taxes paid to political subdivisions on inventory held by certain manufacturers, distributors, and retailers. The credit was expanded to include certain property held by persons engaged in the short-term rental of such items for periods beginning on or after January 1, 2016.

The credit is nonrefundable for taxes paid on inventory by any manufacturer who claimed the property tax exemption under the Industrial Tax Exemption Program (ITEP) during the same year the inventory taxes were paid, and for taxes paid by any company related to such manufacturer on inventory that is related to the business of such manufacturer.

The credit was fully refundable for returns filed prior to July 1, 2015. For returns filed on or after July 1, 2015, but before July 1, 2016, regardless of the tax year to which it relates, the refundable portion was equal to 100% of the ad valorem taxes paid if the amount paid was less than $10,000. If the ad valorem taxes paid are $10,000 or more, only 75% of the excess credit could be refunded with the remaining 25% carried forward for five (5) years.

For returns filed on or after July 1, 2016, if the total amount eligible for the credit is less than or equal to $500,000, 100% of any excess credit is refundable, and for total eligible amounts above $500,000, 75% of any excess credit up to a maximum of $750,000 is refundable. Groups of affiliated companies are required to be treated as one taxpayer for purposes of the limitations on refundability. For returns filed on or after July 1, 2017, only taxpayers that are included on the same consolidated federal income tax return are required to combine their inventory taxes paid in order to determine the amount of the excess credit that is refundable.

For new business entities formed or first registered to do business in Louisiana after April 15, 2016, if the total amount eligible for the credit is less than $10,000, 100% of any excess credit is refundable, and for total eligible amounts $10,000 or more, 75% of any excess credit up to a maximum of $750,000 is refundable.

Taxpayers who paid ad valorem taxes after December 31, 2020, and before April 16, 2021, could elect to treat these payments as having been made on December 31, 2020, for purposes of the credit. For the 2020 tax year only, taxpayers, including members included in a consolidated federal tax return that are treated as one taxpayer, who employed a minimum of 100 full-time employees at each location in the state for whom withholding tax was remitted to LDR

### 86. Inventory Tax/Ad Valorem Tax *(continued)*

for at least one month within each of the first three quarters of calendar year 2020 and the total amount eligible for the credit is less than or equal to $1 million, 100% of any excess credit was refundable. This election did not apply to any manufacturer who claimed the property tax exemption under the ITEP during the same year the inventory taxes were paid.

For taxable years ending after December 31, 2020, the carryover period for the nonrefundable portion has increased from five (5) years to 10 years.

Entities taxed as a C corporation for federal income tax purposes and estates and trusts subject to the tax provided for in R.S. 47:300.1 are prohibited from earning the credit for payments of ad valorem tax made on or after July 1, 2026. Cooperatives that are permitted to claim a federal income tax deduction for patronage dividends paid or allocated to their members may continue to earn the credit even though they are taxed as a C corporation for federal tax purposes. Any entity subject to the prohibition is granted an additional 10 years of carryforward for any credit which did not expire prior to January 1, 2025. All entities may continue to claim the credit relative to any carryforward amounts available for credit previously earned.

This credit is applicable to individual, fiduciary, and corporation income tax.

#### Legal Citation
R.S. 47:6006

#### Origin
Acts 1991, No. 153, amended by Acts 1994, No. 28; Acts 2002, No. 11; Acts 2005, No. 363; Acts 2015, No. 133; Acts 2016, 2nd Ex. Sess., Nos. 4 and 5; Acts 2017, Nos. 338 and 385; Acts 2020, 2nd Ex. Sess., Nos. 50, 56, and 59; Acts 2024, 3rd Ex. Sess., No. 11; Acts 2025, No. 412

#### Effective Date
Ad valorem taxes paid on or after July 1, 1992

#### Beneficiaries
Manufacturers, distributors, and retailers paying ad valorem taxes on inventory

#### Estimated Fiscal Effect
The estimated revenue loss for FYE 6-26 and FYE 6-27 may not reflect all tax reform changes due to insufficient data currently available to assess their impact.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $425,727,000 | $196,655,000 |

### 87. Ad Valorem Tax on Natural Gas

An income tax credit is allowed for ad valorem property taxes paid to political subdivisions on natural gas held, used or consumed in providing natural gas storage services or operating natural gas storage facilities.

The credit was fully refundable for returns filed prior to July 1, 2015. For returns filed on or after July 1, 2015, but before July 1, 2016, regardless of the tax year to which it relates, the refundable portion was equal to 100% of the ad valorem taxes paid if the amount paid was less than $10,000. If the ad valorem taxes paid are $10,000 or more, only 75% of the excess credit could be refunded with the remaining 25% carried forward for five (5) years.

For returns filed on or after July 1, 2016, if the total amount eligible for the credit is less than or equal to $500,000, 100% of any excess credit is refundable, and for total eligible amounts above $500,000, 75% of any excess credit up to a maximum of $750,000 is refundable. Groups of affiliated companies are required to be treated as one taxpayer for purposes of the limitations on refundability. For returns filed on or after July 1, 2017, only taxpayers that are included on the same consolidated federal income tax return are required to combine their inventory taxes paid in order to determine the amount of the excess credit that is refundable.

For new business entities formed or first registered to do business in Louisiana after April 15, 2016, if the total amount eligible for the credit is less than $10,000, 100% of any excess credit is refundable, and for total eligible amounts $10,000 or more, 75% of any excess credit up to a maximum of $750,000 is refundable.

Taxpayers who paid ad valorem taxes after December 31, 2020, and before April 16, 2021, could elect to treat these payments as having been made on December 31, 2020, for purposes of the credit. For the 2020 tax year only, taxpayers, including members included in a consolidated federal tax return that are treated as one taxpayer, who employed a minimum of 100 full-time employees at each location in the state for whom withholding tax was remitted to LDR for at least one month within each of the first three quarters of calendar year 2020 and the total amount eligible for the credit is less than or equal to $1 million, 100% of any excess credit was refundable. This election did not apply to any manufacturer who claimed the property tax exemption under the ITEP during the same year the inventory taxes were paid.

For taxable years ending after December 31, 2020, the carryover period for the nonrefundable portion has increased from five (5) years to 10 years.

### 87. Ad Valorem Tax on Natural Gas *(continued)*

Entities taxed as a C corporation for federal income tax purposes and estates and trusts subject to the tax provided for in R.S. 47:300.1 are prohibited from earning the credit for payments of ad valorem tax made on or after July 1, 2026. Cooperatives that are permitted to claim a federal income tax deduction for patronage dividends paid or allocated to their members may continue to earn the credit even though they are taxed as a C corporation for federal tax purposes. Any entity subject to the prohibition is granted an additional 10 years of carryforward for any credit which did not expire prior to January 1, 2025. All entities may continue to claim the credit relative to any carryforward amounts available for credit previously earned.

This credit is applicable to individual, fiduciary, and corporation income tax.

#### Legal Citation
R.S. 47:6006

#### Origin
Acts 2005, No. 363, amended by Acts 2015, No. 133; Acts 2016, 2nd Ex. Sess., No. 4; Acts 2017, Nos. 338 and 385; Acts 2020, 2nd Ex. Sess., Nos. 50, 56, and 59; Acts 2024, 3rd Ex. Sess., No. 11; Acts 2025, No. 412

#### Effective Date
Ad valorem taxes paid on or after August 15, 2005

#### Beneficiaries
Corporations paying ad valorem taxes on natural gas held, used, or consumed in providing natural gas storage services or operating natural gas storage facilities

#### Estimated Fiscal Effect
The estimated revenue loss for FYE 6-26 and FYE 6-27 may not reflect all tax reform changes due to insufficient data currently available to assess their impact.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $13,576,000 | $4,524,000 |

### 88. Ad Valorem Tax on Offshore Vessels

A refundable credit is available for ad valorem taxes paid on vessels primarily operating in Outer Continental Shelf Lands Act waters. To qualify, taxpayers must certify to the assessor that the vessel primarily operated in these waters during the calendar year preceding the tax assessment year, and the tax must have been paid without protest to the political subdivision. However, for taxable periods beginning on or after January 1, 2018, if the tax is paid under protest, the taxpayer must notify the Department of Revenue within five (5) business days of filing the lawsuit. The credit equals 100% of the taxes paid.

Additionally, taxpayers who paid ad valorem taxes between January 1, 2021, and April 16, 2021, may elect to treat these payments as if made on December 31, 2020, for credit purposes.

This credit is applicable to individual, fiduciary, and corporation income tax.

#### Legal Citation
R.S. 47:6006.1

#### Origin
Acts 1994, 3rd Ex. Sess., No. 59, amended by Acts 2002, No. 11; Acts 2017, No. 418; Acts 2020, 2nd Ex. Sess., No. 56

#### Effective Date
Ad valorem taxes paid on or after July 7, 1994

#### Beneficiaries
Corporations paying ad valorem taxes on vessels operating in Outer Continental Shelf Lands Act Waters

#### Estimated Fiscal Effect

| FYE 6-26 | FYE 6-27 |
|---|---|
| $26,930,000 | $20,743,000 |

### 89. Donations to Assist Qualified Playgrounds

A nonrefundable tax credit is available for donations made to qualified playgrounds located in certain economically disadvantaged areas. Donations can be in cash, equipment, goods, or services. The credit aims to encourage contributions to these qualifying playgrounds.

For tax returns filed before July 1, 2015, the credit equaled the lesser of $1,000 or 50% of the donation's value.

For returns filed on or after July 1, 2015, regardless of the tax year, the credit is the lesser of $720 or 36% of the donation's value. If an extension was granted before July 1, 2015, and the return was filed by the extended due date, the exemption is reduced and one-third of the reduced amount could be claimed for each of the taxable periods beginning during calendar years 2017, 2018, and 2019.

This credit is applicable to individual, fiduciary, and corporation income and franchise tax.

#### Legal Citation
R.S. 47:6008

#### Origin
Acts 1992, No. 898, amended by Acts 1997, No. 658; Acts 2002, No. 11; Acts 2015, No. 125; Acts 2016, 1st Ex. Sess., No. 29; Acts 2017, No. 400

#### Effective Date
Taxable periods beginning on or after January 1, 1993

#### Beneficiaries
Economically depressed areas benefit from this credit, which should help to improve the quality of life of the residents

#### Estimated Fiscal Effect
The Department is unable to estimate the fiscal effect. There were no credits claimed in FYE 6-25.

### 90. Donations to Public Elementary or Secondary Schools

A nonrefundable tax credit is available for qualified donations made to public elementary or secondary schools.

For returns filed before July 1, 2015, the credit equaled 40% of the appraised value of the donation.

For returns filed on or after July 1, 2015, and for tax years prior to January 1, 2017, the credit was 29% of the appraised value. If an extension was granted before July 1, 2015, and the return was filed by the extended due date, the exemption was reduced and one-third of the reduced amount could be claimed for each of the taxable periods beginning during calendar years 2017, 2018, and 2019.

For tax years beginning on or after January 1, 2017, the credit was 28% of the appraised value.

This credit is applicable to corporation income tax. The credit applied to corporation franchise tax until January 1, 2026.

#### Legal Citation
R.S. 47:6013

#### Origin
Acts 1998, No. 51, amended by Acts 2015, Nos. 125 and 357; Acts 2016, 1st Ex. Sess., No. 29; Acts 2017, No. 400; Acts 2024, 3rd Ex. Sess., Nos. 5 and 6

#### Effective date
Donations made on or after July 1, 1998

#### Beneficiaries
Corporations that make such donations and public schools in the state

#### Estimated Fiscal Effect
The estimated revenue loss for FYE 6-26 and FYE 6-27 is $0; no activity is anticipated.

### 91. Ad Valorem Tax Paid by Certain Telephone Companies

A refundable tax credit is available to telephone companies for 40% of the total ad valorem taxes they pay to Louisiana political subdivisions on public service properties. These properties must be assessed by the Louisiana Tax Commission at 25% of fair market value, as outlined in R.S. 47:1854.

For purposes of the credit, taxpayers who paid ad valorem taxes between January 1, 2021, and April 15, 2021, could elect to treat those payments as if they were made on December 31, 2020.

This credit is applicable to individual, fiduciary, and corporation income tax. The credit applied to corporation franchise tax until January 1, 2026.

#### Legal Citation
R.S. 47:6014

#### Origin
Acts 2000, No. 22; Acts 2002, No. 11; Acts 2005, No. 266; Acts 2007, No. 358; Acts 2015, No. 357; Acts 2020, 2nd Ex. Sess., No. 56; Acts 2024, 3rd Ex. Sess., Nos. 5 and 6

#### Effective Date
Taxable periods beginning on or after January 1, 2001

#### Beneficiaries
Telephone companies and the public they serve

#### Estimated Fiscal Effect

| FYE 6-26 | FYE 6-27 |
|---|---|
| $6,755,000 | $5,282,000 |

### 92. Debt Issuance Costs

Economic development corporations may claim a nonrefundable tax credit for the filing fee paid to the Louisiana Bond Commission for the preparation and issuance of bonds. The credit must be claimed in the taxable period during which the expense was incurred by the taxpayer.

For returns filed before July 1, 2015, the credit equaled 100% of the filing fee. For returns filed on or after July 1, 2015, regardless of the applicable tax year, the credit is limited to 72% of the filing fee. If an extension was granted before July 1, 2015, and the return was filed by the extended due date, the exemption was reduced and one-third of the reduced amount could be claimed for each of the taxable periods beginning during calendar years 2017, 2018, and 2019.

This credit is applicable to individual, fiduciary, and corporation income tax. The credit applied to corporation franchise tax until January 1, 2026.

#### Legal Citation
R.S. 47:6017

#### Origin
Acts 2002, No. 78, amended by Acts 2015, No. 125; Acts 2016, 1st Ex. Sess., No. 29; Acts 2017, No. 400; Acts 2025, 3rd Ex. Sess., No. 5

#### Effective Date
Fees paid on or after June 25, 2002

#### Beneficiaries
Economic development corporations

#### Estimated Fiscal Effect
The estimated revenue loss for FYE 6-26 and FYE 6-27 is $0; no activity is anticipated.

## 93. Rehabilitation of Historic Structures

A nonrefundable tax credit is available for eligible costs and expenses incurred in the rehabilitation of historic structures that are located within designated downtown development or cultural districts, or that contribute to the National Register of Historic Places. Eligible properties must be nonresidential real property or residential rental property.

Taxpayers, including any affiliated entities, are limited to claiming no more than $5 million in credits annually for all rehabilitation projects within a single downtown development or cultural district. The credit is earned in the taxable year during which the rehabilitated property is placed into service and is allowed against income tax for the period in which the credit is earned. Any unused credit can be carried forward for five (5) years.

For expenses incurred on or after January 1, 2018, and before January 1, 2023, the credit is equal to 20% of eligible costs. For expenses incurred on or after January 1, 2023, the credit increases to 25%. If the qualifying property is located in a rural area, the credit rises to 35% for eligible costs incurred on or after January 1, 2023.

In addition, for Part 2 applications submitted to the Department of Culture, Recreation, and Tourism (CRT) between January 1, 2021, and December 31, 2024, no more than $125 million in credits may be certified each calendar year. For applications received on or after January 1, 2025, no more than $85 million in credits may be certified each calendar year.

This credit is applicable to individual, fiduciary, and corporation income tax. The credit applied to corporation franchise tax until January 1, 2026.

### Legal Citation
R.S. 47:6019

### Origin
Acts 2002, No. 60, amended by Acts 2004, 1st Ex. Sess., No. 12; Acts 2005, No. 439; Acts 2007, No. 182 and 298; Acts 2009, No. 444; Acts 2011, No. 409; Acts 2013, Nos. 263 and 418; Acts 2015, No. 108; Acts 2017, No. 403; Acts 2020, 1st Ex. Sess., No. 25; Acts 2023, No. 426, Acts 2024, 3rd Ex. Sess., Nos. 5, 6, and 11

### Effective Date
Costs and expenses incurred on or after July 1, 2002, and taxable periods beginning on or after January 1, 2008, for a cultural district

### Sunset Date
December 31, 2028; however, taxpayers have five (5) years to utilize the credit.

## 93. Rehabilitation of Historic Structures *(continued)*

### Beneficiaries
Individuals or businesses rehabilitating a qualified historic structure

### Estimated Fiscal Effect
The estimated revenue loss for FYE 6-26 and FYE 6-27 may not reflect all tax reform changes due to insufficient data currently available to assess their impact.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $100,000,000 | $77,658,000 |

### 94. LA Citizens Property Insurance Corporation Assessment

A refundable tax credit is available for surcharges, market equalization charges, or assessments paid under the Louisiana Citizens Property Insurance Corporation related to Hurricanes Katrina and Rita. This credit applies to taxpayers who paid these assessments as part of their property insurance premium.

For returns filed before July 1, 2015, the credit equaled 100% of the amount paid. For returns filed on or after July 1, 2015, the credit was reduced to 72%. If an extension was granted before July 1, 2015, and the return was filed by the extended due date, the exemption was reduced and one-third of the reduced amount could be claimed for each of the taxable periods beginning during calendar years 2017, 2018, and 2019.

For taxable periods beginning on or after January 1, 2016, the credit further decreased to 25%. This credit is applicable to individual, fiduciary, and corporation income tax.

#### Legal Citation
R.S. 47:6025

#### Origin
Acts 2006, 2nd Ex. Sess., No. 4, amended by Acts 2007, No. 382; Acts 2015, No. 125; Acts 2016, 2nd Ex. Sess., No. 9; Acts 2017, Nos. 400 and 403

#### Effective Date
Taxable periods beginning on or after January 1, 2006

#### Sunset Date
December 31, 2019

#### Repealed
Repealed for taxable periods beginning on or after January 1, 2025, by Acts 2024, 3rd Ex. Sess., No. 11

#### Beneficiaries
Taxpayers who have paid the assessments levied by the LA Citizens Property Insurance Corporation

#### Estimated Fiscal Effect
The estimated revenue loss is negligible for FYE 6-26; there is no estimated revenue loss for FYE 6-27. This credit sunset on December 31, 2019.

### 95. Youth Jobs

A nonrefundable credit is allowed for a business that hires one or more eligible youths on or after July 1, 2021. "Eligible youths" means an individual who is at least 16 but under 24 years of age, is unemployed prior to being hired by a business applying for the credit, will be working full-time or part-time earning wages that are equivalent to the wages paid for similar jobs, with adjustments for experience or training, and meets at least one of the other enumerated criteria.

The credit is equal to $1,250 for each eligible youth hired in a full-time position and $750 for each eligible youth hired in a part-time position. The credit is capped at $5 million per calendar year.

This credit is applicable to individual, fiduciary, and corporation income tax. The credit applied to corporation franchise tax until January 1, 2026.

#### Legal Citation
R.S. 47:6028

#### Origin
Acts 2021, No. 454, amended by Acts 2024, 3rd Ex. Sess., No. 6

#### Sunset Date
June 30, 2025

#### Effective Date
Individuals employed on or after June 23, 2021

#### Beneficiaries
Businesses hiring one or more eligible youths

#### Estimated Fiscal Effect

| FYE 6-26 | FYE 6-27 |
|---|---|
| $41,000 | $42,000 |

### 96. Milk Producers

A refundable tax credit is available to resident taxpayers engaged in the business of producing milk for sale. This credit may be claimed when the USDA Uniform Price under Federal Order No. 7 falls below the production price set by the Louisiana Department of Agriculture and Forestry at any point during the calendar year. Eligible producers may receive a credit based on the volume of milk sold at prices below the announced production price during that year.

Eligibility is determined by the Louisiana Department of Health, which must certify those qualifying milk producers to the Department of Revenue by January 31 of the following year. Producers who are not certified by the Department of Health are not eligible for the credit.

For returns filed before July 1, 2015, the maximum credit per producer was $30,000 per calendar year, with a statewide cap of $2.5 million annually. For returns filed on or after July 1, 2015, regardless of the tax year involved, the maximum credit per producer is reduced to $21,600, and the statewide limit is reduced to $1.8 million per year. If an extension was granted before July 1, 2015, and the return was filed by the extended due date, the exemption was reduced and one-third of the reduced amount could be claimed for each of the taxable periods beginning during calendar years 2017, 2018, and 2019.

This credit is applicable to individual, fiduciary, and corporation income tax. The credit applied to corporation franchise tax until January 1, 2026.

#### Legal Citation
R.S. 47:6032

#### Origin
Acts 2007, No. 461, amended by Acts 2015, Nos. 125 and 357; Acts 2016, 1st Ex. Sess., No. 29; Acts 2017, No. 400; Acts 2024, 3rd Ex. Sess., Nos. 5 and 6

#### Effective Date
Taxable periods beginning on or after January 1, 2007

#### Beneficiaries
Resident taxpayers engaged in the business of producing milk for sale

#### Estimated Fiscal Effect

| FYE 6-26 | FYE 6-27 |
|---|---|
| $514,000 | $503,000 |

### 97. Apprenticeship (2007)

Employers may claim a nonrefundable tax credit for hiring eligible apprentices. The credit equals one dollar for each hour the apprentice works, up to a maximum of 1,000 hours per apprentice. An eligible apprentice is a person who has a written agreement in a registered apprenticeship program or is enrolled in a training program accredited by the National Center for Construction Education and Research that includes at least four levels of training and a minimum of 500 hours of instruction.

This credit is applicable to individual, fiduciary, and corporation income and franchise tax.

#### Legal Citation
R.S. 47:6033

#### Origin
Acts 2007, No. 472, amended by Acts 2011, No. 126

#### Effective Date
Taxable periods beginning on or after January 1, 2008

#### Repealed
Repealed for taxable periods beginning on or after January 1, 2015, by Acts 2015, No. 357. However, taxpayers have 10 years to utilize credit.

#### Beneficiaries
Employers of eligible apprentices

#### Estimated Fiscal Effect
The estimated revenue loss for FYE 6-26 and 6-27 is negligible.

### 98. Apprenticeship (2022)

Employers may claim a nonrefundable tax credit for hiring eligible apprentices. An eligible apprentice is a person who either has a written apprenticeship agreement under a registered apprenticeship program as provided in Chapter 4 of Title 23 of the Louisiana Revised Statutes of 1950, or is enrolled in a training program accredited by the National Center for Construction Education and Research that includes at least four levels of training and a minimum of 500 hours of instruction. For each eligible apprentice employed for at least 250 hours, the credit equals $1.25 per hour of employment, up to a maximum of $1,250 per apprentice. Any unused credit may be carried forward for up to five (5) years, and the total credit allowed statewide is capped at $2 million per calendar year.

This credit is applicable to individual, fiduciary, and corporation income tax. The credit applied to corporation franchise tax until January 1, 2026.

#### Legal Citation
R.S. 47:6033

#### Origin
Acts 2021, No. 454; amended by Acts 2024, 3rd Ex. Sess., No. 6

#### Effective Date
Taxable periods beginning on or after January 1, 2022

#### Sunset Date
December 31, 2025

#### Beneficiaries
Businesses employing one or more eligible apprentices

#### Estimated Fiscal Effect

| FYE 6-26 | FYE 6-27 |
|---|---|
| $427,000 | $326,000 |

### 99. Conversion of Vehicles to Alternative Fuel

A refundable tax credit was available for the cost of qualified clean-burning motor vehicle fuel property purchased and installed during the taxable period, provided the vehicle was registered in Louisiana. This credit is intended to encourage individuals and businesses to invest in alternative fuel technologies.

For purchases made on or after January 1, 2018, the credit was nonrefundable.

For returns filed prior to July 1, 2015, the credit equaled 50% of the cost of the qualified property. If a taxpayer purchased a new motor vehicle already equipped with qualified clean-burning fuel technology and chose not to—or could not—determine the exact cost attributable to the clean-fuel components, the credit could be claimed as 10% of the vehicle's cost or $3,000, whichever was less.

For purchases made between July 1, 2015, and June 21, 2017, the credit was reduced to 36% of the qualified property cost. In cases where the specific cost of the clean-fuel components was not determined, the credit was 7.2% of the vehicle's cost or $1,500, whichever was less.

If an extension was granted before July 1, 2015, and the return was filed by the extended due date, the exemption was reduced and one-third of the reduced amount could be claimed for each of the taxable periods beginning during calendar years 2017, 2018, and 2019.

For conversions or fueling station installations completed after June 21, 2017, the credit was 30% of the cost. For new vehicles purchased between June 22 and June 25, 2017, the credit reverted to 7.2% of the cost or $1,500, whichever was less. For new vehicles purchased on or after June 26, 2017, the credit was equal to 10% of the vehicle's cost or $2,500, whichever was less.

This credit is applicable to individual and corporation income tax.

#### Legal Citation
R.S. 47:6035

#### Origin
Acts 2009, No. 469, amended by Acts 2015, No. 125; Acts 2017, Nos. 325, 400, and 403; Acts 2021, No. 385

#### Effective Date
Taxable periods beginning on or after January 1, 2009

#### Sunset Date
July 1, 2021, for new purchases and conversions; December 31, 2021, for property that is directly related to the delivery of an alternative fuel into the fuel tank of a motor vehicle propelled by an alternative fuel

### 99. Conversion of Vehicles to Alternative Fuel *(continued)*

#### Repealed
Repealed for taxable periods beginning on or after January 1, 2025, by Acts 2024, 3rd Ex. Sess., No. 11

#### Beneficiaries
Owners purchasing qualified clean burning motor vehicle fuel property

#### Estimated Fiscal Effect
The estimated revenue loss for FYE 6-26 and FYE 6-27 is negligible.

### 100. COVID-19 Pandemic ATC License

A refundable tax credit was available to businesses licensed by Alcohol and Tobacco Control (ATC) to sell or serve alcoholic beverages for on premises consumption, such as bars, that were required to temporarily suspend operations in 2020 due to statewide COVID-19 emergency orders.

The credit equaled the portion of the 2020 annual state license and permit fees paid to ATC that corresponds to any calendar month—or portion of a month—during which the business was unable to operate under its ATC permit as a result of Proclamation Number 30 JBE 2020 or any subsequent proclamation issued in response to the COVID-19 public health emergency. Eligibility was based on the inability to use the ATC permit to conduct alcohol sales during the affected months.

This credit is applicable to individual, fiduciary, and corporation income tax.

#### Legal Citation
R.S. 47:6041

#### Origin
Acts 2020 2nd Ex. Sess., No. 60

#### Effective Date
Taxable periods beginning on January 1, 2020

#### Sunset Date
December 31, 2020

#### Repealed
Repealed for taxable periods beginning on or after January 1, 2025, by Acts 2024, 3rd Ex. Sess., No. 11

#### Beneficiaries
Owners or operators of establishments licensed to sell or serve alcoholic beverages for consumption on their premises by paying customers that were required to temporarily close operations due to COVID-19

#### Estimated Fiscal Effect
There is no estimated revenue loss for FYE 6-26 or FYE 6-27. This credit sunset on December 31, 2020.

### 101. Donations to Qualified Foster Care Organizations

A nonrefundable tax credit is available to taxpayers who make donations during the taxable year to a qualified foster care organization. The credit amount is equal to the portion of the donation actually used by the organization to provide services to qualified individuals, or $50,000, whichever is less.

A "qualified foster care charitable organization" is an organization licensed by the Department of Children and Family Services (DCFS) as a child placing agency to provide adoption and foster care services. DCFS must submit an annual report of all such qualified organizations to the Department of Revenue by January 31st of each year for the prior calendar year.

The total amount of credits that may be issued statewide in any calendar year is capped at $500,000. This credit may be claimed in addition to any federal tax credit or deduction earned for the same donation. Any unused credit may be carried forward for up to five (5) years.

This credit is applicable to individual, fiduciary, and corporation income tax.

#### Legal Citation
R.S. 47:6042

#### Origin
Acts 2021, No. 378

#### Effective Date
Taxable periods beginning on or after January 1, 2022

#### Beneficiaries
Taxpayers who donate funds to qualified foster care organizations

#### Estimated Fiscal Effect

| FYE 6-26 | FYE 6-27 |
|---|---|
| $199,000 | $203,000 |

### 102. Restaurant Recycling of Oyster Shells

A refundable tax credit is available to restaurants that donate oyster shells for environmental restoration purposes. The credit equals $1 for every 50 pounds of oyster shells donated, up to a maximum of $2,000 per taxpayer.

To qualify, donations must be made to the Oyster Shell Recycling Program operated by the Coalition to Restore Coastal Louisiana or to another program or activity designated as an approved oyster shell recycling initiative. The total amount of credits issued by the Department of Revenue is limited to $100,000 per calendar year and is awarded on a first-come, first-served basis.

This credit is applicable to individual, fiduciary, and corporation income tax.

#### Legal Citation
R.S. 47:6043

#### Origin
Acts 2023, No. 404

#### Effective Date
Taxable periods beginning on or after January 1, 2024

#### Sunset Date
December 31, 2028

#### Beneficiaries
Restaurants that donate oyster shells as well as Louisiana citizens who benefit from an improved environment

#### Estimated Fiscal Effect
The estimated revenue loss for FYE 6-26 and FYE 6-27 is negligible.

### 103. Louisiana Fortified Roof Tax Credit

A nonrefundable income tax credit is allowed for Louisiana resident taxpayers who install a fortified roof on their primary residence, as certified by the Insurance Institute for Business and Home Safety. The credit is equal to the full amount of qualified installation costs, up to $10,000 per residence. The credit applies only to owner-occupied homes with a homestead exemption. New construction, condominiums, and mobile homes do not qualify. The credit is capped at $10 million per fiscal year, allocated on a first-come, first-served basis, with proration required if the amount of requests received exceeds the available amount.

Credits may be carried forward for up to three years but cannot be claimed in combination with other state tax benefits or fortified roof grant funds received pursuant to R.S. 22:1483.1. The credit applies to qualifying expenses incurred on or after July 1, 2025, and may not be earned after December 31, 2031.

This credit is applicable to individual income tax.

#### Legal Citation
R.S. 47:6044

#### Origin
Acts 2025, No. 404

#### Effective Date
Expenses paid on or after July 1, 2025

#### Beneficiaries
Individual taxpayers who install a fortified roof on their primary residence according to Insurance Institute for Business and Home Safety guidelines.

#### Estimated Fiscal Effect
The Department is unable to estimate the fiscal effect; the effective date for this credit is July 1, 2025, and there is insufficient data currently available to fully assess the impact.

### 104. Workforce Child Care

The Workforce Child Care Tax Credits, were formerly known as the School Readiness Credits.

A credit against individual income tax is allowed for certain childcare expenses identified in R.S. 47:297.4. In addition to the requirements provided for in R.S. 47:297.4, the expenses must be paid for a child that is five or younger and who has attended a quality-rated childcare facility as designated by the Department of Education. The amount of the credit is based upon the type of expense and the quality rating of the childcare facility.

| Quality Rating of Childcare Facility | Percentage of the credit in R.S. 47:297.4 |
|---|---|
| Five star | 200% |
| Four star | 150% |
| Three star | 100% |
| Two star | 50% |
| One star or nonparticipating facility | 0% |

This credit is applicable to individual income tax.

#### Legal Citation
R.S. 47:6104

#### Origin
Acts 2007, No. 394, amended by Acts 2025, No. 454

#### Effective Date
Taxable periods beginning on or after January 1, 2008

#### Beneficiaries
Individual taxpayers who have a child under the age of six enrolled in an eligible childcare facility participating in the Quality Start program that is designed to increase the quality of childcare and early learning for all children throughout Louisiana

#### Estimated Fiscal Effect

| FYE 6-26 | FYE 6-27 |
|---|---|
| $1,095,000 | $1,073,000 |

### 105. Workforce Child Care Provider

The Workforce Child Care Tax Credits, were formerly known as the School Readiness Credits.

Childcare providers who participate in Quality Start are eligible for a refundable tax credit. The credit is calculated by multiplying the average monthly number of children enrolled—specifically, those participating in the Louisiana Child Care Assistance Program or foster children in the custody of the Department of Children and Family Services—by a dollar amount determined by the facility's quality rating under the Quality Start system.

| Quality Rating of Childcare Facility | Credit per eligible child |
|---|---|
| Five star | $1,500 |
| Four star | $1,250 |
| Three star | $1,000 |
| Two star | $750 |
| One star or nonparticipating | 0% |

This credit is applicable to individual, fiduciary and corporation income tax.

#### Legal Citation
R.S. 47:6105

#### Origin
Acts 2007, No. 394, amended by Acts 2025, No. 454

#### Effective Date
Taxable periods beginning on or after January 1, 2008

#### Beneficiaries
Childcare providers participating in Quality Start

#### Estimated Fiscal Effect

| FYE 6-26 | FYE 6-27 |
|---|---|
| $12,047,000 | $11,169,000 |

### 106. Workforce Child Care Directors and Staff

The Workforce Child Care Tax Credits, were formerly known as the School Readiness Credits.

Childcare teachers and directors are eligible for a refundable tax credit based on their educational attainment. To qualify, individuals must work at a center that is actively participating in Quality Start, meaning the center has attained at least a one-star rating. In addition to meeting all relevant educational requirements, teachers and directors must have been employed at the same childcare center for a minimum of six months during the calendar year.

The credit amount is adjusted annually based on the percentage change in the Consumer Price Index for All Urban Consumers (CPI-U), as determined by the U.S. Bureau of Labor Statistics and certified by the Louisiana Department of Revenue by December 1 of the prior year.

This credit is applicable to individual income tax.

#### Legal Citation
R.S. 47:6106

#### Origin
Acts 2007, No. 394; amended by Acts 2025, No. 454

#### Effective Date
Taxable periods beginning on or after January 1, 2008

#### Beneficiaries
Eligible teachers and directors of licensed childcare centers participating in the Quality Start program

#### Estimated Fiscal Effect

| FYE 6-26 | FYE 6-27 |
|---|---|
| $20,075,000 | $20,476,000 |

### 107. Workforce Business-Supported Child Care

The Workforce Child Care Tax Credits, were formerly known as the School Readiness Credits.

A refundable credit is allowed for a business that incurs certain business-supported childcare expenses. The amount of the credit depends on the quality rating of the childcare facility where the expenses are related or the quality rating of the childcare facility the child attends. Eligible businesses-supported expenses include expenses to construct, renovate, or expand a childcare center, purchase equipment for a center, maintain or operate a center, or subsidize childcare for their employees.

This credit is applicable to individual, fiduciary, and corporation income tax.

#### Legal Citation
R.S. 47:6107(A)(1)

#### Origin
Acts 2007, No. 394, amended by Acts 2025, No. 454

#### Effective Date
Taxable periods beginning on or after January 1, 2008

#### Beneficiaries
Businesses that support childcare centers participating in Quality Start

#### Estimated Fiscal Effect

| FYE 6-26 | FYE 6-27 |
|---|---|
| $563,000 | $548,000 |

### 108. Workforce Fees and Grants to Resource and Referral Agencies

The Workforce Child Care Tax Credits, were formerly known as the School Readiness Credits.

A refundable tax credit is available to businesses that financially support childcare resource and referral agencies. These agencies are private entities contracted by the Louisiana Department of Education to deliver essential services and information to both families and childcare providers.

The credit is equal to the amount paid in fees or grants to such agencies, up to a maximum of $5,000 per tax year.

This credit is applicable to individual, fiduciary, and corporation income tax.

#### Legal Citation
R.S. 47:6107(A)(2)

#### Origin
Acts 2007, No. 394, amended by Acts 2025, No. 454

#### Effective Date
Taxable periods beginning on or after January 1, 2008

#### Beneficiaries
Businesses that support childcare resource and referral agencies

#### Estimated Fiscal Effect

| FYE 6-26 | FYE 6-27 |
|---|---|
| $2,292,000 | $2,224,000 |

### 109. Donations to Eligible Maternal Wellness Centers

A nonrefundable tax credit is available to taxpayers who make donations to eligible wellness centers, as defined in R.S. 47:6112(1). The credit equals 50% of the donation amount and cannot exceed 50% of the taxpayer's total Louisiana income tax liability for the year.

The Department of Revenue may grant up to $5 million in credits per calendar year, and these are allocated on a first-come, first-serve basis. Additionally, no more than 20% of the total available credits may be allocated to any one maternal wellness center.

This credit is applicable to individual, fiduciary, and corporation income tax.

#### Legal Citation
R.S. 47:6113

#### Origin
Acts 2023, No. 437

#### Effective Date
Taxable periods beginning on or after January 1, 2025

#### Sunset Date
December 31, 2030

#### Beneficiaries
Taxpayers who donate funds to an eligible maternal wellness center

#### Estimated Fiscal Effect
The Department is unable to estimate the fiscal effect. The effective date for this credit is January 1, 2025, and there is currently insufficient data to assess its impact.

### 110. Donations to School Tuition Organization

A nonrefundable credit is available for taxpayers who donate to certain school tuition organizations (STO). The credit is equal to the amount of the donation used by the STO to fund a scholarship, not including any administrative costs paid by the donation. The credit is earned when the donation is made. This credit is applicable to donations to qualified schools, which includes any public elementary or lab school operated by a public college or university for the purposes of participation in the credit program.

This credit is applicable to individual, fiduciary, and corporation income tax.

#### Legal Citation
R.S. 47:6301

#### Origin
Acts 2017, No. 377, amended by Acts 2025, No. 282

#### Effective Date
Taxable periods beginning on or after January 1, 2018

#### Beneficiaries
Taxpayers that make such donations and low-income students that receive such scholarships

#### Estimated Fiscal Effect
The estimated revenue loss for FYE 6-26 and FYE 6-27 may not reflect all tax reform changes due to insufficient data currently available to assess their data.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $29,434,000 | $26,012,000 |

## { Credits }

### 111. Donation to Public Schools

A nonrefundable income tax credit for a donation to a public school receiving a "D" or "F" letter grade for the most recent school year pursuant to the Louisiana School and District Accountability System is allowed. The credit is earned in the year of the donation and is equal to 90% of the amount donated. Donated amounts must be used by the public school for certain qualifying purposes. The credit is capped at $1 million per calendar year.

Taxpayers must apply for the credit, electronically, during an annual application period following the year in which the credit is earned. The credit will be granted on a first-come, first-serve basis, with any requests received in excess of the credit cap being treated as received on the first day of the subsequent calendar year.

This credit is applicable to individual, fiduciary, and corporation income tax.

**Legal Citation**
R.S. 47:6302

**Origin**
Acts 2025, No. 423

**Effective Date**
Taxable periods beginning on or after January 1, 2026

**Sunset Date**
December 31, 2027

**Beneficiaries**
Individual taxpayers who donate to qualifying public schools

**Estimated Fiscal Effect**
The Department is unable to estimate the fiscal effect; the effective date for this credit is January 1, 2026, and there is insufficient data currently available to fully assess the impact.

## { Exemptions Required by the State Constitution or Federal Law }

### 112. Federal Income Tax Deduction

Louisiana previously allowed a deduction for federal income taxes paid on income also subject to Louisiana income tax. This deduction served to exclude from state taxation the portion of income used to pay federal income taxes.

However, with the passage of Constitutional Amendment No. 2 on November 13, 2021, the deduction was reclassified from a mandatory to a permissive provision, making it subject to legislative control. As a result, Acts 2021, No. 395 formally repealed the deduction for all tax periods beginning on or after January 1, 2022.

This deduction is applicable to individual, fiduciary, and corporation income tax.

**Legal Citation**
La. Const., art. VII, Part I, § 4(A)

R.S. 47:55, R.S. 47:241, R.S. 47:287.85, R.S. 47:287.732.2(c) - *Corporation Income*

R.S. 47:293(4) and 293(9)(a)(ii) - *Individual Income*

R.S. 47:300.6(A), R.S. 47:300.7(A) - *Fiduciary Income*

**Origin**
1974 Constitution and Acts 1974, No. 188, amended by Acts 2021, Nos. 134 and 395

**Effective Date**
Federal income taxes paid on or after July 12, 1974

**Repealed**
Repealed for taxable periods beginning on or after January 1, 2022 by Acts 2021, Nos. 134, 395, and 396

**Beneficiaries**
All individual taxpayers who file a tax return and have paid federal income tax

**Estimated Fiscal Effect**

| FYE 6-26 | FYE 6-27 |
|---|---|
| $9,637,000 | $1,562,000 |

### 113. Interest on United States Government Obligations

Under R.S. 47:293 and federal law (31 U.S.C. § 3124(a)), interest and dividends earned from obligations issued directly by the U.S. government—such as Treasury bills, U.S. savings bonds, and U.S. agency obligations—are exempt from Louisiana state income tax.

This exemption is applicable to individual, fiduciary, and corporation income tax.

#### Legal Citation

31 U.S.C. Section 3124(a), R.S. 47:300.6(B)(2)(a), R.S. 47:300.7(C)(2)(a)

#### Beneficiaries

The U.S. government and the individuals and entities that invest in their obligations

#### Estimated Fiscal Effect

The estimated revenue loss for FYE 6-26 and FYE 6-27 may not reflect all tax reform changes due to insufficient data currently available to assess their impact.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $13,674,000 | $13,948,000 |

### 114. Native American Income

Income earned or received by an enrolled member of a federally recognized Indian tribe is exempt from Louisiana individual income tax if it is derived from sources within the tribal reservation and the individual resides on that reservation.

This exemption is applicable to individual income tax.

#### Legal Citation

18 U.S.C. Section 1162, R.S. 47:293(9)(a)(iii)

#### Beneficiaries

Native Americans living and working on their tribe's reservation

#### Estimated Fiscal Effect

The estimated revenue loss for FYE 6-26 and FYE 6-27 may not reflect all tax reform changes due to insufficient data currently available to assess their impact.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $253,000 | $248,000 |

# Liquors-Alcoholic Beverage Tax Exemptions

# Liquors-Alcoholic Beverage Tax

## { Introduction }

Two categories of alcoholic beverages are subject to tax: (a) beverages of low-alcoholic content, defined as containing not more than 6% alcohol by volume, and (b) beverages of high-alcoholic content, defined as containing more than 6% alcohol by volume.

An alcoholic beverage tax of $1 per 31-gallon barrel on beer, porter, ale, fruit juices, and wine was first imposed by Act 2 of the 1933 First Extraordinary Session.

Act 15 of 1934 imposed a tax on liquor at 50¢ per wine gallon; sparkling wines at 50¢ per wine gallon; still wines not more than 14% alcohol by volume at 5¢ per wine gallon; still wines between 14% and 24% alcohol by volume at 10¢ per wine gallon; still wines over 24% alcohol by volume at 50¢ per wine gallon; and beer at $1.50 per 31-gallon barrel.

Initially, tax stamps were used to evidence payment of applicable taxes. Dealers purchasing tax stamps in lots of $100 or more were allowed a discount equal to 5% of the face value of the stamps. In 1964, the provisions relating to tax stamps and the purchase discount were repealed and replaced with a 6% discount for timely filing and remittance of tax on beverages of high alcohol content. This discount was reduced to 3.33% in 1972, and a 2% discount was enacted for beverages of low alcohol content.

Act 441 of the 1978 Regular Session changed the measurement of liquor and wine from gallons to liters for tax purposes. The effective rates remained unchanged, as the per-gallon rates were converted to equivalent per-liter rates.

Act 71 of the 1998 Regular Session authorized manufacturers and retailers domiciled outside Louisiana to sell and ship sparkling and still wines directly to consumers in Louisiana. Such shipments are permitted only if all applicable taxes are paid in full, the consumer is at least 21 years of age, and the wine is purchased for the consumer's personal consumption.

Act 808 of the 2006 Regular Session repealed the Native Wine Law (previously enacted by Acts 1990, No. 736), and established definitions and permit procedures for wine producers. Under certain conditions, the Act permits wine producers to ship product directly to consumers.

Act 7 of the 2016 First Extraordinary Session reduced the discount for accurately reporting and remitting taxes to 1.5% for beverages of low alcoholic content (beer) and 2.5% for beverages of high alcoholic content.

Since 1934, the tax rates on alcoholic beverages have undergone numerous revisions, as reflected below.

### Low Alcohol and Malt Beverages

| | | |
|---|---|---|
| 1934 | $1.50 | per 31-gallon barrel |
| 1948 | $10.00 | per 31-gallon barrel |
| 2016 | $12.50 | per 31-gallon barrel |

### Liquor

| | | |
|---|---|---|
| 1934 | $0.50 | per wine gallon |
| 1935 | $0.60 | per wine gallon |
| 1938 | $1.00 | per wine gallon |
| 1940 | $1.50 | per wine gallon |
| 1956 | $1.68 | per wine gallon |
| 1970 | $2.50 | per wine gallon |
| 1978 | $0.66 | per liter |
| 2016 | $0.80 | per liter |

### Sparkling Wines and Still Wines over 24% alcohol by volume

| | | |
|---|---|---|
| 1934 | $0.50 | per wine gallon |
| 1935 | $0.60 | per wine gallon |
| 1938 | $1.00 | per wine gallon |
| 1940 | $1.50 | per wine gallon |
| 1956 | $1.58 | per wine gallon |
| 1978 | $0.42 | per liter |
| 2016 | $0.55 | per liter |

### Still Wines not over 14% alcohol by volume

| | | |
|---|---|---|
| 1934 | $0.05 | per wine gallon |
| 1940 | $0.15 | per wine gallon |
| 1942 | $0.10 | per wine gallon |

| | | |
|---|---|---|
| 1956 | $0.11 | per wine gallon |
| 1978 | $0.03 | per liter |
| 2016 | $0.20 | per liter |

**Still Wines between 14% and 24% alcohol by volume**

| | | |
|---|---|---|
| 1934 | $0.10 | per wine gallon |
| 1940 | $0.30 | per wine gallon |
| 1942 | $0.20 | per wine gallon |
| 1956 | $0.21 | per wine gallon |
| 1978 | $0.06 | per liter |
| 2016 | $0.35 | per liter |

The alcoholic beverage taxes are collected from the first handlers in Louisiana, usually bonded wholesale dealers. The bond required of manufacturers or wholesalers of alcoholic beverages is a minimum of $10,000 for each type of permit held.

### Legal Citations
R.S. 26:341 through 423

### Tax Base
Quantity of beverage handled

### Tax Rate
1. Liquors: $0.80 per liter
2. Sparkling wines: $0.55 per liter
3. Still wines:
   a. Alcohol content not over 14% – $0.20 per liter
   b. Alcohol content 14% to 24% – $0.35 per liter
   c. Alcohol content over 24% – $0.55 per liter
4. Low alcohol 6% and under, malt beverages: $12.50 per barrel

### Types of Tax Exemptions
For alcoholic beverage taxes, there are three types of relief: exemptions, refunds or credits, and discounts.

- Exemptions remove certain items from the tax base.
- Refunds or credits allow taxpayers to recover taxes that were initially paid.
- Discounts reduce the tax owed by a set percentage.

Beer exemptions are listed separately from those for liquor and wine.

Some exemptions are also prohibited by federal law. Because of these federal restrictions, simply repealing the exemption would not produce the expected fiscal effect. These exemptions are therefore grouped separately at the end of this section.

### Significant Changes
### 2025 Regular Session

**Act 498**

Act 498 provides that out-of-state wholesalers and manufacturers of alcohol are no longer required to mail a notice to the Louisiana Department of Revenue on the date of shipment. Notice must now be submitted in a manner prescribed by the Department by the 20th day of the month following the shipment date. See LAC:I.203 for more information.

# Liquors-Alcoholic Beverage Tax

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# Liquors-Alcoholic Beverage Tax

## { Low Alcohol Tax Discount }

### 1. Timely Filing and Payment

A discount of 1.5 % of the tax due is allowed for accurately reporting and timely remitting of the taxes owed. This discount is intended to compensate dealers for the administrative costs of accounting for the tax.

**Legal Citation**
R.S. 26:345

**Origin**
Acts 1972, No. 537, amended by Acts 2002, No. 14; Acts 2016, 1st Ex. Sess., No. 7

**Effective Date**
For taxable periods beginning on or after July 26, 1972

**Beneficiaries**
Registered wholesalers who properly report and remit taxes on time

**Estimated Fiscal Effect**

| FYE 6-26 | FYE 6-27 |
|---|---|
| $507,000 | $486,000 |

## { Low Alcohol, Liquor, and Wine Tax Refund/Credit }

### 2. Products Returned to Manufacturer or Destroyed by a Dealer

A tax refund or credit is allowed for alcoholic beverages that are returned to a manufacturer or destroyed by the dealer due to damage or product being unfit for sale. This provision ensures that dealers receive credit for taxes paid on products that cannot be sold.

**Legal Citation**
R.S. 26:347

**Origin**
Acts 1934, No. 15, Acts 1987, No. 696, amended by Acts 2002, No. 14

**Effective Date**
Taxable periods beginning on or after August 1, 1934

**Beneficiaries**
Licensed dealers and manufacturers of alcoholic beverages of low and high alcohol content

**Estimated Fiscal Effect**

| FYE 6-26 | FYE 6-27 |
|---|---|
| $488,000 | $375,000 |

## { Liquor and Wine Tax Exemptions }

### 3. Antiseptic, Scientific, Religious, and Chemical Uses

Liquor and wine that is not intended for consumption as an alcoholic beverage—such as those sold for antiseptic, scientific, chemical, or industrial purposes, or sold to priests, ministers, rabbis, or other clergy for religious or sacramental use—are exempt from tax. This exemption allows for the tax-free sale of alcoholic products used for non-beverage purposes and for religious practices.

**Legal Citation**
R.S. 26:421

**Origin**
Acts 1934, No. 15

**Effective Date**
Taxable periods beginning on or after August 1, 1934

**Beneficiaries**
Religious organizations, pharmaceutical and chemical companies, and end -product consumers

**Estimated Fiscal Effect**
The Department is unable to estimate the fiscal effect; there is no reporting requirement for this data.

## { Liquor and Wine Tax Discount }

### 4. Timely Filing and Payment

A dealer is allowed a discount of 2.5% of the tax due for accurately reporting and timely remitting taxes owed. This discount is intended to encourage compliance and compensate companies for the administrative cost of collecting and remitting the tax.

**Legal Citation**
R.S. 26:354(D)

**Origin**
Acts 1972, No. 537, amended by Acts 2016, 1st Ex. Sess., No. 7

**Effective Date**
Taxable periods beginning on or after July 26, 1972

**Beneficiaries**
Licensed wholesalers who accurately and timely report and remit the tax due

**Estimated Fiscal Effect**

| FYE 6-26 | FYE 6-27 |
|---|---|
| $924,000 | $906,000 |

## { Federally Imposed Exemptions-Low Alcohol Tax }

### 5. Interstate Shipments

Low alcohol and malt beverages that are exported outside Louisiana are exempt from excise taxes. This exemption ensures compliance with the U.S. Constitution's restrictions on taxation of exports.

**Legal Citation**
R.S. 26:366(B)

**Origin**
Acts 1933 Ex. Sess., No. 2

**Effective Date**
Taxable periods beginning on or after April 13, 1933

**Beneficiaries**
Dealers who export products in interstate commerce

**Estimated Fiscal Effect**

| FYE 6-26 | FYE 6-27 |
|---|---|
| $1,129,000 | $1,118,000 |

### 6. Sales to the Federal Government and Its Agencies

Sales of alcoholic beverages to the U.S. government or its agencies are exempt from excise taxes. This exemption ensures compliance with the U.S. Constitution's prohibition on taxing government transactions.

**Legal Citation**
R.S. 26:422

**Origin**
Acts 1933 Ex. Sess., No. 2

**Effective Date**
Taxable periods beginning or after April 13, 1933

**Beneficiaries**
The U.S. Government and its agencies

**Estimated Fiscal Effect**

| FYE 6-26 | FYE 6-27 |
|---|---|
| $155,000 | $158,000 |

## { Federally Imposed Exemptions-Low Alcohol Tax }

### 7. Sales to Ships Engaged in Interstate or Foreign Commerce

Sales of alcoholic beverages to ships bound for destinations outside Louisiana are exempt from excise taxes. This exemption ensures compliance with the U.S. Constitution's prohibition on taxing exports.

**Legal Citation**
R.S. 26:366(B)

**Origin**
Acts 1933 Ex. Sess., No. 2

**Effective Date**
Taxable periods beginning on or after April 13, 1933

**Beneficiaries**
Dealers who sell alcoholic beverages for export in interstate commerce

**Estimated Fiscal Effect**
The estimated revenue loss for FYE 6-26 and FYE 6-27 is negligible.

## { Federally Imposed Exemptions-Liquor and Wine Tax }

### 8. Interstate Shipments of Alcoholic Beverages

Alcoholic beverages exported outside Louisiana are exempt from excise taxes. This exemption ensures compliance with the U.S. Constitution's prohibition on taxing exports.

**Legal Citation**
R.S. 26:366(A)

**Origin**
Acts 1934, No. 15

**Effective Date**
Taxable periods beginning on or after August 1, 1934

**Beneficiaries**
Licensed dealers who export products in interstate commerce

**Estimated Fiscal Effect**

| FYE 6-26 | FYE 6-27 |
|---|---|
| $281,000 | $191,000 |

## { Federally Imposed Exemptions-Liquor and Wine Tax }

### 9. Foreign Consul and Foreign Commerce

All sales of alcoholic beverages to foreign consulates or foreign governments are exempt from alcoholic beverage excise taxes. This exemption ensures compliance with the U.S. Constitution's prohibition on taxing foreign governments.

**Legal Citation**
R.S. 26:366

**Origin**
Acts 1934, No. 15

**Effective Date**
Taxable periods beginning on or after August 1, 1934

**Beneficiaries**
Foreign nations and their consulates

**Estimated Fiscal Effect**

| FYE 6-26 | FYE 6-27 |
|---|---|
| $261,000 | $188,000 |

### 10. Sales to the Federal Government and Its Agencies

Sales of alcoholic beverages to the U.S. government or any of its agencies may be exempt from the excise taxes. This exemption ensures compliance with the U.S. Constitution's prohibition on taxing government transactions.

**Legal Citation**
R.S. 26:422

**Origin**
Acts 1934, No. 15

**Effective Date**
Taxable periods beginning on or after August 1, 1934

**Beneficiaries**
The U.S. government and its agencies

**Estimated Fiscal Effect**

| FYE 6-26 | FYE 6-27 |
|---|---|
| $98,000 | 105,000 |

# Natural Resources-Severance Tax Exemptions

# Natural Resources - Severance Tax

## { Introduction }

Severance tax applies to all natural resources extracted from soil or water, including timber, minerals (oil, gas, natural gasoline, condensate, sulphur, salt, coal, ores), marble, stone, sand, gravel, shells, and brine. Oil and gas generate nearly 95% of severance tax revenues, so this section focuses on their taxation; other resources have only one minor exemption.

The first oil and gas severance tax was imposed in 1910 as an occupational license tax—2/5¢ per barrel of oil and 1/5¢ per 10,000 cubic feet or 10 MCF of gas. Act 140 of 1922 implemented the 1921 constitutional authority for severance taxation. Since 1910, rates have changed frequently, alternating between volumetric and value-based methods, as outlined chronologically below.

*1910* *Oil 2/5¢ per barrel; gas 1/5¢ per 10 MCF*

*1912* *Oil and gas; 0.5% of gross value less royalty interest*

*1920* *Oil and gas; 2% of gross value*

*1922* *Oil and gas; 3% of gross market value*

*1928* *Oil 4-11¢ per barrel depending on gravity; gas 1/5¢ per MCF*

*1936* *Gas 3/10¢ per MCF*

*1940* *Oil 6-11¢ per barrel depending on gravity; condensate 11¢ per barrel*

*1948* *Oil 18-26¢ per barrel depending on gravity; condensate 20¢ per barrel*

*1958* *Gas 2.3¢ per MCF*

*1972* *Gas 3.3¢ per MCF*

*1974* *Oil and condensate 12.5% of value; gas 7¢ per MCF*

*7/90* *Gas 10¢ per MCF, indexed annually*

*7/91* *Gas 9¢ per MCF*

*7/92* *Gas 7¢ per MCF*

*7/93* *Gas 7.5¢ per MCF*

*7/94* *Gas 8.7¢ per MCF*

*7/95* *Gas 7¢ per MCF*

*7/96* *Gas 7.7¢ per MCF*

*7/97* *Gas 10.1¢ per MCF*

*7/98* *Gas 9.3¢ per MCF*

*7/99* *Gas 7.8¢ per MCF*

*7/00* *Gas 9.7¢ per MCF*

*7/01* *Gas 19.9¢ per MCF*

*7/02* *Gas 12.2¢ per MCF*

*7/03* *Gas 17.1¢ per MCF*

*7/04* *Gas 20.8¢ per MCF*

*7/05* *Gas 25.2¢ per MCF*

*7/06* *Gas 37.3¢ per MCF*

*7/07* *Gas 26.9¢ per MCF*

*7/08* *Gas 28.8¢ per MCF*

*7/09* *Gas 33.1¢ per MCF*

*7/10* *Gas 16.4¢ per MCF*

*7/11* *Gas 16.4¢ per MCF*

*7/12* *Gas 14.8¢ per MCF*

*7/13* *Gas 11.8¢ per MCF*

*7/14* *Gas 16.3¢ per MCF*

*7/15* *Gas 15.8¢ per MCF*

*7/16* *Gas 9.8¢ per MCF*

*7/17* *Gas 11.1¢ per MCF*

*7/18* *Gas 12.2¢ per MCF*

*7/19* *Gas 12.5¢ per MCF*

*7/20* *Gas 9.34¢ per MCF*

*7/21* *Gas 9.1¢ per MCF*

*7/22* *Gas 17.7¢ per MCF*

*7/23* *Gas 25.1¢ per MCF*

*7/24* *Gas 9.8¢ per MCF*

*7/25* *Gas 10.52¢ per MCF*

# Natural Resources - Severance Tax

## { Introduction }

### Tax Base

Severance tax is imposed upon the severance (removal) of the oil and gas from the soil or water and is owed by the natural resource owners. The state of Louisiana has over 30,000 producing oil and gas wells.

### Tax Rate

The capable or full tax rate for oil and condensate is 12.5% of value for wells drilled before July 1, 2025, and 6.25% for wells drilled on or after July 1, 2025. Full rate production accounts for over 94% of the oil and condensate tax collections. There are reduced rates for low-producing oil wells. The capable or full rate for natural gas, presently 10.52¢ per MCF, is responsible for over 81% of total gas tax collections. There are reduced tax rates for low-pressure and low producing gas wells. The current severance tax rates are:

| Type | Rate |
|---|---|
| **Oil severance tax** | |
| *Capable tax rate* | *12.5% of value for wells completed before July 1, 2025* |
| *R.S. 47:633(A)(3)* | *6.5% of value for wells completed on or after July 1, 2025* |
| *Incapable tax rate* | *6.25% of value* |
| *R.S. 47:633(A)(3)* | |
| *Stripper tax rate* | *3.125% of value* |
| *R.S. 47:633(A)(3)(c)(i)(aa)* | |
| *Inactive reduced tax rate* | *3.125% of value* |
| *R.S. 47:633(A)(3)(c)(iii)* | |
| *Orphan reduced tax rate* | *1.5625% of value for oil production commencing prior to October 2028* |
| *R.S. 47:633(A)(3)(c)(iii)* | |
| *Condensate severance tax rate* | *12.5% of value R.S.* |
| *R.S. 47:633(4)* | |
| *Horizontal Well tax rate* | *20% of full rate* |
| *R.S. 47:633(A)(3)(d)* | *2.5% of value for wells completed before July 1, 2025* |
| | *1.3% of value for wells completed on or after July 1, 2025* |
| **Gas severance tax** | |
| *Capable tax rate* | *10.52¢ per MCF* |
| *R.S. 47:633(A)(5)(a)(i)* | |
| *R.S. 47:633(A)(5)(d)(i)* | |
| *Low pressure oil-well gas tax rate* | *3¢ per MCF* |
| *R.S. 47:633(A)(5)(b)* | |
| *Incapable gas-well gas tax rate* | *1.3¢ per MCF* |
| *R.S. 47:633(A)(5)(c)* | |
| *Inactive reduced tax rate* | *2.63¢ per MCF* |
| *R.S. 47:633(A)(3)(c)(iii)* | |
| *Orphan reduced tax rate* | *1.315¢ per MCF* |
| *R.S. 47:633(A)(3)(c)(iii)* | |
| *Horizontal Well tax rate* | *0.00 per MCF* |
| *R.S. 47:633(A)(3)(d)* | |

### Types of Tax Exemptions

Severance tax exemptions for oil, gas, and minerals take the form of exclusions, exemptions, special rates, deductions, and suspensions. Exclusions, set by statute, exempt specific categories of natural gas from taxation. Exemptions and suspensions, also statutory, apply to oil or gas from wells meeting certain criteria. Special rates reduce the tax for qualifying wells, while deductions provide a credit or reduce the taxable base. Two exemptions are based on federal prohibitions. Because these federal

restrictions remain, repealing the exemptions alone would not produce the projected fiscal impact. For this reason, they are listed separately at the end of the section.

### Significant Changes

### 2025 Regular Session

**Act 284**

Act 284 reduces the exemption period for gas produced from a horizontal well completed on or after July 1, 2025, to 18 months or until payout of the well cost is achieved, whichever comes first. For horizontal wells completed before July 1, 2025, the exemption period remains 24 months or until payout of the well cost is achieved, whichever comes first.

**Act 295**

Act 295 reduces the severance tax rate on oil from 12.5% to 6.5% for wells completed on or after July 1, 2025. The rate applicable to oil produced from a well completed prior to July 1, 2025, remains at 12.5%.

The reduced rate on oil produced from incapable oil wells is set at a rate of 6.25%, rather than 50% of the full rate. Similarly, the reduced rate on oil produced from stripper oil wells is set at 3.125%, rather than 25% of the full rate. These rates apply to all production regardless of the well completion date.

The reduced rates for inactive and orphan oil wells changed from a percentage of the full rate to set rates. For oil production that commences prior to October 1, 2028, the reduced rate on oil produced from inactive oil wells is 3.125% and from orphan oil wells is 1.565%. For oil production that commences after October 1, 2028, the reduced rate for inactive oil wells is 6.25% and for orphan oil wells is 3.125%. The reduced rates applicable to gas production remain unchanged. For production commencing prior to October 1, 2028, the inactive well rate remains 25% of the full rate and the orphan rate is 12.5% of the full rate. For production commencing after October 1, 2028, the inactive gas well rate is 50% of the full rate and the orphan gas well rate is 25% of the full rate.

**Act 373**

Act 373 made technical changes to the requirements for the well-cost statement submitted to the Department of Energy and Natural Resources for horizontal wells. The well cost statement must now be issued by a qualified CPA who is independent from the operator and must be performed in accordance with attestation standards established by the AICPA.

# Natural Resources - Severance Tax

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No specific statute

## { Natural Gas Exclusions }

### 1. Injection

Gas injected into producing reservoirs to maintain pressure and enhance hydrocarbon recovery is excluded from severance tax. If the injected gas is later reproduced and sold, it may become taxable. The exclusion's purpose is to encourage secondary recovery and repressurization efforts.

**Legal Citation**
R.S. 47:633(A)(5)(e)(i)(aa), as of August 1, 2025; previously R.S. 47:633(9)(e)(i)

**Origin**
Acts 1940, No. 145

**Effective Date**
Taxable periods beginning January 1, 1940

**Beneficiaries**
Anyone in industry undertaking a repressurization or secondary recovery project

**Estimated Fiscal Effect**

| FYE 6-26 | FYE 6-27 |
|---|---|
| $21,000 | $22,000 |

### 2. Produced Outside the State of Louisiana

Gas produced outside Louisiana and transported into the state for injection into producing reservoirs to maintain pressure or otherwise enhance recovery of oil or other hydrocarbons is excluded from severance tax. This clarifies that natural gas severed outside Louisiana is not subject to Louisiana severance tax even when it is injected and later recovered.

**Legal Citation**
R.S. 47:633(A)(5)(e)(i)(bb), as of August 1, 2025; previously R.S. 47:633(9)(e)(ii)

**Origin**
Acts 1960, No. 2

**Effective Date**
Taxable periods beginning January 1, 1960

**Beneficiaries**
Taxpayers who inject imported gas

**Estimated Fiscal Effect**
The estimated revenue loss is $11,000 for FYE 6-26; the estimated revenue loss for FYE 6-27 is negligible.

{ Natural Gas Exclusions }

### 3. Flared or Vented

Gas flared or vented into the atmosphere is excluded, provided the gas is not otherwise sold. This typically occurs during testing, while awaiting a sales line, or when produced in noncommercial quantities. The exclusion provides financial relief to natural and casinghead gas producers.

**Legal Citations**
R.S. 47:633(A)(5)(e)(i)(cc) and (ff), as of August 1, 2025; previously R.S. 47:633(9)(e)(iii) and (vi)

**Origin**
Acts 1935, No. 24

**Effective Date**
Taxable periods beginning on or after January 1, 1935

**Beneficiaries**
Gas producers that vent or flare gas

**Estimated Fiscal Effect**

| FYE 6-26 | FYE 6-27 |
|---|---|
| $155,000 | $143,000 |

### 4. Consumed in Field Operations

An exclusion is allowed for gas used or consumed for fuel in maintaining the operation of the field where the gas is produced. This includes gas used for heating, separating, producing, dehydrating, compressing, and pumping oil and gas in the field where produced, provided the gas is not otherwise sold. The exclusion provides financial assistance to qualifying users.

**Legal Citation**
R.S. 47:633(A)(5)(e)(i)(dd), as of August 1, 2025; previously R.S. 47:633(9)(e)(iv)

**Origin**
Acts 1958, No. 2

**Effective Date**
Taxable periods beginning on or after January 1, 1958

**Beneficiaries**
Producers using severed gas as fuel in field operations

**Estimated Fiscal Effect**

| FYE 6-26 | FYE 6-27 |
|---|---|
| $1,924,000 | $2,155,000 |

## { Natural Gas Exclusions }

### 5. Consumed in the Production of Natural Resources in the State of Louisiana

Gas used in producing natural resources other than oil and gas in Louisiana is excluded from severance tax. This provides financial assistance to qualifying producers.

**Legal Citation**
R.S. 47:633(A)(5)(e)(i)(ee), as of August 1, 2025; previously R.S. 47:633(9)(e)(v)

**Origin**
Acts 1974, No. 5

**Effective Date**
Taxable periods beginning January 1, 1974

**Beneficiaries**
Producers who use natural gas in the production of natural resources, other than oil or gas

**Estimated Fiscal Effect**
The estimated revenue loss for FYE 6-26 and FYE 6-27 is $0; no activity is anticipated.

### 6. Used in the Manufacture of Carbon Black

Gas used in carbon black production is excluded from severance tax. Both the gas producer and seller receive an exclusion, reducing the sales price. This provides financial assistance to carbon black manufacturers.

**Legal Citation**
R.S. 47:633(A)(5)(e)(i)(gg), as of August 1, 2025; previously R.S. 47:633(9)(e)(vii)

**Origin**
Acts 1958 Ex. Sess., No. 2

**Effective Date**
Taxable periods beginning January 1, 1958

**Beneficiaries**
Carbon-black companies operating in Louisiana

**Estimated Fiscal Effect**

| FYE 6-26 | FYE 6-27 |
|---|---|
| $10,000 | $11,000 |

## { Natural Gas Exemptions }

### 7. Horizontal Wells

Any horizontal well completed before July 1, 2025, is exempt from severance tax for 24 months or until payout of the well cost is achieved, whichever comes first. Any horizontal well completed on or after July 1, 2025, is exempt for 18 months or until payout of the well cost is achieved, whichever comes first.

Payout of well cost is the cost of completing the well to the commencement of production as reflected in the well cost statement submitted to the Department of Conservation and Energy. The amount of the exemption is dependent on the average gas price determined by the secretary on July 1st of each year for the ensuing 12-month period. The purpose of this exemption is to encourage the drilling of horizontal wells.

For eligible wells from which production commenced between July 31, 1994, to June 30, 2015, the tax was suspended for 24 months or until well payout without regard to the price of gas.

#### Legal Citation
R.S. 47:633(A)(3)(d), as of August 1, 2025; previously R.S. 47:633(7)(c)(iii) and (d)

#### Origin
Acts 1994, No. 2, amended by Acts 2015, No. 120; Acts 2025, No. 284

#### Effective Date
Taxable periods beginning on or after August 1, 1994

#### Beneficiaries
Any producer who successfully completes or recompletes a horizontal well

#### Estimated Fiscal Effect
In accordance with R.S. 47:633(A)(3)(d)(iii) (formerly R.S. 47:633(7)(d)(ii)), the secretary determined the price of natural gas to be $2.98 per million BTU for purposes of the FY 25-26 exemption amount. Therefore, since the price of gas is below $4.50 per million BTU, the FY 25-26 exemption amount is 100%.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $223,123,000 | $223,123,000 |

## { Natural Gas Suspensions }

### 8. Deep Wells

Production from gas wells drilled deeper than 15,000 feet is exempt from tax for 24 months or until payout of the well cost, whichever occurs first. The exemption applies to wells commencing production after July 31, 1994. This exemption encourages investment in deep well drilling.

#### Legal Citation
R.S. 47:633(A)(5)(d)(v), as of August 1, 2025; previously R.S. 47:633(9)(d)(v)

#### Origin
Acts 1994, No. 2

#### Effective Date
Taxable periods beginning August 1, 1994

#### Beneficiaries
Gas producers that successfully drill to a depth greater than 15,000 feet

#### Estimated Fiscal Effect

| FYE 6-26 | FYE 6-27 |
|---|---|
| $1,636,000 | $1,636,000 |

## { Natural Gas Special Rates }

### 9. Incapable Oil-Well Gas

Gas produced from oil wells with 50 psi or less wellhead pressure, or produced via artificial methods, gas lift, or pumping, qualifies for a reduced tax rate of 3¢ per MCF. Qualification for this reduced rate is determined by the secretary. This rate encourages continued production from low-pressure wells.

#### Legal Citation
R.S. 47:633(A)(5)(b), as of August 1, 2025; previously R.S. 47:633(9)(b)

#### Origin
Acts 1958 Ex. Sess., No. 2

#### Effective Date
Taxable periods beginning January 1, 1958

#### Beneficiaries
Small independent operators and major oil companies continuing production on low-producing wells

#### Estimated Fiscal Effect

| FYE 6-26 | FYE 6-27 |
|---|---|
| $361,000 | $451,000 |

### 10. Incapable Gas-Well Gas

Gas produced from gas wells that average less than 250,000 cubic feet of production per day during a month qualifies for a reduced tax rate of 1.3¢ per MCF. This lower rate encourages continued production from low-producing gas wells.

#### Legal Citation
R.S. 47:633(A)(5)(c), as of August 1, 2025; previously R.S. 47:633(9)(c)

#### Origin
Acts 1958 Ex. Sess., No. 2

#### Effective Date
Taxable periods beginning January 1, 1958

#### Beneficiaries
Small independent operators and major oil companies maintaining production from low-producing gas wells

#### Estimated Fiscal Effect

| FYE 6-26 | FYE 6-27 |
|---|---|
| $8,495,000 | $9,344,000 |

## { Natural Gas Special Rates }

### 11. Orphan Wells

Production from a gas well designated by the Department of Conservation and Energy as being an orphan well for longer than 60 months is subject to a reduced severance tax rate equal to 25% of the full rate for a period of ten years. The gas production must be produced from the same perforated producing interval or from 100 feet above and 100 feet below the perforated producing interval for lease wells, and within the correlative defined interval for unitized reservoirs, that the formerly orphaned well produced from before being designated as an orphan well. The purpose of this special rate is to encourage production from orphaned wells. An application for certification must be submitted to the Department of Conservation and Energy between July 1, 2018, and June 30, 2028.

Effective October 1, 2024, if production commences prior to October 1, 2028, the reduced rate is equal to 12.5% of the full rate for a period of 10 years. If production commences on or after October 1, 2028, the reduced rate is 25% of the full rate for a period of 10 years.

The reduced rate applies only to gas produced from the same perforated interval (or within 100 feet above or below it for lease wells) or within the correlative interval for unitized reservoirs from which the well produced before being orphaned. The purpose of this special rate is to encourage production from orphaned wells.

#### Legal Citation
R.S. 47:633(A)(3)(c)(iii), as of August 1, 2025; previously R.S. 47:633(7)(c)(iv)

#### Origin
Acts 2017, No. 421, amended by Acts 2024, No. 695; Acts 2025, No. 295

#### Effective Date
Taxable periods beginning August 1, 2017

#### Beneficiaries
Gas producers with previously orphaned wells

#### Estimated Fiscal Effect
The estimated revenue loss for FYE 6-26 and FYE 6-27 is $0; no activity is anticipated.

### 12. Inactive Wells

Production from a gas well designated by the Department of Conservation and Energy as being either inactive for two or more years or having 30 days or less production for the past two years is eligible for a reduced severance tax rate equal to 50% of the full rate for a period of 10 years. Eligible wells may apply for certification from July 1, 2018, through June 30, 2028. The gas production must be produced from the same perforated producing interval or from 100 feet above and 100 feet below the perforated producing interval for lease wells, and within the correlative defined interval for unitized reservoirs, that the formerly inactive well produced from before being designated as an inactive well. The purpose of this special rate is to encourage production from previously inactive wells.

Effective October 1, 2024, if production commences prior to October 1, 2028, the reduced rate is equal to 25% of the full rate for a period of 10 years. If production commences on or after October 1, 2028, the reduced rate is equal to 50% of the full rate for a period of 10 years.

#### Legal Citation
R.S. 47:633(A)(3)(c)(iii), as of August 1, 2025; previously R.S. 47:633(7)(c)(iv)

#### Origin
Acts 2017, No. 421, amended by Acts 2024, No. 695; Acts 2025, No. 295

#### Effective Date
Taxable periods beginning on or after August 1, 2017

#### Beneficiaries
Gas producers who invest to restore inactive wells to production

#### Estimated Fiscal Effect

| FYE 6-26 | FYE 6-27 |
|---|---|
| $37,000 | $21,000 |

## { Natural Gas Incentive }

### 13. Produced Water Injection - Gas Wells

A 20% severance tax reduction applies to gas produced from wells that inject produced water into the reservoir to enhance recovery. The incentive encourages producers to reduce water discharge by reinjecting produced water to increase gas recovery.

**Legal Citation**
R.S. 47:633.5(C)(2)

**Origin**
Acts 1991, No. 625

**Effective Date**
Taxable periods beginning on or after July 17, 1991

**Beneficiaries**
Gas producers that inject produced water into a reservoir to enhance gas recovery

**Estimated Fiscal Effect**
The estimated revenue loss for FYE 6-26 and FYE 6-27 is negligible.

## { Oil Deduction }

### 14. Trucking, Barging, and Pipeline Fees

Oil and condensate are taxed at the higher of the gross receipts (less charges for trucking, barging, and pipeline fees) or the posted field price. Under LAC 61:I.2903, the deduction for producers using their own transportation is 25¢ per barrel; those using third-party transportation may deduct 25¢ per barrel or the actual charge.

**Legal Citation**
R.S. 47:633(A)(3)(a), as of August 1, 2025; previously R.S. 47:633(7)(a)

**Origin**
Acts 1973 Ex. Sess., No. 6

**Effective Date**
Taxable periods beginning on or after January 1, 1974

**Beneficiaries**
All of industry

**Estimated Fiscal Effect**

| FYE 6-26 | FYE 6-27 |
|---|---|
| $415,000 | $410,000 |

{ Oil Exemptions }

### 15. Horizontal Wells

Horizontal wells from which production begins on or after July 1, 2015, qualify for a severance tax exemption for 24 months or until well payout, whichever occurs first. Payout is the cost of completing the well to first production, as certified by the Department of Conservation and Energy. The exemption amount is based on the average oil price set each July 1st for the following 12-month period. The exemption is intended to encourage horizontal drilling.

For horizontal wells that began production between August 1, 1994, and June 30, 2015, the tax was suspended for twenty-four months or until payout, regardless of oil price.

#### Legal Citation
R.S. 47:633(A)(3)(d), as of August 1, 2025; previously R.S. 47:633(7)(c)(iii) and (d)

#### Origin
Acts 1994, No. 2, amended by Acts 2015, No. 120

#### Effective Date
Taxable periods beginning on or after August 1, 1994

#### Beneficiaries
Any producer who successfully completes or recompletes a well horizontally

#### Estimated Fiscal Effect
In accordance with R.S. 47:633(A)(3)(d)(ii) (previously R.S. 47:633(7)(d)(i)), the secretary determined the price of oil to be $70.85 per barrel for purposes of the FY 25-26 exemption amount. Therefore, since the price of oil is above $70 and below $80 per barrel, the FY 25-26 exemption amount is 80%.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $618,000 | $618,000 |

### 16. Orphan Well Rework Program

An exemption applies to oil produced from an oil well that: (1) was previously designated as orphaned by the Department of Conservation and Energy (DC&E), (2) has had no production for at least 12 months, and (3) has undergone or is undergoing enhancements requiring a DC&E permit. To qualify, production must begin between October 1, 2021, and June 30, 2031. Once certified, no severance tax is due for the first 3 months of production. After that, the operator pays an amount equal to the severance tax, which is deposited into a site-specific trust account established for that well under R.S. 30:88.2.

#### Legal Citation
R.S. 47:633(A)(3)(c)(iii)(ff), as of August 1, 2025; previously R.S. 47:633(7)(c)(iv)(cc)

#### Origin
Acts 2021, No. 391

#### Effective Date
Taxable periods beginning on or after June 16, 2021

#### Beneficiaries
Operators who complete permitted enhancements to oil wells previously designated as orphaned for at least 12 months and begin production between October 1, 2021, and June 30, 2031

#### Estimated Fiscal Effect
The estimated revenue loss for FYE 6-26 and FYE 6-27 is $0; no activity is anticipated.

## { Oil Suspensions }

### 17. Deep Wells

Severance tax on production from oil wells drilled deeper than 15,000 feet is suspended for 24 months or until payout of the well costs, whichever comes first. The exemption is available for wells that begin production after July 31, 1994. This suspension encourages investment in deep well drilling.

#### Legal Citation
R.S. 47:633(A)(5)(d)(v), as of August 1, 2025; previously R.S. 47:633(9)(d)(v)

#### Origin
Acts 1994, No. 2

#### Effective Date
Taxable periods beginning on or after August 1, 1994

#### Beneficiaries
Oil producers that successfully drill to a depth greater than 15,000 feet

#### Estimated Fiscal Effect

| FYE 6-26 | FYE 6-27 |
|---|---|
| $5,266,000 | $5,266,000 |

### 18. Tertiary Recovery

Enacted in 1983, this suspends severance tax on crude oil from qualified tertiary projects approved by the Department of Conservation and Energy until the project payout. The payout amount is determined at a public hearing held by the office of conservation and includes recovery of investment costs, expenses specific to the project and interest at commercial rates. This suspension supports large-scale carbon dioxide injection projects, though low oil prices have limited their development.

#### Legal Citation
R.S. 47:633.4(B)(2)

#### Origin
Acts 1983 Ex. Sess., No. 643, amended by Acts 2009, No. 450

#### Effective Date
Taxable periods beginning on or after July 20, 1983

#### Beneficiaries
Producers undertaking large-scale carbon dioxide injection projects

#### Estimated Fiscal Effect

| FYE 6-26 | FYE 6-27 |
|---|---|
| $8,761,000 | $7,710,000 |

{ Oil Special Rates }

### 19. Incapable Oil Wells

An oil well that averages no more than 25 barrels per producing day during the month, produces at least 50% salt water, and has no other capable (full rate) well on the lease qualifies for a reduced severance tax rate of 6.25% of value. These wells are referred to as incapable wells. The purpose of this reduced rate is to encourage continued production from low-producing wells.

#### Legal Citation
R.S. 47:633(A)(3)(b), as of August 1, 2025; previously R.S. 47:633(7)(b)

#### Origin
Acts 1948, No. 10

#### Effective Date
Taxable periods beginning on or after January 1, 1948

#### Beneficiaries
Oil producers in Louisiana with wells producing in the 10-25 barrel per day range

#### Estimated Fiscal Effect

| FYE 6-26 | FYE 6-27 |
|---|---|
| $5,112,000 | $4,550,000 |

### 20. Stripper Oil Wells

Oil produced from wells averaging no more than 10 barrels per producing day during the month qualifies for a reduced severance tax rate of 3.125% of value. These wells are referred to as stripper wells and the reduced rate is meant to encourage continued production from these wells.

#### Legal Citation
R.S. 47:633(A)(3)(c)(i)(aa), as of August 1, 2025; previously R.S. 47:633(7)(c)(i)(aa)

#### Origin
Acts 1973 Ex. Sess., No.5

#### Effective Date
Taxable periods beginning on or after January 1, 1974

#### Beneficiaries
Oil producers in Louisiana operating stripper wells

#### Estimated Fiscal Effect

| FYE 6-26 | FYE 6-27 |
|---|---|
| $17,910,000 | $16,656,000 |

## { Oil Special Rates }

### 21. Stripper Oil Wells - Value Less than $20 per Barrel

Oil produced from certified stripper wells (no more than 10 barrels per day average during the month) is exempt from severance tax in months when the average taxable value is less than $20 per barrel. The value used to calculate severance tax also is used to determine the exemption. This exemption encourages continued operation of low-producing wells, when the value of oil is low.

#### Legal Citation
R.S. 47:633(A)(3)(c)(i)(bb), as of August 1, 2025; previously R.S. 47:633(7)(c)(i)(bb)

#### Origin
Acts 1994, No. 2

#### Effective Date
Taxable periods beginning on or after June 1, 1994

#### Beneficiaries
Producers with oil wells certified as a stripper well

#### Estimated Fiscal Effect
The estimated revenue loss for FYE 6-26 and FYE 6-27 is $0; no activity is anticipated.

### 22. Orphan Wells

Oil produced from wells previously designated by the Department of Conservation and Energy as an orphan well for more than 60 months is eligible for a reduced tax rate equal to 25% of the full severance rate for 10 years. Production must come from the original perforated producing interval or from 100 feet above and 100 feet below the original perforated producing interval for lease wells, and within the correlative defined interval for unitized reservoirs. To qualify for this reduced rate, the well must be certified by the Department of Conservation and Energy between July 1, 2018, and June 30, 2028. This rate encourages investment to restore orphan wells to active status.

Effective October 1, 2024, the rate for wells that begin production before October 1, 2028, was reduced to 12.5% of the full rate for 10 years. The rate reverts to 25% of the full rate for wells that begin production on or after October 1, 2028.

#### Legal Citation
R.S. 47:633(A)(3)(c)(iii), as of August 1, 2025; previously R.S. 47:633(7)(c)(iv)

#### Origin
Acts 2017, No. 421, amended by Acts 2024, No. 695

#### Effective Date
Taxable periods beginning on or after July 1, 2018

#### Beneficiaries
Oil producers that invest to restore orphan wells to active status

#### Estimated Fiscal Effect

| FYE 6-26 | FYE 6-27 |
|---|---|
| $872,000 | $872,000 |

{ Oil Special Rates }

### 23. Inactive Wells

Oil produced from wells designated by the Department of Conservation and Energy as being either inactive for two or more years or having 30 days or less production in the past two years is eligible for a reduced tax rate equal to 50% of the full severance rate for 10 years. Eligible wells must apply for certification from the Department of Conservation and Energy between July 1, 2018, and June 30, 2028. Production must come from the same perforated producing interval or from 100 feet above and 100 feet below the perforated producing interval for lease wells, and within the correlative defined interval for unitized reservoirs. This rate encourages production from inactive wells.

Effective October 1, 2024, the rate for wells beginning production before October 1, 2028, was reduced to 25% of the full rate for 10 years. The rate returns to 50% of the full rate for wells that begin production on or after October 1, 2028.

#### Legal Citation
R.S. 47:633(A)(3)(c)(iii), as of August 1, 2025; previously R.S. 47:633(7)(c)(iv)

#### Origin
Acts 2017, No. 421, amended by Acts 2024, No. 695

#### Effective Date
Taxable periods beginning on or after July 1, 2018

#### Beneficiaries
Oil producers with older mature fields containing many inactive wells

#### Estimated Fiscal Effect

| FYE 6-26 | FYE 6-27 |
|---|---|
| $1,187,000 | $997,000 |

### 24. Salvage Oil

Salvage oil reclaimed by class-one reclamation facilities permitted by the office of conservation is taxed at a reduced rate of 3.125% of value. This rate supports class-one salvage oil operators. Operators or their affiliates engaged in actual severance of oil, gas, or other natural resources are prohibited from participating in the reduced rate program.

#### Legal Citation
R.S. 47:648.21

#### Origin
Acts 1986, No. 673

#### Effective Date
Taxable periods beginning on or after July 1, 1986

#### Beneficiaries
Class-one salvage oil operators

#### Estimated Fiscal Effect
The estimated revenue loss for FYE 6-26 and FYE 6-27 is $0; no activity is anticipated.

## { Oil Special Rates }

### 25. Horizontal Mining and Drilling Projects

The working-interest owners of horizontal- mining and drilling projects approved by the office of conservation are taxed at the special reduced rate of 3.125% of value until the cumulative value of hydrocarbon production from the project equals 2.33 times the private investment invested by the working-interest owners. The purpose of this special rate is to promote innovation in horizontal-mining and drilling technologies. One project was planned; however, it was abandoned and no projects are planned for the near future.

**Legal Citation**
R.S. 47:633(A)(3)(c)(ii), as of August 1, 2025; previously R.S. 47:633(7)(c)(ii)(aa) and (cc)

**Origin**
Acts 1990, No. 551

**Effective Date**
Taxable periods beginning on or after

**Beneficiaries**
Companies who undertake horizontal-mining and drilling projects

**Estimated Fiscal Effect**
The estimated revenue loss for FYE 6-26 and FYE 6-27 is $0; no activity is anticipated.

## { Mineral Exemption }

### 26. Produced Water Injection – Oil Wells

Oil from wells where produced water is reinjected into the reservoir for enhanced recovery qualifies for a 20% severance tax reduction. This incentive encourages reducing produced water discharge while boosting oil recovery.

**Legal Citation**
R.S. 47:633.5(C)(1)

**Origin**
Acts 1991, No. 625

**Effective Date**
Projects started after July 17, 1991

**Beneficiaries**
Oil producers who inject produced water into reservoirs to enhance oil recovery

**Estimated Fiscal Effect**
The estimated revenue loss for FYE 6-26 and FYE 6-27 is $0; no activity is anticipated.

## { Mineral Exemption }

### 27. Owned and Severed by Political Subdivisions

Enacted in 1988, this exemption applies to any state political subdivision that severs natural resources for its own use. Originally intended to aid police jurors in harvesting gravel, the exemption now covers all natural resources. However, the tax on gravel has since been repealed.

**Legal Citation**
R.S. 47:632(B)

**Origin**
Acts 1988, No. 594

**Effective Date**
Taxable periods beginning on or after January 1, 1988

**Beneficiaries**
The political subdivisions that own and sever natural resources for their own use

**Estimated Fiscal Effect**
The estimated revenue loss for FYE 6-26 and FYE 6-27 is $0; no activity is anticipated.

## { Federally Imposed Tax Exemptions }

### 28. U.S. Government Royalty - Gas Wells

Natural gas from privately owned wells with federal mineral royalty interests is exempt from severance tax, in compliance with U.S. Constitution tax prohibitions.

**Legal Citation**
No specific statute

**Origin**
U.S. Constitution, Louisiana Administrative Code 61:I.2903.F.6

**Effective Date**
Taxable periods beginning January 1, 1995

**Beneficiaries**
United States Federal Government

**Estimated Fiscal Effect**

| FYE 6-26 | FYE 6-27 |
|---|---|
| $424,000 | $785,000 |

## { Federally Imposed Tax Exemptions }

### 29. U.S. Government Royalty - Oil Wells

Oil from privately owned wells with federal mineral royalty interests is exempt from severance tax to comply with U.S. Constitution tax prohibitions.

**Legal Citation**
No specific statute

**Origin**
Louisiana Administrative Code Title 61.I.2903

**Effective Date**
Taxable periods beginning January 1, 1995

**Beneficiaries**
United States Federal Government

**Estimated Fiscal Effect**

| FYE 6-26 | FYE 6-27 |
|---|---|
| $140,000 | $136,000 |

# Oil Spill Contingency Fee Exemptions

# Oil Spill Contingency Fee

## { Introduction }

Act 7 of the 1991 First Extraordinary Session imposed a 2¢ per barrel fee on crude oil owners when oil is transferred at a Louisiana marine terminal. The marine terminal operator collects and remits the fee quarterly. Initially, the application of the fee was dependent on the balance in the Oil Spill Contingency Fund. The fee was imposed until the fund balance reached $15 million, then ceased until the balance fell below $8 million. Once the balance fell below $8 million, collection of the 2¢ per barrel fee resumed. Additionally, a 4¢ per barrel fee could be triggered if the Louisiana oil spill coordinator certified that the fund balance was below $8 million, an oil spill over 100,000 gallons occurred in the past 30 days, and the projected expenditures would deplete more than 50% of the fund.

Act 740 of 1995 lowered the fund balance ceiling from $15 million to $10 million for the 2¢ fee and clarified that if the 4¢ fee was triggered, it should continue until the fund reached $10 million.

Act 1082 of 2003 further reduced the thresholds: the 2¢ fee applied until the fund reached $7 million and resumes if it falls below $5 million; the 4¢ fee applies under the same conditions as before but with the $5 million threshold.

Act 384 of 2013 revised the structure and collection of the oil spill contingency fee. As of July 1, 2014, the fee is owed by the last owner of crude oil before delivery to a refinery or storage facility, with the refinery collecting and remitting the collected fees quarterly. From July 1, 2014, to December 31, 2015, the fee was ½¢ per barrel. Beginning January 1, 2016, the standard fee is ¼¢ per barrel. The fee increases to ½¢ per barrel if the oil spill coordinator certifies that the fund balance is below $5 million and (1) a spill of more than 100,000 gallons has occurred in the past 12 months or (2) due to authorized expenditures. The increased fee continues until the fund reaches $7 million, at which time it returns to the standard fee of ¼¢ per barrel.

### Legal Citation
R.S. 30:2485

### Fee Base
Barrels of crude oil received by a refinery for storage or processing

### Fee Rate
2¢ per barrel (effective July 1, 1991 through April 30, 1999)

Suspended (effective May 1, 1999 through October 31, 2001)

2¢ per barrel (effective November 1, 2001 through April 30, 2003)

Suspended (effective May 1, 2003 through April 30, 2007)

2¢ per barrel (effective May 1, 2007 through December 31, 2007)

Suspended (effective January 1, 2008 through June 30, 2010)

2¢ per barrel (effective July 1, 2010 through June 30, 2014)

½ ¢ per barrel (effective July 1, 2014 through December 31, 2015)

¼ ¢ per barrel (effective January 1, 2016 to present)

### Type of Exemption
The Oil Spill Contingency Fee exemption is in the form of a credit. Credits are generally defined as a reduction to the amount of tax due.

### Significant Changes
There were no changes to the oil spill contingency fee laws during the past year.

# Oil Spill Contingency Fee

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{ **CREDIT** }

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# Oil Spill Contingency Fee

{ Credit }

### 1. Timely Payment

Refinery operators may retain 1.5% of the collected fees as compensation, provided timely payment is made to the Department of Revenue.

### Legal Citation
R.S. 30:2485(B)

### Origin
Acts 1991, 1st Ex. Sess., No. 7, amended by Acts 2013, No. 394

### Effective Date
Taxable periods beginning April 23, 1991

### Beneficiaries
Refinery operators who collect and timely remit the oil spill contingency fee

### Estimated Fiscal Effect

| FYE 6-26 | FYE 6-27 |
|---|---|
| $34,000 | $36,000 |

# Petroleum Products Tax Exemptions

# Petroleum Products Tax

## { Introduction }

A tax on gasoline and motor fuels was first levied in the 1921 Louisiana Constitution at a rate of 1¢ per gallon. Special fuels were first taxed under a Use Fuel Tax at a rate of 7¢ per gallon, imposed by Act 244 of 1940. This act also required fuel permits. Various amendments over the years have established the following rates:

*1921 Gasoline tax first levied at 1¢ per gallon*

*1924 Gasoline at 2¢ per gallon*

*1928 Gasoline at 4¢ per gallon*

*1930 Gasoline at 5¢ per gallon*

*1936 Gasoline at 7¢ per gallon*

*1940 Special fuels tax first levied at 7¢ per gallon*

*1948 Gasoline and special fuels at 9¢ per gallon*

*1952 Gasoline and special fuels at 7¢ per gallon*

*1968 Gasoline and special fuels at 8¢ per gallon*

*1984 Gasoline and special fuels at 16¢ per gallon*

*1990 Gasoline and special fuels at combined rate of 20¢ per gallon*

*2016 Special fuels (CNG and LNG) at 20¢ per gallon, LPG at 14.6¢ per gallon*

Act 16 of the First Extraordinary Session of 1989 increased the total tax on gasoline, motor fuels, and special fuels to 20¢ per gallon. This increase was not achieved by raising the existing 16¢ per gallon tax under R.S. 47:711 and R.S. 47:802, but by imposing an additional 4¢ per gallon under a new program titled the Transportation Infrastructure Model for Economic Development (TIMED). The revenue generated by this additional levy, effective January 1, 1990, was specifically dedicated for transportation purposes. The same legislation also established the Transportation Trust Fund, into which the collections from the original 16¢ per gallon tax are deposited.

### Gasoline and Diesel Fuels Tax

The gasoline tax was originally collected from the dealer who first handled, sold, distributed, used, or consumed gasoline and motor fuels in Louisiana. However, Act 252 of the 2005 Regular Session (enacting R.S. 47:818.1 et seq.) shifted the point of collection for motor fuel taxes to the terminal rack. Under this system, clear diesel fuel, is taxed when it leaves the terminal via the rack. Subsequent sales of the product are therefore considered taxed fuel, and any clear diesel ultimately used for a nontaxable purpose may be eligible for a refund of the fuel tax paid.

Act 252 also revised the discounts allowed to dealers and marketers. Previously, gasoline dealers were allowed a 3% discount on the first 1¢ of tax; gasoline jobbers were allowed 3% on the first 4¢ of tax; and special fuel suppliers were allowed 3% of net taxable gallons.

As of Act 252 provided suppliers (refiners) a 1.5% discount on the tax if they timely filed and remitted the taxes, provided they passed a 1% discount on to distributors (marketers). Under Act 147 of the 2015 Regular Session, the supplier discount was reduced to 0.5% of the tax, and the discount for a licensed distributor or importer was set at 0.03%

### Special Fuels Tax

Special fuels are defined as any gas or liquid, other than gasoline or diesel fuel, that is used or suitable for use as motor fuel in an internal combustion engine or motor to propel any type of vehicle, machine, or mechanical device. Special fuels include compressed natural gas (CNG), liquefied natural gas (LNG), and liquefied petroleum gas (LPG).

The tax on special fuels was originally paid by any person operating a motor vehicle on Louisiana highways that uses, or can use, LPG or CNG. From July 1, 2006, to December 31, 2015, this tax was reported and paid via an annual return using either a flat annual rate or a usage-based rate, depending on the weight of the vehicle. Compliance was evidenced by a decal issued to the owner or operator of the vehicle. The tax was collected by the purchase of a decal at an annual flat rate of $150, or a variable rate of 16¢ per gallon, not to exceed $150, for each vehicle operating on one of these fuels.

# Petroleum Products Tax

## { Introduction }

Effective January 1, 2016, Act 147 of the 2015 Regular Session repealed R.S. 47:818.101 through 104 and enacted R.S. 47:818.111 through 132, changing the method of collecting the fuel tax on CNG, LNG, and LPG used to power motor vehicles. The tax is added to the price of the fuel dispensed at the pump or from the storage container and is paid by the retail dealer selling the fuel for motor fuel purposes, or by the special fuel fleet dealer when used in fleet operations.

### Fee for Inspection

To cover the costs of inspecting, testing, and analyzing petroleum products in Louisiana, an inspection fee of 4/32 of one cent per gallon is collected on all gasoline and diesel that is distributed, sold, offered for sale, used, or consumed in the state. The fee must be paid by the first person handling the fuel, and it must be remitted before delivery to agents, dealers, or consumers.

The inspection fee is not collected on special fuels, bulk sales, and exports out of the state are exempt. Additionally, no fee is due on fuels eligible for tax refunds under R.S. 47:818.15(A)(5) or on fuels sold for use in or distributed to seagoing vessels, as defined in R.S. 3:4602.

### Legal Citations

R.S. 47:818.6, enacted by Acts 2005, No. 252, provides that R.S. 47:818.1 et. seq. supersede the provisions of R.S. 47:711-727, 771-788, and 801-815.1 to the extent that they are inconsistent or in conflict. The provisions of R.S. 47:711-727, 771-788, and 801-815.1 that are not inconsistent or in conflict with R.S. 47:818.1 et. seq. remain in effect.

### Gasoline and Diesel Fuels Tax:

R.S. 47:818.1 through 818.6-*General Provisions*

R.S. 47:818.11 through 818.62-*Gasoline and Diesel Fuel*

### Special Fuels Tax:

R.S. 47:818.1 through 818.6-*General Provisions*

R.S. 47:818.11 through 818.132-*Special Fuels*

### Fee for Inspection:

R.S. 3:4684

### Tax Base

Gasoline and diesel fuel sold, used, or consumed in Louisiana for domestic consumption, and all special fuels sold, used, or consumed in Louisiana for operating motor vehicles that are licensed or required to be licensed for highway use.

### Fee Base

All gasoline and diesel distributed, sold, or offered for sale, use or consumption in Louisiana.

### Tax Rate

*Gasoline and diesel fuels.....20¢ per gallon*

*Special fuels (CNG and LNG).....20¢ per gallon*

*Special fuels (LPG) .....14.6¢ per gallon*

*Fee for inspection.....4/32 of 1¢ per gallon*

### Types of Tax Exemptions

Petroleum product tax relief takes the form of exemptions, refunds, and discounts. Exemptions apply to items that are included in the tax base but are specifically excluded by statute. Refunds provide restitution for taxes already paid. Discounts are proportionate reductions from the amounts reported.

Two statutory tax exemptions are also prohibited from taxation under federal law. Because of these additional restrictions, repealing the exemption alone would not produce the anticipated fiscal effect. For this reason, these exemptions are grouped separately at the end of the section.

### Significant Changes

There were no changes to the petroleum products tax laws in the past year.

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## { Gasoline Tax Exemptions }

### 1. Casinghead Gasoline

Casinghead and absorption gasoline sold for blending or compounding with other less volatile liquids in the manufacture of commercial gasoline or motor fuel are exempt from gasoline tax. This exemption is intended to encourage the blending of these products in the production of gasoline or motor fuels.

**Legal Citation**
R.S. 47:713

**Origin**
Acts 1928 Ex. Sess., No. 6

**Effective Date**
Taxable periods beginning on or after January 4, 1929

**Beneficiaries**
None

**Estimated Fiscal Effect**
The Department is unable to estimate the fiscal effect; there is no reporting requirement for this data.

### 2. Aviation Gasoline

Aviation fuel used to propel aircraft, including aircraft operated in interstate or foreign commerce under a certificate or permit issued by the Civil Aeronautics Board of the United States (or any successor or federal governmental board or agency having similar authority), is exempt from gasoline tax. This provision ensures that gasoline sold for aviation use is not subject to the tax.

**Legal Citation**
R.S. 47:818.14(A)(3); superseded R.S. 47:716.1

**Origin**
Acts 1980, No. 559, superseded by Acts 2005, No. 252, amended by Acts 2017, No. 145

**Effective Date**
Taxable periods beginning on or after September 12, 1980

**Beneficiaries**
Owners/operators of aviation gasoline powered aircraft

**Estimated Fiscal Effect**

| FYE 6-26 | FYE 6-27 |
|---|---|
| $227,000 | $234,000 |

{ Gasoline Tax Refunds }

### 3. School Bus Drivers

Contract drivers of privately owned school buses transporting Louisiana students may qualify for a refund of three-fourths of the gasoline tax. This refund does not apply to commercial buses that transport students only incidentally as a part of the operator's regular business. The purpose of this refund is to provide financial assistance to contract drivers of privately owned school buses.

#### Legal Citation
R.S. 47:818.15(A)(1); superseded R.S. 47:715.1

#### Origin
Acts 1984, No. 927, superseded by Acts 2005, No. 252

#### Effective Date
Taxable periods beginning on or after September 3, 1984

#### Beneficiaries
Contract drivers of privately owned school buses

#### Estimated Fiscal Effect
The estimated revenue loss for FYE 6-26 and FYE 6-27 is $0.

### 4. Farmers, Fishermen, and Aircraft

Tax paid on gasoline fuel used for the following purposes may be refunded, provided the requirements of R.S. 47:1681 et seq. are met:

- Operating or propelling aircraft;
- Operating or propelling any commercial fishing boat or any vehicle used by a licensed fisherman in the administration of business associated with commercial fishing;
- Operating any boat used to transport children to or from school; and
- Operating any farm tractor or any farm machinery, including any stationary motor, used in the actual tilling of the soil and production of crops.

The purpose of this refund is to provide financial assistance to those using gasoline for these specified purposes.

#### Legal Citation
R.S. 47:818.15(A)(2)

#### Origin
Acts 1950, No. 371 and Acts 2005, No. 252.

#### Effective Date
Taxable periods beginning on or after September 1, 1950

#### Beneficiaries
Farmers, fishermen, and operators of gasoline-powered aircraft

#### Estimated Fiscal Effect
The estimated revenue loss for FYE 6-26 and FYE 6-27 is negligible.

## { Gasoline Tax Discount }

### 5. Timely Filing and Payment by Suppliers/ Permissive Suppliers

Suppliers and permissive suppliers who timely file a return and remit payment are allowed an administrative discount of 0.5% of the tax due on gasoline fuels. The discount is permitted only if the supplier passes a 0.33% deduction to purchasers with a valid distributor or importer license. Prior to July 1, 2015, the discount for suppliers was 1.5%, and the deduction for licensed distributors or importers was 1.0%.

**Legal Citation**
R.S. 47:818.22(A)

**Origin**
Acts 2005, No. 252, amended by Acts 2015, No. 147

**Effective Date**
Taxable periods beginning on or after July 1, 2006

**Beneficiaries**
Suppliers and permissive suppliers who file and pay timely and pass on a portion of its savings

**Estimated Fiscal Effect**

| FYE 6-26 | FYE 6-27 |
|---|---|
| $2,250,000 | $2,250,000 |

## { Diesel Fuels Tax Exemption }

### 6. Dyed Diesel and Dyed Kerosene Gallons Removed for Non-Highway Purposes

Dyed diesel and dyed kerosene fuel are intended for sale and use only for non-highway purposes and off-road vehicles. These fuels are not subject to the fuel tax but are subject to the inspection fee. The purpose of this exemption is to avoid imposing excise taxes on diesel fuels sold for non-highway use and to clearly identify fuel not used for highway purposes.

**Legal Citation**
R.S. 47:818.14(B)

**Origin**
Acts 2005, No. 252

**Effective Date**
For taxable periods beginning on or after July 1, 2006

**Beneficiaries**
End users who purchase dyed diesel and dyed kerosene fuels

**Estimated Fiscal Effect**

| FYE 6-26 | FYE 6-27 |
|---|---|
| $150,372,000 | $144,357,000 |

## { Diesel Fuels Tax Refunds }

### 7. School Bus Drivers

Contract drivers of privately-owned school buses transporting Louisiana students, whether such students are in private or public schools, are eligible for a refund of three-fourths of the diesel fuels tax. This refund is intended to provide financial assistance to these contract drivers.

#### Legal Citation
R.S. 47:818.15(A)(1); superseded R.S. 47:715.1

#### Origin
Acts 1984, No. 927

#### Effective Date
Taxable periods beginning on or after September 3, 1984

#### Beneficiaries
Contract drivers of privately owned school buses

#### Estimated Fiscal Effect

| FYE 6-26 | FYE 6-27 |
|---|---|
| $120,000 | $120,000 |

### 8. Diesel Fuels Used in Licensed Vehicles by Commercial Fishermen

Licensed commercial fishermen are eligible for a refund of diesel fuels taxes paid on fuel used in operating licensed motor vehicles when performing commercial fishing-related business. This refund provides financial assistance to commercial fishermen.

#### Legal Citation
R.S. 47:818.15(A)(5); superseded R.S. 47:802.2

#### Origin
Acts 1982, No. 820, superseded by Acts 2005, No. 252

#### Effective Date
Taxable periods beginning on or after January 1, 1983

#### Beneficiaries
Licensed commercial fishermen

#### Estimated Fiscal Effect
The estimated revenue loss for FYE 6-26 and FYE 6-27 is $0; no claims are being filed for this refund.

## { Diesel Fuels Tax Refunds }

### 9. Undyed Diesel Fuels Used for Nontaxable Purposes

Tax paid on undyed diesel fuel used for nontaxable purposes, when dyed diesel fuel is unavailable, may be eligible for a refund. This refund ensures that diesel fuel used for certain purposes is tax-free and provides financial assistance to eligible users.

**Legal Citation**
R.S. 47:818.15(A)(4)

**Origin**
Acts 1984, No. 927

**Effective Date**
Taxable periods beginning on or after September 1984

**Beneficiaries**
End users who purchase diesel fuel on which tax has been paid

**Estimated Fiscal Effect**

| FYE 6-26 | FYE 6-27 |
|---|---|
| $462,000 | $439,000 |

## { Diesel Fuels Tax Discount }

### 10. Timely Filing and Payment by Suppliers/ Permissive Suppliers

Suppliers and permissive suppliers who timely file a return and remit payment are allowed an administrative discount of 0.5% of the tax due on diesel fuels. The discount is permitted only if the supplier passes a 0.33% deduction to purchasers with valid distributor or importer licenses. For taxable periods beginning before July 1, 2015, the discount for suppliers was 1.5%, and the deduction for licensed distributors or importers was 1.0%.

**Legal Citation**
R.S. 47:818.22(A)

**Origin**
Acts 2005, No. 252, amended by Acts 2015, No. 147

**Effective Date**
Taxable periods beginning on or after July 1, 2006

**Beneficiaries**
Suppliers and permissive suppliers who timely file and pay and pass on a portion of the savings

**Estimated Fiscal Effect**

| FYE 6-26 | FYE 6-27 |
|---|---|
| $789,000 | $757,000 |

## { Special Fuels Tax Refunds }

### 11. School Bus Owners

Owners of school buses, including those owned by school boards, used to transport Louisiana students and powered by an internal combustion engine capable of using liquefied natural gas, liquefied petroleum gas, or compressed natural gas are eligible for a credit equal to 50% of the special fuel tax paid. This credit does not apply to commercial buses that transport students only incidentally as a part of the operator's regular business. The credit must be claimed annually by August 1 of each year for taxes paid during the previous academic year and is recognized in the form of a refund. The purpose of this credit is to provide financial assistance to owners of school buses transporting Louisiana students.

**Legal Citation**
R.S. 47:818.120(A)

**Origin**
Acts 2015, No. 147

**Effective Date**
For taxable periods beginning on or after January 1, 2016

**Beneficiaries**
Owners of school buses capable of using liquefied natural gas, liquefied petroleum gas, or compressed natural gas

**Estimated Fiscal Effect**
The estimated revenue loss for FYE 6-26 and FYE 6-27 is $0; no claims are being filed for this refund.

## { Special Fuels Tax Discount }

### 12. Timely Filing and Payment by Dealers

Licensed dealers who file a return and remit payment by the due date are allowed an administrative discount of one-third of one percent (0.33%) of the tax due on special fuels.

**Legal Citation**
R.S. 47:818.119(A)

**Origin**
Acts 2015, No. 147

**Effective Date**
Taxable periods beginning on or after January 1, 2016

**Beneficiaries**
Licensed dealers that comply with the discount requirements

**Estimated Fiscal Effect**
The estimated revenue loss for FYE 6-26 and FYE 6-27 is negligible.

## { Inspection Fee Exemptions }

### 13. Gasoline and Undyed Diesel Brought into Louisiana in Fuel Supply Tanks of Interstate Motor Fuel Users

The inspection fee does not apply to gasoline or undyed diesel fuels brought into Louisiana in the fuel supply tanks of interstate motor fuel users. Most of these users participate in the International Fuel Tax Agreement (IFTA) and report their Louisiana miles and associated excise tax liability to their base jurisdiction.

**Legal Citation**
R.S. 47:818.13(F), R.S. 3:4684

**Origin**
Acts 1976, No. 555

**Effective Date**
Taxable periods beginning on or after January 1, 1977

**Beneficiaries**
Interstate motor fuel users who travel into and through Louisiana

**Estimated Fiscal Effect**

| FYE 6-26 | FYE 6-27 |
|---|---|
| $61,000 | $61,000 |

### 14. Undyed Diesel Fuel Used by Commercial Fishermen

The inspection fee does not apply to taxed undyed diesel fuel purchased and used in vehicles operated by licensed commercial fishermen for activities related to their commercial fishing business, provided the fuel is eligible for a tax refund under R.S. 47:818.15(A)(5).

**Legal Citation**
R.S. 3:4684

**Origin**
Acts 2003, No. 139

**Effective Date**
Taxable periods beginning on or after September 1, 2003

**Beneficiaries**
Licensed commercial fishermen

**Estimated Fiscal Effect**
The estimated revenue loss for FYE 6-26 and FYE 6-27 is $0; no reports are being filed claiming this exemption.

## { Inspection Fee Exemptions }

### 15. Diesel Fuels Used in or Distributed to Seagoing Vessels

The inspection fee does not apply to fuels sold for use in, or distributed to, seagoing vessels as defined at R.S. 3:4602. To qualify for the exemption, these vessels must hold an exemption certificate issued under R.S.47:305.1.

**Legal Citation**
R.S. 3:4684

**Origin**
Acts 2003, No. 139

**Effective Date**
Taxable periods beginning on or after September 1, 2003

**Beneficiaries**
Purchasers of diesel fuel to be used in seagoing vessels

**Estimated Fiscal Effect**

| FYE 6-26 | FYE 6-27 |
|---|---|
| $640,000 | $366,000 |

### 16. Exports of Gasoline or Diesel Fuels

The inspection fee does not apply to gasoline or diesel fuels exported from Louisiana.

**Legal Citation**
R.S. 3:4684

**Origin**
Acts 2003, No. 139

**Effective Date**
Taxable periods beginning on or after September 1, 2003

**Beneficiaries**
Exporters of products in interstate commerce

**Estimated Fiscal Effect**

| FYE 6-26 | FYE 6-27 |
|---|---|
| $917,000 | $703,000 |

## { Federally Imposed Exemptions }

### 17. Gasoline and Diesel Sales to the Federal Government and Its Agencies

Bulk sales of gasoline and diesel fuel of 6,000 gallons or more per transaction to the U.S. Government for its own use, as well as gasoline sold to the U.S. Armed Forces for propelling Navy or Coast Guard ships or for aviation purposes, are exempt from taxes on gasoline and diesel. The purpose of this provision is to provide an exemption for bulk sales and for fuel used for specific government purposes and not for resale at retail.

#### Legal Citation
R.S. 47:818.14(A)(1) and (2); superseded R.S. 47:715

#### Origin
Acts 1944, No. 131

#### Effective Date
Taxable periods beginning on or after July 6, 1944

#### Beneficiaries
The U.S. Government

#### Estimated Fiscal Effect

| FYE 6-26 | FYE 6-27 |
|---|---|
| $5,171,000 | $4,903,000 |

### 18. Interstate Gasoline and Diesel Shipments/Exports

Gasoline or undyed diesel fuel exported to another U.S. state is exempt from Louisiana tax only if the tax of the destination state is remitted to the supplier for that state. This exemption does not apply to gasoline or undyed diesel fuel transported and delivered outside Louisiana in the fuel supply tank of a highway vehicle.

In addition, gasoline or undyed diesel fuel exported to a foreign country is exempt from the tax if the bill of lading indicates the foreign destination.

These exemptions are intended to comply with the taxation prohibitions of the U.S. Constitution.

#### Legal Citations
R.S. 47:818.14(C) and (D) and the U.S. Constitution; superseded R.S. 47:717

#### Origin
Acts 1928 Ex. Sess., No. 6

#### Effective Date
Taxable periods beginning on or after January 1929

#### Beneficiaries
Dealers who export products in interstate commerce

#### Estimated Fiscal Effect

| FYE 6-26 | FYE 6-27 |
|---|---|
| $126,910,000 | $165,420,000 |

# Public Utilities and Carriers Taxes Exemptions

# Public Utilities and Carriers Taxes
# Inspection and Supervision Fee

{ Introduction }

Act 108 of the 1921 First Extraordinary Session, first imposed the Inspection and Supervision Fee. The act required each common carrier and public utility doing business in Louisiana and subject to the control and jurisdiction of the Public Service Commission to pay an annual fee for the inspection, control, and supervision of their business, service, and rates. The fee was set on a graduated scale, with a minimum annual fee of $10 and a maximum of $500, due at the end of December. Subsequent changes to the fee and rate schedules occurred in 1928, 1935, 1962, 1970, and again in 1972, when the minimum annual fee increased to $35 and the statutory maximum was eliminated.

Act 182 of the 1985 Regular Session changed the due date for payment from December 31 to April 1st. Act 561 of that same session implemented a supplemental fee of 20% of the inspection and supervision fee payment on each gas, electric, and telephone public utility.

Act 700 of the 1986 Regular Session changed the reporting period from annually to quarterly, adjusted the rates, and established a minimum quarterly payment of $12.50, or $50 annually.

Act 301 of the 1995 Regular Session removed certain motor carriers from the jurisdiction of the Louisiana Public Service Commission following the 1994 enactment of Section 601 of the Federal Aviation Administration Act, thereby excluding these carriers from the Inspection and Supervision Fee.

Act 234 of the 2007 Regular Session further adjusted the rates, repealed the supplemental fee, and increased the minimum quarterly fee to $20, or $80 annually.

### Legal Citations
R.S. 45:1177 through 1179

### Tax Base
Gross receipts from Louisiana intrastate business from each common carrier, contract carrier, and public utility

### Tax Rate
- $5.01 per $1,000 for the first $100,000 or less of such gross receipts;
- $4.23 per $1,000 of such gross receipts in excess of $100,000 and not more than $250,000;
- $3.45 per $1,000 of such gross receipts in excess of $250,000 and not more than $500,000;
- $2.68 per $1,000 of such gross receipts in excess of $500,000 and not more than $750,000;
- $2.29 per $1,000 of such gross receipts in excess of $750,000 and not more than $1,000,000;
- $1.90 per $1,000 of such gross receipts in excess of $1,000,000 and not more than $2,000,000;
- $1.51 per $1,000 of such gross receipts in excess of $2,000,000 and not more than $5,000,000;
- $1.13 per $1,000 of such gross receipts in excess of $5,000,000 and not more than $10,000,000;
- $0.97 per $1,000 of such gross receipts in excess of $10,000,000 and not more than $25,000,000
- $0.82 per $1,000 of such gross receipts in excess of $25,000,000 and not more than $100,000,000;
- $0.71 per $1,000 of such gross receipts in excess of $100,000,000

In no case shall the fee be less than $80 annually.

### Types of Tax Exemptions
For this fee, the tax exemptions are in the form of exclusions. Exclusions are items specifically not included in the tax base.

### Significant Changes
There were no changes to the inspection and supervision fee laws during the past year.

# Public Utilities and Carriers Taxes
# Transportation and Communication Utilities Tax

{ Introduction }

Act 13 of the 1934 Regular Session imposed a transportation and communication utilities tax on every person owning or operating any public utility in Louisiana. The term "public utility" has been defined to include railroads and railways, sleeping cars, motor bus lines, motor freight lines, express companies, boat or packet lines, and pipelines. The law has remained largely unchanged over the years, with most modifications affecting how the various utilities are defined and how gross receipts are calculated for each utility.

Act 388 of the 1990 Regular Session repealed the transportation and communication utilities tax as it applied to telephone companies. At the same time, the telephone services became subject to sales and use tax.

### Legal Citations
R.S. 47:1001 through 1010

### Tax Base
Gross receipts, as defined, from the utility's intrastate business

### Tax Rate
Two percent of gross receipts as defined

### Types of Tax Exemptions
The only tax exemption provided for is in the form of an exclusion. An exclusion is an item specifically not included in the tax base.

### Significant Changes
There were no changes to the transportation and communication utilities tax laws during the past year.

{ **EXCLUSIONS** - *INSPECTION AND SUPERVISION FEE* }

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{ **EXCLUSION** - *TRANSPORTATION AND COMMUNICATION UTILITIES TAX* }

**3.** **Seven-Mile Zone** . . . . . **183**
R.S. 47:1001, R.S. 47:1003(5)(c)(i)

# Public Utilities and Carriers Taxes
# Inspection and Supervision Fee

{ Exclusions - *Inspection and Supervision Fee* }

### 1. Ten-Mile Zone

For common carriers operating sightseeing passenger vehicles under a municipal certificate, fees apply only to gross receipts from Louisiana intrastate business conducted outside a municipality and beyond ten miles from its limits. This exclusion is intended to exempt the ten-mile zone from taxation.

**Legal Citation**
R.S. 45:1177(A)(5)

**Origin**
Acts 1980, No. 626

**Effective Date**
Taxable periods beginning on or after September 1980

**Beneficiaries**
Carriers conducting business operations as provided

**Estimated Fiscal Effect**
The Department is unable to estimate the fiscal effect; there is no reporting requirement for this data.

### 2. Power Cost

A deduction from gross receipts is allowed for the cost of wholesale power purchased for resale by electric cooperatives organized pursuant to R.S. 12:401 et seq. The purpose of this exclusion is to prevent double taxation of power.

**Legal Citation**
R.S. 45:1177(A)(6)

**Origin**
Acts 1990, No. 39

**Effective Date**
Taxable periods beginning on or after September 1990

**Beneficiaries**
Electric cooperatives and their customers

**Estimated Fiscal Effect**
The Department is unable to estimate the fiscal effect; there is no reporting requirement for this data.

### 3. Seven-Mile Zone

Gross receipts from the transportation of passengers, freight, or property that both originate and are delivered within: (1) the corporate limits of the same city or town or within a seven-mile surrounding area, or (2) within Jefferson or Orleans Parishes or within a seven-mile surrounding area, are not subject to the excise tax. The purpose of this exclusion is to exclude gross receipts from activity within the seven-mile zone from taxation.

#### Legal Citation
R.S. 47:1001, R.S. 47:1003(5)(c)(i)

#### Origin
Acts 1965, No. 34, amended by Acts 1991, No. 291; Acts 2011, 1st Ex. Sess., No. 42

#### Effective Date
For taxable periods beginning on or after June 28, 1965

#### Beneficiaries
Public utilities that transport within the specified area

#### Estimated Fiscal Effect

| FYE 6-26 | FYE 6-27 |
|---|---|
| $10,342,000 | $9,515,000 |

# Sales Tax Exemptions

# Sales Tax

## { Introduction }

### History of the Louisiana State Sales Tax

Louisiana first imposed a sales tax in 1936, originally enacted as a 2% luxury sales tax. This tax was replaced in 1938 with a 1% general sales tax, which remained in effect through 1940. In 1942, the legislature enacted a 1% war emergency tax for a two-year period.

The first permanent sales tax was enacted in 1944 at a rate of 1% (R.S. 47:302). The rate was subsequently increased over time through changes to the existing levy and the addition of new levies:

- 2% in 1948 (R.S. 47:302),
- 3% in 1970 (added R.S. 47:321),
- 4% in 1984 (added R.S. 47:331), and
- 5% in April 2016 (added R.S. 47:321.1).

During the 2018 Third Extraordinary Session, the tax levied under R.S. 47:321.1 was reduced to 0.45%, lowering the overall state sales tax rate to 4.45%.

In 2025, the overall state sales tax rate increased again to 5% as a result of changes to R.S. 47:321.1, R.S. 47:331, and R.S. 51:1286, with an automatic reduction to 4.75% scheduled to occur on January 1, 2030.

### Recovery District and Tourism Promotion District Taxes

The general sales tax rate remained at 4% from 1984 until June 30, 1988. In 1988, the legislature created the Louisiana Recovery District and authorized it to issue bonds secured by a sales tax. As part of this structure, the 1% general sales tax imposed under R.S. 47:321 was repealed and replaced by a 1% Recovery District tax. Because of bonding requirements, the Recovery District tax was not affected by later changes in tax law. The combined rate of a 3% general sales tax and a 1% Recovery District tax remained in effect from July 1, 1988, through September 30, 1990.

In 1990, the legislature created the Louisiana Tourism Promotion District and authorized it to levy a sales tax. Effective October 1, 1990, the District imposed a 0.03% sales tax, while the general sales tax rate under R.S. 47:331 was reduced from 1% to 0.97%, maintaining the same overall rate. The Tourism Promotion District tax shared the same tax base as the general sales tax.

On September 30, 1996, the Recovery District bonds were retired, and the District ceased to exist. The Recovery District tax was replaced with a 1% general sales tax levy under R.S. 47:321.

Effective January 1, 2025, the Tourism Promotion District no longer levies a separate 0.03% sales tax under R.S. 51:1286. Instead, the levy under R.S. 47:331 was increased from 0.97% to 1%, with an amount equivalent to the former 0.03% dedicated to the Tourism Promotion District.

## Exemptions, Exclusions, and Suspensions

Sales tax exclusions and exemptions have existed since the inception of the tax and have expanded over time. Until 1986, exemptions applied against the full sales tax base. During the 1986 Regular Session, House Concurrent Resolution 55 temporarily suspended exemptions under R.S. 47:331, subjecting traditionally exempt items to a 1% tax from July 1, 1986, through June 30, 1987. This suspension was extended and modified multiple times through June 30, 1997, with suspension rates ranging from 1% to 3%.

From July 1, 1993, through September 30, 1996, exemptions from the 1% Recovery District tax were also suspended, resulting in a combined 4% suspension rate during that period.

Beginning in the late 1980s and 1990s, the legislature increasingly used statutory exclusions under R.S. 47:301 rather than exemptions under R.S. 47:305 to provide tax relief. In 1998, duplicative exemptions were repealed, leaving exclusions as the controlling authority.

From July 1, 1997, through June 30, 2009, exemption suspensions continued at varying rates, including special suspended rates for nonresidential utilities, such as electricity, natural gas, steam, and water.

In 2009, the legislature allowed the suspension of exemptions to expire. As a result, exemptions under R.S. 47:305 again applied to three of the four percent general sales tax but remained subject to the permanent 1% levy under R.S. 47:321. Effective January 1, 2009, the advance sales tax was repealed, and sales for resale became excluded from tax, leaving only the final sale to the consumer subject to tax.

# Sales Tax

## { Introduction }

### Recent Changes and Modernization

Beginning April 1, 2016, Acts 25 and 26 of the 2016 First Extraordinary Session temporarily suspended most sales tax exemptions and exclusions. This partial suspension remained in effect until June 30, 2018.

Effective July 1, 2018, Act 1 of the 2018 Third Extraordinary Session established identical, exclusive lists of exclusions and exemptions for all state sales tax impositions, except R.S. 47:302. Because R.S. 47:302 did not exclude business utilities, purchases of nonresidential utilities became subject to a 2% state sales tax. These exclusive lists were scheduled to sunset on June 30, 2025.

During the 2024 Third Extraordinary Session, the legislature enacted a comprehensive reorganization of the sales tax laws, increased the state sales tax rate to 5%, and eliminated many exclusions and exemptions and moved many of the remaining exclusions out of R.S. 47:301 into various exemption sections. Effective January 1, 2025, the levy under R.S. 47:321.1 increased from 0.45% to 1%, and the levy under R.S. 47:331 increased from 0.97% to 1%. Food for home consumption, prescription drugs, and residential utilities remain fully exempt from state sales tax, while business utilities continue to be taxed at 2%. The exclusive exemption lists were repealed.

The 2024 Third Extraordinary Session also expanded the sales tax base to include digital products, prewritten computer software access services, and information services.

### Legal Citations

R.S. 4:168

R.S. 4:227

R.S. 12:425

R.S. 22:2065

R.S. 33:4169

R.S. 38:2212.4

R.S. 39:467

R.S. 39:468

R.S. 40:582.1 – 582.7

R.S. 47:301 - 333

R.S. 47:1515.1

R.S. 47:6001

R.S. 51:1301

Art. VII Sec. 27 of Louisiana Constitution

Art. VII Sec. 2.2 of Louisiana Constitution

### Tax Base

The tax base includes retail sales of tangible personal property, leases or rentals of movable property, digital products, selected services, and applicable use tax on tangible personal property and digital products.

### Tax Rate

As of January 1, 2025, the sales tax rate is composed of the following:

| Type | Rate | Source |
|---|---|---|
| *General Sales Tax* | *2.00 %* | *R.S. 47:302* |
| | *1.00 %* | *R.S. 47:321* |
| | *1.00 %* | *R.S. 47:321.1* |
| | *1.00 %* | *R.S. 47:331* |
| *Total* | *5.00 %* | |

{ Introduction }

### Types of Tax Exemptions

Louisiana sales tax exemptions take several forms, including exclusions, exemptions, alternate reporting methods, statutorily prescribed methods, credits, rebates, and refunds.

- Exclusions are items specifically removed from the tax base by definition.
- Exemptions are items that are included in the tax base but have been specifically exempted by statute.
- Alternate reporting methods allow taxpayers to report and remit taxes differently from the standard procedure.
- Statutorily prescribed methods of taxation apply to items for which the law provides a specific method for calculating tax.
- Credits allow taxpayers to deduct a specified amount from the tax due, paying only the net tax.
- Rebates are monetary incentives issued to taxpayers to encourage or reward specific behavior and do not require a claim on a tax return.
- Refunds occur when taxes have been initially paid but the taxpayer is later reimbursed.

This report includes all tax exemptions arising from Louisiana tax statutes. Some statutory exemptions are also protected from taxation by the state constitution, federal law, or existing reciprocal agreements. Because these additional protections prevent a repeal of the exemption from producing the intended fiscal effect, such exemptions are separately grouped at the end of this section.

## Significant Changes

## 2025 Regular Session

**Act 82**
Act 82 classifies accommodations intermediaries as marketplace facilitators and allows them to file and remit sales and use taxes to the Remote Sellers Commission for taxable periods beginning on or after July 1, 2025. Beginning January 1, 2026, these intermediaries must also remit hotel and motel occupancy taxes to the Commission.

**Act 215**
Act 215 prohibits the legislature from creating new sales and use tax exemptions, exclusions, credits, or rebates unless they apply uniformly to taxes levied by all taxing authorities. Act 215 is applicable to exemptions, exclusions, credits, or rebates enacted on or after January 1, 2026.

**Act 339**
Act 339 clarifies that sales of prescription drugs to individuals enrolled in Louisiana Medicaid or Louisiana Children's Health Insurance Program ("CHIP") are exempt from state and local sales and use taxes. Act 339 is effective June 11, 2025.

**Act 384**
Act 384 reinstates several exemptions, including repairs to property returned out-of-state, vehicle leases and rentals under warranty agreements, nonprofit fundraising events, sales to sickle cell organizations, Habitat for Humanity affiliates, and qualifying radiation therapy centers. These provisions are retroactive to January 1, 2025, for state tax purposes and will apply beginning July 1, 2025, for local tax purposes.

The Act exempts purchases by the Edward Via College of Osteopathic Medicine, and expands ship and vessel exemptions to include digital products and services for ship operation and maintenance; and extends state and local exemptions to general contractors and subcontractors for qualifying public construction projects, subject to certification requirements. Additionally, it caps the combined state and local sales and use tax on Louisiana-registered boats at $20,000, provided the boat is registered within 90 days of purchase or importation. These provisions apply to taxable periods beginning on or after July 1, 2025.

Lastly, Act 384 lists cable, satellite, and video services as a separate enumerated category of services rather than as a type of information service; and clarifies prior revisions from the 2024 Third Extraordinary Session relating to admissions, dealer definitions, feminine hygiene and diaper products, educational materials, and sewerage and wastewater construction exemptions. The Act further establishes sourcing rules for multiple-listing service purchases by real estate professionals. These provisions apply to taxable periods beginning on or after January 1, 2025.

**Act 433**
Act 433 classifies rental car facilitators as marketplace facilitators, updates the Remote Sellers Commission provisions to include digital products, modernizes statutory references, removes obsolete language, reinstates vendor compensation for local taxes, and clarifies that the marketplace facilitator economic nexus threshold is $100,000 in Louisiana sales. Act 433 is applicable to taxable periods beginning on or after July 1, 2025.

# Sales Tax

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## { Exemptions and Exclusions }

### 1. Purchases by Pari-Mutuel Horse Racetracks

Racetracks licensed by the Racing Commission may purchase goods, digital products, services, and rentals without paying sales or use tax. Instead, they pay specific license fees, commissions, and state-imposed taxes that replace the standard sales tax.

This exclusion was partially or fully suspended from April 1, 2016, through December 31, 2024.

**Legal Citation**
R.S. 4:168

**Origin**
Acts 1968, No. 554

**Effective Date**
Taxable periods beginning on or after July 1968

**Beneficiaries**
Horse racing tracks licensed by the Louisiana State Racing Commission

**Estimated Fiscal Effect**
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

The estimated revenue loss for FYE 6-26 and FYE 6-27 is negligible.

### 2. Purchases by Off-Track Wagering Facilities

Off-track wagering facilities licensed by the Racing Commission may purchase goods, digital products, services, and rentals without paying sales or use tax. Instead, they pay specific license fees, commissions, and taxes. This approach effectively replaces the standard sales tax with targeted taxes, extending to off-track facilities the same benefit currently available to racetracks.

This exclusion was partially or fully suspended from April 1, 2016, through December 31, 2024.

**Legal Citation**
R.S. 4:227

**Origin**
Acts 1990, No. 1013

**Effective Date**
Taxable periods beginning on or after July 1990

**Beneficiaries**
Off-track wagering facilities licensed by the Louisiana State Racing Commission

**Estimated Fiscal Effect**
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

The estimated revenue loss for FYE 6-26 and FYE 6-27 is negligible.

### 3. Purchases by Nonprofit Electric Cooperatives

Nonprofit electric cooperatives may purchase tangible property, digital products, services, and rentals exempt from taxation. This exemption helps them provide electricity in rural areas by giving them an advantage not available to investor-owned utilities.

This exemption was partially suspended from April 1, 2016, through June 30, 2018.

**Legal Citation**
R.S. 12:425

**Origin**
Acts 1940, No. 266, amended by Acts 1968, No. 105

**Effective Date**
Taxable periods beginning on or after July 1940

**Beneficiaries**
Rural electric cooperatives

**Estimated Fiscal Effect**
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $1,208,000 | $1,232,000 |

### 4. Purchases by a Public Trust

Public trusts may purchase materials, supplies, vehicles, and equipment in bulk exempt from taxation, provided the purchases are for the trust's use. This exemption is intended to support public entities.

This exemption was partially suspended from April 1, 2016, through June 30, 2018, and fully suspended from July 1, 2018, through December 31, 2024.

**Legal Citations**
R.S. 38:2212.4

**Origin**
Acts 1989, No. 780 (redesignated from R.S. 38:2212.3 to R.S. 38:2212.4 pursuant to Acts 1999 No. 768)

**Effective Date**
Taxable periods beginning on or after July 1989

**Beneficiaries**
Public trusts

**Estimated Fiscal Effect**
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $56,000 | $58,000 |

{ Exemptions and Exclusions }

### 5. Sales by State-Owned Domed Stadiums and Baseball Facilities

Approved large stadiums and professional baseball sites may sell souvenirs, refreshments, parking, and guided tours without charging the sales tax. This exemption does not apply to the sales of goods or digital products at trade shows. The purpose of this exemption is to provide financial support to qualifying stadiums.

#### Legal Citation
R.S. 39:467

#### Origin
Acts 1985, No. 2, amended by Acts 2005, No. 391; Acts 2009, No. 464; Acts 2016, 2nd Ex. Sess., No. 13

#### Effective Date
Taxable periods beginning on or after May 1985

#### Beneficiaries
Certain state-owned domed stadiums and baseball sites and their on-site vendors

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6.27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $48,000 | $49,000 |

### 6. Sales by Certain Publicly-Owned Facilities

Approved publicly-owned facilities may sell souvenirs, refreshments, parking, and guided tours without charging state sales tax, provided local authorities offer a matching local sales tax exemption. This exemption does not apply to goods or digital products sold at trade shows. The purpose of the exemption is to provide financial support to qualifying facilities.

#### Legal Citation
R.S. 39:468

#### Origin
Acts 1985, No. 2, amended by Acts 2016, 2nd Ex. Sess., No. 13

#### Effective Date
Taxable periods beginning on or after May 1985

#### Repealed
Repealed effective January 1, 2025, by Acts 2024, 3rd Ex. Sess., No. 11. See also R.S. 47:301(3)(a).

#### Beneficiaries
Certain publicly-owned facilities and the vendors operating within them

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $1,264,000 | $1,289,000 |

### 7. Installation Charges on Tangible Personal Property

This exclusion allows separately stated installation charges associated with the sale of tangible personal property or digital products to be tax-free.

#### Legal Citations
R.S. 47:301(3)(a) and (13)(a)

#### Origin
Acts 1948, No. 9, amended by Acts 2024, 3rd Ex. Sess., No. 5

#### Effective Date
Taxable periods beginning on or after June 1948

#### Beneficiaries
Individuals and businesses purchasing taxable items that include a separately stated installation charge

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $80,880,000 | $82,498,000 |

### 8. Installation of Board Roads to Oilfield Operators

This exclusion allows installers of board roads, when working with oilfield operators, to separately itemize the installation charges associated with the board road and exclude these charges from sales tax. The purpose of this exclusion is to eliminate sales tax on installation charges paid by oilfield contractors.

#### Legal Citations
R.S. 47:301(3)(c)

#### Origin
Acts 1983, No. 446

#### Effective Date
Taxable periods beginning on or after July 1983

#### Repealed
Repealed effective January 1, 2025, by Acts 2024, 3rd Ex. Sess., No. 11. See R.S. 47:301(3)(a) for the general exclusion of separately stated installation charges.

#### Beneficiaries
Oilfield contractors

#### Estimated Fiscal Effect
The provision has been repealed; therefore, there is no estimated revenue loss for FYE 6-26 or FYE 6-27.

### 9. Manufacturers Rebates on New Motor Vehicles

This exclusion allows the taxable amount of a new vehicle to be reduced by the amount of any manufacturer's rebate allocated directly to the consumer. The purpose of this exclusion is to relieve the new-car buyer from paying tax on the rebate, which reflects a reduction in the sales price.

#### Legal Citation
R.S. 47:301(3)(b) and (13)(b), as of January 1, 2025; previously R.S. 47:301(3)(e) and (13)(b)

#### Origin
Acts 1991, No. 350, amended by Acts 2024, 3rd Ex. Sess., No. 11

#### Effective Date
Taxable periods beginning on or after September 1991

#### Beneficiaries
The general public purchasing new motor vehicles when manufacturers' discounts or rebates reduce the sales price

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $13,424,000 | $13,693,000 |

### 10. Room Rentals at Camp and Retreat Facilities

This provision exempts from sales tax certain room rentals at camp and retreat facilities owned and operated by nonprofit organizations that are tax-exempt under Section 501(a) of the Internal Revenue Code as described in Section 501(c)(3). To qualify, the room rentals must be associated with attendance at a function devoted to the nonprofit organization's purposes. Room rentals to individuals simply purchasing lodging for personal use do not qualify.

#### Legal Citation
R.S. 47:301(6)(b)

#### Origin
Acts 1998, No. 40, amended by Acts 2005, No. 377

#### Effective Date
Taxable periods beginning on or after August 1998

#### Repealed
Repealed effective January 1, 2025, by Acts 2024, 3rd Ex. Sess., No. 10

#### Repealed
R.S. 47:301(14)(b)(iv)

#### Beneficiaries
Qualifying camp and retreat facilities

#### Estimated Fiscal Effect
The provision has been repealed; therefore, there is no estimated revenue loss for FYE 6-26 or FYE 6-27.

{ Exemptions and Exclusions }

### 11. Admissions to Places of Amusement at Camp and Retreat Facilities

This provision exempts from sales tax certain charges for admission to facilities at property owned and operated by nonprofit organizations that are tax-exempt under Section 501(a) of the Internal Revenue Code as described in Section 501(c)(3). To qualify, the revenue from the facility rentals must be devoted entirely to the nonprofit organization's purposes.

**Legal Citation**
R.S. 47:301(14)(b)(iv)

**Origin**
Acts 1998, No. 40, amended by Acts 2005, No. 377

**Effective Date**
Taxable periods beginning on or after August 1998

**Repealed**
Repealed effective January 1, 2025, by Acts 2024, 3rd Ex. Sess., No. 11

**Related Exclusion**
R.S. 47:301(6)(b)

**Beneficiaries**
Qualifying camp and retreat facilities

**Estimated Fiscal Effect**
The provision has been repealed; therefore, there is no estimated revenue loss for FYE 6-26 or FYE 6-27.

### 12. Rentals or Leases of Certain Oilfield Property to be Re-Leased or Re-Rented

This exclusion allows oilfield equipment rental dealers to rent or lease certain oilfield equipment from other dealers for the purpose of re-renting or re-leasing, without paying tax on these intermediate rentals. Sales tax is collected only on the rental to the final consumer. The purpose of this exclusion is to relieve dealers from maintaining a large inventory of rental equipment and to avoid tax pyramiding.

**Legal Citation**
R.S. 47:301(7)(b)

**Origin**
Acts 1966, No. 124

**Effective Date**
Taxable periods beginning on or after July - 1966

**Beneficiaries**
Oilfield equipment rental dealers

**Estimated Fiscal Effect**
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $3,751,000 | $3,826,000 |

{ Exemptions and Exclusions }

### 13. Leases or Rentals by Short-Term Equipment Rental Dealers for Re-Lease or Re-Rental

This provision creates a sales tax exclusion for tangible personal property leased or rented by qualifying short-term equipment rental dealers for the purpose of re-rental or re-lease. The exclusion applies only to dealers whose primary business is classified under NAICS code 532412 or 532310 and is primarily derived from renting property for periods of less than 365 days, for an undefined period, or under an open-ended agreement.

#### Legal Citation
R.S. 47:301(7)(c)(i), as of January 1, 2025; previously, R.S. 47:301(7)(m)

#### Origin
Acts 2021, No. 7

#### Effective Date
Taxable periods beginning on or after October 1, 2021

#### Beneficiaries
Qualifying short-term equipment rental dealers

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $321,000 | $327,000 |

### 14. Sales and Rentals to Boys State of Louisiana, Inc. and Girls State of Louisiana, Inc.

This exclusion allows Boys State of Louisiana, Inc., and Girls State of Louisiana, Inc., to purchase, lease, or rent tangible personal property without paying sales tax when the property is used for their educational and public service programs for youth. The purpose of this exclusion is to provide financial support to these organizations.

#### Legal Citation
R.S. 47:301(7)(g), (10)(r), and (18)(f)

#### Origin
Acts 1996, No. 20

#### Effective Date
Taxable periods beginning on or after July 1, 1996

#### Repealed
Repealed effective January 1, 2025, by Acts 2024, 3rd Ex. Sess., No. 11

#### Beneficiaries
Boys State of Louisiana, Inc. and Girls State of Louisiana, Inc.

#### Estimated Fiscal Effect
The provision has been repealed; therefore, there is no estimated revenue loss for FYE 6-26 or FYE 6-27.

### 15. Digital Products Consumed Where the Digital Product Becomes an Ingredient or Component of the New Product or Service

This exclusion exempts digital products from sales tax when they are used as an ingredient or component in producing a new product or taxable service for sale. The purpose of this exclusion is to encourage business production and innovation by ensuring that digital products used in creating taxable goods or services are not subject to sales tax.

#### Legal Citation
R.S. 47:301(10)(b)

#### Origin
Acts 2024, 3rd Ex. Sess., No. 10

#### Effective Date
Taxable periods beginning on or after January 1, 2025

#### Beneficiaries
Businesses or individuals who use digital products as components or ingredients to create new products or services for sale

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

The estimated revenue loss for FYE 6-26 is $961,000. The Department is unable to estimate the revenue loss for FYE 6-27.

### 16. Purchases by a Private Postsecondary Academic Degree-Granting Institution

This provision excludes from the definitions of 'retail sale' and 'use' the purchase, importation, storage, distribution, or use of textbooks and course-related software by a qualifying private, degree-granting postsecondary institution that is accredited, licensed by the Board of Regents, headquartered in this state, and offers only online instruction. The exclusion applies when textbooks or software are purchased from an out-of-state vendor, are located outside the state at the time of purchase, are first used by students outside the state, and are provided to students at no charge.

#### Legal Citations
R.S. 47:301(10)(cc), R.S. 47:301(18)(n)

#### Origin
Acts 2005, No. 457

#### Effective Date
Taxation periods beginning on or after July 2005

#### Repealed
Repealed effective January 1, 2025, by Acts 2024, 3rd Ex. Sess., No. 11

#### Beneficiaries
Students attending a private postsecondary academic institution which offers only online instruction

#### Estimated Fiscal Effect
The provision has been repealed; therefore, there is no estimated revenue loss for FYE 6-26 or FYE 6-27.

{ Exemptions and Exclusions }

### 17. Purchases of New or Used School Buses

This exclusion allows the sales tax-free purchase of a new or used school bus that is less than five (5) years old, provided the bus is used exclusively by public elementary or secondary schools, public laboratory schools operated by a public college or university, or nonpublic elementary or secondary schools approved by the Louisiana Board of Elementary and Secondary Education. The bus must meet all required safety standards, be painted national school bus yellow, and be purchased from a licensed motor vehicle dealer.

**Legal Citations**
R.S. 47:301(10)(i)

**Origin**
Act 1990, No. 724, amended by Acts 2021, No. 166

**Effective Date**
Taxable periods beginning on or after July 1, 2021

**Repealed**
Repealed effective January 1, 2025, by Acts 2024, 3rd Ex. Sess., No. 11

**Beneficiaries**
Purchasers of school buses used exclusively by approved elementary and secondary schools

**Estimated Fiscal Effect**
The provision has been repealed; therefore, there is no estimated revenue loss for FYE 6-26 or FYE 6-27.

### 18. Certain Aircraft Assembled in Louisiana

Aircraft manufactured or assembled in Louisiana can be sold tax free, if certain criteria are met. Prior to June 19, 2015, the exemption applied to aircraft with a capacity of more than 50 passengers. For sales on or after June 19, 2015, the exemption applies to aircraft with a maximum capacity of eight passengers. The purpose of the exemption is to encourage aircraft companies to establish manufacturing or assembly facilities in Louisiana.

**Legal Citations**
R.S. 47:301(10)(m)

**Origin**
Acts 1992, No. 226, amended by Acts 2015, No. 116

**Effective Date**
Taxable periods beginning on or after August 1992

**Repealed**
Repealed effective January 1, 2025, by Acts 2024, 3rd Ex. Sess., No. 11

**Beneficiaries**
Aircraft manufacturing companies located in Louisiana

**Estimated Fiscal Effect**
The provision has been repealed; therefore, there is no estimated revenue loss for FYE 6-26 or FYE 6-27.

{ Exemptions and Exclusions }

### 19. Admissions Charges to Athletic or Entertainment Events of Colleges and Universities

Colleges and universities are permitted to sell tickets for athletic or entertainment events without charging state sales tax. The purpose of this exemption was to relieve these institutions from collecting and remitting the tax.

This exemption was suspended April 1, 2016, through December 31, 2024, and is now repealed. However, tickets to some events may still be exempt under R.S. 39:467 and 468. See Nos. 5 and 6 in this Section.

#### Legal Citations
R.S. 47:301(14)(b)(i)(aa)

#### Origin
Acts 1948, No .9, amended by Acts 1976, No. 481

#### Effective Date
Taxable periods beginning on or after June 1948

#### Repealed
Repealed effective January 1, 2025, by Acts 2024, 3rd Ex. Sess., No. 11

#### Beneficiaries
Colleges, universities, and patrons of their events

#### Estimated Fiscal Effect
The provision has been repealed; therefore, there is no estimated revenue loss for FYE 6-26 or FYE 6-27.

### 20. Sales of Platinum, Gold, and Silver Bullion and Numismatic Coins at Certain Trade Shows

This exclusion allows sales of platinum, gold, and silver bullion to be exempt from sales tax when valued based on their precious metal content, whether in coin or ingot form. Additionally, numismatic coins priced under $1,000 or sold at national, statewide, or multi-parish coin trade shows are also exempt from sales tax. The purpose of this exclusion is to provide tax-free treatment for monetized bullion and numismatic coins.

#### Legal Citation
R.S. 47:301(16)(b)(ii)

#### Origin
Acts 1991, No. 292, amended by Acts 2013, No. 396; Acts 2017, No. 340

#### Effective Date
Taxable periods beginning on or after July 1, 1991

#### Beneficiaries
Dealers and purchasers of numismatic coins and bullion

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $5,341,000 | $5,448,000 |

{ Exemptions and Exclusions }

### 21. Certain Geophysical Survey Information and Data Analyses

This exclusion allows geophysical information and data provided under a restricted-use agreement to be exempt from sales tax. These transactions are not considered the sale of tangible personal property and therefore are not subject to tax. The purpose of this exclusion is to clarify that geophysical surveys are not taxable.

#### Legal Citation
R.S. 47:301(16)(b)(iii)

#### Origin
Acts 1988, No. 355

#### Effective Date
Taxable periods beginning on or after July 1988

#### Repealed
Repealed effective January 1, 2025, by Acts 2024, 3rd Ex. Sess., No. 11

#### Beneficiaries
Oil exploration and geophysical survey companies

#### Estimated Fiscal Effect
The provision has been repealed; therefore, there is no estimated revenue loss for FYE 6-26 or FYE 6-27.

### 22. Work Products of Certain Professionals

This provision excludes the work products of licensed or regulated professionals under Title 37 from sales tax. Work products, whether written on paper, stored on magnetic or optical media, or transmitted electronically (such as tax returns and wills) created in the normal course of business are not considered tangible personal property. This exclusion does not apply to work involving the creation, modification, updating, or licensing of computer software. The purpose is to prevent governmental entities from taxing the work products of Title 37 professionals.

#### Legal Citation
R.S. 47:301.1(B)(2)(a)-(d), as of January 1, 2025; previously R.S. 47:301(16)(e)

#### Origin
Acts 1998, No. 46, amended by Acts 2024, 3rd Ex. Sess., No. 11

#### Effective Date
Taxable periods beginning on or after June 1998

#### Beneficiaries
Professionals licensed or regulated under Title 37

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $1,043,000 | $1,063,000 |

{ Exemptions and Exclusions }

### 23. Other Constructions Permanently Attached to the Ground

For state and local sales and use tax purposes only, this exclusion modifies the Louisiana Civil Code classification of 'other constructions' as movable property when ownership of the construction and the land is not unified. Effective March 25, 2004, 'other constructions' permanently attached to the land are treated as immovable property, regardless of land ownership. Individuals or entities constructing, selling, leasing, renting, or repairing such permanently attached structures must treat them like other immovable property, with sales or use tax applying only to the cost of materials acquired for construction or repairs.

#### Legal Citation
R.S. 47:301(16)(e), as of January 1, 2025; previously R.S. 47:301(16)(l)

#### Origin
Acts 2004, 1st Ex. Sess., No. 6, amended by Acts 2024, 3rd Ex. Sess., No. 11

#### Effective Date
Taxable periods beginning on or after March 2004

#### Beneficiaries
Owners of 'other constructions' who do not own the land on which the structures are located

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $38,747,000 | $39,522,000 |

### 24. Miscellaneous Telecommunications Services

Telecommunications services sold for resale, excise and franchise fees and taxes collected by the seller from the purchaser of telecommunications services, telecommunications services among affiliated companies as defined by 26 U.S.C. 1504, and non-telecommunication property or services that are separately stated are excluded from the taxable price of telecommunications services. Prior to January 1, 2025, separately stated ancillary charges were also exempt.

#### Legal Citation
R.S. 47:301.1(B)(2)(a)-(d), as of January 1, 2025; previously R.S. 47:301.1(B)(2)(a), (c), (e) and (f)

#### Origin
Acts 1990, No. 388, amended by Acts 1998, No. 58; Acts 2001, No. 1175; Acts 2024, 3rd Ex. Sess., No. 11

#### Effective Date
Taxable periods beginning on or after August 1, 1990

#### Beneficiaries
All persons or companies using telecommunication services

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

The Department is unable to estimate the fiscal effect; there is no reporting requirement for the data.

{ Exemptions and Exclusions }

### 25. Isolated or Occasional Sales of Tangible Personal Property

This exclusion allows isolated or occasional sales—excluding motor vehicles—that are not part of the regular business activity of the seller to be made tax-free. Both businesses and individuals may claim this exclusion. Its purpose is to permit tax-free sales between individuals not engaged in retail and by businesses for sales outside their normal operations.

#### Legal Citation
R.S. 47:305(A), as of January 1, 2025; previously R.S. 47:301(1) and (10)(c)(ii)(bb)

#### Origin
Acts 1948, No. 9, amended by Acts 2024, 3rd Ex. Sess., No 11

#### Effective Date
Taxable periods beginning on or after June 1948

#### Beneficiaries
Individuals not engaged in retail sales and businesses that sell items outside of their regular business activities

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $2,765,000 | $2,820,000 |

### 26. Articles Traded in on Tangible Personal Property

Credit given to a purchaser for the trade-in of like-kind property is exempt from taxation. These credits are excluded from the definition of sales price. The purpose of this exclusion is to reduce the taxable sales price for consumers.

#### Legal Citation
R.S. 47:301(13)(a)

#### Origin
Acts 1989, 2nd Ex. Sess., No. 14

#### Effective Date
Taxable periods beginning on or after August 1, 1989

#### Beneficiaries
Any persons or businesses that purchase taxable property utilizing trade-ins

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $674,000 | $687,000 |

### 27. Steam Used in Processing of Raw Agricultural Product

This exemption allows manufacturers to purchase steam tax-free when it is produced from a raw agricultural product and used predominantly and directly in a facility engaged in processing agricultural products. Eligible manufacturers are those classified under NAICS Sector 11 (agriculture, forestry, fishing, and hunting).

#### Legal Citation
R.S. 47:305(D)(1)(b), 302(BB)(107), 321(P)(107), 321.1(P)(107), and 331(V)(107)

#### Origin
Act 2018, 3rd Ex. Sess., No. 1

#### Effective Date
Taxable periods beginning on or after July 1, 2018

#### Repealed
Repealed effective January 1, 2025, by Acts 2024, 3rd Ex. Sess., No. 11. However, see R.S. 47:305(C)(3) for the partial exemption for general business utilities.

#### Beneficiaries
Manufacturers assigned a NAICS Sector code of 11

#### Estimated Fiscal Effect
The provision has been repealed; therefore, there is no estimated revenue loss for FYE 6-26 or FYE 6-27.

### 28. Sale and Purchase of Electricity for Use in Production Activity of Stripper Wells

This exemption allows the tax-free sale and purchase of electricity, as provided in R.S. 47:305(D)(1)(d), when used in oil production activity from a stripper well that is subject to state severance tax pursuant to R.S. 47:633(3)(c)(i) and (ii).

#### Legal Citation
R.S. 47:305(D)(1)(d), 302(BB)(102), 321(P)(102), 321.1(P)(102) and 331(V)(102)

#### Origin
Act 2018, 3rd Ex. Sess., No. 1

#### Effective Date
Taxable periods beginning on or after July 1, 2018

#### Repealed
Repealed effective January 1, 2025, by Acts 2024, 3rd Ex. Sess., No. 11. However, see R.S. 47:305(C)(3) for the partial exemption for business utilities.

#### Beneficiaries
Producers of oil from stripper wells

#### Estimated Fiscal Effect
The provision has been repealed; therefore, there is no estimated revenue loss for FYE 6-26 or FYE 6-27.

### 29. Sales of Steam - Nonresidential

This exemption allows the tax-free sale of steam for nonresidential purposes. Effective January 1, 2018, these transactions are exempt only from the sales taxes imposed under R.S. 47:321, 321.1, and 331, but remain subject to the 2% sales tax under R.S. 47:302.

#### Legal Citations
R.S. 47:305(C)(3), as of January 1, 2025; previously R.S. 47:305(D)(1)(b)

#### Origin
Acts 1948, No. 9, amended by Acts 2024, 3rd Ex. Sess., No. 11

#### Effective Date
Taxable periods beginning on or after June 1948

#### Beneficiaries
Industrial users of steam

#### Estimated Fiscal Effect
Pertinent transactions are subject to a 2% state sales tax rate for FYE 6-26 and FYE 6-27.

See number 31 in this Section.

### 30. Sales of Electric Power or Energy, Natural Gas, and Energy Sources Used as Boiler Fuel, Except Refinery Gas - Nonresidential

Electric power and energy, materials or energy sources used to fuel the generation of electric power for resale or used by an industrial manufacturing plant for self-consumption or cogeneration, and energy sources used for boiler fuel except refinery gas are exempt from tax.

Effective January 1, 2018, these transactions are only exempt from the sales tax levied in R.S. 47:321, 321.1, and 331. They are subject to the 2% sales tax levied by R.S. 47:302.

#### Legal Citation
R.S. 47:305(C)(3), as of January 1, 2025; previously R.S. 47:305(D)(1)(d) and (h)

#### Origin
Acts 1948, No. 9, amended by Acts 1980, No. 159; Acts 1984, No. 183; Acts 1985, No. 258; Acts 1990, Act 476; Acts 2024, 3rd Ex. Sess., No. 11

#### Effective Date
Taxable periods beginning on or after June 1948

#### Beneficiaries
Commercial users of electric power and energy; and commercial consumers purchasing utilities for power generation, cogeneration, and boiler fuel

#### Estimated Fiscal Effect
Pertinent transactions are subject to a 2% state sales tax rate for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $226,355,000 | $230,882,000 |

{ Exemptions and Exclusions }

### 31. Sales of Water - Nonresidential

This exemption allows the tax-free sale of water sold in bulk (not in containers) to nonresidential users of water utility services.

Effective January 1, 2018, these sales are exempt only from the taxes imposed under R.S. 47:321, 321.1, and 331, but remain subject to the 2% sales tax under R.S. 47:302.

#### Legal Citation
R.S. 47:305(C)(3), as of January 1, 2025; previously R.S. 47:305(D)(1)(c)

#### Origin
Acts 1948, No. 9, amended by Acts 2024, 3rd Ex. Sess., No. 11

#### Effective Date
Taxable periods beginning on or after June 1948

#### Beneficiaries
Nonresidential users of water utility services

#### Estimated Fiscal Effect
Pertinent transactions are subject to a 2% state sales tax rate for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $8,318,000 | $8,485,000 |

### 32. Tangible Personal Property Sold or Donated to Food Banks

Food banks, as defined in R.S. 9:2799, are permitted to buy tangible personal property, including food, free from taxation. The purpose is to increase the purchasing power of qualifying food banks.

#### Legal Citation
R.S. 47:305(D)(1)(c), as of January 1, 2025; previously R.S. 47:301(10)(j) and (18)(a)(i)

#### Origin
Acts 1990, No. 817, amended by Acts 1992, No. 514; Acts 2024, 3rd Ex. Sess., No. 11

#### Effective Date
Taxable periods beginning on or after September 1990

#### Beneficiaries
Qualifying food banks

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $15,000 | $15,000 |

### 33. Sales of Food Items by Youth Organizations

Youth organizations chartered by Congress, such as the Boy Scouts and Girl Scouts, are permitted to sell food tax free. The purpose is to exempt these sales from taxation.

#### Legal Citation
R.S. 47:305(D)(1)(d), as of January 1, 2025; previously R.S. 47:301(10)(h)

#### Origin
Acts 1989 2nd Ex. Sess., No. 10, amended by Acts 2024, 3rd Ex. Sess., No. 11

#### Effective Date
Taxable periods beginning on or after September 1989

#### Beneficiaries
Qualifying youth groups

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

The estimated revenue loss for FYE 6-26 and FYE 6-27 is negligible.

### 34. Trucks, Automobiles, and New Aircraft Removed from Inventory for Use as Demonstrators

This exemption allows factory-authorized dealers to use new trucks, automobiles, aircraft, and motorcycles withdrawn from stock or held in inventory as demonstrators, as well as used trucks and automobiles from inventory, without paying sales tax. To qualify, demonstrator units must remain on the dealer's premises during regular business hours. The purpose of this exemption is to allow the use of demonstrators for marketing purposes without subjecting them to use tax prior to the sale at retail.

#### Legal Citation
R.S. 47:305(D)(1)(e) and (G)(2), as of January 1, 2025; previously R.S. 47:305(D)(1)(i)

#### Origin
Acts 1962, No. 182, amended by Acts 1974, No. 186; Acts 1987, No. 847; Acts 2019, No. 102; Acts 2024, 3rd Ex. Sess., No. 11

#### Effective Date
Taxable periods beginning on or after August 1, 1962

#### Beneficiaries
Truck, automobile, and aircraft dealers

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

The estimated revenue loss for FYE 6-26 and FYE 6-27 is negligible.

### 35. Boats, Vessels, and Other Watercraft as Demonstrators

New and used boat dealers are permitted to use boats, vessels, or other watercraft for demonstrations tax-free. To qualify for this exemption, the craft must be registered to the dealer and used no more than six consecutive days or 12 days in a month. The purpose of this exemption is to allow boat dealers to demonstrate their products to potential buyers without subjecting them to use tax.

This exemption was partially or fully suspended for taxable periods beginning July 1, 2016, through July 1, 2019, and is repealed as of January 1, 2025.

#### Legal Citation
R.S. 47:305(D)(1)(i)

#### Origin
Acts 2009, No. 442, amended by Acts 2019, No. 102

#### Effective Date
Taxable periods beginning on or after July 1, 2009

#### Repealed
Repealed effective January 1, 2025, by Acts 2024, 3rd Ex. Sess., No. 11

#### Beneficiaries
Boat and other watercraft dealers

#### Estimated Fiscal Effect
The provision has been repealed; therefore, there is no estimated revenue loss for FYE 6-26 or FYE 6-27.

### 36. Sales of Food by Certain Institutions

Meals sold to students, faculty, and staff of educational institutions—including kindergartens—are exempt when the meals are eaten on the premises where they are purchased, or when they are bought in advance under a school-sponsored meal plan or another prepayment arrangement.

Meals furnished to the staff and patients of hospitals; the staff and residents of nursing homes, adult residential care providers, and continuing care retirement communities; the staff, inmates, and patients of mental institutions; and boarders of rooming houses are also exempt, but only when the meals are consumed on the premises where they are purchased.

In addition, the exemption covers occasional meals furnished to the public in the facilities of educational, religious, or medical organizations, again limited to meals consumed on the premises. Except for the broader rule applicable to educational institutions, the general condition for this exemption is that the meals must be eaten at the location where they are sold.

#### Legal Citation
R.S. 47:305(D)(2)

#### Origin
Acts 1973 Ex. Sess., No. 13, amended by Acts 2009, No. 473; Acts 2013, No. 271

#### Effective Date
Taxable periods beginning on or after January 1, 1974

#### Beneficiaries
Certain institutions

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $612,000 | $624,000 |

### 37. Room Rentals at Certain Homeless Shelters

This provision excludes certain homeless shelters from the definition of 'hotel,' creating a sales tax exemption for lodging charges at these facilities. To qualify, facilities must be operated by a nonprofit organization exempt under Internal Revenue Code Section 501(c)(3) and provide temporary housing exclusively for homeless transient individuals for no more than 30 days, with lodging charges not exceeding $20 per day.

#### Legal Citation
R.S. 47:305(E)(1), as of January 1, 2025; previously R.S. 47:301(6)(c)

#### Origin
Acts 2009, No. 456, amended by Acts 2024, 3rd Ex. Sess., No. 11

#### Effective Date
Taxable periods beginning on or after July 1, 2009

#### Beneficiaries
Homeless transient persons

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

The estimated revenue loss for FYE 6-26 and FYE 6-27 is negligible.

### 38. Membership Fees or Dues of Nonprofit or Civic Organizations

This exemption allows nonprofit civic organizations—such as the YMCA, YWCA, and Catholic Youth Organization (CYO)—to collect membership dues tax-free for access to their facilities. The purpose of this exclusion is to provide financial support to qualifying organizations.

#### Legal Citation
R.S. 47:305(E)(2), as of January 1, 2025; previously R.S. 47:301(14)(b)(i)(bb)

#### Origin
Acts 1948, No. 9, amended by Acts 1976, No. 481; Acts 2024, 3rd Ex. Sess., No. 11

#### Effective Date
Taxable periods beginning on or after June 1948

#### Beneficiaries
Certain nonprofit organizations

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $110,000 | $113,000 |

### 39. Surface Preparation, Coating, and Painting of Certain Aircraft

Louisiana dealers are allowed to perform surface preparation, coating, and painting on fixed rotary-wing military aircraft or certain certified transport aircraft free from taxation, provided the aircraft's FAA registration is outside of Louisiana. The purpose of this exemption is to help Louisiana dealers remain competitive with neighboring states.

#### Legal Citation
R.S. 47:305(E)(3), as of January 1, 2025; previously R.S. 47:301(14)(g)(iv)

#### Origin
Acts 2017, No. 279, amended by Acts 2024, 3rd Ex. Sess., No. 11

#### Effective Date
Taxable periods beginning on or after July 1, 2017

#### Beneficiaries
Louisiana dealers who repair airplanes

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $262,000 | $267,000 |

### 40. Repair Services Performed in Louisiana When the Repaired Property is Exported

Louisiana dealers are permitted to repair out-of-state tangible personal property tax-free, provided the property is returned to the other state. The purpose of this exemption is to help Louisiana dealers stay competitive with neighboring states.

This exemption was partially suspended between April 1, 2026, and June 30, 2018. Additionally, it was repealed effective January 1, 2025, and then retroactively reenacted back to January 1, 2025.

#### Legal Citation
R.S. 47:305(E)(4)(a), as of January 1, 2025; previously R.S. 47:301(14)(g)(i)(bb)(I)

#### Origin
Acts 1977, 1st Ex. Sess., No. 17, amended by Acts 2007, No. 173; Acts 2024, 3rd Ex. Sess., No. 11; Acts 2025, No. 384

#### Effective Date
Taxable periods beginning on or after July 1, 1978

#### Beneficiaries
Louisiana repair shops located near the boundaries of the neighboring states

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $3,639,000 | $3,712,000 |

{ Exemptions and Exclusions }

### 41. Property Purchased for Exclusive Use Outside the State

This exemption allows tangible personal property or digital products purchased within or imported into Louisiana for first use exclusively outside of Louisiana to be exempt from the sales tax. If the property is later brought back to Louisiana for a taxable purpose, Louisiana use tax applies at that time. 'Use for a taxable purpose' does not include transportation beyond the state, repairs, modifications, fabrication, or storage for first offshore use. Charges for repairs in Louisiana for property used offshore are taxable, except as provided in R.S. 47:305(H).

#### Legal Citation
R.S. 47:305.10

#### Origin
Acts 1964, No. 172, amended by Acts 2005, No. 457

#### Effective Date
Taxable periods beginning on or after July 1964

#### Beneficiaries
Businesses that purchase tangible personal property and digital products within Louisiana for first use outside of Louisiana

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $112,477,000 | $114,726,000 |

### 42. Repairs, Renovations, or Conversions of Drilling Rigs

This exclusion allows drilling rigs used exclusively for mineral exploration or development in outer continental shelf waters, outside Louisiana's territorial limits, to be repaired, renovated, or converted tax-free.

#### Legal Citation
R.S. 47:305(H), as of January 1, 2025; previously R.S.47:301(14)(g)(iii) and R.S. 47:305(I)

#### Origin
Acts 2007, No. 173, amended by Acts 2024, 3rd Ex. Sess., No. 11

#### Effective Date
Taxable periods beginning on or after June 2007

#### Beneficiaries
Oilfield companies using drilling rigs exclusively for the exploration or development of minerals outside the territorial limits of the state in the outer continental shelf waters

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $23,214,000 | $23,678,000 |

{ Exemptions and Exclusions }

### 43. Advertising Services

This exemption recognizes advertising services provided by an advertising agency as exempt from state and local sales and use tax. It applies to advertising services and to tangible personal property when advertising services make up a major part of the property produced. It does not apply to mass-produced advertising items with minimal services. Pure advertising services have never been taxable. Effective January 1, 2025, this exclusion also applies to digital products, unless mass-produced.

The purpose of this exemption is to clarify that advertising services and the related tangible or digital products produced primarily for advertising purposes are not subject to state or local sales and use tax, while ensuring that mass-produced items with minimal services remain taxable.

#### Legal Citation
R.S. 47:305(I), as of January 1, 2025; previously R.S. 47:302(D)

#### Origin
Acts 1987, No. 869, amended by Acts 2024, 3rd Ex. Sess., No. 11

#### Effective Date
Taxable periods beginning on or after January 1, 1982

#### Beneficiaries
Advertising agencies and their customers

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $5,793,000 | $5,909,000 |

### 44. Used Manufactured Homes and 54 Percent of Cost of New Manufactured Homes

This exemption allows used manufactured homes and 54% of the cost of new factory-built homes to be purchased exempt from sales tax. Factory-built homes include manufactured homes, modular homes, mobile homes, or residential mobile homes, with or without a permanent foundation, and including plumbing, heating, and electrical systems. The purpose is to treat factory-built homes similar to immovable property residences by imposing sales tax on that portion of a new factory-built home associated with building materials.

#### Legal Citation
R.S. 47:305(J), as of January 1, 2025; previously R.S. 47:301(16)(g)

#### Origin
Acts 2000, No. 30, amended by Acts 2001, No. 1212; Acts 2009, No. 500; Acts 2024, 3rd Ex. Sess., No. 11

#### Effective Date
Taxable periods beginning on or after July 1, 2001

#### Beneficiaries
Individuals that purchase new and used manufactured homes

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $23,090,000 | $23,552,000 |

{ Exemptions and Exclusions }

### 45. Purchases or Leases of Motor Vehicles for Re-Lease or Re-Rent by Qualified Lessors

Purchases of motor vehicles, trailers, and semi-trailers to be used exclusively for leases or rentals are exempt from sales tax. The leases must be at reasonable market rates in an arms-length transaction.

#### Legal Citation
R.S. 47:305(K) and 305.36, as of January 1, 2025; previously only R.S. 47:305.36

#### Origin
Acts 1982, No. 415, amended by Acts 1984, No. 539; Acts 1985, No. 847; Acts 1991, No .495; Acts 2024, 3rd Ex. Sess., No. 11

#### Effective Date
Taxable periods beginning on or after September 1982

#### Beneficiaries
Louisiana rental dealers

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $34,000 | $35,000 |

### 46. Purchases of Tangible Personal Property for Lease or Rental

Rental companies can purchase tangible personal property tax-free when it is intended for use as rental property. The purpose is to provide financial relief to dealers and make them more competitive with dealers in neighboring states that offer similar exemptions.

#### Legal Citation
R.S. 47:305(K), as of January 1, 2025; previously R.S. 47:301(10)(a)(iii) and (18)(a)(iii)

#### Origin
Acts 1990, Nos. 140 and 1030, amended by Acts 2024, 3rd Ex. Sess., No. 11

#### Effective Date
Taxable periods beginning on or after July 1, 1990

#### Beneficiaries
Louisiana rental dealers

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $24,879,000 | $25,377,000 |

{ Exemptions and Exclusions }

### 47. Purchases of Automobiles for Lease or Rental

Rental companies are permitted to buy automobiles free from taxation when the vehicles are used solely for rental purposes. The goal is to provide financial relief to dealers and keep them competitive with those in neighboring states with similar exemptions.

#### Legal Citation
R.S. 47:305(K) and 305.36, as of January 1, 2025; previously R.S. 47:301(10)(a)(i) and 305.36

#### Origin
Acts 1990, Nos. 140 and 1030, amended by Acts 2024, 3rd Ex. Sess., No. 11

#### Effective Date
Taxable periods beginning on or after July 1, 1990

#### Duplicate Provision
R.S. 47:305.36 (limited to motor vehicles, trailers, and semi-trailers)

#### Beneficiaries
Louisiana rental dealers

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $98,090,000 | $100,052,000 |

### 48. Vehicle Rentals for Re-Rent to Warranty Customers

This provision allows licensed motor vehicle dealers to lease or rent motor vehicles without paying the tax when the vehicles are provided to customers at no charge under the terms of a warranty agreement associated with the purchase of a motor vehicle. The provision also applies when a warranty has expired, provided the rental vehicle is still furnished at no charge. The purpose of this exemption is to provide financial assistance to motor vehicle dealers.

This exemption was repealed effective January 1, 2025, and then retroactively reenacted back to January 1, 2025.

#### Legal Citation
R.S. 47:305(L), as of January 1, 2025; previously R.S. 47:301(7)(h)

#### Origin
Acts 1998, No. 49, amended by Acts 2025, 3rd Ex. Sess., No. 11; Acts 2025, No. 384

#### Effective Date
Taxable periods beginning on or after August 1, 1998

#### Beneficiaries
Motor vehicle dealers

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $55,000 | $56,000 |

{ Exemptions and Exclusions }

### 49. Sales of 50-Ton Vessels and New Component Parts and Sales of Certain Materials, Software, and Services to Vessels Operating in Interstate Commerce (updated effective July 1, 2025)

This exemption allows the tax-free purchase of materials, equipment, and machinery that become component parts of vessels with a load displacement of 50 tons or more, built in Louisiana. The sale of these vessels is also exempt.

Additionally, vessels operating exclusively in foreign or interstate coastwise commerce may purchase materials, supplies, software, repair services (including component materials and software), and laundry services without paying sales tax. The exemption also extends to qualifying digital products, prewritten computer software access services, and information services used in the maintenance or operation of a vessel, including those required for navigation, commercial operation, or to obtain certifications or approvals from the U.S. Coast Guard or other regulatory or classification authorities. The exemption does not apply to digital products or services used for routine business operations unrelated to vessel operations or for entertainment or recreational purposes.

For purposes of the exemptions in this provision, vessels include ships, vessels, barges, commercial fishing vessels, drilling ships and drilling barges.

#### Legal Citation
R.S. 47:305.1

#### Origin
Acts 1959, No. 51, amended by Acts 2002, Nos. 40 and 41; Acts 2006 1st Ex. Sess., No. 34; Acts 2025, No. 384

#### Effective Date
Taxable periods beginning on or after June 1959; expansion to digital products and services used in the maintenance and operation of the ship or vessel effective July 1, 2025

#### Beneficiaries
Purchasers and owners of qualifying ships, vessels, and barges

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $14,939,000 | $15,238,000 |

### 50. Ostomy, Colostomy, Ileostomy, and Other Appliance Devices

This exemption allows tax-free sales of ostomy, ileostomy, and colostomy devices, as well as catheters and other related appliances required as a result of a surgical procedure that creates an artificial opening in the human body for the elimination of natural waste. The purpose of this exemption is to provide financial assistance to individuals who require these devices.

#### Legal Citation
R.S. 47:305.2(A)(2), as of January 1, 2025; previously R.S. 47:305(D)(1)(l)

#### Origin
Acts 1979, No. 145, amended by Acts 2024, 3rd Ex. Sess., No. 11

#### Effective Date
Taxable periods beginning on or after January 1, 1986

#### Beneficiaries
Individuals requiring ostomy, colostomy, ileostomy, or other similar medical devices

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $135,000 | $138,000 |

### 51. Medical Devices Used by Patients Under the Supervision of a Physician

This exemption allows tax-free sales of medical devices used exclusively by the patient for the treatment of various diseases. It also includes medical devices administered exclusively to the patient by a physician, nurse, or other health care professional or health care facility, when provided under the supervision of and prescribed by a licensed physician. The purpose of this exemption is to provide financial relief to individuals requiring medical treatment of various diseases.

#### Legal Citation
R.S. 47:305.2(A)(3), as of January 1, 2025; previously R.S. 47:305(D)(1)(s)

#### Origin
Acts 1998, No. 38, amended by Acts 2024, 3rd Ex. Sess., No. 11

#### Effective Date
Taxable periods beginning on or after June 1998

#### Beneficiaries
Individuals requiring medical treatment of various diseases

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $52,394,000 | $53,442,000 |

### 52. Adaptive Driving Equipment and Motor Vehicle Modification

This provision allows the tax-free purchase of adaptive driving equipment and modifications to motor vehicles when prescribed by a physician, licensed chiropractor, or driver rehabilitation specialist licensed by the state. The purpose of this exemption is to provide financial assistance to individuals requiring special driving equipment.

#### Legal Citation
R.S. 305.2(A)(4), as of January 1, 2025; previously R.S. 47:305(D)(1)(u)

#### Origin
Acts 1998, No. 37, amended by Acts 2024, 3rd Ex. Sess., No. 1

#### Effective Date
Taxable periods beginning on or after June 1998

#### Beneficiaries
Individuals requiring specialized driving equipment

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $12,000 | $12,000 |

### 53. Sales of Insulin Without a Prescription

This exemption permits the sale of nonprescription insulin without the tax imposed by R.S. 47:302(A) and 321 when used by consumers. Nonprescription insulin remains subject to sales tax imposed by R.S. 47:321.1 and 331. Insulin prescribed by a physician is already exempt from tax under Article VII, Section 2.2 of the Louisiana Constitution. The purpose of this exemption is to provide financial assistance to individuals who require insulin.

This exemption was partially or completely suspended from April 1, 2016, through December 31, 2024.

#### Legal Citation
R.S. 47:305.2(A)(5)

#### Origin
Acts 1974, No. 183, amended by Acts 2024, 3rd Ex. Sess., No. 11

#### Effective Date
Taxable periods beginning on or after January 1, 1975

#### Beneficiaries
Individuals who purchase nonprescription insulin

#### Estimated Fiscal Effect
Pertinent transactions are subject to a 2% state sales tax rate for FYE 6-26 and FYE 6-27.

The estimated revenue loss for FYE 6-26 and FYE 6-27 is negligible.

### 54. Purchases, Leases, and Sales of Services by Free Hospitals

This exemption allows hospitals that provide free care to all patients to purchase, lease, or rent tangible personal property, or obtain services, without paying sales tax. The purpose of this exclusion is to provide financial relief to hospitals offering free services.

#### Legal Citation
R.S. 47:305.2(B)(10), as of January 1, 2025; previously R.S. 47:301(7)(e), (10)(p) and (18)(c)

#### Origin
Acts 1994, No. 6, amended by Acts 1996, No. 43, Acts 2024, 3rd Ex. Sess., No. 11

#### Effective Date
Taxable periods beginning on or after July 1, 1994

#### Beneficiaries
Hospitals that provide free care to all patients

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $3,384,000 | $3,452,000 |

### 55. Sales of Marijuana for Therapeutic Use

This exclusion allows marijuana recommended for therapeutic use by patients clinically diagnosed with a debilitating medical condition, as defined in R.S. 40:1046, to be purchased without paying sales tax. The purpose of this exclusion is to provide financial assistance to individuals using marijuana to treat such conditions.

#### Legal Citation
R.S. 40:1046 and R.S. 47:305.2(B)(11), as of January 1, 2025; previously R.S. 40:1046 and R.S. 47:301(10)(ii)

#### Origin
Acts 2019, No. 331, amended by Acts 2024, 3rd Ex. Sess., No. 11

#### Effective Date
Taxable periods beginning on or after July 1, 2019

#### Beneficiaries
Individuals using marijuana to treat debilitating medical conditions

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use tax for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $6,568,000 | $6,699,000 |

### 56. Materials Used Directly in the Collection of Blood

Nonprofit blood banks and blood collection centers are permitted to purchase materials used directly in the collection, separation, treatment, testing, and storage of blood free from taxation. The purpose of this exemption is to provide financial relief to nonprofit blood collection organizations.

#### Legal Citation
R.S. 47:305.2(B)(12), as of January 1, 2025; previously R.S. 47:301(16)(j)

#### Origin
Acts 2002, No. 70, amended by Acts 2024, 3rd Ex. Sess., No. 11

#### Effective Date
Taxable periods beginning on or after July 1, 2002

#### Beneficiaries
Nonprofit blood banks and blood collection centers

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $21,000 | $22,000 |

### 57. Apheresis Kits and Leuko Reduction Filters

The exemption allows nonprofit blood banks and blood collection centers to purchase apheresis kits and leuko reduction filters tax-free. The purpose of this exemption is to provide financial assistance to nonprofit blood banks and blood collection centers.

This exemption was suspended from April 1, 2016, through June 30, 2016, and repealed as of December 31, 2025.

#### Legal Citation
R.S. 47:305.2(B)(12), as of January 1, 2025; previously R.S. 47:301(16)(k)

#### Origin
Acts 2002, No. 71

#### Effective Date
Taxable periods beginning on or after July 1, 2002

#### Repealed
Repealed effective January 1, 2025, by Acts 2024, 3rd Ex. Sess., No. 11; However, see R.S. 47:305.2(B)(12), under which apheresis kits and leuko reduction may be exempt as materials used in the collection, separation, or treatment of blood.

#### Beneficiaries
Nonprofit blood banks and blood collection centers

#### Estimated Fiscal Effect
The provision has been repealed; therefore, there is no estimated revenue loss for FYE 6-26 or FYE 6-27.

### 58. Orthotic and Prosthetic Devices

This exemption allows tax-free sales of orthotic devices, including prescription eyeglasses, contact lenses, hearing aids, prosthetics, wheelchairs and wheelchair lifts when prescribed by physicians, optometrists or licensed chiropractors for personal consumption or use. The purpose of this exemption is to provide financial assistance to individuals who require these devices.

#### Legal Citation
R.S. 47:305.2(B)(2), as of January 1, 2025; previously R.S. 47:305(D)(1)(k)(i)

#### Origin
Acts 1973, Ex. Sess. No.13, amended by Acts 1974, No. 186 and 627; Acts 2007, No. 463; Acts 2015, No. 468; Acts 2024, 3rd Ex. Sess., No. 11

#### Effective Date
Taxable periods beginning on or after January 1, 1974

#### Beneficiaries
Persons requiring orthotic and prosthetic devices, eyeglasses, contact lenses and wheelchairs

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $14,953,000 | $15,252,000 |

### 59. Restorative Materials Used by Dentists

This exemption allows tax-free sales of restorative materials used by or prescribed by dentists in the treatment of dental or health related conditions. It includes all orthotic devices, prosthetic devices, prostheses and all dental devices used exclusively by the patient or administered exclusively to the patient by a dentist or dental hygienist in connection with dental or health care treatment. The purpose of this exemption is to provide financial relief to individuals requiring dental treatment for various conditions.

#### Legal Citation
R.S. 47:305.2(B)(3), as of January 1, 2025; previously R.S. 47:305(D)(1)(t)

#### Origin
Acts 1991, No. 1065, amended by Acts 2002, No. 72; Acts 2024, 3rd Ex. Sess., No. 11

#### Effective Date
Taxable periods beginning on or after January 1, 1992

#### Beneficiaries
Individuals requiring dental treatment

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $792,000 | $808,000 |

### 60. Kidney Dialysis Machines, Parts, and Supplies for Home Use When Prescribed by a Physician

This exemption allows the tax-free purchase or rental of kidney dialysis machines, parts, and supplies prescribed by a physician for home use. The purpose of this exemption is to provide financial assistance to individuals requiring the use of a kidney dialysis machine.

#### Legal Citation
R.S. 47:305.2(B)(6), as of January 1, 2025; previously R.S. 47:305(G)

#### Origin
Act 1975, No. 200, amended by Acts 2024, 3rd Ex. Sess., No. 11

#### Effective Date
Taxable periods beginning on or after September 1975

#### Beneficiaries
Individuals requiring kidney dialysis machines, parts, and supplies prescribed by a physician

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $499,000 | $509,000 |

{ Exemptions and Exclusions }

### 61. Pharmaceutical Samples Distributed in Louisiana

This exemption allows pharmaceutical samples to be exempt from sales and use tax when distributed free of charge to physicians, dentists, clinics, and hospitals. The purpose of this exemption is to provide financial assistance to drug manufacturers.

#### Legal Citation
R.S. 47:305.2(B)(7), as of January 1, 2025; previously R.S. 47:305.47

#### Origin
Acts 1989, No. 383, amended by Acts 2025, 3rd Ex. Sess., No. 11

#### Effective Date
Taxable periods beginning on or after July 1, 1989

#### Beneficiaries
Drug manufacturers

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $638,000 | $651,000 |

### 62. Sales of Human-Tissue Transplants

This exemption allows the tax-free sale of human tissue intended for transplant from one individual to another. Human-tissue transplants include all human organs, bones, skin, corneas, blood, and blood products. The purpose of this exemption is to ensure that human tissue used in transplants is exempt from sales tax.

#### Legal Citation
R.S. 47:305.2(B)(9), as of January 1, 2025; previously R.S. 47:301(10)(d)

#### Origin
Acts 1987, No. 435, amended by Acts 2024, 3rd Ex. Sess., No. 11

#### Effective Date
Taxable periods beginning on or after July 1987

#### Beneficiaries
Transplant recipients

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $3,640,000 | $3,712,000 |

{ Exemptions and Exclusions }

### 63. Sales of Raw Agricultural Commodities

This exemption allows the sale of raw agricultural products intended for the production of crops or livestock for market to be exempt from general sales tax. This includes feed, seed, and fertilizer. Raw agricultural products are treated as resale items under R.S. 47:301(10), with sales tax collected only on the sale of the finished product. The purpose of this exemption is to clarify that raw agricultural commodities are not subject to sales tax.

#### Legal Citation
R.S. 47:305.3, as of January 1, 2025; previously R.S. 47:301(10)(c)(i)(aa)(II) and (ii)(II), 301(10)(e), and 305(A)(4)(b)(i) and (iii)

#### Origin
Acts 1988, No. 307, amended by Acts 2024, 3rd Ex. Sess., No. 11

#### Effective Date
Taxable periods beginning on or after July 1988

#### Beneficiaries
Producers of crops and livestock

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $6,170,000 | $6,293,000 |

### 64. Sales of Agricultural Fencing Materials to Commercial Farmers

This exemption provides a state and local sales and use tax exemption for purchases of agricultural fencing by commercial farmers.

From August 1, 2023, until December 31, 2024, these purchases were partially exempt, subject to a 2% state sales tax rate. Effective January 1, 2025, purchases, by commercial farmers, of agricultural fencing are entirely exempt from state and local sales and use tax.

#### Legal Citation
R.S. 47:305.3, as of January 1, 2025; previously R.S. 47:305.79

#### Origin
Acts 2023, No. 425, amended by Acts 2024, 3rd Ex. Sess., No. 11

#### Effective Date
Taxable periods beginning on or after August 1, 2023

#### Beneficiaries
Commercial Farmers

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $120,000 | $123,000 |

### 65. Sales of Seeds for Planting Crops

This exemption allows commercial farmers to purchase seeds without paying sales tax. Commercial farmers include those who grow crops for sale as well as those who grow crops for livestock, poultry, fish, or dairy animals. The purpose of this exemption is to provide financial assistance to commercial farmers.

#### Legal Citation
R.S. 47:305.3(B)(2)(a), as of January 1, 2025; previously R.S. 47:305.3 and 301(10)(e)

#### Origin
Acts 1960, No. 27, amended by Acts 2024, 3rd Ex. Sess., No. 11

#### Effective Date
Taxable periods beginning on or after July 1960

#### Beneficiaries
Commercial farmers

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $21,282,000 | $21,708,000 |

### 66. Pharmaceuticals Administered to Livestock for Agricultural Purposes

This exemption allows pharmaceuticals to be sold or purchased without paying sales tax when administered to livestock used for agricultural purposes. To qualify, the pharmaceuticals must be registered with the Louisiana Department of Agriculture and Forestry. The purpose of this exemption is to provide financial relief to farmers using registered pharmaceuticals for livestock.

#### Legal Citation
R.S. 47:305.3(B)(2)(c), as of January 1, 2025; previously R.S. 47:301(16)(f)

#### Origin
Acts 2000, No. 33, amended by Acts 2006, No. 41; Acts 2024, 3rd Ex. Sess., No. 11

#### Effective Date
Taxable periods beginning on or after July 1, 2000

#### Beneficiaries
Livestock farmers

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $221,000 | $225,000 |

{ Exemptions and Exclusions }

### 67. Sales of Certain Fuels Used for Farm Purposes

This exemption allows the tax-free purchase of diesel fuel, butane, propane, and other liquefied petroleum gases for farm use. The purpose of this exemption is to provide financial assistance to commercial farmers.

#### Legal Citation
R.S. 47:305.3(B)(2)(f), as of January 1, 2025; previously R.S. 47:305.37

#### Origin
Acts 1982, No. 820, amended by Acts 1985, Nos. 511 and 621; Acts 2024, 3rd Ex. Sess., No. 11

#### Effective Date
Taxable periods beginning on or after January 1, 1983

#### Beneficiaries
Commercial farmers

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $3,256,0000 | $3,321,000 |

### 68. First $150,000 of the Sales Price of Certain Farm Equipment and Attachments ($50,000 prior to January 1, 2025)

This provision exempts the first $150,000 of the sale price of qualifying farm equipment, including rubber-tired farm tractors, cane harvesters, combines, cane loaders, and poly-roll tubing for commercial farm irrigation. The purpose of this exemption is to provide financial support to agricultural producers and reduce the cost of essential farm equipment. Prior to January 1, 2025, the exemption was limited to the first $50,000 of the sale price.

#### Legal Citation
R.S. 47:305.3(B)(3)(a), as of January 1, 2025; previously R.S. 47:305.25

#### Origin
Act 1978, No. 638, amended by Acts 1979, No. 787; Acts 1982, No. 167; Acts 1985, No. 836; Acts 2017, No. 424; Acts 2024, 3rd Ex. Sess., No. 11

#### Effective Date
Taxable periods beginning on or after September 1978

#### Beneficiaries
Producers of agricultural products

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $6,156,000 | $6,279,000 |

### 69. Sales of Polyroll Tubing

This provision exempts polyroll tubing sold to a commercial farmer or used for commercial farm irrigation from sales and use tax. The purpose of this exemption is to provide financial assistance to agricultural producers.

#### Legal Citation
R.S. 47:305.3(B)(4)(f), as of January 1, 2025; previously R.S. 47:305.25(A)(6) and 305.63

#### Origin
Acts 2017, No. 378; amended by Acts 2024, 3rd Ex. Sess., No. 11

#### Effective Date
Tax periods beginning on or after July 2009

#### Beneficiaries
Commercial farmers

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $109,000 | $111,000 |

### 70. Sales of Farm Products Direct from the Farm

This exemption allows the tax-free sale of livestock, poultry, and other farm products when sold directly by the producer. It applies to sales made by farmers, livestock producers, nurserymen, and other producers of farm products. The purpose of this exemption is to relieve producers of the burden of charging and remitting sales tax.

#### Legal Citations
R.S. 47:305.3(B)(5)(a), as of January 1, 2025; previously R.S. 47:305(A)(1)

#### Origin
Acts 1948, No. 9, amended by Acts 2024, 3rd Ex. Sess., No. 11

#### Effective Date
Taxable periods beginning on or after June 1948

#### Beneficiaries
Producers of farm products

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $8,734,000 | $8,908,000 |

### 71. Livestock Sold at Market and Racehorses Claimed at Races in Louisiana

This exemption allows for the tax-free purchase of livestock sold at public sales sponsored by breeders' or registry associations or livestock auction markets. It also applies to racehorses entered in races and claimed (sold) at any meet held in Louisiana. The purpose of this exemption is to provide financial assistance to breeders' associations, registry associations, racetracks, and public livestock sales.

#### Legal Citations
R.S. 47:305.3(B)(5)(b), as of January 1, 2025; previously R.S. 47:305(A)(2)

#### Origin
Acts 1979, No. 796, amended by Acts 2024, 3rd Ex. Sess., No. 11

#### Effective Date
Taxable periods beginning on or after September 1979

#### Beneficiaries
Racetracks and breeding and registry associations

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $1,774,000 | $1,810,000 |

### 72. Feed and Feed Additives for Animals Held for Business Purposes

This exemption allows tax-free sales of feed and feed additives used to sustain animals primarily for business purposes. It does not apply to food for pets or hunting dogs. The purpose of this exemption is to provide financial relief to businesses that raise or maintain animals for commercial purposes.

#### Legal Citations
R.S. 47:305.3(A) and (B)(5)(c), as of January 1, 2025; previously R.S. 47:305(A)(4)(a)

#### Origin
Acts 1986, No. 677, amended by Acts 2024, 3rd Ex. Sess., No. 11

#### Effective Date
Taxable periods beginning on or after September 1, 1986

#### Beneficiaries
Individuals or companies that raise or maintain animals for business purposes.

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $1,248,000 | $1,273,000 |

{ Exemptions and Exclusions }

### 73. Materials Used in the Production or Harvesting of Crawfish

Purchases of materials, supplies, equipment, feed, and related items, excluding vessels, to be used in the production or harvesting of crawfish are exempt from tax. This exemption is not limited to commercial farmers. The purpose of this exemption is to provide financial assistance to crawfish farmers.

#### Legal Citation
R.S. 47:305.3(A) and (B)(5)(d), as of January 1, 2025; previously R.S. 47:305(A)(5)(a)

#### Origin
Acts 1987, No. 364, amended by Acts 2009, No. 455; Acts 2024, 3rd Ex. Sess., No. 11

#### Effective Date
Taxable periods beginning on or after September 1, 1987

#### Beneficiaries
Producers and harvesters of crawfish

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $318,000 | $325,000 |

### 74. Bait and Feed Used in the Production or Harvesting of Crawfish

This exemption allows tax-free sales of bait and feed when used in the production or harvesting of crawfish. It is not limited to commercial farmers. The purpose of this exemption is to provide financial assistance to crawfish farmers.

#### Legal Citation
R.S. 47:305.3(A) and (B)(5)(d), as of January 1, 2025; previously R.S. 47:305(A)(5)(b)

#### Origin
Acts 1987, No. 364, amended by Acts 2009, No. 455; Acts 2024, 3rd Ex. Sess., No .11

#### Effective Date
Taxable periods beginning on or after September 1, 1987

#### Beneficiaries
Producers and harvesters of crawfish

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $813,000 | $829,000 |

{ Exemptions and Exclusions }

### 75. Materials Used in the Production or Harvesting of Catfish

Purchases of materials, supplies, equipment, feed, bait, and related items, excluding vessels, to be used in the production or harvesting of catfish are exempt. It is not limited to commercial farmers. The purpose of this exemption is to provide financial assistance to catfish farmers.

#### Legal Citation
R.S. 47:305.3(A) and (B)(5)(e), as of January 1, 2025; previously R.S. 47:305(A)(6)

#### Origin
Acts 1988, No. 948, amended by Acts 2024, 3rd Ex. Sess., No. 11

#### Effective Date
Taxable periods beginning on or after September 1, 1988

#### Beneficiaries
Producers and harvesters of catfish

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $52,000 | $53,000 |

### 76. Farm Products Produced and Used by the Farmer

This exemption allows farmers and their families to consume products grown primarily for sale without paying use tax. It applies to livestock, poultry, and agricultural products. The purpose of this exemption is to provide financial assistance to farmers.

#### Legal Citation
R.S. 47:305.3(A), (B)(2) and (5)(f), as of January 1, 2025; previously R.S. 47:305(B)

#### Origin
Acts 1948, No. 9, amended by Acts 2024, 3rd Ex. Sess., No. 11

#### Effective Date
Taxable periods beginning on or after June 1948

#### Beneficiaries
Farmers and their families

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $15,762,000 | $16,077,000 |

{ Exemptions and Exclusions }

### 77. Sales of Utilities to Commercial Farmers for On-Farm Storage

This exemption allows a commercial farmer to purchase utilities such as water, electricity and steam, free of state sales tax, when used for on-farm storage. The storage must be separately metered and contain raw agricultural commodities for the production of crops or animals prior to the first point of sale. The purpose of this exemption is to provide financial relief to farmers by reducing the cost of storing raw agricultural products.

#### Legal Citation
R.S. 47:305.3(A), (B)(2) and (5)(g), as of January 1, 2025; previously R.S. 47:305.4

#### Origin
Acts 2021, No. 53, amended by Acts 2024, 3rd Ex. Sess., No. 11

#### Effective Date
Taxable periods beginning on or after June 2021

#### Beneficiaries
Commercial Farmers

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $28,000 | $28,000 |

### 78. Sales of Pesticides for Agricultural Purposes

This exemption allows the tax-free sale of pesticides for agricultural purposes. This exemption covers any preparation-insecticide, herbicide, fungicide- used in the control of insects, plant life, fungus, or any pest detrimental to agricultural crops, including the control of animal pests or diseases. The purpose of this exemption is to provide financial assistance to producers of agricultural products.

#### Legal Citation
R.S. 47:305.3(A), (B)(2) and (5)(h), as of January 1, 2025; previously R.S. 47:305.8

#### Origin
Acts 1964, No. 79, amended by Acts 2024, 3rd Ex. Sess., No. 11

#### Effective Date
Taxable periods beginning on or after July 1964

#### Beneficiaries
Producers of agricultural products

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $1,011,000 | $1,032,000 |

### 79. Certain Purchases by Student Farmers

This exemption allows student farmers to purchase feed and feed additives for the purpose of sustaining livestock, along with seeds or plants to produce food used for human or livestock consumption. Student farmers may also purchase fertilizer to be used to produce food for consumption by humans or livestock without payment of the sales tax. A student farmer is an individual under age 23 who is enrolled in a Future Farmers of America chapter or program established by the National Future Farmers of America organization, or a 4-H Club or program established by 4-H, or any student agriculture program similar to the previously listed organizations and under the direction of an agricultural educator, advisor, or club leader. The purpose of this exemption is to encourage student farming and agricultural education.

#### Legal Citation
R.S. 47:305.3(A), (B)(2) and (5)(i), as of January 1, 2025; previously R.S. 47:305.24

#### Origin
Acts 2019, No.199, amended by Acts 2024, 3rd Ex. Sess., No. 11

#### Effective Date
Taxable periods beginning on or after January 1, 2020

#### Beneficiaries
Student farmers

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use tax for FYE 6-26 and FYE 6-27.

The estimated revenue loss for FYE 6-26 and FYE 6-27 is negligible.

### 80. Sales of Fertilizers and Containers to Farmers

The sale of fertilizers and containers for farm products to commercial farmers are exempt from sales and use taxes. These items are treated as sales for resale. The purpose of this exemption is to clarify that fertilizers and containers used in agricultural production are not subject to taxation as raw materials.

#### Legal Citation
R.S. 47:305.3(A), (B)(2)(a) and (5)(j), as of January 1, 2025; previously R.S. 47:305(D)(1)(f)

#### Origin
Acts 1948, No. 9, amended by Acts 2024, 3rd Ex. Sess., No. 11

#### Effective Date
Taxable periods beginning on or after June 1948

#### Beneficiaries
Commercial farmers

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

See number 65 in this Section.

{ Exemptions and Exclusions }

## 81. Natural Gas Used in the Production of Iron

Purchases of natural gas used in the manufacture of iron through the direct reduced iron process are exempt from state and local sales and use taxes, as the gas is considered a material for further processing. The purpose of this exemption is to encourage companies and industries to establish operations in Louisiana.

This exemption was partially or fully suspended from April 1, 2016, through December 31, 2024.

### Legal Citation
R.S. 47:305.4(B), as of January 1, 2025; previously R.S. 47:301(10)(c)(i)(bb)

### Origin
Acts 1995, No. 284, amended by Acts 2024, 3rd Ex. Sess., No. 11

### Effective Date
Taxable periods beginning on or after July 1, 1995

### Beneficiaries
Iron manufacturers using the "direct reduced iron process"

### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

The department is unable to estimate the revenue loss for FYE 6-26 and FYE 6-27.

## 82. Purchases of Manufacturing Machinery and Equipment

Eligible manufacturers may purchase manufacturing machinery and equipment free of state sales, use, lease, or rental taxes. A "manufacturer" is defined as a business whose primary activity is manufacturing, classified under NAICS Sector 11 (agriculture, forestry, fishing, and hunting) or Sectors 31–33 (manufacturing). Machinery and equipment used in industrial plants to generate electricity for internal use or cogeneration also qualify. To be eligible, the machinery and equipment must be used mainly and directly in the manufacturing process at a plant facility. Certain recyclable material merchant wholesalers are also included under this exemption.

The purpose of this exemption is to reduce the cost of capital equipment and support the growth and competitiveness of Louisiana's manufacturing sector.

### Legal Citation
R.S. 47:305.5, as of January 1, 2025; previously R.S. 47:301(3)(i), (13)(k) and (28)(a)

### Origin
Acts 2004, 1st Ex. Sess., No. 1, amended by Acts 2005, No. 471; Acts 2007, No. 429; Acts 2024, 3rd Ex. Sess., No. 11

### Effective Date
Taxable periods beginning on or after July 1, 2004

### Beneficiaries
Manufacturers that have a NAICS Sector code of 31-33 or Sector 11 and certain recyclable material merchant wholesalers

### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $92,838,000 | $94,695,000 |

{ Exemptions and Exclusions }

### 83. Purchases of Machinery and Equipment by Certain Utilities

Electric power generation companies certified under NAICS Sector 22111 may purchase machinery and equipment used in the generation of electricity free of state and local sales and use taxes. This exemption does not extend to transmission or distribution of electricity. The purpose of this exemption is to reduce capital costs and support the efficient generation and delivery of electricity in Louisiana.

#### Legal Citation
R.S. 47:305.5(B)(2), as of January 1, 2025; previously R.S. 47:301(16)(o)(i) and (ii)

#### Origin
Acts 2007, No. 427, amended by Acts 2024, 3rd Ex. Sess., No. 11

#### Effective Date
Taxable periods beginning on or after July 1, 2008

#### Beneficiaries
Certain utilities assigned NAICS Sector 22111

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

See number 82 in this Section.

### 84. Electricity for Chlor-Alkali Manufacturing Process

Chlor-alkali manufacturers are permitted to buy electricity tax-free when it is used in the chlor-alkali process. Manufacturers must report their electricity usage to the utility company. The purpose is to exempt these manufacturers from paying the sales tax on electricity.

#### Legal Citation
R.S. 305.5(B)(3), as of January 1, 2025; previously R.S. 47:301(10)(c)(ii)(aa)

#### Origin
Acts 1987, No. 199, amended by Acts 2024, 3rd Ex. Sess., No. 11

#### Effective Date
Taxable periods beginning on or after July 1, 1987

#### Beneficiaries
Chlor-alkali manufacturers

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from the state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $17,314,000 | $17,660,000 |

### 85. Purchases of Consumables by Paper and Wood Manufacturers and Loggers

This provision exempts tangible personal property and digital products purchased by paper and wood manufacturers that are consumed in the manufacturing process such as fuses, belts, wires, conveyor belts, lubricants, and motor oils, as well as repairs and maintenance of manufacturing machinery and equipment. The exemption is only available to manufacturers with a North American Industry Classification Code (2007) industry group designation of 3211 through 3222 or 11310. Prior to January 1, 2025, this provision only applied to tangible personal property.

#### Legal Citation
R.S. 47:305.5(C), as of January 1, 2025; previously R.S. 47:301(3)(k)

#### Origin
Acts 2009, No. 466

#### Effective Date
Taxable periods beginning on or after August 15, 2009

#### Beneficiaries
Paper and wood manufacturers and loggers

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $11,560,000 | $11,792,000 |

### 86. Sales of Admission Tickets by Little Theater Organizations

This exemption allowed Little Theater organizations to sell tickets free of state and local sales taxes. The purpose of this exemption was to provide financial support to qualifying nonprofit theater organizations.

#### Legal Citation
R.S. 47:305.6

#### Origin
Acts 1962, No. 226

#### Effective Date
Taxable periods beginning on or after August 1, 1962

#### Repealed
Repealed effective January 1, 2025, by Acts 2024, 3rd Ex. Sess., No. 11

#### Beneficiaries
Little Theater organizations

#### Estimated Fiscal Effect
The provision has been repealed; therefore, there is no estimated revenue loss for FYE 6-26 or FYE 6-27.

### 87. Certain Educational Materials and Equipment Used for Classroom Instruction

Approved parochial and private K–12 schools that comply with the Dodd Brumfield court order and hold 501(c)(3) status may purchase, lease, or rent classroom materials and equipment—such as books, computers, software, films, videos, and audio tapes—without paying state or local sales taxes, provided the items are used solely for classroom instruction. Sales of tangible property by the school are also exempt from taxation if the proceeds are used exclusively to support the school. This exemption does not apply to transactions conducted by students, families, or outside sellers using the school's name or facilities. The purpose of this exemption is to provide financial relief for classroom resources and to support school fundraising efforts.

#### Legal Citation
R.S. 47:305.6(1) and (2), as of January 1, 2025; previously R.S. 47:301(7)(f), (10)(q), and (18)(e)

#### Origin
Acts 1996, No. 15, amended by Acts 1998, No. 47; Acts 2000, No 33; Acts 2003, No 141; Acts 2005, No. 357; Acts 2009, No. 206; Acts 2024, 3rd Ex. Sess., No. 11

#### Effective Date
Taxable periods beginning on or after July 1, 1997

#### Beneficiaries
Qualifying parochial and private elementary and secondary schools

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $967,000 | $986,000 |

### 88. Purchases of Food Items for School Lunch or Breakfast Programs by Nonpublic Elementary or Secondary Schools

Nonpublic elementary and secondary schools, as well as nonprofit organizations serving students, may purchase food for the National School Lunch and School Breakfast Programs free of sales and use taxes. The purpose of this exemption is to reduce the cost of providing nutritious meals to students and support the effective operation of federal school nutrition programs.

#### Legal Citation
R.S. 47:305.6(3), as of January 1, 2025; previously R.S. 47:301(10)(dd)

#### Origin
Acts 2007, No. 430, amended by Acts 2024, 3rd Ex. Sess., No. 11

#### Effective Date
Taxable periods beginning on or after October 1, 2007

#### Beneficiaries
Nonpublic elementary or secondary schools that participate in the National School Lunch and School Breakfast Programs and nonprofit corporations that participate in the national program

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales taxes for FYE 6-26 and FYE 6-27.

See number 36 in this Section.

{ Exemptions and Exclusions }

### 89. Donations to Certain Schools

Retailers are permitted to donate inventory to eligible colleges or universities tax-free. The purpose is to encourage donations to higher education institutions.

#### Legal Citation
R.S. 47:305.6(4), as of January 1, 2025; previously R.S. 47:301(18)(a)(i)

#### Origin
Acts 1987, No. 326, amended by Acts 1998, No. 22; Acts 2000, No. 44; Acts 2024, 3rd Ex. Sess., No. 11

#### Effective Date
Taxable periods beginning on or after July 1, 1987

#### Beneficiaries
Retailers that donate to schools and the schools that receive the donations

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $756,000 | $771,000 |

### 90. Admissions Charges to Athletic or Entertainment Events of Elementary and Secondary Schools

Elementary and secondary schools are permitted to sell tickets for athletic or entertainment events tax-free. The purpose is to relieve these schools from collecting and remitting the tax. This exemption was suspended April 1, 2016, through June 30, 2016.

#### Legal Citation
R.S. 47:305.6(5), as of January 1, 2025; previously R.S. 47:301(14)(b)(i)(aa)

#### Origin
Acts 1948, No. 9, amended by Acts 1976, No. 481; Acts 2024, 3rd Ex. Sess., No. 11

#### Effective Date
Taxable periods beginning on or after June 1948

#### Beneficiaries
Elementary and secondary schools

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $295,000 | $301,000 |

{ Exemptions and Exclusions }

### 91. Purchases by Regionally Accredited Independent Educational Institutions or by the Edward Via College of Osteopathic Medicine (updated July 1, 2025)

Qualifying educational institutions may purchase, lease, or rent tangible property and obtain services free of state and local sales and use taxes. This exemption does not apply to sales made by the institutions. Effective January 1, 2025, digital products are also exempt. The purpose of this exemption is to provide financial relief and reduce operational costs for educational institutions.

#### Legal Citation
R.S. 47:305.6(6), as of January 1, 2025; previously R.S. 47:301(8)(b)

#### Origin
Acts 1990, No. 1064, amended by Acts 2024, 3rd Ex. Sess., No. 11; Acts 2025, No. 384

#### Effective Date
Taxable periods beginning on or after July 1, 1990 - *Regionally Accredited Independent Educational Institutions*

Taxable periods beginning on or after July 1, 2025 - *Edward Via College of Osteopathic Medicine*

#### Beneficiaries
Independent educational institutions and the Edward Via College of Osteopathic Medicine

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $1,166,000 | $1,189,000 |

### 92. Purchases by State and Local Governments

Louisiana state and local government boards, agencies, and commissions may purchase, lease, or rent tangible property and obtain services free of state and local sales and use taxes. This is allowed because such entities are excluded from the definition of "person" under Louisiana law. Effective January 1, 2025, digital products are also exempt. The purpose of this exemption is to relieve government entities from tax obligations and reduce costs in the provision of public services.

#### Legal Citation
R.S. 47:305.7(A)(1)(a), as of January 1, 2025; previously R.S. 47:301(8)(c)

#### Origin
Acts 1991, No. 1029, amended by Acts 2007, No. 162; Acts 2024, 3rd Ex. Sess., No. 11

#### Effective Date
Taxable periods beginning on or after September 1991

#### Beneficiaries
All Louisiana state and local governmental authorities

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $610,202,000 | $622,407,000 |

*Note:* This amount includes the total revenue loss for purchases by state and local government and sales to the U.S. Government.

See number 92 in this Section.

### 93. Purchases Made by General Contractors/ Subcontractors for Work Performed Under Public Projects Construction Contracts

The exemption from sales and use taxes granted to the state, parish, municipality, other political subdivisions and instrumentalities of the state or its political subdivisions is extended to purchases made by general contractors and subcontractors for work performed pursuant to construction contracts for public projects. The purpose of this exemption is to prevent state and local government entities from incurring sales and use taxes on materials used in public construction projects.

#### Legal Citation
R.S. 47:305.7(A)(1)(b)

#### Origin
Acts 2025, No. 384

#### Effective Date
Taxable periods beginning on or after July 1, 2025

#### Beneficiaries
State and local government entities undertaking public construction projects

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $841,000 | $858,000 |

### 94. Purchases, Services, and Rentals by a Private Company Working for Local Authority on Construction or Operation of Sewerage or Wastewater Treatment Facilities

Private companies contracted to construct or operate sewer or wastewater treatment facilities on behalf of a local government are granted the same sales and use tax exclusions and exemptions as the contracting government. Under R.S. 47:305.7(A)(1), local governments are exempt from sales tax on purchases, digital products, services, and equipment rentals, and this exemption extends to qualifying contractors. The purpose of this exemption is to reduce contract costs and help local governments achieve savings on essential public infrastructure projects.

This exemption was partially or fully suspended from April 1, 2016, through December 31, 2024. The exemption was also added in the Title 47 sales tax provisions at R.S. 47:305.7(A)(2) effective January 1, 2025.

#### Legal Citation
R.S. 33:4169(D); R.S. 47:305.7(A)(2) effective January 1, 2025

#### Origin
Acts 1982, No. 795; Acts 2024 3rd Ex. Sess., No. 11; Acts 2025, No. 384

#### Related Exclusion
R.S.47:305.7(A)(1)

#### Effective Date
Taxable periods beginning on or after September 1982

#### Beneficiaries
Private companies and local governments

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $20,000 | $20,000 |

{ Exemptions and Exclusions }

### 95. Sales of Tangible Personal Property by the Louisiana Military Department

Sales of tangible personal property by the Louisiana Military Department on its installations or property, including thrift shops, are exempt from state and local sales taxes. Effective January 1, 2025, the exemption also applies to purchases of digital products. The purpose of this exemption is to support the operations and mission of the Louisiana Military Department by reducing administrative and tax-related costs.

#### Legal Citations
R.S. 47:305.7(B)(1), as of January 1, 2025; previously R.S. 47:301(10)(ff)

#### Origin
Acts 2009, No. 443, amended by Acts 2024, 3rd Ex. Sess., No. 11

#### Effective Date
Taxation periods beginning on or after July 1, 2009

#### Beneficiaries
Taxpayers who purchase tangible personal property or digital products from the Louisiana Military Department

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $12,000 | $12,000 |

### 96. Sales by Thrift Shops on Military Installations

Sales made by thrift shops located on military installations to are exempt from state and local sales taxes. The purpose of this exemption is to reduce costs for military personnel and others who shop at on-base thrift stores, thereby providing financial support to the military community.

#### Legal Citation
R.S. 47:305.7(B)(1), as of January 1, 2025; previously R.S. 47:305.14(A)(4)

#### Origin
Acts 1994, No. 22, amended by Acts 2024, 3rd Ex. Sess., No. 11

#### Effective Date
Taxable periods beginning on or after June 1994

#### Beneficiaries
Customers of thrift shops located on military installations

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

See number 95 in this Section.

### 97. Certain Transactions Involving the Construction or Overhaul of U.S. Navy Vessels

Rentals, leases, and services used in the construction or overhaul of United States Navy vessels are exempt from state and local sales taxes. The exemption applies to contractors performing work on these vessels. The purpose of this exemption is to maintain the competitiveness of Louisiana shipyards with those in other states.

#### Legal Citation
R.S. 47:305.7(B)(2) and (3), as of January 1, 2025; previously R.S. 47:301(7)(c) and (14)(h)

#### Origin
Acts 1989, No. 833, amended by Acts 2024, 3rd Ex. Sess., No. 11

#### Effective Date
Taxable periods beginning on or after September 1989

#### Beneficiaries
Shipyards and providers of repair services to U.S. Navy vessels

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $5,383,000 | $5,491,000 |

### 98. Sales to the United States Government and Its Agencies

Sales made directly to the U.S. government or its agencies are exempt from taxation, as required by the U.S. Constitution. The exemption also applies when a private company acts as an agent and title to the property passes directly to the federal government. The purpose of this exemption is to ensure compliance with constitutional requirements.

#### Legal Citation
R.S. 47:305.7(B)(4), as of January 1, 2025; previously R.S. 47:301(10)(g)

#### Origin
Acts 1989, No. 833

#### Effective Date
Taxable periods beginning on or after September 1989

#### Beneficiaries
United States government and its agencies

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

See number 92 in this Section.

{ Exemptions and Exclusions }

### 99. Purchases of Equipment by Bona Fide Volunteer and Public Fire Departments

Volunteer and public fire departments are permitted to purchase firefighting equipment free of state and local sales taxes. Public fire departments are already exempt from tax on all purchases under the governmental exclusion, and many departments classified as "volunteer" but operating as fire protection districts also qualify for the same exemption. The purpose of this exemption is to reduce equipment costs and support the essential public safety services provided by fire departments.

#### Legal Citation
R.S. 47:305.7(B)(5), as of January 1, 2025; previously R.S. 47:301(10)(o)

#### Origin
Acts 1992, No. 926, amended by Acts 1998, No. 37; Acts 2024, 3rd Ex. Sess., No. 11

#### Effective Date
Taxable periods beginning on or after July 1, 1992

#### Beneficiaries
Bona fide volunteer and public fire departments

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $1,966,000 | $2,005,000 |

### 100. Tickets to Musical Performances by Nonprofit Musical Organizations

Louisiana-domiciled symphony organizations can sell tickets for musical performances free of state and local sales taxes. It does not apply to out-of-state symphony organizations or performances intended to generate a profit for the promoter. The purpose of this exemption is to provide financial support to Louisiana nonprofit symphony organizations.

#### Legal Citation
R.S. 47:305.7

#### Origin
Acts 1963, No. 124

#### Effective Date
Taxable periods beginning on or after July 1, 1963

#### Repealed
Repealed effective January 1, 2025, by Acts 2024, 3rd Ex. Sess., No. 11

#### Beneficiaries
Louisiana nonprofit symphony organizations

#### Estimated Fiscal Effect
The provision has been repealed; therefore, there is no estimated revenue loss for FYE 6-26 or FYE 6-27.

{ Exemptions and Exclusions }

### 101. Rentals of Motion Picture Film to Commercial Theaters

Commercial theaters rent motion picture films free from sales tax. However, most theaters now obtain films through joint ventures, which do not qualify for the exemption. The purpose of this exemption is to provide financial support to commercial theaters.

The exemption was suspended from April 1, 2016, through December 31, 2024.

#### Legal Citation
R.S. 47:305.9

#### Origin
Acts 1964, No. 27

#### Effective Date
Taxable periods beginning on or after July 1964

#### Beneficiaries
Commercial theaters

#### Estimated Fiscal Effect
Effective January 1, 2025, pertinent transactions are entirely exempt from the state sales and use tax.

The estimated revenue loss for FYE 6-26 and FYE 6-27 is negligible.

### 102. Additional Tax Levy on Contracts Entered Into Prior to and Within 90 Days of Tax Levy

This exemption allows lump-sum, unit price, fixed-fee, and guaranteed maximum price contracts entered into within 90 days before a new tax levy to be exempt from that levy. It also applies to contracts entered into within 90 days after a new tax levy if they involve obligations undertaken prior to the levy's effective date. The purpose of this exemption is to provide financial protection to contractors entering into agreements based on existing tax conditions.

The exemption was partially or fully suspended from April 1, 2016, through December 31, 2024.

#### Legal Citation
R.S. 47:305.11

#### Origin
Acts 1970, No. 7, amended by Acts 2017, No. 209

#### Effective Date
Taxable periods beginning on or after July 1970

#### Beneficiaries
Lump-sum, unit price, fixed fee, and guaranteed maximum price contractors

#### Estimated Fiscal Effect
Pertinent transactions related to contracts approved for the exemption from new and additional sales taxes levied as a result of Act 11 of the 2024 Third Extraordinary Session in the amount of .55% of 5% state sales tax and the 5% state sales tax on transportation charges previously excluded from the definition of sales price for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $893,000 | $911,000 |

### 103. Purchases of Software and Digital Products for a Business, Banking, or Healthcare Use

Certain software, digital products, prewritten computer software, software access services, and information services (collectively digital tools) are exempt from state and local sales and use taxes when used for specific business, financial, or healthcare purposes. This includes commercially licensed digital tools used directly in producing taxable goods or services that are sold, digital tools created for a business's internal use, digital tools used by FDIC-insured financial institutions and their affiliates for processing or managing customer and account information, and digital tools used by licensed healthcare providers for storing, transmitting, or using healthcare information in diagnosis or treatment.

#### Legal Citation
R.S. 47:305.12

#### Origin
Acts 2024, 3rd Ex. Sess., No. 10; Acts 2025, No. 384

#### Effective Date
Taxable periods beginning on or after January 1, 2025

#### Beneficiaries
Commercial entities using digital tools for the production of goods and services, FDIC-insured institutions and licensed healthcare facilities and providers

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $6,124,000 | $6,246,000 |

### 104. Admissions to Entertainment by Domestic Nonprofit Charitable, Educational, and Religious Organizations

Admissions to events sponsored by domestic nonprofit charitable, educational, and religious organizations are exempt from state and local sales taxes. All proceeds, except for necessary expenses, must be used for the purposes for which the event was organized. The purpose of this exemption is to provide financial support to qualifying nonprofit organizations.

#### Legal Citation
R.S. 47:305.13

#### Origin
Acts 1971, No. 125

#### Effective Date
Taxable periods beginning on or after June 1971

#### Repealed
Repealed effective January 1, 2025, by Acts 2024, 3rd Ex. Sess., No. 11

#### Beneficiaries
Domestic nonprofit groups

#### Estimated Fiscal Effect
The provision has been repealed; therefore, there is no estimated revenue loss for FYE 6-26 or FYE 6-27.

### 105. Purchases of Certain Bibles, Songbooks, or Literature by Certain Religious Institutions for Instructional Classes

Churches and synagogues with 501(c)(3) status were previously exempt from being considered a "dealer" when purchasing Bibles, songbooks, or literature for religious instruction classes. However, this exclusion was ruled unconstitutional by the U.S. District Court for the Eastern District in March 2002 and is no longer recognized.

The exemption was suspended from April 1, 2016, through December 31, 2024. Although this exemption was reenacted effective January 1, 2025, it remains unenforceable based on the unconstitutional ruling by the U.S. District Court for the Eastern District in March 2002.

#### Legal Citation
R.S. 47:305.13, as of January 1, 2025; previously R.S. 47:301(8)(d)

#### Origin
Acts 1996, No. 28; amended by Acts 2024, 3rd Ex. Sess., No. 11

#### Effective Date
Taxable periods beginning on or after July 1, 1996

#### Beneficiaries
Qualifying churches and synagogues

#### Estimated Fiscal Effect
Pertinent transactions are subject to the full 5% state sales tax rate; therefore, there is no estimated revenue loss for FYE 6-26 or FYE 6-27.

### 106. Sales of Tangible Personal Property at or Admissions to Events Sponsored by Certain Nonprofit Groups

Sales of tangible personal property, event admissions, and parking fees at events sponsored by nonprofit domestic, civic, educational, charitable, fraternal, or religious organizations are exempt from state and local sales taxes. All proceeds, except for necessary expenses, must be used for educational, charitable, religious, or historical restoration purposes. The purpose of this exemption is to provide financial support to qualifying nonprofit organizations.

The exemption was repealed effective January 1, 2025, and reenacted effective June 20, 2025, with retroactive application to January 1, 2025.

#### Legal Citation
R.S. 47:305.14(A)(1)

#### Origin
Acts 1973, No. 89, amended by Acts 1991, Nos. 533 and 930, repealed by Acts 2024, 3rd Ex. Sess., No. 11, reenacted by Acts 2025, No. 384

#### Effective Date
Taxable periods beginning on or after July 1973

#### Repealed and Reenacted
Repealed effective January 1, 2025, by Acts 2024, 3rd Ex. Sess., No. 11 and then reenacted effective June 20, 2025, with retroactive application back to January 1, 2025.

#### Beneficiaries
Qualifying nonprofit organizations

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $2,752,000 | $2,807,000 |

{ Exemptions and Exclusions }

### 107. Sales or Purchases by Blind Persons Operating Small Businesses

Sales or purchases of tangible personal property in the operation of a small business by individuals who are blind are exempt from state and local sales taxes. Effective January 1, 2025, the exemption also applies to digital products. The purpose of this exemption is to reduce the administrative and financial burden of collecting and remitting sales taxes for blind business owners.

#### Legal Citations
R.S. 47:305.15(A)

#### Origin
Acts 1973, No. 61

#### Effective Date
Taxable periods beginning on or after July 1973

#### Beneficiaries
Blind persons operating a business

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

See number 108 in this Section.

### 108. Purchases by Certain Organizations that Promote Training for the Blind

Organizations that provide training for the blind—and receive at least 75% of their funding from public sources are allowed to purchase goods and services free of state and local sales taxes. The purpose of this exemption is to reduce operating costs and provide financial support to organizations dedicated to assisting individuals who are blind.

#### Legal Citation
R.S. 47:305.15(B)

#### Origin
Acts 1994, No. 26

#### Effective Date
Taxable periods beginning on or after August 1994

#### Beneficiaries
Qualifying organizations for the blind

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $17,000 | $17,000 |

### 109. Cable Television Installation and Repair Services

Charges for the installation and repair of cable television hardware are exempt from state and local sales taxes. While largely unnecessary—since cable installation is already a nontaxable service and repairs on immovable equipment are not taxable—the exemption clarifies that these services are not subject to sales tax. The purpose of this exemption is to ensure certainty for providers and customers regarding the tax treatment of cable installation and repair services.

This exemption was partially or fully suspended with respect to cable television repairs from April 1, 2016, through December 31, 2024.

#### Legal Citation
R.S. 47:305.16

#### Origin
Acts 1974, No. 593

#### Effective Date
Taxable periods beginning on or after July 31, 1974

#### Repealed
Repealed effective January 1, 2025, by Acts 2024, 3rd Ex. Sess., No. 11

#### Beneficiaries
Television cable companies and their subscribers, if these charges were subject to tax

#### Estimated Fiscal Effect
The provision has been repealed; therefore, there is no estimated revenue loss for FYE 6-26 or FYE 6-27.

### 110. Purchases by Nonprofit Entities that Sell Donated Goods

Nonprofit organizations are exempt from state and local sales and use taxes on purchases if they sell donated goods and use at least 75% of their revenue to employ or train individuals with disabilities or other workplace disadvantages. Eligible nonprofits must apply annually for a one-year exclusion certificate. The purpose of this exemption is to support employment and workforce development opportunities for individuals facing barriers to employment while promoting the charitable mission of participating organizations.

#### Legal Citation
R.S. 47:305.16, as of January 1, 2025; previously R.S. 47:301(8)(f)

#### Origin
Acts 2005, No. 393, amended by Acts 2024, 3rd Ex. Sess., No. 11

#### Effective Date
Taxable periods beginning on or after July 1, 2005

#### Beneficiaries
Qualifying nonprofit entities

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $5,396,000 | $5,504,000 |

{ Exemptions and Exclusions }

### 111. Receipts from Coin-Operated Washing and Drying Machines in Commercial Laundromats

Receipts from coin-operated washing and drying machines are exempt from state and local sales taxes when the machines are located in a commercial laundromat. The purpose of this exemption is to provide financial relief to laundromats that could not pass sales tax rate increases on to their customers. In 1996, the courts ruled that revenue from coin-operated machines does not constitute a taxable cleaning service.

#### Legal Citation
R.S. 47:305.17

#### Origin
Acts 1975, No. 423

#### Effective Date
Taxable periods beginning on or after September 1975

#### Beneficiaries
Commercial coin-operated laundromats

#### Estimated Fiscal Effect
Courts have ruled that these receipts are not taxable. Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $921,000 | $940,000 |

### 112. Outside Gate Admissions and Parking Fees at Fairs, Festivals, and Expositions Sponsored by Nonprofit Organizations

Gate admissions and parking fees at fairs, festivals, and expositions sponsored by Louisiana-chartered nonprofit organizations are exempt from state and local sales taxes. The exemption does not apply to events intended to generate a profit for the promoter or any contracted service or equipment provider. The purpose of this exemption is to reduce operating costs and provide financial support to qualifying nonprofit organizations.

#### Legal Citation
R.S. 47:305.18

#### Origin
Acts 1975, No. 824

#### Effective Date
Taxable periods beginning on or after September 1975

#### Repealed
Repealed effective January 1, 2025, by Acts 2024, 3rd Ex. Sess., No.11

#### Beneficiaries
Nonprofit organization

#### Estimated Fiscal Effect
The provision has been repealed; therefore, there is no estimated revenue loss for FYE 6-26 or FYE 6-27.

### 113. Lease or Rental of Certain Vessels in Mineral Production

Vessels leased or rented for offshore use beyond Louisiana's territorial waters for the production of oil, gas, sulfur, and other minerals are exempt from state and local sales taxes. The exemption applies to both production companies and their service providers. The purpose of this exemption is to reduce operating costs and support the growth and competitiveness of Louisiana's mineral production industry.

**Legal Citation**
R.S. 47:305.19

**Origin**
Acts 1975, No. 818

**Effective Date**
Taxable periods beginning on or after September 1975

**Beneficiaries**
Production companies and the company providing services to them

**Estimated Fiscal Effect**
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $2,476,000 | $2,525,000 |

### 114. Purchases of Supplies, Fuels, and Repair Services for Boats Used by Commercial Fishermen

Commercial fishermen are allowed to purchase, free of state and local sales and use tax, materials, supplies, repair services, and fuel used in the maintenance or operation of fishing vessels. Eligible fishermen must apply for and obtain a license from the Department of Revenue. The purpose of this exemption is to reduce operating costs, support the commercial fishing industry, and promote the continued viability of Louisiana's seafood economy.

**Legal Citation**
R.S. 47:305.20(A)

**Origin**
Acts 1975, No. 811; Acts 2009, No. 446

**Effective Date**
Taxable periods beginning on or after September 1975

**Beneficiaries**
Licensed commercial fishermen

**Estimated Fiscal Effect**
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $551,000 | $562,000 |

### 115. Sickle Cell Disease Organizations

This exemption provides a state and local sales tax exemption for nonprofit organizations established prior to 1975 that conduct comprehensive sickle cell disease programs. Eligible programs include, but are not limited to, free education, testing, counseling, prescription assistance, transportation, and food packages for sickle cell patients. Qualifying organizations are required to obtain exemption certificates from the Department of Revenue.

This exemption was partially or fully suspended from July 1, 2015, through December 31, 2024.

It was repealed effective January 1, 2025, and subsequently reenacted effective June 20, 2025, with retroactive application to January 1, 2025.

#### Legal Citation
R.S. 47:305.21, as of January 1, 2025; previously R.S. 47:305.33

#### Origin
Acts 2005, No. 278, repealed by Acts 2024, 3rd Ex. Sess., No. 11, reenacted by Acts 2025, No. 384

#### Effective Date
Tax periods beginning on or after July 1, 2005

#### Repealed and Reenacted
Repealed effective January 1, 2025, by Acts 2024, 3rd Ex. Sess. No. 11 and then reenacted effective June 20, 2025, with retroactive application back to January 1, 2025.

#### Beneficiaries
Sickle cell disease organizations and their customers

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

The estimated revenue loss for FYE 6-26 and FYE 6-27 is negligible.

### 116. Sales of Construction Materials to Habitat for Humanity Affiliates (effective January 1, 2025)

Construction materials sold to Habitat for Humanity affiliates are not subject to sales or use tax if the materials are used to build new homes in this state.

#### Legal Citation
R.S. 47:305.22

#### Origin
Acts 2025, No. 384

#### Effective Date
Taxable periods beginning on or after January 1, 2025

#### Beneficiaries
Affiliates of Habitat for Humanity

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

The estimated revenue loss for FYE 6-26 and FYE 6-27 is negligible.

{ Exemptions and Exclusions }

### 117. $20,000 State and Local Sales and Use Tax Cap on Boats Registered in Louisiana (state loss only)

For boats registered in Louisiana, the combined state and local sales and use tax is capped at $20,000 on purchases made on or after July 1, 2025. To qualify for the cap, the boat must be registered in Louisiana within ninety (90) days of the purchase in or importation into Louisiana. The purpose of this exemption is to limit the sales and use tax burden on boat purchases registered in Louisiana and promote boat ownership and registration within the state.

**Legal Citation**
R.S. 47:305.23

**Origin**
Acts 2025, No. 384

**Effective Date**
Taxable periods beginning on or after July 1, 2025

**Beneficiaries**
Purchasers of boats

**Estimated Fiscal Effect**
Pertinent transactions are entirely exempt from any portion of state and local sales tax that exceeds the $20,000 cap for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $24,000 | $24,000 |

### 118. Purchases by Certain Child Advocacy Centers

The Louisiana Alliance of Children's Advocacy Centers and qualifying nonprofit child advocacy centers are exempt from paying sales and use tax on certain purchases. Eligible organizations must operate in compliance with the Louisiana Children's Code, be governed by a child advocacy board of directors, and satisfy all applicable statutory requirements. Qualifying organizations are required to apply annually for a one-year exemption certificate. The purpose of this exemption is to reduce the tax burden on qualifying nonprofit child advocacy organizations so more resources can be directed to serving children.

**Legal Citation**
R.S. 47:305.24

**Origin**
Acts 2025, No. 494

**Effective Date**
Tax periods beginning on or after July 1, 2025

**Beneficiaries**
Child advocacy organizations

**Estimated Fiscal Effect**
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

The estimated revenue loss for FYE 6-26 and FYE 6-27 is negligible.

### 119. Sale of Certain Antique Motor Vehicles

This exemption allows the purchase of qualifying antique motor vehicles without payment of state or local sales and use taxes. To qualify, an antique motor vehicle must have been manufactured at least 30 years ago, not be used for commercial purposes, and have a value exceeding $10,000. Qualifying vehicles are subject to a $1,000 fee for issuance of an antique license plate, as provided in R.S. 47:463.8(B). The purpose of this exemption is to provide financial assistance to individuals purchasing antique motor vehicles.

This exemption was repealed effective January 1, 2025, and subsequently reenacted effective June 20, 2025, with retroactive application to January 1, 2025.

Prior to January 1, 2025, to qualify for the exemption, the motor vehicle had to be manufactured at least 25 years prior to the purchase.

#### Legal Citation
R.S. 47:305.25, as of January 1, 2025; previously R.S. 47:6040, R.S. 47:463.8(B)

#### Origin
Acts 2019, No. 364, repealed by Acts 2024, 3rd Ex. Sess., No. 11; reenacted by Acts 2025, No. 506

#### Effective Date
Taxable periods beginning on or after July 1, 2019

#### Repealed and Reenacted
Repealed effective January 1, 2025, by Acts 2024, 3rd Ex. Sess., No. 11 and then reenacted effective June 20, 2025, with retroactive application back to January 1, 2025.

#### Beneficiaries
Collectors of antique motor vehicles

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from the state sales and use tax for FYE 6-26 and FYE 6-27.

The Department is unable to estimate the fiscal effect for FYE 6-26 and FYE 6-27, as no data on these transactions could be provided by the Office of Motor Vehicles.

### 120. Qualifying Events Providing Louisiana Heritage, Culture, Crafts, Art, Food, and Music Sponsored by a Domestic Nonprofit Organization

Sales of tangible personal property, event admissions, and parking fees at nonprofit-sponsored events that celebrate Louisiana heritage, culture, crafts, art, food, and music are exempt from taxation. To qualify, events must run for 7 to 12 days and have an average attendance of at least 300,000 over the preceding five (5) years. Effective January 1, 2025, sales of digital products are also exempt. This exemption is intended to provide financial support to eligible nonprofit organizations.

The exemption was partially or fully suspended from April 1, 2016, through June 30, 2018.

#### Legal Citation
R.S. 47:305.33, as of January 1, 2025; previously R.S. 47:301(10)(hh) and (14)(k) and 305.14(A)(1)(b)

#### Origin
Acts 2011, No. 372, amended by Acts 2024, 3rd Ex. Sess., No. 11

#### Effective Date
Taxable periods beginning on or after October 1, 2011

#### Beneficiaries
New Orleans Jazz and Heritage Festival

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

The estimated revenue loss for FYE 6-26 and FYE 6-27 is negligible.

### 121. Sales or Purchases by Certain Sheltered Workshops or Supported Employment Providers

Certain sheltered workshops for individuals with intellectual disabilities, as well as supported employment providers are allowed to make sales and purchases tax-free. Sheltered workshops must function as day developmental training centers and be licensed by the Department of Children and Family Services. A supported employment provider is a nonprofit organization that provides gainful, competitive, integrated employment, training, and rehabilitation services for individuals with disabilities in compliance with a central nonprofit agency for disabled individuals. The purpose of this exemption is to support organizations that provide training, employment, and rehabilitation services for individuals with disabilities by relieving them of sales tax burdens.

For Fiscal Years 2019–2020 and 2020–2021, any sheltered workshop transitioning to a model providing gainful, competitive, integrated employment, training, and rehabilitation services for individuals with disabilities is considered a supported employment provider.

#### Legal Citation
R.S. 47:305.38; R.S. 39:1604.4

#### Origin
Acts 1982, No. 242, Amended by Acts 2019, No. 312

#### Effective Date
Taxable periods beginning on or after September 1982

#### Beneficiaries
Qualifying sheltered workshops and supported employment providers

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $57,000 | $58,000 |

### 122. Piggy-Back Trailers or Containers and Rolling Stock

This exemption allows the tax-free sale or lease of piggyback trailers, containers, and rail rolling stock. Per diem or car-hire charges are also exempt. Railroad companies and other operators of qualifying equipment are eligible for the exemption. Rail car leases are subject to the taxation methods prescribed in R.S. 47:301(4)(j). A similar exemption for rail rolling stock is provided under R.S. 47:305.50. The purpose of this exemption is to provide financial relief to railroads, other rail-car operators, and operators of piggyback trailers.

#### Legal Citation
R.S. 47:305.45

#### Origin
Acts 1986, No. 476

#### Effective Date
Taxable periods beginning on or after July 1, 1986

#### Beneficiaries
Railroad companies and other operators of railroad transportation equipment

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

See number 124 in this Section.

### 123. Certain Trucks and Trailers Used 80 Percent in Interstate Commerce

This exemption allows for the tax-free purchase of trucks with a gross weight of 26,000 pounds or more, and trailers, provided they are used at least 80% of the time in interstate commerce and operate under the jurisdiction of the United States Department of Transportation. For purposes of this exemption, the terms "trucks" and "trailers" include truck, trailer, road tractor, semi-trailer, tandem truck, tractor, and truck-tractor as defined in R.S. 47:451. The purpose of this exemption is to provide financial relief to owners of trucks operating in interstate commerce.

#### Legal Citation
R.S. 47:305.50(A)(1)

#### Origin
Acts 1996, No. 8, amended by Acts 1998, No. 41; Acts 2000, No. 27; Acts 2002, No. 2; Acts 2007, No. 209

#### Effective Date
Taxable periods beginning on or after July 1, 1996

#### Beneficiaries
Purchasers of large trucks and trailers used 80% in interstate commerce

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $31,899,000 | $32,537,000 |

### 124. Rail Rolling Stock Sold or Leased in Louisiana

Rail rolling stock sold or leased in Louisiana is exempt from state and local sales and use tax. A similar exemption is also provided under R.S. 47:305.45. The purpose of this exemption is to reduce the cost of acquiring or leasing rail rolling stock and support the rail industry in Louisiana.

#### Legal Citation
R.S. 47:305.50(C)(1), as of January 1, 2025; previously R.S. 47:305.50(E)(1)

#### Origin
Acts 1996, No. 36, amended by Acts 1998, No. 41; Acts 2005, No. 397; Acts 2024, 3rd Ex. Sess., No. 11

#### Effective Date
Taxable periods beginning on or after July 1, 1996

#### Sunset Date
June 30, 1998

#### Reestablished
July 1, 2005

#### Beneficiaries
Taxpayers who sell or lease rail rolling stock in Louisiana and their customers

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

The estimated revenue loss for FYE 6-26 and FYE 6-27 is negligible.

### 125. Rail Rolling Stock Repaired or Fabricated in Louisiana

This provision provides a state sales and use tax exemption for parts or services used in the fabrication, modification, or repair of rail rolling stock. Political subdivisions may, by ordinance, extend the exemption to sales and use taxes they impose on such parts or services. The purpose of this exemption is to reduce the cost of fabricating, modifying, or repairing rail rolling stock and support the rail industry.

#### Legal Citation
R.S. 47:305.50(C)(2), as of January 1, 2025; previously R.S. 47:305.50(E)(2)

#### Origin
Acts 1996, No. 36, amended by Acts 1998, No. 41; Acts 2005, No. 397; Acts 2024, 3rd Ex. Sess., No. 11

#### Effective Date
Taxable periods beginning on or after July 1, 1996

#### Sunset Date
June 30, 1998

#### Reestablished
July 1, 2005

#### Beneficiaries
Taxpayers who sell or lease rail rolling stock in Louisiana and their customers

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $2,512,000 | $2,562,000 |

### 126. Sales of Railroad Ties to Railroads for Use in Other States

This provision establishes a sales tax exemption for railroad ties purchased by a railroad before undergoing long-term preservative treatment, provided the ties are installed in the railroad's track system outside the state's jurisdiction. The purpose of this exemption is to reduce the cost of materials for railroads installing track infrastructure outside Louisiana.

#### Legal Citation
R.S. 47:305.50(D), as of January 1, 2025; previously R.S. 47:305.50(F)

#### Origin
Acts 2009, No. 442, amended by Acts 2024, 3rd Ex. Sess., No. 11

#### Effective Date
Taxable periods beginning on or after July 1, 2009

#### Beneficiaries
Railroads

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

The estimated revenue loss for FYE 6-26 and FYE 6-27 is negligible.

### 127. Utilities Used by Steelworks and Blast Furnaces

Utilities, including electricity, used by steelworks and blast furnaces are exempt from sales tax. To qualify, the facility must employ more than 125 full-time workers and be classified under NAICS code 331111. The purpose of this exemption is to provide an economic incentive for steel mills to locate in Louisiana.

The exemption was partially or fully suspended from July 1, 2015, through December 31, 2024.

#### Legal Citation
R.S. 47:305.51

#### Origin
Acts 1998, No. 28, amended by Acts 2001, 1st Ex. Sess., No. 5; Acts 2002, No. 49; Acts 2004, 1st Ex. Sess., No. 5; Acts 2009, No. 443

#### Effective Date
Taxable periods beginning on or after March 2001

#### Beneficiaries
Any steel mill meeting the minimum requirements

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use tax for FYE 6-26 and FYE 6-27.

See number 30 in this Section.

### 128. Sales of Construction Materials to Habitat for Humanity, Fuller Center for Housing, and Make it Right Foundation

Habitat for Humanity affiliates, Fuller Center for Housing covenant partners and the Make it Right Foundation were allowed to purchase construction supplies without the payment of sales or use tax when the materials are intended for use in constructing new residential dwellings in this state.

This exemption was fully or partially suspended from April 1, 2016, through December 31, 2024. This exemption was repealed effective January 1, 2025, but see number 116 in this Section for reinstatement of the exemption for Habitat for Humanity affiliates.

#### Legal Citation
R.S. 47:305.59(A)

#### Origin
Acts 2007, No. 430, amended by Acts 2009, No. 464; Acts 2011, No. 385; Acts 2021, No. 299; Acts 2024, 3rd Ex. Sess., No. 11

#### Effective Date
Taxable periods beginning on or after October 1, 2007, for purchases by Habitat for Humanity; taxable periods beginning on or after July 1, 2009, for purchases by Fuller Center for Housing; and taxable periods beginning on or after July 1, 2012, for purchases by Make it Right Foundation.

#### Repealed and Reinstated
Repealed effective January 1, 2025, by Acts 2024, 3rd Ex. Sess., No. 11

#### Beneficiaries
Habitat for Humanity affiliates, Fuller Center for Housing and Make it Right Foundation

#### Estimated Fiscal Effect
The provisions for Fuller Center for Housing and Make it Right Foundation have been repealed; therefore, there is no estimated revenue loss for FYE 6-26 or FYE 6-27.

For Habitat for Humanity, see number 116 in this Section.

{ Exemptions and Exclusions }

### 129. Sales of Construction Materials to Animal Shelters for the Construction of New Animal Shelters in Louisiana

Animal shelters in Louisiana are allowed to purchase construction materials exempt from sales tax when the materials are used to construct new shelters. Eligible construction must begin between July 1, 2021, and June 30, 2025.

The purpose of this exemption is to reduce construction costs and support the development of new animal shelters in Louisiana.

**Legal Citation**
R.S. 47: 305.59(B)

**Origin**
Acts 2021, No. 299

**Effective Date**
Taxable periods beginning on or after July 1, 2021

**Repealed**
Repealed effective January 1, 2025, by Acts 2024, 3rd Ex. Sess., No. 11

**Beneficiaries**
Animal shelters constructing new animal shelters in Louisiana

**Estimated Fiscal Effect**
The provision has been repealed; therefore, there is no estimated revenue loss for FYE 6-26 or FYE 6-27.

### 130. Second Amendment Sales Tax Holiday

There is a three-day sales tax holiday on consumer purchases of firearms, ammunition, and hunting supplies, observed from the first consecutive Friday through Sunday of September. The exemption applies to both state and local sales taxes. The purpose of this exemption is to encourage hunting-related purchases and provide temporary tax relief to consumers on firearms, ammunition, and hunting supplies.

This sales tax holiday was suspended from July 1, 2018, through June 30, 2023.

**Legal Citation**
R.S. 47:305.62

**Origin**
Acts 2009, No. 453, amended by Acts 2023, No. 288

**Effective Date**
Taxable periods beginning on or after July 2009

**Beneficiaries**
Individuals purchasing firearms, ammunition and hunting supplies

**Estimated Fiscal Effect**
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $860,000 | $877,000 |

### 131. Purchase, Lease, or Repair of Certain Capital Equipment, and Computer Software by Qualifying Radiation Therapy Treatment Centers

The purchase, lease, or repair of capital equipment and software used to operate such equipment at qualifying radiation therapy centers are exempt from state and local sales tax. The purpose of this exemption is to reduce the cost of capital equipment and software for qualifying radiation therapy centers, supporting their ability to provide critical medical services.

The exemption was suspended from April 1, 2016, through July 1, 2017. It was repealed effective January 1, 2025, and subsequently reenacted effective June 20, 2025, with retroactive application to January 1, 2025.

#### Legal Citation
R.S. 47:305.64

#### Origin
Acts 2009, No. 450, amended by Acts 2011, No. 296; Acts 2017, No. 424, repealed by Acts 2024, 3rd Ex. Sess., No. 11, reenacted by Acts 2025, No. 384

#### Effective Date
Taxable periods beginning on or after July 1, 2009

#### Beneficiaries
Qualifying radiation therapy centers

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

The estimated revenue loss for FYE 6-26 and FYE 6-27 is negligible.

### 132. Parish Councils on Aging

The 64 nonprofit parish Councils on Aging located throughout the state that are supervised by the Office of Elderly Affairs within the Governor's Office are exempt from state sales and use tax. These organizations provide state-approved services directly to senior citizens. The purpose of this exemption is to support the delivery of essential services to senior citizens by reducing operating costs for parish Councils on Aging.

#### Legal Citation
R.S. 47:305.66

#### Origin
Acts 2011, No. 53

#### Effective Date
Taxable periods beginning on or after October 2011

#### Beneficiaries
Parish Councils on Aging

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

The estimated revenue loss is $57,000 for FYE 6-26; the estimated revenue loss for FYE 6-27 is negligible.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $31,000 | $32,000 |

{ Exemptions and Exclusions }

### 133. Purchases of Breastfeeding Items

The purchase of breast pumps and related accessories, including replacement parts, storage bags, and nursing bras are exempt from state sales and use tax. The purpose of this exemption is to reduce the cost of breastfeeding supplies and support maternal and infant health.

This exemption was partially or fully suspended from April 1, 2016, through December 31, 2024.

#### Legal Citation
R.S. 47:305.67

#### Origin
Acts 2011, No. 331

#### Effective Date
Taxable periods beginning on or after October 2011

#### Beneficiaries
Purchasers of breastfeeding items

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

The estimated revenue loss for FYE 6-26 and FYE 6-27 is negligible.

### 134. Donation of Toys

Nonprofit organizations recognized under Section 501(c)(3) of the Internal Revenue Code are exempt from state and local sales tax on the purchase of toys when the toys are purchased solely for donation to children. To qualify, the organization must obtain an exemption certificate from the Department of Revenue or the applicable local tax collector. The purpose of this exemption is to support charitable organizations in providing toys to children by reducing the cost of donated goods.

#### Legal Citation
R.S. 47:305.70, as of January 1, 2025; previously R.S. 47:301(10)(aa)(i) and(18)(m)

#### Origin
Acts 2005, No. 293, amended by Acts 2024, 3rd Ex. Sess., No. 11

#### Effective Date
Taxable periods beginning on or after July 2005

#### Beneficiaries
Nonprofit organizations that purchase toys to donate to children

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

The estimated revenue loss is $57,000 for FYE 6-26; the estimated revenue loss for FYE 6-27 is negligible.

{ Exemptions and Exclusions }

### 135. Hurricane Laura, Hurricane Delta, and COVID-19 Pandemic Sales Tax Holiday

There was a one-time state sales tax holiday on the first $2,500 of the sales price of consumer purchases of tangible personal property made on Friday, November 20, 2020, and Saturday, November 21, 2020. The holiday was enacted to provide tax relief to citizens recovering from Hurricane Laura, Hurricane Delta, and the COVID-19 pandemic.

The exemption did not apply to motor vehicle purchases, meals consumed on or off the premises, rentals or leases of tangible personal property, or the taxable sales of services enumerated in former R.S. 47:301(14). Additionally, the sales tax holiday did not apply to local sales and use taxes or to business or commercial purchases of tangible personal property.

#### Legal Citation
R.S. 47:305.74

#### Origin
Acts 2020, 2nd Ex. Sess., No. 16

#### Effective Date
October 28, 2020

#### Repealed
Repealed effective January 1, 2025, by Acts 2025, 3rd Ex. Sess., No. 11

#### Beneficiaries
Consumer purchasers of tangible personal property on November 20, 2020, and November 21, 2020

#### Estimated Fiscal Effect
The provision has been repealed; therefore, there is no estimated revenue loss for FYE 6-26 or FYE 6-27.

### 136. Purchases of Feminine Hygiene Products, Diapers, or Both for Individual Personal Use

Purchases of feminine hygiene products, as well as adult and child diapers, when purchased for individual use are exempt from state and local sales tax. The purpose of this exemption is to reduce the cost of essential personal hygiene products for individuals and families.

#### Legal Citation
R.S. 47:305.75

#### Origin
Acts 2021, No. 449, amended by Acts 2024, 3rd Ex. Sess., No. 11; Acts 2025, No. 384

#### Effective Date
Taxable periods beginning on or after July 1, 2022

#### Beneficiaries
Purchasers of feminine products and diapers

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $1,235,000 | $1,260,000 |

{ Alternate-Reporting Methods }

### 137. Helicopters Leased for Use in the Extraction, Production, or Exploration for Oil, Gas, or Other Minerals

There is an alternate-reporting method that allows the lease or rental of certain helicopters used in the extraction, production, or exploration of oil, gas, or other minerals to be treated as a sale of tangible personal property, with an extended period for remitting any taxes due.

Helicopters acquired through a lease, rental, lease-purchase, or similar arrangement by a qualifying company, or used by a company providing services to a qualifying company, are eligible for this method. Qualifying companies do not pay sales tax on lease or rental payments upfront; instead, they remit the tax on the sales price in equal installments over the term of the lease, rental, or lease-purchase contract.

The purpose of this method is to provide qualifying companies with an extended period to remit sales tax on helicopters used in oil, gas, and mineral operations.

#### Legal Citation
R.S. 47:302.1

#### Origin
Acts 1984, No. 353

#### Effective Date
Taxable periods beginning on or after July 1984

#### Beneficiaries
Companies involved in the extraction, production, or exploration for oil, gas, or other minerals

#### Estimated Fiscal Effect
This is an alternate reporting method, not an exemption, and will likely result in timing differences on taxes remitted.

The estimated fiscal effect of this provision is $0.

### 138. Cash-Basis Sales Tax Reporting and Remitting for Health and Fitness Club Membership Contracts

Health clubs must report and remit sales taxes on a cash basis, reflecting receipts net of any imputed interest or collection fees. The purpose of this alternate-reporting method is to relieve clubs from paying taxes on unpaid membership contracts.

#### Legal Citation
R.S. 47:303(F)

#### Origin
Acts 1985, No. 661, amended by Acts 1987, No. 379

#### Effective Date
Taxable periods beginning on or after September 1985

#### Beneficiaries
Health and fitness clubs

#### Estimated Fiscal Effect
This is an alternate reporting method, not an exemption, and will likely result in timing differences on taxes remitted.

The estimated fiscal effect of this provision is $0.

{ Alternate Reporting Methods }

### 139. Cash-Basis Reporting Procedure for Rental and Lease Transactions

Lessors of tangible personal property may report and remit sales tax only after payment is collected, rather than in the period when the rental or lease occurred. The purpose of this alternate-reporting method is to relieve lessors from paying sales taxes on unpaid rental fees and to prevent the loss of taxes remitted on transactions that become bad debts.

#### Legal Citation
R.S. 47:306(A)(2)

#### Origin
Acts 1985, No. 867

#### Effective Date
Taxable periods beginning on or after July 1985

#### Beneficiaries
Lessors of property

#### Estimated Fiscal Effect
This is an alternate reporting method, not an exemption, and will likely result in timing differences on taxes remitted.

The estimated fiscal effect of this provision is $0.

### 140. Collection from Interstate and Foreign Transportation Dealers

Transportation companies engaged in interstate or foreign transport of passengers or property are allowed to remit taxes based on the proportion of Louisiana miles to total miles traveled. Under R.S. 47:306.2(B)(2), "Louisiana mileage" does not include mileage within the state that is part of a route between a point in Louisiana and a point offshore beyond the territorial limits of any state. R.S. 47:306.2(B)(1) further allows the use of a transportation unit of measurement other than mileage if appropriate based on industry custom and the type of transportation.

Transportation dealers registered under R.S. 47:306.1 as of June 22, 2005, who provide transport between points in Louisiana and offshore points outside any state's territorial limits during the prior reporting period, are deemed to have elected to report under these statutes. They must begin reporting in accordance with these provisions instead of R.S. 47:306.1, unless they notify the secretary otherwise.

The purpose of this provision is to allow transportation companies to calculate and remit Louisiana sales and use taxes based on the proportion of in-state travel, simplifying compliance for interstate and offshore operations.

#### Legal Citation
R.S. 47:306.1, R.S. 47:306.2

#### Origin
Acts 1956, No. 438, amended by Acts 2005, No. 126

#### Effective Date
Taxable periods beginning on or after August 1956

#### Beneficiaries
Interstate and foreign transportation dealers

#### Estimated Fiscal Effect
This is an alternate reporting method, not an exemption, and will likely result in timing differences on taxes remitted.

The estimated fiscal effect of this provision is $0.

{ Statutorily Prescribed Methods of Taxation }

### 141. Extended Time to Register Mobile Homes

This provision allows purchasers of factory-built homes (mobile homes), as defined in R.S. 9:1149.2(4), an extended period to apply for a certificate of title from five days after delivery to the 20th day of the month following delivery, providing approximately 20 to 50 days to apply. If a factory-built home was immobilized prior to registration, it was not subject to sales tax. The purpose of this provision was to give purchasers additional time to immobilize their homes. However, effective January 1, 2010, legislation eliminated the ability to avoid sales tax through immobilization.

#### Legal Citation
R.S. 32:707(A)

#### Origin
Acts 1997, No. 272, amended by Acts 2009, No. 500

#### Effective Date
Taxable periods beginning on or after July 1997

#### Beneficiaries
Purchasers of factory-built homes that immobilize them at the time of purchase

#### Estimated Fiscal Effect
This statute was amended to eliminate the ability of factory-built home purchasers to avoid paying tax through an act of immobilization. This is a statutorily prescribed method of taxation, not an exemption, and will likely result in timing differences on taxes remitted.

The estimated fiscal effect of this provision is $0.

### 142. "Sales or Cost Price" of Refinery Gas

These exclusions establish the valuation of refinery gas, excluding feedstock, whether sold or produced, for each calendar year. Sales of such gas are subject to tax under R.S. 47:301(13)(c), and its use by the producer is subject to tax under R.S. 47:301(3)(c). The price of refinery gas is calculated as the greater of 52¢ per MCF multiplied by a fraction, the numerator of which is the posted price for a barrel of West Texas Intermediate Crude Oil on December 1 of the preceding year, and the denominator of which is $29. This valuation applies to both state and local taxes. The valuations for calendar years 2023, 2024, and 2025 are $1.453, $1.322, and $1.225 per MCF, respectively.

#### Legal Citation
R.S. 47:301(3)(c) and (13)(c), as of January 1, 2025; previously R.S. 47:301(3)(f) and (13)(d)

#### Origin
Acts 1996, No. 29, amended by Acts 2004, No. 49; Acts 2005, No. 458; Acts 2024, 3rd Ex. Sess., No. 11

#### Effective Date
Taxable periods beginning on or after July 1996

#### Beneficiaries
Refineries producing refinery gas

#### Estimated Fiscal Effect
This is a valuation formula only.

The estimated fiscal effect of this provision is $0.

## { Statutorily Prescribed Methods of Taxation }

### 143. Leases or Rentals of Railroad Rolling Stock and Leases or Rentals by Railway Companies and Railroad Corporations

This alternate reporting method relieves lessors of railroad rolling stock from the requirement to collect lease or rental tax from their lessees. Under this method, lessees or rentees—except for railway companies or railroad corporations—are still required to self-assess and remit the lease or rental tax directly to the state. The purpose of this method is to reduce the administrative burden on lessors of railroad rolling stock and to provide tax relief to railway companies and railroad corporations.

#### Legal Citation
R.S. 47:301(4)(j), as of January 1, 2025; previously R.S. 47:301(4)(k)

#### Origin
Acts 1990, No. 444, amended by Acts 2024, 3rd, Ex. Sess., No. 11

#### Effective Date
Taxable periods beginning on or after September 1990

#### Beneficiaries
Louisiana lessors of rail rolling stock and railway companies

#### Estimated Fiscal Effect
This is a statutorily prescribed method of taxation, not an exemption, and will likely result in timing differences on taxes remitted.

The estimated fiscal effect of this provision is $0.

## { Credits }

### 144. Vendor's Compensation

This credit compensates dealers for the accounting and remittance of sales taxes. Each dealer may deduct 1.05% from the tax due, provided that reports are submitted and payment is made to the Department of Revenue on a timely basis. Sales tax imposed under R.S. 47:321.1 is not eligible for vendor compensation.

The effective vendor compensation rate is 0.84%, which reflects 4% of the total 5% state sales tax based on the 1.05% rate.

Effective January 1, 2025, the maximum allowable deduction was reduced from $1,500 to $750 per calendar month per taxpayer, for all business locations operating in Louisiana.

The purpose of this credit is to compensate dealers for the administrative effort involved in accounting for and remitting sales taxes.

#### Legal Citation
R.S. 47:306(A)(3)(a)

#### Origin
Acts 1948, No. 9, amended by Acts 1986, No. 916; Acts 1991, No. 709; Acts 1995, No. 1186; Acts 1996, 1st Ex. Sess., No. 32; Acts 1998, 1st Ex. Sess., No. 50; Acts 2001, No. 7; Acts 2013, No. 425; Acts 2016, 1st Ex. Sess., No. 15 Acts 2018, 3rd Ex. Sess., No. 1; Acts 2020, 1st Ex. Sess., No. 27; Acts 2024, 3rd Ex. Sess., No. 11

#### Effective Date
Taxable periods beginning on or after June 1948

#### Beneficiaries
Dealers who report and remit taxes on a timely basis

#### Estimated Fiscal Effect
The credit applies to 4 out of 5 cents in state sales tax for eligible transactions remitted on time.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $40,408,000 | $41,216,000 |

{ Refunds }

### 145. Sales Tax Remitted on Bad Debts from Credit Sales

This refund provision provides financial relief to vendors who remit sales taxes to the state but are subsequently unable to collect those taxes from their customers. The bad-debt recovery provision does not apply to rentals or leases. The purpose of this refund is to allow taxpayers to recover sales taxes that were remitted to the Department but not collected from their customers.

#### Legal Citation
R.S. 47:315

#### Origin
Acts 1976, No. 153, amended by Acts 1985, No. 516

#### Effective Date
Taxable periods beginning on or after July 1976

#### Beneficiaries
Vendors who remitted the tax on credit sales of tangible personal property and digital products that were uncollectible from their customers.

#### Estimated Fiscal Effect
During fiscal year 2024-2025, $661,708 in sales tax refunds were issued for bad debts on credit sales.

The Department is unable to estimate the future fiscal effect of this refund since it fluctuates from year to year.

### 146. State Sales Tax Paid on Property Destroyed in a Natural Disaster

Prior to January 1, 2025, sales tax paid on destroyed property may be refunded upon submission of a proper claim, based on the taxes originally paid by the owner. This refund provision provided financial assistance to individuals who suffered uninsured losses due to natural disasters.

#### Legal Citation
R.S. 47:315.1

#### Origin
Acts 1970, No. 592, amended by Acts 1972, No. 592; Acts 1973, No. 60; Acts 2001, No. 1032

#### Effective Date
Taxable periods beginning on or after August 1969

#### Repealed
Repealed effective January 1, 2025, by Acts 2024, 3rd Ex. Sess., No.11

#### Beneficiaries
Owners of property destroyed by a natural disaster in an area determined by the President of the United States to need federal assistance.

#### Estimated Fiscal Effect
During fiscal year 2024-2025, no sales tax refunds were issued for state sales tax paid on property destroyed in a natural disaster.

The provision has been repealed; therefore, there is no estimated revenue loss for FYE 6-26 or FYE 6-27.

{ Refunds }

### 147. Sales, Leases, or Rentals of Durable Medical Equipment Paid by or Under Provisions of Medicare

This exemption allows for the tax-free purchase or rental of durable medical equipment when paid by, or under the provisions of, Medicare. While most qualifying purchases were already exempt from state sales tax under R.S. 47:305.2 (medical exemptions), leases of such equipment were not covered by that provision.

Previously, a refund was available for these transactions, but it was repealed effective January 1, 2025. The current exemption was enacted and applies to taxable periods beginning on or after January 1, 2025.

#### Legal Citation
R.S. 47:305.2(B)(8), as of January 1, 2025; previously R.S. 47:315.3

#### Origin
Acts 1994, No. 25

#### Effective Date
Taxable periods beginning on or after August 1994 for the refund; taxable periods beginning on or after January 1, 2025, for the exemption.

#### Repealed
Repealed effective January 1, 2025, by Acts 2024, 3rd Ex. Sess., No. 11

#### Beneficiaries
Purchasers and lessees of qualifying durable medical equipment

#### Estimated Fiscal Effect
The Department is unable to estimate the future fiscal effect of this refund since it fluctuates from year to year.

### 148. Louisiana Tax-Free Shopping Program

This program allows international tourists to receive refunds of state and local sales taxes on certain purchases, with the goal of promoting tourism in Louisiana. Merchants who pay an annual $100 fee are included in a listing of tax-free stores distributed to international tourists. The purpose of this provision is to encourage tourists to shop in Louisiana, thereby benefiting local retailers.

#### Legal Citation
R.S. 51:1301

#### Origin
Acts 1988, No. 535, amended by Acts 2001, 1st Ex. Sess., No. 7; Acts 2004 1st Ex. Sess., No. 14; Acts 2006, No. 76; Acts 2008, No. 232; Acts 2012, No. 435

#### Effective Date
Taxable periods beginning July 1988, through December 31, 2024

#### Repealed
Repealed effective January 1, 2025, by Acts 2024, 3rd Ex. Sess., No. 11

#### Beneficiaries
International tourists who travel and make purchases in Louisiana and the merchants who participate in the program

#### Estimated Fiscal Effect
The Louisiana Tax-Free Shopping Program and the exemption sunset on June 30, 2024; and has been repealed. Purchases made on or after July 1, 2024, do not qualify for refund; therefore, there is no estimated revenue loss for FYE 6-26 or FYE 6-27.

{ Rebate }

### 149. Motor Vehicles Used by Those with Orthopedic Disabilities

This rebate provides financial relief to individuals—or entities acting on their behalf—purchasing vehicles for use by persons with orthopedic disabilities. Vehicle modifications must be made in accordance with a prescription or written recommendation from a physician, licensed chiropractor, or driver rehabilitation specialist. An individual is considered orthopedically disabled if they have permanent limitations in the movement of body extremities or loss of physical function, necessitating a specially modified vehicle for transportation. After the required modifications are completed, the purchaser may apply for a rebate of the state sales tax paid. The purpose of this rebate is to allow taxpayers to recover state sales tax paid on vehicles purchased for the transport of individuals with orthopedic disabilities.

#### Legal Citation
R.S. 47:305.72

#### Origin
Acts 2019, No. 419

#### Effective Date
Taxable periods beginning on or after July 1, 2019

#### Beneficiaries
Purchasers of vehicles for those with orthopedic disabilities

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $10,000 | $11,000 |

### 150. Fiber-Optic Cable Equipment Rebate and Data Center Equipment Rebate/ Exemption

As originally enacted, this provision authorized a rebate of state and local sales and use taxes paid by the winning bidder on fiber-optic cable equipment used for broadband networks in unserved areas in Louisiana. The rebate was available to a winning bidder that was awarded a census block in the Rural Digital Opportunity Fund Auction. The rebates amount to 50% of the sales and use tax paid by the winning bidder on fiber-optic cable equipment. Qualifying "Fiber-Optic Equipment" includes: (1) Telecommunications fiber; (2) Wires; (3) Poles; (4) Supports; (5) Lashing Cable; (6) Conduit; (7) Communication Handholes; and (8) Customer Premise Equipment.

Effective July 1, 2024, the provision was expanded to certain data center facility equipment. A data center facility certified by Louisiana Economic Development is eligible for a rebate of sales and use taxes paid on the purchase of certain data center equipment, as well as sales tax paid for development, acquisition, construction, lease, repair, refurbishment, expansion and renovation of a qualified data center.

Act 11 of the 2024 Third Extraordinary Session converted the data center rebate to an exemption and repealed the rebate for fiber-optic cable equipment.

Effective January 1, 2025, this provision exempts the purchase or lease of specific data center facility equipment from state and local sales and use taxes. The equipment purchases must be made by a data center facility that has been approved by Louisiana Economic Development and is in compliance with R.S. 47:305.73.

#### Legal Citation
R.S. 47:305.73

#### Origin
Acts 2020, 1st Ex. Sess., No. 35, amended by Acts 2024, No. 730; Acts 2024, 3rd Ex. Sess., No. 11

#### Effective Date
Taxable periods beginning on or after July 1, 2020, through December 31, 2024 - *Fiber-Optic Cable Equipment*

Taxable periods beginning on or after July 1, 2024 - *Data Center Facility Equipment and Expenditures*

#### Beneficiaries
Purchasers of data center facility equipment

#### Estimated Fiscal Effect
This rebate was affected by legislation from the 2024 Regular Session and 2024 Third Extraordinary Session. Prior to January 1, 2025, qualified purchases of fiber-optic cable equipment and data center facility equipment and

## { Rebate }

### 150. Fiber-Optic Cable Equipment Rebate and Data Center Equipment Rebate/ Exemption *(continued)*

expenditures qualified for a rebate of the entire 4.45% state sales tax. Effective January 1, 2025, qualified purchases of data center facility equipment and expenditures are entirely exempt from the 5% state sales tax rate.

The Department is unable to estimate the future fiscal effect.

## { State Exemptions with Prohibitions on Taxation }

### 151. Credit for Sales and Use Taxes Paid to Other States on Property Imported into Louisiana

This credit allows a person or business to reduce any Louisiana use tax owed by the amount of sales tax lawfully paid to another qualified state. To qualify, the other state must provide a similar credit for Louisiana taxes, and the tax charged must be comparable in nature. Louisiana has entered into agreements with other states to provide such reciprocal credits for its residents. The purpose of this provision is to ensure reciprocity with other states that offer similar tax credits.

#### Legal Citation
R.S. 47:303(A)(3)(a)

#### Origin
Acts 1964, No. 171, amended by Acts 2005, No. 394

#### Effective Date
Taxable periods beginning on or after July 1964

#### Beneficiaries
Persons and companies importing property into this state

#### Estimated Fiscal Effect
The Department is unable to estimate the fiscal effect; there is no reporting requirement for the data.

{ State Exemptions With Prohibitions On Taxation }

### 152. Credit for Use Tax Paid on Automobiles Imported by Certain Members of the Armed Services

This provision allows Louisiana residents who have served in the armed services for two years or more to receive a credit for sales taxes paid on automobiles. The credit applies to both state and local sales taxes paid to any other state. The purpose of this credit is to provide financial assistance to members of the armed services.

#### Legal Citation
R.S. 47:303(A)(3)(a)

#### Origin
Acts 1965, No. 122, amended by Acts 2005, No. 394

#### Effective Date
Taxable periods beginning on or after July 1965

#### Beneficiaries
Louisiana residents who serve in the armed services

#### Estimated Fiscal Effect
The Department is unable to estimate the fiscal effect, as the Office of Motor Vehicles could not provide data on these transactions.

### 153. Use of Vehicles in Louisiana by Active Military Personnel

This exemption permits active-duty military personnel to transfer motor vehicles into Louisiana free from sales tax, provided the following conditions are met:

- the individual is on active duty in Louisiana;
- sales tax was paid in the state where the vehicle was purchased; and
- the purchaser was either a resident of, or stationed on military duty in, the state where the vehicle was purchased.

The vehicle becomes subject to Louisiana sales tax upon the individual's separation from active military service. A credit is allowed for sales taxes paid to other states pursuant to R.S. 47:303(A).

This statute is consistent with provisions of the federal Soldiers' and Sailors' Civil Relief Act of 1940 (50 U.S.C. § 574). Because of the federal protections provided under this Act, the credit for taxes paid to other states is not expected to result in additional revenue losses. The purpose of this provision is to provide reciprocity for similar tax credits allowed by other states.

#### Legal Citation
R.S. 47:305.48

#### Origin
Acts 1989, No. 435

#### Effective Date
Taxable periods beginning on or after September 1989

#### Beneficiaries
Active military personnel

#### Estimated Fiscal Effect
The Department is unable to estimate the fiscal effect, as the Office of Motor Vehicles could not provide data on these transactions.

## { State Exemptions With Prohibitions On Taxation }

### 154. Purchases Made with Food Stamps and WIC Vouchers

This exemption allows tax-free purchases of eligible food items when purchased using benefits from the USDA Supplemental Nutrition Assistance Program (SNAP) or the Women, Infants, and Children (WIC) program. The federal government provides SNAP and WIC benefits to eligible participants for the purchase of qualifying food items.

As a condition of receiving federal funding for SNAP and WIC, states are prohibited from taxing these purchases. Repeal of this exemption would result in the loss of federal funding. The purpose of this exemption is to ensure compliance with federal requirements.

#### Legal Citation
R.S. 47:305.7(C)(1) and (2), as of January 1, 2025; previously R.S. 47:305.46

#### Origin
Acts 1986, No. 1028, amended by Acts 2024, 3rd Ex. Sess., No. 11

#### Effective Date
Taxable periods beginning on or after October 1, 1987

#### Beneficiaries
Purchasers using SNAP and WIC benefits

#### Estimated Fiscal Effect
Food items eligible to be purchased with SNAP and WIC benefits would also fall under the constitutional exclusion as food for home consumption.

Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $74,745,000 | $76,240,000 |

### 155. Sales of Water to the Consumer for Residential Use

The Louisiana Constitution prohibits the imposition of sales tax on natural gas, electricity, and water sold directly to the consumer for residential use. The constitutional amendment was approved by voters on November 5, 2002, with the full exclusion taking effect July 1, 2003. The purpose of the exclusion is to provide financial relief to residential consumers of water utility services.

#### Legal Citation
La. Const. art. VII, §2.2, R.S. 47:305(D)(1)(b)

#### Origin
Constitutional Amendment

#### Effective Date
Taxable periods beginning on or after January 1, 2003

#### Beneficiaries
Residential consumers of water utility services

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

See number 156 in this Section.

{ State Exemptions With Prohibitions On Taxation }

### 156. Sales of Electric Power or Energy to the Consumer for Residential Use

The Louisiana Constitution prohibits the imposition of sales tax on natural gas, electricity, and water sold directly to consumers for residential use. The constitutional amendment was approved by voters on November 5, 2002, with the full exclusion taking effect July 1, 2003. The purpose of the exclusion is to provide financial relief to residential consumers of electrical utility services.

**Legal Citation**
La. Const. art. VII, §2.2, R.S. 47:305(D)(1)(b)

**Origin**
Constitutional Amendment

**Effective Date**
Taxable periods beginning on or after January 1, 2003

**Beneficiaries**
Residential consumers of electrical utility services

**Estimated Fiscal Effect**
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $252,776,000 | $257,831,000 |

### 157. Sales of Natural Gas to the Consumer for Residential Use

The Louisiana Constitution prohibits the imposition of sales tax on natural gas, electricity, and water sold directly to consumers for residential use. The constitutional amendment was approved by voters on November 5, 2002, with the full exclusion taking effect on July 1, 2003. The purpose of the exclusion is to provide financial relief to residential consumers of natural gas.

**Legal Citation**
La. Const. art. VII, §2.2, R.S. 47:305(D)(1)(b)

**Origin**
Constitutional Amendment

**Effective Date**
Taxable periods beginning on or after January 1, 2003

**Beneficiaries**
Residential consumers of natural gas

**Estimated Fiscal Effect**
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

See number 156 in this Section.

{ State Exemptions With Prohibitions On Taxation }

### 158. Drugs Prescribed by Physicians or Dentists

This exemption allows prescription drugs to be purchased free from sales tax when prescribed by a physician or dentist, as well as drugs dispensed to patients by hospitals pursuant to a physician's order. Drugs include all pharmaceuticals and medical devices which are prescribed for use in the treatment of any medical disease. On November 5, 2002, voters approved a constitutional amendment that prohibits the taxation of prescription drugs. The purpose of this prohibition is to provide financial assistance to consumers.

**Legal Citation**
La. Const. art. VII, §2.2, R.S. 47:305.2(A)(1)

**Origin**
Constitutional Amendment

**Effective Date**
Taxable periods beginning on or after January 1, 2003

**Beneficiaries**
Hospitals and individuals who purchase prescription drugs

**Estimated Fiscal Effect**
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $575,245,000 | $586,750,000 |

### 159. Sales of Food for Preparation and Consumption in the Home

The Louisiana Constitution prohibits the taxation of food sold for preparation and consumption in the home. The constitutional amendment was approved by voters on November 5, 2002, with the full exclusion taking effect on July 1, 2003. Sales of prepared foods by grocery stores, department stores, variety stores, drug stores, delicatessens, convenience stores, meat markets, seafood markets, and similar businesses do not qualify for the exclusion and remain subject to state sales tax. The purpose of this prohibition is to provide financial relief to the general public on food purchases.

**Legal Citation**
La. Const. art. VII, §2.2, R.S. 47:305(C)(1)(a)-(e)

**Origin**
Constitutional Amendment

**Effective Date**
Taxable periods beginning on or after January 1, 2003

**Beneficiaries**
The general public

**Estimated Fiscal Effect**
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $644,045,000 | $656,926,000 |

{ State Exemptions With Prohibitions On Taxation }

### 160. Purchases of Butane, Propane, and Liquefied Petroleum Gas by Residential Consumers

Consumers are allowed to buy fuel or gas, including butane and propane, for residential use without paying the sales tax. The purpose is to provide financial relief to consumers.

#### Legal Citation
La. Const. art. VII, §2.2 and R.S. 47:305.39, as of January 1, 2025; previously La. Const. art VII, §2.2 and R.S. 47:301(10)(x)

#### Origin
Acts 2004, 1st Ex. Sess., No. 8, amended by Acts 2017, No. 424; Acts 2024, 3rd Ex. Sess., No.11

#### Effective Date
Taxable periods beginning on or after July 1, 2004

#### Beneficiaries
Residential consumers

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

See number 156 in this Section.

### 161. Purchases of Certain Fuels for Private Residential Consumption

This exemption allows the tax-free purchase of butane, propane, and other liquefied petroleum goods used for private residential cooking and cleaning purposes. The purpose of this exemption is to provide financial assistance to consumers.

#### Legal Citation
La. Const. art. VII, §2.2 and R.S. 47:305.39

#### Origin
Acts 1983, No. 654, amended by Acts 1985, No. 622

#### Effective Date
Taxable periods beginning on or after July 1, 1984

#### Beneficiaries
Residential consumers

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $428,000 | $437,000 |

{ State Exemptions With Prohibitions On Taxation }

### 162. Sales of Gasoline, Gasohol, and Diesel

The Louisiana Constitution prohibits the imposition of sales tax on fuel that is subject to the road-use excise tax. As a result, most fuel sales are excluded from sales taxation, since the majority of gasoline, gasohol, and diesel fuel is subject to the road-use tax.

Gasoline that is not subject to the road-use excise tax is exempt from sales tax pursuant to R.S. 47:305(D)(1)(a). Gasohol that is not subject to the road-use excise tax was exempt from sales tax under R.S. 47:305.28 prior to January 1, 2025, provided it was produced, fermented, and distilled in Louisiana.

The fiscal impact of this constitutional exclusion is reflected in this section. The intent of the prohibition is to provide a tax benefit to consumers.

#### Legal Citation
La. Const. art. VII, §27

#### Origin
Constitutional Amendment

#### Effective Date
Taxable periods beginning on or after January 1, 1990

#### Beneficiaries
Consumers of road use gasoline and gasohol

#### Estimated Fiscal Effect
Pertinent transactions are entirely exempt from state sales and use taxes for FYE 6-26 and FYE 6-27.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $575,662,000 | $552,286,000 |

# Tax Incentives and Exemption Contracts

# Tax Incentives and Exemption Contracts

## { Introduction }

Louisiana Economic Development (LED) administers various tax exemptions and incentive programs for the benefit of qualifying businesses. The State Board of Commerce and Industry is responsible for reviewing and approving or disapproving applications for many of the tax incentive programs administered by LED.

Depending on the legislative intent, businesses must meet specific criteria to be eligible for the various tax exemptions and incentives and once approved, must continue to comply with the program guidelines to maintain eligibility. The purpose of these tax exemption and incentive contracts is to encourage specific economic development.

### Types of Tax Exemptions

Tax exemptions can be in the form of sales and use tax rebates and exemptions, rebates and credits for income taxes, corporation franchise tax, and other taxes imposed by the state.

### Significant Changes
### 2025 Regular Session

**Act 44**

Act 44 sunsets the current motion picture production tax credit program for applications received after June 30, 2025, and authorizes a tax credit of up to 40% for projects approved on or after July 1, 2025. The new program will be established through rules promulgated by Louisiana Economic Development which must be approved by both the House Committee on Ways and Means and the Senate Committee on Revenue and Fiscal Affairs before becoming effective. Effective July 1, 2025.

# Tax Incentives and Exemption Contracts

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## 1. Motion Picture Investor Tax Credit

The purpose of the tax credit is to encourage development in Louisiana of a strong capital base for motion picture production in order to achieve an independent, self- supporting industry. For applications received before July 1, 2025, the credit is governed by the regulations contained in Subchapter A of Part I of Title 61. For applications received on or after July 1, 2025, the credit is governed by the regulations contained in Subchapter B of Part I of Title 61.

- For applications received prior to July 1, 2025
  - State certified productions meeting certain criteria are eligible for a tax credit of up to 40% for qualified expenditures.
  - Qualified Entertainment Companies (QEC) meeting certain criteria are eligible for, a payroll tax credit of up to 20%.
- For applications received on or after July 1, 2025:
  - State certified productions with a base investment equal to $150,000 are eligible for a tax credit of up to 40%.
  - Qualified Entertainment Companies, at the invitation of the secretary, are eligible for a tax credit on terms and conditions, as negotiated and approved by the secretary.

### Limitation of the Credit

- LED program issuance cap – for applications received on or after July 1, 2017, and before July 1, 2025 LED shall issue no more than $150 million per fiscal year. For applications received on or after January 1, 2025, LED shall issue no more than $125 million per fiscal year.
- LDR taxpayer claim cap – beginning July 1, 2017, through June 30, 2025, tax credit claims and transfers to the state could not exceed $180 million per fiscal year and any unused cap amounts rolled over to the next year. Beginning July 1, 2025, tax credit claims and transfers to the state shall not exceed $125 million per fiscal year. Any unused cap amount is lost.
- For applications received on or after July 1, 2017, credits cannot be transferred or sold to another taxpayer.
- Effective August 1, 2023, taxpayers are prohibited from earning, transferring, or using a credit if he owes a delinquent federal, state, or local tax obligation. The taxpayer must certify that there is no delinquent federal, state, or local tax obligation.
- For applications received on or after July 1, 2025, the credit is governed by the provisions of LAC 61:I.61, Subchapter B.

## 1. Motion Picture Investor Tax Credit *(continued)*

### Application of Credits

- Individuals must claim credit on their individual income tax return.
- Estates or trusts must claim credit on their fiduciary income tax returns.
- Entities taxed as corporations will claim credit on their corporation income and franchise tax return.
- Entities not taxed as corporations will claim the credit on the returns of the partners or members.

### Transferability of the Credit

For application submitted prior to July 1, 2017, any tax credits allocated to a person may be transferred back to the state for 85¢ per $1 or any tax credits allocated to a person and not previously claimed by any taxpayer against his income tax may be transferred or sold to another person for a $200 transfer fee per transferee subject to the following conditions:

- A single transfer or sale may involve one or more transferees.
- Transferors and transferees must submit notification of any transfer or sale of tax credits to LED and LDR within 30 days after the transfer or sale of the tax credits.
- Failure to comply with the transfer requirements will result in the disallowance of the tax credit until the taxpayers are in full compliance.
- The credit transfer or sale does not extend the time in which the credit can be used.
- The transferee must apply the credits in the same manner and against the same taxes as the taxpayer originally awarded the credit.

For applications submitted on or after July 1, 2017, tax credits may be transferred back to the state for ninety cents per dollar, subject to a 2% transfer fee.

### Legal Citation

R.S. 47:6007

### Origin

Acts 1992, No. 894, amended by Acts 1997, No. 658; Acts 2002, 1st Ex. Sess., No. 6; Acts 2003, No. 551; Acts 2003, No. 1240; Acts 2004, 1st Ex. Sess., No. 7; Acts 2005, No. 456; Acts 2007, No. 456; Acts 2009, No. 530 and 478; Acts 2013, No. 178; Acts 2014, No. 646; Acts 2015, No. 129; Acts 2015, No. 134; Acts 2015, No. 141; Acts 2015, No. 142; Acts 2015, No. 143; Acts 2015, No. 144; Acts 2015, No. 357; Acts 2015, No. 361; Acts 2015, No. 412; Acts 2015, No. 417; Acts 2015, No. 425; Acts 2015, No. 451;

## 1. Motion Picture Investor Tax Credit *(continued)*

Acts 2015, No. 452; Acts 2016, 1st Ex. Sess., No. 29; Acts 2017, No. 223, 309 and 384; Acts 2023, No. 411; Acts 2024, 3rd Ex. Sess., No. 11; Acts 2025, No. 44; Acts 2025, No. 432

### Effective Date
Taxable periods beginning on or after January 1, 1993

### Sunset Date
No new applications allowed on or after July 1, 2031

### Beneficiaries
Investors in state-certified motion picture productions

### Fiscal Effect
An analysis of the type of credits and buybacks for FYE 6-25 is as follows:

| Fiscal Effect | | |
|---|---|---|
| | **FYE 6-25** | **% of Total** |
| Individual Income Tax | $209,780 | 0.21% |
| Corp. Income Tax | $101,819,468 | 99.79% |
| Fiduciary Income Tax | $0 | 0% |
| Total | $102,029,248 | 100.00% |

Revenue loss in the amount of $102,029,248 for buybacks was issued under the cap on the credit for FYE 6-25.

### Estimated Fiscal Effect
The estimated fiscal effect of this credit is limited by the cap placed on the credit by Acts 2024, 3rd Ex. Sess., No.11.

The estimated revenue loss for FYE 6-26 and FYE 6-27 may not reflect all tax reform changes due to insufficient data currently available to fully assess their impact.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $125,000,000 | $125,000,000 |

## 2. Research and Development Tax Credit

The purpose of the research and development (R&D) tax credit is to support and encourage businesses to begin or continue conducting R&D activities in Louisiana. Through the Louisiana Research and Development Program, companies may receive a tax credit of up to 30% on qualified R&D expenses made within the state. To be eligible, a business must meet specific requirements and have conducted qualified R&D activities in Louisiana.

There are three categories of eligible applicants, each with different credit rates and filing requirements: companies with more than 50 employees that have increased their R&D spending in Louisiana; businesses that have received a Small Business Innovation Research (SBIR) or Small Business Technology Transfer (STTR) grant; and companies with fewer than 50 employees.

Some businesses, however, are not eligible for the credit unless they are specifically invited by Louisiana Economic Development (LED). This includes companies that do not have a pending or issued U.S. patent directly related to the R&D for which the credit is being claimed. Specifically, this restriction applies to professional services firms and businesses mainly involved in custom manufacturing or custom fabricating, as defined by state regulations.

### Sale of Unused Tax Credits
For research and development expenditures made between 2003 and 2008, taxpayers whose tax credits exceed their state tax liability for a given year may choose to sell their unused credits to other taxpayers with a Louisiana tax liability, as long as all of the following conditions are met:

1. The unused credits are sold for a minimum of 75% of the value of the tax benefits.
2. The taxpayer seeking to sell the unused credits belongs to one of the traditional or seed clusters as defined by LED.
3. The taxpayer seeking to sell the unused credit employs no more than 225 employees, of which 75% must be Louisiana citizens.
4. The sale of the tax credit must be approved by LED.
5. The purchaser of unused credits must apply the credits in the same manner and against the same taxes as the taxpayer originally awarded the credit.

### Application of Credits
- Individuals must claim credit on their individual income tax return.
- Estates or trusts must claim credit on their fiduciary income tax returns.
- Entities taxed as corporations will claim credit on their corporation income and franchise tax return.

## 2. Research and Development Tax Credit *(continued)*

- Entities not taxed as corporations will claim the credit on the returns of the partners or members.

### Transferability of the Credit

For tax years 2018 and beyond, tax credits certified through participation in the Small Business Technology Transfer Program or the Small Business Innovation Research Grant program that have not yet been claimed by any taxpayer may be transferred or sold to another Louisiana taxpayer. A $200 transfer fee applies for each person receiving the credit. This transfer or sale is allowed only if all of the following conditions are met:

- A single transfer or sale may involve one or more transferees.
- Transferors and transferees must submit notification of any transfer or sale of tax credits to LED and LDR within 30 days after the transfer or sale of the tax credits.
- Failure to comply with the transfer requirements will result in the disallowance of the tax credit until the taxpayers are in full compliance.
- The credit transfer or sale does not extend the time in which the credit can be used.
- The transferee must apply the credits in the same manner and against the same taxes as the taxpayer originally awarded the credit.

### Limitation of the Credit

Beginning July 1, 2025, tax credit claims and transfers to the state shall not exceed $12 million per fiscal year.

### Legal Citation

R.S. 47:6015

### Regulations

LAC 13:I.2901 et seq.

### Origin

Acts 2002 1st Ex. Sess., No. 9, amended by Acts 2005, No. 402; Acts 2009, No. 477; Acts 2011, No. 407; Acts 2013, No. 257; Acts 2015, No. 133, 357, 361, and 412; Acts 2017, No. 336; Acts 2020 1st Ex. Sess., No. 13; Acts 2023, No. 251 and 350; Acts 2024, 3rd Ex. Sess., No. 11

### Effective Date

Taxable periods beginning on or after January 1, 2003 – *Income*

Taxable periods beginning on or after January 1, 2004 – *Franchise*

## 2. Research and Development Tax Credit *(continued)*

### Sunset Date

No credit shall be allowed for research expenditures, Small Business Technology Transfer Program funds received, or Small Business Innovation Research Grant funds received after December 31, 2029.

### Beneficiaries

Qualifying taxpayers increasing research activities in Louisiana or taxpayers participating in the Small Business Technology Transfer Program or the Small Business Innovation Research Grant Program

### Fiscal Effect

An analysis of the income and corporation franchise tax credits for FYE 6-25 is as follows:

| Fiscal Effect | | |
|---|---|---|
| | **FYE 6-25** | **% of Total** |
| Corporate Income Tax | $5,276,388 | 31.08% |
| Individual Income Tax | $8,926,257 | 52.58% |
| Fiduciary Income Tax | $419,955 | 2.47% |
| Corp. Franchise Tax | $2,355,341 | 13.87% |
| Total | $16,977,941 | 100.00% |

### Estimated Fiscal Effect

The estimated revenue loss for FYE 6-26 and FYE 6-27 may not reflect all tax reform changes due to insufficient data currently available to fully assess their impact.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $12,000,000 | $12,000,000 |

### 3. Digital Interactive Media and Software Tax Credit

The purpose of this tax credit is to support the growth of a strong capital base for producing digital interactive media, helping to create a more independent and self-sustaining industry in Louisiana. The state offers a Digital Media and Software Tax Credit that provides up to a 25% refundable credit on in-state labor costs, along with up to an 18% refundable credit on eligible production expenses.

- No cap and no minimum requirement.
- The tax credit is available for a refund of 100% of its value claimed on a Louisiana state tax return OR certified applicants can receive 85% of the value earned as a rebate any time during the year.

#### Application of Tax Credits

- All entities taxed as corporations for state tax purposes must claim credit on their corporation income and franchise tax return.
- Individuals must claim credit on their individual income tax return.
- Entities not taxed as corporations must claim credit on the partner's tax returns.

The tax credit can be applied to the taxpayer's income tax owed for the year the credit is earned, as well as for the previous year. If the credit is larger than the taxes owed, the unused portion can be carried forward and used to reduce tax liability for up to ten years. However, the credit applied in any given year cannot be more than the amount of taxes due for that year.

#### Transferability of the Credit

For tax credits earned from expenditures made on or before December 31, 2011, any credits that have been allocated to a person but not yet claimed by any taxpayer may be transferred or sold to another person. This transfer or sale is allowed only if certain conditions are met:

- A single transfer or sale may involve one or more transferees.
- Transferors and transferees must submit notification of any transfer or sale of tax credits to LED and LDR within 30 days after the transfer or sale of the tax credits.
- Failure to comply with the transfer requirements will result in the disallowance of the tax credit until the taxpayers are in full compliance.
- The credit transfer or sale does not extend the time in which the credit can be used.
- The transferee must apply the credits in the same manner and against the same taxes as the taxpayer originally awarded the credit.

### 3. Digital Interactive Media and Software Tax Credit *(continued)*

#### Legal Citation

R.S. 47:6022

#### Origin

Acts 2005, No. 346, amended by Acts 2009, No. 454; Acts 2011, No. 415; Acts 2013, No. 418; Acts 2015, No. 125; Acts 2015, No. 357; Acts 2015, No. 412; Acts 2017, No. 400

#### Effective Date

Expenditures incurred on or after June 30, 2005

#### Beneficiaries

Taxpayers that invest in a state-certified digital interactive media production in Louisiana as well as citizens who benefit from a more independent, self-supporting digital interactive media industry

#### Fiscal Effect

An analysis of the income and corporation franchise tax credits and rebates for FYE 6-25 is as follows:

| Fiscal Effect | | |
|---|---|---|
| | **FYE 6-25** | **% of Total** |
| Corporate Income Tax | $18,396,157 | 42.11 % |
| Corporate Income Rebates | $24,203,201 | 55.40 % |
| Fiduciary Income Tax | $0 | 0 % |
| Individual Income Tax | $1,089,951 | 2.49 % |
| Corp. Franchise Tax | $0 | 0 % |
| Total | $43,689,309 | 100.00 % |

#### Estimated Fiscal Effect

The estimated revenue loss for FYE 6-26 and FYE 6-27 may not reflect all tax reform changes due to insufficient data currently available to fully assess their impact.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $62,000,000 | $60,760,000 |

## 4. Louisiana Capital Companies Tax Credit Program

The purpose of the Louisiana Capital Companies Tax Credit Program is to support the creation and growth of new businesses that generate jobs in the state. It does this by helping make venture capital financing available to entrepreneurs, managers, inventors, and others involved in developing and running qualified businesses in Louisiana.

### Program Administration

- LED is responsible for maintaining and interpreting program policy.
- The Office of Financial Institutions (OFI) is responsible for performing the program's regulatory and examination functions.

### Certification of a Capital Company

Companies that want to be certified as a Louisiana Capital Company must submit an application to the Commissioner of the Office of Financial Institutions (OFI). To qualify, the company must have at least $200,000 in capitalization. Within 60 days of receiving the application, the OFI Commissioner will either issue the certification—while notifying the Department of Revenue and the Commissioner of Insurance—or deny the certification and provide the applicant with the reasons for the denial. Additionally, the OFI Commissioner is required to provide a quarterly list to the Department of Revenue and the Commissioner of Insurance identifying the individuals or businesses eligible to claim the tax credit.

### Income Tax Credit or Premium Tax Reduction

Any person who invests in the certified capital of a certified Louisiana capital company may claim either a reduction in their insurance premium tax or an income tax credit during the taxable year in which the investment is made.

The income tax credit equals 35% of the amount invested. However, the total income tax credits given to all taxpayers are capped at $2 million per calendar year. If requests for credits go over this limit, the credits will be divided among the certified Louisiana capital company groups.

Insurance premium tax reductions are allowed as follows:

1. For tax reduction credits granted to investors prior to January 1, 2001, the tax reduction will be applied to the premium tax liability not to exceed 10% of the premium tax reduction in any one year until 100% of the premium tax reduction has been claimed by the insurer.

## 4. Louisiana Capital Companies Tax Credit Program *(continued)*

2. For tax reduction credits granted to investors after January 1, 2001, the tax reduction will not be applied to any premium tax liability generated within two years from the date of investment and will be applied to the premium tax liability not to exceed 12% of the premium tax reduction in any one year until one hundred percent of the premium tax reduction has been claimed by the insurer.
3. The tax reduction credits may not exceed the premium tax liability in any taxable year.
4. If a holder of premium tax reduction credits does not use credits that are generated after December 31, 1999, and which are eligible to be used in a given calendar year, those premium tax reduction credits may be carried forward and used in any subsequent year until such credits are exhausted; provided, the reduction in any taxable year shall not exceed the premium tax liability for the taxable year.
5. Tax reduction credits are not allowed for investments made after December 31, 2003.
6. The total insurance premium tax credits granted in any calendar year may not result in an additional reduction of total premium tax revenues greater than $5 million.
7. If the total requests for premium tax credits exceed the $5 million maximum amount, the premium tax credits will be allocated to the certified Louisiana capital company groups.

### Transfer of Tax Credits

- LED will provide for the transfer or sale of premium and income tax credits.
- The transfer or sale of income or premium tax credits will be restricted to transfers or sales between affiliates and sophisticated investors.
- No acquirer of tax credits will be able to use any premium tax credit earned after July 1, 2002, until at least the second anniversary of the investment date of the investment pool from which the premium tax credits were earned.

### 4. Louisiana Capital Companies Tax Credit Program *(continued)*

- Even though a transfer or sale of credits may involve several entities, only one election may be made during any calendar quarter.
- An investor in a certified Louisiana capital company may only transfer or sell credits once during a calendar quarter and the entity that purchases the credit may not transfer credits obtained during the quarter in which the credits are transferred or purchased.
- In any subsequent calendar year, the purchaser of the credits may make one transfer election per calendar quarter.

#### Corporation Income and Franchise Tax Exemption

- Any corporation that is a certified Louisiana capital company will be exempt from the corporation income tax and the corporation franchise tax for five (5) consecutive taxable periods.
- The corporation income tax exemption begins with the taxable period in which the capital company is certified If the corporation is certified before the beginning of its first taxable period, the exemption will begin with the corporation's first taxable period.
- The corporation franchise tax exemption begins with the next taxable period following the taxable period in which capital company is certified. If the corporation is certified before the beginning of its first taxable period, the exemptions will begin with the corporation's second taxable period.

#### Legal Citation

R.S. 51:1921 et seq.

#### Regulations

LAC 10:XV.301 et seq.

#### Origin

Acts 1983, No. 642, amended by Acts 1984, No. 891; Acts 1986, No. 695 and 915; Acts 1987, No. 703; Acts 1989, No. 496; Acts 1992, No. 849; Acts 1993, No. 279; Acts 1994, 3rd Ex. Sess., No. 9; Acts 1996, No. 21; Acts 1997, No. 58 and 366; Acts 1998, No. 70; Acts 2001, No. 8, 9, and 1122; Acts 2002, No. 84

#### Effective Date

Taxable periods beginning on or after January 1, 1986

#### Program Termination

No capital companies may be certified to begin the program after June 30, 2003, and no capital investments may be certified after December 31, 2003.

### 4. Louisiana Capital Companies Tax Credit Program *(continued)*

#### Repealed

Repealed for taxable periods beginning on or after January 1, 2025, by Acts 2024, 3rd Ex. Sess., No. 11.

#### Beneficiaries

Individuals who need venture capital to develop and operate a qualified Louisiana business

#### Estimated Fiscal Effect

The estimated revenue loss for FYE 6-26 and FYE 6-27 is $0; no activity is anticipated.

### 5. New Markets Tax Credit

An income tax credit was allowed for investments in qualified low-income community development entities (CDEs). Before claiming the tax credit, investors were required to apply to the Department of Revenue and the credits were allocated on a first-come, first-served basis. All requests received on the same business day were treated as received at the same time, and if the aggregate amount of the tax credit requests received on a single business day exceeded the total amount of available tax credits, tax credits were approved on a pro rata basis.

Investors were eligible for the tax credit if the CDE made qualified low-income community investments and no more than 25% of their investments in low-income communities were in the form of loans.

Qualified low-income community investments cannot consist of investments secured by any state or federal governmental entity.

Unused credits could be carried forward for ten years.

#### Limitations on Tax Credit

The $50 million cap on the credit for initial investments made July 1, 2007, through March 31, 2007, has been reached.

The $50 million lifetime program cap for investments on or after April 1, 2008, has been reached.

#### Legal Citation

R.S. 47:6016

#### Origin

Acts 2002, No. 66, amended by Acts 2005, No. 424; Acts 2007, No. 379; Acts 2009, No. 463; Acts 2013, No.265; Acts 2024, No. 5

#### Effective Date

Taxable periods beginning on or after September 1, 2002

#### Sunset Date

No tax credits are allowed for qualified equity investments made after August 31, 2013

#### Repealed

Repealed for taxable periods beginning on or after January 1, 2025, by Acts 2024, 3rd Ex. Sess., No. 11

#### Beneficiaries

Private sector capital investors investing in certain low-income

#### Fiscal Effect

During Fiscal Year 2024-2025, no credits were claimed.

#### Estimated Fiscal Effect

There is no estimated revenue loss for FYE 6-26 or FYE 6-27.

### 6. Industrial Tax Equalization Program

The purpose of this program is to encourage businesses to establish or keep manufacturing facilities, headquarters, or warehousing and distribution centers in Louisiana. It does this by offering a process that can reduce the total amount of state and local taxes these businesses pay—after all other site-specific tax incentives have been applied—to levels that match those in other competing states.

#### Requirements for Exemption

The Board of Commerce and Industry may enter into a tax equalization contract only if each of the following requirements are met by the manufacturing establishment, headquarters, or warehousing and distribution establishments:

- The establishment must either be located in another state or be located in Louisiana and contemplating relocating to another state that offers equivalent or comparable advantages to the area in Louisiana where the establishment currently is or plans to be.
- The state where the establishment is located or considering relocating must have a total state, parish, and local tax system that provides a greater tax benefit than Louisiana's tax structure.
- The applicant for tax equalization may be any type of business entity.
- The sites being considered in both Louisiana and the competing state must be valid and suitable for the proposed operations.
- The secretary of LED must recommend to the governor that an invitation to apply for tax equalization be extended.
- The applicant must receive an official invitation to apply from the governor.

#### Tax Exemptions

Tax exemptions will be granted to entities in the following priority:

- New or retained manufacturing establishment
  1. Corporation franchise tax.
  2. Corporation income tax.
  3. Sales and use tax on machinery and equipment to be used in manufacturing.
  4. Sales and use taxes on materials and supplies necessary for the manufacture or production of the product of the new manufacturing establishment.
  5. Any other taxes imposed by the state to which like businesses are subject.
- New or retained headquarters
  1. Corporation franchise tax.

### 6. Industrial Tax Equalization Program *(continued)*

2. Corporation income tax.
3. Sales and use tax on purchases and leases of, and repairs to, machinery and equipment that is used in the on-site operation of the new headquarters facility.
4. Sales and use tax on purchases of tangible personal property used in the construction of the new headquarters facility.
5. Any other taxes imposed by the state to which like businesses are subject.

- New or retained warehousing and distribution establishment

1. Corporation franchise tax.
2. Corporation income tax.
3. Sales and use tax on purchases and leases of, and repairs to, machinery and equipment that is used in the on-site operation of the warehousing and distribution establishment.
4. Sales and use tax on purchases of materials and supplies necessary for the on-site operation of the warehousing and distribution establishment.
5. Sales and use tax on purchases of tangible personal property used in the construction of the warehousing and distribution establishment.
6. Any other taxes imposed by the state to which like businesses are subject.

#### Commuter Airline Sales Tax Exclusion
R.S.47:3204(L) provides a state sales tax exclusion for purchases or leases of airplane equipment, airplane parts, and airplanes by any commuter airline domiciled in the state as defined in R.S. 47:305.21.

#### Legal Citation
R.S. 47:3201-3205

#### Regulations
LAC 13:I.1901 et seq.; LAC 13:I.2101 et seq.; LAC 13:I.2301 et seq.; LAC 13:I.2501 et seq.

#### Origin
Acts 1966, 1st Ex. Sess., No. 12, amended by Acts 1976, No. 381; Acts 1985, No. 3; Acts 1987, No. 307; Acts 1989, No. 491; Acts 1993, No. 400; Acts 2005, No. 403; Acts 2007, No. 389; Acts 2024, 3rd Ex. Sess., No. 11

#### Effective Date
Purchases or leases occuring on or after September 3, 1989

#### Sunset Date
No new contracts or renewals after June 30, 2025

### 6. Industrial Tax Equalization Program *(continued)*

#### Beneficiaries
Companies that locate new manufacturing establishments, new headquarters, and new warehouse and distribution establishments in the state, as well as Louisiana citizens who benefit from new employment, production and income opportunities

#### Fiscal Effect
An analysis of the types of exemptions for FYE 6-25 is as follows:

| Fiscal Effect | | |
|---|---|---|
| | **FYE 6-25** | **% of Total** |
| Sales Tax Exemptions | $0 | 0.00% |
| Corp. Income Tax Exemptions | $1,563,908 | 52.25% |
| Individual Income Tax Exemptions | $0 | 0.00% |
| Corp. Franchise Tax Exemptions | $1,413,579 | 47.48% |
| Fiduciary Income Tax Exemptions | $0 | 0.00% |
| Total | $2,977,487 | 100.00% |

#### Estimated Fiscal Effect
The estimated revenue loss for FYE 6-26 and FYE 6-27 may not reflect all tax reform changes due to insufficient data currently available to fully assess their impact.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $2,367,000 | $1,184,000 |

## 7. Exemptions for Manufacturing Establishments

The purpose of the exemption for manufacturing establishments program is to promote industrial growth in Louisiana by encouraging the creation of new businesses and supporting the retention and expansion of existing businesses that align with the state's Vision 2020 goals. Applications for this exemption must be submitted to Louisiana Economic Development (LED). At the same time, notices detailing the application and the amount and type of exemption requested must be sent to each member of the state legislature, as well as to the assessor and governing authority of the political subdivisions where the manufacturing establishment is or will be located.

LED reviews the application to determine if it meets the requirements for an exemption contract and decides whether to recommend such exemptions in a contract to the Board of Commerce and Industry. The Board reviews the governor's and LED's recommendations, holds public hearings on exemption applications, and then forwards its recommendations, along with the proposed tax exemption contract and supporting documents, to LED, the governor, the Legislative Budget Committee, the assessor, each legislator, and the local governing authority before the governor takes action.

Once these materials are received, both the governor and the Legislative Budget Committee have 30 days to approve or reject the contract. If approved, the contract is returned to the Board, LED, and the Department of Revenue for implementation. The Board of Commerce and Industry, with the governor's approval, can enter into exemption contracts lasting up to five years. These contracts may be renewed in five-year increments, but the total exemption period generally cannot exceed 15 years unless otherwise provided by law.

### Requirements for Exemption

The secretary of economic development and the Board of Commerce and Industry may consider any of the following factors when deciding whether to grant manufacturing establishment exemptions:

1. The benefits to the state, including ongoing employment opportunities, investments in and modernization of facilities, spending on goods and services, contributions to state and local government revenues, and the creation of new permanent jobs.
2. Competitive conditions in other states or foreign countries.
3. The economic viability of the applicant and how any tax exemptions might affect that viability.

## 7. Exemptions for Manufacturing Establishments *(continued)*

4. The impact of temporary supply and demand conditions on the applicant.
5. The effect of casualties and natural disasters.
6. The influence of United States and foreign trade policies.
7. The impact of federal laws and regulations on the applicant's economic viability within the state.
8. The competitive effect of similar exemptions granted to other applicants.
9. Contract terms that include guarantees of employment, clawback provisions if those guarantees are not met, and other conditions that support the continued operation and staffing of the business.

### Tax Exemptions that May be Granted

1. Corporation franchise tax.
2. Corporation income tax.
3. State sales and use taxes on machinery and equipment to be used by the applicant, on materials and building supplies, whether purchased directly or through a contractor, to be used in repair, reconstruction, modification, or construction of plant and facilities, and on materials and supplies used in the manufacture or production of the applicant's product.
4. State sales and use taxes on any other goods and services used or consumed by the applicant.
5. Any other state taxes imposed directly on the applicant.

### Legal Citation

R.S. 47:4301-4306

### Regulations

LAC 13:I 1701 et seq.

### Origin

Acts 1982, No. 773, amended by Acts 1987, Nos. 356, 535, and 921; Acts 1998, No. 32; Acts 1993, No. 400; Acts 1998, No. 32; Acts 2005, No. 403; Acts 2007, No. 389; Acts 2024, 3rd Ex. Sess., No. 11

### Effective Date

Contracts entered on or after September 10, 1982

### Sunset Date

No new contracts or renewals after June 30, 2025

## 7. Exemptions for Manufacturing Establishments *(continued)*

### Beneficiaries

Companies that establish or expand manufacturing operations in the state, as well as Louisiana citizens who benefit from new employment, production and income opportunities

### Fiscal Effect

The Department is unable to estimate the fiscal impact at this time. No new contracts will be initiated after June 30, 2025.

## 8. Enterprise Zones

Enterprise zones are designated areas characterized by high unemployment, low-income levels, or a large proportion of residents receiving public assistance. The Enterprise Zone (EZ) program is a job incentive initiative that offers Louisiana income and franchise tax credits to new or existing businesses operating within these zones. To qualify, businesses must create permanent net new full-time jobs and hire at least 50% of these new employees from one of four targeted groups.

The benefits under the program include either a one-time job tax credit of $3,500 or $1,000 for each net new job created. Additionally, businesses may receive a rebate of state sales and use taxes paid at the prevailing rate on qualifying purchases such as materials, machinery, furniture, and equipment or they may opt for a 1.5% refundable investment tax credit on the total capital investment, excluding tax-exempt items. The combined state sales tax rebate or 1.5% investment tax credit is capped at $100,000 per net new job created under the contract.

### Eligibility

This program is open to any Louisiana business (new or existing) not engaged in gaming, residential development, a church, retail business, or restaurant with NAICS codes of 44, 45, or 722, and that will:

- Create a minimum of five (5) permanent net new full-time jobs within 24 months of their project start date or increase their current nationwide employment by 10% within the first 12 months.
- Hire 50% or more of the net new jobs created from one or more of the certification requirements from these targeted groups:
  1. Residency—someone living within an enterprise zone within the state;
  2. People receiving an approved form of public assistance;
  3. People lacking basic skills, defined as performing below a ninth-grade proficiency level in reading, writing, or mathematics; or
  4. People unemployable by traditional standards.
- Businesses with NAICS codes beginning with 44, 45, 721, and 722 can participate in the program if the advance notification is filed on or after July 1, 2020, and before December 31, 2021. Retail businesses eligible to participate in the program because of Acts 2020 1st Ex. Sess., No. 28 are not eligible to earn benefits after June 30, 2023.

## 8. Enterprise Zones *(continued)*

### Jobs Tax Credit

- Either a one-time $3,500 or $1,000 jobs tax credit is available for each certified net new job created.
- Effective July 6, 2007, employees must be U.S. citizens and either domiciled in Louisiana or establish domicile in Louisiana within 60 days of their employment.
- The jobs tax credit can be applied against the taxpayer's state income or franchise tax liabilities. Additionally, Limited Liability Companies and Subchapter S corporations may pass the job tax credit to their owners listed on the enterprise zone contract.
- Tax credits may be carried forward for up to 10 years from the year they are earned.

### Sales Tax Rebate

State sales and use tax rebates are provided for materials, furniture, fixtures, machinery, and equipment purchased and used at the enterprise zone site. Items must be delivered during the project or construction period. The rebate period cannot exceed 30 months. For projects with advance notifications filed on or after April 1, 2016, the total rebate amount is capped at $100,000 per net new job created.

### Investment Tax Credit

- Effective July 10, 2007, taxpayers can choose between receiving a state sales and use tax rebate or a refundable investment income tax credit equal to 1.5% of qualified expenditures.
- Qualified expenditures include amounts classified as capital expenditures for federal income tax purposes, along with certain exclusions outlined in Internal Revenue Code Section 263(a)(1)(A) through (L). These exclude the capitalized cost of land, capitalized land leases, capitalized interest, and capitalized costs of manufacturing machinery and equipment to the extent those costs are exempt from sales and use tax under R.S. 47:301(3), as well as the capitalized cost of purchasing an existing building.
- For projects with advance notifications filed on or after April 1, 2016, the investment income tax credit is capped at $100,000 per net new job created.

### Application of Jobs Tax Credits

- Individuals must claim credit on their individual income tax return.
- Estates or trusts must claim credit on their fiduciary income tax returns.
- Entities taxed as corporations will claim credit on their corporation income and franchise tax return.

## 8. Enterprise Zones *(continued)*

- Entities not taxed as corporations will claim the credit on the returns of the partners or members.

### Legal Citation

R.S. 51:1781 et seq.

### Regulations

LAC 13:I.701 et seq.

### Origin

Acts 1981, No. 901, amended by Acts 1982, No. 120; Acts 1992, No. 1024; 1993 R.S., H.C.R. No. 71; Acts 1995, No. 194 and 581; Acts 1997, No. 624, 647, 1155, and 1172; Acts 1999, No. 386 and 977; Acts 2000, No. 46; Acts 2001, No. 9; Acts 2002, 1st Ex. Sess., No. 4; Acts 2002, No. 36; Acts 2003, No. 1203 and 1240; Acts 2005, No. 388, 339, and 443; Acts 2007, No. 271 and 279; Acts 2011, No. 359; Acts 2012, No. 45; Acts 2013 No. 141 and 423; Acts 2015, No. 114, 126, and 426; Acts 2016, 1st Ex. Sess., No. 18 and 28; Acts 2017, No. 206 and 386; Acts 2018, No. 11; Acts 2020, 1st Ex. Sess., No. 12 and 28; Acts 2024, 3rd Ex. Sess., No. 11

### Effective Date

Advance notices filed on or after September 11, 1981

### Sunset Date

No advanced notices received after June 30, 2025, will be approved to receive tax credits.

### Beneficiaries

Companies who meet the statutory criteria and that locate new business establishments in designated enterprise zones, as well as Louisiana citizens who benefit from new employment, production and income opportunities

### Fiscal Effect

An analysis of the types of exemptions for FYE 6-25 is as follows:

| Fiscal Effect | | |
|---|---|---|
| | **FYE 6-25** | **% of Total** |
| Sales Tax Rebate | $1,341,818 | 6.37% |
| Corp. Income Tax Jobs Credit | $2,098,909 | 9.96% |
| Investment Credit | $15,492,725 | 73.55% |
| Individual Income Tax Jobs Credit | $1,503,801 | 7.14% |
| Fiduciary Income Tax Jobs Credit | $108,842 | 0.51% |
| Corp. Franchise Tax Jobs Credit | $519,318 | 2.47% |
| Total | $21,065,413 | 100.00% |

### 8. Enterprise Zones *(continued)*

#### Estimated Fiscal Effect

The estimated revenue loss for FYE 6-26 and FYE 6-27 may not reflect all tax reform changes due to insufficient data currently available to fully assess their impact.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $28,000,000 | $27,440,000 |

### 9. Sound Recording Investor Tax Credit

The purpose of this tax credit is to promote the growth of a strong capital and infrastructure base for sound recording production in Louisiana, aiming to foster a more independent and self-sustaining music and sound recording industry. For state-certified productions that meet specific criteria, the program offers a tax credit of up to 18% for qualified expenditures. Qualified Music Companies (QMC) that meet certain requirements may receive a payroll tax credit of up to 15%. Additionally, there is a 10% bonus credit added to the base investment credit if the base investment is made by a QMC on a sound recording production of a resident copyright. Once credits are certified, the Louisiana Economic Development (LED) office sends a tax credit certification letter to the Louisiana Department of Revenue (LDR). Upon receiving this letter and any necessary additional information, LDR processes payment to the investor from current tax collections under the relevant tax code.

#### Limitation on Tax Credit

- The total amount of tax credits that can be certified in any calendar year is capped at $2.16 million, with 50% of that amount specifically reserved for Qualified Music Companies (QMCs).
- The maximum credit a QMC can receive per project is $100,000 per year. For applications submitted before July 1, 2021, the credit cannot reduce an investor's income tax liability by more than 50% of their original tax liability. However, for applications submitted on or after July 1, 2021, the credit is refundable.
- Credits are awarded on a first-come, first-served basis.
- If the total amount of requested credits exceeds the $2.16 million cap in a given year, the excess applications will be carried over and treated as if they were submitted on the first day of the next calendar year.

#### Legal Citation

R.S. 47:6023

#### Origin

Acts 2005, No. 485, amended by Acts 2007, No. 368; Acts 2009, No. 475; Acts 2013, No. 385; Acts 2015, No. 125; Acts 2015, No. 357; Acts 2015, No. 412; Acts 2017, No. 275, 323 and 400; Acts 2019, No. 363; Acts 2021, No. 401; Acts 2024, 3rd Ex. Sess., No. 11

#### Effective Date

Taxable periods beginning on or after January 1, 2006

### 9. Sound Recording Investor Tax Credit *(continued)*

#### Sunset Date
No new applications received after June 30, 2025, will be approved to receive tax credits.

#### Beneficiaries
Investors in state-certified sound recordings projects

#### Estimated Fiscal Effect
During FYE 6-25, $60,460 in rebates were issued.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $22,000 | $22,000 |

### 10. Angel Investor Tax Credit Program

The purpose of the Angel Investor Tax Credit Program is to encourage third parties to invest in early stage wealth creating businesses in the state, expand the state's economy by enlarging its base of wealth creating businesses, and to enlarge the number of quality jobs available to retain the presence of young people educated in the state

#### Qualifications
The Angel Investor Tax Credit Program is administered by LED. Individuals or entities that invest in a Louisiana Entrepreneurial Business that is domiciled in the state, employs 50 or fewer full-time employees, and has gross annual sales of less than $10 million or has a business net worth of less than $2 million may apply for income or corporation franchise tax credits for a period of five tax years. To participate in the program, each Louisiana Entrepreneurial Business must apply to Louisiana Economic Development (LED). Eligible businesses must demonstrate high growth potential, the ability to generate wealth, that more than 50% of their sales occur outside Louisiana, and that they primarily operate in a qualifying sector—such as energy and process logistics, logistics, aerospace and defense, agribusiness, professional services, life sciences, or technology.

No new tax credits may be reserved after June 30, 2026, though LED may issue remaining unused credits accumulated before January 1, 2026, until those funds are depleted. Beginning January 1, 2026, unused credits cannot be carried forward, and the requirement to divide credits equally over two years will end. Investments in qualifying businesses located in parishes with populations under 50,000, based on the latest federal census, remain eligible for the credit.

Applicants must meet the following qualifications:

- The investment in the Louisiana Entrepreneurial Business must be an investment that is at risk and not secured or guaranteed. "At risk" means that the repayment of the investment is entirely dependent on the success of the business.
- The funds invested by the applicant cannot have been raised as a result of other Louisiana tax incentive programs, funds pooled or organized through capital placement agreements for the purpose of equity and venture capital investing unless approved by LED, or as the result of illegal activity.
- Angel investors cannot be the principal owners of the business who are involved in the operation of the business as a full-time professional activity nor can their spouses and relatives within the third degree of consanguinity or affinity A principal owner means one or more persons who own an aggregate of 50% or more of the Louisiana Entrepreneurial Business.

## 10. Angel Investor Tax Credit Program *(continued)*

- The use of proceeds from the investment must be used for capital improvements, plant equipment, research and development, working capital for the business, or other business activity as may be approved by LED. The proceeds cannot be used to pay dividends, repay shareholder loans, redeem shares, or repay debt unless approved by LED.
- The applicant must meet the definition of accredited investor established by LED.
- The investment in the Louisiana Entrepreneurial Business by the applicant must be maintained for three years unless otherwise approved by LED.

A Louisiana Entrepreneurial Business must meet the following requirements:

- The principal business operations of the business are located in Louisiana.
- Before the investment by the taxpayer, the business has received approval as qualified to receive angel investor tax credits by LED.
- The Louisiana Entrepreneurial Business must demonstrate that it will be a wealth-creating business for Louisiana by demonstrating in its business plan that it will have more than 50% of its sales from outside Louisiana.
- The business is not a business engaged primarily in retail sales, real estate, professional services, gaming or gambling, natural resource extraction or exploration, or financial services including venture capital funds.

Tax credit qualifications:

- Credits are issued on a first-come, first-served system.
- Credit is equal to up to 25% of investment and the credit is divided equally over two or three years.
- Credit is useable in the income tax year that occurs 24 months from certification.
- The investment in the Louisiana Entrepreneurial Business may not exceed $720,000 per year per business and $1.44 million total per business.
- The credit will be allowed against the income tax for the taxable period in which the credit is earned and the franchise tax for the taxable period following the period in which the credit is earned.
- The total angel investor tax credits granted by LED in any calendar year may not exceed $3.6 million.

## 10. Angel Investor Tax Credit Program *(continued)*

- There is an enhanced credit equal to 35% of the investment amount made in a Louisiana Entrepreneurial Business located in federal opportunity zones and an additional $3.6 million in cap for the enhanced credit applicants only.

### Transferability of the Credit

Any credits allocated to a taxpayer and not previously claimed by any taxpayer against its tax may be transferred or sold to another taxpayer, subject to the following conditions:

- A single transfer or sale may involve one or more transferees.
- Transferors and transferees must submit notification of any transfer or sale of tax credits to LED and LDR within 30 days after the transfer or sale of the tax credits.
- Failure to comply with the transfer requirements will result in the disallowance of the tax credit until the taxpayers are in full compliance.
- The credit transfer or sale does not extend the time in which the credit can be used.

### Application of Tax Credits

- All entities taxed as corporations for state tax purposes must claim credit on their corporation income and franchise tax return.
- Individuals must claim credit on their individual income tax return.
- Estates or trusts must claim credit on their fiduciary income tax returns.
- Entities not taxed as corporations must claim credit on the partner's tax returns.
- Tax credits will expire beginning with the 11th tax year after the tax year in which the credit was originally granted.

### Legal Citation

R.S. 47:6020

### Origin

Acts 2005, No.400, amended by Acts 2007, No. 445; Acts 2011, No. 414; Acts 2015, No. 125; Acts 2016, 1st Ex. Sess., No. 29; Acts 2017, No. 323, 345, and 400; Acts 2020 1st Ex. Sess., No. 22; Acts 2023, No. 253; Acts 2024, 3rd Ex. Sess., No. 11; Acts 2025, No. 515

### Effective Date

Taxable periods beginning on or after January 1, 2005

## 10. Angel Investor Tax Credit Program *(continued)*

### Sunset Date
No new reservations after June 30, 2026

### Beneficiaries
Qualifying third-party investors in early-stage wealth-creating businesses in the state and the people of the state because of the additional quality jobs available

### Fiscal Effect
An analysis of the types of credits for FYE 6-25 is as follows:

| Fiscal Effect | | |
|---|---|---|
| | FYE 6-25 | % of Total |
| Individual Income Tax | $1,787,520 | 77.56% |
| Fiduciary Income Tax | $74,761 | 3.24% |
| Corp. Income Tax | $442,581 | 19.20% |
| Corp. Franchise Tax | $0 | 0.00% |
| Total | $2,304,862 | 100.00% |

### Estimated Fiscal Effect
The estimated revenue loss for FYE 6-26 and FYE 6-27 may not reflect all tax reform changes due to insufficient data currently available to fully assess their impact.

| FYE 6-26 | FYE 6-27 |
|---|---|
| $1,420,000 | $1,392,000 |

## 11. Musical & Theatrical Productions Tax Credit

The purpose of this tax credit is to position and promote Louisiana as a leading location in the United States for live performances, supporting everything from the creation to the presentation of these productions. For state-certified productions that meet specific criteria, the program offers a tax credit for qualified production expenditures, with additional credits available to cover eligible payroll costs.

### Limitation on Tax Credit:
The tax credit cannot exceed the total base investment made in the production. The total amount of tax credits that Louisiana Economic Development (LED) can grant in any fiscal year is capped at $10 million, with half of that amount specifically reserved for productions by nonprofit organizations.

Credits are awarded on a first-come, first-served basis. If the total amount of credits requested exceeds the $10 million annual cap, the excess applications will be carried over and treated as if they were submitted on the first day of the following fiscal year.

### Application of Jobs Tax Credits
- Individuals must claim credit on their individual income tax return.
- Estates or trusts must claim credit on their fiduciary income tax returns.
- Entities taxed as corporations will claim credit on their corporation income and franchise tax return.
- Entities not taxed as corporations will claim the credit on the returns of the partners or members.

### Transferability of the Credit
- A company or financier may, on a one-time basis, transfer the credit or any refund of an overpayment to an individual or other entity including without limitation a bank or other lender, provided that the transfer shall not be effective until receipt by the Department of Revenue of written notice of such transfer. Transferors and transferees shall submit to the Department of Revenue, in writing, a notification of any transfer of the tax credit within ten business days after the transfer. The credit shall be allowed for the taxable period in which expenditures eligible for a credit are expended.

### Legal Citation
R.S. 47:6034

### Origin
Acts 2007, No. 482, amended by Acts 2009, Nos. 448 and 465; Acts 2013, Nos. 197 and 418; Acts 2015, Nos. 125, 357, 361, and 412; Acts 2017, Nos. 396 and 400

### 11. Musical & Theatrical Productions Tax Credit *(continued)*

#### Effective Date
Expenditures incurred on or after July 19, 2007

#### Sunset Date
No new applications accepted after June 30, 2025

#### Beneficiaries
Musical or theatrical productions or musical or theatrical facility infrastructure projects

#### Fiscal Effect
During FYE 2024-2025, $2,143,446 in corporation income tax credits were claimed

#### Estimated Fiscal Effect

| FYE 6-26 | FYE 6-27 |
|---|---|
| $5,616,000 | $5,504,000 |

### 12. Retention and Modernization Credit

The purpose of the retention and modernization credit is to encourage businesses to stay in Louisiana rather than relocate to another state, and to support the modernization and improvement of their current operations within the state.

#### Tax Credit
The retention and modernization tax credit allows a business to receive up to 5% of its qualified modernization expenses as a tax credit. This credit is split into equal parts and claimed over five years. It can be used to reduce individual income tax, corporate income tax, or franchise tax. The credit expires and becomes unusable beginning in the eleventh tax year after it was first granted.

#### Qualifications
To qualify for the retention and modernization tax credit, the employer must be a manufacturer whose primary function falls under specific NAICS codes: 113310, 211, 213111, 541360, 311–339, 511–512, or 54171.

"Modernization" refers to a capital investment in technology, machinery, buildings, or equipment that meets at least one of the following criteria:

(1) It increases the facility's maximum capacity or efficiency by more than 10%, or

(2) It is an approved investment from a company with operations in multiple states that has a formal capital project program.

A qualifying project includes the design, development, installation, and construction of technology, machinery, buildings, or equipment that modernizes the employer's product line, unit, or entire operations, and must involve a minimum investment of $5 million. Projects placed in service before July 1, 2011, are not eligible for the credit.

#### Application of Credits
- Individuals must claim credit on their individual income tax return.
- Estates or trusts must claim credit on their fiduciary income tax returns.
- Entities taxed as corporations will claim credit on their corporation income and franchise tax return.
- Entities not taxed as corporations will claim the credit on the returns of the partners or members.

#### Ineligible Participants
- Retail employers as identified by the NAICS code sections 44 and 45.
- Business associations and professional organizations as defined in NAICS code 8139.
- State and local government enterprises.
- Real estate agents, operators, and lessors.

## 12. Retention and Modernization Credit *(continued)*

- Automotive rental and leasing.
- Local solid waste disposal, local sewage systems, and local water systems businesses.
- Nonprofit organizations.
- Employers engaged in the gaming industry as identified by the NAICS code sections 713210 and 721120.
- Attorneys.
- An employer who has defaulted on or not repaid any loan or other obligation involving public funds or an employer who has declared bankruptcy under which an obligation of the employer to pay or repay public funds or monies was discharged as part of such bankruptcy.
- An employer who is in default on any filing or payment with or to the state or any of its agencies or political subdivisions and in which an assessment or judgment that is final and non-appealable has been rendered, and remains outstanding, in favor of the state, or any of its agencies, or political subdivisions.

### Credit Limitations
The total amount of modernization tax credits granted by the LED in any calendar year cannot exceed $7.2 million.

### Legal Citation
R.S. 51:2399.1 through 2399.6

### Origin
Acts 2009, No. 447, amended by Acts 2015, No. 125; Acts 2017, No. 400; Acts 2024, 3rd Ex. Sess., No. 11

### Effective Date
Expenses incurred on or after August 15, 2009

### Sunset Date
No new applications accepted after June 30, 2025

### Beneficiaries
Owners and employees of businesses needing modernization

### Fiscal Effect
An analysis of the types of credits for FYE 6-25 is as follows:

| Fiscal Effect | | |
|---|---|---|
| | **FYE 6-25** | **% of Total** |
| Corp. Income Tax | $0 | 0.00% |
| Corp. Franchise Tax | $5,640,478 | 100.00% |
| Total | $5,640,478 | 100.00% |

### Estimated Fiscal Effect

| FYE 6-26 | FYE 6-27 |
|---|---|
| $6,000,000 | $3,000,000 |

## 13. Louisiana Quality Jobs Program

The Quality Jobs Program is designed to encourage businesses to establish or expand their operations in Louisiana by providing incentives for creating quality jobs. The program specifically targets businesses involved in industries that align with Louisiana's Vision 2020 plan, focusing on both traditional and seed cluster industries.

### Eligibility
To qualify a business must be in one of the following six industries:

1. Biotechnology, Biomedical, and Medical Industries serving rural hospitals
2. Micro-manufacturing
3. Software, Internet, and Telecommunications
4. Clean Energy Technology
5. Food Technology
6. Advanced Materials;
7. Or be any of the following:
   a. A manufacturer with certain NAICS Codes.
   b. An oil and gas field service business and pay at least $30,000 annually for each new direct job created and business located in Louisiana is the national or regional headquarters of a multi-state business including Louisiana and the Gulf of Mexico.
   c. A business that must or will have sales of at least 50% of its total annual sales to out-of-state customers or buyers, and/or to in-state customers or buyers if the product or service is resold by the purchaser to an out-of-state customer or buyer for ultimate use, or to the federal government.
   d. The employer is located in a parish which is within the lowest 25% of parishes based on per capita income.
   e. The employer is the corporate headquarters of a multi-state business.
   f. The employer is a business that spends 50% or more of its time performing services for its out-of-state parent company.
   g. The employer is in the business of maintenance, repair, and overhaul operations for commercial transport aircraft.

## 13. Louisiana Quality Jobs Program *(continued)*

h. A COVID-19 impacted retail business with a NAICS code beginning with 44, 45, 721 and 722 and has 50 or fewer employees nationwide including affiliates. The advance notification must be filed on or after July 1, 2020, and on or before December 31, 2021. These businesses are not eligible to earn benefits after June 30, 2023.

### Job Requirements

To qualify for the Quality Jobs Program, an employer must create a minimum number of new direct, full-time jobs—defined as positions requiring at least 30 hours of work per week. Employers with 50 or fewer employees must create at least 5 new jobs, while employers with more than 50 employees must create at least 15 new jobs.

The employer must also provide a basic health benefit plan to these employees. This plan must include coverage for basic hospital care, physician services, and general healthcare, and must be equivalent to what is offered to the company's executive, administrative, or professional employees. Coverage must begin no later than the first day of the month following 90 days from the employee's hire date.

The employer's contribution toward the health plan must meet federally mandated healthcare requirements. If no federal requirements apply, the employer must contribute at least $1.25 per hour toward the plan. For companies that are not self-insured, the value is based on the actual cost of individual coverage. For self-insured companies, Louisiana Economic Development (LED) will determine the value. Basic health care benefits do not include dental, vision, or life insurance.

### Minimum Wage and Health Care Requirements

New direct jobs must pay at least $18.00 per hour.

The minimum annual payroll requirement depends on the size of the employer. If the employer had 50 or fewer employees statewide before the contract started, they must create at least 5 new direct jobs with a total annual payroll of at least $225,000. If the employer had more than 50 employees statewide before the contract started, they must create at least 15 new direct jobs with a total annual payroll of at least $675,000.

If, by the employer's third fiscal year, the verified annual payroll does not show at least five new direct jobs and does not reach either $675,000 or $225,000 in total payroll for those jobs (depending on which amount applies), then the employer will be considered ineligible for the program.

## 13. Louisiana Quality Jobs Program *(continued)*

### Payroll Benefit

The benefit rate an employer can receive depends on the wages and health care benefits provided for new direct jobs:

- 4% benefit rate applies to jobs that pay at least $18.00 per hour and include health care benefits.
- 6% benefit rate applies to jobs that pay at least $21.66 per hour and include health care benefits.
- The value of the health care benefits is based on the plan chosen by the employee, as determined by Louisiana Economic Development (LED).

### Sales Tax Rebate

- State sales/use tax rebate on materials for new infrastructure, machinery, and equipment purchased during the construction period and used exclusively on site.
- A portion of the local sales/use tax may be rebated with an Endorsement Resolution from the local governing authority received before the application is approved.
- Local sales tax dedicated to schools or bond indebtedness is not eligible for rebate.

### Project Facility Expense Rebate

- Effective July 10, 2007, taxpayers are given the option between the sales and use tax rebate and a project facility expense rebate equal to 1.5% of qualified expenditures
- Qualified expenditures are defined as amounts classified as capital expenditures for federal income tax purposes plus exclusions from capitalization provided for in Internal Revenue Code Section 263(a)(1)(A) through (L), minus the capitalized cost of land, capitalized leases of land, capitalized interest, capitalized costs of manufacturing machinery and equipment to the extent the capitalized manufacturing machinery and equipment costs are excluded from sales and use tax pursuant to R.S. 47:301(3), and the capitalized cost for the purchase of an existing building

### Legal Citation

R.S. 51:2451 et seq.

### Regulations

LAC 13:I.1101 et seq.

### Origin

Acts 1995, No. 1238, amended by Acts 1996, 1st Ex. Sess., No. 39; Acts 2000, No. 46; Acts 2002, 1st Ex. Sess., No. 110 and 153; Acts 2003, No. 47, 847, and 1240; Acts 2004, No. 13, 699, and 899; Acts 2005, No. 326; Acts 2007, No. 387 and 400; Acts 2011, No. 353

### 13. Louisiana Quality Jobs Program *(continued)*

#### Effective Date
Expenditures incurred on or after July 1, 1995

#### Sunset Date
No new advance notifications accepted after June 30, 2025

#### Beneficiaries
Those establishments that meet the statutory requirements and that create new direct jobs in the state as well as Louisiana citizens who benefit from new employment, production and income opportunities

#### Fiscal Effect
An analysis of the type of rebates and credits for FYE 6-25 is as follows:

| Fiscal Effect | | |
|---|---|---|
| | **FYE 6-25** | **% of Total** |
| Sales Tax Rebates | $5,512,715 | 7.07% |
| Jobs Credit | $43,079,280 | 55.21% |
| Project Facility Expense Rebate | $29,431,007 | 37.72% |
| Total | $78,023,002 | 100.00% |

#### Estimated Fiscal Effect

| FYE 6-26 | FYE 6-27 |
|---|---|
| $113,501,000 | $111,231,000 |

### 14. Procurement Processing Company Rebate Program

The secretary of LED is authorized to enter into contracts with procurement processing companies to recruit to Louisiana, purchasing companies that generate sales of items subject to states sales/use taxes These contracts provide a rebate to these procurement processing companies which are derived from a portion of the state sales and use taxes collected on new taxable sales by the purchasing company which is managed by the procurement processing company under contract with LED The initial term of the contract cannot exceed twenty years and can be renewed for up to an additional twenty years

1. The state sales tax revenues generated as a result of the activities of these purchasing companies are to be disbursed in the following order of priority: The payment of rebates to procurement processing companies in accordance with the provisions of their contract;
2. Reimbursement of administrative expenses to LDR; and
3. The remaining balance, up to thirty million dollars, to the Unfunded Accrued Liability and Specialized Educational Institutions Support Fund-Specialized Educational Institutions Account, as established under R.S. 39:100.126

#### Legal Citation
R.S. 47:6351

#### Origin
Acts 2012, No. 800, amended by Acts 2018, No. 612

#### Effective Date
For expenses incurred on or after July 1, 2012

#### Beneficiaries
Procurement processing companies

#### Fiscal Effect
During FYE 6-25, $94,041,228 in sales tax rebates were issued.

#### Estimated Fiscal Effect

| FYE 6-26 | FYE 6-27 |
|---|---|
| $95,922,000 | $97,840,000 |

# Telecommunication Tax for the Deaf Exemptions

# Telecommunication Tax for the Deaf

## { Introduction }

Act 660 of the 1988 Regular Session imposed a tax of five cents per month on each residential and business telephone access line of local exchange companies operating in Louisiana. The purpose of the tax is to provide access to public telecommunication services for persons who are deaf, deaf and blind, hard of hearing, speech impaired, or have similar disabilities or impairments. The tax is collected monthly from customers and remitted quarterly by each telecommunication service company. The proceeds are deposited into a special fund designated as the Telecommunications for the Deaf Fund.

Act 273 of the 2017 Regular Session reduced the tax to four and one-half cents per month and expanded the tax base to include each telephone number associated with a wireless handset for each residential and business customer of a wireless telecommunication service company operating in Louisiana, effective October 1, 2017. The Act also increased the credit telecommunication service companies receive for timely filing returns and remitting payments from 2% to 3%.

### Legal Citation
R.S. 47:1061

### Tax Base
Use of each residential and business customer telephone access line, as well as the telephone number for each wireless handset associated with residential and business customers.

### Tax Rate
5¢ per month per line (effective through September 30, 2017)

4.5¢ per month per line (effective October 1, 2017, through March 25, 2018)

5¢ per month per line (effective March 26, 2018, to present)

### Type of Tax Exemption
Telecommunication taxes for the deaf include both credits and exemptions. A credit is generally defined as an amount that is subtracted from a tax liability. An exemption applies to items that are included in the tax base but are specifically exempted by statute. There is also an exemption based on federal prohibitions.

### Significant Changes
There were no changes to the telecommunication tax for the deaf laws during the past year.

# Telecommunication Tax for the Deaf

*Index of Exemptions*


**{ CREDIT }**

**1. Timely Payment . . . . . 302**
R.S. 47:1061(A)(2)

**{ EXEMPTIONS }**

**2. Prepaid Wireless Devices and Wireless Devices Used for Data Only . . . . . 302**
R.S. 47:1061(A)(1)

**3. Sales to the Federal Government and Its Agencies . . . . . 303**
No specific statute

# Telecommunication Tax for the Deaf

## { Credit }

### 1. Timely Payment

A credit of 3% of the tax collected is allowed for the timely remittance of the taxes due. The purpose of this credit is to encourage compliance and to compensate companies for expenses associated with collecting and remitting the tax. Prior to October 1, 2017, the credit was 2%.

**Legal Citation**
R.S. 47:1061(A)(2)

**Origin**
Acts 1988, No. 660, amended by Acts 2017, No. 273

**Effective Date**
Taxable periods beginning on or after September 1, 1988

**Beneficiaries**
The local or wireless telecommunication service companies operating in Louisiana that accurately and timely report and remit the taxes due

**Estimated Fiscal Effect**

| FYE 6-26 | FYE 6-27 |
|---|---|
| $83,000 | $84,000 |

## { Exemptions }

### 2. Prepaid Wireless Devices and Wireless Devices Used for Data Only

Telephone numbers assigned to prepaid wireless devices, as well as those used exclusively for data purposes, are exempt from this tax.

**Legal Citation**
R.S. 47:1061(A)(1)

**Origin**
Acts 2017, No. 273

**Effective Date**
Taxable periods beginning on or after October 1, 2017

**Beneficiaries**
Wireless telecommunications service companies that provide telephone numbers for prepaid wireless devices or for wireless devices used for data purposes

**Estimated Fiscal Effect**

| FYE 6-26 | FYE 6-27 |
|---|---|
| $42,000 | $14,000 |

{ Exemptions }

### 3. Sales to the Federal Government and Its Agencies

Sales of telephone access lines to the U.S. Government or any of its agencies are exempt from this tax. The purpose of this exemption is to comply with the taxation prohibitions set forth in the U.S. Constitution.

**Legal Citation**
No specific statute

**Origin**
U.S. Constitution

**Effective Date**
Taxable periods beginning on or after September 1, 1988

**Beneficiaries**
U.S. government and its agencies

**Estimated Fiscal Effect**
The estimated revenue loss for FYE 6-26 and FYE 6-27 is $0.

# Tobacco Tax Exemptions

# Tobacco Tax

## { Introduction }

A tobacco tax was first imposed in 1926 by Act 197 for the benefit of public schools. Retail dealers were taxed at a rate of 1¢ per 10¢ of the retail selling price on cigarettes, smoking and chewing tobacco, cigars, cheroots, and snuff. The tax was effective October 1, 1926, for a period of four years.

Act 4 of the 1932 Regular Session levied a new tax on sales of cigars, cigarettes and smoking tobacco, effective September 1, 1932. The cigarette tax was based on the number of cigarettes sold. Cigars were taxed by weight and price per 1,000 units, with rates ranging from 75¢ to $13.50 per 1,000. Smoking tobacco was taxed at 1¢ for each 5¢ of the retail selling price. The tax was evidenced by tax stamps supplied by the state and affixed by tobacco dealers, who were allowed a discount when purchasing stamps in amounts of $100 or more in face value.

The tax rates on cigarettes increased over the years as follows:

*1932 Levied at 1/5¢ per cigarette to 4¢ per 20 pack*

*1942 Increased by 1/20¢ per cigarette to 5¢ per 20 pack*

*1948 Increased to 2/5¢ per cigarette or 8¢ per 20 pack*

*1970 Increased to 11/20¢ per cigarette or 11¢ per 20 pack*

*1984 Increased to 16/20¢ per cigarette or 16¢ per 20 pack*

*1990 Increased to 1¢ per cigarette or 20¢ per 20 pack*

*2000 Increased by 4/20¢ per cigarette to 24¢ per 20 pack*

*2002 Increased by 12/20¢ per cigarette to 36¢ per 20 pack*

*2015 Increased by 50/20¢ per cigarette to 86¢ per 20 pack*

*2016 Increased by 22/20¢ per cigarette to $1.08 per 20 pack*

The tax increase of 4/20 of 1 cent per cigarette enacted in 2000 expired on June 30, 2012. However, an amendment to the Constitution, approved by voters on October 22, 2011, effectively restored this expiring tax, establishing a rate of 4/20 of 1 cent per cigarette in the Louisiana Constitution.

The tax rates on cigars and smoking tobacco were adjusted in 1942 and 1948 and were ultimately set at the current rates by Act 413, effective January 1, 1975. A tax on smokeless tobacco was imposed effective July 1, 2000.

The discount from the face value of the tax stamp also changed over time; from the original 10% in 1932, to 6% in 1942; 7% in 1944; 9% in 1948; 6% in 1972; and 5% in 2016.

The tobacco tax is currently levied on tobacco and vapor products and is collected from the dealer who first sells, uses, consumes, handles, or distributes the products within the state. Tax stamps indicate the payment of tax on cigarettes and may only be purchased from the Department by wholesale tobacco dealers who are required to post a bond.

### Legal Citations

R.S. 47:841 through 47:869

### Tax Base

Cigarettes - per cigarette

Vapor Products - per milliliter

Cigars and other tobacco products - manufacturer's invoice price

### Tax Rate

- Cigarettes – 5.4¢ per cigarette ($1.08 per standard package of 20)
- Cigars
  - –8% if manufacturer's invoice price is $120 per 1,000 or less;
  - –20 % if manufacturer's invoice price is $121 - $2,449 per 1,000;
  - –20% if manufacturer's invoice price is $2,500 or more per $1,000 through December 31, 2025; $0.50 per cigar from January 1, 2026 through December 31, 2027; 20% beginning January 1, 2028

# Tobacco Tax

## { Introduction }

- Smoking tobacco – 33% of the manufacturer's invoice price
- Smokeless tobacco – 20% of the manufacturer's invoice price
- Vapor Products – 15 cents per milliliter of consumable nicotine liquid solution

### Types of Tax Exemptions

Tobacco tax exemptions take the form of discounts, exemptions, and refunds. Discounts represent a proportionate deduction from the gross amount reported. Exemptions apply to items that are included in the tax base but are specifically exempted by statute. Refunds provide restitution for taxes that have been paid.

There are three tax exemptions that are also prohibited from taxation under federal laws. Because of these additional prohibitions exist, repealing the exemption alone would not produce the anticipated fiscal effect. For this reason, these exemptions have been separately grouped at the end of the section.

### Significant Changes

### 2025 Regular Session

**Act 266**

Act 266 of the 2025 Regular Session revised the tobacco excise tax levied on cigars that are invoiced by the manufacturer at or above $2,500 per thousand from 20% of the invoice price to $0.50 per cigar for taxable periods January 1, 2026, through December 31, 2027. Beginning January 1, 2028, the levy on these cigars will revert to 20% of the invoice price. The tax imposed on cigars invoiced at $120 per thousand or less remains unchanged at 8% of invoice price, and the tax on cigars invoiced at $121 - $2,499 per thousand will remain 20% of the invoice price.

# Tobacco Tax

## *Index of Exemptions*


**{ DISCOUNTS }**

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R.S. 47:843(B) and (C)(3)

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**{ EXEMPTION }**

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R.S. 47:855(A)

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**4. Return of Taxable Cigarettes to the Manufacturer** . . . . . **309**
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**5. Return of Taxable Product to the Manufacturer** . . . . . **310**
R.S. 47:857

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**{ FEDERALLY IMPOSED EXEMPTIONS }**

**7. Sales to the Federal Government and Its Agencies** . . . . . **311**
No specific statute

**8. Interstate Shipments of Cigarettes** . . . . . **311**
R.S. 47:849

**9. Interstate Shipments of Tobacco Products** . . . . . **312**
R.S. 47:849

## { Discounts }

### 1. Tobacco Stamps

Registered Louisiana tobacco dealers receive a 5% discount on cigarette tax stamps when their total purchases exceed $100. Out-of-state wholesale tobacco dealers that maintain direct purchasing contracts with a manufacturer and supply a network of retail dealers in Louisiana are likewise eligible for a 5% discount on cigarette tax stamps.

This discount serves as a volume incentive and compensates dealers for tax collection costs.

#### Legal Citation
R.S. 47:843(B) and (C)(3)

#### Origin
Acts 1932, No. 4, amended by Acts 2016, 1st Ex. Sess., No. 5

#### Effective Date
Taxable periods beginning on or after September 1, 1932

#### Beneficiaries
Bonded Louisiana tobacco dealers with direct manufacturer contracts who purchase $100 or more in tax stamps

#### Estimated Fiscal Effect

| FYE 6-26 | FYE 6-27 |
|---|---|
| $8,770,000 | $8,068,000 |

### 2. Timely Filing and Payment

A 5% discount is allowed to Louisiana tobacco dealers with direct manufacturer contracts who timely and accurately report purchases, provided that payment of taxes on cigars, vapor products, and other tobacco products is included. The discount encourages compliance and offsets reporting and collection costs.

#### Legal Citation
R.S. 47:851(B)(4)(b)

#### Origin
Acts 1974, No. 415, amended by Acts 2016, 1st Ex. Sess., No. 5

#### Effective Date
Taxable periods beginning on or after January 1, 1975

#### Beneficiaries
Registered Louisiana tobacco dealers with direct manufacturer contracts who file their tax reports timely and accurately

#### Estimated Fiscal Effect

| FYE 6-26 | FYE 6-27 |
|---|---|
| $3,503,000 | $3,223,000 |

{ Exemption }

### 3. Sales to State Institutions

Smoking and chewing tobacco purchased by state institutions for distribution to inmates are exempt from tobacco tax. This allows tax-free purchases of such products for inmate use.

**Legal Citation**
R.S. 47:855(A)

**Origin**
Acts 1944, No. 150

**Effective Date**
Taxable periods beginning on or after July 1944

**Beneficiaries**
Inmates of Louisiana state institutions

**Estimated Fiscal Effect**
The Department is unable to estimate the fiscal effect, there is no reporting requirement for this data.

{ Refunds }

### 4. Return of Taxable Cigarettes to the Manufacturer

A refund or credit is allowed taxes paid on cigarettes that are destroyed or returned to a manufacturer as damaged or unfit for sale. The purpose of this provision is to allow the refund of taxes paid on damaged products which are either destroyed or returned to the manufacturer.

**Legal Citation**
R.S. 47:857

**Origin**
Acts 1932, No. 4

**Effective Date**
Taxable periods beginning on or after September 1, 1932

**Beneficiaries**
Licensed tobacco dealers

**Estimated Fiscal Effect**

| FYE 6-26 | FYE 6-27 |
|---|---|
| $178,000 | $178,000 |

{ Refunds }

### 5. Return of Taxable Product to the Manufacturer

A refund or credit is allowed for taxes paid on cigars and other tobacco products that are destroyed or returned to a manufacturer as damaged or unfit for sale. The purpose of this provision is to allow the refund of taxes paid on damaged products which are either destroyed or returned to the manufacturer.

**Legal Citation**
R.S. 47:857

**Origin**
Acts 1932, No. 4

**Effective Date**
Taxable periods beginning on or after September 1, 1932

**Beneficiaries**
Licensed tobacco dealers

**Estimated Fiscal Effect**
The estimated fiscal effect of this refund is included in the Five–Year Revenue Loss chart in the row labeled "Other Exemptions".

### 6. Return of Taxable Vapor Product by Retail Dealer to the Manufacturer

A refund or credit is allowed for the tax paid on consumable vapor products destroyed or returned to the manufacturer as damaged or unfit for sale. The purpose of this provision is to allow the refund of taxes paid on damaged products destroyed or returned to the manufacturer.

**Legal Citation**
R.S. 47:857

**Origin**
Acts 2015, No. 94

**Effective Date**
Taxable periods beginning on or after August 1, 2015

**Beneficiaries**
Licensed tobacco retail dealers

**Estimated Fiscal Effect**
The estimated revenue loss is $0 for FYE 6-26 and FYE 6-27.

{ Federally Imposed Exemptions }

### 7. Sales to the Federal Government and Its Agencies

Tobacco products sold directly from the manufacturer to the U.S. government or its agencies are exempt from tobacco taxes. The purpose of this exemption is to comply with taxation prohibitions of the U.S. Constitution.

**Legal Citation**
No specific statute

**Origin**
U.S. Constitution

**Effective Date**
Taxable periods beginning on or after September 1, 1932

**Beneficiaries**
U.S. government agencies

**Estimated Fiscal Effect**
The estimated fiscal effect of this exemption is included in the Five–Year Revenue Loss chart in the row labeled "Other Exemptions".

### 8. Interstate Shipments of Cigarettes

Cigarettes exported outside Louisiana are exempt from tobacco taxes. The purpose of this exemption is to comply with taxation prohibitions of the U.S. Constitution.

**Legal Citation**
R.S. 47:849

**Origin**
Acts 1932, No. 4

**Effective Date**
Taxable periods beginning on or after September 1, 1932

**Beneficiaries**
Licensed tobacco dealers engaged in interstate commerce

**Estimated Fiscal Effect**

| FYE 6-26 | FYE 6-27 |
|---|---|
| $45,640,000 | $39,707,000 |

## { Federally Imposed Exemptions }

### 9. Interstate Shipments of Tobacco Products

Cigars and other tobacco products exported outside Louisiana are exempt from tobacco taxes. The purpose of this exemption is to comply with taxation prohibitions of the U.S. Constitution.

**Legal Citation**
R.S. 47:849

**Origin**
Acts 1932, No. 4

**Effective Date**
Taxable periods beginning on or after September 1, 1932

**Beneficiaries**
Licensed tobacco dealers engaged in interstate commerce

**Estimated Fiscal Effect**
The estimated fiscal effect of this exemption is included in the Five–Year Revenue Loss chart in the row labeled "Other Exemptions".

# Appendix
## Part 9

# Revised Statute 47:1517 - Tax Exemption Budget

**Revised Statute 47:1517. Tax Exemption Budget**

A. No later than the first day of March the secretary of the Department of Revenue shall prepare and submit to the governor and the legislature a tax exemption budget in the manner set forth in this Section.

B. (1) The annual tax exemption budget shall be published on the LaTrac website, or any subsequent database that may replace the LaTrac system, and shall include the following:

(a) Each tax exemption, its statutory citation, and its purpose.

(b) The revenue loss to the state caused by each tax exemption for the three preceding years, the estimated revenue loss to the state caused by each tax exemption for the current fiscal year, and the estimated revenue loss to the state caused by each tax exemption for the ensuing fiscal year.

(c) The estimated cost of administering and implementing each tax exemption for the three preceding fiscal years, the current fiscal year, and the ensuing fiscal year.

(d) The tax exemption budget shall also include the following:

(i) The number of businesses which receive each tax exemption, credit, exclusion, refund, preferential tax rate, deferred tax liability, or rebate, hereinafter referred to in this Subsection as the exemption.

(ii) The parish or location of each business which receives a tax exemption; provided, that if fewer than ten businesses receive a particular tax exemption, the tax exemption budget may group such tax exemption with another tax exemption which also has fewer than ten businesses receiving it.

(iii) The information shall be displayed in a manner that identifies:

(aa) The industry group by North American Industry Classification System sector.

(bb) The number of taxpayers by industry.

(cc) The total tax burden by industry group by individual tax before the exemption.

(dd) The total value to each industry group for each exemption.

(ee) The total tax value by each industry group by individual tax of the tax collections after the exemption.

(e) The items contained in Subparagraph (d) of this Paragraph shall be published to the extent that the information is available to the department, on a schedule to be determined by the secretary of the department, beginning with the incentive expenditures, and fully implemented by the date of publication of the Fiscal Year 2018-2019 tax exemption budget on or before March 1, 2020. The secretary shall ensure that the publication shall not include confidential information.

(2) The tax exemptions in the annual tax exemption budget shall also be organized in an additional opening schedule as follows:

(a) Agricultural/Rural: a tax exemption that pertains to a business or person being located in a rural area; or, engaging in an agricultural trade/business.

(b) Business Environment: a tax exemption that encourages competitiveness with other states by impacting the tax burden of business entities that engage in specific activities that include holding or maintaining inventory or property in the state, using or deriving benefit from water, electric power, energy or any other utility type resources, or buying, leasing, renting or selling machines or equipment used for the production, modification, creation or facilitation of tangible personal property in the state, or using consumables in the manufacturing process that does not become a part of the final product, including the following:

(i) Inventory Tax Ad Valorem.

(ii) Business Utilities Sales Tax.

(iii) Manufacturing Machinery and Equipment.

(iv) Direct Inputs and Consumables.

(c) Corporate Income Tax Formula: a tax exemption that is unique or specific to Louisiana and relates to assisting, guiding or aiding a business entity in determining the amount of its income for Louisiana tax purposes.

(d) Dealers and Vendors Compensation and Discounts: a tax exemption that encourages either the timely filing of a return, report, form or document or the timely payment of a tax, fee or other amount due.

(e) Educational Breaks for Educational Institutions: a tax exemption that pertains to an entity that engages in a specified activity that provides or facilitates the act of learning, or, an entity or institution who provides or facilitates learning.

(f) Educational Breaks for Individuals: a tax exemption that pertains to an individual who engages in a specified activity that is beneficial to, or provides or facilitates the act of learning.

(g) Incentives: a tax exemption that encourages a particular or specified economic activity by modifying the tax burden of the economic activity or behavior that is taking place. Categories of incentives include those, that spur the hiring of employees by business, or that are administered by and through a contract with the department of:

(i) Economic Development.

(ii) Culture, Recreation & Tourism.

(iii) Environmental Quality.

(iv) Revenue, including those for Severance Tax (that is not a part of the normal taxing scheme of other states).

(h) Louisiana Constitutional Mandates: a tax exemption outlined in the state constitution that modifies the tax burden.

(i) Non-Itemized Sales and Use Tax Exclusions and Exemptions: a sales tax exemption that is not individually itemized on a Louisiana sales tax return before March 2016 and is therefore not assigned a value in the Tax Exemption Budget.

(j) Normal Tax Structure: an exemption that is commonly used or implemented in other states; enacted to prevent double taxation; or used to prevent the taxation of direct business inputs. The exemption could be mandated by the federal government, the state to ensure a foreign, tribal, local, municipality or state entity addresses taxes owed to the state, the federal or state government to ensure the protections of commerce across state lines, the state government to determine the taxability of businesses when it incurs losses, or the state government on activities that sever the state's natural resources in a manner that is not unique to Louisiana and widely accepted policy among oil producing states, including the following:

(i) Federal Mandatory.

(ii) Intergovernment.

(iii) Interstate Commerce.

(iv) Net Operating Loss.

(v) Normal Severance.

(k) Personal Income Tax Formula: a tax exemption that assists, guides, or aids an individual in determining Louisiana tax table income after determining Louisiana adjusted gross income.

(l) Retirement, Disability, and Military: a tax exemption that modifies the tax owed by individuals who receive money, including but not limited to wages and interest as a result of this special status or position in life that is recognized by statute.

(m) Specialty Sales Tax Exemptions, including the following:

(i) Sales tax holidays.

(ii) Purchase of a specific item.

(iii) Purchase made by a specific taxpayer.

(iv) Activities of a specific group or organization.

(n) Specialty Income Tax Exemptions, including the following:

(i) Performance of a specific activity.

(ii) Purchase of a specific item.

(iii) Purchase made by a specific taxpayer.

(3) No statute, provision, exemption, exclusion, refundable or nonrefundable credit, rebate or deduction listed in the categories outlined above shall be listed in more than one category without a specific notation of doing such.

(4) The secretary may add additional categories to the additional opening schedule as deemed appropriate and necessary.

# Revised Statute 47:1517 - Tax Exemption Budget

C. The annual tax exemption budget shall also include an assessment of each tax exemption based on the following criteria:

(1) Whether or not each tax exemption has been successful in meeting the purpose for which it was enacted, in particular, whether each tax exemption benefits those originally intended to be benefited, and if not, those who do benefit.

(2) Whether each tax exemption is the most fiscally effective means of achieving its purpose.

(3) Unintended or inadvertent effects, benefits, or harm caused by each tax exemption, including whether each tax exemption conflicts with other state laws or regulations.

(4) Whether each tax exemption simplifies or complicates the state tax statutes.

D. The Department of Revenue is authorized to request from any state or local agency or official any information necessary to complete the budget required by this Section. Any such official shall comply with this request.

E. "Tax exemptions" means those revenue losses attributable to provisions of the state tax statutes or rules promulgated pursuant to such statutes, which allow a special exclusion, exemption, or deduction from gross income or sales or which provide a special credit, a preferential rate of tax, or a deferral of tax liability.

F. The House Committee on Ways and Means and the Senate Committee on Revenue and Fiscal Affairs, hereinafter referred to as "committees", shall conduct hearings on the tax exemption budget every odd-numbered year, to be concluded thirty days before the beginning of the regular session of the Louisiana Legislature. The committees shall analyze and consider tax exemptions which have caused revenue loss to the state of ten million dollars or more in any one of the last three fiscal years. From time to time, the committees may report to the legislature findings or recommendations developed as a result of the hearings.

Acts 1989, No. 836, §2, eff. July 1, 1989; Acts 1997, No. 658, §2; Acts 2011, No. 365, §1; Acts 2016, No. 592, §1, eff. July 1, 2016; Acts 2018, No. 667, §2, effective August 1, 2018.

# Glossary
## Part 10

# Glossary

**Actual tax collections** – amount of tax revenue received and available for appropriation

**Beneficiary** – any person or entity who gains an advantage and/or profits from a tax exemption

**Corporation income tax** – a tax paid by all corporations or entities taxed as corporations for federal income tax purposes on income earned in Louisiana

**Credit** – an amount that is subtracted from a tax liability

**Deduction** – an amount which the taxpayer is allowed to subtract when computing the taxable base

**Deferred tax liability** – the legal authorization to delay the obligation to pay a tax to a future period

**Discount** – a proportionate deduction from the gross amount reported

**Effective date** – the date upon which a statute is considered to take effect, which may be a past, present or future date

**Estimated fiscal effect** – the future estimated revenue loss to the state caused by each tax exemption

**Exemption/Exclusion** – the statutory elimination of certain items or transactions from the tax base. An exemption is a mechanism that prevents taxation on an item or class of items that would normally be taxed under the law. An exclusion is the absence of taxation on an item or class of items. However, Louisiana law often conflates the term "exclusion" with "exemption," such that the former may be used to describe a mechanism that might be better characterized as the latter.

**Excise tax** – a tax imposed on a commodity or commodities

**Federal adjusted gross income** – the amount of income earned or received during the year after certain exclusions and adjustments according to federal law

**Franchise tax** – a tax imposed on business corporations for the privilege of conducting business in Louisiana. The tax is levied on either the assessed value of all real and personal property in the state or the amount of issued and outstanding capital stock, surplus, and undivided profits attributable to Louisiana, whichever is larger.

**Individual income tax** – a tax levied on personal income earned by Louisiana residents and on income earned in Louisiana by non-residents

**Itemized deductions** – under federal law, certain deductions that are subtracted from adjusted gross income and are applied in lieu of a standard deduction

**Non-refundable tax credit** – a tax credit that reduces the income tax liability and, if allowed by the statute authorizing the credit, any remaining amount can be carried forward for use in future tax years. If the amount of credit is greater than the taxes owed, the excess will not generate a refund.

**Percentage of tax loss** – the exemption losses by tax divided by the total potential collections

**Petroleum taxes** – a tax on motor fuels such as gasoline, diesel, and special fuels including compressed natural gas, liquefied natural gas, and liquefied petroleum gas

**Preferential tax rate** – a provision which provides a tax rate for certain persons, types of income, transactions, or property that results in reduced tax revenue

**Rebate** – an incentive in the form of money issued to a taxpayer to induce or after having induced specific behavior without having to be claimed on a tax return

**Refundable tax credit** – a tax credit that reduces the income tax liability, with any excess credit amount being refundable to the taxpayer

**Remote sale** – a sale made by a remote seller or a sale facilitated by a marketplace facilitator

**Remote seller** – a seller who sells for sale at retail, use, consumption, distribution, or for storage to be used for consumption or distribution any taxable tangible personal property, products transferred electronically, or services for delivery within Louisiana, but does not have a physical presence in Louisiana

**Sales tax** – a tax imposed on certain consumer purchases of tangible personal property and specified services

**Service** – the performance of an action or activity for others

**Severance tax** – a tax levied on natural resources taken from the ground

# Glossary

**State revenue losses** – state tax revenue not collected due to statutory tax exemptions. This would not include statutory tax exemptions that are also prohibited from taxation by the state constitution, federal laws, or existing reciprocal agreements.

**Statutory tax exemption** – an amount that is prohibited from taxation by state statute. This would not include statutory tax exemptions that are also prohibited from taxation by the state constitution, federal laws, or existing reciprocal agreements.

**Sunset provision** – a clause in a statute which provides for an automatic repeal of the entire law or a section of a law once a specific date is reached

**Taxable income** – the amount to which the applicable income tax rate is applied

**Taxable base** – the value of a set of assets, investments, transactions, or income streams (depending on the tax type) that are subject to taxation

**Tax exemptions** – tax dollars that are not collected and result in a loss of tax revenues available for appropriation. Tax exemptions result from tax laws which provide an exemption, exclusion, deduction, credit, preferential tax rate, tax rebate or a deferral of tax liability to reduce the amount of the taxpayer's liability to Louisiana. Tax exemptions provide economic incentives or tax relief to particular classes of persons or entities to achieve a public purpose.

**Agriculture/rural** – a tax exemption that pertains to a business or person being located in a rural area; or, engaging in an agricultural trade/business

**Alternative reporting method or statutorily prescribed method of taxation for sales tax** – tax exemption that assists, guides, or aids a business entity in determining the sales tax to remit or the amount subject to sales tax

**Business environment** – a tax exemption that encourages competitiveness with other states by impacting the tax burden of business entities that engage in specific activities that include holding or maintaining inventory or property in the state, using for deriving benefit from water, electric power, energy or any other utility type resources, or buying, leasing, renting or selling machines or equipment used for the production, modification, creation or facilitation of tangible personal property in the state, or using consumables in the manufacturing process that does not become part of the final product

**Corporate income tax formula** – a tax exemption that is unique or specific to Louisiana and relates to assisting, guiding or aiding a business entity in determining the amount of its income for Louisiana tax purposes

**Dealers and vendors compensation and discounts** – a tax exemption that encourages either the timely filing of a return, report, form or document or the timely payment of a tax, fee or other amount due. The discount for tobacco stamps is the only one not based on timely filing and/or payment; it is to provide a volume discount and to compensate dealers for expenses related to tax collection.

**Educational breaks for educational institutions** – a tax exemption that pertains to an entity that engages in a specified activity that provides or facilitates the act of learning, or an entity or institution that provides or facilitates learning

**Educational breaks for taxpayers** – a tax exemption that pertains to an individual or business who engages in a specified activity that is beneficial to, or provides or facilitates the act of learning

**Federally imposed exemption** – a tax exemption that is based on a prohibition of taxation in the U.S. Constitution or a federal statute

**Health care/medical** – a tax exemption that was created to assist taxpayers providing health care or medical treatment or that modifies the tax burden on health care or medical treatment

**Incentives** – a tax exemption that encourages a particular or specified economic activity by modifying the tax burden of the economic activity or behavior that is taking place

**Louisiana constitutional mandates** – a tax exemption outlined in the state constitution that modifies the tax burden

**Natural disaster** – a tax exemption that was created to assist taxpayers in recovering from a natural disaster or was created as a direct result of a natural disaster

**Normal tax structure** – a tax exemption that is commonly used or implemented in other states; enacted to prevent double taxation; or used to prevent the taxation of direct business inputs

**Personal income tax formula** – a tax exemption that assists, guides, or aids an individual in determining Louisiana tax table income after determining Louisiana adjusted gross income

**Preferential income tax rate** – a tax exemption that provides a reduced or lower rate of tax for certain persons, types of income, transactions, or property that results in reduced tax revenue

**Retirement, disability, and military** – a tax exemption that modifies the tax owed by individuals who receive money including, but not limited to, wages and interest as a result of this special status or position in life that is recognized by statute

**Specialty income tax exemptions** – an income tax exemption that encourages a particular or specified economic activity by providing a credit or deduction for the economic activity or behavior that is taking place. Categories of specialty income tax exemptions include tax exemptions for performance of a specific activity, purchase of a specific item, purchase made by a specific taxpayer, or an exemption for specific activity that benefits a community.

**Specialty sales tax exemptions** – a sales tax exemption that encourages a particular or specified economic activity by modifying the tax burden of the economic activity or behavior that is taking place. Categories of specialty sales tax exemptions include sales tax holidays, purchase of a specific item, purchase made by a specific taxpayer, or activities of a specific group or organization.

**Tax incentives and exemption contracts** – tax exemptions that encourage a particular or specified economic activity by modifying the tax burden of the economic activity or behavior that is taking place. Categories of incentives include those that spur the hiring of employees by business, or that are administered by and through a contract with the Departments of Economic Development, Culture, Recreation & Tourism, Environmental Quality or Department of Revenue.

**Total potential collections** – actual tax collections plus the state revenue losses due to tax exemptions

# Maine State Tax Expenditure Report
# 2026 – 2027

**Reports Prepared for the**
**Joint Standing Committee on Taxation**

**Department of Administrative and Financial Services**
**Maine Revenue Services**
**Office of Tax Policy**

2987/8585

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February 15, 2025

Sen. Nicole Grohoski, Chair
Rep. Kristen Cloutier, Chair
Members Joint Standing Committee on Taxation

The Office of Tax Policy is pleased to submit to the Committee a detailed report on state income tax and sales tax expenditures. For purposes of this report, 36 M.R.S.A. § 199-B defines tax expenditure as any provision of state law that results in the reduction of tax revenue due to special exclusions, exemptions, deductions, credits, preferential rates or deferral of tax liability.

We have excluded from the definition tax expenditures that are (1) required under federal mandate (e.g., the sales tax exclusion for food stamp purchases), (2) created at the state level to maintain conformity with traditional tax law when the federal government deviates from that law because it creates credits that the state does not adopt (e.g., the subtraction modification associated with federal work opportunity credit), or (3) are the result of the state taxing certain activities under a different tax system (e.g., the income of a financial institution that is an S corporation).

This report provides no recommendation regarding the amendment, repeal or replacement of any tax expenditure. Such recommendations are included in the Governor's biennial budget or separate legislation submitted by the Administration.

If you have any questions, please do not hesitate to contact me.

Sincerely,

Michael J. Allen

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# Introduction: TAX EXPENDITURES

## *I. Introduction*

State law requires Maine Revenue Services to provide two tax expenditure reports every odd-numbered year. The first report must be included in the state budget document. 5 M.R.S.A. §1664 provides that the document specifically includes

> . . . the estimated loss in revenue during the last completed fiscal year and the fiscal year in progress, and the anticipated loss in revenue for each fiscal year of the ensuing biennium, caused by the tax expenditures provided in Maine statutes; the term "tax expenditures" means those State tax revenue losses attributable to provisions of Maine tax laws which allow a special exclusion, exemption or deduction or which provide a specific credit, a preferential rate of tax or a deferral of tax liability.

The second report, required by 36 M.R.S.A. § 199-B, must be submitted to the Joint Standing Committee on Taxation by February 15th of each odd-numbered year. This report must contain

> a summary of each tax expenditure, a description of the purpose and background of the tax expenditure and the groups likely to benefit from the tax expenditure, an estimate of the cost of the tax expenditure for the current biennium, any issues regarding tax expenditures that need to be considered by the Legislature, and any recommendation regarding the amendment, repeal or replacement of the tax expenditure."

The Governor's budget submission for the 2026-27 biennium includes the first report. This report meets the second statutory requirement.

The tax expenditure budget is a concept that was developed to assure a budget review process for tax preferences similar to the review required for direct expenditure programs. The federal government and most state governments engage in a periodic review of tax expenditures. Generally, tax expenditures provide tax incentives designed to encourage certain activities by taxpayers or provide relief to taxpayers in special circumstances. Many tax expenditures are the equivalent of a governmental subsidy in which the foregone tax revenue is essentially a direct budget outlay to specific groups of taxpayers.

## *II. Identifying Tax Expenditures*

Tax expenditures are defined relative to a benchmark "normal tax law." Thus, identifying tax expenditures requires defining normal tax law. Tax expenditures are then aspects of the law that reduce revenue relative to normal tax law.

For the income tax the report adopts the same definition of normal income tax law as the Congressional Joint Committee on Taxation uses to identify federal income tax expenditures. The normal law tax structure includes personal exemptions, the standard deduction, the current tax rate schedule, and business expenses deductions. The base for normal law is much broader than taxable income. Tax expenditures are exclusions, exemptions, or deductions that reduce taxable income below

the "normal law" tax base and tax credits, preferential tax rates, or income tax deferral that reduce income tax liability.

Defining normal sales tax law is complicated because there are competing theoretical constructs for what this benchmark should be. One possibility is that the normal sales tax base is defined by *36 M.S.R.A. § 1811* and includes "all tangible personal property and taxable services sold at retail in this state." Under this definition, sales tax exclusions for services are *not* tax expenditures but sales tax exemptions for business purchases of tangible personal property *are* tax expenditures. Another possibility is that the normal sales tax base is all retail purchases for consumption. In this case, sales tax exclusions for services *are* tax expenditures but sales tax exemptions for business purchases of tangible personal property are *not* tax expenditures because these purchases are not consumption. This report defines the normal sales tax base as the combination of these two bases. Thus, the benchmark base includes all sales of tangible personal property and services sold at retail, and both exemptions for business purchases and exclusions for the purchase of services are counted as tax expenditures.

The report uses broad definitions of the benchmark income and sales tax bases to maximize the number of tax expenditures identified and thus provide the most information to legislators. The choice of benchmark law does not reflect a judgment that benchmark law is preferred to current law. One area where the choice of normal law is important is when making cross-state comparisons of tax expenditures, as different choices of normal law will lead to different lists of expenditures even when states have identical tax policies.

There are a few other important considerations for the definition of normal tax law in this report. The report defines normal law to exclude as expenditure those parts of the law that are (1) established by federal mandate (e.g., the sale tax exclusion for food stamp purchases), (2) created at the state level to maintain conformity with normal tax law when the federal government deviates from that law because it creates credits that the state does not adopt (e.g., the subtraction modification associated with federal work opportunity credit), or (3) the result of the state taxing certain activities under a different tax system (e.g., the income of a financial institution that is an S corporation).

## *III. Estimating the Size of Tax Expenditures*

### *A) General Conceptual issues*

In estimating the revenue loss attributed to a tax expenditure, it is assumed that the provision of law granting special tax treatment is repealed and that no other changes in tax law, taxpayer behavior or general economic activity occur as a result of its repeal. Consequently, it should not be concluded that the repeal of any of these tax expenditures will necessarily generate the amount of revenue which they are estimated to forego. Differences between the tax expenditure estimate and the revenue raised by repeal can be especially large for provisions related to timing, such as depreciation and deferment of income recognition, and for tax credits where carryforwards are a large component of the credit. In these cases, and especially in the near term, the revenue gain from ending a tax expenditure may be significantly different from the revenue cost of maintaining the expenditure. Sales tax expenditure estimates do not generally account for the availability of other exemptions that could apply and therefore can significantly overstate the revenue that would be raised by repeal.

General Fund expenditures are reported for sales tax and income tax. Due to local government revenue sharing, these General Fund expenditures are 95% of the total expenditure in all fiscal years covered by this report.

### *B) Sales Tax*

Sales tax expenditure estimates are particularly challenging to estimate. The sales tax return does not contain data pertinent to most exemptions and external data sources to inform the expenditure estimates do not exist in many cases. State-level consumption and business intermediate input and investment expenditures data would be the most relevant data for estimating expenditures but is unavailable.

Many expenditure estimates cite the sales tax model as the source. The sales tax model refers to national data on consumption and business expenditures multiplied by an estimated Maine share, a policy mapping of those expenditures to sales tax liability, and a simple data aging process. Due to limitations with the source data and, in many cases, an imperfect correspondence between the exemption in law and the policy mapping, estimates based on the sales tax model are subject to significant uncertainty.

Due to the numerous sales tax exemptions and the challenges of estimating the revenue lost from the exemptions, a few practical considerations are important.

First, for almost all sales tax expenditures, a legislative proposal to eliminate the exemption would spur a more thorough review of the expenditure estimate. The results of a more thorough review could result in significant changes.

Second, many sales tax expenditure estimates are reported as ranges due to the challenges of estimating the expenditure. Many of the range estimates are the same as the prior tax expenditure report and were not revisited for this report.

### C) Income Tax

Maine's individual and corporate income tax systems are based upon the federal definitions of adjusted gross income and taxable income. Therefore, certain tax expenditures, referred to as “conformity tax expenditures” are authorized by continued acceptance of the provisions of the Internal Revenue Code.

Tax expenditures for tax credits, Maine subtraction modifications, itemized deductions, and “above-the-line” deductions to Federal Adjusted Gross income are based on tax data and therefore should be reliably estimated for FY 2024. For forecast periods, some tax credits and minor deductions can be volatile because the benefits are concentrated with one or two taxpayers.

Tax expenditures arising from the definition of federal total income present numerous challenges. First, there is a paucity of data available to estimate these expenditures. Our estimates rely on the Joint Committee on Taxation’s *Estimates of Federal Tax Expenditures for Fiscal Years 2024-2028* (JCX-48-

24, December 21, 2024). "Sharing down" national estimates from the JCT is the standard approach to estimating these expenditures, but the results are unreliable. Second, many of these provisions arguably belong in normal State tax law, as conformity to the federal law is common or near-universal across states, decoupling would create significant challenges, and the state has a long history of conforming to the provision. Finally, related to the first two points, understanding the implications of decoupling from many of these provisions would require a significant amount of legal and economic research and is outside the scope of this report.

For these reasons, income tax expenditures related to the definition of total income are only listed for some of the largest expenditures and items related to recent policy changes or attention. This report includes more detail on the remaining tax expenditures in Appendix D. JCT classifies tax expenditures by function; Appendix D lists the federal expenditures that flow through to Maine and are not elsewhere included in the report by function and shows the estimated federal expenditure. For each function or group of functions, a wide range for the total state expenditure is also included. A range is reported both because of the uncertainty involved with going from national to state estimates and the fact that interaction effects mean the sum of the individual estimates is different than the total expenditure.

## *IV. Changes to Tax Expenditure Report*

The Legislature enacted three new income tax expenditures related to tax credits since the last report. Two new credits, the Dirigo Business Incentives Credit and the credit for investment in qualified professional baseball facilities in the state, were created. Furthermore, the dependent exemption tax credit was made refundable starting in 2024. The part of the credit that offsets tax liability is considered part of reference tax law and not a tax expenditure, like other features of the individual income tax code such as personal exemptions for self and spouse and the standard deduction. The credit amount that exceeds tax liability is, however, considered a tax expenditure and has been added to the report.

In addition to these new expenditures, the Property Tax Fairness Credit and pension income deduction were significantly expanded since the last report. One tax expenditure, the credit for certain modifications for qualified expenses incurred to make a homestead accessible to an individual with a disability or physical hardship, was repealed, except for carryforwards, beginning in tax year 2023 and has been removed from this report.

Since the last report one new sales tax expenditure was added, an exemption for purchases by nonprofit organizations that have been determined by the IRS to be exempt from federal income taxation under Section 501(c)(3), if the purchases are to be used primarily for the purposes for which the nonprofit organization was organized. Many such organizations were already exempt under other sales tax exemptions for specific categories of nonprofit organizations.

# Chapter 1: INCOME TAX (Personal and Corporation) and PROPERTY TAX REIMBUREMENTS

## 1.001 Reimbursement for business equipment tax exemption to municipalities.

*36 M.R.S.A. § 691*

Under this provision, qualified business equipment first subject to property tax assessment on or after April 1, 2008 will be exempt from property taxes. The state reimburses municipalities for property revenue loss according to the following schedule: 100% in 2008, 90% in 2009, 80% in 2010, 70% in 2011, 60% in 2012, and for years beginning 2013 and for subsequent years, 50%. Municipalities where the total value of business personal property exceeds 5% of total taxable value plus the value of exempt business equipment can receive an enhanced reimbursement according to the following formula:

$$Reimbursement\ Percentage = .5 + .5 * \left(\frac{Total\ value\ of\ business\ personal\ property}{Total\ taxable\ value + exempt\ business\ equipment}\right)$$

There is also additional reimbursement provided for municipalities with respect to revenues related to tax increment financing revenues used by municipalities on their own qualifying tax increment financing projects.

**Reason(s) for exemption**

Provides an incentive for business to make new investments that will foster economic development.

**Estimated General Fund revenue loss**

FY ‘24 $64,779,045
FY ‘25 $70,730,000
FY ’26 $73,596,000
FY ’27 $76,575,000

**Methods used to calculate the revenue loss**

Estimates based on the Revenue Forecasting Committee report.

**Number of taxpayers affected**

11,297 exemptions in 2023

# 1.002 Reimbursement for taxes paid on certain business property (BETR).

*36 M.R.S.A. Chapter 915*

A business against which property taxes have been assessed with respect to eligible property (generally qualified business property first placed in service in Maine, or constituting construction in progress commenced in Maine, after April 1, 1995 and before April 2, 2007 (with the exception of certain retail property newly placed in service after that date that remains eligible for BETR reimbursement)) and who has paid those taxes is entitled to reimbursement of those taxes from the State. The reimbursement is 100% of the taxes assessed and paid with respect to eligible property for the first 12 years the property tax was paid. The reimbursement is 75% in Year 13 and is annually reduced until reimbursement reaches 50% in Year 17. Property placed in service after April 1, 2007 is generally qualified for the business equipment tax exemption under 36 M.R.S.A. Chapter 105 Subchapter 4-C. See item 1.001 on the previous page.

**Reason(s) for exemption**

Provides an incentive for business investment and subsequent economic development.

**Estimated General Fund revenue loss**

FY ‘24 $18,095,129
FY ‘25 $17,340,000
FY ‘26 $16,319,000
FY ‘27 $15,538,000

**Methods used to calculate the revenue loss**

Estimates based on the Revenue Forecasting Committee report.

**Number of taxpayers affected**

807 businesses requested reimbursement for 2022 property taxes.

# 1.003 Deduction for Income from Depreciation Recapture on Sale of Multi-Family Affordable Housing Property.

*36 M.R.S.A. § 5122-(2)(Z) & § 5200-A (2)(Q)*

For income tax years beginning on or after January 1, 2006, Maine adjusted gross income (MAGI) is reduced by capital gains and ordinary income resulting from depreciation recapture determined in accordance with the Code, §§ 1245 and 1250 realized on the sale of property certified as multifamily affordable housing property by the Maine State Housing Authority.

**Reason(s) for exemption**

Exemption is granted to claimants to encourage the preservation of affordable housing in Maine.

**Estimated General Fund revenue loss**

FY ‘24 $45,000
FY ‘25 $45,000
FY ’26 $45,000
FY ’27 $45,000

**Methods used to calculate the revenue loss**

Estimate is based on information from the Maine Revenue Services data warehouse.

**Number of taxpayers affected**

Fewer than 10 taxpayers affected.

# 1.004 Deduction for social security benefits taxable at federal level.

*36 M.R.S.A. § 5122-(2)(C)*

Federal adjusted gross income is reduced by social security benefits and railroad retirement benefits paid by the United States to the extent included in federal adjusted gross income.

**Reason(s) for exemption**

Federal taxation of social security benefits provides funds to the Social Security Trust Fund. The state does not have this need, therefore social security and railroad retirement benefits are excluded from Maine taxable income.

**Estimated General Fund revenue loss**

FY ‘24 $144,600,000
FY ‘25 $153,390,000
FY ’26 $157,160,000
FY ‘27 $166,930,000

**Methods used to calculate the revenue loss**

Estimate is based on information from the Maine Revenue Services data warehouse and the individual income micro-simulation tax model.

**Number of taxpayers affected**

Estimated 110,000 taxpayers affected.

# 1.005 Deduction for contributions to capital construction funds.

*36 M.R.S.A. § 5122-(2)(I)*

For income tax years beginning on or after January 1, 1991, federal adjusted gross income is reduced by the amount by which federal taxable income is reduced for vessel earnings from fishing operations contributed to a capital construction fund.

**Reason(s) for exemption**

An incentive for taxpayers involved in fishing operations for future maintenance or replacements of fishing vessels.

**Estimated General Fund revenue loss**

FY ‘24 $16,000
FY ‘25 $50,000
FY ’26 $50,000
FY ’27 $50,000

**Methods used to calculate the revenue loss**

Estimate is based on information from the Maine Revenue Services data warehouse.

**Number of taxpayers affected**

Approximately 10 taxpayers.

# 1.006 Deduction for pension income.

*36 M.R.S.A. § 5122(2)(M)*

Federal adjusted gross income is reduced by the lesser of: (1) the individual maximum amount, reduced by the individual's social security and railroad retirement benefits paid by the United States, but not less than $0, except that the reduction does not apply to benefits paid under a military retirement plan; or (2) the aggregate of benefits under employee retirement plans and taxable distributions from individual retirement accounts included in the individual's federal adjusted gross income. The individual maximum amount was $10,000 in tax year 2021, $25,000 in tax year 2022, and $30,000 in tax year 2023. Beginning with tax year 2024, the individual maximum amount in a tax year is the maximum annual Social Security benefit of someone retiring at retirement age on January 1st of the tax year. In 2024, this amount is $45,864.

Beginning in 2016, benefits received under a military retirement plan, including survivor benefits, are fully exempt from Maine income tax.

The deduction is available to each individual who is a primary recipient (individual upon whose earnings the employee retirement plan benefits are based or the surviving spouse of that individual) of benefits under an employee retirement plan (state, federal or military retirement plan or any other retirement benefit plan established and maintained by an employer for the benefit of its employees).

**Reason(s) for exemption**

Provide tax relief to taxpayers with pension income, particularly taxpayers with military pensions and taxpayers who do not receive social security income; also, provides some degree of equity between public and private pension providers.

**Estimated General Fund revenue loss**

FY '24 $79,880,000
FY '25 $121,330,000
FY '26 $133,210,000
FY '27 $141,710,000

**Methods used to calculate the revenue loss**

Estimate is based on information from the Maine Revenue Services data warehouse and the individual income micro-simulation tax model.

**Number of taxpayers affected**

Approximately 80,000 taxpayers in tax year 2023

# 1.007 Deduction for interest and dividends on Maine state and local securities by individuals.

*36 M.R.S.A. § 5122(2)(N)*

Federal adjusted gross income is reduced by the amount of interest and dividends on obligations or securities of this state and its political subdivisions and authorities to the extent included in federal adjusted gross income.

**Reason(s) for exemption**

Provides an incentive for investment in Maine state and local bonds.

**Estimated General Fund revenue loss**

FY ‘24 $335,000
FY ‘25 $370,000
FY ‘26 $340,000
FY ‘27 $285,000

**Methods used to calculate the revenue loss**

Estimate is based on information from the Maine Revenue Services data warehouse and the individual income micro-simulation tax model.

**Number of taxpayers affected**

Approximately 3,100 taxpayers

# 1.008 Deduction for Holocaust victim settlement payments.

*36 M.R.S.A. § 5122(2)(O)*

Federal adjusted gross income is reduced by Holocaust victim settlement payments received by a Holocaust victim to the extent included in federal adjusted gross income. A Holocaust victim is an individual who died, lost property or was a victim of persecution as a result of discriminatory laws, policies or actions targeted against discrete groups of individuals based on race, religion, ethnicity, sexual orientation or national origin. "Holocaust victim" includes the spouse or a descendant of such an individual.

**Reason(s) for exemption**

Allows the full amount of compensation received to be used by individuals compensated for holocaust injustices.

**Estimated General Fund revenue loss**

FY '24 $0 – $10,000
FY '25 $0 – $10,000
FY '26 $0 – $10,000
FY '27 $0 – $10,000

**Methods used to calculate the revenue loss**

Estimate is based on information from the Maine Revenue Services data warehouse.

**Number of taxpayers affected**

Fewer than 10 taxpayers.

# 1.009 Deduction for active duty military pay earned outside of Maine

*36 M.R.S.A. § 5122-(2)(LL)*

For tax years beginning on or after January 1, 2014, pay received for active duty military service performed outside of Maine upon written orders is exempt. Active duty military compensation earned by a nonresident individual is fully exempt from Maine taxation, whether earned in Maine or elsewhere, by operation of federal law. See 50 U.S.C. § 571(b). The effect of the law is to further exempt from Maine taxation military compensation earned outside Maine by active duty military personnel who are residents of Maine.

**Reason(s) for exemption**

To provide tax relief to active duty military service members who are residents of Maine.

**Estimated General Fund revenue loss**

FY '24 $2,280,000
FY '25 $2,485,000
FY '26 $2,615,000
FY '27 $2,750,000

**Methods used to calculate the revenue loss**

Estimate is based on information from the Maine Revenue Services data warehouse.

**Number of taxpayers affected**

Approximately 1,000 taxpayers

# 1.010 Deduction for military annuity payments made to a survivor

*36 M.R.S.A. § 5122-(2)(HH)*

To the extent included in federal adjusted gross income, annuity payments made to the survivor of a deceased member of the military who died as the result of service in active or reserve components of the United States Army, Navy, Air Force, Marines or Coast Guard under a survivor benefit plan or reserve component survivor benefit plan pursuant to 10 United States Code, Chapter 73 are exempt from Maine income tax.

**Reason(s) for exemption**

To provide tax relief to survivors of a deceased member of the military.

**Estimated General Fund revenue loss**

FY ‘24 $250,000
FY ‘25 $260,000
FY ‘26 $270,000
FY ‘27 $285,000

**Methods used to calculate the revenue loss**

Estimate is based on information from the Maine Revenue Services data warehouse.

**Number of taxpayers affected**

Approximately 185.

# 1.011 Family Development Account proceeds

*10 M.R.S.A. § 1077*

Individuals whose family income is below 200% of the poverty level may open a family development account in connection with an approved community development organization. Account balances and withdrawals are exempt from Maine individual income tax to the extent included in federal adjusted gross income.

**Reason(s) for exemption**

To provide tax relief to family development account owners.

**Estimated General Fund revenue loss**

FY '24 $0-$10,000
FY '25 $0-$10,000
FY '26 $0-$10,000
FY '27 $0-$10,000

**Methods used to calculate the revenue loss**

Estimate is based on information from the Maine Revenue Services data warehouse.

**Number of taxpayers affected**

Fewer than 10.

# 1.012 Municipal property tax benefits for senior citizens

*36 M.R.S.A. § 5122-(2)(EE)*

A municipality, by ordinance, may adopt a program that permits claimants who are at least 60 years of age to earn benefits up to a maximum $750 by volunteering to provide services to the municipality. The amount of the benefits received during the tax year are exempt from Maine individual income tax.

**Reason(s) for exemption**

Provide tax relief for recipients of municipal property tax benefits.

**Estimated General Fund revenue loss**

FY ’24 $10,000
FY ‘25 $10,000
FY ‘26 $10,000
FY ‘27 $10,000

**Methods used to calculate the revenue loss**

Estimate is based on information from the Maine Revenue Services data warehouse.

**Number of taxpayers affected**

Approximately 60 taxpayers.

# 1.013 Deduction for gains on sales of eligible timberlands

*36 M.R.S.A. § 5122-(2)(U) & § 5200-A (2)(P)*

A subtraction modification is allowed on the Maine individual income tax return equal to the applicable percentage of the gain from the sale of sustainably managed, eligible timberlands that is included in federal adjusted gross income. The applicable percentage depends on how long the eligible timberlands have been held since January 1, 2005: timberlands held for less than 10 years since 1/1/2005 are ineligible for the deduction, and timberlands held for 10 or more years receive a deduction equal to 6.67 percent plus an additional 6.67 percent for each year exceeding 10 years (but not more than 100%).

**Reason(s) for exemption**

To provide tax relief to taxpayers who sell eligible timberlands

**Estimated General Fund revenue loss**

FY ‘24 $49,000
FY ‘25 $355,000
FY ‘26 $405,000
FY ‘27 $460,000

**Methods used to calculate the revenue loss**

Estimate is based on information from the Maine Revenue Services data warehouse.

**Number of taxpayers affected**

Approximately 30 taxpayers.

# 1.014 Deduction for employer student loan payments on behalf of a qualified health care employee

*36 M.R.S.A. § 5122-(2)(XX)*

For tax years beginning on or after January 1, 2020, a qualified health care employee (generally, an individual who is licensed as a registered nurse, practical nurse, osteopathic physician, or to practice medicine or surgery and is employed by a hospital in Maine) may claim, to the extent included in the employee's federal adjusted gross income, the income subtraction modification for student loan payments made by an employer directly to the lender.

**Reason(s) for exemption**

Provide tax relief to health care employees who are employed by a hospital and have their student loan repaid by the hospital.

**Estimated General Fund revenue loss**

FY '24 $39,000
FY '25 $41,000
FY '26 $43,000
FY '27 $45,000

**Methods used to calculate the revenue loss**

Estimate is based on information from the Maine Revenue Services data warehouse.

**Number of taxpayers affected**

Approximately 80 taxpayers.

# 1.015 Deduction for student loan payments made directly to lender by a student loan repayment program funded by a nonprofit foundation and administered by the Finance Authority of Maine

*36 M.R.S.A. § 5122-(2)(XX)*

For tax years beginning on or after January 1, 2022, an individual taxpayer may claim, to the extent included in federal adjusted gross income, the income subtraction modification for student loan payments made directly to a lender on behalf of the taxpayer by a student loan repayment program funded by a nonprofit foundation and administered by the Finance Authority of Maine for residents of the State employed by a business located in the State.

**Reason(s) for exemption**

To provide tax relief to taxpayers who have their student loans repaid by a qualifying repayment program.

**Estimated General Fund revenue loss**

FY ‘24 $55,000
FY ‘25 $50,000
FY ‘26 $50,000
FY ‘27 $50,000

**Methods used to calculate the revenue loss**

Estimate is based on information from the Maine Revenue Services data warehouse.

**Number of taxpayers affected**

Fewer than 50 taxpayers.

# 1.016 Exclusion of certain income earned by tribal members residing on tribal land

*36 M.R.S.A. § 5122-(2)(XX) and § 5122-(2)(PP)*

For tax years beginning on or after January 1, 2023, the income and losses of tribal members and estates of tribal members residing on tribal land when the income and losses are derived from or connected with sources on tribal land is excluded from Maine Adjusted Gross Income.

**Reason(s) for exemption**

Provide economic benefits to the tribes, their tribal lands and tribal members, to surrounding communities and to the State; and to clarify and simplify the application of the State's tax laws to the tribes, their tribal lands and tribal members.

**Estimated General Fund revenue loss**

FY ‘24 $305,000
FY ‘25 $351,000
FY ‘26 $365,000
FY ‘27 $379,000

**Methods used to calculate the revenue loss**

Estimate is based on information from the Maine Revenue Services data warehouse.

**Number of taxpayers affected**

Approximately 150

# 1.017 Deduction for contributions to a 529 Plan

*36 M.R.S.A. § 5122-(2)(YY)*

For tax years beginning on or after January 1, 2023, eligible taxpayers can deduct contributions of up to $1,000 per beneficiary to a qualified tuition plan established under Section 529 of the Internal Revenue Code. Eligibility for the deduction is limited to taxpayers whose federal adjusted gross income is $100,000 or less if filing single or married filing separately or $200,000 or less if married filing jointly or head of household.

**Reason(s) for exemption**

Provide additional incentives to contribute to a 529 plan

**Estimated General Fund revenue loss**

FY ‘24 $390,000
FY ‘25 $405,000
FY ‘26 $420,000
FY ‘27 $435,000

**Methods used to calculate the revenue loss**

Estimate is based on information from the Maine Revenue Services data warehouse.

**Number of taxpayers affected**

Approximately 3,900

# 1.018 Itemized deductions.

*36 M.R.S.A. § 5125*

An individual who has claimed itemized deductions from federal adjusted gross income in determining the individual's federal taxable income for the taxable year may claim itemized deductions from Maine adjusted gross income.

The sum of an individual's itemized deductions is: (1) reduced by any state income or sales tax; (2) increased by any interest or expense incurred in the production of the individual's Maine income that was not deducted in determining the individual's federal taxable income; (3) reduced by any amount of deduction attributable to income taxable to financial institutions; (4) reduced by any amount attributable to interest or expenses incurred in the production of income exempt from tax; and (5) reduced by any amount included in the basis of the family development account reserve fund credit.

For tax years beginning in 2018 the federal itemized deduction for all state and local taxes is limited to $10,000. Taxpayers can add back any real estate and personal property taxes that are excluded from federal itemized deductions because of this limit.

Itemized deductions, except for the deduction for medical expenses, are subject to a cap that is adjusted for inflation. In tax year 2024 the cap is $35,250. Itemized deductions are reduced for high-income taxpayers. In 2024 itemized deductions for single taxpayers are reduced in a straight line between $97,150 and $172,150 of Maine adjusted gross income; these thresholds are multiplied by two for married taxpayers filing jointly and 1.5 for head of household taxpayers.

**Reason(s) for exemption**

Generally provides conformity to federal individual tax law. Conformity reduces filing errors, increases compliance and keeps Maine taxes competitive with other states.

**Estimated General Fund revenue loss**

FY '24 $9,410,000
FY '25 $9,790,000
FY '26 $10,380,000
FY '27 $11,010,000

**Methods used to calculate the revenue loss**

Estimate is based on the Maine Revenue Services individual income micro-simulation tax model and information from the Maine Revenue Services data warehouse.

**Number of taxpayers affected**

Approximately 20,500 taxpayers

# 1.019 Additional standard deduction for the blind and elderly.

*36 M.R.S.A. § 5124-A*

For tax years beginning in 2024, taxpayers who are age 65 and older or blind may take an additional $1,950 standard deduction if single, or $1,5500 if married. The additional standard deduction is subject to the same phase out as the regular standard deduction and itemized deductions.

**Reason(s) for exemption**

Provide tax relief for the elderly and blind.

**Estimated General Fund revenue loss**

FY ‘24 $10,980,000
FY ‘25 $10,220,000
FY ‘26 $10,850,000
FY ‘27 $11,260,000

**Methods used to calculate the revenue loss**

Estimate is based on data from Maine Revenue Services individual income micro-simulation tax model and information from the Maine Revenue Services data warehouse.

**Number of taxpayers affected**

Approximately 90,000 taxpayers affected.

# 1.020 Deduction for exempt associations, trusts and organizations.

*36 M.R.S.A. § 5162(2)*

An association, trust or other unincorporated organization which by reason of its purposes or activities is exempt from federal income tax is exempt from Maine income tax except with respect to its unrelated business taxable income.

**Reason(s) for exemption**

Conforms to federal tax law and provides tax benefits to charitable and benevolent organizations.

**Estimated General Fund revenue loss**

FY '24 $0 – $50,000
FY '25 $0 – $50,000
FY '26 $0 – $50,000
FY '27 $0 – $50,000

**Methods used to calculate the revenue loss**

Revenue loss is estimated as a range of possible values because little or no data is available.

**Number of taxpayers affected**

Number of taxpayers affected is not available.

# 1.021 Deduction for interest and dividends on U.S., Maine state and local securities.

*36 M.R.S.A. §§ 5200-A-(2)(K)*

The taxable income of a taxpayer under the laws of the United States is reduced by the amount of interest or dividends on obligations or securities of the United States, this state and its political subdivisions and authorities to the extent included in federal taxable income.

**Reason(s) for exemption**

Provides an incentive for corporations to invest in federal, Maine state and local obligations.

**Estimated General Fund revenue loss**

FY ’24 $20,000 - $100,000
FY ‘25 $20,000 - $100,000
FY ‘26 $20,000 - $100,000
FY ‘27 $20,000 - $100,000

**Methods used to calculate the revenue loss**

Estimate is based on information from the Maine Revenue Services data. A range is used because amounts reported on this line of the tax return include income that Maine is prohibited from taxing under federal law.

**Number of taxpayers affected**

Uncertain

# 1.022 Deduction for Maine Space Corporation bond interest

*5 M.R.S.A. §§ 13207*

Interest income from Maine Space Corporation bonds is exempt from Maine income tax.

**Reason(s) for exemption**

Reduce the cost of capital for the Maine Space Corporation

**Estimated General Fund revenue loss**

FY ‘24 $0
FY ‘25 $0
FY ‘26 $0 - $10,000
FY ‘27 $0 - $10,000

# 1.023 Exemption for certain out-of-state suppliers of spirits sold to the Bureau of Alcoholic Beverages and Lottery Operations.

*36 M.R.S. § 5202-D*

For tax years beginning on or after January 1, 2022, a person (corporation, pass-through entity, individual, etc.) domiciled in a state other than Maine that approves, from a location outside Maine, orders of spirits placed by the Maine Bureau of Alcoholic Beverages and Lottery Operations (BABLO) or an agent or contractor of BABLO, may not be considered to have sufficient nexus to subject the person to Maine income tax, including the pass-through entity withholding, based *solely* on the following in-state activities:

- the sale of spirits to BABLO, even if the amount of the sales exceeds the nexus thresholds in Title 36, section 5200-B, subsection 1;
- the shipment of spirits from outside Maine to any warehouse operated or used by BABLO or to another facility as directed by BABLO;
- the storage of spirits at any warehouse operated by or used by BABLO or at another facility as directed by BABLO, even if the value of those spirits exceeds the nexus thresholds in Title 36, section 5200-B, subsection 1; or,
- any other activity required by BABLO to facilitate fulfillment of its orders of spirits.

Spirits manufactured or produced outside the State and shipped into the State pursuant to an order for spirits from BABLO do not, when the order is approved outside the State, become subject to Maine income tax solely as a result of a delay in transfer of title of those spirits to BABLO.

**Reason(s) for exemption**

Provide tax relief for non-Maine liquor manufacturers who only have nexus with Maine because of certain requirements of BABLO

**Estimated General Fund revenue loss**

FY ‘24 $665,000
FY ‘25 $700,000
FY ‘26 $735,000
FY ‘27 $770,000

**Methods used to calculate the revenue loss**
Estimate is based on tax return data.

**Number of taxpayers affected**
Fewer than 5.

# 1.024 Sales Tax Fairness Credit.

*36 M.R.S.A. § 5213-A*

For tax years beginning on or after January 1, 2016, low- and middle-income residents are allowed a refundable sales tax fairness credit. In 2024, the maximum credit, known as the "base credit," is given by the following table:

| Base Credit Amount | Filing status/Dependents |
|---|---|
| $150 | Single |
| $210 | Married Joint (0 dependents), Head of household (<=1 dependents) |
| $240 | Married Joint (1 dependent), Head of household (2 dependents) |
| $270 | Married Joint (2+ dependents), Head of household (3+ dependents) |
| $0 | Married separate |

In 2024 the credit is reduced by $20 for every $1,000 of income above $24,750 for taxpayers filing single, $37,100 for taxpayers filing as heads of household and $49,500 for taxpayers filing married joint returns. The phaseout income thresholds are adjusted annually for inflation. Income for purposes of the credit is equal to federal total income as reported on the individual's federal income tax return increased by nontaxable social security and railroad retirement benefits, tax exempt interest and certain business and capital losses.

The credit does not apply to married individuals filing separate returns, "safe-harbor" residents, and individuals who are incarcerated.

**Reason(s) for exemption**

Provide targeted sales tax relief to offset the regressivity of the Maine sales and use tax.

**Estimated General Fund revenue loss**

FY '24 $25,525,000
FY '25 $27,720,000
FY '26 $28,355,000
FY '27 $27,860,000

**Methods used to calculate the revenue loss**

Estimate is based on information from the Maine Revenue Services data warehouse & the individual income micro-simulation tax model.

**Number of taxpayers affected**

Approximately 187,000 taxpayers in tax year 2023

# 1.025 Credit to beneficiary for accumulation distribution.

*36 M.R.S.A. § 5214-A*

A beneficiary of a trust whose adjusted gross income includes all or part of an accumulation distribution by that trust is allowed a credit against the tax for all or a proportionate part of any tax paid by the trust on that income in any preceding taxable year which would not have been payable if the trust had in fact made distribution to its beneficiaries.

**Reason(s) for exemption**

Eliminates double taxation of income on which a trust has already paid the Maine income tax in a prior tax year.

**Estimated General Fund revenue loss**

FY ’24 $0 – $50,000
FY ‘25 $0 – $50,000
FY ’26 $0 – $50,000
FY ‘27 $0 – $50,000

**Methods used to calculate the revenue loss**

Revenue loss is estimated as a range of possible values because little or no data is available.

**Number of taxpayers affected**

Number of taxpayers affected is not available.

# 1.026 Seed capital investment tax credit.

*36 M.R.S.A. § 5216-B*

The credit is available for investment in new or recent business ventures. For investments made in 2014 and prior to April 1, 2020, the credit rate is 50% for all investors. The credit rate is 40% for investments made on or after April 1, 2020.

FAME issues a certificate to investors to claim the credit and certificates are subject to an annual cap of $675,000 in 2014, $4,000,000 in 2015, $5,000,000 for calendar years 2015 to 2019, $15 million for calendar years 2020 to 2026, and $5 million for calendar years 2027 and later.

Investments may be used for fixed assets, research or working capital. Beginning April 1, 2020 aggregate investment up to $3,500,000 per business ($2 million per calendar year) is eligible; the prior cumulative investment limit was $5 million per business. The investment must be at risk for 5 years. Investors must own less than 50% of the business and immediate relatives of principal owners are not eligible. An eligible investment is an investment in a business that: a) is located in Maine; b) has gross sales of $3,000,000 or less per year ($5,000,000 or less per year for investments in 2014 and later); c) is the full-time, professional activity of at least one of the principal owners; and d) is a manufacturer, value-added natural resource enterprise, or a product or service provider with 60% of sales derived from outside the state or to out-of-state residents, is engaged in developing or applying advanced technologies or is a certified visual media production company.

25% of the authorized credit may be used for each tax year beginning with the tax year during which the investment was made. The credit is limited to 50% of income tax liability, except the credit for investments made by a venture capital fund after 2011 is fully refundable. Unused credits may be carried over for up to 15 years.

**Reason(s) for exemption**

Provides an incentive for investment in small businesses in Maine.

**Estimated General Fund revenue loss**

FY ‘24 $6,040,000
FY ‘25 $5,370,000
FY ‘26 $5,270,000
FY ‘27 $5,470,000

**Methods used to calculate the revenue loss**

Estimate is based on information from the Maine Revenue Services data warehouse and credit certificates issued.

**Number of taxpayers affected**
Approximately 330 taxpayers

# 1.027 Student Loan Repayment Credit

*36 M.R.S.A. § 5217-E*

For tax years beginning on or after January 1, 2022, qualified individuals are eligible for a refundable student loan repayment tax credit (SLRTC) equal to 100% of student loan payments for eligible loans up to $2,500. Eligible loans are part of financial aid package, which can include private loans, borrowed for attendance at a certified college at which the student obtained a degree in 2008 or later. Qualified individuals are resident individuals who obtained a postsecondary degree after 2007 and have earned income equal to at least the minimum wage multiplied by 936. A $25,000 lifetime cap applies to the SLRTC for each qualified individual.

The SLRTC replaces the credit for educational opportunity (EOTC), which can no longer be claimed starting in 2022. The student loan repayment credit incorporates two forms of transition relief for prior EOTC claimants:

(1) Taxpayers who were eligible for a refundable EOTC in 2019, 2020, or 2021 may elect to increase the SLRTC cap from $2,500 to $3,500 in either 2022 or 2023. The credit claimed in excess of $2,500 does not apply against the $25,000 lifetime cap.
(2) Unused EOTC credits earned between 2012 and 2021 that can be carried forward can be claimed as part of the SLRTC through 2026.

**Reason(s) for exemption**

Provide financial relief for college graduates with education debt and encourage college graduates to live and work in Maine.

**Estimated General Fund revenue loss**

FY ‘24 $42,045,000
FY ‘25 $67,490,000
FY ‘26 $74,815,000
FY ‘27 $77,800,000

**Methods used to calculate the revenue loss**

Estimate is based on information from the Maine Revenue Services data warehouse and projections that account for developments in federal student loan repayment relief.

**Number of taxpayers affected**
Approximately 26,000 in tax year 2023.

# 1.028 Employer support for volunteer firefighters and volunteer municipal emergency medical services persons tax credit.

*36 M.R.S.A. § 5217-F*

For tax years beginning on or after January 1, 2022, an employer who permits employees who are volunteer firefighters or volunteer municipal emergency medical services persons to be absent from work for firefighting or emergency response activities without a reduction in pay is eligible for an income tax credit. The credit is equal to the compensation that is paid to the employee at the employee's regular rate of pay while the employee is away from work due to firefighting or emergency response during the tax year.

For tax years beginning on or after January 1, 2025, the credit is extended to include volunteer municipal firefighters that are part-time or on-call municipal firefighters who receive up to 20% of the compensation of a full-time municipal firefighter and who may receive injury and death benefits.

The credit may not exceed the tax liability of the taxpayer.

**Reason(s) for exemption**

Support recruitment and retention of volunteer firefighters and emergency medical responders

**Estimated General Fund revenue loss**

FY '24 $3,000
FY '25 $12,000
FY '26 $41,000
FY '27 $41,000

**Methods used to calculate the revenue loss**

Support recruitment and retention of volunteer firefighters and emergency medical responders

**Number of taxpayers affected**

Estimate is based on analysis provided to the Legislature.

# 1.029 Income tax credit for child care expenses.

*36 M.R.S.A. § 5218*

An individual taxpayer is allowed a credit for expenses incurred for the care of a child or a dependent during the year, while the taxpayer worked or looked for work. The credit is 25% of the allowable federal tax credit, or 50% of the allowable federal tax credit with respect to quality child care services. The credit is refundable up to $500. For tax years beginning in 2016, the credit is no longer refundable for nonresident taxpayers.

"Quality child-care services" is defined as services provided at child-care sites that meet minimum licensing standards and are accredited by an independent, nationally recognized program approved by the Department of Health and Human Services ("DHHS"), Office of Child Care and Head Start. The service provider must utilize recognized quality indicators for child-care services approved by DHHS, Office of Child Care and Head Start and include provisions for parent and client input, review of the provider's policies and procedures, program records and an on-site program review.

**Reason(s) for exemption**

Helps taxpayers to be gainfully employed by providing tax relief for working parents, especially lower income, single parents.

**Estimated General Fund revenue loss**

FY '24 $3,955,000
FY '25 $4,110,000
FY '26 $4,275,000
FY '27 $4,445,000

**Methods used to calculate the revenue loss**

Estimate is based on information from the Maine Revenue Services data warehouse and individual income micro-simulation tax model.

**Number of taxpayers affected**

Approximately 25,000 taxpayers affected.

# 1.030 Adult Dependent Care Credit.

*36 M.R.S.A. § 5218-A*

For tax years beginning on or after January 1, 2016, eligible taxpayers are allowed to claim a tax credit equal to 5% – 8.75% of adult dependent care expenses paid for adult day care, hospice services and respite care during the taxable year to the extent the expenses are not used to calculate the federal child and dependent care credit. The credit percentage depends on federal adjusted gross income.

The dependent care expenses that may be used to calculate the credit are limited to $3,000 for one qualifying individual or $6,000 for two or more qualifying individuals. The credit is refundable up to $500.

**Reason(s) for exemption**

Provide tax relief for taxpayers with adult dependent care expenses

**Estimated General Fund revenue loss**

FY ‘24 $16,500
FY ‘25 $17,000
FY ‘26 $17,500
FY ‘27 $18,000

**Methods used to calculate the revenue loss**

Estimate is based on information from the Maine Revenue Services data warehouse.

**Number of taxpayers affected**

Approximately 110 taxpayers.

# 1.031 Research expense tax credit.

*36 M.R.S.A. § 5219-K*

An income tax credit is allowed for investment in research and development. The credit is equal to 5% of the excess, if any, of the qualified research expense for the taxable year over the average spent by the taxpayer on qualified research during the three prior tax years, plus 7.5% of the basic research payments made during the taxable year. The total taxpayer credit claimed may not reduce the taxpayer's tax liability for any tax year to less than zero. The credit is limited to research expenses incurred in Maine.

**Reason(s) for exemption**

Provides an incentive to encourage Maine businesses to invest in research and development in Maine.

**Estimated General Fund revenue loss**

FY '24 $3,220,000
FY '25 $3,350,000
FY '26 $3,950,000
FY '27 $4,110,000

**Methods used to calculate the revenue loss**

Estimate is based on information from the Maine Revenue Services data.

**Number of taxpayers affected**

Approximately 180 taxpayers affected.

# 1.032 Earned income credit.

*36 M.R.S.A. § 5219-S*

For tax years beginning in 2016 to 2019, a taxpayer is allowed a credit equal to 5% of the federal earned income credit the credit is refundable for Maine residents.

For tax years beginning in 2020 and after, eligibility for the Maine earned income credit is also extended to childless taxpayers aged 18 to 24 who are ineligible for the Federal earned income credit solely due to their age. Their Maine credit is based on the Federal EITC that the taxpayer would have received if eligible.

For tax years beginning in 2020 the credit rate increases to 12% for taxpayers with a qualifying child and 25% for taxpayers without a qualifying child.

For tax years beginning in 2021 the credit rate is 20% for all taxpayers. In 2021 there was a temporary expansion of the federal credit that expired at the end of the year.

For tax years beginning in 2022 and later, the credit is 25% for taxpayers with a qualifying child and 50% for taxpayers without a qualifying child.

**Reason(s) for exemption**

Creates incentive for individuals to enter the workforce. It raises the after-tax income of lower and moderate-income families, especially those with dependents.

**Estimated General Fund revenue loss**

FY ‘24 $38,150,000
FY ‘25 $40,350,000
FY ‘26 $41,300,000
FY ‘27 $40,900,000

**Methods used to calculate the revenue loss**

Estimate is based on information from the Maine Revenue Services data warehouse & the individual income micro-simulation tax model. The estimate is net of the transfer of TANF funds that partially offsets the General Fund loss.

**Number of taxpayers affected**

Approximately 92,000 taxpayers in tax year 2023

# 1.033 Pine Tree Development Zone tax credit.

*36 M.R.S.A. § 5219-W and § 2529*

The credit is available to certain businesses that expand or begin operations in most areas of the state. The credit allowed is 100% of the tax liability for the first five years and, for businesses located in a tier 1 location, 50% of the tax for each tax year six through ten. A business located in York or Cumberland County but not in a tier 1 Pine Tree Zone location could be certified as a qualified Pine Tree Zone business between January 1, 2010 and December 31, 2013 and receive the 100% income tax credit for the first five years. Only the tax associated with qualified business activity is eligible for the credit.

A business certified as a qualified business for the Dirigo business incentives program may not also be certified as a qualified Pine Tree Development Zone business.

The credit may also be claimed against the tax on insurance premiums that are attributable to a qualified business activity. The credit allowed is 100% of the tax liability for the first five years and, for businesses located in a tier 1 location, 50% of the tax for each tax year six through ten.

**Reason(s) for exemption**

Provides an incentive for economic development in Maine.

**Estimated General Fund revenue loss**

FY ‘24 $3,145,000
FY ‘25 $3,270,000
FY ‘26 $2,750,000
FY ‘27 $2,065,000

**Methods used to calculate the revenue loss**

Estimate is based on information from the Maine Revenue Services data warehouse.

**Number of taxpayers affected**

Approximately 65 taxpayers

# 1.034 Biofuel commercial production and commercial use credit.

*36 M.R.S.A. § 5219-X*

A taxpayer engaged in the production of biofuels in Maine who has received certification from the Commissioner of Environmental Protection is allowed a credit against tax imposed on income derived during the taxable year from the production of biofuel. The credit is equal to five cents per gallon of certified liquid biofuel or gaseous biofuel. The credit may not reduce the taxpayer's liability to less than zero, but unused credits may be carried over to the next succeeding five taxable years.

The credit expired in 2015 and is reinstated for tax years beginning on or after January 1, 2021.

**Reason(s) for exemption**

Provides an incentive to produce biofuels in the state.

**Estimated General Fund revenue loss**

FY '24 $0
FY '25 $0
FY '26 $0 - $50,000
FY '27 $0 - $50,000

**Number of taxpayers affected**

Unavailable

# 1.035 Tax benefits for media production companies.

*36 M.R.S.A. § 5219-Y, c. 919-A*

For tax years starting on or after January 1, 2006, a media production company that intends to undertake a media production in Maine may apply to the Department of Economic and Community Development to have the production, or a portion of the production, certified for purposes of claiming the media production reimbursement pursuant to 36 M.R.S.A., chapter 919-A and the income tax credit under 36 M.R.S.A., § 5219-Y. A qualified media production company is allowed a reimbursement equal to 12% of certified production wages paid to employees who are residents of Maine and 10% of certified production wages paid to other employees. The tax credit, equal to 5% of qualified expenses, may not reduce the tax otherwise due to less than zero and may be used only in the year in which the certified media production income is generated. Taxpayers claiming the Pine Tree Development Zone credit are not eligible for this credit.

**Reason(s) for exemption**

Provides an incentive for media production activity in the State.

**Estimated General Fund revenue loss**

FY ‘24 $151,933
FY ‘25 $150,000
FY ’26 $230,000
FY ’27 $240,000

**Methods used to calculate the revenue loss**

Estimate is based on information from Maine Revenue Services data.

**Number of taxpayers affected**

Fewer than 10 taxpayers affected.

# 1.036 Credit for rehabilitation of historic properties.

*36 M.R.S.A. § 5219-BB*

The credit is equal to 25% of qualified expenditures for which a federal credit is claimed under the Code § 47 or for which a federal credit is not claimed, but qualified expenditures are between $50,000 and $250,000. The credit must exclude expenditures incurred after 2025. Certain affordable housing projects may qualify for an enhanced credit (34% in 2019 and 2020). The credit must be taken in 25% increments over four years. For tax years beginning after 2013, the credit is limited to $5 million for each portion of the certified rehabilitation or for each building that is a component part of a certified historic structure for which a credit is claimed.

**Reason(s) for exemption**

Designed to enlist private funds for the rehabilitation of historic properties. The credit helps reduce the cost of these projects.

**Estimated General Fund revenue loss**

FY ‘24 $10,577,000
FY ‘25 $16,897,000
FY ’26 $21,074,000
FY ’27 $22,707,000

**Methods used to calculate the revenue loss**

Estimate is based on information from the Maine Revenue Services data warehouse and data provided by the Maine Historic Preservation Commission.

**Number of taxpayers affected**

Approximately 45 individual and corporate taxpayers are affected.

# 1.037 Dental care access credit.

*36 M.R.S.A. § 5219-DD*

Dentists certified as eligible for this credit by the Department of Health and Human Services, Oral Health Program ("OHP") may claim a nonrefundable credit on their individual income tax return. OHP may certify up to 5 eligible dentists in each year between 2009 and 2011, up to 6 dentists in each year 2012 through 2015, and up to 6 dentists each year between 2018 and 2022. To be eligible, the dentist must be licensed by Maine and must agree to practice in an underserved area of Maine for at least 5 years.

The credit may be claimed beginning the first year the dentist meets the conditions of eligibility for at least 6 months and each of the 4 subsequent years if they retain eligibility. For dentists certified prior to 2012, the credit may not exceed $15,000 per year. For dentists certified from 2012 to 2015, the credit may not exceed $12,000 per year. For dentists certified in 2018 and later, the credit may not exceed $6,000 in the first year, $9,000 in the second year, $12,000 in the third year, $15,000 in the fourth year, and $18,000 in the fifth year.

**Reason(s) for exemption**

Provides an incentive for dentists to locate their practice in underserved areas of the state.

**Estimated General Fund revenue loss**

FY '24 $129,000
FY '25 $90,000
FY '26 $66,000
FY '27 $26,000

**Methods used to calculate the revenue loss**

Analysis of the history of certifications and credit claims.

**Number of taxpayers affected**

Approximately 15.

# 1.038 Innovation finance credit.

*36 M.R.S.A. § 5219-EE*

The Finance Authority of Maine ("FAME") is authorized to oversee a state innovation finance program that facilitates investment by the Maine Public Employees Retirement System ("MainePERS") in venture capital funds for innovative businesses. FAME may issue refundable tax credits to MainePERS sufficient to offset 80% (up to $4,000,000) of the cost of each single commitment in a venture capital fund in the event of realized losses in value. Reimbursement for any such losses is capped at a maximum aggregate of $20,000,000. Maine Revenue Services administers the tax credit provisions. Effective July 12, 2010.

**Reason(s) for exemption**

Encourages MainePERS to invest in innovative businesses.

**Estimated General Fund revenue loss**

FY '24 $0 - $4,000,000
FY '25 $0 - $4,000,000
FY '26 $0 - $4,000,000
FY '27 $0 - $4,000,000

**Methods used to calculate the revenue loss**

This credit has never been utilized.

# 1.039 Credit for Wellness Programs.

*36 M.R.S.A. § 5219-FF*

Beginning in 2014, a taxpayer constituting an employing unit with 20 or fewer employees on an average monthly basis during the taxable year is allowed a credit for qualified wellness program expenditures made during the taxable year.

A wellness program is defined as a program instituted by an employing unit that improves employee health, morale and productivity, including, without limitation:
(1) Health education programs;
(2) Behavioral change programs, such as counseling or seminars or classes on nutrition, stress management or smoking cessation; and
(3) Incentive awards to employees who engage in regular physical activity.

The credit per tax year for each taxpayer is limited to $100 per employee or $2,000, whichever is less. The credit is not refundable and any unused credit amount may be carried over for 5 years.

**Reason(s) for exemption**

Encourage small employers to establish wellness programs.

**Estimated General Fund revenue loss**

FY ‘24 $0
FY ‘25 $0 - $10,000
FY ’26 $0 - $10,000
FY ’27 $0 - $10,000

**Methods used to calculate the revenue loss**

Estimate is based on information from the Maine Revenue Services data warehouse.

**Number of taxpayers affected**

Fewer than 10

# 1.040 New Markets Capital Investment Credit.

*36 M.R.S.A. § 5219-HH*

A person making a qualified equity investment in a low-income community business is allowed a credit equal to 39% of the investment. The credit is taken over seven years, with 0% allowed in the first two years, 7% allowed in year three and 8% allowed in each of years four through seven. The credit is fully refundable, or the taxpayer may elect to carry any unused portion of the credit forward for up to 20 years. Certain recapture provisions apply. Applies to tax years beginning on or after January 1, 2012.

**Reason(s) for exemption**

Encourage new investment in Maine.

**Estimated General Fund revenue loss**

FY '24 $3,857,000
FY '25 $3,389,000
FY '26 $841,000
FY '27 $643,000

**Methods used to calculate the revenue loss**

Analysis of credit claims and credit certificates issued to date.

**Number of taxpayers affected**

Fewer than 10 taxpayers

# 1.041 Property Tax Fairness Credit.

*36 M.R.S.A. § 5219-KK*

A refundable tax credit for property taxes and rent paid is available. The credit equals:

Benefit base – Income * Threshold Percentage

where the benefit base equals property taxes paid plus 15% of rent, up the benefit base limit, and the credit cannot exceed the credit maximum or be below zero. A recent history of the income thresholds, maximum credits, and benefit base limits is shown in the table below:

| Tax Year | Income Threshold | Credit Maximum (Under 65 / 65 and older) | Benefit Base Limit* |
|---|---|---|---|
| 2019 | 6% | $750 / $1,200 | $2,050 / $2,650 / $3,300 |
| 2020 | 5% | $750 / $1,200 | $2,100 / $2,700 / $3,350 |
| 2021 | 5% | $1,000 / $1,500 | $2,100 / $2,750 / $3,400 |
| 2022 | 4% | $1,000 / $1,500 | $2,200 / $2,800 / $3,450 |
| 2023 | 4% | $1,000 / $1,500 | $2,300 / $3,000 / $3,700 |
| 2024 | 4% | $1,000 / $2,000 | Under 65: $2,450/$3,200/$3,900<br><br>65 and older: $4,000, regardless of filing status or number of dependents |

* The first limit applies to taxpayers who file with a single filing status, the second limits applies to head of household taxpayers with one dependent or married joint or qualified widower taxpayers without dependents, and the third limit applies to the credit-eligible taxpayers. Married filing separately taxpayers cannot claim the credit.

Beginning in 2024, a separate benefit base limit applies to the taxpayers who are 65 or older. The new limit is $4,000 regardless of filing status or the number of dependents claimed and will be adjusted for inflation after 2024.

The income measure used to calculate the credit is generally Federal Adjusted Gross income plus 1) all federal "above-the-line" deductions; 2) tax-exempt Social Security income; 3) tax-exempt interest; 4) net business and capital losses included in Federal Adjusted Gross income.

**Reason(s) for exemption**

Provide targeted property tax relief to Maine homeowners and renters.

**Estimated General Fund revenue loss**

FY ‘24 $74,645,000
FY ‘25 $109,740,000
FY ‘26 $118,145,000
FY ‘27 $122,160,000

**Methods used to calculate the revenue loss**

Estimate is based on information from the Maine Revenue Services data warehouse & the individual income micro-simulation tax model.

**Number of taxpayers affected**

Approximately 119,000 taxpayers in tax year 2023

# 1.042 Primary care access credit.

*36 M.R.S.A. § 5219-LL*

To qualify for the credit, a primary care professional must be certified by the Department of Health and Human Services and agree to practice full time for at least 5 years in an underserved area. The Department of Health and Human Services may certify up to 5 primary care professionals each year prior to 2018 and up to 10 primary care professionals beginning in 2018. The credit applies to tax years beginning on or after January 1, 2014.

The credit is equal to the annual payments made on a student loan for course work directly related to that person's training in primary care medicine. The credit may be claimed in the first year that the eligible primary care professional meets the conditions of eligibility for at least 6 months, and each of the four subsequent years. The credit is limited to $6,000 in the first year of eligibility, $9,000 in the second year, $12,000 in the third year, $15,000 in the fourth year and $18,000 in the fifth year. The credit may not reduce the tax otherwise due to less than zero.

**Reason(s) for exemption**

Encourage primary care professionals to provide services in underserved areas.

**Estimated General Fund revenue loss**

FY ‘24 $57,000
FY ‘25 $70,000
FY ‘26 $80,000
FY ‘27 $90,000

**Methods used to calculate the revenue loss**

Analysis of credit claims and certifications to date.

**Number of taxpayers affected**

15

# 1.043 Maine Capital Investment Credit.

*36 M.R.S.A. § 5219-NN*

Taxpayers are allowed a credit based on federal bonus depreciation for eligible property placed in service in Maine.

The credit base equals the bonus depreciation addition modification required under 36 M.R.S. § 5122(1)(KK)(1) related to property placed in service in Maine and used in Maine continuously for at least 12 months following the date the property is placed in service. This amount represents the net increase in the federal depreciation deduction due to bonus depreciation. The credit does not apply to the Maine financial institutions franchise tax and is prohibited with respect to certain property.

For individual taxpayers, the credit percentage is 7% for tax years beginning after 2014 and before 2020 and 1.2% for tax years beginning in 2020 and later. For corporate taxpayers, the credit percentage is 9% for tax years beginning after 2014 and before 2020 and 1.2% for tax years beginning in 2020 and later.

Investments placed in service during a taxable year beginning on or after January 1, 2025 are ineligible for the Maine Capital Investment Credit. Carryforward credits amounts can still be claimed after 2024.

For credits claimed on investments occurring in tax years 2020 and later, taxpayers can recapture the disallowed federal depreciation that represents the credit base in future tax years. For the credit in earlier years, taxpayers are prohibited from recapturing the depreciation addback in future tax years.

Any unused portion of the credit may be carried forward to the following year or years for a period not to exceed 20 years.

The TCJA increased bonus depreciation to 100% for property placed in service after 9/27/2017 and expanded the definition of qualified property to include used equipment. Bonus depreciation is reduced to 80% for investments placed in service in 2023 and 60% for investments placed in service in 2024.

The General Fund revenue loss reported below represents the estimated revenue impact of tax credits for investments occurring in tax years 2020 and later. It excludes the revenue loss from carryforwards from pre-2020 credits and the revenue increase from foregone depreciation for pre-2020 investments.

**Reason(s) for exemption**

Encourage investment in Maine

**Estimated General Fund revenue loss for credits first claimed in tax year 2020 and later**

FY ‘24 $9,600,000
FY ‘25 $8,100,000
FY ‘26 $2,800,000

FY ‘27 $350,000

**Methods used to calculate the revenue loss**

Analysis based on history of credit claims and carryforwards.

**Number of taxpayers affected**

Approximately 4,000 taxpayers

# 1.044 Credit for disability income protection plans in the workplace.

*36 M.R.S.A. § 5219-OO*

For tax years beginning on or after January 1, 2017, a credit against income tax is allowed for employers providing either a qualified short-term disability income protection plan or a qualified long-term disability income protection plan. The credit is equal to $30 per employee enrolled in a plan after January 1,2017 who was not covered under a disability income protection plan offered by the employer in the tax year immediately preceding the year in which the credit is first available. The credit must be taken in the first year the employer becomes eligible to claim the credit and may be claimed for up to 3 consecutive tax years. The credit is limited to the tax liability of the taxpayer and any unused credit may not be carried back or forward to any other tax year. Expenditures used to calculate the credit that are also used as an expense in calculating federal adjusted gross income must be added back to income through a Maine addition modification.

**Reason(s) for exemption**

Encourage employers to offer disability insurance policies with automatic enrollment.

**Estimated General Fund revenue loss**

FY ‘24 $2,250
FY ‘25 $0 - $10,000
FY ‘26 $0 - $10,000
FY ‘27 $0 - $10,000

**Methods used to calculate the revenue loss**

Estimate is based on information from the Maine Revenue Services data warehouse.

**Number of taxpayers affected**

Fewer than 10 taxpayers in 2023.

# 1.045 Dirigo Business Incentives Tax Credit.

*36 M.R.S.A. § 5219-AAA*

For tax years beginning on or after January 1, 2025, the Dirigo Business Incentives program (DIRIGO) income tax credit may be claimed by qualified businesses that have been certified under the program by DECD and make eligible capital investments in eligible business property or that provide qualified training to its employees within the State.

A DIRIGO qualified business must be certified by DECD as a for-profit business in Maine engaged in one of the following eligible sectors: agriculture, forestry, and fishing; manufacturing; long-distance freight transportation; software publishing, data processing, and computer design services; or engineering, architecture, and scientific research and development services. The following businesses are not eligible to participate in the DIRIGO program: a public utility; a business certified for incentives under the Pine Tree Development Zone program, the Employment Tax Increment Financing program, the Maine shipbuilding credit, or the Maine paper manufacturing facility credit; or a business with 20 or more employees that has undergone a layoff within the two taxable years prior to the year during which an application for certification is filed with DECD.

The credit is equal to: (1) 10% of the eligible capital investment for property placed in service in Maine during the taxable year outside of Cumberland, Sagadahoc, and York counties; plus (2) 5% of eligible capital investment in property placed in service during the taxable year in Cumberland, Sagadahoc, and York counties; plus (3) $2,000 for each qualified employee that completes a qualified training program during the tax year. For any one tax year, the credit is limited to $2 million and is refundable up to $500,000. The credit and the refundability cap must be prorated among affiliated businesses or members of pass-through entities. Unused credit may be carried forward for up to 4 succeeding tax years.

**Reason(s) for exemption**

Improve the productivity of workers and businesses in the State by encouraging businesses to invest in capital and worker training.

**Estimated General Fund revenue loss**

FY ‘24 $0
FY ‘25 $3,581,500
FY ‘26 $44,783,000
FY ‘27 $46,388,500

**Methods used to calculate the revenue loss**

Estimate is based on analysis provided to the Legislature.

# 1.046 Credit for major business headquarters expansions

*36 M.R.S.A. §5219-QQ*

A refundable tax credit is available to businesses headquartered in Maine that meet certain employment and investment thresholds. A business must be certified by the Commissioner of Economic Development to receive the credit. Certification requires 1) The applicant's headquarters are or will be located in the State; (2) The applicant employs at least 5,000 full-time employees worldwide of which at least 25% are or will be based in this State; (3) The applicant has business locations in at least 3 other states or foreign countries; and (4) The applicant intends to make a qualified investment in Maine within 5 years following the date of the application. A qualified investment means an investment of at least $35,000,000 to design, permit, construct, modify, equip or expand the applicant's headquarters in the State. Qualified investments must occur after receiving a certificate of approval and before December 31, 2022. The commissioner may not issue certificates of approval that total, in the aggregate, more than $100,000,000 of qualified investment or any individual certificate of approval for more than $40,000,000 of qualified investment.

The credit begins in the year the applicant receives a certificate of completion from the Commissioner of Economic Development, but not before 2020. The credit equals 2% of qualified investments, is available for 20 consecutive tax years, and the cumulative credit is limited to $16 million per certificate. To receive the credit applicant must meet certain targets for employment growth.

**Reason(s) for exemption**

Provide an incentive to make the investments subsidized by the credit.

**Estimated General Fund revenue loss**

FY ‘24 $760,000
FY ‘25 $760,000
FY ‘26 $760,000
FY ‘27 $760,000

# 1.047 Shipbuilding facility credit.

*36 M.R.S.A. § 5219-RR*

A nonrefundable income tax credit is available to shipbuilders who meet employment and investment thresholds. Applicants must be certified by the Commissioner of Economic Development to receive the credit. Certification requires, among other things, that the applicant employs at least 5,000 qualified workers and does not receive Pine Tree Zone or ETIF benefits. The credit equals $3 million per year beginning in the year when cumulative qualified investments from January 1, 2018 onwards exceed $100,000,000, or 2020, whichever is later. The credit can be increased up to $3.5 million, but not more than 3% of post-2017 cumulative investment, if the applicant satisfies certain employment thresholds. The credit is reduced if qualified employment falls below 5,500, and taxpayers with qualified employment below 4,000 cannot claim the credit. Unused credits cannot be carried forward.

Taxpayers may claim the credit for 10 consecutive years. This limitation is extended to 15 consecutive tax years if the taxpayer makes an additional $100 million investment.

The former Shipbuilding facility credit (Chapter 919) has expired.

**Reason(s) for exemption**

Encourages major investment in shipbuilding projects in Maine.

**Estimated General Fund revenue loss**

FY ‘24 $3,087,500
FY ‘25 $2,968,750
FY ‘26 $2,968,750
FY ‘27 $2,968,750

**Methods used to calculate the revenue loss**

Estimate is based on information from the Maime Revenue Services data warehouse.

**Number of taxpayers affected**

Fewer than 5 taxpayers affected.

# 1.048 Dependent Exemption Tax Credit in Excess of Tax Liability

*36 M.R.S.A. §5219-(SS)*

A taxpayer is allowed a credit equal to $300 for each dependent of the taxpayer for whom the taxpayer was eligible to claim the federal child tax credit; beginning in tax year 2026, the credit is for each dependent for whom the taxpayer was eligible to claim the federal personal exemption. Nonresident and part-year resident credits are prorated.

The $300 credit amount is first adjusted for inflation beginning in tax year 2025.

For tax years beginning in 2024 after, the tax credit is refundable for full-year and part-year residents. The tax expenditure amount only represents the estimate of the tax credit in excess of income tax liability. The portion of the tax credit that offsets income tax is considered part of reference tax law.

**Reason(s) for exemption**

Provide income support for low-income families with children.

**Estimated General Fund revenue loss**

FY ‘24 $0
FY ‘25 $18,050,000
FY ‘26 $17,820,000
FY ‘27 $17,730,000

**Methods used to calculate the revenue loss**

Estimate is based on the individual income micro-simulation tax model.

**Number of taxpayers affected**

# 1.049 Employer Credit for Family and Medical Leave

*36 M.R.S.A. §5219-(UU)* and *§2536*

For tax years beginning on or after January 1, 2018, a person is allowed a credit against the tax otherwise due under this chapter in an amount equal to the federal employer credit for paid family and medical leave allowed to that person under the Internal Revenue Code, Section 45 as a result of wages paid to employees based in the State during the taxable year.

The credit allowed under this section may not reduce the tax otherwise due under this chapter to less than zero. The credit may not be carried forward or carried back to any other tax year.

The federal credit equals 12.5% of the amount of wages paid to qualifying employees during any period in which such employees are on family and medical leave ("FMLA") if the rate of payment under the program is 50% of the wages normally paid to an employee. The credit is increased by 0.25 percentage points (but not above 25%) for each percentage point by which the rate of payment exceeds 50%.

The federal credit is scheduled to expire at the end of 2025.

**Reason(s) for exemption**

Provide tax benefits to employers that provide paid family and medical leave

**Estimated General Fund revenue loss**

FY '24 $74,000
FY '25 $68,000
FY '26 $71,000
FY '27 $36,000

**Methods used to calculate the revenue loss**

Estimate is based on information from the Maine Revenue Services data warehouse.

**Number of taxpayers affected**

Fewer than 10 taxpayers.

# 1.050 Credit for major food processing and manufacturing facility expansion.

*36 M.R.S.A. § 5219-VV*

A refundable income tax credit may be claimed by a qualified business for the construction, or expansion of, a food processing and manufacturing facility, plant or mill in Maine that processes, produces and manufactures food from agricultural products primarily grown and harvested in Maine. A qualified business must be certified by DECD and must: 1) have been headquartered in Maine for a period of at least 5 years prior to applying for a certificate of approval; 2) make a qualified investment of at least $35,000,000 within 5 years of applying for a certificate of approval; 3) pay an annual income derived from employment to at least 75% of its employees that exceeds the annual per capita personal income in the county where the facility is located; and 4) employ at least 40 full-time employees in the State over the base level of employment for each of the first three years for which the credit is claimed (60 full-time employees each year after the third year of claiming the credit). The credit must be claimed over a period of 20 years beginning with the first full tax year following the year the taxpayer receives a certificate of completion or the tax year beginning January 1, 2022, whichever is later. The annual credit amount is equal to 1.8% of the taxpayer's qualified investment. A credit is not allowed for any tax year following two consecutive tax years during which the certified applicant's ordinary business income was not between $5,500,000 and $12,000,000. The aggregate credit allowed with respect to each certificate may not exceed $34,000,000. Additional restrictions and recapture provisions apply.

**Reason(s) for exemption**

Encourages major investment in food processing and manufacturing facilities.

**Estimated General Fund revenue loss**

FY '24 $0
FY '25 $0
FY '26 $0
FY '27 $1,453,500

**Methods used to calculate the revenue loss**

Estimate is based on analysis provided to the Legislature.

**Number of taxpayers affected**

Fewer than 5 taxpayers affected.

# 1.051 Credit for affordable housing.

*36 M.R.S.A. § 5219-WW*

A taxpayer receiving a tax credit certificate for the taxable year from the Maine State Housing Authority for an affordable housing project located in Maine may claim a refundable income tax credit for that taxable year. The MSHA may allocate $10 million in tax credits per year plus carry forward allocations if total allocations are less than $10 million in prior years; the total amount, including carry forwards, that may allocated in a calendar cannot exceed $15 million. MSHA may make an allocation only during a calendar year beginning in 2021 through 2028. The credit is equal to either (1) the total federal low-income housing tax credit claimed under Internal Revenue Code, Section 42 using the entire federal credit period for all buildings in a qualified Maine project, or (2) an amount equal to the lesser of $500,000 or 50% of the qualified basis of an affordable housing project that incurs at least $100,000 includible in eligible basis in the construction or rehabilitation of an affordable housing project for which a federal low-income housing tax credit is not claimed under Section 42 of the Code with respect to those expenditures. Other allocation, recapture, and reporting provisions apply.

**Reason(s) for exemption**

Encourage construction of affordable housing.

**Estimated General Fund revenue loss**

FY ‘24 $0
FY ‘25 $14,250,000
FY ‘26 $14,250,000
FY ‘27 $14,250,000

**Methods used to calculate the revenue loss**

Estimate is based on tax data and information on tax credit awards.

# 1.052 Renewable chemicals tax credit.

*36 M.R.S.A. § 5219-XX*

For tax years beginning on or after January 1, 2021, a taxpayer engaged in the production of renewable chemicals in Maine may claim a credit equal to 8¢ per pound of the renewable chemicals produced. The credit may only be used to reduce the Maine tax imposed on income derived during the taxable year from the production of renewable chemicals. Unused credit amounts may be carried forward for up to ten taxable years. Eligible taxpayers must demonstrate to DECD that at least 75% of the employees of the contractors hired or retained to harvest renewable biomass used in the production of the renewable chemicals meet the eligibility conditions specified in the Employment Security Law. Taxpayer and legislative reporting requirements apply.

**Reason(s) for exemption**

Encourage the production of renewable chemicals

**Estimated General Fund revenue loss**

FY ‘24 $0
FY ‘25 $0
FY ‘26 $0 - $49,999
FY ‘27 $0 - $49,999

**Methods used to calculate the revenue loss**

Estimate is based on information from the Maine Revenue Services data warehouse.

# 1.053 Credit for paper manufacturing facility investment.

*36 M.R.S.A. § 5219-YY*

A refundable income tax credit may be claimed by a paper manufacturer certified by DECD as a qualified applicant. The applicant must make a qualified investment of at least $15,000,000 to modernize or improve a paper making facility. The credit is equal to 4% of the certified applicant's qualified investment claimed over a period of 10 years beginning with the tax year during which the certificate of completion is issued or the tax year beginning in 2024, whichever is later. DECD may, for purposes of the credit, certify up to $40,000,000 of qualified investments in the aggregate. Qualified investments must be made after December 31, 2018 and no later than December 31, 2023. Cumulative credits claimed by all certified applicants may not exceed $1,600,000 per year and $16,000,000 in the aggregate. Additional restrictions and recapture provisions apply

**Reason(s) for exemption**

Provide incentives for the revitalization of paper manufacturing facilities in counties with high unemployment and to create or retain high-quality jobs in the State by encouraging paper manufacturers to modernize their paper manufacturing equipment to better compete in the marketplace

**Estimated General Fund revenue loss**

FY '24 $0
FY '25 $0
FY '26 $1,520,000
FY '27 $1,520,000

**Methods used to calculate the revenue loss**

Information provided in the annual report on the Paper Manufacturing Facility Investment program

# 1.054 Access to Justice Income Tax Credit.

*36 M.R.S.A. § 5219-ZZ*

The Supreme Judicial Court may certify up to five eligible attorneys each year from 2022 to 2027 for the Access to Justice income tax credit. To be certified, an attorney must: 1) agree to practice law in an underserved area for at least five years; 2) be rostered by the Maine Commission on Indigent Legal Services to accept court appointments to represent clients in an underserved area; and 3) agree to perform pro bono legal services in an underserved area The credit is $6,000 per year, may be claimed in the first year that the eligible attorney meets the conditions of eligibility for at least six months and in each of the four subsequent years, and is nonrefundable. The court must decertify individuals who cease to meet the conditions of eligibility.

**Reason(s) for exemption**

Encourage attorneys to practice law in underserved areas of Maine.

**Estimated General Fund revenue loss**

FY ‘24 $35,000
FY ‘25 $52,500
FY ‘26 $70,000
FY ‘27 $87,500

**Methods used to calculate the revenue loss**

Estimate is based on analysis provided to the Legislature.

**Number of taxpayers affected**

Fewer than 10 in 2023

# 1.055 Credit for Investment in Qualified Baseball Facilities.

*36 M.R.S.A. § 5219-BBB*

A qualified applicant that has made a qualified investment of at least $1,000,000 between October 1, 2023 and November 30, 2026 in a qualified professional baseball facility in Maine and that has received a certificate of approval and a certificate of completion from DECD may be eligible for a refundable credit equal to 1.33% of the qualified investment, up to $133,000 per tax year and $1,995,000 in cumulative total. The credit may be claimed over a 15-year period beginning with the tax year during which the certificate of completion is issued, or the tax year beginning in 2025, whichever is later. The credit is subject to reporting requirements and recapture provisions.

**Reason(s) for exemption**

Provide financial support for investments in qualified baseball facilities.

**Estimated General Fund revenue loss**

FY ‘24 $0
FY ‘25 $0
FY ‘26 $126,350
FY ‘27 $126,350

**Methods used to calculate the revenue loss**

Estimate is based on analysis provided to the Legislature.

**Number of taxpayers affected**

# 1.056 Employment tax increment financing and other job increment financing.

*36 M.R.S.A. Chapter 917 and 5 M.R.S.A. §13080-O-T and §13083-S-1*

A qualified business is entitled to reimbursement of Maine income tax withheld during the calendar year for which reimbursement is requested and attributed to qualified employees after July 1, 1996 in the following amounts:

For qualified employees employed by a qualified business in state labor market areas in which the labor market unemployment rate is at or below the state unemployment rate at the time of the application, the reimbursement is equal to 1.35% of gross wages during each of the first 5 calendar years for which reimbursement is requested and attributed to those qualified employees.

For qualified employees employed by a qualified business in state labor market areas in which the labor market unemployment rate is greater than the state unemployment rate at the time of the application, the reimbursement is equal to 2.25% of gross wages during each of the first 5 calendar years for which reimbursement is requested and attributed to those qualified employees.

For qualified employees employed by a qualified business in state labor market areas in which the labor market unemployment rate is greater than 150% of the state unemployment rate at the time of the application, the reimbursement is equal to 3.38% of gross wages during each of the first 5 calendar years for which reimbursement is requested and attributed to those qualified employees.

For qualified Pine Tree Development Zone employees, employed directly in the qualified business activity of a qualified Pine Tree Development Zone business, for whom a certificate has been issued, the reimbursement is equal to 3.6% of gross wages each year for which reimbursement is requested and attributed to those qualified employees for a period of no more than 10 years for tier 1 locations and no more than 5 years for tier 2 locations. Reimbursement under this paragraph may not be paid for years beginning after December 31, 2034.

Special job increment financing programs exist for purposes of providing funding to the Loring Development Authority (the former Loring Air Force Base) and the Midcoast Regional Redevelopment Authority (the former Brunswick Naval Air Station) for the purpose of redeveloping the former base areas.

The employment tax increment financing program (ETIF) is being phased out. Certificates of approval for the program may not be issued after December 31, 2024 and a certificate of approval for the Dirigo Business Incentives program may not be issued to business with an ETIF certificate of approval.

**Reason(s) for exemption**

Provides incentives for businesses to hire new employees with a designated level of wages, health and retirement benefits.

**Estimated General Fund revenue loss**

Employee Tax Increment Financing:

FY ‘24 $10,275,947
FY ‘25 $10,282,054
FY ’26 $9,697,000
FY ’27 $6,745,000

*If enhanced ETIF reimbursements for Pine Tree Zones did not exist for calendar year 2023 ETIF reimbursements (paid in FY 2025), the General Fund expenditure would have been approximately $5,720,000.

Loring Job Increment Financing:

FY ’24 $581,141
FY ’25 $599,971
FY ’26 $624,000
FY ’27 $665,000

Brunswick Naval Air Station Job Increment Financing:

FY ’24 $255,192
FY ’25 $238,230
FY ’26 $243,000
FY ’27 $248,000

**Methods used to calculate the revenue loss**

Estimate is based on claims through calendar year 2023.

**Number of taxpayers affected**

85 ETIF recipients in FY 2025.

# 1.057 Health savings accounts.

*36 M.R.S.A. § 5102 (1-D)*

Health savings accounts (HSAs) enable workers with high-deductible health insurance to make pre-tax contributions equal to the lesser of the annual deductible or $3,450 for self-coverage ($6,900 for families) for 2018 to cover health care costs. Any amount paid or distributed from an HSA which is used exclusively to pay qualified medical expenses of any account beneficiary is not included in gross income. Distributions not used to pay qualified medical expense must be included in gross income and are subject to a 20% penalty.

**Reason(s) for exemption**

Maine generally conforms to federal income exclusion and deduction provisions used to calculate federal adjusted gross income. Conformity reduces filing errors, eases tax administration and increases tax compliance. Conformity also helps keep Maine taxes more competitive with other states.

**Estimated General Fund revenue loss**

FY ‘24 $2,430,000
FY ‘25 $2,560,000
FY ‘26 $2,670,000
FY ‘27 $2,800,000

**Methods used to calculate the revenue loss**

Estimate is based on the individual income micro-simulation tax model. The estimate is only for the HSA deduction claimed on the Federal 1040 and not for employee contributions that are subtracted from taxable wages.

**Number of taxpayers affected**

Approximately 11,400 taxpayers.

# 1.058 Deduction for interest on student loans.

*36 M.R.S.A. § 5102-(1-D)*

Taxpayers may claim an above-the-line deduction of up to $2,500 on interest paid on an education loan. The deduction is reduced when modified adjust gross income exceeds $60,000 ($125,000 for joint filers) and is eliminated when income exceeds $75,000 ($155,000 for joint filers).

**Reason(s) for exemption**

Maine generally conforms to federal income exclusion and deduction provisions used to calculate federal adjusted gross income. Conformity reduces filing errors, eases tax administration and increases tax compliance. Conformity also helps keep Maine taxes more competitive with other states.

**Estimated General Fund revenue loss**

FY ‘24 $2,020,000
FY ‘25 $3,230,000
FY ‘26 $3,680,000
FY ‘27 $4,020,000

**Methods used to calculate the revenue loss**

Estimate is based on the individual income micro-simulation tax model.

**Number of taxpayers affected**

Approximately 37,000 taxpayers in tax year 2023.

# 1.059 Deduction for moving expenses.

*36 M.R.S.A. § 5102-(1-D)*

Taxpayers may claim an above-the-line deduction for unreimbursed moving expenses when the move is related to starting work in a new location. To deduct moving expenses a taxpayer must meet a distance test and a time test. For tax years beginning in 2018 - 2025, this deduction may only be claimed by members of the Armed Forces who move pursuant to a military order.

**Reason(s) for exemption**

Maine generally conforms to federal income exclusion and deduction provisions used to calculate federal adjusted gross income. Conformity reduces filing errors, eases tax administration and increases tax compliance. Conformity also helps keep Maine taxes more competitive with other states.

**Estimated General Fund revenue loss**

FY ‘24 $26,000
FY ‘25 $29,000
FY ‘26 $30,000
FY ‘27 $570,000

**Methods used to calculate the revenue loss**

Estimate is based on information from the Maine Revenue Services data warehouse.

**Number of taxpayers affected**

Approximately 185 taxpayers

# 1.060 Pension contributions- individual retirement plans.

*36 M.R.S.A. § 5102-(1-D)*

Taxpayers may deduct from adjusted gross income (AGI) contributions to various Individual Retirement Accounts (IRAs). The IRA contribution limit is $6,000 for 2019 – 2022 and $6,500 in 2023. Taxpayers over age 50 may make additional "catch-up" contributions of $1,000.

Taxpayers who are not covered by a retirement plan at work may claim a full deduction for contributions to a traditional IRA. The deductible amount is subject to income limitations when a taxpayer is covered by a retirement plan. In 2022, married taxpayers with both spouses covered by a retirement plan can claim a full deduction if modified AGI is below $109,000 ($68,000 for single filers) and a partial deduction if modified AGI is below $129,000 ($78,000 for single filers).

**Reason(s) for exemption**

Maine generally conforms to federal income exclusion and deduction provisions used to calculate federal adjusted gross income. Conformity reduces filing errors, eases tax administration and increases tax compliance. Conformity also helps keep Maine taxes more competitive with other states.

**Estimated General Fund revenue loss**

FY '24 $4,910,000
FY '25 $5,120,000
FY '26 $5,340,000
FY '27 $5,600,000

**Methods used to calculate the revenue loss**

Estimate is based on the individual income micro-simulation tax model and information from the Maine Revenue Services data warehouse.

**Number of taxpayers affected**

Approximately 15,000 taxpayers.

# 1.061 Pension contributions- partners & sole proprietors – Self-employed SEP, Simple, and KEOGH plans.

*36 M.R.S.A. § 5102-(1-D)*

Self-employed individuals may make deductible contributions to their own retirement (Keogh) plans equal to 25 percent of their post-contribution income, up to a maximum of $61,000 in 2022. Total plan contributions are limited to 25 percent of the firm's total wages. Tax on the investment income earned by the Keogh plan is deferred until withdrawn.

Self-employed individuals may also set up SEP and SIMPLE plans for themselves and their employees.

**Reason(s) for exemption**

Maine generally conforms to federal income exclusion and deduction provisions used to calculate federal adjusted gross income. Conformity reduces filing errors, eases tax administration and increases tax compliance. Conformity also helps keep Maine taxes more competitive with other states.

**Estimated General Fund revenue loss**

FY '24 $8,160,000
FY '25 $8,610,000
FY '26 $8,990,000
FY '27 $9,400,000

**Methods used to calculate the revenue loss**

Estimate is based on the individual income micro-simulation tax model and information from the Maine Revenue Services data warehouse.

**Number of taxpayers affected**

Approximately 5,800 taxpayers.

# 1.062 Deduction for health insurance premiums and long-term care insurance premiums by the self-employed.

*36 M.R.S.A. § 5102-(1-D)*

Self-employed taxpayers may deduct 100% of family health insurance premiums paid. Taxpayers without self-employment income are not eligible for this deduction but may claim premiums as an itemized deduction.

**Reason(s) for exemption**

Maine generally conforms to federal income exclusion and deduction provisions used to calculate federal adjusted gross income. Conformity reduces filing errors, eases tax administration and increases tax compliance. Conformity also helps keep Maine taxes more competitive with other states.

**Estimated General Fund revenue loss**

FY ‘24 $10,180,000
FY ‘25 $10,710,000
FY ‘26 $11,190,000
FY ‘27 $11,670,000

**Methods used to calculate the revenue loss**

Estimate is based on the individual income micro-simulation tax model and information from the Maine Revenue Services data warehouse.

**Number of taxpayers affected**

Approximately 21,500 taxpayers.

# 1.063 Educator Expenses.

*36 M.R.S.A. § 5102-(1-D)*

Eligible educators are allowed a deduction of up to $300 for unreimbursed purchases of materials and equipment used in the classroom in tax year 2024. The deduction limit is adjusted annually for inflation.

**Reason(s) for exemption**

Maine generally conforms to federal income exclusion and deduction provisions used to calculate federal adjusted gross income. Conformity reduces filing errors, eases tax administration and increases tax compliance. Conformity also helps keep Maine taxes more competitive with other states.

**Estimated General Fund revenue loss**

FY ‘24 $280,000
FY ‘25 $290,000
FY ‘26 $305,000
FY ‘27 $315,000

**Methods used to calculate the revenue loss**

Estimate is based on information from the Maine Revenue Services data warehouse.

**Number of taxpayers affected**

Approximately 15,000 taxpayers.

# 1.064 Tax-exempt interest income

*36 M.R.S.A. § 5102 (1-D)*

Interest from most state and local bonds is exempt from federal and state taxation. Individual taxpayers report the amount of their exempt interest on the Federal 1040; this tax expenditure is an estimate of the revenue that would be raised from taxing that income.

**Reason(s) for exemption**

Maine generally conforms to federal income exclusion and deduction provisions used to calculate federal adjusted gross income. Conformity reduces filing errors, eases tax administration and increases tax compliance. Conformity also helps keep Maine taxes more competitive with other states.

**Estimated General Fund revenue loss**

FY '24 $12,070,000
FY '25 $12,230,000
FY '26 $10,990,000
FY '27 $9,060,000

**Methods used to calculate the revenue loss**

Estimate is based on the individual income micro-simulation tax model and information from the Maine Revenue Services data warehouse.

**Number of taxpayers affected**

Approximately 23,000 taxpayers.

# 1.065 Section 179 Expensing.

*36 M.R.S.A. § 5102 (1-D)*

For tax years beginning in 2022, taxpayers can expense up to $1,080,000 (the dollar limit) of investments in eligible property under the Code Section 179. The maximum amount that can be expensed is reduced dollar for dollar by the amount of equipment investment exceeding $2,700,000 (the phase out amount). These limits are adjusted annually for inflation.

**Reason(s) for exemption**

Maine generally conforms to federal income exclusion and deduction provisions used to calculate federal adjusted gross income. Conformity reduces filing errors, eases tax administration and increases tax compliance. Conformity also helps keep Maine taxes more competitive with other states.

**Estimated General Fund revenue loss**

FY ‘24 $2,500,000
FY ‘25 $2,600,000
FY ‘26 $2,800,000
FY ‘27 $3,500,000

**Methods used to calculate the revenue loss**

Estimate is based on *Estimates of Federal Tax Expenditures for Fiscal Years 2024-2028*, compiled by the U.S. Joint Standing Committee on Taxation.

**Number of taxpayers affected**

Number of taxpayers affected is not available.

# 1.066 Deduction for dividends received by domestic corporations from certain foreign corporations.

*36 M.R.S.A. § 5102-(1-D)*

The Tax Cuts and Jobs Act allows a domestic corporation that is an owner of a specified 10% foreign corporation a 100% dividends received deduction ("DRD") for the foreign-source portion of dividends received from the foreign corporation.

The 100% DRD would be available only to domestic C corporations that are neither real estate investment trusts nor regulated investment companies. Maine conforms to this 100% DRD.

The deduction for dividends paid from income that has been previously taxed is not considered a tax expenditure. Previously taxed income includes income subject to the deemed repatriation in the Tax Cuts and Jobs Act of 2017 (TCJA), GILTI, and Subpart F income.

**Reason(s) for exemption**

Maine generally conforms to federal income exclusion and deduction provisions used to calculate federal adjusted gross income. Conformity reduces filing errors, eases tax administration and increases tax compliance. Conformity also helps keep Maine taxes more competitive with other states.

**Estimated General Fund revenue loss**

FY '24 $500,000 - $2,000,000
FY '25 $500,000 - $2,000,000
FY '26 $500,000 - $2,000,000
FY '27 $500,000 - $2,000,000

**Methods used to calculate the revenue loss**

The revenue loss is estimated as a range of possible values because little or no data is available.

**Number of taxpayers affected**

Number of taxpayers affected is not available.

# 1.067 Opportunity Zones.

*36 M.R.S.A. § 5102-(1-D)*

The TCJA created Opportunity Zones, which are designated low-income areas where investments through qualified vehicles receive preferential capital gains tax treatment. When capital gains are reinvested in a qualified opportunity fund, which must invest at least 90% of its assets in qualified opportunity zone property, the gains are deferred until the assets are disposed of or 2026, whichever is earlier. Furthermore, capital gains from investments in qualified opportunity funds are permanently excluded if the investment is held for ten years and reinvested capital gains receive a basis step-up if they are held in a Opportunity Fund for at least five years.

The end of the deferral period for capital gains reinvested in a Opportunity Fund in 2026 should increase Maine income tax revenue relative to a baseline where Opportunity Zones did not exist.

**Reason(s) for exemption**

Maine generally conforms to federal income exclusion and deduction provisions used to calculate federal adjusted gross income. Conformity reduces filing errors, eases tax administration and increases tax compliance. Conformity also helps keep Maine taxes more competitive with other states.

**Estimated General Fund revenue loss**

FY ‘24 $2,5000,000 - $5,000,000
FY ‘25 $2,500,000 - $5,000,000
FY ‘26 $500,000 - $2,000,000
FY ‘27 -$13,000,000

**Methods used to calculate the revenue loss**

Estimate is based on *Estimates of Federal Tax Expenditures for Fiscal Years 2024-2028*, compiled by the U.S. Joint Standing Committee on Taxation and the Fiscal Year 2026 Tax Expenditure Report by the Office of Tax Analysis, U.S. Department of Treasury.

**Number of taxpayers affected**

Number of taxpayers affected is not available.

# 1.068 Pension contributions & earnings - employer-provided pension contributions and earnings.

*36 M.R.S.A. § 5102-(1-D)*

Taxpayers may exclude from adjusted gross income employer contributions to individual pension plans. The tax on the related investment income is deferred until it is withdrawn.

**Reason(s) for exemption**

Maine generally conforms to federal income exclusion and deduction provisions used to calculate federal adjusted gross income. Conformity reduces filing errors, eases tax administration and increases tax compliance. Conformity also helps keep Maine taxes more competitive with other states.

**Estimated General Fund revenue loss**

FY ‘24 $399,600,000
FY ‘25 $436,700,000
FY ‘26 $480,500,000
FY ‘27 $569,400,000

**Methods used to calculate the revenue loss**

Estimate is based on *Estimates of Federal Tax Expenditures for Fiscal Years 2024-2028*, compiled by the U.S. Joint Standing Committee on Taxation.

**Number of taxpayers affected**

Number of taxpayers affected is not available.

# 1.069 Employer-paid medical insurance and expenses.

*36 M.R.S.A. § 5102-(1-D)*

Employer-paid health insurance premiums and medical expenses (including long-term care) are excluded from an employee's gross income even if the employer's cost for the insurance is deducted as a business expense. Self-employed individuals may also deduct part of family health insurance premiums.

**Reason(s) for exemption**

Maine generally conforms to federal income exclusion and deduction provisions used to calculate federal adjusted gross income. Conformity reduces filing errors, eases tax administration and increases tax compliance. Conformity also helps keep Maine taxes more competitive with other states.

**Estimated General Fund revenue loss**

FY '24 $236,500,000
FY '25 $253,100,000
FY '26 $257,800,000
FY '27 $266,800,000

**Methods used to calculate the revenue loss**

Estimate is based on *Estimates of Federal Tax Expenditures for Fiscal Years 2024-2028*, compiled by the U.S. Joint Standing Committee on Taxation.

**Number of taxpayers affected**

Number of taxpayers affected is not available.

# 1.070 Exclusion of capital gains at death.

*36 M.R.S.A. § 5102 (1-D)*

Capital gains on assets held at the owner's death are not subject to capital gains taxes. The cost basis of the appreciated assets is adjusted upward to the market value at the owner's date of death.

**Reason(s) for exemption**

Maine generally conforms to federal income exclusion and deduction provisions used to calculate federal adjusted gross income. Conformity reduces filing errors, eases tax administration and increases tax compliance. Conformity also helps keep Maine taxes more competitive with other states.

**Estimated General Fund revenue loss**

FY '24 $50,900,000
FY '25 $50,300,000
FY '26 $54,600,000
FY '27 $58,300,000

**Methods used to calculate the revenue loss**

Estimate is based on *Estimates of Federal Tax Expenditures for Fiscal Years 2024-2028*, compiled by the U.S. Joint Standing Committee on Taxation.

**Number of taxpayers affected**

Number of taxpayers affected is not available.

# 1.071 Exclusion of capital gains on sales of principal residences.

*36 M.R.S.A. § 5102-(1-D)*

A homeowner can exclude from tax up to $500,000 (joint filers) or $250,000 (single filers) of capital gains from the sale of a principal residence. The exclusion may not be used more than once every two years.

**Reason(s) for exemption**

Maine generally conforms to federal income exclusion and deduction provisions used to calculate federal adjusted gross income. Conformity reduces filing errors, eases tax administration and increases tax compliance. Conformity also helps keep Maine taxes more competitive with other states.

**Estimated General Fund revenue loss**

FY ‘24 $32,400,000
FY ‘25 $35,000,000
FY ‘26 $42,200,000
FY ‘27 $45,800,000

**Methods used to calculate the revenue loss**

Estimate is based on *Estimates of Federal Tax Expenditures for Fiscal Years 2024-2028,* compiled by the U.S. Joint Standing Committee on Taxation.

**Number of taxpayers affected**

Number of taxpayers affected is not available.

# 1.072 Exclusion of Social Security and Railroad Retirement not included in Federal Adjusted Gross Income.

*36 M.R.S.A. § 5102-(1-D)*

Social security and railroad retirement income that is not taxable at the federal level is also not taxed by Maine.

**Reason(s) for exemption**

Maine generally conforms to federal income exclusion and deduction provisions used to calculate federal adjusted gross income. Conformity reduces filing errors, eases tax administration and increases tax compliance. Conformity also helps keep Maine taxes more competitive with other states.

**Estimated General Fund revenue loss**

FY ‘24 $88,000,000
FY ‘25 $93,300,000
FY ‘26 $112,600,000
FY ‘27 $123,200,000

**Methods used to calculate the revenue loss**

Estimate is based on *Estimates of Federal Tax Expenditures for Fiscal Years 2024-2028,* compiled by the U.S. Joint Standing Committee on Taxation.

**Number of taxpayers affected**

Number of taxpayers affected is not available.

# 1.073 Federal Conformity: Other

*36 M.R.S.A. § 5102-(1-D)*

This expenditure includes tax expenditures arising from the definition of federal income that have not been covered elsewhere in the report. The discussion of expenditures related to the definition of federal total income in the introduction provides more details.

Appendix D contains a list of individual expenditures and *national* estimates of tax expenditure.

| **Function** | **Annual Expenditure** |
|---|---|
| National Defense and International Affairs | $8,000,000 - $15,000,000 |
| Energy | $1,000,000 - $3,000,000 |
| Natural Resources and Environment | $500,000 - $2,000,000 |
| Commerce, General Science, Community and Regional Development, and Housing | $80,000,000 - $100,000,000 |
| Education, Training, Employment, and Social Services | $40,000,000 - $50,000,000 |
| Health and Income Security | $80,000,000 - $120,000,000 |
| Miscellaneous/Other | $45,000,000 - $60,000,000 |

# Chapter 2: Sales and Excise Taxes

## 2.001 Paint Stewardship Program Assessment.

*36 M.R.S.A. § 1752.14-B.13.*

The fee imposed to fund the paint stewardship program is exempted from sales tax.

Reason(s) for exemption

Equalize the sales tax treatment of this assessment and mandatory fees.

Estimated General Fund revenue loss

FY '24 $83,000
FY '25 $84,000
FY '26 $85,000
FY '27 $86,000

Method used to calculate the revenue loss

Based on information contained in the Maine Paint Stewardship Program FY 2020 Annual Report.

# 2.002 Sales to the State & political subdivisions.

*36 M.R.S.A. § 1760.2 and 2557.2.*

Sales to the State or any political subdivision, or to the Federal Government, or to any unincorporated agency or instrumentality of either of them or to any incorporated agency or instrumentality of them wholly owned by them are exempt from tax. This exemption does not apply where title is held or taken as security for any financing arrangement. This exemption also does not apply to corporations organized under Title IV, Part E of the Farm Credit Act of 1971, 12 United States Code, Sections 2211 to 2214.

Reason(s) for exemption

The State does not impose the sales tax on itself, and it provides additional funding to its political subdivisions and schools through this sales tax exemption.

Estimated General Fund revenue loss

FY '24 $225,135,000
FY '25 $230,893,000
FY '26 $236,832,000
FY '27 $242,965,000

Method used to calculate the revenue loss

Based on state and local government expenditures as reported in the U.S. Census Bureau, Annual Survey of State Government Finances.

Number of exempt organizations on file

Governments and agencies of government – 1,235

# 2.003 Grocery staples.

*36 M.R.S.A. § 1760.3.*

Grocery staples are exempt from the sales and use tax. Grocery staples means food products ordinarily consumed for human nourishment.

Grocery staples does not include:

A. Spirituous, malt or vinous liquors;
B. Medicines, tonics, vitamins and preparations sold as dietary supplements or adjuncts, except when sold on the prescription of a physician;
C. Water, including mineral, bottled and carbonated waters and ice;
D. Dietary substitutes;
E. Candy and confections, including but not limited to confectionery spreads. As used in this paragraph, "candy" means a preparation of sugar, honey or other natural or artificial sweeteners in combination with chocolate, fruits, nuts or other ingredients or flavorings in the form of bars, drops or pieces;
F. Prepared food; and
G. The following food and drinks ordinarily sold for consumption without further preparation:
   (1) Soft drinks and powdered and liquid drink mixes except powdered milk, infant formula, coffee and tea;
   (2) Sandwiches and salads;
   (3) Supplemental meal items such as corn chips, potato chips, crisped vegetable or fruit chips, potato sticks, pork rinds, pretzels, crackers, popped popcorn, cheese sticks, cheese puffs and dips;
   (4) Fruit bars, granola bars, trail mix, breakfast bars, rice cakes, popcorn cakes, bread sticks and dried sugared fruit;
   (5) Nuts and seeds that have been processed or treated by salting, spicing, smoking, roasting or other means;
   (6) Desserts and bakery items, including but not limited to doughnuts, cookies, muffins, dessert breads, pastries, croissants, cakes, pies, ice cream cones, ice cream, ice milk, frozen confections, frozen yogurt, sherbet, ready-to-eat pudding, gelatins and dessert sauces; and
   (7) Meat sticks, meat jerky and meat bars.

"Grocery staples" includes bread and bread products, jam, jelly, pickles, honey, condiments, maple syrup, spaghetti sauce or salad dressing when packaged as a separate item for retail sale.

"Soft drinks" means nonalcoholic beverages that contain natural or artificial sweeteners. "Soft drinks" does not include beverages that contain milk or milk products; that contain soy, rice or similar milk substitutes; or that contain greater than 50% vegetable or fruit juice by volume.

Reason(s) for exemption

Necessity of life

Estimated General Fund revenue loss

FY '24 $183,963,000
FY '25 $182,423,000
FY '26 $183,884,000
FY '27 $185,155,000

Method used to calculate the revenue loss

Sales tax micro-simulation model.

# 2.004 Ships' stores.

*36 M.R.S.A. § 1760.4.*

Sales of cabin, deck, engine supplies and bunkering oil to ships engaged in transporting cargo or passengers for hire in interstate or foreign commerce are exempt from the sales and use tax. Bunker oil in this exemption refers to any fuel used to propel the vessel as opposed to used in the operation of any equipment, such as cranes, hoists and generators.

Reason(s) for exemption

The ships are engaged in interstate and/or foreign commerce.

Estimated General Fund revenue loss

FY '24 $50,000 – 249,999
FY '25 $50,000 – 249,999
FY '26 $50,000 – 249,999
FY '27 $50,000 – 249,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

# 2.005 Prescription drugs.

*36 M.R.S.A. § 1760.5.*

Sales of medicines for human beings sold on doctor's prescription are exempt from the sales and use tax. This exemption does not apply to the sale of marijuana pursuant to Title 22, chapter 558-C. Sales to individuals of "over-the-counter" drugs without a written prescription are taxable, even if the drug is purchased on the advice or recommendation of a physician. However, there is no tax on nonprescription medicines purchased by a doctor for use in the doctor's medical practice. Sales of medicines originally prescribed by a doctor on a refillable prescription are exempt when the prescription is refilled.

Reason(s) for exemption

Necessity of life

Estimated General Fund revenue loss

FY '24 $117,041,000
FY '25 $121,131,000
FY '26 $126,010,000
FY '27 $130,865,000

Method used to calculate the revenue loss

Sales tax micro simulation model and National Health Expenditure Data from the U.S. Centers for Medicare & Medicaid Services.

# 2.006 Prosthetic or orthotic device.

*36 M.R.S.A. § 1760.5-A.*

Sale of prosthetic or orthotic devices sold by prescription and sale of crutches and wheelchairs for the use of sick, injured or disabled persons and not for rental are exempt from the sales and use tax.

Reason(s) for exemption

Necessity of life

Estimated General Fund revenue loss

FY '24 $8,076,000
FY '25 $8,199,000
FY '26 $8,231,000
FY '27 $8,254,000

Method used to calculate the revenue loss

Sales tax micro simulation model and National Health Expenditure Data from the U.S. Centers for Medicare & Medicaid Services.

# 2.007 Meals served by public or private schools, school districts, student organizations and parent-teacher associations to the students or teachers of a school.

*36 M.R.S.A. § 1760.6-A.*

Sales of meals made in the school lunchroom during the normal school day or by a school or student organization at a school event where it is evident that those in attendance are mainly students and teachers, are exempt from the sales and use tax. The sale of meals served to students or teachers by a caterer or other person not associated with the school are taxable.

Reason(s) for exemption

Subsidize the provision of meals to students and teachers at schools.

Estimated General Fund revenue loss

FY '24 $6,932,000
FY '25 $7,151,000
FY '26 $7,385,000
FY '27 $7,628,000

Method used to calculate the revenue loss

National personal consumption expenditure data and education statistics.

# 2.008 Meals served to patients in hospitals & nursing homes.

*36 M.R.S.A. § 1760.6-B.*

Meals served to patients of institutions licensed by the Department of Health and Human Services for the hospitalization or nursing care of human beings, or to patients or residents of institutions licensed by the Department of Health and Human Services under Title 22, Subtitle 6 or Title 22, section 1781, are exempt from the sales and use tax.

Reason(s) for exemption

Necessity of life

Estimated General Fund revenue loss

FY '24 $8,801,000
FY '25 $9,050,000
FY '26 $9,246,000
FY '27 $9,442,000

Method used to calculate the revenue loss

Statistics for hospitals and nursing homes and several strong assumptions.

# 2.009 Sales of meals by hospitals, schools, long-term care facilities, food contractors and restaurants to incorporated nonprofit area agencies on aging for the purpose of providing meals to the elderly.

*36 M.R.S.A. § 1760.6-C.*

Meals sold to the area agencies on aging for the purpose of providing meals to the elderly are exempt from the sales and use tax.

Reason(s) for exemption

This exemption supports the provision of meals to the elderly.

Estimated General Fund revenue loss

FY '24 $1,000,000 – 2,999,999
FY '25 $1,000,000 – 2,999,999
FY '26 $1,000,000 – 2,999,999
FY '27 $1,000,000 – 2,999,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

Number of exempt organizations on file

68

# 2.010 Sales of meals to residents of certain nonprofit congregate housing.

*36 M.R.S.A. § 1760.6-D.*

Meals sold to residents of church-affiliated congregate housing facilities are exempt from the sales and use tax.

Reason(s) for exemption

This exemption supports the provision of meals to the elderly.

Estimated General Fund revenue loss

FY '24 $0 - 49,999
FY '25 $0 - 49,999
FY '26 $0 - 49,999
FY '27 $0 - 49,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

# 2.011 Meals served by colleges to employees of the college when the meals are purchased with debit cards issued by the college.

*36 M.R.S.A. § 1760.6-E.*

Meals served by a college to employees of the college who purchase those meals with a debit card issued by the college are exempt from sales and use tax.

Reason(s) for exemption

To eliminate the need for colleges to have to determine which purchases are taxable and which are exempt when a debit card issued by the college is being used to purchase meals.

Estimated General Fund revenue loss

FY '24 $0 - $49,999
FY '25 $0 - $49,999
FY '26 $0 - $49,999
FY '27 $0 - $49,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

# 2.012 Meals served by certain youth camps.

*36 M.R.S.A. § 1760.6-F.*

Sales of meals served by youth camps licensed by the Department of Health and Human Services and defined in Title 22, section 2491, subsection 16 as a combination of program and facilities established for the primary purpose of providing an outdoor group living experience for children with social, recreational, spiritual and educational objectives and operated and used for 5 or more consecutive days during one or more seasons of the year. “Youth camp” includes day camps, residential camps and trip and travel camps.

Reason(s) for exemption

Subsidize the sale of prepared meals at certain youth camps.

Estimated General Fund revenue loss

FY ‘24 $250,000 - $999,999
FY ‘25 $250,000 - $999,999
FY ‘26 $250,000 - $999,999
FY ‘27 $250,000 - $999,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

# 2.013 Meals served by a retirement facility to its residents.

*36 M.R.S.A. § 1760.6-G.*

Sales of meals served by a retirement facility to its residents are exempt from the sales and use tax when participation in the meal program is a condition of occupancy or the cost of the meals is included in or paid with a comprehensive fee that includes the right to reside in a residential dwelling unit and meals or other services.

Reason(s) for exemption

This exemption supports the provision of meals to the elderly.

Estimated General Fund revenue loss

FY '24 $1,000,000 - $2,999,999
FY '25 $1,000,000 - $2,999,999
FY '26 $1,000,000 - $2,999,999
FY '27 $1,000,000 - $2,999,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

# 2.014 Products used in agricultural and aquacultural production, and bait.

*36 M.R.S.A. § 1760.7-A, 7-B, 7-C.*

Sales of feed, hormones, pesticides, antibiotics and medicine for use in aquacultural production and sales of bait to commercial fishermen are exempt from the sales and use tax.

Sales of seed, fertilizers, defoliants and pesticides, including, but not limited to, rodenticides, insecticides, fungicides and weed killers, for use in commercial agricultural production are exempt from the sales and use tax.

Sales of breeding stock, semen, embryos, feed, hormones, antibiotics, medicine, pesticides and litter for use in animal agricultural production and sales of antiseptics and cleaning agents used in commercial animal agricultural production are exempt from the sales and use tax. Animal agricultural production includes the raising and keeping of equines.

Reason(s) for exemption

Provide funding to the agricultural, aquacultural, and commercial fishing industries through a sales tax exemption.

Estimated General Fund revenue loss

FY '24 $9,804,000
FY '25 $9,881,000
FY '26 $9,960,000
FY '27 $10,040,000

Method used to calculate the revenue loss

USDA Farm Income and Wealth Statistics and sales tax micro simulation model.

# 2.015 Certain jet fuels.

*36 M.R.S.A. § 1760.8-B.*

Internal combustion engine fuels bought and used for the purpose of propelling jet or turbojet engine aircraft are exempt from the sales and use tax.

Reason(s) for exemption

This fuel is subject to an excise tax when used for domestic flights.

Estimated General Fund revenue loss

FY '24 $8,828,000
FY '25 $7,821,000
FY '26 $7,537,000
FY '27 $7,324,000

Method used to calculate the revenue loss

The number of gallons of jet fuel sold, which is reported on motor fuel tax returns, is used with a forecast of jet fuel prices to estimate the cost of this exemption.

# 2.016 Coal, oil, and wood for cooking & heating homes.

*36 M.R.S.A. § 1760.9.*

Coal, oil, wood and all other fuels, except gas and electricity, when bought for cooking and heating in buildings designed and used for both human habitation and sleeping are exempt from tax. Kerosene or home heating oil that is prepackaged or dispensed from a tank for retail sale in containers with a capacity of 5 gallons or less, or the sale of any amount of wood pellets or any 100% compressed wood product intended for use in a wood stove or fireplace, or of any amount of firewood, is presumed to be purchased for residential use.

Reason(s) for exemption

Necessity of life

Estimated General Fund revenue loss

FY '24 $45,694,000
FY '25 $45,129,000
FY '26 $44,680,000
FY '27 $43,690,000

Method used to calculate the revenue loss

U.S. Energy Information Administration residential energy expenditure data for Maine and a forecast of energy prices is used to estimate the cost of this exemption.

# 2.017 Fuels for burning blueberry lands.

*36 M.R.S.A. § 1760.9-A.*

Sales of all fuels used in burning blueberry fields are exempt from the sales and use tax.

Reason(s) for exemption

Provide support for the blueberry industry.

Estimated General Fund revenue loss

FY '24 $0 – 49,999
FY '25 $0 – 49,999
FY '26 $0 – 49,999
FY '27 $0 – 49,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

# 2.018 Residential electricity.

*36 M.R.S.A. § 1760.9-B.*

Sale and delivery of the first 750 kilowatt hours of residential electricity per month is exempt from the sales and use tax. For purposes of this subsection, "residential electricity" means electricity furnished to buildings designed and used for both human habitation and sleeping, with the exception of hotels. Where residential electricity is furnished through one meter to more than one residential unit and where the transmission and distribution utility applies its tariff on a per unit basis, the furnishing of electricity is considered a separate sale for each unit to which the tariff applies. For purposes of this subsection, "delivery" means transmission and distribution. Off-peak residential electricity used for space heating or water heating by means of an electric thermal storage device is also exempt from the sales and use tax.

Reason(s) for exemption

Necessity of life

Estimated General Fund revenue loss

FY '24 $49,020,000
FY '25 $45,030,000
FY '26 $45,710,000
FY '27 $46,020,000

Method used to calculate the revenue loss

Estimate based on data from the sales tax data warehouse, U.S. Energy Information Administration, and the American Community Survey PUMS.

# 2.019 Residential gas.

*36 M.R.S.A. § 1760.9-C.*

Sales of gas when bought for cooking and heating in buildings designed and used for both human habitation and sleeping, with the exception of hotels, are exempt from the sales and use tax.

Reason(s) for exemption

Necessity of life

Estimated General Fund revenue loss

FY '24 $15,936,000
FY '25 $16,705,000
FY '26 $17,544,000
FY '27 $18,204,000

Method used to calculate the revenue loss

Estimate based on data from the U.S. Energy Information Administration and the American Community Survey PUMS.

# 2.020 Fuel and electricity used at a manufacturing facility.

*36 M.R.S.A. § 1760.9-D.*

Ninety-five percent of the sale price of all fuel and electricity purchased for use at a manufacturing facility is exempt from the sales and use tax. For purposes of this subsection, "sale price" includes, in the case of electricity, any charge for transmission and distribution.

Ninety-five percent of the sale price of fabrication services for the production of fuel for use at a manufacturing facility as defined in section 1752, subsection 6-A.

Reason(s) for exemption

Provide an economic development incentive to manufacturers by subsidizing their purchases of fuel and electricity used at manufacturing facilities.

Estimated General Fund revenue loss

FY '24 $34,685,000
FY '25 $29,869,000
FY '26 $27,624,000
FY '27 $25,891,000

Method used to calculate the revenue loss

Data is collected from sales and use tax returns.

# 2.021 Fuel oil or coal which becomes an ingredient or component part.

*36 M.R.S.A. § 1760.9-G.*

Fuel oil or coal, the by-products from the burning of which, become an ingredient or component part of tangible personal property for later sale are exempt.

Reason(s) for exemption

Avoid pyramiding of the sales tax.

Estimated General Fund revenue loss

FY '24 $0 - $49,999
FY '25 $0 - $49,999
FY '26 $0 - $49,999
FY '27 $0 - $49,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

# 2.022 Certain returnable containers.

*36 M.R.S.A. § 1760.12.*

Sales of returnable containers when sold with the contents in connection with a retail sale of the contents or when resold for refilling are exempt from the sales and use tax.

Reason(s) for exemption

The decision was made not to impose the sales tax on returnable bottle and can deposits.

Estimated General Fund revenue loss

FY '24 $1,000,000 - $2,999,999
FY '25 $1,000,000 - $2,999,999
FY '26 $1,000,000 - $2,999,999
FY '27 $1,000,000 - $2,999,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

# 2.023 Packaging materials.

*36 M.R.S.A. § 1760.12-A.*

Sales of containers, boxes, crates, bags, cores, twines, tapes, bindings, wrappings, labels and other packing, packaging and shipping materials are exempt from the sales and use tax when purchased by persons engaged in the business of packing, packaging, shipping and transporting tangible personal property; or when purchased by persons for use in packing, packaging or shipping tangible personal property sold by them or on which they have performed the service of cleaning, pressing, dyeing, washing, repairing, or reconditioning in their regular course of business that are transferred to the possession of the purchaser of that tangible personal property.

This exemption includes materials that are used to insure the delivery of the contents in physically good condition. There is no distinction between non-returnable and returnable packaging materials. The exemption applies to both. In addition, the exemption does not apply unless the materials pass into the possession of the customer of the shipper. Packaging items used by a business to store goods are subject to tax.

Reason(s) for exemption

Subsidize the purchase of packaging materials by businesses.

Estimated General Fund revenue loss

FY '24 $20,631,000
FY '25 $20,913,000
FY '26 $20,868,000
FY '27 $20,914,000

Method used to calculate the revenue loss

Sales tax micro-simulation model.

# 2.024 Free publications and components of publications.

*36 M.R.S.A. § 1760.14-A.*

Any publication that is purchased for distribution without charge as a free publication; and printed paper materials, including advertising flyers and promotional materials, purchased for inclusion in a publication are exempt from the sales and use tax.

Reason(s) for exemption

The publications are distributed free of charge. Components of publications, such as advertising flyers were exempt from tax prior to the repeal of the sales tax exemption for certain publications.

Estimated General Fund revenue loss

FY '24 $1,451,000
FY '25 $1,686,000
FY '26 $1,744,000
FY '27 $1,803,000

Method used to calculate the revenue loss

The revenue loss is estimated using data from sales tax returns.

# 2.025 Sales to hospitals, research centers, churches and schools.

*36 M.R.S.A. § 1760.16 and 2557.3.*

Sales to incorporated hospitals.
Sales to incorporated nonprofit nursing homes licensed by the Department of Health and Human Services.
Sales to incorporated nonprofit residential care facilities licensed by the Department of Health and Human Services.
Sales to incorporated nonprofit assisted housing programs for the elderly licensed by the Department of Health and Human Services.
Sales to incorporated nonprofit home health agencies certified under the United States Social Security Act of 1965, Title XVIII, as amended.
Sales to incorporated nonprofit rural community health centers and to certain incorporated nonprofit federally qualified health centers.
Sales to incorporated nonprofit dental health centers.
G-1. Sales to incorporated nonprofit medical clinics whose sole mission is to provide free medical care to the indigent or uninsured.
Sales to incorporated nonprofit organizations organized for the sole purpose of conducting medical research.
Sales to incorporated nonprofit organizations organized for the purpose of establishing and maintaining laboratories for scientific study and investigation in the field of biology or ecology.
Sales to institutions incorporated as nonprofit corporations for the purpose of operating educational television or radio stations.
Sales to schools.
Sales to incorporated nonprofit organizations or their affiliates whose purpose is to provide literacy assistance or free clinical assistance to children with dyslexia.
Sales to regularly organized churches or houses of religious worship.

Reason(s) for exemption

Provide funding to these organizations through an exemption from the sales tax.

Estimated General Fund revenue loss

FY ‘24 $6,000,000 or more
FY ‘25 $6,000,000 or more
FY ‘26 $6,000,000 or more
FY ‘27 $6,000,000 or more

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

Number of exempt organizations on file

| | |
|---|---|
| Hospitals | 57 |
| Nursing homes | 27 |
| Rural community health | 77 |
| Dental health centers | 14 |
| Residential care facilities | 107 |
| Medical research orgs. | 27 |
| Biology/ecology labs | 19 |
| Educational TV/radio | 21 |
| Schools | 768 |
| Literacy assistance orgs. | 29 |
| Assist children w/dyslexia | Fewer than 10 |
| Churches | 2,328 |
| Free medical clinics | Fewer than 10 |
| Fed qualified health center | Fewer than 10 |

# 2.026 Rental charges for living quarters in nursing homes and hospitals.

*36 M.R.S.A. § 1760.18.*

Rental charged for living or sleeping quarters in an institution licensed by the State for the hospitalization or nursing care of human beings.

Reason(s) for exemption

Necessity of life

Estimated General Fund revenue loss

FY '24 $6,000,000 or more
FY '25 $6,000,000 or more
FY '26 $6,000,000 or more
FY '27 $6,000,000 or more

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

# 2.027 Sales to certain nonprofit residential child care institutions.

*36 M.R.S.A. § 1760.18-A and 2557.4.*

Sales to incorporated private nonprofit residential child care facilities that are licensed by the Department of Health and Human Services as child care facilities, are exempt from the sales and use tax.

Reason(s) for exemption

Provide funding to these organizations through an exemption from the sales tax.

Estimated General Fund revenue loss

FY ‘24 $50,000 – 250,000
FY ‘25 $50,000 – 250,000
FY ‘26 $50,000 – 250,000
FY ‘27 $50,000 – 250,000

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

Number of exempt organizations on file

62

# 2.028 Rental of living quarters at schools.

*36 M.R.S.A. § 1760.19.*

Rental charged for living quarters, sleeping or housekeeping accommodations to any student necessitated by attendance at a school as defined in subsection 16.

Reason(s) for exemption

Provide financial assistance to students by exempting rental charges for living quarters at schools from the sales tax.

Estimated General Fund revenue loss

FY '24 $17,773,000
FY '25 $18,407,000
FY '26 $19,063,000
FY '27 $19,742,000

Method used to calculate the revenue loss

Estimate based on data from the Integrated Postsecondary Education Data System.

# 2.029 Rental charges on continuous residence for more than 28 days.

*36 M.R.S.A. § 1760.20.*

Rental charged to any person who resides continuously for 28 days or more at any one hotel, rooming house, and tourist or trailer camp if:
The person does not maintain a primary residence at some other location; or
The person is residing away from that person's primary residence in connection with employment or education.
Tax paid during the initial 28-day period must be refunded to the taxpayer. The retailer may take a credit on the sales tax return filed by the retailer covering the month in which the refund was made.

Reason(s) for exemption

Living quarters are a necessity of life.

Estimated General Fund revenue loss

FY '24 $141,729,000
FY '25 $150,613,000
FY '26 $158,193,000
FY '27 $165,733,000

Method used to calculate the revenue loss

The estimate is based on national personal consumption expenditure data and rent data from the American Community Survey.

# 2.030 Automobiles used in driver education programs.

*36 M.R.S.A. § 1760.21.*

Sales to automobile dealers, registered under section 1754-B, of automobiles for the purpose of equipping the same with dual controls and loaning or leasing the same to public or private secondary schools without consideration or for a consideration of not more than $1 a year, and used exclusively by such schools in driver education programs.

Reason(s) for exemption

Subsidize driver education programs offered by secondary schools.

Estimated General Fund revenue loss

FY '24 $0 - 49,999
FY '25 $0 - 49,999
FY '26 $0 - 49,999
FY '27 $0 - 49,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

# 2.031 Certain loaner vehicles.

*36 M.R.S.A. § 1760.21-A.*

The use of a loaner vehicle provided by a new vehicle dealer, as defined in Title 29-A, section 851, subsection 9, to a service customer pursuant to a manufacturer's or a dealer's warranty is exempt from tax.

Reason(s) for exemption

Certain motor vehicle dealers are providing the short-term use of loaner vehicles free of charge to certain service customers pursuant to a manufacturer's or a dealer's warranty.

Estimated General Fund revenue loss

FY '24 $250,000 - $999,999
FY '25 $250,000 - $999,999
FY '26 $250,000 - $999,999
FY '27 $250,000 - $999,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

# 2.032 Automobiles to amputee veterans.

*36 M.R.S.A. § 1760.22.*

Sales of automobiles to veterans who are granted free registration of such vehicles by the Secretary of State under Title 29-A, section 523, subsection 1 are exempt from sales tax. Certificates of exemption or refunds of taxes paid must be granted under such rules or regulations as the State Tax Assessor may prescribe.

Reason(s) for exemption

Subsidize the purchase of automobiles by amputee veterans.

Estimated General Fund revenue loss

FY '24 $0 - 49,999
FY '25 $0 - 49,999
FY '26 $0 - 49,999
FY '27 $0 - 49,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

# 2.033 Certain vehicles purchased or leased by nonresidents.

*36 M.R.S.A. § 1760.23-C.*

Sales or leases of the following vehicles to a person that is not a resident of this State, if the vehicle is intended to be driven or transported outside the State immediately upon delivery:

A. Motor vehicles other than those that are being leased for a period of less than one year;
B. Semitrailers;
C. Aircraft, if not exempted under subsection 88-A; and
D. Camper trailers, including truck campers, other than those that are being leased for a period of less than one year.

If the vehicles are registered for use in the State within 12 months of the date of purchase, the person seeking registration is liable for use tax based on the original purchase price.

Reason(s) for exemption

The vehicles are being purchased or leased by nonresidents.

Estimated General Fund revenue loss

FY '24 $250,000 – 999,999
FY '25 $250,000 – 999,999
FY '26 $250,000 – 999,999
FY '27 $250,000 – 999,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

# 2.034 Certain vehicles purchased or leased by qualifying resident businesses.

*36 M.R.S.A. § 1760.23-D.*

The sale or lease of a motor vehicle, except an automobile rental for a period of less than one year or an all-terrain vehicle or snowmobile as defined in Title 12, section 13001, to a qualifying resident business if the vehicle is intended to be driven or transported outside the State immediately upon delivery and intended to be used exclusively in the qualifying resident business's out-of-state business activities.

Reason(s) for exemption

The vehicles are being purchased or leased by qualifying resident businesses for use outside of this State.

Estimated General Fund revenue loss

FY '24 $1,000,000 – 2,999,999
FY '25 $1,000,000 – 2,999,999
FY '26 $1,000,000 – 2,999,999
FY '27 $1,000,000 – 2,999,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

# 2.035 Funeral services.

*36 M.R.S.A. § 1760.24.*

"Sales of funeral services" are considered to mean sales of tangible personal property by a funeral director insofar as such sales are a necessary part of the preparation of a human body for burial or cremation, or a necessary part of the ceremony conducted by the funeral director prior to or in connection with the burial or cremation of a human body. Sales by funeral directors of caskets, vaults, boxes, clothing, crematory urns, or other similar items generally referred to as "funeral furnishings", are exempt from tax. Items sold as an accommodation rather than as an integral part of the funeral service (or preparation therefore), such as sale of flowers, or items of a similar character, are taxable.

The tax expenditure estimate includes the service component of funeral services.

Reason(s) for exemption

Necessity of life

Estimated General Fund revenue loss

FY '24 $6,445,000
FY '25 $6,673,000
FY '26 $6,849,000
FY '27 $7,048,000

Method used to calculate the revenue loss

The estimate is based on national expenditures on funeral and burial services and Maine's share of national deaths.

# 2.036 Watercraft purchased by nonresidents.

*36 M.R.S.A. § 1760.25.*

Sales to or use by a person that is not a resident of this State of watercraft or materials used in watercraft.

The following are exempt when the sale is made in this State to a person that is not a resident of this State and the watercraft is sailed or transported outside the State within 30 days of delivery by the seller:

(1) A watercraft;

(2) Sales, under contract for the construction of a watercraft, or materials to be incorporated in that watercraft; and

(3) Sales of materials to be incorporated in the watercraft for the repair, alteration, refitting, reconstruction, overhaul or restoration of that watercraft.

The sale of a watercraft is exempt if the watercraft is purchased and used by the present owner outside the State if the watercraft is registered outside the State by an owner who is an individual and the watercraft is present in the State not more than 30 days for a purpose other than temporary storage during the 12 months following its purchase.

If, for a purpose other than temporary storage, a watercraft is present in the State for more than 30 days during the 12-month period following its date of purchase, the exemption applies only to 60% of the sales price of the watercraft or materials for the construction, repair, alteration, refitting, reconstruction, overhaul or restoration of the watercraft, as specified in paragraph A.

Reason(s) for exemption

Economic development.

Estimated General Fund revenue loss

FY ‘24 $250,000 - 999,999
FY ‘25 $250,000 - 999,999
FY ‘26 $250,000 - 999,999
FY ‘27 $250,000 - 999,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

# 2.037 Snowmobile; all-terrain vehicle.

*36 M.R.S.A. § 1760.25-C.*

The sale of a snowmobile, as defined in Title 12, section 13001, subsection 25, or an all-terrain vehicle, as defined in Title 12, section 13001, subsection 3, to an individual who is not a resident of this State, unless the seller is a retailer in this State.

Reason(s) for exemption

Exempt nonresidents from paying the sales and use tax unless the seller is a retailer in this State.

Estimated General Fund revenue loss

FY ‘24 $50,000 - 249,999
FY ‘25 $50,000 - 249,999
FY ‘26 $50,000 - 249,999
FY ‘27 $50,000 - 249,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

# 2.038 Nonprofit fire departments and nonprofit ambulance services.

*36 M.R.S.A. § 1760.26 and 2557.5.*

Sales to incorporated nonprofit fire departments, sales to incorporated nonprofit ambulance services, sales to air ambulance services that are limited liability companies all of whose members are nonprofit organizations and sales of tangible personal property leased to air ambulance services that are limited liability companies all of whose members are nonprofit organizations are exempt from sales and use tax.

Reason(s) for exemption

Provide funding to these organizations through an exemption from the sales tax.

Estimated General Fund revenue loss

FY '24 $50,000 - 249,999
FY '25 $50,000 - 249,999
FY '26 $50,000 - 249,999
FY '27 $50,000 - 249,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

Number of exempt organizations on file

| | |
|---|---|
| Nonprofit fire departments | 83 |
| Nonprofit ambulance services | 40 |

# 2.039 Community mental health facilities, community developmentally disabled facilities and community substance abuse facilities.

*36 M.R.S.A. § 1760.28 and 2557.6.*

Sales to the following mental health facilities, developmentally disabled facilities or substance abuse facilities are exempt from the sales and use tax:

A. Contractors under or receiving support under the Federal Community Mental Health Centers Act, or its successors; or

B. Receiving support from the Department of Health and Human Services pursuant to Title 5, section 20005 or Title 34-B, section 3604, 5433 or 6204.

Reason(s) for exemption

Provide funding to these organizations through an exemption from the sales tax.

Estimated General Fund revenue loss

FY '24 $250,000 – 999,999
FY '25 $250,000 – 999,999
FY '26 $250,000 – 999,999
FY '27 $250,000 – 999,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

Number of exempt organizations on file

| | |
|---|---|
| Mental health facilities | 213 |
| Developmentally disabled facilities | 226 |
| Substance abuse facilities | 16 |

# 2.040 Water pollution control facilities.

*36 M.R.S.A. § 1760.29.*

Sales of water pollution control facilities, certified as such by the Commissioner of Environmental Protection, and sales of parts or accessories of a certified facility, materials for the construction, repair or maintenance of a certified facility and chemicals or supplies that are integral to the effectiveness of a certified facility.

Reason(s) for exemption

Subsidize the installation of pollution control facilities.

Estimated General Fund revenue loss

FY '24 $250,000 – 999,999
FY '25 $250,000 – 999,999
FY '26 $250,000 – 999,999
FY '27 $250,000 – 999,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

# 2.041 Air pollution control facilities.

*36 M.R.S.A. § 1760.30.*

Sales of air pollution control facilities, certified as such by the Commissioner of Environmental Protection, and sales of parts or accessories of a certified facility, materials for the construction, repair or maintenance of a certified facility and chemicals or supplies that are integral to the effectiveness of a certified facility.

Reason(s) for exemption

Subsidize the installation of pollution control facilities.

Estimated General Fund revenue loss

FY '24 $250,000 – 999,999
FY '25 $250,000 – 999,999
FY '26 $250,000 – 999,999
FY '27 $250,000 – 999,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

# 2.042 Machinery and equipment.

*36 M.R.S.A. § 1760.31.*

Sales of machinery and equipment:

A. For use by the purchaser directly and primarily in the production of tangible personal property intended to be sold or leased ultimately for final use or consumption or in the production of tangible personal property pursuant to a contract with the Federal Government or any agency thereof, or, in the case of sales occurring after June 30, 2007, in the generation of radio and television broadcast signals by broadcast stations regulated under 47 Code of Federal Regulations, Part 73. This exemption applies even if the purchaser sells the machinery or equipment and leases it back in a sale and leaseback transaction. This exemption also applies whether the purchaser agrees before or after the purchase of the machinery or equipment to enter into the sale and leaseback transaction and whether the purchaser's use of the machinery or equipment in production commences before or after the sale and leaseback transaction occurs; and
B. To a bank, leasing company or other person as part of a sale and leaseback transaction, by a person that uses the machinery or equipment as described in paragraph A, whether the original purchaser's use of the machinery or equipment in production commences before or after the sale and leaseback transaction occurs.

Reason(s) for exemption

Provide an economic development incentive to manufacturers by subsidizing their purchases of machinery and equipment used at manufacturing facilities.

Estimated General Fund revenue loss

FY '24 $29,288,000
FY '25 $29,840,000
FY '26 $29,470,000
FY '27 $29,407,000

Method used to calculate the revenue loss

The estimate is based on BEA data on investment by detailed industry, national and state data on value added by industry, and national and state data on employment by industry.

# 2.043 Machinery and equipment for research.

*36 M.R.S.A. § 1760.32.*

Sales of machinery and equipment for use by the purchaser directly and exclusively in research and development in the experimental and laboratory sense and sales of machinery, equipment, instruments and supplies for use by the purchaser directly and primarily in biotechnology applications, including the application of technologies such as recombinant DNA techniques, biochemistry, molecular and cellular biology, immunology, genetics and genetic engineering, biological cell fusion techniques and new bioprocesses using living organisms or parts of organisms to produce or modify products, improve plants or animals, develop microorganisms for specific uses, identify targets for small-molecule pharmaceutical development, transform biological systems and useful processes and products or to develop microorganisms for specific uses. Equipment and supplies used for biotechnology include but are not limited to microscopes, diagnostic testing materials, glass wares, chemical reagents, computer software and technical books and manuals. "Research and development" includes testing and evaluation for the purposes of approval and compliance with regulatory standards for biotechnological products or materials. "Research and development" does not include the ordinary testing or inspecting of materials or products for quality control, efficiency surveys, management studies, consumer surveys, advertising, promotions, or research in connection with literary, historical or similar projects.

Reason(s) for exemption

Provide an economic development incentive by subsidizing the purchase of these goods.

Estimated General Fund revenue loss

FY '24 $50,000 - 249,999
FY '25 $50,000 - 249,999
FY '26 $50,000 - 249,999
FY '27 $50,000 - 249,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

# 2.044 Diabetic supplies.

*36 M.R.S.A. § 1760.33.*

Diabetic supplies include all equipment and supplies, whether medical or otherwise, used in the diagnosis or treatment of diabetes. Sales of insulin, antidiabetic drugs, testing supplies such as Clinitest, Clinistix and Tes-Tape, and other items used only in the treatment of diabetes are exempt from tax. Sales of hypodermic syringes and needles to diabetic patients are exempt. Sales of items that are not used only in the diagnosis or treatment of diabetes, and which are not prescription medicines, should be regarded as taxable unless the purchaser has provided evidence such as a statement from a doctor that the patient has been diagnosed as diabetic, and unless the purchaser states that the items being purchased are to be used in the treatment of his or her diabetes.

Reason(s) for exemption

Necessity of life

Estimated General Fund revenue loss

FY '24 $1,422,000
FY '25 $1,510,000
FY '26 $1,608,000
FY '27 $1,711,000

Method used to calculate the revenue loss

The revenue loss is estimated using national expenditures on diabetes supplies (not including prescription drugs which would be otherwise exempt under 36 M.R.S.A. § 1760.5) and Maine's share of the U.S. population that has been diagnosed with diabetes.

# 2.045 Sales through coin-operated vending machines.

*36 M.R.S.A. § 1760.34.*

Sales of products for internal human consumption when sold through coin-operated vending machines by a person more than 50% of whose gross receipts from the retail sale of tangible personal property are derived from sales through vending machines. The status of products sold through vending machines depends upon the product being sold and the type of business activity of the retailer. “Coin-operated vending machines” do not include “snack boxes” that require purchasers to be on their honor in paying for the selected items.

This exemption only applies to sales of products for internal human consumption by a person who primarily is a vending company. Although the exemption exists for the sale, the items are subject to tax based on the seller’s cost. “Products for internal human consumption” means: “edible products sold for human nutrition or refreshment and containers or utensils provided simultaneously for the consumption of these products. It does not include spirituous, malt or vinous liquors, medicines, tonics, vitamins, dietary supplements or cigarettes”. See Title 36 MRSA section 1752, subsection 5-A.

Items that come within the scope of this definition are sandwiches, chips, ice cream, candy, soft drinks and other food items. Also included within this definition are the paper plates, cups, utensils and packaging materials for these items. Chewing gum is not for “internal human consumption”.

Items, other than those mentioned above, when sold through vending machines are retail sales and subject to tax on the selling price. Examples of such items are cigarettes, toys, gum, health and beauty aids and other goods not for “internal human consumption”.

When 50% or less of a retailer’s retail sales take place through coin-operated vending machines, the retailer does not qualify for this exemption.

Reason(s) for exemption

Lower the administrative burden on vending machine companies.

Estimated General Fund revenue loss

FY ‘24 $1,298,000
FY ‘25 $1,354,000
FY ‘26 $1,412,000
FY ‘27 $1,473,000

Method used to calculate the revenue loss

The revenue loss is estimated using sales tax return data from vending retailers.

# 2.046 Goods and services for seeing eye dogs.

*36 M.R.S.A. § 1760.35.*

Sales of tangible personal property and taxable services essential for the care and maintenance of Seeing Eye dogs used to aid any blind person are exempt from the sales and use tax.

Reason(s) for exemption

Necessity of life

Estimated General Fund revenue loss

FY ‘24 $0 - 49,999
FY ‘25 $0 - 49,999
FY ‘26 $0 - 49,999
FY ‘27 $0 - 49,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

# 2.047 Regional planning commissions and councils of government.

*36 M.R.S.A. § 1760.37 and 2557.7.*

Sales to regional planning commissions and councils of government, which are established in accordance with Title 30-A are exempt from tax.

Reason(s) for exemption

Provide funding to these organizations through an exemption from the sales tax.

Estimated General Fund revenue loss

FY ‘24 $0 - 49,999
FY ‘25 $0 - 49,999
FY ‘26 $0 - 49,999
FY ‘27 $0 - 49,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

# 2.048 Residential water.

*36 M.R.S.A. § 1760.39.*

Sales of water purchased for use in buildings designed and used for both human habitation and sleeping, with the exception of hotels, are exempt from tax. Sales of water for all commercial uses are taxable. The sale of bottled water delivered by the seller is governed by whom the purchaser is.

This exemption does not apply to sales of bottled water in retail stores, such as grocery stores, convenience stores, department stores and the like. These sales are taxable since they are governed by the definition of "grocery staple", which specifically excludes water.

Reason(s) for exemption

Necessity of life

Estimated General Fund revenue loss

FY '24 $9,820,000
FY '25 $9,552,000
FY '26 $9,789,000
FY '27 $10,032,000

Method used to calculate the revenue loss

The estimate is based on national and state personal consumption expenditure data and the American Community Survey.

# 2.049 Manufactured housing.

*36 M.R.S.A. § 1760.40.*

Sales of manufactured housing includes:

Used manufactured housing; and
New manufactured housing to the extent of all costs, other than materials, included in the sale price, but the exemption may not exceed 50% of the sale price.

When a new manufactured house is sold, the sales tax applies to either the portion of the sale price that represents the cost of materials or 50% of the sale price, whichever is greater. No sales or use tax applies to sales of manufactured housing that has been permanently incorporated into real property by the seller, although the seller would be subject to a tax on its purchase of the home. Sales of used manufactured houses are exempt.

Reason(s) for exemption

Necessity of life

Estimated General Fund revenue loss

FY '24 $5,891,000
FY '25 $6,144,000
FY '26 $6,408,000
FY '27 $6,683,000

Method used to calculate the revenue loss

Estimated based on information from sales tax returns.

# 2.050 Certain instrumentalities of interstate or foreign commerce.

*36 M.R.S.A. § 1760.41.*

The sale of a vehicle, railroad rolling stock, aircraft or watercraft that is placed in use by the purchaser as an instrumentality of interstate or foreign commerce within 30 days after that sale and that is used by the purchaser not less than 80% of the time for the next 2 years as an instrumentality of interstate or foreign commerce. The State Tax Assessor may for good cause extend for not more than 60 days the time for placing the instrumentality in use in interstate or foreign commerce. For purposes of this subsection, property is "placed in use as an instrumentality of interstate or foreign commerce" by its carrying of, or providing the motive power for the carrying of, a bona fide payload in interstate or foreign commerce, or by being dispatched to a specific location at which it will be loaded upon arrival with, or will be used as motive power for the carrying of, a payload in interstate or foreign commerce. For purposes of this subsection, "bona fide payload" means a cargo of persons or property transported by a contract or common carrier for compensation that exceeds the direct cost of carrying that cargo or pursuant to a legal obligation to provide service as a public utility or a cargo of property transported in the reasonable conduct of the purchaser's own nontransportation business in interstate commerce. A bus with a capacity of at least 47 passengers that is contracted to transport passengers of a cruise ship that originated and will terminate outside of Maine qualifies as use in interstate or foreign commerce while transporting those passengers within Maine.

Reason(s) for exemption

Interstate commerce

Estimated General Fund revenue loss

FY '24 $3,000,000 – 5,999,999
FY '25 $3,000,000 – 5,999,999
FY '26 $3,000,000 – 5,999,999
FY '27 $3,000,000 – 5,999,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

# 2.051 Historical societies, museums and certain memorial foundations.

*36 M.R.S.A. § 1760.42 and 2557.8.*

Sales to incorporated nonprofit memorial foundations that primarily provide cultural programs free to the public, historical societies and museums are exempt from tax.

Reason(s) for exemption

Provide funding to these organizations through an exemption from the sales tax.

Estimated General Fund revenue loss

FY ‘24 $50,000 – 249,999
FY ‘25 $50,000 – 249,999
FY ‘26 $50,000 – 249,999
FY ‘27 $50,000 – 249,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

Number of exempt organizations on file

495

# 2.052 Child care facilities.

*36 M.R.S.A. § 1760.43 and 2557.9.*

Sales to licensed, incorporated nonprofit child care facilities are exempt from tax.

Reason(s) for exemption

Provide funding to these organizations through an exemption from the sales tax.

Estimated General Fund revenue loss

FY '24 $50,000 - 249,999
FY '25 $50,000 - 249,999
FY '26 $50,000 - 249,999
FY '27 $50,000 - 249,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

Number of exempt organizations on file

193

# 2.053 Certain church-affiliated residential homes.

*36 M.R.S.A. § 1760.44 and 2557.10.*

Sales to an incorporated, church-affiliated nonprofit organization that operates a residential home for adults.

Reason(s) for exemption

Provide funding to these organizations through an exemption from the sales tax.

Estimated General Fund revenue loss

FY ‘24 $0 - 49,999
FY ‘25 $0 - 49,999
FY ‘26 $0 - 49,999
FY ‘27 $0 - 49,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

Number of exempt organizations on file

11

# 2.054 Certain property purchased outside the State.

*36 M.R.S.A. § 1760.45.*

Sales of property purchased and used by the present owner outside the State are exempt from tax:

A. If the property is an automobile, as defined in Title 29-A, section 101, subsection 7 and if the owner is an individual who was, at the time of purchase, a resident of the other state;
B. If the property is a snowmobile or all-terrain vehicle as defined in Title 12, section 13001 and the purchaser is an individual who is not a resident of the State.
C. If the property is an aircraft not exempted under subsection 88 or 88-A and the owner at the time of purchase was a resident of another state or tax jurisdiction and the aircraft is present in this State not more than 20 days during the 12 months following its purchase, exclusive of days during which the aircraft is in this State for the purpose of undergoing "major alterations", "major repairs" or "preventive maintenance" as those terms are described in 14 Code of Federal Regulations, Appendix A to Part 43, as in effect on January 1, 2005. The location of an aircraft on the ground in the State at any time during a day is considered presence in the State for that entire day. A day must be disregarded if at any time during that day the aircraft is used to provide free emergency or compassionate air transportation arranged by an incorporated nonprofit organization providing free air transportation in private aircraft by volunteer pilots so children and adults may access life-saving medical care.
D. If the property is brought into this State solely to conduct activities directly related to a declared state disaster or emergency, at the request of the State, a county, city, town or political subdivision of the State or a registered business, the property is owned by a person not otherwise required to register as a seller under section 1754-B and the property is present in this State only during a disaster period.
E. For more than 12 months in all other cases.

Property, other than automobiles, snowmobiles, all-terrain vehicles and aircraft, that is required to be registered for use in this State does not qualify for this exemption unless it was registered by its present owner outside this State more than 12 months prior to its registration in this State. If property required to be registered for use in this State was not required to be registered for use outside this State, the owner must be able to document actual use of the property outside this State for more than 12 months prior to its registration in this State. For purposes of this subsection "use" does not include storage but means actual use of the property for a purpose consistent with its design.

Reason(s) for exemption

Exempt property that was purchased and used out-of-state before it was brought into this State.

Estimated General Fund revenue loss

FY '24 $1,000,000 – 2,999,999

FY ‘25 $1,000,000 – 2,999,999
FY ‘26 $1,000,000 – 2,999,999
FY ‘27 $1,000,000 – 2,999,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

# 2.055 Residential facilities for medical patients and their families.

*36 M.R.S.A. § 1760.46 and 2557.11.*

Sales to incorporated nonprofit organizations providing:

A. Temporary residential accommodations to pediatric patients suffering from critical illness or disease, such as cancer, or who are accident victims, and adult patients with cancer, or the families of the patients.
B. Temporary residential accommodations, or food, or both, to hospital patients or to the families of hospital patients.

Reason(s) for exemption

Provide funding to these organizations through an exemption from the sales tax.

Estimated General Fund revenue loss

FY '24 $0 - 49,999
FY '25 $0 - 49,999
FY '26 $0 - 49,999
FY '27 $0 - 49,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

Number of exempt organizations on file

8

# 2.056 Emergency shelter and feeding organizations.

*36 M.R.S.A. § 1760.47-A and 2557.12.*

Beginning October 1, 1996, sales to incorporated nonprofit organizations that provide free temporary emergency shelter or food for underprivileged individuals in this State are exempt from tax.

Reason(s) for exemption

Provide funding to these organizations through an exemption from the sales tax.

Estimated General Fund revenue loss

FY '24 $250,000 - 999,999
FY '25 $250,000 - 999,999
FY '26 $250,000 - 999,999
FY '27 $250,000 - 999,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

Number of exempt organizations on file

190

# 2.057 Child abuse and neglect councils; child advocacy organizations; community action agencies.

*36 M.R.S.A. § 1760.49 and 2557.13.*

Except for the sale, storage or use for activities that are mainly commercial enterprises, sales to the following organizations are exempt from tax:

A. Incorporated nonprofit child abuse and neglect councils as defined in Title 22, section 3872, subsection 1-A;
B. Statewide organizations that advocate for children and that are members of the Medicaid Advisory Committee;
C. Community action agencies designated in accordance with Title 22, section 5324.

Reason(s) for exemption

Provide funding to these organizations through an exemption from the sales tax.

Estimated General Fund revenue loss

FY '24 $250,000 - 999,999
FY '25 $250,000 - 999,999
FY '26 $250,000 - 999,999
FY '27 $250,000 - 999,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

Number of exempt organizations on file

| | |
|---|---|
| Child abuse and neglect councils | 10 |
| Community action agencies | 11 |
| Medicaid advisory | Fewer than 10 |

# 2.058 Certain libraries.

*36 M.R.S.A. § 1760.50 and 2557.14.*

Sales to any nonprofit free public lending library, which is funded in part or wholly by the State, any political subdivision of the State or the federal government is exempt from tax. Sales made by a library or a nonprofit corporation organized to support the library are exempt from sales tax if the proceeds from any sales are used to benefit the library.

Reason(s) for exemption

Provide funding to these organizations through an exemption from the sales tax.

Estimated General Fund revenue loss

FY ‘24 $50,000 - 249,999
FY ‘25 $50,000 - 249,999
FY ‘26 $50,000 - 249,999
FY ‘27 $50,000 - 249,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

Number of exempt organizations on file

284

# 2.059 Veterans' Memorial Cemetery Associations.

*36 M.R.S.A. § 1760.51 and 2557.15.*

Sales to incorporated nonprofit Veterans' Memorial Cemetery Associations are exempt from tax.

Reason(s) for exemption

Provide funding to these organizations through an exemption from the sales tax.

Estimated General Fund revenue loss

FY '24 $0 - 49,999
FY '25 $0 - 49,999
FY '26 $0 - 49,999
FY '27 $0 - 49,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

Number of exempt organizations on file

Fewer than 10

# 2.060 Railroad track materials.

*36 M.R.S.A. § 1760.52.*

Railroad track materials purchased and installed on railroad lines located within the boundaries of the State are exempt from tax. The track materials shall include rail, ties, ballast, joint bars and associated materials, such as bolts, nuts, tie plates, spikes, culverts, steel, concrete or stone, switch stands, switch points, frogs, switch ties, bridge ties and bridge steel.

For a taxpayer to qualify for an exemption under this subsection, the taxpayer may not require any landowner to pay any fee or charge for maintenance or repair or to assume liability for crossings or rights-of-way if the landowner was not required to do so prior to July 1, 1981, and the taxpayer must continue to maintain crossings and rights-of-way which it was required to maintain on that date and may not remove the crossings if there is any objection to their being removed.

Reason(s) for exemption

Subsidizes the purchase of track materials.

Estimated General Fund revenue loss

FY ‘24 $580,000
FY ‘25 $592,000
FY ‘26 $606,000
FY ‘27 $620,000

Method used to calculate the revenue loss

Sales tax micro-simulation model.

# 2.061 Nonprofit volunteer search and rescue organizations.

*36 M.R.S.A. § 1760.53 and 2557.16.*

Sales to incorporated nonprofit volunteer search and rescue organizations are exempt from tax.

Reason(s) for exemption

Provide funding to these organizations through an exemption from the sales tax.

Estimated General Fund revenue loss

FY ‘24 $0 - 49,999
FY ‘25 $0 - 49,999
FY ‘26 $0 - 49,999
FY ‘27 $0 - 49,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

Number of exempt organizations on file

19

# 2.062 Incorporated nonprofit hospice organizations.

*36 M.R.S.A. § 1760.55 and 2557.17.*

Sales to incorporated nonprofit hospice organizations, which provide a program of care for the physical and emotional needs of terminally ill patients, are exempt from tax.

Reason(s) for exemption

Provide funding to these organizations through an exemption from the sales tax.

Estimated General Fund revenue loss

FY ‘24 $0 - 49,999
FY ‘25 $0 - 49,999
FY ‘26 $0 - 49,999
FY ‘27 $0 - 49,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

Number of exempt organizations on file

31

# 2.063 Nonprofit youth organizations.

*36 M.R.S.A. § 1760.56 and 2557.18.*

Sales to nonprofit youth organizations whose primary purpose is to provide athletic instruction in a nonresidential setting, or to councils and local units of incorporated nonprofit national scouting organizations.

Reason(s) for exemption

Provide funding to these organizations through an exemption from the sales tax.

Estimated General Fund revenue loss

FY '24 $250,000 – 999,999
FY '25 $250,000 – 999,999
FY '26 $250,000 – 999,999
FY '27 $250,000 – 999,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

Number of exempt organizations on file

| | |
|---|---|
| Athletic youth organizations | 390 |
| National scouting organizations | 32 |

# 2.064 Self-help literature on alcoholism.

*36 M.R.S.A. § 1760.57.*

Sales of self-help literature relating to alcoholism to alcoholics anonymous groups are exempt from tax.

Reason(s) for exemption

Subsidize the sale of this literature by alcoholics anonymous groups through an exemption from the sales tax.

Estimated General Fund revenue loss

FY ‘24 $0 - 49,999
FY ‘25 $0 - 49,999
FY ‘26 $0 - 49,999
FY ‘27 $0 - 49,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

# 2.065 Portable classrooms.

*36 M.R.S.A. § 1760.58.*

Sales of tangible personal property to be physically incorporated in and become a part of portable classrooms for lease to schools entitled to exemption under subsection 16 are exempt from tax. If the portable classrooms are used for an otherwise taxable use within 2 years from the date of the first use, the lessor shall become liable for the use tax based on the original sale price.

Reason(s) for exemption

Subsidize the cost of portable classrooms that are to be leased to schools.

Estimated General Fund revenue loss

FY ‘24 $0 - 49,999
FY ‘25 $0 - 49,999
FY ‘26 $0 - 49,999
FY ‘27 $0 - 49,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

# 2.066 Sales to certain incorporated nonprofit educational organizations.

*36 M.R.S.A. § 1760.59 and 2557.19.*

Sales to incorporated nonprofit educational organizations that are receiving, or have received, funding from the Department of Education, and that provide educational programs specifically designed for teaching young people how to make decisions about drugs, alcohol and interpersonal relationships at a residential youth camp setting are exempt from tax.

Reason(s) for exemption

Provide funding to these organizations through an exemption from the sales tax.

Estimated General Fund revenue loss

FY '24 $0 - 49,999
FY '25 $0 - 49,999
FY '26 $0 - 49,999
FY '27 $0 - 49,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

Number of exempt organizations on file

Fewer than 10

# 2.067 Sales to incorporated nonprofit animal shelters.

*36 M.R.S.A. § 1760.60.*

Sales to incorporated nonprofit animal shelters of tangible personal property used in the operation and maintenance of those shelters or in the maintenance and care of any animal, including wildlife, housed in those shelters are exempt from tax.

Reason(s) for exemption

Provide funding to these organizations through an exemption from the sales tax.

Estimated General Fund revenue loss

FY '24 $50,000 - 249,999
FY '25 $50,000 - 249,999
FY '26 $50,000 - 249,999
FY '27 $50,000 - 249,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

Number of exempt organizations on file

126

# 2.068 Construction contracts with exempt organizations.

*36 M.R.S.A. § 1760.61 and 2557.31.*

Sales of tangible personal property, to a construction contractor, that are to be physically incorporated in, and become a permanent part of, real property for sale to any organization or government agency provided exemption under this section (Title 36 MRSA section 1760), except as otherwise provided are exempt from tax.

This exemption only applies to property that will become physically attached to the realty of the exempt organization. It does not apply to supplies used by the contractor nor to any machinery or equipment purchased by the contractor, even though the equipment is being purchased specifically for the exempt job. For purposes of this exemption, contractors also include sub-contractors. If a contractor has an inventory of property on which tax has been paid and subsequently uses the property on an exempt job, the contractor would be eligible for refund provided the property meets the requirements stated above.

Sales to a construction contractor or its subcontractor of fabrication services that are to be physically incorporated in, and become a permanent part of, real property for sale to any organization or government agency provided exemption under this section (Title 36 MRSA section 2557), except as otherwise provided are exempt from tax.

Reason(s) for exemption

Provide funding to these organizations through an exemption from the sales tax.

Estimated General Fund revenue loss

FY ‘24 $1,000,000 - 2,999,999
FY ‘25 $1,000,000 - 2,999,999
FY ‘26 $1,000,000 - 2,999,999
FY ‘27 $1,000,000 - 2,999,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

# 2.069 Charitable suppliers of medical equipment.

*36 M.R.S.A. § 1760.62 and 2557.20.*

Sales to local branches of incorporated international nonprofit charitable organizations that lend medical supplies and equipment to persons free of charge are exempt from tax.

Reason(s) for exemption

Provide funding to these organizations through an exemption from the sales tax.

Estimated General Fund revenue loss

FY ‘24 $0 - 49,999
FY ‘25 $0 - 49,999
FY ‘26 $0 - 49,999
FY ‘27 $0 - 49,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

Number of exempt organizations on file

Fewer than 10

# 2.070 Organizations fulfilling the wishes of children with life-threatening diseases.

*36 M.R.S.A. § 1760.63 and 2557.21.*

Sales to incorporated nonprofit organizations whose sole purpose is to fulfill the wishes of children with life-threatening diseases, when their family or guardian is unable to otherwise financially fulfill those wishes, are exempt from tax.

Reason(s) for exemption

Provide funding to these organizations through an exemption from the sales tax.

Estimated General Fund revenue loss

FY '24 $0 - 49,999
FY '25 $0 - 49,999
FY '26 $0 - 49,999
FY '27 $0 - 49,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

Number of exempt organizations on file

10

# 2.071 Schools and school-sponsored organizations.

*36 M.R.S.A. § 1760.64.*

Sales of tangible personal property and taxable services by public and private elementary and secondary schools that otherwise qualify as schools under subsection 16, and by student organizations sponsored by those schools, including booster clubs and student or parent-teacher organizations, as long as the profits from such sales are used to benefit those schools or student organizations or are used for a charitable purpose are exempt from tax.

Public and private elementary and secondary schools making sales of candy bars, calendars, yearbooks, clothing, etc. are exempt from charging tax on such sales, provided the profits are used to benefit the school or student organization or are used for a charitable purpose.

Reason(s) for exemption

Provide support for schools and school-sponsored organizations when they are making sales to raise money to benefit the school, student organizations or charity.

Estimated General Fund revenue loss

FY ‘24 $250,000 – 999,999
FY ‘25 $250,000 – 999,999
FY ‘26 $250,000 – 999,999
FY ‘27 $250,000 – 999,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

# 2.072 Monasteries and convents.

*36 M.R.S.A. § 1760.65.*

Sales of tangible personal property to incorporated nonprofit monasteries and convents for use in their operation and maintenance are exempt from tax. For the purpose of this subsection, “monasteries” and “convents” means the dwelling places of communities of religious persons.

Reason(s) for exemption

Provide funding to these organizations through an exemption from the sales tax.

Estimated General Fund revenue loss

FY ‘24 $0 - 49,999
FY ‘25 $0 - 49,999
FY ‘26 $0 - 49,999
FY ‘27 $0 - 49,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

Number of exempt organizations on file

58

# 2.073 Incorporated nonprofit providers of certain support systems for single-parent families.

*36 M.R.S.A. § 1760.66 and 2557.22.*

Sales to incorporated nonprofit organizations engaged primarily in providing support systems for single-parent families for the development of psychological and economic self-sufficiency are exempt from tax.

Reason(s) for exemption

Provide funding to these organizations through an exemption from the sales tax.

Estimated General Fund revenue loss

FY '24 $0 - 49,999
FY '25 $0 - 49,999
FY '26 $0 - 49,999
FY '27 $0 - 49,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

Number of exempt organizations on file

24

# 2.074 Nonprofit home construction organizations.

*36 M.R.S.A. § 1760.67 and 2557.23.*

Sales to local branches of incorporated, nonprofit organizations whose purpose is to construct low-cost housing for low-income people are exempt from tax.

Reason(s) for exemption

Provide funding to these organizations through an exemption from the sales tax.

Estimated General Fund revenue loss

FY '24 $50,000 - 249,999
FY '25 $50,000 - 249,999
FY '26 $50,000 - 249,999
FY '27 $50,000 - 249,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

Number of exempt organizations on file

34

# 2.075 Vietnam veteran registries.

*36 M.R.S.A. § 1760.69 and 2557.24.*

Sales to incorporated, nonprofit organizations whose sole purpose is to create, maintain and update a registry of Vietnam veterans are exempt from tax.

Reason(s) for exemption

Provide funding to these organizations through an exemption from the sales tax.

Estimated General Fund revenue loss

FY '24 $0 - 49,999
FY '25 $0 - 49,999
FY '26 $0 - 49,999
FY '27 $0 - 49,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

Number of exempt organizations on file

Fewer than 10

# 2.076 Organizations providing certain services for hearing-impaired persons.

*36 M.R.S.A. § 1760.70 and 2557.25.*

Sales to incorporated, nonprofit organizations whose primary purposes are to promote public understanding of hearing impairment and to assist hearing-impaired persons through the dissemination of information about hearing impairment to the general public and referral to and coordination of community resources available to hearing-impaired persons are exempt from tax.

Reason(s) for exemption

Provide funding to these organizations through an exemption from the sales tax.

Estimated General Fund revenue loss

FY '24 $0 - 49,999
FY '25 $0 - 49,999
FY '26 $0 - 49,999
FY '27 $0 - 49,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

Number of exempt organizations on file

Fewer than 10

# 2.077 State-chartered credit unions.

*36 M.R.S.A. § 1760.71 and 2557.26.*

Sales to credit unions that are organized under the laws of this State are exempt from tax. This subsection shall remain in effect only for the time that federally chartered credit unions are, by reason of federal law, exempt from payment of state sales tax.

Reason(s) for exemption

Provide state charted credit unions with the same sales tax exemption that federally chartered credit union have by federal law.

Estimated General Fund revenue loss

FY ‘24 $0 - 49,999
FY ‘25 $0 - 49,999
FY ‘26 $0 - 49,999
FY ‘27 $0 - 49,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

Number of exempt organizations on file

State charted credit unions - 14
Federal charted credit unions exempt by Federal law - 97

# 2.078 Nonprofit housing development organizations.

*36 M.R.S.A. § 1760.72 and 2557.27.*

Sales to nonprofit organizations whose primary purpose is to develop housing for low-income people are exempt from tax.

Reason(s) for exemption

Provide funding to these organizations through an exemption from the sales tax.

Estimated General Fund revenue loss

FY ‘22 $250,000 - 999,999
FY ‘23 $250,000 - 999,999
FY ‘24 $250,000 - 999,999
FY ‘25 $250,000 - 999,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

Number of exempt organizations on file

174

# 2.079 Seedlings for commercial forestry use.

*36 M.R.S.A. § 1760.73.*

Sales of tree seedlings for use in commercial forestry are exempt from tax.

Reason(s) for exemption

Subsidize the purchase of tree seedlings to be used in commercial forestry.

Estimated General Fund revenue loss

FY '24 $50,000 – 249,999
FY '25 $50,000 – 249,999
FY '26 $50,000 – 249,999
FY '27 $50,000 – 249,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

# 2.080 Property used in production.

*36 M.R.S.A. § 1760.74.*

Sales of tangible personal property that becomes an ingredient or component part of tangible personal property produced for later sale or lease, other than lease for use in this State, or that becomes an ingredient or component part of tangible personal property produced pursuant to a contract with the Federal Government or any agency of the Federal Government are exempt from tax.

Tangible personal property, other than fuel or electricity, that is consumed or destroyed or loses its identify directly and primarily in the production tangible personal property for later sale or lease, other than lease for use in this State, or that is consumed or destroyed or loses its identity directly and primarily in the production of tangible personal property produced pursuant to a contract with the Federal Government or any agency of the Federal Government is exempt from tax.

Tangible personal property is "consumed or destroyed" or "loses its identity" in production if it has a normal physical life expectancy of less than one year as a usable item in the use to which it is applied.

Reason(s) for exemption

Avoid pyramiding of the sales and use tax.

Estimated General Fund revenue loss

FY '24 $432,421,000
FY '25 $432,816,000
FY '26 $437,993,000
FY '27 $443,292,000

Method used to calculate the revenue loss

The estimate is based on 2017 Economic Census data and a forecast of Maine's manufacturing output level.

# 2.081 Certain meals and lodging.

*36 M.R.S.A. § 1760.75.*

Meals or lodging provided to employees at their place of employment when the value of those meals or that lodging is allowed as a credit toward the wages of those employees are exempt from tax.

Reason(s) for exemption

The value of the meals or lodging is allowed as a credit toward the wages of the employees.

Estimated General Fund revenue loss

FY '24 $50,000 – 249,999
FY '25 $50,000 – 249,999
FY '26 $50,000 – 249,999
FY '27 $50,000 – 249,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

# 2.082 Aircraft parts.

*36 M.R.S.A. § 1760.76.*

The sale or use in this State of replacement or repair parts of an aircraft used by a scheduled airline in the performance of service under 49 United States Code, Subtitle VII and Federal Aviation Administration regulations are exempt from tax.

Reason(s) for exemption

Economic development

Estimated General Fund revenue loss

FY '24 $0 - 49,999
FY '25 $0 - 49,999
FY '26 $0 - 49,999
FY '27 $0 - 49,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

# 2.083 Eye banks.

*36 M.R.S.A. § 1760.77 and 2557.28.*

Sales to nonprofit organizations whose primary purpose is to obtain, medically evaluate and distribute eyes for use in corneal transplantation, research and education are exempt from tax.

Reason(s) for exemption

Provide funding to these organizations through an exemption from the sales tax.

Estimated General Fund revenue loss

FY '24 $0 - 49,999
FY '25 $0 - 49,999
FY '26 $0 - 49,999
FY '27 $0 - 49,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

Number of exempt organizations on file

Fewer than 10

# 2.084 Farm animal bedding and hay.

*36 M.R.S.A. § 1760.78.*

Sales of organic bedding materials for farm animals and hay are exempt from tax.

Reason(s) for exemption

Provide support to farmers by subsidizing the purchase of these items.

Estimated General Fund revenue loss

FY '24 $50,000 – 249,999
FY '25 $50,000 – 249,999
FY '26 $50,000 – 249,999
FY '27 $50,000 – 249,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

# 2.085 Electricity used for net billing.

*36 M.R.S.A. § 1760.80.*

Sale or delivery of kilowatt hours of electricity to net energy billing customers as defined by the Public Utilities Commission for which no money is paid to the electricity provider or to the transmission and distribution utility are exempt from tax.

Reason(s) for exemption

No money is paid to the electricity provider or to the transmission and distribution utility.

Estimated General Fund revenue loss

FY '24 $8,120,000
FY '25 $9,463,000
FY '26 $11,222,000
FY '27 $512,361,000

Method used to calculate the revenue loss

The estimate is based on data on currently operational net metering agreements and future projects. Note that the cost of this exemption is reduced by overlap with the exemptions provided by 1760.9-B and 1760.9-D. Without these exemptions, the estimated cost of 1760.80 would be:

FY '24 $11,578,000
FY '25 $14,399,000
FY '26 $17,876,000
FY '27 $20,169,000.

# 2.086 Animal waste storage facility.

*36 M.R.S.A. § 1760.81.*

Any materials for the construction, repair or maintenance of an animal waste storage facility are exempt from tax. For the purposes of this section, "animal waste storage facility" means a structure or pit constructed and used solely for storing manure, animal bedding waste or other wastes generated by animal production. For a facility to be eligible for this exemption, the Commissioner of Agriculture, Conservation and Forestry must certify that a nutrient management plan has been prepared in accordance with Title 7, section 4204 for the farm utilizing that animal waste storage facility.

Reason(s) for exemption

Subsidize the construction of these facilities through an exemption from the sales tax.

Estimated General Fund revenue loss

FY '24 $250,000 – 999,999
FY '25 $250,000 – 999,999
FY '26 $250,000 – 999,999
FY '27 $250,000 – 999,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

# 2.087 Sales of property delivered outside this State.

*36 M.R.S.A. § 1760.82.*

Sales of tangible personal property when the seller delivers the property to a location outside this State or to the United States Postal Service, a common carrier or a contract carrier hired by the seller for delivery to a location outside this State, regardless of whether the property is purchased F.O.B. shipping point or other point in this State and regardless of whether passage of title occurs in this State are exempt from tax.

Reason(s) for exemption

The goods are being shipped to a location outside of this State.

Estimated General Fund revenue loss

FY ‘24 $6,000,000 or more
FY ‘25 $6,000,000 or more
FY ‘26 $6,000,000 or more
FY ‘27 $6,000,000 or more

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

# 2.088 Sales of certain printed materials.

*36 M.R.S.A. § 1760.83.*

Sales of advertising or promotional materials printed on paper and purchased for the purpose of subsequently transporting such materials outside the State for use by the purchaser thereafter solely outside the State.

If a retailer purchases printed advertising or promotional materials, like flyers, pamphlets or brochures, for the purpose of mailing them directly out-of-state or for inclusion as "stuffers" in goods being delivered out-of-state, the purchase is exempt from tax.

Reason(s) for exemption

The advertising or promotional materials are being transported outside of this State for use by the purchaser solely outside of this State.

Estimated General Fund revenue loss

FY '24 $1,000,000 – 2,999,999
FY '25 $1,000,000 – 2,999,999
FY '26 $1,000,000 – 2,999,999
FY '27 $1,000,000 – 2,999,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

# 2.089 Centers for innovation.

*36 M.R.S.A. § 1760.84 and 2557.29.*

Sales to centers for innovation as described in Title 5, section 13141 are exempt from tax.

Reason(s) for exemption

Provide funding to these organizations through an exemption from the sales tax.

Estimated General Fund revenue loss

FY '24 $0 – 49,999
FY '25 $0 – 49,999
FY '26 $0 – 49,999
FY '27 $0 – 49,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

Number of exempt organizations on file

Fewer than 10

# 2.090 Certain sales by auxiliary organizations of the American Legion.

*36 M.R.S.A. § 1760.85.*

Sales of meals and related items and services by a nonprofit auxiliary organization of the American Legion in connection with a fund-raising event sponsored by the auxiliary organization are exempt from tax if the meals and related items and services are provided in a room that is separate from the lounge facilities, if any, of the American Legion and patrons are prohibited from taking alcoholic beverages from the lounge facilities to the separate room where the meals and related items and services are provided.

Reason(s) for exemption

Provide support to these organizations by subsidizing their sales of meals and related items and services by exempting them from the sales tax.

Estimated General Fund revenue loss

FY '24 $50,000 – 249,999
FY '25 $50,000 – 249,999
FY '26 $50,000 – 249,999
FY '27 $50,000 – 249,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

# 2.091 Pine Tree Development Zone businesses; reimbursement of certain taxes.

*36 M.R.S.A. § 2016.*

A reimbursement of sales and use tax is allowed with respect to the sale or use of tangible personal property that is to be physically incorporated in and becomes a permanent part of real property that is owned by or sold to a qualified Pine Tree Development Zone business and is used directly and primarily by that business in one or more qualified business activities.

Reason(s) for exemption

Encourage economic development in certain regions of the State.

Estimated General Fund revenue loss

FY '24 $1,000
FY '25 $5,000
FY '26 $3,000
FY '27 $2,000

Method used to calculate the revenue loss

The estimate is based on the recent history of Pine Tree Zone sales tax reimbursements.

# 2.092 Sales of tangible personal property to qualified development zone businesses.

*36 M.R.S.A. § 1760.87.*

Beginning July 1, 2005, sales of tangible personal property to a qualified Pine Tree Development Zone business, as defined in Title 30-A, section 5250-I, subsection 17, for use directly and primarily in one or more qualified business activities, as defined in Title 30-A, section 5250-I, subsection 16. The exemption provided by this subsection is limited for each qualified Pine Tree Development Zone business to sales occurring within a period of 10 years in the case of a business located in a tier 1 location, as defined in Title 30-A, section 5250-I, subsection 21-A, and 5 years in the case of a business located in a tier 2 location, as defined in Title 30-A, section 5250-I, subsection 21-B, from the date the business is certified pursuant to Title 30-A, section 5250-O or until December 31, 2028, whichever occurs first.

Reason(s) for exemption

Encourage economic development in certain regions of the State.

Estimated General Fund revenue loss

FY '24 $1,000,000 – 2,999,999
FY '25 $1,000,000 – 2,999,999
FY '26 $1,000,000 – 2,999,999
FY '27 $1,000,000 – 2,999,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

Number of exemptions on file

134

# 2.093 Sales or leases of certain aircraft.

*36 M.R.S.A. § 1760.88.*

Sales or leases of aircraft that weigh over 6,000 pounds, that are propelled by one or more turbine engines or that are in use by a Federal Aviation Administration classified 135 operator.

Reason(s) for exemption

Most of these aircraft are in this State for short periods of time.

Estimated General Fund revenue loss

FY '24 $50,000 - $249,999
FY '25 $50,000 - $249,999
FY '26 $50,000 - $249,999
FY '27 $50,000 - $249,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

# 2.094 Sales of aircraft and parts.

*36 M.R.S.A. § 1760.88-A.*

Sales, use or lease of aircraft and sales of repair and replacement parts exclusively for use in aircraft or in the significant overhauling or rebuilding of aircraft or aircraft parts or components are exempt from sales and use tax from July 1, 2011 to June 30, 2033.

Reason(s) for exemption

Provide an incentive for the purchase, repair and overhaul or rebuilding of aircraft in the State.

Estimated General Fund revenue loss

FY '24 $701,000
FY '25 $758,000
FY '26 $818,000
FY '27 $884,000

Method used to calculate the revenue loss

The estimate is based on data from sales tax returns of sellers of aircraft and aircraft parts.

# 2.095 Sales of qualified snowmobile trail grooming equipment.

*36 M.R.S.A. § 1760.90.*

Sales to incorporated nonprofit snowmobile clubs of snowmobiles and snowmobile trail grooming equipment used directly and exclusively for the grooming of snowmobile trails is exempt from sales and use tax.

Reason(s) for exemption

Subsidize the repair and maintenance of snowmobile trails.

Estimated General Fund revenue loss

FY '24 $10,000
FY '25 $17,000
FY '26 $17,000
FY '27 $17,000

Method used to calculate the revenue loss

The estimate is based on sales/use tax return forms.

# 2.096 Certain sales of electrical energy.

*36 M.R.S.A. § 1760.91.*

Sales or use of electrical energy, or water stored for the purpose of generating electricity, when the sale is to or by a wholly owned subsidiary by or to its parent corporation, except for electrical energy or water purchased for resale to or by the wholly owned subsidiary.

Reason(s) for exemption

The transactions are between a parent corporation and its wholly owned subsidiary.

Estimated General Fund revenue loss

FY '24 $250,000 – 999,999
FY '25 $250,000 – 999,999
FY '26 $250,000 – 999,999
FY '27 $250,000 – 999,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

# 2.097 Certain vehicle rentals.

*36 M.R.S.A. § 1760.92.*

The rental for a period of less than one year of an automobile when the rental is to the service customer of a new vehicle dealer, pursuant to a manufacturer's or new vehicle dealer's warranty and the rental fee is paid by that new vehicle dealer or warrantor.

Reason(s) for exemption

The rental fee is included in the warranty.

Estimated STAR Fund revenue loss

FY '24 $250,000 – 999,999
FY '25 $250,000 – 999,999
FY '26 $250,000 – 999,999
FY '27 $250,000 – 999,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

# 2.098 Plastic bags sold to redemption centers.

*36 M.R.S.A. § 1760.93.*

Sales to a local licensed redemption center of plastic bags used by the redemption center to sort, store or transport returnable beverage containers are exempt from the sales and use tax.

Reason(s) for exemption

Provide funding to redemption centers through an exemption from the sales and use tax.

The Estimated General Fund revenue loss

FY '24 $0 – 49,999
FY '25 $0 – 49,999
FY '26 $0 – 49,999
FY '27 $0 – 49,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

# 2.099 Positive airway pressure equipment & supplies.

*36 M.R.S.A. § 1760.94.*

Positive airway pressure equipment and supplies sold or leased for personal use are exempt from sales and use tax.

Reason(s) for exemption

Necessity of life

The Estimated General Fund revenue loss

FY ‘24 $2,040,000
FY ‘25 $5,133,000
FY ‘26 $9,593,000
FY ‘27 $10,092,000

Method used to calculate the revenue loss

Estimated from National Health Expenditure Data from the U.S. Centers for Medicare & Medicaid Services and Medicare data on Durable Medical Equipment expenditures.

# 2.100 Sales of certain adaptive equipment.

*36 M.R.S.A. § 1760.95.*

Sales to persons with a disability or a person at the request of a person with a disability of adaptive equipment for installation in or on a motor vehicle to make that vehicle operable or accessible by a person with a disability who is issued a disability plate or placard by the Secretary of State pursuant to Title 29-A, section 521.

Reason(s) for exemption

Subsidize the purchase of adaptive equipment needed to modify motor vehicles for persons with a disability.

The Estimated General Fund revenue loss

FY '24 $50,000 – 249,999
FY '25 $50,000 – 249,999
FY '26 $50,000 – 249,999
FY '27 $50,000 – 249,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

# 2.101 Certain veterans' support organizations.

*36 M.R.S.A. § 1760.98 and 2557.37.*

Sales to incorporated nonprofit organizations organized for the purpose of providing direct supportive services in the State to veterans and their families living with service-related post-traumatic stress disorder or traumatic brain injury.

Reason(s) for exemption

Provide financial support to certain organizations serving veterans by exempting their purchases from the sales and use tax.

Estimated General Fund revenue loss

FY '24 $0 – 49,999
FY '25 $0 – 49,999
FY '26 $0 – 49,999
FY '27 $0 – 49,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

Number of exemptions on file

Fewer than 10

# 2.102 Nonprofit library collaboratives.

*36 M.R.S.A. § 1760.99 and 2557.38.*

Sales to nonprofit collaboratives of academic, public, school and special libraries that provide support for library resource sharing, promote quality library information services and support the cultural, educational and economic development of the State are exempt from the sales and use tax.

Reason(s) for exemption

Provide funding to these organizations through an exemption from the sales tax.

Estimated General Fund revenue loss

FY '24 $0 – 49,999
FY '25 $0 – 49,999
FY '26 $0 – 49,999
FY '27 $0 – 49,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

# 2.103 Certain veterans' service organizations.

*36 M.R.S.A. § 1760.100.*

Sales to an organization that provides services to veterans and their families that is chartered under 36 United States Code, Subtitle II, Part B, including posts or local offices of that organization, and that is recognized as a veterans' service organization by the United States Department of Veterans Affairs.

Reason(s) for exemption

Provide funding to these organizations through an exemption from the sales tax.

Estimated General Fund revenue loss

FY '24 $0 – 49,999
FY '25 $0 – 49,999
FY '26 $0 – 49,999
FY '27 $0 – 49,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

Number of exemptions on file

115

# 2.104 Certain sales by civic, religious, and fraternal organizations.

*36 M.R.S.A. § 1760.101.*

Sales of prepared food by a civic, religious or fraternal organization, including an auxiliary of such an organization, at a public or member-only event, except when alcoholic beverages are available for sale at the event. This exemption is limited to the first 24 days during which such sales are made in a calendar year and does not apply to sales made at private functions such as weddings.

Reason(s) for exemption

Provide funding to these organizations through an exemption from the sales tax.

Estimated General Fund revenue loss

FY '24 $34,000
FY '25 $34,000
FY '26 $34,000
FY '27 $33,000

Method used to calculate the revenue loss

Based on sales tax return data from eligible organizations.

# 2.105 Sales to nonprofit heating assistance organizations.

*36 M.R.S.A. § 1760.102.*

Sales to organizations that have been determined by the United States Internal Revenue Service to be exempt from taxation under Section 501(c)(3) of the Code and whose primary purpose is to provide residential heating assistance to low-income individuals.

Reason(s) for exemption

Provide funding to these organizations through an exemption from the sales tax.

Estimated General Fund revenue loss

FY '24 $20,000
FY '25 $20,000
FY '26 $20,000
FY '27 $20,000

Method used to calculate the revenue loss

Based on the fiscal note prepared for the enacted legislation.

Number of exemptions on file

Fewer than 10

# 2.106 Certain support organizations for combat-injured veterans.

*36 M.R.S.A. § 1760.103 and 2557.39.*

Certain support organizations for combat-injured veterans. Sales to incorporated nonprofit organizations organized for the primary purpose of operating a retreat in the State for combat-injured veterans and their families free of charge.

Reason(s) for exemption

Provide funding to these organizations through an exemption from the sales tax.

Estimated General Fund revenue loss

FY '24 $0 – 49,999
FY '25 $0 – 49,999
FY '26 $0 – 49,999
FY '27 $0 – 49,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

Number of exemptions on file

Fewer than 10

# 2.107 Sales to nonprofit youth camps.

*36 M.R.S.A. § 1760.104.*

Sales to nonprofit youth camps as defined in Title 22, section 2491, subsection 16 that are licensed by the Department of Health and Human Services and receive an exemption from property tax under section 652, subsection 1.

Reason(s) for exemption

Provide funding to these organizations through an exemption from the sales tax.

Estimated General Fund revenue loss

FY '24 $50,000 – 249,999
FY '25 $50,000 – 249,999
FY '26 $50,000 – 249,999
FY '27 $50,000 – 249,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

Number of exemptions on file

11

# 2.108 Sales to pet food pantries.

*36 M.R.S.A. § 1760.105.*

Sales to an incorporated nonprofit organization organized for the purpose of providing food or other supplies intended for pets at no charge to owners of those pets.

Reason(s) for exemption

Provide funding to these organizations through an exemption from the sales tax.

Estimated General Fund revenue loss

FY '24 $0 – 49,999
FY '25 $0 – 49,999
FY '26 $0 – 49,999
FY '27 $0 – 49,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

Number of exemptions on file

Fewer than 10

# 2.109 Sales to certain nonprofit community-based worldwide charitable organizations.

*36 M.R.S.A. § 1760.106.*

Sales to a nonprofit community-based worldwide charitable organization that, using private funding, provides financial support to other nonprofit charitable organizations at the community level, including, but not limited to, food banks and homeless or domestic violence shelters, to improve health and education and strengthen financial stability.

Reason(s) for exemption

Provide funding to these organizations through an exemption from the sales tax.

Estimated General Fund revenue loss

FY '24 $266,000
FY '25 $293,000
FY '26 $307,000
FY '27 $316,000

Method used to calculate the revenue loss

Based on expense data reported on IRS Form 990 filings by eligible organizations.

Number of exemptions on file

17

# 2.110 Sales of menstrual products.

*36 M.R.S.A. § 1760.107.*

Sales of menstrual products. For purposes of this subsection, "menstrual products" means tampons, panty liners, menstrual cups, sanitary napkins and other similar tangible personal property designed for feminine hygiene in connection with the human menstrual cycle.

Reason(s) for exemption

Necessity of life.

Estimated General Fund revenue loss

FY ‘24 $904,000
FY ‘25 $946,000
FY ‘26 $989,000
FY ‘27 $1,032,000

Method used to calculate the revenue loss

The estimate is based on data on the market for feminine hygiene products and census data on Maine’s population demographics.

# 2.111 Sales to area agencies on aging.

*36 M.R.S.A. § 1760.108.*

Sales to an area agency on aging designated under Title 22, section 5116, subsection 1, paragraph B, or sales to a public or nonprofit private agency that is operating under grants authorized by Title 22, chapter 1457, that is providing social services in order to secure and maintain maximum independence and dignity in a home environment for older people capable of self-care with appropriate supportive services.

Reason(s) for exemption

Provide funding to these organizations through an exemption from the sales tax.

Estimated General Fund revenue loss

FY '24 $108,000
FY '25 $119,000
FY '26 $125,000
FY '27 $129,000

Method used to calculate the revenue loss

The estimate is based on testimony from a subset of the exempt organizations and IRS Form 990 data on operating expenses of the remaining organizations.

Number of exemptions on file

68

# 2.112 Sales to nonprofit cemeteries.

*36 M.R.S.A. § 1760.109.*

Sales to a cemetery company that is exempt from federal income tax under Section 501(c)(13) of the Code.

Reason(s) for exemption

Provide funding to these organizations through an exemption from the sales tax.

Estimated General Fund revenue loss

FY '24 $6,000
FY '25 $6,000
FY '26 $6,000
FY '27 $6,000

Method used to calculate the revenue loss

Based on the fiscal note prepared for the enacted legislation.

Number of exemptions on file

11

# 2.113 Sales to certain educational collaboratives.

*36 M.R.S.A. § 1760.110.*

Sales to an incorporated nonprofit collaborative whose members are regional school units, as defined in Title 20-A, section 1, subsection 24-B, and that is organized to assist those units with professional development opportunities and services.

Reason(s) for exemption

Provide funding to these organizations through an exemption from the sales tax.

Estimated General Fund revenue loss

FY '24 $4,000
FY '25 $4,000
FY '26 $4,000
FY '27 $4,000

Method used to calculate the revenue loss

Based on the fiscal note prepared for the enacted legislation.

Number of exemptions on file

Fewer than 10

# 2.114 Sales of firearm safety devices.

*36 M.R.S.A. § 1760.111*.

Sales of firearm safety devices. For purposes of this subsection, "firearm safety device" means, if specifically designed for securing firearms:

A. A safe or lockbox; or

B. A trigger or barrel lock.

Reason(s) for exemption

The exemption supports the safe storage of firearms.

Estimated General Fund revenue loss

FY ‘24 $99,000
FY ‘25 $102,000
FY ‘26 $102,000
FY ‘27 $102,000

Method used to calculate the revenue loss

The estimate is based on 2017 Economic Census data and a forecast of consumption expenditures.

# 2.115 Sales to tribes.

*36 M.R.S.A. § 1760.112.*

Sales to the Houlton Band of Maliseet Indians, the Passamaquoddy Tribe or the Penobscot Nation. For purposes of section 1760-C, sales to the tribes identified in this subsection for any purpose are exempt.

Reason(s) for exemption

Provide economic benefits to the tribes, their tribal lands and tribal members, to surrounding communities and to the State; and to clarify and simplify the application of the State's tax laws to the tribes, their tribal lands and tribal members.

Estimated General Fund revenue loss

FY '24 $0 – 49,999
FY '25 $0 – 49,999
FY '26 $0 – 49,999
FY '27 $0 – 49,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

# 2.116 Sales to tribal members.

*36 M.R.S.A. § 1760.112.*

Sales to a tribal member that are sales sourced to tribal land, except that, if the property or service is used by the purchaser, including any lessee, primarily outside of tribal land, the purchaser is liable for use tax based on the original sale price, unless otherwise exempt under this Part.
For purposes of this subsection:

A. "Primarily" means more than 50% of that period of time that begins on the date on which the property or service is first placed in service by the purchaser and ends one year from that date or at the time that the property or service is sold, scrapped, destroyed or otherwise permanently removed from service, whichever occurs first; and
B. "Sales sourced to tribal land" means sales sourced pursuant to section 1819 to a location on tribal land.

Reason(s) for exemption

Provide economic benefits to the tribes, their tribal lands and tribal members, to surrounding communities and to the State; and to clarify and simplify the application of the State's tax laws to the tribes, their tribal lands and tribal members.

Estimated General Fund revenue loss

FY '24 $50,000 – 249,999
FY '25 $50,000 – 249,999
FY '26 $50,000 – 249,999
FY '27 $50,000 – 249,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

# 2.117 Sales to tribal entities.

*36 M.R.S.A. § 1760.114.*

Sales to a tribal entity that are sales sourced to tribal land, except that, if the property or service is used by the purchaser, including any lessee, primarily outside of tribal land, the purchaser is liable for use tax based on the original sale price, unless otherwise exempt under this Part.
For purposes of this subsection:

A. "Primarily" means more than 50% of that period of time that begins on the date on which the property or service is first placed in service by the purchaser and ends one year from that date or at the time that the property or service is sold, scrapped, destroyed or otherwise permanently removed from service, whichever occurs first; and
B. "Sales sourced to tribal land" means sales sourced pursuant to section 1819 to a location on tribal land.

Reason(s) for exemption

Provide economic benefits to the tribes, their tribal lands and tribal members, to surrounding communities and to the State; and to clarify and simplify the application of the State's tax laws to the tribes, their tribal lands and tribal members.

Estimated General Fund revenue loss

FY '24 $0 – 49,999
FY '25 $0 – 49,999
FY '26 $0 – 49,999
FY '27 $0 – 49,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

# 2.118 Sales to 501(c)(3) nonprofit organizations

*36 M.R.S.A. § 1760.115.*

Sales to a nonprofit organization that has been determined by the United States Internal Revenue Service to be exempt from federal income taxation under Section 501(c)(3) of the Code, if the tangible personal property or taxable services sold are to be used primarily for the purposes for which the nonprofit organization was organized.

Many 501(c)(3) nonprofit organizations were already exempt under other sales tax exemptions for specific categories of nonprofit organizations. The estimate here only reports the estimated expenditure for exemptions claimed by organizations that registered under this exemption rather than one of the pre-existing nonprofit sales tax exemptions.

Reason(s) for exemption

Provide funding to these organizations through an exemption from the sales tax.

Estimated General Fund revenue loss

FY '24 $0
FY '25 $3,829,000
FY '26 $9,510,000
FY '27 $9,807,000

Method used to calculate the revenue loss

Based on expense data reported on IRS Form 990 filings by eligible organizations.

# 2.119 Trade-in credits.

*36 M.R.S.A. § 1765.*

When one or more of the following items of tangible personal property are traded in toward the sale price of another of the same kind of the following items, the sales and use tax shall be levied only upon the difference between the sale price of the purchased property and the trade-in allowance of the property taken in trade, except for transactions between dealers involving exchange of the property from inventory:

- Motor vehicles;
- Watercraft;
- Aircraft;
- Chain saws;
- Special mobile equipment;
- Trailers and truck campers.

Reason(s) for exemption

The value of the trade-in was taxed when the product was originally purchased.

Estimated General Fund revenue loss

FY '24 $40,443,000
FY '25 $39,872,000
FY '26 $40,215,000
FY '27 $40,323,000

Method used to calculate the revenue loss

The estimate is based on a combination of data from National Automobile Dealers Association annual reports on the used automobile market and tax return data from retailers of eligible tangible personal property.

# 2.120 Donations to exempt organization.

*36 M.R.S.A. § 1864.*

A use tax is not imposed on the donation of merchandise by a retailer from inventory, including merchandise that has been returned to the retailer, to an organization if sales to that organization are exempt from sales tax under section 1760 or if that organization is exempt from taxation under the Code, Section 501(c)(3).

Reason(s) for exemption

Provide an incentive for donations to exempt organizations.

Estimated General Fund revenue loss

FY '24 $50,000 – 249,999
FY '25 $50,000 – 249,999
FY '26 $50,000 – 249,999
FY '27 $50,000 – 249,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

# 2.121 Refund of sales tax on goods removed from the state.

*36 M.R.S.A. § 2012.*

When a business which operates from fixed locations within and without this State purchases supplies and equipment in this State, places them in inventory in this State, and subsequently withdraws then from inventory either for use at a location of the business in another taxing jurisdiction or for fabrication, attachment or incorporation into other tangible personal property for use at a location of the business in another taxing jurisdiction, without having made use other than storage or such fabrication, attachment or incorporation within this State, it may request a refund of Maine sales tax paid at the time of purchase, provided it maintains inventory records by which the acquisition and disposition of such supplies and equipment purchased can be traced. No refund shall be made where the taxing jurisdiction to which the supplies and equipment are removed levies a sales or use tax. Such refunds must be requested in accordance with section 2011 (Overpayment; refunds).

Reason(s) for exemption

The goods are being used outside of the State.

Estimated General Fund revenue loss

FY ‘24 $0 - 49,999
FY ‘25 $0 - 49,999
FY ‘26 $0 - 49,999
FY ‘27 $0 - 49,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

# 2.122 Refund of sales tax on depreciable machinery and equipment purchases.

*36 M.R.S.A. § 2013.*

This section applies to persons engaged in commercial farming, commercial fishing (including commercial aquaculture), and/or commercial wood harvesting, and persons operating commercial nurseries and greenhouses. Although this is a refund provision, it does provide an exemption for purchases made after certification. Prior to certification or in cases where an exemption card cannot be used to purchase a certain item, the purchaser can seek a refund. The exemption card, which is issued by Maine Revenue Services, can be used to purchase qualifying depreciable machinery and equipment, including repair parts for such, free of tax.

This section also provides for the refund of sales tax paid on eligible purchases of electricity and fuel.

Reason(s) for exemption

Provide financial support to commercial agriculture, aquaculture, fishing and wood harvesting.

Estimated General Fund revenue loss

FY '24 $16,043,000
FY '25 $16,211,000
FY '26 $15,980,000
FY '27 $16,323,000

Method used to calculate the revenue loss

Sales tax micro-simulation model and information from sales tax returns.

Number of exemptions on file

Farmers – 1,235
Commercial Fishing – 1,884
Wood Harvesting – 403

# 2.123 Fish passage facilities.

*36 M.R.S.A. § 2014.*

Taxes on the sale or use of materials used in the construction of fish passage facilities in new, reconstructed or redeveloped dams, when the fish passage facilities are built in accordance with plans and specifications approved by the Department of Inland Fisheries and Wildlife or the Department of Marine Resources are refundable.

Reason(s) for exemption

Provide an incentive for the installation of fish passage facilities.

Estimated General Fund revenue loss

FY '24 $0 - 49,999
FY '25 $0 - 49,999
FY '26 $0 - 49,999
FY '27 $0 - 49,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

# 2.124 Refund of sales tax on purchases of parts and supplies for windjammers.

*36 M.R.S.A. § 2020.*

Purchases of parts and supplies for use in the operation, repair or maintenance of a windjammer are exempt from the sales and use tax. The purchaser may receive a refund of tax paid or purchase parts and supplies tax exempt upon presentation of a certificate issued to the purchaser by the State Tax Assessor.

Reason(s) for exemption

Provide financial support to the businesses that sell cruises on windjammers.

Estimated General Fund revenue loss

FY '24 $50,000 – 249,999
FY '25 $50,000 – 249,999
FY '26 $50,000 – 249,999
FY '27 $50,000 – 249,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

Number of exemptions on file

12

# 2.125 Reimbursement of the sales tax paid on certain battery energy storage systems.

*36 M.R.S.A. § 2021.*

Purchases of qualifying battery energy storage systems on or after January 1, 2023 and before December 31, 2025 are exempt from the sales and use tax. A person that purchases a qualifying battery energy storage system and pays the tax imposed pursuant to this Part may submit a claim for reimbursement on a form prescribed by the assessor filed within 3 years of the payment of the sales or use tax to which the reimbursement relates, except that a claim for reimbursement may not be submitted prior to July 1, 2023.

Reason(s) for exemption

Provide incentives to support the development and installation of energy storage systems in Maine.

Estimated General Fund revenue loss

FY '24 $0
FY '25 $0
FY '26 $2,257,000
FY '27 $3,386,000

Method used to calculate the revenue loss

Based on the fiscal note prepared for the enacted legislation.

# 2.126 Amusement & recreational services.

*36 M.R.S.A. § 1752.11.*

Amusement and recreational services include membership clubs, participant sports centers, amusement parks, camp grounds and related recreational services, motion picture services, live entertainment, spectator sports, museums and libraries, photo studios, repair of audio-visual, photographic and information processing equipment, casino gambling, lotteries, pari-mutuel net receipts, veterinary and other services for pets, and maintenance and repair of recreational vehicles and sports equipment.

Reason(s) for exemption

These amusement and recreational services have never been taxed.

Estimated General Fund revenue loss on consumer purchases

FY '24 $140,395,000
FY '25 $144,660,000
FY '26 $148,057,000
FY '27 $150,062,000

Estimated General Fund revenue loss on business purchases

FY '24 $24,828,000
FY '25 $25,706,000
FY '26 $26,133,000
FY '27 $26,582,000

Method used to calculate the revenue loss

Sales tax micro-simulation model.

# 2.127 Medical services.

*36 M.R.S.A. § 1752.11.*

Medical services include physician services, dental services, home health care, medical laboratories, specialty outpatient care facilities and health and allied services, all other professional medical services, nonprofit hospitals' services to households, proprietary hospitals, government hospitals, nonprofit nursing homes' services to households and proprietary and government nursing homes.

Reason(s) for exemption

Medical services are a necessity of life that have never been taxed.

Estimated General Fund revenue loss on consumer purchases

FY '24 $647,061,000
FY '25 $679,013,000
FY '26 $707,260,000
FY '27 $739,973,000

Estimated General Fund revenue loss on business purchases

FY '24 $12,018,000
FY '25 $12,441,000
FY '26 $12,654,000
FY '27 $12,858,000

Method used to calculate the revenue loss

Sales tax micro-simulation model.

# 2.128 Educational services.

*36 M.R.S.A. § 1752.11.*

Educational services include proprietary and public higher education, nonprofit private higher education services to households, elementary and secondary schools, day care and nursery schools and commercial and vocational schools.

Reason(s) for exemption

Educational services have never been taxed.

Estimated General Fund revenue loss on consumer purchases

FY '24 $64,072,000
FY '25 $66,223,000
FY '26 $68,027,000
FY '27 $70,023,000

Estimated General Fund revenue loss on business purchases

FY '24 $4,478,000
FY '25 $4,592,000
FY '26 $4,656,000
FY '27 $4,701,000

Method used to calculate the revenue loss

Sales tax micro-simulation model.

# 2.129 Social services.

*36 M.R.S.A. § 1752.11.*

Services in this category include child care, homes for the elderly, residential mental health and substance abuse facilities, individual and family services, vocational rehabilitation services, community food and housing/emergency/other relief services, other social assistance, social advocacy and civic and social organizations, religious organizations' services to households, and foundations and grant making and gift giving to households.

Reason(s) for exemption

These services have never been taxed.

Estimated General Fund revenue loss on consumer purchases

FY '24 $78,383,000
FY '25 $80,490,000
FY '26 $82,820,000
FY '27 $85,215,000

Estimated General Fund revenue loss on business purchases

FY '24 $108,000
FY '25 $102,000
FY '26 $106,000
FY '27 $107,000

Method used to calculate the revenue loss

Sales tax micro-simulation model.

# 2.130 Financial services.

*36 M.R.S.A. § 1752.11.*

Services in this category include commercial banks, other depository institutions and regulated investment companies, pension funds, financial service charges and fees, exchange listed equities, other direct commissions, over-the-counter equity securities, other imputed commissions, mutual fund sales charges, portfolio management and investment advice service, trust, fiduciary, and custody activities, life insurance, net household insurance, medical care and hospitalization insurance, income loss insurance, workers' compensation insurance, and net motor vehicle and other transportation insurance.

Reason(s) for exemption

These services have never been taxed.

Estimated General Fund revenue loss on consumer purchases

| | |
|---|---|
| FY '24 | $224,007,000 |
| FY '25 | $234,320,000 |
| FY '26 | $238,539,000 |
| FY '27 | $241,898,000 |

Estimated General Fund revenue loss on business purchases

| | |
|---|---|
| FY '24 | $400,217,000 |
| FY '25 | $410,578,000 |
| FY '26 | $417,058,000 |
| FY '27 | $423,902,000 |

Method used to calculate the revenue loss

Sales tax micro-simulation model.

# 2.131 Consumer purchases of personal, household and business services.

*36 M.R.S.A. § 1752.11.*

Services in this category include legal services, tax preparation and other related services, employment agency services, other personal business services, labor organization dues, professional association dues, funeral and burial services, hairdressing salons and personal grooming establishments, miscellaneous personal care services, laundry and dry cleaning services, clothing repair, rental and alteration services, repair and hire of footwear, domestic services, moving storage and freight services, repair of furniture, furnishings and floor coverings, repair of household appliances, other household services, and garbage and trash collection.

Reason(s) for exemption

These services have never been taxed.

Estimated General Fund revenue loss

| | |
|---|---|
| FY '24 | $105,219,000 |
| FY '25 | $107,775,000 |
| FY '26 | $110,787,000 |
| FY '27 | $113,772,000 |

Method used to calculate the revenue loss

Sales tax micro-simulation model.

# 2.132 Business purchases of repair, maintenance and personal services.

*36 M.R.S.A. § 1752.11.*

This category includes automotive repair and maintenance, car wash, electronic and precision equipment repair and maintenance, commercial and industrial machinery repair and maintenance, personal and household goods repair and maintenance, personal care services dry cleaning and laundry services, and other personal services.

Reason(s) for exemption

These services have never been taxed.

Estimated General Fund revenue loss

FY '24 $42,378,000
FY '25 $43,442,000
FY '26 $44,072,000
FY '27 $44,698,000

Method used to calculate the revenue loss

Sales tax micro-simulation model.

# 2.133 Information services.

*36 M.R.S.A. § 1752.11.*

This category includes purchases of delivery services (except from the U.S. Postal Service), internet access, directory mailing list and other publishing services, motion picture and video services, sound recording services, radio and television broadcasting services, internet publishing and broadcasting services, internet service providers and web search portals, data processing hosting and related services and other information services.

Reason(s) for exemption

These services have never been taxed.

Estimated General Fund revenue loss on consumer purchases

FY '24 $12,358,000
FY '25 $12,694,000
FY '26 $13,061,000
FY '27 $13,438,000

Estimated General Fund revenue loss on business purchases

FY '24 $79,472,000
FY '25 $82,183,000
FY '26 $83,725,000
FY '27 $85,305,000

Method used to calculate the revenue loss

Sales tax micro-simulation model.

# 2.134 Transportation services.

*36 M.R.S.A. § 1752.11.*

Services in this category include purchases of motor vehicle maintenance and repair services, parking fees and tolls, railway transportation, intercity buses, taxicabs, Intracity mass transit, other road transportation services, air transportation, water transportation, scenic and sightseeing transportation, support activities for transportation, truck transportation, couriers and messengers, and warehousing and storage services purchased by businesses.

Reason(s) for exemption

These services have never been taxed.

Estimated General Fund revenue loss on consumer purchases

FY '24 $106,751,000
FY '25 $110,711,000
FY '26 $112,230,000
FY '27 $113,948,000

Estimated General Fund revenue loss on business purchases

FY '24 $101,280,000
FY '25 $103,746,000
FY '26 $104,936,000
FY '27 $106,363,000

Method used to calculate the revenue loss

Sales tax micro-simulation model.

# 2.135 Business purchases of legal, business, administrative and support services.

*36 M.R.S.A. § 1752.11.*

Services in this category include purchases of legal services, accounting, tax preparation, bookkeeping and payroll services, architectural, engineering and related services, specialized design services, custom computer programming services, computer systems design services, other computer related services including facilities management, management, scientific and technical consulting services, environmental and other technical consulting services, scientific research and development services, advertising and related services, all other miscellaneous professional, scientific and technical services, photographic services, veterinary services, management of companies and enterprises, other administrative services, facilities support services, business support services, investigation and security services, services to buildings and dwellings, other support services, employment services, travel arrangement and reservation services, and waste management and remediation services.

Reason(s) for exemption

These services have never been taxed.

Estimated General Fund revenue loss

FY '24 $686,822,000
FY '25 $705,792,000
FY '26 $715,929,000
FY '27 $727,143,000

Method used to calculate the revenue loss

Sales tax micro-simulation model.

# 2.136 Business purchases of construction services for maintenance and repair.

*36 M.R.S.A. § 1752.11.*

This category includes residential building, commercial and institutional building, manufacturing and industrial building, water, sewer and pipeline construction services. The purchase of tangible personal property by a construction contractor or a subcontractor that is to be physically incorporated in and become a permanent part of real property for sale is subject to tax unless the construction contract is with government or an exempt organization.

Reason(s) for exemption

These services have never been taxed.

Estimated General Fund revenue loss

FY '24 $68,682,000
FY '25 $70,614,000
FY '26 $71,719,000
FY '27 $72,733,000

Method used to calculate the revenue loss

Sales tax micro-simulation model.

# 2.137 Casual sales.

*36 M.R.S.A. § 1752.11.B (1)*

Casual sales are exempt from tax. “Casual sale” means an isolated transaction in which tangible personal property or a taxable service is sold other than in the ordinary course of repeated and successive transactions of like character by the person making the sale. “Casual sales” include transactions at a bazaar, fair, rummage sale, picnic or similar event by a civic, religious or fraternal organization that is not a registered retailer. The sale by a registered retailer of tangible personal property that that retailer has used in the course of the retailer’s business is not a “casual sale” if that property is of like character to that sold by the retailer in the ordinary course of repeated and successive transactions. “Casual sale” does not include any transaction in which a retailer sells tangible personal property or a taxable service on behalf of the owner of that property or the provider of that service.

Casual sales involving the sale of camper trailers, truck campers, motor vehicles, special mobile equipment except farm tractors and lumber harvesting vehicles or loaders, livestock trailers, watercraft or aircraft (From July 1, 2011 to June 30, 2033 all sales of aircraft are exempt.) except those sold for resale at retail sale or to a corporation, partnership, limited liability company or limited liability partnership when the seller is the owner of 50% or more of the common stock of the corporation or of the ownership interests in the partnership, limited liability company or limited liability partnership are subject to tax.

The sales tax must be levied upon all casual rentals of living quarters in a hotel, rooming house or tourist or trailer camp. This does not apply to the rental of living quarters rented for a total of fewer than 15 days in the calendar year, except that a person who owns and offers for rental more than one property in the State during the calendar year is liable for collecting sales tax with respect to the rental of each unit regardless of the number of days for which it is rented.

When individuals who are not in the business of selling goods dispose of their own used household items by selling them at a yard sale or similar event, or by placing an advertisement in the classified section of a newspaper, they are making casual sales. If the property sold is a motor vehicle, aircraft, watercraft, camper trailer, livestock trailer or special mobile equipment, the purchaser is responsible for the payment of the sales tax directly to the State.

Reason(s) for exemption

These are isolated sales by people who are not in the business of selling goods.

Estimated General Fund revenue loss

FY ‘24 $1,000,000 - 2,999,999
FY ‘25 $1,000,000 - 2,999,999
FY ‘26 $1,000,000 - 2,999,999
FY ‘27 $1,000,000 - 2,999,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

# 2.138 Sales by executors.

*36 M.R.S.A. § 1752.11.B (2).*

Any sale by a personal representative in the settlement of any estate, unless the sale is made through a retailer, or unless the sale is made in the continuation or operation of a business is exempt from tax.

Reason(s) for exemption

These are isolated sales that occur because of the settlement of an estate.

Estimated General Fund revenue loss

FY ‘24 $0 - 49,999
FY ‘25 $0 - 49,999
FY ‘26 $0 - 49,999
FY ‘27 $0 - 49,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

# General Fund Service Provider Tax Expenditures

## 2.139 Telecommunications services.

*36 M.R.S.A. § 2557.33 & 34.*

All sales of international and interstate telecommunications service were exempt from tax through December 31, 2015. Effective January 1, 2016, consumer purchases of these services became taxable.

Reason(s) for exemption

This exemption reduces the cost of interstate telephone calls for all consumers and businesses and is an economic development incentive for business.

Estimated General Fund revenue loss on business purchases

FY '24 $1,000,000 - $2,999,999
FY '25 $1,000,000 - $2,999,999
FY '26 $1,000,000 - $2,999,999
FY '27 $1,000,000 - $2,999,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

# Highway Fund Sales and Use Tax Expenditures

## 2.140 Motor vehicle fuel.

*36 M.R.S.A. § 1760.8-A.*

Purchases of motor fuels that are subject to the gasoline tax or the special fuel tax are exempt from sales and use tax.

Reason(s) for exemption

Motor fuels are subject to the gasoline tax or the special fuel tax.

Estimated Highway Fund revenue loss

FY '24 $197,120,000
FY '25 $190,289,000
FY '26 $184,520,000
FY '27 $180,114,000

Method used to calculate the revenue loss

Actual and projected motor fuel tax revenue and estimates of the average prices of motor fuels are used to estimate the revenue loss.

# Highway Fund Gasoline and Special Fuel Tax Expenditures

## 2.141 State and local government exemption from the gasoline tax.

*36 M.R.S.A. § 2903.*

Internal combustion engine fuel sold in bulk to any political subdivision of this State and purchases of gasoline by the State are exempt from the gasoline tax.

Reason(s) for exemption

Retain funds for other public purposes.

Estimated Highway Fund revenue loss

FY '24 $971,000
FY '25 $900,000
FY '26 $913,000
FY '27 $925,000

Estimated other special revenue loss

FY '24 $139,000
FY '25 $133,000
FY '26 $134,000
FY '27 $137,000

Method used to calculate the revenue loss

The estimated revenue loss is based on information reported on motor fuel tax returns.

# 2.142 Gasoline exported from the state.

*36 M.R.S.A. § 2903.*

Internal combustion engine fuel sold only for exportation from this State is exempt from the Special Fuel Tax.

Reason(s) for exemption

The special fuel is being exported from this State.

Estimated Highway Fund revenue loss

FY '24 $31,156,000
FY '25 $31,464,000
FY '26 $30,342,000
FY '27 $29,261,000

Estimated other special revenue loss

FY '24 $4,448,000
FY '25 $4,644,000
FY '26 $4,479,000
FY '27 $4,319,000

Method used to calculate the revenue loss

The estimated revenue loss is based on information reported on fuel tax return forms.

# 2.143 Refund of the gasoline tax for off-highway use and for certain bus companies.

*36 M.R.S.A. § 2908 and 2909.*

The excise tax paid on internal combustion engine fuel bought and used for the purpose of operating or propelling commercial motor boats, tractors used for agricultural purposes not operating on public ways, or for registered vehicles operating off the highways of this State, or vehicles owned or operated by railroad companies while operating on rails or tracks, or in stationary engines, or in the mechanical or industrial arts, or for any other commercial use except in nonrailroad motor vehicles operated or intended to be operated upon any of the public highways of this State, or turnpikes operated and maintained by the Maine Turnpike Authority is refundable less one cent per gallon. All fuel qualifying for a refund is subject to the use tax.

Any person, firm or corporation engaged in furnishing common carrier passenger service under a certificate issued by the Public Utilities Commission shall be reimbursed and repaid to the extent of the entire amount of the gasoline tax paid by him upon that portion of the internal combustion engine fuel used in locally encouraged vehicles (Buses upon which no excise tax is collected, under section 1483, subsection 13.) operated by him which his tax-exempt passenger fare revenue derived from such service bears to his total passenger fare revenue. Tax-exempt passenger fare revenue means revenue attributable to fares which were exempt from the federal tax upon transportation of persons imposed by section 4261 of the Federal Internal Revenue Code, by reason of sections 4262 or 4263 of said Internal Revenue Code. Total passenger fare revenue means all revenue attributable to the claimant's passenger operations, whether or not pursuant to the certificate issued by the Public Utilities Commission. The refund is made only if the claimant's tax-exempt passenger fare revenue is at least 60% of the claimant's total passenger fare revenue derived during the calendar quarter for which such refund is claimed.

Reason(s) for exemption

The fuel is being used for off-highway purposes. The exemption for certain bus companies encourages the provision of free transportation to certain persons.

Estimated Highway Fund revenue loss

FY '24 $47,000
FY '25 $74,000
FY '26 $72,000
FY '27 $70,000

Estimated other special revenue loss

FY '24 $7,000
FY '25 $11,000
FY '26 $10,000
FY '27 $10,000

Method used to calculate the revenue loss
The estimate is based on actual refunds issued.

# 2.144 Refund of the gasoline tax to government agencies and political subdivisions.

*36 M.R.S.A. § 2910-B.*

Any government agency that buys and uses internal combustion engine fuel and that has paid the gasoline tax must be reimbursed in the amount of the tax paid upon presenting to the State Tax Assessor a statement accompanied by the original invoices showing the purchases. By contractual agreement, a government agency may assign to another person its right to receive refunds. Applications for refunds must be filed with the assessor within 12 months from the date of purchase.

"Government agency" means the State, or any political subdivision of the State, or the Federal Government.

Reason(s) for exemption

Retain funds for other public purposes.

Estimated Highway Fund revenue loss

FY '24 $1,383,000
FY '25 $1,290,000
FY '26 $1,310,000
FY '27 $1,330,000

Estimated other special revenue loss

FY '24 $197,000
FY '25 $190,000
FY '26 $193,000
FY '27 $196,000

Method used to calculate the revenue loss

The estimate is based on actual refunds issued.

# 2.145 State & local government exemption from the special fuel tax.

*36 M.R.S.A. § 3204-A.3.*

Sales of special fuel to this State or any political subdivision of this State are exempt from the special fuel tax.

Reason(s) for exemption

Retain funds for other public purposes.

Estimated Highway Fund revenue loss

FY '24 $1,682,000
FY '25 $1,628,000
FY '26 $1,574,000
FY '27 $1,521,000

Estimated other special revenue loss

FY '24 $192,000
FY '25 $186,000
FY '26 $180,000
FY '27 $174,000

Method used to calculate the revenue loss

The estimated revenue loss is based on information reported on motor fuel tax returns.

# 2.146 Special fuel exported from the state.

*36 M.R.S.A. § 3204-A.*

Special fuel sold only for exportation from this State is exempt from the Special Fuel Tax.

Reason(s) for exemption

The special fuel is being exported from this State.

Estimated Highway Fund revenue loss

FY '24 $6,776,000
FY '25 $6,853,000
FY '26 $6,764,000
FY '27 $6,676,000

Estimated other special revenue loss

FY '24 $774,000
FY '25 $783,000
FY '26 $772,000
FY '27 $762,000

Method used to calculate the revenue loss

The estimated revenue loss is based on information reported on motor fuel tax returns.

# 2.147 Refund of special fuel tax for off-highway use and for certain bus companies.

*36 M.R.S.A. §s 3215 and 3218.*

The excise tax paid on special fuel bought and used for the purpose of operating or propelling motor boats, tractors used for agricultural purposes not operating on public ways, or in such vehicles as run only on rails or tracks, in stationary engines, in the mechanical or industrial arts, for registered vehicles operating off the highways of this State, or for any other use except in registered motor vehicles operated on the highways of this State is refundable less one cent per gallon. All fuel qualifying for a refund is subject to use tax.

Any person, firm or corporation engaged in furnishing common carrier passenger services under a certificate issued by the Public Utilities Commission is reimbursed and repaid to the extent of the entire amount of that tax paid by him upon that proportion of the combustible gases and liquids used in an internal combustion engine used in locally encouraged vehicles (Buses upon which no excise tax is collected, under section 1483, subsection 13.) operated by him, which his tax-exempt passenger fare revenue derived from that service bears to his total passenger fare revenue. "Tax-exempt passenger fare revenue" means revenue attributable to fares which were exempt from the federal tax upon transportation of persons imposed by the United States Internal Revenue Code Section 4261, by reasons of the United States Internal Revenue Code, Section 4262 or 4263. "Total passenger fare revenue" means all revenue attributable to the claimant's passenger operations, whether or not pursuant to the certificate issued by the Public Utilities Commission. The refund shall be made only if the claimant's tax-exempt passenger fare revenue is at least 60% of the claimant's total passenger fare revenue derived during the calendar quarter for which that refund is claimed.

Reason(s) for exemption

The fuel is being used for off-highway purposes. The purpose of the common carrier exemption is to encourage the provision of free transportation to certain persons.

Estimated Highway Fund revenue loss

FY '24 $1,227,000
FY '25 $1,351,000
FY '26 $1,342,000
FY '27 $1,334,000

Estimated other special revenue loss

FY '24 $140,000
FY '25 $154,000
FY '26 $154,000
FY '27 $152,000

Method used to calculate the revenue loss

The estimate is based on actual refunds issued.

# 2.148 Refund of special fuel tax to government agencies and political subdivisions

*36 M.R.S.A. §s 3208-A.*

Any government agency that buys and uses special fuel and that has paid special fuels tax is eligible for reimbursement in the amount of the tax paid. By contractual agreement, a government agency may assign to another person its right to receive funds. A refund application on a form prescribed by the State Tax Assessor must be filed to claim a refund pursuant to this section. Applications for refunds must be filed with the assessor within 12 months from the date of purchase.

"Government agency" means the State, or any political subdivision of the State, or the Federal Government.

Reason(s) for exemption

The fuel is being used for off-highway purposes. The purpose of the common carrier exemption is to encourage the provision of free transportation to certain persons.

Estimated Highway Fund revenue loss

FY ‘24 $373,000
FY ‘25 $360,000
FY ‘26 $348,000
FY ‘27 $336,000

Estimated other special revenue loss

FY ‘24 $43,000
FY ‘25 $41,000
FY ‘26 $40,000
FY ‘27 $38,000

Method used to calculate the revenue loss

The estimate is based on actual refunds issued.

# Multimodal Transportation Fund Aeronautical Fuel Tax Expenditures

## 2.149 Excise tax exemption on jet or turbojet fuel.

*36 M.R.S.A. § 2903.4*

Fuel bought or used by any person to propel jet or turbojet engine aircraft in international flight is exempt from the aeronautical jet fuel tax.

Reason(s) for exemption

Foreign commerce

Estimated Multimodal Transportation Fund revenue loss

FY '24 $73,000
FY '25 $99,000
FY '26 $98,000
FY '27 $97,000

Method used to calculate the revenue loss

The estimated revenue loss is based on information reported on motor fuel tax returns.

# 2.150 Refund of gasoline tax to users of aircraft.

*36 M.R.S.A. § 2910.*

The gasoline excise tax paid on internal combustion engine fuel bought or used for the purpose of propelling piston engine aircraft is refundable to the user, less four cents per gallon. If the fuel tax is refunded, the purchase of the fuel is subject to the sales tax.

Reason(s) for exemption

Off-highway use.

Estimated Multimodal Transportation Fund revenue loss

FY '24 $20,000
FY '25 $20,000
FY '26 $20,000
FY '27 $20,000

Method used to calculate the revenue loss

The estimate is based on the value of refunds issued.

# Cigarette Tax Exemption

## 2.151 Cigarette stamp tax deduction for licensed distributors.

*36 M.R.S.A. § 4366-A.2.*

Cigarette tax stamps are sold to licensed distributors at a discount from their face value. Stamps with a face value of 100 mills ($2.00) are sold at a discount of 1.15%.

Reason(s) for exemption

The discount provides a subsidy to licensed distributors to help them cover the cost of affixing the tax stamps to packages of cigarettes.

Estimated General Fund revenue loss

FY '24 $1,148,000
FY '25 $1,211,000
FY '26 $1,182,000
FY '27 $1,154,000

Method used to calculate the revenue loss

The estimated revenue loss is based on the cigarette tax revenue forecast.

# Special Revenue Tax Expenditures

## 2.152 Wild blueberries grown on tribal land.

*36 M.R.S.A. § 4303-B.*

The blueberry tax imposed by section 4303 does not apply to wild blueberries grown on tribal land.

Reason(s) for exemption

Provide economic benefits to the tribes, their tribal lands and tribal members, to surrounding communities and to the State; and to clarify and simplify the application of the State's tax laws to the tribes, their tribal lands and tribal members.

Estimated Multimodal Transportation Fund revenue loss

FY '24 $95,000
FY '25 $95,000
FY '26 $95,000
FY '27 $95,000

Method used to calculate the revenue loss

Based on the fiscal note prepared for the enacted legislation.

# 2.153 Potatoes grown on tribal land.

*36 M.R.S.A. § 4605.1-A.*

The potato tax imposed by section 4605 does not apply to any potatoes grown on tribal land.

Reason(s) for exemption

Provide economic benefits to the tribes, their tribal lands and tribal members, to surrounding communities and to the State; and to clarify and simplify the application of the State's tax laws to the tribes, their tribal lands and tribal members.

Estimated Multimodal Transportation Fund revenue loss

FY '24 $0 – 49,999
FY '25 $0 – 49,999
FY '26 $0 – 49,999
FY '27 $0 – 49,999

Method used to calculate the revenue loss

The revenue loss is estimated as a range of possible values because little or no data is available.

## Appendix A: General Fund Tax Expenditures – Income Tax (Personal and Corporate) and Property Tax Reimbursement

| General Fund Income Tax Expenditures | 36 MRSA § | FY'24 | FY'25 | FY'26 | FY'27 |
|---|---|---|---|---|---|
| Reimbursement For Business Equipment Tax Exemption to Municipalities | Chapter 105, Subchapter 4-c | $64,779,045 | $70,730,000 | $73,596,000 | $76,575,000 |
| Reimbursement for Taxes Paid on Certain Business Property (BETR) | Chapter 915 | $18,095,129 | $17,340,000 | $16,319,000 | $15,358,000 |
| Income from depreciation recapture on sale of multi-family affordable housing property | 5122(2)(Z) | $45,000 | $45,000 | $45,000 | $45,000 |
| Deduction for Social Security Benefits Taxable at Federal Level | 5122(2)(C) | $144,600,000 | $153,390,000 | $157,160,000 | $166,930,000 |
| Deduction for Contributions to Capital Construction Funds | 5122(2)(I) | $16,000 | $50,000 | $50,000 | $50,000 |
| Deduction for Pension Income | 5122(2)(M-2) | $79,880,000 | $121,330,000 | $133,210,000 | $141,710,000 |
| Deduction for Interest and Dividends on Maine State and Local Securities - Individual Income Tax | 5122(2)(N) | $335,000 | $370,000 | $340,000 | $285,000 |
| Deduction for Holocaust Victim Settlement Payments | 5122(2)(O) | A | A | A | A |
| Deduction for active duty military pay earned outside of Maine | 5122(2)(LL) | $2,280,000 | $2,485,000 | $2,615,000 | $2,750,000 |
| Military annuity payments made to survivor | 5122(2)(HH) | $250,000 | $260,000 | $270,000 | $285,000 |
| Family development account proceeds | 10 MRSA §1077 | A | A | A | A |
| Municipal property tax benefits for senior citizens | 5122(2)(EE) | $10,000 | $10,000 | $10,000 | $10,000 |
| Deduction for gain on sales of eligible timberlands | 5122(2)(U) | $49,000 | $355,000 | $405,000 | $460,000 |
| Deduction for employer student loan payments on behalf of a qualified health care employee | 5122(2)(SS) | $39,000 | $41,000 | $43,000 | $45,000 |
| Deduction for student loan payments made directly to lender by a program funded by a nonprofit and administered by FAME | 5122(2)(XX) | $55,000 | $50,000 | $50,000 | $50,000 |
| Exclusion of income earned by tribal members on tribal land | 5122(2)(ZZ) and 5122(1)(PP) | $305,000 | $351,000 | $365,000 | $379,000 |
| Deduction for contributions to a 529 plan | 5122(2)(YY) | $390,000 | $405,000 | $420,000 | $435,000 |
| Itemized Deductions | 5125 | $9,410,000 | $9,790,000 | $10,380,000 | $11,010,000 |
| Additional standard deduction for the elderly and disabled | 5124-A | $10,980,000 | $10,220,000 | $10,850,000 | $11,260,000 |
| Deduction for Exempt Associations, Trusts and Organizations | 5162(2) | A | A | A | A |
| Deduction for Interest and Dividends on U.S., Maine State and Local Securities | 5200-A(2)(K) | C | C | C | C |
| Deduction for interest on Maine Space Corporation Bond Interest | Title 5, 3207(2)(B) | $0 | $0 | A | A |
| Nexus carve out for out-of-state suppliers of spirits | 5202-D | $665,000 | $700,000 | $735,000 | $770,000 |
| Sales Tax Fairness Credit | 5213-A | $25,525,000 | $27,720,000 | $28,355,000 | $27,860,000 |
| Credit to Beneficiary for Accumulation Distribution | 5214-A | B | B | B | B |
| Seed Capital Investment Tax Credit | 5216-B | $6,040,000 | $5,370,000 | $5,270,000 | $5,470,000 |
| Student Loan Repayment Tax Credit | 5217-E | $42,045,000 | $67,490,000 | $74,815,000 | $77,800,000 |
| Employer Support for Volunteer Firefighters Tax Credit | 5217-F | $3,000 | $12,000 | $41,000 | $41,000 |
| Income Tax Credit for Child Care Expense | 5218 | $3,955,000 | $4,110,000 | $4,275,000 | $4,445,000 |
| Adult dependent care credit | 5218-A | $16,500 | $17,000 | $17,500 | $18,000 |
| Research Expense Tax Credit | 5219-K | $3,220,000 | $3,350,000 | $3,950,000 | $4,110,000 |
| Earned Income Credit** | 5219-S | $38,150,000 | $40,350,000 | $41,300,000 | $40,900,000 |
| Pine Tree Development Zone Tax Credit | 5219-W | $3,145,000 | $3,270,000 | $2,750,000 | $2,065,000 |
| Biofuel commercial production and commercial use | 5219-X | $0 | $0 | B | B |
| Tax Benefits for Media Production Companies | 5219-Y, c. 919-A | $151,933 | $150,000 | $230,000 | $240,000 |
| Credit for Rehabilitation of Historic Properties | 5219-BB | $10,577,000 | $16,897,000 | $21,074,000 | $22,707,000 |
| Dental Care Access Credit | 5219-DD | $129,000 | $90,000 | $66,000 | $26,000 |
| Innovation Finance Credit | 5219-EE | $0 | $0 | * | * |
| Credit for Wellness Programs | 5219-FF | $0 | A | A | A |
| New Markets Capital Investment Credit | 5219-HH | $3,857,000 | $3,389,000 | $841,000 | $643,000 |
| Property Tax Fairness Credit | 5219-KK | $74,645,000 | $109,740,000 | $118,145,000 | $122,160,000 |

A represents an estimated spread of $0 - $10,000
B represents an estimated spread of $0 - $49,999
C represents an estimated spread of $20,000 - $100,000
D represents an estimated spread of $500,000 - $2,000,000
E represents an estimated spread of $2,500,00 - $5,000,000
* Represents a potential liability
***The General Fund revenue loss from the EITC is net of reimbursements from TANF funds for the EITC.

| General Fund Income Tax Expenditures | 36 MRSA § | FY'24 | FY'25 | FY'26 | FY'27 |
|---|---|---|---|---|---|
| Primary Care Access Credit | 5219-LL | $57,000 | $70,000 | $80,000 | $90,000 |
| Maine Capital Investment Credit for tyboa 1/1/20 | 5219-NN | $9,600,000 | $8,100,000 | $2,800,000 | $350,000 |
| Credit for disability income protection plans in the workplace | 5219-OO | A | A | A | A |
| Credit for major business headquarters expansions | 5219-QQ | $760,000 | $760,000 | $760,000 | $760,000 |
| Shipbuilding Facility Credit | 5219-RR | $3,087,500 | $2,968,750 | $2,968,750 | $2,968,750 |
| Dependent Exemption Tax Credit in Excess of Tax Liability | 5219-SS | $0 | $18,050,000 | $17,820,000 | $17,730,000 |
| Employer Credit for Family Leave | 5219-UU and 2536 | $74,000 | $68,000 | $71,000 | $36,000 |
| Credit for major food processing and manufacturing facility expansion | 5219-VV | $0 | $0 | $0 | $1,453,500 |
| Credit for affordable housing | 5219-WW | $0 | $14,250,000 | $14,250,000 | $14,250,000 |
| Renewable chemicals tax credit | 5219-XX | $0 | $0 | B | B |
| Credit for paper manufacturing facility investment | 5219-YY | $0 | $0 | $1,520,000 | $1,520,000 |
| Access to Justice Income Tax Credit | 5219-ZZ | $35,000 | $52,500 | $70,000 | $87,500 |
| Dirigo Business Incentives Tax Credit | 5219-AAA | $0 | $3,581,500 | $44,783,000 | $46,388,500 |
| Credit for investment if qualified professional baseball facilities | 5219-BBB | $0 | $0 | $126,350 | $126,350 |
| Employment Tax Increment Financing | Chapter 917 Title 5 Ch.383 SubCh. 3 | $10,275,947 | $10,282,054 | $9,697,000 | $6,745,000 |
| Loring Job Increment Financing | Art. 1-C Title 5 | $581,141 | $599,971 | $624,000 | $665,000 |
| Brunswick Naval Air Station Job Increment Financing | §13083-S-1 | $255,192 | $238,230 | $243,000 | $248,000 |

CONFORMITY WITH INTERNAL REVENUE CODE DEFINITION OF FEDERAL ADJUSTED GROSS INCOME: ABOVE THE LINE DEDUCTIONS

| | | | | | |
|---|---|---|---|---|---|
| Health Savings Accounts | 5102(1-D) | $2,430,000 | $2,560,000 | $2,670,000 | $2,800,000 |
| Deduction for Interest of Student Loans | 5102(1-D) | $2,020,000 | $3,230,000 | $3,680,000 | $4,020,000 |
| Moving Expenses Deduction | 5102(1-D) | $26,000 | $29,000 | $30,000 | $570,000 |
| Pension Contributions -- Individual Retirement Plans | 5102(1-D) | $4,910,000 | $5,120,000 | $5,340,000 | $5,600,000 |
| Pension Contributions -- Partners & Sole Proprietors --Self-employed SEP, SIMPLE, and KEOGH Plans | 5102(1-D) | $8,160,000 | $8,610,000 | $8,990,000 | $9,400,000 |
| Self-Employed Medical Insurance Premiums | 5102(1-D) | $10,180,000 | $10,710,000 | $11,190,000 | $11,670,000 |
| Teacher Expense Deduction | 5102(1-D) | $280,000 | $290,000 | $305,000 | $315,000 |

CONFORMITY WITH INTERNAL REVENUE CODE DEFINITION OF FEDERAL ADJUSTED GROSS INCOME: OTHER

| | | | | | |
|---|---|---|---|---|---|
| Certain Interest Income Excluded from Federal Adjusted Gross Income | 5102(1-D) | $12,070,000 | $12,230,000 | $10,990,000 | $9,060,000 |
| Section 179 Expensing | 5102(1-D) | $2,500,000 | $2,600,000 | $2,800,000 | $3,500,000 |
| Deduction for dividends received by domestic corporations from certain foreign corporations | 5102(1-D) | D | D | D | D |
| Opportunity Zones | 5102(1-D) | E | E | D | -$13,000,000 |
| Pension Contributions & Earnings -- Employer-Provided Pension Contributions and Earnings | 5102(1-D) | $399,600,000 | $436,700,000 | $480,500,000 | $569,400,000 |
| Employer-Paid Medical Insurance and Expenses | 5102(1-D) | $236,500,000 | $253,100,000 | $257,800,000 | $266,800,000 |
| Exclusion of Capital Gains at Death | 5102(1-D) | $50,900,000 | $50,300,000 | $54,600,000 | $58,300,000 |
| Exclusion of Capital Gains on Sales of Principal Residences | 5102(1-D) | $32,400,000 | $35,000,000 | $42,200,000 | $45,800,000 |
| Social Security and Railorad Retirement Benefits Untaxed at the Federal Level | 5102(1-D) | $88,000,000 | $93,300,000 | $112,600,000 | $123,200,000 |
| Federal Conformity Other | | | | | |
| National Defense and Internation Affairs | 5102(1-D) | $8 - $15 million per year | | | |
| Energy | 5102(1-D) | $1 - $3 million per year | | | |
| Natural Resources, Environment, Agriculture | 5102(1-D) | $500k - $2 million per year | | | |
| Commerce | 5102(1-D) | $80 - $100 million per year | | | |
| Education, Training, Employment, and Social Service | 5102(1-D) | $40 - $50 million per year | | | |
| Health and Income Security | 5102(1-D) | $80 - $120 million per year | | | |
| Miscellaneous | 5102(1-D) | $45 - $60 million per year | | | |

A represents an estimated spread of $0 - $10,000
B represents an estimated spread of $0 - $49,999
C represents an estimated spread of $20,000 - $100,000
D represents an estimated spread of $500,000 - $2,000,000
E represents an estimated spread of $2,500,00 - $5,000,000

## Appendix B: General Fund Tax Expenditures – Sales, Motor Fuel and Service Provider Taxes

| General Fund Sales & Use Tax Expenditures | 36 MRSA § | FY'24 | FY'25 | FY'26 | FY'27 |
|---|---|---|---|---|---|
| Exempt from Sales Tax the Fee Associated with the Paint | 1752.14 | $83,000 | $84,000 | $85,000 | $86,000 |
| Sales to the State & Political Subdivisions | 1760.2 & 2557.2 | $225,135,000 | $230,893,000 | $236,834,000 | $242,965,000 |
| Grocery Staples | 1760.3 | $183,963,000 | $182,423,000 | $183,884,000 | $185,155,000 |
| Ships Stores | 1760.4 | B | B | B | B |
| Prescription Drugs | 1760.5 | $117,041,000 | $121,131,000 | $126,010,000 | $130,865,000 |
| Prosthetic or Orthotic Device | 1760.5A | $8,076,000 | $8,199,000 | $8,231,000 | $8,254,000 |
| Meals Served by Public or Private Schools | 1760.6A | $6,932,000 | $7,151,000 | $7,385,000 | $7,628,000 |
| Meals Served to Patients in Hospitals & Nursing Homes | 1760.6B | $8,801,000 | $9,050,000 | $9,246,000 | $9,442,000 |
| Providing Meals for the Elderly | 1760.6C | D | D | D | D |
| Providing Meals to Residents of Certain Nonprofit Congregate Housing Facilities | 1760.6D | A | A | A | A |
| Certain Meals Served by Colleges to Employees of the College | 1760.6E | A | A | A | A |
| Meals Served by Youth Camps that are Licensed by DHHS | 1760.6F | C | C | C | C |
| Meals Served by a Retirement Facility to its Residents | 1760.6G | D | D | D | D |
| Products Used in Agricultural and Aquacultural Production & Bait | 1760.7A-C | $9,804,000 | $9,881,000 | $9,960,000 | $10,040,000 |
| Certain Jet Fuel | 1760.8B | $8,828,000 | $7,821,000 | $7,537,000 | $7,324,000 |
| Coal, Oil & Wood for Cooking & Heating Homes | 1760.9 | $45,694,000 | $45,129,000 | $44,680,000 | $43,690,000 |
| Fuel Oil for Burning Blueberry Land | 1760.9A | A | A | A | A |
| First 750 KW Hours of Residential Electricity Per Month | 1760.9B | $49,020,000 | $45,030,000 | $45,710,000 | $46,020,000 |
| Gas When Used for Cooking & Heating in Residences | 1760.9C | $15,936,000 | $16,705,000 | $17,544,000 | $18,204,000 |
| Fuel and Electricity Used in Manufacturing | 1760.9D | $34,685,000 | $29,869,000 | $27,624,000 | $25,891,000 |
| Fuel Oil or Coal which become an Ingredient or Component Part | 1760.9G | A | A | A | A |
| Certain Returnable Containers | 1760.12 | D | D | D | D |
| Packaging Materials | 1760.12A | $20,631,000 | $20,913,000 | $20,868,000 | $20,914,000 |
| Free Publications and Components of Publications | 1760.14-A | $1,451,000 | $1,686,000 | $1,744,000 | $1,803,000 |
| Sales to Hospitals, Research Centers, Churches and Schools | 1760.16 & 2557.3 | F | F | F | F |
| Rental Charges for Living Quarters in Nursing Homes and Hospitals | 1760.18 | F | F | F | F |
| Sales to Certain Residential Child Care Facilities | 1760.18A & 2557.4 | B | B | B | B |
| Rental of Living Quarters at Schools | 1760.19 | $17,773,000 | $18,407,000 | $19,063,000 | $19,742,000 |
| Rental Charges on Continuous Residence for More Than 28 Days | 1760.20 | $141,729,000 | $150,613,000 | $158,193,000 | $165,733,000 |
| Automobiles Used in Driver Education Programs | 1760.21 | A | A | A | A |
| Certain Loaner Vehicles | 1760.21A | C | C | C | C |
| Automobiles Sold to Amputee Veterans | 1760.22 | A | A | A | A |
| Certain Vehicles Purchased or Leased by Nonresidents | 1760.23C | C | C | C | C |
| Certain Vehicles Purchased or Leased by Qualifying Resident Businesses | 1760.23D | D | D | D | D |
| Funeral Services | 1760.24 | $6,445,000 | $6,673,000 | $6,849,000 | $7,048,000 |
| Watercraft Purchased by Nonresidents | 1760.25 | C | C | C | C |
| Certain Sales of Snowmobiles and All terrain Vehicles to Nonresidents | 1760.25C | B | B | B | B |
| Sales to Ambulance Services & Fire Departments | 1760.26 & 2557.5 | B | B | B | B |
| Sales to Comm. Mental Health, Substance Abuse Facilities & Facilities for the Developmentally Disabled | 1760.28 & 2557.6 | C | C | C | C |
| Water Pollution Control Facilities | 1760.29 | C | C | C | C |
| Air Pollution Control Facilities | 1760.30 | C | C | C | C |
| Machinery & Equipment | 1760.31 | $29,288,000 | $29,840,000 | $29,470,000 | $29,407,000 |
| New Machinery for Experimental Research | 1760.32 | B | B | B | B |
| Diabetic Supplies | 1760.33 | $1,422,000 | $1,510,000 | $1,608,000 | $1,711,000 |
| Sales Through Coin Operated Vending Machines | 1760.34 | $1,298,000 | $1,354,000 | $1,412,000 | $1,473,000 |
| Goods& Services for Seeing Eye Dogs | 1760.35 | A | A | A | A |
| Sales to Regional Planning Agencies | 1760.37 & 2557.7 | A | A | A | A |
| Water Used in Private Residences | 1760.39 | $9,820,000 | $9,552,000 | $9,789,000 | $10,032,000 |
| Mobile & Modular Homes | 1760.40 | $5,891,000 | $6,144,000 | $6,408,000 | $6,683,000 |

A represents an estimated spread of $0 - $49,999
B represents an estimated spread of $50,000 - $249,999
C represents an estimated spread of $250,000 - $999,999
D represents an estimated spread of $1,000,000 – $2,999,999
E represents an estimated spread of $3,000,000 - $5,999,999
F represents an estimated spread of $6,000,000 or more

| General Fund Sales & Use Tax Expenditures | 36 MRSA § | FY'24 | FY'25 | FY'26 | FY'27 |
|---|---|---|---|---|---|
| Property Used in Interstate Commerce | 1760.41 | E | E | E | E |
| Sales to Historical Societies & Museums | 1760.42 & 2557.8 | B | B | B | B |
| Sales to Child Care Facilities | 1760.43 & 2557.9 | B | B | B | B |
| Sales to Church Affiliated Residential Homes | 1760.44 & 2557.10 | A | A | A | A |
| Certain Property Purchased Out of State | 1760.45 | D | D | D | D |
| Sales to Organ. that Provide Residential Facilities for Med. Patients | 1760.46 & 2557.11 | A | A | A | A |
| Sales to Emergency Shelters & Feeding Organizations | 1760.47A & 2557.12 | C | C | C | C |
| Sales to Comm. Action Agencies; Child Abuse Councils; Child Advocacy Orgs. | 1760.49 & 2557.13 | C | C | C | C |
| Sales to any Nonprofit Free Libraries | 1760.50 & 2557.14 | B | B | B | B |
| Sales to Veterans Memorial Cemetery Associations | 1760.51 & 2557.15 | A | A | A | A |
| Railroad Track Materials | 1760.52 | $580,000 | $592,000 | $606,000 | $620,000 |
| Sales to Nonprofit Rescue Operations | 1760.53 & 2557.16 | A | A | A | A |
| Sales to Hospice Organizations | 1760.55 & 2557.17 | A | A | A | A |
| Sales to Nonprofit Youth & Scouting Organizations | 1760.56 & 2557.18 | C | C | C | C |
| Self Help Literature on Alcoholism | 1760.57 | A | A | A | A |
| Portable Classrooms | 1760.58 | A | A | A | A |
| Sales to Certain Incorporated. Nonprofit Educational Orgs. | 1760.59 & 2557.19 | A | A | A | A |
| Sales to Incorporated Nonprofit Animal Shelters | 1760.60 | B | B | B | B |
| Construction Contracts with Exempt Organizations | 1760.61 & 2557.31 | D | D | D | D |
| Sales to Certain Charitable Suppliers of Medical Equipment | 1760.62 & 2557.20 | A | A | A | A |
| Sales to Orgs that Fulfill the Wishes of Children with Life-threatening Diseases | 1760.63 & 2557.21 | A | A | A | A |
| Sales by Schools & School Sponsored Organizations | 1760.64 | C | C | C | C |
| Sales to Monasteries and Convents | 1760.65 | A | A | A | A |
| Sales to Providers of Certain Support Systems for Single Parent Families | 1760.66 & 2557.22 | A | A | A | A |
| Sales to Nonprofit Home Construction Organizations | 1760.67 & 2557.23 | B | B | B | B |
| Sales to Orgs that Create & Maintain a Registry of Vietnam Veterans | 1760.69 & 2557.24 | A | A | A | A |
| Sales to Orgs that Provide Certain Services for Hearing-impaired Persons | 1760.70 & 2557.25 | A | A | A | A |
| Sales to State Chartered Credit Unions | 1760.71 & 2557.26 | A | A | A | A |
| Sales to Nonprofit Housing Development Organizations | 1760.72 & 2557.27 | C | C | C | C |
| Seedlings for Commercial Forestry Use | 1760.73 | B | B | B | B |
| Property Used in Manufacturing Production | 1760.74 | $432,421,000 | $432,816,000 | $437,993,000 | $443,292,000 |
| Meals& Lodging Provided to Employees | 1760.75 | B | B | B | B |
| Certain Aircraft Parts | 1760.76 | A | A | A | A |
| Sales to Eye Banks | 1760.77 & 2557.28 | A | A | A | A |
| Sales of Certain Farm Animal Bedding & Hay | 1760.78 | B | B | B | B |
| Electricity Used for Net Billing | 1760.80 | $8,120,000 | $9,463,000 | $11,222,000 | $12,361,000 |
| Animal Waste Storage Facility | 1760.81 | C | C | C | C |
| Sales of Property Delivered Outside this State | 1760.82 | F | F | F | F |

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B represents an estimated spread of $50,000 - $249,999
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D represents an estimated spread of $1,000,000 – $2,999,999
E represents an estimated spread of $3,000,000 - $5,999,999
F represents an estimated spread of $6,000,000 or more

| General Fund Sales & Use Tax Expenditures | 36 MRSA § | FY'24 | FY'25 | FY'26 | FY'27 |
|---|---|---|---|---|---|
| Sales of Certain Printed Materials | 1760.83 | D | D | D | D |
| Sales to Centers for Innovation | 1760.84 & 2557.29 | A | A | A | A |
| Certain Sales by an Auxiliary Organization of the American Legion | 1760.85 | B | B | B | B |
| Pine Tree Development Zone Businesses; Reimbursement of Certain Taxes | 2016 | $1,000 | $5,000 | $3,000 | $2,000 |
| Sales of Tangible Personal Property to Qualified Development Zone Businesses | 1760.87 | D | D | D | D |
| Sales of Certain Aircraft | 1760.88 | B | B | B | B |
| Sale, Use or Lease of Aircraft and Sales of Repair and Replacement Parts | 1760.88-A | $701,000 | $758,000 | $818,000 | $884,000 |
| Sales of Certain Qualified Snowmobile Trail Grooming Equipment | 1760.90 | $10,000 | $17,000 | $17,000 | $17,000 |
| Certain Sales of Electrical Energy | 1760.91 | C | C | C | C |
| Certain Vehicle Rentals | 1760.92 | C | C | C | C |
| Plastic Bags Sold to Redemption Centers | 1760.93 | A | A | A | A |
| Positive Airway Pressure Equipment and Supplies | 1760.94 | $2,040,000 | $5,133,000 | $9,593,000 | $10,092,000 |
| Sales of Certain Adaptive Equipment | 1760.95 | B | B | B | B |
| Sales to Certain Veterans Support Organizations | 1760.98 & 2557.37 | A | A | A | A |
| Sales to Nonprofit Library Collaboratives | 1760.99 & 2557.38 | A | A | A | A |
| Sales to Certain Veterans Service Organizations | 1760.100 | A | A | A | A |
| Certain sales by civic, religious and fraternal organizations | 1760.101 | $34,000 | $34,000 | $34,000 | $33,000 |
| Nonprofit Heating Assistance Organizations | 1760.102 | $20,000 | $20,000 | $20,000 | $20,000 |
| Certain Nonprofit Organizations Supporting Veterans | 1760.103 & 2557.39 | A | A | A | A |
| Sales to Nonprofit Youth Camps | 1760.104 | B | B | B | B |
| Sales to Pet Food Pantries | 1760.105 | A | A | A | A |
| Locally organized member of nonprofit worldwide charitable organization | 1760.106 | $266,000 | $293,000 | $307,000 | $316,000 |
| Menstrual products | 1760.107 | $904,000 | $946,000 | $989,000 | $1,032,000 |
| Area agency on aging | 1760.108 | $108,000 | $119,000 | $125,000 | $129,000 |
| Nonprofit cemeteries | 1760.109 | $6,000 | $6,000 | $6,000 | $6,000 |
| Certain educational collaboratives | 1760.110 | $4,000 | $4,000 | $4,000 | $4,000 |
| Firearm safety devices | 1760.111 | $99,000 | $102,000 | $102,000 | $102,000 |
| Sales to Tribes | 1760.112 | A | A | A | A |
| Sales to Tribal Members | 1760.113 | B | B | B | B |
| Sales to Tribal Entities | 1760.114 | A | A | A | A |
| Sales to Section 501(c)(3) nonprofit organizations | 1760.115 | $0 | $3,829,000 | $9,510,000 | $9,807,000 |
| Trade In Credits | 1765 | $40,443,000 | $39,872,000 | $40,215,000 | $40,323,000 |
| Merchandise Donated from a Retailers Inventory to Exempt Organizations | 1864 | B | B | B | B |
| Refund of Sales Tax on Goods Removed from the State | 2012 | A | A | A | A |
| Refund of Sales Tax on Certain Depreciable Machinery and Equipment | 2013 | $16,043,000 | $16,211,000 | $15,980,000 | $16,323,000 |
| Fish Passage Facilities | 2014 | A | A | A | A |
| Refund of Sales Tax on Purchases of Parts and Supplies for Windjammers | 2020 | B | B | B | B |
| Reimbursement of the Sales Tax Paid on Certain Battery Energy Storage Systems | 2021 | $0 | $0 | $2,257,000 | $3,386,000 |
| Consumer Purchases of Medical Services | 1752.11 | $647,061,000 | $679,013,000 | $707,260,000 | $739,973,000 |
| Consumer Purchases of Transportation Services | 1752.11 | $106,751,000 | $110,711,000 | $112,230,000 | $113,948,000 |
| Consumer Purchases of Amusement and Recreational Services | 1752.11 | $140,395,000 | $144,660,000 | $148,057,000 | $150,062,000 |
| Consumer Purchases of Financial Services | 1752.11 | $224,007,000 | $234,320,000 | $238,539,000 | $241,898,000 |
| Consumer Purchases of Information Services Except Telecommunications | 1752.11 | $12,358,000 | $12,694,000 | $13,061,000 | $13,438,000 |
| Consumer Purchases of Education Services | 1752.11 | $64,072,000 | $66,223,000 | $68,027,000 | $70,023,000 |

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B represents an estimated spread of $50,000 - $249,999
C represents an estimated spread of $250,000 - $999,999
D represents an estimated spread of $1,000,000 – $2,999,999
E represents an estimated spread of $3,000,000 - $5,999,999
F represents an estimated spread of $6,000,000 or more

| General Fund Sales & Use Tax Expenditures | 36 MRSA § | FY'24 | FY'25 | FY'26 | FY'27 |
|---|---|---|---|---|---|
| Consumer Purchases of Personal, Household and Business Services | 1752.11 | $105,219,000 | $107,775,000 | $110,787,000 | $113,772,000 |
| Consumer Purchases of Social Services | 1752.11 | $78,383,000 | $80,490,000 | $82,820,000 | $85,215,000 |
| Business Purchases of Transportation Services | 1752.11 | $101,280,000 | $103,746,000 | $104,936,000 | $106,363,000 |
| Business Purchases of Information Services Except Telecommunications | 1752.11 | $79,472,000 | $82,183,000 | $83,725,000 | $85,305,000 |
| Business Purchases of Financial Services | 1752.11 | $400,217,000 | $410,578,000 | $417,058,000 | $423,902,000 |
| Business Purchases of Legal, Business, Administrative and Support Services | 1752.11 | $686,822,000 | $705,792,000 | $715,929,000 | $727,143,000 |
| Business Purchases of Educational Services | 1752.11 | $4,478,000 | $4,592,000 | $4,656,000 | $4,701,000 |
| Business Purchases of Medical Services | 1752.11 | $12,018,000 | $12,441,000 | $12,654,000 | $12,858,000 |
| Business Purchases of Social Services | 1752.11 | $108,000 | $102,000 | $106,000 | $107,000 |
| Business Purchases of Amusement and Recreational Services | 1752.11 | $24,828,000 | $25,706,000 | $26,133,000 | $26,582,000 |
| Business Purchases of Repair, Maintenance and Personal Services | 1752.11 | $42,378,000 | $43,442,000 | $44,072,000 | $44,698,000 |
| Business Purchases of Construction Services for Maintenance and Repair | 1752.11 | $68,682,000 | $70,614,000 | $71,719,000 | $72,733,000 |
| Casual Sales | 1752.11 | D | D | D | D |
| Sales by Executors | 1752.11 | A | A | A | A |
| Certain Telecommunications Services | 2557.33,34 | D | D | D | D |
| **General Fund Cigarette Tax Expenditure** | | | | | |
| Cigarette Stamp Tax Deduction for Licensed Distributors | 4366A.2 | $1,148,000 | $1,211,000 | $1,182,000 | $1,154,000 |
| **Highway Fund Sales & Use Tax Expenditures** | | | | | |
| Motor Vehicle Fuel. | 1760.8-A | $197,120,000 | $190,289,000 | $184,520,000 | $180,114,000 |

A represents an estimated spread of $0 - $49,999
B represents an estimated spread of $50,000 - $249,999
C represents an estimated spread of $250,000 - $999,999
D represents an estimated spread of $1,000,000 – $2,999,999
E represents an estimated spread of $3,000,000 - $5,999,999
F represents an estimated spread of $6,000,000 or more

## Appendix C: Other Fund Tax Expenditures – Sales, Motor Fuel and Service Provider Taxes

| **Real Estate Transfer Tax Expenditures** | **36 MRSA §** | **FY'24** | **FY'25** | **FY'26** | **FY'27** |
|---|---|---|---|---|---|
| Exemptions of the RETT, General Fund | 4641C | $12,620,000 | $12,840,000 | $6,410,000 | $6,530,000 |
| Exemptions of the RETT, Housing First Fund | 4641C | $0 | $0 | $6,410,000 | $6,530,000 |
| Exemptions of the RETT, HOME Fund | 4641C | $12,620,000 | $12,840,000 | $12,810,000 | $13,060,000 |
| **Multimodal Transportation Fund Aeronautical Fuel Tax Expenditures** | | | | | |
| Excise Tax Exemption on Jet or Turbo Jet Fuel International Flights | 2903.4 | $73,000 | $99,000 | $98,000 | $97,000 |
| Refund of Excise Tax on Fuel Used in Piston Aircraft | 2910 | $20,000 | $20,000 | $20,000 | $20,000 |
| **Highway Fund Gasoline and Special Fuel Tax Expenditures** | | | | | |
| State and Local Government Exemption from the Gasoline Tax. | 2903 | $971,000 | $900,000 | $913,000 | $925,000 |
| Gasoline Exported from the State. | 2903 | $31,156,000 | $31,464,000 | $30,342,000 | $29,261,000 |
| Refund of the Gasoline Tax for Off-Highway Use and for Certain Bus Companies | 2908 and 2909 | $47,000 | $74,000 | $72,000 | $70,000 |
| Refund of the Gasoline Tax to Government Agencies and Political Subdivisions | 2910-B | $1,383,000 | $1,290,000 | $1,310,000 | $1,330,000 |
| State & Local Government Exemption from the Special Fuel Tax | 3204-A | $1,682,000 | $1,628,000 | $1,574,000 | $1,521,000 |
| Special Fuel Exported from the State. | 3204-A | $6,776,000 | $6,853,000 | $6,764,000 | $6,676,000 |
| Refund of Special Fuel Tax for Off-Highway Use and for Certain Bus Companies | 3215 and 3218 | $1,227,000 | $1,351,000 | $1,342,000 | $1,334,000 |
| Refund of the Special Fuels Tax to Government Agencies and Political Subdivisions | 3208-A | $373,000 | $360,000 | $348,000 | $336,000 |
| **Other Special Revenue** | | | | | |
| Wild Blueberries Grown on Tribal Land | 4303-B | $95,000 | $95,000 | $95,000 | $95,000 |
| Potatoes Grown on Tribal Land | 4605.1-A | A | A | A | A |

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E represents an estimated spread of $3,000,000 - $5,999,999
F represents an estimated spread of $6,000,000 or more

## Appendix D: National Estimates of Tax Expenditures by Function Included in Expenditure 1.070: Federal Conformity, Other

Source: Joint Committee on Taxation, *Estimates of Federal Tax Expenditures for Fiscal Years 2024-2028*, (JCX-48-24, December 11, 2024)

*Billions of Dollars*

| | Corporate | | | | Individual | | | |
|---|---|---|---|---|---|---|---|---|
| **Federal Fiscal Year** | **2024** | **2025** | **2026** | **2027** | **2024** | **2025** | **2026** | **2027** |
| **A) National Defense and International Affairs** | | | | | | | | |
| Deduction for overnight-travel expenses of national guard and reserve members | --- | --- | --- | --- | 0.2 | 0.3 | 0.3 | 0.3 |
| Exclusion of military disability benefits | --- | --- | --- | --- | 0.3 | 0.4 | 0.4 | 0.4 |
| Exclusion of combat pay | --- | --- | --- | --- | 0.9 | 0.9 | 1.1 | 1.2 |
| Exclusion of benefits and allowances to armed forces personnel | --- | --- | --- | --- | 6.6 | 6.8 | 7 | 7.4 |
| Exclusion of certain allowances for Federal employees abroad | --- | --- | --- | --- | 1.7 | 1.8 | 1.9 | 1.9 |
| Exclusion of certain income of CFCs under 951 and 951A | 1.5 | 1.6 | 1.7 | 2.2 | --- | --- | --- | --- |
| Special rules for interest-charge domestic international sales corporations | 2.1 | 2.3 | 2.4 | 2.4 | --- | --- | --- | --- |
| Election to be taxed on notional shipping income based on tonnage | 0.1 | 0.1 | 0.1 | 0.1 | --- | --- | --- | --- |
| Estimated General Fund revenue loss: $8,000,000 - $15,000,000 | | | | | | | | |
| **B) Energy** | | | | | | | | |
| Amortization of geological and geophysical expenditures associated with oil and gas exploration | [1] | [1] | [1] | [1] | [1] | [1] | [1] | [1] |
| Five-year MACRS for certain energy property (solar, wind, etc.) | 0.1 | 0.1 | 0.1 | 0.1 | [1] | [1] | [1] | [1] |
| 10-year MACRS for smart electric distribution property | [1] | 0.1 | 0.1 | 0.1 | --- | --- | --- | --- |
| 15-year MACRS for certain electric transmission property | [1] | 0.1 | 0.1 | 0.1 | --- | --- | --- | --- |
| 15-year MACRS for natural gas distribution line | [1] | 0.1 | 0.1 | 0.1 | --- | --- | --- | --- |
| Amortization of air pollution control facilities | [1] | [1] | [1] | [1] | --- | --- | --- | --- |
| Excess of percentage over cost depletion: | | | | | | | | |
| Oil and gas | 0.7 | 0.7 | 0.7 | 0.7 | [1] | [1] | [1] | [1] |
| Other fuels | 0.1 | 0.1 | 0.1 | 0.1 | [1] | [1] | [1] | [1] |
| Expensing of exploration and development costs: Oil and gas | 0.6 | 0.5 | 0.5 | 0.5 | [1] | [1] | [1] | [1] |

| | Corporate | | | | Individual | | | |
|---|---|---|---|---|---|---|---|---|
| **Federal Fiscal Year** | **2024** | **2025** | **2026** | **2027** | **2024** | **2025** | **2026** | **2027** |
| Exceptions for publicly-traded partnership with qualified income derived from certain energy-related activities | --- | --- | --- | --- | 0.4 | 0.5 | 0.6 | 0.7 |
| Amortization of air pollution control facilities | [1] | [1] | [1] | [1] | --- | --- | --- | --- |
| Estimated General Fund revenue loss: $1,000,000 - $3,000,000 | | | | | | | | |
| **C) Natural Resources and Environment** | | | | | | | | |
| Expensing of timber-growing costs | 0.3 | 0.3 | 0.3 | 0.3 | [1] | [1] | [1] | [1] |
| Amortization and expensing of reforestation expenditures | [1] | [1] | [1] | [1] | 0.1 | 0.1 | 0.1 | 0.1 |
| Expensing of exploration and development costs: oil and gas | 0.6 | 0.5 | 0.5 | 0.5 | [1] | [1] | [1] | [1] |
| Treatment of income from exploration and mining of natural resources as qualifying income under the publicly-traded partnership rules | --- | --- | --- | --- | --- | 0.1 | 0.1 | 0.1 |
| Two-year carryback period for net operating losses attributable to farming | [1] | [1] | [1] | [1] | 0.1 | 0.1 | 0.1 | 0.1 |
| Expensing of soil and water conservation expenditures | [1] | [1] | [1] | [1] | 0.1 | 0.1 | 0.1 | 0.1 |
| Expensing by farmers for fertilizer and soil conditioner costs | [1] | [1] | [1] | [1] | 0.1 | 0.1 | 0.1 | 0.1 |
| Income averaging for farmers and fishermen | --- | --- | --- | --- | 0.3 | 0.3 | 0.3 | 0.3 |
| Estimated General Fund revenue loss: $500,000 - $2,000,000 | | | | | | | | |
| **D) Commerce, General Science, Community and Regional Development, and Housing** | | | | | | | | |
| Exclusion of State and local government private activity bonds for broadband | [1] | [1] | [1] | [1] | [1] | [1] | [1] | 0.1 |
| Exclusion of interest on State and local government qualified private activity bonds for rental housing | 0.3 | 0.3 | 0.3 | 0.3 | 1.2 | 1.2 | 1.3 | 1.4 |
| Exclusion of interest on State and local government qualified private activity bonds for owner-occupied housing | 0.2 | 0.2 | 0.2 | 0.2 | 0.8 | 0.8 | 0.9 | 0.9 |
| Exclusion of interest on State and local government small-issue qualified private activity bonds | [1] | [1] | [1] | [1] | 0.1 | 0.1 | 0.1 | 0.1 |
| Exclusion of income attributable to the discharge of principal residence acquisition indebtedness | --- | --- | --- | --- | 0.1 | 0.1 | [1] | --- |

| | Corporate | | | | Individual | | | |
|---|---|---|---|---|---|---|---|---|
| **Federal Fiscal Year** | **2024** | **2025** | **2026** | **2027** | **2024** | **2025** | **2026** | **2027** |
| Depreciation of equipment in excess of the alternative depreciation system \A | 9.8 | -7.2 | -17.1 | -23.4 | 5.4 | -5.7 | -12.4 | -19.1 |
| Depreciation of rental housing in excess of alternative depreciation system | 0.7 | 0.6 | 0.6 | 0.5 | 6.7 | 6.2 | 5.9 | 5.9 |
| Depreciation of buildings other than rental housing in excess of alternative depreciation system | 0.2 | 0.3 | 0.3 | 0.3 | 0.6 | 0.6 | 0.7 | 0.8 |
| Expensing of magazine circulation expenditures | [1] | [1] | 0.1 | 0.1 | [1] | [1] | [1] | 0.1 |
| Amortization of business startup costs | [1] | [1] | [1] | [1] | 0.2 | 0.2 | 0.2 | 0.3 |
| Expensing of costs to remove architectural and transportation barriers to the handicapped and elderly | [1] | [1] | [1] | [1] | [1] | [1] | [1] | [1] |
| Distributions in redemption of stock to pay various taxes imposed at death | --- | --- | --- | --- | 0.1 | 0.1 | 0.1 | 0.1 |
| Cash accounting, other than agriculture | 0.6 | 0.6 | 0.6 | 0.6 | 2.5 | 2.6 | 3 | 3.3 |
| Deferral of certain advance payments | 1.4 | 1.5 | 1.5 | 1.6 | 0.4 | 0.5 | 0.5 | 0.5 |
| Deferral of gain on non-dealer installment sales | 4.7 | 5 | 5.3 | 5.6 | 1.4 | 1.4 | 1.5 | 1.6 |
| Completed contract rules | 0.8 | 0.8 | 0.9 | 0.9 | 0.1 | 0.1 | 0.2 | 0.2 |
| Inventory methods and valuation: Last in first out | 1.9 | 1.6 | 1.6 | 1.5 | 0.5 | 0.4 | 0.4 | 0.4 |
| Lower of cost or market | 0.1 | 0.1 | 0.1 | 0.1 | [1] | [1] | [1] | [1] |
| Carryover basis of appreciated property transferred by gift | --- | --- | --- | --- | 6.6 | 14.8 | 7.9 | 2.8 |
| Deferral of gain on like-kind exchanges | 2.8 | 2.8 | 2.7 | 2.7 | 8.1 | 8 | 7.5 | 7.3 |
| Exclusion of gain from certain small business stock | --- | --- | --- | --- | 3.2 | 3.1 | 3.2 | 3.4 |
| Income recognition rule for gain or loss from section 1256 contracts | 0.1 | 0.1 | 0.1 | 0.1 | 3.1 | 3.1 | 2.9 | 3 |
| Exemptions from imputed interest rules | [1] | [1] | [1] | [1] | 1.2 | 1.2 | 1.2 | 1.4 |
| Exclusion of interest on State and local government qualified private activity bonds for highway projects and rail-truck transfer facilities | [1] | [1] | [1] | [1] | 0.2 | 0.2 | 0.2 | 0.2 |
| Empowerment zone tax incentives | 0.2 | 0.2 | --- | --- | 0.3 | 0.3 | --- | --- |
| Exclusion of interest on State and local government qualified private activity bonds for sewage, water, and hazardous waste facilities | 0.1 | 0.1 | 0.1 | 0.1 | 0.3 | 0.3 | 0.3 | 0.3 |
| Recovery zone economic development bonds | [1] | [1] | [1] | [1] | 0.2 | 0.2 | 0.2 | 0.2 |

Estimated General Fund revenue loss: $80,000,000 - $100,000,000

| | Corporate | | | | Individual | | | |
|---|---|---|---|---|---|---|---|---|
| **Federal Fiscal Year** | **2024** | **2025** | **2026** | **2027** | **2024** | **2025** | **2026** | **2027** |
| **E) Education, Training, Employment, and Social Services** | | | | | | | | |
| Qualified school construction bonds | --- | --- | --- | --- | 0.6 | 0.6 | 0.6 | 0.6 |
| Exclusion of income attributable to the discharge of certain student loan debt and certain Federal and State education loan repayment programs | --- | --- | --- | --- | 0.9 | 2 | 1 | 1 |
| Exclusion of scholarship and fellowship income | --- | --- | --- | --- | 5.4 | 5.6 | 6.7 | 7.2 |
| Exclusion of employer-provided tuition reduction benefits | --- | --- | --- | --- | 0.3 | 0.3 | 0.4 | 0.4 |
| Exclusion of employer-provided education assistance benefits | --- | --- | --- | --- | 1.6 | 1.6 | 1.4 | 1.4 |
| Exclusion of interest on State and local government qualified private activity bonds for private nonprofit and qualified public educational facilities | 0.6 | 0.6 | 0.6 | 0.6 | 2.5 | 2.5 | 2.7 | 2.8 |
| Exclusion of interest on State and local government qualified private activity bonds for student loans | 0.1 | 0.1 | 0.1 | 0.1 | 0.2 | 0.2 | 0.3 | 0.3 |
| Exclusion from UBTI of certain payments to controlling exempt organizations | [1] | [1] | [1] | [1] | --- | --- | --- | --- |
| Exclusion of tax on earnings of qualified tuition programs: | | | | | | | | |
| Prepaid tuition programs | --- | --- | --- | --- | 0.3 | 0.3 | 0.2 | 0.2 |
| Savings account programs | --- | --- | --- | --- | 5.4 | 5.6 | 5.7 | 5.7 |
| Exclusion of earnings of Coverdell education savings accounts | --- | --- | --- | --- | 0.3 | 0.3 | 0.3 | 0.3 |
| Exclusion of employee awards | --- | --- | --- | --- | 0.5 | 0.5 | 0.5 | 0.5 |
| Exclusion of housing allowances for ministers | --- | --- | --- | --- | 1 | 1 | 1.1 | 1.1 |
| Treatment of meals and lodging (other than military) | -1.6 | -1.7 | -3.1 | -2.8 | 10.7 | 10.8 | 10.9 | 11.1 |
| Exclusion of miscellaneous fringe benefits | --- | --- | --- | --- | 9.8 | 10.2 | 10.6 | 11 |
| Treatment of employee moving expenses | --- | --- | --- | --- | -1 | -1 | 1.1 | 1.2 |
| Exclusion of employer-provided (on-site) gyms | --- | --- | --- | --- | 1.9 | 2 | 2 | 2.1 |
| Special tax provisions for employee stock ownership plans (ESOPs) | 2.4 | 2.4 | 2.6 | 2.8 | 3.7 | 4 | 4.3 | 4.6 |
| Deferral of taxation on spread on acquisition of stock under incentive stock option plans | -0.7 | -0.8 | -0.8 | -0.8 | 1 | 1 | 1.2 | 1.3 |
| Deferral of taxation on spread on employee stock purchase plans | -0.4 | -0.4 | -0.5 | -0.5 | 0.2 | 0.2 | 0.2 | 0.2 |
| Exclusion of income earned by voluntary employees' beneficiary associations | --- | --- | --- | --- | 2.7 | 2.9 | 3.1 | 4 |
| Exclusion of certain foster care payments | --- | --- | --- | --- | 0.5 | 0.5 | 0.6 | 0.6 |

Estimated General Fund revenue loss: $40,000,000 - $50,000,000

| | Corporate | | | | Individual | | | |
|---|---|---|---|---|---|---|---|---|
| **Federal Fiscal Year** | **2024** | **2025** | **2026** | **2027** | **2024** | **2025** | **2026** | **2027** |
| **F) Health and Income Security** | | | | | | | | |
| Exclusion of workers' compensation benefits (medical benefits) | --- | --- | --- | --- | 4.3 | 4.6 | 5.5 | 6 |
| Exclusion of medical care and TRICARE medical insurance for military dependents, retirees, and retiree dependents not enrolled in Medicare | --- | --- | --- | --- | 7.2 | 7.5 | 7.4 | 7.6 |
| Exclusion of health insurance benefits for military retirees and retiree dependents enrolled in Medicare | --- | --- | --- | --- | 2.2 | 2.4 | 2.7 | 3 |
| Exclusion of interest on State and local government qualified private activity bonds for private nonprofit hospital facilities | 0.3 | 0.4 | 0.4 | 0.4 | 1.5 | 1.5 | 1.6 | 1.7 |
| Health savings accounts \B | --- | --- | --- | --- | 12.2 | 13.1 | 15.3 | 16.8 |
| Exclusion of other employee benefits: | --- | --- | --- | --- | --- | --- | --- | --- |
| Premiums on group term life insurance | --- | --- | --- | --- | 4.2 | 4.4 | 4.7 | 5 |
| Premiums on accident and disability insurance | --- | --- | --- | --- | 6.5 | 6.6 | 7.5 | 7.9 |
| Exclusion of amounts received under life insurance contracts | 1.8 | 1.8 | 1.8 | 1.9 | 15.4 | 16 | 18.4 | 19.2 |
| Exclusion of workers' compensation benefits (disability and survivors payments) | --- | --- | --- | --- | 5.3 | 5.6 | 6.7 | 7.3 |
| Exclusion of damages on account of personal physical injuries or physical sickness | --- | --- | --- | --- | 2 | 2.1 | 2.1 | 2.1 |
| Exclusion of disaster mitigation payments | --- | --- | --- | --- | 0.1 | 0.1 | 0.5 | 0.6 |
| Traditional IRAs \C | --- | --- | --- | --- | 16 | 17.3 | 22.3 | 24.7 |
| Roth IRAs | --- | --- | --- | --- | 14.9 | 16.8 | 22.4 | 25.7 |

Estimated General Fund revenue loss: $80,000,000 - $120,000,000

| | Corporate | | | | Individual | | | |
|---|---|---|---|---|---|---|---|---|
| **Federal Fiscal Year** | **2024** | **2025** | **2026** | **2027** | **2024** | **2025** | **2026** | **2027** |
| **G) Miscellaneous** | | | | | | | | |
| Treatment of employer-paid transportation benefits (parking, van pools, and transit passes, black car services) | -3.2 | -3.3 | -3.4 | -3.5 | 8.4 | 8.6 | 9 | 9.3 |
| Exclusion of interest on State and local government qualified private activity bonds for private airports, docks, and mass-commuting facilities | 0.2 | 0.2 | 0.2 | 0.2 | 0.8 | 0.9 | 0.9 | 0.9 |
| Exclusion of interest on State and local government qualified private activity bonds for highway projects and rail-truck transfer facilities | [1] | [1] | [1] | [1] | 0.2 | 0.2 | 0.2 | 0.2 |
| Exclusion of veterans' disability compensation | --- | --- | --- | --- | 17.6 | 18.5 | 19.3 | 20.2 |
| Exclusion of veterans' pensions | --- | --- | --- | --- | 0.1 | 0.1 | 0.1 | 0.1 |
| Exclusion of veterans' readjustment benefits | --- | --- | --- | --- | 1.3 | 1.3 | 1.4 | 1.5 |
| Build America bonds | --- | --- | --- | --- | 2.1 | 2.1 | 2 | 2 |
| Exclusion of interest on public purpose State and local government bonds | 4.6 | 4.7 | 4.8 | 4.8 | 20 | 20.3 | 22 | 22.3 |
| Deferral of interest on savings bonds | --- | --- | --- | --- | 0.7 | 0.7 | 0.6 | 0.6 |

Estimated General Fund revenue loss: $45,000,000 - $60,000,000

[1] Estimated tax expenditure of less than $50 million.

\A Estimate includes both bonus depreciation and general acceleration under MACRS. Maine decouples from bonus depreciation and provides the Maine Capital Investment Credit (MCIC), based on federal bonus depreciation, for property placed in service in Maine. The MCIC is listed separately in this report. The reported range below incorporates a reduction in this tax expenditure for bonus depreciation, but the size of the adjustment is uncertain and contributes to the large range of the total expenditure. Further research is required to estimate the revenue impact of MACRS relative to sec. 168(g) depreciation.

\B A separate estimate of the tax expenditure for HSA contributions reported as an above-the-line deduction on the 1040 is included in this report. The HSA expenditure estimate also includes pre-tax contributions from wages and tax-free inside buildup. The above-the-line deduction is not considered when reporting the state expenditure range.

\C A separate estimate of the tax expenditure for deductible IRA contributions is included in this report. The traditional IRA expenditure estimate also includes tax-free inside buildup. The above-the-line deduction is not considered when reporting the state expenditure range.

## Appendix E: Tax Incidence Report

This appendix reports estimates of the distribution of state and local taxes by tax family in 2023. The interested reader should reference the Maine State Tax Expenditure Report 2020-2021 for a discussion of tax incidence concepts and details about the estimates.

Tables 1 and 2 show the distribution of Maine individual income tax liability for tax year 2023. These tables are based on return information contained in the Maine tax data warehouse. Table 1 shows the distribution of tax returns by Maine Adjusted Gross income (MAGI) groups with no adjustment for family size. The lack of family size adjustment implicitly treats taxpayers with the same income as having the same economic wellbeing regardless of family size. Table 2 divides MAGI by the square root of family size and defines income groups by the number of people represented in each group rather than the number of returns.[1]

A number of high-income resident taxpayers have low Maine income tax liability because a significant share of their income is sourced to other states, they pay taxes to those states, and they receive a Maine tax credit for the income tax paid to those other jurisdictions. This situation is arguably distinct from the case of a high-income taxpayer with low Maine income tax liability due to other tax credits or income exemptions. For this reason, the last set of columns in Tables 1 and 2 combines the credit for income taxes paid to other jurisdictions and Maine income tax liability.

The remaining tables are based on the Maine tax model. These tables show the tax liability distribution by tax family and expanded income. Unlike Tables 1 and 2, these tables include income tax nonfilers[2]. Taxes are divided into two groups: taxes imposed directly on individuals (individual income tax, sales and excise tax levied on consumers, and property tax on owner-occupied housing) and business taxes (sales tax on business intermediate goods and investment purchases, corporate income tax, and other property tax). The amount and distribution of business taxes shifted to Maine residents is especially uncertain because the estimates rely on strong assumptions.

[1] The Congressional Budget Office uses the same approach except that their unit of analysis is the household rather than the tax unit. See "the Congressional Budget Office, The Distribution of Household Income, 2017", October 2020.

[2] The discrepancy between individual income tax liability in Table 1 and Table 3 is due to several factors. First, model estimates include projections of amended returns and compliance efforts beyond the time period covered by Table 1. Second, certain policy changes after the model base year are not incorporated into the tax model. Third, the tax liability of dependents is included with their tax family in Table 3 and excluded from Table 1.

**Table 1: Distribution of Maine Income Tax by Maine Adjusted Gross Income for Maine Resident Returns, 2023**
*Full-year resident returns excluding dependent returns*

| Income Group | MAGI Upper Bound | Maine AGI | | Maine Liability | | Maine Liability + Credit for Income Tax Paid to Other Jurisdictions | |
|---|---|---|---|---|---|---|---|
| | | Amount | Share of Total | Amount | Share of Total | Amount | Share of Total |
| Lowest 20% | $15,682 | $234.1 | 0.5% | -$73.6 | -3.6% | -$73.6 | -3.5% |
| 20 - 30 | $26,343 | $1,383.7 | 2.8% | -$27.1 | -1.3% | -$27.0 | -1.3% |
| 30 - 40 | $36,367 | $2,075.5 | 4.2% | $6.4 | 0.3% | $6.6 | 0.3% |
| 40 - 50 | $45,964 | $2,710.2 | 5.5% | $42.2 | 2.1% | $42.6 | 2.0% |
| 50 - 60 | $57,810 | $3,402.8 | 6.8% | $86.5 | 4.3% | $87.4 | 4.2% |
| 60 - 70 | $74,799 | $4,333.7 | 8.7% | $138.9 | 6.9% | $140.6 | 6.7% |
| 70 - 80 | $101,796 | $5,749.3 | 11.6% | $209.7 | 10.4% | $213.0 | 10.2% |
| 80 - 90 | $151,118 | $8,133.5 | 16.4% | $346.0 | 17.1% | $352.7 | 16.8% |
| 90 - 95 | $211,659 | $5,816.0 | 11.7% | $289.5 | 14.3% | $296.5 | 14.1% |
| 95 -99 | $493,880 | $7,820.0 | 15.7% | $477.5 | 23.6% | $493.4 | 23.5% |
| Top 1% | | $8,058.8 | 16.2% | $529.0 | 26.1% | $564.5 | 26.9% |
| Total | | $49,717.4 | 100.0% | $2,024.9 | 100.0% | $2,096.8 | 100.0% |

**Table 2: Distribution of Maine Income Tax by Family-Size Adjusted Maine Adjusted Gross Income for Maine Resident Returns, 2023**

*Full-year resident returns, excluding dependent returns*

*Deciles contain equal number of individuals rather than an equal number of returns*

| | | Maine AGI | | Maine Liability | | Maine Liability + Credit for Income Tax Paid to Other Jurisdictions | |
|---|---|---|---|---|---|---|---|
| Income Group | Adjusted-MAGI Upper Bound | Amount | Share of Total | Amount | Share of Total | Amount | Share of Total |
| Lowest 20% | $15,572 | $508.2 | 1.4% | -$96.6 | -4.8% | -$96.6 | -4.6% |
| 20 - 30 | $23,817 | $1,270.0 | 3.5% | -$28.7 | -1.4% | -$28.7 | -1.4% |
| 30 - 40 | $32,232 | $1,833.3 | 5.0% | $13.3 | 0.7% | $13.5 | 0.6% |
| 40 - 50 | $41,286 | $2,545.3 | 6.9% | $64.4 | 3.2% | $64.9 | 3.1% |
| 50 - 60 | $51,396 | $3,177.2 | 8.6% | $114.3 | 5.6% | $115.4 | 5.5% |
| 60 - 70 | $63,599 | $3,709.5 | 10.1% | $167.8 | 8.3% | $169.8 | 8.1% |
| 70 - 80 | $80,321 | $4,368.0 | 11.9% | $233.7 | 11.5% | $237.2 | 11.3% |
| 80 - 90 | $112,965 | $5,481.5 | 14.9% | $348.0 | 17.2% | $355.2 | 16.9% |
| 90 - 95 | $158,491 | $3,736.2 | 10.2% | $283.2 | 14.0% | $291.0 | 13.9% |
| 95 -99 | $364,667 | $4,853.8 | 13.2% | $440.5 | 21.8% | $456.1 | 21.8% |
| Top 1% | | $5,295.2 | 14.4% | $484.9 | 23.9% | $518.8 | 24.7% |
| Total | | $36,778.5 | 100.0% | $2,024.9 | 100.0% | $2,096.8 | 100.0% |

**Table 3: Distribution of Direct Taxes by Income for Maine Tax Families, 2023**

| | | Individual Income Tax | | | Sales & Excise Tax- Consumer | | | Owner-Occupied Property Tax | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Income Group** | **Income Upper Bound** | **Tax Liability** | **Share of Tax Liability** | **Effective Tax Rate** | **Tax Liability** | **Share of Tax Liability** | **Effective Tax Rate** | **Tax Liability** | **Share of Tax Liability** | **Effective Tax Rate** |
| Lowest 20% | $28,333 | -$71.1 | -3.4% | -3.0% | $157.3 | 9.7% | 6.7% | $122.5 | 7.7% | 5.2% |
| 20 - 30 | $38,172 | -$14.5 | -0.7% | -0.6% | $105.9 | 6.5% | 4.5% | $86.6 | 5.4% | 3.6% |
| 30 - 40 | $48,042 | $12.0 | 0.6% | 0.4% | $118.5 | 7.3% | 3.9% | $97.5 | 6.1% | 3.2% |
| 40 - 50 | $59,398 | $46.4 | 2.2% | 1.2% | $129.6 | 8.0% | 3.4% | $113.0 | 7.1% | 3.0% |
| 50 - 60 | $73,927 | $82.0 | 3.9% | 1.7% | $149.5 | 9.2% | 3.2% | $138.7 | 8.7% | 2.9% |
| 60 - 70 | $93,357 | $124.0 | 6.0% | 2.1% | $167.5 | 10.3% | 2.8% | $169.7 | 10.7% | 2.9% |
| 70 - 80 | $123,397 | $196.7 | 9.5% | 2.6% | $199.3 | 12.3% | 2.6% | $205.4 | 12.9% | 2.7% |
| 80 - 90 | $179,490 | $349.1 | 16.8% | 3.3% | $237.5 | 14.6% | 2.3% | $257.2 | 16.2% | 2.4% |
| 90 - 95 | $248,747 | $299.9 | 14.4% | 4.0% | $139.7 | 8.6% | 1.9% | $161.4 | 10.1% | 2.2% |
| 95 -99 | $555,054 | $501.0 | 24.1% | 5.2% | $139.7 | 8.6% | 1.4% | $171.4 | 10.8% | 1.8% |
| Top 1% | | $551.1 | 26.5% | 6.1% | $79.1 | 4.9% | 0.9% | $68.5 | 4.3% | 0.8% |
| Total | | $2,076.7 | 100.0% | 3.1% | $1,623.6 | 100.0% | 2.4% | $1,591.9 | 100.0% | 2.4% |

**Table 4: Distribution of Business Taxes and Other Property Taxes by Income for Maine Tax Families, 2023**

| | | Sales & Excise Tax on Business Purchases | | | Corporate Income Tax | | | Other Property Tax | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Income Group** | **Income Upper Bound** | **Tax Liability** | **Share of Tax Liability** | **Effective Tax Rate** | **Tax Liability** | **Share of Tax Liability** | **Effective Tax Rate** | **Tax Liability** | **Share of Tax Liability** | **Effective Tax Rate** |
| Lowest 20% | $28,333 | $45.4 | 9.2% | 1.9% | $11.7 | 5.8% | 0.5% | $45.2 | 6.2% | 1.9% |
| 20 - 30 | $33,759 | $29.5 | 6.0% | 1.2% | $9.2 | 4.5% | 0.4% | $40.9 | 5.6% | 1.7% |
| 30 - 40 | $48,042 | $33.1 | 6.7% | 1.1% | $11.2 | 5.5% | 0.4% | $45.1 | 6.2% | 1.5% |
| 40 - 50 | $59,398 | $36.0 | 7.3% | 0.9% | $13.0 | 6.4% | 0.3% | $49.6 | 6.8% | 1.3% |
| 50 - 60 | $73,927 | $41.5 | 8.4% | 0.9% | $15.5 | 7.6% | 0.3% | $57.8 | 7.9% | 1.2% |
| 60 - 70 | $93,357 | $47.5 | 9.7% | 0.8% | $18.8 | 9.2% | 0.3% | $66.4 | 9.1% | 1.1% |
| 70 - 80 | $123,397 | $58.7 | 12.0% | 0.8% | $24.0 | 11.8% | 0.3% | $80.3 | 11.0% | 1.1% |
| 80 - 90 | $179,490 | $68.9 | 14.0% | 0.7% | $32.2 | 15.8% | 0.3% | $96.0 | 13.2% | 0.9% |
| 90 - 95 | $248,747 | $42.5 | 8.7% | 0.6% | $21.6 | 10.6% | 0.3% | $63.6 | 8.7% | 0.9% |
| 95 -99 | $555,054 | $48.2 | 9.8% | 0.5% | $26.1 | 12.8% | 0.3% | $89.3 | 12.3% | 0.9% |
| Top 1% | | $39.7 | 8.1% | 0.4% | $20.1 | 9.9% | 0.2% | $93.5 | 12.8% | 1.0% |
| Total | | $491.2 | 100.0% | 0.7% | $203.5 | 100.0% | 0.3% | $727.6 | 100.0% | 1.1% |

**Table 5: Distribution of Combined Taxes by Income for Maine Tax Families, 2023**

| | | Individual Income, Sales & Excise Tax on Consumers, Owner-occupied property tax | | | All Taxes in Tables 3 and 4 | | |
|---|---|---|---|---|---|---|---|
| **Income Group** | **Income Upper Bound** | **Tax Liability** | **Share of Tax Liability** | **Effective Tax Rate** | **Tax Liability** | **Share of Tax Liability** | **Effective Tax Rate** |
| Lowest 20% | $28,333 | $208.8 | 3.9% | 8.9% | $311.1 | 4.6% | 13.3% |
| 20 - 30 | $33,759 | $178.0 | 3.4% | 7.5% | $257.6 | 3.8% | 10.8% |
| 30 - 40 | $48,042 | $228.0 | 4.3% | 7.4% | $317.5 | 4.7% | 10.4% |
| 40 - 50 | $59,398 | $289.0 | 5.5% | 7.6% | $387.7 | 5.8% | 10.2% |
| 50 - 60 | $73,927 | $370.1 | 7.0% | 7.8% | $484.9 | 7.2% | 10.3% |
| 60 - 70 | $93,357 | $461.2 | 8.7% | 7.8% | $593.9 | 8.8% | 10.1% |
| 70 - 80 | $123,397 | $601.5 | 11.4% | 7.9% | $764.5 | 11.4% | 10.0% |
| 80 - 90 | $179,490 | $843.8 | 15.9% | 8.0% | $1,040.9 | 15.5% | 9.9% |
| 90 - 95 | $248,747 | $600.9 | 11.4% | 8.1% | $728.7 | 10.9% | 9.8% |
| 95 -99 | $555,054 | $812.2 | 15.3% | 8.4% | $975.7 | 14.5% | 10.1% |
| Top 1% | . | $698.7 | 13.2% | 7.7% | $852.0 | 12.7% | 9.4% |
| Total | | $5,292.2 | 100.0% | 8.0% | $6,714.5 | 100.0% | 10.1% |

**Table 6: Suits Index**

| | |
|---|---|
| Individual Income Tax | 0.377 |
| Sales & Excise Tax- Consumer | -0.267 |
| Owner-Occupied Property Tax | -0.209 |
| Corporate Income Tax | -0.094 |
| Property Tax, All | -0.175 |
| Sales & Excise Tax, All | -0.253 |
| | |
| Table 3 Direct Taxes | 0.005 |
| Add Business Taxes | -0.024 |

LARRY HOGAN
*Governor*

BOYD K. RUTHERFORD
*Lieutenant Governor*

Maryland
DEPARTMENT OF BUDGET AND MANAGEMENT

DAVID R. BRINKLEY
*Secretary*

MARC L. NICOLE
*Deputy Secretary*

February 2021

The Honorable Larry Hogan
Governor
100 State Circle
Annapolis MD 21401-1991

The Honorable Bill Ferguson
President of the Senate
H-107 State House
State Circle
Annapolis MD 21401-1991

The Honorable Adrienne A. Jones
Speaker of the House
H-101 State House
State Circle
Annapolis MD 21401-1991

Dear Governor Hogan, President Ferguson, and Speaker Jones:

The Department of Budget and Management is required by law to prepare on a biennial basis a statement of the estimated amount by which exemptions from taxation reduce State revenues and revenues collected by local governments. These foregone revenues are often called "tax expenditures" since the same benefits could be distributed using budgeted expenditures instead of a tax provision. This report, which covers fiscal years 2019-2020, is intended to assist the Governor and General Assembly in their respective reviews of the advantages and drawbacks of the tax expenditures. I wish to acknowledge the individuals in the various tax-collecting agencies that contributed data and estimates for this report. Without their hard work and careful analysis, this report would not be possible.

If you have any questions regarding this report, please call 410-260-7041.

Sincerely,

David R. Brinkley
Secretary

45 Calvert Street • Annapolis, MD 21401-1907
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## Statistical Summary
## Tax Expenditures by Function
## ($ millions)

| | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
|---|---|---|---|---|
| **I. Structural Tax Expenditures** | | | | |
| 1. Income Tax Personal Exemption | 644.9 | 644.9 | 644.9 | 644.9 |
| 2. Income Tax Standard Deduction | 449.9 | 456.2 | 462.6 | 469.1 |
| **Total for Structural Tax Expenditures** | **1,094.8** | **1,101.1** | **1,107.5** | **1,114.0** |
| **II. Categorical Tax Expenditures** | | | | |
| 1. Agriculture and Fisheries | 249.5 | 257.9 | 263.2 | 268.7 |
| 2. Business | 348.2 | 348.0 | 359.7 | 367.2 |
| 3. Charity | 368.6 | 379.6 | 390.7 | 401.1 |
| 4. Education | 106.6 | 108.1 | 111.9 | 114.4 |
| 5. Elderly | 581.0 | 611.2 | 643.1 | 676.9 |
| 6. Employment-related | 164.4 | 160.4 | 170.9 | 181.6 |
| 7. Environment | 10.1 | 14.7 | 16.8 | 21.4 |
| 8. Families | 1,323.1 | 1,334.4 | 1,353.2 | 1,405.7 |
| 9. Law Enforcement, Fire, Rescue and Emergency Personnel | 11.2 | 11.2 | 11.4 | 11.5 |
| 10. Handicapped and Disabled | 0.2 | 0.1 | 1.0 | 1.0 |
| 11. Housing | 665.9 | 658.9 | 651.3 | 642.8 |
| 12. Interstate Commerce | 19.2 | 19.8 | 20.6 | 21.4 |
| 13. Medical and Health | 671.4 | 690.8 | 693.8 | 696.0 |
| 14. Poverty | 301.4 | 306.9 | 312.4 | 317.4 |
| 15. Religious | 43.9 | 44.7 | 47.1 | 48.8 |
| 16. Veterans and Military | 18.8 | 18.7 | 20.6 | 20.7 |
| 17. Volunteer and Nonprofit | 6.0 | 5.9 | 5.6 | 5.6 |
| 18. Miscellaneous | 647.3 | 642.8 | 660.7 | 669.1 |
| **Total for Categorical Tax Expenditures** | **5,536.8** | **5,613.9** | **5,734.1** | **5,871.4** |
| **III. Incidental Tax Expenditures** | | | | |
| 1. Administrative Exemptions | 77.3 | 77.9 | 78.6 | 79.2 |
| 2. Double Taxation | 2,007.4 | 2,050.0 | 2,118.3 | 2,189.1 |
| 3. Reciprocal Exemptions | 19.4 | 19.3 | 19.1 | 19.1 |
| 4. Fuel Used for Non-transportation Purposes | 2.2 | 2.3 | 2.3 | 2.3 |
| 5. Governments | 645.8 | 666.5 | 701.8 | 723.7 |
| **Total for Incidental Tax Expenditures** | **2,752.0** | **2,816.0** | **2,920.0** | **3,013.4** |
| **Total - All Tax Expenditures** | **9,383.6** | **9,531.1** | **9,761.5** | **9,998.9** |

Note: Totals may not add due to rounding.

## Statistical Summary
## Categorical Tax Expenditures by Tax
## ($ millions)

| | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
|---|---|---|---|---|
| **I. Individual Income Tax** | | | | |
| 1. Itemized Deductions** | 1,130.2 | 1,128.3 | 1,132.7 | 1,135.6 |
| 2. Subtractions** | 650.7 | 681.3 | 714.1 | 748.2 |
| 3. Credits | 333.7 | 339.6 | 344.7 | 349.7 |
| 4. Elderly and Blind Exemptions** | 30.6 | 30.6 | 30.9 | 31.2 |
| **Total - Individual Income Tax** | **2,145.2** | **2,179.7** | **2,222.3** | **2,264.7** |
| | | | | |
| **II. Other Taxes** | | | | |
| 1. Sales and Use Tax | 2,386.5 | 2,444.1 | 2,480.9 | 2,556.9 |
| 2. Corporate Income Tax** | 449.9 | 464.0 | 488.2 | 506.8 |
| 3. Motor Vehicle Titling Tax** | 161.5 | 158.0 | 161.2 | 165.9 |
| 4. State Property Tax | 154.0 | 145.5 | 157.4 | 154.6 |
| 5. Insurance Premium Tax | 154.9 | 137.0 | 136.5 | 136.5 |
| 6. Inheritance Taxes | 60.8 | 62.0 | 63.3 | 64.5 |
| 7. Property Transfer Tax | 14.7 | 15.0 | 15.3 | 15.6 |
| 8. Public Service Co. Franchise Tax | 5.0 | 4.5 | 4.7 | 1.7 |
| 9. Motor Vehicle Fuel Tax** | 4.0 | 3.7 | 3.9 | 3.9 |
| 11. Vessel Excise Tax | 0.1 | 0.1 | 0.1 | 0.1 |
| 12. Motor Vehicle Registration Fees** | 0.2 | 0.2 | 0.2 | 0.2 |
| 13. Alcoholic Beverage Tax | | Negligible | | |
| 14. Tobacco Tax | | Negligible | | |
| **Total - Other Taxes** | **3,391.6** | **3,434.2** | **3,511.7** | **3,606.7** |
| | | | | |
| **Total - Categorical Tax Expenditures*** | **5,536.8** | **5,613.9** | **5,734.0** | **5,871.4** |

* Excludes structural and incidental tax expenditures.

** Local governments bear a portion of this foregone revenue.

Note: Totals may not add due to rounding.

Section 7-117 of the State Finance and Procurement Article requires the Department of Budget and Management (DBM) to prepare in every other year a statement of the estimated amount by which exemptions from taxation reduce revenues. This requirement is the basis of Maryland's tax expenditure report.

## Classes of Tax Expenditures

For purposes of analysis, this report divides tax expenditures into three classes.

### "Structural" Tax Expenditures

There are some items that are so inextricably a part of a tax structure that it is not reasonable to consider repealing them without other major adjustments in the tax law. The regular personal exemptions and the standard deduction of the personal income tax are in this class. Structural tax expenditures are also distinct from categorical tax expenditures (see next section) in that they are generally available to all rather than to selected groups of taxpayers.

### "Categorical" Tax Expenditures

Most tax expenditures are classified as "categorical" expenditures. These are fairly narrow provisions that have an easily defined range of beneficiaries and a more or less discernable policy goal. In this report, these tax expenditures will be reported in two groupings. First, they will be grouped according to their primary beneficiary or purpose. Second, they will be reported again in order by tax.

### "Incidental" Tax Expenditures

Some tax provisions are in the code to solve administrative problems or to avoid double-taxation. If the expenditure exists to avoid excessive administrative burdens, it is likely that repealing the provision would add more to the cost of collecting the tax than it would generate in revenue.

### Local Effects

This report explicitly demonstrates the loss of State revenues. Special note should be made to the effect of state tax changes on local expenditures. The most important instance of this is the "piggyback income tax," an income tax that provides income tax revenue to local governments in Maryland but that is tied to the state income tax base and collected with the state income tax.

This tax is a major source of local government revenue in Maryland. In general, any tax expenditure from the individual income tax reduces total local revenue, on average, by roughly 60 percent of the amount it reduces state revenue. Tax expenditures due to income tax credits, other than the non-refundable earned income tax credit, only affect state revenues.

## Technical Notes

Estimating tax expenditures is an inherently imprecise business. The estimator has to count dollars of revenue that are not collected. In some cases, such as tax expenditures delivered through refunds or credits, one can measure the foregone revenue with some precision. In other cases, the tax expenditure involves an activity that is exempt from both taxation and reporting requirements, and one must use outside sources of data to estimate the volume. For many provisions, there is simply no basis for a reliable estimate.

This section focuses on a number of the most important issues in tax expenditure estimating and discusses how they are handled in the report.

### Measurement

The estimates in this report measure the difference between existing tax collections and what collections would be without the tax expenditures. Thus, the cost to the state from each tax expenditure is estimated as the revenue that the state would collect if the activity that is the subject of a special tax provision were taxed at the general rate.

### Difficulty from Attempting to Sum the Various Estimates

For a variety of reasons, the revenue effect of repealing two or more tax expenditures simultaneously may be more or less than the sum of the individual tax expenditure estimates.

There may be overlap between two tax expenditures. The income tax credit for earned income of individuals below the poverty level benefits many of those eligible for the earned income credit. If either one were repealed, the other provision would "catch" much of the income affected. If both were repealed, the revenue gain would be much larger than the sum of the two individual estimates.

In some cases, changing one tax expenditure will affect other tax revenues. For example, real estate taxes paid are an itemized deduction under the income tax. Eliminating a tax expenditure in the property tax that would increase these deductions would also reduce income tax revenues. The estimates in this report do not include the effects from these interactions.

### Data Sources

Administering agencies are the principal source for estimates of tax expenditures from the tobacco and alcoholic beverage taxes, the property tax, motor-vehicle taxes and fees, the excise tax on vessels and the insurance premium tax. The Bureau of Revenue Estimates assists with the sales tax, the individual and corporation income taxes and the property transfer tax, and the Department of Budget and Management prepares the balance of estimates from other data sources.

## Notes on Particular Taxes

### Individual Income Tax

The starting point for calculating the Maryland individual income tax is federal adjusted gross income (FAGI). Some provisions of the federal tax code make FAGI less than total "economic income" – the full value of all income received by the taxpayer. Examples include the exclusion from FAGI of public assistance benefits and employee fringe benefits. The revenue foregone by the federal government as a result of these exclusions is counted as tax expenditures for federal purposes. The state component of such foregone revenue could be considered a state tax expenditure. However, this report does not include estimates of such tax expenditures. There is a conceptual difficulty in separating the effect of the standard deduction from itemized deductions since for many taxpayers the standard deduction represents an alternative to itemized deductions. In this report, the standard deduction is considered a "structural" tax expenditure, while individual itemized deductions are considered "categorical" tax expenditures.

### Sales Tax

Maryland's sales tax base includes most tangible goods, as well as a few enumerated services. Some goods are specifically exempt from the tax as are certain purchasers of these items, for example, governments, charitable organizations, etc. The list of tax expenditures enumerates these exemptions.

**Corporate Income Tax**

The only tax expenditures from the corporate income tax reported here result from subtractions from income allowed in state law and the several state income tax credits.

**Property Tax**

Estimates of property tax expenditures include only the impact of exclusions on the state property tax. In general, exclusions from the state tax base are also exclusions from the local tax base, so the state tax expenditures are accompanied by local tax expenditures. The amount of the local tax expenditures depends on the tax rate set by each local government. Property tax credits are not included in this report since funds required to pay those credits are appropriated through the regular budget process.

**Admissions and Amusement Tax**

These tax expenditures affect only local revenues, and are adopted by local governments. For these reasons, admissions and amusement tax expenditures are not catalogued in this report.

## Detail of Tax Expenditures by Function
## ($ millions)

| | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
|---|---|---|---|---|
| **I. Structural Tax Expenditures** | | | | |
| Income tax personal exemptions<br>Legal reference: Art. TG Sec. 10-211<br>Note: Local effect is $248.3 million in FY 2020. | 644.9 | 644.9 | 644.9 | 644.9 |
| Individual income tax standard deduction<br>Legal reference: Art. TG Sec. 10-217<br>Note: Local effect is $175.6 million in FY 2020. | 449.9 | 456.2 | 462.6 | 469.1 |
| **Structural Tax Expenditures Total:** | **1,094.8** | **1,101.1** | **1,107.5** | **1,114.0** |
| **II. Categorical Tax Expenditures** | | | | |
| **1. Agriculture and Fisheries** | | | | |
| Corporate income tax subtraction for conservation tillage equipment<br>Legal reference: Art. TG Sec. 10-308 | | No reliable estimate | | |
| Corporate income tax subtraction for manure spreading equipment<br>Legal reference: Art. TG Sec. 10-308 | | No reliable estimate | | |
| Corporate income tax subtraction for reforestation and timber stand improvement<br>Legal reference: Art. TG Sec. 10-308 | | Negligible | | |
| Exemption from the inheritance tax for payment deferral for qualified agricultural property<br>Legal reference: Art. TG Sec. 7-307 | | No reliable estimate | | |
| Exemption from the property transfer tax of agricultural land for calculating the tax rate when transferred with land for another purpose<br>Legal reference: Art. TP Sec. 13-303 | | No reliable estimate | | |
| Exemption from the sales tax of sales for agricultural purposes and of agricultural products<br>Legal reference: Art. TG Sec. 11-201 | 243.5 | 251.7 | 256.7 | 261.9 |
| Exemption from the sales tax of sales of crabs and seafood for consumption off-premises<br>Legal reference: Art. TG Sec. 11-206 | 2.9 | 2.9 | 3.1 | 3.3 |
| Exemption from the sales tax of sales of multifuel pellet stoves designed to burn agricultural field corn<br>Legal reference: Art. TG Sec. 11-226 | | Negligible | | |
| Exemption from the sales tax of sales of seafood harvesting equipment<br>Legal reference: Art. TG Sec. 11-218 | 2.9 | 3.0 | 3.1 | 3.2 |

| | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
|---|---|---|---|---|
| Exemption of farm equipment from vehicle title requirements<br>Legal reference: Art. TR Sec. 13-102 | | No reliable estimate | | |
| Personal income tax credit up to $500 for the purchase of aquaculture oyster floats<br>Legal reference: Art. TG Sec. 10-724 | 0.2 | 0.2 | 0.2 | 0.2 |
| Personal income tax subtraction for conservation tillage equipment<br>Legal reference: Art. TG Sec. 10-208 | | No reliable estimate | | |
| Personal income tax subtraction for cost of manure spreading equipment<br>Legal reference: Art. TG Sec. 10-208 | | No reliable estimate | | |
| Personal income tax subtraction for donated farm products<br>Legal reference: Art. TG Sec. 10-208 | | No reliable estimate | | |
| Personal income tax subtraction for reforestation and timber stand improvement<br>Legal reference: Art. TG Sec. 10-208 | | Negligible | | |
| Refund of aviation fuel tax used for agricultural purposes<br>Legal reference: Art. TG Sec. 13-901 | | No reliable estimate | | |
| Refund of fuel tax for fuel used for agricultural purposes<br>Legal reference: Art. TG Sec. 13-901<br>Note: 9.6% was shared by local governments as Highway User Revenue in FY 2019 and 13.5% is shared from FY 2020 to FY 2022. | | Negligible | | |
| **Agriculture and Fisheries Total:** | **249.5** | **257.9** | **263.2** | **268.7** |
| **2. Business** | | | | |
| Corporate income tax credit for aerospace, electronics, or defense contract projects<br>Legal reference: Art. TG Sec. 10-737 | 7.5 | 7.5 | 7.5 | 7.5 |
| Corporate income tax credit for biotechnology investment<br>Legal reference: Art. TG Sec. 10-725<br>Note: Credit split between corporate and individual income tax. Cost depends on appropriation: Proposed FY 2022 appropriation of $12 million. | 12.3 | 10.9 | 12.0 | 12.0 |
| Corporate income tax credit for cellulosic ethanol technology R&D<br>Legal reference: Art. TG Sec. 10-726 | | Negligible | | |
| Corporate income tax credit for cybersecurity investment<br>Legal reference: Art. TG Sec. 10-733<br>Note: Credit split between corporate and individual income tax. Credits capped by appropriation. | 2.0 | 2.0 | 1.0 | 2.0 |

| | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
|---|---|---|---|---|
| Corporate income tax credit for cybersecurity purchases | 0.3 | 0.8 | 0.6 | 0.6 |
| Legal reference: Art. TG Sec. 10-733 | | | | |
| Note: Credit split between corporate and individual income tax. | | | | |
| Corporate income tax credit for employer costs of security clearance | 0.9 | 1.8 | 1.1 | 1.1 |
| Legal reference: Art. TG Sec. 10-732 | | | | |
| Note: Statutorily capped at $2.0 million for all eligible companies. Credit split between personal and corporate income tax. | | | | |
| Corporate income tax credit for first-year leases of small businesses performing security-based contracting | | Negligible | | |
| Legal reference: Art. TG Sec. 10-732 | | | | |
| Corporate income tax credit for job creation in Regional Institution Strategic Enterprise (RISE) Zones | | Negligible | | |
| Legal reference: Art. TG Sec. 10-702 | | | | |
| Corporate income tax credit for purchases of Maryland-mined coal | | Negligible | | |
| Legal reference: Art. TG Sec. 10-704 | | | | |
| Corporate income tax credit for qualified expenditures at wineries and vineyards | | Negligible | | |
| Legal reference: Art. TG Sec. 10-735 | | | | |
| Corporate income tax credit for qualified film production entities | 7.3 | 10.1 | 10.8 | 11.0 |
| Legal reference: Art. TG Sec. 10-730 | | | | |
| Note: Credit entirely claimed against corporate income tax. CH 595 of 2018 Legislative Session changed program to straight revenue loss with mandated caps of $8 million in FY 2019 and $11 million in FY 2020 and beyond. | | | | |
| Corporate income tax credit for qualified R&D expenses | 5.5 | 9.3 | 4.7 | 4.8 |
| Legal reference: Art. TG Sec 10-721 | | | | |
| Corporate income tax credit for small businesses providing paid leave (Small Business Relief Tax Credit) | 3.3 | 3.3 | 3.3 | 3.3 |
| Legal reference: Art. TG Sec. 10-748 | | | | |
| Note: Includes corporate and income tax credits. | | | | |

| | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
|---|---|---|---|---|
| Corporate income tax gain/loss adjustment for utility company stranded costs<br>Legal reference: Art. TG Sec. 10-309 | Negligible | | | |
| Corporate income tax subtraction for dividends for domestic corporations claiming foreign tax credits<br>Legal reference: Art. TG Sec. 10-307 | 19.1 | 18.8 | 19.7 | 20.1 |
| Corporate income tax subtraction for dividends from related foreign corporations<br>Legal reference: Art. TG Sec. 10-307 | 53.9 | 52.5 | 54.8 | 55.9 |
| Corporate income tax subtraction for gain recognized from transfer of property at Laurel Park or Pimlico Race Tracks<br>Legal reference: Art. TG Sec. 10-307 | Not in existence | | 0.5 | 0.6 |
| Corporate income tax subtraction for dividends of domestic international sales corporation and foreign subsidiary<br>Legal reference: Art. TG Sec. 10-307 | No reliable estimate | | | |
| Corporate income tax subtraction for exempt-interest dividends paid by regulated investment companies<br>Legal reference: Art. TG Sec. 10-308 | No reliable estimate | | | |
| Corporate income tax subtraction for wage expenses disallowed under federal targeted jobs credit<br>Legal reference: Art. TG Sec. 10-308 | No reliable estimate | | | |
| Enterprise Zone tax credit on corporate income tax<br>Legal reference: Art. TG Sec. 10-702 | 5.7 | 0.7 | 2.0 | 2.1 |
| Enterprise Zone tax credit on personal income taxes<br>Legal reference: Art. TG Sec. 10-702 | 0.4 | 0.4 | 0.4 | 0.4 |
| Exclusion of the value of trade-ins from the boat tax<br>Legal Reference: Art. NR Sec. 8-716 | Included in sales tax exemption | | | |
| Exemption from the property tax of landing areas at privately owned, public use airports<br>Legal reference: Art. TP Sec. 7-303<br>Note: Tax expenditure is under $5,000 annually. | Negligible | | | |
| Exemption from the property transfer tax for conversion of foreign entities to LLCs<br>Legal reference: Art. TP Sec. 13-207 | No reliable estimate | | | |
| Exemption from the public service company franchise tax of internet services<br>Legal reference: Art. TG Sec. 8-401 | No reliable estimate | | | |

| | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
|---|---|---|---|---|
| Exemption from the sales tax for sales and printing of free newspapers<br>Legal reference: Art. TG Sec. 11-215 | 4.2 | 4.2 | 4.3 | 4.3 |
| Exemption from the sales tax for sales of out-of-state direct mail advertising materials<br>Legal reference: Art. TG Sec. 11-215 | 5.1 | 5.1 | 5.3 | 5.4 |
| Exemption from the sales tax for the "core value" of used truck parts exchanged for remanufactured parts<br>Legal reference: Art. TG Sec. 11-101 | 0.2 | 0.2 | 0.2 | 0.2 |
| Exemption from the sales tax of certain sales for R&D purposes<br>Legal reference: Art. TG Sec. 11-217 | 25.3 | 26.0 | 26.8 | 27.7 |
| Exemption from the sales tax of certain transfers of business property<br>Legal reference: Art. TG Sec. 11-209 | | Negligible | | |
| Exemption from the sales tax of optional computer software maintenance contracts<br>Legal reference: Art. TG Sec. 11-219 | 9.3 | 9.6 | 10.0 | 10.5 |
| Exemption from the sales tax of sales of certain bakery equipment<br>Legal reference: Art. TG Sec. 11-210<br>Note: Estimated at under $25,000 annually. | | Negligible | | |
| Exemption from the sales tax of sales of certain computer programs<br>Legal reference: Art. TG Sec. 11-225 | 2.7 | 2.7 | 2.8 | 2.8 |
| Exemption from the sales tax of sales of construction material or warehousing equipment for use in Baltimore County on property previously owned by Bethlehem Steel<br>Legal reference: Art. TG Sec. 11-232 | | No reliable estimate | | |
| Exemption from the sales tax of sales of diesel fuel used in coal mine reclamation<br>Legal reference: Art. TG Sec. 11-212<br>Note: Less than $20,000 annually. | | Negligible | | |
| Exemption from the sales tax of sales of fuel or repair parts for commercial vessels<br>Legal reference: Art. TG Sec. 11-218 | | Negligible | | |
| Exemption from the sales tax of sales of machinery and utilities used to produce bituminous concrete<br>Legal reference: Art. TG Sec. 11-210 | 0.3 | 0.3 | 0.3 | 0.3 |
| Exemption from the sales tax of sales of photographic and artistic materials used in publication<br>Legal reference: Art. TG Sec. 11-215 | 14.2 | 14.6 | 15.1 | 15.6 |
| Exemption from the sales tax of sales of power to operate equipment for producing snow for commercial purposes<br>Legal reference: Art. TG Sec. 11-229 | | Negligible | | |

| | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
|---|---|---|---|---|
| Exemption from the sales tax of sales of precious metal coins or bullion over $1,000<br>Legal reference: Art. TG Sec 11-214 | 3.1 | 3.2 | 3.2 | 3.2 |
| Exemption from the sales tax of sales of property or services used in film production activity<br>Legal reference: Art. TG Sec. 11-227 | 0.7 | 0.7 | 0.8 | 0.8 |
| Exemption from the sales tax of sales of space at corporate training centers<br>Legal reference: Art. TG Sec. 11-231 | 0.4 | 0.4 | 0.4 | 0.4 |
| Exemption from the sales tax of sales of tangible personal property used predominantly in a production activity<br>Legal reference: Art. TG Sec. 11-210 | 116.6 | 119.8 | 125.0 | 129.8 |
| Exemption from the sales tax of sales of construction materials bought for renovations at Pimlico and Laurel Park race tracks<br>Legal reference: Art. TG Sec. 11-236 | Not in existence | | 0.5 | 0.6 |
| Exemption from the sales tax of sales of certain aircraft parts and equipment<br>Legal reference: Art. TG Sec. 11-237 | Not in existence | | 1.2 | 1.2 |
| Exemption from the sales tax of personal property by qualified data centers<br>Legal reference: Art. TG Sec. 11-239 | Not in existence | | Negligible | |
| Exemption from the sales tax of sales of wood products for mining purposes<br>Legal reference: Art. TG Sec. 11-212 | | Negligible | | |
| Exemption from the sales tax of sales to cemetery companies<br>Legal reference: Art. TG Sec. 11-204 | | Negligible | | |
| Exemption from the sales tax of sales to credit unions<br>Legal reference: Art. TG Sec. 11-204 | 0.4 | 0.4 | 0.4 | 0.4 |
| Exemption from the sales tax of the use of nonresidential personal property<br>Legal reference: Art. TG Sec 11-214 | | Negligible | | |
| Exemption from the sales tax of construction material or warehousing equipment for use in qualified opportunity zone or target redevelopment area in Baltimore and Washington Counties<br>Legal reference: Art. TG Sec 11-238 | Not in existence | | 0.5 | 0.5 |

| | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
|---|---|---|---|---|
| Exemption from the sales tax of certain materials sold to licensed caterers<br>Legal reference: Art. TG Sec 11-240 | Not in existence | | 0.1 | 0.1 |
| Exemption from the titling tax for registered passenger buses<br>Legal reference: Art. TR Sec. 13-810 | 15.8 | 14.3 | 14.7 | 15.0 |
| Exemption from the titling tax for registered truck tractors<br>Legal reference: Art. TR Sec. 13-810 | Included in passenger buses | | | |
| Exemption from the transfer tax for corporate or partnership conveyances<br>Legal reference: Art. TP Sec. 13-207 | No reliable estimate | | | |
| Exemption from the transfer tax for mergers, consolidations or transfers from partnership to a LLC<br>Legal reference: Art. TP Sec. 13-207 | No reliable estimate | | | |
| Exemption from the transfer tax for transfers between parent business entity and subsidiary or among wholly owned subsidiaries<br>Legal Reference: Art. TP Sec. 12-108 | No reliable estimate | | | |
| Exemption from the transfer tax for transfers of corporate property between related corporations<br>Legal reference: Art. TP Sec. 13-207 | No reliable estimate | | | |
| Exemption from the transfer tax for transfers upon conversion of joint venture or sole proprietorship to a LLC<br>Legal reference: Art. TP Sec. 13-207 | No reliable estimate | | | |
| Individual income tax credit for aerospace, electronics, or defense contract projects<br>Legal reference: Art. TG Sec. 10-737 | No reliable estimate | | | |
| Individual income tax credit for biotechnology investment<br>Legal reference: Art. TG Sec. 10-725<br>Note: Credit split between corporate and individual income tax. Cost depends on appropriation: Proposed FY 2022 appropriation of $12 million. | Included in corporate income tax | | | |
| Individual income tax credit for first-year leases of small businesses performing security-based contracting<br>Legal reference: Art. TG Sec. 10-732 | Negligible | | | |
| Individual income tax credit for qualified winery and vineyard expenses<br>Legal reference: Art. TG Sec. 10-735 | Included in corporate income tax | | | |
| One Maryland Economic Development tax credit against the insurance premium tax for certain economic development projects<br>Legal reference: Art. Ins. Sec. 6-119 | Included in corporate income tax | | | |

| | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
|---|---|---|---|---|
| Personal income tax credit for cellulosic ethanol technology R&D | Negligible | | | |
| Legal reference: Art. TG Sec. 10-726 | | | | |
| Note: No credits claimed. | | | | |
| Personal income tax credit for cogenerators' purchase of MD-mined coal | Negligible | | | |
| Legal reference: Art. TG Sec. 10-704 | | | | |
| Note: Corporations take all credits against franchise tax. | | | | |
| Personal income tax credit for cybersecurity investment | Included in corporate income tax | | | |
| Legal reference: Art. TG Sec. 10-733 | | | | |
| Note: Credits capped by appropriation. | | | | |
| Personal income tax credit for cybersecurity purchases | Not in existence | | Included in CIT | |
| Legal reference: Art. TG Sec. 10-733 | | | | |
| Note: Credits split between corporate and individual income tax. Credit capped at $2 million. | | | | |
| Personal income tax credit for employer costs of security clearance | Included in corporate income tax | | | |
| Legal reference: Art. TG Sec. 10-732 | | | | |
| Note: Statutorily capped at $2.0 million for all eligible companies. | | | | |
| Personal income tax credit for job creation in Regional Institution Strategic Enterprise (RISE) Zones | Included in corporate income tax | | | |
| Legal reference: Art. TG Sec. 10-702 | | | | |
| Personal income tax credit for qualified film production entities | Negligible | | | |
| Legal reference: Art. TG Sec. 10-730 | | | | |
| Note: Credit entirely claimed against corporate income tax. CH 595 of 2018 Legislative Session changed program to straight revenue loss with mandated caps of $8 million in FY 2019 and $11 million in FY 2020 and beyond. | | | | |
| Personal income tax credit for qualified R&D expenses | Included in corporate income tax | | | |
| Legal reference: Art. TG Sec. 10-721 | | | | |
| Personal income tax subtraction for provision of targeted jobs | No reliable estimate | | | |
| Legal reference: Art. TG Sec. 10-208 | | | | |
| Personal income tax credit for small businesses providing paid leave | Included in corporate income tax | | | |
| Legal reference: Art. TG Sec. 10-746 | | | | |
| Note: Split between corporate and income tax. | | | | |
| Property tax credit for the BRAC Zone Tax Credit | 2.1 | Not in existence | | |
| Legal reference: Art. ED Sec. 5-105 | | | | |
| Note: BRAC was a 10 year program that began in FY 2010 and ended in FY 2019. | | | | |
| Property tax credit for the Urban Enterprise Zone Tax Credit | 24.8 | 23.9 | 25.3 | 25.3 |

| | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
|---|---|---|---|---|
| Legal reference: Art. TP Sec. 9-103 | | | | |
| Property used for heating/cooling of state owned/occupied property | | Negligible | | |
| Legal reference: Art. TP Sec. 7-210,11 | | | | |
| Note: No revenue loss; properties potentially affected are already tax exempt. | | | | |
| Public service company franchise tax credit for purchase of MD-mined coal | 3.0 | 3.0 | 3.0 | DNE |
| Legal reference: Art. TG Sec. 8-406 | | | | |
| Note: Capped at $3 million and sunsets in FY 2021. | | | | |
| Public service company franchise tax credit for sales to large industrial customers for production activity | 1.8 | 1.4 | 1.5 | 1.5 |
| Legal reference: Art. TG Sec 8-417 | | | | |
| Refund for aviation fuel dispensed to aircraft by an aircraft manufacturing company located in the State | 0.1 | 0.1 | 0.1 | 0.1 |
| Legal reference: Art. TG Sec. 13-901 | | | | |
| Note: 9.6% shared by local governments as Highway User Revenue in FY 2019 and 13.5% is shared from FY 2020 to FY 2022. | | | | |
| Refund of the sales and use tax for More Jobs for Marylanders | | Negligible | | |
| Legal reference: Art. TG Sec. 11-411 | | | | |
| Tax credit against the State property tax for More Jobs for Marylanders projects. | | Negligible | | |
| Legal reference: Art. TP Sec. 9-110 | | | | |
| **Business Total:** | **348.2** | **348.0** | **359.7** | **367.2** |

Note: DNE represents expenditures that are no longer in existence.

**3. Charity**

| | | | | |
|---|---|---|---|---|
| Corporate income tax credit for food donation pilot program | | Included in individual income tax | | |
| Legal reference: Art. TG Sec. 10-745 | | | | |
| Exemption from the boat tax of vessels purchased by charitable organizations | | Negligible | | |
| Legal Reference: Art. NR Sec. 8-716 | | | | |
| Exemption from registration fees for vehicles owned by the Red Cross | | No reliable estimate | | |
| Legal reference: Art. TR Sec. 13-903 | | | | |
| Note: Included in miscellaneous and other registration fee exemptions, all of which are estimated to be $0.1 million in FY 2020. | | | | |

| | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
|---|---|---|---|---|
| Exemption from the sales tax of sales to charitable organizations<br>Legal reference: Art. TG Sec. 11-204 | 125.8 | 129.0 | 132.2 | 135.5 |
| Exemption from the titling tax of Red Cross Vehicles<br>Legal reference: Art. TR Sec. 13-810 | | No reliable estimate | | |
| Personal income tax credit for food donation pilot program<br>Legal reference: Art. TG Sec. 10-745 | | Negligible | | |
| Personal income tax credit for venison donation<br>Legal reference: Art. TG Sec. 10-746 | | Negligible | | |
| Personal income tax deduction for charitable contributions<br>Legal reference: Art. TG Sec. 10-204<br>Note: Local effect is $96.5 million in FY 2020. | 242.8 | 250.7 | 258.6 | 265.6 |
| Refund of the fuel tax to the Red Cross<br>Legal reference: Art. TG Sec. 13-901 | | No reliable estimate | | |
| **Charity Total:** | **368.6** | **379.6** | **390.7** | **401.1** |
| **4. Education** | | | | |
| Back to school clothing and footwear sales tax exemption<br>Legal reference: Art. TG Sec. 11-228 | 6.4 | 6.6 | 6.8 | 7.1 |
| Exemption from the motor fuel tax motor fuel used in a school bus owned or used by a county board of education<br>Legal reference: Art. TG Sec. 9-303 | | No reliable estimate | | |
| Exemption from the property tax of property for educational uses<br>Legal reference: Art. TP Sec. 7-202 | 27.2 | 27.2 | 28.2 | 28.0 |
| Exemption from the sales tax of certain fund raising sales to benefit schools/students<br>Legal reference: Art. TG Sec. 11-204 | 1.6 | 1.6 | 1.8 | 1.9 |
| Exemption from the sales tax of sales of food at schools, colleges and universities<br>Legal reference: Art. TG Sec. 11-206 | 27.1 | 27.8 | 29.7 | 31.4 |
| Exemption from the sales tax of sales to educational organizations<br>Legal reference: Art. TG Sec. 11-204 | 14.9 | 15.2 | 15.5 | 15.8 |
| Exemption from the titling tax of buses used for public school transportation<br>Legal reference: Art. TR Sec. 13-810 | | No reliable estimate | | |
| Exemption from the titling tax of vehicles owned by qualified private schools | | No reliable estimate | | |

| | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
|---|---|---|---|---|
| Legal reference: Art. TR Sec. 13-810 | | | | |
| Individual income tax credit for student debt | 9.0 | 9.0 | 9.0 | 9.0 |
| Legal reference: Art. TG Sec. 10-740 | | | | |
| Personal income tax credit for expenses incurred by classroom teachers for advanced education | 7.0 | 7.0 | 7.0 | 7.0 |
| Legal reference: Art. TG Sec. 10-717 | | | | |
| Personal income tax subtraction for amounts contributed to prepaid tuition plans | | No reliable estimate | | |
| Legal reference: Art. TG Sec. 10-207 | | | | |
| Personal income tax subtraction for contributions to investment accounts | 12.6 | 12.8 | 13.1 | 13.4 |
| Legal reference: Art. TG Sec. 10-208 | | | | |
| Note: Applies to the Maryland Prepaid College Trust, Maryland College Investment Plan, the Maryland ABLE Program and to the Maryland Broker-Dealer College Investment Plan. Capped at $2,500 per contract with the Prepaid Trust and per account holder/beneficiary. | | | | |
| Personal income tax subtraction for elementary and secondary teacher expenses on classroom school supplies | 0.9 | 0.9 | 0.9 | 0.9 |
| Legal reference: Art. TG Sec. 10-208 | | | | |
| **Education Total:** | **106.6** | **108.1** | **111.9** | **114.4** |
| **5. Elderly** | | | | |
| Additional personal income tax exemptions for the blind and elderly | 30.6 | 30.6 | 30.9 | 31.2 |
| Legal reference: Art. TG Sec. 10-211 | | | | |
| Note: Local effect is $11.8 million in FY 2020. | | | | |
| Exemption from property tax of continuing care facilities for the aged | | No reliable estimate | | |
| Legal reference: Art. TP Sec. 7-206 | | | | |
| Exemption from the property tax of nonprofit housing for the elderly | 0.6 | 0.7 | 0.6 | 0.6 |
| Legal reference: Art. TP Sec. 7-202 | | | | |
| Exemption from the sales tax of residential sales of electricity to a nonprofit planned retirement community | 0.3 | 0.3 | 0.3 | 0.3 |
| Legal reference: Art. TG Sec. 11-207 | | | | |
| Exemption from the sales tax of sales under $500 to nonprofit senior citizens' organizations | | No reliable estimate | | |
| Legal reference: Art. TG Sec. 11-204 | | | | |

| | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
|---|---|---|---|---|
| Personal income tax pension exclusion<br>Legal reference: Art. TG Sec. 10-209<br>Note: Local effect is $128.1 million in FY 2018. | 232.8 | 247.0 | 262.0 | 278.0 |
| Personal income tax subtraction for federally-taxed social security and railroad retirement benefits<br>Legal reference: Art. TG Sec. 10-207<br>Note: Local effect is $171.3 million in FY 2018. | 316.7 | 332.6 | 349.2 | 366.7 |
| **Elderly Total:** | **581.0** | **611.2** | **643.1** | **676.9** |
| **6. Employment-related** | | | | |
| Corporate income tax credit for businesses that create new jobs<br>Legal reference: Art. TG Sec. 10-704 | No reliable estimate | | | |
| Corporate income tax credit for One Maryland project/startup costs<br>Legal reference: Art. TG Sec 10-714 | 16.3 | 11.0 | 13.5 | 13.8 |
| Corporate income tax credit for qualified wages of hiring employees (More Jobs for Marylanders)<br>Legal reference: Art. TG Sec. 10-741 | Negligible | 0.6 | 6.7 | 14.7 |
| Corporate income tax credit for wages of new jobs (Job Creation Tax Credit)<br>Legal reference: Art. TG Sec. 10-704<br>Note: Sunsets January 1, 2020. | 4.1 | 2.5 | 1.9 | 1.9 |
| Corporate income tax credit for wages paid to qualified veteran employees (Hire Our Heroes Act)<br>Legal reference: Art. TG Sec. 10-743 | Negligible | | | |
| Insurance premiums tax credit for businesses that create new jobs<br>Legal reference: Art. Ins. Sec. 6-116 | No reliable estimate | | | |
| Insurance premiums tax credit for job creation.<br>Legal reference: Art. Ins. Sec. 6-114 | Negligible | | | |
| Personal income tax credit for businesses that create new jobs<br>Legal reference: Art. TG Sec. 10-704 | Negligible | | | |
| Personal income tax credit for One Maryland project/startup costs<br>Legal reference: Art. TG Sec. 10-714 | Included in corporate income tax | | | |
| Personal income tax credit for wages of new jobs (Job Creation Tax Credit)<br>Legal reference: Art. TG Sec. 10-704 | Included in corporate income tax | | | |
| Personal income tax credit for wages paid to qualified veteran employees (Hire Our Heroes Act)<br>Legal reference: Art. TG Sec. 10-743 | Included in corporate income tax | | | |

| | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
|---|---|---|---|---|
| Personal income tax itemized deduction for job expenses<br>Legal reference: Art.TG Sec. 10-204<br>Note: Local effect is $46.4 million in FY 2020. | 118.2 | 120.6 | 123.0 | 125.5 |
| Personal income tax subtraction for employment-related household and dependent care expenses<br>Legal reference: Art. TG Sec. 10-208 | 25.6 | 25.5 | 25.5 | 25.4 |
| Personal income tax subtraction for pickup contributions for pension and retirement systems<br>Legal reference: Art. TG Sec. 10-207 | | No reliable estimate | | |
| Public service company franchise tax credit for job creation<br>Legal reference: Art. TG Sec. 8-411 | | No reliable estimate | | |
| Subtraction for civil rights violation non-economic damages<br>Legal reference: Art. TG Sec. 10-207 | 0.3 | 0.3 | 0.3 | 0.3 |
| **Employment Related Total:** | **164.4** | **160.4** | **170.9** | **181.6** |
| **7. Environment** | | | | |
| Corporate credit for electricity produced from certain qualified energy resources<br>Legal reference: Art. TG Sec 10-720 | 1.7 | 2.2 | 2.1 | 2.2 |
| Corporate income tax credit for "green buildings" construction and rehabilitation costs<br>Legal reference: Art. TG Sec 10-722<br>Note: Claimed entirely against the personal income tax | | Negligible | | |
| Corporate income tax credit for Electronic Vehicle Recharging Equipment<br>Legal reference: Art. TG Sec. 10-729 | | Negligible | | |
| Corporate income tax credit for employer-provided commuter benefits<br>Legal reference: Art. TG Sec 10-715 | 0.6 | 0.7 | 0.5 | 0.5 |
| Corporate income tax credit for energy storage systems<br>Legal reference: Art. TG Sec 10-719<br>Note: Split between corporate and personal income tax. | 0.2 | 0.4 | 0.1 | 0.1 |
| Corporate income tax credit for oyster shell recycling<br>Legal reference: Art. TG Sec. 10-724.1 | | Included in individual income tax | | |
| Exemption from the property tax of residential wind energy equipment and solar energy property<br>Legal reference: Art. TP Sec. 7-242 | | No reliable estimate | | |
| Exemption from the sales tax of geothermal, wind or solar energy equipment | 0.4 | 0.4 | 0.4 | 0.4 |

| | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
|---|---|---|---|---|
| Legal reference: Art. TG Sec. 11-230 | | | | |
| Exemption from the sales tax of sales of certain energy-efficient appliances<br>Legal reference: Art. TG Sec. 11-226 | | No reliable estimate | | |
| Exemption from the sales tax of sales of machinery and equipment used to produce "Energy Star" windows and entry doors<br>Legal reference: Art. TG Sec. 11-210 | 0.3 | 0.3 | 0.3 | 0.3 |
| Individual income tax credit for oyster shell recycling<br>Legal reference: Art. TG Sec. 10-724.1 | | Negligible | | |
| Individual income tax credits for electricity produced from qualified energy resources<br>Legal reference: Art. TG Sec. 10-720 | 1.7 | 2.2 | 2.1 | 2.2 |
| Insurance premiums tax credit for employer-provided commuter benefits<br>Legal reference: Art. Ins. Sec. 6-120 | | Negligible | | |
| Motor vehicle titling tax credit for electric vehicles<br>Legal reference: Art. TR Sec. 13-815 | 3.0 | 6.0 | 9.0 | 13.5 |
| Personal income tax credit for "green buildings" construction and rehabilitation costs<br>Legal reference: Art. TG Sec. 10-722 | 0.0 | 0.0 | 0.0 | 0.0 |
| Personal income tax credit for easements conveyed to the MD Environmental Trust or MD Agricultural Land Preservation Foundation<br>Legal reference: Art. TG Sec. 10-723 | 0.8 | 0.8 | 0.7 | 0.7 |
| Personal income tax credit for Electronic Vehicle Recharging Equipment<br>Legal reference: Art. TG Sec. 10-729 | | Negligible | | |
| Personal income tax credit for employer-provided commuter benefits<br>Legal reference: Art. TG Sec. 10-715 | 0.6 | 0.7 | 0.5 | 0.5 |
| Personal income tax credit for energy storage systems<br>Legal reference: Art. TG Sec 10-719<br>Note: Split between corporate and personal income tax. | 0.2 | 0.4 | 0.1 | 0.1 |
| Personal income tax subtraction for certain sewage disposal systems<br>Legal reference: Art. TG Sec. 10-208 | | Negligible | | |
| Personal income tax subtraction for conservation and management program expenses<br>Legal reference: Art. TG Sec. 10-208 | | Negligible | | |
| Personal income tax subtraction for grants under the Solar Energy Grant Program | | Negligible | | |

| | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
|---|---|---|---|---|
| Legal reference: Art. TG Sec. 10-207<br>Note: HB 590 (2007). | | | | |
| Personal income tax subtraction for the sale of perpetual conservation easements<br>Legal reference: Art. TG Sec. 10-208 | 0.8 | 0.8 | 0.8 | 0.8 |
| **Environment Total:** | **10.1** | **14.7** | **16.8** | **21.4** |
| **8. Families** | | | | |
| Exemption from the alcoholic beverage excise tax for family produced wine for personal use or entry into an exhibition<br>Legal reference : Art. TG Sec. 5-104 | | No reliable estimate | | |
| Exemption from the inheritance tax for family farms qualifying as farmland<br>Legal reference: Art. TG Sec. 7-211 | | No reliable estimate | | |
| Exemption from the inheritance tax for small estates.<br>Legal reference: Art. TG Sec. 7-203 | | No reliable estimate | | |
| Exemption from the inheritance tax of $500 for grave maintenance<br>Legal reference: Art. TG Sec. 7-203 | | No reliable estimate | | |
| Exemption from the inheritance tax of life insurance benefits<br>Legal reference: Art. TG Sec. 7-203 | | No reliable estimate | | |
| Exemption from the inheritance tax of property passed to domestic partners<br>Legal reference: Art. TG Sec. 7-203 | 1.0 | 1.0 | 1.0 | 1.1 |
| Exemption from the inheritance tax of property passed to lineal beneficiaries or siblings<br>Legal reference: Art. TG Sec. 7-203 | 59.2 | 60.4 | 61.6 | 62.8 |
| Exemption from the property transfer tax for transfers between domestic partners, former domestic partners or relatives<br>Legal reference: Art. TP Sec. 13-207 | | No reliable estimate | | |
| Exemption from the property transfer tax for transfers made from estates with no consideration and to and from trusts<br>Legal reference: Art. TP Sec. 12-108 and 13-107 | | No reliable estimate | | |
| Exemption from the sales tax for food consumed off premises<br>Legal reference: Art. TG Sec. 11-206 | 732.7 | 743.5 | 788.2 | 834.0 |
| Exemption from the sales tax for parent-teacher organizations and other nonprofits internal to elementary and secondary schools<br>Legal reference: Art. TG Sec. 11-204 | 0.2 | 0.2 | 0.2 | 0.2 |

| | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
|---|---|---|---|---|
| Exemption from the sales tax of fuel rate adjustment charges on sales of electricity, steam, natural or artificial gas, etc. used in the common areas of residential condominiums<br>Legal reference: Art. TG Sec. 11-207 | 0.6 | 0.6 | 0.6 | 0.6 |
| Exemption from the sales tax of sales of fuel electricity, steam, natural or artificial gas, etc. for residential use<br>Legal reference: Art. TG Sec. 11-207 | 411.4 | 415.9 | 382.1 | 390.0 |
| Exemption from the transfer tax for transfers between spouses, former spouses or relatives<br>Legal reference: Art. TP Sec. 13-207 | | No reliable estimate | | |
| Homeowners' property tax credit<br>Legal reference: Art. TP Sec. 9-104; Art. TG Sec. TP Sec. 9-102 | 65.5 | 60.0 | 66.5 | 64.0 |
| Homestead property tax credit for properties with assessment increases over 10%<br>Legal reference: Art. TP Sec. 9-105<br>Note: Local governments forego about 16 times the State credits. See SB 520, HB 199 (2010). | 0.9 | 0.9 | 0.9 | 0.9 |
| Individual income tax subtraction for unreimbursed expenses of foster parents<br>Legal reference: Art. TG Sec. 10-208 | | Negligible | | |
| Personal income tax credit for child and dependent care expenses<br>Legal reference: Art. TG Sec. 10-716 | 8.1 | 8.1 | 8.1 | 8.1 |
| Personal income tax subtraction for certain gross income of child included in parents income<br>Legal reference: Art. TG Sec. 10-208 | | No reliable estimate | | |
| Personal income tax subtraction for two-income married couples<br>Legal reference: Art. TG Sec. 10-207 | 39.1 | 39.3 | 39.4 | 39.6 |
| Renters' property tax relief<br>Legal reference: Art. TP Sec. 9-104; Art. TG Sec. TP Sec. 9-102 | 4.4 | 4.4 | 4.5 | 4.4 |
| **Families Total:** | **1,323.1** | **1,334.4** | **1,353.2** | **1,405.7** |
| **9. Law Enforcement, Fire, Rescue and Emergency Personnel** | | | | |
| Exemption from the property tax of volunteer fire companies<br>Legal reference: Art. TP Sec. 7-209 | 0.5 | 0.5 | 0.4 | 0.4 |
| Exemption from the sales tax of sales of food to support fire, rescue and ambulance companies<br>Legal reference: Art. TG Sec. 11-206 | 0.2 | 0.2 | 0.2 | 0.2 |
| Exemption from the sales tax of sales to fire, rescue and ambulance companies<br>Legal reference: Art. TG Sec. 11-204 | 1.9 | 2.0 | 2.0 | 2.0 |

| | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
|---|---|---|---|---|
| Exemption from the titling tax of fire engines and fire department apparatus<br>Legal reference: Art. TR Sec. 13-810 | | No reliable estimate | | |
| Exemption of fire buff canteen wagons from vehicle registration fees<br>Legal reference: Art. TR Sec. 13-903 | | No reliable estimate | | |
| Exemption of vehicles owned by volunteer fire and rescue companies from vehicle registration fees<br>Legal reference: Art. TR Sec. 13-903<br>Note: Included in miscellaneous and other registration fee exemptions, all of which are estimated to be $0.1 million in FY 2020. | | Included in other exemptions | | |
| Personal income tax exemption for law enforcement officers residing in the subdivision of employment<br>Legal reference: Art. TG Sec. 10-207 | | No reliable estimate | | |
| Personal income tax subtraction for correction officer retirement income<br>Legal reference: Art. TG Sec. 10-209 | 1.7 | 1.7 | 1.8 | 1.8 |
| Personal income tax subtraction for MDTA police<br>Legal reference: Art. TG Sec. 10-207 | DNE | | Negligible | |
| Personal income tax subtraction for MNCP Police and Washington Suburban Sanitary Commission Police Force<br>Legal reference: Art. TG Sec. 10-207 | Not in existence | | Negligible | |
| Personal income tax subtraction for income from fire and ambulance length-of-service awards<br>Legal reference: Art. TG Sec. 10-207 | | No reliable estimate | | |
| Personal income tax subtraction for law enforcement, fire, rescue, and emergency services retirement income<br>Legal reference: Art. TG Sec. 10-209 | 3.8 | 3.9 | 4.0 | 4.1 |
| Personal income tax subtraction for qualifying volunteer emergency service personnel<br>Legal reference: Art. TG Sec. 10-208 | 2.6 | 2.6 | 2.6 | 2.6 |
| Refund of fuel tax for fuel used in fire and rescue vehicles<br>Legal reference: Art. TG Sec. 13-901 | 0.5 | 0.4 | 0.4 | 0.4 |
| **Law Enforcement, Fire, Rescue and Emergency Personnel Total:** | **11.2** | **11.1** | **11.3** | **11.5** |
| **10. Handicapped and Disabled** | | | | |
| Corporate income tax credit for wages/child care/transportation for employees with disabilities<br>Legal reference: Art. TG Sec. 10-704 | | Negligible | | |
| Exclusion of $15,000 of assessed value for blind and surviving spouses<br>Legal reference: Art. TP Sec. 7-207<br>Note: Revenue loss is less than $40,000 annually. | | Negligible | | |

| | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
|---|---|---|---|---|
| Exemption from the titling tax of buses for transporting persons with disabilities<br>Legal reference: Art. TR Sec. 13-810 | Included in passenger buses | | | |
| Income tax credit for expenses to renovate existing homes for accessibility and universal visitability<br>Legal reference: Art. TG Sec. 10-744 | Negligible | | | |
| Insurance premiums tax credit for hiring persons with disabilities<br>Legal reference: Art. Ins. Sec. 6-115 | No reliable estimate | | | |
| Personal income tax credit for wages/child care/transportation for employees with disabilities<br>Legal reference: Art. TG Sec. 10-704 | Included in corporate income tax | | | |
| Personal income tax subtraction for adoption expenses of special-needs children<br>Legal reference: Art. TG Sec. 10-208 | No reliable estimate | | | |
| Personal income tax subtraction for contributions to an ABLE account<br>Legal reference: Art. TG Sec. 10-207 | No reliable estimate | | | |
| Personal income tax subtraction for disability payments to police and firefighters<br>Legal reference: Art. TG Sec. 10-207 | No reliable estimate | | | |
| Personal income tax subtraction for expenses of providing human or mechanical readers for blind individuals<br>Legal reference: Art. TG Sec. 10-208 | No reliable estimate | | | |
| Exemption from the sales tax for artificial hearing device earmolds, equipment, and parts<br>Legal reference: Art. TG Sec. 10-211 | Not in existence | | 0.8 | 0.8 |
| Public service company franchise tax credit for hiring persons with disabilities<br>Legal reference: Art. TG Sec. 8-413 | No reliable estimate | | | |
| Public service company franchise tax credit for telephone lifeline service<br>Legal reference: Art. TG Sec. 8-407 | 0.2 | 0.1 | 0.2 | 0.2 |
| **Handicapped and Disabled Total:** | **0.2** | **0.1** | **1.0** | **1.0** |
| **11. Housing** | | | | |
| Exemption from the sales tax of sales of used mobile homes<br>Legal reference: Art. TG Sec. 11-213 | 0.3 | 0.3 | 0.3 | 0.3 |
| Exemption from the transfer tax for cooperative housing corporations<br>Legal reference: Art. TP Sec. 13-207 | No reliable estimate | | | |
| Exemption from transfer tax for surrender of principal residence in bankruptcy | No reliable estimate | | | |

| | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
|---|---|---|---|---|
| Legal reference: Art. TP Sec. 13-413 | | | | |
| Exemption of Housing Authorities from the property tax | 3.0 | 3.0 | 3.2 | 3.2 |
| Legal reference: Art. TP Sec. 7-215 | | | | |
| Personal income tax credit for property tax paid on owner-occupied residences in specified neighborhoods | 0.2 | 0.2 | 0.2 | 0.2 |
| Legal reference: Art. TG Sec. 10-707 | | | | |
| Personal income tax deduction for home mortgage interest | 423.2 | 411.7 | 399.5 | 386.4 |
| Legal reference: Art.TG Sec. 10-204 | | | | |
| Note: Local effect is $158.5 million in FY 2020. | | | | |
| Personal income tax deduction for real estate taxes | 223.3 | 227.4 | 231.5 | 235.8 |
| Legal reference: Art.TG Sec. 10-204 | | | | |
| Note: Local effect is $87.5 million in FY 2020. | | | | |
| Personal income tax subtraction for discharging mortgage indebtedness (Mortgage Forgiveness Debt Relief) | 0.2 | 0.2 | 0.2 | 0.2 |
| Legal reference: Art. TG Sec. 10-207 | | | | |
| Property transfer tax rate halved for first time Maryland homebuyers | 14.7 | 15.0 | 15.3 | 15.6 |
| Legal reference: Art. TP Sec. 13-203 | | | | |
| Sales tax exclusion of 40% of the purchase price for retail sales of new mobile homes | 1.1 | 1.1 | 1.1 | 1.1 |
| Legal reference: Art. TG Sec. 11-104 | | | | |
| **Housing Total:** | **665.9** | **658.9** | **651.3** | **642.8** |
| **12. Interstate Commerce** | | | | |
| Excise tax exemption for alcoholic beverages sold or delivered in the course of interstate commerce | | No reliable estimate | | |
| Legal reference : Art. TG Sec. 5-104 | | | | |
| Exemption from the sales tax of sales of film or tape used in television broadcasting | 0.7 | 0.7 | 0.7 | 0.8 |
| Legal reference: Art. TG Sec. 11-208 | | | | |
| Exemption from the sales tax of sales of food on vehicles engaged in interstate commerce | | Negligible | | |
| Legal reference: Art. TG Sec. 11-206 | | | | |
| Exemption from the sales tax of sales of marine equipment or machinery for ocean-going vessels | 0.9 | 0.9 | 0.9 | 1.0 |
| Legal reference: Art. TG Sec. 11-208 | | | | |
| Exemption from the sales tax of sales of vehicles used in interstate commerce | 17.7 | 18.2 | 18.9 | 19.7 |
| Legal reference: Art. TG Sec. 11-208 | | | | |
| **Interstate Commerce Total:** | **19.2** | **19.8** | **20.6** | **21.4** |

| | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
|---|---|---|---|---|
| **13. Medical and Health** | | | | |
| Corporate income tax credit for employer-paid long-term care insurance premiums | | Negligible | | |
| Legal reference: Art. TG Sec 10-710 | | | | |
| Note: Less than $6,000 annually claimed to date. | | | | |
| Corporate income tax subtraction for elevator handrails in health care facilities | | No reliable estimate | | |
| Legal reference: Art. TG Sec. 10-308 | | | | |
| Deduction against estate tax for health insurance costs of spouse | 0.6 | 0.6 | 0.6 | 0.7 |
| Legal reference: Art. TG Sec. 7-309 | | | | |
| Exemption from the excise tax for wine or spirits bought by a hospital for medicinal purposes | | No reliable estimate | | |
| Legal reference : Art. TG Sec. 5-104 | | | | |
| Exemption from the sales tax of sales of medicine, medical supplies and health aids | 528.2 | 550.8 | 550.8 | 550.8 |
| Legal reference: Art. TG Sec. 11-211 | | | | |
| Exemption from the titling tax for hearing and vision screening vehicles | | No reliable estimate | | |
| Legal reference: Art. TR Sec. 13-810 | | | | |
| Exemption of nonprofit health service plans from the insurance premiums tax | 19.2 | 21.0 | 21.0 | 21.0 |
| Legal reference: Art. Ins. Sec. 6-101 | | | | |
| Note: nonprofit health service plans pay at least 2% of premiums to support specific state projects (for example, the Senior Prescription Drug Assistance Program) in lieu of premium tax payments. | | | | |

| | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
|---|---|---|---|---|
| Exemption of nonprofit hospitals and health facilities from the property tax<br>Legal reference: Art. TP Sec. 7-202 | 7.2 | 7.0 | 7.9 | 7.9 |
| Individual income tax credit for employer-paid long-term care insurance premiums<br>Legal reference: Art. TG Sec. 10-710 | | Negligible | | |
| Individual income tax credit for physicians or nurse practitioners who serve without compensation in an approved preceptorship program<br>Legal reference: Art. TG Sec. 10-738 | 0.2 | 0.2 | 0.2 | 0.2 |
| Insurance premiums tax credit for employer-paid long-term care insurance premiums<br>Legal reference: Art. Ins. Sec. 6-117 | | No reliable estimate | | |
| Personal income tax credit for eligible long-term care premiums<br>Legal reference: Art. TG Sec. 10-718 | 2.1 | 2.1 | 2.1 | 2.1 |
| Personal income tax deduction for medical expenses<br>Legal reference: Art.TG Sec. 10-204<br>Note: Local effect is $42 million in FY 2020. | 113.8 | 109.1 | 111.2 | 113.5 |
| Personal income tax subtraction for living organ donor expenses<br>Legal reference: Art. TG Sec. 10-208 | | Negligible | | |
| Personal income tax subtraction modification for the cost of installing handrails in certain medical facilities<br>Legal reference: Art. TG Sec. 10-208 | | No reliable estimate | | |
| Public service company franchise tax credit for employer-paid long-term care insurance premiums<br>Legal reference: Art. TG Sec. 8-415 | | No reliable estimate | | |
| **Medical and Health Total:** | **671.4** | **690.8** | **693.8** | **696.0** |
| **14. Poverty** | | | | |
| Non-Refundable Earned Income Tax Credit<br>Legal reference: Art. TG Sec. 10-704 | 95.2 | 95.2 | 95.2 | 95.2 |
| Personal income tax credit for persons with below poverty level incomes<br>Legal reference: Art. TG Sec. 10-709 | 35.3 | 35.3 | 35.3 | 35.3 |
| Refundable Earned Income Tax Credit<br>Legal reference: Art. TG Sec. 10-704 | 170.9 | 176.4 | 181.9 | 186.9 |
| **Poverty Total:** | **301.4** | **306.9** | **312.4** | **317.4** |

| | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
|---|---|---|---|---|
| **15. Religious** | | | | |
| Exemption from registration fees for school vehicles owned by religious organizations | | No reliable estimate | | |
| Legal reference: Art. TR Sec. 13-903 | | | | |
| Note: Included in miscellaneous and other registration fee exemptions, all of which are estimated to be $0.1 million in FY 2022. | | | | |
| Exemption from the excise tax for wine bought by a religious organization for sacramental purposes | | No reliable estimate | | |
| Legal reference : Art. TG Sec. 5-104 | | | | |
| Exemption from the sales tax of sales by religious organizations | 6.0 | 6.1 | 6.6 | 6.9 |
| Legal reference: Art. TG Sec. 11-204 | | | | |
| Exemption from the sales tax of sales of food by religious organizations | 9.1 | 9.4 | 9.6 | 9.8 |
| Legal reference: Art. TG Sec. 11-206 | | | | |
| Exemption from the sales tax of sales to religious organizations | 17.9 | 18.3 | 19.6 | 20.7 |
| Legal reference: Art. TG Sec. 11-204 | | | | |
| Exemption from the titling tax for school vehicles owned by religious organizations | | No reliable estimate | | |
| Legal reference: Art. TR Sec. 13-810 | | | | |
| Exemption of religious organizations from the property tax | 10.9 | 10.9 | 11.4 | 11.4 |
| Legal reference: Art. TP Sec. 7-204 | | | | |
| **Religious Total:** | **43.9** | **44.7** | **47.1** | **48.8** |
| **16. Veterans and Military** | | | | |
| Abatement of income tax for US military and civilian employees killed as a result of combat or terrorism | | Negligible | | |
| Legal reference: Art. TG Sec. 13-908 | | | | |
| Note: Less than $30,000 annually claimed to date. | | | | |
| Corporate income tax credit for wages paid to qualified veteran employees (Hire Our Heroes Act) | | Included in employment related | | |
| Legal reference: Art. TG Sec. 10-743 | | | | |
| Exemption from registration fee for vehicles owned by veterans' organizations | | No reliable estimate | | |
| Legal reference: Art. TR Sec. 13-903 | | | | |
| Note: Included in miscellaneous and other registration fee exemptions, all of which are estimated to be $0.1 million in FY 2022. | | | | |
| Exemption from registration fees for Civil Air Patrol vehicles | | No reliable estimate | | |
| Legal reference: Art. TR Sec. 13-903 | | | | |
| Exemption from registration fees for the American Legion's "40-8 box car" | | No reliable estimate | | |

| | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
|---|---|---|---|---|
| Legal reference: Art. TR Sec. 13-903<br>Note: Included in miscellaneous and other registration fee exemptions, all of which are estimated to be $0.1 million in FY 2022. | | | | |
| Exemption from registration fees for vehicles owned by disabled veterans<br>Legal reference: Art. TR Sec. 13-903 | 0.1 | 0.1 | 0.1 | 0.1 |
| Exemption from the sales tax for sales to veterans' organizations<br>Legal reference: Art. TG Sec. 11-204 | 0.1 | 0.1 | 0.1 | 0.1 |
| Exemption from the sales tax of sales of food to support veterans' organizations<br>Legal reference: Art. TG Sec. 11-206 | 2.1 | 2.1 | 2.2 | 2.4 |
| Exemption from the titling tax of Civil Air Patrol vehicles<br>Legal reference: Art. TR Sec. 13-810<br>Note: Included in miscellaneous and other registration fee exemptions, all of which are estimated to be $0.1 million in FY 2022. | | No reliable estimate | | |
| Exemption from the titling tax of vehicles owned by veterans' organizations<br>Legal reference: Art. TR Sec. 13-810 | | No reliable estimate | | |
| Exemption from the tobacco tax of cigarettes for sale at post exchanges and commissaries<br>Legal Reference: Art. TG Sec. 12-104 | | No reliable estimate | | |
| Exemption from the tobacco tax of other tobacco products for sale at post exchanges and commissaries<br>Legal Reference: Art. TG Sec. 12-104 | | No reliable estimate | | |
| Exemption of disabled veterans and surviving spouses from the property tax<br>Legal reference: Art. TP Sec. 7-208 | 2.9 | 2.8 | 4.5 | 4.5 |
| Personal income tax credit for wages paid to qualified veteran employees (Hire Our Heroes Act)<br>Legal reference: Art. TG Sec. 10-743 | | Included in employment related | | |
| Personal income tax subtraction for certain military retirement income<br>Legal reference: Art. TG Sec. 10-207 | 13.6 | 13.6 | 13.6 | 13.6 |
| Personal income tax subtraction for overseas military pay<br>Legal reference: Art. TG Sec. 10-207 | | No reliable estimate | | |
| **Veterans and Military Total:** | **18.8** | **18.7** | **20.6** | **20.7** |

| | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
|---|---|---|---|---|
| **17. Volunteer and Nonprofit** | | | | |
| Corporate income tax credit for donation to permanent endowment fund at a community foundation<br>Legal reference: Art. TG 10-736 | 0.2 | 0.2 | 0.2 | 0.2 |
| Corporate income tax credit for neighborhood and community assistance contributions<br>Legal reference: Art. TG Sec. 10-704 | 0.1 | 0.1 | 0.1 | 0.1 |
| Exemption from the inheritance tax for property that passes to qualified nonprofit organizations<br>Legal reference: Art. TG Sec. 7-203 | | No reliable estimate | | |
| Exemption from the sales tax for food delivered for immediate consumption by a nonprofit vendor<br>Legal reference: Art. TG Sec. 11-206 | 0.4 | 0.4 | 0.4 | 0.4 |
| Exemption of community water systems from the property tax<br>Legal reference: Art. TP Sec. 7-205 | | No reliable estimate | | |
| Exemption of fraternal beneficiary corporations from the insurance premiums tax<br>Legal reference: Art. Ins. Sec. 6-101 | 2.3 | 2.3 | 2.0 | 2.0 |
| Exemption of historical societies and war memorials from the property tax<br>Legal reference: Art. TP Sec. 7-214 | 0.7 | 0.7 | 0.7 | 0.7 |
| Exemption of lodges, trade and civic associations, clubs and other nonprofit organizations from the property tax<br>Legal reference: Art. TP Sec. 7-202<br>Note: Includes charitable organizations, church societies and clubs. | 0.5 | 0.5 | 0.5 | 0.5 |
| Exemption of nonprofit cemetery and mausoleum property from the property tax<br>Legal reference: Art. TP Sec. 7-201 | 0.1 | 0.1 | 0.1 | 0.1 |
| Exemption of the Chesapeake Bay Foundation from the property tax<br>Legal reference: Art. TP Sec. 7-203<br>Note: Revenue loss is less than $30,000 annually. | | Negligible | | |
| Exemption of veterans' organizations from the property tax<br>Legal reference: Art. TP Sec. 7-234 | 0.5 | 0.5 | 0.4 | 0.4 |
| Exemption of youth camps from the property tax<br>Legal reference: Art. TP Sec. 7-202<br>Note: Additional legal references: TP 7-212, 233. | 0.2 | 0.2 | 0.2 | 0.2 |
| Financial institution franchise tax credit for donations to nonprofit neighborhood revitalization projects<br>Legal Reference: Art. TG Sec. 8-214 | | No reliable estimate | | |

| | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
|---|---|---|---|---|
| Individual income tax credit for donation to permanent endowment fund at a community foundation<br>Legal reference: Art. TG 10-736 | Included in corporate income tax | | | |
| Individual income tax subtraction for unreimbursed mileage of certain volunteers<br>Legal reference: Art. TG Sec. 10-208 | | No reliable estimate | | |
| Insurance premiums tax credit for donations to nonprofit neighborhood revitalization projects<br>Legal reference: Art. Ins. Sec. 6-105 | | No reliable estimate | | |
| Public service company franchise tax credit for donations to nonprofit neighborhood revitalization projects<br>Legal reference: Art. TG Sec. 8-412 | | No reliable estimate | | |
| Refund of fuel tax to state-funded nonprofit transit systems for the elderly, disabled or poor<br>Legal reference: Art. TG Sec. 13-901 | 1.0 | 0.9 | 1.0 | 1.0 |
| **Volunteer and Nonprofit Total:** | **6.0** | **5.9** | **5.6** | **5.6** |
| **18. Miscellaneous** | | | | |
| Corporate income tax credit for registration of tractor-trailers<br>Legal reference: Art. TG Sec. 10-734 | 0.4 | 0.3 | 0.3 | 0.3 |
| Corporate income tax credit for rehabilitating historic/heritage structures<br>Legal reference: Art. TG Sec. 10-704 | 0.0 | 0.0 | 1.9 | 1.9 |
| Corporate income tax subtraction for income from state relocation assistance<br>Legal reference: Art. TG Sec. 10-307 | | No reliable estimate | | |
| Corporate income tax subtraction for state tax-exempt interest from mutual funds<br>Legal reference: Art. TG Sec. 10-307 | | No reliable estimate | | |
| Delaware Holding Company' (DHL) corporate income tax subtraction<br>Legal reference: Art. TG Sec. 10-308 | 110.2 | 119.0 | 124.2 | 126.8 |
| Estate tax exclusion for conservation easements<br>Legal reference: Art. TG Sec. 7-203 | | No reliable estimate | | |
| Excluding the value of trade-ins for the motor vehicle excise tax<br>Legal reference: Art. TG Sec. 11-221<br>Note: Includes exemption from the sales and use tax. | 138.0 | 134.0 | 134.0 | 134.0 |
| Exemption from the sales and use tax for trade-in allowance when leasing a vehicle<br>Legal reference: Art. TR Sec. 13-810<br>Note: Included in estimate for value of trade-ins. | | No reliable estimate | | |

| | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
|---|---|---|---|---|
| Exemption from the excise tax of alcoholic beverages under a non-beverage permit<br>Legal reference : Art. TG Sec. 5-104 | | Negligible | | |
| Exemption from the fuel tax for diesel fuel used in vessels<br>Legal reference: Art. TG Sec. 9-303 | 2.4 | 2.4 | 2.4 | 2.4 |
| Exemption from the inheritance tax of income accrued on probate assets<br>Legal reference: Art. TG Sec. 7-203 | | No reliable estimate | | |
| Exemption from the inheritance tax of recovered Holocaust assets<br>Legal reference: Art. TG Sec. 7-203 | | No reliable estimate | | |
| Exemption from the sales tax of sales by hospital thrift shops<br>Legal reference: Art. TG Sec. 11-204 | 0.1 | 0.1 | 0.1 | 0.1 |
| Exemption from the sales tax of sales by State mental hospital gift shops<br>Legal reference: Art. TG Sec. 11-204 | | Negligible | | |
| Exemption from the sales tax of sales from facilities operated under MD Vending Program for the Blind on military bases<br>Legal reference: Art. TG Sec. 11-204<br>Note: Estimated revenue cost is under $15,000 annually. | | Negligible | | |
| Exemption from the sales tax of sales of certain "snack" and "healthy" foods sold through vending machines<br>Legal reference: Art. TG Sec. 11-206 | 8.4 | 8.6 | 9.2 | 9.7 |
| Exemption from the sales tax of sales of US, Maryland and POW/MIA flags<br>Legal reference: Art. TG Sec. 11-205 | | Negligible | | |
| Exemption from the sales tax of sales of water through pipes<br>Legal reference: Art. TG Sec. 11-224 | 38.1 | 38.8 | 39.6 | 40.4 |
| Exemption from the State property tax for the Montgomery County Housing Opportunities Commission<br>Legal reference: Art. HCD Sec. 12-104 | DNE | No reliable estimate | | |
| Exemption from the transfer tax for judgments, orders of satisfaction or participation agreements<br>Legal reference: Art. TP Sec. 13-207 | | No reliable estimate | | |
| Exemption from transfer tax for land installment contracts, options to purchase real property, or short term leases<br>Legal reference: Art. TP Sec. 13-207 | | No reliable estimate | | |
| Exemption of annuities from the insurance premiums tax<br>Legal reference: Art. Ins. Sec. 6-103 | 131.7 | 112.0 | 112.0 | 112.0 |

| | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
|---|---|---|---|---|
| Income tax subtraction for discharge of student loan debt due to disability or death<br>Legal reference: Art. TG Sec. 10-207 | 0.2 | 0.2 | 0.2 | 0.2 |
| Income tax subtraction for gain from direct or indirect property transfer at Laurel Park or Pimlico race tracks<br>Legal reference: Art. TG Sec. 10-207 | Not in existence | | 0.5 | 0.6 |
| Individual income tax credit for registration of tractor-trailers<br>Legal reference: Art. TG Sec. 10-734 | Included in corporate income tax | | | |
| Insurance premiums tax credit for rehabilitating historic/heritage structures<br>Legal reference: Art. Ins. Sec. 6-105 | Negligible | | | |
| Maryland Automobile Insurance Fund exemption from the insurance premium tax.<br>Legal reference: Art. Ins Sec. 6-101 | 1.7 | 1.7 | 1.5 | 1.5 |
| Miscellaneous exemptions from the vessel tax<br>Legal reference: Art. NR Sec. 8-716 | 0.1 | 0.1 | 0.1 | 0.1 |
| Miscellaneous motor vehicle registration fee exemptions, including fire and rescue vehicles<br>Legal reference: Art. TR Sec. 13-903 | 0.1 | 0.1 | 0.1 | 0.1 |
| Miscellaneous personal income tax subtraction modifications<br>Legal reference: Art. TG Sec. 10-207 | No reliable estimate | | | |
| Miscellaneous property transfer tax exemptions<br>Legal reference: Art. TP Sec. 13-203 | No reliable estimate | | | |
| Miscellaneous property tax exemptions.<br>Legal reference: Art. TP Sec. 7-299<br>Note: Includes property of foreign governments, fairgrounds, solar energy devices, etc. | 2.1 | 2.1 | 2.1 | 2.1 |
| Miscellaneous titling tax exemptions<br>Legal reference: Art. TR Sec. 13-810 | No reliable estimate | | | |
| Personal income tax credit for contributions for neighborhood and community assistance<br>Legal reference: Art. TG Sec. 10-704 | 1.9 | 1.5 | 1.5 | 1.5 |
| Personal income tax credit for rehabilitating historic/heritage structures<br>Legal reference: Art. TG Sec. 10-704 | Negligible | | | |
| Personal income tax subtraction for artwork donated by professional artists<br>Legal reference: Art. TG Sec. 10-208 | No reliable estimate | | | |

| | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
|---|---|---|---|---|
| Personal income tax subtraction for income from state relocation assistance<br>Legal reference: Art. TG Sec. 10-207 | | No reliable estimate | | |
| Personal income tax subtraction for income related to recovered Holocaust assets<br>Legal reference: Art. TG Sec. 10-207 | | No reliable estimate | | |
| Personal income tax subtraction for prizes related to Olympic, Paralympic, Special Olympic and Deaflympic Games<br>Legal reference: Art. TG Sec. 10-208 | | Negligible | | |
| Public Service company franchise tax credit for rehabilitating historic/heritage structures<br>Legal Reference: Art. TG Sec. 8-406 | | Included in corporate income tax | | |
| Sales and use tax exemption of light rail vehicles purchased for the Purple Line<br>Legal reference: Art. TG Sec. 11-411 | | Negligible | | |
| Various corporate income tax subtractions, not separately estimated<br>Legal reference: Art. TG Sec. 10-308 | 198.5 | 209.4 | 218.6 | 223.2 |
| Various personal income tax deductions, not otherwise classified<br>Legal reference: Art.TG Sec. 10-204 | 8.9 | 8.9 | 8.9 | 8.9 |
| Vehicle titling tax credit for out-of-state sales or excise tax paid by persons moving to Maryland<br>Legal reference: Art. TR Sec. 13-809 | 4.7 | 3.7 | 3.5 | 3.4 |
| **Miscellaneous Total:** | **647.3** | **642.8** | **660.7** | **669.1** |
| **Categorical Tax Expenditures Total:** | **5,536.8** | **5,613.9** | **5,734.0** | **5,871.4** |
| **III. Incidental Tax Expenditures** | | | | |
| **1. Administrative Exemptions** | | | | |
| Corporate income tax subtraction for state or local income tax refunds<br>Legal reference: Art. TG Sec. 10-307 | | No reliable estimate | | |
| Exemption from the alcoholic beverages excise tax for small quantities brought into the state for personal use<br>Legal reference : Art. TG Sec. 5-104 | | No reliable estimate | | |
| Exemption from the inheritance tax for bequests under $1,000<br>Legal reference: Art. TG Sec. 7-203 | | No reliable estimate | | |
| Exemption from the sales tax for sales through bulk vending machines.<br>Legal reference: Art. TG Sec. 11-201 | 1.2 | 1.2 | 1.3 | 1.3 |
| Exemption from the sales tax of casual and isolated sales<br>Legal reference: Art. TG Sec. 11-209 | | Negligible | | |

| | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
|---|---|---|---|---|
| Exemption from the tobacco tax for cigarettes brought into the state in small quantities<br>Legal Reference: Art. TG Sec. 12-104 | | No reliable estimate | | |
| Exemption from the tobacco tax for other tobacco products brought into the state in small quantities<br>Legal Reference: Art. TG Sec. 12-104 | | No reliable estimate | | |
| Exemption from titling tax vehicles leased by the State<br>Legal reference: Art. TR Sec. 13-810 | | Negligible | | |
| Personal income tax subtraction for taxable refunds<br>Legal reference: Art. TG Sec. 10-207 | 76.1 | 76.7 | 77.3 | 77.9 |
| **Administrative Exemption Total:** | **77.3** | **77.9** | **78.6** | **79.2** |
| **2. Double Taxation** | | | | |
| Corporate income tax subtraction for gross receipts subject to the public service company franchise tax<br>Legal reference: Art. TG Sec. 10-307 | | No reliable estimate | | |
| Corporate income tax credit for taxes paid by pass-through entities<br>Legal reference: Art. TG Sec. 10-701 | Not in existence | | Negligible | |
| Exemption from the admissions and amusement tax charges or fees to participate in an amateur recreational sports event or league in Baltimore City<br>Legal Reference: Art. TG Sec. 4-104 | | No reliable estimate | | |
| Exemption from the boat tax of vessels titled to a licensed dealer for resale, rental, or leasing purposes<br>Legal reference: Art. NR Sec. 8-716 | 1.3 | 1.3 | 1.3 | 1.3 |
| Exemption from the sales tax for expense reimbursement while providing taxable detective services<br>Legal reference: Art. TG Sec. 11-101 | 0.2 | 0.2 | 0.2 | 0.2 |
| Exemption from the sales tax of admissions subject to the admissions and amusement tax<br>Legal reference: Art. TG Sec. 11-221 | 74.8 | 76.1 | 77.4 | 78.7 |
| Exemption from the sales tax of certain communications services subject to the federal excise tax<br>Legal reference: Art. TG Sec. 11-221 | 72.7 | 73.5 | 72.4 | 71.3 |
| Exemption from the sales tax of long-term motor vehicle leases<br>Legal reference: Art. TG Sec. 11-221 | 27.8 | 28.7 | 29.7 | 30.8 |
| Exemption from the sales tax of motor fuels subject to the motor fuel or motor carrier tax<br>Legal reference: Art. TG Sec. 11-221 | 810.4 | 840.6 | 872.0 | 904.5 |

| | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
|---|---|---|---|---|
| Exemption from the sales tax of motor vehicles, except house or office trailers, subject to the motor vehicle excise tax<br>Legal reference: Art. TG Sec. 11-221 | 877.2 | 914.4 | 953.2 | 993.6 |
| Exemption from the sales tax of sales of materials taxed under other laws<br>Legal reference: Art. TG Sec. 11-221 | | No reliable estimate | | |
| Exemption from the sales tax of sales of vessels subject to the boat excise tax<br>Legal reference: Art. TG Sec. 11-221 | 19.3 | 19.5 | 19.7 | 19.9 |
| Exemption from the sales tax of separately-stated sales subject to the admissions and amusement tax<br>Legal reference: Art. TG Sec. 11-101 | 0.3 | 0.3 | 0.3 | 0.3 |
| Exemption from the sales tax of the rental of motion pictures subject to the admissions and amusement tax<br>Legal reference: Art. TG Sec. 11-221 | | Negligible | | |
| Exemption from the titling tax for leased vehicles purchased by the lessee<br>Legal reference: Art. TR Sec. 13-810 | 7.1 | 7.1 | 7.8 | 7.8 |
| Exemption from the titling tax for vehicles transferred into an inter vivos trust if transferor is the beneficiary<br>Legal reference: Art. TR Sec. 13-810 | 1.6 | 1.3 | 1.2 | 1.1 |
| Exemption from the titling tax of mobile homes over 35 ft.<br>Legal reference: Art. TR Sec. 13-810<br>Note: Mobile homes over 35 ft., when installed on sites, are taxed as real property. | | No reliable estimate | | |
| Exemption from the titling tax of vehicles purchased for short-term rental purposes<br>Legal reference: Art. TR Sec. 13-810 | 97.4 | 69.3 | 64.6 | 60.3 |
| Exemption from the transfer tax for vehicles transferred from specified trusts<br>Legal reference: Art. TR Sec. 13-810 | | Negligible | | |
| Exemption from the transfer tax for property conveyed from sole proprietorship to a LLC<br>Legal reference: Art. TP Sec. 12-117 | | No reliable estimate | | |
| Exemption from the transfer tax for transfers of supplemental, previously recorded instruments or deeds for prior contract of sale<br>Legal reference: Art. TP Sec. 13-207 | | No reliable estimate | | |
| Exemption from the transfer tax real property transferred from specified trusts<br>Legal reference: Art. EST Sec. 14.5-1001 | | No reliable estimate | | |
| Personal income tax credit for tax paid to another state<br>Legal reference: Art. TG Sec. 10-703 | 17.3 | 17.8 | 18.5 | 19.3 |

| | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
|---|---|---|---|---|
| Personal income tax subtraction for distributions of income when tax was paid by a fiduciary<br>Legal reference: Art. TG Sec. 10-207 | | No reliable estimate | | |
| Personal income tax subtraction for Keogh Plan withdrawals taxed at time of deposit<br>Legal reference: Art. TG Sec. 10-207 | | No reliable estimate | | |
| **Double Taxation Total:** | **2,007.4** | **2,050.0** | **2,118.3** | **2,189.1** |
| **3. Reciprocal Exemptions** | | | | |
| Credit against the boat tax for excise tax paid in another state by commercial fishers<br>Legal reference: Art. NR Sec. 8-716<br>Note: 9.6% in FY 2019 and 13.5% from FY 2020 to FY 2022 is shared by local governments as Highway User Revenue. | 0.2 | 0.2 | 0.2 | 0.2 |
| Exemption from the fuel tax for fuel sold for export from the State<br>Legal reference: Art. TG Sec. 9-303 | 13.6 | 13.5 | 13.3 | 13.3 |
| Exemption from the sales tax of sales of items taxed in another state<br>Legal reference: Art. TG Sec. 11-221 | | Negligible | | |
| Exemption from the sales tax of sales to certain out-of-state nonprofit organizations<br>Legal reference: Art. TG Sec. 11-204 | | No reliable estimate | | |
| Reciprocal exemption from inheritance tax for personal property of nonresident decedents<br>Legal reference: Art. TG Sec. 7-203 | | No reliable estimate | | |
| Reciprocal exemption from registration fees for out-of-state law enforcement vehicles<br>Legal reference: Art. TR Sec. 13-903<br>Note: Included in miscellaneous and other registration fee exemptions, all of which are estimated to be $0.1 million in FY 2020. | | No reliable estimate | | |
| Reciprocal exemption from the titling tax for out-of-state law enforcement vehicles<br>Legal reference: Art. TR Sec. 13-810 | | No reliable estimate | | |
| Refund of fuel tax for fuel taxed in another state<br>Legal reference: Art. TG Sec. 13-901<br>Note: 9.6% shared by local governments as Highway User Revenue in FY 2019 and 13.5% is shared from FY 2020 to FY 2022. | 5.5 | 5.5 | 5.5 | 5.5 |
| Sales tax exemption for sales of tangible personal property to nonprofit organizations for use in another state<br>Legal reference: Art. TG Sec. 11-216 | | No reliable estimate | | |
| **Reciprocal Exemptions Total:** | **19.4** | **19.3** | **19.1** | **19.1** |
| **4. Fuel Used for Non-transportation Purposes** | | | | |
| Partial refund from fuel tax for fuel used by agricultural spreaders | | No reliable estimate | | |

| | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
|---|---|---|---|---|
| Legal reference: Art. TG Sec. 13-901 | | | | |
| Partial refund of fuel tax for fuel delivery vehicles | | No reliable estimate | | |
| Legal reference: Art. TG Sec. 13-901 | | | | |
| Partial refund of fuel tax for fuel used by concrete mixers. | 0.3 | 0.4 | 0.4 | 0.4 |
| Legal reference: Art. TG Sec. 13-901 | | | | |
| Note: 9.6% shared by local governments as Highway User Revenue in FY 2019 and 13.5% is shared from FY 2020 to FY 2022. | | | | |
| Partial refund of fuel tax on fuel used by solid waste compactors | 0.3 | 0.3 | 0.3 | 0.3 |
| Legal reference: Art. TG Sec. 13-901 | | | | |
| Note: 9.6% shared by local governments as Highway User Revenue in FY 2019 and 13.5% is shared from FY 2020 to FY 2022. | | | | |
| Partial refund of fuel tax used by well drillers. | | No reliable estimate | | |
| Legal reference: Art. TG Sec. 13-901 | | | | |
| Refund of fuel tax for fuel used in engines installed permanently at fixed locations | 1.5 | 1.5 | 1.5 | 1.5 |
| Legal reference: Art. TG Sec. 13-901 | | | | |
| Note: 9.6% shared by local governments as Highway User Revenue in FY 2019 and 13.5% is shared from FY 2020 to FY 2022. | | | | |
| Refund of fuel tax on fuel lost in fire or collision. | | No reliable estimate | | |
| Legal reference: Art. TG Sec. 13-901 | | | | |
| Refund of fuel tax on fuel used for commercial purposes other than operation of motor vehicles on public highways | 0.1 | 0.1 | 0.1 | 0.1 |
| Legal reference: Art. TG Sec. 13-901 | | | | |
| Note: Principally for marine purposes; of this total, 9.6% shared by local governments as Highway User Revenue in FY 2019 and 13.5% is shared from FY 2020 to FY 2022. | | | | |
| **Fuel Used for Non-transportation Uses Total:** | **2.2** | **2.3** | **2.3** | **2.3** |
| **5. Governments** | | | | |
| Corporate income tax subtraction for interest on U.S. government obligations | 66.0 | 71.6 | 74.8 | 76.3 |
| Legal reference: Art. TG Sec. 10-307 | | | | |
| Corporate income tax subtraction for profit on sale of MD state or local bonds | | No reliable estimate | | |
| Legal reference: Art. TG Sec. 10-307 | | | | |
| Excise tax exemption for alcoholic beverage sales on federal reservations | | Negligible | | |
| Legal reference : Art. TG Sec. 5-104 | | | | |
| Exemption from the boat tax of vessels purchased by the State or its subdivisions. | | Negligible | | |
| Legal Reference: Art. NR Sec. 8-716 | | | | |
| Exemption from registration fees of vehicles owned by the federal, State, or local governments | 0.4 | 0.3 | 0.2 | 0.2 |

| | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
|---|---|---|---|---|
| Legal reference: Art. TR Sec. 13-903 | | | | |
| Exemption from the fuel tax for fuel purchased by the State or its subdivisions | 2.8 | 2.9 | 2.9 | 2.8 |
| Legal reference: Art. TG Sec. 9-303 | | | | |
| Note: 9.6% in FY 2019 and 13.5% from FY 2020 to FY 2022 is shared by local governments as Highway User Revenue. | | | | |
| Exemption from the inheritance tax for property passing to the State or its subdivisions | | No reliable estimate | | |
| Legal reference: Art. TG Sec. 7-203 | | | | |
| Exemption from the sales tax of sales of buses for use in public transportation systems | 1.5 | 1.5 | 1.6 | 1.6 |
| Legal reference: Art. TG Sec. 11-223 | | | | |
| Exemption from the sales tax of sales of government documents, publications, etc. | 5.0 | 5.1 | 5.2 | 5.4 |
| Legal reference: Art. TG Sec. 11-215 | | | | |
| Exemption from the sales tax of sales of testing equipment to be transferred to the federal government | | No reliable estimate | | |
| Legal reference: Art. TG Sec. 11-222 | | | | |
| Exemption from the sales tax of sales to the State and its subdivisions | 490.0 | 508.0 | 542.0 | 562.8 |
| Legal reference: Art. TG Sec. 11-220 | | | | |
| Exemption from titling tax vehicles leased by the State | | Negligible | | |
| Legal reference: Art. TR Sec. 13-810 | | | | |
| Exemption from the titling tax of vehicles owned by the federal government | | No reliable estimate | | |
| Legal reference: Art. TR Sec. 13-102 | | | | |
| Exemption from the titling tax of vehicles owned by the State and its subdivisions | 21.0 | 19.4 | 18.2 | 17.0 |
| Legal reference: Art. TR Sec. 13-810 | | | | |
| Exemption from the titling tax of vehicles owned by the U.S. and used in an investigation | | No reliable estimate | | |
| Legal reference: Art. TR Sec. 13-810 | | | | |
| Exemption from the transfer tax of transfers to governments or public agencies | | No reliable estimate | | |
| Legal reference: Art. TP Sec. 13-207 | | | | |
| Exemption of federal government property from the property tax | 13.5 | 13.5 | 12.4 | 13.0 |
| Legal reference: Art. TP Sec. 7-210,11 | | | | |
| Exemption of local government property from the property tax | 16.1 | 16.1 | 16.5 | 16.5 |
| Legal reference: Art. TP Sec. 7-210,11 | | | | |
| Exemption of state government property from the property tax | 9.5 | 9.5 | 9.2 | 9.2 |
| Legal reference: Art. TP Sec. 7-210,11 | | | | |

| | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
|---|---|---|---|---|
| Personal income tax subtraction for distributions and dividends from mutual funds attributable to US obligations<br>Legal reference: Art. TG Sec. 10-207 | | No reliable estimate | | |
| Personal income tax subtraction for dividends and interest from U.S. obligations<br>Legal reference: Art. TG Sec. 10-207 | 15.2 | 15.2 | 15.2 | 15.2 |
| Personal income tax subtraction for employer provided official police/fire vehicles<br>Legal reference: Art. TG Sec. 10-207 | | No reliable estimate | | |
| Personal income tax subtraction for profits on sale of Maryland State or local bonds<br>Legal reference: Art. TG Sec. 10-207 | | No reliable estimate | | |
| Refund of fuel tax for fuel used by the federal government<br>Legal reference: Art. TG Sec. 13-901<br>Note: 9.6% in FY 2019 and 13.5% from FY 2020 to FY 2022 is shared by local governments as Highway User Revenue. | 3.2 | 2.2 | 2.5 | 2.5 |
| Refund of fuel tax for fuel used to operate local government bus systems<br>Legal reference: Art. TG Sec. 13-901<br>Note: 9.6% in FY 2019 and 13.5% from FY 2020 to FY 2022 is shared by local governments as Highway User Revenue. | 1.6 | 1.1 | 1.1 | 1.2 |
| **Governments Total:** | **645.8** | **666.5** | **701.8** | **723.7** |
| **Incidental Tax Expenditures Total:** | **2,752.0** | **2,816.0** | **2,920.0** | **3,013.4** |
| **All Tax Expenditures Total:** | **9,383.6** | **9,531.0** | **9,761.5** | **9,998.7** |

## Detail of Tax Expenditures by Tax
## ($ millions)

| | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
|---|---|---|---|---|
| **Alcoholic Beverage Tax** | | | | |
| **Exemption for:** | | | | |
| *Legal reference : Art. TG Sec. 5-104* | | | | |
| Alcoholic beverage sales on federal reservations | | Negligible | | |
| Alcoholic beverages sold or delivered in the course of interstate commerce | | No reliable estimate | | |
| Alcoholic beverages under non-beverage permit | | Negligible | | |
| Family-produced wine for personal use or entry into an exhibition | | No reliable estimate | | |
| Small quantities of alcoholic beverages brought to the state for personal use | | No reliable estimate | | |
| Wine bought by a religious organization for sacramental purposes | | No reliable estimate | | |
| Wine or spirits bought by a hospital for medicinal purposes | | No reliable estimate | | |
| **Alcoholic Beverage Tax Total:** | - | - | - | - |
| **Corporate Income Tax** | | | | |
| **Subtractions for:** | | | | |
| *Legal reference: Art. TG Sec. 10-307* | | | | |
| Dividends for domestic corporations claiming foreign tax credits | 19.1 | 18.8 | 19.7 | 20.1 |
| Dividends from affiliated domestic international sales corporations | | No reliable estimate | | |
| Dividends of related foreign corporations | 53.9 | 52.5 | 54.8 | 55.9 |
| Gross receipts subject to the public service company franchise tax | | No reliable estimate | | |
| Income from State relocation and assistance payments | | No reliable estimate | | |
| Interest on U.S. obligations | 66.0 | 71.6 | 74.8 | 76.3 |
| Profit on sale or exchange of Maryland state or local bonds | | No reliable estimate | | |
| State or local income tax refunds | | No reliable estimate | | |
| State tax-exempt interest from mutual funds | | No reliable estimate | | |
| Gain recognized as a result of direct or indirect transfer of property at the Laurel Park or Pimlico Race Tracks | Not in existence | | 0.5 | 0.6 |
| *Legal reference: Art. TG Sec. 10-308* | | | | |
| Conservation tillage equipment | | No reliable estimate | | |
| Cost of manure spreading equipment | | No reliable estimate | | |
| Delaware Holding Company' (DHL) subtraction | 110.2 | 119.0 | 124.2 | 126.8 |
| Elevator handrails in health care facilities | | No reliable estimate | | |
| Exempt-interest dividends paid by regulated investment companies | | No reliable estimate | | |
| Reforestation or timber stand improvement expenses | | Negligible | | |
| Various subtraction modifications not separately estimated | 198.5 | 209.4 | 218.6 | 223.2 |
| Wage expenses disallowed under federal targeted jobs credit | | No reliable estimate | | |

| | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
|---|---|---|---|---|
| *Legal reference: Art. TG Sec. 10-309* | | | | |
| Gain/loss adjustment on utility company stranded costs | | Negligible | | |
| **Tax credits for:** | | | | |
| *Legal reference: Art. TG Sec. 10-701* | | | | |
| Taxes paid by a pass-through entity | Not in existence | | Negligible | |
| *Legal reference: Art. TG 10-736* | | | | |
| Donation to permanent endowment fund at a community foundation | 0.2 | 0.2 | 0.2 | 0.2 |
| *Legal reference: Art. TG Sec 10-710* | | | | |
| Employer-paid long-term care insurance premiums | | Negligible | | |
| Note: Less than $6,000 annually claimed to date. | | | | |
| *Legal reference: Art. TG Sec 10-714* | | | | |
| One Maryland project/start-up costs. | 16.3 | 11.0 | 13.5 | 13.8 |
| *Legal reference: Art. TG Sec 10-715* | | | | |
| Employer-provided commuter benefits | 0.6 | 0.7 | 0.5 | 0.5 |
| *Legal reference: Art. TG Sec 10-719* | | | | |
| Energy storage systems | 0.2 | 0.4 | 0.1 | 0.1 |
| Note: Split between corporate and individual tax. | | | | |
| *Legal reference: Art. TG Sec 10-720* | | | | |
| Electricity produced from certain qualified energy resources | 1.7 | 2.2 | 2.1 | 2.2 |
| *Legal reference: Art. TG Sec 10-721* | | | | |
| Qualified R&D expenses | 5.5 | 9.3 | 4.7 | 4.8 |
| *Legal reference: Art. TG Sec 10-722* | | | | |
| "Green buildings" construction and rehabilitation costs | | Negligible | | |
| Note: Claimed entirely against the personal income tax | | | | |
| *Legal reference: Art. TG Sec. 10-729* | | | | |
| Electronic Vehicle Recharging Equipment Tax Credit | | Negligible | | |
| *Legal reference: Art. TG Sec. 10-702* | | | | |
| Enterprise zone - credit for wages paid | 5.7 | 0.7 | 2.0 | 2.1 |
| Regional Institution Strategic Enterprise Zone - credit for wages paid | | Included in above credit | | |

| | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
|---|---|---|---|---|
| *Legal reference: Art. TG Sec. 10-704* | | | | |
| Businesses that create new jobs | | Negligible | | |
| Neighborhood and community assistance contributions | 0.1 | 0.1 | 0.1 | 0.1 |
| Purchase of Maryland-mined coal | | Negligible | | |
| Rehabilitating historic/heritage structures | 0.0 | 0.0 | 1.9 | 1.9 |
| Wages of new jobs (Job Creation Tax Credit) | 4.1 | 2.5 | 1.9 | 1.9 |
| Wages/child care/transportation for employees with disabilities (Maryland Disability Employment Tax Credit) | | Negligible | | |
| *Legal reference: Art. TG Sec. 10-724.1* | | | | |
| Oyster shell recycling | | Included in individual income tax | | |
| *Legal reference: Art. TG Sec. 10-725* | | | | |
| Biotechnology investment | 12.3 | 10.9 | 12.0 | 12.0 |
| Note: Credit split between corporate and individual income tax. Cost depends on appropriation. Proposed FY 2022 appropriation of $12 million. | | | | |
| *Legal reference: Art. TG Sec. 10-726* | | | | |
| Cellulosic ethanol technology R&D | | Negligible | | |
| *Legal reference: Art. TG Sec. 10-730* | | | | |
| Qualified film production entities | 7.3 | 10.1 | 10.8 | 11.0 |
| *Legal reference: Art. TG Sec. 10-732* | | | | |
| Employer costs for security clearance | 0.9 | 1.8 | 1.1 | 1.1 |
| Note: Capped at $2.0 million for all eligible companies. Credit split between personal and corporate income tax. | | | | |
| First-year leases of small businesses performing security-based contracting | | Negligible | | |
| *Legal reference: Art. TG Sec. 10-733* | | | | |
| Cybersecurity investment | 2.0 | 2.0 | 1.0 | 2.0 |
| Note: Credit capped at $2 million. | | | | |
| Cybersecurity purchases | 0.3 | 0.8 | 0.6 | 0.6 |
| *Legal reference: Art. TG Sec. 10-734* | | | | |
| Registration of tractor-trailers | 0.4 | 0.3 | 0.3 | 0.3 |
| *Legal reference: Art. TG Sec. 10-735* | | | | |
| Qualified expenditures at wineries and vineyards | | Negligible | | |
| *Legal reference: Art. TG Sec. 10-737* | | | | |
| Aerospace, electronics, or defense contract projects | 7.5 | 7.5 | 7.5 | 7.5 |
| *Legal reference: Art. TG Sec. 10-741* | | | | |
| Qualified wages of hiring employees (More Jobs for Marylanders) | Negligible | 0.6 | 6.7 | 14.7 |

| | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
|---|---|---|---|---|
| *Legal reference: Art. TG Sec. 10-743* | | | | |
| Wages paid to qualified veteran employees (Hire Our Heroes Act) | | Negligible | | |
| *Legal reference: Art. TG Sec. 10-745* | | | | |
| Food donation pilot program | | Included in individual income tax | | |
| *Legal reference: Art. TG Sec. 10-748* | | | | |
| Small businesses providing paid leave (Small Business Relief Tax Credit) | 3.3 | 3.3 | 3.3 | 3.3 |
| Note: Split between corporate and income tax. | | | | |
| **Corporate Income Tax Total:** | **515.9** | **535.7** | **563.0** | **583.1** |
| **Individual Income Tax** | | | | |
| **Itemized deductions for:** | | | | |
| *Legal reference: Art.TG Sec. 10-204* | | | | |
| Charitable contributions | 242.8 | 250.7 | 258.6 | 265.6 |
| Job expenses | 118.2 | 120.6 | 123.0 | 125.5 |
| Medical expenses | 113.8 | 109.1 | 111.2 | 113.5 |
| Mortgage interest | 423.2 | 411.7 | 399.5 | 386.4 |
| Other itemized deductions | 8.9 | 8.9 | 8.9 | 8.9 |
| Real estate taxes | 223.3 | 227.4 | 231.5 | 235.8 |
| *Note: Local effect for itemized deductions is approximately $434 million in FY 2020.* | | | | |
| **Miscellaneous Provisions:** | | | | |
| *Legal reference: Art. TG Sec. 13-908* | | | | |
| Abatement of income tax for U.S. military/civilian employees killed as a result of combat or terrorism | | Negligible | | |
| Note: Less than $30,000 annually claimed to date. | | | | |
| **Personal Exemptions:** | | | | |
| *Legal reference: Art. TG Sec. 10-211* | | | | |
| Additional exemptions for the blind and elderly | 30.6 | 30.6 | 30.9 | 31.2 |
| Personal Exemptions | 644.9 | 644.9 | 644.9 | 644.9 |
| *Note: Local effect for exemptions is approximately $260 million in FY 2020.* | | | | |
| **Standard Deduction:** | | | | |
| *Legal reference: Art. TG Sec. 10-217* | | | | |
| Standard Deduction | 449.9 | 456.2 | 462.6 | 469.1 |
| *Note: Local effect for standard deduction is approximately $175.6 million in FY 2020.* | | | | |
| **Subtraction modifications for:** | | | | |
| *Legal reference: Art. TG Sec. 10-207* | | | | |
| Amounts contributed to prepaid tuition plans | | No reliable estimate | | |

| | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
|---|---|---|---|---|
| Civil rights violation non-economic damages | 0.3 | 0.3 | 0.3 | 0.3 |
| Contributions to an ABLE account | | No reliable estimate | | |
| Disability payments to police and firefighters | | No reliable estimate | | |
| Discharge of student loan debt due to disability or death | 0.2 | 0.2 | 0.2 | 0.2 |
| Discharging mortgage indebtedness (Mortgage Forgiveness Debt Relief) | 0.2 | 0.2 | 0.2 | 0.2 |
| Distribution to a beneficiary of accumulated income on which fiduciary has paid tax | | No reliable estimate | | |
| Distributions and dividends from mutual funds attributed to US obligations | | No reliable estimate | | |
| Dividends and interest from U.S. obligations | 15.2 | 15.2 | 15.2 | 15.2 |
| Employer provided official police/fire vehicles | | No reliable estimate | | |
| Gain recognized as a result of direct or indirect transfer of property at the Laurel Park or Pimlico Race Tracks | Not in existence | | 0.5 | 0.6 |
| Grants under the Solar and Geothermal Tax Incentive Grant Program | | Negligible | | |
| Income earned by a law enforcement officer that resides in the subdivision of employment | | No reliable estimate | | |
| Income earned by Maryland-National Capital Park Police and Washington Suburban Sanitary Commission police | Not in existence | | Negligible | |
| Income earned by MDTA police | DNE | 0.1 | 0.1 | 0.1 |
| Income from emergency services length-of-service awards | | No reliable estimate | | |
| Income from state relocation assistance | | No reliable estimate | | |
| Income related to recovered Holocaust assets | | No reliable estimate | | |
| Individual federally taxed social security/railroad retirement benefits | 316.7 | 332.6 | 349.2 | 366.7 |
| Keogh Plan withdrawals taxed at time of deposit | | No reliable estimate | | |
| Military retirement income | 13.6 | 13.6 | 13.6 | 13.6 |
| Other miscellaneous subtractions | | No reliable estimate | | |
| Overseas military pay | | No reliable estimate | | |
| Pickup contributions for pension and retirement systems | | No reliable estimate | | |
| Profits on sale of Maryland state or local bonds | | No reliable estimate | | |
| Taxable Refunds | 76.1 | 76.7 | 77.3 | 77.9 |
| Two-income married couples | 39.1 | 39.3 | 39.4 | 39.6 |
| *Legal reference: Art. TG Sec. 10-208* | | | | |
| $3,500 in income of qualifying volunteer emergency service personnel | 2.6 | 2.6 | 2.6 | 2.6 |
| Adoption expenses for special-needs children | | No reliable estimate | | |
| Artwork donated by professional artists | | No reliable estimate | | |
| Certain gross income of child included in parents income | | No reliable estimate | | |
| Certain sewage disposal systems. | | Negligible | | |
| Conservation and management program expenses | | Negligible | | |
| Conservation tillage equipment expenses | | No reliable estimate | | |

| | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
|---|---|---|---|---|
| Contributions to investment accounts | 12.6 | 12.8 | 13.1 | 13.4 |
| Note: Applies to the Maryland Prepaid College Trust, Maryland College Investment Plan, the Maryland ABLE Program and to the Maryland Broker-Dealer College Investment Plan. Capped at $2,500 per contract with the Prepaid Trust and per account holder/beneficiary. | | | | |
| Cost of installing handrails in certain medical facilities | | No reliable estimate | | |
| Donated farm products | | No reliable estimate | | |
| Elementary and secondary teacher expenses on classroom school supplies | 0.9 | 0.9 | 0.9 | 0.9 |
| Employment-related household and dependent care expenses | 25.6 | 25.5 | 25.5 | 25.4 |
| Expenses of providing human or mechanical readers for blind persons | | No reliable estimate | | |
| Expense to buy poultry/livestock manure spreading equipment | | No reliable estimate | | |
| Living organ donor expenses | | Negligible | | |
| Prizes related to Olympic, Paralympic, Special Olympic and Deaflympic Games | | Negligible | | |
| Reforestation or timber stand expenses | | Negligible | | |
| Salary or wage expenses for targeted jobs | | No reliable estimate | | |
| Sale of perpetual conservation easement | 0.8 | 0.8 | 0.8 | 0.8 |
| Unreimbursed expenses of foster parents | | Negligible | | |
| Unreimbursed mileage of certain volunteers | | No reliable estimate | | |
| *Legal reference: Art. TG Sec. 10-209* | | | | |
| Correction Officer Retirement Income | 1.7 | 1.7 | 1.8 | 1.8 |
| Law Enforcement, Fire, Rescue, and Emergency Services Retirement Income | 3.8 | 3.9 | 4.0 | 4.1 |
| Pension income | 232.8 | 247.0 | 262.0 | 278.0 |
| *Note: Local effect for subtraction modifications is approximately $297.6 million in FY 2020.* | | | | |
| **Tax credits for:** | | | | |
| *Legal reference: Art. TG 10-736* | | | | |
| Donation to permanent endowment fund at a community foundation | | Included in corporate income tax | | |
| *Legal reference: Art. TG Sec 10-719* | | | | |
| Energy storage systems | 0.2 | 0.4 | 0.1 | 0.1 |
| Note: Split between corporate and individual tax. | | | | |
| *Legal reference: Art. TG Sec. 10-723* | | | | |
| Conservation easements conveyed to the The Maryland Environmental Trust, the Maryland Agricultural Land Preservation Foundation, or the Department of Natural Resources | 0.8 | 0.8 | 0.7 | 0.7 |
| *Legal reference: Art. TG Sec. 10-729* | | | | |
| Electronic Vehicle Recharging Equipment Tax Credit | | Negligible | | |

| | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
|---|---|---|---|---|
| *Legal reference: Art. TG Sec. 10-702* | | | | |
| Wages paid in enterprise zone | 0.4 | 0.4 | 0.4 | 0.4 |
| Wages paid in Regional Institution Strategic Enterprise Zone | Included in corporate income tax | | | |
| *Legal reference: Art. TG Sec. 10-703* | | | | |
| Taxes paid by resident to another state | 17.3 | 17.8 | 18.5 | 19.3 |
| *Legal reference: Art. TG Sec. 10-704* | | | | |
| Businesses that create new jobs | Negligible | | | |
| Neighborhood and community assistance contributions | 1.9 | 1.5 | 1.5 | 1.5 |
| Non-Refundable Earned Income Tax Credit | 95.2 | 95.2 | 95.2 | 95.2 |
| Purchase of Maryland-mined coal | Negligible | | | |
| Note: Corporations take all credits against franchise tax. | | | | |
| Refundable Earned Income Tax Credit | 170.9 | 176.4 | 181.9 | 186.9 |
| Rehabilitating historic/heritage structures | Included in corporate income tax | | | |
| Wages paid to qualified employees (Job Creation Tax Credit) | Included in corporate income tax | | | |
| Wages/child care/transportation for employees with disabilities (Maryland Disability Employment Tax Credit) | Included in corporate income tax | | | |
| *Legal reference: Art. TG Sec. 10-707* | | | | |
| Property tax paid on owner-occupied residences in specified neighborhoods | 0.2 | 0.2 | 0.2 | 0.2 |
| *Legal reference: Art. TG Sec. 10-709* | | | | |
| Persons with below poverty level incomes | 35.3 | 35.3 | 35.3 | 35.3 |
| Note: Local effect is $13.6 million in FY 2020. | | | | |
| *Legal reference: Art. TG Sec. 10-710* | | | | |
| Employer-paid long-term care insurance premiums | Negligible | | | |
| *Legal reference: Art. TG Sec. 10-714* | | | | |
| One Maryland project/start-up costs. | Included in corporate income tax | | | |
| *Legal reference: Art. TG Sec. 10-715* | | | | |
| Cost of providing employee commuter benefits | 0.6 | 0.7 | 0.5 | 0.5 |
| *Legal reference: Art. TG Sec. 10-716* | | | | |
| Child and dependent care expenses | 8.1 | 8.1 | 8.1 | 8.1 |
| *Legal reference: Art. TG Sec. 10-717* | | | | |
| Expenses for classroom teacher advanced education | 7.0 | 7.0 | 7.0 | 7.0 |
| *Legal reference: Art. TG Sec. 10-718* | | | | |
| Eligible long-term care premiums | 2.1 | 2.1 | 2.1 | 2.1 |

| | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
|---|---|---|---|---|
| *Legal reference: Art. TG Sec. 10-720* | | | | |
| Electricity produced from qualified energy resources | 1.7 | 2.2 | 2.1 | 2.2 |
| *Legal reference: Art. TG Sec. 10-721* | | | | |
| Qualified R&D expenses | Included in corporate income tax | | | |
| *Legal reference: Art. TG Sec. 10-724* | | | | |
| Up to $500 for the purchase of aquaculture oyster floats | 0.2 | 0.2 | 0.2 | 0.2 |
| *Legal reference: Art. TG Sec. 10-724.1* | | | | |
| Oyster shell recycling | | Negligible | | |
| *Legal reference: Art. TG Sec. 10-725* | | | | |
| Biotechnology investment | Included in corporate income tax | | | |
| Note: Credit split between corporate and individual income tax. Cost depends on appropriation. Proposed FY 2022 appropriation of $12 million. | | | | |
| *Legal reference: Art. TG Sec. 10-726* | | | | |
| Cellulosic ethanol technology R&D | | Negligible | | |
| *Legal reference: Art. TG Sec. 10-730* | | | | |
| Qualified film production entities | | Negligible | | |
| Note: Credit entirely claimed against corporate income tax. | | | | |
| *Legal reference: Art. TG Sec. 10-732* | | | | |
| Employer costs for security clearance | Included in corporate income tax | | | |
| Note: Statutorily capped at $2.0 million for all eligible companies. Credit split between personal and corporate income tax. | | | | |
| First-year leases of small businesses performing security-based contracting | | Negligible | | |
| *Legal reference: Art. TG Sec. 10-733* | | | | |
| Cybersecurity investment | Included in corporate income tax | | | |
| Cybersecurity purchases | Included in corporate income tax | | | |
| Note: Credits capped by appropriation. | | | | |
| *Legal reference: Art. TG Sec. 10-734* | | | | |
| Registration of tractor-trailers | Included in corporate income tax | | | |

| | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
|---|---|---|---|---|
| *Legal reference: Art. TG Sec. 10-735* | | | | |
| Qualified winery and vineyard expenditures | Included in corporate income tax | | | |
| *Legal reference: Art. TG Sec. 10-737* | | | | |
| Aerospace, electronics, or defense contract projects | | No reliable estimate | | |
| *Legal reference: Art. TG Sec. 10-738* | | | | |
| Physicians or nurse practitioners who serve without compensation in an approved preceptorship program | 0.2 | 0.2 | 0.2 | 0.2 |
| *Legal reference: Art. TG Sec. 10-740* | | | | |
| Student loan debt (Student Loan Debt Relief Tax Credit) | 9.0 | 9.0 | 9.0 | 9.0 |
| *Legal reference: Art. TG Sec. 10-743* | | | | |
| Wages paid to qualified veteran employees (Hire Our Heroes Act) | Included in corporate income tax | | | |
| *Legal reference: Art. TG Sec. 10-744* | | | | |
| Expenses to renovate existing home for accessibility and universal visitability | | Negligible | | |
| *Legal reference: Art. TG Sec. 10-745* | | | | |
| Food donation pilot program | | Negligible | | |
| Venison donation | | Negligible | | |
| *Legal reference: Art. TG Sec. 10-746* | | | | |
| Small businesses providing paid leave (Small Business Relief Tax Credit) | Included in corporate income tax | | | |
| Note: Split between corporate and income tax. | | | | |
| **Individual Income Tax Total:** | **3,348.5** | **3,390.5** | **3,440.9** | **3,491.0** |
| **Inheritance Taxes** | | | | |
| **Deduction for:** | | | | |
| *Legal reference: Art. TG Sec. 7-309* | | | | |
| Deduction against estate tax for health insurance costs of spouse | 0.6 | 0.6 | 0.6 | 0.7 |
| **Exemption for:** | | | | |
| *Legal reference: Art. TG Sec. 7-203* | | | | |
| $500 for grave maintenance | | No reliable estimate | | |
| Bequests under $1000 | | No reliable estimate | | |
| Estate tax exclusion - Conservation Easements | | No reliable estimate | | |
| Income accrued on probate assets | | No reliable estimate | | |
| Life insurance benefits | | No reliable estimate | | |
| Personal property of nonresident decedents | | No reliable estimate | | |
| Property passed to domestic partners | 1.0 | 1.0 | 1.0 | 1.1 |

| | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
|---|---|---|---|---|
| Property passed to lineal beneficiaries and siblings | 59.2 | 60.4 | 61.6 | 62.8 |
| Property passing to the State or its subdivisions | | No reliable estimate | | |
| Property that passes to qualified nonprofit organizations | | No reliable estimate | | |
| Recovered Holocaust assets | | No reliable estimate | | |
| Small estates | | No reliable estimate | | |
| *Legal reference: Art. TG Sec. 7-211* | | | | |
| Family farms qualifying as farmland | | No reliable estimate | | |
| *Legal reference: Art. TG Sec. 7-307* | | | | |
| Payment deferral for qualified agricultural property | | No reliable estimate | | |
| **Inheritance Taxes Total:** | **60.8** | **62.0** | **63.3** | **64.5** |
| **Insurance Premium Tax** | | | | |
| **Exemption for:** | | | | |
| *Legal reference: Art. Ins. Sec. 6-101* | | | | |
| Maryland Automobile Insurance Fund | 1.7 | 1.7 | 1.5 | 1.5 |
| Premium for fraternal beneficiary corporations | 2.3 | 2.3 | 2.0 | 2.0 |
| Premiums for nonprofit health service plans | 19.2 | 21.0 | 21.0 | 21.0 |
| Note: nonprofit health service plans pay at least 2% of premiums to support specific state projects (for example, the Senior Prescription Drug Assistance Program) in lieu of premium tax payments. | | | | |
| *Legal reference: Art. Ins. Sec. 6-103* | | | | |
| Annuities | 131.7 | 112.0 | 112.0 | 112.0 |
| *Legal reference: Art. Ins. Sec. 6-105* | | | | |
| Donations to nonprofit neighborhood revitalization projects | | No reliable estimate | | |
| Rehabilitating historic/heritage structures | | Negligible | | |
| *Legal reference: Art. Ins. Sec. 6-114* | | | | |
| Job creation | | Negligible | | |
| *Legal reference: Art. Ins. Sec. 6-115* | | | | |
| Expenses for hiring qualified employees with disabilities | | No reliable estimate | | |
| *Legal reference: Art. Ins. Sec. 6-116* | | | | |
| Businesses that create new jobs | | No reliable estimate | | |
| *Legal reference: Art. Ins. Sec. 6-117* | | | | |
| Expenses for employer-paid long-term care insurance premiums | | No reliable estimate | | |

| | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
|---|---|---|---|---|
| *Legal reference: Art. Ins. Sec. 6-119* | | | | |
| Costs associated with One Maryland economic development projects. | Included in corporate and individual income tax | | | |
| *Legal reference: Art. Ins. Sec. 6-120* | | | | |
| Expenses for employer-provided commuter benefits | Negligible | | | |
| **Insurance Premium Tax Total:** | **154.9** | **137.0** | **136.5** | **136.5** |
| **Motor Vehicle Fuel Tax** | | | | |
| **Exemption for:** | | | | |
| *Legal reference: Art. TG Sec. 9-303* | | | | |
| Diesel fuel used in vessels | 2.4 | 2.4 | 2.4 | 2.4 |
| Fuel bought by State government or local sub-divisions | 2.8 | 2.9 | 2.9 | 2.8 |
| Fuel sold for export from the state | 13.6 | 13.5 | 13.3 | 13.3 |
| Fuel used in buses owned or operated by a county board of education | No reliable estimate | | | |
| **Partial refunds for:** | | | | |
| *Legal reference: Art. TG Sec. 13-901* | | | | |
| Fuel used by agricultural spreaders | No reliable estimate | | | |
| Fuel used by concrete mixers | 0.3 | 0.4 | 0.4 | 0.4 |
| Fuel used by fuel delivery vehicles | No reliable estimate | | | |
| Fuel used by solid waste compactors | 0.3 | 0.3 | 0.3 | 0.3 |
| Fuel used by well drillers | No reliable estimate | | | |
| **Refunds for:** | | | | |
| *Legal reference: Art. TG Sec. 13-901* | | | | |
| Aviation fuel dispensed to aircraft by aircraft manufacturing companies located in the State | 0.1 | 0.1 | 0.1 | 0.1 |
| Aviation fuel used for agricultural purposes | No reliable estimate | | | |
| Fuel lost in fire or collision | No reliable estimate | | | |
| Fuel taxed in another state | 5.5 | 5.5 | 5.5 | 5.5 |
| Fuel used by Red Cross | No reliable estimate | | | |
| Fuel used by state-funded nonprofit transit systems for the elderly, disabled or poor | 1.0 | 0.9 | 1.0 | 1.0 |
| Fuel used for agricultural purposes | Negligible | | | |
| Fuel used for commercial purposes other than operation of motor vehicles on public highways<br>Note: Principally for marine uses. | 0.1 | 0.1 | 0.1 | 0.1 |
| Fuel used in engines installed permanently at fixed locations | 1.5 | 1.5 | 1.5 | 1.5 |
| Fuel used in fire and rescue vehicles | 0.5 | 0.4 | 0.4 | 0.4 |
| Fuel used to operate bus systems of local governments | 1.6 | 1.1 | 1.1 | 1.2 |
| Refund of fuel tax for fuel used by the federal government | 3.2 | 2.2 | 2.5 | 2.5 |

| | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
|---|---|---|---|---|
| *Note: 9.6% of Motor Vehicle Fuel Tax Expenditures were distributed to local governments as Highway User Revenue in FY 2019, and* | | | | |
| **Motor Vehicle Fuel Tax Total:** | **32.9** | **31.3** | **31.5** | **31.5** |
| **Motor Vehicle Registration Fees** | | | | |
| **Exemption for:** | | | | |
| *Legal reference: Art. TR Sec. 13-903* | | | | |
| American Legion's "40-8 box car" | | No reliable estimate | | |
| Note: Included in miscellaneous and other registration fee exemptions, all of which are estimated to be $0.1 million in FY 2022. | | | | |
| Civil Air Patrol vehicles | | No reliable estimate | | |
| Fire buff canteen wagons | | No reliable estimate | | |
| Miscellaneous motor vehicle registration fee exemptions, including fire and rescue vehicles | 0.1 | 0.1 | 0.1 | 0.1 |
| Out-of-state law enforcement vehicles | | No reliable estimate | | |
| Note: Included in miscellaneous and other registration fee exemptions, all of which are estimated to be $0.1 million in FY 2020. | | | | |
| School vehicles owned by religious organizations | | No reliable estimate | | |
| Note: Included in miscellaneous and other registration fee exemptions, all of which are estimated to be $0.1 million in FY 2020. | | | | |
| Vehicles owned by disabled veterans | 0.1 | 0.1 | 0.1 | 0.1 |
| Vehicles owned by federal, State, or local governments | 0.4 | 0.3 | 0.2 | 0.2 |
| Vehicles owned by the Red Cross | | No reliable estimate | | |
| Note: Included in miscellaneous and other registration fee exemptions, all of which are estimated to be $0.1 million in FY 2020. | | | | |
| Vehicles owned by veterans' organizations | | No reliable estimate | | |
| Note: Included in miscellaneous and other registration fee exemptions, all of which are estimated to be $0.1 million in FY 2020. | | | | |
| **Motor Vehicle Registration Fees Total:** | **0.6** | **0.5** | **0.4** | **0.4** |
| **Motor Vehicle Titling Tax** | | | | |
| **Credit for:** | | | | |
| *Legal reference: Art. TR Sec. 13-809* | | | | |
| Out-of-state sales or excise tax paid by persons moving to Maryland | 4.7 | 3.7 | 3.5 | 3.4 |
| *Legal reference: Art. TR Sec. 13-815* | | | | |
| Electric vehicles | 3.0 | 6.0 | 9.0 | 13.5 |
| **Exemption for:** | | | | |
| Legal reference: Art. TR Sec. 13-102 | | | | |
| Farm equipment | | No reliable estimate | | |
| Vehicles owned by federal government | | No reliable estimate | | |

| | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
|---|---|---|---|---|
| *Legal reference: Art. TR Sec. 13-810* | | | | |
| Buses used for handicapped transportation | | Included in passenger buses | | |
| Buses used for public school transportation | | No reliable estimate | | |
| Civil Air Patrol vehicles | | No reliable estimate | | |
| Excluding the value of trade-ins | 138.0 | 134.0 | 134.0 | 134.0 |
| Note: Includes exemption from the sales and use tax. | | | | |
| Fire engines and fire department apparatus | | No reliable estimate | | |
| Hearing and vision screening vehicles | | No reliable estimate | | |
| Leased State vehicles | | Negligible | | |
| Leased vehicles purchased by the lessee | 7.1 | 7.1 | 7.8 | 7.8 |
| Miscellaneous titling tax exemptions | | No reliable estimate | | |
| Mobile homes over 35 feet | | No reliable estimate | | |
| Note: Mobile homes over 35 ft., when installed on sites, are taxed as real property. | | | | |
| Red Cross vehicles | | No reliable estimate | | |
| Registered passenger buses | 15.8 | 14.3 | 14.7 | 15.0 |
| Registered truck tractors | | Included in passenger buses | | |
| School buses owned by religious organizations | | No reliable estimate | | |
| Titling tax for out-of-state law enforcement vehicles | | No reliable estimate | | |
| Transfer of vehicles from specified trusts | | Negligible | | |
| Vehicles owned by private schools | | No reliable estimate | | |
| Vehicles owned by state and its subdivisions | 21.0 | 19.4 | 18.2 | 17.0 |
| Vehicles owned by U.S. and used in an investigation | | No reliable estimate | | |
| Vehicles owned by veterans' organizations | | No reliable estimate | | |
| Vehicles purchased for short-term rental purposes | 97.4 | 69.3 | 64.6 | 60.3 |
| Vehicles transferred into an inter vivos trust if transferor is the beneficiary | 1.6 | 1.3 | 1.2 | 1.1 |
| **Motor Vehicle Titling Tax** | **288.6** | **255.1** | **253.0** | **252.1** |
| **Property Transfer Tax** | | | | |
| **Exemptions for:** | | | | |
| *Legal reference: Art. EST Sec. 14.5-1001* | | | | |
| Transfer of real property from specified trusts | | No reliable estimate | | |
| Legal Reference: Art. TP Sec. 12-108 | | | | |
| Transfers between parent business entity and subsidiary or among wholly owned subsidiaries | | No reliable estimate | | |
| *Legal reference: Art. TP Sec. 12-108 and 13-107* | | | | |
| Transfers made from estates with no consideration and to and from trusts | | No reliable estimate | | |
| *Legal reference: Art. TP Sec. 12-117* | | | | |
| Property Conveyed from Sole Proprietorship to LLC | | No reliable estimate | | |

| | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
|---|---|---|---|---|
| *Legal reference: Art. TP Sec. 13-203* | | | | |
| Miscellaneous property tax exemptions | | No reliable estimate | | |
| Tax rate halved for first time Maryland home buyers | 14.7 | 15.0 | 15.3 | 15.6 |
| Legal reference: Art. TP Sec. 13-207 | | | | |
| Conversions of foreign entities to LLCs | | No reliable estimate | | |
| Corporate or partnership conveyances | | No reliable estimate | | |
| Judgments, orders of satisfaction or participation agreements | | No reliable estimate | | |
| Land installment contracts, options to purchase real prop or short-term leases | | No reliable estimate | | |
| Mergers, consolidations or transfers from partnerships to LLCs | | No reliable estimate | | |
| Transfers between domestic partners, former domestic partners or relatives | | No reliable estimate | | |
| Transfers between spouses, former spouses or relatives | | No reliable estimate | | |
| Transfers for cooperative housing corporations | | No reliable estimate | | |
| Transfers of corporate property between related corporations | | No reliable estimate | | |
| Transfers of supplemental, previously recorded instruments/deeds for prior contract of sale | | No reliable estimate | | |
| Transfers to governments or public agencies | | No reliable estimate | | |
| Transfers upon conversion of joint ventures or sole proprietorships to an LLC | | No reliable estimate | | |
| Legal reference: Art. TP Sec. 13-303 | | | | |
| Agricultural land in calculating the tax rate when transferred with land for another purpose | | No reliable estimate | | |
| *Legal reference: Art. TP Sec. 13-413* | | | | |
| Principle residence surrendered in bankruptcy | | No reliable estimate | | |
| **Property Transfer Tax** | **14.7** | **15.0** | **15.3** | **15.6** |
| **Public Service Co. Franchise Tax** | | | | |
| **Exemption for:** | | | | |
| *Legal reference: Art. TG Sec. 8-401* | | | | |
| Internet services | | No reliable estimate | | |
| **Tax credits for:** | | | | |
| *Legal reference: Art. TG Sec 8-417* | | | | |
| Sales to large industrial customers for production activity | 1.8 | 1.4 | 1.5 | 1.5 |
| *Legal Reference: Art. TG Sec. 8-214* | | | | |
| Financial institution franchise tax credit for donations to nonprofit neighborhood revitalization projects | | No reliable estimate | | |
| *Legal reference: Art. TG Sec. 8-406* | | | | |
| Purchase of MD-mined coal. | 3.0 | 3.0 | 3.0 | DNE |
| Note: Capped at $3 million and sunsets at the end of FY 2021. | | | | |
| Rehabilitating historic/heritage structures | | No reliable estimate | | |

| | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
|---|---|---|---|---|
| *Legal reference: Art. TG Sec. 8-407* | | | | |
| Telephone lifeline service | 0.2 | 0.1 | 0.2 | 0.2 |
| *Legal reference: Art. TG Sec. 8-411* | | | | |
| Job creation | | No reliable estimate | | |
| *Legal reference: Art. TG Sec. 8-412* | | | | |
| Donations to nonprofit neighborhood revitalization projects | | No reliable estimate | | |
| *Legal reference: Art. TG Sec. 8-413* | | | | |
| Expenses for hiring qualified employees with disabilities | | No reliable estimate | | |
| *Legal reference: Art. TG Sec. 8-415* | | | | |
| Expenses for employer-paid long-term care insurance premiums | | No reliable estimate | | |
| **Public Service Co. Franchise Tax Total:** | **5.0** | **4.5** | **4.7** | **1.7** |
| **Sales and Use Tax** | | | | |
| **Exemptions or exclusions for:** | | | | |
| *Legal reference: Art. TG Sec. 11-101* | | | | |
| "Core value" of used truck parts exchanged for remanufactured parts | 0.2 | 0.2 | 0.2 | 0.2 |
| Expense reimbursements while providing taxable detective resources | 0.2 | 0.2 | 0.2 | 0.2 |
| Separately-stated Admissions and Amusement tax charges | 0.3 | 0.3 | 0.3 | 0.3 |
| *Legal reference: Art. TG Sec. 11-104* | | | | |
| 40% of the purchase price for retail sales of new mobile homes | 1.1 | 1.1 | 1.1 | 1.1 |
| *Legal reference: Art. TG Sec. 11-201* | | | | |
| Sales for agricultural purposes or of agricultural products | 243.5 | 251.7 | 256.7 | 261.9 |
| Sales through bulk vending machines | 1.2 | 1.2 | 1.3 | 1.3 |
| *Legal reference: Art. TG Sec. 11-204* | | | | |
| Facilities operated under MD Vending Program for the Blind on military bases | | Negligible | | |
| Note: Estimated revenue cost is under $15,000 annually. | | | | |
| Parent-teacher organizations and other nonprofits internal to elementary and secondary schools | 0.2 | 0.2 | 0.2 | 0.2 |
| Sales by hospital thrift shops | 0.1 | 0.1 | 0.1 | 0.1 |
| Sales by religious organizations | 6.0 | 6.1 | 6.6 | 6.9 |
| Sales by State mental hospital gift shops | | Negligible | | |
| Sales for fund raising to benefit schools/students | 1.6 | 1.6 | 1.8 | 1.9 |
| Sales to cemetery companies | | Negligible | | |
| Sales to certain out-of-state nonprofit organizations | | No reliable estimate | | |
| Sales to charitable organizations | 125.8 | 129.0 | 132.2 | 135.5 |
| Sales to credit unions | 0.4 | 0.4 | 0.4 | 0.4 |

| | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
|---|---|---|---|---|
| Sales to educational organizations | 14.9 | 15.2 | 15.5 | 15.8 |
| Sales to fire, rescue, and ambulance companies | 1.9 | 2.0 | 2.0 | 2.0 |
| Sales to religious organizations | 17.9 | 18.3 | 19.6 | 20.7 |
| Sales to veterans' organizations | 0.1 | 0.1 | 0.1 | 0.1 |
| Sales under $500 to nonprofit senior citizens' organizations | | No reliable estimate | | |
| *Legal reference: Art. TG Sec. 11-205* | | | | |
| Sales of US, Maryland and POW/MIA flags | | Negligible | | |
| *Legal reference: Art. TG Sec. 11-206* | | | | |
| Food delivered for immediate consumption by a nonprofit vendor | 0.4 | 0.4 | 0.4 | 0.4 |
| Sales of certain "snack" and "healthy" foods sold through vending machines | 8.4 | 8.6 | 9.2 | 9.7 |
| Sales of crabs and seafood for consumption off premises | 2.9 | 2.9 | 3.1 | 3.3 |
| Sales of food at schools, colleges and universities | 27.1 | 27.8 | 29.7 | 31.4 |
| Sales of food by religious organizations | 9.1 | 9.4 | 9.6 | 9.8 |
| Sales of food for consumption off premises | 732.7 | 743.5 | 788.2 | 834.0 |
| Sales of food on vehicles engaged in interstate commerce | | Negligible | | |
| Sales of food to support fire, rescue and ambulance companies | 0.2 | 0.2 | 0.2 | 0.2 |
| Sales of food to support veterans' organizations | 2.1 | 2.1 | 2.2 | 2.4 |
| *Legal reference: Art. TG Sec. 11-207* | | | | |
| Fuel rate adjustment charges on sales of electricity, steam, natural or artificial gas, etc. used in the common areas of residential condominiums | 0.6 | 0.6 | 0.6 | 0.6 |
| Residential sales of electricity to a nonprofit planned retirement community | 0.3 | 0.3 | 0.3 | 0.3 |
| Residential sales of fuel, electricity, steam, natural or artificial gas, etc. | 411.4 | 415.9 | 382.1 | 390.0 |
| *Legal reference: Art. TG Sec. 11-208* | | | | |
| Sales of film or tape used in television broadcasting | 0.7 | 0.7 | 0.7 | 0.8 |
| Sales of marine equipment or machinery for ocean-going vessels | 0.9 | 0.9 | 0.9 | 1.0 |
| Sales of vehicles used in interstate commerce | 17.7 | 18.2 | 18.9 | 19.7 |
| *Legal reference: Art. TG Sec. 11-209* | | | | |
| Casual and isolated sales | | Negligible | | |
| Certain transfers of business property | | Negligible | | |
| *Legal reference: Art. TG Sec. 11-210* | | | | |
| Sales of certain bakery equipment | | Negligible | | |
| Note: Estimated at under $25,000 annually. | | | | |
| Sales of machinery and equipment used to produce "Energy Star" windows and entry doors | 0.3 | 0.3 | 0.3 | 0.3 |
| Sales of machinery and utilities used to produce bituminous concrete | 0.3 | 0.3 | 0.3 | 0.3 |
| Sales of tangible personal property used predominantly in a production activity | 116.6 | 119.8 | 125.0 | 129.8 |

| | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
|---|---|---|---|---|
| *Legal reference: Art. TG Sec. 11-211* | | | | |
| Sales of medicine, medical supplies and health aids | 528.2 | 550.8 | 550.8 | 550.8 |
| Sales of artificial hearing device earmolds, equipment, and parts | Not in existence | | 0.8 | 0.8 |
| *Legal reference: Art. TG Sec. 11-212* | | | | |
| Sales of diesel fuel used in coal mine reclamation | | Negligible | | |
| Note: Less than $20,000 annually. | | | | |
| Sales of wood products for mining purposes | | Negligible | | |
| *Legal reference: Art. TG Sec. 11-213* | | | | |
| Sales of used mobile homes | 0.3 | 0.3 | 0.3 | 0.3 |
| *Legal reference: Art. TG Sec. 11-214* | | | | |
| Sales of precious metal coins or bullion over $1,000 | 3.1 | 3.2 | 3.2 | 3.2 |
| Use of nonresidential personal property | | Negligible | | |
| *Legal reference: Art. TG Sec. 11-215* | | | | |
| Sales and printing of free newspapers | 4.2 | 4.2 | 4.3 | 4.3 |
| Sales of government documents, publications, etc. | 5.0 | 5.1 | 5.2 | 5.4 |
| Sales of out-of-state direct mail advertising materials | 5.1 | 5.1 | 5.3 | 5.4 |
| Sales of photographic and artistic materials used in publication | 14.2 | 14.6 | 15.1 | 15.6 |
| *Legal reference: Art. TG Sec. 11-216* | | | | |
| Sales of tangible personal property to nonprofit organizations for use in another state | | No reliable estimate | | |
| *Legal reference: Art. TG Sec. 11-217* | | | | |
| Certain sales for R&D purposes | 25.3 | 26.0 | 26.8 | 27.7 |
| *Legal reference: Art. TG Sec. 11-218* | | | | |
| Sales of fuel or repair parts for commercial vessels | | Negligible | | |
| Sales of seafood harvesting equipment | 2.9 | 3.0 | 3.1 | 3.2 |
| *Legal reference: Art. TG Sec. 11-219* | | | | |
| Optional computer software maintenance contracts | 9.3 | 9.6 | 10.0 | 10.5 |
| *Legal reference: Art. TG Sec. 11-220* | | | | |
| Sales to the State and its subdivisions | 490.0 | 508.0 | 542.0 | 562.8 |
| *Legal reference: Art. TG Sec. 11-221* | | | | |
| Long-term motor vehicle leases | 27.8 | 28.7 | 29.7 | 30.8 |
| Sales of admissions subject to the Admissions and Amusement tax | 74.8 | 76.1 | 77.4 | 78.7 |
| Sales of certain communications services subject to the federal excise tax | 72.7 | 73.5 | 72.4 | 71.3 |
| Sales of items taxed in another state | | Negligible | | |

| | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
|---|---|---|---|---|
| Sales of materials taxed under other laws | No reliable estimate | | | |
| Sales of motor fuel subject to the motor fuel or motor carrier tax | 810.4 | 840.6 | 872.0 | 904.5 |
| Sales of motor vehicles, except house/office trailers, subject to the motor vehicle excise tax | 877.2 | 914.4 | 953.2 | 993.6 |
| Sales of rentals of motion pictures subject to the Admissions and Amusement tax | Negligible | | | |
| Sales of vessels subject to the boat excise tax | 19.3 | 19.5 | 19.7 | 19.9 |
| Trade-in allowance against motor vehicle excise tax | Included in titling tax exemption | | | |
| *Legal reference: Art. TG Sec. 11-222* | | | | |
| Sales of testing equipment to be transferred to U.S. Government | No reliable estimate | | | |
| *Legal reference: Art. TG Sec. 11-223* | | | | |
| Sales of buses for use in public transportation systems | 1.5 | 1.5 | 1.6 | 1.6 |
| *Legal reference: Art. TG Sec. 11-224* | | | | |
| Sales of water through pipes | 38.1 | 38.8 | 39.6 | 40.4 |
| *Legal reference: Art. TG Sec. 11-225* | | | | |
| Sales of certain computer programs | 2.7 | 2.7 | 2.8 | 2.8 |
| *Legal reference: Art. TG Sec. 11-226* | | | | |
| Sales of certain energy-efficient appliances | No reliable estimate | | | |
| Sales of multifuel pellet stoves designed to burn agricultural field corn | Negligible | | | |
| *Legal reference: Art. TG Sec. 11-227* | | | | |
| Sales of property or services used in film production activity | 0.7 | 0.7 | 0.8 | 0.8 |
| *Legal reference: Art. TG Sec. 11-228* | | | | |
| Back to school clothing and footwear tax free period | 6.4 | 6.6 | 6.8 | 7.1 |
| *Legal reference: Art. TG Sec. 11-229* | | | | |
| Sales of power to operate machinery used to produce snow for commercial purposes | Negligible | | | |
| *Legal reference: Art. TG Sec. 11-230* | | | | |
| Sales of geothermal, wind or solar energy equipment | 0.4 | 0.4 | 0.4 | 0.4 |
| *Legal reference: Art. TG Sec. 11-231* | | | | |
| Sales of space at Corporate Training Centers | 0.4 | 0.4 | 0.4 | 0.4 |
| *Legal reference: Art. TG Sec. 11-232* | | | | |
| Sales of construction material or warehousing equipment for use in Baltimore County on property previously owned by Bethlehem Steel | No reliable estimate | | | |

| | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
|---|---|---|---|---|
| *Legal reference: Art. TG Sec. 11-236* | | | | |
| Sales of construction materials bought for Pimlico and Laurel Park renovations | Not in existence | | 0.5 | 0.6 |
| *Legal reference: Art. TG Sec. 11-237* | | | | |
| Sales of certain aircraft parts and equipment | Not in existence | | 1.2 | 1.2 |
| *Legal reference: Art. TG Sec. 11-238* | | | | |
| Sales of construction material or warehousing equipment for use in qualified opportunity zone or target redevelopment area in Baltimore and Washington Counties | Not in existence | | 0.5 | 0.5 |
| *Legal reference: Art. TG Sec. 11-239* | | | | |
| Sale of personal property by qualified data centers | Not in existence | | Negligible | |
| *Legal reference: Art. TG Sec. 11-240* | | | | |
| Sales of certain materials to a licensed caterer | Not in existence | | 0.1 | 0.1 |
| *Legal reference: Art. TG Sec. 11-411* | | | | |
| Light rail vehicles purchased for the Purple Line | | Negligible | | |
| *Legal Reference: Art. TG Sec. 4-104* | | | | |
| Admissions and amusement tax charges or fees to participate in amateur recreational sports events in Baltimore City | | No reliable estimate | | |
| **Refund for:** | | | | |
| *Legal reference: Art. TG Sec. 11-411* | | | | |
| More Jobs for Marylanders Refund | | Negligible | | |
| **Sales and Use Tax Total:** | **4,767.0** | **4,913.3** | **5,055.8** | **5,227.3** |
| **State Property Tax** | | | | |
| **Exemptions for property used for or by:** | | | | |
| *Legal reference: Art. TP Sec. 7-201* | | | | |
| Nonprofit cemetery and mausoleum property | 0.1 | 0.1 | 0.1 | 0.1 |
| *Legal reference: Art. TP Sec. 7-202* | | | | |
| Educational uses | 27.2 | 27.2 | 28.2 | 28.0 |
| Lodges, trade and civic associations, clubs, and other nonprofit organizations | 0.5 | 0.5 | 0.5 | 0.5 |
| Note: Includes charitable organizations, church societies and clubs. | | | | |
| Nonprofit hospitals and health facilities | 7.2 | 7.0 | 7.9 | 7.9 |
| Nonprofit housing for the elderly | 0.6 | 0.7 | 0.6 | 0.6 |
| Youth camps | 0.2 | 0.2 | 0.2 | 0.2 |
| Note: Additional legal references: TP 7-212, 233. | | | | |

| | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
|---|---|---|---|---|
| *Legal reference: Art. TP Sec. 7-203* | | | | |
| The Chesapeake Bay Foundation | | Negligible | | |
| Note: Revenue loss is less than $30,000 annually. | | | | |
| *Legal reference: Art. TP Sec. 7-204* | | | | |
| Religious organizations | 10.9 | 10.9 | 11.4 | 11.4 |
| *Legal reference: Art. TP Sec. 7-205* | | | | |
| Community water systems | | No reliable estimate | | |
| *Legal reference: Art. TP Sec. 7-206* | | | | |
| Continuing care facilities for the aged | | No reliable estimate | | |
| *Legal reference: Art. TP Sec. 7-207* | | | | |
| $15,000 of assessed value for blind and surviving spouses | | Negligible | | |
| Note: Revenue loss is less than $40,000 annually. | | | | |
| *Legal reference: Art. TP Sec. 7-208* | | | | |
| Disabled veterans and surviving spouses | 2.9 | 2.8 | 4.5 | 4.5 |
| Disabled active duty service members | Not in existence | | Negligible | |
| *Legal reference: Art. TP Sec. 7-209 F.N. for HB114 effective FY07* | | | | |
| Volunteer fire companies | 0.5 | 0.5 | 0.4 | 0.4 |
| *Legal reference: Art. TP Sec. 7-210,11* | | | | |
| Federal government property | 13.5 | 13.5 | 12.4 | 13.0 |
| Local government property | 16.1 | 16.1 | 16.5 | 16.5 |
| Property used for heating/cooling of state owned/occupied property | | Negligible | | |
| Note: No revenue loss; properties potentially affected are already tax exempt. | | | | |
| State government property | 9.5 | 9.5 | 9.2 | 9.2 |
| *Legal reference: Art. TP Sec. 7-214* | | | | |
| Historical societies and war memorials | 0.7 | 0.7 | 0.7 | 0.7 |
| *Legal reference: Art. TP Sec. 7-215* | | | | |
| Housing authorities | 3.0 | 3.0 | 3.2 | 3.2 |
| *Legal reference: Art. TP Sec. 7-234* | | | | |
| Veterans' organizations | 0.5 | 0.5 | 0.4 | 0.4 |
| *Legal reference: Art. TP Sec. 7-242* | | | | |
| Wind energy equipment and solar energy | | No reliable estimate | | |

| | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
|---|---|---|---|---|
| **Exemptions or exclusions for:** | | | | |
| *Legal reference: Art. HCD Sec. 12-104* | | | | |
| Montgomery County Housing Opportunities Commission Exemption | DNE | No reliable estimate | | |
| **Miscellaneous property tax exemptions:** | | | | |
| *Legal reference: Art. TP Sec. 7-299* | | | | |
| Miscellaneous property tax exemptions | 2.1 | 2.1 | 2.1 | 2.1 |
| Note: Includes property of foreign governments, fairgrounds, solar energy devices, etc. | | | | |
| *Legal reference: Art. TP Sec. 7-303* | | | | |
| Landing areas at privately owned, public use airports | | Negligible | | |
| Note: Tax expenditure is under $5,000 annually. | | | | |
| **Tax credits for:** | | | | |
| *Legal reference: Art. ED Sec. 5-105* | | | | |
| BRAC Zone Tax Credit | 2.1 | Not in existence | | |
| Note: BRAC is a 10 year program beginning in FY 2010 that sunset at the end of FY 2019. | | | | |
| *Legal reference: Art. TP Sec. 9-103* | | | | |
| Urban Enterprise Zone Tax Credit | 24.8 | 23.9 | 25.3 | 25.3 |
| *Legal reference: Art. TP Sec. 9-104; Art. TG Sec. TP Sec. 9-102* | | | | |
| Homeowners' Tax Credits | 65.5 | 60.0 | 66.5 | 64.0 |
| Renters' Tax Credit | 4.4 | 4.4 | 4.5 | 4.4 |
| *Legal reference: Art. TP Sec. 9-105* | | | | |
| Homestead property tax credit for properties with assessment increases over 10% | 0.9 | 0.9 | 0.9 | 0.9 |
| Note: Local governments forego about 16 times the State credits. See SB 520, HB 199 (2010). | | | | |
| *Legal reference: Art. TP Sec. 9-110* | | | | |
| More Jobs for Marylanders Tax Credit | | Negligible | | |
| **State Property Tax Total:** | **193.1** | **184.6** | **195.5** | **193.3** |
| **Tobacco Tax** | | | | |
| **Exemption for:** | | | | |
| *Legal Reference: Art. TG Sec. 12-104* | | | | |
| Cigarettes brought into the state in small quantities | | No reliable estimate | | |
| Cigarettes for sale at post exchanges and commissaries | | No reliable estimate | | |
| Other tobacco products brought into the state in small quantities | | No reliable estimate | | |
| Other tobacco products for sale at post exchanges and commissaries | | No reliable estimate | | |

| | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
|---|---|---|---|---|
| **Tobacco Tax Total:** | - | - | - | - |
| | | | | |
| **Vessel Excise Tax** | | | | |
| Exemptions for: | | | | |
| *Legal reference: Art. NR Sec. 8-716* | | | | |
| Miscellaneous exemptions from the vessel tax | 0.1 | 0.1 | 0.1 | 0.1 |
| Value of trade-ins | Included in sales tax exemption | | | |
| Vessels purchased by charitable organizations | Negligible | | | |
| Vessels purchased by the State or its subdivisions. | Negligible | | | |
| Vessels titled to a licensed dealer for resale, rental, or leasing purposes | 1.3 | 1.3 | 1.3 | 1.3 |
| | | | | |
| **Tax credits for:** | | | | |
| *Legal reference: Art. NR Sec. 8-716* | | | | |
| For excise tax paid in another state | 0.2 | 0.2 | 0.2 | 0.2 |
| Note: 9.6% is shared by local governments as Highway User Revenue in FY 2019 and 13.5% from FY 2020 to FY 2022. | | | | |
| | | | | |
| **Vessel Excise Tax Total:** | **1.6** | **1.6** | **1.7** | **1.7** |
| | | | | |
| **Total Tax Expenditures:** | **9,383.6** | **9,531.1** | **9,761.5** | **9,998.8** |

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While taxes are an essential source of revenue for all state governments, the manner in which they are imposed varies widely from state to state. In its simplest form, a tax is an across-the-board levy on a base, such as income, to which a specific rate applies and for which no modifications exist. Taxes are rarely levied in this manner, however. Instead, most state tax codes incorporate a number of exemptions, deductions, credits, and deferrals designed to encourage certain taxpayer activities or to limit the tax burden on certain types of individuals or endeavors. Known as "tax expenditures", these provisions can have a significant impact on state tax revenues.

This document offers a summary of the tax expenditures affecting the taxes from which Massachusetts derives the bulk of its revenues: the personal income tax, the corporate excise and other business excises, and the sales and use tax. It also provides revenue estimate for each tax expenditure, as mandated by Massachusetts state law. Organized into five separate sections, this study analyzes all aspects of Massachusetts tax expenditures. Part I contains a detailed explanation of how we identify and estimate the costs of tax expenditure provisions in the tax code. In the next sections (Parts II - IV), we have provided detailed information about each of the three major tax types, including an explanation of how each tax is calculated and the ways in which that tax's basic structure is modified to produce the various types of tax expenditures. The tax expenditures for each tax are listed after the description of the tax.

Following the expenditure listings, Part V provides four appendices. The first lists recent law changes which affect this year's tax expenditure budget; the second is a glossary that defines terms used throughout the text; the third gives five-year tax expenditure estimates that are consistent with our most recent estimation methodology; and the fourth appendix is used for items that no longer qualify as tax expenditures due to legislative changes but are estimated for the purpose of comparisons to prior reports. In reviewing this document it is important to remember that although a tax expenditure represents a deviation from the generally agreed-upon, or basic, structure of a given tax, determining whether a provision is a tax expenditure is not the same as making a judgment about its desirability. An element of the basic structure of a tax can be inequitable or have undesirable economic effects, just as a tax expenditure can. If so, it can be changed by legislative action just as a tax expenditure can.

The estimates of the costs of tax expenditures included in this volume are revised annually. As improved methodologies and data become available over the course of the year, some estimates may be reexamined and occasionally revised.

## What Are Tax Expenditures?

Tax expenditures are provisions in the tax code, such as exclusions, deductions, credits, and deferrals, which are designed to encourage certain kinds of activities or to aid taxpayers in special circumstances. When such provisions are enacted into the tax code, they reduce the amount of tax revenues that may be collected. Massachusetts General Laws (MGL), Ch 29, Sec 1 as modified by the Ch. 165 of the Acts of 2012 (section 112) defines *tax expenditures* as

> *"state tax revenue foregone as a direct result of any general or special law which allows exemptions, deferrals, deductions from or credits against taxes imposed on income, businesses and corporations, financial institutions, insurance and sales but excluding revenue foregone as a direct result of any general or special law which allows a personal income tax exemption. Sales that do not involve tangible personal property shall not result in tax expenditures under this definition."*

In this sense, the fiscal effects of a tax expenditure are just like those of a direct government expenditure. Some tax expenditures involve a permanent loss of revenue, and thus are comparable to a payment by the government; others cause a deferral of revenue to the future, and thus are comparable to an interest-free loan to the taxpayer. Since tax expenditures are designed to accomplish certain public goals that otherwise might be met through direct expenditures, it seems reasonable to apply to tax expenditures the same kind of analysis and review that the appropriations budget receives.

It is essential to distinguish between those provisions of the tax code that represent tax expenditures and those that are part of the "basic structure" of a given tax. The basic structure is the set of rules that defines the tax; a tax expenditure is an exception to those rules. In general, most taxes have a series of features that define their basic structure. These features are:

1. A base, on which the tax is levied, such as net income, or a particular class of transactions;
2. A taxable unit, such as a person or a corporation;
3. A rate, to be applied to the base;
4. A definition of the geographic limits of the state's exercise of its tax jurisdiction; and
5. Provisions for the administration of the tax.

## Defining the Basic Tax Structure

A tax expenditure is a deviation from the generally agreed-upon, or basic, structure of a given tax. For example, the base of the sales tax includes all retail sales to final consumers. The exemption for sales of energy conservation equipment is an exception, created to encourage purchases of such equipment. The sales tax that is not collected because of the existence of this exemption is tax expenditure.

While this general definition seems straightforward enough, the task of compiling a comprehensive list of tax expenditures presents many conceptual problems. For example, some of the deductions and exemptions allowed under the tax statutes are not tax expenditures. The broad category of income tax deductions allowed for business expenses is not listed as tax expenditure. Since the income tax is generally considered to be a tax on income net of the costs of producing that income, deductions for business expenses are taken against gross income and therefore occur prior to calculation of the tax base. In addition, tax provisions reflecting constitutional prohibitions, such as the prohibition on taxation of sales to the federal government, are considered parts of the basic tax structure and therefore are not properly considered tax expenditures. These distinctions are fairly simple, but more complex analytical questions quickly arise.

For example, deductions for the depreciation of property and equipment used in a trade or business are considered part of the basic tax structure because the use of productive assets is a legitimate cost of doing business. However, federal depreciation rules allow larger depreciation deductions in the early years of a property's useful life. These accelerated depreciation rules could be viewed as properly reflecting changing notions of obsolescence and thus as part of the basic tax structure; or the faster rates of depreciation could be considered a special adjustment in the tax base designed to provide an incentive for investment, and therefore a tax expenditure. Past federal tax expenditure budgets prepared by the Congressional Budget Office and versions prepared by the Treasury Department have disagreed on exactly this issue.

We have adopted the point of view that accelerated depreciation is tax expenditure. Although accelerated depreciation still allows the same total deduction for a piece of property; the rate of depreciation allowed in the early years is faster than would be permitted under traditional accounting principles. Generally, revenue cost estimates in this document for tax expenditures associated with accelerated depreciation rely on assumptions used in congressional federal tax expenditure analysis concerning ordinary depreciation rates.

We have chosen to view the rules for personal exemptions and for no tax status in the Commonwealth's personal income tax as provisions which help to define the income tax base, and thus as a part of the basic structure of the tax (much as the progressive rate structure of the federal income tax, which similarly reduces the tax burden on low-income people, is a part of its basic structure). The base of the tax is defined as net income above what is required for subsistence. Since personal exemptions help define the amount of income needed for subsistence, and therefore the base, they should not be classified as tax expenditures. According to this reasoning, exemptions allowed for dependents would also be considered part of the basic tax structure, since subsistence requirements increase with the size of the taxpayer's household. However, we note that this view of the tax structure does not always lead to easy conclusions. First, taxpayers are allowed exemptions for dependents even if those dependents have their own income and take personal exemptions for themselves. We have treated the use of the dependents' exemption as tax expenditure. Second, the fact that the no tax status amount is greater than the personal exemption suggests that the intent behind the no tax status and personal exemptions goes beyond simple definition of an income base. Although personal exemptions and the no tax status are not listed in this document as tax expenditures, estimates for the revenue losses associated with these provisions are provided in an endnote.

Many Massachusetts tax expenditures in the personal income tax and corporate tax derive from federal income tax rules and thus piggyback on many but not all, federal tax expenditures. We have chosen to include such tax expenditures in this tax expenditure budget, as Massachusetts generally has the ability legally to “decouple” from federal tax expenditures, and has done so in certain cases (e.g., bonus depreciation) from time to time. However, one can question whether federal tax expenditures should generally be included in the Massachusetts tax expenditure budget, because for the most part they simply reflect the fact that Massachusetts has generally chosen to incorporate much of the federal tax laws into the determination of Massachusetts taxable income for personal and corporate income tax purposes.

The sales tax presents the most difficult case. The sales tax statute and its legislative history indicate that the established base of the tax is all "retail" sales. At a minimum, the sales tax exemptions for business purchases of component parts and of products to be resold appear to be provisions that help define which sales are considered non-retail sales, and therefore should not be classified as tax expenditures. However, it is difficult if not impossible to decide which other sales tax exemptions might also cover non-retail sales. For example, manufacturing companies are allowed an exemption from the sales tax for purchases of machinery used in the production process. Since this machinery is not a direct component part of any product being manufactured and is not purchased simply to be resold, it could be argued that the machinery purchase is a retail sale and that the machinery exemption is a tax expenditure. Others would argue that because these purchases are not made by the final consumers of an end product, and because they represent legitimate business expenses, these sales tax exemptions should not be considered tax expenditures.

The largest proportion of Massachusetts tax expenditure dollars used to be sales and use tax expenditures. This was largely because of the exclusion (or non-taxation) of certain property and services (other than telecom) from sales and use taxation. The Center on Budget and Policy Priorities’ tax expenditure survey report indicates that items such as non-taxation of services, which are so-called “implicit tax expenditures”, should be included in the tax expenditure budget. They also report that about 19 states have such items in their annual tax expenditure reports (https://www.cbpp.org/research/state-budget-and-tax/promoting-state-budget-accountability-through-tax-expenditure). This provides a means of quantifying the cost of not taxing most services, and allows for comparison with other states that do apply their sales and use tax to various types of specified services. However, in July 2012 legislation was enacted stating explicitly that “sales that do not involve tangible personal property shall not result in tax expenditures”. See St 2012, c.165, §112. Pursuant to this legislation, from fiscal year 2014 on, we remove some items, including non-taxation of services, from our tax expenditure estimates, which we regularly reported in prior years. But to facilitate comparison to tax expenditure estimates in prior years, we list these items in Appendix D.

As stated in the introduction, the most important thing to remember is that making a judgment about whether a provision is tax expenditure is not the same as making a judgment about its desirability. With this in mind, we have attempted to provide more rather than fewer tax expenditure estimates, so that necessary information is available for those charged with making policy judgments.

## Description of the Data

This budget should be considered part of an ongoing effort to list tax expenditures, describe their characteristics, and estimate their revenue costs. Each year, we attempt to improve upon the analysis presented in the prior year's tax expenditure budget. For purposes of comparison, we have provided an appendix containing updated tax expenditure estimates for the past four years as well as for Fiscal Year 2026.

Information collected by the Department of Revenue (DOR) from Massachusetts tax returns was an important source of data in this budget. Estimates made from these data tend to be the most reliable. Unfortunately, many tax expenditures cannot be estimated from DOR records. When a particular category of income is excluded from taxation, amounts often do not appear on tax records. This is especially likely to be the case for those tax expenditures brought about by "coupling" the state tax code to the federal code, since exclusions and some deductions are not reported explicitly, but are simply carried over to state tax calculations as part of the reporting of federal income. In such cases we have had to estimate a Massachusetts figure using national tax data, census information, sales statistics, and other information.

You will note that in several cases, this year's tax expenditure estimates are very different from last year's. Revisions to the estimates occur for four reasons: we have new data sources; federal tax expenditure estimates on which we rely have changed; we have refined our estimation methodologies; or changes in Massachusetts tax law have modified existing estimates. In a few instances, more than one of these factors operates to explain the difference. All estimates are projections forward from a base year (which varies depending on the availability of data) to Fiscal Year 2026.

We have incorporated the economic impacts of COVID-19 into our estimates for Fiscal Year 2020 and beyond, where practical. In addition, effective taxable year 2024 Massachusetts personal income tax will adhere to the Internal Revenue Code (“Code”) as amended on January 1, 2024.

## Data Limitations

There are some additional caveats that the reader should keep in mind when reading this budget. First, most revenue loss estimates have been made without taking into account how repeal of a provision might change taxpayer behavior. For example, if the sales tax exemption for a particular item were repealed, the item would become more expensive to consumers, so one would expect sales of that item to decline. The revenue gain from repealing the provision would be, therefore, somewhat less than if the level of sales for the affected items remained the same. On the other hand, some of the income not spent on that item might be spent on other taxable items. To the extent that consumers and businesses pay more taxes and have less income available for other purposes, the repeal of a tax expenditure might have much broader economic and revenue effects. Clearly, the full estimation of these effects demands extensive data which are not easily available.

Second, interactions among different taxes and tax expenditures may be quite complex. Repealing some tax expenditures may increase or decrease the value of others. For example, increasing the no tax status amount would mean that fewer people would pay taxes, and thus fewer people would claim other exemptions. This would reduce the revenues lost through other exemptions. Therefore, the combined cost of several tax expenditure items may be different from the total of the cost of the separate tax expenditure items.

Third, the revenue cost estimates do not generally reflect compliance factors that may significantly reduce revenues available from tax expenditure repeal. In particular, where Massachusetts tax provisions are "coupled" with federal tax rules, audits of Massachusetts taxpayers generally compare state and federal returns. If Massachusetts tax provisions were "decoupled", taxpayers would have to make separate calculations for Massachusetts tax purposes, and these provisions would require special audit procedures. Compliance difficulties would certainly result.

And fourth, particular caution is appropriate with respect to the tax expenditure budget's totals for expenditures for particular taxes. Not only do these totals reflect the imprecision of the specific estimates, but they also omit those items for which no estimates were available. In consequence, particular totals may be substantially understated. At the same time, included in the totals, particularly with regard to the sales tax, are a number of substantial items that many analysts would not regard as tax expenditures, but rather as features of the underlying tax itself. The general approach in preparing the tax expenditure budget has been to count questionable items as tax expenditures, so that information concerning them would be available for analysis. The result is that the totals are higher than they would be under a more restrained analytic approach.

## Reading the Budget

In this document, tax expenditures and cost estimates are listed according to the taxes to which they pertain: personal income, corporate excise, and sales and use. Note that the corporate section of the Tax Expenditure Budget includes other business excises along with the corporate excise. These additional business excise taxes are the financial institution excise, the public utility excise, which was repealed effective January 1, 2014, the excises on insurance companies, and the excise on security corporations. Each of the three major taxes includes an introductory section with a description of the tax, followed by a listing of the tax expenditures for that tax. Each tax expenditure item includes a brief description, the cost estimate, a statutory citation, and an indication of the tax expenditure's type. The various special excises on motor fuels, cigarettes, alcoholic beverages, etc. are not covered in this budget.

## Note on the impact of Federal Law changes

Recent federal law changes have impacted tax expenditures. On December 22, 2017, Public Law 115-97, commonly known as the Tax Cuts and Jobs Act (TCJA) was signed into law. On March 27, 2020, Public Law No. 116-136, the federal “Coronavirus Aid, Relief and Economic Security Act,” also known as the CARES Act was signed into law. Most recently, the Federal Consolidated Appropriations Act, 2021 and the American Rescue Plan Act of 2021 were enacted. These Acts provide federal changes to a variety of provisions in the Internal Revenue Code (“Code”) that affect the personal income tax and corporate & business excise tax.

As mentioned, Massachusetts updated the year for which it adheres to federal personal income tax law, and follows the IRC as of January 1, 2024, but does not adopt any federal personal income tax law changes incorporated since. However, specific Massachusetts personal income tax provisions, as set forth in MGL Ch. 62, § 1(c), automatically conform to the current IRC. See Appendix A of Fiscal Year 2025 TEB.

For corporate and business tax regulations, in general, Massachusetts adopts federal tax expenditure items. For tax expenditure that are newly created or significantly altered, these changes are discussed in detail in Appendix A.

Note that where Massachusetts automatically conforms to federal changes, existing tax expenditures in the state’s Tax Expenditure Budget (TEB) that are calculated based on federal estimates will reflect the impact of those changes.

While we have incorporated federal tax law changes into this year’s budget wherever possible, some of more recent changes may not have been reflected. DOR will continue to review the impacts of the federal tax law changes and will incorporate those impacts into future TEB reports as necessary.

Although income from professions, trades or employment was taxed throughout the nineteenth century under the local property tax, it was not until 1916, under the authority of Article 44 of the Amendments to the Massachusetts Constitution, that the Massachusetts personal income tax was enacted as a separate tax. Because Article 44 requires that all income of the same class be taxed at the same rate, Massachusetts applies a flat tax rate regardless of total income; the federal tax structure (and that used in most states) uses graduated rates.

Generally, the Massachusetts personal income tax ties into the federal Internal Revenue Code as it was on January 1, 2024; previously Massachusetts adhered to the 2022 Code. To the extent that the Massachusetts tax takes federal law as its starting point, it adopts many federal tax expenditures (see the Fiscal Year 2024 TEB, Appendix A for more details).

The personal income tax is the state's largest revenue source, accounting for 59.1% of Department of Revenue tax collections in Fiscal Year 2024.

## Personal Income Tax: Basic Structure

**Tax Base:** The personal income tax base is gross income minus the costs of producing the gross income (trade or business expenses). Massachusetts gross income is defined as federal gross income with certain modifications. Effective January 1, 1996 it was divided into three classes: interest, dividends, and short-term capital gains ("Part A" income); long-term capital gains (“Part C” income); and all other income ("Part B" income). Massachusetts taxpayers are entitled to a basic personal exemption, which varies according to taxpayer status. The exempted amounts are considered to be outside the generally accepted tax base. They reflect the notion that income needed for bare subsistence should be free from tax. Thus, for the purposes of this document, these exemptions are not listed as tax expenditures. In addition, taxpayers whose income is below a specified level are entitled to "no tax status." For the same reason, this status is not listed as tax expenditure. On the other hand, because policy makers are often interested in the effects of adjusting the dollar amounts for the personal exemptions and the no tax status, estimates are provided for them in endnote 3 to item 1.405 in the list of personal income tax expenditures.

**Taxable Unit:** Individuals are taxed separately, with the exception of married couples, who may file a joint return. The income of children is not aggregated with that of their parents. The income of trusts, estates, and unincorporated associations is also subject to the personal income tax.

**Rate Structure:** The rate structure has been evolving to a system where most income is taxed at the Part B rate. Also, the Part B rate has been rolling back during years in which certain trigger levels of collections are met. The rate was 5.10% for tax years 2017 and 2018 but decreased to 5.05% for tax year 2019. It decreased further to 5.00% for tax year 2020 and remains at that level for 2021 and subsequent years. Currently, only short-term capital gains and long-term capital gains on collectibles are taxed at a different rate. The vast majority of income is linked to the Part B rate.

With the passage of a 2022 ballot initiative, referred to as “the millionaire’s tax”, beginning in taxable year 2023 an additional 4.0% tax (4% surtax) is levied on taxable income over $1.0 million, increased annually for inflation (surtax threshold). The 4.0% rate applies to taxable income amounts beyond this threshold, regardless of income type (i.e., Part A, B, or C). Due to time constraints, the additional income tax has not been factored into any relevant income tax expenditure estimates in the Fiscal Year 2026 TEB report.

**Historical Notes**
Prior to tax year 1999, the tax rate on interest and dividend income (one component of Part A income) was 12% compared with the Part B "earned" taxable income rate of 5.95%. Effective January 1, 2000, the rate on both Part B and the linked Part A income (Interest and Dividends) dropped to 5.85%, then to 5.60% on January 1, 2001, and to 5.30% on January 1, 2002. The rate was scheduled to decline to 5.00% on January 1, 2003; however, Chapter 186 of the Acts of 2002 ("An Act Enhancing State Revenues") delayed the final phase of the rate reduction. The tax rates on interest and dividend income and Part B income, declined to 5.25% for tax year 2012 and 2013, to 5.20% for tax year 2014, to 5.15% for tax year 2015, and to 5.10% for tax years 2016, 2017, and 2018. The rate was 5.05% for tax year 2019 and 5.00% for tax year 2020 and beyond. All other things being equal, a reduction in tax rates -- which are part of the basic tax structure -- has the effect of reducing the value of tax expenditures, because when tax rates decline, so does the value of any exceptions to that basic structure.

Of historical interest, between January 1, 1996 and January 1, 2003, Part C income (long-term capital gains), was subject to the following tax rates based on how long the assets were held:

| Holding Period | Tax Rate |
|---|---|
| more than one, but less than two years | 5% |
| more than two, but less than three years | 4% |
| more than three, but less than four years | 3% |
| more than four, but less than five years | 2% |
| more than five, but less than six years | 1% |
| more than six years | 0% |

Assets acquired prior to January 1, 1996 were deemed to have been acquired on the later of January 1, 1995 or the actual date of acquisition.

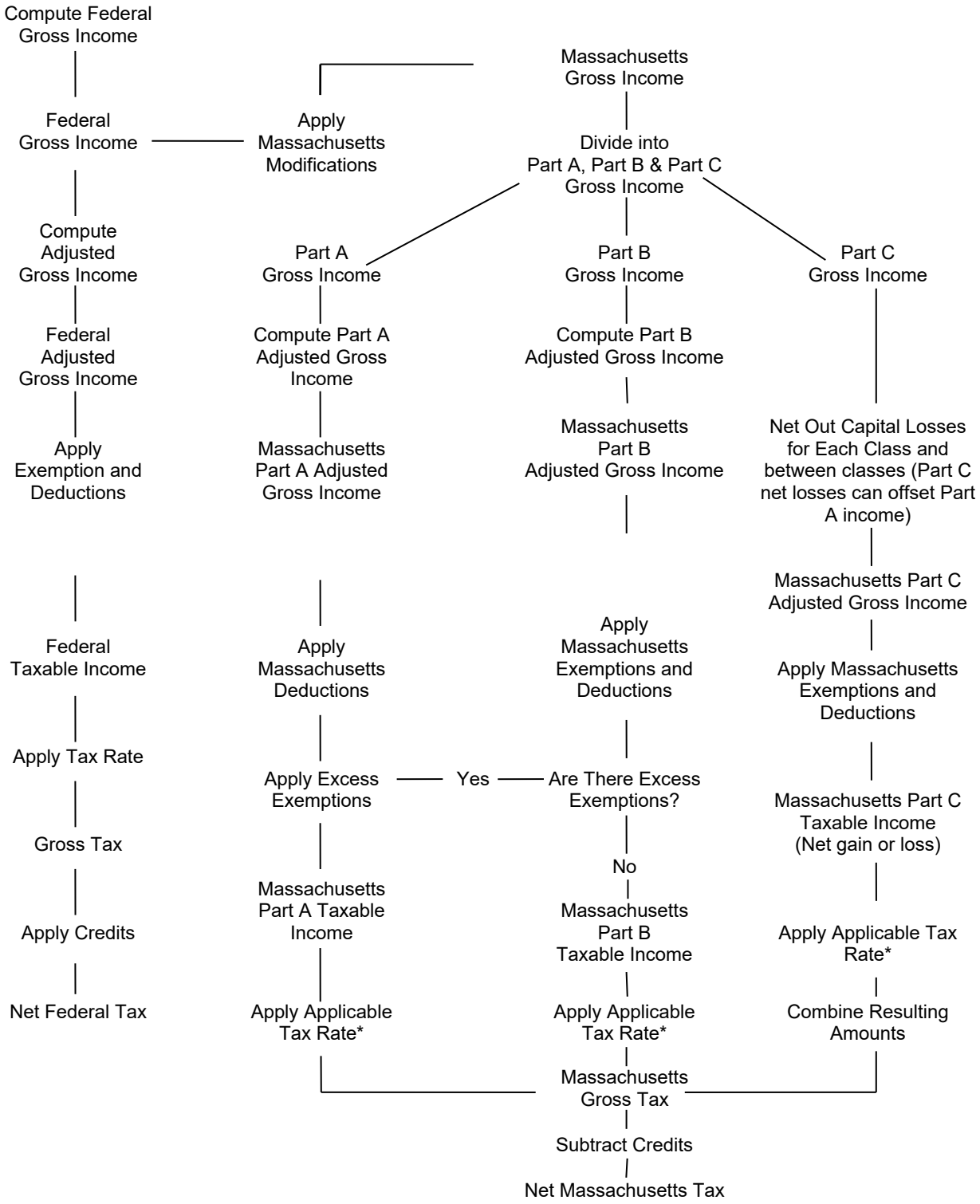
Chapter 186 of the Acts of 2002 eliminated the "sliding scale" treatment of capital gains on assets held for more than one year. This was originally effective May 1, 2002; subsequent legislation changed the effective date of the tax change to apply to assets sold on or after January 1, 2003. Gains on such transactions are now taxed at the Part B rate of 5.00% for tax year 2020 and beyond.

Note that capital assets held less than one year are considered Part A income; these short-term realizations were taxed at 12%. Effective January 1, 2023, the tax rate on gains from the sale of capital assets held for one year or less (short-term capital gains) is 8.5% and the tax rate on long-term gains from the sale of collectibles is still 12.0% (subject to a 50% deduction).

**Taxable Period:** The taxable period is one year (or less), usually the calendar year. Income may be reported according to the cash or accrual method. Where property is sold on a deferred payment basis, gains may be reported in the years the payments are received. There is no Massachusetts provision for income averaging. Net capital losses may be carried forward to future years. Ordinary losses may not be carried forward.

**Interstate and International Aspects:** Residents are taxed upon their entire income, whether derived from Massachusetts sources or elsewhere, without allocation or apportionment. Nonresidents are taxed only on income from sources within Massachusetts. A resident may take a limited credit against the Massachusetts income tax for income taxes due to other states, the District of Columbia, any territory or possession of the United States, or Canada or its provinces on any item of Massachusetts gross income.

## Computation of the Personal Income Tax




***** Beginning in taxable year 2023 an additional 4.0% tax is levied on the portion of taxable income that exceeds $1.0 million, which is adjusted for inflation annually.

## Types of Tax Expenditures under the Personal Income Tax

The basic structure of the personal income tax can be modified in a number of different ways to produce tax expenditures. Brief explanations of the various types of tax expenditures follow:

**Exclusions from Gross Income:** Gross income is the starting point in the calculation of income tax liability and, in the absence of tax expenditures, would include all income received from all sources. Typically, the taxpayer does not report items of income that are excluded from gross income on his or her tax return. Thus, they escape taxation permanently.

**Deferrals of Gross Income:** Where an item of income is not included in gross income in the year when it is actually received, but is instead included in a later year, the result is tax expenditure in the form of an interest-free loan from the state to the taxpayer in the amount of the tax payment that is postponed.

**Deductions from Gross Income:** Certain amounts are subtracted from gross income to arrive at adjusted gross income (AGI). Many of these deducted amounts reflect the costs of producing income (business expenses), and are not properly part of the income tax base. Such deductions are not tax expenditures. Other deductions that do not reflect business expenses constitute tax expenditures, which permit corresponding amounts of income to escape taxation permanently.

**Accelerated Deductions from Gross Income:** In a number of cases, taxpayers are allowed to deduct business expenses from gross income at a time earlier than such expenses would ordinarily be recognized under Generally Accepted Accounting Principles. The total amount of the permissible deduction is not increased, but it can be utilized more quickly to reduce taxable income. The result is to defer taxes, thus in effect occasioning an interest-free loan from the state to the taxpayer.

**Deductions from Adjusted Gross Income (AGI):** Taxable income results from the subtraction of certain deductions and exemptions from AGI. Certain of these subtracted items represent amounts of income necessary for subsistence; their exclusion is part of the basic structure of the income tax. Other subtracted items represent tax expenditures, which permit corresponding amounts of income to escape taxation permanently.

**Credits against Tax:** After a taxpayer's basic tax liability has been calculated by applying the tax rates to taxable income, the taxpayer may subtract certain credit amounts from this initial liability in determining the actual amount of taxes that must be paid. It is important to note that, whereas a one-dollar exclusion or deduction results in a tax savings of only a few cents (one dollar times the applicable tax rate), a one-dollar credit results in a one-dollar tax savings.

Note on Personal Exemptions, Dependent Exemptions, No Tax Status, and Limited Income Credit: These exempted amounts are considered to be outside the generally accepted tax base, and thus, for the purposes of this document, these exemptions are not listed as tax expenditures. However, because policy makers are often interested in the impact of adjusting their dollar amounts, estimates are provided for them in a footnote following the “Credits against Tax” section.

## List of Personal Income Tax Expenditures

**1.000 EXCLUSIONS FROM GROSS INCOME**

1.001 Exemption of Premiums on Accident and Accidental Death Insurance[1]

Employer contributions for premiums on accident and accidental death insurance are not included in the income of the employee and are deductible by the employer.

Origin: IRC § 106

Estimate: Included in 1.004

1.002 Exemption of Premiums on Group-Term Life Insurance[1]

Due to Massachusetts' reliance on the Internal Revenue Code ("Code") for purposes of determining income, employer payments of employees' group-term life insurance premiums for coverage up to $50,000 per employee are not included in income by the employee.

Origin: IRC § 79

Estimate: $32.1

1.003 Exemption of Death Benefits and Interest on Life Insurance Policy and Annuity Cash Value

Due to Massachusetts' conformity with Internal Revenue Code (IRC) § 101, increases in the cash value of life insurance policies and annuities are not taxed until distributed to the policy holder. If the policy holder dies with the policy in force, the increase in value and the death benefit are excluded from income when paid to policy or annuity beneficiaries.

Origin: IRC § 101

Estimate: $442.7

1.004 Exemption of Employer Contributions to Accident and Health Plans and Certain Benefits Received[1]

Massachusetts conforms to the federal individual income tax exclusions for: (i) employer contributions to employees' accident and health plans and (ii) benefits received by employees from such plans.

Origin: M.G.L. c. 62, §§ 1(c), 1(d), and § 2(a)(2)(Q); Code §§ 105 and 106

Estimate: $1,627.3

1.005 Exemption of Annuity or Pension Payments to Fire and Police Personnel

Income from noncontributory annuities or pensions to certain retired fire and police personnel or their survivors are tax-exempt.

Origin: M.G.L. c. 32

Estimate: N.A.

1.006 Exemption of Distributions from Certain Contributory Pension and Annuity Plans[2]

Income from contributory pensions of the U.S. and Massachusetts governments, including their agencies and political subdivisions, is excluded from Massachusetts gross income.

Origin: M.G.L. c. 62, §§ 2(a)(2)(E)

Estimate: $528.8

1.007 Exemption of Railroad Retirement Benefits

Railroad Retirement benefits are excluded from Massachusetts gross income.

Origin: M.G.L. c. 62, § 2(a)(2)(H)

Estimate: $1.6

1.008 Exemption of Public Assistance Benefits

Due to Massachusetts' reliance on the Internal Revenue Code (Code) for purposes of determining income, public assistance benefits are excluded from gross income.

Origin: IRC § 61(a)(1); Rev. Rul. 71-425, 1971-2 C.B. 76

Estimate: $1,734.3

1.009 Exemption of Social Security Benefits

Social Security benefits are excluded from Massachusetts gross income.

Origin: M.G.L. c. 62, § 2 (a)(2)(H)

Estimate: $658.9

1.010 Exemption of Workers' Compensation Benefits

Due to Massachusetts' reliance on the Internal Revenue Code ("Code") for purposes of determining income, amounts received under workers' compensation acts as compensation for personal injuries or sickness are excluded from gross income.

Origin: IRC § 104 (a)(1)

Estimate: $54.5

1.011 Exemption for Dependent Care Expenses[1]

Due to Massachusetts' reliance on the Internal Revenue Code (Code) for purposes of determining income, dependent care assistance provided by employers to employees is excluded from Massachusetts gross income.

Origin: M.G.L. c. 62, §§ 1(c), 1(d), 2(a); Internal Code § 129

Estimate: $5.7

1.012 Exemption of Certain Foster Care Payments

Massachusetts conforms to the federal income tax exclusion for payments by state and local social services agencies to taxpayers that provide foster care to children in need.

Origin: IRC § 131

Estimate: $3.9

1.013 Exemption of Payments Made to Coal Miners

Due to Massachusetts' reliance on the Internal Revenue Code (Code) for purposes of determining income, amounts received by coal miners or their survivors as compensation for disability or death from black lung disease are excluded from Massachusetts gross income.

Origin: IRC § 104(a)(1); Rev. Rul. 72-400

Estimate: Negligible

1.014 Exemption of Rental Value of Parsonages[1]

Massachusetts conforms to Internal Revenue Code (the "Code") § 107, which allows ministers to exclude from gross income a housing allowance or the rental value of a parsonage furnished as part of their compensation. As defined in Internal Revenue Service pronouncements and federal case law, the term "minister" includes people holding various titles in a variety of religious organizations.

Origin: M.G.L. c. 62, §§ 1(c), 1(d), and § 2(a); Code § 107

Estimate: $4.5

1.015 Exemption of Scholarships, Fellowships, and Tuition Reductions

Due to Massachusetts' reliance on the Internal Revenue Code (Code) for purposes of determining income, qualifying scholarships, fellowship grants, and tuition reductions are excluded from Massachusetts gross income.

Origin: IRC § 117(a), (d)

Estimate: $55.5

1.016 Exemption of Certain Prizes and Awards

Due to Massachusetts' reliance on the Internal Revenue Code (Code) for purposes of determining income, prizes for achievements in specified fields and certain cash payments received for participating in the Olympics or Paralympics are excluded from Massachusetts gross income.

Origin: IRC § 74

Estimate: $3.5

1.017 Exclusion of Payments Received Under Government Conservation, Reclamation and Restoration Programs

Due to Massachusetts' reliance on the Internal Revenue Code (Code) for purposes of determining income, property owners may exclude from income certain payments they receive for participating in designated conservation, reclamation, and restoration programs.

Origin: IRC § 126

Estimate: $0.4

1.018 Exclusion from Employee Income of Meals and Lodging Furnished for the Convenience of the Employer[1]

This tax expenditure provides employees with an income exclusion for the value of meals and lodging provided by their employers for the employers' business purposes. Massachusetts conforms to the exclusion set out in the Internal Revenue Code (the "Code"), which results in a state tax expenditure.

Origin: M.G.L. c. 62, § 2(a)

Estimate: $75.8

1.019 Exclusion from Employee Income of Business-Related Meals and Entertainment[1]

Provides an income exclusion for the value of business-related meals and entertainment provided to employees, consistent with the federal exclusion.

Origin: M.G.L. c. 62, § 2(a)

Estimate: $32.4

1.020 Exemption of Income from the Sale, Lease, or Transfer of Certain Patents

Exempts from tax income from the sale or transfer of certain patents, or from the production of royalty or other income from property subject to such patents, for a period of five years. The patents must be issued to or applied for by a Massachusetts resident or a Massachusetts corporation, support energy conservation or alternative energy, and be approved by the commissioner of energy resources.

Origin: M.G.L. c. 62, § 2(a)(2)(G); M.G.L. c. 63, § 30.3

Estimate: Expired

1.021 Exemption of Capital Gains on Home Sales

Massachusetts conforms to the Internal Revenue Code (the "Code") § 121 exclusion from gross income for up to $250,000 of capital gain (or $500,000 if filing jointly) on the sale of a principal residence.

Origin: M.G.L. c. 62, §§ 1(c), 1(d), and § 2(a); Code § 121

Estimate: $429.2

1.022 Exemption for Capital Gains at Time of Death

Ordinarily, for federal income tax purposes, capital gains are taxed at the time appreciated property is transferred to a new owner. However, tax is not imposed on capital assets transferred by reason of the owner's death. Further, the new owner receives the assets with a new basis (i.e. the fair market value of assets at the time of decedent's death) rather than the same "carryover" basis of the decedent. Thus, the amount of appreciation that occurred while the decedent held the asset is never taxed. Massachusetts generally follows the federal rules for purposes of determining taxable capital gains. This conformity allows capital assets to escape the personal income tax to the extent of appreciation occurring prior to the decedent's death, resulting in a state tax expenditure. Comment: See also item 1.106

Origin: IRC §§ 1001 and 1014

Estimate: $915.0

1.023 Exemption of Interest from Massachusetts Obligations

Interest earned on Massachusetts state and local obligations is exempt from the personal income tax. The exemption applies to interest income from any obligation issued by the Commonwealth, any political subdivision of the Commonwealth, or any agency or instrumentality thereof.

Origin: M.G.L. c. 62, § 2 (a)(1)(A); IRC § 103

Estimate: $87.7

1.024 Exemption of Benefits and Allowances to Armed Forces Personnel[1]

Due to its reliance on the Internal Revenue Code (Code) for purposes of determining income, Massachusetts excludes several benefits to members of the armed services, including, under IRC § 112 (i) compensation earned by members of the Armed Forces serving in a combat zone and (ii) income received by such individuals who were hospitalized as a result of injury incurred while serving in a combat zone, and under IRC § 134, certain qualified military benefits, such as certain medical and disability benefits, moving allowances, dependent care assistance, and certain travel benefits.

Origin: IRC §§ 112, 134

Estimate: $17.4

1.025 Exemption of Veterans' Pensions, Disability Compensation and G.I. Benefits

Federal law provides that amounts received as veterans' disability pensions, disability compensation and G.I. benefits are exempt from federal and state taxation. Massachusetts is thus not permitted to tax such amounts.

Origin: 38 U.S.C. § 5301

Estimate: $69.5

1.026 Exemption of Military Disability Pensions

Due to Massachusetts' reliance on the Internal Revenue Code (Code) for purposes of determining income, amounts received as military disability pensions are excluded from gross income.

Origin: M.G.L. c. 62, § 1(c); IRC §§ 104(a)(4) and (5), and IRC §§ 104 (b)

Estimate: $0.8

1.027 Exemption of Compensation to Massachusetts-Based Nonresident Military Personnel

Nonresident servicemembers are not subject to personal income tax on compensation for active-duty military service, even if the service is performed in Massachusetts.

Origin: M.G.L. c. 62, § 5A(c)

Estimate: $12.8

1.028 Exemption for Taxpayers Killed in Military Action or by Terrorist Activity

Certain individuals that died as a result of injuries sustained in (i) military service in a combat zone, (ii) military or civilian service in a military action or terrorist attack, or (iii) specified terrorist attacks on civilians are exempted from the Massachusetts personal income tax, subject to certain limitations. The Massachusetts exclusion parallels a similar federal exclusion.

Origin: M.G.L. c. 62, § 25; IRC, § 692.

Estimate: Neglible

1.029 Exemption for Retirement Pay of the Uniformed Services

Income from U.S. military pensions is excluded from Massachusetts gross income. Such pensions are those derived from service in the Army, Navy, Air Force, Marine Corps, Space Force, Coast Guard, and the Commissioned Corps of the Public Health Service and National Oceanic and Atmospheric Administration. Note that income from such pensions is subject to the federal income tax.

Origin: M.G.L. c. 62, § 2(a)(2)(E); St.1997, c. 139, s. 1

Estimate: $24.6

1.030 Exclusion from Gross Income of Parking, T-Pass and Vanpool Fringe Benefits

Massachusetts conforms to the federal tax exclusion for employer-provided parking, transit passes, and vanpool benefits provided under the Internal Revenue Code (the "Code"). In 2023, the Massachusetts and federal exclusions are subject to monthly maximums of $300 for parking and $300 for combined transit pass and vanpool benefits. The Massachusetts exclusion amount was different than the federal exclusion amount in prior years because prior to 2022 the state relied on the federal exclusion amounts determined under the 2005 Code.

Origin: M.G.L. c. 62, §§ 1(c), 1(d), and § 2(a); Code § 132(f)

Estimate: $59.6

1.031 Health Savings Accounts

Due to Massachusetts' reliance on the Internal Revenue Code (Code) for purposes of determining income, eligible contributions to, earnings in, and qualified distributions from health savings accounts (HSAs) are not subject to the personal income tax.

Origin: M.G.L. c. 62, §§ 1(c), 1(d), and 2(d)(1); IRC § 223

Estimate: $61.1

1.032 Employer-Provided Adoption Assistance

Massachusetts adopted the federal exclusion for employer-provided adoption expenses paid (or treated as paid under IRC sec. 137). Previously, Massachusetts followed the 2005 Code and as such the exclusion had a sunset after 2010. With the recent update to the Code as of January 1, 2022, Massachusetts this expenditure has been restored.

Origin: IRC § 137

Estimate: $2.5

1.033 Employer-Provided Educational Assistance

Due to Massachusetts' reliance on the Internal Revenue Code (Code) for purposes of determining income, certain employer payments for employee education and training assistance are excluded from employee gross income.

Origin: M.G.L. c. 62, § 1(c); Code §§ 127 and 132(j)(8)

Estimate: $13.7

1.035 Department of Defense Homeowners Assistance Plan

Due to Massachusetts' reliance on the Internal Revenue Code (Code), Massachusetts adopts the federal exclusion for qualified military base realignment and closure fringe benefits paid by the Department of Defense (DOD) to military personnel, eligible civilian personnel, or their spouses. Such benefits are intended to compensate such individuals for reductions in the fair market value of their homes that result from having to move due to base closures or injury related to military service.

Origin: M.G.L. c. 62, § 1(c) ; IRC § 132 (a)(8), (n); 42 U.S. Code § 3374

Estimate: $0.2

1.036 Survivor Annuities of Fallen Public Safety Officers

For both Massachusetts and federal tax purposes, an exclusion from income is allowed for amounts paid under a governmental plan as an annuity to the survivor of a public safety officer killed in the line of duty. Massachusetts adopts the federal exclusion as amended and in effect on January 1, 2005, that excludes these annuities.

Origin: IRC § 101(h)

Estimate: N.A.

1.037 Survivor Annuities of Fallen Astronauts

Massachusetts adopts the federal exclusion for death benefits paid by the U.S. government to the survivors of astronauts who die in the line of duty. The Massachusetts exclusion is effective for payments made on or after January 1, 2005.

Origin: IRC § 101(i)

Estimate: N.A.

1.039 Discharge of Indebtedness for Health Care Professionals

Massachusetts adopts the federal exclusion for discharges of indebtedness related to certain costs for students entering health care professions.

Origin: M.G.L. c. 62, § 2; IRC § 108(f)(4)

Estimate: $1.2

1.040 Archer Medical Savings Accounts

Due to Massachusetts' reliance on the Internal Revenue Code ("Code") for purposes of determining income, eligible contributions to, earnings in, and qualified distributions from Archer medical savings accounts ("Archer MSAs") are not subject to the personal income tax.

Origin: M.G.L. c. 62, §§ 1(c), 1(d), and 2(d)(1); IRC § 220

Estimate: $0.2

1.041 Earnings of Pre-paid and Tuition Savings ("529" plans)

Due to Massachusetts' reliance on the Internal Revenue Code (Code) for purposes of determining income, Massachusetts allows an income exclusion for amounts earned by pre-paid tuition programs and tuition savings accounts.. See TIR 18-14 for more information.

Origin: IRC § 529

Estimate: $37.3

1.042 Exclusion of Gains of Qualified Small Business Stock (QSBS) Gain

For federal tax purposes Internal Revenue Code ("IRC") § 1202 allows individuals an income exclusion for gains derived from the sale of qualified small business stock ("QSBS"). Because Massachusetts generally follows the IRC as in effect in 2005 for personal income tax purposes, Massachusetts allows an income exclusion for 50% of such gains.

Origin: IRC § 1202

Estimate: $25.2

1.043 Exclusion of Alimony Payments Made

Due to Massachusetts' conformity with Internal Revenue Code (IRC) § 61, Massachusetts excludes from gross income alimony payments made pursuant to any divorce or separation instrument executed after December 31, 2018, and (ii) to any divorce or separation instrument executed before 2019 but modified after 2018 to expressly provide that alimony or separate maintenance payments are not deductible by the payer or includible in the gross income of the recipient.

Origin: IRC §§ 61(a)(8) and 62(a)(10)

Estimate: $7.0

1.044 Exclusion From Gross Income Of Discharged Qualified Principal Residence Indebtedness

Due to Massachusetts' conformity with IRC § 108(a)(1), Massachusetts excludes from gross income the discharge of qualified principal residence indebtedness. The maximum amount excludable from Massachusetts gross income as discharged qualified principal residence indebtedness is $750,000 ($375,000 if married filing separately)

Origin: IRC § 108(a)(1)(E)

Estimate: $0.3

1.045 Exclusion From Gross Income Of Amounts Received Under The Work Colleges Program

Due to Massachusetts' conformity with IRC § 117(c)(2), Massachusetts allows an exclusion from gross income for amounts an individual receives from a comprehensive student work-learning service program at a work college.

Origin: IRC § 117(c)(2)

Estimate: $40.3

1.046 Exclusion Of Benefits Provided To Volunteer Firefighters And Emergency Medical Responders

Due to Massachusetts' conformity with IRC § 139B, a member of a qualified volunteer emergency response organization may exclude from gross income (i) any qualified state or local tax benefit provided on account of the member's services and (ii) qualified payments of up to $600 for the member's services. A "qualified volunteer emergency response organization" is any volunteer organization which is (i) organized and operated to provide

firefighting or emergency medical services, and (ii) is required to provide such services by a state or local government. A taxpayer may take a charitable deduction for expenses incurred in performing services as a member of a qualified volunteer emergency response organization only to the extent those expenses exceed the amount of the taxpayer's qualified payments excluded from federal gross income under IRC § 139B.

Origin: IRC § 139B

Estimate: $0.7

1.047 Exclusion From Gross Income Of Indian Healthcare Benefits

Due to Massachusetts' conformity with IRC § 139D, Massachusetts allows taxpayers to exclude from gross income the value of any qualified Indian health care benefit.

Origin: IRC § 139D

Estimate: $15.8

1.048 Exclusion From Gross Income Of Indian General Welfare Benefits

Due to Massachusetts' conformity with IRC § 139E, Massachusetts allows taxpayers to exclude from gross income general Indian welfare payments paid by Indian tribal government programs.

Origin: IRC § 139E

Estimate: $0.1

1.049 Exclusion From Gross Income Of Certain Amounts Received By Wrongfully Incarcerated Individuals

Due to Massachusetts' conformity with IRC § 139F, Massachusetts allows taxpayers to exclude from gross income amounts received as civil damages, restitution, or other monetary award relating to the wrongful incarceration of an individual.

Origin: IRC § 139F

Estimate: $0.1

**1.100 DEFERRALS OF GROSS INCOME**

1.101 Net Exemption of Contributions to Employee Stock Bonus Plans, Pensions, and Profit-Sharing Trusts[2]

Employee contributions to employee stock bonus plans, pensions, and profit-sharing trusts are not subject to the Massachusetts personal income tax when made, if requirements under federal pension law are met. Distributions from such plans are generally taxable when received. Where employee contributions are not eligible for an exclusion, the distributions from those plans are excluded up to the amount of previously taxed contributions. Massachusetts conforms to these federal rules. This results in a deferral of tax on contributions to such plans, or an exclusion from tax on distributions, both of which constitute a state tax expenditure.

Origin: IRC §§ 401-415; M.G.L. c. 62, §§ 2(a)(2)(F); 2(a)(3)(C); and M.G.L. c. 62, § 2(a)(1)(I).

Estimate: $1,349.2

1.102 Treatment of Incentive Stock Options

Massachusetts adopts the federal tax treatment of incentive stock options as provided in the Internal Revenue Code (the "Code") as amended on January 1, 2024. Under the federal rules, and therefore for Massachusetts purposes as well, no tax consequences result when employees are granted or exercise options to purchase company stock. Employees are taxed only when they sell the stock acquired through the exercise. This results in a deferral of tax for both federal and Massachusetts tax purposes which constitutes a tax expenditure.

Origin: M.G.L. c. 62 § 1(c) and (d); G.L. c. 62, § 2(a); Code§§ 421, 422, and 424

Estimate: $6.8

1.103 Exemption of Earnings on Stock Bonus Plans, Pensions or Profit-Sharing Trusts

Employee stock bonus plans, employee pension plans and employee profit-sharing plans are exempt from the Massachusetts personal income tax.

Origin: M.G.L. c. 62, § 5(b)

Estimate: $1,683.5

1.104 Exemption of Earnings on IRAs and Keogh Plans[2]

Massachusetts exempts the earnings of IRAs and Keogh plans from the personal income tax until the earnings are distributed. Distributions of earnings from Roth IRAs may be exempt if the account is held for at least 5 years and certain additional requirements are satisfied. This is consistent with the federal tax treatment of such plans.

Origin: M.G.L. c. 62, § 5(b)

Estimate: $270.3

1.106 Exemption for Capital Gains at Time of Gift

Ordinarily, for federal income tax purposes, capital gains are taxed at the time appreciated property is transferred to a new owner. However, the tax on capital gains on property transferred by gift is deferred until the new owner sells the property. If the new owner dies holding the gifted property, the tax is never imposed (see TE 1.022). Massachusetts generally follows the federal rules for purposes of determining taxable capital gains. This conformity results in a deferral and potential exclusion of tax on capital gains and therefore constitutes a state tax expenditure.

Origin: IRC §§ 1001, 1015

Estimate: $31.9

1.107 Teacher's Expense Deduction

Due to Massachusetts' conformity with IRC § 62, teachers may deduct from their gross income unreimbursed, qualified expenses (e.g., expenses for books, supplies, and computer equipment used in the classroom; expenses incurred during qualified professional development courses). The deduction is limited to an inflation-adjusted amount. For the 2024 tax year, the deduction is limited to $300, and, if the educator is married and files a joint return with another eligible educator, the limit rises to $600 with not more than $300 deducted per spouse.

Origin: IRC § 62(a)(2)(D)

Estimate: $1.4

**1.200 DEDUCTIONS FROM GROSS INCOME**

1.201 Capital Gains Deduction for Collectibles

The expenditure provides a 50% deduction for long-term capital gains on the sale or exchange of collectibles.

Origin: M.G.L. c. 62, § 2(c)(3)

Estimate: $2.4

1.202 Deduction of Capital Losses Against Interest and Dividend Income

Taxpayers may deduct up to $2,000 of net capital loss against interest and dividend income.

Origin: M.G.L. c. 62, § 2(c)(2)

Estimate: $15.1

1.203 Excess Natural Resource Depletion Allowance

Due to Massachusetts' reliance on the Internal Revenue Code (Code) for purposes of determining income, taxpayers in extractive industries such as mining or drilling for natural resources may deduct a percentage of gross mining income as a depletion allowance ("percentage depletion") without regard to their cost basis in the income producing property and may continue to claim the depletion allowance even after the cost of the property has been reduced to zero. This method of cost recovery is often more beneficial to taxpayers than the traditional cost recovery method applicable to natural resource property. For a more detailed description of this tax expenditure, see corporate excise item 2.204.

Origin: IRC §§ 611 and 613A; M.G.L. c. 62, § 2(d)(1)

Estimate: $0.4

1.204 Abandoned Building Renovation Deduction

A deduction is provided to corporations and individuals for 10% of the cost of renovating abandoned buildings in certain areas. The deduction is in addition to any other deduction available for the cost of such renovation. Thus, an additional deduction may be allowed for expenses already included in deductible business expenses or deductible depreciation.

Origin: M.G.L. c. 62, § 3(B)(a)(10)

Estimate: Negligible

**1.300 ACCELERATED DEDUCTIONS FROM GROSS INCOME**

1.301 Modified Accelerated Depreciation on Rental Housing

In general, taxpayers may recover the cost of durable business assets only by capitalizing the cost and claiming depreciation deductions over a period of years. This expenditure reflects Massachusetts' conformity with federal rules allowing for accelerated depreciation of new and used buildings placed in service as rental property.

Origin: IRC § 168(b)

Estimate: $23.4

1.303 Modified Accelerated Depreciation on Buildings (other than Rental Housing)

In general, businesses may recover the cost of durable business assets only by capitalizing the cost and claiming depreciation deductions over a period of years. This expenditure reflects Massachusetts' conformity with federal rules allowing for accelerated depreciation of nonresidential buildings.

Origin: IRC § 168

Estimate: $3.8

1.304 Modified Accelerated Cost Recovery System (MACRS) for Equipment

In general, businesses may recover the cost of durable business assets only by capitalizing the cost and claiming depreciation deductions over a period of years. Traditional financial accounting rules required the cost to be recovered pro rata over a set number of years. However, Massachusetts conforms to the Modified Accelerated Cost Recovery System (MACRS) set out in the Internal Revenue Code (the "Code"). MACRS allows more of the cost of the property to be deducted in the first few years of an asset's life, and relatively less later. MACRS also allows taxpayers to choose an alternative depreciation method that more closely conforms to traditional financial accounting rules. The use of the accelerated method instead of the alternative method results in a temporary reduction of tax in the earlier years of an asset's life, which constitutes a tax expenditure. The deferral of tax is analogous to an interest-free loan from the Commonwealth to taxpayers.

Origin: IRC § 168

Estimate: $31.9

1.305 Expense Deduction for First-Year Business Assets

Under the Internal Revenue Code (the "Code"), businesses may recover the cost of durable business assets only by capitalizing the cost and claiming depreciation deductions over a period of years. The Code adopts different depreciation schedules for specified classes of assets. Massachusetts follows the federal depreciation rules, with modifications. Code § 179 allows federal taxpayers to elect to claim an immediate expense deduction in the tax year during which the asset was first placed in service. Due to its conformity to the Code for determining business expense deductions, Massachusetts allows the Code § 179 deduction in the same amount as it is allowed for federal tax purposes. The tax expenditure is a result of such conformity. The immediate deduction of the cost of business assets constitutes a tax expenditure because it results in a deferral of tax.

Origin: IRC § 179

Estimate: $38.5

1.306 Election to Deduct and Amortize Business Start-up Costs

For federal tax purposes, taxpayers can immediately deduct startup costs that would otherwise have to be capitalized over a period of 15 years. Massachusetts conforms to the federal deduction, resulting in a state tax expenditure.

Origin: IRC § 195

Estimate: $1.4

1.308 Expensing Exploration and Development Costs

For federal tax purposes taxpayers can immediately deduct certain costs incurred in developing specified mineral deposits. Such costs would otherwise have to be capitalized and deducted over a period of years. The recovery period for capitalized items varies based on the nature of the costs and the type of mineral deposit. Massachusetts conforms to the federal deduction, resulting in a state tax expenditure.

Origin: Code §§ 193, 263(c), 616, 617; M.G.L. c. 63, §30.4.

Estimate: Neglible

1.309 Expensing Research and Experimental Expenditures in One Year

Prior to tax year 2022, for federal purposes taxpayers could elect to immediately deduct research and experimental expenditures that they would otherwise have had to capitalize and deduct over a period of 5 years. Starting with tax year 2022 all expenditures for research conducted in the U.S must be capitalized and deducted over 5 years. Expenditures incurred outside the U.S. must be capitalized and deducted over 15 years. Massachusetts generally conforms to the federal rules for deducting research and experimental expenditures. This conformity resulted in a Massachusetts tax expenditure for tax years prior to 2022.

Origin: IRC § 174

Estimate: Neglible

1.310 Five-Year Amortization of Pollution Control Facilities

Due to Massachusetts' reliance on the Internal Revenue Code (Code) for purposes of determining income, taxpayers may elect to amortize the cost of a certified pollution control facility over a five-year period, potentially allowing for accelerated recovery of these costs. For a more detailed description of this tax expenditure, see corporate excise item 2.311.

Origin: IRC § 169; M.G.L. c. 62, § 2(d)(1)

Estimate: N.A.

1.311 Seven-Year Amortization for Reforestation

Due to Massachusetts' conformity to Internal Revenue Code (Code) § 194, taxpayers can elect to deduct up to $10,000 of forestation or reforestation expenditures in a taxable year, with excess amounts amortized over seven years. The election applies to both the personal income tax and the net income measure of the corporate excise. For a more detailed description of this tax expenditure, see corporate excise item 2.313.

Origin: IRC § 194; M.G.L. c. 62, §§ 1(c), 1(d), and 2(d); M.G.L. c. 63, § 30.4

Estimate: $0.2

1.312 Expensing Certain Capital Outlays of Farmers

This tax expenditure results from Massachusetts' conformity to the Internal Revenue Code (Code) with regard to the immediate deduction allowed to farmers for soil and water conservation expenses, prevention of erosion, endangered species recovery, and fertilizer costs. Such items might otherwise have to be capitalized and depreciated or amortized over a number of years.

Origin: IRC §§ 175, 180 and MGL c. 62, §§ 1, 2(d)(1); c. 63, § 30

Estimate: $0.1

1.313 Expenditures to remove architectural and transportation barriers to the handicapped and elderly

Massachusetts conforms to Internal Revenue Code ("Code") § 190, which allows taxpayers to elect an immediate deduction of up to $15,000 of expenses incurred in removing architectural or transportation barriers to the handicapped and elderly. The cost of an improvement to a business asset is normally a capital expense, which would normally have to be capitalized and deducted over a period of years. The accelerated deduction applies to the first $15,000 of expenses. Costs over that amount must be capitalized and deducted under the generally applicable depreciation schedules set out in the Code. Expenses eligible for the deduction include costs incurred in making a building or public transportation vehicle more accessible to people with disabilities and the elderly. Examples with regard to buildings include installing ramps, widening doors, modifying restrooms, and lowering counters to accommodate customers in wheelchairs. Examples with regard to vehicles include installing lifts for wheelchairs and modifying signage and public address systems to accommodate the visually or hearing impaired. The deduction is not available for costs incurred in completely renovating a building or vehicle or to the cost of replacing

depreciable property in the normal course of business. The immediate deduction of eligible expenses results in a deferral of tax. The deferral constitutes a Massachusetts tax expenditure.

Origin: M.G.L. c. 62, § (2)(d)(1)

Estimate: $0.2

**1.400 DEDUCTIONS FROM ADJUSTED GROSS INCOME**

1.401 Deduction for Employee Social Security and Railroad Retirement Payments

Taxes paid by employees to fund the Social Security and Railroad Retirement systems are deductible against "earned" income up to a maximum of $2,000 per individual. Comment: The estimate also covers item 1.402 below.

Origin: M.G.L. c. 62, § 3B(a)(3)

Estimate: $341.4

1.402 Deduction for Employee Contributions to Public Pension Plans[2]

Employee contributions to federal and state contributory pension plans are deductible against "earned" income up to a maximum of $2,000 per individual.

Origin: M.G.L. c. 62, § 3B(a)(4)

Estimate: Included in 1.401

1.403 Additional Exemption for the Elderly

A taxpayer age 65 or over is entitled to an additional exemption against "earned" income of $700 ($1,400 for a married couple filing jointly if both spouses are age 65 or over).

Origin: M.G.L. c. 62, §§ 3B(b)(1)(C), (1A)(C), and (2)(C)

Estimate: $34.3

1.404 Additional Exemption for the Blind

A blind taxpayer is allowed an additional exemption against "earned" income of $2,200 ($4,400 for a married couple filing jointly if both spouses are blind).

Origin: M.G.L. c. 62, §§ 3B(b)(1)(B), (1A)(B), and (2)(B)

Estimate: $0.6

1.405 Dependents Exemption Where the Child Earns Income[3]

Taxpayers are allowed an additional exemption of $1,000 for a dependent child even when the child earns income against which a personal exemption can be taken. Comment: The estimate cannot be separated from the figure for the dependents exemption in endnote 3.

Origin: IRC § 151(c) in effect January 1, 1988 and M.G.L. c. 62 § 3B(b)(3)

Estimate: N.A.

1.406 Deduction for Dependents Under 12

Individual taxpayers and married taxpayers filing jointly with one or more dependents under age 12, who do not claim the deduction for child care described in item 1.409 below, may claim this deduction. Filers with one dependent under 12 may deduct $3,600, while filers with two or more dependents under 12 may deduct $7,200.

Origin: M.G.L. c. 62, § 3B(a)(8)

Estimate: N.A.

1.407 Personal Exemption for Students Age 19 or Over

Massachusetts provides a $1,000 personal income tax exemption for each of a taxpayer's dependent children. Generally, the exemption is available for children aged 18 or under and qualifying relatives. That exemption is not treated as a tax expenditure. However, as a result of conformity with the federal definition of "dependent," the exemption is also available for children who are full-time students between the ages of 19 and 23. That portion of the exemption is treated as a tax expenditure.

Origin: IRC §§ 151-152; M.G.L. c. 62 § 3B(b)(3)

Estimate: $10.6

1.408 Deduction for Adoption Fees

Adoption fees paid to a registered adoption agency are deductible against Part B income.

Origin: M.G.L. c. 62, § 3B(b)(5)

Estimate: $0.3

1.409 Deduction for Business-Related Child Care Expenses

Taxpayers qualifying for the credit for employment-related childcare expenses in the Internal Revenue Code are allowed a deduction against "earned" income for the amount of the expenses that qualify for the credit. Beginning in tax year 2001, the cap on this deduction was increased, and the coverage expanded to include elderly and disabled dependents. The cap increased from $2,400 to $3,600 for filers with one dependent, and from $2,400 to $4,800 for filers with two or more dependents. Beginning in tax year 2002, the cap was further increased to $4,800 for qualifying filers with one dependent and to $9,600 for filers with two or more dependents. Comment: For federal tax purposes, the requirement that employment-related child care expenses relate only to children under age 15 was further restricted to children under age 13. In addition, a federal change now requires a taxpayer to include employer-provided dependent care expenses when calculating the limitation amount of qualifying expenses.

Origin: IRC § 21, and M.G.L. c. 62, § 3B(a)(7)

Estimate: N.A.

1.410 Exemption of Medical Expenses

Medical and dental expenses in excess of 7.5% of federal adjusted gross income are deductible against "earned" income for taxpayers who itemize deductions on their federal returns.

Origin: IRC § 213 and M.G.L. c. 62, § 3B(b)(4)

Estimate: $206.6

1.411 Rental Deduction

Renters may deduct one-half of the rent paid for a principal residence located in Massachusetts up to a maximum deduction of $3,000 per year. The deduction is available to all renters, regardless of age or income.

Origin: M.G.L. c. 62, § 3B(a)(9)

Estimate: $191.0

1.412 Nontaxation of Charitable Purpose Income of Trustees and Estates

Trusts and estates subject to the personal income tax an deduct trust or estate income that is currently payable to or irrevocably set aside for charitable purposes.

Origin: M.G.L. c. 62, §§ 3A(a)(2), 3B(a)(2), and 3C(a)(2)

Estimate: $15.9

1.413 Exemption of Interest on Savings in Massachusetts Banks

Up to $100 ($200 on a joint return) of interest from savings deposits or savings accounts in Massachusetts banks is deductible from gross income.

Origin: M.G.L. c. 62, § 2(b)(1)(A); M.G.L. c. 62, § 3B(a)(6)

Estimate: Expired

1.414 Tuition Deduction

A deduction is allowed for tuition payments made by taxpayers, for themselves or their dependents, for programs that would lead to a degree or certificate from a two or four-year college. The deduction is equal to the amount by which the net tuition payments exceed 25% of the filer's Massachusetts adjusted gross income.

Origin: IRC § 222; M.G.L. c. 62, § 3B(a)(11)

Estimate: $17.7

1.415 Charitable Contributions and Gifts

Corporations are permitted to deduct charitable contributions for purposes of determining the net income measure of the corporate excise. Beginning with 2023 tax years, individuals will be permitted to deduct contributions to § 501(c)(3) organizations for personal income tax purposes.

Origin: M.G.L. c. 62, § 3(B)(a)(13); IRC § 170

Estimate: $338.8

1.418 Deduction for Costs Involved in Unlawful Discrimination Suits

Massachusetts adopts the federal deduction for attorney fees and court costs paid to recover a judgment or settlement for a claim of unlawful discrimination, up to the amount included in gross income for the tax year from such claim.

Origin: IRC §§ 62(a)(20) and 62(e)

Estimate: N.A.

1.419 Business Expenses of National Guard and Reserve Members

Due to Massachusetts' reliance on the Internal Revenue Code (Code) for determining employee business expense deductions, Massachusetts allows a personal income tax deduction for travel expenses incurred by National Guard and Armed Forces reserve members who must travel more than 100 miles from their homes to their assigned posts.

Origin: M.G.L. c. 62, § 2(d)(1); Code § 62(a)(2)(E)

Estimate: $1.6

1.420 Archer Medical Savings Accounts

Due to Massachusetts' reliance on the Internal Revenue Code ("Code") for purposes of determining income, eligible contributions to, earnings in, and qualified distributions from Archer medical savings accounts ("Archer MSAs") are not subject to the personal income tax.

Origin: M.G.L. c. 62, §§ 1(c), 1(d), and 2(d)(1); IRC § 220

Estimate: Negligible

1.421 Deduction for Clean-Fuel Vehicles and Certain Refueling Property

A deduction is allowed for a portion of the cost of qualifying motor vehicles that use clean-burning fuel placed in service on or before December 31, 2006. The deduction exists in Massachusetts because it was present in the Code as of 1/1/05. The federal deduction was repealed in 2014.

Origin: IRC §§ 62(a)(14) and 179A

Estimate: Expired

1.422 Health Savings Accounts

Due to Massachusetts' reliance on the Internal Revenue Code (Code) for purposes of determining income, eligible contributions to, earnings in, and qualified distributions from health savings accounts (HSAs) are not subject to the personal income tax.

Origin: M.G.L. c. 62, §§ 1(c), 1(d), and 2(d)(1); IRC § 223

Estimate: $7.4

1.423 Commuter Deduction

(Note: item 1.423 was formerly the temporary Tuition and Fees Deduction). Individuals may deduct certain commuting expenses that exceed $150. Eligible expenses are limited to tolls paid through an EZ Pass account and the cost of weekly or monthly passes for Massachusetts Bay Transit Authority (MBTA) transit. Amounts that are reimbursed or are otherwise deducted are not eligible. The deduction is limited to $750 of such expenses per taxpayer. Joint filers may each deduct up to $750.

Origin: M.G.L. Chapter 62, § 3 (B) (a) (15)

Estimate: $19.5

1.424 Self-Employed Health Insurance Deduction

Due to Massachusetts' adoption of the trade or business expense deductions allowed under the Internal Revenue Code ("Code"), Massachusetts allows a deduction for health insurance expenses incurred by self-employed taxpayers.

Origin: IRC § 162(l), M.G.L. c. 62, §1(l), § 2(d)(1)

Estimate: $49.5

1.425 Deduction for Employer Payments of Employee Qualified Education Loans

Massachusetts allows two alternative deductions for student loan interest. The first is based on the deduction for student loan interest allowed under the Internal Revenue Code (Code). The Code allows a deduction of up to $2,500 of interest paid on loans used to pay for undergraduate or graduate education, subject to income limitations. The second deduction applies to interest on undergraduate student loans, which is not limited in amount and is not subject to income limitations. Taxpayers cannot take both deductions for the same interest payments.

Origin: M.G.L. c. 62, §§ 2(d)(1), 3B(a)(12); I.R.C. § 62(a)(17), § 221

Estimate: $17.5

1.426 Expenses of Human Organ Transplant

Resident individuals that donate specified organs to another person may deduct certain expenses relating to the donation on their personal income tax returns.

Origin: M.G.L. c. 62, § 3B(a) (16)

Estimate: Negligible

1.427 Prepaid Tuition or College Savings Plan Deduction2

A deduction against Part B income is allowed in an amount equal to 1) purchases of or 2) contributions made in a taxable year to an account in a pre-paid tuition program or a college savings program established by the Commonwealth or an instrumentality or authority of the Commonwealth. The deduction is capped at $1,000 for a single person or head of household and $2,000 for a married couple filing a joint return. The deduction originally applied to tax years beginning on or after January 1, 2017 through the tax year

beginning on January 1, 2021. The FY22 Budget amends St. 2016, c. 219, § 138 to eliminate the expiration, making the deduction permanent. See TIR 22-5 for further information.

Origin: G.L. c. 62, § 3.B(a) paragraph (19)

Estimate: $3.7

1.428 Gambling Loss Deduction

For tax years beginning on or after January 1, 2015 a deduction is allowed from Part B income for gambling losses incurred at certain licensed gaming establishments or "racing meeting licensee or simulcasting licensee" establishments but only to the extent of winnings from such establishments included in gross income for the calendar year. See TIR 15-14 and Schedule Y, line 17 for more information. The new gambling loss deduction is the only deduction for gambling losses allowed for a Massachusetts taxpayer, unless the gambling activities constitute a trade or business. See DD 03-3. Note that Massachusetts does not adopt the federal deduction under IRC § 165(d) for gambling losses.

Origin: Origin: G.L. c. 62, § 3.B(a) paragraph (18)

Estimate: $16.8

1.429 Moving Deduction

Filers who moved due to a change in their job or business location or to start a new job or business can deduct reasonable unreimbursed moving expenses if all of the following requirements are met: 1) The move was closely related to the start of work; 2) It meets a distance test; and 3) It meets a time test. Under the TCJA, a deduction for moving expenses is no longer allowed except for certain members of the Armed Forces; However, Massachusetts does not adopt this change. A deduction for moving expenses continues to be allowed if the above requirements are met as Massachusetts follows the Code as in effect as of January 1, 2024.

Origin: IRC § 217

Estimate: $1.3

1.430 Deduction for Student Loan Payment Assistance

For tax years beginning on or after January 1, 2023, employees may deduct employer payments of principal or interest on a qualified education loan during the taxable year that has not already been excluded from their federal gross income. The deduction is substantially identical to the federal exclusion from gross income provided by IRC § 127(c)(1), which Massachusetts follows as amended on January 1, 2022 and in effect for the taxable year. However, while IRC § 127(c)(1) is limited to $5,250 per employee and applies only to employer payments made before January 1, 2026, the new Massachusetts deduction is not subject to a dollar limit nor does it have a sunset date. Employees claiming the deduction may not claim any other deduction, such as for student loan interest, for the same amounts paid by their employer.

Origin: M.G.L. c. 62, § 3(B)(a)(20)

Estimate: $5.6

1.431 Whistleblower Attorneys' Fees Deduction

Due to Massachusetts' conformity with IRC § 62(a)(21), Massachusetts allows taxpayers to exclude from gross income attorney fees and court costs associated with whistleblower suits brought under the Securities Exchange Act of 1934, any state false claims act, or under the Commodity Exchange Act.

Origin: IRC § 62(a)(21)

Estimate: $1.6

**1.500 PREFERENTIAL RATE OF TAXATION**

1.501 Small Business Stock, Capital Gains Tax Rate

Gains derived from the sale of certain "qualified small business stock" ("QSBS") are eligible for a 50% income exclusion because of Massachusetts' conformity with section 1202 of the Internal Revenue Code (the "Code") as in effect in 2022. If it meets certain requirements, QSBS gain that is included in income is taxed at a rate of 3% instead of the generally applicable long-term gain rate of 5%.

Origin: IRC § 1202; M.G.L. c. 62, § 1,4(c)

Estimate: $0.1

**1.600 CREDITS AGAINST TAX**

1.601 Renewable Energy Source Credit

Provide homeowners and tenants a credit equal to 15% of the net expenditure for renewable energy source property or $1,000, whichever is less. The credit is limited to certain types of equipment used directly for the production of solar or wind energy for residential properties.

Origin: M.G.L. c. 62, § 6(d)

Estimate: $6.7

1.602 Credit for Removal of Lead Paint

A personal income tax credit is provided to defray the cost that property owners incur when removing, containing, or replacing paint, plaster, or other accessible structural materials containing dangerous levels of lead in residential buildings constructed prior to 1978. A smaller credit is available for partial removal, containment, or replacement of such materials, so long as the partial remediation meets statutory requirements.

Origin: M.G.L. c. 62, § 6(e)

Estimate: $6.4

1.603 Economic Development Incentive Program Credit

Under the provisions of the Economic Development Incentive Program (EDIP), the Economic Assistance Coordinating Council (EACC) may authorize taxpayers participating in certified projects to claim tax credits. To be eligible, a project must be certified by the EACC. The total dollar amount of the EDIP credit that may be authorized in a calendar year is $30 million. See item # 2.605 for more details.

Origin: M.G.L. c. 63, § 38N; c. 62, § 6(g)

Estimate: $6.5

1.604 Credit for Employing Former Full-Employment Program Participants

This tax expenditure relates to a credit that is no longer active. The credit was required to be authorized by the Department of Transitional Assistance (DTA). However, the DTA is no longer authorizing this credit. When in effect, the credit provided employers an incentive to retain certain employees who had been hired under DTA's full employment program after program subsidies had run out.

Origin: St. 1995, c. 5, § 110(m)

Estimate: Not Active

1.605 Earned Income Credit

Effective January 1, 2023, taxpayers are allowed a refundable credit against Massachusetts tax equal to 40% of the amount of the earned income credit claimed on their federal individual income tax returns. Note that, since the state credit amount is based on the federal, any changes, temporary or permanent, to the calculation of the federal credit will be automatically reflected in credit claims made against state tax. Note that while credit is refundable, it is not transferable.

Origin: M.G.L. c. 62, § 6(h)

Estimate: $459.5

1.606 Septic System Credit

Effective January 1, 2023, taxpayers required to repair or replace a failed cesspool or septic system pursuant to the provisions of Title V, as promulgated by the Department of Environmental Protection, are allowed a credit equal to 60% of the design and construction costs incurred, up to a maximum of $4,000 per tax year and $18,000 in total. For previous tax years, the credit is equal to 40% of the design and construction costs incurred (less any subsidy or grant from the Commonwealth), up to a maximum of $1,500 per tax year and $6,000 in total. Unused credits may be carried forward for up to five years. The credit is neither transferable nor refundable.

Origin: M.G.L. c. 62, § 6(i)

Estimate: $19.9

1.607 Low Income Housing Credit

The Low-Income Housing Tax Credit (LIHTC) is available to corporate excise and personal income taxpayers that invest in low-income housing projects that meet federal and state eligibility rules. The credit is part of a federal program that authorizes a federal credit for such investments and subsidizes state credits in states that opt into the program. The Massachusetts Department of Housing and Community Development (DHCD) determines eligibility for, and the amount of, the credit pursuant to federal guidelines. See also Corporate item 2.609.

Origin: M.G.L. c. 62, § 6I, c. 63, § 31H

Estimate: $18.1

1.608 Brownfields Credit

Taxpayers are allowed to claim a credit for amounts expended to remediate contaminated property owned or leased for business purposes and located within an economically distressed area. The Brownfields credit may be claimed by a taxpayer or non-profit corporation that commences and diligently pursues an environmental response action and achieves and maintains a permanent solution or remedy operation status in compliance with chapter 21E. Taxpayers may sell, transfer, or assign the credit. The environmental response action must be commenced on or before August 5, 2028, and eligible costs that qualify for the credit must be incurred before January 1, 2029. The credit may be carried forward for up to 5 years. The amount of the credit varies according to the extent of the environmental remedy. If the taxpayer's permanent solution or remedy operation status includes an activity and use limitation, then the amount of the credit is 25% of the net response and removal costs incurred by the taxpayer. However, if there is no activity and use limitation, then the amount of the credit is 50% of the net response and removal costs.

Origin: M.G.L. c. 62, §6 (j)

Estimate: $2.8

1.609 Refundable State Tax Credit Against Property Taxes for Seniors ("Circuit Breaker")

Seniors (taxpayers age 65 or older) are eligible for a tax credit to the extent that their property taxes - or 25% of rent - exceed 10% of their income. Income limits and a cap on the maximum assessed value of the filer's primary residence apply. The maximum credit is also adjusted annually for inflation, see Appendix A. Income limits and the maximum credit are adjusted for inflation over a 1999 base year; however, chapter 136 of the Acts of 2005 increased the assessed home valuation to $600,000 and set its base year to 2004. The base amount upon which the maximum credit is determined was doubled in the 2023 tax year. The credits may not be sold or transferred to another taxpayer, but are refundable.

Origin: M.G.L. c. 62, § 6 (k)

Estimate: $175.3

1.610 Massachusetts Historic Rehabilitation Credit

The Massachusetts historic rehabilitation tax credit is a credit for qualified expenditures made by a taxpayer in rehabilitating a qualified historic structure.

Origin: M.G.L. c. 62, § 6J; M.G.L c. 63, § 38R

Estimate: $16.4

1.611 Film Production Incentives (tax credit and sales tax exemption)

The Massachusetts film tax incentives, as amended in July 2007, allow a producer of a motion picture a tax credit equal to 25% of the film's production cost and 25% of the film's payroll costs. They also provide an exemption from sales tax for film productions in Massachusetts.

Origin: M.G.L. c. 62, § 6(l), c. 63, § 38X, c. 64H, § 6(ww)

Estimate: $2.0

1.613 Medical Device User Fee Credit

The Medical Device Credit is equal to 100% of the user fees actually paid to the United States Food and Drug Administration (FDA) by a medical device company during the taxable year for which the tax is due for premarket submissions to market new technologies or upgrades, changes, or enhancements to existing technologies, developed or manufactured in Massachusetts.

Origin: M.G.L. c. 63, § 31L; c. 62, § 6½

Estimate: Expired

1.614 Dairy Farmer Tax Credit

Massachusetts provides dairy farmers a refundable personal income tax or corporate excise credit to offset cyclical downturns in milk prices. The credit is triggered when milk production costs exceed milk prices. The credit is determined by the Massachusetts Department of Agricultural Resources (MDAR), which notifies the Department of Revenue(DOR) of the amount of the credit awarded to each taxpayer. Effective January 1, 2023, the total cumulative value of the credits authorized pursuant to this section combined with M.G.L. c. 63, § 38Z is $8 million. These credits may not be sold or transferred to another taxpayer, but are fully refundable. See corporate item 2.618 for more details.

Origin: M.G.L. c. 62, § 6 (o)

Estimate: $5.0

1.615 Conservation Land Credit

Filers who donate land for conservation in perpetuity for the use of all citizens of the Commonwealth can receive a credit of up to $75,000. Approval of the donation is required from the Secretary of the Office of Energy & Environment Affairs. The credits may not be sold or transferred to another taxpayer, but are refundable. The total credits that may be approved are capped at $2.0 million annually.

Origin: M.G.L. c. 62, § 6 (p)

Estimate: $1.6

1.616 Employer Wellness Program Tax Credit

The 2012 Health Care Act establishes an Employer Wellness Program Tax Credit that is effective for tax years beginning on or after January 1, 2013 and is set to expire on December 31, 2017. The Employer Wellness Program Tax Credit was created to provide incentives for business to recognize the benefits of wellness programs with the goal of providing smaller businesses with an expanded opportunity to implement these programs. The credit is available to both chapter 62 and chapter 63 taxpayers (personal income taxpayers and corporate & business excise taxpayers). The credit is set at 25 percent of the costs associated with implementing a "certified wellness program." The maximum amount of Employer Wellness Program Credits available to a taxpayer is $10,000 in any tax year. The total amount of Employer Wellness Program Credits authorized by the Department of Public Health is subject to a $15 million annual cap starting calendar year 2013. The Employer Wellness Program Tax Credit is non- refundable and non-transferrable. However, the portion of the Employer Wellness Program Tax Credit that exceeds the tax for the taxable year may be carried forward and applied against such taxpayer's tax liability in any of the succeeding 5 taxable years.

Origin: St. 2012, c. 224, §§ 41, 41A, 56, 56A, 238, 239, 297, and 298. M.G.L. c. 62, § 6N; M.G.L. c. 63, § 38FF

Estimate: Expired

1.617 Community Investment Tax Credit

A personal income tax and corporate excise credit is available for 50% of qualified investments in "community partners" selected by the Executive Office of Housing and Livable Communities through a competitive process. The community partner then uses the amount invested to fund approved programs designed to improve economic opportunities in Massachusetts communities. Such investments are in the nature of contributions, i.e., the investor does not receive any equity or other financial stake in the programs that are funded. The 2012 Jobs Act provides a Community Investment Tax Credit that is effective January 1, 2014 and is set to expire on December 31, 2019. However, St. 2018, chapter 99, § 25 extended the sunset date for the credit to year 2025. The total amount of the credit was subject to a $3 million cap in taxable year 2014, and $6 million in each year of taxable years 2015 through 2018, $8 million in each year of taxable years 2019 and 2020, $10 million in each year of taxable years 2021 and 2022, and $12 million in each year of taxable years 2023 through 2025. This credit is refundable, but not transferrable and it could be carried over up to five years.

Origin: M.G.L. c. 62, § 6M; c. 63, § 38EE

Estimate: $8.4

1.618 Farming and Fisheries Tax Credit

Personal income taxpayers who are primarily engaged in agriculture, farming, or commercial fishing are allowed an investment tax credit equal to 3% of the cost of qualifying property used in such activities in Massachusetts.

Origin: M.G.L. c. 62, § 6(s)

Estimate: $0.3

1.619 Certified Housing Development Tax Credit

A personal income tax and corporate excise credit is allowed for up to 25% of costs incurred in constructing or rehabilitating housing in areas designated by the Department of Housing and Community Development (DHCD). Eighty percent of the housing must be available for rent or sale at market rate prices. Designated areas must be located in a city or town identified by statute as a gateway municipality. The DHCD determines eligibility for, and the amount of, the credit.

Origin: St. 2010, c. 240; M.G.L. c. 40V; G.L. c. 62, § 6(q).

Estimate: $7.4

1.620 Veteran's Hire Tax Credit

A credit is available to businesses that hire veterans who live and work in Massachusetts. The credit is equal to $2,000 for each qualified veteran hired. Businesses with 100 or fewer employees may claim a $2,000 credit against the corporate excise or personal income tax for each qualified veteran hired. See TIR 17-10.

Origin: M.G.L. c. 62, § 6(u)

Estimate: $0.5

1.621 Apprentice Tax Credit

A personal income tax and corporate excise credit is allowed to employers that establish apprenticeship programs in designated computer technology, health care technology or manufacturing occupations. The credit is equal to the lesser of $4,800 or 50% of the wages paid to the apprentice in a taxable year.

Origin: M.G.L. c. 62, § 6(v); M.G.L. c. 63, § 38HH

Estimate: Negligible

1.622 Disability Hire Credit

Effective for tax years beginning on or after January 1, 2023, employers that hire disabled employees may claim a nontransferable, refundable credit equal to (i) the lesser of $5,000 or 30% of the wages paid to a disabled employee in the employee's first year of employment, and (ii) the lesser of $2,000 or 30% of the wages paid to a disabled employee in each subsequent year of the employee's employment. The credit is available to employers provided that (i) the employee is certified by the Massachusetts Rehabilitation Commission as having a disability as defined under the Americans with Disabilities Act, 42 U.S.C. § 12102; (ii) the employee is capable of working independently; (iii) the employee has a mental or physical disability that constitutes or results in a substantial impediment to employment; (iv) the employee is hired after July 1, 2021; (v) the employee's primary place of employment and primary place of residence is in Massachusetts; (vi) the employer must obtain certification from the Massachusetts Rehabilitation Commission that the employee is

qualified no later than the employee's first day of work; and (vii) the employer employs the employee for at least 12 consecutive months prior to and in the taxable year in which the credit is claimed.

Origin: M.G.L. c. 62, § 6(z).

Estimate: $1.0

1.623 Cranberry Bog Renovation Credit

Effective for tax years beginning on or after January 1, 2020, taxpayers primarily engaged in cranberry production may claim a nontransferable, refundable credit equal to 25% of expenses incurred in the renovation, repair, replacement, regrading or restoration of a cranberry bog for the cultivation, harvesting or production of cranberries. The Secretary for Energy and Environmental Affairs determines eligible costs and the amount of the credit. The amount of credit that can be claimed by a taxpayer for a taxable year cannot exceed $100,000. The credit is no longer available for taxable years beginning on or after January 1, 2030.

Origin: M.G.L. c. 62, § 6(w).

Estimate: $1.0

1.624 Credit for Eligible Dependents

Effective for tax years beginning on or after January 1, 2021, taxpayers may claim a nontransferable, refundable credit for eligible dependents. To claim the credit, a taxpayer must furnish over half of the cost of maintaining a household. The household must include a dependent that qualifies as a dependent under IRC § 152 and who is (i) under the age of 12; (ii) age 65 or over; or (iii) disabled. The credit is equal to $180 if the taxpayer claims one dependent, or $360 if the taxpayer claims two or more dependents. The credit cannot be claimed by married taxpayers that file separate Massachusetts personal income tax returns. A taxpayer claiming this credit may not also claim the credit for dependent care expenses allowed under G.L. c. 62, § 6(x).

Origin: M.G.L. c. 62, § 6(y).

Estimate: Expired

1.625 Dependent Care Expenses Credit

Effective for tax years beginning on or after January 1, 2021, taxpayers may claim a refundable, nontransferable credit for dependent care expenses. The credit is equal to "employment-related expenses" allowed for purposes of determining the credit provided under IRC § 21. Under IRC § 21, employment-related expenses include certain expenses incurred to enable the taxpayer to be gainfully employed, including household expenses and expenses for the care of a qualified individual. A qualifying individual is (i) a dependent of the taxpayer who is younger than 13 years old; or (ii) a dependent of the taxpayer, including a spouse, who is physically or mentally incapable of taking care of himself or herself and principally lives with the taxpayer. The credit cannot exceed $240 if the taxpayer claims expenses for one qualifying individual, or $480 if the taxpayer claims expenses for two or more qualifying individuals. Married taxpayers must file a joint federal income tax return to claim the credit. For taxpayers that file a joint federal income tax return and who file as married filing separately in Massachusetts, either spouse may claim the

credit for expenses he or she incurred, but the combined credit for both spouses cannot exceed $240 for one qualifying individual or $480 for two or more qualifying individuals. A taxpayer claiming the credit may not also claim the dependent credit allowed under G.L. c. 62, § 6(y).

Origin: M.G.L. c. 62, § 6(x).

Estimate: Expired

1.626 Offshore wind tax incentive program: cover the Wind Power Incentive Jobs Credit and Wind Power Incentive Investment Credit

The Massachusetts offshore wind tax incentive program consists of two tax credits, a Wind Power Incentive Jobs Credit and a Wind Power Incentive Investment Credit, for offshore wind companies subject to either the personal income tax or the corporate excise. The credits are available to certified offshore wind companies only to the extent authorized by the Massachusetts Clean Energy Technology Center (the "Center"), may be claimed starting with taxable years beginning on or after January 1, 2023, share an annual cap of $35,000,000, are subject to recapture in the event that the offshore wind company's certification is revoked by the Center, and expire on January 1, 2033. For offshore wind companies subject to the personal income tax, the credit is attributed on a pro rata basis to the owners, partners, or members of the legal entity. The Wind Power Incentive Jobs Credit is available to certified offshore wind companies that commit to the creation of a minimum of 50 net new permanent full-time employees in Massachusetts. Effective for taxable years beginning on or after January 1, 2024, certified offshore wind companies must commit to the creation of a minimum of 10 net new permanent full-time employees in Massachusetts. Where the credit exceeds the taxpayer's liability for the taxable year, 90 percent of such excess credit may be refunded to the taxpayer. Excess credit amounts cannot be carried forward to subsequent taxable years. The Wind Power Incentive Investment Credit is available for certified offshore wind companies that make a capital investment in an offshore wind facility that they either own or lease in an amount up to 50 percent of such investment. The total amount of the credit awarded is distributed in equal parts over five taxable years that correspond to the period in which the offshore wind company is certified. Eligibility requirements vary depending on whether the certified offshore wind company owns or leases the offshore wind facility, but, in general, the certified offshore wind company must demonstrate to the Center that (i) it has a total capital investment in an offshore wind facility that equals not less than $35,000,000; and (ii) the offshore wind facility must employ not less than 200 new full-time employees by the fifth year of the offshore wind company's certification. A certified offshore wind company claiming this credit may not also claim the Wind Power Incentive Jobs Credit or the Economic Development Incentive Program Credit provided by M.G.L. c. 62, § 6(g) in the same taxable year.

Origin: M.G.L. c. 23J, § 8A; M.G.L. c. 62, § 6(bb), (cc).

Estimate: $2.5

1.627 National Guard Credit

A business employing not more than 100 employees may be allowed a credit equal to $2,000 for each member of the Massachusetts national guard hired by the business. To be eligible for a credit: (i) the primary place of employment and the primary residence of the member of the Massachusetts national guard must be in Massachusetts; and (ii) not later than the day an individual begins work, a business shall have obtained the applicable certification from the office of the adjutant general that the individual is a member of the

Massachusetts national guard. A business that claims this credit is eligible for a second credit of $2,000 in the subsequent taxable year with respect to such member of the Massachusetts national guard, subject to certification of continued employment during the subsequent taxable year. The credit is nontransferable and nonrefundable. Any amount of the credit that exceeds the tax due for a taxable year may be carried forward to any of the three subsequent taxable years. The credit must be attributed on a pro rata basis to the owners, partners or members of the legal entity entitled to the credit. The personal income and corporate excise versions of this credit are subject to the same annual cap of $1,000,000.

Origin: M.G.L. c. 62, §6(aa); St.2022, c.154, § 7.

Estimate: $0.1

1.628 Child and Family Tax Credit

Effective for tax years beginning on or after January 1, 2023, taxpayers may claim a nontransferable, refundable credit if they maintain a household that includes an individual who is (1) under the age of 13 and who qualifies for exemption as a dependent for federal purposes; (2) a dependent, or the taxpayer's spouse, who is physically or mentally incapable of taking care of himself or herself and principally lives with the taxpayer; or (3) a dependent who is age 65 or over or disabled. The credit cannot be claimed by a person who is a non-resident for the entire taxable year or married taxpayers that file separate Massachusetts personal income tax returns. For the tax year beginning on or after January 1, 2023, the amount of the credit is equal to $310 for each such individual. The credit will be increased to $440 for each such individual for tax years beginning on or after January 1, 2024.

Origin: M.G.L. c. 62, § 6(x)

Estimate: $467.0

1.629 Renewable Energy Source Credit

Starting with taxable years beginning on or after January 1, 2024, partnerships, limited liability corporations, or other legal entities subject to the personal income tax that provide training to a qualified trainee through an authorized training program may claim a temporary authorized training tax credit for emergency assistance. A qualified individual is an individual receiving benefits through the emergency housing assistance program pursuant to G.L. c. 23B, § 30. To qualify for the credit, a taxpayer must (1) have a place of business in the Commonwealth; (2) conduct an authorized training program in the Commonwealth that is in compliance with recommendations of the Executive Office of Labor and Workforce Development ("EOLWD"); (3) enroll the qualified trainee in an authorized training program on or after April 30, 2024; and (4) meet any additional requirements determined by the Executive Office for Administration and Finance and EOLWD. The credit is equal to $2,500 for each qualified trainee that receives the training from the entity. The amount of the credit that exceeds the tax due for a taxable year may be carried forward to the subsequent taxable year. The credit is subject to an annual cap of $10,000,000. The credit may no longer be claimed as of (1) January 1, 2026; or (2) the taxable year in which the end of the capacity limitation on the emergency shelter assistance program occurs, whichever is sooner. See TIR 24-7 for more information.

Origin: M.G.L. c. 62, § 6(dd)(1)

Estimate: $2.0

1.630 First-Time Homeownership Development Credit

Starting with taxable years beginning on or after January 1, 2025, personal income taxpayers may claim a Massachusetts homeownership tax credit in relation to a qualified homeownership development project to the extent authorized by the Executive Director of the Massachusetts Housing Finance Agency ("MHFA"). The credit is non-refundable but is transferrable. The amount of the credit authorized by MHFA cannot exceed the maximum credit amount, which is 35% of the lesser of either: (1) the project's total qualified project expenditures calculated on a per single-family dwelling basis; or (2) 80% of the area median new single-family dwelling sales price, subject to further limitations established by MHFA. A sponsor cannot claim the credit before the first taxable year stated on the eligibility certificate issued to the sponsor by MHFA. Any amount of the credit that exceeds the tax due for a taxable year may be carried forward for the duration of the qualified homeownership development project's affordability period, which is a 10-year period that begins as of the date of the first sale of a single-family dwelling that was constructed as part of the project. The credit is subject to recapture. The amount of credits that MHFA can authorize annually cannot exceed the sum of (1) $10,000,000; (2) any credit amounts not authorized in the preceding taxable year; and (3) any credits returned to MHFA by a sponsor. Effective January 1, 2030, the amount of credits that can be authorized annually is the sum of (1) any credit amounts not authorized in the preceding taxable year; and (2) any credits returned to MHFA by a sponsor.

Origin: M.G.L. c. 62, § 6O

Estimate: $2.0

1.631 Qualified Conversion Project Tax Credit

Starting with taxable years beginning on or after January 1, 2025, personal income taxpayers may claim a refundable, non-transferable qualified conversion credit in relation to a qualified conversion project that has been certified by the Executive Office of Housing and Livable Communities ("EOHLC"). To claim the credit, a sponsor must submit a project proposal to EOHLC requesting the certification of a housing development project as a qualified conversion project. After certifying the project, EOHLC determines the amount of credit awarded to the sponsor, which cannot exceed 10% of the qualified conversion's project's development costs. The credit is allowed for the taxable year in which EOHLC notifies the Commissioner of the certified qualified conversion project's completion. Any amount of the credit that exceeds the tax due for a taxable year may be carried forward to any of the 10 taxable years subsequent to the taxable year that the credit was allowed. The credit is subject to recapture. The credit is no longer available for taxable years ending after December 31, 2029.

Origin: M.G.L. c. 62, § 6(ee)

Estimate: $1.0

1.632 Climatetech Tax Incentive Program

Massachusetts provides a climatetech tax incentive program, which is administered by the Massachusetts clean energy center ("CEC"), in consultation with DOR. The tax incentives consist of three tax credits, the climatetech capital investment tax credit, a refundable climatetech jobs tax credit, and a climatetech qualified research expenses tax credit; as well as a sales and use tax exemption for purchases of tangible personal property to be

used for the construction of research, development or manufacturing or other commercial climatetech facilities. The incentives all share an annual cap of $30 million and are effective for taxable years beginning on or after January 1, 2024. The climatetech capital investment tax credit is a refundable tax credit available to personal income and corporate excise taxpayers who make capital investments in a climatetech facility. The amount of the credit is determined by the CEC, but cannot exceed 50% of the owner's total capital investment in the facility. The refundable climatetech jobs tax credit is a refundable tax credit available to personal income taxpayers who commit to creating at least 5 net new jobs in Massachusetts. The amount of credit is determined by the CEC. Where the credit exceeds the taxpayer's liability, 90% of excess credit amount is refunded to the taxpayer.

Origin: M.G.L. c. 62, § 6(gg), (hh)

Estimate: $6.0

1.633 Live Theater Tax Credit

The live theater tax credit program is administered by the Massachusetts Office of Business Development, in consultation with DOR. The credit is available to personal income and corporate excise taxpayers. The amount of the credit cannot exceed $7,000,000 and is equal to (1) 35% is of the total in-state payroll costs; (2) 25% of production and performance expenditures; and (3) 25% of transportation expenditures. The credit is not refundable, but is transferrable. Any unused amount of credit may be carried forward to the next 5 taxable years. The annual amount of credits that can be authorized cannot exceed $7,000,000. The credit is effective for taxable years beginning on or after January 1, 2025 and expires on January 1, 2030.

Origin: M.G.L. c. 62, section 6(ff)

Estimate: $3.5

1.634 Qualified Internship Tax Credit

The qualified internship tax credit is available to personal income and corporate excise taxpayers who hire a qualified intern. The credit is equal to the lesser of $5,000 or 50% of the wages paid to the intern. The annual amount of credits that can be authorized cannot exceed $10,000,000. A single employer cannot claim more than $100,000 in credits in a taxable year. The credit is effective starting for the taxable year beginning on or after January 1 of the first calendar year following the next fiscal year that closes after November 20, 2024 with a consolidated net surplus of at least $400 million. The credit expires on January 1 of the sixth tax year following the effective date of the credit.

Origin: M.G.L. c. 62, § 6(ii)

Estimate: N.A.

| KEY | ORIGIN | |
|---|---|---|
| | **IRC** | Federal Internal Revenue Code (26 U.S.C.) |
| | **U.S.C** | United States Code |
| | **M.G.L.** | Massachusetts General Laws |
| | **Rev. Rul.; C.B.** | Revenue Ruling; Cumulative Bulletin of the U.S. Treasury |
| | **ESTIMATES** | All estimates are in $ millions. |

[1] This item and others citing this endnote cover employee fringe benefits. We accept as standard the following treatment of these benefits: the expense incurred by the employer in providing the benefit is properly deductible as a business expense and the benefit is taxed as compensation to the employee as if the employee had received taxable compensation and then used it to purchase the benefit. Of course, there are problems with this analysis. In some cases, the "benefit" is more a condition of employment than a true benefit. For example, a teacher required to have lunch in the school cafeteria may prefer to eat elsewhere even if the school lunch is free. On the other hand, in many cases the provision of tax-free employee benefits is clearly a substitution for taxable compensation.

[2] This item and others citing this endnote cover contributory pension plans. The standard tax treatment of these plans is as follows:

| Component | Standard Treatment |
|---|---|
| Contributions: | Made out of income that is currently taxed to employees. |
| Investment Income: | Taxed to the employee as "earned" income. |
| Distributions from Pension Funds: | Tax-free to the extent they are made out of dollars previously taxed to the employees as contributions or investment income. |

The non-standard treatment of contributions, investment income, or distributions as described in items 1.006, 1.101, 1.104, 1.402, and 1.427, results in either nontaxation or deferrals of tax.

[3] FY26 estimates for the basic personal exemptions and the no-tax status discussed in the introduction to the personal income tax are (in millions of dollars):

Personal exemption for single taxpayers: $417
Personal exemption for married couples: $538
Personal exemption for married taxpayers filing separately: $23
Dependents exemption: $86
Personal exemption for heads of households: $118
Limited income credits: $13
No tax status: $13

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Beginning in Fiscal Year 2013, the corporate section of the Tax Expenditure Budget includes other business excises along with the corporate excise. These additional business excise taxes are the financial institution excise, the public utility excise which was repealed effective January 1, 2014, the excises on insurance companies, and the excise on security corporations. The financial institution excise is structured similarly to the corporate excise. It begins with federal net income with certain Massachusetts modifications, proceeds to additional Massachusetts deductions, applies the appropriate apportionment percentage, applies the appropriate tax rate to compute the excise due before credits and applies credits to reach the final excise due. The revenue estimates for the items in the list will now reflect their use by financial institutions. Note that most of the expenditure items are unavailable to insurance companies as these companies are not taxed on net income. However, insurance companies can apply certain credits to reduce their excises. Credits available to insurance companies are so indicated within the item descriptions and the revenue estimates for these credits will reflect their use.

In Fiscal Year 2024, revenues from the corporate excise and the other business excises mentioned above represented 11.8% of total Department of Revenue tax collections. Together these taxes ranked third in Fiscal Year 2024 in terms of total taxes collected, after the individual income tax and the sales and use tax.

## Corporate Excise: Short History and Basic Structure

The corporate excise was enacted in 1919, replacing a corporate franchise tax, which was levied on the value of capital stock. Initially, the corporate excise was imposed on corporate excess and on net income.

In 1962, the corporate excess measure was repealed. The corporate excise tax is now levied on tangible property or net worth (depending on the mix of property held by the corporation) and on net income.

**Tax Base:** Most business corporations are subject to tax under the corporate excise which has three components: an income measure, a non-income measure, and a minimum excise.

The income measure of the tax is based on net income for federal tax purposes with certain additions, such as interest earned on state obligations, and certain deductions, most of which are allowable under the provisions of the Internal Revenue Code. Many of the deductions are considered to be part of the basic structure. For example, in providing for depreciation deductions, the basic structure would allow the cost of property to be written-off evenly over its useful life (so-called “straight-line depreciation”). However, rules that allow accelerated depreciation deductions are listed as tax expenditures.

Under the non-income measure, corporations with qualifying tangible assets in Massachusetts that equal or exceed 10% of their qualifying total assets in Massachusetts (apportioned according to their income apportionment percentages) are taxed on the values of their tangible properties. Other corporations are taxed on a net worth basis.

The minimum excise is $456.

**Taxable Unit:** A corporation is a taxpayer separate and distinct from its shareholders.

**Rate Structure:** Overall, the rates have declined since January 2010. However, the minimum excise remains unchanged at $456. The current (tax year 2024) excise rate on C-corporations that are not financial institutions is 8.00% of net income apportioned to Massachusetts, and $2.60 per $1,000 of the

value of Massachusetts tangible property (as determined to be taxable under § 30(7)) or net worth allocable to Massachusetts (as determined to be taxable under § 30(8) – (9)). The tax rate on S-corporations that are not financial institutions is 3.00% for companies with total receipts $9 million or more, and 2.00% for companies with total receipts $6 million or more but less than $9 million. The tax rate on tangible property or net worth is the same as for C-corporations.

**Taxable Period and Net Operating Loss Carry-forward:** The taxable periods for corporations are diverse and can be chosen by each tax filer. Estimated payments are made every three months during the taxable period. Net operating loss (NOL) carry-forwards are allowed for future deductions. Before January 2010, qualifying losses could be carried forward up to five years. However, there was a statutory expansion of the general NOL carry-forward period from 5 to 20 years for business corporations. Refer to Appendix A of the FY2016 tax expenditure budget report for details.

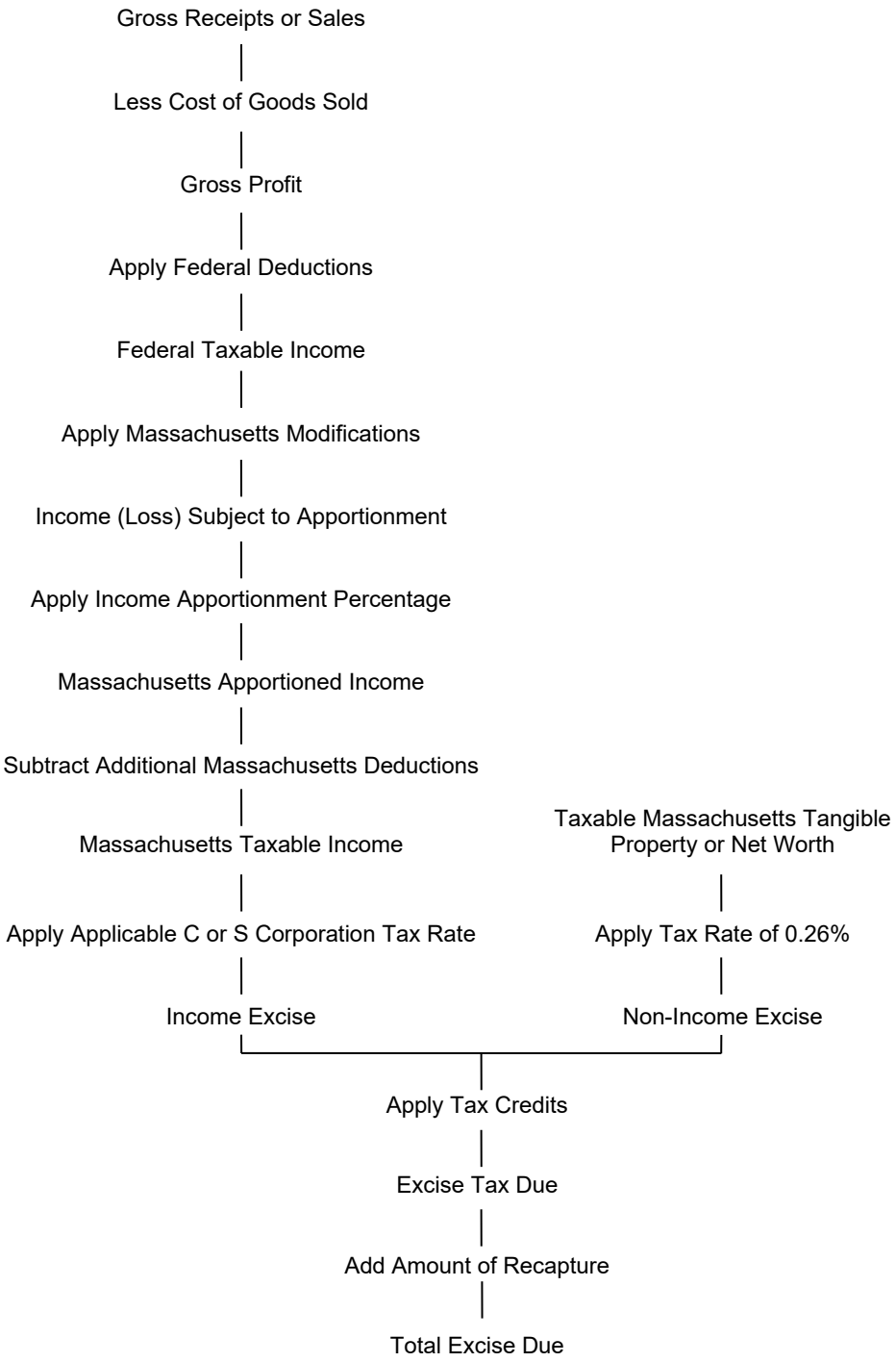
**Interstate and International Aspects:** All domestic and foreign corporations with nexus in Massachusetts are subject to the corporate excise. Corporations are required to apportion their net incomes if they have incomes from business activity that is taxable in another jurisdiction using a formula based on the proportions of corporate real and tangible property, payroll, and sales that are located in Massachusetts. Under certain circumstances, taxpayers may petition for, or the Commissioner may impose, alternative methods of accounting to reflect more fairly a taxpayer's income from business operations in Massachusetts. Effective for tax years beginning on or after January 1, 2025, all such corporations are required to use single sales factor apportionment. See tax expenditure 2.401.

**Combined Reporting:** Since January 1, 2009, Massachusetts has required certain businesses engaged in a unitary business to calculate their income on a combined basis. A corporation is subject to this requirement if it is subject to a tax on its income under Massachusetts General Laws (M.G.L). c. 63, §2, §2B, §32D, §39 or §52A and it is engaged in a unitary business with one or more other corporations under common control, whether or not the other corporations are taxable in Massachusetts. Those certain businesses can be general corporations, financial institutions, or public utilities. Note that combined reporting does not apply to the non-income measure of corporate excise.

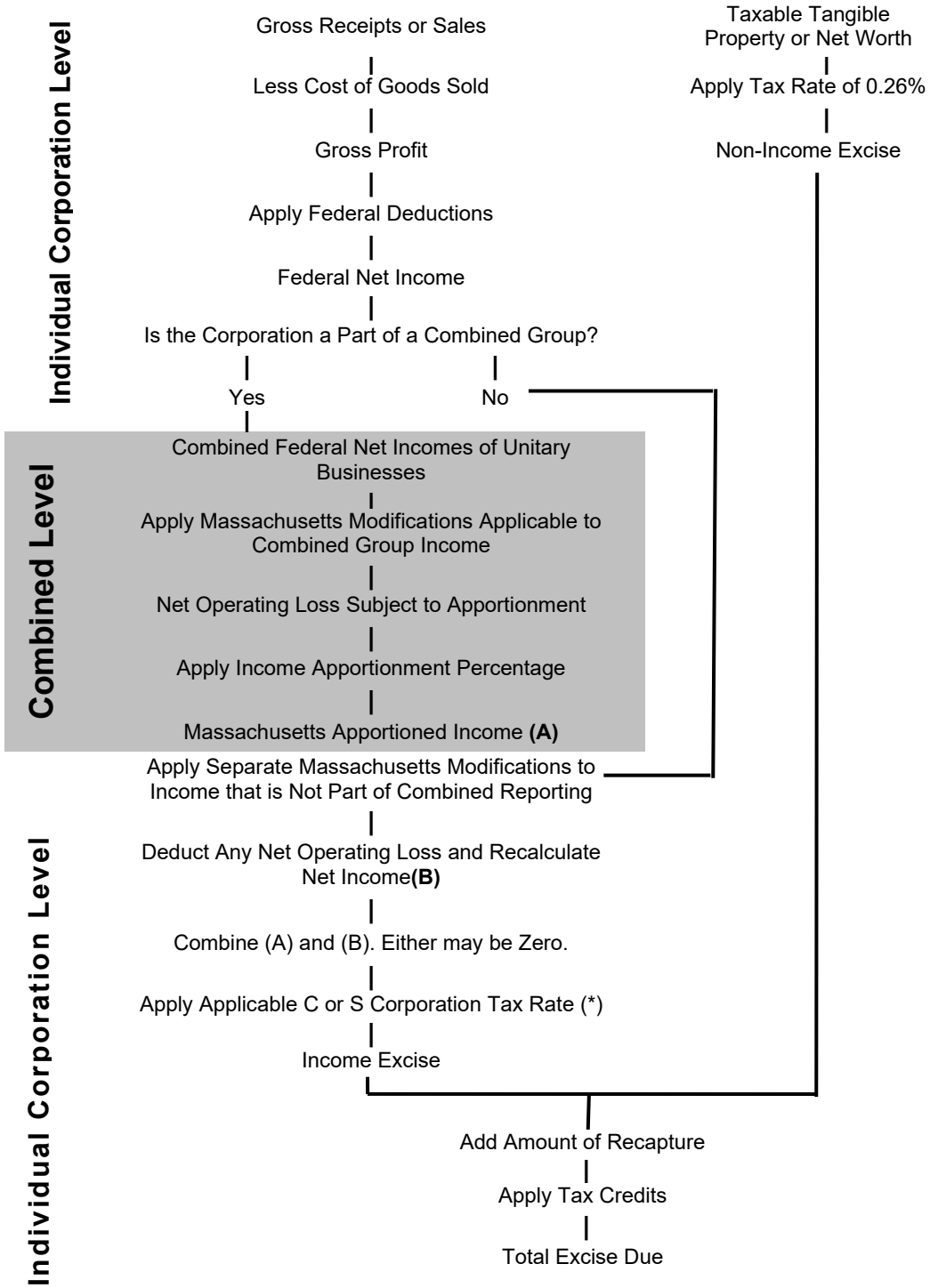
## The Other Business Excises

The other business excises possess some different features from the corporate excise. First, many of the financial institutions still do not qualify for combined reporting, and no insurance companies are subject to combined reporting. Second, these businesses are not allowed to take net operating loss deductions. Third, financial institutions weigh the three apportionment factors (sales, payroll, property) equally before tax year 2025. Fourth, the main tax base of insurance companies is the insurance premiums those companies have charged. Fifth, some credits such as the investment tax credit are not applicable to these businesses. There are some additional differences. For further details, refer to the applicable tax return forms. The basic structures of the excises for these businesses are described in the diagrams that follow.

## Computation of Massachusetts Corporate Excise under Non-Combined Reporting



## Computation of Massachusetts Corporate Excise under Combined Reporting




(*) Except for non-income excise, this diagram applies to all combined filers.

# Computation of the Financial Institution Excise (Non-Combined Reporting)

## Financial Institution Excise

Federal Net Income

|

Apply Massachusetts Modifications

|

Total Net Income Before Massachusetts Deductions

|

Subtract Additional Massachusetts Deductions

|

Adjusted Net Income

|

Apply Apportionment Percentage

|

Massachusetts Taxable Income

|

Apply Applicable Financial Institution Tax Rate *

|

Apply Credits

|

Total Excise Due

* 9.0% for financial institutions that are C corporations; for financial institutions that are S corporations, 4.00% for corporations with total receipts $9 million or more, and 2.67% for corporations with total receipts $6 million or more but less than $9 million.

# Computation of the Security Corporation Excise

## Security Corporation Excise

Federal Gross Income

|

Add State and Municipal Bond Interest

|

Adjustments to Income

|

Apply Applicable Excise Rate (0.33% for Class 1 or 1.32% for Class 2)

|

Apply Credits

|

Total Excise Due

## Summary of 2024 Tax Forms for Insurance Companies

| Tax Form | Type of Company | Foreign or Domestic | Base of Tax | Tax Rate | Retaliatory Tax Provision |
|---|---|---|---|---|---|
| 63-20P | Life Insurance | Domestic | Taxable life, accident and health insurance premiums, net value of policies | 2% on life and acc./health ins. Premiums | N/A |
| | Life Insurance | Foreign | Taxable life insurance premiums attributable to Massachusetts, accident and health insurance premiums | 2% on all premiums | Yes |
| 63-23P | Insurance Companies, except Life Insurance or Ocean Marine | Domestic | Taxable (non-life) insurance premiums and gross investment income | 2.28% on premiums; then: 1%, 0.8%, 0.6%, 0.4%, 0.2% or 0.0% on investment income | N/A |
| | Insurance Companies, except Life Insurance or Ocean Marine | Foreign | Taxable premiums for insurance of property or interests attributable to Massachusetts | 2.28% | Yes |
| | Preferred Providers (Accident and Health Insurers, Nonprofit Hospitals, HMO's, and other nonprofit medical, optometric or dental companies) | Domestic and Foreign | Gross premiums for coverage of persons who reside in Massachusetts | 2.28% | N/A |

## Types of Tax Expenditures

As with the personal income tax, the basic structure of the corporate excise tax is subject to several different types of modifications that can produce tax expenditures.

**Exclusions from Gross Income:** Gross income is the starting point in the calculation of the income component of the corporate excise. In the absence of tax expenditures, it would include all income received from all sources. Items of income that are excluded from gross income escape taxation permanently.

**Deferrals of Gross Income:** Where an item of income is not included in gross income in the year when it is actually received, but is instead included in a later year, the result is a tax expenditure in the form of an interest-free loan from the state to the taxpayer in the amount of the tax payment that is postponed.

**Deductions from Gross Income:** Certain amounts are subtracted from gross income to arrive at taxable income. Many of these deducted amounts reflect the costs of producing income (business expenses) and are not included in the corporate income measure of excise; such deductions are not tax expenditures. Other deductions, which do not reflect business expenses, but permit income to escape taxation permanently, do constitute tax expenditures.

**Accelerated Deductions from Gross Income:** In a number of cases, corporations are allowed to deduct business expenses from gross income at a time earlier than such expenses would ordinarily be recognized under accepted accounting principles. The total amount of the permissible deduction is not increased but it can be utilized more quickly to reduce taxable income. The result is to defer taxes, thus in effect occasioning an interest-free loan from the state to the taxpayer.

**Adjustments to Apportionment Formula:** In the case of a business that earns income both inside and outside the Commonwealth, an apportionment formula is used to determine what portion of the total business income to allocate to Massachusetts for the calculation of corporate excise. When the standard formula is adjusted to reduce the apportionment ratios for certain businesses, tax expenditures result. The practical effect is to exclude certain portions of those business incomes from taxation.

**Exclusions from Property Component:** In addition to the excise based on income, corporations pay the excise tax based on the value of their property in the state. To the extent that certain classes of property are not included in the excise's property measure, tax expenditures result.

**Credits against Tax:** After a corporation has computed its basic tax liability, it may subtract certain credit amounts in determining the actual amount of taxes due. It is important to note that, whereas one-dollar exclusion or deduction results in tax savings of only a few cents (one dollar times the applicable tax rate), one-dollar credit generally results in one-dollar tax saving.

**Entity Exempt from Taxation:** In some cases, a business or other entity may be completely exempt from taxation. To the extent businesses or investment incomes go untaxed, tax expenditures result.

## List of Corporate and Other Business Excise Expenditures

**2.000 EXCLUSIONS FROM GROSS INCOME**

2.001 Small Business Corporations

In general, corporations organized under, or subject to, Chapters 156, 156A, 156B, 156C, 156D or 180 of Massachusetts General Laws (M.G.L.) or that have privileges, powers, rights or immunities not possessed by individuals or partnerships are subject to the corporate excise. Most corporations have an income tax component of their excise. For those corporations, income is taxed at a rate of between 8 and 9%. Dividends distributed to Massachusetts residents are also subject to the personal income tax rate of 5%. Certain corporations with no more than 100 shareholders may elect to be taxed, for both federal and state tax purposes, as "S corporations." Under federal law, most S corporation income is passed through and taxed only as personal income to shareholders, and is not taxable at the entity level. Only limited categories of income are subject to an entity-level tax for federal tax purposes. For Massachusetts purposes generally, S corporation income is not subject to an entity level tax, except as follows: 1) those limited categories of income that are subject to an entity-level tax for federal tax purposes are also taxable in Massachusetts at the full corporate rate; and 2) the income of an S corporation with receipts of $6 million or more is subject to tax at reduced corporate rates. As of 2020, S corporations with total receipts of at least $6 million but less than $9 million are subject to a corporate excise of 2.00% of net income for non-financial institutions and 2.67% for financial institutions. An S corporation with total receipts of $9 million or more is subject to an excise of 3.00% of net income for non-financial institutions and 4.00% for financial institutions. The favorable manner in which income is taxed to an S corporation and its shareholders as compared to an ordinary business corporation (including its shareholders) constitutes a tax expenditure. Massachusetts first adopted this treatment of S corporations in 1986.

Origin: IRC §§ 1361-1363; M.G.L. c. 63, §32D

Estimate: $281.1

**2.100 DEFERRALS OF GROSS INCOME**

2.101 Deferral of Tax on Certain Shipping Companies

Federal law provides for the creation of special funds ("merchant marine capital construction funds" or "CCFs") by taxpayers who own eligible vessels. Taxpayers can use CCFs to set aside funds for the acquisition, construction, modernization, and major repair of ships that are constructed or reconstructed in the U.S., registered in the U.S., and used in trade or fishing activity. A deduction is allowed under the Code for amounts properly deposited into a CCF. Tax on income earned on amounts in the fund is deferred. Amounts placed in the CCF must be used for an eligible purpose within 25 years of being contributed or they will be taxed. Massachusetts conforms to the federal tax treatment of the contributions by virtue of its conformity with the Code. Amounts withdrawn from a CCF are characterized as either qualified withdrawals or nonqualified withdrawals. Qualified withdrawals are those made for the purpose of either the acquisition, construction, or repair of qualified vessels, or making principal payments on the mortgage of a qualified vessel. Qualified withdrawals are excluded from a taxpayer's taxable income. Instead, taxpayers must reduce the depreciable basis of the vessel by the amount of the qualified withdrawal. Nonqualified withdrawals, which are any withdrawals that are not qualified withdrawals, are taxable. Nonqualified withdrawals include amounts used to make principal payments on the mortgage of a vessel if the basis of that vessel has already been reduced to zero.

Amounts that remain in a CCF after the termination of the agreement with the U.S. Secretary of Commerce or the U.S. Department of Transportation (see the next paragraph) are taxable. In addition, any amount left in the account for more than 25 years after being contributed must be recaptured through the inclusion of twenty percent of such amount in income in each of the next five years. The Department of Transportation's Maritime Administration (MARAD) and the Department of Commerce's National Oceanic and Atmospheric Administration (NOAA) are responsible for administering the CCF program, with MARAD handing commercial vessels, and NOAA handling those in the fishing industry. The deferral of the tax is essentially an interest-free loan from the government.

Origin: IRC §7518(c), (g)(5); M.G.L. c. 63, §30.3, 30.4

Estimate: $1.0

2.102 Deferral of Federal Gain Invested in Qualified Opportunity Zones

The TCJA added Code Subchapter Z, §§ 1400Z-1 and 1400Z-2, effective December 22, 2017. Under Subchapter Z, Taxpayers may elect to defer gain from the sale or exchange of property to an unrelated party by reinvesting that gain within 180 days of the sale or exchange in a "qualified opportunity fund," which is defined as an investment vehicle organized as a corporation or partnership for the purpose of investing in "qualified opportunity zones." The Code defines qualified opportunity zones as population census tracts that are low income communities nominated by a state governor and designated by the U.S. Treasury as qualified opportunity zones. The deferred federal gain must be included in income upon the earlier of (i) the tax year in which the taxpayer's investment in the qualified opportunity fund is sold or exchanged, and (ii) tax year 2026, if the taxpayer's investment in the qualified opportunity fund is not sold or exchanged by December 31, 2026. In either case, the amount of gain includable in the taxpayer's federal gross income is the excess of: the amount of gain excluded or the fair market value of the investment in the qualified opportunity fund, whichever is less, over the taxpayer's federal basis in the investment. For Massachusetts corporate excise purposes, the gain will be similarly determined. See TIR 19-7 for more information.

Origin: IRC §1400Z-1; 1400Z-2

Estimate: $5.1

## 2.200 DEDUCTIONS FROM GROSS INCOME

2.201 Charitable Contribution and Gift Deduction

In calculating net income, corporations may deduct charitable donations up to 10% of taxable income computed without the deduction. The Tax Cuts and Jobs Act (TCJA; enacted December 22, 2017) changed the limitation and the charitable deduction is no longer allowed for contributions to a college or university in exchange for athletic event seating rights. There is a carryover of excess contributions available for 5 succeeding taxable years.

Origin: IRC §170; M.G.L. c. 63, § 30.4

Estimate: $67.6

2.203 Net Operating Loss (NOL) Carry-Forward

The net operating loss (NOL) deduction is a current-year deduction for losses sustained in prior years. Losses incurred in years a corporation is not subject to the corporate excise in Massachusetts (for example, where the corporation does no business in Massachusetts) are not allowed to be carried forward. While the Internal Revenue Code provides a federal deduction for NOLs, Massachusetts does not conform to those rules; rather the General Laws provide for a specific Massachusetts deduction. The deduction was enacted in 1988. Prior to 2010, NOLs incurred by Massachusetts corporate excise filers could be carried forward for not more than 5 years, and could not be carried back. Losses incurred in taxable years beginning on or after January 1, 2010 can be carried forward for 20 years, and cannot be carried back.

Origin: IRC §172; M.G.L. c. 63, §30.5

Estimate: $279.3

2.204 Excess Natural Resource Depletion Allowance

An essential characteristic of a business income tax is that it is imposed on the net of business receipts over deductible business expenses. However, an immediate deduction is generally not allowed for the full cost of investments in natural resources such as mineral, natural gas or oil deposits. Rather, the cost of the natural resource property is required to be recovered over time as the natural resources are depleted by extraction. Traditional financial accounting and tax accounting rules base cost recovery on the percentage of the volume of natural resources extracted in a year over the estimated total volume of natural resources included in the investment. This traditional cost recovery method is referred to as the "cost-depletion" method. Internal Revenue Code (Code) § 613 gives taxpayers the option to use an alternative cost recovery method for investments in natural resource property. The alternative method is referred to as "percentage depletion." Under this method the deduction for cost recovery is based on a percentage of the income generated by the natural resource property. Specially, percentage depletion permits deduction of a statutory percentage of gross income from natural resource property, and bears no relationship to cost or other basis. In fact, an allowance calculated under percentage depletion is deductible even when the taxpayer's adjusted basis in the property is zero, provided that the taxpayer has gross income from the property. The statutory percentage of gross income allowed as a deduction depends on the type of natural resource that is extracted. The percentages range from 22% for sulfur, uranium and other designated minerals including most metals, to 5% for sand and gravel. See Code § 613(b). The deduction may not exceed 50% (in some cases, 100%) of net income from the property. The percentage depletion method is not available to large, integrated oil companies or for natural gas resources located outside the US. See Code §§ 613(d), 613A. Due to Massachusetts' reliance on the Internal Revenue Code (Code) for purposes of determining income, taxpayers must recover the cost of natural resource property in the same manner and in the same amount as they do for federal tax purposes. Thus, Massachusetts permits the use of the percentage depletion method if it is used for federal tax purposes. The percentage depletion method often results in a larger deduction than traditional cost depletion method. The excess of the deduction determined using the percentage depletion method over the deduction using the cost depletion method constitutes a tax expenditure.

Origin: IRC §§613, 613A; M.G.L. c. 63, §30.3

Estimate: $3.6

2.205 Deduction for Certain Dividends of Cooperatives

Cooperatives are organizations comprised of separate businesses that band together for limited purposes to take advantage of economies of scale, for example when buying supplies or selling products. Farmers' cooperatives and certain corporations acting as cooperatives may deduct so-called "patronage dividends" from their gross incomes. A "patronage dividend" is a dividend paid to members of the cooperative: (i) based on the quantity or value of business done with the members, (ii) under a pre-existing obligation of the cooperative; and (iii) determined by the cooperative's net earnings from business with members. In order to deduct the dividends, cooperatives must provide notice to members of the total patronage dividend and must pay a minimum of 20% of each member's dividend in cash within 8½ months following the close of the cooperative's taxable year. The deduction is based on the notion that the cooperative is an agent working for the members and that any funds transferred to members already belong to the members. See Farm Service Cooperative v. Commissioner, 619 F.2d 718, 722 (1979). In this view, the primary function of a cooperative is the allocation of the economic benefits of the cooperative, either in the form of net savings or net earnings. The deduction recognizes that taxing patronage dividends would discourage such allocation and could result in double taxation of income (first when earned by the cooperative and second as a dividend received by the member).

Origin: IRC §§1381-1388

Estimate: $5.1

2.206 Deduction for Renovation of Abandoned Buildings as Part of Certified Project

Corporations and individuals are subject to tax on their taxable net income (under the corporate excise) and taxable income (under the personal income tax), respectively. In determining the applicable tax base, a deduction is provided to corporations and individuals for 10% of the cost of renovating abandoned buildings. The deduction is in addition to any other deduction for the cost of such renovation that is available to corporations subject to the net income measure of the corporate excise or to individuals subject to the personal income tax. Apart from this deduction, renovation expenses incurred with respect to business property are generally deductible as current business expense deductions or as depreciation. Amounts allowed under the renovation deduction might also be included in deductible business expenses or deductible depreciation. Thus, the deduction functions as an extra, or bonus, deduction for renovation expenses. To be deductible, the renovation costs must be incurred with respect to a building (i) located in an economic opportunity area and (ii) designated as abandoned, by the Economic Assistance Coordinating Council (EACC). The deduction is part of the Massachusetts Economic Development Incentive Program (EDIP). The EDIP generally employs local property tax incentives to spur economic development, often in blighted areas. These incentives are available for projects that will create new jobs. In addition to the local property tax incentives, the EACC is empowered to authorize the abandoned building renovation deduction. The revenue lost as a result of the deduction constitutes a tax expenditure.

Origin: M.G.L. c. 63, §38O

Estimate: Negligible

## 2.300 ACCELERATED DEDUCTIONS FROM GROSS INCOME

### 2.301 Modified Accelerated Cost Recovery System on Rental Housing

An essential characteristic of a business income tax is that it is imposed on the net of business receipts over deductible business expenses. However, an immediate deduction is generally not allowed for the full cost of buildings, which have a useful life measured in years. Rather, the cost of such property must be capitalized and deducted as depreciation expense over a number of years based on the property's useful life. Traditional financial accounting rules required the cost of buildings to be recovered pro rata over a period intended to approximate the property's anticipated actual useful life. This depreciation schedule is referred to as the "straight-line" method. The use of straight-line depreciation over a 40-year useful life to recover cost of buildings is considered to conform to traditional financial accounting rules. The Internal Revenue Code (the "Code") allows landlords and investors to determine their depreciation deduction for new and used rental housing using an accelerated method of depreciation. Rental housing placed in service after 1986 is depreciated on a straight-line basis over a 27.5-year period rather than the 40-year recovery period used under traditional financial accounting rules. Rental housing placed in service before 1986 was depreciable over shorter periods, generally 19 or 20 years, and, instead of straight-line depreciation, the 175% declining balance method was permitted. Massachusetts generally adopts the business expense deductions allowed under the Code, including the federal deduction for depreciation. As a result, Massachusetts conforms to the use of straight-line depreciation over a 27.5-year accelerated recovery period for residential rental property. This allows for a larger depreciation deduction in the earlier years of the useful life of residential rental property than would be available under traditional accounting concepts. However, the depreciation deduction is smaller in the later years. The net result is a temporary reduction, or deferral, or tax. The deferral of tax can be viewed as an interest-free loan from the Commonwealth to taxpayers. The deferral constitutes a Massachusetts tax expenditure.

Origin: IRC §168

Estimate: $6.7

### 2.303 Expenditures to remove architectural and transportation barriers to the handicapped and elderly

Massachusetts conforms to Internal Revenue Code ("Code") § 190, which allows taxpayers to elect an immediate deduction of up to $15,000 of expenses incurred in removing architectural or transportation barriers to the handicapped and elderly. The cost of an improvement to a business asset is normally a capital expense, which would normally have to be capitalized and deducted over a period of years. The accelerated deduction applies to the first $15,000 of expenses. Costs over that amount must be capitalized and deducted under the generally applicable depreciation schedules set out in the Code. Expenses eligible for the deduction include costs incurred in making a building or public transportation vehicle more accessible to people with disabilities and the elderly. Examples with regard to buildings include installing ramps, widening doors, modifying restrooms, and lowering counters to accommodate customers in wheelchairs. Examples with regard to vehicles include installing lifts for wheelchairs and modifying signage and public address systems to accommodate the visually or hearing impaired. The deduction is not available for costs incurred in completely renovating a building or vehicle or to the cost of replacing depreciable property in the normal course of business. The immediate deduction of eligible expenses results in a deferral of tax. The deferral constitutes a Massachusetts tax expenditure.

Origin: IRC §190; M.G.L. c. 63, §30.4

Estimate: $0.5

2.304 Election to Deduct and Amortize Business Start-up Costs

Taxpayers who pay or incur business start-up costs and who subsequently enter the trade or business can elect to expense to the lesser of the amount of start-up expenditures with respect to the active trade or business or $5,000 of the costs. The balance of start-up expenses, if any, is amortized over a period of 180 months, starting with the month in which the business begins. The election must be made no later than the date (including extensions) for filing the return for the tax year in which the business begins or is acquired. A taxpayer is deemed to have made an election to deduct and amortize start-up expenses for the tax year in which the active trade or business to which the expenses relate begins. A taxpayer who does not make the election must capitalize the expenses.

Origin: IRC §195

Estimate: $0.5

2.305 Modified Accelerated Cost Recovery System for Equipment

An essential characteristic of a business income tax is that it is imposed on the net of business receipts over deductible business expenses. However, an immediate deduction is generally not allowed for the full cost of durable business property that has a useful life measured in years. Rather, the cost of such property must be capitalized and deducted as depreciation expense over a number of years based on the property's useful life. Traditional financial accounting rules required the cost of depreciable tangible personal property to be recovered pro rata over a period intended to approximate the property's anticipated actual useful life. This depreciation schedule is referred to as the "straight-line" method. The Internal Revenue Code (the "Code") follows the general approach to cost recovery described above by providing depreciation schedules applicable to different classes of property. However, the Code permits taxpayers to use depreciation schedules that are more favorable than straight-line depreciation. Specifically, the Code adopts the Modified Accelerated Cost Recovery System (MACRS), which allows accelerated cost recovery over a period that is shorter than the property's anticipated useful life and allows more of the cost of the property to be deducted in the first few years of an asset's life, and relatively less later. In addition to such accelerated depreciation, MACRS allows taxpayers to elect to use an alternative method that conforms more closely to traditional financial accounting rules by requiring the use of straight-line depreciation. Massachusetts conforms to MACRS for purposes of determining taxable net income under the corporate excise and taxable income under the personal income tax. The state tax expenditure is a result of this conformity. Allowing accelerated depreciation under MACRS is a tax expenditure because it allows a larger depreciation deduction earlier in an asset's life than would be allowed under alternative depreciation. To the extent that taxpayers employ accelerated depreciation instead of alternative depreciation, a temporary reduction of tax results. The reduction is temporary because the depreciation deduction is smaller in the later years of an asset's useful life. The temporary deferral of tax can be viewed as an interest-free loan from the Commonwealth to taxpayers.

Origin: IRC §168

Estimate: $115.4

2.306 Expense Deduction for Excess First-Year Business Assets

An essential characteristic of a business income tax is that it is imposed on the net of business receipts over deductible business expenses. However, an immediate deduction is generally not allowed for the full cost of durable business property that has a useful life measured in years. Rather, the cost of such property must be capitalized and deducted as depreciation expense over a number of years based on the property's useful life. The Internal Revenue Code (the "Code") adopts this approach in providing depreciation schedules applicable to different classes of property. The net income measure of the Massachusetts corporate excise and the Massachusetts personal income tax both adopt the federal depreciation rules, with modifications not relevant to this report. Code § 179 allows taxpayers an election to immediately deduct in a given year 100% of the cost of depreciable property placed in service in that year, up to a limit of $1 million. If the taxpayer's asset purchases for the year exceed $2.5 million, the deduction is reduced on a dollar-for-dollar basis for each additional dollar spent. Both these thresholds are adjusted annually for inflation. The Code § 179 deduction is allowed in addition to the allowable depreciation deduction, but the basis for depreciation is reduced by the amount of the deduction. Massachusetts conforms to the Code § 179 deduction for both corporate excise net income tax and personal income tax purposes. The Massachusetts tax expenditure is a result of this conformity. The Code § 179 deduction is a tax expenditure because it allows the cost of eligible assets to be deducted earlier in an asset's useful life, resulting in a temporary reduction of tax. The tax reduction is temporary because it reduces the allowable depreciation deduction later in the asset's useful life. The deferral of tax can be viewed as an interest-free loan from the Commonwealth to taxpayers.

Origin: IRC §179

Estimate: $9.3

2.307 Modified Accelerated Depreciation on Buildings (other than Rental Housing)

An essential characteristic of a business income tax is that it is imposed on the net of business receipts over deductible business expenses. However, an immediate deduction is generally not allowed for the full cost of buildings, which have a useful life measured in years. Rather, the cost of such property must be capitalized and deducted as depreciation expense over a number of years based on the property's useful life. Traditional financial accounting rules required the cost of buildings to be recovered pro rata over a period intended to approximate the property's anticipated actual useful life. This depreciation schedule is referred to as the "straight-line" method. The Internal Revenue Code (the "Code") follows the general approach to cost recovery described above by providing depreciation schedules applicable to different classes of property. Since 1993, the Code has allowed nonresidential buildings to be depreciated using straight-line depreciation over 39 years. The Code refers to this method as "accelerated". The Code also provides an option to use straight-line depreciation over a period of 40 years. This method is considered to conform to traditional financial accounting rules. The benefit of using the 39-year recovery period instead of the 40-year recovery period is a federal tax expenditure to which Massachusetts conforms. The expenditure also reflects more favorable federal depreciation rules in effect for nonresidential buildings prior to 1993. These rules allowed a larger depreciation deduction over a shorter recovery period than the current Code rules. For example, a building placed in service in 1992 could be depreciated over 31.5 years. Some of buildings placed in service prior to 1993 are still in service and continue to be depreciated under these historical rules. For such legacy buildings, the Code allows more of the cost of the property to be deducted than would be allowed under the current depreciation rules. This legacy effect is also considered to be part of the federal tax

expenditure. Massachusetts generally adopts the business expense deductions allowed under the Code, including the federal deduction for depreciation. Specifically, Massachusetts allows the use of the 39-year accelerated recovery period for nonresidential buildings under the current Code and adopts the favorable historic rules applicable to legacy buildings under the Code. These rules allow a larger depreciation deduction in the earlier years of the useful life of nonresidential buildings than would be available under traditional accounting concepts. However, the depreciation deduction is smaller in the later years. The net result is a temporary reduction, or deferral, of tax. The deferral of tax can be viewed as an interest-free loan from the Commonwealth to taxpayers.

Origin: IRC §168

Estimate: $3.2

2.308 Expensing Research and Experimental Expenditures in One Year

Taxpayers may elect to treat research or experimental expenditures incurred in connection with a trade or business as currently deductible expenses, and not chargeable to their capital account. Under generally accepted accounting principles, at least some of these expenses would otherwise be treated as capital expenditures and depreciated or amortized over a period of years. The current deduction constitutes a tax expenditure, resulting in a deferral of tax similar to an interest-free loan

Origin: IRC §174

Estimate: $0.0

2.309 Expensing Exploration and Development Costs

Certain capital costs incurred in bringing a known mineral deposit into production are deductible in the year incurred. A portion of domestic mining exploration costs can also be expensed, although they will be recaptured if the mine reaches the production stage. Certain intangible drilling and development costs of domestic oil, gas, and geothermal wells are deductible when made, but to a certain extent may be recaptured upon disposition of oil, gas, or geothermal property to which they are properly chargeable. The immediate expensing of these costs, which would otherwise be capitalized and recovered through depreciation or through depletion as the natural resource is removed from the ground, results in a deferral of tax or an interest-free loan.

Origin: IRC §§193, 263(c), 616, 617; M.G.L. c. 63, §30.4

Estimate: $0.0

2.311 Five-Year Amortization of Pollution Control Facilities

Due to Massachusetts' reliance on the Internal Revenue Code (Code) for purposes of determining income, taxpayers may elect to amortize the cost of a certified pollution control facility over a five-year period, allowing for potential accelerated recovery of these costs. See Code § 169. Five-year amortization is only available for pollution control facilities subsequently added to plants that were in operation before 1976. In the absence of Code § 169, taxpayers would be required to recover the cost of pollution control facilities using one of the depreciation methods that is generally available for machinery and equipment under Code § 167. To the extent that five-year amortization allows accelerated cost recovery, it results in a deferral of tax, which could be viewed as an interest-free loan.

Such a deferral of tax constitutes a tax expenditure.

Origin: IRC § 169; M.G.L. c. 63, § 30.3

Estimate: $0.3

2.312 Expensing of Alternative Energy Units

Massachusetts General Laws chapter 63, § 38H, adopted in 1976, allows a corporation to deduct "expenditures paid or incurred during the taxable year with respect to the installation of any solar or wind powered climatic control unit and any solar or wind powered water heating unit, or any other type of unit or system powered thereby." Without this provision, such costs would have to be capitalized and depreciated. To qualify for the deduction, the equipment must be located in Massachusetts and used exclusively in the trade or business of the corporation. The statute provides that equipment must meet certain technical standards that are required to be set by a now-defunct state agency – the Bureau of Building Construction. In the past, a corporation was required to submit technical documentation regarding the equipment to the Bureau of Building Construction for certification of the deduction. The Bureau of Building Construction was abolished in 1980 and was absorbed by the Division of Capital Planning and Operations ("DCPO"), which was subsequently renamed the Division of Capital Asset Management & Maintenance ("DCAMM"). There is now no certification process in place and no current published guidance in effect. DOR has received few inquiries regarding the deduction. One of the reasons for this may be that there are other tax benefits available to corporations with respect to alternative energy equipment that are generally more favorable, such as expensing under Internal Revenue Code §§ 179, 179D and depreciation under Code §§ 167, 168. Further, as noted, no state agency is currently responsible for issuing certification standards, guidelines or regulations defining eligible equipment or corporations seeking to take the § 38H deduction.

Origin: M.G.L. c. 63, §38H

Estimate: Not Active

2.313 Seven-Year Amortization for Reforestation

Taxpayers may elect to amortize reforestation costs for qualified timber property over a seven-year period. In the absence of this special provision, these costs would be capitalized and depreciated over a longer period or recovered when the timber is sold. The accelerated cost recovery results in a deferral of tax or an interest-free loan.

Origin: IRC §194

Estimate: $0.2

2.314 Expensing of Certain Capital Outlays of Farmers

Income tax or corporate excise as applied to business activity is typically imposed on the net of business receipts over deductible business expenses. However, an immediate deduction is generally not allowed for the full cost of items that will be used over multiple years. Rather, the cost of such items must be capitalized and deducted as depreciation or amortization expenses over several years, based on the item's useful life. Code §§ 175 and 180 provide exceptions to the capitalization requirement for expenses incurred by farmers for (i) soil and water conservation expenses and (ii) fertilizer costs, respectively.

Code § 175 allows a deduction for soil and water conservation expenses in the year they are incurred even if the conservation measures provide a benefit over a number of years. The deduction cannot exceed 25% of a taxpayer's gross income derived from farming. To qualify for an immediate deduction, expenses must be consistent with a plan approved by the federal Department of Agriculture or a similar state agency. Eligible expenses include amounts paid for (i) the treatment or moving of earth, including leveling, grading and terracing, (ii) contour furrowing, (ii) the construction, control, and protection of diversion channels, drainage ditches, earthen dams, watercourses, outlets, and ponds, (iv) the eradication of brush, (v) the planting of windbreaks, and (vi) expenses incurred in preserving endangered animal species under a recovery plan approved pursuant to the federal Endangered Species Act of 1973. Code § 180 allows the immediate deduction of fertilizer costs even if the fertilizer's effect lasts for multiple years. There is no limit on the amount of the deduction and no requirement that the expenses be approved by any federal or state agency. Massachusetts generally adopts the business expense deductions allowed under the Code, including the federal deduction allowed to farmers for soil and water conservation expenses and fertilizer costs. Thus, Massachusetts conforms to the federal provisions allowing farmers to deduct such expenses immediately, rather than recovering the expense over a period of years. The net result is a temporary reduction, or deferral, of tax. The deferral of tax can be viewed as an interest-free loan from the Commonwealth to farmers. The deferral constitutes a Massachusetts tax expenditure.

Origin: IRC §§ 175, 180 and MGL c. 63, § 30

Estimate: $0.1

## 2.400 ADJUSTMENTS TO APPORTIONMENT FORMULA

### 2.401 Unequal Weighting of Sales, Payroll, and Property in the Apportionment Formula

Apportionment formulas are used throughout the country to determine the share of a multistate corporation's income that an individual state may tax. Massachusetts employs such formulas. Corporations with a presence both in Massachusetts and in other states generally apportion income to the Commonwealth using a three-factor apportionment formula. A corporation's sales, payroll, and property in Massachusetts are compared to those outside Massachusetts and the resulting percentage is applied to total income to determine income taxable in the Commonwealth. Double-Weighted Sales Factor An apportionment calculation that counts the sales factor twice (so-called "double-weighted sales") was adopted for most business corporations beginning with taxable years ending on or after December 31, 1976. Companies with property and payroll in Massachusetts and sales in other states tend to benefit from an apportionment formula that weights sales more heavily than the other factors. On the other hand, businesses located outside of the state with a large volume of sales into Massachusetts are hurt by double weighted sales factor formula. On balance, apportionment with double-weighted sales factor is a tax expenditure. Single-Sales Factor Certain corporations are permitted to apportion their income using only the sales factor (so- called "single-sales factor" apportionment). Eligible defense corporations were permitted to apportion using a single-sales factor formula starting in 1996. Single-sales factor apportionment was extended to other qualified manufacturers (referred to in this report as "section 38 manufacturers") in 2000. Starting in 1997, corporations that perform services for a mutual fund are allowed to apportion their income to Massachusetts based solely on the percentage of the mutual fund's shareholders that are Massachusetts residents. As is the case with double-weighted sales factor, not all corporations that apportion using single-sales factor benefit from the rule, in particular those that are located outside of Massachusetts. However, on balance, single-sales factor

apportionment is a tax expenditure.

Effective January 1, 2025, all corporations are required to apportion their income using a single-sales factor. Accordingly, DOR will reevaluate whether this item constitutes a tax expenditure. The FY26 impact of this item is not available.

Origin: M.G.L. c. 63, §38 (c), (k), (l), (m)

Estimate: N.A.

## 2.500 EXCLUSIONS FROM PROPERTY COMPONENT

### 2.501 Nontaxation of Certain Energy Property

This tax expenditure allows a corporate excise deduction for certain alternative energy property. It is not currently active, although the statute authorizing it is still in effect, because the deduction requires certification by a state agency that no longer exists. In the absence of that agency or a successor agency to certify the property, no exemption can be allowed. These circumstances are further explained below. In addition to a tax on net income, the Massachusetts corporate excise also imposes a tax on net worth or tangible personal property. The tax on tangible personal property applies if the book value of the taxpayer's tangible personal property located in Massachusetts and not subject to local taxation is ten percent or more of the taxpayer's total assets (with certain adjustments). If this is the case, the non-income measure of the corporate excise is based on the book value of the corporation's tangible property located in Massachusetts and is not subject to local tax. The statute provides for a deduction from tangible property subject to the excise for "expenditures paid or incurred during the taxable year with respect to the installation of any solar or wind powered climatic control unit and any solar or wind powered water heating unit or any other type unit or system powered thereby." The statute further provides that the exemption is limited to equipment "for which the manufacturer's British thermal unit impact statement has been submitted to the director of the bureau of building construction and which have been certified by said director as complying with applicable provisions of regulations and standards issued by him pursuant to law." Historically, the Bureau of Building Construction was responsible for setting construction standards in Massachusetts. In 1980, it was absorbed by the Division of Capital Planning and Operations ("DCPO"), now the Division of Capital Asset Management & Maintenance ("DCAMM"). The Bureau of Construction's function in certifying alternative energy property was not specifically delegated to any successor agency. No certification standards, guidelines or regulations have been established by DCAMM or any other Massachusetts agencies for corporations seeking to take the alternative energy property deduction. As a result of these circumstances this tax expenditure is not active.

Origin: M.G.L. c. 63, §38H(f)

Estimate: Not Active

### 2.502 Exemption for Property Subject to Local Taxation

Under M.G.L. c. 63, § 39, all business corporations organized or doing business in Massachusetts are required to pay the corporate excise "for the enjoyment under the protection of the laws of the commonwealth, of the powers, rights, privileges and immunities derived by reason of its existence and operation." The corporate excise is comprised of a net income measure and a non-income measure based on the value of a

corporation's property or net worth, depending upon the type of corporation. In calculating the non-income measure, a taxpayer may exclude property subject to local taxation from the value of the business corporation. M.G.L. c. 59, § 5, paragraph sixteen, identifies what property of a business corporation is exempt from local taxation. Generally, the state taxes only the machinery of manufacturing corporations, but it exempts business real estate and tangible personal property. For purposes of estimating revenue loss from this tax expenditure, the state's rate on property (non-income measure), $2.60 per $1,000, has been applied. The incentive to exempt property subject to local taxation from the value of the property/net worth measure was enacted in 1962. Note that corporations are subject to the non-income measure of corporate excise based on different computations depending on whether the corporations are classified as tangible property corporations or intangible property corporations. The determination of whether a corporation is a tangible property corporation or an intangible property corporation is generally made by taking the ratio at book value of: (i) tangible assets located in Massachusetts on the last day of the taxable year and not subject to local taxation to (ii) total assets on the last day of the taxable year (less assets locally taxed and less investments in subsidiary corporations which represent 80% or more of the voting stock of those corporations) multiplied by the income apportionment percentage. If the ratio of (i) to (ii) is 10% or more, the corporation is a "tangible property corporation", if the ratio is less than 10%, the corporation is an "intangible property corporation." For tangible property corporations, the non-income measure of the excise is imposed at a rate of 0.26% on the book value of tangible property located in Massachusetts on the last day of the taxable year and that is not subject to local taxation. For intangible property corporations, the non-income measure of the excise is imposed at a rate of 0.26% on the book value of a corporation's total assets on the last day of the taxable year, less the sum of (i) its liabilities on said date, (ii) the book value of its tangible property situated in Massachusetts on said date and subject to local taxation, and (iii) the book value on said date of its investment in subsidiary corporations which represent 80% or more of the voting stock of said corporations, multiplied by the intangible property corporation's income apportionment percentage.

Origin: M.G.L. c. 63, §30(7) ; c. 63, §30.8; c. 63 §39(a)(1)

Estimate: $420.6

**2.600 CREDITS AGAINST TAX**

2.602 Investment Credit

Manufacturing corporations and corporations engaged primarily in research and development, agriculture or commercial fishing are allowed to take an investment tax credit (ITC) of 3% (for tax years ending before January 1, 1993 the rate was 1%) of the cost of qualifying tangible property. Both owners and eligible corporate lessees of property may claim the ITC. Qualifying property includes tangible personal property, real property including buildings and build-outs. It does not include motor vehicles. The property must be depreciable under Code § 167 and have a useful life of four years or more, and it must be used in Massachusetts and situated in Massachusetts on the last day of the taxable year. The maximum amount of ITC allowed in any one taxable year cannot exceed fifty percent of the excise due for the taxable year. The credit is neither transferable nor refundable. A corporation that does not use the full amount of ITC generated in a taxable year because the credit exceeded its excise for the taxable year may carry over the credit, as reduced from year to year, for three years. Any portion of ITC not used in a taxable year because of the fifty percent limitation may be carried over, as reduced from year to year, indefinitely. A portion of the credit is subject to a recapture tax if the qualifying property sold or otherwise

transferred before the end of its useful life, unless the property was in qualified use for more than twelve years. The incentive was enacted on July 1, 1971, and applied to qualifying tangible property acquired, constructed, reconstructed, or erected after December 31, 1969.

Origin: M.G.L. c. 63, §31A (i), (j)

Estimate: $135.1

2.603 Vanpool Credit

The tax expenditure allows business corporations a credit equal to 30% of the cost of company shuttle vans used in Massachusetts in an employer-sponsored ridesharing program. The credit applies to the cost of purchasing or leasing the shuttle vans. The shuttle vans must be used for transporting employees to and from the workplace. The credit is neither transferable nor refundable and cannot be carried forward. Recapture provisions apply to vans that are taken out of vanpool service before the end of their useful lives. If the credit did not exist, the cost of acquiring vans used in vanpools would be borne entirely by employers, who might then be less inclined to provide their employees with vanpool services. The amount of revenue foregone as a result of the credit constitutes a tax expenditure.

Origin: M.G.L. c. 63, §31E

Estimate: Negligible

2.604 Research Credit

Massachusetts provides corporations a credit for increased spending in research and development. The credit is available only for expenditures for research activity conducted in Massachusetts. The Massachusetts research credit, in large part, is based on the research credit allowed under Internal Revenue Code (Code) § 41. In particular, the alternative simplified method for calculating the credit is modeled after the federal alternative simplified method. The credit can be shared among affiliated corporations that are members of the same combined group, subject to limitations. There are two methods for calculating the Massachusetts research credit. Under one method, the amount of the credit is equal to: 10% of the difference between the current year's Massachusetts qualified research expenses and a "base amount" plus 15% of the Massachusetts basic research payments for the taxable year as determined under Code § 41(e)(1)(A). The actual computation of the credit under this method can be complex. Pursuant to legislation enacted in 2014, a taxpayer can now elect to determine its credit using the so-called "alternative simplified method." This method is based on the federal simplified method which was enacted in 2006. Using this method, the amount of the credit is equal to a percentage of the difference between the corporation's qualified research expenses for the current taxable year and 50% of the corporation's average qualified research expenses for the 3 taxable years preceding the taxable year for which the credit is being determined. The percentage used to calculate the credit under the alternate simplified method is being phased in over a 7-year period. For calendar years 2015, 2016 and 2017, a rate of 5 percent was used to calculate the credit under the alternative simplified method, for calendar years 2018, 2019 and 2020, that rate was 7.5 percent and for calendar years beginning on or after January 1, 2021, the rate is 10 percent. Regardless of which method the corporation uses to determine the credit amount to which it is entitled for a taxable year, the amount of research credit that can be used in a taxable year is limited to 100 percent of a corporation's first $25,000 of excise, plus 75 percent of the corporation's excise in excess

of $25,000. A single $25,000 amount applies to affiliated groups of corporations. Credit not used because of the limitations generally can be carried over for 15 years. In certain instances, the credit can be carried forward indefinitely. The research credit is not transferable and generally is not refundable. However, a certified Life Science Company may apply to the Massachusetts Life Science Center and a certified Climatetech company may apply to the Massachusetts clean energy center for a refund of a portion of its available excess research credits in lieu of carrying such credits forward for use in later years.

Origin: M.G.L. c. 63, § 38M

Estimate: $1,054.2

2.605 Economic Development Incentive Program Credit

Under the Economic Development Incentive Program (EDIP), the Economic Assistance Coordination Council (EACC) may award tax credits to taxpayers that participate in a "certified project" (as defined in G.L. c. 23A, §§ 3A and 3F). The amount of credit allowed in each case is determined by the EACC based on numerous factors set forth in G.L. c. 23A, § 3D, including the number of jobs expected to be created, the amount of capital to be invested, and the net new economic benefit expected to be created. The EACC may designate the credit as refundable for any certified project. Unless designated as refundable, the maximum amount of credit allowed in any one taxable year cannot exceed fifty percent of the excise due for the taxable year. The amount of credit allowed cannot reduce the excise below the minimum excise. The EACC is authorized to eliminate or limit carry-over of the credit. The EDIP credits used in a calendar year are subject to an annual cap of $30 million. Recapture is required if the EACC revokes a business project certification The credit is not transferable; however, if a certified project is sold or otherwise disposed of, the credit allowed may be transferred to the purchaser of the certified project, provided that the EDIP contract is assigned to and assumed by the purchaser and approved in writing by the EACC. When it was first enacted in 1993, the credit was for a fixed 5 percent of the costs of qualifying tangible property, and the project had to be located in a designated "economic opportunity area". In 2010, the statute was amended to increase the percentage to "up to 10 percent" and "up to a refundable forty percent" in some cases, eliminate the "economic opportunity area" requirement and impose an annual cap of $25 million. As of 2017, the credit is whatever amount is awarded by the EACC as part of the certification process.

Origin: M.G.L. c. 63, §38N

Estimate: $29.7

2.606 Credit for Employing Former Full-Employment Program Participants

This tax expenditure is no longer in effect. It previously provided a tax credit for employers who continued to employ former participants in the full employment program adopted by the Department of Transitional Assistance (DTA). The program subsidized the salaries of certain disadvantaged individuals. The credit was equal to $100 per month for each month of non-subsidized employment, up to a maximum of $1,200 per employee, per year, for each employee retained after DTA subsidies ceased. The credit was required to be authorized by the DTA. The credit was neither transferable nor refundable. The reduction of revenue resulting from the credit constituted a state tax expenditure. The full employment program was created by St. 1995, c. 5, § 110(m) but was never codified into the General Laws. The law authorizing the program was never repealed, but the DTA

stopped authorizing the credit in 2016 . Because the credit may be carried forward for only a maximum of five years, no carryover of the credit can apply after 2021. As a result of these circumstances, this tax expenditure is not active.

Origin: St. 1995, c. 5, §110(m)

Estimate: Not Active

2.607 Harbor Maintenance Credit

Domestic and foreign corporations that are shippers, importers, or exporters are allowed to claim a dollar-for-dollar credit against the corporate excise for certain harbor maintenance taxes paid to the federal government. To qualify for the credit the federal tax paid must be attributable to the shipment of break-bulk or containerized cargo by sea and ocean-going vessels through one of three designated Massachusetts ports. The allowable credit is not subject to the 50% limitation of G.L. c. 63, §32C. The credit may not reduce the taxpayer's corporate excise due below the minimum excise, currently $456. The credit is not refundable or transferable. Unused credit may be carried forward for up to 5 years. The expenditure was enacted on August 9, 1996, applicable to harbor maintenance tax paid on or after July 1, 1996. The FY22 Budget repeals the credit effective for taxable years beginning on or after January 1, 2022. However, unused portions of the credit claimed in taxable years beginning before January 1, 2022 may continue to be carried forward.

Origin: M.G.L. c. 63, §38P

Estimate: Expired

2.608 Brownfields Credit

Taxpayers are allowed to claim a credit for amounts expended to remediate contaminated property owned or leased for business purposes and located within an economically distressed area. The Brownfields credit may be claimed by a business corporation that commences and diligently pursues an environmental response action and achieves and maintains a permanent solution or remedy operation status in compliance with chapter 21E. Taxpayers may sell, transfer, or assign the credit. The environmental response action must be commenced on or before August 5, 2028, and eligible costs that qualify for the credit must be incurred before January 1, 2029. The credit may be carried forward for up to 5 years. The amount of the credit varies according to the extent of the environmental remedy. If the taxpayer's permanent solution or remedy operation status includes an activity and use limitation, then the amount of the credit is 25% of the net response and removal costs incurred by the taxpayer. However, if there is no activity and use limitation, then the amount of the credit is 50% of the net response and removal costs.

Origin: M.G.L. c. 63, §38Q.

Estimate: $26.5

2.609 Low Income Housing Credit

The Low-Income Housing Tax Credit (LIHTC) is available to corporate excise taxpayers as well that invest in low-income housing projects that meet federal and state eligibility rules. The credit is part of a federal program that authorizes a federal credit for such investments and subsidizes state credits for eligible projects. The Executive Office of Housing and Livable Communities (EOHLC) DHCD), determines eligibility for, and the amount of, the

Massachusetts credit pursuant to federal guidelines. The LIHTC has two components. First, the Standard LIHTC is allowed for the construction or development of new low-income housing or the preservation and improvement of existing federal or state subsidized housing. Second, the Donation LIHTC is allowed for the donation of real or personal property to non-profit entities for use in purchasing, constructing, or rehabilitating housing projects otherwise eligible for the LIHTC. The amount of credit that Massachusetts taxpayers may claim is determined by the EOHLC, subject to the rules set out in Internal Revenue Code (Code) § 42. Under those rules the amount of the Standard LIHTC is based on a number of factors, including the cost of the project. The Donation LIHTC is generally equal to 50% of the value of the donation, but the EOHLC can increase that amount to 65% if necessary for the viability of a specific project. To qualify for the credit, a project must meet affordability standards set out in Code § 42. Effective January 1, 2023, the Massachusetts LIHTC is subject to an annual statewide cap of $60 million. EOHLC allocates the credit to taxpayers in accordance with federal and state law. The LIHTC can be used to offset the entire Massachusetts tax liability of a personal income taxpayer and all the tax liability of a corporate taxpayer except for the $456 minimum excise. Unused Standard LIHTC can be carried over for five years. However, the Donation LIHTC must be used in the taxable year that the donation is made. If the taxpayer disposes of the property generating the LIHTC, a portion of the credit may be subject to recapture. The Massachusetts LIHTC is transferable.

Origin: M.G.L. c. 63, §31H

Estimate: $214.4

2.610 Historic Buildings Rehabilitation Credit

The Massachusetts historic rehabilitation tax credit ("MHRTC") is a credit equal to a percentage, not to exceed 20%, of the qualified rehabilitation expenditures made by a taxpayer in rehabilitating a qualified historic structure which has received final certification by the Massachusetts Historical Commission ("MHC") and has been placed in service. The MHRTC is available to both chapter 62 (personal income) and chapter 63 (corporate) taxpayers. Unused portions of the MHRTC may be carried forward for up to 5 years and may be transferred or sold to another taxpayer, but are not refundable. The MHRTC cannot be used to reduce the corporate excise due below the minimum excise provided by G.L. c. 63, § 39(b), currently $456. The allowable corporate credit is not subject to the 50% limitation of G.L. c. 63, § 32C. If, before the end of the five-year period beginning on the date on which the qualified historic structure received final certification and was placed in service, the taxpayer disposes of its interest in the structure, the credit will be subject to recapture and the taxpayer's tax for the taxable year in which the disposition occurs will be increased by the recapture amount. The original annual cap was set at $15 million per year, effective for taxable years beginning January 1, 2005 and ending December 31, 2009. Then it increased to $50 million per year, for taxable years beginning January 1, 2017 and ending December 31, 2022. However, it soon again changed to $55 million per year, effective for taxable years beginning January 1, 2018 and ending December 31, 2022. The FY22 Budget extend the credit to tax years ending on or before December 31, 2027. Recently, for taxable years beginning on or after January 1, 2024, the annual cap has been increased to $110 million. The credit has been extended further to taxable years ending on or before December 31, 2030. Effective August 13, 2014, taxpayers subject to the personal income tax imposed by G.L. c. 62 that acquire a qualified historic structure may transfer MHRTC awards subject to criteria established by the MHC. In the case of a multi-phased project MHRTC awards may be transferred for any phase of the project that meets the MHC's criteria. Effective August 10, 2016, MHRTC awards also may be transferred by taxpayers subject to the corporate excise under G.L. c. 63. See TIR 15-6 and 16-15.

Origin: M.G.L c. 63, §38R

Estimate: $84.8

2.614 Film or Motion Picture Credit

The Massachusetts film tax incentives, as amended in July 2007, are allowed for taxpayers engaged in the production of feature-length films, videos, digital media projects, television series, and commercials, for theatrical or television viewing. The statute makes no reference to productions that are instead made for viewing on the Internet. The film tax incentives consist of a tax credit equal to 25% of a film's production cost and 25% of a film's payroll cost, and an exemption from sales tax for film productions. The incentives are dependent upon a taxpayer incurring Massachusetts production expenses of at least $50,000 in a twelve-month period. Assuming that threshold requirement is met, a taxpayer may claim the payroll portion of the credit for any in-state employment of persons in connection with the filming and production of a motion picture, so long as the payment constitutes Massachusetts source income to the recipient. The credits were due to expire on January 1, 2023. However, the FY22 Budget amends "An Act Providing Incentives to the Motion Picture Industry," which created the film incentive credits, to make them permanent. The FY22 Budget also amends credit eligibility with respect to production expenses. For taxable years beginning on or after January 1, 2022, a taxpayer must incur at least 75% of its production expenses in Massachusetts for a film project to qualify for the credit. A 50% threshold applies to prior taxable years. The tax credits are available to both corporate excise and personal income tax filers and can be used to reduce the taxpayer's liability. At the taxpayer's election, the Department of Revenue will refund 90% of any amount of the tax credit that exceeds the taxpayer's liability. The tax credits may also be transferred or sold by taxpayers to third parties that may use the tax credits to reduce their Massachusetts corporate, insurance, financial institution, or personal income tax liabilities.

Origin: M.G.L. c. 63, §38X

Estimate: $78.0

2.615 Medical Device-User Fee Credit

Medical device companies subject to tax under either the personal income tax under M.G.L. c. 62 or a corporate excise under M.G.L. c. 63, and which develop or manufacture medical devices in Massachusetts can claim a transferable credit equal to 100% of the user fees paid by them when submitting certain medical device applications and supplements to the FDA. The credit may not be carried forward to subsequent tax years and is not refundable. However, unused portions of the credit may be transferred, and the transferee may carry over the credit, but must use it within 5 years. This particular tax expenditure was enacted on July 8, 2006, making the incentive applicable from tax years beginning on or after January 1, 2006. St. 2006, c. 144, 145. The FY22 Budget repeals the credit effective for taxable years beginning on or after January 1, 2022. However, taxpayers will still be able to transfer previously awarded credits, and transferees will be able to apply unused amounts of the credit within five years of the credit's transfer.

Origin: M.G.L. c. 63, §31L

Estimate: Expired

2.617 Life Sciences Tax Incentive Program

While often referred to as a singular "Life Science credit," Massachusetts offers an array of life sciences tax incentives for the life sciences industry, which consist of multiple tax credits, a corporate excise deduction, and a sales and use tax exemption. The original tax incentives enacted in "An Act Providing for the Investment in and Expansion of the Life Sciences Industry in the Commonwealth," (St. 2008, c. 130), include the following tax credits: the Life Sciences FDA User Fees Tax Credit, the Life Sciences Refundable Investment Tax Credit, and the Life Sciences Research Tax Credit (and also a modified version of the standard Research Tax Credit); as well as a corporate excise deduction allowing for the deduction of qualified clinical expenses for certain drugs that would not be fully deductible otherwise, and a sales and use tax exemption for materials used to construct a life sciences facility. Effective January 1, 2011, the Life Sciences Refundable Jobs Tax Credit was added to this program (St. 2011, c. 58, §§ 65, 70). The Angel Investor Tax Credit was added to the ambit of life sciences tax incentives (St. 2016, c. 219, § 139) ), but is no longer available for taxable years beginning on or after January 1, 2024. While most of the tax credits are available to life sciences companies subject to either the personal income tax or the corporate excise the Life Sciences Research Tax Credit and the modified version of the standard Research Tax Credit are available only to life sciences companies subject to a corporate excise and the Angel Investor Tax Credit was only available to personal income taxpayers. The Life Sciences Tax Incentive Program is administered by the Massachusetts Life Sciences Center (MLSC). The MLSC is charged with reviewing and as appropriate approving applications from life sciences companies which certifies them as eligible for various life sciences tax incentives. The life sciences tax incentives are available only to certified life sciences companies to the extent authorized by the MLSC. Prior to receiving any life sciences tax incentives a company must be certified by the MLSC. To become a certified life sciences company the company must apply to the MLSC by a date set by the MLSC. The company must be registered to do business in Massachusetts maintain at least 10 full-time employees as of the end of the previous calendar year and be in good standing with the Secretary of the Commonwealth and the Massachusetts Department of Revenue. In evaluating an applicant the MLSC considers certain criteria such as whether the applicant has shown it has the ability to create and retain jobs for five years as well as general considerations including a wide geographic distribution of life sciences operations In Massachusetts a wide distribution of life sciences technologies and industries supported by the MLSC and diversity among businesses at different stages of product development and commercialization. The MLSC particularly encourages companies from outside Greater Boston to apply. All of the life sciences tax incentives provided to a life sciences company are subject to recapture if the life sciences company's certification is revoked by the MLSC. Effective for taxable years beginning on or after January 1, 2024, the annual amount of life science tax incentives that can be authorized has been increased from $30,000,000 to $40,000,000.

Origin: M.G.L. c.63, §§31M, 38M(k), 38U, 38W, 38V, and 38CC

Estimate: $17.0

2.618 Dairy Farmer Credit

A taxpayer who holds a certificate of registration as a dairy farmer pursuant to M.G.L. Ch. 94, § 16A is allowed to take a refundable tax credit based on the amount of milk produced and sold. The Massachusetts dairy farmer tax credit was established to offset the cyclical downturns in milk prices paid to dairy farmers and is based on the U.S. Federal Milk Marketing Order for the applicable market, such that when the U.S. Federal Milk Marketing Order price drops below a trigger price anytime during the taxable year the taxpayer will be

entitled to the tax credit. Effective January 1, 2023, the total cumulative value of the credits authorized pursuant to this section combined with M.G.L. c. 63, § 38Z is $8 million. These credits may not be sold or transferred to another taxpayer, but are fully refundable. See personal income tax item 1.614 for more details.

Origin: M.G.L. c. 63, §38Z

Estimate: $1.5

2.619 Conservation Land Credit

A tax credit is allowed for qualified donations of certified land to a public or private conservation agency. The credit is equal to 50% of the fair market value of the qualified donation. The amount of the credit that may be claimed by a taxpayer for each qualified donation cannot exceed $75,000. Approval of the donation is required from the Secretary of the Office of Energy & Environment Affairs. The credits may not be sold or transferred to another taxpayer, but are refundable. The total credits that may be approved are capped at $2.0 million annually for the combined amount from personal income tax filers and chapter 63 taxpayers.

Origin: M.G.L. c. 63, §38AA

Estimate: $0.0

2.620 Employer Wellness Program Credit

The 2012 Health Care Act established an Employer Wellness Program Tax Credit effective for tax years beginning on or after January 1, 2013 and which expired on December 31, 2017. The tax credit was created to provide incentives for business to recognize the benefits of wellness programs with the goal of providing smaller businesses with an expanded opportunity to implement these programs. The credit, available to both personal income taxpayers and corporate & business excise taxpayers, was set at 25 percent of the costs associated with implementing a "certified wellness program." The maximum amount of credits available to a taxpayer was $10,000 in any tax year. The credit was neither refundable nor transferrable. However, the portion of the tax credit that exceeded the tax for the taxable year was allowed to be carried forward and applied against the taxpayer's tax liability in any of the succeeding 5 taxable years. The Department of Public Health has promulgated a regulation, 105 CMR 216.000, entitled Massachusetts Wellness Tax Credit Incentive, which set forth criteria for authorizing and certifying the credit. This credit has expired and is no longer available to employers for taxable years beginning after December 31, 2017. However, certain unused credits previously granted to personal income or corporate excise taxpayers remain available to be claimed against their tax liability incurred during tax years up until the period beginning on January 1, 2023.

Origin: St. 2012, c. 224, §§41, 41A, 56, 56A, 238, 239, 297, and 298; M.G.L. c. 63, §38FF

Estimate: $0.1

2.621 Community Investment Credit

A personal income tax and corporate excise credit equal to 50% of the total amount of qualified investments made by a taxpayer in a "community partner." A Qualified investment is a cash contribution made to: (i) a specific community partner to support the implementation of the community partner's approved community investment plan, or (ii) a

community partnership fund. Community partners include "community development corporations" and "community support organizations" selected by the Executive Office of Housing and Livable Communities (EOHLC) through a competitive process. A "community partnership fund" is a fund administered by a nonprofit organization selected by the EOHLC to receive qualified investments from taxpayers for the purpose of allocating the investments to community partners. A "community development corporation" is a non-profit corporation dedicated to improving the economic well-being of communities in the Commonwealth, as certified by the EOHLC. A "community support organization" is any nonprofit organization which is not a community development corporation "but has a focus on and track record of providing capacity building services to community development corporations." A qualified investment must be in the form of a cash contribution of at least $1,000. A taxpayer must claim the credit in the taxable year in which a qualified investment is made. The credit is refundable, or alternatively may be carried forward by the taxpayer for 5 years. The credit is not transferable. The EOHLC is mainly responsible for administering the credit. The EOHLC determines whether an organization is a community partner and decides whether projects proposed by community partners will be eligible for the credit. The total cumulative value of all credits authorized may not exceed $12 million in any taxable beginning in 2023 or later. Prior limits were $10 million for 2021 and 2022 taxable years, $8 million for 2019 and 2020 taxable tears, $6 million for 2015 through 2018 taxable years, and $3 million for 2014 taxable years. For taxable years beginning on or after January 1, 2025, the annual cap has been increased from $12 million to $15 million. The credit was due to expire on December 31, 2025, but has been made permanent. The amount of revenue foregone as a result of the credit constitutes a tax expenditure.

Origin: St. 2012, c. 238, §§29, 30, 35, 36 ; M.G.L. c. 63, § 38EE

Estimate: $6.5

2.622 Certified Housing Development Credit

A tax credit is allowed for up to 25% of qualified expenditures in certified housing development projects. The credit is administered by the Executive Office of Housing and Livable Communities (EOHLC). The EOHLC determines the amount of the credit to which a taxpayer is entitled. Qualified expenditures are those costs directly related to the construction or substantial rehabilitation of residential property located in designated areas of gateway municipalities. Qualified expenditures do not include the initial purchase price of the property. To be considered a certified housing development a project must meet a number of requirements. Specifically, the project must contain two or more housing units. In addition, 80% of the units contained in the project must be priced consistently with prevailing rents or sale prices in the city or town where the property is located. Finally, the city or town must have adopted full or partial property tax exemptions for projects that are otherwise eligible for the credit. A taxpayer can claim a credit equal to the amount awarded by the EOHLC. The total amount of credits awarded in the Commonwealth cannot exceed $57 million for calendar year 2023 and $30 million for subsequent years. The credit is available for the tax year in which the EOHLC gives the Department of Revenue (DOR) written notification of completion of the certified housing development project. The credit may be claimed against the full amount of the recipient's tax liability, except that corporations may not use the credit to offset the $456 minimum excise. Unused credits may be carried forward for ten years. Taxpayers are allowed to sell their credits to third parties. The amount of revenue foregone as a result of the credit constitutes a tax expenditure.

Origin: St. 2010, c. 240; M.G.L. c. 40V; c. 63, §38BB

Estimate: $16.0

2.623 Veteran's Hire Credit

Certain employers that hire "qualified veterans" who live and work in Massachusetts may be eligible to claim a tax credit equal to $2,000 for each qualified veteran hired. In order to be eligible for the credit, the employer must (i) employ less than 100 employees; (ii) be certified by the commissioner of veteran's services; and (iii) qualify for and claim the Work Opportunity Credit allowed under I.R.C. § 51, as amended and in effect for the taxable year. In order to claim the credit, the primary place of employment and the primary residence of the qualified veteran must be in Massachusetts. An employer must obtain certification that the veteran is a qualified veteran from the Department of Career Services (or any successor agency), no later than the employee's first day of work. For taxable years beginning on or after January 1, 2024, the amount of credit a business can claim for each qualified veteran it hires has been increased from $2,000 to $2,500. The credit is non-transferrable and non-refundable. However, any excess amount of credit over the tax due may be carried forward up to 3 subsequent taxable years. The total cumulative value of the credits authorized must not exceed $1 million annually. The credit is available for qualified veterans hired after July 1, 2017 for tax years beginning on or after January 1, 2017. See TIR 17-10 for additional details.

Origin: St. 2017, c. 47; M.G.L. c. 63, §38GG

Estimate: $0.5

2.624 Apprentice Credit

The tax expenditure allows employers to claim a credit against the personal income tax or corporate excise if they establish apprenticeship programs and hire apprentices in designated computer technology, health care technology, or manufacturing occupations. A tax credit is a dollar for dollar offset of the amount of tax that a taxpayer owes. The credit is equal to the lesser of $4,800 or 50% of the wages paid to the apprentice. Employers that claim the credit in a taxable year will be eligible for an additional credit in the following year with respect apprentices that are retained. Apprentices must be Massachusetts residents working for employers with business premises in the Commonwealth. The credit is refundable but nontransferable. The credit applies to taxable years beginning on or after January 1, 2019. Occupations eligible for the credit include a range of jobs in the designated fields. Such occupations generally include jobs that require technical skills but do not necessarily require post-secondary education. To be eligible for the credit, employers must register their apprenticeship programs and program participants with the Massachusetts Executive Office of Labor and Workforce Development, Division of Apprentice Standards. The amount of the credit available to any employer is determined by the Secretary for Labor and Workforce Development in consultation with the Massachusetts Executive Office for Administration and Finance. The total amount of cumulative credit available annually is limited to $2.5 million. Effective from January 1st, 2023, the credit has been extended to apprentices hired and trained by expansion industries identified by the Secretary of Labor and Workforce Development as critical to a regional labor market economy. The credit is a Massachusetts tax expenditure because it reduces the amount of personal income tax and corporate excise revenue that would otherwise be available to appropriate for other purposes.

Origin: St. 2018, c. 228; M.G.L. c. 63, §38HH

Estimate: $0.5

2.625 Cranberry Bog Renovation Credit

Effective for tax years beginning on or after January 1, 2020, taxpayers primarily engaged in cranberry production may claim a nontransferable, refundable credit equal to 25% of expenses incurred in the renovation, repair, replacement, regrading or restoration of a cranberry bog for the cultivation, harvesting or production of cranberries. The Secretary for Energy and Environmental Affairs determines eligible costs and the amount of the credit. The amount of credit that can be claimed by a taxpayer for a taxable year cannot exceed $100,000. The annual total cap amount is $2 million. The credit is no longer available for taxable years beginning on or after January 1, 2030.

Origin: M.G.L. c. 63, §38II

Estimate: $1.0

2.626 Disability Hire Credit

Effective for tax years beginning on or after January 1, 2023, employers that hire disabled employees may claim a nontransferable, refundable credit equal to (i) the lesser of $5,000 or 30% of the wages paid to a disabled employee in the employee's first year of employment, and (ii) the lesser of $2,000 or 30% of the wages paid to a disabled employee in each subsequent year of the employee's employment. The credit cannot reduce the excise due below the minimum excise The credit is available to employers provided that (i) the employee is certified by the Massachusetts Rehabilitation Commission as having a disability as defined under the Americans with Disabilities Act, 42 U.S.C. § 12102; (ii) the employee is capable of working independently; (iii) the employee has a mental or physical disability that constitutes or results in a substantial impediment to employment; (iv) the employee is hired after July 1, 2021; (v) the employee's primary place of employment and primary place of residence is in Massachusetts; (vi) the employer must obtain certification from the Massachusetts Rehabilitation Commission that the employee is qualified no later than the employee's first day of work; and (vii) the employer employs the employee for at least 12 consecutive months prior to and in the taxable year in which the credit is claimed.

Origin: M.G.L. c. 63, §38JJ

Estimate: $1.0

2.627 Offshore Wind Tax Incentive Program

The Massachusetts offshore wind tax incentive program consists of two tax credits, a Wind Power Incentive Jobs Credit and a Wind Power Incentive Investment Credit, for offshore wind companies subject to either the personal income tax or the corporate excise. The credits are available to certified offshore wind companies only to the extent authorized by the Massachusetts Clean Energy Technology Center (the "Center"), may be claimed starting with taxable years beginning on or after January 1, 2023, share an annual cap of $35 million, are subject to recapture in the event that the offshore wind company's certification is revoked by the Center, and expire on January 1, 2033. The Wind Power Incentive Jobs Credit is available to certified offshore wind companies that commit to the creation of a minimum of 50 net new permanent full-time employees in Massachusetts.Effective for taxable years beginning on or after January 1, 2024, certified offshore wind companies must commit to the creation of a minimum of 10 net new permanent full-time employees in Massachusetts. Where the credit exceeds the taxpayer's liability for the taxable year, 90 percent of such excess credit may be refunded to the taxpayer. Excess credit amounts cannot be carried forward to subsequent taxable years.

The Wind Power Incentive Investment Credit is available for certified offshore wind companies that make a capital investment in an offshore wind facility that they either own or lease in an amount up to 50 percent of such investment. The total amount of the credit awarded is distributed in equal parts over five taxable years that correspond to the period in which the offshore wind company is certified. Eligibility requirements vary depending on whether the certified offshore wind company owns or leases the offshore wind facility, but, in general, the certified offshore wind company must demonstrate to the Center that (i) it has a total capital investment in an offshore wind facility that equals not less than $35 million; and (ii) the offshore wind facility must employ not less than 200 new full-time employees by the fifth year of the offshore wind company's certification. A certified offshore wind company claiming this credit may not also claim the Wind Power Incentive Jobs Credit or the Economic Development Incentive Program Credit provided by M.G.L. c. 63, § 38N in the same taxable year.

Origin: M.G.L. c. 23J, §8A; M.G.L. c. 63, §§38LL; 38MM

Estimate: $7.3

2.628 National Guard Credit

A business corporation employing not more than 100 employees may be allowed a credit equal to $2,000 for each member of the Massachusetts national guard hired by the business corporation. To be eligible for a credit: (i) the primary place of employment and the primary residence of the member of the Massachusetts national guard must be in Massachusetts; and (ii) not later than the day an individual begins work, the business corporation shall have obtained the applicable certification from the office of the adjutant general that the individual is a member of the Massachusetts national guard. A business corporation that claims this credit is eligible for a second credit of $2,000 in the subsequent taxable year with respect to such member of the Massachusetts national guard, subject to certification of continued employment during the subsequent taxable year. The credit is nontransferable and nonrefundable. Any amount of the credit that exceeds the tax due for a taxable year may be carried forward to any of the three subsequent taxable years. For business corporations subject to a minimum corporate excise, the credit cannot reduce the business corporation's excise liability below the minimum corporate excise amount. The personal income and corporate excise versions of this credit are subject to the same annual cap of $1 million.

Origin: M.G.L. c. 63, §38KK; St.2022, c.154, §8

Estimate: $0.1

2.629 Temporary Authorized Training Credit for Emergency Assistance

Starting with taxable years beginning on or after January 1, 2024, business corporations taxable under G.L. c. 63 that provide training to a qualified trainee through an authorized training program may claim a temporary authorized training tax credit for emergency assistance. A qualified individual is an individual receiving benefits through the emergency housing assistance program pursuant to G.L. c. 23B, § 30. To qualify for the credit, a taxpayer must (1) have a place of business in the Commonwealth; (2) conduct an authorized training program in the Commonwealth that is in compliance with recommendations of the Executive Office of Labor and Workforce Development ("EOLWD"); (3) enroll the qualified trainee in an authorized training program on or after April 30, 2024; and (4) meet any additional requirements determined by the Executive Office for Administration and Finance and EOLWD. The credit is equal to $2,500 for each

qualified trainee that receives the training from the entity. The amount of the credit that exceeds the tax due for a taxable year may be carried forward to the subsequent taxable year. The credit is subject to an annual cap of $10 million. The credit may no longer be claimed as of (1) January 1, 2026; or (2) the taxable year in which the end of the capacity limitation on the emergency shelter assistance program occurs, whichever is sooner. See TIR 24-7 for more information.

Origin: M.G.L. c. 63, § 38NN

Estimate: $8.0

2.630 Massachusetts Homeownership Credit

Starting with taxable years beginning on or after January 1, 2025, taxpayers subject to tax under G.L. c. 63 may claim a Massachusetts homeownership tax credit in relation to a qualified homeownership development project to the extent authorized by the Executive Director of the Massachusetts Housing Finance Agency ("MHFA"). The credit is non-refundable but is transferrable. The amount of the credit authorized by MHFA cannot exceed the maximum credit amount, which is 35% of the lesser of either: (1) the project's total qualified project expenditures calculated on a per single-family dwelling basis; or (2) 80% of the area median new single-family dwelling sales price, subject to further limitations established by MHFA. A sponsor cannot claim the credit before the first taxable year stated on the eligibility certificate issued to the sponsor by MHFA. Any amount of the credit that exceeds the tax due for a taxable year may be carried forward for the duration of the qualified homeownership development project's affordability period, which is a 10-year period that begins as of the date of the first sale of a single-family dwelling that was constructed as part of the project. The credit is subject to recapture if MHFA determines that a sponsor or qualified homeownership development project does not qualify for the credit, ceases to qualify for the credit, or did not qualify for the credit at the time they claimed the credit. The amount of credits that MHFA can authorize annually cannot exceed the sum of (1) $10 million; (2) any credit amounts not authorized in the preceding taxable year; and (3) any credits returned to MHFA by a sponsor. Effective January 1, 2030, the amount of credits that can be authorized annually is the sum of (1) any credit amounts not authorized in the preceding taxable year; and (2) any credits returned to MHFA by a sponsor.

Origin: M.G.L. c. 63, § 38PP

Estimate: $8.0

2.631 Qualified Conversion Project Credit

Starting with taxable years beginning on or after January 1, 2025, taxpayers subject to tax under G.L. c. 63 may claim a refundable, non-transferable qualified conversion credit in relation to a qualified conversion project that has been certified by the Executive Office of Housing and Livable Communities ("EOHLC"). To claim the credit, a sponsor must submit a project proposal to EOHLC requesting the certification of a housing development project as a qualified conversion project. After certifying the project, EOHLC determines the amount of credit awarded to the sponsor, which cannot exceed 10% of the qualified conversion's project's development costs. The credit is allowed for the taxable year in which EOHLC notifies the Commissioner of the certified qualified conversion project's completion. Any amount of the credit that exceeds the tax due for a taxable year may be carried forward to

any of the 10 taxable years subsequent to the taxable year that the credit was allowed. The credit is subject to recapture. The credit is no longer available for taxable years ending after December 31, 2029.

Origin: M.G.L. c. 63, § 38OO

Estimate: $9.0

2.632 Climatetech Tax Incentive Program

Massachusetts provides a climatetech tax incentive program, which is administered by the Massachusetts clean energy center ("CEC"), in consultation with DOR. The tax incentives consist of three tax credits, the climatetech capital investment tax credit, a refundable climatetech jobs tax credit, and a climatetech qualified research expenses tax credit; as well as a sales and use tax exemption for purchases of tangible personal property to be used for the construction of research, development or manufacturing or other commercial climatetech facilities. The incentives all share an annual cap of $30 million and are effective for taxable years beginning on or after January 1, 2024. The climatetech capital investment tax credit is a refundable tax credit available to personal income and corporate excise taxpayers who make capital investments in a climatetech facility. The amount of the credit is determined by the CEC, but cannot exceed 50% of the owner's total capital investment in the facility. The climatetech qualified research expenses tax credit is available to corporate excise taxpayers. The credit amount is based on the taxpayer's qualified research expenses in a manner similar to the standard research expense tax credit. The credit is not refundable, but unused amounts of the credit may be carried forward to the next subsequent 15 taxable years.

Origin: M.G.L. c. 63, § 38RR; M.G.L. c. 63, § 38SS

Estimate: $24.0

2.633 Live Theater Credit

The live theater tax credit program is administered by the Massachusetts Office of Business Development, in consultation with DOR. The credit is available to personal income and corporate excise taxpayers. The amount of the credit cannot exceed $7 million and is equal to (1) 35% is of the total in-state payroll costs; (2) 25% of production and performance expenditures; and (3) 25% of transportation expenditures. The credit is not refundable, but is transferrable. Any unused amount of credit may be carried forward to the next 5 taxable years. The annual amount of credits that can be authorized cannot exceed $7 million. The credit is effective for taxable years beginning on or after January 1, 2025 and expires on January 1, 2030.

Origin: M.G.L. c. 63, § 38QQ

Estimate: $3.5

2.634 Qualified Internship Credit

The qualified internship tax credit is available to personal income and corporate excise taxpayers that hire a qualified intern. The credit is equal to the lesser of $5,000 or 50% of the wages paid to the intern. The annual amount of credits that can be authorized cannot exceed $10 million. A single employer cannot claim more than $100,000 in credits in a taxable year. The credit is effective starting the taxable year beginning on or after January 1 of the first calendar year following the next fiscal year that closes after November 20, 2024 with a consolidated net surplus of at least $400 million. The credit expires on January 1 of the sixth tax year following the effective date of the credit.

Origin: M.G.L. c. 63, § 38UU

Estimate: N.A.

## 2.700 ENTITY EXEMPT FROM TAXATION

2.701 Exemption of Credit Union Income

Credit unions, which are member-owned financial cooperatives, are considered tax-exempt organizations for both federal and state income tax purposes and therefore are generally exempt from the income measure of the corporate excise. However, like other nonprofit entities, unrelated business income of credit unions is subject to the income measure of the corporate excise. In 1909, the enactment of the Massachusetts Credit Union Act (Chapter 419 of the Acts of 1909) authorized the creation of Massachusetts chartered credit unions as tax-exempt entities. In 1934, the enactment of the Federal Credit Union Act, 12 USC § 1751, et seq., authorized the creation of federally chartered credit unions, which are exempt from federal income tax pursuant to 26 USC § 501(c)(14)(a).

Origin: IRC §501(c)(14)(A); M.G.L. c. 63, §30

Estimate: $23.5

2.702 Tax-Exempt Organizations

Internal Revenue Code (IRC) § 501 provides a general exemption from federal income tax for non-profit corporations. As provided in IRC § 512, the exemption does not apply to unrelated business income that such corporations earn from activities outside the scope of their exempt purposes. Massachusetts provides a corporate excise exemption for corporations that qualify for the federal exemption, but subjects unrelated business income to the net income measure of the excise.

Origin: IRC § 501; M.G.L. c. 63, § 30, M.G.L. c. 63, §38Y, M.G.L. c. 63, § 39.

Estimate: $445.6

2.703 Exemption for Regulated Investment Companies

Regulated Investment Companies (RICs) are specialized corporations that serve as investment vehicles. RICs hold securities, receive earnings from those securities and pay out virtually all of their earnings to shareholders. They hire service providers for investment advice and administrative services. RICs are typically established by financial services corporations that sponsor the RIC, provide the RIC's corporate management, and market

shares of the RIC to the investing public. The RIC's management decides whom to hire to provide investment advice and administrative services to the RIC. The service providers hired are frequently subsidiaries or affiliates of the financial services corporation that established the RIC. The RIC itself has no employees and no property other than the securities it holds and its own books and records. Federal tax and securities law imposes limitations on the type of assets RICs can hold and requires RICs to distribute at least 90% of their income as dividends to shareholders. Federal tax law allows RICs a deduction for dividends paid, which is generally not available to other corporations. See Internal Revenue Code § 852(b). The Massachusetts exemption for RICs is a statutory provision that employs the federal definition of a RIC but is not otherwise tied to the federal deduction. The Massachusetts corporate excise imposes a tax on a corporation's apportioned net income and a tax on the corporation's apportioned net worth or tangible property located in Massachusetts. See MG.L. c. 63, § 39. RICs are exempt from both taxes because they are not taxable corporations pursuant to MG.L. c. 63, § 68C(8). This exclusion constitutes a tax expenditure in Massachusetts because, absent the exclusion, RICs would be subject to the corporate excise.

Origin: M.G.L. c. 63, §68C(8); c. 63, §30

Estimate: $516.3

| KEY | ORIGIN | |
|---|---|---|
| | **IRC** | Federal Internal Revenue Code (26 U.S.C.) |
| | **M.G.L.** | Massachusetts General Laws |
| | **U.S.C** | United States Code |
| | **ESTIMATES** | All estimates are in $ millions. |

Massachusetts imposes a sales and use tax on retail sales. In addition to the sales and use tax, there are several separate excises, each limited to a particular type of commodity. These special excises have not been included in this tax expenditure budget.

The Massachusetts sales and use tax, first imposed in 1966, was levied at a rate of 5%. Effective on and after August 1, 2009, the rate was changed from 5% to 6.25%. The sales tax applies to sales made within the state, and the use tax to property and services purchased outside of Massachusetts but intended for use within the state.

Revenue from the sales and use tax represented 22.9% of total Department of Revenue tax collections for Fiscal Year 2024 and was the second largest source of tax revenue after the income tax.

## Sales and Use Tax: Basic Structure

**Tax Base:** For the purposes of this tax expenditure budget, we have chosen not to make any assumptions about the base of the Massachusetts sales and use tax. Some people take a narrow view of what a retail sale is, limiting the term to sales to final consumers, i.e., individuals. Others would include sales to businesses, especially in instances where the purchase will not become an ingredient or component in a product to be sold. In an effort to acknowledge both theories, we will simply list the various exemptions under the sales tax. Some or many of these exemptions could be properly excluded from the tax base depending upon one's point of view.

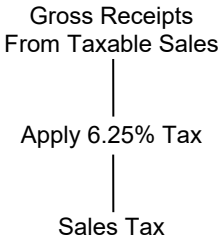
**Taxable Unit:** The sales and use tax is levied on the property or service to be sold or used.

**Rate Structure:** The sales and use tax rate is 6.25% of the price.

**Taxable Period:** Except for sales of motor vehicles, in which the tax is imposed and paid by the purchaser to the Registry of Motor Vehicles, the tax is imposed at the time of sale and remitted at specified intervals by the vendor. The use tax is paid directly to the Department of Revenue by the user of the item and may be paid annually or more often (typically monthly).

**Interstate and International Aspects:** Massachusetts applies the destination principle to international and interstate sales. Accordingly, exports are exempt, and imports are taxable under the sales and use tax. Statutory exemptions for exports of property and for services used outside of the Commonwealth are therefore not listed as tax expenditures.

## Computation of Massachusetts Sales and Use Tax by Vendor*




* A purchaser is also responsible for paying use tax directly to the Commonwealth on the sales price of taxable property or services purchased out-of-state and stored, used, or otherwise consumed in the Commonwealth, provided that a sales and use tax of 6.25% or more has not been paid separately to another state.

## Types of Tax Expenditures under the Sales and Use Tax

In the case of the sales and use tax, all tax expenditures are of a single type. They all result from the exclusion of certain transactions from the taxable base. The exclusion can be based on any of a number of characteristics of the transaction - who the buyer is, who the seller is, what the product or service is, what the product or service will be used for, etc. - but structurally all such tax expenditures operate in the same way. Hence, we have omitted the designation of tax expenditure types from the descriptions in this section.

## List of Sales and Use Tax Expenditures

**3.000 EXEMPT ENTITIES**

3.001 Exemption for Sales to the Federal Government

Sales to the federal government and its agencies are not subject to the sales and use tax because the US Constitution prohibits states from taxing such sales. The prohibition is effectuated by an exemption set out in the Massachusetts sales and use tax statutes.

Origin: M.G.L. c. 64H, § 6(d)

Estimate: $62.4

3.002 Exemption for Sales to the Commonwealth

Sales to the Commonwealth, its agencies and political subdivisions are exempt from sales tax.

Origin: M.G.L. c. 64H, § 6(d)

Estimate: $119.2

3.003 Exemption for Sales to Tax-Exempt Organizations

Non-profit organizations that are exempt from taxation under Internal Revenue Code (the "Code") § 501(c)(3) are exempt from sales and use tax on purchases of tangible personal property and services used in carrying out their tax-exempt purposes. Purchases by nonprofit volunteer fire departments and ambulance services are also exempt.

Origin: M.G.L. c. 64H, § 6(e) and (x)

Estimate: $953.5

3.004 Exemption for Sales of Tangible Personal Property to Motion Picture Production Companies

Sales of tangible personal property to a qualifying motion picture production company or to an accredited film school student for the production expenses related to a school film project are exempt from the sales tax.

Origin: M.G.L. c. 62, § 6(l), c. 63, § 38X, c. 64H, § 6(ww)

Estimate: $0.3

3.005 Exemption for Sales of Certain Tangible Personal Property Purchased for a Certified Life Sciences Company

Sales of tangible personal property purchased for a certified life sciences company, to the extent authorized pursuant to the life sciences tax incentive program, for use in connection with the construction, alteration, remodeling, repair or remediation of research, development or manufacturing facilities and utility support systems, are exempt from sales tax.

Origin: M.G.L. c. 62, §§ 6(m), (n), (r), and (t); c.63, §§ 31M, 38M(k), 38U, 38W, 38V, and 38CC; c. 64H, § 6(xx)

Estimate: $0.4

3.006 Exemption for Sales of Certain Tangible Personal Property Purchased for a Certified Climatetech Company

Sales of tangible personal property purchased for a certified climatetech company, to the extent authorized pursuant to the climatetech tax incentive program, for use in connection with the construction, alteration, remodeling, repair or remediation of research, development or manufacturing facilities and utility support systems, are exempt from sales tax.

Origin: M.G.L. 64H, § 6(yy)

Estimate: N.A.

3.007 Exemption for Sales of Equipment, Software, and Electricity Used in Qualified Data Center

A sales and use tax exemption is available to the owner or operator of a qualified data center for the purchase of eligible data center equipment, software, electricity used in a qualified data center, and construction costs incurred in the building, renovation, or refurbishment of a qualified data center. For a data center to be qualified, it must meet certain criteria and be certified by the Secretary of the Executive Office of Economic Development ("EOED"). However, EOED will not accept applications for certification until it completes its development, in consultation with DOR, of the required regulations and a standardized application form for the certification of qualified data centers.

Origin: M.G.L. c. 64H, § 6(zz)

Estimate: $17.0

**3.100 EXEMPT PRODUCTS/SERVICES**

3.101 Exemption for Food

Food for human consumption is exempt from sales tax, including food purchased with federal food stamps. The exemption does not cover meals served in restaurants and similar establishments. Meals are taxed under the sales tax at a rate of 6.25%.

Origin: M.G.L. c. 64H, § 6(h) and (kk)

Estimate: $1,283.8

3.102 Exemption for Certain Food and Beverages Sold in Restaurants

Although generally food and beverages sold in restaurants are taxed, there are certain exceptions. These are: a) food sold by weight, measure, count, or in unopened original containers or packages (for example, milk, meat, bread); b) beverages in unopened original containers which have a capacity of at least 26 fluid ounces; and c) bakery products sold in units of six or more.

Origin: M.G.L. c. 64H, § 6(h)

Estimate: N.A.

3.103 Exemption for Clothing

Sales of clothing or footwear up to $175 per item are exempt from sales and use tax. The exemption does not include special clothing or footwear designed for athletic or protective uses and not normally worn except for these uses.

Origin: M.G.L. c. 64H, § 6(k)

Estimate: $214.2

3.104 Exemption for Medical and Dental Supplies and Devices including Breast Pumps

Sales of certain medicines, medical supplies and devices, and dental supplies and devices are exempt from sales and use tax. Comment: This estimate includes new estimate of $19.2 million of medical marijuana for FY22, $15.9 million for FY23, $13.0 million for FY24, $14.4 million for FY25, and $15.4 million for FY26. This estimate also includes new estimate of $0.6 million of breast pumps for FY22 - FY26.

Origin: M.G.L. c. 64H, § 6(l), (z)

Estimate: $871.0

3.105 Exemption for Water

Sales of water are exempt from sales and use tax whether the water is provided through utility services, in containers or otherwise, and regardless of how the water is used, except that charges for water provided as part of meals served by restaurants are taxable.

Origin: M.G.L. c. 64H, § 6(i)

Estimate: $159.3

3.106 Exemption for Newspapers and Magazines

Sales of periodicals such as newspapers and magazines are exempt from the sales and use tax.

Origin: M.G.L. c. 64H, § 6(m)

Estimate: $13.6

3.107 Exemption for the American Flag

Sales of the flag of the United States are exempt from sales and use tax.

Origin: M.G.L. c. 64H, § 6(w)

Estimate: $1.3

3.108 Exemption for Certain Precious Metals

The tax expenditure provides for a sales tax exemption for transactions with a sale amount of $1,000 or more of certain precious metals. The exempt items are: rare coins of numismatic value; gold or silver bullion or coins; and gold or silver tender of any nation which is traded and sold according to its value as precious metal. Fabricated precious metals that have been processed or manufactured for industrial, professional, or artistic use do not qualify for the exemption.

Origin: M.G.L. c. 64H, § 6(LL)

Estimate: $11.4

3.109 Exemption for Cement Mixers

Concrete mixing units mounted on the back of trucks are exempt from sales tax. Spare parts for such units are also exempt. The truck chassis is subject to sales tax.

Origin: M.G.L. c. 64H, § 6(y)

Estimate: $1.8

3.112 Exemption for Aircraft & Aircraft Parts

Airplanes, helicopters, gliders and other aircraft are exempt from sales tax. Parts used exclusively for the repair of aircraft are also exempt.

Origin: M.G.L. c. 64H, § 6(uu) and (vv); M.G.L. c. 64I, § 7(d) and (e).

Estimate: $25.3

3.113 Exemption for Breast Pumps

Physician-prescribed, medically necessary breast pumps are exempt from sales tax.
Estimate: included in 3.104

Origin: M.G.L. c. 64H, § 6(l)

Estimate: included in 3.104

3.114 Exemption for Sales of Commercial Gun Safes and Trigger Lock Devices

Safes designed for storing firearms and ammunitions, equipped with a tamper-resistant mechanical lock or other safety device, and safety devices designed to prevent the discharge of weapons by unauthorized users are exempt from the sales tax.

Origin: M.G.L. c. 64H, § 6(rr)

Estimate: $2.0

**3.200 EXEMPT, TAXED UNDER ANOTHER EXCISE**

3.201 Exemption for Alcoholic Beverages

Alcoholic beverages, except those sold as part of a meal, are exempt from sales tax. They are instead subject to an excise tax determined by volume rather than retail price under another provision of state law. Comment: Revenues collected under the alcoholic beverages excise were $98.3 million in Fiscal Year 2023 and $97.6 million in Fiscal Year 2024.

Origin: M.G.L. c. 64H § 6(g)

Estimate: $149.2

3.202 Exemption for Motor Fuels

Motor fuels are exempt from sales and use tax. They are instead subject to an excise tax determined by price per gallon under another provision of state law. Comment: Revenues collected under the motor fuels excise were $701.9 million in Fiscal Year 2023 and $713.2 million in Fiscal Year 2024.

Origin: M.G.L. c. 64H § 6(g)

Estimate: $614.3

**3.300 EXEMPT COMPONENT OF A PRODUCT OR CONSUMED IN PRODUCTION**

3.301 Exemption for Items Used in Making Clothing

Sales of materials used in making clothes, such as thread and fabric, are exempt from sales and use tax.

Origin: M.G.L. c. 64H, § 6(v)

Estimate: Negligible

3.302 Exemption for Materials, Tools, Fuels, and Machinery Used in Manufacturing

Materials, tools, fuels and machinery, and replacement parts, used directly and exclusively in manufacturing are exempt from sales tax if they become components of a product to be sold, or are consumed or directly used in the manufacturing process.

Origin: M.G.L. c. 64H, § 6(r) and (s)

Estimate: $656.2

3.303 Exemption for Materials, Tools, Fuels, and Machinery Used in Research and Development

Materials, tools, fuels, machinery, and replacement parts used directly and exclusively in research and development by manufacturing or research and development corporations are exempt from sales tax. Comment: This estimate includes sales /use tax exemption of $7.9 million for qualifying limited partnership engaged in research activities under Section 66 in St. 2014, c. 287.

Origin: M.G.L. c. 64H, § 6(r) and (s)

Estimate: $98.6

3.304 Exemption for Materials, Tools, Fuels, and Machinery Used in Furnishing Power

The tax expenditure provides for an exemption from the sales and use tax for sales of materials, tools, fuels, and machinery, including replacement parts, used in furnishing gas, water, steam, or electricity to consumers through mains, lines, or pipes.

Origin: M.G.L. c. 64H, § 6(r) and (s)

Estimate: $51.1

3.306 Exemption for Materials, Tools, Fuels, and Machinery Used in Newspaper Printing

Materials, tools, fuels, and machinery, including replacement parts, are exempt from sales tax if they are consumed and used directly and exclusively in an industrial plant for purposes of publishing a newspaper to be sold.

Origin: M.G.L. c. 64H, § 6(r) and (s)

Estimate: $3.6

3.308 Exemption for Materials, Tools, Fuels, and Machinery Used in Agricultural Production

Materials, tools, fuels, and machinery, including spare parts, are exempt from sales and use tax if they are consumed or used directly and exclusively in agricultural production. Also exempt under this expenditure are sales of livestock and poultry used for food for human consumption, and sales of feed, and the bags in which the feed is contained, used for animals that either (i) ordinarily constitute food for human consumption, (ii) are used for research or testing for health and safety purposes, or (iii) are fur-bearing animals whose pelts are sold in the regular course of business. In addition, seeds and plants are exempt if used to grow food for human consumption. Comment: This estimate includes sales/use tax exemption of $11.7 million for FY26 for materials, tools, fuel, machinery and replacement parts, used directly and exclusively in production and manufacturing of marijuana.

Origin: M.G.L. c. 64H, § 6(p), (r) and (s)

Estimate: $27.3

3.309 Exemption for Vessels, Materials, Tools, Fuels, and Machinery Used in Commercial Fishing

Vessels, materials, tools, fuels, and machinery, and replacement parts which are consumed and used directly and exclusively in commercial fishing are exempt from sales tax.

Origin: M.G.L. c. 64H, §§ 6(o), (r), and (s)

Estimate: $17.6

3.310 Exemption for Materials, Tools, Fuels, and Machinery Used in Radio and TV Broadcasting

The tax expenditure provides for an exemption from the sales and use tax for sales of materials, tools, fuels and machinery, including replacement parts, used in commercial radio and television broadcasting.

Origin: M.G.L. c. 64H, § 6(r) and (s)

Estimate: $8.3

**3.400 EXEMPTIONS FOR SPECIFIED USES OF PRODUCTS/SERVICES**

3.401 Exemption for Electricity

The tax expenditure provides a sales and use tax exemption for sales of (i) electricity for residential use, (ii) electricity purchased by certain small businesses, and (iii) electricity purchased for use in an industrial plant.

Origin: M.G.L. c. 64H, § 6(i) and (qq)

Estimate: $500.7

3.402 Exemption for Fuel Used for Heating Purposes

The tax expenditure provides a sales and use tax exemption for sales of (i) fuel used for residential heating purposes, (ii) fuel used for heating purposes by certain small businesses and (iii) fuel used for heating purposes in industrial plants.

Origin: M.G.L. c. 64H, § 6(j) and (qq)

Estimate: $89.0

3.403 Exemption for Gas

The tax expenditure provides a sales and use tax exemption for sales of (i) gas used for residential purposes, (ii) gas purchased for use by certain small businesses and (iii) gas purchased for use in an industrial plant.

Origin: M.G.L. c. 64H, § 6(i) and (qq)

Estimate: $272.6

3.404 Exemption for Steam

The tax expenditure provides a sales and use tax exemption for sales of (i) steam used for residential purposes, (ii) steam purchased for use by certain small businesses and (iii) steam purchased for use in an industrial plant subject.

Origin: M.G.L. c. 64H, § 6(i) and (qq)

Estimate: $0.7

3.405 Exemption for Certain Energy Conservation Equipment

Equipment for a solar, wind or heat pump system used as a primary or auxiliary energy source in a principal residence is exempt from sales and use tax.

Origin: M.G.L. c. 64H, § 6(dd)

Estimate: $11.5

3.406 Exemption for Funeral Items

Coffins, caskets, burial garments, and other materials that are generally sold by a funeral director as part of the business of funeral directing are exempt from sales tax.

Origin: M.G.L. c. 64H, § 6(n)

Estimate: $14.9

3.407 Exemption for Certain Motor Vehicles

The tax expenditure provides an exemption from the sales and use tax for the sale of a motor vehicle that is purchased by and for the use of: (i) a person that has permanently lost the use of two or more limbs or (ii) a permanently disabled veteran.

Origin: M.G.L. c. 64H, § 6(u)

Estimate: $2.3

3.408 Exemption for Textbooks

Sales of textbooks and other books required for instructional purposes at educational institutions are exempt from sales and use tax.

Origin: M.G.L. c. 64H, § 6(m)

Estimate: $12.2

3.409 Exemption for Books used for Religious Worship

Books used for religious worship are exempt from sales tax.

Origin: M.G.L. c. 64H, § 6(m)

Estimate: $1.0

3.410 Exemption for Containers

Sales of several types of containers are exempt from sales tax. Sales eligible for the exemption include sales of empty containers to be filled and resold, containers the contents of which are exempt from the sales tax, and returnable containers when sold with the contents or resold for refilling.

Origin: M.G.L. c. 64H, § 6(q)

Estimate: $169.6

3.411 Exemption for Certain Sales by Typographers, Compositors and Color Separators

Sales by typographers, compositors or color separators of composed type, film positives and negatives and reproduction proofs, or the fabrication or transfer of such items to a printer, publisher, or manufacturer of folding boxes, for use in printing are exempt from sales tax.

Origin: M.G.L. c. 64H, § 6(gg)

Estimate: $3.6

3.412 Exemption for Sales of Building Materials and Supplies Used in federal and Massachusetts Government Construction Contracts and Construction Contracts with Tax Exempt Organizations

Massachusetts allows a sales and use tax exemption for the sale of building materials and supplies used by contractors in fulfilling construction contracts with federal and Massachusetts government entities or with certain tax-exempt organizations.

Origin: M.G.L. c. 64H, § 6(f)

Estimate: $213.6

3.417 Exemption for Commuter Boats

Boats used exclusively to provide scheduled commuter passenger service and parts, materials and tools used to maintain and repair such vessels, are exempt from sales tax.

Origin: M.G.L. c. 64H, § 6(pp)

Estimate: $7.0

3.418 Exemption for Fuels, Supplies, and Repairs for Vessels Engaged in Interstate or Foreign Commerce

The tax expenditure provides for an exemption from the sales and use tax for sales in Massachusetts of fuels, supplies, and repairs for vessels engaged in interstate or foreign commerce.

Origin: M.G.L. c. 64H, § 6(o)

Estimate: $1.8

3.419 Exemption for Fuel Used in Operating Aircraft and Railroads

The tax expenditure provides an exemption from the sales and use tax for purchases of fuel used in the operation of aircraft or railroads. Note that a separate fuel excise applies to aircraft fuel.

Origin: M.G.L. c. 64H, § 6(j)(3)

Estimate: $97.8

3.420 Exemption for Sales of Certain New and Used Buses

New and used buses purchased by carriers that provide scheduled intra-city bus service as certified by the Department of Public Utilities are exempt from sales and use tax. The exemption includes replacement parts, materials and tools used to maintain or repair these buses. The exemption has been interpreted as applying to all buses and equipment purchased by a carrier that has at least on DPU certificate.

Origin: M.G.L. c. 64H, § 6(aa)

Estimate: $7.7

3.421 Exemption for Films

Motion picture films sold for commercial exhibition are exempt from sales tax.

Origin: M.G.L. c. 64H, § 6(m)

Estimate: $6.1

## 3.600 MISCELLANEOUS EXEMPTIONS

### 3.601 Exemption for Casual or Isolated Sales

Certain sales made outside a seller's regular course of business are exempt from the Massachusetts sales and use tax. Such sales are referred to as "casual and isolated" sales and include: (i) non-recurring sales by schools, churches, and other non-profits for fundraising purposes (such as a church bizarre); (ii) nonrecurring sales by individuals (such as a garage sale); (iii) non-recurring sales by businesses of used business equipment and fixtures (such as a store selling its used cash registers); and (iv) bulk sales of assets when an entire business is sold to new owners. Sales of motor vehicles, trailers, boats, or airplanes do not qualify for this exemption, unless they are between family members.

Origin: M.G.L. c. 64H, § 6(c) and M.G.L. c. 64I, § 7(b).

Estimate: $43.1

### 3.602 Exemption for Vending Machine Sales

Vending machine sales of items costing ten cents or less are exempt from sales tax. In addition, sales through vending machines which exclusively sell snacks and candy with a sales price of less than three dollars and fifty cents are exempt from the sales tax on meals

Origin: M.G.L. c. 64H § 6(h) and (t)

Estimate: $1.5

### 3.603 Exemption for Certain Meals

A sales and use tax exemption is allowed for meals provided by (i) religious institutions, (ii) hospitals, (iii) facilities for senior citizens or individuals with disabilities, (iv) educational institutions that provide meals to students, and (v) other meal providers enumerated in M.G.L. c. 64H, § 6(cc) except summer camps, which are covered in TE 3.605.

Origin: M.G.L. c. 64H, § 6(cc)

Estimate: $136.4

### 3.604 Exemption for Certain Bed and Breakfast Businesses from Sales Tax on Meals

Meals at bed and breakfast businesses are exempt from sales tax on meals unless (i) they are provided by a bed and breakfast that has four or more rooms; and (ii) the meals are included in rent subject to the room occupancy excise.

Origin: M.G.L. c. 64H, § 6(h)

Estimate: $0.1

3.605 Exemption for Certain Summer Camps from Sales Tax on Meals and Room Occupancy Excise

A sales and use tax exemption is allowed for meals provided by summer camps for children aged 18 and under, or by summer camps for developmentally disabled individuals.

Origin: M.G.L. c. 64H, § 6(cc)

Estimate: $0.7

3.606 Exemption for Trade-in Allowances for Motor Vehicles and Trailers

In most cases, motor vehicles and trailers bought from a dealer in a trade-in transaction are subject to tax only on the excess of the purchase price over the amount credited for the trade-in, rather than on the full purchase price.

Origin: M.G.L c. 64H, § 26, c. 64I, § 27

Estimate: $136.0

3.607 Exemptions for Publications of Tax-Exempt Organizations in an accessible format used by disabled individuals.

Sales of publications of 501(c)(3) organizations are exempt if such publications are produced in an accessible format, including, but not limited to, braille, enlarged print, audio or electronic text, for use by individuals unable to read other print due to disability. Note: Before September 27, 2024, the exemption applied to sales of all publications of any corporation, foundation, organization or institution that is an exempt organization pursuant to Code § 501(c)(3).

Origin: M.G.L. c. 64H, § 6(m)

Estimate: $1.0

3.608 Exemption for Gifts of Scientific Equipment

Massachusetts provides a sales and use tax exemption for donations of scientific equipment by manufacturers to non-profit educational institutions, to the Massachusetts Technology Park Corporation, or to the Bay State Skills Corporation.

Origin: M.G.L. c. 64H, § 6(jj)

Estimate: N.A.

3.609 Exemption for Vessels or Barges 50 Tons and Over

Vessels or barges of 50 tons burden or over are exempt from sales tax when constructed instate and sold by the builder.

Origin: M.G.L. c. 64H, § 6(o)

Estimate: $0.4

3.610 Exemption for Rental Charges for Refuse Bins and Containers

Rental charges for refuse containers or bins in connection with service contracts by wasteservice firms are exempt from sales and use tax when the containers are placed on the customer's premises by the waste service firm.

Origin: M.G.L. c. 64H, § 6(ii)

Estimate: $1.0

3.611 Exemption for Honor Snack Trays

Snacks and candy purchased from honor trays are exempt from the sales tax on meals, provided all items in the tray are sold for less than $3.50.

Origin: M.G.L. c. 64H, § 6(h)

Estimate: $0.7

3.612 Sales Tax Holiday

Retail sales of tangible personal property during a 2-day weekend Sales Tax Holiday in August each year are exempt from sales tax.

Origin: St. 2018, c. 121, § 4

Estimate: $38.6

| KEY | ORIGIN |
|---|---|
| **M.G.L.** | Massachusetts General Laws |
| **ESTIMATES** | All estimates are in $ millions. |

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The following tax expenditures have been revised or created due to recent law changes.

## Personal Income Tax Changes:

"An Act Making Appropriations for the Fiscal Year 2023 for Supplementing Certain Existing Appropriations and for Certain Other Activities and Projects," "An Act Making Appropriations for the Fiscal Year 2024 to Provide for Supplementing Certain Existing Appropriations and for Certain Other Activities and Projects," the Fiscal Year 2025 (FY25) Budget, "An Act Relative to the Affordable Homes Act", "An Act Honoring, Empowering, and Recognizing Our Servicemembers and Veterans", and "An Act Relative to Strengthening Massachusetts' Economic Leadership" enacted various changes to the personal income tax.
The following personal income tax expenditures have been revised or created due to recent law changes:

Repeal of the deduction of interest and dividends from Massachusetts banks (TE Item 1.413)
For taxable years beginning on or after January 1, 2024, personal income taxpayers can no longer deduct interest and dividends from savings deposits, savings accounts, shares or share savings accounts that are in a Massachusetts bank. Prior to the repeal, taxpayers could deduct such interest and dividends in the amount of $100 for a single person, head of household or a married person filing a separate return, or $200 for a husband and wife filing a joint return.

Expansion of wagering loss deduction to sports wagering losses (TE Item 1.428)
For taxable years beginning on or after January 1, 2023, the wagering loss deduction has been expanded to allow personal income taxpayers to deduct losses from sports wagering that are incurred from wagers placed through a licensed sports wagering operator. Taxpayers may claim this deduction for sports wagering losses incurred in a calendar year only if they had wagering winnings from any such sports wagering operator, gaming establishment, racing meeting licensee, or simulcasting licensee in the same calendar year. The deduction allowed for sports wagering losses may not exceed the amount of any wagering winnings included in gross income for the calendar year. See TIR 24-6 for more information.

Increase of the annual cap for and extension of the Massachusetts historic rehabilitation credit (TE Item 1.610)
For taxable years beginning on or after January 1, 2024, the Massachusetts historic rehabilitation credit's annual cap has been increased from $55 million to $110 million. The credit was due to expire on December 31, 2027, but has been extended to taxable years ending on or before December 31, 2030.

Increase of the annual cap for and extension of the community investment credit (TE Item 1.617)
For taxable years beginning on or after January 1, 2025, the community investment credit's annual cap has been increased from $12 million to $15 million. The credit was due to expire on December 31, 2025, but has been made permanent.

Increase to the Qualified Veterans Hire Tax Credit (TE Item 1.620)
For taxable years beginning on or after January 1, 2024, the amount of credit a business can claim for each qualified veteran it hires has been increased from $2,000 to $2,500.

Cranberry Bog Renovation Credit (TE Item 1.623)
Effective for tax years beginning on or after January 1, 2020, taxpayers primarily engaged in cranberry production may claim a nontransferable, refundable credit equal to 25% of expenses incurred in the renovation, repair, replacement, regrading or restoration of a cranberry bog for the cultivation,

harvesting or production of cranberries. The Secretary for Energy and Environmental Affairs determines eligible costs and the amount of the credit. The amount of credit that can be claimed by a taxpayer for a taxable year cannot exceed $100,000. The annual total cap amount is $2 million. The credit is no longer available for taxable years beginning on or after January 1, 2030.

Temporary authorized training tax credit for emergency assistance (New TE Item 1.629)
Starting with taxable years beginning on or after January 1, 2024, partnerships, limited liability corporations, or other legal entities subject to the personal income tax that provide training to a qualified trainee through an authorized training program may claim a temporary authorized training tax credit for emergency assistance. A qualified individual is an individual receiving benefits through the emergency housing assistance program pursuant to G.L. c. 23B, § 30. To qualify for the credit, a taxpayer must (1) have a place of business in the Commonwealth; (2) conduct an authorized training program in the Commonwealth that is in compliance with recommendations of the Executive Office of Labor and Workforce Development ("EOLWD"); (3) enroll the qualified trainee in an authorized training program on or after April 30, 2024; and (4) meet any additional requirements determined by the Executive Office for Administration and Finance and EOLWD. The credit is equal to $2,500 for each qualified trainee that receives the training from the entity. The amount of the credit that exceeds the tax due for a taxable year may be carried forward to the subsequent taxable year. The credit is subject to an annual cap of $10 million.

The credit may no longer be claimed as of (1) January 1, 2026; or (2) the taxable year in which the end of the capacity limitation on the emergency shelter assistance program occurs, whichever is sooner. See TIR 24-7 for more information.

Massachusetts homeownership credit (New TE Item 1.630)
Starting with taxable years beginning on or after January 1, 2025, personal income taxpayers may claim a Massachusetts homeownership tax credit in relation to a qualified homeownership development project to the extent authorized by the Executive Director of the Massachusetts Housing Finance Agency ("MHFA"). The credit is non-refundable but is transferrable. The amount of the credit authorized by MHFA cannot exceed the maximum credit amount, which is 35% of the lesser of either: (1) the project's total qualified project expenditures calculated on a per single-family dwelling basis; or (2) 80% of the area median new single-family dwelling sales price, subject to further limitations established by MHFA. A sponsor cannot claim the credit before the first taxable year stated on the eligibility certificate issued to the sponsor by MHFA. Any amount of the credit that exceeds the tax due for a taxable year may be carried forward for the duration of the qualified homeownership development project's affordability period, which is a 10-year period that begins as of the date of the first sale of a single-family dwelling that was constructed as part of the project. The credit is subject to recapture.

The amount of credits that MHFA can authorize annually cannot exceed the sum of (1) $10 million; (2) any credit amounts not authorized in the preceding taxable year; and (3) any credits returned to MHFA by a sponsor. Effective January 1, 2030, the amount of credits that can be authorized annually is the sum of (1) any credit amounts not authorized in the preceding taxable year; and (2) any credits returned to MHFA by a sponsor.

Qualified conversion credit (New TE Item 1.631)
Starting with taxable years beginning on or after January 1, 2025, personal income taxpayers may claim a refundable, non-transferable qualified conversion credit in relation to a qualified conversion project that has been certified by the Executive Office of Housing and Livable Communities ("EOHLC"). To claim the credit, a sponsor must submit a project proposal to EOHLC requesting the certification of a housing development project as a qualified conversion project. After certifying the project, EOHLC determines the amount of credit awarded to the sponsor, which cannot exceed 10% of the qualified conversion's project's development costs.

The credit is allowed for the taxable year in which EOHLC notifies the Commissioner of the certified qualified conversion project's completion. Any amount of the credit that exceeds the tax due for a taxable year may be carried forward to any of the 10 taxable years subsequent to the taxable year that the credit was allowed. The credit is subject to recapture.

The credit is no longer available for taxable years ending after December 31, 2029.

Climatetech Tax Incentive Program (New TE item 1.632)

Massachusetts provides a climatetech tax incentive program, which is administered by the Massachusetts clean energy center ("CEC"), in consultation with DOR. The tax incentives consist of three tax credits, the climatetech capital investment tax credit, a refundable climatetech jobs tax credit, and a climatetech qualified research expenses tax credit; as well as a sales and use tax exemption for purchases of tangible personal property to be used for the construction of research, development or manufacturing or other commercial climatetech facilities. The incentives all share an annual cap of $30 million and are effective for taxable years beginning on or after January 1, 2024.

The climatetech capital investment tax credit is a refundable tax credit available to personal income and corporate excise taxpayers who make capital investments in a climatetech facility. The amount of the credit is determined by the CEC, but cannot exceed 50% of the owner's total capital investment in the facility.

The refundable climatetech jobs tax credit is a refundable tax credit available to personal income taxpayers who commit to creating at least 5 net new jobs in Massachusetts. The amount of credit is determined by the CEC. Where the credit exceeds the taxpayer's liability, 90% of excess credit amount is refunded to the taxpayer.

Live Theater Tax Credit (New TE item 1.633)

The live theater tax credit program is administered by the Massachusetts Office of Business Development, in consultation with DOR. The credit is available to personal income and corporate excise taxpayers. The amount of the credit cannot exceed $7 million and is equal to (1) 35% of the total in-state payroll costs; (2) 25% of production and performance expenditures; and (3) 25% of transportation expenditures. The credit is not refundable, but is transferrable. Any unused amount of credit may be carried forward to the next 5 taxable years. The annual amount of credits that can be authorized cannot exceed $7 million.

The credit is effective for taxable years beginning on or after January 1, 2025 and expires on January 1, 2030.

Qualified Internship Tax Credit (New TE item 1.634)

The qualified internship tax credit is available to personal income and corporate excise taxpayers who hire a qualified intern. The credit is equal to the lesser of $5,000 or 50% of the wages paid to the intern. The annual amount of credits that can be authorized cannot exceed $10 million. A single employer cannot claim more than $100,000 in credits in a taxable year.

The credit is effective starting for the taxable year beginning on or after January 1 of the first calendar year following the next fiscal year that closes after November 20, 2024 with a consolidated net surplus of at least $400 million. The credit expires on January 1 of the sixth tax year following the effective date of the credit.

## Corporate Excise Changes:

“An Act Making Appropriations for the Fiscal Year 2024 to Provide for Supplementing Certain Existing Appropriations and for Certain Other Activities and Projects”, “An Act Relative to the Affordable Homes Act”, “An Act Honoring, Empowering, and Recognizing Our Servicemembers and Veterans”, and “An Act Relative to Strengthening Massachusetts’ Economic Leadership” enacted various changes to the corporate excise.

The following corporate expenditures have been revised or created due to recent law changes:

Economic Development Incentive Program Credit (TE Item 2.605)
Under the Economic Development Incentive Program (EDIP), the Economic Assistance Coordination Council (EACC) may award tax credits to taxpayers that participate in a "certified project" (as defined in G.L. c. 23A, §§ 3A and 3F). The amount of credit allowed in each case is determined by the EACC based on numerous factors set forth in G.L. c. 23A, § 3D, including the number of jobs expected to be created, the amount of capital to be invested, and the net new economic benefit expected to be created. The EACC may designate the credit as refundable for any certified project. Prior to January 1, 2024, the EACC could not annually designate more than $5 million in refundable credits. This limitation is eliminated effective January 1, 2024.

Increase of the cap for and extension of the Massachusetts historic rehabilitation credit (TE Item 2.610)
For taxable years beginning on or after January 1, 2024, the Massachusetts historic rehabilitation credit’s annual cap has been increased from $55 million to $110 million. The credit was due to expire on December 31, 2027, but has been extended to taxable years ending on or before December 31, 2030.

Life Sciences Tax Incentive Program (TE Item 2.617)
Effective for taxable years beginning on or after January 1, 2024, the Angel Investor Tax Credit is no longer available. In addition, the annual amount of life science tax incentives that can be authorized has been increased from $30 million to $40 million.

Increase of the cap for and extension of the community investment credit (TE Item 2.621)
For taxable years beginning on or after January 1, 2025, the community investment credit’s annual cap has been increased from $12 million to $15 million. The credit was due to expire on December 31, 2025, but has been made permanent.

Increase to the qualified veterans hire tax credit (TE Item 2.623)
For taxable years beginning on or after January 1, 2024, the amount of credit a business can claim for each qualified veteran it hires has been increased from $2,000 to $2,500.

Cranberry Bog Renovation Credit (TE Item 2.625)
Effective for tax years beginning on or after January 1, 2020, taxpayers primarily engaged in cranberry production may claim a nontransferable, refundable credit equal to 25% of expenses incurred in the renovation, repair, replacement, regrading or restoration of a cranberry bog for the cultivation, harvesting or production of cranberries. The Secretary for Energy and Environmental Affairs determines eligible costs and the amount of the credit. The amount of credit that can be claimed by a taxpayer for a taxable year cannot exceed $100,000. The annual total cap amount is $2 million. The credit is no longer available for taxable years beginning on or after January 1, 2030.

Temporary authorized training tax credit for emergency assistance (New TE Item 2.629)
Starting with taxable years beginning on or after January 1, 2024, business corporations taxable under G.L. c. 63 that provide training to a qualified trainee through an authorized training program may claim a temporary authorized training tax credit for emergency assistance. A qualified individual is an individual receiving benefits through the emergency housing assistance program pursuant to G.L. c.

23B, § 30. To qualify for the credit, a taxpayer must (1) have a place of business in the Commonwealth; (2) conduct an authorized training program in the Commonwealth that is in compliance with recommendations of the Executive Office of Labor and Workforce Development ("EOLWD"); (3) enroll the qualified trainee in an authorized training program on or after April 30, 2024; and (4) meet any additional requirements determined by the Executive Office for Administration and Finance and EOLWD. The credit is equal to $2,500 for each qualified trainee that receives the training from the entity. The amount of the credit that exceeds the tax due for a taxable year may be carried forward to the subsequent taxable year. The credit is subject to an annual cap of $10 million.

The credit may no longer be claimed as of (1) January 1, 2026; or (2) the taxable year in which the end of the capacity limitation on the emergency shelter assistance program occurs, whichever is sooner. See TIR 24-7 for more information.

Massachusetts homeownership credit (New TE Item 2.630)

Starting with taxable years beginning on or after January 1, 2025, taxpayers subject to tax under G.L. c. 63 may claim a Massachusetts homeownership tax credit in relation to a qualified homeownership development project to the extent authorized by the Executive Director of the Massachusetts Housing Finance Agency ("MHFA"). The credit is non-refundable but is transferrable. The amount of the credit authorized by MHFA cannot exceed the maximum credit amount, which is 35% of the lesser of either: (1) the project's total qualified project expenditures calculated on a per single-family dwelling basis; or (2) 80% of the area median new single-family dwelling sales price, subject to further limitations established by MHFA. A sponsor cannot claim the credit before the first taxable year stated on the eligibility certificate issued to the sponsor by MHFA. Any amount of the credit that exceeds the tax due for a taxable year may be carried forward for the duration of the qualified homeownership development project's affordability period, which is a 10-year period that begins as of the date of the first sale of a single-family dwelling that was constructed as part of the project. The credit is subject to recapture if MHFA determines that a sponsor or qualified homeownership development project does not qualify for the credit, ceases to qualify for the credit, or did not qualify for the credit at the time they claimed the credit.

The amount of credits that MHFA can authorize annually cannot exceed the sum of (1) $10 million; (2) any credit amounts not authorized in the preceding taxable year; and (3) any credits returned to MHFA by a sponsor. Effective January 1, 2030, the amount of credits that can be authorized annually is the sum of (1) any credit amounts not authorized in the preceding taxable year; and (2) any credits returned to MHFA by a sponsor.

Qualified conversion credit (New TE Item 2.631)

Starting with taxable years beginning on or after January 1, 2025, taxpayers subject to tax under G.L. c. 63 may claim a refundable, non-transferable qualified conversion credit in relation to a qualified conversion project that has been certified by the Executive Office of Housing and Livable Communities ("EOHLC"). To claim the credit, a sponsor must submit a project proposal to EOHLC requesting the certification of a housing development project as a qualified conversion project. After certifying the project, EOHLC determines the amount of credit awarded to the sponsor, which cannot exceed 10% of the qualified conversion's project's development costs.

The credit is allowed for the taxable year in which EOHLC notifies the Commissioner of the certified qualified conversion project's completion. Any amount of the credit that exceeds the tax due for a taxable year may be carried forward to any of the 10 taxable years subsequent to the taxable year that the credit was allowed. The credit is subject to recapture.

The credit is no longer available for taxable years ending after December 31, 2029.

Climatetech Tax Incentive Program (New TE Item 2.632)
Massachusetts provides a climatetech tax incentive program, which is administered by the Massachusetts clean energy center ("CEC"), in consultation with DOR. The tax incentives consist of three tax credits, the climatetech capital investment tax credit, a refundable climatetech jobs tax credit, and a climatetech qualified research expenses tax credit; as well as a sales and use tax exemption for purchases of tangible personal property to be used for the construction of research, development or manufacturing or other commercial climatetech facilities. The incentives all share an annual cap of $30 million and are effective for taxable years beginning on or after January 1, 2024.

The climatetech capital investment tax credit is a refundable tax credit available to personal income and corporate excise taxpayers who make capital investments in a climatetech facility. The amount of the credit is determined by the CEC, but cannot exceed 50% of the owner's total capital investment in the facility.

The climatetech qualified research expenses tax credit is available to corporate excise taxpayers. The credit amount is based on the taxpayer's qualified research expenses in a manner similar to the standard research expense tax credit. The credit is not refundable, but unused amounts of the credit may be carried forward to the next subsequent 15 taxable years.

Live Theater Credit (New TE Item 2.633)
The live theater tax credit program is administered by the Massachusetts Office of Business Development, in consultation with DOR. The credit is available to personal income and corporate excise taxpayers. The amount of the credit cannot exceed $7 million and is equal to (1) 35% of the total in-state payroll costs; (2) 25% of production and performance expenditures; and (3) 25% of transportation expenditures. The credit is not refundable, but is transferrable. Any unused amount of credit may be carried forward to the next 5 taxable years. The annual amount of credits that can be authorized cannot exceed $7 million.

The credit is effective for taxable years beginning on or after January 1, 2025 and expires on January 1, 2030.

Qualified Internship Credit (New TE Item 2.634)
The qualified internship tax credit is available to personal income and corporate excise taxpayers that hire a qualified intern. The credit is equal to the lesser of $5,000 or 50% of the wages paid to the intern. The annual amount of credits that can be authorized cannot exceed $10 million. A single employer cannot claim more than $100,000 in credits in a taxable year.
The credit is effective starting the taxable year beginning on or after January 1 of the first calendar year following the next fiscal year that closes after November 20, 2024 with a consolidated net surplus of at least $400 million. The credit expires on January 1 of the sixth tax year following the effective date of the credit.

## Sales and Use Tax Changes

The FY25 Budget and "An Act Relative to Strengthening Massachusetts' Economic Leadership" enacted the following changes to the sales and use tax.

Repeal of the sales tax exemption for certain publications of tax-exempt organizations (TE Items 3.607)
Effective September 27, 2024, the sales and use tax exemption for sales of publications of any corporation, foundation, organization or institution that is an exempt organization pursuant to Code § 501(c)(3) and described in G.L. c. 64H, § 6(e) is repealed, except in cases where such publications are produced in an accessible format, including, but not limited to, braille, enlarged print, audio or electronic text, for use by individuals unable to read other print due to disability.

Exemption for Sales of Certain Tangible Personal Property Purchased for a Certified Climatetech Company (New TE Item 3.006)

Effective for taxable years beginning on or after January 1, 2024, sales of tangible personal property purchased for a certified climatetech company, to the extent authorized pursuant to the climatetech tax incentive program, for use in connection with the construction, alteration, remodeling, repair or remediation of research, development or manufacturing facilities and utility support systems, are exempt from sales tax.

Qualified Data Center Sales and Use Tax Exemption (New TE Item 3.007)

A sales and use tax exemption is available to the owner or operator of a qualified data center for the purchase of eligible data center equipment, software, electricity used in a qualified data center, and construction costs incurred in the building, renovation, or refurbishment of a qualified data center. For a data center to be qualified, it must meet certain criteria and be certified by the Secretary of the Executive Office of Economic Development ("EOED"). However, EOED will not accept applications for certification until it completes its development, in consultation with DOR, of the required regulations and a standardized application form for the certification of qualified data centers.

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**Amortization**: Annual deduction allowed for the gradual exhaustion or obsolescence of intangible assets having a limited useful life which are used in the production of income, such as patents and copyrights; analogous to depreciation of tangible assets.

**Capital Expenditure:** An expenditure made in acquiring, adding to or bettering a fixed asset. For accounting purposes, capital expenditures are not charged against current revenue. They are added to capital account or "capitalized" and then may be depreciated, amortized, or recovered when a business is sold. This concept should be distinguished from an expense.

**Credit:** Amount by which a taxpayer is allowed to reduce a tax liability, as computed by applying the tax rates to the tax base, to be distinguished from a deduction from the tax base.

**Deduction:** Amount that a taxpayer is allowed to subtract from the gross tax base.

**Depreciation:** Annual deduction allowed for the gradual exhaustion or obsolescence of tangible property used in the production of income.

**Exclusion:** The legal elimination from the tax base of items recognized as falling within its definition. The federal term for what is sometimes called an exemption for Massachusetts. (See below.)

**Exemption:** The legal elimination from the tax base of items or transactions recognized as falling within its definition, or of taxable units that would normally be subject to tax.

**Expense:** A revenue expenditure or cost, which, for accounting purposes, is charged against current revenue. To be distinguished from a capital expenditure.

**Gross income:** The total of all items included in the concept of income that a taxpayer receives during the taxable period.

**Net income:** Amount remaining after subtracting exempt income and deductions from gross income.

**Personal exemption:** A specific amount or percentage of net income on which the tax rate is zero. To be distinguished from an exemption as defined above, which applies to a class of income or taxpayers. Sometimes called an "allowance".

**Taxable income:** Amount to which the tax rates are applied in computing tax liability, after subtracting personal exemptions from net income.

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# Fiscal Year 2026 Tax Expenditure Budget: Appendix C Summary Table

The following table shows tax expenditure estimates for the three major taxes from Fiscal Year 2022 to Fiscal Year 2026. In general, the revenue estimate for a tax expenditure tends to follow the anticipated growth of tax collections. However, year-to-year changes in estimates may vary for four other principal reasons: new data sources; refinements to the estimate methodology; changes to federal tax expenditure estimates which are used as the basis for many of the state tax expenditure estimates; and changes in tax laws.

Where possible, we have recalculated past estimates based on revised data, improved methodologies, and changes in statute.

## Personal Income Tax (In Millions)

| Tax Expenditure | Item Number | FY2022 | FY2023 | FY2024 | FY2025 | FY2026 |
|---|---|---|---|---|---|---|
| **EXCLUSIONS FROM GROSS INCOME** | | | | | | |
| Exclusions from Gross Income | 1.000 | 5,516.4 | 6,032.6 | 6,381.2 | 6,730.7 | 7,084.0 |
| Exemption of Premiums on Accident and Accidental Death Insurance1 | 1.001 | Included in 1.004 | Included in 1.004 | Included in 1.004 | Included in 1.004 | Included in 1.004 |
| Exemption of Premiums on Group-Term Life Insurance1 | 1.002 | 22.9 | 25.6 | 29.0 | 30.3 | 32.1 |
| Exemption of Death Benefits and Interest on Life Insurance Policy and Annuity Cash Value | 1.003 | 335.8 | 371.4 | 408.6 | 420.3 | 442.7 |
| Exemption of Employer Contributions to Accident and Health Plans and Certain Benefits Received | 1.004 | 1,308.4 | 1,403.8 | 1,486.5 | 1,565.9 | 1,627.3 |
| Exemption of Annuity or Pension Payments to Fire and Police Personnel | 1.005 | N.A. | N.A. | N.A. | N.A. | N.A. |
| Exemption of Distributions from Certain Contributory Pension and Annuity Plans2 | 1.006 | 442.8 | 464.4 | 485.0 | 506.4 | 528.8 |
| Exemption of Railroad Retirement Benefits | 1.007 | 1.4 | 1.4 | 1.5 | 1.5 | 1.6 |
| Exemption of Public Assistance Benefits | 1.008 | 1,180.1 | 1,552.0 | 1,600.9 | 1,666.2 | 1,734.3 |
| Exemption of Social Security Benefits | 1.009 | 482.3 | 526.3 | 589.5 | 626.2 | 658.9 |
| Exemption of Workers' Compensation Benefits | 1.010 | 48.6 | 50.7 | 52.1 | 53.1 | 54.5 |
| Exemption for Dependent Care Expenses1 | 1.011 | 5.0 | 5.2 | 5.4 | 5.6 | 5.7 |
| Exemption of Certain Foster Care Payments | 1.012 | 3.8 | 4.0 | 4.1 | 4.2 | 3.9 |
| Exemption of Payments Made to Coal Miners | 1.013 | Negligible | Negligible | Negligible | Negligible | Negligible |
| Exemption of Rental Value of Parsonages | 1.014 | 3.6 | 3.9 | 4.1 | 4.4 | 4.5 |
| Exemption of Scholarships, Fellowships, and Tuition Reductions | 1.015 | 42.8 | 45.3 | 46.9 | 48.5 | 55.5 |
| Exemption of Certain Prizes and Awards | 1.016 | 2.9 | 3.4 | 3.5 | 3.6 | 3.5 |
| Exclusion of Payments Received Under Government Conservation, Reclamation and Restoration Programs | 1.017 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 |
| Exclusion from Employee Income of Meals and Lodging Furnished for the Convenience of the Employer1 | 1.018 | 47.2 | 60.3 | 75.2 | 75.2 | 75.8 |
| Exclusion from Employee Income of Business- | 1.019 | 28.1 | 29.3 | 30.3 | 31.3 | 32.4 |

| Tax Expenditure | Item Number | FY2022 | FY2023 | FY2024 | FY2025 | FY2026 |
|---|---|---|---|---|---|---|
| Related Meals and Entertainment1 | | | | | | |
| Exemption of Income from the Sale, Lease, or Transfer of Certain Patents | 1.020 | N.A. | Expired | Expired | Expired | Expired |
| Exemption of Capital Gains on Home Sales | 1.021 | 414.1 | 395.9 | 387.7 | 398.7 | 429.2 |
| Exemption for Capital Gains at Time of Death | 1.022 | 789.4 | 701.8 | 766.7 | 837.6 | 915.0 |
| Exemption of Interest from Massachusetts Obligations | 1.023 | 71.9 | 78.4 | 85.1 | 86.4 | 87.7 |
| Exemption of Benefits and Allowances to Armed Forces Personnel1 | 1.024 | 14.2 | 15.3 | 16.2 | 16.6 | 17.4 |
| Exemption of Veterans' Pensions, Disability Compensation and G.I. Benefits | 1.025 | 49.7 | 57.4 | 61.0 | 63.9 | 69.5 |
| Exemption of Military Disability Pensions | 1.026 | 0.6 | 0.6 | 0.6 | 0.7 | 0.8 |
| Exemption of Compensation to Massachusetts-Based Nonresident Military Personnel | 1.027 | 10.6 | 11.1 | 11.9 | 12.5 | 12.8 |
| Exemption for Taxpayers Killed in Military Action or by Terrorist Activity | 1.028 | Neglible | Neglible | Neglible | Neglible | Neglible |
| Exemption for Retirement Pay of the Uniformed Services | 1.029 | 23.8 | 24.0 | 24.2 | 24.4 | 24.6 |
| Exclusion from Gross Income of Parking, T-Pass and Vanpool Fringe Benefits | 1.030 | 41.9 | 59.6 | 56.2 | 57.7 | 59.6 |
| Health Savings Accounts | 1.031 | 30.7 | 19.6 | 25.8 | 52.7 | 61.1 |
| Employer-Provided Adoption Assistance | 1.032 | not active | 2.1 | 2.0 | 2.4 | 2.5 |
| Employer-Provided Educational Assistance | 1.033 | 13.7 | 14.1 | 14.2 | 14.8 | 13.7 |
| Department of Defense Homeowners Assistance Plan | 1.035 | Negligilbe | Negligilbe | Negligilbe | 0.2 | 0.2 |
| Survivor Annuities of Fallen Public Safety Officers | 1.036 | N.A. | N.A. | N.A. | N.A. | N.A. |
| Survivor Annuities of Fallen Astronauts | 1.037 | N.A. | N.A. | N.A. | N.A. | N.A. |
| Discharge of Indebtedness for Health Care Professionals | 1.039 | 0.9 | 1.0 | 1.1 | 1.2 | 1.2 |
| Archer Medical Savings Accounts | 1.040 | 0.1 | 0.1 | 0.1 | 0.2 | 0.2 |
| Earnings of Pre-paid and Tuition Savings ("529" plans) | 1.041 | 15.9 | 27.0 | 32.5 | 34.2 | 37.3 |
| Exclusion of Gains of Qualified Small Business Stock (QSBS) Gain | 1.042 | 29.3 | 21.3 | 16.2 | 23.9 | 25.2 |
| Exclusion of Alimony Payments Made | 1.043 | 8.2 | 7.9 | 7.6 | 7.3 | 7.0 |
| Exclusion From Gross Income Of Discharged Qualified Principal Residence Indebtedness | 1.044 | 1.1 | 1.2 | 1.2 | 1.2 | 0.3 |
| Exclusion From Gross Income Of Amounts Received Under The Work Colleges Program | 1.045 | 30.4 | 32.5 | 33.9 | 35.3 | 40.3 |
| Exclusion Of Benefits Provided To Volunteer Firefighters And Emergency Medical Responders | 1.046 | 0.6 | 0.7 | 0.7 | 0.7 | 0.7 |
| Exclusion From Gross Income Of Indian Healthcare Benefits | 1.047 | 12.7 | 13.5 | 13.3 | 15.0 | 15.8 |
| Exclusion From Gross Income Of Indian General Welfare Benefits | 1.048 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Exclusion From Gross Income Of Certain Amounts Received By Wrongfully Incarcerated Individuals | 1.049 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| **DEFERRALS OF GROSS INCOME** | | | | | | |
| Deferrals of Gross Income | 1.100 | 2,152.2 | 2,283.0 | 2,778.4 | 2,906.2 | 3,343.1 |
| Net Exemption of Contributions to Employee | 1.101 | 847.2 | 913.1 | 1,010.9 | 1,137.4 | 1,349.2 |

| Tax Expenditure | Item Number | FY2022 | FY2023 | FY2024 | FY2025 | FY2026 |
|---|---|---|---|---|---|---|
| Stock Bonus Plans, Pensions, and Profit-Sharing Trusts | | | | | | |
| Treatment of Incentive Stock Options | 1.102 | 5.9 | 5.7 | 5.8 | 6.0 | 6.8 |
| Exemption of Earnings on Stock Bonus Plans, Pensions or Profit-Sharing Trusts | 1.103 | 1,051.0 | 1,131.9 | 1,518.5 | 1,504.6 | 1,683.5 |
| Exemption of Earnings on IRAs and Keogh Plans | 1.104 | 184.4 | 198.2 | 211.6 | 225.7 | 270.3 |
| Exemption for Capital Gains at Time of Gift | 1.106 | 62.2 | 32.8 | 30.2 | 31.1 | 31.9 |
| Teacher's Expense Deduction | 1.107 | 1.4 | 1.4 | 1.4 | 1.4 | 1.4 |
| **DEDUCTIONS FROM GROSS INCOME** | | | | | | |
| Deductions from Gross Income | 1.200 | 16.8 | 17.1 | 17.3 | 17.6 | 17.9 |
| Capital Gains Deduction for Collectibles | 1.201 | 2.2 | 2.2 | 2.3 | 2.4 | 2.4 |
| Deduction of Capital Losses Against Interest and Dividend Income | 1.202 | 14.3 | 14.5 | 14.7 | 14.9 | 15.1 |
| Excess Natural Resource Depletion Allowance | 1.203 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 |
| Abandoned Building Renovation Deduction | 1.204 | Negligible | Negligible | Negligible | Negligible | Negligible |
| **ACCELERATED DEDUCTIONS FROM GROSS INCOME** | | | | | | |
| Accelerated Deductions from Gross Income | 1.300 | 85.4 | 106.7 | 104.5 | 94.5 | 99.5 |
| Modified Accelerated Depreciation on Rental Housing | 1.301 | 29.3 | 29.6 | 27.3 | 25.1 | 23.4 |
| Modified Accelerated Depreciation on Buildings (other than Rental Housing) | 1.303 | 3.6 | 3.8 | 3.8 | 3.8 | 3.8 |
| Modified Accelerated Cost Recovery System (MACRS) for Equipment | 1.304 | 37.2 | 48.9 | 39.6 | 30.6 | 31.9 |
| Expense Deduction for First-Year Business Assets | 1.305 | 13.9 | 22.9 | 32.2 | 33.4 | 38.5 |
| Election to Deduct and Amortize Business Start-up Costs | 1.306 | 1.0 | 1.0 | 1.0 | 1.0 | 1.4 |
| Expensing Exploration and Development Costs | 1.308 | Neglible | Neglible | Neglible | Neglible | Neglible |
| Expensing Research and Experimental Expenditures in One Year | 1.309 | Neglible | Neglible | Neglible | Neglible | Neglible |
| Five-Year Amortization of Pollution Control Facilities | 1.310 | N.A. | N.A. | N.A. | N.A. | N.A. |
| Seven-Year Amortization for Reforestation | 1.311 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| Expensing Certain Capital Outlays of Farmers | 1.312 | 0.1 | 0.2 | 0.2 | 0.1 | 0.1 |
| Expenditures to remove architectural and transportation barriers to the handicapped and elderly | 1.313 | 0.1 | 0.2 | 0.2 | 0.2 | 0.2 |
| **DEDUCTIONS FROM ADJUSTED GROSS INCOME** | | | | | | |
| Deductions from Adjusted Gross Income | 1.400 | 789.2 | 878.6 | 1,205.1 | 1,240.1 | 1,281.6 |
| Deduction for Employee Social Security and Railroad Retirement Payments | 1.401 | 319.4 | 328.4 | 332.7 | 337.0 | 341.4 |
| Deduction for Employee Contributions to Public Pension Plans2 | 1.402 | Included in 1.401 | Included in 1.401 | Included in 1.401 | Included in 1.401 | Included in 1.401 |
| Additional Exemption for the Elderly | 1.403 | 28.8 | 28.9 | 29.7 | 31.5 | 34.3 |
| Additional Exemption for the Blind | 1.404 | 0.7 | 0.6 | 0.6 | 0.6 | 0.6 |
| Dependents Exemption Where the Child Earns Income3 | 1.405 | N.A. | N.A. | N.A. | N.A. | N.A. |
| Deduction for Dependents Under 12 | 1.406 | N.A. | N.A. | N.A. | N.A. | N.A. |
| Personal Exemption for Students Age 19 or Over | 1.407 | 10.0 | 10.4 | 10.5 | 10.6 | 10.6 |
| Deduction for Adoption Fees | 1.408 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |

| Tax Expenditure | Item Number | FY2022 | FY2023 | FY2024 | FY2025 | FY2026 |
|---|---|---|---|---|---|---|
| Deduction for Business-Related Child Care Expenses | 1.409 | N.A. | N.A. | N.A. | N.A. | N.A. |
| Exemption of Medical Expenses | 1.410 | 160.0 | 176.0 | 182.7 | 194.8 | 206.6 |
| Rental Deduction | 1.411 | 144.3 | 145.5 | 183.7 | 187.3 | 191.0 |
| Nontaxation of Charitable Purpose Income of Trustees and Estates | 1.412 | 15.4 | 14.6 | 15.3 | 15.6 | 15.9 |
| Exemption of Interest on Savings in Massachusetts Banks | 1.413 | 4.1 | 3.0 | 3.0 | Expired | Expired |
| Tuition Deduction | 1.414 | 17.4 | 17.5 | 17.5 | 17.6 | 17.7 |
| Charitable Contributions and Gifts | 1.415 | Not Active | 64.0 | 321.3 | 330.4 | 338.8 |
| Deduction for Costs Involved in Unlawful Discrimination Suits | 1.418 | N.A. | N.A. | N.A. | N.A. | N.A. |
| Business Expenses of National Guard and Reserve Members | 1.419 | 1.5 | 1.6 | 1.6 | 1.6 | 1.6 |
| Archer Medical Savings Accounts | 1.420 | Negligible | Negligible | Negligible | Negligible | Negligible |
| Deduction for Clean-Fuel Vehicles and Certain Refueling Property | 1.421 | Negligible | Expired | Expired | Expired | Expired |
| Health Savings Accounts | 1.422 | 5.3 | 5.3 | 5.9 | 6.4 | 7.4 |
| Commuter Deduction | 1.423 | 7.6 | 7.7 | 18.9 | 19.2 | 19.5 |
| Self-Employed Health Insurance Deduction | 1.424 | 45.1 | 46.0 | 47.3 | 48.4 | 49.5 |
| Deduction for Employer Payments of Employee Qualified Education Loans | 1.425 | 16.6 | 15.6 | 16.2 | 16.9 | 17.5 |
| Expenses of Human Organ Transplant | 1.426 | Negligible | Negligible | Negligible | Negligible | Negligible |
| Prepaid Tuition or College Savings Plan Deduction2 | 1.427 | 3.2 | 3.3 | 3.4 | 3.6 | 3.7 |
| Gambling Loss Deduction | 1.428 | 6.3 | 8.1 | 10.3 | 13.2 | 16.8 |
| Moving Deduction | 1.429 | 1.5 | 0.2 | 0.2 | 0.2 | 1.3 |
| Deduction for Student Loan Payment Assistance | 1.430 | N.A. | N.A. | 2.2 | 3.4 | 5.6 |
| Whistleblower Attorneys' Fees Deduction | 1.431 | 1.7 | 1.6 | 1.6 | 1.6 | 1.6 |
| **PREFERENTIAL RATE OF TAXATION** | | | | | | |
| Preferential Rate of Taxation | 1.500 | 11.2 | 3.8 | 1.1 | 0.3 | 0.1 |
| Small Business Stock, Capital Gains Tax Rate | 1.501 | 11.2 | 3.8 | 1.1 | 0.3 | 0.1 |
| **CREDITS AGAINST TAX** | | | | | | |
| Credits Against Tax | 1.600 | 527.3 | 524.3 | 847.7 | 1,065.4 | 1,222.9 |
| Renewable Energy Source Credit | 1.601 | 5.2 | 5.6 | 5.9 | 6.3 | 6.7 |
| Credit for Removal of Lead Paint | 1.602 | 3.1 | 2.3 | 5.2 | 5.8 | 6.4 |
| Economic Development Incentive Program Credit | 1.603 | 2.7 | 1.9 | 2.0 | 6.4 | 6.5 |
| Credit for Employing Former Full-Employment Program Participants | 1.604 | Not Active | Not Active | Not Active | Not Active | Not Active |
| Earned Income Credit | 1.605 | 226.8 | 210.9 | 300.0 | 341.4 | 459.5 |
| Septic System Credit | 1.606 | 8.8 | 8.8 | 11.8 | 15.7 | 19.9 |
| Low Income Housing Credit | 1.607 | 8.5 | 10.1 | 13.0 | 15.5 | 18.1 |
| Brownfields Credit | 1.608 | 2.3 | 2.4 | 2.6 | 2.7 | 2.8 |
| Refundable State Tax Credit Against Property Taxes for Seniors ("Circuit Breaker") | 1.609 | 98.4 | 106.4 | 163.6 | 169.5 | 175.3 |
| Massachusetts Historic Rehabilitation Credit | 1.610 | 7.0 | 7.3 | 7.6 | 15.8 | 16.4 |
| Film Production Incentives (tax credit and sales tax exemption) | 1.611 | 1.8 | 2.0 | 2.0 | 2.0 | 2.0 |
| Medical Device User Fee Credit | 1.613 | Expired | Expired | Expired | Expired | Expired |
| Dairy Farmer Tax Credit | 1.614 | 3.8 | 3.7 | 5.0 | 5.0 | 5.0 |

| Tax Expenditure | Item Number | FY2022 | FY2023 | FY2024 | FY2025 | FY2026 |
|---|---|---|---|---|---|---|
| Conservation Land Credit | 1.615 | 1.9 | 1.6 | 1.6 | 1.6 | 1.6 |
| Employer Wellness Program Tax Credit | 1.616 | Negligible | Negligible | Expired | Expired | Expired |
| Community Investment Tax Credit | 1.617 | 5.6 | 6.2 | 6.8 | 6.8 | 8.4 |
| Farming and Fisheries Tax Credit | 1.618 | 0.2 | 0.2 | 0.2 | 0.3 | 0.3 |
| Certified Housing Development Tax Credit | 1.619 | 2.0 | 2.0 | 2.0 | 4.0 | 7.4 |
| Veteran's Hire Tax Credit | 1.620 | 0.0 | 0.0 | 0.0 | 0.0 | 0.5 |
| Apprentice Tax Credit | 1.621 | Negligible | Negligible | Negligible | Negligible | Negligible |
| Disability Hire Credit | 1.622 | N.A. | 1.0 | 1.0 | 1.0 | 1.0 |
| Cranberry Bog Renovation Credit | 1.623 | 0.0 | 0.5 | 1.0 | 1.0 | 1.0 |
| Credit for Eligible Dependents | 1.624 | 117.5 | 119.3 | Expired | Expired | Expired |
| Dependent Care Expenses Credit | 1.625 | 31.6 | 32.1 | Expired | Expired | Expired |
| Offshore wind tax incentive program: cover the Wind Power Incentive Jobs Credit and Wind Power Incentive Investment Credit | 1.626 | N.A. | N.A. | 2.5 | 2.5 | 2.5 |
| National Guard Credit | 1.627 | N.A. | 0.0 | 0.1 | 0.1 | 0.1 |
| Child and Family Tax Credit | 1.628 | N.A. | N.A. | 313.7 | 460.0 | 467.0 |
| Renewable Energy Source Credit | 1.629 | N.A. | N.A. | N.A. | 2.0 | 2.0 |
| First-Time Homeownership Development Credit | 1.630 | N.A. | N.A. | N.A. | N.A. | 2.0 |
| Qualified Conversion Project Tax Credit | 1.631 | N.A. | N.A. | N.A. | N.A. | 1.0 |
| Climatetech Tax Incentive Program | 1.632 | N.A. | N.A. | N.A. | N.A. | 6.0 |
| Live Theater Tax Credit | 1.633 | N.A. | N.A. | N.A. | N.A. | 3.5 |
| Qualified Internship Tax Credit | 1.634 | N.A. | N.A. | N.A. | N.A. | N.A. |

# Fiscal Year 2026 Tax Expenditure Budget: Appendix C Summary Table

## Corporate Tax (In Millions)

| Tax Expenditure | Item Number | FY2022 | FY2023 | FY2024 | FY2025 | FY2026 |
|---|---|---|---|---|---|---|
| **EXCLUSIONS FROM GROSS INCOME** | | | | | | |
| Exclusions from Gross Income | 2.000 | 260.7 | 272.7 | 282.1 | 285.3 | 281.1 |
| Small Business Corporations | 2.001 | 260.7 | 272.7 | 282.1 | 285.3 | 281.1 |
| Exemption of Income from the Sale, Lease or Transfer of Certain Patents | 2.002 | N.A. | Expired | Expired | Expired | Expired |
| **DEFERRALS OF GROSS INCOME** | | | | | | |
| Deferrals of Gross Income | 2.100 | 12.2 | 10.9 | 10.6 | 11.4 | 6.1 |
| Deferral of Tax on Certain Shipping Companies | 2.101 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| Deferral of Federal Gain Invested in Qualified Opportunity Zones | 2.102 | 11.2 | 9.8 | 9.6 | 10.4 | 5.1 |
| **DEDUCTIONS FROM GROSS INCOME** | | | | | | |
| Deductions from Gross Income | 2.200 | 299.9 | 314.8 | 330.9 | 343.6 | 355.7 |
| Charitable Contribution and Gift Deduction | 2.201 | 62.7 | 65.6 | 67.8 | 68.6 | 67.6 |
| Net Operating Loss (NOL) Carry-Forward | 2.203 | 229.0 | 240.2 | 253.8 | 266.1 | 279.3 |
| Excess Natural Resource Depletion Allowance | 2.204 | 2.8 | 3.7 | 4.0 | 3.7 | 3.6 |
| Deduction for Certain Dividends of Cooperatives | 2.205 | 5.4 | 5.3 | 5.3 | 5.2 | 5.1 |
| Deduction for Renovation of Abandoned Buildings as Part of Certified Project | 2.206 | Negligible | Negligible | Negligible | Negligible | Negligible |
| **ACCELERATED DEDUCTIONS FROM GROSS INCOME** | | | | | | |
| Accelerated Deductions from Gross Income | 2.300 | 167.2 | 191.1 | 151.0 | 128.3 | 136.2 |
| Modified Accelerated Cost Recovery System on Rental Housing | 2.301 | 8.5 | 8.5 | 7.7 | 7.4 | 6.7 |
| Expenditures to remove architectural and transportation barriers to the handicapped and elderly | 2.303 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 |
| Election to Deduct and Amortize Business Start-up Costs | 2.304 | 0.6 | 0.5 | 0.5 | 0.5 | 0.5 |
| Modified Accelerated Cost Recovery System for Equipment | 2.305 | 135.5 | 168.2 | 129.4 | 107.3 | 115.4 |
| Expense Deduction for Excess First-Year Business Assets | 2.306 | 10.6 | 8.2 | 9.0 | 8.8 | 9.3 |
| Modified Accelerated Depreciation on Buildings (other than Rental Housing) | 2.307 | 2.1 | 2.9 | 3.2 | 3.2 | 3.2 |
| Expensing Research and Experimental Expenditures in One Year | 2.308 | 8.3 | 1.6 | 0.0 | 0.0 | 0.0 |
| Expensing Exploration and Development Costs | 2.309 | 0.4 | 0.0 | 0.0 | 0.0 | 0.0 |
| Five-Year Amortization of Pollution Control Facilities | 2.311 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |
| Expensing of Alternative Energy Units | 2.312 | Not Active | Not Active | Not Active | Not Active | Not Active |
| Seven-Year Amortization for Reforestation | 2.313 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| Expensing of Certain Capital Outlays of Farmers | 2.314 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| **ADJUSTMENTS TO APPORTIONMENT FORMULA** | | | | | | |
| Adjustments to Apportionment Formula | 2.400 | 328.2 | 328.9 | 326.8 | 364.2 | 0.0 |
| Unequal Weighting of Sales, Payroll, and Property in the Apportionment Formula | 2.401 | 328.2 | 328.9 | 326.8 | 364.2 | N.A. |
| **EXCLUSIONS FROM PROPERTY COMPONENT** | | | | | | |

| Tax Expenditure | Item Number | FY2022 | FY2023 | FY2024 | FY2025 | FY2026 |
|---|---|---|---|---|---|---|
| Exclusions from Property Component | 2.500 | 365.9 | 379.9 | 399.1 | 414.6 | 420.6 |
| Nontaxation of Certain Energy Property | 2.501 | Not Active | Not Active | Not Active | Not Active | Not Active |
| Exemption for Property Subject to Local Taxation | 2.502 | 365.9 | 379.9 | 399.1 | 414.6 | 420.6 |
| **CREDITS AGAINST TAX** | | | | | | |
| Credits Against Tax | 2.600 | 1,042.2 | 1,170.0 | 1,302.0 | 1,514.4 | 1,726.8 |
| Investment Credit | 2.602 | 98.1 | 112.6 | 113.6 | 126.2 | 135.1 |
| Vanpool Credit | 2.603 | Negligible | Negligible | Negligible | Negligible | Negligible |
| Research Credit | 2.604 | 642.6 | 727.2 | 823.1 | 931.5 | 1,054.2 |
| Economic Development Incentive Program Credit | 2.605 | 14.0 | 12.9 | 10.6 | 29.6 | 29.7 |
| Credit for Employing Former Full-Employment Program Participants | 2.606 | Not Active | Not Active | Not Active | Not Active | Not Active |
| Harbor Maintenance Credit | 2.607 | 0.4 | Expired | Expired | Expired | Expired |
| Brownfields Credit | 2.608 | 22.2 | 23.2 | 24.2 | 25.3 | 26.5 |
| Low Income Housing Credit | 2.609 | 128.6 | 152.5 | 176.3 | 195.4 | 214.4 |
| Historic Buildings Rehabilitation Credit | 2.610 | 32.1 | 33.4 | 38.7 | 73.3 | 84.8 |
| Film or Motion Picture Credit | 2.614 | 68.3 | 77.8 | 76.0 | 76.0 | 78.0 |
| Medical Device-User Fee Credit | 2.615 | 0.5 | Expired | Expired | Expired | Expired |
| Life Sciences Tax Incentive Program | 2.617 | 19.6 | 11.1 | 15.8 | 16.4 | 17.0 |
| Dairy Farmer Credit | 2.618 | 1.1 | 1.5 | 1.5 | 1.5 | 1.5 |
| Conservation Land Credit | 2.619 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Employer Wellness Program Credit | 2.620 | 0.0 | 0.1 | 0.1 | 0.1 | 0.1 |
| Community Investment Credit | 2.621 | 3.5 | 4.8 | 5.2 | 5.2 | 6.5 |
| Certified Housing Development Credit | 2.622 | 11.1 | 12.0 | 12.0 | 16.0 | 16.0 |
| Veteran's Hire Credit | 2.623 | 0.0 | 0.0 | 0.0 | 0.0 | 0.5 |
| Apprentice Credit | 2.624 | 0.1 | 0.3 | 0.3 | 0.5 | 0.5 |
| Cranberry Bog Renovation Credit | 2.625 | 0.0 | 0.5 | 1.0 | 1.0 | 1.0 |
| Disability Hire Credit | 2.626 | N.A. | 0.1 | 1.0 | 1.0 | 1.0 |
| Offshore Wind Tax Incentive Program | 2.627 | N.A. | N.A. | 2.5 | 7.3 | 7.3 |
| National Guard Credit | 2.628 | N.A. | N.A. | 0.1 | 0.1 | 0.1 |
| Temporary Authorized Training Credit for Emergency Assistance | 2.629 | N.A. | N.A. | N.A. | 8.0 | 8.0 |
| Massachusetts Homeownership Credit | 2.630 | N.A. | N.A. | N.A. | N.A. | 8.0 |
| Qualified Conversion Project Credit | 2.631 | N.A. | N.A. | N.A. | N.A. | 9.0 |
| Climatetech Tax Incentive Program | 2.632 | N.A. | N.A. | N.A. | N.A. | 24.0 |
| Live Theater Credit | 2.633 | N.A. | N.A. | N.A. | N.A. | 3.5 |
| Qualified Internship Credit | 2.634 | N.A. | N.A. | N.A. | N.A. | N.A. |
| **ENTITY EXEMPT FROM TAXATION** | | | | | | |
| Entity Exempt from Taxation | 2.700 | 855.4 | 883.1 | 929.2 | 965.2 | 985.5 |
| Exemption of Credit Union Income | 2.701 | 27.5 | 27.4 | 27.2 | 24.5 | 23.5 |
| Tax-Exempt Organizations | 2.702 | 377.9 | 396.7 | 424.6 | 444.2 | 445.6 |
| Exemption for Regulated Investment Companies | 2.703 | 450.0 | 459.0 | 477.4 | 496.5 | 516.3 |

# Fiscal Year 2022 Tax Expenditure Budget: Appendix C Summary Table

## Sales Tax (In Millions)

| Tax Expenditure | Item Number | FY2022 | FY2023 | FY2024 | FY2025 | FY2026 |
|---|---|---|---|---|---|---|
| **EXEMPT ENTITIES** | | | | | | |
| Exempt Entities | 3.000 | 868.0 | 941.7 | 997.0 | 1,081.2 | 1,152.9 |
| Exemption for Sales to the Federal Government | 3.001 | 50.9 | 53.5 | 56.4 | 59.3 | 62.4 |
| Exemption for Sales to the Commonwealth | 3.002 | 96.0 | 101.4 | 107.0 | 112.9 | 119.2 |
| Exemption for Sales to Tax-Exempt Organizations | 3.003 | 720.3 | 786.1 | 833.0 | 891.2 | 953.5 |
| Exemption for Sales of Tangible Personal Property to Motion Picture Production Companies | 3.004 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |
| Exemption for Sales of Certain Tangible Personal Property Purchased for a Certified Life Sciences Company | 3.005 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 |
| Exemption for Sales of Certain Tangible Personal Property Purchased for a Certified Climatetech Company | 3.006 | N.A. | N.A. | N.A. | N.A. | N.A. |
| Exemption for Sales of Equipment, Software, and Electricity Used in Qualified Data Center | 3.007 | N.A. | N.A. | N.A. | 17.0 | 17.0 |
| **EXEMPT PRODUCTS/SERVICES** | | | | | | |
| Exempt Products/Services | 3.100 | 2,094.8 | 2,223.6 | 2,367.4 | 2,468.7 | 2,583.6 |
| Exemption for Food | 3.101 | 1,048.9 | 1,120.9 | 1,209.7 | 1,247.9 | 1,283.8 |
| Exemption for Certain Food and Beverages Sold in Restaurants | 3.102 | N.A. | N.A. | N.A. | N.A. | N.A. |
| Exemption for Clothing | 3.103 | 167.1 | 177.3 | 185.6 | 194.4 | 214.2 |
| Exemption for Medical and Dental Supplies and Devices including Breast Pumps | 3.104 | 679.8 | 721.2 | 766.0 | 818.5 | 871.0 |
| Exemption for Water | 3.105 | 139.2 | 145.8 | 148.9 | 152.0 | 159.3 |
| Exemption for Newspapers and Magazines | 3.106 | 21.4 | 19.1 | 17.0 | 15.2 | 13.6 |
| Exemption for the American Flag | 3.107 | 1.1 | 1.2 | 1.2 | 1.3 | 1.3 |
| Exemption for Certain Precious Metals | 3.108 | 10.0 | 10.4 | 10.7 | 10.9 | 11.4 |
| Exemption for Cement Mixers | 3.109 | 1.7 | 1.7 | 1.7 | 1.8 | 1.8 |
| Exemption for Aircraft & Aircraft Parts | 3.112 | 23.6 | 24.0 | 24.4 | 24.8 | 25.3 |
| Exemption for Breast Pumps | 3.113 | included in 3.104 | included in 3.104 | included in 3.104 | included in 3.104 | included in 3.104 |
| Exemption for Sales of Commercial Gun Safes and Trigger Lock Devices | 3.114 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| **EXEMPT, TAXED UNDER ANOTHER EXCISE** | | | | | | |
| Exempt, Taxed Under Another Excise | 3.200 | 894.2 | 851.0 | 800.3 | 780.2 | 763.5 |
| Exemption for Alcoholic Beverages | 3.201 | 131.6 | 135.8 | 140.1 | 144.6 | 149.2 |
| Exemption for Motor Fuels | 3.202 | 762.6 | 715.2 | 660.2 | 635.6 | 614.3 |
| **EXEMPT COMPONENT OF A PRODUCT OR CONSUMED IN PRODUCTION** | | | | | | |
| Exempt Component of a Product or Consumed in Production | 3.300 | 849.5 | 850.1 | 854.2 | 858.4 | 862.7 |
| Exemption for Items Used in Making Clothing | 3.301 | Negligible | Negligible | Negligible | Negligible | Negligible |
| Exemption for Materials, Tools, Fuels, and Machinery Used in Manufacturing | 3.302 | 643.3 | 646.5 | 649.7 | 653.0 | 656.2 |
| Exemption for Materials, Tools, Fuels, and Machinery Used in Research and Development | 3.303 | 95.1 | 95.9 | 96.8 | 97.7 | 98.6 |

| Tax Expenditure | Item Number | FY2022 | FY2023 | FY2024 | FY2025 | FY2026 |
|---|---|---|---|---|---|---|
| Exemption for Materials, Tools, Fuels, and Machinery Used in Furnishing Power | 3.304 | 60.1 | 55.2 | 53.8 | 52.4 | 51.1 |
| Exemption for Materials, Tools, Fuels, and Machinery Used in Newspaper Printing | 3.306 | 3.6 | 3.6 | 3.6 | 3.6 | 3.6 |
| Exemption for Materials, Tools, Fuels, and Machinery Used in Agricultural Production | 3.308 | 25.5 | 26.0 | 26.4 | 26.9 | 27.3 |
| Exemption for Vessels, Materials, Tools, Fuels, and Machinery Used in Commercial Fishing | 3.309 | 15.0 | 15.6 | 16.2 | 16.9 | 17.6 |
| Exemption for Materials, Tools, Fuels, and Machinery Used in Radio and TV Broadcasting | 3.310 | 7.1 | 7.3 | 7.6 | 7.9 | 8.3 |
| **EXEMPTIONS FOR SPECIFIED USES OF PRODUCTS/SERVICES** | | | | | | |
| Exemptions for Specified Uses of Products/Services | 3.400 | 1,129.6 | 1,247.8 | 1,297.7 | 1,353.9 | 1,412.2 |
| Exemption for Electricity | 3.401 | 398.9 | 455.7 | 470.2 | 485.2 | 500.7 |
| Exemption for Fuel Used for Heating Purposes | 3.402 | 74.1 | 77.5 | 81.0 | 84.9 | 89.0 |
| Exemption for Gas | 3.403 | 193.0 | 218.9 | 233.3 | 252.2 | 272.6 |
| Exemption for Steam | 3.404 | 0.6 | 0.7 | 0.7 | 0.7 | 0.7 |
| Exemption for Certain Energy Conservation Equipment | 3.405 | 8.2 | 8.9 | 9.7 | 10.6 | 11.5 |
| Exemption for Funeral Items | 3.406 | 12.7 | 13.4 | 13.8 | 14.3 | 14.9 |
| Exemption for Certain Motor Vehicles | 3.407 | 1.7 | 1.9 | 2.1 | 2.2 | 2.3 |
| Exemption for Textbooks | 3.408 | 10.2 | 10.7 | 11.4 | 11.7 | 12.2 |
| Exemption for Books used for Religious Worship | 3.409 | 0.8 | 0.8 | 0.9 | 0.9 | 1.0 |
| Exemption for Containers | 3.410 | 140.5 | 148.9 | 157.7 | 163.5 | 169.6 |
| Exemption for Certain Sales by Typographers, Compositors and Color Separators | 3.411 | 3.3 | 3.4 | 3.4 | 3.5 | 3.6 |
| Exemption for Sales of Building Materials and Supplies Used in federal and Massachusetts Government Construction Contracts and Construction Contracts with Tax Exempt Organizations | 3.412 | 204.8 | 197.2 | 198.9 | 206.8 | 213.6 |
| Exemption for Commuter Boats | 3.417 | 6.6 | 6.7 | 6.8 | 6.9 | 7.0 |
| Exemption for Fuels, Supplies, and Repairs for Vessels Engaged in Interstate or Foreign Commerce | 3.418 | 1.7 | 1.7 | 1.7 | 1.8 | 1.8 |
| Exemption for Fuel Used in Operating Aircraft and Railroads | 3.419 | 64.6 | 91.8 | 95.3 | 96.6 | 97.8 |
| Exemption for Sales of Certain New and Used Buses | 3.420 | 6.4 | 6.7 | 7.0 | 7.3 | 7.7 |
| Exemption for Films | 3.421 | 1.6 | 2.9 | 3.7 | 4.8 | 6.1 |
| **MISCELLANEOUS EXEMPTIONS** | | | | | | |
| Miscellaneous Exemptions | 3.600 | 358.5 | 354.1 | 363.6 | 355.6 | 359.6 |
| Exemption for Casual or Isolated Sales | 3.601 | 38.0 | 39.2 | 40.5 | 41.8 | 43.1 |
| Exemption for Vending Machine Sales | 3.602 | 1.4 | 1.4 | 1.4 | 1.5 | 1.5 |
| Exemption for Certain Meals | 3.603 | 128.0 | 118.3 | 124.1 | 130.1 | 136.4 |
| Exemption for Certain Bed and Breakfast Businesses from Sales Tax on Meals | 3.604 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Exemption for Certain Summer Camps from Sales Tax on Meals and Room Occupancy Excise | 3.605 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 |
| Exemption for Trade-in Allowances for Motor Vehicles and Trailers | 3.606 | 134.2 | 134.7 | 135.1 | 135.6 | 136.0 |
| Exemptions for Publications of Tax-Exempt Organizations in an accessible format used by disabled individuals. | 3.607 | 20.9 | 21.9 | 23.0 | 6.1 | 1.0 |

| Tax Expenditure | Item Number | FY2022 | FY2023 | FY2024 | FY2025 | FY2026 |
|---|---|---|---|---|---|---|
| Exemption for Gifts of Scientific Equipment | 3.608 | N.A. | N.A. | N.A. | N.A. | N.A. |
| Exemption for Vessels or Barges 50 Tons and Over | 3.609 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 |
| Exemption for Rental Charges for Refuse Bins and Containers | 3.610 | 0.9 | 0.9 | 1.0 | 1.0 | 1.0 |
| Exemption for Honor Snack Trays | 3.611 | 0.3 | 0.3 | 0.4 | 0.6 | 0.7 |
| Sales Tax Holiday | 3.612 | 33.7 | 36.2 | 36.9 | 37.9 | 38.6 |

In July 2012 legislation was enacted stating explicitly that “sales that do not involve tangible personal property shall not result in tax expenditures”. See St 2012, c.165, §112. Pursuant to this legislation, from fiscal year 2014 on, we remove some items from our tax expenditure estimates, which we regularly reported in prior years. But to facilitate comparison to tax expenditure estimates in prior years, we list these items in this appendix.

**Items:**

3.203 Exemption for Hotel/Motel Rooms
Rental charges for real property are exempt from sales tax. However, rentals of rooms in hotels, motels or lodging houses are subject to a state excise at a rate of 5.7% of the rental price, and, at a municipality’s option, to a local excise of up to 6% of the rental price (6.5% in the city of Boston). A Convention Center financing fee of 2.75% is also included in certain areas.

Origin: General exclusion of real property transactions
Estimate: $319.2

Comment: Revenues collected under the budgeted state room occupancy excise were $235.7 million in Fiscal Year 2023 and $248.4 million in Fiscal Year 2024. Beginning July 1, 2019, the room occupancy excise also applies to short-term rentals of property for 31 days or less.

3.422 Exemption for Telephone Services
Sales of residential telecommunications services of up to $30 per month are exempt from sales tax.

Origin: M.G.L. c. 64H, § 6(i)
Estimate: $18.1

Comment: Telegraph services are also exempt but are not included in this estimate.

3.501 Nontaxation of Transfers of Real Property
Real estate is exempt from sales tax but is subject to a deeds excise at a rate of 0.456% of the taxable price of the property (0.342% in Barnstable County). The estimate represents revenues that would be collected under the sales tax if sales of real property were taxed at 6.25%.

Origin: General exclusion of real property transactions
Estimate: $5,059.1

Comment: Revenues collected under the Deeds Excise Tax (including Secretary State Deeds) were $336.9 million in Fiscal Year 2023 and $303.5 million in Fiscal Year 2024.

3.502 Nontaxation of Rentals of Real Property
Rental charges for real property, whether for residential or business purposes,

are exempt from sales tax.

Origin: General exclusion of real property transactions
Estimate: $2,380.6

Comment: This estimate excludes rentals of hotel/motel rooms, which are separately stated under item 3.203.

3.503 Nontaxation of Certain Services
Certain services are not subject to sales tax. This estimate includes a range of services to individuals and businesses which are excluded from taxation by their omission from the statutory definition of services.

Origin: M.G.L. c. 64H § 1
Estimate: $26,053.3

3.504 Nontaxation of Internet Access and Related Services
Internet access services, electronic mail services, electronic bulletin board services, web hosting services or similar on-line computer services are not subject to the sales and use tax.

Origin: M.G.L. c. 64H § 1
Estimate: $238.1

**Summary:**

| Description of Item | Former TEB number | FY2022 | FY2023 | FY2024 | FY2025 | FY2026 |
|---|---|---|---|---|---|---|
| Exemption for Hotel/Motel Rooms | 3.203 | 204.2 | 258.4 | 272.4 | 287.5 | 319.2 |
| Exemption for Telephone Services | 3.422 | 18.3 | 17.5 | 17.7 | 17.7 | 18.1 |
| Nontaxation of Transfers of Real Property | 3.501 | 7,037.7 | 5,018.9 | 4,521.5 | 5,004.7 | 5,059.1 |
| Nontaxation of Rentals of Real Property | 3.502 | 2,069.7 | 2,158.2 | 2,246.9 | 2,312.4 | 2,380.6 |
| Nontaxation of Certain Services | 3.503 | 18,864.3 | 20,665.3 | 22,219.3 | 23,853.9 | 26,053.3 |
| Nontaxation of Internet Access and Related Services | 3.504 | 209.7 | 218.2 | 224.4 | 231.2 | 238.1 |

# Executive Budget Appendix on Tax Credits, Deductions, and Exemptions

## Fiscal Years 2022 and 2023

Massachusetts

3438/8585

# Executive Budget
# Appendix on Tax Credits, Deductions, and Exemptions
# Fiscal Years 2022 and 2023

**State of Michigan**

## Michigan Department of Treasury
## Gretchen Whitmer, Governor

3439/8585

## ACKNOWLEDGMENTS

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County equalization directors provided estimates of the value of tax-exempt property in their counties, county treasurers provided data for the taxes they administer, and city income tax directors provided estimates for other local tax credits, deductions, and exemptions. We would like to thank all of these officials for their assistance and cooperation.

The public act summaries in this report are intended to be brief overviews of the legislation enacted in 2020 and 2021. They are not intended to provide any tax guidance and may not be relied upon as the official interpretation or position of the Michigan Department of Treasury.

This report is available on the Internet at *http://www.michigan.gov/treasury*.

Rachael Eubanks
State Treasurer
Department of Treasury

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## APPENDIX ON TAX CREDITS, DEDUCTIONS, AND EXEMPTIONS (formerly TAX EXPENDITURE REPORT) PUBLICATION HISTORY

| Fiscal Year | Date of Release | Lead Department |
|---|---|---|
| 1979 - 1980 | January 1980 | Management and Budget |
| 1981 - 1982 | March 1981 | Management and Budget |
| 1982 - 1983 | April 1982 | Management and Budget |
| 1983 - 1984 | July 1983 | Management and Budget |
| 1984 - 1985 | July 1984 | Management and Budget |
| 1985 - 1986 | December 1985 | Management and Budget |
| 1986 - 1987 | October 1986 | Management and Budget |
| 1987 - 1988 | November 1988 | Management and Budget |
| 1988 - 1989 | | |
| 1989 - 1990 | February 1991 | Treasury |
| 1990 - 1991 | | |
| 1991 - 1992 | March 1993 | Treasury |
| 1992 - 1993 | | |
| 1993 - 1994 | June 1994 | Treasury |
| 1994 - 1995 | | |
| 1995 - 1996 | April 1995 | Treasury |
| 1996 - 1997 | March 1996 | Treasury |
| 1997 - 1998 | June 1997 | Treasury |
| 1998 - 1999 | May 1998 | Treasury |
| 1999 - 2000 | February 2000 | Treasury |
| 2000 - 2001 | April 2000 | Treasury |
| 2001 - 2002 | July 2001 | Treasury |
| 2002 - 2003 | April 2002 | Treasury |
| 2003 – 2004 | March 2003 | Treasury |
| 2004 – 2005 | August 2004 | Treasury |
| 2005 – 2006 | May 2005 | Treasury |
| 2006 – 2007 | May 2006 | Treasury |
| 2007 – 2008 | September 2007 | Treasury |
| 2008 – 2009 | November 2008 | Treasury |
| 2009 – 2010 | December 2009 | Treasury |
| 2010 – 2011 | January 2011 | Treasury |
| 2011 – 2012 | October 2011 | Treasury |
| 2013 – 2014 | July 2012 | Treasury |
| 2014 – 2015 | June 2013 | Treasury |
| 2015 – 2016 | December 2014 | Treasury |
| 2016 – 2017 | June 2016 | Treasury |
| 2017 – 2018 | September 2017 | Treasury |
| 2018 – 2019 | July 2019 | Treasury |
| 2020 – 2021 | June 2022 | Treasury |
| 2022 – 2023 | March 2024 | Treasury |

# APPENDIX ON TAX CREDITS, DEDUCTIONS, AND EXEMPTIONS

## EXECUTIVE SUMMARY

### Fiscal Years 2022 and 2023

The *Appendix on Tax Credits, Deductions, and Exemptions* (formerly entitled the *Tax Expenditure Appendix*) is a compilation of the revenue cost of the various tax credits, deductions, and exemptions contained in Michigan tax law. Section 1 of Public Act 72 of 1979 requires the Governor to submit a report on specific tax credits, deductions, and exemptions along with the annual presentation of the *Executive Budget* to the Legislature. Throughout this report, credits, deductions, and exemptions will often be referred to as tax expenditures.

Tax expenditures can be defined broadly as the tax revenue foregone as a result of preferential provisions such as credits, deductions, exemptions, deferrals, exclusions, or lower tax rates. These provisions are tax expenditures because, like appropriations, they allocate resources for specific public purposes, but do so through the tax system rather than the expenditure system.

Total tax expenditures are projected to increase 7.0 percent between fiscal year (FY) 2022 and FY 2023, from $46.39 billion to $49.63 billion. Tax expenditures are divided into five broad categories: business privilege, consumption, individual income, local property, and transportation.

Business privilege tax expenditures are predicted to decrease from $881.6 million to $861.2 million from FY 2022 to FY 2023. The estimates under the business privilege tax category reflect the credits, deductions, and exemptions in place under the corporate income tax and the credits which may be claimed under the Michigan business tax.

Consumption tax expenditures are predicted to increase 7.9 percent between FY 2022 and FY 2023, from $21,259.1 million to $22,942.6 million. The impact of the pandemic was incorporated, but for this sector of the economy the impact was different in the various industries. Comparisons between the estimates for consumption tax expenditures contained in this report and those in prior editions of the *Tax Expenditure Appendix* are not valid due to changes in the methodology and data sources used to calculate tax expenditures related to services.

Individual income tax expenditures are predicted to rise from $10,848.3 million in FY 2022 to $11,322.3 million in FY 2023, a 4.4 percent increase. In recent tax years the income tax adjustment for income attributable to another state has been volatile, resulting in volatility of the estimated income tax expenditure.

Local tax expenditures are predicted to increase 8.3 percent between FY 2022 and FY 2023, rising from $13,331.6 million to $14,432.7 million. The value of local tax exemptions rises with higher property values.

Transportation tax expenditures are predicted to increase by 4.5 percent between FY 2022 and FY 2023, from $67.1 million to $70.2 million.

# CHAPTER 1

# INTRODUCTION TO TAX EXPENDITURES

Section 1 of Public Act 72 of 1979 requires the Governor to submit a report on specific tax credits, deductions, and exemptions along with the annual presentation of the *Executive Budget* to the Legislature:

> The governor, with the annual budget message to the legislature, shall report, at a minimum, the tax credits, deductions, and exemptions enumerated in this act. The message shall include tax credits, deductions, and exemptions by budget and also shall contain a separate report on tax credits, deductions, and exemptions in total, which may be printed as an appendix to the budget. The department of treasury shall furnish these items to the governor for inclusion in the report as required by this act.

The *Appendix on Tax Credits, Deductions, and Exemptions* is a compilation of the revenue cost of the various tax credits, deductions, and exemptions contained within the Michigan state and local tax structure. These provisions are more commonly known as tax expenditures and will be referred to as tax expenditures in this report. When known, the number of taxpaying units taking advantage of a given tax expenditure is also included.

This *Appendix* is divided into eight chapters. Chapter 1 discusses the definition and measurement of tax expenditures. Chapter 2 presents a summary of tax expenditures by type of tax. Chapter 3 lists tax expenditures by budget category. Chapters 4 through 8 examine the five main tax expenditure categories in greater detail: business privilege, consumption, individual income, transportation, and local property. Chapters 4 through 8 discuss changes in tax laws and the reliability of tax expenditure estimates. In addition, a brief description of each tax expenditure is provided.

## Defining Tax Expenditures

Tax expenditures can be defined broadly as the tax revenue foregone as a result of preferential provisions such as credits, deductions, exemptions, deferrals, exclusions, or lower tax rates on specific items or activities. These provisions are tax expenditures because, like appropriations, they allocate resources for specific public purposes, but do so through the tax system rather than the expenditure system. For economic purposes, it makes no difference whether a policy objective is pursued through direct spending or through the tax code. For example, a tax credit of 50 percent of the amount spent on health care by individuals is exactly the same as a spending program that pays 50 percent of health care expenses, since both reduce the effective cost of health care by 50 percent, assuming the choice of how to establish the subsidy does not affect the population covered by the program.

Classifying items as tax expenditures is a subjective process. Some argue that the tax expenditure definition should be as broad as possible, encompassing all deductions or credits that reduce the taxable base from 100 percent of income or wealth. Others recommend a narrower definition that includes only those tax deductions or credits that are adjustments to the "normal" or appropriate tax structure. The narrow tax expenditure definition reserves the term tax expenditure for items that are substitutes for direct spending. This report includes statutory credits, deductions, and exemptions, a broader concept than tax expenditures, and this broader approach includes several tax provisions that many would consider adjustments necessary to obtain the appropriate tax base, such as the exemption for food under the sales tax.

Changes in law can affect revenues and not involve a tax expenditure. For example, general reductions in tax rates would reduce tax revenues but do not fit the definition of a tax expenditure. Changes in the way the tax law apportions income between states would also not qualify as a tax expenditure. Finally, a tax change that requires a change in the recognition of income between subsidiaries (perhaps through unitary or separate reporting) or the recognition of expenses between a client and an employment agency would not be tax expenditures.

Traditionally, tax expenditures have served two purposes. First, they redistribute the tax burden. Tax expenditures such as personal income tax exemptions, sales tax exemptions for food and prescription drug purchases, and the corporate income tax credit for small firms all shift the relative tax burden. These tax expenditures are designed to reduce the tax burden on low-income individuals and businesses. Second, tax expenditures create an incentive for individuals or firms to change their behavior. The earned income tax credit, at both the federal and state levels, is intended to increase work effort and attachment to the labor force and is a good example of a tax expenditure designed to influence taxpayer behavior.

Tax expenditures are so named because they can be viewed as alternatives to direct government appropriations or regulation. In fact, tax expenditures are very similar to direct appropriations in many respects. The main difference is that while appropriations achieve policy goals directly, tax expenditures achieve policy goals indirectly by changing relative prices or reducing costs. For example, the government may help the poor directly by providing food stamps. Alternatively, the government can exempt food from the sales tax, which lowers the cost of food purchases relative to other goods. This will aid poorer residents because they spend a greater percentage of their income on basic needs such as food, which is not taxed.

However, the allocation of government resources through the tax system suffers from some drawbacks. First, because tax expenditures accomplish their goals indirectly, they may provide a less efficient means of targeting benefits than direct expenditures. Sometimes, the targeted group may not receive the benefits, or other groups who were not targeted originally may benefit. Second, policymakers tend to ignore tax expenditures during the budgeting process. Instead, they focus their attention almost strictly upon actual revenue and spending. They may spend less time considering revenue that might be collected by eliminating or reducing current tax expenditures. Finally, providing resources via tax expenditures may be more costly than through direct appropriation. Centralized purchasing of certain items such as prescription drugs or diabetic supplies by the state may result in a lower cost than if individuals purchase the items and then

apply for a tax credit. On the other hand, the cost to governments of administering most tax expenditures is usually a fraction of the cost of administering direct spending programs.

Annual review of tax expenditures would encourage policymakers to rank all policy goals before deciding which should be funded, by how much, and by what means. Ideally, this review process would use three criteria in order to evaluate which tax expenditures are retained. First, the effectiveness of the specific tax expenditure should be evaluated. Does it accomplish its objective at the lowest cost without unintended outcomes? Second, the tax expenditure should be more effective relative to alternatives such as direct spending or regulation. Finally, the relative importance of the tax expenditure and its goals should be examined and compared to direct spending actions. This report does not attempt to evaluate each tax expenditure according to these criteria. It is designed to aid policymakers in evaluating the efficiency, effectiveness, and relative importance of each tax expenditure.

## Technical Issues

### State Versus Federal Tax Expenditures

The starting point in calculating Michigan taxable income is the federal Internal Revenue Code definition of adjusted gross income (AGI). As a result, the exclusions and deductions used in the calculation of federal AGI also reduce state income tax liability. Exclusions or deductions from federal AGI that Michigan does not disallow specifically are classified as federal tax expenditures. This classification does not mean that federal tax expenditures are outside the control of state government. Michigan could require that specific federal tax expenditures be added back to AGI in calculating Michigan taxable income.

### State Versus Local Tax Expenditures

This report also distinguishes between state tax expenditures (associated with taxes collected by the state government) and local tax expenditures (associated with taxes collected by local governments). For the purposes of this report, the distinction between state and local government tax expenditures rests on which level of government collects the tax, not the level of government affected by the tax expenditure. In fact, some state tax expenditures have implications for local government budgets, while some local government tax expenditures have ramifications for the state government budget. For example, property tax exemptions granted for industrial or commercial development are classified as local tax expenditures. These local property tax exemptions also have state budget implications because they reduce state education tax revenue and reduce taxable value per pupil and thus increase state aid payments to local school districts through the state's formula for providing funds to K-12 education.

**Income Tax Personal Exemption**

For tax year 2022, individual Michigan taxpayers could claim a $5,000 personal exemption for themselves and each of their dependents. The personal exemption is classified as a tax expenditure in this report. Some contend that the exemption is essential for determining an appropriate income tax base and should not be considered a tax expenditure.

**Industrial Processing Exemption From Sales Tax**

The levy of a "pure" retail sales tax takes place only at the retail level, that is, sales to the final consumer. Goods or services used in the production of consumer goods are exempt from this pure retail sales tax. States differ as to the business purchases they exempt from the sales tax. In Michigan, sales of goods used in industrial processing are exempt, although sales of goods used in business, but not in the actual manufacturing process, are subject to taxation. In this sense, the exclusion of non-retail sales from a pure retail sales tax base is not a tax expenditure even though it is a statutory exemption in the General Sales Tax Act.

## Measuring Tax Expenditures

The estimates in this report for fiscal year (FY) 2022 and FY 2023 are based on the most recent data available. Tax year 2021 income tax data (returns processed in the spring of 2022) are used, as are 2022 property and sales tax data, and tax year 2020 Corporate Income Tax (CIT) data. Most estimates of the cost (in terms of foregone revenue) of credits, deductions, exemptions, and other reductions are based on actual tax return data. However, many exemptions are not reported on tax returns. In these instances, tax expenditure estimates were derived from other sources.

The tax expenditure estimates *do not* necessarily reflect the amount of actual revenue that would be gained through the repeal of specific provisions. This is attributable to three economic assumptions (listed below) which have been made to ease the task of estimation. (These assumptions are consistent with those made at the federal level and used by other states.)

**Assumption 1: The elimination of a particular tax expenditure does not alter economic behavior.**

In many instances, tax expenditures are specifically designed to provide incentives for people and businesses to behave in a certain manner. Elimination of tax expenditures would most likely alter their behavior. For example, if the sales tax exemption for food were eliminated, the final price that consumers pay for food would increase and food purchases would decline. In this case, the elimination of the tax expenditure would be similar to a price increase. This drop in food purchases offsets some of the revenue gain from eliminating the exemption.

**Assumption 2: Each tax expenditure is independent.**

The repeal of certain tax expenditure provisions can increase or decrease the revenue losses associated with other provisions that are kept in place. For example, reducing or removing one property tax exemption may allow firms to take greater advantage of other exemptions, offsetting at least some of the original revenue impact.

**Assumption 3: The elimination of tax expenditures does not affect overall macroeconomic conditions.**

In principle, repeal or enactment of major tax expenditure provisions would have some impact on the economy. For example, imposing the sales tax on services or repealing the personal income tax exemption may significantly reduce income levels and affect taxpayers' spending which would affect the macro economy. However, marginal changes in particular provisions are unlikely to have a significant impact on overall income levels and rates of economic growth.

In essence, each tax expenditure estimate is an isolated estimate. That is, each estimate assumes implicitly that no other tax expenditures exist (i.e., there is no interaction) and that all other factors remain constant (i.e., taxpayers do not change their behavior and the repeal of the provision does not affect the overall economy). Because this report ignores many of these factors to simplify estimation, actual state revenue gains from eliminating specific tax expenditures would generally fall short of the estimates.

## Cautionary Notes and the Reliability of Estimates

In many instances, this report aggregates individual tax expenditure estimates. However, due to the simplifying assumptions that have been made, aggregating various tax expenditure estimates in order to measure the cost of changing all of them simultaneously will not be accurate. The estimated revenue gain from simultaneously eliminating two tax expenditures will be less than the sum of the cost of the two measured separately. Therefore, the reader is cautioned regarding interactions between tax expenditures.

The reader is also cautioned about comparing tax expenditure estimates across years. Substantial changes in federal, state, and local tax laws occur each year that affect the number, type, and magnitude of tax expenditures. In addition, measurement techniques may also vary from year to year, depending on the available data.

Tax expenditure estimates that appear in this report have different levels of reliability depending on the accuracy of the data and the estimation procedure employed. Chapters 4 through 8 denote the reliability of tax expenditure estimates included in the respective chapters. High reliability implies that the estimate should be relatively accurate. If the estimate does not approximate closely the actual value of the tax expenditure, it is most likely incorrect by a relatively small margin. Conversely, low reliability implies that the actual value could be much greater or smaller and that the range of possible values is large. Reliability indicators are as follows:

**1. High reliability level.**

This category is reserved for estimates that were derived using actual recent tax return data. The tax expenditure for education savings plans, which is based on recent income tax return data, is an example of an estimate that is accurate and highly reliable.

**2. Average reliability level.**

Tax expenditure estimates in this category were also based on tax return data. However, specific economic assumptions were necessary to derive these estimates because less recent data or sample data were used. The personal exemption from city income taxes is an example of an estimate with average reliability. Estimates were based on a recent survey of city treasurers. Some city estimates were carried forward from last year, while other estimates were based on rounded figures. While this will affect the precision of the total estimate, the impact should be relatively small.

**3. Low reliability level.**

This category is reserved for estimates that are imprecise. Estimates in this category were based on highly aggregated (national) data, required restrictive assumptions, or used poor non-tax data sources. For example, federal income tax expenditure estimates have a low degree of reliability because they were based on national tax expenditure data apportioned to Michigan.

## Why Report Tax Expenditures?

Some economists argue that a regular periodic evaluation of tax expenditures should become common practice. Unlike fixed appropriations, tax expenditures are open-ended entitlements: if people or firms qualify for an exemption, they receive it. In periods of recession, tax expenditures are rarely re-examined as budget cuts are typically focused on direct spending. When the economy improves, both direct spending and tax expenditures tend to increase as legislators can afford to be more generous.

According to the Advisory Commission on Intergovernmental Relations (ACIR), there are at least three reasons why tax expenditures should be reviewed periodically:

**1. Tax Equity.**

Reviewing tax expenditures helps to ensure both vertical and horizontal equity in the tax structure. Horizontal equity refers to taxpayers in similar income groups, while vertical equity refers to taxpayers in different income groups. If a tax system that relies on voluntary compliance is to work, people must regard that system as equitable.

**2. Fiscal Discipline.**

Adopting regular tax expenditure reporting gives policymakers more information regarding available resources and how these resources are being used. All state programs, whether they are funded through direct or indirect spending, should work in unison so that particular policy objectives can be attained.

**3. Political Accountability.**

By mandating a periodic review of the tax code, state lawmakers would foster a public discussion about how the tax system should be designed. In addition, lawmakers would indicate publicly whether they support or oppose certain tax expenditures, much like the appropriations process.

The Michigan Legislature has recognized these potential problems and places sunset dates on some new tax expenditures, or requires a report on the activity related to the tax break. In addition, the annual publication of this report provides an itemization of tax expenditures along with their cost.

Credits, deductions and exemptions are listed in this report independent of the steps necessary to amend or eliminate them. Some of these items may be altered with a change in Michigan statute, while others may require a change in federal law to allow Michigan to change its policy. Others, such as the sales tax exemption for food other than prepared food, would require an amendment to the Michigan Constitution.

Finally, the inclusion of any item as a tax expenditure should not be viewed as an expression of support for or objection to any particular tax policy. As noted above, tax expenditures represent spending done outside of the annual appropriation process. While a periodic review of tax expenditures is encouraged as a way to better conduct public policy, the inclusion of a particular credit, deduction, or exemption in this report does not signify any conclusion regarding the public policy merit of that particular tax expenditure.

# CHAPTER 2

## SUMMARY OF TAX EXPENDITURES

Chapter 2 lists tax expenditures by the tax categories business privilege, consumption, individual income, transportation, local property, and other local tax expenditures. Chapter 2 also includes aggregated tax expenditures. As noted earlier, aggregated measures of tax expenditures should be viewed with caution. The independence assumption underlying individual tax expenditure estimates is unrealistic and, if relaxed, aggregated figures would likely decrease.

Total tax expenditures are projected to increase from $46.388 billion in FY 2022 to $49.629 billion in FY 2023, a 7.0 percent increase (see Exhibit 1). The overall increase in tax expenditures was concentrated in consumption and property tax expenditures.

**Exhibit 1**
**Total Tax Expenditures, FY 2022 and FY 2023**

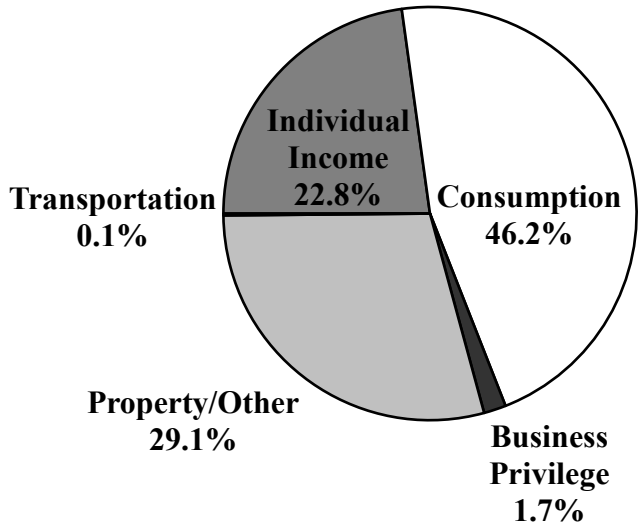
| Tax Category | FY 2022 (000) | FY 2023 (000) | Change (000) |
|---|---|---|---|
| Business Privilege | $881,600 | $861,230 | -$20,370 |
| Consumption | 21,259,094 | 22,942,644 | 1,683,550 |
| Individual Income | 10,848,298 | 11,322,298 | 474,000 |
| Property | 13,057,460 | 14,153,280 | 1,095,820 |
| Other Local (City Income) | 274,110 | 279,390 | 5,280 |
| Transportation | 67,131 | 70,153 | 3,022 |
| **TOTAL** | $46,387,693 | $49,628,995 | $3,241,302 |

Totals may differ slightly due to rounding.

Most tax expenditures result from deductions, exemptions, or credits from consumption, income, and property taxes (see Exhibit 2). For FY 2023, consumption tax expenditures comprise 46.2 percent of total tax expenditures, while income tax expenditures comprise 22.8 percent and property and other local taxes comprise 29.1 percent. Not surprisingly, taxes that generate significant revenue are also associated with large tax expenditures (see Exhibit 3). Most notable

are consumption tax expenditures resulting from the exemptions for food, services, and industrial processing.

**Exhibit 2**
**FY 2023 Distribution of Tax Expenditures**




Total may not equal 100 percent due to rounding.

**Exhibit 3**
**FY 2023 Tax Expenditures and Projected Revenue**
**(millions of dollars)**

| Tax Category | Tax Expenditure | Projected Revenues* | Percent of Revenues |
|---|---|---|---|
| Business Privilege | | | |
| Oil and Gas Severance | $4.1 | $27.1 | 15.0% |
| Corporate Income/MBT | 819.2 | 1,171.7 | 69.9% |
| Consumption | | | |
| Total Alcohol | 0.1 | 264.2 | 0.0% |
| Cigarette and Tobacco | 15.3 | 721.9 | 2.1% |
| Sales and Use | 22,927.2 | 13,369.7 | 171.5% |
| Individual Income Tax | 8,253.4 | 12,341.5 | 66.9% |
| Transportation | | | |
| Aviation Fuel | 4.7 | 5.6 | 83.7% |
| Gasoline | 42.2 | 1,222.4 | 3.5% |
| Diesel Fuel | 7.1 | 270.2 | 2.6% |
| Motor Vehicle Registration | 15.3 | 1,503.5 | 1.0% |
| City Income Tax | 279.4 | 615.0 | 45.4% |
| **TOTAL** | $32,368.0 | $31,512.8 | 102.7% |

*From Consensus Revenue Estimating Conference, January 2024. City income taxes are not a consensus estimate.

Exhibits 4 through 8 provide a breakdown of individual tax expenditures across the five tax categories. An asterisk denotes a new tax expenditure or one that has been modified by legislation since the publication of the previous report. For more detailed information regarding these changes, consult the specific chapter relating to the tax expenditure.

**Exhibit 4**
**Business Privilege Tax Expenditures**

| Tax or Tax Expenditure | FY 2022 (000) | FY 2023 (000) |
|---|---|---|
| Insurance Company | | |
| Disability Insurance Exclusion | $2,800 | $3,310 |
| Michigan Association and Facilities Credit | 6,300 | $7,450 |
| Michigan Examination Fees Credit | 4,900 | 5,800 |
| Qualified Health Insurance Policies | 18,000 | 21,290 |
| Supplemental Workers' Compensation | 100 | 120 |
| **SUBTOTAL** | $32,100 | $37,970 |
| Oil and Gas Severance Tax | | |
| Marginal Wells | $4,400 | $3,080 |
| Public Land | 1,400 | 980 |
| **SUBTOTAL** | $5,800 | $4,060 |
| Corporate Income Tax | | |
| Foreign Dividends Income Exclusion | $224,000 | $245,840 |
| Government Securities' Income Exclusion | 1,200 | 1,320 |
| Income from Extractive Activities Deduction | 900 | 990 |
| Small Business Alternate Tax Credit | 5,400 | 5,930 |
| **SUBTOTAL** | $231,500 | $254,080 |
| Michigan Business Tax Certificated Credits | | |
| Brownfield Redevelopment Credit | $9,000 | $11,000 |
| Farmland Preservation Credit | 1,700 | 1,700 |
| Historic Preservation Credit | 0 | 0 |
| Michigan Economic Growth Authority (MEGA) | 510,000 | 495,000 |
| MEGA Polycrystaline Silicon Manufacturing | 0 | 0 |
| Renaissance Zone Credit | 41,000 | 2,000 |
| Michigan Business Tax Non-Certificated Credits | | |
| Compensation Credit and Investment Tax Credit | $31,400 | $34,460 |
| Personal Property Tax Credit | 3,200 | 3,510 |
| Research and Development Credit | 13,500 | 14,820 |
| Small Business Credit | 0 | 0 |
| Other Non-Certificated Credits | 2,400 | 2,630 |
| **SUBTOTAL** | $612,200 | $565,120 |
| **TOTAL** | $881,600 | $861,230 |

**Exhibit 5**
**Consumption Tax Expenditures**

| Tax or Tax Expenditure | FY 2022 (000) | FY 2023 (000) |
|---|---|---|
| Alcoholic Beverages Taxes | | |
| Beer Shipped Out-of-State | n.a. | n.a. |
| Damaged Beer | n.a. | n.a. |
| Homemade Wine | n.a. | n.a. |
| Small Brewer's Credit | $90 | $90 |
| **SUBTOTAL** | $90 | $90 |
| Tobacco Products Tax | | |
| Bad Debt Deduction | $320 | $300 |
| Licensee Expenses | 11,750 | 10,900 |
| Sales on Military Bases and Reservations | 4,140 | 4,120 |
| **SUBTOTAL** | $16,210 | $15,320 |
| Sales and Use Tax Expenditures | | |
| Air and Water Pollution | $50,400 | $50,904 |
| Aircraft Parts | 13,670 | 13,940 |
| Bad Debts | 13,100 | 13,100 |
| Cargo Aircraft | 21,480 | 21,910 |
| Church Construction | 1,459 | 1,520 |
| Church Cars | 2,178 | 2,222 |
| Collection Fee | 39,490 | 39,740 |
| Commercial Domestic Aircraft | 3,910 | 3,990 |
| Commercial Vessels | n.a. | n.a. |
| Communication and Telephone Exemption | 37,600 | 38,730 |
| Data Centers | 1,424 | 1,057 |
| Donated Property | n.a. | n.a. |
| Donated Vehicles | 125 | 125 |
| Driver Training | 107 | 105 |
| Employee Meals | 30,970 | 31,899 |
| Enterprise Zone Credit | n.a. | n.a. |
| Feminine Hygiene Products * | 5,112 | 8,160 |
| Food | 1,855,000 | 1,911,000 |
| Food for Students | 38,840 | 36,540 |
| Government or Red Cross | 199,280 | 205,260 |
| Gratuity and Tips | 103,610 | 107,750 |
| Horticultural and Agricultural Products | 272,410 | 283,310 |
| Imported Property from Other States | 1,950 | 1,990 |

**Exhibit 5 (Continued)**

| Tax or Tax Expenditure | FY 2022 (000) | FY 2023 (000) |
|---|---|---|
| Industrial Processing | $1,534,290 | $1,611,000 |
| Interstate Communications | 2,370 | 2,250 |
| Interstate Trucks and Trailers | 43,710 | 44,580 |
| Investment Coins | 6,697 | 6,864 |
| Isolated Sales | n.a. | n.a. |
| Military PX Sales | 188 | 188 |
| Military Vehicles Sales | n.a. | n.a. |
| Military Vehicles Sales (Residents Out-of-State) | n.a. | n.a. |
| Newspapers, Periodicals, and Films | 119,260 | 123,430 |
| Nonprofit Ambulance and Fire Services | n.a. | n.a. |
| Nonprofit Hospital or Housing Construction | 6,620 | 6,750 |
| Nonprofit Organizations | 211,510 | 222,090 |
| Nonprofits Sales under $5,000 | n.a. | n.a. |
| Nonresident Merchandise Transfer | n.a. | n.a. |
| Nonresident Property | n.a. | n.a. |
| Ophthalmic and Orthopedic Products * | 71,764 | 75,350 |
| Prescription Drugs | 703,090 | 728,400 |
| Radio and TV | 7,940 | 8,020 |
| Rail Rolling Stock | 6,600 | 6,730 |
| Residential Utilities | 184,000 | 191,000 |
| Returned Vehicles | 1,800 | 1,740 |
| Sales of Business | n.a. | n.a. |
| Sale of Water | 91,840 | 93,680 |
| Services (Including Nonprofits) | 15,458,670 | 16,925,010 |
| Small Out-of-State Purchases | n.a. | n.a. |
| Tax on the Difference - Vehicles | 58,550 | 63,500 |
| Telephone Services | 19,090 | 19,570 |
| Textbooks Sold by Schools | n.a. | n.a. |
| Tribal Tax Agreement | n.a. | n.a. |
| Vehicles and Aircraft Transfers | 10,300 | 10,820 |
| Vehicles Purchased for Use in Another State | n.a. | n.a. |
| Vending Machines and Mobile Facilities | 12,390 | 13,010 |
| **SUBTOTAL** | $21,242,794 | $22,927,234 |
| **TOTAL** | $21,259,094 | $22,942,644 |

Note: Total may differ from Exhibit 1 due to rounding.

**Exhibit 6**
**Individual Income Tax Expenditures**

| Tax or Tax Expenditure | FY 2022 (000) | FY 2023 (000) |
|---|---|---|
| State Income Tax | | |
| Adjustments to Income (except military) | $0 | $0 |
| College Savings Accounts | 13,860 | 14,120 |
| Dependent Exemption | 14,790 | 14,940 |
| Disabled Veteran Exemption | 390 | 410 |
| Earned Income Credit | 107,952 | 111,730 |
| Farmland Credit | 51,520 | 53,320 |
| Historic Preservation Credit | 66 | 55 |
| Home Heating Assistance Credit | 144 | 147 |
| Homestead Property Tax Credit | 750,430 | 757,930 |
| Income Attributable to Another State | 3,622,220 | 3,687,650 |
| Income from Extractive Activities Deduction | 940 | 1,040 |
| Income Tax Paid to Other State Credit | 98,390 | 103,150 |
| Military Pay | 27,120 | 27,820 |
| Miscellaneous Deductions | 81,410 | 94,540 |
| Net Operating Loss Deduction | n.a. | n.a. |
| Net Adjustment for Gains/Losses | 6,000 | 10,000 |
| Pension and Retirement Benefits Deduction | 351,780 | 347,690 |
| Personal Exemption | 1,804,220 | 1,916,280 |
| Renaissance Zones | 796 | 756 |
| Senior Investment Income Deduction | 18,970 | 19,160 |
| Senior Standard Deduction | 480,000 | 470,400 |
| Social Security Benefits | 571,650 | 594,520 |
| Special Exemption | 15,150 | 15,310 |
| State and Local Income Tax Refunds | 2,370 | 2,400 |
| Tribal Tax Agreements | n.a. | n.a. |
| U.S. Government Bond Interest Deduction | 9,940 | 10,040 |
| **TOTAL STATE** | $8,030,108 | $8,253,408 |
| Federal Adjustments | | |
| Accelerated Depreciation | $119,130 | $68,860 |
| Employer Contributions to Insurance | 998,430 | 1,061,270 |
| Employer Pension Plans | 758,680 | 852,960 |
| Federal Adjustments to Income | 23,350 | 46,150 |
| Fellowships and Scholarships | 26,400 | 28,920 |
| Gain on Sale of Primary Residence | 161,920 | 194,030 |
| Income Maintenance Benefits | 2,440 | 3,320 |

**Exhibit 6 (Continued)**

| Tax or Tax Expenditure | FY 2022 (000) | FY 2023 (000) |
|---|---|---|
| Federal Adjustments (continued) | | |
| Individual Retirement Accounts | $288,750 | $350,990 |
| Interest on Life Insurance Savings | 54,200 | 60,350 |
| Medical Savings Account | 36,070 | 46,720 |
| Railroad Retirement Benefits | 1,150 | 1,060 |
| Social Security Benefits | 207,880 | 202,410 |
| Student Loan Deduction | 14,520 | 14,800 |
| Veterans' Benefits | 88,820 | 102,030 |
| Workers' Compensation | 36,450 | 35,020 |
| **TOTAL FEDERAL** | $2,818,190 | $3,068,890 |
| **TOTAL STATE AND FEDERAL** | $10,848,298 | $11,322,298 |

**Exhibit 7**
**Transportation Tax Expenditures**

| Tax or Tax Expenditure | FY 2022 (000) | FY 2023 (000) |
|---|---|---|
| Aviation Gasoline and Marine Fuel | | |
| Federally Owned Aircraft | $449 | $533 |
| Interstate Flight Refund | 3,474 | 4,127 |
| Marine Vessel Exemption | 791 | 807 |
| **SUBTOTAL** | $4,714 | $5,467 |
| Motor Fuel Taxes | | |
| Diesel Fuel for Jobsites and Charter Firms | $6,685 | $7,093 |
| Diesel Fuel for Railroads | n.a. | n.a. |
| Evaporation and Loss Allowance | 17,903 | 18,583 |
| Fuel for Off-Road Use | 1,695 | 1,759 |
| Municipal Franchise Vehicles | 1,937 | 2,011 |
| Public Vehicles | 19,160 | 19,888 |
| Tribal Tax Agreements | n.a. | n.a. |
| **SUBTOTAL** | $47,380 | $49,334 |
| Motor Vehicles Registration Fee | | |
| Disabled Veterans' Vehicles | $793 | $823 |
| Handicapper Vans | n.a. | n.a. |
| Intercity Commercial Buses | n.a. | n.a. |
| Public and Nonprofit Vehicles | 14,229 | 14,514 |
| **SUBTOTAL** | $15,022 | $15,337 |
| Watercraft Registration Fee | | |
| Publicly-Owned Vehicle | $15 | $15 |
| **TOTAL** | $67,131 | $70,153 |

**Exhibit 8**
**Local Property and Other Local Tax Expenditures**

| Tax or Tax Expenditure | FY 2022 (000) | FY 2023 (000) |
|---|---|---|
| Property and Other Local Tax Expenditures | | |
| Agriculture Transfers | $47,790 | $49,050 |
| Air and Water Pollution Control | 176,250 | 177,100 |
| Church Transfers | n.a. | n.a. |
| Cultural Organizations | n.a. | n.a. |
| Disabled Veteran Homestead Exemption | 60,510 | 63,540 |
| Enterprise Zone Credit | 0 | 0 |
| Exempt Property - ESA | n.a. | n.a. |
| Fairground Property | n.a. | n.a. |
| Homestead Exemption | 3,861,070 | 3,730,150 |
| Homestead Exemption for Farm Property | 213,060 | 222,280 |
| Industrial Facilities Development | 136,980 | 143,830 |
| Mobile Homes | 75,940 | 77,970 |
| Neighborhood Enterprise Zones | 9,850 | 9,290 |
| Obsolete Property Rehabilitation | 31,370 | 31,530 |
| Personal Property - Indust./Commercial Ad Valorem | 287,480 | 301,860 |
| Personal Property - Industrial Facilities | 18,830 | 19,770 |
| Small Taxpayer Exemption and Eligible Manufacturing Personal Property | 457,800 | 480,690 |
| Poverty Exemption | 10,300 | 10,810 |
| Railroad Right-of-Way/Broadband Credit | 74,680 | 77,620 |
| Renaissance Zones | 35,450 | 37,230 |
| Specifically-Taxed Property | n.a. | n.a. |
| Tax-Exempt Property | 1,962,000 | 2,058,000 |
| Tax Increment Financing | 264,240 | 277,450 |
| Taxable Value Cap | 5,332,500 | 6,383,680 |
| Water Softeners | 1,360 | 1,430 |
| **SUBTOTAL** | $13,057,460 | $14,153,280 |
| City Income Tax | | |
| Federal Deductions | n.a. | n.a. |
| Net Profits of Financial Institutions | n.a. | n.a. |
| Nonresident Reduced Rate | $260,500 | $265,710 |
| Pensions, Annuities, and Retirement | n.a. | n.a. |
| Personal Exemption | 13,610 | 13,680 |
| Supplemental Unemployment Benefits | n.a. | n.a. |
| **SUBTOTAL** | $274,110 | $279,390 |
| **TOTAL** | $13,331,570 | $14,432,670 |

# CHAPTER 3

# TAX EXPENDITURE BUDGET

Chapter 3 illustrates the concept of a tax expenditure budget. This presentation organizes tax expenditures by the spending category that benefits from the expenditure rather than by the revenue source that finances it. Tax expenditures are grouped in categories similar to direct expenditures in the *Executive Budget* such as commerce, education, transportation, and natural resources. This allows for a comparison of funding between direct appropriations and tax expenditures for selected spending categories.

By a wide margin, the commerce and income distribution budget categories tend to receive most funding from tax expenditures (see Exhibit 9). Relative to direct spending, tax expenditures appear to be a preferred method to fund these objectives. In contrast, transportation and higher education are funded much more intensively via direct appropriations (see Exhibit 10).

Exhibits 11 and 12 provide an itemized breakdown of tax expenditures by spending category. These exhibits are a simple reorganization of the summary tables provided in Chapter 2; only the groupings are different.

**Exhibit 9**
**Tax Expenditure Budget, FY 2023**

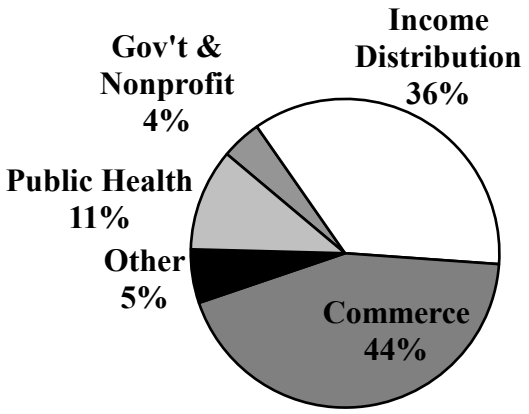


**Exhibit 10**
**Comparison of State Tax and Direct Expenditures (From State Resources)**
**for Selected Spending Categories, FY 2023**

| Spending Category | FY 2023 Tax Expenditure (000) | FY 2023 Direct Expenditure (000) | Total (000) | Percent Tax Expenditure |
|---|---|---|---|---|
| Agriculture | $336,630 | $167,696 | $504,326 | 66.7% |
| Commerce (LARA) | 18,755,806 | 463,148 | 19,218,954 | 97.6% |
| Higher Education | 568,530 | 1,888,109 | 2,456,639 | 23.1% |
| Health & Human Services | 14,719,971 | 9,302,721 | 24,022,693 | 61.3% |
| Military Affairs | 135,741 | 146,260 | 282,001 | 48.1% |
| Natural Resources | 52,934 | 434,611 | 487,545 | 10.9% |
| Transportation | 88,025 | 3,971,272 | 4,059,297 | 2.2% |
| **TOTAL** | $34,657,638 | $16,373,817 | $51,031,455 | 67.9% |

Notes:

1. FY 2023 expenditure figures from *FY 2022-23 Appropriations Report, Part II - Initial Appropriations* , Senate Fiscal Agency. Totals are from "State Spending from State Resources."
2. The Governor combined the Departments of Human Services and Community Health into the Department of Health and Human Services. Tax expenditures related to public health and income distribution have been combined here.

Note that Exhibit 10: (1) compares *own* state resources to tax expenditures (i.e., it ignores federal grants), and (2) *does not* include local tax expenditures and local direct expenditures. For example, the income distribution budget category does not include tax expenditures associated with the city income tax. Tax expenditures associated with the government and nonprofit budget category are also not included, because there is no comparable direct expenditure category.

## Exhibit 11
## Fiscal Summary, Tax Expenditure Budget

| Budget Category | FY 2022 (000) | FY 2023 (000) |
|---|---|---|
| Agriculture | $1,064,705 | $1,182,491 |
| Commerce | 20,090,447 | 21,668,939 |
| Education | 1,113,950 | 1,154,530 |
| Government and Nonprofit Organizations | 1,990,827 | 2,088,308 |
| Income Distribution | 16,701,366 | 17,769,828 |
| Military Affairs | 121,841 | 135,741 |
| Natural Resources | 228,490 | 230,034 |
| Public Health | 4,991,665 | 5,311,099 |
| Transportation | 84,402 | 88,025 |
| **TOTAL** | $46,387,693 | $49,628,995 |

Note: Total may differ from Exhibit 1 due to rounding.
See Exhibit 12 for a detailed list of tax expenditures.

**Exhibit 12**
**Tax Expenditure Budget Detail**

| Tax/Tax Expenditure | FY 2022 (000) | FY 2023 (000) |
|---|---|---|
| **Agriculture** | | |
| General Property Tax | | |
| Agriculture Transfer | $47,790 | $49,050 |
| Homestead Exemption for Farm Property | 213,060 | 222,280 |
| Taxable Value Cap | 479,925 | 574,531 |
| Income Tax | | |
| Farmland Development Credit (PA 116) | 51,520 | 53,320 |
| Sales and Use Taxes | | |
| Horticultural or Agricultural Products | 272,410 | 283,310 |
| **TOTAL** | $1,064,705 | $1,182,491 |
| **Commerce** | | |
| Alcoholic Beverage Taxes | | |
| Small Brewer's Credit | $90 | $90 |
| Tobacco Products Tax | | |
| Bad Debt Deduction | 320 | 300 |
| Licensee Expenses | 11,750 | 10,900 |
| Income Tax | | |
| Accelerated Depreciation | 119,130 | 68,860 |
| Income Attributable to Another State | 3,622,220 | 3,687,650 |
| Net Operating Loss Deduction | n.a. | n.a. |
| Net Adjustment for Gains/Losses | 6,000 | 10,000 |
| Renaissance Zone Credit | 796 | 756 |
| Insurance Company Retaliatory Tax | | |
| Disability Insurance Exclusion | 2,800 | 3,310 |
| Michigan Association and Facilities Credit | 6,300 | 7,450 |
| Michigan Examination Fees Credit | 4,900 | 5,800 |
| Qualified Health Insurance Policies | 18,000 | 21,290 |
| Supplemental Workers' Compensation Credits | 100 | 120 |
| Corporate Income Tax | | |
| Foreign Dividends Income Exclusion | 224,000 | 245,840 |
| Government Securities' Income Exclusion | 1,200 | 1,320 |
| Small Business Alternate Tax Credit | 5,400 | 5,930 |
| Michigan Business Tax | | |
| Brownfield Redevelopment Credit | 9,000 | 11,000 |
| Compensation/Investment Tax Credits | 31,400 | 34,460 |
| Farmland Development Credit (PA 116) | 1,700 | 1,700 |

| Tax/Tax Expenditure | FY 2022 (000) | FY 2023 (000) |
|---|---|---|
| **Commerce (Continued)** | | |
| Historic Preservation Credit | 0 | 0 |
| Michigan Economic Growth Authority (MEGA) | 510,000 | 495,000 |
| MEGA Polycrystaline Silicon Manufacturing | 0 | 0 |
| Personal Property Tax Credit | 3,200 | 3,510 |
| Renaissance Zone Credit | 41,000 | 2,000 |
| Research and Development Credit | 13,500 | 14,820 |
| Small Business Credit | 0 | 0 |
| Other Certificated Credits | 2,400 | 2,630 |
| Oil and Gas Severance Tax | | |
| Marginal Wells | 4,400 | 3,080 |
| Property Tax | | |
| Broadband Investment Credit | 29,470 | 30,810 |
| Enterprise Zone | 0 | 0 |
| Exempt Property - ESA | n.a. | n.a. |
| Industrial Facilities Development | 136,980 | 143,830 |
| Mobile Homes | 75,940 | 77,970 |
| Neighborhood Enterprise Zones | 9,850 | 9,290 |
| Obsolete Property Rehabilitation | 31,370 | 31,530 |
| Personal Property - Indust./Commercial Ad Valorem | 287,480 | 301,860 |
| Personal Property - Industrial Facilities | 18,830 | 19,770 |
| Small Taxpayer/Eligible Manufacturing Personal Prop. | 457,800 | 480,690 |
| Renaissance Zones | 35,450 | 37,230 |
| Tax Increment Financing | 264,240 | 277,450 |
| Taxable Value Cap | 1,279,800 | 1,532,083 |
| Water Softeners | 1,360 | 1,430 |
| Sales and Use Taxes | | |
| Aircraft Parts | 13,670 | 13,940 |
| Bad Debts | 13,100 | 13,100 |
| Cargo Aircraft | 21,480 | 21,910 |
| Collection Fee | 39,490 | 39,740 |
| Commercial Domestic Aircraft | 3,910 | 3,990 |
| Communication and Telephone Exemption | 37,600 | 38,730 |
| Data Centers | 1,424 | 1,057 |
| Employee Meals | 30,970 | 31,899 |
| Gratuities and Tips | 103,610 | 107,750 |
| Imported Property from Other States | 1,950 | 1,990 |
| Industrial Processing | 1,534,290 | 1,611,000 |
| Interstate Telecommunications | 2,370 | 2,250 |
| Interstate Trucks and Trailers | 43,710 | 44,580 |

| Tax/Tax Expenditure | FY 2022 (000) | FY 2023 (000) |
|---|---|---|
| **Commerce (Continued)** | | |
| Investment Coins | 6,697 | 6,864 |
| Newspapers, Periodicals, and Films | 119,260 | 123,430 |
| Radio and TV | 7,940 | 8,020 |
| Returned Vehicles | 1,800 | 1,740 |
| Sale of Water | 91,840 | 93,680 |
| Services (except education, health, and nonprofits) | 10,646,830 | 11,814,610 |
| Tax on the Difference - Vehicles | 58,550 | 63,500 |
| Telephone Services | 19,090 | 19,570 |
| Vehicle and Aircraft Transfers | $10,300 | $10,820 |
| Vending Machines | 12,390 | 13,010 |
| **TOTAL** | $20,090,447 | $21,668,939 |
| **Education** | | |
| Income Tax | | |
| College Savings Account | $13,860 | $14,120 |
| Fellowships and Scholarships | 26,400 | 28,920 |
| Higher Education/Public Contribution Credit | $0 | $0 |
| Property Tax | | |
| Exempt Public Education Property | 558,000 | 586,000 |
| Sales Tax | | |
| Services | 515,690 | 525,490 |
| **TOTAL** | $1,113,950 | $1,154,530 |
| **Government and Nonprofit Organizations** | | |
| Aviation Gasoline Tax | | |
| Federally Owned Aircraft | $449 | $533 |
| Income Tax | | |
| Historic Preservation Credit | 66 | 55 |
| U.S. Government Bond Interest Deduction | 9,940 | 10,040 |
| Motor Fuel Taxes | | |
| Public Vehicles | 19,160 | 19,888 |
| Motor Vehicle Weight Tax | | |
| Public and Nonprofit Vehicles | 14,229 | 14,514 |
| Oil and Gas Severance Tax | | |
| Public Land | 1,400 | 980 |
| Property Tax | | |
| Tax Exempt Property | 1,404,000 | 1,472,000 |

| Tax/Tax Expenditure | FY 2022 (000) | FY 2023 (000) |
|---|---|---|
| **Government and Nonprofit Organizations (Continued)** | | |
| Sales and Use Taxes | | |
| Church Cars | 2,178 | 2,222 |
| Church Construction | 1,459 | 1,520 |
| Government or Red Cross | 199,280 | 205,260 |
| Nonprofit Organizations | 211,510 | 222,090 |
| Services | 127,141 | 139,191 |
| Watercraft Registration Fee | | |
| Publicly Owned Watercraft | 15 | 15 |
| **TOTAL** | $1,990,827 | $2,088,308 |
| **Income Distribution** | | |
| City Income Tax | | |
| Nonresident Reduced Rate | $260,500 | $265,710 |
| Personal Exemption | 13,610 | 13,680 |
| General Property Tax | | |
| Disabled Veteran Homestead Exemption | $60,510 | $63,540 |
| Homestead Exemption | 3,861,070 | 3,730,150 |
| Poverty Exemption | 10,300 | 10,810 |
| Taxable Value Cap | 3,572,775 | 4,277,066 |
| Income Tax | | |
| Adjustments to Income (gains/losses and other) | 0 | 0 |
| Adjustments to Income (federal) | 23,350 | 46,150 |
| Dependent Exemption | 14,790 | 14,940 |
| Earned Income Tax Credit | 107,952 | 111,730 |
| Employer Contributions to Health and Life Insurance | 998,430 | 1,061,270 |
| Employer Pension Plans | 758,680 | 852,960 |
| Gain on Sale of Primary Residence | 161,920 | 194,030 |
| Home Heating Assistance Credit | 144 | 147 |
| Homestead Property Tax Credit (excluding veterans) | 750,040 | 757,580 |
| Income Maintenance Benefits | 2,440 | 3,320 |
| Individual Retirement Account | 288,750 | 350,990 |
| Interest on Life Insurance Savings | 54,200 | 60,350 |
| Miscellaneous Deductions | 81,410 | 94,540 |
| Other State Tax Credit | 98,390 | 103,150 |
| Pension and Retirement Benefits Deduction | 351,780 | 347,690 |

| Tax/Tax Expenditure | FY 2022 (000) | FY 2023 (000) |
|---|---|---|
| **Income Distribution (Continued)** | | |
| Personal Exemption | 1,804,220 | 1,916,280 |
| Railroad Retirement Benefits | 1,150 | 1,060 |
| Senior Investment Income Deduction | 18,970 | 19,160 |
| Senior Special Deduction | 480,000 | 470,400 |
| Social Security Benefits (federal exclusion) | 207,880 | 202,410 |
| Social Security Benefits (in federal AGI) | 571,650 | 594,520 |
| Special Exemption | 15,150 | 15,310 |
| State and Local Income Tax Refunds | 2,370 | 2,400 |
| Student Loan Deduction | 14,520 | 14,800 |
| Workers' Compensation | 36,450 | 35,020 |
| Sales and Use Taxes | | |
| Donated Vehicles | 125 | 125 |
| Food | 1,855,000 | 1,911,000 |
| Food for Students | 38,840 | 36,540 |
| Residential Utilities | 184,000 | 191,000 |
| **TOTAL** | $16,701,366 | $17,769,828 |
| **Military Affairs** | | |
| Cigarette Tax | | |
| Sales on Military Bases and Reservations | $4,140 | $4,120 |
| Income Tax | | |
| Disabled Veteran Exemption | 390 | 410 |
| Military Pay | 27,120 | 27,820 |
| Veterans' Benefits | 88,820 | 102,030 |
| Veterans' Property Tax Credit | 390 | 350 |
| Motor Vehicle Weight Tax | | |
| Disabled Veteran Vehicles | 793 | 823 |
| Sales and Use Taxes | | |
| Military Post-Exchange Sales | 188 | 188 |
| **TOTAL** | $121,841 | $135,741 |

| Tax/Tax Expenditure | FY 2022 (000) | FY 2023 (000) |
|---|---|---|
| **Natural Resources** | | |
| Income Tax | | |
| Income from Extractive Activities Deduction | $940 | $1,040 |
| Corporate Income Tax | | |
| Income from Extractive Activities Deduction | 900 | 990 |
| Property Tax | | |
| Air and Water Pollution | 176,250 | 177,100 |
| Sales and Use Taxes | | |
| Air and Water Pollution | 50,400 | 50,904 |
| **TOTAL** | $228,490 | $230,034 |
| **Public Health** | | |
| Income Tax | | |
| Medical Care Savings | $36,070 | $46,720 |
| Sales and Use Taxes | | |
| Feminine Hygiene | 5,112 | 8,160 |
| Medical Services | 4,169,009 | 4,445,719 |
| Nonprofit Hospital Construction | 6,620 | 6,750 |
| Ophthalmic and Orthopedic Products | 71,764 | 75,350 |
| Prescription Drugs | 703,090 | 728,400 |
| **TOTAL** | $4,991,665 | $5,311,099 |
| **Transportation** | | |
| Aviation Gasoline Tax | | |
| Interstate Flight Refund | $3,474 | $4,127 |
| Motor Fuel Taxes | | |
| Diesel Fuel for Jobsites | 6,685 | 7,093 |
| Evaporation and Loss Allowance | 17,903 | 18,583 |
| Fuel for Off-Road Use | 1,695 | 1,759 |
| Marine Vessel Fuel | 791 | 807 |
| Municipal Franchise Vehicles | 1,937 | 2,011 |
| Sales and Use Taxes | | |
| Driver Training | 107 | 105 |
| Rail Rolling Stock | 6,600 | 6,730 |
| Utility Property Tax | | |
| Railroad Right-of-Way | 45,210 | 46,810 |
| **TOTAL** | $84,402 | $88,025 |

# CHAPTER 4

# BUSINESS PRIVILEGE TAX EXPENDITURES

Business privilege tax expenditures include insurance company retaliatory, oil and gas severance, and corporate income expenditures. Business privilege tax expenditures are projected to decrease from $863.6 million in FY 2022 to $839.9 million in FY 2023. The reduction of tax credits and deductions under the corporate income tax results in much smaller tax expenditures than under the Michigan Business Tax (MBT).

**Estimate Reliability**
(2) Small Business Alternative Tax Rate Credit, most Certificated Credits, Severance and Insurance Tax
(3) Other Corporate Income Tax and MBT Tax Expenditures

A big difference between the corporate income tax and the MBT is that the corporate income tax only applies to traditional corporations. Other types of business entities, such as sole proprietorships, partnerships, S-corporations, and other flow-through entities are not taxed under the corporate tax. The income from flow-through entities is taxable to the owners under the individual income tax. Other tax expenditure estimates from business privilege taxes were based on 2020 data. Insurance and oil and gas severance tax expenditure estimates are also reliable because they were based on recent data collected by the state.

## Business Privilege Tax Expenditure Changes

No tax law changes affecting business privilege tax expenditures in 2020 or 2021.

## Insurance Company Tax

Effective January 1, 2012, the MBT on Michigan insurance premiums was replaced by a 1.25 percent tax in the Income Tax Act. Foreign companies are also subject to a retaliatory tax, which requires them to pay the same tax that a Michigan-based insurer would have to pay in the firm's home state. Foreign insurers pay the premiums tax or the retaliatory tax, whichever is greater. The estimated yield from taxes on insurers is $465.9 million for FY 2023; revenue goes to the State General Fund.

**FY 2023 Estimate**

**Captive Insurance Companies** n.a.

Exempts companies authorized under the Insurance Code as captive insurance companies or special purpose financial captives from the MBT and its gross premiums tax.

| | FY 2023 Estimate |
|---|---|
| **Disability Insurance Exclusion**<br>Exempts the first $190,000,000 of disability insurance premiums written in Michigan. | $3,310,000 |
| **Michigan Association and Facilities Credit**<br>Provides a credit for payments made to the Michigan workers' compensation placement facility, the Michigan basic property insurance association, the Michigan automobile insurance placement facility, the property and casualty guaranty association, and the life and health guaranty association. | $7,450,000 |
| **Michigan Examination Fees Credit**<br>Allows an insurance company to claim a credit equal to 50 percent of the examination fees paid by the company during the year under section 224 of the insurance code. | $5,800,000 |
| **Qualified Health Insurance Policies**<br>The tax rate on qualified health policies is reduced each year to generate annual savings of $18,000,000 | $21,290,000 |
| **Workers' Disability Supplemental Benefit (WDSB) Credit**<br>Provides a credit for 100 percent of the supplemental cost of living payments made to persons injured between September 1965 and December 1979. | $120,000 |

## Oil and Gas Severance Tax

Enacted in 1929, the oil and gas severance tax is levied on the privilege of producing oil and gas. The base is the gross cash market value of oil and gas that is severed from the ground. The tax rate is 6.6 percent for normal oil production, 5.0 percent for natural gas production, and 4.0 percent for stripper wells, marginal properties, and production achieved through carbon dioxide secondary or enhanced recovery projects. The projected yield is $27.1 million for FY 2023; revenue goes to the State General Fund.

| | FY 2023 Estimate |
|---|---|
| **Marginal Wells**<br>Taxes oil from marginal or stripper wells at 4.0 percent, rather than the 6.6 percent rate on other oil production. | $3,080,000 |
| **Public Land**<br>Exempts oil and gas severed from publicly-owned lands from taxation. | $980,000 |

## Corporate Income Tax Expenditures

Public Act 38 of 2011 added a 6.0 percent tax on corporate income to the Income Tax Act. The new tax took effect on January 1, 2012, and applies only to C corporations and entities taxed as C corporations for federal income tax purposes, with the tax imposed on federal taxable income subject to allocation or apportionment. A significant difference between the MBT and the new corporate tax is the elimination of most tax credits. The only credit enacted against the corporate income tax is the small business alternative credit. Financial institutions are not taxed on business income or gross receipts, but are subject to a tax of 0.29 percent on their apportioned net capital.

An entity that has received, has been approved before 2012 to receive, or has been assigned certain certificated tax credits under the MBT may elect to continue to file and pay under the MBT in lieu of the corporate income tax. Examples of the remaining certificated credits are the photovoltaic credit, the MEGA employment tax credit, polysilicon credit, select renaissance zone credits, battery pack credits, historic preservation credit, brownfield redevelopment credit, film production and infrastructure credits, and the farmland preservation credit.

Gross revenues from the corporate income tax were estimated at the January 2024 Consensus Conference to be $2,209.3 million in FY 2023. Legislation enacted in 2023 directed $600 million of corporate income tax revenue to economic development, resulting in net revenue of $1,609.3 million. The net revenues from the MBT were estimated at -$434.1 million in FY 2023, driven mainly by certificated credits with some other factors contributing.

Included with the estimated reduction in corporate tax revenue associated with the small business alternative credit are estimates of the remaining certificated credits that will be claimed by those taxpayers that continue to file under the MBT.

| | FY 2023 Estimate |
|---|---|
| **Brownfield Redevelopment Credit (MBT Certificated Credit)**<br>Provides credit for a portion of the cost for investments made for the demolition, construction, restoration, alteration, renovation, or improvement of buildings located in Brownfield development zones. | $11,000,000 |
| **Compensation and Investment Tax Credits (Non-Certificated Credits)**<br>The compensation credit is equal to 0.370 percent of the taxpayer's Michigan compensation. The investment tax credit (ITC) is equal to 2.90 percent of Michigan investment. The sum of the compensation credit and ITC cannot exceed 52 percent of the MBT liability. | $34,460,000 |

| | FY 2023 Estimate |
|---|---|
| **Farmland Preservation Credit (MBT Certificated Credit)**<br>Provides property tax relief for corporate farms eligible under former Public Act 116 of 1974 and reenacted by Public Act 451 of 1994. Unlike most MBT certificated credits, an agreement for this credit may be entered into after 2011. | $1,700,000 |
| **Foreign Dividends Exemption (Corporate Income)**<br>Excludes dividends and royalties received from a foreign entity or person from taxable income. There are constitutional limitations that do not make taxing foreign dividends a simple policy. | $245,840,000 |
| **Government Securities Interest Exemption (Corporate Income)**<br>Excludes interest income from obligations or securities of the federal government, State of Michigan or Michigan governmental unit. | $1,320,000 |
| **Historic Preservation Credit (MBT Certificated Credit)**<br>Provides for a credit of up to 25 percent of expenditures for the restoration of a qualified historic site. | $0 |
| **Income from Extractive Activities Deduction (Corporate Income)**<br>The extraction of oil, natural gas, and non-ferrous metals are subject to specific taxes in lieu of other taxes. | $990,000 |
| **Michigan Economic Growth Authority (MEGA) Credits (MBT Certificated Credit)**<br>Provides numerous credits for new or expanding firms based on additional payroll and health care costs or additional business activity costs associated with an expansion or new location. Credits are also available for job retention. | $495,000,000 |
| **MEGA Polycrystalline Silicon Manufacturing Credit (MBT Certificated Credit)**<br>Provides for a single twelve-year MEGA credit for the manufacture of polycrystalline silicon to be used for solar cells and semiconductor microchips beginning with a tax year that begins after December 31, 2011. The credit's MEGA agreement must have been entered by December 31, 2008. | $0 |
| **Other Non-Certificated Credits**<br>These include the Arts and Culture, Large Food Retailer, Low-Grade Hematite, and Worker's Disability Supplemental Benefit credits. | $2,630,000 |

| | FY 2023 Estimate |
|---|---|
| **Personal Property Tax Credit (Non-Certificated Credit)**<br>The personal property tax credit provides three separate refundable credits for personal property taxes paid in the tax year. The credits equal: (1) 35 percent of eligible industrial personal property taxes; (2) 13.5 percent of State Utility Tax Act taxes on eligible telephone equipment; and (3) 10 percent of the personal property tax paid on an eligible natural gas pipeline. | $3,510,000 |
| **Renaissance Zone Credit (MBT Certificated Credit)**<br>Provides a credit for the portion of tax attributable to business activity in a renaissance zone designated based on a development or qualified collaboration agreement. | $2,000,000 |
| **Research and Development Credit (Non-Certificated Credit)**<br>Provides a credit equal to 1.90 percent of the taxpayer's research and development expenses in Michigan. The taxpayer cannot claim an ITC and this credit on the same expenses. The sum of this credit, the ITC, and compensation credit cannot exceed 65 percent of the taxpayer's MBT liability. | $14,820,000 |
| **Small Business Alternative Tax Credit (Corporate Income)**<br>For qualifying smaller firms, provides a credit that effectively lowers the taxpayer's tax to 1.8 percent of adjusted business income. Qualifications include: Gross receipts must be less than or equal to $20 million (the credit is phased out for firms with gross receipts between $19 million and $20 million). Total adjusted business income may not exceed $1.3 million. Allocated business income limit for any one owner may not exceed $180,000 (with a credit phase-out between $160,000 and $180,000). | $5,930,000 |
| **Small Business Credit (Non-Certificated Credit)**<br>For qualifying smaller firms, provides a credit that effectively lowers the taxpayer's tax to 1.8 percent of adjusted business income. Qualifications include: Gross receipts must be less than or equal to $20 million (the credit is phased out for firms with gross receipts between $19 million and $20 million). Total adjusted business income may not exceed $1.3 million. Allocated business income limit for any one owner may not exceed $180,000 (with a credit phase-out between $160,000 and $180,000). | $0 |

# CHAPTER 5

# CONSUMPTION TAX EXPENDITURES

Consumption tax expenditures include tax expenditures associated with alcohol, cigarette, and sales and use taxes. Total consumption tax expenditures are projected to increase to $22,942.6 million in FY 2023, a 7.9 percent increase over the FY 2022 level of $21,259.1 million. The growth in sales and use tax expenditures associated with exempt services such as health care and professional, scientific, and technical services account for most of the growth between FY 2022 and FY 2023. Sales and use tax expenditure estimates are based on FY 2008 through FY 2022 data. Alcohol and cigarette tax expenditure estimates were based on FY 2021 and FY 2022 data.

**Estimate Reliability**
(1) Alcohol and Cigarette Taxes
Residential Utilities Exemption
(3) Other Sales and Use Tax Expenditures

Because firms' sales tax returns provide no information regarding most sales of exempt goods or services, sales and use tax expenditures are difficult to estimate. For example, because restaurants do not report the actual gratuities and tips their workers receive, it is not possible to accurately gauge the revenue lost from excluding these payments from the sales tax base. In this and many other instances, it was necessary to base estimates on restrictive assumptions. In addition, many estimates were based on national sales data apportioned to Michigan.

Cigarette tax expenditure estimates were based on recent tax collections. These estimates are reliable.

## Consumption Tax Expenditure Changes

**Public Acts 46 and 47 of 2020** amended the General Sales Tax Act and the Use Tax Act, respectively, to modify the exemption for prosthetic devices to include certain sales of devices for implantation into a human with or without a prescription.

**Public Act 102 of 2021** amended the Tobacco Products Tax Act to extend the cap on the tax imposed on cigars permanently. The cap is 50 cents per stick and the cap was previously temporary and would have expired on October 1, 2021.

**Public Acts 108 and 109 of 2021** amended the General Sales Tax Act and the Use Tax Act, respectively, to exempt the sale of feminine hygiene products from sales or use taxes.

## Alcoholic Beverage Taxes

The following table lists specific alcoholic beverage taxes and their expected yields for FY 2023 (millions of dollars).

**Alcoholic Beverage Taxes**
**(millions)**

| Tax | Location of Deposit | FY 2023 Revenue |
|---|---|---|
| Beer and Wine Excise | General Fund | $46.3 |
| 4.0 Percent Liquor Excise | School Aid Fund | $75.0 |
| 4.0 Percent Liquor Specific | General Fund | $67.9 |
| 4.0 Percent Liquor Tourism | Convention Facility Development Fund | $67.9 |

| | FY 2023 Estimate |
|---|---|
| **Beer Shipped Out-of-State**<br>Exempts beer manufactured in Michigan, or imported into this state, and then shipped for sale and consumption outside the state. | n.a. |
| **Damaged Beer**<br>Exempts beer from the beer tax when consumed on the manufacturer's property or not offered for sale. | n.a. |
| **Homemade Wine**<br>Exempts homemade wine or alcoholic cider from the wine tax when made on the premises by an owner for family use. | n.a. |
| **Small Brewer's Credit**<br>Allows brewers who produce less than 50,000 barrels annually to apply for a $2 per barrel credit on the first 30,000 barrels produced. | $90,000 |

**Tobacco Products Tax**

In 1947, the State of Michigan enacted an excise tax on the sale and distribution of cigarettes to consumers. The tax rate is currently $2.00 per pack of 20 cigarettes. Cigarette tax revenues are mainly distributed to the School Aid Fund, the Medicaid Benefits Trust Fund, and the General Fund-General Purpose account. In FY 2023, the tax on cigarettes yielded an estimated $614.2 million. Taxes on other tobacco products (smokeless tobacco and cigars) yielded $107.7 million.

| | FY 2023 Estimate |
|---|---|
| **Bad Debt Deduction**<br>Allows cigarette wholesalers to deduct any losses from bad debts. | $300,000 |
| **Licensee Expenses**<br>Exempts 1.5 percent of the cigarette tax due from licensees, and 1.0 percent of the tax on other tobacco products, to cover their expenses in administering the tax. | $10,900,000 |
| **Sales on Military Bases and Reservations**<br>Exempts the sale of cigarettes on U.S. military bases and to tribal members living within their own tribe's Indian country. Tribal tax agreements establish the number of cigarettes that each tribe may obtain tax-free for the tribe's resident members. | $4,120,000 |

## State Convention Facility Development Tax

Public Act 106 of 1985 is known as the State Convention Facility Development Act. The Act levies a tax of 1.5 percent of the room charge on hotels with 81 to 160 rooms located in Wayne (excluding Detroit), Oakland, and Macomb Counties, and 5 percent on hotels with over 160 rooms. For Detroit, the rates are 3 and 6 percent. The Act became effective October 1, 1985. Revenue is used to pay for qualified convention facilities and other statutorily required distributions, with excess revenue returned to Michigan counties.

| | FY 2023 Estimate |
|---|---|
| **Small Hotel Exemption**<br>Excludes hotels and motels with fewer than 81 rooms from the state convention facility development tax. | n.a. |

## Sales and Use Tax Expenditures

Enacted in 1933, the sales tax is levied on gross proceeds from retail sales of tangible personal property for use or consumption. The sales tax rate is equal to 6 percent. Sales tax collections are projected to have yielded $10,667.3 million in FY 2023. Sales tax revenues are distributed as follows: 73.3 percent to the School Aid Fund; up to 24.3 percent to cities, villages, and townships; and the remainder to the General Fund. State law earmarks 4.65 percent of the sales tax on transportation-related items to the Comprehensive Transportation Fund (CTF). The use tax is levied on the privilege of use, storage, and consumption of certain tangible personal property that is not subject to the sales tax. It is also levied on the services of telephone, telegraph, and other leased wire communications; sales of used autos between individuals; and transient hotel and

motel charges. Most services are exempt. The use tax was enacted in 1937 as a complement to the sales tax; the rate is 6 percent of the purchase or rental price. Two-thirds of the revenue goes to the General Fund while the remainder is deposited into the School Aid Fund. Use tax collections are projected to total $2,154.4 million in FY 2023. Use tax collections do not include the local community stabilization share tax described under Public Act 80 of 2014. Current law directs $548.0 million of the tax collected for FY 2023 to the authority. Due to their complementary nature, sales and use tax expenditures are reported together and include both the state use tax and the local community stabilization share tax.

| | FY 2023 Estimate |
|---|---|
| **Air and Water Pollution**<br>Exempts the sale of personal property purchased or installed as part of air or water pollution control facilities. | $50,904,000 |
| **Aircraft Parts**<br>Exempts sales of parts and materials affixed in Michigan to passenger, cartage, and certain other aircraft from tax. | $13,940,000 |
| **Bad Debts**<br>Effective January 1, 1984, a retailer is allowed to deduct the amount of bad debts related to previously reported, taxable retail sales at the time that these debts become worthless or uncollectible. | $13,100,000 |
| **Cargo Aircraft**<br>Exempts from use tax aircraft owned by an air carrier certified by the United States Department of Transportation and used solely for the transport of air cargo. | $21,910,000 |
| **Church Construction**<br>Exempts materials used in the construction of a church sanctuary. This exemption was created by Public Act 274 of 1998. | $1,520,000 |
| **Church Cars**<br>Exempts sales of most cars and trucks to regularly organized churches or houses of religious worship. | $2,222,000 |
| **Collection Fee**<br>Sales and use tax returns are due by the 20th of the month for sales made the previous month. A seller may retain 0.75 percent of the tax (not to exceed $20,000) if proceeds are remitted by the 12th of the month, or 0.50 percent of the tax (not to exceed $15,000) if proceeds are remitted from the 13th through the 20th of the month. | $39,740,000 |

| | FY 2023 Estimate |
|---|---|
| **Commercial Domestic Aircraft**<br>Exempts from use tax aircraft owned by domestic passenger carriers if the aircraft is used primarily in regular commercial passenger transportation. | $3,990,000 |
| **Commercial Vessels**<br>Exempts sales of commercial vessels of 500 tons or more when purchased on special order. Also exempts bunker and galley fuel, provisions, supplies, maintenance and repairs for the exclusive use of such vessels engaged in interstate commerce. | n.a. |
| **Communication and Telephone Exemption**<br>Exempts communications and telephone service from coin-operated installations, switchboards, concentrator identifiers, and interoffice circuitry and their accessories for telephone answering services and directory advertising proceeds. | $38,730,000 |
| **Data Centers**<br>Exempts the sale of data center equipment to the owner or operator of a qualified data center or a colocated business for assembly, use, or consumption in the operation of the data center, or a person engaged in construction or improvement to the extent the equipment is affixed to or made a structural part of a data center. | $1,057,000 |
| **Donated Vehicles**<br>Exempts certain vehicle transfers from the sales or use taxes when the vehicle is transferred from a qualifying organization to certain low-income families. | $125,000 |
| **Driver Training**<br>Exempts property used for demonstration or driver training programs. | $105,000 |
| **Employee Meals**<br>Exempts meals provided by employers to their employees. | $31,899,000 |
| **Feminine Hygiene Products**<br>Exempts feminine hygiene products. | $8,160,000 |
| **Food**<br>Exempts food for human consumption, except prepared food intended for immediate consumption. | $1,911,000,000 |
| **Food for Students**<br>Exempts sales of food by nonprofit schools or other similar educational institutions to students. | $36,540,000 |

| | FY 2023 Estimate |
|---|---|
| **Government or Red Cross**<br>Exempts sales to the United States or agencies or instrumentalities wholly owned by the U.S.; the American Red Cross; and the State of Michigan, its departments, institutions, and political subdivisions. | $205,260,000 |
| **Gratuity and Tips**<br>Excludes a separately billed and itemized gratuity or tip from a retailer's gross proceeds. | $107,750,000 |
| **Horticultural and Agricultural Products**<br>Exempts sales of property used or consumed in connection with production of horticultural or agricultural products to persons engaged in business. | $283,310,000 |
| **Imported Property**<br>Exempts property that is not an aircraft purchased by a nonresident and brought into Michigan more than 90 days after purchase from the use tax. A similar exemption applies to property purchased by a resident and brought into the state more than 360 days after purchase. | $1,990,000 |
| **Industrial Processing**<br>Exempts sales to persons for use or consumption in industrial processing. This tax expenditure estimate excludes raw materials used in production. This estimate includes exemptions for durable and non-durable manufacturing equipment and utility expenses. | $1,611,000,000 |
| **International Telecommunications**<br>Exempts international and WATS calls from the use tax. | $2,250,000 |
| **Interstate Trucks and Trailers**<br>Exempts purchases of qualified trucks and their trailers (and parts affixed to them) by interstate motor carriers from sales and use tax. | $44,580,000 |
| **Investment Coins**<br>Exempts investment coins from sales and use tax. Investment coins are legal tender with a fair market value greater than the face value of the coins. | $6,864,000 |
| **Isolated Sales**<br>Exempts an isolated sale or transfer transaction by a property owner not required to possess a sales tax license. | n.a. |
| **Military PX Sales**<br>Exempts military post-exchange sales. | $188,000 |

| | FY 2023 Estimate |
|---|---|
| **Military Vehicle Sales**<br>Exempts vehicle sales to nonresidents serving in the U.S. armed forces, or when purchased by a Michigan resident in military service when sales tax is paid to another state. | n.a. |
| **Newspapers, Periodicals, and Films**<br>Exempts sales of copyrighted films, newspapers, and periodicals. | $123,430,000 |
| **Nonprofit Ambulance and Fire Service**<br>Exempts sales of vehicles not for resale to Michigan nonprofit corporations organized exclusively to provide a community with ambulance or fire department services. | n.a. |
| **Nonprofit Hospital or Housing Construction**<br>Exempts tangible personal property used by contractors where the property is affixed to and made a structural part of the real estate of a nonprofit hospital or nonprofit housing. | $6,750,000 |
| **Nonprofit Organizations**<br>Exempts sales to nonprofit schools, hospitals, homes for the care of children or aged persons, and other benevolent institutions operated by an entity of government, a regularly-organized church, a religious or fraternal organization, a veteran's organization, a nonprofit corporation, or a parent-cooperative preschool. | $222,090,000 |
| **Nonprofit Sales Under $25,000**<br>Exempts sales made for raising funds up to $10,000 for qualified nonprofit organizations. | n.a. |
| **Nonresident Merchandise Transfer**<br>Exempts promotional merchandise that is transferred pursuant to a redemption offer to a person located outside the state. | n.a. |
| **Nonresident Property**<br>Exempts the storage, use, or consumption of property brought into Michigan by a nonresident living temporarily within this state. | n.a. |
| **Ophthalmic and Orthopedic Products**<br>Exempts sales to individuals of artificial limbs or eyes, ophthalmic products, or orthopedic appliances. | $75,350,000 |
| **Prescription Drugs**<br>Exempts drugs, both prescription and over-the- counter drugs dispensed by a prescription, for human consumption. | $728,400,000 |

| | FY 2023 Estimate |
|---|---|
| **Radio and TV**<br>Exempts sales to persons licensed to operate commercial radio or television stations when the property is used as a component of a film, tape, or recording produced for resale or transmission. | $8,020,000 |
| **Rail Rolling Stock**<br>Exempts rail rolling stock and selected other related equipment, material, and supplies from sales and use taxes. | $6,730,000 |
| **Residential Utilities**<br>Exempts the residential use of electricity, natural gas, and home heating fuels from the additional two percent sales and use tax rate. | $191,000,000 |
| **Returned Vehicles**<br>Exempts from gross proceeds "a refund less an allowance" for motor vehicle buybacks by manufacturers under provisions of the lemon law. | $1,740,000 |
| **Sale of Business**<br>Excludes from the use tax non-inventoried property purchased as part of a business. | n.a. |
| **Sale of Water**<br>Exempts the sale of water through water mains or delivered in bulk tanks in quantities over 500 gallons. | $93,680,000 |
| **Services**<br>Exempts services for categories listed in the table below. The estimates include services consumed by businesses, consumers, and government/non-profit entities. Approximately $5.37 billion of the total represents services purchased by consumers. | $16,925,010,000 |

**Service Tax Expenditures, FY 2023**
**(millions)**

| Category | For Profit | Nonprofit | Total |
|---|---|---|---|
| Accommodations and Food Service | $21.4 | $0.0 | $21.4 |
| Admin., Support, and Waste Mgmt. | 1,436.7 | 21.8 | 1,458.5 |
| Arts, Entertainment, and Recreation | 174.5 | 46.8 | 221.3 |
| Construction | 1,989.2 | 0.0 | 1,989.2 |
| Educational Services | 80.7 | 444.8 | 525.5 |
| Health Care and Social Assistance | 2,075.9 | 2,369.8 | 4,445.7 |
| Information | 510.9 | 0.0 | 510.9 |
| Other Services (except Public Admin.) | 658.0 | 130.4 | 788.4 |
| Professional, Scientific, and Technical | 3,394.6 | 21.7 | 3,416.3 |
| Real Estate and Rental and Leasing | 1,374.5 | 0.0 | 1,374.5 |
| Transportation and Warehousing | 2,034.0 | 0.0 | 2,034.0 |
| Utilities | 0.0 | 139.2 | 139.2 |
| **TOTAL** | $13,750.4 | $3,174.4 | $16,925.0 |

Source: Calculations by the Office of Revenue and Tax Analysis using the *2017 Economic Census: Geographic Area Series, Michigan,* U.S. Department of Commerce. Totals may differ from other exhibits and may not add due to rounding.

**FY 2023 Estimate**

**Small Out-of-State Purchases** n.a.

Exempts property purchased outside Michigan where the purchase price or actual value does not exceed $10 per calendar month.

**Tax on the Difference - Vehicles** $63,500,000

Exempts a portion of the credit given for motor vehicles used as a partial payment on the purchase of a motor vehicle. The exemption was limited to no more than $9,000 in 2023 and will rise by $1,000 each succeeding January 1. The full value of a trade-in is also exempt for a titled watercraft used as partial payment on the purchase of a titled watercraft.

**Telephone Services** $19,570,000

Exempts tangible personal property located on the premises of the subscriber and central office equipment or wireless equipment directly used in transmitting, receiving, or switching, or in the monitoring or switching of a two-way interactive device.

| | FY 2023 Estimate |
|---|---|
| **Textbooks Sold by Schools**<br>Exempts sales of textbooks sold by a public or nonpublic school to students enrolled in a K-12 program. | n.a. |
| **Tribal Tax Agreements**<br>Exempts certain sales of tangible personal property to tribes and tribal members for use within a designated agreement area, while providing for increased collections on sales to non-members. | n.a. |
| **Vehicle and Aircraft Transfers**<br>Exempts certain isolated transfers of vehicles, aircraft, snowmobiles, or watercraft. | $10,820,000 |
| **Vehicles Purchased for Use in Another State**<br>Provides for an adjusted tax on the vehicles purchased in Michigan for use in another state. The sales tax is equal to what would have been paid if the vehicle had been purchased in the other state. | n.a. |
| **Vending Machines and Mobile Facilities**<br>Exempts the portion of gross proceeds representing commissions paid to an entity otherwise exempt from the sales tax where the gross proceeds are from certain non-electric vending machines where consideration is 10 cents or less. Also exempts sales of nonalcoholic beverages, and items sold near room temperature from a mobile facility or vending machine. | $13,010,000 |

# CHAPTER 6

# INDIVIDUAL INCOME TAX EXPENDITURES

Individual income tax expenditures include federal income tax expenditures (i.e., tax revenue foregone due to deductions, credits, or exemptions from the calculation of federal adjusted gross income), and state income tax expenditures (i.e., tax revenue foregone due to credits and exemptions that appear on the state income tax form). State individual income tax expenditures are projected to increase 2.8 percent from $8,030.1 million in FY 2022 to $8,253.4 million in FY 2023. Federal income tax expenditures are projected to increase 8.9 percent from $2,818.2 million in FY 2022 to $3,068.9 million in FY 2023. Individual income tax expenditure estimates were based on tax year 2021 data.

**Estimate Reliability** (1) State Income Tax Expenditures (high reliability)
(3) Federal Income Tax Expenditures (low reliability)

State income tax expenditure estimates are reliable because they are based on actual individual tax returns for tax year 2021. In addition, most state income tax expenditures are credits that are relatively stable from year to year.

In contrast, federal income tax expenditure estimates are less reliable. Federal income tax expenditures are estimated by apportioning total (national) federal tax expenditure estimates to Michigan using a three-step formula (outlined later). Thus, Michigan federal income tax expenditure estimates will only be as reliable as federal government (national) estimates and the assumptions used to apportion those estimates to Michigan.

## Individual Income Tax Expenditure Changes

**Public Act 65 of 2020** amended the Income Tax Act to allow a deduction for widows and widowers if the deduction would have applied if the deceased spouse remained alive, under certain circumstances.

**Public Act 343 of 2020** amended the Income Tax Act to provide for a tax credit for rehabilitation of historic structures, buildings, and sites. The credit would equal 25 percent of the qualified expenditures.

**Public Act 25 of 2021** amended the Income Tax Act to allow for the subtraction of income from the cancellation or discharge of a student loan for a disabled veteran, as defined in the Act. The subtraction would apply retroactively for tax years 2016 through 2019, and for tax years 2025 and following.

**Public Act 135 of 2021** amended the Income Tax Act to create a flow-through entity tax on income earned by an entity taxed as an S-corporation or partnership. The entity can elect to be taxed under this tax, and any tax paid flows through as a credit under the individual income tax for the owners

of the entity. The tax is designed to raise the same amount of state revenue, but to allow the flow-through entity to deduct the full amount of state income tax imposed on the entity in the calculation of income. This allows the owners of the entity to avoid the cap on the federal deduction of state and local taxes imposed on individuals.

**Public Act 168 of 2021** amended the Income Tax Act to allow a subtraction for gambling losses that were reported as an itemized deduction on the taxpayer's federal income tax return. The subtraction is limited for nonresidents to the amount of Michigan winnings and can only be claimed for losses from a Michigan casino or race meeting. Taxpayers may claim the subtraction for tax years that begin on or after January 1, 2021.

## State Income Tax Expenditures

Enacted in 1967, the Michigan individual income tax is a direct tax on federal AGI after certain adjustments are made. For FY 2023, the State of Michigan collected an estimated $12,341.5 million in net income tax revenue. Income tax revenue goes to the School Aid Fund and General Fund.

State income tax expenditures include the state personal exemption, subtractions from income, and various state tax credits. In tax year 2020, these tax expenditures reduced Michigan's effective income tax rate from a nominal rate of 4.25 percent to an average effective rate of 2.34 percent. Detailed information on income tax expenditures is presented in Exhibits 13 through 16.

| | FY 2023 Estimate |
|---|---|
| **College Savings Account**<br>A deduction is allowed for contributions to purchase contracts under the Michigan Education Trust or to fund accounts in the Michigan Education Savings Program. Investment earnings are also exempt. | $14,120,000 |
| **Dependent Exemption**<br>Taxpayers claimed as a dependent on another taxpayer's return may claim an exemption equal to $1,500 for themselves when filing their tax return. | $14,940,000 |
| **Disabled Veterans Exemption**<br>Allows a taxpayer to claim an additional exemption of $400 if the taxpayer or a dependent of the taxpayer is a qualified disabled veteran. | $410,000 |
| **Earned Income Tax Credit**<br>Provides a refundable income tax credit equal to 6 percent of any federal earned income tax credit for which a taxpayer is eligible. | $111,730,000 |

| | FY 2023 Estimate |
|---|---|
| **Farmland Development Credit**<br>Provides an income tax credit for property taxes paid on farms covered by a farmland development rights agreement to reduce conversion of agricultural and open space lands to other uses (see Exhibit 16). This credit was expanded by Public Act 421 of 2000. | $53,320,000 |
| **Historic Preservation Credit**<br>Provides a credit against qualified expenditures made to rehabilitate a historic resource. The rehabilitation plan must be certified by the Michigan Historical Center. | $55,000 |
| **Holocaust Survivor Asset Recovery Deduction**<br>Public Act 181 of 1999 allows Holocaust survivors to subtract any income received as a result of a settlement of claims against any entity or individual for any recovered asset pursuant to the German act regulating unresolved property claims. | n.a. |
| **Home Heating Assistance Credit**<br>Provides a refundable credit to assist low-income households with the cost of home heating. For FY 2023, these credits totaled an estimated $77.6 million. The program is primarily funded with a block grant from the federal government. The credit's net cost to the state was $139,700 in FY 2023. | $147,000 |
| **Homestead Property Tax Credit**<br>Provides a refundable credit against income tax liability for property tax paid. This credit is generally 60 percent of the amount by which property taxes exceed 3.2 percent of household income. Renters may use 23 percent of the rent paid to approximate their property tax, and then calculate their credit as above.<br><br>Special credits are available for low-income senior citizens, veterans, and blind and disabled persons. For tax year 2021, homestead credits, excluding the farmland credit itemized separately, totaled $750.4 million (Exhibit 16). Of the homestead credits, 57.6 percent went to general taxpayers, 35.4 percent went to senior citizens, and the remaining 8.0 percent went to veterans and blind and disabled persons. | $757,930,000 |
| **Income Attributable to Another State**<br>Provides a deduction to Michigan residents for business income earned in another state and gains on the sale of property in other states. In addition, non-residents may deduct income not allocated to Michigan. This deduction has been growing rapidly in recent tax years. | $3,687,650,000 |

| | FY 2023 Estimate |
|---|---|
| **Income from Extractive Activities Deduction**<br>The extraction of oil, natural gas, and non-ferrous metals are subject to specific taxes in lieu of other taxes. | $1,040,000 |
| **Income Tax Paid to Another State Credit**<br>Provides a credit to Michigan taxpayers subject to income tax if the taxpayer's income is also taxed by another state. For tax year 2021, taxpayers claimed $94.9 million in credits. | $103,150,000 |
| **Military Pay**<br>Exempts compensation received while on active duty in the U.S. Armed Forces. | $27,820,000 |
| **Miscellaneous Deductions**<br>Includes the amount used to determine the federal credit for the elderly or totally and permanently disabled and expenses from a recreational marijuana business not deducted in determining AGI. | $94,540,000 |
| **Net Operating Loss Deduction**<br>Taxpayers may only deduct the Michigan portion of a net operating loss. | n.a. |
| **Net Adjustment for Gains/Losses**<br>Michigan taxpayers only include in Michigan taxable income gains or losses on business or real property if that property is in Michigan. Losses on property located outside Michigan may not be subtracted and gains on property located outside Michigan may be excluded. | $10,000,000 |
| **Pension and Retirement Benefits Deduction**<br>Provides a deduction for pension and retirement benefits based on the age of the taxpayer and, if married, the taxpayer's spouse. For those born prior to 1946, all benefits from public sources are deductible and benefits from private sector plans are deductible up to $61,518 for singles and $123,036 for married couples filing a joint return (2023 limits). Public Act 4 of 2023 expanded the deduction for retirement or pension benefits, phasing in over four years. | $347,690,000 |

| | FY 2023 Estimate |
|---|---|
| **Personal Exemption**<br>Exempts $5,400 (tax year 2023) from AGI for each personal exemption claimed on the federal income tax return. The personal exemption reduced tax year 2021 revenue by approximately $1,520 million.<br><br>The distribution of effective exemptions across AGI classes is outlined in Exhibit 13. Effective exemptions are exemptions that offset actual income. | $1,916,280,000 |
| **Renaissance Zones**<br>Public Act 376 of 1996 establishes Renaissance Zones. Public Act 98 of 1999 allows for the designation of 10 additional zones. Public Act 139 of 1999 lets the communities with zones designated in 1996 establish new subzones and extend the tax cuts in their subzones. The Income Tax Act exempts residents of the zones from tax on most types of income. Special provisions apply to capital gains, interest, dividend, and lottery income. | $756,000 |
| **Senior Investment Income Deduction**<br>Allows a taxpayer who was born prior to 1946 to deduct dividends, interest, and capital gains included in AGI up to limits which are adjusted for inflation annually. The limits for tax year 2021 are $12,127 for singles and $24,254 for couples filing a joint return. The limits are reduced by the amount deducted for pension and retirement benefits. | $19,160,000 |
| **Senior Standard Deduction**<br>Beginning in tax year 2013, taxpayers born after 1945 and before 1953 who have reached age 67 are eligible for a deduction against all income in lieu of a deduction for retirement benefits. The deduction is $20,000 for singles and $40,000 for couples filing a joint return. Beginning for tax year 2020, a deduction is also available to those reaching age 67 and born after 1952. Public Act 4 of 2023 expanded the subtraction for retirement or pension benefits as an alternative to claiming a standard deduction. | $470,400,000 |
| **Social Security Benefits Included in AGI**<br>Provides a deduction for Social Security benefits included in AGI. Depending on income, benefit recipients may have to include some Social Security benefits in AGI for federal tax purposes. | $594,520,000 |

| | FY 2023 Estimate |
|---|---|
| **Special Exemption**<br>Allows a taxpayer and his or her spouse to each claim a $3,100 exemption for tax year 2023 if they or a dependent are disabled. These exemptions are adjusted periodically for inflation. | $15,310,000 |
| **State and Local Income Tax Refunds**<br>Provides a deduction of a state and local income tax refund if the refund is included in AGI. For federal tax purposes, payments of state and local taxes that are reported as an itemized deduction but subsequently returned as a refund are included in AGI for the year in which the refund was received. The reduction in the number of taxpayers claiming itemized deductions after tax year 2017 reduced the number subsequently required to include any refund in AGI. | $2,400,000 |
| **Tribal Tax Agreements**<br>Exempts all non-business income of resident tribal members from the income tax. Business income will be allocated based on the percentage of business activity that takes place within tribal and trust lands. | n.a. |
| **U.S. Government Bond Interest Deduction**<br>Provides a deduction for interest received on debt issued by the U.S. Government and included in AGI. The deduction includes interest received from U.S. Savings Bonds and U.S. Treasury bills, notes, and bonds. | $10,040,000 |

# Exhibit 13
## Selected Individual Income Tax Expenditures by Income Class, CY 2021

| Adjusted Gross Income | MI-1040s Number | MI-1040s Percent | Gen. Prop Tax Credit Number | Gen. Prop Tax Credit Amount | Effective Exemptions[1] Number | Effective Exemptions[1] Amount |
|---|---|---|---|---|---|---|
| Zero Income[2] | 112,719 | 2.3% | 10,479 | $7,737,320 | 0 | $0 |
| $0 - 2,000 | 155,177 | 3.2% | 11,311 | 8,035,766 | -92,663 | -19,297,130 |
| 2,001 - 4,000 | 112,714 | 2.3% | 6,381 | 4,374,217 | -3,417 | -711,595 |
| 4,001 - 6,000 | 114,662 | 2.3% | 8,236 | 5,655,239 | 16,173 | 3,367,932 |
| 6,001 - 8,000 | 113,431 | 2.3% | 10,584 | 7,272,255 | 27,667 | 5,761,673 |
| 8,001 - 10,000 | 114,039 | 2.3% | 14,376 | 10,337,834 | 42,935 | 8,941,148 |
| 10,001 - 12,000 | 120,753 | 2.5% | 19,951 | 15,357,830 | 64,034 | 13,335,184 |
| 12,001 - 14,000 | 118,965 | 2.4% | 21,543 | 16,552,566 | 75,793 | 15,783,845 |
| 14,001 - 16,000 | 120,976 | 2.5% | 25,791 | 20,105,920 | 99,696 | 20,761,704 |
| 16,001 - 18,000 | 123,125 | 2.5% | 29,011 | 22,167,139 | 116,324 | 24,224,564 |
| 18,001 - 20,000 | 116,051 | 2.4% | 28,940 | 21,902,046 | 117,889 | 24,550,283 |
| 20,001 - 25,000 | 279,322 | 5.7% | 74,730 | 54,922,210 | 309,136 | 64,377,518 |
| 25,001 - 30,000 | 266,542 | 5.4% | 75,680 | 52,895,496 | 328,240 | 68,355,930 |
| 30,001 - 35,000 | 251,533 | 5.1% | 74,025 | 48,898,300 | 334,459 | 69,651,010 |
| 35,001 - 40,000 | 228,884 | 4.7% | 67,522 | 42,880,415 | 316,706 | 65,953,959 |
| 40,001 - 45,000 | 200,500 | 4.1% | 56,241 | 34,875,797 | 285,243 | 59,401,921 |
| 45,001 - 50,000 | 176,748 | 3.6% | 46,817 | 28,330,010 | 257,570 | 53,638,953 |
| 50,001 - 55,000 | 160,175 | 3.3% | 38,671 | 20,049,324 | 238,993 | 49,770,360 |
| 55,001 - 60,000 | 146,626 | 3.0% | 30,862 | 8,059,918 | 231,061 | 48,118,358 |
| 60,001 - 70,000 | 258,749 | 5.3% | 6,295 | 1,185,704 | 435,283 | 90,647,696 |
| 70,001 - 80,000 | 223,003 | 4.6% | 345 | 149,037 | 415,413 | 86,509,717 |
| 80,001 - 90,000 | 190,140 | 3.9% | 97 | 48,039 | 383,751 | 79,916,229 |
| 90,001 - 100,000 | 164,152 | 3.4% | 71 | 42,044 | 349,665 | 72,817,745 |
| Over 100,000 | 1,028,801 | 21.0% | 164 | 105,549 | 2,247,775 | 468,099,138 |
| **TOTAL** | 4,897,787 | 100.0% | 658,123 | $431,939,975 | 6,597,725 | $1,373,976,144 |

(1) Effective exemptions in this exhibit are personal exemptions that offset exemptions. This number does not include disabled and other special exemptions.

(2) Includes 32,661 credit-only returns.

## Exhibit 14
## Effective Income Tax Rates by Income Class, CY 2021[1]

| Adjusted Gross Income | Total Adjusted Gross Income | Total Income Tax Paid | Effective Tax Rate |
|---|---|---|---|
| Zero Income[2] | ($2,703,758,270) | ($81,230,963) | |
| $0 - 2,000 | 103,119,546 | (105,357,494) | -102.17% |
| 2,001 - 4,000 | 338,947,688 | (30,197,503) | -8.91% |
| 4,001 - 6,000 | 573,685,292 | (27,777,680) | -4.84% |
| 6,001 - 8,000 | 793,898,889 | (26,546,756) | -3.34% |
| 8,001 - 10,000 | 1,028,236,412 | (26,173,288) | -2.55% |
| 10,001 - 12,000 | 1,328,056,386 | (28,025,874) | -2.11% |
| 12,001 - 14,000 | 1,546,248,234 | (22,638,230) | -1.46% |
| 14,001 - 16,000 | 1,815,327,738 | (18,994,703) | -1.05% |
| 16,001 - 18,000 | 2,091,200,219 | (9,743,753) | -0.47% |
| 18,001 - 20,000 | 2,204,252,965 | (2,005,416) | -0.09% |
| 20,001 - 25,000 | 6,283,895,928 | 31,230,252 | 0.50% |
| 25,001 - 30,000 | 7,324,564,752 | 84,972,811 | 1.16% |
| 30,001 - 35,000 | 8,166,985,182 | 138,406,890 | 1.69% |
| 35,001 - 40,000 | 8,572,491,870 | 173,888,846 | 2.03% |
| 40,001 - 45,000 | 8,508,587,330 | 190,840,175 | 2.24% |
| 45,001 - 50,000 | 8,387,133,033 | 200,892,528 | 2.40% |
| 50,001 - 55,000 | 8,403,947,475 | 214,191,002 | 2.55% |
| 55,001 - 60,000 | 8,425,593,299 | 227,741,072 | 2.70% |
| 60,001 - 70,000 | 16,786,002,573 | 473,962,870 | 2.82% |
| 70,001 - 80,000 | 16,697,242,906 | 479,310,369 | 2.87% |
| 80,001 - 90,000 | 16,139,218,863 | 468,933,520 | 2.91% |
| 90,001 - 100,000 | 15,576,498,482 | 457,904,826 | 2.94% |
| Over 100,000 | 327,514,775,047 | 7,175,600,983 | 2.19% |
| **TOTAL** | $465,906,151,839 | $9,939,184,484 | 2.13% |

| | |
|---|---|
| Effective rate excluding zero income AGI and Taxes Paid | 2.14% |
| Effective rate excluding zero income AGI | 2.12% |

(1) Values in this table are based on a sample of the 4,865,126 MI-1040 and MI-1040CR returns.

(2) Includes 32,661 credit-only returns (zero income).

## Exhibit 15
## Tax Expenditures as a Percent of Adjusted Gross Income, CY 2021

| Adjusted Gross Income | Effective Exemptions[1] | Adjustments to Income | Nonrefundable Credits[2] | Prop. Tax Credits |
|---|---|---|---|---|
| Less Than $2,000 | 902.0% | 600.3% | -0.5% | 1615.9% |
| 2,001 - 4,000 | 155.8% | 84.8% | -0.1% | 161.1% |
| 4,001 - 6,000 | 98.6% | 56.7% | 0.0% | 96.1% |
| 6,001 - 8,000 | 76.3% | 47.5% | 0.0% | 75.3% |
| 8,001 - 10,000 | 63.6% | 40.8% | 0.0% | 63.3% |
| 10,001 - 12,000 | 56.4% | 35.7% | 0.0% | 56.4% |
| 12,001 - 14,000 | 50.0% | 32.8% | 0.1% | 48.8% |
| 14,001 - 16,000 | 47.5% | 28.8% | 0.1% | 44.1% |
| 16,001 - 18,000 | 42.8% | 24.5% | 0.1% | 38.6% |
| 18,001 - 20,000 | 39.6% | 24.1% | 0.1% | 34.8% |
| 20,001 - 25,000 | 34.7% | 23.5% | 0.1% | 29.4% |
| 25,001 - 30,000 | 29.4% | 21.1% | 0.2% | 22.8% |
| 30,001 - 35,000 | 25.1% | 17.9% | 0.2% | 18.0% |
| 35,001 - 40,000 | 21.9% | 16.9% | 0.2% | 14.8% |
| 40,001 - 45,000 | 19.7% | 17.3% | 0.3% | 12.0% |
| 45,001 - 50,000 | 17.9% | 17.9% | 0.3% | 9.8% |
| 50,001 - 55,000 | 16.6% | 18.5% | 0.3% | 6.9% |
| 55,001 - 60,000 | 15.6% | 19.3% | 0.3% | 3.1% |
| 60,001 - 70,000 | 14.5% | 19.7% | 0.4% | 0.6% |
| 70,001 - 80,000 | 13.4% | 19.4% | 0.4% | 0.3% |
| 80,001 - 90,000 | 12.6% | 19.1% | 0.4% | 0.3% |
| 90,001 - 100,000 | 11.9% | 19.0% | 0.4% | 0.3% |
| Over 100,000 | 4.0% | 40.9% | 0.7% | 0.2% |

(1) The effective exemption number includes special exemptions (e.g., disabled exemption).

(2) Income tax credits were divided by the tax rate (4.25%) to determine the equivalent tax deduction. Nonrefundable credits include the credit for taxes paid to other states, and the historic preservation credit.

# Exhibit 16
# Property Tax Credits by County, CY 2021

| | General | | Seniors | | Veterans | |
|---|---|---|---|---|---|---|
| County | Number | Amount | Number | Amount | Number | Amount |
| ALCONA | 300 | $113,400 | 400 | $193,100 | < 50 | $1,600 |
| ALGER | 300 | 109,900 | 300 | 155,600 | < 50 | 900 |
| ALLEGAN | 5,400 | 2,937,500 | 4,000 | 2,781,400 | < 50 | 2,200 |
| ALPENA | 1,300 | 490,100 | 1,200 | 640,500 | < 50 | 2,700 |
| ANTRIM | 900 | 418,700 | 800 | 479,200 | < 50 | 700 |
| ARENAC | 500 | 201,800 | 600 | 316,400 | < 50 | 1,500 |
| BARAGA | 200 | 67,700 | 200 | 101,200 | < 50 | 800 |
| BARRY | 2,400 | 1,217,800 | 1,900 | 1,286,600 | < 50 | 1,500 |
| BAY | 6,100 | 2,547,400 | 5,000 | 2,848,100 | 100 | 8,800 |
| BENZIE | 800 | 346,900 | 700 | 372,100 | < 50 | 1,500 |
| BERRIEN | 9,000 | 4,589,500 | 6,300 | 4,135,100 | < 50 | 5,500 |
| BRANCH | 2,200 | 1,091,200 | 1,400 | 924,800 | < 50 | 1,600 |
| CALHOUN | 8,600 | 4,784,600 | 5,100 | 3,665,200 | < 50 | 6,600 |
| CASS | 1,600 | 753,900 | 1,300 | 789,300 | < 50 | 1,400 |
| CHARLEVOIX | 1,300 | 650,900 | 1,200 | 813,100 | < 50 | 600 |
| CHEBOYGAN | 1,100 | 438,300 | 900 | 459,200 | < 50 | 2,500 |
| CHIPPEWA | 1,600 | 620,200 | 1,000 | 594,100 | < 50 | 3,200 |
| CLARE | 1,400 | 559,700 | 1,100 | 597,600 | < 50 | 2,900 |
| CLINTON | 2,700 | 1,517,400 | 2,300 | 1,674,100 | < 50 | 600 |
| CRAWFORD | 500 | 210,000 | 400 | 177,200 | < 50 | 1,400 |
| DELTA | 1,600 | 643,600 | 1,400 | 820,700 | < 50 | 5,600 |
| DICKINSON | 1,200 | 488,900 | 1,100 | 627,800 | < 50 | 3,900 |
| EATON | 7,400 | 4,370,600 | 5,100 | 3,650,100 | < 50 | 2,600 |
| EMMET | 2,000 | 1,043,700 | 1,300 | 875,000 | < 50 | 1,400 |
| GENESEE | 29,500 | 16,657,000 | 14,900 | 9,675,700 | 100 | 16,200 |
| GLADWIN | 900 | 426,600 | 1,100 | 588,300 | < 50 | 2,200 |
| GOGEBIC | 600 | 201,600 | 500 | 263,500 | < 50 | 4,000 |
| GRAND TRAVERSE | 6,000 | 3,722,000 | 3,900 | 2,801,900 | < 50 | 1,600 |
| GRATIOT | 1,900 | 808,000 | 1,400 | 842,000 | < 50 | 1,700 |
| HILLSDALE | 1,900 | 915,400 | 1,500 | 887,500 | < 50 | 5,500 |
| HOUGHTON | 1,500 | 630,800 | 900 | 506,200 | < 50 | 4,000 |
| HURON | 1,500 | 658,800 | 1,700 | 1,092,600 | < 50 | 1,600 |
| INGHAM | 24,000 | 15,454,900 | 9,600 | 7,823,500 | < 50 | 5,800 |
| IONIA | 3,100 | 1,497,500 | 2,100 | 1,263,900 | < 50 | 1,100 |
| IOSCO | 1,000 | 386,900 | 1,000 | 531,100 | 100 | 4,800 |
| IRON | 400 | 147,300 | 400 | 210,300 | < 50 | 2,000 |
| ISABELLA | 3,600 | 1,777,300 | 1,600 | 1,060,100 | < 50 | 2,000 |
| JACKSON | 9,400 | 4,997,800 | 6,000 | 4,244,000 | < 50 | 4,700 |
| KALAMAZOO | 18,300 | 11,386,700 | 9,100 | 7,564,300 | < 50 | 4,700 |
| KALKASKA | 800 | 356,400 | 500 | 267,800 | < 50 | 1,100 |
| KENT | 50,600 | 33,356,700 | 21,200 | 15,847,200 | 100 | 5,900 |
| KEWEENAW | 100 | 20,100 | 0 | 21,500 | < 50 | 200 |

## Exhibit 16 (Continued)

| | General | | Seniors | | Veterans | |
|---|---|---|---|---|---|---|
| County | Number | Amount | Number | Amount | Number | Amount |
| LAKE | 400 | $177,300 | 400 | $197,200 | < 50 | $1,000 |
| LAPEER | 3,500 | 1,767,400 | 2,600 | 1,488,300 | < 50 | 2,300 |
| LEELANAU | 500 | 256,800 | 600 | 339,700 | < 50 | 200 |
| LENAWEE | 5,300 | 2,755,400 | 4,300 | 2,876,900 | < 50 | 2,300 |
| LIVINGSTON | 400 | 177,300 | 400 | 197,200 | < 50 | 1,000 |
| LUCE | 100 | 46,400 | 100 | 36,000 | < 50 | 400 |
| MACKINAC | 400 | 159,600 | 400 | 188,600 | < 50 | 800 |
| MACOMB | 70,100 | 55,324,500 | 41,600 | 35,805,600 | 100 | 18,200 |
| MANISTEE | 1,200 | 505,100 | 1,200 | 771,100 | < 50 | 1,400 |
| MARQUETTE | 3,600 | 1,669,400 | 1,900 | 1,176,500 | 100 | 5,600 |
| MASON | 1,700 | 808,400 | 1,500 | 1,064,400 | < 50 | 900 |
| MECOSTA | 1,900 | 889,700 | 1,100 | 624,900 | < 50 | 1,900 |
| MENOMINEE | 900 | 372,000 | 700 | 416,500 | < 50 | 2,800 |
| MIDLAND | 4,400 | 2,169,800 | 3,000 | 1,911,300 | 100 | 5,500 |
| MISSAUKEE | 500 | 243,800 | 500 | 267,800 | < 50 | 500 |
| MONROE | 6,700 | 3,777,800 | 5,200 | 3,390,000 | < 50 | 2,100 |
| MONTCALM | 3,400 | 1,602,400 | 2,500 | 1,596,500 | < 50 | 3,300 |
| MONTMORENCY | 400 | 137,500 | 400 | 200,100 | < 50 | 1,400 |
| MUSKEGON | 12,300 | 6,759,900 | 7,600 | 5,270,900 | 100 | 9,500 |
| NEWAYGO | 2,100 | 1,025,100 | 1,800 | 1,165,500 | < 50 | 2,500 |
| OAKLAND | 62,900 | 48,524,800 | 38,200 | 32,671,400 | 100 | 14,000 |
| OCEANA | 1,300 | 578,500 | 1,100 | 713,500 | < 50 | 1,300 |
| OGEMAW | 900 | 363,100 | 900 | 494,500 | < 50 | 3,000 |
| ONTONAGON | 200 | 59,100 | 200 | 123,000 | < 50 | 2,800 |
| OSCEOLA | 1,000 | 398,400 | 900 | 529,900 | < 50 | 3,000 |
| OSCODA | 200 | 77,500 | 200 | 100,900 | < 50 | 1,100 |
| OTSEGO | 1,200 | 576,100 | 700 | 375,000 | < 50 | 2,800 |
| OTTAWA | 16,000 | 9,968,300 | 10,500 | 7,657,000 | < 50 | 2,700 |
| PRESQUE ISLE | 400 | 161,300 | 600 | 271,500 | < 50 | 1,900 |
| ROSCOMMON | 1,200 | 476,900 | 1,200 | 570,200 | < 50 | 1,700 |
| SAGINAW | 12,800 | 6,284,100 | 7,200 | 4,323,200 | 100 | 11,200 |
| ST. CLAIR | 9,500 | 5,006,300 | 6,800 | 4,460,100 | 100 | 5,800 |
| ST. JOSEPH | 3,000 | 1,347,500 | 2,000 | 1,226,000 | < 50 | 2,000 |
| SANILAC | 1,800 | 862,200 | 1,600 | 969,500 | < 50 | 2,300 |
| SCHOOLCRAFT | 200 | 78,600 | 200 | 104,200 | < 50 | 1,500 |
| SHIAWASSEE | 4,400 | 2,106,200 | 3,200 | 2,000,100 | < 50 | 3,500 |
| TUSCOLA | 2,600 | 1,083,400 | 2,100 | 1,159,600 | < 50 | 3,000 |
| VAN BUREN | 4,400 | 2,317,300 | 3,100 | 2,253,500 | < 50 | 3,100 |
| WASHTENAW | 20,500 | 16,221,500 | 8,400 | 8,020,900 | < 50 | 2,400 |
| WAYNE LESS DETROIT | 77,200 | 59,912,500 | 41,200 | 35,228,800 | 100 | 15,000 |
| WEXFORD | 2,100 | 972,400 | 1,400 | 871,200 | < 50 | 2,500 |
| OUTSIDE OF MICHIGAN | 5,300 | 3,326,400 | 1,800 | 1,364,400 | < 50 | 5,100 |
| DETROIT | 88,000 | 63,378,600 | 17,900 | 13,653,500 | 100 | 27,600 |
| **TOTAL** | 658,100 | $431,940,000 | 356,300 | $265,959,300 | 2,500 | $313,600 |

## Exhibit 16 (Continued)

| County | Blind and Disabled | | Farmland | | Total Credits | |
|---|---|---|---|---|---|---|
| | Number | Amount | Number | Amount | Number | Amount |
| ALCONA | < 50 | $25,300 | < 50 | $9,600 | 700 | $343,100 |
| ALGER | < 50 | 23,300 | < 50 | 400 | 600 | 290,100 |
| ALLEGAN | 500 | 374,600 | 100 | 962,100 | 10,000 | 7,057,900 |
| ALPENA | 200 | 135,900 | < 50 | 13,900 | 2,800 | 1,283,100 |
| ANTRIM | 100 | 46,000 | < 50 | 74,900 | 1,800 | 1,019,500 |
| ARENAC | 100 | 46,100 | 100 | 271,400 | 1,200 | 837,200 |
| BARAGA | < 50 | 13,900 | < 50 | 0 | 400 | 183,700 |
| BARRY | 200 | 151,000 | 100 | 660,700 | 4,600 | 3,317,600 |
| BAY | 900 | 667,500 | 200 | 1,783,700 | 12,300 | 7,855,400 |
| BENZIE | 100 | 55,100 | < 50 | 3,700 | 1,500 | 779,200 |
| BERRIEN | 900 | 728,800 | 100 | 502,500 | 16,300 | 9,961,300 |
| BRANCH | 200 | 142,300 | 200 | 1,041,700 | 3,900 | 3,201,500 |
| CALHOUN | 1,100 | 941,500 | 200 | 1,217,900 | 15,100 | 10,615,700 |
| CASS | 100 | 92,800 | 100 | 836,800 | 3,200 | 2,474,200 |
| CHARLEVOIX | 100 | 66,800 | < 50 | 38,400 | 2,600 | 1,569,900 |
| CHEBOYGAN | 200 | 106,200 | < 50 | 15,900 | 2,200 | 1,022,100 |
| CHIPPEWA | 200 | 97,200 | < 50 | 34,800 | 2,800 | 1,349,400 |
| CLARE | 200 | 121,100 | < 50 | 83,100 | 2,700 | 1,364,400 |
| CLINTON | 200 | 167,700 | 100 | 1,068,200 | 5,300 | 4,428,000 |
| CRAWFORD | 100 | 34,800 | < 50 | 18,900 | 900 | 442,300 |
| DELTA | 200 | 147,300 | < 50 | 56,200 | 3,400 | 1,673,500 |
| DICKINSON | 100 | 69,500 | < 50 | 13,000 | 2,400 | 1,203,200 |
| EATON | 600 | 507,600 | 100 | 784,100 | 13,200 | 9,315,000 |
| EMMET | 100 | 99,300 | < 50 | 7,200 | 3,400 | 2,026,600 |
| GENESEE | 3,800 | 3,242,200 | 100 | 476,800 | 48,400 | 30,068,000 |
| GLADWIN | 200 | 89,400 | < 50 | 83,200 | 2,300 | 1,189,700 |
| GOGEBIC | 100 | 54,900 | < 50 | 0 | 1,200 | 524,000 |
| GRAND TRAVERSE | 400 | 294,800 | < 50 | 26,200 | 10,300 | 6,846,600 |
| GRATIOT | 300 | 168,900 | 300 | 1,932,700 | 3,900 | 3,753,400 |
| HILLSDALE | 200 | 146,200 | 200 | 925,400 | 3,900 | 2,880,000 |
| HOUGHTON | 100 | 85,600 | < 50 | 0 | 2,500 | 1,226,600 |
| HURON | 200 | 133,000 | 800 | 7,951,400 | 4,300 | 9,837,500 |
| INGHAM | 1,800 | 1,646,300 | 100 | 1,796,400 | 35,600 | 26,726,900 |
| IONIA | 300 | 229,300 | 100 | 989,900 | 5,600 | 3,981,700 |
| IOSCO | 200 | 108,700 | < 50 | 75,100 | 2,300 | 1,106,500 |
| IRON | < 50 | 25,400 | < 50 | 0 | 900 | 385,000 |
| ISABELLA | 300 | 198,600 | 100 | 748,500 | 5,600 | 3,786,500 |
| JACKSON | 1,000 | 811,800 | 100 | 487,700 | 16,600 | 10,546,000 |
| KALAMAZOO | 1,400 | 1,304,100 | 100 | 707,100 | 29,000 | 20,966,800 |
| KALKASKA | 100 | 38,800 | < 50 | 500 | 1,400 | 664,700 |
| KENT | 3,000 | 2,791,700 | 100 | 975,500 | 75,000 | 52,977,100 |
| KEWEENAW | < 50 | 2,300 | < 50 | 0 | 100 | 44,100 |

## Exhibit 16 (Continued)

| | Blind and Disabled | | Farmland | | Total Credits | |
|---|---|---|---|---|---|---|
| County | Number | Amount | Number | Amount | Number | Amount |
| LAKE | 100 | $61,900 | < 50 | $4,800 | 900 | $442,200 |
| LAPEER | 400 | 314,000 | 100 | 278,600 | 6,600 | 3,850,600 |
| LEELANAU | < 50 | 16,100 | < 50 | 49,300 | 1,100 | 662,100 |
| LENAWEE | 600 | 502,200 | 400 | 2,777,900 | 10,600 | 8,914,700 |
| LIVINGSTON | 400 | 363,600 | < 50 | 4,800 | 11,300 | 8,044,700 |
| LUCE | < 50 | 10,300 | < 50 | 0 | 200 | 93,100 |
| MACKINAC | < 50 | 16,300 | < 50 | 13,000 | 800 | 378,300 |
| MACOMB | 5,800 | 6,258,500 | < 50 | 157,600 | 117,600 | 97,564,400 |
| MANISTEE | 100 | 98,100 | < 50 | 7,800 | 2,600 | 1,383,500 |
| MARQUETTE | 300 | 204,900 | < 50 | 3,400 | 5,800 | 3,059,800 |
| MASON | 200 | 114,600 | < 50 | 214,700 | 3,400 | 2,203,000 |
| MECOSTA | 200 | 112,200 | < 50 | 265,400 | 3,300 | 1,894,200 |
| MENOMINEE | 100 | 47,800 | < 50 | 77,200 | 1,800 | 916,300 |
| MIDLAND | 400 | 329,200 | < 50 | 257,200 | 7,900 | 4,673,000 |
| MISSAUKEE | 100 | 44,300 | 100 | 678,500 | 1,200 | 1,234,800 |
| MONROE | 700 | 609,000 | 100 | 746,800 | 12,800 | 8,525,700 |
| MONTCALM | 400 | 283,100 | 100 | 1,109,000 | 6,500 | 4,594,300 |
| MONTMORENCY | 100 | 37,800 | < 50 | 6,600 | 900 | 383,500 |
| MUSKEGON | 1,600 | 1,302,900 | < 50 | 366,700 | 21,600 | 13,709,800 |
| NEWAYGO | 300 | 225,600 | 100 | 251,700 | 4,300 | 2,670,400 |
| OAKLAND | 4,200 | 4,227,300 | < 50 | 108,200 | 105,400 | 85,545,700 |
| OCEANA | 200 | 101,500 | 100 | 258,700 | 2,600 | 1,653,500 |
| OGEMAW | 100 | 79,600 | < 50 | 158,600 | 2,000 | 1,098,800 |
| ONTONAGON | < 50 | 14,600 | < 50 | 2,000 | 400 | 201,500 |
| OSCEOLA | 100 | 75,100 | < 50 | 281,300 | 2,100 | 1,287,800 |
| OSCODA | 100 | 31,200 | < 50 | 0 | 500 | 210,700 |
| OTSEGO | 100 | 65,300 | < 50 | 0 | 2,100 | 1,019,200 |
| OTTAWA | 900 | 859,900 | 200 | 1,847,300 | 27,700 | 20,335,200 |
| PRESQUE ISLE | 100 | 44,200 | < 50 | 27,400 | 1,100 | 506,200 |
| ROSCOMMON | 200 | 118,400 | < 50 | 16,400 | 2,600 | 1,183,500 |
| SAGINAW | 1,600 | 1,212,900 | 400 | 2,944,600 | 22,200 | 14,776,000 |
| ST. CLAIR | 1,200 | 986,000 | < 50 | 261,600 | 17,600 | 10,719,900 |
| ST. JOSEPH | 300 | 194,600 | 100 | 1,148,500 | 5,500 | 3,918,600 |
| SANILAC | 300 | 193,900 | 400 | 2,465,000 | 4,200 | 4,492,900 |
| SCHOOLCRAFT | < 50 | 18,200 | < 50 | 1,800 | 500 | 204,300 |
| SHIAWASSEE | 600 | 462,800 | 200 | 1,121,000 | 8,400 | 5,693,500 |
| TUSCOLA | 400 | 272,300 | 500 | 4,096,300 | 5,600 | 6,614,600 |
| VAN BUREN | 400 | 356,000 | 100 | 429,300 | 8,100 | 5,359,200 |
| WASHTENAW | 1,200 | 1,205,900 | 200 | 1,627,200 | 30,400 | 27,078,000 |
| WAYNE LESS DETROIT | 6,400 | 6,904,700 | < 50 | 64,000 | 124,900 | 102,125,000 |
| WEXFORD | 200 | 149,200 | < 50 | 84,500 | 3,600 | 2,079,700 |
| OUTSIDE OF MICHIGAN | 300 | 248,800 | < 50 | 304,200 | 7,500 | 5,248,800 |
| DETROIT | 7,200 | 7,208,200 | < 50 | 6,400 | 113,200 | 84,274,300 |
| **TOTAL** | 58,000 | $52,216,400 | 6,800 | $51,520,700 | 1,081,700 | $801,950,100 |

## Federal Income Tax Expenditures

Michigan's income tax uses the federal definition of AGI as the starting point in calculating taxable income. Therefore, income sources excluded from AGI at the federal level are excluded automatically from state income taxation unless the state explicitly adds these items back. This section lists income sources that are not included in the federal definition of AGI and are not added back to Michigan taxable income.

Federal income tax expenditure estimates were derived using a three-step formula:

1. Federal (national) government tax expenditure estimate times Michigan's apportionment factor equals Michigan's share of federal government revenue loss.

2. Michigan's share of federal revenue loss divided by the average marginal tax rate for federal taxpayers equals Michigan income excluded from federal taxation.

3. Michigan income excluded from federal taxation times the state income tax rate equals Michigan's tax expenditure due to federal deductions or exemptions.

Federal government estimates are from the *Budget of the United States Government*.

The apportionment factors for the various expenditures are based on relevant statistics from the Bureau of Economic Analysis, the U.S. Census Bureau, and other sources. Federal marginal tax rates are from the U.S. Department of Treasury.

The reader is again cautioned regarding the reliability of federal income tax expenditure estimates. The accuracy of these estimates is dependent upon the accuracy of federal estimates, apportionment factor estimates, and marginal tax rate estimates.

| | **FY 2023 Estimate** |
|---|---|
| **Accelerated Depreciation**<br>When a person buys property to be used in a business or to earn rent and the property has a useful life of more than one year, the cost of the property is typically depreciated over its expected life. For tax purposes, a person may deduct depreciation at an accelerated rate. The federal tax expenditure estimate for depreciation now compares tax law depreciation with the estimated economic depreciation adjusted for inflation. | $68,860,000 |
| **Employer Contributions to Health and Life Insurance**<br>Exempts employer payments for employee medical insurance from taxation. Also exempts employer payments for life insurance premiums on the first $50,000 of life insurance. | $1,061,270,000 |

| | FY 2023 Estimate |
|---|---|
| **Employer Pension Plans**<br>Exempts employer payments into qualified employee pension plans from taxation. | $852,960,000 |
| **Federal Adjustments to Income**<br>Excludes moving expenses, health insurance purchased by self-employed persons, and alimony paid from the calculation of federal AGI. | $46,150,000 |
| **Fellowships and Scholarships**<br>Excludes most fellowships and scholarships used for tuition and fees for degree-seeking candidates from the calculation of federal AGI. | $28,920,000 |
| **Gain on Sale of Primary Residence**<br>Excludes from AGI a gain from the sale of a primary residence. To qualify for the full exemption, the taxpayer must have owned and lived in the home for at least two of the past five years and not claimed an exclusion in the previous two years. The maximum exclusion is $250,000 for a single return and $500,000 for a joint return. | $194,030,000 |
| **Income Maintenance Benefits**<br>Excludes public assistance benefits such as Temporary Aid to Needy Families (TANF) and general assistance from taxation. | $3,320,000 |
| **Individual Retirement Accounts**<br>Since 1982, taxpayers could establish an IRA and deduct from taxable income contributions up to $2,000 per year. The maximum contribution is $6,500 for 2021. Only persons with an AGI below $116,000 on a joint return ($73,000 on a single return) or those not covered by an employer retirement plan can take the full $6,500 deduction. A partial deduction, phased out according to income, is available between $116,000-$136,000 for joint filers and $73,000-$83,000 for single filers. | $350,990,000 |
| **Interest on Life Insurance Savings**<br>Exempts interest earned from life insurance from tax if used to buy additional life insurance. | $60,350,000 |
| **Medical Care Savings Account**<br>Reduces income by the amount contributed by or on behalf of a taxpayer to a qualified medical care savings account. | $46,720,000 |

| | FY 2023 Estimate |
|---|---|
| **Railroad Retirement Benefits**<br>Exempts most Type I railroad retirement benefits, which are taxed the same as social security benefits (see below). | $1,060,000 |
| **Social Security Benefits Excluded from AGI**<br>Exempts most social security benefits. Federal social security benefits are not taxable unless half of these benefits plus modified AGI exceed $32,000 on a joint return or $25,000 on an individual return. If benefits exceed this amount, a portion (generally no more than 50 percent but potentially up to 85 percent of social security benefits) is taxable under federal law. This estimate is only for the portion of Social Security benefits that are excluded from federal AGI. The portion included in AGI is reported separately above. | $202,410,000 |
| **Student Loan Deduction**<br>Allows a deduction for interest paid on qualified education loans. | $14,800,000 |
| **Veterans' Benefits**<br>Excludes veterans' benefits administered by the Veterans' Administration from AGI. | $102,030,000 |
| **Workers' Compensation**<br>Exempts workers' compensation received by the worker or his or her beneficiaries from taxation. | $35,020,000 |

# CHAPTER 7

# TRANSPORTATION TAX EXPENDITURES

Transportation tax expenditures are projected to rise modestly, increasing from $67.13 million in FY 2022 to $70.15 million in FY 2023. Transportation tax expenditure estimates were based on FY 2021 and FY 2022 data.

**Estimate Reliability**

(1) Aviation Fuel Tax
Motor Vehicle Registration Fee
Watercraft Registration Fee

(2) Marine Vessel Fuel
Motor Fuel Tax

Because most transportation tax expenditures require taxpayers to claim a refund from the state, transportation tax expenditure estimates have a relatively high degree of reliability. In addition, most of the estimates were based on recent data.

## Transportation Tax Expenditure Changes

**Public Act 124 of 2021** amended the Motor Fuel Tax Act to repeal the existing requirement that the additional tax be paid on motor fuel held in inventory over a certain amount when the motor fuel tax increased. The is often referred to as a floor tax on inventory.

## Aircraft Registration and Transfer Fee

In lieu of general or local property taxes on aircraft, the state levies an aircraft registration fee. The tax base is either the maximum gross weight or maximum take-off weight, whichever is greater. The registration fee is assessed at one cent per pound. The transfer fee is $1. These fees yielded an estimated $430,000 to the state's Aeronautics Fund in FY 2023.

## Aviation Fuel Tax Expenditures

Enacted in 1929, the aviation fuel tax is a tax on fuel sold for propelling aircraft. It is levied on the privilege of using aviation facilities, and the rate is three cents per gallon. In FY 2023, the aviation fuel tax raised $5.6 million, which is deposited into the state's Aeronautics Fund.

| | FY 2023 Estimate |
|---|---|
| **Federally-Owned Aircraft**<br>Exempts the federal government from the aviation gasoline tax for fuel used in federally-owned aircraft. | $533,000 |
| **Interstate Flight Refund**<br>Airlines that operate scheduled interstate flights receive a refund of 1.5 cents per gallon of aviation fuel used. | $4,127,000 |

## Marine Vessel Fuel Tax Expenditures

Enacted in 1947, the marine vessel fuel tax is levied on the privilege of operating vessels on navigable streams. The rate is 15 cents per gallon on diesel fuel. Two percent of gasoline sales is assumed to be for off-road use and is earmarked to the Recreation Improvement Fund. Not less than 80 percent of this amount is transferred to the Waterways Fund.

| | FY 2023 Estimate |
|---|---|
| **Marine Vessel Exemption**<br>Exempts watercraft used: by federal, state, or local governments; for commercial fishing; by the Sea Scouts; in interstate or foreign commerce; by a railroad company; and in connection with an activity providing a person's chief means of livelihood from the tax on marine fuels. | $807,000 |

## Motor Carrier Privilege Fee

A $100 fee is assessed on most vehicles operating on highways as common and contract carriers. Buses, trucks, or tractors used solely for the transportation of household goods pay a $50 fee. The fee was enacted in 1929 for the privilege of using highways. Revenue is deposited into the Michigan Transportation Fund. There are no tax expenditures associated with this fee.

## Motor Fuel Taxes

Motor fuel taxes include gasoline, diesel fuel, motor carrier diesel fuel, and liquefied petroleum gas taxes. The tax rate on gasoline increased to 28.6 cents per gallon, effective January 1, 2023. The diesel fuel tax rate also increased to 28.6 cents per gallon in January 2023. Revenue is earmarked to the Michigan Transportation Fund, and distributed to the state, counties, and cities to maintain roads, and to the Comprehensive Transportation Fund to help finance public transportation. In FY 2023, motor fuel taxes raised an estimated $1,494.5 million.

| | FY 2023 Estimate |
|---|---|
| **Diesel Fuel for Railroads**<br>Exempts diesel fuel used by railroad locomotives from motor fuel taxes. | n.a. |
| **Evaporation and Loss Allowance**<br>The 2 percent evaporation and loss allowance was replaced in 1997 by a 1.5 percent allowance for the collection of fuel taxes. | $18,583,000 |
| **Fuel for Job Sites and Charter Firms**<br>Exempts fuel consumed on job sites or by private and public charter bus trips from the gasoline and diesel fuel taxes. | $7,093,000 |
| **Fuel for Off-Road Use**<br>Exempts fuel purchased for motor vehicles used exclusively on nonpublic roads. | $1,759,000 |
| **Municipal Franchise Vehicles**<br>Refunds gasoline tax to persons operating passenger vehicles under a municipal franchise, license, permit, agreement or grant, such as taxi cabs. | $2,011,000 |
| **Public Vehicles**<br>Exempts fuel purchased for motor vehicles owned or leased by state, federal, or local governments from motor fuel taxes. | $19,888,000 |
| **Tribal Tax Agreements**<br>Provides for tribes to obtain tax-free motor fuel for use by the tribe, tribal entities, and resident tribal members. Sales to other parties made by tribal retailers will be fully taxed. | n.a. |

## Motor Vehicle Registration Fee

The motor vehicle registration fee was based originally on vehicle weight and type and was levied in lieu of the general property tax. Beginning with model year 1984, the registration fee for passenger vehicles became based on the vehicle's value rather than its weight. Other vehicles are still taxed on their weight. Registrations are effective for one year and expire annually on the owner's birthday. For FY 2023, the motor vehicle registration fee raised $1,503.5 million.

| | FY 2023 Estimate |
|---|---|
| **Disabled Veterans' Vehicles**<br>Provides totally disabled veterans free vehicle license plates. | $823,000 |
| **Handicapper Vans**<br>Reduces the tax by 50 percent for vans that are owned by persons using a wheelchair. | n.a. |
| **Intercity Commercial Buses**<br>Intercity commercial buses pay a registration fee of $25 rather than a tax based on weight. | n.a. |
| **Public and Nonprofit Vehicles**<br>Motor vehicles owned and operated by the state, a state institution, a municipality, a nonprofit college or university, or other nonprofit organization pay a lower rate of $5 for license plates with a five-year registration period. | $14,514,000 |

## Watercraft Registration Fee

A fee is assessed on motorboats and other vessels operating in Michigan waters based on boat type and length. The fee was enacted in 1967. The Marine Safety Fund receives 49 percent of the revenue, the Waterways Fund receives 17.5 percent, and the Harbor Development Fund receives the remaining 33.5 percent. Registrations are valid for three years.

| | FY 2023 Estimate |
|---|---|
| **Publicly-Owned Watercraft**<br>Levies a special fee of $1.50 for publicly-owned vessels if the vessels are not used for recreational, commercial, or rental purposes. | $15,000 |

# CHAPTER 8

# PROPERTY AND OTHER LOCAL TAX EXPENDITURES

Property tax expenditures include expenditures associated with general property, iron ore specific, mobile home, real estate property transfer, and city income taxes. Local property and other local tax expenditures are projected to increase 8.3 percent from $13,331.6 million in FY 2022 to $14,432.7 million in FY 2023. Growing property values increased the value of the taxable value cap for property owners. Estimates were based on FY 2021 and FY 2022 data.

**Estimate Reliability**

(1) Railroad Right-of-Way
(3) Tax-Exempt Property
(1-2) Homestead Exemption for Farm and Homestead Property
Other Local Taxes
Technology Parks

Tax expenditure estimates attributable to tax-exempt property are not reliable due to the inherent difficulty of estimating values of tax-exempt properties within each of Michigan's 83 counties. County equalization directors provide these estimates based on their own estimates or surveys of local units. Estimates are somewhat arbitrary because equalization directors use different methods to derive estimates. In many cases, equalization directors did not provide estimates, and estimates from previous years were used. These latter cases are noted in the exhibits.

Other local tax expenditures include accommodations, city income, and city utility users' tax. For most of these categories, data were not available to estimate the statewide value of tax expenditures associated with these taxes. The two exceptions are the Nonresident Reduced Rate and Personal Exemption tax expenditures associated with the city income tax. These estimates were based on a survey of city treasurers and are relatively stable from year to year.

## Property and Other Local Tax Expenditure Changes

**Public Act 3 of 2020** amended the Neighborhood Enterprise Zone Act to amend the standards to apply to properties with a current true cash value of $120,000 or less with proposed improvements that cost more than $10,000 (owner-occupied) or $15,000 (non-owner-occupied). Beginning in 2021, the dollar amounts would be adjusted for inflation.

**Public Act 28 of 2020** amended the General Property Tax Act to exempt eligible data center property located in a specific renaissance zone from local government debt and school millages.

**Public Act 96 of 2020** amended the General Property Tax Act to extend the deadline to file a principal residence exemption from June 1 to June 30, for calendar year 2020 only.

**Public Acts 217 and 218 of 2020** amended the Commercial Rehabilitation Act and the Commercial Redevelopment Act, respectively, to extend the period during which property tax abatements can be granted.

**Public Act 259 of 2020** amended the Brownfield Redevelopment Financing Act to expand the eligible uses of tax increment revenues.

**Public Act 355 of 2020** amended the General Property Tax Act to exempt real and personal property that is part of a public bridge facility subject to a public-private agreement that is exempt from ad valorem property taxes. The bill is a part of a broader package addressing bridges.

**Public Act 138 of 2021** amended the Brownfield Redevelopment Financing Act to allow the owner or developer of a transformational brownfield plan site to elect a safe harbor method for computing the income tax capture revenues and withholding tax capture revenues, as detailed in the Act. The Public Act also made several changes to the administration of the program.

**Public Act 150 of 2021** amended the General Property Tax Act to increase the value of personal property eligible for an exemption under the Act. This is often referred to as the small taxpayer exemption. The Public Act raised the ceiling amount of true cash value eligible for exemption from $80,000 to $180,000.

**Public Acts 153 through 157 of 2021** amended several Acts to make technical changes to the administration of the exemption of eligible manufacturing personal property and the alternative tax that applies to exempt eligible property.

**Public Act 164 of 2021** amended the General Property Tax Act to extend through the 2022 tax year the provision requiring that personal property that is in an alternate location due to the COVID-19 pandemic be assessed in its ordinary location.

## Utility Property Tax Expenditures

The State of Michigan levies a utility property tax on certain public utilities doing business in Michigan. The tax base is equal to 50 percent of the true cash value of all property owned by railroad, railroad car, and telephone and telegraph companies. Enacted in 1905, the utility property tax rate equals the average statewide general property tax rate in the preceding year on commercial and industrial property. Revenue is deposited into the General Fund, and FY 2023 collections were $35.9 million.

| | FY 2023 Estimate |
|---|---|
| **Broadband Investment Credit**<br>Public Act 50 of 2002 provides a credit for the state utility property tax for a company that installs telecommunications equipment with information carrying capability exceeding 200 kilobits per second in both directions. This credit was intended to accelerate the introduction of broadband Internet access to Michigan. | $30,810,000 |
| **Railroad Right-of-Way**<br>Provides a credit to railroad companies for maintaining or improving certain rolling stock and rights-of-way in Michigan. | $46,810,000 |

## General Property Tax

Enacted in 1893, Michigan's general property tax is the main source of revenue for local governments. The property tax is levied on a base of taxable value. Taxable value cannot increase in any one year by more than 5 percent or the rate of inflation, whichever is less (excluding transfers, new construction, and additions). Rates may vary by local unit, though each local unit's rate is subject to the State Constitution (Article IX, Sec. 6) and various statutes. The following table lists average statewide millage rates since 1990.

| | FY 2023 Estimate |
|---|---|
| **Agricultural Transfers**<br>Increases in the taxable value of property are capped at 5 percent or the rate of inflation, whichever is less. When ownership in property is transferred, the taxable value is set equal to the state equalized value, which is 50 percent of the true cash value. This provision exempts transfers of agricultural property from the "pop up" in taxable value when the new owner certifies that the property will continue to be used in agriculture. | $49,050,000 |
| **Air and Water Pollution Control**<br>Exempts air and water pollution control equipment from the property tax after approval and certification by the State Tax Commission. | $177,100,000 |
| **Cultural Organizations**<br>Exempts from the property tax real property owned and occupied by a nonprofit organization meeting specific requirements. Some of the requirements are that the organization must be: incorporated under state law; devoted exclusively to the development of literature, music, painting or sculpture; and available to the general public on a regular basis. Data are not available to estimate this item. | n.a. |

**Exhibit 17**
**Average Statewide Millage Rates**

| Calendar Year | Homestead Property | Non-homestead Property | All Property |
|---|---|---|---|
| 1993 | n.a. | n.a. | 56.64 |
| 1994 | 30.22 | 48.17 | 38.19 |
| 1995 | 31.00 | 48.79 | 38.88 |
| 1996 | 31.36 | 49.54 | 39.32 |
| 1997 | 31.36 | 49.63 | 39.25 |
| 1998 | 31.43 | 49.68 | 39.27 |
| 1999 | 31.40 | 49.76 | 39.16 |
| 2000 | 31.54 | 50.10 | 39.32 |
| 2001 | 32.12 | 50.72 | 39.78 |
| 2002 | 32.60 | 51.00 | 40.17 |
| 2003 | 31.81 | 49.74 | 39.00 |
| 2004 | 32.71 | 50.81 | 40.00 |
| 2005 | 32.60 | 51.38 | 39.88 |
| 2006 | 32.66 | 51.38 | 39.96 |
| 2007 | 32.72 | 51.49 | 39.89 |
| 2008 | 33.14 | 50.94 | 38.94 |
| 2009 | 32.86 | 51.09 | 39.13 |
| 2010 | 33.13 | 50.40 | 39.70 |
| 2011 | 33.68 | 50.97 | 40.00 |
| 2012 | 33.47 | 51.24 | 40.40 |
| 2013 | 33.53 | 51.47 | 40.47 |
| 2014 | 33.92 | 51.77 | 40.79 |
| 2015 | 34.21 | 52.33 | 41.12 |
| 2016 | 34.55 | 52.95 | 41.70 |
| 2017 | 34.56 | 52.96 | 41.68 |
| 2018 | 34.96 | 53.23 | 41.98 |
| 2019 | 35.04 | 53.38 | 42.06 |
| 2020 | 35.44 | 53.86 | 42.44 |
| 2021 | 35.12 | 53.81 | 42.16 |

Source: All Property Millage Rates from State Tax Commission except 1994; CY 1994 All Property Rate and Homestead and Non-homestead millage rates from Office of Revenue and Tax Analysis, Michigan Department of Treasury.

| | FY 2023 Estimate |
|---|---|
| **Disabled Veteran Homestead Exemption**<br>Exempts from property taxes real property used and owned by a disabled veteran who is entitled to veterans' benefits at the 100 percent rate, has received or is receiving assistance due to disability for specially adapted housing, or has been rated by the U.S. Department of Veterans Affairs as unemployable. A surviving spouse of a disabled veteran who does not remarry may retain the exemption. | $63,540,000 |
| **Fairground Property**<br>Exempts property owned by an agricultural society and used primarily for fair purposes. | n.a. |
| **Homestead Exemption**<br>Exempts most owner-occupied housing that is the primary residence of the owner from local school operating mills, generally 18 mills. | $3,730,150,000 |
| **Homestead Exemption for Farm Property**<br>Exempts qualified agricultural property, including houses, from local school operating mills. | $222,280,000 |
| **Industrial Facilities Development**<br>Allows local governments to grant property tax exemptions for up to 12 years to encourage the establishment of new industrial facilities and the creation, restoration, or replacement of obsolete facilities. In lieu of property tax, an industrial facilities tax is levied on industrial property (building, machinery, and equipment, but not land).<br><br>For a restored facility, the industrial facilities tax is levied at the same rate as the local property tax, but only on the taxable value of the property before the exemption. Therefore, the value of restoration or replacement is exempt from the industrial facilities tax. For a new facility approved after 1993, the industrial facility tax is half the property tax rate applied to the taxable value of the new facility. The full 6-mill State Education Tax rate is levied unless reduced by the Director of the Strategic Fund. Exhibit 18 displays a partial estimate of the taxable value of property subject to the industrial facilities development program. Public Act 39 of 2007 and Public Act 457 of 2008 reduced the tax on new facility personal property on land classified as industrial or commercial real property. | $143,830,000 |

| | FY 2023 Estimate |
|---|---|
| **Neighborhood Enterprise Zones**<br>Allows local units of government that participate in this program to grant property tax abatements. For new housing, the property tax rate is equal to one-half the statewide average millage rate. For rehabilitated housing, assessments are frozen so that the value of improvements is not taxed. | $9,290,000 |
| **Obsolete Property Rehabilitation Exemption**<br>Under the Obsolete Property Rehabilitation Act (OPRA), commercial buildings in qualified local governmental units may be granted an OPRA abatement certificate, which results in reduced property taxes on the increased value of renovated and redeveloped facilities. | $31,530,000 |
| **Personal Property Ad Valorem Exemptions**<br>Exempts industrial personal property from the 18-mill property tax for local schools and the state education tax (6 mills). Commercial personal property is exempt from 12 of the 18 mills for schools. | $301,860,000 |
| **Personal Property Industrial Facilities**<br>Provides an exemption from the industrial facilities tax equal to the portion of the tax attributable to the 6 mills for state education tax and the 18 mills for school operations. | $19,770,000 |
| **Small Taxpayer Exemption/Eligible Manufacturing Personal Property**<br>The small taxpayer exemption provides an exemption for personal property classified as industrial or commercial personal property if, among other qualifications, the true cash value of all industrial and commercial personal property owned by, leased by or in the possession of the owner in a tax collecting unit is less than $80,000. Public Act 150 of 2021 raised the threshold to $180,000, beginning in 2023.<br><br>Eligible Manufacturing Personal Property (EMPP) is personal property used at least 50% of the time in industrial processing or direct integrated support. EMPP is exempt if placed in service after 2012 or more than 10 years before the tax year, e.g. for 2021, placed in service before 2011. Exempt EMPP is subject to the state Essential Services Assessment. | $480,690,000 |
| **Poverty Exemption**<br>Provides an exemption for impoverished individuals who, in the judgment of the township supervisor and board of review, are unable to contribute towards the provision of public services. | $10,810,000 |

| | FY 2023 Estimate |
|---|---|
| **Renaissance Zones**<br>Exempts homeowners in a Renaissance Zone or a business that is located and conducts business activity within a Renaissance Zone from most property taxes. | $37,230,000 |
| **Tax-Exempt Property**<br>Exhibit 18 reports the results from the 2020 County Survey of Tax-Exempt Property. The survey includes seven categories of tax-exempt property reported by county. These estimates of the taxable value of exempt property were provided by county equalization departments, as required by Public Act 155 of 1925. Exhibit 17 contains a map of Michigan's counties.<br><br>The total estimated taxable value of exempt property (not including tax-exempt property for industrial facility development) reported was $36.4 billion. If taxed at the 2021 average nonhomestead statewide rate of 53.81 mills, tax-exempt property would have yielded $1.96 billion in property tax revenue.<br><br>Note: Tax-exempt property for Ingham and Wayne counties is not included in estimates. Both counties contain *substantial* tax-exempt property used for public education, state and federal government, municipal and personal purposes. Estimates for the various classifications of tax-exempt property are presented below. | $2,058,000,000 |
| **Tax-Exempt Acreage**<br>Exhibit 19 shows exempt nonprofit religious or educational property by county. Properties are exempt under Article IX, Sec. 4, of the State Constitution. Tax-exempt acreage totaled an estimated 1,007,035 acres in 2019. | n.a. |
| **Tax-Exempt County and Municipal Property**<br>Exempts real property owned by counties, townships, cities, villages, and school districts. | $327,000,000 |
| **Tax-Exempt Federal Property**<br>Exempts real property belonging to the United States government. | $379,000,000 |
| **Tax-Exempt Other Real Tax Exempt Property**<br>Exempts other real property including hospitals, charitable institutions, selected nonprofit organizations, cemeteries, and utilities. | $222,000,000 |

| | FY 2023 Estimate |
|---|---|
| **Tax-Exempt Personal Property**<br>Exempts specific items from the property tax. Examples include hospital equipment, special tools, inventories, solar wind and water energy equipment, air and water pollution equipment, and wood and fish harvesting equipment.<br><br>Examples of personal property owners receiving the exemption include charitable institutions, libraries, banks and trusts, credit unions, parent-cooperative preschools, government units, airports, memorial posts, and public service organizations. The estimate does not include personal property owned by religious and nonprofit educational organizations. | $296,000,000 |
| **Tax-Exempt Public Education Property**<br>Exempts real property owned, leased, loaned, or otherwise made available to school districts if the property is used primarily for public school purposes. | $586,000,000 |
| **Tax-Exempt Specifically-Taxed Property**<br>Imposes a registration fee on motor vehicles, boats, and aircraft in lieu of property taxes. The difference between the revenue from the registration fee compared to revenue that would result from a property tax represents a tax expenditure. | n.a. |
| **Tax-Exempt State Property**<br>Exempts real property owned by the State of Michigan. | $248,000,000 |
| **Tax Increment Financing**<br>Allows municipalities to create tax increment finance plans under the Downtown Development Authority Act, P.A. 197 of 1975; the Tax Increment Finance Authority Act, P.A. 450 of 1980; the Local Development Finance Authority Act, P.A. 281 of 1986; and the Brownfield Redevelopment Act, P.A. 381 of 1996. Each authority may capture millage from the general property tax and industrial and commercial facilities taxes. The captured revenue, which would normally accrue to the city, county, and school district, is diverted to finance commercial and industrial costs.<br><br>Estimates of the cost of tax increment financing assume that local units would have invested in projects without assistance from tax increment finance plans. To the extent these investments would not have occurred without funding through the tax increment finance plan, the tax expenditure estimates are overstated. | $277,450,000 |

| | FY 2023 Estimate |
|---|---|
| **Taxable Value Cap**<br>Limits the rate of increase in property tax assessments to 5 percent or the rate of inflation, whichever is less. Taxable value becomes 50 percent of true cash value when ownership is transferred. | $6,383,680,000 |
| **Veterans' Organizations**<br>Exempts real and personal property owned and occupied by veterans' organizations. Previously, exemptions were limited to those buildings used as residences. Some revenue will be lost through the exemption, but only a few headquarters were previously on the tax rolls. | n.a. |
| **Water Softeners and Water Coolers**<br>Exempts rented or leased water softener equipment and leased bottled water coolers from the personal property tax. | $1,430,000 |

## Iron Ore Specific Tax

The iron ore tax is levied on iron ore mines in lieu of property tax. The tax was enacted in 1951 to encourage commercial development of mineral resources in Michigan. The rate is 1.1 percent of the value per gross ton of iron ore pellets, and it is levied only in Marquette County. The iron ore tax yielded $6.5 million in 2023. The state's share of the iron ore specific tax is deposited into the School Aid Fund. The state received $6.2 million in FY 2023.

## Exhibit 18
## Estimated Taxable Value of Exempt Real and Personal Property by County, 2022
## (Taxable Value in Thousands)

| County | Industrial Facilities Tax | Federal | State | County and Municipal | Public Education |
|---|---|---|---|---|---|
| ALCONA | $223,328 | $114,520 | $7,225 | $27,754 | $41,198 |
| ALGER* | 113 | 22,328 | 1,757 | 2,230 | 7,253 |
| ALLEGAN * | 120,594 | 0 | 0 | 0 | 0 |
| ALPENA * | 527,811 | 9,094 | 68,954 | 103,000 | 68,200 |
| ANTRIM | 0 | 0 | 0 | 0 | 0 |
| ARENAC | 2,799 | 517 | 4,594 | 1,450 | 1,160 |
| BARAGA * | 158 | 35,195 | 38,426 | 1,534 | 3,142 |
| BARRY | 33,767 | 1,993 | 57,799 | 36,712 | 8,631 |
| BAY * | 91,869 | 819 | 1,148 | 4,095 | 10,918 |
| BENZIE * | 0 | 33,116 | 85,394 | 20,320 | 5,463 |
| BERRIEN | 39,612 | 0 | 0 | 0 | 0 |
| BRANCH * | 55,737 | 0 | 854 | 10,450 | 4,500 |
| CALHOUN | 77,033 | 5,632 | 61,511 | 311,729 | 31,309 |
| CASS * | 22,739 | 10 | 3,419 | 20,837 | 133,043 |
| CHARLEVOIX * | 101,829 | 979 | 22,066 | 24,426 | 44,643 |
| CHEBOYGAN * | 0 | 2,665 | 94,153 | 46,218 | 26,014 |
| CHIPPEWA * | 1,869 | 1,243,228 | 50,000 | 3,000 | 54,000 |
| CLARE * | 8,209 | 927 | 25,013 | 3,443 | 37,108 |
| CLINTON | 5,316 | 15 | 3,200 | 15,000 | 25,000 |
| CRAWFORD * | 915 | 28,545 | 330,000 | 6,233 | 21,150 |
| DELTA * | 21,683 | 206,309 | 67,816 | 23,000 | 12,500 |
| DICKINSON | 17,993 | 4,585 | 98,002 | 18,745 | 50,130 |
| EATON | 45,226 | 410 | 37,098 | 194,345 | 57,525 |
| EMMET | 7,139 | 0 | 61,189 | 324 | 2,308 |
| GENESEE | 86,714 | 22,124 | 74,039 | 633,101 | 738,274 |
| GLADWIN * | 2,689 | 0 | 25,000 | 13,000 | 31,000 |
| GOGEBIC | 2,261 | 174,528 | 6,985 | 33,224 | 10,266 |
| GRAND TRAVERSE | 3,570 | 10,205 | 117,362 | 248,540 | 151,142 |
| GRATIOT * | 28,137 | 1,650 | 9,250 | 8,700 | 185,000 |
| HILLSDALE | 10,704 | 285 | 4,100 | 25,000 | 101,000 |
| HOUGHTON | 76 | 20,039 | 110,517 | 16,419 | 146,108 |
| HURON* | 56,841 | 39,400 | 10,542 | 85,700 | 0 |
| INGHAM * | 58,438 | 6,611 | 285,243 | 228,713 | 79,215 |
| IONIA * | 16,624 | 0 | 3,297 | 17,255 | 21,800 |
| IOSCO * | 0 | 7,893 | 49,295 | 3,394 | 185 |
| IRON | 824 | 31,203 | 34,550 | 6,296 | 1,041 |
| ISABELLA | 5,502 | n.a. | n.a. | n.a. | n.a. |
| JACKSON * | 94,089 | 2,000 | 201,000 | 38,000 | 98,000 |
| KALAMAZOO | 198,233 | 44,900 | 456,491 | 964,112 | 1,780,658 |
| KALKASKA * | 2,996 | 1,000 | 100,000 | 100,000 | 95,000 |
| KENT * | 543,538 | 24,450 | 23,766 | 174,895 | 484,900 |
| KEWEENAW | 0 | 33,510 | 2,700 | 585 | 270 |

## Exhibit 18 (Continued)

| County | Personal Property | Other | Exempt Total | Total Taxable Value Real and Personal Property | Exempt as a Percent of Taxable |
|---|---|---|---|---|---|
| ALCONA | $0 | $936 | $191,633 | $832,540 | 18.7% |
| ALGER* | 55,000 | 0 | 88,568 | $434,526 | 16.9% |
| ALLEGAN * | 113,900 | 0 | 113,900 | $5,832,191 | 1.9% |
| ALPENA * | 36,547 | 0 | 285,795 | $1,038,784 | 21.6% |
| ANTRIM | 0 | 0 | 0 | $2,216,915 | 0.0% |
| ARENAC | 34,483 | 0 | 42,205 | $645,465 | 6.1% |
| BARAGA * | 0 | 13,784 | 92,081 | $317,566 | 22.5% |
| BARRY | 0 | 64,387 | 169,522 | $2,618,481 | 6.1% |
| BAY * | 72,382 | 4,521 | 93,883 | $3,133,134 | 2.9% |
| BENZIE * | 0 | 15,503 | 159,796 | $1,517,581 | 9.5% |
| BERRIEN | 12,066 | 760,410 | 772,476 | $8,883,383 | 8.0% |
| BRANCH * | 0 | 6,500 | 22,304 | $1,673,498 | 1.3% |
| CALHOUN | 74,773 | 148,663 | 633,617 | $4,056,534 | 13.5% |
| CASS * | 0 | 0 | 157,309 | $2,590,931 | 5.7% |
| CHARLEVOIX * | 3,526 | 13 | 95,653 | $2,522,033 | 3.7% |
| CHEBOYGAN * | 6,200 | 21,998 | 197,248 | $1,627,469 | 10.8% |
| CHIPPEWA * | 21,200 | 3,500 | 1,374,928 | $1,258,607 | 52.2% |
| CLARE * | 72,638 | 0 | 139,129 | $1,245,008 | 10.1% |
| CLINTON | 43,215 | 4,475 | 90,905 | $3,348,981 | 2.6% |
| CRAWFORD * | 53,403 | 20,000 | 459,331 | $713,790 | 39.2% |
| DELTA * | 0 | 0 | 309,625 | $1,331,961 | 18.9% |
| DICKINSON | 1,768 | 34,589 | 207,819 | $968,792 | 17.7% |
| EATON | 234,130 | 198,601 | 722,109 | $4,208,049 | 14.6% |
| EMMET | 0 | 0 | 63,821 | $3,474,577 | 1.8% |
| GENESEE | 436,619 | 0 | 1,904,157 | $11,143,608 | 14.6% |
| GLADWIN * | 6,315 | 2,460 | 77,775 | $1,104,295 | 6.6% |
| GOGEBIC | 1,432 | 14,129 | 240,564 | $595,729 | 28.8% |
| GRAND TRAVERSE | 0 | 212,053 | 739,302 | $6,383,536 | 10.4% |
| GRATIOT * | 135,000 | 10,000 | 349,600 | $1,681,648 | 17.2% |
| HILLSDALE | 15,000 | 44,700 | 190,085 | $1,669,001 | 10.2% |
| HOUGHTON | 0 | 10,730 | 303,813 | $1,070,386 | 22.1% |
| HURON* | 0 | 0 | 135,642 | $2,577,121 | 5.0% |
| INGHAM * | 948 | 190,879 | n.a. | $9,259,401 | n.a. |
| IONIA * | 3,900 | 0 | 46,252 | $1,934,748 | 2.3% |
| IOSCO * | 0 | 597 | 61,364 | $1,290,265 | 4.5% |
| IRON | 0 | 0 | 73,090 | $584,050 | 11.1% |
| ISABELLA | n.a. | n.a. | 0 | $2,383,092 | 0.0% |
| JACKSON * | 200,000 | 5,000 | 544,000 | $5,276,363 | 9.3% |
| KALAMAZOO | 0 | 130,669 | 3,376,830 | $10,010,844 | 25.2% |
| KALKASKA * | 100,000 | 55,000 | 451,000 | $939,226 | 32.4% |
| KENT * | 1,840,872 | 158,010 | 2,706,893 | $28,418,785 | 8.7% |
| KEWEENAW | 370 | 7,297 | 44,732 | $174,376 | 20.4% |

## Exhibit 18 (Continued)

| County | Industrial Facilities Tax | Federal | State | County and Municipal | Public Education |
|---|---|---|---|---|---|
| LAKE * | $118 | $73,422 | $41,768 | $8,266 | $9,252 |
| LAPEER * | 21,762 | 1,070 | 30,317 | 70,247 | 42,448 |
| LEELANAU | 0 | 673,340 | 60,517 | 140,530 | 9,761 |
| LENAWEE * | 100,337 | 1,500 | 34,800 | 76,300 | 228,800 |
| LIVINGSTON * | 41,742 | 3,269 | 3,407 | 96,681 | 89,524 |
| LUCE * | 11,500 | 50 | 8,000 | 2,571 | 4,301 |
| MACKINAC * | n.a. | 22,794 | 73,314 | 10,193 | 15,013 |
| MACOMB * | 795,737 | 2,939,414 | 82,904 | 461,687 | 880,193 |
| MANISTEE | 2,992 | 154,683 | 48,900 | 43,494 | 46,661 |
| MARQUETTE | 1,595 | 16,764 | 171,461 | 22,225 | 210,000 |
| MASON * | 7,350 | 143,000 | 34,700 | 93,300 | 178,600 |
| MECOSTA * | 700 | 10,000 | 13,000 | 10,000 | 500,000 |
| MENOMINEE * | 4,473 | 0 | 74,966 | 94 | 705 |
| MIDLAND * | 162,044 | 335 | 9,130 | 75,210 | 90,150 |
| MISSAUKEE | 1,630 | 80 | 58,053 | 30,500 | 68,678 |
| MONROE * | 132,623 | 145 | 10,908 | 80,528 | 177,373 |
| MONTCALM * | 32,069 | n.a. | 0 | n.a. | n.a. |
| MONTMORENCY | 0 | 139 | 223,678 | 1,987 | 949 |
| MUSKEGON | 50,976 | 18,913 | 94,385 | 158,844 | 897,190 |
| NEWAYGO | 16,095 | n.a. | n.a. | n.a. | n.a. |
| OAKLAND * | 300,454 | n.a. | n.a. | n.a. | n.a. |
| OCEANA * | 7,218 | 16,500 | 6,100 | 2,200 | 15,000 |
| OGEMAW * | 533 | 6,230 | 12,830 | 8,171 | 6,256 |
| ONTONAGON | 0 | 247,080 | 31,303 | 5,013 | 11,672 |
| OSCEOLA | 796 | 78 | 786 | 15,595 | 38,618 |
| OSCODA | 1,009 | 168,500 | 58,163 | 13,250 | 20,169 |
| OTSEGO * | 2,041 | 2,016 | 22,300 | 6,285 | 80,000 |
| OTTAWA * | 276,610 | 24,405 | 36,476 | 245,184 | 1,018,489 |
| PRESQUE ISLE * | 373,177 | 0 | 40,315 | 108,911 | n.a. |
| ROSCOMMON* | 1,485 | 113 | 230,000 | 5,717 | 32,088 |
| SAGINAW * | 156,000 | 32,000 | 165,000 | 228,000 | 719,000 |
| SAINT CLAIR* | 71,092 | 12,699 | 66,192 | 217,989 | 246,092 |
| SAINT JOSEPH * | 104,296 | n.a. | n.a. | n.a. | n.a. |
| SANILAC | 2,400 | n.a. | n.a. | n.a. | n.a. |
| SCHOOLCRAFT * | 10,039 | n.a. | n.a. | n.a. | 48,867 |
| SHIAWASSEE * | 6,476 | 675 | 18,500 | 68,000 | 93,000 |
| TUSCOLA* | 13,292 | 0 | 0 | 0 | 0 |
| VAN BUREN * | 97,974 | 0 | 1,000 | 12,500 | 7,500 |
| WASHTENAW * | 166,776 | 0 | 230 | 474 | 10,259 |
| WAYNE | 121,441 | 2,110 | 2,179 | 303,591 | 37,631 |
| WEXFORD * | 18,230 | n.a. | n.a. | n.a. | 0 |
| TOTAL | $5,452,178 | $6,699,899 | $4,397,158 | $5,791,726 | $10,365,662 |

Note: Wayne and Ingham Counties are not in totals. 2017 taxable value for Wayne County was $39.5 billion.

* Based on surveys from current and prior years as counties did not provide estimates.

## Exhibit 18 (Continued)

| County | Personal Property | Other | Exempt Total | Total Taxable Value Real and Personal Property | Exempt as a Percent of Taxable |
|---|---|---|---|---|---|
| LAKE * | $680 | $5,462 | $138,850 | $675,455 | 17.1% |
| LAPEER * | 2,312 | 58,711 | 205,105 | $3,504,017 | 5.5% |
| LEELANAU | 0 | 119,889 | 1,004,037 | $3,317,449 | 23.2% |
| LENAWEE * | 0 | 21,000 | 362,400 | $3,948,469 | 8.4% |
| LIVINGSTON * | 9,364 | 43,531 | 245,776 | $10,846,457 | 2.2% |
| LUCE * | 650 | 1,749 | 17,321 | $202,849 | 7.9% |
| MACKINAC * | 7,817 | 2,164 | 131,295 | $1,170,401 | 10.1% |
| MACOMB * | 159,121 | 415,808 | 4,939,127 | $32,856,276 | 13.1% |
| MANISTEE | 56,442 | 67,379 | 417,559 | $1,290,885 | 24.4% |
| MARQUETTE | 0 | 242,000 | 662,450 | $3,038,543 | 17.9% |
| MASON * | 0 | 84,000 | 533,600 | $2,159,765 | 19.8% |
| MECOSTA * | 2,900 | 4,300 | 540,200 | $1,563,106 | 25.7% |
| MENOMINEE * | 0 | 4,431 | 80,196 | $883,906 | 8.3% |
| MIDLAND * | 154,540 | 110,240 | 439,605 | $3,768,842 | 10.4% |
| MISSAUKEE | 0 | 0 | 157,311 | $730,447 | 17.7% |
| MONROE * | 0 | 8,671 | 277,625 | $6,791,189 | 3.9% |
| MONTCALM * | 89,554 | 0 | 89,554 | $2,198,065 | 3.9% |
| MONTMORENCY | 0 | 3,738 | 230,492 | $540,155 | 29.9% |
| MUSKEGON | 238,500 | 0 | 1,407,832 | $5,307,848 | 21.0% |
| NEWAYGO | n.a. | 18,265 | 18,265 | $1,804,227 | 1.0% |
| OAKLAND * | 178,016 | n.a. | 178,016 | $69,645,264 | 0.3% |
| OCEANA * | 4,100 | 0 | 43,900 | $1,375,149 | 3.1% |
| OGEMAW * | 0 | 2,844 | 36,331 | $966,198 | 3.6% |
| ONTONAGON | 0 | 119,363 | 414,431 | $299,821 | 58.0% |
| OSCEOLA | 0 | 9,833 | 64,910 | $850,468 | 7.1% |
| OSCODA | 4,101 | 4,852 | 269,035 | $434,233 | 38.3% |
| OTSEGO * | 45,800 | 3,665 | 160,066 | $1,441,146 | 10.0% |
| OTTAWA * | 0 | 0 | 1,324,554 | $13,978,568 | 8.7% |
| PRESQUE ISLE * | n.a. | n.a. | 149,226 | $774,054 | 16.2% |
| ROSCOMMON* | 8,400 | 9,514 | 285,832 | $1,513,946 | 15.9% |
| SAGINAW * | 556,000 | 250,000 | 1,950,000 | $5,763,700 | 25.3% |
| SAINT CLAIR* | 129,346 | 178,053 | 850,371 | 7,058,438 | 10.8% |
| SAINT JOSEPH * | n.a. | n.a. | 0 | 2,300,526 | 0.0% |
| SANILAC | 0 | 7,062 | 7,062 | 1,760,772 | 0.4% |
| SCHOOLCRAFT * | n.a. | n.a. | 48,867 | 400,038 | 10.9% |
| SHIAWASSEE * | 12,000 | 0 | 192,175 | 2,243,857 | 7.9% |
| TUSCOLA* | 0 | 0 | 0 | 2,099,331 | 0.0% |
| VAN BUREN * | 1,500 | 0 | 22,500 | 3,692,523 | 0.6% |
| WASHTENAW * | 774 | 647 | 12,384 | 20,256,186 | 0.1% |
| WAYNE | 88,374 | 35,182 | 469,067 | 48,166,817 | 1.0% |
| WEXFORD * | n.a. | n.a. | 0 | 1,141,221 | 0.0% |
| TOTAL | $5,237,604 | $3,936,576 | $36,428,625 | $358,321,659 | 9.2% |

Note: Wayne and Ingham Counties are not in totals. 2017 taxable value for Wayne County was $39.5 billion.

* Based on surveys from current and prior years as counties did not provide estimates.

# Exhibit 19
## General Property Tax – Estimated Exempt Acreage by County, 2022

| County | Estimated Acreage | County | Estimated Acreage |
|---|---|---|---|
| ALCONA | 410 | LAKE * | 1,052 |
| ALGER* | 14,000 | LAPEER * | 2,000 |
| ALLEGAN * | 1,000 | LEELANAU | 960 |
| ALPENA * | 5,800 | LENAWEE * | 9,200 |
| ANTRIM | 1,000 | LIVINGSTON * | 1,213 |
| ARENAC * | 23,112 | LUCE * | 2,300 |
| BARAGA | 492,120 | MACKINAC * | 240 |
| BARRY | 847 | MACOMB * | 5,467 |
| BAY* | 889 | MANISTEE | 4,500 |
| BENZIE * | 554 | MARQUETTE * | 140 |
| BERRIEN * | 20,667 | MASON * | 620 |
| BRANCH * | 425 | MECOSTA * | 2,100 |
| CALHOUN * | 5,670 | MENOMINEE * | 80,252 |
| CASS * | 773 | MIDLAND * | 2,000 |
| CHARLEVOIX * | 350 | MISSAUKEE * | 900 |
| CHEBOYGAN | 13,702 | MONROE * | 3,200 |
| CHIPPEWA * | 1,500 | MONTCALM * | 7,000 |
| CLARE * | 172 | MONTMORENCY | 475 |
| CLINTON * | 100 | MUSKEGON | 2,715 |
| CRAWFORD * | 1,519 | NEWAYGO * | 6,800 |
| DELTA * | 5,295 | OAKLAND * | 9,440 |
| DICKINSON | 250 | OCEANA * | 500 |
| EATON | 3,165 | OGEMAW * | 693 |
| EMMET * | 1,000 | ONTONAGON | 200 |
| GENESEE | 12,000 | OSCEOLA * | 2,684 |
| GLADWIN * | 1,000 | OSCODA * | 193 |
| GOGEBIC | 2,090 | OTSEGO * | 735 |
| GRAND TRAVERSE | 2,750 | OTTAWA * | 7,287 |
| GRATIOT * | 300 | PRESQUE ISLE * | 92,659 |
| HILLSDALE | 2,900 | ROSCOMMON | 1,398 |
| HOUGHTON | 8,150 | SAGINAW * | 4,500 |
| HURON * | 341 | SAINT CLAIR * | 11,972 |
| INGHAM * | 741 | SAINT JOSEPH * | 8,712 |
| IONIA * | 544 | SANILAC * | 5,200 |
| IOSCO * | 32,857 | SCHOOLCRAFT * | n.a. |
| IRON | 60 | SHIAWASSEE * | 325 |
| ISABELLA * | 2,882 | TUSCOLA * | 475 |
| JACKSON * | 3,020 | VAN BUREN * | 4,530 |
| KALAMAZOO | 40,000 | WASHTENAW * | 200 |
| KALKASKA * | 340 | WAYNE * | 625 |
| KENT * | 3,200 | WEXFORD * | 343 |
| KEWEENAW | 13,600 | TOTAL | 1,006,901 |

* Based on a previous year's survey.

Notes: Many estimates are rounded to the nearest hundred. Wayne County is not included. Total may differ due to rounding.

## Mobile Home Tax

Enacted in 1959, the mobile home tax is levied on mobile homes in lieu of property tax. The tax rate is $3 per month per occupied mobile home located in licensed mobile home parks. Township or city treasurers administer the mobile home tax. Counties and municipalities keep 50 cents each, while the remaining $2 is remitted to the state and deposited into the School Aid Fund. The 2023 state share of this tax totaled $3.4 million indicating $5.1 million in total state and local collections. Exhibit 20 only shows the county share of the tax.

| | FY 2023 Estimate |
|---|---|
| **Mobile Home Tax Expenditure**<br>The tax burden on mobile home occupants ($36 per year) is small compared with the tax burden on homeowners. The reported figure is an estimate of the difference between the amount of property taxes that would be paid on mobile homes if they were not exempt and the amount collected from the mobile home tax. | $77,970,000 |
| **Out-of-State Coaches**<br>Exempts out-of-state coaches when accompanied by an out-of-state auto for an accumulated period of up to 90 days during any 12-month period if the occupants are tourists and not engaged in business in Michigan. | n.a. |

## Essential Services Assessment Tax

Enacted in 2014, the Essential Services Assessment (ESA) is imposed on manufacturing personal property otherwise exempt from the general property tax. The tax is imposed at a declining rate based on increasing age. The Michigan Strategic Fund may exempt property from the regular rate of the ESA and either subject the property to the alternative rate (1/2 of the regular rate) or exempt the property entirely, based on certain conditions. The tax is due by August 15th and is deposited into the General Fund. The ESA yielded $141.7 million in FY 2023.

| | FY 2023 Estimate |
|---|---|
| **Exempt Property**<br>Partial or full exemptions from the ESA may be granted by the Michigan Strategic Fund for personal property that is part of a broader business plan that includes at least $25 million in personal property investment. | n.a. |

## Real Estate Property Transfer Tax

Enacted in 1966, the county real estate property transfer tax is a tax on the transfer of an interest in real property. The tax is levied at a rate of 55 cents per $500 (0.11 percent), or fraction thereof, on the fair market value of the property being transferred. The treasurer of the county in which the transfer takes place collects the tax, and the revenue goes to the county general fund. The estimated statewide revenue yield was approximately $61.5 million in 2021 (see Exhibit 20).

The School Finance Reform Package of 1994 created a state real estate property transfer tax in addition to the county tax. The rate is $3.75 per $500 (0.75 percent), or fraction thereof, on the fair market value of the property being transferred. The tax is collected by the county treasurer and forwarded to the state. Revenue is deposited into the School Aid Fund. The state real estate transfer tax yielded $389.2 million in FY 2023.

Although several exemptions from the state and county transfer tax are permitted, they are designed to define which real estate transfers are subject to the tax. The act does not define real estate transfers explicitly, but by exclusion. Exempt transfers include transfers involving federal, state and local units of governments, certain conveyances between spouses, instruments used to straighten boundary lines when no money is paid, and land contracts in which the title passes to the grantee only when the contract has been paid. Public Act 203 of 2000 added churches and church property to the list of exempt transfers. Transfers of less than $100 are also exempt. There are no estimates regarding these tax expenditures due to an absence of data.

## Accommodations Tax

Under Public Act 263 of 1974, owners of businesses providing rooms to transient guests are subject to the accommodations tax which is collected by the county treasurer. Housing and nursing homes are excluded from the tax. Only counties with a population of less than 600,000 that have a city with a population of at least 40,000 may levy the tax. Counties currently imposing the tax include: Calhoun, Genesee, Ingham, Kalamazoo, Kent, Muskegon, Saginaw, Washtenaw, and Wexford. The tax is levied on the amount transient guests pay for lodging. The maximum rate is 5 percent and is determined by the county. Revenues (less administrative costs) are dedicated to convention facilities and the promotion of conventions and tourism. The tax yielded approximately $28.4 million in 2021 (see Exhibit 20).

## City Income Tax

A city income tax is levied by adoption of a city ordinance subject to voter approval. Income earned and received by city residents, income earned in the city by nonresidents, and corporate income earned in the city are subject to city income taxes. In CY 2022, city income taxes totaled $734.6 million after raising $603.9 million in 2021 (see Exhibit 22). For 2022, 24 cities levied a city income tax. While rates vary, most cities levy a 1.0 percent tax on residents and corporations and a 0.5 percent tax on nonresidents. Revenue collections go to the general fund of the taxing city, and most revenue comes from city residents.

| | FY 2023 Estimate |
|---|---|
| **Federal Deductions**<br>Tax expenditures for city income taxes are similar to those for state and federal income taxes. However, most city income taxes are based on gross income from salaries, bonuses, wages, commissions, interest, and dividends rather than on federal AGI. | n.a. |
| **Net Profits of Financial Institutions**<br>Exempts net profits of financial institutions and insurance companies from the city income tax. No statewide estimate is available. | n.a. |
| **Nonresident Reduced Rate**<br>Nonresidents' income is taxed at half the rate paid by residents. | $265,710,000 |
| **Pensions, Annuities, and Retirement Plans**<br>Exempts proceeds of pensions, annuities, and retirement plans from the city income tax. Although no statewide estimate is available, this tax expenditure is likely to be substantial. | n.a. |
| **Personal Exemption**<br>Exempts a certain amount of income for each person claimed on the federal form. The exemption amounts for the various cities are listed in Exhibit 22. While most cities record the number of personal exemptions provided, some do not. In these cases, personal exemptions are estimated based on the number of tax returns multiplied by a weighted average number of exemptions. | $13,320,000 |
| **Supplemental Unemployment Benefits**<br>Exempts supplemental unemployment benefits from the city income tax. A statewide estimate is not available. | n.a. |

## City Utility Users' Tax

The uniform city utility users' tax is based on the privilege of consuming public telephone, electric, steam, or gas services in a city of 600,000 or more. Currently, Detroit is the only city in Michigan eligible to levy the tax. The maximum rate is 5 percent, which is the current rate in Detroit. Revenues are earmarked for increased law enforcement. Collections totaled $55.6 million in 2022.

## Exhibit 20
## Miscellaneous Local Taxes Kept by Counties, 2021

| County | Accommodations | Mobile Home (County Share) | Real Estate Prop. Trans. |
|---|---|---|---|
| ALCONA | $0 | $116 | $111,918 |
| ALGER | 0 | 270 | 73,168 |
| ALLEGAN * | 0 | 26,171 | 692,715 |
| ALPENA | 0 | 1,247 | 148,403 |
| ANTRIM | 0 | 0 | 398,999 |
| ARENAC | 0 | 2,187 | 91,270 |
| BARAGA | 0 | 0 | 44,975 |
| BARRY | 0 | 7,142 | 468,880 |
| BAY | 0 | 8,694 | 469,255 |
| BENZIE | 0 | 381 | 197,427 |
| BERRIEN | 0 | 23,729 | 1,492,050 |
| BRANCH * | 0 | 3,669 | 202,816 |
| CALHOUN * | 1,436,009 | 82,430 | 433,866 |
| CASS * | 0 | 4,379 | 255,819 |
| CHARLEVOIX | 0 | 2,241 | 462,923 |
| CHEBOYGAN | 0 | 547 | 266,816 |
| CHIPPEWA | 0 | 1,932 | 195,033 |
| CLARE | 0 | 1,917 | 163,092 |
| CLINTON | 0 | 11,965 | 509,963 |
| CRAWFORD | 0 | 114 | 435 |
| DELTA | 0 | 3,338 | 183,118 |
| DICKINSON | 0 | 1,833 | 154,216 |
| EATON | 0 | 9,367 | 727,403 |
| EMMET | 0 | 2,475 | 712,316 |
| GENESEE | 1,506,838 | 53,293 | 2,082,947 |
| GLADWIN | 0 | 1,674 | 199,170 |
| GOGEBIC * | 0 | 240 | 28,228 |
| GRAND TRAVERSE | 0 | 13,436 | 1,330,088 |
| GRATIOT | 0 | 6,121 | 193,937 |
| HILLSDALE * | 0 | 1,085 | 204,698 |
| HOUGHTON | 0 | 0 | 159,280 |
| HURON | 0 | 2,986 | 225,136 |
| INGHAM | 2,058,195 | 13,267 | 544,721 |
| IONIA | 0 | 5,670 | 327,439 |
| IOSCO | 0 | 630 | 196,838 |
| IRON | 0 | 130 | 101,325 |
| ISABELLA | 0 | 4,951 | 351,936 |
| JACKSON | 0 | 23,370 | 878,365 |
| KALAMAZOO * | 2,851,544 | 27,062 | 1,270,656 |
| KALKASKA | 0 | 405 | 157,634 |
| KENT | 8,527,794 | 56,578 | 6,088,356 |
| KEWEENAW * | 0 | 0 | 23,005 |

## Exhibit 20 (Continued)

| County | Accommodations | Mobile Home (County Share) | Real Estate Prop. Trans. |
|---|---|---|---|
| LAKE | $0 | $0 | $717,266 |
| LAPEER | 0 | 12,827 | 586,946 |
| LEELANAU * | 0 | 364 | 472,074 |
| LENAWEE | 0 | 9,849 | 595,988 |
| LIVINGSTON | 0 | 27,466 | 1,851,213 |
| LUCE | 0 | 0 | 35,436 |
| MACKINAC | 0 | 0 | 188,580 |
| MACOMB | 0 | 77,838 | 6,567,920 |
| MANISTEE | 0 | 122 | 214,159 |
| MARQUETTE | 0 | 2,847 | 447,825 |
| MASON * | 0 | 3,621 | 138,379 |
| MECOSTA | 0 | 2,308 | 288,026 |
| MENOMINEE | 0 | 213 | 108,013 |
| MIDLAND | 0 | 6,082 | 3,481,088 |
| MISSAUKEE | 0 | 77 | 84,752 |
| MONROE * | 0 | 40,190 | 727,451 |
| MONTCALM | 0 | 2,169 | 377,140 |
| MONTMORENCY * | 0 | 74 | 54,110 |
| MUSKEGON | 1,479,846 | 21,677 | 1,031,094 |
| NEWAYGO * | 0 | 5,205 | 234,806 |
| OAKLAND | 0 | 100,013 | 0 |
| OCEANA | 0 | 1,159 | 222,732 |
| OGEMAW | 0 | 382 | 124,628 |
| ONTONAGON | 0 | 0 | 46,034 |
| OSCEOLA * | 0 | 715 | 117,042 |
| OSCODA | 0 | 48 | 63,518 |
| OTSEGO | 0 | 924 | 247,600 |
| OTTAWA | 0 | 37,191 | 2,540,126 |
| PRESQUE ISLE * | 0 | 354 | 32,736 |
| ROSCOMMON * | 0 | 1,833 | 162,807 |
| SAGINAW * | 3,035,651 | 13,881 | 976,268 |
| SAINT CLAIR * | 0 | 19,246 | 673,451 |
| SAINT JOSEPH | 0 | 4,865 | 362,896 |
| SANILAC | 0 | 5,813 | 278,935 |
| SCHOOLCRAFT | 0 | 162 | 72,508 |
| SHIAWASSEE | 0 | 7,857 | 307,206 |
| TUSCOLA | 0 | 4,108 | 245,476 |
| VAN BUREN * | 0 | 460 | 100,307 |
| WASHTENAW | 4,591,231 | 35,546 | 3,612,359 |
| WAYNE | 2,916,761 | 123,840 | 10,075,240 |
| WEXFORD | 0 | 2,596 | 203,870 |
| **TOTAL** | $28,403,870 | $980,953 | $61,488,636 |

* Figures carried forward from a previous year.

# Exhibit 21
# Estimated Tax Expenditures From
# City Income Tax Personal Exemptions, 2020-21

| City | Resident | | Nonresident and Partial-Year Resident | |
|---|---|---|---|---|
| | Quantity | Amount | Quantity | Amount |
| Albion | 16,004 | $96,024 | 2,241 | $8,260 |
| Battle Creek | 40,530 | 303,975 | 34,569 | 129,634 |
| Benton Harbor | 1,019 | 7,643 | 4,015 | 15,056 |
| Big Rapids | 2,533 | 15,198 | 9,899 | 29,697 |
| Detroit | 346,144 | 4,984,474 | 383,963 | 2,764,534 |
| East Lansing | 14,693 | 88,158 | 37,796 | 113,388 |
| Flint * | 36,572 | 219,432 | 70,867 | 212,601 |
| Grand Rapids | 115,254 | 1,037,286 | 158,026 | 711,117 |
| Grayling * | 666 | 19,980 | 3,893 | 58,395 |
| Hamtramck | 16,521 | 99,126 | 19,221 | 57,663 |
| Highland Park | 5,449 | 65,388 | 4,159 | 24,954 |
| Hudson | 1,640 | 16,400 | 1,138 | 5,690 |
| Ionia | 3,978 | 27,846 | 12,543 | 43,901 |
| Jackson * | 14,819 | 88,914 | 29,690 | 89,070 |
| Lansing | 61,492 | 368,952 | 94,343 | 283,029 |
| Lapeer | 4,825 | 28,950 | 28,181 | 84,543 |
| Muskegon | 11,535 | 69,210 | 23,495 | 70,485 |
| Muskegon Heights * | 1,277 | 7,662 | 3,019 | 9,057 |
| Pontiac | 17,873 | 107,238 | 52,816 | 158,448 |
| Port Huron | 15,552 | 93,312 | 19,250 | 57,750 |
| Portland | 3,014 | 30,140 | 2,195 | 10,975 |
| Saginaw * | 26,044 | 292,995 | 35,962 | 202,286 |
| Springfield | 3,116 | 23,370 | 2,818 | 10,568 |
| Walker | 20,913 | 125,478 | 35,521 | 106,563 |
| **TOTAL** | 781,463 | $8,217,150 | 1,069,620 | $5,257,663 |

* Used from previous year's survey

## Exhibit 22
## City Tax Rates and Exemption Allowances, 2023

| City | City Income Tax Rate | | | Personal Exemption | 2022 Collections (000s) |
|---|---|---|---|---|---|
| | Resident | Non-Resident | Corporation | | |
| Albion | 1.00% | 0.50% | 1.00% | $600 | $1,391 |
| Battle Creek | 1.00% | 0.50% | 1.00% | 750 | 18,491 |
| Benton Harbor | 1.00% | 0.50% | 1.00% | 750 | 2,488 |
| Big Rapids | 1.00% | 0.50% | 1.00% | 600 | 2,614 |
| Detroit | 2.40% | 1.20% | 2.00% | 600 | 419,437 |
| East Lansing | 1.00% | 0.50% | 1.00% | 600 | 15,239 |
| Flint | 1.00% | 0.50% | 1.00% | 600 | 18,375 |
| Grand Rapids | 1.50% | 0.75% | 1.50% | 600 | 124,552 |
| Grayling | 1.00% | 0.50% | 1.00% | 3,000 | 806 |
| Hamtramck | 1.00% | 0.50% | 1.00% | 600 | 3,468 |
| Highland Park | 2.00% | 1.00% | 2.00% | 600 | 4,905 |
| Hudson | 1.00% | 0.50% | 1.00% | 1,000 | 621 |
| Ionia | 1.00% | 0.50% | 1.00% | 700 | 2,717 |
| Jackson | 1.00% | 0.50% | 1.00% | 600 | 9,633 |
| Lansing | 1.00% | 0.50% | 1.00% | 600 | 36,965 |
| Lapeer | 1.00% | 0.50% | 1.00% | 600 | 4,425 |
| Muskegon | 1.00% | 0.50% | 1.00% | 600 | 9,145 |
| Muskegon Heights | 1.00% | 0.50% | 1.00% | 600 | 1,113 |
| Pontiac | 1.00% | 0.50% | 1.00% | 600 | 17,690 |
| Port Huron | 1.00% | 0.50% | 1.00% | 600 | 7,425 |
| Portland | 1.00% | 0.50% | 1.00% | 1,000 | 833 |
| Saginaw | 1.50% | 0.75% | 1.50% | 750 | 16,033 |
| Springfield | 1.00% | 0.50% | 1.00% | 750 | 1,153 |
| Walker | 1.00% | 0.50% | 1.00% | 600 | 15,045 |
| **TOTAL** | | | | | $734,564 |

# State of Minnesota
# Tax Expenditure Budget
## Fiscal Years 2024-2027

DEPARTMENT OF REVENUE
TAX RESEARCH DIVISION

3528/8585

State of Minnesota

# Tax Expenditure Budget

*Fiscal Years 2024–2027*

**November 1, 2024**

Revised - 1/6/2025

Questions relating to this report may be directed to:

Minnesota Department of Revenue
Tax Research Division
Mail Station 2230
St. Paul, Minnesota 55146-2230
Telephone: (651) 556-6153

DEPARTMENT OF REVENUE

November 1, 2024

**To the Members of the Legislature of the State of Minnesota:**

It is my pleasure to submit to you the 2024 Minnesota Tax Expenditure Budget, as required by Minnesota Statutes, Section 270C.11. The purpose of the report is to facilitate a regular, comprehensive legislative review of state and local tax provisions that provide preferential tax treatment for certain persons, types of income, transactions, or property.

This report contains information that can be used to evaluate Minnesota's current state and local tax system and as a basis for making future tax policy decisions.

Minnesota Statutes, Section 3.197, specifies that a report to the Legislature must include the cost of its preparation. The approximate cost of preparing this report was $165,000.

The report is available on the Department of Revenue website at:
https://www.revenue.state.mn.us/tax-expenditure-reports

Sincerely,

Paul Marquart

Paul Marquart
Commissioner

# Preface

This report is the 19th tax expenditure budget prepared and submitted as required by Minnesota Statutes. It reflects Minnesota law after changes enacted in 2024.

The main purpose of the tax expenditure budget is to provide information on which sound policy decisions can be made. The report is also a useful reference resource because it contains an explanation and history for each provision, as well as the fiscal impact.

Beginning in 2024, this report also includes several new elements as required by law changes enacted in 2021.

The report includes objective statements for each tax expenditure, if available. The objective statements will just either be identified in the enacting legislation or by the Tax Expenditure Review Commission. Additional objective statements will be added to future reports as they are identified by the Tax Expenditure Review Commission.

Also included are the revenue-neutral rates for each provision, which show the tax rate or rates for each tax type which would generate the same revenue if the provision were repealed.

For significant tax expenditures, the report also includes a table showing the incidence of the tax expenditure. Significant tax expenditures include income or sales tax provisions that reduce revenue by at least $10 million per biennium, excluding federal provisions and business tax credits.

An essential starting point for using this report is the main introduction, beginning on page 1. The introduction includes background information on tax expenditure reporting, describes the conceptual basis for determining whether a provision is a tax expenditure, and explains how the fiscal impacts of tax expenditure provisions are measured. The differences between tax expenditure estimates and estimates for law changes are also explained. Following the main introduction is a summary list which contains for each tax expenditure provision the item number, name, year enacted by the state, and fiscal impact for fiscal years 2024 through 2027.

The report is organized into chapters, with one chapter for each tax. Each chapter contains descriptive information on the tax and detailed information on each tax expenditure provision. The provisions within a chapter are grouped by type and are in the order used in the computation of the tax, such as exemptions, then deductions, and then credits. An item number is assigned to each tax expenditure provision.

Beginning in 2024, the report uses a new three-part numbering system. The first number identifies the chapter, the second number identifies the section within each chapter, and the last number is assigned consecutively within that section. The item number is the key used to identify and locate provisions throughout this report. The number for each provision will remain consistent in all future reports. Repealed provisions will be left blank and newly enacted provisions will be added at the end of each section. The new numbering system is intended to make it easier to track provisions by their item number over time.

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## Appendix A: Minnesota Statute Requiring the Tax Expenditure Budget

# Introduction to the Tax Expenditure Budget

## *The Tax Expenditure Concept*

"State governmental policy objectives are sought to be achieved both by direct expenditure of governmental funds and by the granting of special and selective tax relief or tax expenditures." (Minnesota Statutes, Section 270C.11, Subd. 1, in part, reprinted in Appendix A.)

Tax expenditures are statutory provisions which reduce the amount of revenue that otherwise would be generated, including exemptions, deductions, credits, and preferential tax rates. These provisions are called "expenditures" because they are similar to direct spending programs. Both tax expenditures and direct expenditures are used for public policy goals, such as funding or encouraging specified activities or providing financial assistance to persons, businesses, or groups in particular situations.

A tax expenditure is different from a direct spending program in two major respects:

- A direct spending program continues only if funds are appropriated for each budget period, but the continuation of a tax expenditure does not require legislative action. Unless a tax expenditure provision has an expiration date, it can continue indefinitely.
- Direct spending programs are itemized on the expenditure side of the budget. Tax expenditures are reflected on the revenue side of the budget and are not itemized. Revenues shown in the state budget are net of tax expenditures.

## *The Purpose of the Tax Expenditure Budget*

The purpose of the tax expenditure budget is to provide information to facilitate a regular, comprehensive legislative review of tax expenditure provisions. Tax expenditure provisions are identified and listed in the report, along with the legal citation, explanation, history, and fiscal impact for each provision.

Minnesota Statutes, Section 270.067, enacted in 1983, required a tax expenditure budget to be submitted as a supplement to the governor's biennial budget. In 1996, the law was changed so that the report is due in each even-numbered year, rather than at the same time as the governor's biennial budget in the odd-numbered years. In 2005, the statute was re-codified as Section 270C.11 (reprinted in Appendix A). In 2021, the law was changed to require additional information to be included in the tax expenditure budget, e.g., the purpose of the expenditure, the incidence of the expenditure, and the revenue-neutral amount if the expenditure was repealed. The law also changed the due date to November 1 of each even numbered year. This report, due on November 1, 2024, is the first report that reflect those changes.

## *Tax Expenditure Criteria*

Not every exemption, deduction, credit, or lower tax rate is a tax expenditure. A conceptual framework governs the identification of tax expenditure provisions. Each provision is evaluated against a list of seven criteria to determine if it is a tax expenditure. Some of the criteria are taken directly from the authorizing statute; some are based on concepts used in the preparation of federal tax expenditure reports; and others are based on what is believed to be a logical application of the tax expenditure concept. A provision must meet all the criteria in order to be a tax expenditure.

Introduction

A provision is a tax expenditure if it:

- has an impact on a tax that is applied statewide;
- confers preferential treatment;
- results in reduced tax revenue in the applicable fiscal years;
- is not included as an expenditure item in the state budget;
- is included in the defined tax base for that tax;
- is not subject to an alternative tax; and
- can be amended or repealed by a change in state law.

The first four criteria are based on the statute requiring the tax expenditure budget.
***Statewide Tax*:** The tax expenditure budget is required by statute to include every state tax and any local tax that is applied statewide. A local tax imposed pursuant to a special law is not included in the report. Only taxes that contain tax expenditure provisions are included in the report.

***Preferential Treatment*:** Preferential treatment is a key concept in determining tax expenditures. The first sentence of the authorizing statute, quoted at the beginning of this introduction, uses the words "special and selective." Also, the statutory definition of a tax expenditure uses the word "certain." Minnesota Statutes, Section 270C.11, Subd. 6(4) (emphasis added):

> "Tax expenditure" means a tax provision which provides a gross income definition, deduction, exemption, credit, or rate for *certain* persons, types of income, transactions, or property that results in reduced tax revenue…

If a provision is not preferential, it is not a tax expenditure. The standard deduction for the individual income tax is not preferential because the deduction amount is the same for each taxpayer of the same filing status and income. Likewise, the graduated rate structure of the individual income tax is not considered a tax expenditure because each taxpayer with the same amount of tax base pays at the same rate.

***Reduction in Revenue*:** In the statute quoted above, a requirement is that the provision "... results in reduced tax revenue." A provision that would otherwise qualify is not considered a tax expenditure if it is not being used or is not likely to be used during fiscal years 2024 through 2027.

The federal law (Congressional Budget Act of 1974, Public Law 93–344) that requires a list of tax expenditures to be included with the federal budget includes in its definition of tax expenditures ". . . provisions of the Federal tax laws which allow . . . a deferral of liability." The Minnesota law does not specifically mention deferral of liability. However, this concept has been adopted in the preparation of the report because a deferral of liability results in reduced tax revenue for a given year.

A deferral of liability involves the time value of money and primarily affects the individual income and corporate franchise taxes. A deferral can result either from postponing the time when income is recognized or from accelerating the deduction of expenses. In either case taxable income is lower in that year than it would be otherwise, and an adjustment is made in a future year. The deferral of liability is similar to an interest-free loan for the taxpayer.

***Not an Expenditure in the State Budget*:** The tax expenditure budget is intended to supplement the regular state budget and therefore does not include provisions that are itemized as expenditures in the state budget. Several state-funded property tax relief provisions are similar to tax expenditures, but they are not included in this report because they are listed separately in the state budget as expenditures.

***Included in the Defined Tax Base*:** The tax base for each tax must be clearly defined so that exceptions to that base can be identified. Some tax provisions help to define the base; others are exceptions to the base. The defined tax base for a tax is the working definition used for this report and is not intended to define the ideal tax base. The defined tax base for each tax is explained in the chapter introduction for the tax. Knowing the tax base is important to understanding how tax expenditures are determined for each tax.

***Not Subject to an Alternative Tax*:** In some instances, one tax may be imposed in place of another tax, and it would not be reasonable for a taxpayer or activity to be subject to both taxes. Therefore, the exemption from one tax is not considered a tax expenditure if the alternative tax is imposed.

The application of the alternative tax concept for this report is limited to these situations:

- The income from taconite and iron mining is subject to the occupation tax in lieu of the corporate franchise tax.
- The purchase of a motor vehicle is subject to the motor vehicle sales tax (Chapter 5) in lieu of the general sales and use tax (Chapter 4).
- Cigarettes are exempt from the general sales and use tax but are subject to a tax in lieu of the sales tax at the wholesale level.
- The solid waste management taxes are imposed in lieu of the general sales tax.
- A number of taxes are imposed in lieu of the general property tax, including the motor vehicle registration tax and the taconite production tax.
- Noncommercial aircraft are taxed under the aircraft registration tax.

***Subject to Legislative Authority*:** The statute requiring the tax expenditure budget specifies that it is to be submitted to the legislature. Therefore, the report contains only provisions in state law that the legislature can repeal or amend. Tax provisions that are contained in the Minnesota Constitution, federal law, or the United States Constitution are not included in the tax expenditure budget.

## *How Tax Expenditures Are Measured*

The fiscal impact of a tax expenditure measures the revenue loss from that one provision under current law. Each provision is estimated in isolation, and all other tax provisions are held constant. The impact of that provision on other tax provisions is not taken into account. Because the estimates measure the impact of the provision as it exists, no change in taxpayer behavior is assumed.

The estimates for provisions that result in the deferral of tax include the net impact for that year. For example, contributions to a traditional individual retirement account (IRA) are deducted in the year that the contribution is made, earnings are not taxed in the year they are earned, and distributions are included in taxable income in the year received. The tax expenditure impact for a given year measures, for all traditional IRAs, the deduction for contributions made that year plus the exclusion of earnings accrued that year less distributions included in taxable income in that year.

The precision of the estimates varies with the source of the data and with the applicability of the data to the tax expenditure provision. Data from Minnesota tax returns were used whenever possible. Other sources included federal tax expenditure estimates, data from federal tax returns, census data, data from various federal and state agencies, and other economic and industry sources of data for Minnesota and the nation.

The methodology used to estimate tax expenditures can produce misleading results if the estimates for two or more provisions are totaled. Depending upon the situation, the combined impact of two or more provisions could be more or less than the total of the provisions estimated separately.

When two tax expenditures overlap, generally the overlap is not included in either estimate. If one exemption were repealed, the other exemption would still apply. For example, the sales tax exemption for hospitals includes purchases that would also qualify under the exemption for drugs and medicine. Neither the estimates for the hospital exemption nor the estimates for the drugs and medicine exemption include drugs and medicine purchased by hospitals. Adding together the two estimates done separately would understate their combined impact.

The graduated rate structure of the individual income tax is another reason that adding together tax expenditure estimates results in misleading information. As income increases, the marginal tax rate increases. The estimate for each exclusion and deduction uses a marginal tax rate appropriate for that provision. If two or more exclusions or deductions were repealed together, the marginal tax rate for the combined impact would be higher than the rate used for each provision. In that case, adding together the estimates done separately would understate their combined impact.

The itemized deductions for the individual income tax present another example of the distortion that can result from adding together tax expenditure estimates. Because other provisions are held constant, the estimate for each itemized deduction compares the total of the remaining itemized deductions to the standard deduction. For taxpayers who would lose the benefit of itemizing by the loss of that one deduction, the tax expenditure estimate measures the incremental benefit over the standard deduction. Adding together the tax expenditure estimates for two or more itemized deductions ignores the fact that the incremental benefit over the standard deduction may be different when estimating them together compared to estimating each one separately and then combining the estimates.

## *How the Measurement of Tax Expenditures Differs from Revenue Estimates for Proposed Law Changes*

The fiscal impact of a tax expenditure provision is not necessarily the same as the revenue that would be gained by repeal of the provision. This distinction is important.

The estimate of a tax expenditure measures the impact of the provision under existing circumstances. The estimate of the proposed repeal of a provision measures what would happen upon repeal. The estimate of repeal would take into account interactions within a tax or between taxes and may include changes in taxpayer behavior. As explained in the previous section, if two or more provisions were repealed at the same time, the combined impact would be estimated and could be larger or smaller than the sum of the provisions estimated separately.

In general, tax expenditures estimates do not take into account: changes in taxpayer behavior; impact on other tax provisions; the combined impact of two or more provisions; or other factors, including collectability. In comparison, estimates of proposed law changes consider all of those factors.

***Note:*** Laws 2021, First Special Session chapter 14, article 11 expanded the requirements and changed the timing of this study. Beginning in 2024, the Tax Expenditure Budget must include objective statements where available, estimated rate changes possible from the repeal of each tax expenditure, and analysis of the income distribution of significant sales and income tax expenditures. Those additional components of the study are described below.

## *Objective Statements*

This report includes objective statements for each tax expenditure, if one is available. The objective may come from one of the two sources: It may be identified in the enacting legislation, or it may be identified by the Tax Expenditure Review Commission. If no objective statement is available from either of those two sources, the objective statement is omitted. More objectives will be added to future reports as they are identified and approved by the Tax Expenditure Review Commission.

## Revenue Neutral Rates

For each tax expenditure, this report shows the rate or rates that would raise approximately the same revenue if the tax expenditure were repealed.

For example, the sales tax exemption on food products reduces sales tax revenue by about $1.404 billion in fiscal year 2024. If the provision were repealed, the sales tax rate could be lowered from 6.875% to 5.896% while raising the same amount of revenue. For taxes with graduated rates such as the individual income tax, each rate is reduced by the same amount. For example, the income tax exemption for employer-provided meals and lodging reduces income tax revenue by about $44 million in fiscal year 2024. If the provision were repealed, the rate in each income tax bracket could be reduced by 0.02 percentage points. The alternative rates would be 5.33%, 6.78%, 7.83%, and 9.83%.

For each tax, the revenue neutral rates are rounded to the same level as the current tax rates or to the nearest tenth of a percent, whichever is more precise. For example, income tax rates are rounded to the nearest hundredth of a percent consistent with the current rates, while the revenue neutral rates for the insurance premiums tax, which has a current rate of 2%, are rounded to the nearest tenth of a percent.

For some smaller provisions, the change in rate is negligible. In those cases, the revenue neutral rate is assumed to be equal to the current rate.

## Incidence of Significant Tax Expenditures

Significant income or sales tax expenditures include a table showing the income distribution of taxpayers who benefit from the provision. As defined in statute, significant tax expenditures are provisions that result in a revenue reduction of $10 million or more per biennium. Federal provisions and business tax credits are excluded.

The incidence analysis is based on the 2021 incidence database and additional information from the Consumer Expenditure Survey. The income ranges for each decile are based on incomes in 2021. Households are assigned to deciles based on total household income, including taxable and nontaxable sources. That definition is different than adjusted gross income, which is used to determine eligibility for some income tax credits and deductions. Some households may have high total income and still be eligible for income-limited tax benefits if their adjusted gross income is below the applicable threshold.

The analysis is based on the revenue loss from each tax expenditure in fiscal year 2024. The incidence tables include the income distribution for each tax expenditure by population decile. For income tax provisions, the number of affected taxpayers is included. However, counts are generally not available for sales tax expenditures.

For some business sales tax provisions, such as the exemption for capital equipment, detailed information on the incidence is not available. The introduction to Chapter 4 includes a table showing the general incidence of the portion of the sales tax that falls on businesses. Most business-related provisions are assumed to follow a similar distribution.

## Tax Expenditure Summary List

| | | Enacted | Fiscal Year Impact | | | |
|---|---|---|---|---|---|---|
| | | | 2024 | 2025 | 2026 | 2027 |
| **INDIVIDUAL INCOME TAX** | | | | | | |
| ***Federal Exclusions*** | | | | | | |
| 1.1.01 | Employer-Provided Meals and Lodging | 1933 | $44,000,000 | $44,500,000 | $45,100,000 | $45,600,000 |
| 1.1.02 | Housing Allowances for Ministers | 1945 | 6,700,000 | 7,000,000 | 7,400,000 | 7,800,000 |
| 1.1.03 | Employer-Provided Dependent Care Assistance | 1982 | 11,300,000 | 12,100,000 | 15,100,000 | 15,900,000 |
| 1.1.04 | Employee Awards | 1987 | 3,200,000 | 3,400,000 | 3,600,000 | 3,800,000 |
| 1.1.05 | Employer Pension Plans | 1933 | 2,324,500,000 | 2,724,300,000 | 3,080,900,000 | 3,719,800,000 |
| 1.1.06 | Contributions by Employers for Medical Insurance Premiums and Medical Care | 1933 | 1,650,900,000 | 1,760,000,000 | 1,818,000,000 | 1,899,300,000 |
| 1.1.07 | Employer-Paid Accident and Disability Premiums | 1955 | 49,900,000 | 50,700,000 | 57,600,000 | 60,700,000 |
| 1.1.08 | Employer-Paid Group Term Life Insurance Premiums | 1933 | 32,300,000 | 33,800,000 | 36,100,000 | 38,400,000 |
| 1.1.09 | Employer-Paid Transportation Benefits | 1985 | 61,500,000 | 63,000,000 | 65,300,000 | 68,400,000 |
| 1.1.10 | Employer-Provided Education Assistance | 1979 | 12,300,000 | 13,100,000 | 11,500,000 | 10,800,000 |
| 1.1.11 | Employer-Provided Adoption Assistance | 1997 | 300,000 | 300,000 | 300,000 | 400,000 |
| 1.1.12 | Employer-Provided Tuition Reduction | 1985 | 2,700,000 | 2,900,000 | 3,100,000 | 3,300,000 |
| 1.1.13 | Miscellaneous Employee Fringe Benefits | 1985 | 73,000,000 | 78,400,000 | 81,400,000 | 84,500,000 |
| 1.1.14 | Income Earned Abroad by U.S. Citizens and Foreign Housing Costs | 1933 | 26,600,000 | 28,200,000 | 29,800,000 | 31,600,000 |

| | | Enacted | Fiscal Year Impact | | | |
|---|---|---|---|---|---|---|
| | | | 2024 | 2025 | 2026 | 2027 |
| **INDIVIDUAL INCOME TAX** | | | | | | |
| ***Federal Exclusions*** | | | | | | |
| 1.1.15 | Certain Allowances for Federal Employees Abroad | 1945 | $7,200,000 | $7,400,000 | $7,600,000 | $7,800,000 |
| 1.1.16 | Benefits and Allowances to Armed Forces Personnel | 1933 | 31,100,000 | 31,900,000 | 34,300,000 | 37,600,000 |
| 1.1.17 | Medical Care and TriCare Medical Insurance for Military Dependents and Retirees | 1933 | 21,900,000 | 22,800,000 | 25,600,000 | 27,700,000 |
| 1.1.18 | Veterans' Benefits | 1933 | 96,000,000 | 100,800,000 | 111,000,000 | 121,000,000 |
| 1.1.19 | Military Disability Pensions | 1933 | 1,500,000 | 1,600,000 | 1,700,000 | 1,800,000 |
| 1.1.20 | Workers' Compensation Benefits | 1933 | 52,800,000 | 55,000,000 | 62,800,000 | 67,100,000 |
| 1.1.21 | Damages for Physical Injury or Sickness | 1933 | 14,900,000 | 15,100,000 | 15,200,000 | 15,400,000 |
| 1.1.22 | Social Security Benefits | 1937 | 403,700,000 | 428,600,000 | 454,000,000 | 483,400,000 |
| 1.1.23 | Medicare Benefits | 1965 | 787,600,000 | 853,300,000 | 922,700,000 | 983,600,000 |
| 1.1.24 | Foster Care Payments | 1983 | 3,700,000 | 3,900,000 | 4,100,000 | 4,300,000 |
| 1.1.25 | Public Assistance | 1933 | 26,400,000 | 27,300,000 | 28,200,000 | 29,100,000 |
| 1.1.26 | Scholarship and Fellowship Income | 1955 | 40,400,000 | 42,100,000 | 43,400,000 | 44,800,000 |
| 1.1.27 | Education Savings Accounts | 1998 | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 |
| 1.1.28 | Qualified Tuition Plans | 1997 | 42,500,000 | 44,000,000 | 48,900,000 | 52,200,000 |
| 1.1.29 | Discharge of Certain Student Loan Debt | 1984 | 24,000,000 | 24,000,000 | 7,600,000 | 8,400,000 |
| 1.1.30 | Certain Agricultural Cost Sharing Payments | 1979 | 400,000 | 400,000 | 400,000 | 400,000 |
| 1.1.31 | Discharge of Indebtedness Income for Certain Farmers | 1987 | 700,000 | 700,000 | 700,000 | 700,000 |
| 1.1.32 | Investment Income on Life Insurance and Annuity Contracts | 1933 | 97,900,000 | 102,400,000 | 103,300,000 | 107,700,000 |

| | | Enacted | Fiscal Year Impact | | | |
|---|---|---|---|---|---|---|
| | | | 2024 | 2025 | 2026 | 2027 |
| **INDIVIDUAL INCOME TAX** | | | | | | |
| ***Federal Exclusions*** | | | | | | |
| 1.1.33 | Capital Gains on Home Sales | 1998 | $241,500,000 | $251,600,000 | $265,000,000 | $278,300,000 |
| 1.1.34 | Capital Gains at Death | 1933 | 291,600,000 | 303,500,000 | 315,800,000 | 328,600,000 |
| 1.1.35 | Gain from Certain Small Business Stock | 1993 | 39,400,000 | 39,100,000 | 38,900,000 | 38,600,000 |
| 1.1.36 | Capital Gains on Gifts | 1933 | 5,000,000 | 28,400,000 | 15,800,000 | 5,900,000 |
| 1.1.37 | Interest on Minnesota State and Local Government Bonds | 1933 | 54,900,000 | 65,900,000 | 78,200,000 | 80,000,000 |
| 1.1.38 | Energy Conservation Subsidies Provided by Public Utilities | 1993 | 200,000 | 200,000 | 200,000 | 200,000 |
| 1.1.39 | Permanent Exemptions from Imputed Interest Rules | 1985 | 7,500,000 | 7,900,000 | 8,400,000 | 9,000,000 |
| 1.1.40 | Like-Kind Exchanges | 1933 | 52,400,000 | 50,500,000 | 47,400,000 | 46,200,000 |
| ***Federal Deductions*** | | | | | | |
| 1.2.01 | Accelerated Depreciation | 1959 | $134,300,000 | $103,800,000 | $95,300,000 | $90,700,000 |
| 1.2.02 | Expensing Depreciable Business Property | 1983 | 63,400,000 | 49,200,000 | 46,600,000 | 53,900,000 |
| 1.2.03 | Excess of Percentage Over Cost Depletion | 1933 | 500,000 | 500,000 | 500,000 | 500,000 |
| 1.2.04 | Expensing and Amortization of Business Start-Up Costs | 1977 | 1,400,000 | 1,500,000 | 1,600,000 | 1,700,000 |
| 1.2.05 | Expensing for Removal of Barriers to the Disabled and the Elderly | 1976 | 100,000 | 100,000 | 100,000 | 100,000 |
| 1.2.06 | Expensing of Exploration and Development Costs | 1933 | * | * | * | * |
| 1.2.07 | Cash Accounting and Expensing for Agriculture | 1933 | 5,600,000 | 5,800,000 | 6,100,000 | 6,000,000 |

*Less Than $50,000

| | | Enacted | Fiscal Year Impact | | | |
|---|---|---|---|---|---|---|
| | | | 2024 | 2025 | 2026 | 2027 |
| **INDIVIDUAL INCOME TAX** | | | | | | |
| ***Federal Deductions*** | | | | | | |
| 1.2.08 | Expensing of Multi-Period Timber Growing Costs | 1933 | $200,000 | $200,000 | $200,000 | $200,000 |
| 1.2.09 | Amortization and the Expensing of Reforestation Expenses | 1980 | 1,200,000 | 1,300,000 | 1,300,000 | 1,400,000 |
| 1.2.10 | Special Rules for Mining Reclamation Reserves | 1985 | * | * | * | * |
| 1.2.11 | Cash Accounting Other Than Agriculture | 1933 | 15,400,000 | 16,100,000 | 17,300,000 | 17,900,000 |
| 1.2.12 | Installment Sales | 1933 | 8,500,000 | 8,900,000 | 9,400,000 | 9,900,000 |
| 1.2.13 | Completed Contract Rules | 1933 | 900,000 | 900,000 | 900,000 | 1,000,000 |
| 1.2.14 | Employee Stock Ownership Plans | 1975 | 12,600,000 | 13,600,000 | 14,600,000 | 15,700,000 |
| 1.2.15 | Individual Retirement Accounts | 1975 | 250,100,000 | 268,400,000 | 296,900,000 | 316,100,000 |
| 1.2.16 | Self-Employed Retirement Plans | 1963 | 41,900,000 | 43,800,000 | 45,900,000 | 48,000,000 |
| 1.2.17 | Self-Employed Health Insurance | 1987 | 57,500,000 | 58,600,000 | 60,500,000 | 62,500,000 |
| 1.2.18 | Health Savings Accounts | 2005 | 21,200,000 | 22,500,000 | 23,900,000 | 25,400,000 |
| 1.2.19 | Interest on Student Loans | 1998 | 7,300,000 | 9,200,000 | 11,500,000 | 14,500,000 |
| 1.2.20 | *Per Diem* Allowances Paid to State Legislators | 1959 | 100,000 | 100,000 | 100,000 | 100,000 |
| ***Minnesota Personal Deductions*** | | | | | | |
| 1.3.01 | Additional Standard Deduction for the Elderly and Blind | 1987 | $53,800,000 | $58,100,000 | $59,500,000 | $62,400,000 |
| 1.3.02 | Medical Expenses | 1933 | 34,100,000 | 35,100,000 | 36,800,000 | 38,900,000 |
| 1.3.03 | Real Estate Taxes | 1933 | 36,600,000 | 40,700,000 | 45,900,000 | 50,400,000 |
| 1.3.04 | Other Taxes | 1933 | 100,000 | 100,000 | 100,000 | 100,000 |

*Less Than $50,000

| | | Enacted | Fiscal Year Impact | | | |
|---|---|---|---|---|---|---|
| | | | 2024 | 2025 | 2026 | 2027 |
| **INDIVIDUAL INCOME TAX** | | | | | | |
| ***Minnesota Personal Deductions*** | | | | | | |
| 1.3.05 | Home Mortgage Interest | 1933 | $73,500,000 | $81,200,000 | $85,700,000 | $90,900,000 |
| 1.3.06 | Charitable Contributions | 1933 | 44,700,000 | 47,700,000 | 51,600,000 | 55,200,000 |
| 1.3.07 | Casualty and Theft Losses | 1933 | 800,000 | 800,000 | 800,000 | 800,000 |
| ***Minnesota Subtractions*** | | | | | | |
| 1.4.01 | K–12 Education Expenses | 1955 | $13,800,000 | $13,900,000 | $14,000,000 | $14,100,000 |
| 1.4.02 | Charitable Contributions for Non-Itemizers | 1999 | 113,700,000 | 119,200,000 | 124,600,000 | 130,100,000 |
| 1.4.03 | Income of the Elderly or Disabled | 1988 | 600,000 | 500,000 | 500,000 | 400,000 |
| 1.4.04 | Social Security Income | 2017 | 312,600,000 | 344,800,000 | 370,900,000 | 391,600,000 |
| 1.4.05 | Public Pension Subtraction | 2023 | 5,300,000 | 9,000,000 | 12,600,000 | 16,200,000 |
| 1.4.06 | Active Duty Military Service | 2005 | 24,000,000 | 25,000,000 | 26,100,000 | 27,400,000 |
| 1.4.07 | National Guard and Reserve Pay | 2008 | 9,200,000 | 9,700,000 | 10,100,000 | 10,600,000 |
| 1.4.08 | Military Pension and Retirement Pay | 2016 | 26,000,000 | 27,800,000 | 29,800,000 | 31,900,000 |
| 1.4.09 | Expenses of Living Organ Donors | 2005 | * | * | * | * |
| 1.4.10 | Disposition of Farm Property | 1985 | 100,000 | 100,000 | 100,000 | 100,000 |
| 1.4.11 | AmeriCorps National Service Education Awards | 2008 | 100,000 | 100,000 | 100,000 | 100,000 |
| 1.4.12 | Contributions to a Section 529 College Savings Plan | 2017 | 8,200,000 | 9,200,000 | 10,400,000 | 11,600,000 |
| 1.4.13 | Discharged Student Loan Debt | 2017 | * | * | * | * |
| 1.4.14 | Interest on Contributions to a First-Time Homebuyer Account | 2017 | * | * | * | * |

*Less Than $50,000

| | | Enacted | Fiscal Year Impact | | | |
|---|---|---|---|---|---|---|
| | | | 2024 | 2025 | 2026 | 2027 |
| **INDIVIDUAL INCOME TAX** | | | | | | |
| ***Minnesota Subtractions*** | | | | | | |
| 1.4.15 | Volunteer Driver Subtraction | 2021 | * | * | * | * |
| 1.4.16 | Sexual Harassment Payment Subtraction | 2023 | 100,000 | 100,000 | 100,000 | 100,000 |
| ***Preferential Computation*** | | | | | | |
| 1.5.01 | Five-Year Averaging of Lump Sum Distributions | 1975 | * | * | * | * |
| ***Credits*** | | | | | | |
| 1.6.01 | Marriage Credit | 1999 | $98,100,000 | $102,800,000 | $107,300,000 | $112,200,000 |
| 1.6.02 | Credit for Long-Term Care Insurance Premiums | 1997 | 9,500,000 | 9,700,000 | 9,900,000 | 10,100,000 |
| 1.6.03 | Research and Development Credit | 2010 | 33,500,000 | 34,800,000 | 36,100,000 | 37,500,000 |
| 1.6.04 | Employer Transit Pass Credit | 2000 | 100,000 | 100,000 | 100,000 | 100,000 |
| 1.6.05 | Credit for Past Military Service | 2008 | 200,000 | 200,000 | 200,000 | 200,000 |
| 1.6.06 | Child and Dependent Care Credit | 1977 | 26,300,000 | 27,100,000 | 27,900,000 | 28,700,000 |
| 1.6.07 | Working Family Credit | 1991 | 712,700,000 | 721,300,000 | 730,000,000 | 752,600,000 |
| 1.6.08 | Credit for K–12 Education Expenses | 1997 | 14,500,000 | 14,500,000 | 14,600,000 | 14,600,000 |
| 1.6.09 | Credit for Military Service in a Combat Zone | 2006 | 1,000,000 | 800,000 | 800,000 | 800,000 |
| 1.6.10 | Enterprise Zone Employer Tax Credits | 1983 | * | * | * | * |
| 1.6.11 | Angel Investment Credit | 2010 | 5,000,000 | 5,000,000 | 0 | 0 |
| 1.6.12 | Historic Structure Rehabilitation Credit | 2010 | Estimate in Item 2.6.04 | Estimate in Item 2.6.04 | Estimate in Item 2.6.04 | Estimate in Item 2.6.04 |
| 1.6.13 | Film Production Credit | 2021 | Estimate in Item 2.6.05 | Estimate in Item 2.6.05 | Estimate in Item 2.6.05 | Estimate in Item 2.6.05 |
| 1.6.14 | Housing Contribution Credit | 2021 | Estimate in Item 2.6.06 | Estimate in Item 2.6.06 | Estimate in Item 2.6.06 | Estimate in Item 2.6.06 |
| 1.6.15 | Manufactured Home Park Credit | 2023 | * | * | * | * |
| 1.6.16 | Shortline Railroad Credit | 2023 | * | * | * | * |

*Less Than $50,000

| | | Enacted | Fiscal Year Impact | | | |
|---|---|---|---|---|---|---|
| | | | 2024 | 2025 | 2026 | 2027 |
| **INDIVIDUAL INCOME TAX** | | | | | | |
| ***Credits*** | | | | | | |
| 1.6.17 | Credit for Parents of Stillborn Children | 2016 | $400,000 | $400,000 | $400,000 | $400,000 |
| 1.6.18 | Refundable Credit for Taxes Paid to Wisconsin | 2017 | 1,000,000 | 1,100,000 | 1,100,000 | 1,200,000 |
| 1.6.19 | Student Loan Credit | 2017 | 12,700,000 | 16,300,000 | 20,400,000 | 25,700,000 |
| 1.6.20 | Credit for a Teacher Completing a Master's Degree | 2017 | * | * | * | * |
| 1.6.21 | Section 529 College Savings Plan Credit | 2017 | 6,900,000 | 7,100,000 | 7,300,000 | 7,500,000 |
| 1.6.22 | Beginning Farmer Management Credit | 2017 | 500,000 | 500,000 | 500,000 | 500,000 |
| 1.6.23 | Credit for Sale of Agricultural Assets | 2017 | 6,500,000 | 4,000,000 | 4,000,000 | 4,000,000 |
| 1.6.24 | Sustainable Aviation Fuel Credit | 2023 | Estimate in Item 2.6.09 | Estimate in Item 2.6.09 | Estimate in Item 2.6.09 | Estimate in Item 2.6.09 |
| **CORPORATE FRANCHISE TAX** | | | | | | |
| ***Exempt Organizations*** | | | | | | |
| 2.1.01 | Credit Unions | 1937 | $23,100,000 | $24,700,000 | $27,200,000 | $28,800,000 |
| 2.1.02 | Insurance Companies | 2001 | 123,200,000 | 129,000,000 | 130,000,000 | 130,000,000 |
| ***Federal Exclusions*** | | | | | | |
| 2.2.01 | Permanent Exemptions for Imputed Interest Rules | 1985 | * | * | * | * |
| 2.2.02 | Like-Kind Exchanges | 1933 | $5,800,000 | $5,600,000 | $5,400,000 | $5,100,000 |
| 2.2.03 | Investment Income on Life Insurance and Annuity Contracts | 1933 | 8,200,000 | 8,400,000 | 8,600,000 | 8,900,000 |
| ***Federal Deductions*** | | | | | | |
| 2.3.01 | Expensing and Amortization of Business Start-Up Costs | 1955 | $200,000 | $200,000 | $200,000 | $200,000 |

*Less Than $50,000

| | | Enacted | Fiscal Year Impact | | | |
|---|---|---|---|---|---|---|
| | | | 2024 | 2025 | 2026 | 2027 |
| **CORPORATE FRANCHISE TAX** | | | | | | |
| ***Federal Deductions*** | | | | | | |
| 2.3.02 | Accelerated Depreciation | 1959 | $159,700,000 | $99,200,000 | $74,800,000 | $98,500,000 |
| 2.3.03 | Expensing Depreciable Business Property | 1983 | 16,600,000 | 9,000,000 | 4,200,000 | 4,700,000 |
| 2.3.04 | Expensing for Removal of Barriers to the Disabled and Elderly | 1976 | 100,000 | 100,000 | 100,000 | 100,000 |
| 2.3.05 | Expensing of Exploration and Development Costs | 1967 | 400,000 | 400,000 | 400,000 | 400,000 |
| 2.3.06 | Excess of Percentage over Cost Depletion (Mining Occupation Tax) | 1989 | 8,700,000 | 8,500,000 | 8,500,000 | 8,500,000 |
| 2.3.07 | Cash Accounting and Expensing for Agriculture | 1933 | 100,000 | 100,000 | 100,000 | 100,000 |
| 2.3.08 | Expensing of Multi-Period Timber Growth Costs | 1933 | 1,700,000 | 1,700,000 | 1,800,000 | 1,800,000 |
| 2.3.09 | Amortization and Expensing of Reforestation Expenses | 1980 | 800,000 | 800,000 | 800,000 | 800,000 |
| 2.3.10 | Special Rules for Mining Reclamation Reserves | 1987 | 100,000 | 100,000 | 100,000 | 100,000 |
| 2.3.11 | Cash Accounting Other Than Agriculture | 1933 | 2,800,000 | 2,800,000 | 2,800,000 | 2,800,000 |
| 2.3.12 | Installment Sales | 1933 | 21,900,000 | 23,300,000 | 24,700,000 | 26,300,000 |
| ***Federal Exclusions*** | | | | | | |
| 2.3.13 | Completed Contract Rules | 1933 | $3,800,000 | $3,900,000 | $4,000,000 | $4,100,000 |
| 2.3.14 | Charitable Contributions | 1933 | 25,200,000 | 26,100,000 | 27,100,000 | 28,100,000 |
| 2.3.15 | Employee Stock Ownership Plans | 1975 | 13,100,000 | 14,000,000 | 14,900,000 | 15,900,000 |

*Less Than $50,000

| | | Enacted | Fiscal Year Impact | | | |
|---|---|---|---|---|---|---|
| | | | 2024 | 2025 | 2026 | 2027 |
| **CORPORATE FRANCHISE TAX** | | | | | | |
| ***Federal Exclusions*** | | | | | | |
| 2.3.16 | Capital Construction Funds of Shipping Companies | 1987 | * | * | * | * |
| ***Apportionment*** | | | | | | |
| 2.4.01 | Sales Factor Apportionment | 1939 | $891,900,000 | $922,600,000 | $929,100,000 | $929,600,000 |
| 2.4.02 | Throwback Sales | 1975 | 66,000,000 | 68,300,000 | 68,800,000 | 68,800,000 |
| ***Minnesota Subtractions*** | | | | | | |
| 2.5.01 | Dividend Received Deduction | 1947 | $275,100,000 | $284,600,000 | $286,600,000 | $286,700,000 |
| 2.5.02 | Disposition of Farm Property | 1985 | * | * | * | * |
| ***Credits*** | | | | | | |
| 2.6.01 | Research and Development Credit | 1981 | $111,300,000 | $115,200,000 | $116,000,000 | $116,100,000 |
| 2.6.02 | Employer Transit Pass Credit | 2000 | 900,000 | 900,000 | 900,000 | 1,000,000 |
| 2.6.03 | Enterprise Zone Employer Tax Credits | 1983 | 600,000 | 600,000 | 600,000 | 600,000 |
| 2.6.04 | Historic Structure Rehabilitation Credit | 2010 | 61,600,000 | 35,200,000 | 38,100,000 | 36,000,000 |
| 2.6.05 | Film Production Credit | 2021 | 1,700,000 | 4,100,000 | 4,900,000 | 5,900,000 |
| 2.6.06 | Housing Contribution Credit | 2021 | 0 | 0 | 5,000,000 | 9,000,000 |
| 2.6.07 | Manufactured Home Park Credit | 2023 | 400,000 | 400,000 | 400,000 | 400,000 |
| 2.6.08 | Short line Railroad Credit | 2023 | 1,400,000 | 1,400,000 | 1,400,000 | 1,400,000 |
| 2.6.09 | Sustainable Aviation Fuel Credit | 2023 | 0 | 7,400,000 | 2,100,000 | 2,100,000 |
| **ESTATE TAX** | | | | | | |
| ***Preferential Valuation*** | | | | | | |
| 3.1.01 | Special Use Valuation | 1979 | $300,000 | $300,000 | $300,000 | $300,000 |
| ***Exclusions*** | | | | | | |
| 3.2.01 | Life Insurance Proceeds | 1979 | $69,500,000 | $75,900,000 | $82,900,000 | $90,600,000 |

*Less Than $50,000

| | | Enacted | Fiscal Year Impact | | | |
|---|---|---|---|---|---|---|
| | | | 2024 | 2025 | 2026 | 2027 |
| 3.2.02 | Social Security Benefits | 1979 | * | * | * | * |
| ***Deductions*** | | | | | | |
| 3.3.01 | Marital Deduction | 1979 | $300,500,000 | $320,500,000 | $338,100,000 | $355,600,000 |
| 3.3.02 | Charitable Gifts | 1979 | 175,800,000 | 187,500,000 | 197,800,000 | 208,000,000 |
| 3.3.03 | Farm and Small Business Property | 2011 | 17,800,000 | 19,000,000 | 20,000,000 | 21,000,000 |
| **GENERAL SALES AND USE TAX** | | | | | | |
| ***Exemptions—Particular Goods and Services*** | | | | | | |
| 4.1.01 | Food Products | 1967 | $1,404,000,000 | $1,450,800,000 | $1,507,700,000 | $1,554,900,000 |
| 4.1.02 | Clothing and Wearing Apparel | 1967 | 577,000,000 | 595,100,000 | 619,100,000 | 638,600,000 |
| 4.1.03 | Drugs and Medicines | 1967 | 552,600,000 | 571,100,000 | 593,400,000 | 612,000,000 |
| 4.1.04 | Medical Devices | 1967 | 16,000,000 | 16,600,000 | 17,300,000 | 17,800,000 |
| 4.1.05 | Prescription Eyeglasses | 1967 | 65,300,000 | 67,500,000 | 70,200,000 | 72,400,000 |
| 4.1.06 | Baby Products | 1967 | 1,200,000 | 1,300,000 | 1,300,000 | 1,300,000 |
| 4.1.07 | Feminine Hygiene Items | 1981 | 4,700,000 | 4,900,000 | 5,200,000 | 5,400,000 |
| 4.1.08 | Caskets and Burial Vaults | 1967 | 4,300,000 | 4,100,000 | 3,900,000 | 3,600,000 |
| 4.1.09 | Publications | 1967 | 34,400,000 | 33,100,000 | 32,200,000 | 31,300,000 |
| 4.1.10 | Textbooks Required for School Use | 1973 | 7,300,000 | 7,100,000 | 7,000,000 | 6,900,000 |
| 4.1.11 | Personal Computers Required for School Use | 1994 | 500,000 | 500,000 | 500,000 | 600,000 |
| 4.1.12 | *De Minimis* Use Tax Exemption for Individuals | 1996 | 8,800,000 | 9,900,000 | 11,100,000 | 12,600,000 |
| 4.1.13 | Motor Fuels | 1967 | 723,500,000 | 659,300,000 | 624,400,000 | 613,100,000 |
| 4.1.14 | Residential Heating Fuels | 1978 | 187,900,000 | 189,700,000 | 199,100,000 | 204,600,000 |
| 4.1.15 | Residential Water Services | 1979 | 25,500,000 | 27,200,000 | 28,900,000 | 30,700,000 |
| 4.1.16 | Sewer Services | 1967 | 107,300,000 | 111,600,000 | 116,100,000 | 120,800,000 |

*Less Than $50,000

| | | Enacted | Fiscal Year Impact | | | |
|---|---|---|---|---|---|---|
| | | | 2024 | 2025 | 2026 | 2027 |
| **GENERAL SALES AND USE TAX** | | | | | | |
| ***Exemptions—Particular Goods and Services*** | | | | | | |
| 4.1.17 | Used Manufactured Homes | 1984 | $900,000 | $900,000 | $1,000,000 | $1,000,000 |
| 4.1.18 | Selected Services | 1967 | 4,878,000,000 | 5,069,000,000 | 5,264,000,000 | 5,453,000,000 |
| 4.1.19 | Capital Equipment | 1989 | 274,200,000 | 277,300,000 | 287,400,000 | 298,200,000 |
| 4.1.20 | Accessory Tools | 1973 | 13,300,000 | 13,400,000 | 13,500,000 | 13,700,000 |
| 4.1.21 | Telecommunications Equipment | 2001 | 61,400,000 | 63,400,000 | 65,300,000 | 67,300,000 |
| 4.1.22 | Special Tooling | 1994 | 6,100,000 | 6,200,000 | 6,300,000 | 6,500,000 |
| 4.1.23 | Resource Recovery Equipment | 1984 | 300,000 | 200,000 | 100,000 | 100,000 |
| 4.1.24 | Used Motor Oil | 1988 | 200,000 | 200,000 | 200,000 | 200,000 |
| 4.1.25 | Mining Production Materials | 1971 | 5,800,000 | 6,200,000 | 6,400,000 | 6,400,000 |
| 4.1.26 | Wind Energy Conversion Systems | 1992 | 11,300,000 | 11,600,000 | 12,000,000 | 12,500,000 |
| 4.1.27 | Solar Energy Systems | 2005 | 9,000,000 | 9,300,000 | 10,000,000 | 10,700,000 |
| 4.1.28 | Air Flight Equipment | 1967 | 39,500,000 | 40,800,000 | 39,500,000 | 37,900,000 |
| 4.1.29 | Repair Parts and Equipment for General Aviation Aircraft | 2013 | 3,600,000 | 3,700,000 | 3,900,000 | 4,000,000 |
| 4.1.30 | Large Ships | 1992 | 100,000 | 100,000 | 100,000 | 100,000 |
| 4.1.31 | Repair and Replacement Parts for Ships and Vessels | 1990 | 100,000 | 100,000 | 100,000 | 100,000 |
| 4.1.32 | Petroleum Products Used by Transit Systems | 1992 | 2,500,000 | 2,400,000 | 2,300,000 | 2,200,000 |
| 4.1.33 | Petroleum Products Used by Medical Transportation Providers | 2001 | 600,000 | 600,000 | 600,000 | 600,000 |
| 4.1.34 | Petroleum Products Used in Passenger Snowmobiles | 1993 | * | * | * | * |

*Less Than $50,000

| | | Enacted | Fiscal Year Impact | | | |
|---|---|---|---|---|---|---|
| | | | 2024 | 2025 | 2026 | 2027 |
| **GENERAL SALES AND USE TAX** | | | | | | |
| ***Exemptions—Particular Goods and Services*** | | | | | | |
| 4.1.35 | Petroleum Products Used for Off-Highway Business Users | 2017 | $4,300,000 | $4,100,000 | $3,800,000 | $3,700,000 |
| 4.1.36 | Ski Area Equipment | 2000 | 500,000 | 500,000 | 600,000 | 600,000 |
| 4.1.37 | Snowmobile Trail-Grooming Equipment for Nonprofit Clubs | 2013 | 500,000 | 500,000 | 500,000 | 500,000 |
| 4.1.38 | Logging Equipment | 1998 | $1,000,000 | $1,000,000 | $1,000,000 | $1,000,000 |
| 4.1.39 | Farm Machinery | 1998 | 64,200,000 | 63,000,000 | 63,700,000 | 65,200,000 |
| 4.1.40 | Repair and Replacement Parts for Farm Machinery | 1985 | 22,300,000 | 22,100,000 | 22,700,000 | 23,300,000 |
| 4.1.41 | Petroleum Products Used to Improve Agricultural Land | 1985 | 100,000 | 100,000 | 100,000 | 100,000 |
| 4.1.42 | Farm Conservation Programs | 1991 | 1,500,000 | 1,500,000 | 1,600,000 | 1,700,000 |
| 4.1.43 | Horses | 1994 | 1,400,000 | 1,400,000 | 1,400,000 | 1,400,000 |
| 4.1.44 | Prizes at Carnivals and Fairs | 1999 | 300,000 | 300,000 | 300,000 | 300,000 |
| 4.1.45 | Coin-Operated Amusement Devices | 2014 | 500,000 | 500,000 | 500,000 | 500,000 |
| 4.1.46 | Television Commercials | 1999 | 700,000 | 700,000 | 700,000 | 700,000 |
| 4.1.47 | Advertising Materials | 1973 | 8,000,000 | 7,800,000 | 7,600,000 | 7,700,000 |
| 4.1.48 | Court Reporter Documents | 1997 | 1,700,000 | 1,900,000 | 2,000,000 | 2,100,000 |
| 4.1.49 | Patent, Trademark, and Copyright Drawings | 2000 | 300,000 | 300,000 | 300,000 | 300,000 |
| 4.1.50 | Packing Materials | 1973 | * | * | * | * |
| 4.1.51 | Property for Business Use Outside Minnesota | 1967 | * | * | * | * |
| 4.1.52 | Automatic Fire-Safety Sprinkler Systems | 1992 | 100,000 | 100,000 | 100,000 | 100,000 |
| 4.1.53 | Firefighter Personal Protective Equipment | 1994 | 100,000 | 100,000 | 100,000 | 100,000 |

*Less Than $50,000

| | | Enacted | Fiscal Year Impact | | | |
|---|---|---|---|---|---|---|
| | | | 2024 | 2025 | 2026 | 2027 |
| **GENERAL SALES AND USE TAX** | | | | | | |
| ***Exemptions–Particular Goods and Services*** | | | | | | |
| 4.1.54 | Building Materials for Residences of Disabled Veterans | 1971 | * | * | * | * |
| 4.1.55 | Chair Lifts, Ramps, and Elevators in Homesteads | 1989 | * | * | * | * |
| 4.1.56 | Parts and Accessories to Make Motor Vehicles Disabled Accessible | 1993 | $1,500,000 | $1,600,000 | $1,600,000 | $1,600,000 |
| 4.1.57 | Maintenance of Cemetery Grounds | 2000 | 100,000 | 100,000 | 100,000 | 100,000 |
| 4.1.58 | Trade-In Allowance | 1967 | 11,800,000 | 12,400,000 | 13,100,000 | 13,800,000 |
| 4.1.59 | Bullion | 2017 | 3,600,000 | 3,600,000 | 3,600,000 | 3,600,000 |
| 4.1.60 | Firearm Storage Unit | 2023 | 300,000 | 300,000 | 300,000 | 300,000 |
| ***Exemptions–Sales to Particular Purchasers*** | | | | | | |
| 4.2.01 | Local Governments | 1967 | $477,100,000 | $490,400,000 | $502,400,000 | $517,500,000 |
| 4.2.02 | Correctional Facilities Construction Materials | 1995 | 2,400,000 | 1,200,000 | 800,000 | 400,000 |
| 4.2.03 | Nonprofit Organizations | 1967 | 145,900,000 | 149,600,000 | 153,200,000 | 157,200,000 |
| 4.2.04 | Hospitals and Outpatient Surgical Centers | 1967 | 213,500,000 | 225,500,000 | 238,100,000 | 251,400,000 |
| 4.2.05 | Nursing Homes and Boarding Care Homes | 1967 | 9,600,000 | 9,500,000 | 9,400,000 | 9,400,000 |
| 4.2.06 | Veterans' Organizations | 1980 | 600,000 | 600,000 | 600,000 | 600,000 |
| 4.2.07 | Construction Materials for Low-Income Housing | 2001 | 4,500,000 | 4,600,000 | 4,700,000 | 4,800,000 |
| 4.2.08 | Ambulances Leased to Private Ambulance Services | 1990 | 100,000 | 100,000 | 100,000 | 100,000 |
| 4.2.09 | Certain Purchases by Private Ambulance Services | 2001 | 300,000 | 300,000 | 300,000 | 300,000 |
| 4.2.10 | Enterprise Zone Construction Materials | 1983 | * | * | * | * |

*Less Than $50,000

| | | Enacted | Fiscal Year Impact | | | |
|---|---|---|---|---|---|---|
| | | | 2024 | 2025 | 2026 | 2027 |
| **GENERAL SALES AND USE TAX** | | | | | | |
| ***Exemptions–Sales to Particular Purchasers*** | | | | | | |
| 4.2.11 | Waste Recovery Facilities | 2005 | $400,000 | $300,000 | $200,000 | $200,000 |
| 4.2.12 | Data Center Equipment | 2011 | 109,200,000 | 114,200,000 | 115,200,000 | 116,000,000 |
| 4.2.13 | Construction Materials for Certain City Projects | 2012 | 1,100,000 | 300,000 | 0 | 0 |
| 4.2.14 | Destination Medical Center | 2013 | 500,000 | 400,000 | 600,000 | 300,000 |
| 4.2.15 | Greater Minnesota Business Expansions | 2013 | 2,500,000 | 2,500,000 | 2,500,000 | 2,500,000 |
| 4.2.16 | Jukebox Music | 2017 | 300,000 | 300,000 | 300,000 | 300,000 |
| 4.2.17 | Aquatic Herbicides | 2019 | 200,000 | 200,000 | 200,000 | 200,000 |
| ***Exemptions–Sales by Particular Sellers*** | | | | | | |
| 4.3.01 | Isolated or Occasional Sales | 1967 | $73,900,000 | $75,500,000 | $76,800,000 | $78,200,000 |
| 4.3.02 | Institutional Meals | 1967 | 45,000,000 | 45,700,000 | 46,500,000 | 47,300,000 |
| 4.3.03 | Fundraising Sales by Nonprofit Organizations | 1985 | 13,600,000 | 14,100,000 | 14,500,000 | 15,000,000 |
| 4.3.04 | Admission to Artistic Events | 1980 | 4,300,000 | 4,500,000 | 4,600,000 | 4,700,000 |
| 4.3.05 | Admission to School-Sponsored Events | 1985 | 2,100,000 | 2,200,000 | 2,200,000 | 2,300,000 |
| 4.3.06 | Admission to the Minnesota Zoo | 2001 | 700,000 | 700,000 | 800,000 | 900,000 |
| 4.3.07 | Cross Country Ski Passes for Public Trails | 1988 | * | * | * | * |
| 4.3.08 | YMCA, YWCA, and JCC Membership Dues | 1987 | 5,700,000 | 6,200,000 | 6,700,000 | 7,200,000 |
| 4.3.09 | Admission to Charitable Golf Tournaments | 1994 | 100,000 | 100,000 | 100,000 | 100,000 |

*Less Than $50,000

| | | Enacted | Fiscal Year Impact | | | |
|---|---|---|---|---|---|---|
| | | | 2024 | 2025 | 2026 | 2027 |
| **GENERAL SALES AND USE TAX** | | | | | | |
| ***Exemptions–Sales by Particular Sellers*** | | | | | | |
| 4.3.10 | Preferred Athletic Facility Seating | 2017 | $9,300,000 | $8,600,000 | $8,700,000 | $8,800,000 |
| 4.3.11 | Candy Sales by Certain Organizations | 1984 | * | * | * | * |
| 4.3.12 | Sacramental Wine Sold by Religious Organizations | 1991 | * | * | * | * |
| 4.3.13 | County Agricultural Societies | 2023 | 1,600,000 | 1,700,000 | 1,700,000 | 1,700,000 |
| ***Reduced Sales Price*** | | | | | | |
| 4.4.01 | New Manufactured Homes | 1984 | $2,700,000 | $2,800,000 | $3,000,000 | $3,100,000 |
| 4.4.02 | Park Trailers | 1995 | 200,000 | 200,000 | 200,000 | 200,000 |

*Less Than $50,000

| | | | Fiscal Year Impact | | | |
|---|---|---|---|---|---|---|
| | | | 2024 | 2025 | 2026 | 2027 |
| **MOTOR VEHICLE SALES TAX** | | | | | | |
| ***Exemptions*** | | | | | | |
| 5.1.01 | Gifts Between Family Members | 1971 | $46,200,000 | $46,300,000 | $46,300,000 | $46,300,000 |
| 5.1.02 | Vehicles Acquired by Inheritance | 1971 | 7,800,000 | 7,800,000 | 7,900,000 | 7,900,000 |
| 5.1.03 | Persons Moving into Minnesota | 1971 | 19,500,000 | 19,100,000 | 19,500,000 | 19,800,000 |
| 5.1.04 | Transfers Between Joint Owners | 1971 | 11,200,000 | 11,200,000 | 11,200,000 | 11,200,000 |
| 5.1.05 | Transfers in Divorce Proceedings | 1974 | 1,200,000 | 1,200,000 | 1,200,000 | 1,200,000 |
| 5.1.06 | Sales to Disabled Veterans | 1971 | 200,000 | 200,000 | 300,000 | 300,000 |
| 5.1.07 | Corporate and Partnership Transfers | 1975 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 |
| 5.1.08 | Transit Vehicles | 1971 | 8,800,000 | 10,600,000 | 11,200,000 | 11,800,000 |
| 5.1.09 | Town Road Maintenance Vehicles | 1998 | 900,000 | 900,000 | 1,000,000 | 1,000,000 |
| 5.1.10 | Bookmobiles | 1994 | * | * | * | * |

*Less Than $50,000

| | | Enacted | Fiscal Year Impact | | | |
|---|---|---|---|---|---|---|
| | | | 2024 | 2025 | 2026 | 2027 |
| **MOTOR VEHICLE SALES TAX** | | | | | | |
| ***Exemptions*** | | | | | | |
| 5.1.11 | Private Ambulance Services | 1990 | $2,300,000 | $2,300,000 | $2,400,000 | $2,400,000 |
| 5.1.12 | Ready-Mixed Concrete Trucks | 1998 | 1,700,000 | 1,700,000 | 1,700,000 | 1,700,000 |
| 5.1.13 | Automotive Training Programs | 1988 | * | * | * | * |
| 5.1.14 | Donations to Exempt Organizations | 1997 | 200,000 | 200,000 | 200,000 | 200,000 |
| 5.1.15 | Trucks, Buses, and Vans Purchased by Charities | 2000 | 1,000,000 | 1,000,000 | 1,000,000 | 900,000 |
| ***Reduced Purchase Price*** | | | | | | |
| 5.2.01 | Price Reduced by Value of Trade-In | 1971 | $271,500,000 | $271,700,000 | $271,800,000 | $272,000,000 |
| 5.2.02 | Disabled-Accessible Modifications | 1992 | 700,000 | 700,000 | 700,000 | 700,000 |
| ***Preferential Computation*** | | | | | | |
| 5.3.01 | Flat Taxes on Older Cars and Collector Vehicles | 1985 | $34,900,000 | $34,800,000 | $34,800,000 | $34,700,000 |
| **HIGHWAY FUELS EXCISE TAXES** | | | | | | |
| ***Exemptions*** | | | | | | |
| 6.1.01 | Transit Systems | 1977 | $4,100,000 | $4,300,000 | $4,500,000 | $4,500,000 |
| 6.1.02 | Medical Transportation Providers | 1994 | 700,000 | 700,000 | 700,000 | 700,000 |
| 6.1.03 | Motor Vehicles Not Requiring Registration (Special Fuels) | 1951 | 700,000 | 700,000 | 700,000 | 700,000 |
| 6.1.04 | Ambulance Services | 2001 | 400,000 | 400,000 | 500,000 | 500,000 |
| 6.1.05 | Reciprocal Agreements for Out-of-State Purchases | 1961 | * | * | * | * |

*Less Than $50,000

| | | Enacted | Fiscal Year Impact | | | |
|---|---|---|---|---|---|---|
| | | | 2024 | 2025 | 2026 | 2027 |
| **HIGHWAY FUELS EXCISE TAXES** | | | | | | |
| ***Credit*** | | | | | | |
| 6.2.01 | Border Area Credit | 1981 | $400,000 | $400,000 | $400,000 | $400,000 |
| **ALCOHOLIC BEVERAGE TAXES** | | | | | | |
| ***Exemptions*** | | | | | | |
| 7.1.01 | Consumer Purchases Made Out-of-State | 1947 | $200,000 | $200,000 | $200,000 | $200,000 |
| 7.1.02 | Home Production and Use | 1957 | * | * | * | * |
| 7.1.03 | Sales to Food Processors and Pharmaceutical Firms | 1988 | * | * | * | * |
| 7.1.04 | Consumption on Brewery Premises | 1941 | * | * | * | * |
| 7.1.05 | Wine for Sacramental Purposes | 1937 | * | * | * | * |
| 7.1.06 | Shipments of Wine for Personal Use | 1993 | 100,000 | 100,000 | 100,000 | 100,000 |
| ***Credits*** | | | | | | |
| 7.2.01 | Credit for Small Brewers | 1985 | $1,700,000 | $1,700,000 | $1,700,000 | $1,800,000 |
| 7.2.02 | Microdistillery Credit | 2014 | 500,000 | 500,000 | 600,000 | 600,000 |
| 7.2.03 | Small Winery Credit | 2017 | 100,000 | 100,000 | 100,000 | 100,000 |
| **CIGARETTE AND TOBACCO TAXES** | | | | | | |
| ***Exemption*** | | | | | | |
| 8.1.01 | Consumer Purchases Made Out-of-State | 1949 | $49,900,000 | $50,600,000 | $51,200,000 | $51,900,000 |
| **MORTGAGE REGISTRY TAX** | | | | | | |
| ***Exemptions*** | | | | | | |
| 9.1.01 | Agricultural Loans | 2001 | $3,000,000 | $4,400,000 | $4,700,000 | $4,900,000 |

*Less Than $50,000

| | | Enacted | Fiscal Year Impact 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|
| **MORTGAGE REGISTRY TAX** | | | | | | |
| ***Exemptions*** | | | | | | |
| 9.1.02 | Government Housing Programs | 2001 | $3,300,000 | $3,300,000 | $3,300,000 | $3,300,000 |
| **DEED TRANSFER TAXES** | | | | | | |
| ***Exemptions*** | | | | | | |
| 10.1.01 | Property Partitioned Between Co-Owners | 1984 | * | * | * | * |
| 10.1.02 | Distributions by Personal Representatives | 1975 | * | * | * | * |
| 10.1.03 | Cemetery Lots | 1961 | $100,000 | $100,000 | $100,000 | $100,000 |
| 10.1.04 | Exchange of Permanent School Fund Lands | 1991 | * | * | * | * |
| 10.1.05 | Mortgage or Lien Foreclosure Sales | 1993 | 1,100,000 | 1,100,000 | 1,200,000 | 1,200,000 |
| 10.1.06 | Decree of Marriage Dissolution | 1997 | 400,000 | 400,000 | 400,000 | 400,000 |
| **LAWFUL GAMBLING TAXES** | | | | | | |
| ***Exemptions*** | | | | | | |
| 11.1.01 | Bingo at Certain Organizations | 1985 | * | * | * | * |
| 11.1.02 | Bingo at Fairs and Civic Celebrations | 1984 | * | * | * | * |
| 11.1.03 | Infrequent Bingo Occasions | 1984 | $100,000 | $100,000 | $100,000 | $100,000 |
| 11.1.04 | Smaller Raffles | 1984 | 300,000 | 300,000 | 300,000 | 300,000 |
| 11.1.05 | Lawful Gambling Under Certain Conditions | 1986 | 2,900,000 | 2,900,000 | 2,900,000 | 2,900,000 |
| ***Credit*** | | | | | | |
| 11.2.01 | Credit for Certain Raffles | 2000 | * | * | * | * |

*Less Than $50,000

| | | Enacted | Fiscal Year Impact | | | |
|---|---|---|---|---|---|---|
| | | | 2024 | 2025 | 2026 | 2027 |
| **INSURANCE PREMIUMS TAXES** | | | | | | |
| ***Exemptions*** | | | | | | |
| 12.1.01 | Fraternal Benefit Societies | 1907 | $6,400,000 | $6,600,000 | $6,800,000 | $7,000,000 |
| 12.1.02 | Farmers' Mutual and Township Mutual Fire Insurance Companies (Surcharge on Fire Safety Premiums) | 2006 | 600,000 | 600,000 | 600,000 | 700,000 |
| ***Reduced Rates*** | | | | | | |
| 12.2.01 | Health Maintenance Organizations and Nonprofit Health Service Plan Corporations | 1992 | $127,600,000 | $134,300,000 | $140,700,000 | $147,000,000 |
| 12.2.02 | Smaller Mutual Property and Casualty Insurance Companies | 1988 | 13,800,000 | 14,200,000 | 14,700,000 | 15,100,000 |
| 12.2.03 | Life Insurance | 2005 | 23,300,000 | 24,100,000 | 24,900,000 | 25,600,000 |
| ***Preferential Computation*** | | | | | | |
| 12.3.01 | Smaller Mutual Property and Casualty Insurance Companies (Surcharge on Fire Safety Premiums) | 2006 | $700,000 | $700,000 | $700,000 | $800,000 |
| ***Credits*** | | | | | | |
| 12.4.01 | Historic Structure Rehabilitation Credit | 2010 | Estimate in Item 2.6.04 | Estimate in Item 2.6.04 | Estimate in Item 2.6.04 | Estimate in Item 2.6.04 |
| 12.4.02 | Film Production Credit | 2021 | Estimate in Item 2.6.05 | Estimate in Item 2.6.05 | Estimate in Item 2.6.05 | Estimate in Item 2.6.05 |
| 12.4.03 | Housing Contribution Credit | 2021 | Estimate in Item 2.6.06 | Estimate in Item 2.6.06 | Estimate in Item 2.6.06 | Estimate in Item 2.6.06 |
| 12.4.04 | Short Line Railroad Credit | 2023 | * | * | * | * |
| 12.4.05 | Credit for Guaranty Association Assessments | 1994 | $100,000 | $0 | $200,000 | $500,000 |

| | | Enacted | Fiscal Year Impact | | | |
|---|---|---|---|---|---|---|
| | | | 2024 | 2025 | 2026 | 2027 |
| **PROPERTY TAX** | | | | | | |
| ***Exemptions*** | | | | | | |
| 13.1.01 | Exempt Real Property | 1851 | $1,085,700,000 | $1,107,400,000 | $1,129,500,000 | $1,152,100,000 |
| 13.1.02 | Homestead Exclusion for Veterans with a Disability | 2008 | 50,000,000 | 54,100,000 | 56,800,000 | 59,600,000 |
| 13.1.03 | Homestead Market Value Exclusion | 2011 | 94,700,000 | 86,300,000 | 175,600,000 | 170,800,000 |
| ***Preferential Computations*** | | | | | | |
| 13.2.01 | Classification System and Alternative Tax Bases | 1913 | N/A | N/A | N/A | N/A |
| 13.2.02 | Green Acres Treatment of Agricultural Land | 1967 | $25,000,000 | $25,500,000 | $25,800,000 | $25,800,000 |
| 13.2.03 | Open Space Property | 1969 | 15,900,000 | 15,900,000 | 16,800,000 | $17,500,000 |
| 13.2.04 | Tax Increment Financing | 1947 | 253,000,000 | 279,000,000 | 276,000,000 | 282,000,000 |
| 13.2.05 | Metropolitan Agricultural Preserves Land | 1980 | 2,000,000 | 1,600,000 | 1,700,000 | 1,700,000 |
| ***Credits*** | | | | | | |
| 13.3.01 | Taconite Homestead Credit | 1969 | $11,300,000 | $14,800,000 | $18,400,000 | $18,400,000 |
| 13.3.02 | Power Line Credit | 1979 | 700,000 | 700,000 | 700,000 | 700,000 |
| 13.3.03 | Metropolitan Agricultural Preserves Credit | 1980 | 400,000 | 500,000 | 500,000 | 500,000 |
| 13.3.04 | Conservation Tax Credit | 1986 | 200,000 | 200,000 | 200,000 | 200,000 |
| **MOTOR VEHICLE REGISTRATION TAX** | | | | | | |
| ***Exemptions*** | | | | | | |
| 14.1.01 | Local Government Vehicles | 1921 | $14,000,000 | $14,100,000 | $14,700,000 | $15,600,000 |
| 14.1.02 | School Buses | 1933 | 900,000 | 1,000,000 | 1,100,000 | 1,100,000 |

| | | Enacted | Fiscal Year Impact | | | |
|---|---|---|---|---|---|---|
| | | | 2024 | 2025 | 2026 | 2027 |
| **MOTOR VEHICLE REGISTRATION TAX** | | | | | | |
| ***Exemptions*** | | | | | | |
| 14.1.03 | Nonresident Military Personnel | 1967 | $300,000 | $300,000 | $400,000 | $400,000 |
| 14.1.04 | Medal of Honor Recipients and Former Prisoners of War | 1983 | * | * | * | * |
| 14.1.05 | Disabled Veterans | 1941 | 1,500,000 | 1,700,000 | 1,900,000 | 2,000,000 |
| 14.1.06 | Transport of Disabled Persons by Nonprofit Charities | 1987 | 100,000 | 100,000 | 100,000 | 100,000 |
| 14.1.07 | Driver Education Programs at Nonpublic High Schools | 1990 | * | * | * | * |
| 14.1.08 | Commercial Driving Schools | 1999 | 200,000 | 200,000 | 300,000 | 300,000 |
| 14.1.09 | Private Ambulance Services | 1990 | 1,800,000 | 1,800,000 | 1,800,000 | 1,800,000 |
| ***Preferential Computation*** | | | | | | |
| 14.2.01 | Buses Contracted for Student Transportation | 1971 | $400,000 | $400,000 | $400,000 | $400,000 |
| **AIRCRAFT REGISTRATION TAX** | | | | | | |
| ***Exemption*** | | | | | | |
| 15.1.01 | Civil Air Patrol Aircraft | 1957 | * | * | * | * |
| ***Preferential Computation*** | | | | | | |
| 15.2.01 | Maximum Tax for Agricultural Aircraft | 1999 | * | * | * | * |

*Less Than $50,000

| | | Enacted | Fiscal Year Impact 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|
| **CANNABIS GROSS RECEIPTS TAX** | | | | | | |
| ***Exemption*** | | | | | | |
| 16.1.01 | Out of State Consumer Purchases | 2023 | $5,500,000 | $5,600,000 | $5,700,000 | $5,800,000 |
| 16.1.02 | Home Grown Cannabis | 2023 | 10,200,000 | 10,300,000 | 10,400,000 | 10,400,000 |
| 16.1.03 | Medical Cannabis | 2014 | 7,900,000 | 8,700,000 | 9,200,000 | 9,700,000 |
| 16.1.04 | Cannabis Sold on Tribal Lands | 2014 | 200,000 | 1,000,000 | 2,200,000 | 3,200,000 |

# Chapter 1: Individual Income Tax

## *Collections and History*

Fiscal year 2024 net collections from the individual income tax were $14.9 billion. All revenue from this tax goes into the State General Fund.

The State of Minnesota enacted an income tax for individuals and corporations in 1933. The same graduated rate schedule applied to both taxes, and it was divided into $1,000 increments, with the lowest rate at 1% on the first $1,000 of taxable income and the highest rate at 5% on taxable income over $10,000.

Although many changes were made to the individual income tax over the years, the structure of the tax remained basically the same from 1933 through 1984. In 1985, major changes were made in two areas: the joint income of married couples and the deductibility of the federal income tax.

Prior to 1985, one rate schedule applied to all filers, so that the income of each person was treated the same, regardless of marital status. Two–income married couples usually filed separately, even if they filed a joint federal return. In 1985, a married joint tax rate schedule was added, and married couples were required to use the same filing status as on the federal return. Other provisions were changed so that they were based on the joint income of the couple rather than on the income of each taxpayer.

A deduction for federal income taxes was allowed until 1985, when the deduction was made an option, with a schedule of higher tax rates used if federal tax was deducted. In 1987, the deduction for federal income tax was eliminated as part of another wave of broad changes to the individual income tax.

The 1987 changes to the individual income tax occurred in three major areas: federal conformity and simplification; 1986 federal tax reform; and rate structure.

In 1987, the starting point for computation of the Minnesota income tax was changed from federal adjusted gross income to federal taxable income. The Minnesota standard deduction and personal credits were replaced with the federal standard deduction and personal exemptions. Some of the adjustments to income were repealed. Using federal taxable income continued the trend toward closer conformity to federal itemized deductions.

Minnesota also adopted nearly all of the major changes contained in the federal Tax Reform Act of 1986. The changes broadened the tax base by, among other things, repealing the 60% capital gains exclusion and the dividend exclusion.

Both the number of tax brackets and the range of tax rates were reduced dramatically in 1987. Prior to 1985 there were twelve tax rates, from 1.6% to 16%. From 1988 to 2012 there were three tax rates. The rates were reduced in 1999 and 2000 and were 5.35%, 7.05%, and 7.85% from 2000 to 2012. In 2013, a fourth bracket was added with a tax rate of 9.85%. In 2019, the 2$^{nd}$ rate was reduced from 7.05% to 6.8%.

In 2019, the starting point for computation of the Minnesota income tax was changed from federal taxable income to adjusted gross income. Minnesota enacted its own standard deduction, itemized deductions, and dependent exemption.

### *Tax Base*

In order to be a tax expenditure, a provision must be included in the defined tax base for that tax. For this study, the tax base for the individual income tax is defined as income from all sources less expenses that are reasonable and necessary to generate that income. If an expense is reasonable and necessary to generate income, it is not considered a tax expenditure.

An all-encompassing definition of income would include gifts and bequests. For purposes of this study, gifts and bequests that are voluntary and unconditional are not considered income, and, therefore, their exclusion is not considered a tax expenditure. Payments to which the recipient is entitled due to meeting specified requirements, such as social security, workers compensation, and public assistance, are considered income. Therefore, the exclusions of income from these sources are tax expenditures.

### *Computation of the Tax*

Beginning with tax year 2019, the computation of the Minnesota individual income tax starts with federal adjusted gross income. The definition of adjusted gross income in Minnesota tax law references the Internal Revenue Code as of a specified date. If federal legislation is enacted which affects the computation of federal adjusted gross income, a state law change is required to adopt the federal change. At the time of this report, Minnesota law referenced the Internal Revenue Code as amended through May 1, 2023.

With the switch to adjusted gross income as the starting point for calculating Minnesota income tax, Minnesota taxable income no longer includes the federal standard deduction, itemized deductions, or exemptions (which were temporarily suspended by federal law). Beginning with 2019, Minnesota established its own dependent exemption and standard deduction, which is similar to the federal standard deduction except that it is phased out for higher income taxpayers. Minnesota also created its own set of itemized deductions and a dependent exemption.

The tax expenditure estimates for the itemized deductions take into account the incremental benefit of the deduction over the standard deduction for those taxpayers who would lose the benefit of itemizing by the loss of that one deduction.

Beginning with 2019, all inflation adjustments of income tax provisions are based on the Chained Consumer Price Index, an alternative measure of inflation that generally grows more slowly than the Consumer Price Index, which had been the traditional measure of inflation. The tax brackets are adjusted annually for inflation and for tax year 2024 are as follows:

| Tax Brackets | 5.35% Up To | 6.80% | 7.85% | 9.85% or Over |
|---|---|---|---|---|
| Married Joint | $46,330 | $46,331–$184,040 | $184,041–$321,450 | $321,450 |
| Married Separate | 23,165 | 23,166–92,020 | 92,021–160,725 | 160,725 |
| Head of Household | 39,010 | 39,011–156,760 | 156,761–256,880 | 256,880 |
| Single | 31,690 | 31,691–104,090 | 104,091–193,240 | 193,240 |

An alternative minimum tax (AMT) on tax preference items is imposed to the extent that it exceeds the regular tax computed from the above rate schedule. The Minnesota AMT is similar to the federal AMT and is 6.75% of Minnesota alternative minimum taxable income. The benefits to a taxpayer of a number of the deductions shown as tax expenditures are lower because part or all of these items must be added back in computing alternative minimum taxable income.

The tax expenditures are shown in this report generally in the order in which they occur in the computation of the tax. The Minnesota individual income tax is computed as follows for tax year 2024:

| | |
|---|---|
| | Income from all sources |
| minus: | federal exclusions |
| equals: | federal gross income |
| minus: | federal above-the-line deductions |
| equals: | federal adjusted gross income |
| minus: | Minnesota standard deduction or itemized deductions |
| minus: | Minnesota dependent exemptions |
| plus: | Minnesota additions |
| minus: | Minnesota subtractions |
| equals: | Minnesota taxable income |
| times: | graduated rates of 5.35%, 6.80%, 7.85%, and 9.85% |
| equals: | gross tax |
| plus: | alternative minimum tax at 6.75% rate |
| plus: | tax on lump sum distribution from a pension plan |
| minus: | nonrefundable credits |
| equals: | income tax liability |
| minus: | refundable credits |
| equals: | net tax after refundable credits |

## *Federal Exclusions*

### 1.1.01 Employer-Provided Meals and Lodging

Internal Revenue Code, Sections 119 and 132(e)(2)
Minnesota Statutes, Section 290.01, Subd. 19

Section 119 of the Internal Revenue Code allows an employee to exclude from income the value of meals and lodging furnished by the employer on the business premises for the employer's convenience. For lodging to qualify, it must be required as a condition of employment, such as for a live-in housekeeper or an apartment resident manager. This provision does not cover instances in which an employee is reimbursed by the employer for amounts spent on meals and lodging.

An exclusion from income also applies to the fair market value of meals provided to employees at a subsidized eating facility operated by the employer. The facility must be located on or near the employer's business, and revenue from the facility must equal or exceed the facility's direct operating costs.

These exclusions were first allowed in 1918 by federal regulation. Section 119 was enacted in 1954. The exclusion of meals at employer-provided facilities was enacted in 1984. These provisions were last modified in 1998.

**Revenue Neutral Rate:** If the tax expenditure were repealed, each income tax rate could be reduced by 0.020 percentage points, to 5.330%, 6.780%, 7.830%, and 9.830%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $44,000,000 | $44,500,000 | $45,100,000 | $45,600,000 |

### 1.1.02 Housing Allowances for Ministers

Internal Revenue Code, Section 107
Minnesota Statutes, Section 290.01, Subd. 19

Section 107 of the Internal Revenue Code provides that the gross income of a minister of the gospel does not include any housing allowance that is part of compensation. The exclusion applies whether it is the rental value of a home furnished to the minister or a cash housing allowance paid as part of compensation. The amount of the cash housing allowance excluded cannot exceed the fair rental value of the home. A minister who owns a home and receives a cash housing allowance may also claim itemized deductions for mortgage interest and real estate taxes.

This exclusion was enacted federally in 1921 and adopted by Minnesota in 1945. This provision was last modified in 2002.

**Revenue Neutral Rate:** If the tax expenditure were repealed, each income tax rate could be reduced by 0.003 percentage points, to 5.347%, 6.797%, 7.847%, and 9.847%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $6,700,000 | $7,000,000 | $7,400,000 | $7,800,000 |

## 1.1.03 Employer-Provided Dependent Care Assistance

Internal Revenue Code, Section 129
Minnesota Statutes, Section 290.01, Subd. 19

Employer-provided dependent care assistance is excluded from the employee's income if the assistance is provided through a formal, written plan. The amount excluded from an employee's income cannot exceed $5,000 during a tax year. The assistance provided may not discriminate in favor of highly-compensated employees, shareholders, or owners. The amount excluded cannot exceed the employee's earned income; amounts exceeding earned income are taxable.

If the taxpayer makes direct payments for child or dependent care, this exclusion does not apply, but the taxpayer may be eligible for the child and dependent care credit (Item 1.6.06).

This provision was enacted in 1981 and was last modified in 1996. The maximum federal exclusion was increased for 2021 only, but Minnesota has not adopted that change.

**Revenue Neutral Rate:** If the tax expenditure were repealed, each income tax rate could be reduced by 0.005 percentage points, to 5.345%, 6.795%, 7.845%, and 9.845%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $11,300,000 | $12,100,000 | $15,100,000 | $15,900,000 |

## 1.1.04 Employee Awards

Internal Revenue Code, Sections 74(b, c) and 274(j)
Minnesota Statutes, Section 290.01, Subd. 19

Certain employee awards are excluded from gross income. To qualify, the award must be tangible personal property and must be given for either length of service or safety achievement. The business deduction allowed to the employer determines the size of the award that is excluded. In general, the exclusion is limited to $400. If the employer has an established written plan which does not discriminate in favor of highly-compensated employees, the exclusion for each employee may be up to $1,600.

Employee awards were first specifically excluded by statute in the federal Tax Reform Act of 1986.

**Revenue Neutral Rate:** If the tax expenditure were repealed, each income tax rate could be reduced by 0.001 percentage points, to 5.349%, 6.799%, 7.849%, and 9.849%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $3,200,000 | $3,400,000 | $3,600,000 | $3,800,000 |

## 1.1.05 Employer Pension Plans

Internal Revenue Code, Sections 401–404, 406-407, 411, 415 and 457
Minnesota Statutes, Section 290.01, Subd. 19

Contributions by an employer to an employee's qualified pension plan are excluded from the employee's income. The current-year earnings derived from such contributions, as well as those from contributions made by the employee, are also excluded. The employee's contribution is also excluded from income for specific types of plans, including 401(k) plans, certain government plans, tax-sheltered annuities, and deferred compensation.

The tax expenditure is actually a deferral of income and not an exclusion because pension income that was not previously taxed must be included in income when disbursements are received. The estimates show the fiscal impact of excluding current-year pension contributions and earnings from taxable income, net of all taxable pension income disbursed in that year.

The federal exclusion was enacted in 1921, and the Minnesota exclusion was enacted in 1933. Various changes were enacted over the years, primarily affecting the requirements for a qualified plan. The last changes were made in 2020.

**Revenue Neutral Rate:** If the tax expenditure were repealed, each income tax rate could be reduced by 1.071 percentage points, to 4.279%, 5.729%, 6.779%, and 8.779%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $2,324,500,000 | $2,724,300,000 | $3,080,900,000 | $3,719,800,000 |

## 1.1.06 Contributions by Employers for Medical Insurance Premiums and Medical Care

Internal Revenue Code, Sections 105 and 106
Minnesota Statutes, Section 290.01, Subd. 19

All employer contributions to health insurance plans which provide compensation for sickness and injury are excluded from the employee's income. Payments from such plans may be excluded to the extent that they are based on the nature of the injury or illness or the cost of medical care and are not based on the period the employee is absent from work.

Employer contributions for medical insurance premiums and medical care have never been subject to taxation. In 1997, this provision was extended to include long-term care insurance.

**Revenue Neutral Rate:** If the tax expenditure were repealed, each income tax rate could be reduced by 0.761 percentage points, to 4.589%, 6.039%, 7.089%, and 9.089%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $1,650,900,000 | $1,760,000,000 | $1,818,000,000 | $1,899,300,000 |

## 1.1.07 Employer-Paid Accident and Disability Premiums

Internal Revenue Code, Sections 105 and 106
Minnesota Statutes, Section 290.01, Subd. 19

Premiums paid by an employer to an employee accident and disability insurance plan are excluded from the gross income of the employee.

This provision was enacted in 1954.

**Revenue Neutral Rate:** If the tax expenditure were repealed, each income tax rate could be reduced by 0.023 percentage points, to 5.327%, 6.777%, 7.827%, and 9.827%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $49,900,000 | $50,700,000 | $57,600,000 | $60,700,000 |

## 1.1.08 Employer-Paid Group Term Life Insurance Premiums

Internal Revenue Code, Section 79
Minnesota Statutes, Section 290.01, Subd. 19

Group term life insurance premiums paid by an employer on behalf of an employee may be excluded from the employee's income. However, this exclusion applies only to premiums paid for insurance coverage of $50,000 or less; premiums for coverage in excess of $50,000 must be included in an employee's gross income. In order for the premiums to qualify for the exclusion, the plan must meet certain requirements including nondiscrimination rules.

In 1920, a federal administrative legal opinion was issued authorizing this exclusion. In 1954, when the Internal Revenue Code was revised, this provision was codified as Section 79 and was last modified in 1996.

**Revenue Neutral Rate:** If the tax expenditure were repealed, each income tax rate could be reduced by 0.015 percentage points, to 5.335%, 6.785%, 7.835%, and 9.835%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $32,300,000 | $33,800,000 | $36,100,000 | $38,400,000 |

## 1.1.09 Employer-Paid Transportation Benefits

Internal Revenue Code, Section 132(f)
Minnesota Statutes, Section 290.01, Subd. 19 and 19b(21)

Certain employer-provided transportation benefits are excluded from the employee's income. The exclusion applies to transit passes, parking, and transportation in a commuter vehicle between the employee's residence and place of employment. The maximum federal exclusion from an employee's income in 2024, is $315 per month for parking, transit passes and transportation in a commuter vehicle. The maximum amounts are adjusted annually for inflation.

These benefits were first excluded by statute in 1984. This federal provision was last modified in 2015, when the maximum exclusion for transit passes and commuter vehicles was permanently set equal to the maximum parking exclusion. The exclusion does not include bicycle commuting expenses for tax years 2018 through 2025.

**Revenue Neutral Rate:** If the tax expenditure were repealed, each income tax rate could be reduced by 0.028 percentage points, to 5.322%, 6.772%, 7.822%, and 9.822%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $61,500,000 | $63,000,000 | $65,300,000 | $68,400,000 |

## 1.1.10 Employer-Provided Education Assistance

Internal Revenue Code, Section 127
Minnesota Statutes, Section 290.01, Subd. 19

An employee may exclude from income amounts paid by the employer for education assistance, including tuition, fees, and books. The maximum exclusion is $5,250 per year. The exclusion applies if the employer either pays the expenses, reimburses the employee for expenses, or provides the education directly.

This exclusion was first enacted in 1978 as a temporary provision and was renewed a number of times. In 2001, the exclusion was extended to tax year 2010 and was expanded to include graduate education. In 2011, Minnesota adopted the federal extension of the exclusion to tax years 2011 and 2012. The exclusion was made permanent in 2013. In 2020, the federal exclusion was temporarily expanded to include student loan repayments by the employer through tax year 2025. Minnesota has not adopted that change.

**Revenue Neutral Rate:** If the tax expenditure were repealed, each income tax rate could be reduced by 0.006 percentage points, to 5.344%, 6.794%, 7.844%, and 9.844%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $12,300,000 | $13,100,000 | $11,500,000 | $10,800,000 |

## 1.1.11 Employer-Provided Adoption Assistance

Internal Revenue Code, Section 137
Minnesota Statutes, Section 290.01, Subd. 19

Amounts paid by an employer to an employee for adoption assistance are excluded from the employee's income. For tax year 2024, the exclusion is allowed up to $16,810 per child and is phased out for adjusted gross income over $252,150. The maximum exclusion and income threshold for the phase-out are indexed annually for inflation.

This exclusion was enacted federally in 1996. In 2001, the exclusion was extended and increased from $5,000 for the adoption of a child ($6,000 for a child with special needs) to $10,000, indexed. The income threshold for phase-out was increased. The 2001 law changes expired after tax year 2010. In 2011, Minnesota adopted the 2010 federal changes which increased the maximum exclusion and extended it to tax years 2011 and 2012. The exclusion was made permanent in 2013.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the income tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $300,000 | $300,000 | $300,000 | $400,000 |

## 1.1.12 Employer-Provided Tuition Reduction

Internal Revenue Code, Section 117(d)
Minnesota Statutes, Section 290.01, Subd. 19

A reduction in tuition allowed to an employee of an educational institution is excluded from income if it is not a payment for services. The exclusion also applies to a tuition reduction allowed for the spouse and dependent children of an employee.

This exclusion was enacted in 1984.

**Revenue Neutral Rate:** If the tax expenditure were repealed, each income tax rate could be reduced by 0.001 percentage points, to 5.349%, 6.799%, 7.849%, and 9.849%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $2,700,000 | $2,900,000 | $3,100,000 | $3,300,000 |

## 1.1.13 Miscellaneous Employee Fringe Benefits

Internal Revenue Code, Sections 117(d) and 132
Minnesota Statutes, Section 290.01, Subd. 19

In addition to Items 1.1.01 through 1.1.12, certain other employee benefits may be excluded from income. The benefits include employee discounts, services provided at no additional cost, and *de minimis* fringe benefits. The benefits may also be for the employee's spouse or dependent.

The status of employee benefits not specifically exempted by statute was uncertain prior to the enactment of Section 132 of the Internal Revenue Code in 1984. Any benefit not specified as exempt by the Internal Revenue Code is now considered taxable compensation. This provision was last modified in 1997.

**Revenue Neutral Rate:** If the tax expenditure were repealed, each income tax rate could be reduced by 0.034 percentage points, to 5.316%, 6.766%, 7.816%, and 9.816%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $73,000,000 | $78,400,000 | $81,400,000 | $84,500,000 |

## 1.1.14 Income Earned Abroad by U.S. Citizens and Foreign Housing Costs

Internal Revenue Code, Section 911
Minnesota Statutes, Section 290.01, Subd. 7 and 19

A United States citizen or resident whose principal residence is in a foreign country and who is either present overseas for 11 out of 12 consecutive months or is a bona fide resident of a foreign country may exclude the income earned in a foreign country up to a maximum amount ($112,000 for 2022). A separate exclusion applies to federal employees (Item 1.1.15).

The taxpayer may also exclude any employer-paid foreign housing costs above a floor amount equal to 16% of step 1 salary at the GS-14 level. A deduction of an equal amount is allowed if the foreign housing costs are paid by the taxpayer. The combined income and housing exclusion or deduction may not exceed the taxpayer's total foreign earned income for that year. Individuals qualifying under these provisions may be considered nonresidents for Minnesota tax purposes under certain conditions.

Income earned abroad by United States citizens was excluded without limitation from federal gross income in 1926. The deduction for foreign housing costs was enacted in 1979. These provisions were last modified in 2006.

**Revenue Neutral Rate:** If the tax expenditure were repealed, each income tax rate could be reduced by 0.012 percentage points, to 5.338%, 6.788%, 7.838%, and 9.838%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $26,600,000 | $28,200,000 | $29,800,000 | $31,600,000 |

## 1.1.15 Certain Allowances for Federal Employees Abroad

Internal Revenue Code, Section 912
Minnesota Statutes, Section 290.01, Subd. 19

United States federal civilian employees who work abroad are allowed to exclude from income certain allowances that are generally linked to the cost of living. Federal employees are not eligible for the Section 911 exclusion (Item 1.1.14). The allowances eligible for exclusion include housing, education, and travel, and they are defined by reference to specific federal legislation, including the Foreign Service Act of 1980, the Central Intelligence Act of 1949, the Overseas Differentials and Allowances Act, and the Administrative Expenses Act of 1946. Also excluded are cost-of-living allowances received by federal employees stationed in U.S. possessions, Hawaii, and Alaska, and certain allowances received by members of the Peace Corps.

The federal exclusion was enacted in 1943 and was last amended in 1988.

**Revenue Neutral Rate:** If the tax expenditure were repealed, each income tax rate could be reduced by 0.003 percentage points, to 5.347%, 6.797%, 7.847%, and 9.847%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $7,200,000 | $7,400,000 | $7,600,000 | $7,800,000 |

## 1.1.16 Benefits and Allowances to Armed Forces Personnel

Internal Revenue Code, Sections 112 and 134, IRS Regulations 1.61-2
Minnesota Statutes, Section 290.01, Subd. 19

Section 112 of the Internal Revenue Code excludes compensation received by military personnel for active service in a designated combat zone. No dollar limit applies to the exclusion for enlisted personnel, but the limit for commissioned officers is equal to the highest rate of basic pay at the highest pay grade applicable to enlisted personnel.

Under Section 134 of the Internal Revenue Code, the value of in-kind benefits provided to military personnel and the cash payments given in lieu of the benefits are excluded from gross income. These benefits include allowances for housing and overseas cost of living, medical and dental benefits, group term life insurance, professional education, and dependent education.

The exclusion of benefits and allowances to Armed Forces personnel was first allowed in 1925. The exclusion of meals, housing, and cash allowances was codified in 1986. These provisions were last modified in 2008.

**Revenue Neutral Rate:** If the tax expenditure were repealed, each income tax rate could be reduced by 0.014 percentage points, to 5.336%, 6.786%, 7.836%, and 9.836%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $31,100,000 | $31,900,000 | $34,300,000 | $37,600,000 |

## 1.1.17 Medical Care and TriCare Medical Insurance for Military Dependents and Retirees

Internal Revenue Code, Section 134
Minnesota Statutes, Section 290.01, Subd. 19

Dependents of active-duty military personnel, retired military personnel and their dependents, and survivors of deceased members are eligible for medical and dental care similar to active-duty military personnel. The care may be provided in military facilities from military doctors or by civilian health-care providers working under contract with the Department of Defense in the TriCare Program. Medical benefits and medical insurance provided to eligible participants are excluded from income.

The exclusion of such benefits was first allowed in 1925. Section 134 was codified in 1986.

An estimated 70,500 Minnesota taxpayers benefitted from this exemption in 2021.

**Revenue Neutral Rate:** If the tax expenditure were repealed, each income tax rate could be reduced by 0.010 percentage points, to 5.340%, 6.790%, 7.840%, and 9.840%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $21,900,000 | $22,800,000 | $25,600,000 | $27,700,000 |

## 1.1.18 Veterans' Benefits

38 United States Codes 3101 and 5301; Revenue Ruling 72-605
Minnesota Statutes, Section 290.01, Subd. 19; MN Rules. Part 8001.9000

All benefits administered by the Department of Veterans Affairs are excluded from a taxpayer's federal gross income. Benefits are paid for compensation for service-connected disability, pensions, and educational assistance.

VA benefits have never been taxed, having first been excluded from federal income in 1917.

**Revenue Neutral Rate:** If the tax expenditure were repealed, each income tax rate could be reduced by 0.044 percentage points, to 5.306%, 6.756%, 7.806%, and 9.806%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| Disability Compensation | $88,900,000 | $93,100,000 | $103,300,000 | $112,500,000 |
| Pensions | 600,000 | 600,000 | 600,000 | 700,000 |
| Education and Training | 6,500,000 | 7,100,000 | 7,100,000 | 7,800,000 |
| Total–State General Fund | $96,000,000 | $100,800,000 | $111,000,000 | $121,000,000 |

## 1.1.19 Military Disability Pensions

Internal Revenue Code, Sections 104(a)(4) and 104(b)
Minnesota Statutes, Section 290.01, Subd. 19

Retired military personnel who have at least a 30% disability may receive a pension from the Department of Defense based on either the number of years in service or their percent disability, whichever would produce a larger pension. The amount of pension which is or would be based on percent disability is excluded from federal gross income.

The exclusion is restricted to qualified pensions. For retirees who entered military service on or before September 24, 1975, qualified pensions include pensions awarded for personal injury and illness resulting from active service in the armed forces of any country. For retirees who entered service after September 24, 1975, only pensions awarded for combat-related injuries qualify.

Beginning in 2001, the exclusion also applies to disability income received by any individual (military or civilian) attributable to injuries incurred as a direct result of a terrorist or military action against the United States.

Military disability pensions were fully excluded from income until the exclusion was limited in 1976. This provision was last modified in 2001.

**Revenue Neutral Rate:** If the tax expenditure were repealed, each income tax rate could be reduced by 0.001 percentage points, to 5.349%, 6.799%, 7.849%, and 9.849%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $1,500,000 | $1,600,000 | $1,700,000 | $1,800,000 |

## 1.1.20 Workers' Compensation Benefits

Internal Revenue Code, Section 104(a)(1)
Minnesota Statutes, Section 290.01, Subd. 19

All workers' compensation benefits are excluded from income. Workers' compensation benefits include replacement of lost earnings, payments of injury-related medical costs, compensation for permanent disabilities, and certain expenses related to injury or death.

Workers' compensation benefits were first excluded from federal taxation in 1918 and from Minnesota taxation in 1933 when the Minnesota individual income tax was enacted.

In 2021, approximately 76,700 Minnesota workers' compensation claims were paid.

**Revenue Neutral Rate:** If the tax expenditure were repealed, each income tax rate could be reduced by 0.024 percentage points, to 5.326%, 6.776%, 7.826%, and 9.826%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $52,800,000 | $55,000,000 | $62,800,000 | $67,100,000 |

## 1.1.21 Damages for Physical Injury or Sickness

Internal Revenue Code, Section 104(a)
Minnesota Statutes, Section 290.01, Subd. 19

Damages paid for physical injury or sickness are not included in the income of the recipient. The exclusion applies to damages paid through either a court award or a settlement, whether paid as a lump sum or as periodic payments. The exclusion does not generally apply to punitive damages or to compensation for discrimination or emotional distress.

This exclusion was enacted in 1918. In 1996, this provision was amended to clarify that the exclusion does not apply to punitive damages or to damages related to discrimination or emotional distress. In 2015 the provision was amended to include certain payments received by public safety officers who died as a result of injury sustained in the line of duty.

**Revenue Neutral Rate:** If the tax expenditure were repealed, each income tax rate could be reduced by 0.007 percentage points, to 5.343%, 6.793%, 7.843%, and 9.843%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $14,900,000 | $15,100,000 | $15,200,000 | $15,400,000 |

## 1.1.22 Social Security Benefits

Internal Revenue Code, Section 86
Minnesota Statutes, Section 290.01, Subd. 19

All or a portion of a recipient's Social Security benefits may be excluded from taxable income. The tax expenditure measures the exclusion of nontaxable Social Security benefits, net of the recovery of previously-taxed employee contributions.

Social Security benefits are not taxable if the recipient's modified adjusted gross income is less than $25,000 for single or $32,000 for married–joint returns. For taxpayers with income between $32,000 and $44,000 for married–joint (between $25,000 and $34,000 for single), up to 50% of Social Security benefits are taxable. Above that income level, up to 85% of benefits are taxable. Modified adjusted gross income is adjusted gross income plus federally tax-exempt interest plus one-half of Social Security benefits.

Prior to 1984, Social Security benefits were not subject to federal or Minnesota income tax. The federal taxation of a portion of Social Security benefits was enacted in 1983. In 1985, Minnesota adopted the federal treatment. The inclusion of a larger portion of benefits in taxable income was enacted federally in 1993 and adopted by Minnesota in 1994.

As of December 2022, approximately 1,100,951 people in Minnesota received Social Security benefits.

**Revenue Neutral Rate:** If the tax expenditure were repealed, each income tax rate could be reduced by 0.186 percentage points, to 5.164%, 6.614%, 7.664%, and 9.664%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $403,700,000 | $428,600,000 | $454,000,000 | $483,400,000 |

## 1.1.23 Medicare Benefits

Revenue Ruling 70-341
Minnesota Statutes, Section 290.01, Subd. 19
Minnesota Rules, Part 8001.9000

Medicare benefits are excluded from income, including benefits paid under the basic hospital insurance program, the supplementary medical insurance program, and the prescription drug program. The basic Medicare program is financed by a portion of the payroll taxes on employees, employers, and the self-employed. The supplementary program and the prescription drug program are voluntary and financed through individual premiums and federal subsidies. The tax expenditure measures the exclusion of benefits attributable to employer contributions through the payroll tax and federal contributions to the voluntary programs; it does not include the recovery of previously-taxed contributions made by the recipient.

Medicare benefits have never been taxed although the exclusion has not been specified in the statutes. A revenue ruling in 1970 upheld the exclusion of these benefits.

In 2023, approximately 1,118,844 people in Minnesota were enrolled in Medicare.

**Revenue Neutral Rate:** If the tax expenditure were repealed, each income tax rate could be reduced by 0.363 percentage points, to 4.987%, 6.437%, 7.487%, and 9.487%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| Hospital Insurance | $318,700,000 | $337,700,000 | $358,000,000 | $379,100,000 |
| Supplementary Medical Insurance | 376,700,000 | 415,300,000 | 458,200,000 | 493,400,000 |
| Prescription Drug Insurance | 92,200,000 | 100,300,000 | 106,500,000 | 111,100,000 |
| Total–State General Fund | $787,600,000 | $853,300,000 | $922,700,000 | $983,600,000 |

## 1.1.24 Foster Care Payments

Internal Revenue Code, Section 131
Minnesota Statutes, Section 290.01, Subd. 19

Qualified foster care payments are excluded from the income of the foster care provider. The exclusion is limited to payments for no more than five foster care individuals over age 18, but no limitation applies to payments for foster children under age 19.

This provision was enacted in 1982. Prior to 1986, foster care payments that exceeded documented expenses were included as income. In 1986, the exclusion was broadened to include all qualified foster care payments and was extended to foster care payments made for qualifying adults. This provision was last modified in 2002.

Minnesota has 1,162 licensed adult foster care, 3,399 active licensed child foster care providers, and four Department of Corrections child foster care programs in 2024.

**Revenue Neutral Rate:** If the tax expenditure were repealed, each income tax rate could be reduced by 0.002 percentage points, to 5.348%, 6.798%, 7.848%, and 9.848%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $3,700,000 | $3,900,000 | $4,100,000 | $4,300,000 |

## 1.1.25 Public Assistance

Numerous Revenue Rulings
Minnesota Statutes, Section 290.01, Subd. 19
Minnesota Rules, Part 8001.9000

Public assistance benefits are excluded from federal gross income. The programs through which benefits are paid include the Minnesota Family Investment Program, General Assistance, Minnesota Supplemental Aid, and Supplemental Security Income. Only a portion of the benefits would be subject to the income tax because the income of some recipients would be below the income tax filing requirements.

Although theoretically the tax expenditure includes benefits received both in cash and in kind, such as food stamps, the estimates reflect only cash payments.

During the 1930s, the Internal Revenue Service issued a series of Revenue Rulings on the definition of federal gross income which explicitly excluded these benefits.

**Revenue Neutral Rate:** If the tax expenditure were repealed, each income tax rate could be reduced by 0.014 percentage points, to 5.336%, 6.786%, 7.836%, and 9.836%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $26,400,000 | $27,300,000 | $28,200,000 | $29,100,000 |

## 1.1.26 Scholarship and Fellowship Income

Internal Revenue Code, Section 117
Minnesota Statutes, Section 290.01, Subd. 19

Section 117 of the Internal Revenue Code excludes from income scholarships, fellowships, and grants that are used for tuition, fees, and related expenses. To qualify, the student must be a candidate for a degree.

This exclusion was first allowed in 1954. Prior to 1986, scholarship money to cover room and board and money paid to non-degree students were also excluded. This provision was last modified in 2015.

**Revenue Neutral Rate:** If the tax expenditure were repealed, each income tax rate could be reduced by 0.019 percentage points, to 5.331%, 6.781%, 7.831%, and 9.831%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $40,400,000 | $42,100,000 | $43,400,000 | $44,800,000 |

## 1.1.27 Education Savings Accounts

Internal Revenue Code, Section 530
Minnesota Statutes, Section 290.01, Subd. 19

A taxpayer may establish an education savings account for qualified education expenses of a named beneficiary. Qualified expenses include tuition, fees, books, and supplies for elementary, secondary, and higher education. Annual contributions to an account cannot exceed $2,000 and cannot be made after the beneficiary reaches age 18. The maximum contribution is reduced for taxpayers with income over $95,000 ($190,000 for a joint return).

Earnings on funds in the account are not included in income until the funds are distributed. Distributions used for qualified education expenses of the beneficiary are excluded from income.

This provision was enacted in 1997 and expanded in 2001 by increasing the contribution limit from $500 to $2,000, increasing the phase-out threshold for joint returns, and including expenses for elementary and secondary education. The 2001 changes were scheduled to expire after tax year 2010, but in 2010 they were extended through 2012. In 2013, they were made permanent.

**Revenue Neutral Rate:** If the tax expenditure were repealed, each income tax rate could be reduced by 0.001 percentage points, to 5.349%, 6.799%, 7.849%, and 9.849%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $2,000,000 | $2,000,000 | $2,000,000 | $2,000,000 |

## 1.1.28 Qualified Tuition Plans

Internal Revenue Code, Section 529
Minnesota Statutes, Sec. 290.01, Subd. 19

Under a qualified tuition plan, a taxpayer may make contributions to an account that is established for the sole purpose of meeting qualified higher education expenses of a designated beneficiary. The plan may be either a college savings plan or a prepaid tuition plan. A state may sponsor either type of plan or both types of plans. A prepaid tuition plan may also be established by one or more institutions of higher education.

The earnings on the account are not taxed until they are distributed, and distributions are excluded from income to the extent that they are used for qualified higher education expenses.

The tax status of state tuition plans was clarified at the federal level in 1996 when Section 529 was added to the Internal Revenue Code. Several changes were made to these provisions in 2001, with the changes to expire after 2010. In 2006, the changes were made permanent and in 2008, Minnesota adopted the 2006 federal changes. In 2017, federal law expanded qualified distributions to include K–12 tuition expenses. Minnesota did not adopt that provision and requires any distributions used for K–12 tuition to be added to Minnesota taxable income. In 2020, qualified distributions were expanded to include student loan repayments up to $10,000 and apprenticeship fees and expenses. Minnesota conformed to that expansion in 2023.

**Revenue Neutral Rate:** If the tax expenditure were repealed, each income tax rate could be reduced by 0.020 percentage points, to 5.330%, 6.780%, 7.830%, and 9.830%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $42,500,000 | $44,000,000 | $48,900,000 | $52,200,000 |

## 1.1.29 Discharge of Certain Student Loan Debt

Internal Revenue Code, Section 108(f)
Minnesota Statutes, Sec. 290.01, Subd. 19

Generally, canceled or forgiven debt, or debt repaid on the borrower's behalf, is included in the debtor's taxable income. Section 108(f) of the Internal Revenue Code specifies conditions under which student loan cancellation and repayment assistance is excluded from income.

The exclusion applies to canceled or forgiven student loan debt if the terms of the loan provided that some or all of it would be canceled for work for a specified period of time, in a certain profession, and for any of a broad class of employers and if the loan was made by specified types of lenders. An exclusion also applies to assistance provided under certain programs for health professionals. The National Health Service Corps Loan Repayment Program and state programs eligible to receive funds under the Public Health Service Act provide payment on a borrower's behalf for educational loans in return for service in a health professional shortage area.

Section 108(f) of the Internal Revenue Code was enacted in 1984. In 2010, the exclusion was extended to state loan repayment and forgiveness programs designed to facilitate the increased availability of health care services in underserved areas. In 2018, it was temporarily extended to include the discharge of qualified student loan debt due to the death or disability of the student. In 2020, the exclusion was temporarily expanded to cover additional types of loans for tax years 2021 through 2025. Minnesota conformed to that change in 2023.

**Revenue Neutral Rate:** If the tax expenditure were repealed, each income tax rate could be reduced by 0.011 percentage points, to 5.339%, 6.789%, 7.839%, and 9.839%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $24,000,000 | $24,000,000 | $7,600,000 | $8,400,000 |

## 1.1.30 Certain Agricultural Cost-Sharing Payments

Internal Revenue Code, Section 126
Minnesota Statutes, Section 290.01, Subd. 19

Agricultural cost-sharing payments may be excluded in whole or in part from income if three conditions are met: the United States Secretary of Agriculture certifies that the payment serves to conserve soil and water resources, improve forests, or provide a habitat for wildlife; the Internal Revenue Service determines that the improvement does not substantially increase the annual income from the property; and the payment is for a capital expense. No deductions, depreciation, amortization, or depletion may be claimed with respect to any such amount excluded from income.

This exclusion was enacted in 1978 and was last modified in 1980.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the income tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $400,000 | $400,000 | $400,000 | $400,000 |

## 1.1.31 Discharge of Indebtedness Income for Certain Farmers

Internal Revenue Code, Sections 108(g) and 1017
Minnesota Statutes, Section 290.01, Subd. 19

Generally, the amount of any debt forgiveness must be included in the debtor's income unless the debt is discharged in a title II bankruptcy case, or the debtor is insolvent. A solvent farmer may be treated as insolvent, and the canceled debt excluded from income if at least 50% of the taxpayer's average annual gross receipts for the previous three years comes from farming. A reduction must be made to the taxpayer's basis in the property and to the taxpayer's tax attributes, including net operating losses, capital losses, and certain credit carryovers. The exclusion cannot exceed the sum of the adjusted basis and the adjusted tax attributes of qualifying property. The net effect is that the income is deferred rather than excluded.

The income exclusion for solvent farmers was enacted in 1986. Prior to that time, a similar provision applied to qualified business indebtedness, not just farming.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the income tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $700,000 | $700,000 | $700,000 | $700,000 |

## 1.1.32 Investment Income on Life Insurance and Annuity Contracts

Internal Revenue Code, Sections 72, 101(a), 7702, and 7702(a)
Treasury Regulation 1.451-2
Minnesota Statutes, Section 290.01, Subd. 19
Minnesota Rules, Part 8001.9000

Investment income earned on life insurance and annuity contracts is not included in the recipient's gross income as it accumulates. For a life insurance policy, the exclusion applies to what is commonly referred to as "inside build-up" of investment income. When the premiums paid by the policyholder exceed the cost of insurance, the excess premiums are invested by the company, and investment income is credited to the policy. If the policy is surrendered before the death of the policyholder, the excess of the cash surrender value over the premiums paid is included in income. In this situation, the income is deferred rather than excluded. Policy proceeds paid because of the death of the insured are excluded from the gross income of a beneficiary, and that investment income is never taxed.

An annuity is an investment contract in which the owner makes a deposit in either a lump sum or installment payments in exchange for regular payments for a lifetime or for a specified number of years. The income is not included in the gross income of the owner as it accumulates but is deferred until payments are made to the annuitant.

These exclusions have been in effect since 1933 and were last modified in 2017.

**Revenue Neutral Rate:** If the tax expenditure were repealed, each income tax rate could be reduced by 0.045 percentage points, to 5.305%, 6.755%, 7.805%, and 9.805%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $97,900,000 | $102,400,000 | $103,300,000 | $107,700,000 |

## 1.1.33 Capital Gains on Home Sales

Internal Revenue Code, Section 121
Minnesota Statutes, Section 290.01, Subd. 19

An exclusion from income is allowed for the capital gain from the sale of a taxpayer's principal residence. The gain is excluded if the taxpayer owned and occupied the residence for at least two of the previous five years. The maximum exclusion is $250,000 ($500,000 for a married joint return). The exclusion cannot be used more than once every two years.

The exclusion in its current form was enacted federally in 1997 and adopted by Minnesota in 1998. It replaced two previous provisions. The deferral of the gain from the sale of the taxpayer's principal residence when the seller bought another home of equal or greater value was enacted in 1951 and repealed in 1997. The one-time exclusion of the gain, up to a specified amount, from the sale of the taxpayer's principal residence for taxpayers aged 65 or older was enacted in 1964, expanded several times, and repealed in 1997. These provisions were last modified in 2013.

**Revenue Neutral Rate:** If the tax expenditure were repealed, each income tax rate could be reduced by 0.111 percentage points, to 5.239%, 6.689%, 7.739%, and 9.739%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $241,500,000 | $251,600,000 | $265,000,000 | $278,300,000 |

## 1.1.34 Capital Gains at Death

Internal Revenue Code, Sections 1001, 1014, 1040, 1221, and 1222
Minnesota Statutes, Section 290.01, Subd. 19

When property is transferred because of the death of the owner, the heir's basis in the property is the value of the asset at the time of the decedent's death rather than the original cost of the asset. Therefore, the appreciation of the asset occurring during the decedent's lifetime is excluded from gross income. The fiscal impact measures the exclusion against the taxation of the gain at the time of transfer at death.

The exclusion of capital gains at death was enacted federally in 1921. A similar provision was incorporated into the original Minnesota income tax law in 1933.

**Revenue Neutral Rate:** If the tax expenditure were repealed, each income tax rate could be reduced by 0.134 percentage points, to 5.216%, 6.666%, 7.716%, and 9.716%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $291,600,000 | $303,500,000 | $315,800,000 | $328,600,000 |

## 1.1.35 Gain from Certain Small Business Stock

Internal Revenue Code, Section 1202
Minnesota Statutes, Section 290.01, Subd. 19

An exclusion from income is allowed to non-corporate taxpayers for all or a portion of the capital gain on qualifying small business stock. For qualifying stock issued after August 10, 1993, the exclusion is 50% of the gain. The exclusion was increased to 75% for stock acquired from February 18, 2009, to September 27, 2010, and to 100% for stock acquired after September 28, 2010.

The taxpayer must acquire the stock at its original issue and hold it for at least five years. The gain that a taxpayer can exclude from the same business in a year cannot exceed the greater of $10 million, less any cumulative gain excluded by the taxpayer in previous tax years, or 10 times the taxpayer's adjusted basis in the stock.

Qualifying small business stock must be issued by a C corporation with no more than $50 million in gross assets before and at the time the stock is issued. The corporation must employ at least 80% of its assets in a qualified trade or business during the five-year holding period, including specialized small business investment companies and all lines of business except health care, law, engineering, architecture, food service, lodging, farming, insurance, financing, and mining.

The 50% exclusion was enacted in 1993. The exclusion was increased to 75% in 2009 and to 100% in 2010. The 100% exclusion was extended a number of times and was made permanent in 2015.

**Revenue Neutral Rate:** If the tax expenditure were repealed, each income tax rate could be reduced by 0.018 percentage points, to 5.332%, 6.782%, 7.832%, and 9.832%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $39,400,000 | $39,100,000 | $38,900,000 | $38,600,000 |

## 1.1.36 Capital Gains on Gifts

Internal Revenue Code, Sections 1001, 1015, 1221, and 1222
Minnesota Statutes, Section 290.01, Subd. 19

When an asset is given as a gift, taxation of the capital gain on the asset is deferred. The recipient's basis in the property is the same as the giver's basis, but the gain is not reported as income until the property is sold by the recipient. The deferral is considered a tax expenditure because a gain is generally recognized when an asset is transferred.

This provision was enacted federally in 1921 and by Minnesota in 1933.

**Revenue Neutral Rate:** If the tax expenditure were repealed, each income tax rate could be reduced by 0.002 percentage points, to 5.348%, 6.798%, 7.848%, and 9.848%

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $5,000,000 | $28,400,000 | $15,800,000 | $5,900,000 |

## 1.1.37 Interest on Minnesota State and Local Government Bonds

Internal Revenue Code, Sections 103 and 141–150
Minnesota Statutes, Section 290.01, Subd. 19 and 290.0131, Subd. 2

Interest received from state and local government bonds is excluded from federal gross income. For Minnesota income tax purposes, the exclusion is restricted to interest from bonds issued by the State of Minnesota or by Minnesota local government units. Any interest from non-Minnesota state or local governments is added back to determine Minnesota taxable income.

The exclusion applies to all general obligation bonds. It also applies to several types of nonguaranteed bonds, including exempt facility bonds, small-issue bonds, qualified mortgage bonds, qualified student loan bonds, and qualified redevelopment bonds.

Federal law imposes an annual volume limitation by state on the total amount of nonguaranteed bonds that can be issued. The limitation for each state is the greater of $125 per resident or $378,230,000 in calendar year 2024. The limits are increased annually for inflation. Also exempt from taxation, but not subject to the overall volume limitation, are qualified bonds of 501(c)(3) nonprofit organizations and bonds for government-owned airports, docks, wharves, and certain solid waste disposal facilities. Other limitations apply to certain types of bonds including those subject to and exempt from the overall state volume limitation.

Minnesota exempted interest from Minnesota state and local bonds when the income tax was enacted in 1933. When the state began adopting the federal definition of gross income in 1961, the add-back provision was included in the statutes to maintain the intent and effect of the 1933 law. A 1968 federal law restricted the tax-free status given interest of industrial revenue bonds to those issued for specific purposes. A 1984 federal law limits by state the total amount of certain types of state and local bonds which may be issued, and the volume limitations were last modified in 2000. The tax-exempt bond provisions were last modified in 2014. In 2022, certain bonds related to broadband infrastructure and carbon capture were made tax exempt. Minnesota has not adopted that change.

An estimated 92,300 Minnesota taxpayers will claim this exemption in tax year 2023.

**Revenue Neutral Rate:** If the tax expenditure were repealed, each income tax rate could be reduced by 0.025 percentage points, to 5.325%, 6.775%, 7.825%, and 9.825%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $54,900,000 | $65,900,000 | $78,200,000 | $80,000,000 |

## 1.1.38 Energy Conservation Subsidies Provided by Public Utilities

Internal Revenue Code, Section 136
Minnesota Statutes, Section 290.01, Subd. 19

Gross income does not include the value of a subsidy provided by a public utility to a residential customer for the purchase or installation of an energy conservation measure.

Section 136 was enacted as part of the Comprehensive National Energy Policy Act of 1992. A partial exclusion that applied to subsidies for business property was enacted in 1992 and repealed in 1996.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the income tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $200,000 | $200,000 | $200,000 | $200,000 |

## 1.1.39 Permanent Exemptions from Imputed Interest Rules

Internal Revenue Code, Sections 483, 1274, 1274A, and 7872
Minnesota Statutes, Section 290.01, Subd. 19

The Internal Revenue Code generally requires that debt instruments bear a market rate of interest at least equal to the average rate on outstanding Treasury securities of comparable maturity. If the instrument does not, a market rate is imputed to it for tax purposes. The imputed interest must be included in the income of the recipient and is deducted by the payer.

Several exceptions exist to the imputed interest rules: debt associated with the sale of property when the total sales price does not exceed $250,000; the sale of farms or small businesses by individuals when the sales price does not exceed $1 million; and the sale of a personal residence. Debt instruments for amounts not exceeding $2.8 million that are given in exchange for real property may not have imputed to them an interest rate exceeding 9%. The $2.8 million maximum is indexed annually for inflation.

Imputed interest rules were enacted in 1984. Permanent exceptions to the rules were enacted in 1986 and were last modified in 1997.

**Revenue Neutral Rate**: If the tax expenditure were repealed, each income tax rate could be reduced by 0.003 percentage points, to 5.347%, 6.797%, 7.847%, and 9.847%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $7,500,000 | $7,900,000 | $8,400,000 | $9,000,000 |

## 1.1.40 Like-Kind Exchanges

Internal Revenue Code, Section 1031
Minnesota Statutes, Section 290.01, Subd. 19

In general, the gain from the sale or exchange of property is recognized as income for tax purposes. However, the gain from a like-kind exchange is not recognized at the time of exchange if both the relinquished and the received property are held for productive use in a trade or business or for investment. The recognition of the gain is deferred until the received property is sold or otherwise disposed. In order for the gain to qualify for deferral, the exchange must be concluded within specified time limits. This provision does not cover stock in trade or other property held primarily for sale, or stock, bonds, notes, or other securities.

Tax-free exchanges of like-kind property were allowed federally in 1921 and by Minnesota in 1933. These provisions were amended in 2008. In 2018, the federal deferral was limited to real property that is not held primarily for sale. Minnesota adopted that change in 2019.

**Revenue Neutral Rate:** If the tax expenditure were repealed, each income tax rate could be reduced by 0.024% percentage points, to 5.326%, 6.776%, 7.826%, and 9.826%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $52,400,000 | $50,500,000 | $47,400,000 | $46,200,000 |

## *Federal Deductions*

### 1.2.01 Accelerated Depreciation

Internal Revenue Code, Sections 167 and 168
Minnesota Statutes, Sections 290.01 Subd. 19, 290.131 Subd. 9, and 290.132 Subd. 9

A deduction is allowed for the depreciation of machinery, equipment, and structures used in a trade or business or held for the production of income equal to the deduction allowed federally under the modified accelerated cost recovery system (MACRS).

Under MACRS, machinery and equipment can be depreciated over three, five, seven, or 10 years, and the 200% declining balance method is used. The 150% declining balance method applies to 15-year and 20-year property. Straight-line depreciation of 27.5 years is used for residential rental property, and 39 years is used for nonresidential real property.

Conceptually, the tax expenditure is the extent to which depreciation for tax purposes exceeds the actual decline in value of the asset during the applicable tax year. For machinery and equipment, the tax expenditure is measured as the difference between the current law depreciation schedule and straight-line depreciation over the period defined by the midpoint of the asset depreciation range (ADR) system that was in effect from 1971 to 1981. For structures, it is measured as the difference between current law depreciation and straight-line depreciation over 40 years.

For federal tax purposes, bonus depreciation has applied at various times. The amount of the bonus depreciation is subtracted from the basis of the property in computing the depreciation deduction for all years. For Minnesota tax purposes, 80% of the bonus depreciation is added back to taxable income in the first year, with that amount subtracted in equal parts over the next five years.

A depreciation deduction was part of the original Minnesota income tax enacted in 1933. Accelerated depreciation was first allowed through administrative practice by the federal government in 1946. A 30% bonus depreciation option was enacted federally in 2002 and was extended and modified several times. The percentage was increased to 50% and then to 100% in 2017 for property placed in service after September 27, 2017 and before tax year 2023. The percentage will be reduced gradually to zero in tax years 2023 through 2026. Minnesota requires the addition for 80% of the bonus depreciation in the first year and the subtraction of that amount in equal parts over the following five years.

**Revenue Neutral Rate:** If the tax expenditure were repealed, each income tax rate could be reduced by 0.067 percentage points, to 5.283%, 6.733%, 7.783%, and 9.783%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $134,300,000 | $103,800,000 | $95,300,000 | $90,700,000 |

## 1.2.02 Expensing Depreciable Business Property

Internal Revenue Code, Section 179
Minnesota Statutes, Section 290.01, Subd. 19

A taxpayer may elect to treat the cost of qualifying business property as an expense in the year the property is placed in service. For Minnesota tax purposes, the maximum annual deduction is $25,000. If the taxpayer places more than $200,000 of qualifying property in service during the year, the $25,000 is reduced by one dollar for each dollar that the cost exceeds $200,000.

For federal tax purposes, the maximum annual deduction is $1 million, reduced by one dollar for each dollar of property placed in service over $2.5 million. Those thresholds are adjusted annually for inflation. For Minnesota tax purposes, 80% of the difference between the amount of expensing allowed for federal and state tax purposes was added back to taxable income on the Minnesota return, with that amount subtracted in equal parts over the next five years.

This provision was adopted in 1982. The maximum deduction was increased in 1993 and 1996. In 2003, the amount of allowable expensing was temporarily increased for tax years 2003 through 2005. Minnesota adopted those changes. In 2004, the increase was extended to tax years 2006 and 2007. Minnesota adopted the extension of the increase and, at the same time, enacted the addition equal to 80% of the increase, with that amount subtracted in equal parts over the next five years. This provision has been increased and expanded several times, most recently in 2017. Minnesota conformed to those changes in 2019, retaining the 80% addition and subtractions. In 2020, Minnesota fully conformed to Section 179 expensing. Subtractions will continue through 2024 for property placed in service before 2020.

**Revenue Neutral Rate:** If the tax expenditure were repealed, each income tax rate could be reduced by 0.029 percentage points, to 5.321%, 6.771%, 7.821%, and 9.821%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $63,400,000 | $49,200,000 | $46,600,000 | $53,900,000 |

## 1.2.03 Excess of Percentage over Cost Depletion

Internal Revenue Code, Sections 291, 611, 612, 613, and 613A
Minnesota Statutes, Section 290.01, Subd. 19

Depletion allowances refer to the way in which investment costs are recovered for mining or other extractive operations and may be taken for almost all exhaustible natural resources. A taxpayer may choose from two forms of depletion: cost depletion or percentage depletion. Cost depletion is based on the taxpayer's basis in the property and is similar to depreciation in its application. Percentage depletion is based on a percentage of the gross income received from the extractive operation and has little relationship to a taxpayer's basis. The excess of percentage depletion over cost depletion is considered a tax expenditure.

A deduction for cost depletion was first allowed in 1913, and percentage depletion was allowed as an option in 1926. A 1986 change denies the use of percentage depletion for lease bonuses, advance royalties, or other payments that are not directly related to actual production from oil, gas, and geothermal properties. This provision was last modified in 2010.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the income tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $500,000 | $500,000 | $500,000 | $500,000 |

## 1.2.04 Expensing and Amortization of Business Start-Up Costs

Internal Revenue Code, Sections 195 and 709
Minnesota Statutes, Section 290.01, Subd. 19

A taxpayer may elect to deduct up to $5,000 of start-up expenditures in the taxable year in which the active trade or business begins. The $5,000 is reduced dollar-for-dollar by the amount by which total start-up costs exceed $50,000. Any start-up expenditures not deducted can be amortized over 15 years.

Without these special provisions, these expenditures would be capitalized by adding them to the taxpayer's basis in the business. They would then be treated as non-depreciable intangible assets, with costs not being recoverable until the taxpayer sold their interest in the business.

Section 709 was enacted in 1976, and Section 195 was enacted in 1980. The current provisions were enacted in 2004.

**Revenue Neutral Rate:** If the tax expenditure were repealed, each income tax rate could be reduced by 0.001 percentage points, to 5.349%, 6.799%, 7.849%, and 9.849%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $1,400,000 | $1,500,000 | $1,600,000 | $1,700,000 |

## 1.2.05 Expensing for Removal of Barriers to the Disabled and the Elderly

Internal Revenue Code, Section 190
Minnesota Statutes, Section 290.01, Subd. 19

In general, an improvement to a depreciable asset is treated as a capital expenditure, and the cost is recovered using the appropriate depreciation deduction. However, Section 190 allows a taxpayer to expense up to $15,000 of the costs incurred in a single year for removing physical barriers to individuals with a disability or the elderly in qualified facilities or public transportation vehicles. Qualified expenses exceeding $15,000 must be capitalized.

This provision does not apply to construction of a new facility, the purchase of a new vehicle, or a complete renovation of an existing facility. A qualified facility includes any or all portions of a building, structure, equipment, road, walkway, parking lot, or similar property. A vehicle qualifies if it is owned or leased by the taxpayer and provides transportation services to the public.

Section 190 was enacted in 1976 as a temporary provision and was made permanent in 1986. The current maximum amount was enacted in 1990.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the income tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $100,000 | $100,000 | $100,000 | $100,000 |

## 1.2.06 Expensing of Exploration and Development Costs

Internal Revenue Code, Sections 56, 57(2), 263(c), 291, 616, 617, and 1254
Minnesota Statutes, Section 290.01, Subd. 19

Generally, amounts paid for permanent improvements or betterments to income-producing property are not deductible as current year expenses but are capitalized and recovered through depreciation or depletion. However, current-year expensing is allowed for items such as labor, fuel, repairs, and site preparation costs incurred in the exploration and development of oil, gas, other fuel, and non-fuel mineral deposits. Expensing is allowed only for domestic properties.

Expensing of development costs for oil and gas has been allowed federally since 1916. Expensing of development costs for other minerals and of exploration costs for all minerals, including oil and gas, was first allowed in 1951.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the income tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | * | * | * | * |

*Less Than $50,000

## 1.2.07 Cash Accounting and Expensing for Agriculture

Internal Revenue Code, Sections 162, 175, 180, 446, 447, 448, 461, 464, and 465
Minnesota Statutes, Section 290.01, Subd. 19

Farmers are allowed to use cash accounting rather than the accrual system for income tax purposes. Therefore, costs attributable to goods not yet sold may be deducted in the current year.

A taxpayer engaged in the business of farming may deduct certain expenditures made during the tax year rather than capitalize them. Qualifying expenditures include soil and water conservation expenses, the purchase and application of fertilizer, and costs associated with raising dairy and breeding cattle.

Farmers have been allowed to use the cash accounting system for tax purposes since 1933. Minnesota began allowing the expensing of capital outlays in 1955. In 1986, the expensing provision was eliminated for land clearing and was restricted for soil and water conservation expenditures.

**Revenue Neutral Rate:** If the tax expenditure were repealed, each income tax rate could be reduced by 0.003 percentage points, to 5.347%, 6.797%, 7.847%, and 9.847%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $5,600,000 | $5,800,000 | $6,100,000 | $6,000,000 |

## 1.2.08 Expensing of Multi-Period Timber Growing Costs

Internal Revenue Code, Section 263A(c)(5)
Minnesota Statutes, Section 290.01, Subd. 19

Timber growers are allowed to deduct, in the current year, costs associated with maintaining a timber stand after it is established. The costs include disease and pest control, brush clearing, and property taxes. This exception to the capitalization rules applies to the costs incurred in raising, growing, or harvesting trees other than trees bearing fruit, nuts, or other crops, or ornamental trees.

These costs have always been allowed to be expensed. When the uniform capitalization rules were adopted as part of the Tax Reform Act of 1986, this exception was allowed for timber.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the income tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $200,000 | $200,000 | $200,000 | $200,000 |

## 1.2.09 Amortization and Expensing of Reforestation Expenses

Internal Revenue Code, Section 194
Minnesota Statutes, Section 290.01, Subd. 19

Under uniform capitalization rules, production costs are capitalized (added to basis) and deducted when the product is sold. However, Section 194 allows a taxpayer to deduct up to $10,000 of reforestation expenditures incurred for each qualified timber property in any tax year. Expenditures exceeding $10,000 may be amortized over 84 months. Qualifying expenditures include only direct costs, such as for site preparation, seeds or seedling, and labor and tools.

Section 194 was enacted in 1980 and was last modified in 2005.

**Revenue Neutral Rate:** If the tax expenditure were repealed, each income tax rate could be reduced by 0.001 percentage points, to 5.349%, 6.799%, 7.849%, and 9.849%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $1,200,000 | $1,300,000 | $1,300,000 | $1,400,000 |

## 1.2.10 Special Rules for Mining Reclamation Reserves

Internal Revenue Code, Section 468
Minnesota Statutes, Section 290.01, Subd. 19

In general, expenses that will be incurred in the future may not be claimed as a current deduction. An exception is provided for mining and solid waste disposal site reclamation costs which are incurred in order to comply with a federal, state, or local law, as specified. A deduction may be taken in the current year for the estimated future reclamation or closing costs attributable to production or mining activity during the taxable year. A bookkeeping reserve must be maintained for tax purposes so that, when reclamation or closing costs are actually incurred, they can be compared to the deductions taken. Any excess of the reserve, including interest, over actual costs must be included in income at that time.

Section 468 was enacted in 1984 and was last modified in 1990.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the income tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | * | * | * | * |

*Less Than $50,000

## 1.2.11 Cash Accounting Other Than Agriculture

Internal Revenue Code, Sections 446 and 448
Minnesota Statutes, Section 290.01, Subd. 19

Section 446 of the Internal Revenue Code allows a taxpayer to choose the cash method of accounting instead of the accrual method. The accrual method is considered a better measure of current-year income and expenses because it takes into account the income of receivables. This tax expenditure is the difference in net income measured by accrual accounting and cash accounting. Accrual accounting is required for businesses that maintain inventories.

Cash accounting has been permitted since 1933. The Tax Reform Act of 1986 placed some restrictions on the use of cash accounting by partnerships. In 2018, this provision was expanded to allow taxpayers with average annual gross receipts of less than $25 million to use cash accounting.

**Revenue Neutral Rate:** If the tax expenditure were repealed, each income tax rate could be reduced by 0.007 percentage points, to 5.343%, 6.793%, 7.843%, and 9.843%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $15,400,000 | $16,100,000 | $17,300,000 | $17,900,000 |

## 1.2.12 Installment Sales

Internal Revenue Code, Sections 453, 453A, and corresponding Treasury Regulations
Minnesota Statutes, Section 290.01, Subd. 19

In general, the gain or loss from the sale of property is recognized in the year of the sale. An exception is the installment method which may be used to report gains if at least one payment is received in a tax year later than the year of sale. The installment method can be used only by taxpayers who do not regularly deal in the property being sold, and gross profit is prorated over the period in which payments are received. The tax expenditure is the difference between what tax liability would be under year-of-sale reporting and installment reporting.

The installment method was first enacted in 1933. In 1986, the installment method was eliminated for revolving credit sales of personal property and sales of property regularly traded on an established market, such as stocks or securities. In 1987, the installment method was repealed for dealer sales of both real and personal property. In 1999, the use of installment sales was restricted, but that restriction was retroactively repealed in 2000. This provision was last modified in 2004, when installment sale treatment was denied for readily tradable debt.

**Revenue Neutral Rate:** If the tax expenditure were repealed, each income tax rate could be reduced by 0.004 percentage points, to 5.346%, 6.796%, 7.846%, and 9.846%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $8,500,000 | $8,900,000 | $9,400,000 | $9,900,000 |

## 1.2.13 Completed Contract Rules

Internal Revenue Code, Section 460
Minnesota Statutes, Section 290.01, Subd. 19

Some taxpayers with contracts extending for more than one year are allowed to report some or all of the profit on the contracts under special accounting rules. Income from a long-term contract is reported only when the contract is completed, and costs allocable to the contract are deducted at that time. However, many indirect costs may be deducted in the year paid or incurred. Without these special rules, indirect costs could be deducted only when the income is reported.

The completed contract method is allowed for home construction contracts and for other construction contracts if they are no longer than two years in duration and if the taxpayer's average annual gross receipts for the three preceding years do not exceed $25 million.

The completed contract method was first allowed federally in 1918 and by Minnesota in 1933. The rules for long-term contracts were codified in the federal Tax Reform Act of 1986, and restrictions were placed on their use. This provision was last modified in 2018, when the gross receipts limit was increased from $10 million to $25 million.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the income tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $900,000 | $900,000 | $900,000 | $1,000,000 |

## 1.2.14 Employee Stock Ownership Plans

Internal Revenue Code, Sections 401(a)(28), 404(a)(9), 415(c), and 1042
Minnesota Statutes, Section 290.01, Subd. 19

An employee stock ownership plan (ESOP) is a qualified stock bonus plan or a combination of a stock bonus and a money purchase pension plan under which a tax-exempt trust holds employer stock for the benefit of the employees. The stock may be acquired through direct employer contributions or with the proceeds of a loan to the trust.

Employees are not taxed on employer contributions to an ESOP or the earnings on invested funds until they are distributed. A stockholder in a closely-held company may defer recognition of the gain from the sale of stock to an ESOP if the ESOP owns at least 30% of the company's stock after the sale and the seller reinvests the proceeds in a U.S. company.

The formation of ESOPs was first authorized in 1974. These provisions were last modified in 2001.

**Revenue Neutral Rate:** If the tax expenditure were repealed, each income tax rate could be reduced by 0.006 percentage points, to 5.344%, 6.794%, 7.844%, and 9.844%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $12,600,000 | $13,600,000 | $14,600,000 | $15,700,000 |

## 1.2.15 Individual Retirement Accounts

Internal Revenue Code, Sections 219, 408, and 408A
Minnesota Statutes, Section 290.01, Subd. 19

An individual may make a contribution to an individual retirement account (IRA) of up to $6,500 in tax year 2023 or an amount equal to earned income, whichever is less. If the individual has more than one account, the total contribution to all accounts cannot exceed the lesser of $6,500 or earned income. Up to $6,500 can also be contributed for a nonworking spouse if the couple's combined contribution does not exceed their combined earned income. The maximum contribution and all income limits are indexed annually for inflation. For a taxpayer or spouse aged 50 or over, the contribution limit is increased by $1,000.

The contribution may be made to either a deductible IRA or a nondeductible IRA, referred to as a Roth IRA. For both types of IRAs, earnings on the account are excluded from income until the funds are distributed. For a deductible IRA, a deduction is taken when the contribution is made, and the distribution is taxable. If a distribution from a Roth IRA qualifies, the entire distribution is exempt from tax.

For a deductible IRA, if the taxpayer is a participant in an employer plan, the full deduction is allowed if adjusted gross income for tax year 2023 is $73,000 or less for a single person or $116,000 for a married-joint return. The maximum deduction is phased out over a range of $20,000 for married-joint returns and $10,000 for other filers.

The spouse of an active participant in an employer plan may take a deduction for contributions to an IRA, but the deduction is phased out for taxpayers with adjusted gross income between $218,000 and $228,000. If neither the taxpayer nor the spouse is an active participant in an employer plan, no income limit applies.

For a Roth IRA, the maximum contribution is phased out for joint filers with income between $218,000 and $228,000 and between $138,000 and $153,000 for other filers. Distributions are not subject to tax if made more than five years after the IRA has been established and if the distribution qualifies. Distributions qualify if made after age 59½, upon the death or disability of the individual, or for first-time homebuyer expenses.

The tax expenditure estimates for a given year measure the deduction for contributions and the exclusion of earnings, net of distributions included in taxable income that year.

The federal IRA provisions were enacted in 1974. In 1997, the income limits were increased for deductible IRAs, and provisions for nondeductible IRAs were replaced by the Roth IRA. In 2001, the contribution limit was increased and then indexed, with the changes to expire after 2010. In 2006, the increase and indexing of the contribution limit was made permanent, and indexing the income limits was adopted. In 2008, Minnesota adopted the 2006 federal changes. In 2017, special rules were enacted for taxpayers taking an early distribution from a retirement plan due to damages sustained in certain natural disasters. Minnesota conformed to those provisions in 2019.

**Revenue Neutral Rate:** If the tax expenditure were repealed, each income tax rate could be reduced by 0.115 percentage points, to 5.235%, 6.685%, 7.735%, and 9.735%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $250,100,000 | $268,400,000 | $296,900,000 | $316,100,000 |

## 1.2.16 Self-Employed Retirement Plans

Internal Revenue Code, Sections 401–407 and 410–418E
Minnesota Statutes, Section 290.01, Subd. 19

A self-employed person may take a deduction for contributions made to a self-employed retirement plan (Keogh plan) up to the lesser of 25% of self-employment income (net of any contributions) or $66,000 for tax year 2023. Earnings are not included in the recipient's income until they are withdrawn from the fund. A self-employed plan must also cover any eligible employees. The deduction for contributions made on behalf of employees is considered a normal business expense and not a tax expenditure.

Disbursements from the plan are included in the recipient's income. These provisions are deferrals, measured for a fiscal year as the exclusion of earnings and the deduction for contributions, net of disbursements included in income that year.

This provision was originally enacted in 1962. From 1982 to 1984, the Minnesota deduction was more restrictive than the federal deduction. In 2017, special rules were enacted for taxpayers taking an early distribution from a retirement plan due to damages sustained in certain natural disasters. Minnesota conformed to those provisions in 2019.

Approximately 36,300 Minnesota taxpayers claimed this deduction in tax year 2021.

**Revenue Neutral Rate:** If the tax expenditure were repealed, each income tax rate could be reduced by 0.019 percentage points, to 5.331%, 6.781%, 7.831%, and 9.831%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $41,900,000 | $43,800,000 | $45,900,000 | $48,000,000 |

## 1.2.17 Self-Employed Health Insurance

Internal Revenue Code, Section 162(l)
Minnesota Statutes, Sections 290.01, Subd. 19

A self-employed individual may deduct the amount paid for health insurance premiums for the taxpayer, spouse, and dependents. The deduction cannot exceed the taxpayer's net earned income from the trade or business. The deduction is not allowed if the taxpayer is eligible to participate in a health plan maintained by the employer of the taxpayer or the taxpayer's spouse.

The federal deduction was enacted in 1986 and was last modified in 1998. Prior to 2003, only a specified percentage of the premiums could be deducted in arriving at federal adjusted gross income, and remaining premiums could be taken as an itemized medical deduction. A Minnesota provision enacted in 1992 allowed the subtraction of any premiums not deducted federally. The Minnesota subtraction was repealed in 2003 when the full deduction was allowed federally.

An estimated 83,200 Minnesota taxpayers will claim this deduction in tax year 2023.

**Revenue Neutral Rate:** If the tax expenditure were repealed, each income tax rate could be reduced by 0.026 percentage points, to 5.324%, 6.774%, 7.824%, and 9.824%

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $57,500,000 | $58,600,000 | $60,500,000 | $62,500,000 |

## 1.2.18 Health Savings Accounts

Internal Revenue Code, Section 223
Minnesota Statutes, Section 290.01, Subd. 19

An eligible individual with a high-deductible health plan is allowed to make contributions to a health savings account. An employer may also make contributions to the individual's account. The individual is allowed a deduction from gross income for contributions to the account, the employer contribution is excluded from the employee's income, interest on the account accumulates tax free, and withdrawals are not taxable if they are used for medical expenses.

For calendar year 2022, a health plan qualifies as a high-deductible plan if the annual deductible is at least $1,400 for self-only coverage ($2,800 for family coverage) and the sum of the annual deductible and other out-of-pocket expenses does not exceed $7,050 for self-only coverage ($14,100 for family coverage). The maximum annual deduction is $3,650 for self-only coverage ($7,300 for family coverage). The specified dollar amounts are indexed annually for inflation. For a person aged 55 or older, the maximum deductible contribution is increased by $1,000.

Tax-free health savings accounts were enacted federally in 2003 and adopted by Minnesota in 2005, effective retroactive to tax year 2004. These provisions were modified in 2010.

Approximately 71,000 Minnesota taxpayers claimed this deduction in 2021.

**Revenue Neutral Rate:** If the tax expenditure were repealed, each income tax rate could be reduced by 0.010 percentage points, to 5.340%, 6.790%, 7.840%, and 9.840%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $21,200,000 | $22,500,000 | $23,900,000 | $25,400,000 |

## 1.2.19 Interest on Student Loans

Internal Revenue Code, Section 221, 62(a)(17)
Internal Revenue Code Rev. Proc. 2014-61
Minnesota Statutes, Section 290.01, Subd. 19

A deduction is allowed for interest paid on qualified loans used to pay higher education expenses for the taxpayer, spouse, or dependents. A person claimed as a dependent on someone else's return cannot take the deduction. The maximum deduction is $2,500. For tax year 2023, the maximum deduction is phased out for income over $75,000 ($155,000 for joint returns) and is completely phased out for taxpayers with income of $90,000 or more ($185,000 or more for joint returns).

This deduction was enacted in 1997. In 2001, the income limits were increased and indexed, and limiting the deduction to the interest paid during the first 60 months of required payments was removed. The 2001 law changes were scheduled to expire after tax year 2010, but in 2010 they were extended through tax year 2012 and in 2013, they were made permanent.

An estimated 125,300 Minnesota taxpayers will claim this deduction in tax year 2023.

**Revenue Neutral Rate:** If the tax expenditure were repealed, each income tax rate could be reduced by 0.003 percentage points, to 5.347%, 6.797%, 7.847%, and 9.847%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $7,300,000 | $9,200,000 | $11,500,000 | $14,500,000 |

## 1.2.20 *Per Diem* Allowances Paid to State Legislators

Internal Revenue Code, Section 162(h)
Minnesota Statutes, Sections 290.01, Subd. 19

State legislators who reside more than 50 miles from the state capitol building are allowed a deduction for *per diem* allowances received for days that the Legislature is in session and for committee meetings that the legislator is required to attend.

Minnesota enacted a deduction for all *per diem* allowances for all legislators in 1959, and the full deduction was allowed until this provision was repealed in 1987. The federal deduction became effective in 1976, and the 50 mile restriction was added in 1981. Minnesota has conformed to the federal deduction since 1987.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the income tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $100,000 | $100,000 | $100,000 | $100,000 |

## *Minnesota Personal Deductions*

### 1.3.01 Additional Standard Deduction for the Elderly and Blind

Minnesota Statutes, Section 290.0123, Subd. 2

A taxpayer or spouse who is aged 65 or over or blind is allowed an additional standard deduction. For tax year 2023, the additional amount for married couples is $1,450 for each person who is elderly or blind ($2,900 if elderly and blind). The additional amount for a single person or head of household is $1,850 for a taxpayer who is elderly or blind ($3,700 if elderly and blind). The amounts are indexed annually for inflation.

The basic standard deduction available to all taxpayers below the phase-out threshold is not considered a tax expenditure because equal amounts are allowed to similarly-situated taxpayers.

From 1951 through 1986, Minnesota allowed to the elderly and the blind an additional personal credit against the tax. Prior to tax year 1987, an additional personal exemption was allowed to the elderly and the blind on the federal return. The additional standard deduction was enacted federally in 1986 and was adopted by Minnesota in 1987. In 2019, Minnesota established its own standard deduction, including an additional deduction for the elderly and blind. The amounts are similar to the federal deduction amounts.

An estimated 416,000 returns will claim this deduction in tax year 2023.

**Revenue Neutral Rate:** If the tax expenditure were repealed, each income tax rate could be reduced by 0.025 percentage points, to 5.325%, 6.775%, 7.825%, and 9.825%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $53,800,000 | $58,100,000 | $59,500,000 | $62,400,000 |

**Incidence:** The following table shows the incidence of the tax expenditure, based on the 2021 incidence database.

| Resident by Population Decile | Total Individual Income Tax | Tax Change | Share of Tax Change | Count |
|---|---|---|---|---|
| $15,544 & Under | -$12,885,164 | $5,007 | 0.0% | 36 |
| $15,545 - $24,961 | -$8,897,060 | $61,250 | 0.1% | 646 |
| $24,962 - $35,168 | $50,299,493 | $818,595 | 1.5% | 9,971 |
| $35,169 - $45,808 | $162,527,171 | $2,902,054 | 5.4% | 31,693 |
| $45,809 - $58,014 | $329,724,240 | $3,862,237 | 7.2% | 38,139 |
| $58,015 - $73,668 | $536,303,127 | $5,764,368 | 10.7% | 52,611 |
| $73,669 - $95,360 | $819,647,313 | $9,406,933 | 17.5% | 72,493 |
| $95,361 - $127,780 | $1,210,630,834 | $10,415,116 | 19.4% | 72,456 |
| $127,781 - $183,475 | $1,954,222,647 | $9,601,294 | 17.8% | 58,096 |
| $183,476 & Over | $8,869,633,832 | $8,299,393 | 15.4% | 49,609 |
| **Nonresident** | $961,801,005 | $2,663,751 | 5.0% | 30,250 |
| **Total** | **$14,873,000,000** | **$53,800,000** | **100%** | **416,000** |

## 1.3.02 Medical Expenses

Minnesota Statutes, Sections 290.0122, Subd. 6 and 290.0132, Subd.19(b)

An itemized deduction is allowed for unreimbursed medical expenses to the extent they exceed 10% of adjusted gross income. Deductible expenses must be for the taxpayer, spouse, or dependent and include health insurance premiums, medical care, dental care, prescription drugs, insulin, necessary transportation, and medical aids, such as eyeglasses, hearing aids, crutches, and wheelchairs.

A deduction for medical expenses has been allowed by Minnesota since 1933. The state adopted these federal provisions in 1981. In 1996, the deduction was expanded to include long-term care insurance premiums and expenses. In 2010, the floor for the deduction was increased from 7.5% to 10% of adjusted gross income. The increase was scheduled to take effect first for taxpayers under 65 and then for all taxpayers in 2017. In 2018, the floor was temporarily lowered to 7.5% for 2017 and 2018 only. In 2019, Minnesota enacted its own medical expense deduction, which is equal to the federal deduction except that the floor percentage is 10% in all years.

An estimated 31,000 returns will claim this deduction in tax year 2023.

**Revenue Neutral Rate:** If the tax expenditure were repealed, each income tax rate could be reduced by 0.016 percentage points, to 5.334%, 6.784%, 7.834%, and 9.834%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $34,100,000 | $35,100,000 | $36,800,000 | $38,900,000 |

**Incidence:** The following table shows the incidence of the tax expenditure, based on the 2021 incidence database.

| Resident by Population Decile | Total Individual Income Tax | Tax Change | Share of Tax Change | Count |
|---|---|---|---|---|
| $15,544 & Under | -$12,885,164 | $26,337 | 0.1% | 78 |
| $15,545 - $24,961 | -$8,897,060 | $4,038 | 0.0% | 37 |
| $24,962 - $35,168 | $50,299,493 | $195,980 | 0.6% | 616 |
| $35,169 - $45,808 | $162,527,171 | $926,789 | 2.7% | 2,668 |
| $45,809 - $58,014 | $329,724,240 | $1,361,018 | 4.0% | 3,685 |
| $58,015 - $73,668 | $536,303,127 | $2,571,464 | 7.5% | 4,760 |
| $73,669 - $95,360 | $819,647,313 | $8,451,087 | 24.8% | 4,686 |
| $95,361 - $127,780 | $1,210,630,834 | $4,659,089 | 13.7% | 4,687 |
| $127,781 - $183,475 | $1,954,222,647 | $5,699,019 | 16.7% | 3,863 |
| $183,476 & Over | $8,869,633,832 | $7,459,990 | 21.9% | 3,481 |
| **Nonresidents** | $961,801,005 | $2,745,188 | 8.1% | 2,439 |
| **All** | **$14,873,000,000** | **$34,100,000** | **100%** | **31,000** |

## 1.3.03 Real Estate Taxes

Minnesota Statutes, Section 290.0122, Subd. 2, 3, and 290.0132, Subd.19(b)

An itemized deduction is allowed for real estate taxes paid on an owner-occupied residence and any other property not used for business. The deduction is reduced by any Minnesota property tax refund received. Special assessments are not considered real estate taxes and cannot be deducted. The sum of all deductions for state and local property taxes and real property taxes is limited to $10,000, or $5,000 for married separate filers. This deduction is one of several deductions subject to the limitation of itemized deductions for higher-income taxpayers.

Minnesota has allowed this deduction since 1933. In 2018, the federal deduction for state and local taxes was limited to $10,000 ($5,000 for married separate filers.) In 2019, Minnesota enacted its own deduction for real estate taxes, which is similar to the federal deduction.

An estimated 124,900 returns will claim this deduction in tax year 2023.

**Revenue Neutral Rate:** If the tax expenditure were repealed, each income tax rate could be reduced by 0.017 percentage points, to 5.333%, 6.783%, 7.833%, and 9.833%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $36,600,000 | $40,700,000 | $45,900,000 | $50,400,000 |

**Incidence:** The following table shows the incidence of the tax expenditure, based on the 2021 incidence data base.

| Resident by Population Decile | Total Individual Income Tax | Tax Change | Share of Tax Change | Count |
|---|---|---|---|---|
| $15,544 & Under | -$12,885,164 | $36,385 | 0.1% | 115 |
| $15,545 - $24,961 | -$8,897,060 | $14,598 | 0.0% | 138 |
| $24,962 - $35,168 | $50,299,493 | $83,906 | 0.2% | 620 |
| $35,169 - $45,808 | $162,527,171 | $299,557 | 0.8% | 2,553 |
| $45,809 - $58,014 | $329,724,240 | $736,717 | 2.0% | 5,308 |
| $58,015 - $73,668 | $536,303,127 | $1,741,148 | 4.8% | 8,473 |
| $73,669 - $95,360 | $819,647,313 | $2,537,815 | 6.9% | 12,111 |
| $95,361 - $127,780 | $1,210,630,834 | $3,334,680 | 9.1% | 16,157 |
| $127,781 - $183,475 | $1,954,222,647 | $5,453,138 | 14.9% | 18,254 |
| $183,476 & Over | $8,869,633,832 | $20,302,716 | 55.5% | 47,785 |
| **Nonresidents** | $961,801,005 | $2,059,340 | 5.6% | 13,386 |
| **All** | **$14,873,000,000** | **$36,600,000** | **100%** | **124,900** |

## 1.3.04 Other Taxes

Minnesota Statutes, Sections 290.0122, Subd. 2, 3 and 290.0132, Subd.19(b)

In addition to real estate taxes (Item 1.3.03), an itemized deduction is allowed for specified taxes including personal property taxes paid to state and local governments and foreign income taxes. The *ad valorem* portion of the motor vehicle registration tax (Chapter 14) is deductible under these provisions. Also deductible are the personal property taxes paid on an owner-occupied mobile home that is located on a rented lot. This deduction is one of several deductions subject to the limitation of itemized deductions for higher-income taxpayers.

This deduction was enacted in 1933 and was changed in 1983. In 2019, Minnesota enacted its own deduction for other taxes including personal property taxes, which is similar to the federal deduction. Additional limitations were added beginning with tax year 2023.

An estimated 1,800 returns will claim this deduction in tax year 2023.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the income tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $100,000 | $100,000 | $100,000 | $100,000 |

## 1.3.05 Home Mortgage Interest

Minnesota Statutes, Sections 290.0122, Subd. 2, 5 and 290.0132, Subd.19(b)

A taxpayer may take an itemized deduction for interest paid on debt secured by a principal or second residence. Mortgage interest is deductible on up to $750,000 of debt used to buy, build, or improve a principal or second residence. If the debt is used for any other purpose, the limitation is $100,000 of debt. If more than one home is involved, the limitations apply to the total amount. This deduction is one of several deductions subject to the limitation of itemized deductions for higher-income taxpayers.

Home mortgage interest was deductible without limitation until restrictions were enacted in 1987. In 2018, the federal limitation was temporarily decreased from $1 million to $750,000 in debt. In 2019, Minnesota established its own itemized deduction for home mortgage interest, with a limit of $750,000. Additional limitations were added beginning with tax year 2023.

An estimated 117,700 returns will claim this deduction in tax year 2023.

**Objective Statement:** The objective of the Minnesota Home Mortgage Interest Deduction is to recognize expenses incurred in generating personal income or wealth and encourage home ownership at all levels of income.

**Revenue Neutral Rate:** If the tax expenditure were repealed, each income tax rate could be reduced by 0.034 percentage points, to 5.316%, 6.766%, 7.816%, and 9.816%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $73,500,000 | $81,200,000 | $85,700,000 | $90,900,000 |

**Incidence:** The following table shows the incidence of the tax expenditure, based on the 2021 incidence database.

| Resident by Population Decile | Total Individual Income Tax | Tax Change | Share of Tax Change | Count |
|---|---|---|---|---|
| $15,544 & Under | -$12,885,164 | $77,873 | 0.1% | 89 |
| $15,545 - $24,961 | -$8,897,060 | $79,163 | 0.1% | 136 |
| $24,962 - $35,168 | $50,299,493 | $161,917 | 0.2% | 548 |
| $35,169 - $45,808 | $162,527,171 | $665,684 | 0.9% | 2,352 |
| $45,809 - $58,014 | $329,724,240 | $912,309 | 1.2% | 4,949 |
| $58,015 - $73,668 | $536,303,127 | $1,826,399 | 2.5% | 7,845 |
| $73,669 - $95,360 | $819,647,313 | $3,723,126 | 5.1% | 11,332 |
| $95,361 - $127,780 | $1,210,630,834 | $4,164,498 | 5.7% | 14,749 |
| $127,781 - $183,475 | $1,954,222,647 | $6,899,383 | 9.4% | 16,250 |
| $183,476 & Over | $8,869,633,832 | $48,164,712 | 65.5% | 45,084 |
| **Nonresident** | $961,801,005 | $6,824,937 | 9.3% | 14,366 |
| **All** | **$14,873,000,000** | **$73,500,000** | **100%** | **117,700** |

## 1.3.06 Charitable Contributions

Internal Revenue Code 63(d) & 642(c)

Minnesota Statutes, Sections 290.0122, Subd. 2, 4, and 290.0132, Subd.19(b)

An itemized deduction is allowed for contributions to organizations that are religious, charitable, educational, scientific, or literary in purpose. The deduction is limited to a maximum of 60% of federal adjusted gross income, although other limitations apply to specific types of contributions. Excess contributions may be carried forward for up to five years. This deduction is one of several deductions subject to the limitation of itemized deductions for higher-income taxpayers.

A deduction for charitable contributions has been allowed since the Minnesota income tax was enacted in 1933. Until 1985, the Minnesota deduction differed from the federal deduction. In 2018, the federal limit was temporarily increased from 50% to 60% of adjusted gross income. In 2019, Minnesota established its own itemized deduction for charitable contributions with a limit of 60% of adjusted gross income. Additional limitations were added beginning with tax year 2023.

An estimated 111,700 returns will claim this deduction in tax year 2023.

**Revenue Neutral Rate:** If the tax expenditure were repealed, each income tax rate could be reduced by 0.021 percentage points, to 5.329%, 6.779%, 7.829%, and 9.829%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $44,700,000 | $47,700,000 | $51,600,000 | $55,200,000 |

**Incidence:** The following table shows the incidence of the tax expenditure, based on the 2021 incidence database.

| Resident by Population Decile | Total Individual Income Tax | Tax Change | Share of Tax Change | Count |
|---|---|---|---|---|
| $15,544 & Under | -$12,885,164 | $2,034 | 0.0% | 245 |
| $15,545 - $24,961 | -$8,897,060 | * | * | * |
| $24,962 - $35,168 | $50,299,493 | $146,142 | 0.3% | 810 |
| $35,169 - $45,808 | $162,527,171 | $206,338 | 0.5% | 2,298 |
| $45,809 - $58,014 | $329,724,240 | $341,412 | 0.8% | 3,593 |
| $58,015 - $73,668 | $536,303,127 | $1,107,838 | 2.5% | 8,839 |
| $73,669 - $95,360 | $819,647,313 | $1,425,773 | 3.2% | 9,291 |
| $95,361 - $127,780 | $1,210,630,834 | $2,389,047 | 5.3% | 14,735 |
| $127,781 - $183,475 | $1,954,222,647 | $3,743,520 | 8.4% | 15,046 |
| $183,476 & Over | $8,869,633,832 | $31,582,054 | 70.7% | 44,874 |
| **Nonresidents** | $961,801,005 | $3,755,842 | 8.4% | 11,969 |
| **All** | **$14,873,000,000** | **$44,700,000** | **100%** | **111,700** |

*Fewer than 10 returns. Amounts were combined with an adjacent cell.

## 1.3.07 Casualty and Theft Losses

Minnesota Statutes, Section 290.0122, Subd. 8 and 290.0132, Subd.19(b)

An itemized deduction is allowed for unreimbursed nonbusiness losses caused by theft, vandalism, fire, storm, and car, boat, and other accidents. The deduction is allowed only to the extent that each separate casualty or theft loss exceeds $100 and the total of all net losses during the year exceeds 10% of federal adjusted gross income. If the loss is covered by insurance, a timely insurance claim must be filed.

A deduction for casualty or theft loss was first authorized for the federal income tax in 1913 and for the state tax in 1933. The $100 floor on the deduction was added in 1964, and in 1982 the deduction was restricted to losses exceeding 10% of adjusted gross income. The requirement for filing a timely insurance claim was added in 1986. In 2018, the federal deduction for most casualty and theft losses was temporarily suspended. In 2019, Minnesota established its own itemized deduction for casualty and theft losses similar to the prior federal deduction.

An estimated 200 returns claimed this deduction in tax year 2021.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the income tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $800,000 | $800,000 | $800,000 | $800,000 |

## *Minnesota Subtractions*

### 1.4.01 K–12 Education Expenses

Minnesota Statutes, Sections 290.0132, Subd. 4

A subtraction from federal taxable income is allowed for certain education expenses paid for a qualifying child in kindergarten through twelfth grade. The maximum subtraction is $1,625 per child in kindergarten through sixth grade and $2,500 per child in seventh through twelfth grade.

Qualifying expenses include amounts paid to others for tuition, transportation, nonreligious textbooks, and instructional materials and equipment required for regular school classes. Fees or tuition for instruction outside the regular school day and school year also qualify, such as tutoring and educational summer camps. Amounts paid for computer hardware and educational software can be subtracted, subject to a limit of $200 per family. The amount that can be subtracted is reduced by any expenses used to claim the K–12 education credit (Item 1.6.08).

An education deduction was first enacted in 1955. In 1997, the deduction was expanded, beginning with tax year 1998. This provision was last modified in 2001.

An estimated 143,700 returns will claim this subtraction in tax year 2023.

**Revenue Neutral Rate:** If the tax expenditure were repealed, each income tax rate could be reduced by 0.006 percentage points, to 5.344%, 6.794%, 7.844%, and 9.844%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $13,800,000 | $13,900,000 | $14,000,000 | $14,100,000 |

**Incidence:** The following table shows the incidence of the tax expenditure, based on the 2021 incidence database.

| Resident by Population Decile | Total Individual Income Tax | Tax Change | Share of Tax Change | Count |
|---|---|---|---|---|
| $15,544 & Under | -$12,885,164 | $7,002 | 0.1% | 54 |
| $15,545 - $24,961 | -$8,897,060 | * | * | * |
| $24,962 - $35,168 | $50,299,493 | $29,419 | 0.2% | 302 |
| $35,169 - $45,808 | $162,527,171 | $77,769 | 0.6% | 2,443 |
| $45,809 - $58,014 | $329,724,240 | $226,752 | 1.6% | 6,426 |
| $58,015 - $73,668 | $536,303,127 | $399,342 | 2.9% | 8,198 |
| $73,669 - $95,360 | $819,647,313 | $851,367 | 6.2% | 13,476 |
| $95,361 - $127,780 | $1,210,630,834 | $1,742,786 | 12.6% | 23,680 |
| $127,781 - $183,475 | $1,954,222,647 | $3,429,380 | 24.9% | 37,529 |
| $183,476 & Over | $8,869,633,832 | $6,389,071 | 46.3% | 39,114 |
| **Nonresidents** | $961,801,005 | $647,114 | 4.7% | 12,478 |
| **All** | **$14,873,000,000** | **$13,800,000** | **100%** | **143,700** |

*Fewer than 10 returns. Amounts were combined with an adjacent cell.

## 1.4.02 Charitable Contributions for Non-Itemizers

Minnesota Statutes, Section 290.0132, Subd. 7

A taxpayer who does not itemize deductions on the Minnesota income tax return may subtract from federal adjusted gross income 50% of charitable contributions made in excess of $500. The contributions must meet the requirements for deductible contributions under the Internal Revenue Code.

This subtraction was enacted in 1999.

An estimated 661,700 returns will claim this subtraction in tax year 2023.

**Revenue Neutral Rate:** If the tax expenditure were repealed, each income tax rate could be reduced by 0.052 percentage points, to 5.298%, 6.748%, 7.798%, and 9.798%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $113,700,000 | $119,200,000 | $124,600,000 | $130,100,000 |

**Incidence:** The following table shows the incidence of the tax expenditure, based on the 2021 incidence database.

| Resident by Population Decile | Total Individual Income Tax | Tax Change | Share of Tax Change | Count |
|---|---|---|---|---|
| $15,544 & Under | -$12,885,164 | $10,165 | 0.0% | 224 |
| $15,545 - $24,961 | -$8,897,060 | $110,808 | 0.1% | 3,777 |
| $24,962 - $35,168 | $50,299,493 | $308,907 | 0.3% | 6,405 |
| $35,169 - $45,808 | $162,527,171 | $886,766 | 0.8% | 18,775 |
| $45,809 - $58,014 | $329,724,240 | $1,730,708 | 1.5% | 32,803 |
| $58,015 - $73,668 | $536,303,127 | $2,526,065 | 2.2% | 49,418 |
| $73,669 - $95,360 | $819,647,313 | $5,872,275 | 5.2% | 84,236 |
| $95,361 - $127,780 | $1,210,630,834 | $10,269,612 | 9.0% | 114,978 |
| $127,781 - $183,475 | $1,954,222,647 | $15,291,839 | 13.4% | 143,824 |
| $183,476 & Over | $8,869,633,832 | $71,896,924 | 63.2% | 158,894 |
| **Nonresidents** | $961,801,005 | $4,795,932 | 4.2% | 48,366 |
| **All** | **$14,873,000,000** | **$113,700,000** | **100%** | **661,700** |

## 1.4.03 Income of the Elderly or Disabled

Minnesota Statutes, Sections 290.0132, Subd. 5 and 290.0802

A subtraction from federal adjusted gross income is allowed for persons who are age 65 or over or totally disabled. The subtraction benefits low-income taxpayers who have more of their income from taxable sources such as pensions and interest than from nontaxable sources such as social security. The subtraction is allowed against any type of taxable income, not just pensions, and is computed as follows for a married couple who both qualify and file a joint return: $12,000 minus nontaxable retirement and nontaxable social security benefits minus one-half of federal adjusted gross income over $18,000. The $12,000 and $18,000 are different for the other filer types.

Public pensions were exempt from the Minnesota income tax from 1933 through 1977. From 1978 through 1986, a subtraction for pension income was allowed, limited to a maximum amount with qualifying offsets. The elderly or disabled subtraction was enacted in 1988, and in 1994 the base amounts and income thresholds were increased by 20%.

An estimated 4,300 returns will claim this subtraction in tax year 2023.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the income tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $600,000 | $500,000 | $500,000 | $400,000 |

## 1.4.04 Social Security Income

Minnesota Statutes, Section 290.0132, Subd. 26

A subtraction from federal adjusted gross income is allowed for a portion of social security income. Beginning with tax year 2023, the subtraction is equal to the greater of:

1. A simplified subtraction equal to 100% of taxable social security income, reduced by 10% for each $4,000 ($2,000 for married separate filers) or fraction thereof of federal adjusted gross income over a phase-out threshold, or
2. An alternate subtraction that follows prior law, using 2023 maximum amounts and thresholds; or

For the simplified subtraction, the phase-out thresholds for tax year 2024 are as follows: $105,380 for married joint filers, $52,690 for married separate filers, and $82,190 for single and head of household filers. The phase-out thresholds are adjusted annually for inflation.

The maximum alternate subtraction is $5,840 for married joint filers, $4,560 for single or head of household filers, and $2,920 for married separate filers. The subtraction is reduced by 20% of provisional income over the phase-out thresholds, which are $88,630 for married couples filing jointly; $69,250 for single or head-of-household; and $44,315 for married couples filing separately. The maximum amounts and thresholds for the alternative subtraction are not adjusted for inflation.

The subtraction was enacted in 2017 and was last revised in 2023.

An estimated 347,200 returns claimed this subtraction in tax year 2023.

**Revenue Neutral Rate:** If the tax expenditure were repealed, each income tax rate could be reduced by 0.144 percentage points, to 5.206%, 6.656%, 7.706%, and 9.706%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $312,600,000 | $344,800,000 | $370,900,000 | $391,600,000 |

**Incidence:** The following table shows the incidence of the tax expenditure, based on the 2021 incidence database.

| Resident by Population Decile | Total Individual Income Tax | Tax Change | Share of Tax Change | Count |
|---|---|---|---|---|
| $15,544 & Under | -$12,885,164 | $4,984 | 0.0% | 79 |
| $15,545 - $24,961 | -$8,897,060 | $28,201 | 0.0% | 203 |
| $24,962 - $35,168 | $50,299,493 | $779,474 | 0.2% | 6,176 |
| $35,169 - $45,808 | $162,527,171 | $6,080,816 | 1.9% | 30,958 |
| $45,809 - $58,014 | $329,724,240 | $22,089,807 | 7.1% | 41,455 |
| $58,015 - $73,668 | $536,303,127 | $55,340,413 | 17.7% | 66,961 |
| $73,669 - $95,360 | $819,647,313 | $96,114,386 | 30.7% | 84,580 |
| $95,361 - $127,780 | $1,210,630,834 | $101,869,481 | 32.6% | 74,902 |
| $127,781 - $183,475 | $1,954,222,647 | $16,760,161 | 5.4% | 21,998 |
| $183,476 & Over | $8,869,633,832 | $1,952,874 | 0.6% | 1,886 |
| **Nonresidents** | $961,801,005 | $11,579,402 | 3.7% | 18,002 |
| **All** | **$14,873,000,000** | **$312,600,000** | **100%** | **347,200** |

## 1.4.05 Public Pension Subtraction

Minnesota Statutes, Section 290.0132, Subd. 34

Certain government workers who are members of a public pension plan are excluded from Social Security under federal law, provided their pension benefits meet certain requirements. This subtraction allows taxpayers to subtract from their taxable income pension benefits from service for which the beneficiary is not also receiving Social Security benefits beginning with tax year 2023.

The subtraction equals qualified retirement benefits, up to a maximum of $25,000 for married couples filing jointly and $12,500 for all other filers. The subtraction is reduced by 10 percent for each $2,000, or fraction thereof, of adjusted gross income (AGI) above a phase-out threshold specific to a taxpayer's filing status.

Taxpayers with eligible pensions include members of the State Patrol Retirement Plan, members of the legacy Legislators Retirement Fund, certain legacy members of the Public Employee Retirement Association (PERA) General Plan, legacy members of the Minneapolis Employees Retirement Fund, members of the PERA Police & Fire Plan, certain legacy members of the Teacher Retirement Association, certain legacy members of the St. Paul Teachers Retirement Fund Association, and certain legacy members of the PERA Correctional Employees Retirement Fund. The proposal also includes any members of a federal pension plan who are ineligible for Social Security, and members of a pension plan administered by another state whose income tax laws permit a "similar deduction or exemption" for beneficiaries of a Minnesota pension plan.

**Revenue Neutral Rate:** If the tax expenditure were repealed, each income tax rate could be reduced by 0.002 percentage points, to 5.348%, 6.798%, 7.848%, and 9.848%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $5,300,000 | $9,000,000 | $12,600,000 | $16,200,000 |

**Incidence:** The following table shows the incidence of the tax expenditure, based on the 2021 incidence database.

| Resident by Population Decile | Total Individual Income Tax | Share of Tax Change | % Tax Change | Count |
|---|---|---|---|---|
| $15,544 & Under | -$12,885,164 | $91,374 | 1.7% | 175 |
| $15,545 - $24,961 | -$8,897,060 | $239,134 | 4.5% | 436 |
| $24,962 - $35,168 | $50,299,493 | $401,653 | 7.6% | 691 |
| $35,169 - $45,808 | $162,527,171 | $508,456 | 9.6% | 791 |
| $45,809 - $58,014 | $329,724,240 | $648,331 | 12.2% | 880 |
| $58,015 - $73,668 | $536,303,127 | $927,033 | 17.5% | 1,112 |
| $73,669 - $95,360 | $819,647,313 | $1,134,999 | 21.4% | 1,211 |
| $95,361 - $127,780 | $1,210,630,834 | $1,040,378 | 19.6% | 1,030 |
| $127,781 - $183,475 | $1,954,222,647 | $131,015 | 2.5% | 248 |
| $183,476 & Over | $8,869,633,832 | $18,629 | 0.4% | 20 |
| **Nonresidents** | $961,801,005 | $159,000 | 3.0% | 347 |
| **All** | **$14,873,000,000** | **$5,300,000** | **100%** | **6,942** |

## 1.4.06 Active Duty Military Service

Minnesota Statutes, Section 290.0132, Subd. 12

A subtraction from federal adjusted gross income is allowed for compensation paid for active military duty to Minnesota residents who are members of the armed forces of the United States or United Nations.

This subtraction was enacted in 2005. It replaced a provision enacted in 2001 which allowed a Minnesota resident to be considered a nonresident for the period of time that they are on active military duty stationed outside Minnesota. This provision was last modified in 2011.

An estimated 12,800 returns will claim this subtraction in tax year 2023.

**Revenue Neutral Rate:** If the tax expenditure were repealed, each income tax rate could be reduced by 0.011 percentage points, to 5.339%, 6.789%, 7.839%, and 9.839%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $24,000,000 | $25,000,000 | $26,100,000 | $27,400,000 |

**Incidence:** The following table shows the incidence of the tax expenditure, based on the 2021 incidence database.

| Resident by Population Decile | Total Individual Income Tax | Tax Change | Share of Tax Change | Count |
|---|---|---|---|---|
| $15,544 & Under | -$12,885,164 | * | * | * |
| $15,545 - $24,961 | -$8,897,060 | $34,353 | 0.1% | 136 |
| $24,962 - $35,168 | $50,299,493 | $1,811,702 | 7.5% | 2,250 |
| $35,169 - $45,808 | $162,527,171 | $1,390,497 | 5.8% | 1,571 |
| $45,809 - $58,014 | $329,724,240 | $3,547,388 | 14.8% | 2,428 |
| $58,015 - $73,668 | $536,303,127 | $4,038,623 | 16.8% | 1,766 |
| $73,669 - $95,360 | $819,647,313 | $3,653,841 | 15.2% | 1,168 |
| $95,361 - $127,780 | $1,210,630,834 | $3,215,287 | 13.4% | 1,167 |
| $127,781 - $183,475 | $1,954,222,647 | $3,035,250 | 12.6% | 617 |
| $183,476 & Over | $8,869,633,832 | $1,608,158 | 6.7% | 287 |
| **Nonresidents** | $961,801,005 | $1,664,900 | 6.9% | 1,410 |
| **All** | **$14,873,000,000** | **$24,000,000** | **100%** | **12,800** |

*Fewer than 10. Amounts were combined with an adjacent cell.

## 1.4.07 National Guard and Reserve Pay

Minnesota Statutes, Section 290.0132, Subd. 11

A subtraction from federal adjusted gross income is allowed to members of the Minnesota National Guard or other reserve components of the United States military for training, drill, and summer camp pay. The subtraction is also allowed for active service performed in Minnesota, which includes natural disaster emergency response, missing person searches, and airport security duty.

This subtraction was enacted in 2008, effective with tax year 2009. In 2014, it was extended to compensation received for services under the Active Guard Reserve program.

An estimated 8,100 returns will claim this subtraction in tax year 2023.

**Revenue Neutral Rate:** If the tax expenditure were repealed, each income tax rate could be reduced by 0.004 percentage points, to 5.346%, 6.796%, 7.846%, and 9.846%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $9,200,000 | $9,700,000 | $10,100,000 | $10,600,000 |

**Incidence:** The following table shows the incidence of the tax expenditure, based on the 2021 incidence database.

| Resident by Population Decile | Total Individual Income Tax | Tax Change | Share of Tax Change | Count |
|---|---|---|---|---|
| $15,544 & Under | -$12,885,164 | 0 | 0.0% | 0 |
| $15,545 - $24,961 | -$8,897,060 | $1,310 | 0.0% | 71 |
| $24,962 - $35,168 | $50,299,493 | $126,481 | 1.4% | 459 |
| $35,169 - $45,808 | $162,527,171 | $417,805 | 4.5% | 1,061 |
| $45,809 - $58,014 | $329,724,240 | $469,324 | 5.1% | 430 |
| $58,015 - $73,668 | $536,303,127 | $207,794 | 2.3% | 590 |
| $73,669 - $95,360 | $819,647,313 | $369,920 | 4.0% | 584 |
| $95,361 - $127,780 | $1,210,630,834 | $1,976,991 | 21.5% | 1,718 |
| $127,781 - $183,475 | $1,954,222,647 | $2,708,797 | 29.4% | 1,088 |
| $183,476 & Over | $8,869,633,832 | $2,359,698 | 25.6% | 713 |
| **Nonresidents** | $961,801,005 | $561,881 | 6.1% | 1,386 |
| **All** | **$14,873,000,000** | **$9,200,000** | **100%** | **8,100** |

## 1.4.08 Military Pension and Retirement Pay

Minnesota Statutes, Section 290.0132, Subd. 21

A subtraction from federal adjusted gross income is allowed for pension payments or other retirement pay from the federal government for military service. The subtraction is limited to taxpayers who do not claim the credit for past military service (Item 1.6.05).

This subtraction was enacted in 2016.

Approximately 17,000 returns will claim this subtraction in tax year 2023.

**Revenue Neutral Rate:** If the tax expenditure were repealed, each income tax rate could be reduced by 0.001 percentage points, to 5.349%, 6.799%, 7.849%, and 9.849%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $26,000,000 | $27,800,000 | $29,800,000 | $31,900,000 |

**Incidence:** The following table shows the incidence of the tax expenditure, based on the 2021 incidence database.

| Resident by Population Decile | Total Individual Income Tax | Tax Change | Share of Tax Change | Count |
|---|---|---|---|---|
| $15,544 & Under | -$12,885,164 | * | * | * |
| $15,545 - $24,961 | -$8,897,060 | $125,917 | 0.4% | 308 |
| $24,962 - $35,168 | $50,299,493 | $63,201 | 0.2% | 240 |
| $35,169 - $45,808 | $162,527,171 | $438,616 | 1.7% | 674 |
| $45,809 - $58,014 | $329,724,240 | $1,337,036 | 5.1% | 1,640 |
| $58,015 - $73,668 | $536,303,127 | $1,197,154 | 4.6% | 2,217 |
| $73,669 - $95,360 | $819,647,313 | $1,531,150 | 5.9% | 1,566 |
| $95,361 - $127,780 | $1,210,630,834 | $4,084,479 | 15.7% | 3,222 |
| $127,781 - $183,475 | $1,954,222,647 | $8,723,142 | 33.6% | 3,762 |
| $183,476 & Over | $8,869,633,832 | $7,504,735 | 28.9% | 3,009 |
| **Nonresidents** | $961,801,005 | $994,571 | 3.8% | 363 |
| **All** | **$14,873,000,000** | **$26,000,000** | **100%** | **17,000** |

## 1.4.09 Expenses of Living Organ Donors

Minnesota Statutes, Section 290.0132, Subd. 13

A subtraction from federal adjusted gross income is allowed for certain expenses if, while living, the taxpayer, spouse, or a dependent donated a human organ to another person for transplantation. Expenses related to the donation that can be subtracted are for travel, lodging, and lost wages net of sick pay. The maximum subtraction is $10,000. The term "organ" means all or part of an individual's liver, pancreas, kidney, intestine, lung, or bone marrow.

This provision was enacted in 2005.

Each year, approximately 110 returns claim this subtraction.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the income tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | * | * | * | * |

## 1.4.10 Disposition of Farm Property

Minnesota Statutes, Sections 290.0132, Subd. 6 and 290.491

A taxpayer is allowed a subtraction from federal adjusted gross income for the amount of income realized on a sale or exchange of farm property if the taxpayer is insolvent at the time of the sale and the proceeds are used solely to discharge indebtedness of the property sold. The amount of the subtraction is limited to the excess of the taxpayer's liabilities over total assets and the amount of any debt forgiveness excluded from income under Section 108 of the Internal Revenue Code.

This provision was enacted in 1985. It was repealed in 1987, but was re-enacted in 1988, retroactive to tax year 1987.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the income tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $100,000 | $100,000 | $100,000 | $100,000 |

## 1.4.11 AmeriCorps National Service Education Awards

Minnesota Statutes, Section 290.0132, Subd. 16

A subtraction from federal adjusted gross income is allowed for the amount of a national service education award received from the National Service Trust for service in the AmeriCorps National Service program. The award can be used to pay college tuition or repay student loans.

This subtraction was enacted in 2008.

Approximately 500 returns claimed this subtraction in tax year 2022.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the income tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $100,000 | $100,000 | $100,000 | $100,000 |

## 1.4.12 Contributions to a Section 529 College Savings Plan

Minnesota Statutes, Section 290.0132, Subd. 23

A subtraction from federal adjusted gross income is allowed for qualified contributions to a Section 529 plan. The maximum subtraction is $3,000 for married joint filers and $1,500 for all other filers. The subtraction is limited to returns that do not claim the Section 529 plan credit (Item 1.6.21).

This subtraction was enacted in 2017.

Approximately 43,500 returns claimed this subtraction in tax year 2022.

**Revenue Neutral Rate:** If the tax expenditure were repealed, each income tax rate could be reduced by 0.004 percentage points, to 5.346%, 6.796%, 7.846%, and 9.846%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $8,200,000 | $9,200,000 | $10,400,000 | $11,600,000 |

**Incidence:** The following table shows the incidence of the tax expenditure, based on the 2021 incidence database.

| Resident by Population Decile | Total Individual Income Tax | Tax Change | Share of Tax Change | Count |
|---|---|---|---|---|
| $15,544 & Under | -$12,885,164 | $6,332 | 0.1% | 50 |
| $15,545 - $24,961 | -$8,897,060 | * | * | * |
| $24,962 - $35,168 | $50,299,493 | $10,484 | 0.1% | 63 |
| $35,169 - $45,808 | $162,527,171 | * | * | * |
| $45,809 - $58,014 | $329,724,240 | $6,446 | 0.1% | 422 |
| $58,015 - $73,668 | $536,303,127 | * | * | * |
| $73,669 - $95,360 | $819,647,313 | $36,024 | 0.4% | 523 |
| $95,361 - $127,780 | $1,210,630,834 | $102,070 | 1.2% | 1,240 |
| $127,781 - $183,475 | $1,954,222,647 | $809,314 | 9.9% | 5,609 |
| $183,476 & Over | $8,869,633,832 | $6,915,658 | 84.% | 34,073 |
| **Nonresidents** | $961,801,005 | $313,672 | 3.8% | 1,520 |
| **All** | **$14,873,000,000** | **$8,200,000** | **100%** | **43,500** |

*Fewer than 10 returns. Amounts were combined with an adjacent cell.

## 1.4.13 Discharged Student Loan Debt

Minnesota Statutes, Section 290.0132, Subd. 24

A subtraction from federal adjusted gross income is allowed for individuals with qualified student loan debt that was discharged under Minnesota's teacher shortage loan forgiveness program or certain federal income-driven repayment plans, to the extent that the discharged debt is included in federal adjusted gross income.

This subtraction was enacted in 2017.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the income tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | * | * | * | * |

*Less Than $50,000

## 1.4.14 Interest on Contributions to a First-Time Homebuyer Account

Minnesota Statutes, Sections 290.0132, Subd. 25 and 462D.01–06

A subtraction from federal adjusted gross income is allowed for interest on contributions to a first-time homebuyer account. The beneficiary of the account must be a Minnesota resident. The account may be used to pay eligible costs related to the purchase of a home, including down payments, eligible closing costs, and the cost of constructing or financing construction of a single-family residence.

A maximum of $14,000 for individuals and $28,000 for married joint filers may be contributed to the account each year. The total lifetime contribution limit is $50,000 for individuals and $100,000 for married joint filers. The maximum amount allowed in an account is $150,000.

This subtraction was enacted in 2017.

Fewer than 50 returns claimed this subtraction in tax year 2022.

**Objective Statement:** The objective of the interest on contributions to a first-time homebuyer account subtraction is to support and encourage first-time homebuyers to save for the purchase of a home.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the income tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | * | * | * | * |

## 1.4.15 Volunteer Driver Subtraction

Minnesota Statutes, Section 290.0132, Subd. 30

A subtraction from federal adjusted gross income is allowed for mileage reimbursements paid by a charitable organization to a volunteer driver. The subtraction equals the reimbursement that is over the federally deductible mileage rate for rendering services to a charitable organization (14 cents in tax year 2022) but not over the standard mileage rate for business use (58.5 cents per mile in 2022).

This provision was enacted in 2021.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the income tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | * | * | * | * |

*Less Than $50,000

## 1.4.16 Sexual Harassment Payment Subtraction

Minnesota Statutes, Section 290.0132, Subd. 30

A Minnesota subtraction is allowed from taxable income for individual income tax purposes for damages received under a sexual harassment or abuse claim that are included in gross income, or severance pay received under a settlement of a sexual harassment or abuse claim that does not include a nondisclosure agreement.

The use of sexual harassment or abuse financial settlements as severance pay or wages regardless of whether there is a nondisclosure agreement is also prohibited.

The subtraction is effective beginning with tax year 2023. The prohibition on the use of settlement payments as wages or severance pay is effective May 25, 2023 (the day following enactment) for settlements entered into on or after that date.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the income tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $100,000 | $100,000 | $100,000 | $100,000 |

## *Preferential Computation*

### 1.5.01 Five-Year Averaging of Lump Sum Distributions

Internal Revenue Code, Section 402(e)
Minnesota Statutes, Section 290.032

A lump sum distribution from a qualified pension, profit-sharing, or stock bonus plan is eligible for the special five-year averaging provision. A separate tax is computed on the lump sum distribution in isolation of other income. Several restrictions apply to using lump sum averaging, including age and reason for distribution. The Minnesota provisions for lump sum averaging are the same as the federal except that Minnesota does not allow the option of 10-year averaging, and any capital gains are treated as ordinary income.

A 10-year averaging provision was adopted by Minnesota in 1975. In 1987, Minnesota adopted five-year averaging and most of the federal changes enacted in 1986 that placed restrictions on the use of lump sum averaging. In 1997, Minnesota adopted the federal repeal of five-year averaging, beginning with tax year 2000. The transition rules from the Tax Reform Act of 1986 were not repealed. Therefore, taxpayers covered under the transition rules can continue to use the averaging provision.

Approximately 100 returns benefited from this provision in tax year 2021.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the income tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | * | * | * | * |

## *Credits*

### 1.6.01 Marriage Credit

Minnesota Statutes, Section 290.0675

A nonrefundable credit is allowed against the individual income tax for a married couple filing a joint return if both spouses have earned income or taxable pension or taxable social security income and their income situation results in a "marriage penalty" due to the size of the state income tax brackets. The credit compensates for the extent to which the income tax is higher due to the tax brackets for a joint return compared to the two spouses filing as single persons.

The credit is based on two variables: the joint taxable income of the couple and the earned income (including taxable pension and social security income) of the lesser-earning spouse. For tax year 2023, the credit does not apply unless taxable income is at least $44,000 and the earned income of the lesser-earning spouse is at least $28,000. The maximum credit for 2023 is $1,710.

This credit was enacted in 1999 and was last modified in 2013.

An estimated 422,200 returns will claim this credit in tax year 2023.

**Objective Statement:** The objective of the Marriage Credit is to reduce marriage penalties resulting from Minnesota income tax rate brackets for qualified two-earner married couples who file a joint return.

**Revenue Neutral Rate:** If the tax expenditure were repealed, each income tax rate could be reduced by 0.045 percentage points, to 5.305%, 6.755%, 7.805%, and 9.805%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $98,100,000 | $102,800,000 | $107,300,000 | $112,200,000 |

**Incidence:** The following table shows the incidence of the tax expenditure, based on the 2021 incidence database.

| Resident by Population Decile | Total Individual Income Tax | Tax Change | Share of Tax Change | Count |
|---|---|---|---|---|
| $15,544 & Under | -$12,885,164 | $10,960 | 0.0% | 24 |
| $15,545 - $24,961 | -$8,897,060 | * | * | * |
| $24,962 - $35,168 | $50,299,493 | $16,176 | 0.0% | 70 |
| $35,169 - $45,808 | $162,527,171 | $41,060 | 0.0% | 121 |
| $45,809 - $58,014 | $329,724,240 | $9,155 | 0.0% | 39 |
| $58,015 - $73,668 | $536,303,127 | $52,781 | 0.1% | 699 |
| $73,669 - $95,360 | $819,647,313 | $2,390,730 | 2.4% | 21,009 |
| $95,361 - $127,780 | $1,210,630,834 | $17,519,092 | 17.9% | 100,588 |
| $127,781 - $183,475 | $1,954,222,647 | $34,823,052 | 35.5% | 165,363 |
| $183,476 & Over | $8,869,633,832 | $39,314,500 | 40.1% | 103,942 |
| **Nonresidents** | $961,801,005 | $3,922,494 | 4.0% | 30,345 |
| **All** | **$14,873,000,000** | **$98,100,000** | **100%** | **422,200** |

*Fewer than 10 returns. Amounts were combined with an adjacent cell.

## 1.6.02 Credit for Long-Term Care Insurance Premiums

Minnesota Statutes, Section 290.0672

A nonrefundable credit is allowed against the individual income tax for premiums paid for long-term care insurance. A taxpayer may claim a credit for each beneficiary (taxpayer or spouse) equal to 25% of premiums paid to the extent not taken as a federal itemized deduction. The maximum credit is $100 per beneficiary, $200 for married couples filing joint returns if both spouses are beneficiaries. The long-term care insurance policy must meet the requirements under specified sections of the Internal Revenue Code and have a lifetime benefit of at least $100,000.

This credit was enacted in 1997, effective with tax year 1999, and was last modified in 2000.

An estimated 66,000 returns will claim the credit in tax year 2023.

**Revenue Neutral Rate:** If the tax expenditure were repealed, each income tax rate could be reduced by 0.004 percentage points, to 5.346%, 6.796%, 7.846%, and 9.846%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $9,500,000 | $9,700,000 | $9,900,000 | $10,100,000 |

**Incidence:** The following table shows the incidence of the tax expenditure, based on the 2021 incidence database.

| Resident by Population Decile | Total Individual Income Tax | Tax Change | Share of Tax Change | Count |
|---|---|---|---|---|
| $15,544 & Under | -$12,885,164 | $2,066 | 0.0% | 10 |
| $15,545 - $24,961 | -$8,897,060 | $13,629 | 0.1% | 136 |
| $24,962 - $35,168 | $50,299,493 | $13,629 | 0.1% | 136 |
| $35,169 - $45,808 | $162,527,171 | $154,102 | 1.6% | 2,124 |
| $45,809 - $58,014 | $329,724,240 | $217,153 | 2.3% | 1,895 |
| $58,015 - $73,668 | $536,303,127 | $700,494 | 7.4% | 6,030 |
| $73,669 - $95,360 | $819,647,313 | $1,267,476 | 13.3% | 9,527 |
| $95,361 - $127,780 | $1,210,630,834 | $2,014,271 | 21.2% | 12,772 |
| $127,781 - $183,475 | $1,954,222,647 | $2,014,839 | 21.2% | 13,108 |
| $183,476 & Over | $8,869,633,832 | $2,853,105 | 30.0% | 16,928 |
| **Nonresidents** | $961,801,005 | $249,234 | 2.6% | 3,334 |
| **All** | **$14,873,000,000** | **$9,500,000** | **100%** | **66,000** |

## 1.6.03 Research and Development Credit

Minnesota Statutes, Section 290.068

A nonrefundable credit is allowed to a partner in a partnership or shareholder in an S corporation based on qualified expenditures for research and development performed solely within Minnesota. The credit is calculated by the entity and then allocated to the partners or shareholders. Expenditures include wages, cost of supplies, computer costs, 65% of the contract costs paid to others for doing research, and certain contributions to nonprofit organizations engaged in research and development within Minnesota.

The credit is based on the excess of current-year research expenditures over a calculated base amount, but in most cases 50% of current-year research expenditures are eligible for the credit. The credit is 10% of the first $2 million of eligible expenditures and 4% of the excess over $2 million. Any credit that exceeds tax liability can be carried forward up to fifteen 15 years.

This credit was enacted in 2010 as a refundable credit. In 2013, it was changed to a nonrefundable credit. In 2017, the 2nd tier rate was increased from 2.5% to 4%.

**Objective Statement:** The objective of the Research and Development Credit is to create or retain jobs, increase research activity, and attract or retain business in Minnesota.

**Revenue Neutral Rate:** If the tax expenditure were repealed, each income tax rate could be reduced by 0.015 percentage points, to 5.335%, 6.785%, 7.835%, and 9.835%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $33,500,000 | $34,800,000 | $36,100,000 | $37,500,000 |

## 1.6.04 Employer Transit Pass Credit

Minnesota Statutes, Section 290.06, Subd. 28

A nonrefundable credit is allowed against the individual income tax equal to 30% of the expense incurred by the taxpayer to provide transit passes to the taxpayer's employees. The transit pass must be for use in Minnesota. If the employer purchases the transit passes from the transit system and resells them to the employees, the expenses used for the credit are the difference between the amount the employer paid for passes and the amount charged to employees.

This credit was enacted in 2000.

Approximately 30 returns claimed this credit in tax year 2022.

**Objective Statement:** The objective of the Employer Transit Pass Credit is to incentivize Minnesota employers to subsidize transit passes for their employees to encourage the use of public transit.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the income tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $100,000 | $100,000 | $100,000 | $100,000 |

## 1.6.05 Credit for Past Military Service

Minnesota Statutes, Section 290.0677, Subd. 1a

A nonrefundable credit is allowed against the individual income tax for an individual who is separated from military service and had served in the military for at least 20 years, has a service-related disability rated as 100% total and permanent disability, or is eligible for a military pension. The credit is equal to $750. The $750 is reduced by 10% of adjusted gross income over $30,000, so that no credit is available if adjusted gross income exceeds $37,500.

This credit was enacted in 2008, effective beginning with 2009, and was modified in 2013.

Approximately 1,300 returns claimed this credit in tax year 2022.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the income tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $200,000 | $200,000 | $200,000 | $200,000 |

## 1.6.06 Child and Dependent Care Credit

Internal Revenue Code, Section 21
Minnesota Statutes, Section 290.067

The Minnesota child and dependent care credit was significantly revised in 2017 to align with the federal child and dependent care credit.

The federal credit is nonrefundable and is equal to a percentage of unreimbursed employment-related expenses up to $3,000 for one qualifying individual and $6,000 for two or more individuals. For families with incomes of $15,000 or less, the credit is equal to 35% of unreimbursed employment-related dependent care expenses. The credit rate phases down to 20% of unreimbursed employment-related expenses for families with incomes over $43,000. The maximum federal credit is equal to $1,050 for one dependent and $2,100 for two or more dependents.

The Minnesota credit is equal to the federal credit except that it its refundable and the maximum credit is phased out by 5% of adjusted gross income over a certain threshold. The phase-out threshold is indexed for inflation and is $59,210 for tax year 2023.

The credit was enacted in 1977 and was last revised in 2017. The federal dependent care credit was temporarily expanded and made refundable for tax year 2021 only, but Minnesota has not adopted those changes.

An estimated 43,500 returns will claim this credit in tax year 2023.

**Revenue Neutral Rate:** If the tax expenditure were repealed, each income tax rate could be reduced by 0.012 percentage points, to 5.338%, 6.788%, 7.838%, and 9.838%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $26,300,000 | $27,100,000 | $27,900,000 | $28,700,000 |

**Incidence:** The following table shows the incidence of the tax expenditure, based on the 2021 incidence database.

| Resident by Population Decile | Total Individual Income Tax | Tax Change | Share of Tax Change | Count |
|---|---|---|---|---|
| $15,544 & Under | -$12,885,164 | $476,151 | 1.8% | 563 |
| $15,545 - $24,961 | -$8,897,060 | $2,387,229 | 9.1% | 2,788 |
| $24,962 - $35,168 | $50,299,493 | $3,435,470 | 13.1% | 5,259 |
| $35,169 - $45,808 | $162,527,171 | $5,287,882 | 20.1% | 7,754 |
| $45,809 - $58,014 | $329,724,240 | $5,242,387 | 19.9% | 9,018 |
| $58,015 - $73,668 | $536,303,127 | $7,086,454 | 26.9% | 11,606 |
| $73,669 - $95,360 | $819,647,313 | $1,401,872 | 5.3% | 4,511 |
| $95,361 - $127,780 | $1,210,630,834 | $501,205 | 1.9% | 788 |
| $127,781 - $183,475 | $1,954,222,647 | $6,798 | * | * |
| $183,476 & Over | $8,869,633,832 | $2,656 | * | * |
| **Nonresidents** | $961,801,005 | $471,895 | 1.8% | 1,213 |
| **All** | **$14,873,000,000** | **$26,300,000** | **100%** | **43,500** |

*Fewer than 10 returns. Amounts were combined with an adjacent cell.

## 1.6.07 Child and Working Family Credits

Internal Revenue Code, Section 32
Minnesota Statutes, Section 290.0661 & 290.0671

The Minnesota child tax credit is a refundable credit equal to $1,750 for each qualifying child. The credit amount will be adjusted for inflation beginning in tax year 2026.

In tax year 2024, the working family credit is equal to 4% of the first $9,220 of earned income. Taxpayers with qualifying older children are eligible for an additional amount as follows:

- $970 for one qualifying older child;
- $2,210 for two qualifying older children;
- $2,630 for three or more qualifying older children.

The two credits are phased out jointly. The combined credits are reduced by 12% of earned income or adjusted gross income, whichever is greater, in excess of $36,880 for married joint filers or $31,090 for all other filers. For taxpayers with qualifying older children who do not qualify for the child credit, the phase-out rate is 9%. The maximum earned income, credit amounts, and phase-out thresholds are adjusted annually for inflation.

The working family credit was enacted in 1991 and was equal to 10% of the federal earned income credit. The credit was increased several times, and federal changes were adopted. In 1998, the credit was changed from a percentage of the federal credit to a separate calculation. The 2001 federal changes were adopted, including a higher phase-out range for married–joint returns, which expired after 2010. Minnesota did not adopt the 2009 federal changes which increased the phase-out range for married–joint returns and the amount of the credit for three or more children for 2009 and 2010. In 2011, Minnesota adopted the increased phase-out range for married–joint returns for tax year 2011 only. Minnesota adopted the 2013 federal changes which permanently increase the phase-out range for married–joint returns. In 2014, the Minnesota formulas were changed to increase the credit for nearly all claims. Beginning with the tax year 2017, income earned by tribal members on an American Indian reservation is eligible for the working family credit. Beginning with tax year 2019, taxpayers with no children may qualify for the credit at age 21 rather than 25. In 2019, the credit was increased, primarily benefitting taxpayers with no children and with three or more children. Beginning with 2021, taxpayers with no children qualified for the credit at age 19 rather than 21. In 2023 the credit was replaced by the combined child and working family credits.

An estimated 516,600 returns will claim the credit in tax year 2023.

## 1.6.07 Child and Working Family Credits (cont.)

**Objective Statement:** The objective of the Working Family Credit is to encourage work and help families raise their income above the poverty level guidelines.

**Revenue Neutral Rate:** If the tax expenditure were repealed, each income tax rate could be reduced by 0.328 percentage points, to 5.022%, 6.472%, 7.522%, and 9.522%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $712,700,000 | $721,300,000 | $730,000,000 | $752,600,000 |

**Incidence:** The following table shows the incidence of the tax expenditure, based on the 2021 incidence data base.

| Resident by Population Decile | Total Individual Income Tax | Tax Change | Share of Tax Change | Count |
|---|---|---|---|---|
| $15,544 & Under | -$12,885,164 | $73,511,094 | 10.3% | 106,006 |
| $15,545 - $24,961 | -$8,897,060 | $127,368,132 | 17.9% | 126,913 |
| $24,962 - $35,168 | $50,299,493 | $181,478,197 | 25.5% | 137,144 |
| $35,169 - $45,808 | $162,527,171 | $160,841,736 | 22.6% | 73,224 |
| $45,809 - $58,014 | $329,724,240 | $117,638,939 | 16.5% | 44,592 |
| $58,015 - $73,668 | $536,303,127 | $37,514,502 | 5.3% | 13,882 |
| $73,669 - $95,360 | $819,647,313 | $3,909,380 | 0.5% | 1,794 |
| $95,361 - $127,780 | $1,210,630,834 | $1,534,810 | 0.2% | 1,018 |
| $127,781 - $183,475 | $1,954,222,647 | $413,643 | 0.1% | 65 |
| $183,476 & Over | $8,869,633,832 | $259,417 | 0.0% | 158 |
| **Nonresidents** | $961,801,005 | $8,230,151 | 1.2% | 11,804 |
| **All** | **$14,873,000,000** | **$712,700,000** | **100%** | **516,600** |

## 1.6.08 Credit for K–12 Education Expenses

Minnesota Statutes, Section 290.0674

A refundable credit is allowed equal to 75% of eligible education expenses for a qualifying child in kindergarten through grade 12. The maximum credit of $1,500 times the number of children in kindergarten through grade 12 is allowed to taxpayers with federal adjusted gross income of $73,760 or less. For taxpayers with one or two children, the maximum credit is phased out for household incomes higher than that. For taxpayers with more than two children, the phase-out range for the maximum credit is increased by $2,000 for each additional child.

Eligible expenses include fees or tuition for instruction outside the regular school day or school year, such as tutoring and educational summer camps. Also eligible are costs required for the regular school day for textbooks, instructional materials, and transportation costs paid to others. Private school tuition does not qualify for the credit, although it does qualify for the subtraction (Item 1.4.01). Eligible expenses also include personal computer hardware and educational software, limited to a maximum of $200 per family.

This credit was enacted in 1997, effective beginning with tax year 1998, at a rate of 100% and was allowed for taxpayers with income of $33,500 or less. The phase-out of the maximum credit for income from $33,500 to $37,500 was enacted in 1999. In 2001, the credit was reduced from 100% to 75% of expenses. In 2005, the maximum credit and phase-out range were increased for taxpayers with more than two children. Beginning with tax year 2023, federal adjusted gross income replaced household income in calculating phase-out amounts. The income threshold was also raised to $70,000, indexed for inflation starting with tax year 2024. The maximum credit was increased from $1,000 to $1,500 starting in tax year 2023.

Approximately 43,600 returns claimed this credit in tax year 2023.

**Revenue Neutral Rate:** If the tax expenditure were repealed, each income tax rate could be reduced by 0.007 percentage points, to 5.343%, 6.793%, 7.843%, and 9.843%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $14,500,000 | $14,500,000 | $14,600,000 | $14,600,000 |

**Incidence:** The following table shows the incidence of the tax expenditure, based on the 2021 incidence database.

| Resident by Population Decile | Total Individual Income Tax | Tax Change | Share of Tax Change | Count |
|---|---|---|---|---|
| $15,544 & Under | -$12,885,164 | $280,820 | 1.9% | 1,074 |
| $15,545 - $24,961 | -$8,897,060 | $689,729 | 4.8% | 2,145 |
| $24,962 - $35,168 | $50,299,493 | $1,229,364 | 8.5% | 3,820 |
| $35,169 - $45,808 | $162,527,171 | $2,522,844 | 17.4% | 7,440 |
| $45,809 - $58,014 | $329,724,240 | $3,123,923 | 21.5% | 8,546 |
| $58,015 - $73,668 | $536,303,127 | $4,909,951 | 33.9% | 14,818 |
| $73,669 - $95,360 | $819,647,313 | $1,670,210 | 11.5% | 5,512 |
| $95,361 - $127,780 | $1,210,630,834 | $56,358 | 0.4% | 186 |
| $127,781 - $183,475 | $1,954,222,647 | $16,802 | 0.1% | 58 |
| $183,476 & Over | $8,869,633,832 | * | * | * |
| **Nonresidents** | $961,801,005 | $0 | 0.0% | 0 |
| **All** | **$14,873,000,000** | **$14,500,000** | **100%** | **43,600** |

*Fewer than 10 returns. Amounts were combined with an adjacent cell.

## 1.6.09 Credit for Military Service in a Combat Zone

Minnesota Statutes, Section 290.0677

A refundable income tax credit is allowed to a Minnesota resident equal to $120 for each month or portion thereof for military service in a designated combat zone or other designated hazardous duty area.

This credit was enacted in 2006 at $59 per month, retroactive to September 12, 2001. In 2008, the credit was increased to $120 per month, beginning with tax year 2009. In 2023, the credit was revised to be claimed at any time during the year rather than with the income tax return.

Approximately 660 returns claimed this credit in tax year 2022.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the income tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $1,000,000 | $800,000 | $800,000 | $800,000 |

## 1.6.10 Enterprise Zone Employer Tax Credits

Minnesota Statutes, Section 469.171, Subd. 1(2) and 6(1)

Two refundable credits against the income tax are available to employers in designated border city enterprise zones. A credit of up to $3,000 annually is allowed for each additional worker employed in a designated enterprise zone, other than workers employed in construction, and a credit of up to $1,500 annually is allowed for each worker employed in the zone who does not qualify for the $3,000 credit.

This provision was enacted in 1983. Zones other than border city zones expired in 1996. In 2017, the number of eligible cities was increased to six.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the income tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | * | * | * | * |

*Less Than $50,000

## 1.6.11 Angel Investment Credit

Minnesota Statutes, Sections 290.0692 and 116J.8737

A refundable credit is allowed to investors for investments in a small business, provided that the investor or investment fund, the investment, and the small business each meet specified requirements. The credit is equal to 25% of the qualifying investment. The maximum credit for a tax year is $250,000 for a married couple filing a joint return and $125,000 for other filers.

A qualified investor is an individual who invests at least $10,000 in a calendar year. A qualified investment fund is a pass-through entity that invests at least $30,000 in a calendar year. A small business must have its headquarters and at least 51% of its employees and payroll in Minnesota. It must have fewer than 25 employees and be engaged in innovation in high technology or in developing a new proprietary technology. Other requirements are specified.

The total amount of the credit was limited to $11 million for tax year 2010, to $12 million per year for tax years 2011 through 2013, and to $15 million for 2014 through 2016. Credit certificates are approved and issued by the Department of Employment and Economic Development. Any portion of a tax year's credits that is not allocated can be carried forward to a subsequent tax year.

This credit was enacted in 2010, for tax years 2010 through 2014. These provisions were modified in 2013. In 2014, the credit was increased and extended to tax year 2016. In 2019, the credit was extended to tax years 2019 and 2021, with a limit of $10 million each year. In 2021, the credit was extended to tax year 2022 with a limit of $5 million. In 2023, the credit was extended to the end of tax year 2024 with a limit of $5 million per year.

**Objective Statement:** The objective of the Angel Investment Credit is to encourage investment in innovative small businesses in Minnesota.

**Revenue Neutral Rate:** If the tax expenditure were repealed, each income tax rate could be reduced by 0.002 percentage points, to 5.348%, 6.798%, 7.848%, and 9.848%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $5,000,000 | $5,000,000 | $0 | $0 |

*Less Than $50,000

## 1.6.12 Historic Structure Rehabilitation Credit

Minnesota Statutes, Section 290.0681

A credit is allowed equal to the federal credit for qualifying expenditures to rehabilitate a certified historic structure. The federal credit is a nonrefundable income tax credit equal to 20% of the qualifying expenditures. The state credit is a refundable credit equal to 20% of the qualifying expenditures and may be taken against the corporate franchise tax, individual income tax, or insurance premiums tax. The state credit may be assigned to another taxpayer.

Qualifications for the credit are determined under the provisions of Section 47 of the Internal Revenue Code as follows:

- A historic structure must be either individually registered in the National Register of Historic Places or certified by the Secretary of the Interior as having historic significance and located in a registered historic district.
- The structure must be used in a trade or business or be income-producing property.
- Rehabilitation expenditures must exceed the greater of $5,000 or the adjusted basis of the building. Costs to acquire a building or to enlarge a building do not qualify.
- The developer of the project must apply for the credit to the State Historic Preservation Office of the Department of Administration before rehabilitation begins. The credit is allowed after the application is approved and the project is completed.

A grant equal to 90% of the credit may be issued in lieu of the credit. Grants are not included in the estimates because they are included in the state budget as direct expenditures.

This credit was enacted in 2010 and was scheduled to expire after fiscal year 2017. In 2013, the credit was extended through fiscal year 2021. In 2019, the credit was modified so that it is payable over five years rather than in one lump sum. In 2021, the credit was extended through fiscal year 2022. After expiring, the credit was revived through fiscal year 2030 and applied retroactively to applications submitted after June 30, 2022.

**Objective Statement:** The objective of the Historic Structure Rehabilitation Credit is to encourage the preservation of historic structures in Minnesota and to create and retain jobs related to the rehabilitation of historic structures in the state. The standard against which the effectiveness of the extension of the credit and modification of the effective date is to be measured is the number of jobs created through the rehabilitation of historic structures and the number of historic structures rehabilitated and placed in service. See Minnesota Session Law – 2013, Regular Session, Ch. 143 – H.F. No. 677, Art. 13, Sec. 22, Subd. 5.

**Revenue Neutral Rate:** Located in Item 2.6.04.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | Estimate in Item 2.6.04 | Estimate in Item 2.6.04 | Estimate in Item 2.6.04 | Estimate in Item 2.6.04 |

### 1.6.13 Film Production Credit

Minnesota Statutes, Sections 290.06, Subd. 39 and 116U.27

A film production credit is allowed equal to 25% of eligible production costs paid in a taxable year.

An eligible project is a film that includes the promotion of Minnesota, for which the taxpayer expends at least $1,000,000 in the taxable year for eligible production costs and employs Minnesota residents to the extent practicable. Films include feature films, television or Internet pilots, programs, series, documentaries, music videos, and television commercials.

The credit is nonrefundable but may be carried forward for up to five years. The credit is assignable to another taxpayer. Total credits are limited to $24.95 million in each tax year. The credit was enacted in 2021 and expires after tax year 2024. The prior limit of $4.95 million was increased to $24.95 million each tax year, and the sunset was extended through tax year 2030.

Up to 10 taxpayers are expected to qualify for the credit in 2024.

**Revenue Neutral Rate:** Located in Item 2.6.05.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | Estimate in Item 2.6.05 | Estimate in Item 2.6.05 | Estimate in Item 2.6.05 | Estimate in Item 2.6.05 |

### 1.6.14 Housing Contribution Credit

Minnesota Statutes, Sections 290.0683 and 462A.40

A nonrefundable credit is allowed for contributions to a designated account in the Housing Development Fund, administered by the Housing Finance Agency (HFA). The account is to be used for grants and loans for low- and moderate-income housing developments.

The credit is equal to 85% of contributions of at least $1,000 but not more than $2 million. Any unused credit may be carried over for up to 10 years.

Total credits are limited to $9.9 million in each year. The credit was enacted in 2021 and is effective for tax years 2023 through 2028.

**Objective Statement:** The objective of the Minnesota Housing Tax Credit is to increase the development and availability of affordable housing to persons and families of low and moderate incomes in Minnesota.

**Revenue Neutral Rate:** Located in Item 2.6.06.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | Estimate in Item 2.6.06 | Estimate in Item 2.6.06 | Estimate in Item 2.6.06 | Estimate in Item 2.6.06 |

## 1.6.15 Manufactured Home Park Credit

Internal Revenue Code, Section 1250(a)
Minnesota Statutes, Section 290.0694

A credit against the individual income tax and corporate franchise tax for sales of manufactured home parks to cooperatives was created in 2023. The credit is equal to 5% of the amount of the sale. The credit is nonrefundable but can be carried forward for up to five years.

To qualify, a taxpayer must sell qualified property to a manufactured home cooperative, a nonprofit organization intending to convert the park to a cooperative, or a representative of residents who intend to convert the park to a cooperative.

Qualified property includes a manufactured home park classified as 4c(5)(i) or 4c(5)(iii) property that qualifies as an Internal Revenue Code section 1250 property (in general, real property that is subject to depreciation, including residential and nonresidential real property).

For nonresidents and part-year residents, the credit is apportioned based on the percentage of income that is attributable to Minnesota.

This provision was enacted in 2023, effective beginning in tax year 2023.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the income tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | * | * | * | * |

## 1.6.16 Short Line Railroad Credit

Internal Revenue Code, Section 45G
Minnesota Statutes, Sections 290.06 Subd 2c, 290.0695, and 297I.20 subd. 6

A federal credit for railroad maintenance was created in 2004. Minnesota created a credit against the individual income tax, corporate franchise tax, and insurance gross premiums tax equal to 50% of qualified costs for maintenance, reconstruction, or replacement of railroad infrastructure in 2023.

Class II (regional and short line railroads with an annual gross operating revenue between $42.4 million and $943.9 million) and Class III (local and switching railroads with an annual gross operating revenue of less than $42.4 million) railroads are eligible for the credit. In the case of a partnership or S corporation, the credit is passed through to each partner or shareholder. The credit cannot exceed $3,000 times the miles of track owned or leased by the railroad in Minnesota.

The credit is nonrefundable but may be carried forward for up to five years. The credit may be transferred under written agreement during the 5-year period.

This provision was enacted in 2023, effective beginning in tax year 2023.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the income tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | * | * | * | * |

## 1.6.17 Credit for Parents of Stillborn Children

Minnesota Statutes, Section 290.0685

A refundable credit of $2,000 is allowed to a parent of a stillborn child if a certificate of birth resulting in stillbirth has been issued by the Minnesota Department of Health and if the child would have been a dependent of the taxpayer.

The credit was enacted in 2016.

Approximately 200 returns claimed this credit in tax year 2022.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the income tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $400,000 | $400,000 | $400,000 | $400,000 |

## 1.6.18 Refundable Credit for Taxes Paid to Wisconsin

Minnesota Statutes, Section 290.06 Subd. 22(l)

A refundable credit is allowed for Minnesota residents who have personal or professional income taxed by Wisconsin. In general, the credit for taxes paid to another state cannot exceed the Minnesota tax on that income. However, the credit for taxes paid to a "qualifying state" i.e., Wisconsin, equals the Wisconsin tax even in cases where it exceeds the Minnesota tax on the same income.

The refundable portion of the credit applies only to personal service income, such as wages. For taxpayers with other types of income sourced to Wisconsin (such as rental income or capital gains income), the refundable portion of the credit is limited based on the ratio of Wisconsin wages and other personal service income to total Wisconsin-sourced income.

The credit applies only in years when no income tax reciprocity agreement with Wisconsin is in effect.

The credit was enacted in 2017.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the income tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $1,000,000 | $1,100,000 | $1,100,000 | $1,200,000 |

## 1.6.19 Student Loan Credit

Minnesota Statutes, Section 290.0682

A nonrefundable credit is allowed for individuals with qualified education loans related to an undergraduate or graduate degree at a public or nonprofit institution. The credit is equal to the least of:

- Eligible education loan payments of principal and interest made during the tax year minus 10% of adjusted gross income over $10,000;
- The earned income of the taxpayer;
- The interest portion of eligible loan payments made during the tax year plus 10% of the original loan amount of all qualified education loans; or
- $500.

A qualified loan is any loan used to pay for higher education expenses including tuition, fees, room and board, and other related expenses for the taxpayer. For married joint filers, each spouse is eligible for the credit, and the credit is phased out base on each spouse's share of the couple's earned income multiplied by adjusted gross income. The credit is allocated to part-year residents based on the percentage of their income that is attributable to Minnesota. Full-year nonresidents are not eligible for the credit.

The credit was enacted in 2017 and was last amended in 2021.

Approximately 27,700 returns claimed this credit in tax year 2023.

**Revenue Neutral Rate:** If the tax expenditure were repealed, each income tax rate could be reduced by 0.006 percentage points, to 5.344%, 6.794%, 7.844%, and 9.844%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $12,700,000 | $16,300,000 | $20,400,000 | $25,700,000 |

**Incidence:** The following table shows the incidence of the tax expenditure, based on the 2021 incidence database.

| Resident by Population Decile | Total Individual Income Tax | Tax Change | Share of Tax Change | Count |
|---|---|---|---|---|
| $15,544 & Under | -$12,885,164 | * | * | * |
| $15,545 - $24,961 | -$8,897,060 | $584,912 | 4.6% | 2,069 |
| $24,962 - $35,168 | $50,299,493 | $1,168,073 | 9.2% | 2,743 |
| $35,169 - $45,808 | $162,527,171 | $1,499,508 | 11.8% | 3,622 |
| $45,809 - $58,014 | $329,724,240 | $1,729,910 | 13.6% | 3,957 |
| $58,015 - $73,668 | $536,303,127 | $2,048,842 | 16.1% | 4,606 |
| $73,669 - $95,360 | $819,647,313 | $1,164,022 | 9.2% | 2,633 |
| $95,361 - $127,780 | $1,210,630,834 | $1,520,363 | 12.0% | 3,198 |
| $127,781 - $183,475 | $1,954,222,647 | $1,796,456 | 14.1% | 3,372 |
| $183,476 & Over | $8,869,633,832 | $456,579 | 3.6% | 887 |
| **Nonresidents** | $961,801,005 | $731,335 | 5.8% | 468 |
| **All** | **$14,873,000,000** | **$12,700,000** | **100%** | **27,700** |

*Fewer than 10 returns. Amounts were combined with an adjacent cell.

## 1.6.20 Credit for a Teacher Completing a Master's Degree

Minnesota Statutes, Section 290.0686

A nonrefundable credit is allowed for licensed K–12 teachers who complete a master's degree in a core content area directly related to their licensure field, excluding degrees that include a pedagogy component. To qualify, the teacher must begin the master's degree program after June 30, 2017.

This credit equals the lesser of $2,500 or the amount paid for tuition, fees, books, and instructional materials necessary to complete the degree that are not reimbursed by an employer or by scholarship.

The credit was enacted in 2017.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the income tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | * | * | * | * |

*Less Than $50,000

## 1.6.21 Section 529 College Savings Plan Credit

Minnesota Statutes, Sections 290.0684 and 290.06, Subd. 24

A nonrefundable credit is allowed for qualified contributions to a Section 529 plan. The credit is equal to 50% of the amount contributed up to a maximum amount. The credit is phased out with income, as described below. The phase-out thresholds are adjusted annually for inflation. The following thresholds apply for tax year 2023.

For filers with adjusted gross income below $88,810, the maximum credit is $500.

For individual filers, the maximum credit is reduced by 2% of adjusted gross income over $88,810. For married joint filers, the credit is phased out as follows:

- The maximum credit is reduced by 1% of adjusted gross income over $88,810 until the maximum credit equals $250.
- For married joint filers with income over $159,860, the $250 maximum credit is reduced by 1% of income over that amount.

The credit was enacted in 2017 and was last revised in 2019.

Approximately 24,400 returns claimed this credit in tax year 2023.

**Revenue Neutral Rate:** If the tax expenditure were repealed, each income tax rate could be reduced by 0.003 percentage points, to 5.347%, 6.797%, 7.847%, and 9.847%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $6,900,000 | $7,100,000 | $7,300,000 | $7,500,000 |

**Incidence:** The following table shows the incidence of the tax expenditure, based on the 2021 incidence database.

| Resident by Population Decile | Total Individual Income Tax | Tax Change | Share of Tax Change | Count |
|---|---|---|---|---|
| $15,544 & Under | -$12,885,164 | * | * | * |
| $15,545 - $24,961 | -$8,897,060 | $13,577 | 0.2% | 81 |
| $24,962 - $35,168 | $50,299,493 | $19,628 | 0.3% | 147 |
| $35,169 - $45,808 | $162,527,171 | $62,181 | 0.9% | 295 |
| $45,809 - $58,014 | $329,724,240 | $344,011 | 5.0% | 872 |
| $58,015 - $73,668 | $536,303,127 | $285,305 | 4.1% | 696 |
| $73,669 - $95,360 | $819,647,313 | $1,549,573 | 22.5% | 3,582 |
| $95,361 - $127,780 | $1,210,630,834 | $1,520,026 | 22.0% | 4,801 |
| $127,781 - $183,475 | $1,954,222,647 | $2,797,341 | 40.5% | 12,021 |
| $183,476 & Over | $8,869,633,832 | $255,604 | 3.7% | 1,613 |
| **Nonresidents** | $961,801,005 | $52,755 | 1.8% | 293 |
| **All** | **$14,873,000,000** | **$6,900,000** | **101%** | **24,400** |

*Fewer than 10 returns. Amounts were combined with an adjacent cell.

## 1.6.22 Beginning Farmer Management Credit

Minnesota Statutes, Section 290.06, Subd. 38

A beginning farmer may claim a nonrefundable credit for participating in a financial management program approved and certified by the Minnesota Rural Finance Authority. The credit is equal to the cost of participating in the program, up to $1,500 per year. The credit may be taken for up to three years while the farmer is in the program. Any unused credit may be carried forward for up to three years.

The credit was enacted in 2017 and will expire after 2023.

Approximately 260 returns claimed this credit in tax year 2022.

**Objective Statement:** The objective of the Beginning Farmer Management Credit is to incentivize beginning farmers to participate in a financial management program approved by the Rural Finance Authority to improve the farming operation success rate in the state of Minnesota.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the income tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $500,000 | $500,000 | $500,000 | $500,000 |

## 1.6.23 Credit for Sale of Agricultural Assets

Minnesota Statutes, Sections 290.06, Subd. 37 and 41B.0391

A nonrefundable credit is available to taxpayers who sell or rent agricultural assets to a beginning farmer. The credit equals one of the following:

- 8% of the sale price or market value of the asset, up to $50,000;
- 10% of the gross rental income in each of the first three years of a rental agreement, up to $7,000 per year; or
- 15% of the cash equivalent of the gross rental income in each of the first three years of a rent-share agreement, up to $10,000 per year.

Any unused credit may be carried forward for up to 15 years. The total value of credits is capped at $5 million for 2018 and $6 million in later years.

The credit was enacted in 2017 and was extended in 2023 to sunset after tax year 2030.

Approximately 500 returns claimed this credit in tax year 2020.

**Objective Statement:** The objective of the Beginning Farmer Incentive Credit is to lower the barrier of entry for a beginning farmer and make them more financially competitive.

**Revenue Neutral Rate:** If the tax expenditure were repealed, each income tax rate could be reduced by 0.003 percentage points, to 5.347%, 6.797%, 7.847%, and 9.847%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $6,500,000 | $4,000,000 | $4,000,000 | $4,000,000 |

## 1.6.24 Sustainable Aviation Fuel Credit

Minnesota Statutes, Sections 41A.30

Effective beginning with tax year 2024, individual income and corporate franchise taxpayers can claim a refundable credit equal to $1.50 for each gallon of sustainable aviation fuel (SAF) that is produced or blended with aviation gasoline or jet fuel in Minnesota and sold to a purchaser who certifies that it will be used in an aircraft departing from an airport in Minnesota. A qualifying taxpayer may claim a credit for producing or blending SAF, but not both. If the SAF is blended rather than produced, the credit is allowed only for the portion of SAF that is included in the blended fuel.

The credit program is administered by the Commissioner of Agriculture and credits may only be claimed for SAF sold after June 30, 2024 and before July 1, 2027. Credit certificates are limited by the allocated amounts of $7.4 million in fiscal year 2025 and $2.1 million for fiscal years 2026 and 2027. Any unallocated amounts from fiscal years 2025 and 2026 will be available for allocation in fiscal year 2027.

For a fuel to qualify as SAF, it must meet certain testing specifications, be derived from biomass as defined in Minnesota Statutes 41AS.15 Subd. 2e, can not be derived from palm fatty acid distillates, and must achieve at least a 50% life cycle greenhouse gas emission reduction when compared to petroleum-based gasoline, aviation turbine fuel, or jet fuel.

**Revenue Neutral Rate:** There is no revenue neutral rate applicable for this tax expenditure.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | Estimate in Item 2.6.09 | Estimate in Item 2.6.09 | Estimate in Item 2.6.09 | Estimate in Item 2.6.09 |

# Chapter 2: Corporate Franchise Tax

## *Collections and History*

For fiscal year 2024, net revenues from the corporate franchise tax were $3.2 billion. The proceeds from the corporate franchise tax go into the State General Fund.

The Minnesota corporate income tax was enacted in 1933, at the same time and at the same rates as the individual income tax. Several changes have been made to the tax rate since 1933. At times it was a flat rate; at others, a graduated rate schedule applied. The bank excise tax was first enacted in 1941 at a rate of 8% and had a rate different from the corporate income tax until 1973. The current rate of 9.8% has been in effect for the corporate franchise tax since 1990.

In 1987 the corporate income and bank excise taxes were replaced by the corporate franchise tax, and a federal definition of income (federal taxable income) was adopted. Although the Minnesota tax base now generally conforms to the federal base, a number of modifications to federal taxable income still exist. In 2017, several federal law changes were enacted that expanded the corporate tax base beginning in 2018. Minnesota conformed to most of those changes in 2019, with the exception of the international provisions.

## *Tax Base*

For purposes of this study, the tax base for the corporate franchise tax is defined to be income from all sources less expenses that are reasonable and necessary to generate that income. Such reasonable and necessary expenses are, therefore, not considered to be tax expenditures.

A tax expenditure is created when a type of income is excluded or when a deduction is allowed for expenses other than those considered reasonable and necessary. For example, when depreciation measures the actual decline in the value of an asset during the tax year, it is a necessary business expense and not a tax expenditure. However, when accelerated depreciation or expensing is allowed for a depreciable asset, the tax benefit from deducting the portion that exceeds actual depreciation is a tax expenditure.

## *Computation of the Tax*

The computation of the corporate franchise tax for tax year 2024 is generally as follows:

Income from all sources
minus: federal exclusions
minus: federal deductions
equals: federal taxable income
plus: Minnesota additions
minus: Minnesota subtractions
equals: net income
times: apportionment based on sales factor
equals: taxable net income
minus: Minnesota deductions
equals: Minnesota taxable income
times: tax rate of 9.8%
equals: gross tax
minus: nonrefundable credits
plus: alternative minimum tax at 5.8% rate
plus: minimum fee
equals: tax liability
minus: refundable credits
equals: net corporate tax payable

Prior to tax year 2014, income for most multistate corporations was apportioned to Minnesota based on a weighted three-factor formula of property, payroll, and sales. Beginning with tax year 2014, income is apportioned to Minnesota based only on sales, using the percentage of Minnesota sales to total sales.

Since 1981, Minnesota has used a domestic unitary method of taxation. A group of corporations is considered to be a unitary business when there is unity of ownership, operation, and use. Only domestic corporations, that is, those organized under United States federal or state law, are included in the unitary group. The Minnesota taxable income of a corporation that is part of a unitary group is determined by applying an apportionment formula to the combined net income of the unitary business.

An alternative minimum tax on tax preference income is imposed to the extent that it exceeds the regular liability. The alternative minimum tax is equal to 5.8% of Minnesota alternative minimum taxable income.

In addition to the regular and alternative minimum tax, a minimum fee is imposed, based on the sum of the corporation's Minnesota property, payroll, and sales. The minimum fee also applies to partnerships and S corporations.

The brackets and minimum fee amounts were increased in 2013 and are indexed annually for inflation beginning in tax year 2014. In 2019, the inflation measure used for indexing was changed from the Consumer Price Index to the Chained Consumer Price Index. The following amounts apply to tax year 2024:

| Total–Minnesota Property, Payroll, and Sales | Minimum Fee |
|---|---|
| Less than $1,220,000 | $0 |
| 1,220,000–2,439,999 | 250 |
| 2,440,000–12,199,999 | 0 |
| 12,200,000–24,389,999 | 2,440 |
| 24,390,000–48,779,999 | 4,890 |
| 48,780,000 or more | 12,200 |

The unrelated business income of exempt organizations is subject to the Minnesota tax. The unrelated business income tax is based on the organization's federal taxable income, without the Minnesota additions to and subtractions from income which are applicable to other corporations.

### *Mining Occupation Tax*

The occupation tax on taconite and iron ore is similar to the corporate franchise tax, with these exceptions: the starting point is the mine value of iron ore or taconite concentrates mined or produced in Minnesota; allowable deductions include only those expenses necessary to convert raw iron ore or taconite concentrates to marketable quality; the unitary principle is not applicable; percentage depletion is allowed; and the alternative minimum tax does not apply. Total occupation tax collections in fiscal year 2021 were $7.4 million. The tax expenditures for the occupation tax are not shown separately; they are included with the corporate franchise tax provisions. Because percentage depletion does not apply to other corporations, the fiscal impact for Item 2.3.05 applies only to occupation tax filers.

## *Exempt Organizations*

### 2.1.01 Credit Unions

Internal Revenue Code, Section 501(c)14(A)
Minnesota Statutes, Section 290.05, Subd. 2

Credit unions organized and operated for mutual purposes and without profit or capital stock are exempt from both state and federal income taxation. The estimates are based on the assumption that credit unions would be taxed the same as similar financial institutions.

Credit unions have never been subject to the federal income tax and have been specifically excluded from state income taxation since 1937. In 1981, Minnesota adopted the language found in Subchapter F of the Internal Revenue Code which exempts numerous organizations, including credit unions.

In 2023, there were roughly 90 credit unions in Minnesota with approximately 2,137,000 members.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the corporate franchise tax rate could be reduced to 9.7%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $23,100,000 | $24,700,000 | $27,200,000 | $28,200,000 |

### 2.1.02 Insurance Companies

Minnesota Statutes, Section 290.05, Subd. 1(c)

Insurance companies are exempt from the corporate franchise tax.

The estimates assume that a credit would be allowed for Minnesota premiums tax paid because a premiums tax credit was allowed when the corporate franchise tax was imposed on insurance companies.

An exemption for all insurance companies was enacted in 2001. The broader exemption replaced exemptions enacted in 1989 for insurance companies domiciled in retaliatory states and for smaller mutual property and casualty companies.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the corporate franchise tax rate could be reduced to 9.4%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $123,200,000 | $129,000,000 | $130,000,000 | $130,000,000 |

## *Federal Exclusions*

### 2.2.01 Permanent Exemptions from Imputed Interest Rules

Internal Revenue Code, Sections 483, 1274, 1274A, and 7872
Minnesota Statutes, Section 290.01, Subd. 19

The Internal Revenue Code generally requires that debt instruments bear a market rate of interest at least equal to the average rate on outstanding Treasury securities of comparable maturity. If the instrument does not, a market rate is imputed to it for tax purposes. The imputed interest must be included in the income of the recipient and is deducted by the payer.

The exceptions to the imputed interest rules include debt associated with the sale of property when the total sales price does not exceed $250,000. Debt instruments for amounts not exceeding $2.8 million that are given in exchange for real property may not have imputed to them an interest rate exceeding 9%. The $2.8 million maximum is indexed annually for inflation.

Imputed interest rules were enacted in 1984. Permanent exceptions to the rules were enacted in 1986 and were last modified in 1997.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the corporate franchise tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | * | * | * | * |

### 2.2.02 Like-Kind Exchanges

Internal Revenue Code, Section 1031
Minnesota Statutes, Section 290.01, Subd. 19

In general, the gain from the sale or exchange of property is recognized as income for tax purposes. However, the gain from a like-kind exchange is not recognized at the time of exchange if both the relinquished and the received property are held for productive use in a trade or business or for investment. The recognition of the gain is deferred until the received property is sold or otherwise disposed. In order for the gain to qualify for exclusion, the exchange must be concluded within specified time limits. This provision does not cover stock in trade or other property held primarily for sale, or stock, bonds, notes, or other securities.

Tax-free exchanges of like-kind property were allowed federally in 1921 and by Minnesota in 1933. These provisions were amended in 2008. In 2018, the federal deferral was limited to real property that is not held primarily for sale. Minnesota adopted that change in 2019.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the corporate franchise tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $5,800,000 | $5,600,000 | $5,400,000 | $5,100,000 |

*Less Than $50,000

### 2.2.03 Investment Income on Life Insurance and Annuity Contracts

Internal Revenue Code, Sections 72, 101(a), and 7702
Treasury Reg. 1.451-2
MN Rules, Part 8001.9000
Minnesota Statutes, Section 290.01, Subd. 19

Investment income earned on life insurance and annuity contracts is not included in the recipient's gross income as it accumulates. For a life insurance policy, the exclusion applies to what is commonly referred to as "inside build-up" of investment income. When the premiums paid by the policyholder exceed the cost of insurance, the excess premiums are invested by the company, and the investment income is credited to the policy. If the policy is surrendered before the death of the policyholder, the excess of the cash surrender value over the premiums paid is included in income. In this situation, the income is deferred rather than excluded. Policy proceeds paid because of the death of the insured are excluded from the gross income of a beneficiary, and the investment income is never taxed.

An annuity is an investment contract in which the owner makes a deposit in either a lump sum or installment payments in exchange for regular payments for a lifetime or for a specified number of years. The income is not included in the gross income of the owner as it accumulates if the policyholder is a natural person. With certain exceptions, the deferral of investment income does not apply when an annuity is held by a corporation.

These exclusions have been in effect since 1933 and were last modified in 2020.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the corporate franchise tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $8,200,000 | $8,400,000 | $8,600,000 | $8,900,000 |

## *Federal Deductions*

### 2.3.01 Expensing and Amortization of Business Start-Up Costs

Internal Revenue Code, Sections 195 and 248
Minnesota Statutes, Section 290.01, Subd. 19

A taxpayer may elect to deduct up to $5,000 of start-up expenditures in the taxable year in which the active trade or business begins. The $5,000 is reduced dollar-for-dollar by the amount by which total start-up costs exceed $50,000. Any start-up expenditures not deducted can be amortized over 15 years.

Minnesota first adopted the deduction for organizational expenses in 1955, and the deduction for start-up costs was added in 1980. These current provisions were enacted in 2004.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the corporate franchise tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $200,000 | $200,000 | $200,000 | $200,000 |

## 2.3.02 Accelerated Depreciation

Internal Revenue Code, Sections 167 and 168
Minnesota Statutes, Section 290.01, Subd. 19

A corporate taxpayer is allowed a deduction for the depreciation of machinery, equipment, and structures used in a trade or business or held for the production of income equal to the deduction allowed federally under the modified accelerated cost recovery system (MACRS). Under MACRS, machinery and equipment can be depreciated over three, five, seven, or 10 years, and the 200% declining balance method is used. The 150% declining balance method applies to 15-year and 20-year property. Straight-line depreciation of 27.5 years is used for residential rental property, and 39 years is used for nonresidential real property.

Conceptually the tax expenditure is the extent to which depreciation for tax purposes exceeds the actual decline in value of the asset during the applicable tax year. For machinery and equipment, the tax expenditure is measured as the difference between the current law depreciation schedule and straight-line depreciation over the period defined by the midpoint of the asset depreciation range (ADR) system that was in effect from 1971 to 1981. For structures, it is measured as the difference between current law depreciation and straight-line depreciation over 40 years.

For federal tax purposes, bonus depreciation has applied at various times. The amount of the bonus depreciation is subtracted from the basis of the property in computing the depreciation deduction for all years. For Minnesota tax purposes, 80% of the bonus depreciation is added back to taxable income in the first year, with that amount subtracted in equal parts over the next five years.

A depreciation deduction was part of the original Minnesota corporate income tax enacted in 1933. Accelerated depreciation was first allowed through administrative practice by the federal government in 1946 and by law in 1954. Minnesota first enacted an accelerated depreciation provision in 1959. In 1987, Minnesota adopted MACRS that had been enacted as part of the federal Tax Reform Act of 1986. A 30% bonus depreciation option was enacted federally in 2002 and was extended and modified several times. The percentage was increased to 50% and then 100% for property placed in service after September 27, 2017 and before tax year 2023. The percentage will be reduced gradually to zero in tax years 2023 through 2026. Minnesota requires the addition for 80% of the bonus depreciation in the first year and the subtraction of that amount in equal parts over the following five years.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the corporate franchise tax rate could be reduced to 9.3%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $159,700,000 | $99,200,000 | $74,800,000 | $98,500,000 |

## 2.3.03 Expensing Depreciable Business Property

Internal Revenue Code, Section 179
Minnesota Statutes, Section 290.01, Subd. 19

A corporation may elect to treat the cost of qualifying business property as an expense in the year the property is placed in service. For Minnesota tax purposes, the maximum annual deduction is $25,000. If the taxpayer places more than $200,000 of qualifying property in service during the year, the $25,000 is reduced by one dollar for each dollar that the cost exceeds $200,000.

For federal tax purposes, the maximum annual deduction is $1 million, reduced by one dollar for each dollar of property placed in service over $2.5 million. Those thresholds are adjusted annually for inflation. For Minnesota tax purposes, 80% of the difference between the amount of expensing allowed for federal and state tax purposes was added back to taxable income on the Minnesota return, with that amount subtracted in equal parts over the next five years.

This provision was adopted in 1982. The maximum deduction was increased in 1993 and 1996. In 2003, the amount of allowable expensing was temporarily increased for tax years 2003 through 2005. Minnesota adopted those changes. In 2004, the increase was extended to tax years 2006 and 2007. Minnesota adopted the extension of the increase and, at the same time, enacted the addition equal to 80% of the increase, with that amount subtracted in equal parts over the next five years. This provision has been increased and expanded several times, most recently in 2018. Minnesota conformed to those changes in 2019, retaining the 80% addition and subtractions. In 2020, Minnesota fully conformed to Section 179 expensing. Subtractions will continue through 2024 for property placed in service before 2020.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the corporate franchise tax rate could be reduced to 9.7%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $16,600,000 | $9,000,000 | $4,200,000 | $4,700,000 |

## 2.3.04 Expensing for Removal of Barriers to the Disabled and the Elderly

Internal Revenue Code, Section 190
Minnesota Statutes, Section 290.01, Subd. 19

In general, an improvement to a depreciable asset is treated as a capital expenditure, and the cost is recovered using the appropriate depreciation deduction. However, Section 190 allows a corporation to expense up to $15,000 of the costs incurred in a single year for removing physical barriers to individuals with a disability or the elderly in qualified facilities or public transportation vehicles. Qualified expenses exceeding $15,000 must be capitalized.

This provision does not apply to construction of a new facility or vehicle or to a complete renovation of an existing facility. A qualified facility includes any or all portions of a building structure, equipment, road, walkway, parking lot, or similar property. A vehicle qualifies if it is owned or leased by the taxpayer and provides transportation services to the public.

Section 190 was enacted in 1976 as a temporary provision and was made permanent in 1986. The current maximum amount was enacted in 1990.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the corporate franchise tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $100,000 | $100,000 | $100,000 | $100,000 |

## 2.3.05 Expensing of Exploration and Development Costs

Internal Revenue Code, Sections 57(2), 263(c), 291, 616, 617, and 1254
Minnesota Statutes, Section 290.01, Subd. 19

Generally, amounts paid for permanent improvements or betterments to income-producing property are not deductible as current year expenses but are capitalized and recovered through depreciation or depletion. However, current-year expensing is allowed for items such as labor, fuel, repairs, and site preparation costs incurred in the exploration and development of oil, gas, other fuel, and non-fuel mineral deposits. Expensing is allowed only for domestic properties.

Expensing of exploration and development costs for all minerals was first allowed by Minnesota in 1967. Prior to 1987, Minnesota allowed this expensing deduction for minerals but not for oil and gas. In 1987, Minnesota conformed to the federal treatment for all the types of deposits mentioned by adopting federal taxable income as the starting point for the tax.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the corporate franchise tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $400,000 | $400,000 | $400,000 | $400,000 |

## 2.3.06 Excess of Percentage over Cost Depletion (Mining Occupation Tax)

Internal Revenue Code, Sections 291, 611, 612, 613, and 613A
Minnesota Statutes, Section 298.01, Subd. 4c(a)

Depletion allowances refer to the way in which investment costs are recovered for mining or other extractive operations and may be taken for almost all exhaustible natural resources. For the federal income tax, a corporation may choose either percentage depletion or cost depletion, but only cost depletion is allowed for the Minnesota corporate franchise tax. However, percentage depletion is allowed for the mining occupation tax on taconite and iron ore.

Cost depletion is based on the taxpayer's basis in the property and is similar to depreciation in its application. Percentage depletion is based on a percentage of the gross income received from the extractive operation and has little relationship to a taxpayer's basis. The excess of percentage depletion over cost depletion is considered a tax expenditure.

For the federal income tax, a deduction for cost depletion was first allowed in 1913, and percentage depletion was first allowed as an option in 1926. Percentage depletion has never been allowed for the Minnesota corporate franchise tax. In 1989, percentage depletion was enacted for the mining occupation tax and was last modified in 1999.

Five mining companies benefited from the percentage depletion in tax year 2022.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the corporate franchise tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $8,700,000 | $8,500,000 | $8,500,000 | $8,500,000 |

## 2.3.07 Cash Accounting and Expensing for Agriculture

Internal Revenue Code, Sections 162, 175, 447, 461, 464, and 465
Minnesota Statutes, Section 290.01, Subd. 19

Farm corporations are allowed to use cash accounting rather than the accrual system for income tax purposes if their annual gross receipts are $25 million or less. Therefore, costs attributable to goods not yet sold may be deducted in the current year.

A farm corporation may deduct certain expenditures made during the tax year rather than capitalize them. Qualifying expenditures include soil and water conservation expenses, the purchase and application of fertilizer, or costs associated with raising dairy and breeding cattle.

Certain agricultural corporations have been allowed to use the cash accounting system for tax purposes since 1933. Minnesota began allowing the expensing of capital outlays in 1955. In 1987, cash accounting was repealed for farms with annual gross receipts over $25 million.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the corporate franchise tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $100,000 | $100,000 | $100,000 | $100,000 |

## 2.3.08 Expensing of Multi-Period Timber Growing Costs

Internal Revenue Code, Section 263A(c)(5)
Minnesota Statutes, Section 290.01, Subd. 19

Timber growers are allowed to deduct in the current year costs associated with maintaining a timber stand after it is established. The costs include disease and pest control, brush clearing, and property taxes. This exception to the capitalization rules applies to the costs incurred in raising, growing, or harvesting trees other than trees bearing fruit, nuts, or other crops, or ornamental trees.

These costs have always been allowed to be expensed. When the uniform capitalization rules were adopted as part of the Tax Reform Act of 1986, an exception was allowed for timber.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the corporate franchise tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $1,700,000 | $1,700,000 | $1,800,000 | $1,800,000 |

## 2.3.09 Amortization and Expensing of Reforestation Expenses

Internal Revenue Code, Section 194
Minnesota Statutes, Section 290.01, Subd. 19

Under uniform capitalization rules, production costs are capitalized (added to basis) and deducted when the product is sold. However, Section 194 allows a corporation to deduct up to $10,000 of reforestation expenditures incurred for each qualified timber property in any tax year. Expenditures exceeding $10,000 may be amortized over 84 months. Qualifying expenditures include only direct costs, such as for site preparation, seed or seedlings, and labor and tools.

Section 194 was enacted in 1980 and was last modified in 2005.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the corporate franchise tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $800,000 | $800,000 | $800,000 | $800,000 |

## 2.3.10 Special Rules for Mining Reclamation Reserves

Internal Revenue Code, Section 468
Minnesota Statutes, Section 290.01, Subd. 19

In general, expenses that will be incurred in the future may not be claimed as a current deduction. An exception is provided for mining and solid waste disposal site reclamation costs which are incurred in order to comply with a federal, state, or local law, as specified. A deduction may be taken in the current year for the estimated future reclamation or closing costs attributable to production or mining activity during the taxable year. A bookkeeping reserve must be maintained for tax purposes so that, when reclamation or closing costs are actually incurred, they can be compared to the deductions taken. Any excess of the reserve, including interest, over actual costs must be included in income at that time.

Section 468 was enacted in 1984 and was last modified in 1986. Minnesota first adopted this provision for corporate tax purposes in 1990.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the corporate franchise tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $100,000 | $100,000 | $100,000 | $100,000 |

## 2.3.11 Cash Accounting Other Than Agriculture

Internal Revenue Code, Sections 446 and 448
Minnesota Statutes, Section 290.01, Subd. 19

Section 446 of the Internal Revenue Code allows a taxpayer to choose the cash method of accounting instead of the accrual method. The accrual method is considered a better measure of current-year income and expenses because it takes into account the income of receivables. This tax expenditure is the difference in net income measured by accrual accounting and cash accounting.

A corporation may use cash accounting only if it has average annual gross receipts of $25 million (previously $10 million) or less or is a qualified personal service corporation. A qualified personal service corporation is an employee-owned service business in the fields of health, law, engineering, architecture, accounting, actuarial science, performing arts, or consulting.

Cash accounting has been permitted since 1933. Prior to the 1986 federal changes which were adopted by Minnesota in 1987, cash accounting could be used by any corporation that did not maintain an inventory. In 2018, this provision was expanded to allow taxpayers with average annual gross receipts of less than $25 million to use cash accounting.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the corporate franchise tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $2,800,000 | $2,800,000 | $2,800,000 | $2,800,000 |

## 2.3.12 Installment Sales

Internal Revenue Code, Sections 453 and 453A
Minnesota Statutes, Section 290.01, Subd. 19

In general, the gain or loss from the sale of property is recognized in the year of the sale. An exception is the installment method which may be used to report gains if at least one payment is received in a tax year later than the year of sale. The installment method can be used only by taxpayers who do not regularly deal in the property being sold, and gross profit is prorated over the period in which payments are received. The tax expenditure is the difference between what tax liability would be under year-of-sale reporting and installment reporting.

The installment method was first enacted in 1933. In 1986, the installment method was eliminated for revolving credit sales of personal property and sales of property regularly traded on an established market, such as stocks or securities. In 1987, the installment method was repealed for dealer sales of both real and personal property. In 1999, the use of installment sales was restricted, but that restriction was repealed retroactively in 2000. This provision was last modified in 2004, when installment sale treatment was disallowed for readily tradable debt.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the corporate franchise tax rate could be reduced to 9.7%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $21,900,000 | $23,300,000 | $24,700,000 | $26,300,000 |

## 2.3.13 Completed Contract Rules

Internal Revenue Code, Section 460
Minnesota Statutes, Section 290.01, Subd. 19

Some taxpayers with contracts extending for more than one year are allowed to report some or all of the profit on the contracts under special accounting rules. Income from a long-term contract is reported only when the contract is completed, and costs allocable to the contract are deducted at that time. However, many indirect costs may be deducted in the year paid or incurred. Without these special rules, indirect costs could be deducted only when the income is reported.

The completed contract method is allowed for home construction contracts and for other construction contracts if they are no longer than two years in duration and if the taxpayer's average annual gross receipts for the three preceding years do not exceed $25 million (previously $10 million).

The completed contract method was first allowed federally in 1918 and by Minnesota in 1933. The rules for long-term contracts were codified in the federal Tax Reform Act of 1986, and restrictions were placed on their use. This provision was last modified in 2018, when the gross receipts limit was increased from $10 million to $25 million.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the corporate franchise tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $3,800,000 | $3,900,000 | $4,000,000 | $4,100,000 |

## 2.3.14 Charitable Contributions

Internal Revenue Code, Sections 170 and 642(c)
Minnesota Statutes, Section 290.01, Subd. 19

A deduction is allowed for contributions made to organizations that are charitable, religious, scientific, literary, artistic, or educational in purpose. A corporation can deduct up to 10% of taxable income, with some adjustments. Excess contributions may be carried forward for up to five years.

In 1933, Minnesota enacted a charitable deduction for contributions to organizations in Minnesota. The amount was subtracted after income was apportioned. In 2001, the Minnesota charitable contribution deduction was repealed, and the federal deduction was adopted. These provisions were last modified in 2018. In 2020, the federal limits on charitable contributions by a corporation were temporarily increased, but Minnesota has not adopted that change.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the corporate franchise tax rate could be reduced to 9.7%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $25,200,000 | $26,100,000 | $27,100,000 | $28,100,000 |

## 2.3.15 Employee Stock Ownership Plans

Internal Revenue Code, Sections 401(a), 404(a)(9) and (k), 415(c),1042, and 4978
Minnesota Statutes, Section 290.01, Subd. 19

An employee stock ownership plan (ESOP) is a qualified stock bonus plan or a combination of a stock bonus and a money purchase pension plan under which a tax-exempt trust holds employer stock for the benefit of the employees. The stock may be acquired through direct employer contributions or with the proceeds of a loan to the trust.

Employer contributions to an ESOP are deductible. An employer is allowed to deduct dividends paid to an ESOP and dividends used to make payments on ESOP loans. The recognition of gain from the sale of qualified stock to an employee organization may be deferred if certain conditions are met. After the sale is completed, the ESOP must own at least 30% of the company stock.

These federal provisions were enacted in 1974. These provisions were last modified in 2001.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the corporate franchise tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $13,100,000 | $14,000,000 | $14,900,000 | $15,900,000 |

## 2.3.16 Capital Construction Funds of Shipping Companies

Internal Revenue Code, Section 7518
Minnesota Statutes, Section 290.01, Subd. 19

Tax incentives are provided to shipping companies which own or lease vessels operating in the foreign or domestic commerce of the United States or in United States fisheries. If the taxpayer enters into an agreement with the appropriate federal agency, deposits in a capital construction fund may be deducted from taxable income up to the portion of taxable income attributable to the operation of the vessel covered by the agreement. Earnings on the fund are exempt from taxation. Withdrawals from the fund are not taxable if they are used to acquire, construct, lease, or pay off the indebtedness on a qualifying vessel.

The special tax treatment began with the 1936 Merchant Marine Act and was expanded significantly in 1970. These provisions were modified and codified in the federal Tax Reform Act of 1986. Minnesota first adopted these provisions in 1987.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the corporate franchise tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | * | * | * | * |

*Less Than $50,000

## *Apportionment*

### 2.4.01 Sales Factor Apportionment

Minnesota Statutes, Section 290.191

Since tax year 2014, net income is apportioned to Minnesota based on the ratio of Minnesota sales to total sales, referred to as 100% sales apportionment.

The tax expenditure is measured by comparing the tax liability with 100% sales apportionment to the tax liability if income were apportioned by applying equal weights to the Minnesota shares of property, payroll, and sales. With an equal-weight formula, liability would be higher for some corporations and lower for others, but overall liability would increase.

In 1939 manufacturing firms were allowed the option of choosing between the weighted-ratio formula and the average-ratio formula, and the option was extended to all firms in 1953. The average-ratio option was repealed in 1987. The percentages in the weighted formula were 15% property, 15% payroll, and 70% sales until they were changed to 12.5%, 12.5%, and 75% in 1999, effective beginning in 2001. In 2005, the sales factor was increased from 75% to 100%, phased in from 2007 to 2014, with corresponding decreases in the property and payroll factors.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the corporate franchise tax rate could be reduced to 7.6%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $891,900,000 | $922,600,000 | $929,100,000 | $929,600,000 |

### 2.4.02 Throwback Sales

Minnesota Statutes, Section 290.191, Subd. 5

The sales factor in the apportionment formula is determined by the destination of the sales. If a corporation makes sales from Minnesota to a customer in a state in which it has no nexus, the sales are not attributed anywhere. The Multistate Tax Compact and many states address this issue with a throwback rule which requires that a sale be thrown back to the state of origin if the selling corporation is not taxable in the state of the purchaser. Sales to the federal government are also thrown back to the state of origin.

Minnesota has no throwback rule. Therefore, the apportionment factor is lower for some corporations than would occur under a throwback rule. A corporation with 100% of its property and payroll in Minnesota will not have a nexus in other states. If only 10% of its sales are in Minnesota, its apportionment factor is 10% under current law but would be 100% under the throwback rule.

Prior to 1973, Minnesota used an origin-of-sale basis for corporate apportionment. In 1973, when Minnesota switched to a destination sale basis, throwback was not adopted. Since tax year 2014, apportionment is based on only the sales factor.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the corporate franchise tax rate could be reduced to 9.6%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $66,000,000 | $68,300,000 | $68,800,000 | $68,800,000 |

## *Minnesota Subtractions*

### 2.5.01 Dividend Received Deduction

Minnesota Statutes, Section 290.21, Subd. 4, 9, and 10

In computing Minnesota taxable income, a corporation adds back the federal dividend received deduction and determines a Minnesota dividend received deduction which is subtracted after income is apportioned. The deduction is 80% of the dividends received from another corporation if the recipient owns 20% or more of the stock of the paying corporation and 70% if the recipient owns less than 20%. Under certain circumstances the deduction can be 100%. The dividends are deductible only to the extent they are included in income apportioned to Minnesota.

The dividend received deduction is not allowed if the corporate stock is included in the inventory of the taxpayer corporation, if the corporation holds the stock primarily for sale to customers in the ordinary course of business, or if the business of the corporation consists mainly of holding the stocks and collecting income and gains from them.

The dividend received deduction was enacted in 1947. Major changes were made to this provision in 1987 and 1988, and it was last modified in 1989.

In 2017, federal law was changed to allow the deferral of foreign income to be recognized as increased flows of dividend income. Such dividend income is not recognized as income under Minnesota law, and such income is not included in the estimate.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the corporate franchise tax rate could be reduced to 9.0%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $275,100,000 | $284,600,000 | $286,600,000 | $286,700,000 |

### 2.5.02 Disposition of Farm Property

Minnesota Statutes, Section 290.491

A taxpayer may subtract from federal taxable income the income realized on a sale or exchange of farm property if the taxpayer is insolvent at the time of the sale and the proceeds are used solely to discharge indebtedness of the property sold. The amount of the subtraction is limited to the excess of the taxpayer's liabilities over total assets and the amount of any debt forgiveness excluded from income under Section 108 of the Internal Revenue Code.

This provision was enacted in 1985. It was repealed in 1987 but was re-enacted in 1988, retroactive to tax year 1987.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the corporate franchise tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | * | * | * | * |

*Less Than $50,000

## *Credits*

### 2.6.01 Research and Development Credit

Minnesota Statutes, Section 290.068

A nonrefundable credit is allowed based on qualified expenditures for research and development performed solely within Minnesota. Expenditures include wages, costs of supplies, computer costs, 65% of contract costs paid to others for doing research, and certain contributions to nonprofit organizations engaged in research and development within Minnesota.

The credit is based on the excess of current-year research expenditures over a calculated base amount, but in most cases 50% of current-year research expenditures are eligible for the credit. The credit is 10% of the first $2 million of eligible expenditures and 4% of the excess over $2 million. Any credit that exceeds liability can be carried forward up to 15 years.

The research and development credit was enacted in 1981. In 2010, the credit was changed from a nonrefundable credit to a refundable credit, and the percent of the credit on the first $2 million was increased from 5% to 10%. In 2013, the credit was once again changed to a nonrefundable credit. In 2017, the 2nd tier rate was increased from 2.5% to 4%.

**Objective Statement:** The objective of the Research and Development Credit is to create or retain jobs, increase research activity, and attract or retain business in Minnesota.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the corporate franchise tax rate could be reduced to 9.5%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $111,300,000 | $115,200,000 | $116,000,000 | $116,100,000 |

### 2.6.02 Employer Transit Pass Credit

Minnesota Statutes, Section 290.06, Subd. 28

A nonrefundable credit is allowed against the corporate franchise tax equal to 30% of the expense incurred by the taxpayer to provide transit passes to the taxpayer's employees. The transit pass must be for use in Minnesota. If the employer purchases the transit passes from the transit system and resells them to the employees, the expenses used for the credit are the difference between the amount the employer paid for passes and the amount charged to employees.

This credit was enacted in 2000.

**Objective Statement:** The objective of the Employer Transit Pass Credit is to incentivize Minnesota employers to subsidize transit passes for their employees to encourage the use of public transit.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the corporate franchise tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $900,000 | $900,000 | $900,000 | $1,000,000 |

## 2.6.03 Enterprise Zone Employer Tax Credits

Minnesota Statutes, Section 469.171, Subd. 1(a)(2) and 6(1)

Two refundable credits against the corporate franchise tax are available to employers in designated border city enterprise zones. A credit of up to $3,000 annually is allowed for each additional worker employed in a designated enterprise zone, other than workers employed in construction, and a credit of up to $1,500 annually is allowed for each worker employed in the zone who does not qualify for the $3,000 credit.

These credits were enacted in 1983. Zones other than border city zones expired in 1996. In 2017, the number of eligible cities was increased to six.

**Revenue Neutral Rate:** There is no revenue neutral rate applicable for this tax expenditure.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $600,000 | $600,000 | $600,000 | $600,000 |

## 2.6.04 Historic Structure Rehabilitation Credit

Minnesota Statutes, Section 290.0681

A credit is allowed equal to the federal credit for qualifying expenditures to rehabilitate a certified historic structure. The federal credit is a nonrefundable income tax credit equal to 20% of the qualifying expenditures. The state credit is a refundable credit equal to 20% of the qualifying expenditures and may be taken against the corporate franchise tax, individual income tax, or insurance premiums tax. The state credit may be assigned to another taxpayer.

Qualifications for the credit are determined under the provisions of Section 47 of the Internal Revenue Code as follows:

- A historic structure must be either individually registered in the National Register of Historic Places or certified by the Secretary of the Interior as having historic significance and located in a registered historic district.
- The structure must be used in a trade or business or be income-producing property.
- Rehabilitation expenditures must exceed the greater of $5,000, or the adjusted basis of the building. Costs to acquire a building or to enlarge a building do not qualify.
- The developer of the project must apply for the credit to the State Historic Preservation Office of the Department of Administration before rehabilitation begins. The credit is allowed after the application is approved and the project is completed.

A grant equal to 90% of the credit may be issued in lieu of the credit. Grants are not included in the estimates because they are included in the state budget as direct expenditures.

This credit was enacted in 2010 and was scheduled to expire after fiscal year 2015. In 2013, the credit was extended through fiscal year 2021. In 2019, the credit was modified so that it is payable over five years rather than in one lump sum. In 2021, the credit was extended through fiscal year 2022. After expiring, the credit was revived and reenacted through fiscal year 2030 and applied retroactively to applications for allocation certificates submitted after June 30, 2022.

Note: The estimates shown here are the total projected credits to be claimed against the corporate franchise tax, the individual income tax, and the insurance premiums tax.

**Objective Statement:** The objective of the Historic Structure Rehabilitation Credit is to encourage the preservation of historic structures in Minnesota and to create and retain jobs related to the rehabilitation of historic structures in the state. The standard against which the effectiveness of the extension of the credit and modification of the effective date is to be measured is the number of jobs created through the rehabilitation of historic structures and the number of historic structures rehabilitated and placed in service. See Minnesota Session Law – 2013, Regular Session, Ch. 143 – H.F. No. 677, Art. 13, Sec. 22, Subd. 5.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the corporate franchise tax rate could be reduced to 9.6%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $61,600,000 | $35,200,000 | $38,100,000 | $36,000,000 |

## 2.6.05 Film Production Credit

Minnesota Statutes, Section 290.06, Subd. 39 and 116U.27

A film production credit is allowed equal to 25% of eligible production costs paid in a taxable year.

An eligible project is a film that includes the promotion of Minnesota, for which the taxpayer expends at least $1,000,000 in the taxable year for eligible production costs and employs Minnesota residents to the extent practicable. Films include feature films, television or internet pilots, programs, series, documentaries, music videos, and television commercials.

The credit is nonrefundable but may be carried forward for up to five years. The credit is assignable to another taxpayer. Total credits are limited to $24.95 million in each tax year. The credit was enacted in 2021. Effective Jan. 1, 2023, the limit was increased from $4.95 million to $24.95 million, and the sunset was extended through tax year 2030.

Up to 10 taxpayers are expected to qualify for the credit in 2024.

Note: The estimates shown here are the total projected credits to be claimed against the corporate franchise tax, the individual income tax, and the insurance premiums tax.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the corporate franchise tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $1,700,000 | $4,100,000 | $4,900,000 | $5,900,000 |

## 2.6.06 Housing Contribution Credit

Minnesota Statutes, Section 290.0683 and 462A.40

A nonrefundable credit is allowed for contributions to a designated account in the Housing Development Fund administered by the Housing Finance Agency (HFA). The account is to be used for grants and loans for low- and moderate-income housing developments.

The credit is equal to 85% of contributions of at least $1,000 but not more than $2 million. Any unused credit may be carried over for up to 10 years.

Total credits are limited to $9.9 million in each year. The credit was enacted in 2021 and is effective for tax years 2023 through 2028.

Note: The estimates shown here are the total projected credits to be claimed against the corporate franchise tax, the individual income tax, and the insurance premiums tax.

**Objective Statement:** The objective of the Minnesota Housing Tax Credit (M.S. 290.0683) is to increase the development and availability of affordable housing to persons and families of low and moderate incomes in Minnesota.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the corporate franchise tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $2,000,000 | $3,000,000 | $5,000,000 | $9,000,000 |

## 2.6.07 Manufactured Home Park Credit

IRS Code Section 1250
Minnesota Statutes 290.0694

A credit against the individual income tax and corporate franchise tax for sales of manufactured home parks to cooperatives was created in 2023. The credit is equal to 5% of the amount of the sale. The credit is nonrefundable but can be carried forward for up to five years. To qualify, a taxpayer must sell qualified property to a manufactured home cooperative, a nonprofit organization intending to convert the park to a cooperative, or a representative of residents who intend to convert the park to a cooperative.

Qualified property includes a manufactured home park classified as 4c(5)(i) or 4c(5)(iii) property that qualifies as an Internal Revenue Code section 1250 property (in general, real property that is subject to depreciation, including residential and nonresidential real property).

For nonresidents and part-year residents, the credit is apportioned based on the percentage of income that is attributable to Minnesota.

This provision was enacted in 2023, effective beginning in tax year 2023.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the corporate franchise tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $400,000 | $400,000 | $400,000 | $400,000 |

## 2.6.08 Short Line Railroad Credit

IRS Code Section 45G
Minnesota Statutes Sections 290.06 subd. 2c; 290.0695, and 297I.20 subd. 6

A federal credit for railroad maintenance was created in 2004. Minnesota created a credit against the individual income tax, corporate franchise tax, and insurance gross premiums tax equal to 50% of qualified costs for maintenance, reconstruction, or replacement of railroad infrastructure in 2023.

Class II (regional and short line railroads with an annual gross operating revenue between $42.4 million and $943.9 million) and Class III (local and switching railroads with an annual gross operating revenue of less than $42.4 million) railroads are eligible for the credit. In the case of a partnership or S corporation, the credit is passed through to each partner or shareholder. The credit cannot exceed $3,000 times the miles of track owned or leased by the railroad in Minnesota. The credit is nonrefundable but may be carried forward for up to five years. The credit may be transferred under written agreement during the 5-year period.

This provision was enacted in 2023, effective beginning in tax year 2023.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the corporate franchise tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $1,400,000 | $1,400,000 | $1,400,000 | $1,400,000 |

## 2.6.09 Sustainable Aviation Fuel Credit

Minnesota Statutes 41A.30

Effective beginning with tax year 2024, individual income and corporate franchise taxpayers can claim a refundable credit equal to $1.50 for each gallon of sustainable aviation fuel (SAF) that is produced or blended with aviation gasoline or jet fuel in Minnesota and sold to a purchaser who certifies that it will be used in an aircraft departing from an airport in Minnesota. A qualifying taxpayer may claim a credit for producing or blending SAF, but not both. If the SAF is blended rather than produced, the credit is allowed only for the portion of SAF that is included in the blended fuel.

The credit program is administered by the Commissioner of Agriculture and credits may only be claimed for SAF sold after June 30, 2024 and before July 1, 2027. Credit certificates are limited by the allocated amounts of $7.4 million in fiscal year 2025 and $2.1 million for fiscal years 2026 and 2027. Any unallocated amounts from fiscal years 2025 and 2026 will be available for allocation in fiscal year 2027.

For a fuel to qualify as SAF, it must meet certain testing specifications, be derived from biomass as defined in Minnesota Statutes 41AS.15 Subd. 2e, can not be derived from palm fatty acid distillates, and must achieve at least a 50% life cycle greenhouse gas emission reduction when compared to petroleum-based gasoline, aviation turbine fuel, or jet fuel.

**Revenue Neutral Rate:** There is no revenue neutral rate applicable for this tax expenditure.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $0 | $7,400,000 | $2,100,000 | $2,100,000 |

# Chapter 3: Estate Tax

## *Collections and History*

Revenues from the Minnesota estate tax were $285.9 million in fiscal year 2024. All revenues from this tax go into the State General Fund.

In 1905, a tax on the estates of decedents was first enacted in Minnesota in the form of an inheritance tax. Minnesota had an inheritance tax until 1979 when it was repealed and an estate tax was adopted. The inheritance tax was imposed on each individual who received property from an estate, and the amount of tax depended upon the amount of property received and the relationship of the recipient to the decedent. The estate tax is imposed on the taxable estate before it is distributed.

Minnesota had a gift tax from 1937 until it was repealed in 1979. A gift tax was once again enacted in 2013, but in 2014 it was repealed retroactively so that it did not take effect. Minnesota does not have a generation-skipping transfer tax.

In 1985, the computation of the Minnesota estate tax was changed to equal the Minnesota portion of the federal tax credit for state death taxes, known as the "pick-up tax." Minnesota did not adopt the federal changes made to the estate tax in 2001. The state tax was equal to the maximum credit for state death taxes allowed under pre–2001 federal law. In 2013, the estate tax was extended to include gifts made within three years of death.

In 2014, the tax was changed from the federal credit for state death taxes to a separate calculation. The exclusion was increased from $1 million to $2 million, phased in over five years. A new rate schedule was established and was phased in over five years.

In 2017, the statute was changed by increasing the exclusion from $2 million to $3 million for tax year 2020 and later. Additionally, the definition of taxable estate was changed by subtracting the exclusion from the amount of the estate.

## *Tax Base*

The tax base for the estate tax is defined for this study as the net estate transferred. It is gross estate less administrative costs and other necessary and reasonable expenses paid before the estate is distributed. Therefore, a tax expenditure is created when a certain component of the estate is exempted or excluded because of its source or when a distribution is deducted from taxable estate because of the identity of the recipient. Preferential valuations are also considered tax expenditures.

## *Computation of the Tax*

An estate tax return must be filed if the decedent's federal gross estate exceeds the exclusion amount, which is $3 million in 2020 and after. The following tax rate schedule applies to estates of decedents dying in 2018 and thereafter.

| Minnesota Taxable Estate | Tax Rate |
|---|---|
| Less than $7,100,001 | 13.0% |
| 7,100,001–8,100,000 | 13.6% |
| 8,100,001–9,100,000 | 14.4% |
| 9,100,001–10,100,000 | 15.2% |
| More than 10,100,000 | 16.0% |

Computation of the estate tax:

Gross estate
minus: federal exclusions
equals: federal gross estate
minus: federal deductions
equals: federal tentative taxable estate
plus: Minnesota additions:
— federal deduction for foreign death taxes
— taxable gifts made within three years of death
— Minnesota QTIP property deducted on previously deceased spouse's estate tax return
minus: Minnesota subtractions:
— Minnesota exclusion amount
— Subtraction for qualified small business and farm property, up to a maximum amount
— Minnesota QTIP property
equals: Minnesota taxable estate
times: graduated rates, 13% to 16%
equals: Minnesota estate tax

## *Preferential Valuation*

### 3.1.01 Special Use Valuation

Internal Revenue Code, Section 2032A
Minnesota Statutes, Section 291.03

Property is generally included in an estate at its fair market value on the date of death. Fair market value is a property's value based on its best possible use. However, real property which is used in a farm or other closely held business may be valued at its farm or business use value, even though it is less than the market value. Specified conditions must be met in order to qualify for this treatment. The decrease in value cannot be more than a specified amount which is indexed for inflation and is $1,390,000 for deaths in 2024. The estimates measure the difference between tax liability using the fair market value and the special use valuation.

Special use valuation was included in Minnesota's estate tax when it was enacted in 1979. In 1985, Minnesota adopted this federal provision. In 2014, Minnesota adopted this provision by changing the calculation of the tax to begin with federal taxable estate.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the estate tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $300,000 | $300,000 | $300,000 | $300,000 |

## *Exclusions*

### 3.2.01 Life Insurance Proceeds

Minnesota Statutes, Section 291.03

In general, life insurance proceeds payable to an estate or to any beneficiaries are included in gross estate. However, the proceeds payable to a beneficiary may be excluded from gross estate if the decedent had forfeited the right to any benefit from or control over the policy. To qualify for the exclusion, the decedent must not have possessed any of the incidents of ownership in the policy at the time of death. The incidents of ownership include the power to change the beneficiary, the power to cancel or surrender the policy, the power to obtain a loan against the policy or to use the policy as collateral, and the right to any of the policy's economic benefits.

The estimates do not include death benefits paid to a spouse because such benefits would also come under the marital deduction (Item 3.3.01).

This provision was enacted in 1951 under the inheritance tax and was carried over to the estate tax in 1979. Minnesota adopted this federal provision in 1985. In 2014, Minnesota adopted this provision by making federal taxable estate the starting point for calculation of the tax.

**Revenue Neutral Rate:** If the tax expenditure were repealed, each estate tax rate could be reduced by 0.9% per bracket to 12.1%, 12.7%, 13.5%, 14.3%, and 15.1%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $69,500,000 | $75,900,000 | $82,900,000 | $90,600,000 |

### 3.2.02 Social Security Benefits

Minnesota Statutes, Section 291.03
Revenue Rulings 57–87 and 67–277

Social security lump sum death benefits which are paid to surviving spouses and dependents are exempt from the Minnesota estate tax. The amount of the lump sum benefit is fixed at $255.

This exemption was enacted in 1963 under the inheritance tax laws and was carried over to the estate tax without change when the inheritance tax was repealed in 1979. In 1985, Minnesota adopted this provision through the federal pick-up tax. In 2014, Minnesota adopted this provision by changing the calculation of the tax to begin with federal taxable estate.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the estate tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | * | * | * | * |

## *Deductions*

### 3.3.01 Marital Deduction

Internal Revenue Code, Section 2056
Minnesota Statutes, Section 291.03

The net value of all property passing from a decedent to a surviving spouse may be deducted from gross estate. The net value of the property is the gross value reduced by the amount of exemptions and deductions associated with the property being passed to the spouse.

A $10,000 marital deduction for the inheritance tax was enacted in 1911. In 1979, when the inheritance tax was repealed, the marital deduction was continued for estate tax purposes, with a maximum deduction of $250,000 or one-half the adjusted gross estate, whichever was greater. An unlimited marital deduction was enacted in 1981. In 1985, Minnesota adopted this federal provision. In 2014, Minnesota adopted this provision by making federal taxable estate the starting point for the tax.

**Revenue Neutral Rate:** If the tax expenditure were repealed, each estate tax rate could be reduced by 3.7% to 9.3%, 9.9%, 10.7%, 11.5%, and 12.3%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $300,500,000 | $320,500,000 | $338,100,000 | $355,600,000 |

*Less Than $50,000

## 3.3.02 Charitable Gifts

Internal Revenue Code, Section 2055
Minnesota Statutes, Section 291.03

Charitable gifts to certain organizations may be deducted from gross estate. Qualifying recipients include charitable, scientific, literary, educational, and religious organizations and federal, state, and local governments.

An inheritance tax exemption for charitable gifts was enacted in 1911. In 1985, Minnesota adopted the federal deduction for charitable gifts. In 2014, Minnesota adopted this provision by making federal taxable estate the starting point for calculation of the tax.

**Revenue Neutral Rate:** If the tax expenditure were repealed, each estate tax rate could be reduced by 2.2% to 10.8%, 11.4%, 12.2%, 13.0%, and 13.8%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $175,800,000 | $187,500,000 | $197,800,000 | $208,000,000 |

## 3.3.03 Farm and Small Business Property

Minnesota Statutes, Sections 291.005 and 291.03

A deduction from adjusted taxable estate is allowed for the value of qualified farm property and qualified small business property. The deduction cannot exceed $3.4 million for estates of decedents dying in 2016, $3.2 million for 2017, and $3.0 million for 2018 and after.

To qualify, the decedent must have continuously owned the property for the three-year period prior to death, and a family member must use the property in the operation of the trade or business for three years after the death of the decedent. For farm property, the property must have been classified as the decedent's agricultural homestead for property tax purposes. For small business property, the gross annual sales must have been $10 million or less and the decedent or the decedent's spouse must have materially participated in the trade or business in the taxable year that ended before the death of the decedent.

In electing to treat the property under these provisions, the estate and the qualified heir must agree in writing to pay a recapture tax equal to 16% of the deduction if the property is not used by a family member for the three-year period.

These provisions were enacted in 2011 and were last modified in 2017.

**Objective Statement:** The objective of the Farm and Small Business Property Deduction is to provide estate tax reductions to owner-operators of family farms and small businesses to allow retention and continued operation of those farms and businesses by the families. See Minnesota Session Law – 2011, 1st Special Session, Ch. 7 – H.F. No. 20, Art. 10, Sec. 7, Subd. (2).

**Revenue Neutral Rate:** If the tax expenditure were repealed, each estate tax rate could be reduced by 0.2% to 12.8%, 13.4%, 14.2%, 15.0%, and 15.8%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $17,800,000 | $19,000,000 | $20,000,000 | $11,000,000 |

# Chapter 4: General Sales and Use Tax

## *Collections and History*

Revenues from the general sales and use tax totaled $8.5 billion in fiscal year 2024. Revenues from the sales tax on motor vehicle leases are divided between the Highway User Tax Distribution Fund, the Minnesota State Transportation Fund, the County State-Aid Highway Fund and the Greater Minnesota Transit Account. The sales tax on aircraft goes to the State Airports Fund. Remaining revenues from the 6.5% sales and use tax rate go into the State General Fund. Revenues from the 0.375% tax rate go into four funds: 33% to the Outdoor Heritage Fund, 33% to the Clean Water Fund, 14.25% to the Parks and Trails Fund, and 19.75% to the Arts and Cultural Heritage Fund.

The Minnesota general sales and use tax was enacted in 1967 and became effective on August 1, 1967, at a rate of 3%. The rate was increased to 4% on November 1, 1971, 5% on July 1, 1981, 6% on January 1, 1983, and 6.5% on July 1, 1991. In 2008, a constitutional amendment was adopted which increased the rate by 0.375% to 6.875%, effective from July 1, 2009, to June 30, 2034, and dedicated the proceeds to four funds for natural resources and the arts.

Originally, the general sales and use tax applied to motor vehicles, but in 1971 motor vehicles were exempted from the sales tax and made subject to the newly-enacted motor vehicle excise tax, now called the motor vehicle sales tax (Chapter 5). Although the purchase of a motor vehicle is subject to the motor vehicle sales tax, the lease of a motor vehicle comes under the general sales tax.

The tax base for the sales tax has been changed in nearly every legislative session, with exemptions added and others repealed.

## *Tax Base*

For purposes of this study, the tax base for the general sales and use tax is defined as the gross receipts from the sale of tangible personal property or services to the final user.

Items purchased for resale in the regular course of business are not included in the tax base because they are not a sale to the final user. In agricultural and industrial production, the purchases of raw materials, component parts, and products consumed directly in the production process are considered to be for resale, and therefore the exemption of these items is not a tax expenditure. However, for machinery, equipment, and tools used in agricultural or industrial production, the sale to the business is considered the final sale.

The exemption of motor vehicles from the sales tax is not considered a tax expenditure because motor vehicles are subject to an alternative tax, the motor vehicle sales tax (Chapter 5). Likewise, the exemption of cigarettes is not considered a tax expenditure because cigarettes are subject to an in-lieu sales tax at the wholesale level (Chapter 8).

### *Computation of the Tax*

The sales tax is imposed on the gross receipts from taxable sales made by any person in Minnesota. The complementary use tax is imposed on the storage, use, distribution, or consumption in Minnesota of taxable personal property unless the Minnesota sales tax was paid on the sales price. The rate for both the sales tax and the use tax is 6.875%.

Generally, a retail sale is subject to the tax unless it is specifically exempted by law. Taxable sales also include: selling, leasing, or renting tangible personal property; the furnishing of meals or drinks for a consideration; the furnishing for a consideration of lodging for less than 30 days; the admission to places of amusement or athletic events; the furnishing for a consideration of electricity, gas, water, or steam; and telephone service.

The tax is imposed on the sales price of the item, which is defined as the total consideration valued in money, whether paid in money or otherwise. Exclusions from the sales price include property taken in trade for resale, cash discounts, and separately-stated interest, finance, or carrying charges.

The sales tax is paid by the purchaser to the seller; the seller collects and remits the tax to the state. The use tax is paid directly by the purchaser to the state.

**General Sales Tax, Business Portion**

| Population Decile | Sales & Use Tax | Business Portion of Sales & Use Tax | Share of Business Portion |
|---|---|---|---|
| $15,544 & Under | $275,989,456 | $108,858,170 | 2.7% |
| $15,545 - $24,961 | $321,365,571 | $119,743,208 | 2.9% |
| $24,962 - $35,168 | $369,752,647 | $139,471,032 | 3.4% |
| $35,169 - $45,808 | $417,394,917 | $159,742,201 | 3.9% |
| $45,809 - $58,014 | $465,046,347 | $178,530,355 | 4.4% |
| $58,015 - $73,668 | $526,644,412 | $201,895,886 | 4.9% |
| $73,669 - $95,360 | $641,957,246 | $248,497,825 | 6.1% |
| $95,361 - $127,780 | $802,412,748 | $311,867,360 | 7.6% |
| $127,781 - $183,475 | $988,123,559 | $386,770,698 | 9.5% |
| $183,476 & Over | $2,041,065,136 | $882,501,822 | 21.6% |
| Nonresidents | $1,605,124,031 | $1,354,771,928 | 33.1% |
| **All** | **$8,454,900,000** | **$4,092,700,000** | **100%** |

## *Exemptions—Particular Goods and Services*

### 4.1.01 Food Products

Minnesota Statutes, Section 297A.67, Subd. 2

Food and food ingredients for human consumption are generally exempt from the sales tax. Included in the exemption are substances, whether in liquid, concentrated, solid, frozen, dried, or dehydrated form, which are consumed for their taste or nutritional value.

The exemption does not include chewing gum, alcoholic beverages, tobacco, or dietary supplements. The exemption does not apply to food and drinks served by a restaurant or prepared food. Prepared food is either food sold in a heated state or heated by the seller, two or more food ingredients mixed or combined by the seller for sale as a single item, or food sold with eating utensils provided by the seller. However, bakery items, ready-to-eat meat and seafood, and foods that require cooking are exempt.

The exemption for food products was included when the sales and use tax was enacted in 1967. Candy and soft drinks were included in the exemption until 1982. This provision was last modified in 2006. Food sold through vending machines was added to the exemption in 2017.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the general sales and use tax could be reduced to 5.896%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $1,404,000,000 | $1,450,800,000 | $1,507,700,000 | $1,554,900,000 |

**Incidence:** The following table shows the incidence of the tax expenditure, based on the 2021 incidence database.

| Resident by Population Decile | Sales & Use Tax | Tax Change | Share of Tax Change |
|---|---|---|---|
| $15,544 & Under | $275,989,456 | $85,063,851 | 6.1% |
| $15,545 - $24,961 | $321,365,571 | $92,379,230 | 6.6% |
| $24,962 - $35,168 | $369,752,647 | $99,851,569 | 7.1% |
| $35,169 - $45,808 | $417,394,917 | $106,471,064 | 7.6% |
| $45,809 - $58,014 | $465,046,347 | $114,715,348 | 8.2% |
| $58,015 - $73,668 | $526,644,412 | $124,214,028 | 8.9% |
| $73,669 - $95,360 | $641,957,246 | $141,614,154 | 10.1% |
| $95,361 - $127,780 | $802,412,748 | $166,688,819 | 11.9% |
| $127,781 - $183,475 | $988,123,559 | $190,716,078 | 13.6% |
| $183,476 & Over | $2,041,065,136 | $240,712,884 | 17.1% |
| **Nonresidents** | $1,605,124,031 | $41,572,975 | 3.0% |
| **All** | **$8,454,900,000** | **$1,404,000,000** | **100%** |

## 4.1.02 Clothing and Wearing Apparel

Minnesota Statutes, Section 297A.67, Subd. 8 and 27

Clothing for general use is exempt from the sales and use tax. The exemption includes inner and outer wear, footwear, headgear, gloves and mittens, neckwear, belts, hosiery, and similar items. Also exempted are fabrics, thread, buttons, zippers, and similar items which are to be directly incorporated into wearing apparel.

The exemption does not apply to jewelry, handbags, billfolds, fur clothing, sports clothing sold for exclusive use in a sporting activity, or work-related safety articles.

The exemption for clothing was included in the sales and use tax statutes enacted in 1967. It was last modified in 2008.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the general sales and use tax could be reduced to 6.436%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $577,000,000 | $595,100,000 | $619,100,000 | $638,600,000 |

**Incidence:** The following table shows the incidence of the tax expenditure, based on the 2021 incidence database.

| Resident by Population Decile | Sales & Use Tax | Tax Change | Share of Tax Change |
|---|---|---|---|
| $15,544 & Under | $275,989,456 | $16,968,743 | 2.9% |
| $15,545 - $24,961 | $321,365,571 | $21,852,429 | 3.8% |
| $24,962 - $35,168 | $369,752,647 | $26,449,953 | 4.6% |
| $35,169 - $45,808 | $417,394,917 | $30,736,619 | 5.3% |
| $45,809 - $58,014 | $465,046,347 | $35,738,753 | 6.2% |
| $58,015 - $73,668 | $526,644,412 | $41,487,812 | 7.2% |
| $73,669 - $95,360 | $641,957,246 | $52,827,966 | 9.2% |
| $95,361 - $127,780 | $802,412,748 | $70,482,651 | 12.2% |
| $127,781 - $183,475 | $988,123,559 | $93,221,027 | 16.2% |
| $183,476 & Over | $2,041,065,136 | $170,148,857 | 29.5% |
| **Nonresidents** | $1,605,124,031 | $17,085,190 | 3.0% |
| **All** | **$8,454,900,000** | **$577,000,000** | **100%** |

## 4.1.03 Drugs and Medicines

Minnesota Statutes, Section 297A.67, Subd. 7

Drugs and medicine, insulin, and medical oxygen for human use are exempt from the sales and use tax. The exemption includes all prescription and over-the-counter drugs. Prescription drugs represent roughly 79% of the total exemption.

An exemption for all drugs and medicine was part of the original sales and use tax law enacted in 1967. In 1987, the exemption was limited to prescribed drugs and medicine and to insulin. In 1988, certain nonprescription analgesics were again exempted, and in 1997 the exemption was extended to all analgesics. In 2005, the exemption was once again extended to include all over-the-counter drugs.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the general sales and use tax could be reduced to 6.453%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $552,600,000 | $571,100,000 | $593,400,000 | $612,000,000 |

**Incidence:** The following table shows the incidence of the tax expenditure, based on the 2021 incidence database.

| Resident by Population Decile | Sales & Use Tax | Tax Change | Share of Tax Change |
|---|---|---|---|
| $15,544 & Under | $275,989,456 | $26,679,857 | 4.8% |
| $15,545 - $24,961 | $321,365,571 | $34,585,335 | 6.3% |
| $24,962 - $35,168 | $369,752,647 | $39,773,258 | 7.2% |
| $35,169 - $45,808 | $417,394,917 | $43,441,769 | 7.9% |
| $45,809 - $58,014 | $465,046,347 | $46,011,985 | 8.3% |
| $58,015 - $73,668 | $526,644,412 | $51,702,755 | 9.4% |
| $73,669 - $95,360 | $641,957,246 | $59,604,364 | 10.8% |
| $95,361 - $127,780 | $802,412,748 | $67,241,201 | 12.2% |
| $127,781 - $183,475 | $988,123,559 | $71,438,170 | 12.9% |
| $183,476 & Over | $2,041,065,136 | $95,758,610 | 17.3% |
| **Nonresidents** | $1,605,124,031 | $16,362,697 | 3.0% |
| **All** | **$8,454,900,000** | **$552,600,000** | **100%** |

## 4.1.04 Medical Devices

Minnesota Statutes, Section 297A.67, Subd. 7(a)(2)(4)(5), and (6); 7(b)(1)(2); 7(c)(2)(3) and (6)

An exemption from the sales and use tax is allowed for durable medical equipment for home use, mobility enhancing equipment, and prosthetic devices. The exemption also applies to repair and replacement parts for the devices.

This provision was enacted in 1967 and was last modified in 2014.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the general sales and use tax could be reduced to 6.862%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $16,000,000 | $16,600,000 | $17,300,000 | $17,800,000 |

**Incidence:** The following table shows the incidence of the tax expenditure, based on the 2021 incidence database.

| Resident by Population Decile | Sales & Use Tax | Tax Change | Share of Tax Change |
|---|---|---|---|
| $15,544 & Under | $275,989,456 | $631,080 | 3.9% |
| $15,545 - $24,961 | $321,365,571 | $761,316 | 4.8% |
| $24,962 - $35,168 | $369,752,647 | $869,532 | 5.4% |
| $35,169 - $45,808 | $417,394,917 | $972,884 | 6.1% |
| $45,809 - $58,014 | $465,046,347 | $1,081,870 | 6.8% |
| $58,015 - $73,668 | $526,644,412 | $1,226,235 | 7.7% |
| $73,669 - $95,360 | $641,957,246 | $1,485,684 | 9.3% |
| $95,361 - $127,780 | $802,412,748 | $1,852,275 | 11.6% |
| $127,781 - $183,475 | $988,123,559 | $2,270,679 | 14.2% |
| $183,476 & Over | $2,041,065,136 | $4,374,679 | 27.3% |
| **Nonresidents** | $1,605,124,031 | $473,766 | 3.0% |
| **All** | **$8,454,900,000** | **$16,000,000** | **100%** |

## 4.1.05 Prescription Eyeglasses

Minnesota Statutes, Section 297A.67, Subd. 7(a)(7)

Prescription eyeglasses and contact lenses are exempt from the sales and use tax.

This provision was enacted in 1967.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the general sales and use tax could be reduced to 6.822%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $65,300,000 | $67,500,000 | $70,200,000 | $72,400,000 |

**Incidence:** The following table shows the incidence of the tax expenditure, based on the 2021 incidence database.

| Resident by Population Decile | Sales & Use Tax | Tax Change | Share of Tax Change |
|---|---|---|---|
| $15,544 & Under | $275,989,456 | $1,927,504 | 3.0% |
| $15,545 - $24,961 | $321,365,571 | $2,793,306 | 4.3% |
| $24,962 - $35,168 | $369,752,647 | $3,507,672 | 5.4% |
| $35,169 - $45,808 | $417,394,917 | $4,182,940 | 6.4% |
| $45,809 - $58,014 | $465,046,347 | $4,857,979 | 7.4% |
| $58,015 - $73,668 | $526,644,412 | $5,758,539 | 8.8% |
| $73,669 - $95,360 | $641,957,246 | $6,850,795 | 10.5% |
| $95,361 - $127,780 | $802,412,748 | $8,319,030 | 12.7% |
| $127,781 - $183,475 | $988,123,559 | $9,578,265 | 14.7% |
| $183,476 & Over | $2,041,065,136 | $15,590,413 | 23.9% |
| **Nonresidents** | $1,605,124,031 | $1,933,558 | 3.0% |
| **All** | **$8,454,900,000** | **$65,300,000** | **100%** |

## 4.1.06 Baby Products

Minnesota Statutes, Section 297A.67, Subd. 9

Baby bottles and nipples, pacifiers, teething rings, infant syringes, and breast pumps are exempt from the sales and use tax.

This exemption was enacted in 1967 and was last modified in 2008.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the general sales and use tax could be reduced to 6.874%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $1,200,000 | $1,300,000 | $1,300,000 | $1,300,000 |

## 4.1.07 Feminine Hygiene Items

Minnesota Statutes, Section 297A.67, Subd. 17

Consumer purchases of feminine hygiene items, including sanitary napkins, tampons, and similar products, are exempt from the sales and use tax.

This exemption was enacted in 1981.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the general sales and use tax could be reduced to 6.871%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $4,700,000 | $4,900,000 | $5,200,000 | $5,400,000 |

## 4.1.08 Caskets and Burial Vaults

Minnesota Statutes, Section 297A.67, Subd. 10

Caskets and burial vaults for human burial are exempt from the sales and use tax.

This provision was enacted in 1967.

Approximately 49,200 deaths occurred in Minnesota in 2023.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the general sales and use tax could be reduced to 6.872%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $4,300,000 | $4,100,000 | $3,900,000 | $3,600,000 |

## 4.1.09 Publications

Minnesota Statutes, Section 297A.68, Subd. 10

Publications regularly issued at average intervals not exceeding three months are exempt from the sales and use tax. Included in this exemption are newspapers together with any supplements or enclosures, magazines, journals, and also items such as seasonal catalogs, shoppers' guides, advertising circulars, and loose leaf or similar types of service publications. However, magazines and periodicals sold over the counter are taxable.

This provision was enacted in 1967. All magazines were exempt until 1983 when the tax was imposed on magazines sold over the counter.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the general sales and use tax could be reduced to 6.847%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $34,400,000 | $33,100,000 | $33,200,000 | $31,300,000 |

**Incidence:** The following table shows the incidence of the tax expenditure, based on the 2021 incidence database.

| Resident by Population Decile | Sales & Use Tax | Tax Change | Share of Tax Change |
|---|---|---|---|
| $15,544 & Under | $275,989,456 | $1,108,053 | 3.2% |
| $15,545 - $24,961 | $321,365,571 | $1,626,209 | 4.7% |
| $24,962 - $35,168 | $369,752,647 | $1,972,693 | 5.7% |
| $35,169 - $45,808 | $417,394,917 | $2,241,576 | 6.5% |
| $45,809 - $58,014 | $465,046,347 | $2,457,151 | 7.1% |
| $58,015 - $73,668 | $526,644,412 | $2,904,651 | 8.4% |
| $73,669 - $95,360 | $641,957,246 | $3,436,714 | 10.0% |
| $95,361 - $127,780 | $802,412,748 | $3,905,006 | 11.4% |
| $127,781 - $183,475 | $988,123,559 | $4,134,629 | 12.0% |
| $183,476 & Over | $2,041,065,136 | $9,594,722 | 27.9% |
| **Nonresidents** | $1,605,124,031 | $1,018,597 | 3.0% |
| **All** | **$8,454,900,000** | **$34,400,000** | **100%** |

## 4.1.10 Textbooks Required for School Use

Minnesota Statutes, Section 297A.67, Subd. 13 and 13a

A sales tax exemption is allowed for sales of textbooks and other instructional materials required for a course of study at a public or private school, college, university, business school, or trade school if they are purchased by students enrolled at the institution. Qualifying instructional materials include interactive CDs, tapes, computer software, digital textbooks, digital audio works, and digital audiovisual works.

This provision was enacted in 1973 and was extended to instructional materials in 2002. When the sales tax was extended to digital books in 2013, this exemption was expanded to include digital textbooks. The exemption for qualifying instructional materials was extended to include digital audio works and digital audiovisual works in 2014.

Approximately 378,200 students attended Minnesota post-secondary schools in the 2022–2023 school year.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the general sales and use tax could be reduced to 6.869%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $7,300,000 | $7,100,000 | $7,000,000 | $6,900,000 |

**Incidence:** The following table shows the incidence of the tax expenditure, based on the 2021 incidence database.

| Resident by Population Decile | Sales & Use Tax | Tax Change | Share of Tax Change |
|---|---|---|---|
| $15,544 & Under | $275,989,456 | $402,948 | 5.5% |
| $15,545 - $24,961 | $321,365,571 | $377,368 | 5.2% |
| $24,962 - $35,168 | $369,752,647 | $410,055 | 5.6% |
| $35,169 - $45,808 | $417,394,917 | $437,067 | 6.0% |
| $45,809 - $58,014 | $465,046,347 | $472,091 | 6.5% |
| $58,015 - $73,668 | $526,644,412 | $502,286 | 6.9% |
| $73,669 - $95,360 | $641,957,246 | $608,388 | 8.3% |
| $95,361 - $127,780 | $802,412,748 | $842,684 | 11.5% |
| $127,781 - $183,475 | $988,123,559 | $1,201,666 | 16.5% |
| $183,476 & Over | $2,041,065,136 | $1,829,291 | 25.1% |
| **Nonresidents** | $1,605,124,031 | $216,156 | 3.0% |
| **All** | **$8,454,900,000** | **$7,300,000** | **100.0%** |

### 4.1.11 Personal Computers Required for School Use

Minnesota Statutes, Section 297A.67, Subd. 14

Personal computers and related software which are sold or leased to students by educational institutions are exempt if the purchase or lease is required as a condition of enrollment. The exemption applies only to sales by the school to its students, including a public or private school, college, university, business school, or trade school.

This exemption was enacted in 1994 and was last modified in 2006.

Approximately 8,000 students benefited from this exemption in the 2022–2023 school year.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the general sales and use tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $500,000 | $500,000 | $500,000 | $600,000 |

### 4.1.12 *De Minimis* Use Tax Exemption for Individuals

Minnesota Statutes, Section 297A.67, Subd. 21

Purchases that would otherwise be subject to the use tax are exempt if they are made by an individual for personal use, and total purchases subject to use tax do not exceed $770 in the calendar year. If such purchases exceed $770, the entire amount is subject to tax.

A 2018 federal court case resulted in sales tax registration, collection, and remittance requirements being imposed on out-of-state retailers, which reduced use tax liabilities.

This exemption was enacted in 1996.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the general sales and use tax could be reduced to 6.868%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $8,800,000 | $9,900,000 | $11,100,000 | $12,600,000 |

**Incidence:** The following table shows the incidence of the tax expenditure, based on the 2021 incidence database.

| Resident by Population Decile | Sales & Use Tax | Tax Change | Share of Tax Change |
|---|---|---|---|
| $15,544 & Under | $275,989,456 | $347,094 | 3.9% |
| $15,545 - $24,961 | $321,365,571 | $418,724 | 4.8% |
| $24,962 - $35,168 | $369,752,647 | $478,243 | 5.4% |
| $35,169 - $45,808 | $417,394,917 | $535,086 | 6.1% |
| $45,809 - $58,014 | $465,046,347 | $595,029 | 6.8% |
| $58,015 - $73,668 | $526,644,412 | $674,429 | 7.7% |
| $73,669 - $95,360 | $641,957,246 | $817,126 | 9.3% |
| $95,361 - $127,780 | $802,412,748 | $1,018,752 | 11.6% |
| $127,781 - $183,475 | $988,123,559 | $1,248,874 | 14.2% |
| $183,476 & Over | $2,041,065,136 | $2,406,073 | 27.3% |
| **Nonresidents** | $1,605,124,031 | $260,571 | 3.0% |
| **All** | **$8,454,900,000** | **$8,800,000** | **100%** |

## 4.1.13 Motor Fuels

Minnesota Statutes, Section 297A.68, Subd. 19(1)

Petroleum products taxed under the motor fuels excise taxes in Minnesota Statutes, Chapter 296A, are exempt from the sales and use tax. The exemption applies to gasoline and special fuel for highway, aviation, marine, snowmobile, or all-terrain vehicle use.

This exemption was enacted in 1967 and was last modified in 1987.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the general sales and use tax could be reduced to 6.333%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $723,500,000 | $659,300,000 | $624,400,000 | $613,100,000 |

**Incidence:** The following table shows the incidence of the tax expenditure, based on the 2021 incidence database.

| Resident by Population Decile | Sales & Use Tax | Tax Change | Share of Tax Change |
|---|---|---|---|
| $15,544 & Under | $275,989,456 | $28,360,619 | 3.9% |
| $15,545 - $24,961 | $321,365,571 | $34,370,932 | 4.8% |
| $24,962 - $35,168 | $369,752,647 | $39,804,128 | 5.5% |
| $35,169 - $45,808 | $417,394,917 | $44,884,261 | 6.2% |
| $45,809 - $58,014 | $465,046,347 | $50,417,754 | 7.0% |
| $58,015 - $73,668 | $526,644,412 | $56,451,670 | 7.8% |
| $73,669 - $95,360 | $641,957,246 | $66,125,226 | 9.1% |
| $95,361 - $127,780 | $802,412,748 | $81,477,371 | 11.3% |
| $127,781 - $183,475 | $988,123,559 | $96,765,799 | 13.4% |
| $183,476 & Over | $2,041,065,136 | $120,730,673 | 16.7% |
| **Nonresidents** | $1,605,124,031 | $104,111,568 | 14.4% |
| **All** | **$8,454,900,000** | **$723,500,000** | **100%** |

## 4.1.14 Residential Heating Fuels

Minnesota Statutes, Section 297A.67, Subd. 15

An exemption from the sales and use tax applies to all fuel oil, coal, wood, steam, hot water, propane gas, and liquefied petroleum gas sold to residential customers for residential use. Purchases of natural gas by residential customers who use natural gas for their primary source of residential heat are exempt for the six billing months of November through April. Likewise, the purchase of electricity is exempt for six months for customers using electricity as the primary source of residential heat.

This exemption was enacted in 1978 and was expanded in 1984 to include hot water.

**Objective Statement:** The objective of the Heating Fuel and Utility Service tax exemptions is to lessen the effective tax burden of lower-income households and reduce the regressivity of the sales and use tax.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the general sales and use tax could be reduced to 6.726%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $187,900,000 | $189,700,000 | $199,100,000 | $204,600,000 |

**Incidence:** The following table shows the incidence of the tax expenditure, based on the 2021 incidence database.

| Resident by Population Decile | Sales & Use Tax | Tax Change | Share of Tax Change |
|---|---|---|---|
| $15,544 & Under | $275,989,456 | $12,230,732 | 6.5% |
| $15,545 - $24,961 | $321,365,571 | $13,482,371 | 7.2% |
| $24,962 - $35,168 | $369,752,647 | $14,540,358 | 7.7% |
| $35,169 - $45,808 | $417,394,917 | $15,347,802 | 8.2% |
| $45,809 - $58,014 | $465,046,347 | $16,164,520 | 8.6% |
| $58,015 - $73,668 | $526,644,412 | $17,387,210 | 9.3% |
| $73,669 - $95,360 | $641,957,246 | $19,460,758 | 10.4% |
| $95,361 - $127,780 | $802,412,748 | $22,205,683 | 11.8% |
| $127,781 - $183,475 | $988,123,559 | $24,729,862 | 13.2% |
| $183,476 & Over | $2,041,065,136 | $32,350,704 | 17.2% |
| **Nonresidents** | $1,605,124,031 | $0 | 0.0% |
| **All** | **$8,454,900,000** | **$187,900,000** | **100%** |

## 4.1.15 Residential Water Services

Minnesota Statutes, Section 297A.67, Subd. 16

The furnishing of water for residential use is exempt from the Minnesota sales and use tax.

This provision was enacted in 1979.

**Objective Statement:** The objective of the Heating Fuel and Utility Service tax exemptions is to lessen the effective tax burden of lower-income households and reduce the regressivity of the sales and use tax.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the general sales and use tax could be reduced to 6.854%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $25,500,000 | $27,200,000 | $28,900,000 | $30,700,000 |

**Incidence:** The following table shows the incidence of the tax expenditure, based on the 2021 incidence database.

| Resident by Population Decile | Sales & Use Tax | Tax Change | Share of Tax Change |
|---|---|---|---|
| $15,544 & Under | $275,989,456 | $1,564,034 | 6.1% |
| $15,545 - $24,961 | $321,365,571 | $1,725,320 | 6.8% |
| $24,962 - $35,168 | $369,752,647 | $1,870,961 | 7.3% |
| $35,169 - $45,808 | $417,394,917 | $1,991,808 | 7.8% |
| $45,809 - $58,014 | $465,046,347 | $2,125,440 | 8.3% |
| $58,015 - $73,668 | $526,644,412 | $2,315,531 | 9.1% |
| $73,669 - $95,360 | $641,957,246 | $2,663,262 | 10.4% |
| $95,361 - $127,780 | $802,412,748 | $3,157,175 | 12.4% |
| $127,781 - $183,475 | $988,123,559 | $3,602,235 | 14.1% |
| $183,476 & Over | $2,041,065,136 | $4,484,232 | 17.6% |
| **Nonresidents** | $1,605,124,031 | $0 | 0.0% |
| **All** | **$8,454,900,000** | **$25,500,000** | **100%** |

## 4.1.16 Sewer Services

Minnesota Statutes, Section 297A.61, Subd. 3(g)

The furnishing of sewer services is exempt from the Minnesota sales and use tax.

Sewer service has never been subject to the sales and use tax.

**Objective Statement:** The objective of the Heating Fuel and Utility Service tax exemptions is to lessen the effective tax burden of lower-income households and reduce the regressivity of the sales and use tax.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the general sales and use tax could be reduced to 6.789%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $107,300,000 | $111,600,000 | $116,100,000 | $120,800,000 |

**Incidence:** The following table shows the incidence of the tax expenditure, based on the 2021 incidence database.

| Resident by Population Decile | Sales & Use Tax | Tax Change | Share of Tax Change |
|---|---|---|---|
| $15,544 & Under | $275,989,456 | $5,339,931 | 5.0% |
| $15,545 - $24,961 | $321,365,571 | $5,883,435 | 5.5% |
| $24,962 - $35,168 | $369,752,647 | $6,582,232 | 6.1% |
| $35,169 - $45,808 | $417,394,917 | $7,244,058 | 6.8% |
| $45,809 - $58,014 | $465,046,347 | $7,899,673 | 7.4% |
| $58,015 - $73,668 | $526,644,412 | $8,761,661 | 8.2% |
| $73,669 - $95,360 | $641,957,246 | $10,419,593 | 9.7% |
| $95,361 - $127,780 | $802,412,748 | $12,715,171 | 11.9% |
| $127,781 - $183,475 | $988,123,559 | $15,157,781 | 14.1% |
| $183,476 & Over | $2,041,065,136 | $27,296,464 | 25.4% |
| **Nonresidents** | $1,605,124,031 | $0 | 0.0% |
| **All** | **$8,454,900,000** | **$107,300,000** | **100%** |

## 4.1.17 Used Manufactured Homes

Minnesota Statutes, Section 297A.67, Subd. 20

The sale of a manufactured home to be used as a residence is exempt from the sales and use tax unless it is the first retail sale of the home in Minnesota.

Generally, the first sale of a manufactured home for residential use in Minnesota is taxed at 65% of the dealer's cost (Item 4.4.01). The estimates measure the difference between the exemption and taxation at 65% of the dealer's cost.

This provision was enacted in 1984.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the general sales and use tax could be reduced to 6.874%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $900,000 | $900,000 | $1,000,000 | $1,000,000 |

## 4.1.18 Selected Services

Minnesota Statutes, Section 297A.61, Subd. 3

The inclusion of services in the concept of the tax base for the sales tax is subject to debate. Although the primary focus of the sales tax has been tangible personal property, a number of services are taxable, and the sales tax has been extended to additional services since its enactment. The list of services on the next page is not intended to be all-inclusive.

When the sales tax was enacted in 1967, some services were taxable, including local telephone service, gas and electric service, and preparing and serving meals. Over the years the tax was extended to several types of services. In 2013, the tax was imposed on the repair of commercial, industrial, electronic, and precision equipment for businesses effective July 1, 2013, and to certain warehousing and storage services for businesses effective April 1, 2014. The 2013 changes were repealed in 2014, effective April 1, 2014.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the general sales and use tax could be reduced to 4.360%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $4,878,000,000 | $5,069,000,000 | $5,264,000,000 | $5,453,000,000 |

**Incidence:** The following table shows the incidence of the tax expenditure, based on the 2021 incidence database.

| Resident by Population Decile | Sales & Use Tax | Tax Change | Share of Tax Change |
|---|---|---|---|
| $15,544 & Under | $275,989,456 | $191,779,718 | 3.9% |
| $15,545 - $24,961 | $321,365,571 | $233,762,676 | 4.8% |
| $24,962 - $35,168 | $369,752,647 | $270,056,264 | 5.5% |
| $35,169 - $45,808 | $417,394,917 | $307,820,228 | 6.3% |
| $45,809 - $58,014 | $465,046,347 | $346,504,460 | 7.1% |
| $58,015 - $73,668 | $526,644,412 | $399,863,499 | 8.2% |
| $73,669 - $95,360 | $641,957,246 | $481,189,401 | 9.9% |
| $95,361 - $127,780 | $802,412,748 | $569,204,754 | 11.7% |
| $127,781 - $183,475 | $988,123,559 | $671,077,490 | 13.8% |
| $183,476 & Over | $2,041,065,136 | $1,406,741,510 | 28.8% |
| **Nonresidents** | $1,605,124,031 | $0 | 0.0% |
| **All** | **$8,454,900,000** | **$4,878,000,000** | **100%** |

A detailed list is on the next page.

**Selected Services Detailed Report**

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| Business Purchases | | | | |
| *Services:* | | | | |
| Legal | $363,000,000 | $376,500,000 | $390,200,000 | $403,300,000 |
| Accounting and Bookkeeping | 371,000,000 | 385,900,000 | 400,700,000 | 414,900,000 |
| Architectural and Engineering | 452,700,000 | 469,100,000 | 485,200,000 | 500,300,000 |
| Research and Development | 195,500,000 | 204,000,000 | 212,500,000 | 220,500,000 |
| Specialized Design | 36,300,000 | 37,600,000 | 39,000,000 | 40,300,000 |
| Computer | 649,700,000 | 675,600,000 | 701,700,000 | 727,000,000 |
| Management Consulting | 391,100,000 | 407,800,000 | 424,500,000 | 440,600,000 |
| Other Consulting and Development | 111,800,000 | 116,600,000 | 121,600,000 | 126,400,000 |
| Advertising and Related | 320,200,000 | 333,100,000 | 346,000,000 | 358,300,000 |
| Office Administrative | 111,500,000 | 116,600,000 | 121,600,000 | 126,400,000 |
| Facilities Support | 54,600,000 | 56,800,000 | 59,100,000 | 61,200,000 |
| Employment | 655,200,000 | 683,400,000 | 711,500,000 | 738,300,000 |
| Business Support | 106,000,000 | 110,500,000 | 114,900,000 | 119,200,000 |
| Other Support | 67,800,000 | 70,600,000 | 73,400,000 | 76,100,000 |
| Other Miscellaneous Professional and Technical | 113,700,000 | 118,100,000 | 122,500,000 | 126,900,000 |
| Other | 1,000,000 | 1,100,000 | 1,100,000 | 1,200,000 |
| *Repair and Maintenance:* | | | | |
| Automotive | $40,600,000 | $42,300,000 | $43,900,000 | $45,600,000 |
| Electronic Equipment | 61,300,000 | 64,000,000 | 66,600,000 | 69,100,000 |
| Commercial Machinery | 116,800,000 | 121,500,000 | 126,300,000 | 130,900,000 |
| Personal Property | 27,300,000 | 28,500,000 | 29,700,000 | 30,800,000 |
| Business–Total | $4,247,000,000 | $4,420,000,000 | $4,592,000,000 | $4,757,000,000 |
| Consumer Purchases | | | | |
| *Services:* | | | | |
| Legal | $116,700,000 | $120,600,000 | $125,300,000 | $129,300,000 |
| Accounting and Bookkeeping | 28,000,000 | 28,900,000 | 30,100,000 | 31,000,000 |
| Brokerage Charges and Investment Counseling | 36,100,000 | 37,300,000 | 38,800,000 | 40,000,000 |
| Bank Service Charges, Trust Services, and Safe Deposit Box Rental | 20,600,000 | 21,300,000 | 22,100,000 | 22,800,000 |
| Advertising and Related | 1,100,000 | 1,100,000 | 1,100,000 | 1,100,000 |
| Employment | 700,000 | 800,000 | 900,000 | 900,000 |
| Personal Care | 111,400,000 | 115,100,000 | 119,600,000 | 123,400,000 |
| Funeral | 48,000,000 | 49,600,000 | 51,500,000 | 53,100,000 |
| Other Personal | 9,400,000 | 20,000,000 | 20,800,000 | 21,400,000 |
| *Repair and Maintenance:* | | | | |
| Automotive | $202,300,000 | $206,200,000 | $211,700,000 | $221,400,000 |
| Personal Property | 19,400,000 | 20,000,000 | 20,800,000 | 21,400,000 |
| Consumer–Total | $631,100,000 | $649,100,000 | $671,900,000 | $696,100,000 |
| Grand–Total | $4,878,000,000 | $5,069,000,000 | $5,264,000,000 | $5,453,000,000 |

## 4.1.19 Capital Equipment

Minnesota Statutes, Sections 297A.68, Subd. 5

Certain capital equipment purchases are exempt from the sales and use tax. The capital equipment must be used in Minnesota by the purchaser or lessee for manufacturing, fabricating, mining, or refining tangible personal property to be sold ultimately at retail. Capital equipment must be essential to the integrated production process, including the operation or control of the production equipment. Repair and replacement parts and accessories are included in the exemption. The exemption also applies to materials used to construct and install the equipment and to construct special purpose buildings used in the production process.

The exemption does not apply to motor vehicles subject to the motor vehicle sales tax, machinery, or equipment used to receive or store raw materials, pollution control equipment, and other equipment used for nonproduction purposes. It also does not apply to machinery or equipment installed by a contractor as part of an improvement to real property.

The exemption for capital equipment in new or expanding industries was enacted in 1989 and replaced the reduced rate of 4% enacted in 1984. The exemption was extended to mining in 1990 and to online data retrieval equipment in 1993. Replacement equipment and repair and replacement parts and accessories were fully taxable until 1994 when a phasedown of the tax rate over four years was enacted. In 1997, the reduced rate was changed to a complete exemption. In 2013, the administration of the exemption was changed from a refund process to an exemption at the time of sale. The effective date of the 2013 change was September 1, 2014, but in 2014 it was delayed to July 1, 2015.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the general sales and use tax could be reduced to 6.659%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $274,200,000 | $277,300,000 | $287,400,000 | $298,200,000 |

**Incidence:** An incidence analysis for this item is not available. The incidence is assumed to be similar to the incidence of the business sales tax (See the table in the Chapter 4 introduction).

## 4.1.20 Accessory Tools

Minnesota Statutes, Section 297A.68, Subd. 2(a)(6)

This provision exempts from the sales and use tax accessory tools, equipment, and other items used in the production of personal property intended to be sold ultimately at retail. The exemption applies to detachable units with an ordinary useful life of less than twelve months that are used in producing a direct effect upon the product. Exempt items include drill bits, grinding and abrasive wheels, saw blades, printing plates, dies, jigs, taps, patterns, and molds.

This exemption was enacted in 1973.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the general sales and use tax could be reduced to 6.864%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $13,300,000 | $13,400,000 | $13,500,000 | $13,700,000 |

**Incidence:** An incidence analysis for this item is not available. The incidence is assumed to be similar to the incidence of the business sales tax (See the table in the Chapter 4 introduction).

## 4.1.21 Telecommunications Equipment

Minnesota Statutes, Sections 297A.68, Subd. 35a

An exemption from the sales and use tax is allowed for telecommunications, cable television, and direct satellite equipment purchased or leased for use directly by a telecommunications, cable television, or direct satellite service provider in providing telecommunications services that are ultimately sold at retail. The exemption applies regardless of whether purchases are made by the owner, a contractor, or a subcontractor.

The exemption includes machinery, equipment, and fixtures used in receiving, initiating, amplifying, processing, transmitting, retransmitting, recording, switching, or monitoring telecommunications services. It also includes repair and replacement parts and accessories for qualifying equipment. The exemption does not include wire, cable, or poles.

This exemption was enacted in 2001. In 2013, the exemption was repealed, effective July 1, 2013. In 2014, the exemption was reinstated, effective April 1, 2014. The exemption was expanded to include fiber and conduit in 2017.

**Objective Statement:** The tax expenditure objective of the Telecommunications Equipment Exemption is to reduce potential tax pyramiding and promote transparency in the tax system by exempting telecommunications equipment that is used to provide taxable telecommunications services. The tax expenditure objective of the 2017 amendment to the Telecommunications Equipment Exemption that expanded the definition of "telecommunications or pay television machinery and equipment" to include fiber and conduit is to increase the deployment and accessibility of broadband internet.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the general sales and use tax could be reduced to 6.825%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $61,400,000 | $63,400,000 | $65,300,000 | $67,300,000 |

**Incidence:** An incidence analysis for this item is not available. The incidence is assumed to be similar to the incidence of the business sales tax.. (See the table in the Chapter 4 introduction).

## 4.1.22 Special Tooling

Minnesota Statutes, Sections 297A.68, Subd. 6

Special tooling is exempt from the sales and use tax. Special tooling is defined as tools, dies, jigs, patterns, gauges, and other special tools which have value and use only for the buyer and for the use for which they are made. To qualify, items must be produced in accordance with buyer specifications. Items purchased from inventory or ordered from a catalog or other sales literature do not qualify. The estimates exclude items that also qualify for the accessory tools exemption in Item 4.1.20.

In 1994, the exemption for special tooling was enacted and replaced a reduced rate enacted in 1984.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the general sales and use tax could be reduced to 6.870%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $6,100,000 | $6,200,000 | $6,300,000 | $6,500,000 |

### 4.1.23 Resource Recovery Equipment

Minnesota Statutes, Section 297A.68, Subd. 24

Equipment used to process solid or hazardous waste at a resource recovery facility is exempt from the sales and use tax. The exemption includes pollution control equipment at a facility that burns refuse-derived fuel or mixed municipal solid waste as its primary fuel.

This provision was enacted in 1984 and last modified in 1996.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the general sales and use tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $300,000 | $200,000 | $100,000 | $100,000 |

### 4.1.24 Used Motor Oil

Minnesota Statutes, Section 297A.67, Subd. 18

Sales of used motor oil are exempt from the sales and use tax.

This exemption was enacted in 1988.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the general sales and use tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $200,000 | $200,000 | $200,000 | $200,000 |

### 4.1.25 Mining Production Materials

Minnesota Statutes, Section 297A.68, Subd. 4

Minnesota Rules, Part 8130.9600, Subpart 4

Sales of mill liners, grinding rods, and grinding balls to mining companies are exempt from the sales and use tax. The items must be substantially consumed in the production of taconite or other ores, metals, or minerals. The estimates do not include items that would also qualify as accessory tools (Item 4.1.20).

This exemption was enacted in 1971 for the production of taconite. In 2011, it was extended to include the production of other ores, metals, or minerals.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the general sales and use tax could be reduced to 6.870%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $5,800,000 | $6,200,000 | $6,400,000 | $6,400,000 |

**Incidence:** An incidence analysis for this item is not available. The incidence is assumed to be similar to the incidence of the business sales tax (See the table in the Chapter 4 introduction).

## 4.1.26 Wind Energy Conversion Systems

Minnesota Statutes, Sections 297A.68, Subd. 12

Wind energy conversion systems and the materials used to manufacture, install, construct, repair, or replace them are exempt from the sales and use tax if the systems are used as an electric power source. Wind energy conversion systems include any device which converts wind energy to a form of usable energy, such as a wind charger, windmill, or wind turbine. The estimates do not include purchases that would also qualify as capital equipment (Item 4.1.19).

This exemption was first enacted in 1992, and expired June 30, 1996. In 1997, it was re-enacted for one year. The exemption was made permanent in 1998.

**Objective Statement:** The objective of the Wind Energy Conversion general sales and use tax exemption is to incentivize and promote the implementation and utilization of wind energy systems in Minnesota. The exemption is meant to achieve a greater percentage of renewable energy contributions to the state's electricity fuel generation mix.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the general sales and use tax could be reduced to 6.866%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $11,300,000 | $11,600,000 | $12,000,000 | $12,500,000 |

**Incidence:** An incidence analysis for this item is not available. The incidence is assumed to be similar to the incidence of the business sales tax (See the table in the Chapter 4 introduction).

## 4.1.27 Solar Energy Systems

Minnesota Statutes, Section 297A.67, Subd. 29

Solar energy systems are exempt from the sales and use tax. A solar energy system is a set of devices whose primary purpose is to collect solar energy and convert and store it for useful purposes including heating and cooling buildings or other energy-using processes, or to produce generated power by means of collecting, transferring, or converting solar-generated energy.

This exemption was enacted in 2005.

**Objective Statement:** The objective of the Solar Energy Systems general sales and use tax exemption is to incentivize and promote the implementation and utilization of solar energy systems in Minnesota. The exemption is meant to achieve a greater percentage of renewable energy contributions to the state's electricity fuel generation mix.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the general sales and use tax could be reduced to 6.868%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $9,000,000 | $9,300,000 | $10,000,000 | $10,700,000 |

**Incidence:** An incidence analysis for this item is not available. The incidence is assumed to be similar to the incidence of the business sales tax (See the table in the Chapter 4 introduction).

## 4.1.28 Air Flight Equipment

Minnesota Statutes, Section 297A.82, Subd. 4(d)

The sale of air flight equipment to airline companies is exempt from the sales and use tax. Air flight equipment includes airplanes, parts necessary for the repair and maintenance of such equipment, and flight simulators. The exemption applies to purchases made by companies engaged in the business of air commerce.

This exemption was enacted in 1967 and was last modified in 1996.

This exemption primarily benefits the 34 airline companies subject to the air flight property tax.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the general sales and use tax could be reduced to 6.843%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $39,500,000 | $40,800,000 | $39,500,000 | $37,900,000 |

**Incidence:** An incidence analysis for this item is not available. The incidence is assumed to be similar to the incidence of the business sales tax (See the table in the Chapter 4 introduction).

## 4.1.29 Repair Parts and Equipment for General Aviation Aircraft

Minnesota Statutes, Section 297A.82, Subd. 4(f)

Equipment and parts necessary for repair and maintenance of general aviation aircraft, and equipment and parts for upgrading or improving such aircraft, are exempt from the sales and use tax. A separate exemption applies to purchases by airline companies which are subject to the air flight property tax (Item 4.1.28).

This exemption was enacted in 2013.

**Objective Statement:** The objective of the Repair Parts and Equipment for General Aviation Aircraft Exemption is to encourage the growth of the aviation services industry in the state. See Minnesota Session Law – 2013, Regular Session, Ch. 143 – H.F. No. 677, Art. 13, Sec. 22, Subd. 3.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the general sales and use tax could be reduced to 6.872%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $3,600,000 | $3,700,000 | $3,900,000 | $4,000,000 |

## 4.1.30 Large Ships

Minnesota Statutes, Section 297A.68, Subd. 17

Vessels with a gross registered tonnage of at least 3,000 tons are exempt from the sales and use tax.

This exemption was enacted in 1992.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the general sales and use tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $100,000 | $100,000 | $100,000 | $100,000 |

### 4.1.31 Repair and Replacement Parts for Ships and Vessels

Minnesota Statutes, Section 297A.68, Subd. 17

An exemption from the sales and use tax is allowed for lubricants and repair, replacement, and rebuilding parts and materials for ships and vessels used principally in interstate or foreign commerce.

This exemption was enacted in 1990 and was last modified in 1991.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the general sales and use tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $100,000 | $100,000 | $100,000 | $100,000 |

### 4.1.32 Petroleum Products Used by Transit Systems

Minnesota Statutes, Section 297A.68, Subd. 19(3)

An exemption from the sales and use tax is allowed for purchases of petroleum products by a transit system receiving financial assistance through the Metropolitan Council or the Public Transit Subsidy Program.

This provision was enacted in 1992.

This exemption applies to 35 transit systems.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the general sales and use tax could be reduced to 6.873%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $2,500,000 | $2,400,000 | $2,300,000 | $2,200,000 |

### 4.1.33 Petroleum Products Used by Medical Transportation Providers

Minnesota Statutes, Sec. 256B.0625, Subdivision 17 and Sec. 297A.68, Subd. 19(3), (7), and (8)

An exemption from the sales and use tax applies to gasoline or special fuel purchased by qualifying medical transportation providers. The exemption applies to providers of transportation services that are covered under the Medical Assistance program in Minnesota Statutes, Section 256B.0625, Subd. 17. The exemption also applies to providers of transportation services to recipients of Medical Assistance home and community-based services waivers enrolled in day programs and to providers of medical or dental services by a federally qualified health center with a mobile medical unit.

This exemption was enacted in 2001. In 2012, it was extended to the services provided in connection with day programs and to the services provided with a mobile medical unit.

An estimated 84 providers qualified for this exemption in fiscal year 2023.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the general sales and use tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $600,000 | $600,000 | $600,000 | $600,000 |

### 4.1.34 Petroleum Products Used in Passenger Snowmobiles

Minnesota Statutes, Section 297A.68, Subd. 19(5)

An exemption from the sales and use tax is allowed for petroleum products used in a passenger snowmobile for off-highway business use as part of the operation of a resort. The snowmobile must have an enclosed section seating four to twelve passengers.

This provision was enacted in 1993.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the general sales and use tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | * | * | * | * |

### 4.1.35 Special Fuel Petroleum Products Used for Off-Highway Business Uses

Minnesota

Minnesota Statutes, Section 297A.68, Subd. 19(9)

An exemption from the sales and use tax is allowed for certain off-highway business uses of special fuels already exempt from the motor fuels excise tax. The fuels exempted are products to:

- Power a refrigeration unit with a separate engine on a licensed motor vehicle;
- Power an unlicensed motor vehicle that is used primarily to move semi-trailers; or
- Operate a power take-off unit or auxiliary engine on a licensed motor vehicle.

This provision was enacted in 2017.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the general sales and use tax could be reduced to 6.872%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $4,300,000 | $4,100,000 | $3,800,000 | $3,700,000 |

### 4.1.36 Ski Area Equipment

Minnesota Statutes, Section 297A.68, Subd. 34

An exemption from the sales and use tax is allowed for tangible personal property used or consumed primarily and directly for tramways at ski areas or in snowmaking and snow grooming at ski hills, ski slopes, or ski trails. Included in the exemption are machinery, equipment, fuel, electricity, and water additives used in the production and maintenance of machine-made snow.

This exemption was enacted in 2000.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the general sales and use tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $500,000 | $500,000 | $600,000 | $600,000 |

## 4.1.37 Snowmobile Trail-Grooming Equipment for Nonprofit Clubs

Minnesota Statutes, Section 297A.70, Subd. 19

An exemption from the sales and use tax is allowed for the sale of tangible personal property to nonprofit snowmobile clubs used primarily for the grooming of state or grant-in-aid snowmobile trails. The exemption applies to grooming machines, attachments, other associated accessories, and repair parts. A nonprofit snowmobile club is eligible for the exemption if it received a state maintenance and grooming grant from the Minnesota Department of Natural Resources in the current year or in the previous three-year period.

This exemption was enacted in 2013.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the general sales and use tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $500,000 | $500,000 | $500,000 | $500,000 |

## 4.1.38 Logging Equipment

Minnesota Statutes, Section 297A.61, Subd. 37 and Section 297A.69, Subd. 4(2)

Equipment used for commercial logging is exempt from the sales and use tax.

A preferential tax rate for logging equipment was enacted in 1984 at 4% and was reduced to 2% in 1985. In 1991, the rate was increased to 2.5% when the general rate was increased by 0.5%. In 1998, the rate was phased out over two years, with the full exemption effective on July 1, 2000.

This provision was last modified in 2006.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the general sales and use tax could be reduced to 6.874%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $1,000,000 | $1,000,000 | $1,000,000 | $1,000,000 |

## 4.1.39 Farm Machinery

Minnesota Statutes, Sections 297A.69, Subd. 4(1)

All farm machinery is exempt from the Minnesota sales and use tax. Qualifying farm machinery includes machinery, equipment, implements, and accessories used directly and principally in the production for sale of agricultural products, including livestock. Irrigation systems also qualify for exemption.

A reduced rate for farm machinery was first enacted in 1981 at 4% when the general rate was 5%. In 1985, the rate was reduced to 2%, and in 1991 it was increased to 2.5% when the general rate was increased by 0.5%. Used farm machinery was exempted in 1994 as a temporary provision, and the exemption was made permanent in 1997. In 1998, the rate on new equipment was phased out over two years, with the full exemption effective on July 1, 2000.

The definition of farm machinery eligible for exemption has been expanded several times and was last modified in 2006.

**Objective Statement:** The objective of the Farm Machinery exemption is to reduce potential tax pyramiding and promote transparency in the tax system by exempting machinery and equipment used directly in the agricultural production of tangible personal property ultimately intended to be sold at retail.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the general sales and use tax could be reduced to 6.823%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $64,200,000 | $63,000,000 | $63,700,000 | $65,200,000 |

**Incidence:** An incidence analysis for this item is not available. The incidence is assumed to be similar to the incidence of the business sales tax (See the table in the Chapter 4 introduction).

## 4.1.40 Repair and Replacement Parts for Farm Machinery

Minnesota Statutes, Section 297A.69, Subd. 3

Repair and replacement parts used for maintenance or repair of farm machinery and logging equipment, except tires, are exempt from the sales and use tax. The part must replace a part assigned a specific or generic part number by the manufacturer of the machinery.

This exemption was enacted in 1985 and was last modified in 2003.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the general sales and use tax could be reduced to 6.857%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $22,300,000 | $22,100,000 | $22,700,000 | $23,300,000 |

**Incidence:** An incidence analysis for this item is not available. The incidence is assumed to be similar to the incidence of the business sales tax (See the table in the Chapter 4 introduction).

### 4.1.41 Petroleum Products Used to Improve Agricultural Land

Minnesota Statutes, Section 297A.68, Subd. 19(2)

Petroleum products used to improve agricultural land are exempt from the sales and use tax. Qualifying products are those used in constructing, maintaining, and repairing drainage ditches, tile drainage systems, grass waterways, water impoundment, and other erosion control structures.

This provision was enacted in 1985.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the general sales and use tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $100,000 | $100,000 | $100,000 | $100,000 |

### 4.1.42 Farm Conservation Programs

Minnesota Statutes, Section 297A.69, Subd. 2(1)

Seeds, trees, fertilizers, and herbicides purchased by farmers for use in a federal or state conservation program are exempt from the sales and use tax. The programs include the federal Conservation Reserve Program and the state Reinvest in Minnesota Program.

This provision was enacted in 1991.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the general sales and use tax could be reduced to 6.874%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $1,500,000 | $1,500,000 | $1,600,000 | $1,700,000 |

### 4.1.43 Horses

Minnesota Statutes, Section 297A.69, Subd. 6(a)

Horses are exempt from the sales and use tax.

This exemption was enacted in 1994 and was extended in 1995 to include racehorses. Racehorses had previously been exempt from 1984 to 1987.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the general sales and use tax could be reduced to 6.874%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $1,400,000 | $1,400,000 | $1,400,000 | $1,400,000 |

## 4.1.44 Prizes at Carnivals and Fairs

Minnesota Statutes, Section 297A.68, Subd. 29

An exemption from the sales and use tax is allowed for items which will be given as prizes to players in games of skill or chance conducted at events such as community festivals, fairs, and carnivals lasting fewer than six days. The exemption does not apply to property awarded as prizes in connection with the state lottery or lawful gambling (Chapter 11).

This exemption was enacted in 1999.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the general sales and use tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $300,000 | $300,000 | $300,000 | $300,000 |

## 4.1.45 Coin-Operated Amusement Devices

Minnesota Statutes, Section 297A.68, Subd. 3a

An exemption from the sales and use tax is allowed for coin-operated amusement devices when purchased by retailers for use in a place of amusement. This provision includes items such as pool tables, video games, batting cages, rides, photo booths, and jukeboxes.

This provision was enacted in 2014.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the general sales and use tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $500,000 | $500,000 | $500,000 | $500,000 |

## 4.1.46 Television Commercials

Minnesota Statutes, Section 297A.68, Subd. 30

An exemption from the sales and use tax applies to tangible personal property primarily used or consumed in the production of a television commercial, including preproduction and postproduction. The exemption includes the rental or lease of equipment used for preproduction or production of a television commercial. The sale of the commercial itself is also exempt, regardless of the medium in which it is transferred.

The exemption was enacted in 1999.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the general sales and use tax could be reduced to 6.874%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $700,000 | $700,000 | $700,000 | $700,000 |

## 4.1.47 Advertising Materials

Minnesota Statutes, Section 297A.68, Subd. 11
Minnesota Rules, Part 8130.9250, Subpart 11

An exemption from the sales and use tax applies to the sale of advertising and promotional materials which are stored in Minnesota and subsequently shipped out-of-state by the purchaser for use outside Minnesota. Mailing and reply envelopes and cards and other shipping materials used in connection with the advertising and promotional materials are included in the exemption.

This exemption was enacted in 1973 and was last modified in 2008.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the general sales and use tax could be reduced to 6.869%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $8,000,000 | $7,800,000 | $7,600,000 | $7,700,000 |

## 4.1.48 Court Reporter Documents

Minnesota Statutes, Section 297A.68, Subd. 22

An exemption from the sales and use tax is allowed for transcripts or copies of transcripts of verbatim testimony produced and sold by court reporters. The exemption applies only to documents sold to parties to the legal proceedings or to the representatives of those parties.

This exemption was enacted in 1997.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the general sales and use tax could be reduced to 6.874%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $1,700,000 | $1,900,000 | $2,000,000 | $2,100,000 |

## 4.1.49 Patent, Trademark, and Copyright Drawings

Minnesota Statutes, Section 297A.68, Subd. 33

An exemption from the sales and use tax is allowed for a drawing, diagram, or similar document if produced and sold by a person who prepares illustrative documents required for intellectual property applications. The document must be for use in a patent, trademark, or copyright application to be filed with a government agency, an application to the federal Food and Drug Administration for approval of a medical device, or a judicial or quasi-judicial proceeding relating to the validity of or legal rights under a patent, trademark, or copyright.

This exemption was enacted in 2000.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the general sales and use tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $300,000 | $300,000 | $300,000 | $300,000 |

## 4.1.50 Packing Materials

Minnesota Statutes, Section 297A.68, Subd. 16

Packing materials used to pack and ship household goods are exempt from the sales and use tax. The ultimate destination of the goods must be outside Minnesota, and the goods must not be returned to Minnesota except in the course of interstate commerce.

This exemption was enacted in 1973.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the general sales and use tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | * | * | * | * |

## 4.1.51 Property for Business Use Outside Minnesota

Minnesota Statutes, Section 297A.68, Subd. 13

Tangible personal property is exempt from the sales and use tax if it is used in a trade or business and is shipped or transported outside Minnesota by the purchaser without intermediate use in Minnesota. The property either must not be subject to sales tax in the state or country to which it is transported or must be used as part of a maintenance contract.

This provision was enacted in 1967 and was last modified in 1988.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the general sales and use tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | * | * | * | * |

## 4.1.52 Automatic Fire-Safety Sprinkler Systems

Minnesota Statutes, Section 297A.68, Subd. 23

Automatic fire-safety sprinkler systems are exempt from the sales and use tax if installed in existing buildings, including multifamily residential property containing four or more units, hotels, motels, and lodging houses containing four or more units, and office buildings or mixed-use commercial-residential buildings if at least one story capable of occupancy is at least 75 feet above the ground.

This provision was enacted in 1992 and was last modified in 1993.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the general sales and use tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $100,000 | $100,000 | $100,000 | $100,000 |

*Less Than $50,000

## 4.1.53 Firefighter Personal Protective Equipment

Minnesota Statutes, Section 297A.70, Subd. 3(a)(5) and (b)

An exemption from the sales and use tax is allowed for firefighter personal protective equipment purchased or authorized by an organized fire department, fire protection district, or fire company. Purchases of this equipment by a local unit of government are included in Item 4.2.02.

This exemption was enacted in 1994 and amended in 1997.

**Objective Statement:** The objective of the Firefighter Personal Protective Equipment Exemption is to provide state assistance for this public safety function of Minnesota local governments. See Minnesota Session Law – 2011, 1st Special Session, Ch. 7 – HF No. 20, Art. 10, Sec. 7, Subd. (8).

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the general sales and use tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $100,000 | $100,000 | $100,000 | $100,000 |

## 4.1.54 Building Materials for Residences of Disabled Veterans

Minnesota Statutes, Section 297A.71, Subd. 11

Building materials used to construct or remodel the residence of a disabled veteran are exempt from the sales and use tax. The exemption applies if the project is financed in whole or in part by the U.S. Government in accordance with United States Code, Title 38, Sections 2101 to 2105.

This exemption was enacted in 1971.

**Objective Statement:** The objective of the Building Materials exemption for Residences of Disabled Veterans is to provide specific sales and use tax relief to disabled veterans who have been awarded a federal grant for the construction or remodeling of their homes, ensuring that disabled veterans receive the full financial benefit of the federal program.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the general sales and use tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | * | * | * | * |

## 4.1.55 Chair Lifts, Ramps, and Elevators in Homesteads

Minnesota Statutes, Section 297A.71, Subd. 12

Chair lifts, ramps, and elevators and the building materials used to install or construct them are exempt from the sales and use tax if they are authorized by a physician and installed in or attached to the owner's homestead. Chair lifts are also exempted under the medical devices exemption as mobility enhancing equipment (Item 4.1.04) and are not included in the estimate.

This exemption was enacted in 1989 and was last modified in 2005 to include chair lifts.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the general sales and use tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | * | * | * | * |

## 4.1.56 Parts and Accessories to Make Motor Vehicles Disabled Accessible

Minnesota Statutes, Section 297A.67, Subd. 12

Parts, accessories, and labor charges used solely to modify a motor vehicle to make it accessible to a person with a disability are exempt from the sales and use tax. This provision applies to modifications made after a vehicle is purchased. A provision in the motor vehicle sales tax (Item 5.2.02) applies to the purchase price of a vehicle with modifications made prior to purchase.

This exemption was enacted in 1993.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the general sales and use tax could be reduced to 6.874%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $1,500,000 | $1,600,000 | $1,600,000 | $1,600,000 |

## 4.1.57 Maintenance of Cemetery Grounds

Minnesota Statutes, Section 297A.67, Subd. 25

Lawn care and related services used in the maintenance of cemetery grounds are exempt from the sales and use tax. The estimates do not include purchases for cemeteries owned by churches or other religious organizations because they are covered under the nonprofit exemption (Item 4.2.04). Likewise, purchases for cemeteries owned by local units of government are not included in the estimates because they are covered under the general local government exemption (Item 4.2.02).

This exemption was enacted in 2000.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the general sales and use tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $100,000 | $100,000 | $100,000 | $100,000 |

## 4.1.58 Trade-In Allowance

Minnesota Statutes, Section 297A.67, Subd. 26

The amount allowed as a credit against the sales price for tangible personal property taken in trade for resale is exempt from the sales tax.

This provision was enacted in 1967 and was last modified in 2001.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the general sales and use tax could be reduced to 6.865%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $11,800,000 | $12,400,000 | $13,100,000 | $13,800,000 |

**Incidence:** An incidence analysis for this item is not available. The incidence is assumed to be similar to the incidence of the business sales tax (See the table in the Chapter 4 introduction).

*Less Than $50,000

## 4.1.59 Bullion

Minnesota Statutes, Section 297A.67, Subd. 34

The sale of precious metal bullion is exempt from the sales and use tax. The exemption applies to bars or rounds that consist of 99.9% or more by weight of either gold, silver, platinum, or palladium and are marked with weight, purity, and content. The exemption does not apply to jewelry, works of art, scrap metal, or coins.

This exemption was enacted in 2017.

**Objective Statement:** The objective of the Bullion Exemption is to eliminate the difference in tax treatment between the sale of precious metal bullion and the sale of stock, bullion ETFs, bonds, and other investment instruments. See Minnesota Statutes Sec. 297A.67, Subd. 34(c).

**Revenue Neutral Rate:** If the tax expenditure were repealed, the general sales and use tax could be reduced to 6.872%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $3,600,000 | $3,600,000 | $3,600,000 | $3,600,000 |

## 4.1.60 Firearm Storage Units

Minnesota Statutes, Section 297A.67, Subd. 40

Sales of firearm storage units are exempt from sales and use tax. A firearm storage unit is defined as a container that is fully enclosed and locked by a padlock, keylock, combination lock, or similar locking device, and is either specifically designed for the safe storage of firearms or sold for that purpose by a federally licensed firearms dealer.

This exemption was enacted in 2023.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the general sales and use tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $300,000 | $300,000 | $300,000 | $300,000 |

## *Exemptions—Sales to Particular Purchasers*

### 4.2.01 Local Governments

Minnesota Statutes, Sections 297A.70, Subd. 2 and 3

A general sales tax exemption applies to purchases by school districts, cities, counties, townships and special districts. The exemption also applies to public library systems that are not under the jurisdiction of a city or county. The exemption does not apply to goods or services purchased as inputs to goods and services that are generally provided by a private business, such as a golf course or liquor store.

A general exemption for all local governments was part of the original sales tax law enacted in 1967. In 1992, the general exemption was repealed, and exemptions for school districts, hospitals, nursing homes, libraries, and medical supplies for ambulances were enacted. The exemptions were expanded several times. In 2011, all purchases by townships were exempted, and cities and counties were exempted in 2013, effective January 1, 2014. In 2014, special districts and joint powers boards were exempted effective January 1, 2016, but delayed, in 2015, one year to January 1, 2017.

**Objective Statement:** The objective of the Local Governments Exemption is to provide state assistance for the functions of Minnesota townships not exempted under current law. See Minnesota Session Law – 2011, 1st Special Session, Ch. 7 – HF No. 20, Art. 10, Sec. 7, Subd. (7).

**Revenue Neutral Rate:** If the tax expenditure were repealed, the general sales and use tax could be reduced to 6.508%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| School Districts | $176,200,000 | $181,100,000 | $185,600,000 | $191,100,000 |
| Cities | 129,100,000 | 132,700,000 | 135,900,000 | 140,000,000 |
| Counties | 118,400,000 | 121,700,000 | 124,700,000 | 128,500,000 |
| Townships | 4,500,000 | 4,700,000 | 4,800,000 | 4,900,000 |
| Special Districts | 48,900,000 | 50,200,000 | 51,400,000 | 53,000,000 |
| Total–All Funds | $477,100,000 | $490,400,000 | $502,400,000 | $517,500,000 |

**Incidence:** An incidence analysis for this item is not available. The incidence is assumed to be similar to the incidence of the business sales tax (See the table in the Chapter 4 introduction).

### 4.2.02 Correctional Facilities Construction Materials

Minnesota Statutes, Section 297A.71, Subd. 3

An exemption from the sales and use tax applies to building materials and supplies used for constructing or improving an adult or juvenile correctional facility by a county or a city. The exemption is administered as a refund. The sales tax is paid at the time of purchase, and the local unit of government applies for a refund of tax paid.

This exemption was first enacted in 1995 as a refund of 20% of the sales and use tax paid. An exemption for the full amount of sales tax was enacted in 1997.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the general sales and use tax could be reduced to 6.873%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $2,400,000 | $1,200,000 | $800,000 | $400,000 |

## 4.2.03 Nonprofit Organizations

Minnesota Statutes, Section 297A.70, Subd. 4 and 20
Minnesota Rules, Part 8130.6200

The sale of tangible personal property and utility services to charitable, religious, or educational organizations is exempt from the sales and use tax. The property must be used in the performance of the organization's charitable, religious, or educational functions. Nonprofit senior citizens' groups are also included in the exemption.

Nonprofit hospitals and surgical centers are estimated separately in Item 4.2.04, and nonprofit nursing homes and boarding care homes are estimated separately in Item 4.2.05.

This provision was enacted in 1967. In 1983, the exemption was extended to the purchase of utilities. In 1989, the leasing of motor vehicles was excluded from the exemption. This provision was last modified in 2009.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the general sales and use tax could be reduced to 6.758%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $145,900,000 | $149,600,000 | $153,200,000 | $157,200,000 |

**Incidence:** An incidence analysis for this item is not available. The incidence is assumed to be similar to the incidence of the business sales tax (See the table in the Chapter 4 introduction).

## 4.2.04 Hospitals and Outpatient Surgical Centers

Minnesota Statutes, Section 297A.70, Subd. 7

An exemption from the sales and use tax is allowed for sales to hospitals and outpatient surgical centers if the purchases are used in providing hospital services or outpatient surgical services. The hospital or outpatient surgical center must be organized and operated for charitable purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code and must be licensed under Minnesota Statutes, Chapter 144.

Hospitals operated by local units of government are included in the estimates for Item 4.2.02.

Hospitals were exempt under these provisions for nonprofit organizations when the sales tax was enacted in 1967. In 1997, a separate exemption for hospitals was enacted, and it was extended to outpatient surgical centers in 1999. In 2013, critical access dental providers were added to the exemption.

There are 99 hospitals and two surgical centers that qualify for this exemption.

**Objective Statement:** The objective of the Hospitals and Outpatient Surgical Centers Exemption is to assist critical access dental providers in defraying the overall cost of the services they provide to underserved communities. See Minnesota Session Law – 2013, Regular Session, Ch. 143 – H.F. No. 677, Art. 13, Sec. 22, Subd. 10.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the general sales and use tax could be reduced to 6.706%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $213,500,000 | $225,500,000 | $238,100,000 | $251,400,000 |

**Incidence:** An incidence analysis for this item is not available. The incidence is assumed to be similar to the incidence of the business sales tax (See the table in the Chapter 4 introduction).

## 4.2.05 Nursing Homes and Boarding Care Homes

Minnesota Statutes, Section 297A.70, Subd. 18

An exemption from the sales and use tax is allowed for sales to a licensed nursing home or to a boarding care home certified as a nursing facility under Title 19 of the Social Security Act. The facility must be exempt from federal taxation under Section 501(c)(3) of the Internal Revenue Code. It must also be certified to participate in the medical assistance program under Title 19 of the Social Security Act or it must certify to the Commissioner of Revenue that it does not discharge residents due to inability to pay.

Nonprofit nursing homes were generally exempt under these provisions for nonprofit organizations when the sales tax was enacted in 1967. In 2013, a separate exemption for nursing homes and boarding care homes was enacted.

**Objective Statement:** The objective of the Nursing Homes and Boarding Care Homes Exemption is to clarify that an existing exemption for these facilities is not affected by a recent property tax case related to defining nonprofit organizations engaged in charitable activities. See Minnesota Session Law – 2013, Regular Session, Ch. 143 – H.F. No. 677, Art. 13, Sec. 22, Subd. 11.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the general sales and use tax could be reduced to 6.867%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $9,600,000 | $9,500,000 | $9,400,000 | $9,400,000 |

**Incidence:** An incidence analysis for this item is not available. The incidence is assumed to be similar to the incidence of the business sales tax (See the table in the Chapter 4 introduction).

## 4.2.06 Veterans' Organizations

Minnesota Statutes, Section 297A.70, Subd. 5

Sales of tangible personal property or services to an organization of military service veterans or an auxiliary unit are exempt from the sales and use tax. The group must be organized in Minnesota and exempt from federal taxation under Section 501(c)(19) of the Internal Revenue Code. The property or service must be used for charitable, civic, educational, or nonprofit purposes and not for social, recreational, pleasure, or profit purposes.

This provision was enacted in 1980 and amended in 2013 to include services.

Approximately 830 organizations qualify for this exemption.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the general sales and use tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $600,000 | $600,000 | $600,000 | $600,000 |

## 4.2.07 Construction Materials for Low-Income Housing

Minnesota Statutes, Section 297A.71, Subd. 23

Materials and supplies used or consumed in, and equipment incorporated into, the construction, improvement, or expansion of qualified low-income housing projects are exempt from the sales and use tax. The exemption applies regardless of whether the purchases are made by the owner of the facility or a contractor. The exemption is administered as a refund.

The owner of the project must be a public housing agency, a housing and redevelopment authority of a political subdivision, an entity exercising the powers of a housing and redevelopment authority, a qualifying nonprofit corporation, or an owner entity qualifying under specified federal regulations. The project must qualify under one of the specified state or federal low-income housing programs. If a portion of a project is for other than low-income housing, the exemption applies only for the portion used for low-income housing.

This exemption was enacted in 2001 and was last modified in 2010.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the general sales and use tax could be reduced to 6.871%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $4,500,000 | $4,600,000 | $4,700,000 | $4,800,000 |

## 4.2.08 Ambulances Leased to Private Ambulance Services

Minnesota Statutes, Section 297A.70, Subd. 6

The lease of a motor vehicle for use as an ambulance by a licensed ambulance service is exempt from the sales and use tax. The estimates include only leases by private ambulance services because leases by local governments are also exempt under another provision (Item 4.2.02).

This provision was enacted in 1990.

**Objective Statement:** The objective of the Ambulances Leased to Private Ambulance Services Exemption is to provide state assistance to local governments and other organizations that provide emergency response services. See Minnesota Session Law – 2011, 1st Special Session, Ch. 7 – HF No. 20, Art. 10, Sec. 7, Subd. (9).

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the general sales and use tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $100,000 | $100,000 | $100,000 | $100,000 |

## 4.2.09 Certain Purchases by Private Ambulance Services

Minnesota Statutes, Sections 297A.67, Subd. 28 and 297A.68, Subd. 19(4)

An exemption from the sales and use tax is allowed for purchases by a licensed ambulance service of supplies and equipment used to provide medical care, repair and replacement parts for ambulances and emergency response vehicles, and petroleum products. Because purchases by municipal ambulance services are exempt under another provision (Item 4.2.02), the estimates include only purchases by private ambulance services.

These provisions were enacted in 2001. In 2008, the exemption was extended to include repair and replacement parts for vehicles that are equipped and specifically intended for emergency response.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the general sales and use tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $300,000 | $300,000 | $300,000 | $300,000 |

## 4.2.10 Enterprise Zone Construction Materials

Minnesota Statutes, Section 469.171, Subd. 1(1)

An exemption from the sales and use tax may be authorized by the Commissioner of Employment and Economic Development for purchases of construction materials or equipment for use in a designated border city enterprise zone. Restrictions apply to the type of facility eligible for the exemption.

This provision was enacted in 1983. Zones other than border city zones expired in 1996. In 2017, the number of eligible cities was increased to six.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the general sales and use tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | * | * | * | * |

*Less Than $50,000

### 4.2.11 Waste Recovery Facilities

Minnesota Statutes, Section 297A.71, Subd. 34

Materials and supplies used or consumed in, and equipment incorporated into, the construction, improvement, or expansion of a waste-to-energy resource recovery facility are exempt from the sales and use tax. To qualify, the facility must use biomass or mixed municipal solid waste as a primary fuel to generate steam or electricity.

The exemption was enacted in 2005.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the general sales and use tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $400,000 | $300,000 | $200,000 | $200,000 |

### 4.2.12 Data Center Equipment

Minnesota Statutes, Section 297A.68, Subd. 42

Enterprise information technology equipment and computer software for use in a qualified data center are exempt from the sales and use tax. Electricity used or consumed in the operation of a qualified data center is also exempt.

To qualify, a data center must:

- Be comprised of one or more buildings consisting of at least 25,000 square feet.
- Must have a total cost of construction or refurbishment, investment in enterprise information technology equipment, and computer software of at least $30 million within a 48-month period. For a refurbished data center, the investment must be at least $50 million within a 48-month period.
- The facility that houses the enterprise technology equipment must have uninterruptible power supplies, generator backup power, or both sophisticated fire suppression and prevention systems, and enhanced security, as specified.

The exemption applies to purchases made within 20 years of the first qualifying purchase. The exemption is administered as a refund.

This exemption was enacted in 2011, effective for sales and purchases made from July 1, 2012, through June 30, 2042. The requirements were modified in 2013.

**Objective Statement:** The objective of qualified Data Center Equipment sales and use tax exemptions is to create jobs in the construction and data center industries.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the general sales and use tax could be reduced to 6.787%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $109,200,000 | $114,200,000 | $115,200,000 | $116,000,000 |

**Incidence:** An incidence analysis for this item is not available. The incidence is assumed to be similar to the incidence of the business sales tax (See the table in the Chapter 4 introduction).

### 4.2.13 Construction Materials for Certain City Projects

Minnesota Statutes, Sections 297A.71, Subd. 44 and 297A.9905

Materials and supplies used or consumed in, and equipment incorporated into, the construction or improvement of a capital project of regional significance funded partially or wholly by a city of the first class are exempt. To qualify for this exemption, the project must be the construction, expansion, or renovation of a sports facility or convention or civic center and have a total construction cost of at least $40 million within a 24-month period. Funding must be drawn from the excess revenues generated by imposition of a local tax on retail sales.

This provision was enacted in 2012. The exemption was revised in 2017 to include an exemption of up to $2.5 million for certain purchases by a specific city.

**Objective Statement:** The objective of the sales tax exemption for Construction Materials for Certain City Projects is to provide an indirect means of assistance to local governments for capital projects funded wholly or partly by excess local tax revenues imposed under special law.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the general sales and use tax could be reduced to 6.874%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $1,100,000 | $300,000 | $0 | $0 |

### 4.2.14 Destination Medical Center

Minnesota Statutes, Section 297A.71, Subd. 48

An exemption from the sales and use tax is allowed for materials and supplies used in, and equipment incorporated into, the construction and improvement of publicly-owned buildings and infrastructure included in the development plan for the destination medical center under Minnesota Statutes, Section 469.43 and financed with public funds. The City of Rochester established, as required, a destination medical center corporation as a nonprofit corporation to provide the city with expertise in preparing and implementing the development plan to establish the city as a destination medical center.

This exemption was enacted in 2013, effective for sales and purchases made after June 30, 2015, and before July 1, 2049.

**Objective Statement:** The objective of the Destination Medical Center Exemption is to reduce city costs for the Destination Medical Center. See Minnesota Session Law – 2013, Regular Session, Ch. 143 – H.F. No. 677, Art. 13, Sec. 22, Subd. 13.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the general sales and use tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $500,000 | $400,000 | $600,000 | $300,000 |

## 4.2.15 Greater Minnesota Business Expansions

Minnesota Statutes, Section 297A.68, Subd. 44

A sales and use tax exemption applies to purchases of tangible personal property and taxable services by a business that qualifies under the program for expansion of Greater Minnesota businesses in Minnesota Statutes, Section 116J.8738. The exemption also applies to construction materials and supplies used or consumed in, and equipment incorporated into, the construction of improvements to real property if the improvements are to be used by a qualified business in Greater Minnesota. The construction exemption applies regardless of whether the purchases are made by the business or a contractor.

The Department of Employment and Economic Development must certify that a business meets the requirements under this program. The business must be located in a city outside the seven-county metropolitan area, although an agricultural processing facility need not be located in a city. The business must have operated its trade or business in Greater Minnesota for at least one year before applying. It must also agree to expand its employment in Greater Minnesota by a minimum of the required number of employees specified.

This exemption is administered as a refund. The total amount of refunds that may be paid in a fiscal year cannot exceed $7 million.

These provisions were enacted in 2013, effective for sales and purchases made after June 30, 2014. In 2014, certain types of businesses were excluded, and certification periods and exemption amounts were changed. The certification period and exemption amounts were again revised in 2017.

**Objective Statement:** The objective of the Greater Minnesota Business Expansions Exemption is to induce existing businesses in greater Minnesota to increase investment and expand employment in greater Minnesota. See Minnesota Session Law – 2013, Regular Session, Ch. 143 – H.F. No. 677, Art. 13, Sec. 22, Subd. 7.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the general sales and use tax could be reduced to 6.873%.

**Incidence:** An incidence analysis for this item is not available. The incidence is assumed to be similar to the incidence of the business sales tax (See the table in the Chapter 4 introduction).

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $2,500,000 | $2,500,000 | $2,500,000 | $2,500,000 |

### 4.2.16 Jukebox Music

Minnesota Statutes, Section 297A.68, Subd. 45

A sales and use exemption applies to music bought by operators of jukeboxes. The music can be in a tangible form, such as a record or compact disc, or a digital audio work and must be used exclusively in a jukebox.

This exemption was enacted in 2017.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the general sales and use tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $300,000 | $300,000 | $300,000 | $300,000 |

### 4.2.17 Aquatic Herbicides

Minnesota Statutes, Section 297A.67, Subd, 37

Herbicides authorized for use by an invasive aquatic plant management permit are exempt from the sales and use tax. To qualify, the herbicides must be purchased by a lakeshore property owner, an association of lakeshore property owners, or a contractor on behalf of a local government unit.

This exemption was enacted in 2019.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the general sales and use tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $200,000 | $200,000 | $200,000 | $200,000 |

## *Exemptions—Sales by Particular Sellers*

### 4.3.01 Isolated or Occasional Sales

Minnesota Statutes, Sections 297A.67, Subd. 23 and 297A.68, Subd. 25

Isolated or occasional sales made by persons not engaged in selling such property in the normal course of business are exempt from the sales and use tax. The isolated or occasional sale exemption does not apply to tangible personal property used in a trade or business unless certain conditions exist.

The isolated or occasional sale of property that was used in a trade or business is taxed unless the sale comes under one of these categories: farm auction sales; sale of substantially all of the assets of a trade or business; and sales not exceeding $1,000 in a 12-month period. Also exempt are sales that occur in transactions covered in several Internal Revenue Code sections, such as contributions to capital, certain liquidations, and involuntary conversions.

An exemption for all isolated and occasional sales was enacted in 1967. In 1991, property used in a trade or business was eliminated from the general exemption, except for transactions covered under specified Internal Revenue Code sections. In 1992, the exemption was reinstated for the exceptions listed above. In 2023, a sales tax exemption for sales between the sole member of a disregarded LLC and the disregarded LLC was enacted.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the general sales and use tax could be reduced to 6.815%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $73,900,000 | $75,500,000 | $76,800,000 | $78,200,000 |

**Incidence:** An incidence analysis for this item is not available. The incidence is assumed to be similar to the incidence of the business sales tax (See the table in the Chapter 4 introduction).

## 4.3.02 Institutional Meals

Minnesota Statutes, Section 297A.67, Subd. 4, 5 and 6

Although prepared meals and drinks are generally subject to the sales tax, the following are exempt:

- Meals and drinks served to patients, residents, or inmates of hospitals, nursing homes, sanitariums, senior citizens' homes, and correctional, detention, and detoxification facilities.
- Meals served at public and private elementary, middle, and secondary schools.
- Meals served to students at colleges and universities under a board contract.
- Congregate dining, home delivery of meals, and other qualifying programs which provide meals to senior citizens or to persons with a disability.

These provisions were enacted in 1967. In 2002, the exemption for colleges and universities was limited to meals covered under a board contract, and vending machine sales on school property were excluded from the exemption. These provisions were last modified in 2006.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the general sales and use tax could be reduced to 6.839%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $45,000,000 | $45,700,000 | $46,500,000 | $47,300,000 |

**Incidence:** An incidence analysis for this item is not available. The incidence is assumed to be similar to the incidence of the business sales tax (See the table in the Chapter 4 introduction).

## 4.3.03 Fundraising Sales by Nonprofit Organizations

Minnesota Statutes, Section 297A.70, Subd. 13(a)(1), 13(a)(2), and Subd. 14

An exemption from the sales tax applies to fundraising sales made by nonprofit organizations. The exemption applies to:

- The first $20,000 of gross annual receipts of fundraising sales by an organization that is either an educational or social organization for young people aged 18 and under or is a senior citizen group that is exempt from the sales tax.
- Sales at fundraising events sponsored by a nonprofit organization when the entire proceeds, except necessary expenses, go exclusively for charitable, religious, or educational purposes. This exemption does not apply to bingo or other gambling activities. The exemption does not apply if the fundraising events exceed 24 days per year.

These provisions were enacted in 1985. The exemption limit for fundraising sales was increased from $10,000 to $20,000 in 2014.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the general sales and use tax could be reduced to 6.864%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $13,600,000 | $14,100,000 | $14,500,000 | $15,000,000 |

**Incidence:** An incidence analysis for this item is not available. The incidence is assumed to be similar to the incidence of the business sales tax (See the table in the Chapter 4 introduction).

## 4.3.04 Admission to Artistic Events

Minnesota Statutes, Section 297A.70, Subd. 10(a)

Tickets or admissions to events sponsored by an organization that provides opportunities for participation in the creation, performance, or appreciation of the arts are exempt from the sales tax if the net proceeds from the event are used for this purpose. The organization must qualify as tax exempt under Section 501(c)(3) of the Internal Revenue Code and at least 5% of its annual revenues must be from voluntary contributions. The exemption also applies to a municipal board which promotes cultural events and to the University of Minnesota and a state or private nonprofit college or university, provided that the event is held at a facility owned by the institution.

This exemption was enacted in 1980, changed several times, and was last modified in 2005.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the general sales and use tax could be reduced to 6.872%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $4,300,000 | $4,500,000 | $4,600,000 | $4,700,000 |

## 4.3.05 Admission to School-Sponsored Events

Minnesota Statutes, Section 297A.70, Subd. 11 and 11a

Tickets or admissions to regular season school games, events, and activities of elementary and secondary schools are exempt from the sales tax. The estimates do not include sales that would be exempt as admission to artistic events (Item 4.3.04) or as fundraising (Item 4.3.03).

This exemption was enacted in 1985. In 2006, the exemption was extended to Minnesota State High School League events from July 1, 2006, through June 30, 2011. In 2011, the exemption for Minnesota State High School League events was extended to June 30, 2015, and expired. In 2017, the exemption for Minnesota State High School League events was reinstated until July 1, 2027.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the general sales and use tax could be reduced to 6.873%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $2,100,000 | $2,200,000 | $2,200,000 | $2,300,000 |

## 4.3.06 Admission to the Minnesota Zoo

Minnesota Statutes, Section 297A.70, Subd. 10(b)

Admissions or tickets to the Minnesota Zoo are exempt from the sales tax. Also exempt are admissions or tickets to events or performances held on the premises if sponsored and conducted exclusively by the Minnesota Zoological Board or employees of the Minnesota Zoo.

This exemption was enacted in 2001.

There were approximately 515,000 paid admissions to the zoo in fiscal year 2023.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the general sales and use tax could be reduced to 6.874%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $700,000 | $700,000 | $800,000 | $900,000 |

## 4.3.07 Cross Country Ski Passes for Public Trails

Minnesota Statutes, Section 297A.67, Subd. 19

Cross-country ski passes issued by the Minnesota Department of Natural Resources for use of public trails are exempt from the sales and use tax.

This exemption was enacted in 1988.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the general sales and use tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | * | * | * | * |

*Less than $50,000

## 4.3.08 YMCA, YWCA, and JCC Membership Dues

Minnesota Statutes, Section 297A.70, Subd. 12

An exemption from the sales tax applies to one-time initiation fees and periodic membership dues to the YMCA and YWCA and to the Jewish Community Centers of Greater Minneapolis and of Greater St. Paul. Separate charges for using the sports and athletic facilities are not exempt.

The exemption for the YMCA and YWCA was enacted in 1987 when the sales tax was first imposed on memberships to clubs providing sports and athletic facilities. It was extended to the Jewish Community Centers in 1996.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the general sales and use tax could be reduced to 6.870%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $5,700,000 | $6,200,000 | $6,700,000 | $7,200,000 |

**Incidence:** An incidence analysis for this item is not available. The incidence is assumed to be similar to the incidence of the business sales tax (See the table in the Chapter 4 introduction).

## 4.3.09 Admission to Charitable Golf Tournaments

Minnesota Statutes, Section 297A.70, Subd. 13(a)(3)

Tickets or admissions to a golf tournament are exempt if the beneficiary of the tournament's net proceeds is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code.

This exemption was enacted in 1994.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the general sales and use tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $100,000 | $100,000 | $100,000 | $100,000 |

*Less than $50,000

## 4.3.10 Preferred Athletic Facility Seating

Minnesota Statutes, Section 297A.67, Subd. 35 and 38, Section 297A.61, Subd. 4(m), and Section 297A.68, Subd. 46

Consideration paid for a license to use a private suite, private skybox, or private box seat is exempt from the sales and use tax, under certain circumstances. The sale of a right to purchase the privilege of admission to a college or university athletic event in a preferred viewing location for a season of a particular athletic event is exempt from the sales and use tax, under certain circumstances.

The suites exemption was enacted in 2017. In 2021, the exemption was expanded to include preferred seating for season tickets at colleges and universities. In 2023, the exemption was modified to remove the need for the price to be separately stated and the privilege of admission does not need to be unbundled.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the general sales and use tax could be reduced to 6.867%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $9,300,000 | $8,600,000 | $8,700,000 | $8,800,000 |

**Incidence:** An incidence analysis for this item is not available. The incidence is assumed to be similar to the incidence of the business sales tax (See the table in the Chapter 4 introduction).

## 4.3.11 Candy Sales by Certain Organizations

Minnesota Statutes, Section 297A.70, Subd. 13 (a)(4)

Candy is exempt from the sales tax when sold for fundraising purposes by a nonprofit organization which provides educational and social activities primarily for young people aged 18 and under. The estimates do not include organizations which also qualify for the general fundraising exemption (Item 4.3.03).

This exemption was enacted in 1984 and was last modified in 2006.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the general sales and use tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | * | * | * | * |

*Less than $50,000

## 4.3.12 Sacramental Wine Sold by Religious Organizations

Minnesota Statutes, Section 297A.70, Subd. 9

Wine used for sacramental purposes in a religious ceremony is exempt from the sales and use tax if it is purchased from a nonprofit religious organization or from a rabbi, priest, or minister of a church or other established religious organization.

This exemption was enacted in 1991.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the general sales and use tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | * | * | * | * |

## 4.3.13 County Agricultural Society Sales at County Fairs

Minnesota Statutes, Section 297A.70, Subd. 21

Sales by a county agricultural society, including admissions, parking, admissions to separately ticketed events, concessions sales, and other sales made by employees or volunteers of the county agricultural society are exempt from sales tax. The exemption does not apply to sales for events held at a time other than at the time of the regularly scheduled county fair, or events not held on the county fairgrounds.

This exemption was enacted in 2019 and is included in the tax expenditure report for the first time in 2024.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the general sales and use tax could be reduced to 6.874%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $1,600,000 | $1,700,000 | $1,700,000 | $1,700,000 |

*Less Than $50,000

## *Reduced Sales Price*

### 4.4.01 New Manufactured Homes

Minnesota Statutes, Section 297A.62, Subd. 3

The sale in Minnesota of a manufactured home used as a residence is taxed at 65% of the dealer's cost. The estimates measure the difference between application of the tax to the full sales price to the final customer compared to 65% of the dealer's cost.

Because an exemption applies to any subsequent sale (Item 4.1.17), this provision applies only to the first sale of a manufactured home in the state.

The base for the tax was changed from the full sales price to 65% of the sales price in 1984 and to 65% of the dealer's cost in 1998. In 2016, for a retail sale of a modular home, the tax was changed from the full sales price to 65% of the sales price.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the general sales and use tax could be reduced to 6.873%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $2,700,000 | $2,800,000 | $3,000,000 | $3,100,000 |

### 4.4.02 Park Trailers

Minnesota Statutes, Section 297A.62, Subd. 3

The sale of a new or used park trailer is taxed at 65% of the sales price. As defined in statute, a park trailer is used as temporary living quarters and has a width exceeding 8 ½ feet in travel mode but is no larger than 400 square feet when the collapsible components are fully extended or at maximum horizontal width.

The tax expenditure measures the difference between the tax on 65% of the sales price compared to the tax on 100% of the sales price.

This provision was enacted in 1995. Park trailers had previously been subject to the motor vehicle sales tax (Chapter 5).

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the general sales and use tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $200,000 | $200,000 | $200,000 | $200,000 |

# Chapter 5: Motor Vehicle Sales Tax

## *Collections and History*

Total revenues from the motor vehicle sales tax were $1.1 billion in fiscal year 2024. Under a constitutional amendment adopted in 2006, the revenues from the tax are allocated 60% to the Highway User Tax Distribution Fund and 40% to the Transit Assistance Fund, beginning in fiscal year 2012. Prior to fiscal year 2012, a portion of the tax went to the General Fund.

Motor vehicles were subject to the 3% general sales tax when it was enacted in 1967. The sales tax on motor vehicles was replaced by the motor vehicle excise tax in 1971. In 1994, the term used for this tax in statute was changed from excise tax to sales tax.

This tax first went into effect on January 1, 1972, at the rate of 4%. The rate was increased to 5% on July 1, 1981, and to 6% on July 1, 1983. The rate remained at 6.5% from July 1, 1991 until July 1, 2023, where the rate increased to 6.875%.

## *Tax Base*

The tax base for the motor vehicle sales tax is the purchase price of a motor vehicle when ownership is transferred and the motor vehicle is required to be registered under the laws of Minnesota. Regardless of the number of times a vehicle is sold, each transfer of ownership is in the tax base. However, the base does not include the transfer of a motor vehicle to a dealer for resale in the regular course of business. For a vehicle transferred by gift or for a nominal or no monetary consideration, the purchase price is deemed to be the average value of similar motor vehicles.

## *Computation of the Tax*

The motor vehicle sales tax is imposed when a motor vehicle required to be registered in Minnesota is purchased or acquired, either in or outside Minnesota. The 6.875% rate is applied to the purchase price, which is defined as the total consideration valued in money, whether paid in money or otherwise. When one motor vehicle is taken in trade on another vehicle, the trade-in value is deducted in arriving at the net purchase price.

This tax is different from the general sales and use tax in Chapter 4 in two respects: isolated and occasional sales are taxable transactions, and a transfer without monetary consideration is subject to tax based on the average value of similar vehicles. Since July 1, 2009, the tax rates for the two taxes are also different.

The tax is paid to the motor vehicle registrar, and it must be paid before registration plates or a certificate of title can be issued.

## *Exemptions*

### 5.1.01 Gifts Between Family Members

Minnesota Statutes, Section 297B.01, Subd. 16(c)(4)

The transfer of a vehicle in the form of a gift between certain family members is exempt from the motor vehicle sales tax. The exemption applies to a transfer by gift between spouses, parents and a child, or grandparents and a grandchild. This exemption is a tax expenditure because, in general, vehicles transferred without monetary consideration are taxed on the basis of the average value of similar vehicles.

An exemption for transfers between certain family members was enacted in 1971. In 2000, the exemption was expanded to include gifts between any individuals. In 2013, the exemption was again restricted to certain family members.

An estimated 51,800 vehicle transfers qualified for this exemption in fiscal year 2023.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the motor vehicle sales tax rate could be adjusted to 6.605%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $46,200,000 | $46,300,000 | $46,300,000 | $46,300,000 |

### 5.1.02 Vehicles Acquired by Inheritance

Minnesota Statutes, Section 297B.01, Subd. 16(c)(1)

The acquisition of a motor vehicle by inheritance from or by bequest of a decedent who owned it is exempt from the motor vehicle sales tax. Without this exemption, the tax on the transfer of a motor vehicle without monetary consideration would be based on the average value of similar vehicles.

This provision was enacted in 1971.

An estimated 6,500 vehicle transfers qualified for this exemption in fiscal year 2023.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the motor vehicle sales tax rate could be adjusted to 6.828%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $7,800,000 | $7,800,000 | $7,900,000 | $7,900,000 |

## 5.1.03 Persons Moving into Minnesota

Minnesota Statutes, Sections 297B.03(2) and 297B.06

A motor vehicle owned by a person who moves to Minnesota which was purchased and titled in another state or country more than sixty days prior to the move is exempt from the motor vehicle sales tax.

This provision was enacted in 1971.

Approximately 39,000 vehicles transferred into the state qualify for this exemption annually.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the motor vehicle sales tax rate could be adjusted to 6.758%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $19,500,000 | $19,100,000 | $19,500,000 | $19,800,000 |

## 5.1.04 Transfers Between Joint Owners

Minnesota Statutes, Section 297B.01, Subd. 16(c)(2)

The transfer of a motor vehicle is exempt from the motor vehicle sales tax if it was previously registered in the names of two or more joint owners and is subsequently transferred without monetary consideration to one or more of the joint owners.

This provision was enacted in 1971.

An estimated 9,300 vehicle transfers qualified for this exemption during fiscal year 2023.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the motor vehicle sales tax rate could be adjusted to 6.807%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $11,200,000 | $11,200,000 | $11,200,000 | $11,200,000 |

## 5.1.05 Transfers in Divorce Proceedings

Minnesota Statutes, Section 297B.01, Subd. 16(c)(5)

The transfer of a motor vehicle between spouses in a divorce proceeding is exempt from the motor vehicle sales tax. Because transfers between joint owners are exempt under another provision (Item 5.1.04), the estimates include only vehicles previously registered to one person.

This provision was enacted in 1974.

An estimated 800 vehicle transfers qualified for this exemption in fiscal year 2024.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the motor vehicle sales tax rate could be adjusted to 6.868%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $1,200,000 | $1,200,000 | $1,200,000 | $1,200,000 |

## 5.1.06 Sales to Disabled Veterans

Minnesota Statutes, Sections 297B.03(1) and 297A.67, Subd.11

A motor vehicle purchased by a disabled veteran with funds provided by the Veterans Administration is exempt from the motor vehicle sales tax.

This provision was enacted in 1971. To qualify in 2023, a veteran's disability must be a "total service-connected injury."

**Revenue Neutral Rate:** If the tax expenditure were repealed, the motor vehicle sales tax rate could be adjusted to 6.874%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $200,000 | $200,000 | $300,000 | $300,000 |

## 5.1.07 Corporate and Partnership Transfers

Minnesota Statutes, Section 297B.03(4)

The transfer of a vehicle used in a trade or business is exempt from the motor vehicle sales tax for certain business-related transfers provided the vehicle was previously registered in Minnesota.

This provision was enacted in 1975.

An estimated 1,300 vehicle transfers qualified for this exemption in fiscal year 2024.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the motor vehicle sales tax rate could be adjusted to 6.854%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $3,500,000 | $3,500,000 | $3,500,000 | $3,500,000 |

## 5.1.08 Transit Vehicles

Minnesota Statutes, Sections 297B.03(12) and 473.448

The purchase of a motor vehicle for use by a transit provider exclusively to provide transit service is exempt from the motor vehicle sales tax if the provider receives financial assistance or reimbursement under Minnesota Statutes, Section 174.24 or 473.384 or operates under Minnesota Statutes, Section 174.29, 473.388, or 473.405. Vehicles purchased by the Metropolitan Council for the Metro Transit System and for Metro Mobility are also exempt.

Purchases of transit vehicles by the Metropolitan Council have never been taxed. The exemption was extended to other transit providers in 2001.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the motor vehicle sales tax rate could be adjusted to 6.822%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $8,800,000 | $10,600,000 | $11,200,000 | $11,800,000 |

## 5.1.09 Town Road Maintenance Vehicles

Minnesota Statutes, Section 297B.03(10)

Motor vehicles purchased by a town to be used exclusively for road maintenance are exempt from the motor vehicle sales tax. The exemption includes snowplows and dump trucks but does not apply to automobiles, pickup trucks, or vans.

This exemption was enacted in 1998.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the motor vehicle sales tax rate could be adjusted to 6.870%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $900,000 | $900,000 | $1,000,000 | $1,000,000 |

## 5.1.10 Bookmobiles

Minnesota Statutes, Section 297B.03(8)

The purchase of a motor vehicle by or for a public library for use as a bookmobile or a library delivery vehicle is exempt from the motor vehicle sales tax.

This exemption was enacted in 1994.

**Objective Statement:** The objective to exempt Bookmobiles from the motor vehicle sales tax is to reduce costs paid by local government entities for providing access to library services to individuals who have limited accessibility to a library building.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the motor vehicle sales tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | * | * | * | * |

## 5.1.11 Private Ambulance Services

Minnesota Statutes, Section 297B.03(7)

The purchase of an ambulance by a private ambulance service is exempt from the motor vehicle sales tax. Ambulances purchased by local units of government are not required to be registered and therefore are not in the defined tax base for the motor vehicle sales tax.

This provision was enacted in 1990.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the motor vehicle sales tax rate could be adjusted to 6.861%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $2,300,000 | $2,300,000 | $2,400,000 | $2,400,000 |

*Less Than $50,000

## 5.1.12 Ready-Mixed Concrete Trucks

Minnesota Statutes, Section 297B.03(9)

The purchase of a ready-mixed concrete truck is exempt from the motor vehicle sales tax.

This exemption was enacted in 1998.

Each year an estimated 180 vehicles qualify for this exemption.

**Objective Statement:** The objective of the Ready-Mixed Concrete Trucks exemption is to treat ready-mixed concrete trucks as capital equipment from the motor vehicle sales tax due to their integral part of the manufacturing process.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the motor vehicle sales tax rate could be adjusted to 6.865%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $1,700,000 | $1,700,000 | $1,700,000 | $1,700,000 |

## 5.1.13 Automotive Training Programs

Minnesota Statutes, Section 297B.03(6)

The purchase or use of a motor vehicle by a public or a private nonprofit educational institution is exempt from the motor vehicle sales tax if the vehicle is used as an instructional aid in an automotive training program operated by the institution. Motor vehicle body and mechanical repair courses qualify for the exemption; driver education programs do not qualify. The vehicles are usually donated to the institution.

This exemption was enacted in 1988, and was last modified in 1993. Prior to 1987, these vehicles were included in the general exemptions for local government units and nonprofit organizations.

An estimated 40 transfers qualified for this exemption in fiscal year 2024.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the motor vehicle sales tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | * | * | * | * |

*Less Than $50,000

### 5.1.14 Donations to Exempt Organizations

Minnesota Statutes, Section 297B.01, Subd. 16(c)(6)

The transfer of a motor vehicle in the form of a gift to an exempt organization is not subject to the motor vehicle sales tax. The organization must be exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code, and the motor vehicle must be used exclusively for religious, charitable, or educational purposes.

This exemption was enacted in 1997.

An estimated 400 vehicles qualified for this exemption in fiscal year 2024.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the motor vehicle sales tax rate could be adjusted to 6.874%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $200,000 | $200,000 | $200,000 | $200,000 |

### 5.1.15 Trucks, Buses, and Vans Purchased by Charities

Minnesota Statutes, Section 297B.03(11)

An exemption from the motor vehicle sales tax applies to the purchase or use of certain types of vehicles by a corporation, society, association, foundation, or institution organized exclusively for charitable, religious, or educational purposes. A public school, university, or library is not eligible for the exemption. The exemption applies to trucks and buses and also to passenger vehicles designed and used to carry more than nine persons including the driver. The vehicle must be used primarily to transport tangible personal property or individuals, other than employees, to whom the organization provides service.

This exemption was enacted in 2000 and was last modified in 2001.

An estimated 500 vehicles qualified for this exemption in fiscal year 2024.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the motor vehicle sales tax rate could be adjusted to 6.869%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $1,000,000 | $1,000,000 | $1,000,000 | $900,000 |

## *Reduced Purchase Price*

### 5.2.01 Price Reduced by Value of Trade-In

Minnesota Statutes, Section 297B.01, Subd. 14

When a motor vehicle is taken in trade as part payment on another motor vehicle, the selling price is reduced by the amount of trade-in value allowed. The 6.875% motor vehicle sales tax is applied to the reduced price. This provision applies to both dealer sales and sales between individuals.

This provision was enacted in 1971.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the motor vehicle sales tax rate could be adjusted to 5.542%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $271,500,000 | $271,700,000 | $271,800,000 | $272,000,000 |

### 5.2.02 Disabled-Accessible Modifications

Minnesota Statutes, Sections 297B.01, Subd. 14(b)

The value of modifications necessary to make a motor vehicle accessible to a person with a disability is excluded from the purchase price used for computing the motor vehicle sales tax. An exemption from the general sales tax applies to the parts and accessories used to modify a vehicle after it is purchased (Item 4.1.56).

This provision was enacted in 1992.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the motor vehicle sales tax rate could be adjusted to 6.871%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $700,000 | $700,000 | $700,000 | $700,000 |

## *Preferential Computation*

### 5.3.01 Flat Taxes on Older Cars and Collector Vehicles

Minnesota Statutes, Sections 297B.02, Subd. 2 and 3 and 297B.025

In lieu of the 6.875% motor vehicle sales tax, a flat tax of $10 is imposed on the transfer of a passenger automobile that is in at least its tenth year of vehicle life and has a resale value of less than $3,000.

The transfer of a passenger automobile or fire truck that is registered and licensed as a collector vehicle (pioneer, classic, collector, street rod, or collector military vehicle) is subject to a flat tax of $150 instead of being taxed at 6.875% of the purchase price. In order to be registered as a collector vehicle, several requirements must be met, including the type and age of the vehicle. Also, the vehicle must be owned and operated solely as a collector's item and not used for general transportation purposes.

Compared to a tax of 6.875% of the purchase price, the $10 flat tax is lower for an older car sold for more than $153, and the $150 tax is lower for a collector vehicle sold for more than $2,308.

The $10 flat tax on older cars was enacted in 1985. The flat tax on collector vehicles was enacted in 1988 at $90, and was increased to $150 in 2013.

Approximately 350,000 vehicles are estimated to receive a reduced tax rate in FY 2024.

**Revenue Neutral Rate:** There is no revenue neutral rate applicable for this tax expenditure.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $34,900,000 | $34,800,000 | $34,800,000 | $34,700,000 |

# Chapter 6: Highway Fuels Excise Taxes

## *Collections and History*

The net revenues from the taxes on highway gasoline and special fuels were $887 million in fiscal year 2024. All revenues from these taxes go into the Highway User Tax Distribution Fund.

Minnesota first imposed an excise tax on highway fuels in 1925 at a rate of 2¢ per gallon. Several rate increases have occurred since then. The rate of 20¢ per gallon was in effect from 1988 to 2008. In 2008, the tax rate was increased to 25¢, and a surcharge was adopted, which is 3.5¢ for fiscal year 2013 and thereafter. The total rate is 28.5¢.

An annual permit fee applied to vehicles using alternative fuels at various times from 1985 to 1995. In 1995, separate rates were enacted for liquefied petroleum gas, liquefied natural gas, and compressed natural gas. The rates for alternative fuels were increased in 2008.

## *Tax Base*

The tax base for the highway fuels excise taxes is motor fuel used in vehicles on Minnesota highways. Therefore, it is not considered a tax expenditure when the tax does not apply to off-road or to out-of-state usage.

## *Computation of the Tax*

The highway fuel tax rate is 28.5¢ per gallon including the 3.5¢ surcharge and is imposed on gasoline and special fuels (diesel) used on Minnesota highways. Other rates apply to alternative fuels. Motor carriers based in states other than Minnesota pay the road tax which is 28.5¢ per gallon for special fuel purchased in another state and used on Minnesota highways. Beginning with the calculation on August 1, 2025, the tax rate will be indexed in conjunction with the Minnesota Highway Construction Cost Index, but it is not to exceed three percent.

## *Exemptions*

### 6.1.01 Transit Systems

Minnesota Statutes, Sections 296A.07, Subd. 4(1) and 296A.08, Subd. 3(1)

The highway fuels excise taxes are not imposed on gasoline or special fuel purchased by a transit system or transit provider that receives financial assistance from the Metropolitan Council or the Public Transit Subsidy Program.

An exemption for transit systems owned by local governments was enacted in 1977. In 1990, the exemption was extended to all systems receiving state financial assistance. This provision was last modified in 1994.

Approximately 50 transit systems benefited from this exemption.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the highway fuels excise tax could be adjusted to $0.284.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| Highway User Tax Distribution Fund | $4,100,000 | $4,300,000 | $4,500,000 | $4,500,000 |

### 6.1.02 Medical Transportation Providers

Minnesota Statutes, Sections 296A.07, Subd. 4(1), 4(2), and 4(4) and 296A.08, Subd. 3(1), 3(2), and 3(4)

The highway fuels excise taxes are not imposed on gasoline or special fuel purchased by qualifying medical transportation providers. The exemption applies to providers of transportation services that are covered under the Medical Assistance program in Minnesota Statutes, Section 256B.0625, Subd. 17. The exemption also applies to providers of transportation services, to recipients of Medical Assistance home and community-based services waivers enrolled in day programs and to providers of medical or dental services by a federally qualified health center with a mobile medical unit.

This exemption was enacted in 1994. In 2012, it was extended to the services provided in connection with day programs and to the services provided with a mobile medical unit.

Approximately 90 providers received refunds under these provisions.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the highway fuels excise tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| Highway User Tax Distribution Fund | $700,000 | $700,000 | $700,000 | $700,000 |

## 6.1.03 Motor Vehicles Not Requiring Registration (Special Fuels)

Minnesota Statutes, Sections 168.012, Subd.1(b) and 296A.16, Subd. 2 and 1(7)

The highway special fuels (diesel) tax is imposed on licensed motor vehicles, which are those requiring registration. Vehicles not requiring registration include municipal fire apparatus, police patrols, and ambulances, the appearance of which is unmistakable. Special fuel used in these vehicles is exempt from the excise tax.

This provision was enacted in 1951.

An estimated 3,400 vehicles qualify for this exemption.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the highway fuels excise tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| Highway User Tax Distribution Fund | $700,000 | $70,000 | $700,000 | $700,000 |

## 6.1.04 Ambulance Services

Minnesota Statutes, Sections 296A.07, Subd. 4 and 296A.08, Subd. 3

The purchase of gasoline or special fuel by a licensed ambulance service is exempt from the motor fuels excise tax. Purchases of diesel fuel for municipal ambulances are covered by another exemption (Item 6.1.03) and are not included in the estimates for this provision.

This exemption was enacted in 2001.

An estimated 55 ambulances qualify for this exemption in fiscal year 2023.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the highway fuels excise tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| Highway User Tax Distribution Fund | $400,000 | $400,000 | $500,000 | $500,000 |

### 6.1.05 Reciprocal Agreements for Out-of-State Purchases

Minnesota Statutes, Section 168D.02, Subd. 2

In general, all gasoline and special fuels used in vehicles on Minnesota highways are subject to the Minnesota highway fuels excise taxes. Motor carriers based in states other than Minnesota pay the road tax for special fuel purchased in another state and used on Minnesota highways.

This provision authorizes the Commissioner of Public Safety to enter into a reciprocal agreement with officials in another state under which motor carriers based in that state are exempt from paying the Minnesota road tax if the other state exempts Minnesota-based motor carriers from paying that state's road tax.

Currently Minnesota has limited agreements with Iowa, North Dakota, and Wisconsin.

This provision was enacted in 1961, and was last modified in 2002.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the highway fuels excise tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| Highway User Tax Distribution Fund | * | * | * | * |

## *Credit*

### 6.2.01 Border Area Credit

Minnesota Statutes, Sections 296A.16, Subd. 5

A credit is allowed for gasoline and diesel fuel delivered to a qualified service station near the state border if the Minnesota fuels excise tax rate is more than 3¢ per gallon higher than the tax rate in the contiguous state. To qualify, the service station must be located within 7.5 miles from a service station in the contiguous state. The credit is equal to: a) the number of gallons sold multiplied by b) the Minnesota tax rate minus the other state's tax rate minus 3¢.

The Minnesota tax rate, including surcharge, on gasoline and diesel fuel is 28.5¢. The current tax rates for gasoline in the other states are: Iowa 30¢, North Dakota 23¢, South Dakota 28¢, and Wisconsin 30.9¢.

This provision was first enacted in 1981 as a rate reduction, and was last modified in 1998 when it was re-codified as a tax credit.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the highway fuels excise tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| Highway User Tax Distribution Fund | $400,000 | $400,000 | $400,000 | $400,000 |

*Less Than $50,000

# Chapter 7: Alcoholic Beverage Taxes

## *Collections and History*

In fiscal year 2024, the revenues from the alcoholic beverage taxes were $91.3 million for distilled spirits, $14.0 million for beer, and $7.2 million for wine. All revenues from these taxes are deposited in the State General Fund.

An excise tax was first imposed on alcoholic beverages in Minnesota in 1934. The initial rates were: 60¢ per gallon for distilled spirits; $1 per barrel for 3.2% beer and $2 per barrel for strong beer; and wine rates ranging from 10¢ to 60¢ per gallon. The tax rates were increased (and occasionally decreased) at various times. The current rates have been in effect since 1987, with the exception of the separate rate for cider which was enacted in 1998.

## *Tax Base*

The tax base for the alcoholic beverages taxes is alcoholic beverages for human consumption which are manufactured, imported, sold, or possessed in Minnesota. Therefore, the exemptions for alcohol used for purposes other than human consumption are not tax expenditures, such as the exemption for alcohol used in industrial production.

## *Computation of the Tax*

The tax is paid by the wholesaler, distributor, or manufacturer upon acquisition for sale within Minnesota. The tax is based on volume, not price. For beer with alcohol by weight of 3.2% or less, the rate is $2.40 per barrel (31 gallons). For beer with alcohol by weight more than 3.2%, the rate is $4.60 per barrel (31gallons). For distilled spirits, the rate is $1.33 per liter or $5.03 per gallon. For cider (0.5% to 7% alcohol), the rate is 4¢ per liter or 15¢ per gallon.

The tax rates for wine are:

| Wine: Alcohol by Volume | Tax Per Liter | Tax Per Gallon |
|---|---|---|
| 14% or less | $0.08 | $0.30 |
| 14.01%–21% | 0.25 | 0.95 |
| 21.01%–24% | 0.48 | 1.82 |
| More than 24% | 0.93 | 3.52 |
| Sparkling Wine | 0.48 | 1.82 |

## *Exemptions*

### 7.1.01 Consumer Purchases Made Out-of-State

Minnesota Statutes, Sections 297G.07, Subd. 2

A person entering Minnesota from another state may have in possession one liter of distilled spirits or wine or 288 ounces of beer without paying the alcoholic beverage excise tax. A person entering Minnesota from a foreign country may have in possession four liters of distilled spirits or wine or 320 ounces of beer without paying the Minnesota excise tax. The alcoholic beverage must accompany the person into the state and cannot be sold or used commercially.

This provision was enacted in 1947 and was last modified in 1997.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the alcoholic beverage tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $200,000 | $200,000 | $200,000 | $200,000 |

### 7.1.02 Home Production and Use

Minnesota Statutes, Section 297G.07, Subd. 1(6)

Beer naturally brewed or fruit juices naturally fermented in the home for family use are exempt from the alcoholic beverage excise taxes.

This exemption was first authorized by statute in 1957 and was last modified in 1997.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the alcoholic beverage tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | * | * | * | * |

*Less Than $50,000

## 7.1.03 Sales to Food Processors and Pharmaceutical Firms

Minnesota Statutes, Section 297G.07, Subd. 1(8)

Alcoholic beverages sold to an authorized manufacturer of food products or to a pharmaceutical firm are exempt from the alcoholic beverage excise taxes. The alcoholic beverage must be used exclusively in the manufacture of food products or medicines.

This exemption was first codified in 1988 and was last modified in 1997.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the alcoholic beverage tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | * | * | * | * |

## 7.1.04 Consumption on Brewery Premises

Minnesota Statutes, Section 297G.07, Subd. 1(4)

Beer that is served by a brewery at no charge for on-premises consumption or is distributed to brewery employees for on-premises consumption under a labor contract is exempt from the alcoholic beverage excise tax.

This provision was enacted in 1941 and was last modified in 1997.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the alcoholic beverage tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | * | * | * | * |

## 7.1.05 Wine for Sacramental Purposes

Minnesota Statutes, Sections 297G.07, Subd. 1(7) and 340A.316

Sales of wine to a minister, rabbi, or priest of a church or other established religious organization exclusively for sacramental purposes are not subject to the alcoholic beverage excise tax.

This provision was adopted in 1937 and was last modified in 1997.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the alcoholic beverage tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | * | * | * | * |

## 7.1.06 Shipments of Wine for Personal Use

Minnesota Statutes, Sections 297G.07, Subd. 1(5) and 340A.417

An exemption from the alcoholic beverage excise tax is allowed for wine shipped to a Minnesota resident from a winery licensed in Minnesota or another state. The wine must be for personal use, and no more than two cases of wine containing a maximum of nine liters per case can be shipped to any resident in a calendar year.

This exemption was enacted in 1993 and was last modified in 2009.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the following alcoholic beverage taxes could be reduced accordingly:

| Wine | Current Rate (per Liter)◊ | New Rate |
|---|---|---|
| 14% or less | $0.08 | $0.08 |
| 14%-21% | $0.25 | $0.25 |
| 21%-24% | $0.48 | $0.47 |
| 24% or more | $0.93 | $0.92 |
| Sparkling Wine | $0.48 | $0.47 |

◊Rates derived from MN Statute 297G.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $100,000 | $100,000 | $100,000 | $100,000 |

## *Credits*

### 7.2.01 Credit for Small Brewers

Minnesota Statutes, Section 297G.04, Subd. 2

A credit is allowed to a brewer who manufactures fewer than 250,000 barrels of beer in the calendar year preceding the year for which the credit is claimed. The credit is $4.60 per barrel on 25,000 barrels sold in a fiscal year, with a maximum credit of the lesser of the brewer's tax liability or $115,000.

The credit was enacted in 1985. In 2013, the number of barrels to qualify as a small brewer was increased from less than 100,000 to less than 250,000. A credit for beer produced and sold in Minnesota had been in effect from 1973 to 1985.

In calendar year 2023, approximately 350 breweries qualified for this credit.

**Objective Statement:** The objective of the Credit for Small Brewers is to promote development and survivorship among small brewers.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the following alcoholic beverage taxes could be reduced accordingly:

| Beer | Current Rate (per Liter) ◊ | New Rate |
|---|---|---|
| Less than 3.2% | $2.40 | $2.14 |
| More than 3.2% | $4.60 | $4.11 |

◊Rates derived from MN Statute 297G.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $1,700,000 | $1,700,000 | $1,700,000 | $1,800,000 |

## 7.2.02 Microdistillery Credit

Minnesota Statutes, Section 297G.03, Subd.5

A microdistillery operating in the state producing fewer than 40,000 proof gallons of premium, distilled spirits is allowed a credit of $1.33 per liter on 100,000 liters sold to consumers at retail per fiscal year. The total credit allowed may not exceed the lesser of the tax liability or $133,000.

This exemption was enacted in 2014.

In calendar year 2023, approximately 50 microdistilleries claimed this credit.

**Objective Statement:** The objective of the Microdistillery Credit is to promote development and survivorship of small producers in the craft distillery market.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the following alcoholic beverage taxes could be reduced accordingly:

| | Current Rate (per Liter) ◊ | New Rate |
|---|---|---|
| Distilled Spirits | $1.33 | $1.32 |

◊Rates derived from MN Statute 297G.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $500,000 | $500,000 | $600,000 | $600,000 |

## 7.2.03 Small Winery Credit

Minnesota Statutes, Section 297G.03, Subd. 6

A credit is allowed to a winery that manufactures fewer than 75,000 gallons of wine and cider in the calendar year immediately preceding the fiscal year for which the credit is claimed. The credit for the fiscal year is the lesser of the tax liability or $136,275.

This provision was enacted in 2017.

In calendar year 2023, approximately 90 wineries claimed this credit.

**Objective Statement:** The objective of the Small Winery Credit is to promote development and survivorship of small wineries.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the following alcoholic beverage taxes could be reduced accordingly:

| Wine | Current Rate (per Liter) ◊ | New Rate |
|---|---|---|
| 14% or less | $0.08 | $0.08 |
| 14%-21% | $0.25 | $0.25 |
| 21%-24% | $0.48 | $0.47 |
| 24% or more | $0.93 | $0.92 |
| Sparkling Wine | $0.48 | $0.47 |

◊Rates derived from MN Statute 297G.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $100,000 | $100,000 | $100,000 | $100,000 |

# Chapter 8: Cigarette and Tobacco Taxes

## *Collections and History*

In fiscal year 2024, cigarette tax revenues were $543.9 million, and tobacco products tax revenues were $156.0 million. The cigarette tax revenues from the excise tax go to the State General Fund, after annual payments of $26,187,000 to the Special Revenue Fund. Revenues from the in-lieu sales tax also go to the State General Fund. Revenues from the tobacco products tax go to the State General Fund.

The cigarette tax was enacted in 1947 at a rate of 3¢ per pack. The tax rate was increased several times and was 48¢ from 1992 to 2013. In 2005, an additional fee of 75¢ per pack was enacted. In 2013, the 75¢ fee was repealed and the tax was increased to $2.83 per pack. The tax of $2.83 per pack was indexed annually from 2015 until 2017 when the index was removed. The current tax rate is $3.04 per pack. Cigarettes were first subject to the general sales tax in 1982. In 2005, cigarettes were exempted from the sales tax and made subject to an in-lieu tax at the wholesale level. The sales tax rate is adjusted annually and is 73.9¢ per pack for calendar year 2024.

The tobacco products tax was enacted in 1955 at a rate of 15% of the wholesale price. The rate was increased to 20% in 1959, to 25% in 1985, and was 35% from 1987 to 2013. In 2005, an additional fee of 35% of the wholesale price was enacted for other tobacco products. In 2013, the 35% fee was repealed, and the tax was increased to 95% of wholesale price and a minimum tax on a container of moist snuff equal to the tax on a pack of 20 cigarettes was enacted. Tobacco products have been subject to the general sales tax since it was enacted in 1967.

## *Tax Base*

The tax base is essentially the same for the cigarette tax and the tobacco products tax. It is the sale of cigarettes or tobacco products in Minnesota. Also included in the tax base is the use or storage in Minnesota of cigarettes or tobacco products if the Minnesota tax was not paid previously. Although the jurisdictional tax base is the same for both cigarettes and tobacco products, the cigarette tax is based on volume, and the tobacco tax is based on wholesale price.

## *Computation of the Tax*

The cigarette tax is $3.04 per pack of twenty cigarettes. The tax is paid by the distributor by purchasing stamps that are affixed to the packages. A total use and storage tax of $3.04 per pack is imposed on cigarettes that are used or stored in Minnesota, on which the tax had not previously been paid (unstamped packages). In addition, the in-lieu sales tax is imposed on each pack, which is adjusted annually and is 73.9¢ per pack for calendar year 2024.

The tobacco products tax is 95% of the wholesale price on all tobacco products, except cigarettes and little cigars, and includes other cigars, smoking tobacco, vapor products, and chewing tobacco. The minimum tax on a container of moist snuff is equal to the tax on a pack of cigarettes, $3.04. A maximum tax of 50¢ applies to each premium cigar. The tax is paid by the distributor. A use and storage tax of 95% of the cost is imposed on tobacco products that are used or stored in Minnesota on which the tax had not previously been paid.

## *Exemption*

### 8.1.01 Consumer Purchases Made Out-of-State

Minnesota Statutes, Sections 297F.06, Subd. 3 and 4

Use and storage taxes equal to the cigarette or tobacco products excise taxes are imposed on consumers in possession of cigarettes or tobacco products if the Minnesota excise taxes were not previously paid. Limited quantities in the possession of a consumer are exempt from the tax if brought into Minnesota by the consumer. The exemption applies to cigarettes if 200 or fewer are in the possession of the consumer. Cigars and other tobacco products in the possession of the consumer are exempt if the aggregate cost in any month is $50 or less.

The exemption for cigarettes was enacted in 1949 and was last revised in 1973. The exemption for tobacco products was enacted in 1957. In 2008, the exempt amount for tobacco products was reduced from $100 to $50 per month.

**Revenue Neutral Rate**: If the tax expenditure were repealed, the cigarette and tobacco tax could be reduced to $2.78.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $49,900,000 | $50,600,000 | $51,200,000 | $51,900,000 |

# Chapter 9: Mortgage Registry Tax

## *Collections and History*

In fiscal year 2024, state revenues from the mortgage registry tax were $97.6 million. The tax is collected by each county. Three percent of the proceeds of the tax are deposited in the County Revenue Fund, and 97% goes to the State General Fund.

Minnesota enacted a mortgage registry tax in 1907 at a rate of 50¢ for each $100 of principal debt secured by a mortgage of real property. In 1945, the rate was changed to 15¢ for each $100 of such debt. Since 1987, the tax has been 23¢ for each $100 of principal debt, although the rate is now restated as 0.23%. In 2001, the liability for the tax was changed from the mortgagee (lender) to the mortgagor (borrower).

## *Tax Base*

The tax base is the amount of principal debt secured by a mortgage of real property within Minnesota. Only registered mortgages are within the tax base. Although similar to a mortgage in some respects, a contract for deed is not a mortgage because the debt is not secured by real property.

## *Computation of the Tax*

The mortgage registry tax is 0.23% of principal debt which is secured by any mortgage of real property within Minnesota and which is recorded or registered. The liability for the tax is on the mortgagor. The tax is paid to the county treasurer at or before the time of filing the mortgage for record or registration.

## *Exemptions*

### 9.1.01 Agricultural Loans

Minnesota Statutes, Section 287.04(9)

An exemption from the mortgage registry tax is allowed for an agricultural mortgage if the proceeds are used to acquire or improve real property that is classified as agricultural for property tax purposes. The estimates exclude mortgages by federal agencies because federal law prohibits taxation by the state.

This exemption was enacted in 2001.

**Objective Statement:** The objective of the mortgage registry tax Agricultural Loan exemption is to increase the competitiveness of Minnesota banks offering agricultural loans with federal lenders whose loans are not subject to the state mortgage registry tax.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the mortgage registry tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $3,000,000 | $4,400,000 | $4,700,000 | $4,900,000 |

### 9.1.02 Government Housing Programs

Minnesota Statutes, Section 287.04(6)

An exemption from the mortgage registry tax is allowed for a mortgage loan made by a government agency under a low and moderate income housing program or other affordable housing program. The estimates exclude mortgages by federal agencies because federal law prohibits taxation by the state.

This exemption was enacted in 2001. Prior to that time, these mortgages were exempt under a general exemption for loans by government agencies.

**Objective Statement:** The objective of the Government Housing Programs mortgage registry tax exemption is to incentivize and promote affordable housing in the state of Minnesota.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the mortgage registry tax could be reduced to 0.22%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $3,300,000 | $3,300,000 | $3,300,000 | $3,300,000 |

# Chapter 10: Deed Transfer Tax

## *Collections and History*

State revenues from the deed transfer tax were $135.1 million in fiscal year 2024. Each county collects the tax, and 3% of the proceeds is deposited in the County Revenue Fund and 97% in the State General Fund.

Minnesota enacted a deed transfer tax in 1961 at a rate of $1.10 for consideration of $1,000 or less plus 55¢ for each $500 in excess of $1,000. In 1967, the rates were doubled to $2.20 and $1.10. From 1987 to 2019, the rate was $1.65 for consideration of $500 or less plus $1.65 for each additional $500. The tax was restated as 0.33% of consideration in 2001. Beginning in 2020, the minimum tax of $1.65 applies to consideration of $3,000 or less.

## *Tax Base*

The tax base for the deed transfer tax is the granting, assigning, transferring, or otherwise conveying of real estate by deed or instrument.

## *Computation of the Tax*

When the consideration exceeds $3,000, the tax is 0.33% of consideration. The tax is a flat $1.65 in several situations, including transfers made by instruments pursuant to mergers, consolidations, sales, or transfers of substantially all of the assets of entities pursuant to plans of reorganization; transfers made with no consideration; or transfers made with consideration of $3,000 or less.

The person who grants, assigns, transfers, or conveys real estate is liable for the tax. The deed or instrument cannot be recorded or registered unless the tax is paid or the transaction is exempt. The tax is paid to the county at the time the deed or instrument is recorded.

## *Exemptions*

### 10.1.01 Property Partitioned Between Co-Owners

Minnesota Statutes, Section 287.22(9)

A deed to or from a co-owner partitioning undivided interest in the same piece of property is exempt from the deed transfer tax.

This provision was enacted in 1984 and recodified in 1999.

**Objective Statement:** The objective of the Property Partitioned Between Co-Owners deed tax expenditure is to define the tax base for the application of the deed transfer tax.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the deed transfer tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | * | * | * | * |

### 10.1.02 Distributions by Personal Representatives

Minnesota Statutes, Section 287.22(8)

A deed of distribution by a personal representative is exempt from the deed transfer tax.

This provision was enacted in 1975 and recodified in 1999.

**Objective Statement:** The objective of the Distributions by Personal Representatives deed tax expenditure is to define the tax base for the application of the deed transfer tax.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the deed transfer tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | * | * | * | * |

### 10.1.03 Cemetery Lots

Minnesota Statutes, Section 287.22(7)

A deed transferring one or more cemetery lots is exempt from the deed transfer tax.

This provision was enacted in 1961 and recodified in 1999.

**Objective Statement:** The objective of the Cemetery Lots deed tax expenditure is to define the tax base for the application of the deed transfer tax.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the deed transfer tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $100,000 | $100,000 | $100,000 | $100,000 |

*Less Than $50,000

## 10.1.04 Exchange of Permanent School Fund Lands

Minnesota Statutes, Section 287.22(10)

A deed or other instrument issued pursuant to a permanent school fund land exchange is exempt from the deed transfer tax.

This exemption was enacted in 1991 and recodified in 1999.

**Objective Statement:** The objective of the Exchange of Permanent School Fund Lands deed tax expenditure is to help ensure the Permanent School Fund secures maximum financial return consistent with fund goals stated in M.S. 127A.31 and fiduciary responsibilities imposed by Article 11, Section 8 of the Minnesota Constitution.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the deed transfer tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | * | * | * | * |

## 10.1.05 Mortgage or Lien Foreclosure Sales

Minnesota Statutes, Section 287.22(11) and (12)

A referee's or sheriff's certificate of sale in a mortgage or lien foreclosure sale is exempt from the deed transfer tax. Also exempt is a referee's, sheriff's, or certificate holder's certificate of redemption from a mortgage or lien foreclosure sale issued to the redeeming mortgagor or lien holder.

These provisions were enacted in 1993.

**Objective Statement:** The objective of the Mortgage or Lien Foreclosure Sales deed tax expenditure is to define the tax base for the application of the deed transfer tax.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the deed transfer tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $1,100,000 | $1,100,000 | $1,200,000 | $1,200,000 |

## 10.1.06 Decree of Marriage Dissolution

Minnesota Statutes, Section 287.22(14)

The transfer of one spouse's interest in real estate to the other spouse is exempt from the deed transfer tax if the transfer is by decree of marriage dissolution, or if the transfer is by deed or other instrument made pursuant to the decree.

This exemption was enacted in 1997.

**Objective Statement:** The objective of the Decree of Marriage Dissolution deed tax expenditure is to define the tax base for the application of the deed transfer tax and lessen the financial burden on individuals undergoing divorce proceedings.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the deed transfer tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| All Funds | $400,000 | $400,000 | $400,000 | $400,000 |

*Less Than $50,000

# Chapter 11: Lawful Gambling Taxes

## *Collections and History*

In fiscal year 2024, revenues from the lawful gambling taxes were $198.1 million. The proceeds from these taxes are deposited in the State General Fund. Amounts over $36.9 million are appropriated annually to a general reserve account for stadium funding.

The lawful gambling tax was enacted in 1984 and covered bingo, raffles, paddlewheels, pull-tabs, and tip-boards. Initially the tax was 10% of gross receipts less prizes for all types of lawful gambling. That tax now applies only to bingo (other than electronic linked bingo), raffles, and paddlewheels. The rate was reduced to 9.5% in 1998, 9% in 1999, and 8.5% in 2000.

A separate tax on pull-tabs was enacted in 1986, and that tax was extended to tip-boards in 1988. In 1989, an additional tax was imposed on the combined receipts of an organization from pull-tabs and tip-boards. The tax rates for both taxes were reduced in 1998, 1999, and 2000. In 2012, the combined receipts tax was restructured and extended to the newly-authorized electronic games. Previously the tax was based on gross receipts with rates from 1.7% to 5.1%. The tax is now based on net receipts after prizes with rates from 9% to 36%. The separate distributor tax on the face value of pull-tabs and tip-boards was repealed in 2012.

## *Tax Base*

The tax base is lawful gambling authorized by statute.

## *Computation of the Tax*

Lawful gambling is allowed only by qualifying organizations which are licensed by the Gambling Control Board or which are exempt from licensing by statute. The organization must be a fraternal, religious, veterans, or other nonprofit organization. Organizations which are exempt from licensing are also exempt from the tax. The profits from lawful gambling must be used for the purposes specified by statute.

The tax on bingo (other than electronic linked bingo), raffles, and paddlewheels is 8.5% of gross receipts less prizes actually paid out.

Organizations are subject to a tax on their net receipts after prizes from pull-tabs, tip-boards, and electronic linked bingo. The tax is imposed on the fiscal year combined receipts of the organization according to the following graduated rate schedule:

| Fiscal Year Combined Net Receipts | Tax Rate |
|---|---|
| First $87,500 | 9% |
| 87,501–122,500 | 18% |
| 122,501–157,500 | 27% |
| More than 157,500 | 36% |

## *Exemptions*

### 11.1.01 Bingo at Certain Organizations

Minnesota Statutes, Sections 297E.02, Subd. 2 and 349.166, Subd. 1(b)

An exemption from the lawful gambling tax is allowed for bingo conducted within a nursing home or a senior citizen housing project or by a senior citizen organization if certain conditions are met. The prizes for a single bingo game cannot exceed $10, and total prizes awarded at a single bingo occasion cannot exceed $200.

This provision was enacted in 1985 and was last modified in 2015.

**Objective Statement:** The objective of the Bingo at Certain Organizations tax expenditure is to simplify compliance with and enforcement of lawful gambling and reduce administrative burden.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the lawful gambling tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | * | * | * | * |

### 11.1.02 Bingo at Fairs and Civic Celebrations

Minnesota Statutes, Sections 297E.02, Subd. 2 and 349.166, Subd. 1(a)(1)

The lawful gambling tax is not imposed on bingo conducted by an organization in connection with a county fair, the state fair, or a civic celebration. To qualify, the bingo cannot be conducted for more than 12 consecutive days and no more than four applications can be applied for and approved in a calendar year.

This exemption was enacted in 1984 and recodified in 1994.

**Objective Statement:** The objective of the Bingo at Fairs and Civic Celebrations tax expenditure is to simplify compliance with and enforcement of lawful gambling and reduce administrative burden.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the lawful gambling tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | * | * | * | * |

*Less than $50,000

## 11.1.03 Infrequent Bingo Occasions

Minnesota Statutes, Sections 297E.02, Subd. 2 and 349.166, Subd. 1(a)(2)

An exemption from the lawful gambling tax is allowed for bingo conducted by an organization which conducts bingo on four or fewer days in a calendar year. This exemption does not apply if the organization holds a lawful gambling license.

This exemption was enacted in 1984 and last modified in 2006.

**Objective Statement:** The objective of the Infrequent Bingo Occasions tax expenditure is to simplify compliance with and enforcement of lawful gambling and reduce administrative burden.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the lawful gambling tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $100,000 | $100,000 | $100,000 | $100,000 |

## 11.1.04 Smaller Raffles

Minnesota Statutes, Sections 297E.02, Subd. 2 and 349.166, Subd. 1(c)

If the value of all raffle prizes awarded by an organization in a calendar year does not exceed $1,500, then the raffles of that organization are exempt from the lawful gambling tax. The exemption also applies if the organization qualifies under Section 501(c)(3) of the Internal Revenue Code and the value of all raffle prizes awarded at one event in a calendar year does not exceed $5,000.

This provision was enacted in 1984. In 2003, the prize limit was increased from $750 to $1,500. The exemption limit of $5,000 for 501(c)(3) organizations was enacted in 2013.

An estimated 1,520 organizations are covered by this exemption.

**Objective Statement:** The objective of the Smaller Raffles tax expenditure is to simplify compliance with and enforcement of lawful gambling and reduce administrative burden.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the lawful gambling tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $300,000 | $300,000 | $300,000 | $300,000 |

## 11.1.05 Lawful Gambling Under Certain Conditions

Minnesota Statutes, Sections 297E.02, Subd. 2 and 349.166, Subd. 2

All types of lawful gambling except linked bingo games are exempt from the lawful gambling taxes if certain conditions are met. To qualify, an organization must conduct lawful gambling on no more than five days in a calendar year and cannot award more than $50,000 in prizes for lawful gambling in a calendar year.

This exemption was enacted in 1986.

Approximately 2,300 organizations qualify for this exemption.

**Objective Statement:** The objective of the Lawful Gambling Under Certain Conditions tax expenditure is to simplify compliance with and enforcement of lawful gambling and reduce administrative burden.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the lawful gambling tax could be reduced to 8.4%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $2,900,000 | $2,900,000 | $2,900,000 | $2,900,000 |

## *Credit*

## 11.2.01 Credit for Certain Raffles

Minnesota Statutes, Sections 297E.02, Subd. 2a and 349.12, Subd. 25(a)(2)

An organization may claim a credit against the lawful gambling tax equal to the tax resulting from a raffle if the net proceeds have been used exclusively to relieve the effects of poverty, homelessness, or physical or mental disability for an individual or family.

This credit was enacted in 2000.

In fiscal year 2023, 25 organizations claimed this exemption.

**Objective Statement:** The objective of the Credit for Certain Raffles tax expenditure is to direct a higher amount of net raffle proceeds used exclusively to relieve the effects of poverty, homelessness, or disability that would occur but for the credit.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the lawful gambling tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | * | * | * | * |

*Less Than $50,000

# Chapter 12: Insurance Premiums Taxes

## *Collections and History*

In fiscal year 2024, the revenues from the insurance premiums taxes totaled $709.0 million. The proceeds from the taxes on health maintenance organizations and nonprofit health service plan corporations are deposited in the Health Care Access Fund. The proceeds from the surcharge on fire safety premiums are deposited in the Fire Account in the Special Revenue Fund. The proceeds from the other taxes are deposited in the State General Fund. Aids are paid to local fire and police departments based on the amount of tax from certain types of insurance.

A tax on insurance premiums was first enacted in Minnesota in 1868 at a rate of 2% of the premiums received by foreign (non-Minnesota) insurance companies. In 1872, the tax was extended to domestic (Minnesota) companies. The basic rate remains at 2%. In 2005, the tax rate on life insurance was reduced from 2% to 1.5% over four years.

In 1913, the fire marshal tax was enacted at a rate of 0.375% and was increased to 0.5% in 1937. In 2006, the fire marshal tax was repealed, and a 0.65% surcharge was enacted on homeowner's, commercial fire, and commercial non-liability insurance policies. In 2012, the surcharge rate was reduced from 0.65% to 0.5%. In 1934, a surcharge was enacted at a rate of 2% on fire, lightning, and sprinkler leakage premiums on property located in cities of the first class. The rate remains at 2%, and the surcharge is in addition to other taxes. A tax on surplus lines insurance premiums was enacted in 1963 at a rate of 2% and was increased to the current 3% rate in 1978. In 1992, a 1% premiums tax was imposed on previously-exempt health maintenance organizations and nonprofit health service plan corporations.

## *Tax Base*

For purposes of this study, the tax base is defined as gross premiums less return premiums received by domestic and foreign insurance companies on all direct business in Minnesota.

## *Computation of the Tax*

The 2% premiums tax is imposed on the gross premiums less return premiums received by domestic and foreign insurance companies on all direct business in Minnesota. A domestic company is one which is incorporated in Minnesota, and a foreign company is one which is incorporated in another state or country. The tax rate on life insurance is 1.5%, and lower rates apply to smaller mutual property and casualty insurance companies. Health maintenance organizations and nonprofit health service plan corporations are subject to a 1% tax on their gross premiums less return premiums received.

## *Exemptions*

### 12.1.01 Fraternal Benefit Societies

Minnesota Statutes, Section 297I.15, Subd. 10

Fraternal benefit societies or associations are exempt from the Minnesota gross premiums tax. These societies are nonprofit charitable organizations that provide life, sickness, and/or accident benefits for their members and their beneficiaries.

This exemption was enacted in 1907 and was last modified in 1985.

In 2022, 34 fraternal benefit societies did business in Minnesota.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the insurance premiums tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $6,400,000 | $6,600,000 | $6,800,000 | $7,000,000 |

### 12.1.02 Farmers' Mutual and Township Mutual Fire Insurance Companies (Surcharge on Fire Safety Premiums)

Minnesota Statutes, Section 297I.06, Subd. 2(a)

Farmers' mutual insurance companies and township mutual insurance companies are exempt from the surcharge on fire safety premiums. All other insurance companies doing business in Minnesota are required to pay the surcharge of 0.5% of premiums and assessments for homeowner's insurance policies, commercial fire policies, and commercial non-liability insurance policies.

This exemption was enacted in 2006 when the surcharge on fire safety premiums was enacted. It replaced the exemption from the fire marshal tax which was enacted in 1915. In 2012, the rate for the surcharge was reduced from 0.65% to 0.5%, effective July 1, 2013. In 2023, the fire safety surcharge was increased back to 0.65% from 0.5% effective July 1, 2023.

In 2022, 74 insurance companies qualified for this exemption.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the insurance premiums tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| Special Revenue Fund | $600,000 | $600,000 | $600,000 | $700,000 |

## *Reduced Rates*

### 12.2.01 Health Maintenance Organizations and Nonprofit Health Service Plan Corporations

Minnesota Statutes, Section 297I.05, Subd. 5

Several sources of revenue fund Minnesota's health care access program, MinnesotaCare, including a 1% premiums tax imposed on health maintenance organizations and nonprofit health service plan corporations. The tax expenditure measures the difference between the 1% tax and the 2% tax that applies generally to insurance premiums.

Prior to legislation enacted in 1992, these entities were exempt from the premiums tax. A 1% premiums tax was enacted on these entities in 1992, effective January 1, 1996, and was imposed in 1996 and 1997. A series of law changes resulted in the tax not being imposed from 1998 through 2003. This provision was last modified in 2003 when exemptions were eliminated for premiums paid under medical assistance, general assistance medical care, and MinnesotaCare.

In 2022, 13 insurance providers benefited from this reduced rate.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the insurance premiums tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| Health Care Access Fund | $127,600,000 | $134,300,000 | $140,700,000 | $147,000,000 |

### 12.2.02 Smaller Mutual Property and Casualty Insurance Companies

Minnesota Statutes, Section 297I.05, Subd. 2, 3, and 4

A tax rate of 1% applies to the premiums of farmers' mutual and township mutual insurance companies and to mutual property and casualty insurance companies with total assets of $5 million or less. A tax rate of 1.26% applies to the premiums of other mutual property and casualty companies with total assets of $1.6 billion or less on December 31, 1989. The tax expenditure measures the difference between these rates and the 2% rate that applies generally to insurance premiums.

From 1905 to 1987, mutual property and casualty insurance companies paid the 2% gross premiums tax on only their fire, lightning, and sprinkler leakage premiums and were exempt from paying the tax on all other types of premiums. In 1987, the exemption was repealed. In 1988, the rate of tax was phased down to 0.5% for 1992 and after. The current rates were adopted in 1995. These provisions were last modified in 2005.

In 2022, 124 mutual insurance companies benefited from this reduced rate.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the insurance premiums tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $13,800,000 | $14,200,000 | $14,700,000 | $15,100,000 |

### 12.2.03 Life Insurance

Minnesota Statutes, Section 297I.05, Subd. 14

The tax rate for life insurance premiums is 1.5%. The tax expenditure measures the difference between 1.5% and the general rate of 2%.

In 2005, the tax rate for life insurance was phased down from 2% to 1.5% over four years.

In tax year 2024, 320 life insurance companies benefited from this reduced rate.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the insurance premiums tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $23,300,000 | $24,100,000 | $24,900,000 | $25,600,000 |

## *Preferential Computation*

### 12.3.01 Smaller Mutual Property and Casualty Insurance Companies (Surcharge on Fire Safety Premiums)

Minnesota Statutes, Section 297I.06, Subd. 2(b)

Mutual property and casualty companies that qualify for a lower tax rate on their premiums (Item 12.2.02) have the option of paying the smaller of the 0.5% surcharge on fire safety premiums or the 0.5% fire marshal tax.

The 0.5% surcharge on fire safety premiums is imposed on gross premiums for homeowners' insurance policies, commercial fire policies, and commercial non-liability insurance policies. The 0.5% fire marshal tax was imposed on gross fire premiums.

In 2006, the 0.5% fire marshal tax was repealed and replaced by the 0.65% surcharge on fire safety premiums. At the same time, smaller mutual property and casualty insurance companies were given the option of paying the smaller of the new surcharge or the equivalent of the fire marshal tax. In 2012, the surcharge was reduced from 0.65% to 0.5%. Effective July 1, 2023, the rate returned to 0.65%. The tax expenditure measures the benefit these companies realize by choosing to pay the equivalent of the fire marshal tax compared to the surcharge.

Approximately 15 companies benefited from this provision in tax year 2022.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the insurance premiums tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| Special Revenue Fund | $700,000 | $700,000 | $700,000 | $800,000 |

## *Credits*

### 12.4.01 Historic Structure Rehabilitation Credit

Minnesota Statutes, Section 290.0681

A credit is allowed equal to the federal credit for qualifying expenditures to rehabilitate a certified historic structure. The federal credit is a nonrefundable income tax credit equal to 20% of the qualifying expenditures. The state credit is a refundable credit equal to 20% of the qualifying expenditures and may be taken against the corporate franchise tax, individual income tax, or insurance premiums tax. The state credit may be assigned to another taxpayer.

Qualifications for the credit are determined under the provisions of Section 47 of the Internal Revenue Code as follows:

- A historic structure must be either individually registered in the National Register of Historic Places or certified by the Secretary of the Interior as having historic significance and located in a registered historic district.
- The structure must be used in a trade or business or be income-producing property. Rehabilitation expenditures must exceed the greater of $5,000 or the adjusted basis of the building. Costs to acquire a building or to enlarge a building do not qualify.
- The developer of the project must apply for the credit to the State Historic Preservation Office of the Department of Administration before rehabilitation begins. The credit is allowed after the application is approved and the project is completed.

This credit was enacted in 2010 and was scheduled to expire after fiscal year 2015. In 2013, the credit was extended through fiscal year 2021. In 2019, the credit was modified so that it is payable over five years rather than in one lump sum. In 2021, the credit was extended through fiscal year 2022. After expiring, the credit was revived and reenacted through fiscal year 2030 and applied retroactively to applications for allocation certificates submitted after June 30, 2022.

**Objective Statement:** The objective of the Historic Structure Rehabilitation Credit is to encourage the preservation of historic structures in Minnesota and to create and retain jobs related to the rehabilitation of historic structures in the state. The standard against which the effectiveness of the extension of the credit and modification of the effective date is to be measured is the number of jobs created through the rehabilitation of historic structures and the number of historic structures rehabilitated and placed in service. See Minnesota Session Law – 2013, Regular Session, Ch. 143 – H.F. No. 677, Art. 13, Sec. 22, Subd. 5.

**Revenue Neutral Rate:** Located in Item 2.6.04.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | Estimate in Item 2.6.04 | Estimate in Item 2.6.04 | Estimate in Item 2.6.04 | Estimate in Item 2.6.04 |

## 12.4.02 Film Production Credit

Minnesota Statutes, Section 297I.20, Subd. 4 and 116U.27

A film production credit is allowed equal to 25% of eligible production costs paid in a taxable year.

An eligible project is a film that includes the promotion of Minnesota, for which the taxpayer expends at least $1,000,000 in the taxable year for eligible production costs and employs Minnesota residents to the extent practicable. Films include feature films, television or Internet pilots, programs, series, documentaries, music videos, and television commercials.

The credit is nonrefundable but may be carried forward for up to five years. The credit is assignable to another taxpayer. Total credits are limited to $24.95 million in each tax year. The credit was enacted in 2021 and expires after tax year 2024. The prior limit of $4.95 million was increased to $24.95 million each tax year, and the sunset was extended through tax year 2030.

Up to 10 taxpayers qualify for this credit in 2024.

**Revenue Neutral Rate:** Located in Item 2.6.05.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | Estimate in Item 2.6.05 | Estimate in Item 2.6.05 | Estimate in Item 2.6.05 | Estimate in Item 2.6.05 |

## 12.4.03 Housing Contribution Credit

Minnesota Statutes, Section 297I.20, Subd. 5; 290.0683 and 462A.40

A nonrefundable credit is allowed for contributions to a designated account in the Housing Development Fund administered by the Housing Finance Agency (HFA). The account is to be used for grants and loans for low- and moderate- income housing developments.

The credit is equal to 85% of contributions of at least $1,000 but not more than $2 million. Any unused credit may be carried over for up to 10 years.

Total credits are limited to $9.9 million in each year. The credit was enacted in 2021 and is effective for tax years 2023 through 2028.

**Objective Statement:** The objective of the Minnesota Housing Tax Credit (M.S. 290.0683) is to increase the development and availability of affordable housing to persons and families of low and moderate incomes in Minnesota.

**Revenue Neutral Rate:** Located in Item 2.6.06.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | Estimate in Item 2.6.06 | Estimate in Item 2.6.06 | Estimate in Item 2.6.06 | Estimate in Item 2.6.06 |

## 12.4.04 Short Line Railroad Credit

IRS Code Section 45G
Minnesota Statutes Sections 290.06 subd. 2c; 290.0695, and 297I.20 subd. 6

A federal credit for railroad maintenance was created in 2004. Minnesota created a credit against the individual income tax, corporate franchise tax, and insurance gross premiums tax equal to 50% of qualified costs for maintenance, reconstruction, or replacement of railroad infrastructure in 2023.

Class II (regional and short line railroads with an annual gross operating revenue between $42.4 million and $943.9 million) and Class III (local and switching railroads with an annual gross operating revenue of less than $42.4 million) railroads are eligible for the credit. In the case of a partnership or S corporation, the credit is passed through to each partner or shareholder. The credit cannot exceed $3,000 times the miles of track owned or leased by the railroad in Minnesota.

The credit is nonrefundable but may be carried forward for up to five years. The credit may be transferred under written agreement during the 5-year period.

This provision was enacted in 2023, effective beginning in tax year 2023.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the insurance premiums tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | * | * | * | * |

## 12.4.05 Credit for Guaranty Association Assessments

Minnesota Statutes, Section 297I.20, Subd. 1

An insurance company is allowed a credit against the premiums tax based on guaranty association assessments paid in one or more prior years.

When an insurance company becomes insolvent, any amounts that remain unpaid to its policyholders are paid through assessments that are imposed on solvent companies by a guaranty association. One guaranty association is authorized by Minnesota law to make assessments for property and casualty companies and another for life and health companies. When an insurance company pays an assessment to either of these associations, a credit equal to 20% of the assessment is allowed for each of the five subsequent years. If the credit exceeds the company's premiums tax for that year, the excess may be carried forward.

This credit was enacted in 1994.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the insurance premiums tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State General Fund | $100,000 | $0 | $200,000 | $500,000 |

*Less Than $50,000

# Chapter 13: Property Tax

## *Collections and History*

Net local property tax collections were $12.3 billion for property taxes payable in 2024. The property tax is collected by the counties and is distributed to the local units of government which impose the tax-counties, cities, townships, school districts, and special taxing districts.

In addition to the local tax, a state general property tax is levied on commercial, industrial, and seasonal recreational property. The tax is collected by the counties and remitted to the state. Revenues from the state property tax were $718 million in fiscal year 2024. The revenues go to the State General Fund.

The property tax was already in place when the first book of statutes was compiled for the Territory of Minnesota in 1851. The classification system was enacted in 1913 with four classes of property. In 1933, the number of classes was expanded to provide preferential treatment for homestead property.

In 1967, the state property tax levy was eliminated, and a portion of the revenues from the newly-enacted sales tax was distributed to local units of government. The state-paid homestead credit, the rent credit, and the senior citizen credit also were enacted in 1967.

Changes in the treatment of business personal property began in 1967, when livestock and farm machinery were exempted, and businesses were given the option to have either their inventories or their tools and machinery exempted. In 1971, the exemption for business property was expanded to include all inventories, tools, and machinery. Commercial and industrial equipment attached to and considered as real property, known as attached machinery, was exempted in 1973.

In 1971, levy limitations and local government aids were enacted which were important in determining the amount of the property tax levy. Modifications have been made to both of these programs since that time. Beginning with taxes payable in 1993, the general levy limit for county and city governments was repealed, and a “truth-in-taxation” system of reporting proposed levies to taxpayers and conducting levy hearings was established. Temporary levy limitations for counties and for cities with population over 2,500 were adopted for taxes payable in 2000, 2002 through 2004, 2009 through 2011, and 2014.

In 1988, several provisions were enacted that significantly altered features of the property tax system. Assessed value, calculated by multiplying classification percentages times estimated market value, was replaced by tax capacity. Tax capacities are based on class rates applied to market values, and local tax rates now are expressed as percentages of total tax capacity in a taxing area, rather than as mill rates.

A change enacted in 1991, specified that referendum levies are spread against market value instead of tax capacity, which is referred to as referendum market value. Since that time the market value against which referendum levies are spread has been reduced for certain agricultural and other property.

In 2001, the state-determined general education levy was eliminated, and a state general property tax was enacted and is imposed on only commercial, industrial, and seasonal recreational property.

## *Tax Base*

The tax base for the property tax is the market value of real property. Generally, market value is the estimated selling price of the property. Other approaches to determining market value are considered to be substitutes for selling price and, therefore, are not considered to be tax expenditures.

It should be noted that the impact of a property tax expenditure affects the distribution of the tax rather than the total yield of the tax. The fiscal year impact represents a shift in tax burden rather than a reduction in revenue. An exemption, class rate, or other preferential provision lowers the total tax capacity and results in a higher tax rate applicable to all taxable property. Although the total yield from the tax is not affected, the tax is shifted from preferential to non-preferential property.

## *Computation of the Tax*

The taxable amount (tax capacity, which is market value times the class rate, or referendum market value) is determined by statute. The total yield of the tax is determined by the unit of government which imposes the tax. The governing body of the local unit, such as the school board, the county board, or the city council, determines the amount of the levy and in so doing must take into account many factors, including the level of services provided, mandated programs, debt service, any levy limitations, and other sources of revenue such as local government aids.

The final levy based on tax capacity is divided by the total taxable tax capacity of the taxing district to determine the district's local tax rate. For each parcel, the tax capacity is multiplied by the aggregate local tax rate of the county, city or township, school district, and any special taxing districts to determine the gross tax.

The referendum levy is divided by referendum market value to determine the district's local referendum market value tax rate. For each parcel, the referendum market value is multiplied by the referendum tax rate for the school district and any other district applicable to that property. The referendum and tax capacity taxes are combined to obtain the total gross tax on the parcel.

Net tax is determined by subtracting from gross tax any applicable credits, including disaster credit, power line credit, agricultural preserves credit, enterprise zone credit, disparity reduction credit, conservation tax credit, agricultural market value credits, taconite homestead credit, supplemental homestead credit, and school building bond agricultural credit. Most of these credits are listed on the expenditure side of the budget and therefore are not included in this report.

Additional tax relief is provided to qualifying homeowners and renters through the property tax refund. The property tax refund is a "circuit-breaker" program based on the net homestead tax or 17% of rent paid and on household income, with the amount of refund phasing out as income increases. Another refund is available to homeowners whose net property tax increases by more than 12% from the previous year. These refunds are paid directly to claimants by the state.

## *Exemptions*

### 13.1.01 Exempt Real Property

Minnesota Statutes, Sections 272.02

Property exempted from the property tax by statute is included in the estimates below. The estimates do not include property that is exempt under either the Minnesota Constitution or federal law, including churches, academies, colleges, universities, and American Indian reservations.

Since 1926, county assessors have been required to value exempt real property every six years. The most recent valuation of exempt property took place in 2022. The estimates are based on the 2022 values and apply one of three class rates, as deemed most appropriate: a 2.0% class rate for commercial-industrial property, a 1.25% class rate for apartment property, or a 1% class rate for rural vacant land. Average tax rates by county were computed to arriave at the estimated net property tax figures below In computing the estimates, the tax rates were adjusted to take into account the additional taxable value that would result if the property were not exempt.

The estimates include only real property because most personal property is exempt, including household goods, commercial and industrial personal property (tools, machinery, inventories), farm machinery and livestock, agricultural products, and attached machinery.

Certain types of property have been exempt from taxation since at least 1851, when the first book of statutes was compiled for the Territory of Minnesota. The exempt property provisions were last modified in 2021.

**Revenue Neutral Rate:** There is no revenue neutral rate applicable for this tax expenditure.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| Hospitals | $160,000,000 | $163,200,000 | $166,400,000 | $169,800,000 |
| Public Burial Grounds | 5,700,000 | 5,800,000 | 5,900,000 | 6,100,000 |
| Charitable Institutions | 120,400,000 | 122,800,000 | 125,200,000 | 127,700,000 |
| State and Local Forests, Parks, and Wildlife Refuges | 21,200,000 | 21,600,000 | 22,100,000 | 22,500,000 |
| Public Property Used for Public Purposes | 776,200,000 | 791,700,000 | 807,600,000 | 823,700,000 |
| Other Exempt Property | 2,200,000 | 2,300,000 | 2,300,000 | 2,300,000 |
| Total–Shift in Tax Burden | $1,085,700,000 | $1,107,400,000 | $1,129,500,000 | $1,152,100,000 |

## 13.1.02 Homestead Exclusion for Veterans with a Disability

Minnesota Statutes, Section 273.13, Subd. 34

A homestead owned by a military veteran is allowed an exclusion in determining taxable market value if the veteran has a certified service-connected disability of 70% or more. The exclusion is $300,000 of market value for a veteran with a total and permanent disability, and it is $150,000 for a veteran with a disability rating of 70% or more.

If the spouse continues to live in the homestead after the death of the veteran, the exclusion remains and may be transferred to a different homestead under certain conditions. If the disabled veteran does not own the homestead, the exclusion may be allowed to the primary family caregiver. To qualify, the family caregiver must be approved by the U.S. Department of Veterans Affairs as the primary provider of personal care services for the disabled veteran.

This exclusion was enacted in 2008. It was last modified in 2023.

Approximately 25,900 parcels received this exclusion in 2024.

**Objective Statement:** The objective of the Homestead Exclusion for Veterans with a Disability Property Tax Exclusion is to help ease the burdens of war for those among our state's citizens who bear those burdens most heavily. See Minnesota Statutes Sec. 273.13, Subd. 34(l).

**Revenue Neutral Rate:** There is no revenue neutral rate applicable for this tax expenditure.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| Shift in Tax Burden | $50,000,000 | $54,100,000 | $56,800,000 | $59,600,000 |

## 13.1.03 Homestead Market Value Exclusion

Minnesota Statutes, Section 273.13, Subd. 35

An exclusion from market value is allowed for property classified as residential homestead or the portion of an agricultural homestead consisting of the house, garage, and surrounding one acre. The exclusion is 40% of the first $76,000 of market value minus 9% of the market value between $76,000 and $413,800. The exclusion does not apply to a homestead valued at $413,800 or more.

This exclusion was enacted in 2011, effective beginning with property taxes payable in 2012. A homestead market value credit had been in effect for taxes payable in 2002 through 2011.

Beginning with taxes payable 2025, the exclusion calculation will change due to law changes. The exclusion will be 40% of the first $95,000 of market value minus 9% of the market value between $95,000 and $517,200. The exclusion does not apply to a homestead valued at $517,200 or more.

Approximately 1,123,000 homesteads received this exclusion in 2024. The number of homesteads receiving the exclusion is expected to increase to 1,320,000 in 2025 due to the calculation changes.

**Revenue Neutral Rate:** There is no revenue neutral rate applicable for this tax expenditure.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| Shift in Tax Burden | $94,700,000 | $86,300,000 | $175,600,000 | $170,800,000 |

## *Preferential Computations*

### 13.2.01 Classification System and Alternative Tax Bases

Minnesota Statutes, Sections 273.13

Due to the classification system and alternative tax bases, some types of property are treated preferentially compared to other types of property. The classification system and alternative tax bases are tax expenditures because properties with the same market value are not treated the same.

State and local property tax levies are distributed among property using three different tax bases: net tax capacity, referendum market value, and the state general property tax.

Net tax capacity levies represent 82% of all property taxes statewide. Properties are classified based on the use and ownership of the property. The market value of the property is multiplied by the appropriate class rate(s), yielding the tax capacity for each parcel.

Referendum market value levies represent 12% of all property taxes statewide. These voter-approved property tax levies are distributed among property based on an alternative tax base, referendum market value. This tax base generally mirrors property market value, rather than tax capacity. One exception is that, for property with a classification rate of less than 1%, only a portion of the market value is included in the referendum tax base. A second exception is that agricultural land, rural vacant land, and seasonal recreational property are not subject to most of the referendum levies.

The state general property tax represents 6% of all property taxes statewide. The tax is levied on only two types of property: commercial-industrial and seasonal recreational. The levy amount is $716,990,000 for commercial-industrial property and $41,690,000 for seasonal recreational property.

In the tables on the next two pages, the distribution of each of the three types of property taxes was recalculated using a base of taxable market value and a uniform rate. The distribution of the state general property tax shown here is for illustration only because the tax has never been applied to any property other than commercial-industrial and seasonal recreational. The estimates reflect the difference in tax that would result from uniform treatment. The sum of the increases and decreases does not equal zero due to rounding and differences in the computation of some small credits. Positive dollar amounts are tax expenditures, that is, the tax increases that would occur if one class rate were applied to all types of property. The negative amounts are not tax expenditures but show the other side of the shifts in tax burden.

The property tax classification system was enacted in 1913 and was last modified in 2017. Referendum market value was enacted in 1991 and was last modified in 2011. The state general property tax was enacted in 2001 and was last modified in 2023.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the property tax classification rate could be adjusted to 1.119%.

**Net Tax Capacity Levies**

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| Farm Homestead | | | | |
| Home, Garage, and One Acre | $600,000 | $200,000 | $400,000 | $500,000 |
| Remaining Land and Buildings | 167,100,000 | 172,700,000 | 194,800,000 | 210,800,000 |
| Farm Non-Homestead | -4,100,000 | -5400,000 | -5,300,000 | -5,600,000 |
| Timber | 1,900,000 | 2,100,000 | 2,200,000 | 2,300,000 |
| Seasonal Recreational | 9,700,000 | 8,700,000 | 9,800,000 | 10,400,000 |
| Residential | | | | |
| Residential Homestead | 668,200,000 | 711,300,000 | 742,600,000 | 769,300,000 |
| Residential Non-Homestead | 86,500,000 | 97,400,000 | 103,100,000 | 108,100,000 |
| Apartments | 40,700,000 | 50,200,000 | 53,500,000 | 56,200,000 |
| Commercial/Industrial | | | | |
| 1st Tier | -41,300,000 | -41,400,000 | -43,900,000 | -45,900,000 |
| 2nd Tier | -785,900,000 | -867,600,000 | -922,100,000 | -964,600,000 |
| Commercial Seasonal Recreational | 1,200,000 | 1,100,000 | 1,200,000 | 1,200,000 |
| Public Utility | -52,300,000 | -46,900,000 | -49,800,000 | -52,100,000 |
| Railroad | -23,100,000 | -24,700,000 | -26,200,000 | -27,400,000 |
| Mineral | 0 | 0 | 0 | 0 |
| Personal | -83,900,000 | -85,600,000 | -89,700,000 | -93,900,000 |

**Referendum Market Value Levies**

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| Farm Homestead | | | | |
| Home, Garage, and One Acre | -$14,600,000 | -$16,300,000 | -$18,600,000 | -$20,200,000 |
| Remaining Land and Buildings | 70,500,000 | 79,800,000 | 88,900,000 | 95,900,000 |
| Farm Non-Homestead | 46,900,000 | 54,000,000 | 59,900,000 | 64,400,000 |
| Timber | 600,000 | 700,000 | 800,000 | 800,000 |
| Seasonal Recreational | 25,000,000 | 26,600,000 | 28,500,000 | 29,700,000 |
| Residential | | | | |
| Residential Homestead | -97,300,000 | -108,600,000 | -116,200,000 | -122,400,000 |
| Residential Non-Homestead | -12,400,000 | -15,200,000 | -16,700,000 | -18,000,000 |
| Apartments | 3,200,000 | 3,400,000 | 2,800,000 | 2,400,000 |
| Commercial/Industrial | | | | |
| 1st Tier | -3,800,000 | -4,100,000 | -4,500,000 | -4,800,000 |
| 2nd Tier | -7,400,000 | -9,000,000 | -12,500,000 | -14,500,000 |
| Commercial Seasonal Recreational | -500,000 | -500,000 | -600,000 | -600,000 |
| Public Utility | -2,200,000 | -2,300,000 | -2,600,000 | -2,800,000 |
| Railroad | -1,300,000 | -1,400,000 | -1,500,000 | -1,600,000 |
| Mineral | 0 | 0 | 0 | 0 |
| Personal | -6,400,000 | -6,700,000 | -7,200,000 | -7,700,000 |

**State General Property Tax**

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| Farm Homestead | | | | |
| Home, Garage, and One Acre | $12,500,000 | $12,600,000 | $13,000,000 | $13,400,000 |
| Remaining Land and Buildings | 70,100,000 | 78,800,000 | 81,500,000 | 83,800,000 |
| Farm Non-Homestead | 48,600,000 | 55,700,000 | 57,700,000 | 59,300,000 |
| Timber | 600,000 | 600,000 | 600,000 | 600,000 |
| Seasonal Recreational Residential | -10,100,000 | -9,900,000 | -9,900,000 | -9,900,000 |
| Residential Homestead | 394,900,000 | 375,300,000 | 362,100,000 | 358,200,000 |
| Residential Non-Homestead | 64,500,000 | 64,700,000 | 63,000,000 | 62,900,000 |
| Apartments | 52,500,000 | 51,800,000 | 50,400,000 | 50,400,000 |
| Commercial/Industrial | | | | |
| 1st Tier | 9,000,000 | 8,200,000 | 8,100,000 | 8,000,000 |
| 2nd Tier | -539,900,000 | -537,800,000 | -529,100,000 | -529,200,000 |
| Commercial Seasonal Recreational | 500,000 | 400,000 | 400,000 | 400,000 |
| Public Utility | -22,600,000 | -22,000,000 | -21,700,000 | -21,700,000 |
| Railroad | -16,000,000 | -15,700,000 | -15,500,000 | -15,500,000 |
| Mineral | 0 | 0 | 0 | 0 |
| Personal | -64,500,000 | -62,500,000 | -60,700,000 | -60,700,000 |

**Total–State and Local Levies**

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| Farm Homestead | | | | |
| Home, Garage, and One Acre | -$1,500,000 | -$3,600,000 | -$5,100,000 | -$6,300,000 |
| Remaining Land and Buildings | 307,700,000 | 331,300,000 | 365,200,000 | 390,400,000 |
| Farm Non-Homestead | 91,300,000 | 104,300,000 | 112,200,000 | 118,000,000 |
| Timber | 3,100,000 | 3,400,000 | 3,500,000 | 3,700,000 |
| Seasonal Recreational Residential | 24,600,000 | 25,300,000 | 28,400,000 | 30,100,000 |
| Residential Homestead | 965,800,000 | 978,000,000 | 988,400,000 | 1,005,100,000 |
| Residential Non-Homestead | 138,700,000 | 146,900,000 | 149,400,000 | 153,000,000 |
| Apartments | 96,500,000 | 105,400,000 | 106,700,000 | 109,000,000 |
| Commercial/Industrial | | | | |
| 1st Tier | -36,100,000 | -37,300,000 | -40,400,000 | -42,700,000 |
| 2nd Tier | -1,333,200,000 | -1,414,500,000 | -1,463,600,000 | -1,508,200,000 |
| Commercial Seasonal Recreational | 1,200,000 | 900,000 | 1,000,000 | 1,000,000 |
| Public Utility | -77,100,000 | -71,200,000 | -74,100,000 | -76,600,000 |
| Railroad | -40,300,000 | -41,800,000 | -43,200,000 | -44,600,000 |
| Mineral | 0 | 0 | 0 | 0 |
| Personal | -154,800,000 | -154,700,000 | -157,700,000 | -162,300,000 |

## 13.2.02 Green Acres Treatment of Agricultural Land

Minnesota Statutes, Section 273.111

The Minnesota Agricultural Property Tax Law, known as "green acres", provides for preferential and deferred assessment of qualifying agricultural land consisting of 10 or more acres. A qualifying parcel is valued according to its agricultural use rather than a higher value that would result from nonagricultural use. When green acres property no longer qualifies as such or is sold, taxes are due equal to the amount by which the preferential valuation has reduced the property tax for the previous three years.

The fiscal impact measures the increase in net property tax that would result from valuing the green acres property at its highest and best use compared to its agricultural use.

This provision was enacted in 1967. Several revisions have been made to the program, the last of which occurred in 2011.

Approximately 3,000,000 acres received "green acres" treatment in 2024.

**Objective Statement:** The objective of the Green Acres Treatment of Agricultural Land Property Tax Preferential Computation is to encourage and preserve farms by mitigating the property tax impact of increasing land values due to non-agricultural economic forces. See Minnesota Statutes Sec. 273.111, Subd. 2a.

**Revenue Neutral Rate:** There is no revenue neutral rate applicable for this tax expenditure.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| Shift in Tax Burden | $25,000,000 | $25,500,000 | $25,800,000 | $25,800,000 |

## 13.2.03 Open Space Property

Minnesota Statutes, Section 273.112

Private recreational, social, open space, and park land is given preferential valuation and tax deferral as long as it meets certain criteria. For property tax purposes, the property is valued at its current use rather than at a higher value that would reflect its potential use. Qualifying property includes golf courses, ski areas, and archery and firearms ranges. When the open space property no longer qualifies for preferential valuation, taxes are due equal to the amount by which the preferential valuation reduced the tax for the previous seven years.

The Minnesota Open Space Property Tax Law was enacted in 1969. Several changes have been made since enactment, and this provision was last modified in 2005.

Approximately 290 parcels received preferential valuation under this provision in 2024.

**Objective Statement:** The Minnesota Open Space Property tax law is intended to encourage the preservation and development of private outdoor, recreational, open space, and park land which would otherwise not occur or have to be provided by governmental authority.

**Revenue Neutral Rate:** There is no revenue neutral rate applicable for this tax expenditure.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| Shift in Tax Burden | $15,900,000 | $15,900,000 | $16,800,000 | $17,500,000 |

## 13.2.04 Tax Increment Financing

Minnesota Statutes, Sections 469.174–469.1799

Under tax increment financing, property taxes attributable to the increased value from a development project are used for development costs. The tax expenditure is equal to the levy that goes to the tax increment district rather than the general property tax.

A tax increment financing district can be established by an authorized entity, such as a municipality or a housing and redevelopment authority, to finance economic development, housing, redevelopment, or other types of projects. Bonds may be issued for specified costs of the project. In other cases, the local authority and the developer enter into a pay-as-you-go financing agreement in which the developer initially incurs all or a portion of the development costs, and the authority reimburses the developer over a period of years from the tax increments.

The original value of the property is certified when the district is established. An amount equal to the property tax on the current-year market value is imposed on the property, but only the portion based on its original value is used for the general property tax. The difference is the tax increment which is used to pay debt service on the bonds or to reimburse the developer. The duration of a district is limited, depending upon the type of project. After the project debt is paid or the district expires, the property is subject to the regular tax on its total market value.

The preferential treatment was enacted in 1947 and was last amended in 2023.

In 2024, 340 communities received increment from tax increment financing districts.

**Objective Statement:** The objective of the Tax Increment Financing Preferential Computation is to finance redevelopment, housing, or economic development in municipalities through the use of tax increment generated from the captured net tax capacity in the tax increment financing district. See Minnesota Statutes Sec. 469.174, Subd. 9.

**Revenue Neutral Rate:** There is no revenue neutral rate applicable for this tax expenditure.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| Shift in Tax Burden | $253,000,000 | $279,000,000 | $276,000,000 | $282,000,000 |

### 13.2.05 Metropolitan Agricultural Preserves Land

Minnesota Statutes, Section 473H.10

Agricultural land in the seven-county metropolitan area is eligible for preferential valuation if it is within an agricultural preserve. To qualify, the owner of land that is in long-term agricultural use must receive approval from the local unit of government and must sign a covenant that the land will remain in agricultural use. Generally, the land must be at least 40 acres and used in the production of agricultural products. Wetlands, pasture, and woodlands accompanying such land also qualify.

Agricultural preserve land is valued solely according to its agricultural use, rather than at a higher value that would reflect its potential use. The preferential valuation continues indefinitely, even if ownership changes. A tax credit is also allowed (Item 13.3.03). The expiration of an agricultural preserve cannot take place until at least eight years after notice is given by either the owner or the local unit of government. Previous tax reductions are not repaid.

The Metropolitan Preserves Act was adopted in 1980 and was last amended in 2023.

Approximately 3,000 parcels covering approximately 190,000 acres received preferential valuation under this provision in 2024.

**Revenue Neutral Rate:** There is no revenue neutral rate applicable for this tax expenditure.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| Shift in Tax Burden | $2,000,000 | $1,600,000 | $1,700,000 | $1,700,000 |

## *Credits*

### 13.3.01 Taconite Homestead Credit

Minnesota Statutes, Section 273.135

Homestead property within the taconite tax relief area receives a credit against the property tax. Within certain municipalities, the credit is 66% of the net tax, with a maximum credit of $315.10. Elsewhere, it is 57% of the net tax, with a maximum credit of $289.80. Starting with taxes payable in 2025, both the 66% and 57% limit will increase to $515.00.

Taconite mining companies pay the taconite production tax in lieu of the property tax. Most of the proceeds from the production tax are distributed as aid payments to local governments in the taconite tax relief area. This credit is also funded from the proceeds of the production tax.

The taconite homestead credit was enacted in 1969 and was last modified in 2024.

Approximately 38,000 homesteads received this credit in 2024.

**Revenue Neutral Rate:** There is no revenue neutral rate applicable for this tax expenditure.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| Shift in Tax Burden | $11,300,000 | $14,800,000 | $18,400,000 | $18,400,000 |

## 13.3.02 Power Line Credit

Minnesota Statutes, Sections 273.42 and 273.425

The owner of land that is a homestead, agricultural land, residential rental property, or seasonal residential recreational property receives a property tax credit if the property is crossed by an electric transmission line of 200KV or more which was constructed after July 1, 1974. The credit is limited to 20% of the gross property tax for the parcel. If the parcel exceeds 40 acres, the maximum credit is 20% of a portion of the tax.

The power line credit was enacted in 1979 and was last modified in 2003.

Approximately 4,100 parcels received this credit in 2024.

**Objective Statement:** The objective of the Power Line Credit is to compensate affected landowners for the negative impacts of having qualifying high-voltage transmission lines on their property.

**Revenue Neutral Rate:** There is no revenue neutral rate applicable for this tax expenditure.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| Shift in Tax Burden | $700,000 | $700,000 | $700,000 | $700,000 |

## 13.3.03 Metropolitan Agricultural Preserves Credit

Minnesota Statutes, Section 473H.10

A credit against the property tax is allowed for agricultural land and nonresidential buildings in the metropolitan agricultural preserves program. The credit is based on the difference in tax computed at the local tax rate and the tax computed at 105% of the previous year's statewide average local tax rate for property in townships. The minimum credit is $1.50 per acre.

Agricultural preserve land is also allowed preferential valuation. See Item 13.2.05, which includes a description of the agricultural preserves program.

The credit was enacted as part of the metropolitan agricultural preserves program in 1980. The $1.50 minimum was enacted in 1993.

Approximately 3,000 parcels across six counties received this credit in 2024.

**Revenue Neutral Rate:** There is no revenue neutral rate applicable for this tax expenditure.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| Shift in Tax Burden | $400,000 | $500,000 | $500,000 | $500,000 |

## 13.3.04 Conservation Tax Credit

Minnesota Statutes, Chapter 40A and Section 273.119

A credit of $1.50 per acre is allowed against the property tax for land located in an agricultural preserve created under Minnesota Statutes, Chapter 40A. This program is for counties outside the seven-county metropolitan area.

This credit was enacted in 1986 and was last amended in 1990.

Approximately 1,500 parcels covering about 120,000 acres received preferential valuation under this provision in 2024.

**Revenue Neutral Rate:** There is no revenue neutral rate applicable for this tax expenditure.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| Shift in Tax Burden | $200,000 | $200,000 | $200,000 | $200,000 |

# Chapter 14: Motor Vehicle Registration Tax

## *Collections and History*

In fiscal year 2024, a total of $948.8 million in motor vehicle registration tax was collected. All the proceeds from this tax are deposited in the Highway User Tax Distribution Fund.

A motor vehicle registration tax was first enacted in 1911 at a rate of $1.50 per vehicle. In 1921, a tax of 2% of value was enacted, with the minimum tax determined by the weight category of the passenger car or truck.

From 1921 to 1949, the tax was based primarily on value. In 1949, a tax based solely on weight was adopted, and for trucks the tax continues to be determined by weight.

For passenger cars, a tax of $10 plus 1.25% of the base value was adopted in 1971. The depreciation schedule for passenger cars was changed significantly in 1989, and in 2000 the tax on passenger cars was limited to a maximum amount based on the renewal period. In 2008, the pre-1989 depreciation schedule was reinstated, and the maximum taxes were eliminated. In 2020, the tax for passenger cars was increased to $10 plus 1.285% of the base value. Effective July 1, 2023, the tax increased to 1.575% and the depreciation schedule for motor vehicles changed.

## *Tax Base*

The tax base for the motor vehicle registration tax is motor vehicles that use the public streets and highways in Minnesota. Therefore, the exemptions for farm machinery and other off-road vehicles are not considered tax expenditures.

The tax on passenger cars is based on value, and the tax on trucks and buses is based on weight. Although arguments could be made for using either the weight system or the value system in the definition of the tax base, for purposes of this study one system is considered to be a replacement for the other.

## *Computation of the Tax*

The tax on passenger cars, pickup trucks, and vans is $10 plus 1.575% of the base value. Base value is the manufacturer's suggested retail price, including destination charges but excluding separately-stated options. The percentage of base value used to compute the tax decreases with the age of the vehicle: 100% in the first year, declining by five percentage points for the second and third year, 10 percentage points for years four through eight, and 15 percentage points for years nine and 10 so that it reaches 10% in the 10$^{th}$ year. The flat tax for vehicles over 10 years old and the minimum tax for all vehicles are both $20.All-electric vehicles are subject to an additional $75 surcharge.

The tax on trucks, tractors, and buses is based on the type, weight, and age of the vehicle. A minimum tax applies, the amount of which is determined by the type of vehicle.

The tax is paid when the vehicle is first registered and annually thereafter upon renewal.

## *Exemptions*

### 14.1.01 Local Government Vehicles

Minnesota Statutes, Section 168.012, Subd. 1, Subd. 6, and Subd. 10

Vehicles owned or leased by a political subdivision of the state are exempt from the motor vehicle registration tax. Exempt vehicles include ambulances, fire trucks, utility fleets, police vehicles, and buses owned by city transit companies. Publicly-owned school buses are estimated separately in Item 14.1.02.

The exemption for government vehicles was enacted in 1921 and was last modified in 1996.

An estimated 48,100 vehicles qualify for this exemption.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the motor vehicle registration tax rate could be reduced to 1.552%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| Highway User Tax Distribution Fund | $14,000,000 | $14,100,000 | $14,700,000 | $15,600,000 |

### 14.1.02 School Buses

Minnesota Statutes, Section 168.012, Subd. 1(a)(2) and Subd. 10

Vehicles owned or leased and used by educational institutions for the sole purpose of transporting students to and from those institutions are exempt from the motor vehicle registration tax.

Government owned or leased buses other than school buses are included in the exemption for government vehicles (Item 14.1.01). School buses used exclusively for student transportation under contract with a school district are not exempted from the tax but are subject to a flat tax of $25 instead of the regular tax (Item 14.2.01).

This exemption was enacted in 1933 and was extended to leased vehicles in 1982.

An estimated 5,300 vehicles qualify for this exemption.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the motor vehicle registration tax rate could be reduced to 1.574%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| Highway User Tax Distribution Fund | $900,000 | $1,000,000 | $1,100,000 | $1,100,000 |

## 14.1.03 Nonresident Military Personnel

Minnesota Statutes, Section 168.04, Subd. 1

An exemption from the motor vehicle registration tax is allowed for a motor vehicle that is owned by a nonresident who is a member of the Armed Forces stationed in Minnesota if the following four conditions are met: the vehicle is properly registered in another state; the owner is a resident of the state in which the vehicle is registered; the vehicle is used only for the owner's personal transportation; and the vehicle is subject to all other provisions of law applicable to vehicles owned by Minnesota residents.

This provision was enacted in 1967 and was last modified in 1981.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the motor vehicle registration tax rate could be reduced to 1.575%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| Highway User Tax Distribution Fund | $300,000 | $300,000 | $400,000 | $400,000 |

## 14.1.04 Medal of Honor Recipients and Former Prisoners of War

Minnesota Statutes, Sections 168.031(b), 168.124 and 168.125

Congressional Medal of Honor recipients may obtain special license plates with "Medal of Honor" on them, and former prisoners of war may obtain special license plates with "EX-POW" on them. In each case, the recipient is issued these plates, as well as all renewals, exempt from the motor vehicle registration tax.

The exemption for medal of honor recipients was enacted in 1983. The exemption for former prisoners of war was enacted in 1993.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the motor vehicle registration tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| Highway User Tax Distribution Fund | * | * | * | * |

## 14.1.05 Disabled Veterans

Minnesota Statutes, Section 168.031(b)

A motor vehicle which has been furnished free, in whole or in part, by the United States government to a disabled war veteran is exempt from the motor vehicle registration tax.

This provision was enacted in 1941,modified in 1971, and expanded in 2023 to all total service-connected disabled veterans.

Approximately 10,200 vehicles qualify for this exemption.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the motor vehicle registration tax rate could be reduced to 1.573%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| Highway User Tax Distribution Fund | $1,500,000 | $1,700,000 | $1,900,000 | $2,000,000 |

*Less Than $50,000

## 14.1.06 Transport of Disabled Persons by Nonprofit Charities

Minnesota Statutes, Section 168.012, Subd. 1(a)(4)

An exemption from the motor vehicle registration tax is provided for a motor vehicle owned by a nonprofit charity and used exclusively to transport disabled persons for charitable, religious, or educational purposes.

This exemption was enacted in 1987 and was changed in 2005 to include charitable and religious purposes in addition to educational purposes.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the motor vehicle registration tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| Highway User Tax Distribution Fund | $100,000 | $100,000 | $100,000 | $100,000 |

## 14.1.07 Driver Education Programs at Nonpublic High Schools

Minnesota Statutes, Section 168.012, Subd. 1(a)(3)

Vehicles used solely in driver education programs at nonpublic high schools are exempt from the motor vehicle registration tax.

This provision was enacted in 1990.

Four non-public high schools have approved driver education programs.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the motor vehicle registration tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| Highway User Tax Distribution Fund | * | * | * | * |

## 14.1.08 Commercial Driving Schools

Minnesota Statutes, Section 168.012, Subd. 1(a)(7)

A vehicle owned by a licensed commercial driving school, or by an employee of the school, and used exclusively for driver education and training is exempt from the motor vehicle registration tax.

This exemption was enacted in 1999 and was last modified in 2000.

Approximately 150 commercial driving schools in Minnesota qualify for this exemption.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the motor vehicle registration tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| Highway User Tax Distribution Fund | $200,000 | $200,000 | $300,000 | $300,000 |

*Less Than $50,000

### 14.1.09 Private Ambulance Services

Minnesota Statutes, Section 168.012, Subd. 1(a)(6)

Ambulances owned by private ambulance services licensed under Minnesota Statutes, Section 144E.10, are exempt from the motor vehicle registration tax. To qualify, the appearance of the ambulance must be unmistakable.

This exemption was enacted in 1990. Ambulances owned by local units of government have been exempt since 1921 and are included in Item 14.1.01.

Approximately 590 ambulances qualify for this exemption.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the motor vehicle registration tax rate could be reduced to 1.572%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| Highway User Tax Distribution Fund | $1,800,000 | $1,800,000 | $1,800,000 | $1,800,000 |

## *Preferential Computation*

### 14.2.01 Buses Contracted for Student Transportation

Minnesota Statutes, Section 168.013, Subd. 18

An annual tax of $25 applies to each school bus used exclusively for student transportation under contract with a school district or used for nonprofit educational institutions. The $25 tax is lower than the regular tax on buses which is based on weight.

School buses owned by the educational institutions are exempt from the registration tax and are estimated separately in Item 14.1.02.

This provision was enacted in 1971.

Approximately 7,400 school buses qualified for this provision in 2023.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the motor vehicle registration tax rate could be reduced to 1.574%.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| Highway User Tax Distribution Fund | $400,000 | $400,000 | $400,000 | $400,000 |

# Chapter 15: Aircraft Registration Tax

## *Collections and History*

In fiscal year 2024, revenues from the aircraft registration tax were $3.9 million. All the proceeds from this tax go into the State Airports Fund.

The aircraft registration tax was enacted in 1945, and the basic structure and rate of the tax remained the same until 2013, when the structure of tax was changed.

Until 2014, the tax was 1% of value. The value was the base price of the aircraft, which was the manufacturer's list price, reduced for depreciation. The depreciation allowed was 10% for the second year and 15% for successive years. The value was subject to a minimum tax which was the greater of 25% of the tax computed on the original base price or $50.

## *Tax Base*

The tax base for the aircraft registration tax is the value of noncommercial aircraft which regularly use the airspace over Minnesota and airports in Minnesota. Technically, the base applies to aircraft operating without a certificate of convenience and necessity issued by the United States Department of Transportation.

## *Computation of the Tax*

The aircraft registration tax is imposed upon aircraft which are used privately and which use the airspace over Minnesota and airports in Minnesota.

Since 2014, the tax is determined by a schedule according to the base price of the aircraft. Because depreciation does not apply, the tax is the same amount each year.

| Aircraft Base Price | Annual Tax |
|---:|---:|
| Less than $500,000 | $100 |
| 500,000–999,999 | 200 |
| 1,000,000–2,499,999 | 2,000 |
| 2,500,000–4,999,999 | 4,000 |
| 5,000,000–7,499,999 | 7,500 |
| 7,500,000–9,999,999 | 10,000 |
| 10,000,000–12,499,999 | 12,500 |
| 12,500,000–14,999,999 | 15,000 |
| 15,000,000–17,499,999 | 17,500 |
| 17,500,000–19,999,999 | 20,000 |
| 20,000,000–22,499,999 | 22,500 |
| 22,500,000–29,999,999 | 25,000 |
| 25,000,000–27,499,999 | 27,500 |
| 27,500,000–29,999,999 | 30,000 |
| 30,000,000–39,999,999 | 50,000 |
| 40,000,000 or more | 75,000 |

The tax is paid when the aircraft is first registered and annually thereafter.

## *Exemption*

### 15.1.01 Civil Air Patrol Aircraft

Minnesota Statutes, Section 360.55, Subd. 3 and 360.531, Subd. 2

Aircraft owned and used solely in the transaction of official business by the Civil Air Patrol are exempt from the aircraft registration tax.

This exemption was enacted in 1957.

25 aircraft currently are allowed an exemption under this provision.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the aircraft registration tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State Airports Fund | * | * | * | * |

## *Preferential Computation*

### 15.2.01 Maximum Tax for Agricultural Aircraft

Minnesota Statutes, Section 360.55, Subd. 8 and Section 360.531, Subd. 2

The aircraft registration tax is a maximum of $500 for aircraft registered with the Federal Aviation Administration as restricted category aircraft used for agricultural purposes. To qualify, the aircraft must be owned and operated solely for agricultural operations and purposes. The fiscal impact measures the difference between the $500 and the tax that would otherwise be imposed.

This provision was enacted in 1999.

Ten aircraft received this tax benefit in fiscal year 2024.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the change in the aircraft registration tax rate would be negligible.

| Fiscal Year | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|
| State Airports Fund | * | * | * | * |

*Less Than $50,000

# Chapter 16: Cannabis Gross Receipts Tax

## *Collections and History*

Revenues from the cannabis gross receipts tax totaled $11.6 million in fiscal year 2024. Twenty percent of the revenue from the cannabis gross receipts tax is deposited in the Local Government Cannabis Aid Account within the Special Revenue Fund. Remaining revenues from the cannabis gross receipts tax go into the State General Fund.

The Minnesota cannabis gross receipts tax was enacted in 2023 and became effective on July 1, 2023, at a rate of 10.0%.

## *Tax Base*

For purposes of this study, the tax base for the cannabis gross receipts tax is defined as the gross receipts from the retail sale of cannabis products to the final user.

Items purchased for resale in the regular course of business are not included in the tax base because they are not a sale to the final user. In agricultural and industrial production, the purchases of raw materials, and products consumed directly in the production process are considered to be for resale, and therefore the exemption of these items is not a tax expenditure.

## *Computation of the Tax*

The cannabis gross receipts tax is imposed on the gross receipts from taxable retail sales of cannabis products made by any person in Minnesota. The complementary use tax is imposed on the storage, use, distribution, or consumption in Minnesota of taxable cannabis products unless the Minnesota cannabis gross receipts tax was paid on the sales price. The rate for both the cannabis gross receipts tax and the use tax is 10.0%.

Generally, a retail sale of a cannabis product is subject to the tax unless it is specifically exempted by law. Taxable sales also include: the purchase of a cannabis or THC-infused beverage that is consumed on-site.

The tax is imposed on the sales price of the item, which is defined as the total consideration valued in money, whether paid in money or otherwise. Exclusions from the sales price include property taken in trade for resale, cash discounts, and separately-stated interest, finance, or carrying charges.

If a cannabis product subject to tax is included in a bundled transaction, the entire sales price of the bundled transaction is subject to the cannabis gross receipts tax.

The cannabis gross receipts tax is paid by the purchaser to the seller; the seller collects and remits the tax to the state. The use tax is paid directly by the purchaser to the state.

## *Exemption*

### 16.1.01 Out of State Consumer Purchases

Minnesota Statutes, Section 295.81, Subd. 4(a)

The cannabis gross receipts use tax does not apply to the possession, use, or storage of taxable cannabis products if:

(1) the taxable cannabis products have an aggregate cost in any calendar month to the customer of $100 or less, and

(2) the taxable cannabis products were carried into this state by the customer.

This provision was enacted in 2023.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the cannabis gross receipts tax rate could be reduced to 6.8%.

| Fiscal Year | | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|
| State Fund | Cannabis | $5,500,000 | $5,600,000 | $5,700,000 | $5,800,000 |

### 16.1.02 Home Grown Cannabis

Minnesota Statutes, Section 342.09
Minnesota Statutes 2023, Section 295.81

Minnesota Statutes, Section 342.09, establishes the regulatory framework for personal cannabis cultivation. The law permits up to eight cannabis plants per household, with a maximum of four mature plants at any given time. Cultivation must occur in a secure, enclosed space not visible to the public. These regulations aim to balance personal use rights with public safety concerns.

Homegrown cannabis for personal use is exempt from taxation in Minnesota. The state's cannabis tax laws, such as Minnesota Statutes 2023, Section 295.81, focus on commercial sales and retail distribution, applying taxes to gross receipts from these transactions. This distinction ensures that individuals growing cannabis for personal use are not subject to taxation on their plants.

This provision was enacted in 2023.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the cannabis gross receipts tax rate could be reduced to 5.3%.

| Fiscal Year | | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|
| State Fund | Cannabis | $10,200,000 | $10,300,000 | $10,400,000 | $10,400,000 |

## 16.1.03 Medical Cannabis

Minnesota Statutes, Section 152.22, Subdivision 6
Minnesota Statutes, Section 152.22

Minnesota's medical cannabis program was established in 2014 and was limited to non-smokable forms for a narrow list of conditions. Significant expansion came in 2021 which broadened the definition of "medical cannabis" to include dried raw cannabis and infused edibles. The program's qualifying conditions have also been expanded.

This provision was most recently modified in 2023 with the legalization of recreational cannabis.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the cannabis gross receipts tax rate could be reduced to 6.0%.

| Fiscal Year | | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|
| State Fund | Cannabis | $7,900,000 | $8,700,000 | $9,200,000 | $9,700,000 |

## 16.1.04 Cannabis Sold on Tribal Lands

Minnesota Statutes, Section 295.81, Subd. 4(d)
Minnesota Statutes, Section 297A.67, Subd. 39

In 2014, the state legalized medical cannabis for non-smokable forms, later expanding the program in 2021 to include raw cannabis and edibles. Recreational cannabis was legalized in 2023. Sales of recreational cannabis are subject to the state sales tax and the cannabis gross receipts tax. Medical cannabis is exempt from both the state sales tax and the cannabis gross receipts tax (See Item 16.1.03).

Sales of cannabis made in Indian country (United States Code, title 18, section 1151), by a cannabis business licensed by a Minnesota Tribal government (Minnesota Statutes, Sec. 3.9228, Subd. 1, Paragraph f) are exempt from the cannabis gross receipts tax and the state sales tax.

Any cannabis gross receipts use tax owed on taxable cannabis products purchased on Tribally regulated land from a cannabis business licensed by a Minnesota Tribal government is also exempt.

**Revenue Neutral Rate:** If the tax expenditure were repealed, the cannabis gross receipts tax rate could be reduced to 9.8%.

| Fiscal Year | | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|
| State Fund | Cannabis | $200,000 | $1,000,000 | $2,200,000 | $3,200,000 |

# Appendix A: Minnesota Statute Requiring the Tax Expenditure Budget

## *270C.11 Tax Expenditure Budget.*

Subdivision 1.**Statement of purpose.** State governmental policy objectives are sought to be achieved both by direct expenditure of governmental funds and by the granting of special and selective tax relief or tax expenditures. Both direct expenditures of governmental funds and tax expenditures have an effect on the ability of the state and local governments to lower tax rates or to increase expenditures. As a result, tax expenditures should receive a regular and comprehensive review by the legislature as to (1) their total cost, (2) their effectiveness in achieving their objectives, (3) their effect on the fairness and equity of the distribution of the tax burden, and (4) the public and private cost of administering tax expenditure financed programs. This section is intended to facilitate a regular review of the state and local tax expenditure budget by the legislature by providing for the preparation of a regular biennial tax expenditure budget.

Subd. 2.**Preparation; submission.** The commissioner shall prepare a tax expenditure budget for the state. The tax expenditure budget report shall be submitted to the legislature by November 1 of each even-numbered year.

***[See Note.]***

Subd. 3.**Period covered.** The report shall include estimates of annual tax expenditures for, at a minimum, a three-year period including the two-year period covered in the governor's budget submitted in the preceding January pursuant to section 16A.11.

Subd. 4.**Contents.** (a) The report shall detail for each tax expenditure item:

(1) the amount of tax revenue forgone;

(2) a citation of the statutory or other legal authority for the expenditure;

(3) the year in which it was enacted or the tax year in which it became effective;

(4) the purpose of the expenditure, as identified in the enacting legislation in accordance with section 3.192 or by the Tax Expenditure Review Commission;

(5) the incidence of the expenditure, if it is a significant sales or income tax expenditure; and

(6) the revenue-neutral amount by which the relevant tax rate could be reduced if the expenditure were repealed.

(b) The report may contain additional information which the commissioner considers relevant to the legislature's consideration and review of individual tax expenditure items. This may include but is not limited to analysis of whether the expenditure is achieving that objective and the effect of the expenditure on the administration of the tax system.

***[See Note.]***

Subd. 5.**Revenue estimates; legislative bills.** Upon reasonable notice from the chair of the house of representatives or senate tax committee that a bill is scheduled for hearing, the commissioner shall prepare an estimate of the effect on the state's tax revenues which would result from the passage of a legislative bill establishing, extending, or restricting a tax expenditure. These revenue estimates shall contain the same information as provided in subdivision 4 for expenditure items contained in the tax expenditure budget, as appropriate.

Subd. 6.**Definitions.** For purposes of this section, the following terms have the meanings given:

(1) "business tax credit" means:

(i) a credit against the corporate franchise tax claimed by a C corporation; or

(ii) a credit against the individual or fiduciary income tax claimed by a pass-through entity that is allocated to its partners, members, or shareholders;

(2) "pass-through entity" means a partnership, limited liability corporation, or S corporation;

(3) "significant tax expenditure" means a tax expenditure, but excluding any tax expenditure that:

(i) is incorporated into state law by reference to a federal definition of income;

(ii) results in a revenue reduction of less than $10,000,000 per biennium; or

(iii) is a business tax credit;

(4) "tax expenditure" means a tax provision which provides a gross income definition, deduction, exemption, credit, or rate for certain persons, types of income, transactions, or property that results in reduced tax revenue, but excludes provisions used to mitigate tax pyramiding;

(5) "tax" means any tax of statewide application or any tax authorized by state law to be levied by local governments generally. It does not include a special local tax levied pursuant to special law or to a special local tax levied pursuant to general authority that is no longer applicable to local governments generally; and

(6) "tax pyramiding" means imposing sales taxes under chapter 297A on intermediate business-to-business transactions rather than sales to final consumers.

***[See Note.]***

**History:** *2005 c 151 art 1 s 13; 1Sp2021 c 14 art 11 s 14-16*

**NOTE:** The amendments to subdivisions 2, 4, and 6 by Laws 2021, First Special Session chapter 14, article 11, sections 14 to 16, are effective for tax expenditure budgets due on or after November 1, 2023. Laws 2021, First Special Session chapter 14, article 11, sections 14 to 16, the effective dates.

# THE ANNUAL TAX EXPENDITURE REPORT

November 2025

University Research Center
Mississippi Institutions of Higher Learning
Jackson, Mississippi

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# THE ANNUAL TAX EXPENDITURE REPORT

## INTRODUCTION

The Tax Expenditure Annual Report Act and the Economic Development Reorganization Act require the University Research Center to prepare an annual tax expenditure report. This document is the thirty-sixth of such annual reports.

The Tax Expenditure Annual Report Act defines a tax expenditure as "any statutory provision or state agency regulation which exempts, in whole or in part, any specific class or classes of persons, income, goods, services, or property from the impact of established state taxes, including, but not limited to, those provisions known as tax deductions, tax allowances, tax exclusions, tax credits, and tax exemptions."

The purpose of preparing a tax expenditure report is to show that revenues foregone due to provisions in the tax codes have the same effect as direct budgetary expenditures. Another purpose is to provide a vehicle for annual legislative review of tax expenditures similar to the review that direct expenditures receive through the appropriation process.

For instance, it may be the intent of the governor and the legislature that the state finance a portion of the cost of energy conservation and thereby reduce energy consumption. One approach to achieving this goal would be to appropriate, through the general fund, money to supplement the purchase and installation of home insulating materials. An alternative would be to provide a tax credit, exemption, or deduction for expenditures for home insulation. Both approaches achieve the same general purpose, but there are predictable differences in the distribution of the impact among taxpayers in different income categories. Using the first approach keeps more money in the general fund and prevents tax revenues from declining, while the second approach causes the general fund budget to remain unchanged and tax revenues to decline. Because there is a clear political preference for cutting revenues over raising expenditures, the second approach is more likely to be approved although it has the same net budgetary effect as the first. Furthermore, since most tax expenditures, once enacted, become permanent provisions in the tax code, they are more likely to reoccur year after year. A general fund direct expenditure can only be made in a particular fiscal year after an appropriation of state funds is made. In almost all cases, such appropriations are approved for only one year, and the continuation of an expenditure or a similar expenditure in a subsequent year requires another appropriation.

The primary difficulty in establishing a tax expenditure report is the accurate identification of the relevant tax base that is to be used as a point of departure for tax expenditures. In some cases, the language of the law is clear, and original intent can easily be inferred from the statutes. In other cases, the original intent of the statute can only be surmised, and in these cases there will exist differences of opinions. In fact, a careful examination of the language of the statutes reveals that several tax code provisions generally perceived to be tax expenditure items do not fall within the usual definition.

In this document strict adherence to the language of the statutes is always the basis for developing tax expenditures. However, in keeping with implied legislative intent and in consideration of the intensity of debate concerning certain provisions in the tax laws, provisions in the law other than those which conform to the strictest definition of a tax expenditure have also been included. In each of these cases, the departure from strict interpretation is clearly noted. For instance, the sale of feed, seed, fertilizers, herbicides, and other materials used in farming is exempted in § 27-65-103 of the Mississippi Code of 1972 (Supp.) from the sales tax and as such could be considered a tax expenditure. However, § 27-65-7 of the 1972 Code states that retail sales do not include sales

made to a wholesaler, jobber, manufacturer, or custom processor for resale or for further processing. Section 27-65-7 appears to suggest that inputs into production processes are not items subject to the sales tax; it can be inferred from a practical, if not from a strictly legal, position that sales of feed, seed, fertilizers, herbicides, and other materials when sold to persons who are engaged in the business of producing agricultural products are not, indeed, part of the relevant tax base and that the exemption is not a true tax expenditure.

## Measuring Tax Expenditures

The estimates in this report are based on the following: 2023 income tax returns, statistical information obtained from sales and use tax returns filed with the Mississippi Department of Revenue, information obtained from specific taxpayers, trade organizations, etc.

In accordance with the Tax Expenditure Annual Report Act, an estimate is provided in this report for most of the tax expenditures listed. In some cases where a tax base is established and the tax expenditure involves only a differential tax rate, these estimates are considered fairly reliable. In other cases where there is no existing statutory tax base and no tax experience to draw from, such as in an outright exemption or exclusion, the estimation procedure must be less exact and the estimates are considerably less reliable. In this report, those estimates which are clearly less reliable are in italics. In certain cases there exists no reliable basis for estimation and any attempt to estimate would be at best worthless and could, in fact, be misleading and therefore detrimental. These cases have been noted "Information Not Available."

Regardless of the accuracy of the estimates, it must be noted that any change in taxation normally brings a change in taxpayer behavior in order to avoid or reduce taxes. Resources and economic activity always tend to flow away from heavily taxed sectors and towards untaxed or less heavily taxed sectors. Thus, while the estimates of tax expenditures are unbiased with respect to *current* economic activity receiving preferential treatment, eliminating that preferential treatment would cause some of that activity to disappear and the tax expenditure estimate would overstate actual revenues realized.

There is also an overlap problem in tax expenditures. Some of the tax expenditures related to individual income tax overlap each other. In particular, the standard deduction overlaps part of the sum of all itemized deductions. For example, under Mississippi law, a married taxpayer filing jointly may take the standard deduction of $4,600 or the sum of all itemized deductions, presumably only if they exceed $4,600. If the mortgage interest deduction is $2,000 for a particular taxpayer whose total itemized deductions equal $4,000, the loss of the mortgage interest deduction would generate $600 rather than $2,000 in taxable income taxed at 4% and 5% unless the standard deduction also was eliminated. In fact, the elimination of all itemized deductions would increase taxable income by only $600 in this example. Therefore, in the separate estimates for itemized deductions and the standard deduction, there is an overlap which would exist unless both standard and itemized deductions were eliminated simultaneously.

# CORPORATE INCOME TAX EXPENDITURES

In taxing the earnings of corporations, the state of Mississippi uses a definition of taxable income which corresponds closely to the federal definition of taxable income. Corporations are allowed to deduct from their gross earnings certain operating expenses and other items of expenditure. Corporations are also allowed to credit certain expenses against their state tax liability.

## CORPORATE CREDITS

Credit for Finance Company Privilege Tax Paid for Same Tax Year - Mississippi Code of 1972 (Supp.), § 27-21-3 through § 27-21-9

Those corporations whose business includes lending money secured by mortgages, trust receipts, retained title, or purchase contracts including discounting on motor vehicles, furniture, etc., or any other tangible personal property are levied an annual statewide privilege tax based upon the value of securities held. Mississippi finance companies to which this privilege tax applies are allowed a tax credit on their corporate income tax equal to the amount of privilege tax paid for such calendar year based on income derived exclusively from the business which measures the annual statewide privilege tax levied. However, the credit allowed shall not exceed the amount of income tax due. The apparent purpose of this measure is to eliminate a potential source of double taxation.

**Estimated FY 2026 Tax Expenditure: $1,200,000**

Jobs Tax Credit - Mississippi Code of 1972 (Supp.), § 57-73-21, § 27-7-22.17 and § 27-7-22.19

(1) A credit is allowed for increasing employment levels in certain types of business. For a credit to be allowed, the business must be primarily engaged in manufacturing, processing, warehousing, distribution, wholesaling, or research and development; or designated by the Mississippi Development Authority as air and transportation maintenance facilities, resort hotels having a minimum of 150 rooms, recreational facilities that impact tourism, movie industry studios, telecommunications companies, data or information processing companies, computer software development enterprises, or any technology-intensive facilities. The total of the Jobs Tax Credit, the Headquarters Credit and the R&D Skills Credit, cannot exceed 50% of the total income tax due.

(2) The amount of the credit is determined by the classification of the county in which the qualified job is located. The 82 counties are divided into 3 groups or classifications:

| County Classification | Minimum Number of New Jobs Created | Credit Per Job |
|---|---|---|
| Tier Three (Less Developed) | 10 or more | 10% of payroll |
| Tier Two (Moderately Developed) | 15 or more | 5% of payroll |
| Tier One (Developed) | 20 or more | 2.5% of payroll |

In lieu of those provided for in § 57-73-21, a jobs tax credit is earned by a permanent business enterprise and members of the affiliated group operating certain projects that create at least 3,000 new full-time jobs and to integrated suppliers who create at least twenty full-time jobs located on the project site. The taxpayer can select the date the credit commences, but it cannot be more than five years after commercial production has begun. Permanent business enterprises and members of its affiliated group operating the project are allowed a credit equal to $5,000 annually for each net new full-time employee for a period of twenty years. This credit can offset 100% of the income tax due from the earnings of the project. Integrated suppliers are allowed a credit equal to $1,000 annually for each new net full-time employee for five years and cannot exceed 50% of the total income tax due.

**Estimated FY 2026 Tax Expenditure: $10,100,000**

National Headquarters Credit - Mississippi Code of 1972 (Supp.), § 57-73-21

A credit of $500, $1,000, or $2,000 (dependent upon average annual wage) for each net new full-time employee is authorized for any company establishing or transferring its national or regional headquarters from within or outside the State of Mississippi and creating a minimum of twenty jobs at the headquarters. The minimum increase of twenty jobs must occur within one year.

An additional credit, the Headquarters Relocation Credit, is authorized for any company that transfers or relocates its national or regional headquarters to the State of Mississippi from outside the State of Mississippi in an amount equal to the actual relocation costs paid by the company. A minimum of twenty jobs must be created in order to qualify for the additional credit. The tax credit shall be applied for the taxable year in which the relocation costs are paid. The total of the Jobs Tax Credit, the Headquarters Credit and the R&D Skills Credit cannot exceed 50% of the total income tax due. The credit is limited to 50% of the income tax liability in each year and any credit claimed but not used in any taxable year may be carried forward five years from the close of the tax year in which the relocation costs were paid. A company may not receive a credit for the relocation of an employee more than one time in a twelve-month period for that employee. The maximum cumulative amount of tax credit that may be claimed by all taxpayers in any one fiscal year shall not exceed $1,000,000.

**Estimated FY 2026 Tax Expenditure: $0**

Research and Development Job Skills Credit - Mississippi Code of 1972 (Supp.), § 57-73-21

A credit of $1,000 is authorized for each full-time employee in any new job requiring research and development skills. Specific examples of jobs requiring research and development skills are chemists and engineers. Qualification of other jobs for this credit would require as a minimum a bachelor's degree in a scientific or technical field of study from an accredited four-year college or university, employment in the area of expertise and compensation at a professional level. The total of the Jobs Tax Credit, the Headquarters Credit and the R&D Skills Credit cannot exceed 50% of the total income tax due. The credit can be carried forward for up to five years.

**Estimated FY 2026 Tax Expenditure: $6,400**

Employer Dependent Care Credit - Mississippi Code of 1972 (Supp.), § 57-73-23

An income tax credit is allowed to any employer providing dependent day care (both children and adult) for its employees during the employees' working hours or assisting community-provided day care. The expenses must be incurred in the operation of a program certified by the Mississippi Department of Health and may only be claimed in the tax year in which the expenses are actually paid. An income tax credit is also allowed to any employer who provides a childcare stipend of at least $6,000 to a licensed or registered entity providing dependent child care in the State of Mississippi for an employee's children during the employee's work hours. The credit is equal to 50% of the income tax liability. Any excess credit will not be refunded but can be carried forward for up to five years.

**Estimated FY 2026 Tax Expenditure: $0**

Gambling License Fees Credit - Mississippi Code of 1972 (Supp.), § 75-76-177 and § 75-76-179

Each gambling licensee is subject to a license fee based on the licensee's gross revenue. License fees paid to Mississippi on gross revenues are allowed as a credit against the licensee's Mississippi income tax liability for the same tax year.

**Estimated FY 2026 Tax Expenditure: $14,800,000**

Financial Institution Credit - Mississippi Code of 1972 (Supp.), § 27-7-22.13

A tax credit is allowed to a Mississippi employer which is a financial institution against the income taxes based upon the net gain, if any, in the number of employees of the financial institution where there is a merger, consolidation or purchase of all or substantially all of the assets of another entity that qualifies as a financial institution as defined in Miss. Code Ann. § 27-7-24.1.1. The credit is earned when the transactions are between in-

state and out-of-state financial institutions and is based on the net gain in the number of employees by comparing the employment level in the month the transaction was completed to the employment level for the same month one year following completion of the transaction. The base amount of the credit is $1,500 per employee and may be claimed against the income tax over five years in an amount equal to 100% of the base amount in the tax year the determination was made, 80% in the next year, 60% in the third year, 40% in the fourth year and 20% in the fifth year. The credit allowed shall not exceed the amount of taxes due and shall not be refunded or carried forward to any other taxable year.

**Estimated FY 2026 Tax Expenditure: $0**

Mississippi Business Finance Corporation Revenue Bond Service Credit - (referred to as the RED Program) Mississippi Code of 1972 (Supp.), § 27-7-22.3 and § 57-10-401 through § 57-10-449

An income tax credit is available equal to the total debt service paid on industrial revenue bonds issued by the Mississippi Business Finance Corporation to finance economic development projects to induce the location of manufacturing, telecommunications, data processing, distribution or warehouse facilities within the state. The credit is limited to the lesser of 80% of the total income tax liability or the income tax liability attributable to the income generated by the economic development project as determined by the Mississippi Business Finance Corporation. Any excess credit shall not be refunded and may be carried forward three years.

For any economic development project bonds that were issued prior to July 1, 1997, a job development assessment fee may be levied upon employees whose job was created as a result of the economic project. The assessment fee shall not exceed the following percentages of gross wages of the employee: (a) 2%, if the gross wages are equivalent to $5.00 or more but less than $7.00 per hour; (b) 4%, if the gross wages are equivalent to $7.00 or more but less than $9.00 per hour; and (c) 6% if the gross wages are equivalent to $9.00 or more per hour. An income tax credit is allowed for each employee required to pay the assessment fee in an amount equal to the amount of job assessment fee imposed. Any excess credit shall not be refundable or carried forward to any other taxable year.

**Estimated FY 2026 Tax Expenditure: $9,100,000**

Manufacturing Investment Tax Credit - Mississippi Code of 1972 (Supp.), § 27-7-22.30

An income tax credit is available for a manufacturing enterprise that has operated in Mississippi for two or more years and is equal to 5% of the enterprise's investment in buildings or equipment used in the manufacturing operation. The eligible investment must be at least $1,000,000. The credit can offset up to 50% of the income tax liability in each year reduced by the sum of all other income tax credits. Any excess credit may be carried forward for five years. The maximum credit allowed on any project is $1,000,000.

**Estimated FY 2026 Tax Expenditure: $6,700,000**

Ad Valorem Inventory Tax Credit - Mississippi Code of 1972 (Supp.), § 27-7-22.5

This is an income tax credit for manufacturers, distributors and wholesale or retail merchants for a certain amount of ad valorem taxes paid on commodities, goods, wares and merchandise held for resale. An income tax credit is also for individuals, firms or corporations for ad valorem taxes paid on rental equipment. The tax credit allowed may be claimed for each location where such commodities, raw material, works-in-process, products, goods, wares, merchandise and/or rental equipment are found and upon which the ad valorem taxes have been paid. Any tax credit claimed but not used in any taxable year may be carried forward for five consecutive years from the close of the tax year in which the credit was earned. The credit shall be used as follows: (a) For the 1997 taxable year and each taxable year thereafter through taxable year 2013, the tax credit for each location of the taxpayer shall not exceed the lesser of $5,000 or the amount of income taxes paid attributed to such location; (b) For the 2014 taxable year, the tax credit for each location of the taxpayer shall not exceed the lesser of $10,000 or the amount of income taxes due that are attributable to such location; (c) For the 2015 taxable year, the tax credit for each location of the

taxpayer shall not exceed the lesser of $15,000 or the amount of income taxes due that are attributable to such location; and (d) For the 2016 taxable year and each taxable year thereafter, the tax credit of the taxpayer shall be the lesser of the amount of the ad valorem taxes paid or the amount of income taxes due that are attributable to such location.

The act also provides that any ad valorem taxes paid by a taxpayer that are applied toward the tax credit may not be used as a deduction by the taxpayer for state income tax purposes. Also, if the taxpayer is a partnership or an S corporation, the credit may be applied only to the tax attributable to the partnership or an S corporation income.

**Estimated FY 2026 Tax Expenditure: $50,200,000**

Brownfield Sites Credit - Mississippi Code of 1972 (Supp.), § 27-7-22.16

This is an income tax credit to provide incentives for the cleanup and redevelopment of brownfield sites in the state. An income tax credit is allowed for any party that conducts remediation at a brownfield agreement site and incurs remediation costs for activities under § 49-35-1 through § 49-35-25. The tax credit is equal to 25% of the remediation costs at the site. The annual credit cannot exceed the lesser of $40,000 or the amount of the income tax due. Any unused credit may be carried forward to succeeding tax years with the maximum total credit of $150,000.

**Estimated FY 2026 Tax Expenditure: $0**

Export Charges Credit - Mississippi Code of 1972 (Supp.), § 27-7-22.7

This is an income tax credit that allows taxpayers that utilize the port facilities at state, county, and municipal ports an income tax credit equal to the total export cargo charges paid by the taxpayer for: (a) receiving in the port; (b) handling to a vessel; (c) wharfage. The credit provided shall not exceed 50% of the amount of tax imposed upon the taxpayer for the taxable year reduced by the sum of all other credits. Any unused portion of the credit may be carried forward for the succeeding five years. The maximum cumulative credit that may be claimed by a taxpayer beginning January 1, 1994, and ending December 31, 2005, is limited to $1,200,000. To obtain the credit a taxpayer must provide to the Department of Revenue a statement from the governing authority of the port certifying the amount of charges paid by the taxpayer for which a credit is claimed and any other information required by the Department of Revenue. The repeal date is December 31, 2025.

**Estimated FY 2026 Tax Expenditure: $84,300**

Import Charges Credit - Mississippi Code of 1972 (Supp.), § 27-7-22.23

An income tax credit is allowed for certain taxpayers that utilize the port facilities at state, county and municipal ports equal to certain charges paid by the taxpayer on the import of cargo. In order to be eligible, a taxpayer must locate its United States headquarters in Mississippi on or after July 1, 2004, employ at least five permanent full-time employees who actually work at such headquarters and have a minimum capital investment of $2,000,000 in Mississippi. The amount of the credit allowed shall be the total of the following charges on import of cargo paid by the corporation: [however, it does not apply to the import of forest products] (1) receiving into the port; (2) handling from a vessel; and (3) wharfage. The amount of the credit shall not exceed 50% of the amount of tax imposed upon the taxpayer for the taxable year reduced by the sum of all other credits allowable to such taxpayers, except credit for tax payments made by or on behalf of the taxpayer. Any unused portion of the credit may be carried forward for the succeeding five years. To obtain the credit, a taxpayer must provide to the Department of Revenue a statement from the governing authority of the port certifying the amount of charges paid by the taxpayer for which a credit is claimed and any other information required by the Department of Revenue.

**Estimated FY 2026 Tax Expenditure: $46,100**

Broadband Technology Credit - Mississippi Code of 1972 (Supp.), § 57-87-5

An income tax and franchise tax credit is available for telecommunications enterprises for investments made after June 30, 2003 and before July 1, 2020. The credit is based on a percentage of the cost of equipment used in the deployment of broadband technology. The credit percentage amount is determined on where the equipment is being deployed or placed in service. The percentage amount for each county is 5%, 10% and 15% for Tier 1, Tier 2, and Tier 3 counties, respectively. The annual credit is available beginning in the year the equipment is placed into service and may be taken for that equipment each year for the following nine years. The total amount of credit taken in any one year is only allowed against 50% of the aggregate income and franchise tax liability for that year. The credit is not refundable and any excess credit amount can be carried forward for up to ten consecutive years from the close of the original year in which the excess credit could not be used. The total amount of credits taken over the ten consecutive year period cannot exceed 100% of the original investment in the equipment.

**Estimated FY 2026 Tax Expenditure: $6,900,000 (income only)**

Reforestation Tax Credit - Mississippi Code of 1972 (Supp.), § 27-7-22.15

This credit, based on the costs incurred for certain approved reforestation practices, is an amount equal to the lesser of 50% of the actual cost of approved practices or 50% of the average cost of approved practices as established by the Mississippi Forestry Commission. In any taxable year, the Reforestation Tax Credit (RTC) shall not exceed the lesser of $10,000 or the amount of income tax imposed upon the eligible owner for the taxable year reduced by the sum of all other credits allowable to the eligible owner. The lifetime maximum reforestation tax credit that an eligible owner may utilize is $75,000 in the aggregate. Any unused portion of the RTC may be carried forward to succeeding years. If a taxpayer receives state or federal cost share assistance funds to defray the cost of an approved reforestation practice, the cost of the practice on the same acre or acres of land within the same tax year is not eligible for the credit unless the taxpayer's adjusted gross income is less than the federal earned income credit level. To be eligible for the tax credit, a taxpayer must have a reforestation prescription or plan prepared by a graduate forester of a college, school, or university accredited by the Society of American Foresters or by a registered forester under the Foresters Registration Law of 1977, and the forester must verify in writing that the reforestation practices were completed and the reforestation prescription or plan was followed. The RTC is not available to private corporations which manufacture products or provide public utility services of any type or any subsidiary of such corporations.

**Estimated FY 2026 Tax Expenditure: $16,500**

New Markets Credit - Mississippi Code of 1972 (Supp.), § 57-105-1

An income tax credit and insurance premium tax credit is allowed for taxpayers making investments that qualify for federal income new markets tax credit as defined in § 45D of the Internal Revenue Service Code. The amount of the credit shall be equal to the applicable percentage of the adjusted purchase price paid to the qualified community development entity for the qualified equity investment. The amount of the credit that may be utilized in any one year shall be limited to the total tax liability of the taxpayer for the applicable income, insurance premium, or premium retaliatory tax. The credit shall not be refundable or transferable. Any unused portion of the credit may be carried forward for seven years beyond the credit allowance date on which the credit was earned. The total amount of credit for all taxpayers is capped at $15,000,000 per year.

**Estimated FY 2026 Tax Expenditure: $2,400,000**

Biomass Energy Credit - Mississippi Code of 1972 (Supp.), § 57-105-1

An income investment tax credit is allowed for enterprises owning or operating certain electrical and thermal energy-producing facilities. The credit is equal to 5% of investments made by the enterprise in the initial establishment of an eligible facility. The commencement date shall not be more than two years from the date the eligible facility becomes fully operational. The credit is limited to 50% of the total state income tax liability of the

enterprise for that year that is generated by, or arises out of, the eligible facility. Any credit claimed but not used in any taxable year may be carried forward for five consecutive years.

**Estimated FY 2026 Tax Expenditure: $0**

Historical Structure Rehabilitation Credit - Mississippi Code of 1972 (Supp.), § 27-7-22.31

An income tax credit is allowed for certain costs and expenses in rehabilitating eligible property certified as a historic structure or a structure in a certified historic district that has been determined eligible for the National Register of Historic Places by the Secretary of the United States Department of the Interior and will be listed within thirty months of claiming the credit authorized by this section. The income tax credit is equal to 25% of the total costs and expenses of rehabilitation incurred after January 1, 2006, which shall include, but not be limited to, qualified rehabilitation expenditures as defined under § 47(c)(2)(A) of the IRC. If the amount of the tax credit exceeds the total state income tax liability for the year in which the rehabilitated property is placed in service, the amount that exceeds the total state income tax liability may be carried forward for ten succeeding tax years.

If the amount of the tax credit established by this section exceeds the total state income tax liability, the taxpayer may elect to claim a rebate in the amount of 75% of the amount that would be eligible to claim as a credit. The election must be made in the year in which the rebate is certified. The maximum aggregate amount of historic rehabilitation credit and rebates that may be awarded is $180,000,000.

**Estimated FY 2026 Tax Expenditure: $3,300,000**

Insurance Guaranty Credit - Mississippi Code of 1972 (Supp.), § 83-23-218

A credit is allowed for a member insurer to offset against its premium, franchise, or income tax liability (or liabilities) to the state an assessment as described in § 83-23-217(8) to the extent of 20% of the amount of such assessment, if any, for each year over the next five succeeding years. However, if the offset is less than 20%, any unused balance may be carried over to any succeeding year until such time as the offset provided herein is fully used.

**Estimated FY 2026 Tax Expenditure: $0**

Prekindergarten Credit – Mississippi Code of 1972 (Supp.), § 27-7-22.37

An income tax credit is allowed for qualified prekindergarten program support contributions paid to approved providers, lead partners or collaboratives, not to exceed $1,000,000, by any individual, corporation or other entity having taxable income during calendar year 2013 or during any calendar year thereafter. In order to qualify for the credit, such contributions shall support the local match requirement of approved providers, lead partners, or collaboratives as is necessary to match state-appropriated funds, and any such providers, lead partners, or collaboratives shall be approved by the State Department of Education. Any unused portion of the credit may be carried forward for three years. The maximum amount of donations accepted for year 2014 shall not exceed $8,000,000, in calendar year 2015 shall not exceed $15,000,000, and in calendar year 2016 and calendar years thereafter shall not exceed $32,000,000 or what is appropriated by the Legislature each year.

**Estimated FY 2026 Tax Expenditure: $2,700,000**

Business Contributions to Eligible Charitable Organizations Credit

A business credit is allowed for voluntary cash contributions made to eligible charitable organizations. The credit is limited to 50% of the total tax liability of the taxpayer and any credit claimed but not used in any taxable year may be carried forward for five consecutive years. Credits earned by a partnership, limited liability company, S corporation or other similar pass-through entity shall be allocated among all partners, members or shareholders respectively. The aggregate amount of tax credits that may be allocated during a calendar year shall not exceed $5,000,000.

**Estimated FY 2026 Tax Expenditure: $5,600,000**

Endowment Fund Charitable Credit

An income tax credit is allowed for qualified charitable contributions made to endowment funds held by community foundations in Mississippi. The credit is equal to 25% of qualified contributions made to endowment funds in any one calendar year. The minimum amount of a qualified contribution shall be $1,000 and the maximum amount shall be $500,000. The aggregate amount of tax credits authorized cannot exceed $1,000,000 in any one calendar year.

**Estimated FY 2026 Tax Expenditure: $1,700**

## Corporate Incentives

Redevelopment Project Incentive Fund - Mississippi Code of 1972 (Supp.), § 57-91-9

An incentive program to encourage economic development in areas where environmentally contaminated sites are located. Income and franchise taxes paid by enterprises located on approved sites shall be deposited into the Redevelopment Project Incentive Fund. Incentive payments from this fund shall be made by the Mississippi Development Authority to developers in connection with a redevelopment project. The Mississippi Development Authority shall make the calculations necessary to make the payments provided for in this section. Payments will be made to approved participants on a semiannual basis with payments being made in the months of January and July. These incentive payments differ from a credit because the developer receives these payments from the taxes paid by businesses locating within the approved development site.

**Estimated FY 2026 Tax Expenditure: $111,000 (Income only)**

## Corporate Deductions

Capital Gains Exempt - Mississippi Code of 1972 (Supp.), § 27-7-9

No gain shall be recognized from the sale of authorized shares in financial institutions domiciled in Mississippi and domestic corporations or partnership interests in domestic limited partnerships and domestic limited liability companies that have been held for more than one year; however, any gain that would otherwise be excluded by this provision shall first be applied against, and reduced by, any losses determined from sales or transactions described by this provision if the losses were incurred in the year of the gain or within the two years preceding or subsequent to the gain.

**Estimated FY 2026 Tax Expenditure: Information not available**

General Expenses Associated with the Cost of Doing Business - Mississippi Code of 1972 (Supp.), § 27-7-17

Mississippi statutes allow for deduction from gross corporate income all reasonable expenses associated with operating a taxable business. These provisions are consistent with the concept of taxable income and are not considered to be tax expenditures. They include the following:

- Miscellaneous business expenses
- Interest expense
- Taxes
- Business losses
- Depreciation
- Depletion
- Bad debts

Since each of these business expenses is outside the relevant tax base, no estimated fiscal impact has been generated for this report.

Charitable Contributions - Mississippi Code of 1972 (Supp.), § 27-7-17(h)

Contributions or gifts made by corporations within the taxable year are deductible when made to: corporations, organizations, associations, or institutions, including Community Chest funds, foundations, and trusts created solely and exclusively for religious, charitable, scientific, or educational purposes, or for the prevention of cruelty to children or animals. This deduction is allowed in an amount not to exceed 20% of net income.

**Estimated FY 2026 Tax Expenditure: Information not available**

Reserve Funds - Mississippi Code of 1972 (Supp.), § 27-7-17(l)

In the case of insurance companies, the net additions required by law to be made within the taxable year to reserve funds are deductible when such reserve funds are maintained for the purposes of liquidating policies at maturity.

**Estimated FY 2026 Tax Expenditure: Information not available**

Annuity Income - Mississippi Code of 1972 (Supp.), § 27-7-17(j)

The sums, other than dividends, paid within the taxable year on policy or annuity contracts are deductible when such income has been included in gross income. The purpose of this provision is to comply with federal tax codes.

**Estimated FY 2026 Tax Expenditure: Information not available**

Contributions to Employee Pension Plans - Mississippi Code of 1972 (Supp.), § 27-7-17(k)

Contributions made by an employer to a plan or a trust forming part of a pension plan, stock bonus plan, disability or death-benefit plan, or profit-sharing plan of such employer for the exclusive benefit of some or all employees or beneficiaries, shall be deductible from income only to the extent that, and for the taxable year in which, the contribution is deductible for federal income tax purposes under the IRC of 1986 and any other provisions of similar purport in the Internal Revenue Laws of the United States, and the rules, regulations, rulings, and determinations promulgated thereunder, provided that:

1) The plan or trust be irrevocable.
2) The plan or trust constitute a part of a pension plan, stock bonus plan, disability or death-benefit plan, or profit-sharing plan for the exclusive benefit of some or all of the employer's employees and/or officers, or their beneficiaries, for the purpose of distributing the corpus and income of the plan or trust to such employees and/or officers, or their beneficiaries.
3) No part of the corpus or income of the plan or trust can be used for purposes other than for the exclusive benefit of employees and/or officers, or their beneficiaries.

Contributions to all plans or to all trusts of real or personal property (or real and personal property combined) or to insured plans created under a retirement plan for which provision has been made under the laws of the United States, making such contributions deductible from income for federal income tax purposes, shall be deductible only to the same extent under the income tax laws of the state of Mississippi. The purpose of this provision is to comply with federal tax codes.

**Estimated FY 2026 Tax Expenditure: Information not available**

Net Operating Loss Carryback and Carryover - Mississippi Code of 1972 (Supp.), § 27-7-17(l)

For any taxable years ending after December 31, 2001, net operating losses have a carryback of two periods and a carryforward of twenty periods. The term net operating loss, for the purposes of this paragraph, shall be the excess of the deductions allowed over the gross income; provided, however, the following deductions shall not be allowed in computing same:

1) No net operating loss deduction shall be allowed.
2) No personal exemption deduction shall be allowed.

3) Allowable deductions which are not attributable to taxpayer's trade or business shall be allowed only to the extent of the amount of gross income not derived from such trade or business.

**Estimated FY 2026 Tax Expenditure: Information not available**

Dividend Distributions - Mississippi Code of 1972 (Supp.), § 27-7-17(n)

Real estate investment trust, or REIT, shall have the meaning ascribed to such term in IRC § 856. A REIT is allowed a dividend distributed deduction if the dividend distributions meet the requirements of IRC § 857 or is otherwise deductible under IRC § 858 or § 860. In addition:

- Dividend distributed deductions are only allowed for dividends paid by a publicly traded REIT;
- Restrictions are placed on deduction of certain other dividend distributions.

**Estimated FY 2026 Tax Expenditure: Information not available**

Dividends for Holding Companies - Mississippi Code of 1972 (Supp.), § 27-13-1

Dividends received by a holding corporation from a subsidiary corporation are excluded from income.

**Estimated FY 2026 Tax Expenditure: Information not available**

Growth and Prosperity Area Exemption - Mississippi Code of 1972 (Supp.), § 57-80-3 and § 57-80-5

Income generated by a new or expanded business enterprise in a GAP Area is exempt from income tax for a period of ten years.

**Estimated FY 2026 Tax Expenditure: Information not available**

# CORPORATE FRANCHISE TAX EXPENDITURES

In taxing the capital of corporations, the State of Mississippi uses the basis of valuation of such capital as found in the Mississippi Code of 1972 (Supp.) § 27-13-9. Certain capital employed in this state is exempted from taxation. A fee-in-lieu agreement may be negotiated in certain instances where the taxpayer would normally be subject to franchise tax on the capital employed in Mississippi.

## Exemptions

Growth and Prosperity Area Exemption - Mississippi Code of 1972 (Supp.), § 57-80-3 and § 57-80-5

The value of capital employed by a new or expanded business enterprise in a growth and prosperity area is exempt from franchise tax for a period of ten years.

**Estimated FY 2026 Tax Expenditure: Information not available**

"Fee-In-Lieu" - Mississippi Code of 1972 (Supp.), § 57-75-5

A fee-in-lieu may be negotiated by the Mississippi Development Authority in which the fee will represent the franchise tax to be paid by the entity for capital employed in the state by the project. The fee-in-lieu shall not be less than $25,000 annually.

**Estimated FY 2026 Tax Expenditure: Information not available**

## Credits

Bank Share Tax Credit - Mississippi Code of 1972 (Supp.), § 27-35-35

Any tax assessed and paid by a bank to any county, district, or municipality on the assessed value of its intangibles pursuant to § 27-35-35 through § 27-35-39 shall be a credit against the corporation franchise tax.

**Estimated FY 2026 Tax Expenditure: $751,000**

Broadband Technology Credit - Mississippi Code of 1972 (Supp.), § 57-87-5

An income tax and franchise tax credit is available for telecommunications enterprises for investments made after June 30, 2003, and before July 1, 2020. The credit is based on a percentage of the cost of equipment used in the deployment of broadband technology. The credit percentage amount is determined on where the equipment is being deployed or placed in service. The percentage amount for each county is 5%, 10% and 15% for Tier 1, Tier 2 and Tier 3 counties, respectively. The annual credit is available beginning in the year the equipment is placed into service and may be taken for that equipment each year for the following nine years. The total amount of credit taken in any one year is only allowed against 50% of the aggregate income and franchise tax liability for that year. The credit is not refundable and any excess credit amount can be carried forward for up to ten consecutive years from the close of the original year in which the excess credit could not be used. The total amount of credits taken over the ten consecutive year period cannot exceed 100% of the original investment in the equipment.

**Estimated FY 2026 Tax Expenditure: $4,000,000 (Franchise only)**

Insurance Guaranty Credit - Mississippi Code of 1972, § 83-23-218

A credit is allowed for a member insurer to offset against its premium, franchise, or income tax liability to the state an assessment as described in § 83-23-217(8) to the extent of 20% of the amount of such assessment, if any, for each year over the next five succeeding years. However, if the offset is less than 20%, any unused balance may be carried over to any succeeding year until such time as the offset provided herein is fully used.

**Estimated FY 2026 Tax Expenditure: $0**

Incentives

Redevelopment Project Incentive Fund - Mississippi Code of 1972 (Supp.), § 57-91-9

An incentive program to encourage economic development in areas where environmentally contaminated sites are located. Income and franchise taxes paid by enterprises located on approved sites shall be deposited into the Redevelopment Project Incentive Fund. Incentive payments from this fund shall be made by the Mississippi Development Authority to developers in connection with a redevelopment project. The Mississippi Development Authority shall make the calculations necessary to make the payments provided for in this section. Payments will be made to approved participants on a semiannual basis with payments being made in the months of January and July. These incentive payments differ from a credit because the developer receives these payments from the taxes paid by businesses locating within the approved development site.

Estimated FY 2026 Tax Expenditure: $11,200 (Franchise only)

# WITHHOLDING TAX EXPENDITURES

In Mississippi an employer must withhold income tax from wages paid to an employee. The income tax withheld is shown on an individual's W-2, which is filed with the individual's income tax return after the year-end. The individual may owe additional income taxes or may be due a refund of taxes withheld.

## Incentive Payments

Mississippi Advantage Jobs Incentive Program - Mississippi Code of 1972 (Supp.), § 57-62-9

The Mississippi Advantage Jobs Incentive Program allows new qualified employers to receive incentive payments from the state in amounts not to exceed 4% of the Mississippi taxable wages of qualifying new employees. The incentive payments will be paid out of the employee withholdings that are diverted into a special fund instead of being paid into the general fund. The incentive payments may be made for a period up to ten years. The diversion of an employee's withholding taxes into such fund will have no effect on an employee's filing of income tax returns.

**Estimated FY 2026 Tax Expenditure: $16,375,374**

Existing Industry Withholding Rebate Program - Mississippi Code of 1972 (Supp.), § 57-100-3

The Existing Industry Withholding Rebate Program allows qualified existing employers to receive incentive payments from the state equal to the lesser of 3.5% of the wages and taxable benefits or the actual amount of Mississippi income tax withheld by the employer for the qualified jobs. The incentive payments will be paid out of the employee withholdings that are diverted into a special fund instead of being paid to the general fund. The incentive payments may be made for a period of up to two years. The diversion of an employee's withholding taxes into such fund will have no effect on an employee's filing of income tax returns.

**Estimated FY 2026 Tax Expenditure: $0**

Mississippi Economic Impact Authority (MEIA) Withholding Rebate Program - Mississippi Code of 1972 (Supp.), § 57-99-23

The Mississippi Economic Impact Authority Withholding Rebate Program allows qualified existing employers to receive incentive payments from the state equal to the lesser of 1% of wages and taxable benefits or the actual amount of Mississippi income tax withheld by the employer for the qualified jobs. The incentive payments will be paid out of the employee's withholdings that are diverted into a special fund instead of being paid to the general fund. The diversion of an employee's withholding taxes into such fund will have no effect on an employee's filing of income tax returns. The incentive payments may be made for a period of up to ten years, but cannot exceed $6,000,000 in total rebates. An employer had to apply to MDA by July 1, 2010, to be eligible for this rebate program.

**Estimated FY 2026 Tax Expenditure: $0**

Mississippi Major Economic Impact Authority (MMEIA) Withholding Rebate Program - Mississippi Code of 1972 (Supp.), § 57-99-3

The Mississippi Major Economic Impact Authority Withholding Rebate Program allows qualified companies and their affiliates to receive quarterly incentive payments from the state in an amount equal to the lesser of 3.5% of the wages and taxable benefits or the actual amount of Mississippi income tax withheld by the employer for the qualified jobs. The incentive payments will be paid out of the employee withholdings that are diverted into a special fund instead of being paid to the general fund. The diversion of an employee's withholding taxes into such a fund will have no effect on an employee's filing of income tax returns. The incentive payments may be made for a period of up to twenty-five years.

**Estimated FY 2026 Tax Expenditure: $11,384,461**

Motion Picture Production Rebate Program - Mississippi Code of 1972 (Supp.), § 57-89-7

A rebate is available for a motion picture production company that expends at least $50,000 in base investment, payroll, and/or fringes in the state. The amount of the rebate is 25% of the base investment made. Additionally, payroll and fringes for a Mississippi resident are eligible for a 30% rebate, and payroll and fringes for a non-resident are eligible for a 25% rebate. An additional 5% rebate is available for payroll and fringes of honorably discharged veterans. The total amount of the rebate authorized for a motion picture shall not exceed $10,000,000 for each certified production with the total amount of rebates authorized for any fiscal year shall not exceed $20,000,000.

**Estimated FY 2026 Tax Expenditure: $14,154,344**

# INDIVIDUAL INCOME TAX EXPENDITURES

The income of individuals is taxed based upon the definition of taxable income, which is gross income less certain exemptions, adjustments, and deductions. Mississippi taxpayers are also allowed certain credits against their state tax liability.

## INDIVIDUAL EXEMPTIONS

Personal Exemptions - Mississippi Code of 1972 (Supp.), § 27-7-21(a-d)

In the case of resident individuals, exemptions are listed below and are allowed as deductions in computing taxable income.

| | |
|---|---|
| $6,000 | Single individuals |
| $12,000 | Married, joint return or surviving spouse |
| $6,000 | One-half of additional personal exemptions for married-separate returns |
| $9,500 | Head of household |

Nonresidents and part-year residents are allowed the same personal and additional exemptions as are authorized for resident individuals except exemptions are prorated as to the proportion of net income from sources which the state of Mississippi bears to total or entire net income from all sources. The purpose of this provision is to shift income tax burden away from low-income taxpayers.

**Estimated FY 2026 Tax Expenditure: $554,677,000**

Exemptions for Dependents - Mississippi Code of 1972 (Supp.), § 27-7-21(e-g)

The exemption for an individual having a dependent other than husband or wife is $1,500 for each such dependent. The term dependent means any person or individual who qualifies as a dependent under provisions of § 152, IRC of 1954, as amended.

In the case of any taxpayer or the spouse of the taxpayer who has attained the age of 65 before the close of his taxable year, an additional exemption of $1,500 is allowed.

In the case of any taxpayer or the spouse of any taxpayer who is blind at the close of the taxable year, an additional exemption of $1,500 is allowed. This measure recognizes that the ability to pay taxes declines with increases in the number of dependents.

**Estimated FY 2026 Tax Expenditure: $83,172,000**

Other Exemptions - Mississippi Code of 1972 (Supp.), § 27-7-15(4)

1. Interest under the obligation of the United States or its possessions, or securities issued under the provisions of the Federal Farm Loan Act of July 17, 1916, or bonds issued by the War Finance Corporation, or obligations of the state of Mississippi or political subdivisions thereof.

**Estimated FY 2026 Tax Expenditure: Information not available**

2. Income received by any religious denomination or by any institution or trust for moral or mental improvements, religious, Bible, tract, charitable, benevolent, fraternal, missionary, hospital, infirmary, educational, scientific, literary, library, patriotic, historical, or cemetery purposes or for two or more of such purposes, if such income be used exclusively for carrying out one or more of such purposes.

**Estimated FY 2026 Tax Expenditure: Information not available**

3. Income from dividends that has already borne a tax as dividend income under the provisions of this article, when such dividends may be specifically identified in the possession of the recipient.

**Estimated FY 2026 Tax Expenditure: Information not available**

4. Amounts paid by the United States to a person as added compensation for hazardous duty pay as a member of the Armed Forces of the United States in a combat zone designated by Executive Order of the President of the United States.

Estimated FY 2026 Tax Expenditure: Information not available

5. Amounts received as retirement allowances, pensions, annuities, or optional retirement allowances paid under the Federal Social Security Act, the Railroad Retirement Act, the Federal Civil Service Retirement Act, or any other retirement system of the United States government, retirement allowances paid under the Mississippi Public Employees' Retirement System, Mississippi Highway Safety Patrol Retirement System or any other retirement system of the State of Mississippi or any political subdivision thereof. The exemption shall be available to the spouse or other beneficiary at the death of the primary retiree.

Amounts received as retirement allowances, pensions, annuities, or optional retirement allowances paid by any public or governmental retirement system not designated above or any private retirement system or plan of which the recipient was a member at any time during the period of his employment. Amounts received as a distribution under a ROTH IRA shall be treated in the same manner as provided under the IRC of 1986, as amended. The exemption allowed under this paragraph shall be available to the spouse or other beneficiary at the death of the primary retiree.

Estimated FY 2026 Tax Expenditure: Information not available

6. Compensation not to exceed the aggregate sum of $15,000 for any taxable year received by a member of the National Guard or Reserve Forces of the United States as payment for inactive duty training, active duty training, and state active duty.

Estimated FY 2026 Tax Expenditure: $3,522,000

7. Compensation received for active service as a member below the grade of commissioned officer and so much of the compensation as does not exceed the maximum enlisted amount received for active service as a commissioned officer in the Armed Forces of the United States for any month served in a combat zone or a qualified hazardous duty area as defined by federal law. Maximum enlisted amount has the same meaning as in 26 USC 112.

Estimated FY 2026 Tax Expenditure: Information not available

8. Proceeds received from federal and state forestry incentives programs.

Estimated FY 2026 Tax Expenditure: Information not available

9. The amount representing the difference between the increase of gross income derived from sales for export outside the United States as compared to the preceding tax year wherein gross income from export sales was highest, and the net increase in expenses attributable to such increased exports. In the absence of direct accounting, the ratio of net profits to total sales may be applied to the increase in export sales. This shall only apply to businesses located in this state engaging in the international export of Mississippi goods and services. Such goods or services shall have at least 50% of value added at a location in Mississippi.

Estimated FY 2026 Tax Expenditure: Information not available

10. Interest, dividends, gains, or income of any kind on any account in a qualified tuition program and amounts received as distributions under a qualified tuition program, regardless of where in the United States the original Section 529 plan was established.

Estimated FY 2026 Tax Expenditure: Information not available

11. Amounts received as qualified disaster relief payments are excluded from gross income. These are any amounts paid to or for the benefit of an individual to pay or reimburse reasonable and necessary personal, family, living or funeral expenses as a result of a qualified disaster, amounts for the repair or rehabilitation of a personal residence or contents due to a qualified disaster. These are limited to the amounts not covered by insurance.

**Estimated FY 2026 Tax Expenditure: Information not available**

Medical Savings Accounts - IRC § 71. Mississippi Code of 1972 (Supp.), § 71-9-1 through § 71-9-9

The amount deposited in a medical savings account, and any interest accrued thereon, that is a part of a medical savings account program as specified in the Medical Savings Account Act under § 71-9-1 through § 71-9-9; provided, however, that any amount withdrawn from such account for purposes other than paying eligible medical expense or to procure health coverage, shall be included in gross income.

**Estimated FY 2026 Tax Expenditure: Information not available**

Health Savings Accounts - Mississippi Code of 1972 (Supp.), § 83-62-1 through § 83-62-9

The amount deposited in a health savings account, and any interest accrued thereon, that is a part of a health savings account program as specified in the Health Savings Account Act created in § 83-62-1 through § 83-62-9; provided, however, that any amount withdrawn from such account for purposes other than paying eligible medical expense or to procure health coverage, shall be included in gross income.

**Estimated FY 2026 Tax Expenditure: $1,009,000**

Prisoners of War, Missing in Action - Mississippi Code of 1972 (Supp.), § 27-7-15(5)

a) *Members of the Armed Forces*. Gross income does not include compensation received for active service as a member of the Armed Forces of the United States for any month during any part of which such member is in missing status during the Vietnam Conflict as a result of such conflict.
b) *Civilian employees*. Gross income does not include compensation received for active service as an employee for any month during any part of which such employee is in a missing status during the Vietnam Conflict as a result of such conflict.

**Estimated FY 2026 Tax Expenditure: Information not available**

## Individual Adjustments

Individual Retirement Accounts - IRC § 219 and 408, Mississippi Code of 1972 (Supp.), § 27-7-16

An individual is allowed to deduct from gross income the amount paid to an individual retirement account (IRA) if the individual is not covered by an employer's plan or a self-employed plan. This definition is limited to the smaller of $6,000 or 100% annual compensation or earned income. For married filers, a separate deduction up to $6,000 is allowed for each spouse provided either spouse has sufficient annual compensation or earned income.

Deductions for IRA contributions are reduced or phased out if an individual is covered by an employer-maintained plan. The IRA deduction is reduced or eliminated when adjusted gross income exceeds certain specified amounts as follows:

1) $64,000 for a single individual or head of household
2) $103,000 for a married couple filing a joint return
3) $10,000 for a married individual filing separately
4) Non-active participant with active participant spouse, phase-out begins at $193,000

If adjusted gross income exceeds one of the specified amounts, the maximum IRA deduction is phased out over the next $10,000 of adjusted income. Thus, no IRA deduction is allowed to a single person with adjusted gross income of $66,000 or more, a married couple filing a joint return with $110,000 or more, or a married individual filing

separately with $10,000 or more. The reduction in the maximum IRA deduction is determined by multiplying the maximum IRA deduction by the excess of adjusted gross income over the specified amount and dividing the result by $10,000.

Individuals who turn age 50 before the close of the tax year may increase the maximum permitted annual contribution by $1,000.

Except in the case of death, disability, periodic payments, medical related distributions, higher education expenses, certain first-time homebuyer expenses, post '99 IRS liens or domestic relations orders, the retirement money cannot be withdrawn without a federal penalty tax of 10% until the individual reaches the age of 59½. Amounts withdrawn from an IRA are subject to federal taxation at the time of withdrawal. In addition, taxation of interest or other income of an IRA is deferred until such income is withdrawn from the IRA. At that time, it is subject to federal taxation as ordinary income. The purpose of this provision is to comply with federal tax codes.

**Estimated FY 2026 Tax Expenditure: $3,776,000**

Keogh Plans - IRC § 219, 401-405, and 408-415. Mississippi Code of 1972 (Supp.), § 27-7-16

Self-employed individuals (sole proprietors, partners, etc.) may deduct payments to Self-Employed Retirement Plans, commonly referred to as Keogh or HR 10 Plans. The maximum contribution is the lesser of $56,000 or 25% of earned income (25% for employee). The definition of earned income includes the retirement plan deduction (i.e., earnings from self-employment must be reduced by the retirement plan contribution for purposes of determining the maximum deduction). To simplify, contribution is equal to 25% of earnings subject to $56,000 limitation. The purpose of this provision is to comply with federal tax codes.

**Estimated FY 2026 Tax Expenditure: $5,338,000**

Interest Penalty on Early Withdrawal of Savings - IRC § 62(12). Mississippi Code of 1972 (Supp.), § 27-7-16

Penalties forfeited because of premature withdrawal of funds from time savings accounts or deposits are allowed as an adjustment to gross income. An adjustment is provided for deductions allowed by IRC § 165 for losses incurred in any transaction entered into for profit, though not connected with a trade or business, to the extent that such losses include amounts forfeited to a bank, mutual savings bank, savings and loan association, cooperative bank, or homestead association as a penalty for premature withdrawal of funds from a time savings account, certificate of deposit, or similar class of deposit. The purpose of this provision is to comply with federal tax codes.

**Estimated FY 2026 Tax Expenditure: $213,000**

Unreimbursed Moving Expense - IRC § 62 and 217. Mississippi Code of 1972 (Supp.), § 27-7-18(2)

Individual taxpayers are allowed to deduct unreimbursed moving expenses paid during the tax year as an adjustment to gross income in accordance with provisions of the IRC, and rules, regulations and revenue procedures relating to moving expenses not in direct conflict with provisions of Mississippi income tax law.

**Estimated FY 2026 Tax Expenditure: $62,000**

Contributions or Payments to a Mississippi College Savings Plan (MACS & MPACT) - Mississippi Code of 1972 (Supp.), § 27-7-18 and § 37-155-17

Contributions or payments to a Mississippi Affordable College Savings (MACS) program account and payments made under a prepaid tuition contract entered into under the Mississippi Prepaid Affordable College Tuition (MPACT) program are deductible from gross income.

**Estimated FY 2026 Tax Expenditure: $1,200,000**

Self-Employed Medical Insurance - Mississippi Code of 1972 (Supp.), § 27-7-18

Self-employed individuals may deduct as an adjustment to gross income amounts paid during the tax year for insurance which constitute medical care for the taxpayer, his/her spouse and dependents in accordance with

provisions of the IRC.

**Estimated FY 2026 Tax Expenditure: $9,588,000**

Organ Donation Deduction - Mississippi Code of 1972 (Supp.) § 27-7-18

A one-time deduction not to exceed $10,000 from gross income is allowed for unreimbursed travel expenses, lodging expenses and lost wages an individual incurred as a result of, and related to, the donation, while living, of one or more of his or her organs for human organ transplantation. The term organ means all or a part of a liver, pancreas, kidney, intestine, lung or bone marrow.

**Estimated FY 2026 Tax Expenditure: Information not available**

Catastrophe Savings Account Adjustment - Mississippi Code of 1972 (Supp.) § 27-7-1001 – 27-7-1007

The amount contributed to a catastrophe savings account; interest income earned on the catastrophe savings account; and distributions from a catastrophe savings account are excluded from taxable gross income of the account holder. The catastrophe savings account must be established in accordance with § 27-7-1001(a) and the contributions cannot exceed the limitations established under § 27-7-1003(3). Any contributions in excess of the limitations provided must be withdrawn and included in the taxable gross income in the year of withdrawal. Any distribution from the catastrophe savings account that is not used to pay qualified catastrophe expenses must be included in gross taxable income and an additional tax of 2.5% tax is due on the taxable distribution.

**Estimated FY 2026 Tax Expenditure: $69,000**

Self-Employment Tax Deduction – Mississippi Code of 1972 (Supp.) § 27-7-18(6)

Self-employed individuals are allowed a deduction from gross income in an amount equal to:

1) 17% of the federal self-employment taxes imposed for taxable years ending in calendar year 2017;
2) 34% of the federal self-employment taxes imposed for taxable years ending in calendar year 2018;
3) 50% of the federal self-employment taxes imposed for taxable years ending in calendar year 2019 and thereafter.

**Estimated FY 2026 Tax Expenditure: $12,139,000**

First-time Home Buyer Savings Account Adjustment – Mississippi Code of 1972 (Supp.) § 27-7-15 and 27-7-1101 through 27-7-1103

First-time home buyers are allowed to exclude from gross income amounts deposited into a first-time home buyer savings account and any interest or other income earned attributable to that account for the purpose of paying eligible costs in the purchase of a single-family residence. The amount deducted shall not exceed $2,500 for any single account holder who files an individual return or $5,000 for any married couple who are joint account holders and file a joint return. Any monies or funds withdrawn or distributed from the first-time home buyer savings account for any purpose other than the payment of eligible costs by or on behalf of a qualified beneficiary shall be included in gross income in the year of withdrawal.

**Estimated FY 2026 Tax Expenditure: $25,000**

Achieving a Better Life Experience Act (ABLE) Adjustment – Mississippi Code of 1972 (Supp.) § 27-7-15(4)(ii), 27-7-18(7) and 43-28-13

A deduction up to the maximum annual federal amount is allowed for contributions or payments, interest, dividends, gains or income of any kind on deposit in an ABLE Trust Fund account. Any withdrawals from an account that are not qualified withdrawals shall be included in gross income in the year of the withdrawal.

**Estimated FY 2026 Tax Expenditure: $43,000**

Agricultural Disaster Program Compensation Deduction – Mississippi Code of 1972 (Supp.) § 27-7-15(4)(kk)

Amounts paid by an agricultural disaster program as compensation to an agricultural producer, cattle farmer or cattle rancher who has suffered a loss as the result of a disaster or emergency are excluded from gross income.

**Estimated FY 2026 Tax Expenditure: $138,000**

## Individual Credits

Credit for Income Tax Paid to another State - Mississippi Code of 1972 (Supp.), § 27-7-77

Individual resident taxpayers of Mississippi whose gross income is derived from sources both within and without the state of Mississippi are eligible for a tax credit for income tax paid to another state, territory of the United States, or the District of Columbia against the amount of tax found to be due to the state of Mississippi.

The credit is limited in amount as follows:

1) The tax credit may not exceed the amount of income tax due the state of Mississippi.
2) The tax credit may not exceed the amount of income tax actually paid to other states.
3) The tax credit may not exceed an amount computed by applying the highest Mississippi rates to the net taxable income reported to the other state.

This measure is a recognition of the principle that Mississippi tax laws extend only to the state's boundary as they apply to individuals.

**Estimated FY 2026 Tax Expenditure: $106,103,000**

Long-Term Care Premiums Credit - Mississippi Code of 1972 (Supp.), § 27-7-22.33

An income tax credit is allowed for premiums paid during the taxable year for certain qualified long-term care insurance policies. This credit cannot exceed $500 or the taxpayers' income tax liability, whichever is less, for each qualified long-term care insurance policy. Any unused credit cannot be carried forward to apply to the succeeding tax year's liability.

**Estimated FY 2026 Tax Expenditure: $1,218,000**

Charitable Contribution Credit – Mississippi Code of 1972 (Supp.) § 27-7-22.39

A credit for cash contributions made to a qualifying charitable organization which is the lesser of $400 or the amount of the contribution in any taxable year for a single individual, or the lesser of $800 or the amount of the contribution in any taxable year for a married couple filing a joint return.

**Estimated FY 2026 Tax Expenditure: $365,000**

Foster Care Credit – Mississippi Code of 1972 (Supp.) § 27-7-22.40

A credit for cash contributions made to a qualifying foster care charitable organization which is the lesser of $1,500 or the amount of the contribution in any taxable year for a single individual, or the lesser of $3,000 or the amount of the contribution in any taxable year for a married couple filing a joint return.

**Estimated FY 2026 Tax Expenditure: $406,000**

Other Credits - Mississippi Code of 1972 (Supp.)

Certain credits are allowed on the Mississippi individual income tax return as direct credits or as pass-through credits from partnerships, S Corporations, and LLC's:

1. Gaming Control Act License Fees Credit - § 75-76-179

   License fees paid under the Gaming Control Act are allowed as a credit against income tax. The credit may not exceed the amount of income tax due.

   **Estimated FY 2026 Expenditure: $1,279,000**

2. Mississippi Natural Heritage Program and Mississippi Scenic Streams Stewardship Program - § 27-7-22.21
   A credit is allowed for certain costs associated with donations of land which are conservation sites under the Mississippi Natural Heritage Program or which are along streams nominated to the Mississippi Scenic Streams Stewardship program.
   **Estimated FY 2026 Expenditure: $0**

3. Credit for Certain Qualified Adoption Expenses - § 27-7-22.32
   A credit against Mississippi income tax of the amount of the qualified adoption expenses paid or incurred, not to exceed $10,000, for each dependent child legally adopted by a taxpayer during calendar year 2017 or thereafter.
   **Estimated FY 2026 Expenditure: $362,000**

4. Historical Structure Rehabilitation Credit - § 27-7-22.31
   A credit for costs incurred for the rehabilitation of eligible property which is a certified historic structure or a structure in a certified historic district.
   **Estimated FY 2026 Expenditure: $870,000**

5. Business Ad Valorem Tax Credit - § 27-7-22.5
   Credit allowed to manufacturers, distributors, wholesalers or retail merchants who pay ad valorem taxes in Mississippi imposed on commodities, products, goods, wares, and merchandise held for resale.
   **Estimated FY 2026 Expenditure: $10,439,000**

6. Finance Company Privilege Tax - § 27-21-9
   A credit for the amount of privilege taxes paid is allowed and shall not be greater than the total amount of income tax due.
   **Estimated FY 2026 Expenditure: $167,000**

7. Reforestation Credit - § 27-7-22.15
   A credit for eligible owners who incur costs for approved reforestation practices for eligible tree species on eligible lands, in the amount of 50% of the average cost. The lifetime maximum credit is $75,000.
   **Estimated FY 2026 Expenditure: $337,000**

## Individual Deductions

Standard Deduction - Mississippi Code of 1972 (Supp.), § 27-7-17(2)(b)

For all Mississippi taxpayers who cannot itemize their deductions, there is a standard deduction available. The deduction is as follows:

$4,600 Married individuals - joint return
$4,600 Married - spouse died in tax year
$2,300 Married individuals - separate returns
$3,400 Head of household
$2,300 Single individuals

**Estimated FY 2026 Tax Expenditure: $200,514,000**

## ITEMIZED DEDUCTIONS

Medical and Dental Expenses - IRC § 63(f) and 213. Mississippi Code of 1972 (Supp.), § 27-7-17(2)(a)

Taxpayers are allowed a deduction for expenses incurred for medical treatment, medicines, health care, health insurance, and transportation which are essential to medical care. The deduction is equal to that portion of all qualified medical expenses exceeding 7.5% of taxpayer's federal adjusted gross income. On a joint return, the percentage limitation is based on the total adjusted gross income of both husband and wife. The purpose of this provision is to comply with federal tax codes.

**Estimated FY 2026 Expenditure: $37,373,000**

Real Estate Taxes - IRC § 63(f) and 164; Mississippi Code of 1972 (Supp.), § 27-7-17(2)(a)

Real estate taxes paid during the taxable year may be deductible from Mississippi gross income in arriving at Mississippi taxable income. However, special assessments are not considered real estate taxes and, as such, may not be deducted. The purpose of this provision is to comply with federal tax codes.

**Estimated FY 2026 Tax Expenditure: $32,980,000**

Home Mortgage Interest - IRC § 63(f) and 163; Mississippi Code of 1972 (Supp.), § 27-7-17(2)(a)

When computing Mississippi taxable income, a taxpayer may deduct the full amount of all mortgage interest paid on his owner-occupied home but only to the extent that the interest is attributable to loans that do not exceed $750,000 ($350,000 if married filing separately). Home equity debt may be deducted on mortgages totaling $100,000 ($50,000 if married filing separately). Grandfathered debt taken out prior to October 13, 1987, is subject to exceptions. The purpose of this provision is to comply with federal tax codes.

**Estimated FY 2026 Tax Expenditure: Information not available**

Investment Interest - IRC § 63(f) and 163; Mississippi Code of 1972 (Supp.), § 27-7-17(2)(a) and (1)(c)

Investment interest is interest on a debt incurred in the purchase of certain life insurance policies; interest on a debt incurred in the earning of tax-exempt income, such as loans taken to buy government bonds; and interest on debt for which the taxpayer is not legally liable. The purpose of this provision is to comply with federal tax codes.

**Estimated FY 2026 Tax Expenditure: Information not available**

Charitable Contributions - IRC § 63(f) and 170(c); Mississippi Code of 1972 (Supp.), § 27-7-17(1)(h)

Contributions to recognized charities may be deducted from Mississippi adjusted gross income. A recognized charity is any government body or any public or private corporation, trust, or foundation organized and operated principally for charitable, religious, scientific, literary or educational purposes. Contribution deductions are generally limited to 50% of adjusted gross income; however, there is a 20% adjusted gross income limit that applies to gifts of long-term capital gain-appreciated property to private foundations and to charities to which the 30% adjusted gross income limit applies to contributions of other than capital gain property. The purpose of this provision is to comply with federal tax codes.

**Estimated FY 2026 Tax Expenditure: $100,902,000**

Casualty and Theft Losses - IRC § 165(c)(3); Mississippi Code of 1972 (Supp.), § 27-7-17(2)(a)

Casualty and theft losses are only allowable for losses attributable to federally declared disaster areas. A casualty loss includes losses due to fire, storm, shipwreck, theft, or any sudden, unexpected, or unusual event. Casualty losses are deductible, provided that the loss is more than 10% of adjusted gross income decreased by $100 per incident. The amount of loss is the lesser of:

a) The decrease in fair market value of the property as a result of the casualty or theft, or value before minus value after

b) Taxpayer's adjusted basis in the property before the casualty loss or theft.

Losses must be reduced by any insurance reimbursement. The purpose of this provision is to comply with federal tax codes.

**Estimated FY 2026 Tax Expenditure: $141,000**

Employee Expenses and Miscellaneous Deductions Subject to 2% Limitation - IRC § 162 and 212; Mississippi Code of 1972 (Supp.), § 27-7-17(2)(a)

Employee expenses and miscellaneous deductions subject to the 2% limitation are suspended for tax years 2018 through 2025. These expenses include but are not limited to:

a) Unreimbursed Employee Expenses - IRC 162
   1) Expenses for carrying on trade or business of being an employee
   2) Ordinary and necessary business expenses
b) Miscellaneous Deductions - IRC 212

   Expenses incurred to:
   1) Produce or collect income that must be included in gross income
   2) Manage, conserve, or maintain property held for producing income
   3) Determine, contest, pay or claim a refund of any tax

**Estimated FY 2026 Tax Expenditure: $0**

Deductions Not Subject to the 2% Limitation - IRC § 72, 162, 165, 691(c), 1341, and 212; Mississippi Code of 1972 (Supp.) § 27-7-17(2)(a)

Certain other expenses may be claimed as miscellaneous itemized deductions not subject to the 2% federal adjusted gross income limitation.

A. Casualty and theft losses from income-producing property - IRC 165
B. Federal estate tax on income in respect of a decedent - IRC 691(c)
C. Repayments of more than $3,000 under a claim of right - IRC 1341
D. Impairment-related work expenses of persons with disabilities - IRC 162
E. Unrecovered investment in a pension - IRC 72

**Estimated FY 2026 Tax Expenditure: $3,446,000**

# SALES AND USE TAX EXPENDITURES

Section 27-65-17 Mississippi Code of 1972 (Supp.) established a 7% sales tax on gross proceeds of retail sales except as provided elsewhere in the statutes. Likewise, § 27-67-5 of the Code establishes a use tax which corresponds very closely to the sales tax and which is applied to goods purchased out of state and brought into Mississippi. In general, a retail sale is considered a sale of a final good to the final consumer of that good. Gross proceeds from the sale of specifically named services are also subject to the general sales tax. Retail sales typically do not include sales of raw materials or capital equipment to manufacturers, producers, or refiners of goods, although they may be the final consumers of these goods in their recognizable form. Goods which lose their identity, including machinery used in production, are normally not considered retail goods.

Mississippi statutes blur the distinction between wholesale and retail goods. Section 27-65-17 lists several goods which are taxed at rates below the general sales tax rate of 7%, but most of these exceptions refer to sales which should not be considered as retail sales in the strictest sense. These are included in this report for completeness, but the reader is cautioned that although these items are tax expenditures in the letter of the law, they are not considered to be expenditures in the spirit of the law. In each of the items listed below, the estimated fiscal impact is based upon the difference between actual revenues and estimated revenues if a 7% sales or use tax were imposed.

## EXCEPTIONS

Exceptions to the General Sales Tax Rate - Mississippi Code of 1972, (Supp.), § 27- 65-17

The following items are explicit exceptions to the 7% tax on gross proceeds from retail sales. Each of these, with the partial exception of aircraft, autos, trucks, semi-trailers and mobile homes, is a wholesale transaction and as such is not a true tax expenditure. However, according to the letter of the law, each qualifies as a tax expenditure and is included for that reason.

| | Estimated FY 2026 Tax Expenditure |
|---|---|
| Retail sales of farm tractors, farm implements & logging equipment taxed at 1.5% | $59,825,822 |
| Aircraft, trucks, semi-trailers and mobile homes taxed at 3% | $36,660,280 |
| Autos, light trucks: (10,000 lbs. or less) taxed at 5% | $145,714,109 |
| Groceries taxed at 5% | $129,981,684 |
| Manufacturing machinery and certain port facility equipment taxed at 1.5% | $152,672,852 |
| Materials used in railroad tracks taxed at 3% | $1,363,037 |
| Sales to electric power associations taxed at 1% | $23,512,141 |

Discount for Timely Filing - Mississippi Code of 1972 (Supp.), § 27-65-33

Taxpayers are allowed to discount their tax liability by 2% in return for meeting their legal filing deadline.

**Estimated FY 2026 Tax Expenditure: $18,128,726**

## EXEMPTIONS

Sale of utilities to residential consumers - Mississippi Code of 1972 (Supp.), § 27-65-19

The sale of utilities and water to residential consumers is exempt from the sales tax. The reason for this exemption is to eliminate the burden of taxation from low-income taxpayers and from those goods which are considered to be necessities.

**Estimated FY 2026 Tax Expenditure: $170,928,524**

Sale of utilities to manufacturers – Mississippi Code of 1972 (Supp.), § 27-65-107(b)

The sale of utilities to manufacturers is exempt from sales tax. This constitutes a wholesale transaction and should not be considered a true tax expenditure.

**Estimated FY 2026 Tax Expenditure: $55,765,085**

Sale of utilities to nonprofit water associations - Mississippi Code of 1972 (Supp.), § 27-65-107(c)

Sales to nonprofit water associations in which no part of the net earnings inures to the benefit of any private shareholder, group, or individual are exempt from sales tax. Only sales which are ordinary and necessary to the operation of such organizations are exempt from tax.

**Estimated FY 2026 Tax Expenditure: $1,794,708**

Sale of utilities to farmers – Mississippi Code of 1972 (Supp.), § 27-65-107(g)

The sale of utilities to farmers is exempt from sales tax. This constitutes a wholesale transaction and should not be considered a true tax expenditure.

**Estimated FY 2026 Tax Expenditure: $1,724,694**

Sales of home medical equipment and supplies - Mississippi Code of 1972 (Supp.), § 27-65-105(g)

An exemption is allowed for sales of home medical equipment and home medical supplies listed as eligible for payment under Title XVIII of the Social Security Act or under the state plan for medical assistance under Title XIX of the Social Security Act, prosthetics, orthotics, hearing aids, hearing devices, prescription eyeglasses, oxygen and oxygen equipment, when ordered or prescribed by a licensed physician for medical purposes for a patient, and when payment for such equipment or supplies, or both, is made in part or in whole under the provisions of the Medicare and Medicaid program.

Mississippi Code of 1972 (Supp.), § 27-65-111(dd) provides that all sales of durable medical equipment and home medical supplies when ordered or prescribed by a licensed physician for medical purposes of the patient are exempt from sales tax. As used in this paragraph, durable medical equipment means equipment, including repair and replacement parts for the equipment which: can withstand repeated use; is primarily and customarily used to serve a medical purpose; generally is not useful to a person in the absence of illness or injury; and is not worn in or on the body.

**Estimated FY 2026 Tax Expenditure: $28,769,340**

Industrial exemptions - Mississippi Code of 1972 (Supp.), § 27-65-101

Several different categories of sales to manufacturers, refiners, producers, and transporters are exempt from the general sales tax. These are wholesale transactions and should not be considered as true tax expenditures but are included in this report for information purposes only. They are as follows:

| | Estimated FY 2026 Tax Expenditure |
|---|---|
| Sales of boxes, crates, cartons, etc. to manufacturers and wholesalers | $2,837,393 |
| Raw materials used in manufacturing | $169,127,397 |
| Gross proceeds of sales of dry docks, offshore drilling equipment, and large vessels | $2,837,393 |
| Sales to commercial fishermen of specified commercial fishing boats | $2,863,545 |
| Gross income from repairs to vessels engaged in foreign trade or interstate transport | $7,961,816 |
| Rolling stock used in interstate commerce | $4,255,496 |
| Sales of parts used in the repair of aircraft | Not Available |
| Raw materials used in manufacturing rolling stock | Not Available |
| Machinery or parts used in repairing large ships | Not Available |
| Tangible personal property consumed on ships in international commerce | Insignificant |
| Income from storage/handling of perishable goods by public storage warehouses | Not Available |

| Industrial Exemptions – (continued) | Estimated FY 2026 Tax Expenditure |
|---|---|
| Natural gas used in oil production | $3,547,038 |
| Gross collections from self-service commercial laundering, drying, and cleaning equipment | $2,149,143 |
| Economic Development Reform Act incentives | $8,432,131 |
| Growth and Prosperity Act incentives | Not Available |
| Pollution control equipment | Not Available |
| Sales of broadband technology equipment | $11,886,857 |
| Sales of machinery or equipment to nonprofit organizations created by the Oil Pollution Control Act of 1990 | Not Available |
| Sales of component materials and equipment used to repair buildings and equipment damaged or destroyed as a result of a natural disaster | Not Available |
| National and Regional Headquarters | Not Available |
| Clean Energy Initiative Incentives Program | Not Available |
| Aerospace Initiative Incentives Program | Not Available |

NOTE: Numbers in italics should be considered very inexact estimates. No established database exists for determining these values.

Agricultural exemptions - Mississippi Code of 1972 (Supp.), § 27-65-103

Several different categories of sales to farmers are exempt from the general sales tax. These are wholesale transactions and should not be considered as true tax expenditures. They are included in this report for information purposes only. They are as follows:

| | Estimated FY 2026 Tax Expenditure |
|---|---|
| Sales of lint, seed cotton, baled cotton, feed, seed, fertilizers, baling wire, packaging materials, etc. | $75,776,340 |
| Sales of agricultural produce to be further processed | $126,484,484 |
| Retail sales of mules, horses, and other livestock | Not Available |
| Sales of antibiotics, hormones, drugs, medicines, etc. | $1,928,050 |

Governmental exemptions - Mississippi Code of 1972 (Supp.), § 27-65-105

Sales of normally taxable goods are exempt from sales tax when sales are made to the U.S. government, to the state of Mississippi, to public schools, to the Mississippi Band of Choctaw Indians, or to governmental or volunteer fire departments.

| | Estimated FY 2026 Tax Expenditure |
|---|---|
| Sales to U.S. Government or State of Mississippi | $252,968,971 |
| Sales to public schools | *$35,469,193* |
| Sales of school textbooks | *$12,454,324* |
| Sales to the Mississippi Band of Choctaw Indians | $284,094 |
| Sales of firefighting equipment to governmental or volunteer fire departments | $215,153 |

NOTE: Numbers in italics should be considered very inexact estimates. No established database exists for determining these values.

Miscellaneous exemptions - Mississippi Code of 1972 (Supp.), § 27-65-111Specific exemptions which benefit nonprofit organizations or the sale of particular items such as drugs and medicine or alcohol-blended fuels are provided for under this section. The purpose of each of these exemptions is inherent in the particular object of the exemption. They are as follows:

| Miscellaneous Exemptions – (continued) | Estimated FY 2026 Tax Expenditure |
|---|---|
| Sales to nonprofit hospitals and infirmaries | $111,794,706 |
| Sales of newspapers, periodicals, and subscription magazines | $5,000,000 |
| Sales of coffins and caskets | $2,837,393 |
| Sales of goods for immediate export | Insignificant |
| Sales to nonprofit orphanages, old men's or old ladies' homes | Insignificant |
| Sales to YMCA, YWCA, or Boys or Girls Clubs | $1,999,369 |
| Sales to nonprofit private schools | $14,192,909 |
| Gross proceeds of retail sales and the use or consumption of drugs and medicines | $205,362,105 |
| Retail sales of vehicles and semi-trailers exported within 48 hours | $2,980,035 |
| Sales to Salvation Army or Muscular Dystrophy Association, Inc. | Insignificant |
| Sales of alcohol-blended fuel using Mississippi distilled alcohol | Insignificant |
| Sales to the Institute for Technology Development | Insignificant |
| Sales of food & drink through full-service vending (taxed at 8% of the wholesale purchase price) | $6,103,241 |
| Gross proceeds of sales of motor fuel | $516,056,769 |
| Sales of food purchased with food stamps or instruments provided by the Women, Infants and Children's (WIC) Program | $77,905,010 |
| Sales of cookies by the Girl Scouts of America | Insignificant |
| Gifts or sales to public or private nonprofit museums of art | Insignificant |
| Sales to alumni associations of state-supported colleges or universities | Insignificant |
| Sales to National Association of Junior Auxiliaries, Inc. | Insignificant |
| Sales to domestic violence shelters which qualify for state funding | Insignificant |
| Sales to the Mississippi Chapter of the National Multiple Sclerosis Society | Insignificant |
| Sales to the Mississippi Technology Alliance | Insignificant |
| Sales to nonprofit organizations providing foster care, adoption services and temporary housing for unwed mothers and their children | Insignificant |
| Sales to nonprofit organizations that provide residential rehabilitation for persons with alcohol and drug dependencies | Insignificant |
| Retail sales of specified articles of clothing and school supplies purchased during the 'Annual Back to School Sales Tax Holiday' | $5,149,188 |
| Gross proceeds of sales made for the sole purpose of raising funds for a school (k-12) | $7,919,619 |
| Sales to Mississippi Blood Services | Insignificant |
| Retail sales of specified firearms, ammunition, and hunting supplies purchased during the 'Mississippi Second Amendment Weekend' sales tax holiday | Not Available |
| Sales of non-perishable food to food banks, food pantries, and food lines | Insignificant |
| Sales to The United Way of the Pine Belt Region, Inc. | Insignificant |
| Sales to Mississippi Children's Museum | Insignificant |
| Sales to Jackson Zoological Park | Insignificant |
| Sales to Diabetes Foundation of Mississippi/Mississippi Juvenile Diabetes Research Foundation | Insignificant |
| Sales of potting soil, mulch and other soil amendments for use in growing ornamental plants when sold to wholesale commercial plant nurseries | Not Available |
| Sales to University of Mississippi Medical Center Research and Development Foundation | Insignificant |
| Sales to Keep Mississippi Beautiful, Inc. | Insignificant |
| Sales to Friends of Children's Hospital | Insignificant |
| Sales to Pinecrest Weekend Snackpacks for Kids, Corinth MS | Insignificant |
| Hearing aids prescribed by a licensed physician, audiologist, or hearing aid specialist | $10,292,643 |

# SEVERANCE TAX EXPENDITURES

An annual privilege tax is assessed against oil and gas severed from the ground at the rate of 6% of the value of the oil or gas at the point of production. The exceptions are for Enhanced Oil Recovery oil wells which are taxed at 3%, and Horizontally Drilled oil wells which are taxed at 1.3%.

## EXEMPTIONS

Enhanced Recovery - Mississippi Code of 1972 (Supp.), § 27-25-503(b)

Oil produced by an enhanced recovery is taxed at 3% of the value of the oil at the point of production. The purpose of this tax exemption is to encourage continued production in fields which otherwise might become uneconomical.

**Estimated FY 2026 Tax Expenditure: $10,000,000**

Horizontally Drilled – Mississippi Code of 1972 (Supp.), § 27-25-503(c)

Oil produced by qualified horizontally drilled wells is taxed at 1.3%. The purpose of this tax exemption is to encourage companies to invest in oil and gas exploration in the state.

**Estimated FY 2026 Tax Expenditure: $106,800**

# INSURANCE PREMIUM TAX EXPENDITURES

A premium tax is levied and imposed upon each domestic or foreign insurance company doing business in the state at the rate of 3% of the gross amount of premium receipts collected by such companies on insurance policies and contracts written in, or covering risks located in this state. After July 1, 1995, annuities shall be exempt from insurance premium tax. There is an additional levy of 1% on fire insurance covering risks located in this state and an additional 0.5% on fire insurance covering risks located in the city of Jackson. A retaliatory tax is imposed on foreign companies whose state of domicile imposes a greater tax than Mississippi.

EXEMPTIONS - Mississippi Code of 1972 (Supp.), § 27-15-119

Policies and contracts issued to fund a retirement, thrift, or deferred compensation plan qualified under § 401 or § 403 or an individual retirement annuity qualified under § 408 or § 457 of the Federal Tax Code for federal tax exemption, unless the foreign company's principal place of business is in a state which taxes policies issued by companies having their principal place of business in Mississippi; then, they are taxed as a retaliatory tax at the same rate. The insurance carriers selected to furnish service to the state of Mississippi under the State Employees' Life and Health Insurance Plan shall not be required to pay the premium tax on premiums collected for coverage under the plan. From and after July 1, 1995, annuity premiums are exempt from insurance premium tax.

**Estimated FY 2026 Tax Expenditure: Information not available**

CREDITS

Income Taxes Paid - Mississippi Code of 1972 (Supp.), § 27-15-103

Premium taxes shall be reduced by the net amount of income tax paid to this state for the preceding calendar year, provided the credit is to be taken only once. The purpose is to insure that the greater of either the annual insurance premium tax or the income tax shall be paid.

**Estimated FY 2026 Tax Expenditure: $19,300,000**

Retaliatory Tax Deduction - Mississippi Code of 1972 (Supp.), § 27-15-109

Where an additional premium tax is imposed against a domestic company under retaliatory laws of other states in which the domestic company does business, such company may deduct the total of the additional retaliatory tax from the state income tax due by it to the state of Mississippi.

**Estimated FY 2026 Tax Expenditure: $503,000**

Reduction for Qualifying Mississippi Investments - Mississippi Code of 1972 (Supp.), § 27-15-129

Provision is made for the premium tax to be reduced if the company invests in qualifying Mississippi investments.

**Estimated FY 2026 Tax Expenditure: $62,400,000**

Guaranty Association Credit - Mississippi Code of 1972 (Supp.), § 83-23-218

Member insurers may reduce their premium or income tax liability by a percentage of their assessment paid to the Mississippi Life and Health Insurance Guaranty Association.

**Estimated FY 2026 Tax Expenditure: $1,300,000**

Coast Area Credit - Mississippi Code of 1972 (Supp.), § 27-15-133

Premium taxes shall be reduced by 10% of the premium received from new policies written or covering risks for essential property within the coast area. The coastal area includes Hancock, Harrison, Jackson, Stone, Pearl River and George counties. The reduction cannot exceed $100,000.

**Estimated FY 2026 Tax Expenditure: $759,000**

New Markets Credit - Mississippi Code of 1972 (Supp.), § 57-105-1

An income tax credit and insurance premium tax credit is allowed for taxpayers making investments that qualify for federal income new markets tax credit as defined in § 45D of the IRC. The amount of the credit shall be equal to the applicable percentage of the adjusted purchase price paid to the qualified community development entity for the qualified equity investment. The amount of the credit that may be utilized in any one year shall be limited to the total tax liability of the taxpayer for the applicable income, insurance premium, or premium retaliatory tax. The credit shall not be refundable or transferable. Any unused portion of the credit may be carried forward for seven years beyond the credit allowance date on which the credit was earned. The total amount of credit for all taxpayers is capped at $15,000,000 per year.

**Estimated FY 2026 Tax Expenditure: $4,200,000**

Mississippi Small Business Investment Credit – Mississippi Code of 1972 (Supp.), § 57-115-5

This is an insurance premium tax credit for participating investors of an amount equal to 100% of the participating investor's investment of designated capital in a Mississippi small business investment company. A participating investor may claim 20% of the designated capital each year starting on January 1, 2015. The credit claimed each year cannot exceed the investor's total insurance premium tax liability for that year. Any unused credit may be carried forward from the date the credit was first able to be utilized for the succeeding five years.

**Estimated FY 2026 Tax Expenditure: $5,200,000**

# CASUAL AUTO SALES TAX EXPENDITURES

The auto sales tax is levied upon every person, firm, or corporation purchasing other than at wholesale outside the state any motor vehicle required to be registered or licensed with the tax collector of any county in the state from any person, firm, or corporation which is not a licensed dealer engaged in selling motor vehicles. This casual auto sales tax is levied and collected at the rate of 5% of the true value of the motor vehicle as calculated by using the most current official motor vehicle assessment schedule supplied by the Department of Revenue.

EXEMPTIONS - Mississippi Code of 1972 (Supp.), § 27-65-201(7)(a-d)

a) Transfers of legal ownership of motor vehicles currently registered or licensed in the transferor's name between husband and wife, parent and child, or grandparents and grandchildren, unless the transferor is a licensed dealer of motor vehicles and the transfer of the motor vehicle is made in the regular course of business.
b) Transfers of legal ownership of motor vehicles pursuant to a will or pursuant to any law providing for the distribution of the property of one dying intestate.
c) Transfers of legal ownership of motor vehicles ten or more years after the date of the manufacture of such vehicle.
d) Transfers of legal ownership of motor vehicles between siblings unless the transferor is a licensed dealer of motor vehicles and the transfer of the motor vehicle is made in the regular course of business.
e) Transfers of legal ownership of motor vehicles, without actual consideration for the transfer, between a trustee and a beneficiary of a trust, as evidenced by an affidavit prepared by the Department of Revenue and signed by the transferor.
f) Transfers of legal ownership of motor vehicles between a corporation and one of its shareholders in a transaction which qualifies for nonrecognition of gain or loss pursuant to § 351 of the Internal Revenue Code as it exists at the time of the transfer, as evidenced by an affidavit prepared by the Department of Revenue and signed by the transferor.
g) Transfers of legal ownership of motor vehicles between a partnership or limited liability company and one of its partners or owners, as evidenced by an affidavit prepared by the Department of Revenue and signed by the transferor.

**Estimated FY 2026 Tax Expenditure: $3,206,851**

# AUTO PRIVILEGE TAXES AND AUTO TAG FEES TAX EXPENDITURES

Auto privilege taxes and tag fees are levied upon operators as reasonable compensation for the use of the highways. Highway privilege tax is paid annually during the anniversary month of license tag or during month established by the Department of Revenue when tag is issued for a period of less than 12 months. Upon carriers of property, highway privilege taxes may be paid for periods of 3 months, 6 months, and 12 months.

Exemptions - Mississippi Code of 1972 (Supp.), § 27-19-1 *et seq.*

a) Carriers of property duly registered and licensed in another state and being used to transport farm harvesting machinery or equipment to and from a particular county in the state may, upon adoption of a resolution by the board of supervisors of said county where such machinery or equipment is being exclusively used in harvesting farm crops within said county, be exempt from the highway privilege taxes levied when said resolution is filed with the Department of Revenue. However, the exemption shall not exceed a period of forty days for any annual period without a second resolution of approval by the board of supervisors who shall have the authority to extend the exemption not to exceed an additional period of twenty days during any annual period. § 27-19-11.

b) No tax shall be levied upon any trailer or farm tractor solely hauling farm products of the soil from the farm to the gin or market, or transporting fertilizer or feed to the farm, where the gross weight does not exceed 8,000 pounds, and where the title to such products is still in the producer's thereof. § 27-19-17(1).

c) No tax shall be imposed on the wagons or trailers, or tractors drawing same, of circuses, carnivals, fairs and other shows using municipal streets or public highways, when they are shipped into the state of Mississippi by railroad, and use such streets and highways only in the transporting of such trailers or wagons from the railroad to be placed where such circus, carnival, fair, or other show is to be held or staged, and in returning such trailers and wagons from such place to the railroad for reloading. § 27-19-17(4).

d) No privilege tax shall be imposed upon any motor vehicle owned by the U.S. government or any agency or instrumentality thereof, or owned by the State of Mississippi or any county or municipality of the state, or any agency or instrumentality thereof, or upon any motor vehicle owned by any school district, fire protection district, or levee or drainage district in the state. Exemption of motor vehicles owned by a county or municipality or any agency or instrumentality thereof from motor vehicle privilege taxes does not waive payment of the registration fee imposed in § 27-19-43. § 27-19-27.

e) Any tractor, road roller, or road machinery used solely in road building or other highway construction or maintenance work or vehicles permanently equipped with and used exclusively for transporting water well drilling outfits, all of which vehicles are not used upon highways to transport persons or property. § 27-19-29.

f) Antique automobiles, upon payment of $25 permanent fee, shall be exempt from all ad valorem and other taxes. § 27-19-47.

g) Antique motorcycles, upon payment of $25 permanent fee, shall be exempt from all ad valorem and other taxes. § 27-19-47.1.

h) One motor vehicle owned by disabled American veterans who have 100% permanent service-connected disability, or the unremarried surviving spouse, upon payment of $l.00; pertains only to tags or plates for private passenger motor vehicles or pickup trucks; exempt from all ad valorem and privilege taxes. § 27-19-53.

i) One motor vehicle owned by recipients of the Congressional Medal of Honor or former prisoners of war or the unremarried surviving spouse are exempt from all taxes and fees. § 27-19-54. Pertains only to tags for private passenger motor vehicles or pickup trucks.

j) Street rods, upon payment of $50, are exempt from all taxes and fees. § 27-19-56.6.

k) One motor vehicle owned by the unremarried surviving spouse of a member of the Armed Forces of the United States, a reserve component of the Armed Forces or of the National Guard who, while on active duty, is killed or dies in time of war or national emergency or in an area of immediate military hazard upon payment of $1.00 exempt from all taxes. § 27-19-169.

l) One motor vehicle owned by the recipient of the Purple Heart Medal will be exempt from all taxes and fees pertaining to private passenger motor vehicles, pickup trucks or recreational motor vehicles. One motor vehicle owned by the surviving spouse of a deceased person who was issued a Purple Heart Medal distinctive license plate may apply for or retain one such license plate and may continue to renew as long as the spouse remains unmarried. § 27-19-56.5.

m) Motor vehicles that are designed or adapted to be used exclusively in the preparation and loading of chemical or other materials for aerial agriculture application to crops and only incidentally used on public roadways in this state. § 27-19-30.

n) One private carrier of passengers owned by any religious society, ecclesiastical body or any congregation thereof which is used exclusively for such society and not for profit. § 27-19-3.

o) All motor vehicles owned by any such religious society or any educational institution having a seating capacity greater than seven passengers and used exclusively for transporting passengers for religious or educational purposes and not for profit. § 27-19-3.

p) Motor vehicles that are eligible to display an authentic historical license plate. § 27-19-56.11.

q) Antique pickup, upon payment of $25 permanent fee, shall be exempt from all ad valorem and other taxes. § 27-19-47.2.

r) One motor vehicle owned by the mother or the un-remarried spouse of a service member killed in action or died in a combat zone after 09/11/2001. § 27-19-56.162.

Estimated FY 2026 Tax Expenditure: Information not available

# SUMMARY OF TAX EXPENDITURES

| CORPORATE INCOME TAX | Estimated FY 2026 Tax Expenditure |
|---|---|
| Credits: | |
| Credit for finance company privilege tax paid for same tax year | $1,200,000 |
| Jobs Tax Credit | $10,100,000 |
| National Headquarters Credit | -0- |
| Research and Development Job Skills Credit | $6,400 |
| Dependent Care Credit | -0- |
| Gambling License Fees Credit | $14,800,000 |
| Financial Institution Credit | -0- |
| Mississippi Business Finance Corporation Revenue Bond Service Credit | $9,100,000 |
| Manufacturing Investment Tax Credit | $6,700,000 |
| Ad Valorem Inventory Tax Credit | $50,200,000 |
| Brownfield Sites Credit | -0- |
| Export Charges Credit | $84,300 |
| Import Charges Credit | $46,100 |
| Broadband Technology Credit (Corporate Income) | $6,900,000 |
| Reforestation Tax Credit | $16,500 |
| New Markets Credit | $2,400,000 |
| Biomass Energy Credit | -0- |
| Historic Structure Rehabilitation Credit | $3,300,000 |
| Insurance Guaranty Credit | -0- |
| Prekindergarten Credit | $2,700,000 |
| Business Contributions to Eligible Charitable Organizations Credit | $5,600,000 |
| Endowment Fund Charitable Credit | $1,700 |
| | |
| Incentives: | |
| Redevelopment Project Incentive Fund (Corporate Income) | $111,000 |
| | |
| Deductions: | |
| Capital Gains Exempt | Not Available |
| General expenses associated with the cost of doing business | Not Available |
| Charitable contributions | Not Available |
| Reserve funds | Not Available |
| Annuity income | Not Available |
| Contributions to employee pension plans | Not Available |
| Net operating loss carryback and carryover | Not Available |
| Dividend distributions | Not Available |
| Dividends for holding companies | Not Available |
| Growth and Prosperity Area Exemption | Not Available |

| CORPORATE FRANCHISE TAX | |
|---|---|
| Exemptions: | |
| Growth and Prosperity Area Exemption | Not Available |
| "Fee-In-Lieu" | Not Available |

| | |
|---|---|
| Credits: | |
| Bank Share Tax Credit | $751,000 |
| Broadband Technology Credit (Corporate Franchise) | $4,000,000 |
| Insurance Guaranty Credit | -0- |
| | |
| Incentives: | |
| Redevelopment Project Incentive Fund (Corporate Franchise) | $11,200 |

## Withholding Tax

| | |
|---|---|
| Incentive Payments: | |
| Mississippi Advantage Jobs Incentive Program | $16,375,374 |
| Existing Industry Withholding Rebate Program | -0- |
| Mississippi Economic Impact Authority Withholding Rebate Program (MEIA) | -0- |
| Mississippi Major Economic Impact Authority Withholding Rebate Program (MMEIA) | $11,384,461 |
| Motion Picture Production Rebate Program | $14,154,344 |

## Individual Income Tax

| | |
|---|---|
| Exemptions: | |
| Personal Exemptions | $554,677,000 |
| Exemptions for Dependents | $83,172,000 |
| Other Exemptions | $3,522,000 |
| Medical Savings Accounts | Not Available |
| Health Savings Accounts | $1,009,000 |
| Prisoners of War, Missing in Action | Not Available |
| | |
| Adjustments: | |
| Individual Retirement Accounts | $3,776,000 |
| Keogh Plans | $5,338,000 |
| Interest penalty on early withdrawal of savings | $213,000 |
| Unreimbursed moving expense | $62,000 |
| Contributions or payments to a Mississippi college savings plan (MACS & MPACT) | $1,200,000 |
| Self-employed medical insurance | $9,588,000 |
| Organ Donation Deduction | Not Available |
| Catastrophe Savings Account | $69,000 |
| Self-employment tax deduction | $12,139,000 |
| First-time Home Buyer Savings Account Adjustment | $25,000 |
| Achieving a Better Life Experience Act (ABLE) Adjustment | $43,000 |
| Agricultural Disaster Program Compensation Deduction | $138,000 |
| | |
| Credits: | |
| Credit for income tax paid to another state | $106,103,000 |
| Long-Term Care Premiums Credit | $1,218,000 |
| Charitable Contribution Credit | $365,000 |
| Foster Care Credit | $406,000 |
| Other credits | $13,454,000 |

| | |
|---|---|
| Deductions: | |
| Standard Deduction | $200,514,000 |
| Itemized Deductions: | |
| Medical and dental expenses | $37,373,000 |
| Real estate taxes | $32,980,000 |
| Home mortgage interest | Not Available |
| Investment interest | Not Available |
| Charitable contributions | $100,902,000 |
| Casualty and theft losses | $141,000 |
| Employee expenses and miscellaneous deductions subject to 2% limitation | -0- |
| Miscellaneous deductions not subject to 2% limitation | $3,446,000 |

## Sales and Use Tax

| | |
|---|---|
| Exceptions to the General Sales Tax Rate: | |
| Retail sales of farm tractors, farm implements and logging equipment taxed at 1.5% | $59,825,822 |
| Aircraft, trucks, semi-trailers and mobile homes taxed at 3% | $36,660,280 |
| Autos, light trucks: (10,000 lbs. or less) taxed at 5% | $145,714,109 |
| Groceries taxed at 5% | $129,981,684 |
| Manufacturing machinery and certain port facility equipment taxed at 1.5% | $152,672,852 |
| Materials used in railroad tracks taxed at 3% | $1,363,037 |
| Sales to electric power associations taxed at 1% | $23,512,141 |
| Discount for timely filing 2% | $18,128,726 |
| Sale of Utilities: | |
| To residential consumers: 0% | $170,928,524 |
| To manufacturers: 0% | $55,765,085 |
| To nonprofit water associations: 0% | $1,794,708 |
| To farmers: 0% | $1,724,694 |
| Sales of home medical equipment and supplies | $28,796,340 |
| Industrial Exemptions: | |
| Sales of boxes, crates, cartons, etc. to manufacturers and wholesalers | *$2,837,393* |
| Raw materials used in manufacturing | $169,127,397 |
| Gross proceeds of sales of dry docks, offshore drilling equipment, and large vessels | *$2,837,393* |
| Sales to commercial fishermen of specified commercial fishing boats | $2,863,545 |
| Gross income from repairs to vessels engaged in foreign trade or interstate transport | $7,961,816 |
| Rolling stock used in interstate commerce | *$4,255,496* |
| Sales of parts used in the repair of aircraft | Not Available |
| Raw materials used in manufacturing rolling stock | Not Available |
| Machinery or parts used in repairing large ships | Not Available |
| Tangible personal property consumed on ships in international commerce | Insignificant |
| Income from storage/handling of perishable goods by public storage warehouses | Not Available |
| Natural gas used in oil production | $3,547,038 |
| Gross collections from self-service commercial laundering, drying, and cleaning equip. | $2,149,143 |
| Economic Development Reform Act Incentives | $8,432,131 |

| | |
|---|---|
| Growth and Prosperity Act Incentives | Not Available |
| Pollution control equipment | Not Available |
| Sales of broadband technology equipment | $11,886,857 |
| Sales of machinery or equipment to nonprofit organizations created by the Oil Pollution Control Act of 1990 | Not Available |
| Sales of component materials and equipment used to repair buildings and equipment damaged or destroyed as a result of a natural disaster | Not Available |
| National and Regional Headquarters | Not Available |
| Clean Energy Initiative Incentives Program | Not Available |
| Aerospace Initiative Incentives Program | Not Available |
| | |
| Agricultural Exemptions: | |
| Sales of lint, seed cotton, baled cotton, feed, seed, fertilizers, baling wire, packaging materials, etc. | $75,776,340 |
| Sales of agricultural produce to be further processed | $126,484,484 |
| Retail sales of mules, horses, and other livestock | Not Available |
| Sales of antibiotics, hormones, drugs, medicines, etc. | $1,928,050 |
| | |
| Governmental Exemptions: | |
| Sales to U.S. Government or State of Mississippi | $252,968,971 |
| Sales to public schools | $35,469,193 |
| Sales of school textbooks | $12,454,324 |
| Sales to Mississippi Band of Choctaw Indians | $284,094 |
| Sales of firefighting equipment to governmental or volunteer fire depts. | $215,153 |
| | |
| Miscellaneous Exemptions: | |
| Sales to nonprofit hospitals and infirmaries | $111,794,706 |
| Sales of newspapers, periodicals, and subscription magazines | $5,000,000 |
| Sales of coffins and caskets | $2,837,393 |
| Sales of goods for immediate export | Insignificant |
| Sales to nonprofit orphanages, old men's or old ladies' homes | Insignificant |
| Sales to YMCA, YWCA, or Boys or Girls Clubs | $1,999,369 |
| Sales to nonprofit private schools | $14,192,909 |
| Gross proceeds of retail sales and the use or consumption of drugs and medicines | $205,362,105 |
| Retail sales of motor vehicles and Semi-trailers exported within 48 hours | $2,980,035 |
| Sales to Salvation Army or Muscular Dystrophy Association, Inc. | Insignificant |
| Sales of alcohol-blended fuel using Mississippi distilled alcohol | Insignificant |
| Sales to the Institute for Technology Development | Insignificant |
| Sales of food and drink through full-service vending (taxed at 8% of the wholesale purchase price) | $6,103,241 |
| Gross proceeds of sales of motor fuel | $516,056,769 |
| Sales of food purchased with food stamps or WIC instruments | $77,905,010 |
| Sales of cookies by Girl Scouts of America | Insignificant |
| Gift or sales to public or private nonprofit museums of art | Insignificant |
| Sales to alumni associations of state-supported colleges or universities | Insignificant |
| Sales to National Association of Junior Auxiliaries, Inc. | Insignificant |
| Sales to domestic violence shelters which qualify for state funding | Insignificant |
| Sales to the Mississippi Chapter of the National Multiple Sclerosis Society | Insignificant |

| | |
|---|---|
| Sales to the Mississippi Technology Alliance | Insignificant |
| Sales to nonprofit organizations providing foster care, adoption services and temporary housing for unwed mothers and their children | Insignificant |
| Sales to nonprofit organizations that provide residential rehabilitation for persons with alcohol and drug dependencies | Insignificant |
| Retail sales of specified articles of clothing/footwear and school supplies when purchased during the 'Annual Back to School Sales Tax Holiday' | $5,149,188 |
| Gross proceeds of sales made for the sole purpose of raising funds for a school (k-12) | $7,919,619 |
| Sales to Mississippi Blood Services | Insignificant |
| Retail sales of specified firearms, ammunition, and hunting supplies when purchased during the 'Mississippi Second Amendment Weekend' sales tax holiday | Not Available |
| Sales of non-perishable food to food banks, food pantries, and food lines | Insignificant |
| Sales to The United Way of the Pine Belt Region, Inc. | Insignificant |
| Sales to Mississippi Children's Museum | Insignificant |
| Sales to Jackson Zoological Park | Insignificant |
| Sales to Diabetes Foundation of Mississippi/Mississippi Juvenile Diabetes Research Foundation | Insignificant |
| Sales of potting soil, mulch and other soil amendments for use in growing ornamental plants when sold to wholesale commercial plant nurseries | Not Available |
| Sales to UMMC Research and Development Foundation | Insignificant |
| Sales to Keep Mississippi Beautiful, Inc. | Insignificant |
| Sales to Friends of Children's Hospital | Insignificant |
| Sales to Pinecrest Weekend Snackpacks for Kids, Corinth MS | Insignificant |
| Hearing aids prescribed by a licensed physician, audiologist, or hearing aid specialist | $10,292,643 |

## Severance Tax

| | |
|---|---|
| Exemptions: | |
| Enhanced Recovery | $10,000,000 |
| Horizontally Drilled | $106,800 |

## Insurance Premium Tax

| | |
|---|---|
| Exemptions | Not Available |
| | |
| Credits: | |
| Income Taxes Paid | $19,300,000 |
| Retaliatory Tax Deduction | $503,000 |
| Reductions for Qualifying Mississippi Investments | $62,400,000 |
| Guaranty Association Credit | $1,300,000 |
| Coast Area Credit | $759,000 |
| New Markets Credit | $4,200,000 |
| Mississippi Small Business Investment Credit | $5,200,000 |

## Casual Auto Sales Tax

| | |
|---|---|
| Exemptions | $3,206,851 |

## Auto Privilege Taxes and Auto Tag Fees

| | |
|---|---|
| Exemptions | Not Available |

# CLASSIFICATION OF TAX EXPENDITURES ACCORDING TO PURPOSE

In order to organize the tax expenditure items documented in the previous pages in a systematic fashion, five categories of tax expenditures have been established for this report. Each of the tax expenditures listed in this report has been placed into one of the five classifications.

## Tax Expenditures Which Redistribute the Tax Burden

All tax expenditure items, the purpose of which is to directly or indirectly shift the burden of taxation from one income class to another.

| | Estimated FY 2026 Tax Expenditure |
|---|---|
| Credit for finance company privilege tax paid for same tax year | $1,200,000 |
| Jobs Tax Credit | $10,100,000 |
| National Headquarters Credit | -0- |
| Research and Development Job Skills Credit | $6,400 |
| Employer Dependent Care Credit | -0- |
| Gambling License Fees Credit | $14,800,000 |
| Financial Institution Credit | -0- |
| Mississippi Business Finance Corporation Revenue Bond Service Credit | $9,100,000 |
| Manufacturing Investment Tax Credit | $6,700,000 |
| Ad Valorem Inventory Credit | $50,200,000 |
| Brownfield Sites Credit | -0- |
| Export Charges Credit | $84,300 |
| Import Charges Credit | $46,100 |
| Broadband Technology Credit (Corporate Income) | $6,900,000 |
| Reforestation Tax Credit (Corporate Income) | $16,500 |
| New Markets Tax Credit | $2,400,000 |
| Bank Share Tax Credit | $751,000 |
| Mississippi Advantage Jobs Incentive Program | $16,375,374 |
| Existing Industry Withholding Rebate Program | -0- |
| Mississippi Economic Impact Authority Withholding Rebate Program (MEIA) | -0- |
| Mississippi Major Economic Impact Authority Withholding Rebate Program (MMEIA) | $11,384,461 |
| Personal exemptions | $554,677,000 |
| Exemption for dependents | $83,172,000 |
| Other individual income tax exemptions | $3,522,000 |
| Prisoners of War, Missing in Action | Not Available |
| Contributions or payments to a Mississippi college savings plan (MACS & MPACT) | $1,200,000 |
| Long-term care premiums tax credit | $1,218,000 |
| Business ad valorem tax credit | $10,439,000 |
| Finance company privilege tax | $167,000 |
| Standard deduction | $200,514,000 |
| Sale of utilities to residential consumers | $170,928,524 |
| Sale of utilities to nonprofit water associations | $1,794,708 |
| Sales to nonprofit hospitals and infirmaries | $111,794,706 |
| Sales of coffins and caskets | $2,837,393 |
| Sales to nonprofit orphanages, old men's or old ladies' homes | Insignificant |
| Gross proceeds of retail sales and the use or consumption of drugs and medicines | $205,362,105 |

NOTE: Numbers in italics should be considered very inexact estimates. No established database exists for determining these values.

| Expenditures Which Redistribute the Tax Burden – (continued) | Estimated FY 2026 Tax Expenditure |
|---|---|
| Sales of food purchased with food stamps or WIC instruments | $77,905,010 |
| Retail sales of specified articles of clothing/footwear and school supplies when purchased during the 'Annual Back to School Sales Tax Holiday' | $5,149,188 |
| Retail sales of specified firearms, ammunition, and hunting supplies when purchased during the 'Mississippi Second Amendment Weekend' sales tax holiday | Not Available |
| Retaliatory tax deduction | $503,000 |

NOTE: Numbers in italics should be considered very inexact estimates. No established database exists for determining these values.

## Tax Expenditures With a Direct Budgetary Objective

The second category of tax expenditures includes those provisions in the statutes which have a direct budgetary objective; i.e., to encourage private expenditure in lieu of public expenditure for particular purposes or to subsidize private expenditures.

| | Estimated FY 2026 Tax Expenditure |
|---|---|
| Biomass Energy Credit | -0- |
| Historical Structure Rehabilitation Credit (Corporate Income) | $3,300,000 |
| Prekindergarten Credit | $2,700,000 |
| Broadband Technology Credit (Corporate Franchise) | $4,000,000 |
| Motion Picture Production Rebate Program | $14,154,344 |
| Mississippi Natural Heritage Program and Scenic Streams Stewardship Program | -0- |
| Credit for certain qualified adoption expenses | $362,000 |
| Historical Structure Rehabilitation Credit (Individual Income) | $870,000 |
| Reforestation Credit (Individual Income) | $337,000 |
| Discount for timely filing | $18,128,726 |
| Sales of home medical equipment and supplies | $28,769,340 |
| Clean Energy Initiative Incentives Program | Not Available |
| Aerospace Initiative Incentives Program | Not Available |
| Sales of newspapers, periodicals, and subscription magazines | $5,000,000 |
| Sales of goods for immediate export | Insignificant |
| Sales to YMCA, YWCA, or Boys or Girls Clubs | $1,999,369 |
| Sales to nonprofit private schools | $14,192,909 |
| Sales to Salvation Army or Muscular Dystrophy Association, Inc. | Insignificant |
| Sales of alcohol-blended fuel using Mississippi distilled alcohol | Insignificant |
| Sales to the Institute for Technology Development | Insignificant |
| Sales of cookies by Girl Scouts of America | Insignificant |
| Gifts or sales to public or private nonprofit museums of art | Insignificant |
| Sales to alumni associations of state-supported colleges and universities | Insignificant |
| Sales to National Association of Junior Auxiliaries, Inc. | Insignificant |
| Sales to domestic violence shelters which qualify for state funding | Insignificant |
| Sales to the Mississippi Chapter of the National Multiple Sclerosis Society | Insignificant |
| Sales to the Mississippi Technology Alliance | Insignificant |
| Gross proceeds of sales made for the sole purpose of raising funds for a school | $7,919,619 |
| Sales to Mississippi Blood Services | Insignificant |
| Sales of non-perishable food to food banks, food pantries, and food lines | Insignificant |
| Sales to the United Way of the Pine Belt Region, Inc. | Insignificant |

NOTE: Numbers in italics should be considered very inexact estimates. No established database exists for determining these values.

| Tax Expenditures a direct budgetary objective – (continued) | Estimated FY 2026 Tax Expenditure |
|---|---|
| Sales to Mississippi Children's Museum | Insignificant |
| Sales to Jackson Zoological Park | Insignificant |
| Sales to Diabetes Foundation of Mississippi/MS Juvenile Diabetes Research Foundation | Insignificant |
| Sales to UMMC Research and Development Foundation | Insignificant |
| Sales to Keep Mississippi Beautiful, Inc. | Insignificant |
| Sales to Friends of Children's Hospital | Insignificant |
| Sales to Pinecrest Weekend Snackpacks for Kids, Corinth, MS | Insignificant |
| Hearing aids prescribed by a licensed physician, audiologist, or hearing specialist | $10,292,643 |
| Enhanced Recovery | $10,000,000 |
| Horizontally Drilled | $106,800 |
| Insurance Premium Tax Credits including the following: | |
| Income taxes paid | $19,300,000 |
| Reduction for qualifying Mississippi investments | $62,400,000 |
| Guaranty Association credit | $1,300,000 |
| Coast Area Credit | $759,000 |
| New Markets Credit | $4,200,000 |
| Mississippi Small Business Investment Credit | $5,200,000 |

NOTE: Numbers in italics should be considered very inexact estimates. No established database exists for determining these values.

## Tax Expenditures Which Are Outside the Relevant Tax Base

The third category of tax expenditures consists of those provisions in the tax code which, although constituting tax expenditures in the strict language of the law, are in fact outside of the relevant tax base according to the implied or stated spirit of the law. These include items such as the levy of the retail sales tax on transactions which are clearly wholesale in nature.

| | Estimated FY 2026 Tax Expenditure |
|---|---|
| Insurance Guaranty Credit (Corporate Income) | -0- |
| General expenses associated with the cost of doing business | Not Available |
| Insurance Guaranty Credit (Corporate Franchise) | -0- |
| Gaming Control Act License Fees Credit | $1,279,000 |
| Retail sales of farm tractors, farm implements & logging equipment | $59,825,822 |
| Aircraft, trucks, semi-trailers and mobile homes | $36,660,280 |
| Autos and light trucks (10,000 lbs. or less) | $145,714,109 |
| Groceries taxed at 5% | $129,981,684 |
| Manufacturing machinery and certain port facility equipment | $152,672,852 |
| Materials used in railroad tracks | $1,363,037 |
| Sales to electric power associations | $23,512,141 |
| Sales of utilities to manufacturers | $55,765,085 |
| Sales of utilities to farmers | $1,724,694 |
| Sales of boxes, crates, cartons, etc. to manufacturers and wholesalers | *$2,837,393* |
| Raw materials used in manufacturing | $169,127,397 |
| Gross proceeds of sales of dry docks, offshore drilling equipment, and large vessels | *$2,837,393* |
| Sales to commercial fishermen of specified commercial fishing boats | $2,863,545 |
| Gross income from repairs to vessels engaged in foreign trade/interstate transport | $7,961,816 |
| Rolling stock used in interstate commerce | $4,255,496 |

NOTE: Numbers in italics should be considered very inexact estimates. No established database exists for determining these values.

| Tax Expenditures which are outside the relevant tax base – (continued) | Estimated FY 2026 Tax Expenditure |
|---|---|
| Raw materials used in manufacturing rolling stock | Not Available |
| Machinery or parts used in repairing large ships | Not Available |
| Tangible personal property consumed on ships in international commerce | Insignificant |
| Income from storage/handling of perishable goods by public storage warehouses | Not Available |
| Natural gas used in oil production | $3,547,038 |
| Gross collections from self-service commercial laundering, drying, and cleaning equipment | $2,149,143 |
| Economic Development Reform Act Incentives | $8,432,131 |
| Sales of lint, seed cotton, baled cotton, feed, seed, fertilizers, baling wire, packaging materials, etc. | $75,776,340 |
| Sales of agricultural produce to be further processed | $126,484,484 |
| Retail sales of mules, horses, and other livestock | Not Available |
| (Agricultural) sales of antibiotics, hormones, drugs, medicines, etc. | $1,928,050 |
| Sales to U.S. Government or State of Mississippi | $252,968,971 |
| Sales to public schools | $35,469,193 |
| Sales of school textbooks | $12,454,324 |
| Sales to Mississippi Band of Choctaw Indians | $284,094 |
| Sales of firefighting equipment to governmental or volunteer fire depts. | $215,153 |
| Retail sales of vehicles and semi-trailers exported within 48 hours | $2,980,035 |
| Sales of food and drink through full-service vending | $6,103,241 |
| Gross proceeds of sales of motor fuel | $516,056,769 |
| Sales of potting soil, mulch and other soil amendments for use in growing ornamental plants when sold to wholesale commercial plant nurseries | Not Available |
| Casual Auto Sales Tax Exemptions | $3,206,851 |

NOTE: Numbers in italics should be considered very inexact estimates. No established database exists for determining these values.

## Tax Expenditures Which Conform With Federal Law

The fourth category of tax expenditures includes those provisions in the Mississippi statutes which conform to federal tax codes.

| | Estimated FY 2026 Tax Expenditure |
|---|---|
| Medical Savings Account | Not Available |
| Health Savings Account | $1,009,000 |
| Individual Retirement Accounts | $3,776,000 |
| Keogh Plans | $5,338,000 |
| Interest penalty on early withdrawal of savings | $213,000 |
| Unreimbursed moving expense | $62,000 |
| Self-employed medical insurance | $9,588,000 |
| Catastrophe Savings Account | $69,000 |
| Credit for income tax paid to another state | $106,103,000 |
| Medical and dental expenses | $37,373,000 |
| Real estate taxes | $32,980,000 |
| Home mortgage interest | Not Available |
| Investment interest | Not Available |
| Charitable contributions (Individual Income) | $100,902,000 |
| Casualty and theft losses | $141,000 |
| Employee expenses and miscellaneous deductions subject to 2% limitation | -0- |

| Tax Expenditures which conform with federal law – (continued) | Estimated FY 2026 Tax Expenditure |
|---|---|
| Miscellaneous deductions not subject to 2% limitation | $3,446,000 |

## Tax Expenditures Which Cannot Be Accurately Measured

The final category of tax expenditures listed in this document includes all of those items which are considered to be legitimate tax expenditures but for which there exists insufficient information to estimate the value.

| | Estimated FY 2026 Tax Expenditure |
|---|---|
| Redevelopment Project Incentive Fund (Corporate Income) | $111,000 |
| Capital Gains Exempt | Not Available |
| Charitable contributions (Corporate Income) | Not Available |
| Reserve funds | Not Available |
| Annuity income | Not Available |
| Contributions to employee pension plans | Not Available |
| Net operating loss carryback and carryover | Not Available |
| Dividend distributions | Not Available |
| Dividends for holding companies | Not Available |
| Growth and Prosperity Area Exemption (Corporate Income) | Not Available |
| Growth and Prosperity Area Exemption (Corporate Franchise) | Not Available |
| "Fee-In-Lieu" | Not Available |
| Redevelopment Project Incentive Fund (Corporate Franchise) | $11,200 |
| Organ donation deduction | Not Available |
| Sales of parts used in the repair of aircraft | Not Available |
| Growth and Prosperity Act Incentives (Sales and Use) | Not Available |
| Pollution control equipment | Not Available |
| Sales of machinery or equipment to nonprofit organizations created by the Oil Pollution Control Act of 1990 | Not Available |
| Sales of component materials and equipment used to repair buildings and equipment damaged or destroyed as a result of a natural disaster | Not Available |
| Sales to nonprofit organizations providing foster care, adoption services and temporary housing for unwed mothers and their children | Not Available |
| Sales to nonprofit organizations that provide residential rehabilitation for persons with alcohol and drug dependencies | Not Available |
| Insurance Premium Tax Exemptions | Not Available |
| Auto privilege taxes and auto tax fee exemptions | Not Available |

# APPENDIX: 2025 LEGISLATION

House Bill 1 – Effective July 1, 2025
Revises various sections of law relating to income tax, sales tax, use tax, fuels excise taxes, and the Public Employees' Retirement System (PERS).

The bill reduces income tax on individuals for taxable income in excess of $10,000 as follows:

- For calendar year 2027, a rate of 3.75%;
- For calendar year 2028, a rate of 3.5%;
- For calendar year 2029, a rate of 3.25%; and
- For calendar year 2030 and all years thereafter, except as otherwise provided below, a rate of 3%.

This bill also provides a method for determining whether the income tax imposed on individuals for income in excess of $10,000 will be reduced below 3%. For the calendar year 2031 and any year thereafter, if the Working Cash-Stabilization Reserve Fund is fully funded, the income tax imposed on all taxable income in excess of $10,000 will be reduced by a percentage as indicated below, depending on the percentage by which the Adjusted General Fund Revenue Collections for a fiscal year (beginning with fiscal year 2029) exceed the Appropriations for the following fiscal year (beginning with fiscal year 2030):

- If the excess is at least 0.85%, but less than 1%, of the cost of a 1% cut, the tax will be reduced by 0.2%;
- If the excess is at least 1%, but less than 1.15%, of the cost of a 1% cut, the tax will be reduced by 0.25%; and
- If the excess is at least 1.15% of the cost of a 1% cut, the tax will be reduced by 0.3%.

The bill further provides definitions for "appropriations" and "cost of a 1% cut" for purposes of determining future income tax rate reductions.

The bill reduces the sales and use tax on groceries to 5% beginning July 1, 2025. The city diversion for the 5% grocery tax is 25.9% instead of the regular 18.5% city diversion. 21% of the 5% use tax on groceries will to the modernization fund to be distributed to cities instead of the regular 15%.

House Bill 961 – Effective July 1, 2025
Reenacts code that provides an income tax credit for taxpayers that use port facilities at state, county and municipal ports for the export of cargo and extends the repealer to 7/1/2028. It also reenacts code that provides an income tax credit for certain taxpayers that use the airport facilities at public airports for certain charges paid by the taxpayer on the export or import of cargo and extends the repeal date to 7/1/2028.

House Bill 970 – Effective July 1, 2025
Amends code to extend the repeal date to July 1, 2028, on the sales tax exemptions for sales of tangible personal property and services to the Mississippi's Toughest Kids Foundation for use in the construction, furnishing and equipping of buildings and related facilities and infrastructure at Camp Kamassa in Copiah County, Mississippi.

House Bill 972 – Effective July 1, 2025
Amends code to extend the repeal date to 1/1/2029, for the income job tax credit for an enterprise primarily engaged in providing inland water transportation of cargo on lakes, rivers, and intracoastal waterways for each full-time employee of the enterprise in a Mississippi full-time position.

House Bill 1201 – Effective July 1, 2025
Requires the DOR to work in conjunction with the Secretary of State's office (SOS) to establish a program to provide tax incentives for taxpayers who develop blighted property in MS for the purpose of placing the property into use either as an owner-occupied dwelling or commercial building.

House Bill 1341 – Effective July 1, 2025
Amends code to extend the repeal date to July 1, 2026, for the sales tax exemption for sales of materials used in the construction of, or addition or improvements to, a health care industry facility and certain sales of machinery and equipment to be used in the facility.

House Bill 1644 – Effective January 1, 2025
Revises the definition of "equipment used in the deployment of broadband technologies" for purposes of the income tax credit and corporation franchise tax credit available to telecommunications enterprises for investments made in such equipment before 7/1/2030, and for purposes of the ad valorem tax exemption for such equipment placed in service. This bill also revises the definition of equipment used in the deployment of broadband technology for purposes of the sales tax exemption.

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Break, George F. "Tax Expenditure Budget - The Need for A Fuller Accounting." *National Tax Journal*, September 1985, pp. 261-265.

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Surrey, Stanley S. *Pathways to Tax Reform: The Concept of Tax Expenditures*. Cambridge: Harvard University Press, 1973.

# TAX CREDIT ANALYSIS

| | | | | | |
|---|---|---|---|---|---|
| **Program Name:** | Missouri Examination Fee and Other Fee Credit | | | | |
| **Department:** | Commerce and Insurance | **Contact Name & No.:** | Brenda Horstman 573-751-7223 | **Date:** | 1/17/2025 |
| **Program Category:** | Business Recruitment | **Type:** | Tax Credit | Other: | |
| **Statutory Authority:** | 148.400 RSMo. | **Applicable Taxes:** | Missouri Insurance Premium Tax | | |
| **Tax Credit Creation Date:** | 1945 | **Year of Last Legislative Change:** | 2001 | | |

**Program Description and Eligibility Requirements:**
The Missouri Examination Fee and Other Fee Credit allows the total cost of an examination paid by an insurance company to be taken as a tax credit against premium tax due, as well as any income taxes, franchise taxes, personal property taxes, valuation fees and/or registration fees paid. Premium tax is split between General Revenue and County Foreign or County Stock funds.

**Explanation of How Award is Computed:** **Entitlement** Yes **Discretionary** No
Credit is applied against same year premium tax due. If credit exceeds premium tax due, only excess examination fee credit can be carried forward--up to five years. Carry forward credit is taken against General Revenue portion of premium tax only.

**Program Cap:** Cumulative $ _____ (remainder of cumulative cap) $ _____ Annual $ _____ **None** X

**Cap Shared Between Programs** No **Which Program(s)?** n/a

**Explanation of Cap:**
n/a

**Sunset Provision:** No Date of Sunset n/a Date of Last Sunset Extension n/a

**Explanation of Expiration of Authority:**
n/a

**Specific Provisions:** (if applicable)

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Carry forward | 5 years | Carry Back | n/a | Refundable | No | Apportioned | No | Appropriated | No |
| Sellable/Assignable | No | Organizations Remit an Offset | No | Additional Federal Deductions/Credits Available | No | | | | |

**Comments on Specific Provisions:**
Carry forward is taken against General Revenue only. Carry forward began in tax year 2003 per SB 193 (2001) and only applies to the examination fee credit (148.400 RSMo.)

**Legislative / General Assembly Action(s) During Prior Five Years:** None

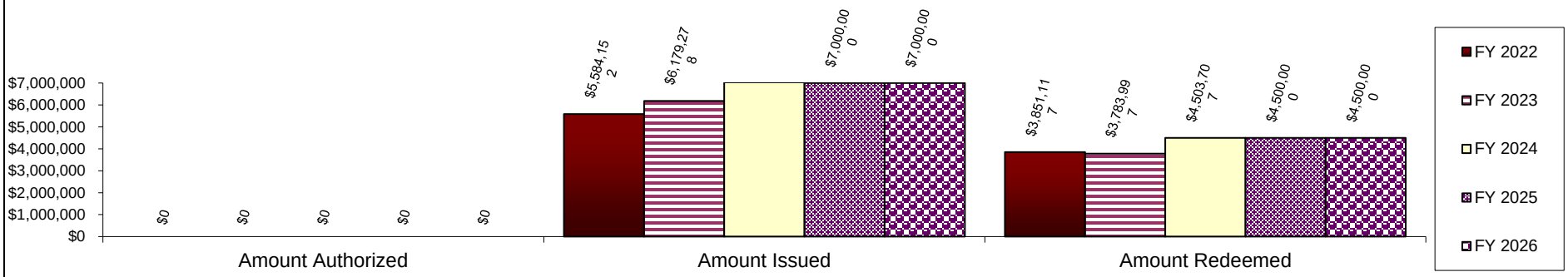
| | FY 2022 ACTUAL | FY 2023 ACTUAL | FY 2024 ACTUAL | FY 2025 (year to date) | FY 2025 (Full Year) | FY 2026 (Budget Year) |
|---|---|---|---|---|---|---|
| Certificates Issued (#) | n/a | n/a | n/a | *n/a* | n/a | n/a |
| Projects/Participants (#) | n/a | n/a | n/a | *n/a* | n/a | n/a |
| Amount Authorized | n/a | n/a | n/a | *n/a* | n/a | n/a |
| Amount Issued | $5,584,152 | $6,179,278 | $7,030,924 | *$0* | $7,000,000 | $7,000,000 |
| Amount Redeemed | $3,851,117 | $3,783,997 | $4,503,707 | *$0* | $4,500,000 | $4,500,000 |

| | | | |
|---|---|---|---|
| FY 2024 EST. Amount Outstanding | $11,371,999 | FY 2024 EST. Amount Authorized but Unissued | $0 |

# TAX CREDIT ANALYSIS

**Program Name:** Missouri Examination Fee and Other Fee Credit

## HISTORICAL AND PROJECTED INFORMATION




**Comments on Historical and Projected Information:**
Typically only the companies domiciled in Missouri take this credit as it often results in an increase in retaliatory tax of that amount for foreign (non-Missouri based) insurers. Due to this only about 55% of examination costs are taken each year in tax credits. Consequently, the department believes most carry-over each year will eventually expire.

## BENEFIT: COST ANALYSIS (includes only state revenue impacts)

| | FY 2024 ACTIVITY | Other Fiscal Period (indicated time period) |
|---|---|---|
| **BENEFITS** | | |
| Direct Fiscal Benefits | | |
| Indirect Fiscal Benefits | | |
| **Total** | $0 | $0 |
| **COSTS** | | |
| Direct Fiscal Costs | | |
| Indirect Fiscal Costs | | |
| **Total** | $0 | $0 |
| **BENEFIT: COST** | | |

**Derivation of Benefits:**
The state has not conducted an economic analysis of Insurance Tax Credits, but in the state's 2010 (updated in 2012) Missouri Tax Credit Review Commission Report, this tax credit was considered a feature of Missouri's overall tax structure, rather than a true "tax credit" as that term is used to describe the state's various programs designed to provide an economic incentive or achieve a social outcome. In the report the credit's purpose was described as an attempt to equalize the burden on insurance companies, which, unlike other businesses when calculating income tax liability, cannot deduct certain fees and taxes as operating expenses when calculating their premium tax liability. The report stated that elimination or reduction of this credit would increase taxes on insurance companies above the taxes imposed on otherwise similarly situated industries.

**Other Benefits:**
Under Chapter 148.400, RSMo., insurance companies are permitted a tax credit for the costs of insurance examinations conducted by the department. Examination costs are business expenses that are similar to corporate expenses deducted when calculating income tax. Due to their tax structure, insurers account for operating expenses through a premium tax credit rather than an income tax deduction.

## PERFORMANCE MEASURE(S)

**Insurance Companies Redeeming the Examination Fee & Other Fee Tax Credit**

| | CY 2022 Actual | CY 2023 Actual | CY 2024 Actual | CY 2025 Estimate | CY 2026 Estimate | CY 2027 Estimate |
|---|---|---|---|---|---|---|
| Domiciled Insurance Companies | 33 | 34 | 27 | 36 | 36 | 36 |
| Foreign Insurance Companies | 6 | 8 | 8 | 7 | 7 | 7 |
| Total | 39 | 42 | 35 | 43 | 43 | 43 |

**Comments on Performance Measure:**

# TAX CREDIT ANALYSIS

| | | | | | |
|---|---|---|---|---|---|
| **Program Name:** | Missouri Life and Health Insurance Guaranty Association Credit | | | | |
| **Department:** | Commerce and Insurance | **Contact Name & No.:** | Brenda Horstman 573-751-7223 | **Date:** | 1/17/2025 |
| **Program Category:** | Domestic and Social | **Type:** | Tax Credit | Other: | |
| **Statutory Authority:** | 376.745 RSMo | **Applicable Taxes:** | Missouri Insurance Premium Tax | | |
| **Tax Credit Creation Date:** | 1988 | **Year of Last Legislative Change:** | 1988 | | |

**Program Description and Eligibility Requirements:**
The Missouri Life and Health Insurance Guaranty Association is created in state statute and all insurers issuing life and health insurance in the state are members. The association pays Missouri policyholders for claims against insolvent L&H companies. The association then assesses all members in the state to pay claims of the insolvent insurer. Members are allowed to take these assessments as an offset against premium tax collected by the state.

**Explanation of How Award is Computed:** **Entitlement** Yes **Discretionary** No
Credits are taken over a five-year period with 20% being taken each year beginning the year after the assessment. No carry forward. Credits are taken against General Revenue, County Foreign and County Stock Funds.

**Program Cap:** Cumulative $ _____ (remainder of cumulative cap) $ _____ Annual $ _____ None X

**Cap Shared Between Programs** No **Which Program(s)?** n/a

**Explanation of Cap:**
n/a

**Sunset Provision:** No Date of Sunset n/a Date of Last Sunset Extension n/a

**Explanation of Expiration of Authority:**
n/a

**Specific Provisions:** (if applicable)

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Carry forward | n/a | Carry Back | n/a | Refundable | No | Apportioned | No | Appropriated | No | | |
| Sellable/Assignable | No | Organizations Remit an Offset | No | Additional Federal Deductions/Credits Available | No | | | | | | |

**Comments on Specific Provisions:**
No carry forward.

**Legislative / General Assembly Action(s) During Prior Five Years:** none

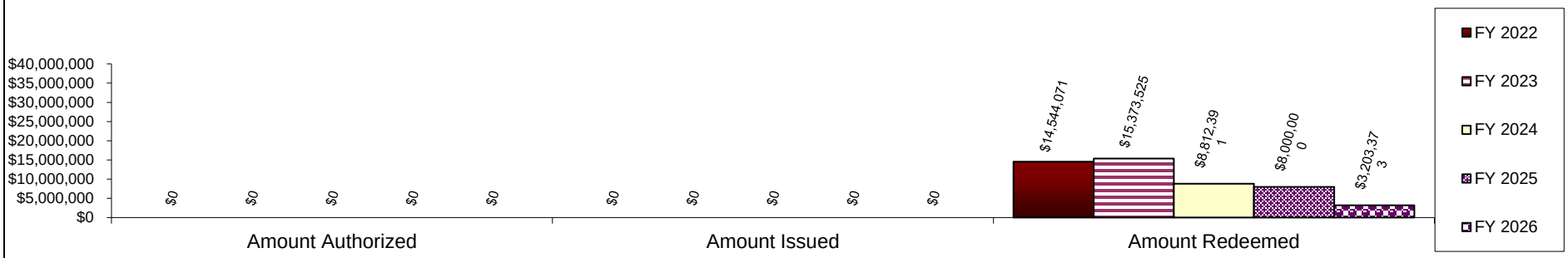
| | FY 2022 ACTUAL | FY 2023 ACTUAL | FY 2024 ACTUAL | FY 2025 (year to date) | FY 2025 (Full Year) | FY 2026 (Budget Year) |
|---|---|---|---|---|---|---|
| Certificates Issued (#) | n/a | n/a | n/a | *n/a* | n/a | n/a |
| Projects/Participants (#) | 372 | 372 | 372 | *n/a* | n/a | n/a |
| Amount Authorized | n/a | n/a | n/a | *n/a* | n/a | n/a |
| Amount Issued | $0 | $0 | $0 | *$0* | $0 | $0 |
| Amount Redeemed | $14,544,071 | $15,373,525 | $8,812,391 | *$0* | $8,000,000 | $3,203,373 |

| | | | |
|---|---|---|---|
| FY 2024 EST. Amount Outstanding | $11,203,373 | FY 2024 EST. Amount Authorized but Unissued | n/a |

## TAX CREDIT ANALYSIS

**Program Name:** Missouri Life and Health Insurance Guaranty Association Credit

**HISTORICAL AND PROJECTED INFORMATION**




**Comments on Historical and Projected Information:**

**2024 Assessment Information**
The Board of Directors of the Missouri Life & Health Insurance Guaranty Association authorized and called a Class B Assessment not to exceed $20,000,000 to fund the Association's liabilities associated with the Colorado Bankers Life Insurance Company and Bankers Life Insurance Company insolvencies.

**2020, 2021, 2022, 2023 Assessment Information**
There were no assessments in 2020 - 2023.

**2019 Assessment Information**
The Board of Directors of the Missouri Life & Health Insurance Guaranty Association determined at the May 30, 2019 Annual Meeting that a Class B assessment of $27,000,000 will be needed for the life account for Lincoln Memorial Life Insurance Company for 2019.

**2018 Assessment Information**
The Board of Directors of the Missouri Life & Health Insurance Guaranty Association determined at the May 24, 2018 Annual Meeting that a Class B assessment of $20,000,000 will be needed for the life account for Lincoln Memorial Life Insurance Company for 2018.

Additional details on assessments: http://mo-iga.org/

**Historical Background:**
In 2008, Lincoln Memorial, along with affiliates Memorial Service Life Insurance Company and National Prearranged Services ("NPS") was placed in liquidation by the state of Texas. NPS was a Missouri domestic corporation and was formerly one of the largest sellers of preneed funeral contracts in the state of Missouri and nationally. Generally, under a preneed contract, the funeral director or preneed seller agrees to provide funeral services at a fixed or guaranteed price when the contract beneficiary passes away. Ideally, this may result in some savings to the purchaser who may be able to "lock-in" current prices even though the death may not occur for some significant time. Once the services are provided, the funeral director/provider is then reimbursed by the preneed seller for the funeral expenses. Historically, this reimbursement has included all or a portion of the interest that may have been earned on the contract. Under Missouri law, NPS was required to place 80% of all funds paid by consumers into a trust account with a financial institution. Frequently, these funds are used to purchase insurance coverage to guaranty payment of the funeral costs. According to information gathered by state regulators, NPS' trust funds were depleted because of improper policy loans, insurance investments and potentially the misappropriation of funds by company representatives/shareholders. To the extent insurance coverage on a particular NPS contract was in place, the various state insurance

# TAX CREDIT ANALYSIS

**Program Name:** Missouri Life and Health Insurance Guaranty Association Credit

**BENEFIT: COST ANALYSIS (includes only state revenue impacts)**

| | FY 2024 ACTIVITY | Other Fiscal Period (indicated time period) |
|---|---|---|
| **BENEFITS** | | |
| Direct Fiscal Benefits | | |
| Indirect Fiscal Benefits | | |
| **Total** | $0 | $0 |
| **COSTS** | | |
| Direct Fiscal Costs | | |
| Indirect Fiscal Costs | | |
| **Total** | $0 | $0 |
| **BENEFIT: COST** | | |

**Derivation of Benefits:**
See Comments and Other Benefits

**Other Benefits:**

The business of insurance is primarily regulated by the states. Consequently, no federal mechanism exists to guaranty the payment of claims under insurance policies in the event an insurance company becomes insolvent. Instead, the states have taken on this role. Every state in the U.S. has enacted laws creating a life and health insurance guaranty association. In the event that a licensed insurance company becomes insolvent and cannot pay its claims, the various state guaranty associations step in and provide coverage for policy or claim up to prescribed limits. In Missouri, life and health policies are guaranteed between $100,000 and $500,000 depending on the type of coverage.

To get the money to pay claims for an insolvent company, the various guaranty associations are authorized by law to levy assessments against all of the other life and health insurance companies in the state. The

**PERFORMANCE MEASURE(S)**

**Life & Health Insurance Guaranty Association**

| | CY 20210 Actual | CY 2022 Actual | CY 2023 Actual | CY 2024 Actual | CY 2025 Estimate | CY 2026 Estimate | CY 2027 Estimate |
|---|---|---|---|---|---|---|---|
| Life & Health Insurers operating in Missouri | 473 | 472 | 481 | 483 | 483 | 483 | 483 |

**Comments on Performance Measure:**

# TAX CREDIT ANALYSIS

| | | | | | |
|---|---|---|---|---|---|
| **Program Name:** | Missouri Health Insurance Pool Assessment Credit | | | | |
| **Department:** | Commerce and Insurance | **Contact Name & No.:** | Brenda Horstman 573-751-7223 | **Date:** | 1/17/2025 |
| **Program Category:** | Domestic and Social | **Type:** | Tax Credit | Other: | |
| **Statutory Authority:** | 376.975 RSMo | **Applicable Taxes:** | Premium Tax (GR portion) and Sales and Use Tax (HMOs) | | |
| **Tax Credit Creation Date:** | 1-01-991 | **Year of Last Legislative Change:** | 2013 | | |

**Program Description and Eligibility Requirements:**
The Missouri Health Insurance Pool served Missouri residents who could not purchase insurance in the regular market. Individuals in the pool paid a premium and the difference between premiums paid and actual costs was assessed to all insurers issuing health insurance in the state. The insurers are allowed a tax credit against their tax liability. Credit may be carried forward until exhausted and is taken against the General Revenue portion of premium tax

**Explanation of How Award is Computed:** **Entitlement** Yes **Discretionary** No
Credit is applied against premium tax due (sales and use tax for HMOs). If credit exceeds tax due, excess is carried forward until exhausted. Credit is taken against General Revenue portion of premium tax only.

**Program Cap:** Cumulative $ _____ (remainder of cumulative cap) $ _____ Annual $ _____ None X

**Cap Shared Between Programs** No **Which Program(s)?** n/a

**Explanation of Cap:**
n/a

**Sunset Provision:** No Date of Sunset n/a Date of Last Sunset Extension n/a

**Explanation of Expiration of Authority:**
n/a

**Specific Provisions:** (if applicable)

Carry forward unlimited Carry Back n/a Refundable No Apportioned No Appropriated No

Sellable/Assignable No Organizations Remit an Offset No Additional Federal Deductions/Credits Available No

**Comments on Specific Provisions:**
Carried forward until exhausted.

**Legislative / General Assembly Action(s) During Prior Five Years:** none

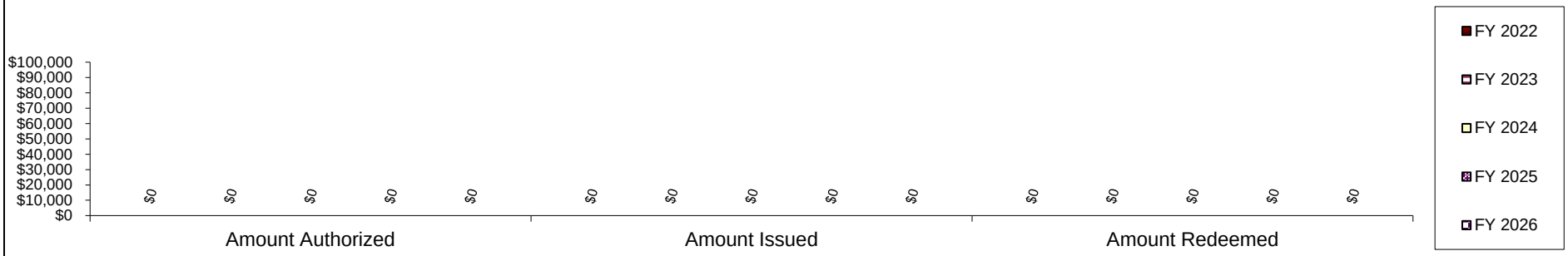
| | FY 2022 ACTUAL | FY 2023 ACTUAL | FY 2024 ACTUAL | FY 2025 (year to date) | FY 2025 (Full Year) | FY 2026 (Budget Year) |
|---|---|---|---|---|---|---|
| Certificates Issued (#) | n/a | n/a | n/a | *n/a* | n/a | n/a |
| Projects/Participants (#) | n/a | n/a | n/a | *n/a* | n/a | n/a |
| Amount Authorized | n/a | n/a | n/a | *n/a* | n/a | n/a |
| Amount Issued | $0 | $0 | $0 | *$0* | $0 | $0 |
| Amount Redeemed | $0 | $0 | $0 | *$0* | $0 | $0 |

| | | | |
|---|---|---|---|
| FY 2024 EST. Amount Outstanding | $9,355,448 | FY 2024 EST. Amount Authorized but Unissued | $0 |

# TAX CREDIT ANALYSIS

**Program Name:** Missouri Health Insurance Pool Assessment Credit

## HISTORICAL AND PROJECTED INFORMATION




**Comments on Historical and Projected Information:**
SB262 (2013) provided that coverage under the Missouri Health Insurance Pool (MHIP) expired on December 31, 2013, and prohibited the issuance of new policies under the pool on or after January 1, 2014

## BENEFIT: COST ANALYSIS (includes only state revenue impacts)

| | FY 2024 ACTIVITY | Other Fiscal Period (indicated time period) |
|---|---|---|
| **BENEFITS** | | |
| Direct Fiscal Benefits | | |
| Indirect Fiscal Benefits | | |
| **Total** | $0 | $0 |
| **COSTS** | | |
| Direct Fiscal Costs | | |
| Indirect Fiscal Costs | | |
| **Total** | $0 | $0 |
| **BENEFIT: COST** | | |

**Derivation of Benefits:**
Pool ceased operating in January 2014.

**Other Benefits:**

## PERFORMANCE MEASURE(S)

Pool Ceased operation January 2014

**Comments on Performance Measure:**

# TAX CREDIT ANALYSIS

| | | | | | |
|---|---|---|---|---|---|
| **Program Name:** | Missouri Property and Casualty Insurance Guaranty Association Credit | | | | |
| **Department:** | Commerce and Insurance | **Contact Name & No.:** | Brenda Horstman 573-751-7223 | **Date:** | 1/17/2025 |
| **Program Category:** | Domestic and Social | **Type:** | Tax Credit | Other: | |
| **Statutory Authority:** | 375.774 RSMo. | **Applicable Taxes:** | Missouri Insurance Premium Tax | | |
| **Tax Credit Creation Date:** | 1989 | **Year of Last Legislative Change:** | 2004 | | |

**Program Description and Eligibility Requirements:**
The Missouri Property and Casualty Insurance Guaranty Association is created in state statute and all insurers issuing property and casualty insurance in the state are members. The association pays Missouri policyholders for claims against insolvent P&C companies. The association then assesses all members in the state to pay claims of the insolvent insurer. Members are allowed to take these assessments as an offset against premium tax collected by the state.

**Explanation of How Award is Computed:** **Entitlement** Yes **Discretionary** No
Credits are taken over a three-year period with 33 1/3% being taken each year beginning the year after the assessment. No carry forward. Credits are taken against General Revenue, County Foreign and County Stock Funds.

**Program Cap:** Cumulative $ _____ (remainder of cumulative cap) $ _____ Annual $ _____ None X

**Cap Shared Between Programs** No **Which Program(s)?** n/a

**Explanation of Cap:**
n/a

**Sunset Provision:** No Date of Sunset n/a Date of Last Sunset Extension n/a

**Explanation of Expiration of Authority:**
n/a

**Specific Provisions:** (if applicable)
Carry forward n/a Carry Back n/a Refundable No Apportioned No Appropriated No

Sellable/Assignable No Organizations Remit an Offset No Additional Federal Deductions/Credits Available No

**Comments on Specific Provisions:**
No carry forward.

**Legislative / General Assembly Action(s) During Prior Five Years:** none

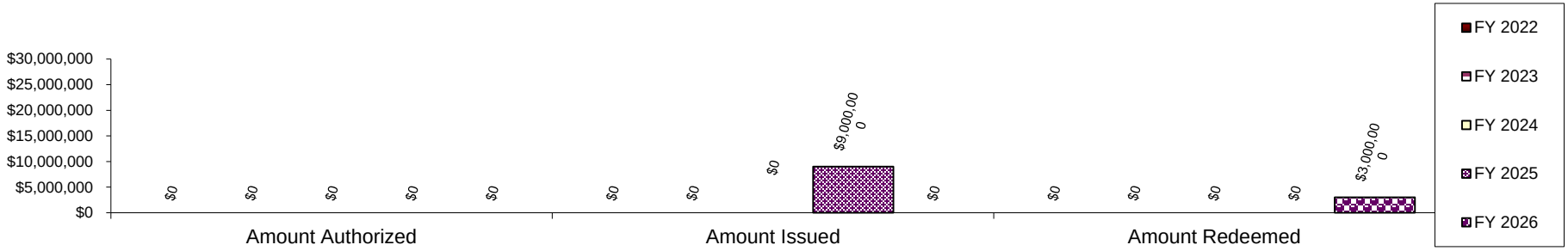
| | FY 2022 ACTUAL | FY 2023 ACTUAL | FY 2024 ACTUAL | FY 2025 (year to date) | FY 2025 (Full Year) | FY 2026 (Budget Year) |
|---|---|---|---|---|---|---|
| Certificates Issued (#) | n/a | n/a | n/a | n/a | n/a | n/a |
| Projects/Participants (#) | n/a | n/a | n/a | n/a | n/a | n/a |
| Amount Authorized | n/a | n/a | n/a | n/a | n/a | n/a |
| Amount Issued | $0 | $0 | $0* (see CY2023 Comments) | *$9,000,000* | $9,000,000 | $0 |
| Amount Redeemed | $0 | $0 | $0 | *$0* | $0 | $3,000,000 |

| | | | |
|---|---|---|---|
| FY 2024 EST. Amount Outstanding | $0 | FY 2024 EST. Amount Authorized but Unissued | $0 |

# TAX CREDIT ANALYSIS

**Program Name:** Missouri Property and Casualty Insurance Guaranty Association Credit

## HISTORICAL AND PROJECTED INFORMATION




**Comments on Historical and Projected Information:**

**CY2024 Assessment Information**

The Board of Directors of the Missouri Property & Casualty Insurance Guaranty Association determined at the July 31, 2024 Interim Board Meeting that a assessment of $9,000,000 to member insurers who wrote automobile coverage was needed for 2024.

**CY2023 Assessment Information**

The Board of Directors of the Missouri Property & Casualty Insurance Guaranty Association determined at the December 15, 2023 Interim Board Meeting that a assessment of $20,000,000 to member insurers who wrote workers compensation was needed for 2023. On January 23, 2025, member insurers were notified that the Board had declared a refund of this entire assessment. Member insurers have the ability to opt out of receiving a refund prior to February 28, 2025. The DCI will not know until that date how many (if any) member insurers have opted out of receiving a refund of their portion of this assessment.

**There were no assessments CY2007 - CY2022.**

Additional details on assessments: http://mo-iga.org/

## BENEFIT: COST ANALYSIS (includes only state revenue impacts)

| | FY 2024 ACTIVITY | Other Fiscal Period (indicated time period) |
|---|---|---|
| **BENEFITS** | | |
| Direct Fiscal Benefits | | |
| Indirect Fiscal Benefits | | |
| **Total** | $0 | $0 |
| **COSTS** | | |
| Direct Fiscal Costs | | |
| Indirect Fiscal Costs | | |
| **Total** | $0 | $0 |
| **BENEFIT: COST** | | |

**Derivation of Benefits:**
See Comments and Other Benefits

**Other Benefits:**

The business of insurance is primarily regulated by the states. Consequently, no federal mechanism exists to guaranty the payment of claims under insurance policies in the event an insurance company becomes insolvent. Instead, the states have taken on this role. Every state in the U.S. has enacted laws creating a property and casualty insurance guaranty association. In the event that a licensed insurance company becomes insolvent and cannot pay its claims, the various state guaranty associations step in and provide coverage for policy or claim up to prescribed limits. In Missouri, property and casualty policies are guaranteed up to $300,000 for most types of coverage.

To get the money to pay claims for an insolvent company, the various guaranty associations are authorized by law to levy assessments against all of the other property and casualty insurance companies in the state. The insurance companies in Missouri are then allowed a tax credit against their premium tax liability for the amount of the assessment.

## PERFORMANCE MEASURE(S)

**Property & Casualty Insurance Guaranty Association**

| | CY 2021 Actual | CY 2022 Actual | CY 2023 Actual | CY 2024 Actual | CY 2025 Estimate | CY 2026 Estimate | CY 2027 Estimate |
|---|---|---|---|---|---|---|---|
| Property & Casualty Insurers operating in Missouri | 966 | 985 | 1,005 | 1,005 | 1,010 | 1,010 | 1,015 |

**Comments on Performance Measure:**

# TAX CREDIT ANALYSIS

| | | | | | |
|---|---|---|---|---|---|
| **Program Name:** | **Affordable Housing Assistance Tax Credit Program** | | | | |
| **Department:** | Economic Development - Missouri Housing Development Commission | **Contact Name & No.:** | Courtney Bullard (816) 648-0548 | **Date:** | January 2025 |
| **Program Category:** | Housing | **Type:** | Tax Credit | Other: | |
| **Statutory Authority:** | Sections 32.105-32.125, RSMo | **Applicable Taxes:** | Income Tax, Bank Tax, Financial Institutions Tax, Corporate Franchise Tax, Tax on Gross Receipts of Express Companies, Insurance Premium Tax | | |
| **Tax Credit Creation Date:** | 1990 | **Year of Last Legislative Change:** | 2009 | | |

**Program Description and Eligibility Requirements:**
The Affordable Housing Assistance Tax Credit Program (AHAP) is an incentive for businesses and qualified individuals in Missouri to participate in the production of affordable housing for low-income families. The credit can be used by a business or qualified individual as a reduction in their state tax obligation. To receive the AHAP credit, a business or qualified individual must donate cash, professional services, or real or personal property to a non-profit organization whose primary purpose is to provide affordable housing for low-income families.

**Explanation of How Award is Computed:** **Entitlement** No **Discretionary** Yes

The amount of Affordable Housing Assistance Program Tax Credit allocated is equal to 55% of the amount of contribution. Non-profit organizations make application to the Missouri Housing Development Commission (MHDC) for a reservation of AHAP credit. The non-profit organization then solicits contributions from businesses or qualified individuals to assist in the production of a specific affordable housing development. After MHDC receives the necessary documentation of a qualified contribution to the non-profit organization that meets all the criteria set out in the statute and program regulations, a tax credit is issued to the donor in the amount of 55% of the value of the contribution. Applications for production credits are accepted continuously, and applications for the operating credit set-aside are accepted once a year.

**Program Cap:** Cumulative $ _____ (remainder of cumulative cap) $ _____ Annual $ 11 million None _____

**Cap Shared Between Programs** No **Which Program(s)?** _____

**Explanation of Cap:**
The cap on AHAP is set by statute at $11 million annually of which $10 million is for production credits and $1 million is for operating credits. Once MHDC has made reservations totaling $11 million in AHAP credit in a fiscal year, the application cycle is closed.

**Sunset Provision:** No Date of Sunset _____ Date of Last Sunset Extension _____

**Explanation of Expiration of Authority:**
The AHAP program does not have a statutory sunset provision.

**Specific Provisions:** (if applicable)

Carry forward 10 years Carry Back n/a Refundable No Apportioned No Appropriated No

Sellable/Assignable Yes Organizations Remit an Offset No Additional Federal Deductions/Credits Available No

**Comments on Specific Provisions:**

**Legislative / General Assembly Action(s) During Prior Five Years:**

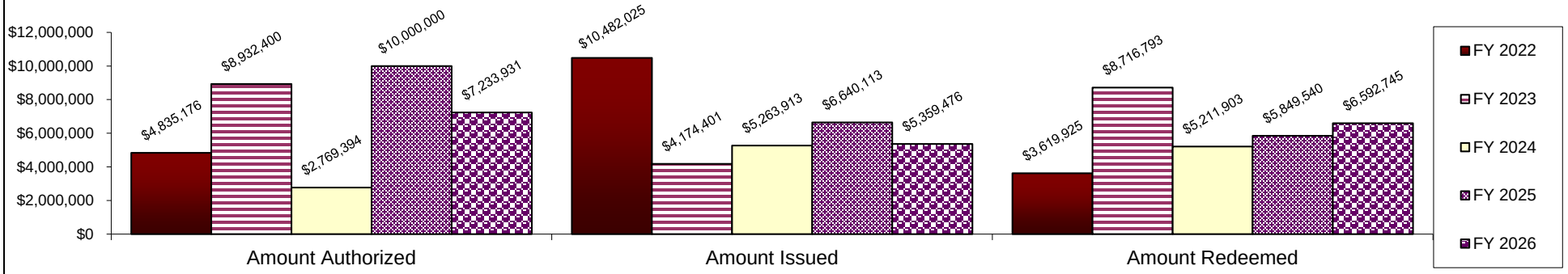
| | FY 2022 ACTUAL | FY 2023 ACTUAL | FY 2024 ACTUAL | FY 2025 (year to date) | FY 2025 (Full Year) | FY 2026 (Budget Year) |
|---|---|---|---|---|---|---|
| Certificates Issued (#) | 298 | 203 | 173 | 26 | 225 | 200 |
| Projects/Participants (#) | 48 | 44 | 45 | 20 | 46 | 45 |
| Amount Authorized | $4,835,176 | $8,932,400 | $2,769,394 | $7,619,581 | $10,000,000 | $7,233,931 |
| Amount Issued | $10,482,025 | $4,174,401 | $5,263,913 | $2,746,760 | $6,640,113 | $5,359,476 |
| Amount Redeemed | $3,619,925 | $8,716,793 | $5,211,903 | $2,238,056 | $5,849,540 | $6,592,745 |

| | | | |
|---|---|---|---|
| FY 2024 EST. Amount Outstanding | $13,997,520 | FY 2024 EST. Amount Authorized but Unissued | $14,677,173 |

# TAX CREDIT ANALYSIS

**Program Name:** **Affordable Housing Assistance Tax Credit Program**

## HISTORICAL AND PROJECTED INFORMATION




**Comments on Historical and Projected Information:**
The projections cannot precisely account for carry forward provision nor the individual credit holder's decision on when to claim a particular credit.

## BENEFIT: COST ANALYSIS (includes only state revenue impacts)

| | FY 2024 ACTIVITY | Other Fiscal Period (12 years) |
|---|---|---|
| **BENEFITS** | | |
| Direct Fiscal Benefits | $1,115,128 | $1,549,660 |
| Indirect Fiscal Benefits | ($711,896) | ($989,300) |
| **Total** | $403,233 | $560,360 |
| **COSTS** | | |
| Direct Fiscal Costs | $415,409 | $2,612,202 |
| Indirect Fiscal Costs | $0 | $0 |
| **Total** | $415,409 | $2,612,202 |
| **BENEFIT: COST** | **0.97** | **0.21** |

**Derivation of Benefits:**
Investment: (a) $14,877,000 in Residential Investment spending over years 2023-2024. (b) $1,000,000 in Professional Services operations spending over years 2023-2024.
Employment: (a) N/A
Other Assumptions: (a) N/A
Incentives/Credits: (a) $2,769,394 in tax credits over years 2024-2033 with 97.7 percent total redemption of credits anticipated.
Impacts occur Statewide. All Values in Constant Dollars. Assumptions provided by DED. Estimated using REMI.

**Other Benefits:**
The Affordable Housing Assistance Program (AHAP) increases the availability of rental housing and for sale housing that is affordable to low-income families. Other benefits include the removal of blight in communities and increased local tax revenues such as property taxes. The AHAP credit increases the capacity of non-profit housing organizations to build or renovate affordable housing for low-income families. The AHAP credit increases the amount of disposable income for low-income families by providing housing that is affordable to them. This improves the overall quality of their lives by providing additional income for other basic necessities such as food, clothing, healthcare and education. Lastly, the operating AHAP credit helps organizations attract donations to support operating funds, without which the agencies may not be able to administer their affordable housing programs.

**In FY-2024, every dollar of auth. Program tax credits returns**

| | | |
|---|---|---|
| $13.39 | in new personal income totaling | $5.56 million |
| $22.16 | in new value-added/GSP totaling | $9.20 million |
| $39.12 | in new economic output totaling | $16.25 million |

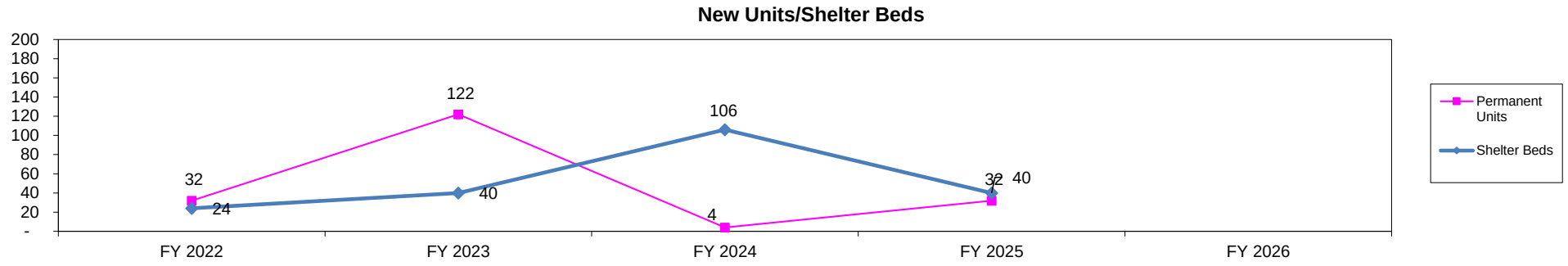
**Over 12 YEARS, every dollar of auth. Program tax credits returns**

| | | |
|---|---|---|
| $1.25 | in new personal income totaling | $3.27 million |
| $1.12 | in new value-added/GSP totaling | $2.94 million |
| $1.96 | in new economic output totaling | $5.13 million |

# TAX CREDIT ANALYSIS

**Program Name:** **Affordable Housing Assistance Tax Credit Program**

**PERFORMANCE MEASURE(S)**




**Comments on Performance Measure:**
The number of housing units produced is based on what is reported to MHDC by the non-profit sponsor of the development. Projects awarded AHAP credits may be awarded additional credits in succeeding years; however, these projects receiving AHAP credits are not counted as "new units". In this circumstance, MHDC places a new Land Use Restrictive Agreement (LURA) on the units, extending the affordability period.

# TAX CREDIT ANALYSIS

| | | | | | |
|---|---|---|---|---|---|
| **Program Name:** | **Advanced Industrial Manufacturing Zones Act (AIM Zones)** | | | | |
| **Department:** | Economic Development | **Contact Name & No.:** | Brooklyn Wasser (573) 522-8006 | **Date:** | January 2025 |
| **Program Category:** | Redevelopment | **Type:** | Other (specify) | Other: Refund of withholding tax of new jobs | |
| **Statutory Authority:** | Section 68.075, RSMo | **Applicable Taxes:** | State Tax Withholdings | | |
| **Tax Credit Creation Date:** | 2016 | **Year of Last Legislative Change:** | 2021 | | |

**Program Description and Eligibility Requirements:**
This program diverts withholding taxes from new job creation in established AIM zones to the port authority. An AIM zone may be established through a resolution passed by the port authority board of commissioners for an area in the authority's jurisdiction. Funds must be used to expand, develop, and redevelop the AIM zone.

**Explanation of How Award is Computed:** **Entitlement** Yes **Discretionary** No
Benefits are 50% of the state withholding tax from new job creation by Missouri businesses subject to state tax withholdings and located in the AIM Zone. There must be an increase in the number of full-time employees for facilities, exceeding the established base employment for each facility.

**Program Cap:** Cumulative $ _____ (remainder of cumulative cap) $ _____ Annual $ _____ None X

**Cap Shared Between Programs** No **Which Program(s)?** _____

**Explanation of Cap:**
NA

**Sunset Provision:** Yes Date of Sunset 8/28/2030 Date of Last Sunset Extension 8/28/2021

**Explanation of Expiration of Authority:**
No AIM Zone may be established after August 28, 2030. Any AIM zone created prior to that date shall continue to exist and be coterminous with the retirement of all debts incurred under subsection 4 of this section. No debts may be incurred or reauthorized using AIM zone revenue after August 28, 2030.

**Specific Provisions:** (if applicable)
Carry forward n/a Carry Back n/a Refundable No Apportioned No Appropriated No
Sellable/Assignable No Organizations Remit an Offset No Additional Federal Deductions/Credits Available No

**Comments on Specific Provisions:**

**Legislative / General Assembly Action(s) During Prior Five Years:**
8/28/2021: SB 5

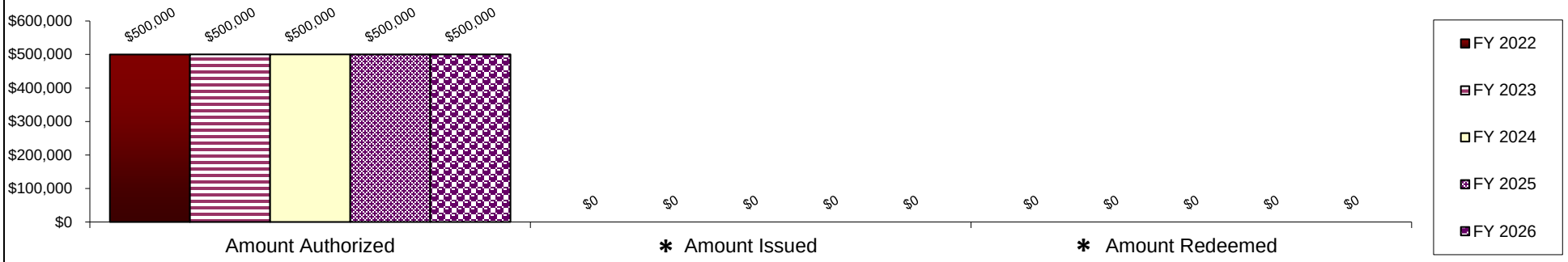
| | FY 2022 ACTUAL | FY 2023 ACTUAL | FY 2024 ACTUAL | FY 2025 (year to date) | FY 2025 (Full Year) | FY 2026 (Budget Year) |
|---|---|---|---|---|---|---|
| Projects (#) | 2 | 2 | 2 | 2 | 2 | 2 |
| Total Projects (#) | 11 | 14 | 14 | 12 | 12 | 12 |
| Amount Authorized | $500,000 | $500,000 | $500,000 | $500,000 | $500,000 | $500,000 |
| Amount Refunded/Redeemed | * | * | * | $0 | $0 | $0 |

FY 2024 EST. Amount Outstanding N/A FY 2024 EST. Amount Authorized but Unissued N/A

**HISTORICAL AND PROJECTED INFORMATION**

# TAX CREDIT ANALYSIS

**Program Name:** **Advanced Industrial Manufacturing Zones Act (AIM Zones)**




**Comments on Historical and Projected Information:** The Department of Revenue oversees diversions to and refunds of eligible withholdings through the AIM Zone fund. DED's role in the program's performance is to receive the annual budget.

**Data is retained by the Department of Revenue and is kept confidential to protect privacy due to the limited number of projects receiving benefits in the given year, pursuant to Section 32.057 RSMo.*

**BENEFIT: COST ANALYSIS (includes only state revenue impacts)**

| | FY 2024 ACTIVITY | Other Fiscal Period (indicated time period) |
|---|---|---|
| **BENEFITS** | | |
| Direct Fiscal Benefits | | |
| Indirect Fiscal Benefits | | |
| **Total** | $0 | $0 |
| **COSTS** | | |
| Direct Fiscal Costs | | |
| Indirect Fiscal Costs | | |
| **Total** | $0 | $0 |
| **BENEFIT: COST** | **#DIV/0!** | **#DIV/0!** |

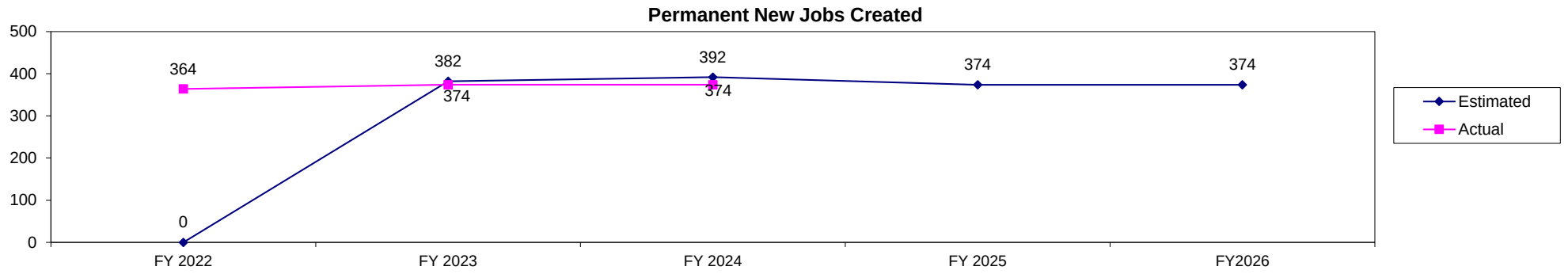
**Derivation of Benefits:**
*Data necessary for analysis is retained by the Department of Revenue and is kept confidential to protect privacy, pursuant to Section 32.057 RSMo.

**Other Benefits:**

# TAX CREDIT ANALYSIS

**Program Name:** **Advanced Industrial Manufacturing Zones Act (AIM Zones)**

**PERFORMANCE MEASURE(S)**




**Comments on Performance Measure:** Numbers are captured from projects that were closed out this fiscal year.

# TAX CREDIT ANALYSIS

| | | | | | |
|---|---|---|---|---|---|
| **Program Name:** | **Amateur Sporting Contribution Tax Credit** | | | | |
| **Department:** | Economic Development | **Contact Name & No.:** | Brooklyn Wasser (573) 522-8006 | **Date:** | January 2025 |
| **Program Category:** | Business Recruitment | **Type:** | Tax Credit | Other: | |
| **Statutory Authority:** | Section 67.3005, RSMo | **Applicable Taxes:** | Income Tax, Bank Tax, Insurance Premium Tax, Other Financial Institutions Tax | | |
| **Tax Credit Creation Date:** | 2013 | **Year of Last Legislative Change:** | 2018 | | |

**Program Description and Eligibility Requirements:**
This program provides an incentive for donations to certified sponsors and local organizing committees with a support contract for a sporting event. Certified sponsors and local organizing committees must provide the State with payment equal to 50% of the eligible donation. Once the Department has processed the payment, the Department will then issue tax credits equal to the amount of the payment to the State.

**Explanation of How Award is Computed:** **Entitlement** Yes **Discretionary** No
This program provides a tax credit to taxpayers making eligible donations to "certified sponsors" and "local organizing committees". Taxpayers can receive tax credits equal to 50% of an eligible donation to an eligible applicant.

**Program Cap:** Cumulative $ _____ (remainder of cumulative cap) $ _____ Annual $ 10 million None _____

**Cap Shared Between Programs** No **Which Program(s)?** _____

**Explanation of Cap:**
No more than $10 million dollars in tax credits can be issued in a given fiscal year.

**Sunset Provision:** Yes Date of Sunset 8/28/2025 Date of Last Sunset Extension 8/28/2018

**Explanation of Expiration of Authority:**
The Amateur Sporting Contribution Tax Credit sunsets August 28, 2025.

**Specific Provisions:** (if applicable)

Carry forward 2 years Carry Back n/a Refundable No Apportioned No Appropriated No

Sellable/Assignable Yes Organizations Remit an Offset Yes Additional Federal Deductions/Credits Available No

**Comments on Specific Provisions:**

**Legislative / General Assembly Action(s) During Prior Five Years:**

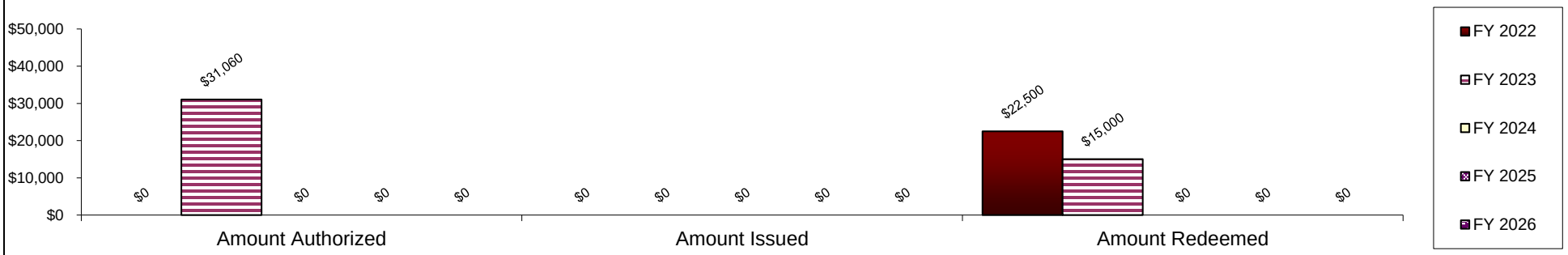
| | FY 2022 ACTUAL | FY 2023 ACTUAL | FY 2024 ACTUAL | FY 2025 (year to date) | FY 2025 (Full Year) | FY 2026 (Budget Year) |
|---|---|---|---|---|---|---|
| Certificates Issued (#) | 0 | 1 | 0 | *0* | 0 | 0 |
| Projects/Participants (#) | 0 | 1 | 0 | *0* | 0 | 0 |
| Amount Authorized | $0 | $31,060 | $0 | *$0* | $0 | $0 |
| Amount Issued | $0 | $0 | $0 | *$0* | $0 | $0 |
| Amount Redeemed | $22,500 | $15,000 | $0 | *$0* | $0 | $0 |

| | | | |
|---|---|---|---|
| FY 2024 EST. Amount Outstanding | $23,250 | FY 2024 EST. Amount Authorized but Unissued | $0 |

# TAX CREDIT ANALYSIS

**Program Name:** Amateur Sporting Contribution Tax Credit

## HISTORICAL AND PROJECTED INFORMATION




**Comments on Historical and Projected Information:**
Projected information for Authorized, Issued, and Redeemed amounts is based on 3 year average.

## BENEFIT: COST ANALYSIS (includes only state revenue impacts)

| | FY 2024 ACTIVITY | Other Fiscal Period (5 years) |
|---|---|---|
| **BENEFITS** | | |
| Direct Fiscal Benefits | | |
| Indirect Fiscal Benefits | | |
| **Total** | $0 | $0 |
| **COSTS** | | |
| Direct Fiscal Costs | | |
| Indirect Fiscal Costs | | |
| **Total** | $0 | $0 |
| **BENEFIT: COST** | **#DIV/0!** | **#DIV/0!** |

**Derivation of Benefits:**
No new authorizations in FY2024.

**Other Benefits:**

**In FY-2024, every dollar of auth. program tax credits returns**

| | | |
|---|---|---|
| $0.87 | in new personal income totaling | $0.03 million |
| $1.24 | in new value-added/GSP totaling | $0.04 million |
| $2.17 | in new economic output totaling | $0.07 million |

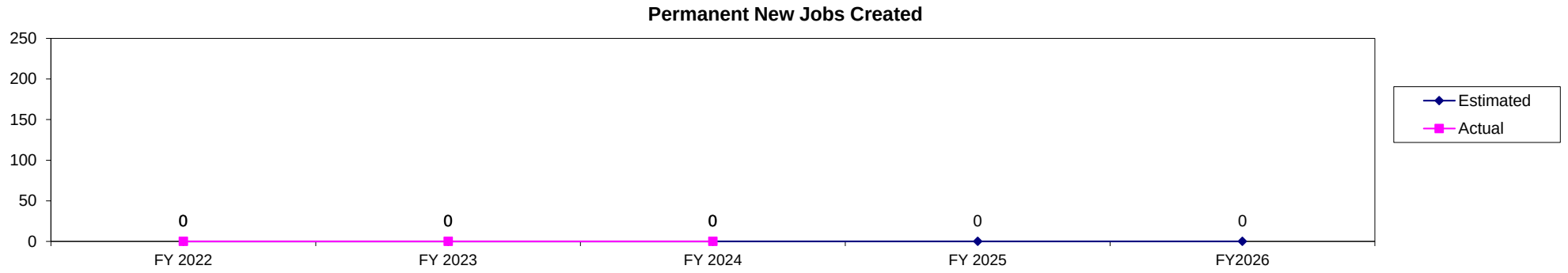
**Over 5 YEARS, every dollar of auth. program tax credits returns**

| | | |
|---|---|---|
| $1.18 | in new personal income totaling | $0.04 million |
| $1.35 | in new value-added/GSP totaling | $0.04 million |
| $2.34 | in new economic output totaling | $0.07 million |

# TAX CREDIT ANALYSIS

**Program Name:** **Amateur Sporting Contribution Tax Credit**

**PERFORMANCE MEASURE(S)**




**Comments on Performance Measure:** Numbers are captured from projects that were closed out this fiscal year.

# TAX CREDIT ANALYSIS

| | | | | | |
|---|---|---|---|---|---|
| **Program Name:** | **Amateur Sporting Ticket Sales Tax Credit** | | | | |
| **Department:** | Economic Development | **Contact Name & No.:** | Brooklyn Wasser (573) 522-8006 | **Date:** | January 2025 |
| **Program Category:** | Business Recruitment | **Type:** | Tax Credit | Other: | |
| **Statutory Authority:** | Section 67.3000, RSMo | **Applicable Taxes:** | Income Tax, Bank Tax, Insurance Premium Tax, Other Financial Institutions Tax | | |
| **Tax Credit Creation Date:** | 2013 | **Year of Last Legislative Change:** | 2018 | | |

**Program Description and Eligibility Requirements:**
This program provides a tax credit that is designed to encourage the location of competitively bid amateur sporting events in Missouri. The program is available to: "certified sponsors" active in the National Association of Sports Commissions, "endorsing counties", "endorsing municipalities", and "local organizing committees".

**Explanation of How Award is Computed:** **Entitlement** No **Discretionary** Yes
Eligible applicants can be awarded up to the lesser of $5 per event ticket, or 100% of eligible costs. Eligible costs include: 1) costs necessary for conducting the sporting event, 2) costs relating to the preparations necessary to hold the sporting event, and 3) the applicant's pledged obligations to the organization responsible for selecting the site of the event as evidenced by the support contract.

**Program Cap:** Cumulative $ _____ (remainder of cumulative cap) $ _____ Annual $ 3 million None _____

**Cap Shared Between Programs** No **Which Program(s)?** _____

**Explanation of Cap:**
No more than $3 million dollars in tax credits can be issued in a given fiscal year. Applicants in Jackson County, St. Louis City, and St. Louis County may only receive up to $2.7 million of the $3 million cap.

**Sunset Provision:** Yes Date of Sunset 8/28/2025 Date of Last Sunset Extension 8/28/2018

**Explanation of Expiration of Authority:**
The Amateur Sporting Ticket Sales Tax Credit sunsets August 28, 2025.

**Specific Provisions:** (if applicable)
Carry forward n/a Carry Back n/a Refundable Yes Apportioned No Appropriated No
Sellable/Assignable Yes Organizations Remit an Offset No Additional Federal Deductions/Credits Available No

**Comments on Specific Provisions:**

**Legislative / General Assembly Action(s) During Prior Five Years:**

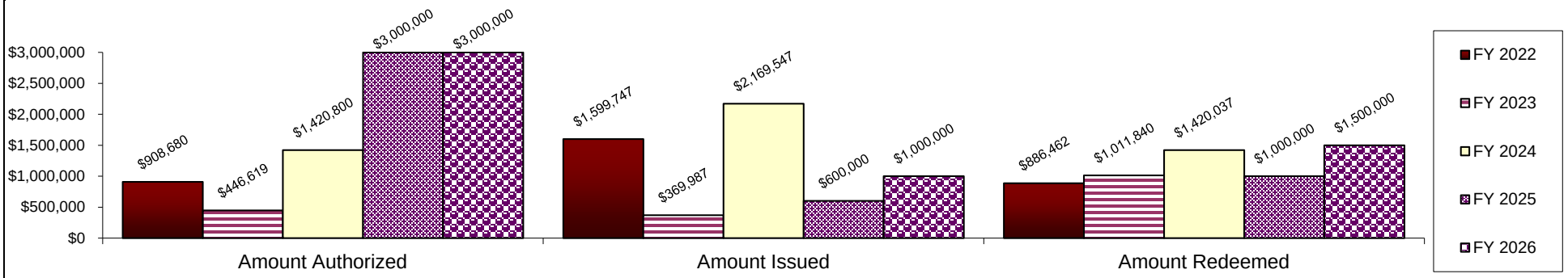
| | FY 2022 ACTUAL | FY 2023 ACTUAL | FY 2024 ACTUAL | FY 2025 (year to date) | FY 2025 (Full Year) | FY 2026 (Budget Year) |
|---|---|---|---|---|---|---|
| Certificates Issued (#) | 11 | 17 | 24 | *17* | 24 | 24 |
| Projects/Participants (#) | 11 | 17 | 8 | *8* | 10 | 10 |
| Amount Authorized | $908,680 | $446,619 | $1,420,800 | *$144,000* | $3,000,000 | $3,000,000 |
| Amount Issued | $1,599,747 | $369,987 | $2,169,547 | *$152,040* | $600,000 | $1,000,000 |
| Amount Redeemed | $886,462 | $1,011,840 | $1,420,037 | *$2,500* | $1,000,000 | $1,500,000 |

| | | | |
|---|---|---|---|
| FY 2024 EST. Amount Outstanding | $1,745,344 | FY 2024 EST. Amount Authorized but Unissued | $8,239,087 |

# TAX CREDIT ANALYSIS

**Program Name:** **Amateur Sporting Ticket Sales Tax Credit**

## HISTORICAL AND PROJECTED INFORMATION




**Comments on Historical and Projected Information:**
Projected information is based on 3 year average and known upcoming events.

## BENEFIT: COST ANALYSIS (includes only state revenue impacts)

| | FY 2024 ACTIVITY | Other Fiscal Period (5 years) |
|---|---|---|
| **BENEFITS** | | |
| Direct Fiscal Benefits | $697,209 | $1,111,716 |
| Indirect Fiscal Benefits | $880,000 | $1,403,180 |
| **Total** | $1,577,208 | $2,514,896 |
| **COSTS** | | |
| Direct Fiscal Costs | $2,169,547 | $2,169,547 |
| Indirect Fiscal Costs | $0 | $0 |
| **Total** | $2,169,547 | $2,169,547 |
| **BENEFIT: COST** | **0.73** | **1.16** |

**Derivation of Benefits:**
Investment: N/A
Employment: N/A
Other Assumptions: (a) 80% of ticket sales estimated for facility operations of $1,787,584 in FY 2024; (b) 60% (65,690) of the 109,483 expected daily attendees bring new visitor spending of $29,946,734 to the state during events.
Incentives/Credits: (a) $2,169,547 in Amateur Sports tax credits in year 2024.
Impacts occur Statewide. All Values in Constant Dollars. Assumptions provided by DED. Estimated using REMI.

**Other Benefits:**

**In FY-2024, every dollar of auth. program tax credits returns**

| | | |
|---|---|---|
| $5.02 | in new personal income totaling | $10.89 million |
| $7.18 | in new value-added/GSP totaling | $15.57 million |
| $12.22 | in new economic output totaling | $26.52 million |

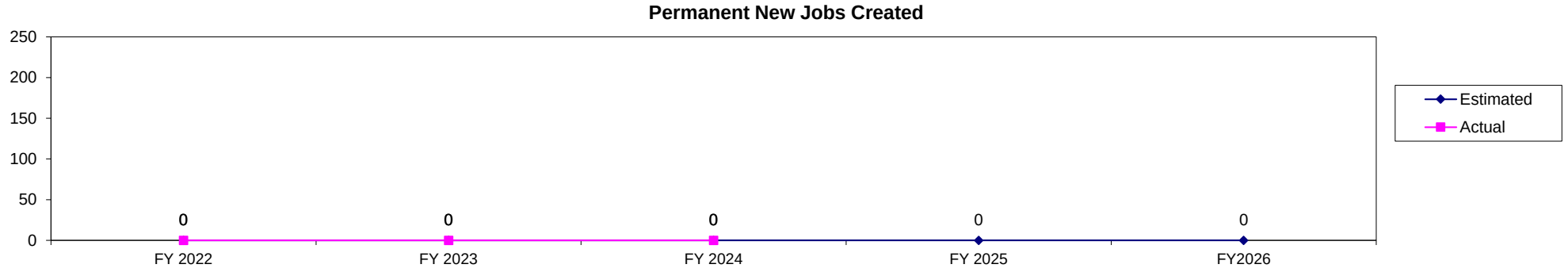
**Over 5 YEARS, every dollar of auth. program tax credits returns**

| | | |
|---|---|---|
| $14.25 | in new personal income totaling | $30.91 million |
| $15.46 | in new value-added/GSP totaling | $33.54 million |
| $26.29 | in new economic output totaling | $57.05 million |

# TAX CREDIT ANALYSIS

**Program Name:** Amateur Sporting Ticket Sales Tax Credit

**PERFORMANCE MEASURE(S)**




**Comments on Performance Measure:**

# TAX CREDIT ANALYSIS

| | | | | | |
|---|---|---|---|---|---|
| **Program Name:** | **Brownfield Remediation Tax Credit** | | | | |
| **Department:** | Economic Development | **Contact Name & No.:** | Brooklyn Wasser (573) 522-8006 | **Date:** | January 2025 |
| **Program Category:** | Redevelopment | **Type:** | Tax Credit | Other: | |
| **Statutory Authority:** | Sections 447.700-447.718, RSMo | **Applicable Taxes:** | Income Tax, Corporate Franchise Tax, Bank Tax, Insurance Premium Tax, Other Financial Institutions Tax | | |
| **Tax Credit Creation Date:** | 1995 | **Year of Last Legislative Change:** | 2016 | | |

**Program Description and Eligibility Requirements:**
Provide an incentive to businesses/developers to redevelop property contaminated with hazardous wastes. Requires property to be abandoned or underutilized for at least three years, real or suspected environmental contamination, and must enter the Department of Natural Resource's (DNR) Voluntary Cleanup Program. Project must create 10 new jobs or retain 25 jobs.

**Explanation of How Award is Computed:** **Entitlement** No **Discretionary** Yes
Eligible applicants may receive a tax credit of up to 100% of eligible remediation costs; 75% upon payment of remediation costs and 25% upon issuance of DNRs Clean Letter. The calculation of award must be the least amount necessary for the project to occur and the total benefits of the project are capped by the state economic benefit analysis.

**Program Cap:** Cumulative $ _____ (remainder of cumulative cap) $ _____ Annual $ _____ None X

**Cap Shared Between Programs** No **Which Program(s)?** _____

**Explanation of Cap:**

**Sunset Provision:** No Date of Sunset _____ Date of Last Sunset Extension _____

**Explanation of Expiration of Authority:**

**Specific Provisions:** (if applicable)

Carry forward 20 years | Carry Back n/a | Refundable No | Apportioned No | Appropriated No

Sellable/Assignable Yes | Organizations Remit an Offset No | Additional Federal Deductions/Credits Available No

**Comments on Specific Provisions:**

**Legislative / General Assembly Action(s) During Prior Five Years:**

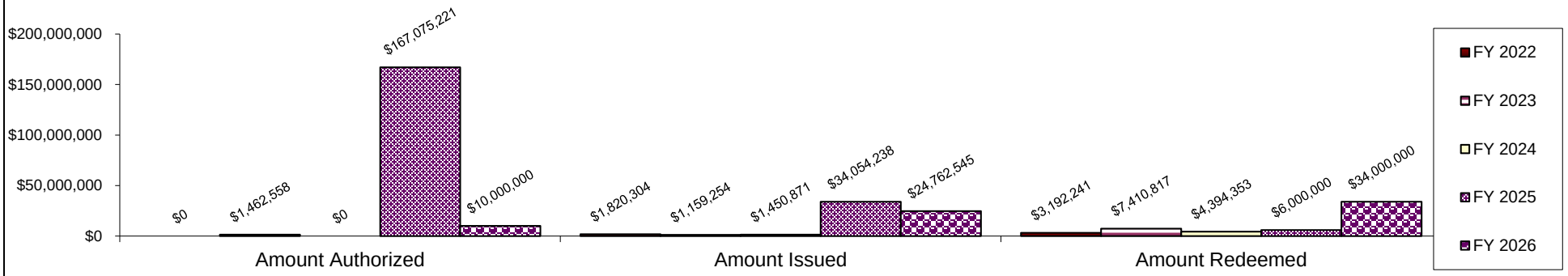
| | FY 2022 ACTUAL | FY 2023 ACTUAL | FY 2024 ACTUAL | FY 2025 (year to date) | FY 2025 (Full Year) | FY 2026 (Budget Year) |
|---|---|---|---|---|---|---|
| Certificates Issued (#) | 1 | 2 | 2 | *2* | 4 | 3 |
| Projects (#) | 1 | 2 | 2 | *2* | 2 | 2 |
| Amount Authorized | $0 | $1,462,558 | $0 | *$158,945,144* | $167,075,221 | $10,000,000 |
| Amount Issued | $1,820,304 | $1,159,254 | $1,450,871 | *$535,050* | $34,054,238 | $24,762,545 |
| Amount Redeemed | $3,192,241 | $7,410,817 | $4,394,353 | *$2,545,286* | $6,000,000 | $34,000,000 |

| | | | |
|---|---|---|---|
| FY 2024 EST. Amount Outstanding | $16,351,754 | FY 2024 EST. Amount Authorized but Unissued | $10,287,360 |

# TAX CREDIT ANALYSIS

**Program Name:** **Brownfield Remediation Tax Credit**

## HISTORICAL AND PROJECTED INFORMATION




**Comments on Historical and Projected Information:**
Projected information is based on 3 year average.

## BENEFIT: COST ANALYSIS (includes only state revenue impacts)

| | FY 2024 ACTIVITY | Other Fiscal Period (10 years) |
|---|---|---|
| **BENEFITS** | | |
| Direct Fiscal Benefits | | |
| Indirect Fiscal Benefits | | |
| **Total** | $0 | $0 |
| **COSTS** | | |
| Direct Fiscal Costs | | |
| Indirect Fiscal Costs | | |
| **Total** | $0 | $0 |
| **BENEFIT: COST** | **#DIV/0!** | **#DIV/0!** |

**Derivation of Benefits:**
No new authorizations in FY2024.

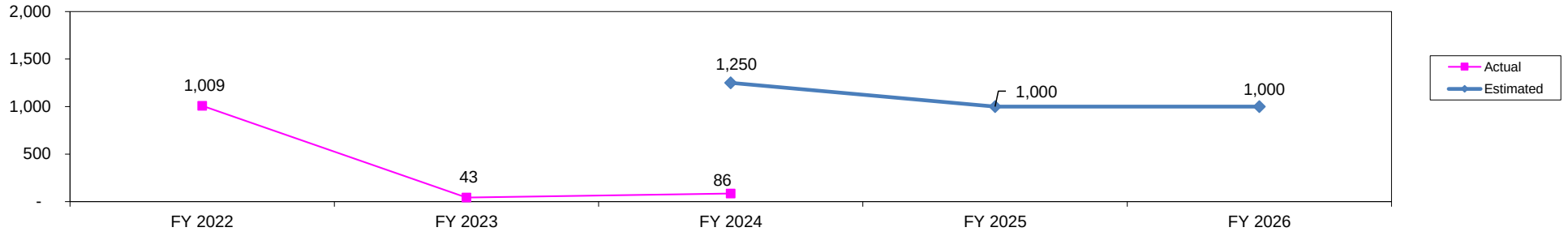
**Other Benefits:**

# TAX CREDIT ANALYSIS

**Program Name:** **Brownfield Remediation Tax Credit**

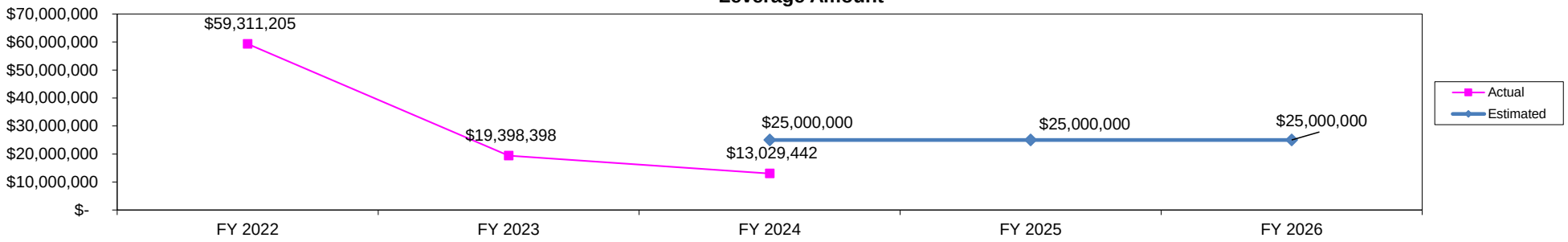
**PERFORMANCE MEASURE(S)**

## Jobs Created



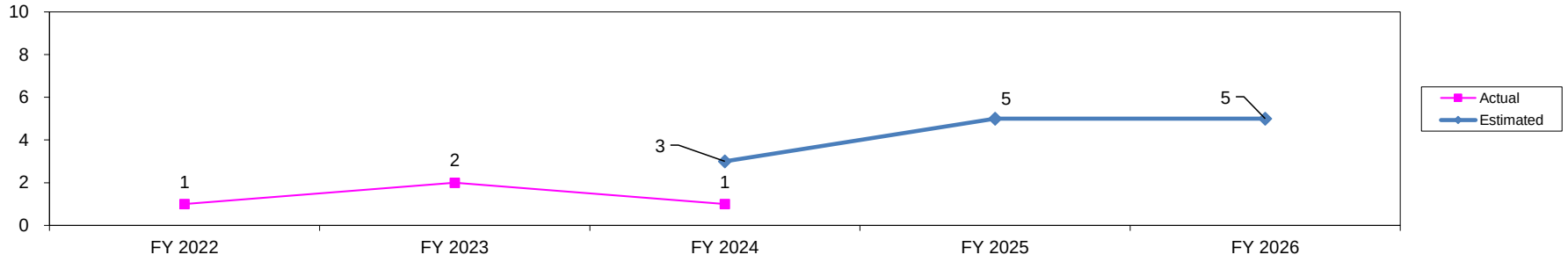

**Comments on Performance Measure:**
Numbers are captured from projects that were closed out each fiscal year.

## Leverage Amount




**Comments on Performance Measure:**
Numbers are captured from projects that were closed out each fiscal year.

## Renovated Facilities




**Comments on Performance Measure:**
Numbers are captured from projects that were closed out each fiscal year.

# TAX CREDIT ANALYSIS

| | | | | | |
|---|---|---|---|---|---|
| **Program Name:** | **Business Facility Headquarters Tax Credit (BFC)** | | | | |
| **Department:** | Economic Development | **Contact Name & No.:** | Olivia Bartens (573) 526-0308 | **Date:** | January 2025 |
| **Program Category:** | Business Recruitment | **Type:** | Tax Credit | Other: | |
| **Statutory Authority:** | Sections 135.100-135.258, RSMo | **Applicable Taxes:** | Income Tax, Bank Tax, Insurance Premium Tax, Insurance Company Retaliatory Tax | | |
| **Tax Credit Creation Date:** | 1980 | **Year of Last Legislative Change:** | 2022 | | |

**Program Description and Eligibility Requirements:**
Tax incentives to facilitate the expansion of new or existing businesses in Missouri. "Headquarters" that commence operations and "headquarters" of certain "employee-owned" businesses that commence or expand operations on or before December 31, 2024 may be eligible for the program. The facility must maintain an average of at least 500 new business facility employees and the facility must create at least 25 new jobs and make $1,000,000 in new investment, as compared to the base year, and maintain an average of at least $20,000,000 in business facility investment.

**Explanation of How Award is Computed:** **Entitlement** Yes **Discretionary** No

The Missouri company qualifying as a new "headquarters" facility may receive the greater of: $400 for each new business facility employee and 4% of new business facility investment; or, $500 for each new business facility employee and $500 of each $100,000 of new business facility investment.

**Program Cap:** Cumulative $ _____ (remainder of cumulative cap) $ _____ Annual $ _____ None X

**Cap Shared Between Programs** No **Which Program(s)?** _____

**Explanation of Cap:**

**Sunset Provision:** Yes Date of Sunset 12/31/2028 Date of Last Sunset Extension _____

**Explanation of Expiration of Authority:**
No revenue-producing enterprise shall receive the incentives set forth in sections 135.100 to 135.150 for facilities commencing operations on or after January 1, 2005. Headquarters may receive incentives for facilities commencing or expanding operations on or after January 1, 2005 but not on or after January 1, 2031. HB 2400 (2022).

**Specific Provisions:** (if applicable)

Carry forward 5 years Carry Back n/a Refundable Yes Apportioned No Appropriated No

Sellable/Assignable Yes Organizations Remit an Offset No Additional Federal Deductions/Credits Available No

**Comments on Specific Provisions:**
Carry forward, Refundable and Sellable/Assignable provisions are limited in application.

**Legislative / General Assembly Action(s) During Prior Five Years:**

2022: HB 2400

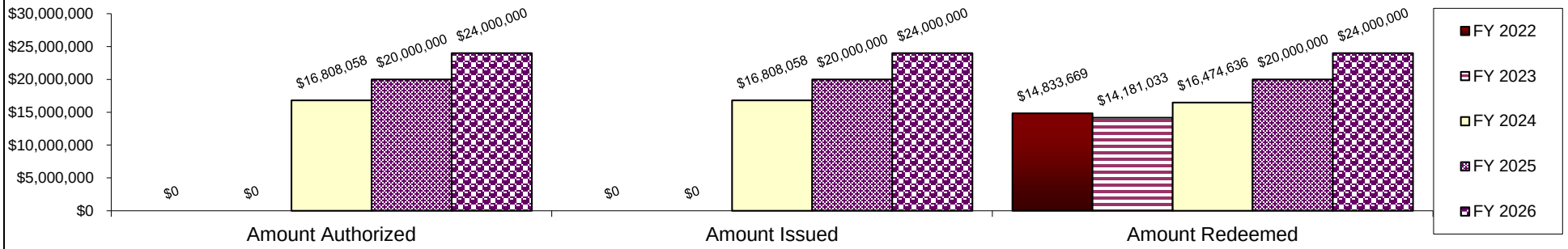
| | FY 2022 ACTUAL | FY 2023 ACTUAL | FY 2024 ACTUAL | FY 2025 (year to date) | FY 2025 (Full Year) | FY 2026 (Budget Year) |
|---|---|---|---|---|---|---|
| Certificates Issued (#) | 18 | 0 | 9 | *9* | 9 | 9 |
| Projects/Participants (#) | 0 | 0 | 9 | *9* | 9 | 9 |
| Amount Authorized | $0 | $0 | $16,808,058 | *$19,680,966* | $20,000,000 | $24,000,000 |
| Amount Issued | $0 | $0 | $16,808,058 | *$19,680,966* | $20,000,000 | $24,000,000 |
| Amount Redeemed | $14,833,669 | $14,181,033 | $16,474,636 | *$7,063,724* | $20,000,000 | $24,000,000 |

| | | | |
|---|---|---|---|
| FY 2024 EST. Amount Outstanding | $366,403 | FY 2024 EST. Amount Authorized but Unissued | $0 |

# TAX CREDIT ANALYSIS

**Program Name:** Business Facility Headquarters Tax Credit (BFC)

**HISTORICAL AND PROJECTED INFORMATION**




**Comments on Historical and Projected Information:**
FY2024 and FY2025 projections based on NOI currently received by organization, but could change should additional NOI's be received.

**BENEFIT: COST ANALYSIS (includes only state revenue impacts)**

| | FY 2024 ACTIVITY | Other Fiscal Period (15 years) |
|---|---|---|
| **BENEFITS** | | |
| Direct Fiscal Benefits | $1,150,372 | $75,592,280 |
| Indirect Fiscal Benefits | $1,301,940 | $85,542,259 |
| **Total** | $2,452,312 | $161,134,539 |
| **COSTS** | | |
| Direct Fiscal Costs | $1,317,383 | $140,301,516 |
| Indirect Fiscal Costs | $0 | $0 |
| **Total** | $1,317,383 | $140,301,516 |
| **BENEFIT: COST** | **1.86** | **1.15** |

**Derivation of Benefits:**
Investment: (a) $230,906,275 in Non-Residential Investment spending over years 2014-2023.
Employment: (a) 1,683 jobs scaled up over ten years in Professional, Scientific, and Technical Services at average wage rates over years 2014-2043.
Other Assumptions: N/A
Incentives/Credits: (a) $179,937,573 in Business Facility tax credits over years 2014-2033 to model full cost of active BFC projects where activity has occurred.
Impacts occur Statewide. All Values in Constant Dollars. Assumptions provided by DED. Estimated using REMI.
The multi-year fiscal Benefit-Cost Ratio is 1.07 when other program incentives (Missouri Works) are included.

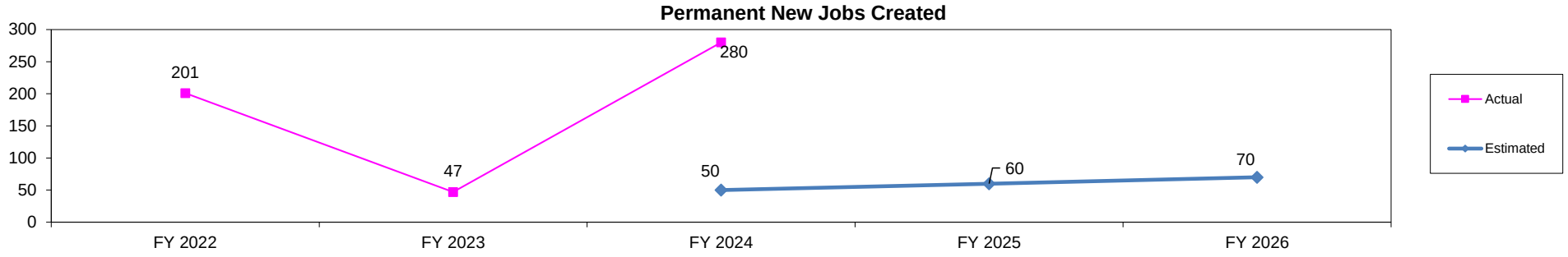
**Other Benefits:**

| **In FY 2024, every dollar of auth. program tax credits returns:** | | **Over 20 YEARS, every dollar of auth. program tax credits returns** | |
|---|---|---|---|
| $33.87 in new personal income totaling | $44.62 million | $44.65 in new personal income totaling | $6,690.69 million |
| $52.98 in new value-added/GSP totaling | $69.79 million | $55.29 in new value-added/GSP totaling | $8,284.28 million |
| $87.92 in new economic output totaling | $115.82 million | $88.64 in new economic output totaling | $13,281.23 million |

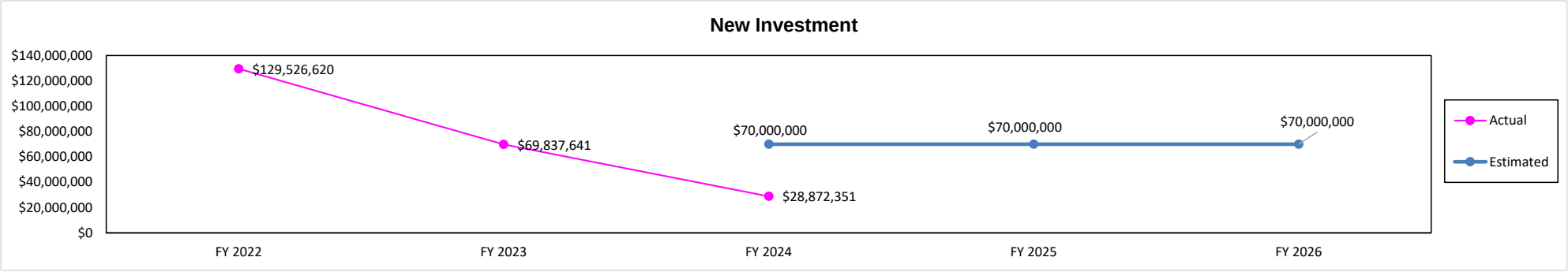
# TAX CREDIT ANALYSIS

**Program Name:** **Business Facility Headquarters Tax Credit (BFC)**

**PERFORMANCE MEASURE(S)**




**Comments on Performance Measure:**
Benefits are based on the number of new jobs above the base. For the purposes of reporting, the number that is indicated here is net new year to year, so that there is no double counting of new jobs. For the projects for which credits were issued, the jobs were not net new for this fiscal year but did have new jobs over the base.




**Comments on Performance Measure:**
Benefits are based on the amount of investment above the base. For purposes of reporting, the amount that is indicated here is net new year to year, so that there is no double counting of new investment.

# TAX CREDIT ANALYSIS

| | | | | | |
|---|---|---|---|---|---|
| **Program Name:** | **Business Use Incentives for Large-Scale Development (BUILD)** | | | | |
| **Department:** | Economic Development - Missouri Development Finance Board (MDFB) | **Contact Name & No.:** | Mark Stombaugh (573) 751-8579 | **Date:** | January 2025 |
| **Program Category:** | Business Recruitment | **Type:** | Tax Credit | Other: | |
| **Statutory Authority:** | Sections 100.700-100.850, RSMo | **Applicable Taxes:** | Income Tax, Bank Tax, Insurance Premium Tax, Other Financial Institution Tax | | |
| **Tax Credit Creation Date:** | 1996 | **Year of Last Legislative Change:** | 2018 | | |

**Program Description and Eligibility Requirements:**

The incentives offered by the BUILD Missouri Program are designed to offset infrastructure and other capital costs of certain large projects by making the cost of investing in Missouri more competitive. The costs are financed through the issuance by the Board of certificates (bonds or notes) the principal and interest on which will be repaid by the business. Businesses are then reimbursed for these repayments through the issuance by the Board of Missouri State income tax credits. The businesses may use these credits against taxes, which would otherwise be due, or to obtain a refund if the business has no Missouri income tax liability. All businesses that manufacture, process (including agricultural processing) or assemble products are eligible. Businesses that conduct research and development or provide services in interstate commerce are also eligible. Certain office industries are also eligible. A manufacturing business must invest a minimum of $15 million and 100 new jobs. An office business must invest a minimum of $10 million and 500 jobs. There are other discretionary factors.

**Explanation of How Award is Computed:** **Entitlement** No **Discretionary** Yes

The award is computed based on principal, interest and fees annually and limited to be no more that 5% of gross wages of each eligible employee whose job was created as a result of the project.

**Program Cap:** Cumulative $ _____ (remainder of cumulative cap) $ _____ Annual $ 25 million None _____

**Cap Shared Between Programs** No **Which Program(s)?** _____

**Explanation of Cap:**

Aggregate amount of debt reduction assessments of all companies with bonds outstanding and still active shall not exceed $25 million annually. **The Authorized Amounts in the chart below are reported as the total authorized credits available to be issued to all companies during the fiscal year, not just new projects.**

**Sunset Provision:** No Date of Sunset _____ Date of Last Sunset Extension _____

**Explanation of Expiration of Authority:**

**Specific Provisions:** (if applicable)

Carry forward n/a Carry Back n/a Refundable Yes Apportioned No Appropriated No

Sellable/Assignable No Organizations Remit an Offset No Additional Federal Deductions/Credits Available No

**Comments on Specific Provisions:**

**Legislative / General Assembly Action(s) During Prior Five Years:**

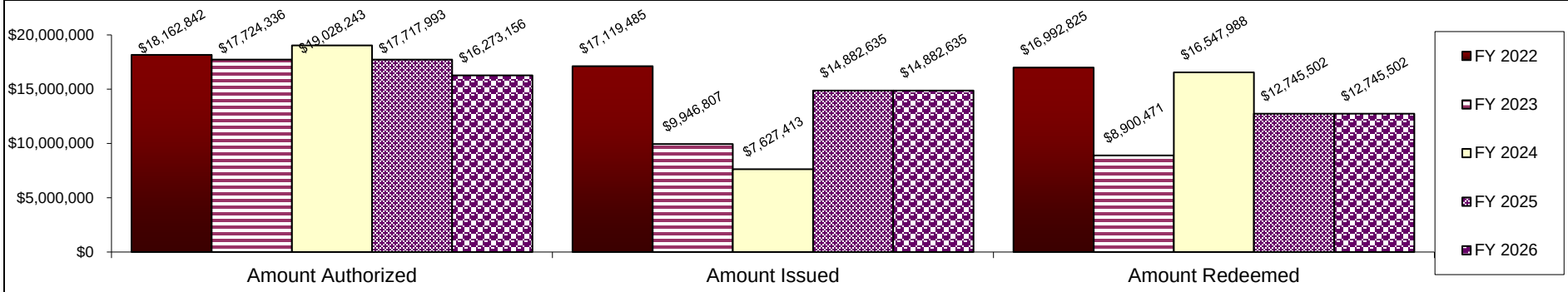
| | FY 2022 ACTUAL | FY 2023 ACTUAL | FY 2024 ACTUAL | FY 2025 (year to date) | FY 2025 (Full Year) | FY 2026 (Budget Year) |
|---|---|---|---|---|---|---|
| Certificates Issued (#) | 44 | 41 | 26 | *7* | 41 | 37 |
| Projects/Participants (#) | 43 | 37 | 43 | *38* | 38 | 34 |
| Amount Authorized | $18,162,842 | $17,724,336 | $19,028,243 | *$18,831,408* | $17,717,993 | $16,273,156 |
| Amount Issued | $17,119,485 | $9,946,807 | $7,627,413 | *$3,495,564* | $14,882,635 | $14,882,635 |
| Amount Redeemed | $16,992,825 | $8,900,471 | $16,547,988 | *$4,018,751* | $12,745,502 | $12,745,502 |

| | | | |
|---|---|---|---|
| FY 2024 EST. Amount Outstanding | $19,343,949 | FY 2024 EST. Amount Authorized but Unissued | $166,979,775 |

# TAX CREDIT ANALYSIS

**Program Name:** **Business Use Incentives for Large-Scale Development (BUILD)**

**HISTORICAL AND PROJECTED INFORMATION**




**Comments on Historical and Projected Information:**

**BENEFIT: COST ANALYSIS (includes only state revenue impacts)**

| | FY 2024 ACTIVITY | Other Fiscal Period (indicated time period) |
|---|---|---|
| **BENEFITS** | | |
| Direct Fiscal Benefits | $0 | |
| Indirect Fiscal Benefits | $0 | |
| **Total** | $0 | $0 |
| **COSTS** | | |
| Direct Fiscal Costs | $0 | |
| Indirect Fiscal Costs | $0 | |
| **Total** | $0 | $0 |
| **BENEFIT: COST** | **#DIV/0!** | **#DIV/0!** |

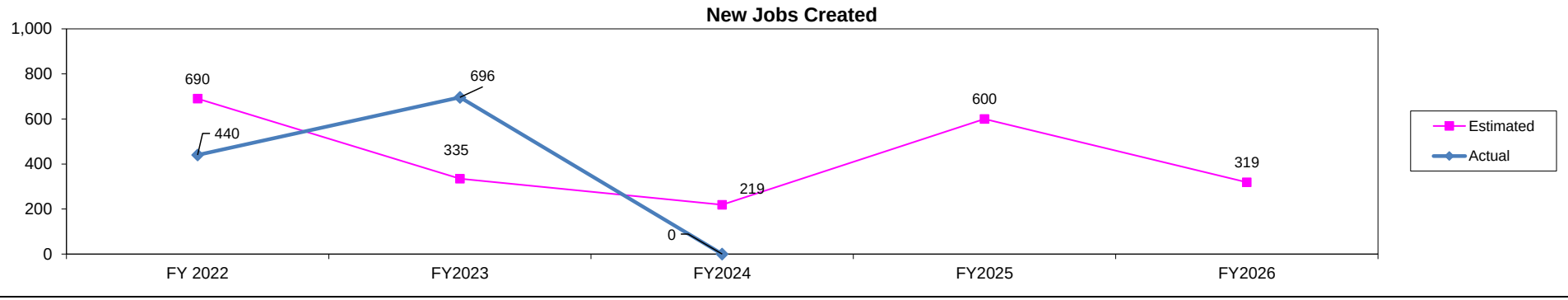
**Derivation of Benefits:**
No FY2024 authorizations for new BUILD projects.

**Other Benefits:**

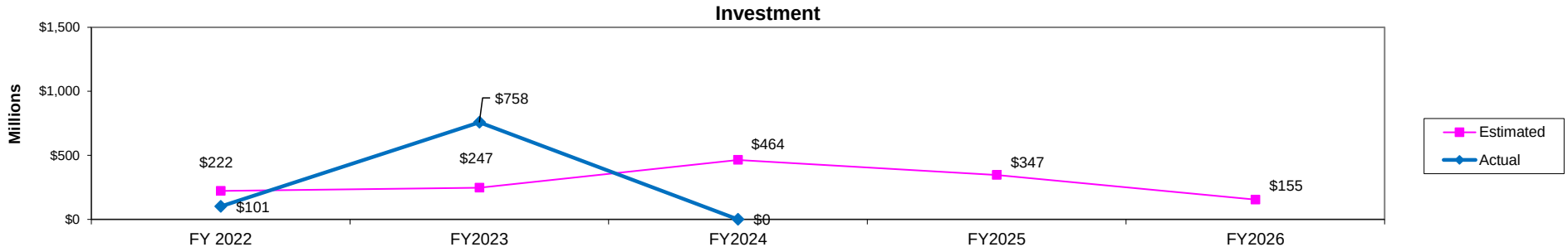
# TAX CREDIT ANALYSIS

**Program Name:** Business Use Incentives for Large-Scale Development (BUILD)

**PERFORMANCE MEASURE(S)**




**Comments on Performance Measure:**




**Comments on Performance Measure:**

# TAX CREDIT ANALYSIS

**Program Name:** Certified Capital Companies (CAPCO)

**Department:** Economic Development | **Contact Name & No.:** Olivia Bartens (573) 526-0308 | **Date:** January 2025

**Program Category:** Entrepreneurial | **Type:** Tax Credit | Other:

**Statutory Authority:** Sections 135.500-135.529, RSMo | **Applicable Taxes:** Insurance Premium Tax

**Tax Credit Creation Date:** 1996 | **Year of Last Legislative Change:** 2008

**Program Description and Eligibility Requirements:**
Insurance companies that invest in a certified CAPCO receive a tax credit.

**Explanation of How Award is Computed:** **Entitlement** Yes **Discretionary** No
The tax credit is equal to 100% of the investment.

**Program Cap:** Cumulative $ 140M over ten years (remainder of cumulative cap) $ Annual $ None

**Cap Shared Between Programs** No **Which Program(s)?**

**Explanation of Cap:**
The tax credits can be claimed at up to 10% of the authorized amount per year over a 10-year period.

**Sunset Provision:** No Date of Sunset Date of Last Sunset Extension

**Explanation of Expiration of Authority:**

**Specific Provisions:** (if applicable)

Carry forward n/a | Carry Back n/a | Refundable No | Apportioned No | Appropriated No

Sellable/Assignable Yes | Organizations Remit an Offset No | Additional Federal Deductions/Credits Available No

**Comments on Specific Provisions:**
Can carry forward tax credit until they are used.

**Legislative / General Assembly Action(s) During Prior Five Years:**

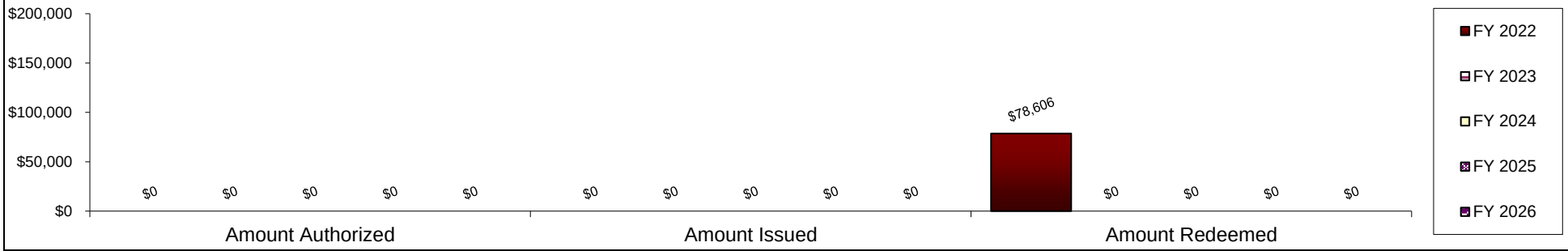
| | FY 2022 ACTUAL | FY 2023 ACTUAL | FY 2024 ACTUAL | FY 2025 (year to date) | FY 2025 (Full Year) | FY 2026 (Budget Year) |
|---|---|---|---|---|---|---|
| Certificates Issued (#) | 0 | 0 | 0 | 0 | 0 | 0 |
| Projects/Participants (#) | 0 | 0 | 0 | 0 | 0 | 0 |
| Amount Authorized | Cumulative Cap Exhausted | Cumulative Cap Exhausted | Cumulative Cap Exhausted | Cumulative Cap Exhausted | Cumulative Cap Exhausted | Cumulative Cap Exhausted |
| Amount Issued | $0 | $0 | $0 | *$0* | $0 | $0 |
| Amount Redeemed | $78,606 | $0 | $0 | *$0* | $0 | $0 |

FY 2024 EST. Amount Outstanding $0 | FY 2024 EST. Amount Authorized but Unissued $0

# TAX CREDIT ANALYSIS

**Program Name:** Certified Capital Companies (CAPCO)

## HISTORICAL AND PROJECTED INFORMATION




**Comments on Historical and Projected Information:**

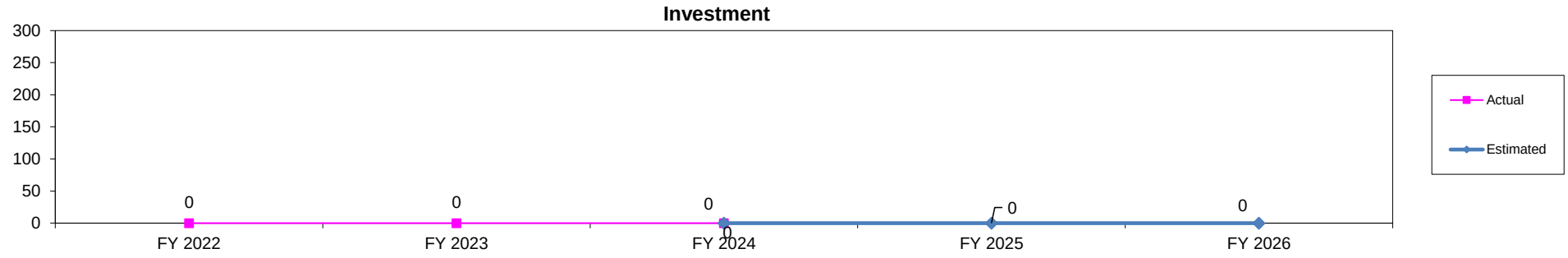
## BENEFIT: COST ANALYSIS (includes only state revenue impacts)

| | FY 2024 ACTIVITY | Other Fiscal Period (15 years) |
|---|---|---|
| **BENEFITS** | | |
| Direct Fiscal Benefits | | |
| Indirect Fiscal Benefits | | |
| **Total** | $0 | $0 |
| **COSTS** | | |
| Direct Fiscal Costs | | |
| Indirect Fiscal Costs | | |
| **Total** | $0 | $0 |
| **BENEFIT: COST** | **#DIV/0!** | **#DIV/0!** |

**Derivation of Benefits:**
No authorizations in FY2024.

**Other Benefits:**

## PERFORMANCE MEASURE(S)




**Comments on Performance Measure:**

# TAX CREDIT ANALYSIS

| | | | | | |
|---|---|---|---|---|---|
| **Program Name:** | **Capitol Complex Tax Credit Act** | | | | |
| **Department:** | Economic Development | **Contact Name & No.:** | Daniel Epler (573) 751-5798 | **Date:** | January 2025 |
| **Program Category:** | Redevelopment | **Type:** | Tax Credit | Other: | |
| **Statutory Authority:** | Section 620.3210, RSMo | **Applicable Taxes:** | Income tax and financial institution tax | | |
| **Tax Credit Creation Date:** | 2021 | **Year of Last Legislative Change:** | | | |

**Program Description and Eligibility Requirements:**
A contribution tax credit that provides a credit for monetary or artifact donations to capitol complex buildings, including the state capitol, supreme court, old federal courthouse, highway building, and Governor's mansion.

**Explanation of How Award is Computed:** **Entitlement** Yes **Discretionary** No
Monetary donations are eligible for a 50% refundable tax credit; Artifact donations are eligible for a 30% nonrefundable tax credit.

**Program Cap:** Cumulative $ _____ (remainder of cumulative cap) $ _____ Annual $ 10 Million None _____

**Cap Shared Between Programs** No **Which Program(s)?** _____

**Explanation of Cap:**
No more than $10 million can be authorized in an calendar year. Donations received in excess of the cap are placed in line for issuance the following year.

**Sunset Provision:** Yes Date of Sunset 8/28/2027 Date of Last Sunset Extension _____

**Explanation of Expiration of Authority:**
Sunsets after 6 years – August 2027. If reauthorized, sunsets automatically 12 years after August 28, 2021.

**Specific Provisions:** (if applicable)

Carry forward 4 years Carry Back n/a Refundable Yes Apportioned No Appropriated No

Sellable/Assignable Yes Organizations Remit an Offset No Additional Federal Deductions/Credits Available No

**Comments on Specific Provisions:**

**Legislative / General Assembly Action(s) During Prior Five Years:**

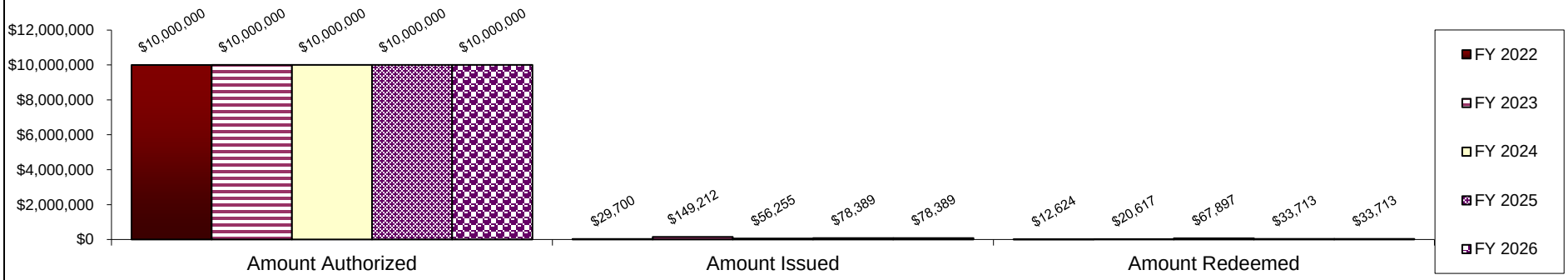
| | FY 2022 ACTUAL | FY 2023 ACTUAL | FY 2024 ACTUAL | FY 2025 (year to date) | FY 2025 (Full Year) | FY 2026 (Budget Year) |
|---|---|---|---|---|---|---|
| Certificates Issued (#) | 30 | 53 | 37 | 2 | 40 | 40 |
| Projects (#) | 5 | 5 | 5 | 0 | 5 | 5 |
| Amount Authorized | $10,000,000 | $10,000,000 | $10,000,000 | $0 | $10,000,000 | $10,000,000 |
| Amount Issued | $29,700 | $149,212 | $56,255 | $1,907 | $78,389 | $78,389 |
| Amount Redeemed | $12,624 | $20,617 | $67,897 | $42,424 | $33,713 | $33,713 |

FY 2025 EST. Amount Outstanding $100,826 FY 2025 EST. Amount Authorized but Unissued $19,986,750

# TAX CREDIT ANALYSIS

**Program Name:** Capitol Complex Tax Credit Act

## HISTORICAL AND PROJECTED INFORMATION




**Comments on Historical and Projected Information:**

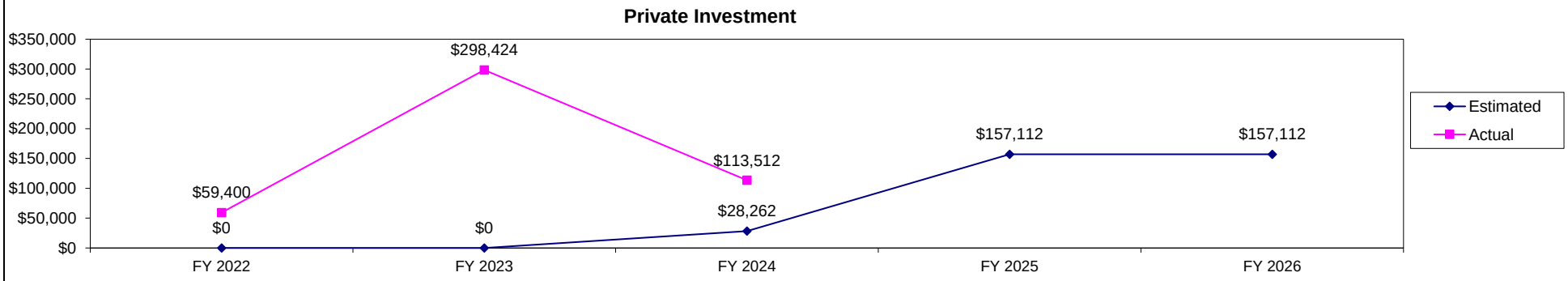
## BENEFIT: COST ANALYSIS (includes only state revenue impacts)

| | FY 2024 ACTIVITY | Other Fiscal Period (indicated time period) |
|---|---|---|
| **BENEFITS** | | |
| Direct Fiscal Benefits | $1,000 | |
| Indirect Fiscal Benefits | $5,319 | |
| **Total** | $6,318 | |
| **COSTS** | | |
| Direct Fiscal Costs | $56,255 | |
| Indirect Fiscal Costs | $0 | |
| **Total** | $56,255 | |
| **BENEFIT: COST** | **0.11** | |

**Derivation of Benefits:**
Investment: $112,510 in Non-Residential investment spending from $56,255 in issued tax credits at 50% of the contribution value.
Employment: N/A
Other Assumptions: Incentives/Credits: (a) $56,255 in Capitol Complex Tax Credits issued in 2024.
All Values in Constant Dollars. Assumptions provided by DED. Estimated using REMI.

**Other Benefits:**

## PERFORMANCE MEASURE(S)




**Comments on Performance Measure:**

# TAX CREDIT ANALYSIS

| | | | | | |
|---|---|---|---|---|---|
| **Program Name:** | **Development Tax Credit** | | | | |
| **Department:** | Economic Development | **Contact Name & No.:** | Olivia Bartens (573) 526-0308 | **Date:** | January 2025 |
| **Program Category:** | Business Recruitment | **Type:** | Tax Credit | Other: | |
| **Statutory Authority:** | Sections 32.100-32.125, RSMo | **Applicable Taxes:** | Income Tax, Corporate Franchise Tax, Bank Tax, Insurance Premium Tax, Other Financial Institutions Tax, Express Company Tax | | |
| **Tax Credit Creation Date:** | 1989 | **Year of Last Legislative Change:** | 2009 | | |

**Program Description and Eligibility Requirements:**
Donations must be made to a non-profit corporation; specified number of jobs must be created within 2 years and maintained for 5 years; application must have the local agency's endorsement; project must be located in a distressed or blighted area; and, the benefiting business must be a for-profit business.

**Explanation of How Award is Computed:** **Entitlement** No **Discretionary** Yes
The tax credit is equal to 50% of a contribution made to a non-profit corporation. The non-profit uses the contributed funds to purchase assets that would be leased to an approved business.

**Program Cap:** Cumulative $ _____ (remainder of cumulative cap) $ _____ Annual $ 6 million None _____

**Cap Shared Between Programs** No **Which Program(s)?** _____

**Explanation of Cap:**
Credits may not exceed $4 million for any one fiscal year, except that for fiscal years 2005, 2006, and 2007 credits shall not exceed $6 million per fiscal year. SB 1155 (2004).
Effective August 28, 2008, the cap is $6 million.

**Sunset Provision:** Yes Date of Sunset 8/27/2013 Date of Last Sunset Extension _____

**Explanation of Expiration of Authority:**
No new projects may be proposed after August 27, 2013.

**Specific Provisions:** (if applicable)

Carry forward 5 years | Carry Back n/a | Refundable No | Apportioned No | Appropriated No

Sellable/Assignable Yes | Organizations Remit an Offset No | Additional Federal Deductions/Credits Available No

**Comments on Specific Provisions:**

**Legislative / General Assembly Action(s) During Prior Five Years:**

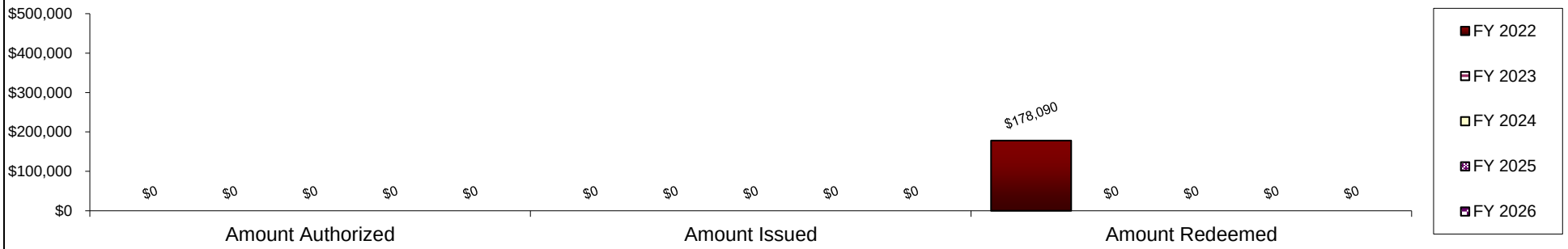
| | FY 2022 ACTUAL | FY 2023 ACTUAL | FY 2024 ACTUAL | FY 2025 (year to date) | FY 2025 (Full Year) | FY 2026 (Budget Year) |
|---|---|---|---|---|---|---|
| Certificates Issued (#) | 0 | 0 | 0 | 0 | 0 | 0 |
| Projects/Participants (#) | 0 | 0 | 0 | 0 | 0 | 0 |
| Amount Authorized | $0 | $0 | $0 | $0 | $0 | $0 |
| Amount Issued | $0 | $0 | $0 | $0 | $0 | $0 |
| Amount Redeemed | $178,090 | $0 | $0 | $0 | $0 | $0 |

FY 2024 EST. Amount Outstanding $0 FY 2024 EST. Amount Authorized but Unissued $0

# TAX CREDIT ANALYSIS

**Program Name:** Development Tax Credit

## HISTORICAL AND PROJECTED INFORMATION




**Comments on Historical and Projected Information:**

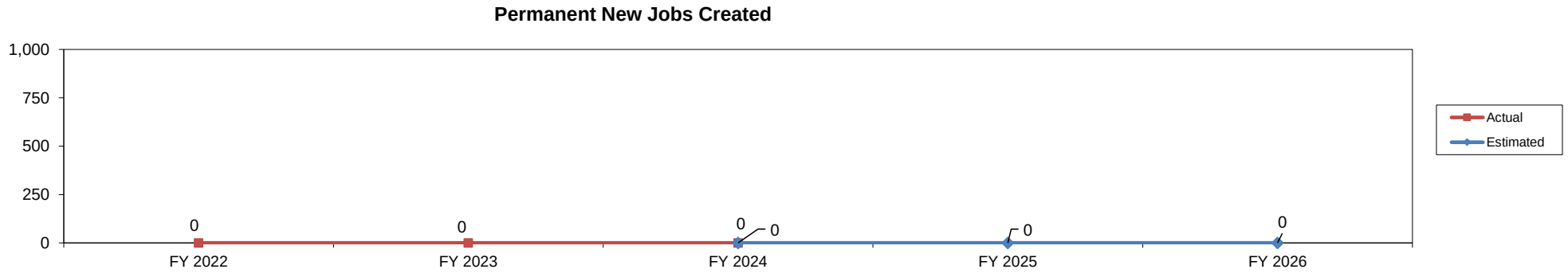
## BENEFIT: COST ANALYSIS (includes only state revenue impacts)

| | FY 2024 ACTIVITY | Other Fiscal Period (indicated time period) |
|---|---|---|
| **BENEFITS** | | |
| Direct Fiscal Benefits | | |
| Indirect Fiscal Benefits | | |
| **Total** | $0 | $0 |
| **COSTS** | | |
| Direct Fiscal Costs | | |
| Indirect Fiscal Costs | | |
| **Total** | $0 | $0 |
| **BENEFIT: COST** | **#DIV/0!** | **#DIV/0!** |

**Derivation of Benefits:**
No authorizations in FY2024.

**Other Benefits:**

## PERFORMANCE MEASURE(S)




**Comments on Performance Measure:**

# TAX CREDIT ANALYSIS

| | | | | | |
|---|---|---|---|---|---|
| **Program Name:** | **Enhanced Enterprise Zone (EEZ)** | | | | |
| **Department:** | Economic Development | **Contact Name & No.:** | Olivia Bartens (573) 526-0308 | **Date:** | January 2025 |
| **Program Category:** | Business Recruitment | **Type:** | Tax Credit | Other: | |
| **Statutory Authority:** | Sections 135.950-135.973, RSMo | **Applicable Taxes:** | Income Tax | | |
| **Tax Credit Creation Date:** | 2004 | **Year of Last Legislative Change:** | 2021 | | |

**Program Description and Eligibility Requirements:**
Tax credits to new or expanding businesses in enhanced enterprise zones. At least two new jobs must be created or maintained and at least $100,000 of new investment within the zone. Business eligibility determined by the zone based on creation of sustainable jobs in a targeted industry or demonstrated impact on local industry cluster development. Businesses also qualify for local abatement.

**Explanation of How Award is Computed:** **Entitlement** No **Discretionary** Yes
Tax credits shall be the lesser of a formula amount based on number of jobs created, number of employees who are residents of the zone, number of employees paid wages above the county average wage and amount of new capital investment OR an amount authorized by DED that is limited to the projected state economic benefit. The credits may be provided each year for up to ten tax years after the project commences operations.

**Program Cap:** Cumulative $ _____ (remainder of cumulative cap) $ _____ Annual $ 24 million None _____

**Cap Shared Between Programs** No **Which Program(s)?** _____

**Explanation of Cap:**
Annual calendar year cap increased from $4 million to $7 million beginning January 1, 2007. Effective December 2007, the annual calendar year cap increased again from $7 million to $14 million. Effective August 28, 2008, the annual calendar year cap increased to $24 million.

**Sunset Provision:** Yes Date of Sunset 8/27/2013 Date of Last Sunset Extension _____

**Explanation of Expiration of Authority:**
No new projects may be proposed after August 27, 2013.

**Specific Provisions:** (if applicable)

Carry forward n/a Carry Back n/a Refundable No Apportioned No Appropriated No

Sellable/Assignable Yes Organizations Remit an Offset No Additional Federal Deductions/Credits Available No

**Comments on Specific Provisions:**

**Legislative / General Assembly Action(s) During Prior Five Years:**
2021: SB 153 and SB 97

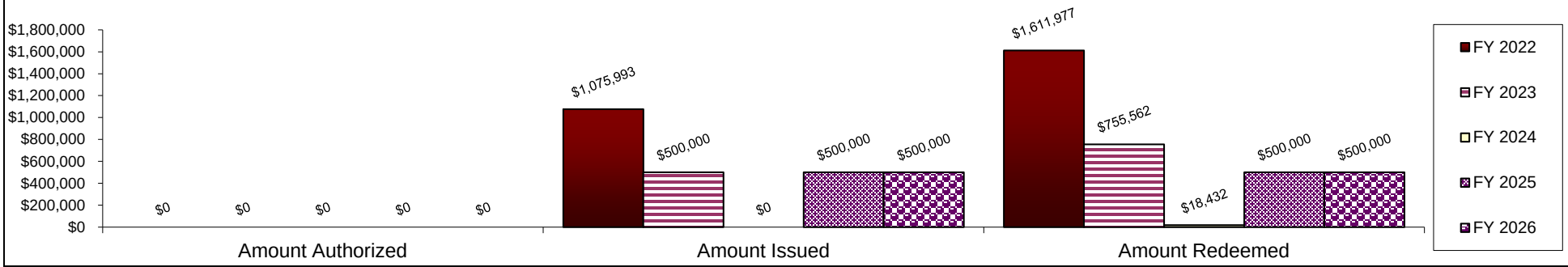
| | FY 2022 ACTUAL | FY 2023 ACTUAL | FY 2024 ACTUAL | FY 2025 (year to date) | FY 2025 (Full Year) | FY 2026 (Budget Year) |
|---|---|---|---|---|---|---|
| Certificates Issued (#) | 0 | 0 | 0 | *1* | 1 | 1 |
| Projects/Participants (#) | 0 | 0 | 1 | *1* | 1 | 1 |
| Amount Authorized | $0 | $0 | $0 | *$0* | $0 | $0 |
| Amount Issued | $1,075,993 | $500,000 | $0 | *$500,000* | $500,000 | $500,000 |
| Amount Redeemed | $1,611,977 | $755,562 | $18,432 | *$0* | $500,000 | $500,000 |

FY 2024 EST. Amount Outstanding $500,000 FY 2024 EST. Amount Authorized but Unissued $15,293,126

# TAX CREDIT ANALYSIS

**Program Name:** Enhanced Enterprise Zone (EEZ)

## HISTORICAL AND PROJECTED INFORMATION




**Comments on Historical and Projected Information:**

## BENEFIT: COST ANALYSIS (includes only state revenue impacts)

| | FY 2024 ACTIVITY | Other Fiscal Period (indicated time period) |
|---|---|---|
| **BENEFITS** | | |
| Direct Fiscal Benefits | | |
| Indirect Fiscal Benefits | | |
| **Total** | $0 | $0 |
| **COSTS** | | |
| Direct Fiscal Costs | | |
| Indirect Fiscal Costs | | |
| **Total** | $0 | $0 |
| **BENEFIT: COST** | **#DIV/0!** | **#DIV/0!** |

**Derivation of Benefits:**
No authorizations in FY2024.

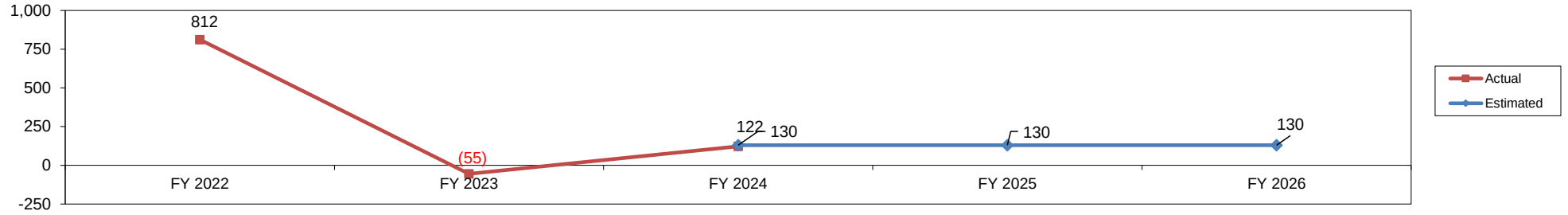
**Other Benefits:**

# TAX CREDIT ANALYSIS

**Program Name:** Enhanced Enterprise Zone (EEZ)

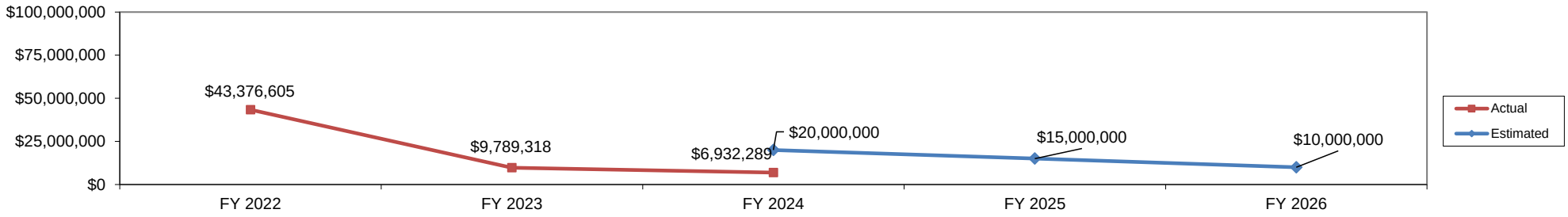
**PERFORMANCE MEASURE(S)**

## Permanent Net New Jobs Created Over Previous Year




**Comments on Performance Measure:**

## Net New Investment Over Previous Year




**Comments on Performance Measure:**

# TAX CREDIT ANALYSIS

| | | | | | |
|---|---|---|---|---|---|
| **Program Name:** | **Entertainment Industry Jobs Act** | | | | |
| **Department:** | Economic Development | **Contact Name & No.:** | Andrea Sporcic Klund (573) 526-2102 | **Date:** | January 2025 |
| **Program Category:** | Business Recruitment | **Type:** | Tax Credit | Other: | |
| **Statutory Authority:** | Section 135.753, RSMo | **Applicable Taxes:** | Income Tax | | |
| **Tax Credit Creation Date:** | 1/1/2024 | **Year of Last Legislative Change:** | | | |

**Program Description and Eligibility Requirements:**
Provides a tax credit for rehearsal and tour expenses that meet the minimum rehearsal and tour requirements.

**Explanation of How Award is Computed:** **Entitlement** Yes **Discretionary** No
A tax credit for 30% of rehearsal and tour expenses that meet the minimum rehearsal and tour requirements.

**Program Cap:** Cumulative $ _____ (remainder of cumulative cap) $ _____ Annual $ 8 Million None _____

**Cap Shared Between Programs** No **Which Program(s)?** _____

**Explanation of Cap:**
The annual cap is $8,000,000 for Entertainment Industry Jobs Act.

**Sunset Provision:** Yes Date of Sunset 12/31/2030 Date of Last Sunset Extension _____

**Explanation of Expiration of Authority:**
The provisions of the program authorized under this section shall automatically sunset December 31, 2030.

**Specific Provisions:** (if applicable)

Carry forward 5 years Carry Back n/a Refundable No Apportioned No Appropriated No

Sellable/Assignable Yes Organizations Remit an Offset No Additional Federal Deductions/Credits Available No

**Comments on Specific Provisions:**

**Legislative / General Assembly Action(s) During Prior Five Years:**

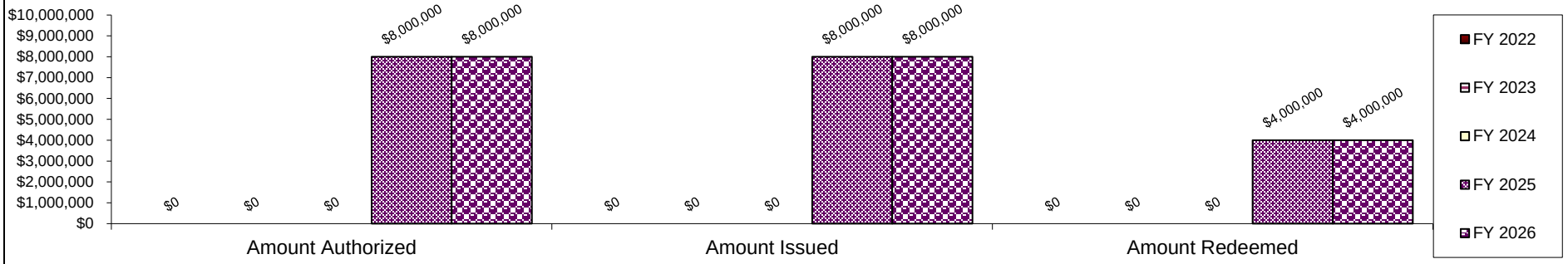
| | FY 2022 ACTUAL | FY 2023 ACTUAL | FY 2024 ACTUAL | FY 2025 (year to date) | FY 2025 (Full Year) | FY 2026 (Budget Year) |
|---|---|---|---|---|---|---|
| Certificates Issued (#) | 0 | 0 | 0 | *0* | 8 | 8 |
| Projects/Participants (#) | 0 | 0 | 0 | *0* | 8 | 8 |
| Amount Authorized | $0 | $0 | $0 | *$0* | $8,000,000 | $8,000,000 |
| Amount Issued | $0 | $0 | $0 | *$0* | $8,000,000 | $8,000,000 |
| Amount Redeemed | $0 | $0 | $0 | *$0* | $4,000,000 | $4,000,000 |

| | | | |
|---|---|---|---|
| FY 2024 EST. Amount Outstanding | $0 | FY 2024 EST. Amount Authorized but Unissued | $0 |

# TAX CREDIT ANALYSIS

**Program Name:** Entertainment Industry Jobs Act

## HISTORICAL AND PROJECTED INFORMATION




**Comments on Historical and Projected Information:**

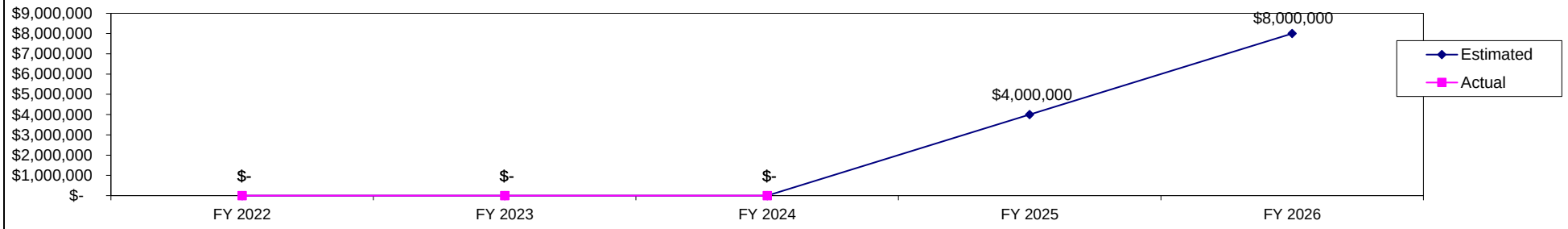
## BENEFIT: COST ANALYSIS (includes only state revenue impacts)

| | FY 2024 ACTIVITY | Other Fiscal Period (indicated time period) |
|---|---|---|
| **BENEFITS** | | |
| Direct Fiscal Benefits | | |
| Indirect Fiscal Benefits | | |
| **Total** | $0 | $0 |
| **COSTS** | | |
| Direct Fiscal Costs | | |
| Indirect Fiscal Costs | | |
| **Total** | $0 | $0 |
| **BENEFIT: COST** | **#DIV/0!** | **#DIV/0!** |

**Derivation of Benefits:**
No authorizations for FY2024.

**Other Benefits:**

## PERFORMANCE MEASURE(S)




**Comments on Performance Measure:**

# TAX CREDIT ANALYSIS

| | | | | | |
|---|---|---|---|---|---|
| **Program Name:** | **Family Development Account (FDA)** | | | | |
| **Department:** | Economic Development | **Contact Name & No.:** | Daniel Epler (573) 751-5798 | **Date:** | January 2025 |
| **Program Category:** | Community Development | **Type:** | Tax Credit | Other: | |
| **Statutory Authority:** | Sections 208.750-208.775, RSMo | **Applicable Taxes:** | Income Tax, Corporate Franchise, Bank Tax, Insurance Premium Tax, Other financial institutions tax, Express Company Tax | | |
| **Tax Credit Creation Date:** | 1998 | **Year of Last Legislative Change:** | 2009 | | |

**Program Description and Eligibility Requirements:**
Promotes self-sufficiency through asset development for low-income persons through a matched savings program. Individuals, businesses and corporations having tax liability in Missouri are eligible to receive tax credits for qualified donations to approved FDA projects.

**Explanation of How Award is Computed:** **Entitlement** No **Discretionary** Yes
Tax credits are provided to a contributor (based on 50% of the contribution) that donates to an approved organization administering the Family Development Account project. The matched savings fund can be used by the low-income persons for education, job training, purchase or rehabilitation of primary residence, or start-up capital for small business.

**Program Cap:** Cumulative $ _____ (remainder of cumulative cap) $ _____ Annual $ 300,000 None _____

**Cap Shared Between Programs** No **Which Program(s)?** _____

**Explanation of Cap:**
$300,000 in tax credits are awarded each fiscal year on an open cycle.

**Sunset Provision:** No Date of Sunset _____ Date of Last Sunset Extension _____

**Explanation of Expiration of Authority:**

**Specific Provisions:** (if applicable)

Carry forward n/a Carry Back n/a Refundable No Apportioned No Appropriated No

Sellable/Assignable No Organizations Remit an Offset No Additional Federal Deductions/Credits Available No

**Comments on Specific Provisions:**

**Legislative / General Assembly Action(s) During Prior Five Years:**

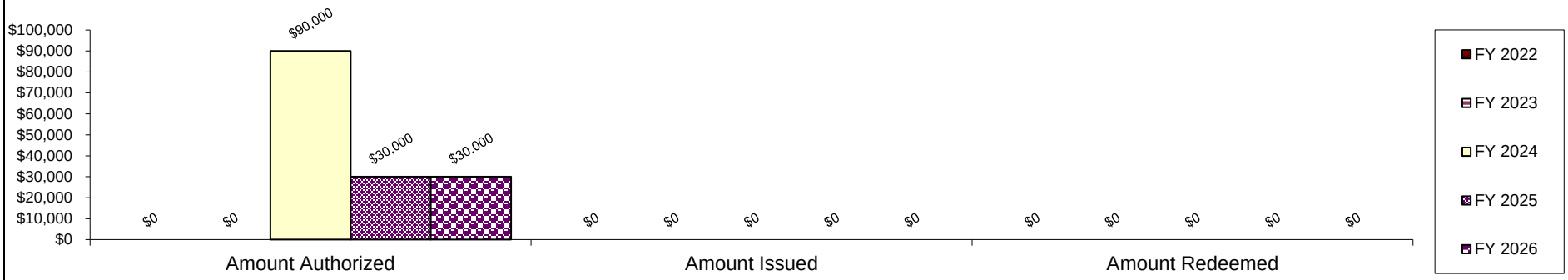
| | FY 2022 ACTUAL | FY 2023 ACTUAL | FY 2024 ACTUAL | FY 2025 (year to date) | FY 2025 (Full Year) | FY 2026 (Budget Year) |
|---|---|---|---|---|---|---|
| Certificates Issued (#) | 0 | 0 | 0 | 1 | 0 | 0 |
| Projects/Participants (#) | 0 | 0 | 1 | 1 | 0 | 0 |
| Amount Authorized | $0 | $0 | $90,000 | $100,000 | $30,000 | $30,000 |
| Amount Issued | $0 | $0 | $0 | $5,000 | $0 | $0 |
| Amount Redeemed | $0 | $0 | $0 | $0 | $0 | $0 |

| | | | |
|---|---|---|---|
| FY 2025 EST. Amount Outstanding | $57,500 | FY 2025 EST. Amount Authorized but Unissued | $132,500 |

# TAX CREDIT ANALYSIS

**Program Name:** **Family Development Account (FDA)**

## HISTORICAL AND PROJECTED INFORMATION




**Comments on Historical and Projected Information:**

## BENEFIT: COST ANALYSIS (includes only state revenue impacts)

| | FY 2024 ACTIVITY | Other Fiscal Period (5 years) |
|---|---|---|
| **BENEFITS** | | |
| Direct Fiscal Benefits | $1,156 | $1,377 |
| Indirect Fiscal Benefits | $5,940 | $7,076 |
| **Total** | $7,096 | $8,454 |
| **COSTS** | | |
| Direct Fiscal Costs | $90,000 | $90,000 |
| Indirect Fiscal Costs | $0 | $0 |
| **Total** | $90,000 | $90,000 |
| **BENEFIT: COST** | **0.08** | **0.09** |

**Derivation of Benefits:**
Investment: (a) N/A
Employment: (a) N/A
Other Assumptions: (a) $156,600 in additional income being spent on higher education services and in transfer payments in 2024.
Incentives/Credits: (a) $90,000 in Family Development Account tax credits in 2024..
Impacts occur Statewide. All Values in Constant Dollars. Assumptions provided by DED. Estimated using REMI.

**Other Benefits:**

**In FY-2024, every dollar of auth. program tax credits returns:**

| | | | |
|---|---|---|---|
| $4.28 | in new personal income totaling | $0.21 | million |
| $3.79 | in new value-added/GSP totaling | $0.19 | million |
| $6.26 | in new economic output totaling | $0.31 | million |

**Over 5 YEARS, every dollar of auth. program tax credits returns:**

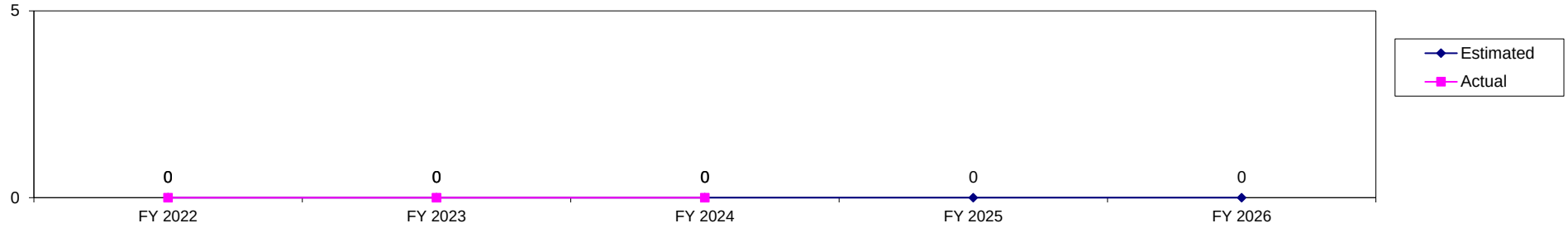
| | | | |
|---|---|---|---|
| $5.08 | in new personal income totaling | $0.25 | million |
| $4.19 | in new value-added/GSP totaling | $0.21 | million |
| $6.95 | in new economic output totaling | $0.35 | million |

# TAX CREDIT ANALYSIS

**Program Name:** **Family Development Account (FDA)**

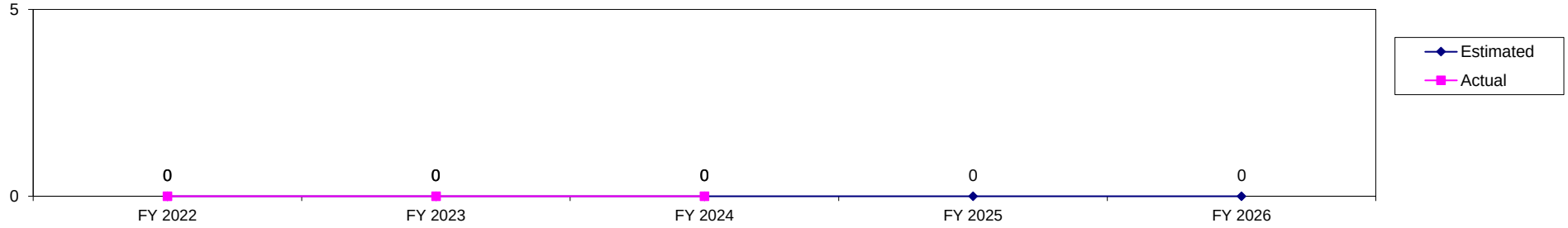
**PERFORMANCE MEASURE(S)**

## Purchase of New/Rehabbed Housing




**Comments on Performance Measure:**
FDA is a matched savings program. Enrollees have 2-5 years to save to buy a primary residence or rehab a primary residence. This graph depicts the actual number of participants that have met their goals for projects that have Closed during the fiscal year. There were 5 years where no projects were authorized; therefore, no projects were closed.

## New Businesses to be Started

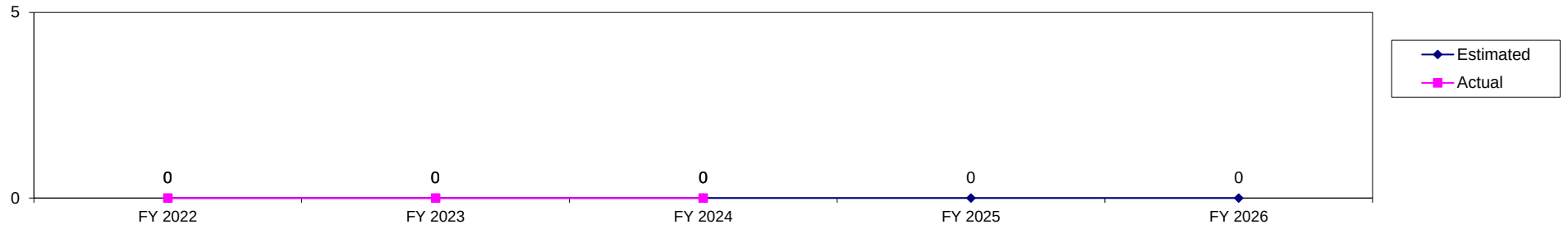



**Comments on Performance Measure:**
FDA is a matched savings program. Enrollees have 2-5 years to start a new business. This graph depicts the actual number of participants that have met their goals for projects that have Closed during this fiscal year. There were 5 years when no projects were authorized; therefore, no projects were closed.

## TAX CREDIT ANALYSIS

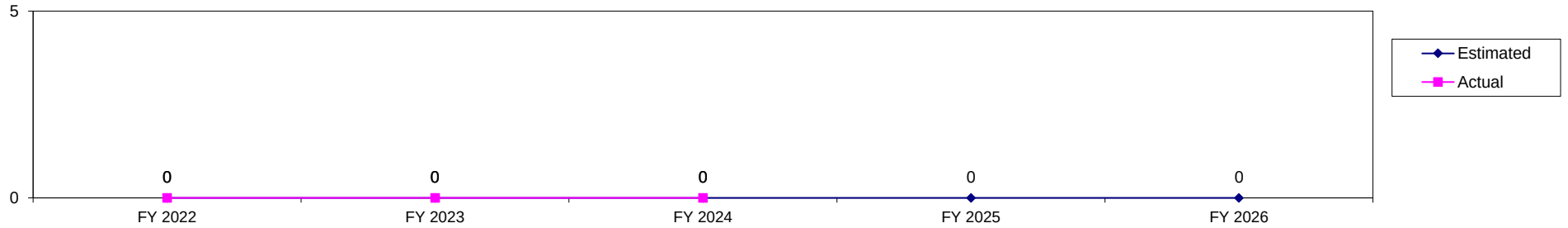
**Program Name:** **Family Development Account (FDA)**

### Higher Education/Job Training to be Obtained




**Comments on Performance Measure:**
FDA is a matched savings program. Enrollees have 2-5 years to save to go to college or participate in an accredited job training program. This graph depicts the actual number of participants that have met their goals for projects that have Closed during this fiscal year. There were 5 years when no projects were authorized; therefore, no projects were closed

### Individuals Learning Life Skills




**Comments on Performance Measure:**
FDA is a matched savings program. Enrollees attend financial literacy courses. This graph depicts the actual number of participants that have met their goals for projects that have Closed during this fiscal year. There were 5 years when no projects were authorized; therefore, no projects were closed.

# TAX CREDIT ANALYSIS

| | | | | | |
|---|---|---|---|---|---|
| **Program Name:** | **Historic Preservation Tax Credit (HTC)** | | | | |
| **Department:** | Economic Development | **Contact Name & No.:** | Brooklyn Wasser (573) 522-8006 | **Date:** | January 2025 |
| **Program Category:** | Redevelopment | **Type:** | Tax Credit | Other: | |
| **Statutory Authority:** | Sections 253.545-253.561, RSMo | **Applicable Taxes:** | Income Tax, Bank Tax, Insurance Premium Tax, Other Financial Institutions Tax | | |
| **Tax Credit Creation Date:** | 1997 | **Year of Last Legislative Change:** | 2024 | | |

**Program Description and Eligibility Requirements:**
This program provides an incentive designed to encourage the redevelopment of commercial and residential historic structures in Missouri. Individuals, organizations, businesses, and not-for-profits are eligible to apply.

**Explanation of How Award is Computed:** **Entitlement** Yes **Discretionary** No
The applicable percentage of tax credits for a project is: 25% of the qualified rehabilitation expenditures, or 35% of the qualified rehabilitation expenditures incurred on or after July 1, 2024, if the property is located outside Kansas City and St. Louis City and does not receive or intend to receive Missouri Low-Income Housing Tax Credits.

**Program Cap:** Cumulative $ _____ (remainder of cumulative cap) $ _____ Annual $ 134.4 million None _____

**Cap Shared Between Programs** No **Which Program(s)?** _____

**Explanation of Cap:**
The program has an annual cap on projects in the statute, but some types of projects are excluded from the cap. There is also a set-aside for projects in Qualified Census Tracts (QCT). Both amounts are calculated based on the State Fiscal Year. The Statewide Tax Credit Cap is $104.4 million ($90 million plus $14.4 million added in based on the Consumer Price Index as of June 2022). The QCT Tax Credit Cap is $30 million. Properties in a QCT are not limited by the amount in this set-aside, but QCT projects will be authorized tax credits from the QCT Tax Credit Cap before being authorized from the Statewide Tax Credit Cap.

**Sunset Provision:** No Date of Sunset _____ Date of Last Sunset Extension _____

**Explanation of Expiration of Authority:**

**Specific Provisions:** (if applicable)
Carry forward 10 years Carry Back 3 years Refundable No Apportioned No Appropriated No
Sellable/Assignable Yes Organizations Remit an Offset No Additional Federal Deductions/Credits Available No

**Comments on Specific Provisions:**
20% Federal Historic Tax Credit

**Legislative / General Assembly Action(s) During Prior Five Years:**
8/28/2024: HB 2062

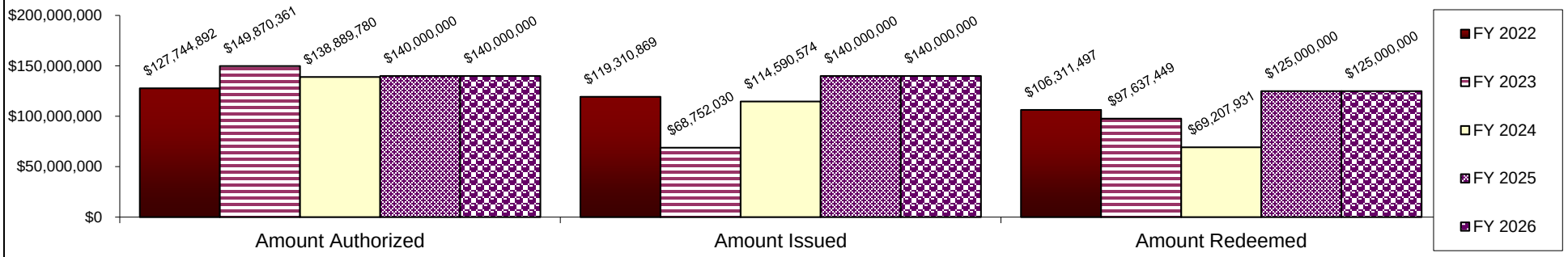
| | FY 2022 ACTUAL | FY 2023 ACTUAL | FY 2024 ACTUAL | FY 2025 (year to date) | FY 2025 (Full Year) | FY 2026 (Budget Year) |
|---|---|---|---|---|---|---|
| Certificates Issued (#) | 123 | 99 | 184 | *73* | 150 | 150 |
| Projects/Participants (#) | 131 | 68 | 93 | *47* | 110 | 110 |
| Amount Authorized | $127,744,892 | $149,870,361 | $138,889,780 | *$130,862,942* | $140,000,000 | $140,000,000 |
| Amount Issued | $119,310,869 | $68,752,030 | $114,590,574 | *$20,957,284* | $140,000,000 | $140,000,000 |
| Amount Redeemed | $106,311,497 | $97,637,449 | $69,207,931 | *$41,999,306* | $125,000,000 | $125,000,000 |

| | | | |
|---|---|---|---|
| FY 2024 EST. Amount Outstanding | $177,411,588 | FY 2024 EST. Amount Authorized but Unissued | $426,324,779 |

# TAX CREDIT ANALYSIS

**Program Name:** **Historic Preservation Tax Credit (HTC)**

## HISTORICAL AND PROJECTED INFORMATION




**Comments on Historical and Projected Information:**
Projected information is based on trends in authorizations from SB590 decrease in total cap. Current amount of possible issuances exceeds $120M. Redemptions are based on 3-year average.

## BENEFIT: COST ANALYSIS (includes only state revenue impacts)

| | FY 2024 ACTIVITY | Other Fiscal Period (10 years) |
|---|---|---|
| **BENEFITS** | | |
| Direct Fiscal Benefits | $771,506 | $5,901,677 |
| Indirect Fiscal Benefits | $3,450,712 | $26,396,405 |
| **Total** | $4,222,218 | $32,298,083 |
| **COSTS** | | |
| Direct Fiscal Costs | $27,797,956 | $133,439,317 |
| Indirect Fiscal Costs | $0 | $0 |
| **Total** | $27,797,956 | $133,439,317 |
| **BENEFIT: COST** | **0.15** | **0.24** |

**Derivation of Benefits:**
Investment: (a) $171,005,723 in Residential Investment spending over years 2024-2028;(b) $423,145,894 in Non-Residential Investment spending over years 2024-2028.
Employment: (a) 859 jobs in various industries in locally competitive markets at average wage rates over years 2029-2033.
Other Assumptions: (a) N/A
Incentives/Credits: (a) $138,889,780 in Historic Preservation tax credits over years 2024-2028.
Impacts occur Statewide. All Values in Constant Dollars. Assumptions provided by DED. Estimated using REMI.
The multi-year fiscal Benefit-Cost Ratio is 0.24 when other program incentives (NPA) are included.

**Other Benefits:**

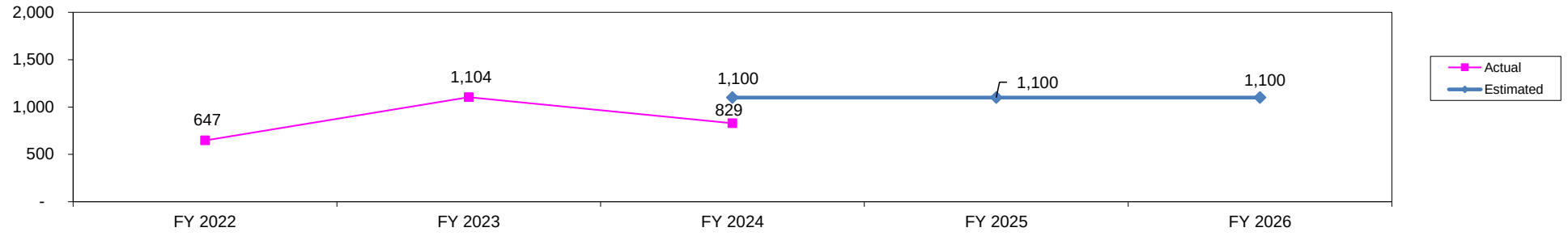
| **In FY-2024, every dollar of auth. program tax credits returns** | | | **Over 10 YEARS, every dollar of auth. program tax credits returns** | | |
|---|---|---|---|---|---|
| $3.07 | in new personal income totaling | $85.30 million | $6.69 | in new personal income totaling | $893.34 million |
| $5.01 | in new value-added/GSP totaling | $139.27 million | $9.57 | in new value-added/GSP totaling | $1,276.38 million |
| $9.04 | in new economic output totaling | $251.29 million | $17.48 | in new economic output totaling | $2,331.91 million |

# TAX CREDIT ANALYSIS

**Program Name:** Historic Preservation Tax Credit (HTC)

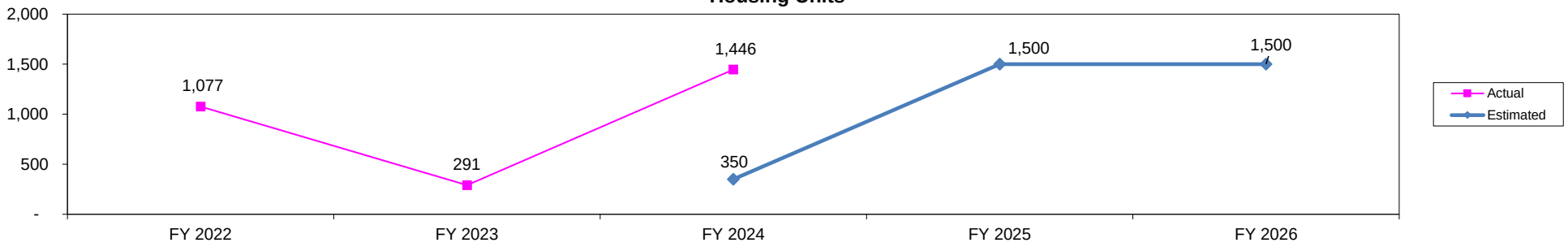
**PERFORMANCE MEASURE(S)**

## Jobs Created



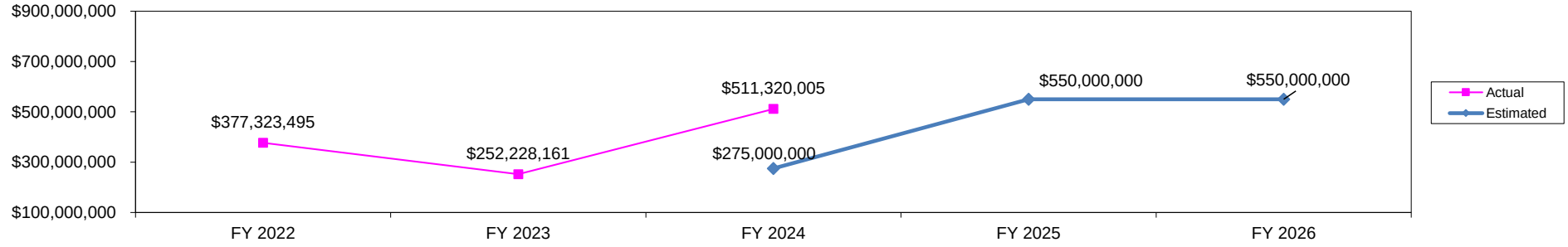

**Comments on Performance Measure:**
Numbers are captured from projects that were closed out each fiscal year.

## Housing Units




**Comments on Performance Measure:**
Numbers are captured from projects that were closed out each fiscal year.

## Amount Leveraged




**Comments on Performance Measure:**
Numbers are captured from projects that were closed out each fiscal year.

# TAX CREDIT ANALYSIS

| | | | | | |
|---|---|---|---|---|---|
| **Program Name:** | **Intern and Apprentice Recruitment Tax Credit** | | | | |
| **Department:** | Economic Development | **Contact Name & No.:** | Kristie Davis (573) 522-4019 | **Date:** | January 2025 |
| **Program Category:** | Training and Educational | **Type:** | Tax Credit | Other: | |
| **Statutory Authority:** | Section 135.457, RSMo | **Applicable Taxes:** | Income Tax | | |
| **Tax Credit Creation Date:** | 2023 | **Year of Last Legislative Change:** | | | |

**Program Description and Eligibility Requirements:**
Authorizes an income tax credit to eligible taxpayers who hire an intern or apprentice at a pay rate equal to or greater than the minimum wage, with additional requirements.

**Explanation of How Award is Computed:** **Entitlement** Yes **Discretionary** No
The tax credit shall be equal to $1,500 for each intern or apprentice hired at a pay rate equal to or greater than the minimum wage, provided that the number of interns and apprentices employed during the tax year exceeds the average number of interns and apprentices employed by the applicant for the previous three years, and further provided that the interns and apprentices work a certain number of hours, as described in the statute (§135.457.3(2) & (3)). When credits sought exceed cap, priority shall be given to taxpayers that have been in business for less than five years, with the remaining tax credits to be distributed based on the order in which they are claimed.

**Program Cap:** Cumulative $ _____ (remainder of cumulative cap) $ _____ Annual $ 1 Million None _____

**Cap Shared Between Programs** No **Which Program(s)?** _____

**Explanation of Cap:**
Also, no taxpayer can claim more than $9,000 in tax credits in a given tax year.

**Sunset Provision:** Yes Date of Sunset 12/31/2029 Date of Last Sunset Extension _____

**Explanation of Expiration of Authority:**
Sunsets on December 31, 2029; terminates September 1, 2030

**Specific Provisions:** (if applicable)

Carry forward n/a Carry Back n/a Refundable No Apportioned No Appropriated No

Sellable/Assignable No Organizations Remit an Offset No Additional Federal Deductions/Credits Available No

**Comments on Specific Provisions:**

**Legislative / General Assembly Action(s) During Prior Five Years:**

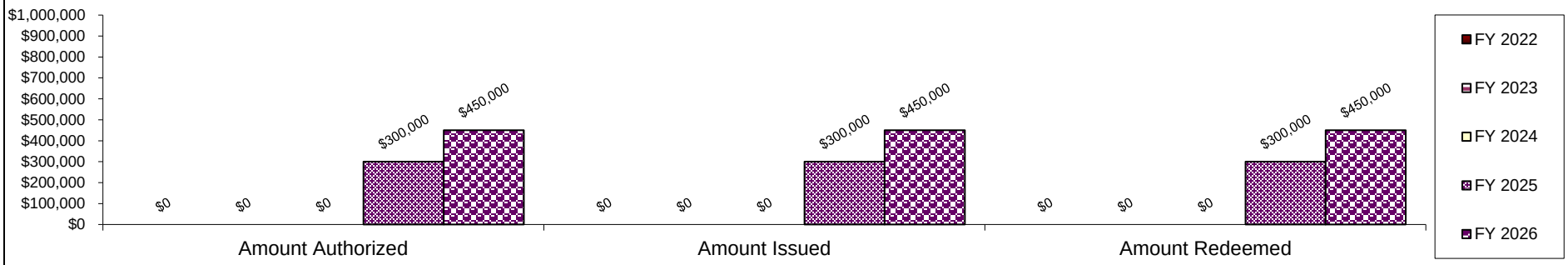
| | FY 2022 ACTUAL | FY 2023 ACTUAL | FY 2024 ACTUAL | FY 2025 (year to date) | FY 2025 (Full Year) | FY 2026 (Budget Year) |
|---|---|---|---|---|---|---|
| Tax Certificates Issued (#) | 0 | 0 | 0 | *0* | 200 | 300 |
| Company Projects (#) | 0 | 0 | 0 | *0* | 50 | 75 |
| Amount Authorized | $0 | $0 | $0 | *$0* | $300,000 | $450,000 |
| Amount Issued | $0 | $0 | $0 | *$0* | $300,000 | $450,000 |
| Amount Redeemed | $0 | $0 | $0 | *$0* | $300,000 | $450,000 |

| | | | |
|---|---|---|---|
| FY 2024 EST. Amount Outstanding | $1,000,000 | FY 2024 EST. Amount Authorized but Unissued | $1,000,000 |

# TAX CREDIT ANALYSIS

**Program Name:** Intern and Apprentice Recruitment Tax Credit

## HISTORICAL AND PROJECTED INFORMATION




**Comments on Historical and Projected Information:**

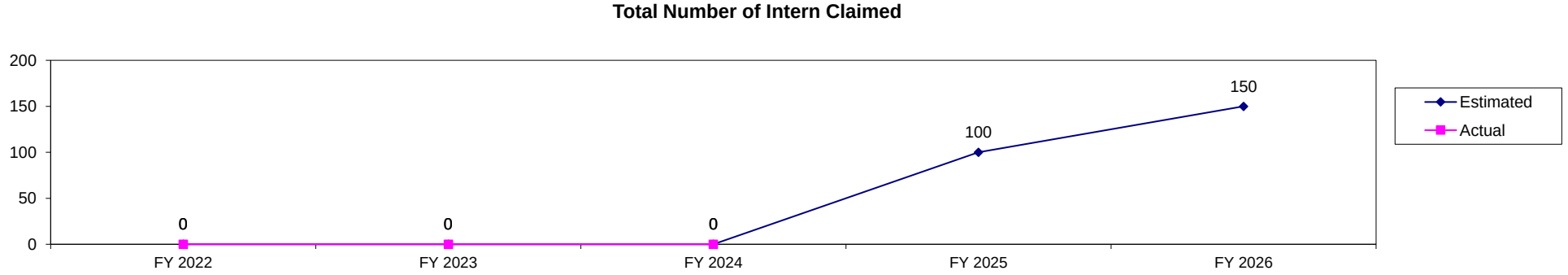
## BENEFIT: COST ANALYSIS (includes only state revenue impacts)

| | FY 2024 ACTIVITY | Other Fiscal Period (indicated time period) |
|---|---|---|
| **BENEFITS** | | |
| Direct Fiscal Benefits | | |
| Indirect Fiscal Benefits | | |
| **Total** | $0 | $0 |
| **COSTS** | | |
| Direct Fiscal Costs | | |
| Indirect Fiscal Costs | | |
| **Total** | $0 | $0 |
| **BENEFIT: COST** | **#DIV/0!** | **#DIV/0!** |

**Derivation of Benefits:**
No authorizations for FY2024.

**Other Benefits:**

## PERFORMANCE MEASURE(S)




**Comments on Performance Measure:**

# TAX CREDIT ANALYSIS

| | | | | | |
|---|---|---|---|---|---|
| **Program Name:** | **MDFB Bond Guarantee** | | | | |
| **Department:** | Economic Development | **Contact Name & No.:** | Mark Stombaugh (573) 751-8479 | **Date:** | January 2025 |
| **Program Category:** | Redevelopment | **Type:** | Tax Credit | Other: | |
| **Statutory Authority:** | Section 100.297, RSMo | **Applicable Taxes:** | Income Tax, excluding Withholding Tax; Corporate Franchise Tax; Bank Tax; Insurance Premium Tax; Other Financial Institution Tax | | |
| **Tax Credit Creation Date:** | 1989 | **Year of Last Legislative Change:** | 1997 | | |

**Program Description and Eligibility Requirements:**

The Tax Credit Bond Enhancement Program provides a tax credit enhancement on behalf of Public Entities for certain bonds. This program uses the Board's bond tax credits as collateral. Credits are **only** **redeemed** in the event of a default. Currently $8,390,000 of the total is collateral for MDFB garage debt.

**Explanation of How Award is Computed:** **Entitlement** No **Discretionary** Yes

They are provided as additional security for the bonds. Tax credits are computed based on inability to meet debt service on bonds after all other resources are utilized and all compliance requirements are met on an annual basis. The credit is issued for the shortfall in an annual debt service payment.

**Program Cap:** Cumulative $ 50 Million (remainder of cumulative cap) $ 48,812,870 Annual $ _____ None _____

**Cap Shared Between Programs** No **Which Program(s)?** _____

**Explanation of Cap:**

A cumulative cap of $50,000,000, the remainder $48,812,870 that may continue to be utilized as bond enhancements expire.

**Sunset Provision:** No Date of Sunset _____ Date of Last Sunset Extension _____

**Explanation of Expiration of Authority:**

**Specific Provisions:** (if applicable)

Carry forward 10 years Carry Back n/a Refundable No Apportioned No Appropriated No

Sellable/Assignable Yes Organizations Remit an Offset No Additional Federal Deductions/Credits Available No

**Comments on Specific Provisions:**

**Legislative / General Assembly Action(s) During Prior Five Years:**

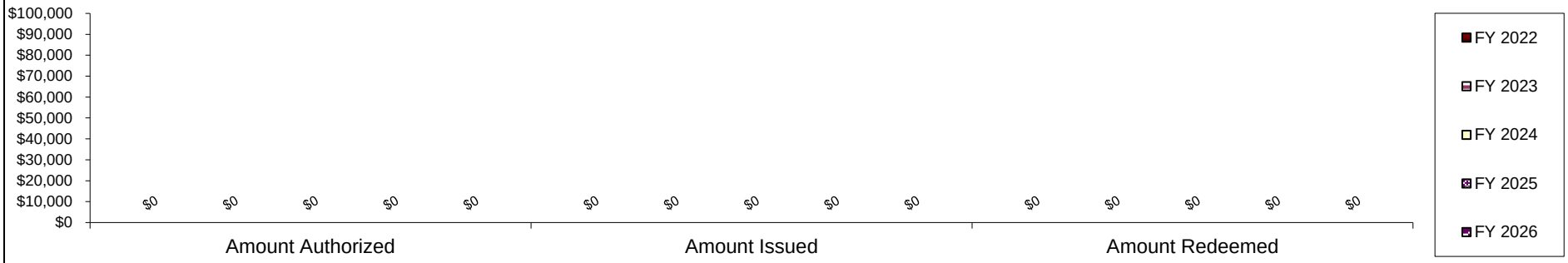
| | FY 2022 ACTUAL | FY 2023 ACTUAL | FY 2024 ACTUAL | FY 2025 (year to date) | FY 2025 (Full Year) | FY 2026 (Budget Year) |
|---|---|---|---|---|---|---|
| Certificates Issued (#) | 0 | 0 | 0 | *0* | 0 | 0 |
| Projects/Participants (#) | 0 | 0 | 0 | *0* | 0 | 0 |
| Amount Authorized | $0 | $0 | $0 | *$0* | $0 | $0 |
| Amount Issued | $0 | $0 | $0 | *$0* | $0 | $0 |
| Amount Redeemed | $0 | $0 | $0 | *$0* | $0 | $0 |

| | | | |
|---|---|---|---|
| FY 2024 EST. Amount Outstanding | $0 | FY 2024 EST. Amount Authorized but Unissued | $8,080,000 |

# TAX CREDIT ANALYSIS

**Program Name:** MDFB Bond Guarantee

## HISTORICAL AND PROJECTED INFORMATION




**Comments on Historical and Projected Information:**

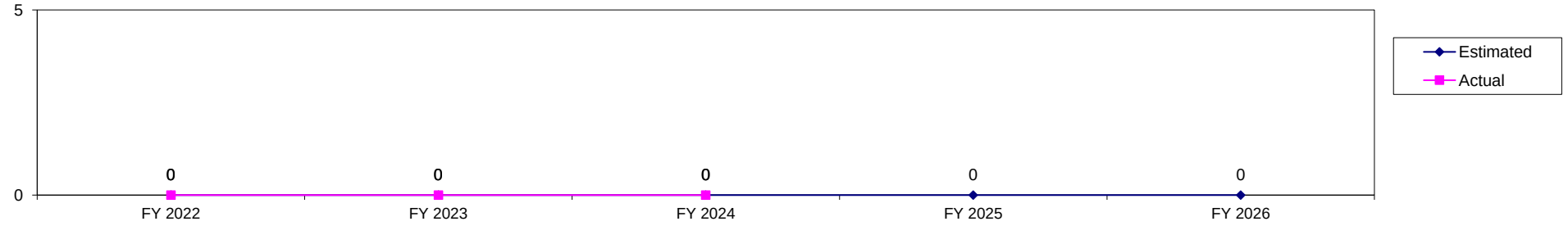
## BENEFIT: COST ANALYSIS (includes only state revenue impacts)

| | FY 2024 ACTIVITY | Other Fiscal Period (indicated time period) |
|---|---|---|
| **BENEFITS** | | |
| Direct Fiscal Benefits | | |
| Indirect Fiscal Benefits | | |
| **Total** | $0 | $0 |
| **COSTS** | | |
| Direct Fiscal Costs | | |
| Indirect Fiscal Costs | | |
| **Total** | $0 | $0 |
| **BENEFIT: COST** | **#DIV/0!** | **#DIV/0!** |

**Derivation of Benefits:**
No new authorizations in FY2024. Balance was reduced to coincide with principal repayment on outstanding bonds.

**Other Benefits:**

## PERFORMANCE MEASURE(S)




**Comments on Performance Measure:**

# TAX CREDIT ANALYSIS

| | | | | | |
|---|---|---|---|---|---|
| **Program Name:** | **MDFB Infrastructure Development Fund Contribution Tax Credit** | | | | |
| **Department:** | Economic Development | **Contact Name & No.:** | Mark Stombaugh (573) 751-8479 | **Date:** | January 2025 |
| **Program Category:** | Redevelopment | **Type:** | Tax Credit | Other: | |
| **Statutory Authority:** | Section 100.286, RSMo | **Applicable Taxes:** | Income Tax, excluding Withholding Tax; Corporate Franchise Tax; Bank Tax; Insurance Premium Tax; Other Financial Institutions Tax | | |
| **Tax Credit Creation Date:** | 1985 | **Year of Last Legislative Change:** | 2009 | | |

**Program Description and Eligibility Requirements:**
Through this program, the Missouri Development Finance Board (MDFB) is authorized to grant tax credits equal to fifty percent of contributions. Contributions are used to pay the cost of infrastructure construction.

**Explanation of How Award is Computed:** **Entitlement** No **Discretionary** Yes
Tax Credit is 50% of contribution received from taxpayer for specific approved project.

**Program Cap:** Cumulative $ _____ (remainder of cumulative cap) $ _____ Annual $ (See Below) None _____

**Cap Shared Between Programs** No **Which Program(s)?** _____

**Explanation of Cap:**
MDFB can authorize a maximum of $10 million in tax credits during any calendar year. The statutory limit can be increased an additional $15 million with the consent of the Directors of Department of Economic Development, Department of Revenue, and the Commissioner of Administration. Maximum authorization not to exceed $25 million. During the last three calendar years the authorized tax credits were 2021-$4.8 million, 2022-$10 million, and 2023-$10 million.

**Sunset Provision:** No Date of Sunset _____ Date of Last Sunset Extension _____

**Explanation of Expiration of Authority:**

**Specific Provisions:** (if applicable)

Carry forward 5 years Carry Back n/a Refundable No Apportioned No Appropriated No

Sellable/Assignable Yes Organizations Remit an Offset No Additional Federal Deductions/Credits Available No

**Comments on Specific Provisions:**

**Legislative / General Assembly Action(s) During Prior Five Years:**

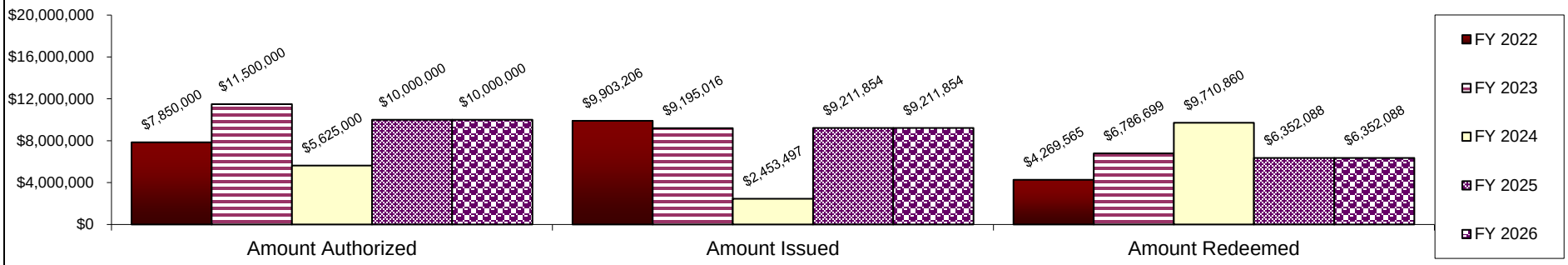
| | FY 2022 ACTUAL | FY 2023 ACTUAL | FY 2024 ACTUAL | FY 2025 (year to date) | FY 2025 (Full Year) | FY 2026 (Budget Year) |
|---|---|---|---|---|---|---|
| Certificates Issued (#) | 150 | 140 | 104 | *51* | 133 | 133 |
| Projects/Participants (#) | 6 | 6 | 3 | *5* | 8 | 8 |
| Amount Authorized | $7,850,000 | $11,500,000 | $5,625,000 | *$8,000,000* | $10,000,000 | $10,000,000 |
| Amount Issued | $9,903,206 | $9,195,016 | $2,453,497 | *$5,588,174* | $9,211,854 | $9,211,854 |
| Amount Redeemed | $4,269,565 | $6,786,699 | $9,710,860 | *$1,522,439* | $6,352,088 | $6,352,088 |

FY 2024 EST. Amount Outstanding $18,927,537 FY 2024 EST. Amount Authorized but Unissued $12,279,379

# TAX CREDIT ANALYSIS

**Program Name:** MDFB Infrastructure Development Fund Contribution Tax Credit

## HISTORICAL AND PROJECTED INFORMATION




**Comments on Historical and Projected Information:**

## BENEFIT: COST ANALYSIS (includes only state revenue impacts)

| | FY 2024 ACTIVITY | Other Fiscal Period (15 Years) |
|---|---|---|
| **BENEFITS** | | |
| Direct Fiscal Benefits | $796,013 | $3,840,169 |
| Indirect Fiscal Benefits | $3,759,569 | $18,137,122 |
| **Total** | $4,555,582 | $21,977,291 |
| **COSTS** | | |
| Direct Fiscal Costs | $1,125,000 | $5,403,448 |
| Indirect Fiscal Costs | $0 | $0 |
| **Total** | $1,125,000 | $5,403,448 |
| **BENEFIT: COST** | **4.05** | **4.07** |

**Derivation of Benefits:**
Investment: (a)$225,022,990 in Non-Residential Investment spending in 2024-2026. (b) $60,000 in Durable Equipment spending in 2024-2026.
Employment: (a) 183 locally-competitive jobs in Performing Arts/Spectator Sports; 3 locally-competitive jobs in Social Assistance; 20 locally-competitive jobs in Retail Trade; 41 locally-competitive jobs in Transit & Ground Passenger Transportation; 7 locally-competitive jobs in Accommodation; 53 locally-competitive jobs in Food Services & Drinking Places at average wages in 2024-2038.
Incentives/Credits: (a) $5,625,000.00 in Infrastructure Development Fund Contribution Credits over years 2024-2038.
Impacts occur Statewide. All Values in Constant Dollars. Assumptions provided by DED. Estimated using REMI.

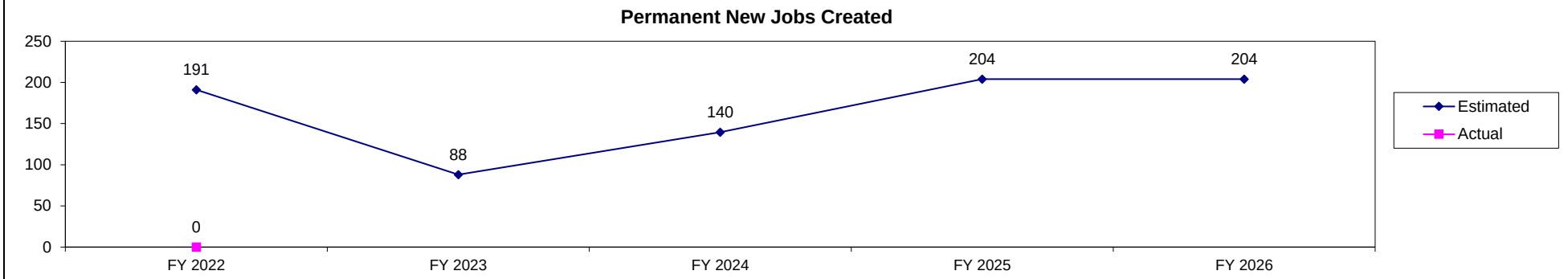
**Other Benefits:**

| **In FY 2024, every dollar of auth. program tax credits returns** | | | **Over 15 YEARS, every dollar of auth. program tax credits returns** | | |
|---|---|---|---|---|---|
| $54.93 | in new personal income totaling | $61.80 million | $91.32 | in new personal income totaling | $493.46 million |
| $88.04 | in new value-added/GSP totaling | $99.05 million | $103.36 | in new value-added/GSP totaling | $558.48 million |
| $157.84 | in new economic output totaling | $177.57 million | $170.92 | in new economic output totaling | $923.56 million |

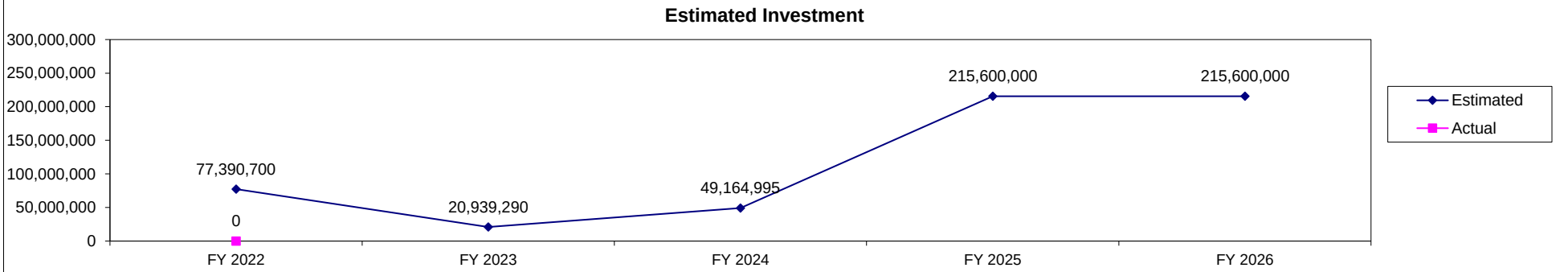
# TAX CREDIT ANALYSIS

**Program Name:** MDFB Infrastructure Development Fund Contribution Tax Credit

**PERFORMANCE MEASURE(S)**




**Comments on Performance Measure:**




**Comments on Performance Measure:**

# TAX CREDIT ANALYSIS

| | | | | | |
|---|---|---|---|---|---|
| **Program Name:** | **Manufacturing Jobs Act** | | | | |
| **Department:** | Economic Development | **Contact Name & No.:** | Olivia Bartens (573) 526-0308 | **Date:** | January 2025 |
| **Program Category:** | Business Recruitment | **Type:** | Other (specify) | Other: Retention of withholding taxes | |
| **Statutory Authority:** | Section 620.1910, RSMo | **Applicable Taxes:** | Withholding Tax | | |
| **Tax Credit Creation Date:** | 2010 | **Year of Last Legislative Change:** | 2013 | | |

**Program Description and Eligibility Requirements:**
A business with NAICS code of 33611 may retain withholding taxes in the amount of 100% for retained full time employees for the creation of a new product line for 10 years or retain 50% of the withholding taxes for the modification or expansion to an existing product for 7 years. A qualified supplier of an eligible manufacturer may retain 100% of withholding taxes for new jobs (creation of 5 new jobs threshold to qualify) for a period of 3 years or, if wages are in excess of 120% of county average, for 5 years.

**Explanation of How Award is Computed:** **Entitlement** Yes **Discretionary** No
The eligible manufacturer commits to make a capital investment of at least $75,000 per retained job, or in the case of a modified/expansion of an existing product, commits to make a capital investment of at least $50,000 within no more than two years of the date the company begins to retain withholdings. For the eligible supplier, the company must derive more than 10% of the total annual sales from the qualified manufacturer and add five or more new jobs.

**Program Cap:** Cumulative $ _____ (remainder of cumulative cap) $ _____ Annual $ 15 million None _____

**Cap Shared Between Programs** No **Which Program(s)?** _____

**Explanation of Cap:**
Maximum amount of withholding tax that can be retained by any one qualified manufacturing company shall not exceed $10 million per calendar year and the aggregate amount for all qualified manufacturing companies shall not exceed $15 million per calendar year. There are no annual limits for qualified suppliers.

**Sunset Provision:** Yes Date of Sunset 10/12/2016 Date of Last Sunset Extension _____

**Explanation of Expiration of Authority:**
This program sunset October 12, 2016.

**Specific Provisions:** (if applicable)

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Carry forward | n/a | Carry Back | n/a | Refundable | No | Apportioned | No | Appropriated | No |
| Sellable/Assignable | No | Organizations Remit an Offset | No | Additional Federal Deductions/Credits Available | No | | | | |

**Comments on Specific Provisions:**

**Legislative / General Assembly Action(s) During Prior Five Years:**

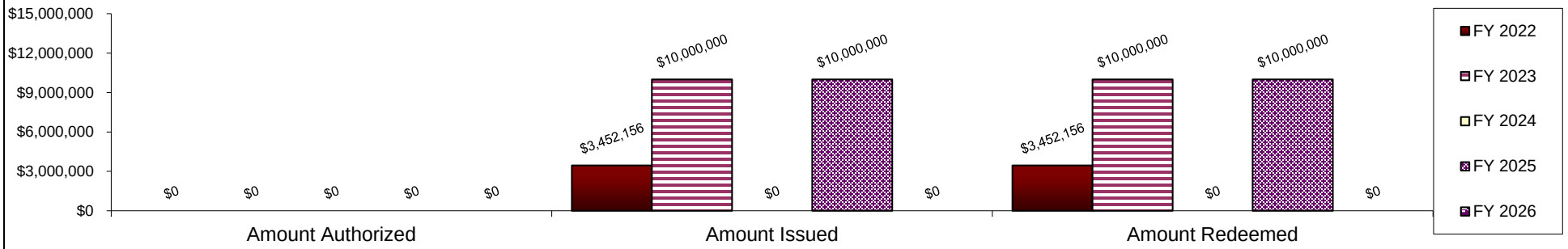
| | FY 2022 ACTUAL | FY 2023 ACTUAL | FY 2024 ACTUAL | FY 2025 (year to date) | FY 2025 (Full Year) | FY 2026 (Budget Year) |
|---|---|---|---|---|---|---|
| Certificates Issued (#) | 0 | 0 | 0 | *0* | 0 | 0 |
| Projects/Participants (#) | 0 | 0 | 0 | *0* | 0 | 0 |
| Amount Authorized | $0 | $0 | $0 | *$0* | $0 | $0 |
| Amount Issued | $3,452,156 | $10,000,000 | $0 | *$10,000,000* | $10,000,000 | $0 |
| Amount Redeemed | $3,452,156 | $10,000,000 | $0 | *$10,000,000* | $10,000,000 | $0 |

| | | | |
|---|---|---|---|
| FY 2024 EST. Amount Outstanding | $0 | FY 2024 EST. Amount Authorized but Unissued | $0 |

# TAX CREDIT ANALYSIS

**Program Name:** **Manufacturing Jobs Act**

## HISTORICAL AND PROJECTED INFORMATION




**Comments on Historical and Projected Information:**
Issuance and redemptions happens at the same time; so there is $0 outstanding, which are tax credits issued but not yet redeemed.

## BENEFIT: COST ANALYSIS (includes only state revenue impacts)

| | FY 2024 ACTIVITY | Other Fiscal Period (10 Years) |
|---|---|---|
| **BENEFITS** | | |
| Direct Fiscal Benefits | | |
| Indirect Fiscal Benefits | | |
| **Total** | $0 | $0 |
| **COSTS** | | |
| Direct Fiscal Costs | | |
| Indirect Fiscal Costs | | |
| **Total** | $0 | $0 |
| **BENEFIT: COST** | **#DIV/0!** | **#DIV/0!** |

**Derivation of Benefits:**
No authorizations in FY2024.

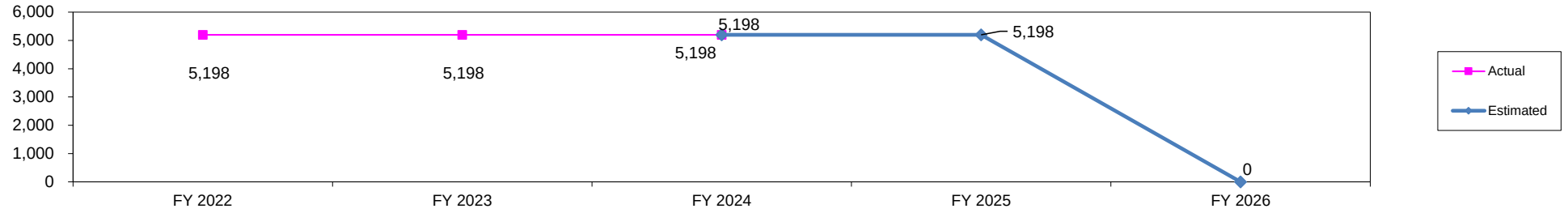
**Other Benefits:**

# TAX CREDIT ANALYSIS

**Program Name:** **Manufacturing Jobs Act**

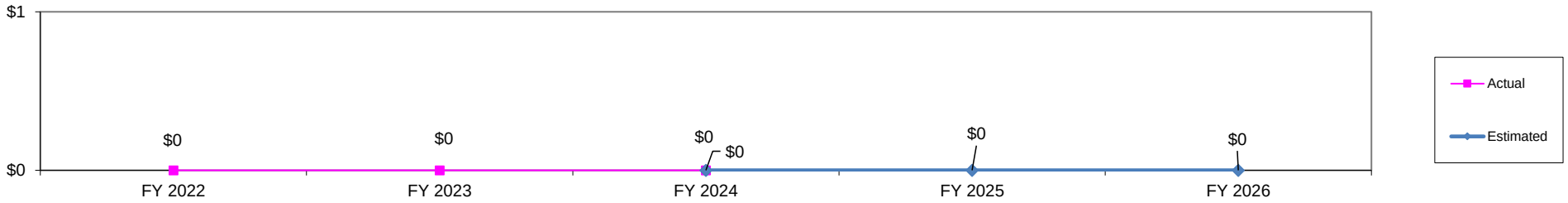
**PERFORMANCE MEASURE(S)**

## Permanent Jobs Retained




**Comments on Performance Measure:**
Same jobs retained each year.

## Investment




**Comments on Performance Measure:**
The manufacturers have reported their investments in previous years. Suppliers are not required to report investment.

# TAX CREDIT ANALYSIS

| | | | | | |
|---|---|---|---|---|---|
| **Program Name:** | **Missouri One Start Community College Training Program** | | | | |
| **Department:** | Economic Development | **Contact Name & No.:** | Kristie Davis (573) 522-4019 | **Date:** | January 2025 |
| **Program Category:** | Training and Educational | **Type:** | Other (specify) | Other: Appropriation based on employer withholding | |
| **Statutory Authority:** | Sections 620.800-620.809, RSMo | **Applicable Taxes:** | N/A; This is an appropriation of funds, not a credit. | | |
| **Tax Credit Creation Date:** | 2004 | **Year of Last Legislative Change:** | 2022 | | |

**Program Description and Eligibility Requirements:**
Combines funds for two training programs: New Jobs Training Program (NJTP) and Job Retention Training Program (JRTP). The NJTP provides assistance to eligible companies to train workers in newly created jobs and is suited for large attraction and expansion projects. The JRTP is suited for large retention projects and provides training to upskill existing workers. Eligible companies participating in JRTP must be making a large capital investment or be determined to represent a substantial risk of relocation. Both programs are administered locally through the community colleges and funds for these programs are generated by deferring a portion of the state employer withholding tax - approximately 2% - on the newly created or retained jobs in the project.

**Explanation of How Award is Computed:** **Entitlement** No **Discretionary** Yes
A formula using the number of jobs to be created or retained and the average annual salary of workers in the new or retained jobs calculates the amount that can be generated by diverting a portion of the employer withholding tax (approximately 2%). Discretionary measures such as review of types of industry, occupations, and wage rates are considered before approving a project.

**Program Cap:** Annual Appropriation $27 million (remainder of annual appropriation) $15,213,943 Total Active Projects $39,725,867 (remainder of outstanding Active Projects) $12,177,938

**Cap Shared Between Programs** No **Which Program(s)?**

**Explanation of Cap:**
There is a statewide annual budget appropriation of $27 million on the amount of outstanding debt there can be at any given time in the fiscal year. These figures change monthly as debt is retired on existing projects and new projects are issued.

**Sunset Provision:** Yes Date of Sunset 7/1/2030 Date of Last Sunset Extension 8/28/2018

**Explanation of Expiration of Authority:**

**Specific Provisions:** (if applicable)

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Carry forward | n/a | Carry Back | n/a | Refundable | No | Apportioned | No | Appropriated | Yes |
| Sellable/Assignable | No | Organizations Remit an Offset | No | Additional Federal Deductions/Credits Available | No |

**Comments on Specific Provisions:**

**Legislative / General Assembly Action(s) During Prior Five Years:**
2019: SB68
2022: HB2400

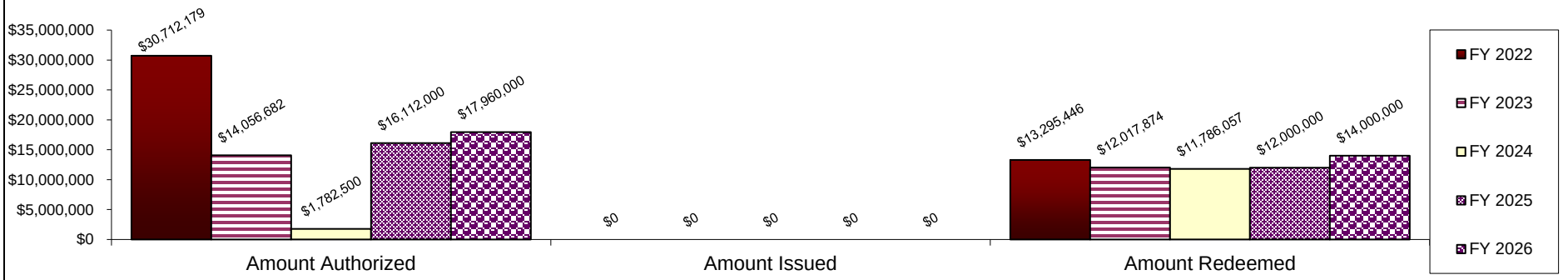
| | FY 2022 ACTUAL | FY 2023 ACTUAL | FY 2024 ACTUAL | FY 2025 (year to date) | FY 2025 (Full Year) | FY 2026 (Budget Year) |
|---|---|---|---|---|---|---|
| Total Active Projects | 28 | 31 | 28 | 23 | 30 | 36 |
| New Projects in FY | 14 | 6 | 2 | *1* | 7 | 8 |
| New Amount Authorized | $30,712,179 | $14,056,682 | $1,782,500 | *$552,000* | $16,112,000 | $17,960,000 |
| Annual Amount Redeemed | $13,295,446 | $12,017,874 | $11,786,057 | *$5,608,714* | $12,000,000 | $14,000,000 |

| | | | |
|---|---|---|---|
| FY 2024 Outstanding for Active Projects | $12,177,938 | FY 2024 Amount Appropriated but Unissued | $15,213,943 |

# TAX CREDIT ANALYSIS

**Program Name:** Missouri One Start Community College Training Program

## HISTORICAL AND PROJECTED INFORMATION




**Comments on Historical and Projected Information:**

## BENEFIT: COST ANALYSIS (includes only state revenue impacts)

| | FY 2024 ACTIVITY | Other Fiscal Period (10 Years) |
|---|---|---|
| **BENEFITS** | | |
| Direct Fiscal Benefits | $2,364,363 | $2,652,616 |
| Indirect Fiscal Benefits | $2,056,898 | $2,307,667 |
| **Total** | $4,421,261 | $4,960,283 |
| **COSTS** | | |
| Direct Fiscal Costs | $356,500 | $1,712,293 |
| Indirect Fiscal Costs | $0 | $0 |
| **Total** | $356,500 | $1,712,293 |
| **BENEFIT: COST** | **12.40** | **2.90** |

**Derivation of Benefits:**
Investment: (a) $65,871,000 in Non-Residential Investment spending in 2024;(b) $78,871,000 in Durable Equipment spending in 2024.
Employment: 150 new jobs in Nonmetallic Mineral Products Manufacturing at $85,841 per year from 2024-2033 from the New Jobs Training Program; 75 new jobs in Fabricated Metal Products Manufacturing at $58,240 per year from 2024-2033 from the New Jobs Training Program
Other Assumptions: (a) $244,920 increase to annual income of 450 retained workers earning higher wages following training over years 2024-2028.
Incentives/Credits: (a) $1,782,500 in New Job and Job Retention Training Program tax credits over years 2024-2028.
Impacts occur Statewide. All Values in Constant Dollars. Assumptions provided by DED. Estimated using REMI.
The direct and indirect fiscal benefit to the state over 10 years generated by retaining jobs is 12.65
There were no other program incentives in FY2024.

**Other Benefits:**

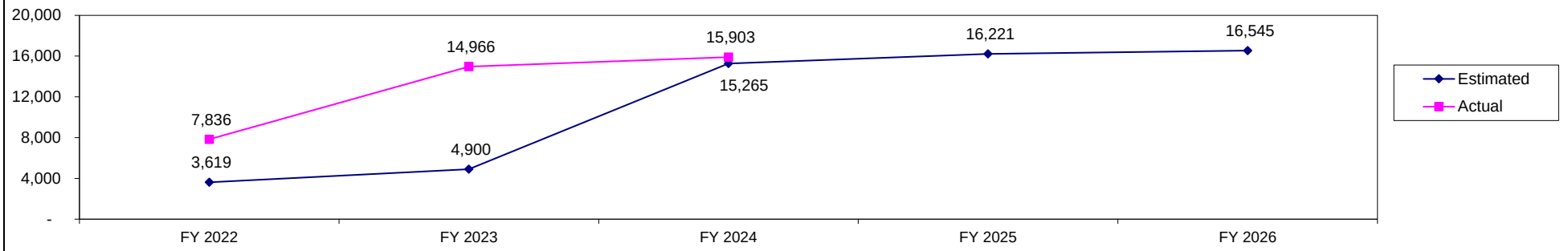
| **In FY 2024, every dollar of auth. program tax credits returns** | | | **Over 10 YEARS, every dollar of auth. program tax credits returns** | | |
|---|---|---|---|---|---|
| $175.94 | in new personal income totaling | $62.72 million | $45.23 | in new personal income totaling | $77.45 million |
| $293.78 | in new value-added/GSP totaling | $104.73 million | $61.94 | in new value-added/GSP totaling | $106.06 million |
| $542.16 | in new economic output totaling | $193.28 million | $113.36 | in new economic output totaling | $194.11 million |

# TAX CREDIT ANALYSIS

**Program Name:** Missouri One Start Community College Training Program

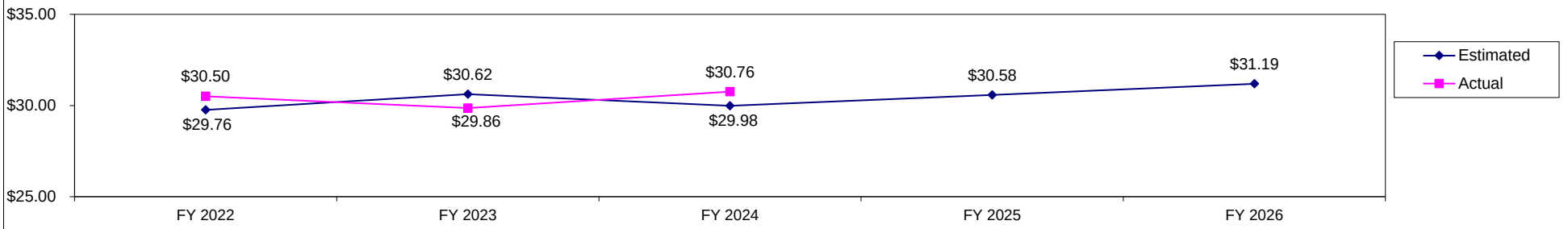
**PERFORMANCE MEASURE(S)**

## Workers Trained



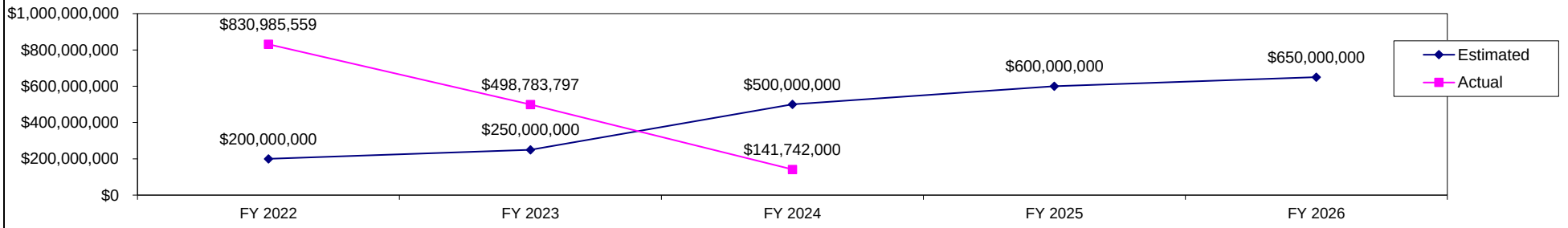

**Comments on Performance Measure:**

## Average Wage




**Comments on Performance Measure:**

## Capital Investment




**Comments on Performance Measure:**

# TAX CREDIT ANALYSIS

| | | | | | |
|---|---|---|---|---|---|
| **Program Name:** | **Missouri Quality Jobs** | | | | |
| **Department:** | Economic Development | **Contact Name & No.:** | Olivia Bartens (573) 526-0308 | **Date:** | January 2025 |
| **Program Category:** | Business Recruitment | **Type:** | Tax Credit | Other: Retention of state withholding tax of the new jobs. | |
| **Statutory Authority:** | Sections 620.1875-620.1890, RSMo | **Applicable Taxes:** | Income Tax, Bank Tax, Insurance Premium Tax, Other financial institutions tax | | |
| **Tax Credit Creation Date:** | 2005 | **Year of Last Legislative Change:** | 2013 | | |

**Program Description and Eligibility Requirements:**

For-profit and non-profit businesses except for gambling, retail trade, food and drinking places, public utilities, educational services, religious organizations, public administration, companies that are delinquent in non-protested taxes or other payments, or any company that has filed for or has publicly announced its intention to file for bankruptcy are eligible provided the average wage of the new jobs equals or exceeds the county average wage and the company offers health insurance and pays at least 50% of the premium. To qualify, the company must create a minimum number of new jobs at the project facility within 2 years.

**Explanation of How Award is Computed:** **Entitlement** Yes **Discretionary** No

The benefits of the program are the retention of 100% of the state withholding tax of the new jobs for 3 or 5 years for small/expanding businesses (20+ new jobs in rural areas and 40+ new jobs in non-rural areas); or a combination of the retention of 100% of the state withholding tax of the new jobs and state tax credits for 5 years for technology businesses (10+ new jobs) and high impact businesses (100+ new jobs), based on a percentage (from 3 to 7%, depending on the average wage of the new jobs and the amount of local incentives) of the payroll of the new jobs.

**Program Cap:** Cumulative $ _____ (remainder of cumulative cap) $ _____ Annual $ 80 Million None _____

**Cap Shared Between Programs** No **Which Program(s)?** _____

**Explanation of Cap:**

The cap increased from $40 million to $60 million in tax credits beginning Aug. 2008. The cap increased to $80 million beginning June 4, 2009. Up to $3 million of the cap may be used for job retention projects approved by the Quality Jobs Advisory Task Force, with no tax credits issued after August 30, 2013. Up to $500,000 of the cap may be used for small business job retention and flood relief projects, with no tax credits approved after August 30, 2010. The tax credit maximums applying to technology and high impact business projects were removed for newly approved projects as of June 4, 2009. There is no limit on the retention of withholding taxes.

**Sunset Provision:** Yes Date of Sunset 8/27/2013 Date of Last Sunset Extension _____

**Explanation of Expiration of Authority:**

No tax credits shall be issued for job retention projects approved after August 30, 2013. No tax credits shall be issued for small business job retention and flood relief projects approved after August 30, 2010. No new projects may be proposed after August 27, 2013.

**Specific Provisions:** (if applicable)

Carry forward n/a Carry Back n/a Refundable Yes Apportioned No Appropriated No

Sellable/Assignable Yes Organizations Remit an Offset No Additional Federal Deductions/Credits Available No

**Comments on Specific Provisions:**

**Legislative / General Assembly Action(s) During Prior Five Years:**

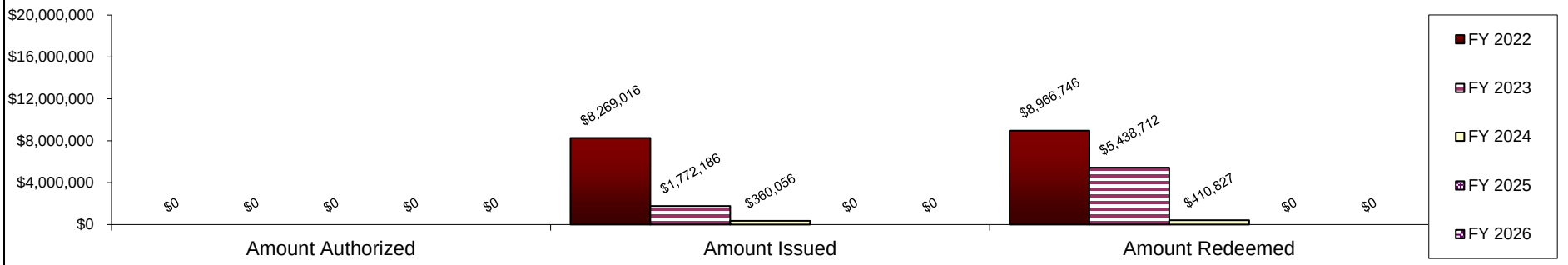
| | FY 2022 ACTUAL | FY 2023 ACTUAL | FY 2024 ACTUAL | FY 2025 (year to date) | FY 2025 (Full Year) | FY 2026 (Budget Year) |
|---|---|---|---|---|---|---|
| Certificates Issued (#) | 0 | 0 | 1 | *0* | 0 | 0 |
| Projects/Participants (#) | 0 | 0 | 1 | *0* | 0 | 0 |
| Amount Authorized | $0 | $0 | $0 | *$0* | $0 | $0 |
| Amount Issued | $8,269,016 | $1,772,186 | $360,056 | *$0* | $0 | $0 |
| Amount Redeemed | $8,966,746 | $5,438,712 | $410,827 | *($851,478)* | $0 | $0 |

| | | | |
|---|---|---|---|
| FY 2024 EST. Amount Outstanding | $0 | FY 2024 EST. Amount Authorized but Unissued | $0 |

# TAX CREDIT ANALYSIS

**Program Name:** Missouri Quality Jobs

## HISTORICAL AND PROJECTED INFORMATION




**Comments on Historical and Projected Information:**

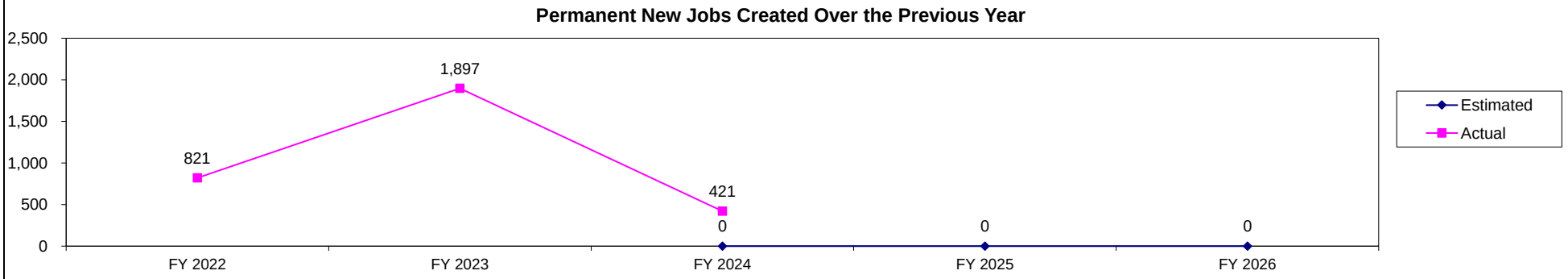
## BENEFIT: COST ANALYSIS (includes only state revenue impacts)

| | FY 2024 ACTIVITY | Other Fiscal Period (indicated time period) |
|---|---|---|
| **BENEFITS** | | |
| Direct Fiscal Benefits | | |
| Indirect Fiscal Benefits | | |
| **Total** | $0 | $0 |
| **COSTS** | | |
| Direct Fiscal Costs | | |
| Indirect Fiscal Costs | | |
| **Total** | $0 | $0 |
| **BENEFIT: COST** | **#DIV/0!** | **#DIV/0!** |

**Derivation of Benefits:**
No new authorizations in FY2024. The Quality Jobs Annual Report has the overall program cost/benefit analysis.

**Other Benefits:**

## PERFORMANCE MEASURE(S)




**Comments on Performance Measure:**

# TAX CREDIT ANALYSIS

| | | | | | |
|---|---|---|---|---|---|
| **Program Name:** | **Missouri Works - Business Incentives** | | | | |
| **Department:** | Economic Development | **Contact Name & No.:** | Olivia Bartens (573) 526-0308 | **Date:** | January 2025 |
| **Program Category:** | Business Recruitment | **Type:** | Other (specify) | Other: Retention of state withholding tax of the new jobs. | |
| **Statutory Authority:** | Sections 620.2000-620.2020, RSMo | **Applicable Taxes:** | Income Tax, Bank Tax, Insurance Premium Tax, Other Financial Institutions Tax | | |
| **Tax Credit Creation Date:** | 2013 | **Year of Last Legislative Change:** | 2022 | | |

**Program Description and Eligibility Requirements:**
To qualify, a company must create or retain a minimum number of new jobs at the project facility, meet average wage requirements, and must offer and pay at least 50% of the health insurance premiums. For-profit and non-profit businesses except for gambling, store front consumer-based retail trade establishments, food and drinking places, public utilities, educational services, religious organizations, public administration, ethanol distillation or production, biodiesel production, healthcare and social services, companies that are delinquent in payment of any nonprotested taxes or other payments, and businesses that have filed or have publicly announced their intention to file for bankruptcy, unless certain requirements are met.

**Explanation of How Award is Computed:** **Entitlement** Yes **Discretionary** Yes

Zone Works (2 new jobs, 80% of county average wage, $100,000 investment, located in Enhanced Enterprise Zone) and Rural Works (2 new jobs, 90% of county average wage, $100,000 investment located in a rural county) provide benefits of retention of 100% of the withholdings of the new jobs for 5-6 years. Statewide Works (10 new jobs, 90% of county average wage) provides benefits of retention of withholdings or a combination of retention of withholdings and tax credits for up 9% of payroll on the new jobs. Mega Works 120 and 140 (100 new jobs, 120% and 140% of county average wage, respectively) provide benefits of a combination of retention of withholdings and tax credits totaling from 6% to 7%, respectively, to up to 9% of payroll of the new jobs. Retention Works provides benefits of the retention of withholding tax for up to 100% of the withholdings of the new jobs for up to 10 years. Retention Works-Auto Manufacturing ($500M in investment) provides a benefit of tax credits. Qualified Military Projects (10 new jobs, 90% of county average wage, investment as agreed to in proposal) provides tax credits in the amount of withholding taxes. Deal Closing Fund (10 new jobs, 100% of county average wage) provides benefits for a tax credit within 1 year.

**Program Cap:** Cumulative $ _____ (remainder of cumulative cap) $ _____ Annual $ 201 million None _____

**Cap Shared Between Programs** No **Which Program(s)?** _____

**Explanation of Cap:**
The tax credit cap is $126 million ($10 million for auto manufacturing, $10 million for infrastructure, $6 million for retention, and $100 million for other projects). The withholdings cap depends on the size of the base for the project. For projects with a base of more than 50, the retained withholdings cap is $75 million. There is no cap on the retained withholdings for new job creation projects that have a base of 50 or less.

**Sunset Provision:** Yes Date of Sunset 8/28/2030 Date of Last Sunset Extension 8/28/2018

**Explanation of Expiration of Authority:**
Missouri Works sunsets August 28, 2030.

**Specific Provisions:** (if applicable)

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Carry forward | n/a | Carry Back | n/a | Refundable | Yes | Apportioned | No | Appropriated | No |
| Sellable/Assignable | Yes | Organizations Remit an Offset | No | Additional Federal Deductions/Credits Available | No |

**Comments on Specific Provisions:**

**Legislative / General Assembly Action(s) During Prior Five Years:**
2019 S.B. 68 merged with S.B. 180, A.L. 2021 S.B. 2 merged with S.B. 120 merged with S.B. 153 & 97
2022 H.B. 2400

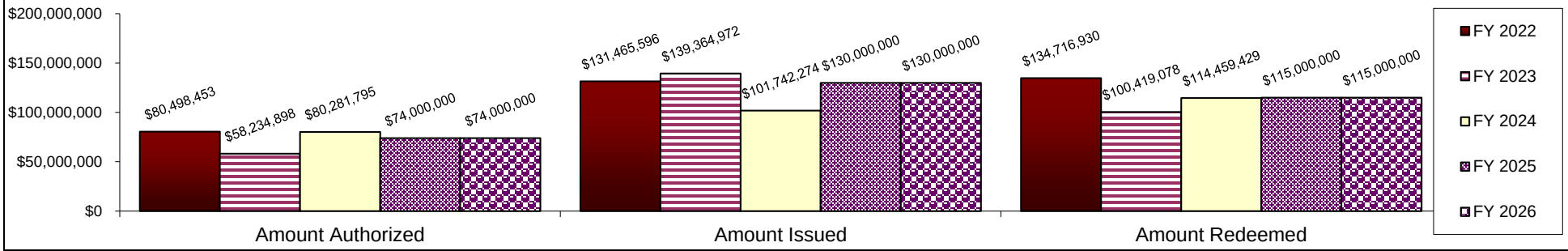
| | FY 2022 ACTUAL | FY 2023 ACTUAL | FY 2024 ACTUAL | FY 2025 (year to date) | FY 2025 (Full Year) | FY 2026 (Budget Year) |
|---|---|---|---|---|---|---|
| Certificates Issued (#) | 63 | 69 | 53 | *19* | 62 | 62 |
| Projects/Participants (#) | 84 | 63 | 69 | *47* | 72 | 72 |
| Amount Authorized | $80,498,453 | $58,234,898 | $80,281,795 | *$44,362,467* | $74,000,000 | $74,000,000 |
| Amount Issued | $131,465,596 | $139,364,972 | $101,742,274 | *$52,226,851* | $130,000,000 | $130,000,000 |
| Amount Redeemed | $134,716,930 | $100,419,078 | $114,459,429 | *$64,223,441* | $115,000,000 | $115,000,000 |

| | | | |
|---|---|---|---|
| FY 2024 EST. Amount Outstanding | $37,128,409 | FY 2024 EST. Amount Authorized but Unissued | $245,944,726 |

# TAX CREDIT ANALYSIS

**Program Name:** **Missouri Works - Business Incentives**

**HISTORICAL AND PROJECTED INFORMATION**




**Comments on Historical and Projected Information:**

Actual performance is inclusive of withholdings and tax credits authorized and issued for the program for each year.

*The FY 2022 EST. Amount Outstanding and FY 2022 EST. Amount Authorized but Unissued only includes tax credits.*

**BENEFIT: COST ANALYSIS (includes only state revenue impacts)**

| | FY 2024 ACTIVITY | Other Fiscal Period (10 Years) |
|---|---|---|
| **BENEFITS** | | |
| Direct Fiscal Benefits | $50,197,453 | $92,998,482 |
| Indirect Fiscal Benefits | $19,205,123 | $35,580,436 |
| **Total** | $69,402,576 | $128,578,918 |
| **COSTS** | | |
| Direct Fiscal Costs | $13,380,299 | $76,366,342 |
| Indirect Fiscal Costs | $0 | $0 |
| **Total** | $13,380,299 | $76,366,342 |
| **BENEFIT: COST** | **5.19** | **1.68** |

**Derivation of Benefits:**

Investment: (a) $2,479,247,501 in Non-Residential Investment spending over years 2024-2025.

Employment: (a) 5,704 jobs scaled up over four years in various manufacturing and services sectors at average wage rates in 2024-2033.

Other Assumptions: N/A

Incentives/Credits: (a) $80,281,795.00 in Missouri Works tax credits over years 2024-2029.

Impacts occur Statewide. All Values in Constant Dollars. Assumptions provided by DED. Estimated using REMI.

The multi-year fiscal Benefit-Cost Ratio is 1.68 when other program incentives (Missouri One Start) are included.

No retention projects were authorized in FY 24 and thus no analysis on retention projects was done.

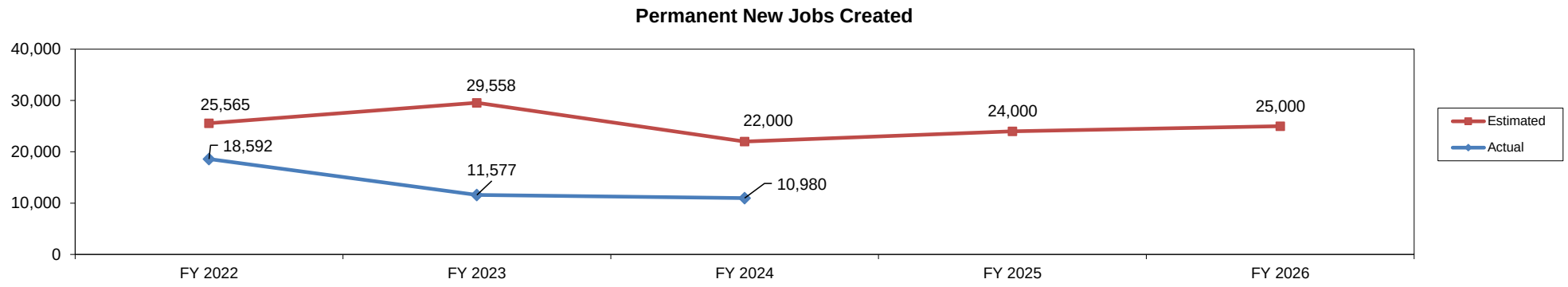
**Other Benefits:**

| **In FY 2024, every dollar of auth. program tax credits returns** | | | **Over 10 YEARS, every dollar of auth. program tax credits returns** | | |
|---|---|---|---|---|---|
| $67.40 | in new personal income totaling | $901.88 million | $19.34 | in new personal income totaling | $1,476.64 million |
| $109.30 | in new value-added/GSP totalir | $1,462.51 million | $22.89 | in new value-added/GSP totaling | $1,747.66 million |
| $198.57 | in new economic output totaling | $2,656.97 million | $42.31 | in new economic output totaling | $3,230.81 million |

# TAX CREDIT ANALYSIS

**Program Name:** **Missouri Works - Business Incentives**

**PERFORMANCE MEASURE(S)**




**Comments on Performance Measure:**

The estimated number of jobs is the total projected for all projects for which DED issued benefits during FY2022, FY2023, and FY2024. The actual number is the actual number of jobs reported by those projects issued benefits during FY2023, FY2024, and FY2025. Companies have 2 years after authorization to create the statutory threshold number of jobs and ramp up over time. Many of the jobs estimated will be reported as actual in later years. The actual jobs numbers are totals for the projects to date. They are not net new for the year. These numbers do not include retained projects in the Retention category of the program.

# TAX CREDIT ANALYSIS

| | | | | | |
|---|---|---|---|---|---|
| **Program Name:** | **Missouri Low Income Housing Tax Credit Program** | | | | |
| **Department:** | Economic Development - Missouri Housing Development Commission | **Contact Name & No.:** | Courtney Bullard (816) 648-0548 | **Date:** | January 2025 |
| **Program Category:** | Housing | **Type:** | Tax Credit | Other: | |
| **Statutory Authority:** | Sections 135.350-135.363, RSMo | **Applicable Taxes:** | Income Tax, Corporate Franchise Tax, Insurance Company Annual Tax on Gross Premium Receipts, Other Financial Institutions Tax, Express Company Annual Tax on Gross Premium Receipts | | |
| **Tax Credit Creation Date:** | 1990 | **Year of Last Legislative Change:** | 2009 | | |

**Program Description and Eligibility Requirements:**

The Missouri Low Income Housing Tax Credit (MOLIHTC) is a ten-year state tax credit available to qualified owners of affordable rental housing. The MOLIHTC generates equity investments from the private sector for the development of new or rehabilitated rental housing which enables owners to lower rents to affordable levels for low-income families. A qualified development is one that (i) rents at least 20% of its units to families earning 50% of the area median income (AMI), (ii) rents at least 40% of its units to families earning 60% of AMI, or (iii) rents at least 40% of its units to families whose income does not exceed the income limitation designated for the respective unit, where the average of the income-designated units may not exceed 60% of AMI. The development must (a) meet a demonstrated need for affordable rental housing in the community, (b) be economically feasible, (c) leverage tax credits with other financing, and (d) provide affordable rental housing for qualified low-income Missourians for a minimum of 15 years.

**Explanation of How Award is Computed:** **Entitlement** No **Discretionary** Yes

The amount of the MOLIHTC allocated to a given housing development is directly related to the percentage of low-income housing units made available to qualified low-income families and the acquisition, construction or rehabilitation expenditures necessary to create the development, less land and non-depreciable costs. There are two types of MOLIHTCs: 9% and 4%. Developments compete annually for the 9% MOLIHTC. Developments receiving an allocation of tax-exempt bond-financing from the Department of Economic Development may apply to receive the 4% MOLIHTC. The statutory maximum amount of MOLIHTC that can be issued for any development is 100% of the federal LIHTC issued for the development.

**Program Cap:** Cumulative $ _____ (remainder of cumulative cap) $ _____ Annual $ 100% of Federal LIHTC for 9% and $6 million for 4% None _____

**Cap Shared Between Programs** No **Which Program(s)?** _____

**Explanation of Cap:**

The 9% MOLIHTC issued through the competitive application cycle is statutorily capped at 100% of the federal LIHTC. No more than six million dollars in tax credits shall be authorized each fiscal year for projects financed through tax-exempt bond issuance (4% MOLIHTC-RSMo 135.352). The MOLIHTC is redeemable annually over a ten year period. There are five year carry forward and three year back provisions.

**Sunset Provision:** No Date of Sunset _____ Date of Last Sunset Extension _____

**Explanation of Expiration of Authority:**

The MOLIHTC program does not have a statutory sunset provision.

**Specific Provisions:** (if applicable)

Carry forward 5 years | Carry Back 3 years | Refundable No | Apportioned No | Appropriated No

Sellable/Assignable No | Organizations Remit an Offset No | Additional Federal Deductions/Credits Available Yes

**Comments on Specific Provisions:**

**Legislative / General Assembly Action(s) During Prior Five Years:**

| | FY 2022 ACTUAL | FY 2023 ACTUAL | FY 2024 ACTUAL | FY 2025 (year to date) | FY 2025 (Full Year) | FY 2026 (Budget Year) |
|---|---|---|---|---|---|---|
| Certificates Issued (#) | 5 | 14 | 253 | 362 | 417 | 299 |
| Projects/Participants (#) | 2 | 2 | 20 | 18 | 54 | 38 |
| Amount Authorized | $160,208,980 | $138,721,620 | $160,135,110 | $189,433,890 | $189,433,890 | $192,198,537 |
| Amount Issued | $4,688,220 | $8,596,000 | $84,117,150 | $71,878,250 | $186,390,589 | $187,398,940 |
| Amount Redeemed | $113,246,477 | $134,029,248 | $98,929,754 | $48,124,553 | $115,401,826 | $115,401,826 |

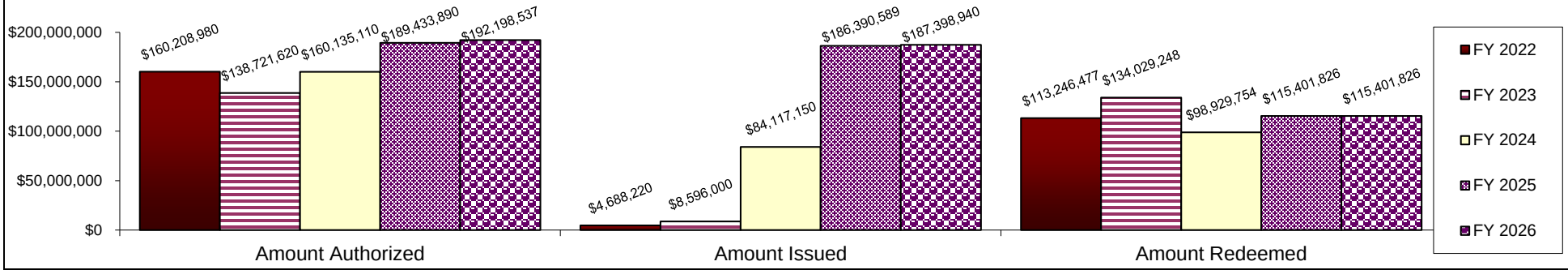
| | | | |
|---|---|---|---|
| FY 2024 EST. Amount Outstanding | $415,522,858 | FY 2024 EST. Amount Authorized but Unissued | $627,105,330 |

Notes: (1) The Amount Authorized and Amount Issued represent the total 10 year stream. The Department of Revenue is responsible for all redemption data. The EST. Amount Outstanding represents the cumulative amount of MOLIHTC issued, minus the cumulative amount of MOLIHTC redeemed, less expired/withdrawn/ suspended credits; EST Amount Outstanding reflects only those tax credits eligible to be redeemed.
(2) The EST. Amount Authorized but Unissued represents developments that have received approval but have not completed construction or have not completed MHDC's process to receive their credits by an issuance of the Eligibility Statement. In order to determine the total maximum liability for MOLIHTC you may add the EST. Amount Outstanding and the EST. Amount Authorized but Unissued.

# TAX CREDIT ANALYSIS

**Program Name:** **Missouri Low Income Housing Tax Credit Program**

**HISTORICAL AND PROJECTED INFORMATION**




**Comments on Historical and Projected Information:**

FY2022-FY2025 Authorized numbers reflect a 9% MOLIHTC up to 70% of the federal LIHTC allocation and a cap of $3M Authorized annually for the 4% MOLIHTC. Issued projections include MOLIHTC that has been Authorized for developments which have not yet completed construction; the majority of credits are issued in years 2 and 3 after Authorization. Redemption projections cannot precisely account for carry forward and carry back provisions nor the individual credit holder's decision on when to claim a particular credit.

**BENEFIT: COST ANALYSIS (includes only state revenue impacts)**

| | FY 2024 ACTIVITY | Other Fiscal Period (15 years) |
|---|---|---|
| **BENEFITS** | | |
| Direct Fiscal Benefits | $3,234,229 | $7,588,182 |
| Indirect Fiscal Benefits | $1,213,281 | $2,846,613 |
| **Total** | $4,447,510 | $10,434,795 |
| **COSTS** | | |
| Direct Fiscal Costs | $0 | $142,200,217 |
| Indirect Fiscal Costs | $0 | $0 |
| **Total** | $0 | $142,200,217 |
| **BENEFIT: COST** | **N/A** | **0.07** |

**Derivation of Benefits:**

Investment: (a) $79,091,145 in Residential Investment spending over years 2024-2025.
Employment: (a) 25 FTE employees in Rental/Leasing and Repair/Maintenance services in 2024-2038; (b) $286,072 in annual maintenance contracting between in 2024-2038.
Other Assumptions: (a) 624 low income households with total increased disposable income spending of $2,935,680 annually due to yearly rental savings of $4,705 as compared to market rent.
Incentives/Credits: (a) $160,135,110 in LIHTC tax credits over years 2024-2035.
Impacts occur Statewide. All Values in Constant Dollars. Assumptions provided by DED. Estimated using REMI.
There were no other program incentives in FY 24. The multi-year fiscal Benefit-Cost Ratio is 0.05 if it is assumed that 40 percent of low income housing would be developed without the state LIHTC.

**Other Benefits:**

The MOLIHTC program delivers rental housing that is affordable to low-income families, veterans, special needs tenants, and seniors. It reduces blight and improves communities through new construction and rehabilitation of affordable rental housing in Missouri. The reduced rents brought about by the MOLIHTC program increases households' disposable income and allows low-income families, veterans, special needs tenants, and seniors to meet more of their other basic necessities such as food, clothing, education and health care. The subsidy provided by the MOLIHTC program makes it economically feasible to develop new or rehabilitated affordable rental housing in many very low-income rural communities in Missouri. Finally, the equity raised from the MOLIHTC helps preserve affordable rental housing that is in danger of being lost from existing stock.

**In FY-2024, every dollar of auth. Program tax credits returns**

| | | | |
|---|---|---|---|
| N/A | in new personal income totaling | $65.53 | million |
| N/A | in new value-added/GSP totaling | $106.02 | million |
| N/A | in new economic output totaling | $186.10 | million |

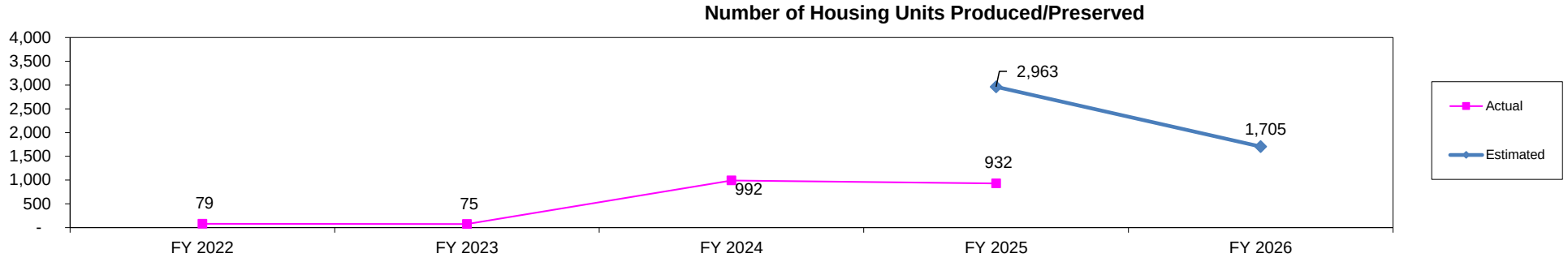
**Over 15 YEARS, every dollar of auth. Program tax credits returns**

| | | | |
|---|---|---|---|
| $1.42 | in new personal income totaling | $202.36 | million |
| $1.74 | in new value-added/GSP totaling | $247.44 | million |
| $2.83 | in new economic output totaling | $402.63 | million |

# TAX CREDIT ANALYSIS

**Program Name:** **Missouri Low Income Housing Tax Credit Program**

**PERFORMANCE MEASURE(S)**




**Comments on Performance Measure:**

This performance measure reflects the total number of LIHTC housing units placed in service, or credits issued each year. Total number of units placed in service, or credits issued, each year varies - dependent on the applications received for consideration, the actual number of projects approved, and the type of projects approved (preservation or new construction). Authorized developments typically take 24 months to complete construction and submit cost certification documentation to MHDC; after which they are issued LIHTCs. No LIHTCs are issued by MHDC or eligible to be redeemed by a development owner until a development is completed to MHDC requirements and ready for leasing.

# TAX CREDIT ANALYSIS

| | | | | | |
|---|---|---|---|---|---|
| **Program Name:** | **Neighborhood Assistance Program (NAP)** | | | | |
| **Department:** | Economic Development | **Contact Name & No.:** | Daniel Epler (573) 751-5798 | **Date:** | January 2025 |
| **Program Category:** | Community Development | **Type:** | Tax Credit | Other: | |
| **Statutory Authority:** | Sections 32.100-32.125, RSMo | **Applicable Taxes:** | Income Tax; Corporate Franchise Tax; Bank Tax; Insurance Premium Tax; Other financial institutions tax; Express Company Tax | | |
| **Tax Credit Creation Date:** | 1977 | **Year of Last Legislative Change:** | 2009 | | |

**Program Description and Eligibility Requirements:**
Provides assistance to community-based organizations that enable them to implement community or neighborhood projects in the areas of community service, education, crime prevention, job training and physical revitalization.

**Explanation of How Award is Computed:** **Entitlement** No **Discretionary** Yes
Applications are reviewed on a competitive basis and awards made to nonprofits or Missouri businesses for 50% or 70% of the approved budget.

**Program Cap:** Cumulative $ _____ (remainder of cumulative cap) $ _____ Annual $ 16 Million None _____

**Cap Shared Between Programs** No **Which Program(s)?** _____

**Explanation of Cap:**
Effective August 28, 2008, fiscal year cap was reduced from $18 million to $16 million.

**Sunset Provision:** No Date of Sunset _____ Date of Last Sunset Extension _____

**Explanation of Expiration of Authority:**

**Specific Provisions:** (if applicable)

Carry forward 5 years Carry Back n/a Refundable No Apportioned No Appropriated No

Sellable/Assignable No Organizations Remit an Offset No Additional Federal Deductions/Credits Available No

**Comments on Specific Provisions:**

**Legislative / General Assembly Action(s) During Prior Five Years:**

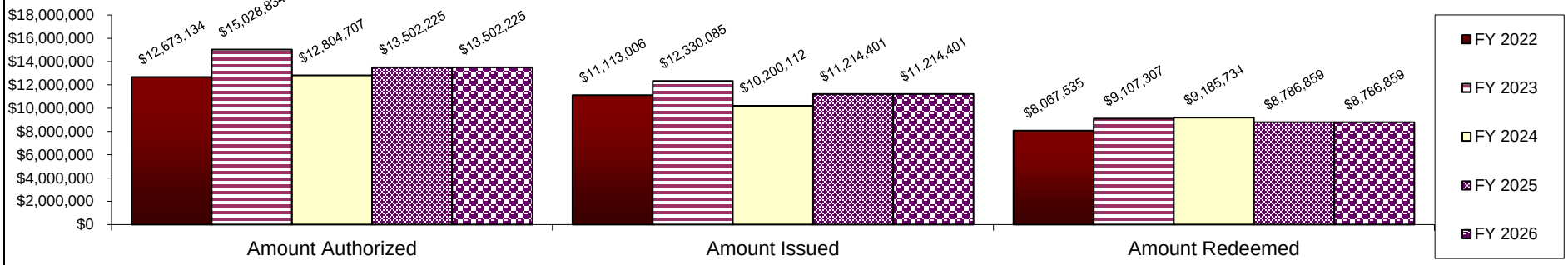
| | FY 2022 ACTUAL | FY 2023 ACTUAL | FY 2024 ACTUAL | FY 2025 (year to date) | FY 2025 (Full Year) | FY 2026 (Budget Year) |
|---|---|---|---|---|---|---|
| Certificates Issued (#) | 1,371 | 1,387 | 1,245 | 468 | 1,334 | 1,334 |
| Projects/Participants (#) | 65 | 71 | 66 | 29 | 67 | 67 |
| Amount Authorized | $12,673,134 | $15,028,834 | $12,804,707 | $6,850,787 | 13,502,225 | 13,502,225 |
| Amount Issued | $11,113,006 | $12,330,085 | $10,200,112 | $4,497,220 | 11,214,401 | 11,214,401 |
| Amount Redeemed | $8,067,535 | $9,107,307 | $9,185,734 | $4,519,960 | 8,786,859 | 8,786,859 |

| | | | |
|---|---|---|---|
| FY 2025 EST. Amount Outstanding | $19,075,360.88 | FY 2025 EST. Amount Authorized but Unissued | $26,511,486.00 |

# TAX CREDIT ANALYSIS

**Program Name:** Neighborhood Assistance Program (NAP)

## HISTORICAL AND PROJECTED INFORMATION




**Comments on Historical and Projected Information:**

: Redemption data does not include the $6,350 that was offset due to delinquent taxes.

## BENEFIT: COST ANALYSIS (includes only state revenue impacts)

| | FY 2024 ACTIVITY | Other Fiscal Period (indicated time period) |
|---|---|---|
| **BENEFITS** | | |
| Direct Fiscal Benefits | $655,460 | $1,487,625 |
| Indirect Fiscal Benefits | $4,417,792 | $10,026,565 |
| **Total** | $5,073,252 | $11,514,190 |
| **COSTS** | | |
| Direct Fiscal Costs | $2,134,118 | $12,180,204 |
| Indirect Fiscal Costs | $0 | $0 |
| **Total** | $2,134,118 | $12,180,204 |
| **BENEFIT: COST** | **2.38** | **0.95** |

**Derivation of Benefits:**

Investment: (a) $78,373,653 in Construction spending in 2024.

Employment: N/A

Other Assumptions: (a) 3427 HS/GED/Skills Training graduates earning $18,724,864 in additional annual income in 2024-2033.

Incentives/Credits: (a) $12,804,707 in Neighborhood Assistance Program tax credits over years 2024-2029. Impacts occur Statewide. All Values in Constant Dollars. Assumptions provided by DED. Estimated using REMI.

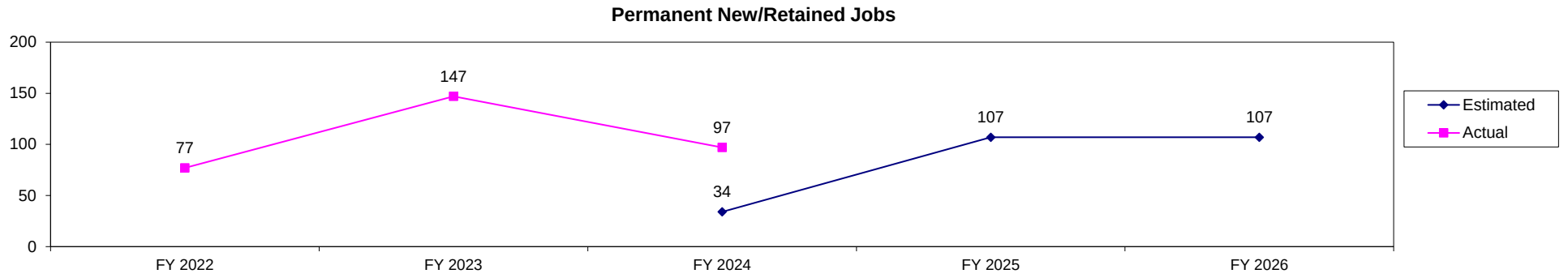
**Other Benefits:**

| **In FY 2024, every dollar of auth. program tax credits returns** | | | **Over 10 YEARS, every dollar of auth. program tax credits returns** | | |
|---|---|---|---|---|---|
| $39.54 | in new personal income totaling | $84.38 million | $30.69 | in new personal income totaling | $373.87 million |
| $47.52 | in new value-added/GSP totaling | $101.42 million | $20.84 | in new value-added/GSP totaling | $253.87 million |
| $86.07 | in new economic output totaling | $183.69 million | $36.29 | in new economic output totaling | $442.01 million |

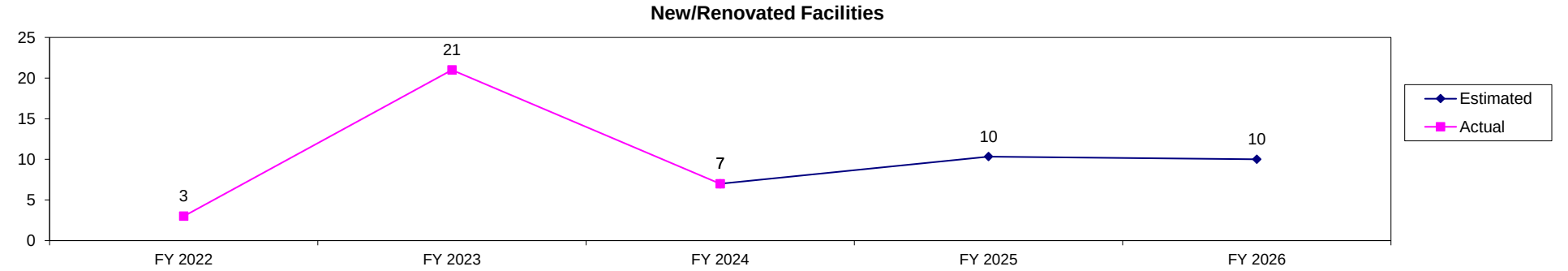
# TAX CREDIT ANALYSIS

**Program Name:** **Neighborhood Assistance Program (NAP)**

**PERFORMANCE MEASURE(S)**




**Comments on Performance Measure:**
Numbers are dependent on the type of projects that were "Closed" out this fiscal year.

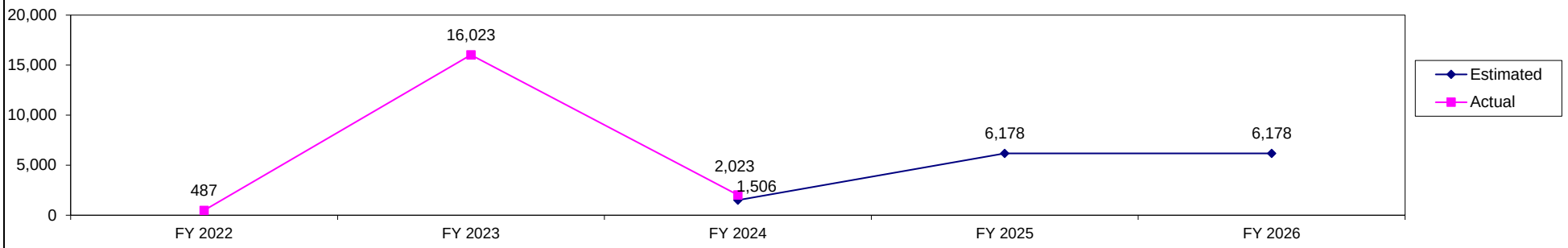



**Comments on Performance Measure:**
Numbers are dependent on the type of projects that were "Closed" out this fiscal year. Numbers are dependent on the type of projects that are funded each year.

# TAX CREDIT ANALYSIS

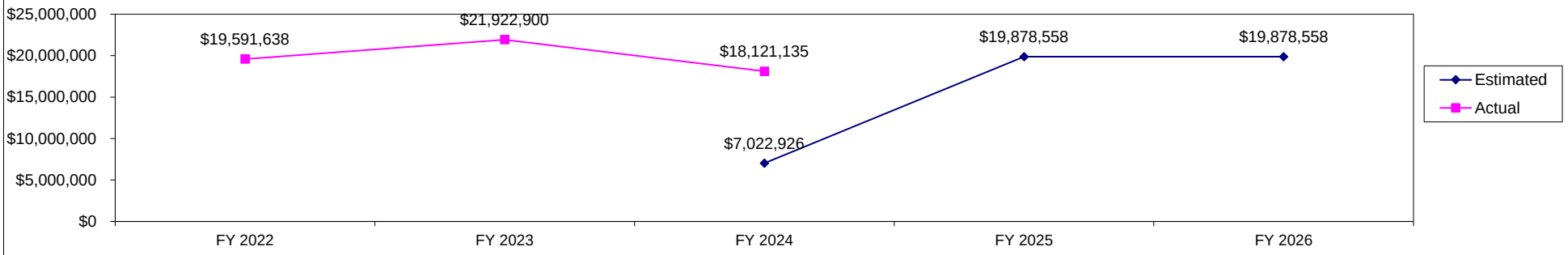
**Program Name:** **Neighborhood Assistance Program (NAP)**

## Individuals Learning Life Skills




**Comments on Performance Measure:**
Includes individuals earning GEDs, job training and other skills necessary to become productive citizens. Numbers are dependent on the type of projects that were "Closed" out this fiscal year.

## Private Investment




**Comments on Performance Measure:**
NAP tax credits leveraged (Total Contributions - Total Credits Issued)

# TAX CREDIT ANALYSIS

| | | | | | |
|---|---|---|---|---|---|
| **Program Name:** | **Neighborhood Preservation Tax Credit (NPA)** | | | | |
| **Department:** | Economic Development | **Contact Name & No.:** | Brooklyn Wasser (573) 522-8006 | **Date:** | January 2025 |
| **Program Category:** | Housing | **Type:** | Tax Credit | Other: | |
| **Statutory Authority:** | Sections 135.475-135.487, RSMo | **Applicable Taxes:** | Income Tax, Corporate Franchise Tax, Bank Tax, Insurance Premium Tax, Other Financial Institutions Tax | | |
| **Tax Credit Creation Date:** | 1999 | **Year of Last Legislative Change:** | 2007 | | |

**Program Description and Eligibility Requirements:**
Provides an incentive for any taxpayer who incurs eligible costs for a new residence or rehabilitates a residence for owner occupancy that is located in a designated area.

**Explanation of How Award is Computed:** **Entitlement** Yes **Discretionary** No
Tax Credit of 25% - 35% of eligible renovation costs, or 15% of new construction. This is a calendar year program.

**Program Cap:** Cumulative $ _____ (remainder of cumulative cap) $ _____ Annual $ 16 million None _____

**Cap Shared Between Programs** No **Which Program(s)?** _____

**Explanation of Cap:**
$8M for eligible areas; $8M for qualifying areas (as defined by law). Credits are awarded on a first-come, first-served basis by utilizing a lottery system.

**Sunset Provision:** No Date of Sunset _____ Date of Last Sunset Extension _____

**Explanation of Expiration of Authority:**

**Specific Provisions:** (if applicable)

Carry forward 5 years | Carry Back 3 years | Refundable No | Apportioned No | Appropriated No

Sellable/Assignable Yes | Organizations Remit an Offset No | Additional Federal Deductions/Credits Available No

**Comments on Specific Provisions:**

**Legislative / General Assembly Action(s) During Prior Five Years:**

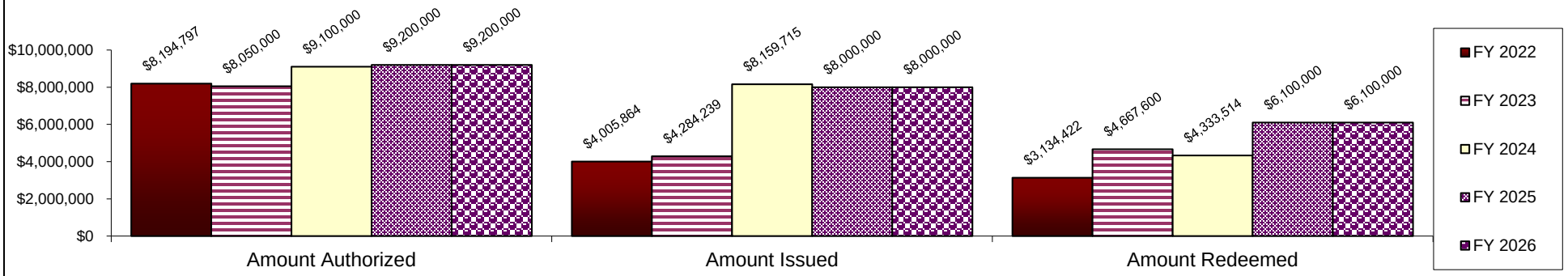
| | FY 2022 ACTUAL | FY 2023 ACTUAL | FY 2024 ACTUAL | FY 2025 (year to date) | FY 2025 (Full Year) | FY 2026 (Budget Year) |
|---|---|---|---|---|---|---|
| Certificates Issued (#) | 164 | 104 | 180 | *129* | 110 | 150 |
| Projects/Participants (#) | 164 | 104 | 90 | *69* | 110 | 90 |
| Amount Authorized | $8,194,797 | $8,050,000 | $9,100,000 | *$0* | $9,200,000 | $9,200,000 |
| Amount Issued | $4,005,864 | $4,284,239 | $8,159,715 | *$5,111,141* | $8,000,000 | $8,000,000 |
| Amount Redeemed | $3,134,422 | $4,667,600 | $4,333,514 | *$3,956,732* | $6,100,000 | $6,100,000 |

| | | | |
|---|---|---|---|
| FY 2024 EST. Amount Outstanding | $11,960,678 | FY 2024 EST. Amount Authorized but Unissued | $62,344,436 |

# TAX CREDIT ANALYSIS

**Program Name:** Neighborhood Preservation Tax Credit (NPA)

## HISTORICAL AND PROJECTED INFORMATION




**Comments on Historical and Projected Information:**
Projected information for Authorized, Issued, and Redeemed amounts is based on 3 year average.

## BENEFIT: COST ANALYSIS (includes only state revenue impacts)

| | FY 2024 ACTIVITY | Other Fiscal Period (5 years) |
|---|---|---|
| **BENEFITS** | | |
| Direct Fiscal Benefits | $1,134,851 | $1,985,056 |
| Indirect Fiscal Benefits | $310,753 | $543,563 |
| **Total** | $1,445,604 | $2,528,619 |
| **COSTS** | | |
| Direct Fiscal Costs | $9,100,000 | $9,100,000 |
| Indirect Fiscal Costs | $0 | $0 |
| **Total** | $9,100,000 | $9,100,000 |
| **BENEFIT: COST** | **0.16** | **0.28** |

**Derivation of Benefits:**
Investment: (a) $53,395,413 in Residential Investment spending over years 2023-2024.
Employment: (a) N/A
Other Assumptions: (a) N/A
Incentives/Credits: (a) $9,100,000 in Neighborhood Preservation Act tax credits in 2024.
Impacts occur Statewide. All Values in Constant Dollars. Assumptions provided by DED. Estimated using REMI.
The multi-year fiscal Benefit-Cost Ratio is 0.25 when other program incentives (Historic Preservation) are included.

**Other Benefits:**

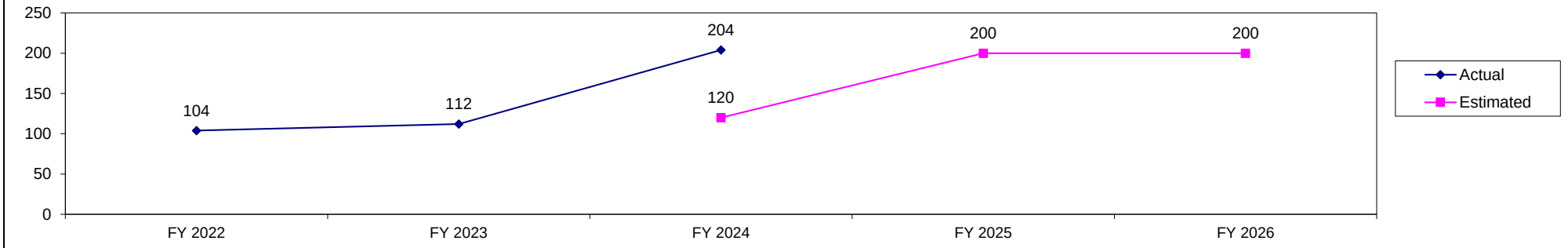
| In FY 2024, every dollar of auth. program tax credits returns | | | Over 5 YEARS, every dollar of auth. program tax credits returns | | |
|---|---|---|---|---|---|
| $2.01 | in new personal income totaling | $18.30 million | $2.89 | in new personal income totaling | $26.32 million |
| $3.35 | in new value-added/GSP totaling | $30.46 million | $3.72 | in new value-added/GSP totaling | $33.85 million |
| $5.95 | in new economic output totaling | $54.14 million | $6.61 | in new economic output totaling | $60.17 million |

# TAX CREDIT ANALYSIS

**Program Name:** **Neighborhood Preservation Tax Credit (NPA)**

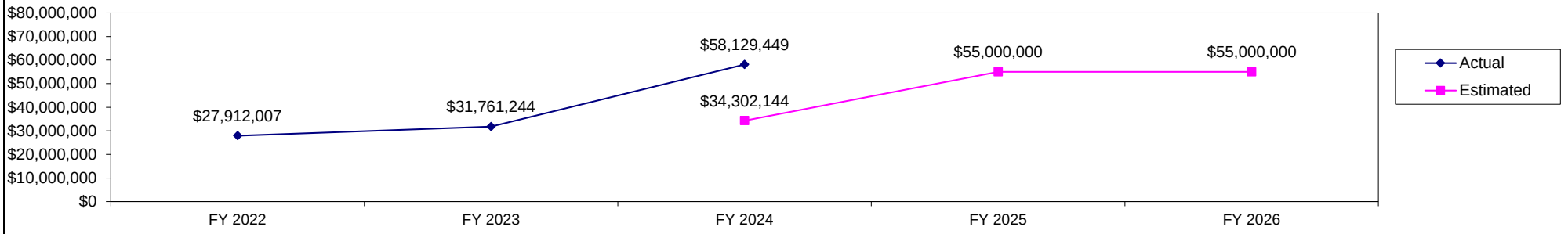
**PERFORMANCE MEASURE(S)**

## Housing Units




**Comments on Performance Measure:** Numbers are captured from projects that were closed out this fiscal year.

## Amounts Leveraged




**Comments on Performance Measure:** Numbers are captured from projects that were closed out this fiscal year.

# TAX CREDIT ANALYSIS

| | | | | | |
|---|---|---|---|---|---|
| **Program Name:** | **Qualified Research Expense Tax Credit Program (QRE)** | | | | |
| **Department:** | Economic Development | **Contact Name & No.:** | Olivia Bartens (573) 526-0308 | **Date:** | January 2025 |
| **Program Category:** | Entrepreneurial | **Type:** | Tax Credit | Other: | |
| **Statutory Authority:** | Section 620.1039, RSMo | **Applicable Taxes:** | Individual, Corporate, Financial Institutions Tax | | |
| **Tax Credit Creation Date:** | August 28, 2022 | **Year of Last Legislative Change:** | 2022 | | |

**Program Description and Eligibility Requirements:**
Any individual, partnership, corporation, or charitable organization conducting qualified research in the state is eligible. The incentive is available to an eligible taxpayer who has additional qualified research expenses in Missouri in a tax year, as compared to the average of such expenses in three immediately preceding tax years.

**Explanation of How Award is Computed:** **Entitlement** Yes **Discretionary** No

Applicants may receive the greater of: (a) 15% of the taxpayer's additional qualified research expenses; or (b) 20% of the taxpayer's additional qualified research expenses if such qualified research was conducted in conjunction with a Missouri public or private college or university. No tax credit shall be allowed for any portion of qualified research expenses that exceed 200% of the taxpayer's average qualified research expenses incurred during the three immediately preceding tax years. Each taxpayer is limited to a $300,000 benefit per year.

**Program Cap:** Cumulative $ _____ (remainder of cumulative cap) $ _____ Annual $ 10 million None _____

**Cap Shared Between Programs** No **Which Program(s)?** _____

**Explanation of Cap:**
$5 million of the $10 million cap shall be reserved for minority business enterprises, women's business enterprises, and small businesses. If on November 1 of each year, there are unused amounts from the $5 million reserved, the unused amount will be transferred to the overall program cap. If there are applications for the program's tax credits that exceed the amount available, eligible applicants in the general cap will be issued credits on a pro-rata basis, with businesses less than five years old being issued full tax credits first.

**Sunset Provision:** Yes Date of Sunset 12/31/2028 Date of Last Sunset Extension _____

**Explanation of Expiration of Authority:**
The provisions of the program authorized under this section shall automatically sunset December 31, 2028, 6 years after the effective date.

**Specific Provisions:** (if applicable)

Carry forward 12 years Carry Back n/a Refundable No Apportioned No Appropriated No

Sellable/Assignable Yes Organizations Remit an Offset No Additional Federal Deductions/Credits Available No

**Comments on Specific Provisions:**
Carry forward is 12 years.

**Legislative / General Assembly Action(s) During Prior Five Years:**

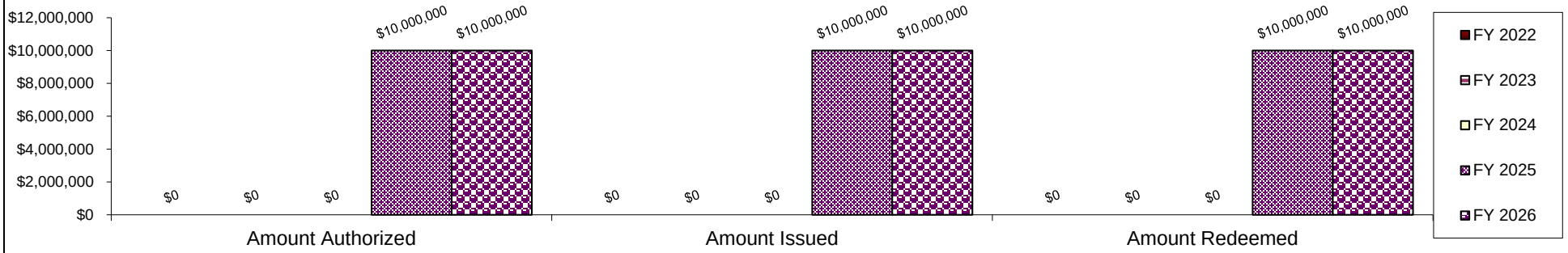
| | FY 2022 ACTUAL | FY 2023 ACTUAL | FY 2024 ACTUAL | FY 2025 (year to date) | FY 2025 (Full Year) | FY 2026 (Budget Year) |
|---|---|---|---|---|---|---|
| Certificates Issued (#) | 0 | 0 | 0 | *49* | 30 | 40 |
| Projects/Participants (#) | 0 | 0 | 0 | *77* | 30 | 40 |
| Amount Authorized | $0 | $0 | $0 | *$9,029,607* | $10,000,000 | $10,000,000 |
| Amount Issued | $0 | $0 | $0 | *$1,818,884* | $10,000,000 | $10,000,000 |
| Amount Redeemed | $0 | $0 | $0 | *$0* | $10,000,000 | $10,000,000 |

| | | | |
|---|---|---|---|
| FY 2024 EST. Amount Outstanding | $0 | FY 2024 EST. Amount Authorized but Unissued | $0 |

# TAX CREDIT ANALYSIS

**Program Name:** Qualified Research Expense Tax Credit Program (QRE)

## HISTORICAL AND PROJECTED INFORMATION




**Comments on Historical and Projected Information:**

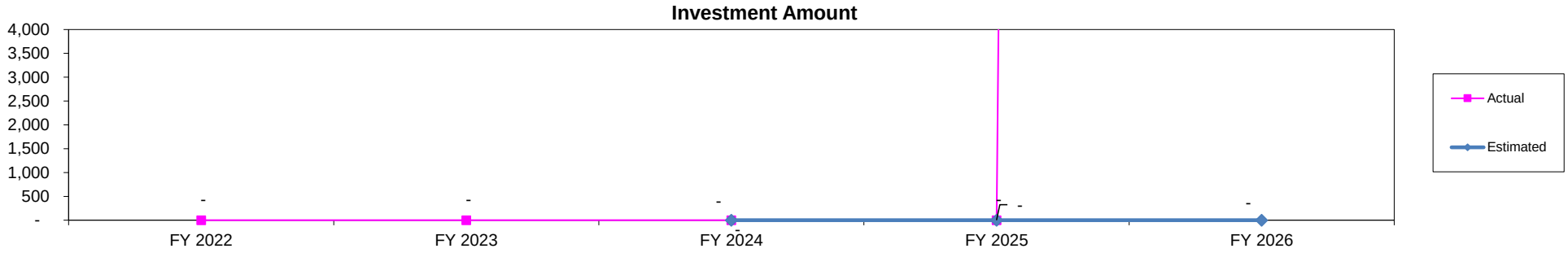
## BENEFIT: COST ANALYSIS (includes only state revenue impacts)

| | FY 2024 ACTIVITY | Other Fiscal Period (15 years) |
|---|---|---|
| **BENEFITS** | | |
| Direct Fiscal Benefits | | |
| Indirect Fiscal Benefits | | |
| **Total** | $0 | $0 |
| **COSTS** | | |
| Direct Fiscal Costs | | |
| Indirect Fiscal Costs | | |
| **Total** | $0 | $0 |
| **BENEFIT: COST** | **#DIV/0!** | **#DIV/0!** |

**Derivation of Benefits:**
No authorizations for FY2024.

**Other Benefits:**

## PERFORMANCE MEASURE(S)




**Comments on Performance Measure:**

# TAX CREDIT ANALYSIS

| | | | | | |
|---|---|---|---|---|---|
| **Program Name:** | **Rebuilding Communities (ROC)** | | | | |
| **Department:** | Economic Development | **Contact Name & No.:** | Olivia Bartens (573) 526-0308 | **Date:** | January 2025 |
| **Program Category:** | Business Recruitment | **Type:** | Tax Credit | Other: | |
| **Statutory Authority:** | Section 135.535, RSMo | **Applicable Taxes:** | Income Tax, Corporate Franchise Tax, Bank Tax, Insurance Premium Tax, Other Financial Institutions Tax | | |
| **Tax Credit Creation Date:** | 1997 | **Year of Last Legislative Change:** | 2013 | | |

**Program Description and Eligibility Requirements:**
Provides a tax credit for eligible businesses locating, relocating or expanding within a distressed community. A business must have fewer than 100 full-time employees, 75% of which must be located in the distressed community, and be primarily engaged in manufacturing, biomedical, medical devices, scientific research, animal research, computer software design or development, computer programming, including Internet, web hosting, and other information technology, wireless or wired or other telecommunications or a professional firm.

**Explanation of How Award is Computed:** **Entitlement** Yes **Discretionary** No
The tax credit is equal to either 40% or 25% of eligible equipment purchases, depending on whether the business is new or existing, or 40% of state income taxes due. A 1.5% employee tax credit is also available to businesses who receive one of the 40% credits and is based on an employee's gross salary. The 40% income tax credit is limited to $125,000 per year for three years. The 40% and 25% equipment credits are limited to $75,000 per year for four years.

**Program Cap:** Cumulative $ _____ (remainder of cumulative cap) $ _____ Annual $ 8 Million None _____

**Cap Shared Between Programs** No **Which Program(s)?** _____

**Explanation of Cap:**
Total credits issued under this program may not exceed $8 million per year. The 25% equipment credits are further limited to $750,000 per year. (Note that 620.1881, RSMo - the Missouri Quality Jobs Act - reduced the cap from $10 million to $8 million).

**Sunset Provision:** Yes Date of Sunset 8/27/2013 Date of Last Sunset Extension _____

**Explanation of Expiration of Authority:**
No new projects may be proposed after August 27, 2013.

**Specific Provisions:** (if applicable)
Carry forward 5 years Carry Back 3 years Refundable No Apportioned No Appropriated No
Sellable/Assignable Yes Organizations Remit an Offset No Additional Federal Deductions/Credits Available No

**Comments on Specific Provisions:**
The 1.5% employee credits are sellable/assignable only.

**Legislative / General Assembly Action(s) During Prior Five Years:**

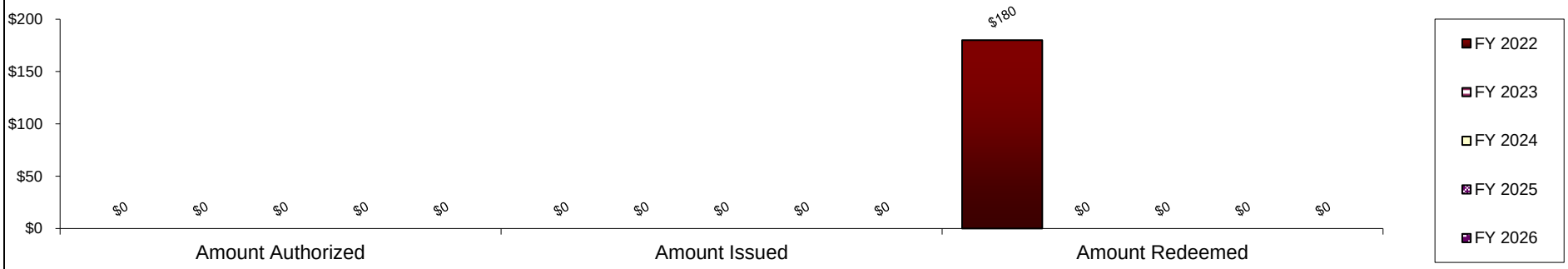
| | FY 2022 ACTUAL | FY 2023 ACTUAL | FY 2024 ACTUAL | FY 2025 (year to date) | FY 2025 (Full Year) | FY 2026 (Budget Year) |
|---|---|---|---|---|---|---|
| Certificates Issued (#) | 0 | 0 | 0 | *0* | 0 | 0 |
| Projects/Participants (#) | 0 | 0 | 0 | *0* | 0 | 0 |
| Amount Authorized | $0 | $0 | $0 | *$0* | $0 | $0 |
| Amount Issued | $0 | $0 | $0 | *$0* | $0 | $0 |
| Amount Redeemed | $180 | $0 | $0 | *$0* | $0 | $0 |

| | | | |
|---|---|---|---|
| FY 2024 EST. Amount Outstanding | $0 | FY 2024 EST. Amount Authorized but Unissued | $0 |

# TAX CREDIT ANALYSIS

**Program Name:** Rebuilding Communities (ROC)

## HISTORICAL AND PROJECTED INFORMATION




**Comments on Historical and Projected Information:**

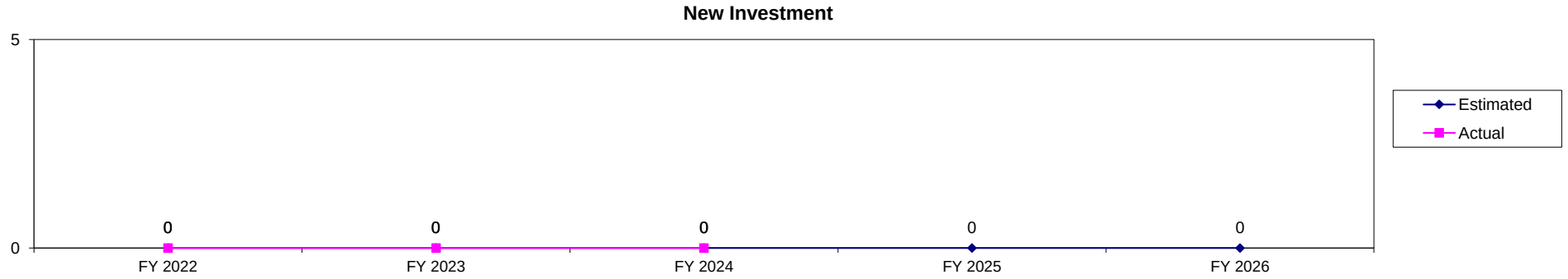
## BENEFIT: COST ANALYSIS (includes only state revenue impacts)

| | FY 2024 ACTIVITY | Other Fiscal Period (indicated time period) |
|---|---|---|
| **BENEFITS** | | |
| Direct Fiscal Benefits | | |
| Indirect Fiscal Benefits | | |
| **Total** | $0 | $0 |
| **COSTS** | | |
| Direct Fiscal Costs | | |
| Indirect Fiscal Costs | | |
| **Total** | $0 | $0 |
| **BENEFIT: COST** | **#DIV/0!** | **#DIV/0!** |

**Derivation of Benefits:**
No new authorizations in FY2024.

**Other Benefits:**

## PERFORMANCE MEASURE(S)




**Comments on Performance Measure:**
Program has sunset. No new investments accepted for the tax credits.

# TAX CREDIT ANALYSIS

| | | | | | |
|---|---|---|---|---|---|
| **Program Name:** | Rural Access to Capital (RAC) | | | | |
| **Department:** | Economic Development | **Contact Name & No.:** | Olivia Bartens (573) 526-0308 | **Date:** | January 2025 |
| **Program Category:** | Business Recruitment | **Type:** | Tax Credit | Other: | |
| **Statutory Authority:** | Sections 620.3500-620.3530, RSMo | **Applicable Taxes:** | Income Tax; Insurance Premium Tax; Financial Institutions Tax; Express Companies | | |
| **Tax Credit Creation Date:** | 8/28/2024 | **Year of Last Legislative Change:** | 2024 | | |

**Program Description and Eligibility Requirements:**
Promotes workforce development and capital investment in Missouri's rural areas by providing incentives to invest in those areas.

**Explanation of How Award is Computed:** **Entitlement** No **Discretionary** Yes
Rural Funds apply to become certified by the Department for a period of six years beginning with the year the Rural Investor makes a Capital Investment. The tax credits are 60% of the total Capital Investment over the six-year period. The Applicable Percentage of the tax credit amount will be 0% in years one and two and 15% of Capital Investment in years three through six, not to exceed $16,000,000 in a calendar year.

**Program Cap:** Cumulative $ 64 million (remainder of cumulative cap) $ 64 million Annual $ 16 million None
**Cap Shared Between Programs** No **Which Program(s)?**
**Explanation of Cap:**
The tax credit cap is $16 million per calendar year for four years.

**Sunset Provision:** Yes Date of Sunset 28-Aug-30 Date of Last Sunset Extension

**Explanation of Expiration of Authority:**
Program sunsets on August 28, 2030, unless reauthorized.

**Specific Provisions:** (if applicable)
Carry forward 5 years Carry Back n/a Refundable No Apportioned No Appropriated Yes
Sellable/Assignable No Organizations Remit an Offset No Additional Federal Deductions/Credits Available No
**Comments on Specific Provisions:**

**Legislative / General Assembly Action(s) During Prior Five Years:**
SB 802 passed during FY2024 regular session.

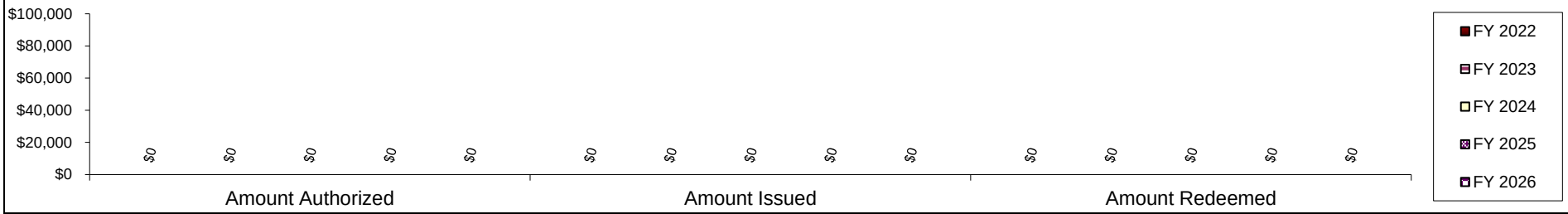
| | FY 2022 ACTUAL | FY 2023 ACTUAL | FY 2024 ACTUAL | FY 2025 (year to date) | FY 2025 (Full Year) | FY 2026 (Budget Year) |
|---|---|---|---|---|---|---|
| Certificates Issued (#) | 0 | 0 | 0 | *0* | 0 | 0 |
| Projects/Participants (#) | 0 | 0 | 0 | *5* | 0 | 0 |
| Amount Authorized | $0 | $0 | $0 | *$64,000,000* | $0 | $0 |
| Amount Issued | $0 | $0 | $0 | *$0* | $0 | $0 |
| Amount Redeemed | $0 | $0 | $0 | *$0* | $0 | $0 |

| | | | |
|---|---|---|---|
| FY 2024 EST. Amount Outstanding | $0 | FY 2024 EST. Amount Authorized but Unissued | $0 |

# TAX CREDIT ANALYSIS

**Program Name:** Rural Access to Capital (RAC)

## HISTORICAL AND PROJECTED INFORMATION




**Comments on Historical and Projected Information:**

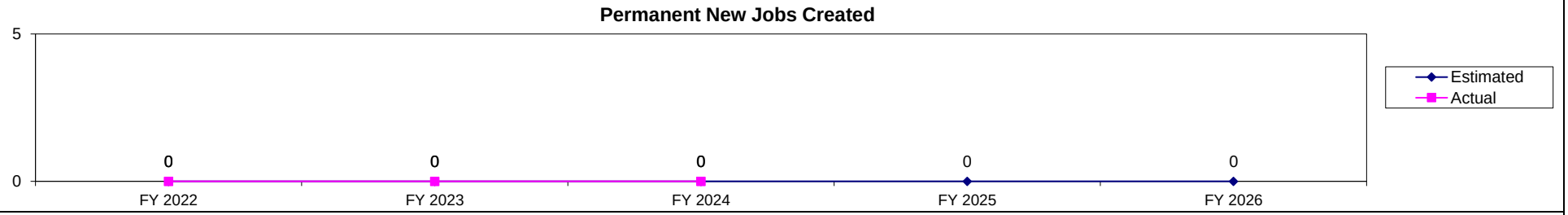
## BENEFIT: COST ANALYSIS (includes only state revenue impacts)

| | FY 2024 ACTIVITY | Other Fiscal Period (indicated time period) |
|---|---|---|
| **BENEFITS** | | |
| Direct Fiscal Benefits | | |
| Indirect Fiscal Benefits | | |
| **Total** | $0 | $0 |
| **COSTS** | | |
| Direct Fiscal Costs | | |
| Indirect Fiscal Costs | | |
| **Total** | $0 | $0 |
| **BENEFIT: COST** | **#DIV/0!** | **#DIV/0!** |

**Derivation of Benefits:**
This is a new program. No authorizations for FY2024.

**Other Benefits:**

## PERFORMANCE MEASURE(S)




**Comments on Performance Measure:**

# TAX CREDIT ANALYSIS

| | | | | | |
|---|---|---|---|---|---|
| **Program Name:** | **Motion Media Tax Credit Program (Show MO Act)** | | | | |
| **Department:** | Economic Development | **Contact Name & No.:** | Andrea Sporcic Klund (573) 526-2102 | **Date:** | January 2025 |
| **Program Category:** | Business Recruitment | **Type:** | Tax Credit | Other: | |
| **Statutory Authority:** | Section 135.750, RSMo | **Applicable Taxes:** | Corporate and Individual Income Tax, Financial Institutions Tax | | |
| **Tax Credit Creation Date:** | 8/28/2023 | **Year of Last Legislative Change:** | | | |

**Program Description and Eligibility Requirements:**
Provides a tax credit for in-state expenditures on qualified motion media productions. Productions that are under 30 minutes must have a minimum spend of $50,000; productions more than 31 minutes must have a minimum spend of $100,000.

**Explanation of How Award is Computed:** **Entitlement** No **Discretionary** Yes
The tax credit is equal to 20-42% of qualifying expenses.

**Program Cap:** Cumulative $ _____ (remainder of cumulative cap) $ _____ Annual $ 16 million None _____

**Cap Shared Between Programs** No **Which Program(s)?** _____

**Explanation of Cap:**
The $16 million cap includes $8 million for film productions and $8 million for series productions.

**Sunset Provision:** Yes Date of Sunset 12/31/2029 Date of Last Sunset Extension _____

**Explanation of Expiration of Authority:**
The provisions of the program authorized under this section shall automatically sunset December 31, 2029

**Specific Provisions:** (if applicable)

Carry forward 5 years Carry Back n/a Refundable No Apportioned No Appropriated No

Sellable/Assignable Yes Organizations Remit an Offset No Additional Federal Deductions/Credits Available No

**Comments on Specific Provisions:**

**Legislative / General Assembly Action(s) During Prior Five Years:**
SB 94 passed during FY2023 regular session.

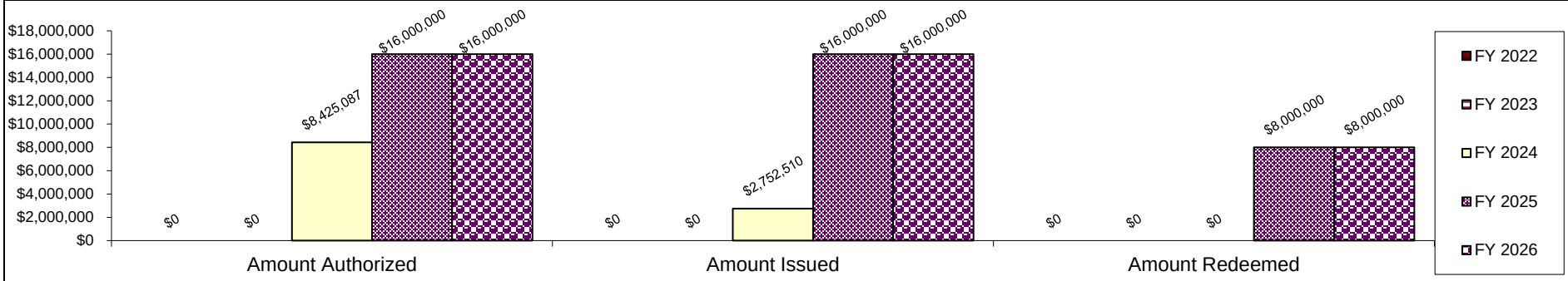
| | FY 2022 ACTUAL | FY 2023 ACTUAL | FY 2024 ACTUAL | FY 2025 (year to date) | FY 2025 (Full Year) | FY 2026 (Budget Year) |
|---|---|---|---|---|---|---|
| Certificates Issued (#) | 0 | 0 | 1 | *1* | 10 | 10 |
| Projects/Participants (#) | 0 | 0 | 4 | *5* | 10 | 10 |
| Amount Authorized | $0 | $0 | $8,425,087 | *$2,016,064* | $16,000,000 | $16,000,000 |
| Amount Issued | $0 | $0 | $2,752,510 | *$1,764,472* | $16,000,000 | $16,000,000 |
| Amount Redeemed | $0 | $0 | $0 | *$4,115* | $8,000,000 | $8,000,000 |

| | | | |
|---|---|---|---|
| FY 2024 EST. Amount Outstanding | $2,752,510 | FY 2024 EST. Amount Authorized but Unissued | $5,672,577 |

# TAX CREDIT ANALYSIS

**Program Name:** Motion Media Tax Credit Program (Show MO Act)

## HISTORICAL AND PROJECTED INFORMATION




**Comments on Historical and Projected Information:**

## BENEFIT: COST ANALYSIS (includes only state revenue impacts)

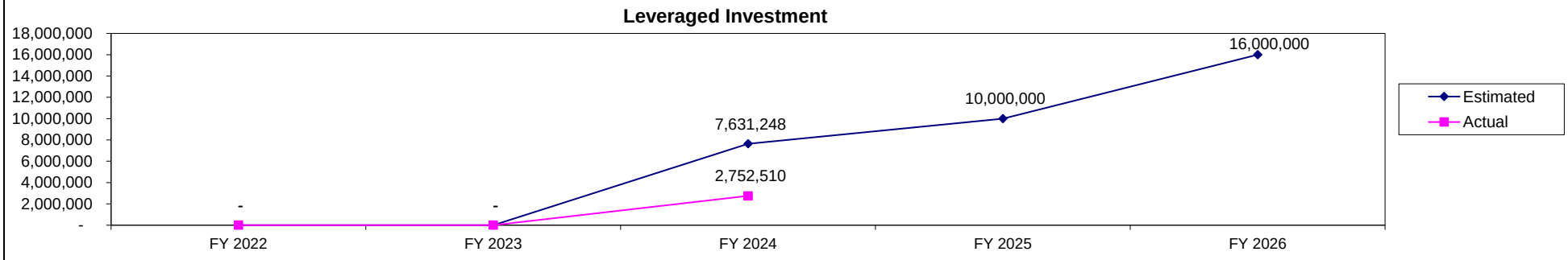
| | FY 2024 ACTIVITY | Other Fiscal Period (indicated time period) |
|---|---|---|
| **BENEFITS** | | |
| Direct Fiscal Benefits | $2,305,271 | $2,687,683 |
| Indirect Fiscal Benefits | $2,009,296 | $2,342,610 |
| **Total** | $4,314,567 | $5,030,293 |
| **COSTS** | | |
| Direct Fiscal Costs | $1,684,952 | $8,092,931 |
| Indirect Fiscal Costs | $0 | $0 |
| **Total** | $1,684,952 | $8,092,931 |
| **BENEFIT: COST** | **2.56** | **0.62** |

**Derivation of Benefits:**
Investment: (a) $21,800,439 in Industry Sales in 2024.
Employment: (a) 716 jobs in motion picture and sound recording industries at average wage rates in 2024.
Incentives/Credits: (a) $8,092,931 in Motion Media tax credits over years 2024-2028.
Impacts occur Statewide. All Values in Constant Dollars. Assumptions provided by DED. Estimated using REMI.

**Other Benefits:**

| In FY 2024, every dollar of auth. program tax credits returns: | | | Over 5 YEARS, every dollar of auth. program tax credits returns | | |
|---|---|---|---|---|---|
| $48.05 | in new personal income totaling | $80.96 million | $11.98 | in new personal income totaling | $96.95 million |
| $90.87 | in new value-added/GSP totaling | $153.11 million | $18.63 | in new value-added/GSP totaling | $150.80 million |
| $162.68 | in new economic output totaling | $274.11 million | $33.31 | in new economic output totaling | $269.54 million |

## PERFORMANCE MEASURE(S)




**Comments on Performance Measure:**

# TAX CREDIT ANALYSIS

| | | | | | |
|---|---|---|---|---|---|
| **Program Name:** | **Small Business Incubator Tax Credit Program** | | | | |
| **Department:** | Economic Development | **Contact Name & No.:** | Daniel Epler (573) 751-5798 | **Date:** | January 2025 |
| **Program Category:** | Entrepreneurial | **Type:** | Tax Credit | Other: | |
| **Statutory Authority:** | Section 620.495, RSMo | **Applicable Taxes:** | Income tax, Corporate franchise tax, Bank tax, Insurance premium tax, and other financial institutions tax | | |
| **Tax Credit Creation Date:** | 1989 | **Year of Last Legislative Change:** | 2007 | | |

**Program Description and Eligibility Requirements:**
A taxpayer who makes a contribution to an approved small business incubator sponsor or fund can claim a state tax credit for a percentage of such contribution.

**Explanation of How Award is Computed:** **Entitlement** No **Discretionary** Yes
The tax credit is equal to 50% of the contribution.

**Program Cap:** Cumulative $ _____ (remainder of cumulative cap) $ _____ Annual $ 500,000 None _____

**Cap Shared Between Programs** No **Which Program(s)?** _____

**Explanation of Cap:**
The $500,000 annual cap is allocated each calendar year to approved incubators requesting funds based on need, competition and the appropriate use of contributions.

**Sunset Provision:** No Date of Sunset _____ Date of Last Sunset Extension _____

**Explanation of Expiration of Authority:**

**Specific Provisions:** (if applicable)
Carry forward 5 years Carry Back n/a Refundable No Apportioned No Appropriated No

Sellable/Assignable Yes Organizations Remit an Offset No Additional Federal Deductions/Credits Available No

**Comments on Specific Provisions:**
75% of par value.

**Legislative / General Assembly Action(s) During Prior Five Years:**

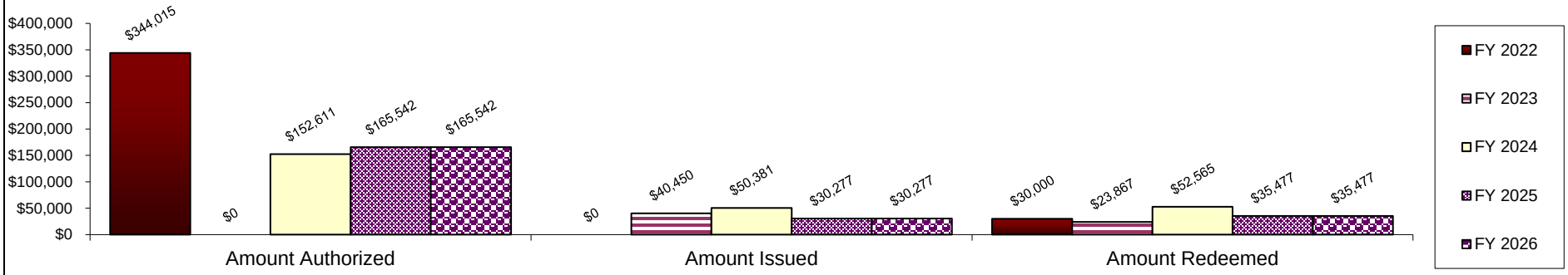
| | FY 2022 ACTUAL | FY 2023 ACTUAL | FY 2024 ACTUAL | FY 2025 (year to date) | FY 2025 (Full Year) | FY 2026 (Budget Year) |
|---|---|---|---|---|---|---|
| Certificates Issued (#) | 0 | 12 | 18 | 0 | 10 | 10 |
| Projects/Participants (#) | 4 | 0 | 2 | 0 | 2 | 2 |
| Amount Authorized | $344,015 | $0 | $152,611 | $0 | 165,542 | 165,542 |
| Amount Issued | $0 | $40,450 | $50,381 | $0 | 30,277 | 30,277 |
| Amount Redeemed | $30,000 | $23,867 | $52,565 | $6,574 | 35,477 | 35,477 |

FY 2025 EST. Amount Outstanding $19,168.00 FY 2025 EST. Amount Authorized but Unissued $102,230.00

# TAX CREDIT ANALYSIS

**Program Name:** Small Business Incubator Tax Credit Program

## HISTORICAL AND PROJECTED INFORMATION




**Comments on Historical and Projected Information:**
Projections cannot be based on previous year averages because no credits were authorized or issued in FY2021 due to the COVID pandemic. Redemption projections in particular will be decreased.

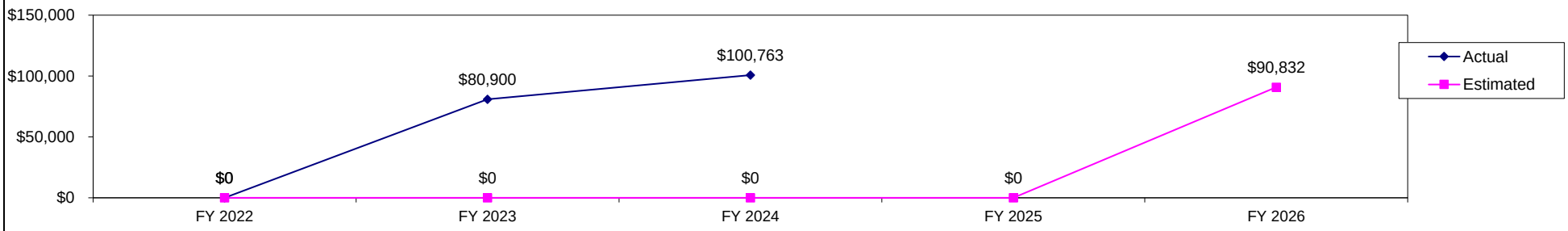
## BENEFIT: COST ANALYSIS (includes only state revenue impacts)

| | FY 2024 ACTIVITY | Other Fiscal Period (10 years) |
|---|---|---|
| **BENEFITS** | | |
| Direct Fiscal Benefits | $345,986 | $3,242,360 |
| Indirect Fiscal Benefits | $406,604 | $3,810,433 |
| **Total** | $752,590 | $7,052,793 |
| **COSTS** | | |
| Direct Fiscal Costs | $25,435 | $145,168 |
| Indirect Fiscal Costs | $0 | $0 |
| **Total** | $25,435 | $145,168 |
| **BENEFIT: COST** | **29.59** | **48.58** |

**Derivation of Benefits:**
Investment: (a) $185,000 in Nonresidential investment spending in 2024; (b) $10,000 in Durable Equipment spending in 2024.
Employment: (a) 83 jobs in Prof./Tech. Services at average wage rates in 2024-2033
Incentives/Credits: (a) $152,611 in Business Incubator tax credits over years 2024-2033
Impacts occur Statewide. All Values in Constant Dollars. Assumptions provided by DED. Estimated using REMI.

**Other Benefits:**

## PERFORMANCE MEASURE(S)




**Comments on Performance Measure:**

# TAX CREDIT ANALYSIS

| | | | | | |
|---|---|---|---|---|---|
| **Program Name:** | **Wine Producers and Grape Growers** | | | | |
| **Department:** | Economic Development | **Contact Name & No.:** | Olivia Bartens (573) 526-0308 | **Date:** | January 2025 |
| **Program Category:** | Agricultural | **Type:** | Tax Credit | Other: | |
| **Statutory Authority:** | Section 135.700, RSMo | **Applicable Taxes:** | Income Tax | | |
| **Tax Credit Creation Date:** | 1998 | **Year of Last Legislative Change:** | | | |

**Program Description and Eligibility Requirements:**
Any grape grower or wine producer within the state can claim a tax credit for a percentage of the purchase price of all new equipment and materials used directly in growing grapes or producing wine within the state. Taxpayers may apply annually for up to five years.

**Explanation of How Award is Computed:** **Entitlement** Yes **Discretionary** No
The tax credit is equal to 25% of the purchase price of all new equipment and materials used directly in growing grapes or producing wine.

**Program Cap:** Cumulative $ _____ (remainder of cumulative cap) $ _____ Annual $ _____ None X

**Cap Shared Between Programs** No **Which Program(s)?** _____

**Explanation of Cap:**
There is no cap on this program.

**Sunset Provision:** No Date of Sunset _____ Date of Last Sunset Extension _____

**Explanation of Expiration of Authority:**

**Specific Provisions:** (if applicable)

Carry forward n/a Carry Back n/a Refundable No Apportioned No Appropriated No

Sellable/Assignable No Organizations Remit an Offset No Additional Federal Deductions/Credits Available No

**Comments on Specific Provisions:**

**Legislative / General Assembly Action(s) During Prior Five Years:**

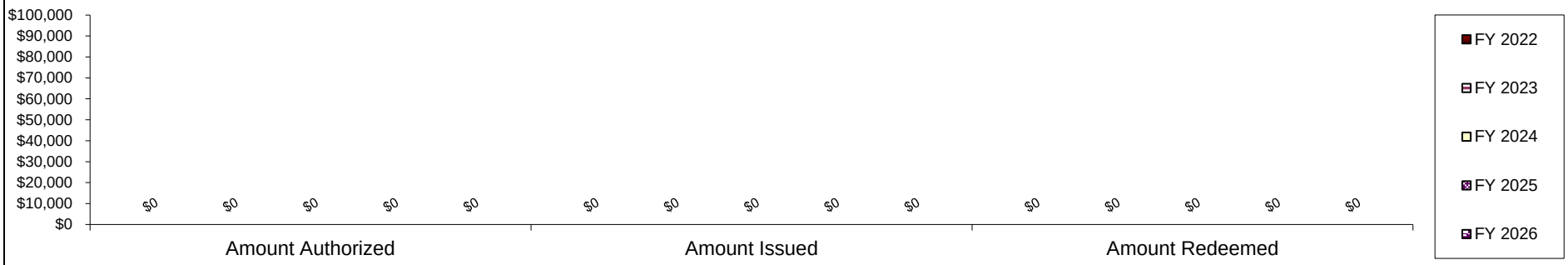
| | FY 2022 ACTUAL | FY 2023 ACTUAL | FY 2024 ACTUAL | FY 2025 (year to date) | FY 2025 (Full Year) | FY 2026 (Budget Year) |
|---|---|---|---|---|---|---|
| Certificates Issued (#) | 0 | 0 | 0 | *0* | 0 | 0 |
| Projects/Participants (#) | 0 | 0 | 0 | *0* | 0 | 0 |
| Amount Authorized | $0 | $0 | $0 | *$0* | $0 | $0 |
| Amount Issued | $0 | $0 | $0 | *$0* | $0 | $0 |
| Amount Redeemed | $0 | $0 | $0 | *$0* | $0 | $0 |

FY 2024 EST. Amount Outstanding $ FY 2024 EST. Amount Authorized but Unissued $

# TAX CREDIT ANALYSIS

**Program Name:** Wine Producers and Grape Growers

## HISTORICAL AND PROJECTED INFORMATION




**Comments on Historical and Projected Information:**

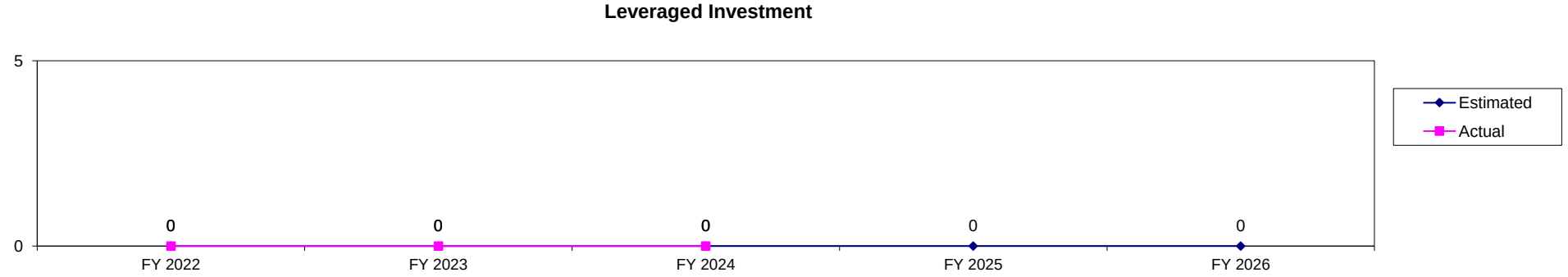
## BENEFIT: COST ANALYSIS (includes only state revenue impacts)

| | FY 2024 ACTIVITY | Other Fiscal Period (indicated time period) |
|---|---|---|
| **BENEFITS** | | |
| Direct Fiscal Benefits | | |
| Indirect Fiscal Benefits | | |
| **Total** | $0 | $0 |
| **COSTS** | | |
| Direct Fiscal Costs | | |
| Indirect Fiscal Costs | | |
| **Total** | $0 | $0 |
| **BENEFIT: COST** | **#DIV/0!** | **#DIV/0!** |

**Derivation of Benefits:**
No authorizations in FY2024.

**Other Benefits:**

## PERFORMANCE MEASURE(S)




**Comments on Performance Measure:**

# TAX CREDIT ANALYSIS

| | | | | | |
|---|---|---|---|---|---|
| **Program Name:** | **Youth Opportunities Program (YOP)** | | | | |
| **Department:** | Economic Development | **Contact Name & No.:** | Daniel Epler (573) 751-5798 | **Date:** | January 2025 |
| **Program Category:** | Domestic and Social | **Type:** | Tax Credit | Other: | |
| **Statutory Authority:** | Sections 135.460 and 620.1100-620.1103, RSMo | **Applicable Taxes:** | Corporate franchise tax, Bank tax, Insurance premium tax, Other financial institutions tax, Express companies tax | | |
| **Tax Credit Creation Date:** | 1995 | **Year of Last Legislative Change:** | 2014 | | |

**Program Description and Eligibility Requirements:**
This is a contribution tax credit program which broadens and strengthens opportunities for positive development and participation in community life for youth and discourages criminal and violent behavior. Individuals, businesses and corporations having tax liability in Missouri are eligible to receive tax credits for qualified donations to approved YOP projects.

**Explanation of How Award is Computed:** **Entitlement** No **Discretionary** Yes
Applications are reviewed on a competitive basis and awards made to eligible organizations for 50% of the approved project budget.

**Program Cap:** Cumulative $ _____ (remainder of cumulative cap) $ _____ Annual $ 6 Million None _____

**Cap Shared Between Programs** No **Which Program(s)?** _____

**Explanation of Cap:**
The cap is on a calendar year. The numbers below are reported on a fiscal year.

**Sunset Provision:** No Date of Sunset _____ Date of Last Sunset Extension _____

**Explanation of Expiration of Authority:**

**Specific Provisions:** (if applicable)
Carry forward 5 years Carry Back n/a Refundable No Apportioned No Appropriated No
Sellable/Assignable No Organizations Remit an Offset No Additional Federal Deductions/Credits Available No

**Comments on Specific Provisions:**

**Legislative / General Assembly Action(s) During Prior Five Years:**

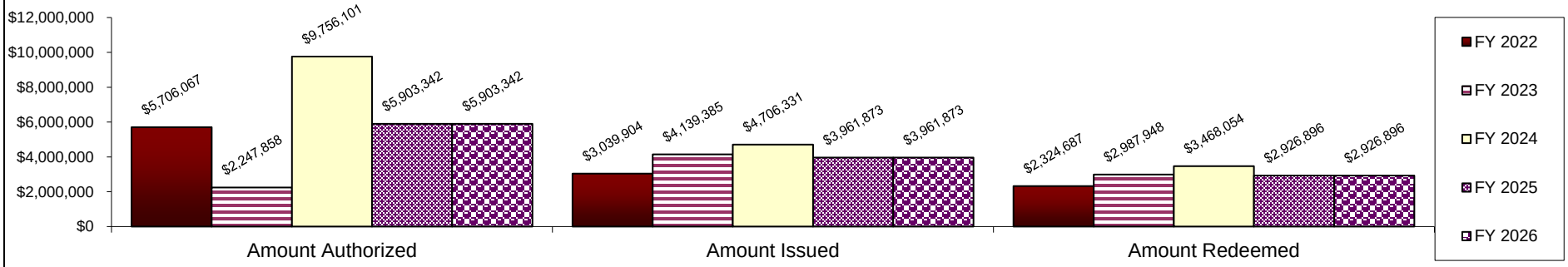
| | FY 2022 ACTUAL | FY 2023 ACTUAL | FY 2024 ACTUAL | FY 2025 (year to date) | FY 2025 (Full Year) | FY 2026 (Budget Year) |
|---|---|---|---|---|---|---|
| Certificates Issued (#) | 974 | 1,504 | 1,559 | 564 | 1,346 | 1,346 |
| Projects/Participants (#) | 36 | 13 | 57 | 6 | 35 | 35 |
| Amount Authorized | $5,706,067 | $2,247,858 | $9,756,101 | $1,005,755 | 5,903,342 | 5,903,342 |
| Amount Issued | $3,039,904 | $4,139,385 | $4,706,331 | $1,572,532 | 3,961,873 | 3,961,873 |
| Amount Redeemed | $2,324,687 | $2,987,948 | $3,468,054 | $1,612,442 | 2,926,896 | 2,926,896 |

| | | | |
|---|---|---|---|
| FY 2025 EST. Amount Outstanding | $6,542,476.12 | FY 2025 EST. Amount Authorized but Unissued | $8,808,028.00 |

# TAX CREDIT ANALYSIS

**Program Name:** Youth Opportunities Program (YOP)

## HISTORICAL AND PROJECTED INFORMATION




**Comments on Historical and Projected Information:**
Redemption data does not include the $704 that was offset due to delinquent taxes. Projections cannot be based on previous 3 year averages because CY2020 cycle was suspended due to the COVID pandemic. Redemption projections in particular will be decreased.

## BENEFIT: COST ANALYSIS (includes only state revenue impacts)

| | FY 2024 ACTIVITY | Other Fiscal Period (indicated time period) |
|---|---|---|
| **BENEFITS** | | |
| Direct Fiscal Benefits | $32,502 | $269,753 |
| Indirect Fiscal Benefits | $88,580 | $735,165 |
| **Total** | $121,082 | $1,004,918 |
| **COSTS** | | |
| Direct Fiscal Costs | $1,626,017 | $9,280,283 |
| Indirect Fiscal Costs | $0 | $0 |
| **Total** | $1,626,017 | $9,280,283 |
| **BENEFIT: COST** | **0.07** | **0.11** |

**Derivation of Benefits:**
Investment: (a) $0 in Construction spending in 2024.
Employment: N/A
Other Assumptions: (a) 562 HS/GED/Skills Training graduates earning $2,595,520 in additional annual income in 2024-2033.
Incentives/Credits: (a) $9,756,101 in Youth Opportunities Program tax credits over years 2024-2029.
Impacts occur Statewide. All Values in Constant Dollars. Assumptions provided by DED. Estimated using REMI.

**Other Benefits:**

**In FY 2024, every dollar of auth. program tax credits returns**

| | |
|---|---|
| $2.58 in new personal income totaling | $4.20 million |
| $1.65 in new value-added/GSP totaling | $2.68 million |
| $2.84 in new economic output totaling | $4.62 million |

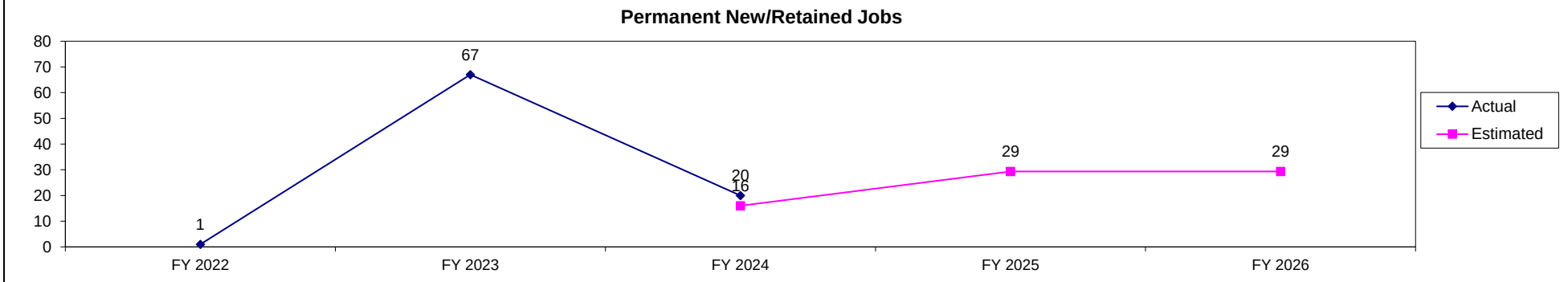
**Over 10 YEARS, every dollar of auth. program tax credits returns**

| | |
|---|---|
| $4.46 in new personal income totaling | $41.41 million |
| $2.57 in new value-added/GSP totaling | $23.83 million |
| $4.37 in new economic output totaling | $40.56 million |

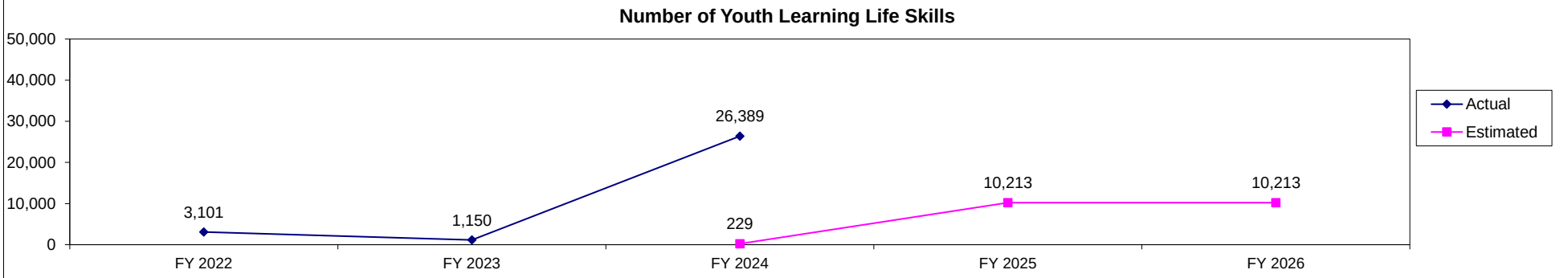
# TAX CREDIT ANALYSIS

**Program Name:** **Youth Opportunities Program (YOP)**

**PERFORMANCE MEASURE(S)**




**Comments on Performance Measure:**
Numbers are dependent on the types of projects that were "Closed" out this fiscal year.

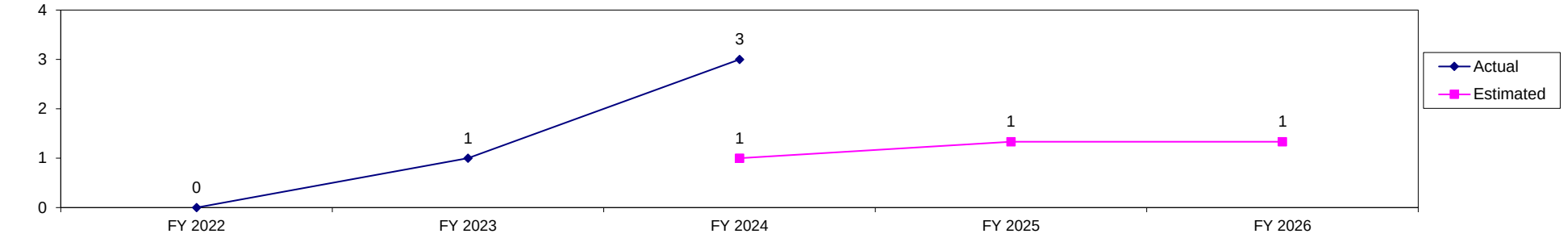



**Comments on Performance Measure:**
Includes individuals earning GEDs, job training and other skills necessary to be come productive citizens. Numbers are dependent on the type of projects that were "Closed" out this fiscal year.

## TAX CREDIT ANALYSIS

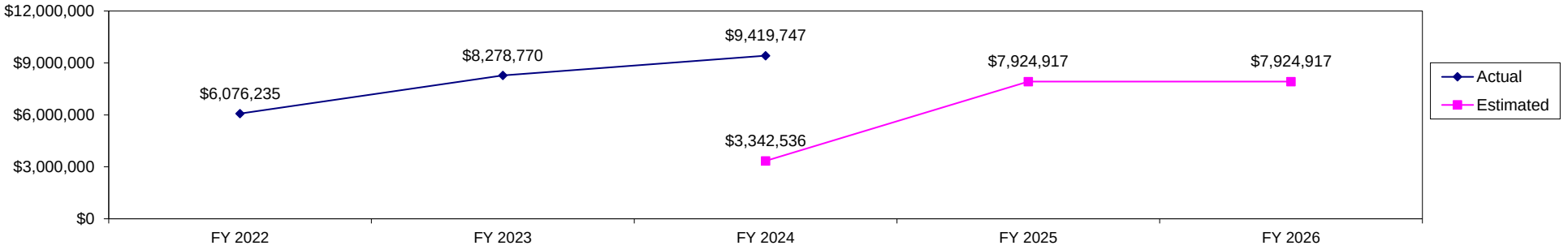
**Program Name:** **Youth Opportunities Program (YOP)**

### Number of New/Renovated Facilities




**Comments on Performance Measure:**
Numbers are dependent on the type of projects that were "Closed" out this fiscal year.

### Amount of Private Investment




**Comments on Performance Measure:**
Total Private Contributions going into approved projects.

# TAX CREDIT ANALYSIS

| | | | | | |
|---|---|---|---|---|---|
| **Program Name:** | **Medical Preceptor Tax Credit** | | | | |
| **Department:** | Health and Senior Services | **Contact Name & No.:** | Tanya Henry (573) 522-2717 | **Date:** | January 2025 |
| **Program Category:** | Domestic and Social | **Type:** | Tax Credit | Other: | |
| **Statutory Authority:** | Section 135.690, RSMo | **Applicable Taxes:** | Chapter 143, excluding withholding taxes | | |
| **Tax Credit Creation Date:** | 2022 | **Year of Last Legislative Change:** | 2022 | | |

**Program Description and Eligibility Requirements:**
Community-based faculty preceptors who serve as the preceptor for a medical student core preceptorship or a physician assistant student core preceptorship shall be allowed a credit. The preceptor shall submit supporting documentation.

**Explanation of How Award is Computed:** **Entitlement** No **Discretionary** Yes
Section 135.690.2(4), RSMo, allows no more than 200 preceptorship tax credits shall be authorized in a calendar year, which are awarded on a first-come, first-served basis. By statute, the credit is an amount equal to $1,000 for each preceptorship, up to a maximum of $3,000 a year.

**Program Cap:** Cumulative $ _____ (remainder of cumulative cap) $ _____ Annual $ 200,000 None _____

**Cap Shared Between Programs** No **Which Program(s)?** _____

**Explanation of Cap:**
Section 135.690.2(4) does not allow the tax credit to exceed $200,000 per year, though subdivision 5 does state that "the department is authorized to exceed the two hundred thousand dollars per year tax credit program cap in any amount not to exceed the amount of funds remaining in the medical preceptor fund".

**Sunset Provision:** Choose Date of Sunset _____ Date of Last Sunset Extension _____

**Explanation of Expiration of Authority:**
Section 135.690 does not include a sunset provision.

**Specific Provisions:** (if applicable)
Carry forward n/a Carry Back n/a Refundable No Apportioned No Appropriated Yes

Sellable/Assignable No Organizations Remit an Offset No Additional Federal Deductions/Credits Available No

**Comments on Specific Provisions:**

**Legislative / General Assembly Action(s) During Prior Five Years:**

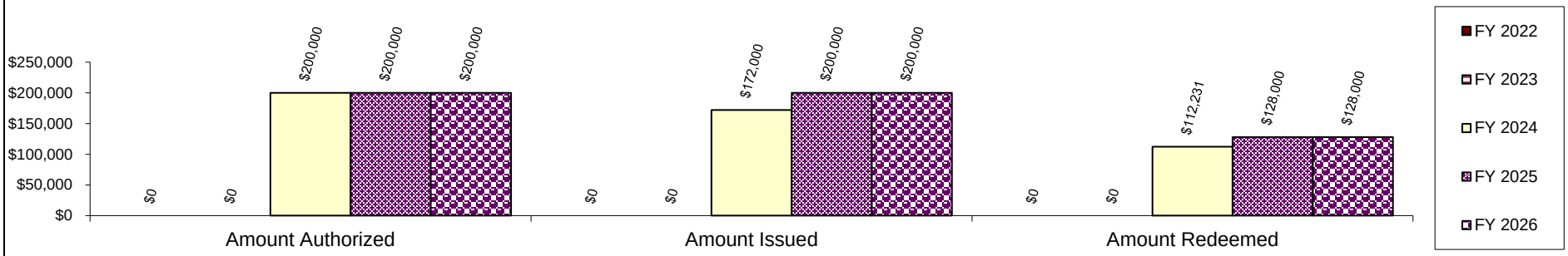
| | FY 2022 ACTUAL | FY 2023 ACTUAL | FY 2024 ACTUAL | FY 2025 (year to date) | FY 2025 (Full Year) | FY 2026 (Budget Year) |
|---|---|---|---|---|---|---|
| Certificates Issued (#) | n/a | n/a | 78 | *17* | 115 | 115 |
| Projects/Participants (#) | 0 | 0 | 78 | *17* | 95 | 95 |
| Amount Authorized | n/a | n/a | $200,000 | *$85,000* | $200,000 | $200,000 |
| Amount Issued | n/a | n/a | $172,000 | *$85,000* | $200,000 | $200,000 |
| Amount Redeemed | $0 | $0 | $112,231 | *$14,500* | $128,000 | $128,000 |

FY 2024 EST. Amount Outstanding $ FY 2024 EST. Amount Authorized but Unissued $

# TAX CREDIT ANALYSIS

**Program Name:** Medical Preceptor Tax Credit

## HISTORICAL AND PROJECTED INFORMATION




**Comments on Historical and Projected Information:**

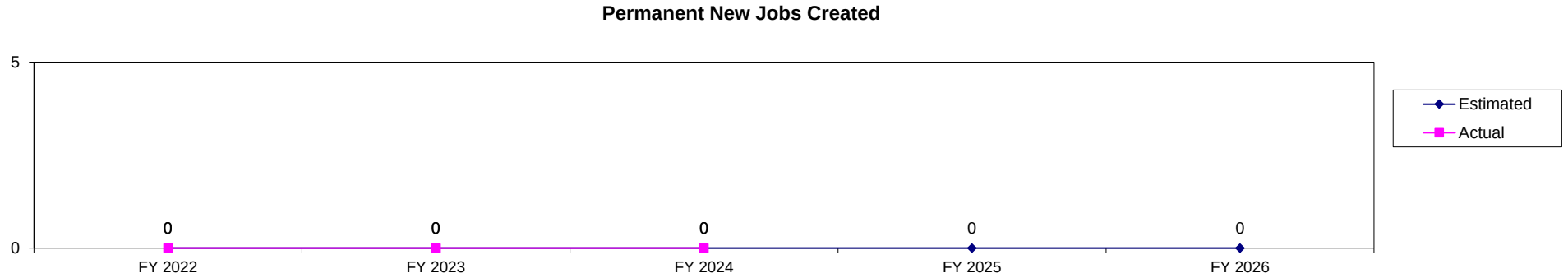
## BENEFIT: COST ANALYSIS (includes only state revenue impacts)

| | FY 2024 ACTIVITY | Other Fiscal Period (indicated time period) |
|---|---|---|
| **BENEFITS** | | |
| Direct Fiscal Benefits | $0 | $0 |
| Indirect Fiscal Benefits | $0 | $0 |
| **Total** | $0 | $0 |
| **COSTS** | | |
| Direct Fiscal Costs | $0 | $0 |
| Indirect Fiscal Costs | $0 | $0 |
| **Total** | $0 | $0 |
| **BENEFIT: COST** | **0.00** | **0.00** |

**Derivation of Benefits:**
N/A

**Other Benefits:**

## PERFORMANCE MEASURE(S)




**Comments on Performance Measure:**
The tax credit did not exist in previous fiscal years and the program has not existed for any period of time to determine if any permanent new jobs will be created. It is unlikely that this tax credit will directly create any permanent new jobs, although it may incentivize physicians to serve as community-based faculty preceptors, which in turn could improve training for medical students, which would result in an overall benefit to the state's healthcare workforce.

# TAX CREDIT ANALYSIS

| | | | | | |
|---|---|---|---|---|---|
| **Program Name:** | Shared Care Tax Credit | | | | |
| **Department:** | Health and Senior Services | **Contact Name & No.:** | Shyra Doughtery (573) 522-9037 | **Date:** | January 2025 |
| **Program Category:** | Domestic and Social | **Type:** | Tax Credit | Other: | |
| **Statutory Authority:** | Sections 192.2005, 192.2010 and 192.2015 | **Applicable Taxes:** | Individual Income | | |
| **Tax Credit Creation Date:** | 1-Jan-00 | **Year of Last Legislative Change:** | | | |

**Program Description and Eligibility Requirements:**

Shared Care is a program in which eligible families who provide care to an elderly family member in their home may request a tax credit. Caregivers who meet requirements within the program are eligible for a Shared Care tax credit in an amount not to exceed $500 to defray the cost of caring for an elderly person. In order to be eligible for a Shared Care tax credit, a registered caregiver shall:

(1) Care for an elderly person age 60 or older who is physically or mentally incapable of living alone, who requires assistance to avoid placement in a long-term care facility, is not able or allowed to operate a motor vehicle, and does not receive funding or services through Medicaid or Social Service Block Grant funding;

(2) Live in the same residence as the elderly person to give protective oversight for an aggregate of more than six months per tax year;

(3) Not receive monetary compensation for providing care; and

(4) File necessary Shared Care tax credit forms with the caregiver's Missouri individual income tax return.

**Explanation of How Award is Computed:** **Entitlement** Yes **Discretionary** No

Each qualifying caregiver is limited to no more than $500 of the tax credit amount of their tax liability.

**Program Cap:** Cumulative $ _____ (remainder of cumulative cap) $ _____ Annual $ _____ None x

**Cap Shared Between Programs** No **Which Program(s)?** _____

**Explanation of Cap:**

Each qualifying caregiver is limited to no more than $500 of the tax credit amount of their tax liability.

**Sunset Provision:** No Date of Sunset _____ Date of Last Sunset Extension _____

**Explanation of Expiration of Authority:**

While there is no program cap, the eligibility requirements for the program self-limit the amount of the tax credits provided. Each qualifying caregiver is limited to no more than $500 of tax credit, or no more than their tax liability, whichever is lower.

**Specific Provisions:** (if applicable)

Carry forward n/a Carry Back n/a Refundable No Apportioned No Appropriated No

Sellable/Assignable No Organizations Remit an Offset No Additional Federal Deductions/Credits Available No

**Comments on Specific Provisions:**

Certificates issued equal the number of Shared Care registered caregivers (potential tax credit claimants). The amount authorized is equal to the caregivers multiplied by the maximum per person credit amount of $500. The amount redeemed is the total tax credit claimed.

**Legislative / General Assembly Action(s) During Prior Five Years:**

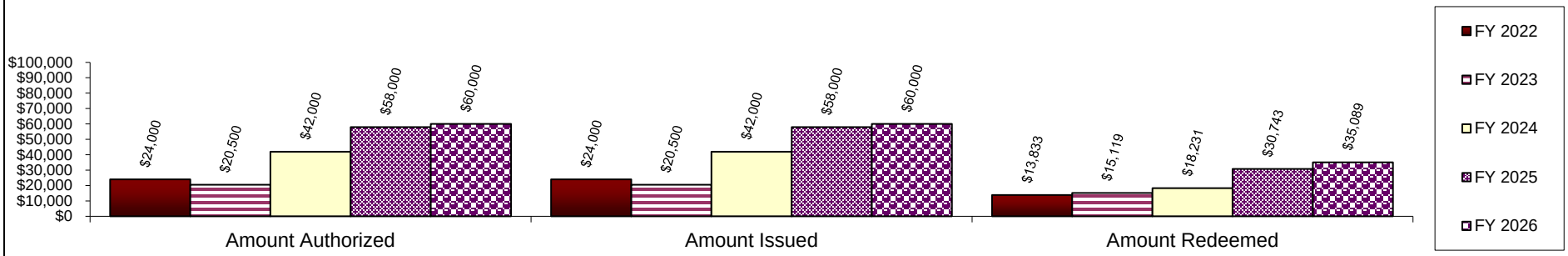
| | FY 2022 ACTUAL | FY 2023 ACTUAL | FY 2024 ACTUAL | FY 2025 (year to date) | FY 2025 (Full Year) | FY 2026 (Budget Year) |
|---|---|---|---|---|---|---|
| Certificates Issued (#) | 48 | 41 | 84 | *17* | 116 | 120 |
| Projects/Participants (#) | 0 | 0 | 0 | *0* | 0 | 0 |
| Amount Authorized | $24,000 | $20,500 | $42,000 | *$18,000* | $58,000 | $60,000 |
| Amount Issued | $24,000 | $20,500 | $42,000 | *$18,000* | $58,000 | $60,000 |
| Amount Redeemed | $13,833 | $15,119 | $18,231 | *$11,594* | $30,743 | $35,089 |

| | | | |
|---|---|---|---|
| FY 2024 EST. Amount Outstanding | $23,769 | FY 2024 EST. Amount Authorized but Unissued | $0 |

# TAX CREDIT ANALYSIS

**Program Name:** Shared Care Tax Credit

## HISTORICAL AND PROJECTED INFORMATION




**Comments on Historical and Projected Information:**

## BENEFIT: COST ANALYSIS (includes only state revenue impacts)

| | FY 2024 ACTIVITY | Other Fiscal Period (indicated time period) |
|---|---|---|
| **BENEFITS** | | |
| Direct Fiscal Benefits | Not Applicable | Not Applicable |
| Indirect Fiscal Benefits | $104,185 | Not Applicable |
| **Total** | $104,185 | $0 |
| **COSTS** | | |
| Direct Fiscal Costs | $25,181 | Not Applicable |
| Indirect Fiscal Costs | Not Applicable | Not Applicable |
| **Total** | $25,181 | $0 |
| **BENEFIT: COST** | **79,004** | |

**Derivation of Benefits:**
Individuals claiming this tax credit are providing care for elderly persons who are not receiving state funded services. Without this private caregiver support, these elderly persons may need services such as personal care, homemaker, and respite care funded in part through Medicaid, Social Service Block Grant, or General Revenue. The indirect fiscal benefits are calculated based on the estimated number of elderly persons claiming the credit who are potentially Medicaid eligible, multiplied by the average cost of care for elderly persons receiving care through DHSS (84 total claimants x 21.49 [percent of persons over age 60 in Missouri] X $5,771.51 [FY 2024 GR average cost of care] = $104,185).

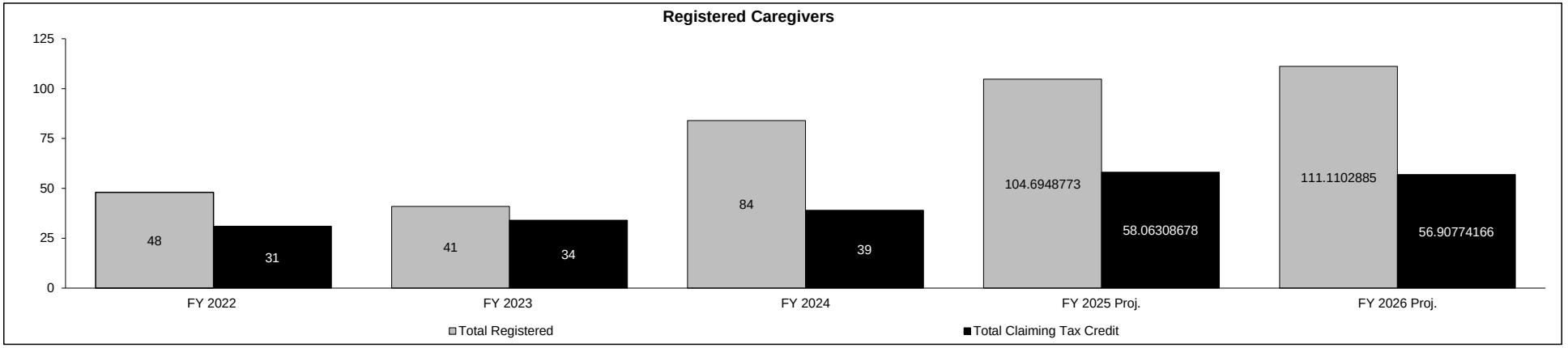
Direct Costs Footnote: Direct costs include the dollar value of tax credits redeemed ($18,231) as well as the General Revenue cost for personnel ($6,950) who respond to inquiries and register/confirm individuals within the program ($18,231 + $6,950 = $25,181).

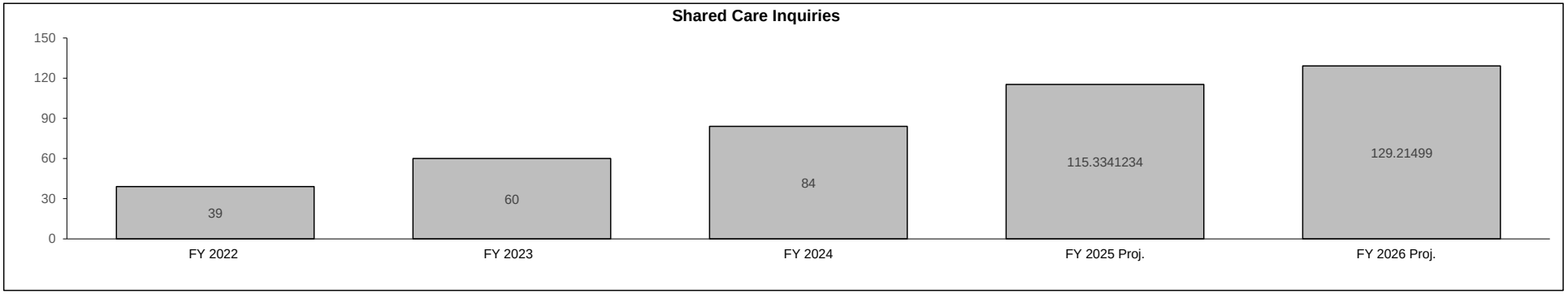
**Other Benefits:**

# TAX CREDIT ANALYSIS

**Program Name:** Shared Care Tax Credit

**PERFORMANCE MEASURE(S)**




**Comments on Performance Measure:**
The FY 2024 increase of certificates issued is due to the increased awareness of the tax credit opportunity.
YTD (year-to-date) is as of August 20, 2024.

# TAX CREDIT ANALYSIS

**Program Name:** Wood Energy

**Department:** Natural Resources | **Contact Name & No.:** Nora Maxwell (573) 526-0851 | **Date:** January 2025

**Program Category:** Environmental | **Type:** Tax Credit | Other: N/A

**Statutory Authority:** 135.300-135.311 | **Applicable Taxes:** Tax credit on taxes otherwise due under Chapter 143 RSMo, except Sections 143.191 to 143.261 (withholding of tax).

**Tax Credit Creation Date:** 1985 | **Year of Last Legislative Change:** 2022

**Program Description and Eligibility Requirements:**

A Missouri wood energy producer (any person, firm or corporation that engages in the business of producing processed wood pro ducts from Missouri forest industry residue to be used as an energy source) is eligible for a tax credit on taxes otherwise due. Reenacted in 1996 by the 88th General Assembly, the credit applied to all tax periods beginning on or af ter January 1, 1997 and before June 30, 2013. SB 729 (2014 legislative session) extended this credit through June 30, 2020 with an annual cap of $6 million, subject to appropriations. Statutory au thority for the authorization of credits was reinstated and extended to June 30, 2028 (HB 3, First Extraordinary Session, 2022). The credit can only be used against the income tax otherwise due and is not available for use against withholding tax liabilities.

**Explanation of How Award is Computed:** **Entitlement** No **Discretionary** Yes

Credit of $5/ton for wood products from processed wood residue.
Credit of $5/ton for wood used in charcoal production. Wood usage is inferred at 4 tons of wood residue used per ton of wood char produced.

**Program Cap:** Cumulative $0 (remainder of cumulative cap) $0 Annual $6,000,000 None ____

**Cap Shared Between Programs** No **Which Program(s)?** not applicable

**Explanation of cap:** Effective August 28, 2014, there is an annual cap of $6 million, subject to appropriations.

**Sunset Provision:** Yes Date of Sunset June, 2028 Date of Last Sunset Extension 2022

**Explanation of Expiration of Authority:** HB 3 from the First Extraordinary Session (2022) extended the sunset of the Wood Energy Tax Credit from June 30, 2020**,** to June 30, 2028.

**Specific Provisions:** (if applicable)

Carry forward 4 years | Carry Back n/a | Refundable No | Apportioned Yes | Appropriated Yes

Sellable/Assignable Yes | Organizations Remit an Offset No | Additional Federal Deductions/Credits Available No

**Comments on Specific Provisions:** The Wood Energy tax credit is assignable but not sellable.

**Legislative / General Assembly Action(s) During Prior Five Years:**

Statutory authority for the authorization of credits was reinstated and extended to June 30, 2028 (HB 3, First Extraordinary Session, 2022).

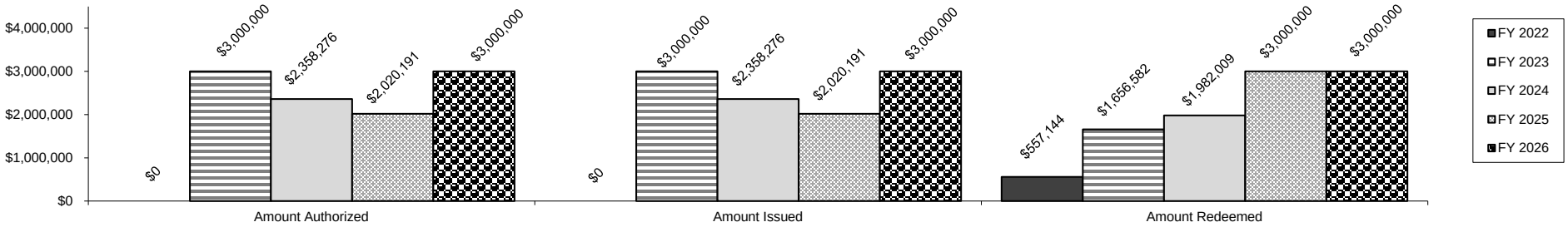
| | FY 2022 ACTUAL | FY 2023 ACTUAL | FY 2024 ACTUAL | FY 2025 (year to date) | FY 2025 (Full Year) | FY 2026 (Budget Year) |
|---|---|---|---|---|---|---|
| Certificates Issued (#) | 0 | 0 | *7* | *0* | 6 | 6 |
| Projects/Participants (#) | 0 | 0 | *7* | *0* | 6 | 6 |
| Amount Authorized | $0 | $3,000,000 | *$2,358,276* | *$2,020,191* | $2,020,191 | $3,000,000 |
| Amount Issued | $0 | $3,000,000 | *$2,358,276* | *$2,020,191* | $2,020,191 | $3,000,000 |
| Amount Redeemed | $557,144 | $1,656,582 | *$1,982,009* | *$162,513* | $3,000,000 | $3,000,000 |

FY 2024 EST. Amount Outstanding $2,434,373 | FY 2024 EST. Amount Authorized but Unissued $0

# TAX CREDIT ANALYSIS

**Program Name:** Wood Energy

**HISTORICAL AND PROJECTED INFORMATION**




**Comments on Historical and Projected Information:** (1) Credits issued are based on amount of credits processed and forwarded to the Department of Revenue (DOR) during a fiscal year. It is assumed that all credits authorized by the department are issued by DOR immediately upon receipt of our authorization. (2) Actual redeemed credit information was provided by DOR. (3) FY 2025 and FY 2026 are projections.

**BENEFIT: COST ANALYSIS (includes only state revenue impacts)**

| | FY 2024 ACTIVITY | Other Fiscal Period (5 Year) |
|---|---|---|
| **BENEFITS** | | |
| Direct Fiscal Benefits | $251,585 | $304,383 |
| Indirect Fiscal Benefits | $285,464 | $345,372 |
| **Total** | $537,048 | $649,755 |
| **COSTS** | | |
| Direct Fiscal Costs | $1,179,138 | $2,300,223 |
| Indirect Fiscal Costs | | |
| **Total** | $1,179,138 | $2,300,223 |
| **BENEFIT: COST** | **0.46** | **0.28** |

**Derivation of Benefits:**
Investment: (a) N/A.
Employment: (a) N/A
Other Assumptions: (a) Estimated Wood Product industry sales of $21,157,037 in 2024 based on163,486 tons of fuel charcoal, sawdust, flour and pellets.
Incentives/Credits: (a) $2,358,276 in Wood Energy tax credits over years 2024-2028
Impacts occur Statewide. All Values in Constant Dollars. Assumptions provided by DED. Estimated using REMI.

**Other Benefits:**

**In FY 2024, every dollar of authorized program tax credits returns:**
$9.47 in new personal income totaling $11.16 million
$11.12 in new value-added/GSP totaling $13.12 million
$21.94 in new economic output totaling $25.87 million

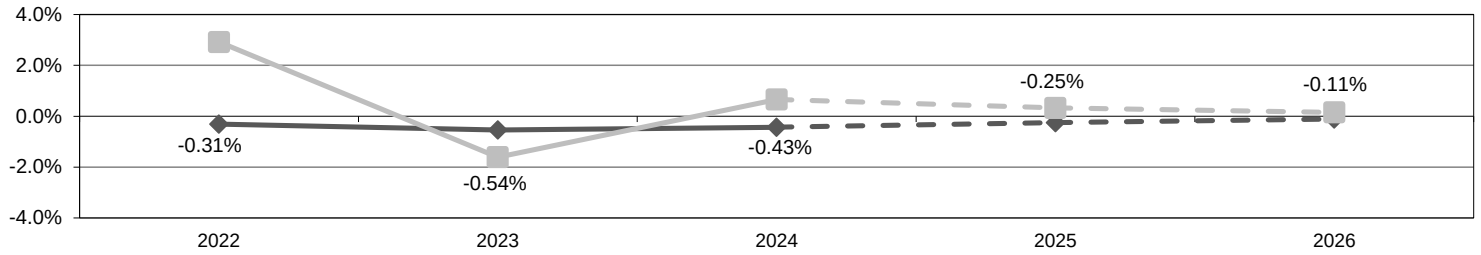
**Over 5 YEARS, every dollar of authorized program tax credits returns:**
$6.20 in new personal income totaling $14.27 million
$5.95 in new value-added/GSP totaling $13.69 million
$11.64 in new economic output totaling $26.76 million

# TAX CREDIT ANALYSIS

**Program Name:** Wood Energy

**PERFORMANCE MEASURE(S)**

**Change in Jobs in Missouri Forestry Industry Compared to National Forest Industry Trend**




| Missouri Forestry Jobs | |
|---|---|
| 2022 | 7,402 |
| 2023 | 7,362 |
| 2024 | 7,330 |
| 2025 | 7,312 |
| 2026 | 7,304 |

Source: Bureau of Labor Statistics, Quarterly Census of Employment and Wages and Lightcast Industry Snapshot.

**Tax Credits**

| | 2022 Actual | | 2023 Actual | | 2024 Actual | | 2025 Planned | | 2026 Planned |
|---|---|---|---|---|---|---|---|---|---|
| **Applicants** | 0 | | 5 | | 7 | | 6 | | 6 |
| **Amount** | $0 | | $3,000,000 | | $2,358,276 | | $2,020,191 | | $3,000,000 |
| **Residue Used (tons)** | 0 | | 606,269 | | 472,590 | | 525,000 | | 575,000 |

# TAX CREDIT ANALYSIS

| | | | | | |
|---|---|---|---|---|---|
| **Program Name:** | Special Needs Adoption Tax Credit (Refundable Adoption Tax Credit - Credits authorized for tax years 2024 and after) | | | | |
| **Department:** Revenue | | **Contact Name & No.:** | Josh Shewmaker (751-2723) | **Date:** | January 2025 |
| **Program Category:** | Domestic and Social | **Type:** | Tax Credit | Other: | |
| **Statutory Authority:** | Section 135.325 - 135.339, RSMo | **Applicable Taxes:** | Chapter 143 RSMo | | |
| **Tax Credit Creation Date:** | 1997 | **Year of Last Legislative Change:** | 2023 | | |

**Program Description and Eligibility Requirements:**

From March 20, 2013, through January 1, 2022, the tax credits shall only be allocated for the adoption of special needs children who are residents or wards of this state at the time the adoption is initiated. Any business entity providing funds to an employee to enable that employee to proceed in good faith with the adoption of a special needs child shall be eligible to receive a tax credit for nonrecurring adoption expenses for each child, except that only one credit is available for each special needs child adopted.

Any person residing in this state who proceeds in good faith with the adoption of a child on or after January 1, 2022, regardless of whether such child is a special needs child, shall be eligible to receive a tax credit for nonrecurring adoption expenses for each child that may be applied to taxes due under chapter 143. The tax credit shall be allowed regardless of whether the child adopted is a resident or ward of a resident of this state at the time the adoption is initiated; however, for all fiscal years ending on or before June 30, 2024, priority shall be given to applications to claim the tax credit for special needs children who are residents or wards of residents of this state at the time the adoption is initiated. Any business entity providing funds to an employee to enable that employee to proceed in good faith with the adoption of a child shall be eligible to receive a tax credit for nonrecurring adoption expenses for each child that may be applied to taxes due under such business entity's state tax liability; except that, only one credit shall be available for each child who is adopted.

**Explanation of How Award is Computed:** **Entitlement** Yes **Discretionary** No

Individuals and businesses may claim a tax credit for the total nonrecurring adoption expense in each fiscal year that expenses are incurred. A claim for 50 percent of the credit is allowed when the child is placed in the home. A claim for the remaining 50 percent is allowed when the adoption is final. The total of the credits shall not exceed $10,000 per child. Beginning on or after January 1, 2024, the total tax credits allowed per child shall be adjusted annually for increases in cost-of-living, if any, based on the preceding July over the level of July of the immediately preceding year of the Consumer Price Index for All Urban Consumers.

**Program Cap:** Cumulative $ _____ (remainder of cumulative cap) $ _____ Annual $ 6,000,000 None _____

**Cap Shared Between Programs** No **Which Program(s)?** _____

**Explanation of Cap:**

The cumulative amount of tax credits that may be claimed by taxpayers claiming the credit for nonrecurring adoption expenses shall not exceed $6,000,000 in any fiscal year beginning on July 1, 2021 and ending June 30, 2024. For all fiscal years beginning on or after July 1, 2024, there shall be no limit imposed on the cumulative amount of tax credits that may be claimed by taxpayers claiming the credit for nonrecurring adoption expenses.

**Sunset Provision:** No Date of Sunset None Date of Last Sunset Extension None

**Explanation of Expiration of Authority:**

Sections 135.325-135.339, RSMo, does not enact the provisions of the Missouri Sunset Act

**Specific Provisions:** (if applicable)

Carry forward 4 years Carry Back n/a Refundable No Apportioned No Appropriated No

Sellable/Assignable Yes Organizations Remit an Offset No Additional Federal Deductions/Credits Available Yes

**Comments on Specific Provisions:**

For tax years beginning on or before December 31, 2023, any amount of tax credit which exceeds the tax due may be carried forward to any subsequent tax years, not to exceed a total of 5 years for which the credit may be taken. For all tax years beginning on or after January 1, 2024, any amount of tax credit that is issued and which exceeds the tax due shall be refunded to the taxpayer; however, any tax credits carried forward from tax years beginning on or before December 31, 2023, shall not be refundable.

# TAX CREDIT ANALYSIS

**Program Name:** Special Needs Adoption Tax Credit (Refundable Adoption Tax Credit - Credits authorized for tax years 2024 and after)

**Legislative / General Assembly Action(s) During Prior Five Years:**

A.L. 2021 H.B. 429 (merged with H.B. 430); Section 135.326 RSMo, definitions were modified to define child, replace "handicap" with "disabled", modify the definition of "special needs child". Section 135.327, 3. RSMo, regardless of if the child is special needs, a person who is a resident of this state and proceeds in good faith with the adoption of a child on or after January 1, 2022 may receive a tax credit for nonrecurring adoption expenses. However, priority is to be given to applications to claim the tax credit for special needs children who are a resident or ward of residents in this state at the time the adoption was initiated. Section 135.327, 4. RSMo, as of July 1, 2021, the fiscal year cap was increased from $2 million to $6 million.

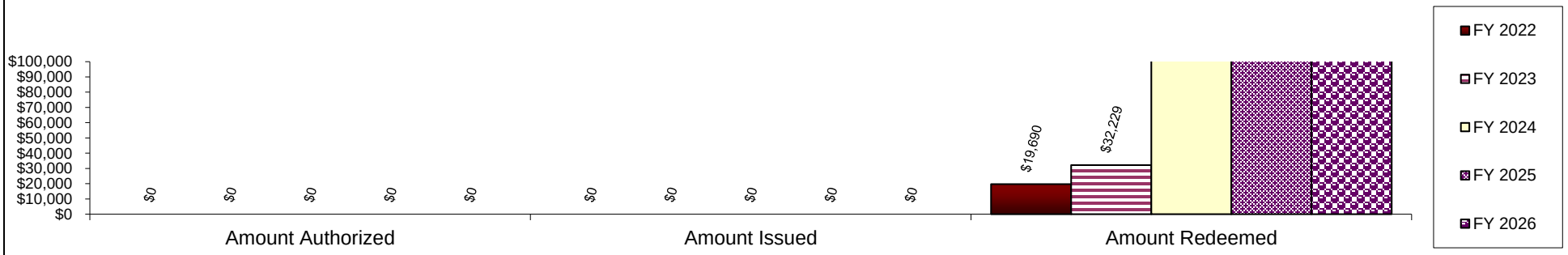
A.L. 2023 S.B. 24; Legislation ended the need for prioritization for fiscal years ending on or before June 30, 2024 (Section 135.327, 3., RSMo), as the fiscal year cap was removed for all fiscal years beginning on or after July 1, 2024 (Section 135.327,4., RSMo). For all tax years beginning on or after January 1, 2024, the total tax credit allowed per child of $10,000, is to be adjusted annually for increases in cost-of-living, based on the Consumer Price Index for All Urban Consumers, as of the preceding July over the level of the July of the immediately preceding year (Section 135.327, 4., RSMo). For all tax years beginning on or after January 1, 2024, any amount of the credit that exceeds the tax due may be refunded; however, any tax credit carried forward from tax years beginning on or before December 31, 2023 shall not be refunded, but may be carried forward, not to exceed a total of 5 years for which the credit may be taken.

| | FY 2022 ACTUAL | FY 2023 ACTUAL | FY 2024 ACTUAL | FY 2025 (year to date) | FY 2025 (Full Year) | FY 2026 (Budget Year) |
|---|---|---|---|---|---|---|
| Certificates Issued (#) | 0 | 0 | 0 | *0* | 0 | 0 |
| Projects/Participants (#) | 3 | 10 | 63 | *0* | 100 | 100 |
| Amount Authorized | $0 | $0 | $0 | *$0* | $0 | $0 |
| Amount Issued | $0 | $0 | $0 | *$0* | $0 | $0 |
| Amount Redeemed | $19,690 | $32,229 | $260,448 | *$0* | $500,000 | $500,000 |

FY 2024 EST. Amount Outstanding $264,596

FY 2024 EST. Amount Authorized but Unissued $0 as of 9/16/2024

## HISTORICAL AND PROJECTED INFORMATION




**Comments on Historical and Projected Information:**

## BENEFIT: COST ANALYSIS (includes only state revenue impacts)

| | FY 2024 ACTIVITY | Other Fiscal Period (indicated time period) |
|---|---|---|
| **BENEFITS** | | |
| Direct Fiscal Benefits | $0 | |
| Indirect Fiscal Benefits | $9,073 | |
| **Total** | $9,073 | $0 |
| **COSTS** | | |
| Direct Fiscal Costs | $260,448 | |
| Indirect Fiscal Costs | | |
| **Total** | $260,448 | $0 |
| **BENEFIT: COST** | **0.03** | **#DIV/0!** |

**Derivation of Benefits:**

The Missouri Department of Revenue, with the assistance of the Missouri Department of Economic Development, used the Regional Economic Model, Inc. (REMI) to generate fiscal cost-benefit analysis for tax credit programs as required under Section 33.282, RSMo.

Other Assumptions:

- Reduction in personal income taxes of $260,448 in 2024.
- Incentives/Credits of $260,448 in Special Needs Adoption tax credits in 2024.
- Impacts occur statewide. All values in constant dollars
- Assumptions provided by DED.

**Other Benefits:**

# TAX CREDIT ANALYSIS

| | | | | | |
|---|---|---|---|---|---|
| **Program Name:** | Refundable Adoption Tax Credit (Credits authorized for tax years 2024 and after) | | | | |
| **Department:** | Revenue | **Contact Name & No.:** | Josh Shewmaker (751-2723) | **Date:** | January 2025 |
| **Program Category:** | Domestic and Social | **Type:** | Choose | Other: | |
| **Statutory Authority:** | Section 135.325 - 135.339, RSMo | **Applicable Taxes:** | Chapter 143 RSMo | | |
| **Tax Credit Creation Date:** | 1997 | **Year of Last Legislative Change:** | 2023 | | |

**Program Description and Eligibility Requirements:**

Any person residing in this state who proceeds in good faith with the adoption of a child, regardless of whether such child is a special needs child, shall be eligible to receive a tax credit for nonrecurring adoption expenses for each child that may be applied to taxes due under chapter 143. The tax credit shall be allowed regardless of whether the child adopted is a resident or ward of a resident of this state at the time the adoption is initiated. Any business entity providing funds to an employee to enable that employee to proceed in good faith with the adoption of a child shall be eligible to receive a tax credit for nonrecurring adoption expenses for each child that may be applied to taxes due under such business entity's state tax liability; except that, only one credit shall be available for each child who is adopted.

**Explanation of How Award is Computed:** **Entitlement** Yes **Discretionary** No

Individuals and businesses may claim a tax credit for the total nonrecurring adoption expense in each year that expenses are incurred. A claim for 50 percent of the credit is allowed when the child is placed in the home. A claim for the remaining 50 percent is allowed when the adoption is final. The total of the credits shall not exceed $10,000 per child. Beginning on or after January 1, 2024, the total tax credits allowed per child shall be adjusted annually for increases in cost-of-living, if any, based on the preceding July over the level of July of the immediately preceding year of the Consumer Price Index for All Urban.

**Program Cap:** Cumulative $ _____ (remainder of cumulative cap) $ _____ Annual $ _____ None X

**Cap Shared Between Programs** No **Which Program(s)?** _____

**Explanation of Cap:**

For all fiscal years beginning on or after July 1, 2024, there shall be no limit imposed on the cumulative amount of tax credits that may be claimed by taxpayers claiming the credit for nonrecurring adoption expenses.

**Sunset Provision:** No Date of Sunset None Date of Last Sunset Extension None

**Explanation of Expiration of Authority:**

Sections 135.325-135.339, RSMo, does not enact the provisions of the Missouri Sunset Act

**Specific Provisions:** (if applicable)

Carry forward n/a Carry Back n/a Refundable Yes Apportioned No Appropriated No

Sellable/Assignable Yes Organizations Remit an Offset No Additional Federal Deductions/Credits Available Yes

**Comments on Specific Provisions:**

For all tax years beginning on or after January 1, 2024, any amount of tax credit that is issued and which exceeds the tax due shall be refunded to the taxpayer; however, any tax credits carried forward from tax years beginning on or before December 31, 2023, shall not be refundable.

**Legislative / General Assembly Action(s) During Prior Five Years:**

A.L. 2023 S.B. 24; Legislation ended the need for prioritization for fiscal years ending on or before June 30, 2024 (Section 135.327, 3., RSMo), as the fiscal year cap was removed for all fiscal years beginning on or after July 1, 2024 (Section 135.327,4., RSMo). For all tax years beginning on or after January 1, 2024, the total tax credit allowed per child of $10,000, is to be adjusted annually for increases in cost-of-living, based on the Consumer Price Index for All Urban Consumers, as of the preceding July over the level of the July of the immediately preceding year (Section 135.327, 4., RSMo). For all tax years beginning on or after January 1, 2024, any amount of the credit that exceeds the tax due may be refunded; however, any tax credit carried forward from tax years beginning on or before December 31, 2023 shall not be refunded, but may be carried forward, not to exceed a total of 5 years for which the credit may be taken.

| | FY 2022 ACTUAL | FY 2023 ACTUAL | FY 2024 ACTUAL | FY 2025 (year to date) | FY 2025 (Full Year) | FY 2026 (Budget Year) |
|---|---|---|---|---|---|---|
| Certificates Issued (#) | 0 | 0 | 0 | *0* | 0 | 0 |
| Projects/Participants (#) | 0 | 0 | 0 | *0* | 100 | 100 |
| Amount Authorized | $0 | $0 | $0 | *$0* | $0 | $0 |
| Amount Issued | $0 | $0 | $0 | *$0* | $0 | $0 |
| Amount Redeemed | $0 | $0 | $0 | *$0* | $500,000 | $500,000 |

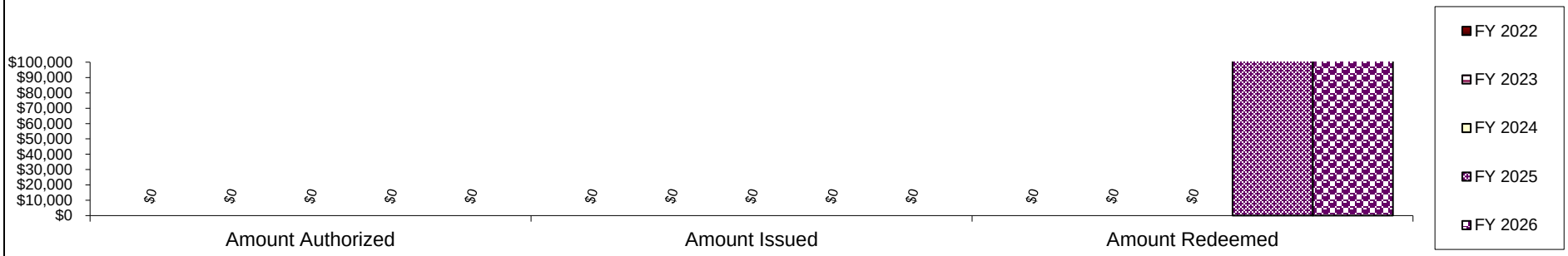
FY 2024 EST. Amount Outstanding $0 FY 2024 EST. Amount Authorized but Unissued $0 as of 12/31/2024

FY22 and FY23 above reflect zeros, as the Refundable Adoption Tax Credit became effective on January 1, 2024. For credits authorized prior to this date, see the accountability report for special needs adoption tax credit.

# TAX CREDIT ANALYSIS

**Program Name:** Refundable Adoption Tax Credit (Credits authorized for tax years 2024 and after)

**HISTORICAL AND PROJECTED INFORMATION**




**Comments on Historical and Projected Information:**

**BENEFIT: COST ANALYSIS (includes only state revenue impacts)**

| | FY 2024 ACTIVITY | Other Fiscal Period (indicated time period) |
|---|---|---|
| **BENEFITS** | | |
| Direct Fiscal Benefits | $0 | |
| Indirect Fiscal Benefits | $9,073 | |
| **Total** | $9,073 | $0 |
| **COSTS** | | |
| Direct Fiscal Costs | $260,448 | |
| Indirect Fiscal Costs | | |
| **Total** | $260,448 | $0 |
| **BENEFIT: COST** | **0.03** | **#DIV/0!** |

**Derivation of Benefits:**
The Missouri Department of Revenue, with the assistance of the Missouri Department of Economic Development, used the Regional Economic Model, Inc. (REMI) to generate fiscal cost-benefit analysis for tax credit programs as required under Section 33.282, RSMo.
Other Assumptions:
- Reduction in personal income taxes of $260,448 in 2024.
- Incentives/Credits of $260,448 in Special Needs Adoption tax credits in 2024.
- Impacts occur statewide. All values in constant dollars
- Assumptions provided by DED.

**Other Benefits:**

# TAX CREDIT ANALYSIS

| | | | | | |
|---|---|---|---|---|---|
| **Program Name:** | Bank Franchise Tax | | | | |
| **Department:** | Revenue | **Contact Name & No.:** | Josh Shewmaker (526-2723) | **Date:** | January 2025 |
| **Program Category:** | Financial and Insurance | **Type:** | Tax Credit | Other: N/A | |
| **Statutory Authority:** | Section 148.064. RSMo | **Applicable Taxes:** | Chapter 143 and 148 RSMo | | |
| **Tax Credit Creation Date:** | 2001 | **Year of Last Legislative Change:** | 2019 | | |

**Program Description and Eligibility Requirements:**
A banking institution shall be entitled to an annual tax credit equal to 1/60th of 1 percent of its outstanding shares and surplus employed in this state if the outstanding shares and surplus exceed $1 million, as determined in Section 147.010 RSMo. For all tax years beginning on or after January 1, 2020, no tax credit shall be authorized under this subsection.

**Explanation of How Award is Computed:** **Entitlement** Yes **Discretionary** No

This tax credit is taken as a dollar-for-dollar credit against the bank tax provided for in Section 148.030.2(2), RSMo, if such tax was already reduced to zero by other credits, than the remaining credit may be taken against the corporation income tax provided for in Chapter 143, RSMo. Section 148.030.2(2), RSMo, indicates how the tax credit shall be taken: "The amount determined under this subdivision shall be 7 percent of the taxpayer's net income for the income period from which product shall be subtracted the sum of the amount determined under subdivision 1 of this section and the credits allowable under subsection 3 of this section. However, the amount determined under this subdivision shall not be less than zero."

**Program Cap:** Cumulative $ _____ (remainder of cumulative cap) $ _____ Annual $ _____ None X

**Cap Shared Between Programs** No **Which Program(s)?** N/A

**Explanation of Cap:**
None

**Sunset Provision:** No Date of Sunset None Date of Last Sunset Extension None

**Explanation of Expiration of Authority:**
Sunset provisions were not specifically invoked, however, A.L. 2019, S.B. 174 specifies, "For all tax years beginning on or after January 1, 2020, no tax credit shall be authorized under this subsection."

**Specific Provisions:** (if applicable)

Carry forward n/a Carry Back n/a Refundable No Apportioned No Appropriated No

Sellable/Assignable Yes Organizations Remit an Offset No Additional Federal Deductions/Credits Available No

**Comments on Specific Provisions:**

There were no redemptions of this credit in FY2024.

**Legislative / General Assembly Action(s) During Prior Five Years:**

A.L. 2019 S.B. 174; no additional tax credits shall be authorized under this subsection starting January 1, 2020. However, taxpayers can file prior year returns for tax period in which credits were previously approved.

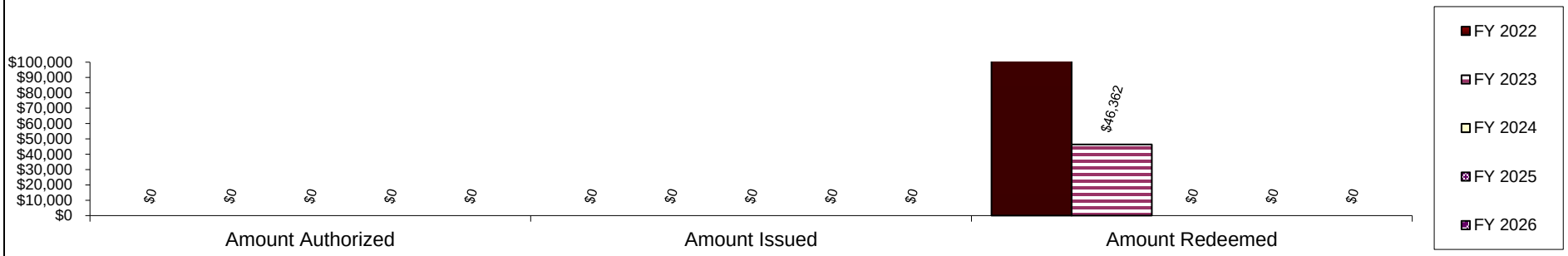
| | FY 2022 ACTUAL | FY 2023 ACTUAL | FY 2024 ACTUAL | FY 2025 (year to date) | FY 2025 (Full Year) | FY 2026 (Budget Year) |
|---|---|---|---|---|---|---|
| Certificates Issued (#) | 0 | 0 | 0 | *0* | 0 | 0 |
| Projects/Participants (#) | 10 | 3 | 0 | *0* | 0 | 0 |
| Amount Authorized | $0 | $0 | $0 | *$0* | $0 | $0 |
| Amount Issued | $0 | $0 | $0 | *$0* | $0 | $0 |
| Amount Redeemed | $1,803,178 | $46,362 | $0 | *$0* | $0 | $0 |

| | | | |
|---|---|---|---|
| FY 2024 EST. Amount Outstanding | $ 0 as of 12/31/2024 | FY 2024 EST. Amount Authorized but Unissued | $ 0 as of 12/31/2024 |

# TAX CREDIT ANALYSIS

**Program Name:** Bank Franchise Tax

## HISTORICAL AND PROJECTED INFORMATION




**Comments on Historical and Projected Information:**

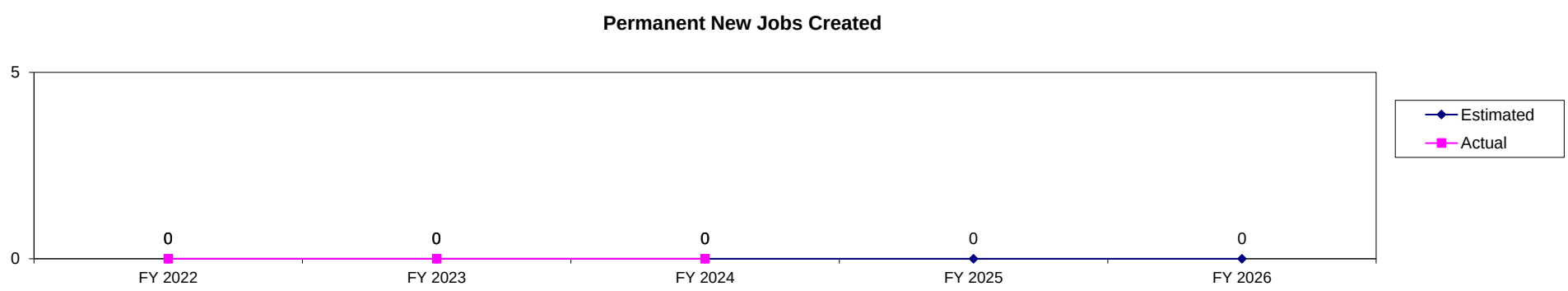
## BENEFIT: COST ANALYSIS (includes only state revenue impacts)

| | FY 2024 ACTIVITY | Other Fiscal Period (indicated time period) |
|---|---|---|
| **BENEFITS** | | |
| Direct Fiscal Benefits | | |
| Indirect Fiscal Benefits | | |
| **Total** | $0 | $0 |
| **COSTS** | | |
| Direct Fiscal Costs | | |
| Indirect Fiscal Costs | | |
| **Total** | $0 | $0 |
| **BENEFIT: COST** | **#DIV/0!** | **#DIV/0!** |

**Derivation of Benefits:**
No new authorizations or redemptions in FY2024.

**Other Benefits:**

## PERFORMANCE MEASURE(S)




**Comments on Performance Measure:**

# TAX CREDIT ANALYSIS

| | | | | | |
|---|---|---|---|---|---|
| **Program Name:** | Bank Tax Credit for S Corporation Shareholders | | | | |
| **Department:** | Revenue | **Contact Name & No.:** | Josh Shewmaker (526-2723) | **Date:** | January 2025 |
| **Program Category:** | Financial and Insurance | **Type:** | Tax Credit | Other: | |
| **Statutory Authority:** | Section 143.471, RSMo | **Applicable Taxes:** | Section 148 Financial Institutions | | |
| **Tax Credit Creation Date:** | 1999 | **Year of Last Legislative Change:** | 2018 | | |

**Program Description and Eligibility Requirements:**
The credit authorized in Section 143.471, RSMo, is given only to shareholders that qualify as S corporation shareholders, if the stock at all times during the taxable period qualifies as S corporation stock as defined in 26 U.S.C. Section 1361, and such stock is held by the stockholder during the taxable period. A pro rata share of the tax credit for the tax payable pursuant to Chapter 148, RSMo, shall be allowed against each corporation shareholder's state income tax, if the bank otherwise complies with Section 148.112, RSMo.

**Explanation of How Award is Computed:** **Entitlement** Yes **Discretionary** No
The credit allowed by Section 143.471 RSMo, shall be equal to the bank tax calculated pursuant to Chapter 148, RSMo, based on bank income in 1999 and after, on a bank that makes an election pursuant to 26 U.S.C. Section 1362, and such credit shall be allocated to the qualifying shareholder according to the stock ownership, determined by multiplying a fraction where the numerator is the shareholder's stock and the denominator is the total stock issued by such bank or bank holding company

**Program Cap:** Cumulative $ _____ (remainder of cumulative cap) $ _____ Annual $ _____ None X

**Cap Shared Between Programs** No **Which Program(s)?** N/A

**Explanation of Cap:**
None

**Sunset Provision:** No Date of Sunset None Date of Last Sunset Extension N/A

**Explanation of Expiration of Authority:**
There are no sunset provisions pursuant to Section 143.471, RSMo.

**Specific Provisions:** (if applicable)

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Carry forward | 5 years | Carry Back | n/a | Refundable | No | Apportioned | No | Appropriated | No |
| Sellable/Assignable | No | Organizations Remit an Offset | No | Additional Federal Deductions/Credits Available | Yes | | | | |

**Comments on Specific Provisions:**
Section 143.471,10,(3) RSMo. The tax credit may be carried forward for a period of the lesser of five years or until used, provided such credits are used as soon as the taxpayer has Missouri taxable income.

**Legislative / General Assembly Action(s) During Prior Five Years:**
None

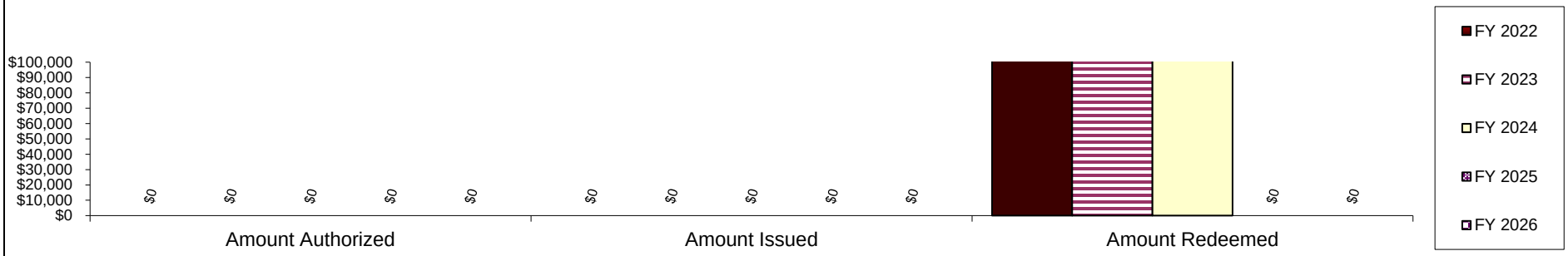
| | FY 2022 ACTUAL | FY 2023 ACTUAL | FY 2024 ACTUAL | FY 2025 (year to date) | FY 2025 (Full Year) | FY 2026 (Budget Year) |
|---|---|---|---|---|---|---|
| Certificates Issued (#) | 0 | 0 | 0 | *0* | 0 | 0 |
| Projects/Participants (#) | 698 | 612 | 624 | *321* | 0 | 0 |
| Amount Authorized | $0 | $0 | $0 | *$0* | $0 | $0 |
| Amount Issued | $0 | $0 | $0 | *$0* | $0 | $0 |
| Amount Redeemed | $11,734,877 | $1,208,213 | $2,438,253 | *$999,138* | $0 | $0 |

| | | | |
|---|---|---|---|
| FY 2024 EST. Amount Outstanding | $3,258,201 | FY 2024 EST. Amount Authorized but Unissued | $0 as of 12/31/2024 |

# TAX CREDIT ANALYSIS

**Program Name:** Bank Tax Credit for S Corporation Shareholders

## HISTORICAL AND PROJECTED INFORMATION




**Comments on Historical and Projected Information:**

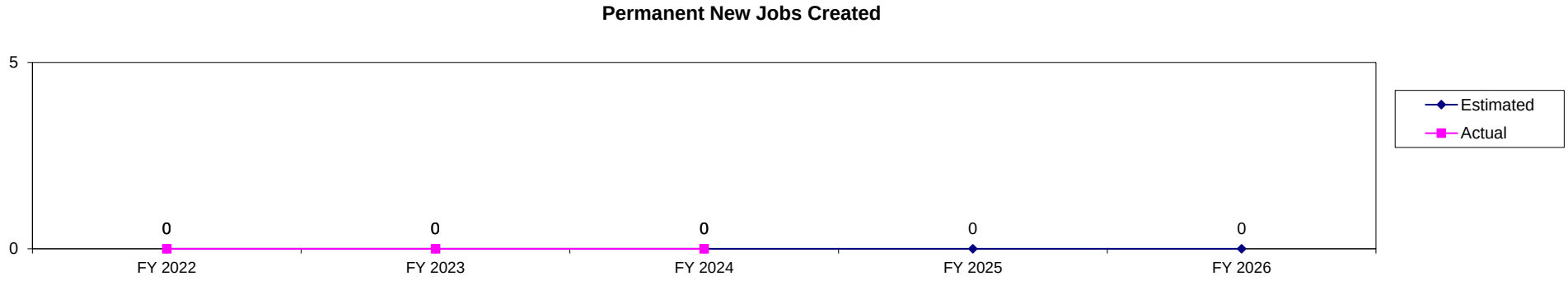
## BENEFIT: COST ANALYSIS (includes only state revenue impacts)

| | FY 2024 ACTIVITY | Other Fiscal Period (indicated time period) |
|---|---|---|
| **BENEFITS** | | |
| Direct Fiscal Benefits | $0 | |
| Indirect Fiscal Benefits | $84,935 | |
| **Total** | $84,935 | $0 |
| **COSTS** | | |
| Direct Fiscal Costs | $2,438,253 | |
| Indirect Fiscal Costs | | |
| **Total** | $2,438,253 | $0 |
| **BENEFIT: COST** | **0.03** | **#DIV/0!** |

**Derivation of Benefits:**
The Department of Revenue, with the assistance of the Missouri Department of Economic Development, used the Regional Economic Model, Inc. (REMI) to generate fiscal cost-benefit analysis for the tax credit programs as required by Section 33.282, RSMo.
Other Assumptions:
- Reduction in personal income taxes of $2,438,253 in 2024
- Incentive/Credits of $2,438,253 in S Corp Bank Shareholder tax credits in 2024
- Impacts occur statewide. All values in constant dollars
- Assumptions provided by DED

**Other Benefits:**

## PERFORMANCE MEASURE(S)




**Comments on Performance Measure:**

# TAX CREDIT ANALYSIS

| | | | | | |
|---|---|---|---|---|---|
| **Program Name:** | Biodiesel Producer Tax Credit | | | | |
| **Department:** | Revenue | **Contact Name & No.:** | Josh Shewmaker (526-2723) | **Date:** | January 2025 |
| **Program Category:** | Environmental | **Type:** | Tax Credit | Other: | |
| **Statutory Authority:** | Section 135.778 RSMO | **Applicable Taxes:** | Section chapter 143 RSMo, excluding tax imposed by sections 143.191 to 143.265 | | |
| **Tax Credit Creation Date:** | | **Year of Last Legislative Change:** | 2023 | | |

**Program Description and Eligibility Requirements:**
For all tax years beginning on or after January 1, 2023, a Missouri biodiesel producer shall be allowed a tax credit to be taken against the producer's state income tax liability. For any Missouri biodiesel producer with a tax year beginning prior to January 1, 2023, but ending during the 2023 calendar year, such Missouri biodiesel producer shall be allowed a tax credit for the amount of biodiesel fuel produced during the portion of such tax year that occurs during the 2023 calendar year.

**Explanation of How Award is Computed:** **Entitlement** Yes **Discretionary** No
The amount of the tax credit shall be two cents per gallon of biodiesel fuel produced by the Missouri biodiesel producer during the tax year for which the tax credit is claimed.

**Program Cap:** Cumulative $ _____ (remainder of cumulative cap) $ _____ Annual $ 5,500,000 None _____

**Cap Shared Between Programs** No **Which Program(s)?** None

**Explanation of Cap:**
The total amount of tax credits issued under this section for any given fiscal year shall not exceed five million five hundred thousand dollars, which shall be authorized on a first-come, first-served basis.

**Sunset Provision:** Yes Date of Sunset 31-Dec-28 Date of Last Sunset Extension _____

**Explanation of Expiration of Authority:**
This section shall automatically sunset on December 31, 2028, unless reauthorized by an act of the general assembly.

**Specific Provisions:** (if applicable)
Carry forward n/a Carry Back n/a Refundable Yes Apportioned No Appropriated No

Sellable/Assignable No Organizations Remit an Offset No Additional Federal Deductions/Credits Available No

**Comments on Specific Provisions:**

**Legislative / General Assembly Action(s) During Prior Five Years:**
A.L. 2023, H.B. 202 (merged with S.B. 138); Modified Section 135.778,2 RSMo to allow a tax credit for any Missouri biodiesel producer with a tax year beginning prior to January 1, 2023, but ending during the 2023 calendar year, for the amount of biodiesel fuel produced during the portion of such tax year that occurs during the 2023 calendar year.
Increased the annual fiscal year cap from $4 million to $5.5 million. Removed language requiring apportionment if the fiscal year cap was met. The credit is now issued on a first-come, first-serve basis. Removed language sharing any excess cap with the biodiesel retailer and distributor tax credit (Section 135.775, RSMo).

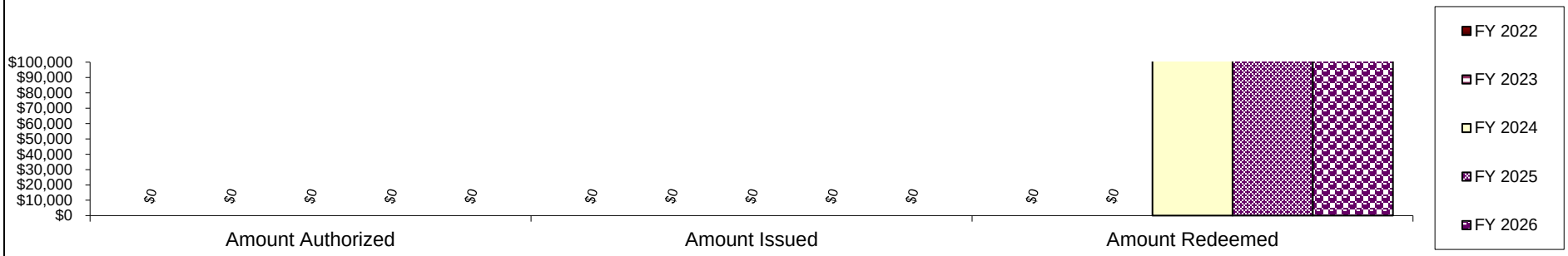
| | FY 2022 ACTUAL | FY 2023 ACTUAL | FY 2024 ACTUAL | FY 2025 (year to date) | FY 2025 (Full Year) | FY 2026 (Budget Year) |
|---|---|---|---|---|---|---|
| Certificates Issued (#) | 0 | 0 | 0 | *0* | 0 | 0 |
| Projects/Participants (#) | 0 | 0 | 2 | *0* | 5 | 5 |
| Amount Authorized | $0 | $0 | $0 | *$0* | $0 | $0 |
| Amount Issued | $0 | $0 | $0 | *$0* | $0 | $0 |
| Amount Redeemed | $0 | $0 | $2,265,248 | *$0* | $5,500,000 | $5,500,000 |

| | | | |
|---|---|---|---|
| FY 2024 EST. Amount Outstanding | $0 as of 12/31/2024 | FY 2024 EST. Amount Authorized but Unissued | $0 as of 12/31/2024 |

# TAX CREDIT ANALYSIS

**Program Name:** Biodiesel Producer Tax Credit

## HISTORICAL AND PROJECTED INFORMATION




**Comments on Historical and Projected Information:**

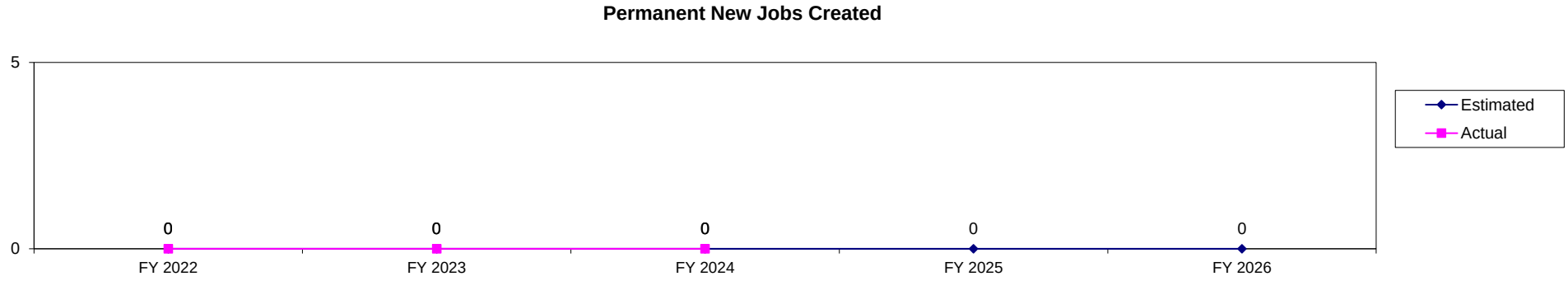
## BENEFIT: COST ANALYSIS (includes only state revenue impacts)

| | FY 2024 ACTIVITY | Other Fiscal Period (indicated time period) |
|---|---|---|
| **BENEFITS** | | |
| Direct Fiscal Benefits | $0 | |
| Indirect Fiscal Benefits | $104,309 | |
| **Total** | $104,309 | $0 |
| **COSTS** | | |
| Direct Fiscal Costs | $2,265,248 | |
| Indirect Fiscal Costs | $0 | |
| **Total** | $2,265,248 | $0 |
| **BENEFIT: COST** | **0.05** | **#DIV/0!** |

**Derivation of Benefits:**
Investment: (a) N/A
Employment: (a) N/A
Other Assumptions: (a) Reduction in production cost of $2,265,248 in 2024.
Incentives/Credits: (a) $2,265,248 in in 2024.
Impacts occur Statewide. All Values in Constant Dollars. Assumptions provided by DED. Estimated using REMI.

**Other Benefits:**

## PERFORMANCE MEASURE(S)




**Comments on Performance Measure:**

# TAX CREDIT ANALYSIS

| | | | | | |
|---|---|---|---|---|---|
| **Program Name:** | Biodiesel Retailer and Distributor Tax Credit | | | | |
| **Department:** | Revenue | **Contact Name & No.:** | Josh Shewmaker (526-2723) | **Date:** | January 2025 |
| **Program Category:** | Environmental | **Type:** | Choose | Other: | |
| **Statutory Authority:** | Section 135.775 RSMO | **Applicable Taxes:** | Section 143 RSMo, excluding tax imposed by sections 143.191 to 143.265 | | |
| **Tax Credit Creation Date:** | 2023 | **Year of Last Legislative Change:** | 2023 | | |

**Program Description and Eligibility Requirements:**
For all tax years beginning on or after January 1, 2023, a retail dealer that sells a biodiesel blend at a retail service station or a distributor that sells a biodiesel blend directly to the final user located in this state shall be allowed a tax credit to be taken against the retail dealer or distributor's state income tax liability. For any retail dealer or distributor with a tax year beginning prior to January 1, 2023, but ending during the 2023 calendar year, such retail dealer or distributor shall be allowed a tax credit for the amount of biodiesel blend sold during the portion of such tax year that occurs during the 2023 calendar year.

**Explanation of How Award is Computed:** **Entitlement** Yes **Discretionary** No
The amount of the credit shall be equal to:
(1) Two cents per gallon of biodiesel blend of at least five percent but not more than ten percent sold by the retail dealer at a retail service station or by a distributor directly to the final user located in this state during the tax year for which the tax credit is claimed; and
(2) Five cents per gallon of biodiesel blend in excess of ten percent but not more than twenty percent sold by the retail dealer at a retail service station or by a distributor directly to the final user located in this state during the tax year for which the tax credit is claimed.

**Program Cap:** Cumulative $ _____ (remainder of cumulative cap) $ _____ Annual $ 16,000,000 None _____

**Cap Shared Between Programs** No **Which Program(s)?** None

**Explanation of Cap:**
The total amount of tax credits issued under this section for any given fiscal year shall not exceed sixteen million dollars. In the event the total amount of tax credits claimed under this section exceeds the amount of available tax credits, the tax credits shall be apportioned among all eligible retail dealers and distributors claiming a tax credit by April fifteenth, or as directed by section 143.851, of the fiscal year in which the tax credit is claimed.

**Sunset Provision:** Yes Date of Sunset 31-Dec-28 Date of Last Sunset Extension _____

**Explanation of Expiration of Authority:**
This section shall automatically sunset on December 31, 2028, unless reauthorized by an act of the general assembly.
.

**Specific Provisions:** (if applicable)
Carry forward n/a Carry Back n/a Refundable Yes Apportioned Yes Appropriated No

Sellable/Assignable No Organizations Remit an Offset No Additional Federal Deductions/Credits Available No

**Comments on Specific Provisions:**

**Legislative / General Assembly Action(s) During Prior Five Years:**
A.L. 2023, H.B. 202 (merged with S.B. 138); Modified Section 135.775,2 RSMo to allow a tax credit for any retail dealer or distributor with a tax year beginning prior to January 1, 2023, but ending during the 2023 calendar year, for the amount of biodiesel blend sold during the portion of such tax year that occurs during the 2023 calendar year.
Removed language sharing any excess cap with the biodiesel retailer and distributor tax credit (Section 135.775, RSMo).

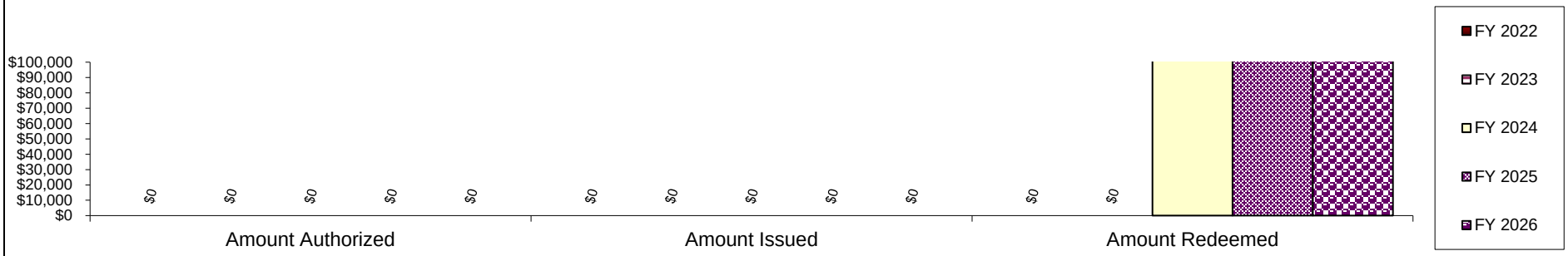
| | FY 2022 ACTUAL | FY 2023 ACTUAL | FY 2024 ACTUAL | FY 2025 (year to date) | FY 2025 (Full Year) | FY 2026 (Budget Year) |
|---|---|---|---|---|---|---|
| Certificates Issued (#) | 0 | 0 | 0 | *0* | 0 | 0 |
| Projects/Participants (#) | 0 | 0 | 4 | *0* | 0 | 0 |
| Amount Authorized | $0 | $0 | $0 | *$0* | $0 | $0 |
| Amount Issued | $0 | $0 | $0 | *$0* | $0 | $0 |
| Amount Redeemed | $0 | $0 | $1,238,009 | *$0* | $16,000,000 | $16,000,000 |

| | | | |
|---|---|---|---|
| FY 2024 EST. Amount Outstanding | $0 as of 12/31/2024 | FY 2024 EST. Amount Authorized but Unissued | $0 as of 12/31/2024 |

# TAX CREDIT ANALYSIS

**Program Name:** Biodiesel Retailer and Distributor Tax Credit

## HISTORICAL AND PROJECTED INFORMATION




**Comments on Historical and Projected Information:**

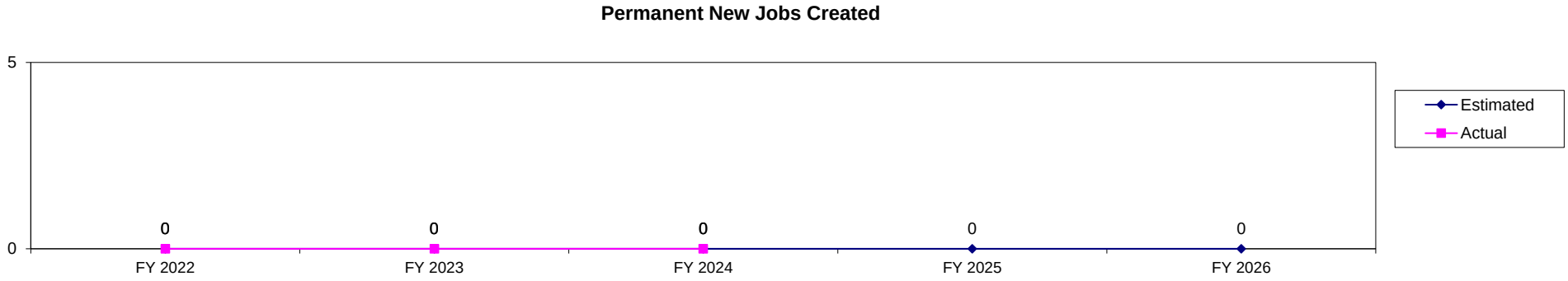
## BENEFIT: COST ANALYSIS (includes only state revenue impacts)

| | FY 2024 ACTIVITY | Other Fiscal Period (indicated time period) |
|---|---|---|
| **BENEFITS** | | |
| Direct Fiscal Benefits | $0 | |
| Indirect Fiscal Benefits | $40,293 | |
| **Total** | $40,293 | $0 |
| **COSTS** | | |
| Direct Fiscal Costs | $1,238,009 | |
| Indirect Fiscal Costs | $0 | |
| **Total** | $1,238,009 | $0 |
| **BENEFIT: COST** | **0.03** | **#DIV/0!** |

**Derivation of Benefits:**
Investment: (a) N/A
Employment: (a) N/A
Other Assumptions: (a) Reduction in production cost of$1,238,009 in 2024.
Incentives/Credits: (a) $1,238,009 in in 2024.
Impacts occur Statewide. All Values in Constant Dollars. Assumptions provided by DED. Estimated using REMI.

**Other Benefits:**

## PERFORMANCE MEASURE(S)




**Comments on Performance Measure:**

# TAX CREDIT ANALYSIS

| | | | | | |
|---|---|---|---|---|---|
| **Program Name:** | Champion for Children | | | | |
| **Department:** | Revenue | **Contact Name & No.:** | Josh Shewmaker (526-2723) | **Date:** | January 2025 |
| **Program Category:** | Domestic and Social | **Type:** | Tax Credit | Other: | |
| **Statutory Authority:** | Section 135.341, RSMo | **Applicable Taxes:** | Chapter 143, excluding Sections 143.191-143.265, RSMo | | |
| **Tax Credit Creation Date:** | 2013 | **Year of Last Legislative Change:** | 2018 | | |

**Program Description and Eligibility Requirements:**

For all tax years beginning on or after January 1, 2013, a tax credit may be claimed in an amount equal to 50 percent of a verified contribution to a qualified organization as approved by Missouri Department of Social Services. The minimum amount of any tax credit applied for shall not be less than $50 and shall be applied to taxes due under Chapter 143, excluding Sections 143.191 to 143.265, RSMo. A contribution verification (Form MO-CFC) shall be issued to the taxpayer by the agency receiving the contribution.

**Explanation of How Award is Computed:** **Entitlement** Yes **Discretionary** No

A tax credit may be claimed in an amount equal to 50 percent of a verified contribution to a qualified organization. The minimum amount of any tax credit issued shall not be less than $50. The tax credit shall be initially filed for the year in which the contribution is made

**Program Cap:** Cumulative $ _____ (remainder of cumulative cap) $ _____ Annual $ 1,500,000 None _____

**Cap Shared Between Programs** No **Which Program(s)?** None

**Explanation of Cap:**

The cumulative amount of the tax credits redeemed shall not exceed $1 million for all fiscal years ending on June 30, 2019 and $1.5 million for all fiscal years beginning on or after July 1, 2019.

**Sunset Provision:** Yes Date of Sunset 31-Dec-25 Date of Last Sunset Extension _____

**Explanation of Expiration of Authority:**

Section 135.341, RSMo, enacts the provisions of the Missouri Sunset Act. This tax credit is scheduled to expire on December 31, 2025 and terminate September 1, 2026.

**Specific Provisions:** (if applicable)

Carry forward 4 years Carry Back n/a Refundable No Apportioned Yes Appropriated No

Sellable/Assignable No Organizations Remit an Offset No Additional Federal Deductions/Credits Available No

**Comments on Specific Provisions:**

The amount available is equally divided among the three qualified agencies: CASA, child advocacy centers, or crisis care centers. In the event tax credits claimed under one agency do not total the allocated amount, the unused portion for that agency will be made available to the remaining agencies equally. In the event the total amount of tax credits claimed for any one agency exceeds the amount available for that agency, the amount redeemed shall and will be apportioned equally to all eligible taxpayers claiming the credit under that agency.

**Legislative / General Assembly Action(s) During Prior Five Years:**

A.L. 2018 H.B. 1288; The annual fiscal year cap was increased from $1 million to $1.5 million. The tax credit was changed to remove the ability to assign, transfer, or sell. The expiration date of the tax credit was changed from December 31, 2019 to December 31, 2025.

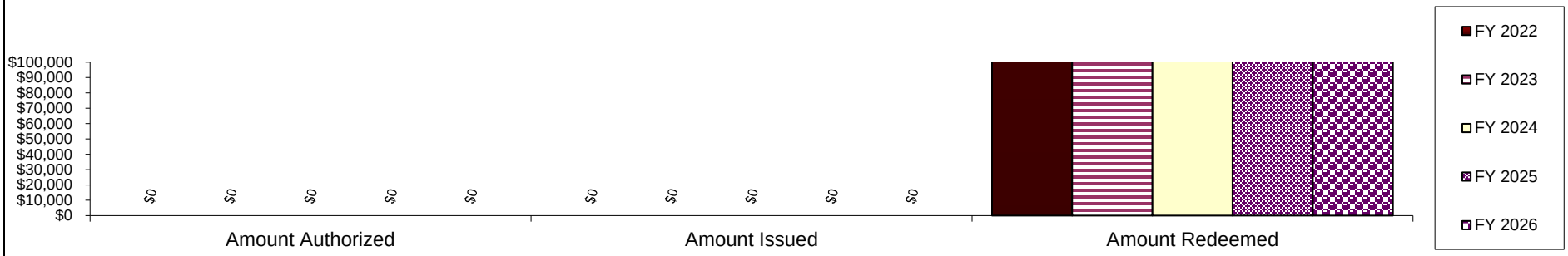
| | FY 2022 ACTUAL | FY 2023 ACTUAL | FY 2024 ACTUAL | FY 2025 (year to date) | FY 2025 (Full Year) | FY 2026 (Budget Year) |
|---|---|---|---|---|---|---|
| Certificates Issued (#) | 0 | 0 | 0 | *0* | 0 | 0 |
| Projects/Participants (#) | 1,125 | *1,254* | 1,209 | *0* | 1,200 | 1,200 |
| Amount Authorized | $0 | $0 | $0 | *$0* | $0 | $0 |
| Amount Issued | $0 | $0 | $0 | *$0* | $0 | $0 |
| Amount Redeemed | $884,965 | *$1,225,848* | $961,385 | *$0* | $1,500,000 | $1,500,000 |

FY 2024 EST. Amount Outstanding $1,650,245 FY 2024 EST. Amount Authorized but Unissued $0 as of 12/31/2024

# TAX CREDIT ANALYSIS

**Program Name:** Champion for Children

## HISTORICAL AND PROJECTED INFORMATION




**Comments on Historical and Projected Information:**

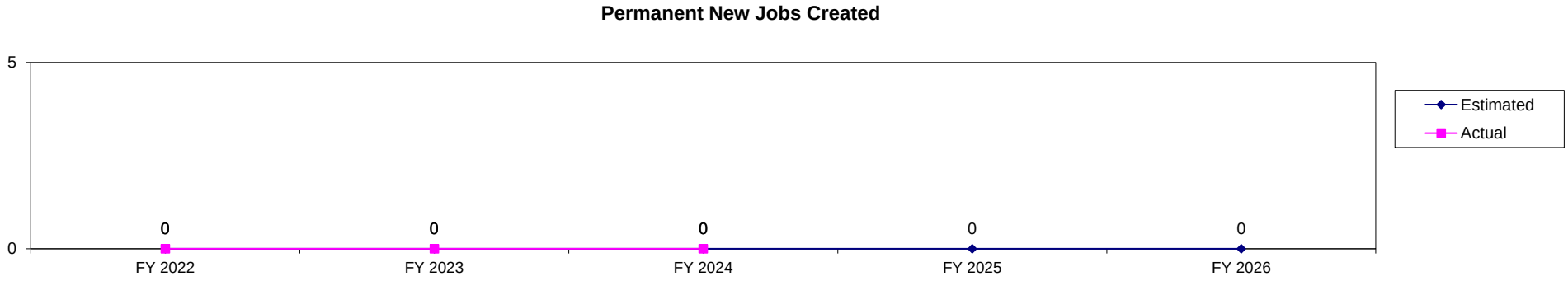
## BENEFIT: COST ANALYSIS (includes only state revenue impacts)

| | FY 2024 ACTIVITY | Other Fiscal Period (indicated time period) |
|---|---|---|
| **BENEFITS** | | |
| Direct Fiscal Benefits | $0 | |
| Indirect Fiscal Benefits | $33,489 | |
| **Total** | $33,489 | $0 |
| **COSTS** | | |
| Direct Fiscal Costs | $961,385 | |
| Indirect Fiscal Costs | $0 | |
| **Total** | $961,385 | $0 |
| **BENEFIT: COST** | **0.03** | **#DIV/0!** |

**Derivation of Benefits:**
The Missouri Department of Revenue, with the assistance of the Missouri Department of Economic Development, used the Regional Economic Model, Inc. (REMI) to generate fiscal cost-benefit analysis for tax credit programs as required under Section 33.282, RSMo.
Other Assumptions:
- Reduction in personal income taxes of $961,385 in 2024.
- Incentives/Credits of $961,385 in Champion for Children tax credits in 2024.
- Impacts occur statewide. All values in constant dollars
- Assumptions provided by DED.

**Other Benefits:**

## PERFORMANCE MEASURE(S)




**Comments on Performance Measure:**

# TAX CREDIT ANALYSIS

| | | | | | |
|---|---|---|---|---|---|
| **Program Name:** | Disabled Access for Homeowners (Residential Dwelling) | | | | |
| **Department:** Revenue | | **Contact Name & No.:** | Josh Shewmaker (526-2723) | **Date:** | January 2025 |
| **Program Category:** | Domestic and Social | **Type:** | Tax Credit | Other: | |
| **Statutory Authority:** | Section 135.562, RSMo | **Applicable Taxes:** | Chapter 143, excluding Sections 143.191-143.265 RSMo | | |
| **Tax Credit Creation Date:** | 2007 | **Year of Last Legislative Change:** | 2019 | | |

**Program Description and Eligibility Requirements:**

Taxpayers who incur costs for qualifying renovations made to their principle dwelling to assist in the accessibility for an individual with a disability who permanently resides with such taxpayer may qualify to receive a tax credit against such taxpayer's Missouri income tax liability.

**Explanation of How Award is Computed:** **Entitlement** Yes **Discretionary** No

A taxpayer with qualifying expenses and a federal adjusted gross income of $30,000 or less shall receive a tax credit against the taxpayer's Missouri income tax liability in an amount equal to the lesser of 100% of such costs or $2,500 per taxpayer, per year. A taxpayer with a federal adjusted gross income greater than $30,000 but less than $60,000 shall receive a tax credit against the taxpayer's Missouri income tax liability in an amount equal to the lesser of 50% of such costs of $2,500 per taxpayer, per year. No taxpayer shall be eligible to receive a credit in any year immediately following a tax year in which such taxpayer received this credit.

**Program Cap:** Cumulative $ _____ (remainder of cumulative cap) $ _____ Annual $ 100000 None _____

**Cap Shared Between Programs** No **Which Program(s)?** _____

**Explanation of Cap:**

In no event shall the aggregate amount of all tax credits allowed pursuant to Section 135.562, RSMo, exceed $100,000 in any given fiscal year. The tax credits issued pursuant to this section shall be on a first-come, first-served basis.

**Sunset Provision:** Yes Date of Sunset 31-Dec-25 Date of Last Sunset Extension 2019

**Explanation of Expiration of Authority:**

**Specific Provisions:** (if applicable)

Carry forward n/a Carry Back n/a Refundable Yes Apportioned No Appropriated No

Sellable/Assignable No Organizations Remit an Offset No Additional Federal Deductions/Credits Available No

**Comments on Specific Provisions:**

Tax credits issued pursuant 135.562 RSMo, are issued on a first-come, first-served filing basis.

**Legislative / General Assembly Action(s) During Prior Five Years:**

A.L. 2019, S.B. 87, This legislation changed the expiration/sunset date from December 31, 2019 to December 31, 2025.

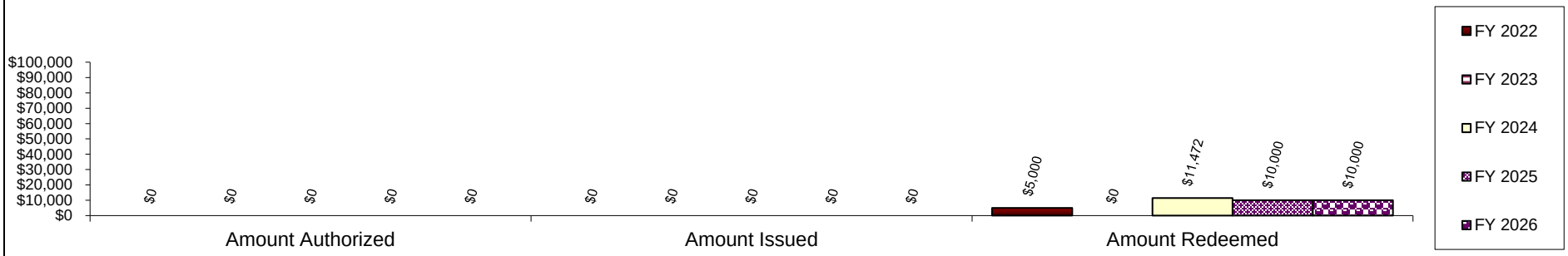
| | FY 2022 ACTUAL | FY 2023 ACTUAL | FY 2024 ACTUAL | FY 2025 (year to date) | FY 2025 (Full Year) | FY 2026 (Budget Year) |
|---|---|---|---|---|---|---|
| Certificates Issued (#) | 0 | 0 | 0 | *0* | 0 | 0 |
| Projects/Participants (#) | 2 | 0 | 5 | *2* | 5 | 5 |
| Amount Authorized | $0 | $0 | $0 | *$0* | $0 | $0 |
| Amount Issued | $0 | $0 | $0 | *$0* | $0 | $0 |
| Amount Redeemed | $5,000 | $0 | $11,472 | *$9,406* | $10,000 | $10,000 |

| | | | |
|---|---|---|---|
| FY 2024 EST. Amount Outstanding | $0 as of 12/31/2024 | FY 2024 EST. Amount Authorized but Unissued | $0 as of 12/31/2024 |

# TAX CREDIT ANALYSIS

**Program Name:** Disabled Access for Homeowners (Residential Dwelling)

## HISTORICAL AND PROJECTED INFORMATION




**Comments on Historical and Projected Information:**

## BENEFIT: COST ANALYSIS (includes only state revenue impacts)

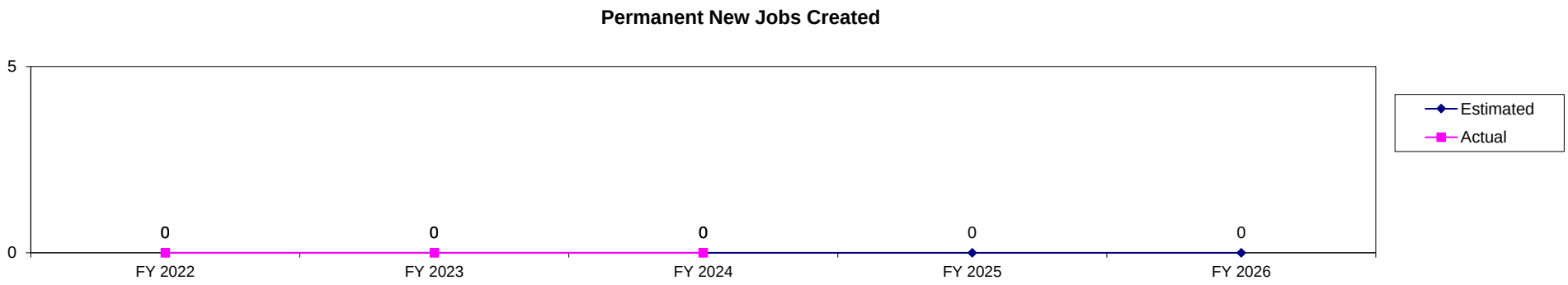
| | FY 2024 ACTIVITY | Other Fiscal Period (indicated time period) |
|---|---|---|
| **BENEFITS** | | |
| Direct Fiscal Benefits | $0 | |
| Indirect Fiscal Benefits | $400 | |
| **Total** | $400 | $0 |
| **COSTS** | | |
| Direct Fiscal Costs | $11,472 | |
| Indirect Fiscal Costs | $0 | |
| **Total** | $11,472 | $0 |
| **BENEFIT: COST** | **0.03** | **#DIV/0!** |

**Derivation of Benefits:**
The Missouri Department of Revenue, with the assistance of the Missouri Department of Economic Development (DED), used the Regional Economic Model, Inc. (REMI) to generate fiscal cost-benefit analysis for the tax credit programs as required under Section 33.282, RSMo.

**Other Assumptions:**
- Reduction in personal income taxes of $11,472 in 2024.
- Incentives/Credits of $11,472 in Residential Dwelling tax credits in 2024.
- Impacts Occur statewide. All values in constant dollars
- Assumptions provided by DED

**Other Benefits:**

## PERFORMANCE MEASURE(S)




**Comments on Performance Measure:**

# TAX CREDIT ANALYSIS

| | | | | | |
|---|---|---|---|---|---|
| **Program Name:** | Disabled Access Tax Credit for Small Business | | | | |
| **Department:** | Revenue | **Contact Name & No.:** | | **Date:** | January 2025 |
| **Program Category:** | Redevelopment | **Type:** | Tax Credit | Other: | |
| **Statutory Authority:** | Section 135.490, RSMo | **Applicable Taxes:** | Chapter 143, excluding 143.191 to 143.265, RSMo | | |
| **Tax Credit Creation Date:** | 2000 | **Year of Last Legislative Change:** | 2001 | | |

**Program Description and Eligibility Requirements:**

An eligible small business, defined in Section 44 of the Internal Revenue Code (IRC), shall be allowed a credit not to exceed $5,000 against the tax otherwise due pursuant to Chapter 143, RSMo, excluding Sections 143.191 to 143.265, RSMo, in an amount equal to 50 percent of all eligible access expenditures exceeding the monetary cap provided by Section 44 of the IRC. The term "eligible access expenditures" mean amounts paid or incurred by the taxpayer in order to comply with the applicable access requirement as provided by the American with Disabilities Act of 1990 and as further defined in Section 44 of the IRC and federal rulings interpreting Section 44 of the IRC.

**Explanation of How Award is Computed:** **Entitlement** Yes **Discretionary** No

The taxpayer shall claim the tax credit allowed by this section at the time such a taxpayer files a return. Any amount of tax credit that exceeds the tax due shall be carried over to any subsequent years but shall not be refunded and shall not be transferred.

**Program Cap:** Cumulative $ _____ (remainder of cumulative cap) $ _____ Annual $ 5,000 per taxpayer None _____

**Cap Shared Between Programs** No **Which Program(s)?** _____

**Explanation of Cap:**

**Sunset Provision:** No Date of Sunset None Date of Last Sunset Extension _____

**Explanation of Expiration of Authority:**

Section 135.490, RSMo, does not enact provisions of the Missouri Sunset Act. The provisions of this section became effective January 1, 2000 and shall apply to all taxable years beginning after December 31, 1999.

**Specific Provisions:** (if applicable)

Carry forward unlimited Carry Back n/a Refundable No Apportioned No Appropriated No

Sellable/Assignable No Organizations Remit an Offset No Additional Federal Deductions/Credits Available Yes

**Comments on Specific Provisions:**

Section 135.490, 2., RSMo - Any amount of tax credit which exceeds the tax due may be carried over to any subsequent taxable year, but shall not be refunded and shall not be transferable.

**Legislative / General Assembly Action(s) During Prior Five Years:**

None

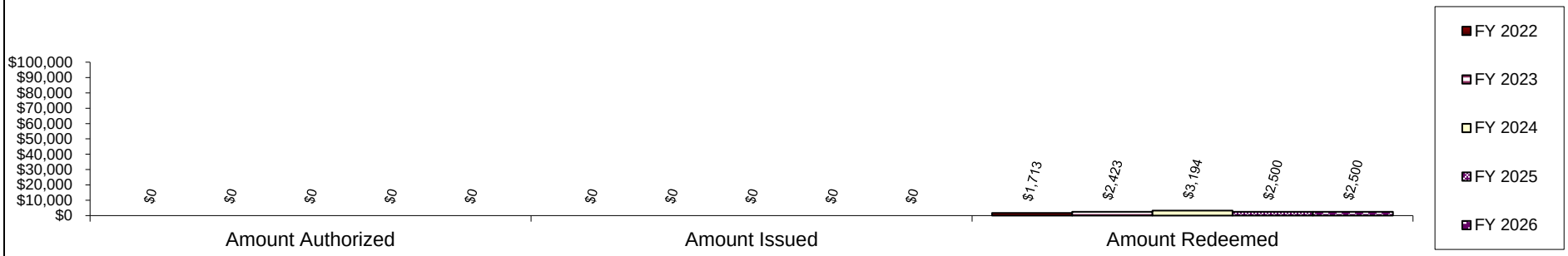
| | FY 2022 ACTUAL | FY 2023 ACTUAL | FY 2024 ACTUAL | FY 2025 (year to date) | FY 2025 (Full Year) | FY 2026 (Budget Year) |
|---|---|---|---|---|---|---|
| Certificates Issued (#) | 0 | 0 | 0 | *0* | 0 | 0 |
| Projects/Participants (#) | 1 | 3 | 3 | *1* | 3 | 3 |
| Amount Authorized | $0 | $0 | $0 | *$0* | $0 | $0 |
| Amount Issued | $0 | $0 | $0 | *$0* | $0 | $0 |
| Amount Redeemed | $1,713 | $2,423 | $3,194 | *$4,436* | $2,500 | $2,500 |

| | | | |
|---|---|---|---|
| FY 2024 EST. Amount Outstanding | $70,377 | FY 2024 EST. Amount Authorized but Unissued | $0 as of 12/31/2024 |

# TAX CREDIT ANALYSIS

**Program Name:** Disabled Access Tax Credit for Small Business

## HISTORICAL AND PROJECTED INFORMATION




**Comments on Historical and Projected Information:**

## BENEFIT: COST ANALYSIS (includes only state revenue impacts)

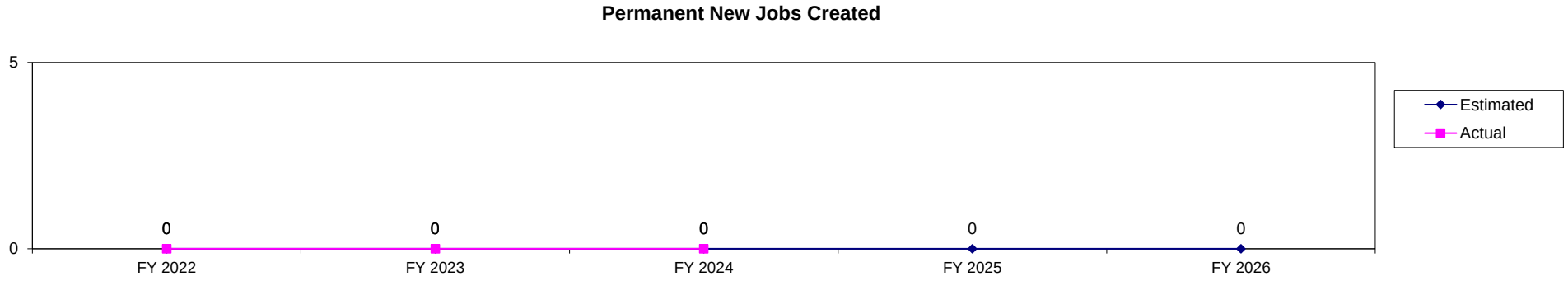
| | FY 2024 ACTIVITY | Other Fiscal Period (indicated time period) |
|---|---|---|
| **BENEFITS** | | |
| Direct Fiscal Benefits | $0 | |
| Indirect Fiscal Benefits | $157 | |
| **Total** | $157 | $0 |
| **COSTS** | | |
| Direct Fiscal Costs | $3,194 | |
| Indirect Fiscal Costs | $0 | |
| **Total** | $3,194 | $0 |
| **BENEFIT: COST** | **0.05** | **#DIV/0!** |

**Derivation of Benefits:**
The Missouri Department of Revenue, with the assistance of the Missouri Department of Economic Development, used the Regional Economic Model, Inc. (REMI) to generate fiscal cost-benefit analysis for tax credit programs as required by Section 33.282, RSMo.

**Other Assumptions:**
- Reduction in production costs for retail and accommodation services of $3,194 in 2024.
- Incentive/credits of $3,194 in Disabled Access Small Business tax credits in 2024.
- Impacts occur statewide. All values in constant dollars.
- Assumptions provided by DED.

**Other Benefits:**

## PERFORMANCE MEASURE(S)




**Comments on Performance Measure:**

# TAX CREDIT ANALYSIS

| | | | | | |
|---|---|---|---|---|---|
| **Program Name:** | **Ethanol Retailer and Distributor Tax Credit** | | | | |
| **Department:** | Revenue | **Contact Name & No.:** | Josh Shewmaker (526-2723) | **Date:** | January 2025 |
| **Program Category:** | Environmental | **Type:** | Tax Credit | Other: | |
| **Statutory Authority:** | Section 135.772 RSMO | **Applicable Taxes:** | Chapter 143, excluding tax imposed by sections 143.191 to 143.265 | | |
| **Tax Credit Creation Date:** | 2023 | **Year of Last Legislative Change:** | 2023 | | |

**Program Description and Eligibility Requirements:**

For all tax years beginning on or after January 1, 2023, a retail dealer that sells higher ethanol blend at such retail dealer's retail service station or a distributor that sells higher ethanol blend directly to the final user located in this state shall be allowed a tax credit to be taken against the retail dealer's or distributor's state income tax liability. For any retail dealer or distributor with a tax year beginning prior to January 1, 2023, but ending during the 2023 calendar year, such retail dealer or distributor shall be allowed a tax credit for the amount of higher ethanol blend sold during the portion of such tax year that occurs during the 2023 calendar year.

**Explanation of How Award is Computed:** **Entitlement** Yes **Discretionary** No

The amount of the credit shall equal five cents per gallon of higher ethanol blend sold by the retail dealer and dispensed through metered pumps at the retail dealer's retail service station or by a distributor directly to the final user located in this state during the tax year for which the tax credit is claimed.

**Program Cap:** Cumulative $ _____ (remainder of cumulative cap) $ _____ Annual $ 5,000,000 None _____

**Cap Shared Between Programs** No **Which Program(s)?** None

**Explanation of Cap:**

Explanation of Cap: The total amount of tax credits issued pursuant to this section for any given fiscal year shall not exceed five million dollars. In the event the total amount of tax credits claimed under this section exceeds the amount of available tax credits, the tax credits shall be apportioned among all eligible retail dealers and distributors claiming a tax credit by April fifteenth, or as directed by section 143.851, of the fiscal year in which the tax credit is claimed.

**Sunset Provision:** Yes Date of Sunset 31-Dec-28 Date of Last Sunset Extension _____

**Explanation of Expiration of Authority:**

The provisions of this section shall automatically sunset on December 31, 2028, unless reauthorized by an act of the general assembly.

**Specific Provisions:** (if applicable)

Carry forward 5 years Carry Back n/a Refundable No Apportioned Yes Appropriated No

Sellable/Assignable No Organizations Remit an Offset No Additional Federal Deductions/Credits Available No

**Comments on Specific Provisions:**

**Legislative / General Assembly Action(s) During Prior Five Years:**

A.L. 2023, H.B. 202 (merged with S.B. 138); Modified Section 135.772,2 RSMo to allow a tax credit for any retail dealer or distributor with a tax year beginning prior to January 1, 2023, but ending during the 2023 calendar year, for the amount of higher ethanol blend sold during the portion of such tax year that occurs during the 2023 calendar year.

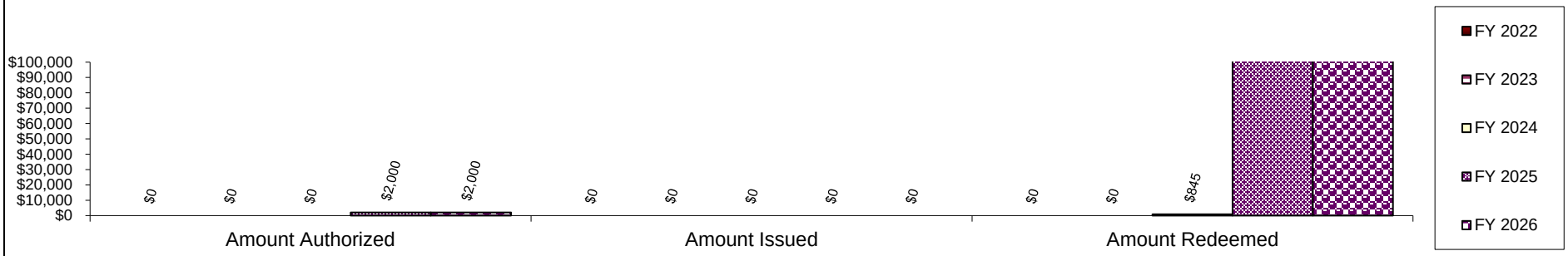
| | FY 2022 ACTUAL | FY 2023 ACTUAL | FY 2024 ACTUAL | FY 2025 (year to date) | FY 2025 (Full Year) | FY 2026 (Budget Year) |
|---|---|---|---|---|---|---|
| Certificates Issued (#) | 0 | 0 | 0 | *0* | 0 | 0 |
| Projects/Participants (#) | 0 | 0 | 1 | *0* | 0 | 0 |
| Amount Authorized | $0 | $0 | $0 | *$0* | $2,000 | $2,000 |
| Amount Issued | $0 | $0 | $0 | *$0* | $0 | $0 |
| Amount Redeemed | $0 | $0 | $845 | *$0* | $5,000,000 | $5,000,000 |

| | | | |
|---|---|---|---|
| FY 2024 EST. Amount Outstanding | $9,560 | FY 2024 EST. Amount Authorized but Unissued | $0 as of 12/31/2024 |

# TAX CREDIT ANALYSIS

**Program Name:** Ethanol Retailer and Distributor Tax Credit

## HISTORICAL AND PROJECTED INFORMATION




**Comments on Historical and Projected Information:**

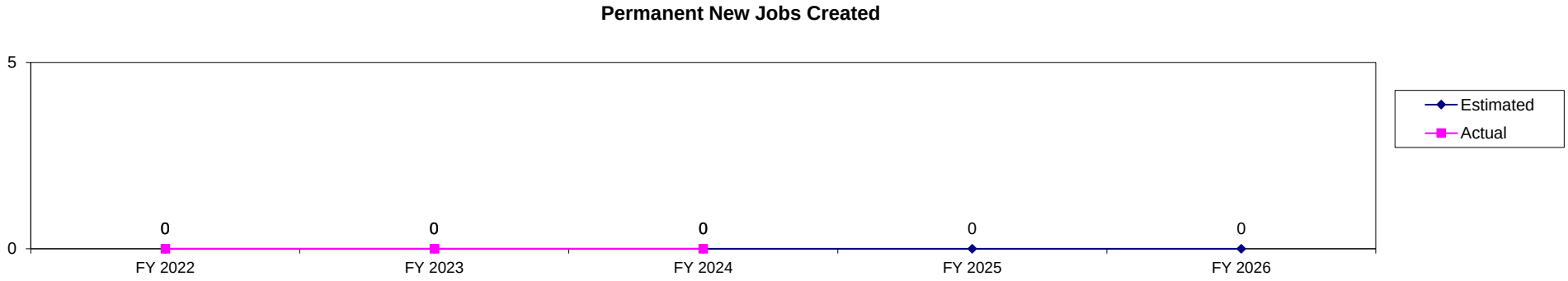
## BENEFIT: COST ANALYSIS (includes only state revenue impacts)

| | FY 2024 ACTIVITY | Other Fiscal Period (indicated time period) |
|---|---|---|
| **BENEFITS** | | |
| Direct Fiscal Benefits | $0 | |
| Indirect Fiscal Benefits | $27 | |
| **Total** | $27 | $0 |
| **COSTS** | | |
| Direct Fiscal Costs | $845 | |
| Indirect Fiscal Costs | $0 | |
| **Total** | $845 | $0 |
| **BENEFIT: COST** | **0.03** | **#DIV/0!** |

**Derivation of Benefits:**
Investment: (a) N/A
Employment: (a) N/A
Other Assumptions: (a) Reduction in production costs of $845 in 2024.
Incentives/Credits: (a) $845 in in 2024.
Impacts occur Statewide. All Values in Constant Dollars. Assumptions provided by DED. Estimated using REMI.

**Other Benefits:**

## PERFORMANCE MEASURE(S)




**Comments on Performance Measure:**

# TAX CREDIT ANALYSIS

| | | | | | |
|---|---|---|---|---|---|
| **Program Name:** | Food Pantry Credit | | | | |
| **Department:** | Revenue | **Contact Name & No.:** | Josh Shewmaker (526-2723) | **Date:** | January 2025 |
| **Program Category:** | Domestic and Social | **Type:** | Tax Credit | Other: | |
| **Statutory Authority:** | Section 135.647, RSMo | **Applicable Taxes:** | Chapter 143, excluding Sections 143.191-143.265, RSMo | | |
| **Tax Credit Creation Date:** | 2007 | **Year of Last Legislative Change:** | 2018 | | |

**Program Description and Eligibility Requirements:**
Any donation of cash or food made to a local soup kitchen or local homeless shelter on or after January 1, 2018, unless such food is donated after the food's expiration date, shall be eligible for a tax credit as provided under section 135.647. The credit shall be equal to 50 percent of the donation, not exceed $2,500 per taxpayer. `

**Explanation of How Award is Computed:** **Entitlement** Yes **Discretionary** No

Any taxpayer who donates cash or food to any local food pantry, local homeless shelter, or local soup kitchen shall be allowed a credit against the tax due under Chapter 143, RSMo, excluding withholding tax, in an amount equal to 50 percent of the value of the donations made. Any donation of food shall be valued at fair market value or wholesale value if the taxpayer making the donation is a retail grocery store, food broker, wholesaler, or restaurant and shall be verified on an affidavit completed by the food pantry, local homeless shelter, or local soup kitchen receiving the donation. The amount of credit claimed shall not exceed the amount of the taxpayer's state tax liability for the year the credit is claimed and shall not exceed $2,500 per taxpayer. The cumulative amount of tax credits allocated to all taxpayers in any one fiscal year shall not exceed $1,750,000. The Director of Revenue shall establish procedures where the credit is apportioned among all taxpayers claiming the credit by April 15th if the cap is reached.

**Program Cap:** Cumulative $ _____ (remainder of cumulative cap) $ _____ Annual $ $1,750,000 None _____

**Cap Shared Between Programs** No **Which Program(s)?** None

**Explanation of Cap:**
The cumulative amount of tax credits allocated to all taxpayers in any one fiscal year shall not exceed $1,750,000. The Director of Revenue has establish procedures where the credit is apportioned among all taxpayers claiming the credit by April 15th if the cap is reached. A 5 year review of the food pantry tax credit indicates the cumulative claims for the food pantry tax credits has exceeded the statutory cap, resulting in apportionment of the credit during fiscal years 2021, 2022, 2023 and 2024.

**Sunset Provision:** Yes Date of Sunset 31-Dec-26 Date of Last Sunset Extension 2018

**Explanation of Expiration of Authority:**
Pursuant to Section 23.253, RSMo, of the Missouri Sunset Act, the food pantry tax credit shall sunset December 31, 2026 with a termination date of September 1, 2027. (Last updated during A.L. 2018 by H.B 1288)

**Specific Provisions:** (if applicable)

Carry forward 3 years Carry Back n/a Refundable No Apportioned Yes Appropriated No

Sellable/Assignable No Organizations Remit an Offset No Additional Federal Deductions/Credits Available Yes

**Comments on Specific Provisions:**

The amount of credit claimed shall not exceed the amount of the taxpayer's state tax liability, but may be carried forward to any of the taxpayer's three subsequent tax years. The amounts that have been subtracted from the taxpayer's federal adjusted gross income within the federal itemized deduction shall be added back onto such taxpayer's Missouri return to determine the taxpayer's Missouri adjusted gross income.

**Legislative / General Assembly Action(s) During Prior Five Years:**

A.L. 2018, H.B. 1132 - Originally, only donations to a Local food pantry qualified for the credit, this legislation expanded the qualifying organizations to include local homeless shelter and local soup kitchen. Extended the sunset date from 2019 to 2026.
A.L 2014, H.B. 1132 - The fiscal year cap was increased from $1,250,000 To $1,750,000.

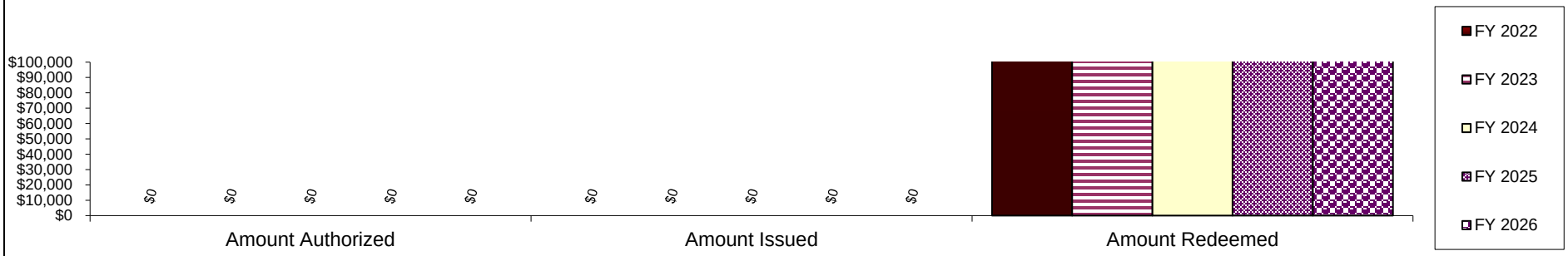
| | FY 2022 ACTUAL | FY 2023 ACTUAL | FY 2024 ACTUAL | FY 2025 (year to date) | FY 2025 (Full Year) | FY 2026 (Budget Year) |
|---|---|---|---|---|---|---|
| Certificates Issued (#) | 0 | 0 | 0 | *0* | 0 | 0 |
| Projects/Participants (#) | 3,195 | 3,969 | 2,743 | *0* | 3,302 | 3,302 |
| Amount Authorized | $0 | $0 | $0 | *$0* | $0 | $0 |
| Amount Issued | $0 | $0 | $0 | *$0* | $0 | $0 |
| Amount Redeemed | $1,749,992 | $1,749,990 | $1,749,996 | *$0* | $1,750,000 | $1,750,000 |

FY 2024 EST. Amount Outstanding $1,551,907 FY 2024 EST. Amount Authorized but Unissued $0 as of 12/31/2024

# TAX CREDIT ANALYSIS

**Program Name:** Food Pantry Credit

## HISTORICAL AND PROJECTED INFORMATION




**Comments on Historical and Projected Information:**

## BENEFIT: COST ANALYSIS (includes only state revenue impacts)

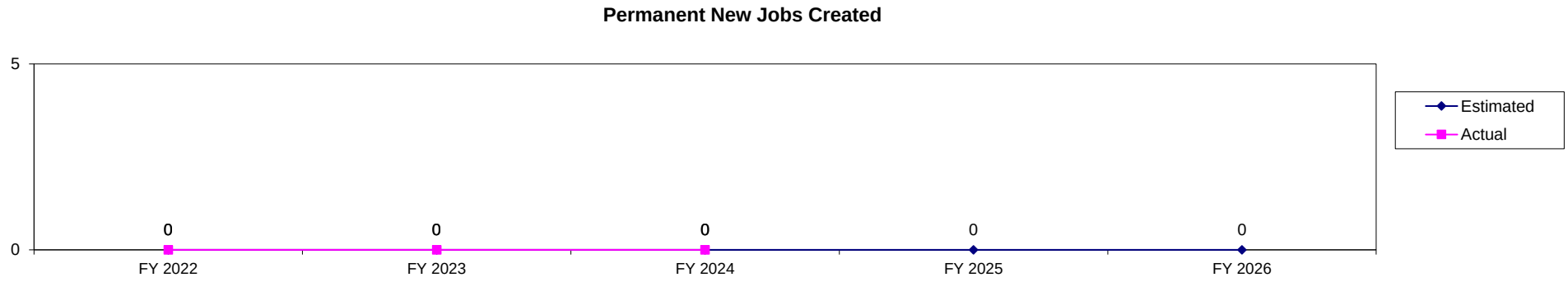
| | FY 2024 ACTIVITY | Other Fiscal Period (indicated time period) |
|---|---|---|
| **BENEFITS** | | |
| Direct Fiscal Benefits | $0 | |
| Indirect Fiscal Benefits | $60,960 | |
| **Total** | $60,960 | $0 |
| **COSTS** | | |
| Direct Fiscal Costs | $1,749,996 | |
| Indirect Fiscal Costs | $0 | |
| **Total** | $1,749,996 | $0 |
| **BENEFIT: COST** | **0.03** | **#DIV/0!** |

**Derivation of Benefits:**
The Missouri Department of Revenue, with the assistance of the Missouri Department of Economic Development, used the Regional Economic Model, Inc. (REMI) to generate fiscal cost-benefit analysis for tax credit programs as required by Section 33.282, RSMo.

**Other Assumptions:**
- A reduction in personal income taxes of $1,749,996 in 2024.
- Incentives/Credits of $1,749,996 in Food Pantry tax credits in 2024.
- Impacts occur Statewide. All Values in Constant Dollars.
- Assumptions provided by DED.

**Other Benefits:**

## PERFORMANCE MEASURE(S)




**Comments on Performance Measure:**

# TAX CREDIT ANALYSIS

| | | | | | |
|---|---|---|---|---|---|
| **Program Name:** | Long Term Care Deduction | | | | |
| **Department:** | Revenue | **Contact Name & No.:** | | **Date:** | January 2025 |
| **Program Category:** | Domestic and Social | **Type:** | Tax Deduction | Other: | |
| **Statutory Authority:** | Section 135.096, RSMo | **Applicable Taxes:** | Chapter 143 RSMo | | |
| **Tax Credit Creation Date:** | 1999 | **Year of Last Legislative Change:** | | | |

**Program Description and Eligibility Requirements:**
In order to promote personal financial responsibility for long-term health care in this state, for all taxable years beginning after December 31, 1999, a resident individual may deduct from such individual's Missouri taxable income, nonreimbursed qualified long-term care insurance premiums paid by such individual to the extent such amounts are not included in the individual's itemized deductions.

**Explanation of How Award is Computed:** **Entitlement** Yes **Discretionary** No

Tax Year beginning after December 31, 1999 through tax years ending on or before December 31, 2006, the deduction is limited to 50% of all nonreimmbursed qualified long term care insurance premiums to the extent included in the individuals itemized deduction.
For all taxable years beginning after December 31, 2006, such deduction was increased to 100 percent of all nonreimbursed amounts paid by such individual for qualified long-term care insurance premiums to the extent such amounts are not included in the individual's itemized deductions. Qualified long-term care insurance means any policy that meets or exceeds the provision of Section 376.1100 to 376.1118, RSMo.

**Program Cap:** Cumulative $ _____ (remainder of cumulative cap) $ _____ Annual $ _____ None X

**Cap Shared Between Programs** No **Which Program(s)?** None

**Explanation of Cap:**

**Sunset Provision:** No Date of Sunset None Date of Last Sunset Extension _____

**Explanation of Expiration of Authority:**
Section 135.096, RSMo, does not enact the provisions of the Missouri Sunset Act. The tax deduction does not have an expiration date.

**Specific Provisions:** (if applicable)

Carry forward n/a Carry Back n/a Refundable No Apportioned No Appropriated No

Sellable/Assignable No Organizations Remit an Offset No Additional Federal Deductions/Credits Available Yes

**Comments on Specific Provisions:**

**Legislative / General Assembly Action(s) During Prior Five Years:**

A.L. 2007, S.B. 577; Tax Years beginning after December 31, 1999 through tax years ending on or before December 31, 2006, the deduction is limited to 50% of all nonreimbursed qualified long term care insurance premiums to the extent the premiums are not included in the individuals itemized deduction. Tax years beginning after December 31, 2006, taxpayers may claim 100% of the nonreimbursed qualified long term care insurance premiums to the extent the premiums are not included in the individuals itemized deduction.

A.L. 2021 H.B. 604; Legislation remove language referencing the calculation applicable to tax years beginning after December 31, 1999 through tax years ending on or before December 31, 2006.

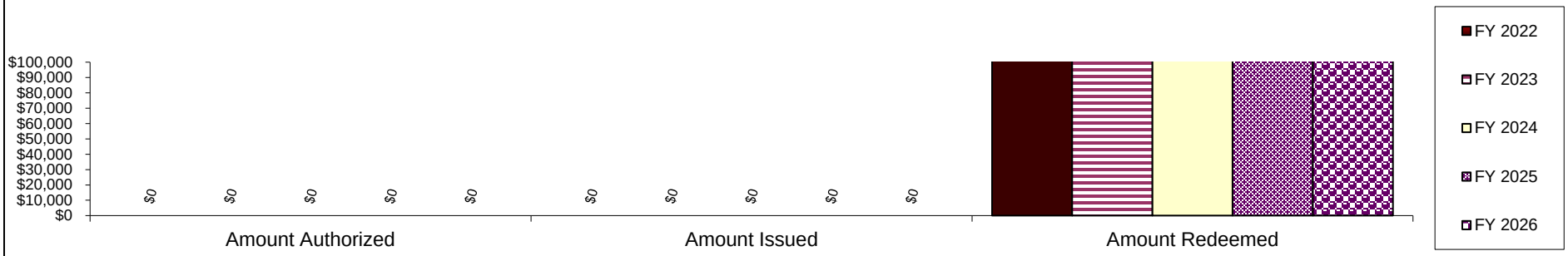
| | FY 2022 ACTUAL | FY 2023 ACTUAL | FY 2024 ACTUAL | FY 2025 (year to date) | FY 2025 (Full Year) | FY 2026 (Budget Year) |
|---|---|---|---|---|---|---|
| Certificates Issued (#) | 0 | 0 | 0 | *0* | 0 | 0 |
| Projects/Participants (#) | 64,156 | 62,804 | 57,280 | *4,787* | 61,000 | 61,000 |
| Amount Authorized | $0 | $0 | $0 | *$0* | $0 | $0 |
| Amount Issued | $0 | $0 | $0 | *$0* | $0 | $0 |
| Amount Redeemed | $14,632,309 | $11,814,487 | $10,342,590 | *$1,043,940* | $12,000,000 | $12,000,000 |

FY 2024 EST. Amount Outstanding $0 as of 9/16/2024 FY 2024 EST. Amount Authorized but Unissued $0 as of 9/16/2024

# TAX CREDIT ANALYSIS

**Program Name:** Long Term Care Deduction

## HISTORICAL AND PROJECTED INFORMATION




**Comments on Historical and Projected Information:**

## BENEFIT: COST ANALYSIS (includes only state revenue impacts)

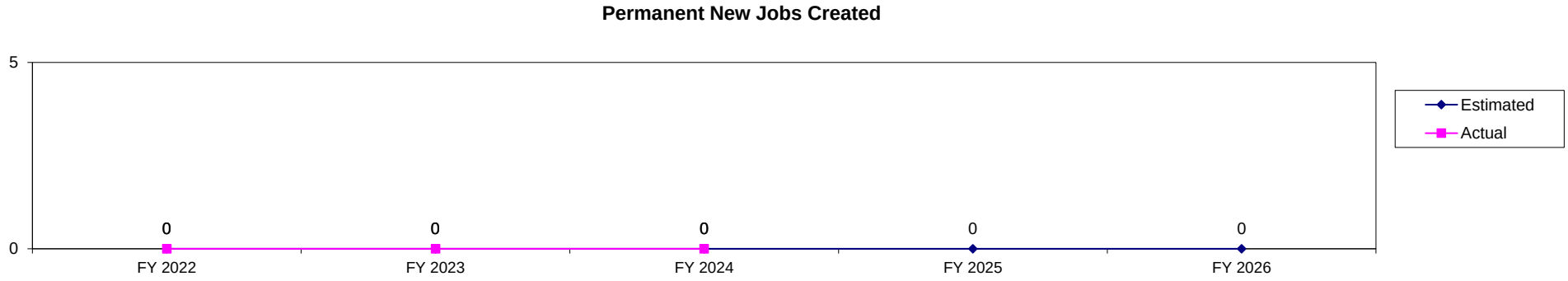
| | FY 2024 ACTIVITY | Other Fiscal Period (indicated time period) |
|---|---|---|
| **BENEFITS** | | |
| Direct Fiscal Benefits | $0 | |
| Indirect Fiscal Benefits | $360,279 | |
| **Total** | $360,279 | $0 |
| **COSTS** | | |
| Direct Fiscal Costs | $10,342,590 | |
| Indirect Fiscal Costs | $0 | |
| **Total** | $10,342,590 | $0 |
| **BENEFIT: COST** | **0.03** | **#DIV/0!** |

**Derivation of Benefits:**
The Missouri Department of Revenue, with the assistance of the Missouri Department of Economic Development, used the Regional Economic Model, Inc. (REMI) to generate fiscal cost-benefit analysis for tax credit programs as required under Section 33.282, RSMo.

**Other Assumptions:**
- Reduction in personal income taxes of $10,342,590 in 2024.
- $10,342,590 in Long Term Care tax credits in 2024.
- Impacts occur statewide. All values in constant dollars
- Assumptions provided by DED

**Other Benefits:**

## PERFORMANCE MEASURE(S)




**Comments on Performance Measure:**

# TAX CREDIT ANALYSIS

| | | | | | |
|---|---|---|---|---|---|
| **Program Name:** | **Peace Officer Surviving Spouse** | | | | |
| **Department:** | Revenue | **Contact Name & No.:** | Josh Shewmaker (526-2723) | **Date:** | January 2025 |
| **Program Category:** | Domestic and Social | **Type:** | Tax Credit | Other: | |
| **Statutory Authority:** | Section 135.090, RSMo | **Applicable Taxes:** | Chapter 143, excluding Sections 143.191 to 143.265 | | |
| **Tax Credit Creation Date:** | 2013 | **Year of Last Legislative Change:** | | | |

**Program Description and Eligibility Requirements:**

For all tax years beginning on or after January 2, 2008, any firefighter, police officer, capitol police officer, parole officer, probation officer, correctional employee, water patrol officer, park ranger, conservation officer, commercial motor vehicle enforcement officer, emergency medical responder, as defined in section 190.100, emergency medical technician, first responder, or highway patrolman employed by the state of Missouri (whose death was deemed to be "in the line of duty") shall be allowed a credit against the tax otherwise due under Chapter 143, RSMo, excluding withholding tax, in an amount equal to the total amount of the property taxes on the surviving spouse's homestead paid during the year for which the credit is claimed. A surviving spouse may claim the credit for each tax year beginning the year of death of the public safety officer until the tax year is which the surviving spouse remarries.

**Explanation of How Award is Computed:** **Entitlement** Yes **Discretionary** No

A surviving spouse of a public safety officer, defined above, may claim a credit equal to the total amount of the property taxes paid on the surviving spouse's homestead. A surviving spouse may claim the credit for each tax year beginning the year of death of the public safety officer until the tax year in which the surviving spouse remarries. No credit shall be allowed for the year in which the surviving spouse remarries.

**Program Cap:** Cumulative $ _____ (remainder of cumulative cap) $ _____ Annual $ _____ None X

**Cap Shared Between Programs** No **Which Program(s)?** None

**Explanation of Cap:**

**Sunset Provision:** Yes Date of Sunset 31-Dec-27 Date of Last Sunset Extension _____

**Explanation of Expiration of Authority:**

The sunset and termination dates were prolonged during the 2019 Regular Session. Pursuant to Section 23.253, RSMo, of the Missouri Sunset Act, this program shall expire on December 31, 2027 with a termination date of September 1, 2028.

**Specific Provisions:** (if applicable)

Carry forward n/a Carry Back n/a Refundable Yes Apportioned No Appropriated No

Sellable/Assignable No Organizations Remit an Offset No Additional Federal Deductions/Credits Available No

**Comments on Specific Provisions:**

**Legislative / General Assembly Action(s) During Prior Five Years:**

A.L. 2019 S.B. 87, Reauthorized the program, changing the sunset date from December 31, 2019 to December 31, 2027.

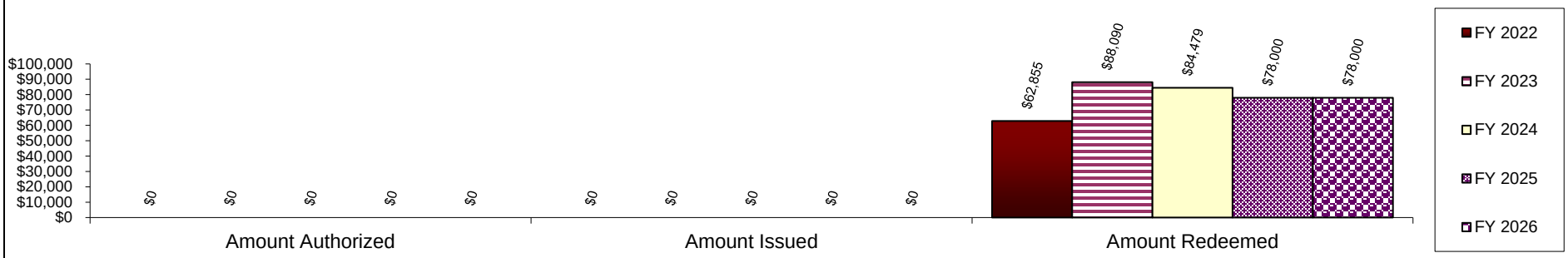
| | FY 2022 ACTUAL | FY 2023 ACTUAL | FY 2024 ACTUAL | FY 2025 (year to date) | FY 2025 (Full Year) | FY 2026 (Budget Year) |
|---|---|---|---|---|---|---|
| Certificates Issued (#) | 0 | 0 | 0 | *0* | 0 | 0 |
| Projects/Participants (#) | 22 | 30 | 30 | *44* | 27 | 27 |
| Amount Authorized | $0 | $0 | $0 | *$0* | $0 | $0 |
| Amount Issued | $0 | $0 | $0 | *$0* | $0 | $0 |
| Amount Redeemed | $62,855 | $88,090 | $84,479 | *$303,298* | $78,000 | $78,000 |

| | | | |
|---|---|---|---|
| FY 2024 EST. Amount Outstanding | $0 as of 12/31/2024 | FY 2024 EST. Amount Authorized but Unissued | $0 as of 12/31/2024 |

# TAX CREDIT ANALYSIS

**Program Name:** Peace Officer Surviving Spouse

## HISTORICAL AND PROJECTED INFORMATION




**Comments on Historical and Projected Information:**

## BENEFIT: COST ANALYSIS (includes only state revenue impacts)

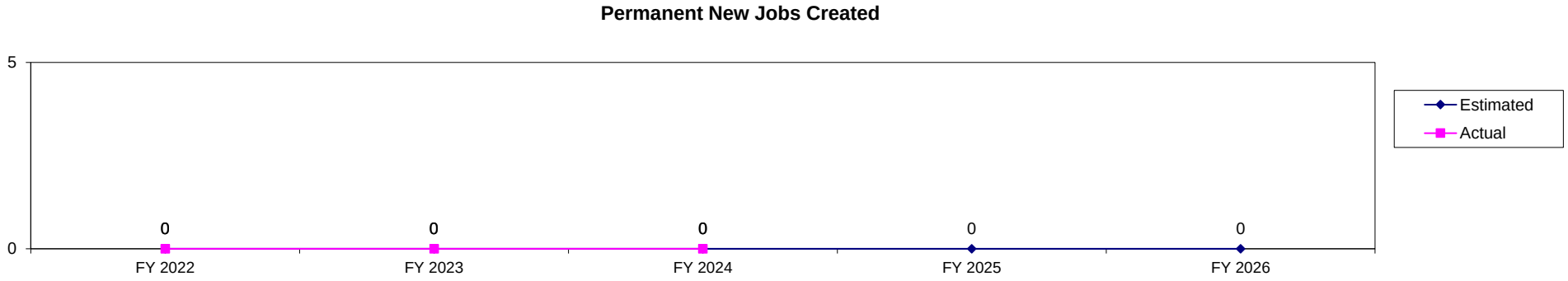
| | FY 2024 ACTIVITY | Other Fiscal Period (indicated time period) |
|---|---|---|
| **BENEFITS** | | |
| Direct Fiscal Benefits | $0 | |
| Indirect Fiscal Benefits | $2,943 | |
| **Total** | $2,943 | $0 |
| **COSTS** | | |
| Direct Fiscal Costs | $84,479 | |
| Indirect Fiscal Costs | $0 | |
| **Total** | $84,479 | $0 |
| **BENEFIT: COST** | **0.03** | **#DIV/0!** |

**Derivation of Benefits:**
The Department of Revenue, with the assistance of the Missouri Department of Economic Development, used the Regional Economic Model, Inc. (REMI) to generate fiscal cost-benefit analysis for the tax credit programs as required by Section 33.282, Ramos.

**Other Assumptions:**
- Reduction in personal income taxes of $84,479 in 2024.
- Incentives/Credits of $84,479 in Peace Officer Surviving Spouse tax credits in 2024.
- Impacts occur statewide. All values in constant dollars
- Assumptions provided by DED

**Other Benefits:**

## PERFORMANCE MEASURE(S)




**Comments on Performance Measure:**

# TAX CREDIT ANALYSIS

| | | | | | |
|---|---|---|---|---|---|
| **Program Name:** | Senior Citizen Property Tax Relief | | | | |
| **Department:** | Revenue | **Contact Name & No.:** | Josh Shewmaker (526-2723) | **Date:** | January 2025 |
| **Program Category:** | Domestic and Social | **Type:** | Tax Credit | Other: | |
| **Statutory Authority:** | Section 135.010 - Section 135.035 RSMo | **Applicable Taxes:** | Section 135.010 RSMo | | |
| **Tax Credit Creation Date:** | 1975 | **Year of Last Legislative Change:** | 2008 | | |

**Program Description and Eligibility Requirements:**

Sections 135.010-135.035, RSMo, allow certain senior citizens who have lived in Missouri the entire year and are 65 years of age or older, or is a veteran of any branch of the Armed Forces who became 100 percent disabled as a result of such service, or is 100 percent disabled, or has reached the age of 60 on or before the last day of the calendar year and is receiving surviving spouse Social Security benefits during the calendar year and meet the income levels to file a claim for a refund of a portion of their property taxes or rent paid on property subject to property tax. The maximum total household income upper limit for renters or whose home is not owned the entire year is $27,500 for single individuals or married couples filing a separate return and $29,500 for married couples filing a combined return if they own their home the entire year. The maximum income is $30,000 for single individuals or married couples filing separately and $34,000 for married couples filing a combined return. The minimum base beginning on January 1, 2008 is $14,300.

**Explanation of How Award is Computed:** **Entitlement** Yes **Discretionary** No

Sections 135.010-135.035, RSMo, allow certain senior citizens who have lived in Missouri the entire year and are 65 years of age or older, or is a veteran of any branch of the Armed Forces who became 100 percent disabled as a result of such service; or is 100 percent disabled, or has reached the age of 60 on or before the last day of the calendar year and is receiving surviving spouse Social Security benefits during the calendar year and meet the income levels to file a claim for a refund of a portion of their property taxes or rent paid on property subject to property tax. If the income on a return is equal to or less than the maximum upper limit for the calendar year for which the return is filed, the property tax credit shall be determined from a table of credits based upon the amount by which the total property tax described in Section 135.025, RSMo, exceeds the percent of income. The property tax shall be in increments of $25 and the income in increments of $300. The credit shall be the amount rounded to the nearest whole dollar computed on the basis of the property tax and income at the midpoints of each increment.

**Program Cap:** Cumulative $ _____ (remainder of cumulative cap) $ _____ Annual $ _____ None X

**Cap Shared Between Programs** No **Which Program(s)?** _____

**Explanation of Cap:**

Explanation of Cap: Section 135.030 RSMo, sets the cap at $750 per claim for rent paid and $1,100 for property taxes paid.

**Sunset Provision:** No Date of Sunset _____ Date of Last Sunset Extension _____

**Explanation of Expiration of Authority:**

**Specific Provisions:** (if applicable)

Carry forward n/a Carry Back n/a Refundable Yes Apportioned No Appropriated No

Sellable/Assignable No Organizations Remit an Offset No Additional Federal Deductions/Credits Available No

**Comments on Specific Provisions:**

**Legislative / General Assembly Action(s) During Prior Five Years:**

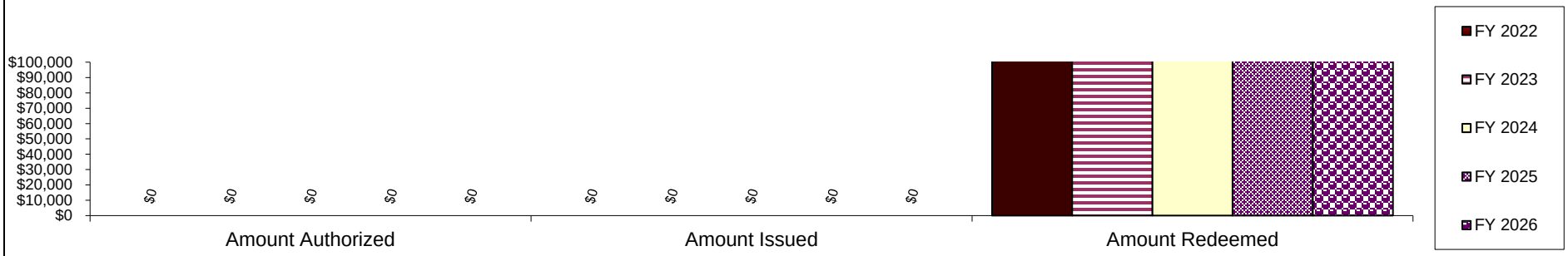
| | FY 2022 ACTUAL | FY 2023 ACTUAL | FY 2024 ACTUAL | FY 2025 (year to date) | FY 2025 (Full Year) | FY 2026 (Budget Year) |
|---|---|---|---|---|---|---|
| Certificates Issued (#) | 0 | 0 | 0 | *0* | 0 | 0 |
| Projects/Participants (#) | 140,026 | 132,308 | 115,602 | *8,612* | 105,000 | 105,000 |
| Amount Authorized | $0 | $0 | $0 | *$0* | $0 | $0 |
| Amount Issued | $0 | $0 | $0 | *$0* | $0 | $0 |
| Amount Redeemed | $81,211,385 | $76,149,913 | $65,601,577 | *$5,536,411* | $65,000,000 | $65,000,000 |

| | | | |
|---|---|---|---|
| FY 2024 EST. Amount Outstanding | $0 as of 12/31/2024 | FY 2024 EST. Amount Authorized but Unissued | $0 as of 12/31/2024 |

# TAX CREDIT ANALYSIS

**Program Name:** Senior Citizen Property Tax Relief

## HISTORICAL AND PROJECTED INFORMATION




**Comments on Historical and Projected Information:**

## BENEFIT: COST ANALYSIS (includes only state revenue impacts)

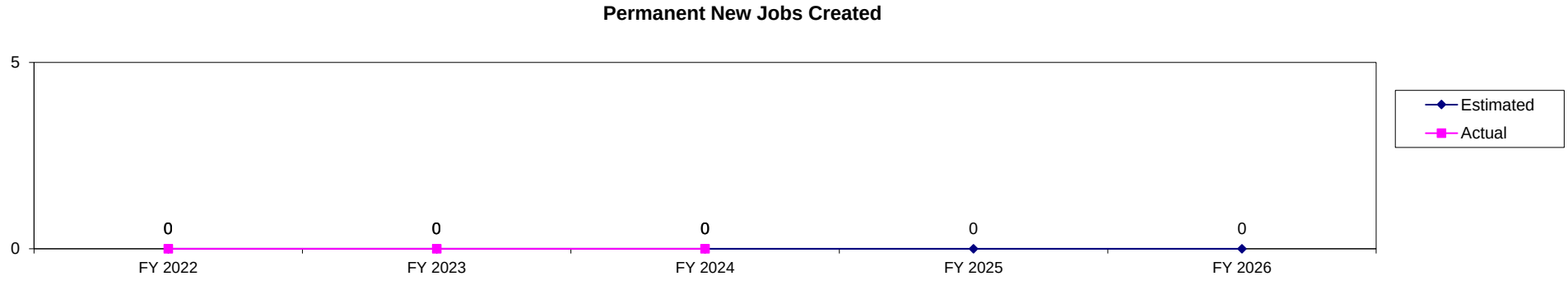
| | FY 2024 ACTIVITY | Other Fiscal Period (indicated time period) |
|---|---|---|
| **BENEFITS** | | |
| Direct Fiscal Benefits | $0 | |
| Indirect Fiscal Benefits | $2,285,252 | |
| **Total** | $2,285,252 | $0 |
| **COSTS** | | |
| Direct Fiscal Costs | $65,601,577 | |
| Indirect Fiscal Costs | $0 | |
| **Total** | $65,601,577 | $0 |
| **BENEFIT: COST** | **0.03** | **#DIV/0!** |

**Derivation of Benefits:**
The Missouri Department of Revenue, with the assistance of the Missouri Department of Economic Development, used the Regional Economic Model, Inc. (REMI) to generate fiscal cost-benefit analysis for tax credit programs as required in Section 33.282, RSMo.

**Other Assumptions:**
- Reduction in personal income taxes of $65,601,577 in 2024.
- Incentives/credits of $65,601,577 in Senior Citizen Property Tax relief tax credits in 2024.
- Impacts occur statewide. All values in constant dollars
- Assumptions provided by DED

**Other Benefits:**

## PERFORMANCE MEASURE(S)




**Comments on Performance Measure:**

# TAX CREDIT ANALYSIS

| | | | | | |
|---|---|---|---|---|---|
| **Program Name:** | **Rolling Stock Tax Credit** | | | | |
| **Department:** | State Tax Commission | **Contact Name & No.:** | Stacey Jacobs 573-751-1716 | **Date:** | January 2025 |
| **Program Category:** | Business Recruitment | **Type:** | Tax Credit | Other: | |
| **Statutory Authority:** | Section 137.1018 | **Applicable Taxes:** | Property Taxes | | |
| **Tax Credit Creation Date:** | 2008 / Beginning January 1, 2009 | **Year of Last Legislative Change:** | 2023 | | |

**Program Description and Eligibility Requirements:**

For tax year beginning January 1, 2009, a freight line company shall, subject to appropriation, be allowed a credit against the tax levied for the applicable year. The tax credit amount shall be equal to the amount of eligible expenses incurred during the calendar year immediately preceding the tax year for which the credit under this section is claimed. The amount of the tax credit issued shall not exceed the freight line company's liability for the tax levied under this section for the tax year for which the credit is claimed.

**Explanation of How Award is Computed:** **Entitlement** Yes **Discretionary** No

Private car ad valorem tax is assessed to the freight line companies by the following formula: The State Tax Commission determines the assessed value for freight line companies. The Tax Commission determines an average tax rate based on the actual taxes collected from the previous tax year paid by the operating railroads in Missouri. The tax rate is applied by the Tax Commission's calculated assessed value. This produces the "tax levied." This is returned to the Department of Revenue for central collection by October 1st and is due and payable by December 31st. For all taxable years beginning on or after January 1, 2009, a freight line company shall, subject to appropriation, be allowed a credit against the tax levied. The tax credit amount is equal to the amount of eligible expenses (eligible expenses are those incurred in this state to manufacture, maintain, or improve a freight line company's rolling stock) and are incurred during the calendar year immediately preceding the tax year for which the credit is claimed. The amount of the tax credit issued shall not exceed the freight line company's liability for the tax levied for which the credit is claimed. If the appropriation is not totally funded, each company would receive a pro-rata share (based on their claim to total claims).

**Program Cap:** Cumulative $ _____ (remainder of cumulative cap) $ _____ Annual $ Appropriated None _____

**Cap Shared Between Programs** No **Which Program(s)?** _____

**Explanation of Cap:** The amount of the tax credit issued shall not exceed the freightline company's liability for the tax levied under Section 137.1018 for the tax year for which the credit is claimed.

**Sunset Provision:** Yes Date of Sunset 28-Aug-28 Date of Last Sunset Extension 28-Aug-22

**Explanation of Expiration of Authority:** The provisions of the program authority expires on August 28, 2028.

**Specific Provisions:** (if applicable)

Carry forward n/a Carry Back n/a Refundable No Apportioned Yes Appropriated Yes

Sellable/Assignable No Organizations Remit an Offset No Additional Federal Deductions/Credits Available No

**Comments on Specific Provisions:**

**Legislative / General Assembly Action(s) During Prior Five Years:**

The program expired August 28, 2020; however, the sunset was reenacted beginning August 28, 2022 through August 28, 2028. Funding for this program was increased by another $300,000 for FY-2026.

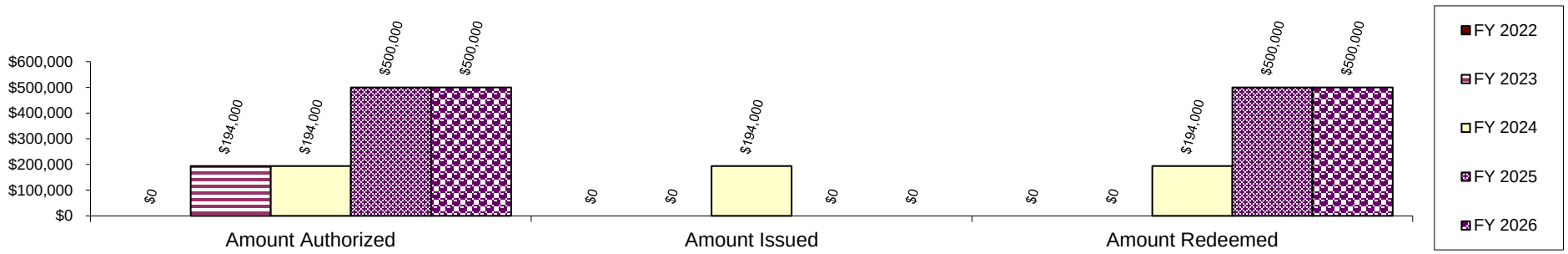
| | FY 2022 ACTUAL | FY 2023 ACTUAL | FY 2024 ACTUAL | FY 2025 (year to date) | FY 2025 (Full Year) | FY 2026 (Budget Year) |
|---|---|---|---|---|---|---|
| Certificates Issued (#) | 0 | 0 | 0 | *0* | 0 | 0 |
| Projects/Participants (#) | 0 | 0 | 0 | *0* | 0 | 0 |
| Amount Authorized | $0 | $194,000 | $194,000 | *$500,000* | $500,000 | $500,000 |
| Amount Issued | $0 | $0 | $194,000 | *$0* | $0 | $0 |
| Amount Redeemed | $0 | $0 | $194,000 | *$500,000* | $500,000 | $500,000 |

| | | | |
|---|---|---|---|
| FY 2024 EST. Amount Outstanding | $0 | FY 2024 EST. Amount Authorized but Unissued | $0 |

# TAX CREDIT ANALYSIS

**Program Name:** **Rolling Stock Tax Credit**

## HISTORICAL AND PROJECTED INFORMATION




**Comments on Historical and Projected Information:**

The Private Car Ad Valorem tax credit was appropriated by the General Assembly through the budget process for FY-2010 in the amount of $4,000,000 and again in FY-2015 in the amount of 2,000,000; however, the Governor line item vetoed the appropriation both times. In FY-2016, the General Assembly appropriated $300,000 and in FY-2017, the General Assembly appropriated $600,000 and the Governor restricted $300,000 leaving $300,000. In FY-2018 and FY-2019 the General Assembly and Governor did not appropriate the tax credit. In FY-2020 the General Assembly and Governor appropriated $194,000. Total taxes due for calendar year 2020 are $3,986,446. The program expired on August 28, 2020; however, the sunset was reenacted beginning August 28, 2022 through August 28, 2028. Funds were appropriated for FY-2023; however, the new sunset was not enacted until August 28, 2022 and the data to issue the tax credit was not collected or submitted by the companies for their January 1, 2022 submission.
Historical data reflects the following for private car taxes due:
2024 - $4,343,891; 2023 - $4,112,293; 2022 - $3,979,982; 2021 - $3,835,050; 2020 - $4,398,020; 2019 - $4,868,136; 2018 - $4,682,786; 2017 - $4,327,285; 2016 - $4,673,143; 2015 - 4,502,636; 2014 - $4,041,661; 2013 - $3,900,392;2012; 2012 - $3,740,856; 2011 - $3,452,968; 2010 - $3,423,831; 2009 - $3,757,140; 2008 - $3,901,082; 2007 - $4,152,737; 2006 - $3,551,652; 2005 - $3,005,374

## BENEFIT: COST ANALYSIS (includes only state revenue impacts)

| | FY 2024 ACTIVITY | Other Fiscal Period (indicated time period) |
|---|---|---|
| **BENEFITS** | | |
| Direct Fiscal Benefits | | |
| Indirect Fiscal Benefits | | |
| **Total** | $0 | $0 |
| **COSTS** | | |
| Direct Fiscal Costs | $194,000 | |
| Indirect Fiscal Costs | | |
| **Total** | $194,000 | $0 |
| **BENEFIT: COST** | **0.00** | **#DIV/0!** |

**Derivation of Benefits:**

**Other Benefits:**

# TAX CREDIT ANALYSIS

| | | | | | |
|---|---|---|---|---|---|
| **Program Name:** | SALT Parity Act | | | | |
| **Department:** | Revenue | **Contact Name & No.:** | Josh Shewmaker (526-2723) | **Date:** | **January 2025** |
| **Program Category:** | Financial and Insurance | **Type:** | Tax Credit | Other: | |
| **Statutory Authority:** | Section 143.436, RSMo | **Applicable Taxes:** | Sections 143.011, 143.041, 143.061, or 143.071 RSMo | | |
| **Tax Credit Creation Date:** | 2022 | **Year of Last Legislative Change:** | Legislative Session 2024 - HB 1912 | | |

**Program Description and Eligibility Requirements:**

Pass-through entities may elect to be an affected business entity and pay taxes on the sum of their separately and nonseparately computed items, to the extent derived from sources within the state. Members of an affected business entity, are entitled to a credit in an amount equal to the member's direct and indirect pro rata share of the tax paid pursuant to section 143.436, RSMo, by any affected business entity of which such member is directly or indirectly a member.

**Explanation of How Award is Computed:** **Entitlement** Yes **Discretionary** No

The SALT Parity (pass-through entity) tax credit is equal to the member's pro rata share of tax paid pursuant to Section 143.436 RSMo by the affected business entity.

**Program Cap:** Cumulative $ _____ (remainder of cumulative cap) $ _____ Annual $ _____ None X

**Cap Shared Between Programs** No **Which Program(s)?** None

**Explanation of Cap:**

Explanation of Cap: The total amount of tax credits granted to members within a business shall not exceed the total amount of taxes paid by the business in a given tax year. The SALT Parity tax credit is designed to prevent both a business entity and each member from paying taxes on the same reported income. Therefore, this tax credit is expected to have a net neutral impact on state revenues.

**Sunset Provision:** No Date of Sunset N/A Date of Last Sunset Extension N/A

**Explanation of Expiration of Authority:**

**Specific Provisions:** (if applicable)

Carry forward unlimited Carry Back n/a Refundable No Apportioned No Appropriated No

Sellable/Assignable No Organizations Remit an Offset No Additional Federal Deductions/Credits Available No

**Comments on Specific Provisions:**

May be carried forward to each succeeding tax year until such credit is fully taken.

**Legislative / General Assembly Action(s) During Prior Five Years:**

Legislative Session 2024 - HB 1912, included clarifying language regarding the tax types the credit is applicable to.

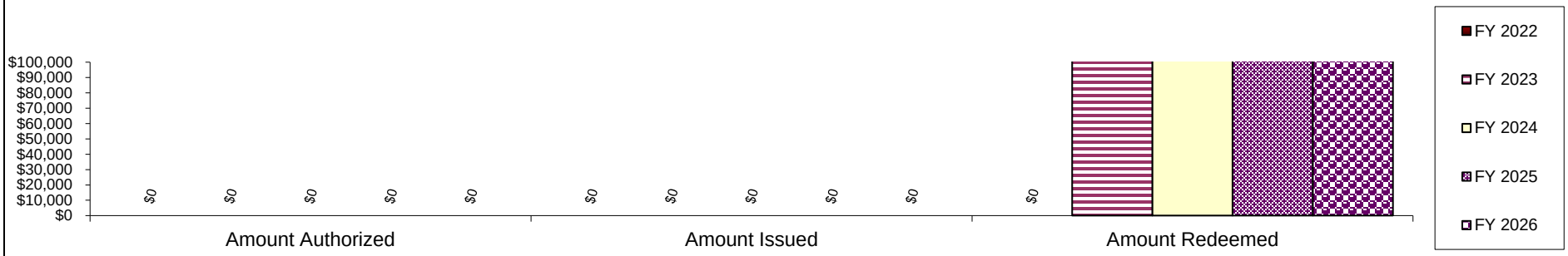
| | FY 2022 ACTUAL | FY 2023 ACTUAL | FY 2024 ACTUAL | FY 2025 (year to date) | FY 2025 (Full Year) | FY 2026 (Budget Year) |
|---|---|---|---|---|---|---|
| Certificates Issued (#) | 0 | 0 | 0 | *0* | 0 | 0 |
| Projects/Participants (#) | 0 | 11,779 | 30,399 | *21,757* | 31,000 | 31,000 |
| Amount Authorized | $0 | $0 | $0 | *$0* | $0 | $0 |
| Amount Issued | $0 | $0 | $0 | *$0* | $0 | $0 |
| Amount Redeemed | $0 | $119,223,771 | $396,849,612 | *$279,218,850* | $400,000,000 | $400,000,000 |

| | | | |
|---|---|---|---|
| FY 2024 EST. Amount Outstanding | $148,198,740 | FY 2024 EST. Amount Authorized but Unissued | $0 as of 12/31/2024 |

# TAX CREDIT ANALYSIS

**Program Name:** SALT Parity Act

## HISTORICAL AND PROJECTED INFORMATION




**Comments on Historical and Projected Information:**

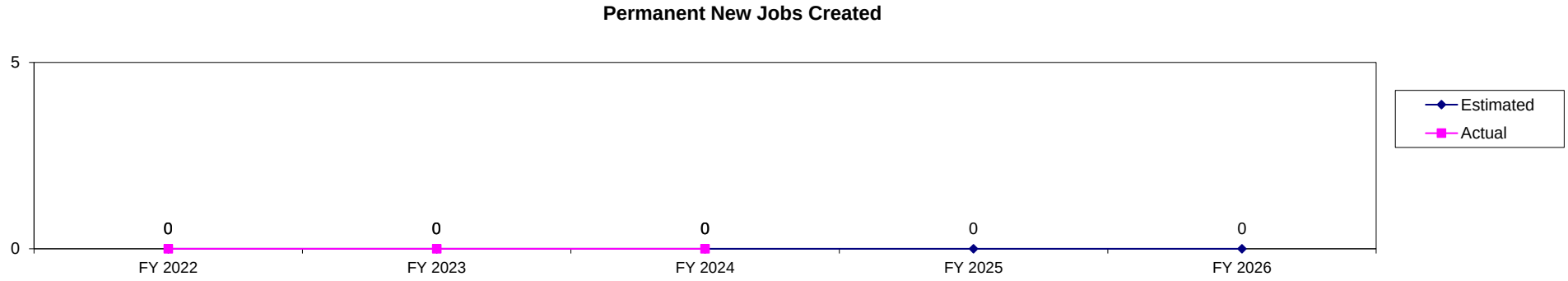
## BENEFIT: COST ANALYSIS (includes only state revenue impacts)

| | FY 2024 ACTIVITY | Other Fiscal Period (indicated time period) |
|---|---|---|
| **BENEFITS** | | |
| Direct Fiscal Benefits | | |
| Indirect Fiscal Benefits | | |
| **Total** | $0 | $0 |
| **COSTS** | | |
| Direct Fiscal Costs | | |
| Indirect Fiscal Costs | | |
| **Total** | $0 | $0 |
| **BENEFIT: COST** | **#DIV/0!** | **#DIV/0!** |

**Derivation of Benefits:**

**Other Benefits:**

## PERFORMANCE MEASURE(S)




**Comments on Performance Measure:**

# TAX CREDIT ANALYSIS

| | | | | | |
|---|---|---|---|---|---|
| **Program Name:** | Self Employed Health Insurance Tax Credit | | | | |
| **Department:** Revenue | | **Contact Name & No.:** | | **Date:** | January 2025 |
| **Program Category:** | Financial and Insurance | **Type:** | Tax Credit | Other: | |
| **Statutory Authority:** | Section 143.119, RSMo | **Applicable Taxes:** | Chapter 143, excluding Sect ions 143.191 to 143.265. RSMo | | |
| **Tax Credit Creation Date:** | 2007 | **Year of Last Legislative Change:** | 2022 | | |

**Program Description and Eligibility Requirements:**

A self-employed taxpayer, as such term is used in the federal Internal Revenue Code (IRC) who is ineligible for the federal income tax health insurance deduction under Section 162 of the federal IRC shall be entitled to a credit against the tax otherwise due under this chapter, excluding withholding tax imposed by Sections 143.191 to 143.265, in an amount equal to the portion of such taxpayer's federal tax liability incurred due to such taxpayer's inclusion of such payments in federal adjusted gross income. For all tax periods ending on or after August 28, 2022, to be eligible for a credit under this section, the self-employed taxpayer shall have a Missouri income tax liability, before any other tax credits, of less than three thousand dollars.

**Explanation of How Award is Computed:** **Entitlement** Yes **Discretionary** No

A self-employed taxpayer may claim a credit in an amount equal to the portion of the taxpayer's federal tax liability due to the taxpayer's inclusion of the federal income tax health insurance payment in their federal adjusted gross income. For all tax periods ending on or after August 28, 2022, to be eligible for a credit under this section, the self-employed taxpayer shall have a Missouri income tax liability, before any other tax credits, of less than three thousand dollars.

**Program Cap:** Cumulative $ _____ (remainder of cumulative cap) $ _____ Annual $ _____ None X

**Cap Shared Between Programs** No **Which Program(s)?** None

**Explanation of Cap:**

**Sunset Provision:** Yes Date of Sunset 31-Dec-28 Date of Last Sunset Extension 2022

**Explanation of Expiration of Authority:**

Section 143.119, RSMo, does not enact the provisions of the Missouri Sunset Act. The tax credit does not have an expiration date.

**Specific Provisions:** (if applicable)

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Carry forward | n/a | Carry Back | n/a | Refundable | No | Apportioned | No | Appropriated | No |
| Sellable/Assignable | No | Organizations Remit an Offset | No | Additional Federal Deductions/Credits Available | No | | | | |

**Comments on Specific Provisions:**

Comments on Specific Provisions: For all tax periods ending on or after August 28, 2022, The tax credits authorized under this section shall be nontransferable, nonrefundable, and shall not be carried back or forward to any other tax year. The reduction in credits redeemed is attributed to the legislative change, which became effective on August 28, 2022.

**Legislative / General Assembly Action(s) During Prior Five Years:**

A.L. 2022, H.B. 2400; Modified to the taxpayer to have a Missouri income tax liability, before any other credits, of less than $3,000. The credit is no longer refundable and the credit cannot be carried forward. Added sunset language, December 31, 2028.

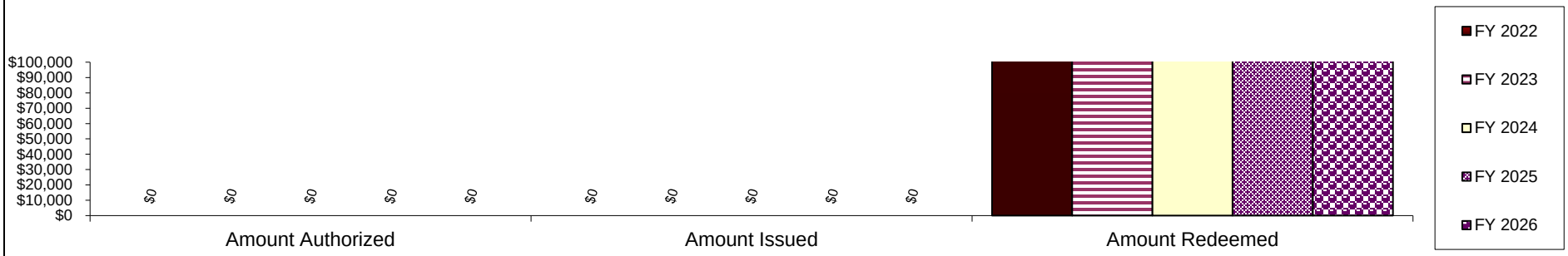
| | FY 2022 ACTUAL | FY 2023 ACTUAL | FY 2024 ACTUAL | FY 2025 (year to date) | FY 2025 (Full Year) | FY 2026 (Budget Year) |
|---|---|---|---|---|---|---|
| Certificates Issued (#) | 0 | 0 | 0 | *0* | 0 | 0 |
| Projects/Participants (#) | 10,108 | 6,389 | 5,253 | *1,301* | 5,500 | 5,500 |
| Amount Authorized | $0 | $0 | $0 | *$0* | $0 | $0 |
| Amount Issued | $0 | $0 | $0 | *$0* | $0 | $0 |
| Amount Redeemed | $10,249,256 | $6,335,102 | $2,220,866 | *$694,346* | $4,000,000 | $4,000,000 |

| | | | |
|---|---|---|---|
| FY 2024 EST. Amount Outstanding | $0 as of 12/31/2024 | FY 2024 EST. Amount Authorized but Unissued | $0 as of 12/31/2024 |

# TAX CREDIT ANALYSIS

**Program Name:** Self Employed Health Insurance Tax Credit

## HISTORICAL AND PROJECTED INFORMATION




**Comments on Historical and Projected Information:**

## BENEFIT: COST ANALYSIS (includes only state revenue impacts)

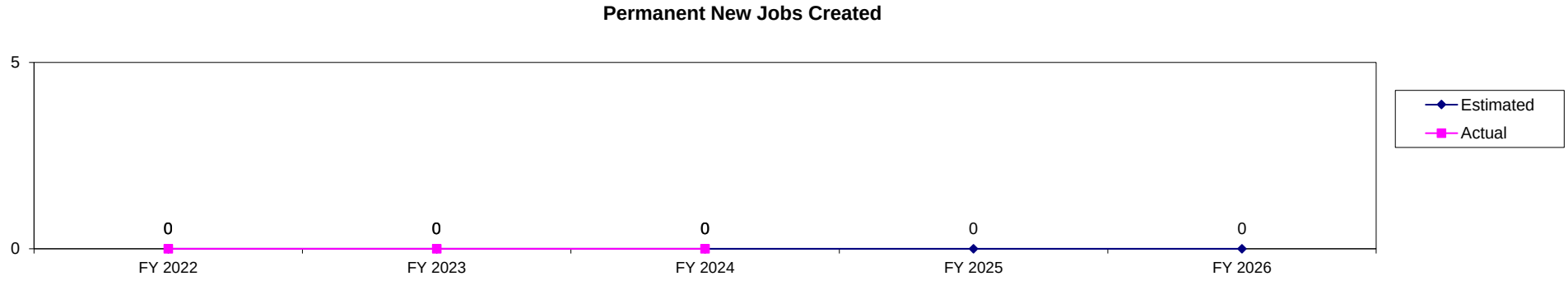
| | FY 2024 ACTIVITY | Other Fiscal Period (indicated time period) |
|---|---|---|
| **BENEFITS** | | |
| Direct Fiscal Benefits | $0 | |
| Indirect Fiscal Benefits | $77,363 | |
| **Total** | $77,363 | $0 |
| **COSTS** | | |
| Direct Fiscal Costs | $2,220,866 | |
| Indirect Fiscal Costs | $0 | |
| **Total** | $2,220,866 | $0 |
| **BENEFIT: COST** | **0.03** | **#DIV/0!** |

**Derivation of Benefits:**
The Missouri Department of Revenue, with the assistance of the Missouri Department Economic Development, used the Regional Economic Model, Inc. (REMI) to generate fiscal cost-benefit analysis for tax credit programs as required under Section 33.282, RSMo.

**Other Assumptions:**
- Reduction in personal income taxes of $2,220,866 in 2024.
- Incentives/Credits of $2,220,866 in Self Employed Health Care tax credits in 2024.
- Impacts occur statewide. All values in constant dollars
- Assumptions provided by DED.

**Other Benefits:**

## PERFORMANCE MEASURE(S)




**Comments on Performance Measure:**

# TAX CREDIT ANALYSIS

| | | | | | |
|---|---|---|---|---|---|
| **Program Name:** | Missouri Working Family Tax Credit | | | | |
| **Department:** | Revenue | **Contact Name & No.:** | Josh Shewmaker (526-2723) | **Date:** | January 2025 |
| **Program Category:** | Domestic and Social | **Type:** | Tax Credit | Other: | |
| **Statutory Authority:** | Section 143.177 RSMo | **Applicable Taxes:** | Chapter 143 RSMo | | |
| **Tax Credit Creation Date:** | 2021 | **Year of Last Legislative Change:** | 2021 | | |

**Program Description and Eligibility Requirements:**
Beginning January 1, 2023, the Missouri Working Family Tax Credit can be claimed by a resident individual with a filing status of single, head of household, widowed, or married filing combined who is subject to the tax imposed under chapter 143, excluding withholding tax imposed under sections 143.191 to 143.265, and who is allowed a federal earned income tax credit (EIC) under 26 U.S.C. Section 32, as amended. The credit will be equal to ten percent of the federal EIC, pursuant to Section 143.177, (1), RSMo, and may increase to twenty percent subject to the provisions in Section 143.177, (3) RSMo. Any increase in the percentage shall take effect on January first of a calendar year and shall continue in effect until the next percentage increase occurs. An increase shall only apply to tax years that begin on or after the increase takes effect.

**Explanation of How Award is Computed:** **Entitlement** Yes **Discretionary** No
The percentage of the federal EIC to be allowed as a tax credit shall be ten percent, which may be increased to twenty percent; if the amount of net general revenue collected in the previous fiscal year exceeds the highest amount of net general revenue collected in any of the three fiscal years prior to such fiscal year by at least one hundred fifty million dollars. This credit is to be applied to the tax liability after reduction for all other credits. The maximum percentage that may be claimed as a tax credit is twenty percent of the federal earned income tax credit.
Beginning January 1, 2023, the Working Family Tax Credit is equal to 10% of the allowable federal EITC as of January 2021. Beginning January 1, 2024, and beyond, the Working Family Tax Credit will be equal to 20% of the allowable federal EIC as of January 2021.

**Program Cap:** Cumulative $ _____ (remainder of cumulative cap) $ _____ Annual $ _____ None X

**Cap Shared Between Programs** No **Which Program(s)?** _____

**Explanation of Cap:**

**Sunset Provision:** No Date of Sunset None Date of Last Sunset Extension None

**Explanation of Expiration of Authority:**
Sections 143.177, RSMo, does not enact the provisions of the Missouri Sunset Act

**Specific Provisions:** (if applicable)
Carry forward n/a Carry Back n/a Refundable No Apportioned No Appropriated No

Sellable/Assignable No Organizations Remit an Offset No Additional Federal Deductions/Credits Available Yes

**Comments on Specific Provisions:**

**Legislative / General Assembly Action(s) During Prior Five Years:**

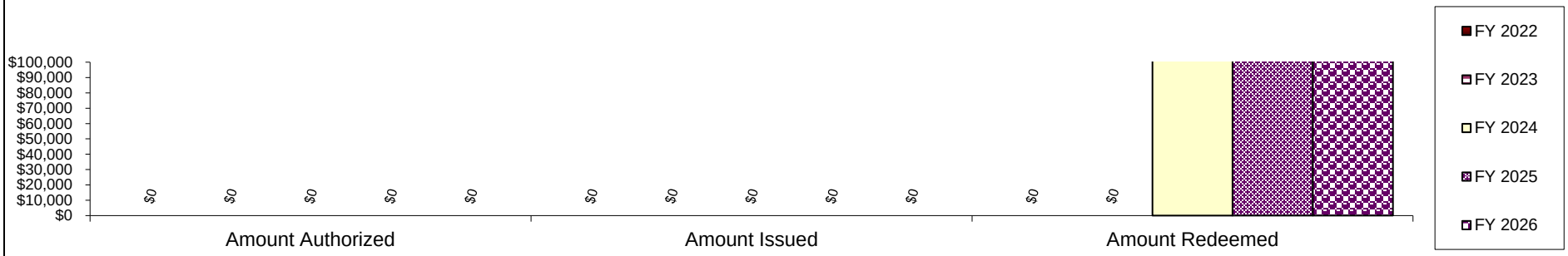
| | FY 2022 ACTUAL | FY 2023 ACTUAL | FY 2024 ACTUAL | FY 2025 (year to date) | FY 2025 (Full Year) | FY 2026 (Budget Year) |
|---|---|---|---|---|---|---|
| Certificates Issued (#) | 0 | 0 | 0 | *0* | 0 | 0 |
| Projects/Participants (#) | 0 | 0 | 176,936 | *3,935* | 400,000 | 450,000 |
| Amount Authorized | $0 | $0 | $0 | *$0* | $0 | $0 |
| Amount Issued | $0 | $0 | $0 | *$0* | $0 | $0 |
| Amount Redeemed | $0 | $0 | $28,482,968 | *$559,342* | $64,000,000 | $72,000,000 |

FY 2024 EST. Amount Outstanding $0 as of 12/31/2024 FY 2024 EST. Amount Authorized but Unissued $0 as of 12/31/2024

# TAX CREDIT ANALYSIS

**Program Name:** Missouri Working Family Tax Credit

## HISTORICAL AND PROJECTED INFORMATION




**Comments on Historical and Projected Information:**

## BENEFIT: COST ANALYSIS (includes only state revenue impacts)

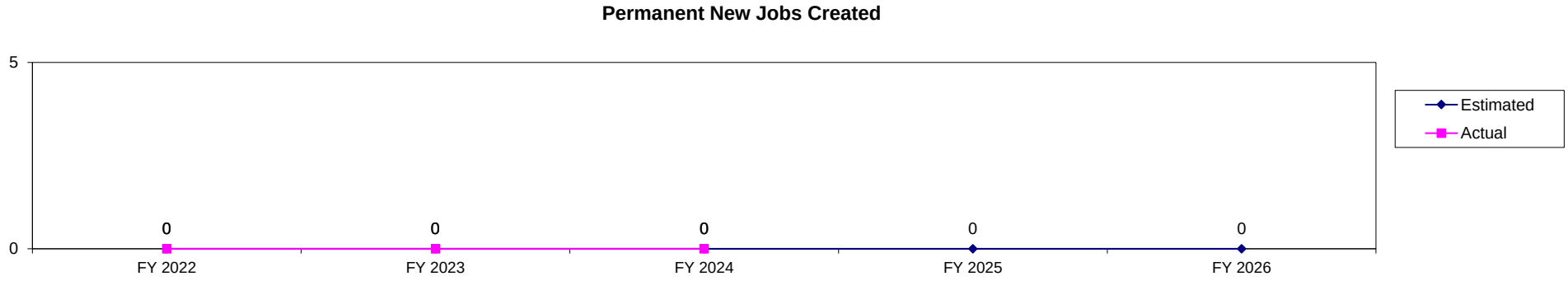
| | FY 2024 ACTIVITY | Other Fiscal Period (indicated time period) |
|---|---|---|
| **BENEFITS** | | |
| Direct Fiscal Benefits | $0 | |
| Indirect Fiscal Benefits | $992,188 | |
| **Total** | $992,188 | $0 |
| **COSTS** | | |
| Direct Fiscal Costs | $28,482,968 | |
| Indirect Fiscal Costs | $0 | |
| **Total** | $28,482,968 | $0 |
| **BENEFIT: COST** | **0.03** | **#DIV/0!** |

**Derivation of Benefits:**
Investment: (a) N/A
Employment: (a) N/A

**Other Assumptions:**
- Reduction in personal income taxes of $28,482,968 in 2024.
- Incentives/Credits of $28,482,968 in Working Family tax credits in 2024.
- Impacts occur statewide. All values in constant dollars
- Assumptions provided by DED.

**Other Benefits:**

## PERFORMANCE MEASURE(S)




**Comments on Performance Measure:**

# TAX CREDIT ANALYSIS

## TAX CREDIT ANALYSIS, FY 2026 BUDGET SUBMISSION

| | | | | | |
|---|---|---|---|---|---|
| **Program Name:** | Developmental Disability Care Provider | | | | |
| **Department:** | Social Services | **Contact Name & No.:** | Patrick Luebbering (573) 751-7533 | **Date:** | January 2025 |
| **Program Category:** | Domestic and Social | **Type:** | Tax Credit | Other: | |
| **Statutory Authority:** | 135.1180 RSMo | **Applicable Taxes:** | Corporate Income, Fiduciary, Financial, Corporate Franchise, Individual and Insurance | | |
| **Tax Credit Creation Date:** | Aug. 28, 2012 | **Year of Last Legislative Change:** | Aug. 28, 2015 | | |

**Program Description and Eligibility Requirements:**

A qualified developmental disability care provider may apply for tax credits on behalf of taxpayers who make eligible donations to the provider. Those who donate to qualifying providers are eligible to receive a tax credit up to fifty percent of their donation. Qualified developmental disability care providers that accept these donations are required to remit payment equivalent to the amount of the tax credit to the Department of Social Services. The program was authorized in HB 1172 (2012) and went into effect August 28, 2012.

**Explanation of How Award is Computed:** **Entitlement** Yes **Discretionary** No

Developmental Disability Care Provider is a contributory program. Taxpayers are eligible for a tax credit equivalent to up to fifty percent of an eligible donation to a qualified developmental disability care provider. The developmental disability care provider accepting the qualified donation must remit payment to the DSS equivalent to fifty percent of the donation received (the amount of the tax credit to be issued). The amount of the tax credit claimed may not exceed the amount of the taxpayer's state tax liability in the tax year that the credit is being claimed. Any tax credit that cannot be claimed in the taxable year during which the contribution is made will not be refunded but allowed to be carried forward and used against the taxpayer's state tax liability for four (4) subsequent years. The tax credit issued to taxpayer(s) may be applied to state liability taxes in the amount not to exceed fifty percent of an eligible donation made to a qualifying developmental disability care provider. Qualifying developmental disability care providers must have a current contract with the Children's Division or the Department of Mental Health, or be accredited by the Council on Accreditation, the Joint Commission on Accreditation of Healthcare Organizations, or the Commission on Accreditation of Rehabilitation Facilities.

**Program Cap:** Cumulative $ _____ (remainder of cumulative cap) $ _____ Annual $ _____ None x

**Cap Shared Between Programs** No **Which Program(s)?** _____

**Explanation of Cap:**

Qualifying developmental disability care providers must submit payment equivalent to the amount of tax credit issued. As a result, no cap is applied to this tax credit.

**Sunset Provision:** No Date of Sunset _____ Date of Last Sunset Extension _____

**Explanation of Expiration of Authority:**

Sunset provision removed Aug. 28, 2015

**Specific Provisions:** (if applicable)

Carry forward 4 years Carry Back n/a Refundable No Apportioned No Appropriated No

Sellable/Assignable Yes Organizations Remit an Offset Yes Additional Federal Deductions/Credits Available No

**Comments on Specific Provisions:**

**Legislative / General Assembly Action(s) During Prior Five Years:**

No legislative or General Assembly actions have taken place in the last five years.

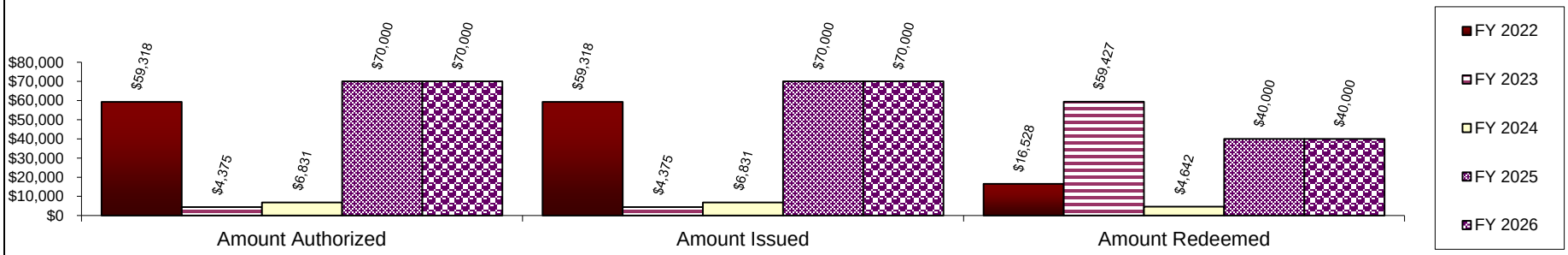
| | FY 2022 ACTUAL | FY 2023 ACTUAL | FY 2024 ACTUAL | FY 2025 (year to date) | FY 2025 (Full Year) | FY 2026 (Budget Year) |
|---|---|---|---|---|---|---|
| Certificates Issued (#) | 11 | 6 | 3 | *1* | 0 | 0 |
| Projects/Participants (#) | 0 | 0 | 0 | *0* | 0 | 0 |
| Amount Authorized | $59,318 | $4,375 | $6,831 | *$4,000* | $70,000 | $70,000 |
| Amount Issued | $59,318 | $4,375 | $6,831 | *$4,000* | $70,000 | $70,000 |
| Amount Redeemed | $16,528 | $59,427 | $4,642 | *$0* | $40,000 | $40,000 |

FY 2024 EST. Amount Outstanding $0 FY 2024 EST. Amount Authorized but Unissued $

# TAX CREDIT ANALYSIS

**Program Name:** Developmental Disability Care Provider

## HISTORICAL AND PROJECTED INFORMATION




**Comments on Historical and Projected Information:**

## BENEFIT: COST ANALYSIS (includes only state revenue impacts)

| | FY 2024 ACTIVITY | Other Fiscal Period (indicated time period) |
|---|---|---|
| **BENEFITS** | | |
| Direct Fiscal Benefits | | |
| Indirect Fiscal Benefits | $13,662 | |
| **Total** | $13,662 | $0 |
| **COSTS** | | |
| Direct Fiscal Costs | $6,323 | |
| Indirect Fiscal Costs | | |
| **Total** | $6,323 | $0 |
| **BENEFIT: COST** | **2.16** | **#DIV/0!** |

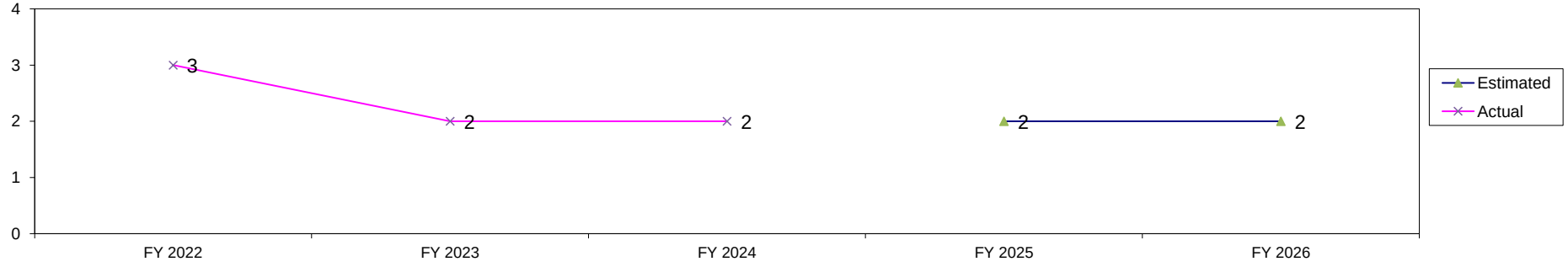
**Derivation of Benefits:**
Indirect fiscal benefits are the total amount of donations received by qualifying agencies that contributed toward the cost of assisting their clients who may have, otherwise, accessed state assistance. (Credits issued reflect 50% of total donations received)

Direct costs are the amount of credits that redeemed in FY 24 ($4,642) plus the cost for salary and fringe to administer the tax credit ($1,681).

**Other Benefits:**
Allows agencies to generate donations to be used toward the care of people with developmental disabilities without causing a burden on the state. Even though the state has a reduction in revenue when these tax credits are redeemed, the payment of half of the donation amount received by the provider offsets this cost.

## PERFORMANCE MEASURE(S)

**Number of Agencies Utilizing the Tax Credit**




**Comments on Performance Measure:**

# TAX CREDIT ANALYSIS

## TAX CREDIT ANALYSIS, FY 2026 BUDGET SUBMISSION

| | | | | | |
|---|---|---|---|---|---|
| **Program Name:** | Diaper Bank | | | | |
| **Department:** | Social Services | **Contact Name & No.:** | Patrick Luebbering (573) 751-7533 | **Date:** | January 2025 |
| **Program Category:** | Domestic and Social | **Type:** | Tax Credit | Other: | |
| **Statutory Authority:** | 135.621 RSMo | **Applicable Taxes:** | Corporate Income, Fiduciary, Financial, Corporate Franchise, Individual and Insurance | | |
| **Tax Credit Creation Date:** | Aug. 28, 2018 | **Year of Last Legislative Change:** | | | |

**Program Description and Eligibility Requirements:**
Allows a tax credit for taxpayers to apply to their state liability taxes in an amount not to exceed fifty percent of a contribution made to a qualifying diaper bank. Contributions can include cash, stocks, bonds or other marketable securities, or real property, with a value of one hundred dollars ($100) or more.

**Explanation of How Award is Computed:** **Entitlement** Yes **Discretionary** No
Taxpayers are eligible for a tax credit equivalent to up to fifty percent of an eligible contribution to a qualified diaper bank. Contributions must have a value of at least $100 ($50 tax credit) and can not exceed $100,000 ($50,000 tax credit) per taxpayer during any fiscal year. Eligible tax credits can not exceed the taxpayers state income tax liability for the year the credit is claimed.

**Program Cap:** Cumulative $ _____ (remainder of cumulative cap) $ _____ Annual $ 500,000 None _____

**Cap Shared Between Programs** No **Which Program(s)?** _____

**Explanation of Cap:**
Annually the $500,000 is allocated to those qualifying diaper banks that have submitted an application and supporting documentation to the Department of Social Services. Allotments may be revised during the year at the Department's discretion in an effort to fully utilize the maximum tax credit possible.

**Sunset Provision:** Yes Date of Sunset December 31,2024 Date of Last Sunset Extension _____

**Explanation of Expiration of Authority:**
This program is set to sunset December 31, 2024.

**Specific Provisions:** (if applicable)
Carry forward 1 year Carry Back n/a Refundable No Apportioned Yes Appropriated No

Sellable/Assignable No Organizations Remit an Offset No Additional Federal Deductions/Credits Available No

**Comments on Specific Provisions:**

**Legislative / General Assembly Action(s) During Prior Five Years:**
No legislative or General Assembly actions have taken place in the last five years.

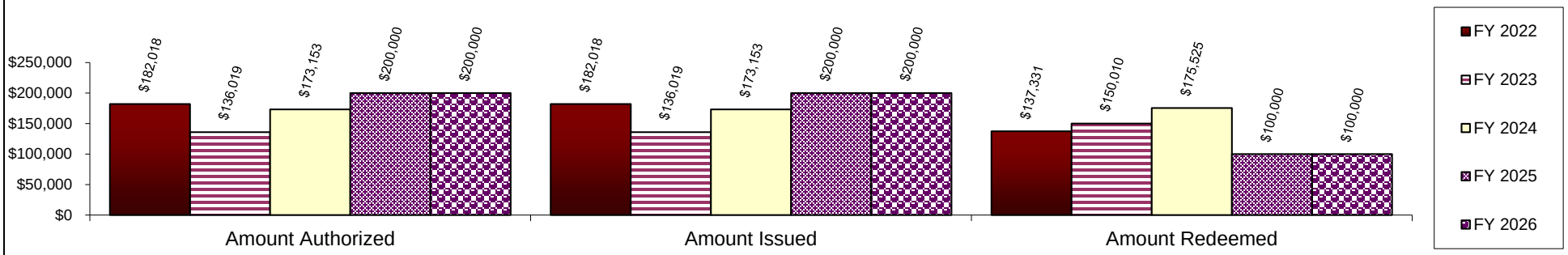
| | FY 2022 ACTUAL | FY 2023 ACTUAL | FY 2024 ACTUAL | FY 2025 (year to date) | FY 2025 (Full Year) | FY 2026 (Budget Year) |
|---|---|---|---|---|---|---|
| Certificates Issued (#) | 91 | 84 | 86 | *26* | 0 | 0 |
| Projects/Participants (#) | 0 | 0 | 0 | *0* | 0 | 0 |
| Amount Authorized | $182,018 | $136,019 | $173,153 | *$55,466* | $200,000 | $200,000 |
| Amount Issued | $182,018 | $136,019 | $173,153 | *$55,466* | $200,000 | $200,000 |
| Amount Redeemed | $137,331 | $150,010 | $175,525 | *$45,316* | $100,000 | $100,000 |

| | | | |
|---|---|---|---|
| FY 2024 EST. Amount Outstanding | $0 | FY 2024 EST. Amount Authorized but Unissued | N/A |

# TAX CREDIT ANALYSIS

**Program Name:** Diaper Bank

## HISTORICAL AND PROJECTED INFORMATION




**Comments on Historical and Projected Information:**

## BENEFIT: COST ANALYSIS (includes only state revenue impacts)

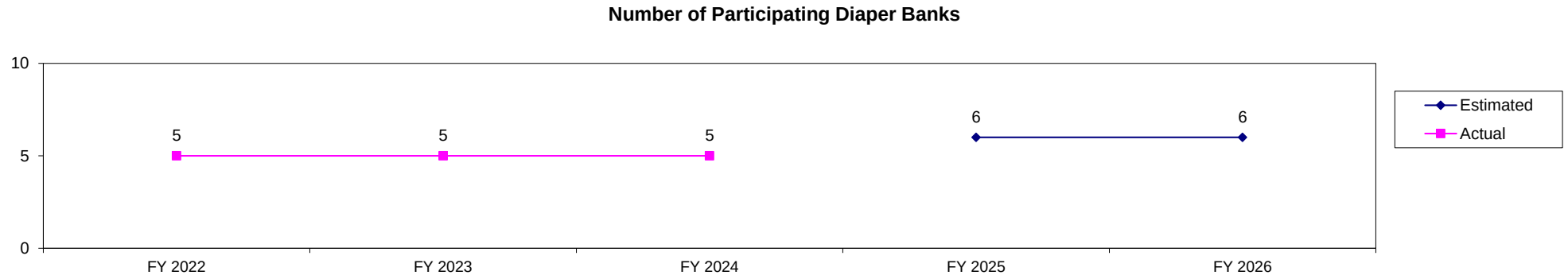
| | FY 2024 ACTIVITY | Other Fiscal Period (indicated time period) |
|---|---|---|
| **BENEFITS** | | |
| Direct Fiscal Benefits | | |
| Indirect Fiscal Benefits | $346,306 | |
| **Total** | $346,306 | $0 |
| **COSTS** | | |
| Direct Fiscal Costs | $180,568 | |
| Indirect Fiscal Costs | | |
| **Total** | $180,568 | $0 |
| **BENEFIT: COST** | **1.92** | **#DIV/0!** |

**Derivation of Benefits:**
Indirect fiscal benefits are the total amount of donations received by qualifying agencies that contributed toward the cost of assisting their clients who may have, otherwise, accessed state assistance. (Credits issued reflect 50% of total donations received)

Direct costs are the amount of credits that redeemed in FY 24 ($175,525) plus the cost for salary and fringe to administer the tax credit ($5,043).

**Other Benefits:**

## PERFORMANCE MEASURE(S)




**Comments on Performance Measure:**

# TAX CREDIT ANALYSIS

## TAX CREDIT ANALYSIS, FY 2026 BUDGET SUBMISSION

| | | | | | |
|---|---|---|---|---|---|
| **Program Name:** | Health, Hunger, and Hygiene | | | | |
| **Department:** | Social Services | **Contact Name & No.:** | Patrick Luebbering (573) 751-7533 | **Date:** | January 2025 |
| **Program Category:** | Domestic and Social | **Type:** | Tax Credit | Other: | |
| **Statutory Authority:** | 135.1125 RSMo | **Applicable Taxes:** | Corporate Income, Fiduciary, Financial, Corporate Franchise, Individual and Insurance | | |
| **Tax Credit Creation Date:** | Aug. 28, 2018 | **Year of Last Legislative Change:** | | | |

**Program Description and Eligibility Requirements:**
A qualified health, hunger, and hygiene organization may apply for tax credits on behalf of taxpayers who make eligible donations to the organization. Those who donate to qualifying providers are eligible to receive a tax credit up to fifty percent of their donation. Qualified health, hunger, and hygiene organizations that accept these donations are required to remit payment equivalent to the amount of the tax credit to the Department of Social Services (DSS).

**Explanation of How Award is Computed:** **Entitlement** Yes **Discretionary** No

Health, Hunger, and Hygiene is a contributory program. Taxpayers are eligible for a tax credit equivalent to up to fifty percent of an eligible donation to a qualified health, hunger and hygiene organization. The health, hunger, hygiene organization accepting the qualified donation must remit payment to the DSS equivalent to fifty percent of the donation received (the amount of the tax credit to be issued). Since January 1, 2019, any taxpayer is allowed to claim a credit against their state tax liability equivalent to fifty percent (50%) of the eligible donation the taxpayer made to a qualified health, hunger, and hygiene organization. The amount of the tax credit claimed may not exceed the amount of the taxpayer's state tax liability in the tax year that the credit is being claimed. Any tax credit that cannot be claimed in the taxable year during which the contribution is made will not be refunded, but is allowed to be carried forward and used against the taxpayer's state tax liability for four (4) subsequent years. The tax credit issued to taxpayer(s) may be applied to state liability taxes in the amount not to exceed fifty percent of an eligible donation made to a qualifying health, hunger, and hygiene organization.

**Program Cap:** Cumulative $ _____ (remainder of cumulative cap) $ _____ Annual $ _____ None x

**Cap Shared Between Programs** No **Which Program(s)?** _____

**Explanation of Cap:**
Qualifying health, hunger, and hygiene organizations must submit payment equivalent to the amount of tax credit issued. As a result, no cap is applied to this tax credit.

**Sunset Provision:** Yes Date of Sunset December 31,2024 Date of Last Sunset Extension _____

**Explanation of Expiration of Authority:**
The program is set to sunset August 28, 2024.

**Specific Provisions:** (if applicable)

Carry forward 4 years Carry Back n/a Refundable No Apportioned No Appropriated No

Sellable/Assignable Yes Organizations Remit an Offset Yes Additional Federal Deductions/Credits Available No

**Comments on Specific Provisions:**

**Legislative / General Assembly Action(s) During Prior Five Years:**

No legislative or General Assembly actions have taken place in the last five years.

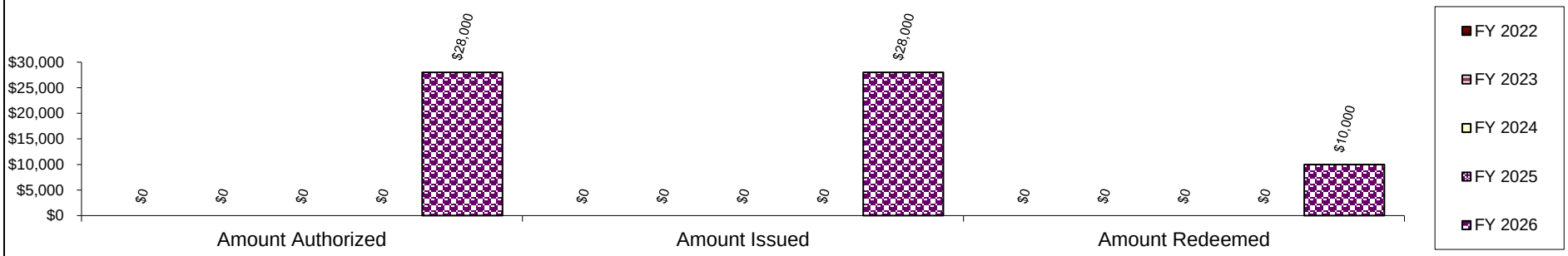
| | FY 2022 ACTUAL | FY 2023 ACTUAL | FY 2024 ACTUAL | FY 2025 (year to date) | FY 2025 (Full Year) | FY 2026 (Budget Year) |
|---|---|---|---|---|---|---|
| Certificates Issued (#) | 0 | 0 | 0 | *0* | 0 | 0 |
| Projects/Participants (#) | 0 | 0 | 0 | *0* | 0 | 0 |
| Amount Authorized | $0 | $0 | $0 | *$0* | $0 | $28,000 |
| Amount Issued | $0 | $0 | $0 | *$0* | $0 | $28,000 |
| Amount Redeemed | $0 | $0 | $0 | *$0* | $0 | $10,000 |

| | | | |
|---|---|---|---|
| FY 2024 EST. Amount Outstanding | $0 | FY 2024 EST. Amount Authorized but Unissued | N/A |

# TAX CREDIT ANALYSIS

**Program Name:** Health, Hunger, and Hygiene

## HISTORICAL AND PROJECTED INFORMATION




**Comments on Historical and Projected Information:**

## BENEFIT: COST ANALYSIS (includes only state revenue impacts)

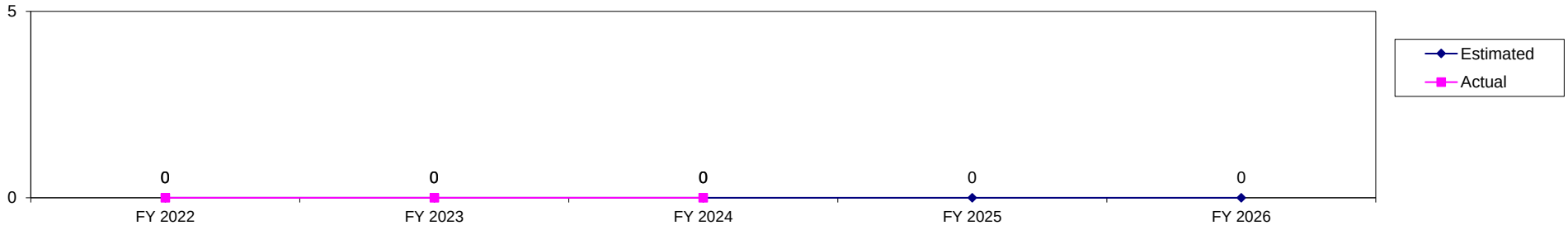
| | FY 2024 ACTIVITY | Other Fiscal Period (indicated time period) |
|---|---|---|
| **BENEFITS** | | |
| Direct Fiscal Benefits | | |
| Indirect Fiscal Benefits | $0 | |
| **Total** | $0 | $0 |
| **COSTS** | | |
| Direct Fiscal Costs | $1,681 | |
| Indirect Fiscal Costs | | |
| **Total** | $1,681 | $0 |
| **BENEFIT: COST** | **0.00** | **#DIV/0!** |

**Derivation of Benefits:**
Direct benefits are contributions to the Health, Hunger, and Hygiene providers under this program that are used solely to provide direct care services to children who are residents of this state. (Credits issued reflect 50% of total donations received)

Direct costs are the amount of credits that redeemed in FY 24 ($0) plus the cost for salary and fringe to administer the tax credit ($1,681).

**Other Benefits:**

## PERFORMANCE MEASURE(S)




**Comments on Performance Measure:**

# TAX CREDIT ANALYSIS

## TAX CREDIT ANALYSIS, FY 2026 BUDGET SUBMISSION

| | | | | | |
|---|---|---|---|---|---|
| **Program Name:** | Maternity Home | | | | |
| **Department:** | Social Services | **Contact Name & No.:** | Patrick Luebbering (573) 751-7533 | **Date:** | January 2025 |
| **Program Category:** | Domestic and Social | **Type:** | Tax Credit | Other: | |
| **Statutory Authority:** | 135.600 RSMo | **Applicable Taxes:** | Corporate Income, Fiduciary, Financial, Corporate Franchise, Individual and Insurance | | |
| **Tax Credit Creation Date:** | Aug. 28, 1997 | **Year of Last Legislative Change:** | Aug. 28, 2021 | | |

**Program Description and Eligibility Requirements:**

The Maternity Homes tax credit program provides a tax credit against a taxpayer's state tax liability equal to seventy percent of contributions to Maternity Homes. Those eligible for the tax credit include a person, firm, partner in a firm, etc., doing business in Missouri or a charitable firm who contributes to a maternity home. The amount of tax credit issued may be equivalent to up to seventy percent of the contribution to the agency. Credits shall not be less than fifty dollars and cannot exceed fifty thousand dollars to an individual taxpayer in a fiscal year.

**Explanation of How Award is Computed:** **Entitlement** Yes **Discretionary** No

Beginning FY 2023, the amount of tax credits that can be issued increases to seventy percent (70%) of the amount such taxpayer contributes to a maternity home. The taxpayer shall not be allowed to claim a tax credit unless the total amount of such taxpayer's contribution to the centers is at least one hundred dollars ($100) in value. The amount of the tax credit claimed must not be in excess of the taxpayer's state tax liability for the tax year that the credit is claimed and shall not exceed fifty thousand ($50,000) dollars per tax year. Prior to FY23, A taxpayer was allowed to claim a tax credit in the amount equal to fifty percent (50%). Shelters must submit an application annually to be classified as a qualifying agency to receive donations eligible for the Maternity Home Tax Credit.

**Program Cap:** Cumulative $ _____ (remainder of cumulative cap) $ _____ Annual $ N/A None x

**Cap Shared Between Programs** No **Which Program(s)?** _____

**Explanation of Cap:**

The annual cap for this credit was removed beginning FY 2023.

**Sunset Provision:** No Date of Sunset _____ Date of Last Sunset Extension _____

**Explanation of Expiration of Authority:**

In the 2021 legislative session, the sunset was removed from the Maternity Home tax credit (HB 430).

**Specific Provisions:** (if applicable)

Carry forward 1 year Carry Back n/a Refundable No Apportioned No Appropriated No

Sellable/Assignable No Organizations Remit an Offset Choose Additional Federal Deductions/Credits Available No

**Comments on Specific Provisions:**

**Legislative / General Assembly Action(s) During Prior Five Years:**

Starting July 1,2022, the percentage of tax credit increased from 50% to 70%. Prior to FY23, $3,500,000 was allocated annually to qualifying maternity homes and allotments were revised during the year at the Department's discretion in an effort to fully utilize the maximum tax credit possible. In FY 2020, the cap increased to $3,500,000 from $2,500,000.

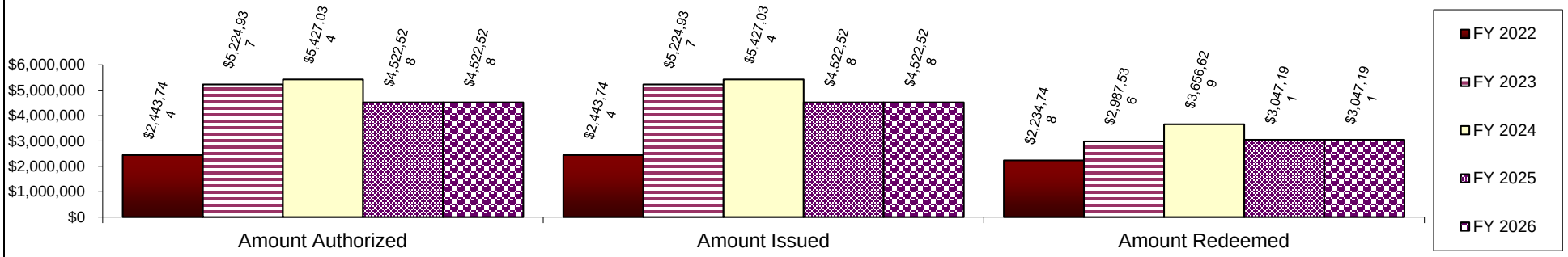
| | FY 2022 ACTUAL | FY 2023 ACTUAL | FY 2024 ACTUAL | FY 2025 (year to date) | FY 2025 (Full Year) | FY 2026 (Budget Year) |
|---|---|---|---|---|---|---|
| Certificates Issued (#) | 1,575 | 2,125 | 2,138 | *912* | 1,944 | 1,944 |
| Projects/Participants (#) | N/A | N/A | N/A | N/A | N/A | N/A |
| Amount Authorized | $2,443,744 | $5,224,937 | $5,427,034 | *$1,570,625* | $4,522,528 | $4,522,528 |
| Amount Issued | $2,443,744 | $5,224,937 | $5,427,034 | *$1,570,625* | $4,522,528 | $4,522,528 |
| Amount Redeemed | $2,234,748 | $2,987,536 | $3,656,629 | *$1,567,873* | $3,047,191 | $3,047,191 |

| | | | |
|---|---|---|---|
| FY 2024 EST. Amount Outstanding | $0.00 | FY 2024 EST. Amount Authorized but Unissued | N/A |

# TAX CREDIT ANALYSIS

**Program Name:** Maternity Home

## HISTORICAL AND PROJECTED INFORMATION




**Comments on Historical and Projected Information:**
Projected Certificates Issued is calculated using 10% growth. Authorized, Issued, and Redeemed projections are calculated using 20% growth.

## BENEFIT: COST ANALYSIS (includes only state revenue impacts)

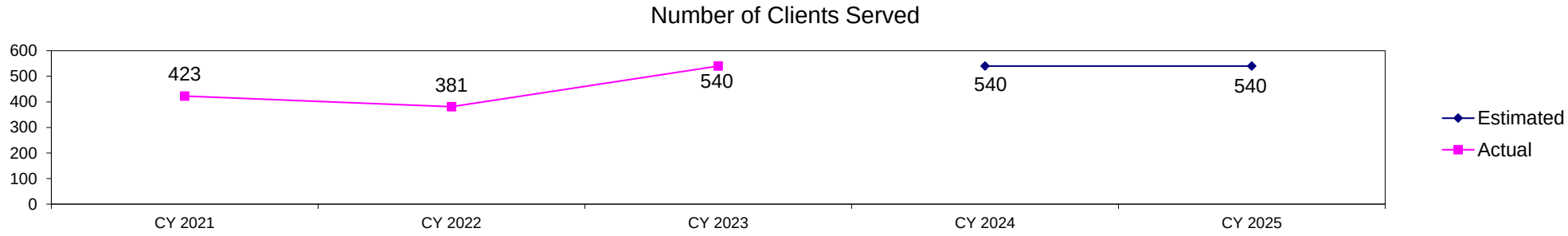
| | FY 2024 ACTIVITY | Other Fiscal Period (indicated time period) |
|---|---|---|
| **BENEFITS** | | |
| Direct Fiscal Benefits | | |
| Indirect Fiscal Benefits | $10,854,068 | |
| **Total** | $10,854,068 | $0 |
| **COSTS** | | |
| Direct Fiscal Costs | $3,677,640 | |
| Indirect Fiscal Costs | | |
| **Total** | $3,677,640 | $0 |
| **BENEFIT: COST** | **2.95** | **#DIV/0!** |

**Derivation of Benefits:**
Indirect fiscal benefits are the total amount of donations received by qualifying agencies that contributed toward the cost of assisting their clients who may have, otherwise, accessed state assistance. (Credits issued reflect 70% of total donations received)

Direct costs are the amount of credits that redeemed in FY 24 ($3,656,629) plus the cost for salary and fringe to administer the tax credit ($21,011).

**Other Benefits:**

## PERFORMANCE MEASURE(S)




**Comments on Performance Measure:**
Calculated for calendar year (January - December). Calendar year 2024 actual will be available June, 2025. Reduction in number of clients served in 2020 can be attributed to COVID-19. Projected number of clients increased to reflect changes in the tax credit statute.

# TAX CREDIT ANALYSIS

## TAX CREDIT ANALYSIS, FY 2026 BUDGET SUBMISSION

| | | | | | |
|---|---|---|---|---|---|
| **Program Name:** | Pregnancy Resource Center | | | | |
| **Department:** | Social Services | **Contact Name & No.:** | Patrick Luebbering (573) 751-7533 | **Date:** | January 2025 |
| **Program Category:** | Domestic and Social | **Type:** | Tax Credit | Other: | |
| **Statutory Authority:** | 135.630 RSMo | **Applicable Taxes:** | Corporate Income, Fiduciary, Financial, Corporate Franchise, Individual and Insurance | | |
| **Tax Credit Creation Date:** | Aug. 28, 2006 | **Year of Last Legislative Change:** | Aug. 28, 2019 | | |

**Program Description and Eligibility Requirements:**

A qualified pregnancy resource center may apply for tax credits on behalf of taxpayers who make contributions to the agency. The amount of tax credit issued may be equivalent to up to seventy percent of the contribution to the agency. Credits shall not be less than fifty dollars ($50) and can not exceed fifty thousand dollars ($50,000) to an individual taxpayer in a fiscal year. Pregnancy resource centers must submit an application to the Department to be certified to received donations eligible for the Pregnancy Resource Center Tax Credit. An agency must be a non-residential facility located in this state which is exempt from income taxation under the United States Internal Revenue Code and is established for the purpose of providing assistance to women with unplanned or crisis pregnancies, or similar services to encourage and assist women in carrying their pregnancies to term. These facilities do not perform childbirths nor do they perform, induce or refer for abortion. All services are provided in accordance with Missouri statute at no cost to clients.

**Explanation of How Award is Computed:** **Entitlement** Yes **Discretionary** No

The Pregnancy Resource Center Tax Credit program became effective January 1, 2007. A taxpayer shall be allowed to claim a tax credit against the taxpayer's state tax liability, in an amount equal to seventy percent (70%) of the amount such taxpayer contributed to a pregnancy resource center. The taxpayer shall not be allowed to claim a tax credit unless the total amount of such taxpayer's contribution to the centers is at least one hundred dollars ($100) in value. The amount of the tax credit claimed must not be in excess of the taxpayer's state tax liability for the taxable year that the credit is claimed and shall not exceed fifty thousand ($50,000) dollars per taxable year.

**Program Cap:** Cumulative $ _____ (remainder of cumulative cap) $ _____ Annual $ N/A None x

**Cap Shared Between Programs** No **Which Program(s)?** _____

**Explanation of Cap:**

Effective FY 2021, there is no cap to the amount of credits that can be claimed for those qualifying pregnancy resource centers that have submitted an application and supporting documentation to the Department of Social Services. Prior to this date, annual allocation could not exceed $3.5 million.

**Sunset Provision:** No Date of Sunset _____ Date of Last Sunset Extension _____

**Explanation of Expiration of Authority:**

In the 2019 legislative session, the sunset was removed from the Pregnancy Resource Center tax credit (HB 126).

**Specific Provisions:** (if applicable)

Carry forward 1 year Carry Back n/a Refundable No Apportioned No Appropriated No

Sellable/Assignable No Organizations Remit an Offset No Additional Federal Deductions/Credits Available No

**Comments on Specific Provisions:**

The four year carryover ended August 28, 2018. After that date, the carryover is for one year.

**Legislative / General Assembly Action(s) During Prior Five Years:**

Beginning January 1, 2021, the percentage of credit was increased from 50% to 70% during the the 2019 legislative session. The annual cap of $3.5 million was removed beginning July 1, 2021.

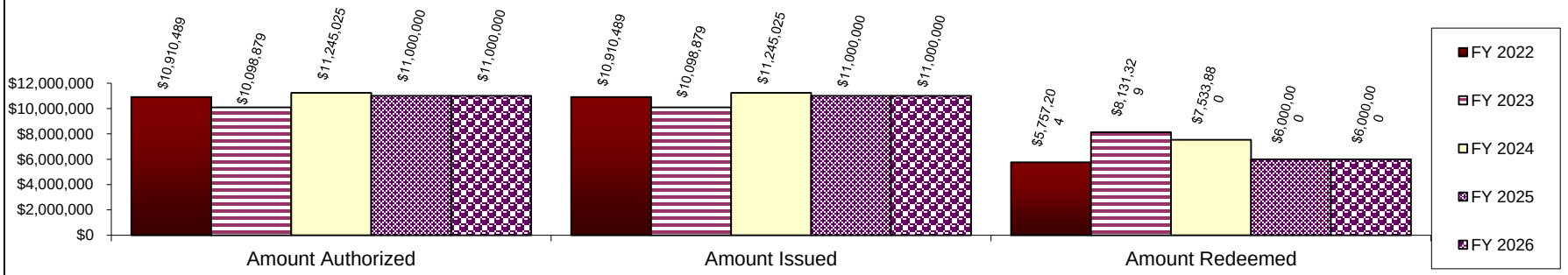
| | FY 2022 ACTUAL | FY 2023 ACTUAL | FY 2024 ACTUAL | FY 2025 (year to date) | FY 2025 (Full Year) | FY 2026 (Budget Year) |
|---|---|---|---|---|---|---|
| Certificates Issued (#) | 6,986 | 7,224 | 7,797 | *2,581* | 7,000 | 7,000 |
| Projects/Participants (#) | 0 | 0 | 0 | *0* | 0 | 0 |
| Amount Authorized | $10,910,489 | $10,098,879 | $11,245,025 | *$3,561,830* | $11,000,000 | $11,000,000 |
| Amount Issued | $10,910,489 | $10,098,879 | $11,245,025 | *$3,561,830* | $11,000,000 | $11,000,000 |
| Amount Redeemed | $5,757,204 | $8,131,329 | $7,533,880 | *$2,656,494* | $6,000,000 | $6,000,000 |

| | | | |
|---|---|---|---|
| FY 2024 EST. Amount Outstanding | $5,678,695.32 | FY 2024 EST. Amount Authorized but Unissued | N/A |

# TAX CREDIT ANALYSIS

**Program Name:** Pregnancy Resource Center

## HISTORICAL AND PROJECTED INFORMATION




**Comments on Historical and Projected Information:**

## BENEFIT: COST ANALYSIS (includes only state revenue impacts)

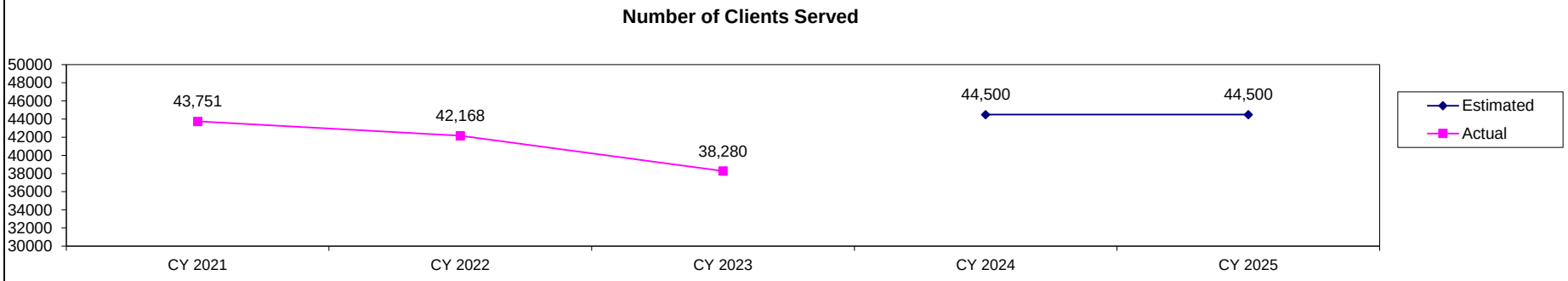
| | FY 2024 ACTIVITY | Other Fiscal Period (indicated time period) |
|---|---|---|
| **BENEFITS** | | |
| Direct Fiscal Benefits | | |
| Indirect Fiscal Benefits | $16,064,321 | |
| **Total** | $16,064,321 | $0 |
| **COSTS** | | |
| Direct Fiscal Costs | $7,567,497 | |
| Indirect Fiscal Costs | | |
| **Total** | $7,567,497 | $0 |
| **BENEFIT: COST** | **2.12** | **#DIV/0!** |

**Derivation of Benefits:**
Indirect fiscal benefits are the total amount of donations received by qualifying agencies that contributed toward the cost of assisting their clients who may have, otherwise, accessed state assistance. (Credits issued reflect 70% of total donations received)

Direct costs are the amount of credits that redeemed in FY 24 ($7,544,880) plus the cost for salary and fringe to administer the tax credit ($33,617).

**Other Benefits:**

## PERFORMANCE MEASURE(S)




**Comments on Performance Measure:**
Clients served are reported on a calendar year. CY 2024 will be available June, 2025

# TAX CREDIT ANALYSIS

## TAX CREDIT ANALYSIS, FY 2026 BUDGET SUBMISSION

| | | | | | |
|---|---|---|---|---|---|
| **Program Name:** | Residential Treatment Agency | | | | |
| **Department:** | Social Services | **Contact Name & No.:** | Patrick Luebbering (573) 751-7533 | **Date:** | January 2025 |
| **Program Category:** | Domestic and Social | **Type:** | Tax Credit | Other: | |
| **Statutory Authority:** | 135.1150 RSMo | **Applicable Taxes:** | Corporate Income, Fiduciary, Financial, Corporate Franchise, Individual and Insurance | | |
| **Tax Credit Creation Date:** | Aug. 28, 2006 | **Year of Last Legislative Change:** | Aug. 28, 2015 | | |

**Program Description and Eligibility Requirements:**

A qualified residential treatment agency may apply for tax credits on behalf of taxpayers who make eligible donations to the agency. The amount of total credits available to any qualified residential treatment agency can not exceed the total funds received from the Department of Social Services (DSS) in the preceding twelve months. Those who donate to qualifying providers are eligible to receive a tax credit up to fifty percent of their donation. Qualified residential treatment agencies that accept these donations are required to remit payment equivalent to the amount of the tax credit to the Department of Social Services.

**Explanation of How Award is Computed:** **Entitlement** Yes **Discretionary** No

Residential Treatment is a contributory program. Taxpayers are eligible for a tax credit equivalent to up to fifty percent of an eligible donation to a qualified residential treatment agency. The residential treatment agency accepting the qualified donation must remit payment to the DSS equivalent to fifty percent of the donation received (the amount of the tax credit to be issued). Since January 1, 2007, any taxpayer is allowed to claim a credit against their state tax liability equivalent to fifty percent (50%) of the eligible donation the taxpayer made to a qualified residential treatment agency. The amount of the tax credit claimed may not exceed the amount of the taxpayer's state tax liability in the tax year that the credit is being claimed. Any tax credit that cannot be claimed in the taxable year during which the contribution is made will not be refunded, but is allowed to be carried forward and used against the taxpayer's state tax liability for four (4) subsequent years. The tax credit issued to taxpayer(s) may be applied to state liability taxes in the amount not to exceed fifty percent of an eligible donation made to a qualifying residential treatment agency. Qualifying residential treatment agencies must have a current contract with the Children's Division. Total credits issued can not exceed the total payments made by DSS to the Residential Treatment Agency during the twelve months preceding the month the application was received by DSS.

**Program Cap:** Cumulative $ _____ (remainder of cumulative cap) $ _____ Annual $ _____ None x

**Cap Shared Between Programs** No **Which Program(s)?** _____

**Explanation of Cap:**

Qualifying residential treatment agencies must submit payment equivalent to the amount of tax credit issued. As a result, no cap is applied to this tax credit.

**Sunset Provision:** No Date of Sunset _____ Date of Last Sunset Extension _____

**Explanation of Expiration of Authority:**

Senate Bill 463 (2015) removed the sunset.

**Specific Provisions:** (if applicable)

Carry forward 4 years Carry Back n/a Refundable No Apportioned No Appropriated No

Sellable/Assignable Yes Organizations Remit an Offset Yes Additional Federal Deductions/Credits Available No

**Comments on Specific Provisions:**

**Legislative / General Assembly Action(s) During Prior Five Years:**

No legislative or General Assembly actions have taken place in the last five years.

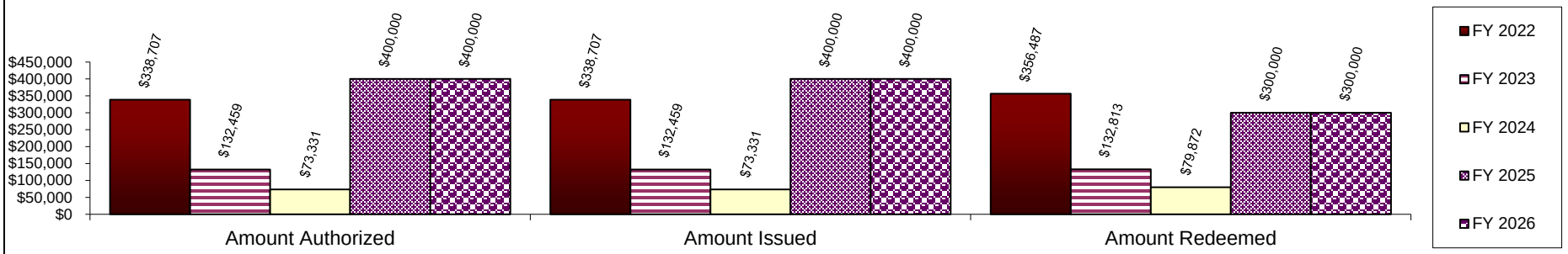
| | FY 2022 ACTUAL | FY 2023 ACTUAL | FY 2024 ACTUAL | FY 2025 (year to date) | FY 2025 (Full Year) | FY 2026 (Budget Year) |
|---|---|---|---|---|---|---|
| Certificates Issued (#) | 235 | 99 | 48 | *1* | 260 | 260 |
| Projects/Participants (#) | N/A | N/A | 0 | *0* | 0 | 0 |
| Amount Authorized | $338,707 | $132,459 | $73,331 | *$1,500* | $400,000 | $400,000 |
| Amount Issued | $338,707 | $132,459 | $73,331 | *$1,500* | $400,000 | $400,000 |
| Amount Redeemed | $356,487 | $132,813 | $79,872 | *$12,382* | $300,000 | $300,000 |

| | | | |
|---|---|---|---|
| FY 2024 EST. Amount Outstanding | $81,851.71 | FY 2024 EST. Amount Authorized but Unissued | N/A |

# TAX CREDIT ANALYSIS

**Program Name:** Residential Treatment Agency

## HISTORICAL AND PROJECTED INFORMATION




**Comments on Historical and Projected Information:**

## BENEFIT: COST ANALYSIS (includes only state revenue impacts)

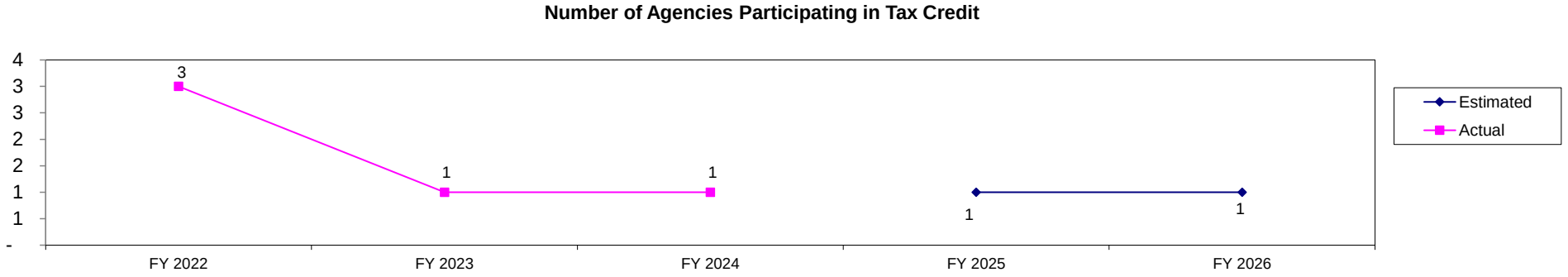
| | FY 2024 ACTIVITY | Other Fiscal Period (indicated time period) |
|---|---|---|
| **BENEFITS** | | |
| Direct Fiscal Benefits | $146,662 | |
| Indirect Fiscal Benefits | | |
| **Total** | $146,662 | $0 |
| **COSTS** | | |
| Direct Fiscal Costs | $84,074 | |
| Indirect Fiscal Costs | | |
| **Total** | $84,074 | $0 |
| **BENEFIT: COST** | **1.74** | **#DIV/0!** |

**Derivation of Benefits:**
Direct benefits are contributions to the Residential Treatment providers under this program that are used solely to provide direct care services to children who are residents of this state. (Credits issued reflect 50% of total donations received)

Direct costs are the amount of credits that redeemed in FY 24 ($79,872) plus the cost for salary and fringe to administer the tax credit ($4,202).

**Other Benefits:**

## PERFORMANCE MEASURE(S)




**Comments on Performance Measure:**

# TAX CREDIT ANALYSIS

## TAX CREDIT ANALYSIS, FY 2026 BUDGET SUBMISSION

| | | | | | |
|---|---|---|---|---|---|
| **Program Name:** | Shelter for Victims of Domestic Violence and Rape Crisis Centers | | | | |
| **Department:** | Social Services | **Contact Name & No.:** | Patrick Luebbering (573) 751-7533 | **Date:** | January 2025 |
| **Program Category:** | Domestic and Social | **Type:** | Tax Credit | Other: | |
| **Statutory Authority:** | 135.550 RSMo | **Applicable Taxes:** | Corporate Income, Fiduciary, Financial, Corporate Franchise, Individual and Insurance | | |
| **Tax Credit Creation Date:** | Aug. 28, 1997 | **Year of Last Legislative Change:** | Aug. 28, 2021 | | |

**Program Description and Eligibility Requirements:**
Allows a tax credit for taxpayers to apply to their state liability taxes in an amount not to exceed seventy percent of a contribution made to a qualifying domestic violence shelter. Contributions can include cash, stocks, bonds or other marketable securities, or real property, with a value of one hundred dollars ($100) or more.

**Explanation of How Award is Computed:** **Entitlement** Yes **Discretionary** No

Beginning FY 2023, the amount of tax credits that can be issued increases to seventy percent (70%) of an eligible contribution to a qualified domestic violence shelter and rape crisis center. Contributions must have a value of at least $100 and can not exceed $100,000 per taxpayer during any fiscal year. Eligible tax credits can not exceed the taxpayers state income tax liability for the year the credit is claimed. Prior to FY23, taxpayers were eligible for a tax credit equivalent to up to fifty percent (50%).

Shelters must submit an application annually to be classified as a qualifying agency to receive donations eligible for the Domestic Violence Shelter Tax Credit.

**Program Cap:** Cumulative $ _____ (remainder of cumulative cap) $ _____ Annual $ _____ None x

**Cap Shared Between Programs** No **Which Program(s)?** _____

**Explanation of Cap:**
Beginning FY 2023, there will be no cap on the amount of credits that can be claimed. Prior to FY23 there was $2 million annually allocated to those qualifying domestic violence shelters that have submitted an application and supporting documentation to the Department of Social Services.

**Sunset Provision:** No Date of Sunset _____ Date of Last Sunset Extension _____

**Explanation of Expiration of Authority:**
There was no sunset established for this program when it was created in 1997.

**Specific Provisions:** (if applicable)

Carry forward 4 years Carry Back n/a Refundable No Apportioned No Appropriated No

Sellable/Assignable No Organizations Remit an Offset No Additional Federal Deductions/Credits Available No

**Comments on Specific Provisions:**

**Legislative / General Assembly Action(s) During Prior Five Years:**

During the 2021 legislative session, the credit percentage increased from 50% to 70%. During the 2021 legislative session, the annual credit limit of $2 million was removed.

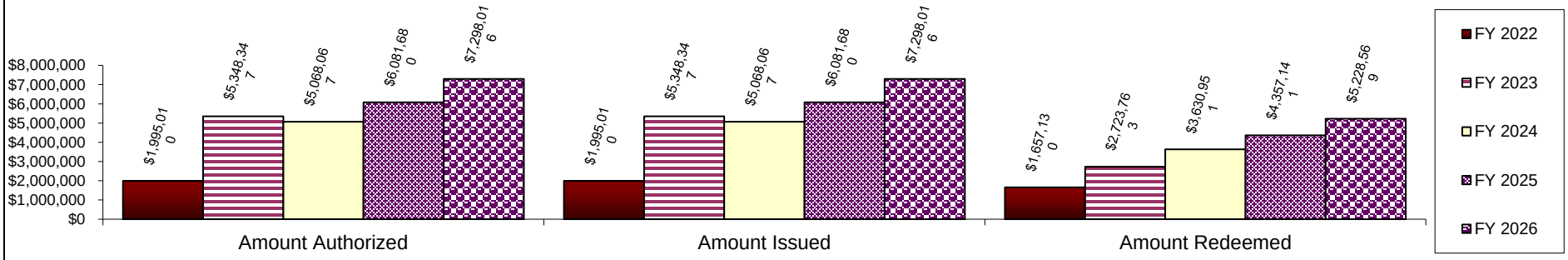
| | FY 2022 ACTUAL | FY 2023 ACTUAL | FY 2024 ACTUAL | FY 2025 (year to date) | FY 2025 (Full Year) | FY 2026 (Budget Year) |
|---|---|---|---|---|---|---|
| Certificates Issued (#) | 1,904 | 3,072 | 2,950 | *946* | 3,245 | 3,570 |
| Projects/Participants (#) | 0 | 0 | 0 | *0* | 0 | 0 |
| Amount Authorized | $1,995,010 | $5,348,347 | $5,068,067 | *$1,622,814* | $6,081,680 | $7,298,016 |
| Amount Issued | $1,995,010 | $5,348,347 | $5,068,067 | *$1,622,814* | $6,081,680 | $7,298,016 |
| Amount Redeemed | $1,657,130 | $2,723,763 | $3,630,951 | *$1,509,334* | $4,357,141 | $5,228,569 |

| | | | |
|---|---|---|---|
| FY 2024 EST. Amount Outstanding | $4,851,647.16 | FY 2024 EST. Amount Authorized but Unissued | N/A |

# TAX CREDIT ANALYSIS

**Program Name:** Shelter for Victims of Domestic Violence and Rape Crisis Centers

## HISTORICAL AND PROJECTED INFORMATION




**Comments on Historical and Projected Information:**
Projected Certificates Issued is calculated using 10% growth. Authorized, Issued, and Redeemed projections are calculated using 20% growth.

## BENEFIT: COST ANALYSIS (includes only state revenue impacts)

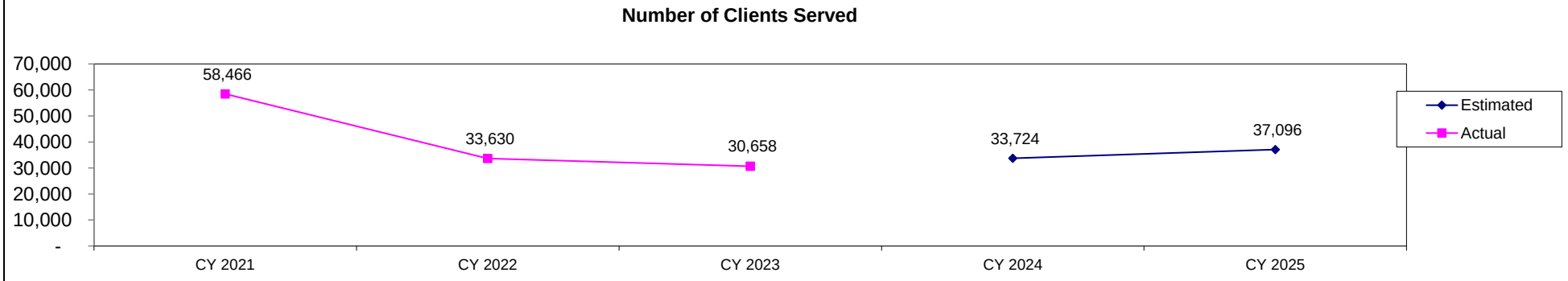
| | FY 2024 ACTIVITY | Other Fiscal Period (indicated time period) |
|---|---|---|
| **BENEFITS** | | |
| Direct Fiscal Benefits | | |
| Indirect Fiscal Benefits | $7,240,096 | |
| **Total** | $7,240,096 | $0 |
| **COSTS** | | |
| Direct Fiscal Costs | $3,647,760 | |
| Indirect Fiscal Costs | | |
| **Total** | $3,647,760 | $0 |
| **BENEFIT: COST** | **1.98** | **#DIV/0!** |

**Derivation of Benefits:**
Indirect fiscal benefits are the total amount of donations received by qualifying agencies that contributed toward the cost of assisting their clients who may have, otherwise, accessed state assistance. (Credits issued reflect 70% of total donations received)

Direct costs are the amount of credits that redeemed in FY 24 ($3,630,951) plus the cost for salary and fringe to administer the tax credit ($16,809).

**Other Benefits:**

## PERFORMANCE MEASURE(S)




**Comments on Performance Measure:**
Calculated on calendar year (January - December). Calendar year 2024 actual will not be available until June, 2025.

# TAX CREDIT ANALYSIS

| | | | | | |
|---|---|---|---|---|---|
| **Program Name:** | Agricultural Product Utilization Contributor Tax Credit Program | | | | |
| **Department:** | Agriculture | **Contact Name & No.:** | Jill S Wood 573-751-5624 | **Date:** | 12/31/2024 |
| **Program Category:** | Agricultural | **Type:** | Tax Credit | Other: | |
| **Statutory Authority:** | 348.430 RSMo | **Applicable Taxes:** | Income (143 RSMo), Franchise (147 RSMo), and Financial Institution (148 RSMo) | | |
| **Tax Credit Creation Date:** | July 2, 1999 1999 H.B. 888 | **Year of Last Legislative Change:** | FY 2022 Special Session | | |

**Program Description and Eligibility Requirements:**
A contributor who contributes funds to the Missouri Agricultural and Small Business Development Authority may receive a tax credit in an amount up to one hundred percent of such contribution. A contributor can be an individual, partnership, corporation, trust, limited liability company, entity or person that contributes cash funds to the authority. The funds derived from contributions shall be used for financial assistance or technical assistance in the form of value-added grants to rural agricultural business concepts. The authority may also provide or facilitate loans, equity investments, or guaranteed loans for rural agricultural business concepts.

**Explanation of How Award is Computed:** **Entitlement** No **Discretionary** Yes
A contributor who contributes funds to the Missouri Agricultural and Small Business Development Authority may receive a tax credit in an amount up to one hundred percent of such contribution. The awarding of the credit is based on the least amount of credits necessary to provide incentive for the contributions. All contributors submit an application which must be approved by the MASBDA Commission prior to issuance.

**Program Cap:** Cumulative $ _____ (remainder of cumulative cap) $ _____ Annual $ 6,000,000 None _____

**Cap Shared Between Programs** Yes **Which Program(s)?** **New Generation Cooperative Incentive Tax Credit Program**

**Explanation of Cap:**
The aggregate of tax credits issued per fiscal year pursuant to sections 348.430 and 348.432 shall not exceed six million dollars. If on May 1st of each year the Missouri Agricultural and Small Business Development Authority determines that any of the $6,000,000 will not be utilized as New Generation Cooperative Incentive Tax Credits then the unused credits may be sold as Agricultural Product Utilization Contributor Tax Credits. Credits not issued as New Generation Cooperative Incentive Tax Credits or sold as Agricultural Product Utilization Contributor Tax Credits lapse June 30th of each year.

**Sunset Provision:** Yes Date of Sunset 31-Dec-28 Date of Last Sunset Extension FY 2022 Special Session

**Explanation of Expiration of Authority:**
The provision of sections 348.430 RSMo shall expire on December 31, 2028 pursuant to 348.436 RSMo. This program was extended during FY 22 1st Special Session on H.B. 3 to take effect on January 2, 2023.

**Specific Provisions:** (if applicable)

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Carry forward | 4 years | Carry Back | n/a | Refundable | No | Apportioned | No | Appropriated | Yes |
| Sellable/Assignable | Yes | Organizations Remit an Offset | Yes | Additional Federal Deductions/Credits Available | Yes | | | | |

**Comments on Specific Provisions:**

**Legislative / General Assembly Action(s) During Prior Five Years:**
This program was extended during FY 22 1st Special Session on H.B. 3 to take effect on January 2, 2023. The sunset date was changed to December 31, 2028.

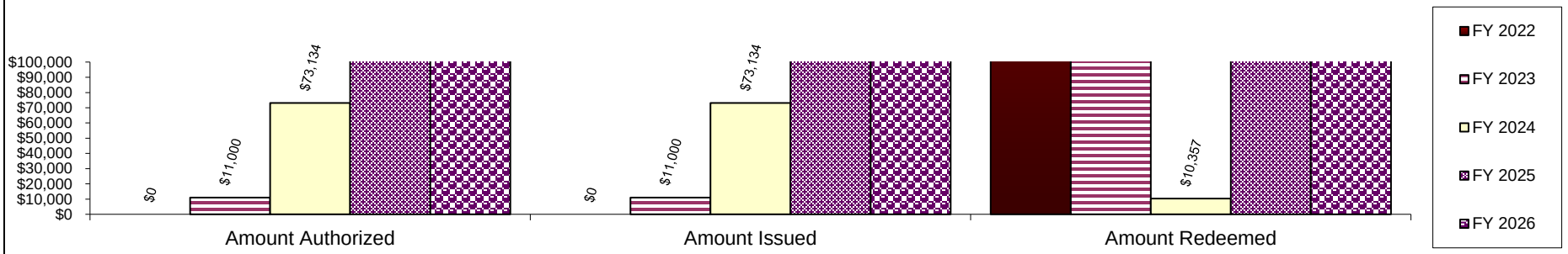
| | FY 2022 ACTUAL | FY 2023 ACTUAL | FY 2024 ACTUAL | FY 2025 (year to date) | FY 2025 (Full Year) | FY 2026 (Budget Year) |
|---|---|---|---|---|---|---|
| Certificates Issued (#) | 0 | 2 | 4 | *0* | 25 | 25 |
| Projects/Participants (#) | 12 | 9 | 5 | *0* | 27 | 27 |
| Amount Authorized | $0 | $11,000 | $73,134 | *$0* | $5,000,000 | $3,000,000 |
| Amount Issued | $0 | $11,000 | $73,134 | *$0* | $5,000,000 | $3,000,000 |
| Amount Redeemed | $305,376 | $137,762 | $10,357 | *$1,212* | $1,000,000 | $1,000,000 |

| | | | |
|---|---|---|---|
| FY 2024 EST. Amount Outstanding | $1,623,930 | FY 2024 EST. Amount Authorized but Unissued | $0 |

# TAX CREDIT ANALYSIS

**Program Name:** Agricultural Product Utilization Contributor Tax Credit Program

## HISTORICAL AND PROJECTED INFORMATION




**Comments on Historical and Projected Information:**
Agricultural Product Utilization Contributor Tax Credits was extended during FY 22 1st Special Session on H.B. 3 which updated the expiration date to December 31, 2028.

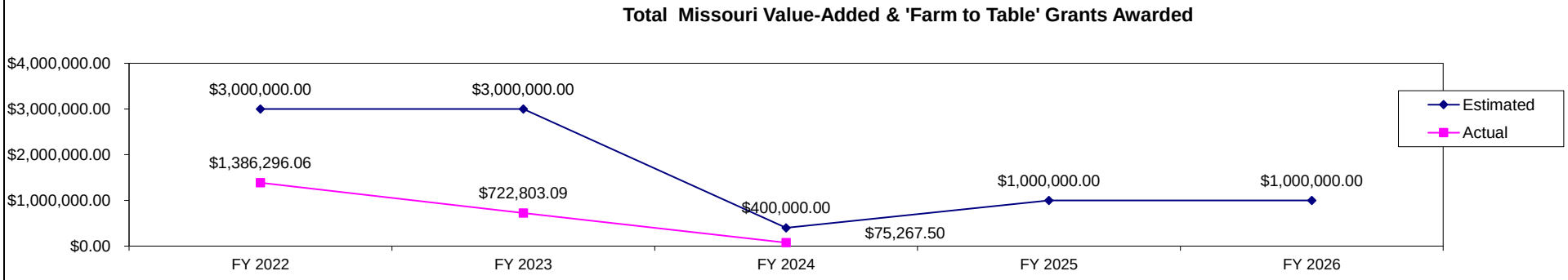
## BENEFIT: COST ANALYSIS (includes only state revenue impacts)

| | FY 2024 ACTIVITY | Other Fiscal Period (FY00-FY23) |
|---|---|---|
| **BENEFITS** | | |
| Direct Fiscal Benefits | $186,028 | $25,585,514 |
| Indirect Fiscal Benefits | $178,200 | $40,252,341 |
| **Total** | $364,228 | $65,837,855 |
| **COSTS** | | |
| Direct Fiscal Costs | $15,497 | $28,916,177 |
| Indirect Fiscal Costs | | |
| **Total** | $15,497 | $28,916,177 |
| **BENEFIT: COST** | **23.50** | **2.28** |

**Derivation of Benefits:**
Benefits are based on grant dollars actually paid. Payments are broken into NAICS Codes. Total value-added (direct and indirect fiscal benefits) to the state of Missouri are estimated by IMPLAN. Value-Added Grants are awarded for pre-business start-up costs such as feasibility studies, marketing studies, business planning, etc. and 'Farm to Table' Value-Added Grants. Biofuel Infrastructure Program grants were added to the benefits calculation in FY 22. This program grants are awarded for the entities who were awarded an USDA HBIIP grant and the BIP grants cover up to 25% of the entities required cash match, not to exceed $200,000 per entity.

**Other Benefits:**

## PERFORMANCE MEASURE(S)




**Comments on Performance Measure:**
In fiscal year 2024, only statewide grants will be funded. If a funded study demonstrates the potential for a project, then the cost of the study becomes one small part of the actual cost of the project. If the project is successful, it generates a good benefit cost ratio. If the study finds that the project is not feasible, the benefits of the project are the savings of investments that would have been lost. In which case the benefit cost ratio is very high. However, this analysis includes only actual grant dollars and does not take into account whether or not a project is feasible. If a project becomes operational and receives New Generation Cooperative Incentive Tax Credits then those benefits are accounted for in the New Generation Cooperative Incentive Tax Credit Program's tax credit analysis.

# TAX CREDIT ANALYSIS

| | | | | | |
|---|---|---|---|---|---|
| **Program Name:** | **Family Farm Breeding Livestock Loan Program** | | | | |
| **Department:** | Agriculture | **Contact Name & No.:** | Jill S. Wood (573) 751-5624 | **Date:** | 12/31/2024 |
| **Program Category:** | Agricultural | **Type:** | Tax Credit | Other: | |
| **Statutory Authority:** | 348.500, 348.505 RSMo Effective August 2006 | **Applicable Taxes:** | Income (143 RSMo), Franchise (147 RSMo), and Financial Institution (148 RSMo) | | |
| **Tax Credit Creation Date:** | August 28, 2006 2006 S.B. 1017 | **Year of Last Legislative Change:** | FY 2022 Special Session | | |

**Program Description and Eligibility Requirements:**

This program provides Missouri Tax Credits to lenders in lieu of the first year of interest being paid on breeding livestock loans made to "small farmers" who are Missouri residents and who have less than $500,000 in gross sales per year. Maximum eligible loan cannot exceed 90% of the cost of purchasing breeding livestock. Small Farmers are not limited on the amount of times they use the program or the type of livestock. The maximum amount of loan for each type of livestock is: Beef or Dairy cattle $150,000; Sheep or Goats $60,000; Swine $70,000.

**Explanation of How Award is Computed:** **Entitlement** No **Discretionary** Yes

A lender can request a tax credit for the first year's interest waived on a loan to a "Small Missouri Farmer" that makes a loan for the purchase of breeding livestock. Each request shall include a true copy of the loan documents. All participants must submit an application which must be approved by the MASBDA Commission prior to tax credit issuance.

**Program Cap:** Cumulative $ _____ (remainder of cumulative cap) $ _____ Annual $ 300,000 None _____

**Cap Shared Between Programs** No **Which Program(s)?** _____

**Explanation of Cap:**

Fiscal year limits are set in 348.505.1 RSMo as are individual loan limits. Beef and dairy = $150,000, swine = $70,000, sheep and goats = $60,000.

**Sunset Provision:** No Date of Sunset _____ Date of Last Sunset Extension _____

**Explanation of Expiration of Authority:**

**Specific Provisions:** (if applicable)

Carry forward 3 years Carry Back n/a Refundable No Apportioned No Appropriated Yes

Sellable/Assignable Yes Organizations Remit an Offset Yes Additional Federal Deductions/Credits Available No

**Comments on Specific Provisions:**

**Legislative / General Assembly Action(s) During Prior Five Years:**

During FY 22 1st Special Session on HB 3, the 'small farmer' gross sales per year was increased to $500,000, the maximum loan amount per type of livestock was increased, and the restriction of only allowing a small farmer to use once was removed.

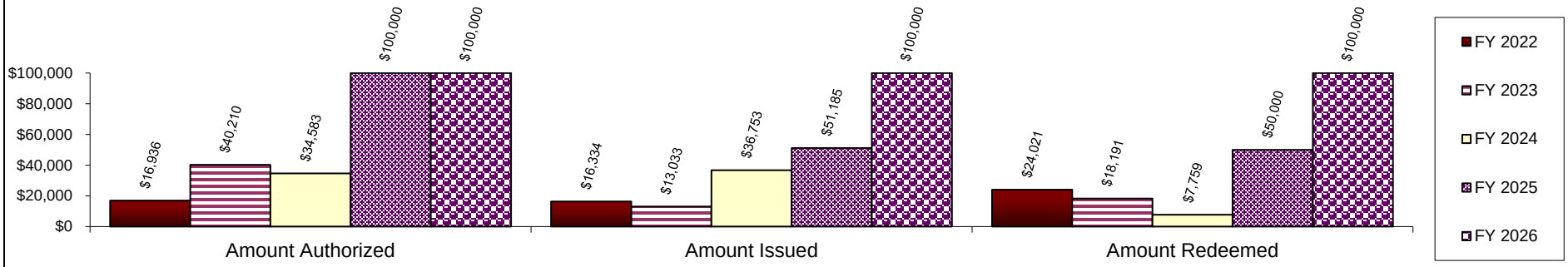
| | FY 2022 ACTUAL | FY 2023 ACTUAL | FY 2024 ACTUAL | FY 2025 (year to date) | FY 2025 (Full Year) | FY 2026 (Budget Year) |
|---|---|---|---|---|---|---|
| Certificates Issued (#) | 8 | 5 | 10 | *3* | 11 | 20 |
| Projects/Participants (#) | 13 | 15 | 19 | *17* | 29 | 50 |
| Amount Authorized | $16,936 | $40,210 | $34,583 | *$89,489* | $100,000 | $100,000 |
| Amount Issued | $16,334 | $13,033 | $36,753 | *$14,175* | $51,185 | $100,000 |
| Amount Redeemed | $24,021 | $18,191 | $7,759 | *$11,210* | $50,000 | $100,000 |

| | | | |
|---|---|---|---|
| FY 2024 EST. Amount Outstanding | $256,848 | FY 2024 EST. Amount Authorized but Unissued | $34,583 |

# TAX CREDIT ANALYSIS

**Program Name:** Family Farm Breeding Livestock Loan Program

## HISTORICAL AND PROJECTED INFORMATION




**Comments on Historical and Projected Information:**
During FY 22 1st Special Session on HB 3, the 'small farmer' gross sales per year was increased to $500,000, the maximum loan amount per type of livestock was increased, and the restriction of only allowing a small farmer to use once was removed.

## BENEFIT: COST ANALYSIS (includes only state revenue impacts)

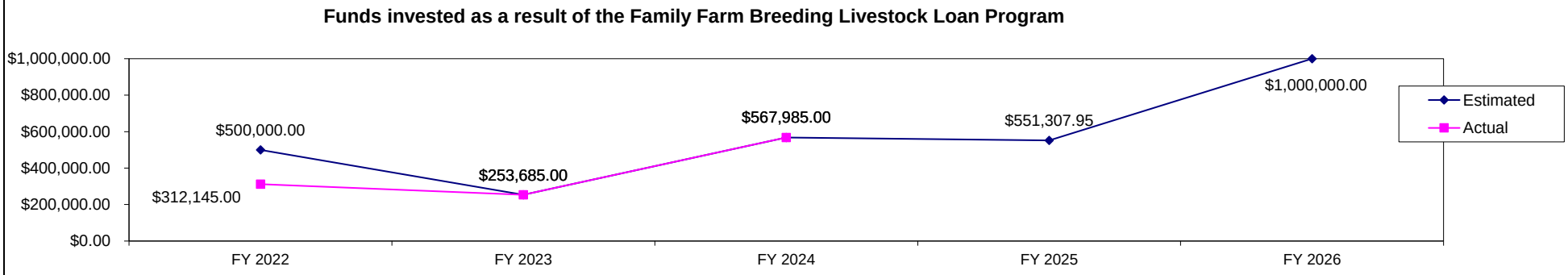
| | FY 2024 ACTIVITY | Other Fiscal Period (FY08-FY23) |
|---|---|---|
| **BENEFITS** | | |
| Direct Fiscal Benefits | $36,753 | $918,930 |
| Indirect Fiscal Benefits | $48,769 | $6,298,949 |
| **Total** | $85,522 | $7,217,879 |
| **COSTS** | | |
| Direct Fiscal Costs | $19,093 | $951,871 |
| Indirect Fiscal Costs | | |
| **Total** | $19,093 | $951,871 |
| **BENEFIT: COST** | **4.48** | **7.58** |

**Derivation of Benefits:**

University of Missouri Commercial Ag Program estimates that beef cows have a positive economic impact of $1.36 per pound of beef produced.
Source: Missouri Value-Added Beef Study, March 2016
325 beef cows x 90% calf crop x 525 lb. wean weight x $.30/lb.
90 sheep x 120 average weight of market lambs x $.25/lb.

**Other Benefits:**

## PERFORMANCE MEASURE(S)




**Comments on Performance Measure:**

# TAX CREDIT ANALYSIS

| | | | | | |
|---|---|---|---|---|---|
| **Program Name:** | **Meat Processing Facility Investment Tax Credit** | | | | |
| **Department:** Agriculture | | **Contact Name & No.:** | Jill S. Wood, 573-751-5624 | **Date:** | 12/31/2024 |
| **Program Category:** | Agricultural | **Type:** | Tax Credit | Other: | |
| **Statutory Authority:** | 135.686 RSMo | **Applicable Taxes:** | Income (143 RSMo Excluding 143.191 to 143.265 RSMo), Franchise (147 RSMo) | | |
| **Tax Credit Creation Date:** | August 28, 2016 L. 2016 S.B. 665 | **Year of Last Legislative Change:** | FY 2022 Special Session | | |

**Program Description and Eligibility Requirements:**

To stimulate investment in the meat processing industry in Missouri and to enable the livestock industry to capture more value in the form of further processed meat products. To be eligible, the owner and operator has to complete a meat processing facility modernization and or expansion activity(ies) on or after January 1, 2017 through December 2028; a resident of Missouri; the facility must be in Missouri; certified through E-Verify program and in good standing with USDA and or Missouri Department of Agriculture's inspection(s). Also, whomever owns a meat processing facility located in Missouri and employs a combined total of fewer than five hundred individuals in all meat processing facilities owned by the individual or entity in this country.

**Explanation of How Award is Computed:** **Entitlement** No **Discretionary** Yes

The tax credit is 25% of the total qualifying meat processing facility modernization and or expansion expenses paid in the tax year. There is a $75,000 maximum tax credit per meat processing facility per tax year allowed. All participants must submit an application which must be approved by the MASBDA Commission prior to tax credit issuance.

**Program Cap:** Cumulative $ _____ (remainder of cumulative cap) $ _____ Annual $ 2,000,000 None _____

**Cap Shared Between Programs** No **Which Program(s)?** _____

**Explanation of Cap:**

The tax credits will be issued on an as-received basis until the calendar year limit of $2 million is reached. Any tax credits not issued in any calendar year shall expire and shall not be issued in any subsequent years. Maximum fiscal year amount is set in 135.686.4 RSMo.

**Sunset Provision:** No Date of Sunset _____ Date of Last Sunset Extension _____

**Explanation of Expiration of Authority:**

For all taxable years beginning on or after January 1, 2017, but ending on or before December 31, 2028, a taxpayer shall be allowed a tax credit for meat processing modernization or expansion related to the taxpayer's meat processing facility that employs a combined total of fewer than five hundred individuals in all meat processing facilities owned by the individual or entity in this country. This tax credit program is for expenditures made on or before December 31, 2028.

**Specific Provisions:** (if applicable)

Carry forward 4 years Carry Back n/a Refundable No Apportioned No Appropriated Yes

Sellable/Assignable Yes Organizations Remit an Offset Yes Additional Federal Deductions/Credits Available No

**Comments on Specific Provisions:**

**Legislative / General Assembly Action(s) During Prior Five Years:**

Tax credit program was renewed during FY 22 1st Special Session on HB 3., which extended the taxable year to December 31, 2028; owns a meat processing facility located in the state and employs a combined total of fewer than five hundred individuals in all meat processing facilities owned by the individual or entity in this country.

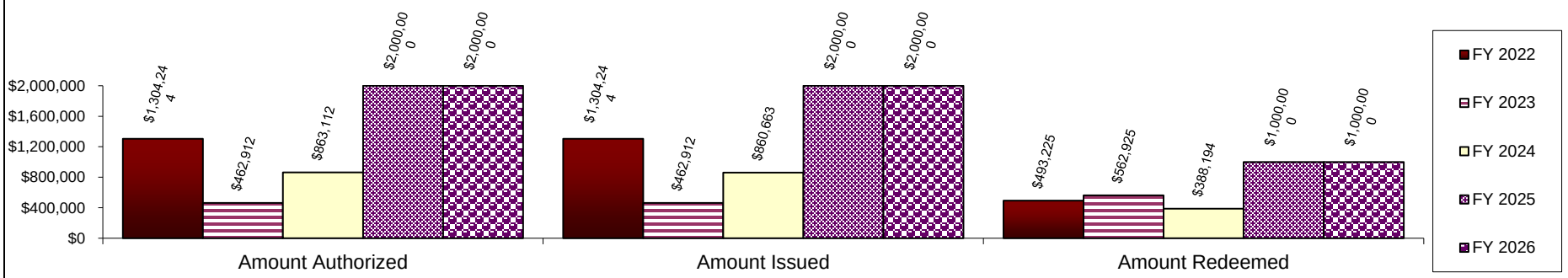
| | FY 2022 ACTUAL | FY 2023 ACTUAL | FY 2024 ACTUAL | FY 2025 (year to date) | FY 2025 (Full Year) | FY 2026 (Budget Year) |
|---|---|---|---|---|---|---|
| Certificates Issued (#) | 24 | 8 | 18 | *8* | 30 | 30 |
| Projects/Participants (#) | 23 | 8 | 18 | *8* | 30 | 30 |
| Amount Authorized | $1,304,244 | $462,912 | $863,112 | *$297,891* | $2,000,000 | $2,000,000 |
| Amount Issued | $1,304,244 | $462,912 | $860,663 | *$297,891* | $2,000,000 | $2,000,000 |
| Amount Redeemed | $493,225 | $562,925 | $388,194 | *$371,960* | $1,000,000 | $1,000,000 |

| | | | |
|---|---|---|---|
| FY 2024 EST. Amount Outstanding | $2,836,843 | FY 2024 EST. Amount Authorized but Unissued | $ |

# TAX CREDIT ANALYSIS

**Program Name:** **Meat Processing Facility Investment Tax Credit**

## HISTORICAL AND PROJECTED INFORMATION




**Comments on Historical and Projected Information:**
Tax credit program was renewed during FY 22 1st Special Session on HB 3. Due to the length of the rulemaking process, MASBDA began accepting application on October 2, 2023 for expenditures made starting January 1, 2022 and after.

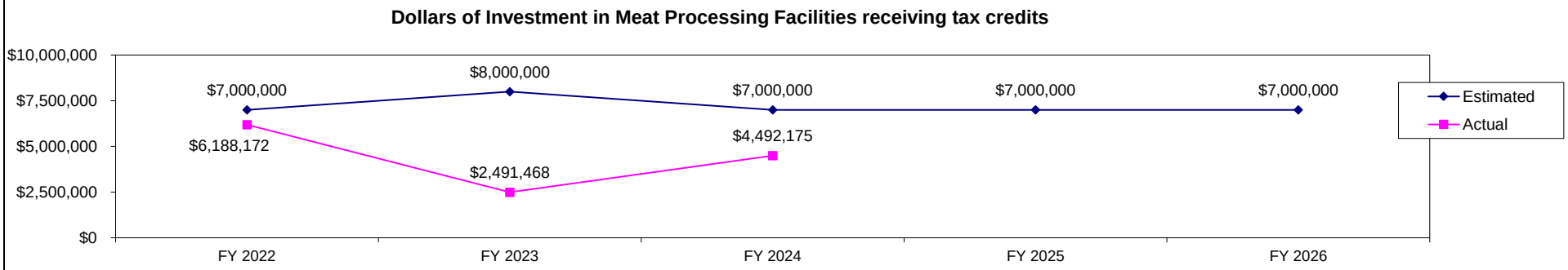
## BENEFIT: COST ANALYSIS (includes only state revenue impacts)

| | FY 2024 ACTIVITY | Other Fiscal Period (FY17-FY23) |
|---|---|---|
| **BENEFITS** | | |
| Direct Fiscal Benefits | $497,523 | $2,434,292 |
| Indirect Fiscal Benefits | $1,905,561 | $7,081,700 |
| **Total** | $2,403,084 | $9,515,992 |
| **COSTS** | | |
| Direct Fiscal Costs | $408,840 | $2,365,507 |
| Indirect Fiscal Costs | | |
| **Total** | $408,840 | $2,365,507 |
| **BENEFIT: COST** | **5.88** | **4.02** |

**Derivation of Benefits:**
IMPLAN economic modeling software was used to quantify direct and indirect fiscal benefits to Missouri state taxes. These benefits were derived from construction impacts (based on investment dollars) and operational impacts (based on new direct jobs added at the plants) as a result of modernization and or expansion of the facilities.

**Other Benefits:**

## PERFORMANCE MEASURE(S)




**Comments on Performance Measure:**
Tax credit program was renewed during FY 22 1st Special Session on HB 3. Due to the length of the rulemaking process, MASBDA will start accepting application on October 2, 2023 for expenditures made starting January 1, 2022 and after. This tax credit program is for expenditures made on or before December 31, 2028.

# TAX CREDIT ANALYSIS

| | | | | | |
|---|---|---|---|---|---|
| **Program Name:** | **New Generation Cooperative Incentive Tax Credit Program** | | | | |
| **Department:** | Agriculture | **Contact Name & No.:** | Jill S. Wood 573-751-5624 | **Date:** | 12/31/2024 |
| **Program Category:** | Agricultural | **Type:** | Tax Credit | Other: | |
| **Statutory Authority:** | 348.432 RSMo | **Applicable Taxes:** | Income (143 RSMo), Franchise (147 RSMo), and Financial Institution (148 RSMo) | | |
| **Tax Credit Creation Date:** | July 2, 1999 1999 H.B. 888 | **Year of Last Legislative Change:** | FY 2022 Special Session | | |

**Program Description and Eligibility Requirements:**

To induce private investment into "Eligible new generation processing entities" which will; result in the processing of Missouri agricultural commodities and agricultural products into value-added goods, provide substantial benefit to Missouri's agricultural producers, and result in the creation of jobs for Missourians. Eligible "Producer members" investing in an "Eligible new generation processing entity" (which is either a "Development facility" or a "Renewable fuel production facility") may receive the tax credit.

"Eligible new generation processing entity" is a partnership, corporation, cooperative, or limited liability company organized or incorporated pursuant to Missouri laws and consisting of not less than twelve members, approved by the authority, for the purpose of owning or operating within Missouri a "Development facility" or a "Renewable fuel production facility" in which producer members; (a) hold a majority of the governance or voting rights of the entity and any governing committee; (b) control the hiring and firing of management; and (c) deliver agricultural commodities or products to the entity for processing, unless processing is required by multiple entities.

"Producer member" is a person, partnership, corporation, trust, or limited liability company whose main purpose is agricultural production that invests cash funds in an eligible new generation processing entity.

"Development facility", a facility producing either a good derived from an agricultural commodity or using a process to produce a good derived from an agricultural product.

"Renewable fuel production facility", a facility producing an energy source which is derived from a renewable, domestically grown, organic compound capable of powering machinery, including an engine or power plant, and any by-product derived from such energy source.

**Explanation of How Award is Computed:** **Entitlement** No **Discretionary** Yes

The lesser of 50% of the eligible producer members' cash investment in an eligible new generation processing entity or $15,000. However, the members investing in a "Large Capital Project" (capital costs greater than one million dollars) may not receive tax credits totaling more than $1.5 million and members investing in an "Employee Qualified Capital Project" (capital costs greater than fifteen million dollars which employ at least sixty employees) may not receive tax credits totaling more than $3.0 million. All participants must submit an application which must be approved by the MASBDA Commission.

**Program Cap:** Cumulative $ _____ (remainder of cumulative cap) $ _____ Annual $ 6,000,000 None _____

**Cap Shared Between Programs** Yes **Which Program(s)?** **Agricultural Product Utilization Contributor Tax Credits**

**Explanation of Cap:**

The aggregate of tax credits issued per fiscal year pursuant to sections 348.430 and 348.432 shall not exceed six million dollars. If on May 1st of each year the Missouri Agricultural and Small Business Development Authority determines that any of the $6,000,000 will not be utilized as New Generation Cooperative Incentive Tax Credits then the unused credits may be sold as Agricultural Product Utilization Contributor Tax Credits. Credits not issued as New Generation Cooperative Incentive Tax Credits or sold as Agricultural Product Utilization Contributor Tax Credits lapse June 30 of each year.

**Sunset Provision:** Yes Date of Sunset 31-Dec-28 Date of Last Sunset Extension FY 2022 Special Session

**Explanation of Expiration of Authority:**

The provisions of sections 348.432 shall expire December 31, 2028 pursuant to 348.436 RSMo. This program was extended during FY 22 1st Special Session on H.B. 3 to take effect on January 2, 2023.

**Specific Provisions:** (if applicable)

Carry forward 4 years Carry Back n/a Refundable No Apportioned No Appropriated Yes

Sellable/Assignable Yes Organizations Remit an Offset Yes Additional Federal Deductions/Credits Available No

**Comments on Specific Provisions:**

**Legislative / General Assembly Action(s) During Prior Five Years:**

This program was extended during FY 22 1st Special Session on H.B. 3 to take effect on January 2, 2023. The sunset date was changed to December 31, 2028.

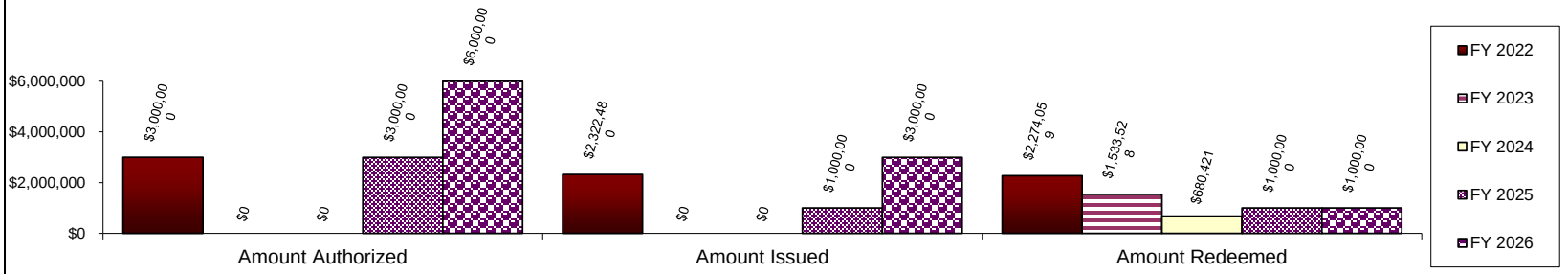
| | FY 2022 ACTUAL | FY 2023 ACTUAL | FY 2024 ACTUAL | FY 2025 (year to date) | FY 2025 (Full Year) | FY 2026 (Budget Year) |
|---|---|---|---|---|---|---|
| Certificates Issued (#) | 370 | 0 | 0 | *0* | 25 | 100 |
| Projects/Participants (#) | 4 | 0 | 0 | *1* | 5 | 5 |
| Amount Authorized | $3,000,000 | $0 | $0 | *$1,500,000* | $3,000,000 | $6,000,000 |
| Amount Issued | $2,322,480 | $0 | $0 | *$0* | $1,000,000 | $3,000,000 |
| Amount Redeemed | $2,274,059 | $1,533,528 | $680,421 | *$81,210* | $1,000,000 | $1,000,000 |

| | | | |
|---|---|---|---|
| FY 2024 EST. Amount Outstanding | $10,454,516 | FY 2024 EST. Amount Authorized but Unissued | $ |

# TAX CREDIT ANALYSIS

**Program Name:** New Generation Cooperative Incentive Tax Credit Program

## HISTORICAL AND PROJECTED INFORMATION




**Comments on Historical and Projected Information:**
New Generation tax credits were renewed during FY 22 1st Special Session on H.B. 3 which updated the expiration date to December 31, 2028.

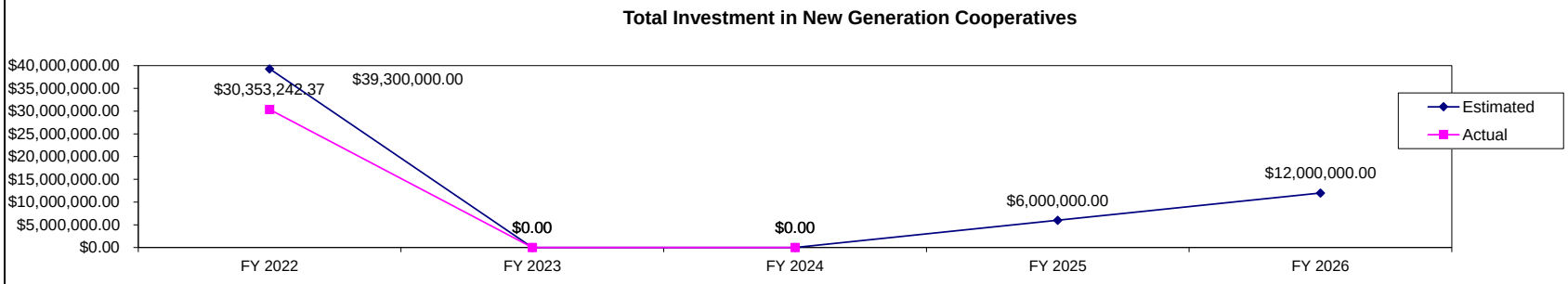
## BENEFIT: COST ANALYSIS (includes only state revenue impacts)

| | FY 2024 ACTIVITY | Other Fiscal Period (FY00 - FY23) |
|---|---|---|
| **BENEFITS** | | |
| Direct Fiscal Benefits | $0 | $76,464,907 |
| Indirect Fiscal Benefits | $0 | $113,424,080 |
| **Total** | $0 | $189,888,987 |
| **COSTS** | | |
| Direct Fiscal Costs | $686,982 | $56,953,978 |
| Indirect Fiscal Costs | | |
| **Total** | $686,982 | $56,953,978 |
| **BENEFIT: COST** | **0.00** | **3.33** |

**Derivation of Benefits:**
The University of Missouri - Columbia was commissioned to study the costs and benefits of this program in 2008. The ratios determined in their study were applied to the FY23 tax credits issued to determine the direct and indirect benefits, which no tax credits were issued in the fiscal year.
The direct fiscal costs are the tax credits issued * 1.2 (UMC study results)
The indirect fiscal costs are the tax credits issued * 1.5 (UMC study results)

**Other Benefits:**

## PERFORMANCE MEASURE(S)




**Comments on Performance Measure:**
The tax credit program was renewed during FY 22 1st Special Session on H.B. 3 which updated the expiration date to December 31, 2028. No projects were active in fiscal year 2023 or 2024.

# TAX CREDIT ANALYSIS

| | | | | | |
|---|---|---|---|---|---|
| **Program Name:** | **Qualified Beef Tax Credit** | | | | |
| **Department:** | Agriculture | **Contact Name & No.:** | Jill S Wood 573-751-5624 | **Date:** | 12/31/2024 |
| **Program Category:** | Agricultural | **Type:** | Tax Credit | Other: | |
| **Statutory Authority:** | 135.679 | **Applicable Taxes:** | Income (143 RSMo Excluding 143.191 to 143.265 RSMo), Franchise (147 RSMo) | | |
| **Tax Credit Creation Date:** | August 28, 2007 L. 2007 1st Ex. Sess H.B. 1 | **Year of Last Legislative Change:** | 2016 | | |

**Program Description and Eligibility Requirements:**
Provide Missouri cattle farmers with an economic incentive to background and or finish Missouri born and raised qualified beef cattle in this state.

**Explanation of How Award is Computed:** **Entitlement** No **Discretionary** Yes

All participants were required to submit an application for review and approval by the MASBDA Commission prior to tax credit issuance.
There are two separate tax credit incentives as of August 28, 2016 and the two tax credit amounts are as follows:

·Any cattle weighing 599 lbs. or less qualify for the ten cents ($.10) per pound. The calculation is the qualifying sale weight minus the baseline weight multiplied by $.10 per pound provided the sale weight is one hundred (100) pounds or greater than the baseline weight.

·Any cattle weighing 600 lbs. or more qualify for the twenty-five cents ($.25) per pound. The calculation is the qualifying sale weight minus the baseline weight multiplied by $.25 per pound provided the sale weight is one hundred (100) pounds or greater than the baseline weight.

·$15,000 maximum credit per tax payer per calendar year allowed.

·MASBDA may waive no more than twenty-five (25%) of the required one hundred (100) pound gain. The waiver shall be based only on any disaster declaration by the U.S. Department of Agriculture.

**Program Cap:** Cumulative $ _____ (remainder of cumulative cap) $ _____ Annual $ 0 None _____

**Cap Shared Between Programs** No **Which Program(s)?** _____

**Explanation of Cap:**
As of December 31, 2021, the program expired and not renewed. No cap amount in FY 2022 and after. Before the expiration date, the tax credits would be issued on an as-received basis until the calendar year limit of $2 million is reached. The annual limit of $2 million is accumulation of Qualified Beef Tax Credit and Meat Processing Facility Investment Tax Credit programs. Any tax credits not issued in any calendar year shall expire and shall not be issued in any subsequent years. Maximum fiscal year amount is set in 135.679.4 RSMo.

**Sunset Provision:** Yes Date of Sunset 12/31/2021 Date of Last Sunset Extension _____

**Explanation of Expiration of Authority:**
This authorizing statute for this program expired on December 31, 2021. On May 18, 2018, the House Budget Committee passed a motion stating that no credits are approved for Qualified Beef, pursuant to Section 135.679, RSMo, for any tax year beginning on or after July 1, 2018 and on or before June 30, 2019. This motion has been renewed through remaining life of program. This program did expire on December, 31, 2021 and not renewed.

**Specific Provisions:** (if applicable)

Carry forward 4 years Carry Back n/a Refundable No Apportioned No Appropriated Yes

Sellable/Assignable Yes Organizations Remit an Offset Yes Additional Federal Deductions/Credits Available No

**Comments on Specific Provisions:**

**Legislative / General Assembly Action(s) During Prior Five Years:**

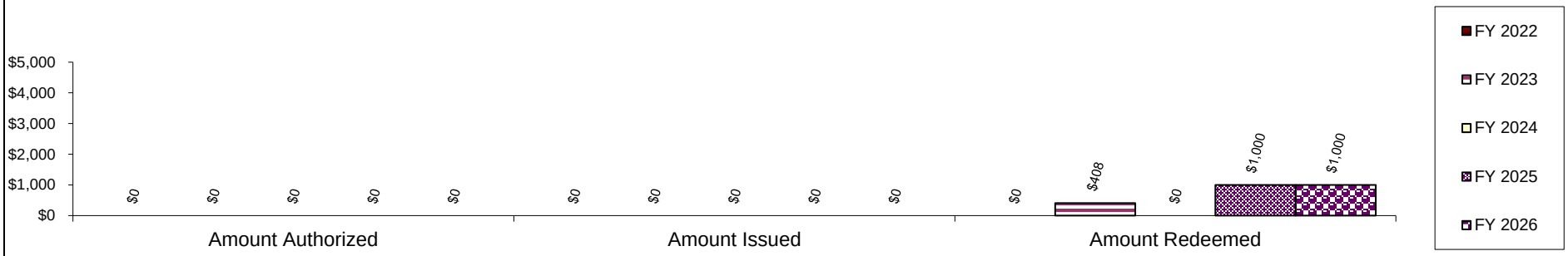
| | FY 2022 ACTUAL | FY 2023 ACTUAL | FY 2024 ACTUAL | FY 2025 (year to date) | FY 2025 (Full Year) | FY 2026 (Budget Year) |
|---|---|---|---|---|---|---|
| Certificates Issued (#) | 0 | 0 | 0 | *0* | 0 | 0 |
| Projects/Participants (#) | 0 | 0 | 0 | *0* | 0 | 0 |
| Amount Authorized | $0 | $0 | $0 | *$0* | $0 | $0 |
| Amount Issued | $0 | $0 | $0 | *$0* | $0 | $0 |
| Amount Redeemed | $0 | $408 | $0 | *$0* | $1,000 | $1,000 |

FY 2024 EST. Amount Outstanding $253,033 FY 2024 EST. Amount Authorized but Unissued $

# TAX CREDIT ANALYSIS

**Program Name:** Qualified Beef Tax Credit

## HISTORICAL AND PROJECTED INFORMATION




**Comments on Historical and Projected Information:**
This program's authorizing statute expired on December 31, 2021. The eligibility dates are subject to change due to action by the House Budget Committee on May 18, 2018, stating that no credits are approved for Qualified Beef, pursuant to Section 135.679, RSMo, for any tax year beginning on or after July 1, 2018 and on or before June 30, 2019. This was extended through remaining life of program. The program did expire on December 31, 2021 and not renewed.

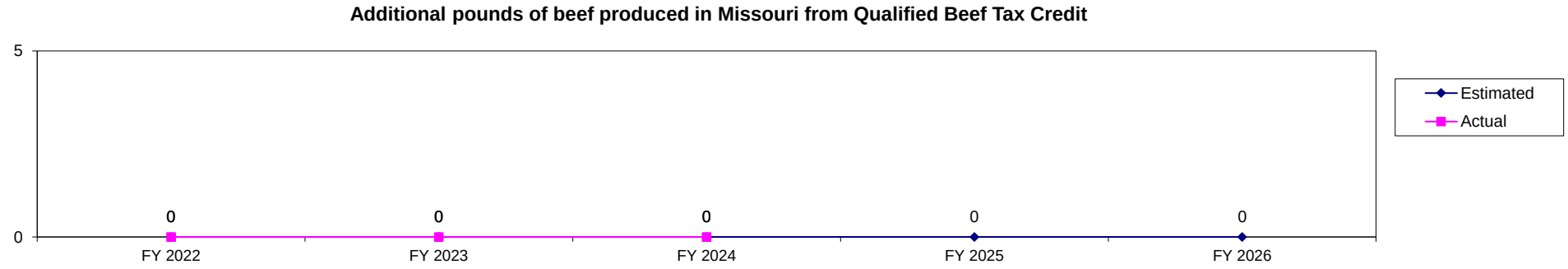
## BENEFIT: COST ANALYSIS (includes only state revenue impacts)

| | FY 2024 ACTIVITY | Other Fiscal Period (FY08 - FY23) |
|---|---|---|
| **BENEFITS** | | |
| Direct Fiscal Benefits | $0 | $2,684,646 |
| Indirect Fiscal Benefits | $0 | $19,354,726 |
| **Total** | $0 | $22,039,372 |
| **COSTS** | | |
| Direct Fiscal Costs | $0 | $2,072,465 |
| Indirect Fiscal Costs | | |
| **Total** | $0 | $2,072,465 |
| **BENEFIT: COST** | **#DIV/0!** | **10.63** |

**Derivation of Benefits:**
Commercial Ag Program estimates that a beef cows has a positive economic impact of $1.36 per pound of beef produced. The direct fiscal benefit is the $.10 /$.25 per pound that was paid in tax credits to the farmer, the indirect fiscal benefit is the other $1.26/$1.11 per pound in economic activity generated from the additional retained beef cattle.
Source: Missouri Value-Added Beef Study, March 2016

**Other Benefits:**

## PERFORMANCE MEASURE(S)




**Comments on Performance Measure:**
No additional pounds are being added due to the eligibility dates are subject to change due to action by the House Budget Committee on May 18, 2018, stating that no credits are approved for Qualified Beef, pursuant to Section 135.679, RSMo, for any tax year beginning on or after July 1, 2018 and on or before June 30, 2019. This was extended through the life of the program. The program expired on December 31, 2021.

# TAX CREDIT ANALYSIS

| | | | | | |
|---|---|---|---|---|---|
| **Program Name:** | **Specialty Agricultural Crops Loan Program** | | | | |
| **Department:** | Agriculture | **Contact Name & No.:** | Jill S. Wood 573-751-5624 | **Date:** | 12/31/2024 |
| **Program Category:** | Agricultural | **Type:** | Tax Credit | Other: | |
| **Statutory Authority:** | 348.491, 348.493 RSMo Effective January 2023 | **Applicable Taxes:** | Income (143 RSMo), Franchise (147 RSMo), and Financial Institution (148 RSMo) | | |
| **Tax Credit Creation Date:** | January 2, 2023 2022 1st Ex. Sess. H.B. 3 | **Year of Last Legislative Change:** | | | |

**Program Description and Eligibility Requirements:**

This program provides Missouri Tax Credits to lenders in lieu of the first year of interest being paid on specialty crop loans made to "family farmers" who are Missouri residents and who have less than $100,000 in agricultural sales per year. Maximum eligible loan cannot exceed 90% of the cost of purchasing specialty crops farming resources or $35,000, whichever is less. Family Farmers are limited to use the program only once per family which have the same physical residence address. Specialty crop is defined as fruits and vegetables, tree nuts, dried fruits, and horticulture and nursery crops including by not limited to floriculture. "Specialty crop" shall not include industrial hemp, medical marijuana, or recreational marijuana.

**Explanation of How Award is Computed:** **Entitlement** No **Discretionary** Yes

A lender can request a tax credit for the first year's interest waived on a loan to a "Missouri Family Farmer" that makes a loan for the purchase specialty crops farming resources. Each request shall include a true copy of the loan documents. All participants must submit an application which must be approved by the MASBDA Commission prior to tax credit issuance.

**Program Cap:** Cumulative $ _____ (remainder of cumulative cap) $ _____ Annual $ 300,000 None _____

**Cap Shared Between Programs** No **Which Program(s)?** _____

**Explanation of Cap:**

Fiscal year limits are set in 348.493.2 RSMo and individual loan limit of $35,000 is set in 348.491.5 RSMo.

**Sunset Provision:** Yes Date of Sunset 12/31/2028 Date of Last Sunset Extension _____

**Explanation of Expiration of Authority:**

Program is set to automatically sunset on December 31, 2028, unless reauthorized by an act of the general assembly. 348.491.11 RSMo

**Specific Provisions:** (if applicable)

Carry forward 3 years | Carry Back n/a | Refundable No | Apportioned No | Appropriated Yes

Sellable/Assignable Yes | Organizations Remit an Offset Yes | Additional Federal Deductions/Credits Available No

**Comments on Specific Provisions:**

**Legislative / General Assembly Action(s) During Prior Five Years:**

Specialty Agricultural Crops Loan Tax Credit Program was created on H.B. 3 which was passed in FY 2022 1st Special Session and became active January 1, 2023.

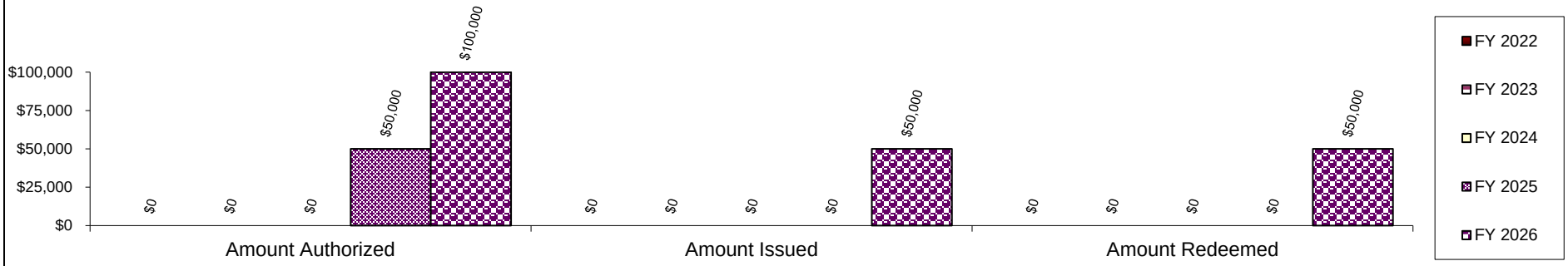
| | FY 2022 ACTUAL | FY 2023 ACTUAL | FY 2024 ACTUAL | FY 2025 (year to date) | FY 2025 (Full Year) | FY 2026 (Budget Year) |
|---|---|---|---|---|---|---|
| Certificates Issued (#) | 0 | 0 | 0 | *0* | 0 | 15 |
| Projects/Participants (#) | 0 | 0 | 0 | *0* | 15 | 30 |
| Amount Authorized | $0 | $0 | $0 | *$0* | $50,000 | $100,000 |
| Amount Issued | $0 | $0 | $0 | *$0* | $0 | $50,000 |
| Amount Redeemed | $0 | $0 | $0 | *$0* | $0 | $50,000 |

FY 2024 EST. Amount Outstanding $0 FY 2024 EST. Amount Authorized but Unissued $0

# TAX CREDIT ANALYSIS

**Program Name:** Specialty Agricultural Crops Loan Program

## HISTORICAL AND PROJECTED INFORMATION




**Comments on Historical and Projected Information:**
MASBDA began accepting applications for the program starting October 2, 2023. MASBDA had to wait for the rulemaking process to be complete before accepting applications.

## BENEFIT: COST ANALYSIS (includes only state revenue impacts)

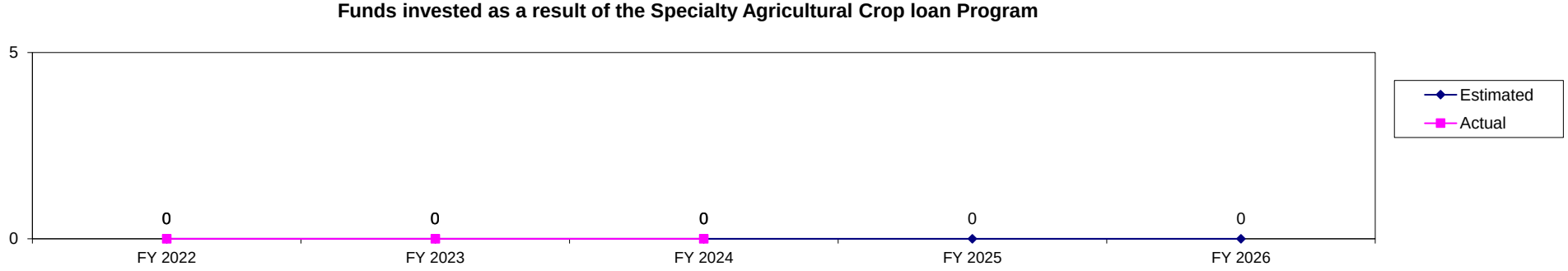
| | FY 2024 ACTIVITY | Other Fiscal Period (FY 23) |
|---|---|---|
| **BENEFITS** | | |
| Direct Fiscal Benefits | $0 | $0 |
| Indirect Fiscal Benefits | $0 | $0 |
| **Total** | $0 | $0 |
| **COSTS** | | |
| Direct Fiscal Costs | $3,888 | $0 |
| Indirect Fiscal Costs | | |
| **Total** | $3,888 | $0 |
| **BENEFIT: COST** | **0.00** | **#DIV/0!** |

**Derivation of Benefits:**
The program was on HB 3, which was passed during FY 22 1st Special Session and the program became active on January 2, 2023. MASBDA began accepting applications for the program starting October 2, 2023. MASBDA had to wait for the rulemaking process to be complete before accepting applications.

At this time, there has been no applications received for this program. MASBDA is in the process of deciding what amounts/numbers are to be used for the Direct & Indirect Fiscal Benefit calculations.
Direct fiscal cost will be amount redeemed plus the salary & expenditures amount per fiscal year to administer the program.

**Other Benefits:**

## PERFORMANCE MEASURE(S)




**Comments on Performance Measure:**
Program became active on January 2, 2023, but due to the length of the rulemaking process, MASBDA began accepting applications for the program starting October 2, 2023. FY 2024 will be the first year of activity. No applications were received in fiscal year 2024.

# TAX CREDIT ANALYSIS

| | | | | | |
|---|---|---|---|---|---|
| **Program Name:** | **Urban Farm Investment Tax Credit Program** | | | | |
| **Department:** | Agriculture | **Contact Name & No.:** | Jill S Wood 573-751-5624 | **Date:** | 12/31/2024 |
| **Program Category:** | Agricultural | **Type:** | Tax Credit | Other: | |
| **Statutory Authority:** | 135.1610 RSMo Effective January 2023 | **Applicable Taxes:** | Income (143 RSMo) | | |
| **Tax Credit Creation Date:** | January 2, 2023 2022 1st Ex. Sess. H.B. 3 | **Year of Last Legislative Change:** | | | |

**Program Description and Eligibility Requirements:**

This program provides Missouri Tax Credits to any individual, partnership, or corporation for an amount equal to fifty percent of the taxpayer's eligible expenses for establishing or improving an urban farm that focuses on food production. 'Urban Farm' is defined as an agricultural plot or facility in an urban area that produces agricultural food products used solely for distribution to the public by sale or donation. This does include community-run gardens and excludes personal farms or residential lots for personal use. Eligible expenses are incurred in the construction or development of establishing or improving an urban farm in an urban area. The term eligible expenses shall not include any expense for labor or any expense incurred to grown medical marijuana, industrial hemp or recreational marijuana.

**Explanation of How Award is Computed:** **Entitlement** No **Discretionary** Yes

The tax payer can claim a tax credit for an amount equal to fifty percent of the taxpayer's eligible expense for establishing or improving an urban farm that focuses on food production or a donation to an Urban Farm. Maximum tax credit allowed per taxpayer per urban farm is $5,000 with a maximum amount to all taxpayers per urban farm is $25,000. All participants must submit an application with all required documentation to MASBDA and which must be approved by the MASBDA Commission prior to tax credit issuance.

**Program Cap:** Cumulative $ _____ (remainder of cumulative cap) $ _____ Annual $ 200,000 None _____

**Cap Shared Between Programs** No **Which Program(s)?** _____

**Explanation of Cap:**

Fiscal year limits are set in 135.1610.4 RSMo. Individual tax credit limit per taxpayer per urban farm of $5,000 and maximum tax credit amount issued per urban farm is $25,000 is set in 135.1610.3 RSMo.

**Sunset Provision:** Yes Date of Sunset 12/31/2028 Date of Last Sunset Extension _____

**Explanation of Expiration of Authority:**

Program is set to automatically sunset on December 31, 2028, unless reauthorized by an act of the general assembly. 135.1610.8 RSMo

**Specific Provisions:** (if applicable)

Carry forward 3 years Carry Back n/a Refundable No Apportioned No Appropriated Yes

Sellable/Assignable No Organizations Remit an Offset No Additional Federal Deductions/Credits Available No

**Comments on Specific Provisions:**

The Urban Farm Investment Tax Credit shall not be transferred, sold, or assigned.

**Legislative / General Assembly Action(s) During Prior Five Years:**

Urban Farm Investment Tax Credit Program was created on H.B. 3 which was passed in FY 2022 1st Special Session and became active January 1, 2023.

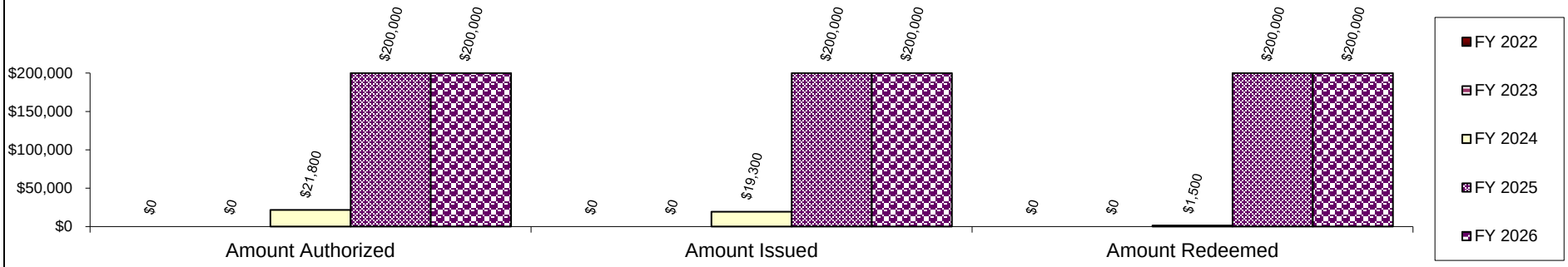
| | FY 2022 ACTUAL | FY 2023 ACTUAL | FY 2024 ACTUAL | FY 2025 (year to date) | FY 2025 (Full Year) | FY 2026 (Budget Year) |
|---|---|---|---|---|---|---|
| Certificates Issued (#) | 0 | 0 | 8 | *6* | 40 | 40 |
| Projects/Participants (#) | 0 | 0 | 9 | *6* | 40 | 40 |
| Amount Authorized | $0 | $0 | $21,800 | *$18,737* | $200,000 | $200,000 |
| Amount Issued | $0 | $0 | $19,300 | *$21,237* | $200,000 | $200,000 |
| Amount Redeemed | $0 | $0 | $1,500 | *$13,500* | $200,000 | $200,000 |

FY 2024 EST. Amount Outstanding $17,800 FY 2024 EST. Amount Authorized but Unissued $2,500

# TAX CREDIT ANALYSIS

**Program Name:** Urban Farm Investment Tax Credit Program

## HISTORICAL AND PROJECTED INFORMATION




**Comments on Historical and Projected Information:** MASBDA began accepting applications in November 2023.

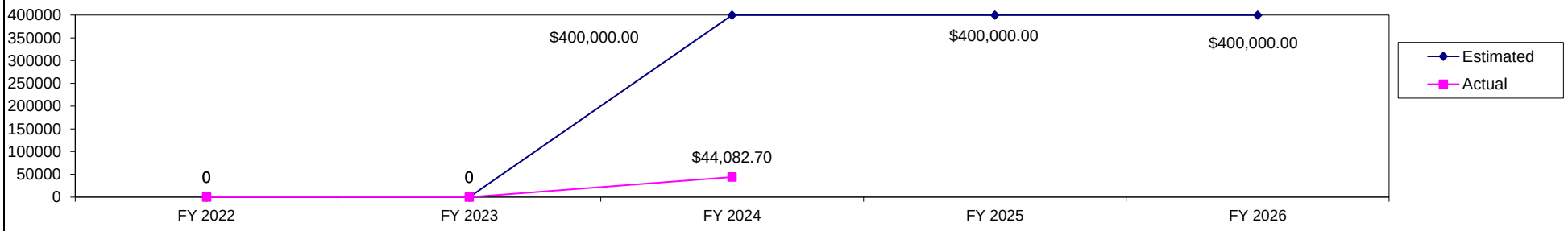
## BENEFIT: COST ANALYSIS (includes only state revenue impacts)

| | FY 2024 ACTIVITY | Other Fiscal Period (FY 23) |
|---|---|---|
| **BENEFITS** | | |
| Direct Fiscal Benefits | $0 | $0 |
| Indirect Fiscal Benefits | $3,399 | $0 |
| **Total** | $3,399 | $0 |
| **COSTS** | | |
| Direct Fiscal Costs | $13,515 | $0 |
| Indirect Fiscal Costs | | |
| **Total** | $13,515 | $0 |
| **BENEFIT: COST** | **0.25** | **#DIV/0!** |

**Derivation of Benefits:**
IMPLAN economic modeling software was used to quantify direct and indirect fiscal benefits to Missouri state taxes. These benefits were derived from industry spending patterns (based on investment dollars) as a result of the donations received to establish or improve an urban farm.

**Other Benefits:**

## PERFORMANCE MEASURE(S)




**Comments on Performance Measure:**
The program was on HB 3, which was passed during FY 22 1st Special Session and the program became active on January 2, 2023. MASBDA began accepting applications in November 2023. FY 2024 will be the first year of activity.

# TAX CREDIT ANALYSIS

| | | | | | |
|---|---|---|---|---|---|
| **Program Name:** | **Missouri Empowerment Scholarship Account Program** | | | | |
| **Department:** | State Treasurer's Office | **Contact Name & No.:** | Angela Peterson 573-751-2543 | **Date:** | September 2024 |
| **Program Category:** | Training and Educational | **Type:** | Tax Credit | Other: | |
| **Statutory Authority:** | Sections 135.712-135.719 RSMo. | **Applicable Taxes:** | Income Taxes | | |
| **Tax Credit Creation Date:** | 2021 | **Year of Last Legislative Change:** | 2024 | | |

**Program Description and Eligibility Requirements:**

Any taxpayer may claim a tax credit, not to exceed 50% of the taxpayer's state liability, for any qualifying contribution to an educational assistance organization.

**Explanation of How Award is Computed:** **Entitlement** No **Discretionary** Yes

Credits are awarded on a first come first served basis up to the annual cap of $75 Million.

**Program Cap:** Cumulative $ _____ (remainder of cumulative cap) $ _____ Annual $ 27,625,000 None _____

**Cap Shared Between Programs** No **Which Program(s)?** _____

**Explanation of Cap:**
The cumulative amount of tax credits issued in any one calendar year started at $25 million for 2022 and shall be adjusted by the State Treasurer annually based upon inflation with a maximum cap of $75 million. Given that authorization is based on calendar years, and the information presented here is based on fiscal years, fiscal year actuals may vary from the estimates below. Inflation adjustments are calculated in December, for this exercise the next budget year cap amount is estimated. Note: it is possible, in any given fiscal year, that issuances from two calendar years could exceed the estimates below, due to the difference in calendar/fiscal years.

**Sunset Provision:** No Date of Sunset _____ Date of Last Sunset Extension _____

**Explanation of Expiration of Authority:**

**Specific Provisions:** (if applicable)

Carry forward 4 years Carry Back n/a Refundable No Apportioned No Appropriated No

Sellable/Assignable No Organizations Remit an Offset No Additional Federal Deductions/Credits Available No

**Comments on Specific Provisions:**

**Legislative / General Assembly Action(s) During Prior Five Years:**

HB 2287 & SB 727 (2024) increased the annual authorization limit and changed the annual adjustment from inflation to state aid distributed to public schools.

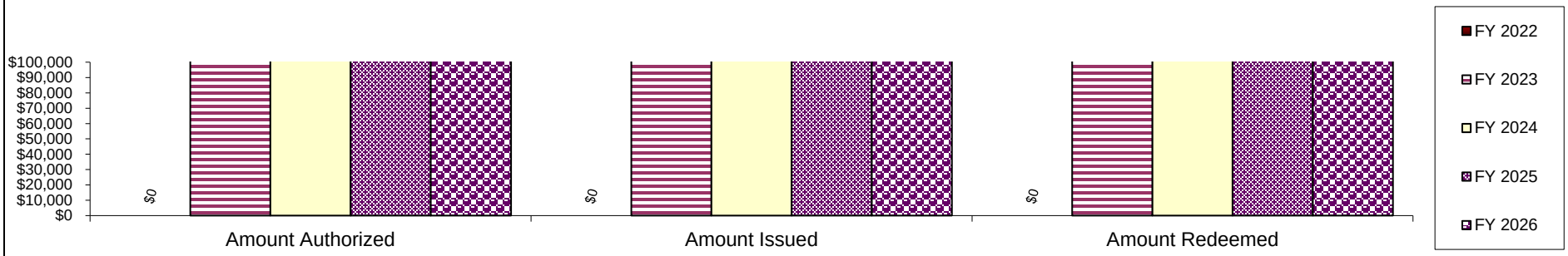
| | FY 2022 ACTUAL | FY 2023 ACTUAL | FY 2024 ACTUAL | FY 2025 (year to date) | FY 2025 (Full Year) | FY 2026 (Budget Year) |
|---|---|---|---|---|---|---|
| Certificates Issued (#) | 0 | 989 | 1,284 | *1,399* | 1,500 | 1,700 |
| Projects/Participants (#) | 0 | 1,361 | 1,997 | *2,664* | 2,400 | 2,600 |
| Amount Authorized | $0 | $10,249,109 | $19,735,422 | *$16,140,607* | $27,625,000 | $28,250,000 |
| Amount Issued | $0 | $8,446,888 | $18,995,322 | *$15,679,677* | $27,625,000 | $28,250,000 |
| Amount Redeemed | $0 | $2,638,738 | $7,281,302 | *$10,332,508* | $27,625,000 | $28,250,000 |

| | | | |
|---|---|---|---|
| FY 2024 EST. Amount Outstanding | $11,714,020 | FY 2024 EST. Amount Authorized but Unissued | $740,100 |

# TAX CREDIT ANALYSIS

**Program Name:** Missouri Empowerment Scholarship Account Program

## HISTORICAL AND PROJECTED INFORMATION




**Comments on Historical and Projected Information:**

## BENEFIT: COST ANALYSIS (includes only state revenue impacts)

| | FY 2024 ACTIVITY | Other Fiscal Period (indicated time period) |
|---|---|---|
| **BENEFITS** | | |
| Direct Fiscal Benefits | $31,468,726 | |
| Indirect Fiscal Benefits | | |
| **Total** | $31,468,726 | $0 |
| **COSTS** | | |
| Direct Fiscal Costs | $7,281,302 | |
| Indirect Fiscal Costs | | |
| **Total** | $7,281,302 | $0 |
| **BENEFIT: COST** | **4.32** | **0.00** |

**Derivation of Benefits:**

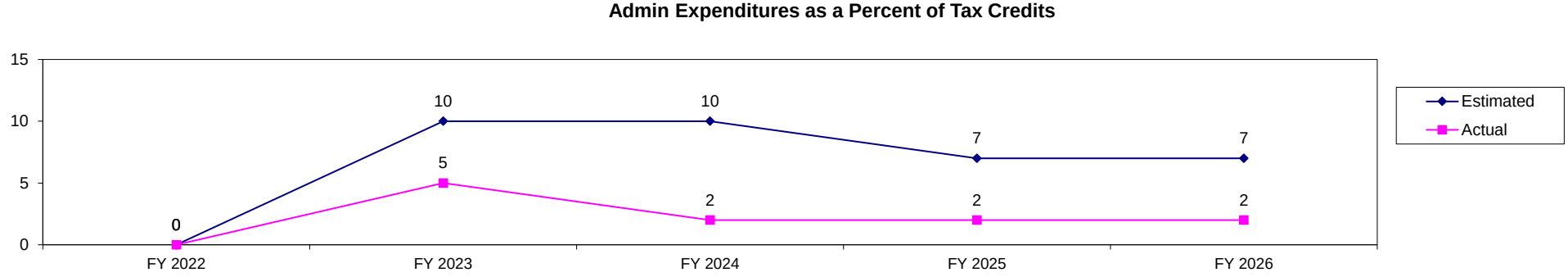
Per the US Census, the average US school system spent per pupil in Missouri in 2022 was $15,758. (https://www.census.gov/data/tables/2022/econ/school-finances/secondary-education-finance.html)

For the FY 2024 year, 1,997 students were awarded a scholarship. Based on the average, the benefit of this is almost $31.5 million, while only $7.2 million in tax credits to fund this benefit were redeemed in the FY 2024 year.

**Other Benefits:**

Other Benefits: Unlike some tax credits, which are intended to create jobs or foster economic development, the MOScholars tax credit is for the purpose of providing educational opportunities for children with IEPs or low-income households. These students are able to receive an education best suited to their specific needs which grows a well-educated workforce and general population.

## PERFORMANCE MEASURE(S)




**Comments on Performance Measure:**

# Tax Expenditures

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# Introduction

The purpose of this tax expenditure report is to provide the public and the Legislature with information on special provisions and the cost of these special provisions in terms of reduced tax revenue.

## What are Tax Expenditures and Why Measure Them?

When a state agency has a program to accomplish a goal, such as paving state highways, operating prisons, or funding local school districts, the program will have a direct cost to taxpayers, i.e. the taxes they must pay to finance the program. The program's budget spells out how much the program will cost and how the money will be spent.

When the state tax code contains provisions that give incentives for taxpayers to behave in certain aways, such as saving more or donating to charities, this also has a cost to taxpayers. Without the special provisions, general taxes could be lower or more revenue could be available to provide public services. This cost to the state budget, and ultimately to other taxpayers, is called a tax expenditure.

When the legislature creates tax expenditures, conventional accounting gives a distorted picture of the state budget. For example: the legislature is considering two programs to provide $10 million in assistance to private landowners who remove beetle-killed trees.

One program would provide grants to landowners based on their costs and the benefits to public safety.

The other program would make exactly the same payments to exactly the same people for cutting down and removing exactly the same trees, but, at the end of the program, the checks would be written by the Department of Revenue instead of the Department of Natural Resources and Conservation, and the money would be called a tax credit instead of a grant.

The two programs would also have the same effect on the bottom line of the state budget. They would both reduce the ending fund balance by $10 million. In the first case, conventional accounting correctly shows how this has happened. The state spent an additional $10 million with no change in revenue.

In the second case, conventional accounting is misleading. The $10 million spent disposing of beetle killed trees is shown as a reduction of revenue, rather than as the expenditure it really is.

This distorted accounting allows legislators to propose new spending programs while portraying them as tax cuts. Accounting for tax expenditures gives legislators and the public a better picture of both the size and scope of state government and the trade-offs between state programs.

# How are Tax Expenditures Measured?

There are two components to measuring tax expenditures:

- identifying special provisions of the tax code
- estimating the revenue lost because of each special provision

Since the introduction of the tax expenditure concept by the U.S. Department of the Treasury in 1967, there has been considerable controversy about what should be considered a tax expenditure and about what baseline should be used in estimating a special provision's revenue impact.

In part, the controversy has been about technical points of economic theory. It has also been an ideological argument between proponents of different visions of an ideal tax system. This controversy has obscured the goal of tax expenditure reporting, which is to serve as a starting point for evaluating whether special features of the tax law should be continued, modified, or replaced.

For each tax considered, this report first identifies the general structure of the tax – the general rules defining the tax base and the normal rate structure. The report then identifies exceptions from these general rules. The exceptions may take the form of special, limited exemptions from the tax base, special rates with limited applicability, or tax credits. For each special provision, it explores how the special provision affects qualifying taxpayers, the state budget, and other taxpayers.

This report presents the amount of each tax expenditure based on information from actual tax returns, such as the amount of credits claimed or the reduction in tax liability due to reported exclusions or deductions. It does not attempt to estimate the changes in behavior a tax incentive has induced or the additional revenue that would result from repealing it.

# How Should This Information be Used?

Ideally, policymakers would give tax expenditures the same kind of scrutiny that they give direct program expenditures. They would consider the likely costs and results of new proposals and periodically evaluate the actual costs and impacts of existing tax expenditures. This evaluation would examine each tax expenditure's effectiveness and its cost-effectiveness.

Evaluating a tax expenditure's effectiveness would require having a clear statement of its purpose and measuring whether it accomplishes that purpose. In general, a tax expenditure's purpose is to change taxpayers' behavior in some way. An effective tax expenditure would produce a large change in taxpayers' behavior for a small cost in lost revenue. An ineffective tax expenditure would reward people for doing what they would have done, anyway.

Thus, measuring a tax expenditure's effectiveness requires knowing its cost, knowing how much of the desired activity taxpayers engaged in, and estimating how much of the activity taxpayers would have done without the incentive.

Evaluating a tax expenditure's cost-effectiveness would require comparing it with other methods of accomplishing the same goal. For example, the tax credits to encourage energy conservation investments could be compared to direct grant programs or changes in building codes. The tax credit for extending infrastructure to new manufacturing plants could be compared to a direct grant program or changes in land use planning.

The table on the next page (Table 9.1) lists all of the tax expenditures in this report, as well as each expenditure's code for reference, year of enactment, and bill and chapter reference

# Tax-Exempt Organizations

In addition to the tax expenditures for each tax type listed in this section, the state also exempts some organizations and property from taxation by the state. In general, organizations that qualify for tax-exempt status include government, charitable and educational organizations, properties used for religious purposes, or nonprofits that provide care to qualified individuals. A complete list of tax-exempt organization types can be found in 15-6-201, MCA. To receive tax-exempt status, each organization must meet the requirements and apply with the Department of Revenue by March 1.

**Table 9.1 Tax Expenditures and Reference Information**

| Tax Source | Tax Expenditure | Expenditure Type | Law | Session/ Year | Legislation |
|---|---|---|---|---|---|
| **Individual Income Tax** | | | | | |
| Individual Income Tax | Archer MSA Deduction | Adjustment to Gross Income | Federal Provision | | |
| Individual Income Tax | Business Purchase of Recycled Material | Adjustment to Gross Income | 15-32-609 to 611 | 1991 | SB 111 |
| Individual Income Tax | Capital Gain Exclusion from the Sale of Mobile Home Park | Adjustment to Gross Income | 15-31-163 | 2009 | HB 636 |
| Individual Income Tax | Deduction for Self-Employment | Adjustment to Gross Income | Federal Provision | | |
| Individual Income Tax | Disability Retirement Income | Adjustment to Gross Income | 15-30-2110(10) | 1985 | SB 464 |
| Individual Income Tax | Domestic Production Activities | Adjustment to Gross Income | Federal Provision | | |
| Individual Income Tax | Employer-Paid Disability Insurance Limited to Part Owners and Highly Compensated Employees | Adjustment to Gross Income | 15-30-2110(2)(h) | 2013 | HB 545 |
| Individual Income Tax | Employer-Paid Health Insurance Limited to Part Owners and Highly Compensated Employees | Adjustment to Gross Income | 15-30-2110(2)(h) | 1985 | SB 72 |
| Individual Income Tax | Exempt Tribal Income | Adjustment to Gross Income | Federal Provision | | |
| Individual Income Tax | Expenses Incurred by Medical Marijuana Providers | Adjustment to Gross Income | 15-30-2131 | 2017 | SB 333 |
| Individual Income Tax | Family Education Savings Account | Adjustment to Gross Income | 15-62-101 to 302 | 1997 | HB 536 |
| Individual Income Tax | Farm and Risk Management Account | Adjustment to Gross Income | 15-30-3001 to 3005 | 2001 | SB 245 |
| Individual Income Tax | First Time Home buyer Account | Adjustment to Gross Income | 15-63-101 to 205 | 1997 | HB 599 |
| Individual Income Tax | Health Savings Account | Adjustment to Gross Income | Federal Provision | | |
| Individual Income Tax | Individual Retirement Account Deduction | Adjustment to Gross Income | Federal Provision | | |
| Individual Income Tax | Interest On Federal Government Bonds | Adjustment to Gross Income | Federal Provision and 15-30-2110(2)(a) | | |
| Individual Income Tax | Military Salary | Adjustment to Gross Income | 15-30-2117(2) | 1975 | HB 152 |

**Table 9.1 Tax Expenditures and Reference Information (continued)**

| Tax Source | Tax Expenditure | Expenditure Type | Law | Session/ Year | Legislation |
|---|---|---|---|---|---|
| Individual Income Tax | Montana Achieving a Better Life Experience Act Account Deposits | Adjustment to Gross Income | 15-30-2110(12) | | |
| Individual Income Tax | Montana Medical Savings Account | Adjustment to Gross Income | 15-61-101 to 205 | 1995 | HB 560 |
| Individual Income Tax | National Guard Life Insurance | Adjustment to Gross Income | 15-30-2117(3) | 2005 | HB 761 |
| Individual Income Tax | Partial Exclusion of Capital Gains on Pre-1987 Installment Sales | Adjustment to Gross Income | 15-30-2110(13) | 1987 | HB 904 |
| Individual Income Tax | Partial Interest Exclusion for the Elderly | Adjustment to Gross Income | 15-30-2110(2)(b) | 1981 | HB 18 |
| Individual Income Tax | Partial Pension Exemption | Adjustment to Gross Income | 15-30-2110(2)(c) | 1963 | HB 232 |
| Individual Income Tax | Passive Tax Expenditures | Adjustment to Gross Income | 15-30-2110(1) | 1955 | HB 354 |
| Individual Income Tax | Sale of Land to Beginning Farmers | Adjustment to Gross Income | 80-12-211 | 1983 | SB 316 |
| Individual Income Tax | Small Business Investment Company Dividends | Adjustment to Gross Income | 15-33-106 | 1981 | HB 834 |
| Individual Income Tax | Student Loan Interest Deduction | Adjustment to Gross Income | Federal Provision | | |
| Individual Income Tax | Loan Repayment Through Quality Educator Loan Assistance Program | Adjustment to Gross Income | 15-30-2110(14) | 2019 | HB 211 |
| Individual Income Tax | Third Party Repayment of Health Care Professional's Student Loans | Adjustment to Gross Income | 15-30-2110(13) | 2003 | SB408 |
| Individual Income Tax | Tier I Railroad Retirement | Adjustment to Gross Income | Federal Provision | | |
| Individual Income Tax | Tier II Railroad Retirement | Adjustment to Gross Income | Federal Provision | | |
| Individual Income Tax | Tips | Adjustment to Gross Income | 15-30-2110(2)(f) | 1983 | HB 841 |
| Individual Income Tax | Unemployment Compensation | Adjustment to Gross Income | 15-30-2101(10) | 1979 | HB 363 |
| Individual Income Tax | Worker's Compensation | Adjustment to Gross Income | 15-30-2110(2)(g) | 1985 | SB 72 |
| Individual Income Tax | Casualty and Theft Losses | Itemized Deduction | Federal Provision | | |
| Individual Income Tax | Charitable Contributions | Itemized Deduction | Federal Provision | | |
| Individual Income Tax | Child and Dependent Care Expenses | Itemized Deduction | 15-30-2131(1)(c) | 1977 | HB 47 |
| Individual Income Tax | Federal Income Tax | Itemized Deduction | 15-30-2131(1)(b) | 1933 | HB 328 |
| Individual Income Tax | Home Mortgage Interest | Itemized Deduction | Federal Provision | | |
| Individual Income Tax | Light Vehicle Registration Fees | Itemized Deduction | 15-30-2131(1)(h) | 1999 | HB 540 |

**Table 9.1 Tax Expenditures and Reference Information (continued)**

| Tax Source | Tax Expenditure | Expenditure Type | Law | Session/ Year | Legislation |
|---|---|---|---|---|---|
| Individual Income Tax | Long Term Care Insurance Premiums | Itemized Deduction | 15-30-2131(1)(a)(iv) | 1997 | SB 151 |
| Individual Income Tax | Livestock Fees | Itemized Deduction | 15-30-2131(1)(i) | 2001 | HB 124 |
| Individual Income Tax | Medical and Dental Expenses | Itemized Deduction | Federal Provision | | |
| Individual Income Tax | Medical Insurance Premiums | Itemized Deduction | 15-30-2131(1)(a)(iii) | 1995 | HB 202 |
| Individual Income Tax | Other Deductible Taxes | Itemized Deduction | Federal Provision | | |
| Individual Income Tax | Political Contributions | Itemized Deduction | 15-30-2131(1)(d) | 1979 | HB 407 |
| Individual Income Tax | State and Local Taxes Limited to $10,000 | Itemized Deduction | Federal Provision | | |
| Individual Income Tax | Adoption Credit | Credit | 15-30-2364 | 2023 | HB 225 |
| Individual Income Tax | Apprenticeship Credit | Credit | 15-30-2357, 39-6-109 | 2017 | HB 308 |
| Individual Income Tax | Capital Gains Credit | Credit | 15-30-2301 | 2003 | SB 407 |
| Individual Income Tax | Credit For Other States' Taxes | Credit | 15-30-2302 | 1941 | HB 38 |
| Individual Income Tax | Earned Income Tax Credit | Credit | 15-30-2318 | 2017 | HB 391 |
| Individual Income Tax | Elderly Homeowner/Renter Credit | Credit | 15-30-2337 to 15-30-2341 | 1981 | SB 337 |
| Individual Income Tax | Historic Property Preservation Credit | Credit | 15-30-2342, 15-31-151 | 1997 | HB 601 |
| Individual Income Tax | Infrastructure Users Fee Credit | Credit | 17-6-316 | 1995 | SB 100 and HB 602 |
| Individual Income Tax | Innovative Educational Program Credit | Credit | 15-30-3110 | 2015 | SB 410 |
| Individual Income Tax | Jobs Growth Incentive Credit | Credit | 15-30-2361, 15-31-175 | 2021 | HB 629 |
| Individual Income Tax | Media Production Credit | Credit | 15-31-1001 to 1012 | 2019 | HB 293 |
| Individual Income Tax | Pass-through Entity Tax Credit | Credit | 15-30-3328 | 2023 | SB 554 |
| Individual Income Tax | Qualified Endowment Credit | Credit | 15-30-2327 to 2329 | 1997 | HB 434 |
| Individual Income Tax | Recycling Credit | Credit | 15-32-601 to 604 | 1991 | SB 111 |
| Individual Income Tax | State Land Access Credit | Credit | 15-30-2380 | 2013 | HB 444 |
| Individual Income Tax | Student Scholarship Organization Credit | Credit | 15-30-3111 | 2015 | SB 410 |
| Individual Income Tax | Trades Education and Training Credit | Credit | 15-30-2359, 15-31-174 | 2021 | HB 252 |

**Table 9.1 Tax Expenditures and Reference Information (continued)**

| Tax Source | Tax Expenditure | Expenditure Type | Law | Session/ Year | Legislation |
|---|---|---|---|---|---|
| **Corporate Income Tax** | | | | | |
| Corporate Income Tax | Water's Edge Election | Special Election | 15-31-322 to 15-31-324 | 1987 | HB 703 |
| Corporate Income Tax | Capital Gains Exclusion for Mobile Home Park | Deduction | 15-31-163 | 2009 | HB 636 |
| Corporate Income Tax | Deduction for Donation of Exploration Information | Deduction | 15-32-510 | 1999 | SB 625 |
| Corporate Income Tax | Deduction for Purchasing Montana-Produced Organic Fertilizer Produced as a Byproduct | Deduction | 15-32-303 | 1981 | SB 322 |
| Corporate Income Tax | Energy-Conservation Investment Deduction | Deduction | 15-32-103 | 1975 | HB 663 |
| Corporate Income Tax | Recycling Material Qualifying for Deduction | Deduction | 15-32-609 and 610 | 1991 | SB 111 |
| Corporate Income Tax | Alternative Energy Production Credit | Credit | 15-32-401 to 407 | 1983 | HB 755 |
| Corporate Income Tax | Alternative Fuel Motor Vehicle Conversion Credit | Credit | 15-30-2320 | 1993 | HB 219 |
| Corporate Income Tax | Apprenticeship Credit | Credit | 15-30-2357 and 39-6-109 | 2017 | HB 308 |
| Corporate Income Tax | Biodiesel Blending and Storage Tank Credit | Credit | 15-32-703 | 2005 | HB 756 |
| Corporate Income Tax | Charitable Endowment Credit | Credit | 15-31-161 and 162 | 1997 | HB 434 |
| Corporate Income Tax | College Contributions Credit | Credit | 15-30-2326 | 1991 | HB 894 |
| Corporate Income Tax | Contractor's Gross Receipts Tax Credit | Credit | 15-50-207 | 1967 | HB 530 |
| Corporate Income Tax | Dependent Care Assistance Credit | Credit | 15-31-131 and 133 | 1989 | SB 282 |
| Corporate Income Tax | Empowerment Zone New Employees Tax Credit | Credit | 15-31-134 | 2003 | SB 484 |
| Corporate Income Tax | Geothermal Heating Credit | Credit | 15-32-115 | 2005 | SB 340 |
| Corporate Income Tax | Health Insurance for Uninsured Montanans Credit | Credit | 15-31-132 | 1989 | HB 166 |
| Corporate Income Tax | Historic Property Preservation Credit | Credit | 15-31-151 | 1997 | HB 601 |
| Corporate Income Tax | Infrastructure Users Fee Credit | Credit | 17-6-316 | 1995 | SB 100 & HB 602 |
| Corporate Income Tax | Innovative Educational Program Credit | Credit | 15-31-158 to 15-31-159 | 2015 | SB 410 |
| Corporate Income Tax | Jobs Growth Incentive Credit | Credit | 15-31-175 | 2021 | HB 629 |
| Corporate Income Tax | Mineral Exploration Incentive Credit | Credit | 15-32-501 to 509 | 1999 | SB 625 |

**Table 9.1 Tax Expenditures and Reference Information (continued)**

| Tax Source | Tax Expenditure | Expenditure Type | Law | Session/ Year | Legislation |
|---|---|---|---|---|---|
| Corporate Income Tax | Montana Economic Development Industry Advancement Act (Media Production Credit) | Credit | 15-31-1001 to 1012 | 2019 | HB 293 |
| Corporate Income Tax | New and Expanded Industry Credit | Credit | 15-31-124 to 127 | 1975 | HB 593 |
| Corporate Income Tax | Oilseed Crushing and Biodiesel Production Facility Credit | Credit | 15-32-701 and 702 | 2005 | HB 756 |
| Corporate Income Tax | Qualified Research Credit | Credit | 15-31-150 | 1999 | HB 638 |
| Corporate Income Tax | Recycling Credit | Credit | 15-32-601 to 611 | 1991 | SB 111 |
| Corporate Income Tax | Short Term Temporary Lodging Credit | Credit | 15-31-171 | 2007 | HB 240 |
| Corporate Income Tax | Trades Education and Training Credit | Credit | 15-31-174 | 2021 | HB 252 |
| Corporate Income Tax | Unlocking Public Lands Credit | Credit | 15-30-2380 | 2013 | HB 444 |
| Corporate Income Tax | Corporate Passive Deduction Expenditures | Passive Expenditure | | | |
| **Property Tax** | | | | | |
| Property Tax | Property Tax Assistance Program | Residential Property | 15-6-134 | 1979 | HB 398 |
| Property Tax | Disabled American Veterans Program | Residential Property | 15-6-211 | 1979 | HB 213 |
| Property Tax | Intangible Land Value Property Exemption | Residential Property | 15-6-240 | 2017 | SB 94 |
| Property Tax | Energy Production or Development Tax Abatement | Economic Development | 15-24-3111 | 2007 | HB 3 |
| Property Tax | New Fiber Optic and Coaxial Cable Exemption | Economic Development | 15-6-135, 156, and 219 | 2021 | SB 51 |
| Property Tax | New Manufacturing Machinery, Fixtures, and Equipment | Economic Development | 15-6-138 | 2023 | SB 530 |
| Property Tax | Intangible Personal Property Exemption | Centrally Assessed | 15-6-218 | 1999 | SB 111 |
| Property Tax | Tax Increment Finance Districts | Other | 7-15-4282 | 1974 | HB 193 |
| Property Tax | Generally Exempt Property | Other | See Section for Detail | Various | Various |
| **Oil and Gas Tax** | | | | | |
| Oil and Gas Tax | New Production Tax Holiday | Reduced Rate | 15-36-304 | 1977 | HB 553 |
| Oil and Gas Tax | Reduced Rate for Oil and Gas Wells Completed After 1998 | Reduced Rate | 15-36-304 | 1977 | HB 553 |
| Oil and Gas Tax | Reduced Rates for Horizontally Recompleted Oil Wells | Reduced Rate | 15-36-304 | 1993 | SB 18 |
| Oil and Gas Tax | Reduced Rates for Incremental Oil Production from Enhanced Recovery Projects | Reduced Rate | 15-36-304 | 1985 | HB 636 |

**Table 9.1 Tax Expenditures and Reference Information (continued)**

| Tax Source | Tax Expenditure | Expenditure Type | Law | Session/ Year | Legislation |
|---|---|---|---|---|---|
| Oil and Gas Tax | Reduced Rates for Stripper Exemption and Stripper Oil Wells | Reduced Rate | 15-36-304 | 1999 | HB 661 |
| Oil and Gas Tax | Reduced Rates for Pre-1999 "Stripper" Gas Wells | Reduced Rate | 15-36-304 | 1999 | SB 530 |

The following tables show the estimated cost of tax expenditures by size. The tables listing individual income, corporate income, and property tax expenditures show only the cost to the general fund for these provisions. The fourth table, presenting natural resource expenditures, illustrates the total cost of the tax expenditure to state and any local governments. Passive tax expenditures are not included in these tables.

**Table 9.2 Individual Income Tax Expenditures – 2023**

| Individual Income Tax Expenditures - 2023 | Number | $ |
|---|---|---|
| Capital Gains Credit | 65,536 | $77,730,688 |
| Credit for Other States' Taxes | 15,513 | $69,814,800 |
| Federal Income Tax | 192,520 | $64,106,417 |
| Mortgage Interest and Insurance Premiums | 124,193 | $59,951,132 |
| Charitable Contributions | 146,635 | $50,005,469 |
| State and Local Taxes | 190,195 | $38,778,093 |
| Medical Insurance Premiums | 104,011 | $27,805,768 |
| Deductions for the Self-Employed | 71,911 | $21,173,733 |
| Medical and Dental Expenses | 46,035 | $12,257,288 |
| Exempted Military Salary | 4,706 | $12,194,490 |
| Exempt Tribal Income | 5,506 | $10,272,654 |
| Elderly Homeowner / Renter Credit | 15,195 | $10,035,293 |
| Interest on Federal Government Bonds | 30,356 | $9,698,094 |
| Tip Income and Gratuities | 22,109 | $6,506,115 |
| Partial Pension Exemption | 48,419 | $5,453,272 |
| Unemployment Compensation | 15,440 | $4,981,818 |
| Earned Income Tax Credit | 56,502 | $4,047,850 |
| Individual Retirement Account Deduction | 11,575 | $3,929,463 |
| Tier I and Tier II Railroad Retirement Benefits | 3,378 | $3,885,600 |
| Health Savings Account Deduction | 12,609 | $3,246,951 |
| Qualified Endowment Credit | 590 | $2,948,736 |
| Partial Interest Exclusion For Elderly Taxpayers | 89,479 | $2,705,958 |
| Media Production Credit | 22 | $2,589,812 |
| Adoption Credit | 205 | $1,906,579 |
| Long-Term Care Insurance Premiums | 8,357 | $1,526,310 |
| Student Scholarship Organization Credit | 47 | $1,470,326 |
| Montana Medical Care Savings Account | 5,120 | $1,419,950 |
| Family Education Savings Account | 5,675 | $1,245,132 |
| Student Loan Interest Deduction | 25,921 | $1,080,645 |
| Innovative Educational Program Credit | 54 | $764,211 |
| Apprenticeship Credit | 424 | $617,027 |

**Table 9.2 Individual Income Tax Expenditures – 2023 (continued)**

| Individual Income Tax Expenditures - 2023 | Number | $ |
|---|---|---|
| Other Deductible Taxes | 5,404 | $467,424 |
| Light Vehicle Registration Fees | 29,243 | $443,463 |
| Medical Marijuana Provider Expenses | 74 | $392,294 |
| Recycling Credit | 78 | $362,703 |
| Infrastructure Users Fee Credit | * | $246,298 |
| Health Care Professional Student Loan Repayment | 74 | $116,904 |
| Casualty and Theft Losses | 35 | $83,081 |
| Political Contributions | 5,951 | $45,512 |
| Highly Compensated Employee Health Benefits | 105 | $42,211 |
| First-Time Home buyer Account | 186 | $40,160 |
| Worker's Compensation | 148 | $39,832 |
| Mobile Home Park Capital Gain Exclusion | * | $39,602 |
| Trades Education and Training Credit | 25 | $25,101 |
| ABLE Accounts | 198 | $23,993 |
| Quality Educator Loan Assistance Program | 597 | $13,935 |
| Business Purchases of Recycled Material | 88 | $12,401 |
| Per Capita Livestock Fees | 495 | $8,436 |
| Historic Property Preservation Credit | * | $6,028 |
| National Guard Life Insurance Premiums | 13 | $5,836 |
| Archer MSA Deduction | 17 | $2,887 |
| Small Business Investment Company Dividends | 20 | $2,380 |
| Unlocking State Lands Credit | * | $2,215 |
| Child and Dependent Care Expenses | 191 | $2,179 |
| Disability Retirement Income | 14 | $936 |
| Sales of Land to Beginning Farmers | 0 | $0 |
| Farm and Ranch Risk Management Account | * | $0 |
| Jobs Growth Incentive Credit | 0 | $0 |

** Not disclosed due to confidentiality concerns*

**Table 9.3 Corporate Income Tax Expenditures – 2022**

| Corporate Income Tax Expenditures - 2022 | Number | $ |
|---|---|---|
| Water's Edge Election | 757 | $8-12 million |
| MEDIA Credit | * | $6,202,042 |
| Recycled Material Qualifying for Deduction | * | $1,472,434 |
| Contractor's Gross Receipts | 55 | $1,340,768 |
| Qualified Research Credit | * | $284,123 |
| Infrastructure Users Fee Credit | * | $263,474 |
| Historic Property Preservation Credit | * | $88,638 |
| Recycling Credit | * | $88,538 |
| Alternative Energy Production Credit | * | $75,229 |
| Apprenticeship Tax Credit | 13 | $66,868 |
| Innovative Education Credit | * | $50,000 |
| Charitable Endowment Credit | * | $47,526 |
| Student Scholarship Organization Credit | * | $4,925 |
| Geothermal Heating System Credit | * | $258 |
| Jobs Growth Incentive Credit | 0 | $0 |
| Trades Education and Training Credit | 0 | $0 |
| Capital Gain Exclusion for Mobile Home Park | -- | -- |
| Deduction for Donation of Exploration Information | -- | -- |
| Deduction for Purchasing Montana-Produced Fertilizer | -- | -- |
| Energy Conserving Investments Deduction | -- | -- |

** Not disclosed due to confidentiality concerns*

**Table 9.4 Property Tax Expenditures – 2024**

| Property Tax Expenditures - 2024 | Number | $ |
|---|---|---|
| Generally Exempt Property | 156,628 | $45,772,545 |
| Intangible Personal Property Exemption | 170 | $15,807,532 |
| Tax Increment Finance Districts | N/A | $9,537,470 |
| Property Tax Assistance Program | 30,468 | $6,690,113 |
| Montana Disabled Veterans Program | 3,455 | $1,538,225 |
| New Fiber Optic and Coaxial Cable Exemption | 12 | $432,642 |
| Energy Production or Development Tax Abatement | 5 | $370,990 |
| New Manufacturing Machinery, Fixtures, and Equipment | 11 | $225,369 |
| Intangible Land Value Property Exemption | 231 | $164,538 |

**Table 9.5 Natural Resource Tax Expenditures – 2024**

| Natural Resource Tax Expenditures - 2024 | Number | $ |
|---|---|---|
| Oil New Production Holiday (Oil Production Tax) | 114 | $12,804,125 |
| Oil Stripper Well Production (Oil Production Tax) | 2,270 | $2,318,622 |
| Natural Gas Pre-1999 and Less than 60 MCF/day (Gas Production Tax) | 6,024 | $1,074,484 |
| Natural Gas New Production Tax Holiday (Gas Production Tax) | 95 | $701,396 |
| Oil Horizontally Recompleted Wells (Oil Production Tax) | 60 | $1,452,522 |
| Oil Tertiary Incremental Production (Oil Production Tax) | 0 | $0 |

# Individual Income Tax Expenditures

## Tax Expenditures: Individual Income Tax

The individual income tax is a tax on the income a person or couple receives during a year. The general structure of the income tax has three components:

- the taxpayer's adjusted gross income, which generally includes cash receipts and the value of nonmonetary compensation, minus costs related to earning income
- an exemption for each taxpayer and dependent, and a standard deduction, both of which are subtracted from adjusted gross income to give taxable income
- the tax rates, which in Montana take the form of a graduated rate schedule with the first increments of income taxed at lower rates. The total of the personal exemption and standard deduction can be viewed as defining an initial rate bracket with a zero tax rate.

Tax expenditures for the income tax take four forms:

- tax credits for taxpayers who meet certain conditions or make certain types of expenditures
- special treatment of specific types of income, either through special provisions for measuring income, or by excluding some types of income from the definition of adjusted gross income
- itemized deductions from adjusted gross income for taxpayers who meet certain conditions or make certain types of expenditures
- lower tax rates for certain types of income

# Definition of Adjusted Gross Income – Passive Expenditures

## Tax Expenditures in the Definition of Adjusted Gross Income

In most cases, Montana law adopts the federal definition of adjusted gross income as the starting point for measuring income that is subject to the state income tax. Tax expenditures in the definition of adjusted gross income arise from two sources: the federal definition of adjusted gross income and the special provisions of Montana law.

State tax expenditures that arise from the state's adoption of federal law are called passive tax expenditures. The legislature has not taken any action to create them and would have to act to prevent them.

Some passive tax expenditures result from federal law exempting certain types of income from tax. Others arise from special rules for measuring income. These include special depreciation provisions, rules for the timing of recognition of income, and rules that determine when expenditures that employers make on behalf of their employees count as income to the employee. A third type of passive expenditure results from extra expense deductions that federal law allows as incentives to make certain types of investment.

Federal credits do not create passive state tax expenditures because they do not affect the taxpayer's adjusted gross income.

Montana tax returns do not include information that would allow reliable state-level estimates of individual passive tax expenditures. Total passive tax expenditures can be roughly estimated from the estimates of federal tax expenditures published by the congressional Joint Committee on Taxation (JCT).

Based on JCT estimates, federal tax expenditures created approximately $912 million in Montana passive tax expenditures. This amount, multiplied by the ratio of adjusted gross income reported on federal returns with a Montana address to adjusted gross income reported on all federal returns (0.31 percent), and the ratio of the top Montana rate to the top federal rate (18.2 percent), results in passive tax expenditures of $512 million due to the federal definition of total income.

Other passive tax expenditures arise from specific adjustments to gross income. These items are listed on both federal and state tax returns. For Tax Year 2023, these adjustments are on Schedule 1 of Montana's Form 2. These items are sometimes called federal adjustments to income or above-the-line deductions.

Five above-the-line deductions should not be considered tax expenditures. Four of these allow taxpayers to deduct unreimbursed costs of doing their jobs or otherwise earning income. The first four above-the-line deductions are:

- the deduction for educator expenses
- the deduction for business expenses of reservists, performing artists, and fee-basis local government officials
- the deduction for expenses of moving for members of the Armed Forces
- the deduction for penalties for early withdrawal of savings
- the deduction for alimony paid, which ensures that income allocated between former spouses is taxed to the person who ultimately receives it

There are seven other above-the-line deductions that are considered tax expenditures.

# Deductions for the Self-Employed: Federal Provision

**Legislation: N/A**

Three above-the-line deductions give the self-employed taxpayer the same treatment as employees for fringe benefits and retirement plans. These deductions are:

- the deduction for one-half of the self-employment tax
- the deduction for contributions to qualified self-employed retirement plans
- the deduction for a self-employed person's health insurance premiums

These three deductions are equivalent to an employer's payments for payroll taxes, health insurance benefits, and pension contributions that are not included in an employee's adjusted gross income.

The exclusions for employees provide an incentive for employers to offer and employees to accept pension and health benefits because they make it cheaper for employers to provide additional after-tax compensation as fringe benefits rather than as wages. Providing the same exclusions for self-employed persons removes an incentive to be an employee rather than self-employed.

The costs of the exclusions for employees are included in the figure for passive tax expenditures. The following tables show these deductions for Tax Years 2015 through 2023.

**Table 9.6 One-Half of Self Employment Tax**

| | Residents | | Nonresidents | | Part-Year Residents | | Total | |
|---|---|---|---|---|---|---|---|---|
| TY | N | $ | N | $ | N | $ | N | $ |
| 2015 | 60,556 | $89,922,276 | 9,844 | $41,834,447 | 2,565 | $2,528,989 | 72,965 | $134,285,712 |
| 2016 | 61,088 | $88,099,153 | 9,774 | $43,246,206 | 2,596 | $2,625,927 | 73,458 | $133,971,286 |
| 2017 | 61,605 | $89,951,840 | 10,037 | $40,555,635 | 2,627 | $2,823,065 | 74,269 | $133,330,540 |
| 2018 | 60,312 | $85,230,666 | 9,452 | $43,488,645 | 2,740 | $2,661,760 | 72,504 | $131,381,071 |
| 2019 | 62,562 | $96,409,633 | 10,486 | $51,753,246 | 2,947 | $3,409,125 | 75,995 | $151,572,004 |
| 2020 | 61,661 | $99,987,176 | 9,714 | $60,590,983 | 3,025 | $3,711,978 | 74,400 | $164,290,137 |
| 2021 | 66,384 | $114,394,252 | 11,412 | $95,495,562 | 3,782 | $4,620,291 | 81,578 | $214,510,105 |
| 2022 | 67,523 | $120,009,724 | 12,366 | $73,105,084 | 3,437 | $4,583,404 | 83,326 | $197,698,212 |
| 2023 | 68,710 | $124,011,990 | 12,169 | $72,972,046 | 3,089 | $3,786,934 | 83,968 | $200,770,970 |

**Table 9.7 Contributions to Qualified Self-Employed Retirement Plans**

| TY | Residents | | Nonresidents | | Part-Year Residents | | Total | |
|---|---|---|---|---|---|---|---|---|
| | N | $ | N | $ | N | $ | N | $ |
| 2015 | 2,641 | $49,414,662 | 1,364 | $44,931,667 | 69 | $1,336,748 | 4,074 | $95,683,077 |
| 2016 | 2,658 | $50,148,146 | 1,408 | $46,243,338 | 77 | $1,275,171 | 4,143 | $97,666,655 |
| 2017 | 2,679 | $51,530,999 | 1,499 | $51,744,670 | 95 | $2,157,835 | 4,273 | $105,433,504 |
| 2018 | 2,239 | $41,034,938 | 1,313 | $48,785,296 | 69 | $1,153,009 | 3,621 | $90,973,243 |
| 2019 | 2,494 | $51,970,436 | 1,540 | $57,362,334 | 95 | $2,194,690 | 4,129 | $111,527,460 |
| 2020 | 2,543 | $55,866,698 | 1,432 | $51,890,759 | 110 | $2,354,376 | 4,085 | $110,111,833 |
| 2021 | 2,745 | $65,102,113 | 1,606 | $60,859,550 | 107 | $2,693,723 | 4,458 | $128,655,386 |
| 2022 | 2,726 | $64,922,623 | 1,719 | $70,634,655 | 110 | $3,407,946 | 4,555 | $138,965,224 |
| 2023 | 2,699 | $66,345,746 | 1,819 | $76,206,812 | 74 | $1,836,306 | 4,592 | $144,388,864 |

**Table 9.8 Self-Employed Health Insurance Premiums Deduction**

| TY | Residents | | Nonresidents | | Part-Year Residents | | Total | |
|---|---|---|---|---|---|---|---|---|
| | N | $ | N | $ | N | $ | N | $ |
| 2015 | 24,554 | $138,208,738 | 5,395 | $54,472,657 | 522 | $2,138,891 | 30,471 | $194,820,286 |
| 2016 | 24,485 | $145,127,725 | 5,396 | $57,881,920 | 463 | $2,204,967 | 30,344 | $205,214,612 |
| 2017 | 23,377 | $152,651,623 | 5,430 | $60,668,262 | 476 | $2,598,515 | 29,283 | $215,918,400 |
| 2018 | 21,107 | $139,368,732 | 4,806 | $54,633,071 | 442 | $2,216,325 | 26,355 | $196,218,128 |
| 2019 | 21,748 | $148,882,955 | 5,449 | $65,536,437 | 497 | $2,750,877 | 27,694 | $217,170,269 |
| 2020 | 21,012 | $138,780,789 | 5,066 | $63,226,854 | 479 | $2,819,629 | 26,557 | $204,827,272 |
| 2021 | 21,161 | $143,629,871 | 5,405 | $67,357,543 | 586 | $3,380,678 | 27,152 | $214,368,092 |
| 2022 | 21,452 | $149,819,439 | 5,904 | $77,136,544 | 527 | $3,030,415 | 27,883 | $229,986,398 |
| 2023 | 21,189 | $156,003,629 | 5,824 | $81,564,956 | 416 | $2,172,375 | 27,429 | $239,740,960 |

# Health Savings Account Deduction: Federal Provision

**Legislation: N/A**

A Health Savings Account (HSA) is a tax-advantaged account for certain medical expenses of taxpayers whose only health insurance is a high-deductible insurance plan. Funds in an HSA may be used only to pay medical costs that are not reimbursed by insurance. Both deposits to and distributions from an HSA are exempt from income tax.

HSAs provide a partial subsidy to taxpayers who buy their own health insurance and choose a high-deductible plan. This provides an incentive for individuals to purchase high-deductible health insurance themselves rather than choose some other option for health insurance or to do without.

The following table shows HSA deductions for Tax Years 2015 through 2023.

**Table 9.9 Health Savings Account Deduction**

| TY | Residents | | Nonresidents | | Part-Year Residents | | Total | |
|---|---|---|---|---|---|---|---|---|
| | N | $ | N | $ | N | $ | N | $ |
| 2015 | 9,743 | $34,820,388 | 1,440 | $6,646,471 | 323 | $849,707 | 11,506 | $42,316,566 |
| 2016 | 11,828 | $41,310,075 | 1,612 | $7,369,209 | 426 | $935,438 | 13,866 | $49,614,722 |
| 2017 | 12,203 | $43,149,496 | 1,692 | $7,865,067 | 436 | $923,775 | 14,331 | $51,938,338 |
| 2018 | 11,939 | $41,366,481 | 1,617 | $7,236,979 | 457 | $915,478 | 14,013 | $49,518,938 |
| 2019 | 12,832 | $45,824,799 | 1,750 | $8,256,363 | 430 | $916,820 | 15,012 | $54,997,982 |
| 2020 | 12,600 | $45,569,798 | 1,655 | $8,080,558 | 492 | $1,097,516 | 14,747 | $54,747,872 |
| 2021 | 12,397 | $46,892,804 | 1,821 | $9,107,331 | 606 | $1,466,321 | 14,824 | $57,466,456 |
| 2022 | 12,972 | $48,365,484 | 1,997 | $10,045,477 | 570 | $1,385,751 | 15,539 | $59,796,712 |
| 2023 | 12,609 | $50,306,359 | 1,936 | $10,303,753 | 494 | $1,028,964 | 15,039 | $61,639,076 |

# Individual Retirement Account Deduction: Federal Provision

**Legislation: N/A**

An Individual Retirement Account (IRA) is a tax-advantaged account for retirement savings. Taxpayers are allowed an above-the-line deduction for contributions to a traditional IRA. For most taxpayers, the deduction was limited to $6,500 in Tax Year 2023. The limit is $1,000 higher for taxpayers at least 50 years old. Higher-income taxpayers who participate in one of several types of pension plans have a lower limit that depends on their income.

Earnings kept in an IRA are not taxed. Funds deposited in an IRA and accumulated earnings are both taxed when they are withdrawn. This deferral of taxes gives taxpayers an incentive to increase retirement savings.

The following table shows IRA deductions for Tax Years 2015 through 2023.

**Table 9.10 Individual Retirement Account Deduction**

| TY | Residents | | Nonresidents | | Part-Year Residents | | Total | |
|---|---|---|---|---|---|---|---|---|
| | N | $ | N | $ | N | $ | N | $ |
| 2015 | 13,176 | $65,361,123 | 1,425 | $9,379,560 | 417 | $1,544,536 | 15,018 | $76,285,219 |
| 2016 | 13,240 | $66,073,642 | 1,382 | $9,201,406 | 452 | $1,849,560 | 15,074 | $77,124,608 |
| 2017 | 13,194 | $67,053,676 | 1,395 | $9,424,326 | 442 | $1,645,468 | 15,031 | $78,123,470 |
| 2018 | 12,060 | $60,604,691 | 1,271 | $8,428,998 | 387 | $1,557,223 | 13,718 | $70,590,912 |
| 2019 | 12,093 | $63,021,981 | 1,268 | $8,839,514 | 436 | $1,525,690 | 13,797 | $73,387,185 |
| 2020 | 11,815 | $65,218,041 | 1,226 | $8,771,679 | 434 | $1,651,087 | 13,475 | $75,640,807 |
| 2021 | 11,330 | $64,537,851 | 1,229 | $8,988,081 | 444 | $1,970,418 | 13,003 | $75,496,350 |
| 2022 | 11,713 | $62,122,400 | 1,374 | $9,373,971 | 508 | $1,800,580 | 13,595 | $73,296,951 |
| 2023 | 11,575 | $62,796,894 | 1,279 | $9,371,280 | 446 | $1,625,240 | 13,300 | $73,793,414 |

# Student Loan Interest Deduction: Federal Provision

**Legislation: N/A**

Taxpayers may deduct up to $2,500 of interest they paid on student loans for either their own or their dependents' post-secondary education. The deduction phases out for incomes between $75,000 and $90,000 ($155,000 and $185,000 for a joint return) and may not be claimed by a taxpayer who is claimed as someone else's dependent. This deduction provides a subsidy to taxpayers who borrow to pay for either their own or their dependents' education. This provides an incentive for taxpayers to invest more in their own or their dependents' educations. It also provides an incentive to increase the proportion of education expenses financed by borrowing.

The following table shows student loan interest deductions for Tax Years 2015 through 2023.

**Table 9.11 Student Loan Interest Deduction**

| | Residents | | Nonresidents | | Part-Year Residents | | Total | |
|---|---|---|---|---|---|---|---|---|
| TY | N | $ | N | $ | N | $ | N | $ |
| 2015 | 44,987 | $46,402,195 | 3,372 | $3,596,607 | 4,455 | $4,898,571 | 52,814 | $54,897,373 |
| 2016 | 46,722 | $46,125,127 | 3,375 | $3,584,420 | 4,525 | $4,824,229 | 54,622 | $54,533,776 |
| 2017 | 47,360 | $46,843,507 | 3,364 | $3,498,850 | 4,542 | $4,905,421 | 55,266 | $55,247,778 |
| 2018 | 46,898 | $46,949,461 | 3,326 | $3,542,997 | 4,415 | $4,749,345 | 54,639 | $55,241,803 |
| 2019 | 47,046 | $48,349,339 | 3,476 | $3,764,753 | 4,390 | $4,680,305 | 54,912 | $56,794,397 |
| 2020 | 37,397 | $24,835,659 | 2,735 | $1,988,189 | 3,255 | $2,404,119 | 43,387 | $29,227,967 |
| 2021 | 17,413 | $12,688,481 | 1,398 | $1,169,244 | 1,784 | $1,545,994 | 20,595 | $15,403,719 |
| 2022 | 14,277 | $11,281,776 | 1,281 | $1,230,389 | 1,482 | $1,459,673 | 17,040 | $13,971,838 |
| 2023 | 25,921 | $16,659,122 | 2,364 | $1,802,732 | 2,526 | $1,856,602 | 30,811 | $20,318,456 |

# Archer MSA Deduction: Federal Provision

**Legislation: N/A**

An Archer MSA is a tax-advantaged account for medical savings and expenses. Taxpayers are allowed an above-the-line deduction for contributions to an Archer MSA. Earnings kept in an Archer MSA are not taxed. In addition, distributions from an Archer MSA are not considered taxable if used for qualified medical expenses.

The following table shows the Archer MSA deductions for Tax Years 2021 through 2023.

**Table 9.12 Archer MSA Deduction**

| | Residents | | Nonresidents | | Part-Year Residents | | Total | |
|---|---|---|---|---|---|---|---|---|
| TY | N | $ | N | $ | N | $ | N | $ |
| 2015 | 0 | $0 | 0 | $0 | 0 | $0 | 0 | $0 |
| 2016 | 0 | $0 | 0 | $0 | 0 | $0 | 0 | $0 |
| 2017 | 0 | $0 | 0 | $0 | 0 | $0 | 0 | $0 |
| 2018 | 0 | $0 | 0 | $0 | 0 | $0 | 0 | $0 |
| 2019 | 0 | $0 | 0 | $0 | 0 | $0 | 0 | $0 |
| 2020 | 0 | $0 | 0 | $0 | 0 | $0 | 0 | $0 |
| 2021 | 17 | $31,841 | * | $3,750 | 0 | $0 | * | $35,591 |
| 2022 | 22 | $32,879 | * | $271 | * | $6,306 | * | $39,456 |
| 2023 | 17 | $48,081 | * | $6,671 | * | $1,900 | * | $56,652 |

# Definition of Adjusted Gross Income

## Montana Adjustments to Income

Through Tax Year 2023, Montana had 50 adjustments to Federal Adjusted Gross Income that taxpayers were either allowed or required to make in calculating their Montana Adjusted Gross Income. Some of these Montana adjustments allocate income between spouses filing separate Montana returns when they file a joint federal return. Other state adjustments exist because federal law prohibits states from taxing certain types of income that the federal government taxes. A few exist because the state taxes some types of income that the federal government does not tax. Most exist because the legislature has chosen to exempt certain types of income partly or completely from taxation.

Most of the adjustments in this section were eliminated by the 2021 Legislature starting Tax Year 2024. In addition, starting Tax Year 2024, Montana's personal income tax will no longer based on Federal Adjusted Gross Income, but instead Federal Taxable Income. As a result, the Montana adjustments to income are no longer applied to adjusted gross income, but instead applied to taxable income.

## ABLE Accounts: 15-30-2110 (12), MCA

**Legislation: SB 399, 2015 Session**

In 2014, Congress amended Section 529 of the Internal Revenue Code to create the Achieving a Better Life Experience (ABLE) account, which is a tax-advantaged savings account to be used for the benefit of a person with disabilities. Earnings on an ABLE account are exempt from federal tax as long as the funds withdrawn from the account are used for eligible expenses related to the beneficiary's disability. More than one person can contribute to a single account, but total contributions in a year may not exceed $15,000 (adjusted annually for inflation). As long as the balance in the account is $100,000 or less, having an ABLE account will not affect the beneficiary's eligibility for Social Security or Medicaid.

Beginning in Tax Year 2015, Montana exempts up to $3,000 contributed by a taxpayer to an ABLE account from income tax. More than one taxpayer can contribute to the same account if total deposits do not exceed the annual limit, and each taxpayer can exempt the amount of their deposit.

The table below lists exempt income reported on Montana income tax returns for Tax Years 2015 through 2023.

**Table 9.13 ABLE Account Deposits**

| | Residents | | Nonresidents | | Part-Year Residents | | Total | |
|---|---|---|---|---|---|---|---|---|
| TY | N | $ | N | $ | N | $ | N | $ |
| 2015 | 0 | $0 | 0 | $0 | 0 | $0 | 0 | $0 |
| 2016 | 17 | $42,190 | 0 | $0 | * | $3,525 | * | $45,715 |
| 2017 | 35 | $78,670 | 0 | $0 | * | $3,125 | * | $81,795 |
| 2018 | 69 | $171,910 | 0 | $0 | * | $10,482 | * | $182,392 |
| 2019 | 108 | $242,259 | 0 | $0 | * | $250 | * | $242,509 |
| 2020 | 137 | $365,139 | 0 | $0 | * | $6,870 | * | $372,009 |
| 2021 | 164 | $442,144 | 0 | $0 | * | $9,800 | * | $451,944 |
| 2022 | 161 | $380,383 | * | $1,005 | * | $8,002 | * | $389,390 |
| 2023 | 198 | $520,131 | * | $3,000 | * | $3,025 | * | $526,156 |

** Not disclosed due to confidentiality concerns*

# Business Purchases of Recycled Material: 15-32-609, MCA through 15-32-611, MCA

**Legislation: SB 111, 1991 Session**

Montana allows businesses to take an extra deduction of 10 percent of the cost of purchases of recycled materials. In effect, this allows a business expense deduction of 110 percent of these costs. This reduces the cost of recycled material relative to other raw materials, giving businesses an incentive to use recycled material.

The deduction is available to corporations and to the owners of sole-proprietor businesses and pass-through entities. The following table shows individual income tax deductions for purchases of recycled material since Tax Year 2015.

**Table 9.14 Business Expense for Recycled Materials**

| | Residents | | Nonresidents | | Part-Year Residents | | Total | |
|---|---|---|---|---|---|---|---|---|
| TY | N | $ | N | $ | N | $ | N | $ |
| 2015 | 101 | $240,929 | * | $100 | * | $3,025 | * | $244,054 |
| 2016 | 105 | $327,567 | * | $291 | * | $5,809 | * | $333,667 |
| 2017 | 90 | $279,218 | * | $47 | * | $200 | * | $279,465 |
| 2018 | 98 | $938,108 | * | $62 | * | $1,437 | * | $939,607 |
| 2019 | 103 | $617,354 | * | $1,051 | * | $3,652 | * | $622,057 |
| 2020 | 110 | $483,000 | 0 | $0 | * | $355 | * | $483,355 |
| 2021 | 91 | $640,035 | * | $11,533 | * | $1,770 | * | $653,338 |
| 2022 | 84 | $904,440 | * | $2,561 | * | $1,721 | * | $908,722 |
| 2023 | 88 | $288,638 | * | $125 | * | $6,045 | * | $294,808 |

** Not disclosed due to confidentiality concerns*

# Capital Gain Exclusion from Sale of Mobile Home Park: 15-31-163, MCA

**Legislation: HB 636, 2009 Session**

A taxpayer who was the owner of a mobile home park may be able to deduct a portion of their capital gains if the park was sold to a tenant's association, a 501(c)(3) organization, or a county or municipal housing authority.

The table below contains the income exempted from Montana income tax for Tax Years 2018 through 2023.

**Table 9.15 Capital Gains Exclusion From Sale of Mobile Home Park**

| | Residents | | Nonresidents | | Part-Year Residents | | Total | |
|---|---|---|---|---|---|---|---|---|
| TY | N | $ | N | $ | N | $ | N | $ |
| 2015 | 0 | $0 | 0 | $0 | 0 | $0 | 0 | $0 |
| 2016 | 0 | $0 | 0 | $0 | 0 | $0 | 0 | $0 |
| 2017 | 0 | $0 | 0 | $0 | 0 | $0 | 0 | $0 |
| 2018 | 0 | $0 | 0 | $0 | 0 | $0 | 0 | $0 |
| 2019 | * | $1,506,856 | 0 | $0 | 0 | $0 | * | $1,506,856 |
| 2020 | 0 | $0 | 0 | $0 | 0 | $0 | 0 | $0 |
| 2021 | 0 | $0 | 0 | $0 | 0 | $0 | 0 | $0 |
| 2022 | * | $787,338 | 0 | $0 | 0 | $0 | * | $787,338 |
| 2023 | * | $3 | * | $807,246 | 0 | $0 | * | $807,249 |

** Not disclosed due to confidentiality concerns*

# Disability Retirement Income: 15-30-2110(10), MCA

## Legislation: SB 464, 1985 Session

Taxpayers who were under the age of 65 and permanently disabled could exclude up to $5,200 of disability retirement income. The amount taxpayers could exclude was reduced by any amount by which their pre-exclusion adjusted gross income exceeded $15,000. This exclusion increased the after-tax income of permanently disabled taxpayers with low incomes.

This exemption expired at the end of tax year 2023.

The following table shows disability income excluded since Tax Year 2015.

**Table 9.16 Exempt Disability Retirement Income**

| | Residents | | Nonresidents | | Part-Year Residents | | Total | |
|---|---|---|---|---|---|---|---|---|
| TY | N | $ | N | $ | N | $ | N | $ |
| 2015 | 31 | $137,022 | 0 | $0 | * | $5,200 | * | $142,222 |
| 2016 | 36 | $171,297 | * | $5,200 | * | $5,063 | * | $181,560 |
| 2017 | 37 | $170,951 | 0 | $0 | * | $5,200 | * | $176,151 |
| 2018 | 38 | $161,933 | * | $4,800 | 0 | $0 | * | $166,733 |
| 2019 | 28 | $115,731 | * | $8,480 | * | $19,900 | * | $144,111 |
| 2020 | 28 | $118,893 | 0 | $0 | 0 | $0 | 28 | $118,893 |
| 2021 | 18 | $79,046 | * | $7,102 | * | $5,200 | * | $91,348 |
| 2022 | 18 | $92,658 | 0 | $0 | * | $3 | * | $92,661 |
| 2023 | 14 | $61,548 | 0 | $0 | * | $10,400 | * | $71,948 |

** Not disclosed due to confidentiality concerns*

# Exempt Tribal Income: Federal Provision

**Legislation: N/A**

Indian tribes are sovereign governments, and state taxation of tribes and their members is governed by federal law and treaties. The right to tax the income earned on the reservation by a member who lives on the tribe's reservation is limited to the tribal government. The state may tax income earned by non-members on a reservation and income earned by a tribal member off the reservation. This is similar to the general rule for taxation across national borders–a country may tax income earned by its citizens anywhere and may tax income earned by non-citizens in the country, but it may not tax income earned by citizens of another country in another country. Therefore, it is not clear whether the exemption for tribal income should be considered a tax expenditure.

The following table shows exempt tribal income reported on Montana returns since Tax Year 2015.

**Table 9.17 Exempt Tribal Income**

| | Residents | | Nonresidents | | Part-Year Residents | | Total | |
|---|---|---|---|---|---|---|---|---|
| TY | N | $ | N | $ | N | $ | N | $ |
| 2015 | 6,172 | $204,787,286 | 17 | $349,962 | 41 | $1,281,013 | 6,230 | $206,418,261 |
| 2016 | 6,255 | $216,137,415 | 21 | $544,256 | 32 | $1,266,686 | 6,308 | $217,948,357 |
| 2017 | 6,152 | $254,049,703 | 24 | $558,530 | 64 | $1,259,708 | 6,240 | $255,867,941 |
| 2018 | 6,012 | $238,297,833 | 14 | $571,165 | 36 | $870,434 | 6,062 | $239,739,432 |
| 2019 | 5,848 | $230,915,588 | 29 | $753,965 | 52 | $1,039,519 | 5,929 | $232,709,072 |
| 2020 | 5,606 | $436,859,218 | 17 | $678,936 | 34 | $910,027 | 5,657 | $438,448,181 |
| 2021 | 5,415 | $224,169,249 | 18 | $522,414 | 34 | $1,088,133 | 5,467 | $225,779,796 |
| 2022 | 5,496 | $255,683,004 | 15 | $501,192 | 37 | $1,454,952 | 5,548 | $257,639,148 |
| 2023 | 5,506 | $405,640,646 | 11 | $341,054 | 25 | $1,024,547 | 5,543 | $412,549,738 |

** Not disclosed due to confidentiality concerns*

# Expenses Incurred by Medical Marijuana Providers: 15-30-2131, MCA

## Legislation: SB 333, 2017 Session

Under federal law, Medical Marijuana providers may not deduct business expenses directly related to the production and sale of marijuana beyond those directly related to the cost of manufacturing the product. Medical Marijuana providers that are registered with the state of Montana can exempt any ordinary and necessary business expenses that are disallowed under Internal Revenue Code Section 280E.

The table below has exempt income reported on Montana income tax returns for Tax Years 2018 through 2023.

**Table 9.18 Expenses Incurred by Medical Marijuana Providers**

| | Residents | | Nonresidents | | Part-Year Residents | | Total | |
|---|---|---|---|---|---|---|---|---|
| TY | N | $ | N | $ | N | $ | N | $ |
| 2015 | 0 | $0 | 0 | $0 | 0 | $0 | 0 | $0 |
| 2016 | 0 | $0 | 0 | $0 | 0 | $0 | 0 | $0 |
| 2017 | 0 | $0 | 0 | $0 | 0 | $0 | 0 | $0 |
| 2018 | 56 | $982,343 | * | $23 | * | $1,000 | * | $983,366 |
| 2019 | 60 | $4,306,185 | * | $12,514 | * | $100 | * | $4,318,799 |
| 2020 | 65 | $4,344,305 | 0 | $0 | 0 | $0 | 65 | $4,344,305 |
| 2021 | 71 | $5,757,939 | 0 | $0 | * | $14,982 | * | $5,772,921 |
| 2022 | 66 | $7,920,136 | 0 | $0 | 0 | $0 | 66 | $7,920,136 |
| 2023 | 74 | $6,671,294 | 0 | $0 | 0 | $0 | 74 | $6,671,294 |

** Not disclosed due to confidentiality concerns*

# Family Education Savings Accounts: 15-62-101, MCA through 15-62-302, MCA

**Legislation: HB 536, 1997 Session**

Section 529 of the Internal Revenue Code allows states to set up higher education savings programs. These programs allow taxpayers to set up an account for a designated beneficiary, usually a child or grandchild. States may give special tax treatment to deposits to a qualifying account; withdrawals to pay the beneficiary's education expenses are not included in Federal Adjusted Gross Income, which means that account earnings are tax free.

Montana taxpayers may exclude up to $3,000 of contributions to one or more Family Education Savings Accounts from adjusted gross income each year. Any withdrawals that are not used for higher education expenses are taxed at the highest income tax rate. The 2013 Legislature (SB 117) expanded the deduction to include deposits to other states' college savings plans. The 2021 Legislature also expanded the types of expenditures from the accounts that qualify as tax free spending to those covered in 26 U.S. Code 529. The new tax-free expenses include K-12 tuition, certain expenses for registered apprenticeships, and the repayment of student loans.

This program encourages families to save for their children's education by lowering the cost of saving any given amount. The tax expenditure from the federal exclusion of account earnings is included in the estimate of passive tax expenditures. The state exclusion of deposits to an education savings account creates an additional tax expenditure.

The following table shows deposits to Montana Family Educations Savings Accounts since Tax Year 2015.

**Table 9.19 Family Education Savings Account Deposits**

| | Residents | | Nonresidents | | Part-Year Residents | | Total | |
|---|---|---|---|---|---|---|---|---|
| TY | N | $ | N | $ | N | $ | N | $ |
| 2015 | 3,311 | $10,525,352 | 110 | $405,000 | 63 | $181,822 | 3,484 | $11,112,174 |
| 2016 | 3,473 | $11,083,019 | 112 | $424,186 | 56 | $188,042 | 3,641 | $11,695,247 |
| 2017 | 3,807 | $12,361,878 | 142 | $539,923 | 68 | $194,936 | 4,017 | $13,096,737 |
| 2018 | 4,167 | $13,454,571 | 157 | $587,391 | 60 | $178,158 | 4,384 | $14,220,120 |
| 2019 | 4,596 | $15,038,959 | 178 | $678,180 | 80 | $218,240 | 4,854 | $15,935,379 |
| 2020 | 4,673 | $15,524,119 | 186 | $681,445 | 96 | $310,602 | 4,955 | $16,516,166 |
| 2021 | 5,494 | $18,807,708 | 218 | $880,870 | 120 | $425,702 | 5,832 | $20,114,280 |
| 2022 | 5,609 | $18,997,754 | 239 | $903,139 | 108 | $365,228 | 5,956 | $20,266,121 |
| 2023 | 5,675 | $19,202,170 | 217 | $835,776 | 104 | $327,751 | 5,996 | $20,365,697 |

** Not disclosed due to confidentiality concerns*

# Farm and Ranch Risk Management Accounts: 15-30-3001, MCA through 15-30-3005, MCA

## Legislation: SB 245, 2001 Session

The 2001 Legislature created Farm and Ranch Risk Management Accounts as a tool for family farms to deal with uneven and uncertain income. An individual or family farm corporation could set up an account and deposit up to 20 percent of their net income from agriculture each year, with a limit of $20,000. The 2021 Legislature eliminated this program starting tax year 2024, so that no new funds could be deposited into an account and no new accounts could be created.

Deposits to a risk management account before tax year 2024 are excluded from adjusted gross income. Funds deposited in an account must be withdrawn within five years. Income and withdrawals from the account are taxable.

Federal law allows farmers to average income over three years for income tax purposes. The additional tax smoothing allowed by Montana Farm and Ranch Risk Management Accounts has seen very little use. No deposits were made in Tax Years 2019 through 2023. The tables below show exempt deposits and taxable withdrawals since Tax Year 2015.

**Table 9.20 Family Farm and Ranch Risk Management Accounts**

| | Residents | | Nonresidents | | Part-Year Residents | | Total | |
|---|---|---|---|---|---|---|---|---|
| TY | N | $ | N | $ | N | $ | N | $ |
| 2015 | 0 | $0 | 0 | $0 | 0 | $0 | 0 | $0 |
| 2016 | * | $1,941 | 0 | $0 | 0 | $0 | * | $1,941 |
| 2017 | * | $1,056 | 0 | $0 | 0 | $0 | * | $1,056 |
| 2018 | * | $1,154 | 0 | $0 | 0 | $0 | * | $1,154 |
| 2019 | 0 | $0 | 0 | $0 | 0 | $0 | 0 | $0 |
| 2020 | 0 | $0 | 0 | $0 | 0 | $0 | 0 | $0 |
| 2021 | 0 | $0 | 0 | $0 | 0 | $0 | 0 | $0 |
| 2022 | * | $803 | 0 | $0 | 0 | $0 | * | $803 |
| 2023 | * | $1,000 | 0 | $0 | 0 | $0 | * | $1,000 |

** Not disclosed due to confidentiality concerns*

**Table 9.21 Farm and Ranch Risk Management Account Taxable Distributions**

| | Residents | | Nonresidents | | Part-Year Residents | | Total | |
|---|---|---|---|---|---|---|---|---|
| TY | N | $ | N | $ | N | $ | N | $ |
| 2015 | * | $993 | * | $132 | 0 | $0 | * | $1,125 |
| 2016 | * | $3,500 | * | $1,457 | 0 | $0 | * | $4,957 |
| 2017 | 0 | $0 | * | $14,480 | 0 | $0 | * | $14,480 |
| 2018 | * | $3,443 | * | $2,403 | 0 | $0 | * | $5,846 |
| 2019 | * | $6,293 | * | $1,992 | 0 | $0 | * | $8,285 |
| 2020 | * | $2,394 | * | $7,712 | * | $1,010 | * | $11,116 |
| 2021 | * | $46,804 | * | $5,460 | 0 | $0 | * | $52,264 |
| 2022 | * | $4,629 | * | $9 | 0 | $0 | * | $4,638 |
| 2023 | * | $801 | * | $1 | 0 | $0 | * | $802 |

** Not disclosed due to confidentiality concerns*

# First-Time Home Buyer Accounts: 15-63-101, MCA through 15-63-205, MCA

## Legislation: HB 599, 1997 Session

Through Tax Year 2023, Montana law allowed residents who have never owned a home to establish a First-Time Home Buyer Account. Deposits of up to $3,000 per year ($6,000 for a married couple filing a joint return) and account earnings were exempt from taxation. Funds in the account must be used for the down payment and closing costs on a single-family house within 10 years after the account is established. If funds are withdrawn for another use or are not used within 10 years, they must be reported as taxable income. This program attempted to encouraged home ownership by reducing the cost of saving for a down payment.

The 2021 Legislature (SB 399) eliminated the income exemption for deposits made into the home buyer accounts after December 31, 2023.

The following tables show exempt deposits and earnings and taxable withdrawals.

### Table 9.22 First-Time Home Buyer Account Deposits

| | Residents | | Nonresidents | | Part-Year Residents | | Total | |
|---|---|---|---|---|---|---|---|---|
| TY | N | $ | N | $ | N | $ | N | $ |
| 2015 | 214 | $678,938 | * | $1,820 | 10 | $33,480 | * | $714,238 |
| 2016 | 215 | $706,088 | * | $6,000 | * | $18,000 | * | $730,088 |
| 2017 | 217 | $691,899 | * | $8,800 | * | $6,003 | * | $706,702 |
| 2018 | 226 | $731,601 | 0 | $0 | * | $12,001 | * | $743,602 |
| 2019 | 241 | $753,212 | 0 | $0 | * | $23,004 | * | $776,216 |
| 2020 | 262 | $1,000,174 | * | $1,200 | 12 | $45,200 | * | $1,046,574 |
| 2021 | 251 | $962,219 | * | $2,000 | * | $40,711 | * | $1,004,930 |
| 2022 | 221 | $972,820 | * | $3,000 | * | $21,000 | * | $996,820 |
| 2023 | 186 | $674,039 | 0 | $0 | * | $21,382 | * | $695,421 |

** Not disclosed due to confidentiality concerns*

### Table 9.23 First-Time Home Buyer Account Nonqualified Withdrawals

| | Residents | | Nonresidents | | Part-Year Residents | | Total | |
|---|---|---|---|---|---|---|---|---|
| TY | N | $ | N | $ | N | $ | N | $ |
| 2015 | 11 | $29,261 | 0 | $0 | 0 | $0 | 11 | $29,261 |
| 2016 | 13 | $27,839 | 0 | $0 | 0 | $0 | 13 | $27,839 |
| 2017 | * | $11,317 | * | $250 | 0 | $0 | * | $11,567 |
| 2018 | * | $31,301 | 0 | $0 | 0 | $0 | * | $31,301 |
| 2019 | 15 | $17,465 | 0 | $0 | * | $5,000 | * | $22,465 |
| 2020 | 14 | $90,090 | 0 | $0 | * | $780 | * | $90,870 |
| 2021 | 24 | $70,200 | 0 | $0 | * | $4,460 | * | $74,660 |
| 2022 | 16 | $51,430 | * | $78 | 0 | $0 | * | $51,508 |
| 2023 | 12 | $45,637 | 0 | $0 | * | $12,042 | * | $57,679 |

** Not disclosed due to confidentiality concerns*

# Health Benefits Limited to Highly Compensated Employees: 15-30-2110(2)(h), MCA

## Legislation: SB 72, 1985 Session

Federal law treats employer-paid premiums for group health insurance and reimbursement of medical costs by an employer's self-insurance program as a nontaxable fringe benefit if the same benefits are available to all employees. This creates a passive tax expenditure, and the cost to the state is included in the estimate of passive tax expenditures.

When an employer's health plan provides more benefits to a select group of highly compensated employees, such as company executives, major stockholders, or the highest-paid employees, federal law requires these employees to count the difference between their benefits and the benefits available to all employees as taxable compensation. Montana law allowed these select employees to count their extra health insurance benefits as non-taxable fringe benefits.

The 2021 Legislature ended this exemption starting tax year 2024.

The purpose of the federal exclusion is to encourage employers to provide group health insurance by providing preferential treatment for group health plans that cover all employees. The additional state exclusion undermined this purpose by providing the same state tax treatment to plans that cover only select employees.

The following table shows federally taxable health insurance premiums excluded from Montana Adjusted Gross Income since Tax Year 2015.

**Table 9.24 Employer-Provided Health Insurance Not Available To All Employees**

| | Residents | | Nonresidents | | Part-Year Residents | | Total | |
|---|---|---|---|---|---|---|---|---|
| TY | N | $ | N | $ | N | $ | N | $ |
| 2015 | 103 | $439,835 | 10 | $49,135 | * | $5,000 | * | $493,970 |
| 2016 | 130 | $563,180 | * | $15,031 | * | $16,620 | * | $594,831 |
| 2017 | 155 | $646,073 | * | $7,880 | * | $29,886 | * | $683,839 |
| 2018 | 141 | $743,590 | * | $88,760 | * | $13,417 | * | $845,767 |
| 2019 | 124 | $550,391 | * | $24,881 | * | $19,122 | * | $594,394 |
| 2020 | 138 | $694,294 | * | $28,042 | * | $4,048 | * | $726,384 |
| 2021 | 115 | $568,229 | * | $1,446 | * | $10,201 | * | $579,876 |
| 2022 | 91 | $501,614 | * | $46,794 | * | $20,087 | * | $568,495 |
| 2023 | 105 | $670,584 | * | $31,462 | * | $5,645 | * | $707,691 |

** Not disclosed due to confidentiality concerns*

# Interest on Federal Government Bonds: Federal Provision and 15-30-2110(2)(a), MCA

**Legislation: N/A**

Federal law and court decisions prohibit states from taxing interest on federal government bonds. Montana law exempts interest on federal bonds from taxation. The following table shows exempt federal interest since Tax Year 2015.

**Table 9.25 Interest on Federal Government Bonds**

| | Residents | | Nonresidents | | Part-Year Residents | | Total | |
|---|---|---|---|---|---|---|---|---|
| TY | N | $ | N | $ | N | $ | N | $ |
| 2015 | 14,678 | $20,245,070 | 2,872 | $52,382,952 | 420 | $560,967 | 17,970 | $73,188,989 |
| 2016 | 15,995 | $23,737,395 | 3,084 | $75,315,859 | 414 | $593,914 | 19,493 | $99,647,168 |
| 2017 | 17,472 | $25,990,828 | 3,436 | $285,464,468 | 443 | $873,541 | 21,351 | $312,328,837 |
| 2018 | 19,323 | $31,134,949 | 3,617 | $275,323,996 | 534 | $898,469 | 23,474 | $307,357,414 |
| 2019 | 21,943 | $47,045,746 | 4,687 | $546,813,819 | 625 | $1,185,510 | 27,255 | $595,045,075 |
| 2020 | 20,179 | $32,425,710 | 4,208 | $192,177,430 | 573 | $2,010,844 | 24,960 | $226,613,984 |
| 2021 | 19,036 | $27,050,136 | 3,754 | $35,084,940 | 556 | $985,377 | 23,346 | $63,120,453 |
| 2022 | 23,585 | $47,207,761 | 5,496 | $201,693,547 | 631 | $1,460,328 | 29,712 | $250,361,636 |
| 2023 | 30,356 | $139,105,688 | 7,859 | $1,211,751,590 | 821 | $5,879,142 | 39,036 | $1,356,736,420 |

# Military Salary: 15-30-2117(2), MCA Legislation: HB 152, 1979

**Session: SB 378, 2015 Session**

Montana exempts the military salary of residents who are on active duty in the armed forces. This includes members of the Montana National Guard who are serving in a homeland defense activity or contingency operation.

The following table shows the amount of income subject to this exemption since Tax Year 2015.

**Table 9.26 Active Duty Military Salary**

| | Residents | | Nonresidents | | Part-Year Residents | | Total | |
|---|---|---|---|---|---|---|---|---|
| TY | N | $ | N | $ | N | $ | N | $ |
| 2015 | 4,537 | $170,649,803 | 85 | $3,798,088 | 156 | $5,378,956 | 4,778 | $179,826,847 |
| 2016 | 4,541 | $174,056,632 | 74 | $2,861,817 | 156 | $5,030,357 | 4,771 | $181,948,806 |
| 2017 | 4,650 | $180,870,093 | 91 | $4,077,258 | 194 | $6,160,503 | 4,935 | $191,107,854 |
| 2018 | 4,812 | $198,113,363 | 954 | $46,738,719 | 403 | $12,103,039 | 6,169 | $256,955,121 |
| 2019 | 5,167 | $214,409,324 | 1,013 | $50,183,267 | 419 | $13,804,500 | 6,599 | $278,397,091 |
| 2020 | 4,848 | $212,067,156 | 857 | $44,002,418 | 320 | $10,463,016 | 6,025 | $266,532,590 |
| 2021 | 4,955 | $223,462,683 | 875 | $44,361,887 | 432 | $15,226,554 | 6,262 | $283,051,124 |
| 2022 | 4,908 | $231,079,130 | 1,021 | $57,426,192 | 417 | $16,622,634 | 6,346 | $305,127,956 |
| 2023 | 4,706 | $238,092,021 | 969 | $53,418,748 | 371 | $14,390,316 | 6,046 | $305,901,085 |

# Montana Medical Care Savings Accounts: 15-61-101, MCA to 15-61-205, MCA

## Legislation: HB 560, 1995 Session

Federal law has created two mechanisms, the Archer Medical Savings Account and the Health Savings Account, for taxpayers or their employers to set aside pretax funds to pay medical expenses. Deposits to these accounts and distributions from these accounts to pay medical expenses are excluded from Federal Adjusted Gross Income. This means that they also are excluded from Montana Adjusted Gross Income. The tax expenditure from this federal exclusion is in the section on federal adjustments to income.

In Tax Year 1997, the legislature created a similar state program. The main difference is that the federal programs are limited to taxpayers whose only health insurance is a high-deductible policy, while the state program does not have this limitation. The 2023 Legislature (SB 550) also expanded the types of qualified medical expenditures to include any direct fee associated with a direct patient care agreement as well as any expenses paid by a member to a qualified health care sharing ministry. The purpose of these accounts appears to be to encourage taxpayers to set aside funds ahead of time to cover medical costs that will not be covered by insurance.

Before Tax Year 2023, taxpayers could exclude up to $4,500 of their contributions to an account during a year and any withdrawals from an account that are used to pay medical expenses. Starting in Tax Year 2024, the exclusion from taxable income increased to $4,500 and is set to be adjusted each year for inflation. This exclusion means that earnings kept in the account are also not taxed.

Funds may be withdrawn for other purposes, but then the amount withdrawn is treated as income.

The following tables show exempt medical savings account deposits and earnings and taxable withdrawals.

**Table 9.27 Montana Medical Care Savings Accounts**

| | Residents | | Nonresidents | | Part-Year Residents | | Total | |
|---|---|---|---|---|---|---|---|---|
| TY | N | $ | N | $ | N | $ | N | $ |
| 2015 | 6,233 | $19,574,075 | 0 | $0 | 98 | $138,910 | 6,331 | $19,712,985 |
| 2016 | 6,036 | $19,419,283 | 0 | $0 | 99 | $158,784 | 6,135 | $19,578,067 |
| 2017 | 6,101 | $19,759,187 | 0 | $0 | 100 | $144,077 | 6,201 | $19,903,264 |
| 2018 | 5,110 | $19,589,251 | 0 | $0 | 35 | $47,828 | 5,145 | $19,637,079 |
| 2019 | 5,354 | $22,651,337 | 0 | $0 | 37 | $98,099 | 5,391 | $22,749,436 |
| 2020 | 5,185 | $22,743,005 | 0 | $0 | 49 | $133,358 | 5,234 | $22,876,363 |
| 2021 | 5,175 | $23,986,330 | 0 | $0 | 51 | $165,303 | 5,226 | $24,151,633 |
| 2022 | 5,106 | $24,217,502 | 0 | $0 | 43 | $103,336 | 5,149 | $24,320,838 |
| 2023 | 5,120 | $25,393,441 | 0 | $0 | 36 | $199,170 | 5,156 | $25,592,611 |

**Table 9.28 Medical Savings Account Nonqualified Withdrawals**

| TY | Residents | | Nonresidents | | Part-Year Residents | | Total | |
|---|---|---|---|---|---|---|---|---|
| | N | $ | N | $ | N | $ | N | $ |
| 2015 | 71 | $135,323 | 0 | $0 | * | $40,937 | * | $176,260 |
| 2016 | 50 | $93,482 | * | $8,622 | 0 | $0 | * | $102,104 |
| 2017 | 63 | $122,519 | * | $1,000 | * | $9,303 | * | $132,822 |
| 2018 | 156 | $348,943 | 0 | $0 | * | $137,248 | * | $486,191 |
| 2019 | 198 | $426,060 | 0 | $0 | * | $19,223 | * | $445,283 |
| 2020 | 210 | $520,415 | 0 | $0 | * | $12,141 | * | $532,556 |
| 2021 | 182 | $476,861 | 0 | $0 | * | $3,088 | * | $479,949 |
| 2022 | 217 | $869,951 | 0 | $0 | * | $104,173 | * | $974,124 |
| 2023 | 199 | $689,284 | 0 | $0 | * | $28,959 | * | $718,243 |

** Not disclosed due to confidentiality concerns*

# National Guard Life Insurance Premiums: 15-30-2117(3)

## Legislation: HB 761, 2005 Session

Before Tax Year 2024, the state would reimburse members of the National Guard or Reserve who were on active duty for premiums they pay for military group life insurance. This reimbursement was treated as income for federal income tax, but the state exempted it from taxation. This exemption increased the after-tax income of Guard and Reserve members, increasing the financial incentive to join or remain in the Guard or Reserves. It also provided an incentive for Guard and Reserve members to purchase military group life insurance.

The National Guard life insurance reimbursements, and the corresponding state income tax exemption for the reimbursements, was eliminated by the 2023 Legislature (HB 89). The reimbursements are no longer available starting Tax Year 2024.

The following table shows exempt Guard and Reserve life insurance premium reimbursements since Tax Year 2015.

**Table 9.29 National Guard Life Insurance Premiums**

| TY | Residents | | Nonresidents | | Part-Year Residents | | Total | |
|---|---|---|---|---|---|---|---|---|
| | N | $ | N | $ | N | $ | N | $ |
| 2015 | 20 | $10,766 | 0 | $0 | 0 | $0 | 20 | $10,766 |
| 2016 | 25 | $15,633 | 0 | $0 | * | $170 | * | $15,803 |
| 2017 | 28 | $28,304 | 0 | $0 | * | $778 | * | $29,082 |
| 2018 | 14 | $17,792 | * | $408 | 0 | $0 | * | $18,200 |
| 2019 | 21 | $34,481 | * | $19,059 | 0 | $0 | * | $53,540 |
| 2020 | 26 | $194,456 | 0 | $0 | * | $714 | * | $195,170 |
| 2021 | * | $4,822 | 0 | $0 | 0 | $0 | * | $4,822 |
| 2022 | 26 | $29,357 | 0 | $0 | * | $4,182 | * | $33,539 |
| 2023 | 13 | $110,053 | 0 | $0 | * | $22,848 | * | $132,901 |

** Not disclosed due to confidentiality concerns*

# Partial Interest Exclusion for Elderly Taxpayers: 15-30-2110(2)(b), MCA

**Legislation: HB 18, 1981 Session**

Through Tax Year 2023, taxpayers who were at least 65 years old could exclude up to $800 of interest income from their Montana taxable income. This exemption was eliminated starting Tax Year 2024 by the 2021 Legislature.

The following table shows interest income excluded since Tax Year 2015. This exemption provided a limited incentive for retirees to hold interest-paying assets, such as corporate bonds, rather than assets that pay other types of income. The primary effect of the exemption was to reduce tax paid by older taxpayers. However, it also provided a limited incentive for retirees to locate in Montana rather than in a state without a similar exemption.

**Table 9.30 Partial Interest Exclusion for Elderly Taxpayers**

| | Residents | | Nonresidents | | Part-Year Residents | | Total | |
|---|---|---|---|---|---|---|---|---|
| TY | N | $ | N | $ | N | $ | N | $ |
| 2015 | 64,139 | $30,087,414 | 10,135 | $7,973,410 | 1,172 | $550,550 | 75,446 | $38,611,374 |
| 2016 | 65,312 | $30,687,228 | 10,475 | $8,296,402 | 1,277 | $575,776 | 77,064 | $39,559,406 |
| 2017 | 69,725 | $33,284,834 | 11,098 | $8,805,973 | 1,458 | $664,040 | 82,281 | $42,754,847 |
| 2018 | 72,006 | $36,035,566 | 10,677 | $8,611,233 | 1,525 | $735,052 | 84,208 | $45,381,851 |
| 2019 | 76,703 | $41,744,457 | 11,944 | $10,333,249 | 1,632 | $883,476 | 90,279 | $52,961,182 |
| 2020 | 74,882 | $38,240,518 | 11,645 | $9,718,363 | 1,650 | $806,405 | 88,177 | $48,765,286 |
| 2021 | 73,706 | $32,290,033 | 11,978 | $9,169,320 | 1,986 | $835,453 | 87,670 | $42,294,806 |
| 2022 | 80,549 | $37,966,773 | 12,781 | $10,401,002 | 1,815 | $907,844 | 95,145 | $49,275,619 |
| 2023 | 89,479 | $56,323,782 | 13,313 | $12,797,872 | 1,763 | $1,219,945 | 104,555 | $70,341,599 |

** Not disclosed due to confidentiality concerns*

# Partial Pension Exemption: 15-30-2110(2)(c), MCA

## Legislation: HB 232, 1963 Session / SB 226, 1991 Session

Before Tax Year 2024, taxpayers with Federal Adjusted Gross Income below a threshold could have part of their pension income exempted from taxation. For taxpayers with higher incomes, the exemption amount was reduced by $2 for each $1 that the Federal Adjusted Gross Income exceeds the threshold. Both the threshold and the amount exempted were adjusted for inflation each year. For Tax Year 2023, the amount exempted was $5,060 and the threshold was $42,140. Taxpayers with Federal Adjusted Gross Income between $42,140 and $44,670 were eligible for an exemption of less than $5,060, and taxpayers with incomes over $44,670 were not eligible for the exemption. This exemption ended at the end of Tax Year 2023.

This exemption provided a limited incentive to participate in a retirement system and to keep funds in a retirement plan rather than withdrawing them. It also provided a limited incentive for retirees to locate in Montana rather than in a state without a similar exemption. However, this does not appear to have been the legislative purpose. Montana was one of 23 states that originally exempted state employee pensions from the state income tax. This allowed the state to make smaller pension contributions and resulted in some administrative savings.

In addition, the legislature exempted the first $3,600 of income from federal government pensions. In Tax Year 1989, a group of federal government and military retirees sued states that exempted state pensions, including Montana, arguing that states must give them the same exemption. The states lost, with the U.S. Supreme Court ruling that states may tax different types of income differently but may not tax the same type of income differently depending on who paid it. As a result, the states that had exempted state employee pensions changed their laws in a variety of ways. The Montana Legislature eliminated the exemption for state employee pensions but extended the $3,600 partial exemption to all pension income.

The following table shows pension income excluded from taxation since 2015.

**Table 9.31 Partial Pension Exemption**

| | Residents | | Nonresidents | | Part-Year Residents | | Total | |
|---|---|---|---|---|---|---|---|---|
| TY | N | $ | N | $ | N | $ | N | $ |
| 2015 | 44,197 | $164,186,433 | 1,852 | $6,551,278 | 855 | $2,833,101 | 46,904 | $173,570,812 |
| 2016 | 45,229 | $173,070,990 | 1,985 | $7,357,688 | 978 | $3,361,132 | 48,192 | $183,789,810 |
| 2017 | 44,862 | $173,734,004 | 1,914 | $7,179,943 | 945 | $3,314,448 | 47,721 | $184,228,395 |
| 2018 | 44,573 | $174,904,162 | 1,682 | $6,242,999 | 942 | $3,290,626 | 47,197 | $184,437,787 |
| 2019 | 45,396 | $182,365,023 | 1,348 | $5,198,618 | 818 | $3,091,122 | 47,562 | $190,654,763 |
| 2020 | 46,106 | $185,146,420 | 1,482 | $5,619,338 | 1,045 | $3,595,034 | 48,633 | $194,360,792 |
| 2021 | 44,793 | $184,243,909 | 1,339 | $5,357,069 | 928 | $3,553,632 | 47,060 | $193,154,610 |
| 2022 | 46,985 | $205,312,143 | 1,426 | $6,306,465 | 877 | $3,563,735 | 49,288 | $215,182,343 |
| 2023 | 48,419 | $228,981,362 | 1,503 | $6,773,408 | 730 | $3,211,583 | 50,652 | $238,966,353 |

# Sales of Land to Beginning Farmers: 80-12-211, MCA

**Legislation: SB 316, 1983 Session**

Before Tax Year 2024, Montana allowed taxpayers to exclude up to $50,000 of income from the sale of at least 80 acres to a beginning farmer. To be eligible, a taxpayer's land sale must have been approved by the Montana Department of Agriculture. The deduction provides an incentive for retiring farmers to sell land to someone who will keep it in agriculture rather than convert it to another use.

The following table shows income excluded since Tax Year 2015. Fewer than 10 taxpayers have used the exclusion every year.

**Table 9.32 Sales of Land to Beginning Farmers**

| | Residents | | Nonresidents | | Part-Year Residents | | Total | |
|---|---|---|---|---|---|---|---|---|
| TY | N | $ | N | $ | N | $ | N | $ |
| 2015 | * | $7,918 | 0 | $0 | 0 | $0 | * | $7,918 |
| 2016 | * | $27,569 | 0 | $0 | 0 | $0 | * | $27,569 |
| 2017 | * | $4,377 | 0 | $0 | 0 | $0 | * | $4,377 |
| 2018 | * | $3,955 | 0 | $0 | 0 | $0 | * | $3,955 |
| 2019 | * | $33,234 | 0 | $0 | * | $1 | * | $33,235 |
| 2020 | 0 | $0 | 0 | $0 | 0 | $0 | 0 | $0 |
| 2021 | * | $77,990 | 0 | $0 | 0 | $0 | * | $77,990 |
| 2022 | * | $14 | 0 | $0 | 0 | $0 | * | $14 |
| 2023 | * | $1 | 0 | $0 | 0 | $0 | * | $1 |

** Not disclosed due to confidentiality concerns*

# Small Business Investment Company Dividends: 15-33-106, MCA

**Legislation: HB 834, 1981 Session**

The federal Small Business Investment Act of 1958 created a category of venture capital firms called small business investment companies. Montana law allows taxpayers to exempt capital gains or dividends from a Montana small business investment company. This provides an incentive to invest in these companies rather than in other businesses.

The following table shows income exempted under this provision since Tax Year 2015.

**Table 9.33 Capital Gains from Small Business Investment Companies**

| TY | Residents | | Nonresidents | | Part-Year Residents | | Total | |
|---|---|---|---|---|---|---|---|---|
| | N | $ | N | $ | N | $ | N | $ |
| 2015 | 13 | $48,730 | * | $57,758 | * | $69,535 | * | $176,023 |
| 2016 | 13 | $24,738 | * | $29,921 | 0 | $0 | * | $54,659 |
| 2017 | * | $1,449,364 | * | $245,044 | 0 | $0 | * | $1,694,408 |
| 2018 | 16 | $79,928 | * | $138,707 | * | $56,087 | * | $274,722 |
| 2019 | 23 | $10,486 | * | $297,119 | * | $723,789 | * | $1,031,394 |
| 2020 | 22 | $1,335,337 | * | $192,584 | * | $145,792 | * | $1,673,713 |
| 2021 | 19 | $529,940 | * | $254,165 | 0 | $0 | * | $784,105 |
| 2022 | 23 | $222,230 | * | $105,912 | * | $86,380 | * | $414,522 |
| 2023 | 20 | $35,540 | 0 | $0 | * | $2,943 | * | $38,483 |

** Not disclosed due to confidentiality concerns*

# Loan Repayment Through Quality Educator Loan Assistance Program: 15-30-2110(14), MCA

**Legislation: HB 211, 2019 Session**

Starting Tax Year 2020, taxpayers who received loan repayment assistance during the tax year from the Quality Educator Loan Assistance Program could exclude the assistance amount from their adjusted gross income. The exclusion was limited to a maximum of $5,000 for the tax year. The 2021 Legislature eliminated this exemption starting Tax Year 2024.

The table below shows the cost of this exclusion for Tax Years 2020 through 2023.

**Table 9.34 Educator Student Loan Repayment included in Federal AGI**

| TY | Residents | | Nonresidents | | Part-Year Residents | | Total | |
|---|---|---|---|---|---|---|---|---|
| | N | $ | N | $ | N | $ | N | $ |
| 2015 | 0 | $0 | 0 | $0 | 0 | $0 | 0 | $0 |
| 2016 | 0 | $0 | 0 | $0 | 0 | $0 | 0 | $0 |
| 2017 | 0 | $0 | 0 | $0 | 0 | $0 | 0 | $0 |
| 2018 | 0 | $0 | 0 | $0 | 0 | $0 | 0 | $0 |
| 2019 | 0 | $0 | 0 | $0 | 0 | $0 | 0 | $0 |
| 2020 | 83 | $190,483 | 0 | $0 | * | $15,050 | * | $205,533 |
| 2021 | 71 | $5,757,939 | 0 | $0 | * | $14,982 | * | $5,772,921 |
| 2022 | 66 | $7,920,136 | 0 | $0 | 0 | $0 | 66 | $7,920,136 |
| 2023 | 74 | $6,671,294 | 0 | $0 | 0 | $0 | 74 | $6,671,294 |

** Not disclosed due to confidentiality concerns*

# Third-Party Repayment of Health Care Professional's Student Loans: 15-30-2110(12), MCA

**Legislation: SB 408, 2003 Session**

There are several private, federal, and state programs intended to encourage health care professionals to locate in under-served areas by making student loan payments for those who do. Federal law excludes repayments made by certain federal and state programs from taxable income. Montana law excluded qualifying repayments from all programs, including programs provided by private health-care facilities for their employees.

The state cost of the federal exclusion is part of the estimate of passive tax expenditures. The additional state exclusions were eliminated starting Tax Year 2024.

The following table shows the cost of the additional state exclusion since Tax Year 2015.

**Table 9.35 Health Care Professional Student Loan Repayment Included in Fed. AGI**

| | Residents | | Nonresidents | | Part-Year Residents | | Total | |
|---|---|---|---|---|---|---|---|---|
| TY | N | $ | N | $ | N | $ | N | $ |
| 2015 | 426 | $1,234,654 | 10 | $28,757 | 32 | $79,458 | 468 | $1,342,869 |
| 2016 | 425 | $1,278,928 | 13 | $34,086 | 49 | $148,114 | 487 | $1,461,128 |
| 2017 | 455 | $1,315,847 | 12 | $41,405 | 49 | $136,636 | 516 | $1,493,888 |
| 2018 | 448 | $1,422,858 | 12 | $34,351 | 50 | $164,686 | 510 | $1,621,895 |
| 2019 | 467 | $1,535,563 | 21 | $55,784 | 71 | $228,584 | 559 | $1,819,931 |
| 2020 | 444 | $1,278,535 | 21 | $61,225 | 33 | $111,418 | 498 | $1,451,178 |
| 2021 | 350 | $1,116,534 | 14 | $43,575 | 26 | $85,434 | 390 | $1,245,543 |
| 2022 | 344 | $1,164,412 | 16 | $50,258 | 25 | $84,887 | 385 | $1,299,557 |
| 2023 | 597 | $1,680,338 | 25 | $62,505 | 53 | $175,689 | 675 | $1,918,532 |

# Tier I and Tier II Railroad Retirement: Federal Provision

**Legislation: N/A**

Railroad retirement benefits are divided into Tier I and Tier II. Tier I is equivalent to Social Security, and Tier I benefits are taxed the same as Social Security benefits. Tier II benefits are similar to a private pension but are based only on railroad earnings. Both sources of income a potentially taxable at the federal level. However, Montana taxes neither source of income.

The tables below show Tier I and Tier II railroad retirement benefits exempted from Montana taxation.

### Table 9.36 Tier I Railroad Retirement Benefits

| | Residents | | Nonresidents | | Part-Year Residents | | Total | |
|---|---|---|---|---|---|---|---|---|
| TY | N | $ | N | $ | N | $ | N | $ |
| 2015 | † | † | † | † | † | † | † | † |
| 2016 | † | † | † | † | † | † | † | † |
| 2017 | † | † | † | † | † | † | † | † |
| 2018 | † | † | † | † | † | † | † | † |
| 2019 | † | † | † | † | † | † | † | † |
| 2020 | † | † | † | † | † | † | † | † |
| 2021 | † | † | † | † | † | † | † | † |
| 2022 | 1,802 | $28,339,037 | 85 | $1,686,471 | 18 | $268,145 | 1,905 | $30,293,653 |
| 2023 | 2,010 | $34,133,687 | 83 | $1,940,125 | 28 | $488,670 | 2,121 | $36,562,482 |

*† This item did not have a separate line on returns during these tax years.*

### Table 9.37 Tier II Railroad Retirement Benefits

| | Residents | | Nonresidents | | Part-Year Residents | | Total | |
|---|---|---|---|---|---|---|---|---|
| TY | N | $ | N | $ | N | $ | N | $ |
| 2015 | 2,820 | $46,343,176 | 80 | $1,383,942 | 18 | $235,919 | 2,918 | $47,963,037 |
| 2016 | 2,846 | $48,318,083 | 81 | $1,341,418 | 28 | $489,381 | 2,955 | $50,148,882 |
| 2017 | 2,878 | $50,097,081 | 85 | $1,481,810 | 29 | $430,941 | 2,992 | $52,009,832 |
| 2018 | 2,951 | $52,442,866 | 89 | $1,640,449 | 29 | $313,763 | 3,069 | $54,397,078 |
| 2019 | 2,903 | $53,205,289 | 86 | $1,641,744 | 37 | $594,601 | 3,026 | $55,441,634 |
| 2020 | 2,883 | $53,655,007 | 78 | $1,378,911 | 27 | $365,423 | 2,988 | $55,399,341 |
| 2021 | 2,876 | $54,408,208 | 87 | $1,594,030 | 27 | $461,304 | 2,990 | $56,463,542 |
| 2022 | 2,847 | $55,194,883 | 90 | $2,025,204 | 30 | $366,270 | 2,967 | $57,586,357 |
| 2023 | 2,787 | $56,881,820 | 85 | $1,904,161 | 34 | $487,189 | 2,906 | $59,273,170 |

# Tip Income and Gratuities: 15-30-2110(2)(f), MCA

## Legislation: HB 841, 1983 Session

Before Tax Year 2024, tips earned while working for a licensed food service, beverage, or lodging establishment were not taxable in Montana. The reasoning behind this exclusion was that tips should be considered voluntary gifts from a restaurant's patrons to its employees, and gifts generally are not included in taxable income. Federal law considers tips to be taxable compensation for providing services. The 2021 Legislature eliminated this exemption starting Tax Year 2024.

The following table shows tips excluded from income since Tax Year 2015.

**Table 9.38 Exempt Tip Income**

| | Residents | | Nonresidents | | Part-Year Residents | | Total | |
|---|---|---|---|---|---|---|---|---|
| TY | N | $ | N | $ | N | $ | N | $ |
| 2015 | 18,795 | $67,147,671 | 1,402 | $4,252,879 | 2,174 | $6,809,415 | 22,371 | $78,209,965 |
| 2016 | 19,216 | $71,768,259 | 1,471 | $4,468,898 | 2,291 | $7,468,411 | 22,978 | $83,705,568 |
| 2017 | 20,718 | $80,661,372 | 1,691 | $5,765,450 | 2,634 | $8,284,592 | 25,043 | $94,711,414 |
| 2018 | 20,189 | $81,593,214 | 1,785 | $6,141,529 | 2,385 | $7,870,545 | 24,359 | $95,605,288 |
| 2019 | 21,799 | $88,982,140 | 1,967 | $6,928,943 | 2,621 | $8,648,427 | 26,387 | $104,559,510 |
| 2020 | 20,430 | $70,780,085 | 1,803 | $5,182,929 | 2,287 | $5,956,110 | 24,520 | $81,919,124 |
| 2021 | 22,069 | $105,418,886 | 2,351 | $9,765,435 | 2,774 | $10,477,779 | 27,194 | $125,662,100 |
| 2022 | 23,891 | $122,035,317 | 2,575 | $11,138,161 | 2,726 | $11,475,388 | 29,192 | $144,648,866 |
| 2023 | 22,109 | $124,077,840 | 2,398 | $11,801,332 | 2,116 | $9,389,968 | 26,623 | $145,269,140 |

# Unemployment Compensation: 15-30-2101, MCA

## Legislation: HB 363, 1979 Session

Federal law taxes unemployment compensation. Before Tax Year 2024, Montana law exempted unemployment compensation from its income tax. Starting Tax Year 2024, however, the exemption for unemployment compensation was eliminated.

The following table shows additional state exemptions for unemployment compensation since Tax Year 2015.

**Table 9.39 Exempt Unemployment Compensation**

| | Residents | | Nonresidents | | Part-Year Residents | | Total | |
|---|---|---|---|---|---|---|---|---|
| TY | N | $ | N | $ | N | $ | N | $ |
| 2015 | 24,456 | $89,447,741 | 3,933 | $20,533,636 | 1,752 | $7,791,931 | 30,141 | $117,773,308 |
| 2016 | 23,437 | $94,926,088 | 3,453 | $18,390,875 | 1,687 | $8,100,053 | 28,577 | $121,417,016 |
| 2017 | 21,741 | $87,578,113 | 3,404 | $19,041,750 | 1,480 | $6,909,586 | 26,625 | $113,529,449 |
| 2018 | 19,589 | $80,750,167 | 3,027 | $16,330,381 | 1,252 | $5,984,762 | 23,868 | $103,065,310 |
| 2019 | 19,506 | $82,795,091 | 2,652 | $14,590,281 | 1,209 | $5,793,306 | 23,367 | $103,178,678 |
| 2020 | 80,869 | $887,376,585 | 7,908 | $101,781,077 | 5,547 | $68,943,815 | 94,324 | $1,058,101,477 |
| 2021 | 34,489 | $302,584,760 | 5,299 | $59,161,752 | 2,851 | $31,179,289 | 42,639 | $392,925,801 |
| 2022 | 15,538 | $70,068,144 | 3,405 | $19,998,507 | 1,207 | $6,204,591 | 20,150 | $96,271,242 |
| 2023 | 15,440 | $79,275,782 | 3,099 | $22,244,482 | 992 | $6,077,975 | 19,531 | $107,598,239 |

# Worker's Compensation: 15-30-2110(2)(g), MCA

## Legislation: SB 72, 1985 Session

Federal law exempts worker's compensation payments, except payments that are reimbursement for medical expenses deducted in an earlier year. Before Tax Year 2024, Montana law also exempted all worker's compensation payments. This additional exemption was eliminated by the 2021 Legislature starting Tax Year 2024. The state revenue loss from the federal exemption is included in the estimate of passive tax expenditures.

The following table shows additional state exemptions for worker's compensation payments since Tax Year 2015.

**Table 9.40 Exempt Unemployment Compensation**

| | Residents | | Nonresidents | | Part-Year Residents | | Total | |
|---|---|---|---|---|---|---|---|---|
| TY | N | $ | N | $ | N | $ | N | $ |
| 2015 | 136 | $998,080 | 16 | $82,565 | * | $4,750 | * | $1,085,395 |
| 2016 | 124 | $699,707 | * | $29,817 | 15 | $112,900 | * | $842,424 |
| 2017 | 155 | $774,048 | * | $105,741 | 11 | $70,428 | * | $950,217 |
| 2018 | 182 | $1,111,653 | * | $50,666 | * | $33,832 | * | $1,196,151 |
| 2019 | 154 | $882,827 | * | $64,920 | 10 | $64,745 | * | $1,012,492 |
| 2020 | 284 | $2,433,726 | * | $135,823 | 15 | $131,366 | * | $2,700,915 |
| 2021 | 179 | $1,354,321 | * | $84,622 | 18 | $189,824 | * | $1,628,767 |
| 2022 | 141 | $994,545 | * | $28,124 | * | $47,236 | * | $1,069,905 |
| 2023 | 148 | $983,491 | 11 | $376,423 | * | $9,832 | * | $1,369,746 |

** Not disclosed due to confidentiality concerns*

# Itemized Deduction Tax Expenditures

In general, itemized deductions provide a partial subsidy or reimbursement for deductible expenses. The amount of the subsidy depends on the taxpayer's marginal tax rate and on the amount by which itemized deductions exceed the standard deduction.

For a taxpayer whose deductible expenses are less than their standard deduction, the fact that an expense is deductible provides no extra benefit to the taxpayer and no cost to the state general fund.

For a taxpayer whose deductible expenses are more than their standard deduction, an extra $100 of itemized deductions reduces tax liability by $100 multiplied by the marginal tax rate.

For example, a taxpayer with taxable income of $6,000 in Tax Year 2023 would be in the 2 percent state tax bracket and the 10 percent federal tax bracket. An additional $100 deduction would reduce this person's state tax liability by $2 and federal tax liability by $10, for a total of $12 if the taxpayer itemizes their deductions. The $100 expenditure that was the basis of the deduction cost the taxpayer $88 and cost the state and federal governments, and ultimately other taxpayers $12.

A taxpayer with a taxable income of $500,000 in 2023 was in the 6.75 percent state tax bracket and the 35 percent federal tax bracket. An additional $100 deduction would reduce this person's state tax liability by $6.75 and federal tax liability by $35, for a total of $41.75 if the taxpayer itemizes. The $100 expenditure that was the basis of the deduction cost this taxpayer $58.25 and cost the state and federal governments, and ultimately other taxpayers $41.75.

Not all itemized deductions are considered tax expenditures. For example, itemized deductions that allow taxpayers to deduct costs of earning income are generally not considered tax expenditures. An example of this type of deduction is the deduction of gambling losses. Taxpayers who report income from gambling can deduct gambling losses up to the amount of reported winnings. This makes the income tax apply to net winnings from gambling.

## Before Tax Year 2024

Prior to Tax Year 2024, Montana law generally allowed itemized deductions also allowed by federal law (15-30-2131(1)(a), MCA). There were a few exceptions where Montana law specifically disallowed a federal deduction. Montana law also allowed several itemized deductions that are not allowed by federal law. These additional deductions included the deduction for medical insurance premiums, long-term care insurance premiums, and federal income taxes paid.

## Starting Tax Year 2024

After Tax Year 2024, Montana's personal income tax moved from being based on Federal Adjusted Gross Income to Federal Taxable Income. Under this new structure, Montana specific deductions, both standard and itemized, were eliminated and taxpayers determined their Montana taxable income based on federal deduction amounts. The only adjustment to the federal deductions amounts is to add back any Montana income tax deducted at the federal level.

# Casualty and Theft Losses: Federal Provision

**Legislation: N/A**

Federal and Montana law allows taxpayers to take an itemized deduction for the uncompensated theft, damage, or destruction of non-business property that exceeds 10 percent of the taxpayer's adjusted gross income. Casualty and theft losses of business property are deducted as a business expense in calculating adjusted gross income.

Starting in Tax Year 2018, the deduction is limited to losses attributable to a federally declared disaster.

This deduction essentially treats the value of a taxpayer's significant property loss as an offset to income. This reduces the incentive to insure or protect property against theft, damage, or other losses.

The following table shows itemized deductions for casualty and theft losses for Tax Years 2015 through 2023.

**Table 9.41 Casualty and Theft Losses**

| | Residents | | Nonresidents | | Part-Year Residents | | Total | |
|---|---|---|---|---|---|---|---|---|
| TY | N | $ | N | $ | N | $ | N | $ |
| 2015 | 334 | $5,334,806 | 30 | $1,148,861 | 22 | $97,586 | 386 | $6,581,253 |
| 2016 | 309 | $6,744,568 | 40 | $1,965,451 | 27 | $263,256 | 376 | $8,973,275 |
| 2017 | 267 | $5,112,316 | 53 | $6,092,544 | 23 | $297,291 | 343 | $11,502,151 |
| 2018 | 448 | $4,442,831 | 32 | $670,697 | * | $87,003 | * | $5,200,531 |
| 2019 | 322 | $1,560,011 | 32 | $520,150 | 10 | $25,198 | 364 | $2,105,359 |
| 2020 | 477 | $2,825,353 | 32 | $216,179 | * | $6,318 | * | $3,047,850 |
| 2021 | 305 | $1,777,231 | 34 | $298,126 | * | $9,814 | * | $2,085,171 |
| 2022 | 330 | $4,435,344 | 25 | $1,176,086 | * | $116,523 | * | $5,727,953 |
| 2023 | 35 | $2,157,970 | * | $183,517 | * | $29,384 | * | $2,370,871 |

** Not disclosed due to confidentiality concerns*

# Charitable Contributions: Federal Provision

**Legislation: N/A**

Federal and Montana law allows an itemized deduction for charitable contributions. In any year, this deduction is limited to 50 percent of the taxpayer's adjusted gross income. In addition, gifts to certain types of charities and certain types of gifts are subject to lower limits. A taxpayer whose contributions exceed the limit may carry the excess contributions forward and deduct them in a later tax year. The deduction provides an incentive for taxpayers to contribute to tax-exempt charities by making the taxpayer's cost of the donation less than the amount the charity receives.

The following tables show itemized deductions for contributions for Tax Years 2015 through 2023.

## Table 9.42 Charitable Contributions

| TY | Residents | | Nonresidents | | Part-Year Residents | | Total | |
|---|---|---|---|---|---|---|---|---|
| | N | $ | N | $ | N | $ | N | $ |
| 2015 | 150,403 | $450,272,008 | 18,378 | $551,805,559 | 4,299 | $13,726,971 | 173,080 | $1,015,804,538 |
| 2016 | 150,927 | $502,946,119 | 18,540 | $1,857,487,225 | 4,278 | $14,917,531 | 173,745 | $2,375,350,875 |
| 2017 | 151,085 | $490,356,062 | 19,129 | $741,475,164 | 4,341 | $13,967,357 | 174,555 | $1,245,798,583 |
| 2018 | 136,747 | $447,461,011 | 15,359 | $1,262,677,513 | 3,564 | $13,681,208 | 155,670 | $1,723,819,732 |
| 2019 | 132,059 | $494,466,799 | 15,593 | $1,400,677,568 | 3,272 | $14,800,967 | 150,924 | $1,909,945,334 |
| 2020 | 102,298 | $474,658,056 | 13,710 | $483,685,968 | 2,911 | $30,895,489 | 118,919 | $989,239,513 |
| 2021 | 131,650 | $630,240,590 | 17,527 | $887,866,826 | 4,441 | $30,781,520 | 153,618 | $1,548,888,936 |
| 2022 | 127,436 | $585,440,790 | 16,614 | $895,214,917 | 3,355 | $17,717,827 | 147,405 | $1,498,373,534 |
| 2023 | 122,212 | $583,088,556 | 15,726 | $1,255,999,332 | 2,644 | $12,828,656 | 140,582 | $1,851,916,544 |

## Table 9.43 Charitable Noncash Contributions

| TY | Residents | | Nonresidents | | Part-Year Residents | | Total | |
|---|---|---|---|---|---|---|---|---|
| | N | $ | N | $ | N | $ | N | $ |
| 2015 | 71,039 | $90,062,103 | 9,695 | $379,146,416 | 3,086 | $5,979,338 | 83,820 | $475,187,857 |
| 2016 | 72,718 | $148,637,209 | 10,024 | $927,313,382 | 3,379 | $8,283,427 | 86,121 | $1,084,234,018 |
| 2017 | 72,383 | $118,484,126 | 10,149 | $1,045,453,011 | 3,329 | $5,369,819 | 85,861 | $1,169,306,956 |
| 2018 | 61,347 | $73,875,268 | 7,636 | $363,465,342 | 2,492 | $4,023,178 | 71,475 | $441,363,788 |
| 2019 | 55,483 | $126,426,919 | 7,335 | $541,144,496 | 2,205 | $6,639,952 | 65,023 | $674,211,367 |
| 2020 | 46,737 | $104,422,201 | 6,128 | $211,957,533 | 1,954 | $12,568,872 | 54,819 | $328,948,606 |
| 2021 | 47,835 | $181,278,076 | 6,717 | $536,287,154 | 2,459 | $9,593,978 | 57,011 | $727,159,208 |
| 2022 | 47,279 | $148,049,106 | 6,864 | $553,107,881 | 2,015 | $6,630,737 | 56,158 | $707,787,724 |
| 2023 | 46,309 | $154,222,790 | 6,474 | $524,568,317 | 1,571 | $3,310,706 | 54,354 | $682,101,813 |

## Table 9.44 Carryover of Contributions from Previous Years

| TY | Residents | | Nonresidents | | Part-Year Residents | | Total | |
|---|---|---|---|---|---|---|---|---|
| | N | $ | N | $ | N | $ | N | $ |
| 2015 | 2,778 | $35,565,096 | 481 | $122,379,344 | 75 | $362,590 | 3,334 | $158,307,030 |
| 2016 | 3,102 | $33,937,186 | 504 | $414,328,549 | 60 | $504,653 | 3,666 | $448,770,388 |
| 2017 | 3,477 | $42,384,106 | 577 | $205,476,095 | 76 | $1,096,563 | 4,130 | $248,956,764 |
| 2018 | 2,583 | $33,969,667 | 489 | $44,141,614 | 55 | $291,779 | 3,127 | $78,403,060 |
| 2019 | 2,314 | $30,647,375 | 466 | $233,950,152 | 48 | $2,141,288 | 2,828 | $266,738,815 |
| 2020 | 2,011 | $33,893,069 | 436 | $111,051,210 | 52 | $879,665 | 2,499 | $145,823,944 |
| 2021 | 2,894 | $53,647,324 | 497 | $127,351,049 | 65 | $512,902 | 3,456 | $181,511,275 |
| 2022 | 2,565 | $37,023,310 | 393 | $79,651,809 | 49 | $1,071,845 | 3,007 | $117,746,964 |
| 2023 | 2,338 | $41,848,209 | 356 | $101,063,802 | 44 | $769,350 | 2,738 | $143,681,361 |

# Child and Dependent Care Expenses: 15-30-2131(1)(c), MCA

## Legislation: HB 47, 1977 Session

Montana law allowed an itemized deduction for up to $4,800 for the expenses of maintaining a household for or providing care for certain dependents while the taxpayer is at work or looking for a job. The dependent could have been a child under 15 or any person who was unable to care for him or herself while the taxpayer is at work. To qualify for the deduction, the taxpayer and spouse, if married, must have had combined Montana Adjusted Gross Income of less than $22,800 if caring for one eligible dependent. The income limit was $25,200 if the taxpayer was caring for two dependents and $27,600 for three or more dependents.

Federal law allows taxpayers to claim a credit rather than an itemized deduction for dependent care expenses. The conditions for claiming the federal credit are similar to the conditions for claiming the state deduction.

This deduction reduced the cost of working for taxpayers who had a child or other dependent to care for. It provided an incentive to engage in paid work and pay to have the dependent cared for rather than to provide the care personally.

This deduction was eliminated at the end of Tax Year 2023.

The table below shows itemized deductions for child and dependent care expenses for Tax Years 2015 through 2023.

**Table 9.45 Child and Dependent Care Expenses**

| | Residents | | Nonresidents | | Part-Year Residents | | Total | |
|---|---|---|---|---|---|---|---|---|
| TY | N | $ | N | $ | N | $ | N | $ |
| 2015 | 484 | $1,050,416 | 27 | $46,766 | 33 | $73,996 | 544 | $1,171,178 |
| 2016 | 548 | $1,206,246 | 28 | $66,605 | 29 | $62,376 | 605 | $1,335,227 |
| 2017 | 496 | $1,093,360 | 41 | $95,077 | 34 | $82,612 | 571 | $1,271,049 |
| 2018 | 368 | $886,905 | 24 | $59,792 | 21 | $54,843 | 413 | $1,001,540 |
| 2019 | 325 | $705,164 | 21 | $55,913 | 14 | $29,247 | 360 | $790,324 |
| 2020 | 295 | $681,098 | 19 | $48,253 | * | $22,591 | * | $751,942 |
| 2021 | 271 | $679,465 | 20 | $56,452 | 14 | $34,036 | 305 | $769,953 |
| 2022 | 217 | $509,733 | 26 | $54,710 | * | $9,132 | * | $573,575 |
| 2023 | 191 | $425,443 | 21 | $59,041 | * | $23,047 | * | $507,531 |

** Not disclosed due to confidentiality concerns*

# Federal Income Tax: 15-30-2131(1)(b), MCA

## Legislation: HB 328, 1933 Session

Montana law allowed an itemized deduction for federal income tax paid during the year with a limit of $5,000 for a single taxpayer or married taxpayer filing separately and $10,000 for a married couple filing a joint return. Before 2005, there was no upper limit on this deduction.

The cap was introduced by SB 407 (2003 legislative session). The sponsors of this legislation had several goals, which included reducing income tax revenue, lowering the top marginal rate, reducing the number of rate brackets, making the brackets narrower, eliminating the itemized deduction for federal taxes, and having no income group pay more than under prior law. It proved impossible to fully meet all these goals, and the capped deduction was kept, preventing the narrower rate brackets from increasing taxes on middle-income taxpayers. The 2003 Legislature chose not to index the cap for inflation, so that, in real terms, the cap will decrease over time.

This deduction partially or completely avoided having the state levy income tax on income paid to the federal government as income tax. It also had the same effect on taxpayers as having lower tax rates for taxpayers who itemize deductions and whose income put them below the cap on this deduction. This is because each extra dollar of income increased adjusted gross income by 1 dollar but also increased itemized deductions by the federal marginal tax rate times 1 dollar. Thus, an extra dollar of adjusted gross income translated into less than an extra dollar of taxable income.

For example, a single taxpayer with taxable income of $25,000 in Tax Year 2023 would be in the 6.75 percent state tax bracket and the 12 percent federal tax bracket. An additional $100 of income would result in an additional $12 of federal income tax, for an $88 increase in taxable income. Applying the 6.75 percent rate to $88 provides additional tax of $5.94, for an effective marginal tax rate of about 5.9 percent rather than 6.75 percent. For a taxpayer whose federal taxes are above the cap on the deduction, the effective marginal tax rate is 6.75 percent.

This deduction was eliminated starting Tax Year 2024

The following table shows itemized deductions for federal income tax for Tax Years 2015 through 2023.

**Table 9.46 Federal Income Tax**

| | Residents | | Nonresidents | | Part-Year Residents | | Total | |
|---|---|---|---|---|---|---|---|---|
| TY | N | $ | N | $ | N | $ | N | $ |
| 2015 | 232,979 | $1,297,118,744 | 33,646 | $245,467,280 | 10,148 | $61,093,726 | 276,773 | $1,603,679,750 |
| 2016 | 236,969 | $1,325,330,899 | 33,132 | $241,315,861 | 10,241 | $60,477,836 | 280,342 | $1,627,124,596 |
| 2017 | 242,669 | $1,367,118,010 | 34,595 | $250,911,791 | 10,643 | $63,443,115 | 287,907 | $1,681,472,916 |
| 2018 | 218,784 | $1,199,661,055 | 29,269 | $214,748,520 | 8,891 | $53,607,145 | 256,944 | $1,468,016,720 |
| 2019 | 208,531 | $1,153,558,682 | 30,784 | $228,991,454 | 8,202 | $50,830,919 | 247,517 | $1,433,381,055 |
| 2020 | 208,762 | $1,164,299,664 | 30,072 | $221,821,966 | 8,844 | $54,323,729 | 247,678 | $1,440,445,359 |
| 2021 | 220,833 | $1,259,672,196 | 33,881 | $250,693,510 | 11,308 | $71,046,028 | 266,022 | $1,581,411,734 |
| 2022 | 199,670 | $1,178,374,560 | 28,493 | $217,452,653 | 7,152 | $46,589,907 | 235,315 | $1,442,417,120 |
| 2023 | 192,520 | $1,151,420,993 | 27,670 | $211,891,825 | 5,722 | $37,144,276 | 225,912 | $1,400,457,094 |

# Home Mortgage Interest and Insurance Premiums: Federal Provision

**Legislation: N/A**

Federal and state law allow an itemized deduction for home mortgage interest paid during the tax year. The deduction of interest is limited to the first $750,000 of debt that is incurred after December 2017. In addition, taxpayers cannot deduct interest paid on equity indebtedness for Tax Years 2018 through 2025.

Federal and state law also allow taxpayers to deduct the mortgage insurance premiums paid for mortgage insurance issued after Tax Year 2006. Federal law considers mortgage insurance premiums to be part of mortgage interest, and Montana law follows federal law on this point.

The deduction for home mortgage interest and mortgage insurance provides an incentive for home ownership and a disincentive for taxpayers to pay off their mortgages.

The following table shows itemized deductions for home mortgage interest and insurance.

**Table 9.47 Home Mortgage Interest**

| | Residents | | Nonresidents | | Part-Year Residents | | Total | |
|---|---|---|---|---|---|---|---|---|
| TY | N | $ | N | $ | N | $ | N | $ |
| 2015 | 142,562 | $900,243,023 | 15,218 | $146,760,981 | 4,664 | $32,888,662 | 162,444 | $1,079,892,666 |
| 2016 | 144,780 | $909,386,335 | 15,504 | $150,336,425 | 4,888 | $34,706,195 | 165,172 | $1,094,428,955 |
| 2017 | 146,491 | $932,109,767 | 15,809 | $154,934,319 | 5,108 | $37,201,137 | 167,408 | $1,124,245,223 |
| 2018 | 137,315 | $903,558,507 | 13,293 | $136,209,342 | 4,599 | $36,320,490 | 155,207 | $1,076,088,339 |
| 2019 | 136,388 | $987,393,435 | 17,085 | $212,703,072 | 4,813 | $41,987,715 | 158,286 | $1,242,084,222 |
| 2020 | 135,162 | $979,405,589 | 16,715 | $198,342,853 | 5,058 | $44,816,143 | 156,935 | $1,222,564,585 |
| 2021 | 136,905 | $921,441,130 | 17,912 | $191,183,631 | 6,334 | $51,468,005 | 161,151 | $1,164,092,766 |
| 2022 | 128,326 | $900,683,824 | 17,913 | $206,708,802 | 5,079 | $51,081,669 | 151,318 | $1,158,474,295 |
| 2023 | 124,193 | $1,007,632,419 | 17,673 | $236,358,058 | 3,955 | $49,581,350 | 145,821 | $1,293,571,827 |

# Light Vehicle Registration Fees: 15-30-2131(1)(h), MCA

**Legislation: HB 540, 1999 Session**

Before Tax Year 2024, Montana taxpayers were allowed to deduct any light vehicle registration fees paid by the taxpayer for a Montana vehicle during the tax year from their income. Before Tax Year 2018, this deduction was reported with other personal property taxes when the taxpayer itemized their deductions. However, the federal deduction limitation for state and local taxes does not apply to Montana light vehicle registrations and was separated on Montana's income tax return starting in Tax Year 2018.

The exemption of light vehicle registration fees from taxable income provided an incentive for vehicle ownership. In addition, as the registration rate is higher for newer vehicles, the deduction also provided an incentive for taxpayers to operate newer vehicles.

This state deduction was eliminated starting Tax Year 2024.

The following table shows the deductions claimed for light vehicle registration fees for Tax Year 2018 through 2023.

**Table 9.48 Light Vehicle Registration Fees**

| TY | Residents | | Nonresidents | | Part-Year Residents | | Total | |
|---|---|---|---|---|---|---|---|---|
| | N | $ | N | $ | N | $ | N | $ |
| 2015 | † | † | † | † | † | † | † | † |
| 2016 | † | † | † | † | † | † | † | † |
| 2017 | † | † | † | † | † | † | † | † |
| 2018 | † | † | † | † | † | † | † | † |
| 2019 | † | † | † | † | † | † | † | † |
| 2020 | 31,857 | $8,290,227 | 118 | $32,622 | 546 | $164,985 | 32,521 | $8,487,834 |
| 2021 | 30,214 | $7,711,508 | 133 | $34,925 | 665 | $204,001 | 31,012 | $7,950,434 |
| 2022 | 30,533 | $7,913,839 | 139 | $3,043,958 | 601 | $197,535 | 31,273 | $11,155,332 |
| 2023 | 29,243 | $7,469,337 | 113 | $46,492 | 400 | $141,613 | 29,756 | $7,657,442 |

*† This item did not have a separate line on returns during these tax years.*

# Long-Term Care Insurance Premiums: 15-30-2131(1)(a)(iv), MCA

**Legislation: SB 151, 1997 Session**

In addition to the federal deduction for medical expenses, Montana law allowed an itemized deduction for all unreimbursed long-term care insurance premiums. As with medical insurance premiums, long-term care premiums could not be claimed as an itemized deduction if they were claimed as an above-the-line deduction in calculating adjusted gross income. In addition, a taxpayer could not claim a deduction for premiums that were part of the expense qualifying for the elderly care credit.

This deduction provided a partial subsidy to taxpayers who buy long-term care insurance.

The following table shows itemized deductions for medical insurance premiums for Tax Years 2015 through 2023.

**Table 9.49 Long Term Care Insurance Premiums**

| TY | Residents | | Nonresidents | | Part-Year Residents | | Total | |
|---|---|---|---|---|---|---|---|---|
| | N | $ | N | $ | N | $ | N | $ |
| 2015 | 10,756 | $30,500,607 | 1,419 | $4,705,289 | 214 | $529,032 | 12,389 | $35,734,928 |
| 2016 | 10,793 | $30,987,121 | 1,418 | $4,804,136 | 235 | $776,408 | 12,446 | $36,567,665 |
| 2017 | 10,451 | $30,898,836 | 1,422 | $5,136,137 | 217 | $567,120 | 12,090 | $36,602,093 |
| 2018 | 9,721 | $28,930,381 | 1,191 | $4,339,615 | 212 | $721,413 | 11,124 | $33,991,409 |
| 2019 | 9,751 | $29,512,592 | 1,130 | $4,139,437 | 205 | $583,102 | 11,086 | $34,235,131 |
| 2020 | 9,211 | $28,951,256 | 1,058 | $3,946,828 | 167 | $479,828 | 10,436 | $33,377,912 |
| 2021 | 9,069 | $29,135,526 | 1,041 | $4,098,063 | 235 | $741,345 | 10,345 | $33,974,934 |
| 2022 | 8,850 | $28,916,875 | 999 | $3,993,760 | 180 | $568,926 | 10,029 | $33,479,561 |
| 2023 | 8,357 | $28,087,891 | 888 | $3,858,118 | 143 | $470,122 | 9,388 | $32,416,131 |

# Medical and Dental Expenses: Federal Provision

**Legislation: N/A**

Both federal and state law allow an itemized deduction for a portion of the taxpayer's unreimbursed medical and dental expenses. Expenses paid directly by another party or which are reimbursed by insurance are not deductible. Premiums for health insurance and long-term care insurance are considered deductible medical expenses.

In Tax Year 2012, the deduction for expenses was more than 7.5 percent of adjusted gross income. Beginning in Tax Year 2013, taxpayers younger than 65 could only deduct expenses that are more than 10 percent of adjusted gross income. Federal tax law changes lowered the expenses threshold to 7.5 percent for all taxpayers until Tax Year 2020. Beginning in Tax Year 2020, the 10 percent threshold will apply to all taxpayers. This deduction provides a partial reimbursement or subsidy for taxpayers who have high unreimbursed medical expenses in a year.

The table below shows itemized deductions for medical and dental expenses for Tax Years 2015 through 2023.

**Table 9.50 Medical Expenses**

| | Residents | | Nonresidents | | Part-Year Residents | | Total | |
|---|---|---|---|---|---|---|---|---|
| TY | N | $ | N | $ | N | $ | N | $ |
| 2015 | 56,183 | $284,136,157 | 3,007 | $29,160,349 | 1,024 | $6,375,164 | 60,214 | $319,671,670 |
| 2016 | 56,383 | $293,717,332 | 3,158 | $30,398,401 | 1,023 | $6,703,465 | 60,564 | $330,819,198 |
| 2017 | 60,310 | $307,625,176 | 3,308 | $31,767,112 | 1,197 | $6,487,843 | 64,815 | $345,880,131 |
| 2018 | 54,824 | $305,327,291 | 2,602 | $27,120,558 | 932 | $7,840,943 | 58,358 | $340,288,792 |
| 2019 | 52,185 | $297,489,660 | 2,460 | $29,233,391 | 869 | $7,821,301 | 55,514 | $334,544,352 |
| 2020 | 47,853 | $275,452,616 | 2,235 | $27,593,330 | 861 | $5,784,693 | 50,949 | $308,830,639 |
| 2021 | 47,090 | $285,501,631 | 2,172 | $28,352,905 | 933 | $7,962,980 | 50,195 | $321,817,516 |
| 2022 | 47,764 | $304,195,192 | 2,318 | $33,207,055 | 785 | $8,435,245 | 50,867 | $345,837,492 |
| 2023 | 46,035 | $316,871,679 | 2,213 | $34,939,073 | 682 | $7,787,583 | 48,930 | $359,598,335 |

# Medical Insurance Premiums: 15-30-2131(1)(a)(iii), MCA

**Legislation: HB 202, 1995 Session**

In addition to the federal deduction for medical expenses, Montana law allowed an itemized deduction for all unreimbursed health insurance premiums. Insurance premiums could not be claimed as an itemized deduction if they were claimed as an above-the-line deduction in calculating adjusted gross income. This would be the case for a self-employed taxpayer who deducted premiums as a business expense, an employee who had premiums excluded as a fringe benefit, or if the taxpayer paid the premiums with pre-tax funds from a medical savings account.

This deduction was eliminated at the end of Tax Year 2023.

This deduction provided a partial subsidy to taxpayers who buy their own health insurance.

The following table shows itemized deductions for medical insurance premiums for Tax Years 2015 through 2023.

**Table 9.51 Medical Insurance Premiums Not Deducted Elsewhere**

| TY | Residents | | Nonresidents | | Part-Year Residents | | Total | |
|---|---|---|---|---|---|---|---|---|
| | N | $ | N | $ | N | $ | N | $ |
| 2015 | 98,528 | $481,950,204 | 9,085 | $46,594,292 | 2,275 | $8,162,208 | 109,888 | $536,706,704 |
| 2016 | 103,805 | $445,884,104 | 9,571 | $51,676,439 | 2,728 | $9,434,403 | 116,104 | $506,994,946 |
| 2017 | 103,991 | $473,418,359 | 9,734 | $54,746,509 | 2,775 | $10,288,605 | 116,500 | $538,453,473 |
| 2018 | 100,134 | $520,492,426 | 8,580 | $50,692,623 | 2,518 | $10,505,651 | 111,232 | $581,690,700 |
| 2019 | 100,332 | $507,233,583 | 9,275 | $57,113,085 | 2,416 | $10,366,215 | 112,023 | $574,712,883 |
| 2020 | 100,311 | $509,733,715 | 9,122 | $57,517,141 | 2,414 | $10,574,569 | 111,847 | $577,825,425 |
| 2021 | 102,380 | $565,919,725 | 9,765 | $69,843,262 | 3,152 | $13,460,794 | 115,297 | $649,223,781 |
| 2022 | 104,377 | $565,333,261 | 9,868 | $71,152,792 | 2,458 | $11,485,999 | 116,703 | $647,972,052 |
| 2023 | 104,011 | $660,771,330 | 9,708 | $68,050,135 | 2,111 | $10,329,195 | 115,830 | $739,150,660 |

# Per Capita Livestock Fees: 15-30-2131(1)(i), MCA

## Legislation: HB 124, 2001 Session

Montana taxpayers were able to deduct the per capita livestock fees paid by the taxpayer during the tax year from their income. Before Tax Year 2018, this deduction was reported with other personal property taxes when the taxpayer itemized their deductions. However, the federal deduction limitation for state and local taxes does not apply to Montana livestock fees and was separated on Montana's income tax return starting Tax Year 2018.

This deduction was eliminated starting Tax Year 2024.

The exemption of livestock fees from taxable income reduced the cost of having livestock subject to the fee. This exemption provided an incentive for livestock ownership.

The following table shows the deductions claimed for per capita livestock fees for Tax Years 2018 through 2023.

**Table 9.52 Per Capita Livestock Fees**

| TY | Residents | | Nonresidents | | Part-Year Residents | | Total | |
|---|---|---|---|---|---|---|---|---|
| | N | $ | N | $ | N | $ | N | $ |
| 2015 | † | † | † | † | † | † | † | † |
| 2016 | † | † | † | † | † | † | † | † |
| 2017 | † | † | † | † | † | † | † | † |
| 2018 | † | † | † | † | † | † | † | † |
| 2019 | † | † | † | † | † | † | † | † |
| 2020 | 528 | $76,631 | 0 | $0 | * | $5,922 | * | $82,553 |
| 2021 | 493 | $64,548 | * | $17 | * | $447 | * | $65,012 |
| 2022 | 544 | $83,399 | * | $5,194 | * | $1,694 | * | $90,287 |
| 2023 | 495 | $200,538 | 0 | $0 | * | $2,768 | * | $203,306 |

*† This item did not have a separate line on returns during these tax years.*

** Not disclosed due to confidentiality concerns*

# Political Contributions: 15-30-2131(1)(d), MCA

## Legislation: HB 407, 1979 Session

Montana law allowed taxpayers an itemized deduction for up to $100 of contributions to candidates for political office or to political parties. Federal law does not allow a comparable deduction. This deduction provided a subsidy for taxpayers making political contributions totaling up to $100.

The last year to claim this deduction was Tax Year 2023.

The following table shows itemized deductions for political contributions for Tax Years 2015 through 2023.

**Table 9.53 Political Contributions**

| | Residents | | Nonresidents | | Part-Year Residents | | Total | |
|---|---|---|---|---|---|---|---|---|
| TY | N | $ | N | $ | N | $ | N | $ |
| 2015 | 5,621 | $684,847 | 209 | $25,325 | 105 | $11,111 | 5,935 | $721,283 |
| 2016 | 8,490 | $1,055,050 | 281 | $36,989 | 154 | $17,115 | 8,925 | $1,109,154 |
| 2017 | 6,832 | $838,756 | 240 | $32,440 | 133 | $15,210 | 7,205 | $886,406 |
| 2018 | 7,297 | $939,555 | 164 | $22,572 | 102 | $12,974 | 7,563 | $975,101 |
| 2019 | 6,337 | $780,893 | 160 | $20,432 | 111 | $12,468 | 6,608 | $813,793 |
| 2020 | 8,756 | $1,166,306 | 205 | $28,477 | 158 | $19,436 | 9,119 | $1,214,219 |
| 2021 | 5,264 | $675,348 | 132 | $18,205 | 122 | $14,466 | 5,518 | $708,019 |
| 2022 | 6,389 | $847,647 | 147 | $21,830 | 95 | $11,808 | 6,631 | $881,285 |
| 2023 | 5,951 | $770,120 | 127 | $17,000 | 68 | $9,578 | 6,146 | $796,698 |

# Other Deductible Taxes: Federal Provision

## Legislation: N/A

Federal and state law allows itemized deductions for several other types of taxes, including the generation-skipping transfer tax and income taxes paid to other countries. This deduction avoids having the state levy income tax on income paid as tax to the United States or another country. As with other deductions for taxes, the effect on taxpayers is similar to having lower rates as long as taxpayers with higher incomes tend to pay more of the deductible taxes.

The following table shows itemized deductions for other taxes from Tax Years 2015 through 2023.

**Table 9.54 Other Deductible Taxes**

| | Residents | | Nonresidents | | Part-Year Residents | | Total | |
|---|---|---|---|---|---|---|---|---|
| TY | N | $ | N | $ | N | $ | N | $ |
| 2015 | 20,251 | $7,480,154 | 1,489 | $3,177,156 | 290 | $301,071 | 22,030 | $10,958,381 |
| 2016 | 16,400 | $6,342,633 | 1,533 | $3,092,082 | 280 | $156,522 | 18,213 | $9,591,237 |
| 2017 | 15,178 | $6,262,752 | 1,560 | $3,621,889 | 302 | $246,158 | 17,040 | $10,130,799 |
| 2018 | 9,153 | $3,901,158 | 845 | $1,040,863 | 193 | $98,999 | 10,191 | $5,041,020 |
| 2019 | 7,152 | $3,372,436 | 713 | $4,825,552 | 140 | $97,051 | 8,005 | $8,295,039 |
| 2020 | 5,883 | $2,617,365 | 630 | $7,532,583 | 113 | $160,146 | 6,626 | $10,310,094 |
| 2021 | 5,648 | $3,037,712 | 627 | $6,970,253 | 127 | $121,086 | 6,402 | $10,129,051 |
| 2022 | 5,485 | $2,818,356 | 616 | $1,489,561 | 104 | $176,298 | 6,205 | $4,484,215 |
| 2023 | 5,404 | $3,129,203 | 629 | $1,426,267 | 100 | $137,290 | 6,133 | $4,692,760 |

# State and Local Taxes: Federal Provision

**Legislation: N/A**

Federal law allows taxpayers to choose an itemized deduction for state and local taxes paid. The deduction applies to state and local sales taxes, local income taxes, real estate taxes paid, and value based personal property taxes. State income taxes are excluded from this deduction for Montana income taxes.

Starting in Tax Year 2018, federal tax law changes limited this deduction to $10,000 for taxpayers who file tax returns as single, head of household, or married filing jointly tax. For taxpayers who are married filing separately, the deduction is limited to $5,000 for each taxpayer.

The effect of this deduction on taxpayers is like the effect of the deduction for federal taxes. Formally, it avoids having the state levy income tax on income paid as tax to another state or political subdivision of another state. Practically, it is essentially equivalent to a lower tax rate for taxpayers who pay sales tax or local income tax in another state and itemize deductions.

For example, a taxpayer who lives in another state but has Montana income spends 90 percent of any extra income on purchases that are subject to their home state's 8 percent sales tax.

For every $100 of extra income, this person will have $7.40 of extra sales tax deductions, so that an extra $100 of gross income is only $92.80 of taxable income. If they were in the 6.75 percent top rate bracket, their effective marginal rate was 6.26 percent (6.75 percent x $92.80).

The table below show itemized deductions for state and local taxes.

**Table 9.55 State and Local Tax Deduction Limited to $10,000**

| | Residents | | Nonresidents | | Part-Year Residents | | Total | |
|---|---|---|---|---|---|---|---|---|
| TY | N | $ | N | $ | N | $ | N | $ |
| 2015 | 212,042 | $519,000,445 | 23,145 | $197,600,830 | 6,443 | $17,618,418 | 241,630 | $734,219,693 |
| 2016 | 216,054 | $550,693,459 | 23,841 | $195,002,176 | 7,023 | $18,852,374 | 246,918 | $764,548,009 |
| 2017 | 220,517 | $604,765,477 | 24,709 | $217,569,650 | 7,502 | $20,944,954 | 252,728 | $843,280,081 |
| 2018 | 204,553 | $553,904,721 | 20,569 | $93,330,078 | 6,353 | $17,161,634 | 231,475 | $664,396,433 |
| 2019 | 201,358 | $589,498,152 | 20,761 | $101,359,325 | 5,997 | $18,246,174 | 228,116 | $709,103,651 |
| 2020 | 199,040 | $594,090,801 | 20,024 | $99,198,163 | 6,259 | $19,717,808 | 225,323 | $713,006,772 |
| 2021 | 203,536 | $622,718,879 | 21,689 | $106,825,856 | 7,795 | $23,487,268 | 233,020 | $753,032,003 |
| 2022 | 196,126 | $634,229,242 | 21,533 | $114,207,015 | 6,049 | $20,166,946 | 223,708 | $768,603,203 |
| 2023 | 190,195 | $676,103,837 | 21,752 | $120,349,506 | 4,951 | $17,542,263 | 216,898 | $813,995,606 |

# Tax Credits

Tax credits offset tax liability for taxpayers who make specified expenditures or take specified actions. Tax credits are not part of the basic structure of the income tax and are therefore tax expenditures. Credits generally give taxpayers an incentive to make certain expenditures by providing a partial subsidy for those expenditures, which lowers the taxpayer's cost. The amount of subsidy a taxpayer receives depends on whether the taxpayer can also claim a federal deduction or credit, whether the taxpayer could claim a state deduction for the same expenditure, and whether the taxpayer must choose between a state deduction and the state credit, or can claim both.

For each credit, this section shows taxpayer subsidies, taking the interactions of state and federal taxes into account, for taxpayers whose federal taxes are above and below the cap on the state deduction for federal taxes.

Sometimes, a taxpayer will have a credit or combination of credits that is greater than their tax liability. If a credit is refundable, the taxpayer receives a direct subsidy equal to the difference between the credit and tax liability, and the cost to the general fund is the full amount of the credit. If a credit is non-refundable but has a carry-over provision, any excess of the credit over tax liability must be carried forward and applied against tax liability in a later year.

The current cost to the general fund is limited to the tax liability of taxpayers claiming the credit, but some credits claimed one year may be carried forward and reduce general fund revenue in future years. Also, part of the credits claimed in the current year may have been carried forward from earlier years. If a credit is non-refundable and cannot be carried over, the cost to the general fund is limited by the current tax liability of taxpayers claiming the credit.

The 2021 Individual Income Tax reform bill (SB 399) eliminated several of Montana's income tax credits, with 17 credits eliminated starting in Tax Year 2022.

## Adoption Credit: 15-30-2364, MCA

**Legislation: HB 490, 2007 Session**

The Internal Revenue Code allows an income tax credit for costs of adopting a child.

Before Tax Year 2023, a taxpayer who meet the requirements for the federal credit could also claim a credit of $1,000 against their Montana income tax. If the credit was more than the taxpayer's liability, the excess was not refunded, but excess credits could be carried forward for up to five years. This credit was first available in Tax Year 2007 and expired in Tax Year 2022.

Starting Tax Year 2023, however, the state adoption credit was brought back, but was changed significantly. Under the new credit, taxpayers could claim a Montana adoption credit for a qualified adoption even if they did not claim the federal credit. The credit amount was also increased to $7,500 if the eligible child was in foster care under the custody of the state when adopted. If the child was not under the custody of the state, taxpayers would qualify for a $5,000 credit on the year the adoption was finalized. The credit was also made fully refundable.

The following table shows credits claimed for Tax Years 2015 through 2023.

**Table 9.56 Adoption Credit**

| TY | Residents | | Nonresidents | | Part-Year Residents | | Total | |
|---|---|---|---|---|---|---|---|---|
| | N | $ | N | $ | N | $ | N | $ |
| 2015 | 183 | $219,789 | 23 | $27,367 | 10 | $10,594 | 216 | $257,750 |
| 2016 | 185 | $222,618 | 14 | $12,591 | 10 | $12,582 | 209 | $247,791 |
| 2017 | 175 | $205,210 | 17 | $16,291 | * | $5,582 | * | $227,083 |
| 2018 | 151 | $179,974 | * | $7,888 | * | $12,000 | * | $199,862 |
| 2019 | 138 | $182,016 | 12 | $13,169 | * | $8,453 | * | $203,638 |
| 2020 | 108 | $148,946 | * | $4,039 | * | $1,000 | * | $153,985 |
| 2021 | 126 | $153,283 | * | $10,000 | * | $14,714 | * | $177,997 |
| 2022 | 0 | $0 | 0 | $0 | 0 | $0 | 0 | $0 |
| 2023 | 205 | $1,839,079 | * | $7,500 | * | $60,000 | * | $1,906,579 |

** Not disclosed due to confidentiality concerns*

In Tax Year 2023, taxpayers reported $1,906,579 Adoption credits on their returns.

# Apprenticeship Credit: 15-30-2357, MCA and 39-6-109, MCA

**Legislation: HB 308, 2017 Session**

State taxpayers are allowed a credit for employing an apprentice or veteran apprentice as a new employee in a state-registered apprenticeship training program. The credit is worth $750 per approved apprentice, or $1,500 per approved veteran apprentice, and may only be claimed for five years per apprentice.

The credit is non-refundable and cannot exceed the individual's tax liability.

This credit was first available in Tax Year 2018. The table below shows the credits reported on income tax returns for Tax Years 2018 through 2023.

**Table 9.57 Apprenticeship Credit**

| TY | Residents | | Nonresidents | | Part-Year Residents | | Total | |
|---|---|---|---|---|---|---|---|---|
| | N | $ | N | $ | N | $ | N | $ |
| 2015 | 0 | $0 | 0 | $0 | 0 | $0 | 0 | $0 |
| 2016 | 0 | $0 | 0 | $0 | 0 | $0 | 0 | $0 |
| 2017 | 0 | $0 | 0 | $0 | 0 | $0 | 0 | $0 |
| 2018 | 133 | $154,603 | * | $863 | * | $1,010 | * | $156,476 |
| 2019 | 233 | $294,451 | * | $7,207 | * | $781 | * | $302,439 |
| 2020 | 296 | $392,943 | 14 | $15,755 | * | $790 | * | $409,488 |
| 2021 | 325 | $466,256 | 16 | $20,395 | * | $5,576 | * | $492,227 |
| 2022 | 384 | $596,970 | 18 | $16,889 | * | $3,879 | * | $617,738 |
| 2023 | 424 | $682,857 | 17 | $27,881 | * | $1,578 | * | $712,316 |

** Not disclosed due to confidentiality concerns*

# Capital Gains Credit: 15-30-2301, MCA

**Legislation: HB 407, 2003 Session**

A taxpayer has a gain or loss when the price of an asset the taxpayer owns changes and the change is not equal to depreciation on the asset. Gains and losses are realized when the taxpayer sells the asset. A taxpayer has unrealized gains or losses when the market value of an asset is more or less than the taxpayer's basis, which usually is the purchase price minus depreciation.

In most cases, gains or losses on asset sales are considered capital gains or losses and are given special tax treatment by both federal and Montana law. In some cases, where an asset's book value is less than its market value because of excess depreciation, part or all of the gain from its sale is taxed as ordinary income.

Both federal law and Montana law require taxpayers to recognize gains and losses when assets are sold, rather than when the price change occurs. Gains and losses in the same year are netted against each other. If the result is a net gain, it is taxed that year. A net loss of up to $3,000 ($1,500 for a married taxpayer filing a separate return) may be used to offset other income in the same year, and any loss over this limit must be carried forward to the next year.

Federal law taxes income from capital gains and corporate dividends at lower rates than ordinary income.

Before Tax Year 2024, Montana did not have separate rates for different types of income but did allow a credit equal to 2 percent of capital gains income. If the capital gains credit exceeded the taxpayer's tax liability, the excess credit was not refunded and may not be carried forward or backward to other tax years. This credit was equivalent to taxing capital gains at a lower rate than other income. With the credit, a taxpayer in the top income bracket would be taxed at 6.75 percent on an additional dollar of ordinary income, but at 4.75 percent on an additional dollar of capital gains income.

Starting Tax Year 2024, the 2 percent capital gains tax credit was eliminated. Instead, two different tax rates were created specifically for net-long-term capital gains income. Like at the federal level, these new rates tax capital gains income a rate lower than non-capital gains income. The new tax rates for capital gains income were 3 percent and 4.1 percent.

The income tax would not affect taxpayers' choices between assets that yield a stream of income and assets that provide a return through appreciation if:

- capital gains were taxed (and capital losses were deducted) when they accrue rather than when they are realized
- if capital gains were taxed at the same rate as ordinary income, and
- gains and losses were calculated after adjusting the taxpayer's basis for inflation

In most cases, the preferential treatment of capital gains income creates incentives for taxpayers to invest in assets that produce capital gains rather than producing a stream of income, for taxpayers to make riskier investments, and for taxpayers to hold assets that have appreciated and sell assets that have lost value. However, these incentives may be reversed if taxpayers expect asset price increases to be offset by inflation.

The following table shows capital gains credits for Tax Years 2015 through 2023. The reduction in income tax revenue is less than the total amount of credits claimed because some taxpayers reach zero tax liability without using all of their credit.

**Table 9.58 Capital Gains Credit**

| | Residents | | Nonresidents | | Part-Year Residents | | Total | |
|---|---|---|---|---|---|---|---|---|
| TY | N | $ | N | $ | N | $ | N | $ |
| 2015 | 67,457 | $33,445,616 | 15,263 | $272,007,058 | 2,449 | $2,004,163 | 85,169 | $307,456,837 |
| 2016 | 62,818 | $33,576,490 | 14,410 | $357,188,908 | 2,297 | $3,481,699 | 79,525 | $394,247,097 |
| 2017 | 72,881 | $44,758,820 | 16,863 | $396,299,151 | 2,787 | $2,072,261 | 92,531 | $443,130,232 |
| 2018 | 71,281 | $39,822,120 | 3,688 | $5,293,985 | 1,444 | $522,827 | 76,413 | $45,638,932 |
| 2019 | 73,591 | $50,825,618 | 3,982 | $5,789,021 | 1,533 | $737,781 | 79,106 | $57,352,420 |
| 2020 | 74,137 | $62,915,567 | 4,466 | $12,218,521 | 1,902 | $2,151,091 | 80,505 | $77,285,179 |
| 2021 | 93,649 | $125,399,235 | 5,381 | $19,745,253 | 2,710 | $5,966,078 | 101,740 | $151,110,566 |
| 2022 | 70,428 | $79,894,105 | 4,372 | $17,989,181 | 1,726 | $3,044,966 | 76,526 | $100,928,252 |
| 2023 | 65,536 | $67,122,869 | 3,943 | $13,300,881 | 1,376 | $1,822,818 | 70,855 | $82,246,568 |

** Not disclosed due to confidentiality concerns*

# Credit for Other States' Taxes: 15-30-2302, MCA

**Legislation: HB 38, 1941 Session**

Taxpayers who earn income in more than one state generally will owe tax in each of those states where the taxpayer has an income tax. A Montana resident computes Montana income tax on their entire income and then is allowed a credit for income tax paid to other states. A non-resident or part-year resident computes Montana income tax on their entire income and then multiplies that by the percentage of income earned in Montana to find Montana tax liability. A part-year resident is then allowed a credit for income tax paid to another state on income also taxed in Montana.

If the credit is more than the taxpayer's liability, the excess credit is not refunded and may not be carried forward or backward to another tax year.

This credit prevents two states from taxing the same income. Not having a credit for income tax paid to other states would create a disincentive for individuals to work or have business interests in more than one state. The following table shows the credits claimed for Tax Years 2015 through 2023.

**Table 9.59 Credit for Other States' Taxes**

| | Residents | | Nonresidents | | Part-Year Residents | | Total | |
|---|---|---|---|---|---|---|---|---|
| TY | N | $ | N | $ | N | $ | N | $ |
| 2015 | 13,301 | $31,375,448 | 0 | $0 | 925 | $855,861 | 14,226 | $32,231,309 |
| 2016 | 13,351 | $31,363,032 | 0 | $0 | 460 | $575,796 | 13,811 | $31,938,828 |
| 2017 | 14,070 | $33,636,066 | 0 | $0 | 540 | $502,006 | 14,610 | $34,138,072 |
| 2018 | 14,021 | $31,680,581 | 0 | $0 | 604 | $639,465 | 14,625 | $32,320,046 |
| 2019 | 14,972 | $44,613,482 | 0 | $0 | 675 | $690,143 | 15,647 | $45,303,625 |
| 2020 | 14,409 | $53,792,718 | 0 | $0 | 693 | $5,357,210 | 15,102 | $59,149,928 |
| 2021 | 16,339 | $77,470,924 | 0 | $0 | 851 | $4,917,853 | 17,190 | $82,388,777 |
| 2022 | 17,214 | $77,406,239 | 0 | $0 | 808 | $1,918,412 | 18,022 | $79,324,651 |
| 2023 | 15,513 | $70,101,811 | 0 | $0 | 567 | $1,034,929 | 16,080 | $71,136,740 |

# Earned Income Tax Credit: 15-30-2318, MCA

## Legislation: HB 391, 2017 Session

Individual taxpayers with income from working or owning a business can claim the federal Earned Income Tax Credit if they meet the requirements and file a federal tax return. The credit is determined by the amount of income and number of qualified dependents the taxpayer reports. With zero qualifying children, a taxpayer could receive a federal tax credit of up to $600 in Tax Year 2023, depending on their income. The maximum credit amounts in Tax Year 2023 increased to $3,995 for taxpayers with one qualifying child, $6,604 for two children and $7,430 for three or more. The federal credit is fully refundable.

When first created, taxpayers in Montana were allowed a credit equal to 3 percent of the federal Earned Income Tax Credit on their state income taxes. Starting Tax Year 2024, Montana's credit was increased to 10 percent of the federal credit.

Montana's credit was enacted by the 2017 Legislature and expanded by the 2023 Legislature. The state credit is also fully refundable.

The table below has the number of credits reported on returns through Tax Year 2023.

**Table 9.60 Earned Income Tax Credit**

| | Residents | | Nonresidents | | Part-Year Residents | | Total | |
|---|---|---|---|---|---|---|---|---|
| TY | N | $ | N | $ | N | $ | N | $ |
| 2015 | 0 | $0 | 0 | $0 | 0 | $0 | 0 | $0 |
| 2016 | 0 | $0 | 0 | $0 | 0 | $0 | 0 | $0 |
| 2017 | 0 | $0 | 0 | $0 | 0 | $0 | 0 | $0 |
| 2018 | 0 | $0 | 0 | $0 | 0 | $0 | 0 | $0 |
| 2019 | 66,474 | $4,240,321 | 0 | $0 | 3,696 | $124,461 | 70,170 | $4,364,782 |
| 2020 | 62,711 | $3,867,675 | 0 | $0 | 3,362 | $110,021 | 66,073 | $3,977,696 |
| 2021 | 89,015 | $4,756,086 | 0 | $0 | 6,266 | $180,189 | 95,281 | $4,936,275 |
| 2022 | 57,363 | $3,737,191 | 0 | $0 | 3,087 | $111,341 | 60,450 | $3,848,532 |
| 2023 | 56,502 | $3,943,201 | 0 | $0 | 2,760 | $104,649 | 59,262 | $4,047,850 |

# Elderly Homeowner/Renter Credit: 15-30-2337 to 15-30-2341, MCA

## Legislation: SB 337, 1981 Session

Taxpayers who are age 62 or older and have a household income of less than $45,000 may be eligible for the Elderly Homeowner/Renter Credit. The credit refunds part or all of the property tax a homeowner pays directly, or a renter pays indirectly, that is more than a certain percentage of household income. For a household with income between $12,000 and $45,000, this percentage is 5 percent. For households with lower incomes, the credit refunds part or all of property taxes above a smaller percent of income. For taxpayers with income between $2,000 and $2,999, the credit refunds part or all of property taxes above 0.6 percent of income. The credit is limited to a maximum of $1,150 per household. The credit phases out for households with income between $35,000 and $45,000.

Taxpayers who receive the Elderly Homeowner/Renter Credit pay their property taxes and then receive a partial refund. Local governments, school districts, the university system, and the state general fund all receive full payments of property taxes on these taxpayers' residences. Then, taxpayers are refunded part of the tax they paid via this credit, which reduces revenue going to the general fund.

This credit is essentially a property tax refund administered through the income tax system. The credit could be considered a tax expenditure either for the income tax or the property tax.

This credit provides a subsidy for older taxpayers who own their home and whose income is no longer proportional to the value of their home, to help them stay in their homes. For older taxpayers who rent, it subsidizes the rent they pay.

Taxpayers who claim the credit may take an itemized deduction for property taxes on their homes. For a taxpayer who takes the state and federal standard deductions, the credit reduces state income tax by $1 for each $1 by which the taxpayer's property tax exceeds the credit percentage for their income. If the taxpayer itemizes deductions, the credit reduces the federal deduction for state taxes, which increases federal income tax. This increases the state deduction for federal taxes, further reducing state taxes.

A taxpayer who is eligible for the credit may be in any state rate bracket but is likely to be in the 10 percent or 12 percent federal brackets. The table below shows: federal and state subsidies for a taxpayer in the top state and 12 percent federal rate brackets who claims the credit and itemizes; the federal and state subsidies if the taxpayer itemizes but does not claim the credit; and the difference due to the credit.

For a taxpayer who itemizes, the credit reduces the federal deduction for state taxes by the amount by which the federal deduction for property taxes exceeds the credit percentage.

The tables below show the credits claimed with income tax returns for Tax Years 2015 through Tax Year 2023.

### Table 9.61 Elderly Homeowner / Renter Credit Offsetting Factors

| Taxpayer Claims Credit and Federal and State Deductions | |
|---|---|
| Federal Tax Subsidy | -$0.82 |
| State Tax Subsidy | $106.81 |
| Net Taxpayer Subsidy | $105.99 |

| Taxpayer Claims Federal and State Itemized Deductions | |
|---|---|
| Federal Tax Subsidy | $11.28 |
| State Tax Subsidy | $5.99 |
| Net Taxpayer Subsidy | $17.27 |

| Difference Due to Credit | |
|---|---|
| Federal Tax Subsidy | -$12.1 |
| State Tax Subsidy | $100.82 |
| Net Taxpayer Subsidy | $88.72 |

### Table 9.62 Elderly Homeowner / Renter Credit

| | Residents | | Nonresidents | | Part-Year Residents | | Total | |
|---|---|---|---|---|---|---|---|---|
| TY | N | $ | N | $ | N | $ | N | $ |
| 2015 | 16,112 | $7,817,883 | 0 | $0 | 22 | $10,962 | 16,134 | $7,828,845 |
| 2016 | 16,173 | $8,008,009 | * | $1,768 | 25 | $8,407 | * | $8,018,184 |
| 2017 | 16,261 | $8,294,505 | 0 | $0 | 16 | $5,740 | 16,277 | $8,300,245 |
| 2018 | 16,195 | $8,372,909 | 0 | $0 | 28 | $17,460 | 16,223 | $8,390,369 |
| 2019 | 15,229 | $8,051,148 | 0 | $0 | 24 | $9,540 | 15,253 | $8,060,688 |
| 2020 | 14,615 | $7,837,867 | 0 | $0 | 19 | $9,015 | 14,634 | $7,846,882 |
| 2021 | 13,052 | $7,038,801 | * | $63 | 19 | $10,576 | * | $7,049,440 |
| 2022 | 16,242 | $10,579,731 | 0 | $0 | 31 | $15,178 | 16,273 | $10,594,909 |
| 2023 | 15,195 | $10,022,907 | * | $848 | 28 | $11,538 | * | $10,035,293 |

# Historic Property Preservation Credit: 15-30-2342, MCA and 15-31-151, MCA

## Legislation: HB 601, 1997 Session

Taxpayers may take a credit against either individual income tax or corporation income tax for costs of rehabilitating a certified historic building. The credit is 25 percent of the federal credit allowed by 26 U.S.C. 47(a)(2). The federal credit is 20 percent of the cost of rehabilitation. A certified historic building must either be in the National Register of Historic Buildings or be in a designated historic district and be certified by the Department of the Interior as having historic significance to the district. Only commercial buildings that can be depreciated are eligible for the credit. No credits may be claimed for rehabilitating a private residence. This credit is effectively a subsidy from the state general fund for rehabilitation of privately owned real estate.

Through Tax Year 2011, individuals were allowed a credit against income tax for 20 percent of the costs and loss of value from creating a conservation easement and protecting and preserving the property as required by the conservation easement.

There is no maximum for the rehabilitation credit. If the credit is more than the taxpayer's liability, the excess is not refunded but may be carried forward for seven years.

The rehabilitation credit was enacted by the 1997 Legislature (HB 601). The conservation easement credit was enacted by the 2001 Legislature (HB 619) and was sunset at the end of Tax Year 2011.

With the combination of state and federal credits, a taxpayer who rehabilitates a historic property can have 25 percent of the costs paid by the federal and state governments. Claiming the credits does not reduce the depreciation the taxpayer may take over the life of the building. If the taxpayer itemizes, the state credit will reduce the taxpayer's federal deduction for state taxes, and the federal credit may reduce the taxpayer's state deduction for federal taxes. The following table shows the net federal and state tax subsidies for a taxpayer in the top state and federal rate brackets.

**Table 9.63 $100 Expenditure for Historic Building Rehabilitation**

| Taxpayer Claims State and Federal Credits | | |
|---|---|---|
| | Deduction for Federal Taxes | |
| | Capped | Not Capped |
| Federal Tax Subsidy | $18.15 | $18.61 |
| State Tax Subsidy | $5.00 | $3.74 |
| Net Taxpayer Subsidy | $23.15 | $22.36 |

The following table shows credits taken against individual income tax for Tax Years 2015 through 2023.

**Table 9.64 Historic Property Preservation Credit**

| TY | Residents | | Nonresidents | | Part-Year Residents | | Total | |
|---|---|---|---|---|---|---|---|---|
| | N | $ | N | $ | N | $ | N | $ |
| 2015 | 16 | $363,789 | 46 | $241,925 | 0 | $0 | 62 | $605,714 |
| 2016 | 19 | $301,456 | 33 | $416,873 | * | $50,000 | * | $768,329 |
| 2017 | 13 | $186,753 | 30 | $373,205 | 0 | $0 | 43 | $559,958 |
| 2018 | 18 | $27,884 | 24 | $287,573 | * | $796 | * | $316,253 |
| 2019 | 19 | $36,554 | 35 | $285,746 | * | $16 | * | $322,316 |
| 2020 | 13 | $41,494 | 30 | $317,235 | 0 | $0 | 43 | $358,729 |
| 2021 | 13 | $42,749 | 17 | $224,282 | * | $12,500 | * | $279,531 |
| 2022 | * | $828 | * | $105,872 | 0 | $0 | * | $106,700 |
| 2023 | * | $5,832 | * | $346 | 0 | $0 | * | $6,178 |

** Not disclosed due to confidentiality concerns*

# Infrastructure Users Fee Credit: 17-6-316, MCA

## Legislation: SB 100 and HB 602, 1995 Session

The Board of Investments may make loans to local governments to finance infrastructure to serve a new or relocated business that will result in 15 or more new full-time jobs. The local government may charge fees to the users for extending the infrastructure. The business may claim a credit against income or corporation tax for the amount of the fee it pays.

If the credit is more than the taxpayer's liability, the excess is not refunded, but may be carried forward for seven years or carried back to the three previous tax years. The credit has not been amended since it was enacted.

This credit, in effect, pays the taxpayer for having local infrastructure extended to serve its business. For example, if a business pays $100 per year to its local government to cover the cost of having sewer service extended to the business, it can claim a credit of $100 and deduct $100 as a business expense. For a taxpayer in the 6.75 percent tax bracket, the net effect would be the same as being paid $6.75 per year to have a new sewer hookup. However, if the taxpayer is an individual who itemizes deductions, the taxpayer's federal deduction for state taxes will be smaller, resulting in higher federal taxes. This may result in a smaller state deduction for federal taxes. The table below shows the net change in federal and state taxes and the net subsidy from claiming a $100 credit for a taxpayer in the top federal and state tax rate brackets.

**Table 9.65 $100 Expenditure on Infrastructure Fees**

| Taxpayer Claims State and Federal Credits | | |
|---|---|---|
| | Deduction for Federal Taxes | |
| | Capped | Not Capped |
| Federal Tax Subsidy | -$37.00 | -$37.95 |
| State Tax Subsidy | $100.00 | $102.56 |
| Net Taxpayer Subsidy | $63.00 | $64.61 |

The following table shows credits against individual income tax for Tax Years 2015 through 2023.

**Table 9.66 Infrastructure User Fee Credit**

| TY | Residents | | Nonresidents | | Part-Year Residents | | Total | |
|---|---|---|---|---|---|---|---|---|
| | N | $ | N | $ | N | $ | N | $ |
| 2015 | 13 | $2,832,145 | * | $10,755 | 0 | $0 | * | $2,842,900 |
| 2016 | 14 | $646,145 | * | $11,587 | 0 | $0 | * | $657,732 |
| 2017 | 21 | $3,341,669 | * | $11,011 | 0 | $0 | * | $3,352,680 |
| 2018 | 20 | $6,427,077 | * | $57,084 | 0 | $0 | * | $6,484,161 |
| 2019 | * | $5,019,787 | * | $23,340 | 0 | $0 | * | $5,043,127 |
| 2020 | * | $4,665,962 | * | $21,494 | 0 | $0 | * | $4,687,456 |
| 2021 | * | $4,682,999 | * | $62,650 | 0 | $0 | * | $4,745,649 |
| 2022 | * | $74,578 | * | $589 | 0 | $0 | 0 | $75,167 |
| 2023 | * | $4,196,583 | * | $4,759 | 0 | $0 | * | $4,201,342 |

** Not disclosed due to confidentiality concerns*

In general, local governments recover the cost of infrastructure investments through user fees for the services the infrastructure provides, as with water and sewer services, or through taxes, as with roads. In some cases, local governments charge impact fees to cover the cost of extending infrastructure to new developments. Through this credit, the state general fund pays the cost of extending infrastructure to selected new businesses. This credit provides a subsidy for businesses that locate into a jurisdiction that needs to invest in additional infrastructure to provide services to the business rather than in a jurisdiction that has existing capacity.

# Innovative Educational Program Credit: 15-30-3110, MCA

**Legislation: SB 410, 2015 Session**

Taxpayers are allowed a credit against any pre-approved donation to the state's educational improvement account. Through Tax Year 2021, the credit was limited to $150 per taxpayer, with a limit of $300 for taxpayers who file a joint return. Starting Tax Year 2022, the maximum credit for each taxpayer was increased to $200,000. The credit is proportional to the size of the donation made by the taxpayer, up to the credit limit. The credit is non-refundable and can be claimed by individuals, corporations, partnerships, small businesses, estates, and trusts.

The credit was first available in Tax Year 2016. The total amount of credits that can be claimed each tax year is capped, with a limit of $3 million in total credits in Tax Year 2021. The maximum credit amount was reduced to $1 million for Tax Year 2022 and $2 million in Tax Year 2023. The 2023 Legislature (HB 408) increased the maximum credit amount to $5 million in Tax Year 2024.

This credit effectively pays the taxpayer for donating to the state's education improvement account. For example, if an individual donates $100 to the improvement account, they will be able to claim a credit of $100. However, if the taxpayer is an individual who itemizes their deductions, the taxpayer's federal deduction for state taxes will be smaller, resulting in higher federal taxes.

This may result in a smaller state deduction for federal taxes. The table below shows the net change in federal and state taxes and the net subsidy from claiming a $100 credit for a taxpayer in the top federal and state tax rate brackets who itemize their deductions.

**Table 9.67 $100 Contribution to Innovative Educational Program**

| Taxpayer Claims State and Federal Credits | | |
|---|---|---|
| | Deduction for Federal Taxes | |
| | Capped | Not Capped |
| Federal Tax Subsidy | -$37.00 | -$37.95 |
| State Tax Subsidy | $100.00 | $102.56 |
| Net Taxpayer Subsidy | $63.00 | $64.61 |

The following table shows the credits claimed on individual income tax returns for Tax Years 2016 through 2023.

**Table 9.68 Innovative Educational Program Credit**

| | Residents | | Nonresidents | | Part-Year Residents | | Total | |
|---|---|---|---|---|---|---|---|---|
| TY | N | $ | N | $ | N | $ | N | $ |
| 2015 | 0 | $0 | 0 | $0 | 0 | $0 | 0 | $0 |
| 2016 | 35 | $7,601 | 0 | $0 | * | $100 | * | $7,701 |
| 2017 | 39 | $8,420 | 0 | $0 | * | $540 | * | $8,960 |
| 2018 | 18 | $3,700 | 0 | $0 | 0 | $0 | 18 | $3,700 |
| 2019 | * | $1,651 | * | $150 | * | $1 | * | $1,802 |
| 2020 | 13 | $2,450 | 0 | $0 | 0 | $0 | 13 | $2,450 |
| 2021 | * | $1,500 | * | $150 | * | $150 | * | $1,800 |
| 2022 | 20 | $209,131 | 0 | $0 | 0 | $0 | 20 | $209,131 |
| 2023 | 54 | $763,376 | 0 | $0 | * | $11,000 | * | $774,376 |

** Not disclosed due to confidentiality concerns*

# Job Growth Incentive Credit: 15-30-2361, MCA

## Legislation: HB 629, 2021 Session

Since Tax Year 2022, taxpayers have been able to claim an individual income tax credit for half the Federal Insurance Contributions Act (FICA) paid by an employer for qualified new employees.

To qualify for the credit, an employer must hire new qualifying employees that are associated with a project in the state that "encourages, promotes, and stimulates economic development in the sectors of construction, natural resources, mining, agriculture, forestry, manufacturing, transportation, utilities, or outdoor recreation." The employer must also have net employee growth associated with the qualifying project.

To qualify, new employees must have been hired towards the qualifying project. They must also have an annual wage that is above the qualifying cutoff amount, which is adjusted each year for inflation. The qualifying income amounts were $50,000 in 2022 and $54,530 in 2023. Qualifying employees must also work at least 6 months in the year the credit is being claimed.

If an employer meets the credit requirements, they must apply for a tax credit certificate from the Montana Department of Labor and Industry before they can claim the credit. If the Department of Labor and Industry determines the businesses has met all the necessary requirements, they will issue a credit certificate. With the credit certificate, the employer can claim the Job Growth Incentive credit on their personal income tax returns.

The credit is non-refundable, but taxpayer can carryforward unused credit amounts for up to 10 years. The credit is currently set to expire in Tax Year 2028.

This credit is unique in that the use of this credit is not considered confidential taxpayer information. Taxpayers who claim the credit consent to the Department of Revenue reporting their use of the credit to the Revenue Interim Committee and Department of Labor and Industry. They also consent to the release of the number of employees used to claim the credit and the number of credits claimed.

The following table shows the credits claimed on individual income tax returns for Tax Years 2022 and 2023.

**Table 9.69 Job Growth Incentive Credit**

| | Residents | | Nonresidents | | Part-Year Residents | | Total | |
|---|---|---|---|---|---|---|---|---|
| TY | N | $ | N | $ | N | $ | N | $ |
| 2015 | 0 | $0 | 0 | $0 | 0 | $0 | 0 | $0 |
| 2016 | 0 | $0 | 0 | $0 | 0 | $0 | 0 | $0 |
| 2017 | 0 | $0 | 0 | $0 | 0 | $0 | 0 | $0 |
| 2018 | 0 | $0 | 0 | $0 | 0 | $0 | 0 | $0 |
| 2019 | 0 | $0 | 0 | $0 | 0 | $0 | 0 | $0 |
| 2020 | 0 | $0 | 0 | $0 | 0 | $0 | 0 | $0 |
| 2021 | 0 | $0 | 0 | $0 | 0 | $0 | 0 | $0 |
| 2022 | 0 | $0 | 0 | $0 | 0 | $0 | 0 | $0 |
| 2023 | 0 | $0 | 0 | $0 | 0 | $0 | 0 | $0 |

# Media Production Credit: 15-31-1001 through 1012, MCA

**Legislation: HB 293, 2019 Session**

Media production companies, and their affiliates, are allowed to claim a credit against their individual or corporate income taxes for any investments made by a state-certified production in the state during the tax year. To claim the credit, the production company must have been approved by the Department of Commerce. The credit is equal to 20 percent of the production expenditures made in Montana during the tax year. Additional credits are allowed for the production based on the compensation provided to residents and non-residents, equipment purchases or rentals, or for spending in underserved areas of the state. In total, up to 35 percent of the production company's base investments can be claimed as credits by the qualified company.

Any unused credits can be carried forward for up to five years or can be transferred to a different taxpayer for the tax year. Transferred tax credits sold by the production companies must be purchased at a price that is equal to at least 85 percent of the credits value. The total number of credits that can be claimed are limited to $12 million each tax year.

The following table shows the credits claimed on individual income tax returns for Tax Years 2020 through 2023.

**Table 9.70 Media Production Credit**

| TY | Residents | | Nonresidents | | Part-Year Residents | | Total | |
|---|---|---|---|---|---|---|---|---|
| | N | $ | N | $ | N | $ | N | $ |
| 2015 | 0 | $0 | 0 | $0 | 0 | $0 | 0 | $0 |
| 2016 | 0 | $0 | 0 | $0 | 0 | $0 | 0 | $0 |
| 2017 | 0 | $0 | 0 | $0 | 0 | $0 | 0 | $0 |
| 2018 | 0 | $0 | 0 | $0 | 0 | $0 | 0 | $0 |
| 2019 | 0 | $0 | 0 | $0 | 0 | $0 | 0 | $0 |
| 2020 | 12 | $1,723,316 | 0 | $0 | 0 | $0 | 0 | $1,723,316 |
| 2021 | 18 | $3,991,438 | 0 | $0 | 0 | $0 | 0 | $3,991,438 |
| 2022 | * | $800,619 | * | $91 | 0 | $0 | * | $800,710 |
| 2023 | 22 | $2,845,824 | * | $1 | 0 | $0 | * | $2,845,825 |

** Not disclosed due to confidentiality concerns*

# Qualified Endowment Credit: 15-30-2327, MCA through 15-30-2329, MCA

**Legislation: HB 434, 1997 Session**

Individual taxpayers are allowed a credit of 40 percent of the present value of a planned gift to a qualified endowment, which is a permanent fund held by or on behalf of a 501(c)(3) charitable organization. A planned gift is one of nine types of arrangements specified in the IRS code. Planned gifts basically fall into three categories. In the first, the donor continues to receive income or benefits from the donated assets, either for a fixed term or for life, and the endowment receives the assets at the end of the term or when the donor dies. Examples include charitable remainder trusts and life estate arrangements. In the second category, the endowment receives income from the assets, generally for a fixed term, and then the assets revert to the donor or the donor's heirs. Charitable lead trusts fall into this category. The third category of planned gifts is paid-up life insurance.

Corporations are allowed a credit of 20 percent of a gift to a qualified endowment. Because the concept of planned gifts only makes sense for individuals, corporations are only allowed the credit for an outright gift.

Before Tax Year 2024, the credit was limited to $10,000. Starting Tax Year 2024, the maximum credit amount was increased a maximum of $15,000. A taxpayer with a credit that is larger than their tax liability will not be refunded the excess, and excess credits may not be carried forward or backward to another tax year. A taxpayer may claim the credit for multiple gifts in one year, as long as total credits do not exceed $15,000. A taxpayer who makes eligible contributions in multiple years may take the credit each year. An individual will receive the maximum credit for a gift with a present value of $37,500. A corporation will receive the maximum credit for a gift of $75,000.

The credit originally was 50 percent of the present value of the planned gift with a limit of $10,000. The credit was to sunset at the end of Tax Year 2001. The 2001 Legislature (HB 377) reduced the credit to 40 percent of the present value of the planned gift for individuals and 20 percent of the value of the gift for corporations. It also clarified the definition of planned gift and extended the sunset date to the end of Tax Year 2007. The 2001 Legislature (SB 350) also created an affordable housing revolving loan program and made contributions to the account for this program eligible for the credit. This provision sunset at the end of Tax Year 2004, and the Legislature did not extend it. In August 2002, the Montana legislature met in a special session to deal with revenue shortfalls.

To reduce the costs of the credit in the short run, the Legislature (SB 15) reduced the credit for the period from August 28, 2002, through June 30, 2003, to 30 plrcent for individuals and 13.3 percent for corporations, with a cap of $6,600. The same bill increased the credit for the period from July 1, 2003, to April 30, 2004, to 50 percent for individuals and 26.7 percent for corporations, with a cap of $13,400. The credit returned to its previous levels on May 1, 2004. The 2003 Legislature (SB 143) defined the term "charitable gift annuity" in Montana Code Annotated Title 33, which deals with insurance, and made the credit language refer to that definition. The 2005 Legislature (HB 193) provided for recapture of the tax credit when a gift is returned to the taxpayer. The 2007 Legislature (SB 150) clarified that a building fund or other fund that spends from contributions rather than just from its earnings is not a charitable endowment. SB 150 also extended the sunset date to the end of 2013. The 2013 Legislature (SB 108) extended the sunset date to the end of Tax Year 2019. The credit was extended again during the 2019 Legislature (SB 111) to the end of Tax Year 2025. The 2023 Legislature (SB 506) extended the credit indefinitely and increased the maximum credit amount from $10,000 to $15,000.

The arrangements that can be used for planned gifts are defined in the IRS code, but there is no specific federal tax treatment of planned gifts other than the general deduction for contributions. A taxpayer may not claim the credit for a gift and take a state itemized deduction for the same gift. If the present value of the contribution exceeds the limit, the deduction may be taken on the excess. The taxpayer may take a federal itemized deduction for the full amount of the gift.

This credit is essentially a transfer from the state general fund to Montana charitable endowment funds. The table below shows the portions of a $100 contribution to an eligible endowment fund that are ultimately paid by a donor, and by federal and state taxpayers, when the donor claims state and federal itemized deductions for the donation, when the donor claims the state credit and the federal deduction, and the difference due to the credit. The table assumes that the donor is in the top federal and state rate brackets.

**Table 9.71 $100 Contribution to Charitable Endowment Fund**

| Taxpayer Claims Credit and Federal Itemized Deduction | | |
|---|---|---|
| | Deduction for Federal Taxes | |
| | Capped | Not Capped |
| Federal Tax Subsidy | $22.20 | $22.77 |
| State Tax Subsidy | $40.00 | $38.46 |
| Net Taxpayer Subsidy | $62.20 | $61.23 |

| Taxpayer Claims Federal and State Itemized Deductions | | |
|---|---|---|
| | Deduction for Federal Taxes | |
| | Capped | Not Capped |
| Federal Tax Subsidy | $34.50 | $35.39 |
| State Tax Subsidy | $6.75 | $4.36 |
| Net Taxpayer Subsidy | $41.25 | $39.75 |

| Difference Due to Credit | | |
|---|---|---|
| | Deduction for Federal Taxes | |
| | Capped | Not Capped |
| Federal Tax Subsidy | -$12.30 | -$12.62 |
| State Tax Subsidy | $33.25 | $34.10 |
| Net Taxpayer Subsidy | $20.95 | $21.48 |

A taxpayer who takes state and federal itemized deductions for a charitable contribution receives a subsidy from other taxpayers of a little more than 40 percent of the donation, with most of that subsidy coming from federal taxes. A taxpayer who claims the state credit and a federal itemized deduction receives a subsidy of a little more than 60 percent, with about two-thirds of the subsidy coming from state taxes.

The table below shows qualified endowment credits claimed by individuals for Tax Years 2015 through 2023.

**Table 9.72 Qualified Endowment Contribution Credit**

| | Residents | | Nonresidents | | Part-Year Residents | | Total | |
|---|---|---|---|---|---|---|---|---|
| TY | N | $ | N | $ | N | $ | N | $ |
| 2015 | 616 | $2,461,321 | * | $24,060 | * | $9,545 | * | $2,494,926 |
| 2016 | 641 | $2,708,754 | * | $32,071 | * | $2,046 | * | $2,742,871 |
| 2017 | 728 | $3,157,163 | 15 | $58,607 | * | $10,020 | * | $3,225,790 |
| 2018 | 597 | $2,528,221 | * | $53,395 | * | $908 | * | $2,582,524 |
| 2019 | 665 | $3,007,492 | 11 | $77,440 | * | $6,497 | * | $3,091,429 |
| 2020 | 618 | $2,676,780 | * | $53,909 | * | $9,889 | * | $2,740,578 |
| 2021 | 654 | $3,577,812 | 10 | $50,961 | * | $10,031 | * | $3,638,804 |
| 2022 | 632 | $3,372,075 | * | $25,981 | * | $750 | * | $3,398,806 |
| 2023 | 590 | $3,126,367 | * | $3,302 | * | $1,183 | * | $3,130,852 |

** Not disclosed due to confidentiality concerns*

# Recycling Credit: 15-32-601, MCA through 15-32-614, MCA

**Legislation: SB 111, 1991 Session**

Taxpayers are allowed a credit against individual income tax or corporate license tax for part of the cost of investments in depreciable property used in collecting or processing reclaimable material or in manufacturing a product from reclaimed material. The credit is 25 percent of the first $250,000 invested, 15 percent of the next $250,000 invested, and 5 percent of the next $500,000 invested. The credit for an investment of $1 million or more is $125,000.

If a taxpayer claims a credit in excess of his or her tax liability, the excess credit is not refunded and may not be carried forward or backward to another tax year. An individual may claim the credit directly for an investment made by a sole-proprietor business or may claim a share of the credit for an investment made by a pass-through entity.

The credit was enacted as a credit equal to 25 percent of investments made between Tax Years 1990 and 1995. The 1993 Legislature (HB 519) clarified the definitions used to determine eligible investments. The 1995 Legislature (SB 358) extended the sunset date to Tax Year 2001 and expanded eligible investments to include equipment to reclaim contaminated soils. The 2001 Legislature (SB 92) extended the sunset date to Tax Year 2005 and removed equipment to reclaim contaminated soils from eligible investments. The 2005 Legislature (SB 213) extended the sunset date to Tax Year 2011. The 2009 Legislature (HB 21) made the credit permanent.

The basis of property for which the credit is claimed is not affected by the credit. Taxpayers are allowed to deduct depreciation on property on which the credit has been claimed.

The credit provides a subsidy to taxpayers who make investments in recycling plant and equipment by reducing the taxpayer's cost. For investments under $250,000, the cost is reduced by 25 percent. For more expensive investments, the percentage reduction is a declining function of the cost.

If a taxpayer who claims this credit itemizes deductions on their federal and state tax returns, the credit will reduce the federal deduction for state taxes, increasing the taxpayer's federal income tax. If the taxpayer's federal taxes are less than the cap on the state deduction for federal taxes, this will increase that deduction, reducing state taxes. The following table shows the net state tax subsidy and federal tax cost for the first $100 of expenditure on recycling equipment by a taxpayer in the top federal and state rate brackets.

**Table 9.73 $100 Recycling Equipment Expenditure**

| Difference Due to Credit | | |
|---|---|---|
| | Deduction for Federal Taxes | |
| | Capped | Not Capped |
| Federal Tax Subsidy | -$9.25 | -$9.49 |
| State Tax Subsidy | $25.00 | $25.64 |
| Net Taxpayer Subsidy | $15.75 | $16.15 |

The following table shows use of the recycling credit by individuals for Tax Years 2015 through 2023. This credit is equivalent to a subsidy from the state general fund for the purchase of private property to be used in recycling.

**Table 9.74 Recycling Credit**

| | Residents | | Nonresidents | | Part-Year Residents | | Total | |
|---|---|---|---|---|---|---|---|---|
| TY | N | $ | N | $ | N | $ | N | $ |
| 2015 | 71 | $279,657 | * | $1,762 | * | $500 | * | $281,919 |
| 2016 | 101 | $329,343 | * | $4,448 | * | $30 | * | $333,821 |
| 2017 | 106 | $473,540 | * | $27,029 | * | $110 | * | $500,679 |
| 2018 | 91 | $545,086 | * | $12,700 | 10 | $4,480 | * | $562,266 |
| 2019 | 83 | $426,741 | * | $1,602 | * | $9,195 | * | $437,538 |
| 2020 | 118 | $508,351 | * | $14,187 | * | $53 | * | $522,591 |
| 2021 | 105 | $884,053 | * | $24,274 | * | $1,073 | * | $909,400 |
| 2022 | 92 | $642,146 | * | $162 | * | $202 | * | $642,510 |
| 2023 | 78 | $590,774 | * | $150 | * | $394 | * | $591,318 |

** Not disclosed due to confidentiality concerns*

# Student Scholarship Organization Credit: 15-30-3111, MCA

## Legislation: SB 410, 2015 Session

Taxpayers are allowed a credit against any preapproved charitable donation to a registered student scholarship organization in the state. Through Tax Year 2021, the credit was limited to $150 per taxpayer, with a limit of $300 for taxpayers who file a joint return. Starting in Tax Year 2022, the maximum credit amount per taxpayer was increased to $200,000. The credit is proportional to the size of the donation made by the taxpayer up to the credit limit. The credit is non-refundable and can be claimed by individuals, corporations, partnerships, small businesses, estates, and trusts.

The credit was first available in Tax Year 2016. The total amount of credits that can be claimed each tax year is capped, with a limit of $3 million in total credits for Tax Year 2019. For Tax Years 2022 and 2023, the maximum credit amounts were changed to $1 million and $2 million, respectively. The 2023 Legislature (HB 408) increased the maximum credit amount to $5 million in Tax Year 2024.

This credit, in effect, pays the taxpayer for donating to a student scholarship organization. For example, if an individual donates $100 to an organization, they will be able to claim a credit of $100. However, if the taxpayer is an individual who itemizes their deductions, the taxpayer's federal deduction for state taxes will be smaller, resulting in higher federal taxes. This may result in a smaller state deduction for federal taxes. The table below shows the net change in federal and state taxes and the net subsidy from claiming a $100 credit for a taxpayer in the top federal and state tax rate brackets who itemize their deductions.

**Table 9.75 $100 Contribution to Student Scholarship Organization**

| Difference Due to Credit | | |
|---|---|---|
| | Deduction for Federal Taxes | |
| | Capped | Not Capped |
| Federal Tax Subsidy | -$37.00 | -$37.95 |
| State Tax Subsidy | $100.00 | $102.56 |
| Net Taxpayer Subsidy | $63.00 | $64.61 |

The table below shows the credits claimed on individual income tax returns for Tax Years 2015 through 2023.

**Table 9.76 Student Scholarship Organization Credit**

| | Residents | | Nonresidents | | Part-Year Residents | | Total | |
|---|---|---|---|---|---|---|---|---|
| TY | N | $ | N | $ | N | $ | N | $ |
| 2015 | 0 | $0 | 0 | $0 | 0 | $0 | 0 | $0 |
| 2016 | 130 | $30,474 | * | $5 | * | $1,350 | * | $31,829 |
| 2017 | 123 | $27,732 | 0 | $0 | * | $150 | * | $27,882 |
| 2018 | 54 | $10,301 | * | $150 | * | $300 | * | $10,751 |
| 2019 | * | $1,560 | * | $3 | 0 | $0 | * | $1,563 |
| 2020 | 30 | $5,690 | * | $251 | * | $300 | * | $6,241 |
| 2021 | 40 | $6,639 | * | $300 | * | $600 | * | $7,539 |
| 2022 | 39 | $590,850 | * | $132 | 0 | $0 | * | $590,982 |
| 2023 | 47 | $1,818,564 | * | $500 | 0 | $0 | * | $1,819,064 |

** Not disclosed due to confidentiality concerns*

# Trades Education and Training Credit: 15-30-2359, MCA and 15-31-174, MCA

**Legislation: HB 252, 2021 Session**

Taxpayers are allowed a credit for training expenses paid by the taxpayer to an unrelated third-party for training of qualified employees in a vocational, technical, or trade profession.

The 2023 Legislature (HB 245) expanded the number of occupations that qualify for the credit and extended the termination date of the credit from Tax Year 2026 to Tax Year 2028.

The credit is equal to 50% of the costs incurred by the taxpayer on qualified expenses and is limited to $2,000 per employee and $25,000 per employer. The credit is non-refundable and cannot be carried forward or backward.

This credit was first available in Tax Year 2021, and it set to expire after Tax Year 2028. The table below shows the credit use through Tax Year 2023.

**Table 9.77 Trades Education and Training Credit**

| | Residents | | Nonresidents | | Part-Year Residents | | Total | |
|---|---|---|---|---|---|---|---|---|
| TY | N | $ | N | $ | N | $ | N | $ |
| 2015 | 0 | $0 | 0 | $0 | 0 | $0 | 0 | $0 |
| 2016 | 0 | $0 | 0 | $0 | 0 | $0 | 0 | $0 |
| 2017 | 0 | $0 | 0 | $0 | 0 | $0 | 0 | $0 |
| 2018 | 0 | $0 | 0 | $0 | 0 | $0 | 0 | $0 |
| 2019 | 0 | $0 | 0 | $0 | 0 | $0 | 0 | $0 |
| 2020 | 0 | $0 | 0 | $0 | 0 | $0 | 0 | $0 |
| 2021 | 166 | $236,789 | * | $12,959 | 9 | $6,191 | * | $255,939 |
| 2022 | 31 | $34,641 | * | $4,169 | 3 | $2,083 | * | $40,893 |
| 2023 | 25 | $53,521 | 0 | $0 | 0 | $0 | 25 | $53,521 |

** Not disclosed due to confidentiality concerns*

# Unlocking State Lands Credit: 15-30-2380, MCA

## Legislation: HB 444, 2013 Session

A taxpayer is allowed a credit of $750 for allowing recreational access across the taxpayer's property to an isolated parcel of state land or federal land managed by the U.S. Forest Service or the U.S. Bureau of Land Management. Access must be granted by a contract between the landowner and the Montana Department of Fish, Wildlife, and Parks. A taxpayer granting access across multiple parcels is limited to a maximum of $3,000 in credits. If a property has multiple owners, they are to share a single credit for granting access. If the credit is more than the taxpayer's tax liability, the excess is to be refunded.

This credit was enacted by the 2013 Legislature and was first available for Tax Year 2014. SB 309, enacted by the 2015 Legislature, increased the maximum credit per taxpayer from $2,000 to $3,000 and expanded coverage to providing access to federal land. The 2017 Legislature (HB 498) extended the credit sunset date to the end of Tax Year 2027.

This credit is equivalent to an annual lease payment of $750 for an easement across private land. The following table shows credits claimed for Tax Years 2015 through 2023. For each tax year, the number of taxpayers claiming the credit was less than 10 and could not be released.

**Table 9.78 Unlocking State Lands Credit**

| | Residents | | Nonresidents | | Part-Year Residents | | Total | |
|---|---|---|---|---|---|---|---|---|
| TY | N | $ | N | $ | N | $ | N | $ |
| 2015 | * | $1,086 | * | $153 | 0 | $0 | * | $1,239 |
| 2016 | * | $1,973 | 0 | $0 | 0 | $0 | * | $1,973 |
| 2017 | * | $1,973 | 0 | $0 | 0 | $0 | * | $1,973 |
| 2018 | * | $100 | 0 | $0 | 0 | $0 | * | $100 |
| 2019 | * | $7,500 | * | $430 | 0 | $0 | * | $7,930 |
| 2020 | * | $2,413 | * | $286 | 0 | $0 | * | $2,699 |
| 2021 | * | $1,500 | 0 | $0 | 0 | $0 | * | $1,500 |
| 2022 | * | $1,500 | 0 | $0 | 0 | $0 | * | $1,500 |
| 2023 | * | $1,929 | * | $286 | 0 | $0 | * | $2,215 |

** Not disclosed due to confidentiality concerns*

# Individual Income Tax Expenditures Summary

## Tax Expenditures by Income

The tables on the following pages show the distribution of income tax expenditures between income groups and between residents and non-residents. The left half of the table shows the number of residents in 13 income groups and the number of non-residents and part-year residents. The first group contains all taxpayers with incomes less than zero. The next nine categories contain the remaining taxpayers and groups them into income deciles. The final three categories contain the final decile broken down into three equal groups based on their income. It also shows total income, the percent of total income, total tax, and the percent of total tax for each group. The right half of the table shows total tax expenditures and the percent of the total going to each group for four categories of tax expenditures and for the total.

## Table 9.79 Income Tax Expenditures by Household Income Tax Year 2022 ($ million)

| Residents | Returns | Tax-payers | Total Household Income* | | Tax | | Passive Federal | | State Adjustments | | Itemized | | Credit | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | $ million | % of Total | $ million | % of Total | $ million | % of Total | $ million | % of Total | $ million | % of Total | $ million | % of Total | $ million | % of Total |
| Income range | 5,461 | 7,725 | -$256.3 | -0.6% | -$0.7 | 0.0% | $0.0 | 0.0% | $0.0 | 0.0% | $0.0 | 0.0% | $0.6 | 0.3% | $0.6 | 0.1% |
| Less than $0 | 49,451 | 54,632 | $202.2 | 0.5% | $0.0 | 0.0% | $0.0 | 0.0% | $0.0 | 0.0% | $0.0 | 0.0% | $6.4 | 3.3% | $6.4 | 1.2% |
| $0 to $8,581 | 49,451 | 55,504 | $639.7 | 1.4% | $3.6 | 0.2% | $0.1 | 0.3% | $0.5 | 1.0% | $0.2 | 0.1% | $3.5 | 1.8% | $4.3 | 0.8% |
| $8,582 to $17,420 | 49,451 | 56,894 | $1,106.6 | 2.5% | $14.0 | 0.7% | $0.5 | 1.0% | $1.8 | 3.6% | $1.1 | 0.4% | $2.4 | 1.3% | $5.8 | 1.1% |
| $17,421 to $27,283 | 49,451 | 57,879 | $1,586.5 | 3.5% | $34.0 | 1.8% | $0.9 | 1.8% | $3.7 | 7.4% | $3.0 | 1.2% | $1.7 | 0.9% | $9.4 | 1.7% |
| $27,284 to $36,898 | 49,451 | 59,574 | $2,082.5 | 4.6% | $60.4 | 3.2% | $1.4 | 2.9% | $4.2 | 8.5% | $7.5 | 3.0% | $1.2 | 0.7% | $14.4 | 2.7% |
| $36,899 to $47,779 | 49,451 | 64,369 | $2,701.6 | 6.0% | $89.7 | 4.7% | $2.2 | 4.4% | $5.2 | 10.3% | $14.8 | 5.9% | $1.5 | 0.8% | $23.6 | 4.4% |
| $47,780 to $62,150 | 49,451 | 72,351 | $3,523.5 | 7.9% | $126.9 | 6.7% | $3.3 | 6.5% | $6.2 | 12.4% | $24.3 | 9.7% | $2.5 | 1.3% | $36.3 | 6.7% |
| $62,151 to $81,397 | 49,451 | 82,657 | $4,648.0 | 10.4% | $178.9 | 9.4% | $4.6 | 9.1% | $7.5 | 15.0% | $36.8 | 14.8% | $4.2 | 2.2% | $53.1 | 9.8% |
| $81,398 to $10,095 | 49,451 | 89,449 | $6,349.6 | 14.2% | $270.5 | 14.2% | $6.9 | 13.7% | $8.1 | 16.2% | $52.9 | 21.2% | $7.9 | 4.1% | $75.7 | 14.0% |
| $10,096 to $155,872 | 16,483 | 30,442 | $2,820.6 | 6.3% | $130.9 | 6.9% | $3.6 | 7.2% | $2.8 | 5.6% | $22.3 | 8.9% | $5.3 | 2.8% | $34.1 | 6.3% |
| $155,873 to $190,062 | 16,484 | 30,395 | $3,708.4 | 8.3% | $182.2 | 9.6% | $6.6 | 13.1% | $2.8 | 5.6% | $25.9 | 10.4% | $11.2 | 5.8% | $46.5 | 8.6% |
| $190,063 to $277,200 | 16,484 | 30,206 | $11,787.4 | 26.3% | $631.7 | 33.3% | $17.2 | 34.2% | $3.8 | 7.5% | $49.4 | 19.8% | $122.2 | 63.6% | $192.5 | 35.6% |
| Over $277,200 | 499,971 | 692,077 | $40,900.5 | 91.3% | $1,722.1 | 90.7% | $47.3 | 94.1% | $46.5 | 93.3% | $238.0 | 95.5% | $170.7 | 88.9% | $502.6 | 92.8% |
| Resident Total | 499,971 | 692,077 | $40,900.5 | 91.3% | $1,722.1 | 90.7% | $47.3 | 94.1% | $46.5 | 93.3% | $238.0 | 95.5% | $170.7 | 88.9% | $502.6 | 92.8% |
| Nonresidents | 64,329 | 95,783 | $2,681.4 | 6.0% | $123.0 | 6.5% | $2.2 | 4.3% | $2.2 | 4.3% | $7.0 | 2.8% | $16.7 | 8.7% | $28.1 | 5.2% |
| Part-Year Residents | 32,402 | 41,632 | $1,229.5 | 2.7% | $53.9 | 2.8% | $0.8 | 1.6% | $1.2 | 2.3% | $4.3 | 1.7% | $4.6 | 2.4% | $10.8 | 2.0% |
| Total | 596,702 | 829,492 | $44,811.3 | 100.0% | $1,899.0 | 100.0% | $50.3 | 100.0% | $49.9 | 100.0% | $249.4 | 100.0% | $192.1 | 100.0% | $541.6 | 100.0% |

**Montana Source Income for Nonresidents and Part-Year Residents*

## Table 9.80 Income Tax Expenditures by Household Income Tax Year 2023 ($ million)

| Residents | Returns | Tax-payers | Total Household Income* | | Tax | | Passive Federal | | State Adjustments | | Itemized | | Credit | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | $ million | % of Total | $ million | % of Total | $ million | % of Total | $ million | % of Total | $ million | % of Total | $ million | % of Total | $ million | % of Total |
| Income range | 5,601 | 7,898 | -$234.4 | -0.5% | -$0.5 | 0.0% | $0.0 | 0.0% | $0.0 | 0.0% | $0.0 | 0.0% | $0.6 | 0.3% | $0.6 | 0.1% |
| Less than $0 | 50,044 | 55,294 | $221.5 | 0.5% | $0.1 | 0.0% | $0.0 | 0.0% | $0.0 | 0.0% | $0.0 | 0.0% | $6.7 | 3.9% | $6.7 | 1.2% |
| $0 to $9,238 | 50,044 | 55,997 | $700.0 | 1.5% | $4.0 | 0.2% | $0.2 | 0.3% | $0.5 | 0.9% | $0.2 | 0.1% | $3.3 | 1.9% | $4.2 | 0.8% |
| $9,239 to $18,896 | 50,044 | 57,385 | $1,208.5 | 2.6% | $15.3 | 0.8% | $0.5 | 1.0% | $1.9 | 3.2% | $1.1 | 0.4% | $2.3 | 1.4% | $5.9 | 1.1% |
| $18,897 to $29,388 | 50,044 | 58,163 | $1,726.7 | 3.7% | $37.1 | 1.9% | $1.0 | 1.9% | $3.8 | 6.4% | $3.0 | 1.2% | $1.7 | 1.0% | $9.5 | 1.8% |
| $29,389 to $39,505 | 50,045 | 60,169 | $2,256.6 | 4.9% | $64.6 | 3.3% | $1.5 | 3.0% | $4.7 | 7.9% | $7.6 | 3.0% | $1.3 | 0.8% | $15.1 | 2.8% |
| $39,506 to $51,089 | 50,044 | 64,840 | $2,909.8 | 6.3% | $95.6 | 4.9% | $2.3 | 4.5% | $5.5 | 9.4% | $14.8 | 5.8% | $1.7 | 1.0% | $24.4 | 4.5% |
| $51,090 to $65,925 | 50,044 | 72,546 | $3,774.6 | 8.1% | $135.3 | 7.0% | $3.5 | 6.8% | $6.7 | 11.3% | $24.4 | 9.6% | $2.5 | 1.5% | $37.2 | 6.9% |
| $65,926 to $86,043 | 50,044 | 83,411 | $4,967.6 | 10.7% | $189.3 | 9.7% | $4.7 | 9.0% | $8.2 | 13.9% | $37.7 | 14.8% | $4.1 | 2.4% | $54.8 | 10.2% |
| $86,044 to $11,102 | 50,044 | 90,340 | $6,761.4 | 14.6% | $285.7 | 14.7% | $7.2 | 13.9% | $9.0 | 15.2% | $54.7 | 21.4% | $7.3 | 4.2% | $78.2 | 14.5% |
| $11,103 to $162,810 | 16,682 | 30,948 | $2,976.3 | 6.4% | $137.2 | 7.1% | $3.7 | 7.1% | $3.3 | 5.5% | $22.9 | 8.9% | $4.6 | 2.7% | $34.4 | 6.4% |
| $162,811 to $197,400 | 16,681 | 30,858 | $3,859.3 | 8.3% | $188.5 | 9.7% | $6.5 | 12.6% | $3.7 | 6.2% | $27.3 | 10.7% | $9.6 | 5.5% | $47.1 | 8.7% |
| $197,401 to $282,653 | 16,682 | 30,686 | $12,071.3 | 26.0% | $648.9 | 33.4% | $17.9 | 34.7% | $7.6 | 12.9% | $51.7 | 20.2% | $111.4 | 64.5% | $188.6 | 35.0% |
| Over $282,653 | 499,971 | 692,077 | $40,900.5 | 91.3% | $1,722.1 | 90.7% | $47.3 | 94.1% | $46.5 | 93.3% | $238.0 | 95.5% | $170.7 | 88.9% | $502.6 | 92.8% |
| Resident Total | 506,043 | 698,535 | $43,199.3 | 93.1% | $1,801.2 | 92.7% | $49.1 | 94.9% | $54.9 | 93.0% | $245.4 | 96.1% | $157.0 | 91.0% | $506.5 | 94.0% |
| Nonresidents | 63,473 | 94,415 | $2,165.7 | 4.7% | $97.0 | 5.0% | $2.1 | 4.0% | $3.0 | 5.0% | $6.4 | 2.5% | $12.6 | 7.3% | $24.1 | 4.5% |
| Part-Year Residents | 29,183 | 36,896 | $1,049.8 | 2.3% | $44.6 | 2.3% | $0.6 | 1.1% | $1.2 | 2.0% | $3.6 | 1.4% | $2.9 | 1.7% | $8.3 | 1.5% |
| Total | 598,699 | 829,846 | $46,414.8 | 100.0% | $1,942.8 | 100.0% | $51.8 | 100.0% | $59.1 | 100.0% | $255.5 | 100.0% | $172.6 | 100.0% | $538.9 | 100.0% |

**Montana Source Income for Nonresidents and Part-Year Residents*

# Revenue Cost Estimates of Tax Expenditures

All of the prior tax expenditure tables in this section reported the amounts reported on taxpayer returns for each of the income tax expenditures. However, the impact to income tax revenues is likely different from the amounts reported on taxpayer returns. For income subtractions and deductions, the impact to income tax revenue is the change in taxable income multiplied by the marginal tax rate applied to the exempted income. For non-refundable tax credits, the impact to income tax revenue is the smaller of the credit amount, or the taxpayer's tax liability after removing all other non-refundable credits.

To determine the income tax revenue impact of each tax expenditure, the tax liability of each taxpayer claiming each tax expenditure listed previously is estimated with and without the tax expenditure in place. The difference between the two liability amounts provides an estimate of the revenue impact of each tax expenditure. Table 9.81 below provides revenue estimates for each of the tax expenditures reported in this section for Tax Years 2018 through 2023.

**Table 9.81 Income Tax Expenditure Cost Estimates, Tax Years 2018 – 2023**

| Tax Expenditure | Tax Year | | | | | |
|---|---|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| **Above-The-Line Deductions** | | | | | | |
| Deductions for the Self-Employed | $16,931,717 | $19,273,883 | $19,196,611 | $21,647,169 | $21,859,517 | $21,173,733 |
| Health Savings Account Deduction | $2,674,404 | $2,962,810 | $2,941,061 | $3,104,002 | $3,115,221 | $3,246,951 |
| Individual Retirement Account Deduction | $3,853,536 | $3,992,708 | $4,101,284 | $4,143,298 | $3,917,062 | $3,929,463 |
| Student Loan Interest Deduction | $3,046,256 | $3,143,433 | $1,605,601 | $836,977 | $736,596 | $1,080,645 |
| Archer MSA Deduction | $0 | $0 | $0 | $2,347 | $2,199 | $2,887 |
| **Montana Adjustments to Income** | | | | | | |
| ABLE Accounts | $9,175 | $12,959 | $17,835 | $23,227 | $18,106 | $23,993 |
| Business Purchases of Recycled Material | $27,319 | $16,005 | $16,376 | $27,579 | $57,264 | $12,401 |
| Mobile Home Park Capital Gain Exclusion | $0 | $86,430 | $0 | $0 | $37,488 | $39,602 |
| Disability Retirement Income | $1,341 | $1,243 | $1,967 | $945 | $2,954 | $936 |
| Exempt Tribal Income | $8,028,696 | $8,155,004 | $9,038,501 | $9,199,798 | $9,990,492 | $10,272,654 |
| Medical Marijuana Provider Expenses | $47,953 | $278,459 | $272,028 | $369,000 | $512,087 | $392,294 |
| Family Education Savings Account | $889,141 | $996,676 | $1,020,273 | $1,259,674 | $1,238,214 | $1,245,132 |
| Farm and Ranch Risk Management Account | $0 | $0 | $0 | $0 | $0 | $0 |
| First-Time Home Buyer Account | $47,110 | $48,249 | $54,137 | $57,683 | $50,745 | $40,160 |
| Highly Compensated Employee Health Benefits | $43,561 | $32,270 | $42,475 | $34,664 | $32,818 | $42,211 |
| Interest on Federal Government Bonds | $1,956,896 | $4,202,655 | $2,104,167 | $1,707,442 | $3,017,907 | $9,698,094 |

**Table 9.81 Income Tax Expenditure Cost Estimates, Tax Years 2018 – 2023 (continued)**

| Tax Expenditure | Tax Year | | | | | |
|---|---|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| Exempted Military Salary | $10,106,600 | $10,866,718 | $10,795,321 | $11,851,890 | $12,126,683 | $12,194,490 |
| Montana Medical Care Savings Account | $1,120,860 | $1,308,343 | $1,266,460 | $1,395,302 | $1,330,600 | $1,419,950 |
| National Guard Life Insurance Premiums | $670 | $2,090 | $2,341 | $321 | $1,853 | $5,836 |
| Partial Interest Exclusion For Elderly Taxpayers | $1,696,675 | $1,986,593 | $1,775,434 | $1,674,247 | $1,882,182 | $2,705,958 |
| Partial Pension Exemption | $4,081,128 | $4,259,649 | $4,265,061 | $4,420,373 | $4,888,684 | $5,453,272 |
| Sales of Land to Beginning Farmers | $273 | $1,706 | $0 | $3,505 | $1 | $0 |
| Small Business Investment Company Dividends | $10,756 | $19,051 | $53,715 | $35,130 | $13,236 | $2,380 |
| Health Care Professional Student Loan Repayment | $101,851 | $112,249 | $88,956 | $79,415 | $79,466 | $116,904 |
| Quality Educator Loan Assistance Program | $0 | $0 | $10,533 | $11,045 | $9,536 | $13,935 |
| Tier I and Tier II Railroad Retirement Benefits | $1,825,685 | $1,805,213 | $1,736,881 | $1,951,187 | $3,578,174 | $3,885,600 |
| Tip Income and Gratuities | $4,007,166 | $4,419,879 | $3,173,995 | $5,710,835 | $6,474,100 | $6,506,115 |
| Unemployment Compensation | $4,774,615 | $4,928,741 | $45,512,200 | $15,724,305 | $4,512,411 | $4,981,818 |
| Worker's Compensation | $35,103 | $34,837 | $70,593 | $50,807 | $28,410 | $39,832 |
| **Itemized Deductions** | | | | | | |
| Casualty and Theft Losses | $30,339 | $39,393 | $18,912 | $13,621 | $18,912 | $83,081 |
| Charitable Contributions | $34,587,639 | $42,577,833 | $41,016,990 | $60,413,912 | $41,016,990 | $50,005,469 |
| Child and Dependent Care Expenses | $3,695 | $2,674 | $2,729 | $3,294 | $2,729 | $2,179 |
| Federal Income Tax | $65,508,383 | $64,294,384 | $63,106,971 | $68,620,386 | $63,106,971 | $64,106,417 |
| Mortgage Interest and Insurance Premiums | $54,728,421 | $59,178,885 | $56,742,274 | $55,873,206 | $56,742,274 | $59,951,132 |
| Light Vehicle Registration Fees | $494,621 | $504,364 | $491,824 | $475,037 | $491,824 | $443,463 |
| Long-Term Care Insurance Premiums | $1,547,577 | $1,587,328 | $1,519,458 | $1,639,725 | $1,519,458 | $1,526,310 |
| Medical and Dental Expenses | $11,680,607 | $11,793,947 | $10,226,156 | $11,546,980 | $10,226,156 | $12,257,288 |
| Medical Insurance Premiums | $23,076,718 | $24,112,624 | $23,309,526 | $25,880,868 | $23,309,526 | $27,805,768 |

**Table 9.81 Income Tax Expenditure Cost Estimates, Tax Years 2018 – 2023 (continued)**

| Tax Expenditure | Tax Year | | | | | |
|---|---|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| Per Capita Livestock Fees | $3,817 | $4,843 | $3,895 | $3,379 | $3,895 | $8,436 |
| Political Contributions | $56,824 | $47,111 | $69,073 | $41,181 | $69,073 | $45,512 |
| Other Deductible Taxes | $402,497 | $467,336 | $385,743 | $540,083 | $385,743 | $467,424 |
| State and Local Taxes | $32,717,435 | $34,971,310 | $34,692,455 | $37,622,771 | $34,692,455 | $38,778,093 |
| **Tax Credits** | | | | | | |
| Adoption Credit | $166,222 | $158,271 | $114,725 | $133,395 | $0 | $1,906,579 |
| Apprenticeship Credit | $105,446 | $205,163 | $327,826 | $430,530 | $515,672 | $617,027 |
| Capital Gains Credit | $39,768,749 | $50,337,761 | $70,356,476 | $142,659,750 | $94,646,589 | $77,730,688 |
| Credit for Other States' Taxes | $31,383,809 | $44,078,008 | $58,045,684 | $80,816,438 | $77,764,792 | $69,814,800 |
| Earned Income Tax Credit | $0 | $4,364,782 | $3,977,696 | $4,936,275 | $3,848,532 | $4,047,850 |
| Elderly Homeowner / Renter Credit | $7,575,730 | $8,060,688 | $7,846,882 | $7,049,440 | $10,594,909 | $10,035,293 |
| Historic Property Preservation Credit | $51,233 | $47,131 | $44,224 | $32,062 | $1,240 | $6,028 |
| Infrastructure Users Fee Credit | $852,456 | $133,930 | $9,727 | $77,182 | $6,208 | $246,298 |
| Innovative Educational Program Credit | $3,262 | $1,601 | $2,300 | $1,650 | $189,758 | $764,211 |
| Qualified Endowment Credit | $2,363,612 | $2,905,212 | $2,384,519 | $3,356,828 | $3,130,232 | $2,948,736 |
| Recycling Credit | $213,759 | $132,406 | $307,316 | $517,006 | $366,388 | $362,703 |
| Student Scholarship Organization Credit | $9,321 | $1,113 | $5,707 | $6,544 | $520,531 | $1,470,326 |
| Unlocking State Lands Credit | $100 | $7,930 | $2,699 | $1,500 | $1,500 | $2,215 |
| Media Production Credit | $0 | $0 | $1,537,050 | $3,338,049 | $443,337 | $2,589,812 |
| Trades Education and Training Credit | $0 | $0 | $0 | $101,409 | $25,258 | $25,101 |
| Job Growth Incentive Credit | $0 | $0 | $0 | $0 | $0 | $0 |

Over time, the revenue impact of each tax expenditure is likely to increase as a result of more taxpayers filing Montana tax returns over time and with taxable incomes generally increasing over time. To compare the impacts of each tax expenditure over time, the revenue impact of each tax expenditure for each tax year can be compared to the total number of taxpayers filing a tax return. This comparison provides a comparable per-taxpayer tax expenditure estimate for each tax year. The table below provides a per-taxpayer breakdown of each of the income tax expenditures in this section for Tax Years 2018 through 2023.

**Table 9.82 Per Taxpayer Tax Expenditure Cost Estimates, Tax Years 2018 - 2023**

| | Tax Year | | | | | |
|---|---|---|---|---|---|---|
| **Tax Expenditure** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** |
| **Above-The-Line Deductions** | | | | | | |
| Deductions for the Self-Employed | $25.77 | $28.58 | $28.27 | $31.80 | $31.59 | $30.31 |
| Health Savings Account Deduction | $4.07 | $4.39 | $4.33 | $4.56 | $4.50 | $4.65 |
| Individual Retirement Account Deduction | $5.86 | $5.92 | $6.04 | $6.09 | $5.66 | $5.63 |
| Student Loan Interest Deduction | $4.64 | $4.66 | $2.36 | $1.23 | $1.06 | $1.55 |
| Archer MSA Deduction | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 |
| **Montana Adjustments to Income** | | | | | | |
| ABLE Accounts | $0.01 | $0.02 | $0.03 | $0.03 | $0.03 | $0.03 |
| Business Purchases of Recycled Material | $0.04 | $0.02 | $0.02 | $0.04 | $0.08 | $0.02 |
| Mobile Home Park Capital Gain Exclusion | $0.00 | $0.13 | $0.00 | $0.00 | $0.05 | $0.06 |
| Disability Retirement Income | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 |
| Exempt Tribal Income | $12.22 | $12.09 | $13.31 | $13.51 | $14.44 | $14.71 |
| Medical Marijuana Provider Expenses | $0.07 | $0.41 | $0.40 | $0.54 | $0.74 | $0.56 |
| Family Education Savings Account | $1.35 | $1.48 | $1.50 | $1.85 | $1.79 | $1.78 |
| Farm and Ranch Risk Management Account | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 |
| First-Time Home Buyer Account | $0.07 | $0.07 | $0.08 | $0.08 | $0.07 | $0.06 |
| Highly Compensated Employee Health Benefits | $0.07 | $0.05 | $0.06 | $0.05 | $0.05 | $0.06 |
| Interest on Federal Government Bonds | $2.98 | $6.23 | $3.10 | $2.51 | $4.36 | $13.88 |
| Exempted Military Salary | $15.38 | $16.11 | $15.90 | $17.41 | $17.52 | $17.46 |
| Montana Medical Care Savings Account | $1.71 | $1.94 | $1.87 | $2.05 | $1.92 | $2.03 |
| National Guard Life Insurance Premiums | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.01 |
| Partial Interest Exclusion For Elderly Taxpayers | $2.58 | $2.95 | $2.61 | $2.46 | $2.72 | $3.87 |
| Partial Pension Exemption | $6.21 | $6.32 | $6.28 | $6.49 | $7.06 | $7.81 |
| Sales of Land to Beginning Farmers | $0.00 | $0.00 | $0.00 | $0.01 | $0.00 | $0.00 |

**Table 9.82 Per Taxpayer Tax Expenditure Cost Estimates, Tax Years 2018 - 2023 (continued)**

| | Tax Year | | | | | |
|---|---|---|---|---|---|---|
| **Tax Expenditure** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** |
| Small Business Investment Company Dividends | $0.02 | $0.03 | $0.08 | $0.05 | $0.02 | $0.00 |
| Health Care Professional Student Loan Repayment | $0.16 | $0.17 | $0.13 | $0.12 | $0.11 | $0.17 |
| Quality Educator Loan Assistance Program | $0.00 | $0.00 | $0.02 | $0.02 | $0.01 | $0.02 |
| Tier I and Tier II Railroad Retirement Benefits | $2.78 | $2.68 | $2.56 | $2.87 | $5.17 | $5.56 |
| Tip Income and Gratuities | $6.10 | $6.55 | $4.67 | $8.39 | $9.35 | $9.31 |
| Unemployment Compensation | $7.27 | $7.31 | $67.03 | $23.10 | $6.52 | $7.13 |
| Worker's Compensation | $0.05 | $0.05 | $0.10 | $0.07 | $0.04 | $0.06 |
| **Itemized Deductions** | | | | | | |
| Casualty and Theft Losses | $0.05 | $0.06 | $0.03 | $0.02 | $0.03 | $0.12 |
| Charitable Contributions | $52.64 | $63.13 | $60.41 | $88.75 | $59.27 | $71.59 |
| Child and Dependent Care Expenses | $0.01 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 |
| Federal Income Tax | $99.70 | $95.33 | $92.94 | $100.80 | $91.18 | $91.77 |
| Mortgage Interest and Insurance Premiums | $83.29 | $87.74 | $83.57 | $82.08 | $81.99 | $85.82 |
| Light Vehicle Registration Fees | $0.75 | $0.75 | $0.72 | $0.70 | $0.71 | $0.63 |
| Long-Term Care Insurance Premiums | $2.36 | $2.35 | $2.24 | $2.41 | $2.20 | $2.19 |
| Medical and Dental Expenses | $17.78 | $17.49 | $15.06 | $16.96 | $14.78 | $17.55 |
| Medical Insurance Premiums | $35.12 | $35.75 | $34.33 | $38.02 | $33.68 | $39.81 |
| Per Capita Livestock Fees | $0.01 | $0.01 | $0.01 | $0.00 | $0.01 | $0.01 |
| Political Contributions | $0.09 | $0.07 | $0.10 | $0.06 | $0.10 | $0.07 |
| Other Deductible Taxes | $0.61 | $0.69 | $0.57 | $0.79 | $0.56 | $0.67 |
| State and Local Taxes | $49.79 | $51.85 | $51.09 | $55.27 | $50.13 | $55.51 |
| **Tax Credits** | | | | | | |
| Adoption Credit | $0.25 | $0.23 | $0.17 | $0.20 | $0.00 | $2.73 |
| Apprenticeship Credit | $0.16 | $0.30 | $0.48 | $0.63 | $0.75 | $0.88 |
| Capital Gains Credit | $60.52 | $74.64 | $103.62 | $209.57 | $136.76 | $111.28 |
| Credit for Other States' Taxes | $47.76 | $65.35 | $85.48 | $118.72 | $112.36 | $99.94 |

**Table 9.82 Per Taxpayer Tax Expenditure Cost Estimates, Tax Years 2018 - 2023 (continued)**

| | Tax Year | | | | | |
|---|---|---|---|---|---|---|
| **Tax Expenditure** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** |
| Earned Income Tax Credit | $0.00 | $6.47 | $5.86 | $7.25 | $5.56 | $5.79 |
| Elderly Homeowner / Renter Credit | $11.53 | $11.95 | $11.56 | $10.36 | $15.31 | $14.37 |
| Historic Property Preservation Credit | $0.08 | $0.07 | $0.07 | $0.05 | $0.00 | $0.01 |
| Infrastructure Users Fee Credit | $1.30 | $0.20 | $0.01 | $0.11 | $0.01 | $0.35 |
| Innovative Educational Program Credit | $0.00 | $0.00 | $0.00 | $0.00 | $0.27 | $1.09 |
| Qualified Endowment Credit | $3.60 | $4.31 | $3.51 | $4.93 | $4.52 | $4.22 |
| Recycling Credit | $0.33 | $0.20 | $0.45 | $0.76 | $0.53 | $0.52 |
| Student Scholarship Organization Credit | $0.01 | $0.00 | $0.01 | $0.01 | $0.75 | $2.10 |
| Unlocking State Lands Credit | $0.00 | $0.01 | $0.00 | $0.00 | $0.00 | $0.00 |
| Media Production Credit | $0.00 | $0.00 | $2.26 | $4.90 | $0.64 | $3.71 |
| Trades Education and Training Credit | $0.00 | $0.00 | $0.00 | $0.15 | $0.04 | $0.04 |
| Job Growth Incentive Credit | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 |

# Corporate Tax Expenditures

The following is a list of expenditures that reduce tax liability for corporate income taxpayers. Many of these expenditures can also be claimed by small businesses, S Corporations, or Limited Liability Companies whose income is "passed through" to the owner, member, or partner and is taxed as individual income.

## Water's Edge Election

## Code: 15-31-322 through 324, MCA

**Legislation: HB 703, 1987 Session**

Montana requires corporations that have common ownership to file a combined report. The income of the members of the group of corporations under common ownership is apportioned to Montana based on the combined apportionment factors of the group. The purpose of the combined reporting is to make the apportionment of income to Montana independent of the financial arrangements between group members.

Under state law (15-31-324, MCA), corporations can choose to file as a water's edge corporation. In doing so, the corporation will pay a higher rate, 7 percent, instead of the normal corporate income tax rate of 6.75 percent, on income apportioned to Montana. Only its domestic (rather than worldwide) income and apportionment factors are included in the apportionment process, with certain exceptions. Under the water's edge election, foreign affiliates are generally excluded from the process of apportioning income to Montana. Prior to tax year 2023, countries included on a "tax haven" list had to be included in the combined report. The 2023 Legislature repealed the tax haven list, so all foreign income may now be excluded by corporations making the water's edge election.

If the water's edge election was eliminated completely, additional revenue based on prior audit research is estimated to be $8 million to $12 million. This estimate, which is based upon audit experience, may be conservative, as the number and tax liability of water's edge filers has almost doubled over the last six years. The number of corporations electing to file water's edge was 757 in Tax Year 2022 and 767 in Tax Year 2021.

# Montana Deductions

## Capital Gain Exclusion for Mobile Home Park (15-31-163, MCA)

A taxpayer may exclude a portion of the recognized gain from sale of a mobile home park from taxable corporate income or taxable individual income if the sale is to: a tenants' association or a mobile home park residents' association; a nonprofit organization that purchases a mobile home park on behalf of a tenants' association or mobile home park residents' association; a county housing authority; or a municipal housing authority. The exclusion of recognized capital gain is limited to 50 percent for mobile home parks with more than 50 lots; for mobile home parks with 50 lots or fewer, the excluded gain is 100 percent.

Usually, properties owned by municipal and county housing authorities are eligible for a property tax exemption; however, if the corporate tax exclusion is used for a mobile home park property, it is not eligible for the property tax exemption allowed under Title 15, Chapter 6, Part 2, while the property is used as a mobile home park. The exclusion was passed by the 2009 Legislature (HB 636) and applies to tax years beginning after December 31, 2008.

## Deduction for Purchasing Montana-Produced Organic or Inorganic Fertilizer Produced (15-32-303, MCA)

In addition to the other allowed deductions from gross corporate income, a taxpayer may deduct expenditures for organic fertilizer and inorganic fertilizer produced as a byproduct if the fertilizer was made and used in Montana. The purpose of this deduction is to promote the use of inorganic byproducts and organic matter produced by Montana industries. The deduction was established in Tax Year 1981 with the passage of SB 322.

## Deduction for Donation of Exploration Information (15-32-510, MCA)

A taxpayer may deduct expenses from the donation of mineral exploration information to the Montana Tech Foundation for placement in the Montana Tech research library. Montana Tech may limit what information is accepted and what deductions are granted. The documented expenses must be based on the cost of recreating the donated information. If the exploration incentive credit is also claimed by the taxpayer, then this deduction is limited to 20 percent of the actual value of the data.

The deduction was established in 1999 with the passage of SB 625 and is intended to encourage the sharing of mineral exploration information.

# Energy-Conserving Investments Deduction (15-32-103, MCA)

A corporate taxpayer may deduct a portion of expenditures on capital investment in a building for an energy conservation purpose from gross corporate income. If the building is a residential building, the taxpayer may deduct 100 percent of the first $1,000 expended, 50 percent of the next $1,000 expended, 20 percent of the third $1,000 expended, and 10 percent of the fourth $1,000 expended.

For example, if a corporate taxpayer invested $4,000 in approved energy conservation measures in a residential apartment building owned by the taxpayer, it would be able to deduct $1,800 of the expenses (100 percent of $1,000, plus 50 percent of $1,000, plus 20 percent of $1,000, plus 10 percent of $1,000, or $1,000+$500+$200+$100).

For non-residential buildings, the taxpayer may deduct 100 percent of the first $2,000 spent on energy conservation capital investments, 50 percent of the second $2,000 spent, 20 percent of the third $2,000 spent, and 10 percent of the fourth $2,000 spent. If a corporate taxpayer invested $4,000 in approved energy conservation measures in a non-residential building owned by the taxpayer, it could deduct $3,000 of the expenses (100 percent of $2,000, plus 50 percent of $2,000, or $2,000+$1,000). If the taxpayer invested $8,000 in approved energy conservation measures in the same building, it could deduct $3,600 of the expenses (100 percent of $2,000, plus 50 percent of $2,000, plus 20 percent of $2,000, plus 10 percent of $2,000, or, $2,000+$1,000+$400+$200).

This deduction is subject to approval of the Department of Revenue and cannot be taken on expenditures financed by a state, federal, or private grant. The purpose of this deduction is to encourage energy-conserving investments in existing buildings.

The deduction was established in Tax Year 1975 with the passage of HB 663.

# Recycled Material Qualifying for Deduction (15-32-609 and 610, MCA)

A taxpayer may deduct an additional 10 percent of expenditures for the purchase of recycled material that was otherwise deductible as a business-related expense. The Department of Revenue defines the types of recycled material that may be used to claim this deduction. The purpose of this deduction is to encourage the use of goods made from reclaimed materials, especially post-consumer materials. The deduction was set to expire at the end of calendar year 2011, but HB 21, passed by the 2009 Legislature, makes the additional 10 percent deduction permanent. The deduction originally began in 1991 with the passage of SB 111.

This deduction is the only one for which data is accessible. In the Tax Year 2022 database of corporate taxpayer returns, the total deductions claimed were $21,813,840. At the general tax rate of 6.75 percent, this is a reduction in tax revenue of $1,472,434.

# Montana Corporate Tax Credits

Many of these credits are also available to individual income taxpayers as well as corporate income taxpayers. More thorough explanations of many of the credits and their history are available in the individual income tax section on tax expenditures.

There are differences between the tax periods for individual and corporate income taxes. The tax year for individual income tax returns is the calendar year, and data from the tax returns is presented on that basis. The corporate income tax year and filing requirements are based upon the corporation's fiscal year, which can vary from the calendar year.

There is another change in the tables presented in this section due to the availability of a more complete, updated dataset of corporate tax returns. The tables in this section show seven years of history unless the credit has not been in effect that long.

## Apprenticeship Credit (15-30-2357 and 39-6-109, MCA)

**Legislation: HB 308, 2017 Session**

Individual and corporate income taxpayers are allowed a credit for employing an apprentice or veteran apprentice as a new employee in a state-registered apprenticeship training program. The credit is worth $750 per approved apprentice or $1,500 per approved veteran apprentice, and may only be claimed for five years per apprentice. This tax credit is effective for tax years beginning January 1, 2018, and thereafter.

The credit was established in Tax Year 2017 with the passage of HB 308.

Table 9.83 shows credits claimed on corporate tax returns for Tax Years 2017 through 2022.

**Table 9.83 Apprenticeship Credit**

| Tax Year | Number of Credits Claimed | Total Credits Claimed |
|---|---|---|
| 2017 | 0 | $0 |
| 2018 | * | $3,068 |
| 2019 | 0 | $0 |
| 2020 | * | $18,150 |
| 2021 | 10 | $47,356 |
| 2022 | 13 | $66,868 |

**Not disclosed due to confidentiality concerns.*

# Charitable Endowment Credit (15-31-161 and 162, MCA)

**Legislation: HB 434, 1997 Session**

A qualified endowment is a permanent fund held by or on behalf of a 501(c)(3) charitable organization. A planned gift is one of nine types of arrangements specified in the IRS code that generally provide income to the donor for life or a set period, with the remainder going to the charity. Individual taxpayers are allowed a credit of 40 percent of the present value of a planned gift to a qualified charitable endowment.

Corporations are allowed a credit of 20 percent of a gift to a qualified endowment. The 2013 Legislature passed SB 108, which extends the credit through 2019. Among other changes, the legislation made the definition of a "permanent, irrevocable fund," which can accept donations eligible for the credit refer to the Uniform Prudent Management of Institutional Funds Act (Title 72, Chapter 30).

This credit was established in Tax Year 1997 with the passage of HB 434.

Table 9.84 shows credits claimed on corporate tax returns for Tax Years 2013 through 2022.

**Table 9.84 Charitable Endowment Credit**

| Tax Year | Number of Credits Claimed | Total Credits Claimed |
|---|---|---|
| 2015 | 15 | $31,436 |
| 2016 | 11 | $25,130 |
| 2017 | 11 | $26,225 |
| 2018 | 13 | $41,806 |
| 2019 | * | $23,756 |
| 2020 | * | $24,626 |
| 2021 | 8 | $19,176 |
| 2022 | * | $47,526 |

**Not disclosed due to confidentiality concerns.*

# Contractor's Gross Receipts Credit (15-50-207, MCA)

**Legislation: HB 530, 1967 Session**

Contractors are required to pay a license fee equal to 1 percent of the gross receipts from government contracts during the year for which the license is issued. The agency or prime contractor withholds the 1 percent license fee from payments to the prime contractor or subcontractors. The agency or contractor is responsible for remitting the correct amount to the Department of Revenue, along with a form reporting who is to be credited with the license fee payment.

Contractors may use the amount of gross receipts tax paid as a credit against the contractor's corporation income tax liability or income tax liability, depending upon the type of tax the contractor must pay. The credit may be carried forward a maximum of 5 years.

The table 9.85 shows credits claimed on corporate tax returns for Tax Years 2013 through 2022.

**Table 9.85 Contractor's Gross Receipts Credit**

| Tax Year | Number of Credits Claimed | Total Credits Claimed |
|---|---|---|
| 2015 | 91 | $644,922 |
| 2016 | 88 | $319,316 |
| 2017 | 83 | $940,774 |
| 2018 | 75 | $924,808 |
| 2019 | 78 | $729,854 |
| 2020 | 76 | $1,939,697 |
| 2021 | 60 | $656,217 |
| 2022 | 55 | $1,340,768 |

# Innovative Educational Program Credit (15-31-158 and 159, MCA)

**Legislation: SB 410, 2015 Session**

The 2015 Legislature created a non-refundable individual and corporate income tax credit for donations made to the educational improvement account provided for in 20-9-905, MCA, for providing supplemental funding to public schools for innovative educational programs and technological deficiencies. This credit was limited to $150 per taxpayer through Tax Year 2021 and increased to $200,000 in Tax Year 2022. The aggregate amount of tax credits allowed is capped at $1 million for Tax Year 2022 and $2 million for Tax Year 2023. This credit cap is allowed to increase by 20% each year after TY 2023 if at least 80% of the available credits were claimed in the prior tax year.

The 2015 Legislature also created a non-refundable individual and corporate income tax credit for donations made to student scholarship organizations. The individual cap and total credits cap are the same as the educational improvement credit above.

This credit was claimed by corporate taxpayers for the first time in TY 2022 for a total of $50,000.

# Historic Property Preservation Credit (15-31-151, MCA)

**Legislation: HB 601, 1997 Session**

Corporate taxpayers may take a credit against corporation income tax for costs of rehabilitating a historic building in Montana. The credit is 25 percent of the federal credit allowed by 26 U.S.C. 47. The federal credit is 20 percent of the rehabilitation cost of a building certified as having historic significance, or 10 percent of the cost of rehabilitation of a building placed in service before 1936 that has not been certified.

The credit is not refundable if it exceeds the amount of taxes owed, but unused credits can be carried over to the seven succeeding tax years. If the corporation is a partnership or S Corporation, the credit must be attributed to the partners or shareholders in the same proportion used to report the partnership or corporation income or loss for Montana income tax purposes.

The credit was created in Tax Year 1997 with the passage of HB 601.

Table 9.86 shows credits claimed on corporate tax returns for Tax Years 2013 through 2022.

**Table 9.86 Historic Property Preservation Credit**

| Tax Year | Number of Credits Claimed | Total Credits Claimed |
|---|---|---|
| 2015 | * | $374,586 |
| 2016 | * | $39,653 |
| 2017 | * | $50 |
| 2018 | * | $50 |
| 2019 | * | $53 |
| 2020 | * | $50 |
| 2021 | * | $50 |
| 2022 | * | $88,638 |

**Not disclosed due to confidentiality concerns.*

# Infrastructure Users Fee Credit (17-6-316, MCA)

**Legislation: SB 100 & HB 602, 1995 Session**

The Board of Investments may make loans to local governments to finance infrastructure to serve a new or relocated business that will result in 15 or more new full-time jobs. The infrastructure may serve as collateral for the loan, and the local government may charge fees to the users for extending the infrastructure. The business may claim a credit against income or corporation tax for the fee it pays.

The total credit claimed may not exceed the amount of the loan. The credit can be carried forward for seven years and used to reduce tax liability or carried back for three years.

The credit was created in Tax Year 1995 with the passage of SB 100 and HB 602.

Table 9.87 shows credits claimed on corporate tax returns for Tax Years 2013 through 2022.

**Table 9.87 Infrastructure Users Fee Credit**

| Tax Year | Number of Credits Claimed | Total Credits Claimed |
|---|---|---|
| 2015 | * | $1,676,702 |
| 2016 | * | $706,524 |
| 2017 | * | $276,976 |
| 2018 | 12 | $579,462 |
| 2019 | 12 | $264,738 |
| 2020 | 11 | $398,786 |
| 2021 | * | $244,790 |
| 2022 | * | $263,474 |

**Not disclosed due to confidentiality concerns.*

# Job Growth Incentive Credit: 15-30-2361, MCA

## Legislation: HB 629, 2021 Session

Beginning with Tax Year 2022, taxpayers have been able to claim an individual income tax credit for half the Federal Insurance Contributions Act (FICA) paid by an employer for qualified new employees.

To qualify for the credit, an employer must hire new qualifying employees that are associated with a project in the state that "encourages, promotes, and stimulates economic development in the sectors of construction, natural resources, mining, agriculture, forestry, manufacturing, transportation, utilities, or outdoor recreation." The employer must also have net employee growth associated with the qualifying project.

The credit is non-refundable, but taxpayer can carryforward unused credit amounts for up to 10 years. The credit is currently set to expire in Tax Year 2028.

This credit has not been claimed by any corporate taxpayers.

# Media Production Credit (15-31-1001 through 1012, MCA)

## Legislation: HB 293, 2019 Session

The 2019 Legislature created the Montana Economic Development Industry Advancement Act, which provides a tax credit of up to 35 percent of total spending in Montana for media productions within the state. The total credit amount started at $10 million per year in Tax Year 2019 and was increased to $12 million per year by the 2021 Legislature. These transferable tax credits are sold by the productions to Montana taxpayers for 85 percent of the credit value.

Table 9.88 shows credits claimed on corporate tax returns for Tax Years 2019 through 2022.

**Table 9.88 Media Production Credit**

| Tax Year | Number of Credits Claimed | Total Credits Claimed |
|---|---|---|
| 2018 | 0 | 0 |
| 2019 | 0 | 0 |
| 2020 | * | $5,533,471 |
| 2021 | * | $7,899,298 |
| 2022 | * | $6,202,042 |

**Not disclosed due to confidentiality concerns.*

# Recycling Credit (15-32-601-611, MCA)

## Legislation: SB 111, 1991 Session

Taxpayers are allowed a credit against individual income tax or corporate income tax for a portion of the cost of investments in depreciable property used in collecting or processing reclaimable material or manufacturing a product from reclaimed material. The amount of the credit is equal to 25 percent of the cost of the first $250,000 invested in property, 15 percent of the cost of the next $250,000 invested in property, and 5 percent of the next $500,000 of investment.

Therefore, if the taxpayer invests a total investment $1,000,000 in property that qualifies for the credit, the taxpayer can claim a credit of $125,000. If the taxpayer invests $250,000 in property qualifying for the credit, the taxpayer can claim a credit of $62,500. The credit was to end December 31, 2011, but the 2009 Legislature made the credit permanent (HB 21). An asterisk in the table indicates fewer than 10 corporate taxpayers claimed this credit.

The credit was originally established in Tax Year 1991 by SB 111.

Table 9.89 shows credits claimed on corporate tax returns for Tax Years 2013 through 2022.

**Table 9.89 Recycling Credit**

| Tax Year | Number of Credits Claimed | Total Credits Claimed |
|---|---|---|
| 2013 | * | $40,379 |
| 2014 | * | $114,755 |
| 2015 | * | $20,777 |
| 2016 | * | $7,605 |
| 2017 | * | $12,982 |
| 2018 | * | $38,176 |
| 2019 | * | $38,232 |
| 2020 | * | $132,349 |
| 2021 | * | $125,000 |
| 2022 | * | $88,538 |

**Not disclosed due to confidentiality concerns.*

# Trades Education and Training Credit: 15-30-2359, MCA and 15-31-174, MCA

**Legislation: HB 252, 2021 Session**

Taxpayers are allowed a credit for training expenses paid by the taxpayer to an unrelated third-party for training of qualified employees in a vocational, technical, or trade profession.

The 2023 Legislature (HB 245) expanded the number of occupations that qualify for the credit and extended the termination date of the credit from Tax Year 2026 to Tax Year 2028.

The credit is equal to 50% of the costs incurred by the taxpayer on qualified expenses and is limited to $2,000 per employee and $25,000 per employer. The credit is non-refundable and cannot be carried forward or backward. This credit was first available in Tax Year 2021, and it set to expire after Tax Year 2028.

This credit has not been claimed by any corporate taxpayers.

# Unlocking Public Lands Credit (15-30-2380, MCA)

**Legislation: HB 444, 2013 Session**

The 2013 Legislature created a refundable individual and corporate income tax credit for taxpayers that provide access to state land. The 2015 Legislature expanded the credit to those providing public access to any public land and increased the credit amount. The tax credit is equal to $750 for each qualified access to public land that is provided. The maximum credit a taxpayer may claim in a year is $3,000.

This credit has not been claimed by any corporate taxpayers.

# Repealed Tax Credits

The table 9.90 includes tax credits that were repealed for Tax Year 2022 as part of SB 399 in the 2021 legislative session that were claimed on corporate income tax returns for TY 2021 and/or TY 2022. Some of these credits have carryforward provisions, allowing leftover credit amounts from prior years to be claimed on TY 2022 tax returns.

**Table 9.90 Repealed Tax Credits**

| | Tax Year 2021 | | Tax Year 2022 | |
|---|---|---|---|---|
| | Number of Credits | Total Credit Amounts | Number of Credits | Total Credit Amounts |
| Alternative Energy Production Credit | * | $50 | * | $75,229 |
| College Contribution Credit* | 16 | $5,227 | 0 | $0 |
| Dependent Care Assistance Credit* | * | $17,325 | 0 | $0 |
| Geothermal Heating System Credit* | * | $302 | * | $258 |
| Alternative Fuel Motor Vehicle Conversion Credit* | * | $1,100 | 0 | $0 |
| Mineral Exploration Credit* | * | $25 | 0 | $0 |
| Qualified Research Credit | 0 | $0 | * | $284,123 |
| **Total Expenditure on Repealed Credits** | **22** | **$24,029** | * | **$359,610** |

*Some of the above credits are claimed on returns that have not been audited yet. The amount of credit claimed may change once these returns are audited. In addition, some of the above numbers represent a carryback of some credits claimed on amended returns received during the fiscal year. Credits claimed on less than 10 returns are indicated by a *.*

# Corporate Tax Expenditures - Passive Expenditures

## Passive Expenditures

Passive tax expenditures refer to the loss of Montana tax revenue due to federal tax laws. These tax expenditures are not due to actions taken by the Montana Legislature but by our adherence to the definitions of income, exemptions, and deductions set at the federal level. Montana's corporate income tax calculations rely to some extent on these definitions, so if there are changes at the federal level, the tax collected by the state can also be affected.

One example of these federal tax credits is the accelerated depreciation of machinery and equipment listed in the table below. Depreciation is an income tax deduction that allows a taxpayer an annual allowance for the wear and tear, deterioration, or obsolescence of the property.

The figures provided in table 9.91 below are an estimate of the impact that Montana's adherence to these definitions has on state income tax collections. The estimates are based on the federal tax expenditures estimated by the U.S. Treasury Department and included in the annual Executive Budget of the United States and are scaled down to Montana proportions. These passive tax expenditures are estimates based on other estimates and should be viewed as approximations. As with other tax expenditures, the figures shown do not necessarily equal the increase in tax revenues that would occur if the provision did not exist.

**Table 9.91 Estimated Impact of Passive (Federal) Corporate Tax Expenditures on Montana Tax Revenue**

| | FY 2023 | FY 2024 |
|---|---|---|
| **Exemptions** | | |
| Deferral of income from controlled foreign corporations (normal tax method) | $14,774,889 | $15,799,173 |
| Exclusion of interest on life insurance savings | $5,446,589 | $5,743,306 |
| Excess of percentage over cost depletion, fuels and nonfuel minerals | $321,105 | $337,363 |
| Exemption of certain mutuals' and cooperatives' income | $40,646 | $40,646 |
| Exemption of credit union income | $882,022 | $955,185 |
| Deferral of gain on sale of farm refiners | $8,129 | $8,129 |
| Deferral of tax on shipping companies | $4,065 | $4,065 |
| Deferral of gain on sale of farm refiners | $2,427 | $2,427 |
| Deferral of tax on shipping companies | $1,618 | $1,618 |
| **Deductions** | | |
| Accelerated depreciation of machinery and equipment (normal tax method) | $4,678,376 | -$1,036,478 |
| Accelerated depreciation on rental housing (normal tax method) | $1,849,402 | $1,959,146 |
| Deductibility of charitable contributions (education) | $2,239,605 | $2,365,608 |
| Empowerment zones, Enterprise communities, and Renewal communities | $40,646 | $44,711 |
| Expensing of exploration and development costs, fuels | $89,422 | $142,262 |
| Expensing of certain multiperiod production costs for farmers | $113,809 | $117,874 |
| Expensing of certain small investments (normal tax method) | $1,410,423 | $2,837,104 |
| Expensing of exploration and development costs, nonfuel minerals | $4,065 | $8,129 |
| Expensing of multiperiod timber growing costs | $89,422 | $97,551 |
| Expensing research and experimentation expenditures (normal tax method) | -$16,120,278 | -$11,657,326 |
| **Other** | | |
| Special alternative tax on small property and casualty insurance companies | $491,819 | $504,013 |
| Special ESOP rules | $89,422 | $93,486 |
| Special rules for certail film and TV production | $40,646 | $73,163 |
| Tax incentives for preservation of historic structures | $272,329 | $329,234 |

*Sources: Estimates of corporate tax expenditures are calculated by the U.S. Treasury and published annually as a part of the Executive Budget of the United States. The data is in the Analytical Perspectives section of the Executive Budget. The Montana estimates were developed using the ratio of total income subject to tax and total income tax before credits for Montana and federal taxes. Total income subject to tax and total income tax comes from www.irs.gov, SOI tax statistics, total returns of active corporations, and from Montana data.*

# Property Tax Expenditures

## Property Tax Expenditures

Property tax expenditures are provisions in the property tax laws that reduce taxes for properties that meet certain criteria.

In general, local governments may levy a certain amount of budget dollars, regardless of the tax base available to them. For that reason, property tax expenditures mostly represent a shift onto other taxpayers, rather than a reduction in tax revenues. The major exception to this is the revenue losses from the fixed statewide mills. In this section, the tax expenditure is reported as the decrease of state revenue caused by each program and the tax shift to other taxpayers is reported as a tax shift.

There are several local option reductions in tax revenue available to local governments, with the largest being the New and Expanding Industry Abatement (15-24-1401). These expenditures are contemplated by local governments and school districts, but do not affect tax dollars levied by the state. For that reason, local abatements are not considered in this section, although they do have tax shifting effects.

## Residential Property Tax Expenditures

There are three major property tax programs that target homeowners: The Property Tax Assistance Program (PTAP), the Montana Disabled Veterans (MDV) Program, and the Intangible Land Value Property Exemption.

The Elderly Homeowner/Renter Credit is a credit based on property taxes. However, it is administered through the income tax, so it is classified as an income tax expenditure.

## Property Tax Assistance Program (PTAP): 15-6-305, MCA

**Legislation: HB 398, 1979 Session**

The Property Tax Assistance Program (PTAP) reduces property taxes for low-income households. The program works by reducing the Class 4 tax rate by 80 percent, 50 percent, or 30 percent, depending on the income of the owners. Table 9.92 displays income ranges for different levels of tax rate reduction.

**Table 9.92 TY 2024 PTAP Income Levels**

| Single Min. | Single Max. | Married Min. | Married Max. | Reduction % |
|---|---|---|---|---|
| 0 | 13,590 | 0 | 18,310 | 80% |
| 13,591 | 18,580 | 18,311 | 27,667 | 50% |
| 18,581 | 27,621 | 27,668 | 37,019 | 30% |

Table 9.93 contains summary information about the PTAP program.

**Table 9.93 Property Tax Assistance Program Tax Expenditure**

| Tax Year | Participants | Reduction in Taxable Value | Loss in State Revenue | Tax Shifts | Total Tax Benefit to Participants | Average Tax Benefit |
|---|---|---|---|---|---|---|
| 2015 | 20,397 | $20,491,472 | $2,082,193 | $10,828,944 | $12,911,136 | $633 |
| 2016 | 22,551 | $22,768,947 | $2,313,681 | $12,278,536 | $14,592,217 | $647 |
| 2017 | 22,381 | $24,404,373 | $2,479,756 | $13,622,589 | $16,102,346 | $719 |
| 2018 | 23,021 | $25,488,134 | $2,589,729 | $14,603,900 | $17,193,630 | $747 |
| 2019 | 23,479 | $27,615,293 | $2,805,878 | $15,482,499 | $18,288,377 | $779 |
| 2020 | 22,639 | $27,692,549 | $2,813,852 | $15,720,994 | $18,534,846 | $819 |
| 2021 | 22,474 | $29,075,913 | $2,954,368 | $15,604,819 | $18,559,187 | $826 |
| 2022 | 21,527 | $28,007,306 | $2,845,918 | $15,292,524 | $18,138,442 | $843 |
| 2023 | 21,505 | $32,423,139 | $3,294,382 | $14,897,922 | $18,192,304 | $846 |
| 2024 | 30,468 | $65,850,305 | $6,690,113 | $29,713,283 | $36,403,396 | $1,195 |

The reduced taxable value from PTAP applies to the first $350,000 in market value of the property. This was increased from a previous cap of $200,000 prior to Tax Year 2024 by HB 189 of the 2023 Legislature. By Tax Year 2023, more than half of properties enrolled in the program had a greater market value than the cap of $200,000. This bill also increased income thresholds for qualification. These changes explain the increase in both average benefit and number of participants from TY 2023 to TY 2024. In addition, in TY 2024 the department utilized property tax rebate data for a targeted post card mailing informing potentially eligible property owners that they may qualify for PTAP. Table 9.94 summarizes the program by tier of exemption percent in Tax Year 2024.

**Table 9.94 Property Tax Assistance Program by Exemption Tier**

| PTAP Reduction Level | Properties | TV Reduction | Properties Over Value Cap | Loss in State Revenue | Tax Shifts | Total Benefit | Average Benefit |
|---|---|---|---|---|---|---|---|
| 30% | 4,577 | $4,850,387 | 40% | $492,995 | $2,237,844 | $2,730,839 | $597 |
| 50% | 4,152 | $7,357,573 | 41% | $747,737 | $3,345,147 | $4,092,884 | $986 |
| 80% | 21,739 | $53,642,345 | 30% | $5,449,382 | $24,130,292 | $29,579,673 | $1,361 |
| **Total** | **30,468** | **$65,850,305** | **33%** | **$6,690,113** | **$29,713,283** | **$36,403,396** | **$1,195** |

# Montana Disabled Veterans (MDV) Program: 15-6-311, MCA

## Legislation: HB 213, 1979 Session

The Montana Disabled Veterans (MDV) Program reduces property taxes for disabled veterans. It reduces the residential Class 4 tax rate by 100 percent, 80 percent, 70 percent, or 50 percent, depending on the level of income of qualified veterans. To qualify, the property must be the primary residence of a veteran who was honorably discharged and paid at the 100 percent disabled rate by the Department of Veterans Affairs for a service-connected disability. The spouse of a veteran killed while on active duty or who died from a service-connected disability qualifies for MDV benefits as well. Table 9.95 displays income ranges for different levels of tax rate reduction.

**Table 9.95 TY 2024 MDV Income Levels**

| Single Min. | Single Max. | Married Min. | Married Max. | Surviving Sp. Min. | Surviving Sp. Max. | Reduction % |
|---|---|---|---|---|---|---|
| 0 | 45,803 | 0 | 54,963 | 0 | 38,169 | 100% |
| 45,804 | 50,384 | 54,964 | 59,544 | 38,170 | 42,750 | 80% |
| 50,385 | 54,963 | 59,545 | 64,124 | 42,751 | 47,330 | 70% |
| 54,964 | 59,544 | 64,125 | 68,705 | 47,331 | 51,911 | 50% |

Table 9.96 contains summary information for the last ten years of the MDV program. Unlike PTAP, there is no cap on tax benefit for MDV. The more generous rate reductions and lack of value cap mean the average benefit to MDV properties is significantly higher than PTAP properties. However, there are only a tenth of the PTAP participants enrolled in MDV due to the qualifications.

**Table 9.96 Montana Disabled Veteran Program Tax Expenditure**

| Tax Year | Participants | Reduction in Taxable Value | Loss in State Revenue | Tax Shifts | Total Tax Benefit to Participants | Average Tax Benefit |
|---|---|---|---|---|---|---|
| 2015 | 2,103 | $4,916,616 | $499,854 | $2,495,371 | $2,995,225 | $1,424 |
| 2016 | 2,383 | $5,324,319 | $541,332 | $2,764,896 | $3,306,227 | $1,387 |
| 2017 | 2,427 | $5,920,080 | $601,769 | $3,176,103 | $3,777,872 | $1,557 |
| 2018 | 2,567 | $6,370,030 | $647,417 | $3,528,561 | $4,175,978 | $1,627 |
| 2019 | 2,660 | $7,266,634 | $738,592 | $3,937,860 | $4,676,452 | $1,758 |
| 2020 | 2,824 | $7,944,119 | $807,196 | $4,315,708 | $5,122,904 | $1,814 |
| 2021 | 2,960 | $9,361,039 | $950,985 | $4,778,511 | $5,729,496 | $1,936 |
| 2022 | 3,028 | $9,573,247 | $972,630 | $4,970,760 | $5,943,390 | $1,963 |
| 2023 | 3,243 | $14,177,406 | $1,440,173 | $6,137,639 | $7,577,813 | $2,337 |
| 2024 | 3,455 | $15,139,389 | $1,538,225 | $6,529,965 | $8,068,190 | $2,335 |

# Intangible Land Value Property Exemption: 15-6-240, MCA

## Legislation: SB 94, 2017 Session

The Land Value Property Tax Assistance Program helps residential property owners if the value of their land is disproportionately higher than the value of their home or other buildings on their land, and the land has been in their family for at least 30 years. The benefit applies to the portion of the property owner's land value that is more than 150 percent of the department's appraised market value of the home and other improvements located on the land, effectively capping the value of the property owners land to 150 percent of the Improvement value. The benefit applies to a maximum of five acres. There is no value cap for the benefit, nor is there an income qualification.

Table 9.97 contains summary information of annual tax expenditures associated with this program since Tax Year 2018, which was the first year the program could be utilized.

**Table 9.97 Intangible Land Value Property Exemption Tax Expenditure**

| Tax Year | Participants | Exempted Taxable Value | Loss in State Revenue | Tax Shift | Benefit to Participants | Average Benefit |
|---|---|---|---|---|---|---|
| 2018 | 104 | $592,904 | $59,909 | $291,587 | $351,496 | $3,380 |
| 2019 | 120 | $594,461 | $60,072 | $285,401 | $345,473 | $2,879 |
| 2020 | 152 | $690,142 | $69,748 | $328,471 | $398,219 | $2,620 |
| 2021 | 151 | $663,594 | $67,081 | $281,932 | $349,013 | $2,311 |
| 2022 | 166 | $703,290 | $71,092 | $294,711 | $365,803 | $2,204 |
| 2023 | 197 | $1,463,532 | $147,903 | $448,612 | $596,515 | $3,028 |
| 2024 | 231 | $1,627,932 | $164,538 | $510,303 | $674,840 | $2,921 |

There is considerable variance in property value benefits under this program. Table 9.98 contains summary statistics of total tax benefit by property enrolled in the program.

**Table 9.98 Summary Statistics for Intangible Land Value Exemption**

| Total Market Value of Properties | | | | Associated Tax Savings | | |
|---|---|---|---|---|---|---|
| Tax Year | Min | Median | Max | Min | Median | Max |
| 2018 | $61,422 | $798,175 | $3,753,800 | $114 | $2,326 | $17,621 |
| 2019 | $58,346 | $756,390 | $3,349,040 | $37 | $1,975 | $15,243 |
| 2020 | $58,346 | $756,390 | $3,197,290 | $37 | $1,756 | $14,891 |
| 2021 | $91,929 | $766,610 | $3,372,100 | $16 | $1,564 | $15,386 |
| 2022 | $70,485 | $723,138 | $3,372,100 | $19 | $1,540 | $14,832 |
| 2023 | $110,797 | $1,076,590 | $4,933,140 | $45 | $2,154 | $15,271 |
| 2024 | $105,304 | $1,022,200 | $4,933,140 | $77 | $2,149 | $15,669 |

# Economic Development Tax Expenditures

In addition to the residential property tax exemptions, there are tax expenditures in statute that encourage economic development by reducing the taxable value of properties or by creating a Tax Increment Finance district. These expenditures are described below.

## Energy Production or Development Tax Abatement: 15-24-3111, MCA

**Legislation: HB 3, May 2007 Special Session**

The energy production or development tax abatement provides a 50 percent rate reduction on a qualified energy production or development facility and equipment. The tax rate reduction may be in effect during the construction period and for the first 15 years after the facility begins operation, up to a total of 19 years. Currently, the properties that may take advantage of this abatement are Class 14 and Class 15, both of which are normally taxed at 3 percent. Class 15 property that qualifies under this program instead has a statutory tax rate of 1.5%, meaning that for class 15 property that qualifies under this program, it represents a 75% rate reduction. This program changes the tax rate to 1.5 percent for Class 14 property and 0.75% for Class 15 property.

**Table 9.99 Energy Production or Development Tax Abatement Expenditure**

| Tax Year | Market Value | Reduction in Taxable Value | Loss in State Revenue | Tax Shifts | Total Tax Benefit to Participants |
|---|---|---|---|---|---|
| 2015 | $292,397,489 | $4,252,907 | $429,985 | $1,450,428 | $1,880,413 |
| 2016 | $265,608,525 | $3,984,127 | $402,829 | $1,532,755 | $1,935,584 |
| 2017 | $311,476,994 | $4,352,038 | $439,978 | $1,640,662 | $2,080,640 |
| 2018 | $270,122,970 | $3,793,800 | $383,588 | $1,491,228 | $1,874,816 |
| 2019 | $264,778,742 | $3,652,952 | $369,352 | $1,445,350 | $1,814,703 |
| 2020 | $168,989,059 | $2,214,106 | $223,714 | $763,197 | $986,911 |
| 2021 | $163,009,772 | $2,148,898 | $217,171 | $774,672 | $991,843 |
| 2022 | $236,551,136 | $3,274,652 | $330,900 | $1,015,684 | $1,346,584 |
| 2023 | $236,928,247 | $3,870,740 | $391,017 | $1,110,752 | $1,501,769 |
| 2024 | $225,424,801 | $3,672,445 | $370,990 | $1,093,394 | $1,464,384 |

# New Fiber Optic and Coaxial Cable Exemption: 15-6-135, MCA; 15-6-156, MCA; 15-6-219, MCA

**Legislation: SB 51, 2021 Session**

Certain new fiber optic and coaxial cables are exempt from property taxation for the first five years; taxation will then phase in at 20 percent a year for the next five years until they are taxed at the normal rate in year ten. To receive and maintain the exemption, the company must reinvest the tax savings from the exemption into the installation of new fiber option or coaxial cable within two years, and not use federal funds received pursuant to the federal American Rescue Plan Act. There is an annual reporting requirement with the Department of Revenue for companies claiming this exemption.

The fiscal impact of exempting new fiber optic and coaxial cables is estimated by calculating the reduction in taxable value resulting from the exemption. The Table 9.100 contains the market value of exempt cable, the associated decrease in taxable value, the loss in state revenue, and the estimated amount shifted to local taxpayers. Tax Year 2022 is the first year impacted by this tax expenditure.

**Table 9.100 New Fiber Optic and Coaxial Cable Exemption**

| Tax Year | Exempt Market Value | Reduction in Taxable Value | Loss in State Revenue | Tax Shifts | Total Tax Benefit |
|---|---|---|---|---|---|
| 2022 | $20,159,589 | $604,788 | $61,180 | $299,022 | $360,202 |
| 2023 | $47,899,458 | $1,633,542 | $165,501 | $746,518 | $912,019 |
| 2024 | $113,359,539 | $4,270,178 | $432,642 | $1,788,646 | $2,221,288 |

# New Manufacturing Machinery, Fixtures, and Equipment: 15-6-138, MCA;

**Legislation: SB 530, 2023 Session**

Manufacturing machinery, fixtures, and equipment installed and placed after December 31, 2022 are fully or partially exempt from taxation for five years, and then the normal tax-rate is phased in at 20 percent per year until the tenth year after placement when the property becomes fully taxable. This exemption is unique because it is modeled in part off the new and expanding industry local abatement, where companies must apply to the county commissioners of the jurisdiction the property is placed in. The commissioners may approve either a 90% or 100% abatement of the new manufacturing property, or at a minimum 80%. The unique aspect of this exemption is that it also applies to the state mills, unlike the new and expanding industry abatement.

The fiscal impact of exempting this property is calculated by applying the normal class 8 tax rate to the exempted property and then applying the relevant mills. The first year this program is applicable to is Tax Year 2024. Table 9.101 shows the amount of exempted taxable value, the forgone state mill revenue, and the local tax shifts associated with the exemption.

**Table 9.101 New Manufacturing Machinery, Fixtures, and Equipment Exemption**

| Tax Year | Properties | Reduction in Taxable Value | Loss in State Revenue | Tax Shifts | Total Tax Benefit |
|---|---|---|---|---|---|
| 2024 | 11 | 2,199,141 | 225,369 | 1,073,014 | 1,298,384 |

# Tax Increment Finance Districts: 7-15-4282, MCA

## Legislation: HB 193, 1974 Session

Tax increment financing (TIF) provides for the segregation of the taxable value, in a qualified district, into base and increment values. Tax increment financing may be used to pay for a variety of development activities within the TIF district, including land acquisition, demolition and removal of structures, relocation of occupants, infrastructure costs, construction of publicly owned buildings and improvements, administration of urban renewal activities, and paying bonds that were issued to fund appropriate costs. To learn more about TIF districts, please refer to the property tax chapter of this report.

The TIF increment value is the amount of taxable value increase of the TIF district after its creation. The normal mills are applied against property in the district, and tax revenue levied against the increment is segregated for the purposes of the TIF district. There is different treatment for which mills are applied to the increment based on the type of district and its creation date. In general, all mills except the 6 university and 1.5 vo-tech school mills are levied against the incremental taxable value to generate revenue for the TIF.

Unlike the other property tax expenditures, there are no tax savings to taxpayers. Instead, the district diverts normal tax dollars for its purposes. Since TIF districts reduces state revenue collections from the equalization mills, it is included in this section, but it should be noted that the beneficiaries of TIF districts are projects that receive TIF funds, not taxpayers within the TIF district. Jurisdictions set mills by subtracting out TIF incremental value within their boundaries, which means that mills are higher than they would otherwise be for these jurisdictions if the TIF did not exist. Apart from the true expenditure of the statewide mills, the other mill categories represent tax increases due to the TIFs existence.

**Table 9.102 TIF Expenditure**

| Tax Year | Increment | Revenue From Statewide Mills | Revenue From County Mills | Revenue From School Mills | Revenue From City Mills | Revenue From Misc. Mills | Total From All Mills |
|---|---|---|---|---|---|---|---|
| 2015 | $50,785,821 | $4,871,444 | $9,031,894 | $12,909,760 | $5,823,421 | $1,498,020 | $34,134,539 |
| 2016 | $52,929,104 | $5,069,499 | $10,221,322 | $13,090,100 | $5,369,837 | $1,618,956 | $35,369,714 |
| 2017 | $58,171,093 | $5,571,918 | $10,688,524 | $14,728,273 | $6,639,817 | $2,245,574 | $39,874,104 |
| 2018 | $54,926,982 | $5,258,806 | $10,385,468 | $15,769,712 | $6,436,009 | $1,561,221 | $39,411,215 |
| 2019 | $72,989,242 | $6,993,062 | $13,560,838 | $20,471,046 | $8,999,505 | $2,408,196 | $52,432,647 |
| 2020 | $58,056,977 | $5,571,216 | $11,589,572 | $16,410,663 | $8,042,248 | $1,354,510 | $42,968,208 |
| 2021 | $67,214,436 | $6,859,036 | $12,563,265 | $17,320,044 | $9,522,703 | $1,793,353 | $48,058,402 |
| 2022 | $68,492,578 | $6,988,183 | $12,563,179 | $18,112,880 | $11,371,706 | $1,969,117 | $51,005,064 |
| 2023 | $99,816,016 | $9,526,262 | $13,165,924 | $22,368,499 | $15,353,542 | $2,499,083 | $62,913,309 |
| 2024 | $100,622,560 | $9,537,470 | $13,917,469 | $21,459,739 | $16,853,905 | $2,612,904 | $64,381,487 |

# Centrally Assessed Tax Expenditures

Centrally Assessed Properties have the advantage of a unique exemption not available to locally assessed properties.

## Intangible Personal Property (IPP) Exemption Legislation: SB 111, 1999 Session

Montana is a unit value state, which means a total unit value of a centrally assessed company is determined, and the relevant portion of the total value is allocated to Montana, using an apportionment formula for property tax purposes. The Montana unit value includes both tangible and Intangible Personal Property (IPP). Since centrally assessed companies are valued as a whole unit and not as a sum of each individual part, the value of IPP must be excluded from the unit value.

The concept of IPP is not easily grasped as it lacks a physical presence and cannot be seen or touched. IPP is statutorily defined in 15- 6-218, MCA. In some instances, the statute very clearly defines IPP. Certificates of stock, bonds, promissory notes, licenses, copyrights, patents, trademarks, contracts, software, and franchises are all specifically defined as IPP. However, IPP is also defined as the following more nebulous descriptions: goodwill, property that "has no intrinsic value but is representative of value," or property that "lacks a physical presence."

The department excludes IPP by automatically granting each company a percentage reduction to account for the inclusion of IPP in the unit value. However, a company may claim a larger reduction if it can prove that the value of IPP is greater than the default percentage provided by rule.

The fiscal impact of exempting intangible personal property is estimated by applying the appropriate tax rate to the exempted IPP value and applying the relevant mills.

**Table 9.103 Intangible Personal Property Exemption**

| Tax Year | Exempt Market Value | Reduction in Taxable Value | Loss in State Revenue | Tax Shifts | Total Tax Benefit |
|---|---|---|---|---|---|
| 2015 | $1,864,874,318 | $116,341,728 | $11,818,446 | $53,397,311 | $65,215,756 |
| 2016 | $1,738,771,588 | $111,478,545 | $11,322,582 | $51,124,671 | $62,447,253 |
| 2017 | $2,445,472,074 | $154,291,592 | $15,680,073 | $77,326,355 | $93,006,427 |
| 2018 | $2,447,543,291 | $153,466,984 | $15,595,004 | $80,224,603 | $95,819,607 |
| 2019 | $2,390,922,811 | $151,032,836 | $15,346,013 | $76,664,770 | $92,010,783 |
| 2020 | $2,485,862,974 | $157,320,301 | $15,984,335 | $80,955,489 | $96,939,825 |
| 2021 | $2,753,790,896 | $172,465,976 | $17,530,867 | $90,403,847 | $107,934,714 |
| 2022 | $2,891,328,678 | $180,922,800 | $18,386,332 | $89,960,419 | $108,346,751 |
| 2023 | $2,438,106,034 | $150,770,681 | $15,318,564 | $63,960,386 | $79,278,950 |
| 2024 | $2,580,618,389 | $155,575,423 | $15,807,532 | $70,848,968 | $86,656,501 |

# Generally Exempt Property

There are many types of property that are exempt from taxation. Article VIII, Section 5 of the Montana Constitution establishes the right of the legislature to exempt certain property from property taxation. Some of these exemptions are contained explicitly within the definitions of the classes of property, and some are contained in standalone code sections. An example of an exemption contained within a class definition is Pollution Control Equipment. The definition of class 5 property in 15-6-135 (3)(b)(i) states that "Air and water pollution control and carbon capture equipment placed in service after January 1, 2014 and that satisfies the criteria in subsection (2)(d) is exempt from taxation." On the other hand, the Agricultural Processing Facilities Exemption is contained in a standalone code section 15-6-220. Some of the previous expenditures listed in this report fit into this category of expenditures as well. Table 9.104 contains a list of exempt property types and descriptive information about the exemptions. This table is partially sourced from Legislative Audit Division.

**Table 9.104 Montana's Exempt Property Type Descriptions**

| Exemption Type | Statutory Reference (MCA) | Year Enacted | Purpose When Enacted |
|---|---|---|---|
| Pollution Control and Carbon Capture | 15-6-135(3)(b)(i) | 2015 | Exempt equipment mandated by current and future Clean Air and Environmental regulatory acts to promote compliance and public health |
| Renewable Small Electric Generation | 15-6-225 | 2001 | No Documented Purpose |
| Governmental Exemptions | 15-6-201 (1) (a) | 1891, 1977, 1993, 2009 | No Documented Purpose |
| Religious Exemptions | 15-6-201 (1) (b) | 1891 | No Documented Purpose |
| Agricultural and Horticultural Societies | 15-6-201 (1) (d) | 1891 | No Documented Purpose |
| Educational Exemptions | 15-6-201 (1) (e) | 1891 | No Documented Purpose |
| Nonprofit Healthcare | 15-6-201 (1) (f) | 1891 | No Documented Purpose |
| Cemeteries, Mausoleums, Crematories | 15-6-201 (1) (h) | 1891 | No Documented Purpose |
| Charitable Exemptions | 15-6-201 (1) (i) | 1891 | No Documented Purpose |
| Art Galleries/Observatories/Zoos/ Museums | 15-6-201 (1) (k) | 1911 | No Documented Purpose |
| Nonprofit Water Association | 15-6-201 (1) (l) | 1987 | No Documented Purpose |
| Developmentally Disabled Org/ Mentally Impaired | 15-6-201 (1) (n) (i) | 1983 | No Documented Purpose |
| Retired/Aged/Chronically Ill | 15-6-201 (1) (n) (ii) | 1991 | No Documented Purpose |
| Nonprofit International Athletic Facility | 15-6-201 (1) (o) | 1987 | No Documented Purpose |
| Veteran's Clubhouse | 15-6-203 | 1931 | No Documented Purpose |
| Farm Buildings Less Than $500 | 15-6-207 (3) | 2005 | No Documented Purpose |
| Community Service Building/ Fraternal | 15-6-209 | 1977 | No Documented Purpose |
| Low Income Housing | 15-6-221 | 1999 | No Documented Purpose |
| Transmission Line Right-of-Way Easement | 15-6-229 | 2007 | No Documented Purpose |

**Table 9.104 Montana's Exempt Property Type Descriptions (continued)**

| Exemption Type | Statutory Reference (MCA) | Year Enacted | Purpose When Enacted |
|---|---|---|---|
| Temporary Tribal | 15-6-230 | 2011 | No Documented Purpose |
| Abandoned Mobile Homes | 15-6-242 | 2019 | No Documented Purpose |
| Exempt Mobile Homes | 15-6-241 | 2019 | No Documented Purpose |
| Natural Disaster | 15-16-611 | 1979 | No Documented Purpose |
| Navigable River | 15-24-1208 | 1993 | Exempt the portion of land which have rivers or streams deemed navigable which were proclaimed state owned as the result of court action |
| Deeded Exempt Right of Way | 15-24-1208 | 1993 | Exempt the portion of land deeded away to government entities for public right-of-ways |
| Designated Open Space | 76-6-104 | 1969 | Preserve open spaces to protect environmental life support systems from degradation and for the general health and welfare of the citizens of the state |
| **The following exemptions are not utilized or entities that do utilize them qualify under a different program** | | | |
| Property of Incompetent Veterans Held by a Guardian | 15-6-203 (2) | 1891 | No documented purpose. |
| State Water Conservation Projects | 15-6-205 | 1937 | No documented purpose. |
| Irrigation and Drainage Facilities | 15-6-206 | 1965 | No documented purpose. |
| Property Rented or Leased to a Taxing Unit for Less Than $100 a Year and Used for Public Park, Recreation, or Landscape Beautification Purposes | 15-6-201 (1) (p) | 2015 | Exempt green space in Thompson Falls owned by the railroad and leased to the city for use as open space/a park. |
| Property Used in the Manufacture of Ammunition Components (Terminates December 31, 2024) | 15-24-1410 | 2015 | "The legislature intends to encourage the manufacture of smokeless propellant, small arms, primers, and cartridge cases within the borders of Montana to ensure availability of small arms ammunition for the people of Montana and to fully implement the right to bear arms that the people have reserved for themselves." |
| Business Incubator | 15-24-1802 | 1989 | Encourage the establishment of business incubator organizations, which assist startup companies in their first years by providing shared services such as secretarial telephone, fax, copy, computer, meeting facilities and consulting services. |

**Table 9.104 Montana's Exempt Property Type Descriptions (continued)**

| Exemption Type | Statutory Reference (MCA) | Year Enacted | Purpose When Enacted |
|---|---|---|---|
| Industrial Trade Park | 15-24-1902 | 1989 | Assist in local development by facilitating the establishment of industrial parks owned by local economic development organizations, which encourages industry to move into the state, thereby promoting job creation and increasing revenue for local governments. |
| Land and Buildings of a Local Economic Development Organization | 15-24-2002 | 1991 | Allow for vacant, rundown buildings to be sold or donated to an economic development organization to help reduce local deteriorating infrastructure and encourage economic development. |

Table 9.105 shows the tax impact of some of the property tax exemptions that could be estimated in the property tax database. However, this is an underestimate, as the tax impact cannot be estimated for all types of exempt property. In particular, values on government property are not quality checked with the same diligence as normal property since they will not be taxed. Some designations categories overlap. For example, most right-of-way lands are owned by government entities. Entity level exemptions take precedent in this summary over property level exemptions.

**Table 9.105 Montana's Exempt Property Tax Expenditures**

| Exemption Type | Properties | Exempted Market Value | Reduction in Taxable Value | Loss in State Revenue | Tax Shifts | Total Benefit |
|---|---|---|---|---|---|---|
| Governmental Exemptions | 119,406 | 16,402,626,884 | 211,195,209 | 21,471,890 | 101,359,190 | 122,831,081 |
| Pollution Control and Carbon Capture | 19 | 2,351,410,706 | 70,542,321 | 7,229,986 | 27,836,296 | 35,066,282 |
| Non-Profit Health Care | 473 | 2,702,451,290 | 51,040,831 | 5,191,530 | 26,895,783 | 32,087,312 |
| Religious Exemptions | 2,665 | 2,114,170,334 | 39,107,672 | 3,974,481 | 19,593,012 | 23,567,493 |
| Charitable Exemptions | 1,352 | 1,220,619,858 | 23,925,406 | 2,438,167 | 11,372,644 | 13,810,811 |
| Low Income Housing | 260 | 855,515,764 | 15,914,160 | 1,620,642 | 8,832,569 | 10,453,211 |
| Educational Exemptions | 239 | 890,606,523 | 16,730,863 | 1,701,283 | 8,029,100 | 9,730,383 |
| Developmentally Disabled Org/ Mentally Impaired | 361 | 202,822,325 | 3,553,685 | 361,752 | 1,953,925 | 2,315,677 |
| Retired/Aged/ Chronically Ill | 52 | 173,065,755 | 3,257,698 | 331,585 | 1,830,799 | 2,162,384 |
| Community Service Building/Fraternal | 349 | 155,320,925 | 2,912,749 | 295,810 | 1,489,824 | 1,785,634 |
| Designed Open Space | 968 | 226,307,304 | 4,232,930 | 428,434 | 1,253,981 | 1,682,415 |

**Table 9.105 Montana's Exempt Property Tax Expenditures (continued)**

| Exemption Type | Properties | Exempted Market Value | Reduction in Taxable Value | Loss in State Revenue | Tax Shifts | Total Benefit |
|---|---|---|---|---|---|---|
| Agriculture Processing Facility Exemption | 19 | 85,466,545 | 2,135,056 | 218,107 | 1,141,344 | 1,359,451 |
| Art Galleries/ Observatories/Zoos/ Museums | 115 | 110,204,759 | 2,054,186 | 208,919 | 948,093 | 1,157,013 |
| Exempt Mobile Home | 10,471 | 66,225,683 | 894,047 | 90,699 | 400,274 | 490,974 |
| Veteran's Clubhouse | 98 | 34,637,666 | 631,193 | 64,010 | 315,650 | 379,659 |
| Cemetery, Mausoleums, Crematories | 155 | 24,433,901 | 447,489 | 45,634 | 235,208 | 280,843 |
| Non-Profit Water Association | 92 | 14,726,614 | 263,575 | 26,817 | 111,891 | 138,708 |
| Temporary Tribal Tax Exemptions (15-6-230, MCA) | 85 | 6,380,371 | 114,419 | 11,556 | 53,972 | 65,528 |
| Natural Disaster | 68 | 6,255,822 | 101,259 | 10,258 | 51,153 | 61,411 |
| Horticulture/ Agricultural Societies | 5 | 5,159,101 | 95,763 | 9,672 | 40,130 | 49,802 |
| Transmission Line Right-of-Way | 433 | 4,169,402 | 90,059 | 9,107 | 38,600 | 47,707 |
| Unknown | 88 | 4,372,811 | 71,696 | 7,278 | 38,333 | 45,611 |
| Deeded Exempt Right of Way | 75 | 4,373,499 | 82,659 | 8,353 | 34,855 | 43,207 |
| Farm Buildings Less Than $500 | 18,612 | 5,788,024 | 78,138 | 7,904 | 30,393 | 38,297 |
| Renewable Small Electric Generation | 2 | 497,730 | 29,864 | 3,061 | 20,980 | 24,041 |
| Property on RR Land Leased to Non-Profit Org. | 2 | 1,199,874 | 22,678 | 2,324 | 12,848 | 15,173 |
| Navigable River | 141 | 1,228,783 | 23,224 | 2,353 | 8,604 | 10,957 |
| Non-Profit International Athletic Facility | 1 | 379,254 | 7,168 | 724 | 3,636 | 4,360 |
| Abandoned Mobile Home (15-6-242, MCA) | 22 | 152,980 | 2,065 | 209 | 685 | 894 |
| **Total** | 156,628 | 27,670,570,487 | 449,558,062 | 45,772,545 | 213,933,772 | 259,706,319 |

In addition to the exemptions above, some personal property is also specifically exempt from property taxation including:

- the first $1,00,000 of Class 8 business equipment
- freeport merchandise and business inventories
- agricultural irrigation systems livestock and the unprocessed products of livestock
- livestock that is subject to a per capita fee
- producer-held grain in storage; unprocessed agricultural products
- poultry and the unprocessed products of poultry
- bees and the unprocessed products of bees
- biological control insects
- some sugar beet equipment
- agricultural implements and machinery worth less than $100
- down-hole equipment in oil and gas wells
- certain motion picture and television property
- intangible personal property, including software
- harness, saddles, and other tack
- the first $15,000 or less of handheld tools
- household goods and furniture
- bicycles or mopeds used for personal transportation
- personal property intended for rent or lease if it meets specific conditions
- space vehicles and all associated equipment
- title plane owned by a title insurer
- business equipment used in the manufacture of ammunition components
- property subject to registration fees

These exemptions do not have a quantifiable tax expenditure because of the reporting nature of personal property. For example, if the legislature wanted to remove the exemption for household goods and furniture and require every citizen in Montana to report the value of their furniture, the department would not have a way to reliably estimate the revenue that would generate because there is no current reporting requirement. Similarly, the $1 million exemption of business equipment results in hundreds of businesses with personal property less than the exemption threshold. They have no filing requirement as a result, so their property values are not contained in the property tax system. Therefore, no estimate of the tax expenditure associated with these personal property exemptions is given.

# Natural Resource Tax Expenditures

## Oil and Gas Tax Expenditures

There are many tax rates for production from oil and natural gas wells, depending on the type of well, when it was drilled, and whether the production is owned by working interest or royalty owners.

The following tax expenditures only apply to working interest owners; the tax rate on royalties is always 15.1 percent. When this section refers to the "regular rate" for oil, that implies a tax rate of 9.3 percent for post-1999 oil wells, or 12.8 percent for pre-1999 oil wells. The "regular rate" for natural gas is 9.3 percent for post-99 gas wells, or 15.1 percent for pre-1999 gas wells.

Estimated expenditures are summarized in a table at the end of this section.

### Reduced Rates for "New" Oil and Gas Production

**Code: 15-36-304, MCA**

**Legislation: HB 553, 1977 Session**

Oil and gas produced from a well that qualifies as "new" production are taxed at a reduced rate of 0.8 percent. This reduced rate applies for the first 12 months of production from a conventional vertical well and the first 18 months of production from a horizontally completed well.

New production includes production from new wells, as well as from existing wells that have not produced oil or gas during the previous 60 months. This reduced rate is intended to provide an incentive for the exploration, development, and production of oil and gas.

### Reduced Rate for Horizontally Recompleted Oil Wells

**Code: 15-36-304, MCA**

**Legislation: SB 18, 1993 Session**

The first 18 months of incremental production from a horizontally recompleted well is taxed at 5.8 percent. After this period, the tax rate reverts to the regular rate.

There had been no production reported from horizontally recompleted oil wells until the first quarter of Calendar Year 2024.

## Reduced Rates for Incremental Oil Production from Enhanced Recovery Projects

**Code: 15-36-304, MCA**

**Legislation: HB 636, 1985 Session; SB 28, 2019 Session**

Incremental production (excess production generated by an enhanced recovery project) receives preferential tax rates. In any quarter when the average price of West Texas Intermediate (WTI) crude oil is less than $54 per barrel, incremental production from secondary recovery projects is taxed at 8.8 percent. Otherwise, these wells are taxed at the regular rate.

Incremental production from tertiary recovery projects is always taxed at 6.1 percent. See 15-36-303, MCA, for the definitions and differences between secondary and tertiary recovery projects. These reduced rates provide incentive to keep existing wells open by subsidizing the cost of increasing their productive capacity.

## Reduced Rates for Stripper Exemption and Stripper Oil Wells

**Code: 15-36-304, MCA**

**Legislation: HB 661, 1999 Session; HB 658, 1999 Session**

In any quarter when the average price received by the well operator is less than $54 per barrel of crude oil, oil from wells on leases that produce less than 3 barrels per well per day is taxed at 0.8 percent (stripper exemption). If the price received is equal to or greater than $54 per barrel, this oil is taxed at 5.3 percent.

In any quarter that the average price received by the producer is less than $30 per barrel, wells drilled on or after January 1, 1999 that produce between 3 and 15 barrels per well per day are classified as stripper wells and are taxed at 5.3 percent on the first 10 barrels. If applicable, barrels 11 through 15 are taxed at the regular rate. If the average price received by the producer is at least $30 per barrel, post-1999 stripper wells are taxed at the regular rate.

For wells drilled before 1999, the criteria for stripper well classification differs slightly. Pre-1999 oil wells that produce between 3 and 10 barrels per well per day, regardless of the average price received, are classified as stripper wells and are taxed at 9.3 percent. The reduced rates on stripper exemption and stripper oil provide an incentive to keep low-volume wells in production.

## Reduced Rates for Pre-1999 “Stripper” Gas Wells

**Code: 15-36-304, MCA**

**Legislation: SB 530, 1999 Session**

Gas wells drilled prior to January 1, 1999, that produced less than 60,000 cubic feet of natural gas a day during the previous year (stripper wells) receive a preferential tax rate of 11.3 percent. The reduced rate for stripper gas wells provides an incentive to keep low-volume wells in production.

# Oil and Natural Gas Severance Tax Expenditures

### Table 9.106 Natural Gas: New Production Tax Holiday

| Fiscal Year | Working Interest Value | Actual Tax Rate | Tax Revenue | Normal Tax Rate | Normal Tax Revenue | Tax Expenditure |
|---|---|---|---|---|---|---|
| 2020 | $2,737,083 | 0.800% | $21,897 | 9.300% | $143,462 | $232,652 |
| 2021 | $1,978,144 | 0.800% | $15,825 | 9.300% | $476,536 | $168,142 |
| 2022 | $7,457,276 | 0.800% | $59,658 | 9.300% | $254,498 | $633,868 |
| 2023 | $19,597,106 | 0.800% | $156,777 | 9.300% | $183,967 | $1,665,754 |
| 2024 | $23,743,035 | 0.800% | $189,944 | 9.300% | $404,557 | $2,018,158 |

### Table 9.107 Natural Gas: Drilled Before 1999 and Average < 60 MCF/Day in Prior CY

| Fiscal Year | Working Interest Value | Actual Tax Rate | Tax Revenue | Normal Tax Rate | Normal Tax Revenue | Tax Expenditure |
|---|---|---|---|---|---|---|
| 2020 | $7,415,138 | 11.300% | $837,911 | 15.100% | $1,058,500 | $266,377 |
| 2021 | $12,001,544 | 11.300% | $1,356,175 | 15.100% | $1,811,220 | $455,803 |
| 2022 | $24,048,802 | 11.300% | $2,717,515 | 15.100% | $2,287,125 | $575,567 |
| 2023 | $18,781,087 | 11.300% | $2,122,263 | 15.100% | $2,835,944 | $713,681 |
| 2024 | $6,901,939 | 11.300% | $779,919 | 15.100% | $1,017,169 | $255,976 |

### Table 9.108 Oil: New Production Tax Holiday

| Fiscal Year | Working Interest Value | Actual Tax Rate | Tax Revenue | Normal Tax Rate | Normal Tax Revenue | Tax Expenditure |
|---|---|---|---|---|---|---|
| 2020 | $150,619,408 | 0.800% | $1,204,955 | 9.300% | $14,007,605 | $12,802,650 |
| 2021 | $84,792,857 | 0.800% | $678,343 | 9.300% | $7,885,736 | $7,207,393 |
| 2022 | $240,572,715 | 0.800% | $1,924,582 | 9.300% | $22,373,262 | $20,448,681 |
| 2023 | $377,860,866 | 0.800% | $3,022,887 | 9.300% | $35,141,061 | $32,118,174 |
| 2024 | $460,507,785 | 0.800% | $3,684,062 | 9.300% | $42,827,224 | $39,143,162 |

### Table 9.109 Oil: Incremental Production

| Fiscal Year | Working Interest Value | Actual Tax Rate | Tax Revenue | Normal Tax Rate | Normal Tax Revenue | Tax Expenditure |
|---|---|---|---|---|---|---|
| 2020 | $18,870,988 | 6.100% | $1,151,130 | 9.300% | $1,755,002 | $603,872 |
| 2021 | $21,288,739 | 6.100% | $1,298,613 | 9.300% | $1,979,853 | $681,240 |
| 2022 | $0 | 6.100% | $0 | 9.300% | $0 | $0 |
| 2023 | $0 | 6.100% | $0 | 9.300% | $0 | 0 |
| 2024 | $0 | 6.100% | $0 | 9.300% | $0 | $0 |

**Table 9.110 Oil: Stripper Well Production**

| Fiscal Year | Working Interest Value | Actual Tax Rate | Tax Revenue | Normal Tax Rate | Normal Tax Revenue | Tax Expenditure |
|---|---|---|---|---|---|---|
| 2020 | $19,611,737 | 0.807% | $158,206 | 9.300% | $1,823,892 | $1,665,686 |
| 2021 | $21,423,237 | 2.788% | $597,225 | 9.300% | $1,992,361 | $1,395,136 |
| 2022 | $45,882,981 | 5.828% | $2,673,843 | 9.300% | $4,267,117 | $1,593,274 |
| 2023 | $42,833,421 | 5.554% | $2,378,763 | 9.300% | $3,983,508 | $1,604,746 |
| 2024 | $30,653,977 | 5.327% | $1,632,854 | 9.300% | $2,850,820 | $1,217,966 |

**Table 9.111 Sum of Expenditures**

| Fiscal Year | Natural Gas Expenditures | Oil Tax Expenditures | Oil and Natural Gas Tax |
|---|---|---|---|
| 2020 | $499,029 | $15,072,208 | $15,571,237 |
| 2021 | $623,945 | $9,283,769 | $9,907,714 |
| 2022 | $1,209,435 | $22,041,955 | $23,251,390 |
| 2023 | $2,379,435 | $33,722,407 | $36,101,842 |
| 2024 | $2,274,134 | $40,436,891 | $42,711,025 |

# State of Nebraska

# 2024
# Tax Expenditure Report

*Prepared by*
**Nebraska Department of Revenue**
**James R. Kamm, Tax Commissioner**
**Lincoln, Nebraska**

NEBRASKA
Good Life. Great Service.
DEPARTMENT OF REVENUE

**October 15, 2024**

4-731-2024



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# Introduction

This 2024 Tax Expenditure Report and Summary is published by the Nebraska Department of Revenue (DOR), pursuant to the Tax Expenditure Reporting Act, Neb. Rev. Stat. §§ 77-379 through 77-385. This report provides a review of tax and fee (tax) expenditures, which is required in even numbered years to enable the Legislature to better determine those sectors of the economy that are receiving indirect subsidies as a result of tax expenditures.

A "tax expenditure" is defined as a revenue reduction that occurs in the tax base of the state or a political subdivision as a result of an exemption, deduction, exclusion, tax deferral, credit, or preferential rate introduced into the tax structure. See Neb. Rev. Stat. § 77-381(1). The tax expenditures included in this report are those in effect on July 1, 2024. All tax programs that generate state or local revenue annually in excess of $2 million are included in the report.

This report is submitted to the Governor, the Executive Board of the Legislative Council, and the chairpersons of the Legislature's Revenue and Appropriations Committees. This report is also available on the DOR website at revenue.nebraska.gov , under Tax Research.

A sincere thank you is extended to the following state agencies for the cooperation and contribution to this report: the Secretary of State; the Liquor Control Commission; the Department of Insurance; and the Department of Motor Vehicles.

Questions and comments regarding the format, content, and usefulness of the information provided in this report may be directed to Michael J. Walsh, Tax Policy Manager, at mike.walsh@nebraska.gov or 402-471-5920. The DOR appreciates input and feedback from the public on this report.

James R. Kamm
Tax Commissioner

October 15, 2024



4122/8585

# Nebraska Tax Expenditure Reporting Requirements

**Neb. Rev. Stat. § 77-379 provides:**

Sections 77-379 to 77-385 shall be known and may be cited as the Tax Expenditure Reporting Act.

**Neb. Rev. Stat. § 77-380 provides:**

It is the intent of sections 77-202.03 and 77-380 to 77-385 to provide a mechanism which will enable the Legislature to better determine those sectors of the economy which are receiving indirect subsidies as a result of tax expenditures. The Legislature recognizes that the present budgeting system fails to accurately and totally reflect the revenue lost due to such tax expenditures and that as a result undetermined amounts of potential revenue are escaping public or legislative scrutiny. The loss of such potential revenue causes a narrowing of the tax base which in turn forces higher tax rates on the remaining tax base.

**Neb. Rev. Stat. § 77-381 provides:**

For purposes of the Tax Expenditure Reporting Act, unless the context otherwise requires:

(1) Tax expenditure shall mean a revenue reduction that occurs in the tax base of the state or a political subdivision as the result of an exemption, deduction, exclusion, tax deferral, credit, or preferential rate introduced into the tax structure;

(2) Department shall mean the Department of Revenue;

(3) Income tax shall mean the tax imposed upon individuals and corporations under the Nebraska Revenue Act of 1967;

(4) Sales tax shall mean the tax imposed upon expenditures under the Nebraska Revenue Act of 1967;

(5) Property tax shall mean the tax imposed upon real and personal property under Chapter 77; and

(6) Miscellaneous tax shall mean revenue sources other than income, sales, and property taxes for state and local government including, but not limited to, motor fuel taxes, liquor taxes, cigarette taxes, inheritance and estate taxes, generation-skipping transfer taxes, insurance premium taxes, and occupation taxes and fees or other taxes which generate state or local revenue annually in excess of two million dollars.

**Neb. Rev. Stat. § 77-382 provides:**

(1) The department shall prepare a tax expenditure report describing (a) the basic provisions of the Nebraska tax laws, (b) the actual or estimated revenue loss caused by the exemptions, deductions, exclusions, deferrals, credits, and preferential rates in effect on July 1 of each year and allowed under Nebraska's tax structure and in the property tax, (c) the actual or estimated revenue loss caused by failure to impose sales and use tax on services purchased for nonbusiness use, and (d) the elements which make up the tax base for state and local income, including income, sales and use, property, and miscellaneous taxes.

(2) The department shall review the major tax exemptions for which state general funds are used to reduce the impact of revenue lost due to a tax expenditure. The report shall indicate an estimate of the amount of the reduction in revenue resulting from the operation of all tax expenditures. The report shall list each tax expenditure relating to sales and use tax under the following categories:

(a) Agriculture, which shall include a separate listing for the following items: Agricultural machinery; agricultural chemicals; seeds sold to commercial producers; water for irrigation and manufacturing; commercial artificial insemination; mineral oil as dust suppressant; animal grooming; oxygen for use in aquaculture; animal life whose products constitute food for human consumption; and grains;

(b) Business across state lines, which shall include a separate listing for the following items: Property shipped out-of-state; fabrication labor for items to be shipped out-of-state; property to be transported out-of-state; property purchased in other states to be used in Nebraska; aircraft delivery to an out-of-state resident or business; state reciprocal agreements for industrial machinery; and property taxed in another state;

(c) Common carrier and logistics, which shall include a separate listing for the following items: Railroad rolling stock and repair parts and services; common or contract carriers and repair parts and services; common or contract carrier accessories; and common or contract carrier safety equipment;

(d) Consumer goods, which shall include a separate listing for the following items: Motor vehicles and motorboat trade-ins; merchandise trade-ins; certain medical equipment and medicine; newspapers; laundromats; telefloral deliveries; motor vehicle discounts for the disabled; and political campaign fundraisers;

(e) Energy, which shall include a separate listing for the following items: Motor fuels; energy used in industry; energy used in agriculture; aviation fuel; and minerals, oil, and gas severed from real property;

(f) Food, which shall include a separate listing for the following items: Food for home consumption; Supplemental Nutrition Assistance Program; school lunches; meals sold by hospitals; meals sold by institutions at a flat rate; food for the elderly, handicapped, and Supplemental Security Income recipients; and meals sold by churches;

(g) General business, which shall include a separate listing for the following items: Component and ingredient parts; manufacturing machinery; containers; film rentals; molds and dies; syndicated programming; intercompany sales; intercompany leases; sale of a business or farm machinery; and transfer of property in a change of business ownership;

(h) Lodging and shelter, which shall include a separate listing for the following item: Room rentals by certain institutions;

(i) Miscellaneous, which shall include a separate listing for the following items: Cash discounts and coupons; separately stated finance charges; casual sales; lease-to-purchase agreements; and separately stated taxes;

(j) Nonprofits, governments, and exempt entities, which shall include a separate listing for the following items: Purchases by political subdivisions of the state; purchases by churches and nonprofit colleges and medical facilities; purchasing agents for public real estate construction improvements; contractor as purchasing agent for public agencies; Nebraska lottery; admissions to school events; sales on Native American Indian reservations; school-supporting fundraisers; fine art purchases by a museum; purchases by the Nebraska State Fair Board; purchases by the Nebraska Investment Finance Authority and licensees of the State Racing and Gaming Commission; purchases by the United States Government; public records; and sales by religious organizations;

(k) Recent sales tax expenditures, which shall include a separate listing for each sales tax expenditure created by statute or rule and regulation after July 19, 2012;

(l) Services purchased for nonbusiness use, which shall include a separate listing for each such service, including, but not limited to, the following items: Motor vehicle cleaning, maintenance, and repair services; cleaning and repair of clothing; cleaning, maintenance, and repair of other tangible personal property; maintenance, painting, and repair of real property; entertainment admissions; personal care services; lawn care, gardening, and landscaping services; pet-related services; storage and moving services; household utilities; other personal services; taxi, limousine, and other

transportation services; legal services; accounting services; other professional services; and other real estate services; and

(m) Telecommunications, which shall include a separate listing for the following items: Telecommunications access charges; prepaid calling arrangements; conference bridging services; and non-voice data services.

(3) It is the intent of the Legislature that nothing in the Tax Expenditure Reporting Act shall cause the valuation or assessment of any property exempt from taxation on the basis of its use exclusively for religious, educational, or charitable purposes.

**Neb. Rev. Stat. § 77-383 provides:**

The department may request from any state or local official or agency any information necessary to complete the reports required under § 77-382 and subsection (2) of § 77-385. All state and local officials or agencies shall cooperate with the department with respect to any such request.

**Neb. Rev. Stat. § 77-385 provides:**

(1) The report required under § 77-382 and a summary of the report shall be submitted to the Governor, the Executive Board of the Legislative Council, and the chairpersons of the Legislature's Revenue and Appropriations Committees on or before October 15, 1991, and October 15 of every even-numbered year thereafter. The report submitted to the executive board and the committees shall be submitted electronically. The department shall, on or before December 1 of each even-numbered year, appear at a joint hearing of the Appropriations Committee of the Legislature and the Revenue Committee of the Legislature and present the report. Any supplemental information requested by three or more committee members shall be presented within thirty days after the request. The summary shall be included with or appended to the Governor's budget presented to the Legislature in odd-numbered years.

(2)(a) In addition to the tax expenditure report required under § 77-382, the department shall prepare an annual report that focuses specifically on the tax expenditures relating to sales and use tax as follows:

(i) For 2014 and every fourth year thereafter, the report shall analyze the actual or estimated revenue loss caused by the tax expenditures described in subdivisions (2)(a) through (c) of § 77-382;

(ii) For 2015 and every fourth year thereafter, the report shall analyze the actual or estimated revenue loss caused by the tax expenditures described in subdivisions (2)(d) through (f) of § 77-382;

(iii) For 2016 and every fourth year thereafter, the report shall analyze the actual or estimated revenue loss caused by the tax expenditures described in subdivisions (2)(g) through (j) of § 77-382; and

(iv) For 2017 and every fourth year thereafter, the report shall analyze the actual or estimated revenue loss caused by the tax expenditures described in subdivisions (2)(k) through (m) of § 77-382.

(b) The report required under this subsection shall be submitted to the Governor, the Executive Board of the Legislative Council, and the chairpersons of the Revenue Committee of the Legislature and the Appropriations Committee of the Legislature on or before October 15 of each year. The report submitted to the executive board and the committees shall be submitted electronically. The department shall, on or before December 1 of each year, appear at a joint hearing of the Appropriations Committee of the Legislature and the Revenue Committee of the Legislature and present the report. Any supplemental information requested by three or more committee members shall be presented within thirty days after the request.

# Section A — Nebraska Local Sales and Use Taxes

## Basic Provisions and Tax Base

**Sales Tax[1,2]**

Nebraska sales tax is imposed upon the gross receipts from:

- all sales, leases, rentals, installation, application, and repair of tangible personal property;
- every person engaged as a public utility, cable service operator, or a satellite service provider;
- retailers of intellectual or entertainment property;
- selling admissions, bundled transactions, prepaid calling arrangements, or specified digital products;
- selling warranties, guarantees, service agreements, and maintenance agreements on property, the sale of which is taxable;
- renting or furnishing accommodations or lodging for periods of less than 30 days; and
- selling or providing certain services.

The state sales tax rate is 5.5%, except in Good Life Districts where the rate is 2.75%.

Property is defined as all tangible and intangible property (including rights, licenses, and franchises) and any services that are subject to tax.

**Use Tax[1]**

Use tax is a complement to the sales tax and is imposed upon the storage, use, distribution, or other consumption of all tangible personal property, and taxable sales of intangible property, services, bundled transactions, or specified digital products purchased at retail when the sales tax has not been paid.

**Local Sales and Use Taxes**

Any Nebraska county or incorporated municipality (city or village) may impose a local sales and use tax upon approval by a majority of their voters in a regular election. The local tax applies to the identical transactions subject to the state sales and use tax, with the exception of direct-to-home satellite programming, which is exempt from local, but not state sales taxes under federal law. Local sales taxes may be approved by county voters at a rate of 0.5%, 1%, 1.5%, 1.75%, and 2%, except in cities of the metropolitan class and counties, which are limited to a local sales tax rate of 0.5%, 1%, or 1.5%. The tax is collected and remitted to the state and is then remitted to the cities and counties after deducting refunds plus a 3% administrative fee. The 3% fee from cities is deposited in the Municipal Equalization Fund; the 3% fee from counties is deposited in the State General Fund.

Sources are listed for most estimates provided in Section A. The data sources cited in each category provide the raw data and are analyzed by DOR to arrive at the estimates. Generally, sources include DOR sales tax records, other State of Nebraska agencies, the federal government, nonprofit organizations, and trade groups. Some estimates are based on confidential DOR data, so a data source is not provided. In some cases, no reliable data exists to provide an estimate, and is listed as “not available.”

For 2014 and each fourth year thereafter, Neb. Rev. Stat. § 77-385(2)(a)(i) requires DOR to analyze the actual or estimated revenue loss caused by the tax expenditures described in subdivisions (2)(a) through (c) of § 77-382. This report satisfies the requirements of that section.

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[1] *The taxes collected are deposited into two funds: the State General Fund; and the Highway Trust Fund. Deposits to the Highway Trust Fund are made from the sales and use taxes derived from registration of motor vehicles, trailers, and semi-trailers in Nebraska. The balance of taxes collected is deposited into the State General Fund.*

[2] *Estimates presented in the report are for calendar year 2024 unless otherwise noted.*

# Exemptions

## Agriculture

1. **Agricultural Machinery and Equipment**
   **Statutory citation:** 77-2704.36
   **Description:** Sales and use tax shall not be imposed on the gross receipts from the sale, lease, or rental of depreciable agricultural machinery and equipment purchased, leased, or rented on or after January 1, 1993, for use in commercial agriculture.
   **Estimate:** $110,000,000 (Estimate includes trucks and autos used in agriculture)
   **Data source:** U.S. Department of Agriculture

2. **Agricultural Repair Parts**
   **Statutory citation:** 77-2704.64
   **Description:** Repair or replacement parts for agricultural machinery and equipment used in commercial agriculture.
   **Estimate:** $18,534,000
   **Data source:** U.S. Census Bureau, Economic Census

3. **Agricultural Chemicals**
   **Statutory citation:** 77-2704.41 and 77-2704.46(3)
   **Description:** Agricultural chemicals, adjuvants, surfactants, bonding agents, clays, oils, and any other additives or compatibility agents used in commercial agriculture, including applications to land, crops, or any form of animal life whose products ordinarily constitute food for human consumption or whose pelts are ordinarily used for human apparel.
   **Estimate:** $159,390,000
   **Data source:** U.S. Department of Agriculture, Rural & Farm Finance Policy Analysis Center

4. **Seeds Sold to Commercial Producers and for Agricultural Purposes**
   **Statutory citation:** 77-2704.46(2)
   **Description:** Seeds and annual plants, whose products are food for human consumption, when sold to commercial producers of the products of such seeds, seed legumes, seed grasses, and seed grains when sold to be used exclusively for agricultural purposes.
   **Estimate:** $74,082,000
   **Data source:** U.S. Department of Agriculture, Agricultural Census
   **Note:** Neb. Rev. Stat. § 77-382(2)(a) requires a separate listing for “seeds sold to commercial producers.” This exemption also applies to seeds sold and used exclusively for agricultural purposes. With the data sources used, it is not possible for the DOR to break out commercial and agricultural uses for purposes of this exemption.

5. **Water for Irrigation and Manufacturing**
   **Statutory citation:** 77-2704.13(3)
   **Regulation:** 1-066.07 and .08
   **Description:** Water used for irrigation of agricultural lands and manufacturing purposes if no more than 10% is used for incidental purposes.
   **Estimate:** $18,526,000
   **Data source:** U.S. Geological Survey; Metropolitan Utilities District, Omaha; U.S. Department of Agriculture, Agricultural Census
   The bingo tax applies to the bingo gross receipts of the licensed organization. This tax does not apply to the sale of bingo equipment and supplies by a licensed distributor to a licensed organization, or to the sale of bingo supplies by some other retail business to the general public.

6. **Commercial Artificial Insemination**
   **Statutory citation:** 77-2704.23
   **Description:** Semen and insemination services for use in ranching, farming, commercial, or industry.
   **Estimate:** $1,323,000
   **Data source:** National Association of Animal Breeders; U.S. Department of Agriculture, National Agricultural Statistics Service

7. **Mineral Oil as Dust Suppressant**
   **Statutory citation:** 77-2704.60
   **Description:** Mineral oil applied to grain as a dust suppressant.
   **Estimate:** $881,040
   **Data source:** U.S. Department of Agriculture, National Agricultural Statistics Service

8. **Animal Grooming**
   **Statutory citation:** 77-2701.16(4)(g)
   **Description:** Animal grooming services performed by a licensed veterinarian or licensed veterinary technician in conjunction with the medical treatment of an animal.
   **Estimate:** $700,000
   **Data source:** U.S. Census Bureau, Economic Census

9. **Oxygen for Use in Aquaculture**
   **Statutory citation:** 77-2704.46(4)
   **Estimate:** Not available

10. **Animal Life Whose Products Constitute Food for Human Consumption or for Human Apparel**
    **Statutory citation:** 77-2704.46(1)
    **Description:** Any form of animal life whose products ordinarily constitute food for human consumption or whose pelts are ordinarily used for human apparel.
    **Estimate:** $1,013,039,000
    **Data source:** U.S. Department of Agriculture, Agricultural Census
    **Note:** Neb. Rev. Stat. § 77-382(2)(a) requires a separate listing for “animal life whose products constitute food for human consumption.” This exemption also includes an exemption for animal life whose pelts are used for human apparel. With the data sources used, the DOR cannot separate these two exemptions for purposes of this report.

11. **Grains (including animal feed) for Animal Life that Constitute Food for Human Consumption or Human Apparel**
    **Statutory citation:** 77-2704.41
    **Description:** Grains for consumption by any form of animal life whose products ordinarily constitute food for human consumption or whose pelts are ordinarily used for human apparel. This category also includes minerals, salts, proteins, fats, fibers, vitamins, and grit commonly used as feed or feed supplements.
    **Estimate:** $265,942,000
    **Data source:** U.S. Department of Agriculture, Agricultural Census
    **Note:** Neb. Rev. Stat. § 77-382(2)(a) requires a separate listing for “grains.” This exemption also includes feed, other than grain, for consumption by animal life whose products constitute food for human consumption, including minerals, salts, proteins, fats, fibers, vitamins, and grit commonly used as feed or feed supplements. With the data sources used, DOR cannot separate these two exemptions for purposes of this report. Seed grain is included in #4 above.

12. **Water and Veterinary Medicines for Animal Life that Constitute Food for Human Consumption or for Human Apparel**
**Statutory citation:** 77-2704.41
**Description:** Water and veterinary medicines for consumption by, to be used on, or that are otherwise used in caring for any form of animal life of a kind whose products ordinarily constitute food for human consumption or of a kind of pelts ordinarily used for human apparel.
**Estimate**: $21,362,000
**Data source:** U.S. Geological Survey, Estimated Water Use Report; U.S. Department of Agriculture, Economic Research Service; U.S. Department of Agriculture, Agricultural Census; Metropolitan Utilities District, Omaha

13. **Energy Used in Drying, Aerating, Blending, etc. of Grain**
**Statutory citation:** 77-2704.13
**Description:** Provides that processing includes drying, aerating, blending, cleaning, or sorting of grain in commercial agricultural facilities.
**Estimate:** Not available due to lack of data.
**Note:** Tax expenditure amount is included in Exemption #38

14. **Net Wrap, Baling wire, and Twine**
**Statutory citation:** 77-2704.36(1)(b)
**Description:** Net wrap, Baling wire, and Twine purchased for use in commercial agriculture from sales tax. Net wrap means plastic wrap used in the baling of livestock feed or bedding; Baling wire means wire used in the baling of livestock feed or bedding; Twine means a strong string of two or more strands twisted together used in the baling of livestock feed or bedding.
**Estimate:** $393,707
**Data source:** U.S. Census Bureau, Economic Census

## Business across State Lines

15. **Property Shipped Out-of-State**
**Statutory citation:** 77-2704.11
**Description:** Property shipped outside Nebraska pursuant to a sales contract calling for out-of-state delivery by the retailer, or delivery by the retailer to a carrier, to the post office, or to a forwarding agent for its shipment out-of-state.
**Estimate:** Not available

16. **Fabrication Labor for Items to be Shipped Out-of-State**
**Statutory citation:** 77-2704.11
**Description:** The amount charged for the fabrication (production labor) of property owned and furnished by an in-state or out-of-state customer that is fabricated in Nebraska and then shipped by the Nebraska retailer performing the fabrication to a point outside Nebraska. This statute also exempts installation and application labor, and any other services.
**Estimate:** Not available

17. **Property to be Transported Out of State**
**Statutory citation:** 77-2704.44(1)
**Description:** Property purchased from a non-nexus seller and retained solely for transporting out-of-state or to be incorporated into other property that will be transported out-of-state.
**Estimate:** Not available

**18. Property Purchased and First Used in Other States Prior to Being Brought into Nebraska**
**Statutory citation:** 77-2704.44(2)
**Description:** Property purchased in another state, territory, or possession of the U.S., the Commonwealth of Puerto Rico, or any foreign country that is intended to be used at that location, and that is actually used for its intended purpose (motor vehicles or motorboats registered in another state, commonwealth, territory, possession or country) and then is brought into the State of Nebraska for use.
**Estimate:** Not available

**19. Aircraft Delivery to Out-of-State Resident or Business**
**Statutory citation:** 77-2704.26
**Description:** An aircraft delivered or any service listed in 77-2701.16(4) that is performed on an aircraft brought into Nebraska by an individual who is a resident of another state or any other person who has a business in another state when the aircraft is not to be registered or based in Nebraska and it will not remain in Nebraska more than ten days after the sale or service is completed.
**Estimate:** Not available

**20. State Reciprocal Exemption for Industrial Machinery**
**Statutory citation:** 77-2704.43
**Description:** Industrial machinery and equipment, including parts for repairs, by another state or political subdivision of another state if the other state provides a similar reciprocal exemption.
**Estimate:** $0
**Note:** No other state currently provides an exemption to Nebraska or it's political subdivisions on industrial machinery and equipment.

**21. Property Taxed in Another State**
**Statutory citation:** 77-2704.49, 77-2704.31
**Description:** Property that has been taxed in another state, territory, or possession of the U.S., when a reciprocal exclusion or an exemption similar to transactions in Nebraska is granted.
**Estimate:** Not available

## Common Carrier and Logistics

**22. Railroad Rolling Stock; Repair Parts and Services**
**Statutory citation:** 77-2704.27
**Description:** The purchase, rental, or lease, whether purchased by a railroad or by another person; repair and replacement parts; and associated repair labor charges.
**Estimate:** $23,728,000
**Data source:** U.S. Census Bureau, Annual Capital Expenditures Survey; Bureau of Economic Analysis
**Note:** Estimate does not include repair services.

**23. Common or Contract Carriers; Repair Parts and Services**
**Statutory citation:** 77-2704.50, 77-2704.30(1)
**Regulation:** 1-069
**Description:** The sale, rental, or lease of motor vehicles, trailers, semitrailers, watercraft, or aircraft used as a common or contract carrier; repair and replacement parts; and any associated labor charges.
**Estimate:** $22,685,000
**Data source:** U.S. Census Bureau, Annual Capital Expenditures Survey; Bureau of Economic Analysis
**Note:** Estimate does not include repair services. This estimate includes purchase of non-common carrier trucks and trailers. With the available data, the DOR is unable to isolate non-common carrier purchases from the estimate.

**24. Common or Contract Carrier Accessories**
**Regulation:** 1-069.03C
**Description:** Accessories purchased for use with a common or contract carrier vehicle, watercraft, or aircraft that could have been included in the list price at the time of purchase.
**Estimate:** Not available.

**25. Common or Contract Carrier Safety Equipment**
**Regulation:** 1-069.03E
**Description:** Equipment required by a federal or state regulatory agency to be included on a common or contract carrier vehicle, watercraft, or aircraft operating in or through the State of Nebraska for the health or safety of passengers or cargo.
**Estimate:** Not available.

## Consumer Goods

**26. Motor Vehicle/Motorboat Trade-ins**
**Statutory citation:** 77-2701.35(3)(e)(ii)
**Description:** The value of a motor vehicle, motorboat, all-terrain vehicle, or utility-type vehicle taken by any person in trade as all or part of the consideration for a sale of another motor vehicle, motorboat, all-terrain vehicle, or utility-type vehicle.
**Estimate:** $72,189,000
**Data source:** Nebraska Department of Motor Vehicles

**27. Merchandise Trade-ins**
**Statutory citation:** 77-2701.35(3)(e)(i)
**Description:** The value of trade-ins taken in connection with a sale of property.
**Estimate:** Not available.

**28. Certain Medical Equipment and Medicine**
**Statutory citation:** 77-2704.09(1)
**Description:** Insulin, prescription drugs, mobility-enhancing equipment, drugs sold under a doctor's prescription, and durable medical equipment, home medical supplies, prosthetic devices, oxygen, and any oxygen equipment for a patient's use sold under a doctor's prescription and are eligible for coverage by Medicaid.
**Estimate:** $203,439,000
**Data source:** U.S. Center for Medicare and Medicaid Services

**29. Newspapers**
**Statutory citation:** 77-2704.07
**Description:** Newspapers issued at least once a week; and newspaper advertising supplements distributed with newspapers.
**Estimate:** $3,970,000
**Data source:** U.S. Census Bureau, Economic Census

**30. Laundromats**
**Statutory citation:** 77-2704.14
**Description:** Receipts of coin-operated machines for laundering and cleaning, except for washing motor vehicles.
**Estimate:** $669,000
**Data source:** U.S. Census Bureau, Economic Census

**31. Tele-floral Deliveries**
**Regulation:** 1-052.03
**Description:** Amounts received by Nebraska florists who make deliveries in this state pursuant to instructions received from florists in other states.
**Estimate:** $1,224,000
**Data source:** DOR database

**32. Motor Vehicle Discounts for the Disabled**
**Statutory citation:** 77-2704.21
**Description:** The entire purchase price of a motor vehicle purchased when the maximum amount allowed by law is contributed by the U.S. Department of Veterans Affairs or the Nebraska Department of Health and Human Services for a disabled person. If the amount contributed is less than the maximum amount, the exemption is based on the portion of the purchase price contributed.
**Estimate:** $9,000
**Data source:** U.S. Department of Veterans Affairs

**33. Political Campaign Fundraisers**
**Statutory citation:** 77-2704.10(4)
**Description:** Fees and admissions charged for political events by ballot question committees, candidate committees, independent committees, and political party committees as defined in the Nebraska Political Accountability and Disclosure Act.
**Estimate:** Not available

**34. Residential Water Services**
**Statutory citation:** 77-2704.68
**Description:** Provides an exemption from sales and use taxes on the gross receipts from the sale, lease, or rental of and the storage, use, or other consumption of residential water service.
**Estimate:** $9,375,000
**Data source:** DOR

**35. Feminine Hygiene Products**
**Statutory citation:** 77-2704.70
**Description:** Feminine hygiene products defined as: Tampons, panty liners, menstrual cups, sanitary napkins, and other similar tangible personal property designed for feminine hygiene. Does not include general grooming and hygiene products such as soaps, toothpaste, shampoo, and lotions.
**Estimate:** $1,729,000
**Data source:** U.S. Census Bureau; Economic Census

## Energy

**36. Motor Fuels**
**Statutory citation:** 77-2704.05
**Description:** Motor vehicle fuels such as gasoline, including casing head or natural gasoline, and any other liquids or gases for use in motor vehicles or motorboats; diesel and compressed fuels delivered into the fuel supply tanks of other vehicles; or for railroad use.
**Estimate:** $282,368,000
**Data source:** DOR; U.S. Department of Energy, Energy Information Administration

**37. Energy Used in Industry**
**Statutory citation:** 77-2704.13(2)
**Description:** Sales and purchases of the energy sources in § 77-2704.13(1) when more than 50% of the amount purchased is for use directly in processing, manufacturing, or refining, in the generation of electricity, in the compression of natural gas for retail sale as a vehicle fuel, or by any hospital.
**Estimate:** $153,266,000
**Data source:** U.S. Department of Energy, Energy Information Administration, State Energy Price and Expenditure Report

**38. Energy Used in Agriculture**
**Statutory citation:** 77-2704.13(1)
**Description:** Sales and purchases of electricity, coal, gas, fuel oil, diesel fuel, tractor fuel, propane, gasoline, coke, nuclear fuel, butane, wood as fuel, and corn as fuel when more than 50% of the amount purchased is for use directly in irrigation or farming.
**Estimate:** $84,276,000
**Data source:** U.S. Department of Agriculture, Agricultural Census; U.S. Geological Survey, Estimated Water Use Report; Metropolitan Utilities District, Omaha

**39. Aviation Fuel**
**Statutory citation:** 77-2704.03
**Description:** Fuel for use in aircraft, specifically aviation gasoline and jet fuel.
**Estimate:** $5,241,000
**Data source:** DOR; U.S. Department of Energy, Energy Information Administration

**40. Minerals, Oil, and Gas Severed from Real Property**
**Statutory citation:** 77-2704.04
**Description:** Mining or extracting minerals, oil, and gas in Nebraska.
**Estimate:** $8,812,000
**Data source:** DOR, Form 61 returns

**41. Net Metering of Electricity**
**Statutory citation:** 77-2701.16(2)(c)(ii)
**Description:** A customer-generator's electricity production will be netted against their electricity consumption for the purpose of determining the customer-generator's sales tax liability.
**Estimate:** $400,922
**Data Source:** U.S. Department of Energy, Energy Information Administration

**42. Community-Based Energy Development (C-BED) Projects**
**Statutory citation:** 77-2704.57
**Description:** Personal property for use in a community-based energy development (CBED) project.
**Estimate:** $1,128,000
**Data Source:** DOR, Renewable Energy Generation Facilities Operating in Nebraska

**43. Energy Used to Compress Natural Gas for Fuel**
**Statutory citation:** 77-2704.13
**Description:** Sales and use taxes shall not be imposed on energy sources or fuels when more than 50% of the amount purchased is for use directly in processing manufacturing, or refining, in the generation of electricity, in the compression of natural gas for retail sale as a vehicle fuel, or by any hospital.
**Estimate:** Included in #37 above

**44. Leases or use of Electric Power Structures or Facilities Owned by Political Subdivisions of the State, Electric Cooperatives, or Electric Membership Associations**
**Statutory citation:** 77-2701.16(2)(e)(i)
**Description:** The gross income received by political subdivisions of the state, an electric cooperative, an electric membership association, or by a contractor for the construction of or services provided on the lease or use of electric generation, transmission, distribution, or street lighting structures or facilities owned by a political subdivision of the state to persons furnishing a public utility service.
**Estimate:** $13,043,000
**Data source:** DOR

## Food

**45. Food or Food Ingredients (including but not limited to, food for home consumption)**
**Statutory citation:** 77-2704.24
**Description:** Food or food ingredients, except prepared food and food sold through vending machines.
**Estimate:** $263,088,000
**Note:** Estimate excludes Supplemental Nutrition Assistance Program purchases.
**Data source:** U.S. Department of Labor, Bureau of Labor Statistics, Consumer Expenditure Survey

**46. Supplemental Nutrition Assistance Program (SNAP) — formerly "food stamps"**
**Statutory citation:** 77-2704.54
**Description:** Food or food ingredients that are purchased by electronic benefits transfer or with food coupons.
**Estimate:** $17,339,000 (State taxation is prohibited by federal law)
**Data source:** U.S. Department of Agriculture, Food and Nutrition Service, Supplemental Nutrition Assistance Program

**47. Prepared Food Sold by Schools**
**Statutory citation:** 77-2704.10(1)
**Description:** Prepared food, including soft drinks and candy, served by public or private schools, school districts, student organizations, or parent-teacher associations pursuant to an agreement with the proper school authorities, in an elementary or secondary school or at any institution of higher education, public or private, during the regular school day, or at an approved function of any school or institution. However, this exemption does not apply to sales at any facility or function that is open to the general public, except that concession sales by elementary and secondary schools, public or private, are exempt.
**Estimate:** $11,029,000
**Data source:** Nebraska Department of Education, Annual Financial Report; University of Nebraska room and board rates; National Center for Education Statistics

**48. Prepared Food Sold by Hospitals**
**Statutory citation:** 77-2704.10(3)
**Description:** Prepared food, including soft drinks and candy, for human consumption when served to patients and inmates of hospitals and other institutions licensed by the State of Nebraska for care of human beings.
**Estimate:** $951,000
**Data source:** U.S. Census Bureau, Economic Census

**49. Prepared Food Sold by Institutions at a Flat Rate**
**Regulations:** 1-083.09, 1-083.10
**Description:** Prepared food furnished at fraternities, sororities, cooperative student societies, and summer camps that charge a single amount to attend.
**Estimate:** $1,579,000
**Data source:** U.S. Census Bureau, Economic Census
**Note:** Educational institutions are included in #45 above.

**50. Prepared Food for Elderly, Handicapped, and Supplemental Security Income Recipients**
**Statutory citation:** 77-2704.10(5)
**Description:** Prepared food sold to the elderly, handicapped, or recipients of Supplemental Security Income by an organization that accepts SNAP or food coupons under regulations issued by the U.S. Department of Agriculture, although it is not necessary for the purchaser to use SNAP or food coupons to pay for the meal.
**Estimate:** $134,000
**Data source:** Internal Revenue Service Exempt Organizations Business Master File via National Center for Charitable Statistics; Meals on Wheels Association of America

**51. Prepared Food Sold by Churches**
**Statutory citation:** 77-2704.10(2)
**Description:** Prepared food, including soft drinks and candy, for human consumption when sold by a church at a church function.
**Estimate:** Not available.

## General Business

**52. Component/Ingredient Parts**
**Statutory citation:** 77-2704.45(1)
**Description:** Property that becomes an ingredient or component part of property that is manufactured, processed, or fabricated for ultimate sale at retail.
**Estimate:** $1,796,740,000
**Data source:** REMI model

**53. Manufacturing Machinery and Equipment**
**Statutory citation:** 77-2704.22(1), 77-2704.22(2)
**Description:** The sale, lease, rental, storage, use, or other consumption in Nebraska by a manufacturer of manufacturing machinery, equipment, and repair parts and labor.
**Estimate:** $96,484,000
**Data source:** U.S. Census Annual Survey of Manufactures
**Note:** This estimate includes installation, repair, and maintenance services performed on manufacturing machinery and equipment. The estimate does not include repair labor.

**54. Containers**
**Statutory citation:** 77-2704.47(1)
**Description**: Nonreturnable containers sold to purchasers who place contents in the container and sell the contents with the container.
**Estimate:** $68,021,000
**Data source:** U.S. Census Bureau, Economic Census; U.S. Bureau of Economic Analysis
**Note:** This estimate includes containers that hold contents that are not subject to sales or use tax (77-2704.47[2]) and returnable containers when sold with the contents or resold for refilling (77-2704.47[3]).

**55. Film Rentals**
**Statutory citation:** 77-2704.53
**Description:** Gross income received from videotape, film rentals, and satellite programming when tax is charged on the admission or service.
**Estimate:** $25,000
**Data source:** U.S. Census Bureau, Economic Census; U.S. Bureau of Economic Analysis

**56. Molds and Dies**
**Statutory citation:** 77-2704.40 and 77-2701.47(1)(c)
**Description:** Sales of molds, dies, and patterns that are used to manufacture a single product that is either injection-molded from plastic or stamped from metal.
**Estimate**: $9,125,000
**Data source:** U.S. Census Bureau, Annual Survey of Manufacturers; U.S. Bureau of Economic Analysis
**Note:** This estimate is for all molds and dies even though most would be exempt as manufacturing machinery or equipment under Neb. Rev. Stat. § 77-2704.22.

**57. Syndicated Programming**
**Statutory citation:** 77-2704.39
**Description:** Sales of syndicated programming for rebroadcast by a radio or television station.
**Estimate:** Minimal
**Data source:** U.S. Census Bureau, Economic Census; Bureau of Economic Analysis

**58. Intercompany Sales**
**Statutory citation**: 77-2701.24(1), 77-2704.48
**Description:** An intercompany sale, but not a lease or rental of property to a parent or vice versa, from one subsidiary to another subsidiary having the same parent, or between brother-sister companies if the seller or transferor has previously, directly or indirectly, paid a sales or use tax thereon.
**Estimate:** Not available

**59. Intercompany Leases**
**Statutory citation:** 77-2704.28
**Description:** An intercompany lease from a subsidiary to the parent company or vice versa, from one subsidiary to another subsidiary of the same parent company, or between brother-sister companies if the seller or transferor directly or indirectly has previously paid a sales or use tax on the leased property.
**Estimate:** Not available

**60. Sale of Used Business or Farm Machinery and Equipment**
**Statutory citation:** 77-2701.24(3), 77-2704.48
**Description:** The sale of business or farm machinery and equipment if the machinery or equipment was used by the seller, for at least one year, as a capital asset and sales or use tax was previously paid or specifically exempted.
**Estimate:** Not available.

**61. Transfer of Property in Change of Business Ownership**
**Statutory citation:** 77-2701.24(5), 77-2704.48
**Description:** Sale of property that is made in connection with the sale to a single buyer of all or substantially all of the property of a trade of business if the seller has previously paid a sales or use tax on the property sold.
**Estimate:** Not available

**62. Direct Mail Postage**
**Statutory citation:** 77-2701.11 and 77-2701.35(3)(d)
**Description:** Delivery charges do not include U.S. postage charges on direct mail if the charges for U.S. postage are separately stated on the invoice, bill of sale, or similar document given to the purchaser. Separately stated charges for U.S. postage on direct mail are no longer subject to sales and use taxes.
**Estimate:** $3,778,000
**Data Source:** U.S. Postal Service; Bureau of Economic Analysis.

**63. Data Centers**
**Statutory citation:** 77-2704.62
**Description:** Tangible personal property, acquired by a person operating a data center, to be assembled, engineered, processed, fabricated, manufactured into, attached to, or incorporated into other tangible personal property for subsequent use outside of Nebraska.
**Estimate:** $7,084,000
**Data source:** U.S. Census Bureau, Economic Census

**64. Certain Catalysts, Chemicals and Materials**
**Statutory citation:** 77-2704.69
**Description:** Sales of catalysts, chemicals, and materials used in manufacturing ethyl alcohol and its coproducts.
**Estimate:** $951,000
**Data source:** U.S. Census Bureau, Economic Census

**65. Leases or Uses of Towers or Structures Primarily for Internet, GPS, or Broadcasting**
**Statutory citation:** 77-2701.16(2)
**Description:** The gross income received for the lease or use of towers or other structures primarily used for furnishing Internet access services, agricultural GPS locating services, or radio or television broadcasting.
**Estimate:** $4,757,000
**Data source:** Vertical Consultants

## Lodging and Shelter

**66. Room Rentals by Certain Institutions**
**Statutory citation**: 77-2701.33(2)
**Description:** Room rentals made by certain facilities licensed under the Health Care Facility Licensure Act, college dormitories, and other facilities licensed by the State of Nebraska.
**Estimate:** $140,581,000
**Data source:** U.S. Census Bureau, Economic Census; University of Nebraska on-campus enrollment and boarding rates; National Center for Health Statistics, American Hospital Directory

**67. Long-term Lodging**
**Statutory citation:** 77-2701.33(2)
**Description:** Lodging for 30 continuous days or more.
**Estimate:** Not available

## Miscellaneous

**68. Cash Discounts/Coupons**
**Statutory citation:** 77-2701.35(3)(a)
**Description:** Cash discounts allowed and taken on sales not reimbursed by a third party, including coupons issued and redeemed by the retailer.
**Estimate:** Not available

**69. Separately Stated Finance Charges**
**Statutory citation:** 77-2701.35(3)(b)
**Description:** Separately Stated finance, carrying, service, or interest charges in connection with credit extended under a deferred payment plan.
**Estimate:** Not available.

**70. Occasional Sales**
**Statutory citation:** 77-2701.24(2), 77-2704.48
**Description:** Garage sales and sales made by individuals on an online auction site of household goods and personal belongings. The sale cannot be held more than three days in a year and the sales must meet additional criteria contained in these sections.
**Estimate:** Not Available

**71. Occasional Sales Aircraft**
**Statutory citation:** 77-2701.24(2), 77-2704.48
**Description:** Sale of an aircraft when it is an intercompany sale from a subsidiary to the parent, from a parent to a subsidiary, from one subsidiary to another subsidiary of the same parent, or between brother-sister companies, business reorganizations and windups.
**Estimate:** $1,000,000
**Data source:** DOR

**72. Lease-to-Purchase Agreements**
**Statutory citation**: 77-2704.08
**Description:** Leased property sold to a lessee of the property under a rental agreement (lease-purchase agreement) where the rental payments are credited against the purchase price of the property to the extent tax was collected on the payments.
**Estimate:** Not available

**73. Separately Stated Taxes**
**Statutory citation:** 77-2701.35(3)(c)
**Description:** Any taxes legally imposed on the consumer that are separately stated on the invoice, bill of sale, or other similar document given to the purchaser.
**Note:** Examples of this type of tax include the federal luxury tax or the Nebraska Universal Service Fund Surcharge.
**Estimate:** Minimal

**74. Bullion or Currency**
**Statutory citation:** 77-2704.66
**Description:** The sale of bullion or currency is exempt from sales and use taxes.
**Estimate**: $2,005,017
**Data Source:** U.S. Census Bureau, Economic Census

**75. Biochips**
**Statutory citation:** 77-2704.61
**Description:** Solid substrates upon, or into which, is incorporated genetic or protein information when used for the purpose of genotyping or analyzing gene expression, protein expression, genomic sequencing, or protein profiling.
**Estimate:** $3,032,000
**Data source:** Coherent Market Insights

# Nonprofits and Governments Exemption

**76. Purchases by Political Subdivisions of the State**

**Statutory citation:** 77-2704.15(1)

**Description:** Purchases by the state, including public educational institutions recognized or established under the provisions of Chapter 85, any Nebraska county, township, city, village, rural or suburban fire protection district, city airport authority, county airport authority, joint airport authority, drainage district organized under Neb. Rev. Stat. §§ 31-401 to 31-450, land bank, natural resource district, elected county fair board, housing agency as defined in Neb. Rev. Stat. § 71-1575 except for purchases for any commercial operation that does not exclusively benefit the residents of an affordable housing project, cemetery created under Neb. Rev. Stat. § 12-101, or joint entity or agency formed to fulfill the purposes described in the Integrated Solid Waste Management Act by any combination of two or more counties, townships, cities, or villages pursuant to the Interlocal Cooperation Act, the Integrated Solid Waste Management Act, or the Joint Public Agency Act, except for purchases for use in the business of furnishing gas, water, electricity, or heat, or by any irrigation or reclamation district, the irrigation division of any public power and irrigation district, or public schools established under Chapter 79. This estimate includes purchases by nonprofit corporations formed solely to finance one or more construction projects for an exempt governmental agency.

**Estimate:** $212,902,000

**Data source:** U.S. Census Bureau, State and Local Government Finances

**77. Purchases by Churches and Nonprofit Colleges and Medical Facilities**

**Statutory citation:** 77-2704.12(1)

**Description:** Purchases made by:

1) Nonprofit organizations created exclusively for religious purposes (1967);
2) Nonprofit organizations providing services exclusively to the blind (1967);
3) Nonprofit Nebraska-licensed private educational institution established under §§ 79-1601 to 79-1607 (1967);
4) Nonprofit Nebraska-licensed private college or university with its primary campus located in Nebraska (2011);
5) The medical care levels and facilities (a) through (k) must be licensed under the Nebraska Health Care Facility Licensure Act:
    a) Nonprofit Nebraska-licensed hospitals (1967);
    b) Nonprofit Nebraska-licensed health clinics when one or more hospitals or the parent corporations of the hospitals own or control the health clinic for the purpose of reducing the cost of health services, or when the health clinic receives federal funds through the United States Public Health Service for the purpose of serving populations that are medically underserved (1984);
    c) Nonprofit Nebraska-licensed skilled nursing facilities (1977);
    d) Nonprofit Nebraska-licensed intermediate care facilities (1977);
    e) Nonprofit Nebraska-licensed assisted-living facilities (2008);
    f) Nonprofit Nebraska-licensed intermediate care facilities for the developmentally disabled (2004);
    g) Nonprofit Nebraska-licensed nursing facilities (1991);
    h) Nonprofit Nebraska-licensed home health agency (1982);
    i) Hospice or hospice service (2005)
    j) Respite care service (2005);
    k) Nonprofit Nebraska-licensed mental health substance abuse treatment center (2012); and
6) Nonprofit Nebraska-licensed center for independent living as defined in 29 U.S.C. 796a;
7) Nonprofit Nebraska-licensed residential child-caring agencies (1980) or child placement agencies (1967);
8) Nonprofit organizations certified by the Department of Health and Human Services (HHS) to provide community-based services for persons with developmental disabilities (2006).
9) Any nonprofit organization for purchases of property that will be transferred to an organization listed in subdivisions (a) through (i) of this subsection until the property is transferred or the contract is completed, provided that the nonprofit organization (i) acquires property that will be transferred to an organization listed in subdivisions (a) through (i) of this subsection or (ii) enters into a contract of construction, improvement, or repair upon property annexed to real estate if the property will be transferred to an organization listed in subdivisions (a) through (i) of this subsection.

**Estimate:** $251,198,000

**Data source:** National Center for Charitable Statistics

**78. Purchasing Agents for Construction Improvements for Political Subdivisions of the State**

**Statutory citation:** 77-2704.15(2)

**Description:** The appointment of purchasing agents will be recognized for the purpose of altering the status of the construction contractor as the ultimate consumer of building materials that are annexed to the structure and which belong to the state or governmental subdivision.

**Note:** Estimate is included in Exemption #76, 77-2704.15(1), above.

**79. Purchasing Agents for Churches, Nonprofit Colleges, and Medical Facilities**
**Statutory citation:** 77-2704.12(3)
**Description:** A construction contractor may be appointed as purchasing agent for these entities and make tax exempt purchases of building materials that will be annexed to real property.
**Note:** Estimate is included in Exemption #76, 77-2704.15(1), above.

**80. Nebraska Lottery**
**Statutory citation:** 77-2704.38
**Description:** Nebraska Lottery tickets sold pursuant to the State Lottery Act.
**Estimate:** $12,105,500
**Data source:** DOR, Nebraska Lottery

**81. Admissions to School Events**
**Statutory citation:** 77-2704.10(6)
**Description:** Fees and admissions charged by a school district, student organization, or parent-teacher association for functions at elementary or secondary schools, public or private.
**Estimate:** $738,000
**Data source:** Nebraska High School Activities Association; Lincoln Public Schools Annual Budget; Nebraska Department of Education enrollment statistics

**82. School-supporting Fundraisers**
**Statutory citation:** 77-2704.25
**Description:** Property sold by parent-booster clubs, parent-teacher associations, parent-teacher-student associations, or school-operated stores approved by an elementary or secondary school, public or private, if the proceeds are used to support school activities or the school itself.
**Estimate:** $764,000
**Data source:** Internal Revenue Service Exempt Organizations Business Master File via National Center for Charitable Statistics

**83. Sales on Native American Indian Lands**
**Statutory citation:** 77-2704.02
**Description:** Property sold to a Native American Indian living in Indian country, as defined in federal law, or to a Native American Tribal Council or Tribal corporation when it is within Indian country.
**Estimate:** $4,864,000 (State taxation is prohibited by federal law)
**Data source:** DOR; Census Bureau

**84. Certain Purchases by a Museum**
**Statutory citation:** 77-2704.56
**Description:** Sales and use taxes are not imposed on purchases of historical, scientific, cultural, or artistic property or fine art by a museum as defined by Neb. Rev. Stat. § 51-702. The exemption was broadened to include property in addition to fine art in 2016.
**Estimate**: $539,000
**Data source:** Internal Revenue Service Exempt Organizations Business Master File via National Center for Charitable Statistics

**85. Purchases by the Nebraska State Fair Board**
**Statutory citation:** 77-2704.15
**Estimate:** $125,000
**Data source:** Nebraska State Fair Board

**86. Purchases by the Nebraska Investment Finance Authority**
**Statutory citation:** 77-2704.17
**Estimate:** Minimal

**87. Purchases by the Licensees of the State Racing and Gaming Commission**
**Statutory citation:** 77-2704.20
**Description:** An exemption is granted to any purchases by licensees of the State Racing and Gaming Commission, which includes casinos and horse tracks.
**Estimate:** $2,858,000
**Data source:** U.S. Census Bureau, Economic Census

**88. Purchases by U.S. Government**
**Statutory citation:** 77-2704.02
**Description:** Purchases by the U.S. Government, its agencies, and instrumentalities.
**Estimate:** Not available
**Note:** State taxation is prohibited by federal law.

**89. Public Records**
**Statutory citation:** 77-2704.42
**Description:** Copies of public records as defined in 84-712(1), except those documents developed, produced, or acquired and made available for commercial sale to the general public.
**Estimate:** Not available

**90. Sales by Religious Organizations**
**Statutory citation:** 77-2701.24(4), 77-2704.48
**Description:** One annual sale of property by an organization created exclusively for religious purposes.
**Estimate:** $69,000
**Data source:** Internal Revenue Service Exempt Organizations Business Master File via National Center for Charitable Statistics

**91. Admissions to Statewide Sports Events**
**Statutory citation:** 77-2704.10(7)
**Description:** Fees and admissions charged to participants by nonprofit IRC § 501(c)(3) organizations that conduct statewide sports events with multiple sports for both adults and youth.
**Estimate:** $22,000
**Data source:** Cornhusker State Games website

**92. Admissions Charged by Organizations Dedicated to Youth Development and Healthy Living**
**Statutory citation:** 77-2704.10(8)
**Description:** Fees and admissions charged to participants by nonprofit IRC § 501(c)(3) organizations that are affiliated with a national organization that is primarily dedicated to youth development and healthy living and offers sports instruction or sports events in multiple sports.
**Estimate:** $4,063,000
**Data source:** Internal Revenue Service Exempt Organizations Business Master File via National Center for Charitable Statistics

**93. Entry Fees for Youth Sports Events**
**Statutory citation:** 77-2704.63
**Description:** Entry fees or other amounts charged by political subdivisions or IRC § 501(c)(3) organizations to participate in sports events, sports leagues, or competitive educational activities that are restricted to participants who are less than 19 years old.
**Estimate:** $175,000
**Data source:** Nebraska city budgets and Consolidated Annual Financial Reports

**94. Membership or Admission to or Purchase by Zoo or Aquarium**
**Statutory citation:** 77-2704.67
**Description:** Sales and use taxes shall not be imposed on the gross receipts from the sale, lease, or rental of and the storage, use, or other consumption in this state of any sale of a membership in, an admission to, or any purchase by a nationally accredited zoo or aquarium operated by a public agency or nonprofit corporation primarily for educational or scientific or tourism purposes.
**Estimate:** $2,365,000
**Data source:** DOR

**95. Sanitary Drainage Districts**
**Statutory citation:** 77-2704.15
**Description:** Sales tax exemption for purchases made by sanitary drainage districts.
**Estimate:** Not available.

**96. Automobile Museums**
**Statutory citation:** 77-2704.65
**Description:** Sales and use tax exemption on purchases of items that are on display, or held for display, by any historic automobile museum and are reasonably related to the general purpose of the historic automobile museum. A historic automobile museum is defined as a museum that is open to the public for at least four hours a week, on average, and is used to maintain and exhibit at least 150 vehicles.
**Estimate:** $118,000
**Data source:** DOR sales and use tax records

**97. County Agricultural Societies**
**Statutory citation:** 77-2704.15
**Description:** County agricultural societies are exempt from paying sales and use taxes on their purchases.
**Estimate:** $302,000
**Data source:** IRS Form 990

## Recent Sales Tax Exemptions

**98. Nonprofit Organizations Expanded**
**Statutory citation:** 77-2704.12
**Description:** Sales tax exemption to any nonprofit organization certified or contracted by a regional behavioral health authority or the Division of Behavioral Health of the Department of Health and Human Services to provide community-based mental health or substance use services.
**Estimate:** $471,000
**Data source:** U.S. Census Bureau; Economic Census

## Services Purchased for Non-Business Use[3]

**99. Motor Vehicle Cleaning and Repair**

**Description and Estimate:**

Motor vehicle cleaning:[4]

Total motor vehicle repair: $43,001,600

- Body repair: $15,887,568
- Brake repair: $2,705,919
- Electrical system repair: $1,582,481
- Repair of recreational motor vehicles: $129,040
- Other repair services, such as muffler and exhaust systems, air conditioning and heating systems, etc.: $7,635,600
- Power train repair: $8,626,864
- Scheduled preventative maintenance: $5,285,462
- Wheel and alignment services: $1,148,666

**Data Source:** U.S. Census Bureau, Economic Census.

**100. Cleaning and Repair of Clothing**

**Description and Estimate:**

Total cleaning of clothing: $3,096,000

- Coin-operated laundry and dry cleaning: $690,397
- Dry cleaning services: $1,679,376
- Other laundry services: $726,131

**Data Source:** U.S. Census Bureau, Economic Census

**101. Cleaning and Repair of Tangible Personal Property**

**Description and Estimate:**

- Cleaning of tangible personal property: Not available
- Maintenance of tangible personal property: N/A (it's taxable)
- Repair of tangible personal property: N/A (it's taxable)

**102. Maintenance, Painting, and Repair Services to Real Property**

**Estimate**: $25,240,000

- Painting and wall covering contractors: $828,000
- Poured concrete foundation and structure contractors: $791,000
- Framing contractors: $240,000
- Glass and glazing contractors: Not available
- Roofing contractors: $3,028,000
- Siding contractors: $924,000
- Electricians: $2,579,000
- Plumbing, heating, and air conditioning contractors: $13,250,000
- Drywall and insulation contractors: $744,000
- Flooring contractors: $191,000
- Carpentry contractors: $2,663,000

**Data Source:** U.S. Census Bureau, Economic Census

**Note:** The estimates above refer only to repair work completed to existing single family housing and not to commercial structures, which are excluded from the estimate pursuant to Neb. Rev. Stat. § 77-382.

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[3] *With the available data sources, DOR is unable to separate business use from non-business use in many of the following services.*

[4] *Neb. Rev. Stat. § 77-382(2)(l), as amended by LB 989 (2014), requires a listing for "motor vehicle cleaning and repair services;" however, motor vehicle cleaning is subject to sales tax. The estimates above refer to services related to motor vehicle repair performed, and do not include the value of replacement parts installed.*

**103. Entertainment Admissions**

**Estimate:** *

***Note:** Neb. Rev. Stat. § 77-382(2)(l), as amended by LB 989 (2014), requires a listing for "entertainment admissions;" however, entertainment admissions are subject to sales tax.

**104. Personal Care Services**

**Estimate:** $11,467,000

- Hair care services: $7,566,000
- Hair removal services: $226,000
- Massage services: $455,000
- Nail care services: $1,152,000
- Tattoo and body modification services: $1,659,000
- Skin care services: $409,000

**Data Source:** U.S. Census Bureau, Economic Census

**105. Lawn Care, Gardening, and Landscaping Services**

**Estimate:** $20,000,000

**Data Source:** DOR

**Note:** Neb. Rev. Stat. § 77-382(2)(l), as amended by LB 989 (2014), requires a listing for "lawn care, gardening, and landscaping services;" however, installation of landscaping materials and live plants is subject to sales tax.

**106. Pet-related Services**

**Estimate:** $27,268,000

**Data Source:** U.S. Census Bureau, Economic Census

**Note:** The estimate includes veterinary services performed on both pets and livestock. Other pet-related services, such as the boarding and caring of animals; grooming; training, exercising, or handling; waste removal; breeding and insemination services; and cremation, burial, and disposal services are subject to sales tax.

**107. Storage and Moving Services**

**Estimate:** $11,150,000

- Used household goods moving services: $9,210,000
- Lessors of mini-warehouses and self-storage units: $1,940,000

**Data Source:** U.S. Census Bureau, Economic Census

**108. Household Utilities Estimate:**

**Estimate:** Not Applicable

**109. Other Personal Services**

**Estimate**: $7,589,000

- Weight loss services: $1,464,000
- Pre-burial services: $3,193,000
- Interment of human remains: $882,000
- Graves, plots and other spaces for human remains: $819,000
- All other personal services, including bail bonding, shoeshine, wedding planning, social escorts, and plots for human remains: $1,231,000

**Data Source:** U.S. Census Bureau, Economic Census

**110. Taxi, Limousine, and Other Transportation Services**

**Estimate:** $8,110,000

- Local, fixed-route passenger transportation by road and transit rail: $4,292,000
- Long-distance passenger transportation by road, except fixed-route: $605,000
- Local taxi service: $584,000
- Local passenger transportation by chartered road vehicles, except limousines: $17,000
- Local passenger transportation by limousines and similar luxury vehicles: $1,236,000
- Special needs transportation service, including paratransit, senior citizen, etc.: $1,128,000
- Sightseeing services by ground vehicles: $244,000

**Data Source:** U.S. Census Bureau, Economic Census.

**Note:** Estimates above include transportation services sold to businesses.

**111. Legal Services**

**Estimate:** $70,391,000

**Data Source:** U.S. Census Bureau, Economic Census

**Note:** Estimate includes legal services purchased by businesses.

**112. Accounting Services**

**Estimate:** $13,918,000

**Data Source:** U.S. Census Bureau, Economic Census

**Note:** Estimate includes tax preparation services for individuals and unincorporated businesses and does not include services, such as preparation of financial statements, payroll, and budgets.

**113. Other Professional Services**

**Estimate:** $406,211,000

- Investment advice: $8,545,000
- Travel agencies: $3,086,000
- Tour operators: $155,000
- Offices of physicians: $278,762,000
- Offices of dentists: $57,722,000
- Offices of chiropractors: $10,541,000
- Offices of optometrists: $6,162,000
- Offices of mental health practitioners: $6,255,000
- Family planning: $251,000
- Substance abuse: $6,436,000
- Other outpatient services: $28,296,000

**Data Source:** U.S. Census Bureau, Economic Census

**114. Other Real Estate Services**

**Estimate:** $49,395,000

- Offices of real estate agents: $46,853,000
- Offices of real estate appraisers: $2,542,000

**Data Source:** U.S. Census Bureau, Economic Census

## Telecommunications

**115. Telecommunications Access Charges**

**Statutory citation:** 77-2704.51

**Description:** Telecommunication services between telecommunications companies, including division of revenues, settlements, or access charges.

**Estimate:** $13,782,000

**Data Source:** Federal Communications Commission ARMIS Report 43-01 and 43-08.

**116. Prepaid Calling Arrangements**
**Note:** Prepaid calling arrangements are subject to sales tax under Neb. Rev. Stat. § 77-2701.16(9) at the time of sale rather than the time of use.

**117. Conference Bridging Services**
**Statutory citation:** 77-2701.16(2)(a)(i)
**Description:** Sales of conference bridging services associated with the provision of ancillary services.
**Estimate:** $858,000
**Data source:** U.S. Census Bureau, Economic Census; Bureau of Economic Analysis

**118. Non-voice Data Services**
**Statutory citation:** 77-2701.16(2)(a)(i)
**Description:** Sales of value-added, non-voice data service associated with the provision of telephone communications services.
**Estimate:** Not available.

**119. Leases or Sales of Dark Fiber**
**Statutory citation:** 77-2704.51
**Description:** Leases and sales of dark fiber as defined in Neb. Rev. Stat. § 86-574, between telecommunications companies.
**Estimate:** Not available.

## Credits and Refunds

**120. Refund for Tax Paid on Materials Annexed Outside the U.S.**
**Statutory citation:** 77-2704.32
**Description:** A sales tax refund for tax paid on materials actually annexed outside the U.S. or its territories or possessions.
**Estimate:** Not available.

**121. Refund for Changes in Sales Tax Rate in Fixed Price Contracts**
**Statutory citation:** 77-2704.33
**Description:** A sales tax credit or refund is given when a written contract exists for a fixed price for a construction project and the sales tax rate is increased during the term of the contract. The contractor can then apply for a refund of the increased sales tax amount paid on building materials when the amount exceeds $10.
**Estimate:** Not available.

**122. Bad Debt Deduction**
**Statutory citation:** 77-2708(2)(j)(i)&(ii)
**Description:** A sales tax credit is given to the retailer, contractor, or repairperson for sales charged off as worthless or uncollectible for federal income tax purposes or against bad debt reserve; a credit given for the portion of the purchase price remaining unpaid at the time of repossession.
**Estimate:** Not available.

**123. Pollution Control Facility Refund**
**Statutory citation:** 77-27,149 through 77-27,155
**Description:** A refund is made for sales tax paid by a claimant or a contractor on an air or water pollution control facility used primarily for eliminating industrial or agricultural waste from air or water.
**Estimate:** Not available.

***For sales and use tax refunds related to the Nebraska Advantage Act, see Section U.***

## Deductions

**124. Retailers' Collection Fee**

**Statutory citation:** 77-2703(2)(d) and 77-2708(1)(d)

**Description:** A collection fee is taken by retailers and other persons collecting the sales and use tax to defray the expense of the collection. The collection fee is 3% of the first $5,000 remitted each month, maximum of $150.The fee is computed on the basis of each licensed location when a combined return is filed.

**Estimate:** $27,616,000

**Data Source:** DOR

**125. Administrative Fee for Collecting Municipal and County Sales Taxes**

**Statutory citation:** 77-27,144

**Description:** The State deducts a 3% administrative fee from local sales and use tax collections.

**Estimate:** $20,572,000

**Data Source:** DOR

**Note:** The fee is redistributed to municipalities pursuant to Neb. Rev. Stat. § 77-27,139.03. The fee associated with county sales tax is retained in the General Fund.

## Preferential Tax Rates

**126. Good Life District**

**Statutory citation:** 77-4405

**Description:** On and after July 1, 2023, any transactions occurring within a good life district shall be subject to a reduced state sales tax rate as provided in section 77-2701.02.

**Estimate:** $12,000,000 (in 2025)

**Data Source:** DOR

# Section B — Income Tax: Individual, Fiduciary, Corporation, and Financial Institution Tax

## Basic Provisions and Tax Base

### All estimates are independent of each other and cannot be summed.

### Individual Income Tax[1]

Nebraska individual income tax is imposed for each taxable year on the entire income of every resident individual. Nonresident and partial-year resident individuals are taxed on income derived from Nebraska sources. For tax year 2024, the rates are 2.46%, 3.51%, 5.01%, and 5.84% of Nebraska taxable income. Brackets for each filing status are outlined in Neb. Rev. Stat. § 77-2715.03. A personal exemption credit is allowed against the tax computed for every Nebraska personal exemption of the taxpayer. For tax year 2024, the credit is $166.

The tax is calculated as a percentage of Nebraska taxable income. Additional taxes are computed on premature and lump-sum distributions from qualified retirement plans at a rate equal to 29.6% of the federal tax liability. Nebraska taxable income starts with federal adjusted gross income (AGI), adds interest from non-Nebraska state and local government obligations, and subtracts U.S. government obligations and other adjustments increasing and decreasing income. Nebraska taxable income is further reduced by either federal itemized deductions less state and local income taxes; or a standard deduction equal to the smaller of the federal standard deduction or the Nebraska standard deduction amounts specified in § 77-2716.01(3). Additional standard deduction amounts are allowed to elderly and blind taxpayers. The standard deduction, including the additional standard deduction amounts, are adjusted for inflation.

### Fiduciary Income Tax[1]

Nebraska income tax is imposed for each taxable year on the federal taxable income of a resident estate or trust after the adjustments contained in § 77-2716. Nonresident estates and trusts have the Nebraska income tax imposed for each taxable year on the portion of their income derived from sources within Nebraska.

In both cases, the tax is calculated as a percentage of Nebraska taxable income. The rates are 2.46%, 3.51%, 5.01%, and 5.84%. The brackets are established in § 77-2715.03. Additional tax is imposed on premature and lump-sum distributions from qualified retirement plans at a rate equal to 29.6% of the federal tax liability.

### Corporation Income Tax[1]

Nebraska corporation income tax is imposed upon any corporation or any other entity taxed as a corporation (not including a corporation with a valid federal subchapter S election or any financial institution defined in § 77-3801 that is doing business in Nebraska. For a corporate taxpayer subject to tax in another state, the entire federal taxable income of the unitary business, after the adjustments in §§ 77-2716 and 77-2734.07(1), is apportioned according to the statutory formula to determine the portion attributable to sources within Nebraska. For a corporate taxpayer not subject to tax in another state, the entire taxable income is subject to tax in Nebraska. Each corporate taxpayer is required to file a single, combined unitary tax return for each taxable year. The corporation income tax rate for 2024 is 5.58% on the first $100,000 of taxable income and 5.84% on the excess. See § 77-2734.02(1)(a) and (b).

[1] *The taxes collected are deposited to the State General Fund for these tax programs.*

### Financial Institution Tax[2]

Every financial institution which is chartered or qualified to do business in Nebraska, or that maintains a permanent place of business in Nebraska and actively solicits deposits from residents of Nebraska, must file a Nebraska Financial Institution Tax Return, Form 1120NF. This franchise tax is based on the average deposits of the financial institution. The rate of tax on deposits is 12.3 times the limitation rate. The limitation rate is 48.8% of the maximum corporation income tax rate in effect for the taxable year. The maximum corporation income tax rate in effect for the 2024 taxable year is 5.84% so the limitation rate is equal to 2.85%. The franchise tax imposed cannot exceed the limitation amount. The limitation amount is the product of the net financial income of the financial institution multiplied by the limitation rate. Financial institutions pay a franchise tax of 35 cents per $1,000 of average deposits (12.3 times the limitation rate), limited by the institution's net financial income multiplied by 2.85%. Each financial institution is required to file a separate franchise tax return.

The tax imposed is based on the amount of average deposits connected with the financial institution's operations in Nebraska. These deposits are deposits which are accepted at the financial institution's offices located in Nebraska, plus deposits solicited from residents in Nebraska even if accepted at an office of the financial institution outside of Nebraska.

## Individual, Fiduciary, and Corporation Income Taxes[3]

## Exemptions

Nebraska utilizes the federal calculation of taxable income for corporations as a base for computing taxpayers' Nebraska liability. Federal AGI, plus and minus certain adjustments, is used to determine Nebraska taxable income for individuals. Income tax for fiduciaries is based on taxable income. Nebraska tax tables, rates, tax rate schedules, and credits are used to determine tax liability. Some deductions (Nebraska corporation income tax) and adjustments to income (Nebraska individual, fiduciary, and corporation income tax) adopted under the Internal Revenue Code and federal regulations are recognized by Nebraska due to the linkage between the two systems. Federal tax credits are not recognized unless specifically approved by the Legislature. Any federal taxable income that is exempt from state taxation pursuant to federal law is not taxed by Nebraska.

**Nebraska income tax liability after nonrefundable credits not greater than federal income tax liability before credits.**
**Statutory citation:** 77-2715
**Description:** An individual taxpayer with less than $5,000 in adjustments increasing income will not have a Nebraska tax larger than their federal tax.
**Estimate:** $8,039,000

## Deductions

**Interest and Dividends on U.S. Obligations**
**Statutory citation:** 77-2716(1)(a) and (b)
**Description:** A subtraction from the tax base is allowed for interest or dividend income derived from federal obligations. This applies to federal taxable income for corporations and fiduciaries and to AGI for individuals.
**Estimate:** $20,770,000 (State taxation is prohibited by federal law)

[2] *The taxes collected are deposited to the State General Fund for these tax programs.*
[3] *Estimates are for tax year 2024.*

**Subtraction for Foreign Income Taxed in Excess of Maximum Federal Tax Rate**
**Statutory citation:** 77-2716(6)
**Description:** A subtraction is allowed from federal taxable income for any portion of income subject to tax by a foreign country that is higher than the maximum federal tax rate.
**Estimate:** Indeterminable

**Net Operating Losses**
**Statutory citation:** 77-2716(2)
**Description:** A subtraction is allowed a resident individual, estate, or trust for a federal net operating loss (NOL), which is adjusted for the modifications to federal AGI in the statutes. A nonresident or partial-year resident individual, estate, or trust is allowed a subtraction for a federal NOL adjusted by the modifications in the statutes. Any carryovers or carrybacks are limited to the portion of the loss derived from Nebraska sources.
**Estimate:** $25,756,000

**State Income Tax Refund**
**Statutory citation:** 77-2716(3)
**Description:** A subtraction is allowed for any state income tax refund included in federal AGI.
**Estimate:** $1,005,000

**Foreign Dividend Subtraction**
**Statutory citation:** 77-2716(5)
**Description:** A subtraction is allowed from taxable income for any dividends received for a foreign corporation not subject to the Internal Revenue Code.
**Estimate:** $20,825,000

**IRC § 1341(A)(5) Exclusion**
**Statutory citation:** 77-2716(7)
**Description:** Federal AGI is reduced by any amount repaid by the taxpayer under the federal claim of right principle.
**Estimate:** Not available

**Contributions to the Nebraska Educational Savings Plan**
**Trust Statutory citation:** 77-2716(8)(b)
**Description:** A subtraction is allowed from AGI (for individuals), and from taxable income (for corporations and fiduciaries), for any contribution as a participant in the Nebraska educational savings plan trust. The subtraction cannot exceed $5,000 for a married, filing separately return, or $10,000 for any other return.
**Estimate:** $5,464,000

**Nebraska Standard Deduction**
**Statutory citation:** 77-2716.01(3)
**Description:** An individual taxpayer not itemizing deductions is allowed a standard deduction equal to the smaller of the federal standard deduction or the Nebraska standard deduction amounts in § 77-2716.01(3)(b). Additional standard deduction amounts are allowed to elderly and blind taxpayers.
**Assumption:** No standard deduction and no itemized deduction.
**Estimate:** $542,000,000

**Nebraska Itemized Deductions**
**Statutory citation:** 77-2716.01(3)
**Description:** An individual taxpayer itemizing deductions for federal purposes is allowed the greater of either the Nebraska standard deduction or the federal itemized deduction, except for the amount deducted on the federal return for state and local income taxes paid.
**Estimate:** $86,000,000

**Deduction for Firefighter Cancer Benefits**
**Statutory citation:** 77-2716 (17)
**Description:** For taxable years beginning on or after January 1, 2022, federal adjusted gross income is reduced by the amount received by or on behalf of a firefighter for cancer benefits under the Firefighter Cancer Benefits Act to the extent included in federal adjusted gross income.
**Estimates:** Minimal

**Teach in Nebraska Today Act**
**Statutory citation:** 77-2716 (18)
**Description:** An income tax deduction from the federal AGI for any amount received by the individual as student loan repayment assistance under the Act, to the extent included in federal AGI.
**Estimates:** Minimal

**Deduction for health insurance premiums paid by retired law enforcement officers.**
**Statutory citation:** 77-2716 (19)
**Description:** An income tax deduction to federal AGI for the amount of health insurance premiums paid by a retired law enforcement officer to the extent the premiums were not previously deducted in determining the retiree's federal AGI.
**Estimates:** $180,000

**Corporation Non-apportionable Income**
**Statutory citation:** 77-2734.06
**Description:** Corporate taxpayers are allowed to deduct non-apportionable income, less related expenses from the income subject to apportionment.
**Estimate:** Not available

**Corporation NOL and Capital Loss**
**Statutory citation:** 77-2734.07
**Description:** Corporate taxpayers are required to add to federal taxable income any federal deduction due to a carryforward of an NOL or capital loss. Corporate taxpayers are allowed an NOL carryforward (if connected with operations in Nebraska). An NOL and a capital loss incurred in tax years beginning before January 1, 2014, may be carried forward for five taxable years following the year of the loss, and an NOL incurred in tax years beginning on and after January 1, 2014, may be carried forward for 20 tax years following the year of the loss. Corporate taxpayers are allowed a capital loss carryforward (if connected with operations in Nebraska) for five taxable years following the year of the loss. No carrybacks are allowed for either NOLs or capital losses.
**Estimate:** $27,000,000

**Relocation Assistance Act Awards**
**Statutory citation:** 76-1235
**Description:** Awards to displaced persons under the Relocation Assistance Act can be deducted if included in federal AGI.
**Estimate:** Not available

# Exclusions

**Dividends and Capital Gains Deduction**
**Statutory citation:** 77-2715.09
**Description:** Resident individuals or trusts may elect to subtract from federal AGI or from taxable income, respectively, the extraordinary dividends paid on, and the capital gain from the sale or exchange of, capital stock of a corporation acquired by the individual (i) on account of employment by the corporation, or (ii) while employed by the corporation.
**Estimate:** $30,987,770

**Non-Nebraska S Corporation and LLC Income/Loss Exclusion**
**Statutory citation:** 77-2716(4)
**Description:** An exclusion is allowed from federal AGI (or for a fiduciary, federal taxable income) for the portion of the income or loss received from an S corporation or from a limited liability company (LLC), that is not connected with Nebraska sources as determined in § 77-2734.01.
**Estimate:** $43,000,000

**Income Tax Exemption for Military Retirement Income**
**Statutory citation:** 77-2716(15)(b)
**Description:** A taxpayer may exclude 100% of the military retirement benefit income received by such individual to the extent included in federal adjusted gross income beginning with tax year on or after January 1, 2022.
**Estimate:** $24,463,000

**Income Tax Exemption for Social Security Income**
**Statutory citation:** 77-2716(14)
**Description:** A taxpayer may subtract one hundred percent of Social Security income included in federal adjusted gross income for taxable years beginning or deemed to begin on or after January 2024.
**Estimate:** $113,527,000

**Achieving a Better Life Experience (ABLE) Account**
**Statutory citation:** 77-2716(8)(b)
**Description:** Individual, corporations, or fiduciaries that make a contribution to an account as a participant under this Act and IRC § 529A to pay qualified expenses of a disabled person, may exclude from federal adjusted gross income or federal taxable income contributions to the account up to $5,000 for a married, filing separately return or $10,000 for any other return. The owner of the account may exclude any income earned by the account.
**Estimate:** $32,000

# Credits[4]

**Credit for Elderly and Disabled**
**Statutory citation:** 77-2715.07(1)(a)
**Description:** A nonrefundable credit for qualified residents is allowed in an amount equal to 100% of the federal credit for the elderly and the disabled.
**Estimate:** $7,000

**Credits for Child/Dependent Care**
**Statutory citation:** 77-2715.07(2)
**Description:** A nonrefundable credit for qualified residents is allowed in an amount equal to 25% of the federal credit. For returns reporting federal AGI of $29,000 or less, a refundable credit equal to a percentage of the federal credit under IRC § 21 is allowed, whether or not the federal credit was limited by the federal tax liability. The percentage of the federal credit varies for incomes between $22,000 and $29,000.
**Estimate:** $11,374,000

**Credit for Income Taxes Paid to another State**
**Statutory citation:** 77-2715.07(1)(b), 77-2730
**Description:** A resident individual and a resident estate or trust are allowed a credit against income tax for some or all of any income tax imposed on them for the taxable year by another state, political subdivision, or the District of Columbia on income derived from sources therein, which is also subject to Nebraska income tax.
**Estimate:** $75,953,000

**School Readiness Income Tax Credit**
**Statutory citation:** 77-3606
**Description:** A nonrefundable income tax credit to persons who own or operate an eligible childcare and education program that serves children who participate in the childcare subsidy program established in Neb. Rev. Stat. § 68-1202. A refundable income tax credit to staff members who are both employed with an eligible program for at least six months during the taxable year and are classified in the Nebraska Early Childhood Professional Record System. The DOR may approve tax credits under the School Readiness Tax Credit Act each taxable year until the total amount of credits approved for the taxable year reaches seven million five hundred thousand dollars.
**Estimate:** $2,249,000

**Stillborn Child Refundable Tax Credit**
**Statutory citation:** 77-2715.07 (9)
**Description:** For taxable years beginning on or after January 1, 2022, a $2,000 refundable tax credit to the parent of a stillborn child in the year the stillbirth occurred.
**Estimates:** $85,000

**Nonrefundable credit for employers paying wages to certain employees convicted of a felony**
**Statutory citation:** 77-27,240
**Description:** A nonrefundable credit for employers that employ an individual who has been convicted of a felony in Nebraska or any other state.
**Estimates:** $60,000

[4] *The estimates are for tax year 2024 and are based on actual 2022 tax year data.*

**Volunteer Emergency Responders Income Tax Credit**

**Statutory citation:** 77-3105
**Description:** An income tax credit for qualified active volunteer emergency responders, rescue squad members, and firefighters.
**Estimate:** $660,000

**Purchase of a Residence in Extremely Blighted Area Tax Credit**
**Statutory citation:** 77-2715.07(7)
**Description:** For taxable years beginning or deemed to begin on or after January 1, 2020, and before January 1, 2026, an individual can claim a $5,000 nonrefundable income tax credit for the purchase of a residence in an extremely blighted area. The credit may be carried forward to subsequent tax years until fully utilized.
**Estimate**: $458,000

**Beginning Farmer Tax Credit**
**Statutory citation:** 77-2715.07(2)(c), 77-5701 through 5715
**Description:** Individuals, estates, trusts, and corporations are allowed a refundable credit under the Beginning Farmer Tax Credit Act.
**Estimate:** $2,000,000

**Community Development Tax Credit**
**Statutory citation:** 77-2715.07(3)(b), 77-2715.07(4)(b), 77-2734.03(2), 13-203 through 13-207
**Description:** Individuals, estates, trusts, and corporations are allowed a credit for contributions to certified community betterment programs.
**Estimate:** $196,000

**Credits for Franchise Tax Paid by Financial Institution**
**Statutory citation:** 77-2715.07(5)(b)
**Description:** A nonrefundable credit for partners, S corporation shareholders, LLC members, or beneficiaries of an estate or trust who have ownership in a financial institution is allowed against an individual's income tax liability for 100% of the individual's share of the franchise taxes paid by the financial institution.
**Estimate:** $6,014,000

**Refundable Earned Income Credits**
**Statutory citation:** 77-2715.07(2)
**Description:** A refundable credit is allowed to resident individuals equal to 10% of the federal earned income credit.
**Estimate:** $30,056,000

**Nebraska Personal Exemption Credit**
**Statutory citation:** 77-2716.01
**Description:** A nonrefundable credit of $166 for 2024 is allowed to resident individuals for every personal exemption.
**Estimate:** $247,250,000

**Resident of Two States**
**Statutory citation:** 77-2731
**Description:** An individual considered to be a resident of Nebraska and of another state (dual state resident), is allowed a reduction of tax on the portion of income subject to tax in both jurisdictions, provided the other taxing jurisdiction allows a similar reduction.
**Estimate:** Minimal

**Credit for In-lieu-of Intangible Tax Paid**
**Statutory citation:** 77-2734.03, 77-908, 81-523, 44-4233
**Description:** A credit is allowed to insurers, for premium taxes paid.
**Estimate:** $28,000,000

**Nebraska Property Tax Incentive**
**Statutory citation:** 77-6702
**Description:** Provides a refundable income tax credit or credit against franchise tax for any taxpayer who pays community college taxes paid or who pay school district taxes.
**Estimates:** $60,000,000

**Employment and Investment Growth Act (LB 775) Tax Incentive**
**Credits Statutory citation:** 77-4101
**Description:** A taxpayer's business may be eligible for tax incentives under LB 775 if the business is in a qualified activity and the plans result in (a) the investment in qualified property of at least $3 million and the hiring of at least 30 new employees, or (b) the investment in qualified property of at least $10 million and the hiring of at least 100 new employees. New applications are no longer being accepted.
**Estimate:** See Section U.

**Quality Jobs Act Credits**
**Statutory citation:** 77-4901
**Description:** Taxpayers who have previously been approved may qualify for additional benefits beyond those received under § 77-4101 (LB 775). Each taxpayer must make an investment of $50 million in qualified property and hire 500 new employees, or $100 million in investment and hire 250 new employees by the end of the sixth year after filing of the application. New applications are no longer being accepted.
**Estimate:** See Section U.

**Nebraska Advantage Act Credits**
**Statutory citation:** 77-5701
**Description:** Businesses may qualify for benefits by meeting specified employment and/or investment requirements.
**Estimate:** See Section U.

**Nebraska Advantage Research and Development Act Credits**
**Statutory citation:** 77-5801
**Description:** Businesses which make investments in research and experimental activities in Nebraska are allowed a research tax credit equal to 15% of any federal credit allowed under IRC § 41 of 1986, as amended. If the investment in research and experimental activities takes place on the campus of a college or university in Nebraska, or at a facility in Nebraska owned by a college or university, the credit is increased to 35%. The credit may be used to obtain a refund of sales and use taxes paid, or as a refundable income tax credit.
**Estimate:** See Section U.

**Nebraska Advantage Act Microenterprise Tax**
**Credit Act Statutory citation:** 77-5901
**Description:** Businesses creating or expanding microbusinesses (five or fewer FTEs) are entitled to refundable tax credits equal to 20% of new investment or employment.
**Estimate:** See Section U.

**Nebraska Advantage Rural Development Act Credits**
**Statutory citation:** 77-27,188
**Description:** Income tax credits are available to businesses that make investment in new property and/or add employees. There are separate required levels of employment and investment for counties with populations of less than 25,000 and for those with less than 15,000.
**Estimate:** See Section U.

**Renewable Energy Tax Credit**
**Statutory citation:** 77-27,235
**Description:** Income tax credits or sales tax refunds are available to producers of electricity generated by a new zero emission facility based on kilowatt-hours generated.
**Estimate:** Minimal

**New Markets Tax Credit**
**Statutory citation:** 77-1113
**Description:** A person or entity that acquires a qualified equity investment earns a nonrefundable tax credit that may be used to offset the corporate income tax, the franchise tax imposed on a financial institution, or the premium tax imposed on an insurance company. The credit is equal to 39% of the qualified equity investment over five tax years.
**Estimate:** $10,500,000

**Nebraska Job Creation Mainstreet Revitalization Act**
**Statutory citation:** 77-2911
**Description:** The Act provides that no more than $15 million in Nebraska Historic Tax Credits (NHTCs) may be allocated annually, beginning January 1, 2015 and ending December 31, 2022. NHTCs are equal to 20% of eligible expenditures incurred for improvements to qualifying historically significant real property, limited to a $1 million tax credit per project. NHTCs may be used against income tax, the premium tax imposed on insurance companies, or the franchise tax imposed on financial institutions.
**Estimate:** $5,000,000

**Affordable Housing Tax Credit Act**
**Statutory citation:** 77-2501
**Description:** The Affordable Housing Tax Credit Act created a Nebraska state tax credit (AHTC) for developing affordable housing modeled after the federal low-income housing tax credit (LIHTC) provided in Section 42 of the Internal Revenue Code (IRC). The AHTC Act allows individuals, corporations, financial institutions, and insurance companies to claim nonrefundable tax credits. A qualified taxpayer may use the credits to offset income tax, the premium and related retaliatory tax imposed on insurance companies, and the franchise tax imposed on financial institutions.
**Estimate:** $11,600,000

# Preferential Tax Rates[5]

**Individual and Fiduciary Income Tax Rates**
**Statutory citation:** 77-2715.02
**Description:** The preferential rate is the difference between the top rate, 5.84%, and the lowest rate, 2.46%.
**Estimate:** $895,000,000

**Corporation Income Tax Rates**
**Statutory citation:** 77-2734.02(1)
**Description:** The corporation income tax rates are 5.58% applied to the first $100,000 of taxable income and a rate of 5.84% applied to the excess.
**Estimate:** $1,048,000

**Insurance Company Tax Rates**
**Statutory citation:** 77-2734.02(2)
**Description:** Insurance companies are subject to the lesser of the rates set under § 77-2734.02(1) or the rate of tax imposed in the state or country in which the insurance company is domiciled, if the state or country of domicile imposes a retaliatory tax on Nebraska insurance companies, which includes the Nebraska corporate income tax.
**Estimate:** Not available

# Financial Institution Tax

## Exemptions

**Federal Credit Unions & Mutual Fund Companies**
**Statutory citation:** 77-3802(1), 77-3801(4)(a)
**Description:** The franchise tax is not imposed on federal credit unions and mutual fund companies.
**Estimate:** $1,304,000

## Credits

**Community Development Assistance Act Tax Credit**
**Statutory citation:** 13-201 through 13-208
**Description:** Financial institutions are allowed a credit for contributions to certified community betterment programs.
**Estimate:** Included in New Market Tax Credits, Nebraska Historic Tax Credits, and Affordable Housing Tax Credits.

[5] *The estimates are for tax year 2024 and are based on actual 2022 tax year data.*

# Section C — Property Assessment

## Basic Provisions and Tax Base

All property in the State of Nebraska is subject to property tax unless an exemption is mandated or permitted by the Nebraska Constitution art. VIII and enabling legislation is adopted by the Legislature. Federal law may supersede the Nebraska Constitution with regard to taxation of property owned by the federal government or its agencies or instrumentalities. All property in the State of Nebraska, which is subject to taxation, must be valued as of January 1, 12:01 a.m., of each year, unless a Destroyed Real Property Report pursuant to Neb. Rev. Stat. §§77-1307 to 77-1309.

The county assessor is responsible for valuing all real and personal property with the exception of railroads, public service entities, and specific personal property of air carrier and rail car line companies, which are assessed by the Property Tax Administrator. The valuation of real property is determined according to professionally accepted mass appraisal techniques, including but not limited to the following: (1) sales comparison approach; (2) income approach; and (3) cost approach. The valuation of personal property is determined using a statutory method of depreciated values similar to the federal Modified Accelerated Cost Recovery System and 150% declining balance depreciation schedules.

All real property is assessed at or near 100% of actual value, except agricultural and horticultural land which is assessed at or near 75% of actual value, except that for school district taxes levied to pay the principal and interest on bonds that are approved by a vote of the people on or after January 1, 2022, such land has a 50% level of assessment. Agricultural and horticultural land receiving special valuation pursuant to Neb. Rev. Stat. § 77-1344 is assessed at or near 75% of its special value, which is the value of the land for agricultural and horticultural purposes uninfluenced by other uses, except that for school district taxes levied to pay the principal and interest on bonds that are approved by a vote of the people on or after January 1, 2022, such land has a 50% level of assessment. Personal property is assessed at 100% of the net book taxable value as determined by the statutory method.

Permissive exemptions are allowed for certain educational, religious, charitable, and cemetery organizations; and for agricultural and horticultural societies pursuant to Neb. Rev. Stat. § 77-202. The organization must file an application for exemption of real and/or personal property. The county assessor will recommend approval or denial to the county board of equalization which will meet to make the final decision regarding the application for exemption.

There are exemptions for business and agricultural inventory, and for certain business personal property belonging to qualifying companies under the Nebraska Advantage Act or the ImagiNE Nebraska Act. In addition, any tangible personal property purchased by a person operating a data center located in Nebraska, which is then incorporated into other tangible personal property for subsequent use outside the state by the same person operating a data center in this state, is exempt from the personal property tax.

Regarding renewable energy production, an exemption exists in Neb. Rev. Stat. § 77-6203 for any depreciable tangible personal property used directly in generating electricity using wind, solar, biomass, or landfill gas as the fuel source, if such depreciable tangible personal property was installed on or after January 1, 2016, and has a nameplate capacity of one hundred kilowatts or more. These renewable energy generation facilities instead pay a nameplate capacity tax in place of the personal property tax and the real property is assessed locally by the county assessor.

The Property Tax Administrator also implements the assessment and collection of the nameplate capacity tax on renewable energy generation pursuant to Neb. Rev. Stat. §§ 77-6201 to 77-6204. This tax is applied at a rate of $3,518.00 per megawatt. Each year renewable energy facilities submit a report of their nameplate capacity for the prior year and after the amount due is calculated, including any prior outstanding tax, interest, and penalties, the facilities remit payments to the State, which are then distributed out to the applicable counties.

Motor vehicles, trailers, and semitrailers required to be registered for operation on the highways of Nebraska are exempt from property taxes, but are subject to motor vehicle taxes and fees in lieu of property taxes.

There is an exemption for certain personal property belonging to qualified beginning farmers, pursuant to Neb. Rev. Stat. § 77-5209.02 of the Beginning Farmer Act.[1]

There is an exemption for either a mobile home or motor vehicle of any veteran of the United States Armed Forces who was honorably discharged and has a service-connected disability. See Exemption Application, Form 453.

For individuals, the homestead exemption program is designed to provide local property tax relief to qualifying seniors, certain disabled individuals, and certain disabled veterans and their surviving spouses who own and live in the home for which an exemption application is made. The exemption applies to all or part of the property taxes levied against the home, with the State of Nebraska reimbursing counties from general fund revenues for those taxes exempted under the program (see Homestead Exemption).

The Property Tax Credit Act provides a real property tax credit based on the valuation of each parcel of real property compared to the valuation of all real property in the state. The tax credit amount varies each year depending on appropriation and value. The Act provides a real property tax credit (credit) based on the credit allocation valuation of each parcel of real property compared to the credit allocation valuation of all real property in the state. For purposes of the Act, credit allocation valuation means 120% of the taxable value of agricultural and horticultural land and agricultural and horticultural land receiving special valuation. For all real property, other than agricultural and horticultural land, credit allocation valuation means 100% of the taxable value. For tax year 2023 the tax credit rate for agricultural and horticultural land was $133.55 per $100,000 of value and the tax credit rate for all other real property was $111.30 (see section for Real Property Tax Credit).

The Nebraska Property Tax Incentive Act provides for a refundable income tax credit (credit) to any person or entity that pays school district and community college taxes in Nebraska. The credit is determined by multiplying the amount of taxes levied on real property in Nebraska by a school district or multiple district school system and community colleges, excluding property taxes levied for bonded indebtedness or any levy override approved by voters, by a credit percentage. The credit percentage equals the amount of dollars available for the credit divided by the total real property taxes levied for school and community college purposes. The amount of dollars available for the credit for school taxes paid is $560.7 million for tax year 2023, and then increases those credits by the allowable growth percentage each year thereafter. Allowable growth percentage is defined as the percentage increase in the total assessed value of all real property in the state from the prior year to the current year. The amount of dollars available for the community college taxes paid credit is $100 million for tax year 2023. Beginning in tax year 2024, community college taxes paid will be reimbursed at a rate of 100% of taxes paid.

Between January 1 and March 19 of each year, the county assessor updates and revises the real property assessment roll. Each year between early April and May 15, the Tax Equalization and Review Commission has the authority to adjust the valuation of classes or subclasses of real property in any county in order to achieve equalization of property values. Decisions of the Tax Equalization and Review Commission may be appealed to the Nebraska Court of Appeals.

The county assessor revises the real property assessment rolls for any orders issued by the Tax Equalization and Review Commission and notifies property owners of value increases or decreases by June 1. Individual protests of real property valuations may be made to the county board of equalization. The county board of equalization may adjust the protested value of individual properties. Decisions of the county board of equalization may be appealed to the Tax Equalization and Review Commission.

Personal property is self-reported by the taxpayer, on or before May 1. If the county assessor makes changes to the reported valuation, a notice must be sent to the taxpayer. The action may be appealed to the county board of equalization.

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[1] *See Section B for expenditure estimate.*

On or before August 10, the Tax Equalization and Review Commission must equalize the real property of centrally assessed railroad and public service companies with the statewide level of assessment. The Property Tax Administrator certifies centrally assessed values to the counties.

On or before August 20, the county assessor compiles and certifies the total taxable value (real, personal, and centrally assessed) to each local government taxing subdivision for tax rate setting purposes.

Each year, on or before October 20, the county board of equalization levies the necessary taxes, within the limits of the law, for operation of all functions of county government, school districts, cities, etc. The tax rates for these various local government taxing subdivisions are determined by dividing the subdivision's annual tax request by the current total taxable value within their boundaries. The tax rates are expressed as $1 per $100 of taxable value.

Property taxes are determined by multiplying the property's taxable value by the total consolidated tax rate for the tax district where the property is located. The tax district is comprised of various governing bodies empowered to levy property taxes for services, such as county government, school district, city, etc.

On or before November 22, the county assessor transcribes the real property tax list and delivers it to the county treasurer for collection of property taxes. All real and personal property taxes, including taxes of centrally assessed railroad and public service companies, are due December 31. The first half of the tax becomes delinquent on the following May 1, and the second half becomes delinquent on September 1; except in Douglas, Lancaster, and Sarpy counties, where the first half becomes delinquent on April 1 and the second half becomes delinquent on August 1.

More information is available at revenue.nebraska.gov/PAD.

## Exemptions

The taxable value of exempt property (for example, governmental or permissive exempt) is not available. Due to the exempt status of the real property, the assessed value may not have been determined. The county assessor allocates time and resources to establishing the assessed values of taxable properties.

**Statutory citation:** 2-4243
**Description:** Property belonging to the Conservation Corporation.
**Estimate:** Not Available

**Statutory citation:** 3-209
**Description:** Airports and landing fields acquired by a municipality.
**Estimate:** Not Available

**Statutory citation:** 3-511
**Description:** Property belonging to city airport authorities.
**Estimate:** Not Available

**Statutory citation:** 3-621
**Description:** Property belonging to county airport authorities.
**Estimate:** Not Available

**Statutory citation:** 3-714
**Description:** Property belonging to joint airport authorities.
**Estimate:** Not Available

**Statutory citation:** 12-506
**Description:** Property belonging to cemetery associations.
**Estimate:** Not Available

**Statutory citation:** 12-517
**Description:** Burial lots sold by a cemetery association for interment.
**Estimate:** Not Available

**Statutory citation:** 14-812
**Description:** Property belonging to metropolitan cities.
**Estimate:** Not Available

**Statutory citation:** 14-1721
**Description:** Property belonging to municipal parking authorities.
**Estimate:** Not Available

**Statutory citation:** 14-1810
**Description:** Property belonging to metropolitan transit authorities.
**Estimate:** Not Available

**Statutory citation:** 15-844
**Description:** Property belonging to primary class cities.
**Estimate:** Not Available

**Statutory citation:** 21-2311
**Description:** Property belonging to industrial development public corporations.
**Estimate:** Not Available

**Statutory citation:** 23-35,117
**Description:** Property belonging to hospital authorities.
**Estimate:** Not Available

**Statutory citation:** 37-301
**Description:** Property held by the Nebraska Game and Parks Commission.
**Estimate:** Not Available

**Statutory citation:** 51-512
**Description:** Property belonging to public museums.
**Estimate:** Not Available

**Statutory citation:** 58-268
**Description:** Property belonging to the Nebraska Investment Finance Authority.
**Estimate:** Not Available

**Statutory citation:** 77-202(1)(a)&(b)
**Description:** Property of Nebraska and its governmental subdivisions.
**Estimate:** Not Available

**Statutory citation:** 77-202(1)(c)
**Description:** Property owned by and used exclusively for agricultural and horticultural societies.
**Estimate:** Not Available

**Statutory citation:** 77-202(1)(d)(i)
**Description:** Real and personal property owned and used by educational, religious, charitable, or cemetery organizations.
**Estimate:** Not Available

**Statutory citation:** 77-202(1)(d)(ii)(A)
**Description:** Educational organizations specifically include nonprofit organizations that own or operate a childcare facility allowing such nonprofit organization to exempt real and personal property.
**Estimate:** Not Available

**Statutory citation:** 77-202(1)(d)(iii)
**Description:** Exemption for the real and personal property of a for-profit skilled nursing facility as defined in Neb. Rev. Stat. § 71-429, nursing facility as defined in Neb. Rev. Stat. § 71-424, or assisted-living facility as defined in Neb. Rev. Stat. § 71-5903 that provides housing for Medicaid beneficiaries.
**Estimate:** Not Available

**Statutory citation:** 77-202(1)(d)(iv)
**Description:** Commons areas of student housing buildings owned by charitable organizations for use by students at an educational institution.
**Estimate:** Not Available

**Statutory citation:** 77-202(1)(e)
**Description:** Household goods and personal effects when not used for profit.
**Estimate:** Not Available

**Statutory citation:** 77-202(2)
**Description:** Increased value of land due to shade or ornamental trees planted along the highway.
**Estimate**: Not Available

**Statutory citation:** 77-202(3)
**Description:** Tangible personal property that is not depreciable.
**Estimate:** Not Available

**Statutory citation:** 77-202(4)
**Description:** Motor vehicles, trailers, and semitrailers required to be registered for operation on the highways of Nebraska.
**Estimate:** Not Available

**Statutory citation:** 77-202(5)
**Description:** Business and agricultural inventory.
**Estimate:** Not Available

**Statutory citation:** 77-202(6)
**Description:** Any qualifying personal property as specified in the Employment and Investment Growth Act.
**Estimate:** See Section U

**Statutory citation:** 77-202(7)
**Description:** Livestock.
**Estimate:** Not Available

**Statutory citation:** 77-202(8)
**Description:** Any qualifying personal property as specified in the Nebraska Advantage Act
**Estimate:** Not Available

**Statutory citation:** 77-202(9)
**Description:** Any depreciable tangible personal property used directly in generating electricity using wind as the fuel source; any depreciable tangible personal property used directly in generating electricity using solar, biomass, or landfill gas as the fuel source if installed after January 1, 2016, and with a nameplate capacity of 100 kW or more.
**Estimate:** Not Available

**Statutory citation:** 77-202(10)
**Description:** Any tangible personal property acquired by a person operating a data center.
**Estimate:** Not Available

**Statutory citation:** 77-202(12)
**Description:** Qualifying broadband equipment as deemed by the county assessor to meet requirements for exemption.
**Estimate:** Not Available

**Statutory citation:** 77-202.24
**Description:** A mobile home owned and occupied by a disabled or blind veteran.
**Estimate:** Not Available

**Statutory citation:** 77-212
**Description:** Space provided for supportive medical services to patients in hospitals is exempt from the in-lieu-of payment provided for in § 77-211.
**Estimate:** Not Available

**Statutory citation:** 77-4101, 77-4105, 77-5701, and 77-5725
**Description:** A taxpayer's business may qualify for tax incentives under the Employment and Investment Growth Act and/or the Nebraska Advantage Act based upon certain levels of investment and increased employment. If the taxpayer meets the criteria required, then certain personal property of the project may qualify for property tax exemption.
**Estimate:** See Section U

**Statutory citation:** 77-5201 through 77-5215
**Description:** The Beginning Farmer Act provides beginning farmers and livestock producers with personal property exemptions. Beginning farmers and livestock producers must be approved and certified by the Beginning Farmer Board to be eligible for the programs or exemption of personal property.
**Estimate:** See Section B – Income Tax Credit for Beginning Farmers

**Statutory citation:** 77-4209 through 77-4212
**Description:** The Property Tax Credit Act provides a real property tax credit (credit) based on the credit allocation valuation of each parcel of real property compared to the credit allocation valuation of all real property in the state. For purposes of the Act, credit allocation valuation means 120% of the taxable value of agricultural and horticultural land and agricultural and horticultural land receiving special valuation. For all real property, other than agricultural and horticultural land, credit allocation valuation means 100% of the taxable value. The program was funded $363 million for tax year 2023, with an additional $1,365,285 added to the fund from gaming income pursuant to Neb. Rev. Stat. §9-1204, for a total credit amount of $364,365,285. A portion of the credit monies are returned as unused due to homestead exemptions.
**Estimate:** $359,791,120

# Preferential Tax Rates and Valuation

**Statutory citation:** 77-201(2)
**Description:** Agricultural land and horticultural land is valued at 75% of its actual value, except that for school district taxes levied to pay the principal and interest on bonds that are approved by a vote of the people on or after January 1, 2022, such land shall be valued at 50% of its actual value.
**Estimate:** Not Available

**Statutory citation:** 77-201(3)
**Description:** Agricultural land and horticultural land receiving special valuation is valued at 75% of its special valuation, except that for school district taxes levied to pay the principal and interest on bonds that are approved by a vote of the people on or after January 1, 2022, such land shall be valued at 50% of its special valuation.
**Estimate:** Not Available

**Statutory citation:** 77-1385
**Description:** Historically significant real property which has received a final certificate of rehabilitation from the State Historic Preservation Officer is valued at its base-year value for eight years after the certificate is issued.

In the ninth year after the certificate is issued, the property is valued at the base-year value plus 25% of the difference between the base-year value and the current actual value.

In the 10th year after the certificate is issued, the property is valued at the base-year value plus 50% of the difference between the base-year value and the current actual value.

In the 11th year after the certificate is issued, the property is valued at the base-year value plus 75% of the difference between the base-year value and the current actual value.

In the 12th year after the certificate is issued, the property is valued at the current actual value.

**Estimate:** Not Available

# Homestead Exemptions

A homestead exemption provides relief from property taxes by exempting all or a portion of the valuation of the homestead from taxation. The State of Nebraska reimburses the counties for the taxes lost due to homestead exemptions. A homestead exemption is available to three categories of homeowners: (1) persons over age 65; (2) individuals with certain disabilities; or (3) certain veterans that have been deemed to be totally disabled and their surviving spouses.

More information regarding the homestead exemption program and the property tax relief it provides for qualified homeowners is available at revenue.nebraska.gov/PAD.

**The total tax expenditure for the State of Nebraska in 2023 was $142,657,802.** One hundred percent was reimbursed to the counties by the State of Nebraska. The table in Section C, page 9 lists the total homestead exemption to each county.

**Sections** 77-3507 and 77-3508
For homesteads valued at or below the maximum value as defined in § 77-3505.02, claimants receive an exemption percentage commiserate with their household income amount as defined in § 77-3501.01(1), and whether the claimant is single, married or living with closely related family members.

**Section** 77-3501.01 **Exempt amount, defined:**
(1) For purposes of § 77-3507, exempt amount means the lesser of (a) the taxable value of the homestead, or (b) 100% of the average assessed value of single-family residential property in the claimant's county of residence as determined in § 77-3506.02 or $40,000 whichever is greater.

(2) For purposes of § 77-3508 exempt amount means the lesser of (a) the taxable value of the homestead, or (b) 120% of the average assessed value of single-family residential property in the claimant's county of residence as determined in § 77-3506.02 or $50,000 whichever is greater.

(3) For purposes of § 77-3506, exempt amount shall mean the taxable value of the homestead.

**Section** 77-3505.02 **Maximum value, defined:**
(1) For applicants eligible under § 77-3507, 200% of the average assessed value of single family residential property in the claimant's county of residence as determined in § 77-3506.02 or $95,000, whichever is greater.

(2) For applicants eligible under §§ 77-3508, 225% of the average assessed value of single-family residential property in the claimant's county of residence as determined in § 77-3506.02 or $110,000, whichever is greater.

## 2023 Homestead Tax Loss

| | | | | | |
|---|---|---|---|---|---|
| Adams | 2,437,145.64 | Furnas | 211,759.82 | Nuckolls | 176,924.58 |
| Antelope | 359,464.36 | Gage | 1,608,020.90 | Otoe | 1,175,367.20 |
| Arthur | 8,800.92 | Garden | 71,012.08 | Pawnee | 103,812.66 |
| Banner | 16,724.90 | Garfield | 192,334.30 | Perkins | 126,092.66 |
| Blaine | 6,835.90 | Gosper | 142,688.94 | Phelps | 515,906.86 |
| Boone | 228,579.50 | Grant | 10,120.58 | Pierce | 459,595.74 |
| Box Butte | 608,423.42 | Greeley | 122,986.66 | Platte | 2,487,237.04 |
| Boyd | 55,704.68 | Hall | 4,412,430.16 | Polk | 345,416.94 |
| Brown | 165,117.78 | Hamilton | 503,735.72 | Red Willow | 643,958.72 |
| Buffalo | 3,565,182.82 | Harlan | 215,983.64 | Richardson | 331,337.46 |
| Burt | 545,794.62 | Hayes | 15,197.82 | Rock | 38,613.26 |
| Butler | 402,214.92 | Hitchcock | 144,549.80 | Saline | 727,372.88 |
| Cass | 2,473,863.44 | Holt | 503,605.62 | Sarpy | 21,562,377.24 |
| Cedar | 383,392.30 | Hooker | 19,826.32 | Saunders | 2,070,240.54 |
| Chase | 197,897.28 | Howard | 527,516.06 | Scotts Bluff | 3,074,847.80 |
| Cherry | 160,446.84 | Jefferson | 441,382.70 | Seward | 1,089,969.46 |
| Cheyenne | 802,110.80 | Johnson | 216,914.82 | Sheridan | 264,447.44 |
| Clay | 353,757.18 | Kearney | 484,845.30 | Sherman | 208,437.70 |
| Colfax | 569,529.06 | Keith | 694,160.56 | Sioux | 25,377.42 |
| Cuming | 405,393.52 | Keya Paha | 17,000.96 | Stanton | 422,052.28 |
| Custer | 563,825.80 | Kimball | 279,990.06 | Thayer | 202,487.92 |
| Dakota | 939,165.30 | Knox | 397,115.14 | Thomas | 23,768.18 |
| Dawes | 456,109.60 | Lancaster | 23,910,610.14 | Thurston | 141,202.54 |
| Dawson | 1,247,476.34 | Lincoln | 2,363,188.92 | Valley | 268,591.00 |
| Deuel | 133,294.58 | Logan | 30,575.00 | Washington | 1,845,358.64 |
| Dixon | 253,289.62 | Loup | 24,728.82 | Wayne | 343,558.18 |
| Dodge | 2,958,580.24 | Madison | 2,486,486.40 | Webster | 162,869.72 |
| Douglas | 40,914,046.28 | Mcpherso | 11,731.04 | Wheeler | 19,144.10 |
| Dundy | 47,938.44 | Merrick | 506,217.40 | York | 631,717.02 |
| Fillmore | 242,045.74 | Morrill | 281,093.74 | | |
| Franklin | 151,286.04 | Nance | 184,440.14 | | |
| Frontier | 143,403.96 | Nemaha | 340,627.82 | | |

# Section D — Railroads, Public Service Entities, Car Lines, and Air Carrier Flight Equipment Property Tax

## Basic Provisions and Tax Base

Property valued by the state includes those companies or industries that the Property Tax Administrator is statutorily responsible for determining a taxable valuation each year. Companies owning or leasing operating property are required to furnish information annually, on prescribed forms, to the Property Tax Administrator. "Taxable value" is defined as actual value for real property, franchise, and net book value for tangible depreciable personal property, excluding registered motor vehicles, which is determined by using a statutory method.

**Railroads**

Neb. Rev. Stat. § 77-601, et. al., requires the Property Tax Administrator to value the operating property of any company owning, controlling, or operating property used for railroad purposes.

The Property Tax Administrator determines the total taxable value of the railroad company, including real, franchise, and net book personal property, attributable to Nebraska. The Property Tax Administrator apportions the railroad's taxable value by taxing subdivision based on a statutory formula, as follows: (1) 5% is distributed to all taxing subdivisions where the railroad company has investment in general office buildings or machine and repair facilities; and (2) the balance is distributed to all taxing subdivisions based 50% on track mileage and 50% on traffic density. The value per mile of main track must equal twice the value per mile of side track. The apportioned value is certified by the Property Tax Administrator to the county assessor for assessment and tax collection.

**Public Service Entities**

Neb. Rev. Stat. § 77-801, et. al., requires the Property Tax Administrator to determine the total taxable value of public service entities, organized for profit under the laws of this state or any other state or government and engaged in the business of waterworks, electrical power, gas works, natural gas, telecommunications, and pipeline transmissions. Generally, the entities affected by this law fall into three groups: telecommunications; pipeline companies; and certain utility companies.

The Property Tax Administrator determines the total taxable value, including real, franchise, and net book personal property value attributable to Nebraska.

The Property Tax Administrator distributes the public service entity's taxable value to the various taxing subdivisions based on a ratio of the public service entity's original cost of all operating property located in the taxing subdivision compared to the original cost of all operating property located in the state. The Property Tax Administrator certifies the distributed taxable value of public service entities to the county assessor for assessment and tax collection at the local government level.

**Car Line Companies**

Neb. Rev. Stat. § 77-679, et. al., requires the assessment and taxation of car line companies. A "car line company" means any person, other than a railroad company, owning or operating any railroad cars of any description through, in, or into the State of Nebraska. The Property Tax Administrator determines the total taxable value (i.e., net book personal property value) of the car line company cars attributable to Nebraska. The Property Tax Administrator must levy against the value assessed, for property tax purposes, at a rate equal to the state's average tax rate.

The taxes are payable to the Property Tax Administrator, which are remitted, less a 3% collection fee, to the State Treasurer for distribution to the counties.

The car line taxes are distributed among the various taxing subdivisions in proportion to all railroad taxes levied pursuant to § 77-684.

The collection fee is remitted to the State Treasurer for credit to the DOR Property Assessment Division Cash Fund.

**Air Carrier Flight Equipment**

Neb. Rev. Stat. § 77-1245, et. al., requires the assessment and taxation of air carriers. An "air carrier" means any person, firm, or assignee engaged in interstate carriage of persons or cargo for hire by company or corporate aircraft. The Property Tax Administrator determines the total taxable value (i.e., net book personal property value of the air carrier's flight equipment) attributable to Nebraska. The Property Tax Administrator must levy against the value assessed, for property tax purposes, at a rate equal to the state's average tax rate.

The taxes are payable to the Property Tax Administrator which are remitted, less a 3% collection fee, to the State Treasurer for distribution to the counties.

The air carrier taxes are distributed to the counties as a credit to the county general fund in proportion to the amount the total property taxes levied in the county bears to the total property taxes levied in the state as a whole. The collection fee is remitted to the State Treasurer for credit to the DOR Property Assessment Division Cash Fund.

## Exemptions

**Statutory Citation:** 77-4105 **and/or** 77-5725
**Description:** Railroad Personal Property
Public Service Entity Personal Property
Air Carrier Flight Equipment
**Estimate:** $0[1]

## Deductions

**Statutory Citation:** 77-684
**Description:** Car line companies collection fee.
**Estimate:** $84,532.12[2]

**Statutory Citation:** 77-1250
**Description:** Air carriers collection fee.
**Estimate:** $24,507.59[2]

[1] *Based on tax year 2023 net book taxable personal property value exempted, multiplied by the state's average tax rate for 2021.*
[2] *Based on tax year 2023 net book taxable personal property of car line companies and air carriers; the 3% collection fee retained by the state as a credit to the DOR Property Assessment Division Cash Fund. (Tax year 2023 taxes are collected during 2024.)*

# Section E — Alcoholic Beverages Tax and Fees

## Basic Provisions and Tax Base

Neb. Rev. Stat. § 53-160 imposes a tax upon the privilege of doing business in Nebraska as a manufacturer or distributor of alcoholic liquors. The tax is imposed at the rate of 31 cents per gallon on all beer, 95 cents per gallon for wine, $3.75 per gallon on alcohol and spirits, and six cents per gallon for wine produced in farm wineries. Revenue raised from the gallonage tax is placed in the State General Fund. Neb. Rev. Stat. § 53-160.04 imposes a tax upon a business engaging as a manufacturer or wholesaler of ready-to-drink cocktails at a rate of $.95 per gallon. This classification of excise tax was created in 2021 by LB274. Ready-to-drink cocktails are defined in § 53-103.49 as a beverage or confection containing spirits in an original package which contains 12.5% or less ABV.

Neb. Rev. Stat. §§ 53-124 and 53-131.01 provide that registration and annual license fees are paid to the Nebraska Liquor Control Commission. The law provides a schedule of license fees to be paid by manufacturers, distributors, and retailers of alcoholic beverages. In addition, Neb. Rev. Stat. § 53-132 allows for an occupation tax to be imposed by cities and villages.

The fees paid by manufacturers and distributors vary depending upon whether beer, wine, and/or spirits are handled by the licensee. Retailer's license fees vary depending upon: what alcoholic beverages are sold; whether sold for consumption on- or off-premises; whether sold in a village or larger community; whether issued to a privately-owned recreation area; whether issued to a nonprofit corporation for on premise consumption; whether issued to a municipal corporation, fine arts museum, or nonprofit religious or fraternal organization; whether issued to a restaurant for on premise consumption; whether issued to a railroad, passenger boat operator, non-beverage user, airline; or whether issued to a farm winery or brewpub. Nonprofit corporations can obtain a special designated permit for limited purposes.

The fees derived from local retail license fees by cities or villages are placed in the Common School Fund of the district lying wholly or partially within the corporate limits of the city or village. (See Neb. Rev. Stat. §§ 53-132 & 53-138.01) The fees raised from Special Designated Licenses are deposited into the State General Fund.

Annual license fees received by the Nebraska Liquor Control Commission are paid to the State Treasurer for deposit in the Common School Fund. Registration fees received by the Commission are placed in the State General Fund.

Beer Shipping License fees are credited to the Nebraska Beer Industry Promotional Fund beginning July 1, 2016 per Neb. Rev. Stat. § 53-123.15 (2).

Direct Shipper License fees are credited to the Winery & Grape Producers Promotional Fund per Neb. Rev. Stat. § 53-123.15 (4 & 5).

53-165.01: Brand Registration is required as of 7/1/24 on all alcoholic liquor sold or shipped in the State of Nebraska. Fees were set by rule at $20 per Brand/product as a one-time fee. All fees collected pursuant to this section are credited to the Nebraska Liquor Control Commission Rule and Regulation Cash Fund (53-117.06).

# Exemptions

**Statutory citation:** 53-168.06
**Description:** The following activities are excluded from the definition of manufacturing and distribution and therefore, are not subject to the Liquor Tax:

1) Possessing and transporting alcoholic liquors for the personal use of the possessor, his or her family, and guests;
**Estimate:** Not available

2) Making wine, cider, or other alcoholic beverages by an individual from fruits, vegetables, or grains (or the product thereof) by fermentation and without distillation if used solely for the use of the maker, his or her family, and guests;
**Estimate:** Not available

3) Possession and use by a licensed practicing physician, dentist, hospital, or pharmacist in the practice of his or her profession, treating patients, or compounding prescriptions for treatment;
**Estimate:** Minimal

4) Possessing and dispensing wine by an authorized representative of any church for the purpose of conducting any bona fide rite or religious ceremony conducted by the church.
**Estimate:** Not available

**Statutory citation:** 53-164.01
**Description:** Liquors shipped out-of-state for sale or consumption outside Nebraska are exempt.
**Estimate:** Not available

**Statutory citation:** 53-160
**Description:** Dry or fortified wines manufactured or imported solely and exclusively for sacramental purposes are exempt.
**Estimate:** Not available

**Description:** The tax is not imposed upon any beer sold to a manufacturer consumer for use in the manufacture of: patent and proprietary medicines and medicinal, antiseptic, and toilet preparation; flavoring extracts in syrups and food products; scientific, industrial and chemical products, excepting denatured alcohol; and for scientific, chemical, experimental or mechanical purposes.
**Estimate:** Not available

**Description:** The tax is not imposed upon the privilege of engaging in any business in interstate commerce or otherwise where taxation is prohibited under the United States Constitution and federal law.
**Estimate:** Not available (State taxation prohibited).

**Statutory citation:** 53-160.01
**Description:** No direct or indirect excise tax is imposed upon selling, using, delivering or storing articles of merchandise to or by any instrumentality of the U.S. armed forces engaged in resale activity.
**Estimate:** Not available (State taxation prohibited)

# Deductions

**Statutory citation:** 53-164.01
**Description:** The manufacturer or distributor is allowed a discount of 1% of the tax on alcoholic liquors for the timely payment of the tax due the Nebraska Liquor Control Commission.
**Estimate:** $312,764

# Credits

**Statutory citation:** 53-161
**Description:** A credit is allowed to a distributor or manufacturer for tax paid on: (1) beer shipped out-of-Nebraska for sale and consumption outside the state; or (2) beer returned to the manufacturer for credit, substitution, or replacement.
**Estimate:** $111,000

**Statutory citation:** 53-164.01
**Description:** A credit is allowed to a manufacturer or distributor for the amount of tax paid on beer sold or delivered to any instrumentality of the U.S. armed forces engaged in resale activities.
**Estimate:** $23,000

# Preferential Tax Rates

**Statutory citation:** 53-160
**Description:** Different rates of tax per gallon are levied depending upon the class of alcoholic beverage and its alcoholic content. The following are the applicable rates per gallon, operative July 1, 2003.

**Beer**: $0.31 per gallon (Hard Cider under 8.5% of alcohol content)
**Estimate:** A one-cent variation in the tax would result in a revenue change of $467,000.

**Wine**: $0.95 per gallon (14% or under of alcohol content)
**Estimate:** A five-cent variation in the tax would result in a revenue change of $169,000.

**Alcohol and Spirits**: $3.75 per gallon
**Estimate:** A five-cent variation in the tax would result in a revenue change of $181,000.

**Wine from Farm Wineries**: $0.06 per gallon
**Estimate:** A one-cent variation in the tax would result in a revenue change of $5,000.

**Wine from Direct Shippers**: $1 per gallon
**Estimate:** A five-cent variation in the tax would result in a revenue change of $3,500.

**Micro Distilleries**: $3.75 per gallon
**Estimate:** A five-cent variation in the tax would result in a revenue change of $810.

# Section F — Bingo, Lottery, Raffle, and Lottery by Pickle Card Tax

## Basic Provisions and Tax Base

**Bingo**

A nonprofit organization wishing to conduct bingo where: (1) a charge is made to participate; or (2) any prize to be awarded exceeds $25 in value, must apply for and obtain a license from the Nebraska Department of Revenue (DOR). DOR will issue a qualifying nonprofit organization either a Class I Bingo License (annual bingo gross receipts less than $100,000) or a Class II Bingo License (annual bingo gross receipts of $100,000 or more).

All licensed organizations are subject to a tax of 3% of the bingo gross receipts. Bingo gross receipts include the sale or rental of all bingo cards, any rental fees charged for the use of bingo card monitoring devices, and admission charges. The bingo tax return is filed on a quarterly basis. A licensed organization cannot hold more than ten bingo occasions per month. Sales or rentals of bingo cards to the public are not subject to sales tax. The proceeds from conducting bingo must be used by the organization for a lawful purpose.

A qualifying nonprofit organization not holding a bingo license can apply for a Special Event Bingo permit. A Special Event Bingo permit allows small-stakes bingo games by an organization at a special event where bingo is not the primary function of the event. An organization may apply for two Special Event Bingo permits per calendar year, for an aggregate total of not more than 14 days. Special Event bingo cards cannot be sold for more than 25 cents per card, and individual prizes are limited to no more than $25 in value. Special Event Bingo is exempt from the licensing, tax, and reporting requirements imposed on licensed organizations. The proceeds from special event bingo must be used for a charitable or community betterment purpose.

All licensed organizations must purchase bingo equipment only from a licensed distributor. A licensed distributor must purchase bingo equipment only from a licensed manufacturer. Both distributors and manufacturers must obtain licenses from DOR.

**Lottery by Pickle Card**

A nonprofit organization wishing to sell pickle cards must apply for and obtain a license from DOR. There are two classes of licenses issued that authorize the sale of pickle cards. A Class I license allows pickle card sales at the nonprofit organization's location, including where it conducts bingo games. A Class II license permits the sale of pickle cards at the organization's location, its bingo occasions, and at certain retail locations, known as pickle card operators. Any person or business holding a retail liquor license with the Nebraska Liquor Control Commission may apply to DOR to obtain a pickle card operator's license. If a licensed organization sells pickle cards at the location of a pickle card operator, it must also license at least one of its members as a sales agent. A sales agent is responsible for all marketing activity with a pickle card operator relative to selling the licensed organization's pickle cards. A licensed organization must apply for and obtain a pickle card operator authorization from DOR for each pickle card operator location selling the licensed organization's pickle cards. The proceeds from a lottery by the sale of pickle cards must be used by the organization for a lawful purpose.

All licensed organizations must purchase pickle card units only from a licensed distributor. A licensed distributor must purchase pickle card units only from a licensed manufacturer. Both distributors and manufacturers must obtain licenses from DOR.

A licensed distributor selling pickle card units to a licensed organization is subject to a tax of 10% of the definite profit of each pickle card unit sold. The "definite profit of a pickle card unit" is the gross proceeds of

the unit less all possible prizes. The gross proceeds of a unit is determined by multiplying the number of pickle cards in the unit by the selling price per individual pickle card. The pickle card tax return is filed on a monthly basis. The tax paid by the licensed distributor is passed along to the licensed organization as a part of the selling price of a pickle card unit. The appropriate sales tax is also due on the sale of each pickle card unit, unless the licensed organization purchasing the unit is exempt from paying sales tax. Selling individual pickle cards to the public either by a licensed organization or a licensed pickle card operator is not subject to sales tax.

If a licensed organization or pickle card operator uses a coin or currency-activated pickle card dispensing device, this device must be registered with DOR. An annual registration fee is required and each device must be affixed with a registration decal issued by DOR.

**Lottery/Raffle**

A nonprofit organization wishing to conduct a lottery (primarily cash prizes) or a raffle (at least 80% of prizes are merchandise) with gross proceeds in excess of $15,000, must first apply for and obtain a license from DOR. The permissible forms of winner determination for a lottery or raffle are limited to: (1) a random ticket drawing; or (2) a race using inanimate, buoyant objects floated along a river, canal, or other waterway (duck races).

Lotteries and raffles exceeding $15,000 in gross proceeds are subject to a tax of 2% of the gross proceeds. The gross proceeds are based upon the selling price of the lottery or raffle ticket and include the value of any free tickets given away and any other consideration which is required to be paid by a participant in order to be eligible for the drawing. Selling lottery or raffle tickets to the public is not subject to sales tax.

The lottery/raffle tax return is filed annually, even if the gross proceeds for the tax period do not exceed the $15,000 threshold. Upon the conclusion of the lottery or raffle, if the licensed organization's actual gross proceeds did not exceed the $15,000 threshold, the licensed organization may request a refund of any tax previously paid. Proceeds from a lottery or raffle must be used for a lawful purpose.

**County/City Lottery**

Any county, city, or village that has approved a lottery in a special or regularly-scheduled election must apply for and obtain a license from DOR prior to commencing the lottery activity. There are two forms of authorized lottery activity for a county, city, or village: (1) a traditional ticket drawing where winners are determined by a random drawing; and (2) keno. A community which has approved a lottery may conduct the lottery on its own, or contract with another person or business to conduct the lottery on its behalf. The person or business that contracts with the community is called a "lottery operator." A lottery operator must apply for and obtain a license from DOR. In addition to the licensing requirements for the community and the lottery operator, all persons who perform any work directly related to conducting the lottery, other than a person whose sole responsibilities are as a keno writer, must apply for and obtain a lottery worker license from DOR. Any location where tickets are going to be sold, other than the lottery operator's location, must also be licensed as a sales outlet location.

A tax of 2% of the gross proceeds must be remitted to DOR on a quarterly basis by the county, city, or village. The net proceeds of the lottery must be used by the county, city, or village for community betterment purposes. Lottery equipment must be purchased only from a licensed manufacturer-distributor. A manufacturer-distributor of lottery equipment must obtain a license from DOR.

**Tax Allocation**

Forty percent of all taxes collected and referred to in this section are credited to the Charitable Gaming Operations Fund for administration and enforcement of the charitable gaming laws by DOR's Charitable Gaming Division. The remaining 60% is transferred to the General Fund. Beginning July 1, 2021, on or before November 1 each year, the State Treasurer shall transfer $100,000 from the Charitable Gaming Operations Fund to the Compulsive Gamblers Assistance Fund, except that no transfer will occur if the Charitable Gaming Operations Fund contains less than one hundred thousand dollars. Any funds remaining in the Charitable Gaming Operations Fund after the transfer to the Compulsive Gamblers Assistance Fund, which was not used by the Charitable Gaming Division for its administrative and enforcement duties, may be transferred to the General Fund at the direction of the Legislature.

## Exemptions

**Statutory citation:** Neb. Rev. Stat. § 9-230
**Description:** The bingo tax does not apply to any bingo game for which no charge is made to participate, and no prize awarded exceeds $25 in value. The bingo tax does not apply to Special Event Bingo.
**Estimate:** Minimal

**Statutory citation:** Regulation 35-215.01A
**Description:** The bingo tax applies to the bingo gross receipts of the licensed organization. This tax does not apply to the sale of bingo equipment and supplies by a licensed distributor to a licensed organization, or to the sale of bingo supplies by some other retail business to the general public.
**Estimate:** Minimal

**Statutory citation:** Neb. Rev. Stat. § 9-429
**Description:** The lottery/raffle tax does not apply to any lottery or raffle conducted by a nonprofit organization when the gross proceeds do not exceed $15,000.
**Estimate:** Not Available

**Statutory citation:** 4 U.S.C. 109 and 25 U.S.C. 2701, et al.
**Description:** The bingo tax imposed by Neb. Rev. Stat. § 9-230 on the gross receipts of a licensed organization is not applicable to bingo activity conducted by a federally recognized Indian tribe in Indian country within Nebraska. In addition, the pickle card tax imposed by Neb.Rev. Stat. § 9-344 on a licensed distributor is not applicable to pickle card units sold by a licensed distributor to a federally recognized Indian tribe located either within Nebraska or located in another state if the sale of these pickle cards occurs only at the tribe's bingo operation in Indian country. Federal law prohibits state taxation relative to these activities.
**Estimate:** Not Available (State Taxation Prohibited)

# Section G — Cigarette Tax

## Basic Provisions and Tax Base

The Nebraska cigarette tax is a special privilege tax paid by every person engaged in distributing or selling cigarettes at wholesale in Nebraska. Each stamping agent who obtains an annual Nebraska Stamping Agent's License must pay an application fee of $500, which is placed in the State General Fund. On packages containing 20 or fewer cigarettes, a tax of 64 cents per package is paid. On packages containing more than 20 cigarettes, a tax of 64 cents for the first 20 cigarettes plus a tax of 1/20 of 64 cents on each cigarette in excess of 20 cigarettes is paid, in addition to all other taxes. A cigarette tax stamp is placed on each package of cigarettes as proof of cigarette tax paid.

The distribution of Nebraska cigarette tax revenues can be found on the Department of Revenue's website revenue.nebraska.gov under Tax Research and Reports. The Nebraska Tax Rate Chronologies are updated quarterly.

## Exemptions

**Statutory citation:** Neb. Rev. Stat. § 77-2607
**Description:** The portion of the stamping agent's stock of cigarettes which is not intended to be sold or given away in Nebraska is exempt from the tax, unless the stock is not out of the dealer's possession within 30 days of receipt.
**Estimate:** Not Available

**Statutory citation:** 4 U.S.C. 107
**Description:** Federal law prohibits state taxation of cigarettes sold to the U.S. government or any of its agencies.
**Estimate:** $0

## Deductions

**Statutory citation:** Neb. Rev. Stat. § 77-2608
**Description:** The Tax Commissioner sells the cigarette tax stamps only to licensed stamping agents. The sale of cigarette tax stamps to licensed stamping agents in Nebraska or outside of Nebraska is authorized at a discount of 1.85% of the face value of the cigarette tax as a commission for affixing and canceling the cigarette tax stamps.
**Estimate:** $987,000

## Credits

**Statutory citation:** Neb. Rev. Stat. § 77-2610
**Description:** Any unused or spoiled stamps are redeemed by the Tax Commissioner and a refund is made in the amount of the stamps less the commission for affixing the stamps.
**Estimate:** $351,000

**Statutory citation:** 4 U.S.C. 109, et al.
**Description:** Federal statutes and treaties prohibit state taxation of cigarettes sold to Native American Indians in Indian country within Nebraska. A credit is allowed by the state to licensed cigarette stamping agents for the amount of tax credited by them to retailers who make exempt sales of cigarettes to Native American Indians.
**Estimate:** $125,000 (State taxation Prohibited)
**Source:** U.S. Census

# Section H — Corporation Occupation Tax

## Basic Provisions and Tax Base

A biennial occupation tax is levied against domestic and foreign corporations. The tax is due March 1 of each even-numbered year. The tax levied against domestic corporations is calculated based on the amount of paid-up capital stock of the corporation.

**Nebraska Corporation Occupation Tax Fee Schedule**

| Amount of Paid-Up Capital Stock[1] | Tax Fee | Amount of Paid-Up Capital Stock[1] | Tax Fee |
|---|---|---|---|
| $0.00 - $10,000 | $26 | $450,000.01 - $500,000 | $800 |
| 10,000.01 - 20,000 | 40 | 500,000.01 - 600,000 | 910 |
| 20,000.01 - 30,000 | 60 | 600,000.01 - 700,000 | 1,010 |
| 30,000.01 - 40,000 | 80 | 700,000.01 - 800,000 | 1,120 |
| 40,000.01 - 50,000 | 100 | 800,000.01 - 900,000 | 1,230 |
| 50,000.01 - 60,000 | 120 | 900,000.01 - 1,000,000 | 1,330 |
| 60,000.01 - 70,000 | 140 | 1,000,000.01 - 2,000,000 | 2,130 |
| 70,000.01 - 80,000 | 160 | 2,000,000.01 - 3,000,000 | 2,930 |
| 80,000.01 - 90,000 | 180 | 3,000,000.01 - 4,000,000 | 3,730 |
| 90,000.01 - 100,000 | 200 | 4,000,000.01 - 5,000,000 | 4,530 |
| 100,000.01 - 125,000 | 240 | 5,000,000.01 - 6,000,000 | 5,330 |
| 125,000.01 - 150,000 | 280 | 6,000,000.01 - 7,000,000 | 6,130 |
| 150,000.01 - 175,000 | 320 | 7,000,000.01 - 8,000,000 | 6,930 |
| 175,000.01 - 200,000 | 360 | 8,000,000.01 - 9,000,000 | 7,730 |
| 200,000.01 - 225,000 | 400 | 9,000,000.01 - 10,000,000 | 8,530 |
| 225,000.01 - 250,000 | 440 | 10,000,000.01 - 15,000,000 | 12,000 |
| 250,000.01 - 275,000 | 480 | 15,000,000.01 - 20,000,000 | 14,660 |
| 275,000.01 - 300,000 | 520 | 20,000,000.01 - 25,000,000 | 17,330 |
| 300,000.01 - 325,000 | 560 | 25,000,000.01 - 50,000,000 | 20,660 |
| 325,000.01 - 350,000 | 600 | 50,000,000.01 - 100,000,000 | 21,330 |
| 350,000.01 - 400,000 | 666 | When paid-up capital stock | |
| 400,000.01 - 450,000 | 730 | exceeds $100,000,000 | 23,990 |

**The occupation tax and biennial fees for business corporations are deposited in the State General Fund.**

The tax levied against foreign corporations is based on the actual value of all real estate and personal property employed in Nebraska by the foreign corporation in the transaction of its business (Neb. Rev. Stat. § 21-306).

[1] *For purposes of Chapter 21, Article 3, the term "paid-up capital stock" means, the sum of the par value of all shares of capital stock of the corporation issued and outstanding (Neb. Rev. Stat. § 21-329).*

**Nebraska Corporation Occupation Tax Fee Schedule for Foreign Corporations**

| Amount of Assets in Nebraska | Tax Fee | Amount of Assets in Nebraska | Tax Fee |
|---|---|---|---|
| $0.00 - $10,000 | $52 | $350,000.01 - $400,000 | $1,332 |
| 10,000.01 - 20,000 | 80 | 400,000.01 - 450,000 | 1,460 |
| 20,000.01 - 30,000 | 120 | 450,000.01 - 500,000 | 1,600 |
| 30,000.01 - 40,000 | 160 | 500,000.01 - 600,000 | 1,820 |
| 40,000.01 - 50,000 | 200 | 600,000.01 - 700,000 | 2,020 |
| 50,000.01 - 60,000 | 240 | 700,000.01 - 800,000 | 2,240 |
| 60,000.01 - 70,000 | 280 | 800,000.01 - 900,000 | 2,460 |
| 70,000.01 - 80,000 | 320 | 900,000.01 - 1,000,000 | 2,660 |
| 80,000.01 - 90,000 | 360 | 1,000,000.01 - 2,000,000 | 4,260 |
| 90,000.01 - 100,000 | 400 | 2,000,000.01 - 3,000,000 | 5,860 |
| 100,000.01 - 125,000 | 480 | 3,000,000.01 - 4,000,000 | 7,460 |
| 125,000.01 - 150,000 | 560 | 4,000,000.01 - 5,000,000 | 9,060 |
| 150,000.01 - 175,000 | 640 | 5,000,000.01 - 6,000,000 | 10,660 |
| 175,000.01 - 200,000 | 720 | 6,000,000.01 - 7,000,000 | 12,260 |
| 200,000.01 - 225,000 | 800 | 7,000,000.01 - 8,000,000 | 13,860 |
| 225,000.01 - 250,000 | 880 | 8,000,000.01 - 9,000,000 | 15,460 |
| 250,000.01 - 275,000 | 960 | 9,000,000.01 - 10,000,000 | 17,060 |
| 275,000.01 - 300,000 | 1,040 | 10,000,000.01 - 15,000,000 | 24,000 |
| 300,000.01 - 325,000 | 1,120 | 15,000,000.01 - 20,000,000 | 29,320 |
| 325,000.01 - 350,000 | 1,200 | When assets exceed 20,000,000 | 30,000 |

Domestic and foreign corporations that have been dissolved by operation of law for failure to file a report and pay the tax may be reinstated. To be reinstated, corporations must: file an application for reinstatement; pay a filing fee of $30 if submitted in writing or $25 if submitted electronically; pay all taxes due; and pay a variable statutory percent penalty calculated to the date of reinstatement (Neb. Rev. Stat. §§ 21-323.01, 21-325.01). Reinstatement more than five years after dissolution carries a $500 reinstatement fee rather than $25 or $30.

A biennial fee of $30 if submitted in writing, or $25 if submitted electronically, is levied against nonprofit corporations. The fee is collected in the odd-numbered years on a biennial basis and remitted to the State Treasurer. 60% of the fee is credited to the General Fund and the remaining 40% to the Secretary of State Cash Fund. Reinstatement more than five years after dissolution carries a $500 fee for all nonprofit corporation except homeowners associations which only pay an additional $100 fee (Neb. Rev. Stat. §§ 18-3105).

## Exemptions

**Statutory Reference:** 21-321

**Description:** All banking, insurance, and building and loan association corporations paying fees and making reports to the Director of Insurance or the Director of Banking and Finance, and all other corporations paying an occupation tax to the state under any other statutory provisions than those of §§ 21-301 to 21-330, are exempt from the corporation occupation tax.

**Estimate:** Not Available

# Section I — Documentary Stamp Tax

## Basic Provisions and Tax Base

The documentary stamp tax is a tax imposed on the grantor executing a deed for the privilege of transferring beneficial interest in or legal title to real estate. The tax rate is $2.25 for each $1,000 of value (or fraction thereof) of the real estate transferred. All deeds are presumed taxable unless it clearly appears on the face of the deed or sufficient documented proof is presented to the register of deeds that the instrument is exempt under Neb. Rev. Stat. § 76-902.

From each $2.25 of the tax collected, the register of deeds retains $0.50 to be placed in the county general fund, and remits the balance to the State Treasurer. The State Treasurer credits $0.95 of this amount to the Affordable Housing Trust Fund, $0.25 to the Homeless Shelter Assistance Trust Fund, $0.25 to the Site and Building Development Fund, and $0.30 to the Behavioral Health Services Fund.

For tax year 2023, there was a total of 72,537 transactions (46,641 taxable and 25,896 nontaxable). Total collections for tax year 2023 were $32,887,438. From this total, $7,307,589 was retained by the counties and $25,579,849 was credited to the funds listed above.

## Exemptions

****All the estimates of expenditure for the following exemptions are not available. ****

**Statutory citation:** 76-902(1)
**Description:** Deeds recorded prior to November 18, 1965.

**Statutory citation:** 76-902(2)
**Description:** Deeds to property transferred by or to the U.S., the State of Nebraska, or any of their instrumentalities, agencies, or subdivisions.

**Statutory citation:** 76-902(3)
**Description:** Deeds which secure or release a debt or other obligation.

**Statutory citation:** 76-902(4)
**Description:** Deeds which, without additional consideration, confirm, correct, modify, or supplement a deed previously recorded; that do not extend or limit existing title or interest.

**Statutory citation:** 76-902(5)
**Description:** Deeds between husband and wife, parent and child, or between ex-spouses conveying property acquired or held during the marriage, without consideration, and deeds to or from a family corporation, partnership, or limited liability company.

**Statutory citation:** 76-902(6)
**Description:** Tax deeds.

**Statutory citation:** 76-902(7)
**Description:** Deeds of partition.

**Statutory citation:** 76-902(8)
**Description:** Deeds for mergers, consolidations, sales, or transfers of the assets of corporations due to the plans of merger or consolidation.

**Statutory citation:** 76-902(9)
**Description:** Deeds made by a subsidiary corporation to its parent corporation for no consideration other than the cancellation or surrender of the subsidiary's stock.

**Statutory citation:** 76-902(10)
**Description:** Cemetery deeds.

**Statutory citation:** 76-902(11)
**Description:** Mineral deeds.

**Statutory citation:** 76-902(12)
**Description:** Deeds executed pursuant to court decrees.

**Statutory citation:** 76-902(13)
**Description:** Land contracts.

**Statutory citation:** 76-902(14)
**Description:** Deeds which release a reversionary interest, a condition subsequent or precedent, a restriction, or any other contingent interest.

**Statutory citation:** 76-902(15)
**Description:** Deeds of distribution by a personal representative conveying property passing by testate or interstate succession.

**Statutory citation:** 76-902(16)
**Description:** Transfer on death deeds or revocations of transfer on death deeds.

**Statutory citation:** 76-902(17)
**Description:** Certified or authenticated death certificates.

**Statutory citation:** 76-902(18)
**Description:** Deeds transferring property located within the boundaries of an Indian reservation if the grantor or grantee is a Native American living in Indian country.

**Statutory citation:** 76-902(19)
**Description:** Deeds transferring property into a trust where the transfer of the same property would be exempt if the transfer were made directly from the grantor to the beneficiaries under the trust.

**Statutory citation:** 76-902(20)
**Description:** Deeds transferring property from a trustee to a beneficiary of a trust.

**Statutory citation:** 76-902(21)
**Description:** Deeds that convey property held in the name of any partnership or limited liability company not subject to subdivision (5) of this section to any partner in the partnership or member of the limited liability company or his or her spouse.

**Statutory citation:** 76-902(22)
**Description:** Leases.

**Statutory citation:** 76-902(23)
**Description:** Easements.

**Statutory citation:** 76-902(24)
**Description:** Deeds which transfer title from a trustee to a beneficiary pursuant to a power of sale exercised by a trustee under a trust deed.

**Statutory citation:** 76-902(25)

**Description:** Deeds transferring property, without actual consideration therefor, to a nonprofit organization that is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code and is not a private foundation as defined in section 509(a) of the Internal Revenue Code.

# Section J — Inheritance Tax

## Basic Provisions and Tax Base

The inheritance tax in Nebraska is administered by the county court of the county where the decedent resided or where the real or personal property is located. The tax is levied as a percentage of the clear market value of the property, including proceeds of insurance upon the life of the decedent, that to the extent the benefit is recovered by the personal representation transferred by will or by the intestate laws from any person who, at the time of death, was a Nebraska resident or if a nonresident, possessed nonexempt property located within the State of Nebraska. The rate is determined by the relationship between the decedent and the beneficiary.

The inheritance tax is required to be apportioned among the counties in the same ratio that the gross property (including both taxable and nontaxable property) in each county bears to the gross value of all property reportable for inheritance tax purposes.

**All inheritance tax revenue is credited to the county general fund or to any other fund of the county selected by the county board.**

## Exemptions

**Statutory citation:** 77-2004 and 30-2322
**Description:** The homestead allowance is exempt. A surviving spouse of a decedent who was domiciled in Nebraska is entitled to a homestead allowance of $20,000. If there is no surviving spouse, each minor or dependent child of the decedent is entitled to a homestead allowance of $20,000 divided by the number of minor and dependent children of the decedent.
**Estimate:** Not Available

**Statutory citation:** 77-2004 and 30-2323
**Description:** The surviving spouse or children of a decedent who was domiciled in Nebraska is entitled to an amount not exceeding $2,500 in excess of any security interest, of household furniture, automobiles, furnishings, appliances, and personal effects.
**Estimate:** Not Available

**Statutory citation:** 77-2004, 30-2324, and 30-2325
**Description:** The family maintenance allowance is exempt. If the decedent was domiciled in Nebraska, the surviving spouse and minor children whom the decedent was obligated to support, and children who were in fact being supported by the decedent, are entitled to a reasonable monetary allowance during the administration of the estate up to $20,000 total without a court order.
**Estimate:** Not Available

**Statutory citation:** 77-2004
**Description:** The first $100,000 of the clear market value of property received by each lineal relative or sibling of the decedent is exempt, for decedents dying on or after January 1, 2023.
**Estimate:** Not Available

**Statutory citation:** 77-2004
**Description:** Interests passing to the surviving spouse are exempt.
**Estimate:** Not Available

**Statutory citation:** 77-2005.01
**Description:** The first $40,000 of the clear market value of property received by each cousin and other remote relative of the decent is exempt, for decedents dying on or after January 1, 2023.
**Estimate:** Not Available

**Statutory citation:** 77-2006
**Description:** The first $25,000 of the clear market value of the beneficial interest in the estate received by someone other than a relative is exempt, for decedents dying on or after January 1, 2023. For decedents dying on or after January 1, 2023, the first $25,000 of the clear market value of the beneficial interests received by someone other than a relative is exempt.
**Estimate:** Not Available

**Statutory citation:** 77-2007
**Description:** Payments received by an estate under an employee benefit plan are exempt to the extent that the benefit is life insurance otherwise excluded from the tax, or the benefit is not subject to the federal estate tax.
**Estimate:** Not Available

**Statutory citation:** 77-2007.03
**Description:** Property transferred to either: (1) the U.S. or any of its departments, instrumentalities, or agencies; or (2) Nebraska or any of its governmental subdivisions, departments, agencies, or instrumentalities, any municipal corporation or body politic created by or under the laws of Nebraska, or any agency, institution, foundation, or fund administered or operated by any of these entities is exempt.
**Estimate:** Not Available (State taxation prohibited)

**Statutory citation:** 77-2007.04
**Description:** All inheritances to or for the use of any corporation, organization, association, society, institution, or foundation organized and operating exclusively for religious, charitable, public, scientific, or educational purposes, is exempt if certain conditions are met.
**Estimate:** Not Available

## Credits

**Statutory citation:** 77-2018.06
**Description:** When a decedent has received property from another person who died within five years prior to the death of the decedent, upon which Nebraska inheritance tax was paid, the tax paid is allowed as a credit against the amount of inheritance tax assessed against the recipients of property from the estate of the decedent.
**Estimate:** Not Available

## Preferential Tax Rates

**Statutory citation:** 77-2004, 77-2005, and 77-2006
**Description:** Property transferred to lineal relatives and siblings, remote relatives, and others for decedents dying on or after January 1, 2023 are taxed at the rates:

- Lineal relatives and siblings
  - $0 - $100,000 at 0%
  - $100,000.01 & over at 1%
- Remote relatives
  - $0 - $40,000 at 0%
  - $40,000.01 & over at 11%
- Non-relatives
  - $0-25,000 at 0%
  - $25,000.01 & over at 15%

**Estimate:** Not Available

# Section K — Insurance Premium Tax

## Basic Provisions and Tax Base

Each insurance company organized as a stock, mutual, assessment, or reciprocal insurer, and every nonprofit hospital service corporation (except fraternal benefit societies) which transacts business in Nebraska, is required to pay a tax to the Director of Insurance (Director) on or before March 1 of each year. This is in lieu of any other intangible property tax of 1% of the gross amount of direct written premiums received by it during the preceding calendar year for business done in Nebraska. Exceptions to this include: (1) for group sickness and accident insurance, the rate of tax is 0.5%; and (2) for property and casualty insurance, excluding individual sickness and accident insurance, the rate is 1%. A captive insurer authorized under the Captive Insurers Act that is transacting business in Nebraska is required to pay a tax to the Director, on or before March 1 of each year, of .25% of the gross amount of direct writing premiums received by it during the preceding calendar year for business done in Nebraska.

The taxable premiums include premiums paid on the lives of persons residing in Nebraska and premiums paid for risks located in Nebraska, whether or not the insurance written in Nebraska. When insurance is written on a group which exceeds 500 lives, the taxable premium includes the portion of the premium paid for insurance on Nebraska residents or risks located in Nebraska. The tax also applies to premiums received by domestic companies for insurance written on individuals residing outside Nebraska, or risks located outside Nebraska, if no comparable tax is paid by the direct writing domestic company to any other appropriate taxing authority.

Insurance companies whose plan of operation contemplates the return of a portion of premiums to policyholders, without the policyholders being claimants of the term of their policies, may deduct the returned premiums or dividends from their gross premiums for the purpose of calculating premium tax liability.

The Director is required to transmit 50% of the taxes paid to the Insurance Tax Fund, 40% to the General Fund, and 10% to the Mutual Finance Assistance Fund promptly upon completion of an audit and examination of the tax returns submitted by the insurers, but in no event later than May 1 of each year.

Commencing with the taxable year ending December 2001, all premium and retaliatory taxes paid by insurers writing health insurance in Nebraska are remitted to the Comprehensive Health Insurance Pool Distributive Fund in lieu of transmitting 50% of the taxes paid to the Insurance Tax Fund, 40% to the General Fund, and 10% to the Mutual Finance Assistance Fund. For tax year 2023, $65,376,436 was allocated to the Comprehensive Health Insurance Pool Fund.

The Director is required to transmit 10% of the premium taxes collected to the Mutual Finance Assistance Fund. This fund is used to provide assistance to rural or suburban fire protection districts and mutual finance organizations which qualify under the Mutual Finance Assistance Act. For tax year 2023, $13,767,879 was allocated to this fund which would have gone to the General Fund prior to the enactment of this legislation. Nebraska law directs the State Treasurer to disburse all of the funds in the Insurance Tax Fund prior to June 1 of each year as follows:

- 10% of the total to the counties, proportionately in the proportion that the population of each county bears to the entire state, as shown by the latest U.S. census;
- 30% of the total to the Municipal Equalization Fund; and
- 60% of the total to the State Department of Education for distribution to school districts as equalization aid pursuant to the Tax Equity and Educational Opportunities Support Act as follows. The Commissioner of Education must (a) include the amount certified by the State Treasurer pursuant to this section with the amount appropriated to the Tax Equity and Education

Opportunities Fund for distribution in the ensuing school fiscal year, (b) include such amount in the state aid certified to each school district, and (c) distribute such fund as equalization aid under the provisions of the Act during the ensuing fiscal year.

An insurer whose annual tax for the preceding taxable year was $4,000 or more must make prepayments of its annual taxes on or before April 15, June 15 and September 15 of the current taxable year. The amount of each prepayment must be at least one-fourth of either (1) the total tax paid for the immediately preceding taxable year, or (2) 80% of the actual tax due for the current taxable year.

The Director is required to deposit one-half of the prepayments received into the Premium and Retaliatory Tax Suspense Fund and the other half into the General Fund. Commencing with the taxable year ending December 31, 2001, all prepayments paid by insurers writing health insurance in this state shall be remitted to the Comprehensive Health Insurance Pool Distribution Fund in lieu of transmitting one-half of the taxes paid to the Premium and Retaliatory Tax Suspense Fund and one-half to the General Fund.

The Director is required to collect from insurers and transmit to the State Treasurer, for credit to the Workers' Compensation Court Cash Fund, a tax of 1% on the gross amount of direct workers' compensation insurance premiums received by an insurance company. For tax year 2023, $4,221,417 was allocated to the Workers' Compensation Court Cash Fund. The Director is also required to collect from insurers and risk management pools and transmit to the State Treasurer, for credit to the Workers' Compensation Trust Fund, a tax on the amount of workers' compensation benefits paid by each insurer during the preceding calendar year. For the tax year 2023, $0 was allocated to the Workers' Compensation Trust Fund due to the fact a tax was not assessed as the trust balance was in excess of the statutory amount required.

An insurer may offset against its premium and retaliatory tax liability to Nebraska, with respect to business transacted in each year, an amount equal to 20% of the face amount of contributions made to the Nebraska Life and Health Insurance Guaranty Association and the Nebraska Property and Liability Insurance Guaranty Association.

# Exemptions

| Statutory Reference and Description | Actual Tax Expenditure Cost | |
|---|---|---|
| | **Domestic** | **Foreign** |
| **Statutory Citation:** 77-907[1]<br>Premiums on all annuity contracts written by insurance companies | $3,884,978 | $19,694,724 |
| **Statutory Citation:** 77-907[1] (other than annuities)<br>Premiums for pensions, profit sharing, individually sponsored retirement plans and other pension plan contracts which are described in the IRC of 1986 §818(a), as amended. | $217,273 | $4,238 |
| **Statutory Citation:** 77-908[1] | | |
| Fraternal beneficiary associations: | | |
| On gross life and A&H premiums written; or | $24,237 | $1,178,687 |
| If dividend deduction were allowed. | $22,799 | $1,132,618 |
| On gross annuity contract premiums written; or | $5,376 | $1,124,447 |
| If dividend deduction were allowed. | $5,376 | $1,124,232 |

[1] *This amount reflects the calculated tax impact figure. The figure is based on premium/revenue.*

# Deductions

| | Domestic | Foreign |
|---|---|---|
| **Statutory Citation:** 44-2407(1)(d) **and** 44-2716(2)<br>Contributions to the Nebraska Property and Liability Insurance Guaranty Association, and Life and Health Insurance Guaranty Association | $20,560 | $106,419 |
| **Statutory Citation:** 77-908<br>Companies whose scheme of operation contemplates the return of a portion of premiums to policyholders, without such policyholders being claimants under the terms of their policies. | $36,105[2] | $343,207[2] |
| **Statutory Citation:** 77-908<br>Credit for contributions to Community Development Assistance Act. | $0 | $0 |
| **Statutory Citation:** 77-1101 **to** 77-1119<br>Credit for the New Market Job Growth Investment Act. | $1,203,333 | $9,464,152 |
| **Statutory Citation:** 77-2901 **to** 77-2912<br>Nebraska Job Creation and Mainstreet Revitalization Act | $0 | $424,767 |
| **Statutory Citation:** 77-2501 **to** 77-2507<br>Affordable Housing Tax Credit | $1,418,385 | $4,763,379 |

[2]*This amount reflects the calculated tax impact figure. The figure is based on both revenues and deductions claimed.*

# Section L — Local Occupation Taxes

## Basic Provisions and Tax Base

Neb. Rev. Stat. §§ 14-109, 15-202, 15-203, 16-205, 17-525, and 18-1208 allow cities of the metropolitan class, cities of the primary class, first class cities, second class cities, and villages respectively, to raise revenue by levying and collecting an occupation tax on any occupation or business, including a public service corporation, within the limits of the city or village. The monies raised by these local taxes are for use by local governments in their governmental operations.

## Exemptions

**Statutory citation:** 14-109, 15-203, 16-205, 17-525**, and** 18-1208

**Description:** Exclude from imposition of any occupation tax all scientific and literary lectures and entertainments; also concerts and all other musical entertainment given exclusively by the citizens of the city or village. Also excludes the occupation tax on any transaction which is subject to tax under section 53-160, 66-489, 66-489.02, 66-4,140, 66-4,145, 66-4,146, 77-2602, or 77-4008 or which is exempt from tax under section 77-2704.24.

**Estimate:** Not Available

# Section M — Nebraska and County Lodging Tax

## Basic Provisions and Tax Base

The lodging tax is a tax imposed upon the total gross receipts charged for the occupancy of any space furnished by any hotel (including a Nebraska-operated hotel), motel, tourist home, campground, court, inn, bed, and breakfast, or lodging house in Nebraska for less than 30 consecutive days. Additionally, online travel companies that are facilitating sales as a Multivendor Marketplace Platform are required to be licensed for the lodging tax. The lodging tax is imposed in addition to sales and use taxes. The Nebraska lodging tax is 1%. Receipts from Nebraska lodging tax are paid to the State Visitors Promotion Cash Fund.

Each county in Nebraska may impose a lodging tax of 2% or less. The county lodging tax receipts are paid to the County Visitors Promotion Fund. Each county may also impose an additional lodging tax of 2% or less. Receipts from this additional county lodging tax are paid to the County Visitors Improvement Fund. A 3% administrative fee is deducted by DOR and deposited in the General Fund.

Both county lodging taxes are in addition to the 1% Nebraska lodging tax and regular sales and use taxes.

## Exemptions

**Statutory citation:** 81-3722, 77-2704.02, 77-2704.12(1), and 77-2704.15 through 77-2704.20
**Description:** Purchases by:

- Nonprofit organizations created exclusively for religious purposes;
- Nonprofit organizations providing services exclusively to the blind;
- Nonprofit Nebraska-licensed schools, colleges, universities established under §§ 79-1601 to 79-1607 or any regionally or nationally accredited, nonprofit, privately controlled college or university with its primary campus physically located in Nebraska (not including Nebraska public post-secondary institutions);
- Nonprofit Nebraska-licensed hospitals;
- Nonprofit Nebraska-licensed health clinics when one or more hospitals or the parent corporations of the hospitals own or control the health clinic for the purpose of reducing the cost of health services, or when the health clinic receives federal funds through the United States Public Health Service for the populations that are medically underserved;
- Nonprofit Nebraska-licensed skilled nursing facilities;
- Nonprofit Nebraska-licensed intermediate care facilities;
- Nonprofit Nebraska-licensed assisted-living facilities;
- Nonprofit Nebraska-licensed intermediate care facilities for persons with developmental disabilities;
- Nonprofit Nebraska-licensed nursing facilities;
- Nonprofit Nebraska-licensed home health agencies, hospice or hospice services, and respite care services;
- Nonprofit Nebraska-licensed mental health substance use treatment center;
- Center for independent living as defined in 29 U.S. C. 796a;
- Nonprofit Nebraska-licensed child-caring agencies or child placement agencies; and Nonprofit organizations certified by the Department of Health and Human Services (HHS) to provide community-based services for persons with developmental disabilities;
- The state, including public educational institutions recognized or established under the provisions of Chapter 85, or any Nebraska county, township, city, village, rural or suburban fire protection district, city airport authority, county airport authority, joint airport authority, drainage district organized under §§ 31-401 to 31-450, land bank created under the Nebraska Municipal Land Bank Act, natural resource district, elected county fair board, housing agency as defined in § 71-1575 except for purchases for any commercial operation that does not exclusively benefit the residents of an affordable housing project, cemetery

created under § 12-101, or joint entity or agency formed by any combination of two or more counties, townships, cities, villages, or other exempt governmental units pursuant to the Interlocal Cooperation Act, the Integrated Solid Waste Management Act, or the Joint Public Agency Act, except for purchases for use in the business of furnishing gas, water, electricity, or heat, or by any irrigation or reclamation district, the irrigation division of any public power and irrigation district, or public schools or learning communities established under Chapter 79.

- The Nebraska State Fair Board.
- The Nebraska Investment Finance Authority.
- Licensees of the State Racing Commission.
- The federal government when payment is made directly by the federal government, state tax is prohibited.

**Estimate**: State: $328,000
Counties: $1,278,000

## Deductions

**Statutory citation:** 81-3723
**Description:** The state retains 3% of the County Visitors Promotion Fund receipts as an administrative fee to defray the cost of collecting and administering the tax.
**Estimate**: State: $0
Counties: $465,000[1]

[1] *The administrative fee is retained in the State General Fund.*

# Section N — Motor Vehicle, Diesel, Aircraft, and Compressed Fuels Taxes

## Basic Provisions and Tax Base

**Motor Fuels Tax – Motor Vehicle Fuels and Diesel Fuels**

Motor vehicle fuels and undyed diesel fuels are subject to an excise tax imposed on the motor fuels received, imported, produced, refined, manufactured, compounded, or blended in the State of Nebraska for use, distribution, sale, or delivery in Nebraska. Motor vehicle fuels include all products commonly or commercially known as gasoline, gasohol, ethanol, casing head gasoline, and natural gasoline. Products such as naphtha, methanol, benzene, and benzol, although not defined as motor vehicle fuels, are subject to tax if placed directly into a licensed motor vehicle or blended into gasoline at a point in the distribution chain after the refinery. Diesel fuels include all combustible liquids suitable for use in diesel-powered motor vehicles including biodiesel blends. It does not include kerosene which is subject to tax if it is blended with undyed diesel fuel.

Dyed diesel fuel placed in licensed motor vehicles by governmental agencies is also subject to motor fuels tax. Governmental agencies placing dyed diesel fuel in a licensed motor vehicle must remit motor fuels use tax by filing the Nebraska Motor Fuels Use Tax Return, Form 74.

Businesses licensed as producers, suppliers, distributors, wholesalers, importers, or exporters report and remit the motor fuels tax. Beginning in 2024, retailers of gasoline, ethanol, and gasoline/ethanol blends file quarterly informational reports regarding the type of product and gallons sold, and the percentage of ethanol in those gallons. Retailers are also subject to field record reviews or audits. Liquid fuel carrier licenses and terminal operator licenses are required for businesses involved in the movement of motor fuels in the State of Nebraska. The proper license is obtained by completing a Nebraska Motor Fuels License Application, Form 20MF.

The motor fuels tax is subject to change each January 1 and July 1, and consists of a fixed portion, a variable excise tax rate, and a variable wholesale component. The fixed portion excise tax was 10.3 cents per gallon through December 31, 2015. Beginning in 2016, the fixed portion increased 1.5 cents per gallon each January 1 through January 1, 2019, bringing the total fixed portion excise tax to 16.3 cents per gallon. The variable excise tax rate is set to meet appropriations. The variable wholesale component is 5% of the average wholesale price of gasoline for the previous six months. The total motor fuels tax per gallon for the first half of 2023 was 29.0 cents, and for the second half of 2023, it was 29.0 cents. For the first half of 2024, it was 29.1 cents, and for the second half of 2024, it is 29.6 cents.

The business producing, importing, or removing motor fuels from a Nebraska fuel pipeline terminal has the option to remit the tax or to pass the liability on to a customer who is a licensed supplier, distributor, exporter, or wholesaler. If the tax liability is passed on to the customer, the customer must remit the tax to Nebraska, and cannot subsequently sell that fuel tax-free unless a qualified exemption applies.

Exemptions for motor vehicle fuels are:

- exports with sales or use in a state other than Nebraska;
- sales to the U.S. Government or its agencies, and federal corporations wholly owned by the U.S.;
- sales to a metropolitan transit authority;
- natural gasoline (and gasoline products effective August 1, 2024) purchased by ethanol producers for use as a denaturant; or

- sales in Indian country, as defined by federal law, to a Native American Indian residing in Indian country.[1]

While natural gasoline (and gasoline products effective August 1, 2024) purchased for use as a denaturant in the production of ethanol is exempt from the motor fuels tax, it is subject to an excise tax reported and remitted by licensed ethanol producers. The tax of 1.25 cents per gallon is deposited into the Agricultural Alcohol Fuel Tax Fund (AAFTF). Effective August 1, 2024, ethanol producers also pay the 1.25 cent tax on 2% of sales of non-beverage alcohol not meeting ATSM D4804.

Exemptions for diesel fuels are:

- exports with sales or use in a state other than Nebraska;
- sales to the U.S. Government or its agencies, and federal corporations wholly owned by the U.S.;
- sales to a metropolitan transit authority;
- sales in Indian country to a Native American Indian residing in Indian country[1];
- sales of 50 gallons or less for use in a temperature control unit (reefer) or power-take-off unit. The consumer of the reefer fuel must submit an approved exemption certificate to the retailer and must also pay applicable sales tax.

A refund of the motor fuels tax paid on gallons used in unlicensed equipment is claimed by completing a Nebraska Non-Ag Use Motor Fuels Tax Refund Claim, Form 84, or a Nebraska Ag Use Motor Fuels Tax Refund Claim, Form 84AG. Claims may be submitted whenever the motor fuels tax claimed exceeds $25 within a calendar year. The minimum must be met within a calendar year for each fuel type claimed.

**Aircraft Fuels Tax**

Aircraft fuels are subject to an excise tax imposed upon aircraft fuels purchased for and used in aircraft within the State of Nebraska. Aircraft fuels include aviation gasoline, jet fuel, or any other fuel used and consumed exclusively for the purpose of propelling aircraft. Aviation gasoline is taxed at five cents per gallon, and aviation jet fuel is taxed at three cents per gallon.

Reporting and remitting of the aircraft fuels tax is done by businesses licensed as a supplier, distributor, wholesaler, importer, or exporter. Retailers, while licensed, are not required to file reports. Instead, they are subject to field record reviews. Liquid fuel carrier licenses and terminal operator licenses are required for businesses involved in the movement of aircraft fuels in the State of Nebraska. The proper license is obtained by completing a Nebraska Motor Fuels License Application, Form 20MF.

The aircraft fuels tax is administered in the same manner as the tax on motor vehicle fuels with regard to the point of taxation and exemptions.

**Compressed Fuel Tax**

The Nebraska compressed fuel tax is an excise tax imposed on retail sales of compressed fuel being placed in a licensed motor vehicle, or to an end user who intends to use the fuel by placing it in a licensed motor vehicle. Compressed fuel includes compressed natural gas, liquefied petroleum gas, liquefied natural gas, and any other compressed fuel used to power a motor vehicle. Persons required to be licensed as compressed fuel retailers are those who are engaged in the business of selling or otherwise providing compressed fuel to consumers of the fuel for use in a motor vehicle. A retailer who has equipment capable of dispensing compressed fuel into a motor vehicle must also be licensed as a compressed fuel retailer. The proper license is obtained by completing a Nebraska Motor Fuels License Application, Form 20MF.

[1]*Under the authority of Neb. Rev. Stat. § 66-741, agreements are in effect with the Winnebago Tribe, the Santee Sioux Tribe, and the Omaha Tribe, which eliminate this exemption on their reservations. These agreements provide that the tribes will collect a tribal tax equivalent to the Nebraska motor fuels tax on all reservation retail pump sales. It further provides that the tribes and the State of Nebraska share the motor fuels tax revenue in accordance with the negotiated apportionment. These agreements extend to all products subject to the Nebraska motor fuels tax.*

Compressed fuel is taxed at the same rate as motor vehicle and diesel fuels. Purchases of compressed fuel to be placed in licensed motor vehicles by the U.S. Government, and purchases made in Indian country by a Native American that resides in Indian country in Nebraska, are exempt from the compressed fuel tax[1].

## Exemptions

**Statutory citation:** 14-1810 and 18-819
**Description:** Motor vehicle, compressed, and diesel fuels sold to and used in the operations of a metropolitan transit authority are exempt from tax.
**Estimate:** $110,000

**Statutory citation:** 66-4,103 and 66-4,116
**Description:** Exempts foreign or interstate commerce from motor fuels tax.
**Estimate:** NA (State taxation prohibited)

**Statutory citation:** 66-489
**Description:** Natural gasoline (and gasoline products effective August 1, 2024) purchased by producers for use as denaturant.
**Estimate:** $10,650,000

**Statutory citation:** 66-489
**Description:** Federal law prohibits the state from taxing the U.S. Government or its agencies on their motor fuel purchases.
**Estimate:** $470,000 (State taxation prohibited)

**Statutory citation:** 66-495
**Description:** Undyed diesel fuel used in the operation of temperature control units or power take-off units may be purchased tax-free, if the fuel is purchased in quantities of 50 gallons or less and placed directly into the supply tank of an engine not connected to the main supply tank of a licensed motor vehicle. The consumer of the fuel must submit an approved exemption certificate to the retailer and must also pay applicable sales tax.
**Estimate:** Minimal

## Deductions

**Statutory citation:** 66-486
**Description:** A motor vehicle fuel producer, supplier, distributor, wholesaler, or importer can deduct a commission of 5% of the first $5,000 of tax, and 2.5% of all amounts over $5,000 of tax remitted each month.
**Estimate:** $6,900,000

**Statutory citation:** 66-486, 3-148, and 3-149
**Description:** An aircraft fuel supplier, distributor, wholesaler, or importer can deduct a commission of 5% of the first $5,000 of tax, and 2.5% of all amounts over $5,000 of tax remitted each month.
**Estimate:** $58,000

**Statutory citation:** 66-486
**Description:** A diesel fuel producer, supplier, distributor, wholesaler, or importer can deduct a commission of 2% of the first $5,000 of tax, and 0.5% of all amounts over $5,000 of tax remitted each month.
**Estimate:** $880,000

**Statutory citation:** 66-6,113
**Description:** A compressed fuel retailer can deduct a commission of 2% of the first $5,000 of tax, and 0.5% of all amounts over $5,000 of tax remitted each tax period.
**Estimate:** $10,000

## Credits and Refunds

**Statutory citation:** 66-489
**Description:** Motor fuels sold and used in buses equipped to carry more than seven persons for hire and engaged entirely in the transportation of passengers for hire within municipalities or within a radius of six miles.
**Estimate:** $130,000

**Statutory citation:** 66-489 and 66-741
**Description:** Diesel, compressed, and motor vehicle fuels sold in Indian country, as defined by federal law, to a Native American Indian residing in Indian country. This exemption does not apply to retail pump sales made on the Winnebago, Santee Sioux, and Omaha Reservations per agreements between the tribes and Nebraska (see footnote1 of Section N, page 2).
**Estimate:** Minimal

**Statutory citation:** 66-726
**Description:** Refund of motor fuels tax which was paid on fuel
**Estimate:**

| | | |
|---|---|---|
| 1) Destroyed | - | Minimal |
| 2) Sold in a state outside Nebraska | - | Minimal |
| 3) Agricultural, quarrying, industrial, or other non-highway use | - | $1,180,000 |

**Statutory citation:** 66-726
**Description:** Refund of aircraft fuels tax which was paid on fuel:
**Estimate:**

| | | |
|---|---|---|
| 1) Destroyed | - | Minimal |
| 2) Sold in a state outside Nebraska | - | Minimal |

**Statutory citation:** 3-150
**Description:** Any person who buys and uses aviation fuels for use in an FAA approved air school is entitled to a refund of the amount of tax paid.
**Estimate:** Minimal

## Preferential Tax Rates

**Statutory citation:** 3-148
**Description:** Aviation gasoline is subject to a tax of five cents per gallon; aviation jet fuel is subject to a tax of three cents per gallon.
**Estimate:** $1,660,000

# Section O — Motor Vehicle Registration and Licensing Fees

## Basic Provisions and Tax Base

Motor vehicles, trailers, semi-trailers, or cabin trailers operated on Nebraska highways must be registered and have specified fees paid as directed by the Nebraska statutes. Every snowmobile operated in Nebraska must also be registered.

The **Highway Trust Fund** is credited with:

1. All registration fees collected by county treasurers, except as provided in §§ 60-3,156, 39-2215(3), and 60-3,141;
2. 64% of all registration fees collected for apportioned vehicles (§ 60-3,202);
3. Up to $4.20 per plate fee as set by the Nebraska Department of Motor Vehicles (DMV) (§ 60-3,102);
4. The amount of unladen weight registration fees (§ 60-3,198[10]);
5. All single plate decal fees collected by county treasurers (§ 60-3,100);
6. A portion of all personalized message plate fees (§ 60-3,119);
7. A portion of all Nebraska Cornhusker Spirit Plate fees (§ 60-3,128);
8. A portion of all special interest specialty plate fees (§ 60-3,135.01); and
9. A portion of all organizational license plate fees (§ 60-3,104.01).

The **Highway Cash Fund** is credited with the amount of registration fees collected from:

1. Trip permits issued via the DMV online permit system (§ 60-3,198 [10]);
2. Permanent plate fees for apportioned vehicles (§ 60-3,203);
3. Grain hauling permits (§ 60-3,112);
4. Nonresident carnival operator permits (§ 60-384); and
5. Local trucks operating beyond their specified limits for the purpose of equipping, modifying, or servicing the truck (§ 60-3,110).

The DMV Cash Fund is credited with $2 from each registration issued; a portion of the fees collected from the sale of personalized message plates, Nebraska Cornhusker Spirit plates, Gold Star Family message plates, special interest motor vehicle plates, organizational plates, mountain lion conservation message plates, breast cancer awareness message plates, Native American Cultural Awareness and History message plates, choose life message plates, military honor message plates, Sammy's Superheroes message plates, donate life message plates, Down Syndrome awareness message plates, the good life is outside message plates, vets get pets message plates, prostate cancer awareness message plates, support the arts message plates, support our troops message plates, wildlife conservation message plates, Josh the Otter-Be Safe Around Water message plates, and Nebraska history message plates. 25% of the net registration fees obtained from snowmobile registrations is credited to the State General Fund. The Nebraska Snowmobile Trail Cash Fund is credited with 75% of the net registration fees obtained from snowmobile registrations.

The International Registration Plan Distributive Fund is credited with fees obtained from owners operating fleets of apportionable commercial motor vehicles in Nebraska for interstate commerce who, in lieu of general registration, register and license their fleet under the prorate provision contained in the statutes.

The International Fuel Tax Agreement (IFTA) program is administered by the DMV, Division of Motor Carrier Services.

Motor vehicle fees and taxes are collected by county officials and administered by the DMV.

# Exemptions

**Statutory citation:** 60-339

**Description:** The following are not included in the definition of motor vehicles and are therefore exempt from registration fees:

- mopeds;
- farm tractors;
- self-propelled equipment designed and used exclusively to carry and apply fertilizer, chemicals, or related products to agricultural soil and crops;
- other implements of husbandry designed for and used primarily for tilling the soil,
- harvesting crops, or feeding livestock;
- vehicles which run only on rails or tracks;
- off-road designed vehicles including, but not limited to, golf carts, go-carts, riding lawn mowers, garden tractors, all terrain vehicles, utility-type vehicles, snowmobiles, and mini bikes;
- road, general purpose construction, and maintenance machinery not designed or used primarily for the transportation of persons or property including, but not limited to, ditch digging apparatus, asphalt spreaders, bucket loaders, leveling graders, earth moving carryalls, power shovels, earth moving equipment, and crawler tractors;
- self-propelled chairs used by persons who are disabled;
- electric personal assistive mobility devices; and,
- bicycles.

**Estimate:** Not Available

**Statutory citation:** 60-366 **and** 60-367

**Description:** A nonresident owner operating a foreign vehicle in Nebraska is not required to register this vehicle or pay any fees if the car has been properly registered in the foreign state and the number plates are displayed while in operation. However, any nonresident owner whose passenger car is operated in Nebraska for 30 or more days must register this car in the same manner as a Nebraska resident, unless the state of his or her residence grants immunity from these requirements to residents of Nebraska operating a passenger car in that state.

**Estimate:** Not Available

**Statutory citation**: 60-373

**Description:** Each licensed dealer in motor vehicles or dealer in trailers doing business in Nebraska, instead of registering each motor vehicle or trailer which the dealer owns that is a type otherwise required to be registered, or any employee of such dealer, may: (a) operate or move the motor vehicle upon the streets and highways of Nebraska solely for purposes of transporting, testing, demonstrating, or using it the ordinary course and conduct of his or her business as a motor vehicle or trailer dealer, including the personal or private use of the dealer, and including the personal or private use of any bona fide employee, or for transporting industrial equipment held by the licensee for purposes of demonstration, sale, rental, or delivery; or (b) sell the motor vehicle without registering each motor vehicle or trailer if dealer number plates are displayed on the vehicle.

Each licensed manufacturer who manufactures or assembles motor vehicles, motorcycles, or trailers, in lieu of the registering of each motor vehicle or trailer which the manufacturer owns which is a type otherwise required to be registered, or any employee of the manufacturer, may operate or move the motor vehicle upon the streets and highways of Nebraska solely for purposes of transporting, testing, demonstrating to prospective customers, or using it the ordinary course and conduct of business as a motor vehicle, motorcycle, or trailer manufacturer, upon the condition that the dealer number plates be displayed on the vehicle. Finance companies licensed to do business in Nebraska may, in lieu of registering each motor vehicle or trailer repossessed, make an application for a repossession certificate and one repossession plate for a fee of $10.

Any transporter doing business in Nebraska may, in lieu of registering each motor vehicle or trailer which the transporter is transporting, make an application to the DMV for a transporter's certificate and one transporter number plate for a fee of $10.

**Estimate:** Not Available

**Statutory citation:** 60-368

**Description:** Nonresidents, certified by the Nebraska Department of Labor as being engaged in temporary agricultural employment within Nebraska, are exempt from licensing passenger vehicles for 60 days, provided the vehicle is duly licensed in their state of residence.

**Estimate:** Not Available

**Statutory citation:** 60-3,160

**Description:** No registration fee is collected on any motor vehicle owned by any city or village of Nebraska used in connection with police, street, public transportation, park, library, or fire prevention activity, fire trucks owned and used by any rural fire protection district, and motor vehicles owned and operated by the Civil Air Patrol; nor any motor vehicle owned and used by any public school district, county, state, or U.S. government, municipal public body, or authority used in operating a public passenger transportation system.

**Estimate:** $2,450,000

**Statutory citation:** 60-3,185

**Description:** In addition to the registration fees provided by Chapter 60, article 3, and the motor vehicle fee imposed in § 60-3,190, a motor vehicle tax is imposed on motor vehicles registered for operation upon the highways of Nebraska except: (1) Motor vehicles exempt from the registration fee in § 60-3,160; (2) One motor vehicle owned and used for his or her personal transportation by a disabled or blind honorably discharged veteran of the U.S. Armed Forces as defined in § 77-202.23 whose disability or blindness is recognized by the U.S. Department of Veterans Affairs if an application for the exemption has been approved under subsection (1) of § 60-3,189; (3) Motor vehicles owned by Indians as defined in 25 U.S.C. 479; (4) Motor vehicles owned by a member of the U.S. Armed Forces serving in Nebraska in compliance with military or naval orders or his or her spouse if this person is a resident of a state other than Nebraska; (5) Motor vehicles owned by the state and its governmental subdivisions and exempt as provided in subdivision (1)(a) of § 77-202; and (6) Motor vehicles owned and used exclusively by an organization or society qualified for a tax exemption provided in subdivision (1)(b) or (1)(c) of § 77-202 if an application for the exemption provided in this subdivision has been approved under subsection (2) of § 60-3,189.

**Estimate:** Not Available

**Statutory citation:** 60-3,185(4) **(Soldiers' and Sailors' Civil Relief Act)**

**Description:** This federal act allows nonresident military personnel stationed at a military base or his or her spouse in Nebraska, or in one of the various recruiting services, to obtain tax-free license plates. These motor vehicles are only exempt from the motor vehicle tax and fee; the registration fee and sales tax must be paid.

**Estimate:** Not Available (Federal law prohibits state taxation)

# Credits

**Statutory citation:** 60-398
**Description:** A nonresident may, if he or she applies within 90 days from the original registration date and surrenders the registration certificate and the license which were assigned, receive a refund in the amount of 50% of the original license fee; except no refund will be made on any license surrendered after the ninth month of the registration period for which the vehicle was registered.
**Estimate:** Not Available

**Statutory citation:** 60-3,198(8)
**Description:** A Nebraska-based fleet owner may file an application with the DMV to delete a registered motor vehicle from a fleet of registered motor vehicles because the vehicle is disabled and has been removed from service, and return the registration certificate or certificates. The fleet owner receives a credit for that portion of the registration fee deposited in the Highway Trust Fund based upon the number of unexpired months remaining in the registration year.
**Estimate:** Not Available

**Statutory citation:** 60-3,200
**Description:** Whenever a motor vehicle has been registered by the owner under the provisions of § 60-362, the motor vehicle taxes imposed in § 60-3,185,and the motor vehicle fee imposed in § 60-3,190 have been paid on that motor vehicle for the registration period, and the motor vehicle is registered under the prorate provisions of § 60-3,198, the DMV, upon application of the owner of the motor vehicle, is to certify that the motor vehicle owner is entitled to receive the refund of the unused registration fees, motor vehicle taxes, and motor vehicle fees for the registration period.
**Estimate:** Not Available

**Statutory citation:** 60-395
**Description:** The registered owner of a motor vehicle or cabin trailer which is sold or lost due to fire, theft, dismantlement, junking, or when a salvage certificate of title is issued, may, or whenever a type or class of motor vehicle previously registered is subsequently declared by legislative act or court decision to be illegal or ineligible to be operated on the public roads and no longer subject to registration fees or taxes, or in case of a change in the tax situs of a motor vehicle to a location outside of Nebraska, may, by returning the registration certificate, the number plates and renewal tabs, and after making an affidavit to the county treasurer of such transfer of loss, receive a refund of that part of the unused fees on passenger vehicles, trucks, and cabin trailers based on the number of unexpired months remaining in the registration period. The registered owner must make claim for refund or credit within 60 days from the date of the event. The date of the event will be the date of the transfer or loss, the date of registration in another state, the effective date of the legislative act, or the date the court decision is rendered.
**Estimate:** Not Available

**Statutory citation:** 60-396
**Description:** Whenever the registered owner files an application with his or her county treasurer showing that a motor vehicle is disabled and has been removed from service, the registered owner may, by returning the registration certificate, number plates, and when appropriate, the renewal tabs, or if these are unavailable, then by making an affidavit to the treasurer of the disablement and removal from service, receive a credit for a portion of the registration fee from the fee deposited with the State Treasurer at the time of registration based upon the number of unexpired months remaining in the registration year.
**Estimate:** Not Available

# Preferential Tax Rates

**Statutory citation:** 60-3,198
**Description:** Any owner engaged in operating a fleet of apportionable vehicles in Nebraska in interstate, commerce may, in lieu of registration of these vehicles under the general provisions of §§ 60-301 to 60-3,220, register and license this fleet for operation in Nebraska by filing a sworn statement and the application required by § 60-3,203 with the DMV. Upon receiving of this statement and application, the DMV will determine the total fee payment which is equal to the amount of fees due pursuant to § 60-3,203 and the amount obtained by applying the proportion of in-state fleet miles to total fleet miles, as reported in these states, to a fee of $35 per ton based upon gross vehicle weight of the empty weights of any trailer, semi-trailer, or combination with which it is to be operated in combination at any one time, plus the weight of the maximum load to be carried at any one time. The registered vehicles are exempt from all further registration and license fees under §§ 60-301 to 60-3,220 for operating in the State of Nebraska, except as provided in § 60-3,203.
**Estimate:** Not Available

**Statutory citation:** 60-3,145
**Description:** Local vehicles operated solely within a ten-mile radius of an incorporated city or village's corporate limits must pay a registration fee of 30% of the regular commercial registration, but never less than $18.
**Estimate:** $64,673

**Statutory citation:** 60-3,146
**Description:** For farm trucks, except for farm trucks or combinations of trucks or truck-tractors and trailers or semi-trailers having a gross vehicle weight exceeding 16 tons, the registration fee is $18 for up to and including five tons gross vehicle weight. In excess of five tons, the fee is $22. For a truck or a combination of truck or truck-tractor and trailer or semi-trailer, the registration fees are: for a gross weight in excess of 16 tons up to and including 20 tons, $40 plus five dollars for each ton of gross weight over 17 tons; and for gross weight exceeding 20 tons, $65 plus $10 for each ton of gross weight over 20 tons. Fees are based on the combined gross weight as provided in § 60-3,147, but at a reduced rate.
**Estimate:** $32,041,584

**Statutory citation:** 60-3,147(4)(6)
**Description:** Commercial trucks used exclusively for transporting livestock, unprocessed milk, poultry, grain, sugar beets, potatoes, and hay, pay fees at a rate of 10% less than other commercial trucks.
**Estimate:** Not Available

**Statutory citation:** 60-3,149
**Description:** Trucks, truck-tractors, trailers, or semi-trailers which are not for hire, owned by those engaged in soil and water conservation work, and used for the purpose of transporting pipe and equipment used exclusively by these contractors, pay registration fees at one-half of the commercial truck fee rate, but in no case less than the minimum fee of $18.
**Estimate:** $62,418

**Statutory citation:** 60-3,111
**Description:** Special 30-day farm permits at one-twelfth of the commercial truck fee, but never less than $25, can be used by farmers or ranchers for trucks used exclusively to carry their own supplies, farm equipment, and household goods to and from the owner's farm and ranch, and used to carry the owner's agricultural products, livestock, and produce to or from storage or market.
**Estimate:** Not Available

**Statutory citation:** 60-3,151
**Description:** Trailers in Nebraska are registered and pay differing fees depending upon their classification:

- **Utility trailer** - $1 per 1,000 pounds of gross weight up to 9,000 pounds;
- **Farm trailer** - $1 regardless of weight;
- **Fertilizer trailer** - $1 regardless of weight, or $3 per ton when the registration weight is to a separate unit;
- **Commercial trailer or semi-trailer** - $1 regardless of weight; and
- **Pole and cable reel trailer** - $2 per 1,000 pounds of gross weight up to 16,000 pounds.

**Estimate:** Not Available

**Statutory citation:** 60-3,151
**Description:** Recreational vehicles are registered and pay differing fees depending upon their classification:

- **Self-propelled mobile home -**
  - 8,000 pounds or less = $18
  - 8,001 – 11,999 pounds = $30
  - 12,000 pounds and over = $42
- **Cabin trailers without motive power –**
  - 1,000 pounds or less = $9
  - 1,001 – 1,999 pounds = $12
  - 2,000 pounds and over = $15

**Estimate:** Not Available

**Statutory citation:** 60-3,155
**Description:** Well-boring apparatus pay a registration fee of one-twelfth of the regular commercial registration fee.
**Estimate:** $385,351

# Section P — Oil and Gas Severance Tax and Oil and Gas Conservation Tax

## Basic Provisions and Tax Base

The severance tax is levied at the rate of 3% of the value of non-stripper oil and natural gas severed from the soil of Nebraska and 2% of the value of stripper oil severed from the soil of Nebraska. The tax is paid by the first purchaser if the oil or natural gas is sold in Nebraska, or by the person doing the severing if the oil or natural gas is sold outside Nebraska. The tax collected is identified either as coming from school lands or from all other lands. The entire amount is credited to the Severance Tax Fund.

The Severance Tax Administration Fund receives 1% of the gross severance tax receipts, excluding those receipts from tax derived from oil and natural gas severed from school lands. The balance of the Severance Tax Fund received from school lands is credited to the Permanent School Fund. The balance of the Severance Tax Fund received from other than school lands is allocated as follows:

(a) The Legislature may transfer an amount to be determined by the Legislature through the appropriations process up to $300,000 for each year to the State Energy Office Cash Fund;

(b) The Legislature may transfer an amount to be determined by the Legislature through the appropriations process up to $30,000 for each year to the Public Service Commission for administration of the Municipal Rate Negotiations Revolving Loan Fund; and

(c) The remainder is credited to the Permanent School Fund.

In addition to the severance tax, the value of oil or gas is subject to the conservation tax. The conservation tax is levied and assessed in the same manner as the severance tax. The tax is imposed on the value at the well of all oil and gas produced, saved, and sold or transported from the premises in Nebraska. The producer of the oil or gas pays the tax unless the oil or gas is sold within Nebraska. If the oil or gas is sold in Nebraska, then the first purchaser in Nebraska pays the tax.

The conservation tax rate is set by the Oil and Gas Conservation Commission. Effective May 1, 2022, the tax rate is 0.7% or 7 mills. Revenue from the conservation tax is deposited in the Oil and Gas Conservation Fund.

## Exclusions

**Statutory citation:** 57-702
**Description:** Oil or gas used only in severing operations or for re-pressuring or recycling purposes is excluded from the oil and gas severance tax.
**Estimate:** Not Available

## Exemptions

**Description:** DOR has received an Attorney General's Opinion that interests of governmental units and Native American Indian tribes are exempt from the severance tax.
**Estimate:** $0

## Preferential Tax Rates

**Statutory citation:** 57-701(7) & (8)
**Description:** Oil produced from stripper wells that have a base production level of ten or fewer barrels per day is subject to a severance tax of 2% rather than 3%.
**Estimate:** Minimal

# Section Q — Pari-Mutuel Wagering Tax

## Basic Provisions and Tax Base

A pari-mutuel tax is imposed on the gross amount wagered in excess of $10 million dollars at each horserace track during a calendar year. Any amount wagered over $10 million, but not more than $73 million, is taxed at the rate of 2.5%. Amounts wagered in excess of $73 million are taxed at the rate of 4%.

## Exemptions

**Statutory citation:** 2-1208.01
**Description:** The first $10 million wagered by the pari-mutuel method at every race meeting is not taxed.
**Estimate**: $ 823,000

## Credits

**Statutory citation:** 2-1208.01
**Description:** All licensed race meets, except for race meets conducted at the location where the Nebraska State Fair is held, retain as a credit against the tax, an amount equal to 2% of the first taxable $70 million. Race meets conducted at the location where the Nebraska State Fair is held retain 2.5%. The amount retained is used for capital improvements and maintenance.
**Estimate**: $223,000

# Section R — Public Power and Irrigation Districts' Gross Revenue Tax

## Basic Provisions and Tax Base

Every public corporation and political subdivision in Nebraska, organized primarily to provide electricity, or irrigation and electricity, and which sells electricity at retail within incorporated cities or villages, pays a tax equal to 5% of this gross revenue. A deduction is allowed for in lieu of taxes paid. The in lieu of tax is the dollar amount paid in property taxes to the city or village in calendar year 1957 with respect to its properties in the city or village. In addition, the public power districts are allowed to deduct the city occupation tax from the gross revenue tax.

## Deductions

**Statutory citation:** 70-651.03
**Description:** Public power districts are allowed to deduct from the gross revenue tax remitted to county treasurers an amount equivalent to the amount paid in property taxes to the city or village in calendar year 1957.
**Estimate:** $1,119,636[1]

**Statutory citation:** 70-651.05
**Description:** Public power districts are allowed to deduct from the gross revenue tax remitted to county treasurers the city occupation tax.
**Estimate:** $ 322,775[1]

[1] *This may not be considered a true tax expenditure since the public power districts still pay the fixed in lieu of taxes and the city occupation taxes in addition to the (net) gross revenue tax (tax amounts are calculated from the 2021 Certificate of Taxes Levied Reports filed by the county assessors).*

# Section S — Waste Reduction and Recycling Incentive Act

## Basic Provisions and Tax Base

The Nebraska Waste Reduction and Recycling Incentive Act imposes a fee of $1 on each tire of every new motor vehicle, trailer, or semi-trailer registered in Nebraska. The fee is collected by the county treasurer at the time of registration, and is remitted to DOR for deposit in the Waste Reduction and Recycling Incentive Fund. This Fund is administered by the Nebraska Department of Environment and Energy.

In addition, a fee of $1 is imposed on every new tire sold at retail for a motor vehicle, trailer, semi-trailer, or farm tractor. The fee is collected by the retailer in the same manner as sales tax and is remitted to DOR for deposit in the Waste Reduction and Recycling Incentive Fund.

The Nebraska Waste Reduction and Recycling Incentive Act imposes an annual waste reduction and recycling fee on all businesses with retail sales of tangible personal property which are subject to the tax. The fee is $25 for each Nebraska location with retail sales of tangible personal property of $50,000 or more.

The Tax Commissioner deducts and withholds from the fees a collection fee to reimburse DOR for the actual cost of collecting and administering the fees. The Legislature appropriates money from this collection fund for DOR to cover the actual costs of administering the program.

## Exemptions

**Statutory citation:** 81-15,159 through 81-15,165
**Description**: A qualified tire does not include: any recapped or re-grooved tire; any new tire sold specifically for use on off-road vehicles (e.g., bicycles, golf carts, riding lawn-mowers); and farm implements (e.g., plows, disks, wagons, except farm tractor tires, which are subject to the fee).
**Estimate**: Not Available

**Statutory citation:** 81-15,159 through 81-15,165
**Description**: Qualified tires sold for resale purposes.
**Estimate**: $473,000

**Statutory citation:** 81-15,159 through 81-15,165
**Description:** Qualified tires sold and delivered to another state.
**Estimate**: $1,000

**Statutory citation:** 81-15,159 through 81-15,165
**Description:** Qualified tires sold to the federal government and its agencies.
**Estimate**: $3,000

**Statutory citation:** 81-15,159 through 81-15,165
**Description:** Qualified tires sold to Native American Indians if the Native American Indian resides in Indian country, and delivery of the tires takes place in Indian country.
**Estimate**: Included in above (Qualified tires sold for resale purposes)

# Section T — Petroleum Release Remedial Action Fee

## Basic Provisions and Tax Base

The Nebraska Petroleum Release Remedial Action Act imposes a fee upon the producer, importer, refiner, distributor, wholesaler, or supplier who engages in the sale, distribution, delivery, and use of petroleum (motor vehicle fuels, diesel fuels, and aviation fuels) in Nebraska. The fee is $0.009 per gallon on aviation gasoline and motor vehicle fuels, such as gasoline, and $0.003 per gallon on jet fuel and diesel fuels, including dyed diesel.

The revenue raised from this fee is placed in the Nebraska Petroleum Release Remedial Action Cash Fund. Revenues for this fund totaled $11,549,556 for fiscal year 2023-24.

## Exemptions

**Statutory citation:** 66-1510
**Description:** Natural gasoline (and gasoline products effective August 1, 2024) used as a denaturant by a Nebraska ethanol facility.
**Estimate:** $350,000

**Statutory citation:** 66-1521
**Description:** Federal law prohibits the state from taxing the U.S. Government
**Estimate:** $10,000

## Credits

**Statutory citation:** 66-1521
**Description:** Any fee paid on petroleum which was taxed and then exported.
**Estimate:** Minimal

**Statutory citation:** 66-1521
**Description:** Any fee paid on petroleum which was taxed and then sold to a federal agency.
**Estimate:** $8,000

# Section U — Employment and Investment Growth Act, Quality Jobs Act, Invest Nebraska Act, Nebraska Advantage Act, Nebraska Advantage Rural Development Act, Nebraska Advantage Microenterprise Tax Credit Act, and Nebraska Advantage Research and Development Act

## Basic Provisions and Tax Base

For a complete analysis of credits, refunds, and exemptions provided under the above Acts, please refer to the Nebraska Tax Incentives Annual Reports to the Nebraska Legislature prepared by DOR. A copy of this report is provided annually to all members of the Unicameral.

# 2023-2024
# Tax Expenditure Report

Report to the Governor and the Director of the Legislative Counsel Bureau for transmittal to the Legislature and appropriate interim committee or committees of the Legislature: NRS 360.137

Prepared and compiled by the *Nevada Department of Taxation*
in partnership with:

*Nevada Department of Motor Vehicles*

*Nevada Gaming Control Board*

*Local Governments throughout Nevada*

Additional copies of this publication are available through the Department of Taxation:
1-866-962-3707 | https://tax.nv.gov/

4206/8585

# Introduction

During the 77th Nevada Legislative Session, Assembly Bill 466 (AB 466) was enacted, requiring the Executive Director of the Department of Taxation to prepare and deliver a report of tax expenditures to the Governor and the Legislature in November of each even-numbered year. This, the sixth edition of the report, covers tax expenditures for the 2023-2024 biennium.

AB 466 was codified as follows:

**NRS 360.137 Duty of Executive Director to submit tax expenditure report; contents; requests for information.**

1. On or before November 10 of each even-numbered year, the Executive Director shall submit a tax expenditure report to the Governor and the Director of the Legislative Counsel Bureau for transmittal to the Legislature and the appropriate interim committee or committees of the Legislature.
2. The report required by subsection 1 must provide, for each tax expenditure:
   (a) A description of the tax expenditure;
   (b) The year in which the tax expenditure was enacted;
   (c) The purpose for which the tax expenditure was enacted;
   (d) A summary of any amendments to the tax expenditure since it was enacted;
   (e) To the extent that pertinent information is available, estimates of:
      (1) The fiscal impact to this State and local governments of the tax expenditure during each fiscal year of the biennium in which the report is prepared;
      (2) The number of taxpayers receiving benefit from the tax expenditure; and
      (3) The revenue that would result from repeal of the tax expenditure; and
   (f) A statement of:
      (1) Any pertinent information which is not available to prepare the estimates required by paragraph (e); and
      (2) The reasons for the unavailability of that information.
3. Each agency, bureau, board, commission, department, division, office and other governmental entity of the State of Nevada, each county treasurer and county assessor and each entity receiving the benefit of a tax expenditure, shall respond fully and appropriately to any request for information made by the Executive Director for use in the report required by this section not later than 30 days after such a request is made, to the extent that the requested information is not confidential, privileged or otherwise protected from disclosure by any provision of state or federal law.
4. As used in this section, "tax expenditure" means any law of this State that exempts, in whole or in part, certain persons, income, goods, services or property from the impact of established taxes, including, without limitation, tax abatements, tax credits, tax deductions, tax deferrals, tax exemptions, tax exclusions, tax subtractions and preferential tax rates.

## Purpose of the Tax Expenditure Report

The purpose of this report is to provide information that will allow the public and policy makers to identify and analyze tax expenditures and to periodically make criteria-based decisions on the efficiency and fairness of existing tax expenditures and whether they should be continued. Tax expenditures provide special benefits to certain individuals or businesses by relieving them of paying a particular tax or a portion of the tax.

The tax expenditure categories that are included in this report, as required by statute are:

- Tax deductions
- Tax abatement
- Tax credits
- Tax deferrals
- Tax exemptions
- Tax exclusions
- Tax subtractions, and
- Preferential tax rates.

## How the Report is Organized

This report has been designed to allow for a quick overview of Nevada's current tax expenditures. It is organized alphabetically by tax type (the taxes that expenditures are associated with). For example, all expenditures associated with Property Tax will be grouped in the "Property Tax" section. The "Property Tax" section can be found by looking alphabetically in the Table of Contents. Additionally, the back of the report contains an index which groups the tax expenditures by category (e.g., deductions, credits, etc.). The online version of the report is a Portable Document Format (PDF) that can be searched using key terms.

With the exception of Commerce Tax deductions, which are combined and attached to the back of this report, each tax expenditure appears on its own page and contains the following information:

Tax Type
The type of tax to which the expenditure applies (e.g., Property Tax).

Expenditure Name
The summary, descriptive name of the tax expenditure.

Category
The category of the expenditure: deduction, abatement, credit, deferral, exemption, exclusion, subtraction, or preferential rate.

Agency
The government agency responsible for administration.

Division (if applicable)
The Division within the agency responsible for administration.

Description
Brief summary of how the expenditure is intended to apply, drawn from the statute that enacted the expenditure.

Year Enacted
The year the tax expenditure was enacted into law.

Sunset Date
The date the tax expenditure is set to expire.

Purpose
The legislative intent of the expenditure (interpretation of intent is not provided if the intent was not made clear in statute).

Who Benefits
Where possible, provides information about the beneficiaries of the tax expenditure. This was determined using the number of taxpayers who filed returns for a specific tax type or by using a number derived from analysis of economic data or data provided by sources that implement the expenditure.

NRS or NAC
The Nevada Revised Statute (NRS) or Nevada Administrative Code (NAC) that governs the tax expenditure.

*All applicable NRS and NAC can be found at http://www.leg.state.nv.us.*

Summary of Amendments
A summary of each time the provision has been amended by the Legislature.

*To see the legislative history, access the online version of the Nevada Revised Statutes and click on the relevant link following the statutory provision. If no link is available, please contact the Nevada Research Library for information on how to conduct legislative history research.*

Fiscal Year 2023 Expenditures/Fiscal Year 2024 Expenditures
These tables contain information on who benefits from the expenditure, the number of taxpayers receiving the benefit, and the total expenditure amount by fiscal year.

## Considerations

The revenue impact of a tax expenditure is intended to measure indirect "spending" through the tax system with respect to that one provision or, alternatively, the amount of relief or subsidy being provided through that provision. The dollar impact is *not* the amount of revenue that could be gained by repealing the tax expenditure. There are four primary reasons for this:

- Many tax expenditures are taken over a period of years and can also be carried forward if there is insufficient tax liability to offset. In these cases, even if the tax expenditure were eliminated, there would remain some unused multi-year and carried-forward tax expenditures that could be claimed over time.
- The estimates do not incorporate behavioral changes that may occur if a tax expenditure were eliminated.
- Each provision is estimated independently. A tax expenditure beneficiary may qualify for a tax reduction under more than one law.
- Government may not be able to collect the full liability for some tax expenditures for administrative reasons.

For these reasons, and because tax expenditures interact with each other and the rest of the tax system, caution should be used when summing the revenue impacts.

Finally, where available, the amount of the expenditure is pulled from the taxpayer-filed returns, which include reporting for the expenditure. If no reporting data is available, in some cases, estimates for certain Sales and Use Tax exemptions were made based on aggregated federal data. As of the date of this report, data for those estimates were not yet available for Fiscal Year 2024. Accordingly, the report does not contain estimates for certain Sales and Use Tax expenditures for Fiscal Year 2024. Additionally, for many tax types, no data are available because the taxpayer is not required to report its exemptions and no reliable data exist to form an estimate as to the value of the expenditure.

If no data were available for the amount of the expenditure, the report data page will state the reason for the unavailability. If the expenditure amount was based on economic estimates, that will be indicated on the report data page.

## Definitions of Expenditure Categories

**Abatement/deferral:** A reduction in the level of tax due by an individual or company for a specific period. Examples of abatement include a decreased tax rate.

**Subtraction:** An amount that can be subtracted before calculating the amount of tax due to the state. An example of this is the collection allowance that is subtracted on the Sales/Use Tax return.

**Credit**: An amount of money that a taxpayer can take as a credit against the amount of tax that is owed to the state. An example of this is the credit for a home office or regional home office for insurance companies in Nevada.

**Deduction:** A deduction from gross income, wages, or revenue that arises due to various types of expenses incurred by a taxpayer. Tax deductions are removed from the tax base and thus

lower the overall tax-expense liability. An example of this is the amount of qualifying healthcare wages that can be deducted from gross wages when calculating the Modified Business Tax.

**Exclusion:** A rule that sets aside certain types of income as nontaxable. There are many types of income that qualify under this rule, such as life insurance death benefit proceeds, child support, welfare, and municipal bond income.

**Exemption:** To be free from, or not subject to, taxation by regulators or government entities. A tax exemption may apply to a single or multiple taxation laws, or to a specific location. For example, a bank with only one branch location in a county is exempt from the Bank Excise Tax. If a bank has multiple branches in a county, then one location is exempt from the excise tax.

**Preferential Tax Rate:** Preferential tax treatment by means of different tax rates for the types of businesses that are engaged in business in Nevada.

The expenditure categories can be used interchangeably by definition. For this reason, the category assigned to each expenditure was either found in statute or in a similar expenditure.

## Summary of 2023-2024 Report Findings

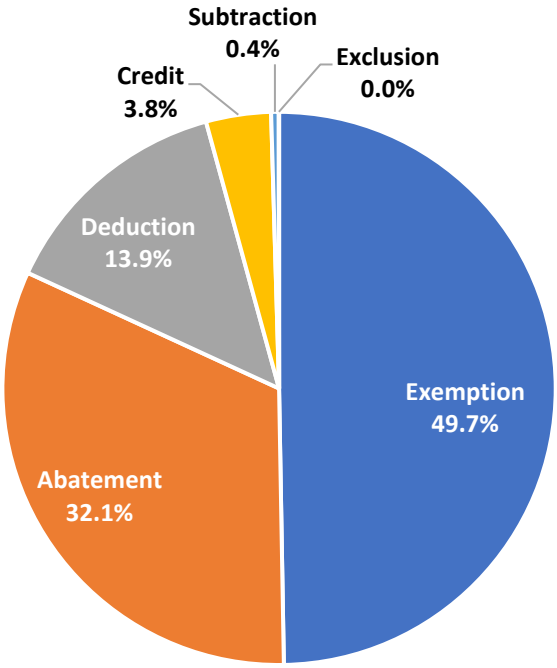
In aggregate, there are 267 tax expenditures over 21 tax types. The combined known or estimated expenditure amount for the 2023-24 biennium is **$9,111,694,254**. The combined amount is composed of **$4,360,262,477** in expenditures claimed or reported in Fiscal Year 2023, and **$4,751,431,777** in expenditures in Fiscal Year 2024 (total may differ due to rounding).

Tables and charts detailing these amounts broken out by both expenditure category and by tax type are below.

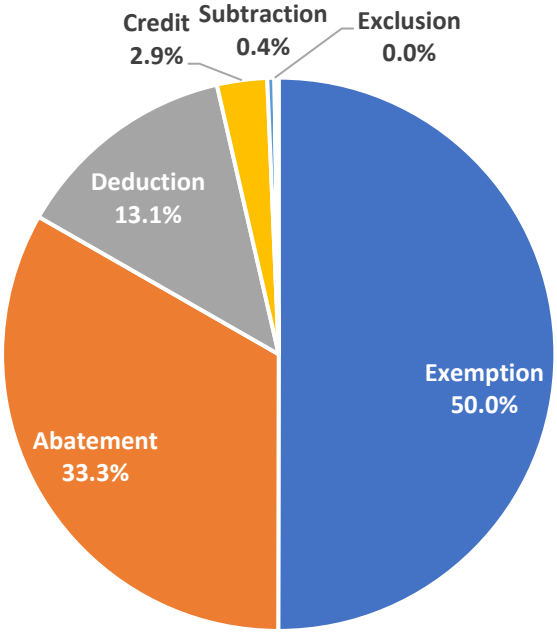
**Expenditures by Category**

| Expenditure Category | FY2023 Expenditures | FY2024 Expenditures | FY23-24 Biennium Total |
|---|---|---|---|
| Exemption | $2,168,226,663 | $2,376,937,362 | $4,545,164,026 |
| Abatement | $1,401,365,792 | $1,580,232,569 | $2,981,598,361 |
| Deduction | $605,289,507 | $623,649,379 | $1,228,938,886 |
| Credit | $165,266,068 | $139,174,065 | $304,440,133 |
| Subtraction | $19,268,031 | $19,762,617 | $39,030,648 |
| Exclusion | $846,415 | $1,006,477 | $1,852,891 |
| Preferential Tax Rate | $- | $10,669,308 | $10,669,308 |
| **Total** | **$4,360,262,477** | **$4,751,431,777** | **$9,111,694,254** |

## FY2023 Expenditures by Category

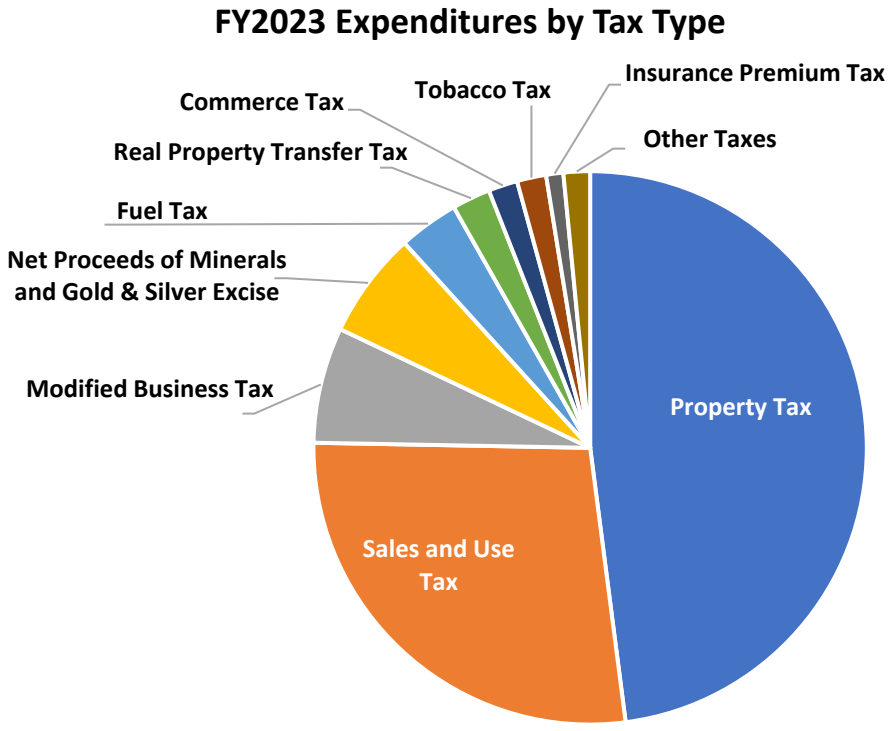


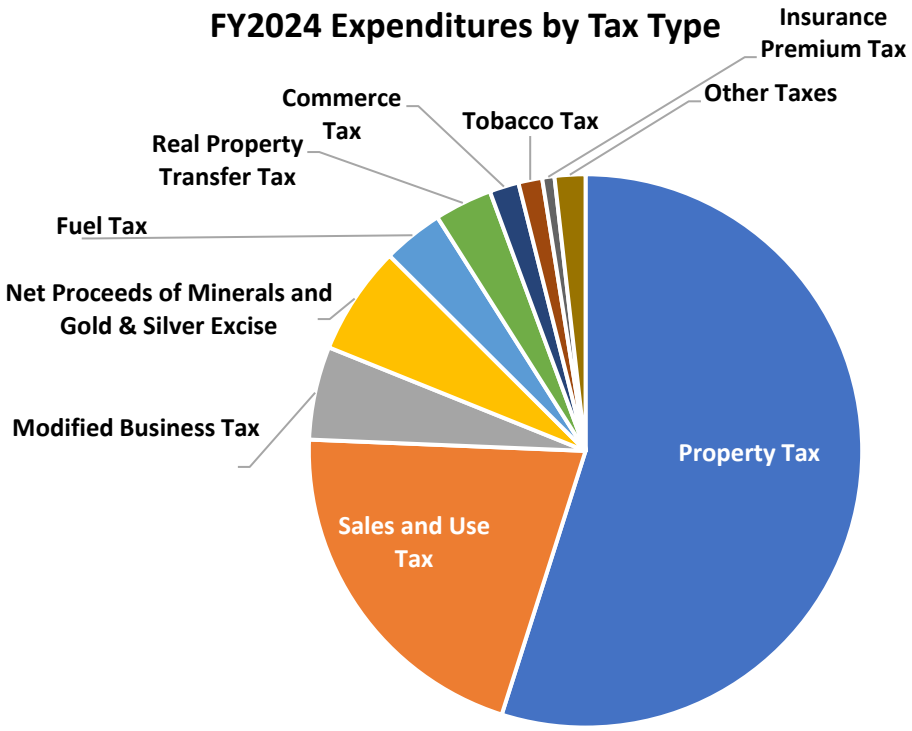

## FY2024 Expenditures by Category



**Expenditures by Tax Type**

| Tax Type | FY2023 Expenditures | FY2024 Expenditures | FY23-24 Biennium Total |
|---|---|---|---|
| Property Tax | $2,090,722,157 | $2,608,564,062 | $4,699,286,219 |
| Sales and Use Tax | $1,192,656,374 | $986,186,419 | $2,178,842,793 |
| Modified Business Tax | $295,004,949 | $258,864,711 | $553,869,659 |
| Net Proceeds of Minerals and Gold & Silver Excise | $271,026,791 | $302,558,225 | $573,585,017 |
| Fuel Tax | $153,360,385 | $167,871,199 | $321,231,584 |
| Real Property Transfer Tax | $97,729,276 | $160,347,261 | $258,076,537 |
| Commerce Tax | $74,415,655 | $81,782,284 | $156,197,939 |
| Tobacco Tax | $74,259,174 | $66,091,334 | $140,350,508 |
| Insurance Premium Tax | $43,770,034 | $33,981,366 | $77,751,400 |
| Other Taxes | $67,317,682 | $85,184,916 | $152,502,597 |
| **Total** | **$4,360,262,477** | **$4,751,431,777** | **$9,111,694,254** |




FY2024 Expenditures by Tax Type
Insurance Premium Tax
Other Taxes
Tobacco Tax
Commerce Tax
Real Property Transfer Tax
Fuel Tax
Net Proceeds of Minerals and Gold & Silver Excise
Modified Business Tax
Property Tax
Sales and Use Tax

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| **Commerce Tax** | Commerce Tax threshold | 363C.200 | 3 |
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| **Fuel Tax** | Collection allowance, special fuel supplier | 366.390 | 5 |
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| **Fuel Tax** | Special fuels reimbursements | 373.083 | 20 |
| **Fuel Tax** | Special mobile equipment exemption | 366.200 | 21 |
| **Fuel Tax** | Tribal exemption for motor vehicle fuel sold on reservation | 365.110 | 22 |
| **Fuel Tax** | Tribal exemption for special fuel sold on reservation | 366.110 | 23 |
| **Fuel Tax** | Tribe/Tribal members exemption for special fuels sold on the reservation | 366.110 | 24 |
| **Fuel Tax** | Tribe/Tribal members exemption of motor vehicle fuel sold on the reservation | 365.110 | 25 |
| **Gaming Tax** | Gaming revenue - bingo, additional play may be deducted | 463.3715 | 26 |
| **Gaming Tax** | Gaming revenue - inter-casino linked system may be deducted | 463.3715 | 27 |
| **Gaming Tax** | Gaming revenue - money or tokens paid at face value directly to a patron may be deducted for slot machine play | 463.3715 | 28 |
| **Gaming Tax** | Gaming revenue - periodic payments may be deducted as losses | 463.3715 | 29 |
| **Gaming Tax** | Gross revenue - Gaming | 463.0161 | 30 |
| **Gaming Tax** | Gross revenue - personal property may be deducted | 463.3715 | 31 |
| **Gaming Tax** | Gross revenue - track fees | 464.005 | 32 |
| **Gaming Tax** | Gross revenue is to include the face value of any credit instrument | 463.371 | 33 |
| **Gaming Tax** | Gross revenue that is deductible | 463.0161 | 34 |
| **Gold & Silver Excise Tax** | Gold and Silver Excise Tax deduction | 363D.170 | 35 |
| **Gold & Silver Excise Tax** | Gold and Silver Excise Tax threshold | 363D.160 | 36 |
| **Governmental Service Tax** | Basic Governmental Services Tax for licensed vehicles | 371.030 | 37 |

| Tax Type | Expenditure | NRS | Page |
|---|---|---|---|
| **Governmental Service Tax** | Governmental vehicles and emergency vehicles operated with public money | 371.100 | 38 |
| **Governmental Service Tax** | Vehicle registered by disabled veteran who transfers the exemption to their current spouse | 371.104 | 39 |
| **Governmental Service Tax** | Vehicle registered by person who is blind | 371.102 | 40 |
| **Governmental Service Tax** | Vehicle registered by surviving spouse | 371.101 | 41 |
| **Governmental Service Tax** | Vehicle registered by veteran who transfers the exemption to their current spouse | 371.103 | 42 |
| **Insurance Premium Tax** | General tax on premiums: credit for payment of assessment to Division of Industrial Relations | 680B.036 | 43 |
| **Insurance Premium Tax** | Life and Health Guaranty Association offset | 686C.280 | 44 |
| **Insurance Premium Tax** | Nevada New Markets Jobs credit | 231A.200 | 45 |
| **Insurance Premium Tax** | Property and casualty credit | 687A.060 | 46 |
| **Liquor Tax** | Collection allowance | 369.370 | 47 |
| **Liquor Tax** | Excise tax paid by importers and manufacturers on product that was lost, stolen, damaged in transit, or spoiled on premises | 369.370 | 48 |
| **Liquor Tax** | Excise tax paid by importers and manufacturers on product that was shipped outside this state | 369.370 | 49 |
| **Liquor Tax** | Exempt from Liquor Tax while engaged in interstate commerce | 369.175 | 50 |
| **Liquor Tax** | Exemption for certain wine produced on premises of instructional wine making facility | 369.345 | 51 |
| **Liquor Tax** | Exemption for sale of liquor by licensed wholesale dealer to certain instrumentalities of Armed Forces | 369.335 | 52 |
| **Liquor Tax** | Liquor used for purposes other than concocting an alcohol beverage | 369.340 | 53 |
| **Live Entertainment Tax** | Admission charges collected by tax exempt organization | 368A.200 | 54 |
| **Live Entertainment Tax** | An activity that is an uncompensated, spontaneous performance that is not longer than 20 minutes during a 60-minute period | 368A.090 | 55 |
| **Live Entertainment Tax** | An athletic contest, event or exhibition conducted by a professional team based in this state is exempt from Live Entertainment Tax | 368A.200 | 56 |
| **Live Entertainment Tax** | Animals shown for education and scientific research are not considered live entertainment | 368A.090 | 57 |
| **Live Entertainment Tax** | Athletic contest, event, tournament or exhibition | 368A.200 | 58 |
| **Live Entertainment Tax** | Boxing governed by the Nevada Boxing Commission is exempt from live entertainment | 368A.200 | 59 |
| **Live Entertainment Tax** | Broadcasts are not considered live entertainment | 368A.090 | 60 |
| **Live Entertainment Tax** | Entertainment provided by patrons is not considered live entertainment | 368A.090 | 61 |
| **Live Entertainment Tax** | Entertainment provided for a charitable event is exempt | 368A.200 | 62 |

| Tax Type | Expenditure | NRS | Page |
|---|---|---|---|
| **Live Entertainment Tax** | Fees imposed, collected, and retained by an independent financial institution | 368A.200 | 63 |
| **Live Entertainment Tax** | Food and product demonstrations | 368A.200 | 64 |
| **Live Entertainment Tax** | Go-go dancing | 368A.090 | 65 |
| **Live Entertainment Tax** | Gratuities | 368A.200 | 66 |
| **Live Entertainment Tax** | License or rental fees excluded on luxury suites, boxes or similar products | 368A.020 | 67 |
| **Live Entertainment Tax** | Licensed gaming establishment with less than 51 slot machines, 6 games or any combination of slots and games | 368A.200 | 68 |
| **Live Entertainment Tax** | Live entertainment at a shopping mall | 368A.200 | 69 |
| **Live Entertainment Tax** | Live entertainment incidental to an amusement ride or similar attraction | 368A.200 | 70 |
| **Live Entertainment Tax** | Live entertainment provided for private meetings or dinner | 368A.200 | 71 |
| **Live Entertainment Tax** | Live entertainment that this state is prohibited from taxing | 368A.200 | 72 |
| **Live Entertainment Tax** | Music performed by musicians who move constantly | 368A.200 | 73 |
| **Live Entertainment Tax** | Nevada Interscholastic Activities Association | 368A.200 | 74 |
| **Live Entertainment Tax** | Occasional performances by employees is not considered live entertainment | 368A.090 | 75 |
| **Live Entertainment Tax** | Occupancy of less than 200 persons | 368A.200 | 76 |
| **Live Entertainment Tax** | Stock car racing | 368A.200 | 77 |
| **Live Entertainment Tax** | Trade shows, when entertainment is provided | 368A.200 | 78 |
| **Modified Business Tax** | A deduction on the Modified Business Tax Return for the first $50,000 of gross wages | 363B.110 | 79 |
| **Modified Business Tax** | Abatement of Modified Business Tax for capital investment at least $1 billion | 360.893 | 80 |
| **Modified Business Tax** | Abatement of Modified Business Tax for capital investment at least $3.5 billion | 360.965 | 81 |
| **Modified Business Tax** | Credit for donation to scholarship organization made through Nevada Educational Choice Scholarship Program (Financial Institutions and Mining) | 363A.139 | 82 |
| **Modified Business Tax** | Credit for donation to scholarship organization made through Nevada Educational Choice Scholarship Program (General Business) | 363B.119 | 83 |
| **Modified Business Tax** | Deduction of amount paid for health insurance, health benefit plan for employees of a financial institution (Financial Institutions and Mining) | 363A.135 | 84 |
| **Modified Business Tax** | Deduction of amounts paid for health insurance or health benefit plan for employees (General Business) | 363B.115 | 85 |
| **Modified Business Tax** | Modified Business Tax credit equal to 50% of Commerce Tax paid (General Business) | 363B.110 | 86 |

| Tax Type | Expenditure | NRS | Page |
|---|---|---|---|
| **Modified Business Tax** | Modified Business Tax credit equal to 50% of Commerce Tax paid by financial institutions and mining employers (Financial Institutions and Mining) | 363A.130 | 87 |
| **Modified Business Tax** | Modified Business Tax credit for matching employee contributions to college savings trust accounts (Financial Institutions and Mining) | 363A.137 | 88 |
| **Modified Business Tax** | Modified Business Tax credit for matching employee contributions to college savings trust accounts (General Business) | 363B.117 | 89 |
| **Modified Business Tax** | Partial abatement of the Modified Business Tax during initial period of operation | 363B.120 | 90 |
| **Multi** | Tax credit for a qualified production | 360.759 | 91 |
| **Net Proceeds of Minerals** | Computation of gross yield and net proceeds - cost of delivering the mineral | 362.120 | 92 |
| **Net Proceeds of Minerals** | Computation of gross yield and net proceeds - cost of depreciation of capitalized cost | 362.120 | 93 |
| **Net Proceeds of Minerals** | Computation of gross yield and net proceeds - cost of developmental work | 362.120 | 94 |
| **Net Proceeds of Minerals** | Computation of gross yield and net proceeds - cost of employee travel related to mining | 362.120 | 95 |
| **Net Proceeds of Minerals** | Computation of gross yield and net proceeds - cost of extraction of minerals | 362.120 | 96 |
| **Net Proceeds of Minerals** | Computation of gross yield and net proceeds - cost of industrial insurance premiums, hospital and medical attention, accident benefits and group insurance | 362.120 | 97 |
| **Net Proceeds of Minerals** | Computation of gross yield and net proceeds - cost of maintenance and repair | 362.120 | 98 |
| **Net Proceeds of Minerals** | Computation of gross yield and net proceeds - cost of Nevada-based corporate services | 362.120 | 99 |
| **Net Proceeds of Minerals** | Computation of gross yield and net proceeds - cost of reclamation work | 362.120 | 100 |
| **Net Proceeds of Minerals** | Computation of gross yield and net proceeds - cost of reduction, refining and sale | 362.120 | 101 |
| **Net Proceeds of Minerals** | Computation of gross yield and net proceeds - cost of royalties | 362.120 | 102 |
| **Net Proceeds of Minerals** | Computation of gross yield and net proceeds - cost of transporting the mineral to a place of reduction, refining, and sale | 362.120 | 103 |
| **Net Proceeds of Minerals** | Computation of gross yield and net proceeds - cost of unemployment or social security payments | 362.120 | 104 |
| **Net Proceeds of Minerals** | Rate of tax upon net proceeds - geothermal operation | 362.140 | 105 |
| **Peer to Peer Car Sharing** | Peer to Peer Car Sharing | 482C.230 | 106 |
| **Property Tax** | Abatement for Property Tax for capital investment at least $1 billion | 360.893 | 107 |
| **Property Tax** | Abatement for Property Tax for capital investment at least $3.5 billion | 360.965 | 108 |
| **Property Tax** | Abatement of taxes on real or personal property acquired by the federal government, state, or political subdivision | 361.484 | 109 |
| **Property Tax** | Boulder City Bypass Toll Road Demonstration Project Act | 361.157 | 110 |
| **Property Tax** | Business Inventories and Consumables - Collection of Admission Fee for Exhibition of Art | 361.186 | 111 |

| Tax Type | Expenditure | NRS | Page |
|---|---|---|---|
| **Property Tax** | Business inventory and consumables - bee colonies | 361.068 | 112 |
| **Property Tax** | Business inventory and consumables - boats | 361.068 | 113 |
| **Property Tax** | Business inventory and consumables - campers, slide-in and shells | 361.068 | 114 |
| **Property Tax** | Business inventory and consumables - carnival, circus, convention, display, exhibition, and fair | 361.068 | 115 |
| **Property Tax** | Business inventory and consumables - collection of admission fee for exhibition of art | 361.068 | 116 |
| **Property Tax** | Business inventory and consumables - livestock | 361.068 | 117 |
| **Property Tax** | Business inventory and consumables - personal property held for sale by manufacturer | 361.068 | 118 |
| **Property Tax** | Business inventory and consumables - personal property held for sale by merchant | 361.068 | 119 |
| **Property Tax** | Business inventory and consumables - pipe and irrigation equipment | 361.068 | 120 |
| **Property Tax** | Business inventory and consumables - raw materials and components consumed in the process of manufacture | 361.068 | 121 |
| **Property Tax** | Business inventory and consumables - tangible personal property used for business | 361.068 | 122 |
| **Property Tax** | Business inventory and consumables - when the tax is less than the cost to collect | 361.068 | 123 |
| **Property Tax** | Drainage ditches, canals, and irrigation systems exempted | 361.070 | 124 |
| **Property Tax** | Exempt personal property subject to taxation if used in business conducted for profit; exceptions: airport personal property and vending stands of the blind | 361.159 | 125 |
| **Property Tax** | Exempt real estate subject to taxation if used as residence or in business conducted for profit; exception: possessory interest - daycare | 361.157 | 126 |
| **Property Tax** | Exempt real estate subject to taxation if used as residence or in business conducted for profit; exception: possessory interest - federal government | 361.157 | 127 |
| **Property Tax** | Exempt real estate subject to taxation if used as residence or in business conducted for profit; exceptions: possessory interest - charitable or religious residence | 361.157 | 128 |
| **Property Tax** | Exempt real estate subject to taxation if used as residence or in business conducted for profit; exceptions: possessory interest - public officer or employee | 361.157 | 129 |
| **Property Tax** | Exemption for qualified low-income housing projects | 361.082 | 130 |
| **Property Tax** | Exemption for veterans who have incurred a service-connected disability | 361.091 | 131 |
| **Property Tax** | Exemption from certain property taxes for qualified energy systems | 701A.200 | 132 |
| **Property Tax** | Exemption of certain property used for housing elderly persons or persons with disabilities | 361.086 | 133 |
| **Property Tax** | Exemption of certain real and personal property leased or rented to Nevada System of Higher Education | 361.099 | 134 |
| **Property Tax** | Exemption of property for churches and chapels | 361.125 | 135 |
| **Property Tax** | Exemption of property for persons who are blind | 361.085 | 136 |
| **Property Tax** | Exemption of property leased to charter school | 361.096 | 137 |
| **Property Tax** | Exemption of property of certain apprenticeship programs | 361.106 | 138 |
| **Property Tax** | Exemption of property of charitable foundations established by Board of Regents of University of Nevada | 361.098 | 139 |
| **Property Tax** | Exemption of property of Nathan Adelson Hospice | 361.088 | 140 |

| Tax Type | Expenditure | NRS | Page |
|---|---|---|---|
| **Property Tax** | Exemption of property of Pershing County Kids, Horses, Rodeo Inc. | 361.107 | 141 |
| **Property Tax** | Exemption of property of surviving spouses | 361.080 | 142 |
| **Property Tax** | Exemption of property of university fraternities and sororities | 361.100 | 143 |
| **Property Tax** | Exemption of property used for control of air or water pollution | 361.077 | 144 |
| **Property Tax** | Exemption of public cemeteries and graveyards | 361.130 | 145 |
| **Property Tax** | Exemption of residential improvements made to remove barriers to persons with disabilities | 361.087 | 146 |
| **Property Tax** | Exemption of residential property containing shelter protecting against radioactive fallout | 361.078 | 147 |
| **Property Tax** | Exemption of single-family residence that replaces a single-family residence destroyed in certain emergencies or disasters | 361.084 | 148 |
| **Property Tax** | Exemption of Special Assessment if the combined amount of all other taxes and assessments are less than the cost of collecting the special assessment | 534.040 | 149 |
| **Property Tax** | Exemption of State lands and property assigned to the Department of Wildlife | 361.055 | 150 |
| **Property Tax** | Exemption of unpatented mines and mining claims | 361.075 | 151 |
| **Property Tax** | Exemptions of certain charitable corporations | 361.140 | 152 |
| **Property Tax** | Exemptions of certain lodges, societies, and similar charitable or benevolent organizations | 361.135 | 153 |
| **Property Tax** | Exemptions of certain organizations | 361.110 | 154 |
| **Property Tax** | Exemptions of non-commercial theaters | 361.145 | 155 |
| **Property Tax** | Exemptions of nonprofit private schools | 361.105 | 156 |
| **Property Tax** | Exemptions of property of Nevada Children's Foundation, Inc., Nevada Heritage Association, Inc., and Habitat for Humanity International | 361.115 | 157 |
| **Property Tax** | Exemptions of volunteer fire departments | 361.150 | 158 |
| **Property Tax** | Household goods and furniture are exempted | 361.069 | 159 |
| **Property Tax** | Intangible personal property is exempt | 361.228 | 160 |
| **Property Tax** | Partial abatement of certain property taxes for buildings or structures that meet certain standards under Green Building Rating System | 701A.110 | 161 |
| **Property Tax** | Partial abatement of certain property taxes for businesses and facilities using recycled material | 701A.210 | 162 |
| **Property Tax** | Partial Abatement of Personal Property Located at New or Expanded Data Centers | 361.0683 | 163 |
| **Property Tax** | Partial abatement of property taxes imposed on new or expanded business making capital investment in certain institutions of higher education | 360.752 | 164 |
| **Property Tax** | Partial abatement of renewable energy facilities | 701A.370 | 165 |
| **Property Tax** | Partial abatement of taxes imposed on certain new or expanded businesses | 361.0687 | 166 |
| **Property Tax** | Partial abatement of taxes levied on certain residential rental dwellings | 361.4724 | 167 |
| **Property Tax** | Partial abatement of taxes levied on certain single-family residences | 361.4723 | 168 |
| **Property Tax** | Partial abatement of taxes levied on property for which assessed valuation has been established or on remainder parcel of real property | 361.4722 | 169 |
| **Property Tax** | Patented mining claims | 362.040 | 170 |
| **Property Tax** | Personal property in transit | 361.160 | 171 |

| Tax Type | Expenditure | NRS | Page |
|---|---|---|---|
| **Property Tax** | Possessory interest - geothermal leases | 361.157 | 172 |
| **Property Tax** | Possessory interest - Indian tribe | 361.157 | 173 |
| **Property Tax** | Possessory interest - occasional rental of meeting rooms | 361.157 | 174 |
| **Property Tax** | Possessory interest - parsonage | 361.157 | 175 |
| **Property Tax** | Possessory interest - property leased under the provisions of the Taylor Grazing Act, United States Forest Services, Bureau of Reclamation | 361.157 | 176 |
| **Property Tax** | Possessory interest - public airport, park, market, or fairground is exempt | 361.157 | 177 |
| **Property Tax** | Possessory interest - shelter for elderly or indigent persons | 361.157 | 178 |
| **Property Tax** | Possessory interest - state-supported educational institutions | 361.157 | 179 |
| **Property Tax** | Possessory interest - vending stands operated by the blind | 361.157 | 180 |
| **Property Tax** | Private cemeteries and places of burial | 361.132 | 181 |
| **Property Tax** | Property and buildings used for care or relief of orphan children, or of sick, infirm, or indigent persons | 361.083 | 182 |
| **Property Tax** | Property of Archaeological Conservancy, Nature Conservancy, American Land Conservancy, and Nevada Land Conservancy | 361.111 | 183 |
| **Property Tax** | Property of counties, towns, Nevada Rural Housing Authority, and certain other political subdivisions | 361.060 | 184 |
| **Property Tax** | Property of school districts and charter schools | 361.065 | 185 |
| **Property Tax** | Property of trusts for furtherance of public functions | 361.062 | 186 |
| **Property Tax** | Property of water users' nonprofit associations and nonprofit cooperative corporations | 361.073 | 187 |
| **Property Tax** | Property related to public use of a privately owned airport | 361.061 | 188 |
| **Property Tax** | Property related to public use of privately owned parks | 361.0605 | 189 |
| **Property Tax** | The exemption of certain vehicles | 361.067 | 190 |
| **Property Tax** | United States property exempted | 361.050 | 191 |
| **Property Tax** | Veterans | 361.090 | 192 |
| **Property Tax** | Veterans' organizations | 361.095 | 193 |
| **Real Property Transfer Tax** | Exemption - A conveyance of real property to a person or persons from the board of county commissioners of a county whose population is less than 4,500 | 375.090 | 194 |
| **Real Property Transfer Tax** | Exemptions - educational foundations | 375.090 | 195 |
| **Real Property Transfer Tax** | Exemptions - change of identity | 375.090 | 196 |
| **Real Property Transfer Tax** | Exemptions - death deed | 375.090 | 197 |
| **Real Property Transfer Tax** | Exemptions - former spouse | 375.090 | 198 |
| **Real Property Transfer Tax** | Exemptions - joint tenant | 375.090 | 199 |
| **Real Property Transfer Tax** | Exemptions - library foundation | 375.090 | 200 |
| **Real Property Transfer Tax** | Exemptions - related persons | 375.090 | 201 |
| **Real Property Transfer Tax** | Exemptions - taxes on transfers of real property through bankruptcy | 375.090 | 202 |

| Tax Type | Expenditure | NRS | Page |
|---|---|---|---|
| **Real Property Transfer Tax** | Exemptions - to or from trust | 375.090 | 203 |
| **Real Property Transfer Tax** | Exemptions - transfer of title recognizing the true status of ownership of real property | 375.090 | 204 |
| **Real Property Transfer Tax** | Exemptions - transfer of title to the government | 375.090 | 205 |
| **Real Property Transfer Tax** | Exemptions - university foundation | 375.090 | 206 |
| **Real Property Transfer Tax** | Unpatented mines or mining claims | 375.090 | 207 |
| **Registration** | Antique vehicle - trucks and truck-tractors | 482.3811 | 208 |
| **Registration** | Exemption from registration - motorized wheelchair | 482.210 | 209 |
| **Registration** | Exemption from registration - electric bicycles | 482.210 | 210 |
| **Registration** | Exemption from registration - golf carts | 482.210 | 211 |
| **Registration** | Exemption from registration - implements of husbandry | 482.210 | 212 |
| **Registration** | Exemption from registration - mobile equipment | 482.210 | 213 |
| **Registration** | Exemption from registration - mobile homes and commercial coaches | 482.210 | 214 |
| **Registration** | Exemption from registration - towable tools | 482.210 | 215 |
| **Registration** | Exemptions from fees for registration (government, state, and county) | 482.503 | 216 |
| **Registration** | Fire trucks | 482.3795 | 217 |
| **Registration** | Registration of vehicle of non-resident owner not required - exempts border state employees from registering their vehicle(s) in Nevada | 482.385 | 218 |
| **Registration** | Registration of vehicle of non-resident owner not required for a non-resident in this state for a period of not more than 30 days in the aggregate in any calendar year | 482.385 | 219 |
| **Sales and Use Tax** | Abatement for business in certain areas of economic development | 274.310 | 220 |
| **Sales and Use Tax** | Abatement for eligible machinery or equipment used by certain new or expanded businesses | 374.357 | 221 |
| **Sales and Use Tax** | Abatement of Sales and Use Tax for capital investment at least $1 billion | 360.893 | 222 |
| **Sales and Use Tax** | Abatement of Sales and Use Tax for capital investment at least $3.5 billion | 360.965 | 223 |
| **Sales and Use Tax** | Animals and plants intended for human consumption, feed and fertilizer | 372.280 | 224 |
| **Sales and Use Tax** | Broadcasting activities | 372.734 | 225 |
| **Sales and Use Tax** | Collection allowance | 372.370 | 226 |
| **Sales and Use Tax** | Containers | 372.290 | 227 |
| **Sales and Use Tax** | Deduction of certain bad debts from taxable sales | 372.368 | 228 |
| **Sales and Use Tax** | Domestic fuels | 372.300 | 229 |
| **Sales and Use Tax** | Exempt from sales tax for property sold to certain members of the Nevada National Guard and their families | 372.7281 | 230 |
| **Sales and Use Tax** | Farm machinery and equipment | 372.281 | 231 |
| **Sales and Use Tax** | Food for human consumption | 372.284 | 232 |
| **Sales and Use Tax** | Fuel used to propel motor vehicle - fuel consumed off public highways of this state | 372.275 | 233 |
| **Sales and Use Tax** | Gas, electricity, and water | 372.295 | 234 |
| **Sales and Use Tax** | Loans or donations to United States, state, political subdivision, or religious organization | 372.327 | 235 |
| **Sales and Use Tax** | Manufactured homes and mobile homes | 372.316 | 236 |

| Tax Type | Expenditure | NRS | Page |
|---|---|---|---|
| **Sales and Use Tax** | Meals and food products sold to students or teachers by school, organization of students, or parent-teacher associations | 372.285 | 237 |
| **Sales and Use Tax** | Newspapers | 372.315 | 238 |
| **Sales and Use Tax** | Occasional sale | 372.320 | 239 |
| **Sales and Use Tax** | Partial abatement of certain taxes imposed on aircraft | 360.753 | 240 |
| **Sales and Use Tax** | Partial abatement of certain taxes imposed on new or expanded data center | 360.754 | 241 |
| **Sales and Use Tax** | Partial abatement of renewable energy facilities | 701A.370 | 242 |
| **Sales and Use Tax** | Personal property sold by or to nonprofit organizations created for religious, charitable, or educational purposes | 372.326 | 243 |
| **Sales and Use Tax** | Personal property used for performance of contract on public works executed before July 1, 1955 | 372.305 | 244 |
| **Sales and Use Tax** | Personal property used for performance of written contract executed before March 29, 1955 | 372.310 | 245 |
| **Sales and Use Tax** | Proceeds of mines | 372.270 | 246 |
| **Sales and Use Tax** | Property which is shipped to a point outside of this state, pursuant to a sales contract | 372.335 | 247 |
| **Sales and Use Tax** | Prosthetic devices, orthotic appliances, certain supports and casts, appliances, supplies relating to ostomy, products for hemodialysis, medicines, and feminine hygiene products | 372.283 | 248 |
| **Sales and Use Tax** | Sale of certain medical devices to governmental entities | 372.7285 | 249 |
| **Sales and Use Tax** | Sale of personal property for shipment outside this state of certain motor vehicles, farm machinery, equipment, and vessels | 372.7263 | 250 |
| **Sales and Use Tax** | Sale to common carrier | 372.330 | 251 |
| **Sales and Use Tax** | Sale to United States, state, or political subdivision | 372.325 | 252 |
| **Sales and Use Tax** | Textbooks sold within Nevada System of Higher Education | 372.287 | 253 |
| **Sales and Use Tax** | Tourism improvement district pledge | 271A.070 | 254 |
| **Sales and Use Tax** | Trade-in allowance | 372.065 | 255 |
| **Sales and Use Tax** | Transfer of property and motor vehicles to the State of Nevada and its unincorporated agencies and instrumentalities, pursuant to certain agreements | 372.7283 | 256 |
| **Sales and Use Tax** | Use Tax: property on which sales tax was paid | 372.345 | 257 |
| **Tax Credit** | Economic Development Transferable Tax Credits | 231.1555 | 258 |
| **Tax Credit** | Transferable tax credits for approved qualified project of capital investment at least $3.5 billion | 360.955 | 259 |
| **Tire Tax** | Collection allowance | 444A.090 | 260 |
| **Tobacco Tax** | Allowance of refund for certain taxes paid | 370.503 | 261 |
| **Tobacco Tax** | Collection allowance | 370.490 | 262 |
| **Tobacco Tax** | Collection allowance | 370.220 | 263 |
| **Tobacco Tax** | Premium cigars preferential rate | 370.450 | 264 |
| **Tobacco Tax** | Tobacco products other than cigarettes are exempt if shipped out of state or exhibited at a trade show | 370.450 | 265 |
| **Tobacco Tax** | Tribal cigarette stamps | 370.170 | 266 |
| **Wholesale Cannabis Tax** | Non-affiliate wholesale of cannabis | 372A.290 | 267 |

## Tax Type: Bank Excise Tax

**Expenditure Name: One bank branch excise tax exemption** **Category: Exemption**

**Agency:** Department of Taxation **Division:**

**Description:** NRS 363A.120 imposes an excise tax on each bank at the rate of $1,750 for each branch office in excess of 1 maintained by the bank in each county in this state on the first day of each calendar quarter. There is an allowance for 1 branch in each county to be exempt from the Bank Excise Tax. The definition of bank does not include credit union or thrift company.

**Year Enacted:** 2003 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Banks subject to the Bank Excise Tax

**NRS:** 363A.120

**Summary of Amendments:** Added to NRS by 2003, 20th Special Session, 136; A 2005, 22nd Special Session, 135

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 49 | $756,000.00 |
| **Fiscal Year Total:** | **49** | **$756,000.00** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 49 | $735,000.00 |
| **Fiscal Year Total:** | **49** | **$735,000.00** |

## Tax Type: Commerce Tax

**Expenditure Name: Commerce Tax deductions** **Category: Deduction**

**Agency:** Department of Taxation **Division:**

**Description:** In computing the Commerce Tax owed by a business entity pursuant to this chapter, business entities are entitled to certain deductions from their gross revenue.

**Year Enacted:** 2015 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Businesses

**NRS:** 363C.210 (1)

**Summary of Amendments:** Added to NRS by 2015, 2885

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 12,524 | $72,279,335.59 |
| **Fiscal Year Total:** | **12,524** | **$72,279,335.59** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 13,358 | $79,421,395.34 |
| **Fiscal Year Total:** | **13,358** | **$79,421,395.34** |

2023 - Expenditure Explanation: As reported by taxpayers on their Commerce Tax returns. The tax rate is specific to the North American Industry Classification System (NAICS) code. Because of the number of deductions and NAICS codes, a spreadsheet has been added to the back of the report to identify all of the deductions by NAICS code.

2024 - Expenditure Explanation: As reported by taxpayers on their Commerce Tax returns. The tax rate is specific to the North American Industry Classification System (NAICS) code. Because of the number of deductions and NAICS codes, a spreadsheet has been added to the back of the report to identify all of the deductions by NAICS code.

## Tax Type: Commerce Tax

**Expenditure Name: Commerce Tax threshold** **Category: Subtraction**

**Agency:** Department of Taxation **Division:**

**Description:** The Commerce Tax required to be paid by a business entity engaging in business in this state is calculated on the amount obtained by subtracting $4,000,000 from the Nevada gross revenue in a taxable year.

**Year Enacted:** 2015 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Businesses

**NRS:** 363C.200

**Summary of Amendments:** Added to NRS by 2015, 2884; A 2019, 2021

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 1,110 | $2,136,319.84 |
| **Fiscal Year Total:** | **1,110** | **$2,136,319.84** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 1,045 | $2,360,888.33 |
| **Fiscal Year Total:** | **1,045** | **$2,360,888.33** |

2023 - Expenditure Explanation: Estimation does not include exemptions/deductions under $4,000,000.00.

2024 - Expenditure Explanation: Estimation does not include exemptions/deductions under $4,000,000.00.

## Tax Type: Fuel Tax

**Expenditure Name: Collection allowance** **Category: Deduction**

**Agency:** Department of Motor Vehicles **Division:** Motor Carrier Division/Fuel Industry

**Description:** Each supplier and dealer may retain an amount equal to 2% of the amount of tax collected to cover the costs of collecting the tax and complying with statute, and to handle losses occasioned by evaporation, spillage, or other similar causes.

**Year Enacted:** 1935 **Sunset Date:** None

**Purpose:** To cover the supplier's costs of collection of the tax and remitting the tax

**Who Benefits:** Licensed fuel suppliers and dealers

**NRS:** 365.330 (5)(a),(b)

**Summary of Amendments:** [Part 3:74:1935; A 1953, 326; 1955, 170]—NRS A 1975, 1695; 1999, 1014; 2003, 2908; 2007, 1574

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 158 | $11,863,182.38 |
| **Fiscal Year Total:** | **158** | **$11,863,182.38** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 163 | $12,316,258.79 |
| **Fiscal Year Total:** | **163** | **$12,316,258.79** |

## Tax Type: Fuel Tax

**Expenditure Name: Collection allowance, special fuel supplier** **Category: Deduction**

**Agency:** Department of Motor Vehicles **Division:** Motor Carrier Division/Fuel Industry

**Description:** Each special fuel supplier may retain an amount equal to 2% of the amount of the tax collected to cover costs of collection of the tax, compliance and the supplier's/dealer's handling losses occasioned by evaporation, spillage or other similar causes.

**Year Enacted:** 1957 **Sunset Date:** None

**Purpose:** To cover the supplier's costs of collection of the tax and remitting the tax

**Who Benefits:** Licensed fuel suppliers and dealers

**NRS:** 366.390

**Summary of Amendments:** [Part 8:364:1953]—NRS A 1957, 604; 1995, 2374; 1997, 3401; 1999, 1274; 2001, 86; 2003, 2917

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business/Personal | 158 | $3,628,087.93 |
| **Fiscal Year Total:** | **158** | **$3,628,087.93** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business/Personal | 163 | $3,813,701.61 |
| **Fiscal Year Total:** | **163** | **$3,813,701.61** |

## Tax Type: Fuel Tax

**Expenditure Name: Dyed special fuel** **Category: Exemption**

**Agency:** Department of Motor Vehicles **Division:** Motor Carrier Division/Fuel Industry

**Description:** Special fuels dyed before removal for distribution is exempt from the Fuel Tax.

**Year Enacted:** 1995 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Users of fuel that is dyed and used off-road

**NRS:** 366.203

**Summary of Amendments:** 1995, 2367; A 1997, 2831, 3398; 1999, 679; 2001, 854; 2003, 514, 2913; 2005, 1152; 2007, 2518; 2015,1116

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | $54,773,019.73 |
| **Fiscal Year Total:** | | **$54,773,019.73** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | $55,256,330.68 |
| **Fiscal Year Total:** | | **$55,256,330.68** |

2023 - Expenditure Explanation: Number of Beneficiaries Unknown/Unavailable

2024 - Expenditure Explanation: Number of Beneficiaries Unknown/Unavailable

## Tax Type: Fuel Tax

**Expenditure Name: Exempt aviation fuel transactions and sales** **Category: Exemption**

**Agency:** Department of Motor Vehicles **Division:**

**Description:** Aviation fuel or fuel for jet or turbine-powered aircraft exported from this state by a dealer are exempt from excise tax.

**Year Enacted:** 1935 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Businesses

**NRS:** 365.220 (3)

**Summary of Amendments:** 4.1:74:1935; added 1951, 199; A 1953, 326] + [Part 5:74:1935; A 1949, 500; 1951, 208; 1953, 326; 1955, 170] — NRS A 1975, 1693; 1983, 1018; 1989, 1069; 1997, 355; 1999, 1011

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 0 | $0.00 |
| **Fiscal Year Total:** | **0** | **$0.00** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 0 | $0.00 |
| **Fiscal Year Total:** | **0** | **$0.00** |

## Tax Type: Fuel Tax

**Expenditure Name:** Exempt fuel other than aviation transactions and sales **Category:** Exemption

**Agency:** Department of Motor Vehicles **Division:**

**Description:** Motor vehicle fuel, other than aviation fuel, distributed or delivered on the order of the owner to a supplier, or aviation fuel or fuel for jet or turbine-powered aircraft distributed or delivered on the order of the owner to a dealer.

**Year Enacted:** 1935 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Businesses

**NRS:** 365.220 (5)

**Summary of Amendments:** 4.1:74:1935; added 1951, 199; A 1953, 326] + [Part 5:74:1935; A 1949, 500; 1951, 208; 1953, 326; 1955, 170] — NRS A 1975, 1693; 1983, 1018; 1989, 1069; 1997, 355; 1999, 1011

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business/Personal | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business/Personal | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

2024 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

## Tax Type: Fuel Tax

**Expenditure Name: Exempt fuel transactions and sales** **Category: Exemption**

**Agency:** Department of Motor Vehicles **Division:**

**Description:** Sales and transactions for motor vehicle fuel if it remains in interstate or foreign commerce are exempt from excise tax.

**Year Enacted:** 1935 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Businesses

**NRS:** 365.220 (1)

**Summary of Amendments:** 4.1:74:1935; added 1951, 199; A 1953, 326] + [Part 5:74:1935; A 1949, 500; 1951, 208; 1953, 326; 1955, 170] — NRS A 1975, 1693; 1983, 1018; 1989, 1069; 1997, 355; 1999, 1011

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business/Personal | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business/Personal | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

2024 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

## Tax Type: Fuel Tax

**Expenditure Name: Exempt fuel used interstate or off road** **Category: Exemption**

**Agency:** Department of Motor Vehicles **Division:** Motor Carrier Division/Fuel Industry

**Description:** Allows for a credit pursuant to Ch. 371, 482 and 706 on taxes where the taxpayer proves that fuel was used interstate or off road and exceeds the amount of fuel used on the highways in Nevada.

**Year Enacted:** 1953 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Corporate/personal

**NRS:** 366.650 (5)

**Summary of Amendments:** [20:364:1953]—NRS A 1957, 607; 1969, 581; 1971, 88; 1973, 704; 1983, 474; 1987, 492, 968; 1995, 2377; 1997, 3404; 1999, 155; 2003, 2918; 2007, 1585

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business/Personal | 501 | $4,071,851.77 |
| **Fiscal Year Total:** | **501** | **$4,071,851.77** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business/Personal | 452 | $3,252,084.91 |
| **Fiscal Year Total:** | **452** | **$3,252,084.91** |

## Tax Type: Fuel Tax

**Expenditure Name:** **Exemption to farmer or rancher on basis of bulk purchases** **Category:** **Exemption**

**Agency:** Department of Motor Vehicles **Division:** Motor Carrier Division/Fuel Industry

**Description:** Any person determined to be a bona fide farmer or rancher not engaged in other activities which would distort their highway usage may claim a refund only on the basis of 80% of bulk purchases. Bulk purchases means purchases in excess of 50 gallons of motor vehicle fuel not placed directly into the tanks of motor vehicles.

**Year Enacted:** 1957 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Farmers/ranchers

**NRS:** 365.445

**Summary of Amendments:** Added to NRS by 1957, 127; A 1965, 1173; 1966, 71; 1975, 1698

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business/Personal | 140 | $65,014.76 |
| **Fiscal Year Total:** | **140** | **$65,014.76** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business/Personal | 121 | $83,544.50 |
| **Fiscal Year Total:** | **121** | **$83,544.50** |

## Tax Type: Fuel Tax

**Expenditure Name: Fuel consumed off public highways of this state** **Category: Exemption**

**Agency:** Department of Motor Vehicles **Division:** Motor Carrier Division/Fuel Industry

**Description:** A special fuel user who consumes special fuel in the propulsion of a motor vehicle off the public highways of this state may obtain a refund of the tax paid pursuant to NRS 366.190 for that portion of the special fuel purchased which is consumed off the public highways of this state.

**Year Enacted:** 1996 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Special fuel user

**NRS:** 366.200 (1) *NAC 366.210*

**Summary of Amendments:** [Part 3:364:1953; A 1955, 425] — NRS A 1957, 602; 1971, 87; 1983, 1944; 1995, 2411; 2001, 853

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business/Personal | 89 | $855,344.91 |
| **Fiscal Year Total:** | **89** | **$855,344.91** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business/Personal | 63 | $549,822.23 |
| **Fiscal Year Total:** | **63** | **$549,822.23** |

## Tax Type: Fuel Tax

**Expenditure Name:** **Fuel sold to the U.S. Government for use by U.S. Armed Forces** **Category:** **Exemption**

**Agency:** Department of Motor Vehicles **Division:** Motor Carrier Division/Fuel Industry

**Description:** Motor vehicle fuel or fuel for jet or turbine-powered aircraft sold to the United States government for official use of the United States Armed Forces is exempt from taxes imposed by NRS Chapter 365.

**Year Enacted:** 1935 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** U.S. government

**NRS:** 365.220 (4)

**Summary of Amendments:** [4.1:74:1935; added 1951, 199; A 1953, 326] + [Part 5:74:1935; A 1949, 500; 1951, 208; 1953, 326; 1955, 170]—NRS A 1975, 1693; 1983, 1018; 1989, 1069; 1997, 355; 1999, 1011

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Government | 1 | $429,291.08 |
| **Fiscal Year Total:** | **1** | **$429,291.08** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Government | 1 | $404,772.93 |
| **Fiscal Year Total:** | **1** | **$404,772.93** |

## Tax Type: Fuel Tax

**Expenditure Name: Government exemption** **Category: Exemption**

**Agency:** Department of Motor Vehicles **Division:** Motor Carrier Division/Fuel Industry

**Description:** Sales made to the United States Government states, or any instrumentality thereof are exempt from the tax imposed by this chapter.

**Year Enacted:** 1953 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Government

**NRS:** 366.200 (2),(3)

**Summary of Amendments:** [Part 3:364:1953; A 1955, 425]—NRS A 1957, 602; 1971, 87; 1983, 1944; 1995, 2411; 2001, 853

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Government | 42 | $1,138,745.61 |
| **Fiscal Year Total:** | **42** | **$1,138,745.61** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Government | 42 | $1,477,427.11 |
| **Fiscal Year Total:** | **42** | **$1,477,427.11** |

## Tax Type: Fuel Tax

**Expenditure Name: Leaded fuel exemption** **Category: Exemption**

**Agency:** Department of Motor Vehicles **Division:** Motor Carrier Division/Fuel Industry

**Description:** Exemption of excise taxes on leaded racing fuel, which means motor vehicle fuel that contains lead and is produced for motor vehicles that are designed and built for racing and not for operation on a public highway.

**Year Enacted:** 1935 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Auto racers and persons using leaded gasoline

**NRS:** 365.220 (6)

**Summary of Amendments:** Amended in the following year (s): [4.1:74:1935; added 1951, 199; A 1953, 326] + [Part 5:74:1935; A 1949, 500; 1951, 208; 1953, 326; 1955, 170]—NRS A 1975, 1693; 1983, 1018; 1989, 1069; 1997, 355; 1999, 1011

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business/Personal | 0 | $0.00 |
| **Fiscal Year Total:** | **0** | **$0.00** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business/Personal | 0 | $0.00 |
| **Fiscal Year Total:** | **0** | **$0.00** |

## Tax Type: Fuel Tax

**Expenditure Name:** **Motor vehicle fuel, except exempt aviation fuel transactions and sales** **Category:** **Exemption**

**Agency:** Department of Motor Vehicles **Division:**

**Description:** Motor vehicle fuel, except aviation fuel, exported from this state by a supplier is exempt from payment of excise tax.

**Year Enacted:** 1935 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Businesses

**NRS:** 365.220 (2)

**Summary of Amendments:** 4.1:74:1935; added 1951, 199; A 1953, 326] + [Part 5:74:1935; A 1949, 500; 1951, 208; 1953, 326; 1955, 170] — NRS A 1975, 1693; 1983, 1018; 1989, 1069; 1997, 355; 1999, 1011

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 39 | $74,504,413.00 |
| **Fiscal Year Total:** | **39** | **$74,504,413.00** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 27 | $89,105,751.64 |
| **Fiscal Year Total:** | **27** | **$89,105,751.64** |

## Tax Type: Fuel Tax

**Expenditure Name:** Operates motor vehicles for public transportation exemption **Category:** Exemption

**Agency:** Department of Motor Vehicles **Division:** Motor Carrier Division/Tax and Licensing

**Description:** The sale or use of special fuel that is used exclusively for public transportation in an urban area to transport persons who pay a fare and public money is used to operate the system or acquire new equipment is exempt from the tax imposed by this chapter.

**Year Enacted:** 1953 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Special fuel user

**NRS:** 366.200 (4)

**Summary of Amendments:** Amended in the following year (s): [Part 3:364:1953; A 1955, 425]—NRS A 1957, 602; 1971, 87; 1983, 1944; 1995, 2411; 2001, 853

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Government | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Government | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

2024 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

## Tax Type: Fuel Tax

**Expenditure Name: Special fuel used in refrigeration units** **Category: Exemption**

**Agency:** Department of Motor Vehicles **Division:** Motor Carrier Division/Tax and Licensing

**Description:** Special fuel used in an auxiliary motor to operate a refrigeration unit is exempt from the tax imposed by this chapter.

**Year Enacted:** 1953 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statue

**Who Benefits:** Special fuel user

**NRS:** 366.200 (1) *NAC 366.230*

**Summary of Amendments:** [Part 3:364:1953; A 1955, 425]—NRS A 1957, 602; 1971, 87; 1983, 1944; 1995, 2411; 2001, 853

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business/Personal | 275 | $570,518.23 |
| **Fiscal Year Total:** | **275** | **$570,518.23** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business/Personal | 271 | $445,569.99 |
| **Fiscal Year Total:** | **271** | **$445,569.99** |

2023 - Expenditure Explanation: A special fuel user who uses special fuel that has not been dyed to operate a vehicle with a refrigeration unit that is equipped with an auxiliary motor and separate fuel tank may obtain a refund.

2024 - Expenditure Explanation: A special fuel user who uses special fuel that has not been dyed to operate a vehicle with a refrigeration unit that is equipped with an auxiliary motor and separate fuel tank may obtain a refund.

## Tax Type: Fuel Tax

**Expenditure Name:** **Special fuel used to operate a motor vehicle with auxiliary equipment exemption** **Category:** **Exemption**

**Agency:** Department of Motor Vehicles **Division:** Motor Carrier Division/Tax and Licensing

**Description:** Special fuel used to operator a motor vehicle with auxiliary equipment is exempt from the tax imposed by this chapter.

**Year Enacted:** 1953 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Special fuel user

**NRS:** 366.200 (1) *NAC 366.220*

**Summary of Amendments:** [Part 3:364:1953; A 1955, 425]—NRS A 1957, 602; 1971, 87; 1983, 1944; 1995, 2411; 2001, 853

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business/Personal | 44 | $445,981.35 |
| **Fiscal Year Total:** | **44** | **$445,981.35** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business/Personal | 48 | $345,611.17 |
| **Fiscal Year Total:** | **48** | **$345,611.17** |

## Tax Type: Fuel Tax

**Expenditure Name: Special fuels reimbursements** **Category: Exemption**

**Agency:** Department of Motor Vehicles **Division:**

**Description:** A person who uses special fuel in a motor vehicle operated or intended to operate interstate and who pays any tax imposed on special fuels pursuant to NRS 373.066, 373.0663 or 373.0667 may file with the Department a request for reimbursement of any amounts owed to the person as a result of the Department entering into an agreement pursuant to NRS 366.175 and the imposition, pursuant to NRS 373.066, 373.0663 or 373.0667, of any tax on special fuels that are consumed outside this state.

**Year Enacted:** 2013 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Businesses

**NRS:** 373.083 (1)

**Summary of Amendments:** Added to NRS by 2013, 3546; A 2013, 3547, 3549; 2015, 48, 2065, 2067

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 2 | $229,203.67 |
| **Fiscal Year Total:** | **2** | **$229,203.67** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 2 | $211,486.25 |
| **Fiscal Year Total:** | **2** | **$211,486.25** |

## Tax Type: Fuel Tax

**Expenditure Name: Special mobile equipment exemption** **Category: Exemption**

**Agency:** Department of Motor Vehicles **Division:** Motor Carrier Division/Fuel Industry

**Description:** The sale or use of special fuel for any purpose other than to propel a motor vehicle upon the public highways of Nevada is exempt from the application of the tax imposed by NRS 366.190. The exemption provided in this subsection applies only in those cases where the purchasers or the users of special fuel establish, to the satisfaction of the Department, that the special fuel purchased or used was used for purposes other than to propel a motor vehicle upon the public highways of Nevada.
Special mobile equipment includes every motor vehicle not designed or used primarily for the transportation of persons or property, and only incidentally operated or moved upon a highway. The term includes scoopmobiles, forklifts, ditch-digging apparatus, well-boring apparatus and road construction and maintenance machinery such as asphalt graders, bituminous mixers, bucket loaders, tractors other than truck tractors, leveling graders, finishing machines, motor graders, road rollers, scarifiers, earth-moving carryalls and scrapers, power shovels and draglines, and earth-moving equipment. NRS 366.085.

**Year Enacted:** 1953 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Special fuel user

**NRS:** 366.200 (5)

**Summary of Amendments:** Amended in the following year (s): [Part 3:364:1953; A 1955, 425]—NRS A 1957, 602; 1971, 87; 1983, 1944; 1995, 2411; 2001, 853

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business/Personal | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business/Personal | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

2024 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

## Tax Type: Fuel Tax

**Expenditure Name:** **Tribal exemption for motor vehicle fuel sold on reservation** **Category:** **Deduction**

**Agency:** Department of Motor Vehicles **Division:** Motor Carrier Division/Fuel Industry

**Description:** The Department may enter into an agreement with the governing body of a tribe to provide for the collection of taxes on taxable sales of motor vehicle fuel that occur on the reservation of the tribe.

**Year Enacted:** 2002 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Government/tribe

**NRS:** 365.110 *NAC 365.155*

**Summary of Amendments:** [Part 9:74:1935; A 1953, 326; 1955, 170] — NRS A 1975, 1690

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Government | 6 | $271,930.65 |
| **Fiscal Year Total:** | **6** | **$271,930.65** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Government | 6 | $290,981.00 |
| **Fiscal Year Total:** | **6** | **$290,981.00** |

## Tax Type: Fuel Tax

### Expenditure Name: Tribal exemption for special fuel sold on reservation  Category: Deduction

**Agency:** Department of Motor Vehicles  **Division:** Motor Carrier Division/Fuel Industry

**Description:** The Department may enter into an agreement with the governing body of a tribe to provide for the collection of taxes on taxable sales of special fuels that occur on the reservation of the tribe.

**Year Enacted:** 2001  **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Government/tribe

**NRS:** 366.110  *NAC 366.350*

**Summary of Amendments:** [Part 24:364:1953] — NRS A 1957, 600; 1977, 378; 1999, 124; 2001, 853, 2600; 2003, 16

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Government | 6 | $342,872.50 |
| **Fiscal Year Total:** | **6** | **$342,872.50** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Government | 6 | $213,579.55 |
| **Fiscal Year Total:** | **6** | **$213,579.55** |

## Tax Type: Fuel Tax

**Expenditure Name:** **Tribe/Tribal members exemption for special fuels sold on the reservation** **Category:** **Exemption**

**Agency:** Department of Motor Vehicles **Division:** Motor Carrier Division/Fuel Industry

**Description:** If the governing body of a tribe does not enter into an agreement to provide for the collection by the tribe of taxes on taxable sales of special fuels that occur on a reservation of the tribe, each special fuel supplier who sells special fuels on the reservation shall collect the tax imposed on that sale. The tribe may apply to the Department for a refund of the tax.

**Year Enacted:** 2001 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Tribes/tribal members

**NRS:** 366.110 *NAC 366.355*

**Summary of Amendments:** "[Part 24:364:1953] — (NRS A 1957, 600; 1977, 378; 1999, 124; 2001, 853, 2600; 2003, 16)"

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Government | 4 | $18,481.79 |
| **Fiscal Year Total:** | **4** | **$18,481.79** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Government | 4 | $10,577.18 |
| **Fiscal Year Total:** | **4** | **$10,577.18** |

## Tax Type: Fuel Tax

**Expenditure Name:** **Tribe/Tribal members exemption of motor vehicle fuel sold on the reservation** **Category:** **Exemption**

**Agency:** Department of Motor Vehicles **Division:** Motor Carrier Division/Fuel Industry

**Description:** If the governing body of a tribe does not enter into an agreement to provide for the collection by the tribe of taxes on taxable sales of motor vehicle fuel that occur on a reservation of the tribe, each supplier who sells motor vehicle fuel on the reservation shall collect the tax imposed on that sale. The tribe may apply to the Department for a refund of the tax.

**Year Enacted:** 2001 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Tribes/tribal members

**NRS:** 365.110 *NAC 365.160*

**Summary of Amendments:** "[Part 9:74:1935; A 1953, 326; 1955, 170] — (NRS A 1975, 1690)"

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Government | 4 | $152,445.38 |
| **Fiscal Year Total:** | **4** | **$152,445.38** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Government | 4 | $93,699.84 |
| **Fiscal Year Total:** | **4** | **$93,699.84** |

## Tax Type: Gaming Tax

**Expenditure Name:** Gaming revenue - bingo, additional play may be deducted **Category:** Deduction

**Agency:** Gaming Control Board **Division:**

**Description:** For bingo, a licensee who provides a patron with additional play at bingo as the result of an initial wager may deduct as losses from winnings all money or tokens paid directly to that patron as a result of such additional play.

**Year Enacted:** 1981 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Gaming industry

**NRS:** 463.3715 (4)

**Summary of Amendments:** Amended in the following year(s): Added to NRS by 1981, 1073; A 1985, 804, 2146; 1987, 90; 1991, 533; 1995, 761, 1500.

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Board.

2024 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Board.

## Tax Type: Gaming Tax

**Expenditure Name:** Gaming revenue - inter-casino linked system may be deducted **Category:** Deduction

**Agency:** Gaming Control Board **Division:**

**Description:** In calculating gross revenue, a licensee may deduct its pro rata share of a payout from a game played in an inter-casino linked system except for a payout made in conjunction with a card game.

**Year Enacted:** 1981 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Gaming industry

**NRS:** 463.3715 (5)

**Summary of Amendments:** Amended in the following year(s): Added to NRS by 1981, 1073; A 1985, 804, 2146; 1987, 90; 1991, 533; 1995, 761, 1500.

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Board.

2024 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Board.

## Tax Type: Gaming Tax

**Expenditure Name:** **Gaming revenue - money or tokens paid at face value directly to a patron may be deducted for slot machine play**

**Category:** **Deduction**

**Agency:** Gaming Control Board

**Division:**

**Description:** Money or tokens paid at face value directly to a patron as the result of a specific wager must not be deducted as losses from winnings at any game except a slot machine.

**Year Enacted:** 1981

**Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Gaming industry

**NRS:** 463.3715 (1)

**Summary of Amendments:** Amended in the following year(s): Added to NRS by 1981, 1073; A 1985, 804, 2146; 1987, 90; 1991, 533; 1995, 761, 1500.

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Board.

2024 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Board.

## Tax Type: Gaming Tax

**Expenditure Name:** **Gaming revenue - periodic payments may be deducted as losses** **Category:** **Deduction**

**Agency:** Gaming Control Board **Division:**

**Description:** Cash paid to fund periodic payments may be deducted as losses from winnings for any game.

**Year Enacted:** 1981 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Gaming industry

**NRS:** 463.3715 (2)

**Summary of Amendments:** Amended in the following year(s): Added to NRS by 1981, 1073; A 1985, 804, 2146; 1987, 90; 1991, 533; 1995, 761, 1500.

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Board.

2024 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Board.

## Tax Type: Gaming Tax

**Expenditure Name: Gross revenue - Gaming** **Category: Exemption**

**Agency:** Gaming Control Board **Division:**

**Description:** The term does not include: Counterfeit facsimiles of money, chips, tokens, wagering instruments or wagering credits; Coins of other countries which are received in gaming devices; Any portion of the face value of any chip, token or other representative of value won by a licensee from a patron for which the licensee can demonstrate that it or its affiliate has not received cash; Cash taken in fraudulent acts perpetrated against a licensee for which the licensee is not reimbursed; Uncollected baccarat commissions; or Cash provided by the licensee to a patron and subsequently won by the licensee, for which the licensee can demonstrate that it or its affiliate has not been reimbursed.

**Year Enacted:** 1967 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Gaming industry

**NRS:** 463.0161 (2)

**Summary of Amendments:** Amended in the following year(s): Added to NRS by 1967, 1039; A 1981, 1543; 1985, 803, 2146; 1987, 90, 1274; 1993, 288; 1995, 465, 757, 1496; 1997, 3499; 2013, 2106, 3309, 3318; 2019, 818).

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Board.

2024 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Board.

## Tax Type: Gaming Tax

**Expenditure Name: Gross revenue - personal property may be deducted** **Category: Deduction**

**Agency:** Gaming Control Board **Division:**

**Description:** For slot machines, keno, and bingo - the actual cost to the licensee of any personal property distributed to a patron as the result of a specific legitimate wager may be deducted as a loss, but not travel expenses, food, refreshments, lodging, or services.

**Year Enacted:** 1981 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Gaming industry

**NRS:** 463.3715 (3)

**Summary of Amendments:** Amended in the following year(s): Added to NRS by 1981, 1073; A 1985, 804, 2146; 1987, 90; 1991, 533; 1995, 761, 1500.

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Board.

2024 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Board.

## Tax Type: Gaming Tax

**Expenditure Name: Gross revenue - track fees** **Category: Deduction**

**Agency:** Gaming Control Board **Division:**

**Description:** Track fees are deductible.

**Year Enacted:** 1983 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Gaming industry

**NRS:** 464.005 (1)

**Summary of Amendments:** Amended in the following year(s): Added to NRS by 1983, 1891; A 1985, 518; 1987, 634; 1991, 1845; 1993, 2049; 1995, 1501; 1997, 3509; 2009, 2429.

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Board.

2024 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Board.

## Tax Type: Gaming Tax

**Expenditure Name:** **Gross revenue is to include the face value of any credit instrument** **Category:** **Deduction**

**Agency:** Gaming Control Board **Division:**

**Description:** Taxable gaming revenue generated through the issuance of credit is not taxable until the credit is repaid.

**Year Enacted:** 1981 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Gaming industry

**NRS:** 463.371 (1)

**Summary of Amendments:** Amended in the following year(s): Added to NRS by 1981, 1542; A 1983, 829; 1987, 396, 1234, 1235.

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 96 | $36,781,992.00 |
| **Fiscal Year Total:** | **96** | **$36,781,992.00** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 99 | $46,711,981.00 |
| **Fiscal Year Total:** | **99** | **$46,711,981.00** |

## Tax Type: Gaming Tax

**Expenditure Name: Gross revenue that is deductible** **Category: Deduction**

**Agency:** Gaming Control Board **Division:**

**Description:** Losses in a contest or tournament conducted in conjunction with an inter-casino linked system may be deducted to the extent of the compensation received for the right to participate in that contest or tournament.

**Year Enacted:** 1967 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Gaming industry

**NRS:** 463.0161 (1)

**Summary of Amendments:** Amended in the following year(s): Added to NRS by 1967, 1039; A 1981, 1543; 1985, 803, 2146; 1987, 90, 1274; 1993, 288; 1995, 465, 757, 1496; 1997, 3499; 2013, 2106, 3309, 3318.

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Board.

2024 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Board.

## Tax Type: Gold & Silver Excise Tax

**Expenditure Name: Gold and Silver Excise Tax deduction** **Category: Deduction**

**Agency:** Department of Taxation **Division:**

**Description:** In computing the Gold and Silver Excise Tax owed by a business entity pursuant to this chapter, business entities are entitled to deductions from their gross revenue.

**Year Enacted:** 2021 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Businesses

**NRS:** 363D.170

**Summary of Amendments:** Added to NRS by 2021, 1275

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 3 | $5,526,708.32 |
| **Fiscal Year Total:** | **3** | **$5,526,708.32** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 3 | $4,917,642.49 |
| **Fiscal Year Total:** | **3** | **$4,917,642.49** |

2023 - Expenditure Explanation: Final deductions are calculated on a calendar year basis. Deductions reported under FY23 were those filed on taxpayers' calendar year 2022 Return.

2024 - Expenditure Explanation: Final deductions are calculated on a calendar year basis. Deductions reported under FY24 were those filed on taxpayers' calendar year 2023 Return.

## Tax Type: Gold & Silver Excise Tax

**Expenditure Name: Gold and Silver Excise Tax threshold** **Category: Subtraction**

**Agency:** Department of Taxation **Division:**

**Description:** The Gold and Silver Excise tax required to be paid by a business entity engaging in business in this state is calculated on the amount obtained by subtracting $20,000,000 from the Nevada taxable revenue.

**Year Enacted:** 2021 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Businesses

**NRS:** 363D.160

**Summary of Amendments:** Added to NRS by 2021, 1274

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department when the gross revenue is less than $20,000,000.00.

2024 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department when the gross revenue is less than $20,000,000.00.

## Tax Type: Governmental Service Tax

**Expenditure Name:** Basic Governmental Services Tax for licensed vehicles **Category:** Exclusion

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** Licensed vehicles of certain industries that are centrally assessed for property tax purposes are excluded from Government Services Taxation.

**Year Enacted:** 1963 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Businesses

**NRS:** 371.030

**Summary of Amendments:** Added to NRS by 1963, 1119; A 2001, 289

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 34 | $390,117.96 |
| **Fiscal Year Total:** | **34** | **$390,117.96** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 32 | $548,287.15 |
| **Fiscal Year Total:** | **32** | **$548,287.15** |

## Tax Type: Governmental Service Tax

**Expenditure Name:** Governmental vehicles and emergency vehicles operated with public money **Category:** Exemption

**Agency:** Department of Motor Vehicles **Division:** Management Services and Programs

**Description:** Exemption of certain governmental vehicles, emergency vehicles, and vehicles operated with public money.

**Year Enacted:** 1963 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Government

**NRS:** 371.100

**Summary of Amendments:** Added to NRS by 1963, 1120; A 1965, 610; 1979, 931; 1983, 1945; 1995, 2411; 2001, 292; 2005, 6

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Corporate/Govt | 47,050 | $10,021,650.00 |
| **Fiscal Year Total:** | **47,050** | **$10,021,650.00** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Corporate/Govt | 48,845 | $10,892,435.00 |
| **Fiscal Year Total:** | **48,845** | **$10,892,435.00** |

2023 - Expenditure Explanation: Statistics are available for the number of exempt vehicles registered. Exemption amounts for each vehicle are not available since the Department does not track this. An estimate is obtained by multiplying the number of exempt vehicles times the average Governmental Services Tax paid.

2024 - Expenditure Explanation: Statistics are available for the number of exempt vehicles registered. Exemption amounts for each vehicle are not available since the Department does not track this. An estimate is obtained by multiplying the number of exempt vehicles times the average Governmental Services Tax paid.

## Tax Type: Governmental Service Tax

**Expenditure Name:** Vehicle registered by disabled veteran who transfers the exemption to their current spouse **Category:** Exemption

**Agency:** Department of Motor Vehicles **Division:** Management Services and Programs

**Description:** Exemption on the Governmental Services Tax for vehicles registered by a resident of the State of Nevada who is a veteran of the Armed Forces of the United States and who incurred a permanent service-connected disability. The veteran may transfer the exemption to his/her spouse.

**Year Enacted:** 1977 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Nevada residents who are veterans of the Armed Forces of the United States and have incurred a permanent service-connected disability and spouses of those veterans

**NRS:** 371.104

**Summary of Amendments:** Added to NRS by 1977, 1490; A 1979, 1302; 1981, 1566; 1989, 718; 1995, 1089; 2001, 292, 1532, 1533; 2003, 2778, 2779; 2011, 2542, 3529; 2013, 297, 2515; 2015, 3928

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: The Department tracks veteran and disabled veteran exemptions together. The exemption amounts are identified under NRS 371.103. The Department does not track the exemptions that are transferred to a spouse.

2024 - Expenditure Explanation: The Department tracks veteran and disabled veteran exemptions together. The exemption amounts are identified under NRS 371.103. The Department does not track the exemptions that are transferred to a spouse.

## Tax Type: Governmental Service Tax

**Expenditure Name: Vehicle registered by person who is blind** **Category: Exemption**

**Agency:** Department of Motor Vehicles **Division:** Management Services and Programs

**Description:** Vehicles registered by a person who is blind, not to exceed the amount of $3,000 determined valuation, are exempt from taxation, but the exemption must not be allowed to anyone but bona fide residents of this state and must be filed in but one county in this state on account of that person.

**Year Enacted:** 1977 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Persons who are determined to be legally blind

**NRS:** 371.102

**Summary of Amendments:** Added to NRS by 1977, 1489; A 1989, 717; 1995, 1088; 1999, 2775; 2003, 2774; 2011, 3527

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | 20 | $1,707.80 |
| **Fiscal Year Total:** | **20** | **$1,707.80** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | 27 | $3,575.20 |
| **Fiscal Year Total:** | **27** | **$3,575.20** |

## Tax Type: Governmental Service Tax

**Expenditure Name: Vehicle registered by surviving spouse** **Category: Exemption**

**Agency:** Department of Motor Vehicles **Division:** Management Services and Programs

**Description:** Vehicles registered by surviving spouses, not to exceed the amount of $1,000 determined valuation, are exempt from taxation, but the exemption must not be allowed to anyone but actual bona fide residents of this state.

**Year Enacted:** 1977 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Surviving spouses of Nevada citizens

**NRS:** 371.101

**Summary of Amendments:** Added to NRS by 1977, 1489; A 1989, 716; 1999, 2775; 2001, 1557; 2003, 2773; 2011, 3526

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | 2,690 | $229,044.55 |
| **Fiscal Year Total:** | **2,690** | **$229,044.55** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | 2,537 | $246,458.23 |
| **Fiscal Year Total:** | **2,537** | **$246,458.23** |

## Tax Type: Governmental Service Tax

**Expenditure Name:** **Vehicle registered by veteran who transfers the exemption to their current spouse** **Category:** **Exemption**

**Agency:** Department of Motor Vehicles **Division:** Management Services and Programs

**Description:** Exemption on the Governmental Services Tax for vehicles registered by a resident of the State of Nevada who is a veteran of the Armed Forces of the United States. The veteran may transfer the exemption to his/her spouse.

**Year Enacted:** 1977 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Nevada residents who are active duty veterans of the Armed Forces of the United States and spouses of those veterans

**NRS:** 371.103

**Summary of Amendments:** Added to NRS by 1977, 1489; A 1987, 1528; 1989, 717; 1991, 1926; 1995, 2298; 1999, 2776; 2001, 1529, 1530; 2003, 2774, 2776; 2011, 2540, 3527; 2013, 295, 2513

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | 75,768 | $14,762,923.45 |
| **Fiscal Year Total:** | **75,768** | **$14,762,923.45** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | 76,994 | $16,166,022.36 |
| **Fiscal Year Total:** | **76,994** | **$16,166,022.36** |

## Tax Type: Insurance Premium Tax

**Expenditure Name:** General tax on premiums: credit for payment of assessment to Division of Industrial Relations

**Category:** Credit

**Agency:** Department of Taxation

**Division:**

**Description:** An insurer is entitled to a credit on its Insurance Premium Tax liability in an amount equal to the assessment it pays to the Division of Industrial Relations. This credit carries forward from year to year.

**Year Enacted:** 1995

**Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Industrial insurance companies

**NRS:** 680B.036

**Summary of Amendments:** Added to NRS by 1995, 20149; A 2013, 2642

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 199 | $14,509,721.59 |
| **Fiscal Year Total:** | **199** | **$14,509,721.59** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 216 | $12,734,311.89 |
| **Fiscal Year Total:** | **216** | **$12,734,311.89** |

2023 - Expenditure Explanation: Final credits are calculated on a calendar year basis. Credits reported under FY23 were those filed on taxpayers' calendar year 2022 Reconciliation Return.

2024 - Expenditure Explanation: Final credits are calculated on a calendar year basis. Credits reported under FY24 were those filed on taxpayers' calendar year 2023 Reconciliation Return.

## Tax Type: Insurance Premium Tax

**Expenditure Name: Life and Health Guaranty Association offset** **Category: Credit**

**Agency:** Department of Taxation **Division:**

**Description:** An insurer may offset against an outstanding tax liability for Insurance Premium Tax accrued with respect to business transacted in a calendar year, an amount equal to 20% of the amount certified in each of the 5 calendar years following the year in which an assessment was paid to the Life and Health Guaranty Association.

**Year Enacted:** 1973 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Insurance companies

**NRS:** 686C.280 (2)

**Summary of Amendments:** Added to NRS by 1973, 308; A 1991, 877; 1995, 1103; 2001, 1043.

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 214 | $3,102,086.42 |
| **Fiscal Year Total:** | **214** | **$3,102,086.42** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 0 | $0.00 |
| **Fiscal Year Total:** | **0** | **$0.00** |

2023 - Expenditure Explanation: Final credits are calculated on a calendar year basis. Credits reported under FY23 were those filed on taxpayers' calendar year 2022 Reconciliation Return.

2024 - Expenditure Explanation: Final credits are calculated on a calendar year basis. Credits reported under FY24 were those filed on taxpayers' calendar year 2023 Reconciliation Return. No assessment paid within 5 calendar years of 2023.

## Tax Type: Insurance Premium Tax

**Expenditure Name: Nevada New Markets Jobs credit** **Category: Credit**

**Agency:** Department of Taxation **Division:**

**Description:** The state New Market Tax Credits are provided to investors that invest the funds established by a community development entity for projects in Nevada. An entity that makes a qualified equity investment earns a vested right to credit against the entity's liability for insurance premium tax.

**Year Enacted:** 2013 **Sunset Date:** None

**Purpose:** To provide community development and economic stimulation, particularly to distressed areas of this state

**Who Benefits:** Insurers who invest in qualified community development entities

**NRS:** 231A.200

**Summary of Amendments:** Added to NRS by 2013, 3447; A 2019, 3697

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 17 | $23,293,208.48 |
| **Fiscal Year Total:** | **17** | **$23,293,208.48** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 17 | $16,209,312.71 |
| **Fiscal Year Total:** | **17** | **$16,209,312.71** |

2023 - Expenditure Explanation: Final credits are calculated on a calendar year basis. Credits reported under FY23 were those filed on taxpayers' calendar year 2022 Reconciliation Return.

2024 - Expenditure Explanation: Final credits are calculated on a calendar year basis. Credits reported under FY23 were those filed on taxpayers' calendar year 2022 Reconciliation Return.

## Tax Type: Insurance Premium Tax

**Expenditure Name: Property and casualty credit** **Category: Credit**

**Agency:** Department of Taxation **Division:**

**Description:** An insurer may offset against an outstanding tax liability for Insurance Premium Tax accrued with respect to business transacted in a calendar year, an amount equal to 20% of the amount certified in each of the 5 calendar years following the year in which an assessment was paid to Life and Casualty.

**Year Enacted:** 1971 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Insurance companies

**NRS:** 687A.060 (1)(c)

**Summary of Amendments:** Added to NRS by 1971, 1944; A 1977, 435; 1993, 1397; 1995, 2057; 1999, 2522; 2003, 3308; 2005, 2131.

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 391 | $2,865,017.41 |
| **Fiscal Year Total:** | **391** | **$2,865,017.41** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 398 | $5,037,741.23 |
| **Fiscal Year Total:** | **398** | **$5,037,741.23** |

2023 - Expenditure Explanation: Final credits are calculated on a calendar year basis. Credits reported under FY23 were those filed on taxpayers' calendar year 2022 Reconciliation Return.

2024 - Expenditure Explanation: Final credits are calculated on a calendar year basis. Credits reported under FY24 were those filed on taxpayers' calendar year 2023 Reconciliation Return.

## Tax Type: Liquor Tax

**Expenditure Name: Collection allowance** **Category: Subtraction**

**Agency:** Department of Taxation **Division:**

**Description:** Licensed importers and manufacturers shall retain .25 % of the tax to cover their related administrative cost.

**Year Enacted:** 1961 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Licensed importers and manufacturers

**NRS:** 369.370 (3)

**Summary of Amendments:** [Part 19:160:1935; A 1937, 374; 1939, 113; 1945, 371; 1947, 645; 1955, 464] — NRS A 1961, 593; 1971, 587; 1975, 1709; 1987, 329; 2003, 20th Special Session, 19; 2008, 25th Special Session, 18; 2009, 2097

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 82 | $132,740.79 |
| **Fiscal Year Total:** | **82** | **$132,740.79** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 70 | $129,916.27 |
| **Fiscal Year Total:** | **70** | **$129,916.27** |

## Tax Type: Liquor Tax

**Expenditure Name:** **Excise tax paid by importers and manufacturers on product that was lost, stolen, damaged in transit, or spoiled on premises** **Category:** **Credit**

**Agency:** Department of Taxation **Division:**

**Description:** The Department shall allow refunds or credits on any shipments lost, stolen, or damaged in transit, or damaged or spoiled on the premises.

**Year Enacted:** 1935 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Liquor wholesalers and retailers

**NRS:** 369.370 (4)

**Summary of Amendments:** [Part 19:160:1935; A 1937, 374; 1939, 113; 1945, 371; 1947, 645; 1955, 464] — NRS A 1961, 593; 1971, 587; 1975, 1709; 1987, 329; 2003, 20th Special Session, 19; 2008, 25th Special Session, 18; 2009, 2097

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 28 | $173,170.17 |
| **Fiscal Year Total:** | **28** | **$173,170.17** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 24 | $194,582.40 |
| **Fiscal Year Total:** | **24** | **$194,582.40** |

## Tax Type: Liquor Tax

**Expenditure Name:** **Excise tax paid by importers and manufacturers on product that was shipped outside this state** **Category:** **Credit**

**Agency:** Department of Taxation **Division:**

**Description:** Tax paid on any liquor that was exported out of this state in a manner not in conflict with the law of the place of the sale is exempt from the Liquor Excise Tax.

**Year Enacted:** 1935 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Liquor importer

**NRS:** 369.370 (2)

**Summary of Amendments:** [Part 19:160:1935; A 1937, 374; 1939, 113; 1945, 371; 1947, 645; 1955, 464] — NRS A 1961, 593; 1971, 587; 1975, 1709; 1987, 329; 2003, 20th Special Session, 19; 2008, 25th Special Session, 18; 2009, 2097

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 33 | $1,501,093.88 |
| **Fiscal Year Total:** | **33** | **$1,501,093.88** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 30 | $1,339,534.67 |
| **Fiscal Year Total:** | **30** | **$1,339,534.67** |

## Tax Type: Liquor Tax

**Expenditure Name:** Exempt from Liquor Tax while engaged in interstate commerce **Category:** Credit

**Agency:** Department of Taxation **Division:**

**Description:** Common carriers, while engaged in interstate commerce, who sell or furnish liquor on their trains, buses, or airplanes may purchase liquor from licensed Nevada wholesale dealers, subject to rules and regulations of the Department. A refund or credit for the excise tax paid on such liquor shall be allowed by the wholesale dealer when a sale to a common carrier engaged in interstate commerce has been made.

**Year Enacted:** 1965 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Wholesale dealers

**NRS:** 369.175

**Summary of Amendments:** Added to NRS by 1965, 303; A 1975, 1705

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 6 | $146,625.69 |
| **Fiscal Year Total:** | **6** | **$146,625.69** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 8 | $152,952.16 |
| **Fiscal Year Total:** | **8** | **$152,952.16** |

## Tax Type: Liquor Tax

**Expenditure Name:** Exemption for certain wine produced on premises of instructional wine making facility **Category:** Exemption

**Agency:** Department of Taxation **Division:**

**Description:** No excise tax may be imposed upon wine produced on the premises of an instructional wine-making facility if the wine is used, consumed, or disposed of on the premises of the facility or distributed to persons for household or personal use.

**Year Enacted:** 2005 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Instructional wine makers

**NRS:** 369.345

**Summary of Amendments:** Added to NRS by 2005, 1274

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

2024 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

## Tax Type: Liquor Tax

**Expenditure Name:** Exemption for sale of liquor by licensed wholesale dealer to certain instrumentalities of Armed Forces

**Category:** Exemption

**Agency:** Department of Taxation

**Division:**

**Description:** The sale of liquor by licensed wholesale dealers to instrumentalities of the Armed Forces of the United States and located upon territory within the geographical boundaries of the State of Nevada, are exempt from the Liquor Excise Tax.

**Year Enacted:** 1963

**Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** The United States Armed Forces within the boundaries of Nevada

**NRS:** 369.335

**Summary of Amendments:** Added to NRS by 1963, 1275; A 1975, 1708; 1985, 646

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Government | 10 | $60,557.56 |
| **Fiscal Year Total:** | **10** | **$60,557.56** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Government | 10 | $36,070.44 |
| **Fiscal Year Total:** | **10** | **$36,070.44** |

## Tax Type: Liquor Tax

**Expenditure Name:** Liquor used for purposes other than concocting an alcohol beverage **Category:** Exemption

**Agency:** Department of Taxation **Division:**

**Description:** Liquor used for purposes other than concocting an alcohol beverage is exempt from the Liquor Excise Tax.

**Year Enacted:** 1935 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Medical professionals; religious organizations; any school, university, hospital, clinic, or industrial concern where liquor is used and needed for industrial purposes and not for concocting beverages for drink

**NRS:** 369.340

**Summary of Amendments:** [Part 19:160:1935; A 1937, 374; 1939, 113; 1945, 371; 1947, 645; 1955, 464] — NRS A 1975, 1709

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business/Personal | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business/Personal | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

2024 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

## Tax Type: Live Entertainment Tax

**Expenditure Name:** Admission charges collected by tax exempt organization **Category:** Exemption

**Agency:** Department of Taxation and Gaming Control Board **Division:**

**Description:** Admission charges collected and retained by a nonprofit religious, charitable, fraternal, or other organization that qualifies as a tax-exempt organization pursuant to 26 U.S.C. § 501(c), or by a nonprofit corporation organized or existing under the provisions of chapter 82 of NRS, are not taxable pursuant to this section only if the number of tickets to the live entertainment that are offered for sale or other distribution to patrons, either directly or indirectly, through a partner, subsidiary, client, affiliate, or other collaborator, is less than 7,500.

**Year Enacted:** 2003 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Nonprofit organizations

**NRS:** 368A.200 (2)(a)

**Summary of Amendments:** Added to NRS by 2003, 20th Special Session, 147; A 2005, 2483; 2005, 22nd Special Session, 142; 2007, 3433; 2015,3766

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

2024 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

## Tax Type: Live Entertainment Tax

**Expenditure Name:** **An activity that is an uncompensated, spontaneous performance that is not longer than 20 minutes during a 60-minute period**

**Category:** **Exclusion**

**Agency:** Department of Taxation

**Division:**

**Description:** An activity that is an uncompensated, spontaneous performance that is not longer than 20 minutes during a 60-minute period.

**Year Enacted:** 2015

**Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Gaming and entertainment industries

**NRS:** 368A.090 (2)(b)(4)

**Summary of Amendments:** Added to NRS by 2003, 20th Special Session, 147; A 2005, 2481; 2015, 3763

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

2024 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

## Tax Type: Live Entertainment Tax

**Expenditure Name:** **An athletic contest, event or exhibition conducted by a professional team based in this state is exempt from Live Entertainment Tax**

**Category:** **Exemption**

**Agency:** Department of Taxation

**Division:**

**Description:** An athletic contest, event or exhibition conducted by a professional team based in this State if the professional team based in this State is a participant in the contest, event or exhibition.

**Year Enacted:** 2003 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Entertainment industry

**NRS:** 368A.200 (4)(o)

**Summary of Amendments:** Added to NRS by 2003, 20th Special Session, 147; A 2005, 2483; 2005, 22nd Special Session, 142; 2007, 3433, 2015, 3766.

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

2024 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

## Tax Type: Live Entertainment Tax

**Expenditure Name:** **Animals shown for education and scientific research are not considered live entertainment** **Category:** **Exclusion**

**Agency:** Department of Taxation **Division:**

**Description:** Animal behaviors induced by animal trainers or caretakers primarily for the purpose of education and scientific research is exempt from Live Entertainment Tax.

**Year Enacted:** 2003 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Entertainment industry

**NRS:** 368A.090 (2)(b)(3)

**Summary of Amendments:** Added to NRS by 2003, 20th Special Session, 147; A 2005, 2481; 2015, 3763

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

2024 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

## Tax Type: Live Entertainment Tax

**Expenditure Name: Athletic contest, event, tournament or exhibition** **Category: Exclusion**

**Agency:** Department of Taxation **Division:**

**Description:** An athletic contest, event, tournament, or exhibition provided by an institution of the Nevada System of Higher Education, if students of such an institution are contestants in the contest, event, tournament, or exhibition.

**Year Enacted:** 2015 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Schools

**NRS:** 368A.200 (4)(c)

**Summary of Amendments:** Added to NRS by 2003, 20th Special Session, 147; A 2005, 2483; 2005, 22nd Special Session, 142; 2007, 3433; 2015, 3766

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Other | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Other | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

2024 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

## Tax Type: Live Entertainment Tax

**Expenditure Name:** **Boxing governed by the Nevada Boxing Commission is exempt from live entertainment** **Category:** **Exemption**

**Agency:** Department of Taxation and Gaming Control Board **Division:**

**Description:** Boxing contests or exhibitions are exempt provided that the event is governed by the provisions of NRS 467.

**Year Enacted:** 2003 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Gaming and entertainment industry

**NRS:** 368A.200 (4)(e)

**Summary of Amendments:** Added to NRS by 2003, 20th Special Session, 147; A 2005, 2483; 2005, 22nd Special Session, 142; 2007, 3433, 2015,3766.

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

2024 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

## Tax Type: Live Entertainment Tax

**Expenditure Name: Broadcasts are not considered live entertainment** **Category: Exclusion**

**Agency:** Department of Taxation and Gaming Control Board **Division:**

**Description:** Television, radio, closed circuit or Internet broadcasts of live entertainment are exempt from Live Entertainment Tax.

**Year Enacted:** 2003 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Gaming and entertainment industry

**NRS:** 368A.090 (2)(b)(1)

**Summary of Amendments:** Added to NRS by 2003, 20th Special Session, 147; A 2005, 2481, 2015, 3763.

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

2024 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

## Tax Type: Live Entertainment Tax

**Expenditure Name:** **Entertainment provided by patrons is not considered live entertainment** **Category:** **Exclusion**

**Agency:** Department of Taxation **Division:**

**Description:** Entertainment provided by a patron or patrons, including, without limitation, singing by patrons or dancing by or between patrons, is exempt from Live Entertainment Tax.

**Year Enacted:** 2003 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Gaming and entertainment industry

**NRS:** 368A.090 (2)(b)(2)

**Summary of Amendments:** Added to NRS by 2003, 20th Special Session, 147; A 2005, 2481, 2015,3763.

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

2024 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

## Tax Type: Live Entertainment Tax

**Expenditure Name:** Entertainment provided for a charitable event is exempt **Category:** Exemption

**Agency:** Department of Taxation and Gaming Control Board **Division:**

**Description:** Live entertainment that is provided by or entirely for the benefit of a nonprofit religious, charitable, fraternal or other organization that qualifies as a tax-exempt organization pursuant to 26 U.S.C. § 501(c), or a nonprofit corporation organized or existing under the provisions of chapter 82 of NRS, is exempt only if the number of tickets to the live entertainment which are offered for sale or other distribution to patrons, either directly or indirectly through a partner, subsidiary, client, affiliate or other collaborator, is less than 7,500.

**Year Enacted:** 2003 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Nonprofit organizations

**NRS:** 368A.200 (4)(d)

**Summary of Amendments:** Added to NRS by 2003, 20th Special Session, 147; A 2005, 2483; 2005, 22nd Special Session, 142; 2007, 3433; 2015, 3766

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

2024 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

## Tax Type: Live Entertainment Tax

**Expenditure Name:** Fees imposed, collected, and retained by an independent financial institution

**Category:** Exclusion

**Agency:** Department of Taxation

**Division:**

**Description:** Fees imposed, collected, and retained by an independent financial institution in connection with the use of credit cards or debit cards to pay the admission charge to a facility where live entertainment is provided are not taxable pursuant to this section. As used in this paragraph, "independent financial institution" means a financial institution that is not the taxpayer or an owner or operator of the facility where the live entertainment is provided, or an affiliate of any of those persons.

**Year Enacted:** 2015 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Gaming and entertainment industry

**NRS:** 368A.200 (2)(c)

**Summary of Amendments:** Added to NRS by 2003, 20th Special Session, 147; A 2005, 2483; 2005, 22nd Special Session, 142; 2007, 3433; 2015, 3766

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

2024 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

## Tax Type: Live Entertainment Tax

**Expenditure Name: Food and product demonstrations** **Category: Exemption**

**Agency:** Department of Taxation **Division:**

**Description:** Food and product demonstrations provided at a shopping mall, a craft show, or an establishment that sells grocery products, housewares, hardware, or other supplies for the home are exempt from Live Entertainment Tax.

**Year Enacted:** 2003 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Food and product demonstrators

**NRS:** 368A.200 (4)(l)

**Summary of Amendments:** Added to NRS by 2003, 20th Special Session, 147; A 2005, 2483; 2005, 22nd Special Session, 142; 2007, 3433, 2015, 3766.

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

2024 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

## Tax Type: Live Entertainment Tax

**Expenditure Name: Go-go dancing** **Category: Exemption**

**Agency:** Gaming Control Board **Division:**

**Description:** An activity described in subparagraphs (1) to (8), inclusive of paragraph (a), that does not constitute a performance, including, without limitation, go-go dancing.

**Year Enacted:** 2015 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Gaming and entertainment industry

**NRS:** 368A.090 (2)(b)(5)

**Summary of Amendments:** Added to NRS by 2003, 20th Special Session, 147; A 2005, 2481; 2015, 3763)

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business/Personal | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business/Personal | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

2024 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

## Tax Type: Live Entertainment Tax

**Expenditure Name: Gratuities** **Category: Exemption**

**Agency:** Department of Taxation and Gaming Control Board **Division:**

**Description:** Gratuities directly or indirectly remitted to persons employed at a facility where live entertainment is provided are not taxable pursuant to this section.

**Year Enacted:** 2003 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Gaming and entertainment industry

**NRS:** 368A.200 (2)(b)

**Summary of Amendments:** Added to NRS by 2003, 20th Special Session, 147; A 2005, 2483; 2005, 22nd Special Session, 142; 2007, 3433; 2015,3766;

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

2024 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

## Tax Type: Live Entertainment Tax

**Expenditure Name:** License or rental fees excluded on luxury suites, boxes or similar products

**Category:** Preferential Tax R

**Agency:** Department of Taxation and Gaming Control Board

**Division:**

**Description:** License or rental fees are excluded for luxury suites, boxes or similar products at facilities with a maximum occupancy of at least 7,500 persons. If the license or rental fee includes the admission of a certain number of patrons to a facility where a live entertainment event is provided, the admission charge is an amount equal to the lowest priced admission charge for the live entertainment event multiplied by the number of admissions to the live entertainment event included in the license or rental fee.

**Year Enacted:** 2015 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Businesses

**NRS:** 368A.020 (4)

**Summary of Amendments:** Added to NRS by 2003, 20th Special Session, 146; A 2005, 2481; 2015, 3762

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

2024 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

## Tax Type: Live Entertainment Tax

**Expenditure Name:** Licensed gaming establishment with less than 51 slot machines, 6 games or any combination of slots and games

**Category:** Exemption

**Agency:** Gaming Control Board

**Division:**

**Description:** Live entertainment that is provided at a licensed gaming establishment that is licensed for less than 51 slot machines, less than 6 games, or any combination of slot machines and games within those respective limits, if the facility in which the live entertainment is provided has a maximum occupancy of less than 200 persons, is exempt from Live Entertainment Tax.

**Year Enacted:** 2003 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Gaming industry

**NRS:** 368A.200 (4)(g)

**Summary of Amendments:** Added to NRS by 2003, 20th Special Session, 147; A 2005, 2483; 2005, 22nd Special Session, 142; 2007, 3433; 2015, 3766.

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

2024 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

## Tax Type: Live Entertainment Tax

**Expenditure Name: Live entertainment at a shopping mall** **Category: Exemption**

**Agency:** Department of Taxation and Gaming Control Board **Division:**

**Description:** Live entertainment that is provided in the common area of a shopping mall, unless the entertainment is provided in a facility located within the mall, is exempt from Live Entertainment Tax.

**Year Enacted:** 2003 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Entertainment industry

**NRS:** 368A.200 (4)(k)

**Summary of Amendments:** Added to NRS by 2003, 20th Special Session, 147; A 2005, 2483; 2005, 22nd Special Session, 142; 2007, 3433; 2015,3766.

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

2024 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

## Tax Type: Live Entertainment Tax

**Expenditure Name:** Live entertainment incidental to an amusement ride or similar attraction **Category:** Exemption

**Agency:** Department of Taxation and Gaming Control Board **Division:**

**Description:** Live entertainment that is incidental to an amusement ride, a motion simulator, or a similar digital, electronic, mechanical, or electromechanical attraction. For the purposes of this paragraph, live entertainment shall be deemed to be incidental to an amusement ride, a motion simulator, or a similar digital, electronic, mechanical or electromechanical attraction if the live entertainment is:(1) not the predominant element of the attraction; and (2) not the primary purpose for which the public rides, attends, or otherwise participates in the attraction.

**Year Enacted:** 2005 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Entertainment industry

**NRS:** 368A.200 (4)(m)(1),(2)

**Summary of Amendments:** Added to NRS by 2003, 20th Special Session, 147; A 2005, 2483; 2005, 22nd Special Session, 142; 2007, 3433; 2015,3766

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

2024 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

## Tax Type: Live Entertainment Tax

**Expenditure Name:** Live entertainment provided for private meetings or dinner **Category:** Exemption

**Agency:** Department of Taxation and Gaming Control Board **Division:**

**Description:** Live entertainment that is provided at a licensed gaming establishment at private meetings or dinners attended by members of a particular organization or by a casual assemblage if the purpose of the event is not primarily for entertainment is exempt from Live Entertainment Tax.

**Year Enacted:** 2003 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Groups conducting a private meeting that provide entertainment

**NRS:** 368A.200 (4)(j)

**Summary of Amendments:** Added to NRS by 2003, 20th Special Session, 147; A 2005, 2483; 2005, 22nd Special Session, 142; 2007, 3433; 2015,3766.

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

2024 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

## Tax Type: Live Entertainment Tax

**Expenditure Name:** Live entertainment that this state is prohibited from taxing **Category:** Exemption

**Agency:** Department of Taxation and Gaming Control Board **Division:**

**Description:** Any live entertainment that this state is prohibited from taxing under the Constitution, laws, or treaties of the United States, or the Nevada Constitution is exempt from Live Entertainment Tax.

**Year Enacted:** 2003 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Gaming and entertainment industry

**NRS:** 368A.200 (4)(a)

**Summary of Amendments:** Added to NRS by 2003, 20th Special Session, 147; A 2005, 2483; 2005, 22nd Special Session, 142; 2007, 3433; 2015,3766.

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

2024 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

## Tax Type: Live Entertainment Tax

**Expenditure Name:** Music performed by musicians who move constantly

**Category:** Exemption

**Agency:** Department of Taxation and Gaming Control Board

**Division:**

**Description:** Music performed by musicians who move constantly through the audience, if no other form of live entertainment is afforded to the patrons, is exempt from Live Entertainment Tax.

**Year Enacted:** 2003 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Gaming and entertainment industry

**NRS:** 368A.200 (4)(i)

**Summary of Amendments:** 2003, 20th Special Session, 147; A 2005, 2483; 2005, 22nd Special Session, 142; 2007, 3433; 2015, 3766)

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

2024 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

## Tax Type: Live Entertainment Tax

**Expenditure Name:** Nevada Interscholastic Activities Association **Category:** Exclusion

**Agency:** Department of Taxation **Division:**

**Description:** Live entertainment that is governed by the Nevada Interscholastic Activities Association pursuant to chapter 385B of NRS, or is provided or sponsored by an elementary school, junior high school, middle school, or high school, if only pupils or faculty provide the live entertainment, is exempt from the Live Entertainment Tax.

**Year Enacted:** 2015 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Schools

**NRS:** 368A.200 (4)(b)

**Summary of Amendments:** Added to NRS by 2003, 20th Special Session, 147; A 2005, 2483; 2005, 22nd Special Session, 142; 2007, 3433; 2015, 3766

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Other | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Other | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

2024 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

## Tax Type: Live Entertainment Tax

**Expenditure Name:** Occasional performances by employees is not considered live entertainment **Category:** Exclusion

**Agency:** Gaming Control Board **Division:**

**Description:** Marketing or promotional activities, including, without limitation, dancing or singing that is for a period that does not exceed 20 minutes during a 60-minute period and that is associated with the serving of food and beverages, is exempt from Live Entertainment Tax.

**Year Enacted:** 2003 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Gaming industry

**NRS:** 368A.090 (2)(b)(6)

**Summary of Amendments:** Added to NRS by 2003, 20th Special Session, 147; A 2005, 2481; 2015, 3763

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

2024 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

## Tax Type: Live Entertainment Tax

**Expenditure Name: Occupancy of less than 200 persons** **Category: Exemption**

**Agency:** Department of Taxation **Division:**

**Description:** Live entertainment that is not provided at a licensed gaming establishment, if the facility in which the live entertainment is provided has a maximum occupancy of less than 200 persons, is exempt from Live Entertainment Tax.

**Year Enacted:** 2003 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Gaming and entertainment industry

**NRS:** 368A.200 (4)(f)

**Summary of Amendments:** Added to NRS by 2003, 20th Special Session, 147; A 2005, 2483; 2005, 22nd Special Session, 142; 2007, 3433; 2015, 3766.

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

2024 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

## Tax Type: Live Entertainment Tax

**Expenditure Name: Stock car racing** **Category: Exemption**

**Agency:** Department of Taxation and Gaming Control Board **Division:**

**Description:** A race scheduled at a race track in this State and sanctioned by the National Association for Stock Car Auto Racing, if two or more such races are held at that race track during the same calendar year, is exempt from Live Entertainment Tax.

**Year Enacted:** 2003 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** National Association for Stock Car Auto Racing

**NRS:** 368A.200 (4)(n)

**Summary of Amendments:** Added to NRS by 2003, 20th Special Session, 147; A 2005, 2483; 2005, 22nd Special Session, 142; 2007, 3433, 2015, 3766

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

2024 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

## Tax Type: Live Entertainment Tax

**Expenditure Name: Trade shows, when entertainment is provided** **Category: Exemption**

**Agency:** Department of Taxation and Gaming Control Board **Division:**

**Description:** Live entertainment provided at a trade show is exempt from Live Entertainment Tax.

**Year Enacted:** 2003 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Entertainment industry

**NRS:** 368A.200 (4)(h)

**Summary of Amendments:** Added to NRS by 2003, 20th Special Session, 147; A 2005, 2483; 2005, 22nd Special Session, 142; 2007, 3433, 2015,3766

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

2024 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

## Tax Type: Modified Business Tax

**Expenditure Name:** **A deduction on the Modified Business Tax Return for the first $50,000 of gross wages** **Category:** **Deduction**

**Agency:** Department of Taxation **Division:**

**Description:** Beginning in FY16, a deduction is allowed in the amount of $50,000 per quarter from the sum of all wages that is reported on the Modified Business Tax Return.

**Year Enacted:** 2003 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Businesses

**NRS:** 363B.110

**Summary of Amendments:** Added to NRS by 2003, 20th Special Session, 142; A 2003, 20th Special Session, 230; 2005, 2081; 2005, 22nd Special Session, 139; 2007, 1712; 2009, 2190; 2011, 2891; 2013, 3425, 3427, 3428; 2015, 89, 2901; 2019, 3275

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 56,033 | $135,687,432.78 |
| **Fiscal Year Total:** | **56,033** | **$135,687,432.78** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 57,276 | $120,488,094.14 |
| **Fiscal Year Total:** | **57,276** | **$120,488,094.14** |

## Tax Type: Modified Business Tax

**Expenditure Name:** **Abatement of Modified Business Tax for capital investment at least $1 billion** **Category:** **Abatement**

**Agency:** Department of Taxation **Division:**

**Description:** The partial abatement for the lead participant in the qualified project must, for employer excise taxes, be for a duration of not more than 10 years after the effective date of the partial abatement and in an amount that equals 75% of the amount of the employer excise taxes that would otherwise be owed by each participant for employees employed by the participant for the qualified project.

**Year Enacted:** 2015 **Sunset Date:** 6/30/2032

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Businesses

**NRS:** 360.893 (2)(b)

**Summary of Amendments:** Added to NRS by 2015, 29th Special Session, 24

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 0 | $0.00 |
| **Fiscal Year Total:** | **0** | **$0.00** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 1 | $309,397.24 |
| **Fiscal Year Total:** | **1** | **$309,397.24** |

2023 - Expenditure Explanation: No businesses are currently utilizing this expenditure.

## Tax Type: Modified Business Tax

**Expenditure Name:** **Abatement of Modified Business Tax for capital investment at least $3.5 billion** **Category:** **Abatement**

**Agency:** Department of Taxation **Division:**

**Description:** Abatement of Modified Business Tax for qualified projects with a capital investment of at least $3.5 billion.

**Year Enacted:** 2014 **Sunset Date:** 6/30/2036

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Businesses

**NRS:** 360.965 (2)(b)

**Summary of Amendments:** Added to NRS by 2014, 28th Special Session, 18

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 6 | $12,571,968.43 |
| **Fiscal Year Total:** | **6** | **$12,571,968.43** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 6 | $10,899,328.59 |
| **Fiscal Year Total:** | **6** | **$10,899,328.59** |

## Tax Type: Modified Business Tax

**Expenditure Name:** Credit for donation to scholarship organization made through Nevada Educational Choice Scholarship Program (Financial Institutions and Mining)

**Category:** Credit

**Agency:** Department of Taxation

**Division:**

**Description:** Any taxpayer who is required to pay a tax pursuant to NRS 363A.130 may receive a credit against the tax otherwise due for any donation of money made by the taxpayer to a scholarship organization in the manner provided by this section.

**Year Enacted:** 2015 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Businesses

**NRS:** 363A.139

**Summary of Amendments:** Added to NRS by 2015, 86; A 2017, 4366; 2019, 2296, 3273; 2021, 1282

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 4 | $447,209.29 |
| **Fiscal Year Total:** | **4** | **$447,209.29** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 1 | $49,999.99 |
| **Fiscal Year Total:** | **1** | **$49,999.99** |

## Tax Type: Modified Business Tax

**Expenditure Name:** Credit for donation to scholarship organization made through Nevada Educational Choice Scholarship Program (General Business)

**Category:** Credit

**Agency:** Department of Taxation

**Division:**

**Description:** If a taxpayer applies to and is approved by the Department of Taxation for the credit authorized by subsection 1, the amount of the credit provided by this section is equal to the amount approved by the Department of Taxation pursuant to subsection 2, which must not exceed the amount of the donation made by the taxpayer to a scholarship organization. The total amount of the credit applied against the taxes described in subsection 1 and otherwise due from a taxpayer must not exceed the amount of the donation.

**Year Enacted:** 2015 **Sunset Date:** None

**Purpose:** Legislative intent not identified in statute

**Who Benefits:** Public

**NRS:** 363B.119 (4)

**Summary of Amendments:** Added to NRS by 2015, 86; A 2017, 4366; 2019, 2296, 3273; 2021, 1282

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 52 | $11,412,135.97 |
| **Fiscal Year Total:** | **52** | **$11,412,135.97** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 21 | $5,999,172.44 |
| **Fiscal Year Total:** | **21** | **$5,999,172.44** |

## Tax Type: Modified Business Tax

**Expenditure Name:** **Deduction of amount paid for health insurance, health benefit plan for employees of a financial institution (Financial Institutions and Mining)**

**Category:** **Deduction**

**Agency:** Department of Taxation

**Division:**

**Description:** A financial institution or mining employer may deduct from the total amount of wages reported for the purpose of calculating the amount of excise tax required to be paid pursuant to NRS 363A.130 any amount authorized pursuant to this section that is paid by the employer for health insurance or a health benefit plan for its employees in the calendar quarter for which the tax is paid.

**Year Enacted:** 2005 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Financial institutions, Mining companies

**NRS:** 363A.135 (1)

**Summary of Amendments:** Added to NRS by 2005, 22nd Special Session, 132

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 831 | $6,657,275.54 |
| **Fiscal Year Total:** | **831** | **$6,657,275.54** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 854 | $5,439,877.84 |
| **Fiscal Year Total:** | **854** | **$5,439,877.84** |

## Tax Type: Modified Business Tax

**Expenditure Name:** Deduction of amounts paid for health insurance or health benefit plan for employees (General Business)

**Category:** Deduction

**Agency:** Department of Taxation

**Division:**

**Description:** An employer may deduct from the total amount of wages reported for the purpose of calculating the amount of the excise tax required to be paid pursuant to NRS 363B.110 any amount authorized pursuant to this section that is paid by the employer for health insurance or a health benefit plan for its employees in the calendar quarter for which the tax is paid.

**Year Enacted:** 2005 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Employer and employees

**NRS:** 363B.115

**Summary of Amendments:** Added to NRS by 2005, 22nd Special Session, 137; A 2011, 2892

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 13,570 | $66,750,605.95 |
| **Fiscal Year Total:** | **13,570** | **$66,750,605.95** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 13,163 | $52,395,284.80 |
| **Fiscal Year Total:** | **13,163** | **$52,395,284.80** |

## Tax Type: Modified Business Tax

**Expenditure Name:** **Modified Business Tax credit equal to 50% of Commerce Tax paid (General Business)** **Category:** **Credit**

**Agency:** Department of Taxation **Division:**

**Description:** An employer is entitled to subtract 50% of the amount of the commerce tax paid by the employer pursuant to chapter 363C of NRS for the preceding taxable year.

**Year Enacted:** 2015 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Businesses

**NRS:** 363B.110 (4)

**Summary of Amendments:** 2003, 20th Special Session, 142; A 2003, 20th Special Session, 230; 2005, 2081; 2005, 22nd Special Session, 139; 2007, 1712; 2009, 2190; 2011, 2891; 2013, 3425, 3427, 3428; 2015, 89, 2901)

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 3,264 | $59,608,938.80 |
| **Fiscal Year Total:** | **3,264** | **$59,608,938.80** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 3,285 | $62,169,993.17 |
| **Fiscal Year Total:** | **3,285** | **$62,169,993.17** |

## Tax Type: Modified Business Tax

**Expenditure Name:** **Modified Business Tax credit equal to 50% of Commerce Tax paid by financial institutions and mining employers (Financial Institutions and Mining)**

**Category:** **Credit**

**Agency:**

**Division:**

**Description:** An employer is entitled to subtract 50% of the amount of the commerce tax paid by the employer pursuant to chapter 363C of NRS for the preceding taxable year.

**Year Enacted:** 2015 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute.

**Who Benefits:** Businesses

**NRS:** 363A.130 (4)

**Summary of Amendments:** 2015, 88, 2900; 2019, 3273

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 57 | $626,651.05 |
| **Fiscal Year Total:** | **57** | **$626,651.05** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 48 | $429,237.55 |
| **Fiscal Year Total:** | **48** | **$429,237.55** |

## Tax Type: Modified Business Tax

**Expenditure Name:** **Modified Business Tax credit for matching employee contributions to college savings trust accounts (Financial Institutions and Mining)**

**Category:** **Credit**

**Agency:** Department of Taxation

**Division:**

**Description:** An employer that makes a matching contribution to a Nevada College Savings Trust Fund can take a credit equal to 25% of the matching contribution but may not exceed $500 per contributing employee per year.

**Year Enacted:** 2015

**Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Businesses

**NRS:** 363A.137

**Summary of Amendments:** 2015, 2448; A 2015, 2451

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business/Personal | 0 | $0.00 |
| **Fiscal Year Total:** | **0** | **$0.00** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business/Personal | 0 | $0.00 |
| **Fiscal Year Total:** | **0** | **$0.00** |

2023 - Expenditure Explanation: No employer has utilized the credit.

2024 - Expenditure Explanation: No employer has utilized the credit.

## Tax Type: Modified Business Tax

**Expenditure Name:** **Modified Business Tax credit for matching employee contributions to college savings trust accounts (General Business)**

**Category:** **Credit**

**Agency:** Department of Taxation

**Division:**

**Description:** An employer that makes a matching contribution to a Nevada College Savings Trust Fund can take a credit equal to 25% of the matching contribution but may not exceed $500 per contributing employee per year.

**Year Enacted:** 2015

**Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Businesses

**NRS:** 363B.117

**Summary of Amendments:** 2015, 2449

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business/Personal | 1 | $392.49 |
| **Fiscal Year Total:** | **1** | **$392.49** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business/Personal | 0 | $0.00 |
| **Fiscal Year Total:** | **0** | **$0.00** |

2024 - Expenditure Explanation: No employer has utilized the credit.

## Tax Type: Modified Business Tax

**Expenditure Name:** **Partial abatement of the Modified Business Tax during initial period of operation** **Category:** **Abatement**

**Agency:** Department of Taxation **Division:**

**Description:** An employer that qualifies pursuant to NRS 360.750 is entitled to an exemption of 50% of the amount of tax otherwise due pursuant to NRS 363B.110 during the first 4 years of its operation. Pursuant to NRS 360.750(5), in certain cases the abatement is capped at 25% of the amount of tax otherwise due.

**Year Enacted:** 2003 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Businesses

**NRS:** 363B.120 *NRS 360.750(5) causes some of the abatements to be 25% instead of 50%*

**Summary of Amendments:** Added to NRS by 2003, 20th Special Session, 144; A 2011, 3467; 2015, 1073

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 45 | $1,242,338.40 |
| **Fiscal Year Total:** | **45** | **$1,242,338.40** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 38 | $684,324.91 |
| **Fiscal Year Total:** | **38** | **$684,324.91** |

## Tax Type: Multi

**Expenditure Name: Tax credit for a qualified production** **Category: Credit**

**Agency:** Department of Taxation and Gaming Control Board **Division:**

**Description:** A producer of a qualified production that is produced in this state in whole or in part before 12/31/2017 may apply for a certificate of eligibility for transferable tax credit. The credits may be applied to Gaming Tax, Modified Business Tax, or Insurance Premium Tax.

**Year Enacted:** 2013 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Producer of a qualified production

**NRS:** 360.759

**Summary of Amendments:** Added to NRS by 2013, 3091; A 2015, 1101, 1109

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 2 | $2,200,088.00 |
| **Fiscal Year Total:** | **2** | **$2,200,088.00** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 1 | $1,842,482.00 |
| **Fiscal Year Total:** | **1** | **$1,842,482.00** |

## Tax Type: Net Proceeds of Minerals

**Expenditure Name:** Computation of gross yield and net proceeds - cost of delivering the mineral **Category:** Deduction

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** The actual cost of delivering the mineral to the point of sale can be deducted from gross yield.

**Year Enacted:** 1927 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Mining

**NRS:** 362.120 (3)(d)

**Summary of Amendments:** [3:77:1927; A 1937, 139; 1939, 256; 1931 NCL § 6580] — (NRS A 1971, 926; 1973, 1294; 1975, 1676; 1979, 820; 1983, 254; 1989, 36, 1533; 1991, 146; 1997, 1990; 2001, 661; 2011, 2694, 2696; 2013, 3126, 3426, 3819; 2015, 2954)

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 24 | $2,881,130.91 |
| **Fiscal Year Total:** | **24** | **$2,881,130.91** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 16 | $293,812.21 |
| **Fiscal Year Total:** | **16** | **$293,812.21** |

## Tax Type: Net Proceeds of Minerals

**Expenditure Name:** Computation of gross yield and net proceeds - cost of depreciation of capitalized cost **Category:** Deduction

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** Depreciation of the original capitalized cost of the machinery, equipment, apparatus, works, plants, and facilities can be deductible from the gross yield.

**Year Enacted:** 1927 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Mining

**NRS:** 362.120 (3)(f)

**Summary of Amendments:** [3:77:1927; A 1937, 139; 1939, 256; 1931 NCL § 6580] — (NRS A 1971, 926; 1973, 1294; 1975, 1676; 1979, 820; 1983, 254; 1989, 36, 1533; 1991, 146; 1997, 1990; 2001, 661; 2011, 2694, 2696; 2013, 3126, 3426, 3819; 2015, 2954)

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 102 | $1,242,614.43 |
| **Fiscal Year Total:** | **102** | **$1,242,614.43** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 77 | $32,630,546.23 |
| **Fiscal Year Total:** | **77** | **$32,630,546.23** |

## Tax Type: Net Proceeds of Minerals

**Expenditure Name:** Computation of gross yield and net proceeds - cost of developmental work **Category:** Deduction

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** The actual cost of developmental work in or about the mine or upon a group of mines when operated as a unit, which is limited to work that is necessary to the operation of the mine or group of mines, can be deducted from the gross yield.

**Year Enacted:** 1927 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Mining

**NRS:** 362.120 (3)(k)

**Summary of Amendments:** 1927, SB 27, Section 3(9)

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 24 | $41,294,355.77 |
| **Fiscal Year Total:** | **24** | **$41,294,355.77** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 26 | $37,043,662.41 |
| **Fiscal Year Total:** | **26** | **$37,043,662.41** |

## Tax Type: Net Proceeds of Minerals

**Expenditure Name:** **Computation of gross yield and net proceeds - cost of employee travel related to mining** **Category:** **Deduction**

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** The costs of employee travel that occurs within the State of Nevada, and which are directly related to mining operations within the State of Nevada, can be deducted from the gross yield.

**Year Enacted:** 2011 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Mining

**NRS:** 362.120 (3)(i)

**Summary of Amendments:** [3:77:1927; A 1937, 139; 1939, 256; 1931 NCL § 6580] — (NRS A 1971, 926; 1973, 1294; 1975, 1676; 1979, 820; 1983, 254; 1989, 36, 1533; 1991, 146; 1997, 1990; 2001, 661; 2011, 2694, 2696; 2013, 3126, 3426, 3819; 2015, 2954)

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 45 | $2,892,026.36 |
| **Fiscal Year Total:** | **45** | **$2,892,026.36** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 39 | $3,297,401.55 |
| **Fiscal Year Total:** | **39** | **$3,297,401.55** |

## Tax Type: Net Proceeds of Minerals

**Expenditure Name:** Computation of gross yield and net proceeds - cost of extraction of minerals **Category:** Deduction

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** The actual cost of extracting the mineral, which is limited to direct costs for activities performed in the State of Nevada, can be deducted from the gross yield.

**Year Enacted:** 1927 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Mining

**NRS:** 362.120 (3)(a)

**Summary of Amendments:** [3:77:1927; A 1937, 139; 1939, 256; 1931 NCL § 6580] — (NRS A 1971, 926; 1973, 1294; 1975, 1676; 1979, 820; 1983, 254; 1989, 36, 1533; 1991, 146; 1997, 1990; 2001, 661; 2011, 2694, 2696; 2013, 3126, 3426, 3819; 2015, 2954)

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 99 | $89,370,961.64 |
| **Fiscal Year Total:** | **99** | **$89,370,961.64** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 73 | $93,012,990.51 |
| **Fiscal Year Total:** | **73** | **$93,012,990.51** |

## Tax Type: Net Proceeds of Minerals

**Expenditure Name:** **Computation of gross yield and net proceeds - cost of industrial insurance premiums, hospital and medical attention, accident benefits and group insurance**

**Category:** **Deduction**

**Agency:** Department of Taxation

**Division:** Local Government Services

**Description:** All money paid as premiums for industrial insurance, and the actual cost of hospital and medical attention and accident benefits and group insurance for employees actually engaged in mining operations within the State of Nevada can be deducted from gross yield.

**Year Enacted:** 1927

**Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Mining

**NRS:** 362.120 (3)(g)

**Summary of Amendments:** [3:77:1927; A 1937, 139; 1939, 256; 1931 NCL § 6580] - (NRS A 1971, 926; 1973, 1294; 1975, 1676; 1979, 820; 1983, 254; 1989, 36, 1533; 1991, 146; 1997, 1990; 2001, 661; 2011, 2694, 2696; 2013, 3126, 3426, 3819; 2015, 2954)

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 5 | $4,659.02 |
| **Fiscal Year Total:** | **5** | **$4,659.02** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 0 | $0.00 |
| **Fiscal Year Total:** | **0** | **$0.00** |

2023 - Expenditure Explanation: Reported with NRS 362.120(3)(h) in previous years. Business reporting revised in recent years.

2024 - Expenditure Explanation: Reported with NRS 362.120(3)(h) in previous years. Business reporting revised in recent years.

## Tax Type: Net Proceeds of Minerals

**Expenditure Name:** Computation of gross yield and net proceeds - cost of maintenance and repair **Category:** Deduction

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** The actual cost of maintenance and repairs of: all machinery, equipment, apparatus, and facilities used in the mine, a milling, refining, smelting and reduction works, plants, facilities, and equipment for transportation can be deducted from the gross yield.

**Year Enacted:** 1927 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Mining

**NRS:** 362.120 (3)(e)

**Summary of Amendments:** [3:77:1927; A 1937, 139; 1939, 256; 1931 NCL § 6580] — (NRS A 1971, 926; 1973, 1294; 1975, 1676; 1979, 820; 1983, 254; 1989, 36, 1533; 1991, 146; 1997, 1990; 2001, 661; 2011, 2694, 2696; 2013, 3126, 3426, 3819; 2015, 2954)

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 83 | $22,286,366.48 |
| **Fiscal Year Total:** | **83** | **$22,286,366.48** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 70 | $23,641,251.87 |
| **Fiscal Year Total:** | **70** | **$23,641,251.87** |

## Tax Type: Net Proceeds of Minerals

**Expenditure Name:** **Computation of gross yield and net proceeds - cost of Nevada-based corporate services** **Category:** **Deduction**

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** The costs of Nevada-based corporate services related to the actual cost of maintenance and repairs of:

(1) all machinery, equipment, apparatus and, facilities used in the mine,

(2) all milling, refining, smelting and reduction works, plants, and facilities,

(3) all facilities and equipment for transportation except those that are under the jurisdiction of the Public Utilities Commission of Nevada or the Nevada Transportation Authority, and

(4) The costs of employee travel which occurs within the State of Nevada and which is directly related to mining operations within the State of Nevada. Can be deducted from the gross yield.

**Year Enacted:** 2011 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Mining

**NRS:** 362.120 (3)(j)

**Summary of Amendments:** [3:77:1927; A 1937, 139; 1939, 256; 1931 NCL § 6580] — (NRS A 1971, 926; 1973, 1294; 1975, 1676; 1979, 820; 1983, 254; 1989, 36, 1533; 1991, 146; 1997, 1990; 2001, 661; 2011, 2694, 2696; 2013, 3126, 3426, 3819; 2015, 2954)

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 30 | $8,138,113.39 |
| **Fiscal Year Total:** | **30** | **$8,138,113.39** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 33 | $7,900,454.00 |
| **Fiscal Year Total:** | **33** | **$7,900,454.00** |

## Tax Type: Net Proceeds of Minerals

**Expenditure Name:** **Computation of gross yield and net proceeds - cost of reclamation work** **Category:** **Deduction**

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** Actual reclamation cost in the years the reclamation work was done can be deducted from the gross yield.

**Year Enacted:** 2011 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Mining

**NRS:** 362.120 (3)(l)

**Summary of Amendments:** [3:77:1927; A 1937, 139; 1939, 256; 1931 NCL § 6580] — (NRS A 1971, 926; 1973, 1294; 1975, 1676; 1979, 820; 1983, 254; 1989, 36, 1533; 1991, 146; 1997, 1990; 2001, 661; 2011, 2694, 2696; 2013, 3126, 3426, 3819; 2015, 2954)

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 32 | $2,247,079.50 |
| **Fiscal Year Total:** | **32** | **$2,247,079.50** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 16 | $1,525,650.83 |
| **Fiscal Year Total:** | **16** | **$1,525,650.83** |

## Tax Type: Net Proceeds of Minerals

**Expenditure Name:** **Computation of gross yield and net proceeds - cost of reduction, refining and sale** **Category:** **Deduction**

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** The actual cost of reduction, refining, and sale can be deducted from the gross yield.

**Year Enacted:** 1927 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Mining

**NRS:** 362.120 (3)(c)

**Summary of Amendments:** [3:77:1927; A 1937, 139; 1939, 256; 1931 NCL § 6580] — (NRS A 1971, 926; 1973, 1294; 1975, 1676; 1979, 820; 1983, 254; 1989, 36, 1533; 1991, 146; 1997, 1990; 2001, 661; 2011, 2694, 2696; 2013, 3126, 3426, 3819; 2015, 2954)

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 43 | $54,737,014.01 |
| **Fiscal Year Total:** | **43** | **$54,737,014.01** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 48 | $56,806,634.20 |
| **Fiscal Year Total:** | **48** | **$56,806,634.20** |

## Tax Type: Net Proceeds of Minerals

**Expenditure Name:** **Computation of gross yield and net proceeds - cost of royalties** **Category:** **Deduction**

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** All money paid as production royalties by a lessee or sub lessee of a mine or well can be deducted from the gross yield.

**Year Enacted:** 1931 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Mining

**NRS:** 362.120 (3)(m)

**Summary of Amendments:** [3:77:1927; A 1937, 139; 1939, 256; 1931 NCL § 6580] — (NRS A 1971, 926; 1973, 1294; 1975, 1676; 1979, 820; 1983, 254; 1989, 36, 1533; 1991, 146; 1997, 1990; 2001, 661; 2011, 2694, 2696; 2013, 3126, 3426, 3819; 2015, 2954)

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 59 | $10,685,251.68 |
| **Fiscal Year Total:** | **59** | **$10,685,251.68** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 46 | $11,297,185.73 |
| **Fiscal Year Total:** | **46** | **$11,297,185.73** |

## Tax Type: Net Proceeds of Minerals

**Expenditure Name:** **Computation of gross yield and net proceeds - cost of transporting the mineral to a place of reduction, refining, and sale**

**Category:** **Deduction**

**Agency:** Department of Taxation

**Division:** Local Government Services

**Description:** The actual cost of transporting the mineral to the place or places of reduction, refining, and sale is deductible from the computation of gross yield and net proceeds.

**Year Enacted:** 1927

**Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Mining

**NRS:** 362.120 (3)(b)

**Summary of Amendments:** [3:77:1927; A 1937, 139; 1939, 256; 1931 NCL § 6580] — (NRS A 1971, 926; 1973, 1294; 1975, 1676; 1979, 820; 1983, 254; 1989, 36, 1533; 1991, 146; 1997, 1990; 2001, 661; 2011, 2694, 2696; 2013, 3126, 3426, 3819; 2015, 2954)

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 59 | $13,724,987.17 |
| **Fiscal Year Total:** | **59** | **$13,724,987.17** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 45 | $12,725,912.02 |
| **Fiscal Year Total:** | **45** | **$12,725,912.02** |

## Tax Type: Net Proceeds of Minerals

**Expenditure Name:** **Computation of gross yield and net proceeds - cost of unemployment or social security payments** **Category:** **Deduction**

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** All money paid as contributions or payments under the unemployment compensation law of the State of Nevada and under the Social Security Act of the federal government can be deducted from the computation of the gross yield.

**Year Enacted:** 1927 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Mining

**NRS:** 362.120 (3)(h)

**Summary of Amendments:** [3:77:1927; A 1937, 139; 1939, 256; 1931 NCL § 6580] — (NRS A 1971, 926; 1973, 1294; 1975, 1676; 1979, 820; 1983, 254; 1989, 36, 1533; 1991, 146; 1997, 1990; 2001, 661; 2011, 2694, 2696; 2013, 3126, 3426, 3819; 2015, 2954)

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 47 | $15,995,522.80 |
| **Fiscal Year Total:** | **47** | **$15,995,522.80** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 50 | $17,465,081.34 |
| **Fiscal Year Total:** | **50** | **$17,465,081.34** |

## Tax Type: Net Proceeds of Minerals

**Expenditure Name:** Rate of tax upon net proceeds - geothermal operation **Category:** Preferential Tax R

**Agency:** **Division:**

**Description:** If a geothermal operation is taxable pursuant to NRS 362.100 to 362.240, inclusive, the rate of tax upon mineral extraction by the operation is an amount equal to the combined rate of tax ad valorem, including any rate levied by the State of Nevada, for property at the situs of the operation multiplied by the net proceeds.

**Year Enacted:** 1989 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Geothermal companies

**NRS:** 362.140 (4)

**Summary of Amendments:** [Part 75:99:1891; C § 1147; RL § 3687; NCL § 6481] — NRS A 1989, 38, 1537; 2013, 3129

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: With the tiered structure of the NPM tax rates, the amount of taxes encompassed by this expenditure are not determinable at this time.

2024 - Expenditure Explanation: With the tiered structure of the NPM tax rates, the amount of taxes encompassed by this expenditure are not determinable at this time.

## Tax Type: Peer to Peer Car Sharing

**Expenditure Name: Peer to Peer Car Sharing** **Category: Exemption**

**Agency:** Department of Taxation **Division:**

**Description:** The governmental services fee applicable to the Peer to Peer Car Sharing program shall exclude certain fees pursuant to subsection 7 of NRS 482C.230.

**Year Enacted:** 2021 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Businesses

**NRS:** 482C.230 (7)

**Summary of Amendments:** Added to NRS by 2021, 1842

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

2024 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

## Tax Type: Property Tax

**Expenditure Name:** **Abatement for Property Tax for capital investment at least $1 billion** **Category:** **Abatement**

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** Abatement of property tax for qualified projects with a capital investment of at least $1 billion.

**Year Enacted:** 2015 **Sunset Date:** 6/30/2032

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Businesses

**NRS:** 360.893 (2)(a)

**Summary of Amendments:** Added to NRS by 2015, 29th Special Session, 24; 2017, 3798

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: This is currently reported with NRS 361.0687.

2024 - Expenditure Explanation: This is currently reported with NRS 361.0687.

## Tax Type: Property Tax

**Expenditure Name:** **Abatement for Property Tax for capital investment at least $3.5 billion** **Category:** **Abatement**

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** Abatement of property for qualified projects with a capital investment of at least $3.5 billion.

**Year Enacted:** 2014 **Sunset Date:** 6/30/2036

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Businesses

**NRS:** 360.965 (2)(a)

**Summary of Amendments:** Added to NRS by 2014, 28th Special Session, 18

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: This is currently reported with NRS 361.0687.

2024 - Expenditure Explanation: This is currently reported with NRS 361.0687.

## Tax Type: Property Tax

**Expenditure Name:** **Abatement of taxes on real or personal property acquired by the federal government, state, or political subdivision**

**Category:** **Abatement**

**Agency:** Department of Taxation

**Division:** Local Government Services

**Description:** Taxes on property acquired by federal, state, or local governments must be abated ratably for the portion of the fiscal year in which the property is owned by said government.

**Year Enacted:** 1963

**Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Government

**NRS:** 361.484

**Summary of Amendments:** Added to NRS by 1963, 643; A 1967, 930; 1977, 239; 1989, 1821; 1991, 2098; 2003, 2770

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Government | 72 | $13,319,336.38 |
| **Fiscal Year Total:** | **72** | **$13,319,336.38** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Government | 98 | $2,860,668.44 |
| **Fiscal Year Total:** | **98** | **$2,860,668.44** |

## Tax Type: Property Tax

**Expenditure Name:** Boulder City Bypass Toll Road Demonstration Project Act **Category:** Exemption

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** A possessory interest in property used as a lease, easement, operating agreement, license, permit or right of entry for the Boulder City Bypass Toll Road Demonstration Project Act is exempt from property tax.

**Year Enacted:** 1965 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Users of the Boulder City Bypass Toll Road

**NRS:** 361.157 (2)(n)

**Summary of Amendments:** Added to NRS by 1965, 1157; A 1967, 154, 1224; 1971, 658; 1973, 1406; 1977, 1097; 1979, 218; 1987, 292; 1989, 383; 1991, 2095; 1993, 1574, 2310; 1995, 579, 1807; 1997, 1172, 1570; 1999, 429, 2771; 2001, 840; 2007, 2464; 2011, 2917; 2013, 3115

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Government | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Government | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: This data is not available.

2024 - Expenditure Explanation: This data is not available.

## Tax Type: Property Tax

**Expenditure Name:** Business Inventories and Consumables - Collection of Admission Fee for Exhibition of Art **Category:** Exemption

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** The exemption is limited to certain kinds of works of art purchased for $25,000 or more and meets certain public display requirements. When a taxpayer collects an admission fee, the amount of exemption is reduced by the net revenue received by taxpayer (see NRS and NAC requirements - NRS 361.068(1)(j)).

**Year Enacted:** 1999 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Exhibitors of Fine Art

**NRS:** 361.186

**Summary of Amendments:** Added to NRS by 1999, 3197; A 2003, 639, 2360

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Corporate/Govt | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Corporate/Govt | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: This data is not available.

2024 - Expenditure Explanation: This data is not available.

## Tax Type: Property Tax

**Expenditure Name: Business inventory and consumables - bee colonies** **Category: Exemption**

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** Bee colonies are exempt from Personal Property Tax.

**Year Enacted:** 1979 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Owners of bee colonies

**NRS:** 361.068 (1)(f)

**Summary of Amendments:** Added to NRS by 1979, 79; A 1983, 1191; 1987, 854; 1989, 169; 1995, 152, 2709; 1997, 1197, 1569, 2979; 1999, 623, 624, 3198, 3201; 2001, 229, 1541, 1543; 2017, 2871; 2023, 1222

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: This data is not available.

2024 - Expenditure Explanation: This data is not available.

## Tax Type: Property Tax

**Expenditure Name: Business inventory and consumables - boats** **Category: Exemption**

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** All boats are exempt from Personal Property Tax.

**Year Enacted:** 1979 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Boat owners

**NRS:** 361.068 (1)(h)

**Summary of Amendments:** Added to NRS by 1979, 79; A 1983, 1191; 1987, 854; 1989, 169; 1995, 152, 2709; 1997, 1197, 1569, 2979; 1999, 623, 624, 3198, 3201; 2001, 229, 1541, 1543; 2017, 2871; 2023, 1222

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: This data is not available.

2024 - Expenditure Explanation: This data is not available.

## Tax Type: Property Tax

**Expenditure Name:** **Business inventory and consumables - campers, slide-in and shells** **Category:** **Exemption**

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** All slide-in campers and camper shells are exempt from Personal Property Tax.

**Year Enacted:** 1979 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Owners of slide-in campers and camper shells

**NRS:** 361.068 (1)(i)

**Summary of Amendments:** Added to NRS by 1979, 79; A 1983, 1191; 1987, 854; 1989, 169; 1995, 152, 2709; 1997, 1197, 1569, 2979; 1999, 623, 624, 3198, 3201; 2001, 229, 1541, 1543; 2107, 2871; 2023, 1222

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: This data is not available.

2024 - Expenditure Explanation: This data is not available.

## Tax Type: Property Tax

**Expenditure Name:** **Business inventory and consumables - carnival, circus, convention, display, exhibition, and fair** **Category:** **Exemption**

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** Personal property, transient in nature, owned by a non-resident and located in this state for use by or in a carnival, circus, convention, display, exhibition, or fair is exempt from Personal Property Tax. See transient personal property.

**Year Enacted:** 1979 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Owners of transient personal property described by statute

**NRS:** 361.068 (1)(k)(2)

**Summary of Amendments:** Added to NRS by 1979, 79; A 1983, 1191; 1987, 854; 1989, 169; 1995, 152, 2709; 1997, 1197, 1569, 2979; 1999, 623, 624, 3198, 3201; 2001, 229, 1541, 1543; 2017, 2871; 2023, 1222

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: This data is not available.

2024 - Expenditure Explanation: This data is not available.

## Tax Type: Property Tax

**Expenditure Name:** **Business inventory and consumables - collection of admission fee for exhibition of art** **Category:** **Exemption**

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** The exemption is limited to certain kinds of works of art purchased for $25,000 or more and meets certain public display requirements. When a taxpayer collects an admission fee, the amount of exemption is reduced by the net revenue received by taxpayer. See NRS and NAC requirements. NRS 361.186

**Year Enacted:** 1999 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Exhibiters of fine arts

**NRS:** 361.068 (1)(j)

**Summary of Amendments:** Added to NRS by 1979, 79; A 1983, 1191; 1987, 854; 1989, 169; 1995, 152, 2709; 1997, 1197, 1569, 2979; 1999, 623, 624, 3198, 3201; 2001, 229, 1541, 1543; 2017, 2871; 2023, 1222

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 11 | $248,700.66 |
| **Fiscal Year Total:** | **11** | **$248,700.66** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 11 | $102,085.35 |
| **Fiscal Year Total:** | **11** | **$102,085.35** |

## Tax Type: Property Tax

**Expenditure Name:** Business inventory and consumables - livestock **Category:** Exemption

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** Livestock is exempt from personal property taxes. Livestock is defined by NAC 361A.055 as "domestic animals, including, without limitation, cattle, sheep, goats, swine, poultry, fish and equine animals, used for food, fiber, breeding, draft or profit." See also Article 10 (6).

**Year Enacted:** 1979 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Owners of livestock

**NRS:** 361.068 (1)(e)

**Summary of Amendments:** Added to NRS by 1979, 79; A 1983, 1191; 1987, 854; 1989, 169; 1995, 152, 2709; 1997, 1197, 1569, 2979; 1999, 623, 624, 3198, 3201; 2001, 229, 1541, 1543; 2017, 2871; 2023, 1222

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: This data is not available.

2024 - Expenditure Explanation: This data is not available.

## Tax Type: Property Tax

**Expenditure Name:** **Business inventory and consumables - personal property held for sale by manufacturer** **Category:** **Exemption**

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** Personal property held for sale by a manufacturer is exempt from Personal Property Tax.

**Year Enacted:** 1979 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Businesses

**NRS:** 361.068 (1)(b)

**Summary of Amendments:** Added to NRS by 1979, 79; A 1983, 1191; 1987, 854; 1989, 169; 1995, 152, 2709; 1997, 1197, 1569, 2979; 1999, 623, 624, 3198, 3201; 2001, 229, 1541, 1543; 2017, 2871; 2023, 1222

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: This data is not available.

2024 - Expenditure Explanation: This data is not available.

## Tax Type: Property Tax

**Expenditure Name:** **Business inventory and consumables - personal property held for sale by merchant** **Category:** **Exemption**

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** Personal property held for sale by a merchant is exempt from Personal Property Tax.

**Year Enacted:** 1979 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** General public and businesses

**NRS:** 361.068 (1)(a)

**Summary of Amendments:** Added to NRS by 1979, 79; A 1983, 1191; 1987, 854; 1989, 169; 1995, 152, 2709; 1997, 1197, 1569, 2979; 1999, 623, 624, 3198, 3201; 2001, 229, 1541, 1543; 2017, 2871; 2023, 1222

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: This data is not available.

2024 - Expenditure Explanation: This data is not available.

## Tax Type: Property Tax

**Expenditure Name:** **Business inventory and consumables - pipe and irrigation equipment** **Category:** **Exemption**

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** Pipe and other agricultural equipment used to convey water for the irrigation of legal crops is exempt from Personal Property Tax.

**Year Enacted:** 1979 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Users of agricultural irrigation equipment

**NRS:** 361.068 (1)(g)

**Summary of Amendments:** Added to NRS by 1979, 79; A 1983, 1191; 1987, 854; 1989, 169; 1995, 152, 2709; 1997, 1197, 1569, 2979; 1999, 623, 624, 3198, 3201; 2001, 229, 1541, 1543; 2017, 2871; 2023, 1222

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: This data is not available.

2024 - Expenditure Explanation: This data is not available.

## Tax Type: Property Tax

**Expenditure Name:** Business inventory and consumables - raw materials and components consumed in the process of manufacture

**Category:** Exemption

**Agency:** Department of Taxation

**Division:** Local Government Services

**Description:** Raw materials, when they are held by a manufacturer for manufacture into products and supplies consumed in the process of manufacture, are exempt from Personal Property Tax.

**Year Enacted:** 1979

**Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Businesses

**NRS:** 361.068 (1)(c)

**Summary of Amendments:** Added to NRS by 1979, 79; A 1983, 1191; 1987, 854; 1989, 169; 1995, 152, 2709; 1997, 1197, 1569, 2979; 1999, 623, 624, 3198, 3201; 2001, 229, 1541, 1543; 2017, 2871; 2023, 1222

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: This data is not available.

2024 - Expenditure Explanation: This data is not available.

## Tax Type: Property Tax

**Expenditure Name:** **Business inventory and consumables - tangible personal property used for business** **Category:** **Exemption**

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** Tangible personal property purchased by a business and that will be consumed during the operation of the business is exempt from Personal Property Tax.

**Year Enacted:** 1979 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Businesses

**NRS:** 361.068 (1)(d)

**Summary of Amendments:** Added to NRS by 1979, 79; A 1983, 1191; 1987, 854; 1989, 169; 1995, 152, 2709; 1997, 1197, 1569, 2979; 1999, 623, 624, 3198, 3201; 2001, 229, 1541, 1543; 2017, 2871; 2023, 1222

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: This data is not available.

2024 - Expenditure Explanation: This data is not available.

## Tax Type: Property Tax

**Expenditure Name:** **Business inventory and consumables - when the tax is less than the cost to collect** **Category:** **Exemption**

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** Personal property for which the annual taxes would be less than the cost of collecting those taxes is exempt. Nevada Tax Commission determines level of cost.

**Year Enacted:** 1979 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Public

**NRS:** 361.068 (2)

**Summary of Amendments:** Added to NRS by 1979, 79; A 1983, 1191; 1987, 854; 1989, 169; 1995, 152, 2709; 1997, 1197, 1569, 2979; 1999, 623, 624, 3198, 3201; 2001, 229, 1541, 1543; 2017, 2871; 2023, 1222

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 11,885 | $55,371.11 |
| **Fiscal Year Total:** | **11,885** | **$55,371.11** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 10,350 | $48,536.78 |
| **Fiscal Year Total:** | **10,350** | **$48,536.78** |

2023 - Expenditure Explanation: 2022-23 - Cost to Collect = $10.00 or less.

2024 - Expenditure Explanation: 2023-24 - Cost to Collect = $10.00 or less.

## Tax Type: Property Tax

**Expenditure Name:** Drainage ditches, canals, and irrigation systems exempted **Category:** Exemption

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** Drainage ditches and canals along with the lands included in the right-of-way of the ditch or canal are exempt. Each part of a permanently installed irrigation system, including pipes, concrete linings of ditches, and head gates are exempt from Property Tax.

**Year Enacted:** 1953 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Public

**NRS:** 361.070

**Summary of Amendments:** [Part 1:344:1953; A 1954, 29; 1955, 340]—NRS A 1989, 1817; 1991, 2090

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 169 | $60,502.84 |
| **Fiscal Year Total:** | **169** | **$60,502.84** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 172 | $68,448.69 |
| **Fiscal Year Total:** | **172** | **$68,448.69** |

## Tax Type: Property Tax

**Expenditure Name:** **Exempt personal property subject to taxation if used in business conducted for profit; exceptions: airport personal property and vending stands of the blind**

**Category:** **Exemption**

**Agency:** Department of Taxation

**Division:** Local Government Services

**Description:** Personal property, or a portion of personal property, that for any reason is exempt from taxation is leased, loaned, or otherwise made available to and used by a natural person, association, or corporation in connection with a business conducted for profit, the leasehold interest, possessory interest, beneficial interest, or beneficial use of any such lessee or user of the property is subject to taxation to the extent the portion of the property is leased or used and percent of time during the fiscal year the property is leased - except for personal property owned by a public airport and used for the purposes of the public airport and personal property used in vending stands operated by persons who are blind.

**Year Enacted:** 1965

**Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Businesses

**NRS:** 361.159

**Summary of Amendments:** Added to NRS by 1965, 1157; A 1971, 659; 1973, 1406; 1977, 1098; 1987, 293; 1993, 1575, 2311; 1995, 579, 1809; 1997, 1173; 2001, 841, 1546; 2003, 53

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 3 | $11,305.46 |
| **Fiscal Year Total:** | **3** | **$11,305.46** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 3 | $11,305.46 |
| **Fiscal Year Total:** | **3** | **$11,305.46** |

## Tax Type: Property Tax

**Expenditure Name:** **Exempt real estate subject to taxation if used as residence or in business conducted for profit; exception: possessory interest - daycare**

**Category:** **Exemption**

**Agency:** Department of Taxation

**Division:** Local Government Services

**Description:** A possessory interest in property used as a daycare by a nonprofit organization is exempt from Property Tax.

**Year Enacted:** 1965

**Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Nonprofit organizations

**NRS:** 361.157 (2)(m)

**Summary of Amendments:** Added to NRS by 1965, 1157; A 1967, 154, 1224; 1971, 658; 1973, 1406; 1977, 1097; 1979, 218; 1987, 292; 1989, 383; 1991, 2095; 1993, 1574, 2310; 1995, 579, 1807; 1997, 1172, 1570; 1999, 429, 2771; 2001, 840; 2007, 2464; 2011, 2917; 2013, 3115

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 2 | $2,616.87 |
| **Fiscal Year Total:** | **2** | **$2,616.87** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 2 | $2,626.05 |
| **Fiscal Year Total:** | **2** | **$2,626.05** |

## Tax Type: Property Tax

**Expenditure Name:** **Exempt real estate subject to taxation if used as residence or in business conducted for profit; exception: possessory interest - federal government**

**Category:** **Exemption**

**Agency:** Department of Taxation

**Division:** Local Government Services

**Description:** A possessory interest in federal property for which PILT payments are made is exempt.

**Year Enacted:** 1965

**Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Government

**NRS:** 361.157 (2)(b)

**Summary of Amendments:** Added to NRS by 1965, 1157; A 1967, 154, 1224; 1971, 658; 1973, 1406; 1977, 1097; 1979, 218; 1987, 292; 1989, 383; 1991, 2095; 1993, 1574, 2310; 1995, 579, 1807; 1997, 1172, 1570; 1999, 429, 2771; 2001, 840; 2007, 2464; 2011, 2917; 2013, 3115

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Government | 0 | $0.00 |
| **Fiscal Year Total:** | **0** | **$0.00** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Government | 0 | $0.00 |
| **Fiscal Year Total:** | **0** | **$0.00** |

2023 - Expenditure Explanation: The value for this exemption may be reported in another category.

2024 - Expenditure Explanation: The value for this exemption may be reported in another category.

## Tax Type: Property Tax

**Expenditure Name:** **Exempt real estate subject to taxation if used as residence or in business conducted for profit; exceptions: possessory interest - charitable or religious residence**

**Category:** **Exemption**

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** A possessory interest in a residence used by a person carrying out the activities of a charitable or religious organization is exempt from Property Tax.

**Year Enacted:** 1965 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Charitable or religious organizations

**NRS:** 361.157 (2)(j)

**Summary of Amendments:** Added to NRS by 1965, 1157; A 1967, 154, 1224; 1971, 658; 1973, 1406; 1977, 1097; 1979, 218; 1987, 292; 1989, 383; 1991, 2095; 1993, 1574, 2310; 1995, 579, 1807; 1997, 1172, 1570; 1999, 429, 2771; 2001, 840; 2007, 2464; 2011, 2917; 2013, 3115

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 2 | $11,976.18 |
| **Fiscal Year Total:** | **2** | **$11,976.18** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 2 | $15,521.00 |
| **Fiscal Year Total:** | **2** | **$15,521.00** |

## Tax Type: Property Tax

**Expenditure Name:** **Exempt real estate subject to taxation if used as residence or in business conducted for profit; exceptions: possessory interest - public officer or employee**

**Category:** **Exemption**

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** A possessory interest in property that is leased, loaned, or made available to a public officer or employee in the course of public employment is exempt from Property Tax.

**Year Enacted:** 1965 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Public officers

**NRS:** 361.157 (2)(h)

**Summary of Amendments:** Added to NRS by 1965, 1157; A 1967, 154, 1224; 1971, 658; 1973, 1406; 1977, 1097; 1979, 218; 1987, 292; 1989, 383; 1991, 2095; 1993, 1574, 2310; 1995, 579, 1807; 1997, 1172, 1570; 1999, 429, 2771; 2001, 840; 2007, 2464; 2011, 2917; 2013, 3115

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Other | 0 | $0.00 |
| **Fiscal Year Total:** | **0** | **$0.00** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Other | 0 | $0.00 |
| **Fiscal Year Total:** | **0** | **$0.00** |

2023 - Expenditure Explanation: The value for this exemption may be reported in another category.

2024 - Expenditure Explanation: The value for this exemption may be reported in another category.

## Tax Type: Property Tax

**Expenditure Name:** Exemption for qualified low-income housing projects **Category:** Exemption

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** That portion of real property and tangible personal property used for housing and related facilities for persons with low incomes is exempt from Property Tax if the property meets certain criteria.

**Year Enacted:** 1991 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Public

**NRS:** 361.082

**Summary of Amendments:** Added to NRS by 1991, 1945; A 2001, 839; 2003, 2749; 2007, 1877; 2023, 1466

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 553 | $24,516,455.97 |
| **Fiscal Year Total:** | **553** | **$24,516,455.97** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 602 | $29,864,482.52 |
| **Fiscal Year Total:** | **602** | **$29,864,482.52** |

## Tax Type: Property Tax

**Expenditure Name:** **Exemption for veterans who have incurred a service-connected disability** **Category:** **Exemption**

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** Up to $20,000 assessed value of property, adjusted by Consumer Price Index (CPI), may be exempt, based on a sliding scale of disability of the veteran-owner. Only the property of residents or their surviving spouses meeting certain qualifying criteria is eligible for exemption from Property Tax.

**Year Enacted:** 1973 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Veterans

**NRS:** 361.091

**Summary of Amendments:** Added to NRS by 1973, 226; A 1975, 70; 1977, 1032; 1981, 1565; 1983, 472; 1985, 860; 1987, 813; 1989, 715; 1991, 2092; 1993, 89; 1995, 1087; 2001, 1525, 1526; 2003, 2754, 2756; 2005, 585, 2652; 2007, 1879; 2011, 3517; 2013, 2510; 2015, 3924

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 12,945 | $2,952,132.14 |
| **Fiscal Year Total:** | **12,945** | **$2,952,132.14** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 14,144 | $11,600,118.66 |
| **Fiscal Year Total:** | **14,144** | **$11,600,118.66** |

## Tax Type: Property Tax

**Expenditure Name:** **Exemption from certain property taxes for qualified energy systems** **Category:** **Exemption**

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** A qualified energy system is exempt from Property Tax. A qualified energy system is defined as any system, method, construction, installation, machinery, equipment, device or appliance that is designed, constructed, or installed in or adjacent to one or more buildings or an irrigation system in an agricultural operation to heat or cool the building or buildings or water used therein if the source is a renewable energy source.

**Year Enacted:** 2007 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Property owners of qualified energy system

**NRS:** 701A.200 (1)

**Summary of Amendments:** Added to NRS by 2007, 3379; A 2011, 2070; 2019, 1186

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 23,028 | $8,222,786.67 |
| **Fiscal Year Total:** | **23,028** | **$8,222,786.67** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 31,797 | $10,738,665.90 |
| **Fiscal Year Total:** | **31,797** | **$10,738,665.90** |

## Tax Type: Property Tax

**Expenditure Name:** **Exemption of certain property used for housing elderly persons or persons with disabilities** **Category:** **Exemption**

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** All real property and tangible personal property used exclusively for housing and related facilities for elderly or handicapped persons are exempt from Property Tax if certain qualifying criteria are met.

**Year Enacted:** 1981 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Public

**NRS:** 361.086

**Summary of Amendments:** Added to NRS by 1981, 717

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | 39 | $805,686.83 |
| **Fiscal Year Total:** | **39** | **$805,686.83** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | 40 | $874,051.17 |
| **Fiscal Year Total:** | **40** | **$874,051.17** |

## Tax Type: Property Tax

**Expenditure Name:** **Exemption of certain real and personal property leased or rented to Nevada System of Higher Education**

**Category:** **Exemption**

**Agency:** Department of Taxation

**Division:** Local Government Services

**Description:** Property leased to the Nevada System of Higher Education is exempt from Property Tax if the total consideration from the lease is less than 10 % of the fair market value of the property. Certain documentation must be provided. See NAC 361.070.

**Year Enacted:** 1995

**Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** University

**NRS:** 361.099

**Summary of Amendments:** Added to NRS by 1995, 1888

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 3 | $396,068.96 |
| **Fiscal Year Total:** | **3** | **$396,068.96** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 5 | $672,141.53 |
| **Fiscal Year Total:** | **5** | **$672,141.53** |

## Tax Type: Property Tax

**Expenditure Name: Exemption of property for churches and chapels** **Category: Exemption**

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** Land, buildings, and personal property used for religious worship other than marriage chapels are exempt from Property Tax. The property must be owned by a recognized religious society or corporation. If the property is used for other than church purposes and a rent is received, the property is not exempt from Property Tax.

**Year Enacted:** 1953 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Churches

**NRS:** 361.125

**Summary of Amendments:** [Part 1:344:1953; A 1954, 29; 1955, 340]—NRS A 1973, 710; 1979, 132; 1991, 2094; 1995, 1888; 1999, 2771; 2015, 875

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Other | 1,905 | $23,624,942.76 |
| **Fiscal Year Total:** | **1,905** | **$23,624,942.76** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Other | 1,879 | $27,058,492.81 |
| **Fiscal Year Total:** | **1,879** | **$27,058,492.81** |

## Tax Type: Property Tax

**Expenditure Name: Exemption of property for persons who are blind** **Category: Exemption**

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** Property of blind persons up to an assessed value of $3,000, as modified by Consumer Price Index (CPI), is exempt from Property Tax. The original affidavit of claim must be accompanied by a certificate from a physician certifying the person is blind. Renewal affidavits must be completed each year.

**Year Enacted:** 1953 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Public

**NRS:** 361.085

**Summary of Amendments:** [Part 1:344:1953; A 1954, 29; 1955, 340]—NRS A 1959, 90; 1971, 142; 1973, 985; 1989, 714; 1995, 1087; 1999, 2769; 2003, 2750; 2005, 2650; 2007, 1877; 2011, 3515

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 274 | $40,498.14 |
| **Fiscal Year Total:** | **274** | **$40,498.14** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 280 | $44,623.25 |
| **Fiscal Year Total:** | **280** | **$44,623.25** |

## Tax Type: Property Tax

**Expenditure Name: Exemption of property leased to charter school** **Category: Exemption**

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** All property leased or rented to a charter school and deemed to be used for an educational purpose is exempt from Property Tax. Only the portion of the property that is used for the lease or rental to a charter school is exempt.

**Year Enacted:** 2001 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Charter schools

**NRS:** 361.096

**Summary of Amendments:** Added to NRS by 2001, 3165

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 57 | $4,057,210.42 |
| **Fiscal Year Total:** | **57** | **$4,057,210.42** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 56 | $4,827,342.67 |
| **Fiscal Year Total:** | **56** | **$4,827,342.67** |

## Tax Type: Property Tax

**Expenditure Name:** Exemption of property of certain apprenticeship programs **Category:** Exemption

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** Real and personal property of an apprenticeship program is exempt from Property Tax if (1) the property is held in a trust created by 29 U.S.C. § 186 or (2) is owned by a local or state apprenticeship committee and the program is operated by a qualifying organization and registered and approved by the state apprenticeship council.

**Year Enacted:** 1997 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Qualifying apprenticeship programs

**NRS:** 361.106

**Summary of Amendments:** Added to NRS by 1997, 1367; A 1999, 967; 2001, 68; 2007, 1722; 2009, 1854

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 33 | $333,605.31 |
| **Fiscal Year Total:** | **33** | **$333,605.31** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 33 | $458,020.55 |
| **Fiscal Year Total:** | **33** | **$458,020.55** |

## Tax Type: Property Tax

**Expenditure Name:** **Exemption of property of charitable foundations established by Board of Regents of University of Nevada**

**Category:** **Exemption**

**Agency:** Department of Taxation

**Division:** Local Government Services

**Description:** All property owned by a charitable foundation established by the Board of Regents of the University of Nevada is exempt from Property Tax unless it is used for a purpose other than the legitimate functions of the foundation.

**Year Enacted:** 1989

**Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Universities within the State of Nevada

**NRS:** 361.098

**Summary of Amendments:** Added to NRS by 1989, 262; A 1993, 397

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Government | 275 | $9,755,253.51 |
| **Fiscal Year Total:** | **275** | **$9,755,253.51** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Government | 269 | $10,558,781.42 |
| **Fiscal Year Total:** | **269** | **$10,558,781.42** |

## Tax Type: Property Tax

**Expenditure Name: Exemption of property of Nathan Adelson Hospice** **Category: Exemption**

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** All property of Nathan Adelson Hospice is exempt from Property Tax unless it is used for any purpose other than carrying out the legitimate functions of hospice care.

**Year Enacted:** 1983 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Public

**NRS:** 361.088

**Summary of Amendments:** Added to NRS by 1983, 753; A 1989, 1034

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Other | 5 | $97,087.98 |
| **Fiscal Year Total:** | **5** | **$97,087.98** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Other | 4 | $97,181.33 |
| **Fiscal Year Total:** | **4** | **$97,181.33** |

## Tax Type: Property Tax

**Expenditure Name:** **Exemption of property of Pershing County Kids, Horses, Rodeo Inc.** **Category:** **Exemption**

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** All real and personal property of Pershing County Kids, Horses and Rodeo Inc. is exempt from Property Tax unless it is used for a purpose other than the legitimate functions of the organization.

**Year Enacted:** 1997 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Pershing County Kids, Horses, Rodeo Inc.

**NRS:** 361.107

**Summary of Amendments:** Added to NRS by 1997, 200

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 2 | $2,803.97 |
| **Fiscal Year Total:** | **2** | **$2,803.97** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 2 | $4,195.67 |
| **Fiscal Year Total:** | **2** | **$4,195.67** |

## Tax Type: Property Tax

**Expenditure Name: Exemption of property of surviving spouses** **Category: Exemption**

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** Property of surviving spouses up to an assessed value of $1,000, as modified by Consumer Price Index, is exempt from Property Tax. The original affidavit of claim must be accompanied by a death certificate showing the claimant was married to the deceased at the time of his/her death. Renewal affidavits must be completed each year.

**Year Enacted:** 1953 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Public

**NRS:** 361.080

**Summary of Amendments:** [Part 1:344:1953; A 1954, 29; 1955, 340]—NRS A 1971, 142; 1973, 985; 1989, 713; 1999, 2769; 2001, 1546; 2003, 2749; 2005, 2649; 2007, 1876; 2011, 3515

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | 10,018 | $953,573.43 |
| **Fiscal Year Total:** | **10,018** | **$953,573.43** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | 8,886 | $1,094,049.98 |
| **Fiscal Year Total:** | **8,886** | **$1,094,049.98** |

## Tax Type: Property Tax

**Expenditure Name:** **Exemption of property of university fraternities and sororities** **Category:** **Exemption**

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** Real property owned by fraternities and sororities, whose members are students at UNR or UNLV and who use the property as their home, is exempt from Property Tax.

**Year Enacted:** 1953 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Fraternities and sororities

**NRS:** 361.100

**Summary of Amendments:** [Part 1:344:1953; A 1954, 29; 1955, 340]—NRS A 1967, 982; 1969, 1432; 1979, 132; 1991, 2093

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | 14 | $82,856.34 |
| **Fiscal Year Total:** | **14** | **$82,856.34** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | 12 | $99,565.72 |
| **Fiscal Year Total:** | **12** | **$99,565.72** |

## Tax Type: Property Tax

**Expenditure Name:** **Exemption of property used for control of air or water pollution** **Category:** **Exemption**

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** Property used as a facility, device, or method for the control of air or water pollution is exempt from Property Tax. The taxpayer must supply an annual affidavit to the assessor on a form approved by the Department. Certain property is not exempt per NAC 361.046.

**Year Enacted:** 1973 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Properties used for pollution control

**NRS:** 361.077

**Summary of Amendments:** Added to NRS by 1973, 348; A 1975, 243, 328, 1752; 1987, 811; 1989, 1817; 1991, 2090

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 146 | $21,451,335.53 |
| **Fiscal Year Total:** | **146** | **$21,451,335.53** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 125 | $20,951,716.78 |
| **Fiscal Year Total:** | **125** | **$20,951,716.78** |

## Tax Type: Property Tax

**Expenditure Name: Exemption of public cemeteries and graveyards** **Category: Exemption**

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** All cemeteries and graveyards set apart and used for and open to the public for the burial of the dead, when no charge is made for burial therein, shall be exempt from Property Tax.

**Year Enacted:** 1953 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Public cemeteries

**NRS:** 361.130

**Summary of Amendments:** Part 1:344:1953; A 1954, 29; 1955, 340

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 66 | $111,565.18 |
| **Fiscal Year Total:** | **66** | **$111,565.18** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 66 | $140,189.46 |
| **Fiscal Year Total:** | **66** | **$140,189.46** |

## Tax Type: Property Tax

**Expenditure Name:** **Exemption of residential improvements made to remove barriers to persons with disabilities** **Category:** **Exemption**

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** Improvements to a residence occupied by a person with a disability are exempt from Property Tax. The person must claim the benefit by filing an affidavit setting forth the nature of the improvement and the date of making the improvement. See statute for examples.

**Year Enacted:** 1977 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Public

**NRS:** 361.087

**Summary of Amendments:** Added to NRS by 1977, 385; A 1993, 47

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | 3 | $109.54 |
| **Fiscal Year Total:** | **3** | **$109.54** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | 3 | $134.37 |
| **Fiscal Year Total:** | **3** | **$134.37** |

## Tax Type: Property Tax

**Expenditure Name:** **Exemption of residential property containing shelter protecting against radioactive fallout** **Category:** **Exemption**

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** Residential property is exempt from Property Tax up to $1,000 in assessed value if the shelter protects against radioactive fallout and meets certain qualifying conditions.

**Year Enacted:** 1981 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Public

**NRS:** 361.078 (1)

**Summary of Amendments:** Added to NRS by 1981, 1179

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | 2 | $23.86 |
| **Fiscal Year Total:** | **2** | **$23.86** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | 2 | $23.86 |
| **Fiscal Year Total:** | **2** | **$23.86** |

## Tax Type: Property Tax

**Expenditure Name:** **Exemption of single-family residence that replaces a single-family residence destroyed in certain emergencies or disasters**

**Category:** **Exemption**

**Agency:** Department of Taxation

**Division:** Local Government Services

**Description:** An owner of a single-family residence that is the primary residence and is a replacement for a single-family residence partially or completely destroyed by flood, fire, earthquake or other event for which a state of emergency or declaration of disaster was proclaimed by the Governor on or after July 1, 2012 may receive an exemption of a portion of the assessed value.

**Year Enacted:** 2017

**Sunset Date:** 7/1/2047

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Property owners of single-family residences destroyed in emergencies or disasters.

**NRS:** 361.084

**Summary of Amendments:** 2017, 2294

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: This data is not available.

2024 - Expenditure Explanation: This data is not available.

## Tax Type: Property Tax

**Expenditure Name:** **Exemption of Special Assessment if the combined amount of all other taxes and assessments are less than the cost of collecting the special assessment**

**Category:** **Exemption**

**Agency:** Department of Taxation

**Division:** Local Government Services

**Description:** If a special assessment, when combined with the amount of all other taxes and assessments levied upon the property, is less than the cost of collecting the special assessment, the board of county commissioners may exempt the property from the assessment and appropriate the money from the general fund of the county to pay the cost of the assessment.

**Year Enacted:** 2019

**Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Property Owners with Water Special Assessments

**NRS:** 534.040 (2)

**Summary of Amendments:** [5:178:1939; A 1943, 139; 1947, 52; 1953, 188] - (NRS A 1957, 716; 1963, 796; 1967, 1253; 1969, 342; 1979, 668; 1985, 694, 1991, 1784; 1993, 2352; 1995, 222; 2019,838)

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: This data is not available.

2024 - Expenditure Explanation: This data is not available.

## Tax Type: Property Tax

**Expenditure Name:** **Exemption of State lands and property assigned to the Department of Wildlife** **Category:** **Exemption**

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** All property owned by the state is exempt from Property Tax. Land acquired by the state and assigned to the Department of Wildlife shall make an annual payment to the county tax receiver for each parcel of real property in an amount equal to the total taxes levied and assessed against the real property in the year in which title was acquired by the state. Payment in lieu of taxes is made by the Department of Wildlife to the county.

**Year Enacted:** 1953 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** State of Nevada

**NRS:** 361.055

**Summary of Amendments:** [Part 1:344:1953; A 1954, 29; 1955, 340]—NRS A 1959, 282; 1969, 997, 1560; 1977, 1400; 1979, 908; 1981, 630; 1993, 1573; 2003, 1561

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Other | 2,146 | $44,244,211.78 |
| **Fiscal Year Total:** | **2,146** | **$44,244,211.78** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Other | 2,247 | $48,010,426.93 |
| **Fiscal Year Total:** | **2,247** | **$48,010,426.93** |

## Tax Type: Property Tax

**Expenditure Name: Exemption of unpatented mines and mining claims** **Category: Exemption**

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** Unpatented mines and mining claims are exempt from Property Tax, except for possessory interests in lands held by the U.S. or the State of Nevada.

**Year Enacted:** 1953 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Public

**NRS:** 361.075

**Summary of Amendments:** Part 1:344:1953; A 1954, 29; 1955, 340

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | 0 | $0.00 |
| **Fiscal Year Total:** | **0** | **$0.00** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | 1 | $15.60 |
| **Fiscal Year Total:** | **1** | **$15.60** |

## Tax Type: Property Tax

**Expenditure Name: Exemptions of certain charitable corporations** **Category: Exemption**

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** Property occupied and used by charitable corporations, meeting certain qualifying criteria, is exempt from Property Tax.

**Year Enacted:** 1933 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Charitable corporations

**NRS:** 361.140

**Summary of Amendments:** [1:66:1933; 1931 NCL § 983] + [2:66:1933; 1931 NCL § 983.01]—NRS A 1979, 496; 1991, 2094; 2017, 1070

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | 782 | $8,561,813.85 |
| **Fiscal Year Total:** | **782** | **$8,561,813.85** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | 818 | $10,354,866.26 |
| **Fiscal Year Total:** | **818** | **$10,354,866.26** |

## Tax Type: Property Tax

**Expenditure Name:** **Exemptions of certain lodges, societies, and similar charitable or benevolent organizations** **Category:** **Exemption**

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** The funds, furniture, paraphernalia, and regalia owned by any lodge of the Benevolent Protective Order of Elks, Fraternal Order of Eagles, Free and Accepted Masons, Independent Order of Odd Fellows, Knights of Pythias or Knights of Columbus, or by any similar charitable organization, or by the Lahontan Audubon Society, the National Audubon Society, Inc., of New York, the Defenders of Wildlife of the District of Columbia, or any similar benevolent or charitable society, so long as they are used for the legitimate purposes of such lodge or society or for such charitable or benevolent purposes, are exempt from Property Tax.

**Year Enacted:** 1953 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Certain charitable organizations

**NRS:** 361.135

**Summary of Amendments:** [Part 1:344:1953; A 1954, 29; 1955, 340]—NRS A 1967, 982; 1971, 143; 1973, 1670; 2007, 1882

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | 401 | $1,714,536.52 |
| **Fiscal Year Total:** | **401** | **$1,714,536.52** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | 468 | $1,507,372.86 |
| **Fiscal Year Total:** | **468** | **$1,507,372.86** |

## Tax Type: Property Tax

**Expenditure Name: Exemptions of certain organizations** **Category: Exemption**

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** All real and personal property is exempt from tax, unless it is used for a purpose other than the legitimate functions of the organization. Foundations exempt from taxation include: Young Men's Christian Association, Young Women's Christian Association, American National Red Cross, Salvation Army Corp, Girl Scouts of America, Camp Fire Girls, Boy Scouts of America, Sierra Arts Foundation, Nevada Museum of Art, Inc.

**Year Enacted:** 1953 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** The Nevada Museum of Art, Inc., the Boulder City Museum and Historical Association, the Young Men's Christian Association, the Young Women's Christian Association, the American National Red Cross or any of its chapters in the State of Nevada, the Salvation Army Corps, the Girl Scouts of America, the Camp Fire Girls, Inc., the Boy Scouts of America, and the Sierra Arts, Thunderbird Lodge Preservation Society.

**NRS:** 361.110

**Summary of Amendments:** [Part 1:344:1953; A 1954, 29; 1955, 340]—NRS A 1963, 63; 1983, 913; 1985, 4; 1989, 8; 1995, 34; 2007, 2907; 2013, 317

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | 66 | $1,136,860.00 |
| **Fiscal Year Total:** | **66** | **$1,136,860.00** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | 63 | $896,439.29 |
| **Fiscal Year Total:** | **63** | **$896,439.29** |

## Tax Type: Property Tax

**Expenditure Name: Exemptions of non-commercial theaters** **Category: Exemption**

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** Buildings, furniture, and equipment of non-commercial theaters owned and operated by nonprofit educational corporations organized for the exclusive purpose of conducting theater practice classes and the production of plays on a nonprofessional basis are exempt from Property Tax.

**Year Enacted:** 1953 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Non-commercial theaters

**NRS:** 361.145

**Summary of Amendments:** [Part 1:344:1953; A 1954, 29; 1955, 340]—NRS A 1971, 143, 876

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | 1 | $546.42 |
| **Fiscal Year Total:** | **1** | **$546.42** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | 3 | $2,899.67 |
| **Fiscal Year Total:** | **3** | **$2,899.67** |

## Tax Type: Property Tax

**Expenditure Name: Exemptions of nonprofit private schools** **Category: Exemption**

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** Nonprofit private schools, with lots appurtenant thereto and furniture and equipment, shall be exempt from Property Tax.

**Year Enacted:** 1953 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Nonprofit private schools

**NRS:** 361.105

**Summary of Amendments:** Part 1:344:1953; A 1954, 29; 1955, 340

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 81 | $3,614,274.53 |
| **Fiscal Year Total:** | **81** | **$3,614,274.53** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 75 | $3,519,470.50 |
| **Fiscal Year Total:** | **75** | **$3,519,470.50** |

## Tax Type: Property Tax

**Expenditure Name:** **Exemptions of property of Nevada Children's Foundation, Inc., Nevada Heritage Association, Inc., and Habitat for Humanity International**

**Category:** **Exemption**

**Agency:** Department of Taxation

**Division:** Local Government Services

**Description:** All real and personal property of the Nevada Children's Foundation, Nevada Heritage Association, and the Habitat for Humanity International located in the State of Nevada is exempt from taxation when the property is used for its legitimate function.

**Year Enacted:** 1953

**Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Nevada Children's Foundation, Inc., Nevada Heritage Association, Inc., and Habitat for Humanity International

**NRS:** 361.115

**Summary of Amendments:** [Part 1:344:1953; A 1954, 29; 1955, 340]—NRS A 2005, 2654

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Other | 25 | $29,003.23 |
| **Fiscal Year Total:** | **25** | **$29,003.23** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Other | 23 | $25,714.72 |
| **Fiscal Year Total:** | **23** | **$25,714.72** |

## Tax Type: Property Tax

**Expenditure Name: Exemptions of volunteer fire departments** **Category: Exemption**

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** The real and personal property of organized and incorporated volunteer fire departments shall be exempt from taxation, unless it is used for any purpose other than carrying out the legitimate functions of a volunteer fire department.

**Year Enacted:** 1955 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Volunteer fire departments

**NRS:** 361.150

**Summary of Amendments:** [1.1:344:1953; added 1955, 199]—NRS A 1973, 334

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Other | 40 | $211,815.09 |
| **Fiscal Year Total:** | **40** | **$211,815.09** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Other | 37 | $226,161.46 |
| **Fiscal Year Total:** | **37** | **$226,161.46** |

## Tax Type: Property Tax

**Expenditure Name: Household goods and furniture are exempted** **Category: Exemption**

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** Household goods, furniture except certain appliances, and furniture of time-share projects are exempt from Property Tax.

**Year Enacted:** 1979 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Public

**NRS:** 361.069

**Summary of Amendments:** Added to NRS by 1979, 1233; A 1983, 1192; 1989, 169; 1997, 1569; 2001, 1545; 2005, 2648

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: This data is not available.

2024 - Expenditure Explanation: This data is not available.

## Tax Type: Property Tax

**Expenditure Name: Intangible personal property is exempt** **Category: Exemption**

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** Intangible personal property is exempt from taxation including without limitation to: shares of stocks, bonds, mortgages, notes, bank deposits, book accounts, securities, goodwill, customer lists, contracts and contract rights, patents, trademarks, trade names, custom computer programs, copyrights, trade secrets, franchises and licenses.

**Year Enacted:** 1999 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Public

**NRS:** 361.228

**Summary of Amendments:** Added to NRS by 1999, 3273; A 2005, 2654; 2019, 2827

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business/Personal | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business/Personal | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: This data is not available.

2024 - Expenditure Explanation: This data is not available.

## Tax Type: Property Tax

**Expenditure Name:** **Partial abatement of certain property taxes for buildings or structures that meet certain standards under Green Building Rating System**

**Category:** **Abatement**

**Agency:** Department of Taxation

**Division:** Local Government Services

**Description:** Taxes on qualifying property is abated for a duration of not more than 10 years and in an amount which varies with the Leadership in Energy and Environmental Designs (LEED) level of certification.

**Year Enacted:** 2007

**Sunset Date:** 6/30/2035

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Qualifying properties

**NRS:** 701A.110

**Summary of Amendments:** Added to NRS by 2007, 3375; A 2009, 988; 2011, 1654, 2067, 3474; 2013, 3186, 3197; 2021, 2016; R 2021, 2020

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 4,076 | $75,618,822.85 |
| **Fiscal Year Total:** | **4,076** | **$75,618,822.85** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 2,565 | $72,239,322.13 |
| **Fiscal Year Total:** | **2,565** | **$72,239,322.13** |

2023 - Expenditure Explanation: Decreasing number of approved projects.

2024 - Expenditure Explanation: Decreasing number of approved projects.

## Tax Type: Property Tax

**Expenditure Name:** **Partial abatement of certain property taxes for businesses and facilities using recycled material** **Category:** **Abatement**

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** Duration of abatement not to exceed 10 years and must not exceed 50% of the taxes on real property payable by a business each year. Commission on Economic Development determines whether abatement may be awarded using certain criteria.

**Year Enacted:** 2007 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Recycled material businesses

**NRS:** 701A.210

**Summary of Amendments:** Added to NRS by 2007, 3378; A 2011, 3477

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 14 | $1,242,739.07 |
| **Fiscal Year Total:** | **14** | **$1,242,739.07** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 8 | $258,253.93 |
| **Fiscal Year Total:** | **8** | **$258,253.93** |

## Tax Type: Property Tax

**Expenditure Name:** Partial Abatement of Personal Property Located at New or Expanded Data Centers **Category:** Abatement

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** Personal property located at new or expanded data centers may qualify for a partial abatement of taxes not to exceed 75% of the taxes payable by the data center each year and is approved by the Office of Economic Development.

**Year Enacted:** 2015 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Certain data centers

**NRS:** 361.0683

**Summary of Amendments:** Added to NRS by 2015, 3048

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 21 | $5,889,114.18 |
| **Fiscal Year Total:** | **21** | **$5,889,114.18** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 21 | $7,393,487.26 |
| **Fiscal Year Total:** | **21** | **$7,393,487.26** |

## Tax Type: Property Tax

**Expenditure Name:** **Partial abatement of property taxes imposed on new or expanded business making capital investment in certain institutions of higher education**

**Category:** **Abatement**

**Agency:** Department of Taxation

**Division:** Local Government Services

**Description:** A business making a capital investment in certain institutions of higher education is eligible for an abatement not to exceed 50% of the amount of the taxes imposed on the personal property of the business pursuant to chapter 361 of NRS during the period of the abatement or 50% of the amount of the capital investment by the business, whichever amount is less.

**Year Enacted:** 2013 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Businesses

**NRS:** 360.752 (4)(a)(1),(2)

**Summary of Amendments:** Added to NRS by 2013, 2802; A 2015, 1068; 2017, 3783

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: This data is not available.

2024 - Expenditure Explanation: This data is not available.

## Tax Type: Property Tax

**Expenditure Name: Partial abatement of renewable energy facilities** **Category: Abatement**

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** Duration of abatement must be for 20 years and be equal to 55% of the taxes on real and personal property. The Nevada Energy Commissioner approves applications.

**Year Enacted:** 2009 **Sunset Date:** 6/30/2049

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Renewable energy facilities

**NRS:** 701A.370 (1)(a)

**Summary of Amendments:** Added to NRS by 2009, 2004; 2010; A 2009, 2010; 2011, 2073, 2896, 3481; 2013, 3427; 2015, 2955

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 112 | $25,828,068.36 |
| **Fiscal Year Total:** | **112** | **$25,828,068.36** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 148 | $26,645,438.93 |
| **Fiscal Year Total:** | **148** | **$26,645,438.93** |

## Tax Type: Property Tax

**Expenditure Name:** **Partial abatement of taxes imposed on certain new or expanded businesses** **Category:** **Abatement**

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** Duration of abatement not to exceed 10 years and must not exceed 50% of the taxes on personal property payable by a business each year. Commission on Economic Development determines whether abatement may be awarded using certain criteria.

**Year Enacted:** 1997 **Sunset Date:** 6/30/2023

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** New or expanded businesses that meet certain requirements

**NRS:** 361.0687

**Summary of Amendments:** Added to NRS by 1997, 3310; A 1999, 1743; 2001, 1580, 1581, 1983; 2003, 56, 2923, 2927; 2005, 1513, 1515; 2007, 3381, 3383; 2011, 3466; 2013, 27th Special Session, 15, 16; 2015, 1072; 2017, 3806

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 268 | $21,126,566.74 |
| **Fiscal Year Total:** | **268** | **$21,126,566.74** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 237 | $9,548,937.74 |
| **Fiscal Year Total:** | **237** | **$9,548,937.74** |

## Tax Type: Property Tax

**Expenditure Name:** **Partial abatement of taxes levied on certain residential rental dwellings** **Category:** **Abatement**

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** Taxes on property other than residential must be partially abated for the amount which exceeds up to 108% of the prior year's taxes, except for certain multi-family buildings that meet the requirements found in NRS 361.4724.

**Year Enacted:** 2005 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Public

**NRS:** 361.4724

**Summary of Amendments:** Added to NRS by 2005, 38; A 2005, 1748; 2007, 1891; 2009, 1224; 2017, 2301

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 35,504 | $25,708,200.12 |
| **Fiscal Year Total:** | **35,504** | **$25,708,200.12** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 39,560 | $25,071,728.23 |
| **Fiscal Year Total:** | **39,560** | **$25,071,728.23** |

## Tax Type: Property Tax

**Expenditure Name:** **Partial abatement of taxes levied on certain single-family residences** **Category:** **Abatement**

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** Taxes on qualifying residential property must be partially abated for the amount which exceeds 103% of the prior year's taxes. See Statutes and regulations for guidance.

**Year Enacted:** 2005 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Public

**NRS:** 361.4723

**Summary of Amendments:** Added to NRS by 2005, 36; A 2005, 1747; 2007, 1890; 2009, 1223; 2017, 2300

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | 552,710 | $508,595,074.75 |
| **Fiscal Year Total:** | **552,710** | **$508,595,074.75** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | 570,380 | $587,782,614.09 |
| **Fiscal Year Total:** | **570,380** | **$587,782,614.09** |

## Tax Type: Property Tax

**Expenditure Name:** **Partial abatement of taxes levied on property for which assessed valuation has been established or on remainder parcel of real property**

**Category:** **Abatement**

**Agency:** Department of Taxation

**Division:** Local Government Services

**Description:** Taxes on property other than residential must be partially abated for the amount which exceeds up to 108% of the prior year's taxes. See statute and regulations for guidance.

**Year Enacted:** 2005

**Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Public

**NRS:** 361.4722

**Summary of Amendments:** Added to NRS by 2005, 39; A 2005, 1750; 2007, 1885, 1888; 2009, 1221; 2017, 2298

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | 628,376 | $584,582,596.33 |
| **Fiscal Year Total:** | **628,376** | **$584,582,596.33** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | 664,339 | $666,324,178.77 |
| **Fiscal Year Total:** | **664,339** | **$666,324,178.77** |

## Tax Type: Property Tax

**Expenditure Name: Patented mining claims** **Category: Exclusion**

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** Upon receipt of an affidavit from the county recorder pursuant to NRS 362.050, the assessor shall exclude from the roll, the assessment against the patented mine or mining claim named in the affidavit.

**Year Enacted:** 1915 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Owners of patented mining claims

**NRS:** 362.040

**Summary of Amendments:** [4:206:1915; A 1933, 233; 1931 NCL § 6595] — NRS A 1989, 33, 1831; 1991, 2105; 2003, 2772

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 671 | $456,296.80 |
| **Fiscal Year Total:** | **671** | **$456,296.80** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 654 | $458,189.55 |
| **Fiscal Year Total:** | **654** | **$458,189.55** |

## Tax Type: Property Tax

**Expenditure Name: Personal property in transit** **Category: Exemption**

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** Personal property in transit through this state is exempt from Personal Property Tax.

**Year Enacted:** 1949 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Businesses

**NRS:** 361.160

**Summary of Amendments:** 2:77:1949; A 1954, 28] + [3:77:1949; A 1955, 600]—NRS A 1961, 594; 1969, 662; 1973, 349; 1991, 1945

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: This data is not available.

2024 - Expenditure Explanation: This data is not available.

## Tax Type: Property Tax

**Expenditure Name: Possessory interest - geothermal leases** **Category: Exemption**

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** A possessory interest in geothermal leases for resources that have not been put into commercial production is exempt from Property Tax.

**Year Enacted:** 1965 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Owners of geothermal leases

**NRS:** 361.157 (2)(g)

**Summary of Amendments:** Added to NRS by 1965, 1157; A 1967, 154, 1224; 1971, 658; 1973, 1406; 1977, 1097; 1979, 218; 1987, 292; 1989, 383; 1991, 2095; 1993, 1574, 2310; 1995, 579, 1807; 1997, 1172, 1570; 1999, 429, 2771; 2001, 840; 2007, 2464; 2011, 2917; 2013, 3115

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 0 | $0.00 |
| **Fiscal Year Total:** | **0** | **$0.00** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 0 | $0.00 |
| **Fiscal Year Total:** | **0** | **$0.00** |

2023 - Expenditure Explanation: The value for this exemption may be reported in another category.

2024 - Expenditure Explanation: The value for this exemption may be reported in another category.

## Tax Type: Property Tax

**Expenditure Name: Possessory interest - Indian tribe** **Category: Exemption**

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** A possessory interest in property of any Indian tribe held in trust by the U.S. is exempt from Property Tax.

**Year Enacted:** 1965 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Indian tribes

**NRS:** 361.157 (2)(e)

**Summary of Amendments:** Added to NRS by 1965, 1157; A 1967, 154, 1224; 1971, 658; 1973, 1406; 1977, 1097; 1979, 218; 1987, 292; 1989, 383; 1991, 2095; 1993, 1574, 2310; 1995, 579, 1807; 1997, 1172, 1570; 1999, 429, 2771; 2001, 840; 2007, 2464; 2011, 2917; 2013, 3115

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Other | 189 | $1,709,251.35 |
| **Fiscal Year Total:** | **189** | **$1,709,251.35** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Other | 189 | $1,956,408.98 |
| **Fiscal Year Total:** | **189** | **$1,956,408.98** |

2023 - Expenditure Explanation: Some value for this exemption may be reported under NRS 361.050.

2024 - Expenditure Explanation: Some value for this exemption may be reported under NRS 361.050.

## Tax Type: Property Tax

**Expenditure Name:** Possessory interest - occasional rental of meeting rooms **Category:** Exemption

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** A possessory interest in property used as meeting rooms or similar facilities for periods of less than 30 consecutive days is exempt from Property Tax.

**Year Enacted:** 1965 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Those using meeting rooms for a short period of time

**NRS:** 361.157 (2)(l)

**Summary of Amendments:** Added to NRS by 1965, 1157; A 1967, 154, 1224; 1971, 658; 1973, 1406; 1977, 1097; 1979, 218; 1987, 292; 1989, 383; 1991, 2095; 1993, 1574, 2310; 1995, 579, 1807; 1997, 1172, 1570; 1999, 429, 2771; 2001, 840; 2007, 2464; 2011, 2917; 2013, 3115

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Other | 0 | $0.00 |
| **Fiscal Year Total:** | **0** | **$0.00** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Other | 0 | $0.00 |
| **Fiscal Year Total:** | **0** | **$0.00** |

2023 - Expenditure Explanation: The value for this exemption may be reported in another category.

2024 - Expenditure Explanation: The value for this exemption may be reported in another category.

## Tax Type: Property Tax

**Expenditure Name: Possessory interest - parsonage** **Category: Exemption**

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** A possessory interest in a parsonage owned by a recognized religious society or corporation when used exclusively as a parsonage is exempt from Property Tax.

**Year Enacted:** 1965 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Parsonages

**NRS:** 361.157 (2)(i)

**Summary of Amendments:** Added to NRS by 1965, 1157; A 1967, 154, 1224; 1971, 658; 1973, 1406; 1977, 1097; 1979, 218; 1987, 292; 1989, 383; 1991, 2095; 1993, 1574, 2310; 1995, 579, 1807; 1997, 1172, 1570; 1999, 429, 2771; 2001, 840; 2007, 2464; 2011, 2917; 2013, 3115

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Other | 51 | $345,322.13 |
| **Fiscal Year Total:** | **51** | **$345,322.13** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Other | 48 | $455,442.25 |
| **Fiscal Year Total:** | **48** | **$455,442.25** |

## Tax Type: Property Tax

**Expenditure Name:** **Possessory interest - property leased under the provisions of the Taylor Grazing Act, United States Forest Services, Bureau of Reclamation**

**Category:** **Exemption**

**Agency:** Department of Taxation

**Division:** Local Government Services

**Description:** A possessory interest in property used by persons, associations, or corporations according to the Taylor Grazing Act, United States Forest Service, or the Bureau of Reclamation is exempt from Property Tax.

**Year Enacted:** 1965

**Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Lessor of property

**NRS:** 361.157 (2)(d)

**Summary of Amendments:** Added to NRS by 1965, 1157; A 1967, 154, 1224; 1971, 658; 1973, 1406; 1977, 1097; 1979, 218; 1987, 292; 1989, 383; 1991, 2095; 1993, 1574, 2310; 1995, 579, 1807; 1997, 1172, 1570; 1999, 429, 2771; 2001, 840; 2007, 2464; 2011, 2917; 2013, 3115

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Other | 0 | $0.00 |
| **Fiscal Year Total:** | **0** | **$0.00** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Other | 0 | $0.00 |
| **Fiscal Year Total:** | **0** | **$0.00** |

2023 - Expenditure Explanation: The value for this exemption may be reported in another category.

2024 - Expenditure Explanation: The value for this exemption may be reported in another category.

## Tax Type: Property Tax

**Expenditure Name:** **Possessory interest - public airport, park, market, or fairground is exempt** **Category:** **Exemption**

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** The possessory interest in otherwise exempt property is taxable, except for real property located upon a public airport, park, market, or fairground are exempt from Property Tax.

**Year Enacted:** 1965 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Public airport, park, market, or fairgrounds

**NRS:** 361.157 (2)(a)

**Summary of Amendments:** Added to NRS by 1965, 1157; A 1967, 154, 1224; 1971, 658; 1973, 1406; 1977, 1097; 1979, 218; 1987, 292; 1989, 383; 1991, 2095; 1993, 1574, 2310; 1995, 579, 1807; 1997, 1172, 1570; 1999, 429, 2771; 2001, 840; 2007, 2464; 2011, 2917; 2013, 3115

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 16 | $7,011,665.51 |
| **Fiscal Year Total:** | **16** | **$7,011,665.51** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 16 | $340,700,478.64 |
| **Fiscal Year Total:** | **16** | **$340,700,478.64** |

2024 - Expenditure Explanation: Lease capitalization calculation method updated.

## Tax Type: Property Tax

**Expenditure Name:** Possessory interest - shelter for elderly or indigent persons **Category:** Exemption

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** A possessory interest in property that is used to provide shelter at a reduced rate to the elderly or indigent is exempt from Property Tax.

**Year Enacted:** 1965 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Elderly or indigent persons

**NRS:** 361.157 (2)(k)

**Summary of Amendments:** Added to NRS by 1965, 1157; A 1967, 154, 1224; 1971, 658; 1973, 1406; 1977, 1097; 1979, 218; 1987, 292; 1989, 383; 1991, 2095; 1993, 1574, 2310; 1995, 579, 1807; 1997, 1172, 1570; 1999, 429, 2771; 2001, 840; 2007, 2464; 2011, 2917; 2013, 3115

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | 0 | $0.00 |
| **Fiscal Year Total:** | **0** | **$0.00** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | 0 | $0.00 |
| **Fiscal Year Total:** | **0** | **$0.00** |

2023 - Expenditure Explanation: The value for this exemption may be reported in another category.

2024 - Expenditure Explanation: The value for this exemption may be reported in another category.

## Tax Type: Property Tax

**Expenditure Name:** **Possessory interest - state-supported educational institutions** **Category:** **Exemption**

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** A possessory interest in the property of any state-supported educational institution is exempt, except any part located within a Tax Increment Area (TIA) created pursuant to NRS 278C.155.

**Year Enacted:** 1965 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** State-supported educational institutions

**NRS:** 361.157 (2)(c)

**Summary of Amendments:** Added to NRS by 1965, 1157; A 1967, 154, 1224; 1971, 658; 1973, 1406; 1977, 1097; 1979, 218; 1987, 292; 1989, 383; 1991, 2095; 1993, 1574, 2310; 1995, 579, 1807; 1997, 1172, 1570; 1999, 429, 2771; 2001, 840; 2007, 2464; 2011, 2917, 2013, 3115

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Government | 0 | $0.00 |
| **Fiscal Year Total:** | **0** | **$0.00** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Government | 0 | $0.00 |
| **Fiscal Year Total:** | **0** | **$0.00** |

## Tax Type: Property Tax

**Expenditure Name:** Possessory interest - vending stands operated by the blind **Category:** Exemption

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** A possessory interest in the vending stand locations and facilities operated by persons who are blind under the auspices of the Bureau of Services to Persons Who Are Blind or Visually Impaired of the Rehabilitation Division of the Department of Employment, Training and Rehabilitation, is exempt from Property Tax.

**Year Enacted:** 1965 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Blind persons

**NRS:** 361.157 (2)(f)

**Summary of Amendments:** Added to NRS by 1965, 1157; A 1967, 154, 1224; 1971, 658; 1973, 1406; 1977, 1097; 1979, 218; 1987, 292; 1989, 383; 1991, 2095; 1993, 1574, 2310; 1995, 579, 1807; 1997, 1172, 1570; 1999, 429, 2771; 2001, 840; 2007, 2464; 2011, 2917; 2013, 3115

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business/Personal | 1 | $95.74 |
| **Fiscal Year Total:** | **1** | **$95.74** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business/Personal | 1 | $96.08 |
| **Fiscal Year Total:** | **1** | **$96.08** |

## Tax Type: Property Tax

**Expenditure Name: Private cemeteries and places of burial** **Category: Exemption**

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** Real property of a nonprofit corporation governed by the provisions of NRS Chapter 82 formed for the purposes of procuring and holding lands to be used exclusively for a cemetery are exempt, so long as the lots or plots remain dedicated to the purpose of a cemetery.

**Year Enacted:** 1991 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Certain private cemeteries

**NRS:** 361.132

**Summary of Amendments:** 1991, 1313

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | 270 | $16,497.91 |
| **Fiscal Year Total:** | **270** | **$16,497.91** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | 270 | $16,547.96 |
| **Fiscal Year Total:** | **270** | **$16,547.96** |

## Tax Type: Property Tax

**Expenditure Name:** **Property and buildings used for care or relief of orphan children, or of sick, infirm, or indigent persons**

**Category:** **Exemption**

**Agency:** Department of Taxation

**Division:** Local Government Services

**Description:** Property on which stands a hospital or other charitable asylum for the care or relief of orphans or sick, infirm, or indigent persons owned by a qualifying nonprofit corporation is exempt from Property Tax.

**Year Enacted:** 1991

**Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Public

**NRS:** 361.083

**Summary of Amendments:** Added to NRS by 1991, 1314

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | 52 | $8,871,277.65 |
| **Fiscal Year Total:** | **52** | **$8,871,277.65** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | 57 | $11,271,592.96 |
| **Fiscal Year Total:** | **57** | **$11,271,592.96** |

## Tax Type: Property Tax

**Expenditure Name:** **Property of Archaeological Conservancy, Nature Conservancy, American Land Conservancy, and Nevada Land Conservancy**

**Category:** **Exemption**

**Agency:** Department of Taxation

**Division:** Local Government Services

**Description:** Real property including improvements is exempt if: the property is held for acquisition by a federal, state, or local government and the said government has agreed in writing to consider acquiring said real property, or if the property will be held indefinitely and vested in the listed conservancy organization. If the property is held for purposes of conservation for any entity other than the state or local government, the land must be assessed as first class pasture. If the property is transferred for purposes other than conservation, taxes must be collected for each year it was exempt.

**Year Enacted:** 1969

**Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Archaeological Conservancy, Nature Conservancy, American Land Conservancy, and Nevada Land Conservancy

**NRS:** 361.111

**Summary of Amendments:** Added to NRS by 1969, 1111; A 1993, 2513; 1999, 1232; 2007, 1881; 2009, 572

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Other | 38 | $16,869.32 |
| **Fiscal Year Total:** | **38** | **$16,869.32** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Other | 40 | $18,051.68 |
| **Fiscal Year Total:** | **40** | **$18,051.68** |

## Tax Type: Property Tax

**Expenditure Name:** **Property of counties, towns, Nevada Rural Housing Authority, and certain other political subdivisions** **Category:** **Exemption**

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** Property of counties, domestic municipal corporations, irrigation drainage, reclamation district, or town, except for certain community pastures, is exempt from Property Tax.

**Year Enacted:** 1953 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Local governments

**NRS:** 361.060

**Summary of Amendments:** [Part 1:344:1953; A 1954, 29; 1955, 340]—NRS A 1967, 1125; 1995, 816; 2003, 1683

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Other | 11,238 | $162,411,530.47 |
| **Fiscal Year Total:** | **11,238** | **$162,411,530.47** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Other | 11,404 | $179,078,164.97 |
| **Fiscal Year Total:** | **11,404** | **$179,078,164.97** |

## Tax Type: Property Tax

**Expenditure Name: Property of school districts and charter schools** **Category: Exemption**

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** All property owned by any legally created school district or charter school and devoted to public school purposes is exempt from Property Tax.

**Year Enacted:** 1953 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** School districts and charter schools

**NRS:** 361.065

**Summary of Amendments:** Part 1:344:1953; A 1954, 29; 1955, 340—NRS A 1979, 1642; 2001, 3165. 2015, 3819; 2019, 2018, 2079

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Other | 1,951 | $78,051,528.85 |
| **Fiscal Year Total:** | **1,951** | **$78,051,528.85** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Other | 1,900 | $89,141,584.80 |
| **Fiscal Year Total:** | **1,900** | **$89,141,584.80** |

## Tax Type: Property Tax

**Expenditure Name:** Property of trusts for furtherance of public functions **Category:** Exemption

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** Property of a trust created for the benefit of any public function pursuant to law is exempt from Property Tax, however, payment in lieu of taxes may be paid to the beneficiary if so provided in any agreement contained in the instrument creating the trust.

**Year Enacted:** 1971 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Public

**NRS:** 361.062

**Summary of Amendments:** Added to NRS by 1971, 1036; A 1975, 1408

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Other | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Other | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: The value for this exemption may be reported in another category.

2024 - Expenditure Explanation: The value for this exemption may be reported in another category.

## Tax Type: Property Tax

**Expenditure Name:** **Property of water users' nonprofit associations and nonprofit cooperative corporations** **Category:** **Exemption**

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** All property of water users' nonprofit association and nonprofit cooperative corporation is exempt from Personal Property Tax and Real Property Tax unless it is used for any purpose other than carrying out the legitimate functions of a water users' nonprofit cooperative corporation.

**Year Enacted:** 1969 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Water users' nonprofit corporations

**NRS:** 361.073

**Summary of Amendments:** Added to NRS by 1969, 1422

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | 35 | $101,504.51 |
| **Fiscal Year Total:** | **35** | **$101,504.51** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | 36 | $120,420.68 |
| **Fiscal Year Total:** | **36** | **$120,420.68** |

## Tax Type: Property Tax

**Expenditure Name:** **Property related to public use of a privately owned airport** **Category:** **Exemption**

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** The acquisition, improvement or use of land by the public as an airport in a municipal purpose, whether or not the airport is owned or operated by a local government is exempt.

**Year Enacted:** 1985 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Public

**NRS:** 361.061 (1) and (2)

**Summary of Amendments:** Added to NRS by 1985,869

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | 254 | $24,890,576.17 |
| **Fiscal Year Total:** | **254** | **$24,890,576.17** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | 255 | $26,233,692.75 |
| **Fiscal Year Total:** | **255** | **$26,233,692.75** |

## Tax Type: Property Tax

**Expenditure Name:** **Property related to public use of privately owned parks** **Category:** **Exemption**

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** The initial claim for exemption from Property Tax must be accompanied by a copy of the agreement with a local government that the property may be used by the public without charge. A sign must also be posted at each entrance to the park. The exemption does not include areas from which income is derived.

**Year Enacted:** 1995 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Public

**NRS:** 361.0605

**Summary of Amendments:** Added to NRS by 1995, 1881

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | 15 | $152,223.80 |
| **Fiscal Year Total:** | **15** | **$152,223.80** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | 13 | $103,991.32 |
| **Fiscal Year Total:** | **13** | **$103,991.32** |

## Tax Type: Property Tax

**Expenditure Name: The exemption of certain vehicles** **Category: Exemption**

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** All vehicles, as defined in NRS 371.020, are exempt from taxation under the provisions of this chapter, except mobile homes which constitute “real estate” or “real property.”

**Year Enacted:** 1963 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Public

**NRS:** 361.067

**Summary of Amendments:** Added to NRS by 1963, 1121; A 1979, 824; 2003, 2744

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: This data is not available.

2024 - Expenditure Explanation: This data is not available.

## Tax Type: Property Tax

**Expenditure Name: United States property exempted** **Category: Exemption**

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** All property owned by the United States is exempt from Property Tax.

**Year Enacted:** 1953 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Government

**NRS:** 361.050

**Summary of Amendments:** Part 1:344:1953; A 1954, 29; 1955, 340

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Government | 22,156 | $385,758,370.41 |
| **Fiscal Year Total:** | **22,156** | **$385,758,370.41** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Government | 22,265 | $374,982,619.00 |
| **Fiscal Year Total:** | **22,265** | **$374,982,619.00** |

## Tax Type: Property Tax

**Expenditure Name: Veterans** **Category: Exemption**

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** Property to the extent of $2,000 assessed value, adjusted by Consumer Price Index (CPI), of property may be exempt. Only the property of residents meeting certain qualifying criteria is eligible for exemption from Property Tax.

**Year Enacted:** 1953 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Veterans

**NRS:** 361.090

**Summary of Amendments:** [Part 1:344:1953; A 1954, 29; 1955, 340]—NRS A 1957, 320; 1963, 53; 1966, 4; 1967, 557; 1973, 986; 1977, 1488; 1983, 471; 1987, 812, 1527; 1989, 714; 1991, 1925, 2091; 1993, 586; 1995, 2296; 1999, 2770; 2001, 1521, 1523; 2003, 2751, 2752; 2005, 2650; 2007, 1878; 2011, 3516; 2013, 2509

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | 14,692 | $1,706,553.52 |
| **Fiscal Year Total:** | **14,692** | **$1,706,553.52** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | 13,888 | $2,022,253.09 |
| **Fiscal Year Total:** | **13,888** | **$2,022,253.09** |

## Tax Type: Property Tax

**Expenditure Name: Veterans' organizations** **Category: Exemption**

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** Up to $10,000 assessed value, adjusted by Consumer Price Index (CPI), of funds, furniture, paraphernalia, and regalia owned by certain charitable organizations, as well as real estate and fixtures, is exempt. If the real estate is leased, the exemption does not apply to the portion so leased or rented.

**Year Enacted:** 1953 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Veterans' organizations

**NRS:** 361.095

**Summary of Amendments:** [Part 1:344:1953; A 1954, 29; 1955, 340]—NRS A 1971, 143; 1975, 507; 2001, 1528; 2005, 2653; 2007, 1881

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | 52 | $4,543.03 |
| **Fiscal Year Total:** | **52** | **$4,543.03** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | 32 | $4,229.44 |
| **Fiscal Year Total:** | **32** | **$4,229.44** |

## Tax Type: Real Property Transfer Tax

**Expenditure Name:** **Exemption - A conveyance of real property to a person or persons from the board of county commissioners of a county whose population is less than 4,500**

**Category:** **Exemption**

**Agency:** Department of Taxation

**Division:** Local Government Services

**Description:** The board of county commissioners of a county whose population is less than 4,500 may convey, without consideration and without complying with certain requirements in existing law, real property that the county acquired directly from the Federal Government for the purpose of clearing title to the property; and is exempt from real property transfer tax.

**Year Enacted:** 2023 **Sunset Date:** 6/30/2025

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Public

**NRS:** 375.090 (15)

**Summary of Amendments:** Added to NRS by 1967, 1761; A 1969, 569; 1971, 246; 1985, 862, 2046; 1991, 1122, 2053; 1993, 2308, 2624; 1995, 716, 1037; 2001, 1593; 2003, 3486; 2003, 20th Special Session, 172, 174; 2005, 962, 2057, 2488; 2007, 3393; 2009, 1112; 2011, 1354; 2017, 525; 2021, 994; 2023, 1130, 2800

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business/Personal | 58 | $513,123.00 |
| **Fiscal Year Total:** | **58** | **$513,123.00** |

## Tax Type: Real Property Transfer Tax

**Expenditure Name: Exemptions - educational foundations** **Category: Exemption**

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** A transfer of title for real property to an educational foundation is exempt from the Real Property Transfer Tax.

**Year Enacted:** 1993 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** People who transfer property to educational foundations

**NRS:** 375.090 (12)

**Summary of Amendments:** Added to NRS by 1967, 1761; A 1969, 569; 1971, 246; 1985, 862, 2046; 1991, 1122, 2053; 1993, 2308, 2624; 1995, 716, 1037; 2001, 1593; 2003, 3486; 2003, 20th Special Session, 172, 174; 2005, 962, 2057, 2488; 2007, 3393; 2009, 1112; 2011, 1354; 2017, 525; 2021, 994; 2023, 1130, 2800

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 3 | $35,015.10 |
| **Fiscal Year Total:** | **3** | **$35,015.10** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 1 | $3,088.05 |
| **Fiscal Year Total:** | **1** | **$3,088.05** |

## Tax Type: Real Property Transfer Tax

**Expenditure Name: Exemptions - change of identity** **Category: Exemption**

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** A mere change in identity, form or place of organization (such as a transfer between a business entity and its parent, its subsidiary or an affiliated business entity if the affiliated business entity has identical common ownership) is exempt from the Real Property Transfer Tax; unless the affiliated business entity was formed for the purpose of avoiding those taxes.

**Year Enacted:** 1967 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Public

**NRS:** 375.090 (1)

**Summary of Amendments:** Added to NRS by 1967, 1761; A 1969, 569; 1971, 246; 1985, 862, 2046; 1991, 1122, 2053; 1993, 2308, 2624; 1995, 716, 1037; 2001, 1593; 2003, 3486; 2003, 20th Special Session, 172, 174; 2005, 962, 2057, 2488; 2007, 3393; 2009, 1112; 2011, 1354; 2017, 525; 2021, 994; 2023, 1130, 2800

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 761 | $14,514,075.24 |
| **Fiscal Year Total:** | **761** | **$14,514,075.24** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 917 | $14,518,647.64 |
| **Fiscal Year Total:** | **917** | **$14,518,647.64** |

## Tax Type: Real Property Transfer Tax

**Expenditure Name: Exemptions - death deed** **Category: Exemption**

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** A conveyance of real property by deed that becomes effective upon the death of the grantor, pursuant to NRS 111.655 to 111.699, is exempt from the Real Property Transfer Tax.

**Year Enacted:** 1967 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Public

**NRS:** 375.090 (10)

**Summary of Amendments:** Added to NRS by 1967, 1761; A 1969, 569; 1971, 246; 1985, 862, 2046; 1991, 1122, 2053; 1993, 2308, 2624; 1995, 716, 1037; 2001, 1593; 2003, 3486; 2003, 20th Special Session, 172, 174; 2005, 962, 2057, 2488; 2007, 3393; 2009, 1112; 2011, 1354; 2017, 525; 2021, 994; 2023, 1130, 2800

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 2,595 | $1,705,721.51 |
| **Fiscal Year Total:** | **2,595** | **$1,705,721.51** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 2,748 | $2,287,998.71 |
| **Fiscal Year Total:** | **2,748** | **$2,287,998.71** |

## Tax Type: Real Property Transfer Tax

**Expenditure Name: Exemptions - former spouse** **Category: Exemption**

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** A transfer of title between former spouses in compliance with a decree of divorce is exempt from the Real Property Transfer Tax.

**Year Enacted:** 1967 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Public

**NRS:** 375.090 (6)

**Summary of Amendments:** Added to NRS by 1967, 1761; A 1969, 569; 1971, 246; 1985, 862, 2046; 1991, 1122, 2053; 1993, 2308, 2624; 1995, 716, 1037; 2001, 1593; 2003, 3486; 2003, 20th Special Session, 172, 174; 2005, 962, 2057, 2488; 2007, 3393; 2009, 1112; 2011, 1354; 2017, 525; 2021, 994; 2023, 1130, 2800

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | 1,108 | $1,596,227.85 |
| **Fiscal Year Total:** | **1,108** | **$1,596,227.85** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | 1,187 | $1,382,837.84 |
| **Fiscal Year Total:** | **1,187** | **$1,382,837.84** |

## Tax Type: Real Property Transfer Tax

**Expenditure Name: Exemptions - joint tenant** **Category: Exemption**

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** A transfer of title of real property without consideration from one joint tenant or tenants in common to one or more remaining joint tenant or tenants in common is exempt from the Real Property Transfer Tax.

**Year Enacted:** 1967 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Public

**NRS:** 375.090 (4)

**Summary of Amendments:** Added to NRS by 1967, 1761; A 1969, 569; 1971, 246; 1985, 862, 2046; 1991, 1122, 2053; 1993, 2308, 2624; 1995, 716, 1037; 2001, 1593; 2003, 3486; 2003, 20th Special Session, 172, 174; 2005, 962, 2057, 2488; 2007, 3393; 2009, 1112; 2011, 1354; 2017, 525; 2021, 994; 2023, 1130, 2800

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | 1,789 | $2,422,362.47 |
| **Fiscal Year Total:** | **1,789** | **$2,422,362.47** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | 1,700 | $2,482,711.69 |
| **Fiscal Year Total:** | **1,700** | **$2,482,711.69** |

## Tax Type: Real Property Transfer Tax

**Expenditure Name: Exemptions - library foundation** **Category: Exemption**

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** A transfer of real property to a library foundation is exempt from the Real Property Transfer Tax.

**Year Enacted:** 1967 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Public

**NRS:** 375.090 (14)

**Summary of Amendments:** Added to NRS by 1967, 1761; A 1969, 569; 1971, 246; 1985, 862, 2046; 1991, 1122, 2053; 1993, 2308, 2624; 1995, 716, 1037; 2001, 1593; 2003, 3486; 2003, 20th Special Session, 172, 174; 2005, 962, 2057, 2488; 2007, 3393; 2009, 1112; 2011, 1354; 2017, 525; 2021, 994; 2023, 1130, 2800

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Government | 1 | $4,233.00 |
| **Fiscal Year Total:** | **1** | **$4,233.00** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Government | 0 | $0.00 |
| **Fiscal Year Total:** | **0** | **$0.00** |

## Tax Type: Real Property Transfer Tax

**Expenditure Name: Exemptions - related persons** **Category: Exemption**

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** A transfer, assignment, or other conveyance of real property, if the owner of the property is related to the person to whom it is conveyed within the first degree of lineal consanguinity or affinity, is exempt from the Real Property Transfer Tax.

**Year Enacted:** 1967 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Public

**NRS:** 375.090 (5)

**Summary of Amendments:** Added to NRS by 1967, 1761; A 1969, 569; 1971, 246; 1985, 862, 2046; 1991, 1122, 2053; 1993, 2308, 2624; 1995, 716, 1037; 2001, 1593; 2003, 3486; 2003, 20th Special Session, 172, 174; 2005, 962, 2057, 2488; 2007, 3393; 2009, 1112; 2011, 1354; 2017, 525; 2021, 994; 2023, 1130, 2800

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | 17,415 | $30,589,744.46 |
| **Fiscal Year Total:** | **17,415** | **$30,589,744.46** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | 16,075 | $37,990,062.74 |
| **Fiscal Year Total:** | **16,075** | **$37,990,062.74** |

## Tax Type: Real Property Transfer Tax

**Expenditure Name:** **Exemptions - taxes on transfers of real property through bankruptcy** **Category:** **Exemption**

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** The making, delivering, or filing of conveyances of real property to make effective any plan of reorganization or adjustment confirmed or approved by the Bankruptcy Act is exempt from the Real Property Transfer Tax.

**Year Enacted:** 1967 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Public

**NRS:** 375.090 (11)

**Summary of Amendments:** Added to NRS by 1967, 1761; A 1969, 569; 1971, 246; 1985, 862, 2046; 1991, 1122, 2053; 1993, 2308, 2624; 1995, 716, 1037; 2001, 1593; 2003, 3486; 2003, 20th Special Session, 172, 174; 2005, 962, 2057, 2488; 2007, 3393; 2009, 1112; 2011, 1354; 2017, 525; 2021, 994; 2023, 1130, 2800

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 6 | $8,412.92 |
| **Fiscal Year Total:** | **6** | **$8,412.92** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 9 | $69,365.10 |
| **Fiscal Year Total:** | **9** | **$69,365.10** |

## Tax Type: Real Property Transfer Tax

**Expenditure Name: Exemptions - to or from trust** **Category: Exemption**

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** A transfer of title to or from a trust without consideration if a certificate of trust is presented at the time of the transfer of the real property is exempt from the Real Property Transfer Tax.

**Year Enacted:** 1967 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Public

**NRS:** 375.090 (7)

**Summary of Amendments:** Added to NRS by 1967, 1761; A 1969, 569; 1971, 246; 1985, 862, 2046; 1991, 1122, 2053; 1993, 2308, 2624; 1995, 716, 1037; 2001, 1593; 2003, 3486; 2003, 20th Special Session, 172, 174; 2005, 962, 2057, 2488; 2007, 3393; 2009, 1112; 2011, 1354; 2017, 525; 2021, 994; 2023, 1130, 2800

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business/Personal | 30,412 | $31,747,906.39 |
| **Fiscal Year Total:** | **30,412** | **$31,747,906.39** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business/Personal | 31,485 | $36,086,782.02 |
| **Fiscal Year Total:** | **31,485** | **$36,086,782.02** |

## Tax Type: Real Property Transfer Tax

**Expenditure Name:** **Exemptions - transfer of title recognizing the true status of ownership of real property** **Category:** **Exemption**

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** A transfer of the title for real property recognizing the true status of ownership of the real property is exempt from the Real Property Transfer Tax.

**Year Enacted:** 1967 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Public

**NRS:** 375.090 (3)

**Summary of Amendments:** Added to NRS by 1967, 1761; A 1969, 569; 1971, 246; 1985, 862, 2046; 1991, 1122, 2053; 1993, 2308, 2624; 1995, 716, 1037; 2001, 1593; 2003, 3486; 2003, 20th Special Session, 172, 174; 2005, 962, 2057, 2488; 2007, 3393; 2009, 1112; 2011, 1354; 2017, 525; 2021, 994; 2023, 1130, 2800

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | 8,837 | $11,939,112.63 |
| **Fiscal Year Total:** | **8,837** | **$11,939,112.63** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | 7,987 | $49,153,893.77 |
| **Fiscal Year Total:** | **7,987** | **$49,153,893.77** |

## Tax Type: Real Property Transfer Tax

**Expenditure Name: Exemptions - transfer of title to the government** **Category: Exemption**

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** A transfer of real property title to the United States, any territory or state, or any agency, department, instrumentality, or political subdivision is exempt from the Real Property Transfer Tax.

**Year Enacted:** 1967 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Government entities

**NRS:** 375.090 (2)

**Summary of Amendments:** Added to NRS by 1967, 1761; A 1969, 569; 1971, 246; 1985, 862, 2046; 1991, 1122, 2053; 1993, 2308, 2624; 1995, 716, 1037; 2001, 1593; 2003, 3486; 2003, 20th Special Session, 172, 174; 2005, 962, 2057, 2488; 2007, 3393; 2009, 1112; 2011, 1354; 2017, 525; 2021, 994; 2023, 1130, 2800

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business/Personal | 719 | $1,356,682.21 |
| **Fiscal Year Total:** | **719** | **$1,356,682.21** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business/Personal | 652 | $15,774,059.73 |
| **Fiscal Year Total:** | **652** | **$15,774,059.73** |

## Tax Type: Real Property Transfer Tax

**Expenditure Name: Exemptions - university foundation** **Category: Exemption**

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** A transfer of real property to a university foundation is exempt from the Real Property Transfer Tax.

**Year Enacted:** 1967 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** University foundations

**NRS:** 375.090 (13)

**Summary of Amendments:** Added to NRS by 1967, 1761; A 1969, 569; 1971, 246; 1985, 862, 2046; 1991, 1122, 2053; 1993, 2308, 2624; 1995, 716, 1037; 2001, 1593; 2003, 3486; 2003, 20th Special Session, 172, 174; 2005, 962, 2057, 2488; 2007, 3393; 2009, 1112; 2011, 1354; 2017, 525; 2021, 994; 2023, 1130, 2800

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business/Personal | 3 | $89,539.50 |
| **Fiscal Year Total:** | **3** | **$89,539.50** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business/Personal | 0 | $0.00 |
| **Fiscal Year Total:** | **0** | **$0.00** |

## Tax Type: Real Property Transfer Tax

**Expenditure Name: Unpatented mines or mining claims** **Category: Exemption**

**Agency:** Department of Taxation **Division:** Local Government Services

**Description:** Transfers assignments or conveyances of unpatented mines or mining claims is exempt from the Real Property Transfer Tax.

**Year Enacted:** 1967 **Sunset Date:** None

**Purpose:** Legislative intent is not defined in statute

**Who Benefits:** Public

**NRS:** 375.090 (8)

**Summary of Amendments:** Added to NRS by 1967, 1761; A 1969, 569; 1971, 246; 1985, 862, 2046; 1991, 1122, 2053; 1993, 2308, 2624; 1995, 716, 1037; 2001, 1593; 2003, 3486; 2003, 20th Special Session, 172, 174; 2005, 962, 2057, 2488; 2007, 3393; 2009, 1112; 2011, 1354; 2017, 525; 2021, 994; 2023, 1130, 2800

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business/Personal | 295 | $1,720,242.99 |
| **Fiscal Year Total:** | **295** | **$1,720,242.99** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business/Personal | 264 | $84,690.72 |
| **Fiscal Year Total:** | **264** | **$84,690.72** |

## Tax Type: Registration

**Expenditure Name: Antique vehicle - trucks and truck-tractors** **Category: Exemption**

**Agency:** Department of Motor Vehicles **Division:** Management Services and Programs

**Description:** Allows the Department to issue special license plates and registration certificates to residents of Nevada for an antique truck or truck-tractors if the Department has received more than 250 applications. The vehicle must not be used for general transportation and only for truck shows exhibits, parades, or similar activities.

**Year Enacted:** 2001 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Owners of antique trucks and tractors

**NRS:** 482.3811

**Summary of Amendments:** Added to NRS by 2001, 1859

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Other | 116 | $24,708.00 |
| **Fiscal Year Total:** | **116** | **$24,708.00** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Other | 112 | $24,976.00 |
| **Fiscal Year Total:** | **112** | **$24,976.00** |

## Tax Type: Registration

**Expenditure Name:** **Exemption from registration - motorized wheelchair** **Category:** **Exemption**

**Agency:** Department of Motor Vehicles **Division:** Management Services and Programs

**Description:** Vehicles defined as a motorized conveyance for a wheelchair are exempt from registration. This term is defined in NRS 482.210(2).

**Year Enacted:** 1931 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Owners of motorized conveyances for wheelchairs

**NRS:** 482.210 (1)(g)

**Summary of Amendments:** Part 6:202:1931; A 1941, 51; 1949, 511; 1953, 52]—NRS A 1963, 348; 1973, 470; 1975, 1075; 1979, 1223; 1981, 620; 1983, 436; 1991, 2330; 2009, 394; 2015, 1117, 1748; 2019, 1880

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

2024 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

## Tax Type: Registration

**Expenditure Name: Exemption from registration - electric bicycles** **Category: Exemption**

**Agency:** Department of Motor Vehicles **Division:** Management Services and Programs

**Description:** Vehicles defined as an electric bicycle are exempt from registration. This term is defined in NRS 482.0287.

**Year Enacted:** 1931 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Owners of electric bicycles

**NRS:** 482.210 (1)(d)

**Summary of Amendments:** Part 6:202:1931; A 1941, 51; 1949, 511; 1953, 52]—(NRS A 1963, 348; 1973, 470; 1975, 1075; 1979, 1223; 1981, 620; 1983, 436; 1991, 2330; 2009, 394; 2015, 1117,1748; 2019, 1880

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

2024 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

## Tax Type: Registration

**Expenditure Name: Exemption from registration - golf carts** **Category: Exemption**

**Agency:** Department of Motor Vehicles **Division:** Management Services and Programs

**Description:** Vehicles defined as a golf cart are exempt from registration. This term is defined in NRS 482.044.

**Year Enacted:** 1931 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Owners of golf carts

**NRS:** 482.210 (1)(e)

**Summary of Amendments:** Part 6:202:1931; A 1941, 51; 1949, 511; 1953, 52]—(NRS A 1963, 348; 1973, 470; 1975, 1075; 1979, 1223; 1981, 620; 1983, 436; 1991, 2330; 2009, 394; 2015, 1117, 1748; 2019, 1880

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

2024 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

## Tax Type: Registration

**Expenditure Name:** Exemption from registration - implements of husbandry **Category:** Exemption

**Agency:** Department of Motor Vehicles **Division:** Management Services and Programs

**Description:** Vehicles defined as implements of husbandry are exempt from registration. This term is partially defined in NRS 482.035 and includes a vehicle used solely for agricultural use.

**Year Enacted:** 1931 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Owners of implements of husbandry equipment

**NRS:** 482.210 (1)(b)

**Summary of Amendments:** Part 6:202:1931; A 1941, 51; 1949, 511; 1953, 52]—(NRS A 1963, 348; 1973, 470; 1975, 1075; 1979, 1223; 1981, 620; 1983, 436; 1991, 2330; 2009, 394; 2015, 1117, 1748; 2019, 1880

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business/Personal | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business/Personal | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

2024 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

## Tax Type: Registration

**Expenditure Name: Exemption from registration - mobile equipment** **Category: Exemption**

**Agency:** Department of Motor Vehicles **Division:** Management Services and Programs

**Description:** Vehicles that are classified as special mobile equipment are exempt from registration.

**Year Enacted:** 1931 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statue

**Who Benefits:** Owners of special mobile equipment

**NRS:** 482.210 (1)(a)

**Summary of Amendments:** Part 6:202:1931; A 1941, 51; 1949, 511; 1953, 52]—(NRS A 1963, 348; 1973, 470; 1975, 1075; 1979, 1223; 1981, 620; 1983, 436; 1991, 2330; 2009, 394; 2015, 1117, 1748; 2019, 1880

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business/Personal | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business/Personal | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

2024 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

## Tax Type: Registration

**Expenditure Name:** **Exemption from registration - mobile homes and commercial coaches** **Category:** **Exemption**

**Agency:** Department of Motor Vehicles **Division:** Management Services and Programs

**Description:** Vehicles classified as mobile homes or commercial coaches are exempt from registration if they are subject to the provisions of chapter 489 of NRS.

**Year Enacted:** 1931 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Owners of mobile homes and commercial coaches

**NRS:** 482.210 (1)(c)

**Summary of Amendments:** [Part 6:202:1931; A 1941, 51; 1949, 511; 1953, 52]—(NRS A 1963, 348; 1973, 470; 1975, 1075; 1979, 1223; 1981, 620; 1983, 436; 1991, 2330; 2009, 394; 2015, 1117, 1748; 2019, 1880

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

2024 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

## Tax Type: Registration

**Expenditure Name: Exemption from registration - towable tools** **Category: Exemption**

**Agency:** Department of Motor Vehicles **Division:** Management Services and Programs

**Description:** Vehicles defined as a towable tool or equipment are exempt from registration. This term is defined in NRS 484D.055.

**Year Enacted:** 1931 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Owners of towable tools or equipment

**NRS:** 482.210 (1)(f)

**Summary of Amendments:** Part 6:202:1931; A 1941, 51; 1949, 511; 1953, 52]—(NRS A 1963, 348; 1973, 470; 1975, 1075; 1979, 1223; 1981, 620; 1983, 436; 1991, 2330; 2009, 394; 2015, 1117, 1748; 2019, 1880

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

2024 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

## Tax Type: Registration

**Expenditure Name:** **Exemptions from fees for registration (government, state, and county)** **Category:** **Exemption**

**Agency:** Department of Motor Vehicles **Division:**

**Description:** The registration fee imposed by this chapter does not apply to vehicles owned by the United States, the State of Nevada, any political subdivision of the State of Nevada, or any county, municipal corporation, city, unincorporated town, or school district in the State of Nevada.

**Year Enacted:** 1965 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** United States, the State of Nevada, any political subdivision of the State of Nevada, county, municipal corporation, city, unincorporated town, or school district in the State of Nevada

**NRS:** 482.503

**Summary of Amendments:** Added to NRS by 1965, 316

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Government | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Government | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

2024 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

## Tax Type: Registration

**Expenditure Name: Fire trucks** **Category: Exemption**

**Agency:** Department of Motor Vehicles **Division:** Management Services and Programs

**Description:** Allows the Department to issue special license plates and registration certificates to residents of Nevada for a fire truck only used for exhibits, parades, and similar activities in lieu of annual registration, fees, and Government Service Tax.

**Year Enacted:** 1993 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Owners of fire truck used for musters, exhibits, parades, or similar activities

**NRS:** 482.3795

**Summary of Amendments:** Added to NRS by 1993, 513; A 2001, 329

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 35 | $7,455.00 |
| **Fiscal Year Total:** | **35** | **$7,455.00** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 32 | $7,136.00 |
| **Fiscal Year Total:** | **32** | **$7,136.00** |

## Tax Type: Registration

**Expenditure Name:** **Registration of vehicle of non-resident owner not required - exempts border state employees from registering their vehicle(s) in Nevada**

**Category:** **Exemption**

**Agency:** Department of Motor Vehicles

**Division:** Management Services and Programs

**Description:** This statute provides a vehicle registration exception to certain persons who are out-of-state residents and operating a vehicle in Nevada.

**Year Enacted:** 1931

**Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Residents from a bordering state who are employed in Nevada

**NRS:** 482.385 (2)(c)

**Summary of Amendments:** Part 17:202:1931; A 1933, 249; 1937, 330; 1941, 279; 1943, 266; 1951, 156; 1955, 350]—NRS A 1960, 130; 1961, 131, 350; 1963, 215; 1973, 1568; 1975, 334; 1981, 474; 1983, 1005; 1985, 1836; 1989, 705, 1169, 1422; 1991, 1990; 1995, 2727; 2001, 332; 2003, 3378; 2005, 2062; 2009, 3015; 2011, 1588; 2013, 2950

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

2024 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

## Tax Type: Registration

**Expenditure Name:** **Registration of vehicle of non-resident owner not required for a non-resident in this state for a period of not more than 30 days in the aggregate in any calendar year**

**Category:** **Exemption**

**Agency:** Department of Motor Vehicles **Division:** Management Services and Programs

**Description:** Allows for a non-resident to operate a vehicle without registration of the vehicle in this state for a period not more than 30 days in the aggregate in any 1 calendar year.

**Year Enacted:** 1931 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Out of state residents, work study program, out of state students, active duty military service member, migrant or seasonal farm workers, border state employees that commute into Nevada for employment

**NRS:** 482.385 (1)(a),(b)

**Summary of Amendments:** Part 17:202:1931; A 1933, 249; 1937, 330; 1941, 279; 1943, 266; 1951, 156; 1955, 350]—(NRS A 1960, 130; 1961, 131, 350; 1963, 215; 1973, 1568; 1975, 334; 1981, 474; 1983, 1005; 1985, 1836; 1989, 705, 1169, 1422; 1991, 1990; 1995, 2727; 2001, 332; 2003, 3378; 2005, 2062; 2009, 3015; 2011, 1588; 2013, 2950, 3193

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

2024 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

## Tax Type: Sales and Use Tax

**Expenditure Name:** Abatement for business in certain areas of economic development

**Category:** Abatement

**Agency:** Department of Taxation

**Division:**

**Description:** A business that intends to locate or expand in certain economic development zones may apply for a partial abatement of Sales and Use Tax for the purchase of eligible machinery or equipment used by the new or expanded businesses located in certain areas of economic development.

**Year Enacted:** 2005

**Sunset Date:** None

**Purpose:** Economic development

**Who Benefits:** Businesses that locate or expand in certain economic development zones

**NRS:** 274.310 and 274.320

**Summary of Amendments:** Added to NRS by 2005, 639; A 2011, 3452; 2013, 27th Special Session, 21; 2015, 1074, 3052

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: No reported abatement has been taken for this fiscal year.

2024 - Expenditure Explanation: No reported abatement has been taken for this fiscal year.

## Tax Type: Sales and Use Tax

**Expenditure Name:** **Abatement for eligible machinery or equipment used by certain new or expanded businesses** **Category:** **Abatement**

**Agency:** Department of Taxation **Division:**

**Description:** A person who maintains a business or intends to locate a business in this state may, pursuant to NRS 360.750, apply to the Office of Economic Development for an abatement from the taxes imposed by this chapter on the gross receipts from the sale, storage, use, or other consumption of eligible machinery or equipment for use by a business which has been approved for an abatement pursuant to NRS 360.750.

**Year Enacted:** 1995 **Sunset Date:** None

**Purpose:** Economic development

**Who Benefits:** Businesses

**NRS:** 374.357

**Summary of Amendments:** Added to NRS by 1995, 744; A 1999, 1748; 2001, 1583; 2003, 2925, 2927; 2007, 3384; 2011, 3468

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 22 | $7,671,759.57 |
| **Fiscal Year Total:** | **22** | **$7,671,759.57** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 22 | $6,473,258.18 |
| **Fiscal Year Total:** | **22** | **$6,473,258.18** |

## Tax Type: Sales and Use Tax

**Expenditure Name:** **Abatement of Sales and Use Tax for capital investment at least $1 billion** **Category:** **Abatement**

**Agency:** Department of Taxation **Division:**

**Description:** Abatement of Sales and Use Tax for capital investment at least $1 billion.

**Year Enacted:** 2015 **Sunset Date:** 6/30/2032

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Businesses

**NRS:** 360.893 (2)(c)

**Summary of Amendments:** Added to NRS by 2015, 29th Special Session, 24

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 1 | $678,249.92 |
| **Fiscal Year Total:** | **1** | **$678,249.92** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 1 | $1,686,450.87 |
| **Fiscal Year Total:** | **1** | **$1,686,450.87** |

## Tax Type: Sales and Use Tax

**Expenditure Name:** **Abatement of Sales and Use Tax for capital investment at least $3.5 billion** **Category:** **Abatement**

**Agency:** Department of Taxation **Division:**

**Description:** Abatement of Sales and Use Tax for qualified projects with a capital investment of at least $3.5 billion.

**Year Enacted:** 2014 **Sunset Date:** 6/30/2036

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Businesses

**NRS:** 360.965 (2)(c)

**Summary of Amendments:** Added to NRS by 2014, 28th Special Session, 18

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 15 | $11,658,283.10 |
| **Fiscal Year Total:** | **15** | **$11,658,283.10** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 18 | $14,049,264.17 |
| **Fiscal Year Total:** | **18** | **$14,049,264.17** |

2023 - Expenditure Explanation: Number receiving benefit includes all individual taxpayers remitting Sales and Use Tax under this abatement agreement.

2024 - Expenditure Explanation: Number receiving benefit includes all individual taxpayers remitting Sales and Use Tax under this abatement agreement.

## Tax Type: Sales and Use Tax

**Expenditure Name:** Animals and plants intended for human consumption, feed and fertilizer **Category:** Exemption

**Agency:** Department of Taxation **Division:**

**Description:** Animals and plants intended for human consumption are exempt from sales and use tax. Feed for any form of animal life of a kind the products of which ordinarily constitute food for human consumption sold in the regular course of business is exempt from sales and use tax. Fertilizer to be applied to land the products of which are to be used as food for human consumption sold in the regular course of business is also exempt from Sales and Use Tax.

**Year Enacted:** 1955 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Agriculture related Industry and public

**NRS:** 372.280

**Summary of Amendments:** [56:397:1955]

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

2024 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

## Tax Type: Sales and Use Tax

**Expenditure Name: Broadcasting activities** **Category: Exemption**

**Agency:** Department of Taxation **Division:**

**Description:** The Department shall consider certain broadcasting activities not taxable pursuant to the provisions of the Sales and Use Tax chapter.

**Year Enacted:** 1993 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Broadcasting businesses

**NRS:** 372.734

**Summary of Amendments:** Added to NRS by 1993, 2744; A 2007, 1390

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

2024 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

## Tax Type: Sales and Use Tax

**Expenditure Name: Collection allowance** **Category: Subtraction**

**Agency:** Department of Taxation **Division:**

**Description:** Taxpayer involved in sales may deduct and withhold 0.25% from the taxes otherwise due from him or her as reimbursement for the cost of collecting the tax.

**Year Enacted:** 1979 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Businesses reporting sales tax to the Department

**NRS:** 372.370

**Summary of Amendments:** Added to NRS by 1979, 416; A 1981, 288; 1991, 2293; 2003, 2367; 2003, 20th Special Session, 21; 2005, 1778; 2008, 25th Special Session, 20; 2009, 2097

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 92,045 | $16,422,718.89 |
| **Fiscal Year Total:** | **92,045** | **$16,422,718.89** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 91,138 | $16,737,023.95 |
| **Fiscal Year Total:** | **91,138** | **$16,737,023.95** |

## Tax Type: Sales and Use Tax

**Expenditure Name: Containers** **Category: Exemption**

**Agency:** Department of Taxation **Division:**

**Description:** The sales, storage, use, or other consumption of food containers designed for specific uses are exempt from Sales and Use Tax.

**Year Enacted:** 1955 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Food industry

**NRS:** 372.290

**Summary of Amendments:** No amendments

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

2024 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

## Tax Type: Sales and Use Tax

**Expenditure Name: Deduction of certain bad debts from taxable sales** **Category: Deduction**

**Agency:** Department of Taxation **Division:**

**Description:** If a retailer is unable to collect all or part of the sales price of a sale, the retailer is entitled to receive a deduction from his or her taxable sales for that bad debt.

**Year Enacted:** 2003 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Businesses

**NRS:** 372.368

**Summary of Amendments:** Added to NRS by 2003, 2362; A 2005, 1778; 2013, 973)

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

2024 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

## Tax Type: Sales and Use Tax

**Expenditure Name: Domestic fuels** **Category: Exemption**

**Agency:** Department of Taxation **Division:**

**Description:** The sale, furnishing, service of, storage, use, or other consumption of any matter used to produce domestic heat by burning, including, wood, coal, petroleum, and gas are exempt from Sales and Use Tax.

**Year Enacted:** 1955 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Public

**NRS:** 372.300

**Summary of Amendments:** No amendments

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business/Personal | Not Available | $63,146,038.59 |
| **Fiscal Year Total:** | | **$63,146,038.59** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business/Personal | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: The information was estimated using the U.S. Energy Information Administration (EIA) 2022 data for Nevada. The estimate includes residential sector expenditures on coal, distillate fuel oil, hydrocarbon gas, kerosene, propane, wood. The expenditure amount is derived by calculating the total weighted sales per county, multiplying the amounts by the applicable county tax rate, and adding up the totals for each county.

2024 - Expenditure Explanation: The Federal data required to make the estimate for fiscal year 2024 is not available.

## Tax Type: Sales and Use Tax

**Expenditure Name:** **Exempt from sales tax for property sold to certain members of the Nevada National Guard and their families**

**Category:** **Exemption**

**Agency:** Department of Taxation

**Division:**

**Description:** The sale of tangible personal property to a member of the Nevada National Guard engaged in full-time National Guard duty as defined in 10 U.S.C. 101(d)(2) and has been called to active duty is exempted from Sales and Use Tax; and a member of the Nevada National Guard engaged in full-time National Guard duty as defined in 10 U.S.C. 101(d)(4) is exempted from Sales and Use Tax during certain days of the year.

**Year Enacted:** 2005 **Sunset Date:** 7/1/2031

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Nevada National Guard members and their qualifying relatives

**NRS:** 372.7281

**Summary of Amendments:** Added to NRS by 2005, 2449; A 2015, 3930; 2021, 2083

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | 1 | $5,942.26 |
| **Fiscal Year Total:** | **1** | **$5,942.26** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | 196 | $359,502.26 |
| **Fiscal Year Total:** | **196** | **$359,502.26** |

2024 - Expenditure Explanation: Expenditure amount is the total exemptions processed as Sales and Use Tax refunds by the Department for the National Guard Sales Tax Holiday. Exemptions/deductions are not required to be reported to the Department by the seller.

## Tax Type: Sales and Use Tax

**Expenditure Name: Farm machinery and equipment** **Category: Exemption**

**Agency:** Department of Taxation **Division:**

**Description:** The sale, storage, use, or other consumption of farm machinery and equipment are exempt from Sales and Use Tax.

**Year Enacted:** 2006 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Agriculture related Industry

**NRS:** 372.281

**Summary of Amendments:** No amendments

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

2024 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

## Tax Type: Sales and Use Tax

**Expenditure Name: Food for human consumption** **Category: Exemption**

**Agency:** Department of Taxation **Division:**

**Description:** Food for human consumption is exempted from the taxes imposed by this chapter. Alcoholic beverages, pet food, tonics, vitamins and prepared food are not included in the definition of food for human consumption.

**Year Enacted:** 1979 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Public

**NRS:** 372.284

**Summary of Amendments:** [56.2:397:1955]—(Added in 1979. Proposed by the 1979 Legislature; adopted by the people at a special election on June 5, 1979, effective July 1, 1979. See Statutes of Nevada 1979, p. 409.)

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | 3,177,421 | $775,092,191.78 |
| **Fiscal Year Total:** | **3,177,421** | **$775,092,191.78** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | 3,194,176 | $798,184,146.31 |
| **Fiscal Year Total:** | **3,194,176** | **$798,184,146.31** |

2023 - Expenditure Explanation: The information was estimated using the United States Department of Agriculture (USDA) 2022 calendar year data for food-at-home expenditures in the United States and the Bureau of Economic Analysis (BEA) estimates of personal disposable income in the United States and Nevada for calendar year 2022. The number of beneficiaries is estimated as the total population of Nevada in calendar year 2022.

2024 - Expenditure Explanation: The information was estimated using the United States Department of Agriculture (USDA) 2023 calendar year data for food-at-home expenditures in the United States and the Bureau of Economic Analysis (BEA) estimates of personal disposable income in the United States and Nevada for calendar year 2023. The number of beneficiaries is estimated as the total population of Nevada in calendar year 2023.

## Tax Type: Sales and Use Tax

**Expenditure Name:** **Fuel used to propel motor vehicle - fuel consumed off public highways of this state** **Category:** **Exemption**

**Agency:** Department of Taxation **Division:**

**Description:** Special fuel users are exempt from the taxes imposed by this chapter for the gross receipts from the sale and distribution of, and the storage, use, or other consumption in this State of, any combustible gas, liquid, or material of a kind used in an internal or combustion or diesel engine for the generation of power to propel a motor vehicle on the highways.

**Year Enacted:** 1955 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Special fuel user

**NRS:** 372.275

**Summary of Amendments:** [55:397:1955]

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Other | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Other | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

2024 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

## Tax Type: Sales and Use Tax

**Expenditure Name: Gas, electricity, and water** **Category: Exemption**

**Agency:** Department of Taxation **Division:**

**Description:** The sales, furnishing or service of, and the storage, use or other consumption of, gas, electricity, and water when delivered to consumers through mains, lines, or pipes are exempt from Sales and Use Tax.

**Year Enacted:** 1955 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Public

**NRS:** 372.295

**Summary of Amendments:** No amendments

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business/Personal | Not Available | $211,567,621.54 |
| **Fiscal Year Total:** | | **$211,567,621.54** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business/Personal | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: The information was estimated using the U.S. Energy Information Administration (EIA) 2022 data for Nevada. The estimate does not include water. The expenditure amount is derived by calculating the total weighted sales per county, multiplying the amounts by the applicable county tax rate, and adding up the totals for each county.

2024 - Expenditure Explanation: The federal data required to make the estimate for fiscal year 2024 is not available.

## Tax Type: Sales and Use Tax

**Expenditure Name:** Loans or donations to United States, state, political subdivision, or religious organization **Category:** Exemption

**Agency:** Department of Taxation **Division:**

**Description:** Loans or donations to various government agencies and nonprofit organization are exempt from Sales and Use Tax.

**Year Enacted:** 1988 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** United State, State of Nevada, political subdivisions, religious /eleemosynary organizations

**NRS:** 372.327

**Summary of Amendments:** No amendments

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Government | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Government | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

2024 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

## Tax Type: Sales and Use Tax

**Expenditure Name: Manufactured homes and mobile homes** **Category: Exemption**

**Agency:** Department of Taxation **Division:**

**Description:** 40% of the sales and storage, use, or other consumption of new manufactured homes and new mobile homes is exempt from Sales and Use Tax.

**Year Enacted:** 1988 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Public

**NRS:** 372.316

**Summary of Amendments:** No amendments

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business/Personal | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business/Personal | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

2024 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

## Tax Type: Sales and Use Tax

**Expenditure Name:** **Meals and food products sold to students or teachers by school, organization of students, or parent-teacher associations**

**Category:** **Exemption**

**Agency:** Department of Taxation

**Division:**

**Description:** The consumption of meals and food products for human consumption served by public or private schools, school districts, student organizations, and parent-teacher associations to the students or teachers of a school are exempt from Sales and Use Tax.

**Year Enacted:** 1955

**Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Schools, students and parent-teacher associations

**NRS:** 372.285

**Summary of Amendments:** 57:397:1955

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Other | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Other | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

2024 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

## Tax Type: Sales and Use Tax

**Expenditure Name: Newspapers** **Category: Exemption**

**Agency:** Department of Taxation **Division:**

**Description:** The sale, storage, use, or other consumption in this state of tangible personal property that becomes an ingredient or component part of any newspaper regularly issued is exempt from Sales and Use Tax.

**Year Enacted:** 1955 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Public

**NRS:** 372.315

**Summary of Amendments:** [61:397:1955] — (Amended in 1970. Proposed by the 1969 Legislature; adopted by the people at the 1970 general election, effective January 1, 1971. See Statutes of Nevada 1969, p. 533.)

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Other | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Other | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

2024 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

## Tax Type: Sales and Use Tax

**Expenditure Name: Occasional sale** **Category: Exemption**

**Agency:** Department of Taxation **Division:**

**Description:** The occasional sale of tangible personal property is exempt from Sales and Use Tax.

**Year Enacted:** 1955 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Public

**NRS:** 372.320

**Summary of Amendments:** No amendments

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Other | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Other | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

2024 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

## Tax Type: Sales and Use Tax

**Expenditure Name:** Partial abatement of certain taxes imposed on aircraft **Category:** Abatement

**Agency:** Department of Taxation **Division:**

**Description:** Partial abatement of certain taxes imposed on aircraft, components of aircraft, and other personal property used for certain purposes related to aircraft. The Purchaser is required to pay Sales and/or Use Tax at the rate of 2%.

**Year Enacted:** 2015 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Businesses

**NRS:** 360.753 (11)

**Summary of Amendments:** Added to NRS by 2015, 2328

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 9 | $1,714,047.87 |
| **Fiscal Year Total:** | **9** | **$1,714,047.87** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 11 | $1,421,982.66 |
| **Fiscal Year Total:** | **11** | **$1,421,982.66** |

## Tax Type: Sales and Use Tax

**Expenditure Name:** Partial abatement of certain taxes imposed on new or expanded data center **Category:** Abatement

**Agency:** Department of Taxation **Division:**

**Description:** Partial abatement for data centers that relocate or expand in this state may apply to the Office of Economic Development for an abatement of Sales and Use Tax and Property Tax.

**Year Enacted:** 2015 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Data centers that intend to relocate or expand in Nevada

**NRS:** 360.754 (5)

**Summary of Amendments:** Added to NRS by 2015, 3042

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 71 | $92,995,835.52 |
| **Fiscal Year Total:** | **71** | **$92,995,835.52** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 60 | $132,574,955.31 |
| **Fiscal Year Total:** | **60** | **$132,574,955.31** |

## Tax Type: Sales and Use Tax

**Expenditure Name: Partial abatement of renewable energy facilities** **Category: Abatement**

**Agency:** Department of Taxation **Division:**

**Description:** Duration of abatement must be 3 years at a rate of 2.6 % on purchases of personal property. The Nevada Energy Commissioner approves applications.

**Year Enacted:** 2009 **Sunset Date:** 6/30/2049

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Renewable energy facilities

**NRS:** 701A.370 (1)(b)

**Summary of Amendments:** A 2009, 2010; 2011, 2073, 2896, 3481; 2013, 3427

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 17 | $10,922,790.87 |
| **Fiscal Year Total:** | **17** | **$10,922,790.87** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 16 | $14,008,977.08 |
| **Fiscal Year Total:** | **16** | **$14,008,977.08** |

## Tax Type: Sales and Use Tax

**Expenditure Name:** Personal property sold by or to nonprofit organizations created for religious, charitable, or educational purposes

**Category:** Exemption

**Agency:** Department of Taxation

**Division:**

**Description:** The sale, storage, or use and consumption of any tangible personal property in this state by or to a nonprofit organization is exempt from Sales and Use Tax.

**Year Enacted:** 1995 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Nonprofit organizations

**NRS:** 372.326

**Summary of Amendments:** No amendments

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

2024 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

## Tax Type: Sales and Use Tax

**Expenditure Name:** Personal property used for performance of contract on public works executed before July 1, 1955 **Category:** Exemption

**Agency:** Department of Taxation **Division:**

**Description:** The sale, storage, use, or other consumption in this state of tangible personal property used for the performance of a contract on public works executed prior to July 1, 1955 is exempt from Sales and Use Tax.

**Year Enacted:** 1955 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Public

**NRS:** 372.305

**Summary of Amendments:** No amendments

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Government | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Government | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

2024 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

## Tax Type: Sales and Use Tax

**Expenditure Name:** Personal property used for performance of written contract executed before March 29, 1955 **Category:** Exemption

**Agency:** Department of Taxation **Division:**

**Description:** The sale, storage, and use or other consumption in this state of tangible personal property used for the performance of a written contract entered into prior to March 29, 1955, is exempt from Sales and Use Tax.

**Year Enacted:** 1955 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Public

**NRS:** 372.310

**Summary of Amendments:** No amendments

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

2024 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

## Tax Type: Sales and Use Tax

**Expenditure Name: Proceeds of mines** **Category: Exemption**

**Agency:** Department of Taxation **Division:**

**Description:** The proceeds of mines that are subject to taxes levied pursuant to chapter 362 of NRS are exempt from Sales and Use Tax.

**Year Enacted:** 1955 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Mining industry

**NRS:** 372.270

**Summary of Amendments:** [52:397:1955]

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

2024 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

## Tax Type: Sales and Use Tax

**Expenditure Name:** **Property which is shipped to a point outside of this state, pursuant to a sales contract** **Category:** **Exemption**

**Agency:** Department of Taxation **Division:**

**Description:** Sales that are shipped to a point outside this state are exempt from the computation of Sales and Use Tax.

**Year Enacted:** 1955 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Businesses

**NRS:** 372.335

**Summary of Amendments:** No amendments

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

2024 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

## Tax Type: Sales and Use Tax

**Expenditure Name:** **Prosthetic devices, orthotic appliances, certain supports and casts, appliances, supplies relating to ostomy, products for hemodialysis, medicines, and feminine hygiene products**

**Category:** **Exemption**

**Agency:** Department of Taxation **Division:**

**Description:** Prosthetic devices, orthotic appliances, certain supports and casts, appliances, supplies relating to ostomy, products for hemodialysis, medicines, and feminine hygiene products are exempt from Sales and Use Tax.

**Year Enacted:** 1970 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Public and medical professionals

**NRS:** 372.283

**Summary of Amendments:** [56.1:397:1955] — (Added in 1970. Proposed by the 1969 Legislature; adopted by the people at the 1970 General Election, effective January 1, 1971. See Statutes of Nevada 1969, p. 532. Amended in 1986. Proposed by the 1985 Legislature; adopted by the people at the 1986 General Election, effective January 1, 1987. See Statutes of Nevada 1985, p. 2028. Amended in 1996. Proposed by the 1995 Legislature; adopted by the people at the 1996 General Election, effective January 1, 1997. See Statutes of Nevada 1995, p. 1007. Amended in 2018. Proposed by the 2017 Legislature; adopted by the people at the 2018 General Election, effective January 1, 2019. See Statutes of Nevada 2017, p. 2540.)

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

2024 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

## Tax Type: Sales and Use Tax

**Expenditure Name:** Sale of certain medical devices to governmental entities **Category:** Exemption

**Agency:** Department of Taxation **Division:**

**Description:** The Department shall exempt sales tax on the sale of a medical device to governmental entities.

**Year Enacted:** 2001 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Government

**NRS:** 372.7285

**Summary of Amendments:** Added to NRS by 2001, 1294; A 2007, 3083; 2009, 2995; 2011, 1519

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Government | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Government | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

2024 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

## Tax Type: Sales and Use Tax

**Expenditure Name:** Sale of personal property for shipment outside this state of certain motor vehicles, farm machinery, equipment, and vessels

**Category:** Exemption

**Agency:** Department of Taxation

**Division:**

**Description:** The Department shall apply the exemption of Sales and Use Tax for the sale of tangible personal property delivered by the vendor to a forwarding agent for shipment out of state to include, The sale of a vehicle to a nonresident to whom a special movement permit has been issued by the DMV. The sale of farm machinery and equipment to a nonresident who will be delivering it out of State not later than 15 days after the sale. The sale of a vessel to a nonresident who will be delivering it out of state not later than 15 days after the sale.

**Year Enacted:** 1997 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Motor vehicle dealers

**NRS:** 372.7263

**Summary of Amendments:** Added to NRS by 1997, 180; A 2001, 823, 2601; 2003, 2368, 2821; 2005, 2485, 2486

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

2024 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

## Tax Type: Sales and Use Tax

**Expenditure Name: Sale to common carrier** **Category: Exemption**

**Agency:** Department of Taxation **Division:**

**Description:** The gross receipts from sales of tangible personal property to a common carrier, shipped by the seller via the purchasing carrier to a point outside this state, is exempt from Sales and Use Tax.

**Year Enacted:** 1955 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Logistics industry

**NRS:** 372.330

**Summary of Amendments:** No amendments

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

2024 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

## Tax Type: Sales and Use Tax

**Expenditure Name: Sale to United States, state, or political subdivision** **Category: Exemption**

**Agency:** Department of Taxation **Division:**

**Description:** The sale of any tangible personal property to various governmental agencies is exempt from Sales and Use Tax.

**Year Enacted:** 1955 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Federal and state agencies

**NRS:** 372.325

**Summary of Amendments:** 1996

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Government | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Government | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

2024 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

## Tax Type: Sales and Use Tax

**Expenditure Name:** Textbooks sold within Nevada System of Higher Education **Category:** Exemption

**Agency:** Department of Taxation **Division:**

**Description:** There are exempted from the taxes imposed by this chapter the gross receipts from the sale of textbooks sold within the University of Nevada System.

**Year Enacted:** 1991 **Sunset Date:** None

**Purpose:** Legislative intent not defined in Statute.

**Who Benefits:** Students and faculty members within the Nevada System of Higher Education.

**NRS:** 372.287

**Summary of Amendments:** [63.1:397:1955]—Added in 1991. Proposed by the 1989 Legislature; adopted by the people at the 1990 general election, effective January 1, 1991. See Statutes of Nevada 1989, p. 821.

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Other | 99,346 | $780,893.79 |
| **Fiscal Year Total:** | **99,346** | **$780,893.79** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Other | 102,105 | $690,858.30 |
| **Fiscal Year Total:** | **102,105** | **$690,858.30** |

## Tax Type: Sales and Use Tax

**Expenditure Name: Tourism improvement district pledge** **Category: Abatement**

**Agency:** Department of Taxation **Division:**

**Description:** Local government may create ordinance to pledge certain Sales and Use Tax amounts to developers in a tourism improvement district.

**Year Enacted:** 2005 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Developers located in a tourism improvement district

**NRS:** 271A.070

**Summary of Amendments:** Added to NRS by 2005, 2363; A 2009, 2093; 2013, 2278, 2781

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Government | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Government | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: No abatement was taken for this fiscal year.

2024 - Expenditure Explanation: No abatement was taken for this fiscal year.

## Tax Type: Sales and Use Tax

**Expenditure Name: Trade-in allowance** **Category: Subtraction**

**Agency:** Department of Taxation **Division:**

**Description:** The amount of any allowance against the selling price given by a retailer for the value of a used vehicle that is taken in trade on the purchase of another vehicle.

**Year Enacted:** 1955 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Purchaser of a vehicle

**NRS:** 372.065 (3)(e)

**Summary of Amendments:** [11:397:1955]—Amended in 2006. Proposed by the 2005 Legislature; adopted by the people at the 2006 General Election, effective January 1, 2007. See Statutes of Nevada 2005, p. 2493.

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Personal | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

2024 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

## Tax Type: Sales and Use Tax

**Expenditure Name:** **Transfer of property and motor vehicles to the State of Nevada and its unincorporated agencies and instrumentalities, pursuant to certain agreements**

**Category:** **Exemption**

**Agency:** Department of Taxation

**Division:**

**Description:** The Department shall exempt Sales and Use Tax on the sale of tangible personal property to the state of Nevada and its entities and of any type of motor vehicle that is transferred to a state entity for its own use.

**Year Enacted:** 2001

**Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Government

**NRS:** 372.7283

**Summary of Amendments:** Added to NRS by 2001, 2481; A 2003, 1202

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Government | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Government | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

2024 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

## Tax Type: Sales and Use Tax

**Expenditure Name: Use Tax: property on which sales tax was paid** **Category: Exemption**

**Agency:** Department of Taxation **Division:**

**Description:** The storage, use, or other consumption in this State of property, the gross receipts from the sale of which are required to be included in the measure of the sales tax is exempted from Sales and Use Tax.

**Year Enacted:** 1955 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Businesses and individuals

**NRS:** 372.345

**Summary of Amendments:** No amendments

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business/Personal | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business/Personal | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

2024 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

## Tax Type: Tax Credit

### Expenditure Name: Economic Development Transferable Tax Credits  Category: Credit

**Agency:** Department of Taxation and Gaming Control Board  **Division:**

**Description:** The Governor's Office of Economic Development (GOED) is authorized to approve transferable tax credits that may be used against the modified business tax, insurance premium tax and gaming percentage fee tax to new or expanding business to promote the economic development of Nevada. The total amount of transferable tax credits that may be issued is in the amount of $5 million for fiscal year starting on or after July 1, 2020.

**Year Enacted:** 2015  **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** An eligible person who intends to locate or expand a business in this State.

**NRS:** 231.1555

**Summary of Amendments:** Added to NRS by 2015, 2479

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 0 | $0.00 |
| **Fiscal Year Total:** | **0** | **$0.00** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 0 | $0.00 |
| **Fiscal Year Total:** | **0** | **$0.00** |

## Tax Type: Tax Credit

**Expenditure Name:** **Transferable tax credits for approved qualified project of capital investment at least $3.5 billion**

**Category:** **Abatement**

**Agency:** Department of Taxation and Gaming Control Board

**Division:**

**Description:** Transferable tax credit may be approved for a qualified project with a capital investment of at least $3.5 billion.

**Year Enacted:** 2014 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Businesses

**NRS:** 360.955 (3)

**Summary of Amendments:** Added to NRS by 2014, 28th Special Session, 17

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 0 | $0.00 |
| **Fiscal Year Total:** | **0** | **$0.00** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 0 | $0.00 |
| **Fiscal Year Total:** | **0** | **$0.00** |

## Tax Type: Tire Tax

**Expenditure Name: Collection allowance** **Category: Subtraction**

**Agency:** Department of Taxation **Division:**

**Description:** The seller shall retain 5% of the collected fee to cover his or her related administrative costs.

**Year Enacted:** 1993 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Businesses

**NRS:** 444A.090 (2)

**Summary of Amendments:** Added to NRS by 1991, 1667, 1677; A 1993, 18, 19, 1420

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 634 | $127,807.05 |
| **Fiscal Year Total:** | **634** | **$127,807.05** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 601 | $124,940.20 |
| **Fiscal Year Total:** | **601** | **$124,940.20** |

## Tax Type: Tobacco Tax

**Expenditure Name: Allowance of refund for certain taxes paid** **Category: Credit**

**Agency:** Department of Taxation **Division:**

**Description:** A refund or credit must be allowed for taxes paid upon products made from tobacco other than cigarettes, that are sold to the United States Government for the purposes of the Armed Forces and shipped to a point within Nevada to a place lawfully ceded to the United States Government for the purposes of the Armed Forces. This includes military bases, veterans hospitals, Indian reservations.

This expenditure also includes credits allowed for taxes paid on product shipped out of state, pursuant to NRS 370.490(2).

Beginning January 1, 2020, this expenditure also includes credits allowed for taxes paid on product purchased by a person who holds a current, valid registration certificate to operate a medical marijuana establishment pursuant to chapter 453A of NRS, pursuant to NRS 370.054(3)(c).

In addition to the credits for taxes paid on product that falls under these exemptions, the total reduction in taxes paid due to these exemptions is also included.

**Year Enacted:** 1991 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Other tobacco product wholesalers

**NRS:** 370.503

**Summary of Amendments:** NRS 370.503 added to NRS by 1991, 2280; A 2009, 66; 2015, 2499

NRS 370.490(2) added to NRS by 1983, 708; A 1989, 1597; 2001, 1597; 2003, 20th Special Session, 20; 2008, 25th Special Session, 19; 2009, 2097; 2015, 2498; 2019, 638

NRS 370.054(c) added to NRS by 2019, 3590, effective January 1, 2020

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 47 | $45,379,729.05 |
| **Fiscal Year Total:** | **47** | **$45,379,729.05** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 42 | $33,014,744.36 |
| **Fiscal Year Total:** | **42** | **$33,014,744.36** |

## Tax Type: Tobacco Tax

**Expenditure Name: Collection allowance** **Category: Subtraction**

**Agency:** Department of Taxation **Division:**

**Description:** A discount of .25% for the services rendered in collecting the tax for products made from tobacco, other than cigarettes, upon which the tax has been paid.

**Year Enacted:** 1983 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Other tobacco product wholesalers

**NRS:** 370.490 (1)

**Summary of Amendments:** Added to NRS by 1983, 708; A 1989, 1597; 2001, 1597; 2003, 20th Special Session, 20; 2008, 25th Special Session, 19; 2009, 2097; 2015, 2498

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 189 | $88,153.30 |
| **Fiscal Year Total:** | **189** | **$88,153.30** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 195 | $81,940.00 |
| **Fiscal Year Total:** | **195** | **$81,940.00** |

## Tax Type: Tobacco Tax

**Expenditure Name: Collection allowance** **Category: Subtraction**

**Agency:** Department of Taxation **Division:**

**Description:** The Department allows the purchaser a discount of 0.25% against the amount of excise tax otherwise due for the services rendered in affixing cigarette revenue stamps or metered machine impressions to the cigarette packages.

**Year Enacted:** 1961 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Wholesalers

**NRS:** 370.220

**Summary of Amendments:** [12:192:1947; A 1949, 598; 1951, 124; 1955, 360] — NRS A 1961, 676; 1971, 1166; 1975, 1716; 1977, 786; 1983, 320; 1991, 2293; 2003, 20th Special Session, 19; 2008, 25th Special Session, 19; 2009, 2097

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 23 | $360,291.38 |
| **Fiscal Year Total:** | **23** | **$360,291.38** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 24 | $327,908.25 |
| **Fiscal Year Total:** | **24** | **$327,908.25** |

## Tax Type: Tobacco Tax

**Expenditure Name: Premium cigars preferential rate** **Category: Preferential Tax R**

**Agency:** Department of Taxation **Division:**

**Description:** There is a tax upon the purchase or possession of other tobacco products (OTP) of 30% of the wholesale price unless the other tobacco products are premium cigars. If 30 percent of the wholesale price of the premium cigar products is:
(1) Greater than 50 cents for each premium cigar, the tax imposed shall be 50 cents for each premium cigar.
(2) Less than 30 cents for each premium cigar, the tax imposed shall be 30 cents for each premium cigar.

**Year Enacted:** 2023 **Sunset Date:** 6/30/2027

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Other tobacco product wholesalers

**NRS:** 370.450 (1)(b)

**Summary of Amendments:** Added to NRS by 1983, 707; A 1997, 1504; 2001, 1596; 2003, 20th Special Session, 19; 2007, 911; 2008, 25th Special Session, 19; 2009, 2097; 2015, 2497; 2019, 636; 2023, 3353

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 58 | $4,640,741.58 |
| **Fiscal Year Total:** | **58** | **$4,640,741.58** |

2024 - Expenditure Explanation: Estimation calculated by applying the 30 percent Other Tobacco Tax rate to the taxpayer reported premium cigar wholesale prices and subtracting the taxpayer reported reductions and tax credits. This calculationdoes not include the possibility of larger reductions and credits resulting from the non-capped tax rate and may or may not be overstated.

## Tax Type: Tobacco Tax

**Expenditure Name:** **Tobacco products other than cigarettes are exempt if shipped out of state or exhibited at a trade show** **Category:** **Exemption**

**Agency:** Department of Taxation **Division:**

**Description:** There is a tax upon the purchase or possession of other tobacco products (OTP) of 30% of the wholesale price unless the OTP is displayed or exhibited at a trade show, convention or other exhibition in the state by a manufacturer or wholesale dealer who is not licensed in Nevada. Effective January 1, 2020, NRS 370.450(2)(b) was moved to NRS 370.450(2)(a), and NRS 370.450(2)(b) further specifies that product acquired free of charge at a trade show, convention or other exhibition or public event in the state, and which did not have significant value as determined by the Department, is also exempted from the tax.

**Year Enacted:** 1983 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Other tobacco product wholesalers

**NRS:** 370.450 (2)(b) *Effective January 1, 2020, expenditure covers NRS 370.450(2)(a)(b)*

**Summary of Amendments:** Added to NRS by 1983, 707; A 1997, 1504; 2001, 1596; 2003, 20th Special Session, 19; 2007, 911; 2008, 25th Special Session, 19; 2009, 2097; 2015, 2497; 2019, 636, effective January 1, 2020

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | Not Available | Not Available |
| **Fiscal Year Total:** | | |

2023 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

2024 - Expenditure Explanation: Exemptions/deductions are not required to be reported to the Department.

## Tax Type: Tobacco Tax

**Expenditure Name: Tribal cigarette stamps** **Category: Exemption**

**Agency:** Department of Taxation **Division:**

**Description:** Cigarettes sold on qualified tribal land or by an Indian tribe or a member of a tribe for which the Department does not collect a state excise tax must bear a tribal stamp issued by the Department, which exempts the tribe from the excise tax.

**Year Enacted:** 1959 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Tribes

**NRS:** 370.170

**Summary of Amendments:** [Part 8:192:1947; A 1949, 598; 1951, 124; 1953, 142] — NRS A 1959, 116; 1961, 675; 1969, 1131; 1975, 1715; 1983, 709; 1985, 470; 2013, 2656

| Fiscal Year 2023 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Government | 10 | $28,431,000.00 |
| **Fiscal Year Total:** | **10** | **$28,431,000.00** |

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Government | 12 | $28,026,000.00 |
| **Fiscal Year Total:** | **12** | **$28,026,000.00** |

## Tax Type: Wholesale Cannabis Tax

**Expenditure Name: Non-affiliate wholesale of cannabis** **Category: Preferential Tax R**

**Agency:** Department of Taxation **Division:**

**Description:** A licensed cannabis cultivator that makes a wholesale sale of cannabis to another cannabis establishment that is not an affiliate is required to pay the wholesale cannabis tax at the rate of 15% of the sales price of the cannabis; while affiliate wholesale sales of cannabis are taxed at the rate of 15% of the established fair market value.

**Year Enacted:** 2024 **Sunset Date:** None

**Purpose:** Legislative intent not defined in statute

**Who Benefits:** Businesses licensed in Nevada Cannabis Cultivation

**NRS:** 372A.290

**Summary of Amendments:** Added to NRS by 2023, 2751

| Fiscal Year 2024 Expenditures | | |
|---|---|---|
| **Beneficiary Category** | **# Receiving Benefit** | **Expenditure Amount** |
| Business | 118 | $6,028,566.47 |
| **Fiscal Year Total:** | **118** | **$6,028,566.47** |

2024 - Expenditure Explanation: Expenditure calculated based on non-affiliate wholesale transfers as recorded by licensed cultivators in the state's seed-to sale tracking system.

# 2023 COMMERCE TAX DEDUCTIONS BY NAICS CODE

| NAICS Code | Returns + Refunds | Bad Debt | Disb fiduciary duty or law | Disb written contracts | Reimb Exp + adv from clients | Taxes Coll 3rd party | Other deductions | Tax rate per NAICS code |
|---|---|---|---|---|---|---|---|---|
| 11 | $ 20,462.46 | $ 1,437,528.44 | $ - | $ - | $ 159,212.40 | $ - | $ - | 0.063% |
| 21 | $ 2,948.08 | $ 43,505.00 | $ 176,978.00 | $ 40,929,720.86 | $ 1,647,364.90 | $ 125,240.00 | $ 1,106,113.00 | 0.051% |
| 22 | $ 263,257.54 | $ 3,910,169.09 | $ - | $ - | $ - | $ 318,323.81 | $ - | 0.136% |
| 23 | $ 66,688,770.34 | $ 38,100,157.70 | $ 228,960.66 | $ 9,327,951,910.27 | $ 35,407,068.11 | $ 7,049,615.86 | $ 103,937,245.74 | 0.083% |
| 31-33 | $ 399,417,380.43 | $ 2,204,835.06 | $ 47,505.98 | $ 26,717,051.40 | $ 163,786.40 | $ 31,663,614.15 | $ 185,187,547.42 | 0.091% |
| 42 | $ 1,134,500,237.19 | $ 16,234,663.73 | $ 11,345.00 | $ 43,011,211.25 | $ 28,728.00 | $ 226,272,866.88 | $ 255,380,030.74 | 0.101% |
| 44-45 | $ 428,732,962.09 | $ 38,100,968.71 | $ 4,917,045.16 | $ 16,890,615.65 | $ 5,355.96 | $ 340,785,070.08 | $ 510,333,445.35 | 0.111% |
| 481 | $ - | $ 11,248.00 | $ - | $ - | $ - | $ - | $ 58,885,414.00 | 0.058% |
| 482 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | 0.331% |
| 483, 485-492 | $ 1,276,889.87 | $ 1,973,200.00 | $ 127,580,111.92 | $ - | $ 283,585.79 | $ 9,891,727.45 | $ 10,296,669.00 | 0.129% |
| 484 | $ 6,374.71 | $ 216,663.84 | $ - | $ 14,912,148.08 | $ 1,430,337.94 | $ - | $ 17,691,968.17 | 0.202% |
| 493 | $ - | $ 538,770.75 | $ - | $ - | $ 360,720.81 | $ 790.13 | $ 624,256.25 | 0.128% |
| 511, 512, 515, 518 | $ 61,166,112.19 | $ 6,647,666.61 | $ 664,098.66 | $ 25,200,928.45 | $ 313,467.19 | $ 32,963,163.97 | $ - | 0.253% |
| 517 | $ 6,768,074.93 | $ 23,848,574.88 | $ - | $ - | $ - | $ 35,152,266.85 | $ 4,156,322.04 | 0.136% |
| 52 | $ 3,544,615.31 | $ 141,808,984.27 | $ 141,618,205.00 | $ 184,654,272.00 | $ 295,095,480.30 | $ 11,051,322.56 | $ 1,235,194,196.81 | 0.111% |
| 53 | $ 5,711,477.93 | $ 112,883,024.04 | $ 22,602,899.00 | $ 392,105,206.60 | $ 21,977,178.00 | $ 14,543,900.99 | $ 38,352,363.69 | 0.250% |
| 54 | $ 18,424,879.44 | $ 4,616,957.87 | $ 184,991,112.61 | $ 109,758,418.78 | $ 239,392,107.44 | $ 684,478.03 | $ 100,388,635.24 | 0.181% |
| 55 | $ 132,263.96 | $ 194,039.06 | $ - | $ - | $ 7,907,010.00 | $ - | $ 102,034,703.02 | 0.137% |
| 561 | $ 2,436,008.16 | $ 7,316,189.64 | $ - | $ 4,967,179.85 | $ 3,419,227.79 | $ 1,631,868.95 | $ 99,474,063.82 | 0.154% |
| 562 | $ 46,207.05 | $ 402,145.77 | $ - | $ - | $ - | $ - | $ - | 0.261% |
| 61 | $ 4,806,231.24 | $ 4,160,446.96 | $ - | $ - | $ 12,190,728.00 | $ 35,775.28 | $ - | 0.281% |
| 62 | $ 19,543,782.62 | $ 202,596,746.74 | $ 41,221,595.52 | $ 7,106,803.15 | $ - | $ 3,318,908.41 | $ 280,284,961.78 | 0.190% |
| 71 | $ 2,064,462.86 | $ 14,019,039.57 | $ 117,079,514.34 | $ 122,364,220.33 | $ 114,735.03 | $ 5,577,133.23 | $ 97,578,069.67 | 0.240% |
| 721 | $ 221,965,294.99 | $ 127,913,250.28 | $ - | $ 4,117,180.99 | $ 24,196,395.67 | $ 7,462,526.67 | $ 141,988,568.37 | 0.200% |
| 722 | $ 15,946,016.30 | $ 3,225,016.17 | $ 56,023.23 | $ 19,866,360.83 | $ 7,103,919.90 | $ 43,195,603.51 | $ 44,002,405.63 | 0.194% |
| 81 | $ 7,605,752.61 | $ 3,412,421.97 | $ - | $ 61,718,119.72 | $ 2,092,290.83 | $ 3,147,668.00 | $ 813,891.96 | 0.142% |
| Other | $ 1,760,975.47 | $ 3,325,719.51 | $ 7,354,636.00 | $ 10,434,662.78 | $ 194,511.00 | $ 852,121.58 | $ 50,585,038.00 | 0.128% |
| Total | $ 2,402,831,437.77 | $ 759,141,933.66 | $ 648,550,031.08 | $ 10,412,706,010.99 | $ 653,483,211.46 | $ 775,723,986.39 | $ 3,338,295,909.70 | |

**The deductions are totaled as they were reported to the Department by taxpayers, including those that may have inadvertently reported negative deductions*

# 2023 COMMERCE TAX DEDUCTIONS BY NAICS CODE

| NAICS Code | Employee leasing dedc | Gaming deduction | Health care provider deduction | Insurance deduction | Liquor tax deduction | Mining Deduction | US Armed Forces Deduction | Tax rate per NAICS code |
|---|---|---|---|---|---|---|---|---|
| 11 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | 0.063% |
| 21 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $5,898,534,237.75 | $0.00 | 0.051% |
| 22 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $92,608,961.31 | $0.00 | 0.136% |
| 23 | $1,642,625.59 | $0.00 | $354,791.94 | $2,114,912.93 | $0.00 | $0.00 | $0.00 | 0.083% |
| 31-33 | $0.00 | $129,352,974.65 | $86,960.00 | $75,747.86 | $6,216,017.27 | $14,141,392.00 | $0.00 | 0.091% |
| 42 | $1,859.51 | $0.00 | $2,048,532.00 | $69,836.00 | $40,367,699.17 | $0.00 | $0.00 | 0.101% |
| 44-45 | $2,518,134.70 | $47,623,979.60 | $303,413,123.62 | $203,596.03 | $3,060.00 | $0.00 | $0.00 | 0.111% |
| 481 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | 0.058% |
| 482 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | 0.331% |
| 483, 485-492 | $0.00 | $0.00 | $65,600.99 | $524,350.00 | $0.00 | $0.00 | $0.00 | 0.129% |
| 484 | $35,613.74 | $0.00 | $1,207.91 | $0.00 | $0.00 | $0.00 | $0.00 | 0.202% |
| 493 | $4,533,320.45 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | 0.128% |
| 511, 512, 515, 518 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | 0.253% |
| 517 | $0.00 | $0.00 | $345,265.55 | $79,721.68 | $0.00 | $0.00 | $0.00 | 0.136% |
| 52 | $0.00 | $0.00 | $963,823,823.03 | $10,507,237,319.49 | $22,471,942.90 | $0.00 | $0.00 | 0.111% |
| 53 | $480,768.58 | $128,000.00 | $320,000.00 | $320,000.00 | $185,000.00 | $88,000.00 | $122,000.00 | 0.250% |
| 54 | $25,631,018.31 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | 0.181% |
| 55 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | 0.137% |
| 561 | $1,561,119,996.89 | $0.00 | $359,186.43 | $389,200.11 | $0.00 | $0.00 | $0.00 | 0.154% |
| 562 | $0.00 | $0.00 | $93,642.09 | $0.00 | $0.00 | $0.00 | $0.00 | 0.261% |
| 61 | $0.00 | $0.00 | $6,720.00 | $71,553.00 | $0.00 | $0.00 | $0.00 | 0.281% |
| 62 | $0.00 | $25,876.00 | $3,456,276,672.78 | $63,556,589.79 | $0.00 | $0.00 | $0.00 | 0.190% |
| 71 | $0.00 | $973,307,523.04 | $177,727.49 | $214,296.16 | $0.00 | $0.00 | $0.00 | 0.240% |
| 721 | $0.00 | $10,704,001,633.10 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | 0.200% |
| 722 | $0.00 | $828,342,873.49 | $0.00 | $257,694.42 | $44,767.60 | $0.00 | $0.00 | 0.194% |
| 81 | $1,746,113.68 | $17,758,412.59 | $10,922,049.54 | $14,263,326.99 | $0.00 | $0.00 | $0.00 | 0.142% |
| Other | $0.00 | $0.00 | $2,888,710.89 | $276,410.39 | $0.00 | $0.00 | $0.00 | 0.128% |
| Total | $1,597,709,451.45 | $12,700,541,272.47 | $4,741,184,014.26 | $10,589,654,554.85 | $69,288,486.94 | $6,005,372,591.06 | $122,000.00 | |

**The deductions are totaled as they were reported to the Department by taxpayers, including those that may have inadvertently reported negative deductions*

# 2024 COMMERCE TAX DEDUCTIONS BY NAICS CODE

| NAICS Code | Returns + Refunds | Bad Debt | Disb fiduciary duty or law | Disb written contracts | Reimb Exp + adv from clients | Taxes Coll 3rd party | Other deductions | Tax rate per NAICS code |
|---|---|---|---|---|---|---|---|---|
| 11 | $ 380,959.07 | $ 693,695.78 | $ - | $ - | $ 114,445.58 | $ - | $ - | 0.063% |
| 21 | $ 6,796.56 | $ 190,402.00 | $ - | $ 27,621,797.21 | $ 1,517,439.31 | $ 246,953.00 | $ 3,684,139.00 | 0.051% |
| 22 | $ 200,625.60 | $ 45,325,744.70 | $ - | $ - | $ 9,924,741.00 | $ 100,830.90 | $ - | 0.136% |
| 23 | $ 13,508,565.85 | $ 48,557,270.23 | $ 152,049,270.91 | $ 9,427,149,511.82 | $ 38,416,695.01 | $ 13,354,744.41 | $ 152,765,127.47 | 0.083% |
| 31-33 | $ 273,719,342.34 | $ 4,200,863.57 | $ 80,219.05 | $ 10,137,971.81 | $ 82,221.92 | $ 225,037,587.01 | $ 123,813,244.17 | 0.091% |
| 42 | $ 1,340,440,913.89 | $ 10,528,349.69 | $ 10,611.00 | $ 47,325,184.00 | $ 16,828,250.00 | $ 354,409,883.97 | $ 272,381,511.61 | 0.101% |
| 44-45 | $ 597,754,386.13 | $ 57,293,892.70 | $ 6,001.00 | $ 10,814,695.54 | $ 24,183.34 | $ 365,415,925.22 | $ 494,048,615.40 | 0.111% |
| 481 | $ 262,553.00 | $ 32,151.00 | $ - | $ 6,459,091.02 | $ 7,639,850.50 | $ 256,738.82 | $ 58,899,267.00 | 0.058% |
| 482 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | 0.331% |
| 483, 485-492 | $ 618,341.41 | $ 614,423.27 | $ 163,000,061.31 | $ 17,296,224.85 | $ - | $ 10,901,715.46 | $ 8,538,185.23 | 0.129% |
| 484 | $ 7,314.00 | $ 214,994.41 | $ - | $ 5,603,478.55 | $ 102,756.00 | $ - | $ 24,946,877.04 | 0.202% |
| 493 | $ 51,319.00 | $ 671,068.01 | $ - | $ - | $ 1,339,701.31 | $ - | $ 15,832,411.07 | 0.128% |
| 511, 512, 515, 518 | $ 12,727,440.56 | $ 11,340,539.41 | $ 37,954.38 | $ 23,264,818.71 | $ - | $ 22,707,653.41 | $ 244,790.88 | 0.253% |
| 517 | $ 8,997,360.64 | $ 42,491,463.77 | $ - | $ 3,299,867.00 | $ - | $ 26,999,646.23 | $ 10,496,882.98 | 0.136% |
| 52 | $ 6,342,510.68 | $ 204,288,830.52 | $ 139,059,969.10 | $ 177,118,453.80 | $ 355,949,767.00 | $ 11,284,040.28 | $ 977,608,587.26 | 0.111% |
| 53 | $ 2,662,040.14 | $ 202,702,957.45 | $ 18,108,341.50 | $ 262,901,155.59 | $ 29,205,755.14 | $ 13,166,014.19 | $ 28,715,634.65 | 0.250% |
| 54 | $ 14,348,960.77 | $ 5,292,498.27 | $ 180,397,924.25 | $ 162,866,911.30 | $ 286,344,470.01 | $ 613,053.02 | $ 93,031,021.68 | 0.181% |
| 55 | $ 167,280.06 | $ 4,760,762.62 | $ - | $ 109,748,763.15 | $ 7,892,703.00 | $ - | $ 118,011,354.32 | 0.137% |
| 561 | $ 4,237,465.11 | $ 12,468,576.40 | $ 3,550.00 | $ 10,687,039.33 | $ 86,680.65 | $ 734,276.00 | $ 90,812,371.37 | 0.154% |
| 562 | $ 13,872.99 | $ 35,700.15 | $ - | $ - | $ - | $ - | $ 174,843,509.00 | 0.261% |
| 61 | $ 14,161,718.64 | $ 8,431,248.81 | $ - | $ - | $ - | $ - | $ - | 0.281% |
| 62 | $ 77,412,527.07 | $ 292,607,140.55 | $ 67,739,041.15 | $ 197,954,932.07 | $ 4,689,934.46 | $ 546,930.31 | $ 632,370,204.65 | 0.190% |
| 71 | $ 1,667,315.00 | $ 4,178,575.41 | $ 15,209,863.02 | $ 202,394,751.59 | $ 10,822,524.00 | $ 4,903,784.48 | $ 79,884,935.78 | 0.240% |
| 721 | $ 240,503,492.73 | $ 129,045,848.02 | $ - | $ 2,116,073.45 | $ 26,860,403.94 | $ 7,081,209.43 | $ 124,073,987.97 | 0.200% |
| 722 | $ 21,325,535.19 | $ 3,029,364.20 | $ - | $ 24,597,088.08 | $ 8,194,224.51 | $ 52,884,486.90 | $ 58,592,064.15 | 0.194% |
| 81 | $ 11,117,780.03 | $ 3,409,414.60 | $ - | $ 69,135,613.55 | $ 4,840,034.39 | $ 10,882,268.26 | $ 13,378,121.73 | 0.142% |
| Other | $ 5,632,718.02 | $ 10,817,324.08 | $ - | $ 58,639,927.00 | $ - | $ 25,377.36 | $ 35,031,485.00 | 0.128% |
| Total | $ 2,648,269,134.48 | $ 1,103,223,099.62 | $ 735,702,806.67 | $ 10,857,133,349.42 | $ 810,876,781.07 | $ 1,121,553,118.66 | $ 3,592,004,329.41 | |

**The deductions are totaled as they were reported to the Department by taxpayers, including those that may have inadvertently reported negative deductions*

# 2024 COMMERCE TAX DEDUCTIONS BY NAICS CODE

| NAICS Code | Employee leasing dedc | Gaming deduction | Health care provider deduction | Insurance deduction | Liquor tax deduction | Mining Deduction | US Armed Forces Deduction | Tax rate per NAICS code |
|---|---|---|---|---|---|---|---|---|
| 11 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | 0.063% |
| 21 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $6,715,463,903.61 | $0.00 | 0.051% |
| 22 | $0.00 | $0.00 | $0.00 | $10,139.11 | $0.00 | $9,411,628.74 | $0.00 | 0.136% |
| 23 | $137,283.89 | $0.00 | $775,517.22 | $294,017.40 | $0.00 | $0.00 | $1,033,403.00 | 0.083% |
| 31-33 | $0.00 | $120,909,724.33 | $0.00 | $254,636.62 | $5,296,709.43 | $17,742,720.00 | $0.00 | 0.091% |
| 42 | $0.00 | $0.00 | $1,772,372.02 | $69,628.00 | $73,239,300.31 | $0.00 | $0.00 | 0.101% |
| 44-45 | $2,116,417.83 | $42,736,717.43 | $352,301,783.75 | $49,568.24 | $39,686.63 | $1.00 | $1.00 | 0.111% |
| 481 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | 0.058% |
| 482 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | 0.331% |
| 483, 485-492 | $0.00 | $0.00 | $0.00 | $1,306,803.74 | $0.00 | $0.00 | $0.00 | 0.129% |
| 484 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | 0.202% |
| 493 | $2,524,142.94 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | 0.128% |
| 511, 512, 515, 518 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | 0.253% |
| 517 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | 0.136% |
| 52 | $0.00 | $0.00 | $11,465,203.00 | $13,443,188,773.73 | $0.00 | $0.00 | $0.00 | 0.111% |
| 53 | $0.00 | $78,000.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | 0.250% |
| 54 | $2,476,532.80 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | 0.181% |
| 55 | $0.00 | $0.00 | $0.00 | $961,162,679.00 | $0.00 | $0.00 | $0.00 | 0.137% |
| 561 | $1,130,519,454.27 | $0.00 | $446,798.85 | $372,995.10 | $0.00 | $0.00 | $0.00 | 0.154% |
| 562 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | 0.261% |
| 61 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | 0.281% |
| 62 | $0.00 | $0.00 | $3,965,885,556.26 | $9,139,816.77 | $0.00 | $0.00 | $0.00 | 0.190% |
| 71 | $0.00 | $803,973,253.87 | $110,851.99 | $172,348.26 | $0.00 | $0.00 | $0.00 | 0.240% |
| 721 | $0.00 | $10,831,404,451.80 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | 0.200% |
| 722 | $0.00 | $1,081,850,920.39 | $157,434.63 | $520,758.15 | $45,887.20 | $0.00 | $0.00 | 0.194% |
| 81 | $0.00 | $18,656,462.37 | $0.00 | $20,918,266.00 | $0.00 | $0.00 | $0.00 | 0.142% |
| Other | $0.00 | $0.00 | $2,390,343.00 | $10,184,484.00 | $0.00 | $0.00 | $0.00 | 0.128% |
| Total | $1,137,773,831.73 | $12,899,609,530.19 | $4,335,305,860.72 | $14,447,644,914.12 | $78,621,583.57 | $6,742,618,253.35 | $1,033,404.00 | |

**The deductions are totaled as they were reported to the Department by taxpayers, including those that may have inadvertently reported negative deductions*

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# The Department of Revenue Administration

109 Pleasant Street, Concord, NH 03301

# 2025 Annual Report

# State of New Hampshire
# Department of Revenue Administration

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Lindsey M. Stepp
Commissioner


September 15, 2025

Her Excellency, Governor Kelly A. Ayotte
And Honorable Council

Dear Governor Ayotte and Honorable Councilors,

It is my pleasure to present the Department of Revenue Administration's (DRA) 2025 annual report, as required by RSA 20:7, to you and the citizens of New Hampshire. This report is intended to provide readers with current insight into the activities of the operational units within the DRA, as well as data regarding the taxes we collect and the municipal finance and assessing laws that we administer.

In addition to useful information regarding revenue statistics and property tax data, this report also highlights DRA's Employee of the Year, communication efforts relative to the repeal of the Interest and Dividends Tax, the Federation of Tax Administrators 2025 Award for Innovation and Excellence for the DRA Timber Tax Educational Campaign, and the upgrade to our Revenue Information Management System (RIMS) software to include many improvements. As always, I am incredibly proud of the work that the DRA performs all year.

Thank you for taking the time to review this annual report. If you have any questions, or if you require any additional information, please do not hesitate to contact me directly.

Sincerely,

Lindsey M. Stepp

Lindsey M. Stepp
Commissioner

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# Our Mission

**The mission of the Department of Revenue Administration is to fairly and efficiently administer the tax laws of the State of New Hampshire, collecting the proper amount of taxes due, incurring the least cost to the taxpayers, in a manner that merits the highest degree of public confidence in our integrity. Further, we will provide prompt and constructive assistance to the municipal units of government in matters of budget, finance, and the appraisal of real estate.**

This report is submitted to

Governor Kelly A. Ayotte

And

Members of the Executive Council

District 1 – Joseph D. Kenney

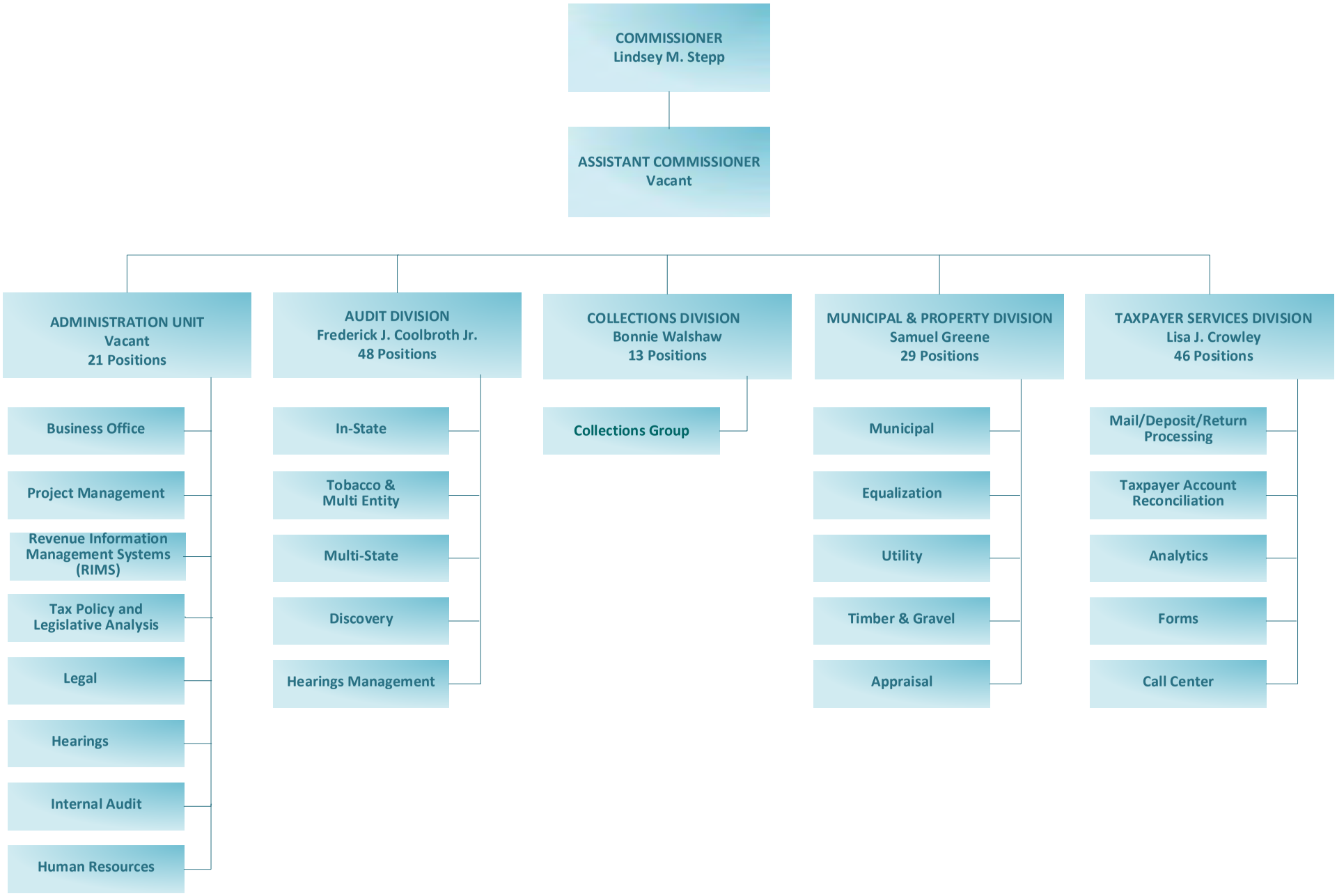
District 2 – Karen Liot Hill

District 3 – Janet Stevens

District 4 – John Stephen

District 5 – David K. Wheeler

# Department of Revenue Administration



# Division Primary Functions

## Administration Unit

The Administration unit performs administrative functions necessary to support Department of Revenue Administration (DRA) operations including accounting, purchasing, administrative hearings, tax policy and legislative analysis, fleet and facility maintenance, human resources, legal services, and project management.

## Audit Division

The Audit Division conducts audits of tax returns of individuals, partnerships, estates, trusts, corporations, and other documents filed with DRA to ensure compliance with New Hampshire tax laws and rules.

## Collections Division

The Collections Division initiates collection activities in pursuit of delinquent tax returns and outstanding payments for all taxes administered by DRA. The Division also issues wholesale tobacco tax certificates, meals and rentals tax licenses, and sells tobacco tax stamps.

## Municipal and Property Division

The Municipal and Property Division (M&P) establishes and approves municipal, school, county and village district tax rates and provides technical assistance relative to taxation and finance to the political subdivisions of the state. The Division also prescribes a uniform chart of accounts for all municipalities, schools, counties, and village districts and assists and educates municipalities with the methods of appraisal and assessment of real property. Providing revaluation monitoring statewide to municipalities and conducting once in five-year assessment reviews, the Municipal and Property Division equalizes the local assessed valuation of each municipality to bring such valuations to the full and true market value of the property. In addition, the Division advises and assists municipalities and taxpayers in timely collection of the excavation tax and timber yield tax and appraises public utility and railroad property for equalization and state utility property tax. Last, the Division assists local municipalities with the administration of the Current Use law RSA 79-A.

## Department of Information Technology

The embedded Department of Information Technology personnel design, develop, and maintain computerized systems to support the administration of taxes and to automate labor intensive functions.

## Taxpayer Services Division

The Taxpayer Services Division processes taxpayer documents in an accurate and efficient manner and provides general taxpayer assistance to the public for all taxes administered by the Department while also maintaining taxpayer accounts.

## 2024 Employee of the Year

Ms. Aimee Aguiar has worked for the Department of Revenue Administration since 2006 and was promoted to Tax Examiner IV in January 2022. As a Tax Examiner in the TPS Account Maintenance Group, Aimee's responsibilities include maintaining taxpayer accounts, issuing refunds and notices of assessment, assisting taxpayers on the phone and during in-person lobby visits, taking part in numerous systems testing responsibilities throughout the year, and taking on additional projects as assigned. As one of our most senior examiners, Aimee's knowledge of NH tax types as well as DRA processes and procedures makes her a go-to person for all things DRA. Her attention to detail and willingness to ask questions are by far her greatest strengths, and she is always thinking about making processes easier for her co-workers as well as the taxpayers we serve.

Aimee has grown tremendously during the past year as a member of the Core 21 project team. Although taking on that project was outside her comfort zone, she excelled at being part of the team. She provided her input whenever she was asked, assisted other DRA users with questions, and even lead a division training on the new Core 21 features. Although she said from the beginning that she didn't want to give presentations, she did a fantastic job walking her peers through the nuances of the new system version. Aimee is the definition of a team player, she leads by example everyday through her actions, positive attitude and her dedication to the Department. She is always willing to go above and beyond her normal work duties, she has stayed positive while under pressure, continuing to treat those around her with kindness and respect and her willingness to step up and help her co-workers doesn't go unnoticed. She proves that leadership isn't about a position or title, but about the way you encourage and support those around you. Aimee gives 100% effort to anything she does and her peers, all DRA staff, as well as the taxpayers we serve are better off for it.

Finally, Aimee demonstrates the importance of leadership within the DRA and is deserving of recognition as the 2024 Employee of the Year. Aimee is an employee you can count on when details matter. Whether it's through her participation in the forms committee, as a member of the website redesign team, or as a SME in the Core 21 project, there is never a question with her ability to represent herself, TPS, or the department in an extremely professional and thorough manner. She wants DRA to have the tools necessary to provide excellent customer service, and she holds herself to a high standard when it comes to her own work.

The DRA Employee Code of Respect reads "We will cultivate respect and teamwork among fellow co-workers by encouraging each other to live up to our full potential through honesty, understanding, dignity, tolerance and accountability". We thank Aimee for exemplifying this code and being a part of the DRA and recognize her as the DRA 2024 Employee of the Year.

# SUMMARY OF TAXES ADMINISTERED BY THE DEPARTMENT OF REVENUE ADMINISTRATION FY 2025

*This is only a brief summary of certain New Hampshire taxes administered by the Department of Revenue Administration. This summary is not intended to be relied upon as a full and complete text. Please refer to the applicable forms, instructions, rules and to the laws cited below to determine how this information applies to specific persons or situations.*

## BUSINESS PROFITS TAX – RSA CHAPTER 77-A

The Business Profits Tax (BPT) has historically been one of the largest sources of general fund revenue. Enacted in 1970 as a replacement for the municipal property tax on stock-in-trade, farm livestock, poultry, fuel pumps, mills and machinery, the initial rate was established at 6%. The rate steadily increased to a high of 9.56% in Fiscal Year (FY) 1983. The rate then decreased to 7% beginning FY 1995, then increased to 8% for tax years ending on or after July 1, 1999. The rate of 8.5% was effective for all returns and taxes due on account of taxable periods ending on or after July 1, 2001. For taxable periods ending on or after December 31, 2016, the BPT rate was reduced to 8.2%. For taxable periods ending on or after December 31, 2018, the BPT rate was reduced to 7.9%, because, in accordance with Chapter 274:23, Laws of 2015, the amount of combined unrestricted general and education trust fund revenue collected for the biennium ending June 30, 2017, was more than $4.64 billion. For taxable periods ending on or after December 31, 2019, the BPT rate was reduced to 7.7%. For taxable periods ending on or after December 31, 2022, the BPT rate was reduced to 7.6%. For taxable periods ending on or after December 31, 2023, the BPT rate was reduced to 7.5%. The BPT is assessed on income from conducting business activity within the state. For multi-state businesses, prior to taxable periods ending before December 31, 2022, gross business profits were apportioned using a weighted sales factor of two and the standard payroll and property factors. For taxable periods ending on or after December 31, 2022, multi-state businesses shall apportion gross business profits using only the sales factor. Organizations operating a unitary business must use combined reporting in filing their NH return. Four annual estimate payments are required on liabilities greater than $200, paid at 25% each. BPT return due dates are consistent with federal return due dates based on the taxpayer's entity type. For taxable periods beginning January 1, 2025, business organizations with over $109,000 of gross business income from all their activities are required to file a return. That threshold amount was $103,000 for taxable periods ending on or after December 31, 2023, $92,000 for taxable periods ending on or after December 31, 2022, and $50,000 for taxable periods ending after June 30, 1993. For tax years beginning January 1, 2023, the Commissioner is required to biennially adjust the filing threshold using the Consumer Price Index, Northeast Region. Business organizations that realize a gain or loss on the sale or exchange of an interest in the business organization shall file a return for the taxable period, regardless of whether the business organization's gross business income is in excess of the threshold during the taxable period.

## BUSINESS ENTERPRISE TAX – RSA CHAPTER 77-E

In 1993, a 0.25% tax was enacted on taxable enterprise value tax base, which is the sum of all compensation paid or accrued, interest paid or accrued, and dividends paid after special adjustments and apportionment. Chapter 17, Laws of 1999 increased the rate from 0.25% to 0.5%. The rate was increased to 0.75% in 2001. For taxable periods ending on or after December 31, 2016, the Business Enterprise Tax (BET) rate was reduced to 0.72%. For taxable periods ending on or after December 31, 2018, the BET rate was reduced to .675%, because, in accordance with Chapter 274:24, Laws of 2015, the amount of combined unrestricted general and education trust fund revenue collected for the biennium ending June 30, 2017, was more than $4.64 billion. For taxable periods ending on or after December 31, 2019, the BET rate was reduced to 0.60%. For taxable periods ending on or after December 31, 2022, the BET rate was reduced to 0.55%. In 2001, the filing threshold increased to $150,000 (from $100,000) of gross business receipts or $75,000 (from $50,000) of the enterprise value tax base. In 2013, the filing thresholds increased to $200,000 of gross business receipts or $100,000 of the enterprise value tax base. For taxable periods ending on or after December 31, 2022, the filing threshold was increased to $250,000 for both the gross business receipts threshold and the enterprise value tax base threshold. For taxable periods ending on or after December 31, 2023, the filing threshold was increased to $281,000 for both the gross business receipts threshold and the enterprise value tax base threshold. For taxable periods beginning January 1, 2025, this threshold amount increased to $298,000. Beginning with taxable periods ending on or after December 31, 2015, the Commissioner is required to biennially adjust these filing threshold amounts using the Consumer Price Index, Northeast Region. Four annual estimate payments are required on liabilities greater than $260 for taxable periods ending on or after December 31, 2013; paid at 25% each on the 15th day of the 4th, 6th, 9$^{th}$, and 12th months of the taxable year. The BET return is due at the same time the BPT return is due. The BET may be used as a credit against the BPT under RSA 77-A:5. Any unused portion of the credit may be carried forward and allowed against the BPT for 5 taxable periods from the taxable period in which the BET was paid for credits from taxable periods ending before December 31, 2014, and for 10 taxable periods from the taxable period in which the BET was paid for credits from taxable periods ending on or after December 31, 2014.

## COMMUNICATIONS SERVICES TAX – RSA CHAPTER 82-A

First enacted in 1990 at 5.5%, this tax was assessed upon two-way communications services. Chapter 158, Laws of 2001, increased the permanent portion of the tax to 4.5% and continued the surtax of 2.5%, resulting in an overall tax rate of 7% for the period beginning July 1, 2001, and ending June 30, 2003. A permanent rate of 7% was passed effective July 1, 2003. Retailers must register with the Department and are required to collect and remit the tax. Communications Services Tax returns must be filed by the retailer on the 15th day of the month for the preceding calendar month unless the average monthly liability is less than $100. Any retailer who can reasonably estimate its average monthly liability to be in excess of $10,000 is required to make an estimated payment equal to 90% of the actual tax collected. This payment is due on or before the 15th day of the month during which the liability is incurred.

## EDUCATION PROPERTY TAX – RSA 76:3

Under Chapter 17, Laws of 1999, the Education Property Tax was established. The tax is assessed and collected by municipalities to be retained for use by their local school districts. The rate was originally $6.60 per thousand of equalized valuation without utilities. The tax appears on the same bill as the other property taxes administered at the local level. The effective date of this tax was April 1, 1999. The sunset provision of the Education Property Tax was repealed, making the tax a permanent revenue source dedicated to funding education. As of April 1, 2005, the rate was $3.33 per $1,000. Beginning July 1, 2005, and every fiscal year thereafter, the Commissioner is required to set the education tax rate at a level sufficient to generate revenue of $363,000,000, with the exception that, for the fiscal year ending June 30, 2023, the Commissioner was required to set the education tax rate at a level sufficient to generate $263,000,000.

## INTEREST & DIVIDENDS TAX – RSA CHAPTER 77

The Interest & Dividends (I&D) Tax, which was first enacted in 1923, applied a tax based on the "average rate of property taxation" upon the interest and dividend income received by New Hampshire residents from sources other than New Hampshire and Vermont banks. The tax was changed significantly in FY 1995 to eliminate the exemption on income from New Hampshire and Vermont banks. In conjunction with this change, the personal exemption increased from $1,200 to $2,400. The exemption for joint filers increased from $2,400 to $4,800. Estimated I&D Tax payments are due on tax liabilities greater than $500 on the 4$^{th}$, 6$^{th}$, 9$^{th}$, and 12$^{th}$ months of the tax year, unless the taxpayer is a calendar year taxpayer in which case the final payment is due on January 15$^{th}$ following the tax year. The I&D Tax return is due on the 15$^{th}$ day of the 4$^{th}$ month following the tax year. Additional exemptions are available for residents who are 65 years of age or older, who are blind, or who are disabled, unable to work, and have not yet reached their 65th birthday. For taxable periods ending on or after December 31, 2013, trusts are no longer taxable under the I&D Tax. Instead, interest and dividend income received by the grantors or beneficiaries of trusts, to the extent that they are inhabitants or residents of New Hampshire, is subject to taxation. Chapter 91:89-102 was enacted during the 2021 legislative session and phased out the I&D Tax over several years. Chapter 79:85-88 enacted during the 2023 legislative session accelerated the repeal of the I&D Tax. The I&D Tax rate was reduced from 5% to 4% for taxable periods ending on or after December 31, 2023, and is reduced to 3% for taxable periods ending on or after December 31, 2024. The I&D tax is repealed for taxable periods beginning after December 31, 2024.

## LOCAL PROPERTY TAX – RSA CHAPTER 76

Property taxes, based upon local assessed valuations, are administered and collected by the individual cities and towns. The majority of property taxes collected are based on the market value of the property at its highest and best use. Some property taxes, however, are based on the market value of a property's actual use, such as:

- Current use assessments under RSA Chapter 79-A for certain farmland, forest land, and unproductive land. The program is for properties dedicated to remaining as open space. A Land Use Change Tax of 10% of the market value of the property is charged upon the occurrence of a disqualifying event (usually a development, use or sale of a portion of a property). Typically, ten acres or more of dedicated land is required. Application to local officials on or before April 15th is required.
- Taxes on the value of standing timber assessed under RSA Chapter 79. These are assessed by local officials, at a rate of 10% of the value of the standing timber. The annual filing of an intent to cut and the subsequent report of timber cut are required.
- Taxes on the value of gravel and excavated materials assessed under RSA Chapter 72-B. These are assessed at a rate of $.02 per cubic yard of earth excavated.

## Local Property Tax Exemptions, Credits and Deferrals

### Elderly Exemption – RSA 72:39-a

Effective July 23, 1996, RSA 72:39-a replaced the Standard, Expanded, Adjusted and Optional Adjusted Elderly Exemptions. The statute sets the minimum exemption, which the cities and towns may modify as follows:

- Different dollar amounts for qualified residents ages 65-75, 75-80, and 80 or older;
- Net income limitations, including social security or pension payments; and
- Net asset limitations.

### Blind Exemption – RSA 72:37

The exemption is a minimum $15,000 reduction of the assessed value of residential real estate (as defined in RSA 72:29, II) and could be higher if modified by the municipality.

### Deferral for the Elderly or Disabled – RSA 72:38-a

Property taxes are deferred and accrue interest at the rate of 5% per annum for qualifying taxpayers. The deferred property tax may not exceed more than 85% of the equity value of the residence. If granted by the assessing officials, the deferral is available to any resident property owner who is 65 years or older or eligible under the federal Social Security Act for benefits for the disabled, has owned the home for at least 5 years (or one year if eligible under the federal Social Security Act), and is currently residing there.

## Veterans' Tax Credits and Disabled Exemption

Qualified residents are entitled to the following tax credits in the following amounts, which are to be deducted from their tax bills:

- **RSA 72:28** – The standard veterans' tax credit in the amount of $50 unless, alternatively, the municipality adopts the optional veterans' tax credit which is an amount from $51 up to $750;
- **RSA 72:28-b** – The all veterans' property tax credit if adopted by the municipality, in the amount of the standard or optional veterans' tax credit in effect in the municipality;
- **RSA 72:28-c** – The combat service tax credit if adopted by the municipality, in an amount from $50 up to $500;
- **RSA 72:29-a** – The standard surviving spouse tax credit in the amount of $700 unless, alternatively, the municipality adopts the optional surviving spouse tax credit which is an amount from $701 up to $2,000; and
- **RSA 72:35** – The standard service-connected total disability tax credit in the amount of $700 unless, alternatively, the municipality adopts the optional service-connected total disability tax credit which is an amount from $701 up to $5,000. (However, the optional service-connected total disability tax credit may not be taken in addition to credits received under 72:28, 72:28-c, or an exemption under 72:36-a.)

**Certain Disabled Veterans' Exemption under RSA 72:36-a:** A resident discharged under conditions other than dishonorable or honorably separated from military service, who is 100% totally and permanently disabled from service connection, who is a double amputee, paraplegic, or has blindness of both eyes with visual acuity of 5/200 or less as the result of service connection, and who owns a specially adapted home acquired with the assistance of the United States Department of Veterans Affairs is exempt from all taxation on that home.

## Tax Exemption for Improvements to Assist Persons with Disabilities – RSA 72:37-a

This exemption is limited to any increase in the assessed value of residential real estate owing to improvements made by the resident owner for the purpose of assisting a person with a disability who also resides on the residential real estate.

## Tax Exemptions for Wind-Powered, Solar, and Wood heating Energy Systems RSAs 72:66, 72:62, 72:70

These exemptions are optional to the cities and towns and must be voted upon locally.

## Tax Exemption for the Disabled – RSA 72:37-b

This exemption is available to persons eligible under the federal Social Security Act for benefits to the disabled. It is applicable only on the applicant's principal place of abode. The exemption is

optional and must be voted on by the municipality, which also determines the amount of the exemption and the income/asset limitations.

## MEALS & ROOMS (RENTALS) TAX – RSA CHAPTER 78-A

The Meals and Rooms (Rentals) (M&R) Tax was enacted in 1967 at a rate of 5%. The tax is assessed upon patrons of hotels, restaurants, and motor vehicle rental establishments on certain rentals of rooms and motor vehicles, and upon meals costing $.36 or more, but collected and remitted to the State by operators. Chapter 330:1, Laws of 1977, increased the tax rate from 5% to 6%. Chapter 568:150, Laws of 1981, increased the rate from 6% to 7%, Chapter 8:1, Laws of 1990, Chapter 354:12 Laws of 1991, Chapter 350:36, Laws of 1993, Chapter 96:1, Laws of 1995, Chapter 132, Laws of 1997 imposed a rate of 8% for every biennium beginning April 1, 1990. Chapter 17, Laws of 1999 fixed the 8% and removed the biennial time frame. Chapter 144, Laws of 2009, increased the rate from 8% to the rate of 9%. Chapter 91:103-105, Laws of 2021 reduced the rate to 8.5% for taxable periods beginning on or after October 1, 2021. An M&R Tax operator's license is required. The M&R Tax is required to be remitted to the State on the 15th day of the month following the collection of tax, accompanied by the M&R Tax return. An M&R Tax operator is required to maintain books and records showing the amount of tax collected and to remit the tax monthly to the State, less a 3% commission if the return and payment are filed both timely and electronically.

## MEDICAID ENHANCEMENT TAX – RSA CHAPTER 84-A

The Medicaid Enhancement Tax (MET) was enacted in 1991 at a rate of 8% of gross patient services revenue of every hospital. In 1993, the rate was changed to be established by legislation each biennium upon the gross patient services revenue of every hospital for the hospital's fiscal year ending during the first full calendar year preceding the taxable period. If the Legislature failed to set the rate of tax on or before April 1, preceding the first fiscal year of the biennium, the tax rate was to be zero for that biennium. In no event was the rate of the tax to be greater than 6 percent for any biennium. In 1998, the law was amended to require the Legislature to set the tax rate on or before May 1. In 2003, the tax rate was changed to 6% of gross patient services revenue. In 2004, the 6% tax on gross patient services revenue was changed to a 6% tax upon the "net" patient services revenue of every hospital. In 2007, the tax rate was reduced to 5.5% of net patient services revenue. For taxable periods ending June 30, 2014, and prior, hospitals were required to pay 100% of the tax due for the taxable period no later than the 15th day of the fourth month of the taxable period and were required to file a tax return with the Department on or before the 10th day of the month following the expiration of the taxable period. For taxable periods beginning July 1, 2014, and after, special hospitals for rehabilitation are no longer included in the definition of "hospital" and hospitals are required to file a return on or before the 15th day of April in the taxable period. In addition, every hospital shall on or before January 15 in the taxable period make a nonbinding estimate of its projected tax payment. The tax rate decreased to 5.45% for the taxable period ending June 30, 2016, and to 5.4% for the taxable period ending June 30, 2017, and for every taxable period thereafter.

## REAL ESTATE TRANSFER TAX – RSA CHAPTER 78-B

The Real Estate Transfer Tax (RETT) was first enacted in 1967. Chapter 17, Laws of 1999, increased the permanent tax rate assessed on the sale, granting, and transfer of real estate and any interest in real estate to $.75 per $100, or fractional part thereof, of the price or consideration. This rate is assessed on both the buyer and seller for a combined tax rate of $1.50 per $100. Where the price or consideration is $4,000 or less, there is a minimum tax of $20 assessed on both the buyer and seller. The tax is paid at the Registry of Deeds office in the county where the property is located. A Declaration of Consideration (Form CD-57) must be filed with the Department by both the purchaser and seller no later than 30 days from the recording of the deed at the Registry of Deeds or transfer of real estate, whichever is later.

## RAILROAD TAX – RSA CHAPTER 82

Every railroad, railway, express, and every parlor, sleeping or dining car company, or other company not a railroad company owning any cars operated for profit on any railroad in this state shall pay an annual Railroad Tax. The Railroad Tax is assessed on the market value of the property and estate in this state of any such company as of April 1 of each year. The tax is imposed at the average rate of taxation at that time upon other property throughout the State. Railroad "property" applies to both railroad companies (an enterprise, corporation, partnership, etc.) and private rail cars operated for profit on any railroad in the State.

## TOBACCO TAX – RSA CHAPTER 78

The Tobacco Tax is a direct tax upon the consumer at retail. However, it is pre-collected and paid by the wholesaler. It is presumed the Tobacco Tax has been pre-collected and paid by the wholesaler by the affixing of a Tobacco Tax stamp (aka "indicia of tax paid") on the tobacco product. The Tobacco Tax was first enacted in 1939. Originally the tax was based upon the value at the usual selling price of all tobacco products. In 1975, the tax was changed to a flat rate of $0.12 per package of 20 cigarettes. At that time, there was no tax on other tobacco products. Over the next 34 years the tax was increased from $0.12 to $1.78 per package. In 2011, the Tobacco Tax rate was decreased from $1.78 to $1.68 for each package containing 20 cigarettes or at a rate proportional to such rate for packages containing more or less than 20 cigarettes. As of August 1, 2013, the Tobacco Tax rate increased from $1.68 back to $1.78 for each package containing 20 cigarettes, per Chapter 224:379 through 381, Laws of 2011. In 1991, the Legislature enacted a tax on tobacco products other than cigarettes (OTP Tax) at the rate "proportional to the cigarette tax, having such ratio to the usual wholesale price of the tobacco product other than cigarettes as the cigarette tax bears to the usual wholesale price of the cigarettes." In 2003, the OTP Tax was changed to 19% of the wholesale sales price. The OTP Tax rate was changed again in 2009 to 48.59% of the wholesale sales price, and then in 2010 to a rate of 65.03% of the wholesale sales price. In 2011, the OTP Tax rate was decreased to 48% of the wholesale sales price. As of August 1, 2013, the OTP Tax rate increased from 48% back to 65.03% of the wholesale sales price, per Chapter 224:379 through 381, Laws of 2011. Chapter 346, Laws of 2019 amends

the Tobacco Tax to include electronic cigarettes effective January 1, 2020. Electronic cigarettes are treated as OTP but subject to different tax rates under RSA 78:2, II, one for closed cartridges or containers that are not intended to be opened (or "closed system" devices), and the other for containers that are intended to be opened ("open system" devices). For closed system devices, the tax is imposed at a rate of $0.30 per milliliter on the volume of the liquid or other substance containing nicotine in the cartridge or container. For open system devices, the tax is imposed at a rate of 8% of the wholesale sales price of the container of liquid or other substance containing nicotine. Wholesalers are required to report their tax liability for the collection of the OTP Tax on a monthly basis. The return is due on or before the 15th day of the month following the end of the reporting period. Wholesalers may file quarterly, but permission to file quarterly must be pre-approved, in writing, by the Department.

## UTILITY PROPERTY TAX-RSA CHAPTER 83-F

Utility property is defined, generally, as "all real estate, buildings and structures, machinery, dynamos, apparatus, poles, wires, fixtures of all kinds and descriptions, and pipe lines located within New Hampshire employed in the generation, production, supply, distribution, transmission, or transportation of electric power or natural gas, crude petroleum and refined petroleum products or combinations thereof, water, or sewage subject to tax under RSA 72:6, 72:7 and 72:8, but not exempt under RSA 72:23," but excludes: electric power fixtures employed solely as an emergency source of electric power, water and air pollution control facilities exempt from local property taxation under RSA 72:12-a, water and sewer companies exempt from regulation as public utilities by the public utility commission under RSA 362:4, and any other property which is not subject to local property taxation. In 2011, "utility property" was amended to also exclude: the electrical generation, production, and supply equipment of an "eligible customer-generator" as defined in RSA 362-A:1-a, II-b; property used for the retail distribution of fuel for personal, non-commercial use, use as a fuel in a motorized vehicle, home cooking, or heating; and that portion of a manufacturing establishment's generation, production, supply, distribution, transmission, or transportation of electric power or natural gas, crude petroleum and refined petroleum products or combinations thereof, water, or sewage subject to tax under RSA 72:6, 72:7, and 72:8, but not exempt under RSA 72:23, that is expended, used, or consumed on-site primarily for the operation of the manufacturing establishment and that does not otherwise enter the stream of commerce. In 2021, "utility property" was amended to also exclude the storage equipment of an "eligible customer-generator" and the generation, production, storage, and supply equipment of a "limited producer" as defined in RSA 362-A:1-a, III if selling under RSA 362-A:2-a, for facilities with a rated electricity production capacity of up to and including one megawatt. In 2025, "utility property" was amended to also exclude property used for the purposes of generating electricity, except such property owned by entities as defined in RSA 362:2, I that are engaged in the distribution or transmission of electricity.

The Utility Property Tax rate is $6.60 per $1,000 of value of utility property. On December 1 of each year the Department determines the market value of utility property as of the previous April 1. The tax is due annually on or before January 15th. Every utility or property owner required to pay Utility Property Tax must file a declaration of its estimated Utility Property Tax for the

subsequent taxable period, accompanied by payment of 1/4 of the estimated tax due, on or before April 15 of each year. Additional quarterly estimated payments of the Utility Property Tax are due on June 15th, September 15th, and December 15th.

# New Hampshire FY 2025
# Legislative Session in Review

*This Legislative Review is published as a convenient reference guide of relevant statutory changes made during the 2025 Legislative Session by the New Hampshire General Court. This review is intended to provide a summary or synopsis of enacted legislation. It is not intended to be relied upon as a full and complete text or as a substitute for the actual state law. Please refer to the applicable statute and rules to determine how this information applies to specific persons or situations.*

## BUSINESS TAX

**HB 2 (Chapter 141)** creates a new Granite Patron of the Arts Tax Credit (GPA). Up to one-half of any donation to the DNCR Division of the Arts or the NH Council of the Arts may be used as a credit against any BPT and then any BET owed by the donor. The aggregate credit is capped at $350,000 per year and is to be pro-rated if necessary. Applications are due to DRA by June 30 and determinations are to be made by September 30. The credit must be used in the tax year awarded. It may not be carried forward.

***Statute Added:*** *RSA 77-A:5, XVI.*
***Effective Date:*** *July 1, 2025.*

## TOBACCO TAX

**SB 80 (Chapter 224)** requires tobacco manufacturers and wholesalers to be licensed by the New Hampshire Liquor Commission (NHLC) and provides that agency with audit and enforcement powers. DRA's tobacco tax licenses are renamed "tobacco tax certificates"; otherwise, DRA's authority remains unchanged. Manufacturers and wholesalers are now required to hold both a license and a certificate in order to do business and are subject to dual regulation.

***Statutes Amended:*** *RSA 78 and RSA 178.*
***Effective Date:*** *July 1, 2025.*

## UTILITY PROPERTY TAX

**HB 696 (Chapter 206)** exempts property used for electricity generation from payment of the Utility Property Tax (UPT). Electricity generators will now be subject to the Statewide Education Property Tax (SWEPT). If a PILOT agreement (an agreement to make a payment in lieu of taxes) is in effect as of July 1, 2027, the utility will not pay SWEPT until either the PILOT agreement expires or July 1, 2032, whichever is earlier.

***Statutes Amended:*** *RSA 72:24, 83-F:1, 83-F: 5, 83-F:9.*
***Effective Date:*** *July 1, 2027.*

## MUNICIPAL AND PROPERTY

**HB 99 (Chapter 15)** increases the maximum amount of the optional Tax Credit for Service-Connected Total Disability to $5,000 and clarifies that a qualifying disability must be total *and permanent.* The bill also provides that the credit may no longer be claimed in addition to the standard or optional Veterans' Tax Credit or All Veterans' Tax Credit, the Optional Tax Credit for Combat Service, or the Disabled Veterans' Homestead Exemption.

***Statute Amended:*** *RSA 72:35, I-a.*
***Effective Date:*** *July 13, 2025.*

**SB 173 (Chapter 120)** simplifies the assessing methodology applicable to property subject to housing covenants under the Low Income Housing Tax Credit Program (LIHTC). Property tax will now equal ten percent of the net rental and other income. Accordingly, DRA will no longer compute an annual market capitalization rate for the geographic areas containing such properties.

***Statute Amended:*** *RSA 75:1-a.*
***Effective Date:*** *July 1, 2025.*

## MISCELLANEOUS

**HB 123 (Chapter 26)** establishes a moratorium on carbon sequestration, allows for a voluntary payment to municipalities of the difference between timber tax paid and "pre sequestration timber tax revenue" in lieu of the general taxation of standing wood or timber, and creates a study commission to look at the impacts of carbon sequestration programs. The Commissioner of the DRA or designee shall be a member of this commission.

***Statutes Added/Amended:*** *RSA 79:1, 79:5, 79:32-37.*
***Effective Date:*** *July 1, 2025; repealed November 1, 2027.*

**HB 2 (Chapter 141)** also amends the distribution statutes for the business taxes, the tobacco tax, and the Real Estate Transfer Tax (RETT) to create a more uniform splitting of revenue between the general fund and the education trust fund as follows:

| | Current | | New | |
|---|---|---|---|---|
| | Gen. Fund | Ed. Trust Fund | Gen. Fund | Ed. Trust Fund |
| BPT | 59% | 41% | 61% | 39% |
| BET | 59% | 41% | 61% | 39% |
| Tobacco (Stamps) | 56.18% | 43.82% | | |
| Tobacco (OTP) | 100% | 0% | | |
| All Tobacco | | | 61% | 39% |
| RETT | 66.67% | 33.33% | 61% | 39% |

***Statutes Amended:*** *RSAs 77-A:20-a, 77-E:14, I., 78:24, 78-B:13, I.*
***Effective Date:*** *July 1, 2025.*

**HB 2 (Chapter 141)** also provides taxpayers with amnesty from the assessment of penalties and 50% of accrued interest as of the date of payment for taxes due and unpaid on or before June 30, 2025 and reported and paid in full between December 1, 2025 and February 15, 2026.

***Statutes Affected:*** *Chaptered Law Only.*
***Effective Date:*** *July 1, 2025.*

# DRA HIGHLIGHTS FY 2025

**Balanced Scorecard.** Staff from each unit of the DRA work diligently to establish and track performance measures for key operational functions by building a Balanced Scorecard which assists managers and staff in tracking progress and identifying areas for improvement. The Balanced Scorecard is tracked monthly and the annual results are posted to the DRA website. Take a look!

**Timber Tax Outreach and Education Initiative.** Launched in late calendar year 2024, the Timber Tax campaign highlighted several resources for landowners, municipalities, and loggers on a newly redesigned website, including details on how the Timber Tax is assessed, necessary forms, a series of Frequently Asked Questions, guidance for municipalities in administering the Timber Tax, and links to partner organizations. The Federation of Tax Administrators (FTA) named the DRA as a recipient of its 2025 FTA Award for Innovation and Excellence in Tax Administration noting DRA's "innovation, exceptional service, and dedication" for the Timber Tax campaign.

**Boards and Councils.** The DRA is a statutory member of a number of boards, councils and advisory committees including the Assessing Certification Advisory Board, Assessing Standards Board, Current Use Board, IT Council and the Public Deposit Investment Pool Advisory Council. These groups meet regularly and are another way that DRA fulfills its mission. Of note during FY 2025 was the work of the Assessing Certification Advisory Board to adopt rules for the licensing and certification of Building Measurers and Listers, Assessor Assistants, Assessors and Assessor Supervisors.

The New Hampshire Department of Revenue Administration's staff will always be ready to take your important phone call. To request forms, please email: forms@dra.nh.gov, or call the Forms Line at (603) 230-5001. For any other questions, please contact Taxpayer Services at (603) 230-5920.

# Office of Revenue Counsel

**Revenue Counsel**
**Lawrence P. Gagnon**

**Assistant Revenue Counsel**
**Cheryl C. Deshaies**

The Office of Revenue Counsel (the Legal Bureau) provides legal advice and representation to the Department. This work includes rendering advice and legal opinions to Department personnel, managing bankruptcy cases, responding to Right-to-Know requests, and representing the Department before the Board of Tax and Land Appeals (BTLA) and the Department's Hearings Bureau.The Legal Bureau provides assistance and advice to the Commissioner's Office, the Municipal and Property Division (M&P Division), and to other divisions in connection with audits and other stages of the enforcement and administration of tax laws. In addition, the Legal Bureau coordinates and assists with the Department of Justice's representation of the Department before state and federal courts and acts as co-counsel in certain cases.

*Noteworthy Cases from FY2025*

*Rand v. State*

The plaintiffs in Rand sought determination that the Statewide Education Property Tax (SWEPT) was unconstitutional. The Legal Bureau assisted the Department of Justice in preparing numerous pleadings and affidavits defending the computation of tax rates and the administration of SWEPT. Partial summary judgment was granted to the Plaintiffs in the Superior Court and the State appealed to the New Hampshire Supreme Court. The Court found that the SWEPT taxing scheme was constitutional, while disallowing the use of negative local education rates in certain unincorporated areas with no educational expenditure needs.

*Morris v. DRA*

The taxpayers appealed a determination that they were New Hampshire residents and subject to the Interest and Dividends Tax for earnings during their residency. The Superior Court granted the Department judgment on March 28, 2024, following a bench trial. The taxpayers have appealed to the New Hampshire Supreme Court where briefing has been concluded. The Court declined to hear oral arguments. An order is expected in early FY 2026.

*Hologic, Inc. v. DRA*

The plaintiff, a Massachusetts bio-tech company, appealed an assessment of taxes following an audit. The Legal Bureau is assisting the Department of Justice in trying the case. The Superior Court found in the plaintiff's favor, ruling that entities within a combined group may cross-utilize prior year net-operating losses. The State appealed the matter to New Hampshire Supreme Court where briefing and oral arguments are expected to occur during FY 2026.

*Bankruptcy Cases and Receiverships*

The Legal Bureau filed 56 proofs of claim in Bankruptcy Courts or State Courts related to bankruptcy and receivership proceedings throughout the United States for unpaid taxes,

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penalties, and interest in an amount exceeding $903,704.60 and collected payments from bankruptcy cases and receiverships in an amount totaling $1,083,356.24.

Bankruptcy cases generally involve objecting to reorganization and payment plans which do not comply with law, filing and defending claims from objections, protecting security interests, and tracking a significant number of cases through the court processes to protect the Department's interests including compelling compliance with post-petition tax obligations while a taxpayer's bankruptcy is ongoing. The cases run the gamut from large corporate cases filed in out-of-state courts, to New Hampshire domiciled individuals and businesses filed here. Many claims are filed in "unknown" amounts due to a taxpayer's failure to submit a return for one or more years or are based on estimates made by the Audit Division using available information. Taxpayers with missing returns are strongly encouraged to file their returns.

*Utility Property Tax Appeals*

The Legal Bureau is representing the Department in six appeals. Hearings are scheduled for FY 2026. Four other appeals were resolved prior to the close of the fiscal year.

*Right to Know Requests*

The Legal Bureau responded to 191 requests for government records pursuant to RSA 91-A:4 over the course of the past year. Some of these requests involved voluminous records and contested issues.

*Appeals from Final Orders, Board of Tax and Land Appeals*

The Legal Bureau engaged in representation of the Department in fifteen appeals, relating to Meals & Rentals Tax assessments, Real Estate Transfer Tax, license denials/revocations, audit tax assessments, and Low & Moderate applications.

The Legal Bureau further filed two petitions related to reassessments and worked on multiple municipal related appeals at the Board's request.

*Appeals from Final Orders, Superior Court*

The Legal Bureau has coordinated and acted as co-counsel with the Department of Justice on four Superior Court tax appeals.

*Simon Properties v. DRA*

The taxpayer appealed a Business Tax assessment based on an audit determination that rental income from a major shopping center was correctly sourced to New Hampshire. The Department of Justice, with the Legal Bureau's assistance, is preparing the case for trial in FY 2026.

*Aldean Khater v. DRA*

Additional Tobacco Tax and Business Tax was assessed against Khater and the Department's Hearing Officer denied his appeal. He subsequently appealed to a Massachusetts superior court, which dismissed it. Khater refiled in the New Hampshire Superior Court and the Department of Justice, with assistance from the Legal Bureau, moved to dismiss, which was granted. The plaintiff appealed to the New Hampshire Supreme Court where an order affirming the Superior

Court's dismissal was issued in early FY 2026. Khater is subject to a criminal restitution order in excess of $12 million. Efforts are being made by the Legal Bureau to enforce that judgment.

*Hewlett Packard Enterprise Company v. DRA*

The Legal Bureau is assisting the Department of Justice in responding to the appeal filed by the Texas technology company appealing a denial of a refund request premised on alternative apportionment and statute of limitations concerns. The appeal was filed early FY 2024 and is set for trial in December FY 2026.

*Timber Investigations and Referrals*

The Legal Bureau has worked closely with the Municipal and Property, Timber Appraisers to investigate concerns around non-compliance with the Timber Tax requirements pursuant to RSA 79. The Legal Bureau made two criminal investigation referrals during FY 2025 related to these efforts and has continued to work with law enforcement efforts to complete these investigations and proceed to criminal charges.

*Declaratory Rulings*

No declaratory rulings were issued in FY 2025.

*Technical Information Releases*

| Technical Information Releases FY 2025 | | |
|---|---|---|
| TIR # | Description | Date Issued |
| 2025-002 | Allowable Average Value of Scholarships for the 2025-2026 Education Tax Credit Program Year | 03/04/2025 |
| 2025-001 | Interest and Dividends Tax Repeal Effective 1/1/2025 | 01/21/2025 |
| 2024-004 | BET and BPT Filing Thresholds for 2025 | 12/17/2024 |
| 2024-003 | 2024 Legislative Session in Review | 09/18/2024 |
| 2024-002 | Interest Rates Set For Calendar Year 2025 | 09/03/2024 |

# Hearings Bureau

**Hearing Officer**
**Denise Daniel**

During FY 2025, the Hearings Bureau continued to strive to provide better service to the taxpayer. We have continued to review administrative tasks and workflow to ensure that our processes are as lean and efficient as possible to maximize our productivity.

In FY 2025, with respect to taxpayer petitions, the time to produce a final order after the close of the record averaged 31.21 days, which is an increase of 49.98% from the average of 20.81 days it took in FY 2024. This increase was the result of several complex cases, which required lengthy final orders. Our goal for taxpayer petitions in FY 2025 was to issue final orders within 90 days after the close of the record 90% of the time. We met our goal and issued orders in 90 days or less for taxpayer petitions 94.57% of the time. With respect to cases in which a final order still needs to be issued, there were only three cases outstanding (other than cases being held in abeyance) as of June 30, 2025. The record closed on June 18, 2025 for the oldest outstanding case.

In FY 2025, with respect to cases involving license denials, suspensions, revocations, and tobacco seizures, the time to produce a final order after the close of the record averaged 10.13 days, which was an increase of 1.60% from the average of 9.97 days it took to produce an order in FY 2024. Our goal for FY 2025 for cases involving license denials, suspensions, revocations, and tobacco seizures was to issue final orders within 14 days after the close of the record 90% of the time. We met our goal and issued orders in 14 days or less for cases involving license denials, suspensions, revocations, and tobacco seizures, 91.35% of the time.

The number of docketed appeals filed in FY 2025 was the same number as the number filed in FY 2024, so there was no percentage of increase or decrease. The total number of final orders issued in FY 2025 increased by 7.10% from the number issued in FY 2024.

During FY 2025, the Hearings Bureau worked collaboratively with other Department stakeholders and embedded FAST personnel to implement electronic filing of appeals through Granite Tax Connect. This improvement streamlined processing for Department personnel and made filing an appeal easier for taxpayers. The Hearings Bureau has also participated in designing a process to safely use Federal Tax Information in adjudicative proceedings, collaborating with other Department stakeholders.

The Hearing Bureau's goals for FY 2026 are to maintain an appeal process that provides a fair and efficient system, timely performance, and ensures the highest degree of confidence in the integrity of the system. This includes continuing to

**Hearings Bureau**
**PO Box 1467**
**Concord, NH 03302-1467**

**603.230.5002**
**603.230.5948 Fax**

streamline administrative processes to allow us to meet our goal of issuing Final Orders in a timely manner.

The following statistics summarize the activity of the Hearings Bureau during the past fiscal year as compared to the prior fiscal year:

| | FY 2024 | FY 2025 | % of Change |
|---|---|---|---|
| Appeals Filed | 296 | 296 | 0.00% |
| Cases Closed | 260 | 302 | 16.15% |
| Cases appealed to Superior Court, Board of Tax and Land Appeals, or Supreme Court | 3 | 10 | 233.33% |
| Cases transferred to OPLC | 1 | 0 | (100%) |
| Cases open as of June 30 | 128 | 123 | 3.91% |
| **Final Orders Issued for the period of 7/1/2024 to 6/30/2025** | | | |
| Assessor Discipline (as delegate for OPLC) | 0 | 1 | n/a |
| Business Tax | 58 | 54 | (6.90%) |
| Business Tax & Meals & Rentals Tax | 4 | 4 | 0.00% |
| Interest & Dividends Tax | 15 | 10 | (33.33%) |
| Meals & Rentals Tax | 96 | 114 | 18.75% |
| Real Estate Transfer Tax | 0 | 1 | n/a |
| Tobacco Tax | 9 | 12 | 33.33% |
| Utility Property Tax | 1 | 0 | (100.00%) |
| **Total Final Orders Issued** | 183 | 196 | 7.10% |

# The Collection Division

**Director of Collection: Bonnie Walshaw**

The mission of the Collection Division is to ensure taxpayer compliance with the tax laws of New Hampshire by fairly and effectively recovering overdue taxes through the uniform application of state laws, rules, and policies.

The division is primarily responsible for collecting delinquent notices of assessment resulting from tax returns, following up on unfiled Meals and Rentals Tax (M&R) returns, selling tobacco stamps, and licensing and educating M&R operators charging for taxable meals, room rentals, and motor vehicle rentals.

| FY 2025 Value of Inventory and Collections | |
|---|---|
| Delinquent Inventory – beginning July 1, 2024 | $90,027,657 |
| Delinquent Inventory – ending June 30, 2025 | $83,193,504 |
| Delinquent Payments Collected | $30,059,194 |

| FY 2024 Statistical Counts | |
|---|---|
| New Meals & Rentals Operators Licensed | 865 |
| Meals and Rentals Unfiled Returns Followed Up | 9850 |
| Tax Liens Recorded | 1946 |
| Tobacco Tax Field Compliance Visits | 114 |
| Payment Plans Initiated | 620 |
| Field Visits Conducted | 1740 |

The Division budget authorized thirteen full-time positions: one unclassified and twelve classified. Due to a medical injury, only seven of the eight Compliance Officer II (CO II) positions were active for the entire fiscal year. Also, one of our two Compliance Officer I (CO I) positions was not filled for 6 months due to an unexpected retirement. Despite the personnel staffing challenges, the Division managed to exceed the prior year's total collections by approximately $500,000.

As noted in the table above, FY25 saw the Division reduce delinquent inventory by almost $7m. This was in large part due to the CO II position that was added during FY24. This CO II position was established to handle tax assessments generated through the Department's data exchange agreement with the IRS. Ultimately, the Division was unable to fully utilize this position as the CO II was needed to devote time to help cover one of the Division's seven regions. Once fully staffed, the Division expects to see an increase in funds collected that are directly attributable to the Department's partnership with the IRS.

**Collection Division**
**PO Box 454**
**Concord, NH**
**03302-0454**

**603.230.5900**
**603.230.5946 Fax**

# The Taxpayer Services Division

**Director of Taxpayer Services: Lisa Crowley**

**Assistant Director of Taxpayer Services: Rhonda Drouin**

The mission of the Division of Taxpayer Services is to continuously improve taxpayer experiences through efficient data processing, accurate account maintenance, and exemplary customer service.

The Division operates two high speed scanners that allow employees to scan, validate, and process large volumes of tax forms more efficiently. By using the high-speed scanners in conjunction with our new Revenue Information Management System (RIMS) and electronic filing methods, we've introduced numerous efficiencies related to processing documents, electronically routing correspondence, and managing taxpayer requests.

Once again the fiscal year ended with an increase in the use of electronic filing methods with FY 2025 bringing in just under 30,000 more electronically filed documents than FY 2024. This year after year increase ensures our division can continue its focus on processing returns, refunds, and documents on time, as well as meeting our goal of responding to most taxpayer requests within 30 days.

Another big change for FY 2025 was the repeal of the Interest & Dividends Tax (I&D), effective for tax periods beginning on or after January 1, 2025. In January 2025, DRA mailed more than 96,000 letters to I&D taxpayers throughout the state informing them of the repeal and their final filing requirements. Additional communication efforts were made using our main taxpayer services phone line as well as banners placed on our website and on the homepage of our Granite Tax Connect web portal. The communication was well received and well worth the effort.

| Documents Processed | FY 2023 | FY 2024 | FY 2025 |
|---|---|---|---|
| # Documents Scanned | 295,868 | 293,543 | 268,039 |
| # Documents Processed Manually | 311 | 177 | 252 |
| # Documents Processed Electronically | 348,063 | 385,772 | 414,073 |
| Total | 644,242 | 679,492 | 682,364 |

The Department of Revenue Taxpayer Assistance call center is available Monday – Friday 8:00 AM to 4:30 PM.

| Call Handling | FY 2023 | FY 2024 | FY 2025 |
|---|---|---|---|
| General Taxpayer Questions | 41,195 | 41,206 | 42,916 |
| Collection of Outstanding Tax Due | 3,095 | 2,572 | 2,878 |
| Municipal tax rate, property tax assessments, timber and gravel tax, utility property tax, property tax exemptions/credits, or current use. | 2,427 | 2,442 | 2,319 |
| Total | 46,717 | 47,220 | 48,113 |

**Taxpayer Services**
**PO Box 637**
**Concord, NH**
**03302-0637**

**603.230.5941 Fax**

**Tax Forms**
**PO Box 637**
**Concord, NH**
**03302-0637**

**Call Center**
**603.230.5920**

# 2026 Forms Calendar

**Business Return Due Dates Assume a Calendar Year Tax Period**

| | January | | February | | March | | April | | May | | June | | July | | August | | September | | October | | November | | December | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Estimate | Return / Form | Estimate | Return / Form | Estimate | Return / Form /Extension | Estimate | Return / Form /Extension | Estimate | Return / Form | Estimate | Return / Form | Estimate | Return / Form | Estimate | Return / Form | Estimate | Return / Form | Estimate | Return / Form | Estimate | Return / Form | Estimate | Return / Form |
| Business Tax: Corporate | | | | | | | x | x | | | x | | | | | | x | | | | | x | x | |
| Business Tax: Fiduciary | | | | | | | x | x | | | x | | | | | | x | | | | | x | x | |
| Business Tax: Non-Profits | | | | | | | x | | | x | x | | | | | | x | | | | | | x | x |
| Business Tax: Partnerships | | | | | | x | x | | | | x | | | | | | x | | | x | | | x | |
| Business Tax: Proprietorship | | | | | | | x | x | | | x | | | | | | x | | | | | x | x | |
| Communications Services Tax | x | x | x | x | x | x | x | x | x | x | x | x | x | x | x | x | x | x | x | x | x | x | x | x |
| Low and Moderate Property Tax Relief | | | | | | | | | | x | | x | | | | | | | | | | | | |
| Meals & Rentals Tax | | x | | x | | x | | x | | x | | x | | x | | x | | x | | x | | x | | x |
| Medicaid Enhancement Tax | x | | | | | | | x | | | | | | | | | | | | | | | | |
| Nursing Facility Quality Assessment Tax | | x | | | | | | x | | | | | | x | | | | | | x | | | | |
| Railroad Company / Private Rail Car Tax | | | | | | | x | | | x | x | | | | | | x | | | | | | x | |
| Utility Property Tax | | x | | | | | x | | | | x | | | | | | x | | | | | | x | |
| Utility Property Tax Information Update | | | | | | | | | | x | | | | | | | | | | | | | | |
| Wholesalers Other Tobacco Products Tax | | x | | x | | x | | x | | x | | x | | x | | x | | x | | x | | x | | x |

# The Municipal and Property Division

**Director of Municipal and Property:**

**Samuel Greene**

**Assistant Director of Municipal and Property:**

**Adam Denoncour**

The mission of the Municipal and Property Division (M&P) is to assure fairness, equity and proportionality in the assessment and collection of property taxes and the administration of municipal finances in the state by establishing tax rates, providing technical assistance and education to municipal officials, monitoring revaluations, reviewing assessment practices, equalizing local assessed valuation, appraising public utility and railroad property, and administering timber and gravel taxation.

The Division consists of two bureaus, the Municipal Bureau and the Property Bureau.

The Municipal Bureau establishes and approves municipal, school, county, state education and village district tax rates. It also provides technical assistance on taxation and finance to the approximately 564 political subdivisions of the state, and the general supervision of municipal tax collectors. Other services include:

- Prescribing a uniform chart of accounts for all municipalities.
- Establishing a standard technical assistance manual for municipalities' use.
- Conducting over 4,000 technical pre-reviews of draft warrant articles in preparation for annual meetings. Reviewing and tracking the same articles to determine statutory compliance and appropriation amounts used in property tax rate calculations.
- Reviewing trustee reports of municipal trust funds in conjunction with the Department of Justice Charitable Trust Unit.
- Conducting workshops and seminars for municipal officials including selectmen, budget committees, trustees of trust funds, tax collectors, and school officials.

**Municipal and Property Division**
**PO Box 487**
**Concord, NH**
**03302-0487**

**Municipal Bureau**
**603.230.5090**
**603.230.5947 Fax**

**Property Appraisal Bureau**
**603.230.5950**
**603.230.5943 Fax**

The Property Bureau oversees the assessment review process and monitors revaluations and revaluation contracts, as well as the following specialized services:

- The Equalization Group determines the total equalized value of all taxable property within the state on an annual basis. This allows shared tax burdens, such as the state education tax, county property tax, and cooperative school taxes to be apportioned at a single standard, full market value. The equalization process includes compiling assessment data, conducting assessment- to- sales ratio studies and preparing statistical reports.
- The Utility Appraiser values all utility and railroad properties in order to determine the correct assessment of RSA 82 Railroad Taxes and RSA 83-F Utility Property Taxes.

- The Timber and Gravel Appraisers provide administrative, technical and enforcement support to all municipalities in their assessment and collection of the RSA 79 Timber Tax and the RSA 72-B Excavation Tax.
- Staff provides support to two administratively attached boards, the Assessing Standards Board (ASB) and the Current Use Board (CUB).

**ASSESSING STANDARDS BOARD (ASB)**

Chairman – Betsey Patten

asb@dra.nh.gov

**CURRENT USE BOARD (CUB)**

Chairman – Charles Souther

cub@dra.nh.gov

**Accomplishments of FY 2025 Municipal and Property Division**

The M&P Division continues to make strides to improve services to municipalities and municipal officials while improving transparency to the public. Several initiatives were completed while others are new or ongoing. During FY 2025, these efforts have led to the following accomplishments:

- Continued to provide educational offerings for assessors and municipal employees on topics including current use, timber and gravel, institutional exemptions, and assessment review.
- Fulfilled tax rate requests within three days, on average.
- Real estate appraisers monitored 66 revaluations for the 2024 tax year, conducted assessment reviews, and continued to provide related technical assistance to taxpayers, assessors, and municipalities.
- Utilized Catalis valuation software to appraise $7.33B in utility value and $41M+ in railroad property value.
- Continued testing and development with Catalis of a new generation of equalization and MS-1 software system to update old systems and replace Access databases.
- Established capitalization rates for low-income housing tax credits (LIHTC) and values for telecommunications poles and conduits.
- Provided administrative support to the Assessing Standards Board and Current Use Board including rulemaking and the establishment of current use values.

- The Federation of Tax Administrators 2025 Award for Innovation and Excellence was awarded to DRA for the Timber Tax Educational Campaign. The Timber and Gravel Bureau provided numerous educational opportunities for municipal officials, town clerks, tax collectors, and licensed foresters in New Hampshire including on-site timber trainings for municipal personnel. The appraisers also completed approximately 1,798 operation site visits.

**MUNICIPAL AND PROPERTY DIVISION**

Summary of Education Provided to Municipal and Assessing Officials

| **Title of Presentation / Organization** (Number of presentations) | **Participants** |
|---|---|
| Assessment Review Mini Course (2) | Assessing / Town Officials |
| Current Use Mini-Course (2) | Assessing / Town Officials |
| Institutional Exemptions (2) | Assessing / Town Officials |
| Timber / Gravel Mini Course (2) | Assessing / Town Officials |
| State Statutes Part I | Assessing / Town Officials |
| State Statutes Part II | Assessing / Town Officials |
| State Statutes Update | Assessing / Town Officials |
| Municipal Timber Trainings | Assessing / Town Officials |
| NHTOA Professional Loggers Program (PLP) Timber Harvesting Law Class (2) | Foresters / Loggers |
| NH Government Finance Officers Association | Finance / Municipal Officials |
| Tax Collector Workshops | Town Clerks / Tax Collectors |
| Tax Collector Conference | Town Clerks / Tax Collectors |
| Association of School Business Officials (ASBO) | School Officials |

# The Audit Division

**Director of Audit:**
**Frederick J. Coolbroth, Jr.**

**Assistant Director of Audit:**
**Robert LaBrecque**

**Reporting Tax Fraud**
**PO Box 1338**
**Concord, NH 03302-1388**
**Tax Fraud Hotline**
**603.230.5030**
**603.230.5949 Fax**

**taxfraudhotline@dra.nh.gov**

**Audit Division**
**PO Box 1388**
**Concord, NH 03302-1388**

**603.230.5030**

**Discovery Bureau**
**PO Box 488**
**Concord, NH 03302-0488**

**603.230.5086**

The mission of the Audit Division is to promote taxpayer compliance with New Hampshire's tax laws through fair, impartial, and efficient selection and review of taxpayers' returns; taxpayer education; and discovery of non-filers. The Audit Division is committed to teamwork, professional development, and high standards of professionalism. Audit staff are responsible for conducting both desk and field audits.

For the fiscal year ended June 30, 2025, Audit staff reviewed 813 taxpayers' returns, which was an increase over the prior year. Of that number, after a full audit, the Audit Division determined that taxpayers' returns in 109 cases were materially in compliance, and these audits were closed without an assessment or other changes. Another 549 taxpayers' returns were audited with changes, resulting in assessments totaling $71,372,600.15 in tax, interest, and penalties (including reduced refund requests), as well as reductions to net operating loss deductions, Business Enterprise Tax credit carryforwards, and other credits totaling $2,574,949.22. Additionally, taxpayers filed original returns totaling more than $1.9 million in tax, interest, and penalties as a result of these audits. Of the total assessments, the Audit Division recognized more than $2.6 million in what the Department terms "revenue uplift," which consists of payments following an audit where the auditor used new tools and efficiencies from the RIMS system. Of the 813 returns reviewed, the Division ultimately did not pursue full formal audits of the remaining 155, because no material issues were identified.

In addition to its normal operations, the Division continued its nationally recognized program, colloquially referred to as "monitor forward," allowing selected taxpayers, in lieu of a traditional audit, to opt into an arrangement where more limited reviews of their meals and rooms tax returns were conducted, while their future monthly tax returns were monitored for compliance on an ongoing basis. In addition to continuing its past practice of deploying Division staff and management to present on a variety of topics at several state and regional level training events and conferences, the Audit Division also hosted a "nexus school" taught by the Multistate Tax Commission.

In addition, the Discovery/Nexus Bureau researched federal and state filings, as well as online resources, to discover non-filers who may have a duty to file and pay New Hampshire business taxes, meals and rooms taxes, or interest and dividends taxes. As a result of their efforts in FY 2025, an additional $9,232,985.26 in tax, penalties, and interest was collected, of which $1,668,534.31 came in through the voluntary disclosure program. Roughly $4.8

million of these payments were attributed to revenue uplift and when combined with the amounts attributed to auditing (described above), the Audit Division generated more than $7.4 million in total revenue uplift. Additionally, the Discovery/Nexus Bureau recovered another $1,001,261 in revenue by correcting improperly calculated BET credits.

The Tobacco Group conducted 63 retail tobacco compliance checks during the fiscal year, which resulted in the seizure of contraband tobacco products at 14 separate locations. The lead tobacco auditor became certified as a hazardous waste coordinator for the department which enabled the Group to destroy a total of 915 boxes of contraband (consisting of more than 200 thousand individual units of seized vape products) accumulated over the past five years. The group conducted 16 full audits of tobacco wholesalers. The group also added an additional member to improve and expand its operations, including improving customer service by assisting tobacco licensees with RIMS account questions and electronic filing through GTC. In addition, members of the group attended the Northeast Regional Tobacco Conference located in New Haven, Connecticut to collaborate with other states and receive training on current compliance issues. The group continued to work with the Department of Justice to ensure diligent enforcement of the Master Settlement Agreement by tobacco manufacturers and wholesalers and continued to offer quarterly training to all licensed retailers and wholesalers.

# Department of Information Technology

**Karen Sampson**
**Information Technology Manager**

**Business Relationship Management Division at The Department of Revenue Administration**

**603-230-5990**

**27 Hazen Drive**
**Concord, NH 03301**

The Department of Revenue Administration (DRA), with the support of the Department of Information Technology (DoIT), uses technology to provide an efficient and streamlined end-to-end tax process, which benefits the agency as well as NH taxpayers by providing modernized operations and accurate information.

During FY 2025, the team completed a major conversion of RIMS, upgrading the primary application from V12 to Core21. The upgrade went live in the second quarter of FY 2025. DoIT continues to utilize one DoIT Business Relationship Management Division employee to handle all security updates in the system and one DoIT employee is responsible for printing, folding, enveloping, and sealing over 340,000 pieces of mail over the course of a year. The large increase was the result of the Interest and Dividends repeal letter.

Ongoing efforts to maintain the highest level of security and comply with IRS Publication 1075 standards continue. In the second quarter of FY 2025, the Core21 version of the RIMS application went through a complete NIST 800-53 V5 Security Assessment and the Commissioner of DRA was confident in signing the Authorization to Operate (ATO) which is required after all major enhancements. All FTI mail is now generated in separate mail batches, logged in transit and securely delivered directly to the United States Postal Service.

In addition to the internal DoIT initiatives, DoIT Shared Services recently released an upgrade to convert all desktops/laptops to Windows 11. In wrapping up FY 2025, DoIT Infrastructure and Operations moved all DRA servers to the state's new Managed Datacenter Colocation site.

# Revenue Information Management System (RIMS)

**DRA Project Director / Taxpayer Services Director**
Lisa Crowley

## RIMS Core 21 Upgrade

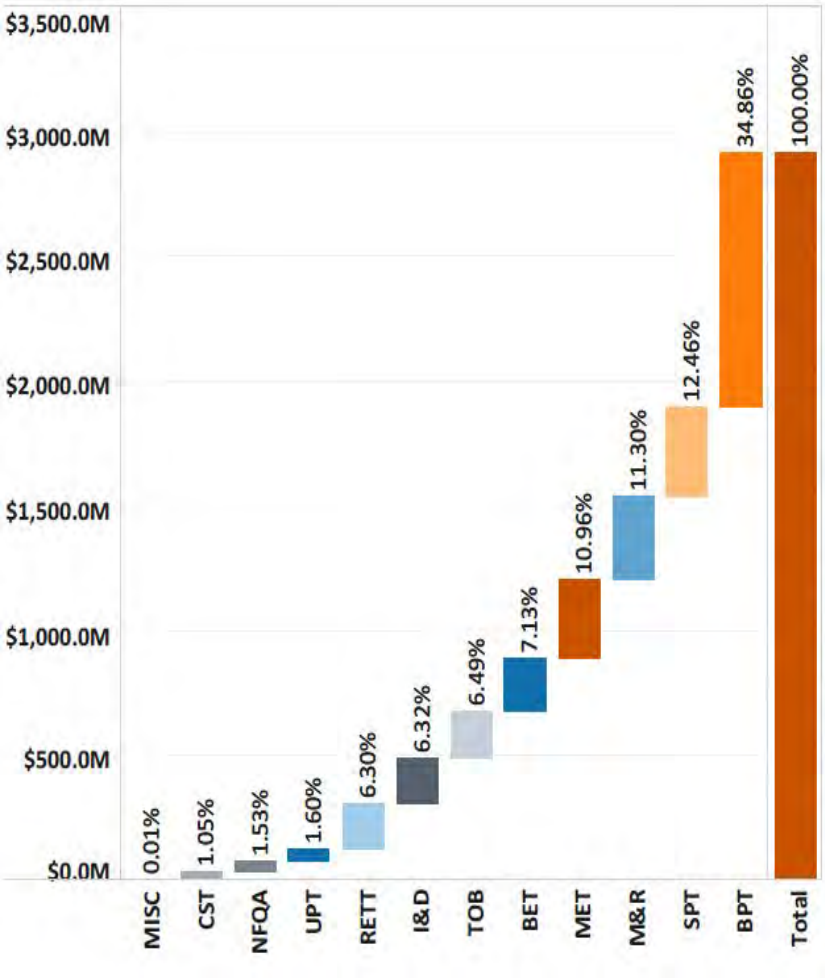
In January 2024, our team kicked off the RIMS Core 21 software upgrade project, which went live on October 7, 2024. This upgrade provided visual updates to internal system configuration, new tools for viewing and searching for information, improvements to existing workflows, added security measures for our Granite Tax Connect (GTC) web portal, and updated the development code from Visual Basic to C#. The Core 21 project spanned a period of 10 months and required full-time commitment from several DRA business users, DoIT, and FAST developers. During this time, those assigned to the project painstakingly reviewed thousands of system definitions from the original implementation phases to ensure that all necessary code was updated. In addition, numerous hours were spent by developers, business testers, and trainers to ensure all DRA staff were prepared for the system changes going live on October 7, 2024.

During FY 2025, we also maintained our focus on making RIMS better for internal users and taxpayers alike. To that end, our Production Support Team continued to address requests for RIMS corrections or changes during the year. Over 611 requests for updates or changes to RIMS functionality were entered, with more than 470 requests completed by the end of the fiscal year. These requests are generated from internal users of the system as well as comments we receive from taxpayers through phone calls or other GTC feedback. For example, most of the processes you can perform via GTC include a feedback section at the end. We review this feedback monthly to identify areas of concern for our taxpayers, and if possible, we begin discussions immediately centered around making the process better. Although there are some limitations to what we can do, whether due to our stringent confidentiality and security requirements or due to the cost of maintaining certain enhancements, we are always looking to make the NH taxpayer experience a better one.

As we head into FY 2026, our focus remains on making the NH taxpayer experience as easy and stress-free as possible. We know that's not always an easy task but as always, DRA remains ready to face the challenge.

# DRA Transparency Reports

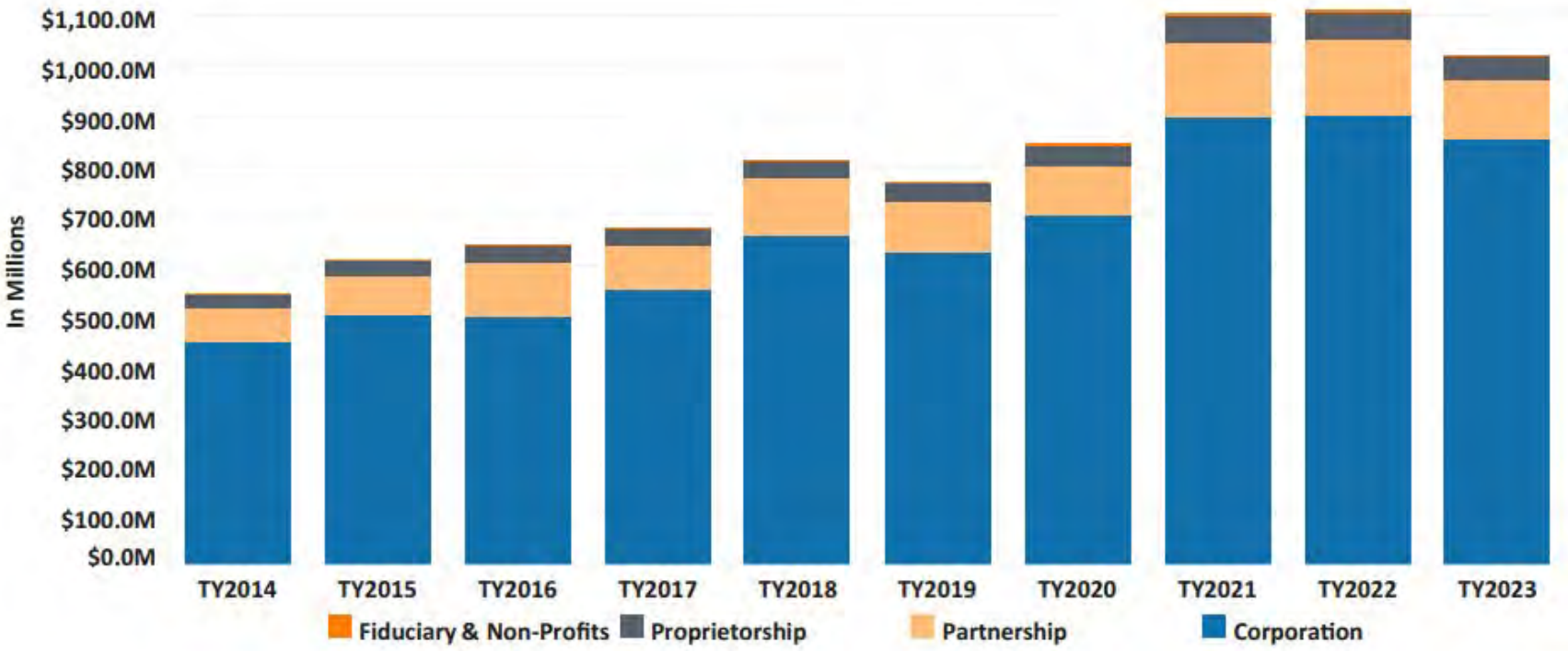
## Taxes Administered by
## NH Department of Revenue Administration based on
## FY 2024 Audited Revenue




| Tax Type | Revenue |
|---|---|
| Business Profits Tax | $1,017,600,000 |
| Business Enterprise Tax | $208,100,000 |
| Meals and Rentals Tax | $329,800,000 |
| Tobacco Tax | $189,500,000 |
| Interest and Dividends Tax | $184,600,000 |
| Communications Tax | $30,600,000 |
| Real Estate Transfer Tax | $183,800,000 |
| Utility Property Tax | $46,800,000 |
| Statewide Property Tax | $363,800,000 |
| Medicaid Enhancement Tax | $319,926,536 |
| Nursing Facility Quality Assessment | $44,655,401 |
| Misc Taxes | $270,872 |
| | $2,919,452,809 |

# Business Tax Revenue by Entity Type 10-Year Trend

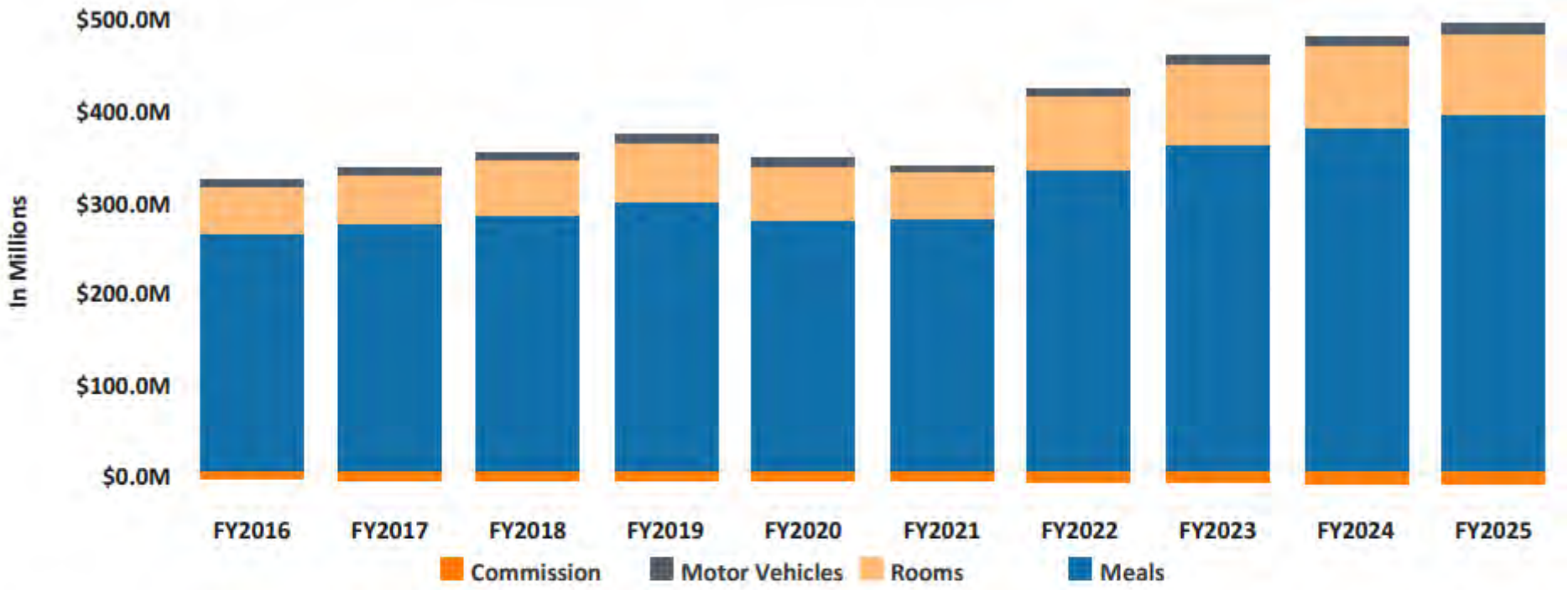
Tax Liability Reported




| Business Entity Type | TY2014 | TY2015 | TY2016 | TY2017 | TY2018 | TY2019 | TY2020 | TY2021 | TY2022 | TY2023 |
|---|---|---|---|---|---|---|---|---|---|---|
| Corporation | $449.3M | $504.3M | $498.5M | $551.4M | $659.0M | $627.7M | $700.7M | $897.0M | $899.5M | $855.2M |
| Partnership | $64.1M | $73.5M | $109.3M | $87.5M | $116.2M | $98.5M | $97.2M | $147.3M | $154.3M | $117.1M |
| Proprietorship | $27.8M | $29.8M | $32.2M | $33.6M | $33.2M | $35.5M | $40.9M | $57.8M | $54.8M | $43.5M |
| Fiduciary & Non-Profits | $3.0M | $3.3M | $4.3M | $4.3M | $3.1M | $3.5M | $4.1M | $4.9M | $4.9M | $3.6M |
| Total | $544.2M | $610.9M | $644.2M | $676.8M | $811.5M | $765.2M | $843.0M | $1,106.9M | $1,113.6M | $1,019.4M |

# Meals & Rentals (M&R) Tax Liability Reported by Activity Type

(Not Net of Refunds, Transfers to the Municipal Revenue Fund, or School Building Aid Debt Payments, based on Returns received during each Fiscal Year)




| | FY2016 | FY2017 | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 | FY2023 | FY2024 | FY2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| M&R Tax Rate | 9.0% | 9.0% | 9.0% | 9.0% | 9.0% | 9.0% | 8.5% | 8.5% | 8.5% | 8.5% |
| Meals | $259.8M | $270.1M | $282.4M | $295.6M | $276.9M | $275.9M | $331.3M | $358.0M | $377.3M | $390.3M |
| Rooms | $52.5M | $55.4M | $59.4M | $63.4M | $58.5M | $53.0M | $80.1M | $87.6M | $89.6M | $89.7M |
| Motor Vehicles | $8.8M | $8.8M | $9.4M | $10.3M | $9.2M | $7.2M | $9.2M | $10.7M | $9.8M | $11.2M |
| Commission | -$8.8M | -$9.1M | -$9.6M | -$10.1M | -$9.3M | -$9.0M | -$11.2M | -$12.0M | -$12.5M | -$12.8M |
| M&R Total | $312.3M | $325.2M | $341.6M | $359.2M | $335.3M | $327.0M | $409.4M | $444.2M | $464.2M | $478.4M |

| SURROUNDING STATE'S TOBACCO TAX STAMPS SALES ANALYSIS – 5 YEARS (IN MILLIONS) ONE STAMP PER PACKAGE | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | FY 2024 STAMP SALES | | FY 2023 STAMP SALES | | FY 2022 STAMP SALES | | FY 2021 STAMP SALES | | FY 2020 STAMP SALES |
| Maine | 50.3 | -7% | 54.1 | -7% | 57.9 | -3% | 59.8 | -2% | 61.2 |
| Massachusetts | 89.1 | -9% | 97.4 | -6% | 103.1 | -3% | 105.9 | -22% | 136.3 |
| New Hampshire | 87.5 | -16% | 104.7 | -9% | 114.9 | -10% | 128.2 | 16% | 110.6 |
| Vermont | 15.7 | -9% | 17.2 | -9% | 18.9 | -6% | 20.0 | 5% | 19.0 |

Source: The Tax Burden on Tobacco

| TOBACCO TAX REVENUE | | | |
|---|---|---|---|
| | TOBACCO STAMPS | OTP | TOTAL |
| FY 2025 | $ 146,348,040 | $ 33,833,853* | $ 180,181,893* |
| FY 2024 | $ 155,682,360 | $ 33,028,768* | $ 188,711,128* |
| FY 2023 | $ 186,515,520 | $ 31,023,503* | $ 217,539,023* |
| FY 2022 | $ 204,505,980 | $ 27,584,154* | $ 232,090,134* |
| FY 2021 | $ 226,125,394 | $ 25,395,648* | $ 251,521,042* |
| **OTP VERSUS TOBACCO STAMP TAX REVENUE** | | | |
| | TOBACCO STAMPS | OTP | TOTAL |
| FY 2025 | 81% | 19% | 100% |
| FY 2024 | 82% | 18% | 100% |
| FY 2023 | 86% | 14% | 100% |
| FY 2022 | 88% | 12% | 100% |
| FY 2021 | 90% | 10% | 100% |
| **YEAR-OVER-YEAR DIFFERENCE** | | | |
| | TOBACCO STAMPS | OTP | TOTAL |
| FY 2025 | -6.0% | 2.4% | -4.5% |
| FY 2024 | -16.5% | 6.5% | -13.3% |
| FY 2023 | -8.8% | 12.5% | -6.3% |
| FY 2022 | -9.6% | 8.6% | -7.7% |
| FY 2021 | 15.2% | 55.7% | 18.3% |

*Figure includes E-Cigarette Tax implemented 1/1/2020.

| | TOTAL TOBACCO COMPLIANCE CHECKS | TOBACCO SEIZURES |
|---|---|---|
| FY 2025 | 170 | 14 |
| FY 2024 | 213 | 11 |
| FY 2023 | 238 | 7 |
| FY 2022 | 132* | 14* |
| FY 2021 | 0* | 0* |

*Numbers were reduced due to COVID-19 impact.

The Audit Tobacco Group and members of the Collections Division are responsible for conducting tobacco compliance checks at NH retail locations as part of the diligent enforcement provision of the Master Settlement Agreement (MSA). These checks are to ensure that NH retailers are purchasing tobacco products on which the NH tobacco tax has been paid and to identify product in the state from Non-Participating Manufacturers as outlined in the MSA. When tobacco products are found without the tax paid, it is considered contraband and subject to seizure.

# STATE EXCISE TAX RATES ON CIGARETTES

(January 1, 2025)

| STATE | TAX RATE (¢ per pack) | STATE | TAX RATE (¢ per pack) |
|---|---|---|---|
| Alabama | 67.5 | Nebraska | 64 |
| Alaska | 200 | Nevada | 180 |
| Arizona | 200 | New Hampshire | 178 |
| Arkansas | 115 | New Jersey | 270 |
| California | 287 | New Mexico | 200 |
| Colorado | 224 | New York | 535 |
| Connecticut | 435 | North Carolina | 45 |
| Delaware | 210 | North Dakota | 44 |
| Florida | 133.9 | Ohio | 160 |
| Georgia | 37 | Oklahoma | 203 |
| Hawaii | 320 | Oregon | 333 |
| Idaho | 57 | Pennsylvania | 260 |
| Illinois | 298 | Rhode Island | 450 |
| Indiana | 99.5 | South Carolina | 57 |
| Iowa | 136 | South Dakota | 153 |
| Kansas | 129 | Tennessee | 62 |
| Kentucky | 110 | Texas | 141 |
| Louisiana | 108 | Utah | 170 |
| Maine | 200 | Vermont | 308 |
| Maryland | 500 | Virginia | 60 |
| Massachusetts | 351 | Washington | 302.5 |
| Michigan | 200 | West Virginia | 120 |
| Minnesota | 382.6 | Wisconsin | 252 |
| Mississippi | 68 | Wyoming | 60 |
| Missouri | 17 | | |
| Montana | 170 | District of Columbia | 503 |

Source: Compiled by NH DRA from various sources.

## OTHER TOBACCO PRODUCTS TAX

(January 1, 2025)

| State | Tax Rate |
|---|---|
| Alabama | |
| Cigars | 3.0¢-40.5¢/ 10 cigars |
| Tobacco/Snuff | 4¢-21¢/ ounce |
| Alaska | 75% Wholesale Price |
| Arizona | |
| Cigars | 22.01¢-$2.18/10 cigars |
| Tobacco/Snuff | 22.3¢/ounce |
| Arkansas | 68% Manufacturer's Price |
| California | 52.9% Wholesale Price |
| Colorado | 56% Manufacturer's Price |
| Connecticut | 50% Wholesale Price |
| Delaware | 30% Wholesale Price |
| Florida | |
| Tobacco/Snuff | 85%Wholesale Price |
| Georgia | |
| Little Cigars | 2.5¢/10 cigars |
| Other Cigars | 23% Wholesale Price |
| Tobacco | 10% Wholesale Price |
| Hawaii | |
| Large Cigars | 50% Wholesale Price |
| Tobacco/Snuff | 70% Wholesale Price |
| Idaho | 40% Wholesale Price |
| Illinois | 36% Wholesale Price |
| Indiana | 24% Wholesale Price |
| Iowa | 50% Wholesale Price |
| Kansas | 10% Wholesale Price |
| Kentucky | 15% Wholesale Price |
| Louisiana | |
| Cigars | 8%-20% Manufacturer's Price |
| Snuff/Smoking Tobacco | 20%-33%Manufacturer's Price |
| Maine | |
| Chewing Tob./Snuff | $2.02/ounce |
| Smoking Tob./Cigars | 43% Wholesale Price |
| Maryland | |
| Tobacco/Snuff | 30% Wholesale Price |
| Cigars | 70% Wholesale Price |
| Massachusetts | 40% Wholesale Price |
| Michigan | 32% Wholesale Price |
| Minnesota | 95% Wholesale Price |
| Mississippi | 15% Manufacturer's Price |
| Missouri | 10% Manufacturer's Price |
| Montana | 50% Wholesale Price |
| Nebraska | 20% Wholesale Price |
| Nevada | 30% Wholesale Price |
| New Hampshire | 65.03% Wholesale Price |
| New Jersey | 30% Wholesale Price |
| New Mexico | 25% Product value |
| New York | 75% Wholesale Price |
| North Carolina | 12.8% Wholesale Price |
| North Dakota | |
| Cigars & Tobacco | 28% Wholesale Price |
| Chew Tobacco & Snuff Ohio | 16¢-60¢/ounce |
| Oklahoma | 17% Wholesale Price |
| Cigars Little&Large | $1.20/ 10 cigars |
| Snuff&Tobacco | 60%-80% Factory List Price |
| Oregon | 65% Wholesale Price |
| Pennsylvania | 55¢/ounce - tobacco |
| Rhode Island | 80% Wholesale Price |
| South Carolina | 5% Manufacturer's Price |
| South Dakota | 35% Wholesale Price |
| Tennessee | 6.6% Wholesale Price |
| Texas | |
| Cigar | 1¢-15¢ /10 cigars |
| Tobacco/Snuff | $1.22 /ounce |
| Utah | 86% Manufacturer's Price |
| Virginia | 20% Manufacturer's Price |
| Vermont | 92% Wholesale Price |
| Cigar | $20-$40/10 cigars |
| Tobacco/Snuff | $2.57/ounce |
| Washington | 95% Wholesale Price |
| West Virginia | 12% Wholesale Price |
| Wisconsin | 71% Manufacturer's Price |
| Wyoming | 20% Wholesale Price |
| District of Columbia | 79% Wholesale Price |

Source: Compiled by NH DRA from various sources.

TAXATION OF E-CIGARETTES/VAPING PRODUCTS
(January 1, 2025)

| State | Tax Rate | State | Tax Rate |
|---|---|---|---|
| California | 52.9% Wholesale Price | Nebraska | 5¢/ml < 3ml, or |
| Colorado | 56% Wholesale Price 10% | | 10% Purchase Price > 3ml |
| Connecticut | Open, or | Nevada | 30% Wholesale Price 10% |
| | 40¢/ml Closed | New Jersey | Retail - Open, or 10¢/ml - |
| Delaware | 5¢/ml | | Closed |
| District of Columbia | 79% Wholesale Price | New Hampshire | 30¢/ml - Closed, or |
| Georgia | 5¢/ml Closed | | 8% Wholesale Price - Open |
| | 7% Open | New Mexico | 12.5% Open, or |
| Hawaii | 70% Wholesale Price | | 50¢/Cartridge - Closed 20% |
| Illinois | 15% Wholesale Price | New York | Retail Price |
| Indiana | 15% Retail - Open, or | North Carolina | 5¢/ml |
| | 15% Wholesale - Closed | Ohio | 10¢/ml |
| Kansas | 5¢/ml | Oregon | 65% Wholesale Price |
| Kentucky | $1.50 Cartridge - Closed, | Pennsylvania | 40% Wholesale Price |
| | or 15% Open | Utah | 56% Wholesale Price |
| Lousiana | 15¢/ml | Vermont | 92% Wholesale Price |
| Maryland | 20% Retail - Open | Virginia | 11¢/ml |
| | 60% Retail Cartridge | Washington | 9¢/ml - Open > 5ml, or |
| Maine | 43% Wholesale Price | | 27¢/ml - Closed |
| Massachusetts | 75% Wholesale Price | Wisconsin | 5¢/ml |
| Minnesota | 95% Wholesale Price | West Virginia | 7.5¢/ml |
| | | Wyoming | 15% Wholesale Price |

Source: Compiled by NH DRA from various sources.

## XI. REVENUE AND STATISTICS

| RECEIPTS | FY 2025 |
|---|---|
| Tax Collections[1] | $2,696,338,185.19 |
| **TOTAL** | |

| EXPENDITURES | FY 2025 |
|---|---|
| Classified Salaries | $6,074,178.71 |
| Unclassified Salaries | $2,924,409.86 |
| Benefits | $4,914,282.58 |
| SUBTOTAL | $13,912,871.15 |
| | |
| Current Expense | $451,280.61 |
| Equipment | $250,243.53 |
| SUBTOTAL | $701,524.14 |
| | |
| In-State Travel | $36,947.14 |
| Out-of-State Travel | $121,612.04 |
| Miscellaneous Expenditures[2] | $8,637,913.08 |
| SUBTOTAL | 8,796,472.26 |
| | |
| **Expenditures Total** | **23,410,867.55** |
| | |
| **DISBURSEMENT/TOWNS** | |
| Flood Control | $748,946.89 |
| Forest Land | $68,452.00 |
| **Disbursements Total** | **$817,398.89** |
| | |
| **Hardship Grants** | $1,024,269.63 |
| **Capital Projects** | $1,000,000.00 |
| **Debt Service** | $2,247,705.00 |
| **TOTAL** | **$28,500,241.07** |

### PERSONNEL & REVENUE ADMINISTRATION STATISTICS

| PERSONNEL DATA | POSITIONS AS OF JUNE 30, 2025 |
|---|---|
| Number of authorized Positions | 157 |
| Unclassified Filled Positions | 27 |
| Classified Filled Positions | 94 |
| Full-Time Temporary Filled Positions | 0 |
| Temporary Filled Positions | 3 |
| Total Number of Filled Positions | **124** |

| PHYSICAL PLANT AND PROPERTY VALUE AS OF JUNE 30, 2025 | |
|---|---|
| Equipment | $183,080.00 |
| Motor Vehicles | $197,443.80 |
| Physical Plant | $0.00 |
| Highways | $0.00 |
| Total Property Value | **$380,523.80** |

[1] Tax Collections includes $347,829,793.00 from Medicaid Enhancement Tax and $46,656,483.89 from Nursing Facility Quality Assessment Tax (Unaudited)

[2] Miscellaneous Expenditures include year-end FY 2024 Statement of Appropriations for class lines 18, 22, 24, 26, 27, 28, 33, 37, 38, 39, 40, 41, 46, 49, 50, 61, 62, 66, 102, 103 and 211.

| REVOLVING FUND RSA 9:15 APPROVED BY G&C 4/15/82 – LAST AMENDED BY G&C 3/3/93 | |
|---|---|
| FOR PERIOD JULY 1, 2024 THROUGH JUNE 30, 2025 | |
| Beginning Fund Balance 7/1/24 | $0.00 |
| Expenditure | $0.00 |
| Revenues | $0.00 |
| Ending Fund Balance 6/30/25 | ***Account Closed: November 14, 2023*** |

| REVOLVING FUND RSA 21-J:24-a,VII, FOR PERIOD JULY 1, 2024 THROUGH JUNE 30, 2025 | |
|---|---|
| Beginning Fund Balance 7/1/24 | $4,351.00 |
| Expenditure | $6,205.16 |
| Revenues | $6,695.00 |
| Ending Fund Balance 6/30/25 | **$4,840.44** |

**GENERAL AND EDUCATION TRUST FUND REVENUE BREAKDOWN BY SOURCE[3]**

| | FY 2024 | FY 2025 | Change |
|---|---|---|---|
| Business Tax | 1,224,200,000 | 1,103,100,000 | -9.89% |
| Meals & Rental Tax[4] | 327,400,000 | 337,900,000 | 3.21% |
| Tobacco Tax | 190,900,000 | 180,600,000 | -5.40% |
| Interest & Dividends Tax | 184,100,000 | 93,100,000 | -49.43% |
| Communications Svs Tax | 30,600,000 | 29,000,000 | -5.23% |
| Real Estate Transfer Tax[5] | 184,400,000 | 201,000,000 | 9.00% |
| Utility Property Tax | 46,700,000 | 49,300,000 | 5.57% |
| Other | 287,141 | 1,006,220 | 250.43% |
| **TOTAL** | **2,188,587,141** | **1,995,006,220** | **-8.85%** |

**OF THE REVENUES COLLECTED IN THE TABLE ABOVE, THE FOLLOWING TRANSFERS WERE MADE TO THE EDUCATION TRUST FUND RESULTING IN THE NET GENERAL FUND AMOUNT LISTED BELOW.**

| | FY 2024 | FY 2025 | Change |
|---|---|---|---|
| Business Tax | 443,000,000 | 432,400,000 | -2.39% |
| Meals & Rentals Tax | 9,400,000 | 10,500,000 | 11.70% |
| Tobacco Tax | 69,100,000 | 62,600,000 | -9.41% |
| Real Estate Transfer Tax | 61,500,000 | 67,200,000 | 9.27% |
| Utility Property Tax | 46,700,000 | 49,300,000 | 5.57% |
| **EDUCATION TRUST FUND** | **629,700,000** | **622,000,000** | -1.22% |
| **NET GENERAL FUND** | **1,558,887,141** | **1,373,006,220** | **-11.92%** |

[3] Source: NH Revenue Focus – June FY 2025

[4] The Meals and Rentals Tax portion of General and Education Trust Fund revenue is net of debt service payments and transfers to the Municipal Revenue Fund. School Building Debt Aid debt service is FY 2024 - $6,816,272.00 / FY 2025 - $6,599,472.00 and Municipal Revenue Fund FY 2024 - $133,407,266.98 / FY 2025 - $136,608,296.94

[5] The Real Estate Transfer Tax portion of General and Education Trust Fund revenue is net of LCHIP distributions in the amount of FY 2024 - $2,824,835.00 / FY 2025 - $3,079,609 and Affordable Housing Transfer in the amount of $5,000,000.00 for both FY 2024 and FY 2025.

## Annual Report - Historical Data (Cash Deposit Net of Refunds)

| State FYE | Tobacco Tax | % Change | Business Profits Tax & Business Enterprise Tax | % Change | Meals & Rentals Tax[1] | % Change | Interest & Dividends Tax | % Change | Estate and Legacy Tax | % Change | Real Estate Transfer Tax[2] | % Change |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1973 | $24,946,507 | | $24,397,020 | | $17,987,701 | | $4,169,840 | | $7,055,524 | | $942,662 | |
| 1974 | $23,504,946 | -5.8% | $30,072,497 | 23.3% | $18,090,062 | 0.6% | $5,036,721 | 20.8% | $5,785,708 | -18.0% | $745,290 | -20.9% |
| 1975 | $23,876,124 | 1.6% | $26,843,979 | -10.7% | $12,813,408 | -29.2% | $5,794,286 | 15.0% | $5,882,019 | 1.7% | $518,338 | -30.5% |
| 1976 | $27,526,968 | 15.3% | $24,169,700 | -10.0% | $14,098,938 | 10.0% | $6,151,735 | 6.2% | $5,936,160 | 0.9% | $662,408 | 27.8% |
| 1977 | $26,838,701 | -2.5% | $32,556,760 | 34.7% | $15,749,858 | 11.7% | $7,004,073 | 13.9% | $7,339,690 | 23.6% | $912,850 | 37.8% |
| 1978 | $26,807,244 | -0.1% | $52,453,232 | 61.1% | $21,248,439 | 34.9% | $8,934,421 | 27.6% | $6,980,010 | -4.9% | $2,623,754 | 187.4% |
| 1979 | $25,948,944 | -3.2% | $64,017,845 | 22.0% | $25,542,747 | 20.2% | $10,028,131 | 12.2% | $7,527,734 | 7.8% | $3,303,553 | 25.9% |
| 1980 | $25,611,731 | -1.3% | $62,786,373 | -1.9% | $27,048,739 | 5.9% | $11,637,871 | 16.1% | $8,255,749 | 9.7% | $3,308,599 | 0.2% |
| 1981 | $26,753,946 | 4.5% | $57,339,717 | -8.7% | $30,231,760 | 11.8% | $14,021,728 | 20.5% | $10,371,777 | 25.6% | $3,031,327 | -8.4% |
| 1982 | $26,249,960 | -1.9% | $79,737,252 | 39.1% | $37,246,943 | 23.2% | $15,070,913 | 7.5% | $9,476,041 | -8.6% | $5,164,164 | 70.4% |
| 1983 | $25,992,045 | -1.0% | $73,625,927 | -7.7% | $43,119,834 | 15.8% | $16,762,818 | 11.2% | $10,582,542 | 11.7% | $7,021,612 | 36.0% |
| 1984 | $33,610,893 | 29.3% | $103,791,353 | 41.0% | $57,409,639 | 33.1% | $22,509,584 | 34.3% | $11,894,496 | 12.4% | $21,604,174 | 207.7% |
| 1985 | $32,755,456 | -2.5% | $108,522,266 | 4.6% | $56,644,696 | -1.3% | $24,688,791 | 9.7% | $12,002,575 | 0.9% | $28,615,918 | 32.5% |
| 1986 | $32,389,000 | -1.1% | $110,497,000 | 1.8% | $61,672,000 | 8.9% | $24,973,000 | 1.2% | $14,121,000 | 17.6% | $33,810,000 | 18.2% |
| 1987 | $31,788,225 | -1.9% | $150,293,655 | 36.0% | $68,938,740 | 11.8% | $27,010,105 | 8.2% | $20,824,464 | 47.5% | $43,147,975 | 27.6% |
| 1988 | $31,816,530 | 0.1% | $138,398,145 | -7.9% | $76,324,821 | 10.7% | $29,994,574 | 11.0% | $20,397,785 | -2.0% | $35,710,318 | -17.2% |
| 1989 | $31,758,544 | -0.2% | $143,170,703 | 3.4% | $81,654,391 | 7.0% | $36,165,831 | 20.6% | $30,428,049 | 49.2% | $29,507,058 | -17.4% |
| 1990 | $37,574,259 | 18.3% | $113,170,448 | -21.0% | $82,690,546 | 1.3% | $41,185,227 | 13.9% | $25,093,842 | -17.5% | $30,422,231 | 3.1% |
| 1991 | $39,182,468 | 4.3% | $111,889,162 | -1.1% | $89,806,369 | 8.6% | $36,874,798 | -10.5% | $22,882,849 | -8.8% | $31,531,363 | 3.6% |
| 1992 | $39,409,121 | 0.6% | $88,642,475 | -20.8% | $92,055,899 | 2.5% | $34,985,058 | -5.1% | $25,524,248 | 11.5% | $34,758,217 | 10.2% |
| 1993 | $40,991,088 | 4.0% | $119,454,080 | 34.8% | $95,064,348 | 3.3% | $35,662,683 | 1.9% | $32,006,083 | 25.4% | $27,276,954 | -21.5% |
| 1994 | $42,859,252 | 4.6% | $144,403,149 | 20.9% | $101,263,635 | 6.5% | $35,980,018 | 0.9% | $33,219,462 | 3.8% | $28,985,629 | 6.3% |
| 1995 | $44,489,670 | 3.8% | $163,953,839 | 13.5% | $107,328,262 | 6.0% | $37,958,245 | 5.5% | $30,266,348 | -8.9% | $28,992,391 | 0.0% |
| 1996 | $45,420,240 | 2.1% | $180,114,322 | 9.9% | $112,454,174 | 4.8% | $51,658,363 | 36.1% | $31,707,415 | 4.8% | $30,077,586 | 3.7% |
| 1997 | $49,837,126 | 9.7% | $209,896,593 | 16.5% | $118,721,973 | 5.6% | $52,698,495 | 2.0% | $41,234,484 | 30.0% | $32,423,790 | 7.8% |
| 1998 | $75,244,227 | 51.0% | $240,329,945 | 14.5% | $127,720,467 | 7.6% | $61,833,319 | 17.3% | $42,774,343 | 3.7% | $42,587,934 | 31.3% |
| 1999 | $73,327,818 | -2.5% | $257,267,608 | 7.0% | $136,499,008 | 6.9% | $62,911,196 | 1.7% | $47,482,309 | 11.0% | $51,066,185 | 19.9% |
| 2000 | $92,570,165 | 26.2% | $313,738,870 | 22.0% | $153,311,197 | 12.3% | $65,203,307 | 3.6% | $60,635,156 | 27.7% | $82,864,095 | 62.3% |
| 2001 | $87,959,255 | -5.0% | $352,471,608 | 12.3% | $163,049,648 | 6.4% | $76,842,273 | 17.9% | $57,064,323 | -5.9% | $90,350,287 | 9.0% |
| 2002 | $84,976,512 | -3.4% | $382,873,659 | 8.6% | $169,703,721 | 4.1% | $71,470,243 | -7.0% | $57,088,030 | 0.0% | $97,371,970 | 7.8% |
| 2003 | $93,267,036 | 9.8% | $393,381,018 | 2.7% | $175,114,686 | 3.2% | $56,417,343 | -21.1% | $68,193,847 | 19.5% | $117,003,621 | 20.2% |
| 2004 | $100,040,497 | 7.3% | $408,195,387 | 3.8% | $184,259,685 | 5.2% | $53,769,043 | -4.7% | $35,050,805 | -48.6% | $137,018,703 | 17.1% |
| 2005 | $99,307,075 | -0.7% | $445,909,590 | 9.2% | $192,196,642 | 4.3% | $66,929,900 | 24.5% | $11,909,724 | -66.0% | $160,430,527 | 17.1% |
| 2006 | $145,022,895 | 46.0% | $553,466,686 | 24.1% | $204,907,639 | 6.6% | $80,256,331 | 19.9% | $3,925,281 | -67.0% | $157,941,376 | -1.6% |
| 2007 | $139,510,631 | -3.8% | $585,401,676 | 5.8% | $207,287,472 | 1.2% | $106,017,526 | 32.1% | $445,818 | -88.6% | $140,630,984 | -11.0% |
| 2008 | $165,821,083 | 18.9% | $595,652,862 | 1.8% | $214,258,477 | 3.4% | $115,928,152 | 9.3% | $111,396 | -75.0% | $117,153,685 | -16.7% |
| 2009 | $193,893,330 | 16.9% | $480,353,626 | -19.4% | $210,069,413 | -2.0% | $97,372,040 | -16.0% | $61,887 | -44.4% | $83,477,646 | -28.7% |
| 2010 | $239,904,386 | 23.7% | $458,782,067 | -4.5% | $229,325,552 | 9.2% | $83,007,576 | -14.8% | $23,970 | -61.3% | $83,036,064 | -0.5% |
| 2011 | $232,102,486 | -3.3% | $527,641,934 | 15.0% | $241,701,762 | 5.4% | $77,387,749 | -6.8% | $91,853 | 283.2% | $86,171,206 | 3.8% |
| 2012 | $212,001,724 | -8.7% | $514,652,160 | -2.5% | $252,811,433 | 4.6% | $82,500,161 | 6.6% | $6,094 | -93.4% | $86,327,658 | 0.2% |
| 2013 | $204,232,873 | -3.7% | $554,092,466 | 7.7% | $263,009,438 | 4.0% | $93,352,225 | 13.2% | ($58,782) | -1064.6% | $97,061,402 | 12.4% |
| 2014 | $222,666,904 | 9.0% | $555,698,398 | 0.3% | $276,002,485 | 4.9% | $80,216,034 | -14.1% | $42,808 | -172.8% | $103,784,727 | 6.9% |
| 2015 | $221,643,257 | -0.5% | $569,739,618 | 2.5% | $294,698,673 | 6.8% | $96,487,456 | 20.3% | $7,517 | -82.4% | $116,696,818 | 12.4% |
| 2016 | $229,249,121 | 3.4% | $688,246,410 | 20.8% | $314,131,099 | 6.6% | $89,806,344 | -6.9% | $28,558 | 279.9% | $137,289,600 | 17.6% |
| 2017 | $215,647,416 | -5.9% | $642,025,652 | -6.7% | $326,999,061 | 4.1% | $94,137,307 | 4.8% | $7,402 | -74.1% | $146,335,236 | 6.6% |
| 2018 | $216,238,681 | 0.3% | $778,373,918 | 21.2% | $343,044,828 | 4.9% | $106,292,542 | 12.9% | | | $152,654,654 | 4.3% |
| 2019 | $199,096,114 | -7.9% | $843,807,669 | 8.4% | $361,383,699 | 5.3% | $113,895,444 | 7.2% | | | $157,479,326 | 3.2% |
| 2020 | $212,530,065 | 6.7% | $680,951,428 | -19.3% | $337,275,744 | -6.7% | $109,498,742 | -3.9% | | | $164,362,566 | 4.4% |
| 2021 | $251,012,824 | 18.1% | $997,462,360 | 46.5% | $329,220,758 | -2.4% | $137,102,275 | 25.2% | | | $213,991,977 | 30.2% |
| 2022 | $231,732,051 | -7.7% | $1,212,800,839 | 21.6% | $413,683,710 | 25.7% | $156,251,961 | 14.0% | | | $237,515,067 | 11.0% |
| 2023 | $217,782,854 | -6.0% | $1,281,726,704 | 5.7% | $445,548,910 | 7.7% | $151,013,104 | -3.4% | | | $217,378,101 | -8.5% |
| 2024 | $192,430,740 | -11.6% | $1,220,365,961 | -4.8% | $465,411,476 | 4.5% | $184,903,127 | 22.4% | | | $192,261,511 | -11.6% |
| 2025 | $183,035,992 | -4.9% | $1,104,373,996 | -9.5% | $481,444,634 | 3.4% | $93,091,173 | -49.7% | | | $209,159,697 | 8.8% |

[1]Meals and Rentals Tax before transfers to School Building Aid Debt Service & Municipal Revenue Transfer beginning in FY2022

[2]Real Estate Transfer Tax before transfer to Affordable Housing Fund and includes L-CHIP

## Annual Report - Historical Data (Cash Deposit Net of Refunds)

| State FYE | Communications Services Tax | % Change | Utility Property Tax | % Change | Electricity Consumption Tax | % Change | Misc Taxes[1] | % Change | Total Taxes | Change | % Change | State FYE |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1973 | | | | | | | $333,678 | | **$79,834,905** | | | 1973 |
| 1974 | | | | | | | $359,720 | 7.8% | **$84,979,557** | $5,144,652 | 6.4% | 1974 |
| 1975 | | | | | | | $7,710,438 | 2043.5% | **$85,005,761** | $26,204 | 0.0% | 1975 |
| 1976 | | | | | | | $8,815,505 | 14.3% | **$89,128,838** | $4,123,077 | 4.9% | 1976 |
| 1977 | | | | | | | $8,872,647 | 0.6% | **$101,081,603** | $11,952,765 | 13.4% | 1977 |
| 1978 | | | | | | | $9,138,967 | 3.0% | **$130,565,844** | $29,484,241 | 29.2% | 1978 |
| 1979 | | | | | | | $12,042,285 | 31.8% | **$151,147,613** | $20,581,769 | 15.8% | 1979 |
| 1980 | | | | | | | $10,538,922 | -12.5% | **$152,573,529** | $1,425,916 | 0.9% | 1980 |
| 1981 | | | | | | | $10,156,720 | -3.6% | **$156,418,864** | $3,845,335 | 2.5% | 1981 |
| 1982 | | | | | | | $8,533,012 | -16.0% | **$187,200,276** | $30,781,412 | 19.7% | 1982 |
| 1983 | | | | | | | $6,433,211 | -24.6% | **$189,651,857** | $2,451,581 | 1.3% | 1983 |
| 1984 | | | | | | | $6,233,320 | -3.1% | **$281,137,838** | $91,485,981 | 48.2% | 1984 |
| 1985 | | | | | | | $6,914,946 | 10.9% | **$287,831,332** | $6,693,494 | 2.4% | 1985 |
| 1986 | | | | | | | $7,262,188 | 5.0% | **$303,191,188** | $15,359,856 | 5.3% | 1986 |
| 1987 | | | | | | | $6,697,750 | -7.8% | **$365,527,760** | $62,336,572 | 20.6% | 1987 |
| 1988 | | | | | | | $7,605,989 | 13.6% | **$358,790,194** | ($6,737,566) | -1.8% | 1988 |
| 1989 | | | | | | | $8,809,300 | 15.8% | **$381,900,647** | $23,110,453 | 6.4% | 1989 |
| 1990 | | | | | | | $8,482,072 | -3.7% | **$363,060,271** | ($18,840,376) | -4.9% | 1990 |
| 1991 | $22,205,619 | | | | | | $637,500 | -92.5% | **$377,330,276** | $14,270,005 | 3.9% | 1991 |
| 1992 | $26,681,057 | 20.2% | | | | | $803,428 | 26.0% | **$373,837,793** | ($3,492,483) | -0.9% | 1992 |
| 1993 | $29,621,244 | 11.0% | | | | | $791,530 | -1.5% | **$405,330,148** | $31,492,355 | 8.4% | 1993 |
| 1994 | $30,430,075 | 2.7% | | | | | $877,211 | 10.8% | **$438,656,024** | $33,325,876 | 8.2% | 1994 |
| 1995 | $32,900,476 | 8.1% | | | | | $878,303 | 0.1% | **$463,841,048** | $25,185,024 | 5.7% | 1995 |
| 1996 | $35,266,871 | 7.2% | | | | | $1,424,895 | 62.2% | **$505,612,212** | $41,771,164 | 9.0% | 1996 |
| 1997 | $38,263,312 | 8.5% | | | | | $1,995,890 | 40.1% | **$562,633,582** | $57,021,370 | 11.3% | 1997 |
| 1998 | $40,219,738 | 5.1% | | | | | $1,918,204 | -3.9% | **$650,358,868** | $87,725,286 | 15.6% | 1998 |
| 1999 | $45,824,952 | 13.9% | | | | | $1,277,630 | -33.4% | **$686,058,317** | $35,699,449 | 5.5% | 1999 |
| 2000 | $47,416,610 | 3.5% | $31,167,539 | | | | $1,027,627 | -19.6% | **$882,058,932** | $196,000,615 | 28.6% | 2000 |
| 2001 | $49,256,789 | 3.9% | $15,625,403 | -49.9% | | | $1,210,757 | 17.8% | **$927,090,749** | $45,031,817 | 5.1% | 2001 |
| 2002 | $62,508,517 | 26.9% | $18,192,984 | 16.4% | $5,735,676 | | $1,226,191 | 1.3% | **$980,409,577** | $53,318,828 | 5.8% | 2002 |
| 2003 | $63,452,424 | 1.5% | $18,833,596 | 3.5% | $6,024,844 | 5.0% | $815,634 | -33.5% | **$1,025,170,080** | $44,760,503 | 4.6% | 2003 |
| 2004 | $65,595,263 | 3.4% | $20,159,763 | 7.0% | $6,217,227 | 3.2% | $923,468 | 13.2% | **$1,041,073,752** | $15,903,672 | 1.6% | 2004 |
| 2005 | $69,557,473 | 6.0% | $20,087,776 | -0.4% | $6,229,864 | 0.2% | $871,900 | -5.6% | **$1,094,364,702** | $53,290,950 | 5.1% | 2005 |
| 2006 | $70,330,594 | 1.1% | $20,789,572 | 3.5% | $6,344,187 | 1.8% | $360,933 | -58.6% | **$1,243,345,494** | $148,980,792 | 13.6% | 2006 |
| 2007 | $73,369,315 | 4.3% | $21,801,715 | 4.9% | $6,258,150 | -1.4% | $288,579 | -20.0% | **$1,281,011,866** | $37,666,372 | 3.0% | 2007 |
| 2008 | $79,509,885 | 8.4% | $24,209,319 | 11.0% | $6,285,323 | 0.4% | $515,220 | 78.5% | **$1,319,445,402** | $38,433,536 | 3.0% | 2008 |
| 2009 | $80,932,268 | 1.8% | $28,942,542 | 19.6% | $6,073,712 | -3.4% | $672,438 | 30.5% | **$1,181,848,901** | ($137,596,501) | -10.4% | 2009 |
| 2010 | $78,367,621 | -3.2% | $29,923,585 | 3.4% | $5,957,300 | -1.9% | $470,432 | -30.0% | **$1,208,798,552** | $26,949,651 | 2.3% | 2010 |
| 2011 | $78,199,323 | -0.2% | $32,327,619 | 8.0% | $6,060,651 | 1.7% | $2,361,824 | 402.1% | **$1,284,046,410** | $75,247,858 | 6.2% | 2011 |
| 2012 | $79,224,828 | 1.3% | $33,066,272 | 2.3% | $5,931,956 | -2.1% | $746,248 | -68.4% | **$1,267,269,029** | ($16,777,381) | -1.3% | 2012 |
| 2013 | $60,078,877 | -24.2% | $33,270,669 | 0.6% | $6,045,591 | 1.9% | $571,980 | -23.4% | **$1,311,656,739** | $44,387,710 | 3.5% | 2013 |
| 2014 | $58,730,642 | -2.2% | $35,789,133 | 7.6% | $6,157,463 | 1.9% | $323,085 | -43.5% | **$1,339,411,679** | $27,754,940 | 2.1% | 2014 |
| 2015 | $57,799,218 | -1.6% | $41,256,585 | 15.3% | $6,019,769 | -2.2% | $441,142 | 36.5% | **$1,404,790,053** | $65,378,374 | 4.9% | 2015 |
| 2016 | $52,571,774 | -9.0% | $43,256,315 | 4.8% | $5,983,567 | -0.6% | $785,718 | 78.1% | **$1,561,348,506** | $156,558,453 | 11.1% | 2016 |
| 2017 | $47,776,163 | -9.1% | $41,754,714 | -3.5% | $5,996,757 | 0.2% | $404,269 | -48.5% | **$1,521,083,977** | ($40,264,529) | -2.6% | 2017 |
| 2018 | $43,570,762 | -8.8% | $45,325,062 | 8.6% | $5,936,558 | -1.0% | $709,767 | 75.6% | **$1,692,146,773** | $171,062,796 | 11.2% | 2018 |
| 2019 | $41,371,415 | -5.0% | $39,525,716 | -12.8% | $4,241,915 | -28.5% | $435,536 | -38.6% | **$1,761,236,834** | $69,090,061 | 4.1% | 2019 |
| 2020 | $39,826,820 | -3.7% | $43,041,658 | 8.9% | | | $528,337 | 21.3% | **$1,588,015,359** | ($173,221,475) | -9.8% | 2020 |
| 2021 | $39,828,451 | 0.0% | $38,185,909 | -11.3% | | | $463,966 | -12.2% | **$2,007,268,520** | $419,253,160 | 26.4% | 2021 |
| 2022 | $30,891,145 | -22.4% | $43,257,670 | 13.3% | | | $449,414 | -3.1% | **$2,326,581,857** | $319,313,337 | 15.9% | 2022 |
| 2023 | $30,163,186 | -2.4% | $42,826,933 | -1.0% | | | $541,588 | 20.5% | **$2,386,981,380** | $60,399,523 | 2.6% | 2023 |
| 2024 | $30,583,918 | 1.4% | $46,785,607 | 9.2% | | | $270,872 | -50.0% | **$2,333,013,211** | ($53,968,169) | -2.3% | 2024 |
| 2025 | $29,034,167 | -5.1% | $48,685,281 | 4.1% | | | $1,021,229 | 277.0% | **$2,149,846,170** | ($183,167,041) | -7.9% | 2025 |

[1]Misc Tax before transfers consists of Gambling Winnings Tax, Railroad Tax, Private Car Tax and Excavation Tax

# Summary of 2022 Business Taxes[1]

- Approximately 205,000 Businesses have registered with the NH Secretary of State (SoS) and are in "Good Standing" or have an "Active" status.[2,3]
  - 77,526 Business Entities filed business tax returns
    - 27,243 Business Entities filing business tax returns paid no ($0) BET or BPT
  - 50,283 Business Entities filed business tax returns with payments totaling $1,113.6m, of which
    - 2,672 (5.3%) of those paid 79.8% of BET/BPT ($888.5m out of $1,113.6m)
      - 2,072 (77.5%) are corporations paying a total of $766.7m
      - 472 (17.7%) are partnerships paying a total of $104.4m
      - 128 (4.8%) are proprietors and fiduciaries paying a total of $17.4m
    - The remaining 47,611 (94.7%) paid 20.2% of BET/BPT ($225.1m out of $1,113.6m), of which
      - 10,216 (21.4%) paid under $500 = $2.2m (1.0%)
      - 7,513 (15.8%) paid $500 - $1,000 = $5.5m (2.4%)
      - 23,481 (49.4%) paid $1,000 - $10,000 = $79.6m (35.4%)
      - 6,401 (13.4%) paid $10,000 - $50,000 = $137.8m (61.2%)

| Entities | BET | BPT | Combined | % |
|---|---|---|---|---|
| **Corporations** | $199,504,328 | $700,527,172 | $900,031,500 | 80.8% |
| **Partnerships** | $31,858,129 | $122,647,424 | $154,505,553 | 13.9% |
| **Proprietors** | $17,404,253 | $37,397,895 | $54,802,148 | 4.9% |
| **Fiduciaries** | $48,847 | $4,237,872 | $4,286,719 | 0.4% |
| *Total* | $248,815,557 | $864,810,363 | $1,113,625,920 | 100.0% |

- If there are 205,000 business entities operating in the state of NH, then 154,717 or 75.5% of them pay no business taxes (neither BET nor BPT)
- When BET and BPT are segregated:
  - 664 (1.5%) are paying 49.2% of BET
    - 590 (88.9%) are corporations paying a total of $114.2m
    - 74 (11.1%) are partnerships, proprietors and fiduciaries paying a total of $8.2m
  - 2,111 (10.2%) are paying 84.7% of BPT
    - 1,594 (75.5%) are corporations paying a total of $625.5m
    - 397 (18.8%) are partnerships paying a total of $91.1m
    - 120 (5.7%) are proprietors and fiduciaries paying a total of $16.2m

[1] Per returns received as of July 21, 2025.
[2] Information is provided by NH SoS as of October 10, 2024.
[3] Businesses that want to preserve a trade name have to register a trade name with the NH SoS. A corporation, LLC or limited partnership must also register with the NH SoS. Being registered with the NH SoS does not necessarily mean that the business is engaging in business activity in NH or that they meet the BET or BPT filing threshold. Proprietorships and rental businesses do not register unless they want to protect the name of the business.

## BET - Tax Year 2022

**Business Enterprise Tax Stats by Tax Year and Amount of Tax Liability**

*This Population includes all Corporations, Partnerships, Proprietorships, and any other Entity that Files BS Tax*

DRAFT as of 7/21/2025

| Tax Year 2022 Range in Tax Reported | COUNT | Sum BE TAX | % of POP | % of Tax Liability by POP |
|---|---|---|---|---|
| $0 | 34,325 | $0 | 44.3% | 0.0% |
| $1 - $500 | 11,954 | $2,478,894 | 15.4% | 1.0% |
| $500 - $1K | 8,054 | $5,924,322 | 10.4% | 2.4% |
| $1K - $10K | 19,651 | $59,082,594 | 25.3% | 23.7% |
| $10K - $50K | 2,878 | $58,902,259 | 3.7% | 23.7% |
| $50K - $100K | 362 | $25,027,284 | 0.5% | 10.1% |
| $100K - $1MIL | 285 | $66,451,341 | 0.4% | 26.7% |
| >$1MIL | 17 | $30,948,863 | 0.0% | 12.4% |
| Totals: | **77,526** | **$248,815,557** | 100.0% | 100.0% |

| 2022 | COUNT | Sum BE TAX | % of Total POP | % of Total Tax Liability by POP |
|---|---|---|---|---|
| Corporations | 29,098 | $72,600,437 | 37.5% | 29.2% |
| Water's Edge | 5,736 | $126,903,891 | 7.4% | 51.0% |
| Partnerships | 15,175 | $31,858,129 | 19.6% | 12.8% |
| Proprietors | 26,884 | $17,404,253 | 34.7% | 7.0% |
| Fiduciaries | 633 | $48,847 | 0.8% | 0.0% |
| Totals: | **77,526** | **$248,815,557** | 100.0% | 100.0% |

## BPT - Tax Year 2022

**Business Profits Tax Stats by Tax Year and Amount of Tax Liability**

*This Population includes all Corporations, Partnerships, Proprietorships, and any other Entity that Files BS Tax*

DRAFT as of 7/21/2025

| Tax Year 2022 Range in Tax Reported | COUNT | Sum BP TAX | % of POP | % of Tax Liability by POP |
|---|---|---|---|---|
| $0 | 56,790 | $0 | 73.3% | 0.0% |
| $1 - $500 | 3,981 | $694,875 | 5.1% | 0.1% |
| $500 - $1K | 1,788 | $1,314,712 | 2.3% | 0.2% |
| $1K - $10K | 8,562 | $35,236,744 | 11.0% | 4.1% |
| $10K - $50K | 4,294 | $94,724,593 | 5.5% | 11.0% |
| $50K - $100K | 892 | $62,158,362 | 1.2% | 7.2% |
| $100K - $1MIL | 1,095 | $313,528,021 | 1.4% | 36.3% |
| >$1MIL | 124 | $357,153,056 | 0.2% | 41.3% |
| Totals: | **77,526** | **$864,810,363** | 100.0% | 100.2% |

| 2022 | COUNT | Sum BP TAX | % of Total POP | % of Total Tax Liability by POP |
|---|---|---|---|---|
| Corporations | 29,098 | $175,176,707 | 37.5% | 20.3% |
| Water's Edge | 5,736 | $525,350,465 | 7.4% | 60.7% |
| Partnerships | 15,175 | $122,647,424 | 19.6% | 14.2% |
| Proprietors | 26,884 | $37,397,895 | 34.7% | 4.3% |
| Fiduciaries | 633 | $4,237,872 | 0.8% | 0.5% |
| Totals: | **77,526** | **$864,810,363** | 100.0% | 100.0% |

**NOTE: Figures are unaudited and subject to change until all final and amended returns for the Tax Year are filed.**

# Summary of 2023 Business Taxes[1]

- Approximately 205,000 Businesses have registered with the NH Secretary of State (SoS) and are in "Good Standing" or have an "Active" status.[2,3]
  - 73,980 Business Entities filed business tax returns
    - 26,148 Business Entities filing business tax returns paid no ($0) BET or BPT
  - 47,832 Business Entities filed business tax returns with payments totaling $1,012.3m, of which
    - 2,397 (5.0%) of those paid 78.2% of BET/BPT ($791.3m out of $1,012.3m)
      - 1,861 (77.6%) are corporations paying a total of $713.5m
      - 441 (18.4%) are partnerships paying a total of $66.7m
      - 95 (4.0%) are proprietors and fiduciaries paying a total of $11.1m
    - The remaining 45,435 (95.0%) paid 21.8% of BET/BPT ($221.0m out of $1,012.3m), of which
      - 9,302 (20.4%) paid under $500 = $2.0m (1.0%)
      - 6,752 (14.9%) paid $500 - $1,000 = $5.0m (2.2%)
      - 23,070 (50.8%) paid $1,000 - $10,000 = $79.0m (35.8%)
      - 6,311 (13.9%) paid $10,000 - $50,000 = $135.0m (61.0%)

| Entities | BET | BPT | Combined | % |
|---|---|---|---|---|
| **Corporations** | $203,783,084 | $645,093,587 | $848,876,671 | 83.9% |
| **Partnerships** | $31,911,151 | $85,203,196 | $117,114,347 | 11.6% |
| **Proprietors** | $16,824,794 | $26,562,012 | $43,386,806 | 4.3% |
| **Fiduciaries** | $42,190 | $2,846,738 | $2,888,928 | 0.3% |
| *Total* | $252,561,219 | $759,705,533 | $1,012,266,752 | 100.0% |

- If there are 205,000 business entities operating in the state of NH, then 157,168 or 76.7% of them pay no business taxes (neither BET nor BPT)
- When BET and BPT are segregated:
  - 646 (1.6 %) are paying 50.4% of BET
    - 578 (89.5%) are corporations paying a total of $119.8m
    - 68 (10.5%) are partnerships, proprietors and fiduciaries paying a total of $7.5m
  - 1,816 (9.1%) are paying 83.2% of BPT
    - 1,373 (75.6%) are corporations paying a total of $568.0m
    - 358 (19.7%) are partnerships paying a total of $54.3m
    - 85 (4.7%) are proprietors and fiduciaries paying a total of $9.7m

[1] Per returns received as of July 21, 2025.
[2] Information is provided by NH SoS as of October 10, 2024.
[3] Businesses that want to preserve a trade name have to register a trade name with the NH SoS. A corporation, LLC or limited partnership must also register with the NH SoS. Being registered with the NH SoS does not necessarily mean that the business is engaging in business activity in NH or that they meet the BET or BPT filing threshold. Proprietorships and rental businesses do not register unless they want to protect the name of the business.

## BET - Tax Year 2023

**Business Enterprise Tax Stats by Tax Year and Amount of Tax Liability**

*This Population includes all Corporations, Partnerships, Proprietorships, and any other Entity that Files BS Tax*

DRAFT as of 7/21/2025

| Tax Year 2023 Range in Tax Reported | COUNT | Sum BE TAX | % of POP | % of Tax Liability by POP |
|---|---|---|---|---|
| $0 | 33,377 | $0 | 45.1% | 0.0% |
| $1 - $500 | 10,328 | $2,108,458 | 14.0% | 0.8% |
| $500 - $1K | 7,170 | $5,283,155 | 9.7% | 2.1% |
| $1K - $10K | 19,600 | $59,657,657 | 26.5% | 23.6% |
| $10K - $50K | 2,859 | $58,256,705 | 3.9% | 23.1% |
| $50K - $100K | 340 | $23,793,930 | 0.5% | 9.4% |
| $100K - $1MIL | 289 | $70,810,414 | 0.4% | 28.0% |
| >$1MIL | 17 | $32,650,900 | 0.0% | 12.9% |
| Totals: | **73,980** | **$252,561,219** | 100.0% | 100.0% |

| 2023 | COUNT | Sum BE TAX | % of Total POP | % of Total Tax Liability by POP |
|---|---|---|---|---|
| Corporations | 28,878 | $71,528,910 | 39.0% | 28.3% |
| Water's Edge | 5,493 | $132,254,174 | 7.4% | 52.4% |
| Partnerships | 15,017 | $31,911,151 | 20.3% | 12.6% |
| Proprietors | 24,024 | $16,824,794 | 32.5% | 6.7% |
| Fiduciaries | 568 | $42,190 | 0.8% | 0.0% |
| Totals: | **73,980** | **$252,561,219** | 100.0% | 100.0% |

## BPT - Tax Year 2023

**Business Profits Tax Stats by Tax Year and Amount of Tax Liability**

*This Population includes all Corporations, Partnerships, Proprietorships, and any other Entity that Files BS Tax*

DRAFT as of 7/21/2025

| Tax Year 2023 Range in Tax Reported | COUNT | Sum BP TAX | % of POP | % of Tax Liability by POP |
|---|---|---|---|---|
| $0 | 53,995 | $0 | 73.0% | 0.0% |
| $1 - $500 | 4,034 | $722,056 | 5.5% | 0.1% |
| $500 - $1K | 1,644 | $1,203,795 | 2.2% | 0.2% |
| $1K - $10K | 8,321 | $34,169,427 | 11.2% | 4.5% |
| $10K - $50K | 4,170 | $91,551,509 | 5.6% | 12.1% |
| $50K - $100K | 782 | $55,011,396 | 1.1% | 7.2% |
| $100K - $1MIL | 936 | $263,944,902 | 1.3% | 34.7% |
| >$1MIL | 98 | $313,102,448 | 0.1% | 41.2% |
| Totals: | **73,980** | **$759,705,533** | 100.0% | 100.0% |

| 2023 | COUNT | Sum BP TAX | % of Total POP | % of Total Tax Liability by POP |
|---|---|---|---|---|
| Corporations | 28,878 | $161,511,666 | 39.0% | 21.3% |
| Water's Edge | 5,493 | $483,581,921 | 7.4% | 63.7% |
| Partnerships | 15,017 | $85,203,196 | 20.3% | 11.2% |
| Proprietors | 24,024 | $26,562,012 | 32.5% | 3.5% |
| Fiduciaries | 568 | $2,846,738 | 0.8% | 0.4% |
| Totals: | **73,980** | **$759,705,533** | 100.0% | 100.0% |

**NOTE: Figures are unaudited and subject to change until all final and amended returns for the Tax Year are filed.**

**Interest and Dividends Tax Stats by Tax Year and Amount of Tax Liability**

**All I&D Entity Types**

*This Population includes all Individual and Joint filers, Partnerships & Estates*

DRAFT as of 7/21/2025

| Tax Year 2022 Range in Tax Reported | COUNT | Sum TAX | % of POP | % of Tax Liability by POP |
|---|---|---|---|---|
| $0 | 14,471 | $0 | 19.3% | 0.0% |
| $1 - $500 | 30,697 | $5,965,114 | 41.0% | 3.9% |
| $500 - $1K | 9,933 | $7,118,862 | 13.3% | 4.7% |
| $1K - $10K | 17,511 | $50,639,882 | 23.4% | 33.4% |
| $10K - $50K | 1,986 | $38,354,909 | 2.7% | 25.2% |
| $50K - $100K | 183 | $12,631,689 | 0.2% | 8.3% |
| $100K - $250K | 96 | $13,849,447 | 0.1% | 9.1% |
| >$250K | 28 | $23,398,855 | 0.0% | 15.4% |
| Totals: | **74,905** | **$151,958,759** | 100.0% | 100.0% |

| 2022 | COUNT | Sum TAX | % of Total POP | % of Total Tax Liability by POP |
|---|---|---|---|---|
| Individuals and Joint Filers | 73,155 | $149,206,742 | 97.6% | 98.2% |
| Estates | 493 | $887,981 | 0.7% | 0.6% |
| Partnerships | 1,257 | $1,864,036 | 1.7% | 1.2% |
| Totals: | **74,905** | **$151,958,759** | 100.0% | 100.0% |

**Interest and Dividends Tax Stats by Tax Year and Amount of Tax Liability**

**All I&D Entity Types**

*This Population includes all Individual and Joint filers, Partnerships & Estates*

DRAFT as of 7/21/2025

| Tax Year 2023 Range in Tax Reported | COUNT | Sum TAX | % of POP | % of Tax Liability by POP |
|---|---|---|---|---|
| $0 | 13,342 | $0 | 14.1% | 0.0% |
| $1 - $500 | 43,816 | $8,258,076 | 46.4% | 5.1% |
| $500 - $1K | 13,666 | $9,770,915 | 14.5% | 6.1% |
| $1K - $10K | 21,332 | $59,031,974 | 22.6% | 36.5% |
| $10K - $50K | 2,029 | $38,865,078 | 2.1% | 24.0% |
| $50K - $100K | 178 | $12,219,591 | 0.2% | 7.6% |
| $100K - $250K | 96 | $13,998,412 | 0.1% | 8.7% |
| >$250K | 21 | $19,329,456 | 0.0% | 12.0% |
| Totals: | **94,480** | **$161,473,502** | 100.0% | 100.0% |

| 2023 | COUNT | Sum TAX | % of Total POP | % of Total Tax Liability by POP |
|---|---|---|---|---|
| Individuals and Joint Filers | 92,062 | $157,775,603 | 97.4% | 97.7% |
| Estates | 538 | $857,697 | 0.6% | 0.5% |
| Partnerships | 1,880 | $2,840,202 | 2.0% | 1.8% |
| Totals: | **94,480** | **$161,473,502** | 100.0% | 100.0% |

**NOTE: Figures are unaudited and subject to change until all final and amended returns for the Tax Year are filed.**

# Low and Moderate Income Homeowners Property Tax Relief Historical Claims Data

The Low and Moderate Income Homeowners Property Tax Relief program (RSA 198:56-57) was designed to lessen the economic burden of the Statewide Education Property Tax on certain at-risk taxpayers.

Eligible claimants apply for relief to the New Hampshire Department of Revenue Administration using Form DP-8. Claimants must include a copy of their final property tax bill and federal income tax return for the claim year and any additional documentation as required by law. Completed Forms DP-8 must be postmarked no earlier than May 1, and no later than June 30 following the due date of the final property tax bill.

| Claim Year * | Claims Granted | Total Relief Paid |
|---|---|---|
| **2012** | 11,674 | $2.3 million |
| **2013** | 10,222 | $2.0 million |
| **2014** | 9,414 | $1.8 million |
| **2015** | 8,541 | $1.6 million |
| **2016** | 7,938 | $1.4 million |
| **2017** | 7,258 | $1.2 million |
| **2018** | 6,865 | $1.1 million |
| **2019** | 5,818 | $0.9 million |
| **2020** | 5,572 | $0.8 million |
| **2021** | 5,821 | $1.4 million |
| **2022** | 5,943 | $0.9 million |
| **2023** | 5,611 | $1.0 million |
| **2024 ** ** | 4,901 | $0.8 million |

* The claim year corresponds with the taxable period, starting April 1st, for the property tax bill from which relief is being sought.
**Claims paid for 2024 program year through July 11, 2025, numbers may increase as claims may be paid through November.

## HISTORICAL SUMMARY OF COMMUNICATIONS SERVICES TAX, RSA 82-A

This document is only a brief summary of the subject matter, current as of the last revision date. It is not intended to be relied upon as the full and complete text. Please refer to the applicable forms, instructions, rules and to the laws cited below to determine how this information applies to specific persons or situations.

The Communications Services Tax, RSA 82-A, was enacted by Laws of 1990, chapter 9, effective April 1, 1990.
**Current Due Date:** Returns are due on or before the 15th day of each month for the preceding calendar month.

| SESSION YEAR | EFFECTIVE DATE | CHAPTER | STATUTORY CHANGES | FILING THRESHOLD | RATE |
|---|---|---|---|---|---|
| 1990 | 4/1/1990 for communication services purchased at retail on or after 3/1/90 | CH 9<br>CH 101 | 90% of the actual tax collections for the same calendar month of the preceding year; or 90% of the estimated tax collections for the current month. | Communication service retailers with sales in excess of $10,000. | 3% with a surtax of 66 2/3% |
| 1991 | 7/1/91 | CH 354:13 | | | Surcharge of 100% for the period beginning 7/1/91 and ending 6/30/93 |
| 1993 | 7/1/93 | CH 350:37 | | | 5.5% for the period beginning 7/1/93 and ending 6/30/95 |
| 1995 | 7/1/95 | CH 96:2 | | | 5.5% for the period beginning 7/1/95 and ending 6/30/97 |
| 1997 | 7/1/97 | CH 130:2 | | | 5.5% for the biennium ending 6/30/99 |
| 1997 | | CH 351:35 | Amended the RSA 82-A:2, V (f) exemption for charges paid by coin-operated phones. Repealed RSA 82-A:2 V (g) relative to the exemption from the CST tax for changes paid by coin-operated phones. | | |
| 1997 | | CH 351:36<br>CH 351:37 | Amended RSA 82-A:4-a requiring that tax on coin-operated telephone service may be computed to the nearness multiple of $.05 except that, where the tax is midway. | | |
| 2001 | 7/1/01 | CH 158 | | | Tax shall be 7% for period beginning 7/1/01 and ending 6/30/03 |
| 2002 | 7/1/02 | CH 219 | Amendment to RSA 82-A:1 imposes tax to source mobile telecommunications services determined under P.L. 106-252 to be the place of primary use. | | |
| 2003 | 7/1/03 | CH 319 82-A 3,4<br>See 39,40 | | | Intrastate Communications Services Tax 7% Rate imposed. |
| 2004 | 7/1/04 | CH 111<br>See 1-7 | Amends definition of gross charge service address paid calling server.<br>Special rules for private communication server place of primary use. | | |
| 2005 | 7/1/05 | CH 190 | Unbundling services to apply CST.<br>Adds audits of retailers of enhanced 911 services surcharge. | | |
| 2005 | 7/14/05 | CH 251 | Adds examinations of telephone Co. records, 911 charges. Adds appeals of 911 charges. | | |
| 2007 | 7/1/07 | CH 263:79 | Repeals exemption eff 7/1/07 | | |
| 2012 | 6/21/12 | CH 279:4 through 279:8 | Adds the definition of "Internet" and "Internet access" to RSA 82-A:2; then excludes "Internet access" from the definition of "communication services" under RSA 82-A:2, III and excludes charges for Internet access from the definition of "gross charges" under RSA 82-A:2,V. CH 279:8, Laws of 2012 instructs the DRA not to enforce any existing assessments, to promptly withdraw any pending assessments and prohibits the DRA from issuing any additional assessments with respect to Internet access and CST. | | |
| 2019 | 1/1/20 | CH 346:252-258 | Clarifies the applicability of the CST to VoIP and prepaid wireless telecommunications services. | | |

# HISTORICAL SUMMARY OF BUSINESS PROFITS TAX, RSA 77-A

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The Business Profits Tax, RSA 77-A, was enacted by Laws of 1970, chapter 5, section 1, effective April 27, 1970.
**Current Due Date:** Return due dates are consistent with federal income tax due dates based on the taxpayer's entity type.

| SESSION YEAR | EFFECTIVE DATE | CHAPTER | STATUTORY CHANGES | FILING THRESHOLD | TAX RATE |
|---|---|---|---|---|---|
| 1970 Special Session | 4/27/70 Inception of the law | CH 5:1 | | $3,000, Gross Business Income | 6% |
| 1971 | 7/1/71 | CH 515:14 | | | Increased Rate 7% |
| 1973 | Returns due on periods ending on or after 12/31/73 | CH 579:1 | | $6,000, Gross Business Income | 7% |
| 1977 | 7/1/77 | CH 593:1 | | | Increased Rate 8% |
| 1979 | 8/24/79 | CH 446:4 | 25% each quarter estimate payments | | 8% |
| 1981 | 7/1/81 | CH 461:1 [Rev 305.01(a), Doc.#4192] | | $12,000, Gross Business Income | 8% plus, surtax of 13.5% Effective rate 9.08% |
| 1982 | 7/1/82 | CH 568:65,II, CH 42:70 | Minimum tax of $250, repealed the 1982 law DRA ordered to refund $ | $12,000, Gross Business Income | |
| 1983 | 7/1/83 | CH 469.42 [Rev 305.01 (b), Doc.#4192] | | $12,000, Gross Business Income for all tax years ending on and after 7/1/83 and on or before 6/30/84 | 8% plus, surtax of 19.5% Effective rate 9.56% |
| 1983 | 7/1/84 | CH 469.42 [Rev 305.01 (b), Doc.#4192] | | $12,000, Gross Business Income for all tax years ending on and after 7/1/84 and on or before 6/30/85 | 8% plus, surtax of 13.5% Effective rate 9.08% (surtax ended 6/30/85) |
| 1985 | 7/1/85 | CH 408:1 | | $12,000, Gross Business Income | An effective rate that declines monthly during the State of NH's fiscal year ending 6/30/86 |
| 1985 | 7/1/85 | CH 408 | | | All tax years ending on or after 7/1/85 and on or before 6/30/86 except short period tax years. The eff. Rate shall be as follows:<br>07/31/85 9.01% 01/31/86 8.60%<br>08/31/85 8.94% 02/28/86 8.53%<br>09/30/85 8.87% 03/31/86 8.46%<br>10/31/85 8.80% 04/30/86 8.39%<br>11/30/85 8.73% 05/31/86 8.32%<br>12/31/85 8.66% 06/30/86 8.25% |
| 1985 | Short period tax years beginning before 7/1/85 and ending after 6/30/86. | CH 469:42 | | Multiply the number of months of the tax period occurring prior to 7/1/85 by the monthly eff. tax rate (.007566) for such period. Multiply the number of months of the tax period occurring subsequent to 7/1/85 by the monthly eff. Tax rate (.006875) for such period. Add the product of these calculations; divide this sum by the total number of months in the short period tax year; and multiply the resulting product by 12. | |
| 1986 | 6/30/86 | CH 153 | | $12,000, Gross Business Income | Effective rate 8.25% for tax years ending on or after 7/1/86 and before 7/1/87 |
| 1988 | 6/30/88 | | | $12,000, Gross Business Income | Decreased Rate 8% |
| 1990 | 4/1/90 | CH 3:71 | 30%, 30%, 20%, 20% quarterly estimate payments | $12,000, Gross Business Income | 8% |
| 1991 | 3/28/91 | CH 5:1<br>CH 354<br>CH 354:7 | Business tax credits expanded, RSA 77-A:5, VI-VII<br>Sales apportionment factor x 1.5 Payroll, Property & Sales ÷ 3.5 eff. 1/1/92<br>35%, 35%, 15%, 15% quarterly estimate payments | $12,000, Gross Business Income | 8% |
| 1991 | 5/27/91 | CH 163:17 | 30%, 30%, 20%, 20% quarterly estimate payments | $12,000, Gross Business Income | 8% |
| 1993 | 7/1/94 & 7/1/99 | CH 350:11<br>CH 350:12 | Sales apportionment factor x 2, plus Payroll & Property ÷ 4 (Effective for federal tax year ending 7/1/94).<br>For tax years ending on or after 7/1/99 the factors revert back to:<br>Sales apportionment factor x 1.5, plus Payroll & Property ÷ 3.5 | | |

# HISTORICAL SUMMARY OF BUSINESS PROFITS TAX, RSA 77-A

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| SESSION YEAR | EFFECTIVE DATE | CHAPTER | STATUTORY CHANGES | FILING THRESHOLD | TAX RATE |
|---|---|---|---|---|---|
| 1993 | 7/1/93 | CH 350:16 | Established a dollar-for-dollar credit against the BPT for taxes paid under the BET. This tax credit was allowed to be carried forward for up to five years from the taxable period in which the tax was paid. No amount of tax paid pursuant to RSA 77-E and used as a credit against the taxes due under RSA 83-C or RSA 400-A shall be allowed as a credit under this paragraph except as provided in RSA 83-C:2-a or RSA 400-A:34-a. | | |
| 1993 | 7/1/93 | CH 202:1<br>CH 350:8<br>CH 350:9<br>CH 313<br>CH 350:18 | Allowing & Regulating LLCs eff. 7/1/93<br>Effective 7/1/93, 25%, 25%, 25%, 25% quarterly estimate payments | $50,000, Gross Business Income applies to returns ending after 6/30/93 | 7.5% for FY 94<br>7.0% for FY 95<br>eff. 7/1/94 |
| 1995 | 7/1/95 | CH 188<br>CH 308:93<br>CH 172, section 162L:9 | Repealed all credits Repealed the CH 188 repeals, but did not reinstate the research & development tax credit, RSA 77-A:5, IX Extended CDFA to 8 years | | 7% |
| 1996 | 7/1/96 | CH 154:1 | Modified QIC definition | | |
| 1997 | 7/1/97 | CH 351:43 | Authorized a Tax Amnesty Program to run from Dec. 1, 1997 to Feb. 15, 1998 | | |
| 1998 | 8/1/98 | CH 105 | Adopted the IRC of 1986 in eff. on 12/31/97 except NOL carryover which is eff. 12/31/96. The changes are eff. for tax years beginning after 1/1/97. May not exceed $250,000 in a tax year. | | |
| 1998 | 7/1/98 | CH 163 | Repeals the tax on Qualified Venture Capital Funds and also related definitions. It also expands the activities of Qualified Investment Companies to include a QICC. Apply to taxable periods ending after 6/3/98. | | |
| 1998 | 7/1/99 | CH 338 | Re-establishes an investment tax credit under RSA 162-L:10, which can be applied to BPT or BET. | | |
| 1999 | 7/1/99 | CH 17 | | | Increased Rate 8% |
| 2001 | 7/1/01 | CH 158 | | | Increased Rate 8.5% |
| 2002 | 7/1/02 | CH 211 | Net operating loss may only be carried forward for the 10 years following the loss year. For taxable periods ending:<br>(a) on or before June 30, 2003, the amount of net operating loss generated in a tax year that may be carried forward may not exceed $250,000;<br>(b) on or after July 1, 2003, and on or before June 30, 2004, the amount of net operating loss generated in a tax year that may be carried forward may not exceed $500,000;<br>(c) on or after July 1, 2004, and on or before June 30, 2005, the amount of net operating loss generated in a tax year that may be carried forward may not exceed $750,000;<br>(d) on or after July 1, 2005, the amount of net operating loss generated in a tax year that may be carried forward may not exceed $750,000. A deduction for the amount of the net operating loss carryover shall be limited to losses incurred on or after July 1, 1997. | | |
| 2003 | 7/1/03 | CH 301 77A:4 XIII | Granting business tax credits for investments in crop zone projects added. | | |
| 2003 | 7/1/03 | 77:55 XII | Amended by including CROP zone tax credit | | |
| 2004 | 5/24/04 | CH 143 | Amends definition of QIC and election and reporting for QICs. | | |
| 2007 | 7/1/07 | CH 263 | Eff. 8/21/07 - Repeals and reenacted in RSA162-N:6 Economic Rev. Tax Zone Credit | | |
| 2007 | 39264 | CH 271-4-6 122 | Research & Development Credit:<br>(1) applies to tax periods ending on or after 9/7/07;<br>(2) Repeals R&D credit eff. 7/1/13 | | |
| 2007 | 8/17/07 | CH 146 | Repeals foreign dividend deductions of gross business profits. | | |
| 2009 | 7/17/09 | CH 144:273 | RSA 77-A:6, I-a, File on a sale or exchange of interest whether or not gross income is in excess of $50,000 during taxable period ending on or after 7/1/09. | | |
| 2009 | 7/15/09 | CH 223 | Establish a committee to study business tax credits and report findings 12/1/2009. | | |

## HISTORICAL SUMMARY OF BUSINESS PROFITS TAX, RSA 77-A

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| SESSION YEAR | EFFECTIVE DATE | CHAPTER | STATUTORY CHANGES | FILING THRESHOLD | TAX RATE |
|---|---|---|---|---|---|
| 2010 | 7/8/10 | CH 286 | RSA 77:4-b, allows a business organization engaged in an IRC §1031 Like-Kind Exchange to utilize a single member limited liability company, revocable trust or other entity disregarded for federal tax purposes as the recipient entity. Under the special rule, the recipient entity takes the basis of the relinquished property as held by the parent organization as computed for federal income tax purposes. | | |
| 2010 | 7/13/10 | CH 311 | RSA Chapter 162-N Economic Revitalization Zone Tax Credit amended to extend the availability of the credits for four years and makes certain changes to the eligibility for and determination of the eligible amounts for the credits. | | |
| 2010 | 7/20/10 | CH 324:2, 4 and 5 | RSA 77-A:4, III the amount of the deduction for compensation for personal services shall be determined, as applicable to NH's tax structure, using the standards set forth in IRC §162(a)(1). Beginning on or after 1/1/11 there is a record-keeping safe harbor for deductions up to $50,000 as total compensation for the tax year. Also creates a study committee to study safe harbors and the taxation of investment organizations (report due 11/1/11). | | |
| 2011 | 6/14/11 | CH 181:2 | RSA 77-A:1, XXI(a), to include under the definition of "Qualified Investment Company" a Qualified Community Development Entity (as defined in section 45D of the US Internal Revenue Code), which is owned, controlled, or managed, directly or indirectly, by the NH Business Finance Authority. | | |
| 2011 | 6/25/11 | CH 207 | RSA 77-A:4, III, for taxable periods beginning on or after January 1, 2011: Modified the standards and burden of proof with respect to the Business Profits Tax deduction for reasonable compensation attributable to owners of partnerships, limited liability companies, and sole proprietorships that file a business tax return as a partnership or proprietorship. Keeps the standards set forth in IRC §162(a)(1) and the $50,000 "record-keeping safe harbor." Amends the burden of proving the reasonableness of the compensation deduction: A business organization claiming a deduction bears the burden of proving that all proprietors, partners, or members for whom a deduction is being claimed provided actual personal services to the business organization at any time during the taxable period. Once a business organization satisfies this burden of proof, the amount claimed as a deduction shall be presumed to be reasonable, unless the Department proves by a preponderance of the evidence that the deduction claimed by the business organization is clearly unreasonable. | | |
| 2011 | 7/1/13 | CH 224:363 | RSA 77-A:4, XIII, increases the amount of Net Operating Loss that may be generated in a tax year from $1,000,000 to $10,000,000. | | |
| 2011 | 7/1/14 | CH 225 | RSA 77-A:5, X, applicable for taxable periods ending on or after July 1, 2014, changes the carryforward periods for the BET credit against the BPT from five taxable periods to ten taxable periods. | | |
| 2012 | 6/27/12 | CH 287:2 | RSA 77-G, establishes an Education Tax Credit against the BPT equal to 85% of a business organization's donation to a scholarship organization under new chapter RSA 77-G. First year of program to begin January 1, 2013. | | |
| 2012 | 5/23/12 | CH 71 | RSA 77-A:4, XIII (e), changes the applicability date for CH 224:363, Laws of 2011 (see above) from July 1, 2013 to January 1, 2013. | | |
| 2012 | 8/4/12 | CH 116 | Changes the prospective repeal date for the Research and Development Tax Credit under RSA 77-A:5, XIII from July 1, 2013 to July 1, 2015. | | |

## HISTORICAL SUMMARY OF BUSINESS PROFITS TAX, RSA 77-A

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| SESSION YEAR | EFFECTIVE DATE | CHAPTER | STATUTORY CHANGES | FILING THRESHOLD | TAX RATE |
|---|---|---|---|---|---|
| 2012 | 7/1/12 | CH 253 | RSA 77-A:7, I (a) puts into statute the current practice of allowing a taxpayer to apply the BET credit against the BPT on a quarterly basis when making estimate payments. | | |
| 2012 | 6/21/12 | CH 279:10 | Creates new section RSA 77-A:3-a "Expense Deductions," which allows an IRC §179 deduction not to exceed $25,000. Applicable to any qualifying IRC §179 property placed into service on or after January 1, 2012. | | |
| 2013 | 5/20/13 | CH 5 | Increased the maximum aggregate amount of R&D tax credit awarded from $1,000,000 to $2,000,000 under RSA 77-A:5, effective May 20, 2013. Also removed the prospective repeal of the R&D tax credit. The R&D tax credit remains in effect indefinitely. | | |
| 2013 | 8/19/13 | CH 90:3 | RSA 77-A:10 amended to require the DRA to give notice to a taxpayer within 6 months of the taxpayer's filing of a Report of Change that their return is being reviewed. | | |
| 2013 | 7/1/13 | CH 71 | RSA 77-A:4, III (c) increasing the deduction amount for the personal compensation deduction record-keeping safe harbor from $50,000 to $75,000, effective July 1, 2013. | | |
| 2014 | 7/1/14 | CH 192 | RSA 77-A:5, X, clarifying CH. 225, Laws of 2011, any unused BET credit from taxable periods ending on or after December 31, 2014 may be carried forward for 10 years from the taxable period in which it was paid. | | |
| 2015 | 7/1/15 | CH 599 | RSA 162-N, altering the qualifications for the economic revitalization zone tax credit and requiring review of qualification for the tax credit every 5 years. | | |
| 2015 | 1/1/16 | CH 274:23-24 | | | 8.2% (for taxable periods ending on or after 12/31/2016)<br>7.9% (for taxable periods ending on or after 12/31/2018 contingent upon combined unrestricted general and education trust fund revenues of $4.64 billion being collected during the biennium ending 6/30/2017 |
| 2015 | 7/1/17 | CH 276:241 | RSA 77-A:5, XIII (a)(1) increasing the total aggregate amount of the R&D Tax Credit to $7 million. | | |
| 2015 | 7/1/15 | CH 276:242-243 | Authorized a Tax Amnesty Program applicable to all taxes administered by the DRA running from 12/1/15-02/15/16. | | |
| 2016 | 6/21/16 | CH 295 | Adopted the IRC of 1986 in eff. on 12/31/15 except IRC §§ 168(k) (bonus depreciation), 199 (domestic production activities), 181 (movie production expenses), and 179 (maximum deduction limited to $100,000 for NH purposes). The changes are eff. for tax years beginning on or after 1/1/17. | | |

## HISTORICAL SUMMARY OF BUSINESS PROFITS TAX, RSA 77-A

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|---|---|---|---|---|---|
| 2016 | 6/21/16 | CH 300 | RSA 77-A:4, XIV, eliminates the requirement that a business organization make an addition to gross business profits when an interest or beneficial interest in the business organization is sold or exchanged in an amount equal to the net increase in the basis of all underlying assets. Any portion of the annual depreciation or amortization attributable to the increase in basis federally from the sale of an ownership interest shall be added back to the gross business profits of the business organization and the gain or loss on the sale or disposition of the asset shall be calculated without regard to the basis increase recognized federally. The business organization may make an irrevocable election to recognize the basis increase for any particular sale or exchange and if made, the business organization shall make an addition to gross business profits in an amount equal to the net increase in the basis of its assets in the tax period when the sale or exchange of the ownership interest occurs. The business organization may then deduct against gross business profits any annual depreciation or amortization attributable to the increased basis and take into consideration the basis increase upon the sale or disposition of the asset. Applicable to sales or exchanges occurring on or after 1/1/16. | | |
| 2017 | 7/1/19 | CH 156:213 | | | 7.7% (for taxable periods ending on or after 12/31/2019) |
| 2017 | 7/1/21 | CH 156:215 | | | 7.5% (for taxable periods ending on or after 12/31/2021) **REPEALED** |
| 2018 | 7/29/18 | CH 157 | Establishes exemptions for qualified regenerative manufacturing companies from the Business Profits Tax and the Business Enterprise Tax, which expires for taxable periods beginning after December 31, 2017. | | |
| 2018 | 7/1/18 | CH 357 | Allows a business organization to carry forward any unused portion of the education tax credit amount awarded for 5 succeeding years, but not more than $1,000,000 in any given tax year. | | |
| 2019 | 7/1/19 | CH 247 | Establishes a tax credit against the Business Profits Tax for qualifying charitable donations to career and technical education centers. The program is scheduled to be repealed after state fiscal year 2026. | | |
| 2019 | 7/1/19 | CH 346:200-202 | | | 7.7% (for taxable periods ending on or after 12/31/2019) |
| 2019 | 7/1/19 | CH 346:200-202 | | | For all taxable periods ending on or after December 31, 2021, the BPT rate depends on the combined amount of general and education trust fund revenue collected for the fiscal year ending June 30, 2020. If the combined revenue is 6% or more below the official revenue estimates, the BPT rate will be 7.9%. If the combined revenue is 6% or more above the official revenue estimates, the BPT rate will be 7.5%. Otherwise, the BPT rate will continue to be 7.7%. |
| 2019 | 1/1/21 | CH 346:424-425, 430 | Adopts the market-based sourcing method of apportioning sales of services and intangibles for purposes of the BPT (effective January 1, 2021, for taxable periods ending on or after December 31, 2021). | | |
| 2019 | 1/1/22 | CH 346:426-429 | Adopts a single sales factor apportionment formula (effective January 1, 2022 for taxable periods ending on or after December 31, 2022 unless rescinded by majority vote of the Legislative Committee on Apportionment). | | |

## HISTORICAL SUMMARY OF BUSINESS PROFITS TAX, RSA 77-A

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| SESSION YEAR | EFFECTIVE DATE | CHAPTER | STATUTORY CHANGES | FILING THRESHOLD | TAX RATE |
|---|---|---|---|---|---|
| 2021 | 7/1/21 | CH 199 | RSA 77-A:6, I, the BPT threshold amounts shall be biennially adjusted based on the 2-year percentage change in the CPI for All Urban Consumers, Northeast Region, as published by the Bureau of Labor Statistics, U.S. Department of Labor, using the amount published for the month of June in the year prior to the start of the tax year. Effective for taxable period beginning January 1, 2023. | $92,000 (taxable periods ending on or after 12/31/22); $103,000 (taxable periods ending on or after 12/31/23); $109,000 (taxable periods ending on or after 12/21/25) | |
| 2021 | 6/25/21 | CH 91:109-111 | | | 7.6% (taxable periods ending on or after 12/31/22) |
| 2022 | 6/17/22 | CH 189 | | | 7.5% (taxable periods ending on or after December 31, 2023). |
| 2022 | 7/1/22 | CH 241 | Modifies the calculation of net operating loss carryover, shall only be apportioned in the year the net operating loss is incurred (shall apply to business organizations tax years ending on or after December 31, 2022). | | |
| 2023 | 7/1/2023 | CH 79: 191 | Amends the formula employed for the distribution of BPT revenue to the Education Trust Fund, which will now be at the rate of 41%. | | |
| 2023 | 1/1/24 | CH 169 | Allows a deduction of business interest expense without the federal IRC §163(j) limitation, for taxable periods beginning on or after January 1, 2024. | | |

## HISTORICAL SUMMARY OF BUSINESS ENTERPRISE TAX, RSA 77-E

This document is only a brief summary of the subject matter, current as of the last revision date. It is not intended to be relied upon as the full and complete text. Please refer to the applicable forms, instructions, rules and to the laws cited below to determine how this information applies to specific persons or situations.

The Business Enterprise Tax, RSA 77-E, was enacted by Laws of 1993, chapter 350, effective July 1, 1993.
**Current Due Date:** Return due dates are consistent with federal income tax due dates based on the taxpayer's entity type.

| SESSION YEAR | EFFECTIVE DATE | CHAPTER | STATUTORY CHANGES | FILING THRESHOLD | TAX RATE |
|---|---|---|---|---|---|
| 1993 | 7/1/93 | CH 350 | | Total Gross Receipts in excess of $100,000, or the enterprise value tax base of which is greater than $50,000. The sum of all compensation paid or accrued, interest paid or accrued and dividends paid by the business enterprise, before special adjustments or apportionments. | .25% of the enterprise value tax base, calculated using three components: Compensation, Dividends and Interest & % of total sales. |
| 1993 | 7/1/93 | CH 350:16 | Established a dollar-for-dollar credit against the BPT for taxes paid under the BET. This tax credit was allowed to be carried forward for up to five years from the taxable period in which the tax was paid. No amount of tax paid pursuant to RSA 77-E and used as a credit against the taxes due under RSA 83-C or RSA 400-A shall be allowed as a credit under this paragraph except as provided in RSA 83-C:2-a or RSA 400-A:34-a. | | |
| 1996 | 7/1/96 | CH 235:2 | Amended RSA 77-E:5 to establish estimate payments and to require a declaration of estimated tax; and RSA 77-E:6 to establish 25% quarterly payment schedule. If the estimated tax is less than $200 a declaration need not be filed. Apply to returns & taxes due ending on or after 1/1/97 | | |
| 1999 | 7/1/99 | CH 17 | | | .25% to .5% for entire tax period and not just for the months after 6/3/99. |
| 2001 | 7/1/01 | CH 158 | | Increased filing threshold to gross business receipts in excess of $150,000 or the enterprise value tax base greater than $75,000 | From 5% to .75% (three quarters of 1%) for periods ending on or after 7/1/01. |
| 2003 | 7/1/03 | CH 301 77E:3-a | Crop Zone Credit | | |
| 2004 | 5/24/04 | CH 143 77E 1,5 | QIC | | |
| 2007 | 7/1/07 | CH 263 3-a<br>CH 271 3b | Repealed and reenacted Economic Revitalization Zone tax credit eff. 7/1/07. R&D Credit unused portion available to apply to BET eff 7/1/07 | | |
| 2009 | 40009 | CH 223 | Establish a study committee to study business tax credits. Report due 12/1/09. | | |
| 2010 | 7/13/10 | CH 311 | RSA Chapter 162-N Economic Revitalization Zone Tax Credit amended to extend the availability of the credits for four more years and makes certain changes to the eligibility for and determination of the eligible amounts for the credits. | | |
| 2011 | 7/1/14 | CH 225 | RSA 77-A:5, X, applicable for taxable periods ending on or after July 1, 2014 changes the carryforward periods for the BET credit against the BPT from five taxable periods to ten taxable periods. | | |
| 2011 | 6/14/11 | CH 181:3 | RSA 77-E:1, XIV(a) to include under the definition of "Qualified Investment Company" a Qualified Community Development Entity (as defined in section 45D of the US Internal Revenue Code), which is owned, controlled, or managed, directly or indirectly, by the NH Business Finance Authority. | | |
| 2012 | 6/27/12 | CH 287:3 | RSA 77-G, establishes an Education Tax Credit against the BET equal to 85% of a business enterprise's donation to a scholarship organization under new chapter RSA 77-G. The credit is not deemed taxes paid for purposes of RSA 77-A:5, X. First year of program to begin January 1, 2013. | | |

## HISTORICAL SUMMARY OF BUSINESS ENTERPRISE TAX, RSA 77-E

This document is only a brief summary of the subject matter, current as of the last revision date. It is not intended to be relied upon as the full and complete text. Please refer to the applicable forms, instructions, rules and to the laws cited below to determine how this information applies to specific persons or situations.

The Business Enterprise Tax, RSA 77-E, was enacted by Laws of 1993, chapter 350, effective July 1, 1993.
**Current Due Date:** Return due dates are consistent with federal income tax due dates based on the taxpayer's entity type.

| SESSION YEAR | EFFECTIVE DATE | CHAPTER | STATUTORY CHANGES | FILING THRESHOLD | TAX RATE |
|---|---|---|---|---|---|
| 2012 | 12/31/13 | CH 279:1 | RSA 77-E:5, effective for taxable periods ending on or after December 31, 2013, if the estimated tax is less than $260 a declaration need not be filed. | RSA 77-E:5, effective for taxable periods ending on or after December 31, 2013, increases the BET filing threshold to gross business receipts in excess of $200,000 or the enterprise value tax base greater than $100,000. | |
| 2013 | 5/20/13 | CH 144:124 | RSA 77-E:1, V, applicable for taxable periods beginning on or after January 1, 2013, amended to define "compensation" as "paid directly or accrued by" the enterprise and excludes any tips required to be reported by the employee to the employer under IRC Sec. 6053(a) (gratuitous tips). | | |
| 2013 | 7/1/13 | CH 73 | RSA 77-E:3-c, II extending the availability of the Coos County Job Creation tax credit to any tax period ending before December 31, 2018, which shall be renewable for 4 consecutive additional years, provided no additional Coos County Job Creation tax credits are granted for any tax period after December 31, 2022. | | |
| 2015 | 7/1/15 | CH 599 | RSA 162-N, altering the qualifications for the economic revitalization zone tax credit and requiring review of qualification for the tax credit every 5 years. | | |
| 2015 | 7/1/15 | CH 216 | RSA 77-E, allows an employee leasing company and client company to elect to make the client company solely responsible for paying BET with respect to leased employees. Applicable to periods beginning on or after January 1, 2016. | | |
| 2015 | 8/28/15 | CH 183:2 | RSA 77-E:5, I, the BET threshold amounts shall be biennially adjusted based on the 2-year percentage change in the CPI for All Urban Consumers, Northeast Region, as published by the Bureau of Labor Statistics, U.S. Department of Labor, using the amount published for the month of June in the year prior to the start of the tax year. Effective for taxable periods beginning January 1, 2015. | | |
| 2015 | 1/1/16 | CH 274:23-24 | | | .72% (for taxable periods ending on or after 12/31/2016)<br>.675% (for taxable periods ending on or after 12/31/2018 contingent upon combined unrestricted general and education trust fund revenues of $4.64 billion being collected during the biennium ending 6/30/2017) |
| 2015 | 1/1/17 | CH 276:241 | RSA 77-A:5, XIII (a)(1) increasing the total aggregate amount of the R&D Tax Credit to $7 million. | | |
| 2015 | 7/1/15 | CH 276:242-243 | Authorized a Tax Amnesty Program applicable to all taxes administered by the DRA running from 12/1/15-02/15/16. | | |
| 2017 | 7/1/19 | CH 156:214 | | | .60% (for taxable periods ending on or after 12/31/2019) |
| 2017 | 7/1/21 | CH 156:216 | | | .50% (for taxable periods ending on or after 12/31/2021) **REPEALED** |
| 2018 | 7/29/18 | CH 157 | Establishes exemptions for qualified regenerative manufacturing companies from the Business Profits Tax and the Business Enterprise Tax, which expires for taxable periods beginning after December 31, 2017. | | |

## HISTORICAL SUMMARY OF BUSINESS ENTERPRISE TAX, RSA 77-E

This document is only a brief summary of the subject matter, current as of the last revision date. It is not intended to be relied upon as the full and complete text. Please refer to the applicable forms, instructions, rules and to the laws cited below to determine how this information applies to specific persons or situations.

The Business Enterprise Tax, RSA 77-E, was enacted by Laws of 1993, chapter 350, effective July 1, 1993.
**Current Due Date:** Return due dates are consistent with federal income tax due dates based on the taxpayer's entity type.

| SESSION YEAR | EFFECTIVE DATE | CHAPTER | STATUTORY CHANGES | FILING THRESHOLD | TAX RATE |
|---|---|---|---|---|---|
| 2018 | 7/1/18 | CH 357 | Allows a business enterprise to carry forward any unused portion of the education tax credit amount awarded for 5 succeeding years, but not more than $1,000,000 in any given tax year. | | |
| 2019 | 7/1/19 | CH 346:200-202 | | | 0.6% (for taxable periods ending on or after 12/31/2019) |
| 2019 | 7/1/19 | CH 346:200-202 | | | For all taxable periods ending on or after December 31, 2021, the BET rate depends on the combined amount of general and education trust fund revenue collected for the fiscal year ending June 30, 2020. If the combined revenue is 6% or more below the official revenue estimates, the BET rate will be 0.675%. If the combined revenue is 6% or more above the official revenue estimates, the BET rate will be 0.5%. Otherwise, the BPT rate will continue to be 0.6%. |
| 2021 | 1/1/22 | CH 91:106-108 | | $250,000 of gross business receipts or $250,000 of enterprise value tax base (taxable periods ending on or after 12/31/22); $281,000 of gross business receipts or $281,000 of enterprise value tax base (taxable periods ending on or after 12/31/23); $298,000 of gross business receipts or $298,000 of enterprise value tax base (taxable periods ending on or after 12/31/25) | |
| 2021 | 6/24/21 | CH 91:109-111 | | | 0.55% (taxable periods ending on or after 12/31/22) |
| 2023 | 7/1/2023 | CH 79: 192 | Amends the formula employed for the distribution of BPT revenue to the Education Trust Fund, which will now be at the rate of 41%. | | |

## HISTORICAL SUMMARY OF EXCAVATION TAX, RSA 72-B

This document is only a brief summary of the subject matter, current as of the last revision date. It is not intended to be relied upon as the full and complete text. Please refer to the applicable forms, instructions, rules and to the laws cited below to determine how this information applies to specific persons or situations.

The Excavation Tax, RSA 72-B, was enacted by Laws of 1997, chapter 219, effective January 1, 1998.

| SESSION YEAR | EFFECTIVE DATE | CHAPTER | STATUTORY CHANGES | FILING THRESHOLD | TAX RATE |
|---|---|---|---|---|---|
| 1997 | 1/1/98 | CH 219 | | A $.02 per cubic yard of material charge on earth taken from a "taxable excavation" A notice of Intent to Excavate will have to be filed with the municipal assessing official. After the operation is complete or no later than 4/15 of each year a Report of Excavated Material must be filed with the municipality and DRA | $.02 per cubic yard assessed at the time of excavation by the local assessing official within 30 days after receipt of a report of excavated material |

## HISTORICAL SUMMARY OF EXCAVATION ACTIVITY TAX, RSA 72-B

This document is only a brief summary of the subject matter, current as of the last revision date. It is not intended to be relied upon as the full and complete text. Please refer to the applicable forms, instructions, rules and to the laws cited below to determine how this information applies to specific persons or situations.

The Excavation Tax, RSA 72-B, was enacted by Laws of 1997, chapter 219, effective January 1, 1998.

| SESSION YEAR | EFFECTIVE DATE | CHAPTER | STATUTORY CHANGES | FILING THRESHOLD | TAX RATE |
|---|---|---|---|---|---|
| 1997 | 1/1/98 | CH 219 | | The tax is imposed on the pit area and shall be determined as of 4/1 each year, which is the area from which the earth has been excavated. Owner must provide this information annually to their local assessing official so they can calculate the size of the pit area. Provided however, that this paragraph shall not apply to any excavation which ceased commercially useful operation prior to 8/24/77. | Based on size of pit area |
| 2002 | 4/1/02 | CH 103 | | Repealed RSA 72-B:1 | |

## HISTORICAL SUMMARY OF INTEREST AND DIVIDENDS TAX, RSA 77

This document is only a brief summary of the subject matter, current as of the last revision date. It is not intended to be relied upon as the full and complete text. Please refer to the applicable forms, instructions, rules and to the laws cited below to determine how this information applies to specific persons or situations.

The Interest and Dividends Tax, RSA 77, was enacted by Laws of 1923, chapter 65, section 1.
**Current Due Date:** Returns are due on or before the 15th day of the fourth month following the expiration of the tax year.

| SESSION YEAR | EFFECTIVE DATE | CHAPTER | STATUTORY CHANGES | FILING THRESHOLD | TAX RATE |
|---|---|---|---|---|---|
| 1923 | | CH 65:1 | Enacted this tax.<br>Exempted interest income from NH banks to prevent double taxation, as these monies are already taxed under RSA 84. | **$600** of individual income | |
| 1955 to 6/30/77 | 1/1/56 | CH 309:1 | Annotation: Opinion of the Justices (1955) 99 NH 515, 112 A2d, 46, affirmed how the tax was being assessed; but allowed the Legislature to set a fixed rate. | | 4.25% |
| 1977 | 7/1/77 | CH 561:1<br>CH 561:2 | Added an additional $600 exemption for elderly, blind or handicapped persons | | 5% |
| 1977 | 6/21/77 | CH 251:1 | Expanded exemption to interest from deposits in Vermont banks | | |
| 1981 | 9/1/81 | CH 314:1 | | Increased exemption to $1,200 for individuals, partnerships, associations, trusts & fiduciaries | |
| 1981 | 9/2/81 | CH 314:3 | Added an additional $1,200 if both or either taxpayers are 65 or older, is blind or handicapped | | |
| 1981 | 9/3/81 | CH 314:4 | | Allowed married taxpayers to file joint returns; with a filing threshold of $2,400 | |
| 1981 | 9/4/81 | CH 314:6 | Amended RSA 77:18 and made the returns due on or before the first day of the 5th month following the expiration of the tax year. | | |
| 1983 | 12/31/83 | CH 469:93 | Established due date of return on or before the 15th day of the 4th month following the expiration of the tax year<br>Effective for the first year ending after 12/31/83 | | |
| 1983 | 1/1/84 | CH 469:93 III(a) | 1/4 due on 4th, 6th, 9th, and 12th months. Transition year - estimated taxes are to be paid as follows: 12½% of the estimated tax is due 4th month, 12½% the 6th month, 12½% 9th month and 12½% the 12th month. | | |
| 1986 | | CH 197:1 | Joint filers with less than $2,400 from NH and Vermont banks or credit unions are not taxable. | | |
| 1995 | Effective for taxable periods on or after 1/1/95 | CH 188:2<br>CH 188:4<br>CH 188:5<br>CH 160:1 | Repealed RSA 77:4a relative to the taxability of interest from deposits in VT banks<br>Amends RSA 77:18<br>1/4 due on 4th, 6th, 9th, and 12th months<br>Calendar year taxpayers, final 1/4 due January instead of December | Increased to $2,400 exemption for individuals, partnerships, LLC, associations, trusts & fiduciaries. | |
| 1998 | 7/1/98 | CH 163 | Allows deduction from taxable I&D income an amount equal to any cash distribution made to a QICC. Also requires recapture of a previously taken deduction relating to distribution or return of capital within 3 taxable periods after the taxable period is which it was deducted. Effective to taxable periods ending after 6/30/98 | | |
| 1998 | 7/2/98 | CH 163:8 | Repeal RSA 77-A:2-c relative to the tax on Qualified Venture Capital Fund | | |
| 2002 | 1/1/04 | CH 45 | Increases the threshold annual tax liability amount for which quarterly payments of estimated interest and dividends tax are required from $200 to $500 | | |
| 2003 | 7/1/03 | CH 64 Section 1 | I&D from funds invested in college tuition savings plan not taxed | | |
| 2004 | 5/24/04 | CH 143 | QIC transition RSA's in effect as enacted prior to effective date for qualified QIC who submits valid election prior to 5/24/04 | | |
| 2007 | 8/17/07 | CH 152:1 | Taxpayer records added RSA 77:37 | | |

## HISTORICAL SUMMARY OF INTEREST AND DIVIDENDS TAX, RSA 77

This document is only a brief summary of the subject matter, current as of the last revision date. It is not intended to be relied upon as the full and complete text. Please refer to the applicable forms, instructions, rules and to the laws cited below to determine how this information applies to specific persons or situations.

The Interest and Dividends Tax, RSA 77, was enacted by Laws of 1923, chapter 65, section 1.
**Current Due Date:** Returns are due on or before the 15th day of the fourth month following the expiration of the tax year.

| SESSION YEAR | EFFECTIVE DATE | CHAPTER | STATUTORY CHANGES | FILING THRESHOLD | TAX RATE |
|---|---|---|---|---|---|
| 2009 | Apply to t/p ending on or after 12/31/09 | CH 144:275 | RSA 77:1-a, New definitions of accumulated profits and dividends | | |
| 2009 | | CH 144:276 | RSA 77:3,I-b, Eliminates partnerships, LLCs, | | |
| 2009 | | CH 144:277 | RSA 77:4, III, Dividends other than stock or changes in ownership of entity not evidenced through actual distributions. | | |
| 2009 | | CH 144:278 | Repeal RSA 77:14, Tax of partnerships and LLCs<br>Repeal RSA 77:15, Tax of partners and members<br>Repeal RSA 77:16, Tax of out of state partnerships and LLCs<br>Repeal RSA 77:17, Re to 77:14-16 | | |
| 2010 | 1/1/11 | CH 324:5 | Amends RSA 77:11 deleting a provision subjecting certain income accumulated in trust for the benefit of unborn or unascertained persons to taxation | | |
| 2010 | 7/1/10 | CH 1:50-54 | Repeals CH 144, Laws of 2009 that made distributions from limited liability companies, partnerships and associations with non-transferable shares subject to the Interest and Dividends Tax. The repeal is effective for taxable periods ending on or after December 31, 2010. | | |
| 2011 | 6/14/11 | CH 181:4<br>CH 181:5 | For taxable periods beginning on or after January 1, 2011 and also taxable periods ending before January 1, 2011 if the taxable period is subject to assessment of tax and appeal under RSA 21-J:28-b. RSA 77:4,V, amounts reported and taxed federally as interest or dividends to a holder of an ownership interest in a Qualified Investment Company (QIC), a mutual fund, or a unit investment trust are taxable under the Interest and Dividends Tax.<br>RSA 77:4-d,I, amounts accruing to the holder of an ownership interest in a QIC or a mutual fund, or investment income earned or distributions received by the holder of an ownership interest in a unit investment trust, which QIC, mutual fund, or unit investment trust invests solely in New Hampshire tax-exempt tax anticipation notes, bond anticipation notes, and other instruments exempt under New Hampshire law are not treated as interest or dividend income for Interest and Dividend Tax purposes.<br>RSA 77:4-d,II, amounts reported and taxed federally as capital gains to the holder of an ownership interest in a QIC, a mutual fund, or a unit investment trust are not treated as interest or dividend income for Interest and Dividend Tax purposes. | | |
| 2011 | 6/25/11 | CH 207:4 | For taxable periods beginning on or after January 1, 2011, excess compensation determined by an audit of the Department shall not be considered a dividend under RSA Chp. 77, unless such determination is accepted by the Internal Revenue Service. | | |
| 2012 | 6/27/12 | CH 286:3 through 286:8 | For taxable periods ending on or after December 31, 2013, eliminates the taxation of trusts under RSA Chp. 77. Under the new law, interest and dividend income received by estates held by trustees treated as grantor trusts under section 671 of the United States Internal Revenue Code shall be included in the return of their grantor, to the extent that the grantor is an inhabitant or resident of New Hampshire. Income reported by, and taxed federally as interest or dividends to, a trust beneficiary who is an individual inhabitant or resident of New Hampshire with respect to distributions from a trust that is not treated as a grantor trust under section 671 of the United States Internal Revenue Code shall be included as interest or dividends in the return of such beneficiary and subject to taxation in accordance with the provisions of RSA Chp. 77. | | |
| 2018 | 7/1/18 | CH 341 | Allows individuals (including "any entity having taxable interest and dividend income as described in RSA 77:3") to apply for and, if granted, use the education tax credit against the Interest and Dividends Tax. | | |

## HISTORICAL SUMMARY OF INTEREST AND DIVIDENDS TAX, RSA 77

This document is only a brief summary of the subject matter, current as of the last revision date. It is not intended to be relied upon as the full and complete text. Please refer to the applicable forms, instructions, rules and to the laws cited below to determine how this information applies to specific persons or situations.

The Interest and Dividends Tax, RSA 77, was enacted by Laws of 1923, chapter 65, section 1.
**Current Due Date:** Returns are due on or before the 15th day of the fourth month following the expiration of the tax year.

| SESSION YEAR | EFFECTIVE DATE | CHAPTER | STATUTORY CHANGES | FILING THRESHOLD | TAX RATE |
|---|---|---|---|---|---|
| 2021 | 1/1/22 | CH 91:89-102 | | | 4% (taxable periods ending on or after December 31, 2023)<br>3% (taxable periods ending on or after December 31, 2024)<br>2% (taxable periods ending on or after December 31, 2025)<br>1% (taxable periods ending on or after December 31, 2026) |
| 2021 | 1/1/27 | CH 91:89-102 | REPEALED (taxable periods beginning after 12/31/26) | | |
| 2023 | 1/1/23 | CH 79:85-88 | REPEALED (taxable periods beginning after 12/31/24 and repeals the 2% tax rate for taxable periods ending on or after 12/31/2025 and the 1% tax rate for taxable periods ending on or after 12/31/2026). | | |

## HISTORICAL SUMMARY OF MEALS AND ROOMS (RENTALS) TAX, RSA 78-A

This document is only a brief summary of the subject matter, current as of the last revision date. It is not intended to be relied upon as the full and complete text. Please refer to the applicable forms, instructions, rules and to the laws cited below to determine how this information applies to specific persons or situations.

The Meals and Rooms (Rentals) Tax, RSA 78-A, was enacted by Laws of 1967, chapter 213, section 1, effective July 7, 1967.
**Current Due Date:** Returns are due on or before the 15th day of the calendar month following the collection of taxes.

| SESSION YEAR | EFFECTIVE DATE | CHAPTER | STATUTORY CHANGES | FILING THRESHOLD | TAX RATE |
|---|---|---|---|---|---|
| 1967 | 8/19/67 - rate<br>7/7/67 - language | CH 213 | Enacted RSA 78-A Meals & Rooms Tax for sales over $.25. Every operator who sells taxable meals or rents rooms is required to file a monthly return even though no tax may be due unless granted permission by the department to file other than on a monthly basis.<br>1% commission | | 5% |
| 1969 | 7/1/69 | CH 287:14<br>CH 287:15 | Commission: 3% if remitted before 11th day. 2% if remitted before 11th & 20th day; and 1% if remitted between the 21st & the last day of the month. | Established a threshold, starting at $.01 for a charge between $.16 & $.25. | 5% |
| 1977 | 7/1/77 | CH 330:1 | | | Increased to 6% |
| 1981 | 10/1/81<br>7/1/81 | CH 568:150<br>CH 569:23 | Repealed commissions, ending with 2nd quarter of 1981 | Threshold changed to start at $.01 for a charge between $.14 & $.25. | Increased to 7% |
| 1982 Special Session | 7/1/82 | CH 42:93 | Reinstate commission at 3% starting with the 2nd quarter of 1982 | | 7% |
| 1983 | 7/1/83 | CH 226:1 | 3% commission | Threshold changed to start at $.02 for a charge between $.36 & $.38 | 7% |
| 1990 | 4/1/90 | CH 8<br>CH 8:1 | 3% commission | Threshold changed to start at $.03 for a charge between $.36 & $.37 | Set a tax rate of 8% for the period 4/1/90 to 6/30/91 |
| 1991 | 7/1/91 | CH 354:12 | 3% commission | | Reinstate temporary rate of 8% for the period 7/1/91 to 6/30/93 |
| 1993 | 7/1/93 | CH 350:36 | 3% commission | | Reinstate temporary rate of 8% for the period 7/1/93 to 6/30/95 |
| 1995 | 7/1/95 | CH 45 | | No change in threshold<br>LLCs are liable for the tax as property lien | Reinstate temporary rate of 8% for biennium beginning 7/1/95 and ending 6/30/97 |
| 1995 | 7/1/95 | CH 80 | Reinstated the exemption for hospitals | | |
| 1996 | 7/1/96 | CH 53 | Clarified taxation of gratuities | | |
| 1997 | 7/1/97 | CH 132 | Established Electronic Data Submission (Electronic Funds Transfer) | | Reinstate temporary rate of 8% for period beginning 7/1/97 and ending 6/30/99 |
| 1998 | 7/1/98 | CH 383 | RSA 78-A:8 eff 7/1/98 amended to allow any M&R operator to choose not to file and pay electronically | | |
| 1999 | 7/1/99 | CH 17 | RSA 78-A - The rental of motor vehicles designed to transport persons or property on public highways will be subject to the 8% tax | | 8% tax on the gross rental receipts from rentals of MV became permanent |
| 2002 | 5/1/02 | CH 232 | Clarification of gratuity charge exception. Method of allocating items not customarily associated with the purchase of a taxable room or taxable meal | | |
| 2003 | 7/1/03 | CH 61<br>CH 231 | If non-profit organization, other than education institutes, selling meals requires liquor license for 3 or less days per year, meals are taxable. | | |
| 2003 | | CH 249 | Gratuities not taxable under certain conditions | | |
| 2004 | 7/1/04 | CH 257 | Reference to Office of State Planning & Energy programs name change | | |
| 2007 | 7/1/07 | CH 147:1<br>CH 17:1 | Penalty under 21-J:39<br>Tax in MV rentals exemption | | |
| 2009 | 7/1/09 | CH 144:4 | RSA 78-A:6 | | Increase from 8 to 9% |
| 2009 | 7/2/09 | CH 144:5 | RSA 78-A:3,III, To include campsites | | |
| 2009 | 6/30/09 | CH 144:6 | RSA 78-A:26 I (a), General fund 3.15% net income to DRED | | |
| 2009 | 6/30/09 | CH 144:7 | RSA 78-A:26 I (a) Special fund Receives 3.15% | | |
| 2009 | 7/1/09 | CH 144:8 | RSA-A: 26 I & II, Distribution to municipalities until 6/30/2011 at no more that 2009 level | | |

## HISTORICAL SUMMARY OF MEALS AND ROOMS (RENTALS) TAX, RSA 78-A

This document is only a brief summary of the subject matter, current as of the last revision date. It is not intended to be relied upon as the full and complete text. Please refer to the applicable forms, instructions, rules and to the laws cited below to determine how this information applies to specific persons or situations.

The Meals and Rooms (Rentals) Tax, RSA 78-A, was enacted by Laws of 1967, chapter 213, section 1, effective July 7, 1967.
**Current Due Date:** Returns are due on or before the 15th day of the calendar month following the collection of taxes.

| SESSION YEAR | EFFECTIVE DATE | CHAPTER | STATUTORY CHANGES | FILING THRESHOLD | TAX RATE |
|---|---|---|---|---|---|
| 2009 | 1/10/10 | CH 144:269 | RSA 78-A:8-b, I-a, $5000 bond to secure tax on I&P deed | | |
| 2009 | 1/10/10 | CH 144:271 | RSA 78-A:4 I, No license if unpaid taxes or filed as subterfuge. | | |
| 2010 | 5/3/10 | CH 6<br>CH 231 | RSA 78-A:3, III eliminated the Meals and Rentals Tax on campsites | | |
| 2010 | 1/17/10 | CH 48 | RSA 78-A:4, IV makes licenses, operator information displayed on licenses and license dispositions (such as issuance, renewal, suspension and revocation) public record. Amends RSA 21-J:14, IV. | | |
| 2010 | 5/18/10 | CH 58 | Repeals RSA 78-A:8-b, 1-a requiring a surety bond. | | |
| 2010 | 8/20/10 | CH 187 | Repeals RSA 78-A:8-b, 1-a requiring a surety bond. | | |
| 2011 | 7/1/11 | CH 224:1,2<br>CH 224:316 | RSA 78-A:26, for each fiscal year of the biennium ending June 30, 2013, the State Treasurer shall fund the distribution of revenue at no more than the fiscal year 2011 distribution.<br>For the biennium ending June 30, 2013, distribution of net income pursuant to RSA 78-A:26, I(a)(2) credited to the Department of Resources and Economic Development, Division of Travel and Tourism Development is suspended.<br>RSA 78-A:4, II, repeals the $5.00 fee for a Meals & Rentals Operator's License. | | |
| 2012 | 5/23/12 | CH 73:3 through 73:6 | RSA 78-A:5, II clarifies that an M&R License shall remain valid during the pendency of an appeal for a refusal to renew such license. RSA 78-A:7, I(a) and RSA 78-A:7, IV clarifies the current tax rate at 9%. RSA 78-A:8-b, I clarifies the timing of filing a surety bond to be *after* a hearing. | | |
| 2016 | 8/23/16 | CH 323 | RSA 78-A:4-a, requiring that advertisements for short-term rentals include the M&R License number of the Operator. | | |
| 2019 | 1/1/20 | CH 304 | Simplifies, clarifies, and modernizes the M&R Tax Law as it relates to meals. Although changes primarily editorial in nature, there are substantive changes including: (1) modifications to meals-related definitions; (2) a penalty provision (after a warning, a license revocation, suspension, or denial) for violating the requirement that a license "shall be conspicuously posted in a public area upon the premises"; (3) authority to require a surety bond or cash from an operator without an initial hearing; and (4) an extension of the deadline for an operator to appeal a license revocation, suspension, or denial to the BTLA or Superior Court, from 10 days to 15 days. | | |
| 2021 | 6/25/21 | CH 91:103-105 | | | 8.5% (taxable periods beginning on or after 10/1/21) |
| 2024 | 7/1/24 | CH 190 | Exempts taxation on meals consumed or provided by a restaurant, café, or other food service establishment that are redeemed through the Bureau of Elderly and Adult Services restaurant voucher program. | | |
| 2024 | 1/1/25 | CH 310 | Amends RSA 78-A:21 so that, for purposes of imposing a lien on an operator due to unpaid M&R taxes, an operator is any person who has actual or constructive managerial or custodial responsibility and does not include persons with a mere ownership interest. | | |

## HISTORICAL SUMMARY OF MEDICAID ENHANCEMENT TAX, RSA 84-A

This document is only a brief summary of the subject matter, current as of the last revision date. It is not intended to be relied upon as the full and complete text. Please refer to the applicable forms, instructions, rules and to the laws cited below to determine how this information applies to specific persons or situations.

The Medicaid Enhancement Tax, RSA 84-A, was enacted by Laws of 1991, chapter 299, effective June 20, 1991.
**Current Due Date:** Returns are due on or before the 15th day of April.

| SESSION YEAR | EFFECTIVE DATE | CHAPTER | STATUTORY CHANGES | FILING THRESHOLD | TAX RATE |
|---|---|---|---|---|---|
| 1991 | 6/20/91 | CH 299 | Medicaid Enhancement Tax enacted RSA 84-A. This tax was designed to be paid by electronic transfer to the State Treasurer | | 8% of gross patient services revenue |
| 1991 | 11/12/91 | CH 390 | Supplemental Medicaid Tax enacted RSA 84-B | | Imposed on medical patient discharges in the amount of $250 M, times the number of Medicaid patient discharges of each hospital for the same period during each hospital's fiscal year ending during the first full calendar year preceding the taxable period. |
| 1993 | 7/1/93 | CH 4:16 | Supplemental Medicaid Tax repealed RSA 84-B | | |
| 1995 | 5/10/95 | CH 80 | Setting the rate on or before 4/1 preceding the first fiscal year of the biennium, the rate of tax for the period beginning 7/1/95 and ending 6/30/97 | | 6% upon the gross patient services revenue of every hospital |
| 1999 | | | | | 6% of gross patient services revenue |
| 2003 | 7/1/03 | CH 319 | | | Impose 6% upon gross patient services revenue |
| 2004 | 7/1/05 | CH 260 | | | Impose 6% upon gross patient services revenue |
| 2007 | 7/1/07 | CH 263:50 | | | Impose tax of 5.5% |
| 2010 | 7/1/10 | CH 1:12 | Amends RSA 84-A:3, II-a, tax due no later than the 15th day of the 4th month of the taxable period. | | |
| 2011 | 7/1/11 | CH 224:34<br>CH 224:38-40 | Transfers the authority for the Medicaid Enhancement Tax Account from the DHHS to the DRA. Amends the definition of “hospital” under RSA 84-A:1, III and the definition of “net patient services revenue” under RSA 84-A:1, IV-a In addition, paragraphs I and II of RSA 84-A:3, as they were applied in 1991 and 1992, were declared null and void. | | |
| 2014 | 7/1/14 | CH 158:1-11 & :19 | Adds new definitions for "inpatient hospital services" and "outpatient hospital services". Amends the definition of “hospital” under RSA 84-A:1, III and the definition of “net patient services revenue” under RSA 84-A:1, IV-a In addition, a "non-binding estimate" is now due by January 15 and 100% of payment is due April 15 with the filing of the return due the same day. | | No change until 2016 - reduces the current tax rate of 5.5% to 5.45% in 2016 and to 5.4% in 2017 and beyond, unless the total aggregate uncompensated care for hospitals with both a critical and noncritical designation falls below $375,000,000, at which point the rate shall be 5.25%. |
| 2018 | 6/6/18 | CH 162:34 | Removes the possibility of a future rate reduction (from 5.4% to 5.25%) to the extent the total aggregate uncompensated care for hospitals with both a critical and a noncritical access hospital designation falls below $375 million for the taxable period. | | 5.4% |

## HISTORICAL SUMMARY OF NURSING FACILITY QUALITY ASSESSMENT TAX, RSA 84-C

This document is only a brief summary of the subject matter, current as of the last revision date. It is not intended to be relied upon as the full and complete text. Please refer to the applicable forms, instructions, rules and to the laws cited below to determine how this information applies to specific persons or situations.

The Nursing Facility Quality Assessment Tax, RSA 84-C, was enacted by Laws of 2003, chapter 223, effective July 1, 2003.
**Current Due Date:** Returns are due on or before the 10th day of the month following the expiration of the assessment period.

| SESSION YEAR | EFFECTIVE DATE | CHAPTER | STATUTORY CHANGES | FILING THRESHOLD | TAX RATE |
|---|---|---|---|---|---|
| 2004 | 6/16/04 | CH 260 | Impose 6% tax net patient revenue | | 6% of net patient services revenue |
| 2007 | 7/1/07 | CH 263:51 | | | 5.5% of net patient services revenue |
| 2010 | 8/13/10 | CH 152:1 | Amend RSA 21-J:3, XXI exempting RSA 84-C:5 from electronic payment threshold of $100,000. | | |
| 2010 | 8/13/10 | CH 152:5 | Amend RSA 84-C:3, no penalties or interest for late payments if paid by the last day of the month due. | | |
| 2011 | 7/1/11 | CH 224:46-48 | Provides a contingency for the biennium ending June 30, 2013, that no Nursing Facility Quality Assessment (NFQA) shall be assessed and no return shall be required.<br>For the biennium ending June 30, 2013, 25% of the receipts from the NFQA and the ICF Quality Assessment shall be deposited as restricted revenue in accounts of the DHHS.<br>The assessment period beginning April 1st shall be April 1 to May 31, 2011; the returns shall be filed on or before June 27, 2011; the remainder of the assessment period (June 1 - June 30, 2011) shall be carried out as would otherwise have been, except that the returns filed in July, 2011 shall only cover the period June 1- June 30, 2011. | | |
| 2019 | 1/1/19 | CH 346:358, I | Repeals the ICF quality assessment under RSA 84-D. | | |

## HISTORICAL SUMMARY OF REAL ESTATE TRANSFER TAX, RSA 78-B

This document is only a brief summary of the subject matter, current as of the last revision date. It is not intended to be relied upon as the full and complete text. Please refer to the applicable forms, instructions, rules and to the laws cited below to determine how this information applies to specific persons or situations.

The Real Estate Transfer Tax, RSA 78-B, was enacted by Laws of 1967, chapter 320.
**Current Due Date:** Returns are due no later than 30 days from the recording of the deed at the registry of deeds or transfer of real estate, whichever is later.

| SESSION YEAR | EFFECTIVE DATE | CHAPTER | STATUTORY CHANGES | FILING THRESHOLD | TAX RATE |
|---|---|---|---|---|---|
| | | | This was a Federal Tax **$1.10 per $1,000**, or fraction thereof, assessed to buyer only. | | |
| 1/2/68-6/30/72 | | CH 320, Laws of 1967 | Enacted RSA 78-B. | If the transfer was less than $100. No tax was due. | **$0.10 per $100**, or fraction thereof, assessed to buyer only. |
| 7/1/72-9/11/77 | | | | | **$0.15 per $100**, or fraction thereof, assessed to buyer only |
| 9/12/77-6/30/81 | 9/12/77 | CH 495 | Established Minimum Tax of $10 | | **$0.25 per $100**, or fraction thereof, assessed to buyer only. |
| 7/1/81-6/30/83 | 7/1/81 | CH 568:152,I | | | **$0.25 per $100**, or fraction thereof, assessed to both the buyer and seller.<br>$10 minimum to both buyer and seller |
| 1983 | 7/1/83 | CH 469:97 | | | For the biennium ending 6/30/85 **$0.50 per $100**, or fractional part thereof, assessed to both buyer and seller.<br>$20 minimum to both buyer and seller |
| 7/1/85-6/30/87 | 7/1/85 | CH 407:I | | | For the biennium ending 6/30/87of **$0.375 per $100**, or fractional part thereof, assessed to both buyer and seller.<br>$15 minimum to both the buyer and seller |
| 7/1/87-6/30/89 | 7/1/87 | CH 308:I | | | For the biennium ending 6/30/89 of **$0.35 per $100**, or fraction thereof, assessed to both buyer and seller.<br>$14 minimum to both buyer and seller |
| 1989 | 1/1/90 | CH 416 | | | Changed **permanent rate** from $0.25 to **$0.35,** and set rate for the biennium ending 6/30/91 of **$0.475 per $100**, or fraction thereof, assessed to both buyer and seller. (See 4/1/90 change to the tax rate per CH 2, below)<br>$19 minimum to both buyer and seller |
| 1990 | 2/20/90 | CH 2 | | | For the biennium beginning 4/1/90 and ending 6/30/91 of **$0.525 per $100**, or fraction thereof, assessed to both buyer and seller<br>$21 minimum to both buyer and seller |
| 7/1/91-6/30/93 | 7/1/91 | CH 354:11 | For the biennium ending 6/30/93 of **$0.525 per $100**, or fraction thereof, assessed to both buyer and seller | $21 to both buyer and seller | For the biennium ending 6/30/93 of **$0.525 per $100**, or fraction thereof, assessed to both buyer and seller<br>$21 minimum to both buyer and seller |
| 1994 | 7/1/93 | CH 350:38 | | | For the biennium ending 6/30/95 of **$0.50 per $100**, or fractional part thereof, assessed to both buyer and seller<br>Minimum tax of $20 to both buyer and seller |

## HISTORICAL SUMMARY OF REAL ESTATE TRANSFER TAX, RSA 78-B

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The Real Estate Transfer Tax, RSA 78-B, was enacted by Laws of 1967, chapter 320.
**Current Due Date:** Returns are due no later than 30 days from the recording of the deed at the registry of deeds or transfer of real estate, whichever is later.

| SESSION YEAR | EFFECTIVE DATE | CHAPTER | STATUTORY CHANGES | FILING THRESHOLD | TAX RATE |
|---|---|---|---|---|---|
| 1994 | 7/1/93 | CH 325 | Established the real estate transfer questionnaire. | | |
| 1995 | 7/1/95 | CH 96:3 | | | For the biennium ending 6/30/97 of **$0.50 per $100**, or fraction thereof, assessed to both buyer and seller<br>Minimum tax of $20 to both buyer and seller |
| 1997 | 7/1/97 | CH 130:3 | | | For the period beginning 7/1/97 and ending 6/30/99, the tax is **$0.50 per $100** or fractional part thereof assessed to both buyer and seller<br>Minimum tax of $20 to both buyer and seller |
| 1998 | 7/18/98 | CH 91 | Require the filing of a questionnaire with DRA **and** the local assessor or selectmen. | | |
| 1998 | 6/25/98 | CH 238 | Provides an exemption from the transfer tax for conveyances of real property from a municipality when the property is repurchased by the former owner after the municipality's acquisition by tax deed. | | |
| 1999 | 7/1/99 | CH 17 | | | Increased the permanent tax rate assessed on the sale, granting, and transfer of real estate and any interest in real estate to $0.75 per $100, or fractional part thereof, of the price or consideration.<br>This rate is assessed on both the buyer and seller for a total tax rate of $1.50 per $100. Where the price or consideration is $4,000 or less, there shall be a minimum tax of $20, which is assessed, on both the buyer and seller, for a total tax of $40. |
| 2001 | 7/1/01 | CH 158 | Declaration of Consideration Amended. Transfers exempted by RSA 78-B:2, except transfers exempted by RSA 78-B:2 | | |
| 2004 | 7/1/04 | CH 195 | Manufactured housing real estate transfer tax | | |
| 2005 | 7/1/05 | CH 177 | Gave tax amnesty to P&I<br>12/1/05-2/15/06 due by unpaid on or before 7/1/06 | | |
| 2005 | 7/9/05 | CH 31 | Added procedure for Assessment or refund of tax | | |
| 2006 | 7/1/06 | CH 149:1 | RSA 78-B:1-a, V, definition of "sale, granting and transfer" | | |
| 2006 | 7/1/06 | CH 149:1 | RSA 78-B:1-a, VI, definition of "real state holding company" | | |
| 2006 | 7/1/06 | CH 219:1 | RSA 78-B:2, XIX, exempts certain transfer between charitable organizations | | |
| 2007 | 7/1/07 | CH 263:46 & 48 | 8 1V 46 added / 48 repealed<br>46 - Comm. Heritage Inv. Program. Surcharge admin | | |
| 2007 | 8/17/07 | CH 146:1, IV | RSA 78-B:2, XIX repealed | | |

## HISTORICAL SUMMARY OF REAL ESTATE TRANSFER TAX, RSA 78-B

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The Real Estate Transfer Tax, RSA 78-B, was enacted by Laws of 1967, chapter 320.
**Current Due Date:** Returns are due no later than 30 days from the recording of the deed at the registry of deeds or transfer of real estate, whichever is later.

| SESSION YEAR | EFFECTIVE DATE | CHAPTER | STATUTORY CHANGES | FILING THRESHOLD | TAX RATE |
|---|---|---|---|---|---|
| 2011 | 8/13/11 | CH 179 | RSA 78-B:10, requires a purchaser and seller in a real estate transfer (or transfer of interest therein) to each file a separate Declaration of Consideration (Form CD-57-P and Form CD-57-S) with the Department. | | |
| 2015 | 7/1/15 | CH 255 | RSA 78-B, exempts any lease, including any sale, transfer or assignment of any interest in leased property, from the RETT when the term of the lease is for less than 99 years, including all renewals. | | |
| 2015 | 7/1/15 | CH 133 | RSA 78-B:1, IV, clarifying the definition of "price or consideration, and RSA 78-B:2, clarifying the exception for transfers by devise or testamentary disposition. | | |
| 2016 | 6/21/16 | CH 288 | RSA 78-B:2, XXI, exempting transfers that are coincidental to a change in the transferor's form of organization, provided: (1) no consideration is exchanged; (2) the assets and liabilities of the transferor immediately preceding the transfer and the assets and liabilities of the transferee immediately following the transfer are the same; and (3) the owner(s) of the transferor and transferee and their respective ownership percentages remain the same. RSA 78-B:2, XXII, exempting transfers from the owners of an entity to the entity, or from the entity to the owners of the entity, provided that: (1) no consideration is exchanged; (2) the assets and liabilities of the transferor and transferee remain the same except with respect to the transferred real estate; and (3) the owner(s) of the transferor and transferee and their respective ownership percentages remain the same. RSA 78-B:1-a, IV, the definition of "price or consideration," is amended to provide that transfers made solely to obtain financing or refinancing, as required by the lending institution, shall not be sufficient consideration to make a transfer a contractual transfer. The definition of "price or consideration" is further amended to specify that the definition does not include the recitation of nominal consideration of $10 or other valuable consideration for purposes of satisfying the statute of frauds. | | |
| 2018 | 7/1/18 | CH 171 | Removes the references to stamps as being required to indicate payment of the Real Estate Transfer Tax and the land and community heritage investment program (L-CHIP) recording surcharge. | | |
| 2019 | 7/1/19 | CH 136 | Adds an exception to the Real Estate Transfer Tax (RETT) for transfers of interest in certain low-income housing projects subject to federal, state, or local land use restriction and rental housing affordability covenants which limit allowable rents charged to individuals or families, provided that the RETT was paid when the real property was acquired. | | |
| 2024 | 7/1/24 | CH 1 | Adds an exception to the Real Estate Transfer Tax (RETT) for "transfer on death deeds" under (new) RSA 563-D, the Uniform Real Property Transfer on Death Act. | | |

## HISTORICAL SUMMARY OF STATE EDUCATION PROPERTY TAX, RSA 76

This document is only a brief summary of the subject matter, current as of the last revision date. It is not intended to be relied upon as the full and complete text. Please refer to the applicable forms, instructions, rules and to the laws cited below to determine how this information applies to specific persons or situations.

| SESSION YEAR | EFFECTIVE DATE | CHAPTER | STATUTORY CHANGES | FILING THRESHOLD | TAX RATE |
|---|---|---|---|---|---|
| 1999 | 4/1/99 | CH 17 | RSA 76:3 is repealed and reenacted to read as follows: An annual education property tax at the uniform rate of $6.60 on each $1,000 of the value of taxable property is hereby imposed on all persons and property taxable pursuant to RSA 72 and RSA 73, except property subject to tax under RSA 82 and RSA 83-F | | $6.60 per $1,000 of equalized value |
| 2001 | 4/1/02 | CH 158:18, 84 | Uniform rate of $5.80 on each $1,000 of the value of taxable property, except property subject to tax under RSA 82 and RSA 83-F | | $5.80 per $1,000 of equalized value |
| 2003 | 7/1/05 | CH 241 | Renamed statewide enhance education tax beginning FY 2005 (See also tax rate) | | $4.92 per $1,000 of equalized value for FY 2004 and $3.24 for FY 2005; At a rate that raises $363,677,547 beginning FY 2006 |
| 2004 | 7/1/04 | CH 195 | Clarifies method of calculating utility property | | |
| 2005 | 9/1/05<br>7/1/05 | CH 96 CH 257 | Further clarifications re: utility property Establishes new education funding regime and fixes tax rate contingent upon constitutionality | | Set to raise $363,000,000 |
| 2009 | 7/1/09 | CH 144:270 | RSA 21-J:43, Changes installment plan time length from 6 months to no amount of time | | |
| 2009 | 7/1/09 | CH 144:285 | RSA 72:28, Tax exemption on Commercial Industrial Construction changed to preceding the tax year for which exemption is claimed | | |
| 2010 | 6/14/10 | CH 153 | RSA 76:15-aa,I, allowing towns converting to quarterly property tax billing to make the first bill due on a date other than April 1st. | | |
| 2011 | 7/1/11 | CH 258 | RSA 198 and RSA 76 - Changes the name of the "State Education Property Tax" to "Education Tax" and repeals the requirement for excess payments to be remitted to the Department, thereby allowing municipalities to retain all of the state tax accessed. It also repeals RSA 198:47 regarding the DP-5 form and amends the calculation of adequate education grants and makes other changes to the education grant formula and distribution. | | |
| 2011 | 7/13/11 | CH 262 | RSA 76:15-a and RSA 76:15-aa - Allows for the adjustment in the method of calculating the partial payment of taxes related to an increase or decrease in local education taxes resulting from a change to the town's or city's adequate education grant or excess tax amount. The changes apply to both semi-annual and quarterly collection of taxes. | | |
| 2012 | 7/1/12 | CH 29 | RSA 76:11 - Allows any town, with the approval of the governing body, to send tax bills or notices by electronic means to those taxpayers who have specifically requested such delivery. | | |
| | 4/1/13 | CH 169 | RSA 76:2 and RSA 76:21 - Establishes the procedure for the proration of assessments for property taxes for taxable buildings damaged due to unintended fire or natural disaster to the extent that the building can no longer be used for its intended use. | | |

## HISTORICAL SUMMARY OF STATE EDUCATION PROPERTY TAX, RSA 76

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| SESSION YEAR | EFFECTIVE DATE | CHAPTER | STATUTORY CHANGES | FILING THRESHOLD | TAX RATE |
|---|---|---|---|---|---|
| 2016 | 7/2/16 | CH 37 | RSA 80:90, I(f), reduces the penalty paid from 15% to 10% of the assessed value of the property when a former owner repurchases tax-deeded property. Amends RSA 80:89, II to provide that the penalty referenced above shall not be assessed when the property being repurchased was the former owner's principal residence. RSA 80:89, II is also amended to provide that the former owner has 30 days (instead of the current 15) to pay all monies owed after providing the municipality notice of the intent to repurchase tax-deeded property. | | |
| 2018 | 4/1/19 | CH 282:1-2 | Lowers the interest rate charged on delinquent property taxes from 12 to 8 percent per annum. The lower interest rates apply to taxes assessed on or after April 1, 2019. | | |
| 2021 | 1/1/22 | CH 91:322-324 | Provides that for the fiscal year ending June 30, 2023, the Commissioner of DRA shall set the education tax rate at a level sufficient to generate $263 million effective for taxable periods beginning on or after April 1, 2022. | | Set to raise $263,000,000 for tax year 2022 only (FY 2023) |

## HISTORICAL SUMMARY OF TIMBER TAX, RSA 79

This document is only a brief summary of the subject matter, current as of the last revision date. It is not intended to be relied upon as the full and complete text. Please refer to the applicable forms, instructions, rules and to the laws cited below to determine how this information applies to specific persons or situations.

The Timber Tax, RSA 79, was enacted by Laws of 1949, chapter 295.

| SESSION YEAR | EFFECTIVE DATE | CHAPTER | STATUTORY CHANGES | FILING THRESHOLD | TAX RATE |
|---|---|---|---|---|---|
| 1949 | | CH 295:1 | Forest Conservation and Taxation statute enacted. | | 10% of stumpage value taxable at time of cutting |
| 1955 | | RSA 79:20 and RSA 79:23 CH 287:1 | Addition of special aid to heavily timbered towns | | 12% of stumpage value |
| 1975 | | CH 457:3 | Repealed special aid to heavily timbered towns | | Effective 4/1/80. Tax rate returned to 10% of stumpage value |
| 1999 | | | Current requirements for filing: All timber is taxable except as provided in RSA 79:1,II,b,1-5 and RSA 79:2. The normal yield tax shall be deposited into the general fund within the town the timber was cut. | | |
| 2003 | | | Amend language no tax change | | |
| 2004 | | | Intent to cut | | |
| 2012 | 7/1/12 | CH 141 | RSA 79:1, II(a), changes the definition of an owner of timber right to address joint tenants and tenants in common. | | |
| 2018 | 9/1/18 | CH 182 | CH 182 (1) authorizes a municipality to waive the yield tax on timber harvested from land owned by, and located in, the municipality; (2) eliminates the requirement of filing a supplemental notice when the total volume of the cut exceeds the total volume reported in the intent to cut by less than 25 percent, except where a bond is required by RSA 79:3-a or RSA 79:10-a, II; (3) reduces the time for assessing officials to sign an intent to cut from 30 days to 15 days if all conditions for approval have been met, but allows them to sign it outside a public meeting; and (4) requires a municipality to provide public notice of an intent to cut before it is signed by assessing officials. | | |
| 2019 | 8/17/19 | CH 84 | Clarifies that public notice of an intent to cut timber is required only when the intent to cut will be signed by the assessing officials outside a public meeting. | | |
| 2023 | 8/29/23 | CH 117 | Allows the owner to commence cutting operations if the owner had met all the conditions for approval but the notice of intent to cut timber is not signed by the assessing officials within 15 days and that the assessing officials have not communicated a reason to the owner as to why conditions for approval have not been met. Prior to cutting, the owner shall submit to the DRA, a copy of the notice of intent and provide the date of filing. If the assessing officials determine that conditions for approval have not been met, the assessing officials shall notify the owner and the person responsible for the cutting, where the cutting operations shall cease until those conditions are met and the intent signed. This bill also requires assessing officials to forward any signed intent to the Commissioner of the DRA within five business days, and provide a copy to the owner. | | |
| 2024 | 7/1/24 | CH 19 | Amends the personal use exceptions to the requirement to file an intent to cut and to pay tax, to increase the exempt amounts from 10,000 to 15,000 board feet of logs, from 20 to 30 cords of fuel wood, and to add 300 tons of whole tree chips. | | |

## HISTORICAL SUMMARY OF TOBACCO TAX, RSA 78

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The Tobacco Tax, RSA 78, was enacted by Laws of 1939, chapter 167.

| SESSION YEAR | EFFECTIVE DATE | CHAPTER | STATUTORY CHANGES | FILING THRESHOLD | TAX RATE |
|---|---|---|---|---|---|
| 1939 | | RSA 78 CH 167:1 | For cigarettes, the Department sells tobacco tax stamps to licensed wholesalers. | | 15%, based on the value at usual selling price of all Tobacco Products |
| 1965 | | CH 132 | RSA 78:9 establishes a discount rate, based on the volume of sales, as follows: 2-3/4% sales up to the first $500,000; 2-3/8% sales from $501,000 to $1M; 2% sales in excess of $1M. Based on annual sales from July 1st through June 30th. | | Increased to **21%** |
| 1967 | | CH 159 | | | Increased to **30%** |
| 1970 | | CH 5 | | | Increased to **34%** |
| 1971 | 7/1/71 | CH 475 | | | Increased to **42%** |
| 1975 | 7/1/75 | CH 466 | | | Changed the **flat rate of $0.12** per package of 20 cigarettes; no tax on other tobacco products. |
| 1983 | 7/1/83 | CH 469:103 | | | Increased to **$0.17** per package (to match the State of Vermont) |
| 1985 | 8/25/85 | CH 396:1 | Contingency plan to adjust the tax rate only if Vermont changed their tax rate. | | |
| 1986 | | CH 75:1 | | | Rate fixed at **$0.17** per package of 20 cigarettes, and $0.21 per package of 25 cigarettes. |
| 1989 | 7/1/89 | CH 336:1 | | | Rate fixed at **$0.21** per package of 20 cigarettes, and **$0.26¼** per package of 25 cigarettes, and proportional to packages of more or less. |
| 1990 | 2/20/90 | CH 5:1 | | | Increased to **$0.25** per package of 20 cigarettes, and **$0.31¼** per package of 25 cigarettes. |
| 1991 | 7/1/91 | CH 292 | Enacted a Smokeless Tobacco Tax, with a rate "…proportional to the cigarette tax, having such ratio to the usual wholesale price of the tobacco product other than cigarettes as the cigarette tax bears to the usual wholesale price of the cigarettes." This is a rate that must be periodically calculated by the Collection Division. | | |
| 1993 | 1/1/94 | CH 114 | Restructured licensing process so the license will expire in each even-numbered year (good for two years), with prices as follows:<br>Manufacturer $100<br>Wholesalers $250<br>Sub-jobber $150<br>Retailer $10<br>Vending Machine $10<br>Vending Machine Operator $70 | | |
| 1995 | 8/18/95 | CH 259:2 | Enacted a prohibition against the sale or distribution to persons under 18 years of age; anyone not complying is guilty of a violation with a fine of $100 for each offense. Also enacted restrictions on sale of tobacco products through vending machines. | | |
| 1997 | 1/1/97 | CH 351:57 | | | Increased the tax rate from $0.25 to $0.37. |
| 1997 | 1/1/98 | CH 338:2 | Added license fees for tobacco samplers and for each vending machine location. | | |
| 1997 | 1/1/98 | CH 338:7 | Enacted further restrictions on sale of tobacco products through vending machines. | | |
| 1999 | | CH 351:57 | | | Increased the rate of tobacco to $0.52 per pack of 20 not to include cigars, pipe tobacco and loose tobacco. |
| 2003 | 7/1/03 | CH 152 | | | Rate $0.52 per pack. 19% tax on tobacco other than cigarettes. |

## HISTORICAL SUMMARY OF TOBACCO TAX, RSA 78

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The Tobacco Tax, RSA 78, was enacted by Laws of 1939, chapter 167.

| SESSION YEAR | EFFECTIVE DATE | CHAPTER | STATUTORY CHANGES | FILING THRESHOLD | TAX RATE |
|---|---|---|---|---|---|
| 2003 | 7/1/03 | CH 319 | Tax stamps discount removed. Repealed comp for collecting tax. | | |
| 2005 | 7/1/05 | CH 177 | Added "loose tobacco" to definition of tobacco products. Inventory submitted as of 20 days of effective date. | | Increased tax from $0.52 to $0.80 |
| 2007 | 7/1/07 | CH 263 | | | $1.08 Tax imposed |
| 2009 | 7/1/09 | CH 144:2 (HB 2) | | | RSA 78:7, $0.45 increase in tax from $1.33 to $1.78 |
| 2009 | 7/1/09 | CH 144:3 | RSA 78:2, Inventory | | |
| 2009 | 7/1/09 | CH 144:177 | RSA 78:1 XIV, Added: Includes snuff and cigars but not premium cigars | | |
| 2009 | 7/1/09 | CH 144:178 | RSA 78:1 XX, Adds definition of premium cigars | | |
| 2009 | 7/1/09 | CH 144:179 | | | RSA 78:7-C, Rate increase from 19% to 48.59% of wholesale price. No tax on premium cigars |
| 2009 | 7/1/09 | CH 144:257 | | | RSA 78:32, I, Amount changed from $0.37 to $1.00 |
| 2010 | 6/10/10 | CH 1:45 | | | RSA 78:7-c, rate increase from 48.59% to 65.03% of wholesale price. No tax on premium cigars. |
| 2011 | 6/27/11 | CH 27 | RSA 78:12, substituting the word "return" for the word "report." | | |
| 2011 | 7/1/11 | CH 224:377-381 | | | RSA 78:7, $0.10 decrease in tax from $1.78 to $1.68<br>RSA 78:7-c, decrease in tax from 65.03% to 48% of wholesale price. Contingency for decrease in tax to remain - if the DRA reports that the amount of Tobacco Tax revenue received for July 1, 2011 through June 30, 2013 was equal to or above the amount received for the period of July 1, 2009 through June 30, 2011, then the Tobacco Tax rates shall remain at the decreased rates. |
| 2013 | 5/31/13 | CH 35 | RSA 78:1, XVII the definition of "cigarette" is amended to conform with the definition of "cigarette" under RSA 541-C:2, IV, the Master Settlement Agreement. | | |
| 2013 | 8/1/13 | CH 224:379-381, Laws of 2011 | | | The tax rate for each pack containing 20 cigarettes is increased from $1.68 to $1.78 per pack – a 10¢ increase.<br>The tax rate for each pack containing 25 cigarettes is increased from $2.10 to $2.23 per pack – a 13¢ increase.<br>The tax rate for all other tobacco products (OTP), except premium cigars, is increased from 48% to 65.03% of the wholesale sales price. |
| 2016 | 7/1/16 | CH 320 | Amends RSA 78:1, XXI, the definition of "premium cigar," to eliminate the criteria that the product wholesale for $2 or more. | | |

## HISTORICAL SUMMARY OF TOBACCO TAX, RSA 78

This document is only a brief summary of the subject matter, current as of the last revision date. It is not intended to be relied upon as the full and complete text. Please refer to the applicable forms, instructions, rules and to the laws cited below to determine how this information applies to specific persons or situations.

The Tobacco Tax, RSA 78, was enacted by Laws of 1939, chapter 167.

| SESSION YEAR | EFFECTIVE DATE | CHAPTER | STATUTORY CHANGES | FILING THRESHOLD | TAX RATE |
|---|---|---|---|---|---|
| 2019 | 1/1/20 | CH 178 | Simplifies, clarifies, and modernizes the Tobacco Tax Law. Although changes primarily editorial in nature, there are substantive changes including: (1) the wholesaler required to collect and pay the Tobacco Tax is the wholesaler who ships or transports the tobacco products to a retailer in this state; (2)every wholesaler is required to keep a sufficient number of recently purchased stamps on hand to pay the Tobacco Tax due on all cigarettes present at any premises in this state, and to file a monthly accounting of cigarettes and little cigars sold in packages of other than 20 or 25 and other tobacco products transferred to and from any premises in this state; (3) authority to suspend or revoke licenses to retailer, and assess an administrative fine in addition to or instead of a period of suspension. | | |
| 2019 | 1/1/20 | CH 346:92-94 | Amends the Tobacco Tax to include electronic cigarettes. Electronic cigarettes are treated as OTP but subject to different tax rates under RSA 78:2, II, one for closed cartridges or containers that are not intended to be opened (or "closed system" devices), and the other for containers that are intended to be opened ("open system" devices). For closed system devices, the tax is imposed at a rate of $0.30 per milliliter on the volume of the liquid or other substance containing nicotine in the cartridge or container. For open system devices, the tax is imposed at a rate of 8% of the wholesale sales price of the container of liquid or other substance containing nicotine. | | |
| 2025 | 7/1/25 | CH 224:1-18 | Changes references from Tobacco Tax Licenses to Tobacco Tax Certificates and requires wholesalers and manufacturers to have licenses issued by the Liquor Commission. | | |

## HISTORICAL SUMMARY OF RAILROAD TAX, RSA 82

This document is only a brief summary of the subject matter, current as of the last revision date. It is not intended to be relied upon as the full and complete text. Please refer to the applicable forms, instructions, rules and to the laws cited below to determine how this information applies to specific persons or situations.

The Railroad Tax, RSA 82, was enacted by Laws of 1990, chapter 9, effective March 31, 1990.

| SESSION YEAR | EFFECTIVE DATE | CHAPTER | STATUTORY CHANGES | FILING THRESHOLD | TAX RATE |
|---|---|---|---|---|---|
| 2005 | 7/1/05 | CH Law 93 | Changes assessment, collection, and appeals procedures. | | |
| 2010 | 7/1/10 | CH 60 | Makes various changes to RSA 82 relative to the definitions and procedures relating to the Railroad Tax. (Market value versus actual value, evidence of value, information filing to DRA on or before May 1st each year, and Failure to File penalty of 1% of the property tax (no less than $250 or more than $2,500) for failure to file the information, or obtain an extension to file. | | |

## HISTORICAL SUMMARY OF UTILITY PROPERTY TAX: 83-F

This document is only a brief summary of the subject matter, current as of the last revision date. It is not intended to be relied upon as the full and complete text. Please refer to the applicable forms, instructions, rules and to the laws cited below to determine how this information applies to specific persons or situations.

The Utility Property Tax, RSA 83-F, was enacted by Laws of 1999, chapter 17, effective April 29, 1999.
**Current Due Date:** Payment forms are due on or before January 15 each year.

| SESSION YEAR | EFFECTIVE DATE | CHAPTER | STATUTORY CHANGES | FILING THRESHOLD | TAX RATE |
|---|---|---|---|---|---|
| 1999 | 4/29/99 | CH 17 | RSA 83-F was adopted | | The rate is $6.60 per $1,000 of value of utility property. On December 1st of each year the DRA will determine the value of utility property as of the previous April 1st. |
| 2004 | 7/1/04 | CH 200 | Exempt from enhanced statewide education tax. | | |
| 2005 | 7/1/05 | CH 93:4,1,23 | Determine value Appeals payments and tax notice repealed public hearings | | |
| 2007 | 8/24/07 | CH 216:2 | RSA 83-F:5, VII and VIII added<br>Info filing penalties change of ownership | | |
| 2010 | 8/27/10 | CH 219:2 | RSA 83-F:3 amended to require utility property to be appraised at market value using generally accepted appraisal methods and techniques and to require the Commissioner to hold one annual public hearing prior to performing assessments for valuation of utility property of regulated public utilities. | | |
| 2010 | 8/27/10 | CH 219:3 | RSA 83-F:5, VIII amended to require a taxpayer acquiring utility property or assets to notify the Commissioner, in writing, no later than 30 days subsequent to the sale or transfer of the utility's property or asset. | | |
| 2011 | 7/1/11 | CH 59 | RSA 83-F:1, V amended to exclude from the definition of "utility property" anything that does not go into the stream of commerce. | | |
| 2021 | 8/26/21 | CH 229:12 | RSA 83-F:1, V amended to exclude limited producers of electricity (1 megawatt or less)from the definition of "utility property". | | |
| 2025 | 7/1/27 | CH 206:2 | RSA 83-F:1, V definition of "utility property" amended to exclude electricity generating property, except when owned by entities as defined in RSA 362:2, I that are engaged in the distribution and tranmission of electricity. | | |

## HISTORICAL SUMMARY OF COMMUTERS INCOME TAX, RSA 77-B

This document is only a brief summary of the subject matter, current as of the last revision date. It is not intended to be relied upon as the full and complete text. Please refer to the applicable forms, instructions, rules and to the laws cited below to determine how this information applies to specific persons or situations.

The Commuters Income Tax, RSA 77-B, was repealed by Laws of 2017, chapter 54, effective August 1, 2017.

| SESSION YEAR | EFFECTIVE DATE | CHAPTER | STATUTORY CHANGES | FILING THRESHOLD | TAX RATE |
|---|---|---|---|---|---|
| 1970 | | CH 20 | COMMUTERS INCOME TAX: 77-B DECLARED UNCONSTITUTIONAL 1975 | Enacted RSA 77-B. The tax was found unconstitutional in Austin v. New Hampshire, 420 U.S. 656, 95 Sect. 1191, 43 L.Ed.2d 530 (1975) | 4% of income derived outside of NH |
| 1975 | | | | Declared Unconstitutional | |
| 2017 | 8/1/17 | CH 54 | Repealed | | |

## HISTORICAL SUMMARY OF ELECTRICITY CONSUMPTION TAX, RSA 83-E

This document is only a brief summary of the subject matter, current as of the last revision date. It is not intended to be relied upon as the full and complete text. Please refer to the applicable forms, instructions, rules and to the laws cited below to determine how this information applies to specific persons or situations.

The Electricity Consumption Tax, RSA 83-E, was repealed by Laws of 2017, chapter 156, section 224, effective January 1, 2019.

| SESSION YEAR | EFFECTIVE DATE | CHAPTER | STATUTORY CHANGES | FILING THRESHOLD | TAX RATE |
|---|---|---|---|---|---|
| 1997 | 5/1/01 | CH 347 (HB 602) | | All persons, including governmental units, distributing, redistributing or transmitting electrical energy for consumption in this state. Effective 30 days after PUC certified (5/1/01). Enacted a new RSA 83-E, Electricity Consumption tax replacing RSA 83-C, Franchise Tax effective when electric utility deregulation is implemented. | A tax is imposed on the consumption in this state of electrical energy at the rate of $.00055 per kilowatt-hour. |
| 2017 | 1/1/19 | CH 156:224 | Repealed | | |

## HISTORICAL SUMMARY OF ESTATE TAX, RSA 87[1]

This document is only a brief summary of the subject matter, current as of the last revision date. It is not intended to be relied upon as the full and complete text. Please refer to the applicable forms, instructions, rules and to the laws cited below to determine how this information applies to specific persons or situations.

The Estate Tax, RSA 87, is currently void because the federal estate tax provisions that allow a credit for state death taxes against the decedent's federal estate (Internal Revenue Code section 2011) terminated with respect to the estates of decedents dying after December 31, 2004.

| SESSION YEAR | EFFECTIVE DATE | CHAPTER | STATUTORY CHANGES | FILING THRESHOLD | TAX RATE |
|---|---|---|---|---|---|
| 1931 | | CH 125:1 | A resident decedent's estate, which has a total gross estate of $600,000 or more and files a federal Form 706, must file with NH. A non-resident decedent's estate, which has real estate in NH and files a federal Form 706, must file with NH. | | The amount of the federal credit taken for state death taxes paid is what is sent to NH |
| 1995 | 8/18/95 | CH 246 | Apportionment of credit between states and report of federal changes | | |

[1] **RSA 87:9 Chapter Void, When. -** This chapter shall become void and of no effect in respect to the estates of persons who die subsequent to the effective date of the repeal of the federal estate tax provisions within the United States Internal Revenue Code of 1986, as amended, or that portion of such provisions that allow a credit for state death taxes against the decedent's federal estate tax. Source. 1931, 125:1, RL 88:9. 1995, 246:3, eff. Aug. 18, 1995.

## HISTORICAL SUMMARY OF FRANCHISE TAX (Electric), RSA 83-C

This document is only a brief summary of the subject matter, current as of the last revision date. It is not intended to be relied upon as the full and complete text. Please refer to the applicable forms, instructions, rules and to the laws cited below to determine how this information applies to specific persons or situations.

The Franchise Tax, RSA 83-C, was repealed by Laws of 1997, chapter 347, section 5, I, effective May 1, 2001.

| SESSION YEAR | EFFECTIVE DATE | CHAPTER | STATUTORY CHANGES | FILING THRESHOLD | TAX RATE |
|---|---|---|---|---|---|
| 1959 | 01/01/60 | CH 86:2 | RSA 83-A Franchise Tax was repealed | | |
| 1983 | 07/01/83 | CH 469:100 | RSA 83-B Franchise Tax was repealed | | 9% of the net utility operating income |
| | 07/01/83 | CH 469:98 | Enacted the present RSA 83-C. Public utilities engaged in the manufacture, generation, distribution, transmission or sale of gas or electricity pursuant to franchises granted by this state | | 1% |
| 1991 | 07/01/91 | CH 354:4 | Removed "electricity" from the language | | |
| 1993 | 04/16/93 | CH 49:2 | Reinserted "electricity" into the language | | |
| 1994 | 06/02/94 | CH 263: 1, 2 | Removed "Gas" from the language | | |
| 1997 | 07/01/97 | CH 347:5, I | Repealed 5/1/01<br>Enacted a new RSA 83-E, Electricity Consumption tax replacing RSA 83-C, Franchise Tax effective when electricity utility deregulation is implemented | | |
| 2001 | | | Repealed | | |

## HISTORICAL SUMMARY OF GAMBLING WINNINGS TAX, RSA 77:38-50

This document is only a brief summary of the subject matter, current as of the last revision date. It is not intended to be relied upon as the full and complete text. Please refer to the applicable forms, instructions, rules and to the laws cited below to determine how this information applies to specific persons or situations.

The Gambling Winnings Tax, RSA 77:38-50, was repealed by Laws of 2011, chapter 47, effective May 23, 2011.

| SESSION YEAR | EFFECTIVE DATE | CHAPTER | STATUTORY CHANGES | FILING THRESHOLD | TAX RATE |
|---|---|---|---|---|---|
| 2009 | 7/1/09 | CH 144:249-253 | Enacted this tax. The New Hampshire Gambling Tax is a 10% tax on any and all gambling winnings. RSA 77:38, III defines "gambling winnings" as winnings from lotteries and games of chance including, but not limited to bingo, slot machines, keno, poker tournaments, and any other gambling winnings subject to federal income tax withholding. | | 10% |
| 2010 | 7/23/10 | CH 371 | Amends RSA 77:41, II exempting the gambling tax on gambling winnings won prior to 1/1/1999 and distributed in annuity payments. | | |
| 2011 | 5/23/11 | CH 47 | **Repealed**. Applicable to all gambling winnings received on or after May 23, 2011. | | |

## HISTORICAL SUMMARY OF LEGACY AND SUCCESSION TAX, RSA 86

This document is only a brief summary of the subject matter, current as of the last revision date. It is not intended to be relied upon as the full and complete text. Please refer to the applicable forms, instructions, rules and to the laws cited below to determine how this information applies to specific persons or situations.

The Legacy and Succession Tax, RSA 86, was repealed by Laws of 2002, chapter 232, section 14, II, effective January 1, 2003.

| SESSION YEAR | EFFECTIVE DATE | CHAPTER | STATUTORY CHANGES | FILING THRESHOLD | TAX RATE |
|---|---|---|---|---|---|
| 1905 | | | RSA 86, first enacted in 1905, as far as can be determined, it was enacted at 8½%<br>Executors or administrators of every estate subject to tax under this chapter. A tax liability occurs when a bequest, joint transfer, or the rest and residue is granted to a taxable legatee such as, but not limited to brothers, sisters, aunts, uncles, cousins, friends and neighbors. | | 9% |
| 1965 | | CH 65:1 | | | Increased the rate to 10% |
| 1970 | | CH 5:4 | | | Increased the rate to 15% |
| 1977 | 6/30/97 | CH 467 | Amended 86:6 I to read: All property within the jurisdiction of the state, real or personal and any interest therein, belonging to domiciliaries of the state. Amended 86:6 II to include the decedent's share of a homestead, which for a period of one year immediately preceding the date of death of the decedent, was jointly owned and occupied as a place of residence by the decedent and by the brother or sister or both, shall be exempt from the tax if said homestead passes to or for the use of said brother or sister. | | |
| 1991 | 7/31/91 | CH 348 | Significantly restructured how this tax is administered, resulting in extensive redesign of the tax forms | | Increased the rate to 18% |
| 1991 | 7/2/91 | CH 353:1 | | | |
| 1995 | 7/1/95 | CH 250:6 | RSA 86:21 amended, effective 7/1/95 requiring executors, administrators and trustees to file an inventory with Probate and DRA | | |
| 1995 | 7/1/95 | CH 250 | Clarifications on adopted or step children, allowed compensation and deductions, reports of trusts… | | |
| 1997 | 7/1/97 | CH 128 | If a return is not filed within 9 months, penalties shall not accrue as of the date an estimated tax payment is made of a least 90% of the tax due | | |
| 2001 | 1/1/03 | CH 158 | Repeal RSA 86:6, relative to taxable property under and tax rate of the legacies and successions tax, is repealed.<br>This act shall apply only to estates established as the result of deaths on or after January 1, 2003. | | |
| 2002 | 1/1/03 | CH 232:14, II | Entire chapter repealed. | | |
| 2004 | 1/1/05 | CH 99 Section 3 | Change reference from Natural Parent to Birth Parent | | |

## HISTORICAL SUMMARY OF NON-RESIDENT PERSONAL PROPERTY TRANSFER TAX, RSA 89

This document is only a brief summary of the subject matter, current as of the last revision date. It is not intended to be relied upon as the full and complete text. Please refer to the applicable forms, instructions, rules and to the laws cited below to determine how this information applies to specific persons or situations.

The Non-Resident Personal Property Transfer Tax, RSA 89, was repealed by Laws of 2002, chapter 232, section 14, III, effective January 1, 2003.

| SESSION YEAR | EFFECTIVE DATE | CHAPTER | STATUTORY CHANGES | FILING THRESHOLD | TAX RATE |
|---|---|---|---|---|---|
| 1921 | | CH 70 | A non-resident decedent's estate owning tangible personal property in NH must file | | 2% |
| 2002 | 1/1/03 | CH 232:14, III | Repealed | | |

## HISTORICAL SUMMARY OF NUCLEAR STATION PROPERTY TAX, RSA 83-D

This document is only a brief summary of the subject matter, current as of the last revision date. It is not intended to be relied upon as the full and complete text. Please refer to the applicable forms, instructions, rules and to the laws cited below to determine how this information applies to specific persons or situations.

The Nuclear Station Property Tax, RSA 83-D, was repealed by Laws of 1999, chapter 17, section 58, V, effective April 1, 1999.

| SESSION YEAR | EFFECTIVE DATE | CHAPTER | STATUTORY CHANGES | FILING THRESHOLD | TAX RATE |
|---|---|---|---|---|---|
| 1991 | 7/1/91 | CH 354:1 | Enacted RSA 83-D, and amended RSA 83-C to remove electric companies | | For taxable periods ending before 1/1/93, 0.64 percent of valuation as of April 1. For taxable period ending 12/31/93, 0.491 percent of valuation as of April 1. For taxable periods ending after 12/31/94, 0.25 percent of valuation as of April 1. |
| 1992 | 5/19/92 | CH 13:10 | Repealed relative to the administration of the tax on nuclear station property | | |
| 1993 | For taxable periods ending before 1/1/93 | CH 49:4 | A tax is imposed upon the value of nuclear station property | | .64% of valuation, to be assessed annually as of 4/1 |
| 1993 | For taxable periods ending 12/31/93 | | A tax is imposed upon the value of nuclear station property | | .491% of valuation, to be assessed as of 4/1/93 |
| 1993 | For taxable periods ending 12/31/94 | | A tax is imposed upon the value of nuclear station property | | .491% of valuation, to be assessed as of 4/1/94. For taxable periods ending after 12/31/94, 0.25 percent of valuation as of April 1. |
| 1993 | 1/1/93 | CH 83-D:4 | | | Valuation - for the purposes of the tax assessed prior to 4/1/93, the Commissioner of DRA shall determine the valuation of nuclear station property using the standard estimate pursuant to RSA 75:1. For purposes of the tax imposed by this chapter assessed as of 4/1/93 and for every year thereafter, the valuation of nuclear property shall be $3,000,000,000. |
| 1999 | 4/1/99 | CH 17:58, V | The Nuclear Station Property Tax is repealed eff. 4/1/99 | | Subject to the utility property tax |

## HISTORICAL SUMMARY OF SAVINGS BANK TAX, RSA 84

This document is only a brief summary of the subject matter, current as of the last revision date. It is not intended to be relied upon as the full and complete text. Please refer to the applicable forms, instructions, rules and to the laws cited below to determine how this information applies to specific persons or situations.

The Savings Bank Tax, RSA 84, was repealed by Laws of 1993, chapter 350, section 41, IV, effective July 1, 1993.

| SESSION YEAR | EFFECTIVE DATE | CHAPTER | STATUTORY CHANGES | FILING THRESHOLD | TAX RATE |
|---|---|---|---|---|---|
| 1923 | | CH 22 | | | |
| 1935 | | | Since 1935, it was based upon Capital Stock value, plus interest, Dividends, and other divided profits for the 12 months preceding April 1st, less $10,000, multiplied by 1% | | |
| 1961 | 3/31/62 | CH 249:2 | Repealed 84:8 - 84:16, Savings Banks, Trust Companies, Building and Loan associations, etc. Added 84:16 a-e | | |
| 1989 | 6/18/89 | CH 50 | Amended 84:16 - b, c & d | Established a Declaration of Estimated Tax, with payment of 1/4 of the estimated tax to be made on 6/15, 9/15, 12/15 and 3/15 | |
| 1993 | 7/1/93 | CH 350:41, IV | Repealed RSA 84. The banks are now paying the BET and included in their enterprise base is the interest, which they pay to depositors. | | |

## HISTORICAL SUMMARY OF TELEPHONE TAX (Property Tax), RSA 82

This document is only a brief summary of the subject matter, current as of the last revision date. It is not intended to be relied upon as the full and complete text. Please refer to the applicable forms, instructions, rules and to the laws cited below to determine how this information applies to specific persons or situations.

The Telephone Tax, RSA 82, was repealed by Laws of 1990, chapter 9, effective March 31, 1990.

| SESSION YEAR | EFFECTIVE DATE | CHAPTER | Statutory Changes | FILING THRESHOLD | TAX RATE |
|---|---|---|---|---|---|
| 1911 | | RSA 82 | Enacted | | |
| 1990 | 3/31/90 | CH 9:3 | Repealed | | |

# 2024 Tables by County

This report presents the 2024 Tables by County as compiled by the New Hampshire Department of Revenue Administration pursuant to RSA 21-J:3, XII, which states:

> *"XII. File with the secretary of state his report showing all the taxable property in the state and its assessed value, in tabulated form, and such other statistics and information as may be deemed of interest. This report shall be filed not later than 30 days after all necessary figures become available."*

Annually, each municipality is required to certify to the Department of Revenue Administration the assessed valuation of all taxable property in that municipality. This information is reported on the MS-1 Report, Summary Inventory of Valuation.

Assessment information is also gathered with regards to exemptions and tax credits as well as taxes raised by each municipality. An exemption is an amount deducted from a taxpayer's assessment. A tax credit is an amount deducted from the taxes due by a taxpayer.

The following is an explanation of the information contained in this report.

LAND VALUATION: The sum of the *taxable* land valuations for the following land subcategories:

- RSA 79-A, Current Use
- RSA 79-B, Conservation Restriction
- RSA 79-C, Discretionary Easement
- RSA 79-D, Discretionary Preservation Easement
- RSA 79-F, Taxation of Farm Structures and Land Under Farm Structures
- Residential
- Commercial/Industrial

*The values in the above columns are prior to the application of any exemption and do not include any utility land value.*

BUILDING VALUATION: The sum of the *taxable* building valuations for the following building subcategories:

- Residential
- RSA 674:31, Manufactured (MFG) Housing
- Commercial/Industrial
- RSA 79-D, Discretionary Preservation Easement
- RSA 79-F, Taxation of Farm Structures and Land Under Farm Structures

*The values in the above columns are prior to the application of any exemptions and do not include utility building value.*

PUBLIC UTILITIES: The figure represents the sum of all utility values classified as PUBLIC WATER, GAS, ELECTRIC, OIL, PIPELINE or OTHER pursuant to RSA 83-F. OTHER utilities include utilities that the Department of Revenue Administration has not appraised. Some examples of OTHER utilities include hydro-electric plants, water suppliers, and certain gas companies.

MATURE WOOD & TIMBER: As per RSA 79:5.

GROSS VALUATION: Gross valuation represents the valuation of all *taxable* property in each municipality prior to adjustments for property tax exemptions.

EDUCATIONAL & SPECIAL EXEMPTIONS: The sum of the following exemptions granted:

- RSA 72:36-a, Certain Disabled Veterans
- RSA 72:37-a, Improvements to Assist Persons with Disabilities
- RSA 72:38-b, Improvements to Assist the Deaf
- RSA 72:23, IV, School Dining, Dormitory and Kitchen Exemption (maximum $150,000 per property)
- RSA 72:12-a, Water & Air Pollution Control Facilities Exemption

MODIFIED ASSESSED VALUATION: Modified assessed valuation represents the sum of the gross valuation minus the educational and special exemptions. The modified assessed valuation is the basis for calculating the equalized values for each municipality.

LOCAL EXEMPTIONS OR EXEMPTIONS WITH OPTIONAL ELEMENTS: Each municipality has adopted an elderly exemption. The amount of the exemption and the specific criteria (asset and income limits) to qualify are determined locally within statutory requirements. Each municipality may adopt or modify the other exemptions listed below in this section:

- RSA 72:37, Blind Exemption
- RSA 72:37-b, Disabled Exemption
- RSA 72:38-b, Deaf Exemption
- RSA 72:39-a &-b, Elderly Exemption
- RSA 72:70, Wood-Heating Energy Systems Exemption
- RSA 72:62, Solar Energy Systems Exemption
- RSA 72:66, Wind-Powered Energy Systems Exemption
- RSA 72:23, IV, Additional School Dining, Dormitory and Kitchen Exemption (amount > $150,000 per property)
- RSA 72:85, Exemption for Electric Energy Storage Systems
- RSA 72:87, Renewable Generation Facilities & Electric Energy Systems

NET LOCAL ASSESSED VALUATION: Net local assessed valuation represents the sum of the modified assessed valuation minus the value of the blind, elderly and local optional exemptions.

GROSS PROPERTY TAXES: Gross Property taxes represent the sum of the net tax commitment plus the veterans' tax credits. The Department of Revenue Administration's Municipal Bureau establishes the property tax rate using this figure.

LESS VETERANS' CREDITS: Veterans' credits represent the sum of credits granted pursuant to RSA 72:28; 72:28-b; 72:28-c; 72:29-a; 72:32 and RSA 72:35.

NET TAX COMMITMENT: Net tax commitment represents the sum of gross property taxes minus the sum of the veteran tax credits. The amount a municipality must actually raise in taxes equals the sum of the amount appropriated by the municipal legislative body minus any revenues.

ACTUAL TAX RATE: The actual tax rate equals the sum of the municipal, county, local and statewide school education property tax rates. This tax rate does not include village district or precinct tax rates.

RESIDENT TAX: Resident tax represents the sum of monies collected by a municipality for the Residents Tax pursuant to RSA 72:1.

COUNTY SUMMARY: The county summary represents the totals for each of the above listed columns for all ten counties in the state. The county tax rate listed is the average county tax rate and is calculated by taking the sum of the tax rates for all municipalities in a county and dividing by the number of municipalities.

EDUCATIONAL & SPECIAL EXEMPTIONS REPORT: This report provides a breakdown of the educational and special exemptions granted by municipalities. These are not optional.

LOCAL OPTIONAL EXEMPTIONS REPORT: This report provides a breakdown of what each municipality currently grants. These are optional and must be adopted by the legislative body of the municipality.

For further explanation about any information contained in this report, please contact the Department of Revenue Administration, Municipal & Property Division at (603) 230-5950.

## MUNICIPAL AND PROPERTY DIVISION

**2024 Tables by County**

**County Summary**

| COUNTY | RSA 79-A Current Use Land | RSA 79-B Conservation Restriction Land | RSA 79-C Discretionary Easement Land | RSA 79-D Discretionary Preservation Easement Land | RSA 79-F Land Under Farm Structures | Residential Land |
|---|---|---|---|---|---|---|
| Belknap | 12,691,340 | 117,423 | 449,166 | 47,763 | 15,200 | 8,517,699,740 |
| Carroll | 17,749,155 | 512,252 | 373,800 | 65,975 | 200 | 10,544,105,977 |
| Cheshire | 21,592,608 | 167,913 | 26,180 | 6,500 | 10 | 2,488,014,800 |
| Coos | 28,047,813 | 36,838 | 0 | 22,375 | 0 | 1,232,029,108 |
| Grafton | 34,429,397 | 297,308 | 4,069 | 60,775 | 0 | 5,846,906,277 |
| Hillsborough | 22,827,228 | 39,838 | 220,125 | 79,664 | 138,500 | 16,343,026,145 |
| Merrimack | 27,927,548 | 99,551 | 122,026 | 102,729 | 27,200 | 7,286,046,101 |
| Rockingham | 13,741,022 | 195,655 | 1,352,344 | 52,034 | 0 | 23,909,086,645 |
| Strafford | 10,865,526 | 60,790 | 282,466 | 53,100 | 0 | 5,668,012,495 |
| Sullivan | 20,162,978 | 11,009 | 295,315 | 2,400 | 0 | 2,552,674,744 |
| State Totals | 210,034,615 | 1,538,577 | 3,125,491 | 493,315 | 181,110 | 84,387,602,032 |

| COUNTY | Commercial / Industrial Land | Residential Buildings | Manufactured Housing | Commercial / Industrial Buildings | RSA 79-D Discretionary Preservation Easement Buildings | RSA 79-F Farm Structures |
|---|---|---|---|---|---|---|
| Belknap | 623,112,363 | 10,141,853,253 | 358,213,009 | 1,254,925,867 | 252,105 | 73,771 |
| Carroll | 664,226,100 | 12,184,881,916 | 260,746,101 | 1,074,499,150 | 753,565 | 101,665 |
| Cheshire | 376,319,244 | 5,503,260,062 | 165,857,148 | 1,248,886,096 | 230,156 | 20,544 |
| Coos | 152,532,475 | 2,571,949,666 | 100,263,825 | 577,651,244 | 76,490 | 0 |
| Grafton | 1,022,363,132 | 10,921,341,539 | 280,004,602 | 2,491,442,468 | 349,547 | 0 |
| Hillsborough | 3,777,012,396 | 37,773,945,283 | 373,155,480 | 10,029,899,185 | 596,407 | 947,100 |
| Merrimack | 1,312,931,619 | 13,711,234,796 | 377,967,650 | 2,919,170,539 | 759,226 | 154,690 |
| Rockingham | 4,567,993,986 | 39,334,236,792 | 927,131,075 | 8,653,082,081 | 1,520,699 | 0 |
| Strafford | 1,223,335,042 | 11,493,784,781 | 754,400,325 | 3,191,787,478 | 420,901 | 0 |
| Sullivan | 198,083,805 | 4,206,416,270 | 128,709,355 | 572,838,779 | 153,581 | 0 |
| State Totals | 13,917,910,162 | 147,842,904,358 | 3,726,448,570 | 32,014,182,887 | 5,112,677 | 1,297,770 |

| COUNTY | Public Water Utilities | Gas / Oil Utilities | Electric Utilities | Other | Mature Wood Timber | Gross Valuation |
|---|---|---|---|---|---|---|
| Belknap | 11,126,904 | 43,707,779 | 247,937,166 | 0 | 0 | 21,212,222,849 |
| Carroll | 6,436,595 | 0 | 249,592,000 | 0 | 0 | 25,004,044,451 |
| Cheshire | 215,523 | 10,321,400 | 552,788,731 | 0 | 0 | 10,367,706,915 |
| Coos | 1,184,600 | 207,135,269 | 546,756,660 | 23,500 | 0 | 5,417,709,863 |
| Grafton | 626,500 | 0 | 1,203,501,467 | 410,100 | 0 | 21,801,737,181 |
| Hillsborough | 187,729,100 | 451,828,344 | 1,309,879,947 | 0 | 0 | 70,271,324,742 |
| Merrimack | 4,550,300 | 169,661,100 | 896,483,630 | 202,300 | 0 | 26,707,441,005 |
| Rockingham | 96,167,202 | 353,428,631 | 3,950,415,435 | 165,600 | 0 | 81,808,569,201 |
| Strafford | 1,752,500 | 136,866,600 | 499,889,458 | 9,000 | 0 | 22,981,520,462 |
| Sullivan | 0 | 0 | 192,326,944 | 0 | 0 | 7,871,675,180 |
| State Totals | 309,789,224 | 1,372,949,123 | 9,649,571,438 | 810,500 | 0 | 293,443,951,849 |

## MUNICIPAL AND PROPERTY DIVISION

**2024 Tables by County**

**County Summary**

| COUNTY | Educational & Special Exemptions | Modified Assessed Valuation | Blind Exemption | Elderly Exemption | Local Optional Exemptions | Net Valuation |
|---|---|---|---|---|---|---|
| Belknap | 4,091,837 | 21,208,131,012 | 875,000 | 20,393,000 | 6,865,251 | 21,179,997,761 |
| Carroll | 301,600 | 25,003,742,851 | 300,000 | 19,315,150 | 5,194,108 | 24,978,933,593 |
| Cheshire | 2,318,815 | 10,365,388,100 | 519,000 | 19,003,235 | 17,440,120 | 10,328,425,745 |
| Coos | 675,500 | 5,417,034,363 | 330,000 | 4,413,450 | 1,842,616 | 5,410,448,297 |
| Grafton | 4,688,325 | 21,797,048,856 | 635,500 | 39,734,070 | 10,923,337 | 21,745,755,949 |
| Hillsborough | 10,977,585 | 70,260,347,157 | 11,090,260 | 447,875,848 | 67,299,392 | 69,734,081,657 |
| Merrimack | 8,442,220 | 26,698,998,785 | 4,185,000 | 117,170,311 | 19,239,345 | 26,558,404,129 |
| Rockingham | 198,953,463 | 81,609,615,738 | 3,957,408 | 444,597,420 | 55,337,386 | 81,105,723,524 |
| Strafford | 4,071,600 | 22,977,448,862 | 3,127,000 | 172,874,662 | 40,811,523 | 22,760,635,677 |
| Sullivan | 4,736,100 | 7,866,939,080 | 256,000 | 13,024,966 | 5,965,611 | 7,847,692,503 |
| State Totals | 239,257,045 | 293,204,694,804 | 25,275,168 | 1,298,402,112 | 230,918,689 | 291,650,098,835 |

| COUNTY | Gross Property Taxes | Less Veterans' Credits | Net Tax Commitment | 2024 Actual Tax Rate | 2024 Resident Tax |
|---|---|---|---|---|---|
| Belknap | 265,464,618 | 2,505,108 | 262,959,510 | 12.42 | 0 |
| Carroll | 227,150,177 | 1,986,095 | 225,164,082 | 9.01 | 0 |
| Cheshire | 242,631,984 | 2,072,453 | 240,559,531 | 23.29 | 0 |
| Coos | 100,835,673 | 515,600 | 100,320,073 | 18.54 | 0 |
| Grafton | 382,206,619 | 2,166,972 | 380,039,647 | 17.48 | 37,146 |
| Hillsborough | 1,308,933,313 | 9,868,242 | 1,299,065,071 | 18.63 | 0 |
| Merrimack | 533,675,081 | 3,542,560 | 530,132,521 | 19.96 | 0 |
| Rockingham | 1,240,061,198 | 10,630,539 | 1,229,430,659 | 15.16 | 0 |
| Strafford | 396,303,980 | 3,929,075 | 392,374,905 | 17.24 | 0 |
| Sullivan | 150,124,952 | 1,117,970 | 149,006,982 | 18.99 | 0 |
| State Totals | 4,847,387,595 | 38,334,614 | 4,809,052,981 | 16.49 | 37,146 |

## MUNICIPAL AND PROPERTY DIVISION

**2024 Tables by County**

**Alpha Order by Municipality**

| MUNICIPALITY | RSA 79-A Current Use Land | RSA 79-B Conservation Restriction Land | RSA 79-C Discretionary Easement Land | RSA 79-D Discretionary Preservation Easement Land | RSA 79-F Land Under Farm Structures | Residential Land |
|---|---|---|---|---|---|---|
| Acworth | 1,459,310 | 0 | 0 | 0 | 0 | 36,780,100 |
| Albany | 156,084 | 0 | 0 | 0 | 0 | 39,263,600 |
| Alexandria | 1,019,621 | 0 | 0 | 0 | 0 | 86,643,200 |
| Allenstown | 252,479 | 487 | 0 | 0 | 0 | 138,557,800 |
| Alstead | 1,056,097 | 26,745 | 0 | 0 | 0 | 66,337,000 |
| Alton | 1,063,010 | 59,777 | 0 | 11,300 | 0 | 1,204,248,600 |
| Amherst | 918,700 | 14,600 | 0 | 0 | 0 | 609,725,651 |
| Andover | 1,181,643 | 0 | 0 | 100 | 0 | 179,834,600 |
| Antrim | 1,140,387 | 0 | 0 | 11,870 | 0 | 170,546,969 |
| Ashland | 230,207 | 0 | 0 | 0 | 0 | 144,105,900 |
| Atkinson | 104,298 | 0 | 0 | 225 | 0 | 520,608,800 |
| Atkinson & Gilmanton | 407,540 | 0 | 0 | 0 | 0 | 291,100 |
| Auburn | 333,233 | 0 | 0 | 3,200 | 0 | 444,624,000 |
| Barnstead | 1,751,725 | 43,194 | 270 | 3,300 | 0 | 452,255,450 |
| Barrington | 1,232,176 | 0 | 78 | 0 | 0 | 488,037,700 |
| Bartlett | 480,775 | 267 | 0 | 0 | 0 | 416,230,400 |
| Bath | 2,231,179 | 0 | 0 | 0 | 0 | 44,354,400 |
| Bean's Grant | 0 | 0 | 0 | 0 | 0 | 0 |
| Bean's Purchase | 0 | 0 | 0 | 0 | 0 | 0 |
| Bedford | 299,903 | 343 | 0 | 0 | 0 | 1,738,548,415 |
| Belmont | 1,089,839 | 0 | 0 | 33,163 | 0 | 420,682,205 |
| Bennington | 422,644 | 0 | 0 | 0 | 0 | 70,018,600 |
| Benton | 447,397 | 0 | 0 | 0 | 0 | 18,715,200 |
| Berlin | 517,577 | 0 | 0 | 0 | 0 | 78,038,620 |
| Bethlehem | 1,279,283 | 0 | 0 | 0 | 0 | 99,931,300 |
| Boscawen | 1,124,294 | 0 | 0 | 1,200 | 0 | 168,213,800 |
| Bow | 292,402 | 0 | 0 | 8,800 | 0 | 403,956,194 |
| Bradford | 1,178,720 | 4,974 | 0 | 0 | 0 | 193,052,350 |
| Brentwood | 672,314 | 0 | 0 | 0 | 0 | 186,292,450 |
| Bridgewater | 745,200 | 0 | 0 | 0 | 0 | 378,017,500 |
| Bristol | 273,792 | 0 | 0 | 0 | 0 | 175,259,000 |
| Brookfield | 884,509 | 0 | 0 | 0 | 0 | 69,784,500 |
| Brookline | 468,864 | 1,092 | 2,546 | 0 | 0 | 390,411,200 |
| Cambridge | 1,093,390 | 0 | 0 | 0 | 0 | 6,683,800 |
| Campton | 1,173,341 | 0 | 0 | 0 | 0 | 306,716,400 |
| Canaan | 1,280,880 | 14,502 | 0 | 1,250 | 0 | 184,463,100 |
| Candia | 565,531 | 0 | 0 | 7,100 | 0 | 391,225,700 |
| Canterbury | 1,329,201 | 4,366 | 0 | 4,095 | 0 | 126,832,200 |
| Carroll | 350,956 | 0 | 0 | 0 | 0 | 117,647,233 |
| Center Harbor | 354,713 | 4,228 | 0 | 0 | 0 | 515,965,000 |
| Chandler's Purchase | 0 | 0 | 0 | 0 | 0 | 0 |
| Charlestown | 1,410,232 | 0 | 0 | 300 | 0 | 61,967,278 |
| Chatham | 334,728 | 0 | 0 | 0 | 0 | 33,183,200 |
| Chester | 877,042 | 0 | 0 | 200 | 0 | 326,159,600 |

## MUNICIPAL AND PROPERTY DIVISION

**2024 Tables by County**

**Alpha Order by Municipality**

| MUNICIPALITY | Commercial / Industrial Land | Residential Buildings | Manufactured Housing | Commercial / Industrial Buildings | RSA 79-D Discretionary Preservation Easement Buildings | RSA 79-F Farm Structures |
|---|---|---|---|---|---|---|
| Acworth | 757,600 | 77,347,200 | 1,504,600 | 3,171,500 | 0 | 0 |
| Albany | 5,721,000 | 73,498,065 | 2,210,400 | 15,150,300 | 0 | 0 |
| Alexandria | 2,374,700 | 184,861,200 | 8,179,400 | 3,567,300 | 0 | 0 |
| Allenstown | 29,870,800 | 214,935,700 | 57,262,500 | 83,355,900 | 0 | 0 |
| Alstead | 1,019,600 | 116,330,581 | 2,583,900 | 3,828,300 | 17,820 | 0 |
| Alton | 52,046,400 | 895,692,350 | 16,311,700 | 64,511,300 | 50,078 | 0 |
| Amherst | 70,802,925 | 1,487,734,400 | 6,063,500 | 174,951,700 | 0 | 0 |
| Andover | 18,590,500 | 309,855,854 | 11,171,100 | 20,514,480 | 4,946 | 0 |
| Antrim | 7,432,500 | 211,181,010 | 2,055,820 | 16,018,790 | 25,750 | 0 |
| Ashland | 14,490,788 | 219,468,580 | 5,815,740 | 34,979,800 | 0 | 0 |
| Atkinson | 25,693,800 | 996,496,874 | 0 | 45,285,000 | 18,626 | 0 |
| Atkinson & Gilmanton | 0 | 336,720 | 0 | 0 | 0 | 0 |
| Auburn | 41,163,900 | 861,641,748 | 2,484,500 | 66,078,300 | 35,252 | 0 |
| Barnstead | 9,455,000 | 567,846,483 | 16,473,600 | 13,039,200 | 13,117 | 0 |
| Barrington | 42,681,400 | 1,134,875,500 | 52,138,400 | 127,490,300 | 0 | 0 |
| Bartlett | 48,957,500 | 1,484,505,300 | 4,341,000 | 114,930,300 | 0 | 0 |
| Bath | 1,473,100 | 78,647,100 | 2,139,000 | 2,801,800 | 0 | 0 |
| Bean's Grant | 0 | 0 | 0 | 0 | 0 | 0 |
| Bean's Purchase | 0 | 0 | 0 | 0 | 0 | 0 |
| Bedford | 233,555,300 | 3,427,830,200 | 168,200 | 742,871,543 | 0 | 0 |
| Belmont | 71,784,170 | 761,302,417 | 112,560,500 | 108,162,260 | 52,000 | 0 |
| Bennington | 4,478,400 | 121,890,000 | 2,131,000 | 16,165,200 | 0 | 0 |
| Benton | 300,300 | 30,866,700 | 2,251,600 | 359,300 | 0 | 0 |
| Berlin | 9,082,180 | 402,117,795 | 3,000,300 | 45,280,622 | 0 | 0 |
| Bethlehem | 8,010,400 | 302,970,684 | 9,144,902 | 89,658,500 | 0 | 0 |
| Boscawen | 24,097,200 | 259,172,951 | 18,161,700 | 45,246,166 | 25,149 | 0 |
| Bow | 104,547,702 | 1,183,666,650 | 0 | 215,038,350 | 88,000 | 0 |
| Bradford | 7,241,200 | 231,882,100 | 2,744,600 | 16,198,900 | 0 | 0 |
| Brentwood | 30,374,355 | 458,019,942 | 1,361,675 | 60,893,990 | 21,150 | 0 |
| Bridgewater | 13,919,600 | 376,890,500 | 5,360,200 | 15,443,500 | 0 | 0 |
| Bristol | 18,361,800 | 301,273,700 | 14,303,100 | 40,239,200 | 0 | 0 |
| Brookfield | 450,000 | 167,980,111 | 556,500 | 1,006,500 | 0 | 0 |
| Brookline | 21,426,100 | 723,300,531 | 2,253,800 | 19,034,884 | 0 | 0 |
| Cambridge | 94,700 | 4,499,140 | 41,800 | 82,410 | 0 | 0 |
| Campton | 16,031,300 | 473,413,501 | 15,416,300 | 27,907,400 | 0 | 0 |
| Canaan | 11,844,600 | 185,547,891 | 25,430,500 | 52,810,100 | 8,592 | 0 |
| Candia | 13,258,200 | 482,977,370 | 3,375,300 | 28,919,800 | 50,400 | 0 |
| Canterbury | 6,386,900 | 224,575,649 | 137,600 | 10,401,395 | 37,351 | 0 |
| Carroll | 13,248,238 | 382,891,650 | 2,558,415 | 115,090,992 | 0 | 0 |
| Center Harbor | 10,207,658 | 215,326,344 | 2,032,425 | 17,913,287 | 0 | 0 |
| Chandler's Purchase | 33,800 | 0 | 0 | 7,080 | 0 | 0 |
| Charlestown | 7,448,222 | 182,890,966 | 27,336,700 | 46,982,034 | 52,600 | 0 |
| Chatham | 172,600 | 68,766,700 | 883,100 | 854,600 | 0 | 0 |
| Chester | 6,088,701 | 740,923,990 | 18,992,700 | 13,823,200 | 20,910 | 0 |

## MUNICIPAL AND PROPERTY DIVISION

**2024 Tables by County**

**Alpha Order by Municipality**

| MUNICIPALITY | Public Water Utilities | Gas / Oil Utilities | Electric Utilities | Other | Mature Wood Timber | Gross Valuation | Educational & Special Exemptions |
|---|---|---|---|---|---|---|---|
| Acworth | 0 | 0 | 2,825,706 | 0 | 0 | 123,846,016 | 0 |
| Albany | 190,901 | 0 | 2,423,800 | 0 | 0 | 138,614,150 | 0 |
| Alexandria | 0 | 0 | 14,088,000 | 0 | 0 | 300,733,421 | 0 |
| Allenstown | 0 | 2,901,000 | 6,833,800 | 0 | 0 | 533,970,466 | 0 |
| Alstead | 0 | 0 | 4,139,200 | 0 | 0 | 195,339,243 | 0 |
| Alton | 0 | 0 | 9,109,200 | 0 | 0 | 2,243,103,715 | 798,100 |
| Amherst | 8,612,600 | 4,564,200 | 69,007,200 | 0 | 0 | 2,432,395,476 | 490,200 |
| Andover | 0 | 0 | 31,726,100 | 0 | 0 | 572,879,323 | 150,000 |
| Antrim | 0 | 0 | 30,687,600 | 0 | 0 | 439,100,696 | 75,000 |
| Ashland | 0 | 0 | 37,235,300 | 0 | 0 | 456,326,315 | 1,174,450 |
| Atkinson | 9,391,400 | 2,398,000 | 9,281,000 | 0 | 0 | 1,609,278,023 | 70,000 |
| Atkinson & Gilmanton | 0 | 0 | 0 | 0 | 0 | 1,035,360 | 0 |
| Auburn | 0 | 205,500 | 17,868,650 | 0 | 0 | 1,434,438,283 | 1,114,676 |
| Barnstead | 9,112,374 | 0 | 12,381,000 | 0 | 0 | 1,082,374,713 | 0 |
| Barrington | 0 | 0 | 40,768,464 | 0 | 0 | 1,887,224,018 | 677,500 |
| Bartlett | 0 | 0 | 18,400,000 | 0 | 0 | 2,087,845,542 | 0 |
| Bath | 0 | 0 | 23,474,900 | 0 | 0 | 155,121,479 | 0 |
| Bean's Grant | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Bean's Purchase | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Bedford | 10,050,600 | 12,797,000 | 102,716,900 | 0 | 0 | 6,268,838,404 | 0 |
| Belmont | 571,800 | 2,419,500 | 25,236,389 | 0 | 0 | 1,503,894,243 | 1,873,037 |
| Bennington | 0 | 0 | 5,597,500 | 0 | 0 | 220,703,344 | 0 |
| Benton | 0 | 0 | 2,169,700 | 0 | 0 | 55,110,197 | 0 |
| Berlin | 0 | 27,485,100 | 190,577,200 | 0 | 0 | 756,099,394 | 675,500 |
| Bethlehem | 174,700 | 0 | 14,922,200 | 410,100 | 0 | 526,502,069 | 150,000 |
| Boscawen | 0 | 1,127,200 | 13,257,300 | 0 | 0 | 530,426,960 | 0 |
| Bow | 1,434,500 | 5,670,200 | 158,489,000 | 102,300 | 0 | 2,073,294,098 | 118,700 |
| Bradford | 0 | 0 | 6,707,700 | 0 | 0 | 459,010,544 | 0 |
| Brentwood | 0 | 1,049,300 | 21,227,700 | 0 | 0 | 759,912,876 | 0 |
| Bridgewater | 0 | 0 | 14,785,000 | 0 | 0 | 805,161,500 | 0 |
| Bristol | 0 | 0 | 15,388,900 | 0 | 0 | 565,099,492 | 0 |
| Brookfield | 0 | 0 | 1,896,200 | 0 | 0 | 242,558,320 | 0 |
| Brookline | 0 | 0 | 13,619,400 | 0 | 0 | 1,170,518,417 | 0 |
| Cambridge | 0 | 0 | 336,500 | 0 | 0 | 12,831,740 | 0 |
| Campton | 54,000 | 0 | 21,740,607 | 0 | 0 | 862,452,849 | 0 |
| Canaan | 0 | 0 | 6,796,600 | 0 | 0 | 468,198,015 | 150,000 |
| Candia | 0 | 0 | 19,056,972 | 0 | 0 | 939,436,373 | 0 |
| Canterbury | 0 | 240,400 | 10,865,500 | 0 | 0 | 380,814,657 | 78,968 |
| Carroll | 1,184,600 | 0 | 5,539,000 | 0 | 0 | 638,511,084 | 0 |
| Center Harbor | 0 | 0 | 4,696,880 | 0 | 0 | 766,500,535 | 0 |
| Chandler's Purchase | 0 | 0 | 5,200 | 0 | 0 | 46,080 | 0 |
| Charlestown | 0 | 0 | 18,500,954 | 0 | 0 | 346,589,286 | 0 |
| Chatham | 0 | 0 | 2,298,300 | 0 | 0 | 106,493,228 | 0 |
| Chester | 168,200 | 0 | 60,864,500 | 0 | 0 | 1,167,919,043 | 0 |

## MUNICIPAL AND PROPERTY DIVISION

**2024 Tables by County**

**Alpha Order by Municipality**

| MUNICIPALITY | Modified Assessed Valuation | Blind Exemption | Elderly Exemption | Local Optional Exemptions | Net Valuation | Gross Property Taxes |
|---|---|---|---|---|---|---|
| Acworth | 123,846,016 | 0 | 240,000 | 0 | 123,606,016 | 3,337,757 |
| Albany | 138,614,150 | 0 | 11,200 | 0 | 138,602,950 | 1,262,438 |
| Alexandria | 300,733,421 | 15,000 | 1,020,000 | 120,000 | 299,578,421 | 5,679,987 |
| Allenstown | 533,970,466 | 15,000 | 2,925,900 | 110,420 | 530,919,146 | 13,317,729 |
| Alstead | 195,339,243 | 0 | 312,500 | 463,600 | 194,563,143 | 5,241,781 |
| Alton | 2,242,305,615 | 15,000 | 2,037,800 | 682,391 | 2,239,570,424 | 29,052,226 |
| Amherst | 2,431,905,276 | 202,760 | 13,239,560 | 2,440,800 | 2,416,022,156 | 55,271,181 |
| Andover | 572,729,323 | 0 | 640,000 | 732,840 | 571,356,483 | 8,331,347 |
| Antrim | 439,025,696 | 0 | 693,600 | 230,410 | 438,101,686 | 9,071,923 |
| Ashland | 455,151,865 | 30,000 | 150,000 | 0 | 454,971,865 | 8,318,899 |
| Atkinson | 1,609,208,023 | 75,000 | 9,398,500 | 722,200 | 1,599,012,323 | 20,630,373 |
| Atkinson & Gilmanton | 1,035,360 | 0 | 0 | 0 | 1,035,360 | 0 |
| Auburn | 1,433,323,607 | 0 | 3,390,000 | 100,000 | 1,429,833,607 | 19,237,809 |
| Barnstead | 1,082,374,713 | 45,000 | 1,240,000 | 0 | 1,081,089,713 | 17,606,782 |
| Barrington | 1,886,546,518 | 0 | 9,919,200 | 2,610,500 | 1,874,016,818 | 32,858,520 |
| Bartlett | 2,087,845,542 | 0 | 370,000 | 0 | 2,087,475,542 | 11,626,218 |
| Bath | 155,121,479 | 0 | 10,000 | 157,500 | 154,953,979 | 3,593,013 |
| Bean's Grant | 0 | 0 | 0 | 0 | 0 | 0 |
| Bean's Purchase | 0 | 0 | 0 | 0 | 0 | 0 |
| Bedford | 6,268,838,404 | 70,000 | 9,772,300 | 3,949,570 | 6,255,046,534 | 98,462,573 |
| Belmont | 1,502,021,206 | 45,000 | 5,158,000 | 1,809,856 | 1,495,008,350 | 23,397,984 |
| Bennington | 220,703,344 | 0 | 725,000 | 109,500 | 219,868,844 | 4,934,521 |
| Benton | 55,110,197 | 0 | 45,000 | 0 | 55,065,197 | 458,704 |
| Berlin | 755,423,894 | 105,000 | 1,043,000 | 0 | 754,275,894 | 23,031,366 |
| Bethlehem | 526,352,069 | 0 | 2,013,600 | 25,000 | 524,313,469 | 8,988,986 |
| Boscawen | 530,426,960 | 15,000 | 561,900 | 679,840 | 529,170,220 | 10,177,146 |
| Bow | 2,073,175,398 | 75,000 | 4,594,000 | 1,340,900 | 2,067,165,498 | 38,617,911 |
| Bradford | 459,010,544 | 0 | 440,000 | 180,000 | 458,390,544 | 7,203,976 |
| Brentwood | 759,912,876 | 100,000 | 2,655,000 | 200,000 | 756,957,876 | 19,016,541 |
| Bridgewater | 805,161,500 | 0 | 30,000 | 0 | 805,131,500 | 4,333,073 |
| Bristol | 565,099,492 | 90,000 | 370,000 | 150,000 | 564,489,492 | 13,301,695 |
| Brookfield | 242,558,320 | 0 | 75,000 | 90,000 | 242,393,320 | 2,703,289 |
| Brookline | 1,170,518,417 | 90,000 | 11,040,000 | 1,528,900 | 1,157,859,517 | 26,163,949 |
| Cambridge | 12,831,740 | 0 | 0 | 0 | 12,831,740 | 35,643 |
| Campton | 862,452,849 | 30,000 | 2,963,900 | 928,700 | 858,530,249 | 14,758,609 |
| Canaan | 468,048,015 | 0 | 2,032,000 | 1,541,000 | 464,475,015 | 13,705,141 |
| Candia | 939,436,373 | 0 | 3,502,000 | 2,619,400 | 933,314,973 | 11,982,802 |
| Canterbury | 380,735,689 | 30,000 | 1,419,100 | 375,000 | 378,911,589 | 8,575,612 |
| Carroll | 638,511,084 | 0 | 710,000 | 173,800 | 637,627,284 | 7,579,495 |
| Center Harbor | 766,500,535 | 0 | 70,000 | 362,630 | 766,067,905 | 8,183,207 |
| Chandler's Purchase | 46,080 | 0 | 0 | 0 | 46,080 | 0 |
| Charlestown | 346,589,286 | 15,000 | 1,170,466 | 506,100 | 344,897,720 | 12,509,030 |
| Chatham | 106,493,228 | 0 | 0 | 0 | 106,493,228 | 752,876 |
| Chester | 1,167,919,043 | 126,000 | 13,706,400 | 3,415,852 | 1,150,670,791 | 18,754,787 |

## MUNICIPAL AND PROPERTY DIVISION

**2024 Tables by County**

**Alpha Order by Municipality**

| MUNICIPALITY | Less Veterans' Credits | Net Tax Commitment | 2024 Actual Tax Rate | 2024 Resident Tax |
|---|---|---|---|---|
| Acworth | 15,500 | 3,322,257 | 27.04 | 0 |
| Albany | 17,500 | 1,244,938 | 9.14 | 0 |
| Alexandria | 40,180 | 5,639,807 | 19.03 | 0 |
| Allenstown | 90,750 | 13,226,979 | 25.42 | 0 |
| Alstead | 29,000 | 5,212,781 | 26.98 | 0 |
| Alton | 332,950 | 28,719,276 | 12.98 | 0 |
| Amherst | 437,000 | 54,834,181 | 22.93 | 0 |
| Andover | 45,100 | 8,286,247 | 14.64 | 0 |
| Antrim | 64,500 | 9,007,423 | 20.79 | 0 |
| Ashland | 77,000 | 8,241,899 | 18.39 | 0 |
| Atkinson | 321,123 | 20,309,250 | 12.92 | 0 |
| Atkinson & Gilmanton | 0 | 0 | 0.00 | 0 |
| Auburn | 196,000 | 19,041,809 | 13.47 | 0 |
| Barnstead | 239,550 | 17,367,232 | 16.31 | 0 |
| Barrington | 602,500 | 32,256,020 | 17.59 | 0 |
| Bartlett | 48,940 | 11,577,278 | 5.58 | 0 |
| Bath | 14,800 | 3,578,213 | 23.43 | 0 |
| Bean's Grant | 0 | 0 | 0.00 | 0 |
| Bean's Purchase | 0 | 0 | 0.00 | 0 |
| Bedford | 503,500 | 97,959,073 | 15.81 | 0 |
| Belmont | 255,600 | 23,142,384 | 15.74 | 0 |
| Bennington | 42,330 | 4,892,191 | 22.47 | 0 |
| Benton | 1,800 | 456,904 | 8.37 | 0 |
| Berlin | 63,475 | 22,967,891 | 30.89 | 0 |
| Bethlehem | 88,500 | 8,900,486 | 17.18 | 0 |
| Boscawen | 94,000 | 10,083,146 | 19.26 | 0 |
| Bow | 353,000 | 38,264,911 | 19.78 | 0 |
| Bradford | 47,400 | 7,156,576 | 15.73 | 0 |
| Brentwood | 134,500 | 18,882,041 | 25.17 | 0 |
| Bridgewater | 4,700 | 4,328,373 | 5.40 | 0 |
| Bristol | 160,250 | 13,141,445 | 23.62 | 0 |
| Brookfield | 14,950 | 2,688,339 | 11.16 | 0 |
| Brookline | 248,375 | 25,915,574 | 22.61 | 0 |
| Cambridge | 0 | 35,643 | 2.81 | 0 |
| Campton | 149,000 | 14,609,609 | 17.22 | 0 |
| Canaan | 45,500 | 13,659,641 | 29.53 | 0 |
| Candia | 163,500 | 11,819,302 | 12.86 | 0 |
| Canterbury | 72,900 | 8,502,712 | 22.68 | 0 |
| Carroll | 38,500 | 7,540,995 | 11.90 | 0 |
| Center Harbor | 39,667 | 8,143,540 | 10.69 | 0 |
| Chandler's Purchase | 0 | 0 | 0.00 | 0 |
| Charlestown | 130,200 | 12,378,830 | 36.36 | 0 |
| Chatham | 17,500 | 735,376 | 7.09 | 0 |
| Chester | 244,250 | 18,510,537 | 16.36 | 0 |

## MUNICIPAL AND PROPERTY DIVISION

**2024 Tables by County**

**Alpha Order by Municipality**

| MUNICIPALITY | RSA 79-A Current Use Land | RSA 79-B Conservation Restriction Land | RSA 79-C Discretionary Easement Land | RSA 79-D Discretionary Preservation Easement Land | RSA 79-F Land Under Farm Structures | Residential Land |
|---|---|---|---|---|---|---|
| Chesterfield | 1,038,514 | 4,401 | 0 | 0 | 0 | 238,065,700 |
| Chichester | 874,046 | 0 | 0 | 1,000 | 5,500 | 166,565,300 |
| Claremont | 1,568,160 | 1,110 | 145,500 | 200 | 0 | 155,750,916 |
| Clarksville | 780,789 | 0 | 0 | 0 | 0 | 15,127,800 |
| Colebrook | 1,043,883 | 0 | 0 | 0 | 0 | 32,041,900 |
| Columbia | 1,074,976 | 0 | 0 | 1,900 | 0 | 17,295,300 |
| Concord | 1,318,224 | 0 | 0 | 28,731 | 0 | 1,006,238,569 |
| Conway | 2,223,030 | 5,760 | 0 | 0 | 0 | 532,104,316 |
| Cornish | 3,093,160 | 0 | 0 | 1,800 | 0 | 97,542,450 |
| Crawford's Purchase | 0 | 0 | 0 | 0 | 0 | 163,800 |
| Croydon | 1,133,333 | 0 | 0 | 0 | 0 | 39,693,400 |
| Cutt's Grant | 0 | 0 | 0 | 0 | 0 | 0 |
| Dalton | 839,319 | 0 | 0 | 0 | 0 | 34,638,600 |
| Danbury | 1,009,106 | 5,691 | 0 | 0 | 0 | 64,415,900 |
| Danville | 128,908 | 0 | 0 | 50 | 0 | 175,252,600 |
| Deerfield | 1,230,716 | 74 | 0 | 12,750 | 0 | 268,300,600 |
| Deering | 883,235 | 1,199 | 0 | 0 | 0 | 93,294,025 |
| Derry | 746,351 | 0 | 50,664 | 0 | 0 | 1,618,587,200 |
| Dix's Grant | 387,080 | 0 | 0 | 0 | 0 | 136,000 |
| Dixville | 932,648 | 0 | 0 | 0 | 0 | 726,200 |
| Dorchester | 1,306,926 | 2,019 | 0 | 0 | 0 | 30,543,600 |
| Dover | 693,508 | 0 | 0 | 0 | 0 | 1,517,534,062 |
| Dublin | 1,087,492 | 0 | 0 | 4,100 | 0 | 163,688,500 |
| Dummer | 1,150,022 | 0 | 0 | 0 | 0 | 24,890,600 |
| Dunbarton | 623,521 | 0 | 0 | 0 | 0 | 112,889,714 |
| Durham | 868,844 | 1,463 | 0 | 0 | 0 | 447,068,284 |
| East Kingston | 440,764 | 0 | 0 | 0 | 0 | 238,906,300 |
| Easton | 189,565 | 0 | 0 | 0 | 0 | 27,375,400 |
| Eaton | 703,412 | 399 | 0 | 0 | 0 | 52,472,100 |
| Effingham | 608,605 | 0 | 0 | 200 | 0 | 77,979,500 |
| Ellsworth | 59,094 | 0 | 0 | 0 | 0 | 8,003,100 |
| Enfield | 991,232 | 10,895 | 0 | 0 | 0 | 395,292,100 |
| Epping | 711,199 | 0 | 0 | 0 | 0 | 244,537,897 |
| Epsom | 1,099,167 | 0 | 0 | 2,800 | 0 | 154,980,200 |
| Errol | 635,837 | 0 | 0 | 0 | 0 | 55,776,200 |
| Erving's Grant | 63,292 | 0 | 0 | 0 | 0 | 0 |
| Exeter | 187,537 | 0 | 2,800 | 1,100 | 0 | 966,496,705 |
| Farmington | 1,143,341 | 18,499 | 282,388 | 0 | 0 | 362,449,500 |
| Fitzwilliam | 853,563 | 0 | 0 | 1,200 | 10 | 137,665,300 |
| Francestown | 1,193,837 | 2,445 | 0 | 0 | 0 | 140,158,604 |
| Franconia | 402,049 | 0 | 0 | 0 | 0 | 152,006,400 |
| Franklin | 944,452 | 52,278 | 0 | 300 | 0 | 286,455,700 |
| Freedom | 949,490 | 0 | 0 | 750 | 0 | 574,645,800 |
| Fremont | 395,298 | 0 | 0 | 100 | 0 | 154,047,430 |

## MUNICIPAL AND PROPERTY DIVISION

**2024 Tables by County**

**Alpha Order by Municipality**

| MUNICIPALITY | Commercial / Industrial Land | Residential Buildings | Manufactured Housing | Commercial / Industrial Buildings | RSA 79-D Discretionary Preservation Easement Buildings | RSA 79-F Farm Structures |
|---|---|---|---|---|---|---|
| Chesterfield | 13,045,300 | 325,225,330 | 1,360,000 | 36,139,200 | 0 | 0 |
| Chichester | 23,754,400 | 297,977,937 | 7,179,000 | 53,066,900 | 21,451 | 53,994 |
| Claremont | 82,083,383 | 676,052,500 | 26,174,500 | 261,992,952 | 45,400 | 0 |
| Clarksville | 301,100 | 30,654,600 | 1,247,600 | 759,100 | 0 | 0 |
| Colebrook | 6,331,315 | 94,750,228 | 5,265,700 | 38,578,600 | 0 | 0 |
| Columbia | 1,014,200 | 44,056,391 | 2,372,100 | 2,761,100 | 31,209 | 0 |
| Concord | 506,478,900 | 2,202,979,400 | 70,774,100 | 1,292,348,422 | 59,000 | 0 |
| Conway | 238,435,300 | 1,896,987,700 | 53,991,100 | 436,903,000 | 0 | 0 |
| Cornish | 1,058,900 | 239,343,001 | 4,582,700 | 3,249,500 | 37,199 | 0 |
| Crawford's Purchase | 248,460 | 0 | 0 | 6,930 | 0 | 0 |
| Croydon | 1,972,800 | 66,863,400 | 3,676,600 | 5,171,300 | 0 | 0 |
| Cutt's Grant | 0 | 0 | 0 | 0 | 0 | 0 |
| Dalton | 2,508,000 | 88,998,378 | 10,265,800 | 2,744,000 | 0 | 0 |
| Danbury | 1,743,100 | 102,181,370 | 4,899,640 | 4,510,180 | 0 | 0 |
| Danville | 7,274,500 | 357,546,800 | 26,553,800 | 13,401,900 | 9,000 | 0 |
| Deerfield | 7,461,500 | 422,164,543 | 6,220,600 | 17,076,600 | 56,225 | 0 |
| Deering | 2,716,300 | 123,739,453 | 6,712,400 | 11,861,000 | 0 | 0 |
| Derry | 320,382,450 | 3,115,493,600 | 53,073,500 | 583,574,532 | 0 | 0 |
| Dix's Grant | 0 | 920,950 | 0 | 0 | 0 | 0 |
| Dixville | 1,173,800 | 3,453,940 | 40,100 | 4,536,650 | 0 | 0 |
| Dorchester | 445,100 | 52,000,300 | 3,402,200 | 157,000 | 0 | 0 |
| Dover | 319,553,700 | 3,336,675,500 | 58,892,100 | 1,288,071,900 | 0 | 0 |
| Dublin | 19,726,900 | 281,695,904 | 1,065,500 | 6,923,592 | 8,564 | 0 |
| Dummer | 519,400 | 52,614,300 | 2,177,800 | 1,216,400 | 0 | 0 |
| Dunbarton | 1,602,714 | 280,552,392 | 537,900 | 3,779,408 | 0 | 0 |
| Durham | 187,673,800 | 819,995,800 | 189,400 | 323,801,300 | 0 | 0 |
| East Kingston | 7,582,500 | 337,482,700 | 2,476,000 | 6,677,000 | 0 | 0 |
| Easton | 286,700 | 48,804,298 | 0 | 326,200 | 2,802 | 0 |
| Eaton | 1,569,200 | 87,649,600 | 83,800 | 3,204,800 | 0 | 0 |
| Effingham | 5,492,900 | 103,814,000 | 8,360,000 | 18,918,100 | 11,937 | 0 |
| Ellsworth | 190,700 | 11,069,400 | 82,000 | 636,500 | 0 | 0 |
| Enfield | 25,463,700 | 569,967,900 | 28,003,700 | 47,001,700 | 0 | 0 |
| Epping | 62,347,900 | 575,049,800 | 25,431,100 | 120,463,800 | 0 | 0 |
| Epsom | 22,389,800 | 268,299,560 | 22,441,600 | 48,972,500 | 63,179 | 0 |
| Errol | 2,465,200 | 64,208,670 | 1,789,600 | 5,478,490 | 0 | 0 |
| Erving's Grant | 0 | 0 | 0 | 0 | 0 | 0 |
| Exeter | 193,827,295 | 1,887,084,521 | 148,899,500 | 414,458,817 | 75,800 | 0 |
| Farmington | 39,719,800 | 490,466,100 | 64,846,100 | 88,002,600 | 0 | 0 |
| Fitzwilliam | 10,252,300 | 247,037,762 | 24,351,800 | 20,614,400 | 18,194 | 20,544 |
| Francestown | 5,822,500 | 250,380,020 | 1,023,700 | 7,469,500 | 0 | 0 |
| Franconia | 11,681,200 | 233,841,800 | 1,535,600 | 27,932,500 | 0 | 0 |
| Franklin | 34,565,400 | 565,571,560 | 42,551,000 | 119,476,300 | 22,440 | 0 |
| Freedom | 13,176,000 | 524,838,362 | 48,673,400 | 13,473,800 | 78,038 | 0 |
| Fremont | 7,430,470 | 358,623,250 | 16,349,500 | 24,298,250 | 11,100 | 0 |

## MUNICIPAL AND PROPERTY DIVISION

**2024 Tables by County**

**Alpha Order by Municipality**

| MUNICIPALITY | Public Water Utilities | Gas / Oil Utilities | Electric Utilities | Other | Mature Wood Timber | Gross Valuation | Educational & Special Exemptions |
|---|---|---|---|---|---|---|---|
| Chesterfield | 0 | 0 | 8,794,100 | 0 | 0 | 623,672,545 | 0 |
| Chichester | 0 | 0 | 8,863,700 | 0 | 0 | 558,363,228 | 592,600 |
| Claremont | 0 | 0 | 56,436,756 | 0 | 0 | 1,260,251,377 | 0 |
| Clarksville | 0 | 0 | 1,250,500 | 0 | 0 | 50,121,489 | 0 |
| Colebrook | 0 | 9,220,100 | 6,990,900 | 0 | 0 | 194,222,626 | 0 |
| Columbia | 0 | 17,603,200 | 2,938,800 | 0 | 0 | 89,149,176 | 0 |
| Concord | 0 | 101,336,900 | 229,806,600 | 0 | 0 | 5,411,368,846 | 3,560,492 |
| Conway | 1,954,194 | 0 | 81,586,200 | 0 | 0 | 3,244,190,600 | 0 |
| Cornish | 0 | 0 | 8,535,600 | 0 | 0 | 357,444,310 | 0 |
| Crawford's Purchase | 0 | 0 | 600 | 0 | 0 | 419,790 | 0 |
| Croydon | 0 | 0 | 7,716,100 | 0 | 0 | 126,226,933 | 0 |
| Cutt's Grant | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Dalton | 0 | 0 | 16,255,200 | 0 | 0 | 156,249,297 | 0 |
| Danbury | 0 | 0 | 4,032,200 | 0 | 0 | 182,797,187 | 170,690 |
| Danville | 257,600 | 0 | 19,996,000 | 76,400 | 0 | 600,497,558 | 0 |
| Deerfield | 0 | 0 | 78,285,600 | 0 | 0 | 800,809,208 | 0 |
| Deering | 0 | 0 | 9,887,000 | 0 | 0 | 249,094,612 | 0 |
| Derry | 4,327,784 | 6,072,198 | 75,994,750 | 82,200 | 0 | 5,778,385,229 | 3,206,894 |
| Dix's Grant | 0 | 0 | 0 | 0 | 0 | 1,444,030 | 0 |
| Dixville | 0 | 0 | 369,900 | 0 | 0 | 11,233,238 | 0 |
| Dorchester | 0 | 0 | 2,278,200 | 0 | 0 | 90,135,345 | 0 |
| Dover | 0 | 61,770,300 | 64,471,700 | 0 | 0 | 6,647,662,770 | 523,300 |
| Dublin | 0 | 0 | 4,620,100 | 0 | 0 | 478,820,652 | 300,000 |
| Dummer | 0 | 17,581,900 | 85,353,400 | 0 | 0 | 185,503,822 | 0 |
| Dunbarton | 0 | 0 | 26,311,600 | 0 | 0 | 426,297,249 | 0 |
| Durham | 0 | 8,093,400 | 95,218,100 | 0 | 0 | 1,882,910,391 | 8,000 |
| East Kingston | 168,700 | 19,997,100 | 9,017,800 | 0 | 0 | 622,748,864 | 0 |
| Easton | 0 | 0 | 1,093,800 | 0 | 0 | 78,078,765 | 0 |
| Eaton | 0 | 0 | 1,891,400 | 0 | 0 | 147,574,711 | 0 |
| Effingham | 0 | 0 | 3,035,600 | 0 | 0 | 218,220,842 | 0 |
| Ellsworth | 0 | 0 | 332,500 | 0 | 0 | 20,373,294 | 196,200 |
| Enfield | 0 | 0 | 8,086,300 | 0 | 0 | 1,074,817,527 | 768,535 |
| Epping | 57,700 | 3,414,500 | 11,361,100 | 0 | 0 | 1,043,374,996 | 0 |
| Epsom | 0 | 0 | 6,269,100 | 0 | 0 | 524,517,906 | 223,300 |
| Errol | 0 | 0 | 10,492,400 | 0 | 0 | 140,846,397 | 0 |
| Erving's Grant | 0 | 0 | 0 | 0 | 0 | 63,292 | 0 |
| Exeter | 341,300 | 34,212,500 | 36,065,700 | 0 | 0 | 3,681,653,575 | 1,468,800 |
| Farmington | 0 | 0 | 14,361,300 | 0 | 0 | 1,061,289,628 | 399,000 |
| Fitzwilliam | 0 | 0 | 63,046,208 | 0 | 0 | 503,861,281 | 40,700 |
| Francestown | 0 | 0 | 4,806,100 | 0 | 0 | 410,856,706 | 0 |
| Franconia | 0 | 0 | 4,394,400 | 0 | 0 | 431,793,949 | 0 |
| Franklin | 0 | 6,248,800 | 106,991,360 | 0 | 0 | 1,162,879,590 | 623,128 |
| Freedom | 274,000 | 0 | 7,527,200 | 0 | 0 | 1,183,636,840 | 0 |
| Fremont | 97,400 | 0 | 6,360,500 | 0 | 0 | 567,613,298 | 0 |

## MUNICIPAL AND PROPERTY DIVISION

**2024 Tables by County**

**Alpha Order by Municipality**

| MUNICIPALITY | Modified Assessed Valuation | Blind Exemption | Elderly Exemption | Local Optional Exemptions | Net Valuation | Gross Property Taxes |
|---|---|---|---|---|---|---|
| Chesterfield | 623,672,545 | 0 | 1,140,000 | 1,220,271 | 621,312,274 | 12,561,378 |
| Chichester | 557,770,628 | 50,000 | 1,155,100 | 927,905 | 555,637,623 | 9,619,273 |
| Claremont | 1,260,251,377 | 75,000 | 3,834,000 | 280,000 | 1,256,062,377 | 36,020,546 |
| Clarksville | 50,121,489 | 0 | 0 | 0 | 50,121,489 | 1,085,250 |
| Colebrook | 194,222,626 | 45,000 | 146,700 | 5,000 | 194,025,926 | 6,750,071 |
| Columbia | 89,149,176 | 0 | 39,600 | 15,000 | 89,094,576 | 1,941,477 |
| Concord | 5,407,808,354 | 3,115,000 | 26,072,300 | 1,195,200 | 5,377,425,854 | 147,799,923 |
| Conway | 3,244,190,600 | 25,000 | 6,390,200 | 1,293,300 | 3,236,482,100 | 36,541,741 |
| Cornish | 357,444,310 | 15,000 | 240,000 | 521,140 | 356,668,170 | 5,766,861 |
| Crawford's Purchase | 419,790 | 0 | 0 | 0 | 419,790 | 0 |
| Croydon | 126,226,933 | 0 | 180,000 | 0 | 126,046,933 | 1,877,560 |
| Cutt's Grant | 0 | 0 | 0 | 0 | 0 | 0 |
| Dalton | 156,249,297 | 0 | 100,000 | 0 | 156,149,297 | 2,330,965 |
| Danbury | 182,626,497 | 15,000 | 160,000 | 60,000 | 182,391,497 | 4,006,766 |
| Danville | 600,497,558 | 25,000 | 4,792,000 | 49,250 | 595,631,308 | 13,138,825 |
| Deerfield | 800,809,208 | 30,000 | 1,760,000 | 1,956,900 | 797,062,308 | 19,483,401 |
| Deering | 249,094,612 | 0 | 2,250,900 | 378,560 | 246,465,152 | 6,907,380 |
| Derry | 5,775,178,335 | 480,000 | 23,999,900 | 0 | 5,750,698,435 | 104,674,179 |
| Dix's Grant | 1,444,030 | 0 | 0 | 0 | 1,444,030 | 0 |
| Dixville | 11,233,238 | 0 | 0 | 0 | 11,233,238 | 0 |
| Dorchester | 90,135,345 | 0 | 0 | 65,360 | 90,069,985 | 1,339,924 |
| Dover | 6,647,139,470 | 1,648,000 | 63,908,500 | 12,486,000 | 6,569,096,970 | 116,585,758 |
| Dublin | 478,520,652 | 15,000 | 150,000 | 734,900 | 477,620,752 | 8,587,315 |
| Dummer | 185,503,822 | 0 | 190,000 | 133,960 | 185,179,862 | 1,533,449 |
| Dunbarton | 426,297,249 | 0 | 70,650 | 843,300 | 425,383,299 | 11,175,567 |
| Durham | 1,882,902,391 | 111,000 | 4,300,600 | 3,783,403 | 1,874,707,388 | 37,813,314 |
| East Kingston | 622,748,864 | 30,000 | 562,900 | 252,520 | 621,903,444 | 9,999,493 |
| Easton | 78,078,765 | 0 | 0 | 0 | 78,078,765 | 1,083,910 |
| Eaton | 147,574,711 | 0 | 0 | 0 | 147,574,711 | 1,887,954 |
| Effingham | 218,220,842 | 0 | 590,000 | 177,900 | 217,452,942 | 5,978,173 |
| Ellsworth | 20,177,094 | 0 | 0 | 0 | 20,177,094 | 306,301 |
| Enfield | 1,074,048,992 | 15,000 | 1,114,300 | 730,200 | 1,072,189,492 | 17,374,712 |
| Epping | 1,043,374,996 | 90,000 | 5,371,200 | 1,009,700 | 1,036,904,096 | 26,136,171 |
| Epsom | 524,294,606 | 0 | 1,090,800 | 1,005,335 | 522,198,471 | 13,901,212 |
| Errol | 140,846,397 | 0 | 0 | 0 | 140,846,397 | 1,285,279 |
| Erving's Grant | 63,292 | 0 | 0 | 0 | 63,292 | 0 |
| Exeter | 3,680,184,775 | 90,000 | 31,714,706 | 5,758,000 | 3,642,622,069 | 61,877,889 |
| Farmington | 1,060,890,628 | 60,000 | 18,849,500 | 1,379,980 | 1,040,601,148 | 15,341,145 |
| Fitzwilliam | 503,820,581 | 0 | 1,409,000 | 530,440 | 501,881,141 | 9,093,082 |
| Francestown | 410,856,706 | 0 | 80,000 | 545,700 | 410,231,006 | 6,583,168 |
| Franconia | 431,793,949 | 0 | 25,000 | 397,756 | 431,371,193 | 6,886,281 |
| Franklin | 1,162,256,462 | 15,000 | 9,009,691 | 635,880 | 1,152,595,891 | 19,439,562 |
| Freedom | 1,183,636,840 | 0 | 175,000 | 20,000 | 1,183,441,840 | 8,488,687 |
| Fremont | 567,613,298 | 0 | 1,858,600 | 245,000 | 565,509,698 | 14,901,061 |

## MUNICIPAL AND PROPERTY DIVISION

**2024 Tables by County**

**Alpha Order by Municipality**

| MUNICIPALITY | Less Veterans' Credits | Net Tax Commitment | 2024 Actual Tax Rate | 2024 Resident Tax |
|---|---|---|---|---|
| Chesterfield | 108,000 | 12,453,378 | 20.24 | 0 |
| Chichester | 77,400 | 9,541,873 | 17.33 | 0 |
| Claremont | 290,770 | 35,729,776 | 29.26 | 0 |
| Clarksville | 9,100 | 1,076,150 | 21.71 | 0 |
| Colebrook | 21,825 | 6,728,246 | 34.97 | 0 |
| Columbia | 8,100 | 1,933,377 | 22.28 | 0 |
| Concord | 431,250 | 147,368,673 | 27.69 | 0 |
| Conway | 423,500 | 36,118,241 | 11.32 | 0 |
| Cornish | 55,750 | 5,711,111 | 16.19 | 0 |
| Crawford's Purchase | 0 | 0 | 0.00 | 0 |
| Croydon | 21,950 | 1,855,610 | 14.99 | 0 |
| Cutt's Grant | 0 | 0 | 0.00 | 0 |
| Dalton | 41,900 | 2,289,065 | 15.06 | 0 |
| Danbury | 27,400 | 3,979,366 | 22.00 | 0 |
| Danville | 194,500 | 12,944,325 | 22.11 | 0 |
| Deerfield | 260,750 | 19,222,651 | 24.61 | 0 |
| Deering | 49,000 | 6,858,380 | 28.10 | 0 |
| Derry | 575,850 | 104,098,329 | 18.69 | 0 |
| Dix's Grant | 0 | 0 | 0.00 | 0 |
| Dixville | 0 | 0 | 0.00 | 0 |
| Dorchester | 9,500 | 1,330,424 | 14.90 | 0 |
| Dover | 1,041,375 | 115,544,383 | 18.17 | 0 |
| Dublin | 78,875 | 8,508,440 | 17.99 | 0 |
| Dummer | 8,750 | 1,524,699 | 8.72 | 0 |
| Dunbarton | 63,465 | 11,112,102 | 26.38 | 0 |
| Durham | 158,000 | 37,655,314 | 20.33 | 0 |
| East Kingston | 75,400 | 9,924,093 | 16.13 | 0 |
| Easton | 3,150 | 1,080,760 | 13.91 | 0 |
| Eaton | 26,500 | 1,861,454 | 12.81 | 0 |
| Effingham | 54,750 | 5,923,423 | 27.52 | 0 |
| Ellsworth | 900 | 305,401 | 15.21 | 0 |
| Enfield | 70,600 | 17,304,112 | 16.91 | 0 |
| Epping | 355,750 | 25,780,421 | 25.23 | 0 |
| Epsom | 160,750 | 13,740,462 | 26.64 | 0 |
| Errol | 6,600 | 1,278,679 | 9.22 | 0 |
| Erving's Grant | 0 | 0 | 0.00 | 0 |
| Exeter | 302,500 | 61,575,389 | 17.79 | 0 |
| Farmington | 292,875 | 15,048,270 | 14.88 | 0 |
| Fitzwilliam | 112,238 | 8,980,844 | 18.27 | 0 |
| Francestown | 36,300 | 6,546,868 | 16.06 | 0 |
| Franconia | 22,500 | 6,863,781 | 15.98 | 0 |
| Franklin | 131,025 | 19,308,537 | 17.15 | 0 |
| Freedom | 29,700 | 8,458,987 | 7.18 | 0 |
| Fremont | 271,875 | 14,629,186 | 26.37 | 0 |

## MUNICIPAL AND PROPERTY DIVISION

**2024 Tables by County**

**Alpha Order by Municipality**

| MUNICIPALITY | RSA 79-A Current Use Land | RSA 79-B Conservation Restriction Land | RSA 79-C Discretionary Easement Land | RSA 79-D Discretionary Preservation Easement Land | RSA 79-F Land Under Farm Structures | Residential Land |
|---|---|---|---|---|---|---|
| Gilford | 843,100 | 3,070 | 0 | 0 | 0 | 1,197,952,240 |
| Gilmanton | 2,593,258 | 1,943 | 0 | 0 | 0 | 396,770,600 |
| Gilsum | 515,288 | 0 | 0 | 0 | 0 | 36,683,500 |
| Goffstown | 1,003,441 | 0 | 100 | 0 | 0 | 926,637,378 |
| Gorham | 283,023 | 0 | 0 | 0 | 0 | 36,182,900 |
| Goshen | 560,752 | 0 | 0 | 100 | 0 | 31,216,300 |
| Grafton | 1,019,375 | 0 | 0 | 0 | 0 | 62,140,000 |
| Grantham | 442,794 | 0 | 0 | 0 | 0 | 111,829,800 |
| Greenfield | 1,042,541 | 10,623 | 0 | 0 | 0 | 94,748,500 |
| Greenland | 477,500 | 0 | 105,000 | 0 | 0 | 574,304,500 |
| Green's Grant | 0 | 0 | 0 | 0 | 0 | 0 |
| Greenville | 311,522 | 0 | 0 | 0 | 0 | 51,052,200 |
| Groton | 599,779 | 49,830 | 0 | 0 | 0 | 31,042,000 |
| Hadley's Purchase | 0 | 0 | 0 | 0 | 0 | 0 |
| Hale's Location | 0 | 0 | 0 | 0 | 0 | 30,611,100 |
| Hampstead | 80,776 | 0 | 0 | 3,300 | 0 | 663,412,200 |
| Hampton | 93,000 | 0 | 0 | 2,100 | 0 | 2,048,038,925 |
| Hampton Falls | 493,935 | 0 | 0 | 4,400 | 0 | 293,623,100 |
| Hancock | 872,378 | 618 | 0 | 0 | 0 | 106,063,000 |
| Hanover | 1,166,471 | 0 | 0 | 15,700 | 0 | 718,345,578 |
| Harrisville | 710,535 | 6,078 | 0 | 0 | 0 | 132,281,400 |
| Hart's Location | 3,897 | 0 | 0 | 0 | 0 | 6,420,600 |
| Haverhill | 3,147,860 | 0 | 0 | 3,200 | 0 | 125,517,358 |
| Hebron | 143,523 | 43,072 | 0 | 0 | 0 | 219,201,800 |
| Henniker | 1,584,130 | 0 | 0 | 29,475 | 0 | 190,694,200 |
| Hill | 929,913 | 0 | 0 | 0 | 0 | 55,314,900 |
| Hillsborough | 863,891 | 4,027 | 0 | 47,600 | 0 | 172,914,532 |
| Hinsdale | 851,816 | 0 | 0 | 0 | 0 | 58,520,154 |
| Holderness | 1,126,186 | 53,233 | 0 | 1,900 | 0 | 750,099,700 |
| Hollis | 819,971 | 0 | 0 | 0 | 0 | 789,607,487 |
| Hooksett | 297,611 | 0 | 0 | 0 | 0 | 609,895,702 |
| Hopkinton | 2,124,134 | 0 | 16,482 | 21,630 | 0 | 400,507,000 |
| Hudson | 362,299 | 0 | 540 | 0 | 0 | 1,063,130,786 |
| Jackson | 461,029 | 1,808 | 0 | 0 | 0 | 244,234,000 |
| Jaffrey | 890,572 | 0 | 0 | 600 | 0 | 117,182,982 |
| Jefferson | 747,210 | 0 | 0 | 0 | 0 | 45,277,300 |
| Keene | 707,830 | 0 | 0 | 0 | 0 | 256,909,500 |
| Kensington | 721,872 | 19,364 | 0 | 6,100 | 0 | 274,317,100 |
| Kilkenny | 0 | 0 | 0 | 0 | 0 | 0 |
| Kingston | 344,951 | 0 | 0 | 475 | 0 | 353,327,000 |
| Laconia | 301,594 | 5,211 | 0 | 0 | 0 | 1,369,713,063 |
| Lancaster | 2,386,469 | 213 | 0 | 14,300 | 0 | 75,883,500 |
| Landaff | 545,464 | 0 | 0 | 0 | 0 | 18,608,700 |
| Langdon | 626,419 | 0 | 0 | 0 | 0 | 22,587,300 |

## MUNICIPAL AND PROPERTY DIVISION

**2024 Tables by County**

**Alpha Order by Municipality**

| MUNICIPALITY | Commercial / Industrial Land | Residential Buildings | Manufactured Housing | Commercial / Industrial Buildings | RSA 79-D Discretionary Preservation Easement Buildings | RSA 79-F Farm Structures |
|---|---|---|---|---|---|---|
| Gilford | 91,417,400 | 1,960,437,600 | 54,228,500 | 204,002,300 | 0 | 0 |
| Gilmanton | 4,265,500 | 635,705,000 | 2,185,200 | 10,525,700 | 0 | 0 |
| Gilsum | 2,031,700 | 86,104,400 | 2,484,600 | 7,555,147 | 0 | 0 |
| Goffstown | 80,756,581 | 1,422,973,325 | 44,742,300 | 159,809,475 | 51,400 | 0 |
| Gorham | 30,416,062 | 166,792,400 | 11,200,100 | 72,319,870 | 0 | 0 |
| Goshen | 1,165,800 | 46,369,510 | 2,536,465 | 1,598,830 | 3,320 | 0 |
| Grafton | 662,800 | 70,882,591 | 5,043,700 | 1,194,100 | 0 | 0 |
| Grantham | 8,368,200 | 626,875,188 | 1,954,100 | 12,845,370 | 0 | 0 |
| Greenfield | 6,246,200 | 198,345,881 | 3,348,600 | 11,384,300 | 0 | 0 |
| Greenland | 52,118,200 | 614,662,800 | 0 | 132,847,100 | 0 | 0 |
| Green's Grant | 2,444,600 | 16,950 | 0 | 6,495,240 | 0 | 0 |
| Greenville | 12,360,800 | 96,304,700 | 25,148,300 | 35,858,300 | 0 | 0 |
| Groton | 133,200 | 60,986,800 | 4,989,500 | (9,800) | 0 | 0 |
| Hadley's Purchase | 0 | 0 | 0 | 0 | 0 | 0 |
| Hale's Location | 1,023,400 | 46,074,300 | 0 | 5,646,500 | 0 | 0 |
| Hampstead | 77,338,300 | 1,135,683,333 | 80,776,600 | 127,840,100 | 15,300 | 0 |
| Hampton | 263,055,375 | 3,235,800,725 | 36,453,300 | 351,612,875 | 98,200 | 0 |
| Hampton Falls | 27,632,100 | 482,697,093 | 1,516,800 | 62,361,700 | 71,807 | 0 |
| Hancock | 1,293,800 | 183,879,869 | 389,200 | 4,389,800 | 0 | 0 |
| Hanover | 139,970,900 | 1,297,994,000 | 0 | 567,558,146 | 34,100 | 0 |
| Harrisville | 1,597,100 | 203,230,503 | 1,283,800 | 7,236,300 | 0 | 0 |
| Hart's Location | 245,500 | 11,807,700 | 0 | 2,183,400 | 0 | 0 |
| Haverhill | 22,015,600 | 419,039,510 | 34,157,800 | 66,382,518 | 80,416 | 0 |
| Hebron | 1,695,900 | 181,868,771 | 518,500 | 4,447,400 | 0 | 0 |
| Henniker | 41,294,900 | 376,395,872 | 7,161,800 | 124,372,400 | 64,697 | 0 |
| Hill | 477,300 | 133,025,157 | 4,638,000 | 1,049,200 | 0 | 0 |
| Hillsborough | 18,604,200 | 307,535,853 | 8,905,900 | 64,814,600 | 95,335 | 0 |
| Hinsdale | 13,836,026 | 182,389,808 | 29,627,198 | 43,187,720 | 0 | 0 |
| Holderness | 30,704,000 | 490,044,028 | 31,472,100 | 57,285,451 | 18,872 | 0 |
| Hollis | 26,853,568 | 1,424,568,202 | 10,655,100 | 56,022,658 | 0 | 0 |
| Hooksett | 253,595,683 | 1,884,235,541 | 33,079,200 | 358,339,056 | 0 | 0 |
| Hopkinton | 19,583,200 | 865,465,066 | 36,990,100 | 85,410,300 | 275,534 | 0 |
| Hudson | 429,404,167 | 2,800,405,586 | 19,430,600 | 580,150,833 | 0 | 0 |
| Jackson | 13,343,500 | 529,976,500 | 152,800 | 51,140,900 | 0 | 0 |
| Jaffrey | 11,755,394 | 357,362,951 | 5,223,000 | 60,616,943 | 52,200 | 0 |
| Jefferson | 2,125,000 | 92,991,601 | 4,330,600 | 12,067,000 | 0 | 0 |
| Keene | 166,833,000 | 1,126,414,200 | 16,613,600 | 619,129,801 | 0 | 0 |
| Kensington | 6,261,500 | 373,534,512 | 1,448,600 | 13,634,100 | 150,057 | 0 |
| Kilkenny | 0 | 0 | 0 | 0 | 0 | 0 |
| Kingston | 39,910,300 | 832,135,891 | 4,863,300 | 95,837,500 | 98,209 | 0 |
| Laconia | 115,070,703 | 2,512,965,908 | 67,013,014 | 323,280,062 | 0 | 0 |
| Lancaster | 30,980,900 | 180,806,862 | 6,585,300 | 126,363,700 | 26,670 | 0 |
| Landaff | 260,000 | 39,185,034 | 808,600 | 243,500 | 0 | 0 |
| Langdon | 1,424,800 | 44,488,290 | 1,007,590 | 5,373,540 | 0 | 0 |

## MUNICIPAL AND PROPERTY DIVISION

**2024 Tables by County**

**Alpha Order by Municipality**

| MUNICIPALITY | Public Water Utilities | Gas / Oil Utilities | Electric Utilities | Other | Mature Wood Timber | Gross Valuation | Educational & Special Exemptions |
|---|---|---|---|---|---|---|---|
| Gilford | 763,830 | 683,800 | 25,892,300 | 0 | 0 | 3,536,224,140 | 541,300 |
| Gilmanton | 0 | 0 | 9,331,400 | 0 | 0 | 1,061,378,601 | 579,400 |
| Gilsum | 0 | 0 | 3,358,500 | 0 | 0 | 138,733,135 | 0 |
| Goffstown | 0 | 5,346,200 | 125,680,600 | 0 | 0 | 2,767,000,800 | 487,800 |
| Gorham | 0 | 17,196,400 | 52,505,200 | 0 | 0 | 386,895,955 | 0 |
| Goshen | 0 | 0 | 1,878,200 | 0 | 0 | 85,329,277 | 0 |
| Grafton | 0 | 0 | 2,337,700 | 0 | 0 | 143,280,266 | 0 |
| Grantham | 0 | 0 | 6,054,000 | 0 | 0 | 768,369,452 | 416,200 |
| Greenfield | 0 | 0 | 5,096,800 | 0 | 0 | 320,223,445 | 699,700 |
| Greenland | 0 | 11,096,500 | 32,163,900 | 0 | 0 | 1,417,775,500 | 0 |
| Green's Grant | 0 | 0 | 199,100 | 0 | 0 | 9,155,890 | 0 |
| Greenville | 0 | 0 | 7,348,500 | 0 | 0 | 228,384,322 | 0 |
| Groton | 0 | 0 | 12,719,760 | 0 | 0 | 110,511,069 | 0 |
| Hadley's Purchase | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Hale's Location | 0 | 0 | 354,500 | 0 | 0 | 83,709,800 | 0 |
| Hampstead | 4,594,200 | 0 | 11,358,300 | 0 | 0 | 2,101,102,409 | 1,359,700 |
| Hampton | 37,247,200 | 38,616,200 | 109,402,300 | 0 | 0 | 6,120,420,200 | 0 |
| Hampton Falls | 0 | 170,000 | 11,669,900 | 0 | 0 | 880,240,835 | 0 |
| Hancock | 0 | 0 | 6,722,200 | 0 | 0 | 303,610,865 | 0 |
| Hanover | 0 | 0 | 16,114,000 | 0 | 0 | 2,741,198,895 | 160,000 |
| Harrisville | 0 | 0 | 3,738,800 | 0 | 0 | 350,084,516 | 0 |
| Hart's Location | 0 | 0 | 744,100 | 0 | 0 | 21,405,197 | 0 |
| Haverhill | 0 | 0 | 34,636,700 | 0 | 0 | 704,980,962 | 0 |
| Hebron | 0 | 0 | 5,438,500 | 0 | 0 | 413,357,466 | 0 |
| Henniker | 0 | 0 | 12,379,100 | 0 | 0 | 753,976,574 | 150,000 |
| Hill | 0 | 0 | 7,931,500 | 0 | 0 | 203,365,970 | 0 |
| Hillsborough | 0 | 0 | 31,271,320 | 0 | 0 | 605,057,258 | 0 |
| Hinsdale | 0 | 0 | 113,730,138 | 0 | 0 | 442,142,860 | 0 |
| Holderness | 0 | 0 | 57,159,300 | 0 | 0 | 1,417,964,770 | 150,000 |
| Hollis | 551,000 | 203,900 | 17,715,600 | 0 | 0 | 2,326,997,486 | 1,142,200 |
| Hooksett | 757,000 | 26,383,800 | 81,100,400 | 0 | 0 | 3,247,683,993 | 511,100 |
| Hopkinton | 0 | 0 | 36,734,200 | 0 | 0 | 1,447,127,646 | 1,305,082 |
| Hudson | 0 | 21,148,200 | 144,072,000 | 0 | 0 | 5,058,105,011 | 1,003,300 |
| Jackson | 0 | 0 | 7,269,400 | 0 | 0 | 846,579,937 | 0 |
| Jaffrey | 0 | 0 | 9,950,100 | 0 | 0 | 563,034,742 | 0 |
| Jefferson | 0 | 2,555,900 | 5,455,100 | 0 | 0 | 165,549,711 | 0 |
| Keene | 0 | 10,321,400 | 108,130,700 | 0 | 0 | 2,305,060,031 | 211,200 |
| Kensington | 0 | 1,483,100 | 19,700,467 | 0 | 0 | 691,276,772 | 0 |
| Kilkenny | 0 | 0 | 36,600 | 0 | 0 | 36,600 | 0 |
| Kingston | 528,400 | 975,600 | 63,148,800 | 0 | 0 | 1,391,170,426 | 0 |
| Laconia | 215,500 | 24,120,379 | 51,972,097 | 0 | 0 | 4,464,657,531 | 0 |
| Lancaster | 0 | 2,325,600 | 25,363,100 | 0 | 0 | 450,736,614 | 0 |
| Landaff | 0 | 0 | 1,145,000 | 0 | 0 | 60,796,298 | 0 |
| Langdon | 0 | 0 | 1,925,190 | 0 | 0 | 77,433,129 | 0 |

## MUNICIPAL AND PROPERTY DIVISION

**2024 Tables by County**

**Alpha Order by Municipality**

| MUNICIPALITY | Modified Assessed Valuation | Blind Exemption | Elderly Exemption | Local Optional Exemptions | Net Valuation | Gross Property Taxes |
|---|---|---|---|---|---|---|
| Gilford | 3,535,682,840 | 45,000 | 2,599,400 | 0 | 3,533,038,440 | 39,711,687 |
| Gilmanton | 1,060,799,201 | 0 | 1,560,000 | 388,100 | 1,058,851,101 | 15,597,853 |
| Gilsum | 138,733,135 | 15,000 | 190,000 | 701,900 | 137,826,235 | 2,001,038 |
| Goffstown | 2,766,513,000 | 175,000 | 21,059,900 | 1,252,300 | 2,744,025,800 | 55,924,104 |
| Gorham | 386,895,955 | 15,000 | 404,500 | 97,400 | 386,379,055 | 10,835,868 |
| Goshen | 85,329,277 | 0 | 120,000 | 10,970 | 85,198,307 | 1,983,255 |
| Grafton | 143,280,266 | 0 | 275,000 | 222,850 | 142,782,416 | 4,364,747 |
| Grantham | 767,953,252 | 0 | 550,000 | 762,011 | 766,641,241 | 15,025,601 |
| Greenfield | 319,523,745 | 15,000 | 570,000 | 607,520 | 318,331,225 | 7,077,365 |
| Greenland | 1,417,775,500 | 100,000 | 1,230,000 | 1,522,500 | 1,414,923,000 | 18,324,910 |
| Green's Grant | 9,155,890 | 0 | 0 | 0 | 9,155,890 | 60,944 |
| Greenville | 228,384,322 | 15,000 | 374,200 | 0 | 227,995,122 | 3,806,496 |
| Groton | 110,511,069 | 0 | 255,000 | 30,000 | 110,226,069 | 1,050,282 |
| Hadley's Purchase | 0 | 0 | 0 | 0 | 0 | 0 |
| Hale's Location | 83,709,800 | 0 | 0 | 0 | 83,709,800 | 294,964 |
| Hampstead | 2,099,742,709 | 200,000 | 20,102,000 | 200,000 | 2,079,240,709 | 38,530,618 |
| Hampton | 6,120,420,200 | 225,000 | 36,857,500 | 2,436,400 | 6,080,901,300 | 74,701,796 |
| Hampton Falls | 880,240,835 | 0 | 2,540,000 | 609,660 | 877,091,175 | 12,547,040 |
| Hancock | 303,610,865 | 0 | 355,000 | 1,380,876 | 301,874,989 | 7,568,788 |
| Hanover | 2,741,038,895 | 105,000 | 1,284,000 | 0 | 2,739,649,895 | 48,325,576 |
| Harrisville | 350,084,516 | 0 | 0 | 0 | 350,084,516 | 4,210,382 |
| Hart's Location | 21,405,197 | 0 | 0 | 0 | 21,405,197 | 59,108 |
| Haverhill | 704,980,962 | 45,000 | 351,000 | 15,000 | 704,569,962 | 13,660,818 |
| Hebron | 413,357,466 | 0 | 0 | 0 | 413,357,466 | 2,882,190 |
| Henniker | 753,826,574 | 150,000 | 6,051,935 | 840,740 | 746,783,899 | 17,802,613 |
| Hill | 203,365,970 | 0 | 110,000 | 0 | 203,255,970 | 2,728,290 |
| Hillsborough | 605,057,258 | 30,000 | 2,507,800 | 587,786 | 601,931,672 | 20,072,156 |
| Hinsdale | 442,142,860 | 0 | 666,000 | 135,000 | 441,341,860 | 12,774,877 |
| Holderness | 1,417,814,770 | 0 | 39,600 | 578,951 | 1,417,196,219 | 12,191,870 |
| Hollis | 2,325,855,286 | 30,000 | 13,463,500 | 2,330,300 | 2,310,031,486 | 40,933,955 |
| Hooksett | 3,247,172,893 | 250,000 | 23,465,790 | 1,800 | 3,223,455,303 | 53,914,167 |
| Hopkinton | 1,445,822,564 | 120,000 | 23,454,800 | 1,665,349 | 1,420,582,415 | 30,507,432 |
| Hudson | 5,057,101,711 | 1,810,900 | 35,919,000 | 5,070,700 | 5,014,301,111 | 82,280,380 |
| Jackson | 846,579,937 | 0 | 57,750 | 325,400 | 846,196,787 | 5,704,196 |
| Jaffrey | 563,034,742 | 45,000 | 1,255,000 | 509,800 | 561,224,942 | 17,580,406 |
| Jefferson | 165,549,711 | 0 | 437,500 | 0 | 165,112,211 | 3,288,818 |
| Keene | 2,304,848,831 | 234,000 | 3,877,600 | 5,448,792 | 2,295,288,439 | 74,533,438 |
| Kensington | 691,276,772 | 0 | 3,880,000 | 1,052,960 | 686,343,812 | 9,044,359 |
| Kilkenny | 36,600 | 0 | 0 | 0 | 36,600 | 0 |
| Kingston | 1,391,170,426 | 30,000 | 6,855,300 | 2,274,000 | 1,382,011,126 | 22,875,682 |
| Laconia | 4,464,657,531 | 440,000 | 4,050,000 | 0 | 4,460,167,531 | 60,087,010 |
| Lancaster | 450,736,614 | 30,000 | 198,800 | 381,000 | 450,126,814 | 8,601,313 |
| Landaff | 60,796,298 | 0 | 25,000 | 0 | 60,771,298 | 1,570,263 |
| Langdon | 77,433,129 | 0 | 217,800 | 0 | 77,215,329 | 2,168,716 |

## MUNICIPAL AND PROPERTY DIVISION

**2024 Tables by County**

**Alpha Order by Municipality**

| MUNICIPALITY | Less Veterans' Credits | Net Tax Commitment | 2024 Actual Tax Rate | 2024 Resident Tax |
|---|---|---|---|---|
| Gilford | 271,916 | 39,439,771 | 11.25 | 0 |
| Gilmanton | 137,600 | 15,460,253 | 14.74 | 0 |
| Gilsum | 4,200 | 1,996,838 | 14.54 | 0 |
| Goffstown | 556,400 | 55,367,704 | 20.44 | 0 |
| Gorham | 39,500 | 10,796,368 | 28.29 | 0 |
| Goshen | 19,800 | 1,963,455 | 23.32 | 0 |
| Grafton | 50,250 | 4,314,497 | 30.60 | 0 |
| Grantham | 141,750 | 14,883,851 | 19.61 | 0 |
| Greenfield | 44,700 | 7,032,665 | 22.25 | 0 |
| Greenland | 197,250 | 18,127,660 | 12.99 | 0 |
| Green's Grant | 0 | 60,944 | 6.69 | 0 |
| Greenville | 92,000 | 3,714,496 | 16.73 | 0 |
| Groton | 25,500 | 1,024,782 | 9.69 | 0 |
| Hadley's Purchase | 0 | 0 | 0.00 | 0 |
| Hale's Location | 9,700 | 285,264 | 3.53 | 0 |
| Hampstead | 355,000 | 38,175,618 | 18.54 | 0 |
| Hampton | 773,225 | 73,928,571 | 12.32 | 0 |
| Hampton Falls | 67,500 | 12,479,540 | 14.32 | 0 |
| Hancock | 43,300 | 7,525,488 | 25.11 | 0 |
| Hanover | 56,250 | 48,269,326 | 17.68 | 0 |
| Harrisville | 5,900 | 4,204,482 | 12.04 | 0 |
| Hart's Location | 200 | 58,908 | 2.81 | 0 |
| Haverhill | 208,000 | 13,452,818 | 19.44 | 0 |
| Hebron | 9,350 | 2,872,840 | 6.99 | 0 |
| Henniker | 79,000 | 17,723,613 | 23.90 | 0 |
| Hill | 19,600 | 2,708,690 | 13.46 | 0 |
| Hillsborough | 271,200 | 19,800,956 | 33.44 | 0 |
| Hinsdale | 107,800 | 12,667,077 | 29.39 | 0 |
| Holderness | 45,417 | 12,146,453 | 8.65 | 0 |
| Hollis | 276,875 | 40,657,080 | 17.73 | 0 |
| Hooksett | 382,820 | 53,531,347 | 16.96 | 0 |
| Hopkinton | 240,500 | 30,266,932 | 21.89 | 0 |
| Hudson | 822,800 | 81,457,580 | 16.45 | 0 |
| Jackson | 24,700 | 5,679,496 | 6.75 | 0 |
| Jaffrey | 153,850 | 17,426,556 | 32.80 | 0 |
| Jefferson | 27,200 | 3,261,618 | 19.99 | 0 |
| Keene | 412,850 | 74,120,588 | 33.07 | 0 |
| Kensington | 62,980 | 8,981,379 | 13.21 | 0 |
| Kilkenny | 0 | 0 | 0.00 | 0 |
| Kingston | 250,400 | 22,625,282 | 16.61 | 0 |
| Laconia | 567,100 | 59,519,910 | 13.63 | 0 |
| Lancaster | 71,600 | 8,529,713 | 19.18 | 0 |
| Landaff | 5,200 | 1,565,063 | 25.87 | 0 |
| Langdon | 21,000 | 2,147,716 | 28.12 | 0 |

## MUNICIPAL AND PROPERTY DIVISION

**2024 Tables by County**

**Alpha Order by Municipality**

| MUNICIPALITY | RSA 79-A Current Use Land | RSA 79-B Conservation Restriction Land | RSA 79-C Discretionary Easement Land | RSA 79-D Discretionary Preservation Easement Land | RSA 79-F Land Under Farm Structures | Residential Land |
|---|---|---|---|---|---|---|
| Lebanon | 1,114,951 | 0 | 0 | 200 | 0 | 324,732,956 |
| Lee | 676,905 | 21,289 | 0 | 1,900 | 0 | 267,502,400 |
| Lempster | 654,422 | 0 | 0 | 0 | 0 | 35,649,100 |
| Lincoln | 44,200 | 0 | 0 | 0 | 0 | 258,158,200 |
| Lisbon | 1,441,045 | 1,049 | 0 | 0 | 0 | 45,757,100 |
| Litchfield | 263,120 | 0 | 0 | 0 | 0 | 404,050,000 |
| Littleton | 877,410 | 0 | 0 | 0 | 0 | 80,330,970 |
| Livermore | 0 | 0 | 0 | 0 | 0 | 140,000 |
| Londonderry | 459,238 | 1,671 | 1,156,400 | 0 | 0 | 1,360,416,000 |
| Loudon | 1,402,842 | 26,241 | 10,770 | 200 | 0 | 179,129,300 |
| Low & Burbank's Grant | 0 | 0 | 0 | 0 | 0 | 0 |
| Lyman | 803,092 | 0 | 0 | 0 | 0 | 21,596,150 |
| Lyme | 2,112,300 | 19,900 | 0 | 20,400 | 0 | 145,477,500 |
| Lyndeborough | 882,894 | 1,603 | 0 | 8,100 | 700 | 61,543,900 |
| Madbury | 378,969 | 0 | 0 | 100 | 0 | 89,934,300 |
| Madison | 933,304 | 0 | 0 | 0 | 200 | 234,052,200 |
| Manchester | 74,744 | 0 | 204,900 | 0 | 0 | 2,254,458,470 |
| Marlborough | 664,285 | 1,725 | 0 | 0 | 0 | 57,817,300 |
| Marlow | 693,485 | 0 | 0 | 0 | 0 | 28,191,500 |
| Martin's Location | 0 | 0 | 0 | 0 | 0 | 0 |
| Mason | 446,891 | 0 | 0 | 0 | 15,400 | 68,196,500 |
| Meredith | 914,354 | 0 | 0 | 0 | 0 | 2,100,144,282 |
| Merrimack | 285,216 | 0 | 0 | 300 | 0 | 1,479,199,100 |
| Middleton | 560,399 | 0 | 0 | 200 | 0 | 185,548,600 |
| Milan | 1,039,236 | 26,250 | 0 | 0 | 0 | 44,466,900 |
| Milford | 790,196 | 0 | 0 | 0 | 9,300 | 365,090,523 |
| Millsfield | 973,118 | 0 | 0 | 0 | 0 | 4,478,700 |
| Milton | 1,216,640 | 4,077 | 0 | 200 | 0 | 350,031,900 |
| Monroe | 866,293 | 0 | 0 | 0 | 0 | 27,107,400 |
| Mont Vernon | 545,083 | 0 | 203 | 0 | 0 | 155,586,300 |
| Moultonborough | 1,058,119 | 350,074 | 0 | 29,200 | 0 | 3,660,484,000 |
| Nashua | 87,092 | 0 | 0 | 1,480 | 0 | 2,895,933,200 |
| Nelson | 743,322 | 7,427 | 0 | 0 | 0 | 90,020,000 |
| New Boston | 1,322,412 | 0 | 0 | 8,439 | 0 | 355,749,706 |
| New Castle | 7,241 | 0 | 387 | 0 | 0 | 660,912,900 |
| New Durham | 983,098 | 15,462 | 0 | 1,200 | 0 | 335,669,290 |
| New Hampton | 1,448,677 | 0 | 0 | 0 | 0 | 224,480,800 |
| New Ipswich | 1,442,970 | 0 | 2,436 | 0 | 0 | 210,980,100 |
| New London | 747,160 | 3,663 | 0 | 0 | 0 | 929,049,300 |
| Newbury | 818,980 | 0 | 0 | 0 | 21,700 | 852,107,500 |
| Newfields | 163,934 | 58,552 | 7,483 | 0 | 0 | 152,288,300 |
| Newington | 86,430 | 0 | 0 | 159 | 0 | 188,967,941 |
| Newmarket | 322,974 | 0 | 0 | 100 | 0 | 493,325,497 |
| Newport | 1,679,050 | 0 | 149,815 | 0 | 0 | 172,785,800 |

## MUNICIPAL AND PROPERTY DIVISION

**2024 Tables by County**

**Alpha Order by Municipality**

| MUNICIPALITY | Commercial / Industrial Land | Residential Buildings | Manufactured Housing | Commercial / Industrial Buildings | RSA 79-D Discretionary Preservation Easement Buildings | RSA 79-F Farm Structures |
|---|---|---|---|---|---|---|
| Lebanon | 448,754,537 | 1,040,474,380 | 9,667,000 | 845,369,121 | 22,700 | 0 |
| Lee | 33,752,200 | 356,929,820 | 12,354,400 | 62,803,100 | 52,480 | 0 |
| Lempster | 1,207,700 | 79,372,716 | 5,698,900 | 4,303,900 | 0 | 0 |
| Lincoln | 38,772,000 | 885,919,650 | 3,286,000 | 126,158,974 | 0 | 0 |
| Lisbon | 10,870,700 | 129,221,822 | 8,484,200 | 26,709,900 | 17,578 | 0 |
| Litchfield | 18,557,000 | 700,156,300 | 7,956,500 | 44,320,300 | 0 | 0 |
| Littleton | 73,872,470 | 342,823,771 | 13,014,100 | 150,482,665 | 0 | 0 |
| Livermore | 0 | 49,600 | 0 | 0 | 0 | 0 |
| Londonderry | 437,375,400 | 2,974,766,300 | 40,305,300 | 1,007,928,699 | 187,000 | 0 |
| Loudon | 27,919,800 | 427,861,630 | 20,042,100 | 51,967,550 | 11,270 | 0 |
| Low & Burbank's Grant | 0 | 0 | 0 | 0 | 0 | 0 |
| Lyman | 270,500 | 49,311,600 | 1,863,300 | 1,732,900 | 0 | 0 |
| Lyme | 6,865,900 | 247,134,000 | 1,376,600 | 12,693,400 | 31,000 | 0 |
| Lyndeborough | 2,552,600 | 152,444,522 | 2,121,800 | 2,801,200 | 255,291 | 218,326 |
| Madbury | 7,044,700 | 177,511,816 | 4,368,400 | 8,691,400 | 17,784 | 0 |
| Madison | 7,465,900 | 342,435,392 | 2,332,600 | 16,791,600 | 0 | 101,665 |
| Manchester | 870,940,978 | 6,339,731,811 | 3,423,700 | 3,539,648,264 | 0 | 0 |
| Marlborough | 8,656,900 | 129,950,350 | 1,972,010 | 19,104,593 | 19,480 | 0 |
| Marlow | 682,000 | 40,728,110 | 1,338,500 | 2,151,330 | 0 | 0 |
| Martin's Location | 0 | 0 | 0 | 0 | 0 | 0 |
| Mason | 1,456,400 | 140,410,000 | 554,600 | 2,117,100 | 0 | 5,900 |
| Meredith | 114,834,617 | 1,533,912,945 | 13,006,500 | 132,161,055 | 16,800 | 0 |
| Merrimack | 303,974,600 | 2,150,456,948 | 16,104,900 | 899,184,900 | 7,500 | 0 |
| Middleton | 2,594,100 | 153,531,478 | 9,214,000 | 10,734,300 | 31,222 | 0 |
| Milan | 1,377,800 | 74,827,500 | 6,425,700 | 7,013,800 | 0 | 0 |
| Milford | 79,545,825 | 1,315,012,300 | 23,033,300 | 270,964,588 | 0 | 219,200 |
| Millsfield | 513,600 | 6,706,850 | 131,280 | 404,510 | 0 | 0 |
| Milton | 15,727,400 | 445,075,585 | 56,715,500 | 65,138,300 | 6,515 | 0 |
| Monroe | 934,200 | 99,970,400 | 2,878,900 | 9,486,800 | 0 | 0 |
| Mont Vernon | 2,130,000 | 392,930,530 | 4,433,260 | 1,040,450 | 0 | 0 |
| Moultonborough | 94,952,900 | 2,474,807,024 | 5,938,700 | 65,463,074 | 219,041 | 0 |
| Nashua | 1,437,211,442 | 8,909,668,000 | 138,770,200 | 2,953,751,907 | 19,545 | 0 |
| Nelson | 1,631,800 | 68,968,232 | 858,500 | 1,551,100 | 0 | 0 |
| New Boston | 12,414,400 | 552,031,457 | 2,805,000 | 27,825,500 | 30,612 | 0 |
| New Castle | 32,465,800 | 314,916,101 | 0 | 72,810,200 | 0 | 0 |
| New Durham | 5,054,110 | 276,490,275 | 5,268,600 | 10,584,625 | 22,700 | 0 |
| New Hampton | 17,361,415 | 230,350,330 | 16,934,670 | 45,324,934 | 76,550 | 0 |
| New Ipswich | 10,713,700 | 607,416,600 | 8,570,800 | 18,011,800 | 0 | 0 |
| New London | 60,032,200 | 975,147,494 | 93,100 | 83,317,522 | 0 | 0 |
| Newbury | 28,111,400 | 765,212,804 | 1,204,200 | 21,705,800 | 0 | 100,696 |
| Newfields | 11,825,000 | 265,835,100 | 363,000 | 25,579,900 | 0 | 0 |
| Newington | 227,115,800 | 154,921,460 | 0 | 301,148,650 | 88,040 | 0 |
| Newmarket | 130,675,080 | 918,318,880 | 23,246,000 | 146,119,311 | 4,800 | 0 |
| Newport | 48,546,900 | 349,432,800 | 22,731,400 | 129,658,800 | 0 | 0 |

## MUNICIPAL AND PROPERTY DIVISION

**2024 Tables by County**

**Alpha Order by Municipality**

| MUNICIPALITY | Public Water Utilities | Gas / Oil Utilities | Electric Utilities | Other | Mature Wood Timber | Gross Valuation | Educational & Special Exemptions |
|---|---|---|---|---|---|---|---|
| Lebanon | 0 | 0 | 110,772,800 | 0 | 0 | 2,780,908,645 | 440,300 |
| Lee | 153,600 | 0 | 12,101,027 | 0 | 0 | 746,349,121 | 1,500 |
| Lempster | 0 | 0 | 6,472,500 | 0 | 0 | 133,359,238 | 0 |
| Lincoln | 0 | 0 | 8,321,300 | 0 | 0 | 1,320,660,324 | 0 |
| Lisbon | 0 | 0 | 6,690,800 | 0 | 0 | 229,194,194 | 0 |
| Litchfield | 13,018,000 | 1,665,100 | 41,138,900 | 0 | 0 | 1,231,125,220 | 493,900 |
| Littleton | 0 | 0 | 214,291,700 | 0 | 0 | 875,693,086 | 0 |
| Livermore | 0 | 0 | 0 | 0 | 0 | 189,600 | 0 |
| Londonderry | 15,182,218 | 48,757,333 | 552,770,004 | 0 | 0 | 6,439,305,563 | 1,657,800 |
| Loudon | 0 | 10,769,700 | 10,429,400 | 0 | 0 | 729,570,803 | 466,100 |
| Low & Burbank's Grant | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Lyman | 0 | 0 | 2,336,500 | 0 | 0 | 77,914,042 | 0 |
| Lyme | 0 | 0 | 3,858,800 | 0 | 0 | 419,589,800 | 0 |
| Lyndeborough | 0 | 0 | 2,874,346 | 0 | 0 | 225,705,282 | 0 |
| Madbury | 0 | 225,900 | 23,694,400 | 0 | 0 | 311,867,769 | 0 |
| Madison | 0 | 0 | 8,948,700 | 0 | 0 | 613,061,561 | 0 |
| Manchester | 0 | 163,095,900 | 230,290,500 | 0 | 0 | 13,401,869,267 | 150,000 |
| Marlborough | 0 | 0 | 6,310,700 | 0 | 0 | 224,497,343 | 548,600 |
| Marlow | 0 | 0 | 1,423,400 | 0 | 0 | 75,208,325 | 0 |
| Martin's Location | 0 | 0 | 591,900 | 0 | 0 | 591,900 | 0 |
| Mason | 0 | 0 | 5,162,695 | 0 | 0 | 218,365,486 | 566,400 |
| Meredith | 0 | 0 | 21,268,600 | 0 | 0 | 3,916,259,153 | 0 |
| Merrimack | 16,530,300 | 15,488,900 | 128,671,100 | 0 | 0 | 5,009,903,764 | 1,962,300 |
| Middleton | 1,418,600 | 0 | 4,870,800 | 0 | 0 | 368,503,699 | 0 |
| Milan | 0 | 14,519,700 | 3,882,300 | 0 | 0 | 153,579,186 | 0 |
| Milford | 1,859,700 | 5,735,100 | 32,914,700 | 0 | 0 | 2,095,174,732 | 762,513 |
| Millsfield | 0 | 0 | 123,600 | 0 | 0 | 13,331,658 | 0 |
| Milton | 0 | 0 | 24,917,767 | 0 | 0 | 958,833,884 | 0 |
| Monroe | 0 | 0 | 456,039,900 | 0 | 0 | 597,283,893 | 0 |
| Mont Vernon | 0 | 0 | 6,873,400 | 0 | 0 | 563,539,226 | 0 |
| Moultonborough | 2,663,900 | 0 | 30,366,500 | 0 | 0 | 6,336,332,532 | 0 |
| Nashua | 130,575,100 | 183,395,800 | 159,038,200 | 0 | 0 | 16,808,451,966 | 2,057,260 |
| Nelson | 0 | 0 | 5,448,100 | 0 | 0 | 169,228,481 | 0 |
| New Boston | 0 | 0 | 11,192,100 | 0 | 0 | 963,379,626 | 51,885 |
| New Castle | 0 | 0 | 1,243,300 | 0 | 0 | 1,082,355,929 | 0 |
| New Durham | 0 | 0 | 5,888,100 | 0 | 0 | 639,977,460 | 0 |
| New Hampton | 0 | 0 | 56,068,200 | 0 | 0 | 592,045,576 | 150,000 |
| New Ipswich | 0 | 0 | 18,212,100 | 0 | 0 | 875,350,506 | 0 |
| New London | 0 | 0 | 20,971,300 | 0 | 0 | 2,069,361,739 | 150,000 |
| Newbury | 0 | 0 | 8,266,400 | 0 | 0 | 1,677,549,480 | 0 |
| Newfields | 0 | 0 | 3,429,746 | 0 | 0 | 459,551,015 | 0 |
| Newington | 0 | 35,653,400 | 390,169,700 | 0 | 0 | 1,298,151,580 | 26,288,850 |
| Newmarket | 259,600 | 0 | 11,037,995 | 0 | 0 | 1,723,310,237 | 0 |
| Newport | 0 | 0 | 22,449,000 | 0 | 0 | 747,433,565 | 2,600 |

## MUNICIPAL AND PROPERTY DIVISION

**2024 Tables by County**

**Alpha Order by Municipality**

| MUNICIPALITY | Modified Assessed Valuation | Blind Exemption | Elderly Exemption | Local Optional Exemptions | Net Valuation | Gross Property Taxes |
|---|---|---|---|---|---|---|
| Lebanon | 2,780,468,345 | 21,000 | 14,276,200 | 3,491,100 | 2,762,680,045 | 71,522,591 |
| Lee | 746,347,621 | 30,000 | 9,997,383 | 0 | 736,320,238 | 18,956,223 |
| Lempster | 133,359,238 | 0 | 183,100 | 78,780 | 133,097,358 | 3,828,827 |
| Lincoln | 1,320,660,324 | 0 | 1,627,500 | 75,100 | 1,318,957,724 | 15,391,113 |
| Lisbon | 229,194,194 | 0 | 860,000 | 0 | 228,334,194 | 4,556,164 |
| Litchfield | 1,230,631,320 | 30,000 | 6,404,500 | 0 | 1,224,196,820 | 25,346,145 |
| Littleton | 875,693,086 | 75,000 | 3,228,750 | 0 | 872,389,336 | 21,345,949 |
| Livermore | 189,600 | 0 | 0 | 0 | 189,600 | 0 |
| Londonderry | 6,437,647,763 | 300,000 | 36,017,300 | 10,636,700 | 6,390,693,763 | 102,325,573 |
| Loudon | 729,104,703 | 0 | 806,100 | 93,500 | 728,205,103 | 16,836,396 |
| Low & Burbank's Grant | 0 | 0 | 0 | 0 | 0 | 0 |
| Lyman | 77,914,042 | 0 | 210,000 | 55,600 | 77,648,442 | 1,677,164 |
| Lyme | 419,589,800 | 67,500 | 4,909,100 | 1,772,500 | 412,840,700 | 11,347,331 |
| Lyndeborough | 225,705,282 | 0 | 605,000 | 628,680 | 224,471,602 | 5,800,352 |
| Madbury | 311,867,769 | 15,000 | 2,196,129 | 1,378,400 | 308,278,240 | 8,956,303 |
| Madison | 613,061,561 | 15,000 | 475,000 | 704,208 | 611,867,353 | 9,631,519 |
| Manchester | 13,401,719,267 | 4,080,700 | 109,957,832 | 8,729,100 | 13,278,951,635 | 259,403,925 |
| Marlborough | 223,948,743 | 15,000 | 188,900 | 147,630 | 223,597,213 | 6,414,545 |
| Marlow | 75,208,325 | 0 | 197,640 | 13,500 | 74,997,185 | 2,322,124 |
| Martin's Location | 591,900 | 0 | 0 | 0 | 591,900 | 15,431 |
| Mason | 217,799,086 | 0 | 330,000 | 92,000 | 217,377,086 | 5,546,138 |
| Meredith | 3,916,259,153 | 180,000 | 1,660,000 | 2,549,374 | 3,911,869,779 | 40,107,923 |
| Merrimack | 5,007,941,464 | 75,000 | 22,296,000 | 3,099,460 | 4,982,471,004 | 102,849,503 |
| Middleton | 368,503,699 | 15,000 | 300,000 | 1,516,880 | 366,671,819 | 5,691,350 |
| Milan | 153,579,186 | 30,000 | 202,100 | 451,780 | 152,895,306 | 3,533,556 |
| Milford | 2,094,412,219 | 180,000 | 11,059,700 | 1,270,000 | 2,081,902,519 | 49,205,739 |
| Millsfield | 13,331,658 | 0 | 0 | 0 | 13,331,658 | 0 |
| Milton | 958,833,884 | 15,000 | 5,017,150 | 454,560 | 953,347,174 | 13,272,531 |
| Monroe | 597,283,893 | 0 | 30,000 | 0 | 597,253,893 | 5,792,116 |
| Mont Vernon | 563,539,226 | 45,000 | 2,032,000 | 281,570 | 561,180,656 | 11,080,956 |
| Moultonborough | 6,336,332,532 | 50,000 | 500,000 | 669,200 | 6,335,113,332 | 35,755,405 |
| Nashua | 16,806,394,706 | 3,705,100 | 157,895,500 | 20,788,500 | 16,624,005,606 | 261,938,782 |
| Nelson | 169,228,481 | 0 | 110,000 | 236,600 | 168,881,881 | 2,984,306 |
| New Boston | 963,327,741 | 99,000 | 2,826,650 | 1,253,700 | 959,148,391 | 22,802,024 |
| New Castle | 1,082,355,929 | 0 | 450,000 | 0 | 1,081,905,929 | 5,829,770 |
| New Durham | 639,977,460 | 0 | 405,000 | 847,700 | 638,724,760 | 12,400,824 |
| New Hampton | 591,895,576 | 15,000 | 330,000 | 0 | 591,550,576 | 7,771,324 |
| New Ipswich | 875,350,506 | 30,000 | 2,152,900 | 1,080,180 | 872,087,426 | 13,253,501 |
| New London | 2,069,211,739 | 50,000 | 710,000 | 2,361,250 | 2,066,090,489 | 23,960,887 |
| Newbury | 1,677,549,480 | 30,000 | 135,000 | 644,000 | 1,676,740,480 | 16,791,681 |
| Newfields | 459,551,015 | 0 | 2,600,000 | 148,500 | 456,802,515 | 7,345,973 |
| Newington | 1,271,862,730 | 0 | 2,300,000 | 0 | 1,269,562,730 | 9,536,699 |
| Newmarket | 1,723,310,237 | 60,000 | 7,725,300 | 1,674,100 | 1,713,850,837 | 29,465,807 |
| Newport | 747,430,965 | 54,000 | 3,150,400 | 408,740 | 743,817,825 | 17,977,069 |

## MUNICIPAL AND PROPERTY DIVISION

**2024 Tables by County**

**Alpha Order by Municipality**

| MUNICIPALITY | Less Veterans' Credits | Net Tax Commitment | 2024 Actual Tax Rate | 2024 Resident Tax |
|---|---|---|---|---|
| Lebanon | 303,750 | 71,218,841 | 26.28 | 0 |
| Lee | 149,700 | 18,806,523 | 25.77 | 0 |
| Lempster | 26,400 | 3,802,427 | 28.86 | 0 |
| Lincoln | 51,750 | 15,339,363 | 11.68 | 0 |
| Lisbon | 33,200 | 4,522,964 | 19.98 | 0 |
| Litchfield | 316,043 | 25,030,102 | 20.78 | 0 |
| Littleton | 127,200 | 21,218,749 | 24.94 | 37,146 |
| Livermore | 0 | 0 | 0.00 | 0 |
| Londonderry | 1,004,750 | 101,320,823 | 16.14 | 0 |
| Loudon | 205,700 | 16,630,696 | 23.25 | 0 |
| Low & Burbank's Grant | 0 | 0 | 0.00 | 0 |
| Lyman | 24,100 | 1,653,064 | 21.65 | 0 |
| Lyme | 36,000 | 11,311,331 | 27.50 | 0 |
| Lyndeborough | 77,250 | 5,723,102 | 25.86 | 0 |
| Madbury | 52,750 | 8,903,553 | 29.19 | 0 |
| Madison | 93,250 | 9,538,269 | 15.77 | 0 |
| Manchester | 1,354,918 | 258,049,007 | 19.58 | 0 |
| Marlborough | 44,800 | 6,369,745 | 28.73 | 0 |
| Marlow | 37,575 | 2,284,549 | 31.00 | 0 |
| Martin's Location | 0 | 15,431 | 26.07 | 0 |
| Mason | 29,000 | 5,517,138 | 25.55 | 0 |
| Meredith | 308,625 | 39,799,298 | 10.26 | 0 |
| Merrimack | 891,830 | 101,957,673 | 20.69 | 0 |
| Middleton | 43,600 | 5,647,750 | 15.54 | 0 |
| Milan | 11,100 | 3,522,456 | 23.33 | 0 |
| Milford | 245,000 | 48,960,739 | 23.67 | 0 |
| Millsfield | 0 | 0 | 0.00 | 0 |
| Milton | 278,000 | 12,994,531 | 13.95 | 0 |
| Monroe | 44,100 | 5,748,016 | 10.66 | 0 |
| Mont Vernon | 49,500 | 11,031,456 | 19.76 | 0 |
| Moultonborough | 172,925 | 35,582,480 | 5.65 | 0 |
| Nashua | 1,966,690 | 259,972,092 | 15.90 | 0 |
| Nelson | 11,665 | 2,972,641 | 17.71 | 0 |
| New Boston | 197,000 | 22,605,024 | 23.79 | 0 |
| New Castle | 24,000 | 5,805,770 | 5.39 | 0 |
| New Durham | 161,500 | 12,239,324 | 19.43 | 0 |
| New Hampton | 79,600 | 7,691,724 | 13.25 | 0 |
| New Ipswich | 261,248 | 12,992,253 | 15.22 | 0 |
| New London | 144,750 | 23,816,137 | 11.61 | 0 |
| Newbury | 127,125 | 16,664,556 | 10.02 | 0 |
| Newfields | 41,800 | 7,304,173 | 16.09 | 0 |
| Newington | 42,500 | 9,494,199 | 7.88 | 0 |
| Newmarket | 237,250 | 29,228,557 | 17.20 | 0 |
| Newport | 99,600 | 17,877,469 | 24.31 | 0 |

## MUNICIPAL AND PROPERTY DIVISION

**2024 Tables by County**

**Alpha Order by Municipality**

| MUNICIPALITY | RSA 79-A Current Use Land | RSA 79-B Conservation Restriction Land | RSA 79-C Discretionary Easement Land | RSA 79-D Discretionary Preservation Easement Land | RSA 79-F Land Under Farm Structures | Residential Land |
|---|---|---|---|---|---|---|
| Newton | 151,713 | 1,535 | 0 | 300 | 0 | 208,534,400 |
| North Hampton | 204,400 | 600 | 28,100 | 4,400 | 0 | 616,024,810 |
| Northfield | 1,135,366 | 1,851 | 0 | 0 | 0 | 186,476,900 |
| Northumberland | 1,113,859 | 7,919 | 0 | 0 | 0 | 52,126,900 |
| Northwood | 787,554 | 0 | 0 | 175 | 0 | 424,868,557 |
| Nottingham | 1,074,001 | 0 | 0 | 700 | 0 | 370,318,100 |
| Odell | 294,856 | 0 | 0 | 0 | 0 | 70,000 |
| Orange | 504,874 | 0 | 0 | 0 | 0 | 12,654,500 |
| Orford | 1,250,180 | 770 | 0 | 0 | 0 | 38,130,600 |
| Ossipee | 1,694,870 | 0 | 0 | 0 | 0 | 690,958,200 |
| Pelham | 399,027 | 0 | 0 | 0 | 0 | 816,037,266 |
| Pembroke | 872,895 | 0 | 59,400 | 0 | 0 | 283,846,000 |
| Peterborough | 1,204,750 | 0 | 9,400 | 375 | 0 | 161,382,360 |
| Piermont | 1,314,339 | 11,737 | 0 | 0 | 0 | 46,583,600 |
| Pinkham's Grant | 0 | 0 | 0 | 0 | 0 | 0 |
| Pittsburg | 4,992,422 | 0 | 0 | 0 | 0 | 267,125,200 |
| Pittsfield | 707,473 | 0 | 35,374 | 600 | 0 | 102,561,900 |
| Plainfield | 3,299,261 | 0 | 0 | 0 | 0 | 155,208,700 |
| Plaistow | 60,026 | 0 | 0 | 0 | 0 | 305,491,106 |
| Plymouth | 859,539 | 46,979 | 0 | 17,600 | 0 | 136,533,055 |
| Portsmouth | 40,239 | 0 | 0 | 0 | 0 | 2,102,986,400 |
| Randolph | 176,991 | 0 | 0 | 300 | 0 | 52,681,400 |
| Raymond | 349,761 | 0 | 1,410 | 200 | 0 | 362,867,600 |
| Richmond | 1,254,495 | 0 | 0 | 0 | 0 | 44,503,000 |
| Rindge | 916,472 | 0 | 0 | 0 | 0 | 182,781,300 |
| Rochester | 1,130,677 | 0 | 0 | 45,000 | 0 | 871,103,796 |
| Rollinsford | 452,149 | 0 | 0 | 0 | 0 | 178,562,900 |
| Roxbury | 339,635 | 0 | 0 | 0 | 0 | 8,206,900 |
| Rumney | 1,036,188 | 41,614 | 0 | 525 | 0 | 155,282,600 |
| Rye | 125,550 | 112,200 | 0 | 0 | 0 | 1,815,946,775 |
| Salem | 120,794 | 0 | 0 | 500 | 0 | 1,650,342,272 |
| Salisbury | 1,424,052 | 0 | 0 | 0 | 0 | 73,023,800 |
| Sanbornton | 1,938,138 | 0 | 36,006 | 0 | 15,200 | 463,271,900 |
| Sandown | 199,000 | 0 | 100 | 100 | 0 | 366,538,330 |
| Sandwich | 1,964,679 | 136,929 | 0 | 6,025 | 0 | 458,061,461 |
| Sargent's Purchase | 0 | 0 | 0 | 0 | 0 | 0 |
| Seabrook | 14,450 | 100 | 0 | 0 | 0 | 1,153,512,350 |
| Second College Grant | 898,113 | 0 | 0 | 0 | 0 | 387,900 |
| Sharon | 865,508 | 0 | 0 | 0 | 0 | 29,245,400 |
| Shelburne | 365,962 | 0 | 0 | 75 | 0 | 16,206,300 |
| Somersworth | 137,220 | 0 | 0 | 0 | 0 | 327,931,793 |
| South Hampton | 487,955 | 0 | 0 | 0 | 0 | 102,784,100 |
| Springfield | 722,397 | 9,899 | 0 | 0 | 0 | 71,717,100 |
| Stark | 677,573 | 2,456 | 0 | 0 | 0 | 53,654,700 |

## MUNICIPAL AND PROPERTY DIVISION

**2024 Tables by County**

**Alpha Order by Municipality**

| MUNICIPALITY | Commercial / Industrial Land | Residential Buildings | Manufactured Housing | Commercial / Industrial Buildings | RSA 79-D Discretionary Preservation Easement Buildings | RSA 79-F Farm Structures |
|---|---|---|---|---|---|---|
| Newton | 12,637,000 | 389,491,420 | 3,277,300 | 33,311,400 | 31,080 | 0 |
| North Hampton | 97,567,090 | 876,287,210 | 73,800,300 | 116,707,490 | 204,500 | 0 |
| Northfield | 17,387,600 | 338,791,000 | 14,449,900 | 50,559,300 | 0 | 0 |
| Northumberland | 2,583,700 | 73,268,660 | 5,572,000 | 19,540,560 | 0 | 0 |
| Northwood | 36,558,100 | 431,295,648 | 23,747,400 | 39,232,700 | 22,698 | 0 |
| Nottingham | 5,299,800 | 439,667,134 | 6,479,700 | 7,706,300 | 11,066 | 0 |
| Odell | 0 | 3,105,790 | 0 | 0 | 0 | 0 |
| Orange | 213,100 | 21,537,600 | 1,251,200 | 415,300 | 0 | 0 |
| Orford | 3,314,000 | 106,905,188 | 2,417,700 | 7,888,900 | 44,512 | 0 |
| Ossipee | 92,704,000 | 584,722,000 | 39,550,900 | 110,515,100 | 0 | 0 |
| Pelham | 42,477,820 | 1,765,890,835 | 345,000 | 97,182,465 | 0 | 0 |
| Pembroke | 54,931,700 | 721,207,000 | 4,116,700 | 128,429,200 | 0 | 0 |
| Peterborough | 32,189,590 | 570,092,792 | 455,000 | 172,179,300 | 29,608 | 0 |
| Piermont | 747,400 | 78,122,000 | 1,340,700 | 2,133,400 | 0 | 0 |
| Pinkham's Grant | 128,200 | 0 | 0 | 2,503,330 | 0 | 0 |
| Pittsburg | 16,499,000 | 264,535,133 | 7,118,700 | 23,756,500 | 0 | 0 |
| Pittsfield | 11,561,000 | 194,444,500 | 8,115,200 | 40,023,100 | 6,000 | 0 |
| Plainfield | 9,284,500 | 339,908,938 | 9,251,900 | 24,670,472 | 15,062 | 0 |
| Plaistow | 116,001,482 | 709,092,242 | 237,400 | 234,213,200 | 0 | 0 |
| Plymouth | 68,822,427 | 350,003,265 | 6,363,000 | 155,320,803 | 43,200 | 0 |
| Portsmouth | 1,027,311,862 | 4,151,304,700 | 58,068,100 | 2,529,485,845 | 0 | 0 |
| Randolph | 1,352,000 | 68,663,272 | 806,800 | 1,680,100 | 4,328 | 0 |
| Raymond | 53,932,095 | 781,989,285 | 56,200,600 | 102,775,615 | 47,300 | 0 |
| Richmond | 2,406,900 | 104,807,200 | 3,303,200 | 4,939,100 | 0 | 0 |
| Rindge | 27,535,100 | 424,588,942 | 5,336,900 | 116,117,100 | 0 | 0 |
| Rochester | 448,985,895 | 2,540,124,195 | 420,942,025 | 826,754,605 | 176,700 | 0 |
| Rollinsford | 19,821,300 | 239,331,400 | 386,800 | 45,858,500 | 0 | 0 |
| Roxbury | 524,400 | 30,576,200 | 744,600 | 1,909,800 | 0 | 0 |
| Rumney | 9,250,400 | 168,259,135 | 4,379,000 | 18,498,500 | 24,465 | 0 |
| Rye | 52,797,475 | 1,354,641,185 | 4,603,000 | 48,841,415 | 0 | 0 |
| Salem | 619,457,536 | 3,039,777,918 | 71,206,900 | 1,177,399,482 | 8,600 | 0 |
| Salisbury | 615,000 | 156,847,400 | 2,082,300 | 2,560,200 | 0 | 0 |
| Sanbornton | 9,135,300 | 452,861,476 | 5,180,900 | 25,980,390 | 43,560 | 73,771 |
| Sandown | 4,238,270 | 763,419,440 | 6,996,100 | 12,614,860 | 17,400 | 0 |
| Sandwich | 9,369,900 | 324,167,456 | 1,083,901 | 6,602,100 | 247,640 | 0 |
| Sargent's Purchase | 2,012,840 | 0 | 0 | 448,380 | 0 | 0 |
| Seabrook | 320,771,650 | 971,642,140 | 118,016,900 | 323,193,410 | 0 | 0 |
| Second College Grant | 0 | 525,550 | 0 | 0 | 0 | 0 |
| Sharon | 187,300 | 73,376,400 | 0 | 845,800 | 0 | 0 |
| Shelburne | 1,616,800 | 32,077,696 | 675,600 | 9,157,000 | 13,104 | 0 |
| Somersworth | 98,337,807 | 1,072,697,432 | 63,226,100 | 325,487,228 | 0 | 0 |
| South Hampton | 5,302,300 | 139,526,766 | 3,274,500 | 13,191,100 | 0 | 0 |
| Springfield | 4,631,400 | 142,667,766 | 2,950,700 | 16,762,200 | 0 | 0 |
| Stark | 2,688,900 | 75,130,000 | 3,594,100 | 2,295,100 | 0 | 0 |

## MUNICIPAL AND PROPERTY DIVISION

**2024 Tables by County**

**Alpha Order by Municipality**

| MUNICIPALITY | Public Water Utilities | Gas / Oil Utilities | Electric Utilities | Other | Mature Wood Timber | Gross Valuation | Educational & Special Exemptions |
|---|---|---|---|---|---|---|---|
| Newton | 118,000 | 6,564,700 | 7,819,700 | 0 | 0 | 661,938,548 | 446,200 |
| North Hampton | 10,983,800 | 2,316,700 | 12,056,000 | 0 | 0 | 1,806,185,400 | 0 |
| Northfield | 0 | 2,363,700 | 11,334,100 | 0 | 0 | 622,499,717 | 10,000 |
| Northumberland | 0 | 21,783,700 | 63,494,860 | 0 | 0 | 239,492,158 | 0 |
| Northwood | 0 | 0 | 16,546,800 | 0 | 0 | 973,059,632 | 9,405 |
| Nottingham | 74,300 | 0 | 22,298,200 | 0 | 0 | 852,929,301 | 395,600 |
| Odell | 0 | 0 | 0 | 0 | 0 | 3,470,646 | 0 |
| Orange | 0 | 0 | 767,000 | 0 | 0 | 37,343,574 | 0 |
| Orford | 0 | 0 | 2,796,700 | 0 | 0 | 162,748,550 | 0 |
| Ossipee | 467,500 | 0 | 19,541,000 | 0 | 0 | 1,540,153,570 | 0 |
| Pelham | 6,223,000 | 38,388,044 | 38,255,086 | 0 | 0 | 2,805,198,543 | 140,000 |
| Pembroke | 0 | 12,619,400 | 27,988,900 | 100,000 | 0 | 1,234,171,195 | 0 |
| Peterborough | 0 | 0 | 15,164,400 | 0 | 0 | 952,707,575 | 323,400 |
| Piermont | 0 | 0 | 2,815,000 | 0 | 0 | 133,068,176 | 0 |
| Pinkham's Grant | 0 | 0 | 329,700 | 0 | 0 | 2,961,230 | 0 |
| Pittsburg | 0 | 3,202,500 | 13,875,000 | 0 | 0 | 601,104,455 | 0 |
| Pittsfield | 2,358,800 | 0 | 6,125,900 | 0 | 0 | 365,939,847 | 0 |
| Plainfield | 0 | 0 | 10,177,800 | 0 | 0 | 551,816,633 | 150,000 |
| Plaistow | 1,671,100 | 21,132,200 | 15,724,700 | 7,000 | 0 | 1,403,630,456 | 0 |
| Plymouth | 0 | 0 | 29,730,200 | 0 | 0 | 747,740,068 | 0 |
| Portsmouth | 0 | 78,324,500 | 189,757,151 | 0 | 0 | 10,137,278,797 | 0 |
| Randolph | 0 | 2,552,600 | 9,636,400 | 0 | 0 | 137,554,191 | 0 |
| Raymond | 1,482,700 | 0 | 20,874,100 | 0 | 0 | 1,380,520,666 | 610,100 |
| Richmond | 0 | 0 | 11,819,530 | 0 | 0 | 173,033,425 | 0 |
| Rindge | 0 | 0 | 16,888,300 | 0 | 0 | 774,164,114 | 655,863 |
| Rochester | 0 | 48,954,300 | 167,212,200 | 0 | 0 | 5,325,429,393 | 1,942,400 |
| Rollinsford | 0 | 296,600 | 7,910,100 | 0 | 0 | 492,619,749 | 519,900 |
| Roxbury | 0 | 0 | 1,180,700 | 0 | 0 | 43,482,235 | 0 |
| Rumney | 0 | 0 | 18,319,600 | 0 | 0 | 375,092,027 | 0 |
| Rye | 2,157,700 | 0 | 12,662,100 | 0 | 0 | 3,291,887,400 | 0 |
| Salem | 415,100 | 15,080,200 | 113,267,800 | 0 | 0 | 6,687,077,102 | 515,400 |
| Salisbury | 0 | 0 | 16,430,200 | 0 | 0 | 252,982,952 | 0 |
| Sanbornton | 0 | 329,700 | 7,203,500 | 0 | 0 | 966,069,841 | 0 |
| Sandown | 572,200 | 0 | 11,598,200 | 0 | 0 | 1,166,194,000 | 0 |
| Sandwich | 0 | 0 | 14,421,300 | 0 | 0 | 816,061,391 | 0 |
| Sargent's Purchase | 0 | 0 | 0 | 0 | 0 | 2,461,220 | 0 |
| Seabrook | 0 | 12,580,700 | 1,884,850,600 | 0 | 0 | 4,784,582,300 | 161,037,638 |
| Second College Grant | 0 | 0 | 0 | 0 | 0 | 1,811,563 | 0 |
| Sharon | 0 | 0 | 1,135,500 | 0 | 0 | 105,655,908 | 0 |
| Shelburne | 0 | 16,764,400 | 3,089,300 | 0 | 0 | 79,966,237 | 0 |
| Somersworth | 0 | 17,526,100 | 23,213,800 | 0 | 0 | 1,928,557,480 | 0 |
| South Hampton | 0 | 0 | 6,336,000 | 0 | 0 | 270,902,721 | 135,000 |
| Springfield | 0 | 0 | 9,650,300 | 0 | 0 | 249,111,762 | 577,100 |
| Stark | 0 | 16,822,269 | 2,746,100 | 0 | 0 | 157,611,198 | 0 |

## MUNICIPAL AND PROPERTY DIVISION

**2024 Tables by County**

**Alpha Order by Municipality**

| MUNICIPALITY | Modified Assessed Valuation | Blind Exemption | Elderly Exemption | Local Optional Exemptions | Net Valuation | Gross Property Taxes |
|---|---|---|---|---|---|---|
| Newton | 661,492,348 | 30,000 | 2,469,500 | 255,000 | 658,737,848 | 16,687,670 |
| North Hampton | 1,806,185,400 | 75,000 | 11,614,700 | 111,000 | 1,794,384,700 | 22,933,386 |
| Northfield | 622,489,717 | 45,000 | 8,577,700 | 1,580,400 | 612,286,617 | 8,760,609 |
| Northumberland | 239,492,158 | 45,000 | 115,000 | 197,270 | 239,134,888 | 5,245,092 |
| Northwood | 973,050,227 | 90,000 | 9,608,450 | 842,775 | 962,509,002 | 14,952,286 |
| Nottingham | 852,533,701 | 0 | 6,418,600 | 1,911,900 | 844,203,201 | 17,234,588 |
| Odell | 3,470,646 | 0 | 0 | 0 | 3,470,646 | 21,066 |
| Orange | 37,343,574 | 0 | 125,000 | 0 | 37,218,574 | 966,664 |
| Orford | 162,748,550 | 0 | 100,000 | 5,000 | 162,643,550 | 5,646,829 |
| Ossipee | 1,540,153,570 | 30,000 | 3,404,700 | 5,000 | 1,536,713,870 | 17,791,109 |
| Pelham | 2,805,058,543 | 346,800 | 10,868,000 | 7,321,600 | 2,786,522,143 | 50,992,118 |
| Pembroke | 1,234,171,195 | 120,000 | 975,375 | 36,750 | 1,233,039,070 | 24,168,969 |
| Peterborough | 952,384,175 | 45,000 | 4,240,000 | 0 | 948,099,175 | 28,133,770 |
| Piermont | 133,068,176 | 0 | 275,000 | 103,840 | 132,689,336 | 2,979,055 |
| Pinkham's Grant | 2,961,230 | 0 | 0 | 0 | 2,961,230 | 39,515 |
| Pittsburg | 601,104,455 | 0 | 78,750 | 0 | 601,025,705 | 5,750,720 |
| Pittsfield | 365,939,847 | 30,000 | 1,024,800 | 517,110 | 364,367,937 | 10,869,162 |
| Plainfield | 551,666,633 | 82,000 | 2,625,200 | 2,262,280 | 546,697,153 | 9,610,979 |
| Plaistow | 1,403,630,456 | 60,000 | 8,245,000 | 2,254,900 | 1,393,070,556 | 28,804,704 |
| Plymouth | 747,740,068 | 70,000 | 475,400 | 0 | 747,194,668 | 18,729,394 |
| Portsmouth | 10,137,278,797 | 275,000 | 56,245,600 | 2,166,160 | 10,078,592,037 | 112,375,726 |
| Randolph | 137,554,191 | 15,000 | 0 | 204,006 | 137,335,185 | 1,518,091 |
| Raymond | 1,379,910,566 | 221,508 | 14,116,864 | 3,480,100 | 1,362,092,094 | 29,809,231 |
| Richmond | 173,033,425 | 0 | 20,000 | 186,320 | 172,827,105 | 3,071,799 |
| Rindge | 773,508,251 | 30,000 | 5,009,195 | 1,687,735 | 766,781,321 | 19,376,330 |
| Rochester | 5,323,486,993 | 1,158,000 | 50,436,400 | 15,090,700 | 5,256,801,893 | 76,104,899 |
| Rollinsford | 492,099,849 | 0 | 467,500 | 0 | 491,632,349 | 8,058,002 |
| Roxbury | 43,482,235 | 0 | 0 | 37,060 | 43,445,175 | 678,279 |
| Rumney | 375,092,027 | 0 | 120,000 | 16,000 | 374,956,027 | 5,394,213 |
| Rye | 3,291,887,400 | 0 | 3,030,000 | 757,800 | 3,288,099,600 | 28,453,899 |
| Salem | 6,686,561,702 | 1,034,900 | 33,247,900 | 1,293,100 | 6,650,985,802 | 116,869,356 |
| Salisbury | 252,982,952 | 0 | 925,000 | 317,000 | 251,740,952 | 4,060,019 |
| Sanbornton | 966,069,841 | 0 | 590,000 | 922,900 | 964,556,941 | 12,347,236 |
| Sandown | 1,166,194,000 | 45,000 | 11,090,000 | 0 | 1,155,059,000 | 20,452,676 |
| Sandwich | 816,061,391 | 0 | 150,000 | 650,000 | 815,261,391 | 7,361,964 |
| Sargent's Purchase | 2,461,220 | 0 | 0 | 0 | 2,461,220 | 0 |
| Seabrook | 4,623,544,662 | 60,000 | 42,269,800 | 3,784,700 | 4,577,430,162 | 51,633,265 |
| Second College Grant | 1,811,563 | 0 | 0 | 0 | 1,811,563 | 0 |
| Sharon | 105,655,908 | 0 | 0 | 0 | 105,655,908 | 1,621,842 |
| Shelburne | 79,966,237 | 0 | 0 | 118,740 | 79,847,497 | 1,482,735 |
| Somersworth | 1,928,557,480 | 75,000 | 6,337,300 | 1,158,400 | 1,920,986,780 | 35,878,046 |
| South Hampton | 270,767,721 | 15,000 | 775,000 | 850,309 | 269,127,412 | 3,706,861 |
| Springfield | 248,534,662 | 0 | 110,000 | 353,800 | 248,070,862 | 5,852,935 |
| Stark | 157,611,198 | 0 | 75,000 | 64,660 | 157,471,538 | 1,690,181 |

## MUNICIPAL AND PROPERTY DIVISION

**2024 Tables by County**

**Alpha Order by Municipality**

| MUNICIPALITY | Less Veterans' Credits | Net Tax Commitment | 2024 Actual Tax Rate | 2024 Resident Tax |
|---|---|---|---|---|
| Newton | 149,348 | 16,538,322 | 25.37 | 0 |
| North Hampton | 152,500 | 22,780,886 | 12.80 | 0 |
| Northfield | 194,275 | 8,566,334 | 14.77 | 0 |
| Northumberland | 38,250 | 5,206,842 | 22.44 | 0 |
| Northwood | 81,250 | 14,871,036 | 15.57 | 0 |
| Nottingham | 313,250 | 16,921,338 | 20.46 | 0 |
| Odell | 0 | 21,066 | 6.07 | 0 |
| Orange | 4,700 | 961,964 | 26.00 | 0 |
| Orford | 55,700 | 5,591,129 | 34.75 | 0 |
| Ossipee | 180,500 | 17,610,609 | 11.60 | 0 |
| Pelham | 320,583 | 50,671,535 | 18.34 | 0 |
| Pembroke | 160,000 | 24,008,969 | 19.64 | 0 |
| Peterborough | 202,500 | 27,931,270 | 32.50 | 0 |
| Piermont | 29,800 | 2,949,255 | 22.48 | 0 |
| Pinkham's Grant | 0 | 39,515 | 13.66 | 0 |
| Pittsburg | 10,800 | 5,739,920 | 9.60 | 0 |
| Pittsfield | 61,200 | 10,807,962 | 29.87 | 0 |
| Plainfield | 55,900 | 9,555,079 | 17.60 | 0 |
| Plaistow | 225,250 | 28,579,454 | 20.72 | 0 |
| Plymouth | 92,875 | 18,636,519 | 25.12 | 0 |
| Portsmouth | 710,235 | 111,665,491 | 11.18 | 0 |
| Randolph | 6,300 | 1,511,791 | 11.14 | 0 |
| Raymond | 518,500 | 29,290,731 | 21.91 | 0 |
| Richmond | 40,500 | 3,031,299 | 17.86 | 0 |
| Rindge | 268,600 | 19,107,730 | 25.31 | 0 |
| Rochester | 737,925 | 75,366,974 | 14.85 | 0 |
| Rollinsford | 45,400 | 8,012,602 | 16.41 | 0 |
| Roxbury | 1,000 | 677,279 | 15.64 | 0 |
| Rumney | 38,250 | 5,355,963 | 14.44 | 0 |
| Rye | 145,000 | 28,308,899 | 8.66 | 0 |
| Salem | 837,750 | 116,031,606 | 17.60 | 0 |
| Salisbury | 40,500 | 4,019,519 | 16.21 | 0 |
| Sanbornton | 113,750 | 12,233,486 | 12.81 | 0 |
| Sandown | 214,250 | 20,238,426 | 17.72 | 0 |
| Sandwich | 112,755 | 7,249,209 | 9.05 | 0 |
| Sargent's Purchase | 0 | 0 | 0.00 | 0 |
| Seabrook | 412,813 | 51,220,452 | 11.72 | 0 |
| Second College Grant | 0 | 0 | 0.00 | 0 |
| Sharon | 4,800 | 1,617,042 | 15.36 | 0 |
| Shelburne | 3,900 | 1,478,835 | 18.95 | 0 |
| Somersworth | 318,250 | 35,559,796 | 18.70 | 0 |
| South Hampton | 14,840 | 3,692,021 | 13.80 | 0 |
| Springfield | 47,500 | 5,805,435 | 23.66 | 0 |
| Stark | 31,900 | 1,658,281 | 10.86 | 0 |

## MUNICIPAL AND PROPERTY DIVISION

**2024 Tables by County**

**Alpha Order by Municipality**

| MUNICIPALITY | RSA 79-A Current Use Land | RSA 79-B Conservation Restriction Land | RSA 79-C Discretionary Easement Land | RSA 79-D Discretionary Preservation Easement Land | RSA 79-F Land Under Farm Structures | Residential Land |
|---|---|---|---|---|---|---|
| Stewartstown | 1,559,492 | 0 | 0 | 0 | 0 | 80,277,555 |
| Stoddard | 1,131,670 | 0 | 0 | 0 | 0 | 195,889,550 |
| Strafford | 1,391,600 | 0 | 0 | 4,500 | 0 | 246,637,970 |
| Stratford | 1,049,547 | 0 | 0 | 5,800 | 0 | 11,036,600 |
| Stratham | 425,627 | 1,559 | 0 | 4,300 | 0 | 791,429,500 |
| Success | 835,311 | 0 | 0 | 0 | 0 | 8,692,600 |
| Sugar Hill | 603,607 | 1,708 | 4,069 | 0 | 0 | 84,047,500 |
| Sullivan | 635,761 | 7,429 | 0 | 0 | 0 | 29,743,000 |
| Sunapee | 579,615 | 0 | 0 | 0 | 0 | 1,315,382,600 |
| Surry | 472,472 | 0 | 0 | 0 | 0 | 36,759,300 |
| Sutton | 965,418 | 0 | 0 | 0 | 0 | 145,229,600 |
| Swanzey | 2,073,143 | 0 | 0 | 0 | 0 | 245,330,414 |
| Tamworth | 2,187,106 | 1,587 | 0 | 0 | 0 | 182,830,700 |
| Temple | 846,935 | 3,288 | 0 | 700 | 14,400 | 81,303,700 |
| Thompson & Meserve's Purchase | 0 | 0 | 0 | 0 | 0 | 1,000 |
| Thornton | 676,357 | 0 | 0 | 0 | 0 | 249,479,100 |
| Tilton | 392,932 | 0 | 412,890 | 0 | 0 | 172,215,600 |
| Troy | 467,945 | 0 | 0 | 0 | 0 | 27,283,600 |
| Tuftonboro | 1,009,040 | 0 | 0 | 100 | 0 | 976,220,600 |
| Unity | 1,611,351 | 0 | 0 | 0 | 0 | 88,793,100 |
| Wakefield | 1,135,841 | 9,149 | 0 | 0 | 0 | 1,110,476,300 |
| Walpole | 2,154,794 | 22,309 | 26,180 | 600 | 0 | 198,112,600 |
| Warner | 1,841,080 | 0 | 0 | 3,398 | 0 | 83,272,772 |
| Warren | 566,097 | 0 | 0 | 0 | 0 | 23,370,500 |
| Washington | 1,322,722 | 0 | 0 | 0 | 0 | 155,770,800 |
| Waterville Valley | 14,010 | 0 | 0 | 0 | 0 | 133,185,500 |
| Weare | 1,297,509 | 0 | 0 | 800 | 0 | 409,121,300 |
| Webster | 1,191,426 | 0 | 0 | 400 | 0 | 124,401,800 |
| Wentworth | 876,949 | 0 | 0 | 0 | 0 | 36,303,000 |
| Wentworth's Location | 330,338 | 0 | 0 | 0 | 0 | 6,627,300 |
| Westmoreland | 1,223,960 | 91,686 | 0 | 0 | 0 | 55,018,500 |
| Whitefield | 1,046,984 | 0 | 0 | 0 | 0 | 93,395,200 |
| Wilmot | 657,813 | 0 | 0 | 0 | 0 | 68,543,100 |
| Wilton | 1,199,179 | 0 | 0 | 0 | 98,700 | 165,359,673 |
| Winchester | 1,109,462 | 113 | 0 | 0 | 0 | 81,023,800 |
| Windham | 54,910 | 0 | 0 | 0 | 0 | 1,039,469,600 |
| Windsor | 270,089 | 0 | 0 | 0 | 0 | 12,931,300 |
| Wolfeboro | 960,637 | 6,279 | 373,800 | 29,700 | 0 | 1,154,093,400 |
| Woodstock | 89,542 | 0 | 0 | 0 | 0 | 51,654,310 |
| State Totals | 210,034,615 | 1,538,577 | 3,125,491 | 493,315 | 181,110 | 84,387,602,032 |

## MUNICIPAL AND PROPERTY DIVISION

**2024 Tables by County**

**Alpha Order by Municipality**

| MUNICIPALITY | Commercial / Industrial Land | Residential Buildings | Manufactured Housing | Commercial / Industrial Buildings | RSA 79-D Discretionary Preservation Easement Buildings | RSA 79-F Farm Structures |
|---|---|---|---|---|---|---|
| Stewartstown | 3,073,600 | 79,143,600 | 5,806,600 | 11,251,800 | 0 | 0 |
| Stoddard | 890,000 | 239,674,570 | 1,764,540 | 3,100,210 | 0 | 0 |
| Strafford | 2,388,830 | 450,079,880 | 5,858,500 | 8,369,320 | 113,500 | 0 |
| Stratford | 722,200 | 53,044,800 | 3,150,800 | 4,316,600 | 1,179 | 0 |
| Stratham | 93,636,500 | 1,464,033,821 | 7,031,800 | 169,534,800 | 166,179 | 0 |
| Success | 0 | 5,842,680 | 0 | 0 | 0 | 0 |
| Sugar Hill | 1,403,400 | 230,173,790 | 114,700 | 5,439,000 | 21,310 | 0 |
| Sullivan | 1,272,500 | 75,595,200 | 4,234,800 | 1,694,000 | 0 | 0 |
| Sunapee | 26,612,600 | 994,399,100 | 1,944,600 | 52,896,401 | 0 | 0 |
| Surry | 1,295,000 | 90,914,300 | 971,200 | 2,368,900 | 0 | 0 |
| Sutton | 3,258,500 | 170,239,610 | 111,380 | 7,596,100 | 0 | 0 |
| Swanzey | 39,462,724 | 541,058,962 | 33,769,600 | 129,417,400 | 5,580 | 0 |
| Tamworth | 28,356,900 | 411,908,308 | 22,275,200 | 62,776,200 | 58,062 | 0 |
| Temple | 3,069,200 | 201,585,152 | 1,474,400 | 5,568,028 | 43,590 | 228,574 |
| Thompson & Meserve's Purchase | 7,033,180 | 1,000 | 0 | 1,894,380 | 0 | 0 |
| Thornton | 15,463,600 | 643,862,900 | 12,762,600 | 33,096,100 | 0 | 0 |
| Tilton | 127,534,200 | 375,452,400 | 52,286,000 | 310,025,379 | 0 | 0 |
| Troy | 3,303,600 | 162,275,000 | 7,521,100 | 16,375,800 | 0 | 0 |
| Tuftonboro | 17,304,300 | 838,949,827 | 25,683,700 | 18,376,700 | 11,873 | 0 |
| Unity | 1,994,100 | 136,351,300 | 14,150,100 | 685,480 | 0 | 0 |
| Wakefield | 14,732,700 | 1,062,811,600 | 30,366,900 | 38,734,200 | 0 | 0 |
| Walpole | 31,584,400 | 388,924,182 | 2,757,000 | 86,268,260 | 108,318 | 0 |
| Warner | 7,596,320 | 195,772,590 | 2,975,930 | 39,880,810 | 48,787 | 0 |
| Warren | 495,600 | 64,710,100 | 3,613,900 | 3,175,400 | 0 | 0 |
| Washington | 1,526,900 | 204,053,595 | 3,208,500 | 3,476,500 | 0 | 0 |
| Waterville Valley | 6,921,400 | 563,808,300 | 0 | 20,093,200 | 0 | 0 |
| Weare | 19,029,500 | 754,386,533 | 28,507,900 | 60,397,500 | 37,776 | 0 |
| Webster | 2,325,500 | 215,447,978 | 3,932,800 | 3,990,700 | 31,422 | 0 |
| Wentworth | 2,488,600 | 73,826,500 | 3,296,200 | 9,469,300 | 0 | 0 |
| Wentworth's Location | 0 | 6,745,160 | 123,030 | 0 | 0 | 0 |
| Westmoreland | 6,653,800 | 127,871,300 | 524,400 | 10,160,800 | 0 | 0 |
| Whitefield | 9,943,700 | 218,221,400 | 15,984,000 | 59,601,000 | 0 | 0 |
| Wilmot | 2,972,900 | 149,490,031 | 1,114,200 | 7,060,400 | 0 | 0 |
| Wilton | 17,471,000 | 352,899,973 | 578,000 | 27,057,800 | 0 | 275,100 |
| Winchester | 10,322,800 | 151,536,075 | 16,167,400 | 48,496,300 | 0 | 0 |
| Windham | 93,824,400 | 1,925,290,550 | 0 | 112,203,140 | 0 | 0 |
| Windsor | 1,337,700 | 15,386,100 | 992,700 | 6,199,700 | 0 | 0 |
| Wolfeboro | 70,752,600 | 1,149,181,971 | 14,262,100 | 91,827,976 | 126,974 | 0 |
| Woodstock | 12,586,510 | 195,603,250 | 5,841,060 | 22,356,690 | 0 | 0 |
| State Totals | 13,917,910,162 | 147,842,904,358 | 3,726,448,570 | 32,014,182,887 | 5,112,677 | 1,297,770 |

## MUNICIPAL AND PROPERTY DIVISION

**2024 Tables by County**

**Alpha Order by Municipality**

| MUNICIPALITY | Public Water Utilities | Gas / Oil Utilities | Electric Utilities | Other | Mature Wood Timber | Gross Valuation | Educational & Special Exemptions |
|---|---|---|---|---|---|---|---|
| Stewartstown | 0 | 14,260,400 | 8,647,800 | 23,500 | 0 | 204,044,347 | 0 |
| Stoddard | 0 | 0 | 19,675,500 | 0 | 0 | 462,126,040 | 0 |
| Strafford | 180,300 | 0 | 15,261,700 | 9,000 | 0 | 730,295,100 | 0 |
| Stratford | 0 | 23,261,500 | 2,793,100 | 0 | 0 | 99,382,126 | 0 |
| Stratham | 1,326,700 | 12,087,400 | 35,913,300 | 0 | 0 | 2,575,591,486 | 0 |
| Success | 0 | 0 | 85,200 | 0 | 0 | 15,455,791 | 0 |
| Sugar Hill | 0 | 0 | 6,443,600 | 0 | 0 | 328,252,684 | 0 |
| Sullivan | 0 | 0 | 6,129,400 | 0 | 0 | 119,312,090 | 0 |
| Sunapee | 0 | 0 | 30,827,600 | 0 | 0 | 2,422,642,516 | 3,259,800 |
| Surry | 0 | 0 | 6,081,900 | 0 | 0 | 138,863,072 | 0 |
| Sutton | 0 | 0 | 5,577,470 | 0 | 0 | 332,978,078 | 0 |
| Swanzey | 215,523 | 0 | 30,487,986 | 0 | 0 | 1,021,821,332 | 543,330 |
| Tamworth | 471,000 | 0 | 15,970,800 | 0 | 0 | 726,835,863 | 1,600 |
| Temple | 0 | 0 | 4,210,800 | 0 | 0 | 298,348,767 | 0 |
| Thompson & Meserve's Purchase | 0 | 0 | 52,900 | 0 | 0 | 8,982,460 | 0 |
| Thornton | 397,800 | 0 | 10,650,100 | 0 | 0 | 966,388,557 | 25,000 |
| Tilton | 463,400 | 16,154,400 | 24,777,600 | 0 | 0 | 1,079,714,801 | 150,000 |
| Troy | 0 | 0 | 43,877,000 | 0 | 0 | 261,104,045 | 0 |
| Tuftonboro | 415,100 | 0 | 13,802,000 | 0 | 0 | 1,891,773,240 | 0 |
| Unity | 0 | 0 | 4,651,400 | 0 | 0 | 248,236,831 | 330,400 |
| Wakefield | 0 | 0 | 18,812,800 | 0 | 0 | 2,277,079,490 | 0 |
| Walpole | 0 | 0 | 49,148,800 | 0 | 0 | 759,107,443 | 0 |
| Warner | 0 | 0 | 8,089,900 | 0 | 0 | 339,481,587 | 332,060 |
| Warren | 0 | 0 | 15,153,600 | 0 | 0 | 111,085,197 | 368,700 |
| Washington | 0 | 0 | 4,225,838 | 0 | 0 | 373,584,855 | 0 |
| Waterville Valley | 0 | 0 | 5,313,400 | 0 | 0 | 729,335,810 | 840,300 |
| Weare | 308,800 | 0 | 32,561,300 | 0 | 0 | 1,305,648,918 | 421,727 |
| Webster | 0 | 0 | 28,792,100 | 0 | 0 | 380,114,126 | 0 |
| Wentworth | 0 | 0 | 6,296,700 | 0 | 0 | 132,557,249 | 0 |
| Wentworth's Location | 0 | 0 | 207,800 | 0 | 0 | 14,033,628 | 0 |
| Westmoreland | 0 | 0 | 3,050,100 | 0 | 0 | 204,594,546 | 0 |
| Whitefield | 0 | 0 | 33,532,000 | 0 | 0 | 431,724,284 | 0 |
| Wilmot | 0 | 0 | 4,178,800 | 0 | 0 | 234,017,244 | 0 |
| Wilton | 0 | 0 | 7,302,900 | 0 | 0 | 572,242,325 | 150,000 |
| Winchester | 0 | 0 | 31,759,469 | 0 | 0 | 340,415,419 | 19,122 |
| Windham | 4,743,900 | 1,241,000 | 29,236,100 | 0 | 0 | 3,206,063,600 | 637,400 |
| Windsor | 0 | 0 | 653,200 | 0 | 0 | 37,770,789 | 0 |
| Wolfeboro | 0 | 0 | 302,200 | 0 | 0 | 2,481,917,637 | 300,000 |
| Woodstock | 0 | 0 | 6,566,400 | 0 | 0 | 294,697,762 | 264,840 |
| State Totals | 309,789,224 | 1,372,949,123 | 9,649,571,438 | 810,500 | 0 | 293,443,951,849 | 239,257,045 |

## MUNICIPAL AND PROPERTY DIVISION

**2024 Tables by County**

**Alpha Order by Municipality**

| MUNICIPALITY | Modified Assessed Valuation | Blind Exemption | Elderly Exemption | Local Optional Exemptions | Net Valuation | Gross Property Taxes |
|---|---|---|---|---|---|---|
| Stewartstown | 204,044,347 | 0 | 47,500 | 0 | 203,996,847 | 3,236,045 |
| Stoddard | 462,126,040 | 0 | 810,000 | 164,900 | 461,151,140 | 5,399,723 |
| Strafford | 730,295,100 | 0 | 740,000 | 105,000 | 729,450,100 | 14,387,065 |
| Stratford | 99,382,126 | 30,000 | 255,000 | 0 | 99,097,126 | 2,783,311 |
| Stratham | 2,575,591,486 | 15,000 | 6,515,000 | 0 | 2,569,061,486 | 33,651,826 |
| Success | 15,455,791 | 0 | 0 | 0 | 15,455,791 | 0 |
| Sugar Hill | 328,252,684 | 0 | 60,000 | 40,000 | 328,152,684 | 3,763,386 |
| Sullivan | 119,312,090 | 0 | 330,000 | 51,480 | 118,930,610 | 2,146,061 |
| Sunapee | 2,419,382,716 | 0 | 90,000 | 675,300 | 2,418,617,416 | 24,168,742 |
| Surry | 138,863,072 | 0 | 5,000 | 64,874 | 138,793,198 | 2,327,568 |
| Sutton | 332,978,078 | 0 | 629,540 | 604,430 | 331,744,108 | 8,927,426 |
| Swanzey | 1,021,278,002 | 30,000 | 1,239,200 | 1,843,238 | 1,018,165,564 | 19,109,751 |
| Tamworth | 726,834,263 | 15,000 | 1,190,000 | 740,400 | 724,888,863 | 10,441,896 |
| Temple | 298,348,767 | 0 | 25,000 | 225,760 | 298,098,007 | 4,762,375 |
| Thompson & Meserve's Purchase | 8,982,460 | 0 | 0 | 0 | 8,982,460 | 17,628 |
| Thornton | 966,363,557 | 42,000 | 616,000 | 329,380 | 965,376,177 | 10,965,721 |
| Tilton | 1,079,564,801 | 90,000 | 1,097,800 | 150,000 | 1,078,227,001 | 11,601,386 |
| Troy | 261,104,045 | 15,000 | 129,500 | 13,025 | 260,946,520 | 4,801,414 |
| Tuftonboro | 1,891,773,240 | 30,000 | 300,000 | 0 | 1,891,443,240 | 14,393,888 |
| Unity | 247,906,431 | 0 | 94,000 | 29,400 | 247,783,031 | 4,314,440 |
| Wakefield | 2,277,079,490 | 75,000 | 1,295,500 | 206,200 | 2,275,502,790 | 17,092,404 |
| Walpole | 759,107,443 | 45,000 | 488,100 | 800,040 | 757,774,303 | 12,906,048 |
| Warner | 339,149,527 | 45,000 | 1,696,580 | 1,701,146 | 335,706,801 | 10,355,664 |
| Warren | 110,716,497 | 0 | 145,000 | 0 | 110,571,497 | 2,490,195 |
| Washington | 373,584,855 | 15,000 | 220,000 | 77,090 | 373,272,765 | 5,682,634 |
| Waterville Valley | 728,495,510 | 0 | 0 | 0 | 728,495,510 | 6,579,615 |
| Weare | 1,305,227,191 | 15,000 | 4,182,006 | 975,920 | 1,300,054,265 | 26,461,102 |
| Webster | 380,114,126 | 15,000 | 293,250 | 212,900 | 379,592,976 | 5,860,528 |
| Wentworth | 132,557,249 | 15,000 | 133,000 | 72,500 | 132,336,749 | 2,927,045 |
| Wentworth's Location | 14,033,628 | 0 | 0 | 0 | 14,033,628 | 105,895 |
| Westmoreland | 204,594,546 | 0 | 25,000 | 1,522,765 | 203,046,781 | 4,677,867 |
| Whitefield | 431,724,284 | 15,000 | 370,000 | 0 | 431,339,284 | 7,036,744 |
| Wilmot | 234,017,244 | 0 | 175,000 | 576,350 | 233,265,894 | 5,965,214 |
| Wilton | 572,092,325 | 0 | 950,000 | 1,140,000 | 570,002,325 | 14,165,734 |
| Winchester | 340,396,297 | 75,000 | 1,450,600 | 926,250 | 337,944,447 | 9,832,472 |
| Windham | 3,205,426,200 | 75,000 | 15,682,400 | 746,000 | 3,188,922,800 | 72,134,166 |
| Windsor | 37,770,789 | 0 | 0 | 0 | 37,770,789 | 511,368 |
| Wolfeboro | 2,481,617,637 | 60,000 | 4,330,800 | 312,500 | 2,476,914,337 | 39,382,348 |
| Woodstock | 294,432,922 | 15,000 | 539,720 | 0 | 293,878,202 | 5,957,093 |
| State Totals | 293,204,694,804 | 25,275,168 | 1,298,402,112 | 230,918,689 | 291,650,098,835 | 4,847,387,595 |

## MUNICIPAL AND PROPERTY DIVISION

**2024 Tables by County**

**Alpha Order by Municipality**

| MUNICIPALITY | Less Veterans' Credits | Net Tax Commitment | 2024 Actual Tax Rate | 2024 Resident Tax |
|---|---|---|---|---|
| Stewartstown | 16,500 | 3,219,545 | 15.98 | 0 |
| Stoddard | 30,800 | 5,368,923 | 11.76 | 0 |
| Strafford | 47,200 | 14,339,865 | 19.76 | 0 |
| Stratford | 7,800 | 2,775,511 | 28.51 | 0 |
| Stratham | 270,900 | 33,380,926 | 13.12 | 0 |
| Success | 0 | 0 | 0.00 | 0 |
| Sugar Hill | 13,000 | 3,750,386 | 11.49 | 0 |
| Sullivan | 6,250 | 2,139,811 | 18.09 | 0 |
| Sunapee | 71,500 | 24,097,242 | 10.01 | 0 |
| Surry | 19,200 | 2,308,368 | 16.82 | 0 |
| Sutton | 79,000 | 8,848,426 | 26.94 | 0 |
| Swanzey | 262,250 | 18,847,501 | 19.06 | 0 |
| Tamworth | 83,100 | 10,358,796 | 14.43 | 0 |
| Temple | 34,300 | 4,728,075 | 15.99 | 0 |
| Thompson & Meserve's Purchase | 0 | 17,628 | 1.97 | 0 |
| Thornton | 103,000 | 10,862,721 | 11.37 | 0 |
| Tilton | 158,750 | 11,442,636 | 10.80 | 0 |
| Troy | 49,800 | 4,751,614 | 18.59 | 0 |
| Tuftonboro | 148,725 | 14,245,163 | 7.62 | 0 |
| Unity | 71,350 | 4,243,090 | 17.43 | 0 |
| Wakefield | 303,250 | 16,789,154 | 7.52 | 0 |
| Walpole | 86,300 | 12,819,748 | 17.11 | 0 |
| Warner | 80,300 | 10,275,364 | 30.89 | 0 |
| Warren | 23,800 | 2,466,395 | 22.75 | 0 |
| Washington | 49,000 | 5,633,634 | 15.24 | 0 |
| Waterville Valley | 8,900 | 6,570,715 | 9.04 | 0 |
| Weare | 221,400 | 26,239,702 | 20.39 | 0 |
| Webster | 100,500 | 5,760,028 | 15.53 | 0 |
| Wentworth | 47,500 | 2,879,545 | 22.20 | 0 |
| Wentworth's Location | 0 | 105,895 | 7.56 | 0 |
| Westmoreland | 41,500 | 4,636,367 | 23.06 | 0 |
| Whitefield | 52,500 | 6,984,244 | 16.40 | 0 |
| Wilmot | 32,850 | 5,932,364 | 25.60 | 0 |
| Wilton | 197,500 | 13,968,234 | 24.87 | 0 |
| Winchester | 159,500 | 9,672,972 | 29.25 | 0 |
| Windham | 432,000 | 71,702,166 | 22.64 | 0 |
| Windsor | 10,400 | 500,968 | 13.56 | 0 |
| Wolfeboro | 223,650 | 39,158,698 | 15.90 | 0 |
| Woodstock | 41,000 | 5,916,093 | 20.32 | 0 |
| State Totals | 38,334,614 | 4,809,052,981 | 16.49 | 37,146 |

# New Hampshire Property Tax Summary

The New Hampshire property tax system involves the budget, appropriation, and tax rate setting processes, the assessment of property values and appeal procedures, and the application of exemptions and tax credits. The Department equalizes property values for apportionment purposes and reviews municipal records for compliance with applicable laws and rules.

**BUDGET AND APPROPRIATIONS**

Every property owner is responsible for paying a portion of the money necessary to operate their municipality (town or city), school district, county, and village district. Each municipality, school district, county, and village district, annually establishes a budget to submit to their legislative body for approval. It is the budget and appropriations, voted by the legislative body, that establishes the basis for property taxes in New Hampshire.

The legislative body that votes the appropriations necessary to fund budgets varies depending on the type of government. In a town, school, and village district, it is by vote of the residents at an annual meeting. In a city or a town with a council form of government, the town or city council serves as the legislative body, and in a city, the Board of Mayor and Aldermen may serve as the legislative body. In a county, the county commissioners represent the legislative body and are responsible for the appropriation of and oversight over all expenditures necessary to fund county government. County taxes are apportioned to each municipality within the county based on its proportion of the county's total equalized value.

**SETTING OF TAX RATES**

The total appropriations voted by the municipality, school district, county, and village district less revenue from all sources, is the amount of money needed to be raised by taxes. The amount to be raised by taxes is divided by the total local assessed property value to calculate the property tax rates.

$$\frac{\text{Voted Appropriation} - \text{Total Revenue}}{\text{Local Assessed Property Value}} \times 1{,}000 = \text{Tax Rate}$$

**For example:**

| | | |
|---|---|---|
| Annual town meeting appropriations = | $ 1,000,000 | - |
| Total Revenues | $ 300,000 | |
| Total to be Raised by Taxes | $ 700,000 | divided by |
| Total Local Assessed Property Value | $25,000,000 | = |
| Tax Rate | $28.00 (for every $1,000 of value) | |

By law, every property tax bill must show the assessed value of property and the tax rate for each component of the total tax bill: Municipal, School (Local and/or Regional), State Education, County, and Village District.

**PROPERTY ASSESSMENT AND APPEAL PROCESS**

Property taxes are based upon the assessed value of property as of April 1. This means that the first tax bill, typically mailed in December, reflects the assessed value of property as of the previous April 1. For example, if a garage is built on May 15, the taxes would not be assessed on the garage until the following year since it did not exist on April 1 of the current tax year.

It is the responsibility of the selectmen or the assessor to annually determine the local assessed value of the property within a municipality as of April 1 each year. The accuracy of assessments, compared to market value, is best determined by a periodic revaluation of all property within the municipality.

During a revaluation, properties are valued using the applicable approach(es) to value known as sales, income, and cost. The intent of a revaluation is to assess property at its “full and true” value, also referred to as “market value.” More importantly, the purpose of a revaluation is to ensure that property within the municipality is assessed proportionally so that each property owner equally shares the property tax burden based upon the “value” of their property.

A revaluation establishes base year property values which must be updated at least once every five years. In the years following a revaluation, the assessor value pick-ups including new construction, subdivisions, and other changes to property as of April 1. Depending on the amount of change reflected in current sales, assessors may conduct a partial or statistical revaluation to maintain proportionality among all property values on an annual basis.

Unless all properties are updated to current market value, pick-ups are valued not at current year values but at the most recent revaluation year values. That way, if a revaluation had been done in 2021, a 3-bedroom cape style home built in 2022 will be assessed comparably to a 3-bedroom cape style home built in 2021. This assumes all other factors affecting the value of the home are the same, such as the neighborhood, the amount of land, the quality of construction, the number of bathrooms, etc. Other characteristics of a property that may contribute to value such as a view, water frontage, or a junkyard, must also be considered.

There is a two-level appeal process available to any property owner who believes the assessment of their property is in error. The first level of appeal is to request an abatement of property taxes with the local assessing officials. The request for abatement must be made in writing, or filed on a form, by March 1 after the date the tax bills were mailed. If the local assessing officials neglect or refuse to satisfactorily abate the tax, the second level of appeal is to either the Board of Tax and Land Appeals (BTLA) or to the superior court in the county where

the property is located. Forms for both the municipal and BTLA appeal may be found on the BTLA's website at *https://www.btla.nh.gov/jurisdiction/property-tax*.

An opinion that property taxes are "too high" is not adequate grounds to justify an abatement. The "amount of tax" is usually not appealable since the amount of money needed to fund local government operations is determined by the local legislative bodies through the budget process. Generally, there must be an error in the assessment of the property, or evidence of a disproportionate assessment, to qualify for an abatement. If an appeal is filed, the burden is on the property owner to show how the assessment was in error.

**RATIO STUDY AND EQUALIZATION**

All municipalities do not conduct revaluations in the same year. Some may be assessing property close to full value (due to a recent revaluation) while other municipalities are assessing property at more or less than full value (because their revaluation is not current). This variation makes it difficult to compare municipalities to one another because the local assessed valuations are based upon different revaluation years.

The ratio study process involves a detailed review of property sales throughout the state and compares qualified sales with the local property assessments. Statistics are derived from this process that measure the level of assessments (median ratio), uniformity of assessments (coefficient of dispersion), and proportionality of assessments (price-related differential).

The median ratio is used to determine the level in which assessments compare to market value. The coefficient of dispersion, or COD, measures the equity within a group of ratios from the median ratio. And the price-related differential, or PRD, measures the differences in the appraisal of low value and high value properties. These statistics are reviewed annually to understand the general level of assessment in a municipality and used to determine if a revaluation is needed. Whether a municipality's median ratio is high or low, the COD is more important. The lower the COD, the more uniform the assessment and property owners are paying their fair share of the property tax burden based on the value of their property.

The weighted mean, also known as the equalization ratio, is the other statistic calculated from the ratio study. This ratio is used to adjust each municipalities' total local assessed property value to 100% or full value to reasonably apportion shared tax burdens. Shared tax burdens include the county tax, state education tax, cooperative school district tax, and village districts. This process of adjusting property values to 100% or full value is called the equalization process. The Department issues the total equalized values to each municipality, typically, in April. Details about the ratio study process, equalization process, and an explanation of statistics are provided in the NH Equalization Manual, which can be found on the DRA's website at Equalization | NH Department of Revenue Administration. You may also contact the Department with questions at (603) 230-5950.

## LOW AND MODERATE INCOME HOMEWOWNER'S PROPERTY TAX RELIEF

The low and moderate income homeowner's property tax relief program, also known as education property tax relief, is available to homeowners who:

- Own a homestead or an interest in a homestead subject to the State Education Property Tax.
- Have resided in the homestead on April 1 of the year for which the claim is made; and
- Had a total "household income" of:
  - $37,000 or less, if a single person.
  - $47,000 or less, if married or head of a New Hampshire household.

There are two ways to submit a claim:

- Form DP-8, Low and Moderate Income Homeowner's Property Tax Relief, is available on the DRA's website at *Current Year Forms and Instructions | NH Department of Revenue Administration* under the **Low & Moderate Program** heading. The form is a fillable PDF which may be opened, completed, and saved.

- Through Granite Tax Connect at *Granite Tax Connect | NH Department of Revenue Administration*.

Pursuant to *RSA 198:57 Low and Moderate Income Homeowners Property Tax Relief*, claims must be filed with the Department of Revenue Administration between May 1 and June 30 following the due date of the final tax bill as defined in RSA 76:1-a for State Education Property Taxes.

For purposes of calculating the maximum award available, the maximum homestead value is increased to $220,000. For purposes of calculating the total award each recipient receives, the income brackets for single applicants and married or head of household applicants are incrementally increased for each income bracket.

The Department of Revenue Administration rules for the low and moderate income homeowner's property tax relief (Rev 1200) are located on the Office of Legislative Services, Administrative Rules page at *https://gencourt.state.nh.us/rules/state_agencies/rev1200.html*.

This program is administered by the Taxpayer Services Division of the Department of Revenue Administration. For additional information or questions, call (603) 230-5920 or visit their website at *Low and Moderate Income Homeowners Property Tax Relief | NH Department of Revenue Administration*.

## ASSESSMENT REVIEW

As a result of the Supreme Court's 2001 decision in (*Evelyn Sirrell v. State of New Hampshire*), *RSA 75:8-a Five-Year Valuation* was signed into law requiring all towns and cities in New Hampshire to reappraise all real estate within the municipality at least as often as every fifth year to ensure assessments are at the full and true value. The Department of Revenue Administration is mandated by *RSA 21-J:11-a Assessment Report* and *RSA 21-J:11-b Implementation of Assessment Review* to review and report the degree to which assessments of municipalities achieve compliance with applicable statutes and rules.

The Assessing Standards Board (ASB) amended and adopted the *Standards for Monitoring of Local Assessment Practices* in April 2023, to be implemented during the fifth 5-year Assessment Review cycle that began in 2023. All municipalities will have undergone Assessment Review within this cycle, ending in 2027. The Department's staff conducts file and field reviews of municipal records and reports on the assessing practices of the municipalities in accordance with the ASB standards. The findings are reported to the municipalities and to the ASB. The final municipal report becomes a public document after a 30-day review period has ended.

## EXEMPTIONS AND TAX CREDITS

An exemption is a reduction in the local assessed value of property, while a credit is a reduction of the amount of tax due. Every municipality offers an exemption for blind and elderly property owners meeting certain qualifications, and a tax credit for veterans. In addition, municipalities may adopt, modify or rescind, the following exemptions: blind, elderly, disabled, deaf, woodheating energy system, wind-powered energy system, solar energy system, and electric energy storage systems. Property tax credits are available to qualifying veterans or their surviving spouses.

Form PA-29, Permanent Application for Property Tax Credits/Exemptions, shall be used to apply for an exemption or a tax credit and must be filed with the municipality on or before April 15, prior to that year's tax bill. Form PA-29 shall also be used to apply for tax deferral for elderly or disabled taxpayers meeting certain criteria and shall be filed with the municipality on or before March 1 prior to that year's tax bill. Form PA-29, Permanent Application for Property Tax Credits/Exemptions, is available on the DRA website at *Current Year Forms and Instructions | NH Department of Revenue Administration* under the **Property** heading.

## CONCLUSION

Property taxation in New Hampshire can be a complex process. The Assessing Standards Board has published a document called Understanding NH Property Taxes: The Official NH Assessing Reference Manual, that can be found on the Department's website at *Municipal and Property Division | NH Department of Revenue Administration* under **Related Links.**

The information in this manual includes municipal and taxpayer form due dates, the equalization process, the appraisal process, approaches to value, revaluations, jurisdictional exceptions (taxes based on values other than market value), exemptions and credits, taxpayer rights, a breakdown of real estate taxes, forms, and frequently asked questions.

For additional information, contact the Department's Municipal and Property Division at (603) 230-5950 or visit the website https://www.revenue.nh.gov/about-dra/municipal-and-property-division.

# 2024 Equalization Survey

## "Including Utilities and Railroads"

## May 1, 2025

This report presents the results of the 2024 Equalization Survey **"including utilities and railroads"** conducted by the New Hampshire Department of Revenue Administration pursuant to RSA 21-J:3, XIII which states:

> *"XIII. Equalize annually by May 1 the valuation of the property as assessed in the several towns, cities, and unincorporated places in the state including the value of property exempt pursuant to RSA 72:37, 72:37-b, 72:39-a, 72:62, 72:66 and 72:70, RSA 72:85, and RSA 72:87, property which is subject to tax relief under RSA 79-E:4, and property which is subject to tax relief under RSA 79-E:4-a or RSA 79-E:4-b, by adding to or deducting from the aggregate valuation of the property in towns, cities and unincorporated places such sums as will bring such valuations to the true and market value of the property, and by making such adjustments in the value of other property from which the towns, cities, and unincorporated places receive taxes or payments in lieu of taxes, including renewable generation facility property subject to a payment in lieu of taxes agreement under RSA 72:74 and combined heat and power agricultural facility property subject to a payment in lieu of taxes agreement under RSA 72:74-a, as may be equitable and just, so that any public taxes that may be apportioned among them shall be equal and just. In carrying out the duty to equalize the valuation of property, the commissioner shall follow the procedures set forth in RSA 21-J:9-a."*

To accomplish the foregoing, assessment ratio studies were conducted to determine how the average level of assessment for all cities and towns compared with the statutory ratio of 100%, so that taxes can be apportioned equitably.

The Department of Revenue Administration (DRA) has completed its process of calculating the total equalized valuation of all the municipalities and unincorporated places throughout the state. The ratios reported for each municipality in this survey were derived by comparing the sale prices of sales of land, land and buildings and manufactured housing, covering the period of October 1, 2023, to September 30, 2024, against the actual assessments applied by the municipalities. Sales information was verified by the grantee whenever possible by means of Form PA-34, Inventory of Property Transfer. Our goal is to use only arms-length sales transferred for market value in this analysis. Every effort has been made to exclude non- arms-length transactions including but not limited to: sales involving courts and government agencies, sales between relatives or corporate affiliates, sales settling an estate, forced sales, etc.

Every municipality was notified of its 2024 sales assessment ratio. These ratios were used in conjunction with other DRA adjustments to determine each municipality's total equalized value for purposes of RSA 21-J:3, XIII.

The following is an explanation of the information contained in this report.

MODIFIED ASSESSED VALUATION: The modified assessed valuation for each municipality as reported to the Department of Revenue Administration on the municipality's 2024 MS-1, Summary Inventory of Valuation.

GROSS LOCAL ASSESSED VALUATION is the sum of all assessed values in the municipality minus:

- RSA 72:36-a, Certain Disabled Veterans'
- RSA 72:38-b, V, Improvements to Assist Persons who are Deaf
- RSA 72:37-a, Improvements to Assist Persons with Disabilities Exemption
- RSA 72:23, IV, School Dining/Dormitory/Kitchen Exemption ($150,000 max per exemption)
- RSA 72:12-a, Water & Air Pollution Control Exemption

= MODIFIED ASSESSED VALUATION minus:

- RSA 72:37, Blind Exemption
- RSA 72:37-b, Disabled Exemption
- RSA 72:38-b, Deaf Exemption
- RSA 72:39-a & b, Elderly Exemption
- RSA 72:62, Solar Energy System Exemption
- RSA 72:66, Wind Powered Energy System Exemption
- RSA 72:70, Wood-Heating Energy System Exemption
- RSA 72:23, IV, Additional School Dining/Dormitory/Kitchen Exemption (Exemption amount > $150,000)
- RSA 72:85, Exemption for Electric Energy Storage Systems
- RSA 72:87, Renewable Generation Facilities & Electric Energy Systems

= NET LOCAL ASSESSED VALUATION. This is used to compute the municipal, county and local school tax rates.

**TAX INCREMENT FINANCE DISTRICTS (TIFS)**: RSA 162-K:10, III. - The retained captured assessed value is added to the modified assessed value and will be equalized for all TIF districts created after 4/29/99. The original assessed value plus any unretained value is used to set a municipality's tax rate.

DRA INVENTORY ADJUSTMENT is the sum of the adjustments of the modified local assessed valuation and is divided into three categories.

Category 1: The total modified local assessed value of land (excluding land in current use, conservation restriction assessment, discretionary easements and utilities), buildings and manufactured housing is equalized by the 2024 equalization ratio. This category includes discretionary preservation easements, taxation of farm structures and land under farm structures. The difference between the modified local assessed valuation of land, buildings and manufactured housing and the equalized value equals the DRA adjustment for land, buildings, and manufactured housing.

Category 2: An adjustment for land assessed at current use, conservation restriction assessment, and discretionary easement values are applied. This adjustment is calculated by dividing the total net local assessed valuation for land in these two categories by the 2023 equalization ratio to obtain the equalized value of current use, conservation restriction assessments, and discretionary easements. If a municipality has had a full revaluation, cyclical revaluation or full statistical revaluation as defined by Rev 601.24, 601.16 and 601.25, a ratio of 100.0 is used.

The difference between the local assessed value of the land and the equalized value equals the DRA adjustment for current use, conservation restriction assessments, and discretionary easements.

Category 3: The total modified local assessed value of public utilities, as defined by RSA 83-F, is equalized by the 2024 ratio. The difference between the modified local assessed value of utilities and the equalized value of utilities equals the DRA adjustment for utilities. The value of public utilities is not added into the "Total Equalized Value Not Including Utility Value or Equalized Railroad Taxes."

DRA INVENTORY ADJUSTMENT**:** The sum of the adjustments for the above three categories.

EQUALIZED ASSESSED VALUATION: The equalized assessed valuation represents the equalized value of all "taxable" properties in a municipality and is the sum of the "modified local assessed valuation" plus the DRA inventory adjustment.

PAYMENT IN LIEU OF TAXES: The equalized value for payments received in lieu of taxes includes State & Federal Forest Land Reimbursements, Recreation Land Reimbursements, Flood Land Reimbursements, renewable energy facilities (if applicable) and others.

RAILROAD TAX: The equalized value for monies received from the railroad tax. This figure is not included in the "Total Equalized Valuation Not Including Utility Values and Equalized Railroad Taxes."

TOTAL EQUALIZED VALUATIONS *INCLUDING* UTILITY VALUE AND EQUALIZED RAILROAD TAXES: This figure represents the sum of the equalized assessed valuation, the equalized value of payments in lieu of taxes and the equalized value of the railroad tax monies.

The Total Equalized Valuation including the value of utilities and equalized value of railroad monies reimbursed to municipalities represents the equalized value of all property in a municipality including utilities and will be used to:

- Apportion county taxes for the 2025 tax year.
- Calculate state reimbursements, and;
- Apportion cooperative school taxes for the 2025 tax year.

LOCAL TAX RATE: The local tax rate, also known as the actual tax rate, is calculated by the Department of Revenue Administration, Municipal Bureau. The tax rate includes the municipal, county, local school and state education property tax rates.

EQUALIZATION RATIO: The 2024 equalization ratio as determined by a ratio study conducted by the Department of Revenue Administration's Equalization Bureau.

FULL VALUE TAX RATE: The 2024 gross local property taxes to be raised as reported by the Department of Revenue Administration, Municipal & Property Division, divided by the total equalized valuation including utility values and equalized railroad taxes. This figure represents the estimated tax rate for a municipality if all the taxable property was assessed at 100% and includes the equalized value of properties for which a payment in lieu of property taxes is made.

% PROPORTION TO COUNTY TAX: The percentage of proportion to $1,000 of tax that is to be allocated to each town within the county comparing each municipality's total equalized value to the total equalized value of the county.

% PROPORTION TO STATE TAX: The percentage of proportion to $1,000 of tax that is to be allocated to each town within the state by comparing the town's total equalized value to the total equalized value of the state.

**APPEAL OF TOTAL EQUALIZED VALUATION**

Municipalities were sent their 2024 Notification of Total Equalized Valuations on **May 1, 2025**.

Per RSA 71-B:5, II, any municipality aggrieved by the total equalized valuation as determined by the DRA must appeal to the Board of Tax and Land Appeals in writing **within 30 days of the town's notification** of the municipality's total equalized valuation.

The appeal period is not extended due to any communication, either verbal or written, between the DRA and a municipality regarding the total equalized valuation.

## MUNICIPAL AND PROPERTY DIVISION

### 2024 Equalization Survey Including Utilities and Railroad

### County Summary

| County | Modified Local Assessed Valuation | DRA Inventory Adjustment | Equalized Assessed Valuation | Equalized Payments in Lieu of Taxes* | Equalized Railroad Tax |
|---|---|---|---|---|---|
| Belknap | 21,208,131,012 | 4,569,175,728 | 25,777,306,740 | 63,222,154 | 3,726 |
| Carroll | 25,003,742,851 | 5,846,480,866 | 30,850,223,717 | 25,984,212 | 667,921 |
| Cheshire | 10,365,388,100 | 3,880,029,820 | 14,245,417,920 | 74,690,166 | 100,831 |
| Coos | 5,417,034,363 | 1,606,091,032 | 7,023,125,395 | 110,006,677 | 1,283,064 |
| Grafton | 21,792,213,356 | 8,229,839,618 | 30,022,052,974 | 311,457,692 | 56,405 |
| Hillsborough | 70,260,347,157 | 18,774,462,096 | 89,034,809,253 | 226,665,539 | 5,830 |
| Merrimack | 26,698,998,785 | 7,961,907,553 | 34,660,906,338 | 125,384,025 | 11,887 |
| Rockingham | 81,609,615,738 | 16,839,517,518 | 98,449,133,256 | 240,661,253 | 0 |
| Strafford | 22,977,448,862 | 3,091,621,187 | 26,069,070,049 | 172,251,111 | 455,443 |
| Sullivan | 7,866,939,080 | 2,096,661,281 | 9,963,600,361 | 55,775,793 | 522,951 |
| State Totals | 293,199,859,304 | 72,895,786,699 | 366,095,646,003 | 1,406,098,622 | 3,108,058 |

| County | Total Equalized Valuation** | 2024 Local Tax Rate | 2024 Equali-zation Ratio | Full Value Tax Rate | % Proportion to County Tax | % Proportion to State Tax |
|---|---|---|---|---|---|---|
| Belknap | 25,840,532,620 | | | | 100.00% | 7.0313% |
| Carroll | 30,876,875,850 | | | | 100.00% | 8.4018% |
| Cheshire | 14,320,208,917 | | | | 100.00% | 3.8966% |
| Coos | 7,134,415,136 | | | | 100.00% | 1.9413% |
| Grafton | 30,333,567,071 | | | | 100.00% | 8.2539% |
| Hillsborough | 89,261,480,622 | | | | 100.00% | 24.2885% |
| Merrimack | 34,786,302,250 | | | | 100.00% | 9.4655% |
| Rockingham | 98,689,794,509 | | | | 100.00% | 26.8540% |
| Strafford | 26,241,776,603 | | | | 100.00% | 7.1405% |
| Sullivan | 10,019,899,105 | | | | 100.00% | 2.7265% |
| State Totals | 367,504,852,683 | | | | | 100.0000% |

**Flood control, forest, recreation lands, and others.*

***Includes utilities and railroads*

## MUNICIPAL AND PROPERTY DIVISION

**2024 Equalization Survey Including Utilities and Railroad**

**Alpha Order by Municipality**

| Municipality | Modified Local Assessed Valuation | DRA Inventory Adjustment | Equalized Assessed Valuation | Equalized Payments in Lieu of Taxes* | Equalized Railroad Tax |
|---|---|---|---|---|---|
| Acworth | 123,846,016 | 105,842,963 | 229,688,979 | 7,685 | 0 |
| Albany | 138,614,150 | 83,523,112 | 222,137,262 | 1,633,912 | 0 |
| Alexandria | 300,733,421 | 154,076,745 | 454,810,166 | 406,568 | 0 |
| Allenstown | 533,970,466 | 142,753,131 | 676,723,597 | 226,362 | 0 |
| Alstead | 195,339,243 | 137,234,754 | 332,573,997 | 87 | 0 |
| Alton | 2,242,305,615 | 1,705,367,988 | 3,947,673,603 | 798,470 | 0 |
| Amherst | 2,431,905,276 | 1,067,148,879 | 3,499,054,155 | 2,562,328 | 0 |
| Andover | 572,729,323 | (5,658,887) | 567,070,436 | 8,332 | 0 |
| Antrim | 439,025,696 | 104,152,468 | 543,178,164 | 23,934,835 | 0 |
| Ashland | 455,151,865 | 99,866,755 | 555,018,620 | 748,940 | 0 |
| Atkinson | 1,609,208,023 | 392,289,827 | 2,001,497,850 | 0 | 0 |
| Atkinson & Gilmanton | 1,035,360 | 389,640 | 1,425,000 | 0 | 0 |
| Auburn | 1,433,323,607 | 117,873,204 | 1,551,196,811 | 26,844,326 | 0 |
| Barnstead | 1,082,374,713 | 126,821,715 | 1,209,196,428 | 0 | 0 |
| Barrington | 1,886,546,518 | 281,781,217 | 2,168,327,735 | 901,113 | 0 |
| Bartlett | 2,087,845,542 | 362,644,329 | 2,450,489,871 | 995,215 | 0 |
| Bath | 155,121,479 | 84,049,170 | 239,170,649 | 14,220,236 | 0 |
| Bean's Grant | 0 | 0 | 0 | 0 | 0 |
| Bean's Purchase | 0 | 0 | 0 | 0 | 0 |
| Bedford | 6,268,838,404 | 688,786,079 | 6,957,624,483 | 5,245,093 | 0 |
| Belmont | 1,502,021,206 | 99,208,684 | 1,601,229,890 | 1,192,914 | 0 |
| Bennington | 220,703,344 | 8,463,537 | 229,166,881 | 23,107 | 0 |
| Benton | 55,110,197 | (1,765,512) | 53,344,685 | 738,520 | 0 |
| Berlin | 755,423,894 | 228,099,580 | 983,523,474 | 63,899,384 | 86,202 |
| Bethlehem | 526,352,069 | 111,543,679 | 637,895,748 | 2,524,122 | 3,522 |
| Boscawen | 530,426,960 | 51,700,111 | 582,127,071 | 9,112,404 | 0 |
| Bow | 2,073,175,398 | 44,464,292 | 2,117,639,690 | 24,199 | 0 |
| Bradford | 459,010,544 | 7,444,339 | 466,454,883 | 32,088 | 0 |
| Brentwood | 759,912,876 | 469,647,303 | 1,229,560,179 | 0 | 0 |
| Bridgewater | 805,161,500 | 28,312,789 | 833,474,289 | 0 | 0 |
| Bristol | 565,099,492 | 592,835,372 | 1,157,934,864 | 2,960,723 | 0 |
| Brookfield | 242,558,320 | 727,202 | 243,285,522 | 0 | 0 |
| Brookline | 1,170,518,417 | 51,302,115 | 1,221,820,532 | 7,248 | 0 |
| Cambridge | 12,831,740 | 7,637,042 | 20,468,782 | 2,799 | 0 |
| Campton | 862,452,849 | 62,840,136 | 925,292,985 | 713,758 | 0 |
| Canaan | 468,048,015 | 239,847,875 | 707,895,890 | 156,510 | 0 |
| Candia | 939,436,373 | 30,036,116 | 969,472,489 | 9,257 | 0 |
| Canterbury | 380,735,689 | 208,490,142 | 589,225,831 | 435,481 | 4,008 |
| Carroll | 638,511,084 | 213,915,104 | 852,426,188 | 1,822,735 | 0 |
| Center Harbor | 766,500,535 | 272,086,062 | 1,038,586,597 | 305 | 0 |
| Chandler's Purchase | 46,080 | 30,211 | 76,291 | 0 | 0 |
| Charlestown | 346,589,286 | 250,774,869 | 597,364,155 | 3,270,753 | 232,983 |
| Chatham | 106,493,228 | 2,499,125 | 108,992,353 | 887,656 | 0 |
| Chester | 1,167,919,043 | 86,493,983 | 1,254,413,026 | 0 | 0 |

**Flood control, forest, recreation lands, and others.*

***Includes utilities and railroads*

## MUNICIPAL AND PROPERTY DIVISION

**2024 Equalization Survey Including Utilities and Railroad**

**Alpha Order by Municipality**

| Municipality | Total Equalized Valuation** | 2024 Local Tax Rate | 2024 Equalization Ratio | Full Value Tax Rate | % Proportion to County Tax | % Proportion to State Tax |
|---|---|---|---|---|---|---|
| Acworth | 229,696,664 | 27.04 | 53.8 | 14.53 | 2.2924% | 0.0625% |
| Albany | 223,771,174 | 9.14 | 62.4 | 5.68 | 0.7247% | 0.0609% |
| Alexandria | 455,216,734 | 19.03 | 66.1 | 12.49 | 1.5007% | 0.1239% |
| Allenstown | 676,949,959 | 25.42 | 78.9 | 19.68 | 1.9460% | 0.1842% |
| Alstead | 332,574,084 | 26.98 | 58.7 | 15.76 | 2.3224% | 0.0905% |
| Alton | 3,948,472,073 | 12.98 | 56.8 | 7.36 | 15.2801% | 1.0744% |
| Amherst | 3,501,616,483 | 22.93 | 69.5 | 15.80 | 3.9229% | 0.9528% |
| Andover | 567,078,768 | 14.64 | 101.0 | 14.69 | 1.6302% | 0.1543% |
| Antrim | 567,112,999 | 20.79 | 80.8 | 16.70 | 0.6353% | 0.1543% |
| Ashland | 555,767,560 | 18.39 | 82.0 | 14.99 | 1.8322% | 0.1512% |
| Atkinson | 2,001,497,850 | 12.92 | 80.4 | 10.31 | 2.0281% | 0.5446% |
| Atkinson & Gilmanton | 1,425,000 | 0.00 | 60.4 | 0.00 | 0.0200% | 0.0004% |
| Auburn | 1,578,041,137 | 13.47 | 92.4 | 12.40 | 1.5990% | 0.4294% |
| Barnstead | 1,209,196,428 | 16.31 | 89.5 | 14.56 | 4.6795% | 0.3290% |
| Barrington | 2,169,228,848 | 17.59 | 87.0 | 15.15 | 8.2663% | 0.5903% |
| Bartlett | 2,451,485,086 | 5.58 | 85.2 | 4.74 | 7.9396% | 0.6671% |
| Bath | 253,390,885 | 23.43 | 64.7 | 15.02 | 0.8353% | 0.0689% |
| Bean's Grant | 0 | 0.00 | 60.4 | 0.00 | 0.0000% | 0.0000% |
| Bean's Purchase | 0 | 0.00 | 60.4 | 0.00 | 0.0000% | 0.0000% |
| Bedford | 6,962,869,576 | 15.81 | 90.1 | 14.15 | 7.8005% | 1.8946% |
| Belmont | 1,602,422,804 | 15.74 | 93.8 | 14.61 | 6.2012% | 0.4360% |
| Bennington | 229,189,988 | 22.47 | 96.3 | 21.53 | 0.2568% | 0.0624% |
| Benton | 54,083,205 | 8.37 | 103.3 | 8.60 | 0.1783% | 0.0147% |
| Berlin | 1,047,509,060 | 30.89 | 76.8 | 23.42 | 14.6825% | 0.2850% |
| Bethlehem | 640,423,392 | 17.18 | 82.5 | 14.09 | 2.1113% | 0.1743% |
| Boscawen | 591,239,475 | 19.26 | 91.1 | 17.48 | 1.6996% | 0.1609% |
| Bow | 2,117,663,889 | 19.78 | 97.9 | 18.24 | 6.0876% | 0.5762% |
| Bradford | 466,486,971 | 15.73 | 98.4 | 15.44 | 1.3410% | 0.1269% |
| Brentwood | 1,229,560,179 | 25.17 | 61.8 | 15.47 | 1.2459% | 0.3346% |
| Bridgewater | 833,474,289 | 5.40 | 96.6 | 5.20 | 2.7477% | 0.2268% |
| Bristol | 1,160,895,587 | 23.62 | 48.8 | 11.49 | 3.8271% | 0.3159% |
| Brookfield | 243,285,522 | 11.16 | 99.7 | 11.11 | 0.7879% | 0.0662% |
| Brookline | 1,221,827,780 | 22.61 | 95.8 | 21.41 | 1.3688% | 0.3325% |
| Cambridge | 20,471,581 | 2.81 | 60.4 | 1.74 | 0.2869% | 0.0056% |
| Campton | 926,006,743 | 17.22 | 93.2 | 15.95 | 3.0527% | 0.2520% |
| Canaan | 708,052,400 | 29.53 | 66.1 | 19.36 | 2.3342% | 0.1927% |
| Candia | 969,481,746 | 12.86 | 96.9 | 12.36 | 0.9824% | 0.2638% |
| Canterbury | 589,665,320 | 22.68 | 64.6 | 14.55 | 1.6951% | 0.1605% |
| Carroll | 854,248,923 | 11.90 | 74.9 | 8.89 | 11.9736% | 0.2324% |
| Center Harbor | 1,038,586,902 | 10.69 | 73.8 | 7.88 | 4.0192% | 0.2826% |
| Chandler's Purchase | 76,291 | 0.00 | 60.4 | 0.00 | 0.0011% | 0.0000% |
| Charlestown | 600,867,891 | 36.36 | 58.0 | 20.94 | 5.9967% | 0.1635% |
| Chatham | 109,880,009 | 7.09 | 97.7 | 6.91 | 0.3559% | 0.0299% |
| Chester | 1,254,413,026 | 16.36 | 93.1 | 14.95 | 1.2711% | 0.3413% |

**Flood control, forest, recreation lands, and others.*

***Includes utilities and railroads*

## MUNICIPAL AND PROPERTY DIVISION

**2024 Equalization Survey Including Utilities and Railroad**

**Alpha Order by Municipality**

| Municipality | Modified Local Assessed Valuation | DRA Inventory Adjustment | Equalized Assessed Valuation | Equalized Payments in Lieu of Taxes* | Equalized Railroad Tax |
|---|---|---|---|---|---|
| Chesterfield | 623,672,545 | 377,201,855 | 1,000,874,400 | 2,426,975 | 0 |
| Chichester | 557,770,628 | 55,080,314 | 612,850,942 | 0 | 0 |
| Claremont | 1,260,251,377 | 259,744,692 | 1,519,996,069 | 12,392,157 | 218,138 |
| Clarksville | 50,121,489 | 43,088,051 | 93,209,540 | 6,815,212 | 0 |
| Colebrook | 194,222,626 | 183,611,280 | 377,833,906 | 1,871,699 | 3,124 |
| Columbia | 89,149,176 | 95,557,078 | 184,706,254 | 386,258 | 8,716 |
| Concord | 5,407,808,354 | 3,258,277,177 | 8,666,085,531 | 50,582,214 | 3,966 |
| Conway | 3,244,190,600 | 536,598,595 | 3,780,789,195 | 1,626,682 | 0 |
| Cornish | 357,444,310 | 9,085,926 | 366,530,236 | 464,358 | 71,830 |
| Crawford's Purchase | 419,790 | 275,226 | 695,016 | 0 | 0 |
| Croydon | 126,226,933 | 50,275,308 | 176,502,241 | 0 | 0 |
| Cutt's Grant | 0 | 0 | 0 | 0 | 0 |
| Dalton | 156,249,297 | 31,490,998 | 187,740,295 | 13,682 | 1,992 |
| Danbury | 182,626,497 | 97,699,991 | 280,326,488 | 0 | 0 |
| Danville | 600,497,558 | 343,663,786 | 944,161,344 | 94 | 0 |
| Deerfield | 800,809,208 | 494,948,311 | 1,295,757,519 | 77,070 | 0 |
| Deering | 249,094,612 | 189,303,472 | 438,398,084 | 10,911 | 0 |
| Derry | 5,775,178,335 | 474,949,113 | 6,250,127,448 | 6,148,965 | 0 |
| Dix's Grant | 1,444,030 | 672,093 | 2,116,123 | 0 | 0 |
| Dixville | 11,233,238 | 6,703,073 | 17,936,311 | 0 | 0 |
| Dorchester | 90,135,345 | (2,250,961) | 87,884,384 | 33,412 | 0 |
| Dover | 6,647,139,470 | 500,270,127 | 7,147,409,597 | 10,362,763 | 0 |
| Dublin | 478,520,652 | (0) | 478,520,652 | 845,780 | 0 |
| Dummer | 185,503,822 | (22,213,256) | 163,290,566 | 0 | 26,192 |
| Dunbarton | 426,297,249 | 329,452,336 | 755,749,585 | 4,780,656 | 0 |
| Durham | 1,882,902,391 | 543,327,496 | 2,426,229,887 | 62,951,253 | 0 |
| East Kingston | 622,748,864 | (7,986,187) | 614,762,677 | 1,244 | 0 |
| Easton | 78,078,765 | 63,333,094 | 141,411,859 | 436,296 | 0 |
| Eaton | 147,574,711 | 76,218,273 | 223,792,984 | 0 | 0 |
| Effingham | 218,220,842 | 142,431,789 | 360,652,631 | 94,482 | 0 |
| Ellsworth | 20,177,094 | 16,035,198 | 36,212,292 | 426,647 | 0 |
| Enfield | 1,074,048,992 | 84,500,993 | 1,158,549,985 | 255 | 0 |
| Epping | 1,043,374,996 | 689,753,555 | 1,733,128,551 | 23,551,762 | 0 |
| Epsom | 524,294,606 | 457,297,992 | 981,592,598 | 1,575,803 | 0 |
| Errol | 140,846,397 | 23,617,482 | 164,463,879 | 2,342,852 | 0 |
| Erving's Grant | 63,292 | (3,413) | 59,879 | 0 | 0 |
| Exeter | 3,680,184,775 | 247,427,589 | 3,927,612,364 | 2,377,614 | 0 |
| Farmington | 1,060,890,628 | 35,023,022 | 1,095,913,650 | 2,047,371 | 0 |
| Fitzwilliam | 503,820,581 | 59,758,964 | 563,579,545 | 42,374 | 0 |
| Francestown | 410,856,706 | (1,225,305) | 409,631,401 | 0 | 0 |
| Franconia | 431,793,949 | 320,350,264 | 752,144,213 | 1,004,766 | 0 |
| Franklin | 1,162,256,462 | 312,491,708 | 1,474,748,170 | 3,117,927 | 0 |
| Freedom | 1,183,636,840 | (3,537,450) | 1,180,099,390 | 0 | 0 |
| Fremont | 567,613,298 | 378,371,573 | 945,984,871 | 0 | 0 |

**Flood control, forest, recreation lands, and others.*

***Includes utilities and railroads*

## MUNICIPAL AND PROPERTY DIVISION

**2024 Equalization Survey Including Utilities and Railroad**

**Alpha Order by Municipality**

| Municipality | Total Equalized Valuation** | 2024 Local Tax Rate | 2024 Equalization Ratio | Full Value Tax Rate | % Proportion to County Tax | % Proportion to State Tax |
|---|---|---|---|---|---|---|
| Chesterfield | 1,003,301,375 | 20.24 | 62.3 | 12.55 | 7.0062% | 0.2730% |
| Chichester | 612,850,942 | 17.33 | 91.0 | 15.70 | 1.7618% | 0.1668% |
| Claremont | 1,532,606,364 | 29.26 | 82.9 | 23.70 | 15.2956% | 0.4170% |
| Clarksville | 100,024,752 | 21.71 | 53.9 | 11.64 | 1.4020% | 0.0272% |
| Colebrook | 379,708,729 | 34.97 | 51.4 | 17.86 | 5.3222% | 0.1033% |
| Columbia | 185,101,228 | 22.28 | 48.2 | 10.51 | 2.5945% | 0.0504% |
| Concord | 8,716,671,711 | 27.69 | 62.4 | 17.05 | 25.0578% | 2.3719% |
| Conway | 3,782,415,877 | 11.32 | 85.8 | 9.66 | 12.2500% | 1.0292% |
| Cornish | 367,066,424 | 16.19 | 97.5 | 15.73 | 3.6634% | 0.0999% |
| Crawford's Purchase | 695,016 | 0.00 | 60.4 | 0.00 | 0.0097% | 0.0002% |
| Croydon | 176,502,241 | 14.99 | 71.5 | 10.64 | 1.7615% | 0.0480% |
| Cutt's Grant | 0 | 0.00 | 60.4 | 0.00 | 0.0000% | 0.0000% |
| Dalton | 187,755,969 | 15.06 | 83.2 | 12.42 | 2.6317% | 0.0511% |
| Danbury | 280,326,488 | 22.00 | 65.1 | 14.29 | 0.8059% | 0.0763% |
| Danville | 944,161,438 | 22.11 | 63.6 | 13.92 | 0.9567% | 0.2569% |
| Deerfield | 1,295,834,589 | 24.61 | 61.8 | 15.04 | 1.3130% | 0.3526% |
| Deering | 438,408,995 | 28.10 | 56.8 | 15.76 | 0.4912% | 0.1193% |
| Derry | 6,256,276,413 | 18.69 | 92.4 | 16.75 | 6.3393% | 1.7024% |
| Dix's Grant | 2,116,123 | 0.00 | 60.4 | 0.00 | 0.0297% | 0.0006% |
| Dixville | 17,936,311 | 0.00 | 60.4 | 0.00 | 0.2514% | 0.0049% |
| Dorchester | 87,917,796 | 14.90 | 102.6 | 15.25 | 0.2898% | 0.0239% |
| Dover | 7,157,772,360 | 18.17 | 93.0 | 16.31 | 27.2762% | 1.9477% |
| Dublin | 479,366,432 | 17.99 | 100.0 | 17.94 | 3.3475% | 0.1304% |
| Dummer | 163,316,758 | 8.72 | 113.7 | 9.39 | 2.2891% | 0.0444% |
| Dunbarton | 760,530,241 | 26.38 | 56.4 | 14.79 | 2.1863% | 0.2069% |
| Durham | 2,489,181,140 | 20.33 | 77.6 | 15.58 | 9.4856% | 0.6773% |
| East Kingston | 614,763,921 | 16.13 | 101.3 | 16.26 | 0.6229% | 0.1673% |
| Easton | 141,848,155 | 13.91 | 55.2 | 7.66 | 0.4676% | 0.0386% |
| Eaton | 223,792,984 | 12.81 | 65.9 | 8.44 | 0.7248% | 0.0609% |
| Effingham | 360,747,113 | 27.52 | 60.5 | 16.58 | 1.1683% | 0.0982% |
| Ellsworth | 36,638,939 | 15.21 | 55.7 | 8.46 | 0.1208% | 0.0100% |
| Enfield | 1,158,550,240 | 16.91 | 92.7 | 15.00 | 3.8194% | 0.3152% |
| Epping | 1,756,680,313 | 25.23 | 60.2 | 15.08 | 1.7800% | 0.4780% |
| Epsom | 983,168,401 | 26.64 | 53.4 | 14.16 | 2.8263% | 0.2675% |
| Errol | 166,806,731 | 9.22 | 85.6 | 7.81 | 2.3381% | 0.0454% |
| Erving's Grant | 59,879 | 0.00 | 60.4 | 0.00 | 0.0008% | 0.0000% |
| Exeter | 3,929,989,978 | 17.79 | 93.7 | 15.75 | 3.9822% | 1.0694% |
| Farmington | 1,097,961,021 | 14.88 | 96.8 | 14.00 | 4.1840% | 0.2988% |
| Fitzwilliam | 563,621,919 | 18.27 | 89.4 | 16.13 | 3.9358% | 0.1534% |
| Francestown | 409,631,401 | 16.06 | 100.3 | 16.07 | 0.4589% | 0.1115% |
| Franconia | 753,148,979 | 15.98 | 57.4 | 9.16 | 2.4829% | 0.2049% |
| Franklin | 1,477,866,097 | 17.15 | 78.8 | 13.18 | 4.2484% | 0.4021% |
| Freedom | 1,180,099,390 | 7.18 | 100.3 | 7.19 | 3.8220% | 0.3211% |
| Fremont | 945,984,871 | 26.37 | 60.0 | 15.75 | 0.9585% | 0.2574% |

**Flood control, forest, recreation lands, and others.*

***Includes utilities and railroads*

## MUNICIPAL AND PROPERTY DIVISION

**2024 Equalization Survey Including Utilities and Railroad**

**Alpha Order by Municipality**

| Municipality | Modified Local Assessed Valuation | DRA Inventory Adjustment | Equalized Assessed Valuation | Equalized Payments in Lieu of Taxes* | Equalized Railroad Tax |
|---|---|---|---|---|---|
| Gilford | 3,535,682,840 | 829,194,477 | 4,364,877,317 | 7,235,305 | 0 |
| Gilmanton | 1,060,799,201 | (12,547,874) | 1,048,251,327 | 90,696 | 0 |
| Gilsum | 138,733,135 | (1,096,967) | 137,636,168 | 0 | 0 |
| Goffstown | 2,766,513,000 | 442,804,505 | 3,209,317,505 | 5,044,778 | 0 |
| Gorham | 386,895,955 | 119,467,228 | 506,363,183 | 6,273,660 | 88,610 |
| Goshen | 85,329,277 | 72,612,964 | 157,942,241 | 20,266 | 0 |
| Grafton | 143,280,266 | 115,622,175 | 258,902,441 | 0 | 0 |
| Grantham | 767,953,252 | 281,118,802 | 1,049,072,054 | 0 | 0 |
| Greenfield | 319,523,745 | 638,218 | 320,161,963 | 9,322,465 | 0 |
| Greenland | 1,417,775,500 | 238,428,052 | 1,656,203,552 | 0 | 0 |
| Green's Grant | 9,155,890 | 6,002,869 | 15,158,759 | 114,944 | 0 |
| Greenville | 228,384,322 | 24,214,913 | 252,599,235 | 2,966,830 | 0 |
| Groton | 110,511,069 | 50,178,910 | 160,689,979 | 120,918,195 | 0 |
| Hadley's Purchase | 0 | 0 | 0 | 0 | 0 |
| Hale's Location | 83,709,800 | 67,938,388 | 151,648,188 | 53,090 | 0 |
| Hampstead | 2,099,742,709 | 155,614,043 | 2,255,356,752 | 2,462,235 | 0 |
| Hampton | 6,120,420,200 | 539,441,242 | 6,659,861,442 | 0 | 0 |
| Hampton Falls | 880,240,835 | 101,028,956 | 981,269,791 | 252,795 | 0 |
| Hancock | 303,610,865 | 206,414,960 | 510,025,825 | 3,003,063 | 0 |
| Hanover | 2,736,203,395 | 1,634,555,711 | 4,370,759,106 | 1,858,479 | 0 |
| Harrisville | 350,084,516 | 25,876,891 | 375,961,407 | 285,736 | 0 |
| Hart's Location | 21,405,197 | 3,484,494 | 24,889,691 | 333,692 | 0 |
| Haverhill | 704,980,962 | 40,062,354 | 745,043,316 | 2,448,282 | 0 |
| Hebron | 413,357,466 | 240,650,576 | 654,008,042 | 12,611,144 | 0 |
| Henniker | 753,826,574 | 121,579,910 | 875,406,484 | 3,734,128 | 0 |
| Hill | 203,365,970 | (3,969,334) | 199,396,636 | 2,472,427 | 0 |
| Hillsborough | 605,057,258 | 536,378,867 | 1,141,436,125 | 261,489 | 0 |
| Hinsdale | 442,142,860 | 152,817,322 | 594,960,182 | 45,590 | 0 |
| Holderness | 1,417,814,770 | 479,820,358 | 1,897,635,128 | 1,179 | 0 |
| Hollis | 2,325,855,286 | 496,682,728 | 2,822,538,014 | 1,211 | 0 |
| Hooksett | 3,247,172,893 | 446,959,947 | 3,694,132,840 | 4,359,106 | 0 |
| Hopkinton | 1,445,822,564 | (5,751,721) | 1,440,070,843 | 11,846,012 | 0 |
| Hudson | 5,057,101,711 | 1,155,526,705 | 6,212,628,416 | 815,740 | 0 |
| Jackson | 846,579,937 | 38,942,628 | 885,522,565 | 988,368 | 0 |
| Jaffrey | 563,034,742 | 485,348,336 | 1,048,383,078 | 5,797 | 0 |
| Jefferson | 165,549,711 | 97,165,184 | 262,714,895 | 274,112 | 5,946 |
| Keene | 2,304,848,831 | 1,145,428,391 | 3,450,277,222 | 52,340,228 | 0 |
| Kensington | 691,276,772 | 22,085,553 | 713,362,325 | 0 | 0 |
| Kilkenny | 36,600 | 23,996 | 60,596 | 0 | 0 |
| Kingston | 1,391,170,426 | 132,552,186 | 1,523,722,612 | 149,018 | 0 |
| Laconia | 4,464,657,531 | 591,539,111 | 5,056,196,642 | 35,793,312 | 0 |
| Lancaster | 450,736,614 | 86,727,541 | 537,464,155 | 5,052,836 | 5,435 |
| Landaff | 60,796,298 | 41,716,672 | 102,512,970 | 132,676 | 0 |
| Langdon | 77,433,129 | 38,812,113 | 116,245,242 | 14,541 | 0 |

**Flood control, forest, recreation lands, and others.*

***Includes utilities and railroads*

## MUNICIPAL AND PROPERTY DIVISION

**2024 Equalization Survey Including Utilities and Railroad**

**Alpha Order by Municipality**

| Municipality | Total Equalized Valuation** | 2024 Local Tax Rate | 2024 Equalization Ratio | Full Value Tax Rate | % Proportion to County Tax | % Proportion to State Tax |
|---|---|---|---|---|---|---|
| Gilford | 4,372,112,622 | 11.25 | 81.0 | 9.10 | 16.9196% | 1.1897% |
| Gilmanton | 1,048,342,023 | 14.74 | 101.2 | 14.88 | 4.0570% | 0.2853% |
| Gilsum | 137,636,168 | 14.54 | 100.8 | 14.54 | 0.9611% | 0.0375% |
| Goffstown | 3,214,362,283 | 20.44 | 86.2 | 17.42 | 3.6011% | 0.8746% |
| Gorham | 512,725,453 | 28.29 | 76.4 | 21.40 | 7.1867% | 0.1395% |
| Goshen | 157,962,507 | 23.32 | 54.0 | 12.56 | 1.5765% | 0.0430% |
| Grafton | 258,902,441 | 30.60 | 55.3 | 16.86 | 0.8535% | 0.0704% |
| Grantham | 1,049,072,054 | 19.61 | 73.2 | 14.32 | 10.4699% | 0.2855% |
| Greenfield | 329,484,428 | 22.25 | 99.8 | 22.10 | 0.3691% | 0.0897% |
| Greenland | 1,656,203,552 | 12.99 | 85.6 | 11.06 | 1.6782% | 0.4507% |
| Green's Grant | 15,273,703 | 6.69 | 60.4 | 4.02 | 0.2141% | 0.0042% |
| Greenville | 255,566,065 | 16.73 | 90.4 | 15.07 | 0.2863% | 0.0695% |
| Groton | 281,608,174 | 9.69 | 68.7 | 6.54 | 0.9284% | 0.0766% |
| Hadley's Purchase | 0 | 0.00 | 60.4 | 0.00 | 0.0000% | 0.0000% |
| Hale's Location | 151,701,278 | 3.53 | 55.2 | 1.94 | 0.4913% | 0.0413% |
| Hampstead | 2,257,818,987 | 18.54 | 93.1 | 17.08 | 2.2878% | 0.6144% |
| Hampton | 6,659,861,442 | 12.32 | 91.9 | 11.22 | 6.7483% | 1.8122% |
| Hampton Falls | 981,522,586 | 14.32 | 89.7 | 12.79 | 0.9946% | 0.2671% |
| Hancock | 513,028,888 | 25.11 | 59.5 | 14.84 | 0.5747% | 0.1396% |
| Hanover | 4,372,617,585 | 17.68 | 62.6 | 11.06 | 14.4151% | 1.1898% |
| Harrisville | 376,247,143 | 12.04 | 93.1 | 11.20 | 2.6274% | 0.1024% |
| Hart's Location | 25,223,383 | 2.81 | 86.0 | 2.37 | 0.0817% | 0.0069% |
| Haverhill | 747,491,598 | 19.44 | 94.6 | 18.34 | 2.4642% | 0.2034% |
| Hebron | 666,619,186 | 6.99 | 63.2 | 4.41 | 2.1976% | 0.1814% |
| Henniker | 879,140,612 | 23.90 | 86.1 | 20.34 | 2.5273% | 0.2392% |
| Hill | 201,869,063 | 13.46 | 102.0 | 13.68 | 0.5803% | 0.0549% |
| Hillsborough | 1,141,697,614 | 33.44 | 53.0 | 17.58 | 1.2790% | 0.3107% |
| Hinsdale | 595,005,772 | 29.39 | 74.3 | 21.47 | 4.1550% | 0.1619% |
| Holderness | 1,897,636,307 | 8.65 | 74.7 | 6.42 | 6.2559% | 0.5164% |
| Hollis | 2,822,539,225 | 17.73 | 82.4 | 14.50 | 3.1621% | 0.7680% |
| Hooksett | 3,698,491,946 | 16.96 | 87.9 | 14.59 | 10.6320% | 1.0064% |
| Hopkinton | 1,451,916,855 | 21.89 | 100.4 | 21.18 | 4.1738% | 0.3951% |
| Hudson | 6,213,444,156 | 16.45 | 81.4 | 13.24 | 6.9609% | 1.6907% |
| Jackson | 886,510,933 | 6.75 | 95.6 | 6.44 | 2.8711% | 0.2412% |
| Jaffrey | 1,048,388,875 | 32.80 | 53.7 | 16.77 | 7.3210% | 0.2853% |
| Jefferson | 262,994,953 | 19.99 | 63.0 | 12.52 | 3.6863% | 0.0716% |
| Keene | 3,502,617,450 | 33.07 | 66.8 | 21.60 | 24.4593% | 0.9531% |
| Kensington | 713,362,325 | 13.21 | 96.9 | 12.68 | 0.7228% | 0.1941% |
| Kilkenny | 60,596 | 0.00 | 60.4 | 0.00 | 0.0008% | 0.0000% |
| Kingston | 1,523,871,630 | 16.61 | 91.3 | 15.01 | 1.5441% | 0.4147% |
| Laconia | 5,091,989,954 | 13.63 | 88.3 | 11.88 | 19.7054% | 1.3856% |
| Lancaster | 542,522,426 | 19.18 | 83.8 | 16.00 | 7.6043% | 0.1476% |
| Landaff | 102,645,646 | 25.87 | 59.5 | 15.32 | 0.3384% | 0.0279% |
| Langdon | 116,259,783 | 28.12 | 66.6 | 18.66 | 1.1603% | 0.0316% |

**Flood control, forest, recreation lands, and others.*

***Includes utilities and railroads*

## MUNICIPAL AND PROPERTY DIVISION

**2024 Equalization Survey Including Utilities and Railroad**

**Alpha Order by Municipality**

| Municipality | Modified Local Assessed Valuation | DRA Inventory Adjustment | Equalized Assessed Valuation | Equalized Payments in Lieu of Taxes* | Equalized Railroad Tax |
|---|---|---|---|---|---|
| Lebanon | 2,780,468,345 | 1,033,474,506 | 3,813,942,851 | 124,981,284 | 39,456 |
| Lee | 746,347,621 | 281,692,836 | 1,028,040,457 | 165,214 | 0 |
| Lempster | 133,359,238 | 113,507,182 | 246,866,420 | 34,679,718 | 0 |
| Lincoln | 1,320,660,324 | 772,303,962 | 2,092,964,286 | 2,363,520 | 0 |
| Lisbon | 229,194,194 | 13,510,717 | 242,704,911 | 0 | 0 |
| Litchfield | 1,230,631,320 | 665,528,986 | 1,896,160,306 | 1,901,128 | 0 |
| Littleton | 875,693,086 | 690,720,217 | 1,566,413,303 | 11,151,128 | 13,427 |
| Livermore | 189,600 | 0 | 189,600 | 0 | 0 |
| Londonderry | 6,437,647,763 | 1,021,884,244 | 7,459,532,007 | 63,360,787 | 0 |
| Loudon | 729,104,703 | 527,498,029 | 1,256,602,732 | 7,949,500 | 0 |
| Low & Burbank's Grant | 0 | 0 | 0 | 0 | 0 |
| Lyman | 77,914,042 | 71,987,204 | 149,901,246 | 0 | 0 |
| Lyme | 419,589,800 | 198,448,289 | 618,038,089 | 1,277,803 | 0 |
| Lyndeborough | 225,705,282 | 165,234,774 | 390,940,056 | 497 | 0 |
| Madbury | 311,867,769 | 174,648,392 | 486,516,161 | 0 | 0 |
| Madison | 613,061,561 | 570,245,890 | 1,183,307,451 | 1,989,874 | 0 |
| Manchester | 13,401,719,267 | 6,105,844,725 | 19,507,563,992 | 74,784,522 | 0 |
| Marlborough | 223,948,743 | 131,910,396 | 355,859,139 | 2,120,615 | 0 |
| Marlow | 75,208,325 | 45,748,191 | 120,956,516 | 204,738 | 0 |
| Martin's Location | 591,900 | 388,067 | 979,967 | 124,668 | 0 |
| Mason | 217,799,086 | 142,706,986 | 360,506,072 | 15,260 | 0 |
| Meredith | 3,916,259,153 | 740,320,362 | 4,656,579,515 | 13,803,236 | 0 |
| Merrimack | 5,007,941,464 | 2,197,687,821 | 7,205,629,285 | 601,131 | 0 |
| Middleton | 368,503,699 | 48,287,242 | 416,790,941 | 0 | 0 |
| Milan | 153,579,186 | 105,626,147 | 259,205,333 | 174,212 | 157,469 |
| Milford | 2,094,412,219 | 1,008,314,991 | 3,102,727,210 | 3,926,175 | 3,111 |
| Millsfield | 13,331,658 | 8,050,143 | 21,381,801 | 0 | 0 |
| Milton | 958,833,884 | 10,650,905 | 969,484,789 | 797,301 | 160,664 |
| Monroe | 597,283,893 | 120,417,675 | 717,701,568 | 0 | 0 |
| Mont Vernon | 563,539,226 | 15,028,586 | 578,567,812 | 0 | 0 |
| Moultonborough | 6,336,332,532 | 880,251,447 | 7,216,583,979 | 8,009,531 | 0 |
| Nashua | 16,806,394,706 | 1,110,864,683 | 17,917,259,389 | 80,442,598 | 0 |
| Nelson | 169,228,481 | 57,420,240 | 226,648,721 | 404,794 | 0 |
| New Boston | 963,327,741 | 376,318,785 | 1,339,646,526 | 7,370 | 0 |
| New Castle | 1,082,355,929 | 521,133,600 | 1,603,489,529 | 0 | 0 |
| New Durham | 639,977,460 | 417,482,843 | 1,057,460,303 | 0 | 0 |
| New Hampton | 591,895,576 | 85,973,335 | 677,868,911 | 2,240,346 | 0 |
| New Ipswich | 875,350,506 | 38,313,167 | 913,663,673 | 3,670 | 0 |
| New London | 2,069,211,739 | 607,452,853 | 2,676,664,592 | 0 | 0 |
| Newbury | 1,677,549,480 | 48,300,879 | 1,725,850,359 | 4,091,676 | 0 |
| Newfields | 459,551,015 | 54,459,741 | 514,010,756 | 0 | 0 |
| Newington | 1,271,862,730 | 10,256,260 | 1,282,118,990 | 2,608,175 | 0 |
| Newmarket | 1,723,310,237 | 94,509,851 | 1,817,820,088 | 1,494,946 | 0 |
| Newport | 747,430,965 | 111,597,111 | 859,028,076 | 4,207,010 | 0 |

**Flood control, forest, recreation lands, and others.*

***Includes utilities and railroads*

## MUNICIPAL AND PROPERTY DIVISION

**2024 Equalization Survey Including Utilities and Railroad**

**Alpha Order by Municipality**

| Municipality | Total Equalized Valuation** | 2024 Local Tax Rate | 2024 Equalization Ratio | Full Value Tax Rate | % Proportion to County Tax | % Proportion to State Tax |
|---|---|---|---|---|---|---|
| Lebanon | 3,938,963,591 | 26.28 | 72.9 | 18.75 | 12.9855% | 1.0718% |
| Lee | 1,028,205,671 | 25.77 | 72.6 | 18.44 | 3.9182% | 0.2798% |
| Lempster | 281,546,138 | 28.86 | 54.0 | 15.51 | 2.8099% | 0.0766% |
| Lincoln | 2,095,327,806 | 11.68 | 63.1 | 7.35 | 6.9076% | 0.5701% |
| Lisbon | 242,704,911 | 19.98 | 94.4 | 18.77 | 0.8001% | 0.0660% |
| Litchfield | 1,898,061,434 | 20.78 | 64.9 | 13.37 | 2.1264% | 0.5165% |
| Littleton | 1,577,577,858 | 24.94 | 55.9 | 13.63 | 5.2008% | 0.4293% |
| Livermore | 189,600 | 0.00 | 100.0 | 0.00 | 0.0006% | 0.0001% |
| Londonderry | 7,522,892,794 | 16.14 | 86.3 | 13.72 | 7.6228% | 2.0470% |
| Loudon | 1,264,552,232 | 23.25 | 58.0 | 13.40 | 3.6352% | 0.3441% |
| Low & Burbank's Grant | 0 | 0.00 | 60.4 | 0.00 | 0.0000% | 0.0000% |
| Lyman | 149,901,246 | 21.65 | 51.9 | 11.19 | 0.4942% | 0.0408% |
| Lyme | 619,315,892 | 27.50 | 67.9 | 18.36 | 2.0417% | 0.1685% |
| Lyndeborough | 390,940,553 | 25.86 | 57.7 | 14.84 | 0.4380% | 0.1064% |
| Madbury | 486,516,161 | 29.19 | 64.1 | 18.41 | 1.8540% | 0.1324% |
| Madison | 1,185,297,325 | 15.77 | 51.8 | 8.14 | 3.8388% | 0.3225% |
| Manchester | 19,582,348,514 | 19.58 | 68.7 | 13.30 | 21.9382% | 5.3285% |
| Marlborough | 357,979,754 | 28.73 | 62.9 | 18.02 | 2.4998% | 0.0974% |
| Marlow | 121,161,254 | 31.00 | 62.2 | 19.20 | 0.8461% | 0.0330% |
| Martin's Location | 1,104,635 | 26.07 | 60.4 | 15.75 | 0.0155% | 0.0003% |
| Mason | 360,521,332 | 25.55 | 60.4 | 15.38 | 0.4039% | 0.0981% |
| Meredith | 4,670,382,751 | 10.26 | 84.1 | 8.61 | 18.0739% | 1.2708% |
| Merrimack | 7,206,230,416 | 20.69 | 69.5 | 14.27 | 8.0732% | 1.9609% |
| Middleton | 416,790,941 | 15.54 | 88.4 | 13.66 | 1.5883% | 0.1134% |
| Milan | 259,537,014 | 23.33 | 59.2 | 13.63 | 3.6378% | 0.0706% |
| Milford | 3,106,656,496 | 23.67 | 67.5 | 15.86 | 3.4804% | 0.8453% |
| Millsfield | 21,381,801 | 0.00 | 60.4 | 0.00 | 0.2997% | 0.0058% |
| Milton | 970,442,754 | 13.95 | 98.9 | 13.69 | 3.6981% | 0.2641% |
| Monroe | 717,701,568 | 10.66 | 83.2 | 8.07 | 2.3660% | 0.1953% |
| Mont Vernon | 578,567,812 | 19.76 | 97.4 | 19.15 | 0.6482% | 0.1574% |
| Moultonborough | 7,224,593,510 | 5.65 | 87.8 | 4.95 | 23.3981% | 1.9658% |
| Nashua | 17,997,701,987 | 15.90 | 93.8 | 14.62 | 20.1629% | 4.8973% |
| Nelson | 227,053,515 | 17.71 | 74.6 | 13.17 | 1.5855% | 0.0618% |
| New Boston | 1,339,653,896 | 23.79 | 71.9 | 17.02 | 1.5008% | 0.3645% |
| New Castle | 1,603,489,529 | 5.39 | 67.5 | 3.64 | 1.6248% | 0.4363% |
| New Durham | 1,057,460,303 | 19.43 | 60.5 | 11.73 | 4.0297% | 0.2877% |
| New Hampton | 680,109,257 | 13.25 | 87.3 | 11.46 | 2.6319% | 0.1851% |
| New Ipswich | 913,667,343 | 15.22 | 95.8 | 14.50 | 1.0236% | 0.2486% |
| New London | 2,676,664,592 | 11.61 | 77.3 | 8.95 | 7.6946% | 0.7283% |
| Newbury | 1,729,942,035 | 10.02 | 97.2 | 9.73 | 4.9731% | 0.4707% |
| Newfields | 514,010,756 | 16.09 | 89.4 | 14.29 | 0.5208% | 0.1399% |
| Newington | 1,284,727,165 | 7.88 | 99.2 | 7.44 | 1.3018% | 0.3496% |
| Newmarket | 1,819,315,034 | 17.20 | 94.8 | 16.21 | 1.8435% | 0.4950% |
| Newport | 863,235,086 | 24.31 | 87.0 | 20.93 | 8.6152% | 0.2349% |

**Flood control, forest, recreation lands, and others.*

***Includes utilities and railroads*

## MUNICIPAL AND PROPERTY DIVISION

**2024 Equalization Survey Including Utilities and Railroad**

**Alpha Order by Municipality**

| Municipality | Modified Local Assessed Valuation | DRA Inventory Adjustment | Equalized Assessed Valuation | Equalized Payments in Lieu of Taxes* | Equalized Railroad Tax |
|---|---|---|---|---|---|
| Newton | 661,492,348 | 401,985,286 | 1,063,477,634 | 0 | 0 |
| North Hampton | 1,806,185,400 | 385,757,653 | 2,191,943,053 | 0 | 0 |
| Northfield | 622,489,717 | 112,365,947 | 734,855,664 | 5,244,212 | 3,913 |
| Northumberland | 239,492,158 | 85,646,755 | 325,138,913 | 2,575,329 | 120,116 |
| Northwood | 973,050,227 | 212,053,418 | 1,185,103,645 | 489,742 | 0 |
| Nottingham | 852,533,701 | 533,634,369 | 1,386,168,070 | 294,601 | 0 |
| Odell | 3,470,646 | 2,066,240 | 5,536,886 | 974,088 | 0 |
| Orange | 37,343,574 | 20,738,792 | 58,082,366 | 188,965 | 0 |
| Orford | 162,748,550 | 119,151,251 | 281,899,801 | 217,548 | 0 |
| Ossipee | 1,540,153,570 | 75,894,204 | 1,616,047,774 | 62,680 | 109,958 |
| Pelham | 2,805,058,543 | 809,666,752 | 3,614,725,295 | 3,276,025 | 0 |
| Pembroke | 1,234,171,195 | 44,728,872 | 1,278,900,067 | 6,129,055 | 0 |
| Peterborough | 952,384,175 | 396,538,561 | 1,348,922,736 | 4,961,091 | 0 |
| Piermont | 133,068,176 | 40,175,484 | 173,243,660 | 70,924 | 0 |
| Pinkham's Grant | 2,961,230 | 1,941,469 | 4,902,699 | 3,430,854 | 0 |
| Pittsburg | 601,104,455 | 48,525,225 | 649,629,680 | 8,048,446 | 0 |
| Pittsfield | 365,939,847 | 273,675,335 | 639,615,182 | 1,030,105 | 0 |
| Plainfield | 551,666,633 | (4,946,435) | 546,720,198 | 59,617 | 0 |
| Plaistow | 1,403,630,456 | 472,879,791 | 1,876,510,247 | 0 | 0 |
| Plymouth | 747,740,068 | 184,457,042 | 932,197,110 | 3,357,152 | 0 |
| Portsmouth | 10,137,278,797 | 422,384,941 | 10,559,663,738 | 97,487,393 | 0 |
| Randolph | 137,554,191 | (10,293,758) | 127,260,433 | 784,083 | 0 |
| Raymond | 1,379,910,566 | 692,000,180 | 2,071,910,746 | 685,441 | 0 |
| Richmond | 173,033,425 | 52,698,668 | 225,732,093 | 0 | 0 |
| Rindge | 773,508,251 | 627,673,164 | 1,401,181,415 | 1,156,160 | 0 |
| Rochester | 5,323,486,993 | 142,075,220 | 5,465,562,213 | 81,088,918 | 199,918 |
| Rollinsford | 492,099,849 | 97,898,323 | 589,998,172 | 2,361,866 | 20,480 |
| Roxbury | 43,482,235 | (2,132,524) | 41,349,711 | 5,545,406 | 0 |
| Rumney | 375,092,027 | 1,502,066 | 376,594,093 | 362,590 | 0 |
| Rye | 3,291,887,400 | 1,344,595,849 | 4,636,483,249 | 4,489,640 | 0 |
| Salem | 6,686,561,702 | 2,652,198,581 | 9,338,760,283 | 7,109,891 | 0 |
| Salisbury | 252,982,952 | 58,305,133 | 311,288,085 | 4,998,479 | 0 |
| Sanbornton | 966,069,841 | 101,277,138 | 1,067,346,979 | 1,645,929 | 0 |
| Sandown | 1,166,194,000 | 192,985,103 | 1,359,179,103 | 0 | 0 |
| Sandwich | 816,061,391 | 30,396,838 | 846,458,229 | 929,140 | 0 |
| Sargent's Purchase | 2,461,220 | 1,613,648 | 4,074,868 | 0 | 0 |
| Seabrook | 4,623,544,662 | 553,995,209 | 5,177,539,871 | 0 | 0 |
| Second College Grant | 1,811,563 | 550,453 | 2,362,016 | 0 | 0 |
| Sharon | 105,655,908 | 3,913,335 | 109,569,243 | 5,773 | 0 |
| Shelburne | 79,966,237 | 42,458,919 | 122,425,156 | 434,946 | 215,104 |
| Somersworth | 1,928,557,480 | 101,495,803 | 2,030,053,283 | 11,575,312 | 74,381 |
| South Hampton | 270,767,721 | 25,400,926 | 296,168,647 | 2,435 | 0 |
| Springfield | 248,534,662 | 161,496,438 | 410,031,100 | 470,340 | 0 |
| Stark | 157,611,198 | 39,971,176 | 197,582,374 | 787,170 | 363,781 |

**Flood control, forest, recreation lands, and others.*

***Includes utilities and railroads*

## MUNICIPAL AND PROPERTY DIVISION

**2024 Equalization Survey Including Utilities and Railroad**

**Alpha Order by Municipality**

| Municipality | Total Equalized Valuation** | 2024 Local Tax Rate | 2024 Equalization Ratio | Full Value Tax Rate | % Proportion to County Tax | % Proportion to State Tax |
|---|---|---|---|---|---|---|
| Newton | 1,063,477,634 | 25.37 | 62.2 | 15.69 | 1.0776% | 0.2894% |
| North Hampton | 2,191,943,053 | 12.80 | 82.4 | 10.46 | 2.2210% | 0.5964% |
| Northfield | 740,103,789 | 14.77 | 84.7 | 11.92 | 2.1276% | 0.2014% |
| Northumberland | 327,834,358 | 22.44 | 73.6 | 16.13 | 4.5951% | 0.0892% |
| Northwood | 1,185,593,387 | 15.57 | 82.1 | 12.62 | 1.2013% | 0.3226% |
| Nottingham | 1,386,462,671 | 20.46 | 61.5 | 12.43 | 1.4049% | 0.3773% |
| Odell | 6,510,974 | 6.07 | 60.4 | 3.80 | 0.0913% | 0.0018% |
| Orange | 58,271,331 | 26.00 | 64.2 | 16.64 | 0.1921% | 0.0159% |
| Orford | 282,117,349 | 34.75 | 57.7 | 20.03 | 0.9301% | 0.0768% |
| Ossipee | 1,616,220,412 | 11.60 | 95.3 | 11.01 | 5.2344% | 0.4398% |
| Pelham | 3,618,001,320 | 18.34 | 77.6 | 14.11 | 4.0533% | 0.9845% |
| Pembroke | 1,285,029,122 | 19.64 | 96.5 | 18.90 | 3.6941% | 0.3497% |
| Peterborough | 1,353,883,827 | 32.50 | 70.6 | 20.86 | 1.5168% | 0.3684% |
| Piermont | 173,314,584 | 22.48 | 76.8 | 17.20 | 0.5714% | 0.0472% |
| Pinkham's Grant | 8,333,553 | 13.66 | 60.4 | 8.06 | 0.1168% | 0.0023% |
| Pittsburg | 657,678,126 | 9.60 | 92.5 | 8.85 | 9.2184% | 0.1790% |
| Pittsfield | 640,645,287 | 29.87 | 57.2 | 16.99 | 1.8417% | 0.1743% |
| Plainfield | 546,779,815 | 17.60 | 100.9 | 17.58 | 5.4569% | 0.1488% |
| Plaistow | 1,876,510,247 | 20.72 | 74.8 | 15.35 | 1.9014% | 0.5106% |
| Plymouth | 935,554,262 | 25.12 | 80.2 | 20.09 | 3.0842% | 0.2546% |
| Portsmouth | 10,657,151,131 | 11.18 | 96.0 | 10.64 | 10.7986% | 2.8999% |
| Randolph | 128,044,516 | 11.14 | 108.1 | 11.93 | 1.7947% | 0.0348% |
| Raymond | 2,072,596,187 | 21.91 | 66.6 | 14.39 | 2.1001% | 0.5640% |
| Richmond | 225,732,093 | 17.86 | 76.6 | 13.61 | 1.5763% | 0.0614% |
| Rindge | 1,402,337,575 | 25.31 | 55.2 | 13.83 | 9.7927% | 0.3816% |
| Rochester | 5,546,851,049 | 14.85 | 97.4 | 13.92 | 21.1375% | 1.5093% |
| Rollinsford | 592,380,518 | 16.41 | 83.4 | 13.66 | 2.2574% | 0.1612% |
| Roxbury | 46,895,117 | 15.64 | 105.2 | 16.40 | 0.3275% | 0.0128% |
| Rumney | 376,956,683 | 14.44 | 99.6 | 14.32 | 1.2427% | 0.1026% |
| Rye | 4,640,972,889 | 8.66 | 71.0 | 6.14 | 4.7026% | 1.2628% |
| Salem | 9,345,870,174 | 17.60 | 71.6 | 12.51 | 9.4699% | 2.5431% |
| Salisbury | 316,286,564 | 16.21 | 81.2 | 13.04 | 0.9092% | 0.0861% |
| Sanbornton | 1,068,992,908 | 12.81 | 90.5 | 11.57 | 4.1369% | 0.2909% |
| Sandown | 1,359,179,103 | 17.72 | 85.8 | 15.05 | 1.3772% | 0.3698% |
| Sandwich | 847,387,369 | 9.05 | 96.4 | 8.70 | 2.7444% | 0.2306% |
| Sargent's Purchase | 4,074,868 | 0.00 | 60.4 | 0.00 | 0.0571% | 0.0011% |
| Seabrook | 5,177,539,871 | 11.72 | 89.3 | 9.97 | 5.2463% | 1.4088% |
| Second College Grant | 2,362,016 | 0.00 | 60.4 | 0.00 | 0.0331% | 0.0006% |
| Sharon | 109,575,016 | 15.36 | 96.4 | 14.80 | 0.1228% | 0.0298% |
| Shelburne | 123,075,206 | 18.95 | 65.3 | 12.11 | 1.7251% | 0.0335% |
| Somersworth | 2,041,702,976 | 18.70 | 95.0 | 17.67 | 7.7804% | 0.5556% |
| South Hampton | 296,171,082 | 13.80 | 91.4 | 12.52 | 0.3001% | 0.0806% |
| Springfield | 410,501,440 | 23.66 | 60.6 | 14.27 | 4.0969% | 0.1117% |
| Stark | 198,733,325 | 10.86 | 79.7 | 8.55 | 2.7856% | 0.0541% |

**Flood control, forest, recreation lands, and others.*

***Includes utilities and railroads*

## MUNICIPAL AND PROPERTY DIVISION

**2024 Equalization Survey Including Utilities and Railroad**

**Alpha Order by Municipality**

| Municipality | Modified Local Assessed Valuation | DRA Inventory Adjustment | Equalized Assessed Valuation | Equalized Payments in Lieu of Taxes* | Equalized Railroad Tax |
|---|---|---|---|---|---|
| Stewartstown | 204,044,347 | 35,990,161 | 240,034,508 | 54,831 | 0 |
| Stoddard | 462,126,040 | 35,766,804 | 497,892,844 | 47,522 | 0 |
| Strafford | 730,295,100 | 456,987,763 | 1,187,282,863 | 0 | 0 |
| Stratford | 99,382,126 | 85,406,670 | 184,788,796 | 413,600 | 186,315 |
| Stratham | 2,575,591,486 | 149,877,286 | 2,725,468,772 | 0 | 0 |
| Success | 15,455,791 | 9,540,568 | 24,996,359 | 0 | 0 |
| Sugar Hill | 328,252,684 | 3,309,527 | 331,562,211 | 0 | 0 |
| Sullivan | 119,312,090 | 1,563,015 | 120,875,105 | 0 | 0 |
| Sunapee | 2,419,382,716 | 513,119,078 | 2,932,501,794 | 0 | 0 |
| Surry | 138,863,072 | 21,597,590 | 160,460,662 | 3,390,138 | 0 |
| Sutton | 332,978,078 | 260,427,498 | 593,405,576 | 1,265 | 0 |
| Swanzey | 1,021,278,002 | 77,894,021 | 1,099,172,023 | 2,874,329 | 0 |
| Tamworth | 726,834,263 | 11,782,855 | 738,617,118 | 6,080,612 | 0 |
| Temple | 298,348,767 | (4,972,935) | 293,375,832 | 17,929 | 0 |
| Thompson & Meserve's Purchase | 8,982,460 | 5,889,163 | 14,871,623 | 627,088 | 0 |
| Thornton | 966,363,557 | (10,506,983) | 955,856,574 | 461,751 | 0 |
| Tilton | 1,079,564,801 | 29,934,730 | 1,109,499,531 | 421,641 | 3,726 |
| Troy | 261,104,045 | 44,239,386 | 305,343,431 | 5,360 | 0 |
| Tuftonboro | 1,891,773,240 | 577,721,087 | 2,469,494,327 | 2,481 | 0 |
| Unity | 247,906,431 | 1,986,250 | 249,892,681 | 0 | 0 |
| Wakefield | 2,277,079,490 | 107,226,066 | 2,384,305,556 | 0 | 547,606 |
| Walpole | 759,107,443 | 64,985,600 | 824,093,043 | 0 | 100,831 |
| Warner | 339,149,527 | 289,662,943 | 628,812,470 | 1,009,518 | 0 |
| Warren | 110,716,497 | 70,006,846 | 180,723,343 | 614,204 | 0 |
| Washington | 373,584,855 | 131,634,019 | 505,218,874 | 189,348 | 0 |
| Waterville Valley | 728,495,510 | (6,497,853) | 721,997,657 | 1,212,457 | 0 |
| Weare | 1,305,227,191 | 546,012,333 | 1,851,239,524 | 3,010,019 | 0 |
| Webster | 380,114,126 | 65,326,420 | 445,440,546 | 2,569,107 | 0 |
| Wentworth | 132,557,249 | 115,766,823 | 248,324,072 | 152,850 | 0 |
| Wentworth's Location | 14,033,628 | 8,966,463 | 23,000,091 | 15,247 | 0 |
| Westmoreland | 204,594,546 | 87,618,566 | 292,213,112 | 531 | 0 |
| Whitefield | 431,724,284 | 11,496,519 | 443,220,803 | 2,691,942 | 14,062 |
| Wilmot | 234,017,244 | 155,852,197 | 389,869,441 | 53,969 | 0 |
| Wilton | 572,092,325 | 206,240,522 | 778,332,847 | 513,253 | 2,719 |
| Winchester | 340,396,297 | 250,477,159 | 590,873,456 | 2,948,006 | 0 |
| Windham | 3,205,426,200 | 2,190,907,027 | 5,396,333,227 | 763,822 | 0 |
| Windsor | 37,770,789 | 20,627,884 | 58,398,673 | 0 | 0 |
| Wolfeboro | 2,481,617,637 | 2,281,491,993 | 4,763,109,630 | 2,296,797 | 10,357 |
| Woodstock | 294,432,922 | 334,691,697 | 629,124,619 | 2,704,808 | 0 |
| State Totals | 293,199,859,304 | 72,895,786,699 | 366,095,646,003 | 1,406,098,622 | 3,108,058 |

**Flood control, forest, recreation lands, and others.*

***Includes utilities and railroads*

## MUNICIPAL AND PROPERTY DIVISION

**2024 Equalization Survey Including Utilities and Railroad**

**Alpha Order by Municipality**

| Municipality | Total Equalized Valuation** | 2024 Local Tax Rate | 2024 Equalization Ratio | Full Value Tax Rate | % Proportion to County Tax | % Proportion to State Tax |
|---|---|---|---|---|---|---|
| Stewartstown | 240,089,339 | 15.98 | 84.9 | 13.48 | 3.3652% | 0.0653% |
| Stoddard | 497,940,366 | 11.76 | 92.8 | 10.84 | 3.4772% | 0.1355% |
| Strafford | 1,187,282,863 | 19.76 | 61.5 | 12.12 | 4.5244% | 0.3231% |
| Stratford | 185,388,711 | 28.51 | 53.8 | 15.06 | 2.5985% | 0.0504% |
| Stratham | 2,725,468,772 | 13.12 | 94.5 | 12.35 | 2.7617% | 0.7416% |
| Success | 24,996,359 | 0.00 | 60.4 | 0.00 | 0.3504% | 0.0068% |
| Sugar Hill | 331,562,211 | 11.49 | 99.0 | 11.35 | 1.0931% | 0.0902% |
| Sullivan | 120,875,105 | 18.09 | 98.7 | 17.75 | 0.8441% | 0.0329% |
| Sunapee | 2,932,501,794 | 10.01 | 82.5 | 8.24 | 29.2668% | 0.7979% |
| Surry | 163,850,800 | 16.82 | 86.5 | 14.50 | 1.1442% | 0.0446% |
| Sutton | 593,406,841 | 26.94 | 56.1 | 15.04 | 1.7059% | 0.1615% |
| Swanzey | 1,102,046,352 | 19.06 | 92.9 | 17.38 | 7.6957% | 0.2999% |
| Tamworth | 744,697,730 | 14.43 | 98.4 | 14.14 | 2.4118% | 0.2026% |
| Temple | 293,393,761 | 15.99 | 101.7 | 16.23 | 0.3287% | 0.0798% |
| Thompson & Meserve's Purchase | 15,498,711 | 1.97 | 60.4 | 1.18 | 0.2172% | 0.0042% |
| Thornton | 956,318,325 | 11.37 | 101.1 | 11.47 | 3.1527% | 0.2602% |
| Tilton | 1,109,924,898 | 10.80 | 97.3 | 10.46 | 4.2953% | 0.3020% |
| Troy | 305,348,791 | 18.59 | 85.5 | 15.72 | 2.1323% | 0.0831% |
| Tuftonboro | 2,469,496,808 | 7.62 | 76.6 | 5.83 | 7.9979% | 0.6720% |
| Unity | 249,892,681 | 17.43 | 99.2 | 17.26 | 2.4940% | 0.0680% |
| Wakefield | 2,384,853,162 | 7.52 | 95.5 | 7.17 | 7.7238% | 0.6489% |
| Walpole | 824,193,874 | 17.11 | 92.1 | 15.66 | 5.7555% | 0.2243% |
| Warner | 629,821,988 | 30.89 | 53.9 | 16.47 | 1.8105% | 0.1714% |
| Warren | 181,337,547 | 22.75 | 61.2 | 13.78 | 0.5978% | 0.0493% |
| Washington | 505,408,222 | 15.24 | 73.9 | 11.25 | 5.0440% | 0.1375% |
| Waterville Valley | 723,210,114 | 9.04 | 100.9 | 9.11 | 2.3842% | 0.1968% |
| Weare | 1,854,249,543 | 20.39 | 70.5 | 14.29 | 2.0773% | 0.5046% |
| Webster | 448,009,653 | 15.53 | 85.3 | 13.16 | 1.2879% | 0.1219% |
| Wentworth | 248,476,922 | 22.20 | 53.3 | 11.79 | 0.8191% | 0.0676% |
| Wentworth's Location | 23,015,338 | 7.56 | 60.4 | 4.60 | 0.3226% | 0.0063% |
| Westmoreland | 292,213,643 | 23.06 | 70.0 | 16.01 | 2.0406% | 0.0795% |
| Whitefield | 445,926,807 | 16.40 | 97.4 | 15.88 | 6.2504% | 0.1213% |
| Wilmot | 389,923,410 | 25.60 | 60.0 | 15.30 | 1.1209% | 0.1061% |
| Wilton | 778,848,819 | 24.87 | 73.5 | 18.20 | 0.8725% | 0.2119% |
| Winchester | 593,821,462 | 29.25 | 57.6 | 16.64 | 4.1467% | 0.1616% |
| Windham | 5,397,097,049 | 22.64 | 59.4 | 13.37 | 5.4687% | 1.4686% |
| Windsor | 58,398,673 | 13.56 | 64.6 | 8.76 | 0.0654% | 0.0159% |
| Wolfeboro | 4,765,416,784 | 15.90 | 52.1 | 8.27 | 15.4336% | 1.2967% |
| Woodstock | 631,829,427 | 20.32 | 46.8 | 9.47 | 2.0829% | 0.1719% |
| State Totals | 367,504,852,683 | | | | 1000.0000% | 100.0000% |

**Flood control, forest, recreation lands, and others.*

***Includes utilities and railroads*

# 2024 Equalization Survey

## "Not Including Utilities and Railroads"

### May 1, 2025

This report presents the results of the 2024 Equalization Survey **"not including utilities and railroads."** It was conducted by the New Hampshire Department of Revenue Administration pursuant to RSA 21-J:3, XIII which states:

> *"XIII. Equalize annually by May 1 the valuation of the property as assessed in the several towns, cities, and unincorporated places in the state including the value of property exempt pursuant to RSA 72:37, 72:37-b, 72:39-a, 72:62, 72:66 and 72:70, RSA 72:85, and RSA 72:87, property which is subject to tax relief under RSA 79-E:4, and property which is subject to tax relief under RSA 79-E:4-a or RSA 79-E:4-b, by adding to or deducting from the aggregate valuation of the property in towns, cities and unincorporated places such sums as will bring such valuations to the true and market value of the property, and by making such adjustments in the value of other property from which the towns, cities, and unincorporated places receive taxes or payments in lieu of taxes, including renewable generation facility property subject to a payment in lieu of taxes agreement under RSA 72:74 and combined heat and power agricultural facility property subject to a payment in lieu of taxes agreement under RSA 72:74-a, as may be equitable and just, so that any public taxes that may be apportioned among them shall be equal and just. In carrying out the duty to equalize the valuation of property, the commissioner shall follow the procedures set forth in RSA 21-J:9-a."*

To accomplish the foregoing, assessment ratio studies were conducted to determine how the average level of assessment for all cities and towns compares with the statutory 100% ratio so that taxes can be apportioned equitably.

The Department of Revenue Administration has completed its process of calculating the total equalized valuation of all the municipalities and unincorporated places throughout the state. The ratios reported for each municipality in this survey were derived by comparing the sale prices of sales of land, land and buildings and manufactured housing, covering the period of October 1, 2023, to September 30, 2024, against the actual assessments levied by the municipalities. Sales information was verified by the grantee whenever possible by means of Form PA-34, Inventory of Property Transfer. Our goal is to use only arm's-length sales that transferred for market value in this analysis. Every effort has been made to exclude non-arm's length transactions including but not limited to: sales involving courts and government agencies, sales between relatives or corporate affiliates, sales settling an estate, forced sales, etc.

Every municipality was notified of its 2024 sales assessment ratio. These ratios were used in conjunction with other Department of Revenue adjustments to determine each municipality's total equalized value for purposes of RSA 21-J:3, XIII.

The following is an explanation of the information contained in this report.

MODIFIED ASSESSED VALUATION: The modified assessed valuation for each municipality as reported to the Department of Revenue Administration on the municipality's 2024 MS-1,

Summary Inventory of Valuation, "not including utility values taxed pursuant to RSA 83-F."

GROSS LOCAL ASSESSED VALUATION is the sum of all assessed values in the municipality

minus:

- RSA 72:36-a, Certain Disabled Veteran's
- RSA 72:38-b, V, Improvements to Assist Persons who are Deaf
- RSA 72:37-a, Improvements to Assist Persons with Disabilities Exemption
- RSA 72:23, IV, School Dining/Dormitory/Kitchen Exemption: ($150,000 max per exemption)
- RSA 72:12-a, Water & Air Pollution Control Exemption:

= MODIFIED ASSESSED VALUATION is used to calculate the total equalized valuation
minus:

- RSA 72:37, Blind Exemption
- RSA 72:37-b, Disabled Exemption
- RSA 72:38-b, Deaf Exemption
- RSA 72:39-a & b, Elderly Exemption
- RSA 72:62, Solar Energy System Exemption
- RSA 72:66, Wind Powered Energy System Exemption
- RSA 72:70, Wood-Heating Energy System Exemption
- RSA 72:23, IV, Additional School Dining/Dormitory/Kitchen Exemption (Exemption amount > $150,000)
- RSA 72:85, Exemption for Electric Energy Storage Systems
- RSA 72:87, Renewable Generation Facilities & Electric Energy Systems

= NET LOCAL ASSESSED VALUATION Not Including Utility Valuation

The State Education property tax rate is computed using the Net Local Assessed Valuation Not Including Utility Valuation.

**TAX INCREMENT FINANCE DISTRICTS (TIFS)**: RSA 162-K:10, III - The retained captured assessed value is added to the modified assessed value and will be equalized for all TIF districts created after 4/29/99. The original assessed value and any unretained value is used to set a municipality's tax rates.

DRA INVENTORY ADJUSTMENT is the sum of the adjustments of the modified local assessed valuation is divided into two categories.

Category 1: The total modified local assessed value of land (excluding land in current use, conservation restriction assessment, discretionary easements, and utilities) buildings and manufactured housing is equalized by the 2024 equalization ratio. This category includes discretionary preservation easements, taxation of farm structures, and land under farm structures. The difference between the modified local assessed valuation of land, buildings and manufactured housing and the equalized value equals the DRA adjustment for land, buildings, and manufactured housing.

Category 2: An adjustment for land assessed at current use, conservation restriction assessment, and discretionary easement values are made. This adjustment is calculated by dividing the total net local assessed valuation for land in these two categories by the 2023 equalization ratio to obtain the equalized value of current use, conservation restriction assessments and discretionary easements. If a municipality has had a full revaluation, cyclical revaluation or full statistical revaluation as defined by Rev 601.24, Rev 601.16, and Rev 601.25, a ratio of 100.0 is used.

The difference between the local assessed value of the land and the equalized value equals the DRA adjustment for current use, conservation restriction assessments, and discretionary easements.

DRA INVENTORY ADJUSTMENT: The sum of the adjustments for the above two categories.

EQUALIZED ASSESSED VALUATION: The equalized assessed valuation represents the sum of the "modified local assessed valuation" plus the DRA inventory adjustment. The equalized assessed valuation represents the equalized value of all "taxable" properties in a municipality.

PAYMENT IN LIEU OF TAXES: The equalized value for payments received in lieu of taxes includes State & Federal Forest Land Reimbursements, Recreation Land Reimbursements, Flood Land Reimbursements, renewable energy facilities (if applicable and others.

TOTAL EQUALIZED VALUATIONS *NOT INCLUDING* UTILITY VALUE AND EQUALIZED RAILROAD TAXES: This figure represents the sum of the equalized assessed valuation and the equalized value of payments in lieu of taxes.

The 2024 "total equalized valuation not including utility and equalized value of railroad monies reimbursed to municipalities" will be used to apportion the State Education property tax for the tax year 2026. The 2023 total equalized valuation not including utilities and the value of railroad monies reimbursed to municipalities will be used to apportion the state education property tax for the tax year 2025.

EQUALIZATION RATIO: The 2024 equalization ratio as determined by a ratio study conducted by the Department of Revenue Administration's equalization staff.

% PROPORTION TO STATE TAX: The percentage of proportion to $1,000 of tax that is to be allocated to each town within the state by comparing the town's total equalized value to the total equalized value of the state.

**APPEAL OF TOTAL EQUALIZED VALUATION**

Municipalities were sent their 2024 Notification of Total Equalized Valuations on **May 1, 2025**.

Per RSA 71-B:5, II, any municipality aggrieved by the total equalized valuation as determined by the DRA must appeal to the Board of Tax and Land Appeals in writing **within 30 days of the town's notification** of the municipality's total equalized valuation.

The appeal period is not extended due to any communication, either verbal or written, between the DRA and a municipality regarding the total equalized valuation.

**MUNICIPAL AND PROPERTY DIVISION**
**2024 Equalization Survey Not Including Utilities and Railroad**
**Alpha Order by Municipality**

| Municipality | Modified Local Assessed Valuation | DRA Inventory Adjustment | Equalized Assessed Valuation | Equalized Payments in Lieu of Taxes* | Total Equalized Valuation** | 2024 Equali-zation Ratio | % Proportion to State Tax |
|---|---|---|---|---|---|---|---|
| Acworth | 121,020,310 | 103,416,428 | 224,436,738 | 7,685 | 224,444,423 | 53.8 | 0.0635% |
| Albany | 135,999,449 | 81,947,587 | 217,947,036 | 1,633,912 | 219,580,948 | 62.4 | 0.0621% |
| Alexandria | 286,645,421 | 146,851,583 | 433,497,004 | 406,568 | 433,903,572 | 66.1 | 0.1228% |
| Allenstown | 524,235,666 | 140,149,782 | 664,385,448 | 226,362 | 664,611,810 | 78.9 | 0.1880% |
| Alstead | 191,200,043 | 134,322,505 | 325,522,548 | 87 | 325,522,635 | 58.7 | 0.0921% |
| Alton | 2,233,196,415 | 1,698,439,864 | 3,931,636,279 | 798,470 | 3,932,434,749 | 56.8 | 1.1125% |
| Amherst | 2,349,721,276 | 1,031,082,520 | 3,380,803,796 | 2,562,328 | 3,383,366,124 | 69.5 | 0.9572% |
| Andover | 541,003,223 | (5,344,768) | 535,658,455 | 8,332 | 535,666,787 | 101.0 | 0.1515% |
| Antrim | 408,338,096 | 96,860,364 | 505,198,460 | 267,884 | 505,466,344 | 80.8 | 0.1430% |
| Ashland | 417,916,565 | 91,693,152 | 509,609,717 | 748,940 | 510,358,657 | 82.0 | 0.1444% |
| Atkinson | 1,588,137,623 | 387,153,262 | 1,975,290,885 | 0 | 1,975,290,885 | 80.4 | 0.5588% |
| Atkinson & Gilmanton | 1,035,360 | 389,640 | 1,425,000 | 0 | 1,425,000 | 60.4 | 0.0004% |
| Auburn | 1,415,249,457 | 116,386,585 | 1,531,636,042 | 26,844,326 | 1,558,480,368 | 92.4 | 0.4409% |
| Barnstead | 1,060,881,339 | 124,300,146 | 1,185,181,485 | 0 | 1,185,181,485 | 89.5 | 0.3353% |
| Barrington | 1,845,778,054 | 275,689,378 | 2,121,467,432 | 901,113 | 2,122,368,545 | 87.0 | 0.6004% |
| Bartlett | 2,069,445,542 | 359,448,085 | 2,428,893,627 | 995,215 | 2,429,888,842 | 85.2 | 0.6874% |
| Bath | 131,646,579 | 71,241,381 | 202,887,960 | 36,162 | 202,924,122 | 64.7 | 0.0574% |
| Bean's Grant | 0 | 0 | 0 | 0 | 0 | 60.4 | 0.0000% |
| Bean's Purchase | 0 | 0 | 0 | 0 | 0 | 60.4 | 0.0000% |
| Bedford | 6,143,273,904 | 674,989,312 | 6,818,263,216 | 5,245,093 | 6,823,508,309 | 90.1 | 1.9304% |
| Belmont | 1,473,793,517 | 97,342,887 | 1,571,136,404 | 1,192,914 | 1,572,329,318 | 93.8 | 0.4448% |
| Bennington | 215,105,844 | 8,248,472 | 223,354,316 | 23,107 | 223,377,423 | 96.3 | 0.0632% |
| Benton | 52,940,497 | (1,696,199) | 51,244,298 | 738,520 | 51,982,818 | 103.3 | 0.0147% |
| Berlin | 537,361,594 | 162,226,594 | 699,588,188 | 6,039,516 | 705,627,704 | 76.8 | 0.1996% |
| Bethlehem | 511,255,169 | 108,341,306 | 619,596,475 | 2,524,122 | 622,120,597 | 82.5 | 0.1760% |
| Boscawen | 516,042,460 | 50,294,820 | 566,337,280 | 1,288,921 | 567,626,201 | 91.1 | 0.1606% |
| Bow | 1,907,581,698 | 40,912,232 | 1,948,493,930 | 24,199 | 1,948,518,129 | 97.9 | 0.5513% |
| Bradford | 452,302,844 | 7,335,271 | 459,638,115 | 32,088 | 459,670,203 | 98.4 | 0.1300% |
| Brentwood | 737,635,876 | 455,877,377 | 1,193,513,253 | 0 | 1,193,513,253 | 61.8 | 0.3377% |
| Bridgewater | 790,376,500 | 27,792,406 | 818,168,906 | 0 | 818,168,906 | 96.6 | 0.2315% |
| Bristol | 549,710,592 | 576,689,641 | 1,126,400,233 | 2,960,723 | 1,129,360,956 | 48.8 | 0.3195% |
| Brookfield | 240,662,120 | 721,497 | 241,383,617 | 0 | 241,383,617 | 99.7 | 0.0683% |
| Brookline | 1,156,899,017 | 50,705,022 | 1,207,604,039 | 7,248 | 1,207,611,287 | 95.8 | 0.3416% |
| Cambridge | 12,495,240 | 7,416,423 | 19,911,663 | 2,799 | 19,914,462 | 60.4 | 0.0056% |
| Campton | 840,658,242 | 61,249,971 | 901,908,213 | 713,758 | 902,621,971 | 93.2 | 0.2554% |
| Canaan | 461,251,415 | 236,362,175 | 697,613,590 | 156,510 | 697,770,100 | 66.1 | 0.1974% |
| Candia | 920,379,401 | 29,426,450 | 949,805,851 | 9,257 | 949,815,108 | 96.9 | 0.2687% |
| Canterbury | 369,629,789 | 202,404,246 | 572,034,035 | 435,481 | 572,469,516 | 64.6 | 0.1620% |
| Carroll | 631,787,484 | 211,661,934 | 843,449,418 | 1,822,735 | 845,272,153 | 74.9 | 0.2391% |
| Center Harbor | 761,803,655 | 270,418,606 | 1,032,222,261 | 305 | 1,032,222,566 | 73.8 | 0.2920% |
| Chandler's Purchase | 40,880 | 26,802 | 67,682 | 0 | 67,682 | 60.4 | 0.0000% |
| Charlestown | 328,088,332 | 237,377,626 | 565,465,958 | 783,538 | 566,249,496 | 58.0 | 0.1602% |
| Chatham | 104,194,928 | 2,445,020 | 106,639,948 | 887,656 | 107,527,604 | 97.7 | 0.0304% |
| Chester | 1,106,886,343 | 81,970,614 | 1,188,856,957 | 0 | 1,188,856,957 | 93.1 | 0.3363% |

**Flood control, forest, recreation lands, and others.*
***Does not include utilities or railroads*

**MUNICIPAL AND PROPERTY DIVISION**
**2024 Equalization Survey Not Including Utilities and Railroad**
**Alpha Order by Municipality**

| Municipality | Modified Local Assessed Valuation | DRA Inventory Adjustment | Equalized Assessed Valuation | Equalized Payments in Lieu of Taxes* | Total Equalized Valuation** | 2024 Equali-zation Ratio | % Proportion to State Tax |
|---|---|---|---|---|---|---|---|
| Chesterfield | 614,878,445 | 371,880,225 | 986,758,670 | 2,426,975 | 989,185,645 | 62.3 | 0.2798% |
| Chichester | 548,906,928 | 54,203,684 | 603,110,612 | 0 | 603,110,612 | 91.0 | 0.1706% |
| Claremont | 1,203,814,621 | 248,103,335 | 1,451,917,956 | 5,746,986 | 1,457,664,942 | 82.9 | 0.4124% |
| Clarksville | 48,870,989 | 42,018,514 | 90,889,503 | 6,815,212 | 97,704,715 | 53.9 | 0.0276% |
| Colebrook | 178,011,626 | 168,283,370 | 346,294,996 | 1,871,699 | 348,166,695 | 51.4 | 0.0985% |
| Columbia | 68,607,176 | 73,480,821 | 142,087,997 | 386,258 | 142,474,255 | 48.2 | 0.0403% |
| Concord | 5,079,767,931 | 3,060,611,793 | 8,140,379,724 | 40,765,588 | 8,181,145,312 | 62.4 | 2.3145% |
| Conway | 3,160,650,206 | 522,772,562 | 3,683,422,768 | 1,626,682 | 3,685,049,450 | 85.8 | 1.0425% |
| Cornish | 348,908,710 | 8,867,065 | 357,775,775 | 464,358 | 358,240,133 | 97.5 | 0.1013% |
| Crawford's Purchase | 419,190 | 274,833 | 694,023 | 0 | 694,023 | 60.4 | 0.0002% |
| Croydon | 118,510,833 | 47,199,660 | 165,710,493 | 0 | 165,710,493 | 71.5 | 0.0469% |
| Cutt's Grant | 0 | 0 | 0 | 0 | 0 | 60.4 | 0.0000% |
| Dalton | 139,994,097 | 28,208,698 | 168,202,795 | 13,682 | 168,216,477 | 83.2 | 0.0476% |
| Danbury | 178,594,297 | 95,538,336 | 274,132,633 | 0 | 274,132,633 | 65.1 | 0.0776% |
| Danville | 580,243,958 | 332,072,103 | 912,316,061 | 94 | 912,316,155 | 63.6 | 0.2581% |
| Deerfield | 722,523,608 | 446,558,183 | 1,169,081,791 | 77,070 | 1,169,158,861 | 61.8 | 0.3308% |
| Deering | 239,207,612 | 181,783,782 | 420,991,394 | 10,911 | 421,002,305 | 56.8 | 0.1191% |
| Derry | 5,688,783,603 | 467,843,053 | 6,156,626,656 | 6,148,965 | 6,162,775,621 | 92.4 | 1.7435% |
| Dix's Grant | 1,444,030 | 672,093 | 2,116,123 | 0 | 2,116,123 | 60.4 | 0.0006% |
| Dixville | 10,863,338 | 6,460,556 | 17,323,894 | 0 | 17,323,894 | 60.4 | 0.0049% |
| Dorchester | 87,857,145 | (2,193,229) | 85,663,916 | 33,412 | 85,697,328 | 102.6 | 0.0242% |
| Dover | 6,520,897,470 | 490,768,040 | 7,011,665,510 | 10,362,763 | 7,022,028,273 | 93.0 | 1.9866% |
| Dublin | 473,900,552 | 0 | 473,900,552 | 845,780 | 474,746,332 | 100.0 | 0.1343% |
| Dummer | 82,568,522 | (9,810,320) | 72,758,202 | 0 | 72,758,202 | 113.7 | 0.0206% |
| Dunbarton | 399,985,649 | 309,112,164 | 709,097,813 | 4,780,656 | 713,878,469 | 56.4 | 0.2020% |
| Durham | 1,779,590,891 | 513,505,620 | 2,293,096,511 | 62,951,253 | 2,356,047,764 | 77.6 | 0.6665% |
| East Kingston | 593,565,264 | (7,611,667) | 585,953,597 | 1,244 | 585,954,841 | 101.3 | 0.1658% |
| Easton | 76,984,965 | 62,445,372 | 139,430,337 | 436,296 | 139,866,633 | 55.2 | 0.0396% |
| Eaton | 145,683,311 | 75,239,567 | 220,922,878 | 0 | 220,922,878 | 65.9 | 0.0625% |
| Effingham | 215,185,242 | 140,449,868 | 355,635,110 | 94,482 | 355,729,592 | 60.5 | 0.1006% |
| Ellsworth | 19,844,594 | 15,770,750 | 35,615,344 | 426,647 | 36,041,991 | 55.7 | 0.0102% |
| Enfield | 1,065,962,692 | 83,864,208 | 1,149,826,900 | 255 | 1,149,827,155 | 92.7 | 0.3253% |
| Epping | 1,028,541,696 | 679,946,821 | 1,708,488,517 | 23,551,762 | 1,732,040,279 | 60.2 | 0.4900% |
| Epsom | 518,025,506 | 451,827,205 | 969,852,711 | 1,575,803 | 971,428,514 | 53.4 | 0.2748% |
| Errol | 130,353,997 | 21,852,405 | 152,206,402 | 2,342,852 | 154,549,254 | 85.6 | 0.0437% |
| Erving's Grant | 63,292 | (3,413) | 59,879 | 0 | 59,879 | 60.4 | 0.0000% |
| Exeter | 3,609,565,275 | 242,679,425 | 3,852,244,700 | 2,377,614 | 3,854,622,314 | 93.7 | 1.0905% |
| Farmington | 1,046,529,328 | 34,548,268 | 1,081,077,596 | 2,047,371 | 1,083,124,967 | 96.8 | 0.3064% |
| Fitzwilliam | 440,774,373 | 52,283,687 | 493,058,060 | 42,374 | 493,100,434 | 89.4 | 0.1395% |
| Francestown | 406,050,606 | (1,210,930) | 404,839,676 | 0 | 404,839,676 | 100.3 | 0.1145% |
| Franconia | 427,399,549 | 317,088,915 | 744,488,464 | 1,004,766 | 745,493,230 | 57.4 | 0.2109% |
| Franklin | 1,049,016,302 | 282,026,081 | 1,331,042,383 | 3,117,927 | 1,334,160,310 | 78.8 | 0.3774% |
| Freedom | 1,175,835,640 | (3,514,116) | 1,172,321,524 | 0 | 1,172,321,524 | 100.3 | 0.3317% |
| Fremont | 561,155,398 | 374,066,306 | 935,221,704 | 0 | 935,221,704 | 60.0 | 0.2646% |

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**MUNICIPAL AND PROPERTY DIVISION**
**2024 Equalization Survey Not Including Utilities and Railroad**
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|---|---|---|---|---|---|---|---|
| Gilford | 3,508,342,910 | 822,781,406 | 4,331,124,316 | 7,235,305 | 4,338,359,621 | 81.0 | 1.2274% |
| Gilmanton | 1,051,467,801 | (12,437,224) | 1,039,030,577 | 90,696 | 1,039,121,273 | 101.2 | 0.2940% |
| Gilsum | 135,374,635 | (1,070,312) | 134,304,323 | 0 | 134,304,323 | 100.8 | 0.0380% |
| Goffstown | 2,635,486,200 | 421,828,057 | 3,057,314,257 | 510,804 | 3,057,825,061 | 86.2 | 0.8651% |
| Gorham | 317,194,355 | 97,936,367 | 415,130,722 | 6,273,660 | 421,404,382 | 76.4 | 0.1192% |
| Goshen | 83,451,077 | 71,013,016 | 154,464,093 | 20,266 | 154,484,359 | 54.0 | 0.0437% |
| Grafton | 140,942,566 | 113,732,570 | 254,675,136 | 0 | 254,675,136 | 55.3 | 0.0720% |
| Grantham | 761,899,252 | 278,902,310 | 1,040,801,562 | 0 | 1,040,801,562 | 73.2 | 0.2945% |
| Greenfield | 314,426,945 | 628,004 | 315,054,949 | 9,322,465 | 324,377,414 | 99.8 | 0.0918% |
| Greenland | 1,374,515,100 | 231,150,602 | 1,605,665,702 | 0 | 1,605,665,702 | 85.6 | 0.4543% |
| Green's Grant | 8,956,790 | 5,872,332 | 14,829,122 | 114,944 | 14,944,066 | 60.4 | 0.0042% |
| Greenville | 221,035,822 | 23,434,541 | 244,470,363 | 2,966,830 | 247,437,193 | 90.4 | 0.0700% |
| Groton | 97,791,309 | 44,383,735 | 142,175,044 | 30,013 | 142,205,057 | 68.7 | 0.0402% |
| Hadley's Purchase | 0 | 0 | 0 | 0 | 0 | 60.4 | 0.0000% |
| Hale's Location | 83,355,300 | 67,650,678 | 151,005,978 | 53,090 | 151,059,068 | 55.2 | 0.0427% |
| Hampstead | 2,083,790,209 | 154,431,741 | 2,238,221,950 | 2,462,235 | 2,240,684,185 | 93.1 | 0.6339% |
| Hampton | 5,935,154,500 | 523,112,058 | 6,458,266,558 | 0 | 6,458,266,558 | 91.9 | 1.8271% |
| Hampton Falls | 868,400,935 | 99,669,412 | 968,070,347 | 0 | 968,070,347 | 89.7 | 0.2739% |
| Hancock | 296,888,665 | 201,839,344 | 498,728,009 | 3,003,063 | 501,731,072 | 59.5 | 0.1419% |
| Hanover | 2,720,089,395 | 1,624,928,497 | 4,345,017,892 | 765,020 | 4,345,782,912 | 62.6 | 1.2295% |
| Harrisville | 346,345,716 | 25,599,794 | 371,945,510 | 285,736 | 372,231,246 | 93.1 | 0.1053% |
| Hart's Location | 20,661,097 | 3,363,362 | 24,024,459 | 333,692 | 24,358,151 | 86.0 | 0.0069% |
| Haverhill | 670,344,262 | 38,085,207 | 708,429,469 | 897,128 | 709,326,597 | 94.6 | 0.2007% |
| Hebron | 407,918,966 | 237,483,855 | 645,402,821 | 12,611,144 | 658,013,965 | 63.2 | 0.1862% |
| Henniker | 741,447,474 | 119,581,426 | 861,028,900 | 3,734,128 | 864,763,028 | 86.1 | 0.2446% |
| Hill | 195,434,470 | (3,813,815) | 191,620,655 | 2,472,427 | 194,093,082 | 102.0 | 0.0549% |
| Hillsborough | 573,785,938 | 508,647,696 | 1,082,433,634 | 75,553 | 1,082,509,187 | 53.0 | 0.3063% |
| Hinsdale | 328,412,722 | 113,478,633 | 441,891,355 | 45,590 | 441,936,945 | 74.3 | 0.1250% |
| Holderness | 1,360,655,470 | 460,461,184 | 1,821,116,654 | 1,179 | 1,821,117,833 | 74.7 | 0.5152% |
| Hollis | 2,307,384,786 | 492,737,573 | 2,800,122,359 | 1,211 | 2,800,123,570 | 82.4 | 0.7922% |
| Hooksett | 3,138,931,693 | 432,059,850 | 3,570,991,543 | 33,416 | 3,571,024,959 | 87.9 | 1.0103% |
| Hopkinton | 1,409,088,364 | (5,605,370) | 1,403,482,994 | 11,846,012 | 1,415,329,006 | 100.4 | 0.4004% |
| Hudson | 4,891,881,511 | 1,117,773,686 | 6,009,655,197 | 815,740 | 6,010,470,937 | 81.4 | 1.7004% |
| Jackson | 839,310,537 | 38,608,053 | 877,918,590 | 988,368 | 878,906,958 | 95.6 | 0.2486% |
| Jaffrey | 553,084,642 | 476,769,386 | 1,029,854,028 | 5,797 | 1,029,859,825 | 53.7 | 0.2914% |
| Jefferson | 157,538,711 | 92,460,311 | 249,999,022 | 274,112 | 250,273,134 | 63.0 | 0.0708% |
| Keene | 2,186,396,731 | 1,086,556,988 | 3,272,953,719 | 52,340,228 | 3,325,293,947 | 66.8 | 0.9408% |
| Kensington | 670,093,205 | 21,407,854 | 691,501,059 | 0 | 691,501,059 | 96.9 | 0.1956% |
| Kilkenny | 0 | 0 | 0 | 0 | 0 | 60.4 | 0.0000% |
| Kingston | 1,326,517,626 | 126,391,405 | 1,452,909,031 | 149,018 | 1,453,058,049 | 91.3 | 0.4111% |
| Laconia | 4,388,349,555 | 581,428,088 | 4,969,777,643 | 35,793,312 | 5,005,570,955 | 88.3 | 1.4161% |
| Lancaster | 423,047,914 | 81,374,833 | 504,422,747 | 5,052,836 | 509,475,583 | 83.8 | 0.1441% |
| Landaff | 59,651,298 | 40,937,302 | 100,588,600 | 132,676 | 100,721,276 | 59.5 | 0.0285% |
| Langdon | 75,507,939 | 37,846,627 | 113,354,566 | 14,541 | 113,369,107 | 66.6 | 0.0321% |

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|---|---|---|---|---|---|---|---|
| Lebanon | 2,669,695,545 | 992,295,591 | 3,661,991,136 | 124,571,200 | 3,786,562,336 | 72.9 | 1.0712% |
| Lee | 734,092,994 | 277,067,812 | 1,011,160,806 | 165,214 | 1,011,326,020 | 72.6 | 0.2861% |
| Lempster | 126,886,738 | 107,993,571 | 234,880,309 | 13,669 | 234,893,978 | 54.0 | 0.0665% |
| Lincoln | 1,312,339,024 | 767,437,782 | 2,079,776,806 | 2,363,520 | 2,082,140,326 | 63.1 | 0.5891% |
| Lisbon | 222,503,394 | 13,113,806 | 235,617,200 | 0 | 235,617,200 | 94.4 | 0.0667% |
| Litchfield | 1,174,809,320 | 635,338,659 | 1,810,147,979 | 1,901,128 | 1,812,049,107 | 64.9 | 0.5126% |
| Littleton | 661,401,386 | 521,663,616 | 1,183,065,002 | 11,151,128 | 1,194,216,130 | 55.9 | 0.3379% |
| Livermore | 189,600 | 0 | 189,600 | 0 | 189,600 | 100.0 | 0.0001% |
| Londonderry | 5,820,938,208 | 923,982,495 | 6,744,920,703 | 63,360,787 | 6,808,281,490 | 86.3 | 1.9261% |
| Loudon | 707,905,603 | 512,146,957 | 1,220,052,560 | 7,949,500 | 1,228,002,060 | 58.0 | 0.3474% |
| Low & Burbank's Grant | 0 | 0 | 0 | 0 | 0 | 60.4 | 0.0000% |
| Lyman | 75,577,542 | 69,821,777 | 145,399,319 | 0 | 145,399,319 | 51.9 | 0.0411% |
| Lyme | 415,731,000 | 196,624,026 | 612,355,026 | 314,848 | 612,669,874 | 67.9 | 0.1733% |
| Lyndeborough | 222,830,936 | 163,127,584 | 385,958,520 | 497 | 385,959,017 | 57.7 | 0.1092% |
| Madbury | 287,947,469 | 161,251,531 | 449,199,000 | 0 | 449,199,000 | 64.1 | 0.1271% |
| Madison | 604,112,861 | 561,919,107 | 1,166,031,968 | 1,989,874 | 1,168,021,842 | 51.8 | 0.3304% |
| Manchester | 13,008,332,867 | 5,926,616,277 | 18,934,949,144 | 74,784,522 | 19,009,733,666 | 68.7 | 5.3780% |
| Marlborough | 217,638,043 | 128,188,186 | 345,826,229 | 2,120,615 | 347,946,844 | 62.9 | 0.0984% |
| Marlow | 73,784,925 | 44,883,166 | 118,668,091 | 204,738 | 118,872,829 | 62.2 | 0.0336% |
| Martin's Location | 0 | 0 | 0 | 124,668 | 124,668 | 60.4 | 0.0000% |
| Mason | 212,636,391 | 139,322,173 | 351,958,564 | 15,260 | 351,973,824 | 60.4 | 0.0996% |
| Meredith | 3,894,990,553 | 736,299,307 | 4,631,289,860 | 13,803,236 | 4,645,093,096 | 84.1 | 1.3141% |
| Merrimack | 4,847,251,164 | 2,127,169,056 | 6,974,420,220 | 601,131 | 6,975,021,351 | 69.5 | 1.9733% |
| Middleton | 362,214,299 | 47,461,936 | 409,676,235 | 0 | 409,676,235 | 88.4 | 0.1159% |
| Milan | 135,177,186 | 92,943,688 | 228,120,874 | 174,212 | 228,295,086 | 59.2 | 0.0646% |
| Milford | 2,053,902,719 | 988,810,417 | 3,042,713,136 | 3,926,175 | 3,046,639,311 | 67.5 | 0.8619% |
| Millsfield | 13,208,058 | 7,969,107 | 21,177,165 | 0 | 21,177,165 | 60.4 | 0.0060% |
| Milton | 933,916,117 | 10,373,761 | 944,289,878 | 797,301 | 945,087,179 | 98.9 | 0.2674% |
| Monroe | 141,243,993 | 28,332,695 | 169,576,688 | 0 | 169,576,688 | 83.2 | 0.0480% |
| Mont Vernon | 556,665,826 | 14,845,107 | 571,510,933 | 0 | 571,510,933 | 97.4 | 0.1617% |
| Moultonborough | 6,303,302,132 | 875,661,800 | 7,178,963,932 | 8,009,531 | 7,186,973,463 | 87.8 | 2.0332% |
| Nashua | 16,333,385,606 | 1,079,599,688 | 17,412,985,294 | 80,442,598 | 17,493,427,892 | 93.8 | 4.9490% |
| Nelson | 163,780,381 | 55,565,257 | 219,345,638 | 404,794 | 219,750,432 | 74.6 | 0.0622% |
| New Boston | 952,135,641 | 371,944,682 | 1,324,080,323 | 7,370 | 1,324,087,693 | 71.9 | 0.3746% |
| New Castle | 1,081,112,629 | 520,534,975 | 1,601,647,604 | 0 | 1,601,647,604 | 67.5 | 0.4531% |
| New Durham | 634,089,360 | 413,638,546 | 1,047,727,906 | 0 | 1,047,727,906 | 60.5 | 0.2964% |
| New Hampton | 535,827,376 | 77,816,793 | 613,644,169 | 2,240,346 | 615,884,515 | 87.3 | 0.1742% |
| New Ipswich | 857,138,406 | 37,514,724 | 894,653,130 | 3,670 | 894,656,800 | 95.8 | 0.2531% |
| New London | 2,048,240,439 | 601,294,399 | 2,649,534,838 | 0 | 2,649,534,838 | 77.3 | 0.7496% |
| Newbury | 1,669,283,080 | 48,062,752 | 1,717,345,832 | 4,091,676 | 1,721,437,508 | 97.2 | 0.4870% |
| Newfields | 456,121,269 | 54,053,082 | 510,174,351 | 0 | 510,174,351 | 89.4 | 0.1443% |
| Newington | 872,328,480 | 7,034,210 | 879,362,690 | 2,608,175 | 881,970,865 | 99.2 | 0.2495% |
| Newmarket | 1,712,012,642 | 93,890,150 | 1,805,902,792 | 1,494,946 | 1,807,397,738 | 94.8 | 0.5113% |
| Newport | 724,981,965 | 108,242,663 | 833,224,628 | 4,207,010 | 837,431,638 | 87.0 | 0.2369% |

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|---|---|---|---|---|---|---|---|
| Newton | 646,989,948 | 393,171,930 | 1,040,161,878 | 0 | 1,040,161,878 | 62.2 | 0.2943% |
| North Hampton | 1,780,828,900 | 380,341,702 | 2,161,170,602 | 0 | 2,161,170,602 | 82.4 | 0.6114% |
| Northfield | 608,791,917 | 109,891,610 | 718,683,527 | 5,244,212 | 723,927,739 | 84.7 | 0.2048% |
| Northumberland | 154,213,598 | 55,057,707 | 209,271,305 | 2,575,329 | 211,846,634 | 73.6 | 0.0599% |
| Northwood | 956,503,427 | 208,445,773 | 1,164,949,200 | 489,742 | 1,165,438,942 | 82.1 | 0.3297% |
| Nottingham | 830,161,201 | 519,628,820 | 1,349,790,021 | 294,601 | 1,350,084,622 | 61.5 | 0.3819% |
| Odell | 3,470,646 | 2,066,240 | 5,536,886 | 974,088 | 6,510,974 | 60.4 | 0.0018% |
| Orange | 36,576,574 | 20,311,088 | 56,887,662 | 188,965 | 57,076,627 | 64.2 | 0.0161% |
| Orford | 159,951,850 | 117,100,983 | 277,052,833 | 217,548 | 277,270,381 | 57.7 | 0.0784% |
| Ossipee | 1,520,145,070 | 74,907,426 | 1,595,052,496 | 62,680 | 1,595,115,176 | 95.3 | 0.4513% |
| Pelham | 2,722,192,413 | 785,746,632 | 3,507,939,045 | 3,276,025 | 3,511,215,070 | 77.6 | 0.9933% |
| Pembroke | 1,193,562,895 | 43,256,032 | 1,236,818,927 | 2,345,325 | 1,239,164,252 | 96.5 | 0.3506% |
| Peterborough | 937,219,775 | 390,223,641 | 1,327,443,416 | 4,961,091 | 1,332,404,507 | 70.6 | 0.3769% |
| Piermont | 130,253,176 | 39,325,120 | 169,578,296 | 70,924 | 169,649,220 | 76.8 | 0.0480% |
| Pinkham's Grant | 2,631,530 | 1,725,308 | 4,356,838 | 3,430,854 | 7,787,692 | 60.4 | 0.0022% |
| Pittsburg | 584,026,955 | 47,140,563 | 631,167,518 | 8,048,446 | 639,215,964 | 92.5 | 0.1808% |
| Pittsfield | 357,455,147 | 267,326,643 | 624,781,790 | 1,030,105 | 625,811,895 | 57.2 | 0.1770% |
| Plainfield | 541,488,833 | (4,855,652) | 536,633,181 | 59,617 | 536,692,798 | 100.9 | 0.1518% |
| Plaistow | 1,365,102,456 | 459,899,769 | 1,825,002,225 | 0 | 1,825,002,225 | 74.8 | 0.5163% |
| Plymouth | 718,009,868 | 177,117,168 | 895,127,036 | 3,357,152 | 898,484,188 | 80.2 | 0.2542% |
| Portsmouth | 9,869,197,146 | 411,214,871 | 10,280,412,017 | 97,487,393 | 10,377,899,410 | 96.0 | 2.9360% |
| Randolph | 125,365,191 | (9,380,429) | 115,984,762 | 784,083 | 116,768,845 | 108.1 | 0.0330% |
| Raymond | 1,357,553,766 | 680,788,212 | 2,038,341,978 | 685,441 | 2,039,027,419 | 66.6 | 0.5769% |
| Richmond | 161,213,895 | 49,088,002 | 210,301,897 | 0 | 210,301,897 | 76.6 | 0.0595% |
| Rindge | 756,619,951 | 613,966,716 | 1,370,586,667 | 1,156,160 | 1,371,742,827 | 55.2 | 0.3881% |
| Rochester | 5,107,320,493 | 136,304,862 | 5,243,625,355 | 81,088,918 | 5,324,714,273 | 97.4 | 1.5064% |
| Rollinsford | 483,893,149 | 96,264,856 | 580,158,005 | 0 | 580,158,005 | 83.4 | 0.1641% |
| Roxbury | 42,301,535 | (2,074,162) | 40,227,373 | 5,545,406 | 45,772,779 | 105.2 | 0.0129% |
| Rumney | 356,772,427 | 1,428,492 | 358,200,919 | 362,590 | 358,563,509 | 99.6 | 0.1014% |
| Rye | 3,277,067,600 | 1,338,542,692 | 4,615,610,292 | 4,489,640 | 4,620,099,932 | 71.0 | 1.3071% |
| Salem | 6,557,798,602 | 2,601,124,949 | 9,158,923,551 | 7,109,891 | 9,166,033,442 | 71.6 | 2.5931% |
| Salisbury | 236,552,752 | 54,501,097 | 291,053,849 | 4,998,479 | 296,052,328 | 81.2 | 0.0838% |
| Sanbornton | 958,536,641 | 100,486,361 | 1,059,023,002 | 1,645,929 | 1,060,668,931 | 90.5 | 0.3001% |
| Sandown | 1,154,023,600 | 190,970,887 | 1,344,994,487 | 0 | 1,344,994,487 | 85.8 | 0.3805% |
| Sandwich | 801,640,091 | 29,858,284 | 831,498,375 | 929,140 | 832,427,515 | 96.4 | 0.2355% |
| Sargent's Purchase | 2,461,220 | 1,613,648 | 4,074,868 | 0 | 4,074,868 | 60.4 | 0.0012% |
| Seabrook | 2,887,151,000 | 345,939,082 | 3,233,090,082 | 0 | 3,233,090,082 | 89.3 | 0.9147% |
| Second College Grant | 1,811,563 | 550,453 | 2,362,016 | 0 | 2,362,016 | 60.4 | 0.0007% |
| Sharon | 104,520,408 | 3,870,930 | 108,391,338 | 5,773 | 108,397,111 | 96.4 | 0.0307% |
| Shelburne | 60,112,537 | 31,908,791 | 92,021,328 | 434,946 | 92,456,274 | 65.3 | 0.0262% |
| Somersworth | 1,887,817,580 | 99,351,598 | 1,987,169,178 | 10,080,946 | 1,997,250,124 | 95.0 | 0.5650% |
| South Hampton | 264,431,721 | 24,804,760 | 289,236,481 | 2,435 | 289,238,916 | 91.4 | 0.0818% |
| Springfield | 239,461,462 | 155,597,361 | 395,058,823 | 470,340 | 395,529,163 | 60.6 | 0.1119% |
| Stark | 138,042,829 | 34,987,012 | 173,029,841 | 787,170 | 173,817,011 | 79.7 | 0.0492% |

**Flood control, forest, recreation lands, and others.*
***Does not include utilities or railroads*

**MUNICIPAL AND PROPERTY DIVISION**
**2024 Equalization Survey Not Including Utilities and Railroad**
**Alpha Order by Municipality**

| Municipality | Modified Local Assessed Valuation | DRA Inventory Adjustment | Equalized Assessed Valuation | Equalized Payments in Lieu of Taxes* | Total Equalized Valuation** | 2024 Equali-zation Ratio | % Proportion to State Tax |
|---|---|---|---|---|---|---|---|
| Stewartstown | 181,136,147 | 31,915,793 | 213,051,940 | 54,831 | 213,106,771 | 84.9 | 0.0603% |
| Stoddard | 442,450,540 | 34,240,257 | 476,690,797 | 47,522 | 476,738,319 | 92.8 | 0.1349% |
| Strafford | 714,853,100 | 447,320,820 | 1,162,173,920 | 0 | 1,162,173,920 | 61.5 | 0.3288% |
| Stratford | 73,327,526 | 63,032,645 | 136,360,171 | 413,600 | 136,773,771 | 53.8 | 0.0387% |
| Stratham | 2,526,264,086 | 147,006,380 | 2,673,270,466 | 0 | 2,673,270,466 | 94.5 | 0.7563% |
| Success | 15,370,591 | 9,484,708 | 24,855,299 | 0 | 24,855,299 | 60.4 | 0.0070% |
| Sugar Hill | 321,809,084 | 3,244,441 | 325,053,525 | 0 | 325,053,525 | 99.0 | 0.0920% |
| Sullivan | 113,182,690 | 1,482,283 | 114,664,973 | 0 | 114,664,973 | 98.7 | 0.0324% |
| Sunapee | 2,388,555,116 | 506,579,890 | 2,895,135,006 | 0 | 2,895,135,006 | 82.5 | 0.8191% |
| Surry | 132,781,172 | 20,648,392 | 153,429,564 | 3,390,138 | 156,819,702 | 86.5 | 0.0444% |
| Sutton | 327,400,608 | 256,062,954 | 583,463,562 | 1,265 | 583,464,827 | 56.1 | 0.1651% |
| Swanzey | 990,574,493 | 75,547,466 | 1,066,121,959 | 2,874,329 | 1,068,996,288 | 92.9 | 0.3024% |
| Tamworth | 710,392,463 | 11,515,508 | 721,907,971 | 2,265,821 | 724,173,792 | 98.4 | 0.2049% |
| Temple | 294,137,967 | (4,902,548) | 289,235,419 | 17,929 | 289,253,348 | 101.7 | 0.0818% |
| Thompson & Meserve's Purchase | 8,929,560 | 5,854,480 | 14,784,040 | 627,088 | 15,411,128 | 60.4 | 0.0044% |
| Thornton | 955,315,657 | (10,386,778) | 944,928,879 | 461,751 | 945,390,630 | 101.1 | 0.2675% |
| Tilton | 1,038,169,401 | 28,786,040 | 1,066,955,441 | 0 | 1,066,955,441 | 97.3 | 0.3018% |
| Troy | 217,227,045 | 36,798,257 | 254,025,302 | 5,360 | 254,030,662 | 85.5 | 0.0719% |
| Tuftonboro | 1,877,556,140 | 573,378,004 | 2,450,934,144 | 2,481 | 2,450,936,625 | 76.6 | 0.6934% |
| Unity | 243,255,031 | 1,948,739 | 245,203,770 | 0 | 245,203,770 | 99.2 | 0.0694% |
| Wakefield | 2,258,266,690 | 106,339,599 | 2,364,606,289 | 0 | 2,364,606,289 | 95.5 | 0.6690% |
| Walpole | 709,958,643 | 60,769,797 | 770,728,440 | 0 | 770,728,440 | 92.1 | 0.2180% |
| Warner | 331,059,627 | 282,743,752 | 613,803,379 | 1,009,518 | 614,812,897 | 53.9 | 0.1739% |
| Warren | 95,562,897 | 60,399,662 | 155,962,559 | 614,204 | 156,576,763 | 61.2 | 0.0443% |
| Washington | 369,359,017 | 130,141,538 | 499,500,555 | 189,348 | 499,689,903 | 73.9 | 0.1414% |
| Waterville Valley | 723,182,110 | (6,450,459) | 716,731,651 | 1,212,457 | 717,944,108 | 100.9 | 0.2031% |
| Weare | 1,272,357,091 | 532,258,178 | 1,804,615,269 | 3,010,019 | 1,807,625,288 | 70.5 | 0.5114% |
| Webster | 351,322,026 | 60,364,593 | 411,686,619 | 2,569,107 | 414,255,726 | 85.3 | 0.1172% |
| Wentworth | 126,260,549 | 110,249,828 | 236,510,377 | 152,850 | 236,663,227 | 53.3 | 0.0670% |
| Wentworth's Location | 13,825,828 | 8,830,223 | 22,656,051 | 15,247 | 22,671,298 | 60.4 | 0.0064% |
| Westmoreland | 201,544,446 | 86,311,381 | 287,855,827 | 531 | 287,856,358 | 70.0 | 0.0814% |
| Whitefield | 398,192,284 | 10,601,414 | 408,793,698 | 2,691,942 | 411,485,640 | 97.4 | 0.1164% |
| Wilmot | 229,838,444 | 153,066,330 | 382,904,774 | 53,969 | 382,958,743 | 60.0 | 0.1083% |
| Wilton | 564,789,425 | 203,607,504 | 768,396,929 | 513,253 | 768,910,182 | 73.5 | 0.2175% |
| Winchester | 308,636,828 | 227,098,661 | 535,735,489 | 2,948,006 | 538,683,495 | 57.6 | 0.1524% |
| Windham | 3,170,205,200 | 2,166,833,414 | 5,337,038,614 | 763,822 | 5,337,802,436 | 59.4 | 1.5101% |
| Windsor | 37,117,589 | 20,269,938 | 57,387,527 | 0 | 57,387,527 | 64.6 | 0.0162% |
| Wolfeboro | 2,481,315,437 | 2,281,214,154 | 4,762,529,591 | 2,296,797 | 4,764,826,388 | 52.1 | 1.3480% |
| Woodstock | 287,866,522 | 327,227,327 | 615,093,849 | 2,704,808 | 617,798,657 | 46.8 | 0.1748% |
| State Totals | 282,058,556,184 | 70,310,778,058 | 352,369,334,242 | 1,102,868,562 | 353,472,202,804 | | 100.00% |

**Flood control, forest, recreation lands, and others.*
***Does not include utilities or railroads*

## MUNICIPAL AND PROPERTY DIVISION

**2024 Equalization Survey Not Including Utilities and Railroad**

**County Summary**

| County | Modified Local Assessed Valuation | DRA Inventory Adjustment | Equalized Assessed Valuation | Equalized Payments in Lieu of Taxes* | Total Equalized Valuation** | 2024 Equali-zation Ratio | % Proportion to State Tax |
|---|---|---|---|---|---|---|---|
| Belknap | 20,905,359,163 | 4,525,662,274 | 25,431,021,437 | 62,800,513 | 25,493,821,950 | | 7.2124% |
| Carroll | 24,747,714,256 | 5,803,926,045 | 30,551,640,301 | 22,169,421 | 30,573,809,722 | | 8.6496% |
| Cheshire | 9,802,062,446 | 3,692,334,565 | 13,494,397,011 | 74,690,166 | 13,569,087,177 | | 3.8388% |
| Coos | 4,661,957,834 | 1,387,104,144 | 6,049,061,978 | 52,146,809 | 6,101,208,787 | | 1.7261% |
| Grafton | 20,588,085,389 | 7,784,369,947 | 28,372,455,336 | 172,367,784 | 28,544,823,120 | | 8.0755% |
| Hillsborough | 68,310,909,766 | 18,224,710,085 | 86,535,619,851 | 198,278,678 | 86,733,898,529 | | 24.5377% |
| Merrimack | 25,631,406,832 | 7,620,010,056 | 33,251,416,888 | 99,634,496 | 33,351,051,384 | | 9.4353% |
| Rockingham | 77,396,930,958 | 16,230,739,737 | 93,627,670,695 | 240,408,458 | 93,868,079,153 | | 26.5560% |
| Strafford | 22,338,940,304 | 3,003,547,028 | 25,342,487,332 | 168,394,879 | 25,510,882,211 | | 7.2172% |
| Sullivan | 7,675,189,236 | 2,038,374,177 | 9,713,563,413 | 11,977,358 | 9,725,540,771 | | 2.7514% |
| State Totals | 282,058,556,184 | 70,310,778,058 | 352,369,334,242 | 1,102,868,562 | 353,472,202,804 | | 100.0000% |

**Flood control, forest, recreation lands, and others.*

***Does not include utilities or railroads*

## MUNICIPAL AND PROPERTY DIVISION

**2024 Equalization Survey Not Including Utilities and Railroad**

**By County**

| BELKNAP COUNTY<br><br>Municipality | Modified Local Assessed Valuation | DRA Inventory Adjustment | Equalized Assessed Valuation | Equalized Payments in Lieu of Taxes* | Total Equalized Valuation** | 2024 Equali-zation Ratio | % Proportion to State Tax |
|---|---|---|---|---|---|---|---|
| Alton | 2,233,196,415 | 1,698,439,864 | 3,931,636,279 | 798,470 | 3,932,434,749 | 56.8 | 1.1125% |
| Barnstead | 1,060,881,339 | 124,300,146 | 1,185,181,485 | 0 | 1,185,181,485 | 89.5 | 0.3353% |
| Belmont | 1,473,793,517 | 97,342,887 | 1,571,136,404 | 1,192,914 | 1,572,329,318 | 93.8 | 0.4448% |
| Center Harbor | 761,803,655 | 270,418,606 | 1,032,222,261 | 305 | 1,032,222,566 | 73.8 | 0.2920% |
| Gilford | 3,508,342,910 | 822,781,406 | 4,331,124,316 | 7,235,305 | 4,338,359,621 | 81.0 | 1.2274% |
| Gilmanton | 1,051,467,801 | -12,437,224 | 1,039,030,577 | 90,696 | 1,039,121,273 | 101.2 | 0.2940% |
| Laconia | 4,388,349,555 | 581,428,088 | 4,969,777,643 | 35,793,312 | 5,005,570,955 | 88.3 | 1.4161% |
| Meredith | 3,894,990,553 | 736,299,307 | 4,631,289,860 | 13,803,236 | 4,645,093,096 | 84.1 | 1.3141% |
| New Hampton | 535,827,376 | 77,816,793 | 613,644,169 | 2,240,346 | 615,884,515 | 87.3 | 0.1742% |
| Sanbornton | 958,536,641 | 100,486,361 | 1,059,023,002 | 1,645,929 | 1,060,668,931 | 90.5 | 0.3001% |
| Tilton | 1,038,169,401 | 28,786,040 | 1,066,955,441 | 0 | 1,066,955,441 | 97.3 | 0.3018% |
| County Totals | 20,905,359,163 | 4,525,662,274 | 25,431,021,437 | 62,800,513 | 25,493,821,950 | | 7.2124% |

**Flood control, forest, recreation lands, and others.*

***Does not include utilities or railroads*

## MUNICIPAL AND PROPERTY DIVISION

**2024 Equalization Survey Not Including Utilities and Railroad**

**By County**

| CARROLL COUNTY<br><br>Municipality | Modified Local Assessed Valuation | DRA Inventory Adjustment | Equalized Assessed Valuation | Equalized Payments in Lieu of Taxes* | Total Equalized Valuation** | 2024 Equali-zation Ratio | % Proportion to State Tax |
|---|---|---|---|---|---|---|---|
| Albany | 135,999,449 | 81,947,587 | 217,947,036 | 1,633,912 | 219,580,948 | 62.4 | 0.0621% |
| Bartlett | 2,069,445,542 | 359,448,085 | 2,428,893,627 | 995,215 | 2,429,888,842 | 85.2 | 0.6874% |
| Brookfield | 240,662,120 | 721,497 | 241,383,617 | 0 | 241,383,617 | 99.7 | 0.0683% |
| Chatham | 104,194,928 | 2,445,020 | 106,639,948 | 887,656 | 107,527,604 | 97.7 | 0.0304% |
| Conway | 3,160,650,206 | 522,772,562 | 3,683,422,768 | 1,626,682 | 3,685,049,450 | 85.8 | 1.0425% |
| Eaton | 145,683,311 | 75,239,567 | 220,922,878 | 0 | 220,922,878 | 65.9 | 0.0625% |
| Effingham | 215,185,242 | 140,449,868 | 355,635,110 | 94,482 | 355,729,592 | 60.5 | 0.1006% |
| Freedom | 1,175,835,640 | -3,514,116 | 1,172,321,524 | 0 | 1,172,321,524 | 100.3 | 0.3317% |
| Hale's Location | 83,355,300 | 67,650,678 | 151,005,978 | 53,090 | 151,059,068 | 55.2 | 0.0427% |
| Hart's Location | 20,661,097 | 3,363,362 | 24,024,459 | 333,692 | 24,358,151 | 86.0 | 0.0069% |
| Jackson | 839,310,537 | 38,608,053 | 877,918,590 | 988,368 | 878,906,958 | 95.6 | 0.2486% |
| Madison | 604,112,861 | 561,919,107 | 1,166,031,968 | 1,989,874 | 1,168,021,842 | 51.8 | 0.3304% |
| Moultonborough | 6,303,302,132 | 875,661,800 | 7,178,963,932 | 8,009,531 | 7,186,973,463 | 87.8 | 2.0332% |
| Ossipee | 1,520,145,070 | 74,907,426 | 1,595,052,496 | 62,680 | 1,595,115,176 | 95.3 | 0.4513% |
| Sandwich | 801,640,091 | 29,858,284 | 831,498,375 | 929,140 | 832,427,515 | 96.4 | 0.2355% |
| Tamworth | 710,392,463 | 11,515,508 | 721,907,971 | 2,265,821 | 724,173,792 | 98.4 | 0.2049% |
| Tuftonboro | 1,877,556,140 | 573,378,004 | 2,450,934,144 | 2,481 | 2,450,936,625 | 76.6 | 0.6934% |
| Wakefield | 2,258,266,690 | 106,339,599 | 2,364,606,289 | 0 | 2,364,606,289 | 95.5 | 0.6690% |
| Wolfeboro | 2,481,315,437 | 2,281,214,154 | 4,762,529,591 | 2,296,797 | 4,764,826,388 | 52.1 | 1.3480% |
| County Totals | 24,747,714,256 | 5,803,926,045 | 30,551,640,301 | 22,169,421 | 30,573,809,722 | | 8.6496% |

**Flood control, forest, recreation lands, and others.*

***Does not include utilities or railroads*

## MUNICIPAL AND PROPERTY DIVISION

**2024 Equalization Survey Not Including Utilities and Railroad**

**By County**

| CHESHIRE COUNTY<br><br>Municipality | Modified Local Assessed Valuation | DRA Inventory Adjustment | Equalized Assessed Valuation | Equalized Payments in Lieu of Taxes* | Total Equalized Valuation** | 2024 Equali-zation Ratio | % Proportion to State Tax |
|---|---|---|---|---|---|---|---|
| Alstead | 191,200,043 | 134,322,505 | 325,522,548 | 87 | 325,522,635 | 58.7 | 0.0921% |
| Chesterfield | 614,878,445 | 371,880,225 | 986,758,670 | 2,426,975 | 989,185,645 | 62.3 | 0.2798% |
| Dublin | 473,900,552 | 0 | 473,900,552 | 845,780 | 474,746,332 | 100.0 | 0.1343% |
| Fitzwilliam | 440,774,373 | 52,283,687 | 493,058,060 | 42,374 | 493,100,434 | 89.4 | 0.1395% |
| Gilsum | 135,374,635 | -1,070,312 | 134,304,323 | 0 | 134,304,323 | 100.8 | 0.0380% |
| Harrisville | 346,345,716 | 25,599,794 | 371,945,510 | 285,736 | 372,231,246 | 93.1 | 0.1053% |
| Hinsdale | 328,412,722 | 113,478,633 | 441,891,355 | 45,590 | 441,936,945 | 74.3 | 0.1250% |
| Jaffrey | 553,084,642 | 476,769,386 | 1,029,854,028 | 5,797 | 1,029,859,825 | 53.7 | 0.2914% |
| Keene | 2,186,396,731 | 1,086,556,988 | 3,272,953,719 | 52,340,228 | 3,325,293,947 | 66.8 | 0.9408% |
| Marlborough | 217,638,043 | 128,188,186 | 345,826,229 | 2,120,615 | 347,946,844 | 62.9 | 0.0984% |
| Marlow | 73,784,925 | 44,883,166 | 118,668,091 | 204,738 | 118,872,829 | 62.2 | 0.0336% |
| Nelson | 163,780,381 | 55,565,257 | 219,345,638 | 404,794 | 219,750,432 | 74.6 | 0.0622% |
| Richmond | 161,213,895 | 49,088,002 | 210,301,897 | 0 | 210,301,897 | 76.6 | 0.0595% |
| Rindge | 756,619,951 | 613,966,716 | 1,370,586,667 | 1,156,160 | 1,371,742,827 | 55.2 | 0.3881% |
| Roxbury | 42,301,535 | -2,074,162 | 40,227,373 | 5,545,406 | 45,772,779 | 105.2 | 0.0129% |
| Stoddard | 442,450,540 | 34,240,257 | 476,690,797 | 47,522 | 476,738,319 | 92.8 | 0.1349% |
| Sullivan | 113,182,690 | 1,482,283 | 114,664,973 | 0 | 114,664,973 | 98.7 | 0.0324% |
| Surry | 132,781,172 | 20,648,392 | 153,429,564 | 3,390,138 | 156,819,702 | 86.5 | 0.0444% |
| Swanzey | 990,574,493 | 75,547,466 | 1,066,121,959 | 2,874,329 | 1,068,996,288 | 92.9 | 0.3024% |
| Troy | 217,227,045 | 36,798,257 | 254,025,302 | 5,360 | 254,030,662 | 85.5 | 0.0719% |
| Walpole | 709,958,643 | 60,769,797 | 770,728,440 | 0 | 770,728,440 | 92.1 | 0.2180% |
| Westmoreland | 201,544,446 | 86,311,381 | 287,855,827 | 531 | 287,856,358 | 70.0 | 0.0814% |
| Winchester | 308,636,828 | 227,098,661 | 535,735,489 | 2,948,006 | 538,683,495 | 57.6 | 0.1524% |
| County Totals | 9,802,062,446 | 3,692,334,565 | 13,494,397,011 | 74,690,166 | 13,569,087,177 | | 3.8388% |

**Flood control, forest, recreation lands, and others.*

***Does not include utilities or railroads*

## MUNICIPAL AND PROPERTY DIVISION

**2024 Equalization Survey Not Including Utilities and Railroad**

**By County**

| COOS COUNTY<br><br>Municipality | Modified Local Assessed Valuation | DRA Inventory Adjustment | Equalized Assessed Valuation | Equalized Payments in Lieu of Taxes* | Total Equalized Valuation** | 2024 Equali-zation Ratio | % Proportion to State Tax |
|---|---|---|---|---|---|---|---|
| Atkinson & Gilmanton | 1,035,360 | 389,640 | 1,425,000 | 0 | 1,425,000 | 60.4 | 0.0004% |
| Bean's Grant | 0 | 0 | 0 | 0 | 0 | 60.4 | 0.0000% |
| Bean's Purchase | 0 | 0 | 0 | 0 | 0 | 60.4 | 0.0000% |
| Berlin | 537,361,594 | 162,226,594 | 699,588,188 | 6,039,516 | 705,627,704 | 76.8 | 0.1996% |
| Cambridge | 12,495,240 | 7,416,423 | 19,911,663 | 2,799 | 19,914,462 | 60.4 | 0.0056% |
| Carroll | 631,787,484 | 211,661,934 | 843,449,418 | 1,822,735 | 845,272,153 | 74.9 | 0.2391% |
| Chandler's Purchase | 40,880 | 26,802 | 67,682 | 0 | 67,682 | 60.4 | 0.0000% |
| Clarksville | 48,870,989 | 42,018,514 | 90,889,503 | 6,815,212 | 97,704,715 | 53.9 | 0.0276% |
| Colebrook | 178,011,626 | 168,283,370 | 346,294,996 | 1,871,699 | 348,166,695 | 51.4 | 0.0985% |
| Columbia | 68,607,176 | 73,480,821 | 142,087,997 | 386,258 | 142,474,255 | 48.2 | 0.0403% |
| Crawford's Purchase | 419,190 | 274,833 | 694,023 | 0 | 694,023 | 60.4 | 0.0002% |
| Cutt's Grant | 0 | 0 | 0 | 0 | 0 | 60.4 | 0.0000% |
| Dalton | 139,994,097 | 28,208,698 | 168,202,795 | 13,682 | 168,216,477 | 83.2 | 0.0476% |
| Dix's Grant | 1,444,030 | 672,093 | 2,116,123 | 0 | 2,116,123 | 60.4 | 0.0006% |
| Dixville | 10,863,338 | 6,460,556 | 17,323,894 | 0 | 17,323,894 | 60.4 | 0.0049% |
| Dummer | 82,568,522 | -9,810,320 | 72,758,202 | 0 | 72,758,202 | 113.7 | 0.0206% |
| Errol | 130,353,997 | 21,852,405 | 152,206,402 | 2,342,852 | 154,549,254 | 85.6 | 0.0437% |
| Erving's Grant | 63,292 | -3,413 | 59,879 | 0 | 59,879 | 60.4 | 0.0000% |
| Gorham | 317,194,355 | 97,936,367 | 415,130,722 | 6,273,660 | 421,404,382 | 76.4 | 0.1192% |
| Green's Grant | 8,956,790 | 5,872,332 | 14,829,122 | 114,944 | 14,944,066 | 60.4 | 0.0042% |
| Hadley's Purchase | 0 | 0 | 0 | 0 | 0 | 60.4 | 0.0000% |
| Jefferson | 157,538,711 | 92,460,311 | 249,999,022 | 274,112 | 250,273,134 | 63.0 | 0.0708% |
| Kilkenny | 0 | 0 | 0 | 0 | 0 | 60.4 | 0.0000% |
| Lancaster | 423,047,914 | 81,374,833 | 504,422,747 | 5,052,836 | 509,475,583 | 83.8 | 0.1441% |
| Low & Burbank's Grant | 0 | 0 | 0 | 0 | 0 | 60.4 | 0.0000% |
| Martin's Location | 0 | 0 | 0 | 124,668 | 124,668 | 60.4 | 0.0000% |
| Milan | 135,177,186 | 92,943,688 | 228,120,874 | 174,212 | 228,295,086 | 59.2 | 0.0646% |
| Millsfield | 13,208,058 | 7,969,107 | 21,177,165 | 0 | 21,177,165 | 60.4 | 0.0060% |
| Northumberland | 154,213,598 | 55,057,707 | 209,271,305 | 2,575,329 | 211,846,634 | 73.6 | 0.0599% |
| Odell | 3,470,646 | 2,066,240 | 5,536,886 | 974,088 | 6,510,974 | 60.4 | 0.0018% |
| Pinkham's Grant | 2,631,530 | 1,725,308 | 4,356,838 | 3,430,854 | 7,787,692 | 60.4 | 0.0022% |
| Pittsburg | 584,026,955 | 47,140,563 | 631,167,518 | 8,048,446 | 639,215,964 | 92.5 | 0.1808% |
| Randolph | 125,365,191 | -9,380,429 | 115,984,762 | 784,083 | 116,768,845 | 108.1 | 0.0330% |
| Sargent's Purchase | 2,461,220 | 1,613,648 | 4,074,868 | 0 | 4,074,868 | 60.4 | 0.0012% |
| Second College Grant | 1,811,563 | 550,453 | 2,362,016 | 0 | 2,362,016 | 60.4 | 0.0007% |
| Shelburne | 60,112,537 | 31,908,791 | 92,021,328 | 434,946 | 92,456,274 | 65.3 | 0.0262% |
| Stark | 138,042,829 | 34,987,012 | 173,029,841 | 787,170 | 173,817,011 | 79.7 | 0.0492% |
| Stewartstown | 181,136,147 | 31,915,793 | 213,051,940 | 54,831 | 213,106,771 | 84.9 | 0.0603% |
| Stratford | 73,327,526 | 63,032,645 | 136,360,171 | 413,600 | 136,773,771 | 53.8 | 0.0387% |
| Success | 15,370,591 | 9,484,708 | 24,855,299 | 0 | 24,855,299 | 60.4 | 0.0070% |
| Thompson & Meserve's Purchase | 8,929,560 | 5,854,480 | 14,784,040 | 627,088 | 15,411,128 | 60.4 | 0.0044% |
| Wentworth's Location | 13,825,828 | 8,830,223 | 22,656,051 | 15,247 | 22,671,298 | 60.4 | 0.0064% |
| Whitefield | 398,192,284 | 10,601,414 | 408,793,698 | 2,691,942 | 411,485,640 | 97.4 | 0.1164% |
| County Totals | 4,661,957,834 | 1,387,104,144 | 6,049,061,978 | 52,146,809 | 6,101,208,787 | | 1.7261% |

**Flood control, forest, recreation lands, and others.*

***Does not include utilities or railroads*

## MUNICIPAL AND PROPERTY DIVISION

**2024 Equalization Survey Not Including Utilities and Railroad**

**By County**

| GRAFTON COUNTY<br><br>Municipality | Modified Local Assessed Valuation | DRA Inventory Adjustment | Equalized Assessed Valuation | Equalized Payments in Lieu of Taxes* | Total Equalized Valuation** | 2024 Equali-zation Ratio | % Proportion to State Tax |
|---|---|---|---|---|---|---|---|
| Alexandria | 286,645,421 | 146,851,583 | 433,497,004 | 406,568 | 433,903,572 | 66.1 | 0.1228% |
| Ashland | 417,916,565 | 91,693,152 | 509,609,717 | 748,940 | 510,358,657 | 82.0 | 0.1444% |
| Bath | 131,646,579 | 71,241,381 | 202,887,960 | 36,162 | 202,924,122 | 64.7 | 0.0574% |
| Benton | 52,940,497 | -1,696,199 | 51,244,298 | 738,520 | 51,982,818 | 103.3 | 0.0147% |
| Bethlehem | 511,255,169 | 108,341,306 | 619,596,475 | 2,524,122 | 622,120,597 | 82.5 | 0.1760% |
| Bridgewater | 790,376,500 | 27,792,406 | 818,168,906 | 0 | 818,168,906 | 96.6 | 0.2315% |
| Bristol | 549,710,592 | 576,689,641 | 1,126,400,233 | 2,960,723 | 1,129,360,956 | 48.8 | 0.3195% |
| Campton | 840,658,242 | 61,249,971 | 901,908,213 | 713,758 | 902,621,971 | 93.2 | 0.2554% |
| Canaan | 461,251,415 | 236,362,175 | 697,613,590 | 156,510 | 697,770,100 | 66.1 | 0.1974% |
| Dorchester | 87,857,145 | -2,193,229 | 85,663,916 | 33,412 | 85,697,328 | 102.6 | 0.0242% |
| Easton | 76,984,965 | 62,445,372 | 139,430,337 | 436,296 | 139,866,633 | 55.2 | 0.0396% |
| Ellsworth | 19,844,594 | 15,770,750 | 35,615,344 | 426,647 | 36,041,991 | 55.7 | 0.0102% |
| Enfield | 1,065,962,692 | 83,864,208 | 1,149,826,900 | 255 | 1,149,827,155 | 92.7 | 0.3253% |
| Franconia | 427,399,549 | 317,088,915 | 744,488,464 | 1,004,766 | 745,493,230 | 57.4 | 0.2109% |
| Grafton | 140,942,566 | 113,732,570 | 254,675,136 | 0 | 254,675,136 | 55.3 | 0.0720% |
| Groton | 97,791,309 | 44,383,735 | 142,175,044 | 30,013 | 142,205,057 | 68.7 | 0.0402% |
| Hanover | 2,720,089,395 | 1,624,928,497 | 4,345,017,892 | 765,020 | 4,345,782,912 | 62.6 | 1.2295% |
| Haverhill | 670,344,262 | 38,085,207 | 708,429,469 | 897,128 | 709,326,597 | 94.6 | 0.2007% |
| Hebron | 407,918,966 | 237,483,855 | 645,402,821 | 12,611,144 | 658,013,965 | 63.2 | 0.1862% |
| Holderness | 1,360,655,470 | 460,461,184 | 1,821,116,654 | 1,179 | 1,821,117,833 | 74.7 | 0.5152% |
| Landaff | 59,651,298 | 40,937,302 | 100,588,600 | 132,676 | 100,721,276 | 59.5 | 0.0285% |
| Lebanon | 2,669,695,545 | 992,295,591 | 3,661,991,136 | 124,571,200 | 3,786,562,336 | 72.9 | 1.0712% |
| Lincoln | 1,312,339,024 | 767,437,782 | 2,079,776,806 | 2,363,520 | 2,082,140,326 | 63.1 | 0.5891% |
| Lisbon | 222,503,394 | 13,113,806 | 235,617,200 | 0 | 235,617,200 | 94.4 | 0.0667% |
| Littleton | 661,401,386 | 521,663,616 | 1,183,065,002 | 11,151,128 | 1,194,216,130 | 55.9 | 0.3379% |
| Livermore | 189,600 | 0 | 189,600 | 0 | 189,600 | 100.0 | 0.0001% |
| Lyman | 75,577,542 | 69,821,777 | 145,399,319 | 0 | 145,399,319 | 51.9 | 0.0411% |
| Lyme | 415,731,000 | 196,624,026 | 612,355,026 | 314,848 | 612,669,874 | 67.9 | 0.1733% |
| Monroe | 141,243,993 | 28,332,695 | 169,576,688 | 0 | 169,576,688 | 83.2 | 0.0480% |
| Orange | 36,576,574 | 20,311,088 | 56,887,662 | 188,965 | 57,076,627 | 64.2 | 0.0161% |
| Orford | 159,951,850 | 117,100,983 | 277,052,833 | 217,548 | 277,270,381 | 57.7 | 0.0784% |
| Piermont | 130,253,176 | 39,325,120 | 169,578,296 | 70,924 | 169,649,220 | 76.8 | 0.0480% |
| Plymouth | 718,009,868 | 177,117,168 | 895,127,036 | 3,357,152 | 898,484,188 | 80.2 | 0.2542% |
| Rumney | 356,772,427 | 1,428,492 | 358,200,919 | 362,590 | 358,563,509 | 99.6 | 0.1014% |
| Sugar Hill | 321,809,084 | 3,244,441 | 325,053,525 | 0 | 325,053,525 | 99.0 | 0.0920% |
| Thornton | 955,315,657 | -10,386,778 | 944,928,879 | 461,751 | 945,390,630 | 101.1 | 0.2675% |
| Warren | 95,562,897 | 60,399,662 | 155,962,559 | 614,204 | 156,576,763 | 61.2 | 0.0443% |
| Waterville Valley | 723,182,110 | -6,450,459 | 716,731,651 | 1,212,457 | 717,944,108 | 100.9 | 0.2031% |
| Wentworth | 126,260,549 | 110,249,828 | 236,510,377 | 152,850 | 236,663,227 | 53.3 | 0.0670% |
| Woodstock | 287,866,522 | 327,227,327 | 615,093,849 | 2,704,808 | 617,798,657 | 46.8 | 0.1748% |
| County Totals | 20,588,085,389 | 7,784,369,947 | 28,372,455,336 | 172,367,784 | 28,544,823,120 | | 8.0755% |

**Flood control, forest, recreation lands, and others.*

***Does not include utilities or railroads*

## MUNICIPAL AND PROPERTY DIVISION

**2024 Equalization Survey Not Including Utilities and Railroad**

**By County**

| HILLSBOROUGH COUNTY<br>Municipality | Modified Local Assessed Valuation | DRA Inventory Adjustment | Equalized Assessed Valuation | Equalized Payments in Lieu of Taxes* | Total Equalized Valuation** | 2024 Equali-zation Ratio | % Proportion to State Tax |
|---|---|---|---|---|---|---|---|
| Amherst | 2,349,721,276 | 1,031,082,520 | 3,380,803,796 | 2,562,328 | 3,383,366,124 | 69.5 | 0.9572% |
| Antrim | 408,338,096 | 96,860,364 | 505,198,460 | 267,884 | 505,466,344 | 80.8 | 0.1430% |
| Bedford | 6,143,273,904 | 674,989,312 | 6,818,263,216 | 5,245,093 | 6,823,508,309 | 90.1 | 1.9304% |
| Bennington | 215,105,844 | 8,248,472 | 223,354,316 | 23,107 | 223,377,423 | 96.3 | 0.0632% |
| Brookline | 1,156,899,017 | 50,705,022 | 1,207,604,039 | 7,248 | 1,207,611,287 | 95.8 | 0.3416% |
| Deering | 239,207,612 | 181,783,782 | 420,991,394 | 10,911 | 421,002,305 | 56.8 | 0.1191% |
| Francestown | 406,050,606 | -1,210,930 | 404,839,676 | 0 | 404,839,676 | 100.3 | 0.1145% |
| Goffstown | 2,635,486,200 | 421,828,057 | 3,057,314,257 | 510,804 | 3,057,825,061 | 86.2 | 0.8651% |
| Greenfield | 314,426,945 | 628,004 | 315,054,949 | 9,322,465 | 324,377,414 | 99.8 | 0.0918% |
| Greenville | 221,035,822 | 23,434,541 | 244,470,363 | 2,966,830 | 247,437,193 | 90.4 | 0.0700% |
| Hancock | 296,888,665 | 201,839,344 | 498,728,009 | 3,003,063 | 501,731,072 | 59.5 | 0.1419% |
| Hillsborough | 573,785,938 | 508,647,696 | 1,082,433,634 | 75,553 | 1,082,509,187 | 53.0 | 0.3063% |
| Hollis | 2,307,384,786 | 492,737,573 | 2,800,122,359 | 1,211 | 2,800,123,570 | 82.4 | 0.7922% |
| Hudson | 4,891,881,511 | 1,117,773,686 | 6,009,655,197 | 815,740 | 6,010,470,937 | 81.4 | 1.7004% |
| Litchfield | 1,174,809,320 | 635,338,659 | 1,810,147,979 | 1,901,128 | 1,812,049,107 | 64.9 | 0.5126% |
| Lyndeborough | 222,830,936 | 163,127,584 | 385,958,520 | 497 | 385,959,017 | 57.7 | 0.1092% |
| Manchester | 13,008,332,867 | 5,926,616,277 | 18,934,949,144 | 74,784,522 | 19,009,733,666 | 68.7 | 5.3780% |
| Mason | 212,636,391 | 139,322,173 | 351,958,564 | 15,260 | 351,973,824 | 60.4 | 0.0996% |
| Merrimack | 4,847,251,164 | 2,127,169,056 | 6,974,420,220 | 601,131 | 6,975,021,351 | 69.5 | 1.9733% |
| Milford | 2,053,902,719 | 988,810,417 | 3,042,713,136 | 3,926,175 | 3,046,639,311 | 67.5 | 0.8619% |
| Mont Vernon | 556,665,826 | 14,845,107 | 571,510,933 | 0 | 571,510,933 | 97.4 | 0.1617% |
| Nashua | 16,333,385,606 | 1,079,599,688 | 17,412,985,294 | 80,442,598 | 17,493,427,892 | 93.8 | 4.9490% |
| New Boston | 952,135,641 | 371,944,682 | 1,324,080,323 | 7,370 | 1,324,087,693 | 71.9 | 0.3746% |
| New Ipswich | 857,138,406 | 37,514,724 | 894,653,130 | 3,670 | 894,656,800 | 95.8 | 0.2531% |
| Pelham | 2,722,192,413 | 785,746,632 | 3,507,939,045 | 3,276,025 | 3,511,215,070 | 77.6 | 0.9933% |
| Peterborough | 937,219,775 | 390,223,641 | 1,327,443,416 | 4,961,091 | 1,332,404,507 | 70.6 | 0.3769% |
| Sharon | 104,520,408 | 3,870,930 | 108,391,338 | 5,773 | 108,397,111 | 96.4 | 0.0307% |
| Temple | 294,137,967 | -4,902,548 | 289,235,419 | 17,929 | 289,253,348 | 101.7 | 0.0818% |
| Weare | 1,272,357,091 | 532,258,178 | 1,804,615,269 | 3,010,019 | 1,807,625,288 | 70.5 | 0.5114% |
| Wilton | 564,789,425 | 203,607,504 | 768,396,929 | 513,253 | 768,910,182 | 73.5 | 0.2175% |
| Windsor | 37,117,589 | 20,269,938 | 57,387,527 | 0 | 57,387,527 | 64.6 | 0.0162% |
| County Totals | 68,310,909,766 | 18,224,710,085 | 86,535,619,851 | 198,278,678 | 86,733,898,529 | | 24.5377% |

**Flood control, forest, recreation lands, and others.*

***Does not include utilities or railroads*

## MUNICIPAL AND PROPERTY DIVISION

**2024 Equalization Survey Not Including Utilities and Railroad**

**By County**

| MERRIMACK COUNTY<br><br>Municipality | Modified Local Assessed Valuation | DRA Inventory Adjustment | Equalized Assessed Valuation | Equalized Payments in Lieu of Taxes* | Total Equalized Valuation** | 2024 Equali-zation Ratio | % Proportion to State Tax |
|---|---|---|---|---|---|---|---|
| Allenstown | 524,235,666 | 140,149,782 | 664,385,448 | 226,362 | 664,611,810 | 78.9 | 0.1880% |
| Andover | 541,003,223 | -5,344,768 | 535,658,455 | 8,332 | 535,666,787 | 101.0 | 0.1515% |
| Boscawen | 516,042,460 | 50,294,820 | 566,337,280 | 1,288,921 | 567,626,201 | 91.1 | 0.1606% |
| Bow | 1,907,581,698 | 40,912,232 | 1,948,493,930 | 24,199 | 1,948,518,129 | 97.9 | 0.5513% |
| Bradford | 452,302,844 | 7,335,271 | 459,638,115 | 32,088 | 459,670,203 | 98.4 | 0.1300% |
| Canterbury | 369,629,789 | 202,404,246 | 572,034,035 | 435,481 | 572,469,516 | 64.6 | 0.1620% |
| Chichester | 548,906,928 | 54,203,684 | 603,110,612 | 0 | 603,110,612 | 91.0 | 0.1706% |
| Concord | 5,079,767,931 | 3,060,611,793 | 8,140,379,724 | 40,765,588 | 8,181,145,312 | 62.4 | 2.3145% |
| Danbury | 178,594,297 | 95,538,336 | 274,132,633 | 0 | 274,132,633 | 65.1 | 0.0776% |
| Dunbarton | 399,985,649 | 309,112,164 | 709,097,813 | 4,780,656 | 713,878,469 | 56.4 | 0.2020% |
| Epsom | 518,025,506 | 451,827,205 | 969,852,711 | 1,575,803 | 971,428,514 | 53.4 | 0.2748% |
| Franklin | 1,049,016,302 | 282,026,081 | 1,331,042,383 | 3,117,927 | 1,334,160,310 | 78.8 | 0.3774% |
| Henniker | 741,447,474 | 119,581,426 | 861,028,900 | 3,734,128 | 864,763,028 | 86.1 | 0.2446% |
| Hill | 195,434,470 | -3,813,815 | 191,620,655 | 2,472,427 | 194,093,082 | 102.0 | 0.0549% |
| Hooksett | 3,138,931,693 | 432,059,850 | 3,570,991,543 | 33,416 | 3,571,024,959 | 87.9 | 1.0103% |
| Hopkinton | 1,409,088,364 | -5,605,370 | 1,403,482,994 | 11,846,012 | 1,415,329,006 | 100.4 | 0.4004% |
| Loudon | 707,905,603 | 512,146,957 | 1,220,052,560 | 7,949,500 | 1,228,002,060 | 58.0 | 0.3474% |
| New London | 2,048,240,439 | 601,294,399 | 2,649,534,838 | 0 | 2,649,534,838 | 77.3 | 0.7496% |
| Newbury | 1,669,283,080 | 48,062,752 | 1,717,345,832 | 4,091,676 | 1,721,437,508 | 97.2 | 0.4870% |
| Northfield | 608,791,917 | 109,891,610 | 718,683,527 | 5,244,212 | 723,927,739 | 84.7 | 0.2048% |
| Pembroke | 1,193,562,895 | 43,256,032 | 1,236,818,927 | 2,345,325 | 1,239,164,252 | 96.5 | 0.3506% |
| Pittsfield | 357,455,147 | 267,326,643 | 624,781,790 | 1,030,105 | 625,811,895 | 57.2 | 0.1770% |
| Salisbury | 236,552,752 | 54,501,097 | 291,053,849 | 4,998,479 | 296,052,328 | 81.2 | 0.0838% |
| Sutton | 327,400,608 | 256,062,954 | 583,463,562 | 1,265 | 583,464,827 | 56.1 | 0.1651% |
| Warner | 331,059,627 | 282,743,752 | 613,803,379 | 1,009,518 | 614,812,897 | 53.9 | 0.1739% |
| Webster | 351,322,026 | 60,364,593 | 411,686,619 | 2,569,107 | 414,255,726 | 85.3 | 0.1172% |
| Wilmot | 229,838,444 | 153,066,330 | 382,904,774 | 53,969 | 382,958,743 | 60.0 | 0.1083% |
| County Totals | 25,631,406,832 | 7,620,010,056 | 33,251,416,888 | 99,634,496 | 33,351,051,384 | | 9.4353% |

**Flood control, forest, recreation lands, and others.*

***Does not include utilities or railroads*

## MUNICIPAL AND PROPERTY DIVISION

**2024 Equalization Survey Not Including Utilities and Railroad**

**By County**

| ROCKINGHAM COUNTY<br><br>Municipality | Modified Local Assessed Valuation | DRA Inventory Adjustment | Equalized Assessed Valuation | Equalized Payments in Lieu of Taxes* | Total Equalized Valuation** | 2024 Equali-zation Ratio | % Proportion to State Tax |
|---|---|---|---|---|---|---|---|
| Atkinson | 1,588,137,623 | 387,153,262 | 1,975,290,885 | 0 | 1,975,290,885 | 80.4 | 0.5588% |
| Auburn | 1,415,249,457 | 116,386,585 | 1,531,636,042 | 26,844,326 | 1,558,480,368 | 92.4 | 0.4409% |
| Brentwood | 737,635,876 | 455,877,377 | 1,193,513,253 | 0 | 1,193,513,253 | 61.8 | 0.3377% |
| Candia | 920,379,401 | 29,426,450 | 949,805,851 | 9,257 | 949,815,108 | 96.9 | 0.2687% |
| Chester | 1,106,886,343 | 81,970,614 | 1,188,856,957 | 0 | 1,188,856,957 | 93.1 | 0.3363% |
| Danville | 580,243,958 | 332,072,103 | 912,316,061 | 94 | 912,316,155 | 63.6 | 0.2581% |
| Deerfield | 722,523,608 | 446,558,183 | 1,169,081,791 | 77,070 | 1,169,158,861 | 61.8 | 0.3308% |
| Derry | 5,688,783,603 | 467,843,053 | 6,156,626,656 | 6,148,965 | 6,162,775,621 | 92.4 | 1.7435% |
| East Kingston | 593,565,264 | -7,611,667 | 585,953,597 | 1,244 | 585,954,841 | 101.3 | 0.1658% |
| Epping | 1,028,541,696 | 679,946,821 | 1,708,488,517 | 23,551,762 | 1,732,040,279 | 60.2 | 0.4900% |
| Exeter | 3,609,565,275 | 242,679,425 | 3,852,244,700 | 2,377,614 | 3,854,622,314 | 93.7 | 1.0905% |
| Fremont | 561,155,398 | 374,066,306 | 935,221,704 | 0 | 935,221,704 | 60.0 | 0.2646% |
| Greenland | 1,374,515,100 | 231,150,602 | 1,605,665,702 | 0 | 1,605,665,702 | 85.6 | 0.4543% |
| Hampstead | 2,083,790,209 | 154,431,741 | 2,238,221,950 | 2,462,235 | 2,240,684,185 | 93.1 | 0.6339% |
| Hampton | 5,935,154,500 | 523,112,058 | 6,458,266,558 | 0 | 6,458,266,558 | 91.9 | 1.8271% |
| Hampton Falls | 868,400,935 | 99,669,412 | 968,070,347 | 0 | 968,070,347 | 89.7 | 0.2739% |
| Kensington | 670,093,205 | 21,407,854 | 691,501,059 | 0 | 691,501,059 | 96.9 | 0.1956% |
| Kingston | 1,326,517,626 | 126,391,405 | 1,452,909,031 | 149,018 | 1,453,058,049 | 91.3 | 0.4111% |
| Londonderry | 5,820,938,208 | 923,982,495 | 6,744,920,703 | 63,360,787 | 6,808,281,490 | 86.3 | 1.9261% |
| New Castle | 1,081,112,629 | 520,534,975 | 1,601,647,604 | 0 | 1,601,647,604 | 67.5 | 0.4531% |
| Newfields | 456,121,269 | 54,053,082 | 510,174,351 | 0 | 510,174,351 | 89.4 | 0.1443% |
| Newington | 872,328,480 | 7,034,210 | 879,362,690 | 2,608,175 | 881,970,865 | 99.2 | 0.2495% |
| Newmarket | 1,712,012,642 | 93,890,150 | 1,805,902,792 | 1,494,946 | 1,807,397,738 | 94.8 | 0.5113% |
| Newton | 646,989,948 | 393,171,930 | 1,040,161,878 | 0 | 1,040,161,878 | 62.2 | 0.2943% |
| North Hampton | 1,780,828,900 | 380,341,702 | 2,161,170,602 | 0 | 2,161,170,602 | 82.4 | 0.6114% |
| Northwood | 956,503,427 | 208,445,773 | 1,164,949,200 | 489,742 | 1,165,438,942 | 82.1 | 0.3297% |
| Nottingham | 830,161,201 | 519,628,820 | 1,349,790,021 | 294,601 | 1,350,084,622 | 61.5 | 0.3819% |
| Plaistow | 1,365,102,456 | 459,899,769 | 1,825,002,225 | 0 | 1,825,002,225 | 74.8 | 0.5163% |
| Portsmouth | 9,869,197,146 | 411,214,871 | 10,280,412,017 | 97,487,393 | 10,377,899,410 | 96.0 | 2.9360% |
| Raymond | 1,357,553,766 | 680,788,212 | 2,038,341,978 | 685,441 | 2,039,027,419 | 66.6 | 0.5769% |
| Rye | 3,277,067,600 | 1,338,542,692 | 4,615,610,292 | 4,489,640 | 4,620,099,932 | 71.0 | 1.3071% |
| Salem | 6,557,798,602 | 2,601,124,949 | 9,158,923,551 | 7,109,891 | 9,166,033,442 | 71.6 | 2.5931% |
| Sandown | 1,154,023,600 | 190,970,887 | 1,344,994,487 | 0 | 1,344,994,487 | 85.8 | 0.3805% |
| Seabrook | 2,887,151,000 | 345,939,082 | 3,233,090,082 | 0 | 3,233,090,082 | 89.3 | 0.9147% |
| South Hampton | 264,431,721 | 24,804,760 | 289,236,481 | 2,435 | 289,238,916 | 91.4 | 0.0818% |
| Stratham | 2,526,264,086 | 147,006,380 | 2,673,270,466 | 0 | 2,673,270,466 | 94.5 | 0.7563% |
| Windham | 3,170,205,200 | 2,166,833,414 | 5,337,038,614 | 763,822 | 5,337,802,436 | 59.4 | 1.5101% |
| County Totals | 77,396,930,958 | 16,230,739,737 | 93,627,670,695 | 240,408,458 | 93,868,079,153 | | 26.5560% |

**Flood control, forest, recreation lands, and others.*

***Does not include utilities or railroads*

## MUNICIPAL AND PROPERTY DIVISION

**2024 Equalization Survey Not Including Utilities and Railroad**

**By County**

| STRAFFORD COUNTY<br><br>Municipality | Modified Local Assessed Valuation | DRA Inventory Adjustment | Equalized Assessed Valuation | Equalized Payments in Lieu of Taxes* | Total Equalized Valuation** | 2024 Equali-zation Ratio | % Proportion to State Tax |
|---|---|---|---|---|---|---|---|
| Barrington | 1,845,778,054 | 275,689,378 | 2,121,467,432 | 901,113 | 2,122,368,545 | 87.0 | 0.6004% |
| Dover | 6,520,897,470 | 490,768,040 | 7,011,665,510 | 10,362,763 | 7,022,028,273 | 93.0 | 1.9866% |
| Durham | 1,779,590,891 | 513,505,620 | 2,293,096,511 | 62,951,253 | 2,356,047,764 | 77.6 | 0.6665% |
| Farmington | 1,046,529,328 | 34,548,268 | 1,081,077,596 | 2,047,371 | 1,083,124,967 | 96.8 | 0.3064% |
| Lee | 734,092,994 | 277,067,812 | 1,011,160,806 | 165,214 | 1,011,326,020 | 72.6 | 0.2861% |
| Madbury | 287,947,469 | 161,251,531 | 449,199,000 | 0 | 449,199,000 | 64.1 | 0.1271% |
| Middleton | 362,214,299 | 47,461,936 | 409,676,235 | 0 | 409,676,235 | 88.4 | 0.1159% |
| Milton | 933,916,117 | 10,373,761 | 944,289,878 | 797,301 | 945,087,179 | 98.9 | 0.2674% |
| New Durham | 634,089,360 | 413,638,546 | 1,047,727,906 | 0 | 1,047,727,906 | 60.5 | 0.2964% |
| Rochester | 5,107,320,493 | 136,304,862 | 5,243,625,355 | 81,088,918 | 5,324,714,273 | 97.4 | 1.5064% |
| Rollinsford | 483,893,149 | 96,264,856 | 580,158,005 | 0 | 580,158,005 | 83.4 | 0.1641% |
| Somersworth | 1,887,817,580 | 99,351,598 | 1,987,169,178 | 10,080,946 | 1,997,250,124 | 95.0 | 0.5650% |
| Strafford | 714,853,100 | 447,320,820 | 1,162,173,920 | 0 | 1,162,173,920 | 61.5 | 0.3288% |
| County Totals | 22,338,940,304 | 3,003,547,028 | 25,342,487,332 | 168,394,879 | 25,510,882,211.0 | | 7.2172% |

**Flood control, forest, recreation lands, and others.*

***Does not include utilities or railroads*

## MUNICIPAL AND PROPERTY DIVISION

**2024 Equalization Survey Not Including Utilities and Railroad**

**By County**

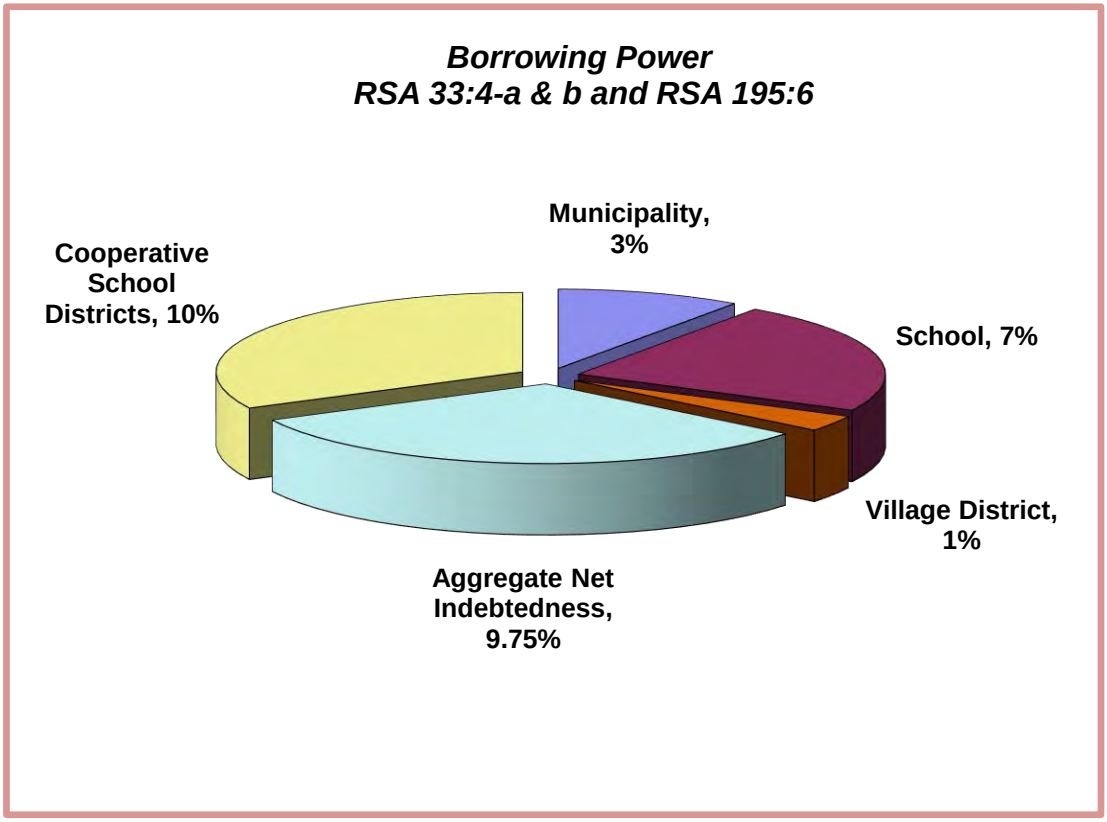
| SULLIVAN COUNTY<br><br>Municipality | Modified Local Assessed Valuation | DRA Inventory Adjustment | Equalized Assessed Valuation | Equalized Payments in Lieu of Taxes* | Total Equalized Valuation** | 2024 Equali-zation Ratio | % Proportion to State Tax |
|---|---|---|---|---|---|---|---|
| Acworth | 121,020,310 | 103,416,428 | 224,436,738 | 7,685 | 224,444,423 | 53.8 | 0.0635% |
| Charlestown | 328,088,332 | 237,377,626 | 565,465,958 | 783,538 | 566,249,496 | 58.0 | 0.1602% |
| Claremont | 1,203,814,621 | 248,103,335 | 1,451,917,956 | 5,746,986 | 1,457,664,942 | 82.9 | 0.4124% |
| Cornish | 348,908,710 | 8,867,065 | 357,775,775 | 464,358 | 358,240,133 | 97.5 | 0.1013% |
| Croydon | 118,510,833 | 47,199,660 | 165,710,493 | 0 | 165,710,493 | 71.5 | 0.0469% |
| Goshen | 83,451,077 | 71,013,016 | 154,464,093 | 20,266 | 154,484,359 | 54.0 | 0.0437% |
| Grantham | 761,899,252 | 278,902,310 | 1,040,801,562 | 0 | 1,040,801,562 | 73.2 | 0.2945% |
| Langdon | 75,507,939 | 37,846,627 | 113,354,566 | 14,541 | 113,369,107 | 66.6 | 0.0321% |
| Lempster | 126,886,738 | 107,993,571 | 234,880,309 | 13,669 | 234,893,978 | 54.0 | 0.0665% |
| Newport | 724,981,965 | 108,242,663 | 833,224,628 | 4,207,010 | 837,431,638 | 87.0 | 0.2369% |
| Plainfield | 541,488,833 | -4,855,652 | 536,633,181 | 59,617 | 536,692,798 | 100.9 | 0.1518% |
| Springfield | 239,461,462 | 155,597,361 | 395,058,823 | 470,340 | 395,529,163 | 60.6 | 0.1119% |
| Sunapee | 2,388,555,116 | 506,579,890 | 2,895,135,006 | 0 | 2,895,135,006 | 82.5 | 0.8191% |
| Unity | 243,255,031 | 1,948,739 | 245,203,770 | 0 | 245,203,770 | 99.2 | 0.0694% |
| Washington | 369,359,017 | 130,141,538 | 499,500,555 | 189,348 | 499,689,903 | 73.9 | 0.1414% |
| County Totals | 7,675,189,236 | 2,038,374,177 | 9,713,563,413 | 11,977,358 | 9,725,540,771 | | 2.7514% |
| | | | | | | | |
| State Totals | 282,058,556,184 | 70,310,778,058 | 352,369,334,242 | 1,102,868,562 | 353,472,202,804 | | 100.00% |

**Flood control, forest, recreation lands, and others.*

***Does not include utilities or railroads*

| 2024 School Set-Off Districts<br>Total Equalized Valuation for School Purposes | | | |
|---|---|---|---|
| Municipalities | Total Equalized Valuation Including Utilities Used to Apportion Local School Tax | Total Equalized Valuation Not Including Utilities Used to Apportion State School Tax | Base Valuation for Debt Limit for School Purposes Only |
| Concord - Concord Union School District | 7,857,840,559 | 7,395,521,412 | 7,812,282,530 |
| Penacook - Merrimack Valley School District | 866,484,837 | 793,277,586 | 861,456,687 |
| Loudon School District | 1,256,264,016 | 1,219,713,937 | 1,248,314,516 |

# Base Valuation for Debt Limits




**RSA 33:4-b Debt Limit; Computation**. *The debt limitations herein before prescribed, except for counties, shall be based upon the applicable last locally assessed valuation of the municipality as last equalized by the commissioner of revenue administration under RSA 21-J:3, XIII and shall include the equalized value of property formerly taxed pursuant to the provisions of RSA 72:7; 72:15, I, V, VII, VIII, IX, X and XI; 72:16; 72:17; 73:26; 73:27 and 73:11 through 16 inclusive, all as amended, which was relieved from taxation by 1970, 5:3, 5:8 and 57:12, as determined under the provisions of RSA 71:11 as amended. Whenever several municipalities possessing the power to incur indebtedness cover or extend over identical territory, each such municipality shall so exercise the power to incur indebtedness under the foregoing limitations so that the aggregate net indebtedness of such municipalities shall not exceed 9.75 percent of the valuation of the taxable property as herein before determined, except as provided for cooperative school districts under RSA 195:6. A written certificate signed by the commissioner of the department of revenue administration shall be conclusive evidence of the base valuation of municipalities for computing debt limits hereunder.*

**MUNICIPAL AND PROPERTY DIVISION**
**2024 Base Valuation for Debt Limits**
**Alpha Order by Municipality**

| Municipality | Modified Local Assessed Valuation | DRA Inventory Adjustment | Equalized Assessed Valuation | Shared Revenues Adjustment RSA 31-A | Base Valuation for Debt Limits |
|---|---|---|---|---|---|
| Acworth | 123,846,016 | 105,842,963 | 229,688,979 | 0 | 229,688,979 |
| Albany | 138,614,150 | 83,523,112 | 222,137,262 | 0 | 222,137,262 |
| Alexandria | 300,733,421 | 154,076,745 | 454,810,166 | 0 | 454,810,166 |
| Allenstown | 533,970,466 | 142,753,131 | 676,723,597 | 0 | 676,723,597 |
| Alstead | 195,339,243 | 137,234,754 | 332,573,997 | 0 | 332,573,997 |
| Alton | 2,242,305,615 | 1,705,367,988 | 3,947,673,603 | 0 | 3,947,673,603 |
| Amherst | 2,431,905,276 | 1,067,148,879 | 3,499,054,155 | 0 | 3,499,054,155 |
| Andover | 572,729,323 | (5,658,887) | 567,070,436 | 0 | 567,070,436 |
| Antrim | 439,025,696 | 104,152,468 | 543,178,164 | 0 | 543,178,164 |
| Ashland | 455,151,865 | 99,866,755 | 555,018,620 | 0 | 555,018,620 |
| Atkinson | 1,609,208,023 | 392,289,827 | 2,001,497,850 | 0 | 2,001,497,850 |
| Atkinson & Gilmanton | 1,035,360 | 389,640 | 1,425,000 | 0 | 1,425,000 |
| Auburn | 1,433,323,607 | 117,873,204 | 1,551,196,811 | 0 | 1,551,196,811 |
| Barnstead | 1,082,374,713 | 126,821,715 | 1,209,196,428 | 0 | 1,209,196,428 |
| Barrington | 1,886,546,518 | 281,781,217 | 2,168,327,735 | 0 | 2,168,327,735 |
| Bartlett | 2,087,845,542 | 362,644,329 | 2,450,489,871 | 0 | 2,450,489,871 |
| Bath | 155,121,479 | 84,049,170 | 239,170,649 | 0 | 239,170,649 |
| Beans' Grant | 0 | 0 | 0 | 0 | 0 |
| Bean's Purchase | 0 | 0 | 0 | 0 | 0 |
| Bedford | 6,268,838,404 | 688,786,079 | 6,957,624,483 | 0 | 6,957,624,483 |
| Belmont | 1,502,021,206 | 99,208,684 | 1,601,229,890 | 0 | 1,601,229,890 |
| Bennington | 220,703,344 | 8,463,537 | 229,166,881 | 0 | 229,166,881 |
| Benton | 55,110,197 | (1,765,512) | 53,344,685 | 0 | 53,344,685 |
| Berlin | 755,423,894 | 228,099,580 | 983,523,474 | 0 | 983,523,474 |
| Bethlehem | 526,352,069 | 111,543,679 | 637,895,748 | 0 | 637,895,748 |
| Boscawen | 530,426,960 | 51,700,111 | 582,127,071 | 0 | 582,127,071 |
| Bow | 2,073,175,398 | 44,464,292 | 2,117,639,690 | 0 | 2,117,639,690 |
| Bradford | 459,010,544 | 7,444,339 | 466,454,883 | 0 | 466,454,883 |
| Brentwood | 759,912,876 | 469,647,303 | 1,229,560,179 | 0 | 1,229,560,179 |
| Bridgewater | 805,161,500 | 28,312,789 | 833,474,289 | 0 | 833,474,289 |
| Bristol | 565,099,492 | 592,835,372 | 1,157,934,864 | 0 | 1,157,934,864 |
| Brookfield | 242,558,320 | 727,202 | 243,285,522 | 0 | 243,285,522 |
| Brookline | 1,170,518,417 | 51,302,115 | 1,221,820,532 | 0 | 1,221,820,532 |
| Cambridge | 12,831,740 | 7,637,042 | 20,468,782 | 0 | 20,468,782 |
| Campton | 862,452,849 | 62,840,136 | 925,292,985 | 0 | 925,292,985 |
| Canaan | 468,048,015 | 239,847,875 | 707,895,890 | 0 | 707,895,890 |
| Candia | 939,436,373 | 30,036,116 | 969,472,489 | 0 | 969,472,489 |
| Canterbury | 380,735,689 | 208,490,142 | 589,225,831 | 0 | 589,225,831 |
| Carroll | 638,511,084 | 213,915,104 | 852,426,188 | 0 | 852,426,188 |
| Center Harbor | 766,500,535 | 272,086,062 | 1,038,586,597 | 0 | 1,038,586,597 |
| Chandler's Purchase | 46,080 | 30,211 | 76,291 | 0 | 76,291 |
| Charlestown | 346,589,286 | 250,774,869 | 597,364,155 | 0 | 597,364,155 |
| Chatham | 106,493,228 | 2,499,125 | 108,992,353 | 0 | 108,992,353 |
| Chester | 1,167,919,043 | 86,493,983 | 1,254,413,026 | 0 | 1,254,413,026 |

**MUNICIPAL AND PROPERTY DIVISION**
**2024 Base Valuation for Debt Limits**
**Alpha Order by Municipality**

| Municipality | Modified Local Assessed Valuation | DRA Inventory Adjustment | Equalized Assessed Valuation | Shared Revenues Adjustment RSA 31-A | Base Valuation for Debt Limits |
|---|---|---|---|---|---|
| Chesterfield | 623,672,545 | 377,201,855 | 1,000,874,400 | 0 | 1,000,874,400 |
| Chichester | 557,770,628 | 55,080,314 | 612,850,942 | 0 | 612,850,942 |
| Claremont | 1,260,251,377 | 259,744,692 | 1,519,996,069 | 0 | 1,519,996,069 |
| Clarksville | 50,121,489 | 43,088,051 | 93,209,540 | 0 | 93,209,540 |
| Colebrook | 194,222,626 | 183,611,280 | 377,833,906 | 0 | 377,833,906 |
| Columbia | 89,149,176 | 95,557,078 | 184,706,254 | 0 | 184,706,254 |
| Concord | 5,407,808,354 | 3,258,277,177 | 8,666,085,531 | 0 | 8,666,085,531 |
| Conway | 3,244,190,600 | 536,598,595 | 3,780,789,195 | 0 | 3,780,789,195 |
| Cornish | 357,444,310 | 9,085,926 | 366,530,236 | 0 | 366,530,236 |
| Crawford's Purchase | 419,790 | 275,226 | 695,016 | 0 | 695,016 |
| Croydon | 126,226,933 | 50,275,308 | 176,502,241 | 0 | 176,502,241 |
| Cutt's Grant | 0 | 0 | 0 | 0 | 0 |
| Dalton | 156,249,297 | 31,490,998 | 187,740,295 | 0 | 187,740,295 |
| Danbury | 182,626,497 | 97,699,991 | 280,326,488 | 0 | 280,326,488 |
| Danville | 600,497,558 | 343,663,786 | 944,161,344 | 0 | 944,161,344 |
| Deerfield | 800,809,208 | 494,948,311 | 1,295,757,519 | 0 | 1,295,757,519 |
| Deering | 249,094,612 | 189,303,472 | 438,398,084 | 0 | 438,398,084 |
| Derry | 5,775,178,335 | 474,949,113 | 6,250,127,448 | 0 | 6,250,127,448 |
| Dix's Grant | 1,444,030 | 672,093 | 2,116,123 | 0 | 2,116,123 |
| Dixville | 11,233,238 | 6,703,073 | 17,936,311 | 0 | 17,936,311 |
| Dorchester | 90,135,345 | (2,250,961) | 87,884,384 | 0 | 87,884,384 |
| Dover | 6,647,139,470 | 500,270,127 | 7,147,409,597 | 0 | 7,147,409,597 |
| Dublin | 478,520,652 | (0) | 478,520,652 | 0 | 478,520,652 |
| Dummer | 185,503,822 | (22,213,256) | 163,290,566 | 0 | 163,290,566 |
| Dunbarton | 426,297,249 | 329,452,336 | 755,749,585 | 0 | 755,749,585 |
| Durham | 1,882,902,391 | 543,327,496 | 2,426,229,887 | 0 | 2,426,229,887 |
| East Kingston | 622,748,864 | (7,986,187) | 614,762,677 | 0 | 614,762,677 |
| Easton | 78,078,765 | 63,333,094 | 141,411,859 | 0 | 141,411,859 |
| Eaton | 147,574,711 | 76,218,273 | 223,792,984 | 0 | 223,792,984 |
| Effingham | 218,220,842 | 142,431,789 | 360,652,631 | 0 | 360,652,631 |
| Ellsworth | 20,177,094 | 16,035,198 | 36,212,292 | 0 | 36,212,292 |
| Enfield | 1,074,048,992 | 84,500,993 | 1,158,549,985 | 0 | 1,158,549,985 |
| Epping | 1,043,374,996 | 689,753,555 | 1,733,128,551 | 0 | 1,733,128,551 |
| Epsom | 524,294,606 | 457,297,992 | 981,592,598 | 0 | 981,592,598 |
| Errol | 140,846,397 | 23,617,482 | 164,463,879 | 0 | 164,463,879 |
| Erving's Grant | 63,292 | (3,413) | 59,879 | 0 | 59,879 |
| Exeter | 3,680,184,775 | 247,427,589 | 3,927,612,364 | 0 | 3,927,612,364 |
| Farmington | 1,060,890,628 | 35,023,022 | 1,095,913,650 | 0 | 1,095,913,650 |
| Fitzwilliam | 503,820,581 | 59,758,964 | 563,579,545 | 0 | 563,579,545 |
| Francestown | 410,856,706 | (1,225,305) | 409,631,401 | 0 | 409,631,401 |
| Franconia | 431,793,949 | 320,350,264 | 752,144,213 | 0 | 752,144,213 |
| Franklin | 1,162,256,462 | 312,491,708 | 1,474,748,170 | 0 | 1,474,748,170 |
| Freedom | 1,183,636,840 | (3,537,450) | 1,180,099,390 | 0 | 1,180,099,390 |
| Fremont | 567,613,298 | 378,371,573 | 945,984,871 | 0 | 945,984,871 |

**MUNICIPAL AND PROPERTY DIVISION**
**2024 Base Valuation for Debt Limits**
**Alpha Order by Municipality**

| Municipality | Modified Local Assessed Valuation | DRA Inventory Adjustment | Equalized Assessed Valuation | Shared Revenues Adjustment RSA 31-A | Base Valuation for Debt Limits |
|---|---|---|---|---|---|
| Gilford | 3,535,682,840 | 829,194,477 | 4,364,877,317 | 0 | 4,364,877,317 |
| Gilmanton | 1,060,799,201 | (12,547,874) | 1,048,251,327 | 0 | 1,048,251,327 |
| Gilsum | 138,733,135 | (1,096,967) | 137,636,168 | 0 | 137,636,168 |
| Goffstown | 2,766,513,000 | 442,804,505 | 3,209,317,505 | 0 | 3,209,317,505 |
| Gorham | 386,895,955 | 119,467,228 | 506,363,183 | 0 | 506,363,183 |
| Goshen | 85,329,277 | 72,612,964 | 157,942,241 | 0 | 157,942,241 |
| Grafton | 143,280,266 | 115,622,175 | 258,902,441 | 0 | 258,902,441 |
| Grantham | 767,953,252 | 281,118,802 | 1,049,072,054 | 0 | 1,049,072,054 |
| Greenfield | 319,523,745 | 638,218 | 320,161,963 | 0 | 320,161,963 |
| Greenland | 1,417,775,500 | 238,428,052 | 1,656,203,552 | 0 | 1,656,203,552 |
| Green's Grant | 9,155,890 | 6,002,869 | 15,158,759 | 0 | 15,158,759 |
| Greenville | 228,384,322 | 24,214,913 | 252,599,235 | 0 | 252,599,235 |
| Groton | 110,511,069 | 50,178,910 | 160,689,979 | 0 | 160,689,979 |
| Hadley's Purchase | 0 | 0 | 0 | 0 | 0 |
| Hale's Location | 83,709,800 | 67,938,388 | 151,648,188 | 0 | 151,648,188 |
| Hampstead | 2,099,742,709 | 155,614,043 | 2,255,356,752 | 0 | 2,255,356,752 |
| Hampton | 6,120,420,200 | 539,441,242 | 6,659,861,442 | 0 | 6,659,861,442 |
| Hampton Falls | 880,240,835 | 101,028,956 | 981,269,791 | 0 | 981,269,791 |
| Hancock | 303,610,865 | 206,414,960 | 510,025,825 | 0 | 510,025,825 |
| Hanover | 2,736,203,395 | 1,634,555,711 | 4,370,759,106 | 0 | 4,370,759,106 |
| Harrisville | 350,084,516 | 25,876,891 | 375,961,407 | 0 | 375,961,407 |
| Hart's Location | 21,405,197 | 3,484,494 | 24,889,691 | 0 | 24,889,691 |
| Haverhill | 704,980,962 | 40,062,354 | 745,043,316 | 0 | 745,043,316 |
| Hebron | 413,357,466 | 240,650,576 | 654,008,042 | 0 | 654,008,042 |
| Henniker | 753,826,574 | 121,579,910 | 875,406,484 | 0 | 875,406,484 |
| Hill | 203,365,970 | (3,969,334) | 199,396,636 | 0 | 199,396,636 |
| Hillsborough | 605,057,258 | 536,378,867 | 1,141,436,125 | 0 | 1,141,436,125 |
| Hinsdale | 442,142,860 | 152,817,322 | 594,960,182 | 0 | 594,960,182 |
| Holderness | 1,417,814,770 | 479,820,358 | 1,897,635,128 | 0 | 1,897,635,128 |
| Hollis | 2,325,855,286 | 496,682,728 | 2,822,538,014 | 0 | 2,822,538,014 |
| Hooksett | 3,247,172,893 | 446,959,947 | 3,694,132,840 | 0 | 3,694,132,840 |
| Hopkinton | 1,445,822,564 | (5,751,721) | 1,440,070,843 | 0 | 1,440,070,843 |
| Hudson | 5,057,101,711 | 1,155,526,705 | 6,212,628,416 | 0 | 6,212,628,416 |
| Jackson | 846,579,937 | 38,942,628 | 885,522,565 | 0 | 885,522,565 |
| Jaffrey | 563,034,742 | 485,348,336 | 1,048,383,078 | 0 | 1,048,383,078 |
| Jefferson | 165,549,711 | 97,165,184 | 262,714,895 | 0 | 262,714,895 |
| Keene | 2,304,848,831 | 1,145,428,391 | 3,450,277,222 | 0 | 3,450,277,222 |
| Kensington | 691,276,772 | 22,085,553 | 713,362,325 | 0 | 713,362,325 |
| Kilkenny | 36,600 | 23,996 | 60,596 | 0 | 60,596 |
| Kingston | 1,391,170,426 | 132,552,186 | 1,523,722,612 | 0 | 1,523,722,612 |
| Laconia | 4,464,657,531 | 591,539,111 | 5,056,196,642 | 0 | 5,056,196,642 |
| Lancaster | 450,736,614 | 86,727,541 | 537,464,155 | 0 | 537,464,155 |
| Landaff | 60,796,298 | 41,716,672 | 102,512,970 | 0 | 102,512,970 |
| Langdon | 77,433,129 | 38,812,113 | 116,245,242 | 0 | 116,245,242 |

**MUNICIPAL AND PROPERTY DIVISION**
**2024 Base Valuation for Debt Limits**
**Alpha Order by Municipality**

| Municipality | Modified Local Assessed Valuation | DRA Inventory Adjustment | Equalized Assessed Valuation | Shared Revenues Adjustment RSA 31-A | Base Valuation for Debt Limits |
|---|---|---|---|---|---|
| Lebanon | 2,780,468,345 | 1,033,474,506 | 3,813,942,851 | 0 | 3,813,942,851 |
| Lee | 746,347,621 | 281,692,836 | 1,028,040,457 | 0 | 1,028,040,457 |
| Lempster | 133,359,238 | 113,507,182 | 246,866,420 | 0 | 246,866,420 |
| Lincoln | 1,320,660,324 | 772,303,962 | 2,092,964,286 | 0 | 2,092,964,286 |
| Lisbon | 229,194,194 | 13,510,717 | 242,704,911 | 0 | 242,704,911 |
| Litchfield | 1,230,631,320 | 665,528,986 | 1,896,160,306 | 0 | 1,896,160,306 |
| Littleton | 875,693,086 | 690,720,217 | 1,566,413,303 | 0 | 1,566,413,303 |
| Livermore | 189,600 | 0 | 189,600 | 0 | 189,600 |
| Londonderry | 6,437,647,763 | 1,021,884,244 | 7,459,532,007 | 0 | 7,459,532,007 |
| Loudon | 729,104,703 | 527,498,029 | 1,256,602,732 | 0 | 1,256,602,732 |
| Low & Burbank's Grant | 0 | 0 | 0 | 0 | 0 |
| Lyman | 77,914,042 | 71,987,204 | 149,901,246 | 0 | 149,901,246 |
| Lyme | 419,589,800 | 198,448,289 | 618,038,089 | 0 | 618,038,089 |
| Lyndeborough | 225,705,282 | 165,234,774 | 390,940,056 | 0 | 390,940,056 |
| Madbury | 311,867,769 | 174,648,392 | 486,516,161 | 0 | 486,516,161 |
| Madison | 613,061,561 | 570,245,890 | 1,183,307,451 | 0 | 1,183,307,451 |
| Manchester | 13,401,719,267 | 6,105,844,725 | 19,507,563,992 | 0 | 19,507,563,992 |
| Marlborough | 223,948,743 | 131,910,396 | 355,859,139 | 0 | 355,859,139 |
| Marlow | 75,208,325 | 45,748,191 | 120,956,516 | 0 | 120,956,516 |
| Martin's Location | 591,900 | 388,067 | 979,967 | 0 | 979,967 |
| Mason | 217,799,086 | 142,706,986 | 360,506,072 | 0 | 360,506,072 |
| Meredith | 3,916,259,153 | 740,320,362 | 4,656,579,515 | 0 | 4,656,579,515 |
| Merrimack | 5,007,941,464 | 2,197,687,821 | 7,205,629,285 | 0 | 7,205,629,285 |
| Middleton | 368,503,699 | 48,287,242 | 416,790,941 | 0 | 416,790,941 |
| Milan | 153,579,186 | 105,626,147 | 259,205,333 | 0 | 259,205,333 |
| Milford | 2,094,412,219 | 1,008,314,991 | 3,102,727,210 | 0 | 3,102,727,210 |
| Millsfield | 13,331,658 | 8,050,143 | 21,381,801 | 0 | 21,381,801 |
| Milton | 958,833,884 | 10,650,905 | 969,484,789 | 0 | 969,484,789 |
| Monroe | 597,283,893 | 120,417,675 | 717,701,568 | 0 | 717,701,568 |
| Mont Vernon | 563,539,226 | 15,028,586 | 578,567,812 | 0 | 578,567,812 |
| Moultonborough | 6,336,332,532 | 880,251,447 | 7,216,583,979 | 0 | 7,216,583,979 |
| Nashua | 16,806,394,706 | 1,110,864,683 | 17,917,259,389 | 0 | 17,917,259,389 |
| Nelson | 169,228,481 | 57,420,240 | 226,648,721 | 0 | 226,648,721 |
| New Boston | 963,327,741 | 376,318,785 | 1,339,646,526 | 0 | 1,339,646,526 |
| New Castle | 1,082,355,929 | 521,133,600 | 1,603,489,529 | 0 | 1,603,489,529 |
| New Durham | 639,977,460 | 417,482,843 | 1,057,460,303 | 0 | 1,057,460,303 |
| New Hampton | 591,895,576 | 85,973,335 | 677,868,911 | 0 | 677,868,911 |
| New Ipswich | 875,350,506 | 38,313,167 | 913,663,673 | 0 | 913,663,673 |
| New London | 2,069,211,739 | 607,452,853 | 2,676,664,592 | 0 | 2,676,664,592 |
| Newbury | 1,677,549,480 | 48,300,879 | 1,725,850,359 | 0 | 1,725,850,359 |
| Newfields | 459,551,015 | 54,459,741 | 514,010,756 | 0 | 514,010,756 |
| Newington | 1,271,862,730 | 10,256,260 | 1,282,118,990 | 0 | 1,282,118,990 |
| Newmarket | 1,723,310,237 | 94,509,851 | 1,817,820,088 | 0 | 1,817,820,088 |
| Newport | 747,430,965 | 111,597,111 | 859,028,076 | 0 | 859,028,076 |

**MUNICIPAL AND PROPERTY DIVISION**
**2024 Base Valuation for Debt Limits**
**Alpha Order by Municipality**

| Municipality | Modified Local Assessed Valuation | DRA Inventory Adjustment | Equalized Assessed Valuation | Shared Revenues Adjustment RSA 31-A | Base Valuation for Debt Limits |
|---|---|---|---|---|---|
| Newton | 661,492,348 | 401,985,286 | 1,063,477,634 | 0 | 1,063,477,634 |
| North Hampton | 1,806,185,400 | 385,757,653 | 2,191,943,053 | 0 | 2,191,943,053 |
| Northfield | 622,489,717 | 112,365,947 | 734,855,664 | 0 | 734,855,664 |
| Northumberland | 239,492,158 | 85,646,755 | 325,138,913 | 0 | 325,138,913 |
| Northwood | 973,050,227 | 212,053,418 | 1,185,103,645 | 0 | 1,185,103,645 |
| Nottingham | 852,533,701 | 533,634,369 | 1,386,168,070 | 0 | 1,386,168,070 |
| Odell | 3,470,646 | 2,066,240 | 5,536,886 | 0 | 5,536,886 |
| Orange | 37,343,574 | 20,738,792 | 58,082,366 | 0 | 58,082,366 |
| Orford | 162,748,550 | 119,151,251 | 281,899,801 | 0 | 281,899,801 |
| Ossipee | 1,540,153,570 | 75,894,204 | 1,616,047,774 | 0 | 1,616,047,774 |
| Pelham | 2,805,058,543 | 809,666,752 | 3,614,725,295 | 0 | 3,614,725,295 |
| Pembroke | 1,234,171,195 | 44,728,872 | 1,278,900,067 | 0 | 1,278,900,067 |
| Peterborough | 952,384,175 | 396,538,561 | 1,348,922,736 | 0 | 1,348,922,736 |
| Piermont | 133,068,176 | 40,175,484 | 173,243,660 | 0 | 173,243,660 |
| Pinkham's Grant | 2,961,230 | 1,941,469 | 4,902,699 | 0 | 4,902,699 |
| Pittsburg | 601,104,455 | 48,525,225 | 649,629,680 | 0 | 649,629,680 |
| Pittsfield | 365,939,847 | 273,675,335 | 639,615,182 | 0 | 639,615,182 |
| Plainfield | 551,666,633 | (4,946,435) | 546,720,198 | 0 | 546,720,198 |
| Plaistow | 1,403,630,456 | 472,879,791 | 1,876,510,247 | 0 | 1,876,510,247 |
| Plymouth | 747,740,068 | 184,457,042 | 932,197,110 | 0 | 932,197,110 |
| Portsmouth | 10,137,278,797 | 422,384,941 | 10,559,663,738 | 0 | 10,559,663,738 |
| Randolph | 137,554,191 | (10,293,758) | 127,260,433 | 0 | 127,260,433 |
| Raymond | 1,379,910,566 | 692,000,180 | 2,071,910,746 | 0 | 2,071,910,746 |
| Richmond | 173,033,425 | 52,698,668 | 225,732,093 | 0 | 225,732,093 |
| Rindge | 773,508,251 | 627,673,164 | 1,401,181,415 | 0 | 1,401,181,415 |
| Rochester | 5,323,486,993 | 142,075,220 | 5,465,562,213 | 0 | 5,465,562,213 |
| Rollinsford | 492,099,849 | 97,898,323 | 589,998,172 | 0 | 589,998,172 |
| Roxbury | 43,482,235 | (2,132,524) | 41,349,711 | 0 | 41,349,711 |
| Rumney | 375,092,027 | 1,502,066 | 376,594,093 | 0 | 376,594,093 |
| Rye | 3,291,887,400 | 1,344,595,849 | 4,636,483,249 | 0 | 4,636,483,249 |
| Salem | 6,686,561,702 | 2,652,198,581 | 9,338,760,283 | 0 | 9,338,760,283 |
| Salisbury | 252,982,952 | 58,305,133 | 311,288,085 | 0 | 311,288,085 |
| Sanbornton | 966,069,841 | 101,277,138 | 1,067,346,979 | 0 | 1,067,346,979 |
| Sandown | 1,166,194,000 | 192,985,103 | 1,359,179,103 | 0 | 1,359,179,103 |
| Sandwich | 816,061,391 | 30,396,838 | 846,458,229 | 0 | 846,458,229 |
| Sargent's Purchase | 2,461,220 | 1,613,648 | 4,074,868 | 0 | 4,074,868 |
| Seabrook | 4,623,544,662 | 553,995,209 | 5,177,539,871 | 0 | 5,177,539,871 |
| Second College Grant | 1,811,563 | 550,453 | 2,362,016 | 0 | 2,362,016 |
| Sharon | 105,655,908 | 3,913,335 | 109,569,243 | 0 | 109,569,243 |
| Shelburne | 79,966,237 | 42,458,919 | 122,425,156 | 0 | 122,425,156 |
| Somersworth | 1,928,557,480 | 101,495,803 | 2,030,053,283 | 0 | 2,030,053,283 |
| South Hampton | 270,767,721 | 25,400,926 | 296,168,647 | 0 | 296,168,647 |
| Springfield | 248,534,662 | 161,496,438 | 410,031,100 | 0 | 410,031,100 |
| Stark | 157,611,198 | 39,971,176 | 197,582,374 | 0 | 197,582,374 |

**MUNICIPAL AND PROPERTY DIVISION**
**2024 Base Valuation for Debt Limits**
**Alpha Order by Municipality**

| Municipality | Modified Local Assessed Valuation | DRA Inventory Adjustment | Equalized Assessed Valuation | Shared Revenues Adjustment RSA 31-A | Base Valuation for Debt Limits |
|---|---|---|---|---|---|
| Stewartstown | 204,044,347 | 35,990,161 | 240,034,508 | 0 | 240,034,508 |
| Stoddard | 462,126,040 | 35,766,804 | 497,892,844 | 0 | 497,892,844 |
| Strafford | 730,295,100 | 456,987,763 | 1,187,282,863 | 0 | 1,187,282,863 |
| Stratford | 99,382,126 | 85,406,670 | 184,788,796 | 0 | 184,788,796 |
| Stratham | 2,575,591,486 | 149,877,286 | 2,725,468,772 | 0 | 2,725,468,772 |
| Success | 15,455,791 | 9,540,568 | 24,996,359 | 0 | 24,996,359 |
| Sugar Hill | 328,252,684 | 3,309,527 | 331,562,211 | 0 | 331,562,211 |
| Sullivan | 119,312,090 | 1,563,015 | 120,875,105 | 0 | 120,875,105 |
| Sunapee | 2,419,382,716 | 513,119,078 | 2,932,501,794 | 0 | 2,932,501,794 |
| Surry | 138,863,072 | 21,597,590 | 160,460,662 | 0 | 160,460,662 |
| Sutton | 332,978,078 | 260,427,498 | 593,405,576 | 0 | 593,405,576 |
| Swanzey | 1,021,278,002 | 77,894,021 | 1,099,172,023 | 0 | 1,099,172,023 |
| Tamworth | 726,834,263 | 11,782,855 | 738,617,118 | 0 | 738,617,118 |
| Temple | 298,348,767 | (4,972,935) | 293,375,832 | 0 | 293,375,832 |
| Thompson & Meserve's Purchase | 8,982,460 | 5,889,163 | 14,871,623 | 0 | 14,871,623 |
| Thornton | 966,363,557 | (10,506,983) | 955,856,574 | 0 | 955,856,574 |
| Tilton | 1,079,564,801 | 29,934,730 | 1,109,499,531 | 0 | 1,109,499,531 |
| Troy | 261,104,045 | 44,239,386 | 305,343,431 | 0 | 305,343,431 |
| Tuftonboro | 1,891,773,240 | 577,721,087 | 2,469,494,327 | 0 | 2,469,494,327 |
| Unity | 247,906,431 | 1,986,250 | 249,892,681 | 0 | 249,892,681 |
| Wakefield | 2,277,079,490 | 107,226,066 | 2,384,305,556 | 0 | 2,384,305,556 |
| Walpole | 759,107,443 | 64,985,600 | 824,093,043 | 0 | 824,093,043 |
| Warner | 339,149,527 | 289,662,943 | 628,812,470 | 0 | 628,812,470 |
| Warren | 110,716,497 | 70,006,846 | 180,723,343 | 0 | 180,723,343 |
| Washington | 373,584,855 | 131,634,019 | 505,218,874 | 0 | 505,218,874 |
| Waterville Valley | 728,495,510 | (6,497,853) | 721,997,657 | 0 | 721,997,657 |
| Weare | 1,305,227,191 | 546,012,333 | 1,851,239,524 | 0 | 1,851,239,524 |
| Webster | 380,114,126 | 65,326,420 | 445,440,546 | 0 | 445,440,546 |
| Wentworth | 132,557,249 | 115,766,823 | 248,324,072 | 0 | 248,324,072 |
| Wentworth's Location | 14,033,628 | 8,966,463 | 23,000,091 | 0 | 23,000,091 |
| Westmoreland | 204,594,546 | 87,618,566 | 292,213,112 | 0 | 292,213,112 |
| Whitefield | 431,724,284 | 11,496,519 | 443,220,803 | 0 | 443,220,803 |
| Wilmot | 234,017,244 | 155,852,197 | 389,869,441 | 0 | 389,869,441 |
| Wilton | 572,092,325 | 206,240,522 | 778,332,847 | 0 | 778,332,847 |
| Winchester | 340,396,297 | 250,477,159 | 590,873,456 | 0 | 590,873,456 |
| Windham | 3,205,426,200 | 2,190,907,027 | 5,396,333,227 | 0 | 5,396,333,227 |
| Windsor | 37,770,789 | 20,627,884 | 58,398,673 | 0 | 58,398,673 |
| Wolfeboro | 2,481,617,637 | 2,281,491,993 | 4,763,109,630 | 0 | 4,763,109,630 |
| Woodstock | 294,432,922 | 334,691,697 | 629,124,619 | 0 | 629,124,619 |
| State Totals | 293,199,859,304 | 72,895,786,699 | 366,095,646,003 | 0 | 366,095,646,003 |

# 2024
# Comparison of Full Value Tax Rates

The full value tax rate represents the estimated tax rate for a municipality if all the taxable property was assessed at 100% and includes the equalized value of properties for which a payment in lieu of property taxes is made.

The full value tax rate is calculated by dividing the 2024 gross local property taxes to be raised as reported by the Department of Revenue Administration, Municipal & Property Division, by the total equalized valuation including utility values and equalized railroad taxes.

The full value rates are ranked in ascending order from lowest to highest (1-220 for 2024). If two municipalities have the same full value tax rate they are ranked with the same number. The unincorporated towns (signified by N/A in the Rank column) have no 2024 tax rate, and thus are not ranked.

The full value tax rate can only be used to make a limited comparison of what a property in one municipality would pay for taxes to a property of equal value in another municipality.

| | | | |
|---|---|---|---|
| **For example:** | **Town A** | **100,000 X 21.95** | |
| | | **1000 =** | **$2,195.00** |
| | **Town B** | **100,000 X 26.56** | |
| | | **1000 =** | **$2,656.00** |

**Due to diverse real estate values in New Hampshire, properties of equal value do not equate to properties of equal size or quality.**

Prior to making any assumptions or decisions regarding a property owner's tax burden in a municipality, other factors should be considered such as real estate values, municipal services, schools, community make-up, and locational factors including proximity to urban areas, medical facilities, highways, recreation areas, etc.

## MUNICIPAL AND PROPERTY DIVISION

**2024 Comparison of Full Value Tax Rates**
**Average Level of Assessments (Ratio) Shown in Column 5**
**Ranking Order**

| Municipality | 2024 Modifield Local Assessed Value | 2024 Total Equalized Valuation Including Utilities and Railroad | 2024 Local Tax Rate | 2024 Equalization Ratio | Full Value Tax Rate | Rank |
|---|---|---|---|---|---|---|
| Atkinson & Gilmanton | 1,035,360 | 1,425,000 | 0.00 | 60.4 | 0.00 | N/A |
| Bean's Grant | 0 | 0 | 0.00 | 60.4 | 0.00 | N/A |
| Bean's Purchase | 0 | 0 | 0.00 | 60.4 | 0.00 | N/A |
| Chandler's Purchase | 46,080 | 76,291 | 0.00 | 60.4 | 0.00 | N/A |
| Crawford's Purchase | 419,790 | 695,016 | 0.00 | 60.4 | 0.00 | N/A |
| Cutt's Grant | 0 | 0 | 0.00 | 60.4 | 0.00 | N/A |
| Dix's Grant | 1,444,030 | 2,116,123 | 0.00 | 60.4 | 0.00 | N/A |
| Dixville | 11,233,238 | 17,936,311 | 0.00 | 60.4 | 0.00 | N/A |
| Erving's Grant | 63,292 | 59,879 | 0.00 | 60.4 | 0.00 | N/A |
| Hadley's Purchase | 0 | 0 | 0.00 | 60.4 | 0.00 | N/A |
| Kilkenny | 36,600 | 60,596 | 0.00 | 60.4 | 0.00 | N/A |
| Livermore | 189,600 | 189,600 | 0.00 | 100.0 | 0.00 | N/A |
| Low & Burbank's Grant | 0 | 0 | 0.00 | 60.4 | 0.00 | N/A |
| Millsfield | 13,331,658 | 21,381,801 | 0.00 | 60.4 | 0.00 | N/A |
| Sargent's Purchase | 2,461,220 | 4,074,868 | 0.00 | 60.4 | 0.00 | N/A |
| Second College Grant | 1,811,563 | 2,362,016 | 0.00 | 60.4 | 0.00 | N/A |
| Success | 15,455,791 | 24,996,359 | 0.00 | 60.4 | 0.00 | N/A |
| Thompson & Meserve's | 8,982,460 | 15,498,711 | 1.97 | 60.4 | 1.18 | 1 |
| Cambridge | 12,831,740 | 20,471,581 | 2.81 | 60.4 | 1.74 | 2 |
| Hale's Location | 83,709,800 | 151,701,278 | 3.53 | 55.2 | 1.94 | 3 |
| Hart's Location | 21,405,197 | 25,223,383 | 2.81 | 86.0 | 2.37 | 4 |
| New Castle | 1,082,355,929 | 1,603,489,529 | 5.39 | 67.5 | 3.64 | 5 |
| Odell | 3,470,646 | 6,510,974 | 6.07 | 60.4 | 3.80 | 6 |
| Green's Grant | 9,155,890 | 15,273,703 | 6.69 | 60.4 | 4.02 | 7 |
| Hebron | 413,357,466 | 666,619,186 | 6.99 | 63.2 | 4.41 | 8 |
| Wentworth's Location | 14,033,628 | 23,015,338 | 7.56 | 60.4 | 4.60 | 9 |
| Bartlett | 2,087,845,542 | 2,451,485,086 | 5.58 | 85.2 | 4.74 | 10 |
| Moultonborough | 6,336,332,532 | 7,224,593,510 | 5.65 | 87.8 | 4.95 | 11 |
| Bridgewater | 805,161,500 | 833,474,289 | 5.40 | 96.6 | 5.20 | 12 |
| Albany | 138,614,150 | 223,771,174 | 9.14 | 62.4 | 5.68 | 13 |
| Tuftonboro | 1,891,773,240 | 2,469,496,808 | 7.62 | 76.6 | 5.83 | 14 |
| Rye | 3,291,887,400 | 4,640,972,889 | 8.66 | 71.0 | 6.14 | 15 |
| Holderness | 1,417,814,770 | 1,897,636,307 | 8.65 | 74.7 | 6.42 | 16 |
| Jackson | 846,579,937 | 886,510,933 | 6.75 | 95.6 | 6.44 | 17 |
| Groton | 110,511,069 | 281,608,174 | 9.69 | 68.7 | 6.54 | 18 |
| Chatham | 106,493,228 | 109,880,009 | 7.09 | 97.7 | 6.91 | 19 |
| Wakefield | 2,277,079,490 | 2,384,853,162 | 7.52 | 95.5 | 7.17 | 20 |
| Freedom | 1,183,636,840 | 1,180,099,390 | 7.18 | 100.3 | 7.19 | 21 |
| Lincoln | 1,320,660,324 | 2,095,327,806 | 11.68 | 63.1 | 7.35 | 22 |
| Alton | 2,242,305,615 | 3,948,472,073 | 12.98 | 56.8 | 7.36 | 23 |
| Newington | 1,271,862,730 | 1,284,727,165 | 7.88 | 99.2 | 7.44 | 24 |
| Easton | 78,078,765 | 141,848,155 | 13.91 | 55.2 | 7.66 | 25 |

## MUNICIPAL AND PROPERTY DIVISION

**2024 Comparison of Full Value Tax Rates**
**Average Level of Assessments (Ratio) Shown in Column 5**
**Ranking Order**

| Municipality | 2024 Modifield Local Assessed Value | 2024 Total Equalized Valuation Including Utilities and Railroad | 2024 Local Tax Rate | 2024 Equalization Ratio | Full Value Tax Rate | Rank |
|---|---|---|---|---|---|---|
| Errol | 140,846,397 | 166,806,731 | 9.22 | 85.6 | 7.81 | 26 |
| Center Harbor | 766,500,535 | 1,038,586,902 | 10.69 | 73.8 | 7.88 | 27 |
| Pinkham's Grant | 2,961,230 | 8,333,553 | 13.66 | 60.4 | 8.06 | 28 |
| Monroe | 597,283,893 | 717,701,568 | 10.66 | 83.2 | 8.07 | 29 |
| Madison | 613,061,561 | 1,185,297,325 | 15.77 | 51.8 | 8.14 | 30 |
| Sunapee | 2,419,382,716 | 2,932,501,794 | 10.01 | 82.5 | 8.24 | 31 |
| Wolfeboro | 2,481,617,637 | 4,765,416,784 | 15.90 | 52.1 | 8.27 | 32 |
| Eaton | 147,574,711 | 223,792,984 | 12.81 | 65.9 | 8.44 | 33 |
| Ellsworth | 20,177,094 | 36,638,939 | 15.21 | 55.7 | 8.46 | 34 |
| Stark | 157,611,198 | 198,733,325 | 10.86 | 79.7 | 8.55 | 35 |
| Benton | 55,110,197 | 54,083,205 | 8.37 | 103.3 | 8.60 | 36 |
| Meredith | 3,916,259,153 | 4,670,382,751 | 10.26 | 84.1 | 8.61 | 37 |
| Sandwich | 816,061,391 | 847,387,369 | 9.05 | 96.4 | 8.70 | 38 |
| Windsor | 37,770,789 | 58,398,673 | 13.56 | 64.6 | 8.76 | 39 |
| Pittsburg | 601,104,455 | 657,678,126 | 9.60 | 92.5 | 8.85 | 40 |
| Carroll | 638,511,084 | 854,248,923 | 11.90 | 74.9 | 8.89 | 41 |
| New London | 2,069,211,739 | 2,676,664,592 | 11.61 | 77.3 | 8.95 | 42 |
| Gilford | 3,535,682,840 | 4,372,112,622 | 11.25 | 81.0 | 9.10 | 43 |
| Waterville Valley | 728,495,510 | 723,210,114 | 9.04 | 100.9 | 9.11 | 44 |
| Franconia | 431,793,949 | 753,148,979 | 15.98 | 57.4 | 9.16 | 45 |
| Dummer | 185,503,822 | 163,316,758 | 8.72 | 113.7 | 9.39 | 46 |
| Woodstock | 294,432,922 | 631,829,427 | 20.32 | 46.8 | 9.47 | 47 |
| Conway | 3,244,190,600 | 3,782,415,877 | 11.32 | 85.8 | 9.66 | 48 |
| Newbury | 1,677,549,480 | 1,729,942,035 | 10.02 | 97.2 | 9.73 | 49 |
| Seabrook | 4,623,544,662 | 5,177,539,871 | 11.72 | 89.3 | 9.97 | 50 |
| Atkinson | 1,609,208,023 | 2,001,497,850 | 12.92 | 80.4 | 10.31 | 51 |
| Tilton | 1,079,564,801 | 1,109,924,898 | 10.80 | 97.3 | 10.46 | 52 |
| North Hampton | 1,806,185,400 | 2,191,943,053 | 12.80 | 82.4 | 10.46 | 52 |
| Columbia | 89,149,176 | 185,101,228 | 22.28 | 48.2 | 10.51 | 53 |
| Portsmouth | 10,137,278,797 | 10,657,151,131 | 11.18 | 96.0 | 10.64 | 54 |
| Croydon | 126,226,933 | 176,502,241 | 14.99 | 71.5 | 10.64 | 54 |
| Stoddard | 462,126,040 | 497,940,366 | 11.76 | 92.8 | 10.84 | 55 |
| Ossipee | 1,540,153,570 | 1,616,220,412 | 11.60 | 95.3 | 11.01 | 56 |
| Hanover | 2,736,203,395 | 4,372,617,585 | 17.68 | 62.6 | 11.06 | 57 |
| Greenland | 1,417,775,500 | 1,656,203,552 | 12.99 | 85.6 | 11.06 | 57 |
| Brookfield | 242,558,320 | 243,285,522 | 11.16 | 99.7 | 11.11 | 58 |
| Lyman | 77,914,042 | 149,901,246 | 21.65 | 51.9 | 11.19 | 59 |
| Harrisville | 350,084,516 | 376,247,143 | 12.04 | 93.1 | 11.20 | 60 |
| Hampton | 6,120,420,200 | 6,659,861,442 | 12.32 | 91.9 | 11.22 | 61 |
| Washington | 373,584,855 | 505,408,222 | 15.24 | 73.9 | 11.25 | 62 |
| Sugar Hill | 328,252,684 | 331,562,211 | 11.49 | 99.0 | 11.35 | 63 |
| New Hampton | 591,895,576 | 680,109,257 | 13.25 | 87.3 | 11.46 | 64 |

## MUNICIPAL AND PROPERTY DIVISION

**2024 Comparison of Full Value Tax Rates**
**Average Level of Assessments (Ratio) Shown in Column 5**
**Ranking Order**

| Municipality | 2024 Modifield Local Assessed Value | 2024 Total Equalized Valuation Including Utilities and Railroad | 2024 Local Tax Rate | 2024 Equalization Ratio | Full Value Tax Rate | Rank |
|---|---|---|---|---|---|---|
| Thornton | 966,363,557 | 956,318,325 | 11.37 | 101.1 | 11.47 | 65 |
| Bristol | 565,099,492 | 1,160,895,587 | 23.62 | 48.8 | 11.49 | 66 |
| Sanbornton | 966,069,841 | 1,068,992,908 | 12.81 | 90.5 | 11.57 | 67 |
| Clarksville | 50,121,489 | 100,024,752 | 21.71 | 53.9 | 11.64 | 68 |
| New Durham | 639,977,460 | 1,057,460,303 | 19.43 | 60.5 | 11.73 | 69 |
| Wentworth | 132,557,249 | 248,476,922 | 22.20 | 53.3 | 11.79 | 70 |
| Laconia | 4,464,657,531 | 5,091,989,954 | 13.63 | 88.3 | 11.88 | 71 |
| Northfield | 622,489,717 | 740,103,789 | 14.77 | 84.7 | 11.92 | 72 |
| Randolph | 137,554,191 | 128,044,516 | 11.14 | 108.1 | 11.93 | 73 |
| Shelburne | 79,966,237 | 123,075,206 | 18.95 | 65.3 | 12.11 | 74 |
| Strafford | 730,295,100 | 1,187,282,863 | 19.76 | 61.5 | 12.12 | 75 |
| Stratham | 2,575,591,486 | 2,725,468,772 | 13.12 | 94.5 | 12.35 | 76 |
| Candia | 939,436,373 | 969,481,746 | 12.86 | 96.9 | 12.36 | 77 |
| Auburn | 1,433,323,607 | 1,578,041,137 | 13.47 | 92.4 | 12.40 | 78 |
| Dalton | 156,249,297 | 187,755,969 | 15.06 | 83.2 | 12.42 | 79 |
| Nottingham | 852,533,701 | 1,386,462,671 | 20.46 | 61.5 | 12.43 | 80 |
| Alexandria | 300,733,421 | 455,216,734 | 19.03 | 66.1 | 12.49 | 81 |
| Salem | 6,686,561,702 | 9,345,870,174 | 17.60 | 71.6 | 12.51 | 82 |
| Jefferson | 165,549,711 | 262,994,953 | 19.99 | 63.0 | 12.52 | 83 |
| South Hampton | 270,767,721 | 296,171,082 | 13.80 | 91.4 | 12.52 | 83 |
| Chesterfield | 623,672,545 | 1,003,301,375 | 20.24 | 62.3 | 12.55 | 84 |
| Goshen | 85,329,277 | 157,962,507 | 23.32 | 54.0 | 12.56 | 85 |
| Northwood | 973,050,227 | 1,185,593,387 | 15.57 | 82.1 | 12.62 | 86 |
| Kensington | 691,276,772 | 713,362,325 | 13.21 | 96.9 | 12.68 | 87 |
| Hampton Falls | 880,240,835 | 981,522,586 | 14.32 | 89.7 | 12.79 | 88 |
| Salisbury | 252,982,952 | 316,286,564 | 16.21 | 81.2 | 13.04 | 89 |
| Webster | 380,114,126 | 448,009,653 | 15.53 | 85.3 | 13.16 | 90 |
| Nelson | 169,228,481 | 227,053,515 | 17.71 | 74.6 | 13.17 | 91 |
| Franklin | 1,162,256,462 | 1,477,866,097 | 17.15 | 78.8 | 13.18 | 92 |
| Hudson | 5,057,101,711 | 6,213,444,156 | 16.45 | 81.4 | 13.24 | 93 |
| Manchester | 13,401,719,267 | 19,582,348,514 | 19.58 | 68.7 | 13.30 | 94 |
| Litchfield | 1,230,631,320 | 1,898,061,434 | 20.78 | 64.9 | 13.37 | 95 |
| Windham | 3,205,426,200 | 5,397,097,049 | 22.64 | 59.4 | 13.37 | 95 |
| Loudon | 729,104,703 | 1,264,552,232 | 23.25 | 58.0 | 13.40 | 96 |
| Stewartstown | 204,044,347 | 240,089,339 | 15.98 | 84.9 | 13.48 | 97 |
| Richmond | 173,033,425 | 225,732,093 | 17.86 | 76.6 | 13.61 | 98 |
| Milan | 153,579,186 | 259,537,014 | 23.33 | 59.2 | 13.63 | 99 |
| Littleton | 875,693,086 | 1,577,577,858 | 24.94 | 55.9 | 13.63 | 99 |
| Middleton | 368,503,699 | 416,790,941 | 15.54 | 88.4 | 13.66 | 100 |
| Rollinsford | 492,099,849 | 592,380,518 | 16.41 | 83.4 | 13.66 | 100 |
| Hill | 203,365,970 | 201,869,063 | 13.46 | 102.0 | 13.68 | 101 |
| Milton | 958,833,884 | 970,442,754 | 13.95 | 98.9 | 13.69 | 102 |

## MUNICIPAL AND PROPERTY DIVISION

**2024 Comparison of Full Value Tax Rates**
**Average Level of Assessments (Ratio) Shown in Column 5**
**Ranking Order**

| Municipality | 2024 Modifield Local Assessed Value | 2024 Total Equalized Valuation Including Utilities and Railroad | 2024 Local Tax Rate | 2024 Equalization Ratio | Full Value Tax Rate | Rank |
|---|---|---|---|---|---|---|
| Londonderry | 6,437,647,763 | 7,522,892,794 | 16.14 | 86.3 | 13.72 | 103 |
| Warren | 110,716,497 | 181,337,547 | 22.75 | 61.2 | 13.78 | 104 |
| Rindge | 773,508,251 | 1,402,337,575 | 25.31 | 55.2 | 13.83 | 105 |
| Danville | 600,497,558 | 944,161,438 | 22.11 | 63.6 | 13.92 | 106 |
| Rochester | 5,323,486,993 | 5,546,851,049 | 14.85 | 97.4 | 13.92 | 106 |
| Farmington | 1,060,890,628 | 1,097,961,021 | 14.88 | 96.8 | 14.00 | 107 |
| Bethlehem | 526,352,069 | 640,423,392 | 17.18 | 82.5 | 14.09 | 108 |
| Pelham | 2,805,058,543 | 3,618,001,320 | 18.34 | 77.6 | 14.11 | 109 |
| Tamworth | 726,834,263 | 744,697,730 | 14.43 | 98.4 | 14.14 | 110 |
| Bedford | 6,268,838,404 | 6,962,869,576 | 15.81 | 90.1 | 14.15 | 111 |
| Epsom | 524,294,606 | 983,168,401 | 26.64 | 53.4 | 14.16 | 112 |
| Merrimack | 5,007,941,464 | 7,206,230,416 | 20.69 | 69.5 | 14.27 | 113 |
| Springfield | 248,534,662 | 410,501,440 | 23.66 | 60.6 | 14.27 | 113 |
| Weare | 1,305,227,191 | 1,854,249,543 | 20.39 | 70.5 | 14.29 | 114 |
| Danbury | 182,626,497 | 280,326,488 | 22.00 | 65.1 | 14.29 | 114 |
| Newfields | 459,551,015 | 514,010,756 | 16.09 | 89.4 | 14.29 | 114 |
| Rumney | 375,092,027 | 376,956,683 | 14.44 | 99.6 | 14.32 | 115 |
| Grantham | 767,953,252 | 1,049,072,054 | 19.61 | 73.2 | 14.32 | 115 |
| Raymond | 1,379,910,566 | 2,072,596,187 | 21.91 | 66.6 | 14.39 | 116 |
| Surry | 138,863,072 | 163,850,800 | 16.82 | 86.5 | 14.50 | 117 |
| Hollis | 2,325,855,286 | 2,822,539,225 | 17.73 | 82.4 | 14.50 | 117 |
| New Ipswich | 875,350,506 | 913,667,343 | 15.22 | 95.8 | 14.50 | 117 |
| Acworth | 123,846,016 | 229,696,664 | 27.04 | 53.8 | 14.53 | 118 |
| Gilsum | 138,733,135 | 137,636,168 | 14.54 | 100.8 | 14.54 | 119 |
| Canterbury | 380,735,689 | 589,665,320 | 22.68 | 64.6 | 14.55 | 120 |
| Barnstead | 1,082,374,713 | 1,209,196,428 | 16.31 | 89.5 | 14.56 | 121 |
| Hooksett | 3,247,172,893 | 3,698,491,946 | 16.96 | 87.9 | 14.59 | 122 |
| Belmont | 1,502,021,206 | 1,602,422,804 | 15.74 | 93.8 | 14.61 | 123 |
| Nashua | 16,806,394,706 | 17,997,701,987 | 15.90 | 93.8 | 14.62 | 124 |
| Andover | 572,729,323 | 567,078,768 | 14.64 | 101.0 | 14.69 | 125 |
| Dunbarton | 426,297,249 | 760,530,241 | 26.38 | 56.4 | 14.79 | 126 |
| Sharon | 105,655,908 | 109,575,016 | 15.36 | 96.4 | 14.80 | 127 |
| Hancock | 303,610,865 | 513,028,888 | 25.11 | 59.5 | 14.84 | 128 |
| Lyndeborough | 225,705,282 | 390,940,553 | 25.86 | 57.7 | 14.84 | 128 |
| Gilmanton | 1,060,799,201 | 1,048,342,023 | 14.74 | 101.2 | 14.88 | 129 |
| Chester | 1,167,919,043 | 1,254,413,026 | 16.36 | 93.1 | 14.95 | 130 |
| Ashland | 455,151,865 | 555,767,560 | 18.39 | 82.0 | 14.99 | 131 |
| Enfield | 1,074,048,992 | 1,158,550,240 | 16.91 | 92.7 | 15.00 | 132 |
| Kingston | 1,391,170,426 | 1,523,871,630 | 16.61 | 91.3 | 15.01 | 133 |
| Bath | 155,121,479 | 253,390,885 | 23.43 | 64.7 | 15.02 | 134 |
| Sutton | 332,978,078 | 593,406,841 | 26.94 | 56.1 | 15.04 | 135 |
| Deerfield | 800,809,208 | 1,295,834,589 | 24.61 | 61.8 | 15.04 | 135 |

## MUNICIPAL AND PROPERTY DIVISION

**2024 Comparison of Full Value Tax Rates**
**Average Level of Assessments (Ratio) Shown in Column 5**
**Ranking Order**

| Municipality | 2024 Modifield Local Assessed Value | 2024 Total Equalized Valuation Including Utilities and Railroad | 2024 Local Tax Rate | 2024 Equalization Ratio | Full Value Tax Rate | Rank |
|---|---|---|---|---|---|---|
| Sandown | 1,166,194,000 | 1,359,179,103 | 17.72 | 85.8 | 15.05 | 136 |
| Stratford | 99,382,126 | 185,388,711 | 28.51 | 53.8 | 15.06 | 137 |
| Greenville | 228,384,322 | 255,566,065 | 16.73 | 90.4 | 15.07 | 138 |
| Epping | 1,043,374,996 | 1,756,680,313 | 25.23 | 60.2 | 15.08 | 139 |
| Barrington | 1,886,546,518 | 2,169,228,848 | 17.59 | 87.0 | 15.15 | 140 |
| Dorchester | 90,135,345 | 87,917,796 | 14.90 | 102.6 | 15.25 | 141 |
| Wilmot | 234,017,244 | 389,923,410 | 25.60 | 60.0 | 15.30 | 142 |
| Landaff | 60,796,298 | 102,645,646 | 25.87 | 59.5 | 15.32 | 143 |
| Plaistow | 1,403,630,456 | 1,876,510,247 | 20.72 | 74.8 | 15.35 | 144 |
| Mason | 217,799,086 | 360,521,332 | 25.55 | 60.4 | 15.38 | 145 |
| Bradford | 459,010,544 | 466,486,971 | 15.73 | 98.4 | 15.44 | 146 |
| Brentwood | 759,912,876 | 1,229,560,179 | 25.17 | 61.8 | 15.47 | 147 |
| Lempster | 133,359,238 | 281,546,138 | 28.86 | 54.0 | 15.51 | 148 |
| Durham | 1,882,902,391 | 2,489,181,140 | 20.33 | 77.6 | 15.58 | 149 |
| Walpole | 759,107,443 | 824,193,874 | 17.11 | 92.1 | 15.66 | 150 |
| Newton | 661,492,348 | 1,063,477,634 | 25.37 | 62.2 | 15.69 | 151 |
| Chichester | 557,770,628 | 612,850,942 | 17.33 | 91.0 | 15.70 | 152 |
| Troy | 261,104,045 | 305,348,791 | 18.59 | 85.5 | 15.72 | 153 |
| Cornish | 357,444,310 | 367,066,424 | 16.19 | 97.5 | 15.73 | 154 |
| Martin's Location | 591,900 | 1,104,635 | 26.07 | 60.4 | 15.75 | 155 |
| Exeter | 3,680,184,775 | 3,929,989,978 | 17.79 | 93.7 | 15.75 | 155 |
| Fremont | 567,613,298 | 945,984,871 | 26.37 | 60.0 | 15.75 | 155 |
| Alstead | 195,339,243 | 332,574,084 | 26.98 | 58.7 | 15.76 | 156 |
| Deering | 249,094,612 | 438,408,995 | 28.10 | 56.8 | 15.76 | 156 |
| Amherst | 2,431,905,276 | 3,501,616,483 | 22.93 | 69.5 | 15.80 | 157 |
| Milford | 2,094,412,219 | 3,106,656,496 | 23.67 | 67.5 | 15.86 | 158 |
| Whitefield | 431,724,284 | 445,926,807 | 16.40 | 97.4 | 15.88 | 159 |
| Campton | 862,452,849 | 926,006,743 | 17.22 | 93.2 | 15.95 | 160 |
| Lancaster | 450,736,614 | 542,522,426 | 19.18 | 83.8 | 16.00 | 161 |
| Westmoreland | 204,594,546 | 292,213,643 | 23.06 | 70.0 | 16.01 | 162 |
| Francestown | 410,856,706 | 409,631,401 | 16.06 | 100.3 | 16.07 | 163 |
| Fitzwilliam | 503,820,581 | 563,621,919 | 18.27 | 89.4 | 16.13 | 164 |
| Northumberland | 239,492,158 | 327,834,358 | 22.44 | 73.6 | 16.13 | 164 |
| Newmarket | 1,723,310,237 | 1,819,315,034 | 17.20 | 94.8 | 16.21 | 165 |
| Temple | 298,348,767 | 293,393,761 | 15.99 | 101.7 | 16.23 | 166 |
| East Kingston | 622,748,864 | 614,763,921 | 16.13 | 101.3 | 16.26 | 167 |
| Dover | 6,647,139,470 | 7,157,772,360 | 18.17 | 93.0 | 16.31 | 168 |
| Roxbury | 43,482,235 | 46,895,117 | 15.64 | 105.2 | 16.40 | 169 |
| Warner | 339,149,527 | 629,821,988 | 30.89 | 53.9 | 16.47 | 170 |
| Effingham | 218,220,842 | 360,747,113 | 27.52 | 60.5 | 16.58 | 171 |
| Winchester | 340,396,297 | 593,821,462 | 29.25 | 57.6 | 16.64 | 172 |
| Orange | 37,343,574 | 58,271,331 | 26.00 | 64.2 | 16.64 | 172 |

## MUNICIPAL AND PROPERTY DIVISION

**2024 Comparison of Full Value Tax Rates**
**Average Level of Assessments (Ratio) Shown in Column 5**
**Ranking Order**

| Municipality | 2024 Modifield Local Assessed Value | 2024 Total Equalized Valuation Including Utilities and Railroad | 2024 Local Tax Rate | 2024 Equalization Ratio | Full Value Tax Rate | Rank |
|---|---|---|---|---|---|---|
| Antrim | 439,025,696 | 567,112,999 | 20.79 | 80.8 | 16.70 | 173 |
| Derry | 5,775,178,335 | 6,256,276,413 | 18.69 | 92.4 | 16.75 | 174 |
| Jaffrey | 563,034,742 | 1,048,388,875 | 32.80 | 53.7 | 16.77 | 175 |
| Grafton | 143,280,266 | 258,902,441 | 30.60 | 55.3 | 16.86 | 176 |
| Pittsfield | 365,939,847 | 640,645,287 | 29.87 | 57.2 | 16.99 | 177 |
| New Boston | 963,327,741 | 1,339,653,896 | 23.79 | 71.9 | 17.02 | 178 |
| Concord | 5,407,808,354 | 8,716,671,711 | 27.69 | 62.4 | 17.05 | 179 |
| Hampstead | 2,099,742,709 | 2,257,818,987 | 18.54 | 93.1 | 17.08 | 180 |
| Piermont | 133,068,176 | 173,314,584 | 22.48 | 76.8 | 17.20 | 181 |
| Unity | 247,906,431 | 249,892,681 | 17.43 | 99.2 | 17.26 | 182 |
| Swanzey | 1,021,278,002 | 1,102,046,352 | 19.06 | 92.9 | 17.38 | 183 |
| Goffstown | 2,766,513,000 | 3,214,362,283 | 20.44 | 86.2 | 17.42 | 184 |
| Boscawen | 530,426,960 | 591,239,475 | 19.26 | 91.1 | 17.48 | 185 |
| Hillsborough | 605,057,258 | 1,141,697,614 | 33.44 | 53.0 | 17.58 | 186 |
| Plainfield | 551,666,633 | 546,779,815 | 17.60 | 100.9 | 17.58 | 186 |
| Somersworth | 1,928,557,480 | 2,041,702,976 | 18.70 | 95.0 | 17.67 | 187 |
| Sullivan | 119,312,090 | 120,875,105 | 18.09 | 98.7 | 17.75 | 188 |
| Colebrook | 194,222,626 | 379,708,729 | 34.97 | 51.4 | 17.86 | 189 |
| Dublin | 478,520,652 | 479,366,432 | 17.99 | 100.0 | 17.94 | 190 |
| Marlborough | 223,948,743 | 357,979,754 | 28.73 | 62.9 | 18.02 | 191 |
| Wilton | 572,092,325 | 778,848,819 | 24.87 | 73.5 | 18.20 | 192 |
| Bow | 2,073,175,398 | 2,117,663,889 | 19.78 | 97.9 | 18.24 | 193 |
| Haverhill | 704,980,962 | 747,491,598 | 19.44 | 94.6 | 18.34 | 194 |
| Lyme | 419,589,800 | 619,315,892 | 27.50 | 67.9 | 18.36 | 195 |
| Madbury | 311,867,769 | 486,516,161 | 29.19 | 64.1 | 18.41 | 196 |
| Lee | 746,347,621 | 1,028,205,671 | 25.77 | 72.6 | 18.44 | 197 |
| Langdon | 77,433,129 | 116,259,783 | 28.12 | 66.6 | 18.66 | 198 |
| Lebanon | 2,780,468,345 | 3,938,963,591 | 26.28 | 72.9 | 18.75 | 199 |
| Lisbon | 229,194,194 | 242,704,911 | 19.98 | 94.4 | 18.77 | 200 |
| Pembroke | 1,234,171,195 | 1,285,029,122 | 19.64 | 96.5 | 18.90 | 201 |
| Mont Vernon | 563,539,226 | 578,567,812 | 19.76 | 97.4 | 19.15 | 202 |
| Marlow | 75,208,325 | 121,161,254 | 31.00 | 62.2 | 19.20 | 203 |
| Canaan | 468,048,015 | 708,052,400 | 29.53 | 66.1 | 19.36 | 204 |
| Allenstown | 533,970,466 | 676,949,959 | 25.42 | 78.9 | 19.68 | 205 |
| Orford | 162,748,550 | 282,117,349 | 34.75 | 57.7 | 20.03 | 206 |
| Plymouth | 747,740,068 | 935,554,262 | 25.12 | 80.2 | 20.09 | 207 |
| Henniker | 753,826,574 | 879,140,612 | 23.90 | 86.1 | 20.34 | 208 |
| Peterborough | 952,384,175 | 1,353,883,827 | 32.50 | 70.6 | 20.86 | 209 |
| Newport | 747,430,965 | 863,235,086 | 24.31 | 87.0 | 20.93 | 210 |
| Charlestown | 346,589,286 | 600,867,891 | 36.36 | 58.0 | 20.94 | 211 |
| Hopkinton | 1,445,822,564 | 1,451,916,855 | 21.89 | 100.4 | 21.18 | 212 |
| Gorham | 386,895,955 | 512,725,453 | 28.29 | 76.4 | 21.40 | 213 |

## MUNICIPAL AND PROPERTY DIVISION

**2024 Comparison of Full Value Tax Rates**
**Average Level of Assessments (Ratio) Shown in Column 5**
**Ranking Order**

| Municipality | 2024 Modifield Local Assessed Value | 2024 Total Equalized Valuation Including Utilities and Railroad | 2024 Local Tax Rate | 2024 Equalization Ratio | Full Value Tax Rate | Rank |
|---|---|---|---|---|---|---|
| Brookline | 1,170,518,417 | 1,221,827,780 | 22.61 | 95.8 | 21.41 | 214 |
| Hinsdale | 442,142,860 | 595,005,772 | 29.39 | 74.3 | 21.47 | 215 |
| Bennington | 220,703,344 | 229,189,988 | 22.47 | 96.3 | 21.53 | 216 |
| Keene | 2,304,848,831 | 3,502,617,450 | 33.07 | 66.8 | 21.60 | 217 |
| Greenfield | 319,523,745 | 329,484,428 | 22.25 | 99.8 | 22.10 | 218 |
| Berlin | 755,423,894 | 1,047,509,060 | 30.89 | 76.8 | 23.42 | 219 |
| Claremont | 1,260,251,377 | 1,532,606,364 | 29.26 | 82.9 | 23.70 | 220 |
| State Total | 293,199,859,304 | 367,504,852,683 | | | | |

# The State of New Jersey
# TAX EXPENDITURE REPORT

**FISCAL YEAR 2027**

## Rising to the Mission: A More Affordable and Accountable New Jersey

**Mikie Sherrill | Governor**

**Dr. Dale Caldwell | Lt. Governor**

4702/8585

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# Introduction

A State Tax Expenditure Report must be included in the Governor's Annual Budget Message, pursuant to P.L. 2009, Chapter 189. This is New Jersey's sixteenth annual Tax Expenditure Report.

**WHAT IS A TAX EXPENDITURE?**

Usually, when we speak of expenditures made by the State (or other governments), we are referring to *direct expenditures.* These are the typical expenditures that comprise a state budget – money spent on the personnel, goods and services required to support state programs and policy priorities in areas such as education, transportation, public safety, health and welfare, environmental protection and others.

In some cases, rather than distributing funds directly, the State will instead support certain priorities by reducing the amount of revenue it would otherwise collect under existing taxes. Like direct expenditures, these targeted tax reductions – typically provided in the form of tax exemptions, exclusions, credits, deductions or special rates – support the State's programs and policy priorities and are referred to as *tax expenditures*.

Tax expenditures can:

- Reduce tax burdens for specific groups of taxpayers – both individuals and businesses;
- Lower or eliminate taxes on goods, services or transactions that would normally be taxed; or
- Combine these features by providing tax relief that targets certain types of income or transactions for specific groups of taxpayers.

Some tax expenditures are widely available and benefit many taxpayers: for example, the federal mortgage interest deduction that allows homeowners who itemize their deductions to subtract the interest portion of their mortgage payments from their income, thus lowering their overall income tax bill; or special exemptions that eliminate sales tax on food and clothing in many states. Other tax expenditures are more narrowly focused, such as incentives that encourage specific types of businesses to locate in certain areas in exchange for a reduction in their corporate or property tax liability.

What these examples share in common is that they reduce the total revenue that would otherwise be collected under these taxes. Thus, tax expenditures are essentially a form of spending executed through the tax code.

**WHAT ARE THE TYPES OF TAX EXPENDITURES?**

For the purposes of this report, the Division of Taxation considers "tax expenditures" to be only those tax-revenue-reducing provisions explicitly specified under State law. These generally fall into five categories of preferential tax treatment: exemptions, exclusions, deductions, credits and direct property tax relief. These five categories are defined as follows:

**Exemptions** are categories of goods (or certain uses of those goods) or services that by law cannot be taxed. For example, prescription drugs are exempt under the New Jersey Sales and Use Tax law, as are food and clothing, as noted above. These expenditures often are not required to be reported. Social Security income is exempt for New Jersey Income Tax purposes and does not need to be reported on the State Income Tax return. Some exemptions, such as the Personal Exemption and Veteran Personal Exemption, represent reductions in taxable income intended to recognize certain unspecified personal costs incurred by individuals. (Other reductions in taxable income are classified as deductions, as described below).

**Exclusions** are similar in nature to exemptions**,** but may apply to only a portion of that otherwise-taxed category. For example, unlike Social Security income, only a portion of pension income is nontaxable. The portion of pension income not subject to tax is referred to as the Pension Exclusion.

**Deductions** reduce the amount of income or business receipts that are subject to tax. These reductions are usually tied to a particular type of expense that was incurred – for example, mortgage interest or alimony paid. Deductions may reduce taxable income by a specified dollar amount or a percentage of the expense incurred, and may be available broadly or to a specific category of recipient. Deductions are provided for any number of reasons, including the avoidance of double taxation on items that may have been taxed already. Common New Jersey Income Tax deductions include certain medical expenses and alimony.

**Credits** are direct reductions from the amount of taxes that must be paid. Because tax credits directly reduce the amount of taxes collected, they generally have a greater effect on revenues than exemptions, exclusions or deductions. Credits may result in refunds to taxpayers having no tax liability, as in the case of the New Jersey Earned Income Tax Credit.

**Direct Property Tax Relief** refers to direct payments from governmental entities to taxpayers who have completed the appropriate forms, in order to offset their local property tax burden.

## WHAT'S IN THIS REPORT?

This report provides estimates of the dollar amounts by which New Jersey's tax expenditures reduce the final tax liability of individuals and businesses in the State. The estimates herein best reflect current law at the time of publication of this report, and do not assume or reflect policy changes recommended at the time of the Governor's Budget Message. The tax expenditures included in this report are grouped according to the taxes to which they apply. They are first presented in a comprehensive table organized by tax and type of tax expenditure, and are then explained in greater detail throughout the tax-specific sections that follow.

P.L. 2009, Chapter 189, requires the publication of all State tax expenditures made in the last completed fiscal year, the current fiscal year and the fiscal year to which the budget message applies. For the purposes of this report, those years are FY 2025, FY 2026 and FY 2027. The tax expenditure numbers for FY 2026 are estimated based on the first six months of actual data from FY 2026.

In addition to the estimates of the value of the tax expenditures, the law requires this report to include the following information, provided in the detailed sections of the report:

- Citation of the enabling legislation;
- Effective date of the tax expenditure;
- Objective of the tax expenditure;
- Description of the tax expenditure;
- Data source used for the estimate; and
- A measure of the reliability of the estimate.

While there are provisions in the tax code that represent direct expenditures or that aid in the efficient collection of revenue, the compilers of this report have made every effort to include only those provisions that represent actual tax expenditures as described above.

### RELIABILITY OF THE ESTIMATES

Every estimate of the fiscal impact of a tax expenditure provided in this report is assigned a reliability rating on a scale of 1 to 4, 1 being the most reliable and 4 being the least. The rating takes into account the source and quality of the available data and the associated methodology used in calculating the estimated revenue foregone as a result of the given exemption, credit, deduction or exclusion. While estimates of the fiscal impact of many tax expenditures can be calculated directly from information reported on tax returns, others by necessity must be derived from incomplete or aggregate data from tax returns, from other State government agencies or from external sources such as federal agencies and market studies. **As such, estimates in the report should be understood in the context of their reliability ratings and are subject to change annually as new data become available and methodologies for estimating are revisited.** The ratings scale is provided below. Both the numeric rating and its definition are provided with the description of each tax expenditure for which an estimate is provided.

| Reliability Rating | Definition |
|---|---|
| 1 | Based on the population of verified tax returns. |
| 2 | Based on a sample of verified tax returns. |
| 3 | Based on unverifiable tax records or information from other State and/or federal government agencies. |
| 4 | Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources. |

The table below provides the distribution of ratings for tax expenditures under three major taxes and other taxes. Each column provides the rating distribution within a given tax. For example, under the Gross Income Tax, out of 48 tax expenditure estimates, four have a reliability rating of 1, 28 have a reliability rating of 2, and so on. Reading across the rows gives the distribution of each rating across taxes. For example, out of 39 tax expenditure estimates with a reliability rating of 1, there are four under the Gross Income Tax, none under the Sales and Use Tax, 11 under the Corporation Business Tax and 24 under other taxes.

**Reliability Ratings by Tax**

| Rating | GIT | SUT | CBT | Other | Total |
|---|---|---|---|---|---|
| **1** | 4 | 0 | 11 | 24 | **39** |
| **2** | 28 | 0 | 0 | 2 | **30** |
| **3** | 3 | 6 | 17 | 5 | **31** |
| **4** | 13 | 32 | 1 | 0 | **46** |
| **Total** | **48** | **38** | **29** | **31** | **146** |

# What is New in This Edition?

The Tax Expenditure Report is formatted to highlight the costs of various tax incentives and tax-related benefits provided by the State of New Jersey. Some incentives are used to comply with Federal law or are required by the State Constitution.

This report contains estimates for the previous, current, and next fiscal year. In some cases, estimates will differ from the corresponding figures in a prior report. This is either because the data has been revised to reflect the most up-to-date figures or because improved techniques have been used to estimate the expenditures.

This edition includes updates in the following tax expenditures:

**Gross Income Tax**

The Family Leave Benefit Exclusion estimate, under the Gross Income Tax, has been broken out from the Temporary Disability Exclusion estimate, and reported separately in this year's report.

An exclusion of exempt gross income for certain net capital gains or income derived from the sale, exchange, or other disposition of qualified small business stock to the extent such gains or income are exempt from federal taxation, is available under the Gross Income Tax.

The Angel Investor Tax Credit rates, under the Gross Income Tax, are increased from 20 percent of the qualified investment made by a taxpayer to 35 percent; the higher credit amount of 25 percent of the qualified investment allowed to taxpayers (meeting certain requirements) is increased to 40 percent.

**Sales and Use Tax**

Beginning July 1, 2025, the sale of zero emission vehicles is taxed at the full statutory Sales and Use Tax rate, which is currently 6.625 percent, due to the Sales and Use Tax exemption on the sale of such vehicles phasing-out on June 30, 2025.

**Corporation Business Tax**

The Angel Investor Tax Credit rates, under the Corporation Business Tax, are increased from 20 percent of the qualified investment made by a taxpayer to 35 percent; the higher credit amount of 25 percent of the qualified investment allowed to taxpayers (meeting certain requirements) is increased to 40 percent.

The New Jersey Film and Digital Media Tax Credit rate, under the Corporation Business Tax, is increased from 35 percent to 40 percent of a company's qualified production expenses, as approved by the New Jersey Economic Development Authority.

The Brownfields Redevelopment Incentive Program, a tax credit program to incentivize environmental remediation, abatement, and demolition activities to allow for the redevelopment of brownfields sites, as approved by the New Jersey Economic Development Authority, is included in this year's report.

The Next New Jersey Manufacturing Program, a tax credit program intended to foster job growth by encouraging manufacturing facilities to establish and expand their physical presence in New Jersey, as approved by the New Jersey Economic Development Authority, is included in this year's report.

The New Jersey Housing and Mortgage Finance Agency is authorized to conduct tax credit auctions to provide financial assistance to support the development of certain housing programs. Purchasers who receive a tax credit through the auction may apply the credit against their Corporation Business Tax liability for the current privilege period of the date the credit was approved.

**Insurance Premiums Tax**

The New Jersey Housing and Mortgage Finance Agency is authorized to conduct tax credit auctions to provide financial assistance to support the development of certain housing programs. Purchasers who receive a tax credit through the auction may apply the credit against their Insurance Premiums Tax liability for the current privilege period of the date the credit was approved.

**Local Property Tax Supported by State Government**

The Property Tax Reimbursement program, also known as Senior Freeze, was amended to include disabled individuals under age 65 who receive federal Railroad Retirement Disability payments, and who meet all other program eligibility requirements. Previously, the program only included eligible disabled individuals under age 65 who received federal Social Security Disability payments.

# Summary of Identifiable State Tax Expenditures

**($millions)**

| | | Fiscal Year 2025 | 2026 | 2027 |
|---|---|---|---|---|
| **Gross Income Tax** | | | | |
| ***Credit*** | | | | |
| 3 | New Jersey Angel Investor Tax Credit Act | 19.4 | 35.0 | 35.0 |
| 13 | Credit for Taxes Paid to Other Jurisdiction(s) | 4,462.5 | 4,698.2 | 4,932.5 |
| 30 | Filing Threshold – Gross Income Under $20,000 | 115.4 | 119.4 | 130.0 |
| 40 | New Jersey Earned Income Tax Credit | 603.6 | 619.1 | 628.1 |
| 46 | Property Tax Credit | 36.4 | 36.3 | 35.9 |
| 53 | Sheltered Workshop Tax Credit | 0.1 | 0.1 | 0.1 |
| 62 | Child and Dependent Care Tax Credit | 23.0 | 23.8 | 23.8 |
| 63 | Child Tax Credit | 220.7 | 216.1 | 207.4 |
| 64 | Organ/Bone Marrow Donation Deduction/Credit | 0.2 | 0.2 | 0.2 |
| 67 | Gold Star Family Counseling Credit | 0.1 | 0.1 | 0.1 |
| 68 | Wounded Warriors Caregivers Credit | 0.1 | 0.1 | 0.1 |
| ***Deduction/Exemption*** | | | | |
| 2 | Alimony and Separate Maintenance Payments | 38.7 | 40.6 | 42.7 |
| 16 | Deductions from Business Income | 1,083.1 | 1,110.8 | 1,171.2 |
| 17 | Deductions from Rents, Royalties, Patents and Copyrights | 648.6 | 718.9 | 780.7 |
| 19 | Dependents Attending College | 11.4 | 11.9 | 12.5 |
| 31 | Health Enterprise Zone Deduction | 1.4 | 1.5 | 1.5 |
| 37 | Medical Expenses | 532.5 | 569.4 | 608.6 |
| 47 | Property Tax Deduction | 732.5 | 749.9 | 787.0 |
| 48 | Qualified Conservation Contribution | 1.1 | 1.2 | 1.2 |
| 52 | Self-Employed Health Insurance Costs | 47.4 | 49.6 | 52.1 |
| 65 | New Jersey College Affordability Act Deductions | 16.0 | 16.0 | 16.5 |
| 66 | Alternative Business Calculation Adjustment | 178.3 | 182.9 | 192.9 |
| ***Exclusion*** | | | | |
| 7 | Capital Gain Exclusion on Sale of Principal Residence | 590.3 | 544.5 | 569.0 |

## Summary of Identifiable State Tax Expenditures
## ($millions)

| | | Fiscal Year 2025 | 2026 | 2027 |
|---|---|---|---|---|
| 11 | Child Support | 27.5 | 32.5 | 31.4 |
| 21 | Employee 401(k) Contributions | 300.1 | 322.7 | 330.2 |
| 23 | Employer 401(k) Contributions | 300.1 | 322.7 | 330.2 |
| 24 | Employer Contributions to Retirement Plans | 1,789.0 | 1,876.9 | 1,952.5 |
| 25 | Exempt Interest (Federal) Exclusion | 90.1 | 144.6 | 235.3 |
| 26 | Exempt Interest (State) Exclusion | 10.4 | 17.1 | 23.2 |
| 29 | Gifts and Inheritances | 635.6 | 651.9 | 667.1 |
| 36 | Lottery Winnings under $10,000 | 0.0 | 0.1 | 0.1 |
| 42 | Other Retirement Income Exclusion and Special Exclusion | 109.9 | 121.7 | 127.7 |
| 43 | Pension Exclusion | 424.6 | 470.0 | 493.1 |
| 44 | Permanent Disability Exclusion | 52.7 | 73.0 | 82.9 |
| 49 | Railroad Retirement Exclusion | 11.3 | 12.0 | 12.6 |
| 54 | Social Security Income Exclusion | 1,622.5 | 2,086.5 | 2,394.3 |
| 56 | Temporary Disability Exclusion | 32.6 | 34.5 | 35.8 |
| 58 | Family Leave Family Leave Benefit Exclusion | 20.0 | 21.6 | 22.4 |
| 57 | Unemployment Insurance Exclusion | 103.6 | 106.7 | 109.9 |
| 59 | Welfare Assistance Payment Estimate | 61.1 | 70.3 | 73.8 |
| 60 | Workers' Compensation Exclusion | 14.6 | 18.3 | 18.6 |
| 64 | Qualified Small Business Stock Capital Gains Exclusion | 0.0 | 0.0 | 26.7 |
| ***Exemption*** | | | | |
| 1 | Age 65 Years or Older Exemption | 48.5 | 51.0 | 53.2 |
| 4 | Blind/Disabled Exemption | 2.0 | 2.1 | 2.2 |
| 18 | Dependent Child Exemption | 172.2 | 181.1 | 189.0 |
| 41 | Other Dependent Exemptions | 10.5 | 11.0 | 11.5 |
| 55 | Taxpayer and Spouse/CU Partner | 230.5 | 238.6 | 238.3 |
| 61 | Veteran Personal Exemption | 29.9 | 31.4 | 32.8 |

**Summary of Identifiable State Tax Expenditures**
**($millions)**

| | | Fiscal Year 2025 | 2026 | 2027 |
|---|---|---|---|---|
| **Sales and Use Tax** | | | | |
| ***Exclusion*** | | | | |
| 4 | Bakery Items | 34.4 | 35.1 | 35.9 |
| 25 | Credit for Certain Property When Used as a Trade-in | 271.5 | 264.4 | 257.6 |
| 33 | Eggs, Fish, Meat and Poultry | 352.8 | 378.8 | 406.6 |
| 54 | Food Purchased With Food Stamps | 136.4 | 145.9 | 156.0 |
| 58 | Garbage Removal and Sewer Services (as defined in N.J.S.A. 54:32B-3(b)(4)) | 22.5 | 21.0 | 19.7 |
| 70 | Internet Access Service | 172.4 | 184.2 | 196.8 |
| 71 | Laundry and Dry Cleaning Services for Clothing | 94.8 | 98.5 | 102.3 |
| 78 | Massage Therapy Services (as defined in N.J.S.A. 54:32B-3(b)(9)) | 12.7 | 13.7 | 14.9 |
| 84 | Municipal Parking Charges | 11.1 | 11.3 | 11.4 |
| 91 | Participatory Sporting Activities | 147.5 | 162.0 | 177.9 |
| 104 | Purchases for Resale | 7,008.8 | 7,198.0 | 7,392.3 |
| 109 | Resale of Taxable Services | 393.6 | 403.4 | 413.4 |
| ***Exemption*** | | | | |
| 3 | Advertising To Be Published in a Newspaper | 8.8 | 8.3 | 7.9 |
| 7 | Broadcast Equipment (as defined in N.J.S.A. 54:32B-8.13(e)) | 6.1 | 6.1 | 6.2 |
| 14 | Charitable Organizations Exemption | 89.6 | 93.2 | 96.9 |
| 16 | Clothing and Footwear | 622.9 | 610.6 | 598.5 |
| 27 | Dietary Supplements | 23.8 | 22.3 | 20.9 |
| 30 | Disposable Household Paper Products | 31.9 | 32.9 | 34.0 |
| 34 | Electricity Sales, Exchanges and Delivery (as defined in N.J.S.A. 54:32B-8.46) | 13.0 | 13.1 | 13.3 |
| 40 | Exempt Organizations: State of New Jersey and Its Agencies | 681.5 | 731.1 | 784.2 |
| 43 | Exempt Organizations: United States of America | 485.5 | 498.4 | 511.5 |
| 46 | Feminine Hygiene Products | 9.1 | 9.5 | 10.0 |
| 50 | Firearm Storage Vaults | 0.2 | 0.2 | 0.2 |
| 53 | Food and Food Ingredients | 1,665.0 | 1,773.3 | 1,888.7 |
| 83 | Motor, Airplane and Railroad Fuels | 1,070.2 | 1,062.8 | 1,081.2 |

**Summary of Identifiable State Tax Expenditures**
**($millions)**

| | | Fiscal Year 2025 | 2026 | 2027 |
|---|---|---|---|---|
| 88 | Over-the-Counter Drugs | 77.6 | 80.4 | 83.4 |
| 94 | Prescribed Drugs and Medications | 697.3 | 697.4 | 697.5 |
| 99 | Property Purchased for Film or Video Productions | 15.1 | 14.6 | 14.1 |
| 101 | Prosthetic Devices | 75.4 | 80.3 | 86.6 |
| 106 | Recycling Equipment Purchases (as defined in N.J.S.A. 54:32B-8.36) | 0.3 | 0.3 | 0.3 |
| 113 | Salem County Reduced Sales Tax | 6.9 | 7.5 | 8.1 |
| 117 | School Textbooks | 2.9 | 2.8 | 2.6 |
| 121 | Sewing Materials | 3.9 | 3.7 | 3.6 |
| 123 | Solar Energy Devices and System Components | 18.2 | 21.9 | 26.4 |
| 131 | Urban Enterprise Zone Exempt Business Purchases | 26.3 | 33.6 | 30.1 |
| 138 | Metal Bullion and Certain Investment Coins | 4.9 | 5.3 | 5.8 |
| 139 | Contractor Supplies and Materials – Affordable Housing | 13.8 | 14.3 | 14.8 |
| Other | | | | |
| 132 | Urban Enterprise Zone Special Sales Tax Rate | 187.0 | 201.8 | 217.8 |

## Corporation Business Tax

***Credit***

| | | | | |
|---|---|---|---|---|
| 42 | The Economic Redevelopment and Growth Program | 78.5 | 70.9 | 63.6 |
| 43 | Grow New Jersey Assistance Program | 346.8 | 306.5 | 304.1 |
| 3 | New Jersey Angel Investor Tax Credit Act | 0.0 | 0.0 | 0.0 |
| 5 | AMA Tax Credit | 2.2 | 1.3 | 0.8 |
| 6 | Business Employment Incentive Program (BEIP) | 63.0 | 39.1 | 1.2 |
| 8 | Business Retention and Relocation Assistance Grants | 0.0 | 2.3 | 2.3 |
| 13 | Economic Recovery Tax Credit | 0.1 | 0.1 | 0.1 |
| 14 | Effluent Equipment Tax Credit | 0.1 | 0.1 | 0.1 |
| 16 | New Jersey Film and Digital Media Tax Credit | 183.1 | 181.3 | 239.7 |
| 19 | Manufacturing Equipment and Employment Investment Tax Credit | 10.0 | 9.6 | 9.3 |
| 20 | Neighborhood Revitalization State Tax Credit | 14.3 | 16.0 | 17.8 |

**Summary of Identifiable State Tax Expenditures**
**($millions)**

| | | Fiscal Year 2025 | 2026 | 2027 |
|---|---|---|---|---|
| 23 | New Jobs Investment Tax Credit | 7.8 | 7.8 | 7.8 |
| 27 | Redevelopment Authority Project Tax Credit | 0.0 | 0.0 | 0.0 |
| 29 | Research and Development Tax Credit | 355.3 | 392.4 | 433.3 |
| 30 | Sheltered Workshop Tax Credit | 0.0 | 0.0 | 0.0 |
| 31 | Urban Enterprise Zone Employee Tax Credit | 0.0 | 0.0 | 0.0 |
| 32 | Urban Enterprise Zone Investment Tax Credit 33 | 0.0 | 0.0 | 0.0 |
| 33 | Urban Transit Hub Tax Credit | 96.3 | 76.0 | 53.5 |
| 34 | New Jersey Innovation Evergreen Fund | 0.0 | 85.0 | 0.0 |
| 35 | Emerge Program | 0.0 | 15.6 | 16.8 |
| 36 | Food Desert Relief Program | 20.0 | 25.0 | 5.0 |
| 37 | Aspire Program | 0.0 | 8.9 | 58.8 |
| 38 | Low Carbon Concrete Products | 10.0 | 10.0 | 10.0 |
| 39 | Alternative Method of Depreciation | 16.4 | 15.9 | 15.4 |
| 40 | Next New Jersey Program | 0.0 | 0.0 | 0.0 |
| 41 | Historic Property Reinvestment Program | 0.0 | 0.0 | 43.1 |
| 42 | Brownfields Redevelopment Tax Credits | 0.0 | 0.0 | 10.0 |
| 43 | Next New Jersey Manufacturing Program | 0.0 | 0.0 | 0.0 |
| 44 | Housing and Mortgage Finance Agency - CBT and IPT tax credits | 0.0 | 0.0 | 0.0 |

## 9-1-1 System and Emergency Response Assessment

***Exemption***

| | | | | |
|---|---|---|---|---|
| 1 | Exempt Telephone Lines | 0.3 | 0.3 | 0.4 |

## Alcoholic Beverage Tax

***Exclusion***

| | | | | |
|---|---|---|---|---|
| 1 | Out-of-State Sales - Beer and Malt | 48.0 | 31.5 | 32.0 |
| 2 | Out-of-State Sales - Liquor | 6.7 | 5.1 | 5.2 |
| 3 | Out-of-State Sales - Still Wine | 30.4 | 21.9 | 22.2 |
| 4 | Out-of-State Sales - Vermouth/Sparking Wine/Apple Cider | 2.5 | 1.7 | 1.8 |

**Summary of Identifiable State Tax Expenditures**
**($millions)**

| | | Fiscal Year 2025 | 2026 | 2027 |
|---|---|---|---|---|
| **Cigarette Tax** | | | | |
| ***Credit*** | | | | |
| 1 | Director's Redemption of Certain Stamps | 0.9 | 0.9 | 1.0 |
| 2 | Distributor Discounts | 0.9 | 0.9 | 1.0 |
| **Domestic Security Fee** | | | | |
| ***Credit*** | | | | |
| 1 | Total Deductions | 1.0 | 1.0 | 1.0 |
| **Hotel/Motel Occupancy Fee** | | | | |
| ***Credit*** | | | | |
| 1 | Government Exemption | 3.5 | 2.5 | 2.6 |
| ***Deduction/Exemption*** | | | | |
| 2 | Permanent Resident Exemption | 9.6 | 10.7 | 11.1 |
| ***Exclusion*** | | | | |
| 3 | Rooms for Assembly | 1.0 | 1.4 | 1.5 |
| **Local Property Tax Support by State Government** | | | | |
| ***Deduction*** | | | | |
| 1 | Senior Citizens and Disabled Persons Property Tax Deduction | 6.8 | 6.4 | 5.7 |
| 2 | Veteran's Property Tax Deduction | 30.0 | 28.3 | 26.3 |
| ***Direct Property Tax Relief*** | | | | |
| 3 | Property Tax Reimbursement (Senior Freeze) | 215.4 | 295.6 | 311.6 |
| 4 | Affordable New Jersey Communities for Homeowners and Renters (ANCHOR) | 2,320.4 | 2,036.1 | 1,865.9 |

**Summary of Identifiable State Tax Expenditures**
**($millions)**

| | | Fiscal Year 2025 | 2026 | 2027 |
|---|---|---|---|---|
| 5 | Stay NJ Tax Credit Program | 0.0 | 541.4 | 1,157.7 |
| **Motor Fuels Tax** | | | | |
| ***Exemption*** | | | | |
| 1 | Exported Fuels | 0.0 | 0.0 | 0.0 |
| 2 | Fuel Used by Aircraft | 0.0 | 0.0 | 0.0 |
| 3 | Fuel Used by Ambulances | 0.1 | 0.1 | 0.1 |
| 4 | Fuel Used by Certain Agricultural Tractors and Farm Machinery | 0.0 | 0.0 | 0.0 |
| 5 | Fuel Used by Certain Autobuses | 0.4 | 0.4 | 0.4 |
| 6 | Fuel Used by Non-Highway Equipment | 0.6 | 0.6 | 0.6 |
| 7 | Off Road Use of On Road Vehicles | 0.3 | 0.3 | 0.3 |
| 8 | Total Exempt Government Sales | 1.4 | 1.4 | 1.4 |
| **Motor Vehicle Tire Fee** | | | | |
| ***Exemption*** | | | | |
| 1 | Exempt Tires Sales Times $1.50 Tire Fee | 3.5 | 3.8 | 1.8 |
| **Nursing Home Assessment** | | | | |
| ***Exemption*** | | | | |
| 1 | Exempt Days Times Rate | 19.9 | 16.6 | 15.3 |
| **Petroleum Products Gross Receipts Tax** | | | | |
| ***Exemption*** | | | | |
| 1 | Withdrawn for Use Outside New Jersey | 847.3 | 847.3 | 847.3 |
| **Realty Transfer Fee** | | | | |
| ***Deduction/Exemption*** | | | | |
| 1 | Exempt Sales Exceeding $1 million Where the Grantor Pays | 70.0 | 59.8 | 27.8 |
| ***Exemption*** | | | | |
| 2 | Partial Realty Transfer Fee Exemption (Sales Price Known) | 42.0 | 43.5 | 32.7 |

## Summary of Identifiable State Tax Expenditures
## ($millions)

| | | Fiscal Year 2025 | 2026 | 2027 |
|---|---|---|---|---|
| 3 | Total Realty Transfer Fee Exemption for Sales Price Less than $100 (Sales Price Known) | 164.0 | 159.1 | 93.8 |
| 4 | Total Realty Transfer Fee Exemption Where Such Sales Price Would Have Exceeded $100 (Sales Price Known) | 15.9 | 16.4 | 6.8 |

# Detail of Identifiable State Tax Expenditures

## Gross Income Tax
## Overview

### Description

This graduated tax is levied on gross income earned or received after June 30, 1976, by New Jersey resident and nonresident individuals, estates, and trusts.

### Rate

Marginal rates for tax years beginning on or after January 1, 2020, range from 1.4 percent to 10.75 percent

### Filing Threshold

For tax years beginning on or after January 1, 2001, the filing threshold is $10,000 or less for the entire year (single filers, married persons filing separately, and estates and trusts), and $20,000 or less for the entire year (married couples filing jointly, heads of household, and surviving spouses).

### Exemptions

- Taxpayer, $1,000
- Taxpayer's spouse/civil union partner or domestic partner who does not file separately, $1,000
- Taxpayer 65 years old or more, additional $1,000; same for spouse/civil union partner age 65 or older who does not file separately
- Blind or totally disabled taxpayer, additional $1,000; same for blind or totally disabled spouse/civil union partner who does not file separately
- Taxpayer's dependent child and other dependents, $1,500
- Taxpayer's dependent under age 22 and attending college full time, additional $1,000
- Veterans honorably discharged, $6,000; in addition to the $1,000 personal exemption

### Deductions

- Payments of alimony or for separate maintenance are deductible by the payer if reported as income by the payee
- Unreimbursed medical expenses in excess of 2 percent of gross income; qualified medical savings account contributions; and for the "self-employed," qualified health

insurance costs

- Property Tax Deduction, up to $15,000, if refundable credit is not taken
- Qualified Conservation Contributions
- Deduction for eligible taxpayers who provide primary care medical and/or dental services at a qualified practice located in or within five miles of a Health Enterprise Zone
- Organ or bone marrow donation deduction for unreimbursed expenses for travel, lodging, and lost wages related to the donation, up to $10,000
- New Jersey Better Educational Savings Trust (NJBEST) contributions, up to $10,000
- Principal and interest payment on student loans under the New Jersey College Loans to Assist State Students (NJCLASS), up to $2,500
- Tuition paid to an in-State higher learning institution, up to $10,000
- Deduction for the Alternative Business Calculation Adjustment

### Credits

- Payments of income or wage tax imposed by another state (or political subdivision) or by the District of Columbia, with respect to income subject to tax under this Act. This will not exceed the proportion of tax otherwise due that the amount of the taxpayer's income subject to tax by the other jurisdiction bears to the taxpayer's entire New Jersey income
- Amounts withheld by an employer and payments of estimated tax, including any payments made in connection with the sale or transfer of real property by a nonresident, estate, or trust
- Amounts paid by an S corporation on behalf of a shareholder
- Amounts paid by a partnership on behalf of a partner
- New Jersey Earned Income Tax Credit
- Excess unemployment and disability insurance contributions withheld
- Property Tax Credit, up to $250, if deduction is not taken
- Sheltered Workshop Tax Credit
- Garden State Film and Digital Media Jobs Act Credit
- Child and Dependent Care Tax Credit
- Organ/Bone Marrow Donation Credit for employers
- Child Tax Credit
- Angel Investor Tax Credit
- Gold Star Family Counseling Credit
- Wounded Warrior Caregivers Credit

## Disposition of Revenues

Revenues are deposited in the Property Tax Relief Fund to be used for the purpose of reducing or offsetting property taxes.

## Recent History

P.L. 2025, Chapter 67: The law provides an exclusion from New Jersey gross income of certain exempt net capital gains or income derived from the sale, exchange, or other disposition of qualified small business stock, to the extent such gains or income are exempt from federal taxation under section 1202 of the federal Internal Revenue Code. This law went into effect on July 1, 2025, and applies to taxable years beginning on or after January 1, 2026.

P.L. 2025, Chapter 71: The law increases the Angel Investor Tax Credit from 20 percent to 35 percent of the qualified investment made by the taxpayer, and from 25 percent to 40 percent for taxpayers meeting certain requirements. The law modifies the definition of "New Jersey based business" and "New Jersey emerging technology business" to decrease the employee threshold from fewer than 225 to fewer than 150. The value of credits cannot exceed $500,000 for each qualified investment made. The credit can be applied against a taxpayer's Gross Income Tax liability and must be allowed in the privilege period in which the taxpayer applied for the credit. The law also repeals the New Jersey Ignite Act. This law went into effect on June 30, 2025, and applies to any applications for the Angel Investor Tax Credit that are approved for taxable years and privilege periods beginning on or after January 1, 2026.

P.L. 2024, Chapter 1: The law allows GIT taxpayers to utilize an alternative method to calculate a depreciation deduction of eligible capital expenditures incurred in connection with the construction of new affordable housing developments, owned by the taxpayer.

P.L. 2023, Chapter 125: The law revises the statute of limitations for a taxpayer to adjust their credit for taxes paid to another jurisdiction if the taxpayer’s income is adjusted by another state. The law also establishes an employer convenience income sourcing rule for New Jersey. The law creates a tax credit for resident taxpayers that successfully challenges another state’s employer convenience income sourcing rules when working from a New Jersey location. The law establishes a pilot program within the Economic Development Authority to provide grants to qualifying businesses that reassign their New Jersey resident employees to New Jersey locations.

P.L. 2023, Chapter 72: The law doubles the benefit amount of the Child Tax Credit. This refundable tax credit is available to taxpayers with less than $80,000 in taxable income and who have children age five years and younger at the end of the taxable year.

P.L. 2023, Chapter 4: The law provides gross income tax credits for certain deliveries of low carbon concrete and for costs of conducting environmental product declaration analyses of low carbon concrete. For GIT filers, the credits may not reduce the taxpayer’s liability below zero.

Unused credits may be carried forward for up to seven tax years. The Division of Taxation can neither issue more than $10 million in tax credit certificates per year nor allow any taxpayer to obtain tax credits of more than $1 million in any tax year. This law went into effect on July 30, 2023, and applies to tax years beginning on or after January 1, 2024.

P.L. 2022, Chapter 125: The law codified the existing treatment of the cancellation of a disabled veteran's federal student loan debt for New Jersey Gross Income Tax purposes. The cancellation or forgiveness of debt income is currently not subject to New Jersey Gross Income Tax. The law codified this treatment as it applies specifically to certain federal student loan debt held by disabled veterans that is discharged through the Total and Permanent Disability discharge program of the U.S. Department of Education. This law went into effect on December 5, 2022.

P.L. 2022, Chapter 71: The law exempts compensation for services performed by a member of a district board of elections from Gross Income Tax, including any compensation paid to an election officer during an early voting period. This law went into effect on July 28, 2022.

P.L. 2022, Chapter 24 and P.L.2022, Chapter 115: The law created a refundable Child Tax Credit for resident taxpayers with taxable incomes of $80,000 or less. This credit is available for all filing statuses except married filing separate. The taxable income ranges and credit amounts are the same, regardless of filing status. A taxpayer could claim a tax credit amount of up to $500 per child under the age of six. This law applies to tax years beginning on or after January 1, 2022.

## 1 Age 65 Years or Older Exemption

**Citation:** N.J.S.A. 54A:3-1

**Effective Date:** 7/6/1976
**Applied Date:** 7/1/1976

**2027 Estimate:** $53,200,000

**Objective:** To provide tax relief to senior citizens.

**Description:** An exemption is allowable for the taxpayer 65 years of age or over at the close of the taxable year in the amount of $1,000. An exemption is also allowable for a taxpayer's spouse 65 years of age or over at the close of the taxable year in the amount of $1,000.

**Data Source:** Gross Income Tax Calculator.

**Reliability:** 2 Based on a sample of verified tax returns.

**Effectiveness:** Approximately 1,399,100 exemptions were claimed in Tax Year 2024.

## 2 Alimony and Separate Maintenance Payments

**Citation:** N.J.S.A. 54A:3-2

**Effective Date:** 7/8/1976
**Applied Date:** 7/1/1976

**2027 Estimate:** $42,700,000

**Objective:** To avoid double taxation of alimony payments, which are subject to Gross Income Tax payable by the recipient.

**Description:** A deduction is available for amounts paid as alimony to a former spouse, or to a spouse receiving separate maintenance pursuant to a court decree. Such amounts must be reported as income to the recipient of alimony or separate maintenance payments.

**Data Source:** Gross Income Tax Calculator.

**Reliability:** 2 Based on a sample of verified tax returns.

**Effectiveness:** Approximately 18,000 returns took this deduction in Tax Year 2024.

## 3 New Jersey Angel Investor Tax Credit Act

**Citation:** N.J.S.A. 54A:4-13

**Effective Date:** 1/31/2013 **2027 Estimate:** $35,000,000

**Applied Date:** 1/1/2012

**Objective:** To encourage investment in New Jersey technology businesses.

**Description:** Upon approval by the NJEDA, a taxpayer is allowed a credit against the Gross Income Tax (N.J.S.A. 54A:1-1 et seq.) amount due for the taxable year, of up to 40 percent of the qualified investment made in a New Jersey emerging technology business, up to a maximum allowed credit of $500,000 for the taxable year for each qualified investment made by the taxpayer. A maximum of up to $25 million in credits may be approved per calendar year.

**Data Source:** New Jersey Economic Development Authority

**Reliability:** 3 Based on unverifiable tax records or information from other State and/or federal government agencies. Current fiscal year value indicates the statutory maximum.

## 4 Blind/Disabled Exemption

**Citation**: N.J.S.A. 54A:3-1

**Effective Date:** 7/6/1976 **2027 Estimate:** $2,200,000

**Applied Date:** 7/1/1976

**Objective:** To provide tax relief for the blind and individuals with disabilities.

**Description:** A taxpayer is allowed a $1,000 exemption if the taxpayer was blind or disabled on the last day of the tax year. If a taxpayer is filing jointly, the taxpayer's spouse can take a $1,000 exemption if they were also blind or disabled on the last day of the tax year.

**Data Source:** Gross Income Tax Calculator.

**Reliability:** 2 Based on a sample of verified tax returns.

**Effectiveness:** Approximately 180,700 exemptions were claimed in Tax Year 2024.

## 7 Capital Gain Exclusion on Sale of Principal Residence

**Citation:** N.J.S.A. 54A:6-9.1

**Effective Date:** 3/20/1998 **2027 Estimate:** $569,000,000

**Objective:** This exclusion conforms the Gross Income Tax treatment of gains derived from the sale or exchange of a principal residence to a similar federal income tax exemption provided under the federal Taxpayer Relief Act of 1997.

**Description:** Gross income does not include up to $500,000 in gain from the sale of a personal residence, subject to certain timing restrictions similar to restrictions found in the parallel federal income tax exclusion.

**Data Source:** U.S. Internal Revenue Service

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

## 11 Child Support

**Citation:** N.J.S.A. 54A:5-1(n)

**Effective Date:** 7/8/1976 **2027 Estimate:** $31,400,000

**Objective:** As part of the original legislation which created the Gross Income Tax, the Legislature ensured child support is not included in gross income. This exclusion remains in effect.

**Description:** Child support payments received are not included in gross income.

**Data Source:** U.S. Department of Health and Human Services

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

## 13 Credit for Taxes Paid to Other Jurisdiction(s)

**Citation:** N.J.S.A. 54A:4-1
**Effective Date:** 7/7/1993 **2027 Estimate:** $4,932,500,000

**Objective:** To allow resident taxpayers who receive income from other taxing jurisdictions (work or derive income in other states or cities that impose tax on those earning income there) which is subject to tax both in New Jersey and in that other jurisdiction to take a credit for those taxes. The credit is the greater of the tax actually paid or a calculated amount representing the proportion of income subject to tax in the other jurisdiction as compared to income from all sources which is taxable to a New Jersey resident.

**Description:** A New Jersey resident is allowed a credit for tax paid to certain other jurisdictions when the income is subject to tax by both New Jersey and the outside jurisdiction.

**Data Source:** Gross Income Tax Calculator.

**Reliability:** 2 Based on a sample of verified tax returns.

**Effectiveness:** 527,700 returns used this credit in Tax Year 2024.

## 16 Deductions from Business Income

**Citation:** N.J.S.A. 54A:5-1(b)

**Effective Date:** 7/24/1998 **2027 Estimate:** $1,171,200,000

**Objective:** The allowance of legitimate business deductions from gross income realized from an unincorporated business, primarily the same deductions as allowed for federal income tax purposes, ensures that only net income is subject to the Income Tax.

**Description:** In calculating net income from the operation of a business, profession or other activity, taxpayers are permitted to deduct all costs and expenses incurred in the conduct of such business.

**Data Source:** U.S. Internal Revenue Service; NJ-1040 forms.

**Reliability:** 2 Based on a sample of verified tax returns.

**Effectiveness:** This deduction was reported on 832,600 returns reporting business income in Tax Year 2024.

## 17 Deductions from Rents, Royalties, Patents and Copyrights

**Citation:** N.J.S.A. 54A:5-1(d)

**Effective Date:** 7/24/1998 **2027 Estimate:** $780,700,000

**Objective:** To allow the recipients of rent, royalty, patent and copyright income to reduce gross income from these sources by the legitimate costs of earning such income.

**Description:** In calculating net income, taxpayers are permitted to deduct all costs and expenses.

**Data Source:** Gross Income Tax Calculator and IMF/IRTF file (IRS).

**Reliability:** 2 Based on a sample of verified tax returns.

**Effectiveness:** New Jersey, since the inception of the Income Tax, has allowed deductions for the vast majority of federally allowable business expenses including that for rents, royalties, patents and copyrights. This serves to simplify New Jersey's tax calculations. This deduction was reported on about 253,700 returns in Tax Year 2024.

## 18 Dependent Child Exemption

**Citation:** N.J.S.A. 54A:3-1

**Effective Date:** 7/12/1990 **2027 Estimate:** $189,000,000
**Applied Date:** 1/1/1991

**Objective:** To financially support child-rearing taxpayers.

**Description:** A taxpayer is allowed a $1,500 exemption for each dependent who qualifies as a dependent of the taxpayer during the taxable year for federal income tax purposes.

**Data Source:** Gross Income Tax Calculator.

**Reliability:** 2 Based on a sample of verified tax returns.

**Effectiveness:** Approximately 1.7 million exemptions were claimed in Tax Year 2024.

## 19 Dependents Attending College

**Citation:** N.J.S.A.54A:3-1.1

**Effective Date:** 9/2/1976 **2027 Estimate:** $12,500,000

**Objective:** To provide additional relief for taxpayers whose dependents were and are attending college.

**Description:** A deduction which reduces taxable income by $1,000 for each dependent claimed on the New Jersey tax return who is under age 22 for the entire tax year and is attending college full-time.

**Data Source:** Gross Income Tax Calculator.

**Reliability:** 2 Based on a sample of verified tax returns.

**Effectiveness:** Approximately 238,900 exemptions were claimed in Tax Year 2024.

## 21 Employee 401(k) Contributions

**Citation:** N.J.S.A. 54A:6-21

**Effective Date:** 1/1/1984 **2027 Estimate:** $330,200,000

**Objective:** Allows for employee contributions to their own 401(k) retirement fund to be excluded from gross income. This exclusion took effect January 1, 1984.

**Description:** Gross income does not include amounts contributed by an employee to a 401(k) retirement plan.

**Data Source:** U.S. Bureau of Economic Analysis; U.S. Bureau of Labor Statistics.

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

**Effectiveness:** It is assessed that this expenditure is effective as individuals enrolled in other pension or retirement plans seek the advantage of the 401(k) contribution exclusion.

## 23 Employer 401(k) Contributions

**Citation:** N.J.S.A. 54A:6-21

**Effective Date:** 1/1/1984 **2027 Estimate:** $330,200,000

**Objective:** Allows for employer contributions, on behalf of the employee, to an employee's 401(k) retirement fund to be excluded from gross income. This exclusion took effect January 1, 1984.

**Description:** Gross income does not include amounts contributed by an employer on behalf of and at the election of an employee to a 401k retirement plan.

**Data Source:** U.S. Bureau of Economic Analysis; U.S. Bureau of Labor Statistics.

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

**Effectiveness:** Effective January 1, 1984, 401(k) pension contributions were made allowable to reduce taxable annual income to assist taxpayers funding their own retirement.

## 24 Employer Contributions to Retirement Plans

**Citation:** N.J.S.A. 54A:6-10

**Effective Date:** 7/8/1976 **2027 Estimate:** $1,952,500,000
**Applied Date:** 8/30/1976

**Objective:** To encourage employer support of employee retirement.

**Description:** Employer contributions to employee retirement plans are not included in gross income for Gross Income Tax purposes.

**Data Source:** U.S. Bureau of Economic Analysis; U.S. Bureau of Labor Statistics.

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

**Effectiveness:** The Gross Income Tax Act does not require employer contributions to a retirement account to be taxed or reported as income by a recipient. This fosters employer support of employee retirement without consequence to the employee.

## 25 Exempt Interest (Federal) Exclusion

**Citation:** N.J.S.A. 54A:6-14

**Effective Date:** 7/8/1976 **2027 Estimate:** $235,300,000

**Objective:** Non-discretionary. Required under federal law.

**Description:** Gross income does not include interest on (or capital gain from) obligations of a U.S. agency, including such received through an investment fund.

**Data Source:** National income and product accounts, Bureau of Economic Analysis.

**Reliability:** 2 Based on a sample of verified tax returns.

**Effectiveness:** The federal government requires certain interest earned to be exempt. The State of New Jersey follows this requirement. This encourages the investment in government bonds and other similar instruments.

## 26 Exempt Interest (State) Exclusion

**Citation:** N.J.S.A. 54A:6-14

**Effective Date:** 7/8/1976 **2027 Estimate:** $23,200,000

**Objective:** The exemption of interest on New Jersey obligations was a part of the original Gross Income Tax Act as an attempt to encourage investment in New Jersey securities.

**Description:** Gross income does not include interest on obligations of a New Jersey State agency, Authority or a New Jersey political subdivision.

**Data Source:** National income and product accounts, Bureau of Economic Analysis.

**Reliability:** 2 Based on a sample of verified tax returns.

**Effectiveness:** The State of New Jersey excludes certain interest earned from taxation. This encourages the investment in government bonds and other similar instruments.

## 29 Gifts and Inheritances

**Citation:** N.J.S.A. 54A:6-5

**Effective Date:** 7/8/1976 **2027 Estimate:** $667,100,000

**Objective:** As part of the original legislation which created the Gross Income Tax, the Legislature ensured that gross income does not include the value of property acquired by gift, bequest, devise or inheritance as they may be taxed under other tax laws.

**Description:** Gross income does not include the value of property acquired by gift, bequest, devise or inheritance.

**Data Source:** Inheritance Tax Master Cash File, Division of Taxation.

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

**Effectiveness:** These income sources have been nontaxable since the inception of the Gross Income Tax as they may be taxed under other tax laws.

## 30 Filing Threshold – Gross Income Under $20,000

**Citation:** N.J.S.A. 54A:8-3.1

**Effective Date:** 9/11/1980 **2027 Estimate:** $130,000,000

**Objective:** To provide tax relief to those with gross income less than $20,000

**Description:** New Jersey filers with gross income totaling less than $20,000, or $10,000, depending on filing status, are not subject to income taxation.

**Data Source:** Gross Income Tax Calculator.

**Reliability:** 2 Based on a sample of verified tax returns.

**Effectiveness:** About 1,368,500 returns fell below the filing threshold in Tax Year 2024.

## 31 Health Enterprise Zone Deduction

**Citation:** N.J.S.A. 54A:3-8

**Effective Date:** 3/1/2005 **2027 Estimate:** $1,500,000

**Objective:** To provide access to quality medical and dental primary care for the traditionally medically underserved communities in New Jersey. To that end, this law institutes incentives to encourage primary care physicians and dentists to set up and maintain their medical and dental offices in the State's medically and dentally underserved areas.

**Description:** A taxpayer engaged in providing primary care in a practice located within a Health Enterprise Zone or in a qualified practice located within 5 miles of a Health Enterprise Zone is allowed a deduction.

**Data Source:** Gross Income Tax Calculator.

**Reliability:** 2 Based on a sample of verified tax returns.

**Effectiveness:** About 370 returns took this deduction in Tax Year 2024.

## 36 Lottery Winnings under $10,000

**Citation:** N.J.S.A. 54A:6-11

**Effective Date:** 6/29/2009 **2027 Estimate:** $100,000

**Objective:** To support recipient agencies and populations benefiting from State Lottery proceeds.

**Description:** Gross income does not include individual winnings or prize amounts under $10,000 from the New Jersey Lottery.

**Data Source:** Extrapolation of New Jersey Lottery Commission data.

**Reliability:** 3 Based on unverifiable tax records or information from other State and/or federal government agencies.

## 37 Medical Expenses

**Citation:** N.J.S.A. 54A:3-3

**Effective Date:** 9/22/1999 **2027 Estimate:** $608,600,000

**Objective:** To allow taxpayers to deduct the cost of certain medical expenses under the New Jersey Gross Income Tax.

**Description:** A taxpayer is allowed to deduct from gross income unreimbursed medical expenses for the taxpayer, spouse or domestic partner, and dependents to the extent that such medical expenses exceed two percent of the taxpayer's gross income.

**Data Source:** Gross Income Tax Calculator.

**Reliability:** 2 Based on a sample of verified tax returns.

**Effectiveness:** The federal government allows for deductions for medical expenses when the expenses total more than 10 percent of Adjusted Gross Income, while New Jersey alters that standard to two percent of New Jersey Gross Income. New Jersey has provided residents a greater deduction and, therefore, a greater relief from the growing burden of medical expenses than the federal government. Approximately 1,652,000 returns in Tax Year 2024.

## 40 New Jersey Earned Income Tax Credit

**Citation:** N.J.S.A. 54A:4-7

**Effective Date:** 6/30/2010 **2027 Estimate:** $628,100,000

**Objective:** To assist low- to moderate income New Jersey families with providing for their children, reduce child poverty, help families afford better care for their children, support WorkFirst NJ efforts, and foster employment Statewide.

**Description:** The law provides a refundable tax credit program for low- to moderate-income individuals and families with earned income. The State credit is equal to 40 percent of the federal Earned Income Tax Credit for eligible filers. More information is available at https://www.state.nj.us/treasury/taxation/eitc/eitcinfo.shtml.

**Data Source:** Gross Income Tax Calculator.

**Reliability:** 2 Based on a sample of verified tax returns.

**Effectiveness:** About 617,800 Earned Income Tax Credit claims were issued, at an average credit of $977 per claim, for Tax Year 2024.

## 41 Other Dependent Exemptions

**Citation:** N.J.S.A. 54A:3-1

**Effective Date:** 7/12/1990 **2027 Estimate:** $11,500,000
**Applied Date:** 1/1/1991

**Objective:** To provide additional exemption(s) to all dependents for which the taxpayer is eligible to take a federal exemption.

**Description:** A taxpayer is allowed a $1,500 exemption for each dependent who qualifies as a dependent of the taxpayer during the taxable year for federal income tax purposes.

**Data Source:** Gross Income Tax Calculator.

**Reliability:** 2 Based on a sample of verified tax returns.

## 42 Other Retirement Income Exclusion and Special Exclusion

**Citation:** N.J.S.A. 54A:6-15

**Effective Date:** 7/8/1976 **2027 Estimate:** $127,700,000

**Objective:** This “additional exclusion" allows those eligible seniors, who receive less than the maximum exclusion to reduce other, passive income receipts up to the maximum excludable amounts otherwise available to provide parity amongst senior taxpayers.

The additional Special Exclusion is provided for those seniors who cannot receive Social Security or Railroad Retirement benefits.

**Description:** For taxable years beginning on or after January 1, 2021, the maximum excludable amounts are $100,000 for married/civil union couples filing jointly, $75,000 for individuals, and $50,000 for married/civil union partners filing separately. Those taxpayers with income between $100,000 and $150,000 may be eligible for an exclusion based on a percentage of their reported taxable pension, annuity, and IRA withdrawals.

**Data Source:** Gross Income Tax Calculator.

**Reliability:** 2 Based on a sample of verified tax returns.

## 43 Pension Exclusion

**Citation:** N.J.S.A.54A:6-10

**Effective Date:** 7/8/1976 **2027 Estimate:** $493,100,000

**Objective:** The pension exclusion was included in the original Gross Income Tax Act and any and all modifications were intended to provide limited tax relief to New Jersey senior and disabled taxpayers.

**Description:** For taxable years beginning on or after January 1, 2021, the maximum excludable amounts are $100,000 for married/civil union couples filing jointly, $75,000 for individuals, and $50,000 for married/civil union partners filing separately. Those taxpayers with income between $100,000 and $150,000 may be eligible for an exclusion based on a percentage of their reported taxable pension, annuity, and IRA withdrawals.

**Data Source:** Gross Income Tax Calculator.

**Reliability:** 2 Based on a sample of verified tax returns.

**Effectiveness:** Approximately 631,300 resident returns claimed this exclusion in Tax Year 2024.

## 44 Permanent Disability Exclusion

**Citation:** N.J.S.A. 54A:6-10

**Effective Date:** 7/8/1976 **2027 Estimate:** $82,900,000

**Objective:** To exclude amounts received as permanent disability payments through a public or private plan from gross income.

**Description:** Gross income does not include amounts received as permanent disability payments through a public or private plan.

**Data Source:** Annual Personal Income Tables (BEA).

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

## 46 Property Tax Credit

**Citation:** N.J.S.A. 54A:3A-20

**Effective Date:** 1/1/1996 **2027 Estimate:** $35,900,000

**Objective:** To provide a tax credit in the amount of $50 for homeowners or renters who do not benefit from taking a property tax deduction.

**Description:** A tax credit in the amount of $50 for homeowners or renters who do not take a property tax deduction. This credit is also available to certain senior or disabled residents who do not have a Gross Income Tax obligation.

**Data Source:** Gross Income Tax Calculator.

**Reliability:** 2 Based on a sample of verified tax returns.

**Effectiveness:** For New Jersey residents who have, for years, suffered from the burden of high property taxes, this credit, based on a calculation, reduces taxable liability. All residents who qualify take advantage of the most financially beneficial option. About 721,900 returns claimed this credit in Tax Year 2024.

## 47 Property Tax Deduction

**Citation:** N.J.S.A. 54A:3A-16

**Effective Date:** 1/1/1996 **2027 Estimate:** $787,000,000

**Objective:** To provide tax relief by reducing a taxpayer’s income by up to $15,000 for property taxes paid by homeowners, or the rental equivalent thereof paid by tenants, on a taxpayer's principal residence in this State.

**Description:** Taxpayers are entitled to a deduction up to $15,000 from gross income for property taxes due and paid for that calendar year on the taxpayer's homestead.

**Data Source:** Gross Income Tax Calculator.

**Reliability:** 2 Based on a sample of verified tax returns.

**Effectiveness:** About 1,906,500 returns claimed this deduction in Tax Year 2024.

## 48 Qualified Conservation Contribution

**Citation:** N.J.S.A. 54A:3-6

**Effective Date:** 1/14/2000 **2027 Estimate:** $1,200,000

**Objective:** To provide New Jersey taxpayers with an incentive to transfer ownership interests in real property to governmental or nongovernmental agencies engaged in land conservation or, through such means as development easements and conservation restrictions, to limit permanently the use of such property so that its natural character is preserved.

**Description:** A taxpayer is allowed a deduction against gross income for a qualified conservation contribution if so qualified under IRC section 170(h).

**Data Source:** Gross Income Tax Calculator.

**Reliability:** 2 Based on a sample of verified tax returns.

**Effectiveness:** About 480 returns took this deduction in Tax Year 2024.

## 49 Railroad Retirement Exclusion

**Citation:** N.J.S.A. 54A:6-3

**Effective Date:** 7/8/1976 **2027 Estimate:** $12,600,000

**Objective:** To exclude payments received under the Railroad Retirement Act from gross income.

**Description:** Two years after the Social Security Act of 1935, the Railroad Retirement and Carrier Taxing Acts of 1937 became law, allowing employees of the railroad industry to have a retirement pension. Like Social Security, the State of New Jersey excludes this income from taxation to allow our State's seniors to have greater disposable income. This ensures that both Social Security and Railroad Retirement Benefits recipients are treated equitably.

**Data Source:** Personal Current Transfer Data, SAINC35, New Jersey, Bureau of Economic Analysis.

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

## 52 Self-Employed Health Insurance Costs

**Citation:** N.J.S.A. 54A:3-5

**Effective Date:** 9/22/1999 **2027 Estimate:** $52,100,000

**Objective:** The law allows self-employed taxpayers to deduct health insurance costs. Employer paid health benefits are not included in employees' taxable income; the law provides equitable treatment of self-employed and employee taxpayers.

**Description:** Self-employed taxpayers are allowed to deduct, from their gross income, an amount equal to the amount paid, during the taxable year, for insurance for medical expenses for themselves, their spouses and dependents.

**Data Source:** Gross Income Tax Calculator.

**Reliability:** 2 Based on a sample of verified tax returns.

**Effectiveness:** New Jersey, since the inception of the Income Tax, has allowed deductions for the vast majority of federally allowable business expenses. This serves to simplify New Jersey's tax calculations. This deduction ensures that those self- employed taxpayers are not burdened with taxes on expenditures for maintaining good health.

## 53 Sheltered Workshop Tax Credit

**Citation:** N.J.S.A. 54A:4-11

**Effective Date:** 3/1/2005 **2027 Estimate:** $100,000

**Objective:** To support the operations of nonprofit agencies that furnish extended employment programs to individuals with disabilities.

**Description:** A credit available to certain taxpayers that employ qualified person(s) under an extended employment program.

**Data Source:** Gross Income Tax Calculator.

**Reliability:** 2 Based on a sample of verified tax returns.

## 54 Social Security Income Exclusion

**Citation:** N.J.S.A. 54A:6-2

**Effective Date:** 7/8/1976
**Applied Date:** 7/1/1976

**2027 Estimate:** $2,394,300,000

**Objective:** To ensure that Social Security benefits received are not taxable under the Gross Income Tax to any extent.

**Description:** Social Security benefits received are not taxable under the Gross Income Tax to any extent.

**Data Source:** New Jersey Gross Income Tax Returns; Personal Current Transfer Data, SAINC35, New Jersey, Bureau of Economic Analysis.

**Reliability:** 2 Based on a sample of verified tax returns.

**Effectiveness:** The State of New Jersey does not tax monies received as Social Security benefits, preserving the value of this important component of income for New Jersey's seniors.

## 53 Taxpayer and Spouse/CU Partner

**Citation:** N.J.S.A. 54A:3-1

**Effective Date:** 7/6/1976
**Applied Date:** 7/1/1976

**2027 Estimate:** $238,300,000

**Objective:** All taxpayers receive a personal exemption of $1,000 for themselves, their spouse and dependents, intended, in the same manner as federal tax exemptions, to shield from taxable income an allowance for personal needs.

**Description:** Each taxpayer is allowed a personal exemption of $1,000 which may be taken as a deduction from his or her New Jersey gross income. An additional exemption is allowable for the taxpayer's spouse, or domestic partner, who does not file separately.

**Data Source:** Gross Income Tax Calculator.

**Reliability:** 2 Based on a sample of verified tax returns.

**Effectiveness:** About 7,013,000 exemptions were claimed in Tax Year 2024.

## 54 Temporary Disability Exclusion

**Citation:** N.J.S.A. 54A:6-6 (P.L. 1976, Chapter 47)

**Effective Date:** 7/8/1976 **2027 Estimate:** $35,800,000

**Objective:** To ensure that gross income does not include amounts received as temporary disability payments through the New Jersey State temporary disability insurance law.

**Description:** Gross income does not include amounts received as temporary disability payments through the New Jersey State temporary disability insurance law.

**Data Source:** New Jersey Department of Labor and Workforce Development

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

**Effectiveness:** The State's Temporary Disability Insurance program covers nearly 2.9 million workers and pays out roughly $730 million in benefits annually. By excluding these benefits from State taxation, this law ensures that beneficiaries receive nearly the full value of payments during periods when a person is unable to work. Benefits may still be subject to federal taxation.

## 55 Unemployment Insurance Exclusion

**Citation:** N.J.S.A. 54A:6-13 (P.L. 1976, Chapter 47)

**Effective Date:** 7/8/1976 **2027 Estimate:** $109,900,000

**Objective:** To ensure that gross income does not include benefits received under any unemployment insurance law. This exclusion remains in effect.

**Description:** Gross income does not include benefits received under any unemployment insurance law.

**Data Source:** United States Department of Labor

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

**Effectiveness:** The State's Unemployment Insurance program covers more than four million workers and pays out roughly $3.3 billion in benefits annually. By excluding these benefits from State taxation, this law ensures that beneficiaries receive nearly the full value of payments during periods when a person is out of work. Benefits may still be subject to federal taxation.

## 58 Family Leave Benefit Exclusion

**Citation:** N.J.S.A. 54A:6-31 (P.L. 2008, Chapter 17)

**Effective Date:** 5/2/2008 **2027 Estimate:** $22,400,000

**Objective:** To ensure that gross income does not include benefits received under the State's family leave insurance law. This exclusion remains in effect.

**Description:** Gross income does not include benefits received benefits received under the State's family leave insurance law.

**Data Source:** New Jersey Department of Labor and Workforce Development

**Reliability:** 3

**Effectiveness:** The State's Family Leave Insurance program covers more than four million workers and pays out roughly $600 million in benefits annually. By excluding these benefits from State taxation, this law ensures that beneficiaries receive nearly the full value of payments during periods when a person is unable to work due to a non-work-related illness, injury, or pregnancy. Benefits may still be subject to federal taxation.

## 59 Welfare Assistance Payments

**Citation:** N.J.S.A. 54A:6-13

**Effective Date:** 7/8/1976 **2027 Estimate:** $73,800,000

**Objective:** To ensure that monies received as welfare assistance are not included in gross income.

**Description:** Monies received as welfare assistance are not included in gross income.

**Data Source:** Personal Current Transfer Data, SAINC35, New Jersey, Bureau of Economic Analysis

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

**Effectiveness:** New Jersey has taken the position that individuals who fall below the poverty line and receive money from Welfare Assistance programs are not taxed. All who are qualified take advantage of this exclusion.

## 60 Workers' Compensation Exclusion

**Citation:** N.J.S.A. 54A:6-6

**Effective Date:** 7/8/1976 **2027 Estimate:** $18,600,000

**Objective:** To ensure that gross income does not include amounts received through worker's compensation acts.

**Description:** Gross income does not include amounts received through worker's compensation acts.

**Data Source:** Personal Current Transfer Data, SAINC35, New Jersey, Bureau of Economic Analysis

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

**Effectiveness:** Like temporary disability payments, the State does not reduce the value of these payments which are received by taxpayers who cannot work during the period for which worker's compensation payments are received.

## 64 Qualified Small Business Stock Capital Gains Exclusion

**Citation:** N.J.S.A. 54A:6-34

**Effective Date:** 1/1/2026 **2027 Estimate:** $26,700,000

**Objective:** To help promote investment in small and medium-sized companies that find it difficult to attract initial capital investors.

**Description:** Allows a Gross Income Tax exclusion for exempt gains from the sale or exchange of qualifying small-business stock, conforming to 26 U.S. Code § 1202.

**Data Source:** U.S. Department of the Treasury.

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

## 61 Veteran Personal Exemption

**Citation:** N.J.S.A. 54A:3-1

**Effective Date:** 1/1/2017 **2027 Estimate:** $32,800,000
**Applied Date:** 10/14/2016

**Objective:** To provide additional tax relief to veterans who were honorably discharged or released under honorable circumstances from active duty in the Armed Forces of the United States, a reserve component thereof, or the National Guard of New Jersey in a federal active duty in the Armed Forces of the United States, a reserve component thereof, or the National Guard of New Jersey in a federal active duty status.

**Description:** For Tax Year 2019 and each tax year thereafter, a personal exemption of $6,000 is allowed for veterans who were honorably discharged or released under honorable circumstances from active duty in the Armed Forces of the United States, a reserve component thereof, or the National Guard of New Jersey in a federal active duty status, as defined in N.J.S.A. 38A:1-1. This exemption is in addition to the $1,000 personal exemption that each taxpayer is entitled to, and any other additional exemption for which the veteran is eligible.

**Data Source:** Gross Income Tax Calculator.

**Reliability:** 2 Based on a sample of verified tax returns.

**Effectiveness:** About 164,200 exemptions were claimed in Tax Year 2024.

## 62 Child and Dependent Care Tax Credit

**Citation:** N.J.S.A. 54A:4-17 **2027 Estimate:** $23,800,000

**Objective:** To allow New Jersey resident taxpayers with taxable income of $150,000 or less who receive the federal Child and Dependent Care Credit to be granted a refundable Gross Income Tax credit.

**Description:** For taxpayers with gross incomes below $150,000, provides a tax credit for expenses related to the care of one or more qualifying individuals. Qualifying individuals include children under age 13 and spouses or other dependents incapable of self-care. The credit is equal to between 10 percent and 50 percent of the federal credit for expenses for household and dependent care services (IRC 26 U.S.C. s. 21), depending on the taxpayer's gross income (credit levels for Tax Year 2025 are shown in the table below). The credit is refundable.

| *NJ taxable income*: | *Amount of NJ credit*: |
|---|---|
| Not over $30,000 | 50 percent of federal credit |
| Over $30,000 but not over $60,000 | 40 percent of federal credit |
| Over $60,000 but not over $90,000 | 30 percent of federal credit |
| Over $90,000 but not over $120,000 | 20 percent of federal credit |
| Over $120,000 but not over $150,000 | 10 percent of federal credit |

**Data Source:** NJ-1040 data

**Reliability:** 2 Based on a sample of verified tax returns.

**Effectiveness:** About 116,600 credits were claimed in Tax Year 2024 with an average credit amount of $198.

## 63 Child Tax Credit

**Citation:** N.J.S.A. 54A:4-17.1

**Effective Date:** 6/30/2022 **2027 Estimate:** $207,400,000

**Objective:** To provide New Jersey resident taxpayers with taxable income of $80,000 or less as well as children age five or younger a refundable Gross Income Tax credit.

**Description:** For taxpayers with gross incomes below $80,000, provides a refundable tax credit of $200 to $1,000 per dependent child aged five or younger. The credit is $1,000 per eligible child for filers with income of $30,000 or less, $800 for filers with income of over $30,000 but not over $40,000, $600 for filers with income of over $40,000 but not over $50,000, $400 for filers with income of over $50,000 but not over $60,000, and $200 for filers with income of over $60,000 but not over $80,000.

**Data Source:** Gross Income Tax Calculator using NJ-1040 data.

**Reliability:** 1 Based on the population of verified tax returns.

**Effectiveness:** About 232,500 credits were claimed in Tax Year 2024 with an average credit amount of $949.

## 64 Organ/Bone Marrow Donation Deduction/Credit

**Citation:** N.J.S.A. 54A:3-10 and N.J.S.A. 54A:4-20

**Effective Date:** 5/21/2020 **2027 Estimate:** $200,000

**Objective:** To compensate New Jersey organ donors for unreimbursed expenses associated with organ donation, and to compensate employers of organ donors who provide their employees with additional paid time off associated with organ donation.

**Description:** Taxpayers may deduct from gross income up to $10,000 of unreimbursed expenditures for travel, lodging and lost wages related to an organ donation incurred in the taxable year. Eligible employers can take a credit of 25 percent of the employee's salary for up to 30 days of missed time for each donation, provided the paid time off was in addition to any other paid time off to which the employee was entitled.

**Data Source:** NJ-1040 data

**Reliability:** 1 Based on the population of verified tax returns.

## 65 New Jersey College Affordability Act Deductions

**Citation:** N.J.S.A. 54A:3-12 through 54A:3-14

**Effective Date:** 6/29/2021 **2027 Estimate:** $16,500,000

**Objective:** Provides Gross Income Tax deductions to help defray higher education costs for New Jersey taxpayers.

**Description:** The law creates three deductions related to the costs of higher education. The first allows taxpayers with gross income under $200,000 to deduct up to $10,000 annually in contributions made to an NJBEST college savings plan. The second allows for an annual deduction of up to $2,500 of principal and interest paid on student loans made under the NJCLASS program for taxpayers with gross income under $200,000. The third allows a deduction of up to $10,000 for tuition paid at New Jersey higher education institutions.

**Data Source:** NJ-1040 data

**Reliability:** 1 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

## 66 Alternative Business Calculation Adjustment Deduction

**Citation:** N.J.S.A. 54A:3-9

**Effective Date:** 1 /1/2012 **2027 Estimate:** $192,900,000

**Objective:** Gross Income Tax deduction for taxpayers with business losses.

**Description:** Four categories of business income are applicable under the calculation adjustment: 1) net profits from business, 2) partnership income, 3) S corporation income, and 4) net gains or income from rents, royalties, patents, and copyrights. This adjustment allows taxpayers to partially offset gains in one or more categories of business income with losses in the other categories of business income. It also allows taxpayers to carry forward such unused losses for up to twenty years to calculate future adjustments.

**Data Source:** Gross Income Tax Calculator.

**Reliability:** 2 Based on a sample of verified tax returns.

**Effectiveness:** This deduction was reported on approximately 199,300 returns reporting business income in Tax Year 2024.

## 67 Gold Star Family Counseling Credit

**Citation:** N.J.S.A. 54A:4–16

**Effective Date:** 1/1/2018 **2027 Estimate:** $100,000

**Objective:** Incentivize mental health care professionals to provide counseling to Gold Star family members free of charge.

**Description:** Non-refundable credit amount is equal to the number of hours of counseling provided times the TRICARE rate for the service. The mental health care professional must provide at least 20 hours of counseling to qualify for the credit. The maximum number of hours authorized for the credit is 40. A Gold Star family member is a New Jersey resident and the surviving spouse, close relative, or legal guardian of a member of the United States Armed Forces or the National Guard who died while on active duty.

**Data Source:** Gross Income Tax Calculator.

**Reliability:** 2 Based on a sample of verified tax returns.

## 68 Wounded Warriors Caregivers Credit

**Citation:** N.J.S.A. 54A:4–14

**Effective Date:** 1 /1/2018 **2027 Estimate:** $100,000

**Objective:** Gross Income Tax credit to family caregivers of disabled armed service members.

**Description:** Refundable credit for taxpayers that provide care for a relative who is a qualifying armed services member. Taxpayers gross income must be $100,000 or less (for joint filers, heads of households, and widow(er)s) or $50,000 or less (for single and separate filers). Disability must arise out of service in any war or conflict on or after September 11, 2001. Credit amount is equal to the federal veteran disability compensation of the armed services member for which the family caregiver renders care, or $675, whichever is less.

**Data Source:** Gross Income Tax Calculator.

**Reliability:** 1 Based on the population of verified tax returns.

# Sales and Use Tax
# Overview

## Description

Sales and Use Tax applies to receipts from the retail sale, rental, or use of tangible personal property or digital property; retail sale of producing, fabricating, processing, installing, maintaining, repairing, and servicing tangible personal property or digital property; maintaining, servicing, or repairing real property; certain direct- mail services; tattooing, tanning, and massage services; investigation and security services; information services; limousine services; sales of restaurant meals and prepared food; rental of hotel and motel rooms; certain admission charges; certain membership fees; parking charges; storage services; sales of magazines and periodicals; delivery charges; and telecommunications services, except as otherwise provided in the Sales and Use Tax Act.

A compensating Use Tax is also imposed when taxable goods and services are purchased and New Jersey Sales Tax is either not collected or is collected at a rate less than New Jersey's Sales Tax rate. The Use Tax is due when such goods, or the goods on which taxable services are performed, come into New Jersey. If Sales Tax was paid to another state, the Use Tax is only due if the tax was paid at a rate that is less than New Jersey's rate.

All persons required to collect the tax must file a Business Registration Application (Form NJ-REG). Each registrant's authority to collect the Sales Tax is certified by a Certificate of Authority issued by the Division, which must be prominently displayed at each place of business to which it applies.

Major exemptions include: sales of newspapers; magazines and periodicals sold by subscription and membership periodicals; casual sales except motor vehicles and registered boats; clothing; farm supplies and equipment; flags of New Jersey and the United States; unprepared food and food ingredients purchased for human consumption; food sold in school cafeterias; prescription and certain nonprescription drugs and other medical aids; motor fuels; textbooks; professional and personal services unless otherwise taxable under the Act; real estate sales; tangible personal property used in research and development; production machinery and equipment.

The Sales and Use Tax Act was amended, effective October 1, 2005, to conform New Jersey's law to the requirements of the Streamlined Sales and Use Tax Agreement.

SSUTA is a multi-state effort to simplify and modernize the collection and administration of Sales and Use Taxes. The adoption of the SSUTA resulted in significant changes in New Jersey's tax policy and administration, including uniform product definitions and changes in the taxability of specific items. In addition, the SSUTA provided for the creation of a new central registration system, certain amnesty provisions, and minor changes in the treatment of exemption certificates.

## Rate

The rate of tax is 6.625 percent as of January 1, 2018.

## Disposition of Revenues

Revenues are deposited in the State Treasury for general State use; provided, however, a percentage of the annual revenue derived from the tax is constitutionally dedicated for the purposes of property tax reform.

## Recent History

P.L. 2024, Chapter 80: The law revises the definition of a "qualified assistance fund expense" to include the improvement of transportation infrastructure located within the UEZ, regardless of whether the improvement is made within a commercial or transportation corridor. The law also clarifies that qualifying municipalities would be able to use funds received through the UEZ program for transportation infrastructure projects and related debt service.

P.L. 2024, Chapter 73: The law modifies the definition of "hemp product" and adds a definition of "total THC" (tetrahydrocannabinol) pursuant to the New Jersey Hemp Farming Act. It also amends the New Jersey Cannabis Regulatory, Enforcement Assistance, and Marketplace Modernization (CREAMM) Act to add a definition of "intoxicating hemp product" and "total THC." The law imposes Sales Tax and local transfer tax (if imposed by the municipality) to retail sale of intoxicating hemp beverages.

P.L. 2024, Chapter 64: The law exempts receipts of investment metal bullion and investment coin sales from Sales and Use Tax. "Investment metal bullion" is defined as any elementary precious metal that has been put through a process of smelting or refining. This includes, but is not limited to, gold, silver, platinum, and palladium in a state or condition that its value depends on its contents, not its form. It does not include any precious metal that has been assembled, fabricated, manufactured, or processed for industrial, aesthetic, or artistic use. "Investment coin" is defined as any numismatic coin manufactured of gold, silver, platinum, palladium, or other metal having fair market value of not less than $1,000, and does not include jewelry or works of art made of coins or commemorative medallions.

P.L. 2024, Chapter 19: The law phases-out the Sales and Use Tax exemption for sales of zero emission vehicles (ZEVs). Effective October 1, 2024, through June 30, 2025, a tax rate of 3.3125 percent will be imposed on the sale of ZEVs. Beginning July 1, 2025, ZEVs will be taxed at the full statutory rate, which is currently 6.625 percent. The law also repeals the annual Sales Tax holiday established by P.L. 2022, Chapter 21, for the sale of certain school supplies and sport or recreational equipment.

P.L. 2024, Chapter 3: The law provides a Sales and Use Tax exemption for purchases made by

contractors or repair persons of materials, supplies, and services for certain affordable housing projects. All units must be for occupants with moderate, low, or very low incomes as defined in the "Fair Housing Act".

P.L. 2023, Chapter 282: The law clarifies that the retail sale of recreational cannabis and cannabis products sold in Urban Enterprise Zones (UEZs) are subject to the full Sales Tax rate, and that the resulting tax revenues be credited to the Cannabis Regulatory, Enforcement Assistance, and Marketplace Modernization Fund instead of the Urban Enterprise Zone Assistance Fund. Non-cannabis related retail sales made by businesses located in designated UEZs continue to qualify for the 50 percent Sales Tax exemption.

P.L. 2022, Chapter 97: The law excludes the installation of signs from the existing capital improvement Sales and Use Tax exemption. Sign fabricators and installation contractors can purchase signs or materials used to fabricate or install signs without paying Sales Tax if they issue a fully completed resale certificate to the seller. However, they must charge their customers Sales Tax on the sales price of all signs. This law applies to transactions occurring on or after October 1, 2022.

P.L. 2022, Chapter 42: The law authorizes a Sales and Use Tax exemption for certain purchases made by certain supermarkets and grocery stores located within Urban Enterprise Zones. The law clarifies that the $100,000 exempt purchase limitation imposed on UZ-4/UZ-5 holders is an annual limitation. In addition, the law allows unlimited exempt purchases by supermarkets or grocery stores within Urban Enterprise Zones if they receive an annual certification from the State Department of Community Affairs. This law went into effect on June 30, 2022.

P.L. 2022, Chapter 21: The law established a 10-day Sales Tax exemption period for certain retail purchases of personal computers with a sales price of less than $3,000, school computer supplies priced less than $1,000, school supplies, school art supplies, school instructional materials, and sport or recreational equipment. This law went into effect on June 30, 2022, and was applicable to purchases made between 12:01 a.m. on the ninth day preceding the first Monday in September of each year and 11:59 p.m. on the first Monday in September of each year. For 2022, the dates were August 27 through September 5. For 2023, the dates are August 26 through September 4. This law was later repealed by P.L.2024, Chapter 19, and only was in effect during Calendar Years 2022 and 2023.

## 3 Advertising To Be Published in a Newspaper

**Citation:** N.J.S.A. 54:32B-8.30

**Effective Date:** 9/11/1980 **2027 Estimate:** $7,900,000
**Applied Date:** 9/11/1980

**Objective:** To exempt Receipts from the sales of advertising to be published in a newspaper from the tax imposed by the Sales and Use Tax Act.

**Description:** Receipts from the sales of advertising to be published in a newspaper are exempt from the tax imposed under the Sales and Use Tax Act.

**Data Source:** Statista.com website.

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

## 4 Bakery Items

**Citation:** N.J.S.A. 54:32B-3(c)(3)(ii)(c)

**Effective Date:** 7/2/2005 **2027 Estimate**: $35,900,000
**Applied Date:** 10/1/2005

**Objective:** The State's Sales and Use Tax has been revised to conform to various provisions of the multi-state Streamlined Sales and Use Tax Agreement (SSUTA). The changes are intended to simplify and modernize the State's tax collection and administrative procedures, and to ensure New Jersey continues to remain compliant with the provisions of the SSUTA.

**Description:** Bakery items sold as such, including but not limited to, bread, rolls, buns, biscuits, bagels, croissants, pastries, donuts, danish, cakes, tortes, pie, tarts, muffins, bars, cookies, and tortillas are exempt from tax if sold without eating utensils provided by the seller.

**Data Source:** Food Marketing Institute data.

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

## 7 Broadcast Equipment (as defined in N.J.S.A. 54:32B-8.13(e))

**Citation:** N.J.S.A. 54:32B-8.13(e)

**Effective Date:** 7/14/1997 **2027 Estimate:** $6,200,000
**Applied Date:** 1/1/1998

**Objective:** This exemption allows commercial broadcasters or cable operators to purchase certain otherwise-taxable items for their own use without payment of the tax.

**Description:** Machinery, apparatus, or equipment used directly and primarily in the production or transmission of radio or television broadcasts by commercial broadcasters operating under a broadcasting license issued by the Federal Communications Commission or by providers of cable/satellite television program services. The exemption also applies to parts with a useful life of more than one year.

**Data Source:** Economic Census 2007-2012, US Census Bureau. Estimates are determined using compound average growth rates.

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

## 14 Charitable Organizations Exemption

**Citation:** N.J.S.A. 54:32B-9(b)

**Effective Date:** 7/8/2006 **2027 Estimate:** $96,900,000

**Objective:** To exempt purchases made by certain charitable entities for the purposes of those entities from tax in an effort to reduce costs for those organizations.

**Description:** New Jersey Exempt Organizations may purchase otherwise-taxable items for their own use without payment of the Sales Tax on those items.

**Data Source:** IRS website – Tax Year 2021 Statistics on Charities and other Tax-Exempt Organizations.

BEA Personal Income data series, up to 2024.

**Reliability**: 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

## 16 Clothing and Footwear

**Citation:** N.J.S.A. 54:32B-8.4

**Effective Date:** 12/19/2008 **2027 Estimate:** $598,500,000

**Objective:** To exclude receipts from sales of articles of clothing and footwear from the New Jersey Sales and Use Tax. This exemption does not apply to fur clothing, clothing accessories or equipment, sport or recreational equipment, or protective equipment.

**Description:** Receipts from sales of articles of clothing and footwear, excluding fur clothing, for human use are exempt from the tax imposed under the "Sales and Use Tax Act."

**Data Source:** Economic Census 2012-2017, U.S. Census Bureau. Estimates are determined using compound average growth rates.

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

**Effectiveness:** New Jersey exempts most clothing and footwear in recognition of the critical nature of these purchases.

## 25 Credit for Certain Property When Used as a Trade-in

**Citation:** N.J.S.A. 54:32B-2(oo)(2)(E)

**Effective Date:** 12/19/2008 **2027 Estimate:** $257,600,000

**Objective:** To stipulate that the "sale price" does not include credit for any trade-in of property of the same kind accepted in part payment and intended for resale if the amount is separately stated on the invoice, bill of sale, or similar document given to the purchaser.

**Description:** Within the Sales and Use Tax Act, the term "sales price" does not include credit for any trade-in of property of the same kind accepted in part payment and intended for resale if the amount is separately stated on the invoice, bill of sale, or similar document given to the purchaser.

**Data Source:** New Jersey MVC New & Used Car Sales Report FY 2014-2024. Quora.com website.

**Reliability:** 3 Based on unverifiable tax records or information from other State and/or federal government agencies.

## 27 Dietary Supplements

**Citation:** N.J.S.A. 54:32B-8.2

**Effective Date:** 12/19/2008 **2027 Estimate:** $20,900,000

**Objective:** To exclude sales of food and food ingredients and dietary supplements sold for human consumption from the New Jersey Sales and Use Tax.

**Description:** Products required by the federal government to be labeled as a dietary supplement, and that are identifiable by the Supplement Facts box on the label are exempt from New Jersey Sales and Use Tax.

**Data Source:** Economic Census 2012-2017, U.S. Census Bureau. Estimates are determined using compound average growth rates.

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

**Effectiveness:** New Jersey allows for the exemption of certain medical supplies, including dietary supplements, to support the health and welfare of New Jersey citizens.

## 30 Disposable Household Paper Products

**Citation:** N.J.S.A. 54:32B-8.44

**Effective Date:** 7/15/1991 **2027 Estimate:** $34,000,000

**Objective:** To exclude sales of disposable household paper products, including towels, napkins, toilet tissues, cleaning tissues, diapers, paper plates and cups purchased for household use, from the tax imposed under the "Sales and Use Tax Act".

**Description:** Sales of disposable household paper products such as towels, napkins, toilet tissue, paper plates, and paper cups are exempt from Sales Tax.

**Data Source:** Consumer Expenditure Survey 2018-2024 data, U.S. Bureau of Labor Statistics.

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

## 33 Eggs, Fish, Meat and Poultry

**Citation:** N.J.S.A. 54:32B-3(c)(3)(i)(B)

**Effective Date:** 12/1/2008 **2027 Estimate:** $406,600,000
**Applied Date:** 12/1/2008

**Objective:** To define prepared food as two or more food ingredients mixed or combined by the seller for sale as a single item, but not including food that is only cut, repackaged, or pasteurized by the seller, and eggs, fish, meat, poultry, and foods containing these raw animal foods requiring cooking by the consumer. Also aligns with federal Food and Drug Administration regulations to prevent food borne illnesses.

**Description:** The sale of eggs, fish, meat, poultry and foods that contain these raw animal foods that require cooking by the consumer are not subject to Sales Tax.

**Data Source:** Consumer Expenditure Survey 2017-2024 data, U.S. Bureau of Labor Statistics.

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

## 34 Electricity Sales, Exchanges and Delivery (as defined in N.J.S.A. 54:32B-8.46)

**Citation:** N.J.S.A. 54:32B-8.46

**Effective Date:** 1/16/2010 **2027 Estimate:** $13,300,000
**Applied Date:** 1/16/2010

**Objective:** The law requires that the Board of Public Utilities, when determining electric and natural gas rates, pass along to consumers all tax savings realized by utilities as a result of this bill. To encourage more competition and free market among electrical sales within municipal boundaries, and thus prevent the establishment of regulated monopolies.

**Description:** Receipts from the sale, exchange, delivery or use of electricity are exempt from the tax imposed under the "Sales and Use Tax Act," if the electricity is sold by a municipal electric corporation to customers within its municipal or regulatory

**Data Source:** Government Finances 2017-2022 – New Jersey Data Extrapolated by Mean of Growths.

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

## 40 Exempt Organizations: State of New Jersey and Its Agencies

**Citation:** N.J.S.A. 54:32B-9(a)(1)

**Effective Date:** 7/8/2006 **2027 Estimate:** $784,200,000

**Objective:** In order to ensure that the business of governmental entities is conducted in the most cost-efficient manner possible for the benefit of taxpayers, purchases by government are not subject to Sales and Use Tax.

**Description:** Certain purchasers are exempt from Sales and Use Tax including the State of New Jersey, or any of its agencies, instrumentalities and public authorities.

**Data Source:** State and Local Government Finances 2017-2023 – Data Extrapolated by Harmonic Mean.

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

## 43 Exempt Organizations: United States of America

**Citation:** N.J.S.A. 54:32B-9(a)(2)

**Effective Date:** 7/8/2006 **2027 Estimate:** $511,500,000

**Objective:** The State exempts the federal government on purchases it makes from the burden of Sales and Use Tax subjectivity and also from the requirement of Sales Tax collection on certain sales it makes.

**Description:** The law exempts the United States of America, and any of its agencies and instrumentalities, where it is the purchaser, user or consumer, or where it sells services or property of a kind not ordinarily sold by private persons.

**Data Source:** USA Spending Government website.

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

## 46 Feminine Hygiene Products

**Citation:** N.J.S.A. 54:32B-8.1

**Effective Date:** 12/19/2008 **2027 Estimate:** $10,000,000

**Objective:** These necessary personal hygiene items have been long determined to be exempt from the tax.

**Description:** An exemption is provided for feminine hygiene products such as tampons, sanitary napkins and panty liners.

**Data Source:** Statista.com website. Extrapolated by 2022 New Jersey Population Share.

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

## 50 Firearm Storage Vaults

**Citation:** N.J.S.A. 54:32B-8.51

**Effective Date:** 12/1/1999 **2027 Estimate:** $200,000

**Objective:** To ensure a place of secure storage for firearms and to prevent tragic events caused by firearms from occurring through affording lawful firearm owners with an effective means of storing their firearms in a place that, while convenient to the owner, is inaccessible to a child, intruder or anyone else that the owner would wish to exclude from access to firearms.

**Description:** Receipts from sales of firearm vaults providing secure storage for firearms.

**Data Source:** US Census Bureau 2015 Population Estimates; Business Insider, July 2015; Sportsmanguide.com website.

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

## 53 Food and Food Ingredients

**Citation:** N.J.S.A. 54:32B-8.2

**Effective Date:** 12/19/2008 **2027 Estimate:** $1,888,700,000

**Objective:** The State's Sales and Use Tax laws have been revised to conform with various provisions of the multi-state Streamlined Sales and Use Tax Agreement (SSUTA). The changes are intended to simplify and modernize the State's tax collection and administrative procedures, and to ensure New Jersey remains compliant with the provisions of the SSUTA.

**Description:** Food sold for human consumption in various states but not including hot or prepared food, candy and soft drinks.

**Data Source:** Consumer Expenditure Surveys 2022 and 2023, U.S. Bureau of Labor Statistics.

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

## 54 Food Purchased With Food Stamps

**Citation:** N.J.S.A. 54:32B-2(oo)(2)(D)

**Effective Date:** 9/11/1980 **2027 Estimate:** $156,000,000

**Objective:** To clarify that "sales price" does not include the amount for which food stamps have been used for full or partial payment.

**Description:** The term "sales price" does not include the amount for which food stamps have been properly tendered in full or partial payment.

**Data Source:** SNAP data from the USDA, Food & Nutrition Service for FY 2018 and FY 2023.

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

## 58 Garbage Removal and Sewer Services (as defined in N.J.S.A. 54:32B-3(b)(4))

**Citation:** N.J.S.A. 54:32B-3(b)(4)

**Effective Date:** 4/16/1967 **2027 Estimate:** $19,700,000
**Applied Date:** 5/1/1967

**Objective:** To exclude garbage removal and sewer services performed on a regular contractual basis for a term not less than 30 days from subjectivity to the New Jersey Sales and Use Tax.

**Description:** Garbage removal and sewer maintenance services performed on a regular contractual basis for a term not less than 30 days is exempt from the Sales and Use Tax.

**Data Source:** Economic Census 2007-2012, U.S. Census Bureau. Estimates are determined using compound average growth rates.

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

## 70 Internet Access Service

**Citation:** N.J.S.A. 54:32B-2(cc)(12)

**Effective Date:** 12/19/2008 **2027 Estimate:** $196,800,000

**Objective:** To conform to various provisions of the multi-state Streamlined Sales and Use Tax Agreement (SSUTA) to simplify and modernize the State's tax collection and administrative process.

**Description:** Internet access service charges, including the routing of internet traffic, are not subject to tax.

**Data Source:** U.S. Bureau of Labor Statistics CEX Data from 2017 and 2022. NJ Data Extrapolated.

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

## 71 Laundry and Dry Cleaning Services for Clothing

**Citation:** N.J.S.A. 54:32B-3(b)(2)(iii)

**Effective Date:** 12/19/2008 **2027 Estimate:** $102,300,000

**Objective:** Generally, the sale of most clothing and footwear, other than certain specialty items, is not subject to the Sales Tax. This exemption ensures that the laundering and/or dry cleaning of those items also remains exempt.

**Description:** Charges for laundering, dry cleaning, tailoring, weaving, and pressing, limited specifically to clothing, are exempt.

**Data Source:** Statistics of U.S. Businesses, U.S. Census Bureau. Estimates are determined using compound average growth rates.

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

## 78 Massage Therapy Services (as defined in N.J.S.A. 54:32B-3(b)(9))

**Citation:** N.J.S.A. 54:32B-3(b)(9)

**Effective Date:** 12/19/2008 **2027 Estimate:** $14,900,000
**Applied Date:** 1/1/2009

**Objective:** To provide an individual with massage, bodywork or somatic services tax free in order to treat a physical aliment or another purpose prescribed by a doctor.

**Description:** Massage therapy services performed pursuant to a doctor's prescription or performed at a licensed medical professional's place of business to treat a physical ailment is exempt from tax.

**Data Source:** American Massage Therapy Association survey data and U.S. BEA data.

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

## 83 Motor, Airplane and Railroad Fuels

**Citation:** N.J.S.A. 54:32B-8.8

**Effective Date:** 9/11/1980 **2027 Estimate:** $1,081,200,000

**Objective:** These fuels, dependent on their use, may be subject to State motor fuels taxation.

**Description:** The sale of fuels for use in motor vehicles, airplanes and railroad cars is exempt.

**Data Source:** U.S. Energy Information Administration Data.

**Reliability**: 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

## 84 Municipal Parking Charges

**Citation:** N.J.S.A. 54:32B-3(i)

**Effective Date:** 12/19/2008 **2027 Estimate:** $11,400,000

**Objective:** The majority of services provided to the users of government services have been tax exempt since the tax was enacted in 1966. This exemption provided that benefit to parking facilities so operated.

**Description:** The law exempts charges for parking, storing or garaging provided a motor vehicle by a municipality, county, or municipal or county parking authority.

**Data Source:** 2017 and 2020 State and Local Governmental Finance, U.S. Census Bureau, Local Government Parking Charges.

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

## 88 Over-the-Counter Drugs

**Citation:** N.J.S.A. 54:32B-8.1

**Effective Date:** 12/19/2008 **2027 Estimate:** $83,400,000

**Objective:** The sales of over the counter drugs are included under the general exemption of medically necessary items sold to end consumers to alleviate human suffering.

**Description:** Sales of over-the-counter drugs where there is a label identifying the product as a drug, such as a Drug Facts panel or a statement of active ingredients.

**Data Source:** Statista.com website, U.S. Census Bureau.

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

## 91 Participatory Sporting Activities

**Citation:** N.J.S.A. 54:32B-3(e)(1)

**Effective Date:** 12/19/2008 **2027 Estimate:** $177,900,000

**Objective:** The exemption from tax is related to the participatory nature of the sport, as opposed to mere admission charges for viewing an event, which are generally subject to tax.

**Description:** Charges for sporting activities where the purchaser pays a fee to engage as a participant such as kart racing or batting cage fees.

**Data Source:** Business Research Company website, U.S. Census Bureau.

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

## 94 Prescribed Drugs and Medications

**Citation:** N.J.S.A. 54:32B-8.1

**Effective Date:** 12/19/2008 **2027 Estimate:** $697,500,000

**Objective:** The general medical exemption for medication and related items provided to end consumers to alleviate human suffering encompasses prescribed medications.

**Description:** Drugs sold pursuant to a doctor's prescription are exempt from tax provided there is a label identifying the product as a drug, such as a Drug Facts panel or a statement of active ingredients.

**Data Source:** Economic Census 2012-2017, U.S. Census Bureau. Estimates are determined using compound average growth rates.

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

## 99 Property Purchased for Film or Video Productions

**Citation:** N.J.S.A. 54:32B-8.49

**Effective Date:** 12/1/1999 **2027 Estimate:** $14,100,000

**Objective:** To encourage the expansion of the commercial production of motion pictures and videos in New Jersey.

**Description:** Tangible personal property used directly and primarily in the production of film or video for sale including charges for installing, maintaining, servicing, or repairing such property are exempt from tax.

**Data Source:** Ibis World Industry Statistical Reports website, New Jersey Motion Picture & Television Commission.

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

**Effectiveness:** Massachusetts has done an extensive study of its similar film tax credit. *www.mass.gov/Ador/docs/dor/News/2010FilmIncentiveReport.pdf*

## 101 Prosthetic Devices

**Citation:** N.J.S.A. 54:32B-8.1

**Effective Date:** 12/19/2008 **2027 Estimate:** $86,600,000

**Objective:** Prosthetic devices fall within the meaning of the general exemption for medically necessary items purchased by end consumers for the alleviation of human suffering.

**Description:** The sale of prosthetic devices, including repair parts and replacement parts, is exempt from Sales Tax.

**Data Source:** Economic Census 2012-2017, U.S. Census Bureau. Estimates are determined using compound average growth rates.

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

## 104 Purchases for Resale

**Citation:** N.J.S.A. 54:32B-2(e)(1)

**Effective Date:** 12/19/2008 **2027 Estimate:** $7,392,300,000

**Objective:** One of the basic tenets of the Sales Tax law in this State is that the tax is levied on the purchase of taxable goods and services by end consumers. All purchases for resale, whether they are finished goods acquired for retail sale or work in process acquired by manufacturers to finish or add value to the product, such purchases are not subject to tax as the final sale of the finished good to an end consumer, reflecting all added value, will be taxed.

**Description:** Items purchased to resell, or to be incorporated into other products for resale, are exempt from Sales Tax.

**Data Source:** Wholesale and Construction Exemptions in New Jersey Sales Tax Reports.

**Reliability:** 3 Based on unverifiable tax records or information from other State and/or federal government agencies.

## 106 Recycling Equipment Purchases (as defined in N.J.S.A. 54:32B-8.36)

**Citation:** N.J.S.A. 54:32B-8.36

**Effective Date:** 10/1/2005 **2027 Estimate:** $300,000

**Objective:** To ensure that recycling equipment, which provides environmental benefits, is not subject to the tax.

**Description:** Receipts from the sales of recycling equipment used exclusively to sort and prepare solid waste for recycling or in the recycling of solid waste is exempt from the tax.

**Data Source:** Institute for Scrap Recycling Industries website.

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

## 109 Resale of Taxable Services

**Citation:** N.J.S.A. 54:32B-3(b)

**Effective Date:** 12/19/2008 **2027 Estimate:** $413,400,000

**Objective:** The resale of otherwise-taxable services is treated in an identical manner to the resale of otherwise taxable goods; these transactions are exempt from tax. The Sales Tax in New Jersey is levied on the sale, to end consumers of taxable tangible personal property and certain taxable services.

**Description:** The law exempts services when purchased by a contractor or vendor for resale such as in subcontracted service.

**Data Source:** New Jersey Division of Taxation Reports 2019-2023.

**Reliability:** 3 Based on unverifiable tax records or information from other State and/or federal government agencies.

## 113 Salem County Reduced Sales Tax

**Citation:** N.J.S.A. 54:32B-8.45

**Effective Date:** 7/8/2006 **2027 Estimate:** $8,100,000

**Objective:** There is a 50 percent reduction in the Sales Tax rate on certain otherwise fully taxable purchases within the entire county of Salem. This preferential tax treatment was enacted to allow for competitiveness with the state of Delaware which has no Sales Tax.

**Description:** Sales of tangible personal property, except for motor vehicles, are subject to New Jersey Sales Tax at a reduced 50 percent rate.

**Data Source:** New Jersey Division of Taxation.

**Reliability:** 3 Based on unverifiable tax records or information from other State and/or federal government agencies.

## 117 School Textbooks

**Citation:** N.J.S.A. 54:32B-8.21

**Effective Date:** 10/1/2005 **2027 Estimate:** $2,600,000

**Objective:** The Sales Tax law has exempted textbooks from tax since the law became effective in 1966. In general, books, whether in physical form or delivered electronically, are taxable. This exemption recognizes the value of books for educational purposes.

**Description:** The sale of textbooks for use by students in a school, college, university, or other educational institution, approved as such by the Department of Education, when the educational institution declares that the books are required reading for school purposes.

**Data Source:** NJ.Gov Higher Education Data 2018-2022. NJ Spotlight.com website. Educationdata.org – Textbooks cost estimates.

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

## 121 Sewing Materials

**Citation:** N.J.S.A. 54:32B-8.4

**Effective Date:** 12/19/2008 **2027 Estimate:** $3,600,000

**Objective:** In general, clothing and footwear for human use, other than certain specified specialty items, is exempt from tax. The law provides that the materials which are incorporated into normally exempt clothing are also exempt.

**Description:** Receipts from sales of sewing materials, such as fabrics, thread, knitting yarn, buttons and zippers, purchased by noncommercial purchasers for incorporation into clothing as a constituent part thereof, are exempt from the tax imposed under the Sales and Use Tax Act.

**Data Source:** Economic Census 2012-2017, U.S. Census Bureau.

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

## 123 Solar Energy Devices and System Components

**Citation:** N.J.S.A. 54:32B-8.33

**Effective Date:** 9/11/1980 **2027 Estimate:** $26,400,000

**Objective:** To support the solar energy industry, these approved energy-generation systems have been made tax exempt. Qualifications for exemptions are determined by standards set by The Division of Energy Planning and Conservation.

**Description:** Devices or systems specifically approved by the Board of Public Utilities, Division of Energy and designed to provide heating or cooling or electrical or mechanical power by converting solar energy to some other usable energy source, including devices for storing solar-generated energy.

**Data Source:** BEA Personal Income, Economic Census 2012-2017.

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

## 131 Urban Enterprise Zone Exempt Business Purchases

**Citation:** N.J.S.A. 52:27H-79

**Effective Date:** 12/17/2008 **2027 Estimate:** $30,100,000

**Objective:** Urban Enterprise Zones, of which there are currently 37 in 37 cities, are a designated portion of a city or town where it has been deemed that it is a public purpose to stimulate economic activity.

**Description:** A great variety of face-to-face sales made at business locations within these designated areas are subject to 50 percent of the current Sales Tax rate. The law provided certain advantages for hiring local citizens as well. This exemption permits those urban enterprise zone-located businesses to purchase items for the use of the business within that location without payment of the Sales Tax. As of January 1, 2022, only the first $100,000 of annual taxable purchases are Tax Exempt.

**Data Source:** New Jersey Department of Community Affairs, UEZ Authority internal records.

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

## 132 Urban Enterprise Zone Special Sales Tax Rate

**Citation:** N.J.S.A. 52:27H-80

**Effective Date:** 8/15/1983
**Applied Date:** 8/15/1983

**2027 Estimate:** $217,800,000

**Objective:** To allow for a reduced Sales Tax rate on certain purchases in designated Urban Enterprise Zones (UEZs) in order to stimulate economic activity in those areas. A UEZ is a designated area within a municipality which has suffered economic problems and meets certain other criteria. UEZs are created through legislation enacted by the State Legislature that provides for the designation of additional UEZs following a review of applications that are submitted by cities that meet the required criteria. Decisions are based upon the need of the city for economic development, the unemployment rate, the percentage of families on welfare, the potential benefits as demonstrated by the application, and other similar factors.

**Description:** Allows qualified businesses in a UEZ to collect Sales Tax at one-half the regular rate on the retail sale of goods other than motor vehicles, alcoholic beverages, cigarettes, manufacturing equipment, and energy. Currently there are 32 Urban Enterprise Zones.

**Data Source:** DORES Reports and UEZ Authority data.

**Reliability:** 3 Based on unverifiable tax records or information from other State and/or federal government agencies.

## 138 Metal Bullion and Certain Investment Coins

**Citation:** N.J.S.A. 54:32B-8.32

**Effective Date:** 9/12/2024

**2027 Estimate:** $5,800,000

**Objective:** To exempt receipts from the sales of investment metal bullion and investment coins from the Sales and Use Tax (SUT).

**Description:** Exempts receipts of investment metal bullion and investment coin sales from the SUT. Investment metal bullion is defined as any elementary precious metal that has been put through a process of smelting or refining. This includes, but is not limited to, gold, silver, platinum, and palladium in a state or condition that its value depends on its contents, not its form. It does not include any precious metal that has been assembled, fabricated, manufactured, or processed for industrial, aesthetic, or artistic use. Investment coin is defined as any numismatic coin manufactured of gold, silver, platinum, palladium, or other metal having fair market value of not less than $1,000, and does not include jewelry or works of art made of coins or commemorative medallions.

**Data Source:** Fiscal impacts from multiple states revenue departments.

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

## 141 Contractor Supplies and Materials – Affordable Housing Projects

**Citation:** N.J.S.A. 54:32B-8.22

**Effective Date:** 3 /20/2024 **2027 Estimate:** 14,800,000

**Objective:** To exempt receipts from the sales of materials, supplies and services for certain affordable housing projects.

**Description:** The law amendment provides a sales and use tax exemption for purchases made by contractors or repair persons of materials, supplies, and services for certain affordable housing projects. All units must be for occupants with moderate, low, or very low incomes as defined in the "Fair Housing Act".

**Data Source:** New Jersey Department of Community Affairs.

**Reliability:** 3 Based on unverifiable tax records or information from other State and/or federal government agencies.

# Corporation Business Tax
# Overview

## Description

The Corporation Business Tax Act imposes a franchise tax on a domestic corporation for the privilege of existing as a corporation under New Jersey law, and on a foreign corporation for the privilege of having or exercising its corporate charter in this State or doing business, employing or owning capital or property, maintaining an office, deriving receipts, or engaging in contracts in New Jersey. The tax applies to all domestic corporations and all foreign corporations having a taxable status unless specifically exempt. The tax also applies to joint-stock companies or associations, business trusts, limited partnership associations, financial business corporations, and banking corporations, including national banks.

Also, a corporation is defined as any other entity classified as a corporation for federal income tax purposes and any state or federally chartered building and loan association or savings and loan association. Taxpayers must pay the greater of their liability under the net Income Tax or the alternative minimum assessment. The income-based tax is measured by that portion of the net income allocable to New Jersey. The tax applies to net income for the firm's accounting period (calendar year or fiscal year), or any part thereof during which the corporation has a taxable status within New Jersey.

The alternative minimum assessment is based on apportioned gross receipts or gross profits. Exempt from the tax are certain agricultural cooperative associations; federal corporations which are exempt from state taxation; corporations created under the limited-dividend housing corporation law; nonprofit cemetery corporations; nonprofit corporations without capital stock; non-stock mutual housing corporations; railroad and canal corporations; sewerage and water corporations; insurance companies subject to premiums tax; and certain municipal electric corporations.

## Rate

The tax rates range from 6.5 percent to 9 percent on adjusted entire net income, or the portion of entire net income allocated to New Jersey. However, most taxpayers pay the top rate of 9 percent. For privilege periods beginning in 2024 through 2028, there is an additional 2.5 percent Corporate Transit Fee on taxpayers with allocated taxable net income over $10 million.

The minimum Corporation Business Tax ranges from $375 to $2,000 (depending on corporate structure) for all members of a controlled or affiliated group of corporations if the aggregate annual payroll for all corporations is $5 million or more.

## Disposition of Revenues

Revenues collected from general business corporations are deposited in the State Treasury for general State use.

Article 8, Section 2, paragraph 6, of the State Constitution was amended to dedicate four percent of Corporation Business Tax revenue to fund hazardous discharge cleanup, underground storage tank improvements, and surface water quality projects.

## Recent History

P.L. 2025, Chapter 71: The law increases the Angel Investor Tax Credit from 20 percent to 35 percent of the qualified investment made by the taxpayer, and from 25 percent to 40 percent for taxpayers meeting certain requirements. The law modifies the definition of "New Jersey based business" and "New Jersey emerging technology business" to decrease the employee threshold from fewer than 225 to fewer than 150. The value of credits cannot exceed $500,000 for each qualified investment made. The credit can be applied against a taxpayer's Corporation Business Tax liability and must be allowed in the privilege period in which the taxpayer applied for the credit. The law also repeals the New Jersey Ignite Act. This law went into effect on June 30, 2025, and applies to any applications for the Angel Investor Tax Credit that are approved for taxable years and privilege periods beginning on or after January 1, 2026.

P.L. 2025, Chapter 81: The law modifies certain requirements and award availability under the Film and Digital Media Content Production Tax Credit Program. The law extends the eligibility period of the program by 10 years, from on or before July 1, 2039, to on or before July 1, 2049, and extends the timeframe for awarding credits from prior to Fiscal Year 2040 to prior to Fiscal Year 2050. The law amends various definitions and eligibility requirements the New Jersey Economic Development Authority uses to award Garden State Film and Digital Media tax credits and changes how the tax certificate or tax credit transfer certificate holder may use the credit. This law went into effect on June 30, 2025, and applies to applications submitted after that date.

P.L. 2025, Chapter 111: The law authorizes the New Jersey Housing and Mortgage Finance Agency to use $500,000,000 in tax credits to support the development of certain housing programs by amending the New Jersey Economic Recovery Act of 2020 and supplementing P.L. 1983, c.530. The law directs the NJHMFA to conduct tax credit auctions to provide financial assistance for certain housing purposes. Purchasers who receive a tax credit through auction shall apply the credit against their Corporation Business Tax liability for the current privilege period as of the date the credit was approved. This law went into effect on July 22, 2025.

P.L. 2025, Chapter 123: The law establishes the Next New Jersey Manufacturing Program under the authority of the New Jersey Economic Development Authority to incentivize in-State manufacturing investments and job creation. This tax credit program is designed to foster job growth by encouraging manufacturing facilities to establish and expand their physical presence in New Jersey. To claim the credits, an eligible business must apply to the NJEDA beginning August

13, 2025, but prior to March 1, 2029; be in good standing; and receive a tax clearance certificate from the Division of Taxation. This law went into effect on August 13, 2025.

P.L. 2024, Chapter 61: The law modifies definitions and eligibility requirements that the New Jersey Economic Development Authority (NJEDA) uses to award Historic Property Reinvestment Program tax credits, as well as revises the amount of the award or tax credit allowed.

P.L. 2024, Chapter 49: The law establishes the "Next New Jersey Program" under the jurisdiction of the New Jersey Economic Development Authority, and modifies certain parts of the "New Jersey Economic Recovery Act of 2020." Beginning July 25, 2024, through March 1, 2029, a business that is primarily engaged in the artificial intelligence industry may apply to receive tax credit(s) that may be applied against their Corporation Business Tax or Insurance Premium Tax liabilities.

P.L. 2024, Chapter 40: The law amends eligibility requirements that the New Jersey Economic Development Authority will use to award tax credits for the Business Retention and Relocation Assistance Act (P.L. 1996, c.25), the Business Employment Incentive Program Act (P.L. 1996, c.26), the Urban Transit Hub Tax Credit Act (P.L. 2007, c.346), and the Grow New Jersey Assistance Act (P.L. 2011, c.149) programs. The law changes how the tax certificate holder may either use or transfer the credit. For all programs, the tax certificate holder can now first use the credit in the tax period *for* which it was issued, or the tax period *in* which it was issued. Additionally, tax credits issued for the Business Retention and Relocation Assistance and the Grow New Jersey Assistance programs can be first used in any tax period during the project's specified commitment duration, while tax credits issued for Business Employment Incentive Program and the Urban Transit Tax Credit program can be first used in any tax period during the time the business is required to maintain the project at a New Jersey location.

P.L. 2024, Chapter 33: The law amends the Garden State Film and Digital Media Jobs Act to address the treatment of wages paid under reciprocity agreements. It expands the definition of "qualified film production expenses" and "qualified digital media content production expenses" to include the treatment of New Jersey wages and salaries paid to Pennsylvania residents. In addition, the definition of "full-time or full-time equivalent employee" was also modified to include Pennsylvania residents working in New Jersey.

P.L. 2024, Chapter 20: The law imposes a 2.5 percent Corporate Transit Fee on Corporation Business Tax (CBT) taxpayers with allocated taxable net income in excess of $10 million. The Corporate Transit Fee is in addition to the taxpayer's regular CBT liability, and taxpayers cannot claim a credit against the fee except for credits for installment payments, estimated payments made with request for an extension of time to file a return, or overpayments from prior privilege periods. The definition of "Allocated taxable net income" is identical to "taxable net income" as defined in the Corporation Business Tax Act for the purpose of this chapter law.

P.L. 2024, Chapter 1: The law allows CBT taxpayers to utilize an alternative method to calculate a depreciation deduction of eligible capital expenditures incurred in connection with the construction of new affordable housing developments, owned by the taxpayer.

P.L. 2023, Chapter 197: The law establishes the Cultural Arts Incentives Program, which incentivizes the establishment of cultural arts projects in New Jersey. An eligible cultural arts institution seeking a tax credit pursuant to the program must apply for the credit with the NJEDA beginning January 1, 2026, and prior to March 1, 2029. Tax credits awarded to a cultural arts institution under this program may be applied against Corporation Business Tax (CBT) and Insurance Premium Tax (IPT) liabilities.

P.L. 2023, Chapter 118: The law allows for businesses to apply New Jersey Innovation Evergreen tax credits against their Insurance Premiums Tax liability. The law no longer requires that a purchaser apply for a tax credit transfer certificate in the same privilege period in which the director allowed the credit. The law modifies the treatment of tax credits that are sold under the Food Desert Relief Program. The change allows a business to claim a tax credit in the privilege period during which the sale is approved.

P.L. 2023, Chapter 98: The law revises various provisions of "New Jersey Economic Recovery Act of 2020," specifically revisions to New Jersey Aspire Program. The law allows an eligible New Jersey Aspire Program tax certificate holder to transfer all or some of the tax credit amount to another recipient for use in the tax period that the original certificate was issued. In addition, the law allows the tax certificate holder to carry forward all or a portion of the tax credit amount over five successive tax periods.

P.L. 2023, Chapter 97: The law revises provisions of the Garden State Film and Digital Media Jobs Act. The law extends the timeframe of the credit’s availability, to privilege periods or tax years beginning before July 1, 2039.

P.L. 2023, Chapter 4: The law provides corporation business tax credits for certain deliveries of low carbon concrete and for costs of conducting environmental product declaration analyses of low carbon concrete. For CBT filers, the credits may not reduce the amount of tax due below the statutory minimum. Unused credits may be carried forward for up to seven privilege periods. The Division of Taxation can neither issue more than $10 million in tax credit certificates per year nor allow any taxpayer to obtain tax credits of more than $1 million in any privilege period. This law went into effect on July 30, 2023, and applies to privilege periods beginning on or after January 1, 2024.

P.L. 2022, Chapter 75: The law increases total available tax credits under the Economic Redevelopment and Growth (ERG) Program by $25 million while also amending requirements for certain mixed use parking projects undertaken by municipal redevelopers under ERG.

P.L. 2022, Chapter 48: The law allows certain cannabis businesses to benefit from specific

economic and financial incentives they were previously not eligible to receive. It redefined the types of economic and financial incentive awards considered to be "State or local economic incentives" under the "New Jersey Cannabis Regulatory, Enforcement Assistance, and Marketplace Modernization Act." In addition, the law newly defines "small business" for determining which cannabis businesses may be eligible for certain financial incentives or funding provided by the NJEDA or Department of Labor and Workforce Development. This law went into effect on June 30, 2022.

P.L. 2022, Chapter 47: The law revises certain provisions of the Food Desert Relief Program administered by the New Jersey Economic Development Authority (NJEDA). Credits issued under the program now may be applied against Insurance Premium Tax liabilities, in addition to Corporation Business Tax liabilities. The law also adds a seven-year carryforward provision for those credits sold by the NJEDA to eligible businesses. Taxpayers may apply to the Division of Taxation and the NJEDA for a tax credit transfer certificate in lieu of the taxpayer being allowed to claim their credit against their tax liability. The taxpayer is allowed to sell the credit for no less than $25,000 during the privilege period in which they receive the certificate, and the taxpayer may not sell the certificate, or use it as collateral, for less than 85 percent of the credit amount. Credits purchased from a taxpayer may be carried forward for 10 privilege periods and cannot reduce tax liability below the statutory minimum tax. This law became effective on June 30, 2022.

P.L. 2020, Chapter 156 (Sections 9-19): The law establishes the Brownfields Redevelopment Incentive Program under the jurisdiction of the New Jersey Economic Development Authority. The purpose of the program is to compensate developers of redevelopment projects located on brownfield sites for remediation costs through the issuance of tax credits. A brownfield site is defined as any former or current commercial or industrial site that is currently vacant or underutilized and on which there has been, or is suspected to have been, a discharge of a contaminant or contaminated building material. To qualify, developers must enter into a redevelopment agreement with the authority and demonstrate a project financing gap, with developer-contributed capital of at least 20 percent of total remediation costs. The total value of tax credits approved by the authority is subject to the limitations set forth in section 98 of P.L. 2020, c.156, and any unapproved, uncertified, or recaptured portions may be carried over and reallocated in succeeding years.

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*Note: The New Jersey Economic Development Authority (NJEDA) provides tax expenditure estimates for certain business tax credits available under the CBT and GIT. These estimates reflect credits certified and issued or expected to be issued in the fiscal year in question, including credits for prior tax years. These credits are not necessarily applied to returns during the fiscal year in which they are issued. In addition, for some credit programs, the estimates reflect the statutory maximum for credits that can be issued in the tax year.*

## 42 The Economic Redevelopment and Growth Program (ERG)

**Citation:** N.J.S.A. 52:27D-489e

**Effective Date:** 9/18/2013 **2027 Estimate:** $63,600,000
**Applied Date:** 9/18/2013

**Objective:** To encourage capital investment in New Jersey commercial and residential real estate projects.

**Description:** The Economic Redevelopment and Growth program (ERG) is an incentive for real estate development projects that have a financing gap, what the New Jersey Economic Development Authority (NJEDA) defines as having insufficient revenues to support the project debt service under a standard financing scenario. The incentive can also apply to projects that have a below-market development margin or rate of return. The ERG involves a "grant" of tax benefits offered on annual incremental State and local taxes for a period of up to 75 percent of the annual incremental State tax and/or local tax revenue or 85 percent if the company is located in a Garden State Growth Zone.

**Data Source:** New Jersey Economic Development Authority.

**Reliability:** 3 Based on unverifiable tax records or information from other State and/or federal government agencies.

## 43 Grow New Jersey Assistance Program

**Citation:** N.J.S.A. 34:1B-243 et seq.

**Effective Date:** 9/18/2013 **2027 Estimate:** $304,100,000
**Applied Date:** 9/18/2013

**Objective:** To encourage job creation by attracting and retaining businesses in New Jersey.

**Description:** This program is administered by the New Jersey Economic Development Authority (EDA). The program allows the EDA to grant tax credits to businesses that meet the eligibility qualifications of the grant program. The tax credit is applied against the business's Corporation Business Tax liability pursuant to N.J.S.A. 54:10A-5. The amount of the tax credit that exceeds the business's tax liabilities for the tax period can be carried forward for a period of 20 years, provided the total value of all credits awarded by the EDA do not exceed the yearly limit of $200,000,000 or $1,500,000,000 in the course of ten years, as set forth. Businesses that receive the tax credit can also apply for a benefit transfer certificate covering tax periods over one or more years in lieu of using the credits. The transfer certificate can be sold to another business that has Corporation Business Tax liabilities for consideration of an amount which is a minimum of at least 75 percent of the value of the tax credit transferred. The amount of a tax liability shall be subject to the same limitations and considerations that apply to the use of the credit by the business that originally received the credit.

**Data Source:** New Jersey Economic Development Authority.

**Reliability:** 3 Based on unverifiable tax records or information from other State and/or federal government agencies.

## 3 New Jersey Angel Investor Tax Credit Act

**Citation:** N.J.S.A. 54:10A-5.30

**Effective Date:** 6/30/2025 **2027 Estimate:** $0

**Applied Date:** 1/1/2026

**Objective:** To encourage investment in New Jersey technology businesses.

**Description:** Upon approval by the NJEDA, a taxpayer is allowed a credit against the Corporation Business or Gross Income Tax amount due for the taxable year, of up to 40 percent of the qualified investment made in a New Jersey emerging technology business, up to a maximum allowed credit of $500,000 for the taxable year for each qualified investment made by the taxpayer. The amount of credits approved by the NJEDA cannot exceed $25 million in any calendar year.

**Data Source:** New Jersey Economic Development Authority.

**Reliability:** 3 Based on unverifiable tax records or information from other State and/or federal government agencies.

## 5 AMA Tax Credit

**Citation:** N.J.S.A. 54:10A-5af

**Effective Date:** 7/1/2002 **2027 Estimate:** $800,000

**Objective:** To provide that, if a taxpayer incurs an AMA (Alternative Minimum Assessment) liability in excess of the regular Corporation Business Tax (CBT) liability, the excess may be carried over to subsequent years and used as a credit against the regular CBT liability. The carryovers were designed never to expire. There are, however, limitations as to how much credit can be taken on any single return.

**Description:** 1) If the alternative minimum assessment for a taxpayer computed pursuant to this section exceeds the tax computed pursuant to section 5 of P.L. 1945, Chapter 165 (C.54:10A-5) for a privilege period, the taxpayer is allowed an amount of credit equal to the amount by which the alternative minimum assessment computed pursuant to this section for the privilege period exceeds the tax computed pursuant to section 5 of P.L. 1945, Chapter 165 (C.54:10A-5) for that privilege period; provided however, that a taxpayer shall not be allowed a credit for any amount of alternative minimum assessment for a privilege period for which a credit is allowed pursuant to section 29 of P.L. 2002, Chapter 40 (C.54:10A-5b). The amount of credit may be carried forward for application in subsequent privilege periods subject to the limitations of paragraph (2) of this subsection.

2)A taxpayer may apply all or a portion of the credits allowed by paragraph (1) of this subsection against the tax computed pursuant to section 5 of P.L. 1945, Chapter 162 (C.54:10A-5), for a privilege period for which the tax pursuant to that section exceeds the alternative minimum assessment computed for the privilege period pursuant to this section; provided however, that the amount of credit applied shall not reduce the amount of tax otherwise due to less than the alternative minimum assessment as computed pursuant to this section for the privilege period, shall not reduce the amount of tax otherwise due by more than 50 percent, and shall not reduce the amount of tax otherwise due below the statutory minimum provided in subsection (e) of section 5 of P.L. 1945, Chapter 162 (C.54:10A-5).

**Data Source:** Division of Taxation Unpublished Data

**Reliability:** 1 Based on the population of verified tax returns.

## 6 Business Employment Incentive Program (BEIP)

**Citation:** N.J.S.A. 34:1B-124 et seq.

**Effective Date:** 5/9/1996
**Applied Date:** 6/1/1996

**2027 Estimate:** $1,200,000

**Description:** The Business Employment Incentive Program, codified at 34:1B-124 et seq. (P.L. 1996, Chapter 26) was one of the State's tools, jointly administered by the New Jersey Economic Development Authority and the New Jersey Division of Taxation, to promote job growth in New Jersey. Approved businesses receive annual cash grants based on the number of new jobs they have created in the State of New Jersey.

The Business Employment Incentive Program statute was changed through P.L. 2015, Chapter 194, effective January 1, 2016. A business that was eligible to receive a grant under the Business Employment Incentive Program (BEIP) to direct the New Jersey Economic Development Authority (authority) to convert the grant to a refundable tax credit against its Corporation, Gross Income, or Insurance Premium Tax liability in an amount equal to the credit payment schedule provided in the bill. The direction to convert the grant to a tax credit is to be irrevocable. Approved tax credits may only be applied in the tax period for which they are issued and are not to be carried forward. If the credit exceeds the amount of tax liability otherwise due from a business that pays Corporation Business Taxes, the amount of excess is to be deemed an overpayment, and the business is to receive a refund without interest due to it.

**Data Source:** New Jersey Economic Development Authority.

**Reliability:** 3 Based on unverifiable tax records or information from other State and/or federal government agencies.

## 8 Business Retention and Relocation Assistance Grants

**Citation:** P.L. 1996, Chapter 25, § 4, as amended.

**Effective Date:** 5/9/1996 **2027 Estimate:** $2,300,000
**Applied Date:** 6/1/1996

**Objective:** The purpose of the program is to encourage economic development, preserve existing jobs, and stimulate new job activity in New Jersey.

**Description:** The Business Retention and Relocation Assistance Act (C.34:1B-112 et seq., was signed into law on May 9, 1996 and was subsequently amended and expanded in scope. The BRRAG Program, which approved new projects until 2013, was a one-time grant of Corporation Business Tax credits (or Insurance Premiums Tax credits as applicable) to businesses to assist them in retaining jobs and developing projects that relocate within the state. Additionally, eligible businesses would also be authorized to acquire certain materials without payment of Sales Tax. Grants of up to $1,500 per job were available for relocation of jobs within the state and were scored based on a number of factors, such as the type of industry, quality of the jobs, and consistency with New Jersey's Smart Growth policies, with bonus grants of up to an additional 50 percent available for businesses relocating 2,000 jobs or more into a designated urban center.

**Data Source:** New Jersey Economic Development Authority

**Reliability:** 3 Based on unverifiable tax records or information from other State and/or federal government agencies.

## 13 Economic Recovery Tax Credit

**Citation:** N.J.S.A. 52:27BBB-53 et seq.

**Effective Date:** 6/30/2002 **2027 Estimate:** $100,000

**Objective:** To foster business investment in qualified municipalities established under the authority of the "Qualified Municipality Open For Business Incentive Program".

**Description:** The credit is equal to $2,500 for each new full-time position at that location in credit year one and $1,250 for each new full-time position at that location in credit year two. No taxpayer shall be allowed more than a single 24-month continuous period in which credits shall be allowed for activity at a location within a qualified municipality. The credit allowable under this section shall not exceed 50 percent of the tax liability otherwise due and shall not reduce the tax liability to an amount less than the statutory minimum.

Any unused credit may be carried forward, if necessary, for use in the five privilege periods following the privilege period for which the credit is allowed. The credit allowed for credit year one may be refundable at the close of the privilege period in which or with which credit year two ends. The amount of the credit received for credit year one remaining, if any, after the liabilities for the privilege period in which or with which credit year two ends and for any prior privilege period have been satisfied, multiplied by the sustained effort ratio, shall be an overpayment for the purposes of section N.J.S.A. 54:49-15 for the privilege period in which or with which credit year two ends; that amount of the credit received for credit year one remaining, if any, that is not an overpayment may be carried forward.

**Data Source:** Division of Taxation Unpublished Data

**Reliability:** 1 Based on the population of verified tax returns.

## 14 Effluent Equipment Tax Credit

**Citation:** N.J.S.A. 54:10A-5.31

**Effective Date:** 7/1/2002 **2027 Estimate:** $100,000

**Objective:** To establish a credit against the corporation franchise tax (P.L. 1945, Chapter 162 C.54:10A-1 et seq.) for the purchase of treatment equipment that is used exclusively for the treatment of effluent from a wastewater treatment system.

**Description:** Tax credit for purchase of effluent treatment, conveyance equipment.

**Data Source:** Division of Taxation Unpublished Data

**Reliability:** 1 Based on the population of verified tax returns.

## 16 New Jersey Film and Digital Media Tax Credit

**Citation:** N.J.S.A. 54:10A-5.39b

**Effective Date:** 6/30/2025 **2027 Estimate:** $239,700,000

**Objective:** To support and expand business opportunities to produce films in New Jersey

**Description:** Allows for a tax credit of up to 40 percent of a company's qualified film production expenses in New Jersey to be applied against Corporation Business Tax in the year the expenses are incurred. Digital media projects are eligible to receive tax credits of up to 40 percent of qualified production expenses up to a cap of $30 million per year.

**Data Source:** New Jersey Economic Development Authority.

**Reliability:** 3 Based on unverifiable tax records or information from other State and/or federal government agencies.

**Effectiveness:** Film Tax Credit Activity Report:https://www.njeda.gov/wp-content/uploads/2026/02/Film-Activity-Report_Q42025.pdf

Digital Media Tax Credit Activity Report: https://www.njeda.gov/wp-content/uploads/2026/02/Digital-Media-Tax-Credit-Activity-Report_Q42025.pdf

## 19 Manufacturing Equipment and Employment Investment Tax Credit

**Citation:** N.J.S.A. 54:10A-5.16 through N.J.S.A. 54:10A-5.21

**Effective Date:** 1/1/1994 **2027 Estimate:** $9,300,000

**Objective:** The purpose of the Manufacturing Equipment and Employment Investment Tax Credit is to offset the purchase of manufacturing equipment and to support the creation of new jobs. The law allows a Corporation Business Tax credit of two percent on the purchase price on new machinery or equipment during the first year of operation. For each of the next two years, a company could qualify for an additional credit of three percent by creating new jobs, capped at $1,000 per additional employee.

**Description:** A taxpayer shall be allowed a credit against the tax imposed pursuant to section 5 of P.L. 1945, Chapter 162 (C.54:10A-5), in an amount equal to two percent of the investment credit base of qualified equipment placed in service in the tax year, up to a maximum allowed credit for the tax year of $1,000,000; provided however, that if a taxpayer has 50 or fewer employees (an average number of full-time employees and full-time employee equivalents of 50 or less) and entire net income to be used as a measure of the tax determined pursuant to section 6 of P.L. 1945, Chapter 162 (C.54:10A-6) of less than $5,000,000 for the tax year, the taxpayer shall be allowed a credit against the tax imposed pursuant to section 5 of P.L. 1945, Chapter 162 (C.54:10A-5), in an amount equal to four percent of the investment credit base of qualified equipment placed in service in the tax year, up to a maximum allowed credit for the tax year of $1,000,000.

**Data Source:** Division of Taxation Unpublished Data TY 2019 – 2023 extrapolated as a mean of reported numbers.

**Reliability:** 1 Based on the population of verified tax returns.

## 20 Neighborhood Revitalization State Tax Credit

**Citation:** N.J.S.A. 52:27D-490 et seq.

**Effective Date:** 7/1/2002 **2027 Estimate:** $17,800,000

**Objective:** To create an incentive for businesses to invest in neighborhood revitalization and preservation projects sponsored by nonprofit corporations through the granting of a tax credit.

**Description:** A business entity shall be eligible for a certificate for neighborhood revitalization State tax credits if it has provided funding for a qualified project that has been approved in accordance with sections 4 and 5 of P.L.2001, Chapter 415 (C.52:27D-493 and C.52:27D-494).

a. Credits may be granted in an amount up to 100 percent of the approved assistance provided to a nonprofit organization to implement a qualified neighborhood preservation and revitalization project.

b. The credit may be applied by the business entity receiving the certificate as credit against tax imposed on business related income, other than tax imposed under the New Jersey Gross Income Tax, including, but not limited to, business income subject to the provisions of the Corporation Business Tax Act (1945), P.L.1945, Chapter 162 (C.54:10A-1 et al.), "The Savings Institution Tax Act," P.L.1973, Chapter 31 (C.54:10D-1 et seq.), the tax imposed on marine insurance companies pursuant to R.S.54:16-1 et seq., the tax imposed on insurers generally, pursuant to P.L.1945, Chapter 132 (C.54:18A-1 et seq.), the sewer and water utility excise tax imposed pursuant to section 6 of P.L.1940, Chapter 5 (C.54:30A-54) and the petroleum products gross receipts tax imposed pursuant to section 3 of P.L.1990, Chapter 42 (C.54:15B-3).

c. The credit allowed to a business entity under this section may not exceed for any taxable year $1,000,000 or the total amount of tax otherwise payable by the business entity for the taxable year and, in addition, shall not exceed limitations placed on the amounts of credits or carryforward credits allowed, if any, under the relevant statute as enumerated in subsection b. of this section concerning the tax for which a credit is being claimed.

d. Credit shall not be allowed for activities for which the business entity is receiving credit under any other provision against any tax on business related income other than the New Jersey Gross Income Tax, including, but not limited to, the Corporation Business Tax, Insurance Premiums Tax, Petroleum Products Gross Receipts Tax, public utilities franchise tax, Public Utilities Gross Receipts Tax, public utility excise tax, railroad franchise tax, and the saving institution tax.

e. The tax credit shall be awarded only for assistance provided within the same year in which the commissioner issued the certificate, or if the commissioner approved assistance for more than one year, within the year in which payment was scheduled.

f. The total tax credits certified for all qualified projects proposed in a fiscal year shall not exceed $10,000,000.

**Data Source:** Division of Taxation Reports.

**Reliability:** 1 Based on the population of verified tax returns.

## 23 New Jobs Investment Tax Credit

**Citation:** N.J.S.A. 54:10A-5.5 through N.J.S.A. 54:10A-5.15

**Effective Date:** 7/7/1993 **2027 Estimate:** $7,800,000

**Objective:** To create a Corporation Business Tax credit for creating new jobs in New Jersey.

**Description:** The New Jobs Investment Tax Credit is taken in five equal annual installments. The annual credit cannot exceed 50 percent of that portion of the Corporation Business Tax liability which is attributable to and the direct result of the taxpayer's qualified investment and shall not reduce the tax liability below the statutory minimum. This tax credit is available for investment in new or expanded business facilities that create new jobs in New Jersey.

**Reliability:** 1 Based on the population of verified tax returns.

## 27 Redevelopment Authority Project Tax Credit

**Citation:** N.J.S.A. 55:19-3

**Effective Date:** 7/26/1991 **2027 Estimate:** $0

**Objective:** To incentivize job creation.

**Description:** Any taxpayer that is actively engaged in the conduct of business at a location within a project as defined in N.J.S.A. 55:19-1 et seq., and whose business at that location consists primarily of manufacturing or other business that is not retail sales or warehousing oriented, may be entitled to claim the Redevelopment Authority Project Tax Credit. The credit is $1,500 each year for two years for new employees that were unemployed or on public assistance prior to joining a manufacturing company in the project area. The Redevelopment Authority Project Tax Credit is allowed in the tax year following the tax year of qualification, and may be continued into a second tax year if such qualification continues. Any credit which remains after the second tax year following the tax year of qualification is forfeited.

**Data Source:** Division of Taxation Unpublished TY Data 2019 – 2023 Extrapolated as Mean of Reported Data.

**Reliability:** 1 Based on the population of verified tax returns.

## 29 Research and Development Tax Credit

**Citation:** N.J.S.A. 54:10A-5.24

**Effective Date:** 1/1/1998 **2027 Estimate:** $433,300,000

**Objective:** Research and development costs have been deemed to be critical corporate expenditures as they could result in future economic activity based on product discovery and innovation. This credit is one of the most used credits available to corporations, clear demonstration of its importance.

**Description:** A taxpayer is allowed a credit against their Corporation Business Tax liability equal to 10 percent of the excess of the qualified research expenses for the privilege period over the base amount; and 10 percent of the basic research payments determined in accordance with section 41 of the Internal Revenue Code of 1986, 26 U.S.C. s.41, and other restrictions as set forth in the law.

For privilege periods beginning on and after January 1, 2018, amounts paid or incurred by the taxpayer in carrying on any trade or business of the taxpayer during the privilege period, including as contributions, to an energy research consortium for energy research shall also qualify as a basic research payment for purposes of this subsection.

**Data Source:** Division of Taxation Unpublished TY Data 2019 – 2023 Extrapolated as Mean of Reported Data.

**Reliability:** 1 Based on the population of verified tax returns.

## 30 Sheltered Workshop Tax Credit

**Citation:** N.J.S.A. 54:10A-5.38

**Effective Date:** 1/12/2006 **2027 Estimate:** $0

**Objective:** To support the operations of nonprofit agencies that furnish extended employment programs to individuals with disabilities.

**Description:** A credit available to certain taxpayers that employ qualified person(s) under an extended employment program.

**Data Source:** Division of Taxation Unpublished TY Data 2019 – 2023 Extrapolated as Mean of Reported Data.

**Reliability:** 1 Based on the population of verified tax returns.

## 31 Urban Enterprise Zone Employee Tax Credit

**Citation:** N.J.S.A. 52:27H-78

**Effective Date:** 8/4/1988 **2027 Estimate:** $0

**Objective:** To allow a business, which is not retail sales or warehouse oriented, within a specified enterprise zone to receive an employee tax credit against the tax imposed by the Corporation Business Tax Act.

**Description:** This credit is available to a taxpayer that was certified as a qualified business in the preceding tax year as well as the current tax year. The amount of this credit in addition to the amount of any other tax credits taken is limited to 50 percent of the taxpayer's total tax liability and cannot exceed an amount which would reduce the total tax liability below the statutory minimum. The credit is $1,500 if the employee was formerly unemployed or on public assistance; $500 if the employee meets the other qualifications but not these. Qualifying employees must have been hired after certification and must have worked six consecutive months in the tax year following the tax year in which employment began.

**Data Source:** Division of Taxation reports TY 2019 – 2023.

**Reliability:** 1 Based on the population of verified tax returns.

## 32 Urban Enterprise Zone Investment Tax Credit

**Citation:** N.J.S.A. 52:27H-78c and 52:27H-86

**Effective Date:** 8/4/1988 **2027 Estimate:** $0

**Objective:** To allow a business within a specified enterprise zone, which is not retail sales or warehouse oriented and is unable to receive employee tax credits, to receive a one-time tax credit against the tax imposed by the Corporation Business Tax Act for new investment into the enterprise zone.

**Description:** A qualified business which is not entitled to an employee tax credit may be entitled to the investment tax credit. This credit is only available to an employer with less than 50 employees. The investment must be at least $5,000 if there are 10 or fewer employees, and increases by $500 for each additional employee.

**Data Source:** Division of Taxation reports TY 2019 – 2023.

**Reliability:** 1 Based on the population of verified tax returns.

## 33 Urban Transit Hub Tax Credit

**Citation:** N.J.S.A. 34:1B-207 et seq.

**Effective Date:** 7/28/2009 **2027 Estimate:** $53,500,000

**Objective:** To promote economic development in urban transit hubs through a tax credit program for capital investment and increased employment. The approved tax credit is only allowable after the capital expenditure has actually been made.

**Description:** This tax credit is based on a capital investment made by a qualified business to a location defined as an Urban Transit Hub. An Urban Transit hub is property located within a 1/2 mile radius surrounding the mid-point of a New Jersey Transit Corporation, Port Authority Transit Corporation or Port Authority Trans-Hudson Corporation rail station platform area, including all light rail stations, and property located within a one mile radius of the mid-point of the platform area of such a rail station if the property is in a qualified municipality under the "Municipal Rehabilitation and Economic Recovery Act," P.L. 2002, Chapter 43 or a property located within a 1/2 mile radius surrounding the mid-point of one of up to two underground light rail stations' platform areas that are most proximate to an interstate rail station or a property adjacent to, or connected by rail spur to a freight rail line, if the business utilizes that freight line for loading and unloading freight cars on trains per declaration made by the Economic Development Authority.

**Data Source:** New Jersey Economic Development Authority.

**Reliability:** 3 Based on unverifiable tax records or information from other State and/or federal government agencies.

## 34 New Jersey Innovation Evergreen Fund (NJIEF)

**Citation:** N.J.S.A. 34:1B-288 through 34:1B-302

**Effective Date:** 1/7/2021 **2027 Estimate:** $0

**Objective:** Partnering with private-sector venture capital firms to raise and invest funds in innovative early-stage companies in New Jersey.

**Description:** Authorized under the Economic Recovery Act (ERA) of 2020, the Evergreen Program, administered by the New Jersey Economic Development Authority, will raise funds in part through auctions of up to $300 million in tax credits that can be used against Corporation Business Tax or Insurance Premiums Tax liabilities, with the annual issuance not to exceed $60 million.

**Data Source:** New Jersey Economic Development Authority.

**Reliability:** 3 Based on unverifiable tax records or information from other State and/or federal government agencies. Current fiscal year value indicates the statutory maximum.

## 35 Emerge Program

**Citation:** N.J.S.A. 34:1B-336 et seq.

**Effective Date:** 1/7/2021 **2027 Estimate:** $16,800,000

**Objective:** To encourage economic development in priority sectors and targeted communities through tax credits for businesses that create and/or retain jobs.

**Description:** Authorized under the Economic Recovery Act (ERA) of 2020, the Emerge Program, administered by the New Jersey Economic Development Authority, provides tax credits ranging from $500 to $8,000 per job for firms that create at least 35 jobs and/or retain at least 500 jobs in eligible locations in the State, meet minimum capital investment requirements, and yield a minimum net positive economic benefit to the State of at least 200 percent to 400 percent, among other requirements. Combined assistance under the Emerge Program and Aspire Program, also authorized under the ERA of 2020, is capped at $1.1 billion annually for six years.

**Data Source:** New Jersey Economic Development Authority.

**Reliability:** 3 Based on unverifiable tax records or information from other State and/or federal government agencies.

## 36 Food Desert Relief Program

**Citation:** N.J.S.A. 34:1B-303 through 34:1B-310

**Effective Date:** 1/7/2021 **2027 Estimate:** $5,000,000

**Objective:** To use tax credits, loans, grants and other assistance to address the food security needs of New Jersey communities by increasing access to nutritious foods and seek new approaches to alleviating food deserts.

**Description:** Authorized under the Economic Recovery Act (ERA) of 2020, the Food Desert Relief Program, administered by the New Jersey Economic Development Authority, will provide up to $40 million annually in tax credits, grants and other assistance to incentivize establishment and/or retention of supermarkets and grocery stores in food desert communities. Eligible businesses must be retail outlets of at least 16,000 square feet, be the first or second supermarket or grocery store in a designated food desert and commit to accepting benefits from SNAP, WIC and other assistance programs.

**Data Source:** New Jersey Economic Development Authority.

**Reliability:** 3 Based on unverifiable tax records or information from other State and/or federal government agencies. Current fiscal year value indicates the statutory maximum.

## 37 Aspire Program

**Citation:** N.J.S.A. 34:1B-324 through 34:1B-335

**Effective Date:** 1/7/2021 **2027 Estimate:** $58,800,000

**Objective:** Gap financing tool to support commercial, mixed use, and residential real estate development projects.

**Description:** Authorized under the Economic Recovery Act (ERA) of 2020, the Aspire Program, administered by the New Jersey Economic Development Authority. Most Aspire projects will be subject to a total award cap of $42 million, but residential projects also receiving Low Income Housing Tax Credits or projects located in certain economically disadvantaged locations may receive up to $60 million. Combined assistance under the Aspire Program and Emerge Program, also authorized under the ERA of 2020, is capped at $1.1 billion annually for six years.

**Data Source:** New Jersey Economic Development Authority.

**Reliability:** 3 Based on unverifiable tax records or information from other State and/or federal government agencies. Current fiscal year value indicates the statutory maximum.

## 38 Low Carbon Concrete Products

**Citation:** N.J.S.A. 54:10A-5.49, 54A:10A-5.50, and 54A:4-23

**Effective Date:** 7 /30/2023 **2027 Estimate:** $10,000,000

**Objective:** Tax credits for concrete mixes supplied pursuant to contracts with State government agencies in accordance with global warming potential baselines and thresholds for low-embodied carbon concrete and concrete that incorporates carbon capture, utilization, and storage technology.

**Description:** Corporation business tax (CBT) credits for certain deliveries of low carbon concrete and for costs of conducting environmental product declaration analyses of low carbon concrete. The Division of Taxation can neither issue more than $10 million in tax credit certificates per year, nor allow any taxpayer to obtain tax credits of more than $1 million in any privilege period. Nonrefundable gross income tax credits are also authorized under this law and count towards the $10 million cap. Most, if not all of the tax credit claims associated with this program are expected under the CBT.

**Data Source:** Division of Taxation.

**Reliability:** 3 Based on unverifiable tax records or information from other State and/or federal government agencies. Current fiscal year value indicates the statutory maximum.

## 39 Alternative Method of Depreciation

**Citation:** N.J.S.A. 54:10A-4.17

**Effective Date:** 1/1/2025 **2027 Estimate:** $15,400,000

**Objective:** To allow taxpayers to utilize an alternative method of depreciation for certain affordable housing related expenditures under the Corporation Business Tax.

**Description:** The alternative method of depreciation allows taxpayers to depreciate eligible expenditures related to the development of affordable housing over a 10-year period. Affordable housing is housing that is occupied or restricted to occupancy by households with income no greater than 80 percent of the regional median income, included to, but not limited to, housing that is deed restricted as affordable pursuant to the "Fair Housing Act". An "Affordable housing development" qualifying for this method of depreciation must have commenced construction after January 1, 2025, must have taxes that are not abated or exempted, and must not be subsidized for the construction of low- and moderate-income housing. Furthermore, an affordable housing development includes one or more units of housing, where at least 20 percent of the units qualify as affordable housing. The method of depreciation is calculated as two times (the number of affordable housing units in the development divided by the total number of housing units in the development).

**Data Source:** Affordable Housing Data from the New Jersey Department of Community Affairs and New Jersey Housing and Mortgage Finance Agency.

**Reliability:** 4 Based on average or marginal tax rates applied to aggregate data, including data from external and/or non-government sources.

## 40 Next New Jersey Program

**Citation:** N.J.S.A. 34:1B-394

**Effective Date:** 7/25/2024 **2027 Estimate:** $0

**Objective:** To provide tax credits to eligible artificial intelligence (AI) businesses as approved by EDA, and to attract new investment in AI-related industries in the state.

**Description:** Tax credits would be provided to businesses or divisions primarily engaged in the AI or large-scale AI data center industry. An eligible business is one that has at least 50 percent of its employees engaged in AI-related activities, or at least 50 percent of the business's revenue generated from AI-related activities. Under the program, the amount of the tax credit allowed for a particular project would be equal to the lesser of either: 0.1 percent of the business's total capital investment multiplied the number of new full-time jobs, 25 percent of the eligible business's total capital investment, or $250 million. The program provides up to $500 million in tax credits, originally allocated for the New Jersey Aspire Program and the Emerge Program, be made available to eligible AI businesses.

**Data Source:** New Jersey Economic Development Authority.

**Reliability:** 3 Based on unverifiable tax records or information from other State and/or federal government agencies.

## 41 Historic Property Reinvestment Program

**Citation:** N.J.S.A. 34:1B-270 through N.J.S.A. 34:1B-276

**Effective Date:** 9/4/2024 **2027 Estimate:** $43,100,000

**Objective:** To provide tax credits under the NJEDA Historic Property Reinvestment Program.

**Description:** The Historic Property Reinvestment Program, a tax credit program to incentivize rehabilitation of designated historic structures, or structures in designated historic districts, throughout New Jersey. The focus is historic preservation as a component of community development, aiming to attract long-term private investment into New Jersey while preserving properties throughout the state that have historic value. The program encourages smart, targeted investments in communities in the form of durable and sustainable investment in the state's economic infrastructure.

**Data Source:** New Jersey Economic Development Authority.

**Reliability:** 3 Based on unverifiable tax records or information from other State and/or federal government agencies.

## 42 Brownfields Redevelopment Tax Credits

**Citation:** N.J.S.A. 34:1B-277

**Effective Date:** 1/7/2021 **2027 Estimate:** $10,000,000

**Objective:** To compensate developers of redevelopment projects located on brownfield sites for remediation costs.

**Description:** The Brownfields Redevelopment Incentive Program is a $50 million per year project-based tax credit. The Program provides a one-time tax credit to incentivize environmental remediation, abatement, and demolition activities that will allow for the redevelopment of brownfields sites for commercial, retail, or mixed-use development or expansion. The awards are based on the remediation costs and project location. The maximum award per project is $12 million.

**Data Source:** New Jersey Economic Development Authority

**Reliability:** 3 Based on unverifiable tax records or information from other State government agencies. Current fiscal year value indicates the statutory maximum.

## 43 Next New Jersey Manufacturing Program

**Citation:** N.J.S.A. 34:1B-403 through 34-1B-412

**Effective Date:** 8/13/2025 **2027 Estimate:** $0

**Objective:** To foster job growth by encouraging manufacturing facilities to establish and expand their physical presence in New Jersey.

**Description:** Eligible manufacturing applicants may be awarded a tax credit of up to $150 million based on their proposed new jobs and capital investment. Applicants will be awarded the lesser of: 0.1 percent of the eligible business' total capital investment multiplied by the number of new full-time jobs, or 25% of the eligible business's total capital investment, or $150 million.

**Data Source:** New Jersey Economic Development Authority

**Reliability:** 3 Based on unverifiable tax records or information from other State government agencies. Current fiscal year value indicates the statutory maximum.

## 44 NJHMFA Housing Tax Credits

**Citation:** N.J.S.A. 54:14K-106 through 55-14K-110

**Effective Date:** 7/22/2025 **2027 Estimate:** $0

**Objective:** To support development of certain housing programs and directs NJHMFA to conduct tax credit auctions.

**Description:** NJHMFA is authorized to use $500,000,000 in tax credits to support the development of certain housing programs. Each year, at most, $100 million in State tax credits will be awarded. The minimum bid price per tax credit is $0.80 on the dollar. NJHMFA conducts tax credit auctions to provide financial assistance for certain housing purposes. Purchasers who receive a tax credit through auction shall apply the credit against their Corporation Business Tax or Insurance Premiums Tax liability for the current privilege period as of the date the credit was approved.

**Data Source:** New Jersey Housing and Mortgage Finance Agency

**Reliability:** 3

# 9-1-1 System and Emergency Response Assessment
# Overview

## Description

P.L. 2004, Chapter 48, imposes a fee on periodic billings to mobile telecommunications and telephone exchange customers. This fee is charged by:

- Mobile telecommunications companies for each voice grade access service number as part of mobile telecommunications service provided to a customer billed by or for the customer's home service provider and provided to a customer with a place of primary use in this State; and
- Telephone exchange companies for each telephone voice grade access service line provided as part of that telephone exchange service.

The fee is not applicable to the federal government, its agencies, or instrumentalities. The fee is also not applicable to State, county and municipal governments, and school districts from the fee imposed on telephone exchange services.

## Rate

The 9-1-1 System and Emergency Response Fee is $0.90 for each voice grade access service number and line to mobile telecommunications and telephone exchange customers.

## Disposition of Revenues

The revenue collected pursuant to the fee is deposited into the 9-1-1 System and Emergency Response Trust Fund and is appropriated to offset relevant expenditures in the Department of Law and Public Safety, Department of Military and Veteran's Affairs, and the Department of the Treasury.

## 1 Exempt Telephone Lines

**Citation:** N.J.S.A. 52:17C-17 et seq.

**Effective Date:** 6/29/2004 **2027 Estimate:** 400,000
**Applied Date:** 7/1/2004

**Objective:** To continue an established tradition of providing 9-1-1 system equipment and maintaining this system without any cost to local governments.

**Description:** Exemptions include lines billed to customers enrolled in the Lifeline Telecommunication program, or in receipt of Lifeline Telecommunication or Universal Service Fund benefits, State government agencies, and county and municipal governments and their agencies, and school districts.

**Data Source:** New Jersey Division of Taxation.

**Reliability:** 1 Based on the population of verified tax returns.

# Alcoholic Beverage Tax
# Overview

## Description

Under the Alcoholic Beverage Tax Law at N.J.S.A. 54:43-1 et seq. (P.L. 1933, Chapter 434), New Jersey levies and imposes an excise tax upon any sale of alcoholic beverages made within this State, or upon any delivery of alcoholic beverages made within or into this State.

## Rates

Alcoholic beverages are subject to excise taxes on each gallon. The tax on beer is imposed at $0.12 per gallon. The tax on liquor is imposed at $5.50 per gallon. The tax on wine, vermouth, and sparkling wine is imposed at $0.875 per gallon. Cider containing at least 3.2 percent of alcohol by volume but no more than seven percent of alcohol by volume is taxed at the rate of $0.15 per gallon. Tax on bitters, grenadine and other mixers: All bitters, grenadine, highballs, cocktails, cordials and other mixes that are classified by the IRS as intoxicating liquors and which require federal strip stamps are taxable at the rate of $5.50 per gallon. (N.J.A.C. 18:3-3.3)

## Disposition of Revenues

Revenues are deposited in the State Treasury for general State use, except that beginning on July 1, 1992, $11 million of the tax revenue is deposited annually into the Alcohol Education, Rehabilitation and Enforcement Fund, and beginning on July 1, 2009, $22 million of the tax revenue is deposited into the Health Care Subsidy Fund. A small percentage also goes to the New Jersey Wine Promotion Account.

## 1 Out-of-State Sales - Beer and Malt

**Citation:** N.J.S.A. 54:43-2

**Effective Date:** 6/14/1938
**Applied Date:** 7/1/1938

**2027 Estimate:** $32,000,000

**Objective:** Out-of-State sales are not subject to the tax.

**Description:** No tax imposed by this subtitle shall be payable on any sale of alcoholic beverages by any state licensee for resale and consumption outside of this State, or directly for consumption outside of this State, when said sale is accompanied by the actual transportation of such beverages out of this State and by the delivery of such beverages in full compliance with the laws of the place or places of delivery; provided, evidence of such sales and deliveries satisfactory to the director is submitted.

**Data Source:** New Jersey Division of Taxation.

**Reliability:** 1 Based on the population of verified tax returns.

## 2 Out-of-State Sales - Liquor

**Citation:** N.J.S.A. 54:43-2

**Effective Date:** 6/14/1938
**Applied Date:** 7/1/1938

**2027 Estimate:** $5,200,000

**Objective:** Out-of-State sales of these products are not subject to the tax.

**Description:** No tax imposed by this subtitle shall be payable on any sale of alcoholic beverages by any state licensee for resale and consumption outside of this State, or directly for consumption outside of this State, when said sale is accompanied by the actual transportation of such beverages out of this State and by the delivery of such beverages in full compliance with the laws of the place or places of delivery; provided, evidence of such sales and deliveries satisfactory to the Director is submitted.

**Data Source:** New Jersey Division of Taxation.

**Reliability:** 1 Based on the population of verified tax returns.

## 3 Out-of-State Sales - Still Wine

**Citation:** N.J.S.A. 54:43-2

**Effective Date:** 6/14/1938
**Applied Date:** 7/1/1938

**2027 Estimate:** $22,200,000

**Objective:** Out-of-State sales of these products are not subject to the tax.

**Description:** No tax imposed by this subtitle is payable on any sale of alcoholic beverages by any state licensee for resale and consumption outside of this State, or directly for consumption outside of this State, when said sale is accompanied by the actual transportation of such beverages out of this State and by the delivery of such beverages in full compliance with the laws of the place or places of delivery; provided, evidence of such sales and deliveries satisfactory to the Director is submitted.

**Data Source:** New Jersey Division of Taxation.

**Reliability:** 1 Based on the population of verified tax returns.

## 4 Out-of-State Sales - Vermouth/Sparking Wine/Apple Cider

**Citation:** N.J.S.A. 54:43-2

**Effective Date:** 6/4/1938
**Applied Date:** 7/1/1938

**2027 Estimate:** $1,800,000

**Objective:** Out-of-State sales of these products are not subject to the tax.

**Description:** No tax imposed by this subtitle shall be payable on any sale of alcoholic beverages by any state licensee for resale and consumption outside of this State, or directly for consumption outside of this State, when said sale is accompanied by the actual transportation of such beverages out of this State and by the delivery of such beverages in full compliance with the laws of the place or places of delivery; provided, evidence of such sales and deliveries satisfactory to the director is submitted.

**Data Source:** New Jersey Division of Taxation.

**Reliability:** 1 Based on the population of verified tax returns.

# Cigarette Tax
# Overview

## Description

The Cigarette Tax is collected primarily from licensed distributors who receive cigarettes directly from out-of- State manufacturers. Unless otherwise provided by law, every package of cigarettes must be stamped before being transferred from the original acquirer in New Jersey. This tax is not imposed on other tobacco products.

## Rate

Effective August 1, 2025, the tax rate is $3.00 per pack of 20 cigarettes.

A distributor is allowed a .166667 percent discount on the purchase of 1,000 or more stamps or meter impressions.

## Disposition of Revenues

The first $391.5 million in revenue collected from the cigarette tax is dedicated to the Health Care Subsidy Fund (N.J.S.A. 26:2H-18.58g). Additionally, starting on July 1, 2018, an amount equal to one percent of gross cigarette tax collections is dedicated to the Department of Health to fund anti-smoking initiatives (N.J.S.A. 26:2H-18.58g). Any remaining revenue collections are deposited in the State Treasury for general State use.

## 1 Director's Redemption of Certain Stamps

**Citation:** N.J.S.A. 54:40A-19

**Effective Date:** 6/21/1957
**Applied Date:** 4/16/1956 **2027 Estimate:** $1,000,000

**Objective:** To allow any distributor or dealer to receive a credit for any unused or mutilated, but identifiable, stamps for the face value of the given stamp.

**Description:** The Director shall redeem any unused or mutilated, but identifiable, stamps that any distributor or dealer may present for redemption, and issue a refund of the face value.

**Data Source:** New Jersey Division of Taxation.

**Reliability:** 1 Based on the population of verified tax returns.

## 2 Distributor Discounts

**Citation:** N.J.S.A. 54:40A-11

**Effective Date:** 10/31/2008 **2027 Estimate:** $1,000,000

**Objective:** To allow for a tax credit due to the service and expense of the distributor in affixing and handling revenue stamps, for any sale of 1,000 stamps or more.

**Description:** On sales of revenue stamps the Director shall allow, as compensation for the services and expenses of the distributor in affixing and handling of such stamps, a discount of 1.80 percent [*level stipulated in original statute*] of the face amount of any sale of 1,000 stamps or more; provided, that the distributor has complied with all the provisions of this Act; and, provided, further, however, that the Director shall be empowered to adjust such discount to provide equivalent compensation with respect to the face value of each 1,000 stamps or more. The current level of the discount is 0.166667 percent.

**Data Source:** New Jersey Division of Taxation.

**Reliability:** 1 Based on the population of verified tax returns

# Domestic Security Fee
# Overview

## Description

A statutory assessment designated as the "Domestic Security Fee" is imposed under P.L. 2002, Chapter 34 on motor vehicle rental companies for each day or part thereof that a motor vehicle is rented under rental agreements of not more than 28 days.

## Rate

Effective July 8, 2006, the fee is assessed at the rate of $5 per day. The fee applies only to the first 28 days of a rental agreement with the same renter. Thus, the maximum rental fee in the aggregate is $140 even if the actual rental extends beyond 28 days.

## Disposition of Revenues

The first $2 of the fee is paid to the State Treasurer for deposit in the New Jersey Domestic Security Account. The remaining revenues are deposited in the State Treasury for general State use.

## 1 Total Deductions

**Citation:** N.J.S.A. App.A:9-78

**Effective Date:** 7/1/2002
**Applied Date:** 8/1/2002

**2027 Estimate:** $1,000,000

**Objective:** The exemption for certain motor vehicles from the Sales and Use Tax is likewise applied to the domestic security fee on those exempted vehicles.

**Description:** The law does not impose the Domestic Security Fee on motor vehicle rentals that are exempt for Sales and Use Tax purposes, such as resale transactions and rentals to tax exempt organizations or government agencies.

**Data Source:** New Jersey Division of Taxation.

**Reliability:** 3 Based on unverifiable tax records or information from other State and/or federal government agencies.

# State Occupancy Fee and Municipal Occupancy Tax
# Overview

## Description

P.L. 2003, Chapter 114 imposes a State Occupancy Fee and authorizes the imposition of a Municipal Occupancy Tax on charges for the rental of a room in a hotel, motel, or similar facility in most New Jersey municipalities. P.L.2018, Chapter 49 imposed the Hotel and Motel Occupancy Fee (as well as the Sales and Use Tax) on rentals of transient accommodations, effective October 1, 2018.

## Rate

The State Occupancy Fee rate is 5 percent for occupancies on and after July 1, 2004, or at a lower rate in cities in which such occupancies are already subject to tax:

Atlantic City, Elizabeth, Newark, and Jersey City —1 percent
The Wildwoods—3.15 percent

As of July 2024, an overwhelming majority of municipalities have enacted a municipal occupancy tax rate of 3 percent.

Effective January 1, 2026, a $3.00 per day surcharge is applied on every hotel room occupancy that is subject to the Sales Tax and also is located in a first class city in which an international airport is also located. Currently, the city of Newark is the only city that meets these stipulations.

## Disposition of Revenues

The monies collected from the State Occupancy Fee are statutorily dedicated, in varying percentages, pursuant to N.J.S.A. 54:32D-2, to the New Jersey State Council on the Arts for cultural projects; the New Jersey Historical Commission; the Division of Travel and Tourism in the Department of State for tourism advertising and promotion; and the New Jersey Cultural Trust. Any amount over the dedication is allocated to the General Fund. Collections from the Municipal Occupancy Tax are distributed back to the municipality.

## 1 Government Exemption

**Citation:** N.J.S.A54:32D-1b

**Effective Date:** 7/1/2003 **2027 Estimate:** $2,600,000
**Applied Date:** 7/1/2003

**Objective:** To allow occupancies that are exempt for Sales and Use Tax purposes, including occupancies for government use, a credit from the Hotel/Motel occupancy fee.

**Description:** The law provides that the Hotel/Motel Occupancy Fee will not apply on occupancies that are exempt for Sales and Use Tax purposes, including occupancies for government use.

**Data Source:** New Jersey Division of Taxation.

**Reliability:** 1 Based on the population of verified tax returns.

## 2 Permanent Resident Exemption

**Citation:** N.J.S.A. 54:32D-1b (P.L. 2003, Chapter 114, as amended)

**Effective Date:** 7/1/2003 **2027 Estimate:** $11,100,000

**Objective:** To allow occupancies that are exempt for Sales and Use Tax purposes or motel occupancy where the purchaser resides at the lodging facility for at least 90 day, a deduction/exemption from the Hotel/Motel occupancy fee.

**Description:** The law provides that the Hotel/Motel Occupancy Fee will not apply on occupancies that are exempt under the Sales and Use Tax Act such as a hotel or motel occupancy where the purchaser resides at the lodging facility for at least 90 days.

**Data Source:** New Jersey Division of Taxation.

**Reliability:** 1 Based on the population of verified tax returns.

## 3 Rooms for Assembly

**Citation:** N.J.S.A. 54:32D-1b (P.L. 2003, Chapter 114, as amended)

**Effective Date:** 7/1/2003 **2027 Estimate:** $1,500,000

**Objective:** To allow occupancies that are exempt for Sales and Use Tax purposes or using rooms for the purpose of assembly an exclusion from the Hotel/Motel Occupancy

**Description:** The law provides that the Hotel/Motel Occupancy Fee is imposed on rooms used for occupancy. The fee is not imposed on rooms used for the purpose of assembly, such as conference, meeting or banquet rooms.

**Data Source:** New Jersey Division of Taxation.

**Reliability:** 1 Based on the population of verified tax returns.

# Local Property Tax Supported by State Government
# Overview

## Description

New Jersey offers several property tax deductions and exemptions, which are typically managed by the local municipality a resident resides in. The State also offers property tax relief via reimbursement programs such as Senior Freeze (Property Tax Reimbursement, the Affordable New Jersey Communities for Homeowners and Renters (ANCHOR), and the Stay NJ Property Tax Credit program.

## Deductions

Senior Citizens and Disabled Persons Property Tax Deduction
Veterans Property Tax Deduction

## Exemptions

100% Disabled Veteran Property Tax Exemption

## Reimbursement

Senior Freeze (Property Tax Reimbursement)
Affordable New Jersey Communities for Homeowners and Renters (ANCHOR)
Stay NJ Property Tax Credit program

## Recent History

P.L. 2025, Chapter 24: The law makes disabled persons receiving disability payments pursuant to the federal Railroad Retirement Act eligible to receive homestead property tax reimbursement. The law amends N.J.S.A. 54:4-8.67 to allow disabled individuals under age 65 who receive federal Railroad Retirement Disability payments, and meet all of the other eligibility requirements, to apply for the Property Tax Reimbursement (PTR) program. Previously, only disabled individuals under age 65 who received federal Social Security Disability payments who met all of the other eligibility requirements could apply for the PTR program. This law went into effect March 6, 2025.

P.L. 2024, Chapter 88: The law requires the Division to promulgate a combined single application for the ANCHOR rebate, Property Tax Reimbursement (Senior Freeze) benefit, and Stay NJ; notify claimants in writing with a detailed calculation of the amount they are entitled to receive, if eligible; outline the maximum benefit allowed; replace the definition of "gross income" with "income;" amend the definition of "eligible claimant;" and amend N.J.S.A. 54:4-8.58, N.J.S.A. 54A:3A-17, as well as facets of N.J.S.A. 47:1B-3 (Daniel's Law).

P.L. 2023, Chapter 84 allows a Property Tax Reimbursement program claimant to retain their base year when their income exceeds the income limit for the application year so long as the claimant's income in the succeeding tax year does not also exceed the income limit. The claimant

will be ineligible for reimbursement in the year that their income exceeds the limit. If the claimant again exceeds the income limit for any succeeding tax year, they will have to establish a new base year when they become eligible.

P.L. 2023, Chapter 75 established the Stay NJ property tax credit program and the Stay NJ Task Force, expanded income limits and modified ownership requirements for eligibility to receive homestead property tax reimbursement, and enhanced ANCHOR benefits for seniors.

## 1 Senior Citizens and Disabled Persons Property Tax Deduction

**Citation:** N.J.S.A. 54:4-8.41

**Effective Date:** 1/3/1990
**Applied Date:** 1/1/1991

**2027 Estimate:** $5,700,000

**Objective:** To establish an annual deduction of $250 for real Property Taxes in the event a given dwelling is owned by qualified senior citizens or disabled persons.

**Description:** An annual $250 deduction from real property taxes is provided for the dwelling of a qualified senior citizen, disabled person or their surviving spouse.

**Data Source:** Department of Community Affairs data reports TY 2022 – 2025.

**Reliability:** 1 Based on the population of verified tax returns.

## 2 Veteran's Property Tax Deduction

**Citation:** N.J.S.A. 54:4-8.11

**Effective Date:** 3/30/2000

**2027 Estimate:** $26,300,000

**Objective:** To implement the State constitutional amendment, approved by the voters of the State on November 2, 1999, which provides for a veteran's property tax deduction and to increase that annual property tax deduction for certain veterans and surviving spouses of those veterans from $50 to $250.

**Description:** The law provides a $250 real estate tax deduction for residents who served or currently serve in the Armed Forces of the United States during a time of war and who were honorably discharged. Surviving spouses are also eligible for this deduction.

**Data Source:** Department of Community Affairs data reports TY 2022 – 2025.

**Reliability:** 1 Based on the population of verified tax returns.

## 3 Property Tax Reimbursement (Senior Freeze)

**Citation:** N.J.S.A. 54:4-8.67

**Effective Date:** 1/14/1998 **2027 Estimate:** $311,600,000

**Description:** The Property Tax Reimbursement program, otherwise known as Senior Freeze, seeks to refund Property Tax increases to eligible senior and disabled homeowners and mobile homeowners. Claimants must satisfy all eligibility requirements for two consecutive years to be eligible to receive reimbursement. Beginning with the 2023 filing season, the income limits for the program, which are now automatically adjusted for increases in the cost of living, were set at $150,000 for Tax Year 2022 and $163,050 for Tax Year 2023, and the 10 consecutive years of residency requirement was eliminated. Furthermore, if a claimant's income exceeds the income limits for an application year, the claimant is allowed to retain their base year so long as the claimant's income in the succeeding tax year does not also exceed the income limit.

**Data Source:** New Jersey Office of Revenue and Economic Analysis Property Tax Relief Model, using Division of Taxation PTR-100 data.

**Reliability:** 1 Based on the population of verified tax returns.

## 4 Affordable New Jersey Communities for Homeowners and Renters (ANCHOR)

**Citation:** N.J.S.A. 54A:3A-15, Modified by FY 2023 Appropriations Act, Section 82 (Dept. of the Treasury), Subsection 75 (State Subsidies and Financial Aid) and P.L. 2023, Chapter 75)

**Effective Date:** 1/1/1996, Modified 6/30/2022 **2027 Estimate:** $1,865,900,000
**Applied Date:** 1/1/1996, Modified 6/30/2022

**Objective:** Expands the tax relief available under the existing Homestead Benefit program to cover more homeowners and renters with higher benefit levels. The Homestead Benefit program also provided a property tax rebate for homeowners and renters.

**Description:** The ANCHOR program established new income eligibility and benefit levels for property tax relief recipients, beginning with tax year 2019. Homeowners with gross incomes of $150,000 or less will receive $1,500; with income of more than $150,000 and up to $250,000 will receive $1,000; residential renters with income of $150,000 or less will receive $450. Those who are 65 and older receive an additional $250. You must have paid rent to be eligible.

**Data Source:** New Jersey Office of Revenue and Economic Analysis Property Tax Relief Model, using Division of Taxation PTR-100 data.

**Reliability:** 2 Based on a sample of verified tax returns

## 5 Stay NJ Property Tax Credit Program

**Citation:** N.J.S.A. 54:4-8.75c

**Effective Date:** 1/1/2026 **2027 Estimate:** $1,157,000,000

**Objective:** To provide uniform property tax relief to senior citizen homeowners and tenants.

**Description:** The Stay NJ program established a new benefit equal to 50 percent of property taxes paid or $6,500, whichever amount is less. The program institutes a higher income eligibility limit of $500,000 and compares aggregate ANCHOR and Senior Freeze benefits to the new Stay benefit to give homeowners the highest benefit amount. The program also requires a single combined application for the ANCHOR, Senior Freeze, and Stay NJ programs, and stipulates quarterly credits to be applied to local property tax bills beginning with Calendar Year 2026. The Fiscal Year 2026 estimate reflects two out of the four annual quarterly payments for Calendar Year 2026 being credited to recipients during the second half of Fiscal Year 2026.

**Data Source:** New Jersey Office of Revenue and Economic Analysis Property Tax Relief Model, using Division of Taxation PTR-100 data.

**Reliability:** 2 Based on a sample of verified tax returns

# Motor Fuels Tax

## Description

P.L. 2010, Chapter 22, the Motor Fuels Tax Act, effective July 1, 2010, as amended, and operative beginning January 1, 2011, repeals prior Motor Fuels legislation in order to make sweeping changes in the licensing, reporting, and the imposition and collection of the Motor Fuels Taxes.

Motor fuels taxes are levied on all grades of gasoline, diesel, and gasohol (a mixture of ethanol and unleaded gasoline). Dyed Fuel is exempt from taxation.

The tax is due from the consumer, but it is remitted to the State by the supplier, or in rare cases, by the distributor. The tax is pre-collected by the supplier before going all the way down the supply chain.

## Rate

The general motor fuels tax rate is $0.105 per gallon of gasoline. A tax of $0.0525 per gallon is imposed on petroleum gas and liquefied petroleum gas sold or used to propel motor vehicles on public highways.

The Diesel Fuel Tax rate is $0.135 per gallon, of which $0.03 per gallon is refundable for fuel used in passenger automobiles and motor vehicles of less than 5,000 pounds gross weight.

Tax exempt sales include sales to the United States or any agency or instrumentality thereof and to the State of New Jersey and its political subdivisions, departments and agencies. Sales of dyed fuel and sales for export are also exempt.

## Disposition of Revenues

Certain revenues are credited to a special account in the General Fund and are dedicated from the Motor Fuels Tax, the Petroleum Products Gross Receipts Tax, and the Sales and Use Tax to the Transportation Trust Fund for maintenance of the State's transportation system (New Jersey Constitution, Article 8, Section 2, paragraph 4).

## 1 Exported Fuels

**Citation:** N.J.S.A. 54:39-112

**Effective Date:** 6/29/2010 **2027 Estimate:** $0
**Applied Date:** 10/1/2010

**Objective:** To stipulate that fuels exported outside of the State are, in general, exempt from the tax imposed with certain limitations applying.

**Description:** Fuels exported outside New Jersey are generally exempt from imposition of the tax, with certain limitations.

**Data Source:** New Jersey Division of Taxation.

**Reliability:** 1 Based on the population of verified tax returns.

## 2 Fuel Used by Aircraft

**Citation:** N.J.S.A. 54:39-112

**Effective Date:** 10/1/2010 **2027 Estimate:** $0

**Objective:** To exempt fuel used by aircrafts from the tax imposed by the Motor Fuels Tax Act.

**Description:** Fuel used by aircraft is exempt from the tax imposed by the "Motor Fuels Tax Act," P.L. 2010, c.22 (C.54:39-101 et seq.), and a refund of the tax imposed by subsection a. of section 3 of P.L.2010, Chapter 22 (C.54:39-103) may be claimed by the consumer providing proof the tax has been paid and no refund has been previously issues.

**Data Source:** New Jersey Division of Taxation.

**Reliability:** 1 Based on the population of verified tax returns.

## 3 Fuel Used by Ambulances

**Citation:** N.J.S.A. 54:39-112

**Effective Date:** 10/1/2010 **2027 Estimate:** $100,000

**Objective:** To allow the fuel used by an ambulance to be exempt from the current Motor Fuels Tax, or receive a refund of taxes imposed.

**Description:** Fuel used by ambulances is exempt from the tax imposed by the "Motor Fuel Tax Act," P.L. 2010, Chapter 22 (C.54:39-101 et seq.), and a refund of the tax imposed by subsection a. of section 3 of P.L.2010, Chapter 22 (C.54:39-103) may be claimed by the consumer providing proof the tax has been paid and no refund has been previously issued.

**Reliability:** 1 Based on the population of verified tax returns.

**Data Source:** New Jersey Division of Taxation.

**Effectiveness:** Current law allows for the deduction or exclusion of certain vehicles, including ambulances, from the motor fuels tax in order to reduce an entities' expenses. All eligible to benefit take advantage of either this deduction or exemption.

## 4 Fuel Used by Certain Agricultural Tractors and Farm Machinery

**Citation:** N.J.S.A. 54:39-112

**Effective Date:** 10/1/2010 **2027 Estimate:** $0

**Objective:** Motor fuel used by certain vehicles for defined purposes are exempt from the tax imposed by the Motor Fuel Tax Act of 2010.

**Description:** Fuel used by agricultural tractors not operated on a public highway is exempt from the tax imposed by the "Motor Fuel Tax Act," P.L. 2010, Chapter 22 (C.54:39-101 et seq.), and a refund of the tax imposed by subsection a. of section 3 of P.L. 2010, Chapter 22 (C.54:39-103) may be claimed by the consumer providing proof the tax has been paid and no refund has been previously issued.

**Data Source:** New Jersey Division of Taxation.

**Reliability:** 1 Based on the population of verified tax returns.

## 5 Fuel Used by Certain Autobuses

**Citation:** N.J.S.A. 54:39-112

**Effective Date:** 10/1/2010 **2027 Estimate:** $400,000

**Objective:** Motor fuels used by certain vehicles for defined purposes are exempt from the tax imposed by the Motor Fuels Tax Act of 2010.

**Description:** Fuel used by autobuses while being operated over the highways of this State in those municipalities to which the operator has paid a monthly franchise tax for the use of the streets therein under the provisions of R.S.48:16-25 and autobuses while being operated over the highways of this State in a regular route bus operation as defined in R.S.48:4-1 and under operating authority conferred pursuant to R.S.48:4-3, or while providing bus service under a contract with the New Jersey Transit Corporation or under a contract with a county for special or rural transportation bus service subject to the jurisdiction of the New Jersey Transit Corporation pursuant to P.L. 1979, Chapter 150 (C.27:25-1 et seq.), and autobuses providing commuter bus service which receive or discharge passengers in New Jersey is exempt from the tax imposed by the "Motor Fuels Tax Act," P.L. 2010, Chapter 22 (C.54:39-101 et seq.), and a refund of the tax imposed by subsection a. of section 3 of P.L. 2010, Chapter 22 (C.54:39-103) may be claimed by the consumer providing proof the tax has been paid and no refund has been previously issued.

**Data Source:** New Jersey Division of Taxation.

**Reliability:** 1 Based on the population of verified tax returns.

## 6 Fuel Used by Non-Highway Equipment

**Citation:** N.J.S.A. 54:39-112a

**Effective Date:** 10/1/2010 **2027 Estimate:** $600,000

**Objective:** Motor fuels used by certain vehicles for defined purposes are exempt from the tax imposed by the Motor Fuels Tax Act of 2010.

**Description:** Fuel used by stationary machinery and vehicles or implements not designed for the use of transporting persons or property on the public highways is exempt from the tax imposed by the "Motor Fuels Tax Act," P.L. 2010, Chapter 22 (C.54:39-101 et seq.), and a refund.

**Data Source:** New Jersey Division of Taxation.

**Reliability:** 1 Based on the population of verified tax returns.

## 7 Off Road Use of On Road Vehicles

**Citation:** N.J.S.A. 54:39-112a(8)

**Effective Date:** 10/1/2010 **2027 Estimate:** $300,000

**Objective:** Motor fuels used by certain vehicles for defined purposes are exempt from the tax imposed by the Motor Fuels Tax Act of 2010.

**Description:** Fuel used by highway motor vehicles that are operated exclusively on private property is exempt from the tax imposed by the "Motor Fuels Tax Act," P.L. 2010, Chapter 22 (C.54:39-101 et seq.), and a refund of the tax imposed by subsection a. of section 3 of P.L.2010, Chapter 22 (C.54:39-103) may be claimed by the consumer providing proof the tax has been paid and no refund has been previously issued.

**Data Source:** New Jersey Division of Taxation.

**Reliability:** 1 Based on the population of verified tax returns.

## 8 Total Exempt Government Sales

**Citation:** N.J.S.A. 54:39-112

**Effective Date:** 10/1/2010 **2027 Estimate:** $1,400,000

**Objective:** To stipulate that sales made to government entities are exempt under the current Motor Fuels Tax Act and were exempt under the previous statute.

**Description:** Sales made to government entities are exempt under the current motor fuels law and were exempt under the previous statute.

**Data Source:** New Jersey Division of Taxation.

**Reliability:** 1 Based on the population of verified tax returns.

# Motor Vehicle Tire Fee
# Overview

## Description

P.L. 2004, Chapter 46 imposes a fee on the sale of new motor vehicle tires, including new tires sold as a component part of a motor vehicle, either sold or leased, that are subject to New Jersey Sales Tax. The tire fee is imposed per tire, including the spare tire sold as part of a motor vehicle. The tire fee also applies to sales of new tires in connection with a repair or maintenance service.

## Rate

The motor vehicle tire fee is $1.50 per tire.

## Disposition of Revenues

The revenue collected from the Motor Vehicle Tire Fee is deposited in the Tire Management and Cleanup Fund established in the Department of Environmental Protection. Any additional revenue collected is available for appropriation to the Department of Transportation to support snow removal operations.

## 1 Exempt Tires Sales Times $1.50 Tire Fee

**Citation:** N.J.S.A. 54: 32F-1 et seq.

**Effective Date:** 6/29/2004 **2027 Estimate:** $1,800,000
**Applied Date:** 8/1/2004

**Objective:** To offset the cost of proper scrap tire pile management.

**Description:** The law exempts the Motor Vehicle Tire Fee on transactions where Sales Tax would be exempt. Examples could include new tire sales for resale, tires sold to exempt organization or government agency and vehicles purchased by non-residents where the vehicle will be registered in their state of residency.

**Data Source:** New Jersey Division of Taxation.

**Reliability:** 1 Based on the population of verified tax returns.

# Nursing Home Provider Assessment
# Overview

## Description

The New Jersey "Nursing Home Quality of Care Improvement Fund Act" established an assessment on nursing homes, in accordance with federal regulations set forth at 42 C.F.R. 433.68, in order to provide additional funds for improving the quality of care by increasing Medicaid reimbursement for services delivered to those senior citizens and other persons residing in New Jersey nursing homes.

The Department of Health is responsible for the oversight, coordination and disbursement of fund monies. The New Jersey Division of Taxation is charged with the responsibility for collecting the quarterly assessments. The fund will receive revenues from quarterly assessments from nursing homes based upon payment of an assessment in accordance with 42 C.F.R. 433.68. This assessment shall be paid to the Division of Taxation, Department of the Treasury.

## Rate

The per diem assessment rate is $14.67 per non-Medicare day to applicable nursing homes.

## 1 Exempt Days Times Rate

**Citation:** N.J.S.A. 26:2H-92 et seq.

**Effective Date:** 6/29/2004 **2027 Estimate:** $15,300,000
**Applied Date:** 7/1/2004

**Objective:** To ensure compliance with applicable federal requirements that will enable the State to receive its maximum share of federal Medicaid matching funds.

**Description:** The New Jersey Nursing Home Quality Care Act established a quarterly assessment on nursing homes in order to provide additional funds for improving the quality of care by increasing Medicaid reimbursement for services delivered to those senior citizens and other persons residing in New Jersey nursing homes.

**Data Source:** New Jersey Division of Taxation.

**Reliability:** 1 Based on the population of verified tax returns.

# Petroleum Products Gross Receipts Tax
# Overview

## Description

The Petroleum Products Gross Receipts Tax (PPGRT) is imposed on all companies engaged in refining and/or distributing petroleum products for distribution in this State. It applies to the first sale, not for export, of petroleum products within New Jersey. P.L. 2024, Chapter 7 requires that the PPGRT rate be recalculated annually to ensure that revenue collections meet the Highway Fuel Cap Revenue Target determined for each fiscal year. The FY 2026 Highway Fuel Cap is set by the new statute at exactly $2.115 billion, the FY 2027 Highway Fuel Cap is set at $2.199 billion, with annual, defined growth required through FY 2029. Any change to the PPGRT rate must be implemented by January 1st of each year.

## Rate

Gasoline and Liquefied Petroleum Gas (LPG) – Effective January 1, 2026, the tax rate on gross receipts from the first sale of gasoline, including blended fuel that contains gasoline or is intended for use as gasoline, and LPG in the State, is $0.386 per gallon.

Diesel Fuel – Effective January 1, 2026, the tax rate on gross receipts from the first sale of diesel fuel, blended fuel that contains diesel fuel or is intended for use as diesel fuel, and kerosene, other than aviation grade kerosene, is $0.426 per gallon.

Fuel Oil – Effective January 1, 2025, the tax rate on gross receipts from the first sale of fuel oil products in New Jersey is $0.124 per gallon.

Petroleum Products Other than Highway Fuel and Aviation Fuel – Effective January 1, 2025, companies that refine and/or distribute petroleum products (other than highway fuel and aviation fuel) pay a tax of 7 percent on their gross receipts from the first sale of those products in New Jersey.

Additional Tax – There is an additional tax of $0.04 per gallon on the gross receipts from the first sale in New Jersey of gasoline, blended fuel that contains gasoline or that is intended for use as gasoline, LPG, and aviation fuel.

The additional tax is also imposed on the gross receipts from the first sale of diesel fuel, blended fuel that contains diesel fuel or is intended for use as diesel fuel, and kerosene, other than aviation grade kerosene at a rate of $0.08 per gallon.

## Disposition of Revenues

Certain revenues are credited to a special account in the General Fund and dedicated to the

Transportation Trust Fund under the New Jersey Constitution, Article 8, Section 2, paragraph 4.

## Recent History

P.L. 2024, Chapter 7: Beginning Fiscal Year 2025, the law increases the highway fuel cap annually through Fiscal Year 2029. It also changes the date from August 15 to November 15 by which the State Treasurer and the Legislative Budget and Finance Officer must determine the total revenue derived from the gas taxes collected in the prior State fiscal year.

## 1 Withdrawn for Use Outside New Jersey

**Citation:** N.J.S.A. 54:15B-3

**Effective Date:** 6/30/2000 **2027 Estimate:** $847,300,000

**Objective:** To set the Petroleum Products Gross Receipts Tax rate on fuel oils, aviation fuels and motor fuels subject to tax under R.S.54:39-1 et seq. at the current rate of 4¢ per gallon which is the minimum statutory rate allowed.

**Description:** Petroleum Gross Receipts Tax is only levied upon petroleum products for use or consumption within this State. Any such products withdrawn to be used outside New Jersey are exempt.

**Data Source:** New Jersey Division of Taxation.

**Reliability:** 1 Based on the population of verified tax returns.

# Realty Transfer Fee
# Overview

## Description

The Realty Transfer Fee is imposed upon the recording of deeds evidencing transfers of title to real property in the State of New Jersey. The Realty Transfer Fee is calculated based on the amount of consideration recited in the deed.

The Realty Transfer Fee does not apply to a deed: for a consideration of less than $100; by or to the United States of America, this State, or any instrumentality, agency, or subdivision thereof; solely in order to provide or release security for a debt or obligation; which confirms or corrects a deed previously recorded; on a sale for delinquent taxes or assessments; on partition; by a receiver, trustee in bankruptcy or liquidation, or assignee for the benefit of creditors; eligible to be recorded as an "ancient deed" pursuant to R.S. 46:16-7; acknowledged or proved on or before July 3, 1968; between husband and wife, or parent and child; conveying a cemetery lot or plot; in specific performance of a final judgment; releasing a right of reversion; previously recorded in another county and full Realty Transfer Fee paid or accounted for, as evidenced by written instrument, attested by the grantee, and acknowledged by the county recording officer; by an executor or administrator of a decedent to a devisee or heir to effect distribution of the decedent's estate in accordance with the provisions of the decedent's will or the intestate laws of this State; recorded within 90 days following the entry of a divorce decree which dissolves the marriage between grantor and grantee; issued by a cooperative corporation, as part of a conversion of all of the assets of the cooperative corporation into a condominium, to a shareholder upon the surrender by the shareholder of all of the shareholder's stock in the cooperative corporation and the proprietary lease entitling the shareholder to exclusive occupancy of a portion of the property owned by the - corporation.

## Rate

In accordance with Chapter 66, Laws of 2004, as amended by Chapter 19, Laws of 2005, the level or rate of the Realty Transfer Fee is as follows:

## Standard Transactions and New Construction

### *Total Consideration not Over $350,000*

| Consideration Over | but not over | Rate/$500 |
|---|---|---|
| $0 | $150,000 | $2.00 |
| 150,000 | 200,000 | 3.35 |
| 200,000 | 350,000 | 3.90 |

### *Total Consideration Over $350,000*

| Consideration Over | but not over | Rate/$500 |
|---|---|---|
| $0 | $150,000 | $2.90 |
| 150,000 | 200,000 | 4.25 |
| 200,000 | 550,000 | 4.80 |
| 550,000 | 850,000 | 5.30 |
| 850,000 | 1,000,000 | 5.80 |
| 1,000,000 | * | 6.05 |

## Senior Citizens or Blind or Disabled Persons; Low- and Moderate-Income Housing

### *Total Consideration not Over $350,000*

| Consideration Over | but not over | Rate/$500 |
|---|---|---|
| $0 | $150,000 | $0.50 |
| 150,000 | 350,000 | 1.25 |

### *Total Consideration Over $350,000*

| Consideration Over | but not over | Rate/$500 |
|---|---|---|
| $0 | $150,000 | $1.40 |
| 150,000 | 550,000 | 2.15 |
| 550,000 | 850,000 | 2.65 |
| 850,000 | 1,000,000 | 3.15 |
| 1,000,000 | * | 3.40 |

### Graduated Percent Fee

The Graduated Percent Fee (P.L. 2025, Chapter 69), formerly known as the Assessment on Real Property Greater than $1.0 million, is a supplemental fee to the Realty Transfer Fee. Sellers must now pay the Graduated Percent Fee on real property sales over $1.0 million. Previously, buyers were responsible for paying the Assessment.

The Graduated Percent Fee applies to real property transactions under the following four New Jersey property classes:

- Class 2 residential.
- Class 3A where the property is a farm (but only if the farmland contains a building or structure intended or suited for residential use).
- Class 4A commercial property (other than industrial or apartment).
- Class 4C cooperative units (four families or less).

The progressive rate structure for the Graduated Percent Fee is shown below, the rates for each tax bracket apply back to the first dollar in each bracket, respectively:

- 1.0 percent of total consideration if in excess of $1.0 million, but not in excess of $2.0 million.
- 2.0 percent of total consideration if in excess of $2.0 million, but not in excess of $2.5 million.
- 2.5 percent of total consideration if in excess of $2.5 million, but not in excess of $3.0 million.
- 3.0 percent of total consideration if in excess of $3.0 million, but not in excess of $3.5 million.
- 3.5 percent of total consideration if in excess of $3.5 million.

### Controlling Interest Transfer Tax

The Controlling Interest Transfer Tax is now also imposed on sellers. It applies the same progressive rate structure as the Graduated Percent Fee, but specifically to non-deed transfers of a controlling interest in an entity that directly or indirectly owns certain real property.

The tax is only triggered if:

- The property is classified as “4A Commercial”, and
- The consideration or valuation of the property exceeds $1.0 million.

### Exemption

Sellers are exempt from the Controlling Interest Transfer Tax if they have already paid the Graduated Percent Fee on a standard deed transfer.

### Disposition of Revenues

The Realty Transfer Fees per $500 of consideration will be allocated according to the type of transaction as follows: Affordable Housing and the State Extraordinary Aid Account.

## 1 Exempt Sales Exceeding $1 million Where the Grantor Pays

**Citation:** N.J.S.A 46:15-7.4, P.L. 2025, Chapter 69

**Effective Date:** 7/8/2006 **2027 Estimate:** $27,800,000

**Applied Date:** 8/1/2006

**Objective:** In an effort to provide adequate funding for State services during what was then an austere fiscal period, the Realty Transfer Fee was increased on certain high-value income-producing properties (not including residential property, farm property, industry).

**Description:** The Graduated Percent Fee which is imposed on the grantor as of July 10, 2025, shall not apply to a deed if a real property transfer is incidental to a corporate merger or acquisition and the equalized assessed value of the real property transferred is less than 20 percent of the total value of all assets exchanged in the merger.

**Data Source:** New Jersey Division of Taxation.

**Reliability:** 3 Based on unverifiable tax records or information from other State and/or federal government agencies.

## 2 Partial Realty Transfer Fee Exemption (Sales Price Known)

**Citation:** N.J.S.A. 46:15-10.1

**Effective Date:** 6/30/2004 **2027 Estimate:** $32,700,000

**Objective:** To generate revenue through the "general purpose fee" to be used for general State purposes. The bill also makes a number of editorial revisions in the text of the Realty Transfer Fee statute for purposes of clarifying its provisions.

**Description:** Under the partial Realty Transfer Fee exemption, the State portion of the fee is not charged on sale of a one- or two-family residential premises owned and occupied by a senior citizen, blind person or disabled seller or the sale of low- and moderate-income housing. Transfers of title to real property upon which there is new construction shall be 80 percent exempt from payment based on the first $150,000 of consideration.

**Data Source:** New Jersey Division of Taxation.

**Reliability:** 3 Based on unverifiable tax records or information from other State and/or federal government agencies.

### 3 Total Realty Transfer Fee Exemption for Sales Price Less than $100 (Sales Price Known)

**Citation:** N.J.S.A. 46:15-10(a)

**Effective Date:** 1/14/2000 **2027 Estimate:** $93,800,000

**Objective:** To exempt the Reality Transfer Fee to a deed imposed if the consideration is less than $100.

**Description:** The law does not impose a Realty Transfer Fee to a deed where the consideration, as defined in section 1(c) of the law, is less than $100.00.

**Data Source:** New Jersey Division of Taxation.

**Reliability:** 3 Based on unverifiable tax records or information from other State and/or federal government agencies.

### 4 Total Realty Transfer Fee Exemption Where Such Sales Price Would Have Exceeded $100 (Sales Price Known)

**Citation:** N.J.S.A. 46:15-10

**Effective Date:** 1/14/2000 **2027 Estimate:** $6,800,000

**Objective:** To clarify that the conversion of real property from a cooperative form of ownership to a condominium form of ownership is not subject to the Realty Transfer Fee, which applies to sales and transfers of interests in real property, by specifying an exemption.

**Description:** Statutory exemptions to the Realty Transfer Fee include: sales by or to the United States of America, this State, or any instrumentality, agency, or subdivision thereof; sales made solely in order to provide or release security for a debt or obligation.

**Data Source:** New Jersey Division of Taxation.

**Reliability:** 3 Based on unverifiable tax records or information from other State and/or federal government agencies.

# Appendix I: Tax Expenditures that Do Not Have an Estimate

The following statutory provisions, segregated by tax, have been deemed tax expenditures. This agency cannot make estimates of their value at this time.

## Gross Income Tax

***Deduction***

| | | |
|---|---|---|
| 6 | Cafeteria Plan, Qualified Option | N.J.S.A. 54A:6-24(P.L. 1995, Chapter 111) |

***Deduction/Exemption***

| | | |
|---|---|---|
| 15 | Medical Savings Account Contributions | N.J.S.A. 54A:3-4 (P.L. 1997, Chapter 414) |
| 28 | Gambling Losses | N.J.S.A. 54A:5-1(g) (P.L. 1976, Chapter 47; amended 1977, Chapter 40, 1977, Chapter 273, 1981, Chapter 423, 1983, Chapter 571, 1987, Chapter 76, 1987, Chapter 310, 1990, Chapter 79, 1993, Chapter 173, 1997, Chapter 414, 1998, Chapter 57) |

***Exclusion***

| | | |
|---|---|---|
| 8 | Cash or Assistance from a Charitable Organization | N.J.S.A. 54A:6-5, N.J.S.A. 54A:6-22 |
| 9 | Certain Exclusions from Military Pay | N.J.S.A. 54A:6-7 (P.L. 1976, Chapter 47) |
| 10 | Charitable Trust or Pension/Profit Sharing Plan Trust | N.J.S.A. 54A:2-1 (P.L. 1976, Chapter 47) |
| 12 | Commuter Transportation Benefits | N.J.S.A. 54A:6-23 (P.L. 1993, Chapter 108; amended 1996, Chapter 121; 2001, Chapter 162) |
| 14 | Damages for Personal Injury or Illness | N.J.S.A. 54A:6-6 (P.L. 1976, Chapter 47) |
| 20 | Education IRA or State Tuition Plan Earnings | N.J.S.A. 54A:6-25 (P.L. 1997, Chapter 237; amended P.L. 1999, Chapter 46, Chapter 116, P.L. 2001, Chapter 262) |
| 22 | Employee's Death Benefits | N.J.S.A. 54A:6-4 (P.L. 1976, Chapter 47) |
| 32 | Holocaust Reparations and Restitution | N.J.S.A. 54A:6-29 (P.L. 1998, Chapter 113) |
| 33 | Homeless Persons' Assistance Programs | N.J.S.A. 54A:6-22 (P.L. 1988, Chapter 29; amended P.L. 2008, Chapter 127) |
| 34 | Life Insurance Payments | N.J.S.A. 54A:6-4 (P.L. 1976, Chapter 47) |
| 35 | Loan Redemption | N.J.S.A. 54A:6-25.1 (P.L. 2005, Chapter 157) |
| 38 | Medical Savings Account Contributions | N.J.S.A. 54A:6-27 (P.L. 1997, Chapter 414) |
| 39 | Military Pension and Survivor's Benefit Payments | N.J.S.A. 54A:6-26 (P.L. 1997, Chapter 409; amended 2001, Chapter 84) |
| 50 | Roth IRA Distributions | N.J.S.A. 54A:6-28 (P.L. 1998, Chapter 57) |
| 51 | Scholarships and Fellowship Grants | N.J.S.A. 54A:6-8 (P. L. 1976, Chapter 47) |

| | | |
|---|---|---|
| 58 | Victims of September 11, 2001 Terrorist Attacks | (N.J.S.A. 54A:6-30) P.L. 2003, Chapter 9 |

## Sales and Use Tax

***Exclusion***

| | | |
|---|---|---|
| 1 | Admission to Athletic Games: Elementary or Secondary Schools | N.J.S.A. 54:32B-9(f)(2)(A) (P.L.1997, Chapter 162, s.27) |
| 2 | Admissions Charges from an Exempt Organization | N.J.S.A. 54:32B-9(f) (P.L. 1997, Chapter 162) |
| 10 | Capital Improvements to Real Property | N.J.S.A. 54:32B-3(b)(4) (P.L. 1966, Chapter 30) |
| 12 | Casino Parking Charges pursuant to an agreement between the CRDA and a Casino Operator | N.J.S.A. 54:32B-3(i) |
| 29 | Direct Mail Advertising and Processing Services (as defined in N.J.S.A. 54:32B-3(b)(5)) | N.J.S.A. 54:32B-3(b)(5) (P.L. 2008, Chapter 123) |
| 31 | Distribution of Certain Corporate Property | N.J.S.A. 54:32B-(2)(e)(4)(c) |
| 36 | Employer Provided Parking | N.J.S.A. 54:32B-3(i) (P.L. 2007, Chapter 105) |
| 52 | Food and Drink for Airline Passengers | N.J.S.A. 54:32B-3 |
| 55 | Food Sold by a Manufacturer | N.J.S.A. 54:32B-3(c)(3)(ii)(A) |
| 56 | Food Sold in an Unheated State | N.J.S.A. 54:32B-3(c)(3)(ii)(B) |
| 57 | Food that is Cut, Repacked or Pasteurized by the Seller | N.J.S.A. 54:32B-3(c)(3)(i)(B) |
| 59 | Garment Services | N.J.S.A. 54:32B-3(b)(2)(iii) |
| 63 | Hotel Occupancy by a Permanent Resident | N.J.S.A. 54:32B-2(m) |
| 66 | Inconsequential Tangible Personal Property | N.J.S.A. 54:32B-(2)(e)(4)(A) |
| 67 | Initiation Fees and Membership Dues: Exempt Entity Operated | N.J.S.A. 54:32B-3(h)(2) |
| 68 | Initiation Fees and Membership Dues: Youth Membership | N.J.S.A.54:32B-3(h)(1) |
| 69 | Interest, Financing, and Carrying Charges | N.J.S.A. 54:32B-2(oo)(2)(B) |
| 72 | Limousine Services - Funerals | N.J.S.A.54:32B-3(b)(13) |
| 81 | Milk Sales by Coin-Operated Vending Machine | N.J.S.A. 54:32B-3(c)(2) |
| 86 | Non-Reimbursed Discounts | N.J.S.A. 54:32B-2(oo)(2)(A) |
| 89 | Parking Charges Subject to Other Taxes | N.J.S.A. 54:32B-3(i) |
| 90 | Parking Charges Subject to the Atlantic City Parking Fee | N.J.S.A. 54:32B-3(i) |
| 92 | Partnership Distributions (as defined in N.J.S.A. 54:32B-(2)(e)(4)(D)) | N.J.S.A. 54:32B-(2)(e)(4)(D) |
| 93 | Prepared Food Delivered to Homebound | N.J.S.A. 54:32B-3(c)(1) |
| 96 | Private Services to a Homeowner | N.J.S.A. 54:32B-3(b)(2)(i) |
| 98 | Property Contributed Towards Partnership Interest | N.J.S.A. 54:32B-(2)(e)(4)(F) |
| 105 | Radio and Television Programming Services | N.J.S.A. 54:32B-2(cc)(13) |

| | | |
|---|---|---|
| 110 | Residential Home Heating System services (as defined in N.J.S.A. 54:32B-3(b)(4)) | N.J.S.A. 54:32B-3(b)(4) |
| 111 | Residential Parking | N.J.S.A. 54:32B-3(i) |
| 116 | Sales of Property held for Security | N.J.S.A. 54:32B-(2)(e)(4)(G) |
| 118 | Services Performed as an Employee | N.J.S.A. 54:32B-3 |
| 119 | Services Rendered by Certain Individuals | N.J.S.A. 54:32B-3(b)(2)(v) |
| 120 | Services to Exempt Medical Equipment | N.J.S.A. 54:32B-3(b)(2) |
| 122 | Shoe Repairs | N.J.S.A. 54:32B-3(b)(2)(iv) |
| 124 | Storage of Property Held for Sale | N.J.S.A. 54:32B-3 |
| 127 | Taxes Imposed on the Consumer | N.J.S.A. 54:32B-2(oo)(2)(c) |
| 128 | Transfer of Property for Corporate Stock | N.J.S.A. 54:32B-(2)(e)(4)(E) |
| 129 | Transfer of Property to a Corporation | N.J.S.A. 54:32B-(2)(e)(4)(B) |

***Exemption***

| | | |
|---|---|---|
| | Breast Pumps, Breast Pump Milk Collection and Storage Supplies , Certain Breast Pump services and Repair | N.J.S.A 54:32B-8.63( P.L. 2017, Chapter 276) |
| 5 | Barges | N.J.S.A 54:32B-8.12( P.L. 1988, Chapter 53) |
| 6 | BPU-Regulated Service Provider purchases of equipment (as defined in N.J.S.A. 54:32B-8.13C) | N.J.S.A. 54:32B-8.13(c) (L. 1980, Chapter 105, § 25; amended 1985, Chapter 266; 1989, Chapter 2, § 1; 1995, Chapter 317; 1996, Chapter 26, § 18; 1997, Chapter 162, § 23). |
| 8 | Building Materials and Supplies Purchased for an Exempt Organization | N.J.S.A. 54:32B-8.22 (P.L. 1980, Chapter 105, amended 1983, Chapter 303, § 31; P.L. 1988, Chapter 83, § 1; P.L. 1988, Chapter 93, § 5; P.L. 2006, Chapter 34, § 2) |
| 9 | Business Retention and Relocation Assistance Grant Program – Sales Tax Exemption (STX) | N.J.S.A. 34:1B-114 (P.L. 1996, Chapter 25, § 4, eff. May 9, 1996; amended 2004, Chapter 65, § 4, eff. June 30, 2004; 2007, Chapter 310, § 1, eff. Jan. 13, 2008; 2010, Chapter 123, § 3, eff. Jan. 6, 2011.) |
| 11 | Cargo Containers | N.J.S.A. 54:32B-8.12 (P.L. 1980, Chapter 105, § 24; amended P.L. 1981, Chapter 218, § 1; P.L. 1988, Chapter 53; P.L. 1999, Chapter 273) |
| 13 | Casual Sales | N.J.S.A. 54:32B-8.6 (P.L. 1980, Chapter 105, § 18; amended P.L. 1983, Chapter 400, § 7; P.L. 1989, Chapter 123, § 4; P.L. 2005, Chapter 126, § 10.) |
| 15 | Chemicals and Catalysts used in manufacturing processes | N.J.S.A. 54:32B-8.20 (L. 1980, Chapter 105, 32, eff. Sept. 11, 1980) |
| 17 | Cogeneration Facility purchases of machinery and | N.J.S.A. 54:32B-8.13(d) |

| | | |
|---|---|---|
| | apparatus (as defined in N.J.S.A. 54:32B-8.13(d)) | |
| 18 | Coin-Operated Telephone Service | N.J.S.A. 54:32B-8.58 (P.L. 2008, Chapter 123, § 16) |
| 19 | Coin-Operated Vending Machine Sales under $.25 | N.J.S.A. 54:32B-8.9 |
| 20 | Commercial Fishing Boats and Boat Repairs | N.J.S.A. 54:32B-8.12 |
| 21 | Commercial Fishing Vessels | N.J.S.A. 54:32B-8.12 |
| 22 | Commercial Trucks and Truck Repairs (as defined in N.J.S.A. 54:32B-8.43) | N.J.S.A. 54:32B-8.43 (P.L. 1990, Chapter 115, § 3) |
| 23 | Commercial Trucks Used for Interstate Travel | N.J.S.A.54:32B-8.43 |
| 24 | Concession Stand Sales: State-Owned Veterans Facilities | N.J.S.A. 54:32B-8.54 |
| 26 | Diabetic Supplies | N.J.S.A. 54:32B-8.1 |
| 28 | Diplomats, Consulates and Foreign Embassies | N.J.S.A. 54:32B-9(a)(3) |
| 32 | Durable Medical Equipment | N.J.S.A. 54:32B-8.1 (P.L. 1980, Chapter 105, § 13; amended 1982, Chapter 227, § 5; 1987, Chapter 383, § 1; 2005, Chapter 126, § 7; 2008, Chapter 123, § 6). |
| 35 | Electronically Delivered Software for Business Use | N.J.S.A. 54:32B-8.56 (P.L. 2005, Chapter 126, §15; amended 2006, Chapter 44, §12; 2008, Chapter 123, §11). |
| 37 | Energy and Utility Service | N.J.S.A. 54:32B-8.47 (P.L. 1997, Chapter 162, § 33; amended 2007, Chapter 94, § 1) |
| 38 | Equipment for Printing and Publishing | N.J.S.A. 54:32B-8.29 (P.L. 1980, Chapter 105, 41. Amended by P.L. 1985, Chapter 440, 1) |
| 39 | Equipment Used on Boats or Ships | N.J.S.A. 54:32B-8.12 (P.L. 1980, Chapter 105, § 24; amended 1981, Chapter 218, § 1; 1988, Chapter 53; 1999, Chapter 273). |
| 41 | Exempt Organizations: Parent-Teachers Associations | N.J.S.A. 54:32B-9(b) (P.L. 1997, Chapter 162) |
| 42 | Exempt Organizations: United Nations | N.J.S.A. 54:32B-9(a)(3) |
| 44 | Farm machinery and apparatus (as defined in N.J.S.A. 54:32B-8.16) | N.J.S.A. 54:32B-8.16 |
| 45 | Farm Vehicles and Vehicle Repairs | N.J.S.A. 54:32B-8.43 |
| 47 | Ferryboats carrying passengers (as defined in N.J.S.A. 54:32B-8.12) | N.J.S.A. 54:32B-8.12 (P.L. 1980, Chapter 105, § 24; amended 1981, Chapter 218, § 1; 1988, Chapter 53; 1999, Chapter 273, eff. Nov. 24, 1999) |
| 48 | Films, Records and Tapes Used in Radio and Television | N.J.S.A. 54:32B-8.18 |
| 49 | Firearm Safety Locks | N.J.S.A. 54:32B-8.50 |

| | | |
|---|---|---|
| 51 | Flag sales (American and New Jersey State) | N.J.S.A. 54:32B-8.26 (P.L. 1980, Chapter 105) |
| 60 | Gas, Water, Steam and Fuel in Containers and Bulk | N.J.S.A. 54:32B-8.7 |
| 61 | Gold and Silver | N.J.S.A. 54:32B-8.32 |
| 62 | Government-owned Ships and Other Vessels | N.J.S.A. 54:32B-8.12 |
| 64 | Human Blood and its Derivatives | N.J.S.A. 54:32B-8.1 |
| 65 | Imprinting Services | N.J.S.A. 54:32B-8.48 |
| 73 | Limousines and Limousine Repairs | N.J.S.A. 54:32B-8.52 |
| 74 | Locomotives, Railroad Cars and Other Railroad Rolling Stock | N.J.S.A. 54:32B-8.27 |
| 75 | Magazines and Periodicals | N.J.S.A. 54:32B-8.5 |
| 76 | Marine Terminal Facility equipment and apparatus (as defined in N.J.S.A. 54:32B-8.12) | N.J.S.A. 54:32B-8.12 (P.L. 1980, Chapter 105, § 24; amended 1981, Chapter 218, § 1; 1988, Chapter 53; 1999, Chapter 273, eff. Nov. 24, 1999). |
| 77 | Marine Terminal Services (as defined in N.J.S.A. 54:32B-8.12) | N.J.S.A. 54:32B-8.12 |
| 79 | Medical Oxygen | N.J.S.A. 54:32B-8.1 |
| 80 | Membership Periodicals | N.J.S.A. 54:32B-8.5 |
| 82 | Mobility Enhancing Equipment | N.J.S.A. 54:32B-8.1 |
| 85 | Newspapers | N.J.S.A. 54:32B-8.5 |
| 87 | Out-of-State Sales | N.J.S.A. 54:32B-8.10 |
| 95 | Printed Advertising Material Delivered Out-of-State | N.J.S.A. 54:32B-8.39 |
| 97 | Production Machinery | N.J.S.A. 54:32B-8.13(a) |
| 100 | Property Used in Research and Development or Laboratory Sense | N.J.S.A. 54:32B-8.14 |
| 102 | Protective Work Equipment | N.J.S.A. 54:32B-8.4 |
| 103 | Public Passenger Buses | N.J.S.A. 54:32B-8.28 (P.L. 1991, Chapter 497) |
| 107 | Rental of Tangible Personal Property to Related Parties | N.J.S.A. 54:32B-8.53 |
| 108 | Repairs to Certain Aircraft | N.J.S.A. 54:32B-8.35(b) |
| 112 | Sale-Leaseback Transactions | N.J.S.A. 54:32B-8.57 |
| 114 | Sales by a Mortician, Undertaker or Funeral Director | N.J.S.A. 54:32B-8.17 |
| 115 | Sales of Certain Aircraft | N.J.S.A. 54:32B-8.35(a) |
| 125 | Tax Exempt Organizations: National Guard and War Veteran Posts | N.J.S.A. 54:32B-9(b)(4) |
| 126 | Tax Exemption for Certain Fishing Vessels and Equipment | N.J.S.A. 54:32B-8.12 (P.L. 1980, Chapter 105, § 24; amended 1981, Chapter 218, § 1; 1988, Chapter 53; 1999, Chapter 273) |
| 130 | Transportation Charges Exemption | N.J.S.A. 54:32B-8.11 (P.L. 1980, Chapter |

| | | |
|---|---|---|
| | | 105, § 23; amended 1997, Chapter 162, § 22; 2006, Chapter 44, § 8) |
| 133 | Utility Equipment Purchases (as defined in N.J.S.A. 54:32B-8.13(b)) | N.J.S.A. 54:32B-8.13(b) |
| 134 | Vessels of 50-ton burden or more (as defined in N.J.S.A. 54:32B-8.12) | N.J.S.A. 54:32B-8.12 (P.L. 1980, Chapter 105, § 24; amended 1981, Chapter 218, § 1; 1988, Chapter 53; 1999, Chapter 273) |
| 135 | Volunteer Fire and Similar Emergency Companies' purchases (as defined in N.J.S.A. 54:32B-9(b)) | N.J.S.A. 54:32B-9(b) |
| 136 | Wrapping Supplies | N.J.S.A. 54:32B-8.15 |
| 138 | Partial Sales Tax Exemption for Boats and Other Vessels | N.J.S.A. 54:32B-4.2-54:32B-6.1 et seq. ( P.L. 2015, Chapter 170) |

## Corporation Business Tax

***Credit***

| | | |
|---|---|---|
| 17 | HMO Assistance Fund Tax Credit | N.J.S.A. 17B:32B-12 |

***Exemption***

| | | |
|---|---|---|
| 7 | Business Income of Non-Profits | N.J.S.A. 54:10A-3€ |
| 9 | Cemetery Corporations not conducted for profit | N.J.S.A. 54:10A-3(d) |
| 24 | Non-Profit Corporations | N.J.S.A. 54:10A-3(e) (P.L. 1945, Chapter 162) |
| 25 | Non-Profit Retirement Communities | N.J.S.A. 54:10A-3(h) (P.L. 1973, Chapter 275) |
| 26 | Non-Stock Residential Housing | N.J.S.A. 54:10A-3(g) (P.L. 1963. Chapter 59) |

## Cigarette Tax

***Exemption***

| | | |
|---|---|---|
| 3 | U.S. Constitution Federal laws | N.J.S.A. 54:40A-8 through N.J.S.A. 54:40A-10, N.J.A.C. 18:5-2.4 |
| 4 | U.S. V.A. for Free Distribution to Hospitalized Veterans | N.J.S.A. 54:40A-10 (P.L. 1948, Chapter 65, p. 159, §303, amended P.L. 1955, Chapter 18) |

## Local Property Tax Support by State Government

***Exemption***

| | | |
|---|---|---|
| | Non-Theater of War Veteran Property Tax Exemption | N.J.S.A 54:4-3.33a |

# Appendix II: Taxes of the State of New Jersey

The following outline provides basic information regarding taxes imposed by the State of New Jersey and administered by the Division of Taxation and the Division of Revenue and Enterprise Services that a new business may be responsible for collecting and paying.

**New Jersey Gross Income Tax**
(N.J.S.A. 54:A:1-1 et seq.)

Personal Income Tax is imposed on the New Jersey taxable income of resident and nonresident individuals, estates and trusts for taxable years ending on or after July 1, 1976. Residents are subject to tax on all income, regardless of where it was earned, while nonresidents are only subject to tax on income derived from sources within New Jersey.

The withholding requirements apply to *every* New Jersey employer making payment of taxable wages. For New Jersey Gross Income Tax purposes, the term "employer" includes organizations that may be exempt from federal income tax or New Jersey Corporation Business Tax, such as religious organizations and governmental agencies.

Generally, anything regarded as "wages" for federal withholding purposes is subject to withholding for the New Jersey Income Tax. Every employer is required to file a quarterly return of tax withheld (NJ-927) for each calendar quarter. Some employers are also required to file a monthly remittance (NJ-500). Employers classified as "weekly payers" must remit payment of withholdings by means of Electronic Funds Transfer (EFT) on the Wednesday of the week following the week in which the taxes were withheld.

Employers not classified as weekly payers must remit the tax withheld with their withholding return either monthly or quarterly, depending on the amount of withholding liability.

**Reciprocal Agreement**

(New Jersey & Pennsylvania Residents Only)

Under the Reciprocal Tax Agreement, the compensation derived by residents of either state (New Jersey or Pennsylvania) will be subject to income tax only in the state of residence including compensation income derived from sources within the other state.

Compensation that is limited to the provisions of the Reciprocal Agreement means salaries, wages, tips, fees, commissions, bonuses and other remuneration received for services rendered. Businesses or professional income earned by a resident of either state is not covered by the Reciprocal Agreement and is subject to the income tax of the state in which it is earned.

**Withholding Requirement for Contractor Services**
(N.J.S.A.54A:7-1)

Effective January 1, 2007, the law requires persons, other than a governmental entity, homeowner, or tenant, who maintain an office or transact business in New Jersey and make payments for services to certain unincorporated construction contractors and unregistered individuals to withhold New Jersey Gross Income Tax at the rate of 7 percent from those payments. For more information regarding the withholding requirement for contractor services, go to the Division's Web site at:
*www.state.nj.us/treasury/taxation/noticegit.shtml.*

**Unemployment and Disability Taxes**
If you are employing, or expect to employ, one or more persons, you should notify the Division of Revenue and Enterprise Services so that a determination can be made as to whether or not you are subject to the law. Under the law (N.J.S.A. 43:21-19(h1) et seq.) it is your responsibility to make the fact known.

**Determination of Liability** - If you start a business and employ one or more individuals and pay wages of $1,000 or more in a calendar year, you may be subject to the law.

If you acquire the organization, trade or business, or substantially all the assets of an employing unit which is already subject to the law, you immediately become a subject employer.

If you are subject to the provisions of the Federal Unemployment Tax Act (FUTA) you automatically become subject under the law, unless the services performed are specifically excluded under the New Jersey law. An employing unit is generally subject to FUTA if it had covered employment during some portion of a day in 20 different calendar weeks within the calendar year or had a quarterly payroll of $1,500 or more.

**Note:** Agricultural Employers -You are liable for contributions on wages paid to agricultural employees if:

1. You were already a registered employer, or
2. Not registered, you were or became subject to the Law, having paid wages of $1,000 or more in a calendar year to one or more workers for services performed in a non-agricultural business operation, or
3. You acquired the organization, trade or business, or substantially all the assets of an employing unit already subject to the law, or
4. You are subject to the Federal Unemployment Tax Act, or
5. Not subject under the above provisions, you:
    1. Paid gross cash remuneration of $20,000 or more to individuals employed in

agricultural labor during any calendar quarter, or

2. Employed ten or more individuals in agricultural labor, regardless of whether they were employed at the same moment of time, for some portion of a day in each of 20 different calendar weeks, whether or not such weeks were consecutive.

**Special Employers** - Under certain circumstances, a crew leader who provides a crew to an agricultural employer, can be considered the employer of the crew for unemployment tax purposes. The agreement between the crew leader and entity must comply with all federal and State regulations and the crew leader must be registered under the New Jersey Crew Leader Registration Act. For further information contact any Regional Office.

**Domestic Employers** - In order for you to become subject to the law, you must have paid gross cash wages of at least $1,000 to domestic labor in a calendar quarter.

The State of New Jersey and its political subdivisions are subject to the law.

**Set Off of Individual Liability**
(N.J.S.A. 54A:9-7 et *seq.)*

Public Laws of 1981, Chapter 239, provides the authority for the New Jersey Department of the Treasury to apply or cause to be applied any monies due a taxpayer as a Gross Income Tax refund or Homestead Property Tax rebate, or both, if necessary, toward satisfaction of any indebtedness that the taxpayer may have outstanding to any agency or institution of the New Jersey State *Government* or the Internal Revenue Service.

**Corporation Business Tax**
(N.J.S.A. 54:10A-1 *et seq.)*

The Corporation Business Tax Act imposes a franchise tax for the privilege of having or exercising a corporate charter, deriving income or doing business, employing or owning capital or property or maintaining an office in New Jersey. The tax also applies to foreign corporations falling into one of the following categories:

Holds a general Certificate of Authority issued by the Division of Revenue and Enterprise Services to do business in New Jersey; or

- Holds a certificate, license, or other authorization issued by another New Jersey department or agency authorizing it to engage in business within New Jersey; or
- Employs or owns capital in New Jersey; or
- Employs or owns property in New Jersey; or
- Maintains an office in New Jersey; or

- Derives receipts from sources in New Jersey; or
- Engages in contacts in New Jersey; or
- Does business in New Jersey.

Returns are required to be filed on or before the 15th day of the fourth month following the close of the taxpayer's accounting period. Every corporation must, before commencing to do business in this State, obtain a Corporate Charter from the Division of Revenue and Enterprise Services.

**New Jersey S Corporations**

P.L. 1993, Chapter 173, provides that a corporation may elect to be treated as a New Jersey S corporation. A corporation may make the election to be treated as a New Jersey S corporation only if the corporation is or will be an S corporation pursuant to Section 1361 of the Internal Revenue Code, and each initial shareholder of the corporation consents to the election and the jurisdiction requirements by submitting the S corporation election form (CBT-2553).

**Notice of Business Activities Reporting Act**

(N.J.S.A. 14A:13-14 to 14A:13-23)

Foreign corporations which carry on any activity or own or maintain any property in this State, unless specifically exempted, must file an annual Notice of Business Activities Report. No report is necessary if the foreign corporation has received a Certificate of Authority to do business in New Jersey or has filed a timely return as required under the Corporation Business Tax or the Corporation Income Tax Acts.

The failure of a foreign corporation to file a timely report may prevent the use of the courts in New Jersey for all contracts executed and all causes of action that arose at any time prior to the end of the last accounting period for which the corporation failed to file a required timely report.

**Corporation Banking and Financial Business Tax**

(N.J.S.A. 54:10A-l *et seq.)*

Banking and financial businesses that operate as corporate entities are subject to the provisions of the New Jersey Corporation Business Tax Act. For a calendar year operation, a Banking and Financial Corporation Return (BFC-l) is due on the 15th day of April or the 15th day of the fourth month after the close of the fiscal year.

**Sales and Use Tax**

(N.J.S.A. 54:32B-l *et seq.)*

A tax is imposed on the receipts from every retail sale or rental of tangible personal property,

food and beverage sold by restaurants or caterers, and charges for admissions and occupancies of hotel rooms except as otherwise provided in the Act. The tax is also imposed on the receipts from every sale except for resale of certain services as enumerated in the Act including, for example, installing, repairing or maintaining tangible or real property, storage services, telecommunications, direct mail processing, investigation and security services.

A Use Tax is imposed on items acquired for use in this State on which a Sales Tax would be due but has not been paid.

The law exempts many items such as food ingredients for human consumption, prescription drugs, ordinary clothing and footwear, and utilities such as water, steam, and fuel.

The Act further provides tax exemptions for certain items and services when used or consumed under specifically defined conditions or circumstances.

The Sales and Use Tax is imposed on the consumer; however, every person required to collect any tax imposed by this Act shall be personally liable for collecting and remitting such tax.

Persons required to collect the tax and persons accepting exemption certificates must complete the Registration Application (NJ-REG).

Sales and Use Tax returns (Forms ST-50/ST-51) must be filed electronically, either online or by phone. All vendors are required to file quarterly returns (Form ST-50), and some vendors may also have to file monthly returns (ST-51).

**Salem County**
(N.J.S.A 54:32B-8.45 *et seq.)*

Certain sales made by businesses located in Salem County are taxable at a reduced Sales Tax rate. To qualify for the rate, the sale must be made from a place of business regularly operated by the vendor for the purpose of making retail sales at which items are regularly exhibited and offered for retail sale and which is not utilized primarily for the purpose of catalogue or mail order sales. Also, merchandise must be ordered or picked up in person by the purchaser at the place of business in Salem County. Salem County vendors file the ST-450 return.

**Atlantic City Luxury Sales Tax**
(N.J.S.A. 40:48-8.15 *et seq.)*

Atlantic City imposes a tax on specified retail sales or sales at retail occurring within the city limits. "Retail sale" or "sale at retail" is defined to include:

- Any sale in the ordinary course of business for consumption of whiskey, beer or other

alcoholic beverages by the drink in restaurants, cafes, bars, hotels, and similar establishments;

- Any cover, minimum, entertainment or other similar charge made to any patron of any restaurant, cafe, bar, hotel or other similar establishment;
- The hiring (with or without service) of any room in any hotel, inn, rooming or boarding house;
- The hiring of any rolling chair, beach chair or cabana; and
- Admissions to any theater, moving picture, pier, exhibition or place of amusement.

Vendors are required to be licensed. Sales to or by the State of New Jersey or its political subdivisions, sales exempt under federal law, and sales by a church or bona fide nonprofit charitable association are exempt.

The ST-250 return is required to be filed by vendors on or before the 20th day of each month covering receipts for the preceding calendar month. Taxes are paid by the purchaser to the vendor who remits the tax to the State. Payment accompanies the return.

**Cape May County Tourism Sales Tax**
(N.J.S.A. 40:54D-l *et seq.)*

The Tourism Improvement and Development District Act authorizes qualified municipalities to levy an additional Sales and Use Tax on predominantly tourism-related retail sales. The retail sales to be taxed include admissions, hotel occupancies, food and drink sold in restaurants, or similar establishments.

To qualify for the additional Sales Tax, all such retail sales must be taxable under the Sales and Use Tax Act (P.L. 1966, Chapter 30; N.J.S.A. 54:32B-l *et seq.).* The local Sales and Use Tax would "piggyback" onto the State Sales and Use Tax which would be collected by the Division of Revenue and Enterprise Services placed in a special reserve fund to pay principal and interest on bonds and notes issued by the tourism authority for financing tourism promotion activities and projects within the district. Businesses that make sales of tourism-related items will file the ST-350 return on a monthly basis.

**Urban Enterprise Zone**
(N.J.S.A. 52:27H-60 *et seq.)*

The Urban Enterprise Zone Act authorizes certain tax benefits for businesses designated as "qualified" by the Department of Commerce and Economic Development. These tax benefits are covered under the Sales and Use Tax Act and the Corporation Business Tax Act.

Application can be made with the Division of Revenue and Enterprise Services for these benefits

only after the business has been designated as "qualified" by the Department of Commerce and Economic Development.

**State Occupancy Fee and Municipal Occupancy Tax**
(N.J.S.A. 40:48E-l *et seq.)*

As of August 1, 2003, there is a State Occupancy Fee imposed on the rental of a room in a hotel, motel or similar facility, other than for assembly purposes. The rate in all municipalities other than Newark, Jersey City, Atlantic City, Wildwood, Wildwood Crest and North Wildwood was 7 percent as of August 1, 2003, and is reduced to 5 percent as of July 1, 2004. The State Occupancy Fee in those specific municipalities remains constant at 1 percent, except for the Wildwoods, where it is 3.15 percent. In addition, each municipality may adopt an ordinance imposing a Municipal Occupancy Tax which can be imposed at a rate of up to 1 percent as of August 1, 2003, and up to 3 percent as of July 1, 2004.

There is an exemption from the State Occupancy Fee and Municipal Occupancy Tax for rentals by agencies and instrumentalities of the federal government, agencies, instrumentalities and political subdivisions of the State of New Jersey and the United Nations and similar organizations. Holders of an Exempt Organization Certificate (ST-5) are not exempt from the State Occupancy Fee or Municipal Occupancy Tax.

All businesses engaged in renting rooms in a hotel or similar facility must file the HM-100 Return by the 20th of each month and report and remit the State Occupancy Tax and the Municipal Occupancy Fee, if applicable. The HM-100 is also available on the Division's Web site.

**Alcoholic Beverage Tax**
(N.J.S.A. 54:43-1 *et seq.)*

The Alcoholic Beverage Tax Act imposes taxes on alcoholic beverages.

The Alcoholic Beverage Tax is to be paid by manufacturers, wholesalers and other persons licensed by the Division of Alcoholic Beverage Control. Retail licenses are authorized and issued by municipalities of New Jersey.

**Cigarette Tax**
(N.J.S.A. 54:40A-1 *et seq.)*
A tax is imposed on the sale, use or possession for sale or use within New Jersey of all cigarettes. License fees are payable by distributors, wholesalers, manufacturers, retailers and vending machine retailers.

**Motor Fuels Tax**
(N.J.S.A. 54:39-101 *et seq.)*
The Motor Fuels Tax applies to sales of gasoline, diesel fuel or liquefied petroleum gas used in motor vehicles on public highways.

**Insurance Premiums Tax**
(N.J.S.A. 54:16-1 *et seq.,* 16A-1 *et seq.,* 54:18A-1 et seq., 54:17-4 et seq.)

Insurance Premiums Tax applies to premiums collected on insurance risks in this State during the preceding calendar year. The tax applies to every stock, mutual and assessment insurance company organized or existing under any general or special law of this State or any other state or foreign country transacting business in this State.

Taxable premiums of life insurance companies include all gross contract premiums except premiums for reinsurance and annuity considerations, less certain specified deductions. Non-life companies generally are taxed upon gross premiums and assessments except reinsurance premiums less certain deductions.

An annual Premium Tax return, reporting the tax liability for the preceding calendar year, must be filed and the tax paid by March 1 of each year. The March 1 return must also include a prepayment of the current year's tax liability equivalent to 50 percent of the prior year's tax liability. An additional prepayment of the current year's liability, also equivalent to 50 percent of the prior year's tax liability, is due June 1 of each year.

A tax on the premiums for fire insurance written by a company not organized under the laws of New Jersey must be reported and paid to the treasurer of a duly incorporated firemen's relief association in which the fire insurance risk is located by March 1 of each year, covering the preceding calendar year. The company must also report these premiums on the annual premium tax return. A deduction for the amount of tax paid directly to a firemen's relief association(s) applicable to the calendar year covered by the annual Premium Tax return is allowed.

A tax on the three-year average underwriting profits on ocean marine insurance is reported to the Commissioner of Insurance by April 1 of each year.

A tax on premiums charged for surplus lines coverage is collected from the insured by the surplus lines agent.

Insurance companies may also be subject to retaliatory tax under certain provisions in the law (N.J.S.A. 17:32-15. 17B:23-5).

**Realty Transfer Fee**
(N.J.S.A. 46:15-5)

Recording of deeds which transfer title to real property in New Jersey is subject to the Realty Transfer Fee. The fee is collected by the County Clerk or County Registrar of Deeds when the deed is presented for recording in the county in which the transfer of title occurred.

**Public Utility Franchise Tax**
(N.J.S.A. 54:30A-49 *et seq.)*

The Public Utility Franchise and Gross Receipts Taxes apply to persons, co-partnerships, associations, and corporations, other than those specifically exempted, operating as sewerage or water companies or providing sewerage and water service in the State of New Jersey.

**Local Property Tax**
(N.J.S.A. 54:4-1 *et seq.)*

The Local Property Tax is measured by property values and is apportioned among taxpayers according to the assessed value of taxable property owned by each taxpayer. The tax applies to real estate and tangible personal property of telephone and telegraph companies and messenger systems.

The property tax is a local tax assessed and collected by municipalities for the support of municipal and county governments and local school districts. No part of it is used for support of State government.

**Spill Compensation and Control Tax**

(N.J.S.A. 58:10-23.11 *et seq.)*
The Spill Compensation and Control Tax is imposed upon the transfer of petroleum products and other hazardous substances, as determined by the New Jersey Department of Environmental Protection, within New Jersey.
The tax is payable by:

1. the operator or owner of the receiving major facility or vessel on a transfer of a hazardous substance from a major facility or vessel; or
2. the operator or owner of the transferring New Jersey major facility on a transfer of a previously untaxed non-petroleum hazardous substance to a non-major facility; or
3. the owner of a hazardous substance transferred to a public storage terminal from a major facility or vessel.

A major facility is a facility with a storage capacity of 200,000 gallons or more for all hazardous substances, including petroleum products, or a storage capacity of 20,000 gallons or more of non- petroleum hazardous substances.

The SCC-5 return is required to be filed on or before the 20th day of each month for the preceding month's hazardous substance transfers.

**Litter Control Fee**
(N.J.S.A. 13:1 E-213 through 13:1 E-223)

The Clean Communities and Recycling Grant Act imposes an annual Litter Control Fee on all gross receipts from wholesale sales and on all gross receipts from retail sales of litter-generating products sold within or into New Jersey by each person engaged in business in the State as a manufacturer, wholesaler, distributor, or retailer of such products. Any retailer with less than $500,000 in annual retail sales of litter-generating products is excluded from this fee for that calendar year. Annual returns (LF-5) are required to be filed on or before March 15 of each year.

Litter-generating products are: beer and other malt beverages, cigarette and tobacco products, cleaning agents and toiletries, distilled spirits, food for human or pet consumption, glass containers sold as such, groceries, metal containers sold as such, motor vehicle tires, newsprint and magazine paper stock, nondrug drugstore sundry products, paper products and household paper other than roll stock and wood pulp, plastic or fiber containers made of synthetic material and sold as such, soft drinks and carbonated waters, and wine.

**Sanitary Landfill Taxes**

All sanitary landfill taxes are reportable on one consolidated Sanitary Landfill Tax Return (Form SLT-5).

The Consolidated Sanitary Landfill Tax Return (Form SLT-5) must be filed by the 20th day of the month following that in which tax liability was first incurred and monthly thereafter.

**Landfill Closure and Contingency Tax**
(N.J.S.A. 13:1 E-100 *et seq.)*

The Landfill Closure and Contingency Tax is levied upon the owner or operator of every sanitary landfill facility located in New Jersey on all solid waste accepted for disposal.

The Act also requires the sanitary landfill facility owner or operator to establish an escrow

account, administered by the New Jersey Department of Environmental Protection, and to deposit into the account $1.00 per ton of all solid waste accepted for disposal.

**Solid Waste Services Tax**

(N.J.S.A. 13:1 E-138a)

The Solid Waste Services Tax is levied on the owner or operator of every sanitary landfill facility in New Jersey on all solid waste accepted for disposal.

The revenue collected from the Solid Waste Services Tax will be deposited in the Solid Waste Services Tax Fund to be administered by the New Jersey Department of Environmental Protection.

**Petroleum Products Gross Receipts Tax**

(N.J.S.A. 54:15b-1 *et seq.)*

The Petroleum Products Gross Receipts Tax imposes a tax on (a) the gross receipts derived or gallons sold from the first sale of petroleum products made to points in New Jersey, and (b) the dollar consideration given or contracted to be given for petroleum products imported or caused to be imported for use or consumption within New Jersey.

Receipts from (a) the sale of home heating oil and propane gas used exclusively for residential use, and (b) the sale of petroleum products to governmental entities and exempt organizations are exempt. This exemption does not extend to home heating oil and propane gas for commercial use.

Monthly remittances (PPT-41) and Quarterly reconciliation returns (PPT-40) are required to be filed no later than the 25th day of the month following the end of the month the tax was collected.

**Tobacco and Vapor Products Tax**

(N.J.S.A. 54:40B-1 *et seq.)*

The Tobacco and Vapor Products Tax is imposed on sales of all tobacco products (excluding cigarettes as defined in N.J.S.A 54:40A-2) by a wholesaler or distributor.

Distributors and wholesalers who also sell tobacco products at retail or otherwise use the tobacco products must pay a compensating use tax on the wholesale sales price of the products.

Monthly returns (TP-20) are required to be filed no later than the 20th day of the month following the month the tax was collected.

**Domestic Security Fee**
(N.J.S.A. App. A:9-78 as amended by P.L. 2006, Chapter 42 § 1 )

The Domestic Security Fee Act imposes a $5 per day fee on motor vehicle rental companies for each day or part thereof that a motor vehicle is rented for the transportation of persons and noncommercial freight, for a period of not more than 28 days. The fee, which must be designated as the

"Domestic Security Fee" in the rental agreement, is separate from and in addition to any Sales and Use Tax imposed on the rental transaction and is not to be included in the receipts subject to Sales and Use Tax liability assessed pursuant to the "Sales and Use Tax Act," P.L.1966, Chapter 30 (C.54:32B-1 et seq.).

The fee must *be* reported on Form DSF-100, which is filed telephonically or by using an Internet-based application on the Division of Taxation's Web site. The quarterly return must be filed whether or not there are any fees due for the quarter.

**New Jersey Motor Vehicle Tire Fee**
(N.J.S.A. 54:32F-1)

As of August 1, 2004, a fee of $1.50 per tire is imposed on the retail sale of new motor vehicle tires, including tires that are a component part of a motor vehicle that is sold or leased. The Motor Vehicle Tire Fee is imposed on those transactions that are subject to the New Jersey Sales Tax Act. Thus, it is not imposed on sales made to federal or State governmental agencies and entities, qualified exempt organizations; sales for an exempt use; sales to nonresidents.

**Emergency Preparedness and 9-1-1 System Assessment**
(N.J.S.A. 52:17C-17 et seq.)

The "Emergency Preparedness and 9-1-1 System Assessment" fee of $0.90 is to be charged by:

- Mobile telecommunications companies for each *voice* grade access service number as part of mobile telecommunications service provided to a customer billed by or for the customer's home service provider and provided to a customer with a place of primary use in this State, and
- Telephone exchange companies for each telephone *voice* grade access service line provided as part of that telephone exchange service.

The law became effective July 1, 2004, for mobile telecommunications and August 1, 2004, for PBX Systems.

The fee must be reported on Form ERF-100, which is required to be filed on or before the 20th day of the month following the close of the calendar quarter and must be filed by phone. Payments must be made by electronic check, electronic funds transfer, or credit card.

**Printed on Recycled Paper**

New Jersey

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## NEW MEXICO 2025

# TAX EXPENDITURE REPORT

TAXATION & REVENUE
NEW MEXICO

**PUBLISHED BY THE**
**TAX ANALYSIS, RESEARCH AND STATISTICS OFFICE**

4847/8585

# 2025 TAX EXPENDITURE REPORT

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# SECRETARY'S MESSAGE

The Taxation & Revenue Department is proud to release the 2025 Tax Expenditure Report, an important transparency tool that allows State policymakers, advocacy groups, and the public a unique opportunity to evaluate the State's tax code. The State's operating budget undergoes extensive annual scrutiny and prioritization, with hundreds of hearings on agency budgets. However, this is not so with the tax code, and without this Tax Expenditure Report, New Mexico would lack the ability to evaluate the amount and efficacy of the revenue that the State foregoes through myriad tax credits, deductions, exemptions, preferential tax rates, and other tax expenditures. Just as the State's appropriations are evaluated and reprioritized annually, tax expenditures should be periodically reviewed to ensure they are achieving their intended results at an appropriate cost to the public.

From 2012 through 2022, Tax & Rev produced a Tax Expenditure Report as directed in Executive Order 2011-072. Beginning in 2023, the Tax Expenditure Report has been produced by November 15 of each year in compliance with Section 7-1-84 NMSA 1978.

I am appreciative of Tax & Rev's team of talented economists and staff who have dedicated many hours throughout the year researching and evaluating the tax expenditures catalogued in this report. The primary contributors to this report are Chief Economist Lucinda Sydow and Senior Economists Pedro Clavijo, Sara Grubbs, and Chen Xie. An undertaking of this magnitude would not be possible without the professional skills and diligence of this group. Nor would it be possible without the cooperation of other State agencies that play a role in administering many of the tax incentives New Mexico uses to encourage beneficial social and economic activity. We are grateful for their assistance.

Stephanie Schardin Clarke
Secretary of Taxation and Revenue
State of New Mexico

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Finally, all the former economists from the Taxation and Revenue Department who worked on this report since its inception in 2012.

# ANNUAL TAX EXPENDITURE BUDGET REPORT
# STATUTORY CITATION

This report is published in compliance with Section 7-1-84 NMS 1978, enacted in 2023, which requires the Department to present a tax expenditure budget report by November 15 of each year.

**7-1-84 NMSA 1978 Tax expenditure budget**

A. No later than November 15 of each year, the secretary shall compile and present a tax expenditure budget to the governor, the revenue stabilization and tax policy committee and the legislative finance committee and post the tax expenditure budget to the department's website.

B. A tax expenditure budget shall include the following information for each tax expenditure of a tax administered by the department:

(1) the statutory basis;
(2) the year of enactment, amendment or repeal, if any;
(3) a brief description;
(4) the intended purpose, if specified in the law providing for the tax expenditure;
(5) an estimate of the amount of foregone revenue by fiscal year for the three fiscal years preceding the current fiscal year, including the general fund, other state funds and local government revenues;
(6) the number of taxpayers that claimed a tax expenditure for each fiscal year reported, unless reporting of such data is in a form that can be associated with or otherwise identify, directly or indirectly, a particular taxpayer;
(7) the data source used for the estimate;
(8) a description of the reliability of the estimate;
(9) an evaluation of the tax expenditure, if required in statute for the specific expenditure; and (10) a description of the tax expenditure's effect on tax administration, if any.

C. The department may request from an executive agency or a local government agency or official the information necessary to complete a tax expenditure budget required by this section. The agency or official shall comply with a request made pursuant to this section by the department as permitted by law.

D. As used in this section, "tax expenditure" means a provision of law administered by the department to reflect state tax policy, as determined by the secretary, including promoting the general welfare of citizens, giving preferential tax treatment to a specific industry or reflecting a specific purpose, including incentivizing consumer behavior, economic development or job creation. A tax expenditure does not include provisions of laws enacted to prevent violation of state or federal law, prevent federal preemption, ensure comity between governments, avoid multiple taxation or define a tax base."

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The report is to be published for public access at the Taxation and Revenue Department website and this year's and all previous years' reports may be found at:

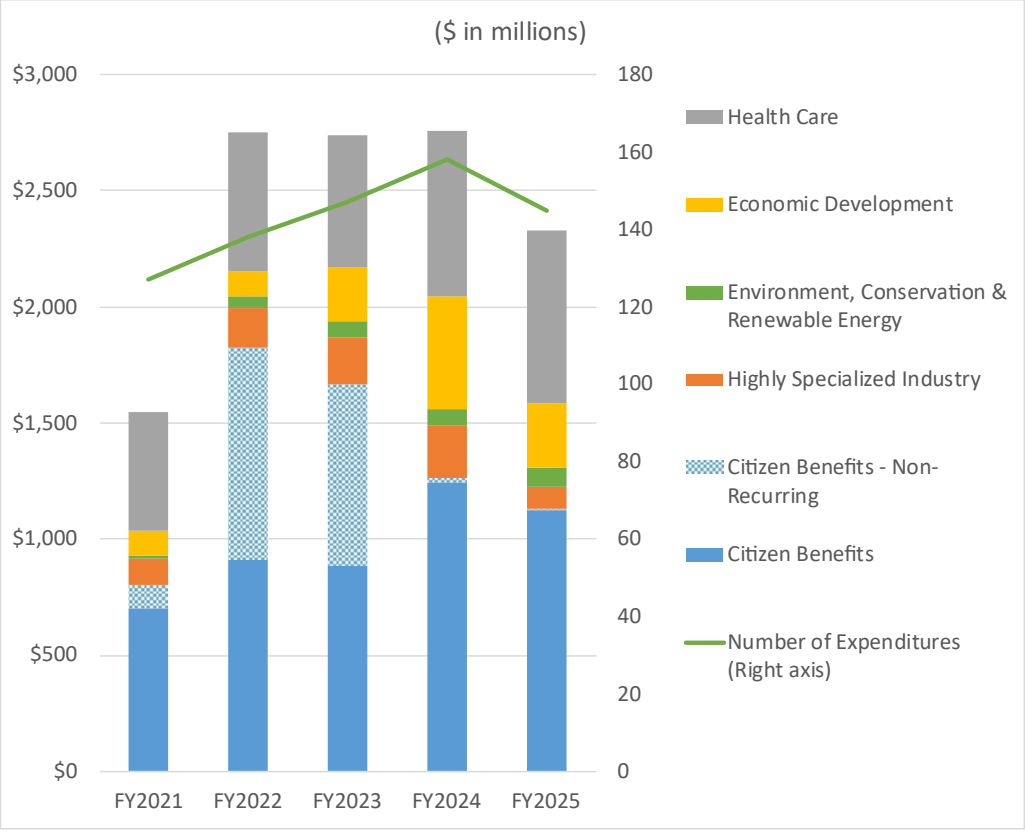
https://www.tax.newmexico.gov/forms-publications/

Under 'Publications' and then 'Tax Expenditure Reports.'

The 2025 Tax Expenditure Budget Report estimates the aggregate reduction in state and local revenue as a result of tax expenditures. This year's report includes 149 tax expenditures that existed in statute for fiscal year 2025. Of the 149, nine are new expenditures enacted through recent legislation (new expenditures are detailed at the end of this Executive Summary). The chart below reflects the non-redacted data[1] available for all tax expenditures for fiscal year 2025 and historical years, except for property tax expenditures.[2] Caution is advised when evaluating expenditures in aggregate given: the number of expenditures with no estimated cost; overlap and potential double counting of some expenditures where data is limited and there is a lower level of reliability; and interactions between expenditures.

A description of the categories and the reliability of the data are discussed further under "Notes about the Data" and "Categorizing Expenditures".

## TAX EXPENDITURES BY CATEGORY[3]




[1] As explained below, certain taxpayer data is subject to confidentiality rules, and must therefore be redacted.
[2] Property tax data has a lag of one year.
[3] Placement of a particular expenditure into a specific category is sometimes a matter of judgment, as discussed under "Categorizing Expenditures".

While new expenditures have been added to the tax code, the expenditure aggregate dollar drop in FY2025 is attributable primarily to the reclassification of expenditures. Within the category of Economic Development, TIDD – Tax Increment for Development District Dedicated GRT Distributions and Local Economic Development Act (LEDA) Special GRT distributions were reclassified as 'arguable.' In addition, three expenditures under Highly Specialized: Processing Natural Gas Deduction from Oil and Gas Emergency School Tax; Reasonable Expense of Trucking Product to Market Deduction from Oil and Gas Emergency School Tax; and Transportation of Natural Gas Deduction from Oil and Gas Emergency School Tax have been reclassified as not tax expenditures. Due to legislative changes in the 2025 legislative session that changed the taxable incidence to 'severed and sold' under the Oil and Gas Emergency School Tax, the three deductions are no longer unique from the other severance taxes and join other comparable deductions under not tax expenditures.

## STATE AND LOCAL TAX EXPENDITURE INCIDENCE

New Mexico's tax expenditures forego a mix of state and local revenue. The only expenditures that generally have a local government revenue impact result from Gross Receipts Tax (GRT) and Property Tax expenditures. With the exception of the low-income property tax Personal Income Tax (PIT) rebate that is reimbursed by certain counties, tax expenditures in PIT and Corporate Income Tax (CIT) affect only State revenue. For example, foregone state and local GRT from Sale of Software Development Services GRT Deduction is as follows.

| | | | | |
|---|---|---|---|---|
| **Sale of Software Development Services GRT Deduction** | **Fiscal Year** | 2023 | 2024 | 2025 |
| | **State General Fund Expenditure (thousands)** | $4,193 | $3,673 | $16,600 |
| | **Local Government Expenditure (thousands)** | $2,717 | $2,407 | $10,880 |

For fiscal year 2025, 84% of all estimated tax expenditures represented foregone state revenues, while 16% represented foregone local government revenue. Property tax expenditures are not included in this estimate. This is due to the lag in the data and also the inability to delineate cleanly the expenditure incidence by each government entity.

## NEW EXPENDITURES ENACTED – RECENT LEGISLATION

The 2025 Tax Expenditure Report includes 9 new expenditures and 1 "arguable", in which consensus is lacking, presented below. More detail on these expenditures may be found under each specific tax expenditure's reporting page.

| Expenditure Name | Statute | Legislative Session | 2025 Amount ($000s) (Local and State) |
|---|---|---|---|
| Child Care Providers GRT Deduction | 7-9-77.2 (A) & (B) NMSA 1978 | 2024 Regular | $13,008 |
| Clean Care Income Tax Credit against PIT and CIT | 7-2-18.36 and 7-2A-19.1 NMSA 1978 | 2024 Regular | $1,225 |
| Clean Car Charging Unit Income Tax Credit against PIT and CIT | 7-2-18.37 and 7-2A-19.2 NMSA 1978 | 2024 Regular | $0 |
| Environmental Modifications for Medicaid Recipients GRT Deduction | 7-9-73.4 NMSA 1978 | 2024 Regular | $2,100 |
| Geothermal Electricity Generation-Related Sales and Use GRT and Compensating Tax Deduction [4] | 7-9-112.1 NMSA 1978 | 2024 Regular | $164 |
| Home Fire Recovery Income Tax Credit against PIT | 7-2-18.35 NMSA 1978 | 2024 Regular | $0 |
| Legal Services for Wildfire Compensation Recovery GRT Credit | 7-9-121 NMSA 1978 | 2024 Regular | Redacted |
| Sale of Dyed Special Fuel for Agricultural Purposes GRT Credit | 7-9-58.1 NMSA 1978 | 2024 Regular | Redacted |
| School Supplies Purchased by a Public School Teacher Deduction from PIT | 7-2-41 NMSA 1978 | 2024 Regular | $232 |

| Arguable Name | Statute | Legislative Session | 2025 Amount ($000s) (Local and State) |
|---|---|---|---|
| Metropolitan Redevelopment Projects GRT Distribution | 7-1-6.71 NMSA 1978 | 2023 Regular | $0 |

[4] This deduction has several qualifying subsections that have less than 3 taxpayers reporting.

# DETERMINING TAX EXPENDITURES

The federal government defines tax expenditures as "those revenue losses attributable to provisions of the federal tax laws which allow a special exclusion, exemption, or deduction from gross income or which provide a special credit, a preferential rate of tax, or a deferral of tax liability…."[5] Applying this concept to New Mexico, this report defines tax expenditures as "deviations from a baseline tax system created by specific tax law provisions." Tax expenditures may reflect an overarching statewide policy, such as promoting the general welfare of all citizens, or may reflect a specific purpose, such as incentivizing certain consumption, economic development, or job creation. The term "tax expenditure" reflects the perspective that foregoing revenue that would normally accrue may be thought of as spending through the tax code.

With that definition in mind, not every credit, exemption, deduction, or rate differential constitutes a tax expenditure. Certain credits, exemptions, and deductions are not considered tax expenditures because they are included in the tax code due to constitutional prohibition, federal pre-emption, comity between governments, avoiding double-taxation, or defining a tax base. Therefore, they do not represent policy choices by the state Legislature but simply mandates of law or defining what is the baseline of the tax system.

The questions are: do different tax structures constitute "tax expenditures"? If so, what is the baseline from which they are deviating?

If a tax structure taxes different activities or products differently without establishing a base tax rate, these rate differentials are not treated as tax expenditures. In other words, if different tax rates apply to different classes of taxable activities, products or services, then the rate differentials are defining the tax base. If, however, a tax structure has a base tax rate and there are instances in which the same or very similar activities, products or services are taxed at a different rate, these tax rate differences are treated as tax expenditures.

Reasonable minds with a shared understanding of these definitions may disagree on specific tax expenditure determinations. This report appeals to generally accepted standards for most deviations and includes a discussion of the rationale for each determination, so readers may form their own judgement. Similarly, the report conforms to generally accepted standards for examples of deviations that are not tax expenditures in that section.

Finally, the report includes a list of provisions on which consensus is lacking – categorized as "Arguable" tax expenditures. This section ensures transparency and consistency in reporting. The report includes the statutory basis, intended purpose, evaluation, any recommendations, and the actual or estimated fiscal impact for each tax expenditure.

The report also includes a reliability factor and a brief history of each statute to describe how the statute has evolved. The description of each expenditure shows in which of the five categories of purposes (citizen benefit, economic development, etc.) the expenditure belongs. Many statutes have been amended several times, so the year of amendment and substance of the change is noted.

[5] 2 USC § 622

In total, there are 149 tax expenditures, 122 provisions that are not tax expenditures, and 27 "arguable" activities in which consensus is lacking.

## EXEMPTIONS AND DEDUCTIONS

In terms of the practical effect on tax liability, there is little difference between an exemption and a deduction. Both are applied to reduce a taxpayer's taxable income or receipts, thereby reducing tax liability. However, there are administrative differences between the two. An exemption frees a taxpayer from a duty, liability, or requirement to report income, receipts, or other activity. Exemptions come in several forms:

- broad exemptions for certain types of taxpayers from a tax program;
- exemptions for certain types of transactions; and
- exemptions for certain amounts of income, revenue, or gross receipts.

In most instances, exemptions free taxpayers of a reporting obligation with respect to the exempt entity, transactions, or amounts. Unless specifically required by statute or instruction, exemptions are not reported. Therefore, assessing the impact and effectiveness of an exemption is more difficult than for most deductions. However, if an exemption exists to avoid double-taxation under another tax, then indirect reporting still occurs under the other tax.

Like exemptions, deductions can apply to certain types of entities, to transactions, or to amounts of income, revenue, or gross receipts. Unlike exemptions, deductions do not typically free taxpayers of reporting obligations. Rather, taxpayers entitled to deductions typically must file returns under the particular tax program to which the deduction pertains, identify the amount of the income or receipts before the deduction, and then reduce this amount by the amount of the deduction. In addition, many deductions under the GRT program require the taxpayer to obtain non-taxable transaction certificates or alternative evidence to establish entitlement to the deduction.

As noted in the "Determining Tax Expenditures" section above, many deductions and exemptions in New Mexico statutes are not tax expenditures.

Tax exemptions and deductions cannot reduce a taxpayer's tax liability below zero because the they cannot exceed the amount of the income or gross receipts from the taxable activity.

## CREDITS

A tax credit allows taxpayers that meet the qualifications for obtaining a credit to subtract the amount of the credit from the total tax liability they owe the State; in this respect, credits differ from deductions and exemptions, which reduce taxable income or receipts rather than tax liability. Tax credits are a "one-for-one" reduction in tax liability. Tax credits can be granted in recognition of taxes already paid or to encourage social and economic behaviors like investment or parenting. Most tax credits are reported on returns and are typically separately reported.

Unlike exemptions and deductions, tax credits may be used to reduce a taxpayer's tax liability below zero, resulting in a tax refund. These credits are referred to as "refundable" tax credits. Conversely, non-refundable tax credits may be carried forward to reduce tax liability in subsequent reporting periods. Some credits may be sold to other taxpayers; these are referred to as "transferable" tax credits.

## NOTES ABOUT THE DATA

This report qualifies estimated expenditure amounts with Reliability Factors to help the reader understand the methodology for determining the fiscal impact of the tax expenditure. The fiscal impact of an expenditure needs to be considered in the context of that expenditure's reliability factor. The Reliability Factor is a scale of 1-4 as follows:

1: The most reliable information comes directly from taxpayer-reported data, as contained in GenTax, Tax & Rev's tax system of record. It requires no additional estimation or manipulation with one exception; instances where the GRT actual average rate is used to estimate the forgone tax instead of using the known rates in the different jurisdictions in the state.

2: Estimated from taxpayer-reported data as summarized in GenTax reports (e.g. RP-80, RP-500). For example, if a GRT tax expenditure is industry-specific, an estimate can be prepared using data on the industry based on North American Industry Classification System ("NAICS") codes.

3: Estimated using national data and extrapolating to New Mexico.

4: The least reliable data. Estimates represent Tax & Rev's best estimate about the fiscal impact of a tax expenditure. Due to limited data for analysis, these estimates are frequently rounded.

In addition, a limited number of expenditures have unknown reliability, because there is no data available to make even an estimate of the amount. The table below shows the number of expenditures for each Reliability Factor.

| Reliability Factor | Description | Number of Expenditures |
|---|---|---|
| 1 | Most reliable. No estimation | 67 |
| 2 | Estimated from GenTax data | 32 |
| 3 | Estimated from national data | 23 |
| 4 | Least reliable. Estimated from limited data | 10 |
| Unknown | No data available | 17 |

Taxpayers may amend tax returns for up to three years, plus the current year. Amended returns often impact expenditure amounts. Therefore, when comparing this year's Report to prior versions, the reader should expect to see some revisions to prior years. For example, the amount of a particular expenditure may be different in this Report than it was in a previous report. Amended returns comprise a significant, but not the sole, reason for these variations. Other sources of the variation include late filings by taxpayers or improvements to Tax & Rev estimating methodologies.

New Mexico, like many states, defines a year differently for different tax programs. For instance, the GRT tax year corresponds to the State's fiscal year (July 1-June 30), while income taxes use a tax/calendar year (January 1-December 31). In addition, many corporations delay their filings using the no-restriction extension from March to September of any given year. This presents a challenge for organizing and reporting the data. We present the income tax programs by both tax year and by fiscal year. The fiscal year in this case is representative of the fiscal impact regardless of the tax year; so the data show what was the aggregate fiscal impact from all filers and any tax year.

This report reflects current law at the time of publication. A statute may be repealed, but due to carry-forwards or amended returns, expenditures may continue into future years. Repealed statutes that are listed as not a tax expenditure or arguable will be noted as repealed if that action occurred since the last publication of this report. Otherwise, if repealed prior to the publication of last year's tax expenditure report, they will no longer be listed.

Finally, Tax & Rev is limited by federal and state law from disclosing data that might reveal a taxpayer's identity, except where noted in statute, notably 7-1-8.3 NMSA 1978, *Information that may be revealed to public*. Therefore, when there are fewer than three taxpayers reporting a deduction, exemption, or credit against a particular tax, Tax & Rev must typically aggregate the data for all of the tax programs affected by those deductions, exemptions, and credits to preserve confidentiality. When aggregating the data is not sufficient to preserve confidentiality, the data is redacted. The reader will find several blank entries in tables where the data are redacted.

## CATEGORIZING EXPENDITURES

This report divides tax expenditures into the following five major categories according to their purpose: citizen benefits; economic development; environment, conservation, and renewable energy; health care; and specialized industry incentives.

As with the determination of whether a particular deduction, credit, or exemption constitutes a tax expenditure, there can be legitimate differences of opinion as to whether a particular expenditure belongs in one category or another. Certain expenditures may cross multiple categories. For example, an expenditure listed in the highly specialized industry category might also serve economic development purposes. However, to avoid double-counting, each expenditure is included in only one category.

The outline below sets forth types of expenditures included in each category. The full list of expenditures by category can be found in Appendix A.

1. **Citizen Benefits**
   a. Expenditures that are available to, or that benefit, all individual taxpayers who engage in certain activities, such as the expenditures related to food, medical services, and education.
   b. Expenditures designed to alleviate burdens for a specific subset of the population, such as veterans, active military, low-income individuals and families, or the elderly.
   c. Expenditures that lessen the demand for government services, such as certain nonprofit expenditures.

2. **Economic Development**
   a. Expenditures designed to stimulate investment in New Mexico, such as the angel investment PIT credit.
   b. Job creation expenditures, such as the high-wage and rural job tax credits.
   c. Expenditures designed to retain and attract industries, such as the film production tax credit.

3. **Environment, Conservation, and Renewable energy**
   a. Expenditures designed for environmental health, to promote conservation, and to promote renewable energy technologies and usage, such as the advanced energy credit (renewables and carbon sequestration), biofuels incentives, renewable energy production tax credit, and PIT/CIT credit for land conservation contributions.

4. **Health Care**
   a. Expenditures designed to increase accessibility to and lower the costs of health care. Examples include the health care practitioners GRT deduction, hospital construction deduction, and rural health care practitioners PIT credit.

5. **Highly Specialized Industries**
   a. Expenditures available to specific or highly specialized industries, such as agriculture, uranium, and aerospace.

# PRINCIPLES OF GOOD TAX POLICY

Much discussion occurs about what makes good tax policy, and there are several principles around which consensus exists. These principles often support competing public policies, and balance should be kept between these principles.

An example of how some principles can take priority over others is shown in the application of New Mexico's Gross Receipts and Compensating Tax Act. These taxes have increasingly lost simplicity as efforts have been made to achieve equity, efficiency, and accountability.

We use this illustration not to disparage any particular section of the tax code, but to remind policy makers that reliance on these principles requires consideration of how application of one principle impacts other principles.

## ADEQUACY

Tax revenues should be sufficient to support needed government services. Legislative and Executive determination of necessary spending defines what level of revenues is necessary. Conversations around adequacy implicate the revenue streams and demands upon State and local governments.

## EQUITY

Tax equity or fairness considers how tax burdens are distributed amongst taxpayers. There are two different types of equity: 1) "vertical" equity, which requires that tax burdens should be distributed according to taxpayers' ability to pay, so that taxpayers with greater ability to pay bear a larger burden than those with a lesser ability to pay, and 2) "horizontal" equity, which tries to ensure that similarly-situated taxpayers face similar tax burdens. Without vertical equity, tax burdens may become too regressive, falling on those with the least ability to pay, and leaving them without the ability to afford basic necessities. Without horizontal equity, the government arguably gives one taxpayer a competitive advantage over another. There may be legitimate policy reasons for doing so, but violating this principle should be done with full understanding of the potential impacts.

## EFFICIENCY

Efficiency denotes whether policies benefit economic growth. Tax policy experts agree that all taxes potentially affect or distort economic behavior by making certain economic choices more or less attractive, and that these effects on the economy are complicated. As a rule, tax efficiency requires that taxes be levied in a way that seeks to minimize market distortions that occur as taxpayers substitute untaxed goods, or lower-taxed goods, for more highly taxed goods to reduce tax burdens and costs.

Evaluation of efficiency in the application of economic theory is complicated when an activity generates externalized costs, which are costs not borne by the participants in the economic activity. A common example of externalized cost is environmental degradation, where the cost of environmental damage of producing a good is not reflected in the price, and is therefore not paid by either the purchaser or the seller of the good. Externalities may not be fully considered by individual actors in their marketplace decisions. In this case, taxes may be imposed as proxies for costs that

would otherwise not be taken into account; taxes can arguably improve the functioning of the economy by replacing the externalized, and so avoided, cost. For example, this reasoning supports tax expenditures incentivizing renewable energy because they may reduce pollution. We note that the concept of "efficiency" may seem to imply that there is an ideal, frictionless economic model, which is likely not the case. Therefore, tax policy can seek to reduce, but not eliminate, economic distortion.

## SIMPLICITY

Taxpayers incur compliance burdens as they prepare, submit, and keep records for tax returns. They also face penalties, interest, and representation costs for failure to correctly file and pay. Likewise, Tax & Rev incurs administrative costs to collect taxes, review the accuracy of tax returns and payments, and bring taxpayers into compliance. Incorrect tax filings can cause difficult changes to distributions to the State, local governments and tribal entities. The magnitude of these costs to taxpayers and government is affected by how taxes are defined and collected; the more complicated the code, the higher the cost everyone must bear to ensure compliance.

While they may increase accountability, tax expenditures that require separate reporting move away from the tax principle of simplicity for both taxpayers and State. Although generally hidden from view, the costs of collection and compliance impose significant burdens on society and should be kept to a minimum level. However, as this Report itself shows, some reporting is required for policymakers to evaluate tax incentives and make sound economic choices.

## ACCOUNTABILITY

Tax expenditures should be easy to monitor and evaluate. Moreover, taxes should be transparent so that taxpayers can better evaluate government policy. Improved accountability is an important goal of this tax expenditure report.

Tax expenditures can be used to steer the economy toward a specific objective. For instance, fiscal incentives to certain industries like manufacturing or professional services can increase the share of these industries in the economy. A higher participation of specific industries might be desirable due to their impact on employment, economic growth, or the environment. In this way, tax expenditures can incentivize economic diversification.

Economic diversification means expanding an area's economic base beyond a narrow range of traditional sectors, often shifting from reliance on primary products (e.g., agriculture, mining) to a broader range of manufacturing, services, and technologically advanced industries. Economic literature consistently highlights a strong positive correlation between economic diversification and improved macroeconomic performance.[6]

A diversified economy is less vulnerable to external shocks, such as commodity price volatility, changes in global demand for a specific product, or industry-specific downturns.[7] When one sector faces challenges, others can buffer the impact, ensuring more stable growth and resilience. Diversification often involves the emergence of new industries that create jobs and boost income levels. Developing technologically advanced sectors can lead to higher wages and improved job opportunities, potentially reducing poverty and inequality.[8]

Over time, as an economy becomes more complex, tax capacity grows. Economic diversification broadens the government's tax base by making it more balanced and less reliant on a particular sector. Tax diversification creates a more stable and robust revenue stream, which in turn can support government spending, tax cuts, and economic growth. This stability allows governments to plan and fund public investments (e.g., infrastructure, education) more effectively, which are crucial for long-term economic growth.

The Theil index[9] measures the tax diversification in a particular tax revenue.[10] A Thiel index of 0 represents perfect diversification, while in this application an index of 3 represents total reliance on one industry only. Figure 1 shows the evolution of the Theil index for New Mexico's gross receipt tax from March 2008 to March 2025.

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[6] Imbs, Jean, and Romain Wacziarg. 2003. "Stages of Diversification." American Economic Review 93 (1): 63-86.

[7] Cerdeiro, Diego and Plotnikov, Dmitry. 2017. "Taking Stock: Who Benefited from the Oil Price Shocks?" IMF Working Paper No. 17/104

[8] Acemoglu, Daron and Autor, David. 2011. "Skills, Tasks and Technologies: Implications for Employment and Earnings," in: O. Ashenfelter & D. Card (ed.), Handbook of Labor Economics, edition 1, volume 4, chapter 12, pages 1043-1171, Elsevier.

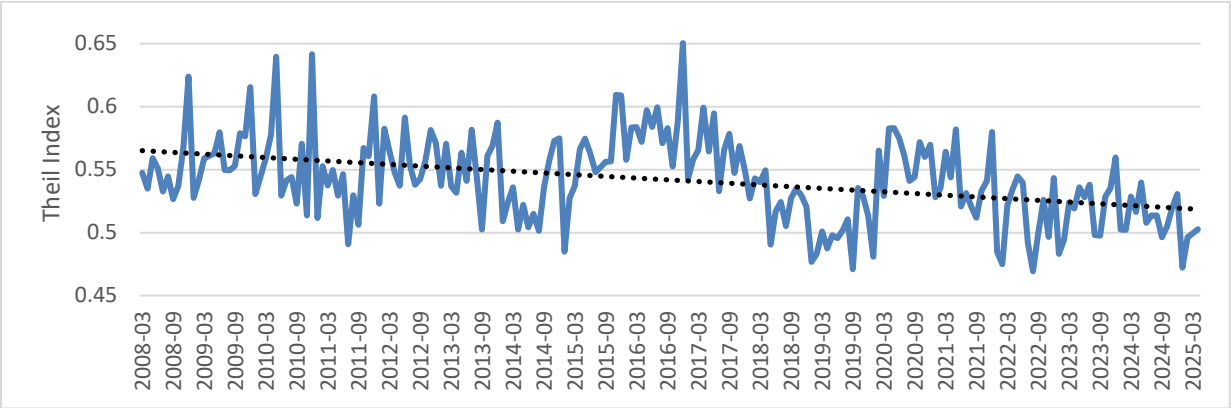
[9] Theil, Henri. 1967. *Economics and Information Theory*. North Holland

[10] The Theil index is used to calculate the dispersion of the gross receipts tax (GRT) by industry by a range of 2-digit codes in New Mexico. The Theil index (T) is written as:

$$T = \frac{1}{n}\sum_{i=1}^{n} \frac{GRT_i}{\mu} \times \ln\left(\frac{GRT_i}{\mu}\right);$$

where $n$ is the number of industries (21); $i$ represents a specific GRT industry subcomponent (manufacturing, construction, etc.); and μ stands for the average of the GRT industry subcomponent $i$. T is a measure of concentration, with a higher value of the index referring to a more concentrated GRT structure and a lower value referring to a more diverse GRT structure. By construction, the resulting Theil index will vary between 0 (perfect diversification) and ln(21) (reliance on one industry only), which is 3.

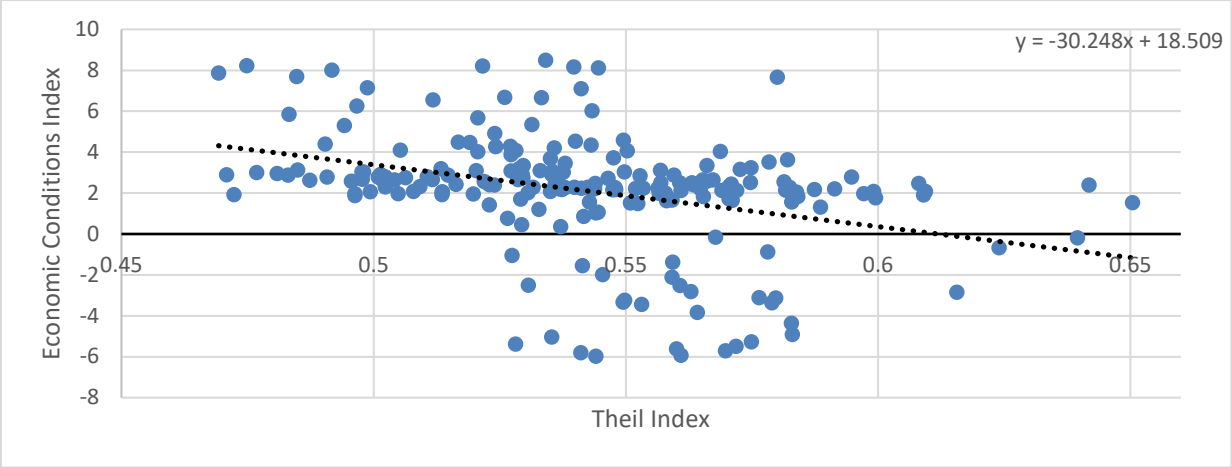
**Figure 1. Theil index for Gross Receipts Tax in New Mexico**




Source: Tax & Rev's calculations

The index displays a substantial variability over the sample with significant ups and downs. However, the value of the index has hovered around relatively low levels, suggesting New Mexico's GRT tax base is relatively diversified. The index also shows a gradual improvement over time, with some of the volatility reflecting changes to oil and natural gas markets. This long-term declining trajectory suggests that GRT has become more diversified. The macroeconomic effects associated with this tax diversification are presented in Figures 2 and 3.

**Figure 2. Theil Index vis-a-vis Economic Conditions Index for New Mexico**




Source: Tax & Rev's calculations

In Figure 2, the Theil index for GRT is plotted against an index of State economic conditions that covers multiple dimensions of the state economy.[11, 12] Figure 2 suggests that a diversified tax

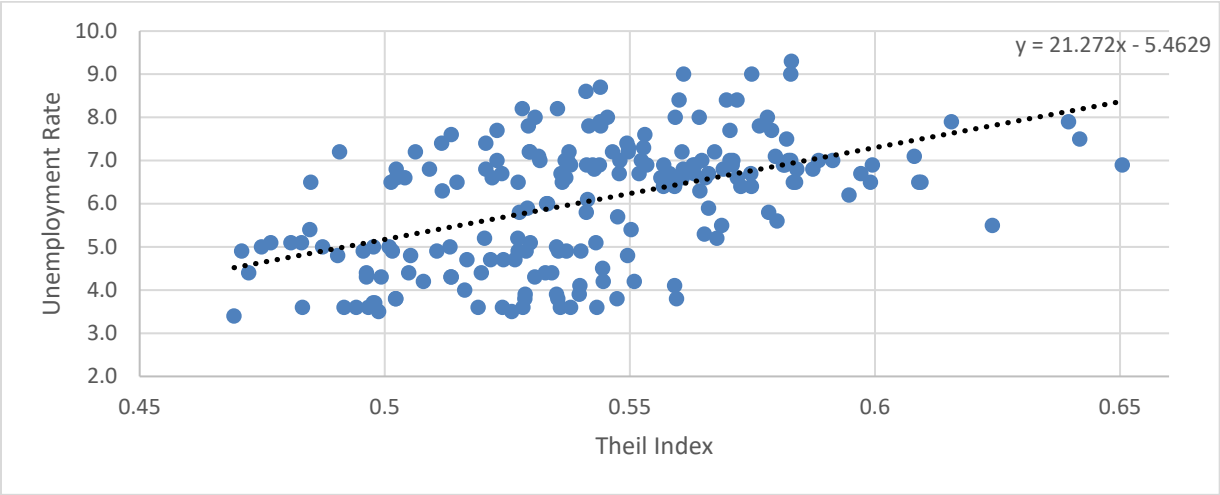
[11] Baumeister, Christiane, Danilo Leiva-León, and Eric Sims. 2024. "Tracking weekly state-level economic conditions." The Review of Economics and Statistics, 106, 483–504.

[12] The index of economic conditions includes state level variables grouped by the following categories: mobility measures; labor market indicators; economic activity; economic expectation measures; financial indicators; and household spending. Included in the variables are state-specific characteristics to tailor the measure for each U.S. state. For New Mexico this includes oil rig counts and oil production variables.

structure (a lower Thiel index) correlates with stronger economic conditions (a higher economic conditions index).

Looking at New Mexico's unemployment rate alone, Figure 3 underscores that a more diverse GRT correlates to a lower unemployment rate.[13] This correlation validates the premise that a diversified tax base improves labor market conditions, where periods of high unemployment are associated with a higher Theil Index.

**Figure 3. Theil Index vis-a-vis Unemployment Rate in New Mexico**




Source: Tax & Rev's calculations

New Mexico has enacted some tax reforms to foster a more diversified economy and adopted policies that prevent the natural resource curse and promote sustainable economic growth. Those reforms have aimed at developing new industries focused on leveraging New Mexico's static comparative advantages to create future dynamic comparative advantages.[14]

For example, the State has leveraged its strategic position as a producer of alternative energy sources while enhancing this strategy with technologically advanced industries to lead the energy transition in the US. Additionally, measures have been taken to transfer windfall oil and gas revenues into investments for future needs. While this analysis does not directly tie the impact of tax expenditures to the trend in GRT tax base diversification, the Theil Index provides a future measure to evaluate the progression of economic and tax revenue diversification with current and future changes to the tax code.

[13] https://fred.stlouisfed.org/series/NMUR

[14] Static comparative advantage is a region's ability to produce a good at a lower opportunity cost based on its current factor endowment, such as resources and technology. Dynamic comparative advantage is the ability of a region to shift its production pattern over time by developing new skills and industries, rather than being limited by its current endowments.

# FEDERAL CONFORMITY AND STATE EXPENDITURES

The scope of this report is limited to state laws that impact the definition, administration, and collection of state tax revenue. New Mexico, like many other states, begins with federal definitions of income, which is referred to as "federal conformity". These definitions of income flow through to New Mexico Personal Income Tax and Corporate Income and Franchise Tax. Built into the federal definitions of income are federal level tax expenditures that then carry into the New Mexico tax code. For example, the federal reductions to individual gross income include: a deduction for IRA contributions and a deduction for student loan interest. Unless a state income tax law requires these deductions to be added back in to gross income, they are a federal expenditure within the state tax code.

The Federal Government prepares annual expenditures reports which include forecasted revenue impacts. These reports may be found here: https://home.treasury.gov/policy-issues/tax-policy/tax-expenditures.

It is often necessary to evaluate state laws in the larger context of federal conformity to determine when the federal code is defining the tax base. For example, the Federal Tax Cuts and Jobs Act in 2017 eliminated the personal exemption for the federal income tax while raising the standard deduction. That change altered the New Mexico income tax base, bringing in more revenue from taxpayers with more dependents, because the increase in the standard deduction was more than offset by the loss of the exemption that used to be allowed for each child. New Mexico and other conforming states were compelled either to accept this new tax base determined by federal law, or to create laws to continue to define the tax base as it was prior to passage of the Tax Cuts and Jobs Act. New Mexico chose to do the latter by creating a dependent deduction. This deduction is therefore not classified as a tax expenditure as it maintained an understood tax base.

Federal conformity eases many state administrative aspects of the income tax programs, and for taxpayers provides more seamless completion of federal and state income tax returns, leading to improved compliance. While New Mexico may choose to decouple from the federal tax base by bringing some federal expenditures back into the tax base, that may come at a cost of increased complexity in compliance and administration for taxpayers and state administration.

## PERSONAL INCOME TAX

New Mexico's Personal Income Tax (referred to herein as "Personal Income Tax" or "PIT" [15]) contributed about 16% of the State's recurring General Fund revenues in FY2025. Like several other states, New Mexico computes its income tax based on the federal definition of taxable income. This means that New Mexico uses federal adjusted gross income (AGI) as the starting point when determining personal income taxes. New Mexico also ties its standard deduction to the federal tax code. Because these adjustments and deductions are common practice among the states that conform to the federal tax code, and because they are applied broadly to all taxpayers who qualify, they are considered as simply defining the tax base and are not treated as tax expenditures in this report.

New Mexico is one of 27 states with a progressive PIT rate structure. Under the principle of vertical equity, a progressive tax is based on the policy that taxes should, at least in part, reflect ability to pay, and progressive tax systems therefore impose a lower percentage tax rate on lower income taxpayers than on those with a higher income. In contrast, 14 other states have a "flat rate" tax structure, wherein the same percentage tax rate is imposed regardless of income. From tax year 2021 to tax year 2024[16], New Mexico had a five-tier progressive PIT rate structure, as shown in the first of the following two tables[17]. During the 2024 legislative session, legislation was enacted to revise the PIT rate structure. The revision included an additional bracket per filing status and changes to the taxable income levels per bracket. The current tax brackets are effective beginning tax year 2025.

| 2021-2024 New Mexico Tax Rates | | | | |
|---|---|---|---|---|
| **Income Bracket** | **Married Filing Separately** | **Head of Household, Surviving Spouses, and Married Filing Jointly** | **Individuals, Estates, and Trusts** | **Rate** |
| 1 | Up to $4,000 | Up to $8,000 | Up to $5,500 | 1.7% |
| 2 | Over $4,000 to $8,000 | Over $8,000 to $16,000 | Over $5,500 to $11,000 | 3.2% |
| 3 | Over $8,000 to $12,000 | Over $16,000 to $24,000 | Over $11,000 to $16,000 | 4.7% |
| 4 | Over $12,000 to $157,500 | Over $24,000 to $315,000 | Over $16,000 to $210,000 | 4.9% |
| 5 | Over $157,500 | Over $315,000 | Over $210,000 | 5.9% |

| 2025-Beyond New Mexico Tax Rates | | | | |
|---|---|---|---|---|
| **Income Bracket** | **Married Filing Separately** | **Head of Household, Surviving Spouses, and Married Filing Jointly** | **Individuals, Estates, and Trusts** | **Rate** |
| 1 | Up to $4,000 | Up to $8,000 | Up to $5,500 | 1.5% |
| 2 | Over $4,000 to $12,500 | Over $8,000 to $25,000 | Over $5,500 to $16,500 | 3.2% |
| 3 | Over $12,500 to $25,000 | Over $25,000 to $50,000 | Over $16,500 to $33,500 | 4.3% |
| 4 | Over $25,000 to $50,000 | Over $50,000 to $100,000 | Over $33,500 to $66,500 | 4.7% |
| 5 | Over $50,000 to $157,500 | Over $100,000 to $315,000 | Over $66,500 to $210,000 | 4.9% |
| 6 | Over $157,500 | Over $315,000 | Over $210,000 | 5.9% |

[15] For reference, a list of commonly used acronyms is provided in Appendix B.
[16] Beginning in tax year 2021, a tax bracket has been added at the top with a tax rate of 5.9%.
[17] Statutory reference, 7-2-7 NMSA 1978

When looking at income tax rates under a progressive tax structure, a distinction is made between the marginal tax rate and the average or effective tax rate faced by individuals. Marginal tax rate is the rate of tax charged on a taxpayer's last dollar of income, while the effective tax rate is the average tax rate paid by the taxpayer on their total gross income.

The following table shows how the marginal and effective rates, for a single individual with an AGI of $65,000, differ under the New Mexico PIT rate structure. For this individual, the top marginal tax rate is 4.7%, and the total tax paid is $2,646. The top marginal rate of 4.7% does not mean that the individual paid 4.7% of his AGI in New Mexico income taxes. Due to the progressive nature of the tax structure, the individual paid 1.5% tax on their first $5,500 of income, 3.2% tax on the next $11,000 (= $16,500 - $5,500) of their income, 4.3% tax on the next $17,000 (= $33,500 - $16,500) of their income and 4.7% tax on the next $31,500 (= $65,000-$33,500). The top marginal rate paid by the individual in this scenario only applies to any income earned over $33,500, which in this case is $31,500. As a result, the total tax liability for this individual is 4.1% of their AGI, lower than the top marginal rate of 4.7%. This 4.1% rate is referred to as the individual's effective or average tax rate.

| Income Bracket | Marginal Tax Rate | AGI in this bracket | NM Tax Due |
|---|---|---|---|
| 1 | 1.50% | $ 5,500 | $ 83 |
| 2 | 3.20% | $ 11,000 | $ 352 |
| 3 | 4.30% | $ 17,000 | $ 731 |
| 4 | 4.70% | $ 31,500 | $ 1,481 |
| **Total AGI** | | **$ 65,000** | **$ 2,646** |
| **Effective Tax Rate** | | **= Total NM Tax Due/Total AGI (= $2,646/$65,000) = 4.1%** | |

In New Mexico, the overall effective tax rate among all taxpayers during Tax Year 2024 was 2.0%. This varied between residents, at 2.8%, and non-residents, at 0.5%. Non-residents typically have a lower effective tax rate because only a small portion of the non-resident taxpayer's AGI is apportioned to New Mexico and subject to the state's PIT.[18] The effective tax rate is computed by dividing the total New Mexico income tax liability of all New Mexico taxpayers for tax year 2023 by the total AGI of all taxpayers. The table below breaks down the effective tax rate by New Mexico taxable income for all taxpayers in New Mexico. Residents include first year residents and non-residents include part-time residents.

[18] "Apportionment" in the context of PIT is the term for determining which state has the authority to tax part of a taxpayer's income. These rules are also often referred to as "sourcing" rules. The rules of apportionment are designed to approximate which state is the source of the taxable income.

| Taxable Income Level | Effective Tax Rate Tax Year 2024 | | |
|---|---|---|---|
| | Residents | Non-Residents | All Taxpayers |
| No Taxable Income | 0.0% | 0.0% | 0.0% |
| Under $25,000 | 0.9% | 0.4% | 0.9% |
| $25,000-$50,000 | 2.4% | 0.9% | 2.3% |
| $50,000-$75,000 | 2.9% | 1.1% | 2.6% |
| $75,000-$100,000 | 3.3% | 1.2% | 2.9% |
| $100,000-$200,000 | 3.6% | 1.0% | 3.1% |
| Over $200,001 | 4.2% | 0.3% | 1.7% |
| **Total** | **2.8%** | **0.5%** | **2.0%** |
| **Number of Returns** | **1,017,853** | **128,907** | **1,146,760** |

Although New Mexico's personal income tax rates are generally in line with those imposed by other states, the structure of the tax brackets – i.e., the threshold at which each rate takes effect -- varies significantly across states. Given the lack of a standard tax bracket structure, this report does not treat the lower rates imposed on low-income brackets as a tax expenditure. In addition to a lower tax rate for low-income taxpayers, New Mexico offers income tax rebates and credits to low-income taxpayers, such as the Low-Income Comprehensive Tax Rebate and Working Families Tax Credit. These provisions also add to progressivity in New Mexico's income tax structure and are reported as tax expenditures in this report.[19]

New Mexico law also provides several other special tax preferences to its taxpayers that are reported on various forms as supplements to the annual PIT return. A number of these are reported on as tax expenditures in this report.

## ENTITY-LEVEL TAX

The entity-level tax is an income tax that is paid in lieu of PIT or CIT by pass-through entities such as partnerships and limited liability companies. Until recent changes to the law, pass-through entities did not pay tax directly; instead, their income was "passed through" to their owners, who each paid PIT or CIT on their portion of the income, as appropriate. That law was changed in response to changes in federal law made by the Tax Cuts and Jobs Act of 2017, and most pass-through entities may now elect to pay income tax on behalf of their owners. Pass-through entities are defined as personal services businesses or certain other business associations, but not including sole proprietorships, estates or corporations. A pass-through entity must make an annual election to pay the entity level tax. The rate of the entity-level tax is equal to the higher of the maximum tax rate imposed by PIT or CIT. Currently the highest tax rates in PIT and CIT are both equal at 5.9%, which

[19] The effective tax rates in the table do not reflect refundable expenditures, money paid out to taxpayers when the refundable credits or rebates exceed their liability. For those taxpayers, their tax rate is a negative rate, as they do not owe taxes but receive revenue due to the progressive tax policy and structure.

is then the rate for the entity-level tax. The entity-level tax was enacted in 2022. The income generated by entity-level payments is assigned to CIT for categorization purposes.

## CORPORATE INCOME TAX

The corporate income tax ("CIT") provided about 6 percent of recurring State General Fund revenue in FY2025. New Mexico's CIT also conforms to the federal corporate income tax with the same corresponding administrative benefits for taxpayers and the State in its administration.

Section 7-2A-2(C) NMSA 1978 defines "base income" as that part of the taxpayer's federal taxable income, excluding the amount of the net operating loss carryover deduction and including interest received on state or local bonds claimed on the federal tax return. "Net income" is defined as the base income of a corporation filing a tax return as a separate entity, or it is the combined base income and losses of corporations that are part of a filing group when filing a consolidated filing return under the Internal Revenue Code and the Corporate Income and Franchise Tax Act[20]. The other method of determining a taxpayer's net income is by using the "unitary reporting" method and includes members of a unitary group as defined by the Corporate Income and Franchise Tax Act. Corporations pay CIT on the amount of their overall income that is apportioned to New Mexico, as discussed below.

Thus, "net income" is defined as the tax base for CIT purposes in New Mexico, and, by application of the income-graduated percentage tax rate, "baseline tax revenue" is defined.

The following table shows the CIT rates from 1987 to present[21]:

| Taxable Income | 1987-2013 | 2014 | 2015 | 2016 | 2017 | 2018-2024 | 2025 - Beyond |
|---|---|---|---|---|---|---|---|
| Up to $500,000 | 4.8% | 4.8% | 4.8% | 4.8% | 4.8% | 4.8% | 5.9% |
| $500,000.01 to $1,000,000 | 6.4% | 6.4% | 6.4% | 6.4% | 6.2% | 5.9% | |
| Over $1,000,000 | 7.6% | 7.3% | 6.9% | 6.6% | | | |

During the 2024 legislative session, legislation was enacted to revise the CIT rate structure to a flat rate of 5.9%. The revised tax bracket is effective beginning tax year 2025.

Two general concepts define how corporations file CIT in New Mexico, income apportionment and the method used to file the taxpayer's return. For income apportionment, New Mexico has adopted the Uniform Division of Income for Tax Purposes Act (UDITPA.)[22] When a corporation operates in more than one state, UDITPA defines how to apportion its income among those states. For most corporations, a three-factor formula is applied, which takes an average percentage of the ratios between the property, payroll, and sales factors of the business activity in New Mexico and the corporation's total business activity everywhere. In 2013, legislation added the single-sales factor apportionment election for manufacturers, followed in 2015 by the single-sales factor apportionment election for companies with their headquarters in New Mexico. Under single-sales factor apportionment, only sales are considered in apportionment; the property and payroll factors are not considered.

[20] Effective January 1, 2020 – Section 7-2A-2(M) NMSA 1978.
[21] Statutory reference, 7-2A-5 NMSA 1978
[22] Statutory reference, 7-4-1 NMSA 1978

The type of filing method used looks at the corporate structure and what type of return is required to be filed. 2013 legislation provided the following options for a taxpayer to file its return: separate corporate entity; combination of domestic unitary corporations, water's edge group, or federal consolidated group. If filing as a separate corporate entity, the corporation, regardless of how it filed at the federal level, files its New Mexico return as a stand-alone entity. Effective January 1, 2020, legislation required corporations to file a consolidated or unitary return.

If filing as a combination of domestic unitary corporations, two or more corporations, regardless of how it filed at the federal level, report the combined income of all members of the unitary business. A corporation may file a domestic unitary return. To be included in the unitary group, the corporations must be related through common ownership, and be economically interdependent. Corporations filing a consolidated report must have filed a federal consolidated return. In addition, the legislation required mandatory combined reporting for certain retailers. Corporations that file as a unitary group must use combined reporting unless they properly elect to report and pay tax as a water's-edge or consolidated group. A water's-edge group consists of all corporations that are part of a unitary group[23] and have more than 20 percent of their property, payroll and sales sourced to locations within the United States. A consolidated group is a group of entities properly filing a federal consolidated return under the Internal Revenue Code for the taxable year.

## GROSS RECEIPTS TAX

The Gross Receipts Tax (GRT) provided about 31 percent of recurring State General Fund revenue and about 50 percent of local government revenues in FY2025. The State GRT rate, plus various local and tribal option taxes, are imposed on sellers' gross receipts received from engaging in business in the state. As of July 1st, 2022, the statewide GRT rate was lowered from 5.125% to 5%. Another reduction of the state rate from 5% to 4.875% took effect on July 1, 2023.

The incidence of the GRT is on the seller, rather than on the purchaser as is the case in a sales tax. "Gross receipts" is the total amount of money or other consideration generated "from selling property in New Mexico, from leasing or licensing property employed in New Mexico, from granting a right to use a franchise employed in New Mexico, from selling services performed outside of New Mexico, the product of which is initially used in New Mexico, or from performing services in New Mexico"[24]. As of July 1, 2019, a person or company is "engaging in business" in New Mexico if it meets certain physical presence requirements or had at least $100,000 in taxable gross receipts sourced to New Mexico in the prior calendar year.

The GRT is ideally a broad-based tax imposed on businesses for the sale of tangible property and services; New Mexico is one of three states that taxes all services (the others being Hawai'i and South Dakota). The GRT base is reduced by many exemptions and deductions. These provisions are intended to achieve a variety of public policy purposes, as discussed further in this report. Some are necessary to prevent multiple taxation of transactions, either within the GRT or between the GRT and other tax programs, to prevent the associated economic distortion that could result. Examples of multiple taxation within the GRT, usually called "pyramiding", are the gross receipts taxation of certain business inputs, which are subject to tax when purchased as an input, and then again when

[23] As defined under Section 7-2A-2 AA NMSA 1978, a unitary group is a group of two or more corporations, with certain exceptions, that are related through common ownership and economically interdependent with one another based on the factors of centralized management, functional integration, and economics of scale.
[24] Section 7-9-3.5(A)(1) NMSA 1978.

the final product in which the inputs are included is sold. A special deduction for receipts from goods or services sold for resale is designed to also avoid double taxation. Additionally, the Legislature enacted legislation eliminating almost of the potential pyramiding for sales of tangible personal property or professional services to manufacturers. Multiple taxation between tax programs is prevented through various exemptions and deductions including personal income taxation of wages, dividends, and interest, and transactions taxed under separate excise taxes are exempted from the gross receipts tax. As noted below under excise taxes, certain excise taxes such as liquor and cigarette tax are paid in addition to gross receipts tax.

Several deductions and exemptions are not treated as tax expenditures in this report, but instead are considered to be defining the tax base. Examples of defining the tax base include "anti-pyramiding" provisions like the deduction for the sale of property for resale. In that case, the tax base is being defined as receipts from retail, or final, sales, rather than wholesale sales.[25] The GRT has been characterized as imposing a heavier-than-normal tax on business inputs.[26] Deductions, like the deduction for the sale of goods for re-sale, reduce multiple levels of taxation and ensure that the tax policy principles of horizontal equity and efficiency are met.

GRT tax expenditures in this report are calculated using a weighted average gross receipts tax rate. The average GRT rates, shown in the following table, were calculated using the gross tax amount divided by the amount of matched taxable gross receipts. Data is drawn from the Taxation and Revenue Department's RP-500 report. Expenditures that have a local government impact are estimated based on the fiscal year average of the split between local government and state revenues. Actual rates vary widely among local governments.

**Average Statewide GRT Rate by State Rate and Local Option**

| Average Statewide GRT Rate | |
|---|---|
| FY19 | 7.12% |
| FY20 | 7.01% |
| FY21 | 7.10% |
| FY22 | 7.23% |
| FY23 | 7.05% |
| FY24 | 6.94% |
| FY25 | 6.94% |

The RP-500 report is published monthly to the Department's website, detailing distributions made to each municipality, county, tribal entity, and certain other political subdivisions for the month in which the business activity took place. The RP-500 report breaks distributions into either the current activity month or all other months; changes to prior months can result from late tax reporting or amended tax returns. As an example, if a taxpayer amends returns for six months in the reporting month of September, the amended returns will affect distributions made in October and would be reported under "Other Months" in the RP-500 report. The RP-500 is not updated with the effects of

[25] The sale for resale deduction reduces pyramiding. Further, by making the GRT operate in some ways as a retail sales tax, deductions such as this mean that New Mexico's GRT is really a hybrid of a gross receipts tax and a retail sales tax, and not a pure gross receipts tax.
[26] For example, see Council on State Taxation, "*The Best and Worst of State Sales Tax Systems.*"

taxpayer amendments on older returns. Instead, they are aggregated into the "Other Months" category.

The RP-500 also contains summarized information from returns by major industry group[27]. Although a valuable resource on industry contributions to the tax base, users of this information should be aware that it provides only an approximate measure of the types of economic activity in the tax base. For example, a taxpayer may report that they are primarily a retail enterprise, but they may carry on a variety of commercial activities such as real estate management, wholesale trade, transportation and warehousing, etc. Receipts from their various activities sourced to the same business location will generally be combined and reported under their primary industry code. Furthermore, taxpayers self-report their industry group, and are not penalized for inaccurate information. Self-reported data may be unreliable.

As discussed further below, the GRT base, referred to as "taxable gross receipts" or "TGR", is determined by subtracting from gross receipts any receipts that are eligible to be exempted or deducted. Exemptions are not reported to the Department. As a rule, taxpayers do not separately state the amount of receipts that are deductible pursuant to each provision of the tax code. Rather, most deductions are lumped together, except for those noted below that must be separately reported. By allowing deductions to be reported together, the tax code is less transparent, but it is simpler for taxpayers to comply.

For fiscal year 2025, there are 33 "special deduction codes" identified in the GRT return instructions that are statutorily required to be separately reported. Taxpayers are informed that they must use the special code to claim the relevant deduction. When not in violation of confidentiality requirements, the data from the amounts reported under these codes are presented in this report to estimate fiscal impacts of the associated deductions. However, these estimates should be treated with caution because taxpayers are not penalized if they select the wrong deduction code. Tax & Rev takes steps to ensure accurate reporting of separately stated deductions, but, due to the lack of penalty for misreporting, cannot be completely certain.

## GOVERNMENTAL GROSS RECEIPTS TAX

The governmental gross receipts tax is imposed on the receipts from specified activities of every agency, institution, instrumentality or political subdivision of New Mexico state, except any school district and licensed entities engaged in providing health care services, excluding hospitals. The statewide governmental gross receipts tax rate is 5%. Governmental gross receipts include, for example, the sale by public entities of certain tangible personal property, services, and utilities. Tax & Rev distributes the governmental gross receipts tax to the Public Project Revolving Fund at the New Mexico Finance Authority, the Energy, Minerals and Natural Resources Department, the Department of Cultural Affairs, and the State General Fund.

## COMPENSATING TAX

The compensating tax provided about 0.6 percent of State General Fund revenue in FY2025. The compensating tax is imposed on the use of tangible property and the product of certain services in New Mexico. As of July 1st, 2022, the statewide compensating tax rate was lowered from 5.125% to

[27] Taxpayers self-identify their industry by the appropriate North American Industrial Classification System or "NAICS" Code.

5%. Another reduction from 5% to 4.875% took effect on July 1, 2023. This tax is New Mexico's version of a "use" tax, which is a mechanism states use to ensure that purchases from outside of the state do not compete unfairly with purchases from in-state retailers due to not being subject to the state GRT. Unlike the GRT, the legal incidence of the compensating tax is on the purchaser. Typically, the compensating tax is imposed on New Mexico businesses when they purchase from out-of-state vendors who lack nexus with New Mexico and are therefore not required to register with the Department and pay GRT.[28] Because of the expansive nature of the GRT, many of the deductions from the compensating tax base can be thought of as simply defining the tax base.

Legislation enacted in 2019 provided for a local option compensating tax rate equivalent to the respective local option GRT rate, effective July 1, 2021.

With New Mexico applying its gross receipts tax to internet sellers and other sellers without physical presence in the state as of July 1, 2019, more receipts are subject to the gross receipts tax, and therefore fewer are subject to the compensating tax.

## SPECIAL EXCISE TAXES

Special excise taxes provided about 6 percent of State General Fund revenues in FY2025.[29] A special excise tax is defined as a special tax on specific goods or activities, unlike a broad consumption tax such as the GRT.[30] New Mexico has many special excise taxes. Some of these taxes are in lieu of the GRT, such as the gasoline tax. Others, such as the cigarette tax, are in addition to the GRT. Some special excise taxes fall on different stages of the production or marketing chain; for example, the liquor excise tax is imposed on wholesalers of alcoholic beverages, whereas the GRT is imposed on the retailer. As is the case with the GRT and the compensating tax, New Mexico's special excise taxes contain several provisions that define the tax base to prevent double taxation or tax pyramiding. Examples include the exemption for sales of cigarettes on tribal lands to tribal members, which is designed to avoid the taxation of the same transaction by competing tax authorities. Some of these parameters of the tax base arise from the U.S. or New Mexico Constitutions, which forbid or preempt the State from imposing its taxes on a particular activity, sale, or property.

The Cannabis Excise Tax came into effect on April 1, 2022, for adult use retail cannabis sales. The excise tax is imposed on the retailer for the taxable value of adult use cannabis products, in addition to the gross receipts tax. Receipts from medical cannabis sales are not subject to the cannabis excise tax and may be deducted from gross receipts tax under the prescription drug deduction. Two-thirds of the revenue from the tax is distributed to the General Fund, and one-third is distributed to local governments.

[28] An out-of-state business has nexus with New Mexico if, in the previous calendar year, it had taxable gross receipts of $100,000 or more in New Mexico. Compensating tax may also be owed when the user of property or the product of a service converts the use from a non-taxable to a taxable use. For example, a retailer may buy cleaning products for resale in its store, which would be deductible, but then use some of the products to clean its own facilities. Once the product is no longer available for resale the deduction does not apply, and the purchaser of the product owes compensating tax on the amount it paid for the product.

[29] This figure includes the revenue from: Cigarette Tax; Tobacco Products Tax; Liquor Excise Tax; Cannabis Excise Tax; Insurance Premium Tax; Motor Vehicle Excise Tax; and Gaming Tax.

[30] Technically, the GRT is also an excise tax, but of general application; "special excise taxes" as used herein refer to specialized excise taxes.

Over time, the excise tax rate will rise to a maximum rate of 18%, as detailed in the table below:

| Fiscal Year | Excise Tax Rate |
|---|---|
| FY22-FY25 | 12% |
| FY26 | 13% |
| FY27 | 14% |
| FY28 | 15% |
| FY29 | 16% |
| FY30 | 17% |
| FY31 and on | 18% |

## NATURAL RESOURCE EXTRACTION TAXES

Natural resource extraction taxes provided about 9.4 percent of recurring State General Fund revenues in FY2025. New Mexico imposes a variety of taxes on the privilege of severing natural resources and the associated production activities related to those natural resources. The tax base is generally defined as the value of the products at the extraction site. The final taxable values are reduced for several deductions. In addition, some taxes apply different tax rates based on the natural resource, which this report defines as "rate differentials". The largest of the deductions associated with these taxes are for royalties paid to federal, Indian, and state owners of the minerals. Because the State is preempted by federal law from imposing tax on these entities — or because it wouldn't be reasonable for the State to tax itself — these are not treated as tax expenditures. Other provisions, aimed at stimulating particular types of production, continue to be treated as tax expenditures. Rate differentials previously absent from the report have been incorporated in this year's edition.

Other tax expenditures for oil and natural gas listed in this report incentivize continued production when prices drop below specific thresholds. Because prices have generally exceeded the threshold values that would trigger these incentives, those expenditures remain at zero in this report, as they have been for over 10 years.

## PROPERTY TAX

Property tax does not provide any revenue to the State's General Fund; but it is an important source of revenue for operations and capital expenditures for the State, local governments, school districts, and other political subdivisions. The property tax code features several limitations and exclusions that reduce the tax burden on various groups of property owners for various reasons. Some of these are broad-based and are not treated as tax expenditures in this report. Examples include the exclusion from tax of personal property and the 3% limit on annual value growth for residential property. Many property tax deductions and limitations are provided for in the state Constitution and therefore are also not included as tax expenditures, because the Constitution is deemed to define the tax base. Other statutory property tax provisions that target specific populations are included. Because most property taxes are assessed, collected and distributed at the county level, Tax & Rev does not detail the fiscal impact of property tax expenditures by specific revenue recipients but provides a high-level fiscal impact.

## PERSONAL INCOME TAX AND CORPORATE INCOME TAX DATA BY TAX YEARS

The following tables provide an aggregate breakdown of New Mexico's personal income tax by taxable income, estimated tax on taxable income, and the number of returns for tax years 2023 and 2024. The 2023 table may differ from that published in last year's report as a result of extended filers

and amended returns. Typically, higher income filers are more likely to extend their filing date to October 15 of each year; as such, revisions to the prior year will be most dramatic in the higher income brackets.

Similarly, two tables for New Mexico's corporate income tax are provided. The data is grouped by taxpayers' self-reported 2-digit NAICS code, taxable income, estimated tax on taxable income and the number of returns for tax years 2022 and 2023. As with personal income tax, 2022 data may differ from that published in last year's report due to extended filers and amended returns.

| Personal Income Tax by Income Bracket Table – Tax Year 2023 Data | | | | | | |
|---|---|---|---|---|---|---|
| **All Tax Filers** | | | | | | |
| **Income Bracket** | **Number of Returns** | **Percent of Returns** | **New Mexico Taxable Income** | **Percent of NM Taxable Income** | **Estimated Tax on Taxable Income** | **Percent of Estimated Tax** |
| **No Taxable Income** | 342,124 | 30.62% | $0 | 0.00% | $0 | 0.00% |
| **Under $25,000** | 257,794 | 23.07% | $3,113,421,403 | 1.81% | $84,519,768 | 3.83% |
| **$25,000-$50,000** | 176,865 | 15.83% | $6,433,666,362 | 3.75% | $233,977,416 | 10.61% |
| **$50,000-$75,000** | 100,861 | 9.03% | $6,187,821,620 | 3.61% | $236,131,534 | 10.71% |
| **$75,000-$100,000** | 62,428 | 5.59% | $5,412,501,132 | 3.15% | $208,399,246 | 9.45% |
| **$100,000-$200,000** | 105,991 | 9.49% | $14,698,095,394 | 8.57% | $548,412,974 | 24.87% |
| **Over $200,001** | 71,301 | 6.38% | $135,720,370,893 | 79.11% | $893,634,777 | 40.53% |
| **Total** | **1,117,364** | **100.00%** | **$171,565,872,457** | **100.00%** | **$2,205,088,668** | **100.00%** |
| **Single Filers** | | | | | | |
| **No Taxable Income** | 193,535 | 34.65% | $0 | 0.00% | $0 | 0.00% |
| **Under $25,000** | 161,287 | 28.88% | $1,945,657,839 | 5.22% | $56,272,965 | 8.59% |
| **$25,000-$50,000** | 99,592 | 17.83% | $3,573,637,654 | 9.59% | $135,160,406 | 20.63% |
| **$50,000-$75,000** | 44,189 | 7.91% | $2,689,128,256 | 7.22% | $105,639,102 | 16.12% |
| **$75,000-$100,000** | 23,064 | 4.13% | $1,997,243,401 | 5.36% | $78,648,048 | 12.00% |
| **$100,000-$200,000** | 25,692 | 4.60% | $3,405,109,666 | 9.14% | $126,975,733 | 19.38% |
| **Over $200,001** | 11,165 | 2.00% | $23,655,412,039 | 63.48% | $152,503,265 | 23.28% |
| **Total** | **558,524** | **100.00%** | **$37,266,188,856** | **100.00%** | **$655,204,014** | **100.00%** |
| **Head of Household Filers** | | | | | | |
| **No Taxable Income** | 69,416 | 41.18% | $0 | 0.00% | $0 | 0.00% |
| **Under $25,000** | 48,102 | 28.54% | $539,408,723 | 8.27% | $13,035,169 | 8.95% |
| **$25,000-$50,000** | 25,799 | 15.31% | $936,513,019 | 14.35% | $33,521,898 | 23.02% |
| **$50,000-$75,000** | 12,743 | 7.56% | $776,292,387 | 11.90% | $30,111,254 | 20.68% |
| **$75,000-$100,000** | 5,762 | 3.42% | $494,903,848 | 7.58% | $19,516,078 | 13.40% |
| **$100,000-$200,000** | 5,092 | 3.02% | $667,066,340 | 10.22% | $26,205,102 | 17.99% |
| **Over $200,001** | 1644 | 0.98% | $3,110,816,432 | 47.68% | $23,249,033 | 15.96% |
| **Total** | **168,558** | **100.00%** | **$6,525,000,749** | **100.00%** | **$145,639,675** | **100.00%** |
| **Married Filing Joint & Surviving Spouse Filers** | | | | | | |
| **No Taxable Income** | 75,621 | 20.27% | $0 | 0.00% | $0 | 0.00% |
| **Under $25,000** | 44,389 | 11.90% | $572,761,367 | 0.47% | $13,378,057 | 0.98% |
| **$25,000-$50,000** | 47,702 | 12.79% | $1,785,366,668 | 1.47% | $59,898,994 | 4.40% |
| **$50,000-$75,000** | 41,822 | 11.21% | $2,592,892,863 | 2.13% | $95,182,065 | 7.00% |
| **$75,000-$100,000** | 32,311 | 8.66% | $2,809,076,696 | 2.31% | $105,951,206 | 7.79% |
| **$100,000-$200,000** | 73,740 | 19.77% | $10,429,226,021 | 8.56% | $388,002,905 | 28.52% |
| **Over $200,001** | 57,393 | 15.39% | $103,602,826,281 | 85.07% | $698,005,955 | 51.31% |
| **Total** | **372,978** | **100.00%** | **$121,792,145,547** | **100.00%** | **$1,360,425,961** | **100.00%** |
| **Married Filing Separate Filers** | | | | | | |
| **No Taxable Income** | 3,552 | 20.53% | $0 | 0.00% | $0 | 0.00% |
| **Under $25,000** | 4,016 | 23.21% | $55,593,473 | 0.93% | $1,833,577 | 4.18% |
| **$25,000-$50,000** | 3,772 | 21.80% | $138,149,022 | 2.31% | $5,396,118 | 12.31% |
| **$50,000-$75,000** | 2,107 | 12.18% | $129,508,114 | 2.16% | $5,199,113 | 11.86% |
| **$75,000-$100,000** | 1,291 | 7.46% | $111,277,187 | 1.86% | $4,283,914 | 9.78% |
| **$100,000-$200,000** | 1,467 | 8.48% | $196,693,367 | 3.29% | $7,229,234 | 16.50% |
| **Over $200,001** | 1,099 | 6.35% | $5,351,316,141 | 89.45% | $19,876,525 | 45.36% |
| **Total** | **17,304** | **100.00%** | **$5,982,537,305** | **100.00%** | **$43,819,019** | **100.00%** |

| Personal Income Tax by Income Bracket Table – Tax Year 2024 Data | | | | | | |
|---|---|---|---|---|---|---|
| **All Tax Filers** | | | | | | |
| **Income Bracket** | **Number of Returns** | **Percent of Returns** | **New Mexico Taxable Income** | **Percent of NM Taxable Income** | **Estimated Tax on Taxable Income** | **Percent of Estimated Tax** |
| **No Taxable Income** | 323,977 | 28.25% | $0 | 0.00% | $0 | 0.00% |
| **Under $25,000** | 244,548 | 21.33% | $2,967,244,682 | 3.86% | $80,967,544 | 3.71% |
| **$25,000-$50,000** | 257,900 | 22.49% | $9,327,944,822 | 12.13% | $353,940,284 | 16.20% |
| **$50,000-$75,000** | 97,371 | 8.49% | $5,967,782,688 | 7.76% | $229,741,102 | 10.51% |
| **$75,000-$100,000** | 60,737 | 5.30% | $5,268,496,419 | 6.85% | $204,248,279 | 9.35% |
| **$100,000-$200,000** | 105,647 | 9.21% | $14,658,717,678 | 19.06% | $559,703,899 | 25.62% |
| **Over $200,001** | 56,580 | 4.93% | $38,707,760,291 | 50.34% | $756,358,158 | 34.62% |
| **Total** | **1,146,760** | **100.00%** | **$76,897,946,581** | **100.00%** | **$2,184,968,126** | **100.00%** |
| **Single Filers** | | | | | | |
| **No Taxable Income** | 183,899 | 29.24% | $0 | 0.00% | $0 | 0.00% |
| **Under $25,000** | 153,522 | 24.41% | $1,865,346,995 | 8.12% | $54,195,796 | 7.02% |
| **$25,000-$50,000** | 185,586 | 29.51% | $6,657,617,498 | 28.99% | $261,304,089 | 33.83% |
| **$50,000-$75,000** | 44,936 | 7.15% | $2,732,193,097 | 11.90% | $108,435,010 | 14.04% |
| **$75,000-$100,000** | 24,476 | 3.89% | $2,119,723,532 | 9.23% | $84,178,400 | 10.90% |
| **$100,000-$200,000** | 27,448 | 4.36% | $3,635,507,593 | 15.83% | $140,495,008 | 18.19% |
| **Over $200,001** | 9,035 | 1.44% | $5,958,733,372 | 25.94% | $123,678,283 | 16.01% |
| **Total** | **628,902** | **100.00%** | **$22,969,122,088** | **100.00%** | **$772,289,472** | **100.00%** |
| **Head of Household Filers** | | | | | | |
| **No Taxable Income** | 68,217 | 41.09% | $0 | 0.00% | $0 | 0.00% |
| **Under $25,000** | 46,523 | 28.02% | $529,010,628 | 12.47% | $12,878,374 | 9.02% |
| **$25,000-$50,000** | 25,931 | 15.62% | $941,956,245 | 22.21% | $33,707,021 | 23.61% |
| **$50,000-$75,000** | 12,870 | 7.75% | $782,909,160 | 18.46% | $30,330,211 | 21.25% |
| **$75,000-$100,000** | 5,930 | 3.57% | $510,090,701 | 12.03% | $20,022,165 | 14.03% |
| **$100,000-$200,000** | 5,282 | 3.18% | $691,918,810 | 16.31% | $27,458,479 | 19.24% |
| **Over $200,001** | 1,254 | 0.76% | $785,176,316 | 18.51% | $18,339,868 | 12.85% |
| **Total** | **166,007** | **100.00%** | **$4,241,061,860** | **100.00%** | **$142,736,129** | **100.00%** |
| **Married Filing Joint & Surviving Spouse Filers** | | | | | | |
| **No Taxable Income** | 68,605 | 20.41% | $0 | 0.00% | $0 | 0.00% |
| **Under $25,000** | 40,826 | 12.14% | $522,473,408 | 1.08% | $12,216,045 | 0.99% |
| **$25,000-$50,000** | 42,932 | 12.77% | $1,602,000,762 | 3.31% | $53,900,606 | 4.36% |
| **$50,000-$75,000** | 37,469 | 11.15% | $2,324,044,328 | 4.80% | $85,753,702 | 6.93% |
| **$75,000-$100,000** | 29,117 | 8.66% | $2,533,923,642 | 5.24% | $95,811,298 | 7.75% |
| **$100,000-$200,000** | 71,500 | 21.27% | $10,141,454,998 | 20.97% | $384,423,070 | 31.09% |
| **Over $200,001** | 45,736 | 13.60% | $31,245,987,958 | 64.60% | $604,461,089 | 48.88% |
| **Total** | **336,185** | **100.00%** | **$48,369,885,096** | **100.00%** | **$1,236,571,118** | **100.00%** |
| **Married Filing Separate Filers** | | | | | | |
| **No Taxable Income** | 3,256 | 20.78% | $0 | 0.00% | $0 | 0.00% |
| **Under $25,000** | 3,677 | 23.47% | $50,413,651 | 3.83% | $1,677,329 | 5.03% |
| **$25,000-$50,000** | 3,451 | 22.03% | $126,370,316 | 9.59% | $5,028,568 | 15.07% |
| **$50,000-$75,000** | 2,096 | 13.38% | $128,636,104 | 9.76% | $5,222,179 | 15.65% |
| **$75,000-$100,000** | 1,214 | 7.75% | $104,758,543 | 7.95% | $4,236,416 | 12.69% |
| **$100,000-$200,000** | 1,417 | 9.05% | $189,836,277 | 14.40% | $7,327,343 | 21.96% |
| **Over $200,001** | 555 | 3.54% | $717,862,646 | 54.47% | $9,878,917 | 29.60% |
| **Total** | **15,666** | **100.00%** | **$1,317,877,537** | **100.00%** | **$33,371,406** | **100.00%** |

## CORPORATE INCOME TAX BY INCOME BRACKET TABLE – TAX YEAR 2022 DATA

| 2-Digit NAICS Code | 2022 Industries | Zero or Less Taxable Income | | Taxable Income Less Than $500K | | Taxable Income Between $500K & $1,000K | | Taxable Income over $1,000K | |
|---|---|---|---|---|---|---|---|---|---|
| | | Tax-payers | Tax Paid | Tax-payers | Tax Paid | Tax-payers | Tax Paid | Tax-payers | Tax Paid |
| 11 | Agriculture, Fishery and Hunting | 2,649 | $0 | 154 | $463,731 | <3 | -- | 10 | $3,419,113 |
| 21 | Oil and Gas and Other Mining | 4,516 | $0 | 300 | $904,138 | 18 | $703,360 | 47 | $188,888,156 |
| 22 | Utilities | 338 | $0 | 35 | $166,504 | 4 | $118,523 | 4 | $2,112,328 |
| 23 | Construction | 5,987 | $0 | 403 | $1,215,077 | 24 | $947,570 | 17 | $3,208,013 |
| 31-33 | Manufacturing | 2,393 | $0 | 676 | $2,528,182 | 48 | $1,609,793 | 105 | $96,361,782 |
| 41-42 | Wholesale Trade | 1,959 | $0 | 534 | $1,691,929 | 32 | $1,143,265 | 61 | $42,597,542 |
| 44-45 | Retail Trade | 3,571 | $0 | 340 | $1,306,240 | 36 | $1,257,184 | 47 | $33,251,294 |
| 48-49 | Transportation & Warehousing | 1,688 | $0 | 181 | $460,037 | 13 | $541,651 | 17 | $34,920,294 |
| 51 | Information | 1,203 | $0 | 243 | $735,718 | 15 | $02,172 | 28 | $20,485,840 |
| 52 | Finance & Insurance | 10,431 | $0 | 920 | $2,529,827 | 45 | $1,628,204 | 100 | $73,801,624 |
| 53 | Real Estate& Rental & Leasing | 16,910 | $0 | 551 | $1,163,843 | 16 | $562,147 | 21 | $5,290,036 |
| 54 | Professional, Scientific & Technical | 8,923 | $0 | 1016 | $1,669,424 | 30 | $1,037,491 | 40 | $9,415,645 |
| 55 | Management of Companies & Enterprises | 1,977 | $0 | 593 | $2,370,972 | 50 | $1,814,868 | 111 | $37,192,970 |
| 56 | Admin & Support & Waste Mgt Remediation | 2,124 | $0 | 227 | $474,461 | 6 | $194,028 | 10 | $2,120,007 |
| 61 | Educational Services | 406 | $0 | 54 | $109,625 | 0 | $0 | <3 | -- |
| 62 | Health Care & Social Assistance | 3,942 | $0 | 145 | $353,841 | 6 | $205,010 | 13 | $2,413,932 |
| 71 | Arts, Entertainment, & Recreation | 1,494 | $0 | 73 | $113,998 | <3 | -- | 4 | $457,183 |
| 72 | Accommodation & Food Service | 2,659 | $0 | 127 | $424,109 | <3 | -- | 7 | $1,387,505 |
| 81 | Other Services except Public Administration | 2,597 | $0 | 222 | $383,394 | <3 | -- | <3 | -- |

Table Notes: "-" means data is redacted due to fewer than 3 taxpayers; Only businesses that reported a valid NAICS codes are included in the Table Above.

CORPORATE INCOME TAX BY INCOME BRACKET TABLE – TAX YEAR 2023 DATA

| 2-Digit NAICS Code | 2023 Industries | Zero or Less Taxable Income | | Taxable Income Less Than $500K | | Taxable Income Between $500K & $1,000K | | Taxable Income over $1,000K | |
|---|---|---|---|---|---|---|---|---|---|
| | | Tax-payers | Tax Paid | Tax-payers | Tax Paid | Tax-payers | Tax Paid | Tax-payers | Tax Paid |
| 11 | Agriculture, Fishery and Hunting | 2,561 | 0 | 106 | $279,688 | 7 | $224,792 | 4 | $1,243,592 |
| 21 | Oil and Gas and Other Mining | 21 | 0 | 171 | $469,203 | 7 | $264,932 | 25 | $79,817,813 |
| 22 | Utilities | 336 | 0 | 21 | $49,183 | <3 | - | 4 | $321,836 |
| 23 | Construction | 5,676 | 0 | 246 | $635,548 | 11 | $402,958 | 13 | $3,676,546 |
| 31-33 | Manufacturing | 2,214 | 0 | 365 | $1,159,452 | <3 | - | 40 | $50,823,766 |
| 41-42 | Wholesale Trade | 1,809 | 0 | 325 | $695,197 | 11 | $425,859 | 24 | $5,133,744 |
| 44-45 | Retail Trade | 3,331 | 0 | 208 | $597,040 | 11 | $345,508 | 24 | $15,984,524 |
| 48-49 | Transportation & Warehousing | 1,598 | 0 | 108 | $262,825 | 5 | $178,049 | 7 | $10,691,497 |
| 51 | Information | 1,117 | 0 | 134 | $209,427 | <3 | -- | 11 | $13,327,171 |
| 52 | Finance & Insurance | 8,706 | 0 | 532 | $1,214,814 | 23 | $823,988 | 38 | $11,798,110 |
| 53 | Real Estate& Rental & Leasing | 16,331 | 0 | 394 | $667,330 | 8 | $274,412 | 11 | $4,411,431 |
| 54 | Professional, Scientific & Technical | 8,299 | 0 | 699 | $867,500 | 10 | $328,101 | 19 | $4,690,737 |
| 55 | Management of Companies & Enterprises | 1,702 | 0 | 345 | $1,198,483 | 29 | $1,025,662 | 49 | $39,097,122 |
| 56 | Admin & Support & Waste Mgt Remediation | 1,989 | 0 | 144 | $136,102 | 4 | $136,756 | 60 | $1,130,246 |
| 61 | Educational Services | 402 | 0 | 30 | $72,766 | <3 | -- | <3 | -- |
| 62 | Health Care & Social Assistance | 3,821 | 0 | 104 | $217,174 | <3 | -- | 9 | $1,528,590 |
| 71 | Arts, Entertainment, & Recreation | 1,417 | 0 | 45 | $91,593 | <3 | -- | <3 | -- |
| 72 | Accommodation & Food Service | 2,511 | 0 | 80 | $247,249 | 4 | $170,853 | 3 | $410,678 |
| 81 | Other Services except Public Administration | 2,431 | 0 | 167 | $183,354 | <3 | -- | <3 | -- |

Table Notes: "-" means data is redacted due to fewer than 3 taxpayers; Only businesses that reported a valid NAICS codes are included in the Table Above.

# TAX EXPENDITURES

Tax expenditures are presented in alphabetical order. The table of contents provides an alphabetized list of the expenditures. To find a specific expenditure based on its statutory citation, use the index at the end of the report.

# ADDITIONAL INCOME TAX REBATE 2021 TAX YEAR FILING

**Category:** Citizen Benefits

**Brief Description:** Resident taxpayers who are not dependents of another taxpayer are eligible for a tax rebate having filed or when filing their tax year 2021 PIT return. The rebate is $1,000 for heads of household, surviving spouses, and married individuals filing jointly and $500 for single individuals and married individuals filing separately. The rebate is not allowed for 2021 PIT returns filed after May 31, 2024.

**Statutory Basis:** 7-2-7.7 NMSA 1978

**Intended Purpose:** To equitably distribute surplus State General Fund revenue to every resident taxpayer in New Mexico while supporting New Mexicans coping with continued high costs of inflation.

**History:** Originally enacted in 2023.

**Evaluation:** None.

**Recommendation:** None.

**Reliability Factor:** 1 – This rebate is separately reported. No estimation is required.

**Fiscal Impact:**

| | | | | |
|---|---|---|---|---|
| **2021 Additional Income Tax Rebate** | **Tax Year (Calendar)** | 2021 | 2022 -2024 | |
| | **Claims** | 966,329 | NA | |
| | **Expenditure (thousands)** | $705,301 | | |
| | | | | |
| | **Fiscal Year** | 2023 | 2024 | 2025 |
| | **Claims** | 951,931 | 13,784 | 564 |
| | **Expenditure (thousands)** | $694,320 | $10,039 | $909 |

# AFFORDABLE HOUSING
# CREDIT AGAINST MODIFIED COMBINED TAX, PIT, OR CIT

**Category:** Citizen Benefits

**Brief Description:** A tax credit may be claimed against GRT (less local option gross receipts taxes), compensating tax (less local option compensating taxes), withholding, PIT, CIT, E911, and interstate telecommunications gross receipts tax for investments in affordable housing projects equal to 50% of the amount of cash invested or the fair market value of the land, buildings, materials, or services relating to such projects. The credit cannot be claimed for the governmental gross receipts taxes. This tax expenditure is available to taxpayers receiving a tax credit voucher issued by the New Mexico Mortgage Finance Authority (MFA).

The tax credit voucher program is administered by the MFA and is based on donations made to affordable housing projects approved by MFA and the Affordable Housing Charitable Trust. The maximum amount for this expenditure is calculated annually by multiplying a base rate, adjusted for inflation, and the state's population. For tax year 2024, the maximum is approximately $5.7 million. Donations may include land, buildings, materials, cash or services. Cash equivalents such as store credit or waived invoices are considered a cash donation. Donations received by the project sponsor in exchange for tax credits may be used to fund the acquisition, substantial rehabilitation, and/or new construction of affordable housing projects throughout the state, including down payment and closing cost assistance for acquisition of affordable single-family housing. No minimum or maximum dollar limits are placed on donations made directly to the Affordable Housing Charitable Trust.

The credit is not refundable but may be carried forward for up to five years.

**Statutory Basis:** 7-9I *et seq.* NMSA 1978

**Intended Purpose:** To incentivize the construction of affordable housing projects.

**History:** Originally enacted in 2005 and amended in 2010 and 2015. The 2010 amendment to the Affordable Housing Tax Credit Act expanded where eligible "affordable housing projects" can be located from counties with a population of less than 100,000 to all counties and to include materials as an allowable investment.

**Evaluation:** Every year since the inception of the credit, the MFA program has approved affordable housing projects eligible for contributions and applications for the credit. During the same time, claims for the credit have grown from an average of 14 in the first seven years, to 181 in the last three tax years. For the most recent tax years, these contributions have supported 3 to 4 housing projects per year for a total of over 400 affordable housing units.

**Recommendations:** None.

**Reliability Factor:** 1 - This credit is separately reported. No estimation is required. The data source for projects and units supported through the credit is the New Mexico MFA.

**Fiscal Impact:**

| | | | | |
|---|---|---|---|---|
| **Affordable Housing Credit against modified combined tax, PIT or CIT** | **Tax Year (Calendar)** | 2022 | 2023 | 2024 |
| | **Claims** | 179 | 192 | 179 |
| | **Projects Supported** | 4 | 4 | 3 |
| | **Units** | 206 | 73 | 128 |
| | **Expenditure (thousands)** | $1,340 | $612 | $327 |
| | | | | |
| | **Fiscal Year** | 2023 | 2024 | 2025 |
| | **Claims** | 186 | 210 | 209 |
| | **Expenditure (thousands)** | $449 | $1,523 | $310 |

# AGRICULTURAL BIOMASS
# CREDIT AGAINST PIT AND CIT

**Category:** Environment, Conservation & Renewable Energy

**Brief Description:** A dairy or feedlot owner is eligible for a credit of $5 for each wet ton of agricultural biomass that is transported from the owner's dairy or feedlot to a facility that uses agricultural biomass to generate electricity or make fuels for commercial use. The aggregate annual combined total of all agricultural biomass PIT and CIT credits is capped at $5,000,000. Taxpayers receive certification of their project for a credit from EMNRD.

For purposes of the credit:

(1) "agricultural biomass" means wet manure meeting specifications established by EMNRD from either a dairy or feedlot commercial operation;

(2) "biocrude" means a non-fossil form of energy that can be transported and refined using existing petroleum refining facilities and that is made from biologically derived feedstocks and other agricultural biomass;

(3) "feedlot" means an operation that fattens livestock for market; and

(4) "dairy" means a facility that raises livestock for milk production.

The credit is not refundable but may be carried forward for up to four years or transferred to another taxpayer. The credit is applicable for taxable years after January 1, 2011 and ending prior to January 1, 2030.

**Statutory Basis:** 7-2-18.26 and 7-2A-26 NMSA 1978

**Intended Purpose:** To incentivize the sale and use of agricultural biomass as a fuel.

**History:** Originally enacted in 2010. Amended in 2020 and 2025. The 2020 amendment extended the sunset date to January 1, 2030. The 2025 amendment revised the procedures for the certification of eligibility and clarified statute language.

**Evaluation:** In the past, EMNRD received applications for this tax credit and issued approved certificates. Due to credit transferability, Tax & Rev received numerous inquiries regarding this credit from both in-state and out-of-state tax credit brokers. The certificates issued have all been transferred. High levels of transfers may indicate that the incentive is not properly scoped to the taxpayers most directly involved in the desirable behavior.

**Recommendations:** Continue to monitor and evaluate credit utilization and credit transfers to determine whether the incentive is effective in stimulating the desired outcome.

**Reliability Factor:** 1 - This credit is separately reported. No estimation is required.

**Fiscal Impact:**

| | | | | |
|---|---|---|---|---|
| **Agricultural Biomass Credit against PIT or CIT** | **Tax Year (Calendar)** | 2022 | 2023 | 2024 |
| | **Claims** | 0 | 5 | 0 |
| | **Expenditure (thousands)** | $0 | $267 | $0 |
| | | | | |
| | **Fiscal Year** | 2023 | 2024 | 2025 |
| | **Claims** | 4 | 0 | 5 |
| | **Expenditure (thousands)** | $75 | $0 | $267 |

# AIRCRAFT SALES OR SERVICES GRT DEDUCTION

**Category:** Economic Development

**Brief Description:** Receipts from selling, maintaining, refurbishing, remodeling or otherwise modifying a commercial or military carrier over ten thousand pounds gross landing weight are deductible from gross receipts.

**Statutory Basis:** 7-9-62.1 NMSA 1978

**Intended Purpose:** To incentivize a more robust commercial and military aircraft industry in New Mexico.

**History:** Originally enacted in 2000 and amended in 2005. Amended in 2014 to expand the deduction by adding the sale of an aircraft over 10,000 pounds to the activities that are deductible. A separate reporting requirement was added. The 2025 amendment revised reporting requirements and removed certain obsolete language.

**Evaluation:** None.

**Recommendations:** None.

**Reliability Factor:** 2 – This deduction is separately reported. Despite being a separately reported deduction, the reliability factor for this deduction is a 2 to reflect that some taxpayers may be claiming this deduction in error. Tax & Rev will be further analyzing this data and taxpayer reporting of the GRT deductions.

**Fiscal Impact:**

| | | | | |
|---|---|---|---|---|
| **Aircraft Sales or Services GRT Deduction** | **Fiscal Year** | 2023 | 2024 | 2025 |
| | **Taxpayers** | 50 | 69 | 72 |
| | **State General Fund Expenditure (thousands)** | $1,667 | $4,273 | $4,522 |
| | **Local Government Expenditure (thousands)** | $1,066 | $2,849 | $3,015 |

# ALTERNATIVE ENERGY PRODUCT MANUFACTURERS CREDIT AGAINST MODIFIED COMBINED TAX

**Category:** Economic Development

**Brief Description:** Manufacturers of certain alternative energy products who hire at least one new employee for every $500,000 in qualified expenditures (up to $30 million) and for every $1,000,000 in qualified expenditures (over $30 million) may receive a tax credit not to exceed 5% of qualified expenditures for purchase of manufacturing equipment used in the manufacturing operation. The tax credit can be applied against the state portion of GRT, compensating tax, withholding tax, interstate telecommunications gross receipts tax, E911 surcharge and telecommunications relay service surcharge

The credit is not refundable but may be carried forward for up to five years.

**Statutory Basis:** 7-9J NMSA 1978

**Intended Purpose:** Presumably to encourage hiring and investment in the alternative energy production sector.

**History:** Originally enacted in 2007 and amended in 2011. The 2011 amendment included products of single cell photosynthetic organisms as eligible alternative energy products for taxable years 2011 through 2019. Repealed in 2025 with an effective date of July 1, 2025.

**Evaluation:** None.

**Recommendations:** None.

**Reliability Factor:** 1 - This credit is separately reported. No estimation is required.

**Fiscal Impact:** **This is the last year this expenditure is reported.**

| | | | | |
|---|---|---|---|---|
| **Alternative Energy Product Manufacturers Credit against Modified Combined Tax** | **Tax Year (Calendar)** | 2022 | 2023 | 2024 |
| | **Claims** | <3 | <3 | 0 |
| | **Expenditure (thousands)** | - | - | 0 |
| | | | | |
| | **Fiscal Year** | 2023 | 2024 | 2025 |
| | **Claims** | <3 | <3 | 0 |
| | **Expenditure (thousands)** | - | - | 0 |

TABLE NOTE: "-" Means data is redacted due to fewer than 3 taxpayers.

# ANGEL INVESTMENT CREDIT AGAINST PIT

**Category:** Economic Development

**Brief Description:** A taxpayer who files a New Mexico PIT return and makes a qualified investment may claim a credit in an amount not to exceed 25% of the qualified investment not to exceed $62,000. The investment must be made in a business that maintains its principal place of business in New Mexico and engages in high-technology research or manufacturing activities in New Mexico.

The taxpayer may make five qualified investments per tax year. The aggregate annual cap is $2,000,000. For credits issued after 2015, any unused credit may be carried forward for five consecutive years.

**Statutory Basis:** 7-2-18.17 NMSA 1978

**Intended Purpose:** To incentivize the investment in qualified research or manufacturing activities in New Mexico by angel investors.

**History:** Originally enacted in 2007 with a delayed repeal date of January 1, 2013. The credit was amended in 2012, 2015, 2020, 2024, and 2025.

The 2012 amendment eliminated the delayed repeal and extended the date before which an investment must be made to qualify for the credit to December 31, 2025. The 2015 amendment changed the qualified investment amount, relaxed the limits on the number of investments, increased the annual cap and extended the carry forward period. The 2020 amendment moved the review and approval of the credit from EDD to Tax & Rev and clarified certain statutory provisions. The 2024 amendment extended the eligibility date for the qualified investment credit to December 31, 2030.

**Evaluation:** In the past three fiscal years, on average there have been 169 claims per year accounting for $1,003,000 in average expenditures for this credit. Since fiscal year 2023, the expenditure on this credit has increased by 7%. This credit appears to be used as intended.

**Recommendations:** None.

**Reliability Factor:** 1 - This credit is separately reported. No estimation is required.

**Fiscal Impact:**

| | | | | |
|---|---|---|---|---|
| **Angel Investment Credit against PIT** | **Tax Year (Calendar)** | 2022 | 2023 | 2024 |
| | **Claims** | 150 | 184 | 51 |
| | **Expenditure (thousands)** | $843 | $937 | $333 |
| | | | | |
| | **Fiscal Year** | 2023 | 2024 | 2025 |
| | **Claims** | 155 | 158 | 198 |
| | **Expenditure (thousands)** | $1,071 | $875 | $1,052 |

# APPORTIONMENT
# ELECTION OF CIT FOR HEADQUARTERS

**Category:** Economic Development

**Brief Description:** A filing group or a taxpayer whose principal business activity is a headquarters operation may elect to have its business income apportioned to New Mexico by using a single sales factor. Headquarters operation is where the center of operations of a business meets the following criteria:

(1) corporate staff are physically located in New Mexico,

(2) centralized functions are primarily performed, to direct one or more centralized functions, and where final authority of those functions is issued,

(3) primary functions and aspects of operations are managed,

(4) Has authority to directs regional and subregional offices,

(5) national and regional headquarters if the national headquarters is subordinate only to the ownership of the business or its representatives and the regional headquarters is subordinate to the national headquarters.

For taxable years beginning on or after January 1, 2020, a taxpayer electing to use the single sales factor must use this filing method for at least 3 consecutive taxable years. .

**Statutory Basis:** 7-4-10(C) , 7-4-10(D) and 7-4-10(E) NMSA 1978

**Intended Purpose:** To encourage companies to locate their headquarters or center of operations for their managerial activities in New Mexico, thereby increasing employment and economic activity within the state.

**History:** Originally enacted in 2015, amended in 2019.

**Evaluation:** None.

**Recommendations:** None.

**Reliability Factor:** 2 – This election is reported. Some estimation is required.

**Fiscal Impact:**

| | | | | |
|---|---|---|---|---|
| **Special Election, Headquarters Apportionment Formula** | **Tax Year (Calendar)** | 2022 | 2023 | 2024 |
| | **Claims** | 91 | 70 | 40 |
| | **Expenditure (thousands)** | $9,455 | $724 | $319 |
| | | | | |
| | **Fiscal Year** | 2023 | 2024 | 2025 |
| | **Claims** | 72 | 69 | 69 |
| | **Expenditure (thousands)** | $11,772 | $1,657 | $8,327 |

# APPORTIONMENT
# ELECTION OF CIT FOR MANUFACTURERS

**Category:** Economic Development

**Brief Description:** A filing group or a taxpayer who has eighty percent or more of their property or payroll factors in manufacturing or operating a computer processing facility may elect to have its business income apportioned to New Mexico by using a single sales factor for the taxable year. Manufacturing is defined as combining or processing components or materials to increase their value for sale in the ordinary course of business, but does not include the following:

(1) construction,

(2) farming,

(3) power generation, with the exception that it may include electricity generation at a facility that does not require location approval and a certificate of convenience as pursuant to the Public Utility Act,

(4) processing natural resources, including hydrocarbons, and

(5) processing or preparation of meals for immediate consumption.

For taxable years beginning on or after January 1, 2020, a taxpayer electing to use the single sales factor must use this filing method for at least 3 consecutive taxable years.

**Statutory Basis:** 7-4-10(B), 7-4-10(D) and 7-4-10(E) NMSA 1978

**Intended Purpose:** As enacted in 1993, the purpose of the double-weighted sales factor formula election for manufacturers was to encourage investment and employment in this state by manufacturers who do not anticipate substantial sales revenue within this state. The current single sales factor apportionment introduced in the 2013 amendment continues that original intent.

**History:** Originally enacted in 1993 and amended in 2001, 2002, 2009, 2013, 2015, 2019, 2020, and 2024. The 2013 amendment provided a phase-in over five years of the use of a single sales factor by taxpayers whose principal business activity is manufacturing. The 2020 amendment allows computer operating facilities to use the sales apportionment election permitted to manufacturers. The 2024 amendment removes the January 1, 2024, sunset to include power generation from a facility that does not require approval and a certificate of convenience pursuant to the Public Utility Act in the definition of manufacturing. The law now permanently defines this category of power generation as manufacturing.

**Evaluation:** The single sales factor is an incentive for multi-state companies whose majority sales are outside New Mexico to move to New Mexico. These firms gain the most from this election. For domestic New Mexico companies, the single sales factor reduces their income tax liability to the extent they have sales outside New Mexico. The fiscal impact of this expenditure is tied in part to overall economic strength.

**Recommendations:** None.

**Reliability Factor:** 2 – This election is reported. Some estimation is required.

**Fiscal Impact:**

| | | | | |
|---|---|---|---|---|
| **Special Election, Manufacturer's Apportionment Formula** | **Tax Year (Calendar)** | 2022 | 2023 | 2024 |
| | **Claims** | 55 | 35 | 10 |
| | **Expenditure (thousands)** | $91,861 | $18,776 | $0 |
| | | | | |
| | **Fiscal Year** | 2023 | 2024 | 2025 |
| | **Claims** | 36 | 45 | 26 |
| | **Expenditure (thousands)** | $33,490 | $104,401 | $81,229 |

# ARMED FORCES RETIREMENT PAY EXEMPTION FROM PIT

**Category:** Citizen Benefits

**Brief Description[31]:** An individual who is an armed forces retiree may claim an exemption from PIT in tax years 2022 through 2026. The amount of exemption per tax year is $30,000.

**Statutory Basis:** 7-2-5.13 NMSA 1978

**Intended Purpose:** To ease the tax burden on individuals who served in the armed forces and surviving spouses of armed forces retirees, and to encourage military retirees to reside in New Mexico.

**History:** Originally enacted in 2022 and amended in 2024. The 2024 amendment removed the graduated maximum exemption amounts for previous tax years, made the $30,000 exemption permanent, and expanded the eligible taxpayers to include the surviving spouse of an armed forces retiree. This amendment was effective January 1, 2025, and will not be reflected in the fiscal impact until tax year 2025.

**Evaluation:** None.

**Recommendation:** None.

**Reliability Factor:** 2 – This exemption is separately reported. Some estimation is required. Note: The number of claims is based on tax returns. A joint return may have 2 qualifying taxpayers claiming the exemption.

**Fiscal Impact:**

| | | | | |
|---|---|---|---|---|
| **Armed Forces Retirement Pay Exemption** | **Tax Year (Calendar)** | 2022 | 2023 | 2024 |
| | **Claims** | 13,807 | 14,514 | 14,270 |
| | **Expenditure (thousands)** | $5,112 | $9,986 | $13,305 |
| | | | | |
| | **Fiscal Year** | 2023 | 2024 | 2025 |
| | **Claims** | 12,766 | 14,584 | 15,392 |
| | **Expenditure (thousands)** | $4,727 | $9,754 | $14,037 |

[31] Description reflects current law as of January 1,2025. The original 2022 legislation graduated the exemption by tax year. In tax year 2022, the exemption was $10,000. In tax year 2023, the was $20,000 and for taxable years 2024 through 2026, the exemption was $30,000.

# ARMED FORCES SALARIES EXEMPTION FROM PIT

**Category:** Citizen Benefits

**Brief Description:** A salary paid by the United States government to a taxpayer for active duty service in the armed forces of the United States is exempt from PIT.

**Statutory Basis:** 7-2-5.11 NMSA 1978

**Intended Purpose:** To provide a tax benefit for our armed forces personnel.

**History:** Originally enacted in 2007.

**Evaluation:** This is a discretionary incentive to recognizing our members of the armed forces.

**Recommendations:** None.

**Reliability Factor:** 2 – This exemption is separately reported. Some estimation is required.

**Fiscal Impact:**

| | | | | |
|---|---|---|---|---|
| **Armed Forces Salaries Exemption from PIT** | **Tax Year (Calendar)** | 2022 | 2023 | 2024 |
| | **Claims** | 14,712 | 14,457 | 14,094 |
| | **Expenditure (thousands)** | $16,093 | $16,874 | $17,669 |
| | | | | |
| | **Fiscal Year** | 2023 | 2024 | 2025 |
| | **Claims** | 14,787 | 14,924 | 14,725 |
| | **Expenditure (thousands)** | $15,988 | $17,457 | $18,643 |

# BACK-TO-SCHOOL TAX-FREE WEEKEND GRT DEDUCTION

**Category:** Citizen Benefits

**Brief Description:** Receipts from retail sales of specified tangible personal property if the sale occurs during the last full weekend (Friday through Sunday) in July are deductible from gross receipts. The deductions is allowed for purchases of certain clothing valued under $100, computers valued under $1,000, computer accessories valued under $500, and school supplies.

**Statutory Basis:** 7-9-95 NMSA 1978

**Intended Purpose:** To reduce the cost of school supplies and school clothes.

**History:** Originally enacted in 2005. Amended in 2025. The 2025 amendment changed the period for the tax holiday to the last weekend of July to reflect earlier school start dates.

**Evaluation:** New Mexico is one of 20 states that had a form of a tax-free holiday in 2024, an increase from 2023 when 19 states held tax-free holidays Tax-free holidays do not generally grow the local economy but rather shift consumption within the economy from one time to another time. The deduction benefits families with children by reducing the cost of school necessities, but citizens who do not attend school may also benefit from the tax-free weekend.

**Recommendations:** None.

**Reliability Factor:** 3 - Tax & Rev requests taxpayers who take advantage of this deduction to separately report the deductible amount on their returns, but there is no statutory requirement to do so. Despite being a separately reported deduction, the reliability factor for this deduction is a 3 to reflect that some taxpayers may be claiming this deduction in error and others may not be reporting under this deduction code. Tax & Rev will analyze this data and taxpayer reporting of GRT deductions. The deduction amount is multiplied by the statewide average GRT rate for each year to estimate the cost.

**Fiscal Impact:**

| | | | | |
|---|---|---|---|---|
| **Back-to-School Tax-Free Weekend GRT Deduction** | **Fiscal Year** | 2023 | 2024 | 2025 |
| | **Taxpayers** | 170 | 271 | 231 |
| | **State General Fund Expenditure (thousands)** | $276 | $461 | $273 |
| | **Local Government Expenditure (thousands)** | $176 | $295 | $175 |

# BIODIESEL BLENDING FACILITY TAX
# THIRTY PERCENT CREDIT AGAINST GRT AND COMPENSATING TAX

**Category:** Environment, Conservation & Renewable Energy

**Brief Description:** A taxpayer who is a rack operator as defined in the Special Fuels Supplier Tax Act, and who owns and installs biodiesel blending equipment at its facility to produce blended biodiesel fuel, may claim a GRT or compensating tax credit. The credit is 30% of the purchase and installation cost of equipment not to exceed $50,000 for the installation of the equipment. The maximum aggregate amount of credits allowed in any tax year is $1 million.

Biodiesel is a renewable and biodegradable fuel derived from agricultural plant oils or animal fat. Blended biodiesel fuel is a diesel fuel that contains at least 2% biodiesel.

The credit is not refundable but may be carried forward for up to four years.

**Statutory Basis:** 7-9-79.2 NMSA 1978

**Intended Purpose:** To incentivize the establishment or the expansion of a facility that produces blended biodiesel fuel.

**History:** Originally enacted in 2007. Repealed in 2025 with an effective date of July 1, 2025.

**Evaluation:** According to EMNRD's Energy Conservation and Management Division, fewer than three applicants for this credit have received certification. No new claims have been received in the last three years.

**Recommendations:** None.

**Reliability Factor:** 1 - This credit is separately reported. No estimation required.

**Fiscal Impact:** This credit is repealed effective July 1, 2025. This will be the last time this credit is reported on in the annual Tax Expenditure Report.

| | | | | |
|---|---|---|---|---|
| **Biodiesel Blending Facility Thirty Percent Credit Against GRT and Compensating Tax** | **Fiscal Year** | 2023 | 2024 | 2025 |
| | **Claims** | 0 | 0 | 0 |
| | **Expenditure (thousands)** | $0 | $0 | $0 |

# BIOMASS-RELATED EQUIPMENT AND BIOMASS MATERIALS DEDUCTION FROM COMPENSATING TAX

**Category:** Environment, Conservation & Renewable Energy

**Brief Description:** The value of a biomass boiler, gasifier, furnace, turbine-generator, storage facility, feedstock processing or drying equipment, feedstock trailer or interconnection transformer, and the value of biomass materials used for processing into bio power, biofuels or bio-based products is deductible when computing the compensating tax due.

**Statutory Basis:** 7-9-98 NMSA 1978

**Intended Purpose:** To incentivize the construction of biomass power generation and use of biomass materials.

**History:** Originally enacted in 2005.

**Evaluation:** According to EMNRD, several bioenergy projects are currently underway in the state and typically involve partnerships between federal agencies, local governments, New Mexico higher education institutions, and foreign entities. These include Albuquerque's Southside Water Reclamation Plant and the Las Cruces Wastewater Treatment Plant. As these are operated by local governments, the receipts from these projects are unaffected by the deduction due to government exemption.

In the private sector, EMNRD reports a very limited number of bioenergy projects undergoing construction in the last few years, with only a single project operating and another ceasing construction after funding difficulties. The deduction appears insufficient to incentivize new private projects. A survey of publicly-available information indicates that proposed projects may not be finalized at the time this report is published.

Note that this deduction can only be taken against compensating tax, which could incentivize firms to purchase equipment out of state.

**Recommendations:** For consistency, a GRT deduction for in-state sales of the described equipment would bring parity in the tax code.

**Reliability Factor:** 4 - In previous publications, the limited number of private bioenergy projects that have undergone construction over the last few years were estimated from publicly-available sources of the size of the projects. A two-year construction timeframe was assumed on projects that continued, as well as assuming 50% of the project cost would involve purchasing equipment from out of state, and therefore be subject to compensating tax.

Research for this year's publication based on NAICS codes associated with the generation of energy with the use of biomass yielded no economic activity. It is assumed that no project was operational in FY2025.

**Fiscal Impact:**

| Biomass-Related Equipment and Biomass Materials Deduction from Compensating Tax | Fiscal Year | 2023 | 2024 | 2025 |
|---|---|---|---|---|
| | Expenditure (thousands) | $0 | $0 | $0 |

# BORDER-ZONE TRADE-SUPPORT COMPANY GRT DEDUCTION

**Category:** Economic Development

**Brief Description:** The receipts of a trade-support company are deductible from gross receipts if:

(1) the trade-support company first locates in New Mexico within twenty miles of a port of entry on New Mexico's border with Mexico on or after July 1, 2003, but before July 1, 2013; or they locate in a border-zone after July 1, 2016, but before January 1, 2021;

(2) the receipts are received by the company within a five-year period beginning on the date the trade-support company locates in New Mexico and the receipts are derived from its business activities and operations at its border zone location; and;

(3) the trade-support company employs at least two employees in New Mexico.

A "trade-support company" means a customs brokerage firm or a freight forwarder.

**Statutory Basis:** 7-9-56.3 NMSA 1978

**Intended Purpose:** To incentivize the location of trade-support companies to support and increase economic activities at the various ports of entry (Santa Teresa, Columbus, and Antelope Wells).

**History:** Originally enacted in 2003, amended in 2007, 2015, 2021, and 2025. The 2015 amendment extended the credit and added reporting requirements. The 2021 amendment revised the definition of "employee". The 2025 amendment revised reporting requirements and removed certain obsolete language.

**Evaluation:** The expenditure may be underutilized based on the number of taxpayers that claim the deduction.

**Recommendations:** None.

**Reliability Factor:** 3 - This deduction is separately reported. Despite being a separately reported deduction, the reliability factor for this deduction is a 3 to reflect that some taxpayers may be claiming this deduction in error and others may not be reporting under this deduction code. Tax & Rev will further analyze this data and taxpayer reporting of GRT deductions. The deduction amount is multiplied by the statewide average GRT rate for each year to estimate the cost.

**Fiscal Impact:**

| | | | | |
|---|---|---|---|---|
| **Border-Zone Trade-Support Company GRT Deduction** | **Fiscal Year** | 2023 | 2024 | 2025 |
| | **Taxpayers** | 12 | 57 | 32 |
| | **State General Fund Expenditure (thousands)** | $146 | $180 | $420 |
| | **Local Government Expenditure (thousands)** | $93 | $120 | $280 |

# BUSES OPERATED BY RELIGIOUS AND NONPROFIT CHARITABLE ORGANIZATIONS
# EXEMPTION FROM WEIGHT DISTANCE TAX

**Category:** Citizen Benefits

**Brief Description:** Use of the highways in New Mexico by buses operated by religious or nonprofit charitable organizations is exempt from the weight distance tax (WDT).

**Statutory Basis:** 7-15A-5(C) NMSA 1978

**Intended Purpose:** To reduce transportation costs of religious and charitable organizations the federal government has determined to be performing socially-beneficial activities.

**History:** Originally enacted in 1988 and amended in 2006.

**Evaluation:** None.

**Recommendations:** None.

**Reliability Factor:** 3 –The number of buses registered as nonprofit was received from the Motor Vehicle Division. Exempt miles are not reported on any WDT form, so average miles traveled per school bus were calculated from national school data sources. Weight was calculated as an average of weights between 26,000 and 30,000 pounds gross vehicle weight rating, which most type C buses are.

**Fiscal Impact:**

| **Buses Operated by Religious and Nonprofit Charitable Organizations Exemption from WDT** | **Fiscal Year** | 2023 | 2024 | 2025 |
|---|---|---|---|---|
| | **Expenditure (thousands)** | $31 | $27 | $40 |

# BUSES USED FOR TRANSPORTATION OF AGRICULTURAL LABORERS EXEMPTION FROM WEIGHT DISTANCE TAX

**Category:** Highly Specialized Industry

**Brief Description:** Use of the highways in New Mexico by buses used exclusively for the transportation of agricultural laborers is exempt from the WDT.

**Statutory Basis:** 7-15A-5(B) NMSA 1978

**Intended Purpose:** To lower the cost of labor for agricultural producers.

**History:** Originally enacted in 1988.

**Evaluation:** None.

**Recommendations:** None.

**Reliability Factor:** 3 –The number of buses registered for agricultural use was collected from the Motor Vehicle Division. Exempt miles are not reported on any WDT form, and no public source is available for miles traveled by agricultural buses. Therefore, average miles traveled per school bus was calculated from national school data sources (school buses operate on a similar twice-a-day schedule). Weight was calculated as an average of weights between 26,000 and 30,000 pounds gross vehicle weight rating, which most type C buses are.

**Fiscal Impact:**

| **Buses Used for Transportation of Agricultural Laborers Exemption from WDT** | **Fiscal Year** | 2023 | 2024 | 2025 |
|---|---|---|---|---|
| | **Expenditure (thousands)** | $6.0 | $7.3 | $12.4 |

# CAPITAL GAIN
# DEDUCTION FROM PIT

**Category:** Citizen Benefits

**Brief Description[32]:** A taxpayer may claim a deduction from net income in an amount equal to the greater of:

(1) the taxpayer's net capital gain income for the taxable year for which the deduction is being claimed, but not to exceed $2,500; or

(2) 40% of up to $1,000,000 of the taxpayer's net capital gain income from the sale of a business that is allocated or apportioned to New Mexico[33].

**Statutory Basis:** 7-2-34 NMSA 1978

**Intended Purpose:** The capital gain deduction exists to incentivize savings and investment and to recruit individuals earning investment income to New Mexico. The deduction also decreases tax liability for tax filers who sell a business at a gain.

**History:** Originally enacted in 1999 and amended in 2003, 2019, and 2024. The 2003 amendment expanded the capital gains deduction at the same time income tax rates were reduced. The 2019 amendment reduced the 50% threshold to 40% effective tax year 2019.

The 2024 amendment restricted the maximum deduction of option (1) from $1,000 to $2,500 and caps the 40% option at $1,000,000 for option (2). Option (2) was also amended to limit the capital gain income from the sale of a New Mexico business only. The 2024 amendment will not be reflected in the fiscal impact until tax year 2025.

**Evaluation:** Prior to the 2024 amendment, any taxpayer who recognized a capital gain during a tax year regardless of income level, would reduce their tax liability by at least 40% of their capital gains income in that year with this deduction. Because higher earning individuals tend to have higher capital gains, they received a larger proportion of benefit from this deduction. However, taxing capital gains affects savings and investment decisions over the long term and there are low risks involved such as capital flight or a decline in entrepreneurship.

**Recommendations:** None.

**Reliability Factor:** 2 – This deduction is separately reported. Some estimation is required.

[32] Description reflects current law. New law takes effect January 1, 2025, as described in history section.
[33] Prior to 2019, the threshold was 50% of the taxpayer's net capital gain income. From 2019 to 2024, option (1) was capped at $1,000 and option (2) was 40% of all net capital gain income.

**Fiscal Impact:**

| | | | | |
|---|---|---|---|---|
| **Capital Gain Deduction** | **Tax Year (Calendar)** | 2022 | 2023 | 2024 |
| | **Claims** | 114,897 | 100,423 | 95,907 |
| | **Expenditure (thousands)** | $102,038 | $69,223 | $52,419 |
| | | | | |
| | **Fiscal Year** | 2023 | 2024 | 2025 |
| | **Claims** | 121,564 | 107,093 | 125,183 |
| | **Expenditure (thousands)** | $115,318 | $101,596 | $93,750 |

# CERTAIN DISABLED MILITARY VETERAN EXEMPTION FROM MOTOR VEHICLE EXCISE TAX

**Category:** Citizen Benefits

**Brief Description:** An individual is exempt from the Motor Vehicle Excise Tax (MVX) if the person is a resident of New Mexico who served in the armed forces of the United States and who suffered, while serving in the armed forces or from a service-connected cause, the loss or complete and total loss of use of:

(1) one or both legs at or above the ankle; or

(2) one or both arms at or above the wrist.

**Statutory Basis:** 7-14-6(E) NMSA 1978

**Intended Purpose:** To ease the tax burden of individuals whose service in the armed forces resulted in disability.

**History:** Section was originally enacted in 1978 and amended in 2007 to include Subsection E.

**Evaluation:** This tax expenditure meets its intended purpose of lowering the tax burden of disabled veterans. The estimated fiscal impact of this expenditure suggests that the exemption from the excise tax has had a positive effect on vehicle purchases.

**Recommendations:** None.

**Reliability Factor:** 3 - The number of disabled veterans in 2025 in the State of New Mexico was obtained from the US Census Bureau. The Department of Veterans Services provided Service-Connected Disability (SCD) rating distributions for FY 2023. The veterans with SCD rating >70% will most likely match the exemption criteria in the statue. This represents 56.8% of all disabled veterans with SCD rating in FY2023. This percentage is applied to the 2025 census data. The national average prices of new and used vehicles were collected for each year and averaged together. In 2022 - 2024, an average of 6% of licensed drivers bought a new or used light vehicle. The total number of disabled veterans with a sufficient disability rating was multiplied by 6% and by the average price of a new and used vehicle. The resulting dollar amount was multiplied by the MVX rate of 4%. The expenditures for FY2023 and FY2024 have been revised due to methodological change in 2025.

**Fiscal Impact:**

| Certain Disabled Military Veteran Exemption from MVX | Fiscal Year | 2023 | 2024 | 2025 |
|---|---|---|---|---|
| | Expenditure (thousands) | $1,794 | $1,836 | $2,490 |

# CERTAIN HEALTH CARE PROVIDERS FEDERAL PAYMENTS EXEMPTION FROM GROSS RECEIPTS – AMERICAN RESCUE PLAN ACT OF 2021 (ARPA)

**Category:** Health Care

**Brief Description:** Receipts derived from funds received pursuant to the American Rescue Plan Act (ARPA) of 2021 are exempted from gross receipts for health care providers.

**Statutory Basis:** 7-9-41.6(B) NMSA 1978

**Intended Purpose:** This exemption was aimed at supporting health care providers severely impacted by the COVID-19 pandemic. By exempting these gross receipts payments from GRT, this statute provided relief to these providers and prevented the increase of costs for all recipients of health care in the state. The exemption of ARPA payments was consistent with previously exempted Coronavirus Aid, Relief, and Economic Security Act (CARES) federal payments also aimed at supporting health care providers serving during the COVID-19 pandemic.

**History:** Originally enacted in 2023.

**Evaluation:** None

**Recommendation:** None

**Reliability Factor:** 3 – Data from the New Mexico Human Services Department's Quarterly Spending Plan and Narrative for the 4th quarter of FY2024 on implementing the American Rescue Plan Act of 2021 were used to estimate the expenditure. The exemption amount is multiplied by the statewide average GRT rate to calculate the cost.

**Fiscal Impact:**

| | Fiscal Year | 2023 | 2024 | 2025 |
|---|---|---|---|---|
| **Certain Health Care Providers Federal Payments GRT Exemption** | **State General Fund Expenditure (thousands)** | $2,900 | $3,300 | Unknown |
| | **Local Governments Expenditure (thousands)** | $1,800 | $2,200 | Unknown |

# CERTAIN HEALTH CARE PROVIDERS FEDERAL PAYMENTS EXEMPTION FROM GROSS RECEIPTS – CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY ACT (CARES)

**Category:** Health Care

**Brief Description:** Receipts derived from funds received pursuant to the Coronavirus Aid, Relief, and Economic Security Act (CARES) are exempted from gross receipts for health care providers.

**Statutory Basis:** 7-9-41.6(A) NMSA 1978

**Intended Purpose:** This exemption was aimed at supporting health care providers severely impacted by the COVID-19 pandemic. By exempting these gross receipts payments from GRT, this statute provided relief to these providers and prevented the increase of costs for all recipients of health care in the state.

**History:** Originally enacted in 2020.

**Evaluation:** None.

**Recommendation:** None.

**Reliability Factor:** 3 - Data from the Federal Health Resources & Services Administration on provider relief fund payments were used to estimate the expenditure. There is no impact in FY24 and FY25 as the program ceased June 30, 2023. The exemption amount is multiplied by the statewide average GRT rate to calculate the cost.

**Fiscal Impact:**

| | Fiscal Year | 2023 | 2024 | 2025 |
|---|---|---|---|---|
| **Certain Health Care Providers Federal Payments – CARES – GRT Exemption** | **State General Fund Expenditure (thousands)** | $700 | NA | NA |
| | **Local Government Expenditure (thousands)** | $500 | NA | NA |

# CHILD CARE PROVIDERS GRT DEDUCTION

**Category:** Citizen Benefits

**Brief Description:** (A) Receipts from the sale of child care assistance services by a taxpayer pursuant to a contract or grant with the Early Childhood Education and Care Department (ECECD) to provide such services through a licensed child care assistance program may be deducted from gross receipts.

(B) Receipts of for-profit pre-kindergarten providers for the sale of pre-kindergarten services pursuant to the Pre-Kindergarten Act may be deducted from gross receipts.

**Statutory Basis:** 7-9-77.2(A)-(B) NMSA 1978

**Intended Purpose:** To improve the parity between for-profit and non-profit pre-kindergarten service providers and to make child care services more affordable, since the GRT is generally passed on to families.

**History:** Originally enacted in 2024 and amended in 2025. The 2025 amendment revised reporting requirements.

**Evaluation:** None.

**Recommendation:** None.

**Reliability Factor:** 1 - This deduction is separately reported. No estimation is required.

**Fiscal Impact:**

| | | |
|---|---|---|
| **Child care providers GRT Deduction (A)** | **Fiscal Year** | 2025 |
| | **Taxpayers** | 265 |
| | **State General Fund Expenditure (thousands)** | $5,809 |
| | **Local Government Expenditure (thousands)** | $3,873 |
| **Child care providers GRT Deduction (B)** | **Taxpayers** | 88 |
| | **State General Fund Expenditure (thousands)** | $1,996 |
| | **Local Government Expenditure (thousands)** | $1,331 |

# CHILD CARE TO PREVENT INDIGENCY CREDIT AGAINST PIT

**Category:** Citizen Benefits

**Brief Description:** Any resident who files a PIT return and who is not a dependent of another taxpayer may claim a credit for child daycare expenses incurred and paid to a caregiver in New Mexico during the taxable year. The credit is available to a taxpayer who has a modified gross income, including child support payments, of not more than the annual income that would be derived from earning double the federal minimum wage.

The credit is 40% of actual compensation paid to a caregiver and may not exceed $480 for each qualifying dependent or $1,200 for all qualifying dependents in any taxable year. This credit is refundable.

**Statutory Basis:** 7-2-18.1 NMSA 1978

**Intended Purpose:** To protect the health, safety and well-being of children of low-income families and to provide parents an opportunity to place their children in day care working.

**History:** Originally enacted in 1981 and amended in 1990, 1995, 1999, and 2015.

**Evaluation:** The number of taxpayers claiming this credit has decreased by 50% on average since 2020. This is due in part to changes in taxpayer behavior in response to the pandemic. Also, the credit is tied to the federal minimum wage which currently is $7.25 and has not seen an increase since 2009. As wages have increased with inflation in recent years, fewer taxpayers are eligible for this credit.

**Recommendations:** Consider benchmarking the modified gross income and the maximum credit amount to an index which is adjusted annually for inflation.

**Reliability Factor:** 1 - This credit is separately reported. No estimation is required.

**Fiscal Impact:**

| | | | | |
|---|---|---|---|---|
| **Child Care Credit against PIT** | **Tax Year (Calendar)** | 2022 | 2023 | 2024 |
| | **Claims** | 672 | 575 | 433 |
| | **Expenditure (thousands)** | $280 | $233 | $190 |
| | | | | |
| | **Fiscal Year** | 2023 | 2024 | 2025 |
| | **Claims** | 684 | 594 | 464 |
| | **Expenditure (thousands)** | $286 | $243 | $208 |

## CHILD INCOME TAX CREDIT AGAINST PIT

**Category:** Citizen Benefits

**Brief Description:** A resident taxpayer who is not a dependent of another taxpayer may claim a tax credit against PIT for each qualifying child. A qualifying child is defined by federal statute but generally includes a minor child or stepchild supported by the taxpayer. For the first tax year of enactment, 2023, the amount of the credit ranged from $25 to $600 per qualified child, depending on adjusted gross income.[34] The amount of the child income tax credit is adjusted annually for inflation and is refundable. This credit expires January 1, 2032.

**Statutory Basis:** 7-2-18.34 NMSA 1978

**Intended Purpose:** To reduce the tax liability of households with children and increase family income, thereby reducing poverty.

**History:** Originally enacted in 2022. Amended in 2023, the amount of credit increased for taxpayers with adjusted gross incomes under $25,000, $50,000, and $75,000 from $175, $150, and $125 to $600, $400, and $200, respectively.

**Evaluation:** The American Rescue Plan Act (ARPA) expanded the federal child tax credit for 2021. Expansion of the federal refundable credit helped to reduce the overall national poverty rate[35] from 9.2% in 2020 to 7.8% in 2021 and reduced the child poverty rate from 9.7% in 2020 to 5.2% in 2021[36]. The expanded federal child income tax credit temporarily lifted 5.3 million Americans out of poverty, 3 million of whom were under 18 years old[37]. When the federal child tax credit expansion ended, the overall and child poverty rate both rose to 12.4% in 2022.

Based on evidence that the federal child tax credit was an effective tool to reduce poverty, New Mexico enacted and then expanded this credit. The average credit for FY2025 was $540 per taxpayer. With this credit in place, New Mexico can anticipate a reduction to the overall state poverty rate and the child poverty rate. This seems to be proving true in the most recent

[34] For inflation-adjusted child income tax credit amounts, see PIT returns and instructions at, www.tax.newmexico.gov/forms-publications/

[35] The U.S. Census Bureau provides two measures of poverty: the official poverty measure and the Supplemental Poverty Measure (SPM). The official poverty measure is estimated using pretax money income. The SPM extends the official poverty measure by accounting for several government program and geographic variations in housing expenses. The national rates reported above are reflective of the SPM.

[36] U.S. Census Bureau, Current Population Survey, 2010 to 2022 Annual Social and Economic Supplements (CPS ASEC); table B-3

[37] U.S. Census Bureau, Current Population Survey, 2021 to 2022 Annual Social and Economic Supplements (CPS ASEC); table B-8

Official and Supplemental Poverty Measures released by the US Census Bureau. In 2024, New Mexico's Official Poverty Measure for children fell 3.2%, the largest improvement in the nation.

For more information on this credit, see "Tax Policy Examinations – Child Income Tax Credit" on page 30 in the 2024 New Mexico Tax Expenditure Report.

Given that the savings rate among lower income taxpayers is relatively low, there is a high likelihood that this money is recirculating throughout the New Mexico economy to increase consumption and economic activity in New Mexico.

**Recommendation:** None.

**Reliability Factor:** 1 - This credit is separately reported. No estimation is required.

**Fiscal Impact:**

| | | | |
|---|---|---|---|
| **Child Income Tax Credit Against PIT** | **Tax Year (Calendar)** | 2023 | 2024 |
| | **Claims** | 248,927 | 243,909 |
| | **Expenditure (thousands)** | $135,586 | $133,590 |
| | | | |
| | **Fiscal Year** | 2024 | 2025 |
| | **Claims** | 237,714 | 257,526 |
| | **Expenditure (thousands)** | $131,233 | $139,165 |

# CLEAN CAR INCOME TAX CREDIT AGAINST PIT AND CIT

**Category:** Environment, Conservation & Renewable Energy

**Brief Description:** Taxpayers may receive an income tax credit for purchasing or leasing electric vehicles, plug-in hybrids, or fuel cell vehicles in New Mexico. Credit amounts vary depending on the type of vehicle and whether it is new or previously owned. Taxpayers receive certification for the credit from EMNRD. A taxpayer can be certified for one tax credit in a taxable year and only one tax credit shall be certified per previously owned motor vehicle. A previously owned vehicle must have a model year that is at least two years prior to the calendar year in which the taxpayer purchased or leased the vehicle. The credit amount begins to phase out beginning with the tax year 2027. The credit amounts are:

For taxable years beginning January 1, 2024 and prior to January 1, 2027, the credit ranges from $2,000 to $3,000;

For the taxable year beginning January 1, 2027 and prior to January 1, 2028, the credit ranges from $1,480 to $2,220;

For the taxable year beginning on January 1, 2028 and prior to January 1, 2029, the credit ranges from $980 to $1,470; and

For the taxable year beginning January 1, 2029, the credit ranges from $640 to $960.

Applicants must apply for certification with EMNRD within one year of purchase or lease, and if certified, may claim the credit on their tax return within three years of certification.

The credit is refundable and transferable. The credit is effective as of May 15, 2024, and is applicable for taxable years beginning on or after January 1, 2024 and ending prior to January 1, 2031. This credit is repealed effective January 1, 2031.

Select definitions:

(1) "electric vehicle" means a motor vehicle that derives all of the vehicle's power from electricity stored in a battery that:

a. has a capacity of not less than twenty-five kilowatt-hours;

b. is capable of powering the vehicle for a range of at least one hundred miles; and

c. is capable of being recharged from an external source of electricity.

(2) " fuel cell vehicle" means a motor vehicle that:

a. uses a fuel cell to produce electricity that is used to drive an electric motor; and

b. is capable of powering the vehicle for a range of at least one hundred miles.

(3) "new" means a motor vehicle that has a base manufacturer suggested retail price, before options and destination charges and before any taxes are imposed, of fifty-five thousand dollars ($55,000) or less;

(4) "plug-in hybrid electric vehicle" means a motor vehicle that derives part of the vehicle's power from electricity stored in a battery that:

a. has a capacity of not less than six kilowatt-hours;

b. is capable of powering a vehicle for a range of at least thirty miles; and

c. is capable of being recharged from an external source of electricity;

(5) “previously owned" means a motor vehicle that is not new, that has a market value of twenty-five thousand dollars ($25,000) or less, that is certified by the dealer selling the motor vehicle and for which the dealer provides at least a one-year extended manufacturer's warranty against defects and repairs.

**Statutory Basis:** 7-2-18.36 and 7-2A-19.1 NMSA 1978

**Intended Purpose:** To encourage the adoption of clean transportation technologies and infrastructure in New Mexico by providing tax incentives for the purchase of clean cars.

**History:** Originally enacted in 2024.

**Evaluation:** This credit was intended to be coupled with the federal clean car credit, which was scheduled to expire at the end of 2032. Under amended federal law, the federal clean car credit expired on September 30, 2025. This may impact the number of claims for New Mexico clean car credits.

**Recommendation:** None.

**Reliability Factor:** 1 - This credit is separately reported. No estimation is required.

**Fiscal Impact:**

| | | |
|---|---|---|
| **Clean Car Income Tax Credit against PIT and CIT** | **Tax Year (Calendar)** | 2024 |
| | **Claims** | 509 |
| | **Expenditure (thousands)** | $1,225 |
| | | |
| | **Fiscal Year** | 2025 |
| | **Claims** | 509 |
| | **Expenditure (thousands)** | $1,225 |

# CLEAN CAR CHARGING UNIT INCOME TAX CREDIT AGAINST PIT AND CIT

**Category:** Environment, Conservation & Renewable Energy

**Brief Description:** Taxpayers may receive a credit for purchasing and installing an electric vehicle or fuel cell charging unit in New Mexico. The credit amount is based on charging unit type. Taxpayers receive certification of eligibility from EMNRD. Only one tax credit shall be certified per taxpayer per taxable year.

The amount of tax credit shall be:

(1) $25,000 or the cost to purchase and install a direct current fast charger or fuel cell charging unit, whichever is less, and
(2) $400 or the cost to purchase and install all other electric vehicle charging units, whichever is less.

Applicants apply for a certification from EMNRD within one year of purchase, and if approved, may claim the credit on their tax return within three years of certification.

This refundable credit is effective as of May 15, 2024, and is applicable for taxable years beginning on or after January 1, 2024, and ending prior to January 1, 2031.

Select definitions:

(1) "direct current fast charger" means an electric vehicle charging unit that provides at least fifty kilowatts of direct current electrical power for charging an electric vehicle through a connector based on fast charging equipment standards and that is approved for installation for that purpose by certain certifying organizations;

(2) "electric vehicle charging unit" means a device that:

a. is used to provide electricity to an electric vehicle or plug-in hybrid electric vehicle;

b. is designed to create a connection between an electricity source and the electric vehicle or plug-in hybrid electric vehicle; and

c. uses the electric vehicle's or plug-in hybrid electric vehicle's control system to ensure that electricity flows at an appropriate voltage and current level;

(3) "fuel cell charging unit" means a facility or unit that dispenses liquefied or compressed hydrogen for fuel cell vehicle refueling and that is approved for installation for that purpose under applicable codes and compliant with requirements of applicable certifying organizations.

For definitions of electric, fuel-cell and plug-in hybrid electric vehicles, see the expenditure summary for "Clean Care Income Tax Credit against PIT and CIT."

**Statutory Basis:** 7-2-18.37 and 7-2A-19.2 NMSA 1978

**Intended Purpose:** To encourage the adoption of clean transportation technologies and infrastructure in New Mexico by providing tax incentives for the purchase and installation of clean car charging units.

**History:** Originally enacted in 2024.

**Evaluation:** This credit was intended to be coupled with the federal clean car credit, which was scheduled to expire at the end of 2032. Under amended federal law, the federal clean car credit expired on September 30, 2025. This may impact the number of claims for New Mexico clean car credits.

**Recommendation:** None.

**Reliability Factor:** 1 - This credit is separately reported. No estimation is required.

**Fiscal Impact:** No taxpayers have claimed this credit.

# CIGARETTE TAX RATE REDUCTION FOR MODIFIED RISK PRODUCTS

**Category:** Highly Specialized Industries

**Brief Description:** The excise tax on cigarettes may be reduced by fifty percent or twenty-five percent for a cigarette for which a modified risk tobacco product order has been issued by the United States secretary of health and human services pursuant to Section 21 U.S.C. 387k(g)(1) or Section 21 U.S.C. 387k(g)(2), respectively.

**Statutory Basis:** 7-12-3(C) & (D) NMSA 1978

**Intended Purpose:** To incentivize the sale and consumption of products that have less detrimental health effects for the individual consumer or the population as a whole.

**History:** Subsections C and D were originally enacted in 2019 as an amendment to Section 7-12-3 NMSA 1978.

**Evaluation:** None.

**Recommendation:** Tax & Rev recommends repealing this statute. The tax reduction remains underutilized since its enactment. Additionally, for public health reasons, the World Health Organization recommends increasing tobacco taxes and prices as the single most effective and cost-effective measure to reduce use. The U.S. Centers for Disease Control and Prevention (CDC) argues that there are no safe tobacco products, particularly for youth and adolescents, including those permitted by the FDA to use a modified risk claim.

**Reliability Factor:** 1 – This expenditure is calculated directly using taxpayer data. No estimation is required.

**Fiscal Impact:** No taxpayers have reported the sale of modified-risk tobacco products, so there is no fiscal impact on the cigarette excise tax.

# COAL EXEMPTION FROM SEVERANCE SURTAX

**Category:** Highly Specialized Industry

**Brief Description:** Coal is not subject to the surtax under certain conditions. The exemption applies to:

(1) coal sold under contracts signed on or after July 1, 1990, with deliveries beginning after that date, is exempt. However, the exemption does not apply if a new contract simply replaces or revises an older one under nearly identical terms, if a purchaser sets up an affiliated company to buy coal on its behalf, or if a purchaser breaks an older contract that was still valid on July 1, 1990, just to qualify for the exemption.

(2) coal sold under contracts already in effect on July 1, 1990, is exempt if the deliveries go beyond a certain baseline. This baseline is the greater of either the average yearly deliveries made under the contract during 1987, 1988, and 1989, or the highest minimum delivery requirement in those same years.

(3) If a contract that existed on July 1, 1990, is renegotiated after May 20, 1992, and the renegotiated terms require annual deliveries higher than that baseline, then the surtax does not apply to the excess deliveries for the rest of the renegotiated contract's term.

For contracts covered by this exemption, if the contract only applied for part of the years 1987 to 1989, the average yearly deliveries will be adjusted (annualized) to fairly reflect a full year's deliveries. Beginning after June 30, 2009, if yearly deliveries under the contract fall below the average deliveries from 1987 to 1989, the exemption no longer applies unless the shortfall is caused by events outside the control of either party.

Before claiming any exemption under this law, the taxpayer must register the qualifying coal contract with Tax & Rev using official forms. If the department reviews the contract or audits the related transactions and finds that one of the parties acted in a way that undermines the intent of this law, the exemption will be denied.

**Statutory Basis:** 7-26-6.2 NMSA 1978

**Intended Purpose:** This tax expenditure is an incentive for continued production by the New Mexico coal mining industry, providing reduced tax liability under new or restructured contracts.

**History:** Originally enacted in 1990 and amended in 1992, 1994, 1995, 1997, and 1999.

**Evaluation:** This exemption directly benefits the coal mining industry by providing an exemption from the severance surtax. Since 2010, new agreements have been entered into which have resulted in previously unallowable activity to be eligible for this exemption. In the last five years, all coal mined in New Mexico

qualified for an exemption from the surtax. The retirement of the Escalante Power Plant in 2020 and the San Juan Generating Station in 2022 have reduced the amount of coal eligible for the exemption. This tax incentive also is in direct conflict with tax incentives meant to incentive the production of renewable energy and decarbonization. Benefiting the coal mining industry, and subsidizing energy production using coal as fuel, would appear to undermine the goals of tax incentives designed to increase the use of renewable energy, and to encourage electric generation from renewable sources.

**Recommendations:** Evaluate benefits of this exemption given no revenues received from severance surtax.

**Reliability Factor:** 1 - This credit is separately reported. No estimation is required. Data is allowed to be reported despite fewer than 3 claims pursuant to Section 7-1-8.3(B) NMSA 1978.

**Fiscal impact:**

| | | | | |
|---|---|---|---|---|
| **Coal Exemption from Severance Surtax** | **Fiscal Year** | 2023 | 2024 | 2025 |
| | **Claims** | 2 | 2 | 2 |
| | **Expenditure (thousands)** | $4,970 | $4,972 | $1,134 |

# COMMERCIAL MOTOR CARRIER VEHICLES OPERATING EXCLUSIVELY WITHIN 10 MILES OF MEXICO BORDER EXEMPTION FROM TRIP TAX AND WEIGHT DISTANCE TAX

**Category:** Economic Development

**Brief Description:** Commercial motor carrier vehicles are exempt from the trip tax and the weight distance tax while operating on New Mexico highways exclusively within 10 miles of a border with Mexico and crossing the border with Mexico is exempt from the trip tax and the WDT.

**Statutory Basis:** 7-15-3.2 and 7-15A-5(D) NMSA 1978

**Intended Purpose:** To incentivize companies that have cross-border activities to do business in New Mexico instead of Texas and Arizona.

**History:** Originally enacted in 2006.

**Evaluation:** The New Mexico Border Authority reports that the number of commercial vehicles crossing the New Mexico/Mexico border has increased since FY2011. This tax expenditure meets its intended purpose of creating a competitive environment for business in New Mexico. The opening of the large Union Pacific intermodal transfer yard in 2014 near Santa Teresa and in 2018, the port of entry near Columbus, New Mexico quadrupled the number of commercial tucking dock also indicate this expenditure meets its intended purpose.

**Recommendations:** None.

**Reliability Factor:** 3 - Data for truck entries at Santa Teresa and Columbus were obtained from the U.S. Department of Transportation. From conversations with NMDOT, it was assumed that all of the Santa Teresa entry traffic would stay within the 20-mile North American Free Trade Agreement commercial zone and was destined for the large Union Pacific transfer station 10 miles from the border, or other nearby freight transfer facilities. Twenty miles per entry was assumed for a round-trip total road miles calculation. The total number of miles was then multiplied by the average WDT rate of all the weight classes. The same procedure was followed to calculate the trip tax expenditure.

**Fiscal Impact:**

| | | | | |
|---|---|---|---|---|
| **Commercial Motor Carrier Vehicles Operating Exclusively within 10 Miles of Mexico Border Exemption from Trip Tax and WDT** | **Fiscal Year** | 2023 | 2024 | 2025 |
| | **Weight Distance Tax Expenditure (thousands)** | $95 | $105 | $87 |
| | **Trip Tax Expenditure (thousands)** | $452 | $501 | $418 |

# CONSTRUCTION EQUIPMENT AND MATERIALS USED IN THE CONSTRUCTION OF SOLE COMMUNITY PROVIDER HOSPITALS GRT DEDUCTION

**Category:** Health Care

**Brief Description:** Receipts from sales of construction equipment or construction materials to a foundation or nonprofit organization for use in new facility construction of a sole community provider hospital located in a federally designated health professional shortage area are deductible from gross receipts under certain circumstances.

**Statutory Basis:** 7-9-100 NMSA 1978

**Intended Purpose:** To reduce the costs of constructing sole community provider hospitals.

**History:** Originally enacted in 2006.

**Evaluation:** According to the HCA, the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 established a rural community hospital demonstration project for five years to study a reasonable reimbursement methodology for such hospitals. Section 10313 of the Affordable Care Act (ACA) expanded and extended this demonstration for another five years until 2013. The extension for the federal pilot program expired, there are no federal matching funds to support the services provided at sole community provider hospitals. As a result, and based on information received from HCA, Tax & Rev is unaware of any recent new construction of sole community provider hospitals.

**Recommendations:** Because the ACA did not preclude an entity from building or making capital investments in rural (sole) community provider hospitals, the deduction could still fulfill its purpose as rural health facilities find alternative sources of funding for operations.

**Reliability Factor:** 1 - No new sole community provider hospitals were built in New Mexico over the last several years. No estimation is required.

**Fiscal Impact:** None.

# CONSTRUCTION OF SOLE COMMUNITY PROVIDER HOSPITALS GRT DEDUCTION

**Category:** Health Care

**Brief Description:** Receipts from the sale of engineering, architectural, and construction services to a foundation or nonprofit organization for use in the new facility construction of a sole community provider hospital located in a federally-designated health professional shortage area are deductible from gross receipts.

**Statutory Basis:** 7-9-99 NMSA 1978

**Intended Purpose:** To reduce the costs of constructing sole community provider hospitals.

**History:** Originally enacted in 2006.

**Evaluation:** According to the HCA, the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 established a rural community hospital demonstration project for five years to study a reasonable reimbursement methodology for such hospitals. Section 10313 of the Affordable Care Act expanded and extended this demonstration for another five years until 2013. The extension for the federal pilot program has expired, there are no more federal matching funds to support the services provided at sole community provider hospitals. As a result, and based on information received from HCA, Tax & Rev is unaware of any recent new construction of sole community provider hospitals.

**Recommendations:** Based on the presumption that the ACA did not preclude an entity from building or making capital investments in rural (sole) community provider hospitals, this deduction would be able to fulfill its purpose as rural health facilities find alternative sources of funding for operations.

**Reliability Factor:** 1 - No new sole community provider hospitals were built in New Mexico over the last several years. No estimation is required.

**Fiscal Impact:** None**.**

# CONTRIBUTIONS OF INVENTORY TO NONPROFIT ORGANIZATIONS OR GOVERNMENTAL AGENCIES DEDUCTION FROM COMPENSATING TAX

**Category:** Citizen Benefits

**Brief Description:** The value of tangible personal property that is removed from inventory and contributed to a United States or New Mexico government entity or the governing body of an Indian nation, tribe, or pueblo for use on an Indian reservation or pueblo grant or to 501(c)(3) organizations, is deductible in computing the compensating tax due.

**Statutory Basis:** 7-9-91 NMSA 1978

**Intended Purpose:** To incentivize the contribution of inventory to government entities and nonprofit organizations.

**History:** Originally enacted in 2001 and amended in 2025.

**Evaluation:** None.

**Recommendations:** None.

**Reliability Factor:** No data is available to estimate the fiscal impact of this deduction.

**Fiscal Impact:** Unknown.

# CONVEYANCE OF LAND FOR CONSERVATION OR PRESERVATION FIFTY PERCENT CREDIT AGAINST PIT AND CIT

**Category:** Environment, Conservation & Renewable Energy

**Brief Description:** Taxpayers may receive a credit against CIT or PIT for donations of land or interests in land if:

(1) the donation is for the purpose of open space, natural resource or biodiversity conservation, agricultural preservation or watershed or historic preservation by the landowner or taxpayer; and

(2) the entity receiving the donation is a public or private conservation agency eligible to hold the land and interests therein for conservation or preservation purposes. The credit equals 50% of the fair market value of land or interest therein that was donated.

The amount of the credit that may be claimed by a taxpayer shall not exceed $100,000 for a conveyance made prior to January 1, 2008, and shall not exceed $250,000 for a conveyance made on or after that date.

The credit is not refundable but may be transferred in increments of $10,000 or more or may be carried forward up to 20 years.

A taxpayer may claim one tax credit per taxable year.

**Statutory Basis:** 7-2-18.10 and 7-2A-8.9 NMSA 1978

**Intended Purpose:** These credits were enacted as part of the Land Conservation Incentives Act to encourage private landowners to be stewards of lands that are important habitat areas, or concern significant natural, open space, and historic resources. The credits encourage the protection of private land for open space, natural resources, biodiversity conservation, outdoor recreation, farmland and forest preservation, historic preservation, and land conservation purposes.

**History:** Originally enacted in 2003 and amended in 2007.

**Evaluation:** As demonstrated by the table below, for tax years 2022 through 2024, 329,841 acres of land, or interests therein, have been conveyed for preservation and conservation purposes. This roughly corresponds to total foregone revenue of $4.0 million to the State in the past three tax years. The average cost per acre from 2016 to 2024 is approximately $24. Based on the data, it appears the credit has met its intended purpose

**Recommendations:** None.

**Reliability Factor:** 1 - This credit is separately reported. No estimation is required. The data source for acres conserved is EMNRD, which collects the data during the certification process for this credit.

**Fiscal Impact:**

| | | | | |
|---|---|---|---|---|
| **Conveyance of Land for Conservation or Preservation Fifty Percent Credit against PIT and CIT** | **Tax Year (Calendar)** | 2022 | 2023 | 2024 |
| | **Claims** | 48 | 53 | 19 |
| | **Acres Conserved** | 3,990 | 318,691 | 7,160 |
| | **Expenditure (thousands)** | $1,776 | $2,143 | $129 |
| | | | | |
| | **Fiscal Year** | 2023 | 2024 | 2025 |
| | **Claims** | 65 | 54 | 50 |
| | **Expenditure (thousands)** | $2,585 | $2,274 | $1,819 |

# CORPORATE-SUPPORTED CHILD CARE CREDIT AGAINST CIT

**Category:** Citizen Benefits

**Brief Description:** Corporations providing or paying for licensed childcare services for employees' children under 12 years of age may claim a credit equal to 30% of eligible expenses from their CIT liability for the tax year in which the expenses occur. This credit has a three-year carry forward. The credit may not exceed $30,000 per taxpayer in any taxable year.

**Statutory Basis:** 7-2A-14 NMSA 1978

**Intended Purpose:** To incentivize the provision of licensed childcare by corporations.

**History:** Originally enacted in 1983 and amended in 1986 and 1995. Repealed in 2025 with an effective date of July 1, 2025.

**Evaluation:** This credit has not been claimed for recent tax years.

**Recommendations:** None.

**Reliability Factor:** 1 - This credit is separately reported. No estimation is required.

**Fiscal Impact:** None. The credit has not been claimed in the last three tax years.

This credit is repealed effective July 1, 2025. This will be the last time this credit is reported on in the annual Tax Expenditure Report.

# DISABLED PERSON
# EXEMPTION FROM MOTOR VEHICLE EXCISE TAX

**Category:** Citizen Benefits

**Brief Description:** An individual is exempt from the motor vehicle excise tax if they have a disability at the time the person purchases a vehicle and can prove to the Motor Vehicle Division of Tax & Rev or its agent, that modifications have been made to the vehicle that are:

(1) due to that person's disability; and

(2) necessary to enable that person to drive the vehicle or be transported in the vehicle.

**Statutory Basis:** 7-14-6(D) NMSA 1978

**Intended Purpose:** To lower the tax burden of purchasing a vehicle by individuals with a disability who need to modify their vehicles to drive them.

**History:** This exemption was originally enacted in 1988 and amended in 2007 to include Subsection D.

**Evaluation:** This tax expenditure meets its intended purpose of lowering the tax burden of disabled persons.

**Recommendations:** MVD interprets this exemption to require that the vehicle modification be made for the current purchaser's disability. A disabled person who purchases a used vehicle that was previously modified for a previous individual's disability is not eligible for this exemption. It may be the legislative intent for the exemption to only apply once over the life of the vehicle modifications. However, if the intent is to allow the exemption to be taken every time the vehicle changes ownership, the statute could be amended.

**Reliability Factor:** 3 - Information on the number of parking placards for mobility-impaired individuals was collected from MVD's Tapestry system. According to the Bureau of Transportation Statistics, 2.3% of disabled people have a specially modified vehicle. The national average prices of new and used vehicles were collected for each year and averaged together. In 2022, 6% of licensed drivers bought a new or used light vehicle. The total number of mobility-impaired placards was multiplied by the ratio of those with specially modified vehicles, then multiplied by 6% and then by the average price of a new and used vehicle. The resulting dollar amount was multiplied by the MVX rate of 4%. Higher car prices in recent years partly explain the increase in the estimate.

**Fiscal Impact:**

| **Disabled Person Exemption from MVX** | **Fiscal Year** | 2023 | 2024 | 2025 |
|---|---|---|---|---|
| | **Expenditure (thousands)** | $116 | $ 80 | $108 |

# DISABLED STREET VENDORS EXEMPTION FROM GRT

**Category:** Citizen Benefits

**Brief Description:** Receipts of disabled street vendors from the sale of goods are exempt from GRT.

**Statutory Basis:** 7-9-41.3 NMSA 1978

**Intended Purpose:** To eliminate the burden of having to file and pay GRT for disabled street vendors.

**History:** Originally enacted in 2007.

**Evaluation:** The compliance rate of the disabled vendors prior to the enactment of the exemption would be expected to be low, resulting in a minimal effective loss of revenue.

**Recommendations:** None.

**Fiscal Impact:** Unknown.

# DISABLED VETERAN EXEMPTION FROM PROPERTY TAX

**Category:** Citizen Benefits

**Brief Description:** Property owned by a disabled veteran, surviving spouse, or held in trust by a disabled veteran or the veteran's surviving spouse is exempt from property taxation in an amount equal to the percentage of the veteran's disability when occupied by the disabled veteran or surviving spouse as the principal place of residence. The exemption can remain on subsequently transferred property or attach to a new principal place of residency. Qualification of the exemption is done in collaboration between the Veterans' Services Department, county assessors and the Taxation and Revenue Department.

A "disabled veteran" is defined as an individual who:

(1) has been honorably discharged from membership in the armed forces of the United States or issued a discharge certificate by a branch of the armed forces for civilian service recognized by federal law as service in the armed forces; and

(2) has been determined by federal law to have a permanent and total service-connected disability.

**Statutory Basis:** 7-37-5.1 NMSA 1978

**Intended Purpose:** To ease the tax burden of individuals whose service in the armed forces resulted in disability.

**History:** Originally enacted in 2000 and amended in 2003, 2004, 2015, and 2025. The 2025 amendment is enabling legislation to implement November 2024 voter approved expansion of the exemption to allow an exemption based on the percentage of the veteran's disability. Previously, only veterans with a 100 percent disability were granted a full property tax exemption.

**Evaluation:** None.

**Recommendations:** None.

**Reliability Factor:** 2 - The fiscal impact is based on the reported number of taxpayers granted the disabled veteran exemption and the associated taxable value exempted in each county in annual County Assessor Evaluation Reports. The fiscal impact is rated a two as the exempted value by county is then multiplied by the weighted average residential mill rate for that county. The total fiscal impact is the sum of the county level estimates.

**Fiscal Impact:** The fiscal impact is shared amongst various taxing authorities that impose the property tax. These include school districts, local governments, special districts and the state general obligation bond debt service fund. Note: The 2025 amendment to proportion the amount of exemption to the percentage of disability becomes effective for property tax year 2026. Prior to tax year 2026, the fiscal impacts below represent veterans with a 100 percent disability and full exemption from property tax liability.

| | | | | |
|---|---|---|---|---|
| **Disabled Veteran Exemption from Property Tax** | **Tax Year** | 2021 | 2022 | 2023 |
| | **Claims** | 12,018 | 12,501 | 13,472 |
| | **Expenditure (thousands)** | $21,600 | $25,224 | $29,494 |

# DISABLED VETERANS EXEMPTION FROM SPECIAL BENEFIT ASSESSMENT UNDER PROPERTY TAX

**Category:** Citizen Benefits

**Brief Description:** Property owned by a disabled veteran, surviving spouse or held in trust by a disabled veteran or the veteran's surviving spouse is exempt from the imposition of a special benefit assessment under property taxation when occupied by the disabled veteran or surviving spouse as the principal place of residence.

A "disabled veteran" is defined as an individual who:

(1) has been honorably discharged from membership in the armed forces of the United States or issued a discharge certificate by a branch of the armed forces for civilian service recognized by federal law as service in the armed forces; and

(2) has been determined by federal law to have a one hundred percent permanent and total service-connected disability.

A "special benefit assessment" is defined as:

(1) an assessment or levy authorized by law for benefits, damages, construction, improvements or maintenance on property that is specially benefited by the benefits, damages, construction, improvements or maintenance.

**Statutory Basis:** 7-37-5.4 NMSA 1978

**Intended Purpose:** To ease the tax burden of individuals whose service in the armed forces resulted in disability.

**History:** Originally enacted in 2015.

**Evaluation:** None.

**Recommendations:** None.

**Reliability Factor:** Insufficient data to estimate the fiscal impact.

**Fiscal Impact:** Unknown. In tax year 2023, 13,472 property owners qualified for the Disabled Veteran Exemption from Property Tax under 7-37-5.1 NMSA 1978. Data on the number of special benefit assessments across all counties that would impact disabled veterans property owners is not currently known to estimate a fiscal impact.

# DOH-LICENSED HOSPITALS
# SIXTY PERCENT GRT AND GGRT DEDUCTION

**Category:** Health Care

**Brief Description:** 60% of the receipts of hospitals licensed by the Department of Health (DOH) are deductible from gross receipts.

This deduction may be applied only to the taxable gross receipts remaining after all other appropriate deductions have been taken.

**Statutory Basis:** 7-9-73.1 NMSA 1978

**Intended Purpose:** To reduce the costs of hospital operations.

**History:** Originally enacted in 1991 and amended in 1993, 1995 and 2019.

The 2019 amendment increased the deduction amount from 50% to 60%, made the receipts of non-profit hospitals taxable at the State rate with the 60% deduction, and made the receipts of government owned hospitals subject to the governmental gross receipts tax with a 60% deduction.

**Evaluation:** The economic subsidy provided by this deduction against gross receipts and governmental gross receipts tax is a social policy decision taken to reduce the total cost borne by New Mexicans for hospital care.

**Recommendations:** None.

**Reliability Factor:** 2 - The estimate uses individual tax filings from qualifying entities and assumes hospitals claim the maximum deduction allowable against their liability. When available, Tax & Rev applied the tax rates applicable to each hospital.

**Fiscal Impact:**

| | Fiscal Year | 2023 | 2024 | 2025 |
|---|---|---|---|---|
| **DOH-Licensed Hospitals Sixty Percent GRT Deduction** | **State General Fund Expenditure (thousands)** | $171,581 | $213,107 | $213,811 |
| | **Local Government Expenditure (thousands)** | $24,530 | $46,180 | $30,948 |

# DURABLE MEDICAL EQUIPMENT GRT AND GGRT DEDUCTION

**Category:** Economic Development

**Brief Description:** Receipts from the sale or rental of durable medical equipment and supplies are deductible from gross receipts and governmental gross receipts tax. Qualified taxpayers must derive no less than 90 percent of their gross receipts from the sale or rental of durable medical equipment, supplies, or infusion therapy services and medications used in infusion therapy.

**Statutory Basis:** 7-9-73.3 NMSA 1978

**Intended Purpose:** To help protect jobs and retain businesses in New Mexico that sell or rent durable medical equipment and medical supplies.

**History:** Originally enacted in 2014. Amended in 2020 to extend the sunset date of the deduction from July 1, 2020, to July 1, 2030. The 2025 amendment revised reporting requirements and removed certain obsolete language.

**Evaluation:** This deduction removes the gross receipts tax burden from sellers that would otherwise pass it on to consumers of these medically necessary goods.

The expenditure is determined to be effective based on the utilization of the deduction and testimony from the industry.

**Recommendations:** None.

**Reliability Factor:** 2 – This deduction is separately reported. Despite being a separately reported deduction, the reliability factor for this deduction is a 2 to reflect that some taxpayers may be claiming this deduction in error and others may not be reporting under this deduction code. Tax & Rev will further analyze this data and taxpayer reporting of GRT deductions. The deduction amount is multiplied by the statewide average GRT rate for each year to estimate the cost.

**Fiscal Impact:**

| | **Fiscal Year** | 2023 | 2024 | 2025 |
|---|---|---|---|---|
| **Durable Medical Equipment Deduction** | **Taxpayers** | 110 | 245 | 219 |
| | **State General Fund Expenditure (thousands)** | $5,600 | $19,600 | $10,200 |
| | **Local Government Expenditure (thousands)** | $3,600 | $13,100 | $6,800 |

# EDUCATION TRUST FUND PAYMENT DEDUCTION FROM PIT

**Category:** Citizen Benefits

**Brief Description:** A taxpayer may claim a deduction from net income in an amount equal to the payments made during the taxable year into the Education Trust Fund pursuant to an education investment agreement or prepaid tuition contract under the Education Trust Act in the taxable year for which the deduction is being claimed.

**Statutory Basis:** 7-2-32 NMSA 1978

**Intended Purpose:** To incentivize saving for various types of post-secondary education including vocational schools, community colleges and universities.

**History:** Originally enacted in 1997 and amended in 2023. The 2023 amendment expanded the definition of what types of education trust fund payments may be deductible from PIT for strictly college education trust fund payments to a broad array of post-secondary education schools.

**Evaluation:** The use of this incentive has been increasing over time. Between fiscal year 2023 and 2025, expenditures associated with this deduction have grown at an average rate of 28%.

**Recommendations:** None.

**Reliability Factor:** 2 - This deduction is separately reported. Some estimation is required.

**Fiscal Impact:**

| | | | | |
|---|---|---|---|---|
| **Education Trust Fund Payment Deduction** | **Tax Year (Calendar)** | 2022 | 2023 | 2024 |
| | **Claims** | 5,595 | 5,816 | 5,665 |
| | **Expenditure (thousands)** | $2,529 | $2,496 | $2,480 |
| | | | | |
| | **Fiscal Year** | 2023 | 2024 | 2025 |
| | **Claims** | 5,662 | 5,872 | 6,420 |
| | **Expenditure (thousands)** | $2,356 | $2,671 | $2,993 |

# ENVIRONMENTAL MODIFICATIONS FOR MEDICAID RECIPIENTS GRT DEDUCTION

**Category:** Health Care

**Brief Description:** Beginning July 1, 2024, and prior to July 1, 2034, receipts of an eligible provider for environmental modifications on a recipient's home that are necessary to ensure the recipient's health, welfare and safety which are reimbursed by the medical assistance division of the Health Care Authority may be deducted from gross receipts.

Select definitions:

(1) "environmental modifications" include the purchasing and installing of equipment to provide physical safety adaptions on a recipient's home to increase their ability to act independently.

(2) "Medicaid" is the medical assistance program established pursuant to Title 19 of the federal Social Security Act.

(3) "recipient" is a person eligible for Medicaid-related services through a waiver program granted by the Federal Department of Health and Human Services.

**Statutory Basis:** 7-9-73.4 NMSA 1978

**Intended Purpose:** To increase the number of Medicaid-related services a Medicaid recipient may receive to ensure the recipient's health, welfare and safety. Medicaid recipients under a waiver program receive an annual budget to purchase services, which includes covering all related taxes. Reducing the amount of GRT on services allows more of the recipient's annual budget to be used for direct care.

**History:** Originally enacted in 2024.

**Evaluation:** None.

**Recommendation:** None.

**Reliability Factor:** 4 – Tax & Rev cannot track the amount of this deduction as there is no statutory requirement for separately reporting. Data from the HCA on environmental modifications for Medicaid waiver participants was used to calculate the cost of this expenditure. The estimated deduction is multiplied by the statewide average GRT rate to estimate the cost.

**Fiscal Impact:**

| | | |
|---|---|---|
| **Environmental Modifications for Medicaid Recipients Deduction** | **Fiscal Year** | 2025 |
| | **State General Fund Expenditure (thousands)** | $1,260 |
| | **Local Government Expenditure (thousands)** | $840 |

# ELECTRIC TRANSMISSION AND STORAGE FACILITIES GRT AND COMPENSATING TAX DEDUCTION

**Category:** Environment, Conservation & Renewable Energy

**Brief Description:** Receipts from selling equipment to the New Mexico Renewable Energy Transmission Authority ("RETA") or an agent or lessee of the authority are deductible from gross receipts if the equipment is installed as part of an electric transmission facility or an interconnected storage facility acquired by the RETA, pursuant to the New Mexico Renewable Energy Transmission Authority Act.

The value of equipment installed as part of an electric transmission facility or an interconnected storage facility acquired by the authority pursuant to the New Mexico Renewable Energy Transmission Authority Act, is deductible in computing the compensating tax due.

**Statutory Basis:** 7-9-101 and 7-9-102 NMSA 1978

**Intended Purpose:** To encourage the development of renewable energy transmission infrastructure in New Mexico.

**History:** Both deductions were originally enacted in 2007 as part of legislation that enacted the New Mexico Renewable Energy Transmission Authority Act.

**Evaluation:** None.

**Recommendations:** None.

**Reliability Factor:** The 2020 and 2022 annual reports from RETA indicate bond issuance and that projects are in construction or completed. The Western Spirit transmission project was completed during this time frame and began operation in December 2021. Further data is needed to determine if associated receipts from these projects qualify for this deduction.

**Fiscal Impact:** Unknown.

# ELECTRIC TRANSMISSION AND STORAGE FACILITIES SERVICES GRT DEDUCTION

**Category:** Environment, Conservation & Renewable Energy

**Brief Description:** Receipts from providing services to the New Mexico Renewable Energy Transmission Authority (RETA) or an agent or lessee of RETA for the planning, installation, repair, maintenance or operation of an electric transmission facility or an interconnected storage facility acquired by the authority pursuant to the RETA Act, are deductible from gross receipts.

**Statutory Basis:** 7-9-103 NMSA 1978

**Intended Purpose:** The deduction is intended to encourage the development of renewable energy transmission infrastructure in New Mexico.

**History:** Originally enacted in 2007 as part of legislation that enacted the New Mexico Renewable Energy Transmission Authority Act.

**Evaluation:** None.

**Recommendations:** It would be beneficial for RETA to provide data on the status of its current and planned operations as this and other RETA-based deductions have shown very little utilization in recent years.

**Reliability Factor:** Unlike other electricity GRT deductions where some reporting has been initiated, there is no separate reporting of this GRT deduction. Further research and data from RETA, may allow for determination of taxpayers claiming this deduction.

**Fiscal Impact:** Unknown.

# ELECTRICITY CONVERSION GRT DEDUCTION

**Category:** Environment, Conservation & Renewable Energy

**Brief Description:** Receipts from the transmission of electricity where voltage source conversion technology is employed to provide such services, and from ancillary services, are deductible from gross receipts.

This deduction works in tandem with the electricity exchange deduction provided in Section 7-9-103.2 NMSA 1978.

**Statutory Basis:** 7-9-103.1 NMSA 1978

**Intended Purpose:** To encourage businesses using voltage source conversion technology to locate in New Mexico.

**History:** Originally enacted in 2012. Amended in 2025 to require separate reporting by taxpayers starting July 1, 2025.

**Evaluation:** None.

**Recommendations:** None.

**Reliability Factor:** 3 –Starting July 1, 2025, taxpayers must separately report this deduction per statute. The reliability factor for this deduction is a 3 to reflect that some taxpayers may have claimed this deduction in error prior to July 1, 2025, and others may not be reporting under this deduction code. Tax & Rev will analyze data on future separate reporting. The deduction amount is multiplied by the statewide average GRT rate for each year to estimate the cost.

**Fiscal Impact:**

| | **Fiscal Year** | 2023 | 2024 | 2025 |
|---|---|---|---|---|
| **Electricity Conversion GRT Deduction** | **Taxpayers** | 11 | 59 | 45 |
| | **State General Fund Expenditure (thousands)** | $ 1,125 | $5,609 | $2,729 |
| | **Local Government Expenditure (thousands)** | $ 729 | $3,712 | $1,797 |

# ELECTRICITY EXCHANGE GRT DEDUCTION

**Category:** Environment, Conservation & Renewable Energy

**Brief Description:** Receipts from the transaction and exchange of electric power, as a part of the transmission of electricity where voltage source conversion technology is employed to provide such services and from ancillary services, are deductible from gross receipts.

This deduction works in tandem with the electricity conversion deduction provided in Section 7-9-103.1 NMSA 1978.

**Statutory Basis:** 7-9-103.2 NMSA 1978

**Intended Purpose:** To encourage the location of electricity exchanges in New Mexico.

**History:** Originally enacted in 2012. Amended in 2025 to require separate reporting by taxpayers starting July 1, 2025, and consent to reveal return information to comply with reporting of the Tax Expenditure Report.

**Evaluation:** None.

**Recommendations:** None.

**Reliability Factor:** 3 –Starting July 1, 2025, taxpayers must separately report this deduction per statute. The reliability factor for this deduction is a 3 to reflect that some taxpayers may have this deduction in error prior to July 1, 2025, and others may not be reporting under this deduction code. Tax & Rev will analyze data on future separate reporting. The deduction amount is multiplied by the statewide average GRT rate for each year to estimate the cost

**Fiscal Impact:**

| | Fiscal Year | 2023 | 2024 | 2025 |
|---|---|---|---|---|
| **Electricity Exchange GRT Deduction** | **Taxpayers** | 566 | 188 | 142 |
| | **State General Fund Expenditure (thousands)** | $4,331 | $8,473 | $9,822 |
| | **Local Government Expenditure (thousands)** | $2,839 | $5,607 | $6,467 |

# EXCESS OF ELDERLY TAXPAYERS MAXIMUM PROPERTY TAX LIABILITY REBATE FROM PIT

**Category:** Citizen Benefits

**Brief Description:** Taxpayers who are 65 and older may claim a PIT rebate for their property tax that exceeds the maximum liability, ranging from $20 to $300 depending on the taxpayer's modified gross income. A taxpayer whose modified gross income exceeds $16,000 is not eligible for the rebate unless county in which the taxpayer's principal place of residence has a resolution authorizing a $25,000 gross income cap. This rebate is refundable.

**Statutory Basis:** 7-2-18 NMSA 1978

**Intended Purpose:** To offset the property tax costs for taxpayers who are often on fixed income.

**History:** Originally enacted in 1977 and amended in 1981, 1993, 1997, 1999, and 2003. Currently, no counties have passed a resolution increasing to the $25,000 gross income cap.

**Evaluation:** According to the U.S. Census Bureau, the number of people over 65 who are in the labor force is increasing. By continuing to work, the likelihood is that these seniors' income exceeds the statutory threshold so that they no longer qualify for this rebate. Also, some seniors rely on social security income, which is annually adjusted for cost-of-living. These adjustments may push some taxpayer's income over the eligibility threshold. Since the income thresholds and the rebate amounts are not indexed to inflation, the beneficiary taxpayer group as well as the real value of the rebate shrinks over time.

**Recommendations:** None.

**Reliability Factor:** 1 - This rebate is separately reported. No estimation is required.

**Fiscal Impact:**

| | | | | |
|---|---|---|---|---|
| **Excess of Elderly Taxpayers Maximum Property Tax Liability Rebate from PIT** | **Tax Year (Calendar)** | 2022 | 2023 | 2024 |
| | **Claims** | 13,900 | 11,987 | 10,936 |
| | **Expenditure (thousands)** | $2,908 | $2,502 | $2,277 |
| | | | | |
| | **Fiscal Year** | 2023 | 2024 | 2025 |
| | **Claims** | 14,727 | 12,628 | 11,779 |
| | **Expenditure (thousands)** | $3,082 | $2,637 | $2,450 |

# FEES FROM SOCIAL ORGANIZATIONS EXEMPTION FROM GRT

**Category:** Citizen Benefits

**Brief Description:** Receipts from dues and registration fees of nonprofit social, fraternal, political, trade, labor, or professional organizations and business leagues, are exempt from GRT.

**Statutory Basis:** 7-9-39 NMSA 1978

**Intended Purpose:** To reduce the tax burden of certain nonprofit entities.

**History:** Originally enacted in 1969 and amended in 1977.

**Evaluation:** With no direct data, a proper evaluation is difficult.

**Recommendations:** For clarity and consistency with other statutes addressing nonprofits, reference the United States Internal Revenue Code organization subsections that correspond to the description of organizations and leagues in statute.

**Reliability Factor:** 4 – The Internal Revenue Service (IRS) releases data for many nonprofits exempt from federal income tax who file an annual Form 990 Return. The National Center for Charitable Statistics (NCSS) has assembled IRS Form 990 data to report aggregate statistics by state. State-level data is available for total revenue and total assets by nonprofits sub-divided by the IRS subsections for 501(c). Assumptions are made as to which 501(c) organizations this statute applies to and the corresponding percentage of revenue coming from dues and fees. This percentage was assumed to be 75% based on the requirements for exemption for social clubs from the IRS.

**Fiscal Impact:**

| | Fiscal Year | 2023 | 2024 | 2025 |
|---|---|---|---|---|
| **Fees from Social Organizations Exemption from GRT** | **State General Fund Expenditure (thousands)** | $142 | $181 | $13 |
| | **Local Government Expenditure (thousands)** | $92 | $118 | $9 |

# FEMININE HYGIENE PRODUCTS GRT DEDUCTION

**Category:** Citizen Benefits

**Brief Description:** Receipts from the sale of feminine hygiene products may be deducted from gross receipts and governmental gross receipts.

As used in this section, “feminine hygiene products" means tampons, menstrual pads and sanitary napkins, pantiliners, menstrual sponges and menstrual cups.

**Statutory Basis:** 7-9-120 NMSA 1978

**Intended Purpose:** To reduce the financial cost for consumers who require these products.

**History:** Originally enacted in 2022.

**Evaluation:** None.

**Recommendation:** None.

**Reliability Factor:** 3 - This deduction is separately reported. Despite being a separately reported deduction, the reliability factor for this deduction is a 3 to reflect that some taxpayers may be claiming this deduction in error and others may not be reporting under the correct deduction code. Tax & Rev will further analyze this data and taxpayer reporting of GRT deductions. The deduction amount is multiplied by the statewide average GRT rate for each year to estimate the cost.

**Fiscal Impact:**

| | **Fiscal Year** | 2023 | 2024 | 2025 |
|---|---|---|---|---|
| **Feminine Hygiene Products GRT Deduction** | **Taxpayers** | 33 | 43 | 25 |
| | **State General Fund Expenditure (thousands)** | $93 | $56 | $73 |
| | **Local Government Expenditure (thousands)** | $59 | $37 | $49 |

# FILM AND TELEVISION
# CREDIT AGAINST PIT AND CIT

**Category:** Economic Development

**Brief Description:** For film production companies that commence principal photography on or after January 1, 2016, a refundable credit against PIT or CIT is available for 25% of direct production and postproduction expenditures made in New Mexico that are subject to taxation by the State of New Mexico and directly attributable to the production of a film or commercial audiovisual product. Under 2025 legislation, obsolete statutory language for credits available for the time period of 2016 to 2019 was repealed effective July 1, 2025.

For production companies that commence principal photography on or after July 1, 2019, the film credit is referred to as the "new film production tax credit." Additional amendments to the credit in the 2023 legislative session created additional criteria for receiving a film credit which apply to the commencement of principal photography after July 1, 2023.

The following applied to film production between July 1, 2019, and July 1, 2023:

An additional 5% credit is available for direct production expenditures for television pilots and series with at least six episodes in a single season and a budget of at least $50,000 per episode. The additional 5% also applies to direct production expenditures that are directly attributable to the wages and fringe benefits paid to a New Mexico resident directly employed in an industry crew position, excluding a performing artist, on a production with a total budget of:

(1) not more than $30,000,000 that shoots at least ten principal photography days at a qualified production facility in New Mexico; or

(2) $30,000,000 or more that shoots at least fifteen principal photography days at a qualified production facility in New Mexico.

For the "new film" tax credit, an additional 5% credit is available for direct production and postproduction expenditures for qualified film and television production located at least 60 miles outside of Bernalillo and Santa Fe Counties.

The following applies to film production on or after July 1, 2023:

An additional 10% credit shall be applied for payments for direct production expenditures and postproduction expenditures. For work, services or items provided on location for production of a film or commercial audiovisual product that is in New Mexico but at least 60 miles from the city hall of the

county seat of Class A counties with a net taxable value of property for property taxation purposes of greater than $7.5 billion.

An additional 5% credit is available for either direct production expenditures for television pilots and series with at least six episodes in a single season or meeting criteria for the use of qualified production facilities, which are different building sites intended for regularly producing films.

A non-resident below-the-line crew credit is available in an amount equal to 15% of the payment of wages for below-the-line nonresident industry crew when certain criteria are met.

An aggregate annual cap limits payouts of the film production tax credit to $110 million across both PIT and CIT programs for fiscal years prior to 2024. For fiscal year 2024 through fiscal year 2028, the annual cap is increased by $10 million in each fiscal year. For fiscal year 2029 and subsequent fiscal years, the cap is $160 million. New Mexico film partners, defined as having made a 10 year or more commitment by purchasing or entering a 10-year contract to lease a qualified production facility, are excluded from the annual cap for productions that commenced principal photograph after July 1, 2019.

**Statutory Basis:** 7-2F *et seq.* NMSA 1978

**Intended Purposes:** The purposes and goals of the film production tax credit are to:

1. establish the film industry as a permanent component of the economic base of New Mexico;
2. develop a pool of trained professionals and businesses in New Mexico to supply and support the film industry in the state;
3. increase employment of New Mexico residents;
4. improve the economic success of existing businesses in New Mexico; and
5. develop the infrastructure in the state necessary for a thriving film industry.

**History:** Originally enacted in 2002 and amended in 2003, 2005, 2006, 2007, 2011, 2013, 2015, 2016, 2019, 2023, and 2025.

The 2011 amendment added a $50 million cap, provided tracking requirements, required film production companies to submit the application/claim within one year after making their final expenditure in New Mexico, and required mandatory income tax withholding on non-resident actors. Although the 2011 amendment capped the annual payout to $50 million, it did not stop credits from being approved for payment in subsequent years, thereby creating a $127 million backlog of approved but unpaid credits that were ultimately repaid in FY2019 and FY2020.

The 2013 amendment allowed the additional 5% to be added to the calculation for the film production tax credit for television shows subject to certain requirements; also allowed for any amount of annual film credit that

was unused in Fiscal Years 2013-2015 under the $50 million cap — up to a maximum of $10 million — to be carried forward and added into the subsequent fiscal year's cap; in any year where the $50 million cap was not reached, if there were amounts that would be paid in a subsequent year under the multi-year provisions of the film credit, those subsequent year amounts may be paid in the current year up to the $50 million cap; provided more specific requirements for withholding taxes related to services provided by artists under the "direct production expenditures" provisions of the credit, and provided for a definition of "qualified production facility" and clarified tax obligations of non-resident vendor services.

In 2015, the film and television tax credit added credits for television pilots and series, qualified production facilities, non-resident industry crews, limited payments for performing artists, and added requirements to contract with certain vendors. An additional amendment added a provision for a film production company that is eligible to receive a film production credit, to assign payment of all or a portion of the credit to either a third-party financial institution or another authorized third party. The 2015 amendment had no impact on the time periods covered by this report.

The 2019 amendment allowed for an additional credit of 5% for direct expenditures of qualified film and television productions located more than 60 miles outside of the boundaries of Bernalillo and Santa Fe counties, and increased the annual cap of the credit from $50 million to $110 million. The 2019 expanded cap excludes credits paid to New Mexico film partners that have made a 10 or more year commitment by purchasing property or entering a lease of a qualified film production facility in New Mexico.

The 2023 amendment increased the fiscal year annual cap by $10 million per year for fiscal years 2024 through 2028, reaching $160 million and then holds the cap at $160 million for fiscal year 2029 and beyond. The amendment created an additional amount of credit for payments applied to direct production expenditures by a New Mexico film partners and changed other additional amounts for expenditures including the amounts for nonresident below the line crew.

The 2025 amendment repealed sections 7-2F-1, 7-2F-2.1 and sections 7-2F-6 through 7-2F-11 NMSA 1978 effective July 1, 2025. These sections applied to obsolete credit language for productions between 2016 and 2019.

**Evaluation:**

The film and television industry is highly competitive, with many states and countries competing to incentivize film and television production in their location. The incentive has been extremely effective in attracting major film and television productions. Recent amendments have increased filming in rural locations, and may incentivize film production companies to make long-term investments in New Mexico. The lower credit amount for FY2025 is seen as the lag impact of the slowdown in the industry due to strikes and taxpayer behavior as to when they decide to claim credits.

For recent studies and presentations on the impact of the film credit for New Mexico and the economy, see "Economic Impact of the New Mexico Film @Production Tax Credit Update," by the New Mexico Film Office, Economic Development Department, December 19, 2022, see: NM-Film-Study-Update-2022-2.pdf
https://nmfilm.com/assets/uploads/NM-Film-Study-Update-2022-2.pdf

And, "New Mexico Film Incentives: Update and Analysis," by economist Brendon Gray at the Legislative Finance Committee, September 27, 2023, see: ALFC 092723 Item 3 Film Production Tax Credit Update and Analysis.pdf, https://www.nmlegis.gov/handouts/ALFC%20092723%20Item%203%20Film%20Production%20Tax%20Credit%20Update%20and%20Analysis.pdf

**Recommendations:** None.

**Reliability Factor:** 1 - This credit is separately reported. No estimation is required.

**Fiscal Impact:**

| | **Fiscal Year** | 2023 | 2024 | 2025 |
|---|---|---|---|---|
| **Film and Television Credit Against PIT and CIT** | **Credits subject to Film cap (thousands)** | $100,237 | $92,630 | $28,705 |
| | **Film Partners (thousands)** | $3 | $9,536 | $5,260 |
| | **Total Expenditure (thousands)** | $100,240 | $102,166 | $33,966 |

# FOSTER YOUTH EMPLOYMENT CREDIT AGAINST PIT AND CIT

**Category:** Citizen Benefits

**Brief Description:** A taxpayer who is not a dependent of another taxpayer and employs a qualified foster youth in New Mexico is eligible for a credit against the taxpayer's PIT or CIT liability. The credit amount is up to $1,000 of gross wages paid during the taxable year and may be claimed for multiple qualified foster youth, but the credit must be claimed within one calendar year from the date of hire.

A "qualified foster youth" is defined as an individual:

(1) who:

(a) is currently in the legal custody of the Children, Youth and Families Department or a New Mexico Indian nation, tribe or pueblo or the United States Department of the Interior, Bureau of Indian Affairs, Division of Human Services; or

(b) within the seven years prior to the taxable year for which the credit is claimed was aged 14 years or older and was in the legal custody of the Children, Youth and Families Department or a New Mexico Indian nation, tribe or pueblo or the United States Department of the Interior, Bureau of Indian Affairs, Division of Human Services.

(2) who works at least 20 hours per week during the taxable year for which the credit is claimed; and

(3) who was not previously employed by the taxpayer during the prior taxable year.

Any portion of credit that is not used against the taxpayer's liability may be carried forward for up to three years. This credit cannot be transferred to another taxpayer, but it can be allocated based on a taxpayer's ownership interest in a business.

**Statutory Basis:** 7-2-18.30 and 7-2A-29 NMSA 1978

**Intended Purpose:** To encourage the employment of individuals who as youth were adjudicated as abused or neglected or who were in the legal custody of the Children, Youth and Families Department or a New Mexico Indian nation, tribe or pueblo or the United States Department of the Interior, Bureau of Indian Affairs, Division of Human Services.

**History:** Originally enacted in 2018. Repealed in 2025 with an effective date of July 1, 2025.

**Evaluation:** Tax expenditures that target the hiring of individuals who may have difficulty entering the work force have precedent with the current federal Work Opportunity Tax Credit. The federal credit targets several employee groups and has successfully been administered at the federal level. Research supports foster youth appearing to have high unemployment rates in the work force. To date, the state credit has never been claimed. Based on a comparison to the federal credit, the certification process and the relatively low credit amount may be impediments to employers considering the credit.

**Recommendation:** None.

**Reliability Factor:** 1 – The credit is separately reported. No estimation is required.

**Fiscal Impact:** None. This credit has never been claimed.

This credit was repealed effective July 1, 2025. This will be the last time this credit is reported on in the annual tax Expenditure Report.

# FUEL FOR SPACE VEHICLES
# EXEMPTION FROM GRT AND COMPENSATING TAX

**Category:** Highly Specialized Industry

**Brief Description:** Receipts from the sale and the use of fuel, oxidizer, or a substance that combines fuel and oxidizer to propel space vehicles or to operate space vehicle launchers are exempt from GRT and compensating tax.

**Statutory Basis:** 7-9-26.1 NMSA 1978

**Intended Purpose:** To incentivize launches at Spaceport America and elsewhere in the state.

**History:** Originally enacted in 2003 as part of legislation exempting several space-related activities from GRT and compensating tax.

**Evaluation:** Publicly available information published by Spaceport America, in 2017 a company expanded at the Spaceport to include manufacturing fueled motors. Two other operators that would require refueling activities have also made significant investments at the site and others have signed partnerships with the Spaceport Authority. Additionally, a space focused small business relocated its headquarters to New Mexico, but progress on actual launches appears to be sporadic.

**Recommendations:** Consider replacing this exemption with a separately reported deduction to allow estimation of the associated fiscal impact.

**Reliability Factor:** No data is available to estimate the fiscal impact, but it is probably minimal. Without a reporting requirement, it is difficult to ascertain the size of this exemption.

**Fiscal Impact:** Unknown.

# FUTURE DISTRIBUTION TO A NONRESIDENT BENEFICIARY DEDUCTION FROM PIT

**Category:** Economic Development

**Brief Description:** A taxpayer that is an estate or trust may claim a deduction from net income in the amount equal to income set aside for future distribution to a nonresident individual beneficiary. The deduction excludes income derived from New Mexico real property, oil and gas, and water interests as well as income that the estate or trust would allocate or apportion to New Mexico.

**Statutory Basis:** 7-2-38 NMSA 1978

**Intended Purpose:** To increase estate and trust business in New Mexico.

**History:** Originally enacted in 2019. This deduction sunset on January 1, 2025.

**Evaluation:** Further data would be needed to assess whether this deduction increased estate and trust business in New Mexico. Although most states tax all income of resident trusts and then offer a credit for taxes paid to another state on trust income, New Mexico is different. New Mexico allows trust income to be apportioned. Apportioning trust income outside of New Mexico means that it is not subject to New Mexico tax and no credit for taxes paid to other states is needed. This deduction allowed trust income owed to a non-resident beneficiary to be deducted; that did not seem necessary since New Mexico allows it to be apportioned elsewhere to avoid taxation in New Mexico. Further, providing a benefit to resident trusts but not to non-resident trusts may violate the commerce clause of the United States Constitution.

**Recommendation:** None.

**Reliability Factor:** 2 – This expenditure is calculated directly using taxpayer data as the deduction is separately reported on fiduciary income tax returns. The reliability factor is at a 2 given there is a degree of estimation involved under a fiduciary income tax return.

**Fiscal Impact:**

| | | | | |
|---|---|---|---|---|
| **Future Distribution to a Non-Resident Beneficiary Deduction from PIT** | **Tax Year (Calendar)** | 2022 | 2023 | 2024 |
| | **Claims** | 130 | 132 | 102 |
| | **Expenditure (thousands)** | $323 | $192 | $278 |
| | | | | |
| | **Fiscal Year** | 2023 | 2024 | 2025 |
| | **Claims** | 107 | 128 | 121 |
| | **Expenditure (thousands)** | $884 | $1,852 | $265 |

# GEOTHERMAL ELECTRICITY GENERATION-RELATED SALES AND USE GRT AND COMPENSATING TAX DEDUCTION

**Category:** Environment, Conservation & Renewable Energy

**Brief Description:** Beginning January 1, 2025, and prior to July 1, 2032, receipts from the sale of tangible personal property or services associated with constructing and equipping a geothermal electricity generation facility may be deducted from gross receipts or compensating tax. The tangible personal property or services must be related to the construction or equipping of a geothermal electricity generation facility or for sales of tangible personal property used in the distribution of electricity to a geothermal electricity generation facility.

The sale must be made to a person who holds an interest in a geothermal electricity generation facility and who delivers a nontaxable transaction certificate to the seller or provides alternative evidence pursuant to Section 7-9-43 NMSA 1978.

Select definitions:

(1) "geothermal electricity generation facility" means a new facility built on or after January 1, 2025, or an existing facility which after January 1, 2025, increases the amount of electricity generated from geothermal resources by at least one hundred percent.

(2) "geothermal resources" is the natural heat below the surface of the earth which is extracted through different forms in excess of two hundred fifty degrees Fahrenheit and may heat or cool buildings through on-site geoexchange heat pumps or other systems.

**Statutory Basis:** 7-9-112.1 NMSA 1978

**Intended Purpose:** To encourage investment in geothermal electricity generation and promote renewable energy development.

**History:** Originally enacted in 2024 and amended in 2025.

**Evaluation:** None.

**Recommendation:** None.

**Reliability Factor:** 1 - This credit is separately reported. No estimation is required.

**Fiscal Impact:**

| | Fiscal Year | 2025 |
|---|---|---|
| **GRT Deduction – Constructing and Equipping a Geothermal Generation Facility** | **Taxpayers** | 18 |
| | **State General Fund Expenditure (thousands)** | $99 |
| | **Local Government Expenditure (thousands)** | $65 |
| **GRT Deduction – Geothermal Electricity Distribution System Installation** | **Taxpayers** | <3 |
| | **State General Fund Expenditure (thousands)** | -- |
| | **Local Government Expenditure (thousands)** | -- |
| **GRT Deduction – Geothermal Generation Facility Construction Plant Costs** | **Taxpayers** | <3 |
| | **State General Fund Expenditure (thousands)** | -- |
| | **Local Government Expenditure (thousands)** | -- |

TABLE NOTE: "--" Means data is redacted due to fewer than 3 taxpayers.

# GEOTHERMAL GROUND-COUPLED HEAT PUMP CREDIT AGAINST PIT AND CIT

**Category:** Environment, Conservation & Renewable Energy

**Brief Description:** A taxpayer who purchases and installs after January 1, 2024 but before December 31, 2034[38] a geothermal ground-coupled heat pump in a residence, business, or agricultural enterprise in New Mexico may claim a credit up to 30% of the purchase and installation costs against PIT or CIT. For credits prior to tax year 2024, the portion of the unused credit may be carried forward for a maximum of 10 consecutive years. For credits issued for tax year 2024 and after, the credit is refundable. The total geothermal ground-coupled heat pump tax credit allowed to a taxpayer shall not exceed $9,000. The department may allow a maximum annual aggregate of $8 million in geothermal ground-coupled heat pump tax credits. EMNRD certifies taxpayer credits.

A "geothermal ground-coupled heat pump" is a device that provides space or water heating or cooling via direct or indirect utilization of heat below the surface of the earth.

**Statutory Basis:** 7-2-18.24 and 7-2A-24 NMSA 1978

**Intended Purpose:** To foster adoption of geothermal ground-coupled heat pumps.

**History:** Originally enacted in 2009 and amended in 2024 and 2025. The 2024 amendment extended the sunset date from 2020 to 2034, made the credit refundable, and increased the annual aggregate amount of credits allowed to $4 million from $2 million.

**Evaluation:** None.

**Recommendations:** None.

**Reliability Factor:** 1 - This credit is separately reported. No estimation is required.

[38] Prior law before amended in 2024, effective May 15, 2024, installation had to occur after January 1, 2010 and before December 31, 2020.

**Fiscal Impact:**

| | | | | |
|---|---|---|---|---|
| **Geothermal Ground-Coupled Heat Pump Credit against PIT and CIT** | **Tax Year (Calendar)** | 2022 | 2023 | 2024 |
| | **Claims** | 74 | 41 | 22 |
| | **Expenditure (thousands)** | $91 | $43 | $19 |
| | | | | |
| | **Fiscal Year** | 2023 | 2024 | 2025 |
| | **Claims** | 81 | 47 | 25 |
| | **Expenditure (thousands)** | $111 | $54 | $22 |

# GOODS AND SERVICES FOR THE DOD RELATED TO DIRECTED ENERGY AND SATELLITES GRT DEDUCTION

**Category:** Highly Specialized Industry

**Brief Description:** Prior to January 1, 2031, receipts from the sale by a qualified contractor of qualified research and development services and qualified directed energy and satellite-related inputs, may be deducted from gross receipts when sold pursuant to a contract with the U.S. Department of Defense.

A taxpayer allowed a deduction pursuant to this section shall report the amount of the deduction separately in a manner required by Tax & Rev.

Definitions:

(1) "directed energy" means a system, including related services, that enables the use of the frequency spectrum, including radio waves, light and x-rays;

(2) "inputs" means systems, subsystems, components, prototypes and demonstrators or products and services involving optics, photonics, electronics, advanced materials, nanoelectromechanical and microelectromechanical systems, fabrication materials and test evaluation and computer control systems related to directed energy or satellites.

**Statutory Basis:** 7-9-115 NMSA 1978

**Intended Purpose:** To promote new and sophisticated technology, enhance the viability of directed energy and satellite projects, attract new projects and employers to New Mexico and increase high-technology employment opportunities in New Mexico.

**History:** Originally enacted in 2015, amended in 2019 and 2025. The 2019 amendment extended the sunset by 10 years to January 1, 2031. The 2025 amendment revised reporting requirements.

**Evaluation:** The deduction has incentivized the growth of this advanced technology industry in New Mexico as demonstrated by the growth in the use of the deduction.

**Recommendations:** None.

**Reliability Factor:** 2 - This deduction is separately reported. Despite being a separately reported deduction, the reliability factor for this deduction is a 2 to reflect that some taxpayers may be claiming this deduction in error. Tax & Rev will further analyze this data and taxpayer reporting of GRT deductions.

**Fiscal Impact:**

| | | | | |
|---|---|---|---|---|
| **DoD Directed Energy and Satellites Deduction** | **Fiscal Year** | 2023 | 2024 | 2025 |
| | **Taxpayers** | 25 | 39 | 39 |
| | **State General Fund Expenditure (thousands)** | $5,522 | $14,039 | $11,161 |
| | **Local Government Expenditure (thousands)** | $3,531 | $9,359 | $7,441 |

# HEAD-OF-FAMILY EXEMPTION FROM PROPERTY TAX

**Category:** Citizen Benefits

**Brief Description:** Property owned by the head of a family who is a New Mexico resident, or property held in trust for the head of a family, is eligible for a $2,000 exemption from property taxation. The exemption shall be deducted from the taxable value of the property to determine the net taxable value of the property. The exemption may only be granted in one county in any tax year.

"Head of a family" is defined as a New Mexico resident who is either:

(1) A married person, but only one spouse in the household may qualify for the exemption; or

(2) A widow or widower; or

(3) A head of household who contributes more than one-half of the cost to support any related person; or

(4) A single person, but only one person in a household may qualify for the exemption; or

(5) A member of a condominium association or like entity who pays the property tax through the association.

**Statutory Basis:** 7-37-4 NMSA 1978

**Intended Purpose:** The exemption supports home ownership and building capital for New Mexico residents and their families.

**History:** Originally enacted in 1973 and amended in 1983, 1989, 1991, and 1993.

**Evaluation:** None.

**Recommendations:** To ensure that inflation does not erode the value of this exemption, the $2,000 exemption amount established in 1993 could be re-indexed for inflation and thereafter adjusted annually for inflation.

**Reliability Factor:** 2 - The fiscal impact is based on the reported number of taxpayers granted the head-of-family exemption and the associated taxable value exempted in each county in the annual County Accessor Evaluation Reports. The fiscal impact is rated a two as the exempted value by county is then multiplied by the weighted average residential mill rate for that county. The total fiscal impact is the sum of the county level estimates. Tax Year 2023 is the most recent data available.

**Fiscal Impact:** The fiscal impact is shared by various taxing authorities that impose the property tax. These include school districts, local governments, special districts and the state general obligation bond debt service fund.

| | | | | |
|---|---|---|---|---|
| **Head-of-Family Exemption from Property Tax** | **Tax Year** | 2021 | 2022 | 2023 |
| | **Claims** | 284,260 | 278,532 | 276,111 |
| | **Expenditure (thousands)** | $16,831 | $17,367 | $17,087 |

# HEALTH CARE PRACTITIONER SERVICES
# GRT DEDUCTION AND HOLD HARMLESS DISTRIBUTION

**Category:** Health Care

**Brief Description:** Receipts of licensed health care practitioners from payments by managed health care providers or by health care insurers for commercial contract services or by Medicare Part C services provided by a health care practitioner, are deductible from gross receipts.

The deduction is separately reported. In 2016, Section 7-1-69.2 was enacted to add a penalty for incorrectly filing for this deduction instead of claiming other exemptions or deductions that must be taken first, resulting in a hold harmless distribution. The penalty is equal to 20% of the value of the hold harmless distribution resulting from the incorrect deduction.

The originating legislation provided for local governments to be held harmless from revenue losses associated with this deduction. Under 2013 legislation, hold harmless distributions were to be phased out over 15 years with exceptions for certain small municipalities and counties. Legislation in 2022 provided for additional exceptions to the phaseout for municipalities with a population over 10,000 and that had not enacted a local-option GRT hold harmless rate. Depending on the municipality's poverty level, as determined by the American Community Survey, the hold harmless distribution no longer phases-out but holds at either 30%, 50% or 80%.

**Statutory Basis:** 7-9-93, 7-1-6.46, and 7-1-6.47 NMSA 1978

**Intended Purpose:** To recruit and retain health care providers in the state.

**History:** All three sections of law were originally enacted in 2004 and amended in 2006 and 2007. Sections 7-1-6.46 and 7-1-6.47 NMSA 1978 were amended in 2013 to initiate the phaseout of local hold harmless distributions. Section 7-9-93 was amended in 2016, following case law that allowed the deduction to be claimed by hospitals, to reinstate the presumed original intention of the deduction by clarifying that the deduction is restricted to health care practitioners only and not hospitals. Section 7-9-93 was amended in 2021 to clarify that physician practice groups are eligible to claim the GRT deduction. Sections 7-1-6.46 and 7-1-6.47 NMSA 1978 were amended in 2022 to make exceptions to the phaseout of the hold harmless distributions.

A 2023 amendment to 7-9-93 NMSA 1978 temporarily expands the deduction to include all receipts from copayments and deductibles paid by an insured to a healthcare practitioner for commercial contract services provided under health insurance until June 30, 2028. A 2024 amendment to 7-9-93 NMSA 1978 clarified the definition of a copayment. 2025 amendments deleted certain obsolete language and clarified language in all three sections.

**Evaluation:** Because of the local hold harmless provision and the loss of the revenue, this deduction comes at a significant cost to the State General Fund.

**Recommendations:** None.

**Reliability Factor:** 1 – This deduction is separately reported. No estimation is required. The deduction amount is multiplied by the statewide average GRT rate for each year to estimate the cost.

**Fiscal Impact:**

| | **Fiscal Year** | 2023 | 2024 | 2025 |
|---|---|---|---|---|
| **Health Care Practitioner Services GRT Deduction and Hold Harmless Distribution** | **State General Fund Expenditure from Local Hold Harmless Distributions (thousands)** | $15,282 | $16,565 | $18,941 |
| | **State General Fund Expenditure from Deduction (thousands)** | $37,203 | $44,239 | $54,912 |
| | **Net State General Fund Expenditure (thousands)** | **$52,485** | **$60,804** | **$73,853** |
| | **Local Government Expenditure from Deduction (thousands)** | $24,103 | $28,993 | $35,988 |
| | **Net Local Government Expenditure** | **$8,821** | **$12,428** | **$17,047** |

# HEARING AND VISION AIDS
# GRT DEDUCTION

**Category:** Health Care

**Brief Description:** Receipts from the sale of vision and hearing aids or from fitting and dispensing of these types of aids are deductible from gross receipts.

Definitions:

(1) "vision aids" are defined as closed circuit television systems, monoculars, magnification systems, speech output devices or other systems specifically designed for use by persons with low vision or visual impairment and not normally used by a person who does not have low vision or visual impairment;

(2) "visual impairment" is defined as a central visual acuity of 20/200 or less in the better eye with use of a correcting lens, or a limitation in the fields of vision so the widest diameter of visual field subtends an angle of 20 degrees or less; and

(3) "hearing aids" are defined as small electronic prescription devices that amplify sound and are usually worn in or behind the ear of a person with impaired hearing.

**Statutory Basis:** 7-9-111 NMSA 1978

**Intended Purpose:** To benefit people who, due to medical conditions, need hearing and vision aids. The deduction reduces the tax burden imposed by GRT.

**History:** Originally enacted in 2007.

**Evaluation:** The U.S. Centers for Disease Control and Prevention reports that half of adults who are 75 and older report some hearing loss. This is a population that is primarily covered by Medicare, but Medicare does not reimburse for hearing aids or the exams needed for fitting aids. Those who served in the US military can have hearing aids covered through the Department of Veterans Affairs. The cost of one hearing aid can be between $1,000 and $4,000 making it cost prohibitive for many people to purchase one aid let alone two. Access to affordable vision and hearing aids improves quality of life.

**Recommendations:** None.

**Reliability Factor:** 4 – Data from the RP-80, NAICS codes Optical Goods Stores and All Other Health and Personal Care Stores, were used to estimate the expenditure. The deduction amount is multiplied by the statewide average GRT rate for each year to estimate the cost. A recent NAICS code revision by the federal Office of Management & Budget is reflected in FY25 estimates.

**Fiscal Impact:**

| | | | | |
|---|---|---|---|---|
| **Hearing and Vision Aids GRT Deduction** | **Fiscal Year** | 2023 | 2024 | 2025 |
| | **State General Fund Expenditure (thousands)** | $912 | $880 | $180 |
| | **Local Government Expenditure (thousands)** | $583 | $587 | $120 |

# HIGH-WAGE JOBS
# CREDIT AGAINST MODIFIED COMBINED TAX

**Category:** Economic Development

**Brief Description:** Eligible employers that create high-wage jobs in New Mexico may apply for a tax credit against State GRT compensating tax, withholding tax, the interstate telecommunications GRT, E911 surcharge and telecommunications relay service surcharge. The credit does not apply against local option GRT. The deadline for creating a new high-wage job is July 1, 2026. An "eligible employer" is an employer that is eligible for the Job Training Incentive Program (JTIP) administered by EDD.

The amount of the credit is 8.5% of the qualifying wages and benefits of an eligible job up to $12,750 per qualifying period for each new job. If an eligible employer meets the requirements, there is no upward limit on the potential number of total credits claimed. The credit is refundable.

**Statutory Basis:** 7-9G-1 NMSA 1978

**Intended Purpose:** To provide an incentive for businesses to create and fill new high-wage jobs in New Mexico.

**History:** Originally enacted in 2004 and amended in 2007, 2008, 2013, 2016, 2019, 2021, and 2025.

The 2013 amendment clarified the application of the high-wage jobs tax credit; defined benefits and wages; added the purpose section; clarified the $12,000 limitation applied per job per qualifying period; limited the time for which a taxpayer can apply for approval of the credit to no later than 12 months following the end of the calendar year in which the taxpayer's final qualifying period closes; closed a loophole with respect to mergers, acquisitions, and reorganizations; changed the population threshold for rural/urban distinction from 40,000 to 60,000; clarified that the goods or services sold must be produced in New Mexico; added a requirement that the taxpayer be certified by EDD as an "eligible employer" for development training program assistance ; clarified that a "new high-wage economic-based job" must be a new job and must be in New Mexico; extended the deadline to hire to July 1, 2020; and increased the wages that must be paid to qualify after July 1, 2015 (from $40,000 to $60,000 in urban communities and from $28,000 to $40,000 in rural communities).

The 2016 amendment changed the eligibility requirements to qualify for the credit and required annual filing; closed gaps that allowed unintended recipients to receive the credit; and removed employee benefits from the calculation of the credit value.

The 2019 amendment removed the requirement of "economic based" from the high wage job classification; reduced the reimbursement rate from 10%

of wages to 8.5%; increased the eligible benefit per job from $12,000 to $12,750; reduced the qualifying period for a "new high-wage job" and "threshold job" from 48 weeks to 44 weeks; and extended the end date for the credit based on the creation of a "new high-wage job" from July 1, 2020 to July 1, 2026.

The 2025 amendment changed the definition of "threshold job" to refer to the first 52 weeks of employment instead of the previous calendar year.

For a recent analysis on the impact of the high-wage jobs credit, see the Tax-E "High-Wage Job Tax Credit," provided by the Legislative Finance Committee, see the Tax Expenditure Assessments at: https://www.nmlegis.gov/Entity/LFC/Revenue_Economic_Reports_and_Tax_Policy.

**Evaluation:** None.

**Recommendations:** None.

**Reliability Factor:** 1 - This credit is separately reported. No estimation is required.

**Fiscal Impact:**

| | | | | |
|---|---|---|---|---|
| **High-Wage Jobs Credit against Modified Combined Tax** | **Tax Year** | 2022 | 2023 | 2024 |
| | **Claims** | 54 | 80 | 40 |
| | **Expenditure (thousands)** | $5,676 | $12,704 | $4,696 |
| | | | | |
| | **Fiscal Year** | 2023 | 2024 | 2025 |
| | **Claims** | 46 | 89 | 86 |
| | **Expenditure (thousands)** | $4,142 | $11,185 | $9,215 |

# HOME FIRE RECOVERY INCOME TAX CREDIT AGAINST PIT

**Category:** Citizen Benefits

**Brief Description:** A taxpayer who is not dependent of another taxpayer and incurs qualified home expenditures for a home in New Mexico to replace a prior home that was destroyed by a wildfire in calendar years 2021 through 2023 may claim a credit against the taxpayer's income tax liability.

The credit equals the qualified home expenditures incurred by the taxpayer not to exceed $50,000 per home and must receive certification from the Construction Industries Division of the Regulations and Licensing Department (RLD). The taxpayer must apply for the credit no later than 12 months after the calendar year in which the construction of the home is completed. The aggregate annual cap of credits that may be certified is $5 million, with applications considered in the order received. The credit is non-refundable and may be carried forward for three consecutive tax years. The credit is effective for taxable years 2024 through December 31, 2029.

Select definitions:

(1) “home” means a dwelling designed for long-term habitation in which the taxpayer resides for a majority of the year and is:

   a. Constructed permanently on a taxpayer's property with a foundation and that cannot be moved; or

   b. A manufactured home or modular home that is a single-family dwelling with a heated area of at least thirty-six by twenty-four feet and at least eight hundred sixty-four square feet and constructed and installed to meet federal and New Mexico standards.

(2) "qualified home expenditures" means gross expenditures for the construction or manufacture of a home on the same property in New Mexico that a taxpayer's prior home was destroyed by a wildfire in calendar years 2021 through 2023, less any compensation related to home construction, manufacture or repair costs received pursuant to the federal Hermit's Peak/Calf Canyon Fire Assistance Act or from insurance or other source of compensation.

**Statutory Basis:** 7-2-18.35 NMSA 1978

**Intended Purpose:** To mitigate the cost to a taxpayer for the reconstruction of a home destroyed in a wildfire by reducing the taxpayer’s personal income tax liability.

**History:** Originally enacted in 2024 and amended in 2025.

**Evaluation:** None.

**Recommendation:** As this credit has not been claimed, RLD or the New Mexico Department of Homeland Security and Emergency Management (DHSEM) may need to conduct outreach to taxpayers who may qualify for the credit.

**Reliability Factor:** 1 – This credit is separately reported.

**Fiscal Impact:** No taxpayer has claimed this credit.

# HOSTING WORLD WIDE WEB SITES
# GRT DEDUCTION

**Category:** Economic Development

**Brief Description:** Receipts from internet connected facilities that store data are deductible from gross receipts. Despite the title, the statute indicates it is not limited to facilities that provide web-hosting. Any facility storing data and connected to the internet qualifies for this deduction.

**Statutory Basis:** 7-9-56.2 NMSA 1978

**Intended Purpose:** Presumably to incentivize data centers to relocate to New Mexico.

**History:** Originally enacted in 1998.

**Evaluation:** According to Data Center Map (datacentermap.com), there are currently 22 colocation data centers operating in the state; 17 of them are located in Albuquerque, 1 in Taos, 1 in Clovis, 2 in Santa Teresa, and 1 in Santa Fe. The majority of these companies started operations in New Mexico after the deduction became effective. However, the statute is written broadly enough that any facility storing data and connected to the internet qualifies.

**Recommendations:** None.

**Reliability Factor:**  2 – The GRT deduction taken by all the companies filing under a NAICS code indicating a primary business of Data Processing, Hosting, and Related Services was summed. The deduction amount is multiplied by the statewide average GRT rate for each year to estimate the cost.

**Fiscal Impact:**

| | **Fiscal Year** | 2023 | 2024 | 2025 |
|---|---|---|---|---|
| **Hosting World Wide Web Sites GRT Deduction** | **State General Fund Expenditure (thousands)** | $1,290 | $1,480 | $1,518 |
| | **Local Government Expenditure (thousands)** | $830 | $970 | $995 |

# INCOME TAX REBATE 2020 TAX YEAR FILING

**Category:** Citizen Benefits

**Brief Description:** Resident taxpayers who were not dependents, who received the working families tax credit against their tax year 2020 income tax liability, and who met income eligibility criteria received a one-time tax rebate of $600. Single filers with AGI not exceeding $31,200 and heads of household, surviving spouses and married individuals filing joint returns with AGI not exceeding $39,000 were eligible for this rebate. The rebate was not allowable after June 30, 2022.

**Statutory Basis:** 7-2-7.4 NMSA 1978

**Intended Purpose:** To provide temporary economic relief to low-income workers from the COVID-19 pandemic and aid in a quick economic recovery of the state. Targeted to benefit low-income essential workers in industries such as food services and retail.

**History:** Originally enacted in 2021.

**Evaluation:** This rebate targeted working taxpayers more susceptible to the impacts of the COVID-19 induced recession. This included low-wage individuals working in the service industry who faced temporary furloughs and lay-offs. Federal and state relief are cited as contributing to the recovery in consumer spending as the loss of wages to a significant portion of the labor force was supplemented with the rebate.

**Recommendation:** Repeal is recommended as this rebate can no longer be claimed, and the return amendment period has passed.

**Reliability Factor:** 1 – This rebate is separately reported, and no estimation is required.

**Fiscal Impact:** Note: reporting more than three years to maintain history of non-recurring rebate data. Data in FY2025 is negative due to return amendments and reversal of some rebates.

| | | | | | | |
|---|---|---|---|---|---|---|
| **2020 income tax rebate** | **Tax Year (Calendar)** | 2020 | 2021 | 2022 | 2023 | 2024 |
| | **Claims** | 171,445 | NA | NA | NA | NA |
| | **Expenditure (thousands)** | $102,547 | | | | |
| | | | | | | |
| | **Fiscal Year** | 2021 | 2022 | 2023 | 2024 | 2025 |
| | **Claims** | 164,227 | 6,825 | 666 | 90 | NA |
| | **Expenditure (thousands)** | $97,663 | $4,521 | $399 | $53 | ($89) |

# INCOME TAX REBATE 2021 TAX YEAR FILING

**Category:** Citizen Benefits

**Brief Description:** Resident taxpayers who were not dependents and who meet income eligibility criteria are eligible for an income tax rebate when filing their tax year 2021 personal income tax return. Single filers and married individuals filing separate returns, with AGI not exceeding $75,000, were eligible for a $250 rebate. Heads of household, surviving spouses and married individuals filing joint returns with AGI not exceeding $150,000 were eligible for a $500 rebate. The rebate was not allowable after June 30, 2023.

**Statutory Basis:** 7-2-7.6 NMSA 1978

**Intended Purpose:** To provide temporary economic relief to low-income New Mexico residents during inflationary price increases.

**History:** Originally enacted in 2022.

**Evaluation:** None.

**Recommendation:** None.

**Reliability Factor:** 1 – This rebate is separately issued, and no estimation is required.

**Fiscal Impact:** Note: reporting more than three years to maintain history of non-recurring rebate data.

| | | | | | |
|---|---|---|---|---|---|
| **2021 income tax rebate** | **Tax Year (Calendar)** | 2021 | 2022 | 2023 | 2024 |
| | **Claims** | 838,132 | NA | NA | NA |
| | **Expenditure (thousands)** | $302,305 | | | |
| | | | | | |
| | **Fiscal Year** | 2022 | 2023 | 2024 | 2025 |
| | **Claims** | 767,373 | 67,847 | 2,557 | 310 |
| | **Expenditure (thousands)** | $277,008 | $23,704 | $1,331 | $245 |

# INVESTMENT CREDIT AGAINST GRT, COMPENSATING TAX, OR WITHHOLDING TAX

**Category:** Economic Development

**Brief Description:** The investment credit is for equipment owned and introduced into New Mexico for use by a taxpayer in a new or expanded manufacturing operation.

To be eligible for the credit, prior to June 30, 2030, the taxpayer must employ one full-time equivalent ("FTE") for every $750,000 of qualified equipment claimed (up to $30 million) and one FTE for every $1 million of qualified equipment claimed (over $30 million).

The credit may be applied against a maximum of 85% of a taxpayer's state and local option gross receipts (GRT), compensating (CMP) tax, and withholding tax (WH) liability, but first must be applied to gross receipts and compensating tax liability before being claimed against withholding tax liability.

The credit is refundable up to $250,000 if the taxpayer's available credit is less than $500,000 and the sum of the taxpayer's gross receipts, compensating, and withholding tax due for the previous calendar year was less than 35% of the taxpayer's available credit but more than $10,000. Otherwise, the credit is carried forward for an unlimited time.

**Statutory Basis:** 7-9A-1 *et seq.* NMSA 1978

**Intended Purpose:** To provide a favorable tax climate for manufacturing businesses and to promote increased employment in New Mexico.

**History:** Originally enacted in 1979 and amended in 1983, 1986, 1990, 1991, 2001, 2002, 2003, 2009, 2020 and 2025. The 2020 amendment: set a sunset date of July 1, 2030 for the valuation of equipment and employment to apply for the credit; includes a calculation for the investment credit if the sale of qualified equipment for which the credit is allowed is subject to GRT and if the qualified equipment is not subject to GRT or the compensating tax; changes the employment requirement amounts and extends these amounts until July 1, 2030; and provides that the investment credit will be claimed against a taxpayer's state and local tax liabilities. The 2025 amendment ties the credit amount to the current state gross receipts tax rate rather than a fixed 5.125%, which was the state rate prior to the rate reduction enacted in 2022.

**Evaluation:** EDD reports that, due to this incentive, the state has attracted manufacturing businesses from industries such as breweries and wineries.

**Recommendations:** Require the credit to be claimed in consecutive months once the taxpayer starts claiming the credit. Establish a limit to how many consecutive years the credit may be carried forward. It is recommended that GRT tax expenditures be

structured as deductions for ease of administration and taxpayer compliance, as credits are more complicated to administer than deductions.

**Reliability Factor:** 1 - This credit is separately reported. No estimation is required.

**Fiscal Impact:**

| | | | | |
|---|---|---|---|---|
| **Investment Credit against GRT, CMP, or WH** | **Tax Year** | 2022 | 2023 | 2024 |
| | **WH Claims** | 42 | 25 | 3 |
| | **WH Expenditure (thousands)** | $4,035 | $3,403 | $119 |
| | **GRT and CMP Claims** | 65 | 29 | 14 |
| | **GRT and CMP Local Government Expenditure (thousands)** | $228 | $200 | $56 |
| | **GRT and CMP State General Fund Expenditure (thousands)** | $352 | $305 | $86 |
| | | | | |
| | **Fiscal Year** | 2023 | 2024 | 2025 |
| | **WH Claims** | 50 | 61 | 36 |
| | **WH Expenditure (thousands)** | $8,040 | $3,067 | $2,548 |
| | **GRT and CMP Claims** | 74 | 69 | 29 |
| | **GRT and CMP Local Government Expenditure (thousands)** | $175 | $255 | $163 |
| | **GRT and CMP State General Fund Expenditure (thousands)** | $271 | $388 | $248 |

# INVESTMENT MANAGEMENT OR ADVISORY SERVICES GRT DEDUCTION

**Category:** Economic Development

**Brief Description:** Receipts from fees received for performing management or investment advisory services for a mutual fund, hedge fund, or real estate investment trust are deductible from gross receipts.

**Statutory Basis:** 7-9-108 NMSA 1978

**Intended Purpose:** To incentivize fund managers to locate in New Mexico, thereby increasing income tax revenues and disposable income that will circulate through the State's economy.

**History:** Originally enacted in 2007.

**Evaluation:** None.

**Recommendations:** None.

**Reliability Factor:** 3 – Tax & Rev does not have any direct data to estimate this deduction. Tax & Rev reports with aggregated data were used. Gross receipts for taxpayers classified in certain financial activities are aggregated to establish a bound for this deduction. This estimate represents the general magnitude of the deduction. The deduction amount is multiplied by the statewide average GRT rate for each year to estimate the cost.

**Fiscal Impact:**

| | Fiscal Year | 2023 | 2024 | 2025 |
|---|---|---|---|---|
| **Investment Management or Advisory Services GRT Deduction** | **State General Fund Expenditure (thousands)** | $700 | $700 | $1,600 |
| | **Local Government Expenditure (thousands)** | $400 | $400 | $1,000 |

# JET FUEL FORTY PERCENT GRT AND COMPENSATING TAX DEDUCTION

**Category:** Economic Development

**Brief Description:** From July 1, 2003, through June 30, 2017, 55% of the receipts from the sale of fuel specially prepared and sold for use in turboprop or jet-type engines, as determined by Tax & Rev, were deductible from gross receipts.

From July 1, 2003, through June 30, 2017, 55% of the value of the fuel specially prepared and sold for use in turboprop or jet-type engines as determined by Tax & Rev, was deductible in computing compensating tax.

After June 30, 2017, the amount of the deductions is reduced to 40% of the receipts from the sale or value of the fuel.

**Statutory Basis:** 7-9-83 and 7-9-84 NMSA 1978

**Intended Purpose:** Presumably to incentivize routing of air traffic through New Mexico by reducing the effective cost of refueling in New Mexico.

**History:** Originally enacted in 1993 and amended in 2003, 2006, and 2011, when the deduction was extended through 2017 and reduced from 55% to 40% of the receipts attributable to the sale of jet fuel. The 2025 amendment revised reporting requirements and removed certain obsolete language.

**Evaluation:** None.

**Recommendations:** Consider requiring this deduction be separately reported. Tax & Rev distributes funds to the State Aviation Fund from the taxable sales of jet fuel in the state. Separately-reporting the deduction would help ensure that distributions are based on taxable sales after the deduction has been taken.

**Reliability Factor:** 2 – Tax & Rev asks taxpayers who claim this deduction to report it separately, but there is no statutory requirement to do so. The reliability factor for this deduction is 2, indicating that some taxpayers may be claiming this deduction in error. Tax & Rev will be further analyzing this data and taxpayer reporting of GRT deductions. The deduction amount is multiplied by the statewide average GRT rate for each year to estimate the cost.

No compensating tax was estimated for fiscal years 2023 and 2024. Starting in fiscal year 2025, taxpayers were required to report their GRT and compensating tax deductions separately.

**Fiscal Impact:**

| | | | | |
|---|---|---|---|---|
| **Jet Fuel Forty Percent GRT Deduction** | **Fiscal Year** | 2023 | 2024 | 2025 |
| | **Taxpayers** | 17 | 17 | 20 |
| | **State General Fund GRT Expenditure (thousands)** | $1,531 | $1,347 | $1,101 |
| | **Local Government GRT Expenditure (thousands)** | $979 | $898 | $734 |
| | **Compensating Tax (thousands)** | Unknown | Unknown | - |

TABLE NOTE: "-" Means data is redacted due to fewer than 3 taxpayers.

# JOB MENTORSHIP
# CREDIT AGAINST PIT AND CIT

**Category:** Citizen Benefits

**Brief Description:** Businesses hiring qualified students in a school-sanctioned, career-preparation education program may claim a credit against PIT and CIT. Qualifying businesses must employ students attending an accredited New Mexico secondary school full-time.

Credits are equal to 50% of the gross wages paid, subject to limitations and may be carried forward for three years. A taxpayer may not claim a credit of more than $12,000 in any taxable year.

**Statutory Basis:** 7-2-18.11 and 7-2A-17.1 NMSA 1978

**Intended Purpose:** To encourage New Mexico businesses to hire youth participating in a career preparation education program.

**History:** Originally enacted in 2003. Repealed in 2025 with an effective date of July 1, 2025.

**Evaluation:** None.

**Recommendations:** None.

**Reliability Factor:** 1 - This credit is separately reported. No estimation is required.

**Fiscal Impact:** This credit is repealed effective July 1, 2025. This will be the last time this credit is reported on in the annual Tax Expenditure Report.

| | | | | |
|---|---|---|---|---|
| **Job Mentorship Credit against PIT and CIT** | **Tax Year (Calendar)** | 2022 | 2023 | 2024 |
| | **Claims** | 0 | 0 | 0 |
| | **Expenditure (thousands)** | $0 | $0 | $0 |
| | | | | |
| | **Fiscal Year** | 2023 | 2024 | 2025 |
| | **Claims** | 0 | 0 | 0 |
| | **Expenditure (thousands)** | $0 | $0 | $0 |

# LABORATORY PARTNERSHIP WITH SMALL BUSINESS CREDIT AGAINST GRT

**Category:** Economic Development

**Brief Description:** A national laboratory that offers certain types of eligible assistance to individual small businesses in New Mexico, and incurs expenses for doing so, may claim a credit against the state portion of GRT of up to $20,000 per business ($40,000 per business in a rural area). The tax credits claimed by an individual national laboratory shall not exceed $2,400,000 in a given calendar year.

**Statutory Basis:** 7-9E-1 *et seq.* NMSA 1978

**Intended Purpose:** To bring the technology and expertise of the national laboratories to small businesses in New Mexico and to promote economic development in the state, with an emphasis on rural areas.

**History:** Originally enacted in 2000, amended in 2007 and 2019.

The 2019 amendment increased the maximum amount that may be claimed for businesses in urban areas from $10,000 to $20,000 and increased from $20,000 to $40,000 for businesses located in rural areas.

**Evaluation:** According to the New Mexico Small Business Assistance ("NMSBA") annual report, since inception through 2000, the program has assisted 3,135 small businesses with 9,710 jobs created and retained.

**Recommendations:** None.

**Reliability Factor:** 1 - This credit is separately reported. No estimation is required. The fiscal impact is against the state portion only of GRT, with no impact to local government distributions.

**Fiscal Impact:**

| | | | | |
|---|---|---|---|---|
| **Laboratory Partnership with Small Business Credit against GRT** | **Tax Year** | 2022 | 2023 | 2024 |
| | **State General Fund Expenditure (thousands)** | $4,550 | $4,490 | $4,661 |
| | | | | |
| | **Fiscal Year** | 2023 | 2024 | 2025 |
| | **State General Fund Expenditure (thousands)** | $4,550 | $2,300 | $6,851 |

NOTE: Tax & Rev is not required to redact this information even though it relates to fewer than three taxpayers because the data is published independently by both taxpayers.

# LEGAL SERVICES FOR WILDFIRE COMPENSATION RECOVERY GRT CREDIT

**Category:** Citizen Benefits

**Brief Description:** A taxpayer who provides legal services to a person eligible to receive compensation pursuant to the federal Hermit's Peak/Calf Canyon Fire Assistance Act may claim a tax credit against gross receipts taxes, provided that:

(1) the legal services are directly related to recovering the compensation;

(2) the taxpayer did not pass the amount of gross receipts tax on to the person eligible to receive the federal compensation; and

(3) the legal services were sold to a person who confirms to the department the conditions above under (1) and (2).

The credit has an annual aggregate cap of $5 million that may be claimed. The credit is not refundable but may be carried forward for thirty-six consecutive taxable periods.

**Statutory Basis:** 7-9-121 NMSA 1978

**Intended Purpose:** To aid claimants of compensation under the federal Hermit's Peak/Calf Canyon Fire Assistance Act, who are responsible for paying their attorney fees and expenses.

**History:** Originally enacted in 2024.

**Evaluation:** None.

**Recommendation:** It is recommended that GRT tax expenditures be structured as deductions for ease of administration and taxpayer compliance, as credits are more complicated to administer than deductions. Taxpayer burden may be a reason this credit has not been more frequently claimed.

**Reliability Factor:** 1 - This credit is separately reported. No estimation is required.

**Fiscal Impact:** Data cannot be disclosed due to the number of taxpayers being fewer than three.

# LIQUOR LICENSE HOLDERS DEDUCTION FROM GRT

**Category:** Highly Specialized Industries

**Brief Description:** Taxpayers who are a liquor license holder and who held the license on June 30, 2021, are eligible for a deduction from GRT liability. For each dispenser's license for which sales of alcoholic beverages for consumption off premises are less than 50% of total alcoholic beverage sales, up to $50,000 of receipts from the sale of alcoholic beverages may be deducted from gross receipts. The deduction is available for taxable years 2022 through 2025.

Select definitions:

(1) "alcoholic beverage" means alcoholic beverage as defined in the Liquor Control Act;

(2) "dispenser's license" is defined as a license issued pursuant to the Liquor Control Act and allows the licensee to sell, offer for sale or have the intent to sell alcoholic beverages both for consumption on the licensed premises and for consumption, not for resale, off the licensed premises;

(3) liquor license holder" is defined as a person that holds a retailer's license or one of two dispenser's licenses issued pursuant to the Liquor Control Act and the license was issued prior to July 1, 2021.

**Statutory Basis:** 7-9-119 NMSA 1978

**Intended Purpose:** Supporting business owners with long-held liquor licenses impacted by COVID-19, business closures and those impacted by changes to the liquor license structure.

**History:** Originally enacted in 2021 and amended in 2025.

**Evaluation:** None.

**Recommendation:** This deduction may be repealed in the future once the taxpayer statute of limitations to amend returns and the timeline for audit adjustments have passed.

**Reliability Factor:** 3 – This deduction is separately reported. Despite being a separately reported deduction, the reliability factor for this deduction is a 3 to reflect that some taxpayers may be claiming this deduction in error and others may not be reporting under the correct deduction code. Review of the number of taxpayers in FY2025 shows a marked decline in taxpayers claiming this deduction reflecting an effort to improve taxpayer compliance in claiming this deduction. The deduction amount is multiplied by the statewide average GRT rate for each year to estimate the cost.

**Fiscal Impact:**

| | | | | |
|---|---|---|---|---|
| **Liquor License Holders Deduction from GRT** | **Fiscal Year** | 2023 | 2024 | 2025 |
| | **Claims** | 319 | 1,340 | 389 |
| | **State General Fund Expenditure (thousands)** | $279 | $3,676 | $210 |
| | **Local Government Expenditure (thousands)** | $181 | $2,432 | $138 |

# LIQUOR LICENSE LESSOR DEDUCTION FROM PIT AND CIT

**Category:** Highly Specialized Industries

**Brief Description:** Taxpayers who are a liquor license lessor and who held the license on June 30, 2021, are eligible for a deduction from PIT or CIT liability. The deduction amount is equal to the gross receipts from sales of alcoholic beverages made by each liquor license lessee, not to exceed $50,000 per year for each of four taxable years ending with tax year 2025. In the case of a dispenser's license, sales of alcoholic beverages for consumption off premises must be less than 50% of total alcoholic beverage sales.

Select definitions:

(1) "Liquor license lessor" is defined as a person that leases a liquor license to a third party;

(2) "Liquor license lessee" is defined as a person that leases a liquor license from a liquor license lessor;

(3) "dispenser's license" is defined as a license issued pursuant to the Liquor Control Act and allows the licensee to sell, offer for sale or have the intent to sell alcoholic beverages both for consumption on the licensed premises and for consumption, not for resale, off the licensed premises.

**Statutory Basis:** 7-2-40 and 7-2A-31 NMSA 1978

**Intended Purpose:** Supporting business owners with long-held liquor licenses impacted by COVID-19, business closures and those impacted by changes to the liquor license structure.

**History:** Originally enacted in 2021 and amended in 2025.

**Evaluation:** None.

**Recommendation:** This deduction may be repealed in the future once the taxpayer statute of limitations to amend returns and the timeline for audit adjustments have passed.

**Reliability Factor:** 1 – This deduction is separately reported.

**Fiscal Impact:**

| | | | | |
|---|---|---|---|---|
| **Liquor License Lessor Deduction from PIT and CIT** | **Tax Year (Calendar)** | 2022 | 2023 | 2024 |
| | **Claims** | <3 | 0 | 0 |
| | **Expenditure (thousands)** | $- | $0 | $0 |
| | | | | |
| | **Fiscal Year** | 2023 | 2024 | 2025 |
| | **Claims** | 18 | 4 | <3 |
| | **Expenditure (thousands)** | $22 | $3 | $- |

TABLE NOTE: "-" Means data is redacted due to fewer than 3 taxpayers.

# LOAN-RELATED COSTS
# GRT DEDUCTION

**Category:** Citizen Benefits

**Brief Description:** Receipts from charges made in connection with the origination, making, or assumption of a loan or from charges made for handling loan payments are deductible from gross receipts.

**Statutory Basis:** 7-9-61.1 NMSA 1978

**Intended Purpose:** Presumably to reduce the costs of borrowing, thereby increasing access to capital in New Mexico.

**History:** Originally enacted in 1981.

**Evaluation:** None.

**Recommendations:** None.

**Reliability Factor:** This deduction has no reporting requirement and Tax & Rev does not have any direct data to estimate it.

**Fiscal Impact:** Unknown.

# LOCOMOTIVE ENGINE FUEL
# GRT AND COMPENSATING TAX DEDUCTION

**Category:** Highly Specialized Industry

**Brief Description:** Receipts from the sale of fuel to a common carrier to be loaded or used in a locomotive engine are deductible from gross receipts and compensating tax (CMP).

The value of fuel to be loaded or used by a common carrier in a locomotive engine in a locomotive engine is deductible when computing the compensating tax due.

**Statutory Basis:** 7-9-110.1, 7-9-110.2 and 7-9-110.3 NMSA 1978

**Intended Purpose:** To encourage the construction, renovation, maintenance and operation of railroad locomotive refueling facilities and other railroad capital investments in New Mexico.

**History:** Originally enacted in 2011. Section 7-9-110.3 NMSA 1978 was amended in 2013 and 2025. The 2025 amendment revised reporting requirements.

**Evaluation:** According to Union Pacific's (UP) annual report for FY2025, the company has directly provided 447 jobs, of which 278 are UP's employees and 169 are contractors. The company reports that the average salary of 278 employees is $118,548. This represents an increase of 4.8% over the FY2024 average salary. Furthermore, 53 of the employees are subject to Withholding Tax.

Burlington Northern Santa Fe (BNSF) reports 976 jobs for FY2025. These are new and previously existing jobs. BNSF reported operating revenue for 2024 at $1.95 billion, an increase of $471 million since 2013.

**Recommendations:** None.

**Reliability Factor:** 2 - Gross purchases and deduction amounts are separately reported directly by taxpayers to EDD. Some estimation is required by Tax & Rev.

**Fiscal Impact:**

| | Fiscal Year | 2023 | 2024 | 2025 |
|---|---|---|---|---|
| **Locomotive Engine Fuel GRT and Compensating Tax Deduction** | **State General Fund Comp Expenditure (thousands)** | $13,558 | $12,010 | $11,409 |
| | **Local Government Comp Expenditure (thousands)** | $8,668 | $8,006 | $7,606 |
| | **State General Fund GRT Expenditure (thousands)** | $7,936 | $5,190 | $5,268 |
| | **Local Government GRT Expenditure (thousands)** | $5,074 | $3,460 | $3,512 |

# LOTTERY RETAILER RECEIPTS GRT DEDUCTION

**Category:** Highly Specialized Industry

**Brief Description:** Receipts of a lottery game retailer from selling lottery tickets pursuant to the New Mexico Lottery Act may be deducted from gross receipts.

**Statutory Basis:** 7-9-87 NMSA 1978

**Intended Purpose:** To reduce the cost of lottery tickets, to increase lottery ticket sales, a portion of which goes to the Lottery Scholarship Program.

**History:** Originally enacted in 1995.

**Evaluation:** None.

**Recommendations:** None.

**Reliability Factor:** 2 – The cost of this deduction was estimated using ticket sales published in New Mexico Lottery annual reports multiplied by the statewide average GRT rate for each fiscal year. Since there is a year lag in the reports, the expenditure for the fiscal year 2025 was estimated using the average of the five previous fiscal years.

**Fiscal Impact:**

| | **Fiscal Year** | 2023 | 2024 | 2025 |
|---|---|---|---|---|
| **Lottery Retailer Receipts GRT Deduction** | **State General Fund Expenditure (thousands)** | $7,245 | $7,137 | $6,352 |
| | **Local Government Expenditure (thousands)** | $4,632 | $4,677 | $4,163 |

# LOW-INCOME COMPREHENSIVE TAX REBATE AND SIXTY-FIVE OR OLDER ADDITIONAL REBATE

**Category:** Citizen Benefits

**Brief Description:** The low-income comprehensive tax rebate ("LICTR") represents a partial offset for state and local consumption taxes paid by low-income taxpayers. It may be claimed by taxpayers with a modified gross income of less than $36,000. The rebate amount is dependent upon modified gross income as well as the number of personal exemptions claimed, defined as the sum of the taxpayer, spouse and dependents reported on the taxpayer's federal return, and varies between $15 and $730[39].

An individual who is 65 years or older or blind may claim additional exemptions for the low-income comprehensive tax rebate and so qualify for a higher rebate.

**Statutory Basis:** 7-2-14 NMSA 1978

**Intended Purpose:** To ease the consumption tax burden for low-income taxpayers and to reduce the financial burden on older, disabled taxpayers.

**History:** LICTR was originally enacted in 1972 and amended in 1973, 1974, 1975, 1977, 1978, 1981, 1986, 1987, 1990, 1992, 1994, 1998 and 2021. The 2021 amendment increased the income eligibility threshold for the rebate from $22,000 to $36,000 and the maximum rebate amount from $450 to $730. For taxable year 2022 and each subsequent taxable year, the rebate amount shall be adjusted for inflation based on the consumer price index. The additional exemptions provided to 65 years or older, or blind taxpayers was originally enacted in 1987.

**Evaluation:** It is important to combine different strategies to support successful transition out of poverty and evaluate them together. LICTR provides a valuable offset to New Mexico's regressive GRT, which is relatively high compared to gross receipts and sales taxes in other states. LICTR phases out as income rises, ensuring a smooth tapering off this support to low-income taxpayers. The 2021 amendment provides that LICTR will be adjusted for inflation in future years, ensuring the support offered by LICTR is not diluted over time. In the last three fiscal years, on average 331,000 taxpayers benefitted from LICTR and about 60,000 taxpayers benefitted from the additional exemptions for blind or 65 years or older taxpayers.

Given that the savings rate among lower income taxpayers is relatively low, there is a high likelihood that this money is recirculating throughout the New

[39] Prior to June 18, 2021, the rebate ranged from $10 to $450.

Mexico economy to increase consumption and economic activity in New Mexico.

**Recommendations:** None.

**Reliability Factor:** 1 - These rebates are separately reported. No estimation is required.

**Fiscal Impact:**

| | | | | |
|---|---|---|---|---|
| **Rebate, Low Income Comprehensive Tax (LICTR)** | **Tax Year (Calendar)** | 2022 | 2023 | 2024 |
| | **Claims** | 342,161 | 315,515 | 291,767 |
| | **Expenditure (thousands)** | $47,410 | $45,937 | $43,446 |
| | | | | |
| | **Fiscal Year** | 2023 | 2024 | 2025 |
| | **Claims** | 350,451 | 328,801 | 314,848 |
| | **Expenditure (thousands)** | $48,493 | $47,785 | $47,057 |

| | | | | |
|---|---|---|---|---|
| **65 and older or blind additional LICTR** | **Tax Year (Calendar)** | 2022 | 2023 | 2024 |
| | **Claims** | 62,087 | 57,148 | 52,617 |
| | **Expenditure (thousands)** | $11,947 | $11,484 | $10,822 |
| | | | | |
| | **Fiscal Year** | 2023 | 2024 | 2025 |
| | **Claims** | 64,455 | 59,089 | 57,007 |
| | **Expenditure (thousands)** | $12,368 | $11,866 | $11,729 |

# LOW-INCOME
# PROPERTY TAX REBATE AGAINST PIT

**Category:** Citizen Benefits

**Brief Description:** The low-income property tax rebate is a partial offset for property taxes paid by low-income residents. It may be claimed by individuals with:

(1) a principal place of residence in a county that has enacted an ordinance authorizing the rebate, and

(2) modified gross income of less than $24,000.

The rebate is calculated as a percentage of the taxpayer's property tax liability and based on the taxpayer's modified gross income. The rebate cannot exceed $350, or $175 if married filing separately.

The state is reimbursed annually by the authorizing county for any low-income property tax rebates granted under this section.

**Statutory Basis:** 7-2-14.3 NMSA 1978

**Intended Purpose:** To offset property taxes for those whose income is insufficient to cover their property taxes to prevent the individuals from being forced out of their homes.

**History:** The low-income property tax rebate was originally enacted in 1994 and amended in 1997 and 2003. Santa Fe County passed an ordinance in 2009 to instate the rebate starting in tax year 2009 and subsequent tax years until repealed. Los Alamos County passed ordinances in 2021 and in 2025 to instate the rebate for tax years 2021 through 2028. Doña Ana County passed an ordinances 2023 and 2025 instating the rebate for tax years 2023 through 2026. Bernalillo County passed an ordinance in 2025 instating the rebate starting in tax year 2025 and subsequent tax years until repealed.

**Evaluation:** The low-income property tax rebate has only been adopted by four counties at this time – Santa Fe, Los Alamos, Doña Ana, and Bernalillo. Because counties bear the cost of this tax expenditure, the cost of the rebate may be prohibitive for some counties. Counties with high rates of poverty coupled with high rates of property value growth, which may make retaining property ownership more difficult, are encouraged to consider adopting the program.

The impact of new residents from Doña Ana claiming this rebate began in tax year 2023 and fiscal year 2024, resulting in a 76% increase in expenditures of this rebate from 2023 to 2025. The impact of new residents in Bernalillo County claiming this rebate will appear beginning in tax year 2025.

Given that the savings rate among lower income taxpayers is relatively low, there is a high likelihood that this money is recirculating throughout the New

Mexico economy to increase consumption and economic activity in New Mexico.

**Recommendations:** None.

**Reliability Factor:** 1 - The rebate is separately reported. No estimation is required.

**Fiscal Impact:**

| | | | | |
|---|---|---|---|---|
| **Rebate, Low Income Property Tax (local government – authorizing counties)** | **Tax Year (Calendar)** | 2022 | 2023 | 2024 |
| | **Claims** | 1,671 | 2,872 | 2,985 |
| | **Expenditure (thousands)** | $530 | $859 | $871 |
| | | | | |
| | **Fiscal Year** | 2023 | 2024 | 2025 |
| | **Claims** | 1,702 | 3,238 | 3,251 |
| | **Expenditure (thousands)** | $538 | $955 | $950 |

# LOW- AND MIDDLE-INCOME TAXPAYERS EXEMPTION FROM PIT

**Category:** Citizen Benefits

**Brief Description:** An individual may claim an exemption equal to the number of personal exemptions, defined as the sum of the taxpayer, spouse and dependents reported on the taxpayer's federal return, multiplied by a maximum of $2,500. The amount of the exemption is income- and filing status- dependent and is deducted from the individual's net income.

(1) For married filing separate returns,
   a. if adjusted gross income is not over $15,000, 2,500 for each federal exemption;
   b. if adjusted gross income is over $15,000 but not over $27,500, $2,500 less 20% of the amount obtained by subtracting $15,000 from adjusted gross income.

(2) For single returns,
   a. if adjusted gross income is not over $20,000, $2,500 for each federal exemption;
   b. if adjusted gross income is over $20,000 but not over $36,667, $2,500 less 15% of the amount obtained by subtracting $20,000 from adjusted gross income.

(3) For married filing joint, surviving spouses or head of household returns,
   a. if adjusted gross income is not over $30,000, $2,500 for each federal exemption;
   b. if adjusted gross income is over $30,000 but not over $55,000, $2,500 less 10% of the amount obtained by subtracting $30,000 from adjusted gross income.

**Statutory Basis:** 7-2-5.8 NMSA 1978

**Intended Purpose:** The exemption reduces the tax liability of households with less than a specified threshold of adjusted gross income. This results in lower income households retaining more of their income.

**History:** Originally enacted in 2005 and amended in 2007. The 2007 amendment increased the adjusted gross income threshold amounts for taxpayers eligible for the exemption.

**Evaluation:** This exemption excludes more than $1.7 billion of income from the PIT base each year. On average, about 530,000 New Mexico taxpayers receive this exemption each fiscal year. The exemption amount phases out as adjusted gross income rises. Given that the savings rate among lower income taxpayers is relatively low, there is a high likelihood that this money is recirculating throughout the New Mexico economy to increase consumption and economic activity in New Mexico.

**Recommendations:** Although the number of eligible households claiming the exemption is significant, the income thresholds are currently defined by filing status and do not adjust for inflation. Consider updating statutory thresholds to account for inflation.

**Reliability Factor:** 2 – This exemption is separately reported. Some estimation is required.

**Fiscal Impact:**

| | | | | |
|---|---|---|---|---|
| **Exemption, Low-Middle Income** | **Tax Year (Calendar)** | 2022 | 2023 | 2024 |
| | **Claims** | 540,310 | 503,847 | 464,535 |
| | **Expenditure (thousands)** | $15,884 | $13,909 | $12,151 |
| | | | | |
| | **Fiscal Year** | 2023 | 2024 | 2025 |
| | **Claims** | 556,327 | 528,158 | 506,507 |
| | **Expenditure (thousands)** | $16,841 | $14,753 | $13,038 |

# MEDICAL AND HEALTH CARE SERVICES
# GRT DEDUCTION

**Category:** Health Care

**Brief Description:** Receipts from payments by the U.S. government or any agency thereof for Medicare services (Medicare) received by certain medical practitioners and medical-related facilities, receipts of medical doctors and osteopathic physicians from payments by a third-party administrator of the federal TRICARE program (Tricare), receipts of a medical doctor or osteopathic physician from payments by or on behalf of the Indian Health Service (Indian) of the U.S. Department of Health and Human Services for the provision of medical and other health services to covered beneficiaries, receipts of a hospice or nursing home (Hospice) from payments by the United States government, or any agency thereof, or from a Medicare administrative contractor for medical and other health and palliative services provided by the hospice or nursing home to Medicare beneficiaries, receipts of a clinical laboratory (Clinical) from payments by the United States government, or any agency thereof, or from a Medicare administrative contractor for medical services provided by the clinical laboratory to Medicare beneficiaries, receipts of a home health agency (Home) from payments by the United States government, or any agency thereof, or from a Medicare administrative contractor for medical, other health and palliative services provided by the home health agency to Medicare beneficiaries, and receipts of a dialysis facility (Dialysis) from payments by the United States government, or any agency thereof, or from a Medicare administrative contractor for medical and other health services provided by the dialysis facility to Medicare beneficiaries are deductible from gross receipts.

**Statutory Basis:** 7-9-77.1 NMSA 1978

**Intended Purpose:** To recruit and retain healthcare practitioners in the state. According to DOH and the Indian Affairs Department, the deduction makes it more profitable for medical providers to serve Native American populations in New Mexico as these communities face difficulties in recruiting health care practitioners due to below-average salaries.

**History:** Originally enacted in 1998, amended in 2000, 2003, 2005, 2007, 2014, 2016, 2021, 2022 and 2025. The 2025 amendment revised reporting requirements.

The 2021 amendment clarifies that physician practice groups are eligible to claim the GRT deduction, aligning the statute with regulations. An additional amendment updates qualifications of osteopathic physicians.

The 2022 amendment made several changes, including adding Medicare administrative contractors' gross receipts as eligible for the deduction and clarifying that the gross receipts associated with hospices and nursing homes are eligible if associated with the approved service providers.

**Evaluation:** Because medical services of this type are typically reimbursed based on pre-established rate schedules, health care providers would likely not be able to recoup the GRT, even if their services were subject to GRT.

Likewise, the out-of-pocket portion of the payment is also predetermined, leaving the provider unable to pass the burden of the tax on to the consumer.

The expenditure is determined to be effective due to the extensive utilization of the deduction.

**Recommendations:** None.

**Reliability Factor:** 2 – This deduction is separately reported. Despite being a separately reported deduction, the reliability factor for this deduction is a 2 to reflect that some taxpayers may be claiming this deduction in error. Tax & Rev will further analyze this data and taxpayer reporting of GRT deductions. The deduction amount is multiplied by the statewide average GRT rate for each year to estimate the cost. The figures for FY22 and FY23 have been adjusted to incorporate deduction categories not included in previous reports.

**Fiscal Impact:**

| | | | | | |
|---|---|---|---|---|---|
| **Medical and Health Care Services GRT Deduction** | **Fiscal Year** | | 2023 | 2024 | 2025 |
| | **Taxpayers** | | 1,302 | 1,491 | 1,337 |
| | **State General Fund Expenditure (thousands)** | Medicare | $23,290 | $38,012 | $42,813 |
| | | Tricare | $1,589 | $4,319 | $2,786 |
| | | Indian | $628 | $976 | $958 |
| | | Clinical | $1,181 | $770 | $748 |
| | | Home | $2,052 | $3,095 | $2,705 |
| | | Dialysis | $3,932 | $5,273 | $3,664 |
| | | Hospice | $780 | $3,107 | $3,232 |
| | | **Total** | **$32,672** | **$55,551** | **$56,905** |
| | **Local Government Expenditure (thousands)** | Medicare | $14,890 | $25,341 | $28,542 |
| | | Tricare | $1,016 | $2,880 | $1,857 |
| | | Indian | $402 | $650 | $639 |
| | | Clinical | $755 | $513 | $498 |
| | | Home | $1,312 | $2,063 | $1,803 |
| | | Dialysis | $2,514 | $3,515 | $2,442 |
| | | Hospice | -- | $2,071 | $2,154 |
| | | **Total** | **$20,889** | **$37,034** | **$37,937** |

# MEDICAL CARE SAVINGS ACCOUNT EXEMPTION FROM PIT

**Category:** Citizen Benefits

**Brief Description:** The interest earned on medical care savings accounts and money reimbursed to an employee for eligible medical expenses from those accounts or money advanced to the employee by the employer for eligible medical expenses are exempt from PIT.

**Statutory Basis:** 7-2-5.6 NMSA 1978

**Intended Purpose:** To encourage investment in medical care savings accounts.

**History:** Originally enacted in 1995.

**Evaluation:** This exemption incentivizes individuals to save for future medical expenses, which increases the likelihood that New Mexicans will be able to afford medical care and may lead to a healthier population. In the last three fiscal years the number of claims has averaged 1,230, with an annual average expenditure of around $119 thousand.

**Recommendations:** None.

**Reliability Factor:** 2 – This exemption is separately reported. Some estimation is required.

**Fiscal Impact:**

| | | | | |
|---|---|---|---|---|
| **Medical Care Savings Account Exemption from PIT** | **Tax Year (Calendar)** | 2022 | 2023 | 2024 |
| | **Claims** | 1,212 | 1,208 | 1,141 |
| | **Expenditure (thousands)** | $114 | $124 | $104 |
| | | | | |
| | **Fiscal Year** | 2023 | 2024 | 2025 |
| | **Claims** | 1,216 | 1,249 | 1,232 |
| | **Expenditure (thousands)** | $98 | $141 | $118 |

# MICROBREWER BEER, SMALL WINERIES, AND CRAFT DISTILLERS RATE DIFFERENTIAL FROM LIQUOR EXCISE TAX

**Category:** Highly Specialized Industry

**Brief Description:** The first 60,000 gallons of beer manufactured or produced by a microbrewer and sold in New Mexico is taxed at a preferential rate: a rate of $0.08 per gallon is imposed on the first 30,000 gallons sold and $0.28 per gallon on all gallons sold more than 30,000 gallons but fewer than 60,000 gallons. For all gallons sold above 60,000 gallons, the tax rate is $0.41 per gallon, equal to the non-microbrew beer tax rate.

Wine manufactured or produced by a small winegrower and sold in New Mexico is taxed at a rate of $0.10 per liter on the first 80,000 liters sold, $0.20 per liter on all liters sold over 80,000 liters but not over 950,000 liters, and $0.30 per liter on each liter sold over 950,000 liters but not over 1.5 million liters. For all liters sold above 1.5 million liters, the tax rate is $0.45 per liter, equal to the regular wine tax rate.

Cider manufactured or produced by a small winegrower and sold in New Mexico is taxed at a rate of $0.08 per gallon on the first 30,000 barrels sold, $0.28 per gallon on all gallons sold more than 30,000 gallons but fewer than 60,000 gallons. For all gallons sold above 60,000 gallons, the tax rate is $0.41 per gallon, equal to the regular cider tax rate.

Spirituous liquors manufactured or produced by a craft distiller, on products up to 10% alcohol by volume, the tax rate is $0.08 per liter on the first 250,000 liters sold, and $0.28 per liter for the next 250,000 liters sold. On products over 10% alcohol by volume, the tax rate is $0.32 per liter for the first 175,000 liters sold, and $0.65 per liter for the next 200,000 liters sold. Liters sold above the thresholds are taxed at a rate of $1.60 per liter, equal to the regular spirituous liquor tax rate.

**Statutory Basis:** 7-17-5A(5), 7-17-5A(6), 7-17-5A(8), 7-17-5A(9) NMSA 1978

**Intended Purpose:** To stimulate the microbrewery, small winery, and craft distillery industries in New Mexico by reducing their tax expense.

**History:** Originally enacted in 1993 and amended in 1994, 1995, 1996, 1997, 2000, 2000 (2nd Special Session), 2008, 2013, and 2019.

The 2013 amendment changed the tax rates for beer manufactured or produced by a microbrewer and the tax rates on wine produced by a small winegrower.

The 2019 amendment introduced new tax rates on cider manufactured or produced by a small winegrower and spirituous liquors manufactured or produced by a craft distiller, with rates dependent on the number of barrels

or liters sold. The amendment also revised the tax rates for beer manufactured or produced by a microbrewer.

**Evaluation:** Preliminary indicators, with respect to microbreweries and small wineries, suggest that this preferential tax rate structure has been effective. According to information presented to the Legislature by the New Mexico Microbrewers Guild, the number of microbreweries in New Mexico has increased from 23 in 2013 to 96 locations in 2018. The New Mexico True website currently shows 40 wineries, vineyards and tasting rooms in the state.

**Recommendations:** None.

**Reliability Factor:** 1 - Qualifying beer, wine, cider and spiritous liquor production is separately reported. No estimation is required.

**Fiscal Impact:** Note: Reporting in previous tax expenditure reports included only the fiscal impact from microbrewer beer and wine from small wineries.

| | **Fiscal Year** | 2023 | 2024 | 2025 |
|---|---|---|---|---|
| **Microbrewer Beer, Small Wineries, and Craft Distiller Rate Differential from Liquor Excise Tax** | **Microbrewery - Beer Expenditure (thousands)** | $1,221 | $1,141 | $1,033 |
| | **Small Winery – Wine Expenditure (thousands)** | $616 | $580 | $583 |
| | **Small Winery – Cider Expenditure (thousands)** | $82 | $76 | $44 |
| | **Craft Distiller – Spirituous Liquors Expenditure (thousands)** | $628 | $760 | $637 |
| | **Total Expenditure (thousands)** | $2,548 | $2,557 | $2,297 |

# MILITARY TRANSFORMATIONAL ACQUISITION PROGRAMS GRT DEDUCTION

**Category:** Highly Specialized Industry

**Brief Description:** Receipts from military transformational acquisition programs performing research and development, test, and evaluation services at New Mexico major range and test facility bases are deductible from gross receipts.

**Statutory Basis:** 7-9-94 NMSA 1978

**Intended Purpose:** To incentivize the location of military transformational acquisition programs at U.S. Air Force bases in New Mexico.

**History:** Originally enacted in 2005 with an expiration date of June 30, 2008. Amended in 2006 to extend the expiration date to June 30, 2016. Amended in 2015 to extend the expiration date to June 30, 2025. The 2025 amendment revised reporting requirements.

**Evaluation:** The expenditure is determined to be effective due to the utilization of the deduction in recent years.

**Recommendations:** None.

**Reliability Factor:** 2 – This deduction is separately reported. Despite being a separately reported deduction, the reliability factor for this deduction is a 2 to reflect that some taxpayers may be claiming this deduction in error and others may not be reporting under this deduction code. Tax & Rev will be further analyzing this data and taxpayer reporting of GRT deductions. The deduction amount is multiplied by the statewide average GRT rate for each year to estimate the cost.

**Fiscal Impact:** This is the last year this expenditure is reported.

| | **Fiscal Year** | 2023 | 2024 | 2025 |
|---|---|---|---|---|
| **Military Transformational Acquisition Program GRT Deduction** | **Taxpayers** | 15 | 65 | 61 |
| | **State General Fund Expenditure (thousands)** | $590 | $3,049 | $3,156 |
| | **Local Government Expenditure (thousands)** | $378 | $1,950 | $2,018 |

# MOLYBDENUM RATE DIFFERENTIAL FROM RESOURCES TAX AND PROCESSORS TAX

**Category:** Highly Specialized Industry

**Brief Description:** A severer and processor of molybdenum in New Mexico is required to pay a Resource Tax of 0.125% and a Processors Tax of 0.125% on the taxable value of the molybdenum.

This is in contrast to the base Resources Tax and Processors Tax rates of 0.75%.

**Statutory Basis:** 7-25-4A(3) and 7-25-5A(4) NMSA 1978

**Intended Purpose:** Presumably to incentivize the mining and processing of molybdenum.

**History:** 7-25-4A(3) NMSA 1978 was originally enacted in 1966 and amended in 1970, 1973, and 1999. 7-25-5A(4) NMSA 1978 was originally enacted in 1985 and amended in 1999.

**Evaluation:** There was no reported molybdenum production in the state during the time period analyzed. As such, there were no expenditures for the Resources Tax. Processing of molybdenum has been limited to fewer than three taxpayers.

**Recommendation:** None.

**Reliability Factor:** 1 –Gross value, taxable value, and taxes due are directly reported by taxpayers by type of mineral. The difference is estimated from the taxes paid and the statutory tax base of 0.75%. No further estimation is required.

**Fiscal Impact:** No taxpayers have reported production of molybdenum. The mine in Questa, New Mexico ceased operations in 2014, as such, there is no fiscal impact applicable to the Resources Tax. Additionally, while fewer than three taxpayers have reported processing of molybdenum, the data may be reported as is allowed pursuant under Section 7-1-8 NMSA 1978, more specifically, Section 7-1-8.3(B) NMSA 1978.

| | **Fiscal Year** | 2023 | 2024 | 2025 |
|---|---|---|---|---|
| **Molybdenum Rate Differential from Resources and Processors Tax** | **Resources Tax Taxpayers** | 0 | 0 | 0 |
| | **Resources Tax Expenditure (thousands)** | $0 | $0 | $0 |
| | **Processors Tax Taxpayers** | 1 | 1 | 1 |
| | **Processors Tax Expenditure (thousands)** | $310 | $262 | $460 |

# NATURAL GAS
# EXEMPTION FROM OIL AND GAS SEVERANCE TAX

**Category:** Highly Specialized Industry

**Brief Description:** Exempts natural gas from a production restoration project for the first 10 years after the restoration of production when the annual average price of WTI crude oil was less than $24 per barrel. The statute specifies a non-standard calendar of June through May when calculating the average annual WTI price. The qualification criteria for production restoration projects is set in Natural Gas and Crude Oil Production Incentives Act, Section 7-29B-6(A) NMSA 1978.

**Statutory Basis:** 7-29-4(B)(1) , and 7-29B-6(A) NMSA 1978

**Intended Purpose:** To incentivize the development of natural gas from a production restoration project when oil prices are low.

**History:** 7-29-4(B)(1) NMSA 1978 was originally enacted in 1980 and amended in 1987, 1989, 1992, 1995, 1999, and 2005. 7-29B-6(A) NMSA 1978 was originally enacted in 1995 and amended in 1999.

**Evaluation:** No wells have qualified for this incentive in many years due to the price of WTI crude oil exceeding $24 per barrel (exemption threshold). While it is unknown whether the price of WTI crude oil will drop below $24 per barrel, the production and market for natural gas has changed significantly during the history of this exemption. Enhanced extraction techniques have increased production and improved cost efficiencies. Natural gas exceeded coal since 2016 as the majority fuel for electricity generation in the United States. Other non-tax factors such as infrastructure to transport natural gas to markets may be stronger determinants of production.

**Recommendations:** A review of this and other extraction tax expenditures should be initiated to reevaluate intended purpose and relevance in current market climate.

**Reliability Factor:** 1 –There have been no expenditures resulting from this exemption.

**Fiscal Impact:** None.

# NATURAL GAS RATE DIFFERENTIAL FROM OIL AND GAS EMERGENCY SCHOOL TAX

**Category:** Highly Specialized Industry

**Brief Description:** The emergency school tax rate on natural gas is 4%, unless the product is taxed pursuant to a different rate as provided in statute.

When the average annual taxable value of natural gas is equal to or less than $1.15 per thousand cubic feet (MCF) in the previous calendar year, the tax rate on natural gas from a stripper well property is 2%.

When the average annual taxable value of natural gas is greater than $1.15 per MCF but not more than $1.35 per MCF in the previous calendar year, the tax rate on natural gas from a stripper well property is 3%.

**Statutory Basis:** 7-31-4(A)(6) and 7-31-4(A)(7) NMSA 1978

**Intended Purpose:** To incentivize high-cost, low-yield production when natural gas prices are low.

**History:** The section was originally enacted in 1959 and amended in 1999 to enact subsections (A)(6) and (A)(7). An amendment in 2025 to subsection A, defined the imposition of the tax on all products severed to standardize language across various taxes. Previous language imposed the tax on all products severed.

**Evaluation:** Data reported in GenTax was used to determine the average taxable value per MCF of natural gas. No wells qualified for this rate differential due to value exceeding $1.35 per MCF. While it is unknown whether the price of natural gas will drop below $1.35 per MCF, the production and market for natural gas has changed significantly during the history of this rate differential. Enhanced extraction techniques have increased production and improved cost efficiencies. Natural gas exceeded coal since 2016 as the majority fuel for electricity generation in the United States. Other non-tax factors such as infrastructure to transport natural gas to markets may be stronger determinants of production.

**Recommendations:** A review of this and other extraction tax expenditures should be initiated to determine intended purpose and relevance in current market climate.

**Reliability Factor:** 1 - There have been no expenditures resulting from this rate differential.

**Fiscal Impact:** None.

# NATURAL GAS
# RATE DIFFERENTIAL FROM OIL AND GAS SEVERANCE TAX

**Category:** Highly Specialized Industry

**Brief Description:** The oil and gas severance tax rate on natural gas is 3.75% unless the product is taxed pursuant to a different rate as provided in statute.

When the average annual price of WTI crude oil is less than $24 per barrel in the previous year, the tax rate on natural gas from a well workover project is 2.45%. The statute specifies a non-standard calendar of June through May when calculating this average annual WTI price.

When the average annual taxable value of natural gas is equal to or less than $1.15 per thousand cubic feet (MCF) in the previous calendar year, the tax rate on natural gas from a stripper well property is 1.875%.

When the average annual taxable value of natural gas is greater than $1.15 per MCF but not more than $1.35 per MCF in the previous calendar year, the tax rate on natural gas from a stripper well property is 2.8175%.

**Statutory Basis:** 7-29-4(A)(4), 7-29-4(A)(6), and 7-29-4(A)(7) NMSA 1978

**Intended Purpose:** To incentivize high-cost, low-yield production when prices are low.

**History:** The section was originally enacted in 1980 and through amendments in 1995 and 1999, subsections (A)(4), (A)(6) and (A)(7) were enacted.

**Evaluation:** No wells have qualified for this incentive for the time periods covered by this report due to the price of WTI crude oil exceeding $24 per barrel. Also, the taxable value of natural gas (as reported in GenTax) has exceeded $1.35 per MCF. While it is unknown whether the price of natural gas will drop below $1.35 per MCF or if WTI crude oil prices will drop below $24 per barrel, the production and market for natural gas has changed significantly during the history of this rate differential. Enhanced extraction techniques have increased production and improved cost efficiencies. Since 2016, natural gas exceeded coal as the major fuel source for electricity generation in the United States. Other non-tax factors such as infrastructure to transport natural gas to markets may be stronger determinants of production.

**Recommendations:** A review of this and other extraction tax expenditures should be initiated to determine intended purpose and relevance in current market climate.

**Reliability Factor:** 1 - There were no expenditures resulting from this rate differential.

**Fiscal Impact:** None.

# NEW MEXICO NATIONAL GUARD MEMBER PREMIUMS PAID FOR GROUP LIFE INSURANCE EXEMPTION FROM PIT

**Category:** Citizen Benefits

**Brief Description:** Payments for a service members' group life insurance premium from the National Guard Service Member's Life Insurance Reimbursement Fund are exempt from PIT.

**Statutory Basis:** 7-2-5.10 NMSA 1978

**Intended Purpose:** The enactment of 2005 legislation creating a reimbursement for life insurance premiums for National Guard members resulted in the unintended consequence of treating those reimbursements as taxable income. This exemption was enacted in the 2006 legislative session to exclude these reimbursements from PIT.

**History:** Originally enacted in 2006.

**Evaluation:** None.

**Recommendations:** None.

**Reliability Factor:** 2 – This exemption is separately reported. Some estimation is required.

**Fiscal Impact:**

| | | | | |
|---|---|---|---|---|
| **NM National Guard Member Life Insurance Premiums Exemption from PIT** | **Tax Year (Calendar)** | 2022 | 2023 | 2024 |
| | **Claims** | 431 | 402 | 381 |
| | **Expenditure (thousands)** | $13 | $16 | $20 |
| | | | | |
| | **Fiscal Year** | 2023 | 2024 | 2025 |
| | **Claims** | 441 | 410 | 406 |
| | **Expenditure (thousands)** | $16 | $15 | $22 |

# NEWSPAPER SALES GRT DEDUCTION

**Category:** Highly Specialized Industry

**Brief Description:** Receipts from selling newspapers, except from selling advertising space, are deductible from gross receipts.

**Statutory Basis:** 7-9-64 NMSA 1978

**Intended Purpose:** To reduce operating costs of newspapers and decrease the consumer cost of purchasing newspapers.

**History:** Originally enacted in 1969.

**Evaluation:** With the proliferation of digital mobile devices, this deduction may not be enough to counter the market shift from print to electronic media. It is expected that newspapers will seek profitability from other sources, including consolidation of printing operations, new advertising revenue streams, and electronic subscriptions.

**Recommendations:** None.

**Reliability Factor:** 3 - Data from the RP-80, NAICS codes Newspaper Publishers, were used to estimate the expenditure. The deduction amount is multiplied by the statewide average GRT rate for each year to estimate the cost.

**Fiscal Impact:**

| | **Fiscal Year** | 2023 | 2024 | 2025 |
|---|---|---|---|---|
| **Newspaper Sales GRT Deduction** | **State General Fund Expenditure (thousands)** | $189 | $57 | $74 |
| | **Local Government Expenditure (thousands)** | $123 | $38 | $48 |

# NONATHLETIC SPECIAL EVENT AT NEW MEXICO STATE UNIVERSITY GRT OR GGRT DEDUCTION

**Category:** Citizen Benefits

**Brief Description:** Receipts from admissions to nonathletic special events held at the Pan American Center at New Mexico State University ("NMSU") are deductible from gross receipts or governmental gross receipts.

**Statutory Basis:** 7-9-104 NMSA 1978

**Intended Purpose:** To bring nonathletic events such as concerts to NMSU rather than having the events occur in El Paso, Texas.

**History:** Originally enacted in 2007 with an expiration of June 30, 2012. Amended in 2012 to extend the expiration to June 30, 2017. Amended in 2017 to extend the expiration to June 30, 2022. Amended in 2022 to extend the expiration to July 1, 2027.

**Evaluation:** According to NMSU, the vast majority of nonathletic events held at the Pan American Center would otherwise be held in various venues located in El Paso if it was not for the incentive generated by this deduction.

**Recommendations:** None.

**Reliability Factor:** 3 – Gross ticket sale figures provided by Oakview Group, which manages the Pan Am Center, were used to estimate the cost of this deduction. The deduction amount is multiplied by the Las Cruces GRT rate for each year to estimate the cost. The estimated impact amount includes both state and local revenue. Tax & Rev estimates that the fiscal impact of this deduction concerns event promoters, who would otherwise report GRT liabilities derived from ticket sales.

**Fiscal Impact:**

| | **Fiscal Year** | 2023 | 2024 | 2025 |
|---|---|---|---|---|
| | **Claims** | 15 | 11 | 24 |
| **Nonathletic Special Event at NMSU GRT Deduction** | **State General Fund Expenditure (thousands)** | $78 | $57 | $80 |
| | **Local Government Expenditure (thousands)** | $50 | $38 | $53 |

# NONPROFIT ORGANIZATIONS
# EXEMPTION FROM GRT

**Category:** Citizen Benefits

**Brief Description:** Purchases and receipts of an organization that was granted a tax exemption under Section 501(c)(3) or Section 501(c)(6) of the U.S. Internal Revenue Code are exempt from GRT. Section 501(c)(3) organizations comprise the most commonly understood type of nonprofit entities: health care services, charities, churches, universities, scientific organizations, animal shelters, and others. 501(c)(6) organizations consist of business leagues and associations, chambers of commerce, boards of trade, and other similar organizations. With respect to both types of entities, a benefit or profit cannot pass to any member, owner, director, or officer.

The exemption excludes receipts derived from an unrelated trade or business as defined in Section 513 of the Internal Revenue Code, receipts of a prime contractor for either a national laboratory or a research facility in New Mexico owned by the state and the receipts of a hospital licensed by the New Mexico DOH; the receipts of non-profit DOH-licensed hospitals are taxable with a 60% deduction.

**Statutory Basis:** 7-9-29 NMSA 1978

**Intended Purpose:** To eliminate the tax burden on organizations that contribute to the overall social and economic welfare of their communities.

**History:** The GRT exemption was originally enacted in 1970 and amended in 1983, 1988, 1990 and 2019. The 2019 amendment provided exceptions to the exemptions for prime contractors operating federal laboratories or state-owned research facilities, and for hospitals licensed by the New Mexico DOH.

**Evaluation:** Non-profit organizations contribute to the overall social and economic welfare in New Mexico, and this exemption increases their ability to deliver services to a broader population at a lower cost. However, by exempting this large sector of the economy from the GRT base, this exemption leads to higher tax rates being necessary on other economic activity that is subject to the GRT to achieve the same revenue collection.

**Recommendations:** None.

**Reliability Factor:** 4 - There are no direct data to estimate this exemption. National Center for Charitable Statistics (NCCS) data provided by the Urban Institute on income for these organizations is used in the estimate. Tax & Rev assumed that 50% of the receipts would otherwise be taxable gross receipts, based on aggregate data at the national level published by the IRS. The total estimated deduction amount is multiplied by the statewide average GRT rate for each year to estimate the cost. The analysis is based on the most recent income reported by these organizations to the IRS. However, this data has a high degree of

volatility from one year to another and is contributing to the higher estimate for FY2024.

**Fiscal Impact:**

| | | | | |
|---|---|---|---|---|
| **Nonprofit Organizations Exemption from GRT** | **Fiscal Year** | 2023 | 2024 | 2025 |
| | **State General Fund Expenditure (thousands)** | $17,750 | $41,760 | $9,550 |
| | **Local Government Expenditure (thousands)** | $11,350 | $27,840 | $6,370 |

# NONPROFIT ORGANIZATIONS FUNDRAISERS GRT DEDUCTION

**Category:** Citizen Benefits

**Brief Description:** Organizations exempt from federal income tax under Section 501(c) of the Internal Revenue Code (IRC) may deduct the receipts from two fund-raising events each calendar year. This deduction does not apply to 501(c)(3) organizations, as their receipts are exempt under Section 7-9-29 NMSA 1978. It does apply to other 501(c) organizations listed in the IRC, such as civic leagues (501(c)(4)), labor, agricultural and horticultural organizations (501(c)(5)), social, and recreational clubs (501(c)(7)), and fraternal associations (501(c)(8)). It should be noted that contributions these organizations receive are not gross receipts. This deduction applies to fundraising events, in which these organizations provide a good or service to generate funding for their missions.

**Statutory Basis:** 7-9-85 NMSA 1978

**Intended Purpose:** To allow organizations to conduct fundraising events to support their missions without incurring GRT obligations.

**History:** Originally enacted in 1994.

**Evaluation:** None.

**Recommendations:** Clarify the law by excluding 501(c)(6) organizations that carry on chamber of commerce, visitor bureau, and convention bureau functions of the organization as their receipts are exempt under Section 7-9-29 NMSA 1978. This deduction specifically excludes 501(c)(3) organizations because their receipts are already exempt under Section 7-9-29 NMSA 1978.

**Reliability Factor:** 4 - The National Center for Charitable Statistics (NCCS) has assembled IRS Form 990 data to report aggregate statistics by state for nonprofits organizations. At the time of writing, NCCS had not released data for the fiscal years 2023 and 2025, so the estimate is based on data from the IRS. Calculating the national estimates of revenue from fundraising events as a percentage of total revenues, these estimates were applied to state level total revenue for 501(c) organizations listed in statute. The total estimated deduction amount is multiplied by the statewide average GRT rate for each year to estimate the cost.

**Fiscal Impact:**

| | | | | |
|---|---|---|---|---|
| **Nonprofit Organizations Fundraisers GRT Deduction** | **Fiscal Year** | 2023 | 2024 | 2025 |
| | **State General Fund Expenditure (thousands)** | $40 | $190 | $120 |
| | **Local Government Expenditure (thousands)** | $20 | $130 | $80 |

# NURSES CREDIT AGAINST PIT 2022 TAX YEAR FILING

**Category:** Citizen Benefits

**Brief Description:** Taxpayers who were not dependents and were employed full time as a nurse at a hospital in New Mexico during tax year 2022 were eligible for a $1,000 income tax credit. The hospitals must be licensed by the DOH. If the amount of credit due to a taxpayer exceeds the taxpayer's PIT liability, the excess is refunded.

**Statutory Basis:** 7-2-18.33 NMSA 1978

**Intended Purpose:** To provide temporary economic relief to healthcare workers who were on the front line of combatting the COVID-19 pandemic.

**History:** Originally enacted in 2022.

**Evaluation:** Many hospitals contract for nurses through third-parties. This was especially prevalent during the COVID-19 pandemic as nurses, already in short supply, were in demand to support hospitals during surging patient loads. Contract nurses were not eligible for the credit as they were not employed full time directly by the hospital, but rather by a third-party. It is unknown if this was the intent of the legislation. The fiscal impact of the credit has been smaller than estimated at the time it was enacted.

**Recommendation:** None.

**Reliability Factor:** 1 – This credit is separately reported. No estimation is required.

**Fiscal Impact:**

| | | | | |
|---|---|---|---|---|
| **Nurses Credit, Tax Year 2022** | **Tax Year (Calendar)** | 2022 | 2023 | 2024 |
| | **Claims** | 7,247 | NA | NA |
| | **Expenditure (thousands)** | $7,377 | | |
| | | | | |
| | **Fiscal Year** | 2023 | 2024 | 2025 |
| | **Claims** | 6,748 | 465 | 34 |
| | **Expenditure (thousands)** | $6,872 | $471 | $34 |

# OFFICIATING AT NEW MEXICO ACTIVITIES ASSOCIATION EVENTS EXEMPTION FROM GRT

**Category:** Citizen Benefits

**Brief Description:** Receipts from refereeing, umpiring, scoring, or other officiating at school events sanctioned by the New Mexico Activities Association are exempt from GRT.

**Statutory Basis:** 7-9-41.4 NMSA 1978

**Intended Purpose:** To reduce the cost of public education institution events that provide athletic opportunities for their students.

**History:** Originally enacted in 2009.

**Evaluation:** This exemption reduces the reporting and financial burden on taxpayers as officials would otherwise be required to register and file GRT for a relatively small amount of receipts.

**Recommendations:** None.

**Reliability Factor:** 4 - Officials' fees published annually by the New Mexico Activities Association are used to estimate the impact of this exemption. Given the number of high school teams and games or matches in an academic year, an estimate of receipts was aggregated and multiplied by the statewide average GRT rate.

**Fiscal Impact:**

| | Fiscal Year | 2023 | 2024 | 2025 |
|---|---|---|---|---|
| **Officiating at New Mexico Activities Association Events Exemption from GRT** | **State General Fund Expenditure (thousands)** | $82 | $87 | $96 |
| | **Local Government Expenditure (thousands)** | $55 | $58 | $64 |

# OIL AND OTHER LIQUID HYDROCARBONS
# EXEMPTION FROM OIL AND GAS SEVERANCE TAX

**Category:** Highly Specialized Industry

**Brief Description:** Exempts oil and other liquid hydrocarbons that come from a production restoration project for the first 10 years after the restoration of production when the annual average price of WTI crude oil was less than $24 per barrel. The statute specifies a non-standard calendar of June through May when calculating the average annual WTI price. The qualification criteria for production restoration projects is set in Natural Gas and Crude Oil Production Incentives Act, Section 7-29B-6 NMSA 1978.

**Statutory Basis:** 7-29-4(B)(2) and 7-29B-6(A) NMSA 1978

**Intended Purpose:** To incentivize the development of oil and other liquid hydrocarbon from a production restoration project when prices are low.

**History:** Section 7-29-4 NMSA 1978 was originally enacted in 1980. Through an amendment in 1995, subsection (B)(2) was enacted. Section 7-29B-6(A) NMSA 1978 was originally enacted in 1995 and amended in 1999.

**Evaluation:** This exemption provides incentive for well restoration activity. No wells have qualified for this incentive for the time periods covered by this report due to the price of WTI crude oil exceeding $24 per barrel. While it is unknown whether the price of WTI crude oil will drop below $24 per barrel, the production of oil has changed significantly during the history of this exemption. As oil reserves have become more difficult to extract, enhanced extraction techniques have increased production and improved cost efficiencies.

**Recommendations:** A review of this and other extraction tax expenditures should be initiated to determine intended purpose and relevance in current market climate.

**Reliability Factor:** 1 - There are no expenditures resulting from this exemption.

**Fiscal Impact:** None.

# OIL AND OTHER LIQUID HYDROCARBONS RATE DIFFERENTIAL FROM OIL AND GAS EMERGENCY SCHOOL TAX

**Category:** Highly Specialized Industry

**Brief Description:** The emergency school tax on oil and other liquid hydrocarbons is 3.15% unless the product is taxed pursuant to a different rate as provided in statute.

When the average annual taxable value of oil is equal to or less than $15 per barrel in the calendar year preceding July 1 of the fiscal year in which the tax rate is imposed, the tax rate on oil and other liquid hydrocarbons that are removed from a stripper well is 1.58%. The qualification criteria for receiving the stripper well incentive tax rate is set in Natural Gas and Crude Oil Production Incentives Act, Section 7-29B-6 NMSA 1978.

When the average annual taxable value of oil in the previous calendar year was greater than $15 per barrel but not greater than $18 per barrel, the tax rate on oil and other liquid hydrocarbons that are removed from a stripper well is 2.36%. The qualification criteria for receiving the stripper well incentive tax rate is set in Natural Gas and Crude Oil Production Incentives Act, Section 7-29B-6 NMSA 1978.

**Statutory Basis:** 7-31-4(A)(4), 7-31-4(A)(5) , and 7-29B-6 NMSA 1978

**Intended Purpose:** To incentivize the removal of oil and other liquid hydrocarbon from a stripper well when prices are low.

**History:** 7-31-4 NMSA 1978 was originally enacted in 1959 and through an amendment in 1999, subsections (A)(4)-(5) were enacted. An amendment in 2025 to subsection A defined the imposition of the tax on all products severed to standardize language across all severance taxes. Previous language imposed the tax on all products severed. 7-29B-6 NMSA 1978 was originally enacted in 1995 and amended in 1999 to include stripper wells.

**Evaluation:** This exemption provides an incentive for well restoration activity. No wells have qualified for this incentive for the time periods covered by this report due to the average annual taxable value of oil exceeding $18 per barrel. While it is unknown whether the average annual taxable value of oil will drop below $18 per barrel, the production of oil has changed significantly during the history of this exemption. As oil reserves have become more difficult to extract, enhanced extraction techniques have increased production and improved cost efficiencies.

**Recommendations:** A review of this and other extraction tax expenditures should be initiated to determine intended purpose and relevance in current market climate.

**Reliability Factor:** 1 - There are no expenditures resulting from this rate differential provision.

**Fiscal Impact:** None.

# OIL AND OTHER LIQUID HYDROCARBONS
# RATE DIFFERENTIAL FROM OIL AND GAS SEVERANCE TAX RATE

**Category:** Highly Specialized Industry

**Brief Description:** The oil and gas severance tax rate on oil and other liquid hydrocarbons is 3.75% unless the product is taxed pursuant to a different rate as provided in statute.

When the average annual price of WTI crude oil is less than $28 per barrel in the previous year, the tax rate on oil and other liquid hydrocarbons from a qualified enhanced recovery project is 1.875%. The statute specifies a non-standard calendar of June through May when calculating the average WTI price. The qualification criteria for enhanced recovery projects is set in Section 7-29A NMSA 1978.

When the average annual price of WTI crude oil is less than $24 per barrel in the previous year, the tax rate on oil and other liquid hydrocarbons from a well workover project is 2.45%. Note the statute specifies a non-standard calendar of June through May when calculating the average WTI price. The qualification criteria for receiving the well workover project incentive tax rate is set in Natural Gas and Crude Oil Production Incentives Act, Section 7-29B-6 NMSA 1978.

When the average annual taxable value of oil is equal to or less than $15 per barrel in the previous calendar year, the tax rate on oil and other liquid hydrocarbons from a stripper well property is 1.875%. The qualification criteria for stripper well projects to receive the incentive rate is set in Section 7-29B-6 NMSA 1978.

When the average annual taxable value of oil was greater than $15 per barrel but not more than $18 per barrel in the previous calendar year, the tax rate on oil and other liquid hydrocarbons from a stripper well property is 2.8125%. The qualification criteria for stripper well projects to receive the incentive rate is set in Section 7-29B-6 NMSA 1978.

**Statutory Basis:** 7-29-4(A)(3), 7-29-4(A)(5), 7-29-4(A)(8), 7-29-4(A)(9), 7-29A, and 7-29B-6 NMSA 1978

**Intended Purpose:** To incentivize continued oil production when oil prices are low.

**History:** Section 7-29-4(A) NMSA 1978 was originally enacted in 1980 and amendments in 1992, 1995, and 1999 enacted and amended subsections (3), (5), (8) and (9). Section 7-29A NMSA 1978 was originally enacted in 1992 and amended in 1993. Section 7-29B-6 NMSA 1978 was originally enacted in 1995 and amended in 1999 to include stripper wells. Section 7-29A NMSA 1978 was originally enacted in 1992 and amended in 1993.

**Evaluation:** No wells have qualified for this incentive for the time periods covered by this report due to the price of WTI crude oil exceeding $28 per barrel and the average annual taxable value of oil exceeding $15 per barrel (rate differential thresholds). While it is unknown whether the average annual taxable value of oil will drop below $18 per barrel or WTI average annual prices will be less than $28 per barrel, the production of oil has changed significantly during the history of this exemption. As oil reserves have become more difficult to extract, enhanced extraction techniques have increased production and improved cost efficiencies.

**Recommendations:** A review of this and other extraction tax expenditures should be initiated to determine intended purpose and relevance in current market climate.

**Reliability Factor:** 1 - There are no expenditures resulting from this rate differential provision.

**Fiscal Impact:** None.

# ORGAN DONATION
# DEDUCTION FROM PIT

**Category:** Citizen Benefits

**Brief Description:** A taxpayer may claim a deduction from net income in an amount not to exceed $10,000 for organ donation-related expenses, including lost wages, lodging expenses, and travel expenses, incurred during the taxable year by the taxpayer or the taxpayer's dependent as a result of the taxpayer's or dependent's donation of a human organ to another person for transfer of that human organ to the body of another person.

**Statutory Basis:** 7-2-36 NMSA 1978

**Intended Purpose:** To help remove obstacles that prevent people from making living organ donations by reducing the associated financial losses.

**History:** Originally enacted in 2005.

**Evaluation:** While factors like blood type serve as an unchangeable barrier to donating organs, for those who are matches, this credit helps to offset related expenses. In the last three fiscal years, on average 113 taxpayers have claimed this deduction with an average annual cost of $10,000.

**Recommendations:** The deduction saved claimants an average of $84.90 in tax year 2024. Assuming an effective tax rate of 2.8%, these individuals had organ donation-related expenses of about $3,032 per taxpayer. **T**he deduction may not be impactful in encouraging organ donation. Additional tax relief could be delivered to individuals who donate an organ through a credit rather than a deduction.

**Reliability Factor:** 2 – This exemption is separately reported. Some estimation is required.

**Fiscal Impact:**

| | | | | |
|---|---|---|---|---|
| **Organ Donation Deduction** | **Tax Year (Calendar)** | 2022 | 2023 | 2024 |
| | **Claims** | 120 | 97 | 106 |
| | **Expenditure (thousands)** | $11 | $9 | $9 |
| | | | | |
| | **Fiscal Year** | 2023 | 2024 | 2025 |
| | **Claims** | 122 | 101 | 116 |
| | **Expenditure (thousands)** | $11 | $9 | $9 |

# PERSONS ONE HUNDRED AND OLDER EXEMPTION FROM PIT

**Category:** Citizen Benefits

**Brief Description:** The income of an individual who is (1) a natural person, (2) one hundred years of age or older, and (3) not a dependent of another individual is exempt from PIT.

**Statutory Basis:** 7-2-5.7 NMSA 1978

**Intended Purpose:** To eliminate the income of aged persons from the tax base and reduce the reporting and financial burden on this aging population.

**History:** Originally enacted in 2002.

**Evaluation:** None.

**Recommendations:** None.

**Reliability Factor:** 2 – The exemption is separately reported. Unmarried centenarians are not required to file a return unless they wish to claim other rebates and credits. Some estimation is required.

**Fiscal Impact:**

| | | | | |
|---|---|---|---|---|
| **Over 100 Income Exemption** | **Tax Year (Calendar)** | 2022 | 2023 | 2024 |
| | **Claims** | 177 | 183 | 166 |
| | **Expenditure (thousands)** | $335 | $357 | $463 |
| | | | | |
| | **Fiscal Year** | 2023 | 2024 | 2025 |
| | **Claims** | 176 | 182 | 194 |
| | **Expenditure (thousands)** | $344 | $353 | $507 |

# PERSONS SIXTY-FIVE AND OLDER OR BLIND EXEMPTION FROM PIT

**Category:** Citizen Benefits

**Brief Description:** An individual who is 65 years or older or who is blind may claim an exemption from PIT based on a sliding scale, not to exceed $8,000.

**Statutory Basis:** 7-2-5.2 NMSA 1978

**Intended Purpose:** To reduce the financial burden on older or blind taxpayers.

**History:** This PIT exemption was originally enacted in 1985 and amended in 1987.

**Evaluation:** This exemption excludes more than $965 million of income from the PIT base each year. On average, about 109,000 taxpayers benefit from this exemption each year. Over the last three fiscal years, the number of claims has decreased slightly, while the amount of the expenditure has decreased due to the sliding scale amount of the exemption remaining the same despite inflation. However, both the number of claims and the amount of expenditure may increase in keeping with demographic trends toward an older population.

The social security income exemption from personal income tax (7-2-5.14 NMSA 1978) was enacted in 2022. As a result, taxpayers 65 and older or blind exempted more income under the social security exemption, shifting state expenditure from this exemption to the social security exemption. Expenditures for this exemption fell by 30% from FY2023 to FY2024 and 24% from FY2024 to FY2025.

**Recommendations:** To ensure that inflation does not erode the value of this benefit to older, disabled taxpayers, income thresholds could be adjusted for inflation annually.

**Reliability Factor:** 2 -Information is reported separately for the exemption. Some estimation is required.

**Fiscal Impact:**

| | | | | |
|---|---|---|---|---|
| **65 and older or blind Exemption** | **Tax Year (Calendar)** | 2022 | 2023 | 2024 |
| | **Claims** | 110,070 | 105,813 | 97,011 |
| | **Expenditure (thousands)** | $814 | $573 | $398 |
| | | | | |
| | **Fiscal Year** | 2023 | 2024 | 2025 |
| | **Claims** | 113,329 | 108,560 | 105,391 |
| | **Expenditure (thousands)** | $890 | $621 | $471 |

# POTASH RATE DIFFERENTIAL FROM RESOURCES TAX AND PROCESSORS TAX

**Category:** Highly Specialized Industry

**Brief Description:** Potash is taxed at reduced rates through two specific excise taxes:

Resources Tax: 0.5% of taxable value

Processors Tax: 0.125% of taxable value

This contrasts with the base Resource Tax and Processors Tax rates of 0.75%.

**Statutory Basis:** 7-25-4A(2) and 7-25-5A(3) NMSA 1978

**Intended Purpose:** Presumably to incentivize the mining and processing of potash.

**History:** Section 7-25-4 NMSA was originally enacted in 1966 and amended in 1970, 1973, and 1999. Section 7-25-5 NMSA 1978 was originally enacted in 1985 and amended in 1999.

**Evaluation:** There was no reported potash production in the state during the time period analyzed. As such, there were no expenditures for the Resources Tax. The rate differential for the Processors Tax has remained consistent over the years.

**Recommendation:** None.

**Reliability Factor:** 1 – This expenditure is calculated directly using taxpayer data. No estimation is required. No taxpayers have reported production of potash, as such, there is no fiscal impact on the Resources Tax.

**Fiscal Impact:**

| | **Fiscal Year** | 2023 | 2024 | 2025 |
|---|---|---|---|---|
| **Potash Rate Differential from Resources and Processors Tax** | **Resources Tax Taxpayers** | 0 | 0 | 0 |
| | **Resources Tax Expenditure (thousands)** | $0 | $0 | $0 |
| | **Processors Tax Taxpayers** | 3 | 3 | 3 |
| | **Processors Tax Expenditure (thousands)** | $1,877 | $1,285 | $1,445 |

# PRESCRIPTION DRUGS, OXYGEN, AND MEDICAL CANNABIS GRT AND GGRT DEDUCTION

**Category:** Health Care

**Brief Description:** Receipts from the sale of prescription drugs, oxygen, and oxygen services provided by a licensed Medicare durable medical equipment provider are deductible from gross receipts and governmental gross receipts. Receipts from the sale of medical cannabis products sold in accordance with the Lynn and Erin Compassionate Use Act are deductible from gross receipts and governmental gross receipts. Beginning June 20, 2025, receipts from the sale of psilocybin products sold in accordance with the Medical Psilocybin Act are deductible from gross receipts and governmental gross receipts.

**Statutory Basis:** 7-9-73.2 NMSA 1978

**Intended Purpose:** To reduce the effective cost of prescription drugs, oxygen, medical cannabis, and medical psilocybin as a public welfare mechanism.

**History:** Originally enacted in 1998 and amended in 2003, 2007, 2021, and 2025. The 2021 amendment expanded the deduction to include medical cannabis. Two separate amendments occurred in 2025. The first amendment requires a taxpayer to separately report the deduction. The second amendment expands the deduction to include receipts from the sale of psilocybin products and medical care sold in accordance with the Medical Psilocybin Act.

**Evaluation:** This deduction removes the gross receipts tax burden from sellers who would otherwise pass it on to consumers of these products that are approved for use.

**Recommendations:** None.

**Reliability Factor:** 3 - Data published by the Centers for Medicare and Medicaid Services for 2023 on oxygen and oxygen services provided to Medicare beneficiaries was used to calculate the oxygen portion of this deduction. The medical cannabis deduction is calculated using data from the New Mexico Regulation and Licensing Department on medical cannabis sales. The prescription drugs deduction amount is calculated using state-specific data published by the Kaiser Family Foundation on total retail sales of prescription drugs for 2019. These data were updated to 2023 using the annual percent change of retail prescription drug expenditures for the US, retrieved from The National Health Expenditure Accounts. The annual percentage growth in spending in health care published by S&P Global was used to estimate the costs of prescription drugs and oxygen in 2024-2025. The total deduction amount was multiplied by the statewide average GRT rate for each year to estimate the cost. The estimated impact amount includes both state and local revenue. A methodological revision led to a reduction in the fiscal impact of this expenditure compared to previous reports. Starting in FY2026, this deduction will be separately reported, which will improve the reliability factor.

**Fiscal Impact:**

| | | | | |
|---|---|---|---|---|
| **Prescription Drugs, Oxygen and Medical Cannabis GRT and GGRT Deduction** | **Fiscal Year** | 2023 | 2024 | 2025 |
| | **State General Fund Expenditure (thousands)** | $151,000 | $154,400 | $164,800 |
| | **Local Government Expenditure (thousands)** | $96,600 | $102,900 | $109,900 |

# PRESERVATION OF CULTURAL PROPERTY CREDIT AGAINST PIT AND CIT

**Category:** Citizen Benefits

**Brief Description:** Taxpayers may claim a credit on a PIT or CIT return of 50% of the cost of restoring, rehabilitating, or preserving properties listed on the New Mexico Register of Cultural Properties.

The credit may not exceed $25,000 unless the property is located within a designated arts and cultural district. The credit may not exceed $50,000 for properties located within an arts and cultural district.

The credit is not refundable but may be carried forward up to four years.

**Statutory Basis:** 7-2-18.2 and 7-2A-8.6 NMSA 1978

**Intended Purpose:** To encourage the restoration, rehabilitation and preservation of cultural properties.

**History:** The PIT credit was originally enacted in 1984 and amended in 2007. The CIT credit was originally enacted in 1984 and amended in 1986 and 2007.

**Evaluation:** None.

**Recommendations:** None.

**Reliability Factor:** 1 - This credit is separately reported. No estimation is required.

**Fiscal Impact:**

| | | | | |
|---|---|---|---|---|
| **Preservation of Cultural Property Credit** | **Tax Year (Calendar)** | 2022 | 2023 | 2024 |
| | **Claims** | 60 | 63 | 60 |
| | **Expenditure (thousands)** | $182 | $197 | $226 |
| | | | | |
| | **Fiscal Year** | 2023 | 2024 | 2025 |
| | **Claims** | 62 | 59 | 75 |
| | **Expenditure (thousands)** | $235 | $174 | $278 |

# PRODUCTION OR STAGING OF PROFESSIONAL CONTESTS GRT DEDUCTION

**Category:** Highly Specialized Industry

**Brief Description:** Receipts from producing or staging professional boxing, wrestling, or martial arts contests that occur in New Mexico, including receipts from ticket sales and broadcasting, are deductible from gross receipts.

**Statutory Basis:** 7-9-107 NMSA 1978

**Intended Purpose:** To incentivize professional boxing, wrestling, and martial arts contests to take place in New Mexico.

**History:** Originally enacted in 2007.

**Evaluation:** None.

**Recommendations:** None.

**Reliability Factor:** 3 - The New Mexico Regulations and Licensing Department (RLD) provides annual data on the number of sanctioned events and associated fees. A calculation of associated gross receipts and foregone revenue is computed based on RLD data for FY2023 and FY2024. Given the lack of data, for FY2025, the average of the two previous fiscal years was used to calculate the fiscal impact. The deduction amount is multiplied by the statewide average GRT rate for each year to estimate the cost.

**Fiscal Impact:**

| | **Fiscal Year** | 2023 | 2024 | 2025 |
|---|---|---|---|---|
| **Production or Staging of Professional Contests GRT Deduction** | **State General Fund Expenditure (thousands)** | $103 | $94 | $97 |
| | **Local Government Expenditure (thousands)** | $65 | $62 | $64 |

# PROPERTY VALUATION LIMITATION FOR LOW-INCOME SENIOR OR DISABLED HOME OWNERS UNDER PROPERTY TAX

**Category:** Citizen Benefits

**Brief Description:** The valuation of a single-family, owner-occupied residence, whose owner is at least 65 years of age or older or disabled, and who has a modified gross income for the prior year not exceeding $35,000 or the published annual inflation-adjusted modified gross income, may not be greater than the prior year valuation or the valuation for the year the owner reaches age 65 or qualifies as disabled.

Taxpayers must apply for the limitation with their county assessor. An owner who has claimed and been granted the property valuation limitation for three consecutive years is not required to apply for the limitation and it will be automatically applied by the county assessor. Any change in status that would deem the owner ineligible must be reported to the county assessor by the last day of February of the tax year immediately following the year the eligibility was lost.

Select definitions:

(1) "Disabled" means a person who has been determined to be blind or permanently disabled pursuant to the federal Social Security Act or to the New Mexico Workers Compensation Act;

(2) "modified gross income" is defined the Income Tax Act (7-2 NMSA 1978), and it includes all income, undiminished by losses, and from whatever source, for the taxpayer and the taxpayer's spouse and dependents.

**Statutory Basis:** 7-36-21.3 NMSA 1978

**Intended Purpose:** To ease the tax burden and reduce the financial burden on low-income seniors or disabled property owners.

**History:** Originally enacted in 2000 and amended in 2001, 2003, 2008, 2013, 2019 and 2020. The 2019 amendment increased the income limit for eligibility and made other technical language clarity changes. The 2020 amendment clarified the limitation language on valuation.

**Evaluation:** None.

**Recommendations:** None.

**Reliability Factor:** Insufficient data to estimate the fiscal impact.

**Fiscal Impact:** Unknown currently. The number of taxpayers granted the limitation is reported by counties. Individual valuations of properties or other statistics such as the average value are currently unknown to calculate a fiscal impact.

# PUBLICATION SALES
# GRT DEDUCTION

**Category:** Highly Specialized Industry

**Brief Description:** Receipts from publishing newspapers or magazines are deductible from gross receipts.

**Statutory Basis:** 7-9-63 NMSA 1978

**Intended Purpose:** To support operations of publishing companies in the state and decrease the consumer cost of purchasing publications.

**History:** Originally enacted in 1969.

**Evaluation:** With the proliferation of digital mobile devices, this expenditure may not be enough to counter the market shift from print to electronic media. It is expected that publishers will seek profitability from other sources, including consolidation of printing operations, new advertising revenue streams, and electronic subscriptions.

**Recommendations:** None.

**Reliability Factor:** 3 - Taxpayer reported deductions filed by publishing-related NAICS sectors were used to estimate the cost of this deduction. The deduction amount is multiplied by the statewide average GRT rate for each year to estimate the cost. The selection of NAICS codes was refined for this year's edition.

**Fiscal Impact:**

| | **Fiscal Year** | 2023 | 2024 | 2025 |
|---|---|---|---|---|
| **Publication Sales GRT Deduction** | **State General Fund Expenditure (thousands)** | $128 | $30 | $66 |
| | **Local Government Expenditure (thousands)** | $82 | $20 | $44 |

# PURSES AND JOCKEY RENUMERATION AT NEW MEXICO RACETRACKS EXEMPTION FROM GRT

**Category:** Highly Specialized Industry

**Brief Description:** The receipts of horsemen, jockeys, and trainers from race purses at New Mexico horse racetracks subject to the jurisdiction of the state racing commission are exempt from GRT.

**Statutory Basis:** 7-9-40(A) NMSA 1978

**Intended Purpose:** To reduce the tax burden of horsemen, jockeys, and trainers.

**History:** Originally enacted in 1970 and amended in 1971, 1985, and 1989.

**Evaluation:** Although horse racing attendance and the total number of horse racing events are down statewide and nationwide, annual purses have not decreased in New Mexico.

**Recommendations:** None.

**Reliability Factor:** 3 – Yearly data on races and purse sizes from the Jockey Club's annual New Mexico Fact Book was combined with an industry standard rate of 10% of purses going each to jockeys and trainers. The 2025 New Mexico Fact Book has data through 2024 that is used in the estimations below. The FY2025 cost was estimated based on the average purse amounts from 2019-2024, excluding 2020 and 2021. The exemption amount is multiplied by the statewide average GRT rate for each year to estimate the cost. The estimated impact amount includes both state and local revenue.

**Fiscal Impact:**

| | **Fiscal Year** | 2023 | 2024 | 2025 |
|---|---|---|---|---|
| **Purses and Jockey Remuneration at NM Racetracks Exemption from GRT** | **State General Fund Expenditure (thousands)** | $118 | $101 | $111 |
| | **Local Government Expenditure (thousands)** | $77 | $66 | $73 |

# RAILROAD EQUIPMENT, AIRCRAFT, AND SPACE VEHICLES EXEMPTION FROM COMPENSATING TAX

**Category:** Highly Specialized Industry

**Brief Description:** The use of railroad locomotives, trailers, containers, tenders or cars procured or bought for use in railroad transportation; the use of commercial aircraft bought or leased primarily for use in the transportation of passengers or property for hire in interstate commerce; and the use of space vehicles for transportation of persons or property in, to, or from space are exempt from compensating tax.

**Statutory Basis:** 7-9-30 NMSA 1978

**Intended Purpose:** To reduce the cost of railroad transportation, aircraft transportation, and space transportation; potentially to comply with the federal preemption doctrine.

**History:** Originally enacted in 1969 and amended in 1988 and 2003.

**Evaluation:** None.

**Recommendations:** None.

**Reliability Factor:** No data is available to estimate the fiscal impact.

**Fiscal Impact:** Unknown.

# REAL ESTATE TRANSACTIONS
# GRT DEDUCTION

**Category:** Highly Specialized Industry

**Brief Description:** Receipts from real estate commissions on the sale of real property, which is subject to the GRT (new construction under Section 7-9-53(A) NMSA 1978), are deductible from gross receipts. Typically, brokerage commissions are deductible from gross receipts when the underlying sales are not subject to tax. With respect to new construction, the part of the sale that reflects the value of the newly constructed improvements is taxable, but the value of the underlying real estate is deductible.

**Statutory Basis:** 7-9-66.1 NMSA 1978

**Intended Purpose:** To incentivize real estate construction in New Mexico.

**History:** Originally enacted in 1984 and amended in 1990.

**Evaluation:** None.

**Recommendations:** None.

**Reliability Factor:** 3 - Yearly valuations of new residential construction by county is tracked by DFA. This sum is multiplied by the national ratio of the number of properties that are built to be sold ("on spec") determined from US Census data. It is assumed that little to no commercial real estate is constructed and then sold in such a way. A commission rate of 6% was assumed and a yearly statewide average GRT rate applied to that. Data from the U.S. Federal Housing Authority on home prices is used for more current years when data is not available from DFA. Changes in the DFA reporting system led to revisions in the figures reported in previous versions of this report.

**Fiscal Impact:**

| | **Fiscal Year** | 2023 | 2024 | 2025 |
|---|---|---|---|---|
| **Real Estate Transactions GRT Deduction** | **State General Fund Expenditure (thousands)** | $2,033 | $1,496 | $3,264 |
| | **Local Government Expenditure (thousands)** | $1,300 | $997 | $2,176 |

# RENEWABLE ENERGY PRODUCTION CREDIT AGAINST PIT AND CIT

**Category:** Environment, Conservation & Renewable Energy

**Brief Description:** Taxpayers are allowed a credit against PIT and CIT for producing electricity using solar light or heat, wind, or biomass. The credit only applies to taxpayers that hold title to a facility that generates electricity for sale to third parties or to taxpayers who lease a qualified energy generator under an industrial revenue bond agreement if the electricity was first produced on or before January 1, 2018. Taxpayers must receive certification for a credit from EMNRD.

The amount of the credit is $0.01 per kilowatt-hour (kWh) up to 400,000 megawatt-hours (MWh) annually per taxpayer for wind- or biomass-derived electricity. The aggregate cap for all wind projects is set at 2 million MWh.

The amount of the credit ranges from $0.015 to $0.04 per kWh up to 200,000 MWh annually per taxpayer for solar-light-derived or solar-heat-derived electricity, depending on the consecutive taxable year for which the credit is being claimed. The aggregate cap for all solar projects is set at 500,000 MWh.

The wind aggregate cap, maximized at 2 million MWh, represents total annual credit payments of $20 million. The solar credit varies by year, on average the yearly credit is $0.0275 per kWh. The solar credit ranges from $0.015 in the first year of production to $0.04 in the sixth year of production, down to $0.02 in the tenth year. If the 500,000 MWh are used, the average total annual credit is $13.75 million.

A qualified taxpayer is eligible for the renewable energy production tax credit for a maximum of ten consecutive years, beginning on the date the qualified energy generator begins producing electricity. The 2021 PIT and CIT legislative amendments clarified the ten-year timespan as the previous law read as technically only nine and a half years.

For production beginning before October 1, 2007, the credit is not refundable, but may be carried forward for five years. For qualified electricity produced after October 1, 2007, the credit is refundable.

**Statutory Basis:** 7-2-18.18 and 7-2A-19 NMSA 1978

**Intended Purpose:** To encourage the development of renewable energy generating facilities in New Mexico. If the renewable facilities replace coal or natural gas-fired facilities, the increased use will assist the state in reducing emissions associated with its electricity supply, including carbon dioxide and other pollutants regulated by the EPA.

**History:** The PIT credit was originally enacted in 2007 and amended in 2021. The CIT credit was originally enacted in 2002 and amended in 2003, 2005, 2007, and 2021.

**Evaluation:** The mechanics of implementation limit the number of taxpayers eligible to claim this credit. There is a queue of taxpayers seeking to claim this credit, but due to production limits are not fully qualified to claim the credit.

The taxpayer that holds title to a renewable energy production facility is eligible to claim the credit. Consequently, this credit is frequently used to engage in "tax credit financing" of renewable energy production facilities. The credit may be allocated without regard to proportional ownership interest. Thus, many renewable energy production facilities are structured as pass-through entities so that this credit can be passed-through to a financing owner.

**Recommendations:** The state should attempt to determine the cost-effectiveness of this credit before the expiration date is reached. Generation costs of renewable facilities have fallen sharply in recent years. According to a 2017 survey by Scientific American, many wind-powered facilities now produce wind for as little as 2 cents per kWh, making the current credit rate equal to 100% of the value of the power. This is an unusually high rate of subsidy when compared with other incentives offered by the State. If wind power is sufficiently competitive with other power sources, it may not need a subsidy at this level to continue to increase its share of the State's electricity generation market.

**Reliability Factor:** 1 - This credit is separately reported. No estimation is required. The eligibility period for this credit is limited to facilities that first generated electricity on or before January 1, 2018. Given the ten-year period for claiming credits, tax liabilities will be reduced under this program through fiscal year 2027.

**Fiscal Impact:**

| | | | | |
|---|---|---|---|---|
| **Renewable Energy Production Credit** | **Tax Year (Calendar)** | 2022 | 2023 | 2024 |
| | **Claims** | 32 | 22 | 0 |
| | **Expenditure (thousands)** | $28,770 | $28,639 | $0 |
| | | | | |
| | **Fiscal Year** | 2023 | 2024 | 2025 |
| | **Claims** | 101 | 39 | 30 |
| | **Expenditure (thousands)** | $43,890 | $24,305 | $33,485 |

# RESTAURANT AND BAR TEMPORARY GRT DEDUCTION

**Category:** Economic Development

**Brief Description:** Receipts from the sale of prepared food and beverages at a restaurant or bar were deductible from March 1, 2021, through July 1, 2021. The deduction was accompanied by a hold harmless provision for local governments for their portion of the deduction from the State General Fund.

**Statutory Basis:** 7-9-118 NMSA 1978

**Intended Purpose:** To provide temporary economic relief to restaurants and bars that were impacted by public health orders and lower customer traffic because of the COVID-19 pandemic.

**History:** Enacted in the 2021 Regular Legislative Session. Repealed in 2025 with an effective date of July 1, 2025.

**Evaluation:** The targeted relief in the bill allowed for a concentrated benefit to the restaurant and bar industry, which experienced difficulties during the COVID-19 pandemic. It was intended that restaurants and bars generally collect the typical amount of tax on their sales but retain the tax to improve their profitability during the COVID-19 pandemic. Restaurants and bars alternatively could have passed along the benefit to consumers through lower prices.

Although the deduction provided $51.1 million of targeted tax relief, claims were less than anticipated when enacted ($90.3 million). That is due to lower restaurant and bar receipts during the four-month period, as well as some eligible taxpayers not claiming the deduction.

**Recommendations:** None.

**Reliability Factor:**
1 – The deduction was separately reported by the taxpayer. While this deduction was only available for the period of March 1, 2021, through July 1, 2021, the fiscal impact extends into fiscal year 2022 and 2023 due to new and amended returns for that period of time.

**Fiscal Impact:** More than three years are reported to maintain history of non-recurring GRT data. Data in FY2024 and FY2025 is negative due to return amendments and reversal of some deductions.

This deduction is repealed effective July 1, 2025. This will be the last time this deduction is reported on in the annual Tax Expenditure Report.

| | | | | | | |
|---|---|---|---|---|---|---|
| **Restaurant and Bar Temporary GRT Deduction** | **Fiscal Year** | 2021 | 2022 | 2023 | 2024 | 2025 |
| | **Claims** | 3,753 | 289 | 13 | NA | NA |
| | **State General Fund Expenditure from deduction (thousands)** | $34,140 | $2,241 | $251 | ($9) | ($20) |
| | **State General Fund Expenditure from Hold Harmless (thousands)** | $16,618 | $1,681 | $143 | ($5) | ($23) |

# RURAL HEALTH CARE PRACTITIONER CREDIT AGAINST PIT

**Category:** Health Care

**Brief Description:** Licensed doctors, osteopathic physicians, dentists, clinical psychologists, podiatrists, and optometrists who provide health care services in New Mexico in a rural health care, underserved area in a taxable year may claim a credit of up to $5,000 against PIT.

Licensed dental hygienists, physician assistants, certified nurse midwives, certified registered nurse anesthetists, certified nurse practitioners, and clinical nurse specialists who provide health care services in New Mexico in a rural health care, underserved area in a taxable year may claim a credit of up to $3,000 against PIT.

For tax years 2023 and prior, to qualify for the full credit, a practitioner must have provided health care for 2,080 hours at a practice site in an approved area. If the practitioner provided health care for at least 1,040 hours, the practitioner was eligible for 50% of the credit. For tax years 2024 and after, the hours are reduced to 1,584 to receive the full credit and 792 hours for half credit. Taxpayers receive certification for a credit from DOH. The credit can be carried forward for three consecutive years.

**Statutory Basis:** 7-2-18.22 NMSA 1978

**Intended Purpose:** To improve access to health care in rural or underserved areas of the state by providing a tax benefit to health care practitioners who work in those areas.

**History:** Originally enacted in 2007 and amended in 2024 and 2025. The 2024 amendment modified and added occupations of health care practitioners and the amendment also reduced the required number of hours worked to be eligible for the credit. In addition, the definition of "rural" now corresponds to the federal definition as determined by the health resources and services administration of the United States Department of Health and Human Services.

**Evaluation:** About one-third of New Mexico's residents reside in rural areas, according to the New Mexico Health Care Workforce Committee's 2023 Annual Report. These areas tend to have lower densities of health professionals. While retention of health care practitioners in rural areas has been a challenge, COVID-19 has affected health care providers' decision of where and how to practice. The report notes that there is a growing interest among physicians to transition to small-town or rural practice. This tax credit may be useful in further attract13ing and retaining health care practitioners to underserved, rural areas.

To the extent the purpose of this credit is to improve access to health care in rural and underserved areas, an evaluation of the full scope of health care needed for these areas of the state should be considered. The expansion of

telemedicine has benefitted rural health care access in rural areas. Enhanced access to broadband in rural areas may complement telemedicine.

**Recommendations:** None.

**Reliability Factor:** 1 - This credit is separately reported. No estimation is required.

**Fiscal Impact:**

| | | | | |
|---|---|---|---|---|
| **Credit, Rural Healthcare Practitioner** | **Tax Year (Calendar)** | 2022 | 2023 | 2024 |
| | **Claims** | 2,035 | 1,958 | 4,193 |
| | **Expenditure (thousands)** | $7,075 | $6,851 | $12,504 |
| | | | | |
| | **Fiscal Year** | 2023 | 2024 | 2025 |
| | **Claims** | 2,092 | 2,044 | 4,592 |
| | **Expenditure (thousands)** | $7,246 | $7,172 | $13,964 |

# RURAL JOB CREDIT
# AGAINST MODIFIED COMBINED TAX, PIT, AND CIT

**Category:** Economic Development

**Brief Description:** Eligible employers may earn the rural job tax credit for each qualifying job created after July 1, 2000, applying it to State GRT, compensating tax, withholding tax, PIT, or CIT.

An eligible employer is one that EDD has approved for Job Training Incentive Program assistance. A qualifying job is a job filled by an eligible employee for 48 weeks in a 12-month qualifying period.

The credit is 25% of the first $16,000 of wages paid if the job is performed or based in a Tier 1 Area and 12.5% of the first $16,000 of wages paid if the job is performed or based in a Tier 2 Area. The credit is taken in annual increments: 6.25% of the first $16,000 in wages paid over four qualifying periods (years) if the job is performed at a location in a Tier 1 Area; 6.25% of the first $16,000 in wages paid over two qualifying periods if the job is performed at a location in a Tier 2 Area. This credit may be carried forward for three years and is transferable.

**Statutory Basis:** 7-2E-1.1 NMSA 1978

**Intended Purpose:** To encourage businesses to expand into rural areas of the state.

**History:** Originally enacted in 2007, the credit was amended in 2013 to tighten the definition of qualifying jobs and to clarify the definition of wages. Amended in 2021 to expand the intended purpose, revise certain employer certifications with respect to each qualifying job for which an eligible employer seeks the rural job tax credit, add time limits in which to apply for the rural job tax credit, define "new job", revise the definition of "qualifying job", and requiring taxpayers to timely apply. Amended in 2025 for minor clean-up.

**Evaluation:** The number of claims and the amount claimed have shown a downward trend over the years. There is a possibility that awareness of this credit has dwindled over time. The amount of the credit has not been adjusted for inflation since the credit was enacted, which might also be causing its attractiveness to drop among employers.

For a recent analysis on the impact of the rural job credit, see the Tax-E "Rural Job Tax Credit," provided by the Legislative Finance Committee, see the Tax Expenditure Assessments at:

https://www.nmlegis.gov/Entity/LFC/Revenue_Economic_Reports_and_Tax_Policy.

**Recommendations:** Consider benchmarking the credit amount to an index that is adjusted annually for inflation.

**Reliability Factor:** 1 - This credit is separately reported. No estimation is required.

**Fiscal Impact:**

| | | | | |
|---|---|---|---|---|
| **Rural Jobs Credit** | **Tax Year (Calendar)** | 2022 | 2023 | 2024 |
| | **Claims** | 39 | 6 | 8 |
| | **Expenditure (thousands)** | $593 | $189 | $177 |
| | | | | |
| | **Fiscal Year** | 2023 | 2024 | 2025 |
| | **Claims** | 42 | 45 | 39 |
| | **Expenditure (thousands)** | $832 | $637 | $822 |

# SALE AND USE OF AGRICULTURAL IMPLEMENTS, FARM TRACTORS, AIRCRAFT, AND MOTOR VEHICLES THAT DO NOT HAVE TO BE REGISTERED GRT AND COMPENSATING TAX DEDUCTION

**Category:** Highly Specialized Industry

**Brief Description:** (A) 50% of the receipts from selling, or of the value of farm tractors and agricultural implements when used by persons engaged in the business of farming or ranching, are deductible from gross receipts and from the total value before computing compensating tax.

50% of the receipts from selling, or of the value of vehicles not required to be registered under the Motor Vehicle Code are deductible from gross receipts and from the total value before computing compensating tax.

50% of the receipts from selling, or of the value of, aircraft not bought or leased primarily for use in the transportation of passengers or property for hire in interstate commerce are deductible from gross receipts and from the total value before computing compensating tax.

(B) Receipts of an aircraft manufacturer or affiliate from selling aircraft, or from selling aircraft flight support, pilot training or maintenance training services are deductible from gross receipts.

(C) Receipts from selling aircraft parts or maintenance services for aircraft or aircraft parts are deductible from GRT.

**Statutory Basis:** 7-9-62 and 7-9-77 NMSA 1978

**Intended Purpose:** To incentivize the purchase of agricultural implements and farm tractors to reduce the effective costs of agricultural activities to encourage development of the aircraft industry in New Mexico by reducing related costs of selling and using aircraft for other than transportation of passengers or property for hire in intrastate commerce.

**History:** The GRT deduction was originally enacted in 1969 and amended in 1975, 1998, 2000, 2007, 2014, and 2025. The 2014 amendment expanded the deduction to allow any entity selling aircraft parts or maintenance services for aircraft or aircraft parts to take the deduction starting July 1, 2015. The 2025 amendment revised reporting requirements and removed certain obsolete language.

The compensating tax deduction was originally enacted in 1966 and was amended in 1969, 1975, 1988, and 1998.

**Evaluation:** To the extent agricultural implements and aircraft are used in the production of agricultural goods intended for sale, this deduction could be viewed as reducing the effects of pyramiding.

Since FY2015, this GRT deduction has been separately reported. However, compensating tax deductions are not separately reported.

**Recommendations:** None.

**Reliability Factor:**
2 - This deduction is separately reported. Despite being separately reported, the reliability factor for this deduction is a 2 to reflect that some taxpayers may be claiming this deduction in error and others may not be reporting under this deduction code. Tax & Rev will be further analyzing this data and taxpayer reporting of GRT deductions. The deduction amount is multiplied by the statewide average GRT rate for each year to estimate the cost.

No compensating tax was estimated for fiscal years 2023 and 2024. Starting in fiscal year 2025, taxpayers are required to report GRT and compensating tax deductions separately.

**Fiscal Impact:**

| | **Fiscal Year** | 2023 | 2024 | 2025 |
|---|---|---|---|---|
| | **Taxpayers** | 57 | 94 | 70 |
| **Sale and Use of Agricultural Implements, Farm Tractors, Aircraft, and Motor Vehicles that Don't Have to be Registered - GRT and Compensating Tax Deduction** | **State General Fund Expenditure (thousands)** | $2,981 | $3,763 | $3,650 |
| | **Local Government Expenditure (thousands)** | $1,906 | $2,509 | $2,434 |
| | **Compensating Tax (thousands)** | Unknown | Unknown | $0 |

# SALE OF AEROSPACE SERVICES FOR THE U.S. AIR FORCE GRT DEDUCTION

**Category:** Highly Specialized Industry

**Brief Description:** Receipts from performing or selling aerospace research and development for resale to an organization or for resale to the U.S., other than a national laboratory, are deductible from gross receipts.

**Statutory Basis:** 7-9-54.1 NMSA 1978

**Intended Purpose:** To incentivize the U.S. Air Force to relocate the Space Systems Division to New Mexico.

**History:** Originally enacted in 1992 and amended in 1993, 1994, 1995, and 2021.

The 2021 amendment clarified that in addition to non-taxable transaction certificates, taxpayers may present alternative evidence to claim the deduction and removed obsolete language.

**Evaluation:** None.

**Recommendations:** None.

**Reliability Factor:**

4 – The cost of this deduction was estimated using reports of defense spending by state and fiscal year from the U.S. Department of Defense Office of Local Defense Community Cooperation multiplied by the statewide average GRT rate for each year. Since there is a year lag in the reports, the expenditure for the fiscal year 2024 was estimated using the average of the three previous fiscal years. Tax & Rev used the proportion of the spending on Research and Development in the state and applied it to the Air Force's total expenditures in New Mexico. Because of the federal government shutdown, there was no reporting for the fiscal year 2024, so the impact of this deduction for the fiscal year 2025 was proxied by the average of the previous three fiscal years.

**Fiscal Impact:**

| | Fiscal Year | 2023 | 2024 | 2025 |
|---|---|---|---|---|
| **Sale of Aerospace Services for the U.S. Air Force GRT Deduction** | **State General Fund Expenditure (thousands)** | $11,624 | $11,164 | $11,517 |
| | **Local Government Expenditure (thousands)** | $7,431 | $7,443 | $7,678 |

# SALES OF CERTAIN RESEARCH AND DEVELOPMENT SERVICES EXEMPTION FROM GRT

**Category:** Economic Development

**Brief Description:** Receipts from selling research and development services performed outside New Mexico the product of which is initially used in New Mexico are exempt from GRT and the services are sold:

(1) between affiliated corporations;

(2) to the United States by persons who are prime contractors for New Mexico designated national laboratories but not organizations granted federal income tax exemption under Section 501(C)(3) of the Internal Revenue Code of 1986;

(3) to persons who are prime contractors for New Mexico designated national laboratories but not organizations granted federal income tax exemption under Section 501(C)(3) of the Internal Revenue Code of 1986.

As used in this section:

(1) An "affiliated corporation" means a corporation that directly or indirectly, through one or more intermediaries controls, is controlled by or is under common control with the subject corporation;

(2) "Control" means ownership of stock in a corporation that represents at least eighty percent of the total voting power of that corporation and has a stated or par value equal to a least eighty percent of the total stated or par value of the stock of that corporation.

**Statutory Basis:** 7-9-13.1 NMSA 1978

**Intended Purpose:** To encourage research and development in New Mexico, by allowing national laboratories and others access to out-of-state research and development without paying a penalty, as those research and development services cannot be obtained in New Mexico. Reducing the tax burden on innovation in New Mexico.

**History:** Originally enacted in 1989 and amended in 2019.

**Evaluation:** None.

**Recommendation:** None.

**Reliability Factor:** No data is available to estimate the fiscal impact of this exemption.

**Fiscal Impact:** Unknown.

# SALE OF CERTAIN SERVICES TO AN OUT-OF-STATE BUYER GRT DEDUCTION

**Category:** Economic Development

**Brief Description:** Receipts from performing a service in New Mexico are deductible from gross receipts if the sale of the service is made to an out-of-state buyer. To qualify for the deduction, the product of the service must be delivered to the buyer outside of New Mexico and be initially used by the buyer outside of New Mexico.

The buyer must present an appropriate non-taxable transaction certificate or alternative evidence acceptable to Tax & Rev.

**Statutory Basis:** 7-9-57 NMSA 1978

**Intended Purpose:** To encourage service exports by equalizing tax treatment with out-of-state service providers, most of which are not subject to a sales tax on services.

**History:** Originally enacted in 1969 and amended in 1973, 1977, 1983, 1988, 1989, 1998, and 2000.

**Evaluation:** None.

**Recommendations:** None.

**Reliability Factor:** No data are available to estimate the fiscal impact.

**Fiscal Impact:** Unknown.

# SALE OF DYED SPECIAL FUEL FOR AGRICULTURAL PURPOSES GRT CREDIT

**Category:** Highly Specialized Industry

**Brief Description:** Beginning July 1, 2024, and prior to July 1, 2029, a taxpayer who sells special fuel dyed in accordance with federal regulations may claim a tax credit in an amount equal to the gross receipts tax from the sale of special fuel against gross receipts taxes, provided that:

(1) the taxpayer did not pass the amount of gross receipts tax on to the purchaser of the special fuel; and

(2) the dyed special fuel was sold to a person who confirms to the department the special fuel is for agricultural purposes primarily and the gross receipts tax was not charged.

The credit may be claimed for the taxable period in which the special fuel is sold. The credit has an aggregate annual cap of $10 million that may be claimed. The credit is not refundable but may be carried forward for thirty-six consecutive taxable periods (defined as 36 months by department regulation).

**Statutory Basis:** 7-9-58.1 NMSA 1978

**Intended Purpose:** To reduce special dyed fuel costs for New Mexico's agricultural producers.

**History:** Originally enacted in 2024.

**Evaluation:** None.

**Recommendation:** It is recommended that GRT tax expenditures be structured as deductions for ease of administration and taxpayer compliance, as credits are more complicated to administer than deductions. Taxpayer burden may be a reason this credit is not being widely claimed.

**Reliability Factor:** 1 - This credit is separately reported. No estimation is required.

**Fiscal Impact:** Data cannot be disclosed due to the number of taxpayers being fewer than three.

# SALE OF FOOD AT RETAIL FOOD STORES
# GRT DEDUCTION AND HOLD HARMLESS DISTRIBUTION

**Category:** Citizen Benefits

**Brief Description:** Receipts from qualifying food sales by retail food stores as defined under the federal food stamp program are deductible from gross receipts. The deduction is required to be separately reported by the taxpayer.

The original legislation provided that the revenues of municipal and county governments would be held harmless from any lost revenue resulting from the deduction. Under 2013 legislation, hold harmless distributions were to be phased out over 15 years with exceptions for certain small municipalities and counties. Under 2022 legislation, certain municipalities that did not enact a municipal hold harmless gross receipts tax began to have distributions frozen at fixed percentages of 30%, 50%, or 80%, based on their poverty rate in relation to the state poverty rate. The relative poverty rate comparison is calculated using the most current publication of the U.S. Census 5-year American Community Survey.

**Statutory Basis:** 7-9-92, 7-1-6.46 and 7-1-6.47 NMSA 1978

**Intended Purpose:** To reduce the burden of tax on food.

**History:** The GRT deduction was originally enacted in 2004 and amended in 2021. The 2021 amendment clarified that the deduction includes receipts for home-deliveries.

The hold harmless provision was originally enacted in 2004 and was amended in 2006, 2007, 2013, 2016, 2022 and 2025. The 2013 amendment phased out the hold harmless distribution to larger counties and municipalities over a 15-year period starting July 1, 2015, under Sections 7-1-6.46 and 7-1-6.47 NMSA 1978. A 2016 amendment added a penalty for incorrectly filing for the food and medical deductions that result in hold harmless distributions instead of other exemptions or deductions that must be taken first. The penalty is 20% of the value of the hold harmless distribution resulting from the incorrect deduction. The 2022 amendment froze certain municipal distributions at a fixed percentage depending on the local poverty rate in relation to the state poverty rate and if they did not enact a municipal hold harmless gross receipts tax. The 2025 amendment deleted certain obsolete language.

**Evaluation:** The GRT deduction reduces the effective cost of food for home consumption (as opposed to restaurant meals or prepared foods). With the hold harmless provision and the loss of the revenue being made up through other tax burdens, this reduction has a significant cost to both the State General Fund and local governments. The food deduction benefits lower-income individuals who spend a greater share of their income on necessities including food.

**Recommendations:** This deduction is subject to frequent debate given the large amount of revenue foregone as a result. While discussion typically centers on whether or not to repeal the deduction, policymakers may also consider ways to reduce the administrative burden of managing a deduction and distribution of this magnitude.

Any future decision to tax any portion of food for home consumption may be coupled with measures to promote the principle of simplicity. The hold harmless distribution uses an intricate methodology to calculate the distributions, leading to a more complex and costly tax administration.

**Reliability Factor:** 1 - The deduction and hold harmless are separately reported. The estimates reflect the amounts of GRT revenue forgone by multiplying the GRT deduction amounts by the statewide average GRT rate for each year.

**Fiscal Impact:**

| | **Fiscal Year** | 2023 | 2024 | 2025 |
|---|---|---|---|---|
| **Sale of Food at Retail Food Stores GRT Deduction and Hold Harmless Distribution** | **State General Fund Expenditure from Local Hold Harmless Distributions (thousands)** | $95,851 | $122,091 | $94,125 |
| | **State General Fund Expenditure from Deduction (thousands)** | $211,221 | $282,054 | $239,971 |
| | **Net State General Fund Expenditure (thousands)** | **$307,072** | **$404,145** | **$334,096** |
| | **Local Government Expenditure from Deduction (thousands)** | $136,846 | $184,852 | $157,272 |
| | **Net Local Government Expenditure** | **$40,995** | **$62,761** | **$63,147** |

# SALE OF SOFTWARE DEVELOPMENT SERVICES GRT DEDUCTION

**Category:** Economic Development

**Brief Description:** Receipts from the sale of software development services performed in a rural area by an eligible software company are deductible from gross receipts. A rural area is anywhere except an incorporated municipality with a population of more than 50,000.

**Statutory Basis:** 7-9-57.2 NMSA 1978

**Intended Purpose:** To stimulate new business development in rural areas.

**History:** Originally enacted in 2002.

**Evaluation:** It is difficult to determine whether this deduction is the cause of expansion in the targeted locations or industries, but based on Tax & Rev's methodology, the amount of the applicable deductions has increased significantly in recent years.

**Recommendations:** None.

**Reliability Factor:** 2 - Gross receipts deductions for taxpayers classified as software publishers and computer programmers reported outside of incorporated municipalities are assumed to qualify for the deduction. The deduction amount is multiplied by the statewide average GRT rate for each year to estimate the cost. A recent NAICS code revision by the federal Office of Management & Budget is reflected in FY25 estimates

**Fiscal Impact:**

| | Fiscal Year | 2023 | 2024 | 2025 |
|---|---|---|---|---|
| **Sale of Software Development Services GRT Deduction** | **State General Fund Expenditure (thousands)** | $4,193 | $3,673 | $16,600 |
| | **Local Government Expenditure (thousands)** | $2,717 | $2,407 | $10,880 |

# SALE OF TEXTBOOKS IN CERTAIN BOOKSTORES EXEMPTION FROM GRT

**Category:** Citizen Benefits

**Brief Description:** Receipts of certain bookstores from selling textbooks and other materials required for courses at a public post-secondary educational institution to a student enrolled at the institution are exempt from GRT. Only bookstores located on the campus of the institution and operated under a contractual agreement with the institution are eligible.

**Statutory Basis:** 7-9-13.4 NMSA 1978

**Intended Purpose:** To reduce the cost of educational materials to those attending higher educational institutions.

**History:** Originally enacted in 2002.

**Evaluation:** While the cost of textbooks is only one component of the overall cost of a college education, the exemption provides some relief.

**Recommendations:** Consider expanding the exemption so that it is not limited to bookstores operated by a post-secondary education institution. Off-campus school bookstores frequently stock required textbooks and materials for university courses. Also, the inclusion of eBooks purchases should be assessed in this exemption.

**Reliability Factor:** 4 - Using survey results from The National Association of College Stores, the estimate of the cost of required course materials is used. Enrollment numbers for public post-secondary institutions, reported by the New Mexico Higher Education Department, in combination with the cost of required course materials, calculates an aggregate total cost across all public institutions.

**Fiscal Impact:**

| | Fiscal Year | 2023 | 2024 | 2025 |
|---|---|---|---|---|
| **Sale of Textbooks in Certain Bookstores Exemption from GRT** | **State General Fund Expenditure (thousands)** | $1,500 | $1,400 | $1,500 |
| | **Local Government Expenditure (thousands)** | $1,000 | $1,000 | $1,000 |

# SALES OF SERVICES TO MANUFACTURING GRT DEDUCTION

**Category:** Economic Development

**Brief Description:** Receipts from the sale of certain professional services may be deducted from gross receipts or governmental gross receipts if the sale is made to a person engaged in the business of manufacturing who delivers a nontaxable transaction certificate to the seller or provides alternative evidence. The professional services shall be related to the product that the buyer is in the business of manufacturing. The deduction is limited to accounting, architectural, engineering, information technology, and legal services.

**Statutory Basis:** 7-9-46.1 NMSA 1978

**Intended Purpose:** To encourage manufacturing businesses to locate in New Mexico and to reduce the cost of final products by reducing tax pyramiding on professional services.

**History:** Originally enacted in 2022.

**Evaluation:** None.

**Recommendation:** None.

**Reliability Factor:** 2 - This deduction is separately reported. Despite being separately reported, the reliability factor for this deduction is a 2 to reflect that some taxpayers may be claiming this deduction in error. The drop in FY 2025 compared to FY 2024 reflects Tax & Rev's attempt to refine the fiscal impact by determining taxpayers that truly qualify for this deduction. Tax & Rev will further analyze this data and taxpayer reporting of GRT deductions.

**Fiscal Impact:**

| | | | | |
|---|---|---|---|---|
| **Sales of Services to Manufacturing GRT Deduction** | **Fiscal Year** | 2023 | 2024 | 2025 |
| | **Taxpayers** | 133 | 2,986 | 2,049 |
| | **State General Fund Expenditure (thousands)** | $698 | $84,098 | $37,276 |
| | **Local Government Expenditure (thousands)** | $446 | $56,065 | $24,851 |

# SALES TO NONPROFIT ORGANIZATIONS
# GRT, GGRT, AND COMPENSATING TAX DEDUCTION

**Category:** Citizen Benefits

**Brief Description:** Gross receipts from selling tangible personal property to 501(c)(3) organizations for use in tax-exempt functions, and gross receipts from the sale of construction materials to a 501(c)(3) organization formed for the purpose of providing homeownership opportunities to low-income families are deductible from gross receipts and governmental gross receipts tax.

Also, out-of-state purchases of an organization that was granted a tax exemption under Section 501(c)(3) or Section 501(c)(6) of the U.S. Internal Revenue Code are exempt from the Compensating Tax so long as the receipts are not derived from an unrelated trade or business as defined in Section 513 of the U.S. Internal Revenue Code.

**Statutory Basis:** 7-9-60 and 7-9-15 NMSA 1978

**Intended Purpose:** To decrease the operating costs of nonprofit entities that provide homeownership opportunities to low-income families.

**History:** The GRT deduction was originally enacted in 1953, amended in 1969, reenacted in 1970, and amended in 1992, 1995, 2001, 2007, 2018, and 2021.

The 2021 amendment clarifies that, in addition to non-taxable transaction certificates, taxpayers may present alternative evidence to claim the deduction.

The exemption from compensating tax was originally enacted in 1969 and amended in 1970, 1983, and 1990.

**Evaluation:** This tax expenditure may allow a greater number of low-income families to be served by nonprofits whose mission relates to low-income homeownership, or for enhanced services to be offered.

**Recommendations:** None.

**Fiscal Impact:** Unknown.

# SALES TO STATE-CHARTERED CREDIT UNIONS GRT AND GGRT DEDUCTION

**Category:** Economic Development

**Brief Description:** Receipts from selling tangible personal property to state-chartered credit unions are deductible from gross receipts to the same extent that receipts from the sale of tangible personal property to federal credit unions are deductible.

**Statutory Basis:** 7-9-61.2 NMSA 1978

**Intended Purpose:** To provide equitable tax treatment between federally-chartered and state-chartered credit unions and treat state-chartered credit unions as an instrumentality of state government.

**History:** Originally enacted in 2000.

**Evaluation:** None.

**Recommendations:** None.

**Reliability Factor:** 4 - According to the National Credit Union Administration (NCUA), New Mexico had 18 state-chartered credit unions in 2025. NCUA also published a document on operating costs for state-chartered credit unions. From this document, the tangible property costs estimate is 50% of total operating costs. The estimated tangible property deduction is multiplied by the statewide average GRT rate for each year to estimate the cost.

**Fiscal Impact:**

| | Fiscal Year | 2023 | 2024 | 2025 |
|---|---|---|---|---|
| **Sales to State-Chartered Credit Unions GRT and GGRT Deduction** | **Credit Unions** | 18 | 18 | 18 |
| | **State General Fund Expenditure (thousands)** | $1,748 | $2,102 | $2,362 |
| | **Local Government Expenditure (thousands)** | $1,132 | $1,378 | $1,548 |

# SCHOOL SUPPLIES PURCHASED BY A PUBLIC SCHOOL TEACHER DEDUCTION FROM PIT

**Category:** Citizen Benefits

**Brief Description:** A taxpayer who is not a dependent of another individual and is a public school teacher may claim a deduction from net income in an amount equal to the costs of school supplies purchased by the public-school teacher, not to exceed $500 for tax year 2024 and $1,000 for tax years 2025 through 2028.

**Statutory Basis:** 7-2-41 NMSA 1978

**Intended Purpose:** To reduce the tax liability and increase disposable income of public school teachers who use personal funds to purchase school supplies.

**History:** Originally enacted in 2024 and amended in 2025.

**Evaluation:** Nationwide, 94% of teachers spend their own money to support the needs of their classroom by buying supplies. According to the National Center for Education Statistics, New Mexico schoolteachers spent an average of $494 and 8.5% spent more than $1,000 in the 2020 to 2021 school year.

This deduction falls short of compensating teachers for their expenses. A teacher who spent $500 in tax year 2024 would enjoy an estimated tax liability reduction of $15, rising to $30 for tax year 2025. For FY 2025, the average tax relief provided was $19 per taxpayer.

**Recommendation:** Consider alleviating the need for teachers to purchase school supplies through the public school funding formula.

**Reliability Factor:** 2 – This deduction is separately reported. Some estimation is required.

**Fiscal Impact:**

| | | |
|---|---|---|
| **School Supplies Purchased by a Public-School Teacher Deduction from PIT** | **Tax Year (Calendar)** | 2024 |
| | **Claims** | 12,251 |
| | **Expenditure (thousands)** | $233 |
| | | |
| | **Fiscal Year** | 2025 |
| | **Claims** | 12,157 |
| | **Expenditure (thousands)** | $232 |

# SMALL BUSINESS SATURDAY THANKSGIVING WEEKEND GRT DEDUCTION

**Category:** Economic Development

**Brief Description:** Receipts from retail sales of specified tangible personal property are deductible from GRT on the first Saturday after Thanksgiving. The deduction may be claimed on sales of property with a value of less than $500. Qualified retailers must be a business in New Mexico and have employed no more than 10 employees at any one time in the previous fiscal year.

**Statutory Basis:** 7-9-116 NMSA 1978

**Intended Purpose:** To reduce the cost of retail purchases and encourage purchases at small businesses in New Mexico.

**History:** Originally enacted in 2018 and amended in 2020 and 2025. Amended in 2020 to extend the sunset of the deduction from July 1, 2020, to July 1, 2025. The 2025 amendment revised reporting requirements.

**Evaluation:** This deduction was similar to the back-to-school tax-free weekend. This deduction, however, restricts purchases to those made at small businesses and is believed to have lower usage. While the deduction may result in a small increase in purchases at small businesses during the popular holiday shopping season, the overall benefit is limited. The number of businesses that claimed the deduction has increased since FY21.

**Recommendations:** None.

**Reliability Factor:** 2 – This deduction is separately reported. Despite being a separately reported deduction, the reliability factor for this deduction is a 2 to reflect that some taxpayers may be claiming this deduction in error and others may not be reporting under the correct deduction code. Tax & Rev will further analyze this data and taxpayer reporting of GRT deductions.

**Fiscal Impact:** **This is the last year this expenditure is reported.**

| | **Fiscal Year** | 2023 | 2024 | 2025 |
|---|---|---|---|---|
| | **Taxpayers** | 195 | 319 | 271 |
| **Small Business Thanksgiving Saturday GRT Deduction** | **State General Fund Expenditure (thousands)** | $161 | $542 | $518 |
| | **Local Government Expenditure (thousands)** | $103 | $361 | $345 |

# SOCIAL SECURITY INCOME EXEMPTION FROM PIT

**Category:** Citizen Benefits

**Brief Description:** An individual may claim an exemption from PIT starting in tax year 2022 in an amount equal to the social security income included in adjusted gross income as determined on a taxpayer's federal income tax return and includable except for this exemption in net income. The individual also must have an adjusted gross income that does not exceed the following thresholds by filing type:

(1) For married individuals filing separate returns, $75,000;
(2) For heads of household, surviving spouses, and married individuals filing joint returns, $150,000;
(3) For single individuals, $100,000.

**Statutory Basis:** 7-2-5.14 NMSA 1978

**Intended Purpose:** To ease the tax burden on low and middle-income individuals who rely heavily on social security retirement income and to encourage retirees to reside in New Mexico.

**History:** Originally enacted in 2022.

**Evaluation:** None.

**Recommendation:** None.

**Reliability Factor:** 2 – This exemption is separately reported. Some estimation is required. Note: The number of claims is based on tax returns. A joint return may have 2 spouses claiming the exemption.

**Fiscal Impact:**

| | | | | |
|---|---|---|---|---|
| **Social Security Income Exemption** | **Tax Year (Calendar)** | 2022 | 2023 | 2024 |
| | **Claims** | 134,093 | 138,378 | 131,570 |
| | **Expenditure (thousands)** | $80,216 | $88,240 | $86,362 |
| | | | | |
| | **Fiscal Year** | 2023 | 2024 | 2025 |
| | **Claims** | 123,266 | 139,147 | 141,274 |
| | **Expenditure (thousands)** | $73,823 | $88,523 | $92,301 |

# SOLAR ENERGY SYSTEMS GRT DEDUCTION

**Category:** Environment, Conservation & Renewable Energy

**Brief Description:** Receipts from the sale or installation of solar energy systems, including solar panels, solar hot water heaters, and trombe walls, are deductible from gross receipts if the equipment is used to generate power for on-site consumption.

**Statutory Basis:** 7-9-112 NMSA 1978

**Intended Purpose:** To incentivize consumer installation and use of solar energy systems.

**History:** Originally enacted in 2007.

**Evaluation:** The steady growth in Tax & Rev's estimated deduction utilization suggests that this deduction continues to benefit solar purchasers.

**Recommendations:** None.

**Reliability Factor:** 3 - Solar panel installation is one of the 47 subcategories in NAICS code 238210 Electrical Contractors and Other Wiring Installation Contractors. Data from Tax & Rev's RP-80 Report was used to estimate the deduction. The deduction amount is multiplied by the statewide average GRT rate for each year to estimate the cost.

**Fiscal Impact:**

| | Fiscal Year | 2023 | 2024 | 2025 |
|---|---|---|---|---|
| **Solar Energy Systems Deduction** | **State General Fund Expenditure (thousands)** | $2,029 | $2,587 | $2,335 |
| | **Local Government Expenditure (thousands)** | $1,351 | $1,723 | $1,555 |

# SOLAR MARKET DEVELOPMENT CREDIT AGAINST PIT

**Category:** Environment, Conservation & Renewable Energy

**Brief Description:** Taxpayers who purchase and install a solar thermal system or a photovoltaic system in a residence, business, or agricultural enterprise owned in New Mexico may apply for a solar market development tax credit of up to 10% of the purchase and installation cost of the system against PIT. This purchase must have been made between January 1, 2006, and December 31, 2016.

The credit shall not exceed $9,000. The maximum aggregate amount of credits allowed in any tax year is $2 million for solar thermal systems and $3 million for photovoltaic systems. The credit is not refundable but may be carried forward for up to 10 years.

**Statutory Basis:** 7-2-18.14 NMSA 1978

**Intended Purpose:** To incentivize growth of the solar industry by subsidizing a portion of the purchase and installation costs of solar systems in New Mexico.

**History:** Originally enacted in 2006 and amended in 2009 to reduce the credit from 30% to 10% and remove the cumulative federal and state cap of 30%. Repealed in 2025 with an effective date of July 1, 2025.

**Evaluation:** None.

**Recommendations:** None.

**Reliability Factor:** 1 - This credit is separately reported. No estimation is required.

**Fiscal Impact:** This credit is repealed effective July 1, 2025. The fiscal impacts below represent credits that have been carried forward on systems purchased by December 31, 2016. This will be the last time this credit is reported on in the annual Tax Expenditure Report.

| | | | | |
|---|---|---|---|---|
| **Solar Market Development Credit** | **Tax Year (Calendar)** | 2022 | 2023 | 2024 |
| | **Claims** | 19 | 10 | 6 |
| | **Expenditure (thousands)** | $14 | $5 | $4 |
| | | | | |
| | **Fiscal Year** | 2023 | 2024 | 2025 |
| | **Claims** | 26 | 11 | 10 |
| | **Expenditure (thousands)** | $13 | $10 | $6 |

# NEW SOLAR MARKET DEVELOPMENT CREDIT AGAINST PIT

**Category:** Environment, Conservation & Renewable Energy

**Brief Description:** Taxpayers who purchase and install a solar thermal system or a photovoltaic system in a residence, business, or agricultural enterprise in New Mexico owned by the taxpayer may apply for a new solar market development tax credit of no more than $6,000 per taxpayer per taxable year. The purchase and installation must be made from March 1, 2020, but before January 1, 2032. Taxpayers receive certification for a credit from EMNRD.

The maximum annual aggregate amount of credits that may be certified was $12 million for tax years 2020 through 2023, with an additional $20 million that was available to be certified after that aggregate annual limit was met. The aggregate annual cap increased to $30 million per year for tax years 2024 through 2031. For tax years after 2021, the credit is refundable and transferable for the full value of the credit.

**Statutory Basis:** 7-2-18.31 NMSA 1978

**Intended Purpose:** To encourage the installation of solar thermal and photovoltaic systems residences, businesses and agricultural enterprises.

**History:** Originally enacted in 2020 and amended in 2022, 2024 and 2025. The 2022 amendment extended the sunset, increased the annual credit cap, and made the credit refundable and transferable. The 2024 amendment increased the aggregate cap for tax years 2024 through 2031 to $30 million. The 2024 amendment also provided a one-time $20 million above the cap amounts for tax years 2020 through 2023 for taxpayers denied a credit certification due to the aggregate cap amount being reached. This $20 million additional credit must be claimed in tax year 2023. The 2024 amendment also extended eligibility to solar systems installed on a federally recognized Indian nation, tribe or pueblo land.

**Evaluation:** This credit has exceeded the number of claims seen in the original Solar Market Development Credit. This is in part due to the aggregate cap being increased. Tax years after 2021 are now fully refundable. To determine the extent that this credit has encouraged installation of solar thermal and photovoltaic systems above the current market trend, other supplementary data would be needed.

For a recent study on solar photovoltaic adoption, "Equity in Solar PV Adoption in New Mexico," by Yuting Yang and Jiaqing Zhao at the University of New Mexico, July 2024, see: https://econ.unm.edu/what-we-do/community-service/2_solar_equity_yang_final-report.pdf

**Recommendations:** None.

**Reliability Factor:** 1 – This credit is separately reported. No estimation is required.

**Fiscal Impact:**

| | | | | |
|---|---|---|---|---|
| **New Solar Market Development Credit** | **Tax Year (Calendar)** | 2022 | 2023 | 2024 |
| | **Claims** | 3,417 | 4,535 | 2,352 |
| | **Expenditure (thousands)** | $8,955 | $12,804 | $6,072 |
| | | | | |
| | **Fiscal Year** | 2023 | 2024 | 2025 |
| | **Claims** | 3,302 | 3,837 | 3,431 |
| | **Expenditure (thousands)** | $8,556 | $10,336 | $9,447 |

# SPACEPORT-RELATED ACTIVITIES
# GRT DEDUCTION

**Category:** Highly Specialized Industry

**Brief Description:** Deductible from GRT are receipts from:

(1) launching, operating, or recovering space vehicles or payloads;
(2) preparing a payload;
(3) operating a spaceport; or
(4) providing research, development, testing, and evaluation services for the U.S. Air Force Operationally Responsive Space Program.

**Statutory Basis:** 7-9-54.2 NMSA 1978

**Intended Purpose:** To encourage the development of the space industry in New Mexico.

**History:** Originally enacted in 1995 and amended in 1997, 2001, 2003, and 2007. The 2007 amendment added a deduction for receipts from the provision of research, development, testing, and evaluation services for the U.S. Air Force Operationally Responsible Space Program.

**Evaluation:** According to publicly available information, several out-of-state companies are conducting launches in New Mexico. Spaceport America also hosts a collegiate annual competition in which students from across the world launch rockets from Spaceport America. Virgin Galactic moved its headquarters to the state. Virgin Galactic's first crewed flight from Spaceport America was in May 2021, and its first commercial flight with paying passengers took place in June 2023.

**Recommendations:** Section 7-9-54.2 NMSA 1978's GRT deduction currently allows receipts from selling space flight tickets to be deducted because those receipts are considered to be received from "operating" space vehicles. Tax & Rev is not aware of a policy consideration that would support excluding receipts from space flight ticket sales from the GRT. Space flight tickets may be considered a luxury good, and purchasers of that good have the ability to contribute to the tax base. Consider amending Section 7-9-54.2 NMSA 1978 to narrow the deduction and ensure the GRT is imposed on future space flight ticket sales.

**Reliability Factor:** No data is available to estimate the fiscal impact. Many companies involved in this business could be described as having irregular cash flow. Without a reporting requirement, it is difficult to ascertain which companies qualify and how much of the deduction is being applied.

**Fiscal Impact:** Unknown.

# SPACE-RELATED TEST ARTICLES DEDUCTION FROM COMPENSATING TAX

**Category:** Highly Specialized Industry

**Brief Description:** Deduction of the value of space-related test articles used in New Mexico exclusively for research or testing, or placed on public display after use, or stored for future use. The value of equipment and materials used in New Mexico for research or testing to support the research or testing of space-related test articles, or for storage of such equipment or materials to support the research and testing of space-related test articles, is deductible for computing compensating tax due.

**Statutory Basis:** 7-9-54.4 NMSA 1978

**Intended Purpose:** Incentivize the development of the space industry in New Mexico.

**History:** Originally enacted in 2003.

**Evaluation:** According to publicly available information, there are several companies conducting tests in New Mexico. These companies hold proprietary information in a new and emerging industry which makes capturing accurate data very difficult.

**Recommendations:** None.

**Reliability Factor:** No data are available to estimate the fiscal impact. Companies in this industry belong to a highly-specialized niche that holds proprietary information, making it difficult to find external sources of information. Without a reporting requirement, it is difficult to ascertain which companies qualify and how much of the deduction is being applied.

**Fiscal Impact:** Unknown.

# SPECIAL NEEDS ADOPTED CHILD CREDIT AGAINST PIT

**Category:** Citizen Benefits

**Brief Description:** A taxpayer who has adopted a special needs child (an individual certified as a "difficult to place child") may claim a credit against PIT for $1,500. The credit is refundable.

**Statutory Basis:** 7-2-18.16 NMSA 1978

**Intended Purpose:** To provide tax relief for those who adopt a special needs child.

**History:** Originally enacted in 2007 and amended in 2024 and 2025. The 2024 amendment increased the credit from $1,000 to $1,500 and required Tax & Rev to report annually on the credit. The 2024 amendment will impact expenditures beginning fiscal year 2025. The 2025 amendment removed obsolete language and amended reporting requirements.

**Evaluation:** None.

**Recommendations:** Since the credit amount is not indexed to inflation, the taxpayer's benefit will diminish over time. Consider the indexing of the credit amount to account for inflation.

**Reliability Factor:** 1 - This credit is separately reported. No estimation is required.

**Fiscal Impact:**

| | | | | |
|---|---|---|---|---|
| **Credit, Special Needs Adopted Child** | **Tax Year (Calendar)** | 2022 | 2023 | 2024 |
| | **Claims** | 912 | 839 | 751 |
| | **Expenditure (thousands)** | $1,604 | $1,465 | $1,967 |
| | | | | |
| | **Fiscal Year** | 2023 | 2024 | 2025 |
| | **Claims** | 880 | 849 | 883 |
| | **Expenditure (thousands)** | $1,513 | $1,506 | $2,215 |

# SUPPLEMENTAL INCOME TAX REBATE 2021 TAX YEAR FILING

**Category:** Citizen Benefits

**Brief Description:** Resident taxpayers who are not dependents of another taxpayer were eligible for two supplemental income tax rebates in tax year 2021. Each of the two rebates was $500 for heads of household, surviving spouses, and married individuals filing jointly, and $250 for single individuals and married individuals filing separately.

**Statutory Basis:** 7-2-7.5 NMSA 1978

**Intended Purpose:** To provide temporary economic relief to New Mexico residents due to inflationary price increases.

**History:** Originally enacted in 2022.

**Evaluation:** None.

**Recommendation:** None.

**Reliability Factor:** 1 – This rebate was separately issued, and no estimation is required.

**Fiscal Impact:**

| | | | | | |
|---|---|---|---|---|---|
| **2021 Supplemental Income Tax Rebate** | **Tax Year (Calendar)** | 2021 | 2022 | 2023 | 2024 |
| | **Claims** | 960,057 | NA | NA | NA |
| | **Expenditure (thousands)** | $675,475 | | | |
| | | | | | |
| | **Fiscal Year** | 2022 | 2023 | 2024 | 2025 |
| | **Claims** | 873,926 | 68,725 | 16,451 | 918 |
| | **Expenditure (thousands)** | $614,493 | $57,360 | $2,728 | $871 |

# SUSTAINABLE BUILDING CREDIT AGAINST PIT AND CIT

**Category:** Environment, Conservation & Renewable Energy

**Brief Description:** Until December 31, 2016, a taxpayer could claim a credit against PIT and CIT for investments in constructing or renovating sustainable residential or commercial buildings that meet specific "green" building standards. Taxpayers received certification of their project for a credit from EMNRD.

The amount of the credit that could be claimed ranged from $0.70 to $9.00 per square foot depending on the square footage of the building, the type of building, and the certification level the building has achieved in the LEED green building rating system.

For credits less than $100,000, a maximum of $25,000 would be applied against the taxpayer's liability each year as needed; for credits of $100,000 and more, a maximum of 25% would be applied against the taxpayer's liability each year.

The credit was not refundable but was transferable and could be carried forward up to seven years.

**Statutory Basis:** 7-2-18.19 and 7-2A-21 NMSA 1978

**Intended Purpose:** To encourage the construction of sustainable buildings and the renovation of existing buildings into sustainable buildings.

**History:** Originally enacted in 2007, amended in 2009 and 2013, and repealed in 2025. The 2013 amendment extended the expiration date, reduced the aggregate cap for commercial buildings from $5 million to $1 million and from $5 million to $4 million for residential buildings, and established thresholds for how much of the credit can be claimed in each year. Repealed in 2025 with an effective date of July 1, 2025.

**Evaluation:** According to EMNRD, the sustainable building tax credit reached its cap in FY2015 and FY2016.

Tax & Rev used data provided by EMNRD in thousands of British Thermal Units (MMBTUs) and the Public Service Company of New Mexico's monthly rates per kilowatt-hour to estimate the energy savings resulting from the credit. In FY2014, the total savings for residential homes was about $570,000. The future energy savings projections over 10 years were estimated to be $27 million, compared to $18 million in tax credits. Total savings for commercial buildings over 10 years were estimated at $30 million, compared to $2.2 million in tax credits. It should be noted that the monetized energy savings are annual savings and do not project or consider the cumulative energy savings over the useful life of the properties.

**Recommendations:** None.

**Reliability Factor:** 1 - This credit is separately reported. No estimation is required. Given the seven-year carry forward period for claiming credits under the expired credit, tax liabilities will be reduced under this program through fiscal year 2023.

**Fiscal Impact:** This credit is repealed effective July 1, 2025. This will be the last time this credit is reported on in the annual Tax Expenditure Report.

| | | | | |
|---|---|---|---|---|
| **Sustainable Building Credit (expired)** | **Tax Year (Calendar)** | 2022 | 2023 | 2024 |
| | **Claims** | 5 | 0 | 0 |
| | **Expenditure (thousands)** | $6 | $0 | $0 |
| | | | | |
| | **Fiscal Year** | 2023 | 2024 | 2025 |
| | **Claims** | 126 | 65 | 13 |
| | **Expenditure (thousands)** | $976 | $629 | $128 |

# 2015 SUSTAINABLE BUILDING CREDIT AGAINST PIT AND CIT

**Category:** Environment, Conservation & Renewable Energy

**Brief Description:** Until December 31, 2024, a taxpayer could claim a credit against PIT and CIT for investments in constructing a sustainable building, renovating an existing building into a sustainable building, or installing manufactured housing that is a sustainable building if the project was completed prior to April 1, 2023, and met specific "green" building standards. Taxpayers received certification of their project for the credit from EMNRD.

The amount of the credit that could be claimed ranged from $0.30 to $6.50 per square foot depending on the square footage of the building, the type of building, and the certification level the building has achieved in the LEED green building rating system.

For credits less than $100,000, a maximum of $25,000 would be applied against the taxpayer's liability each year as needed; for credits of $100,000 and more, a maximum of 25% would be applied against the taxpayer's liability each year.

For each calendar year, EMNRD may annually certify up to:

(1) $1,250,000 for commercial building;

(2) $3,375,000 for residential building;

(3) $375,000 for manufactured housing.

Should any one category of building has not meet its annual cap, EMNRD could transfer the excess to a different category. The overall annual cap between all three categories could not exceed $5,000,000.

The credit is not refundable but is transferable and could be carried forward up to seven years.

**Statutory Basis:** 7-2-18.29 and 7-2A-28 NMSA 1978

**Intended Purpose:** To encourage the construction of sustainable buildings and the renovation of existing buildings into sustainable buildings.

**History:** Originally enacted in 2015 and amended in 2021 and 2025.

The 2015 legislation replaced the original sustainable energy credit, which sunset on December 31, 2016. The 2015 credit lowered the qualified square footage and credit amount for residential buildings, and reinstated a per-credit (as opposed to an aggregated credit) methodology for determining annualized credit claim amounts.

While also creating a new 2021 credit, the 2021 amendment changed the name of this credit from 'new' to '2015' sustainable building credit. The amendment also shortened the eligibility period from December 21, 2026, to December 31, 2024. The 2025 amendment simplified the carry forward to up to 7 years.

**Evaluation:** The credit appears to be meeting the purpose of encouraging the construction of sustainable buildings and the renovation of existing buildings to meet sustainable building criteria. As a replacement of the original sustainable building credit, this credit has maintained a consistent range of claimants of between 550 and 750 every tax year. The credit has yet to reach the overall annual $5,000,000 cap and has room for more projects.

**Recommendations:** Repeal, as this credit applied to investments made through December 31, 2024. The 2021 Sustainable Building Tax Credit, detailed below, remains in effect.

**Reliability Factor:** 1 - This credit is separately reported. No estimation is required.

**Fiscal Impact:**

| | | | | |
|---|---|---|---|---|
| **2015 Sustainable Building Credit** | **Tax Year (Calendar)** | 2022 | 2023 | 2024 |
| | **Claims** | 687 | 1,087 | 51 |
| | **Expenditure (thousands)** | $3,747 | $6,001 | $225 |
| | | | | |
| | **Fiscal Year** | 2023 | 2024 | 2025 |
| | **Claims** | 825 | 715 | 1,115 |
| | **Expenditure (thousands)** | $4,789 | $3,790 | $6,156 |

# 2021 SUSTAINABLE BUILDING CREDIT AGAINST PIT AND CIT

**Category:** Environment, Conservation & Renewable Energy

**Brief Description:** For taxable years beginning January 1, 2021 and before January 1, 2028, a taxpayer may claim a credit against PIT and CIT for investments in constructing a sustainable building, renovating an existing building into a sustainable building, installing manufactured housing that is a sustainable building, or installing energy-conserving products to existing building in New Mexico if they meet specific "green" building standards and for certain projects if they are completed on or after January 1, 2022. Taxpayers receive certification of their project for the credit from EMNRD.

The amount of the credit that may be claimed ranges from $0.10 to $5.50 per square foot depending on the square footage of the building, the type of building, and the certification level the building has achieved in the LEED green building rating system, or if the building is fully electric or zero carbon, energy, waste or water certified. Additional credits are available for energy conserving products installed i the building that range from $350 to $3,000.

For tax years 2021 to 2024, credits less than $100,000, a maximum of $25,000 will be applied against the taxpayer's liability each year as needed; for credits of $100,000 or more, a maximum of 25% will be applied against the taxpayer's liability each year.

In For annual calendar year, EMNRD may certify up to:

(1) $1,000,000 for the construction of new sustainable commercial buildings;

(2) $2,000,000 for the construction of new sustainable residential buildings that are not manufactured housing;

(3) $250,000 for the construction of new sustainable residential buildings that are manufactured housing;

(4) $1,000,000 for the renovation of large commercial buildings;

(5) $2,900,000 for the installation of energy-conserving products in existing commercial building.

Should any one category above not meet its annual cap, EMNRD may transfer the excess to a different category that has applications exceeding the cap.

The credit is refundable for qualified low-income taxpayers. For those that do not qualify for a refund, it may be carried forward up to seven years. The credit is transferable. The credit may not be claimed on the same sustainable building for which a 2015 sustainable building credit has been issued.

Select definitions:

(1) "low-income taxpayer" is defined as a taxpayer with an annual household adjusted gross income equal to or less than two hundred percent of the federal poverty level guidelines published by the United States Department of Health and Human Services;

(2) "manufactured housing" means a multisectioned home that is:

a. A manufactured home or modular home;

b. A single-family dwelling with a total heated area of at least 36 by 24 feet and a total area of at least 864 square feet;

c. Constructed in a factory meeting the standards of the United States Department of Housing and Urban Development, the National Manufactured Housing Construction and Safety Standards Act of 1974 and federal or New Mexico construction codes;

d. Installed consistent with the New Mexico Manufactured Housing Act.

**Statutory Basis:** 7-2-18.32 and 7-2A-28.1 NMSA 1978

**Intended Purpose:** To encourage the construction of sustainable buildings and the renovation of existing buildings into sustainable buildings.

**History:** Originally enacted in 2021, amended in 2022 and in 2025.

The 2021 legislation enacted the credit to replace the 2015 sustainable building credit. The 2021 credit has an increased cap of $7,150,000. The 2022 amendment shortened the claiming period from January 1, 2030 to prior to January 1, 2028 and added that certain projects need to be completed on or after January 1, 2022. The 2025 amendment simplified the refundability and carry forward to up to 7 years and allows for taxpayers with leaseholds on tribal land to qualify. This amendment also removed the stipulation that credits of less than $100,000, a maximum of $25,000 will be applied against the taxpayer's annual liability and for credits of $100,000 or more, a maximum of 25% will be applied against the taxpayer's liability each year.

**Evaluation:** None.

**Recommendations:** None.

**Reliability Factor:** 1 - This credit is separately reported. No estimation is required.

**Fiscal Impact:**

| | | | | |
|---|---|---|---|---|
| **2021 Sustainable Building Credit** | **Tax Year (Calendar)** | 2022 | 2023 | 2024 |
| | **Claims** | 21 | 335 | 198 |
| | **Expenditure (thousands)** | $62 | $1,655 | $269 |
| | | | | |
| | **Fiscal Year** | 2023 | 2024 | 2025 |
| | **Claims** | 5 | 129 | 423 |
| | **Expenditure (thousands)** | $5 | $250 | $1,735 |

# TAX STAMPS
# RATE DIFFERENTIAL IN CIGARETTE TAX

**Category:** Highly Specialized Industry

**Brief Description:** Tax & Rev sells tax stamps at face value to distributors of cigarettes. If the face value of tax stamps sold in a single sale is less than $1,000, a discount of 0.46% is applied for the first $30,000 of stamps purchased in one calendar month. A 0.36% discount is applied for the next $30,000 of stamps purchased in that month, and a 0.22% discount is applied for any stamps purchased in excess of $60,000.

**Statutory Basis:** 7-12-7(D) NMSA 1978

**Intended Purpose:** Presumably, this provides a scaled increase in the price of stamps. Rather than providing for a floor with increases at certain thresholds, it provides a ceiling with decreases at certain thresholds. This meets the definition of a tax expenditure but the intent to make it one is unclear.

**History:** Originally enacted in 1943 and amended in 1947, 1949, 1953, 1963, 1968, 1970, 1971, 1988, 2006, 2010, and 2019. The 2010 and 2019 amendments reduced the discount percentages.

**Evaluation:** None.

**Recommendations:** None.

**Reliability Factor:** 1 - The discounted amounts are reported separately. No estimation is required.

**Fiscal Impact:**

| | | | | |
|---|---|---|---|---|
| **Tax Stamps Rate Differential in Cigarette Tax** | **Fiscal Year** | 2023 | 2024 | 2025 |
| | **Taxpayers** | 17 | 15 | 15 |
| | **Expenditure (thousands)** | $184 | $161 | $158 |

# TECHNOLOGY JOBS AND RESEARCH AND DEVELOPMENT CREDIT AGAINST GRT, COMPENSATING TAX, WITHHOLDING TAX, PIT, OR CIT

**Category:** Economic Development

**Brief Description:** A taxpayer that conducts qualified research and development at a facility in New Mexico, except at a facility operated for the U.S. government, may claim a basic credit equal to 5% (4% before January 1, 2016) of qualified expenditures against the state portion of GRT, compensating tax, or withholding tax. The credit is doubled to 10% when the qualified facility is in a rural area.

A taxpayer may qualify for an additional 5% credit against PIT and CIT liability by raising its in-state payroll by $75,000 for every $1 million in qualified expenditures claimed. This credit doubles if the qualified facility is in a rural area.

A 2015 amendment excluded local option gross receipts tax from the taxes against which the basic credit may be claimed.

Starting January 1, 2016, the credit may be refundable or partially refundable. If the taxpayer's total qualified expenditures for the taxable year for which the claim is made are less than $3 million, the excess additional credit shall be refunded to the taxpayer. If expenditures are between $3 million and $4 million, two-thirds of the credit is refundable. If expenditures are $4 to $5 million, the one-third of the credit is refundable.

Any amount of the approved basic credit or additional credit not claimed against the taxpayer's compensating tax, withholding tax, gross receipts tax, excluding local option gross receipts tax, income tax, or corporate income tax due may be carried forward for up to three years from the date of the original claim.

**Statutory Basis:** 7-9F-1 *et seq.* NMSA 1978

**Intended Purpose:** To incentivize the growth of technology-based businesses engaging in research, development, and experimentation by providing a favorable tax climate and to promote increased employment and higher wages in industries in New Mexico.

**History:** Originally enacted in 2000 and amended in 2015, 2019 and 2025. The 2015 amendment created the Technology Jobs and Research and Development Tax Credit Act from the Technology Jobs Tax Credit. Section 7-9F-9 NMSA 1978 was amended to set forth the mechanism for claiming the basic credit, and to exclude local option gross receipts tax from the taxes that the basic credit may be claimed against. A taxpayer reporting requirement was also created.

The 2019 amendment revised the definition of "local option gross receipts tax" to use the definition of local taxes as used in acts authorizing counties or municipalities to impose taxes on gross receipts. The 2025 amendment repealed subsection 7-9F-12 NMSA 1978, relating to reporting.

**Evaluation:** Investment in research and development is a major driving force for long-term technological change, innovation and economic growth. This tax credit aims to incentivize such R&D investment. In the last three fiscal years, the expenditure associated with this credit has averaged $4.9 million, with an average of 280 taxpayers claiming the credit. Of these taxpayers, about 13% also claim the additional credit, averaging $1.5 million annually. Economic literature on R&D tax credits suggests that such incentives increase research and development spending. In line with that expectation, New Mexico has seen exceptional growth in this credit expenditure. It is, however, difficult to gauge the extent to which this increased spending leads to increased innovation and technological change.

**Recommendations:** It is recommended that GRT tax expenditures be structured as deductions for ease of administration and taxpayer compliance, as credits are more complicated to administer than deductions.

**Reliability Factor:** 1 - This credit is separately reported. No estimation is required.

**Fiscal Impact:**

| | | | | |
|---|---|---|---|---|
| **Credit, Tech Jobs and R&D -- Total** | **Tax Year** | 2022 | 2023 | 2024 |
| | **Claims** | 356 | 312 | 127 |
| | **State General Expenditure (thousands)** | $9,591 | $7,744 | $916 |
| | **Fiscal Year** | 2023 | 2024 | 2025 |
| **Credit, Tech Jobs and R&D -- Total** | **Claims** | 326 | 404 | 379 |
| | **State General Expenditure (thousands)** | $6,038 | $12,272 | $6,531 |
| **Credit, Tech Jobs and R&D -- Basic** | **Claims** | 294 | 357 | 331 |
| | **State General Expenditure (thousands)** | $4,449 | $11,510 | $3,815 |
| **Credit, Tech Jobs and R&D -- Additional** | **Claims** | 32 | 47 | 48 |
| | **State General Expenditure (thousands)** | $1,590 | $762 | $2,716 |

# TECHNOLOGY READINESS CREDIT AGAINST GRT

**Category:** Economic Development

**Brief Description:** National laboratories that provide technology readiness assistance to businesses may receive a credit against state GRT of up to $150,000 per business for qualified expenditures. and cannot be claimed against any local option gross receipts tax liability. The credit has an annual cap per national laboratory of $1,000,000. Technology readiness assistance provided to a business by a national laboratory with the intent to help the business' technology achieve maturation. The credit is not refundable but may be carried forward indefinitely. The credit is available for taxable periods prior to July 1, 2027.

**Statutory Basis:** 7-9-96.3 NMSA 1978

**Intended Purpose:** To assist businesses in their achievement of maturation of the technologies developed at New Mexico national laboratories, and to increase economic development in the State.

**History:** Originally enacted in 2020 and amended in 2022. The 2022 amendment extended the sunset date and changed the funding mechanism for the credit.

**Evaluation:** None.

**Recommendations:** None.

**Reliability Factor:** 1 – The credit is separately reported.

**Fiscal Impact:** While only two taxpayers may claim this credit, the data is not redacted due to the statutory requirement that the national laboratories submit an annual report to the legislature disclosing this data.

| | | | | |
|---|---|---|---|---|
| **Technology Readiness Credit against Credit** | **Tax Year (Calendar)** | 2022 | 2023 | 2024 |
| | **State General Fund Expenditure (thousands)** | $689 | $955 | $1,000 |
| | | | | |
| | **Fiscal Year** | 2022 | 2023 | 2024 |
| | **State General Fund Expenditure (thousands)** | $1,040 | $93 | $1,955 |

# TEST ARTICLES
# DEDUCTION FROM COMPENSATING TAX

**Category:** Highly Specialized Industry

**Brief Description:** The value of test articles upon which research or testing is conducted in New Mexico pursuant to a contract with the U.S. Department of Defense is deductible from the compensating tax due. The deduction does not apply to the value of property purchased by a prime contractor operating a facility designated as a national laboratory by an act of Congress.

**Statutory Basis:** 7-9-54.5 NMSA 1978

**Intended Purpose:** To incentivize the retention of U.S. Air Force bases in New Mexico.

**History:** Originally enacted in 2004.

**Evaluation:** The deduction is determined to be effective as New Mexico has retained its air force bases while others outside of the state have been closed due to consolidation.

**Recommendations:** None.

**Reliability Factor:** No data are available to estimate the fiscal impact.

**Fiscal Impact:** Unknown.

# TIMBER RATE DIFFERENTIAL FROM PROCESSORS TAX

**Category:** Highly Specialized Industry

**Brief Description:** A processor of timber in New Mexico is required to pay a Processors Tax of 0.375%, a preferable rate compared to the base Processors Tax rate of 0.75%.

**Statutory Basis:** 7-25-5A(2) NMSA 1978

**Intended Purpose:** Presumably to incentivize the processing of timber.

**History:** Originally enacted in 1985 and amended in 1999.

**Evaluation:** The rate differential may not be achieving its purpose as processing activity has decreased over time.

**Recommendation:** None.

**Reliability Factor:**  1 – This expenditure is calculated directly using taxpayer data. No estimation is required. While fewer than three taxpayers have reported processing of timber, the data may be reported pursuant to Section 7-1-8.3(B) NMSA 1978.

**Fiscal Impact:**

| | | | | |
|---|---|---|---|---|
| **Timber Rate Differential from Processors Tax** | **Fiscal Year** | 2023 | 2024 | 2025 |
| | **Taxpayers** | 2 | 2 | 1 |
| | **Expenditure (thousands)** | $0.5 | $1.5 | $0.2 |

# UNREIMBURSED OR UNCOMPENSATED MEDICAL CARE EXPENSES CREDIT FROM PIT

**Category:** Citizen Benefits

**Brief Description:** A taxpayer who is 65 years of age or older may claim a credit of $2,800 if the taxpayer's medical care expenses paid by the taxpayer are $28,000 or more, and if those expenses are not reimbursed or compensated for by insurance or otherwise. This credit is refundable.

**Statutory Basis:** 7-2-18.13 NMSA 1978

**Intended Purpose:** To reduce the burden of out-of-pocket costs of medical care.

**History:** Originally enacted in 2005.

**Evaluation:** This is one of several citizen benefit expenditures related to unreimbursed medical expenses. Because a taxpayer must have qualifying expenses over $28,000 per year, this credit is restricted to taxpayers who incur significant unreimbursed or uncompensated medical care expenses. All claimants are aged 65 and older, a population that is often on a fixed income. Claims for this credit may increase as demographics shift to an older population and as inflation causes more individuals to surpass $28,000 per year in qualified expenses. The degree to which New Mexico residents over 65 are covered by high-quality insurance, including Medicare and supplemental Medicare plans, will also impact future expenditures.

**Recommendations:** None.

**Reliability Factor:** 1 – The expense is calculated directly from taxpayer data. No estimation is required.

**Fiscal Impact:**

| | | | | |
|---|---|---|---|---|
| **Unreimbursed Medical Expenses Credit** | **Tax Year (Calendar)** | 2022 | 2023 | 2024 |
| | **Claims** | 4,720 | 5,538 | 5,154 |
| | **Expenditure (thousands)** | $13,161 | $15,442 | $14,386 |
| | | | | |
| | **Fiscal Year** | 2023 | 2024 | 2025 |
| | **Claims** | 4,629 | 5,612 | 6,074 |
| | **Expenditure (thousands)** | $12,914 | $15,651 | $16,950 |

# UNREIMBURSED OR UNCOMPENSATED MEDICAL CARE EXPENSES DEDUCTION FROM PIT

**Category:** Citizen Benefits

**Brief Description:** Through tax year 2024, a taxpayer may claim a deduction from net income in an amount determined from medical care expenses paid during the tax year for medical care of the taxpayer, the taxpayer's spouse or dependent(s) if those expenses were not reimbursed or compensated by insurance or otherwise. The deduction amount is based on a percentage of applicable medical expenses during the taxable year and the this percentage is scaled by adjusted gross income. For all filing statuses, 10, 15, and 25 percent are the allowable percentages based on adjusted gross income.

**Statutory Basis:** 7-2-37 NMSA 1978

**Intended Purpose:** To reduce the burden of out-of-pocket costs of medical care.

**History:** Originally enacted in 2015. The deduction sunsets as of January 1, 2025.

**Evaluation:** This is one of several citizen benefit expenditures related to unreimbursed medical expenses. This deduction is available to all taxpayers, regardless of age, income, or amount of medical expenditures, subject to percentages determined by adjusted gross income thresholds. On average, approximately 30% of taxpayers claim this deduction each fiscal year.

**Recommendations:** None.

**Reliability Factor:** 2 – This expenditure is calculated directly using taxpayer data. Some estimation is required. This deduction sunsets January 1, 2025.

**Fiscal Impact:**

| | | | | |
|---|---|---|---|---|
| **Unreimbursed Medical Expenses Deduction** | **Tax Year (Calendar)** | 2022 | 2023 | 2024 |
| | **Claims** | 320,060 | 321,856 | 309,258 |
| | **Expenditure (thousands)** | $5,634 | $5,822 | $5,656 |
| | | | | |
| | **Fiscal Year** | 2023 | 2024 | 2025 |
| | **Claims** | 323,770 | 329,019 | 338,947 |
| | **Expenditure (thousands)** | $5,694 | $5,928 | $6,276 |

# UNREIMBURSED OR UNCOMPENSATED MEDICAL CARE EXPENSES EXEMPTION FROM PIT

**Category:** Citizen Benefits

**Brief Description:** Any individual who is 65 years or older may claim a $3,000 exemption from net income for medical care expenses paid during the taxable year $28,000 and are not reimbursed or compensated by insurance or otherwise. Medical expenses could be for the individual, the individual's spouse, or the individual's dependents.

**Statutory Basis:** 7-2-5.9 NMSA 1978

**Intended Purpose:** To reduce the burden of out-of-pocket costs of medical care.

**History:** This exemption was enacted in 2005.

**Evaluation:** This is one of several citizen benefit expenditures related to unreimbursed medical expenses. Because a taxpayer must have qualifying expenses over $28,000 per year, this exemption is restricted to taxpayers who incur significant unreimbursed or uncompensated medical care expenses. All claimants are aged 65 and older, a population that is often on a fixed income. Claims for this exemption may increase as demographics shift to an older population and as inflation causes more individuals to surpass $28,000 per year in qualified expenses. The degree to which New Mexico residents over 65 are covered by high quality insurance, including Medicare and supplemental Medicare plans, will also impact future expenditures.

**Recommendations:** None.

**Reliability Factor:** 2 – This expenditure is calculated directly using taxpayer data. Some estimation is required.

**Fiscal Impact:**

| | | | | |
|---|---|---|---|---|
| **Exemption, Unreimbursed Medical Expenses** | **Tax Year (Calendar)** | 2022 | 2023 | 2024 |
| | **Claims** | 4,841 | 5,573 | 5,432 |
| | **Expenditure (thousands)** | $345 | $421 | $433 |
| | | | | |
| | **Fiscal Year** | 2023 | 2024 | 2025 |
| | **Claims** | 4,728 | 5,589 | 6,401 |
| | **Expenditure (thousands)** | $345 | $422 | $496 |

# URANIUM ENRICHMENT PLANT EQUIPMENT DEDUCTION FROM COMPENSATING TAX

**Category:** Highly Specialized Industry

**Brief Description:** The value of equipment and replacement parts for plant equipment may be deducted in computing compensating tax due if the taxpayer uses the equipment or replacement parts to enrich uranium in a uranium enrichment plant.

**Statutory Basis:** 7-9-78.1 NMSA 1978

**Intended Purpose:** To incentivize uranium enrichment plants to locate in New Mexico.

**History:** Originally enacted in 1999.

**Evaluation:** Operating as intended. The only currently operating commercial enrichment facility in the United States opened in New Mexico a decade after this deduction was enacted.

**Recommendations:** None.

**Reliability Factor:** This deduction is not separately reported. No data are available to estimate the fiscal impact. If the deduction were separately reported, the data would likely remain redacted due to fewer than three taxpayers claiming the deduction.

**Fiscal Impact:** Unknown.

# URANIUM HEXAFLUORIDE AND URANIUM ENRICHMENT GRT DEDUCTION

**Category:** Highly Specialized Industry

**Brief Description:** Receipts from selling uranium hexafluoride and the services of uranium enrichment are deductible from gross receipts.

**Statutory Basis:** 7-9-90 NMSA 1978

**Intended Purpose:** To incentivize the uranium hexafluoride industry and uranium enrichment plants to locate in New Mexico.

**History:** Originally enacted in 1999 and amended in 2012 and 2025. The 2012 amendment expanded the deduction to include the sale of uranium hexafluoride. The 2025 amendment adjusted reporting requirements.

**Evaluation:** The deduction is operating as intended. The only operating commercial uranium enrichment facility in the United States opened in New Mexico a decade after this deduction was enacted.

**Recommendations:** None.

**Reliability Factor:** 1 - This deduction is separately reported. No estimation is required.

**Fiscal Impact:** Redacted in all years due to fewer than three taxpayers claiming the deduction.

# VETERAN EXEMPTION FROM PROPERTY TAX

**Category:** Citizen Benefits

**Brief Description:** Property owned by a veteran, unmarried surviving spouse or held in trust by a veteran or the veteran's unmarried surviving spouse is eligible for a $4,000 property tax exemption for tax years 2006 through 2024, $10,000 exemption for tax year 2025, and the exemption is adjusted for inflation for tax year 2026 and forward The veteran or the veteran's surviving spouse must be a New Mexico resident. The exemption is deducted from the taxable value of the property to determine the net taxable value of the property.

A "veteran" is an individual who has been honorably discharged from membership in the armed forces of the United States, and with exceptions, served in the armed forces of the United States on active duty continuously for 90 days. An individual who would otherwise meet the definition of veteran except for the 90 continuous days of service due to service-connected disablement is considered to meet the definition of a veteran.

An individual whose civilian service is recognized as service in the armed forces of the United States by federal law and who was issued a discharge certificate by a branch of the armed forces shall be considered to have served in the armed forces.

**Statutory Basis:** 7-37-5 NMSA 1978

**Intended Purpose:** To ease the tax burden of individuals who served in the armed forces.

**History:** Originally enacted in 1973 and amended in 1975, 1977, 1981, 1983, 1986, 1989, 1991, 1992, 2000, 2003, 2005 and 2025. The 2025 amendment implements a 2024 Constitutional amendment passed by the electorate increasing the exemption to $10,000 for tax year 2025 and annually indexing the exemption to inflation thereafter.

**Evaluation:** None.

**Recommendations:** None.

**Reliability Factor:** 2 - The fiscal impact is based on the reported number of taxpayers granted the veteran exemption and the associated taxable value exempted in each county in annual County Assessor Evaluation Reports. The fiscal impact is rated a two as the exempted value by county is then multiplied by the weighted average residential mill rate for that county. The total fiscal impact is the sum of the county level estimates.

**Fiscal Impact:** Fiscal impact is shared by various taxing authorities that impose a property tax. These include school districts, local governments, special districts and the State general obligation bond debt service fund. The 2025 amendment increasing the exemption to $10,000 takes effect for tax year 2025. Prior to tax year 2025, the fiscal impacts below are based on a $4,000 exemption.

| | | | | |
|---|---|---|---|---|
| **Veteran Exemption from Property Tax** | **Tax Year** | 2021 | 2022 | 2023 |
| | **Claims** | 76,177 | 70,613 | 69,083 |
| | **Expenditure (thousands)** | $8,636 | $8,697 | $8,443 |

# VETERANS' ORGANIZATION EXEMPTION FROM PROPERTY TAX

**Category:** Citizen Benefits

**Brief Description:** Property owned by a veterans' organization chartered by the United States congress and used for the primary benefit of veterans and their families are exempt from property taxation. Qualification for the exemption is done in collaboration between the Veterans' Services Department, county assessors, and the Taxation and Revenue Department., and once qualified, does not have to reapply for the exemption.

**Statutory Basis:** 7-37-5.3 NMSA 1978

**Intended Purpose:** To reduce the tax burden on organizations that contribute to the social and economic welfare of veterans and their families.

**History:** Originally enacted in 2011.

**Evaluation:** None.

**Recommendations:** None.

**Reliability Factor:** 2 - The fiscal impact is based on the reported number of taxpayers granted the veteran's organization exemption and the associated taxable value exempted in each county in annual County Assessor Evaluation Reports. The fiscal impact is rated a two as the exempted value by county is then multiplied by the weighted average residential mill rate for that county. The total fiscal impact is the sum of the county level estimates.

**Fiscal Impact:**

| | | | | |
|---|---|---|---|---|
| **Veterans' Organization Exemption from Property Tax** | **Tax Year** | 2021 | 2022 | 2023 |
| | **Claims** | 19 | 35 | 38 |
| | **Expenditure (thousands)** | $72 | $82 | $97 |

# WIND AND SOLAR GENERATION EQUIPMENT GRT DEDUCTION

**Category:** Environment, Conservation & Renewable Energy

**Brief Description:** Receipts from selling wind generation equipment, solar generation equipment, and energy storage equipment and related equipment to a federal or state government agency for the purpose of installing a wind or solar electric generation facility and associated storage capability are deductible from gross receipts.

**Statutory Basis:** 7-9-54.3 NMSA 1978

**Intended Purpose:** To incentivize government entities to purchase wind and solar generation equipment and energy storage capability equipment for a renewable energy facility.

**History:** Originally enacted in 2002 and amended in 2010 and 2024. The 2024 amendment expanded the deduction to include energy storage facilities and placed a sunset date of July 1, 2034.

**Evaluation:** None.

**Recommendations:** "Government" is defined as federal or state level entities. Amending the statute to include county and municipal entities would extend savings to those governmental entities.

**Reliability Factor:** No data are available to estimate the fiscal impact.

**Fiscal Impact:** Unknown.

# WORKING FAMILIES TAX CREDIT AGAINST PIT

**Category:** Citizen Benefits

**Brief Description:** This credit may be claimed against PIT as a percentage of a taxpayer's federal earned income tax credit (EITC). The percentage of New Mexico's credit has risen over time and for tax year 2023 and forward, is 25% of EITC. The credit is refundable.

**Statutory Basis:** 7-2-18.15 NMSA 1978

**Intended Purpose:** To reduce the tax burden on working families, thereby reducing poverty and incentivizing workforce participation.

**History:** Originally enacted in 2007 at 8% of a taxpayer's federal EITC, amended in 2008 to 10%, and amended in 2019 to 17%.

In 2021, the tax credit was amended to 20% for tax years 2021 and 2022, and 25% effective for tax year 2023 and beyond. Effective tax year 2021, eligibility expanded to New Mexico taxpayers who file PIT using a federally-issued individual taxpayer identification number (ITIN) and to those between the ages 18 to 24 without a qualifying child.

**Evaluation:** The Working Families Tax Credit is one of several tax programs that contribute to New Mexico's Maintenance of Effort certification for the Temporary Assistance for Needy Families program[40]. Except for state expansions enacted in 2021, eligibility for this credit is contingent upon receipt of the federal EITC that annually adjusts income thresholds. This credit assists -lower-income workers by providing income tax relief. The credit phases out gradually as income rises and the credit is larger for families with more dependents. In the last three fiscal years, on average, 207,000 claims have been made annually, averaging $119 million in expenditures each fiscal year. Expansion of this credit has likely contributed to New Mexico's improved Supplemental Poverty Measure, especially contributing to improvements in child poverty. Similarly, in 2024, New Mexico's Official Poverty Measure for children fell 3.2%, the largest improvement in the nation.

Given that the savings rate among lower income taxpayers is relatively low, there is a high likelihood that this money is recirculating throughout the New Mexico economy to increase consumption and economic activity in New Mexico.

[40] TANF is a federal block grant that provides cash and medical assistance to low-income families with dependent children. To receive TANF funds, New Mexico must spend some of its own dollars (state or local monies) on programs for needy families. This is known as Maintenance of Effort (MOE).

**Recommendations:** None.

**Reliability Factor:** 1 - This credit is separately reported. No estimation is required.

**Fiscal Impact:**

| | | | | |
|---|---|---|---|---|
| **Working Families Tax Credit** | **Tax Year (Calendar)** | 2022 | 2023 | 2024 |
| | **Claims** | 200,238 | 197,233 | 201,819 |
| | **Expenditure (thousands)** | $92,853 | $125,255 | $130,807 |
| | | | | |
| | **Fiscal Year** | 2023 | 2024 | 2025 |
| | **Claims** | 206,380 | 207,004 | 208,205 |
| | **Expenditure (thousands)** | $93,497 | $126,732 | $135,911 |

# NOT TAX EXPENDITURES

While almost anything with respect to tax expenditures can be debated, little argument[41] surrounds the following deviations from the tax code; therefore, Tax & Rev classifies them as "Not Tax Expenditures".

Many of these deviations fall into the following broad categories:

1) Reducing the effects of pyramiding. One of the detrimental impacts of a GRT system is that, absent a deviation, external costs of production are taxed at the time the producer acquires them and then again when the producer sells the final product. When compared to a sales tax system, this makes the cost of a good or service more expensive when all factors other than the type of tax system are equal. Many of the deductions in New Mexico's GRT are designed to eliminate taxation on the inputs so that the tax is only applied to the final product. (Pyramiding is discussed in detail in this report under "Tax Policy Examination – Tax Pyramiding".)

2) Allowing deductions or exemptions under one tax program because the Legislature has elected to instead impose tax under another program.

Furthermore, New Mexico policymakers have decided to use different tax structures to tax different activities (e.g., MVX for the sale of motor vehicles). Deviations from one structure when the activity is taxed under a different structure (e.g., GRT deduction for the sale of motor vehicles) prevent double taxation.

3) Several other deviations are in the code because of the federal preemption doctrine. Because states are prohibited from taxing the federal government, New Mexico is unable to impose a tax, regardless of whether the deviation was placed in the code. Including these deviations in the tax code simply provides some measure of clarity to the taxpayer and the Taxation and Revenue Department.

Reporting information about tax code deviations that are "Not Tax Expenditures" is not specifically required. However, we have included some descriptive information about the deviations to give the reader a more complete picture of the New Mexico tax landscape.

'Not Tax Expenditures' are presented in alphabetical order. The table of contents provides an alphabetized list of the "not tax expenditures." To find a specific deviation based on its statute citation, use the index at the end of the report.

[41] Note that this is intentionally different from saying that "there is no argument"; judgment calls are an inherent feature of tax expenditure analysis and the economists at the New Mexico Taxation and Revenue Department have used their best judgement in determining what is and what is not a tax expenditure.

## ACCREDITED DIPLOMATS AND MISSIONS GRT DEDUCTION

**Brief Description:** Receipts from the sale or lease of property to, or from performing services for, accredited foreign missions or diplomats are deductible from gross receipts when required by a treaty to which the U.S. Government is a signatory.

**Statutory Basis:** 7-9-89 NMSA 1978

**Intended Purpose:** Presumably to comply with the federal preemption doctrine.

**History:** Originally enacted in 1998.

## ACQUISITION OF VEHICLE FOR SUBSEQUENT LEASE EXEMPTION FROM MVX

**Brief Description:** A person who acquires a vehicle for subsequent lease is exempt from the MVX if:

(1) the person does not use the vehicle in any manner other than holding it for lease or sale or leasing or selling it in the ordinary course of business;

(2) the lease is for a term of more than 6 months;

(3) the receipts from the subsequent lease are subject to GRT; and

(4) the vehicle does not have a gross vehicle weight of over 26,000 pounds.

**Statutory Basis:** 7-14-6(F) NMSA 1978

**Intended Purpose:** Presumably to define the tax base and avoid pyramiding as there is a requirement the subsequent lease be subject to GRT.

**History:** The section was originally enacted in 1988 and was amended in 1990, 1994, 2004, and 2007. The language in this subsection was added as part of the amendment in 1994.

## ACQUISITION OF VEHICLE MORE THAN 30 DAYS BEFORE MOVING TO NEW MEXICO EXEMPTION FROM MVX

**Brief Description:** A person who acquires a vehicle out of state thirty or more days before establishing a domicile in this state is exempt from the tax if the vehicle was acquired for personal use.

**Statutory Basis:** 7-14-6(A) NMSA 1978

**Intended Purpose:** Presumably to eliminate an unreasonable tax burden on non-residents relocating to New Mexico on personally owned and operated vehicles.

**History:** Originally enacted in 1988 and was amended in 1990, 1994, 2004, and 2007.

## ATHLETIC FACILITY SURCHARGE EXEMPTION FROM GRT AND GGRT

**Brief Description:** Exempted from the GRT and from the GGRT are the receipts of a university from an athletic facility surcharge imposed pursuant to the University Athletic Facility Funding Act.

**Statutory Basis:** 7-9-41.1 NMSA 1978

**Intended Purpose:** Presumably to avoid taxation under multiple programs. Because the University Athletic Funding Act allows a university to impose an athletic facility surcharge on products and services sold at or related to the facility, this exempts those sales from the GRT and GGRT so that they are not taxed twice.

**History:** Originally enacted in 2007 as part of the legislation that enacted the University Athletic Facility Funding Act.

## BAD DEBTS DEDUCTION FROM INTERSTATE TELECOMMUNICATIONS GRT

**Brief Description:** Refunds and allowances made to buyers of interstate telecommunications services or amounts written off the books as an uncollectible debt by a person reporting Interstate Telecommunications GRT on an accrual basis are deductible from interstate telecommunications gross receipts.

If debts reported as uncollectible are subsequently collected, the receipts must be included in interstate telecommunications gross receipts when they are collected.

**Statutory Basis:** 7-9C-9 NMSA 1978

**Intended Purpose:** Presumably to properly define the tax base and avoid requiring a taxpayer to pay taxes on non-existent receipts.

**History:** Originally enacted in 1992.

## BIODIESEL DEDUCTION FROM SPECIAL FUEL EXCISE TAX

**Brief Description:** Biodiesel that is blended or resold at a rack in New Mexico is deductible from the special fuel excise tax

**Statutory Basis:** 7-16A-10(H)(1) and (2) and 7-16A-9.4 NMSA 1978

**Intended Purpose:** Presumably to prevent double taxation.

**History:** 7-16A-10(H)(1) and (2) NMSA 1978 were originally enacted in 2009 and amended in 2013. The 2013 amendment sunset a definition of the fuel as consisting of at least 99% vegetable oil or animal fat as of July 1, 2014, and converted to the term 'biodiesel' under subsection (2).

7-16A-9.4 NMSA 1978 was enacted in 2013 and amended in 2025. This statute requires the reporting of this deduction. The 2025 amendment revised the reporting requirements.

**Evaluation:** None.

**Recommendations:** None.

**Reliability Factor:** 1 - This non-expenditure deduction is calculated directly using taxpayer data for the special fuels tax reporting.

| Biodiesel Deduction from Special Fuel Excise Tax | Fiscal Year | 2025 |
|---|---|---|
| | Expenditure (thousands) | $280 |

# BIODIESEL FOR SUBSEQUENT BLENDING OR RESALE BY A RACK OPERATOR DEDUCTION FROM PETROLEUM PRODUCTS LOADING FEE

**Brief Description:** Biodiesel loaded in or imported into New Mexico and delivered to a rack operator for subsequent blending or resale by a rack operator is deductible from gallons used to determine loads for the purposes of calculating the petroleum products loading fee.

**Statutory Basis:** 7-13A-5(B) and 7-13A-5(D) NMSA 1978

**Intended Purpose:** Presumably to reduce tax pyramiding.

**History:** The section was originally enacted in 1990. These subsections were created by an amendment in 2014. A 2025 amendment revised the reporting requirements under subsection (D).

**Evaluation:** None.

**Recommendations:** None.

**Reliability Factor:** 2 - This non-expenditure deduction is calculated directly using taxpayer data for the special fuels tax reporting. Estimation is required to extrapolate to the Petroleum Product Loading Fee.

| **Biodiesel Deduction from Petroleum Products Loading Fee** | **Fiscal Year** | 2025 |
|---|---|---|
| | **Expenditure (thousands)** | $1.1 |

## BOATS
## EXEMPTION FROM GRT AND COMPENSATING TAX

**Brief Description:** Both the receipts from selling, and the use of boats on which an excise tax is imposed are exempt from the GRT and the compensating tax.

**Statutory Basis:** 7-9-22.1 and 7-9-23.1 NMSA 1978

**Intended Purpose:** Presumably to avoid taxation under multiple programs as these exemptions only apply to those boats on which a tax is imposed pursuant to Section 66-12-6.1 NMSA 1978.

**History:** Originally enacted in 1987.

## BUSINESS LOCATED ON LAND OWNED BY THE MUNICIPALITY BUT OUTSIDE THE MUNICIPAL BOUNDARIES
## EXEMPTION FROM SUPPLEMENTAL MUNICIPAL GRT AND MUNICIPAL LOCAL OPTION GRT

**Brief Description:** A business located outside of the boundaries of a municipality on land owned by that municipality is exempt from the supplemental municipal GRT and the municipal local option GRT.

**Statutory Basis:** 7-19-14(B) and 7-19D-5(B) NMSA 1978

**Intended Purpose:** Presumably to resolve a jurisdictional question and provide certainty about the tax rate that applies in this situation (without this clarification, there could be arguments about which tax rate applies).

**History:** Originally enacted in 1979 and amended in 1983 and 1994.

## CERTAIN RETAIL SALES OF GASOLINE ON AN INDIAN RESERVATION, PUEBLO GRANT OR TRUST LAND DEDUCTION FROM GASOLINE TAX

**Brief Description:** A person may deduct a percentage equal to the rate the Indian nation, tribe, or pueblo charges divided by the rate the state charges from the gasoline gallons received that are sold at retail on Indian nation, tribe, or pueblo land.

**Statutory Basis:** 7-13-4.4 NMSA 1978

**Intended Purpose:** Presumably to address multi-jurisdictional taxation as the deduction may only be taken if the Indian nation, tribe, or pueblo has certified that it has in effect an excise, privilege, or similar tax on gasoline.

**History:** Originally enacted in 2000.

## CHARITABLE ORGANIZATIONS EXEMPTION FROM PIT AND CIT

**Brief Description:** Religious, educational, benevolent, or other organizations not organized for profit which are exempt from income taxation under the Internal Revenue Code are exempt from PIT and CIT; however, PIT and CIT apply to the unrelated business income of the organization.

**Statutory Basis:** 7-2-4(B) and 7-2A-4(C) NMSA 1978

**Intended Purpose:** To define the tax base.

**History:** The PIT exemption was originally enacted in 1965 and amended in 1969, 1971, and 1981.

The CIT exemption was originally enacted in 1981 and amended in 1986 and 1989.

# CHEMICALS AND REAGENTS
# GRT DEDUCTION

**Brief Description:** Receipts from selling chemicals or reagents to any mining, milling, or oil company for use in processing ores or oil in a mill, smelter, or refinery or in acidizing oil wells, and receipts from selling chemicals or reagents in lots in excess of 18 tons to any hard-rock mining or milling company for use in any combination of extracting, leaching, milling, smelting, refining or processing ore at a mine site are deductible from gross receipts.

Receipts from selling explosives, blasting power or dynamite may not be deducted from gross receipts.

**Statutory Basis:** 7-9-65 NMSA 1978

**Intended Purpose:** Presumably to reduce tax pyramiding.

**History:** Originally enacted in 1969 and amended in 2019 to clarify that lots of chemicals or reagents in excess of 18 tons must be sold to a hard-rock mining or milling company and must be used at a mine site for specific purposes.

# CONSTRUCTION MATERIAL GRT DEDUCTION

**Brief Description:** Receipts from selling construction material are deductible from gross receipts if the sale is made to a person engaged in the construction business.

The buyer must present a non-taxable transaction certificate or alternative evidence to the seller and incorporate the construction material as:

(1) an ingredient or component part of a construction project that is subject to the GRT upon its completion or upon the completion of the overall construction project of which it is a part;

(2) an ingredient or component part of a construction project that is subject to the GRT upon the sale in the ordinary course of business of the real property upon which it was constructed; or

(3) an ingredient or component part of a construction project that is located on the tribal territory of an Indian nation, tribe or pueblo.

**Statutory Basis:** 7-9-51 NMSA 1978

**Intended Purpose:** Presumably to reduce tax pyramiding.

**History:** Originally enacted in 1969 and amended in 2000, 2001, and 2021.

The 2021 amendment clarifies that, in addition to non-taxable transaction certificates, taxpayers may present alternative evidence to claim the deduction.

# CONSTRUCTION SERVICES AND CONSTRUCTION-RELATED SERVICE GRT DEDUCTION

**Brief Description:** Receipts from selling a construction service or a construction-related service are deductible from gross receipts if the sale is made to a person engaged in the construction business.

The buyer must present a non-taxable transaction certificate or alternative evidence to the seller and have the construction services or construction-related services directly contracted for or billed to:

(1) a construction project that is subject to the GRT upon its completion or upon the completion of the overall construction project of which it is a part;

(2) a construction project that is subject to the GRT upon the sale in the ordinary course of business of the real property upon which it was constructed; or

(3) a construction project that is located on the tribal territory of an Indian nation, tribe or pueblo.

**Statutory Basis:** 7-9-52 NMSA 1978

**Intended Purpose:** Presumably to reduce tax pyramiding.

**History:** Originally enacted in 1969 and amended in 2000, 2012, and 2021.

The 2012 amendment included the deduction for constructed-related services.

The 2021 amendment clarifies that in addition to non-taxable transaction certificates, taxpayers may present alternative evidence to claim the deduction.

# DEPENDENT DEDUCTION FROM PIT FOR CERTAIN DEPENDENTS

**Brief Description:** If the exemption amount pursuant to Section 151 of the Internal Revenue Code (IRC) is zero, any taxpayer who files a PIT return as a head of household or married filing jointly and is not a dependent of another taxpayer may claim a $4,000 deduction per eligible dependent beyond the first dependent claimed.

**Statutory Basis:** 7-2-39 NMSA 1978

**Intended Purpose:** To revert to the New Mexico tax base prior to the passage of the 2017 Federal Tax Cuts and Jobs Act (TCJA) and maintain conformity with federal IRC going forward.

**History:** The PIT deduction was originally enacted in 2019 and amended in 2025.

**Evaluation:** The deduction is serving its intended purpose of providing relief to households with dependents from the negative state-level TCJA impact. TCJA repealed the federal personal exemption in favor of a substantial increase in the federal standard deduction and a child tax credit. While conformity to federal tax code implies that the federal changes to personal exemption and standard deductions flow through to the New Mexico tax code, the child tax credit does not. This dependent deduction was intended to serve a similar function as the federal child tax credit. Since 2021, the deduction has been claimed by an average of 172,500 New Mexican taxpayers each fiscal year and has reduced the tax liability on average by $158.

**Recommendations:** None.

**Reliability Factor:** 2 – This non-expenditure deduction is calculated directly using taxpayer data. Some estimation is required.

**Fiscal Impact:**

| | | | | |
|---|---|---|---|---|
| **Dependent Deduction from PIT for Certain Dependents** | **Tax Year (Calendar)** | 2022 | 2023 | 2024 |
| | **Claims** | 170,118 | 169,170 | 155,847 |
| | **Expenditure (thousands)** | $26,315 | $26,979 | $25,438 |
| | | | | |
| | **Fiscal Year** | 2023 | 2024 | 2025 |
| | **Claims** | 169,992 | 174,029 | 173,457 |
| | **Expenditure (thousands)** | $26,474 | $27,505 | $27,768 |

## DIVIDENDS AND INTEREST EXEMPTION FROM GRT

**Brief Description:** Interest on money loaned or deposited; dividends or interest from stocks, bonds, or securities; and receipts from the sale of stocks, bonds, or securities are exempt from GRT.

**Statutory Basis:** 7-9-25 NMSA 1978

**Intended Purpose:** To avoid double taxation as these are taxed under the personal income tax.

**History:** Originally enacted in 1969.

## DYED GASOLINE USED FOR OFF-ROAD TRANSPORTATION DEDUCTION FROM GASOLINE TAX

**Brief Description:** Gasoline that is dyed in accordance with Tax & Rev regulations and is not used in motor vehicles operating on the highways of New Mexico is deductible from the gasoline tax but is subject to GRT.

**Statutory Basis:** 7-13-4(D) NMSA 1978

**Intended Purpose:** Presumably to recognize that off-road vehicles don't contribute to the deterioration of the roads, the maintenance of which is funded through the gasoline tax distributions to the State Road Fund.

**History:** The section was originally enacted in 1991 and amended in 1997, 1998, 1999, and 2007.

The language in this subsection was created by an amendment in 1998.

## DYED SPECIAL FUEL DEDUCTION FROM SPECIAL FUEL EXCISE TAX

**Brief Description:** Special fuels dyed in accordance with federal regulations are deductible from the special fuel excise tax.

**Statutory Basis:** 7-16A-10(E) NMSA 1978

**Intended Purpose:** Presumably to recognize that off-road vehicles do not contribute to the deterioration of the roads, the maintenance of which is funded through the special fuel excise tax distributions to the State Road Fund.

**History:** This section was originally enacted in 1992 and amended in 1993, 1997, 1998, 2001, 2005, 2006, 2007, 2009, and 2013.

# EVENT CENTER SURCHARGE EXEMPTION FROM GRT AND GGRT

**Brief Description:** Receipts from selling tickets, parking, souvenirs, concessions, programs, advertising, merchandise, corporate suites or boxes, broadcast revenues, and all other products or services sold at or related to a municipal event center on which an event center surcharge is imposed pursuant to the Municipal Event Center Funding Act are exempt from GRT and GGRT.

**Statutory Basis:** 7-9-13.5 NMSA 1978

**Intended Purpose:** Presumably to avoid taxation under multiple tax programs as the receipts must be subject to an event center surcharge to be exempt.

**History:** Originally enacted in 2005 as part of the legislation that enacted the Municipal Event Center Funding Act.

**Evaluation:** The Municipal Event Center Funding Act provides an additional method of accessing the capital markets to meet the need for a complete funding package for functional and modern municipal event centers. Because the Municipal Event Center Funding Act allows a municipality to impose an event center surcharge on products and services sold at or related to the stadium, these exemptions from the GRT and GGRT prevent them from being taxed twice.

## EXEMPTIONS FROM THE INSURANCE PREMIUM TAX

**Brief Description:** Exempted from the Insurance Premium Tax are:

A. Premiums attributable to insurance or contracts purchased by the state or political subdivision for their active or retired employees
B. Payments received by a health maintenance organization from the federal secretary of health and human services pursuant to a risk-sharing contract issued under the provisions of 42 U.S.C. Section 1395 mm(g)
C. Any business transacted pursuant to the provisions of the Service Contract Regulation Act
D. The premiums from each policy of plan issued or offered pursuant to the Minimum Healthcare Protection Act during the first three years of the issuance of the master policy or individual policy (Effective July 1, 2025, this subsection is repealed.)
E. The money collected and placed in trust pursuant to Section 59A-49-6 NMSA 1978.
F. Premiums from supplemental health care plans issued by a nonprofit insurer (Effective July 1, 2025)

**Statutory Basis:** 7-40-5 NMSA 1978

**Intended Purpose:** Presumably to define the tax base and federal preemption.

**History:** Originally enacted in 2018, effective January 1, 2020. Amended in 2025 to repeal an outdated exemption and to add an exemption for premiums from supplemental health care plans issued by nonprofit insurers.

## FILMS AND TAPES GRT DEDUCTION

**Brief Description:** Receipts from leasing theatrical and television films and tapes to movie theaters or similar facilities are deductible when the theater's receipts are subject to GRT.

**Statutory Basis:** 7-9-76.2 NMSA 1978

**Intended Purpose:** Presumably to reduce tax pyramiding.

**History:** Originally enacted in 1984.

## FUEL
## EXEMPTION FROM GRT AND COMPENSATING TAX

**Brief Description:** The selling and the use of gasoline, special fuel, or alternative fuel on which the tax imposed by other acts has been paid are exempt from GRT and compensating tax.

**Statutory Basis:** 7-9-26 NMSA 1978

**Intended Purpose:** Presumably to avoid taxation under multiple tax programs, as the fuels must be taxed pursuant to the gasoline tax, the special fuel excise tax, or the Alternative Fuel Tax Act to qualify for the exemption.

**History:** Originally enacted in 1969 and amended in 1971, 1980, 1981, 1983, 1993, 1995, and 2023.

## GASOLINE OR SPECIAL FUELS RETURNED TO THE REFINER AS UNCOLLECTIBLE
## DEDUCTION FROM PETROLEUM PRODUCTS LOADING FEE (PPLF)

**Brief Description:** Gasoline and special fuels that are returned to the refiner, pipeline terminal operator, or distributor are deductible from the gallons used to determine loads for purposes of calculating the PPLF when refunds and allowances are made to buyers for the returned fuel.

Gasoline and special fuels, when payment has not been collected and been determined to be uncollectible, are deductible from the gallons used to determine loads for purposes of calculating the PPLF.

**Statutory Basis:** 7-13A-5(A) NMSA 1978

**Intended Purpose:** Presumably to ensure that taxes are not paid on gasoline and special fuel which the taxpayer is unable to market.

**History:** Originally enacted in 1990 and amended in 2014.

## INCOME EARNED BY INDIANS EXEMPTION FROM PIT

**Brief Description:** Income earned by a member of a New Mexico federally-recognized Indian nation, tribe, band or pueblo, the member's spouse or dependent, who is a member of a New Mexico federally-recognized Indian nation, tribe, band or pueblo, is exempt from PIT if the income is earned from work performed within and the member, spouse or dependent is domiciled within the boundaries of the Indian member's or the spouse's reservation or pueblo grant or within the boundaries of lands defined as "Indian County" pursuant to 18 U.S.C Section 1151.

**Statutory Basis:** 7-2-5.5 NMSA 1978

**Intended Purpose:** To define the tax base and comply with federal limitations on a state's imposition of its taxes under federal Indian law.

**History:** Originally enacted in 1995 and amended in 2023.

## INSURANCE COMPANIES EXEMPTION FROM CIT

**Brief Description:** Insurance companies that pay the insurance premium tax to the state are exempt from CIT.

**Statutory Basis:** 7-2A-4(A) NMSA 1978

**Intended Purpose:** To avoid taxation under multiple programs as qualification for the exemption is dependent upon paying a premium tax.

**History:** Originally enacted in 1981 and amended in 1986 and 1989.

## INTERGOVERNMENTAL COAL SEVERANCE CREDIT AGAINST COAL SEVERANCE TAX

**Brief Description:** A person who severs coal from tribal land may claim a credit against the coal severance tax and the coal surtax imposed under Section 7-26-6 NMSA 1978.

The credit is calculated monthly and is equal to 75% of the lesser of:

(1) the aggregate amount of taxes in effect on March 1, 2001, that are imposed by the Indian nation, tribe, or pueblo; or

(2) the aggregate amount of coal severance tax and the coal surtax due to the state.

**Statutory Basis:** 7-29C-2 NMSA 1978

**Intended Purpose:** To recognize the sovereignty of Indian nations, tribes, and pueblos, and address issues with multi-jurisdictional taxation.

**History:** Originally enacted in 2001.

## INTERGOVERNMENTAL CREDIT AGAINST CIT

**Brief Description:** A new business that opens on Indian land after July 1, 1997, may claim a credit against the CIT.

The credit is calculated for each reporting period and is equal to 50% of the lesser of:

(1) the aggregate amount of tax paid by the taxpayer; or

(2) the amount of the taxpayer's CIT due from the new business' activity on Indian land.

**Statutory Basis:** 7-2A-16 NMSA 1978

**Intended Purpose:** To accommodate principles of fair apportionment between the tribes and the state.

**History:** Originally enacted in 1997.

# INTERGOVERNMENTAL PRODUCTION AND INTERGOVERNMENTAL PRODUCTION EQUIPMENT CREDIT AGAINST OIL AND GAS SEVERANCE TAX, OIL AND GAS CONSERVATION TAX, OIL AND GAS EMERGENCY SCHOOL TAX, AND OIL AND GAS AD VALOREM PRODUCTION TAX

**Brief Description:** A person who severs products from tribal land may claim a credit against the oil and gas severance tax, the oil and gas conservation tax, the oil and gas emergency school tax, or the oil and gas ad valorem production tax.

The credit is calculated monthly and is equal to 75% of the lesser of:

(1) the aggregate amount of taxes in effect on March 1, 1995, imposed by the Indian nation, tribe, or pueblo; or

(2) the aggregate amount of oil and gas severance tax, the oil and gas conservation tax, the oil and gas emergency school tax, or the oil and gas ad valorem production tax due the state.

A person who is liable for the payment of the oil and gas production equipment ad valorem tax imposed on equipment located on Indian tribal land may claim a credit.

The credit is calculated monthly and is equal to 75% of the lesser of:

(1) the aggregate amount of ad valorem or similar taxes in effect on March 1, 1995, imposed by the Indian nation, tribe, or pueblo; or

(2) the aggregate amount of oil and gas production equipment tax due to the state.

**Statutory Basis:** 7-29C-1 NMSA 1978

**Intended Purpose:** To recognize the sovereignty of Indian nations, tribes, and pueblos and to address the cumulative tax burden of multijurisdictional taxation.

**History:** Originally enacted in 1995 and amended in 1999.

## INTERNET SERVICES
## GRT DEDUCTION

**Brief Description:** Receipts from providing telecommunications, Internet, or Internet access services to internet service providers are deductible.

**Statutory Basis:** 7-9-56.1 NMSA 1978

**Intended Purpose:** Presumably to reduce tax pyramiding as the final user must be subject to the GRT or ITGRT.

**History:** Originally enacted in 1998 and amended in 2000.

## INTERSTATE SALES OF SPIRITUOUS LIQUORS, BEER, & WINE AND WINEGROWER-TO-WINEGROWER TRANSFERS
## DEDUCTION FROM LIQUOR EXCISE TAX

**Brief Description:** A wholesaler who sells and ships liquor, beer, or wine out of state may claim a deduction for those liters from the units of alcoholic beverages subject to the liquor excise tax.

A winegrower who transfers wine to another winegrower for processing, bottling, or storage and subsequently returns the wine to the original winegrower may claim a deduction for those liters from the units of wine subject to the liquor excise tax.

**Statutory Basis:** 7-17-6 NMSA 1978

**Intended Purpose:** Presumably to increase New Mexico winegrowers' competitiveness in other states with respect to the out-of-state deduction and to ensure that the product is not taxed twice (once in New Mexico and once in the other state); and to reduce tax pyramiding with respect to the winegrower-to-winegrower transfers.

**History:** Originally enacted in 1984 and amended in 1995 and 2008.

## INTERSTATE SALES OF TOBACCO DEDUCTION AGAINST TOBACCO PRODUCTS TAX

**Brief Description:** The value of tobacco products sold or given and shipped to a person in another state is deductible from the product value subject to tax imposed by the Tobacco Products Tax Act.

**Statutory Basis:** 7-12A-5 NMSA 1978

**Intended Purpose:** Presumably to ensure that the product is not taxed twice (once in New Mexico and again in the other state).

**History:** Originally enacted in 1986.

## INTERSTATE TELECOMMUNICATIONS SERVICES EXEMPTION FROM GRT (ITGRT)

**Brief Description:** Receipts from selling or providing interstate telecommunications services that are subject to ITGRT are exempt

**Statutory Basis:** 7-9-38.1 NMSA 1978

**Intended Purpose:** Presumably to avoid taxation under multiple programs as the exemption only applies to the sale or provision of interstate telecommunications services subject to the tax imposed by the Interstate Telecommunications Gross Receipts Tax Act[42].

**History:** Originally enacted in 1992 and amended in 1993.

## INTERSTATE COMMERCE TRANSACTIONS DEDUCTION FROM LEASED VEHICLE GROSS RECEIPTS TAX

**Brief Description:** Receipts from transactions in interstate commerce are deductible from gross receipts to the extent that the imposition of the leased vehicle gross receipts tax would be unlawful under the United States Constitution.

**Statutory Basis:** 7-14A-7 NMSA 1978

**Intended Purpose:** To comport with U.S. Constitutional limitations on state taxation under the Commerce Clause.

**History:** Originally enacted in 1991.

[42] Section 7-9C-1 NMSA 1978

# JEWELRY MANUFACTURING GRT DEDUCTION

**Brief Description:** Receipts from selling tangible personal property are deductible from gross receipts if the sale to the buyer is made to a jewelry manufacturer and the property p is incorporated as an ingredient or component part of the jewelry.

The deduction allowed to a seller under this section shall not exceed $5,000 during any twelve-month period attributable to purchases by a single purchaser.

This deduction was no longer necessary after the enactment of Section 7-9-46, which provides a general deduction for receipts from the sale of tangible personal property to a manufacturer.

**Statutory Basis:** 7-9-74 NMSA 1978

**Intended Purpose:** Presumably to reduce tax pyramiding as the deduction only applies if the sale is made to a person who uses the property as an ingredient or component part of the jewelry the buyer manufactures.

**Recommendation:** None.

**History:** Originally enacted in 1971 and amended in 1975 and 1994. Repealed in 2025 with an effective date of July 1, 2025.

# JICARILLA APACHE TRIBAL CAPITAL IMPROVEMENTS TAX CREDIT AGAINST OIL AND GAS EMERGENCY SCHOOL TAX

**Brief Description:** A person who is liable for the payment of the oil and gas emergency school tax imposed on products severed from Jicarilla Apache tribal land shall be entitled to a credit against the oil and gas emergency school tax for products from a well on Jicarilla Apache tribal land.

The credit is calculated monthly and is equal to the lesser of:

(1) the Jicarilla Apache tribal capital improvements tax; or

(2) .7% of the taxable value of the products severed from qualified wells.

**Statutory Basis:** 7-31-27 NMSA 1978

**Intended Purpose:** To recognize the sovereignty of Indian nations, tribes, and pueblos and to address issues with multi-jurisdictional taxation. The Jicarilla Apache tribal capital improvements tax is exclusively dedicated to funding capital improvement projects on Jicarilla Apache tribal land and is not available to finance the construction of buildings used for commercial activity.

**History:** Originally enacted in 2002.

## LARGE HEALTH CARE FACILITY EXEMPTION FROM HEALTH CARE QUALITY SURCHARGE

**Brief Description:** A health care facility with more than 90,000 annual Medicaid-financed bed days may claim an exemption in an amount equal to 65 percent of the health care quality surcharge.

The percentage and annual Medicaid-financed days criteria may be modified by rules promulgated by HCA to comply with federal approval.

**Statutory Basis:** 7-41-5 NMSA 1978

**Intended Purpose:** To establish the tax base and meet approval requirements of the federal Centers for Medicare & Medicaid Services (CMS) approval.

**History:** The Health Care Quality Surcharge and this exemption were enacted in 2019 and amended in 2022 to make permanent.

## LEASE FOR SUBSEQUENT LEASE GRT DEDUCTION

**Brief Description:** Receipts from leasing tangible personal property or licenses used for subsequent lease in the ordinary course of business are deductible from gross receipts.

The lessee must provide a non-taxable transaction certificate or alternative evidence to the lessor.

**Statutory Basis:** 7-9-50 NMSA 1978

**Intended Purpose:** Presumably to reduce tax pyramiding.

**History:** Originally enacted in 1969 and amended in 1972, 1975, 1979, 1983, 1991, 1992, and 2021.

The 2021 amendment clarifies that in addition to non-taxable transaction certificates, taxpayers may present alternative evidence to claim the deduction.

## LEASE OF CONSTRUCTION EQUIPMENT GRT DEDUCTION

**Brief Description:** Receipts from leasing construction equipment are deductible from gross receipts if the lease is made to a person engaged in the construction business.

The lessee must present a non-taxable transaction certificate or alternative evidence to the lessor and use the construction equipment at the location of:

(1) a construction project that is subject to the GRT upon its completion or upon the completion of the overall construction project of which it is a part;

(2) a construction project that is subject to the GRT upon the sale in the ordinary course of business of the real property upon which it was constructed; or

(3) a construction project that is located on the tribal territory of an Indian nation, tribe, or pueblo.

**Statutory Basis:** 7-9-52.1 NMSA 1978

**Intended Purpose:** Presumably to reduce tax pyramiding.

**History:** Originally enacted in 2012 and amended in 2021.

The 2021 amendment clarifies that in addition to non-taxable transaction certificates, taxpayers may present alternative evidence to claim the deduction.

## MARKETPLACE SELLER DEDUCTION FROM GROSS RECEIPTS AND GOVERNMENTAL GROSS RECEIPTS TAX

**Brief Description:** The receipts from the sale, lease, or license of real or tangible property by a marketplace seller that are facilitated by a marketplace provider are deductible from gross receipts.

**Statutory Basis:** 7-9-117 NMSA 1978

**Intended Purpose:** The deduction ensures that the incidence of taxation occurs once at the point of sale with the marketplace provider.

**History:** The section was originally enacted in 2019 and amended in 2020 to include governmental gross receipts.

## MEDICAL INSURANCE POOL ASSESSMENTS CREDIT AGAINST INSURANCE PREMIUM TAX

**Brief Description:** There is a 50 percent credit on the assessment for any New Mexico medical insurance pool member pursuant to Section 59A-54-10 NMSA 1978 and a 75 percent credit for the assessments attributable to the pool policyholders that receive premiums, in whole or in part, through the federal Ryan White CARE Act, the Ted R. Montoya hemophilia program at the university of New Mexico health sciences center, the children's medical services bureau of the public health division of the department of health, or other programs receiving state funding or assistance.

**Statutory Basis:** 7-40-6 NMSA 1978

**Intended Purpose:** To avoid double taxation.

**History:** Previously the credit was in the insurance code. Originally enacted in 2018 under the Tax Administration Act, effective January 1, 2020. Amended in 2023 to disallow any refund or carryforward of the credit that exceeds tax liability.

## MEDICAL CANNABIS EXEMPTION FROM CANNABIS EXCISE TAX

**Category:** Health Care

**Brief Description:** The cannabis excise tax shall not apply to retail sales of medical cannabis products sold to a qualified patient or a primary caregiver who presents a registry identification card issued pursuant to the Lynn and Erin Compassionate Use Act [Chapter 26, Article 2B NMSA 1978] or a reciprocal participant who presents similar proof from another state, the District of Columbia or a territory or commonwealth of the United States at the time of the sale.

**Statutory Basis:** 7-42-3(C) NMSA 1978

**Intended Purpose:** The Cannabis Tax Act exempts medical cannabis, presumably to define the tax base. Particularly since medical cannabis is also excluded from GRT and GGRT through Section 7-9-73.2 NMSA 1978. When defining its tax base, the law excluded retail sales of medical cannabis products sold to a person who presents a registry identification card issued pursuant to the Lynn and Erin Compassionate Use Act.

**History:** Originally enacted in 2021.

## NATURAL GAS ALREADY TAXED EXEMPTION FROM NATURAL GAS PROCESSORS TAX

**Brief Description:** The tax shall not be levied more than once on the same natural gas.

**Statutory Basis:** 7-33-7 NMSA 1978

**Intended Purpose:** Presumably to avoid double taxation.

**History:** Originally enacted in 1963 and amended in 1998.

## NATURAL RESOURCES SUBJECT TO RESOURCES EXCISE TAX EXEMPTION FROM GRT

**Brief Description:** Receipts from the sale or processing of natural resources, the severance or processing of which are subject to the resources excise tax, are exempt from gross receipts.

**Statutory Basis:** 7-9-35 NMSA 1978

**Intended Purpose:** Presumably to avoid taxation under multiple tax programs as the exemption only applies to severed natural resources that are subject to the taxes imposed by the Resources Excise Tax Act.

**History:** Originally enacted in 1969 and amended in 1984 and 1989.

## "NET INCOME" EXEMPTIONS FROM PIT

**Brief Description:** Income (in the form of interest) derived from U.S. government obligations is excluded from the definition of "net income" and therefore exempt from PIT.

**Statutory Basis:** 7-2-2(N)(4) NMSA 1978

**Intended Purpose:** To comply with the federal preemption doctrine.

**History:** Originally enacted in 1991.

## NET INCOME SUBJECT TO ENTITY-LEVEL TAX CREDIT AGAINST PIT OR CIT

**Brief Description:** An owner of a pass-through entity electing annually to pay income tax under the entity-level tax may be allowed a tax credit against their PIT or CIT liability. The credit is in an amount equal to the owner's share of the entity-level tax. The credit is refundable.

**Statutory Basis:** 7-3A-10 (H) NMSA 1978

**Intended Purpose:** To prevent double taxation of net income under New Mexico's income tax programs.

**History:** 7-3A-10 NMSA 1978 was originally enacted in 2022 and was amended in 2023 to create the credit under subsection H. The credit replaces an exemption from PIT or CIT previously provided under 7-2-5.12 and 7-2A-4.1 NMSA 1978.

## NONPROFIT HOSPITAL EXEMPTION FROM LOCAL GROSS RECEIPTS TAX

**Brief Description:** The receipts from a nonprofit hospital licensed by the department of health are exempt from the local option gross receipts tax. They are not exempt from the state gross receipts tax.

**Statutory Basis:** 7-9-41.5 NMSA 1978

**Intended Purpose:** To establish the tax base among all hospitals regardless of profit or non-profit status.

**History:** The section was originally enacted in 2019.

## NONRESIDENT EXEMPTION FROM ESTATE TAX

**Brief Description:** The transfer of a nonresident's personal property is exempt from the estate tax to the extent that the personal property of a resident is exempt from taxation under the laws of the state in which the nonresident is domiciled.

**Statutory Basis:** 7-7-4(D) NMSA 1978

**Intended Purpose:** Presumably to reduce the administrative commitment between states.

**History:** Originally enacted in 1973 and amended in 1999.

## OCCASIONAL SALE OF PROPERTY OR SERVICES EXEMPTION FROM GRT

**Brief Description:** Receipts from the isolated or occasional sale or leasing of property or a service by a person who is not in the business of selling or leasing the same or similar property or service are exempt from GRT.

**Statutory Basis:** 7-9-28 NMSA 1978

**Intended Purpose:** Presumably to define the tax base.

**History:** Originally enacted in 1969.

## OIL AND GAS OR MINERAL INTERESTS EXEMPTION FROM GRT

**Brief Description:** Receipts from the sale or lease of oil, natural gas, or mineral interests are exempt from GRT.

**Statutory Basis:** 7-9-32 NMSA 1978

**Intended Purpose:** To prevent double taxation, as these receipts are taxed under different severance taxes.

**History:** Originally enacted in 1969.

## ONE-WAY HAUL AND EMPTY TRAVEL RATE DIFFERENTIAL FROM WDT

**Brief Description:** If (1) a motor vehicle is customarily used for one-way haul, (2) the motor vehicle travels empty of all load for at least 45% of the mileage traveled during a registration year, and (3) the registrant of the vehicle has made a sworn application, the tax is two-thirds of the standard WDT.

**Statutory Basis:** 7-15A-6(B) NMSA 1978

**Intended Purpose:** Presumably to appropriately tax vehicles based on its wear and tear on New Mexico roads, and thereby to define the tax base.

**History:** Originally enacted in 1988 and amended in 2003 and 2004.

## PERSONAL EFFECTS
## EXEMPTION FROM COMPENSATING TAX

**Brief Description:** The use by an individual of personal or household effects brought into the state in connection with the establishment by the individual of an initial residence in this state and the use of property brought into the state by a nonresident for their own nonbusiness use while temporarily within this state are exempt from compensating tax.

**Statutory Basis:** 7-9-27 NMSA 1978

**Intended Purpose:** Presumably to encourage relocating to New Mexico, and to avoid administrative complexity.

**History:** Originally enacted in 1969.

## PETROLEUM PRODUCTS EXPORTED FOR RESALE
## EXEMPTION FROM PETROLEUM PRODUCTS LOADING FEE

**Brief Description:** Petroleum products that are either loaded into cargo tanks in New Mexico and exported for resale and consumption outside of New Mexico, or are imported into New Mexico and subsequently exported for resale and consumption outside of New Mexico are exempt from the PPLF.

**Statutory Basis:** 7-13A-4(A) NMSA 1978

**Intended Purpose:** Presumably to properly define the tax base. Also, the loading fee typically supports environmental issues related to the storage of fuel in New Mexico.

**History:** Originally enacted in 1991.

## PREMIUM TAX IN LIEU OF ALL OTHER TAXES EXCEPT PROPERTY TAX

**Brief Description:** Insurance companies, nonprofit health care plans, health maintenance organizations, prepaid dental plans, prearranged funeral plans, and insurance producers who are required to pay taxes, licenses, and fees under the Insurance Premium Tax Act and the Insurance Code are exempt from all other taxes, licenses, fees imposed by the state or a political subdivision with exceptions. These exceptions include the payment of property tax and income tax for insurance producers. "Insurance producers" is the equivalent term for "insurance agents."

**Statutory Basis:** 59A-6-6 NMSA 1978

**Intended Purpose:** To avoid taxation under multiple programs as qualification for the exemption is dependent on paying premium taxes, licenses, or fees under the Insurance Premium Tax Act and the Insurance Code.

**History:** Original enacted in 1984 and amended in 1987, 1988, 2016 and 2018.

## PROCESSORS TAX PAID ON NATURAL RESOURCES EXEMPTION FROM RESOURCES TAX

**Brief Description:** The taxable value of any natural resource that is processed in New Mexico and on whose taxable value the processors tax is paid is exempt from the resources tax.

**Statutory Basis:** 7-25-7 NMSA 1978

**Intended Purpose:** Presumably to avoid taxation under multiple tax programs, as the processors tax on the processed natural resource must be paid to qualify for the exemption.

**History:** Originally enacted in 1966.

# PROCESSING NATURAL GAS DEDUCTION FROM OIL AND GAS EMERGENCY SCHOOL TAX

**Category:** Highly Specialized Industry

**Brief Description:** The reasonable expense of processing natural gas when the actual price is determined at a point other than the production unit is deductible from the Oil and Gas Emergency School Tax.

**Statutory Basis:** 7-31-6 NMSA 1978

**Intended Purpose:** Presumably to incentivize the production of natural gas in New Mexico.

**History:** Originally enacted in 1959 and amended in 2025. Regulations, including 3.18.6.10 NMAC, were enacted to set values for the products that are commensurate with the actual price received for products of like quality, character, and use which are severed in the same field or area.

**Evaluation:** In conjunction with factors such as natural gas prices and advances in exploration technology, this deduction has increased over time, in par with natural gas production. This deduction appears to be achieving its presumed purpose.

Similar deductions exist in regulations under the Oil and Gas Conservation Tax Act, the Oil and Gas Ad Valorem Production Tax Act, and the Oil and Gas Severance Tax Act. The deductions in those statutes are considered non-expenditures because the incidence of the tax is on products severed. The product must be transported from the well to be processed and then sold in the marketplace. Once it reaches its point of sale, the product becomes taxable.

**Recommendations:** None

**Reliability Factor:** 1 – Processing deductions are separately reported by product type to the Department. No estimation is required.

**Fiscal Impact:**

| **Natural Gas Processing Deduction from Oil and Gas Emergency School Tax** | **Fiscal Year** | 2023 | 2024 | 2025 |
|---|---|---|---|---|
| | **Expenditure (thousands)** | $46,112 | $52,254 | $60,083 |

## PRODUCTS ALREADY TAXED
## EXEMPTION FROM OIL AND GAS AD VALOREM PRODUCTION TAX

**Brief Description:** The tax shall not be levied more than once on the same product.

**Statutory Basis:** 7-32-8 NMSA 1978

**Intended Purpose:** To avoid double taxation.

**History:** Originally enacted in 1959.

## PRODUCTS ALREADY TAXED
## EXEMPTION FROM OIL AND GAS CONSERVATION TAX

**Brief Description:** The tax shall not be levied more than once on the same product.

**Statutory Basis:** 7-30-8 NMSA 1978

**Intended Purpose:** To avoid double taxation.

**History:** Originally enacted in 1959 and amended in 1989.

## PRODUCTS ALREADY TAXED
## EXEMPTION FROM OIL AND GAS EMERGENCY SCHOOL TAX

**Brief Description:** The tax shall not be levied more than once on the same product.

**Statutory Basis:** 7-31-8 NMSA 1978

**Intended Purpose:** To avoid double taxation.

**History:** Originally enacted in 1959 and amended in 2025.

## PRODUCTS ALREADY TAXED
## EXEMPTION FROM OIL AND GAS SEVERANCE TAX

**Brief Description:** The tax shall not be levied more than once on the same product.

**Statutory Basis:** 7-29-5 NMSA 1978

**Intended Purpose:** To avoid double taxation.

**History:** Originally enacted in 1959 and amended in 2025.

## PRODUCTS SUBJECT TO OIL AND GAS EMERGENCY SCHOOL TAX
## EXEMPTION FROM GRT

**Brief Description:** Unless the sale of products is for: (1) subsequent resale in the ordinary course of business, (2) consumption outside the state, or (3) use as an ingredient or component part of a manufactured product, receipts from the sale of products are exempt from GRT when they are subject to the oil and gas emergency school tax.

The storage or use of crude oil, natural gas or liquid hydrocarbons for fuel in the operation of a production unit, as defined in the Oil and Gas Emergency School Tax Act, will not be subject to gross receipts tax or compensating tax.

**Statutory Basis:** 7-9-33 NMSA 1978

**Intended Purpose:** Presumably to avoid taxation under multiple tax programs, as the exemption only applies to those severed products that are subject to the tax imposed by the Oil and Gas Emergency School Tax Act.

**History:** Originally enacted in 1969 and amended in 1975, 1984, and 1989.

## PURCHASE FOR RESALE
## EXEMPTION FROM LOCAL LIQUOR EXCISE TAX

**Brief Description:** Purchases for sale to retailers for resale are exempt from the local liquor excise tax.

**Statutory Basis:** 7-24-13 NMSA 1978

**Intended Purpose:** Presumably to reduce tax pyramiding and define the tax base.

**History:** Originally enacted in 1989.

## PURCHASE OF UNDYED GASOLINE FOR CERTAIN OFF-ROAD USE REFUND OF GASOLINE TAX

**Brief Description:** A person using gasoline in the operation of a clothes cleaning establishment, in stoves or other appliances burning gasoline, or operators of aircraft using aviation gasoline exclusively in the operation of aircraft may purchase undyed gasoline and may claim a refund of gasoline tax paid.

**Statutory Basis:** 7-13-17 NMSA 1978

**Intended Purpose:** Presumably to recognize that these activities do not contribute to the deterioration of the roads, the maintenance of which is funded through the gasoline tax distributions to the State Road Fund.

**History:** Originally enacted in 1998.

## PURCHASES BY OR ON BEHALF OF THE STATE GRT DEDUCTION

**Brief Description:** Receipts from the sale of property or services purchased by or on behalf of the State of New Mexico from funds obtained from the forfeiture of financial assurance pursuant to the New Mexico Mining Act or the forfeiture of financial responsibility pursuant to the Water Quality Act are deductible from gross receipts.

**Statutory Basis:** 7-9-97 NMSA 1978

**Intended Purpose:** Presumably to relieve mining companies from the obligation to estimate (and potentially overpay) the GRT cost incurred by a third-party contractor that would complete the reclamation work on behalf of the state in the event the company failed to conduct the reclamation work.

**History:** Originally enacted in 2005.

# REASONABLE EXPENSE OF TRUCKING PRODUCT TO MARKET DEDUCTION FROM OIL AND GAS EMERGENCY SCHOOL TAX

**Category:** Highly Specialized Industry

**Brief Description:** The reasonable expense of trucking any product from the production unit to the first place of market is deductible from the Oil and Gas Emergency School Tax.

**Statutory Basis:** 7-31-5(C) NMSA 1978

**Intended Purpose:** Presumably to incentivize the production of oil in New Mexico.

**History:** Originally enacted in 1959 and amended in 1963.

**Evaluation:** In conjunction with factors such as oil prices and advances in oil exploration technology, this deduction has increased over time, in par with oil production. This deduction appears to be achieving its presumed purpose.

Similar deductions exist under the Oil and Gas Conservation Tax Act, the Oil and Gas Ad Valorem Production Tax Act, and the Oil and Gas Severance Tax Act. The deductions in those statutes are considered non-expenditures because the incidence of the tax is on products severed. The product must be transported from the well to be processed and then taken to the market place. Once it reaches its point of sale, the product becomes taxable.

**Recommendations:** None.

**Reliability Factor:** 1 – Transportation deductions are separately reported by product type. No estimation is required.

**Fiscal Impact:**

| | | | | |
|---|---|---|---|---|
| **Oil Transportation Deduction from Oil and Gas Emergency School Tax** | **Fiscal Year** | 2023 | 2024 | 2025 |
| | **Expenditure (thousands)** | $5,534 | $5,790 | $4,086 |

## REASONABLE EXPENSE OF TRUCKING PRODUCT TO MARKET DEDUCTION FROM OIL AND GAS SEVERANCE TAX, OIL AND GAS CONSERVATION TAX, AND OIL AND GAS AD VALOREM PRODUCTION TAX

**Brief Description:** The reasonable expenses of trucking any product from the production unit to the first place of market is deductible from the Oil and Gas Severance and the Oil and Gas Conservation taxes

**Statutory Basis:** 7-29-4.1C , 7-30-5A(3), and 7-32-A(3) NMSA 1978

**Intended Purpose:** Presumably to define the tax base as under these statutes the incidence of the tax is on the product severed. The point of sale where the product becomes taxable is at a location other than the wellhead, which requires the associated transportation costs.

**History:** 7-29-4.1(C) was originally enacted in 1980 and amended in 1989 and 2005.

7-30-5A(3) was originally enacted in 1959 and amended in 1975, 1977, 1980, and 1985.

7-32-5A(3) was originally enacted in 1959 and amended in 1972.

## RECEIPTS OF THE FEDERAL GOVERNMENT, STATE GOVERNMENT, INDIAN NATION, OR FOREIGN NATION EXEMPTION FROM GRT

**Brief Description:** Exempted from GRT are the receipts of the United States or any associated agency, the state of New Mexico and associated subdivisions, any Indian nation, tribe or pueblo from transactions occurring on its sovereign territory and any foreign nation when required by a treaty with the United States. The exemption excludes receipts from the sale of gas or electricity by a utility owned by a local government or subdivision of the state, as well as receipts from the operation of a cable television system owned or operated by a municipality. These receipts are subject to the gross receipts tax.

**Statutory Basis:** 7-9-13 NMSA 1978

**Intended Purpose:** To establish the tax base and avoid double taxation with the Governmental Gross Receipts Tax where applicable. In addition, the State is preempted from imposing taxes on the U.S. government, Indian nations, tribes or pueblos, or foreign nations.

**History:** Originally enacted in 1969 and amended in 1991, 1993, 1994 and 1998.

## REFINERS AND PERSONS SUBJECT TO NATURAL GAS PROCESSORS TAX EXEMPTION FROM GRT AND COMPENSATING TAX

**Brief Description:** Unless the sale or processing of products are for (1) subsequent resale in the ordinary course of business, (2) consumption outside the state, or (3) use as an ingredient or component part of a manufactured product, receipts from the sale or processing of products that are subject to the natural gas processors tax are exempt from the GRT.

Receipts from storing or using crude oil, natural gas, or liquid hydrocarbons when stored or used in New Mexico by a "processor" or by a person engaged in the business of refining oil, natural gas, or liquid hydrocarbons who stores or uses the crude oil, natural gas, or liquid hydrocarbons in the regular course of his refining business are exempt from GRT and compensating tax.

**Statutory Basis:** 7-9-34 NMSA 1978

**Intended Purpose:** Presumably to define the tax base with respect to the first part of the exemption which only applies to the sale or processing of products the processing of which is subject to the natural gas processors tax. The second part of the exemption is presumably to reduce tax pyramiding.

**History:** Originally enacted in 1969 and amended in 1970, 1975, 1984, and 1989.

## RELIGIOUS ACTIVITIES EXEMPTION FROM GRT

**Brief Description:** Receipts of a minister of a 501(c)(3) religious organization from performing religious services to an individual recipient of the service are exempt from GRT.

**Statutory Basis:** 7-9-41 NMSA 1978

**Intended Purpose:** Presumably to prevent taxation of expenses that are effectively business inputs of a 501(c)(3) religious organization.

**History:** Originally enacted in 1972.

## RESALE ACTIVITIES OF AN ARMED FORCES INSTRUMENTALITY EXEMPTION FROM GRT AND COMPENSATING TAX

**Brief Description:** Receipts from selling tangible personal property and the use of property by any instrumentality of the armed forces of the United States engaged in resale activities are exempt from GRT and compensating tax.

**Statutory Basis:** 7-9-31 NMSA 1978

**Intended Purpose:** To comply with the federal preemption doctrine and to reduce tax pyramiding.

**History:** Originally enacted in 1969.

## RETURNED OR DESTROYED TOBACCO PRODUCTS REFUND OR CREDIT AGAINST TOBACCO PRODUCTS TAX

**Brief Description:** Taxpayers who have paid the tobacco products tax on tobacco products that are destroyed or returned to the seller by the first purchaser as spoiled or otherwise unfit for sale or consumption are entitled to a refund or credit against the tobacco products tax.

**Statutory Basis:** 7-12A-6 NMSA 1978

**Intended Purpose:** Presumably to define the tax base and avoid requiring a taxpayer to pay taxes on unusable tobacco products that have no value.

**History:** Originally enacted in 1986 and amended in 1988.

# ROYALTIES PAID OR DUE TO THE US, STATE OF NM, OR ANY INDIAN TRIBE, PUEBLO, OR WARD OF THE US DEDUCTION FROM OIL AND GAS SEVERANCE TAX, OIL AND GAS CONSERVATION TAX, OIL AND GAS EMERGENCY SCHOOL TAX, AND OIL AND GAS AD VALOREM PRODUCTION TAX

**Brief Description:** Royalties paid or due the United States, any Indian tribe, Indian pueblo, or Indian that is a ward of the United States of America, or the state of New Mexico may be deducted from the value of the product severed.

**Statutory Basis:** 7-29-4.1A, 7-29-4.1B, 7-30-5A(1), 7-30-5A(2), 7-31-5A, 7-31-5B, 7-32-5A(1) and 7-32-5A(2) NMSA 1978

**Intended Purpose:** Because the State is preempted from imposing taxes on the U.S. government, Indian Tribes or Pueblos, and to prevent the State from taxing itself.

**History:** 7-29-4.1A and 7-29-4.1B were originally enacted in 1980 and amended in 1989 and 2005.

7-30-5A(1) and 7-30-5A(2) were originally enacted in 1959 and amended in 1975, 1977, 1980, 1985, and 2005.

7-31-5A and 7-31-5B were originally enacted in 1959 and amended in 1963.

7-32-5A(1) and 7-32-5A(2) were originally enacted in 1959 and amended in 1972.

## SALE OF A SERVICE FOR RESALE GRT AND GGRT DEDUCTION

**Brief Description:** Receipts from selling a service for resale are deductible from gross receipts or governmental gross receipts.

**Statutory Basis:** 7-9-48 NMSA 1978

**Intended Purpose:** Presumably to define the tax base and avoid tax pyramiding.

**History:** Originally enacted in 1969 and amended in 1992, 2000, and 2021.

The 2000 amendment clarified that the resale must be subject to the GRT or GGRT to qualify for the deduction and removed the requirement that the buyer separately state the value of the service purchased in the buyer's charge for the service on its subsequent sale.

The 2021 amendment clarifies that, in addition to non-taxable transaction certificates, taxpayers may present alternative evidence to claim the deduction.

## SALE OF A SERVICE FOR RESALE DEDUCTION FROM ITGRT

**Brief Description:** Receipts from providing an interstate telecommunications service that will be used by other persons in providing telephone or telegraph services to the final user are deductible from interstate telecommunications gross receipts.

**Statutory Basis:** 7-9C-7 NMSA 1978

**Intended Purpose:** Presumably to define the tax base.

**History:** Originally enacted in 1992 and amended in 1998 and 2025.

## SALE OF ALTERNATIVE FUEL TO THE FEDERAL GOVERNMENT OR NEW MEXICO TRIBES EXEMPTION FROM ALTERNATIVE FUEL EXCISE TAX

**Brief Description:** Alternative fuel distributed to or used by the United States government, or Indian nation, tribe or pueblo, is exempt from the imposition of the alternative fuel excise tax.

**Statutory Basis:** 7-16B-5 (A) and (C) NMSA 1978

**Intended Purpose:** Presumably to comply with the federal preemption doctrine and to address multi-jurisdictional taxation as the Indian nation, tribe or pueblo, may impose a tax on alternative fuel.

**History:** Originally enacted in 1995.

## SALE OF CERTAIN TELECOMMUNICATIONS SERVICES EXEMPTION FROM GRT

**Brief Description:** Exempted from GRT are the receipts of a home service provider from selling mobile telecommunications services to persons whose place of primary use is outside New Mexico, regardless of where the services originate, terminate, or pass through.

**Statutory Basis:** 7-9-38.2 NMSA 1978

**Intended Purpose:** Presumably to avoid double taxation.

**History:** Originally enacted in 2002.

## SALE OF GASOLINE AT RETAIL BY A REGISTERED INDIAN TRIBAL DISTRIBUTOR DEDUCTION FROM GASOLINE TAX

**Brief Description:** Gasoline received in New Mexico and sold at retail by a registered Indian tribal distributor is deductible from the gasoline tax to the extent it's taxed by the Indian nation, tribe, or pueblo, if:

(1) the sale occurs on the distributor's Indian reservation, pueblo grant, or trust land,

(2) the gasoline is placed into the fuel supply tank of a motor vehicle on that reservation, pueblo grant, or trust land, and

(3) the Indian nation, tribe, or pueblo has certified that it has in effect an excise, privilege, or similar tax on the gasoline

**Statutory Basis:** 7-13-4(E) NMSA 1978

**Intended Purpose:** To prevent or reduce the effects of multi-jurisdictional taxation.

**History:** The section was originally enacted in 1991 and amended in 1997, 1998, 1999 and 2007.

The language in this subsection was created by an amendment in 1999.

## SALE OF GASOLINE BY A REGISTERED INDIAN TRIBAL DISTRIBUTOR FROM A NON-MOBILE STORAGE CONTAINER DEDUCTION FROM GASOLINE TAX

**Brief Description:** Gasoline received in New Mexico and sold by a registered Indian tribal distributor from a non-mobile storage container within the distributor's Indian reservation, pueblo grant, or trust land for resale outside the Indian reservation, pueblo grant, or trust land is deductible from the gasoline tax as long as the distributor sold at least 1 million gallons of gasoline between May and August 1998 and that the amount of gasoline deducted by a registered Indian tribal distributor doesn't exceed 2.5 million gallons per month.

**Statutory Basis:** 7-13-4(F) NMSA 1978

**Intended Purpose:** Presumably to prevent and reduce the effects of multi-jurisdictional taxation.

**History:** The section was originally enacted in 1991 and amended in 1997, 1998, 1999, and 2007.

The language in this subsection was created by an amendment in 1999.

## SALE OF GASOLINE TO THE FEDERAL GOVERNMENT OR NEW MEXICO TRIBES DEDUCTION FROM GASOLINE TAX

**Brief Description:** Receipts from gasoline received in New Mexico, sold to the United States, Indian nation, tribe or pueblo, may be deducted from the gasoline tax.

**Statutory Basis:** 7-13-4 (B) and (C) NMSA 1978

**Intended Purpose:** Presumably to comply with the federal preemption doctrine.

**History:** Originally enacted in 1991.

## SALE OF SPECIAL FUEL SOLD TO THE FEDERAL GOVERNMENT OR NEW MEXICO TRIBES DEDUCTION FROM SPECIAL FUEL EXCISE TAX

**Brief Description:** Special fuel sold to the United States government, Indian nation, tribe or pueblo, may be deducted from the total amount of special fuel excise tax.

**Statutory Basis:** 7-16A-10 (B) and 7-16A-10 (D) NMSA 1978

**Intended Purpose:** Presumably to comply with the federal preemption doctrine and to address multi-jurisdictional taxation as the Indian nation, tribe or pueblo, may impose a tax on alternative fuel.

**History:** Originally enacted in 1992 and amended in 1993, 1997, and 1998.

## SALE OF TANGIBLE PERSONAL PROPERTY FOR LEASING GRT DEDUCTION

**Brief Description:** Receipts from selling tangible personal property and licenses to a buyer who leases or sells the tangible personal property or license are deductible from gross receipts.

The buyer must present a non-taxable transaction certificate or alternative evidence to the seller.

**Statutory Basis:** 7-9-49 NMSA 1978

**Intended Purpose:** Presumably to define the tax base and avoid tax pyramiding.

**History:** Originally enacted in 1969 and amended in 1972, 1975, 1979, 1983, 1989, 1991, 1992, and 2021.

The 2021 amendment clarifies that in addition to non-taxable transaction certificates, taxpayers may present alternative evidence to claim the deduction.

## SALE OF TANGIBLE PERSONAL PROPERTY FOR RESALE GRT AND GGRT DEDUCTION

**Brief Description:** Receipts from selling tangible personal property or licenses to a buyer who resells the tangible personal property or license are deductible from gross receipts or from governmental gross receipts.

The buyer must present a non-taxable transaction certificate or alternative evidence to the seller.

**Statutory Basis:** 7-9-47 NMSA 1978

**Intended Purpose:** Presumably to define the tax base and avoid tax pyramiding.

**History:** Originally enacted in 1969 and amended in 1992, 1994, and 2021.

The 2021 amendment clarifies that in addition to non-taxable transaction certificates, taxpayers may present alternative evidence to claim the deduction.

# SALES OF TANGIBLE PERSONAL PROPERTY OR SERVICES EXEMPTION FROM GGRT

**Brief Description:** Receipts from transactions involving tangible personal property or services that are subject to GRT, compensating tax, motor vehicle excise tax, gasoline tax, special fuel tax, special fuel excise tax, oil and gas emergency school tax, resources tax, processors tax, service tax, or the boat excise tax imposed under 66-12-6.1 NMSA 1978 are exempt from GGRT.

**Statutory Basis:** 7-9-13.2 NMSA 1978

**Intended Purpose:** To avoid double taxation.

**History:** Originally enacted in 1992 and amended in 1993, adding the special fuel excise tax.

# SALES TO MANUFACTURERS
# GRT AND GGRT DEDUCTION

**Brief Description:** Receipts from selling tangible personal property that will be incorporated as an ingredient or component part to a person in the manufacturing business are deductible from gross receipts and governmental gross receipts. (7-9-46(A))

Receipts from selling a manufacturing consumable to a person in the manufacturing business or a manufacturing service provider are deductible from gross receipts and governmental gross receipts. (7-9-46(B))

Receipts from selling or leasing qualified equipment to a person in the manufacturing business or a manufacturing service provider are deductible from gross receipts and governmental gross receipts. (7-9-46(C))

**Statutory Basis:** 7-9-46 NMSA 1978

**Intended Purpose:** The purpose of the deductions is to encourage manufacturing businesses to locate in New Mexico and to reduce the tax burden, including reducing pyramiding, on the tangible personal property that is consumed in the manufacturing process and that is purchased by manufacturing businesses in New Mexico.

**History:** Originally enacted in 1969 and amended in 1992, 2012, 2013, 2021, 2023, and 2025.

The 2013 amendment defined the term "consumable."

One 2021 amendment clarified that in addition to non-taxable transaction certificates, taxpayers may present alternative evidence to claim the deduction, and expanded the deduction to include manufacturing services and the selling and leasing of manufacturing equipment. The 2023 amendment further clarified when alternative evidence may be used. The 2025 amendment revised reporting requirements.

**Reliability Factor:** 2 - This deduction is separately reported. No estimation is required. Despite being a separately reported deduction, the reliability factor for this deduction is a 2 to reflect that some taxpayers may be claiming this deduction in error. Tax & Rev will be further analyzing this data and taxpayer reporting of GRT deductions.

**Fiscal Impact:**

| | Fiscal Year | 2023 | 2024 | 2025 |
|---|---|---|---|---|
| **Sales to Manufacturers GRT Deduction – Total** | **Taxpayers** | 919 | 2,882 | 2,509 |
| | **State General Fund Expenditure (thousands)** | $90,601 | $200,788 | $269,721 |
| | **Local Government Expenditure (thousands)** | $58,699 | $131,592 | $176,769 |
| **GRT Deduction – Ingredient or Component (Subsection A.)** | **Taxpayers** | 544 | 1,562 | 1,406 |
| | **State General Fund Expenditure (thousands)** | $39,930 | $100,504 | $136,117 |
| | **Local Government Expenditure (thousands)** | $25,870 | $65,868 | $89,208 |
| **GRT Deduction – Consumable (Subsection B.)** | **Taxpayers** | 286 | 833 | 720 |
| | **State General Fund Expenditure (thousands)** | $48,996 | $89,598 | $121,602 |
| | **Local Government Expenditure (thousands)** | $31,744 | $58,721 | $79,696 |
| **GRT Deduction – Selling or leasing of equipment (Subsection C.)** | **Taxpayers** | 89 | 487 | 383 |
| | **State General Fund Expenditure (thousands)** | $1,675 | $10,686 | $12,001 |
| | **Local Government Expenditure (thousands)** | $1,085 | $7,003 | $7,865 |

## SCHOOL BUS
## DEDUCTION FROM SPECIAL FUEL EXCISE TAX

**Brief Description:** Special fuel (number 2 diesel) used in school buses that are contracted with the Public Education Department is deductible from computing the special fuel excise tax due.

**Statutory Basis:** 7-16A-10(F) NMSA 1978

**Intended Purpose:** Presumably to define the tax base.

**History:** Originally enacted in 1992, 1993, 1997, 1998, 2001, 2005, 2006, 2007, 2009, and 2013.

## SCHOOL BUS
## EXEMPTION FROM WEIGHT DISTANCE TAX

**Brief Description:** Use of the highways of New Mexico by school buses is exempt from the WDT.

**Statutory Basis:** 7-15A-5(A) NMSA 1978

**Intended Purpose:** Presumably to define the tax base.

**History:** Originally enacted in 1988 and amended in 2006.

## SERVICES ON MANUFACTURED PRODUCTS
## GRT DEDUCTION

**Brief Description:** Receipts from selling the service of combining or processing components or materials to a manufacturer are deductible from gross receipts. The service must be performed directly upon the tangible personal property the buyer is in the business of manufacturing or upon the ingredient or component parts thereof.

The buyer must present a non-taxable transaction certificate to the seller.

**Statutory Basis:** 7-9-75 NMSA 1978

**Intended Purpose:** Presumably to reduce tax pyramiding as the service must be performed directly upon tangible personal property for a manufacturer as part of the readying of raw materials or in the manufacturing process.

**History:** Originally enacted in 1972.

## SERVICES PERFORMED OUTSIDE THE STATE CREDIT AGAINST INTERSTATE TELECOMMUNICATIONS GRT

**Brief Description:** A taxpayer who has paid a sales, use, gross receipts, or similar tax to another state on the same interstate telecommunications gross receipts that are subject to New Mexico's ITGRT is entitled to a credit against the ITGRT.

**Statutory Basis:** 7-9C-10 NMSA 1978

**Intended Purpose:** To comply with U.S. Commerce Clause concerns and prevent actual multi-jurisdictional taxation of the privilege of engaging in the business of providing interstate telecommunications services.

**History:** Originally enacted in 1992.

## STOCK BONUS, PENSION, AND PROFIT-SHARING TRUSTS EXEMPTION FROM PIT AND CIT

**Brief Description:** A trust organized or created in the U.S. and forming part of a stock bonus, pension, or profit-sharing plan of an employer for the exclusive benefit of employees or beneficiaries, which is exempt from taxation under the provisions of the Internal Revenue Code, is exempt from PIT and CIT.

**Statutory Basis:** 7-2-4(A) and 7-2A-4(B) NMSA 1978

**Intended Purpose:** To define the tax base.

**History:** The PIT exemption was originally enacted in 1965 and amended in 1969, 1971, and 1981.

The CIT exemption was originally enacted in 1981 and amended in 1986 and 1989.

# STADIUM SURCHARGE
# EXEMPTION FROM GRT AND GGRT

**Brief Description:** Receipts from sales at a minor league baseball stadium for which a stadium surcharge is imposed under the Minor League Baseball Stadium Funding Act are exempt from gross receipts tax and governmental gross receipts tax.

**Statutory Basis:** 7-9-13.3 NMSA 1978

**Intended Purpose:** Presumably to avoid taxation under multiple tax programs.

**History:** Originally enacted in 2001 as part of the legislation that enacted the Minor League Baseball Stadium Funding Act.

**Evaluation:** The Minor League Baseball Stadium Funding Act provides an additional method of accessing the capital markets with the assistance of the New Mexico Finance Authority to meet the need for a complete funding package for functional and modern minor league baseball stadiums. Because the Minor League Baseball Stadium Funding Act allows a municipality to impose a stadium surcharge on products and services sold at or related to the stadium, this exemption from the GRT prevents these from being taxed twice.

Isotopes Park, home of the Albuquerque Isotopes, was constructed from 2001 to 2003 at a reported cost of $25 million. The park opened in April of 2003.

# SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM EXEMPTION FROM GRT

**Brief Description:** Receipts of retailers from the redemption of Supplemental Nutrition Assistance Program (SNAP) benefits are exempt from GRT.

**Statutory Basis:** 7-9-18.1 NMSA 1978

**Intended Purpose:** This program is not considered a tax expenditure because the Code of Federal Regulations Title 7, Subtitle B, Chapter II C, §278.2 prohibits the state from taxing food purchased with SNAP benefits. The intended purpose is to lower the cost of food for those who qualify and redeem SNAP benefits.

**History:** Originally enacted in 1987 and amended in 2025 to reflect the current name of the Supplemental Nutrition Assistance Program.

**Evaluation:** To comply with the federal preemption doctrine. This exemption only applies when a SNAP recipient does not buy food from one of 1,541 qualified SNAP points of sale in the state. Because of this, the estimated amount for this exemption are relatively small when compared to the total amount of SNAP benefits as reported by HCA.

**Recommendations:** None.

**Reliability Factor:** 3 – Using expenditure and case number data from HCA between FY2023 and FY2025, the annual average GRT rate was applied to the annual dollar amounts of SNAP expenditures. To estimate the amounts of these expenditures, Tax & Rev assumed a 4% exemption rate. This exemption applies when SNAP benefits are used to purchase food from a qualified food retail store. Therefore, receipts under Section 7-9-92 NMSA 1978 may not be deducted if they are exempted by Section 7-9-18.1 NMSA 1978.

**Fiscal Impact:**

| | | | | |
|---|---|---|---|---|
| **SNAP Exemption from GRT** | **Fiscal Year** | 2023 | 2024 | 2025 |
| | **Expenditure (thousands)** | $4,197 | $2,855 | $2,825 |

## TANGIBLE PERSONAL PROPERTY EXEMPTION FROM PROPERTY TAX

**Brief Description:** With certain exceptions, tangible personal property owned by a person is exempt from property taxation. Exceptions include among other things, livestock, manufactured homes and tangible personal property used for the purpose of a person's profession, business or occupation.

**Statutory Basis:** 7-36-8 NMSA 1978

**Intended Purpose:** Presumably to define the tax base for property tax.

**History:** Originally enacted in 1973 and amended in 1974, 1975, 1983, 1991, 1992, 1993, and 1995.

## TAX PAID BY OUT-OF-STATE TERMINAL DEDUCTION FROM GASOLINE TAX AND SPECIAL FUEL EXCISE TAX

**Brief Description:** Gasoline and special fuel received in New Mexico on which the New Mexico gasoline tax or special fuel excise tax was paid by the out-of-state terminal at which the gasoline or special fuel was loaded are deductible from computing the gasoline tax or special fuel excise tax due.

**Statutory Basis:** 7-13-4(G) and 7-16A-10(G) NMSA 1978

**Intended Purpose:** Presumably to avoid taxation under multiple tax regimes as it is only deductible if the gasoline tax or special fuel excise tax was paid by the out-of-state terminal at which the gasoline was loaded.

**History:** The gasoline tax section was originally enacted in 1991 and amended in 1997, 1998, 1999, and 2007.

The special fuel excise tax section was originally enacted in 1992 and amended in 1993, 1997, 1998, 2001, 2005, 2006, 2007, 2009, and 2013.

The subsections containing the gasoline tax and the special fuel excise tax deductions discussed here were created by an amendment in 2007.

## TAX PAID IN ANOTHER STATE FOR PROPERTY AND SERVICES CREDIT AGAINST GRT AND COMPENSATING TAX

**Brief Description:** The amount of gross receipts, sales, compensating, or similar tax paid to another state on property acquired in that state or another state for use in New Mexico or on services performed outside this state may be credited against the amount of compensating tax due to New Mexico on the use of the property or the GRT due on the services performed outside New Mexico.

**Statutory Basis:** 7-9-79 and 7-9-79.1 NMSA 1978

**Intended Purpose:** Presumably to address U.S. Commerce Clause concerns and prevent multi-jurisdictional taxation as gross receipts, sales, compensating, or similar tax must have been levied on the property or services to qualify for the credit.

**History:** The compensating tax credit for property was originally enacted in 1966 and amended in 1973, 1991 and 2021. The 2021 amendment adds services for the compensating credit.

The GRT credit for services was originally enacted in 1989 and amended in 1994.

## TAX PAID ON ALCOHOLIC BEVERAGES DESTROYED IN SHIPMENT, SPOILED, OR OTHERWISE DAMAGED REFUND OF OR CREDIT AGAINST LIQUOR EXCISE TAX AND LOCAL LIQUOR EXCISE TAX

**Brief Description:** Taxpayers are entitled to a refund or credit for taxes paid pursuant to the liquor excise tax and the local liquor excise tax on alcoholic beverages that are unsaleable and not consumable because they are destroyed in shipment, spoiled, or damaged.

**Statutory Basis:** 7-17-11 and 7-24-14 NMSA 1978

**Intended Purpose:** Presumably to define the tax base, by avoiding taxation of a product that is not available to be sold.

**History:** The liquor excise tax provision was originally enacted in 1968 and amended in 1969, 1971, 1973, 1977, 1984, and 1995.

The local liquor excise tax provision was originally enacted in 1989.

## TAX PAID ON GASOLINE OR SPECIAL FUEL DESTROYED BY FIRE, ACCIDENT OR ACTS OF GOD BEFORE RETAIL SALE REFUND OF OR CREDIT AGAINST GASOLINE TAX AND SPECIAL FUEL EXCISE TAX

**Brief Description:** A taxpayer is entitled to a refund of, or credit against, the gasoline tax and special fuel excise tax paid on gasoline and special fuel that is destroyed by fire, accident, or acts of God while in the possession of the distributor, wholesaler, or retailer.

**Statutory Basis:** 7-13-11 and 7-16A-13 NMSA 1978

**Intended Purpose:** Presumably to ensure that tax isn't paid on gasoline and special fuel which the taxpayer is unable to market.

**History:** The gasoline tax credit and refund section was originally enacted in 1971 and amended in 1983, 1993 and 2015.

The special fuel excise tax credit and refund section was originally enacted in 1992 and amended in 2015.

## TAX PAID ON SPECIAL FUEL IN CERTAIN CIRCUMSTANCES REFUND OF SPECIAL FUEL EXCISE TAX

**Brief Description:** A taxpayer is entitled to a refund of the special fuel excise tax paid on special fuel used:

(1) in a school bus authorized by contract with the Public Education Department,

(2) to propel a vehicle off-road,

(3) to operate auxiliary equipment by a power take-off from the main engine or transmission of a vehicle, or

(4) to operate a non-automotive apparatus vehicle.

**Statutory Basis:** 7-16A-13.1 NMSA 1978

**Intended Purpose:** Presumably, in the case of the school bus refund, to reduce the costs to the government and to recognize that the other activities do not contribute to the deterioration of the roads, the maintenance of which is funded through the special fuel excise tax distributions to the State Road Fund.

**History:** Originally enacted in 2001 and amended in 2005 and 2006.

## TAX PAID TO ANOTHER STATE
## CREDIT AGAINST MVX

**Brief Description:** A vehicle that has been acquired through an out-of-state transaction upon which a gross receipts, sales, compensating, or similar tax was paid may be credited against the MVX due to New Mexico on the same vehicle.

**Statutory Basis:** 7-14-7(A) NMSA 1978

**Intended Purpose:** Presumably to prevent multi-jurisdictional taxation.

**History:** Originally enacted in 1988.

## TAX PAID TO ANOTHER STATE
## DEDUCTION FROM GASOLINE TAX AND SPECIAL FUEL EXCISE TAX

**Brief Description:** A taxpayer may deduct gasoline and special fuel when computing the gasoline tax and special fuel excise tax if it is exported from New Mexico by a rack operator, distributor, or wholesaler as long as:

(1) the person exporting the gasoline and special fuel is registered in or licensed by the destination state to pay that state's gasoline or equivalent fuel tax,

(2) proof is submitted that the destination state's gasoline, special fuel, or equivalent fuel tax has been paid or is not due, or

(3) the destination state's gasoline, special fuel, or equivalent fuel tax is paid to New Mexico in accordance with the terms of an agreement with the destination state.

**Statutory Basis:** 7-13-4(A) and 7-16A-10(A) NMSA 1978

**Intended Purpose:** Presumably to prevent multi-jurisdictional taxation as the deduction is only available if proof is submitted that the destination state's gasoline tax was paid or is not due.

**History:** The gasoline tax deduction was originally enacted in 1991 and amended in 1997, 1998, 1999, and 2007.

The special fuel excise tax deduction was originally enacted in 1992 and amended in 1993, 1997, 1998, 2001, 2005, 2006, 2007, 2009, and 2013.

## TAX PAID TO ANOTHER STATE CREDIT AGAINST ESTATE TAX

**Brief Description:** A credit against the estate tax is available when any property of a resident is subject to an estate tax imposed by another state when the other state's tax does not have a reciprocal provision. The credit amount would be for the lesser of:

(1) the amount of the estate tax paid to the other state and credited against the federal estate tax, or

(2) an amount computed by multiplying the federal credit by the percentage of the estate the property represents.

**Statutory Basis:** 7-7-3(B) NMSA 1978

**Intended Purpose:** Presumably to prevent multi-jurisdictional taxation, as it is only available to the extent that taxes were paid to another state.

**History:** Originally enacted in 1973.

## TAX PAID TO NAVAJO NATION FOR SELLING COAL SEVENTY-FIVE PERCENT CREDIT AGAINST GRT

**Brief Description:** A taxpayer is entitled to a credit against the GRT for 75% of the amount of tax paid to the Navajo Nation on the receipts from selling the coal severed from Navajo Nation land.

**Statutory Basis:** 7-9-88.2 NMSA 1978

**Intended Purpose:** To recognize the sovereignty of Indian nations, tribes, and pueblos and to address issues with multi-jurisdictional taxation.

**History:** Originally enacted in 2001.

## TAX PAID TO NEW MEXICO TRIBES CREDIT AGAINST MVX

**Brief Description:** A taxpayer may receive a credit against MVX if a vehicle is purchased on reservation, trust land, or within an Indian nation, tribe or pueblo upon which a gross receipts, sales, compensating or similar tax was levied by the Indian nation, tribe or pueblo. The amount of tax paid may be credited against the MVX due on the same vehicle.

**Statutory Basis:** 7-14-7(B) NMSA 1978

**Intended Purpose:** Presumably to address multi-jurisdictional taxation as the credit may only be taken if the Indian nation, tribe or pueblo has levied a tax on the sale of a vehicle.

**History:** Originally enacted in 2022.

## TAX PAID TO NEW MEXICO TRIBES EXEMPTION FROM ITGRT

**Brief Description:** Excluded from the definition of "interstate telecommunications gross receipts" are gross receipts or sales taxes imposed by Indian nations, tribes, or pueblos as long as the Indian nation, tribe, or pueblo tax provides a reciprocal exclusion for GRT imposed by New Mexico.

**Statutory Basis:** 7-9C-2(E)(2) NMSA 1978

**Intended Purpose:** Presumably to avoid multi-jurisdictional taxation.

**History:** Originally enacted in 1992 and amended in 1993 and 2002.

## TAX PAID TO NEW MEXICO TRIBES
## SEVENTY-FIVE PERCENT CREDIT AGAINST GRT

**Brief Description:** A taxpayer is entitled to a credit against the GRT for 75% of the amount of tax paid to any of the 19 New Mexico Pueblos, the Jicarilla Apache Nation or the Mescalero Apache Tribe on taxable transactions taking place on tribal lands. The tax levied by the tribe must be similar in nature to GRT, does not discriminate by transaction and provides a credit against the tribe's tax equal to the lesser of 25% of the tax imposed by the tribe or the amount of revenue produced by total state and local GRT rates imposed on the same transaction.

**Statutory Basis:** 7-9-88.1 NMSA 1978

**Intended Purpose:** Presumably to prevent multi-jurisdictional taxation.

**History:** Originally enacted in 1999 and amended in 2000, 2001, 2003 and 2023.

The 2023 amendment removed the limitation on the tax levied by the tribe that is must be at a rate not greater than the total of the state and local option gross receipts tax rates applicable to the transaction within the boundaries of the tribe.

## TAXES PAID TO OTHER STATES
## CREDIT AGAINST PIT

**Brief Description:** When a resident individual is liable to another state for tax upon income derived from sources outside New Mexico but also included in net income allocated or apportioned to New Mexico, the individual is entitled to a credit against the tax due to New Mexico in the amount of the tax paid to the other state.

**Statutory Basis:** 7-2-13 NMSA 1978

**Intended Purpose:** To prevent multi-jurisdictional taxation.

**History:** Originally enacted in 1965 and amended in 1970, 1973, 1974, 1981, 1990, 1992, and 2013.

The 2013 amendment limited the tax credit paid to the amount of tax liability in New Mexico.

## TELECOMMUNICATION PROVIDERS
## DEDUCTION FROM INTERSTATE TELECOMMUNICATIONS GRT

**Brief Description:** Receipts from interstate telecommunications services that are provided by a corporation to itself or to an affiliated corporation may be deducted from interstate telecommunications gross receipts.

**Statutory Basis:** 7-9C-8 NMSA 1978

**Intended Purpose:** Presumably to reduce tax pyramiding.

**History:** Originally enacted in 1992 and amended in 1993.

## TRADE-IN ALLOWANCE
## GRT, MVX, AND DEDUCTIONS

**Brief Description:** Receipts from a trade-in of tangible personal property of the same type being sold are deductible from gross receipts; allowances granted for vehicle trade-ins are deductible from the price paid or the reasonable value of the vehicle purchased in calculating the MVX and the LVGRT.

**Statutory Basis:** 7-9-71, 7-14-4 and 7-14A-8 NMSA 1978

**Intended Purpose:** Presumably to properly define the tax base.

**History:** The GRT deduction was originally enacted in 1969 and amended in 1979, and 1991.

The MVX deduction was originally enacted in 1988.

The LVGRT deduction was originally enacted in 1991.

## TRANSACTIONS IN INTERSTATE COMMERCE
## GRT AND GGRT DEDUCTION

**Brief Description:** Receipts from certain transactions in interstate commerce and from sales of radio or television broadcast time if the ultimate buyer is a national or regional advertiser are deductible from gross receipts and governmental gross receipts.

**Statutory Basis:** 7-9-55 NMSA 1978

**Intended Purpose:** To comply with federal law regarding taxation of interstate commerce. U.S. Supreme Court precedent establishes the limitations on the ability of states to impose their tax on interstate commerce under the U.S. Constitution, and this deduction is based on that precedent.

**History:** Originally enacted in 1969 and amended in 1986 and 1993.

## TRANSACTIONS IN INTRASTATE TRANSPORTATION AND SERVICES IN INTERSTATE COMMERCE
## GRT DEDUCTION

**Brief Description:** Receipts incurred when transporting persons or property on an intrastate basis and under a single contract for transportation in interstate or foreign commerce (including handling, storage, drayage, or packing of property or other accessorial services on property) are deductible from gross receipts.

Receipts from telephone access charges paid by other telephone carriers are deductible.

**Statutory Basis:** 7-9-56 NMSA 1978

**Intended Purpose:** Presumably to address U.S. Commerce Clause concerns.

With regard to the telephone service portion of the deduction, the intended purpose is presumably to prevent double taxation, and to comply with federal law.

**History:** Originally enacted in 1994.

# TRANSPORTATION FROM WITHIN THE MUNICIPALITY TO OUTSIDE THE MUNICIPALITY
# EXEMPTION FROM LOCAL OPTION GRT

**Brief Description:** The transporting of persons or property for hire by any means from one point within the municipality (or county) to another point outside the municipality (or county) were exempt from the supplemental municipal GRT and the municipal local option GRT.

**Statutory Basis:** 7-19-14(A) and 7-19D-5(A) NMSA 1978

**Intended Purpose:** Presumably to resolve a jurisdictional question and provide certainty about the tax rate that applies in this situation.

**History:** The supplemental municipal GRT exemption was originally enacted in 1979 and amended in 1983, 1994 and 2019.

The municipal and county local option GRTs exemptions were originally enacted in 1993 and amended in 1994 and 2019.

The 2025 amendment removed certain obsolete language; deleted subsection designations "A" and "B"; and after "receipts arising from" deleted "prior to July 1, 2021.

# TRANSPORTATION OF NATURAL GAS DEDUCTION FROM OIL AND GAS EMERGENCY SCHOOL TAX

**Category:** Highly Specialized Industry

**Brief Description:** When the actual sale price of natural gas is determined away from the production unit, producers may deduct reasonable transportation costs from the taxable value under the Oil and Gas Emergency School Tax.

This transportation adjustment includes: gathering and pipeline charges, fuel gas, and compression costs downstream of the production unit.

Transportation must actually occur to qualify for the deduction. If payment is made in product rather than money, its value must be reported as both sale proceeds and a transportation deduction.

For affiliated transactions, deductions must follow one of three benchmarks:

(1) A regulated tariff;

(2) An arm's-length transaction from non-affiliated sales; or

(3) The prior year's actual allowable costs, including operating, maintenance, overhead, depreciation, and a reasonable return on capital

Trucking expenses cannot be deducted twice.

**Statutory Basis:** 7-31-6 NMSA 1978

**Intended Purpose:** Presumably to incentivize the production of natural gas in New Mexico.

**History:** Originally enacted in 1959. Regulations, including 3.18.6.9, were adopted that set values for the products that are commensurate with the actual price received for products of like quality, character, and use which are severed in the same field or area.

**Evaluation:** In conjunction with factors such as natural gas prices and advances in exploration technology, this deduction has increased over time, on par with natural gas production. This deduction appears to be achieving its presumed purpose.

Similar deductions exist under the Oil and Gas Conservation Tax Act, the Oil and Gas Ad Valorem Production Tax Act, and the Oil and Gas Severance Tax Act. The deductions in those statutes are considered non-expenditures because the incidence of the tax is on products severed and sold. The product must be transported from the well to be processed and then taken to the marketplace. Once it reaches its point of sale, the product becomes taxable.

**Recommendations:** None.

**Reliability Factor:** 1 – Transportation deductions are separately reported by product type. No estimation is required.

**Fiscal Impact:**

| Natural Gas Transportation Deduction from Oil and Gas Emergency School Tax | Fiscal Year | 2023 | 2024 | 2025 |
|---|---|---|---|---|
| | Expenditure (thousands) | $56,612 | $59,930 | $72,498 |

## UNCOLLECTIBLE DEBTS
## GRT AND GGRT DEDUCTION

**Brief Description:** Refunds and allowances made to buyers or amounts written off the books as an uncollectible debt by a person reporting gross receipts tax and governmental gross receipts on an accrual basis may be deducted from gross receipts and governmental gross receipts.

**Statutory Basis:** 7-9-67 NMSA 1978

**Intended Purpose:** Presumably to avoid requiring a taxpayer to pay taxes on refunded or uncollectible receipts.

**History:** Originally enacted in 1969 and amended in 1994.

## UNPAID CHARGES FOR HOSPITAL SERVICES
## CREDIT AGAINST GRT

**Brief Description:** A licensed medical doctor or licensed osteopathic physician may claim a credit against gross receipts taxes for the value of unpaid qualified health care services. Qualified health care services must be provided by the doctor or physician while on call to a hospital.

**Statutory Basis:** 7-9-96.2 NMSA 1978

**Intended Purpose:** Presumably to avoid requiring a taxpayer to pay taxes on non-existent receipts.

**History:** Originally enacted in 2007 and amended in 2021.

The 2021 amendment clarifies that physician practice groups are eligible to claim the GRT credit, aligning the statute with regulations.

## USE OF PROPERTY AND SERVICES BY FEDERAL, STATE OR LOCAL GOVERNMENTS EXEMPTION FROM COMPENSATING TAX

**Brief Description:** Exempted from compensating tax is the use of property and services by the United States or the State of New Mexico and associated subdivisions. The exemption does not apply to the use of property for a metropolitan redevelopment project or the use of construction material.

**Statutory Basis:** 7-9-14(A) NMSA 1978

**Intended Purpose:** Presumably to define the tax base.

**History:** Originally enacted in 1969 and amended in 1985, 1990, 1993, 2001 and 2023. The 2023 amendment adds services to the exemption.

## USE OF PROPERTY BY INDIAN NATION, TRIBE OR PUEBLO EXEMPTION FROM COMPENSATING TAX

**Brief Description:** Exempted from compensating tax is the use of property by any Indian nation, tribe or pueblo on Indian reservation or pueblo grants.

**Statutory Basis:** 7-9-14(B) NMSA 1978

**Intended Purpose:** The State is preempted from imposing taxes on Indian nations, tribes or pueblos.

**History:** The section was originally enacted in 1969 and amended in 1985, 1990, and 1993. Subsection B was created by the 1990 amendment, separating tribal entities' use of property from the federal government, and state and local governments.

## USE OF TANGIBLE PERSONAL PROPERTY FOR LEASING DEDUCTION FROM COMPENSATING TAX

**Brief Description:** The value of tangible personal property held for lease by a person engaged in the business of selling or leasing the same type property may be deducted before computing compensating tax due; however, it does not apply to the value of furniture or appliances furnished as part of a rental house or apartment, coin-operated machines, or manufactured homes.

**Statutory Basis:** 7-9-78 NMSA 1978

**Intended Purpose:** Presumably to reduce tax pyramiding.

**History:** Originally enacted in 1969 and amended in 1973, 1975, 1979, 1981, 1984, and 1991.

## VEHICLE THAT IS OWNED BY THE STATE OF NEW MEXICO EXEMPTION FROM MVX

**Brief Description:** A vehicle with a certificate of title owned by New Mexico or any political subdivision is exempt from MVX.

**Statutory Basis:** 7-14-6(C) NMSA 1978

**Intended Purpose:** Presumably to define the tax base.

**History:** Originally enacted in 1988, and amended in 1990, 1994, 2004, and 2007.

## VEHICLE THAT WAS PREVIOUSLY REGISTERED IN NEW MEXICO EXEMPTION FROM MVX

**Brief Description:** A person applying for a certificate of title for a vehicle registered in another state is exempt from the tax if the person has previously registered and titled the vehicle in New Mexico and has owned the vehicle continuously since that time.

**Statutory Basis:** 7-14-6(B) NMSA 1978

**Intended Purpose:** Presumably to prevent double taxation.

**History:** Originally enacted in 1988, and amended in 1990, 1994, 2004, and 2007.

## VEHICLES
## EXEMPTIONS FROM GRT AND COMPENSATING TAX

**Brief Description:** The receipts from selling vehicles on which a tax is imposed by the Motor Vehicle Excise Tax Act, vehicles registered by persons with significant mobility limitations, and vehicles exempt from the MVX pursuant to Section 7-14-6(F) NMSA 1978 are exempt from GRT.

The use of vehicles used in New Mexico on which the tax imposed by the Motor Vehicle Excise Tax Act has been paid, the use of vehicles subject to registration under the Motor Vehicle Code and the use of vehicles exempt from MVX pursuant to Section 7-14-6(F) NMSA 1978 are exempt from compensating tax.

**Statutory Basis:** 7-9-22 and 7-9-23 NMSA 1978

**Intended Purpose:** Presumably to avoid taxation under multiple tax programs, as the exemption only applies to vehicles on which a tax is imposed pursuant to the Motor Vehicle Excise Tax Act.

**History:** The GRT exemption was originally enacted in 1969 and amended in 1976, 1981, 1988, and 2004.

The compensating tax exemption was originally enacted in 1969 and amended in 1976, 1983, 1988, and 2004.

## VEHICLES USED FOR SHORT-TERM LEASING
## CREDIT AGAINST MVX

**Brief Description:** The MVX is suspended for vehicles used primarily as short-term rental vehicles that are part of a vehicle fleet of at least five vehicles that are subject to the leased vehicle gross receipts tax.

**Statutory Basis:** 7-14-7.1 NMSA 1978

**Intended Purpose:** Presumably to avoid taxation under multiple tax programs.

**History:** Originally enacted in 1991 and amended in 1993 and 1994.

## VEHICLES USED IN INTERSTATE COMMERCE
## GRT DEDUCTION

**Brief Description:** Receipts from the rental or leasing of vehicles used in the transportation of passengers or property for hire in interstate commerce under the regulations or authorization of any agency of the U.S. are deductible from GRT.

**Statutory Basis:** 7-9-70 NMSA 1978

**Intended Purpose:** Presumably due to federal preemption.

**History:** Originally enacted in 1969.

## WAGES
## EXEMPTION FROM GRT

**Brief Description:** Receipts of employees from wages, salaries, commissions, or from any other form of remuneration for personal services are exempt from GRT.

**Statutory Basis:** 7-9-17 NMSA 1978

**Intended Purpose:** Presumably to define the tax base.

**History:** Originally enacted in 1969.

## WARRANTY OBLIGATIONS
## GRT DEDUCTION

**Brief Description:** Receipts of a dealer from furnishing goods or services to the purchaser of tangible personal property to fulfill a warranty obligation of the manufacturer of the property may be deducted from gross receipts.

**Statutory Basis:** 7-9-68 NMSA 1978

**Intended Purpose:** Presumably to properly define the tax base, as the cost of the warranty is part of the cost of the goods or services, and taxes were paid on it at the time of the original purchase.

**History:** Originally enacted in 1969.

# ARGUABLE

While many of the deviations from New Mexico's many tax programs are easily categorized as either "Tax Expenditures" or "Not Tax Expenditures", there are a number in which arguments could be made for both. With a few others, the purpose of the deviation is not entirely clear; without knowing why the deviation was created, it is not possible to determine in which category it belongs.

In this year's tax expenditure report, a number of items that do not affect taxpayer treatment but do 'Impact distributions of State and local revenue have been recategorized from "Tax Expenditures" to "Arguable". These include provisions directing GRT and property tax revenue associated with Tax Increment Development Districts, Metropolitan Redevelopment Act projects, and Local Economic Development Act projects. These items do not change the amount of tax due from a given taxpayer, but rather they earmark revenue for many years to a specific fund for use on a specific project. Tax & Rev will continue to provide full transparency and reporting on these items.

"Arguable" deviations are presented in alphabetical order. The table of contents provides an alphabetized list of the arguable deviations. To find a specific deviation based on its statute citation, use the index at the end of the report.

As with the "Not Tax Expenditures" section, we believe that including information about these deviations, even without analysis of the fiscal impact, makes the reader better informed about the New Mexico tax structure.

## ADMINISTRATIVE AND ACCOUNTING SERVICES
## GRT DEDUCTION

**Brief Description:** Receipts of a business entity for administrative, managerial, accounting, and customer services performed by it for an affiliate upon a nonprofit or cost basis are deductible from gross receipts.

Receipts of a business entity from an affiliate for the joint use or sharing of office machines and facilities upon a nonprofit or cost basis are deductible from gross receipts.

**Statutory Basis:** 7-9-69 NMSA 1978

**Intended Purpose:** Presumably to reduce tax pyramiding.

**History:** Originally enacted in 1969 and amended in 1990, 1993, 1998, 2002, and 2015.

## AGRICULTURAL PRODUCTS
## EXEMPTION FROM GRT AND GGRT

**Brief Description:** Receipts from selling livestock, including horses, and the receipts of growers, producers and trappers from selling live poultry, unprocessed agricultural products (for example, a bale of hay, a head of lettuce or an unroasted sack of green chili), hides or pelts are exempt from the GRT and GGRT.

Receipts from selling dairy products at retail are not exempt from the GRT.

**Statutory Basis:** 7-9-18 NMSA 1978

**Intended Purpose:** Presumably to reduce tax pyramiding.

**History:** Originally enacted in 1969 and amended in 1991, 1992, 1993, and 2011.

The 2011 amendment expanded the deduction by defining "livestock" as all domestic or domesticated animals that are used or raised on a farm or ranch, including the carcasses thereof, and includes horses, asses, mules, cattle, sheep, goats, swine, bison, poultry, ostriches, emus, rheas, camelids and farmed cervidae upon any land in New Mexico.

**Evaluation:** This deduction cannot be completely considered an anti-pyramiding device, as there is no limitation that the receipts come from the sale of goods that are intermediate goods, or that are for resale. However, it is not possible to determine which portion is attributable to resale activities and which is not.

## CERTAIN COMMISSIONS GRT DEDUCTION

**Brief Description:** Receipts derived from commissions from sales of tangible personal property when the property sold is not subject to gross receipts tax are deductible from gross receipts.

Receipts of the owner of a dealer store for selling a principal's goods are deductible from gross receipts.

**Statutory Basis:** 7-9-66 NMSA 1978

**Intended Purpose:** Presumably to avoid double taxation since commissions are taxable as personal income.

**History:** Originally enacted in 1969 and amended in 1999.

## FEED AND FERTILIZER & AUCTIONEERS SELLING LIVESTOCK AND AGRICULTURAL PRODUCTS AT AUCTION GRT DEDUCTION

**Brief Description:** Receipts from selling feed for livestock, fish, poultry, or animals raised for their hides/pelts and from selling seeds, roots, bulbs, plants, soil conditioners, fertilizers, insecticides, germicides, insects used to control populations of other insects, fungicides or weedicides or water for irrigation purposes are deductible from gross receipts.

**Statutory Basis:** 7-9-58 NMSA 1978

**Intended Purpose:** Presumably to reduce tax pyramiding.

**History:** Originally enacted in 1969 and amended in 1977, 1983, 1991, 1992 and 2002.

## GROSS AMOUNTS WAGERED EXEMPTION FROM GRT

**Brief Description:** Exempted from GRT are receipts of a horse racetrack which are authorized by the Horse Racing Act to be retained by a horse racetrack that is licensed to conduct horse races.

**Statutory Basis:** 7-9-40(B) NMSA 1978

**Intended Purpose:** Presumably to avoid taxing receipts over gross amounts wagered which are under no authority to be spent by a horse racetrack.

**History:** Originally enacted in 1970 and amended in 1971, 1985, and 1989.

**Recommendation:** Update the statute to reflect the correct citation. It currently references Section 60-1-10 NMSA 1978, which was repealed in 2007. Presumably the intention is for it to reference the successor statute which appears to be Section 60-1A-19 NMSA 1978.

## INSURANCE COMPANIES EXEMPTION FROM GRT

**Brief Description:** The receipts of insurance companies or any agent from premiums and any consideration received by a property bondsman as security or surety for a bail bond in connection with a judicial proceeding are exempt from GRT.

**Statutory Basis:** 7-9-24 NMSA 1978

**Intended Purpose:** Presumably to prevent taxation under multiple tax programs, as the receipts of insurance companies are subject to the insurance premium tax and presumably to ensure that considerations received as security of surety for a bail bond are not taxed as they are not guarantees and not considered receipts.

**History:** Originally enacted in 1969 and amended in 1988.

# LIVESTOCK FEEDING EXEMPTION FROM GRT

**Brief Description:** Receipts from feeding (including penning or handling livestock prior to sale and training livestock) or pasturing livestock, are exempt from GRT.

**Statutory Basis:** 7-9-19 NMSA 1978

**Intended Purpose:** Presumably to reduce tax pyramiding.

**History:** Originally enacted in 1969 and amended in 1974, 1991, and 1992.

# LOCAL ECONOMIC DEVELOPMENT ACT (LEDA)
# SPECIAL GRT DISTRIBUTIONS

**Category:** Economic Development

**Brief Description:** A distribution shall be made to the Local Economic Development Act fund for the following amounts of the following taxes imposed and paid on expenses related to the construction of the qualifying entity's economic development project:

G. Fifty percent of the net receipts attributable to the state gross receipts tax and the state compensating tax; and
H. Fifty percent of the net receipts attributable to the local option gross receipts tax and county compensating tax imposed by a county and local option gross receipts tax and municipal compensating tax imposed by a municipality.

Qualifying projects must meet the requirements under the Local Economic Development Act (LEDA), 5-10 NMSA 1978. Section 5-10-14 NMSA 1978 creates the LEDA fund and details the use of the distributed funds to the qualified entities.

**Statutory Basis:** 5-10-14 NMSA 1978, 5-10-17 NMSA 1978, and 7-1-6.67 NMSA 1978

**Intended Purpose:** To create a mechanism for providing GRT and compensating tax increments to enhance the amount of resources available to foster, promote, and enhance local economic development projects. This empowers communities to embark on economic development projects tailored to their local needs.

**History:** 7-1-6.67 NMSA 1978 was originally enacted in 2021 and amended in 2024. 5-10-14 NMSA 1978 was originally enacted in 2020 and 5-10-17 NMSA 1978 in 2021. 5-10-17 NMSA 1978 provided for the distribution of state and local gross receipts tax revenue. The 2024 amendment provides for Tax & Rev to withhold a 3% administrative fee on the net amount of LEDA distributions and made certain technical amendments.

**Evaluation:** None.

**Recommendation:** Tax & Rev cautions that the proliferation of complex distributions, such as the new distributions created through this tax expenditure, add cost and risk to the overall tax distribution system. The goal of funding the LEDA fund may better be achieved through appropriations than through tax system distributions.

**Reliability Factor:** 1 – This distribution is reported in the RP-500 GRT report.

**Fiscal Impact:**

| | | | | |
|---|---|---|---|---|
| **Local Economic Development Act (LEDA) Special GRT Distributions** | **Fiscal Year** | 2023 | 2024 | 2025 |
| | **State General Fund Expenditure (thousands)** | $17,541 | $23,084 | $10,603 |
| | **Local Government Expenditure (thousands)** | $1,096 | $1,480 | $680 |

# METROPOLITAN REDEVELOPMENT PROJECTS GRT DISTRIBUTION

**Category:** Economic Development

**Brief Description:** A distribution for a metropolitan redevelopment project pursuant to the Metropolitan Redevelopment Code shall be made to the metropolitan redevelopment fund in accordance with the dedication of a gross receipts tax increment. Tax & Rev distributes a portion of State and local revenue above the base, as determined by the percentages dedicated to the area by the local government and the State Board of Finance.

**Statutory Basis:** 3-60A-21(B), 3-60A-23, and 7-1-6.71 NMSA 1978

**Intended Purpose:** To enhance the resources available to foster, promote, and enhance metropolitan redevelopment projects. The code was designed to address and prevent urban decay. It empowers local governments to undertake redevelopment projects in areas designated as "slum" or "blighted."

**History:** 3-60A-21(B) and 3-60A-23 NMSA 1978 were originally enacted in 1979 and amended in 2023 to allow for the dedication of local option and state gross receipts tax revenue to fund a metropolitan redevelopment project.

7-1-6.71 NMSA 1978 was originally enacted in 2023.

3-60A-21(B) and 7-1-6.71 NMSA 1978 were amended in 2024. The 2024 amendment to 3-60A-21(B) NMSA 1978 clarified the procedures to be used in determining the tax increment. The 2024 amendments to 7-1-6.71 NMSA 1978 added an administrative fee of three percent and clarified the distribution of revenues to the metropolitan redevelopment fund.

3-30A-21(B) was amended in 2025 to change the date that Tax & Rev shall designate a reporting location code for the metropolitan redevelopment area for purposes of determining a gross receipts tax increment.

**Evaluation:** None.

**Recommendation:** None.

**Reliability Factor:** 1 – This distribution will be reported in the RP-500 GRT distribution report.

**Fiscal Impact:** No Impact. There were no qualifying metropolitan redevelopment projects receiving revenue in FY2025.

## PETROLEUM PRODUCTS SOLD TO THE FEDERAL GOVERNMENT EXEMPTION FROM PETROLEUM PRODUCTS LOADING FEE

**Brief Description:** Petroleum products sold to the U.S. or any agency or instrumentality thereof for the exclusive use of the U.S. or any agency or instrumentality thereof are exempt from the PPLF.

**Statutory Basis:** 7-13A-4(B) NMSA 1978

**Intended Purpose:** To comply with the federal preemption doctrine.

**History:** Originally enacted in 1991.

## PIPELINE TRANSPORTATION OF OIL AND GAS PRODUCTS EXEMPTION FROM GRT AND COMPENSATING TAX

**Brief Description:** Receipts from the sale of oil, natural gas, liquid hydrocarbon, or any combination thereof consumed as fuel in the pipeline transportation of these products are exempt from GRT.

The use of oil, natural gas, liquid hydrocarbon or any combination thereof as fuel in the pipeline transportation of such products is exempt from compensating tax.

**Statutory Basis:** 7-9-36 and 7-9-37 NMSA 1978

**Intended Purpose:** Presumably to reduce tax pyramiding.

**History:** The GRT and compensating exemptions were originally enacted in 1969.

## PROCESSING AGRICULTURAL PRODUCTS GRT DEDUCTION

**Brief Description:** Receipts from warehousing grain or other agricultural products and from threshing, harvesting, growing, cultivating, and processing agricultural products are deductible from gross receipts.

**Statutory Basis:** 7-9-59 NMSA 1978

**Intended Purpose:** Presumably to reduce tax pyramiding.

**History:** Originally enacted in 1969, and amended in 1970, 2000, and 2019.

## RECEIPTS OF HOMEOWNERS ASSOCIATIONS EXEMPTION FROM GRT

**Brief Description:** Receipts of homeowners' associations (HOA) from membership fees, dues, and assessments from owner-members to be used for tax, insurance, utility expenses, management and improvement, maintenance or rehabilitation of those common areas, elements, or facilities appurtenant thereto for commonly-owned areas and facilities are exempt from GRT.

**Statutory Basis:** 7-9-20 NMSA 1978

**Intended Purpose:** Presumably to provide clarification that a HOA can be recognized as a 501(c)(4) organization to qualify for this exemption if its activities benefit a community.

**History:** Originally enacted in 1988.

## RESALE OF CERTAIN MANUFACTURED HOMES GRT DEDUCTION

**Brief Description:** Receipts from the resale of a manufactured home which was subject to GRT, compensating tax, or MVX upon its original sale or use in New Mexico are deductible from gross receipts.

**Statutory Basis:** 7-9-76.1 NMSA 1978

**Intended Purpose:** Presumably to avoid taxation under multiple programs, as the deduction only applies if the initial sale was subject to the GRT, the compensating tax, or the MVX.

**History:** Originally enacted in 1979 and amended in 1980, 1990, and 1991.

## SALE BY OR TO U.S. ARMED FORCES EXEMPTION FROM LIQUOR EXCISE TAX AND LOCAL LIQUOR EXCISE TAX

**Brief Description:** Alcoholic beverages sold to or by any instrumentality of the U.S. armed forces that are engaged in resale activities are exempt from the liquor excise tax and the local liquor excise tax.

**Statutory Basis:** 7-17-9 and 7-24-12 NMSA 1978

**Intended Purpose:** Presumably to comply with the federal preemption doctrine with respect to sales by U.S. instrumentalities.

**History:** The liquor excise tax exemption was originally enacted in 1966 and amended in 1973, 1984, and 1985.

The local liquor excise tax exemption was originally enacted in 1989.

## SALE OF ALTERNATIVE FUEL TO THE STATE OF NEW MEXICO EXEMPTION FROM ALTERNATIVE FUEL EXCISE TAX

**Brief Description:** Alternative Fuel distributed to or used by the State of New Mexico, is exempt from the imposition of the alternative fuel excise tax.

**Statutory Basis:** 7-16B-5 (B) NMSA 1978

**Intended Purpose:** Presumably to define the tax base.

**History:** Originally enacted in 1995.

## SALE OF PROSTHETIC DEVICES
## GRT AND GGRT DEDUCTION

**Brief Description:** Receipts from selling prosthetic devices to persons and licensed to practice in several medical disciplines are deductible from gross receipts and governmental gross receipts.

The buyer must deliver a non-taxable transaction certificate and must deliver the prosthetic device incidental to the performance of a service and must include the value of the prosthetic device in the charge for the service.

**Statutory Basis:** 7-9-73 NMSA 1978

**Intended Purpose:** Presumably to reduce tax pyramiding as the value of the prosthetic must be fully included in the final price of the service, and the nature of the final sale will determine whether it is taxable or not.

**History:** Originally enacted in 1970 and amended in 1992.

## SALE OF SPECIAL FUEL SOLD TO THE STATE OF NEW MEXICO
## DEDUCTION FROM SPECIAL FUEL EXCISE TAX

**Brief Description:** Special fuel sold to the state of New Mexico or any political subdivision, agency or instrumentality thereof, may be deducted from the total amount of special fuel excise tax.

**Statutory Basis:** 7-16A-10 (C) NMSA 1978

**Intended Purpose:** Presumably to define the tax base.

**History:** Originally enacted in 1993.

## SALE OR LEASE OF REAL PROPERTY & LEASE OF MANUFACTURED HOMES GRT DEDUCTION

**Brief Description:** Receipts from the sale or lease of real property, which includes the land and any permanent fixtures, from the lease of a manufactured home for at least one month, and from the rental of space for a manufactured home or recreational vehicle for at least one month, are deductible from gross receipts.

**Statutory Basis:** 7-9-53 NMSA 1978

**Intended Purpose:** Presumably to reduce tax burdens associated with occupancy of residential and commercial spaces on a non-transient basis.

**History:** Originally enacted in 1969 and amended in 1972, 1973, 1975, 1979, 1983, 1991, and 1998.

## SALES TO FEDERAL GOVERNMENT, STATE OF NEW MEXICO, OR NEW MEXICO TRIBES EXEMPTION FROM CIGARETTE TAX AND TOBACCO PRODUCTS TAX

**Brief Description:** Sales of cigarettes and tobacco products to the U.S., the State of New Mexico, or an Indian nation, tribe, or pueblo are exempt from the cigarette tax and the tobacco products tax.

**Statutory Basis:** 7-12-4 and 7-12A-4 NMSA 1978

**Intended Purpose:** In the case of selling personal property to the U.S. or Indian nations, presumably to comply with the federal preemption doctrine and to address multi-jurisdictional taxation. In the case of selling to the State of New Mexico, presumably to define the tax base.

**History:** The cigarette tax exemption was originally enacted in 1943. Section 7-12-4 NMSA 1978 was amended in 1971, 1992, and 2010. The 2010 legislation also included an increase of the cigarette tax by $0.75 per pack.

The tobacco products tax was originally enacted in 1986. Section 7-12A-4 NMSA 1978 was amended in 2009 to expand the exemption to include the sale of tobacco to tribes or tribal members.

## SALES TO GOVERNMENTAL AGENCIES
## GRT AND GGRT DEDUCTION

**Brief Description:** Receipts from selling tangible personal property to the U.S., the State of New Mexico, or an Indian nation, tribe, or pueblo for use on an Indian reservation or pueblo grant are deductible from gross receipts and governmental gross receipts.

**Statutory Basis:** 7-9-54 NMSA 1978

**Intended Purpose:** In the case of selling personal property to the U.S. or Indian nations, presumably to comply with the federal preemption doctrine and to address multi-jurisdictional taxation. In the case of selling to the State of New Mexico, presumably to define the tax base.

**History:** Originally enacted in 1969 and amended in 1976, 1985, 1989, 1992, 1993, 1995, 2000, 2001, 2003, 2018 and 2023.

## TAX PAID ON SPECIAL FUEL USED
## CREDIT AGAINST SPECIAL FUEL EXCISE TAX

**Brief Description:** A taxpayer is entitled to a credit against the calculated special fuel excise tax due for a reporting period for special fuel excise tax paid on special fuel used during the reporting period.

**Statutory Basis:** 7-16A-12 NMSA 1978

**Intended Purpose:** Presumably to avoid requiring a taxpayer to pay taxes on fuel that is not available to be sold.

**History:** Originally enacted in 1992 and amended in 1997.

# TAX INCREMENT FOR DEVELOPMENT DISTRICT (TIDD) DEDICATED GRT INCREMENTS

**Category:** Economic Development

**Brief Description:** The State and local governments may dedicate a portion of incremental GRT revenue attributable to activities within a TIDD, and local governments may dedicate a portion of incremental property tax revenues for use by a TIDD to fund eligible activities of the TIDD.

**Statutory Basis:** 5-15-15 and 7-1-6.54 NMSA 1978

**Intended Purpose:** To create a mechanism for providing GRT and property tax increment financing to decrease developer costs of constructing public infrastructure to incentivize the support of economic development and job creation.

**History:** Originally enacted in 2006 and amended in 2009, 2014, and 2025.

The 2009 amendment clarified that approval of the TIDD plan is by the governing body within which the TIDD projects are proposed, that the deposit the petitioners make may be reimbursed from proceeds from the sale of bonds issued by the TIDD, that the governing body of the local government must notify state entities of TIDD formation, and to add requirements for the content of hearing notices.

The 2014 amendment created a mechanism for adjusting a TIDD base year one time. To date, the base year adjustment criteria has only been met by the Winrock TIDD 1, Winrock TIDD 2 and Taos Ski Valley TIDD.

The 2025 amendment clarified language for destination-based sourcing. The amendment also requires 12 months of data collection to set base year and removed the January 1 distribution effective date of local tax rate changes.

**Evaluation:** TIDDs allow for the State and local governments to contribute tax revenue to developments that are deemed to be mutually beneficial. Administratively, TIDDs require considerable effort by Tax & Rev, the State Board of Finance, local governments, and developers.

**Recommendation:** None

**Reliability Factor:** 1 – GRT reporting within TIDDs are reported separately. No estimation is required.

**Fiscal Impact:** These fiscal impacts include GRT distributions to all TIDDs. They do not include property tax dedications by local governments.

| | Fiscal Year | 2023 | 2024 | 2025 |
|---|---|---|---|---|
| **Tax Increment for Development District Dedicated Increments** | **State General Fund Expenditure (thousands)** | $12,891 | $12,155 | $7,277 |
| | **Local Government Expenditure (thousands)** | $7,915 | $10,489 | $6,195 |

## TRAVEL AGENTS' COMMISSIONS
## GRT DEDUCTION

**Brief Description:** Receipts of travel agents from commissions paid by maritime transportation companies, and interstate airlines, railroads and passenger buses for booking, referral, reservation, or ticket services are deductible from gross receipts.

**Statutory Basis:** 7-9-76 NMSA 1978

**Intended Purpose:** Presumably to reduce tax pyramiding.

**History:** Originally enacted in 1977.

## USE OF ELECTRICITY
## EXEMPTION FROM COMPENSATING TAX

**Brief Description:** Electricity used in the production and transmission of electricity, including transmission using voltage source conversion technology, is exempt from the compensating tax.

**Statutory Basis:** 7-9-38 NMSA 1978

**Intended Purpose:** Presumably to reduce tax pyramiding

**History:** Originally enacted in 1969 and amended in 2012.

The 2012 amendment expanded the exemption to include electricity used in the transmission of electricity using voltage source conversion technology.

## VETERINARY MEDICAL FOR TREATMENT OF CATTLE GRT DEDUCTION

**Brief Description:** Receipts from sales of veterinary medical services, medicine, or medical supplies used in the medical treatment of cattle may be deducted from gross receipts if the sale is made to:

(1) a person who states in writing that the person is regularly engaged in the business of ranching or farming, including dairy farming, in New Mexico, or

(2) a veterinarian who is providing veterinary medical services, medicine, or medical supplies in the treatment of cattle owned by that person.

**Statutory Basis:** 7-9-109 NMSA 1978

**Intended Purpose:** Presumably to reduce tax pyramiding.

**History:** Originally enacted in 2007.

## WIDE-AREA TELEPHONE AND PRIVATE COMMUNICATIONS SERVICE DEDUCTION FROM INTERSTATE TELECOMMUNCIATIONS GRT

**Brief Description:** Receipts from the provision of wide-area telephone service and private communications service in this state may be deducted from interstate telecommunications gross receipts.

**Statutory Basis:** 7-9C-6 NMSA 1978

**Intended Purpose:** Unclear.

**History:** Originally enacted in 1992 and amended in 1993.

# APPENDIX A: TABLE OF EXPENDITURES BY CATEGORY

| Citizen Benefit Expenditures | |
|---|---|
| **Name of Expenditure** | **Statute** |
| Additional Income Tax Rebate 2021 Tax Year Filing | 7-2-7.7 |
| Affordable Housing Credit against Modified Combined Tax, PIT, or CIT | 7-9I-5 |
| Armed Forces Retirement Pay Exemption from PIT | 7-2-5.13 |
| Armed Forces Salaries Exemption from PIT | 7-2-5.11 |
| Back-to-School Tax-Free Weekend Deduction from GRT | 7-9-95 |
| Buses Operated by Religious and Nonprofit Charitable Organizations Exemption from WDT | 7-15A-5(C) |
| Capital Gain Deduction from PIT | 7-2-34 |
| Certain Disabled Military Veteran Exemption from MVX | 7-14-6(E) |
| Child Care Providers GRT Deduction | 7-9-77.2 (A) & (B) |
| Child Care to Prevent Indigency Credit against PIT | 7-2-18.1 |
| Child Income Tax Credit against PIT | 7-2-18.34 |
| Contributions of Inventory to Nonprofit Organizations or Governmental Agencies Deduction from Compensating Tax | 7-9-91 |
| Corporate-Supported Child Care Credit against CIT | 7-2A-14 |
| Disabled Person Exemption from MVX | 7-14-6(D) |
| Disabled Street Vendors Exemption from GRT | 7-9-41.3 |
| Disabled Veteran Exemption from Property Tax | 7-37-5.1 |
| Disabled Veteran Exemption from Special Benefit Property Tax Assessment | 7-37.5.4 |
| Education Trust Fund Payment Deduction from PIT | 7-2-32 |
| Excess of Elderly Taxpayers Maximum Property Tax Liability Rebate from PIT | 7-2-18 |
| Fees from Social Organizations Exemption from GRT | 7-9-39 |
| Feminine Hygiene Products GRT Deduction | 7-9-120 |
| Foster Youth Employment Credit against PIT and CIT | 7-2-18.30 and 7-2A-29 |
| Head-of-Family Exemption from Property Tax | 7-37-4 |
| Home Fire Recovery Income Tax Credit against PIT | 7-2-18.35 |
| Income Tax Rebate 2020 Tax Year Filing | 7-2-7.4 |
| Income tax Rebate 2021 Tax Year Filing | 7-2-7.6 |
| Job Mentorship Credit against PIT and CIT | 7-2-18.11 and 7-2A-17.1 |
| Legal Services for Wildfire Compensation Recovery GRT Credit | 7-9-121 |
| Loan-Related Costs GRT Deduction | 7-9-61.1 |
| Low-Income Comprehensive Tax Rebate against PIT and Sixty-Five or Older Additional Rebate | 7-2-14 |
| Low-Income Property Tax Rebate against PIT | 7-2-14.3 |
| Low- and Middle-Income Taxpayers Exemption from PIT | 7-2-5.8 |
| Medical Care Savings Account Exemption from PIT | 7-2-5.6 |
| New Mexico National Guard Member Premiums Paid for Group Life Insurance Exemption from PIT | 7-2-5.10 |
| Nonathletic Special Event at New Mexico State University GRT Deduction | 7-9-104 |
| Nonprofit Organizations Exemption from GRT | 7-9-29 |

| Citizen Benefit Expenditures | |
|---|---|
| **Name of Expenditure** | **Statute** |
| Nonprofit Organizations Fundraisers GRT Deduction | 7-9-85 |
| Nurses Credit Against PIT 2022 Tax Year Filing | 7-2-18.33 |
| Officiating at New Mexico Activities Association Events Exemption from GRT | 7-9-41.4 |
| Organ Donation Deduction from PIT | 7-2-36 |
| Persons One Hundred and Older Exemption from PIT | 7-2-5.7 |
| Persons Sixty-Five and Older or Blind Exemption from PIT | 7-2-5.2 |
| Preservation of Cultural Property Credit against PIT and CIT | 7-2-18.2 and 7-2A-8.6 |
| Property Valuation Limitation for Low-Income Seniors or Disabled Home Owners under Property Ta | 7-36-21.3 |
| Sale of Food at Retail Food Stores GRT Deduction and Hold Harmless Distribution | 7-9-92 and 7-1-6.46, 7-1-6.47 |
| Sale of Textbooks in Certain Bookstores Exemption from GRT | 7-9-13.4 |
| Sales to Nonprofit Organizations GRT, GGRT, and Compensating Tax Deduction | 7-9-60, 7-9-15 |
| School Supplies Purchased by a Public School Teacher Deduction from PIT | 7-2-41 |
| Social Security Income Exemption from PIT | 7-2-5.14 |
| Special Needs Adopted Child Credit against PIT | 7-2-18.16 |
| Supplemental Tax Rebate 2021 Tax Year | 7-2-7.5 |
| Unreimbursed or Uncompensated Medical Care Expenses Credit From PIT | 7-2-18.13 |
| Unreimbursed or Uncompensated Medical Care Expenses Deduction From PIT | 7-2-37 |
| Unreimbursed or Uncompensated Medical Care Expenses Exemption From PIT | 7-2-5.9 |
| Veteran Exemption from Property Tax | 7-37-5 |
| Veteran's Organization Exemption from Property Tax | 7-37-5.3 |
| Working Families Credit against PIT | 7-2-18.15 |

| Economic Development Expenditures | |
|---|---|
| **Name of Expenditure** | **Statute** |
| Aircraft Sales or Services GRT Deduction | 7-9-62.1 |
| Alternative Energy Product Manufacturers Credit against Modified Combined Tax | 7-9J-1 *et seq.* |
| Angel Investment Credit against PIT | 7-2-18.17 |
| Apportionment Election of CIT For Headquarters | 7-4-10(C) |
| Apportionment Election of CIT For Manufacturers | 7-4-10(B) |
| Border-Zone Trade-Support Company GRT Deduction | 7-9-56.3 |
| Commercial Motor Carrier Vehicles Operating Exclusively within 10 Miles of Mexico Border Exemption from Trip Tax and WDT | 7-15-3.2 and 7-15A-5(D) |
| Durable Medical Equipment GRT and GGRT Deduction | 7-9-73.3 |
| Film and Television Credit against PIT and CIT | 7-2F-1 *et seq.* |
| Future Distribution to a Nonresident Beneficiary Deduction from PIT | 7-2-38 |
| High-Wage Jobs Credit against Modified Combined Tax | 7-9G-1 |
| Hosting World Wide Web Sites GRT Deduction | 7-9-56.2 |
| Investment Credit against GRT, Compensating Tax, or Withholding Tax | 7-9A-1 *et seq.* |
| Investment Management or Advisory Services GRT Deduction | 7-9-108 |

| Economic Development Expenditures | |
|---|---|
| **Name of Expenditure** | **Statute** |
| Jet Fuel Fifty-Five Percent GRT and Compensating Tax Deduction | 7-9-83 and 7-9-84 |
| Laboratory Partnership with Small Business Credit against GRT | 7-9E-1 *et seq.* |
| Restaurant and Bar Temporary GRT Deduction | 7-9-118 |
| Rural Job Credit against Modified Combined Tax, PIT, and CIT | 7-2E-1.1 |
| Sale of Certain Research and Development Services Exemption from GRT | 7-9-13.1 |
| Sale of Certain Services to an Out-of-State Buyer GRT Deduction | 7-9-57 |
| Sale of Software Development Services GRT Deduction | 7-9-57.2 |
| Sales of Services to Manufacturing GRT Deduction | 7-9-46.1 |
| Sales to State-Chartered Credit Unions GRT and GGRT Deduction | 7-9-61.2 |
| Small Business Saturday Thanksgiving Weekend GRT Deduction | 7-9-116 |
| Technology Jobs and Research and Development Credit against GRT, Compensating Tax, Withholding Tax, PIT, or CIT | 7-9F-1 *et seq.* |
| Technology Readiness Credit against GRT | 7-9-96.3 |

| Environment, Conservation & Renewable Energy Expenditures | |
|---|---|
| **Name of Expenditure** | **Statute** |
| Agricultural Biomass Credit against PIT and CIT | 7-2-18.26 and 7-2A-26 |
| Biodiesel Blending Facility Tax Thirty Percent Credit against GRT and Compensating Tax | 7-9-79.2 |
| Biomass-Related Equipment and Biomass Materials Deduction from Compensating Tax | 7-9-98 |
| Clean Car Income Tax Credit against PIT and CIT | 7-2-18.36 and 7-2A-19.1 |
| Clean Car Charging Unit Income Tax Credit against PIT and CIT | 7-2-18.37 and 7-2A-19.2 |
| Conveyance of Land for Conservation or Preservation Fifty Percent Credit against PIT and CIT | 7-2-18.10 and 7-2A-8.9 |
| Electric Transmission and Storage Facilities GRT and Compensating Tax Deduction | 7-9-101 and 7-9-102 |
| Electric Transmission and Storage Facilities Services GRT Deduction | 7-9-103 |
| Electricity Conversion GRT Deduction | 7-9-103.1 |
| Electricity Exchange GRT Deduction | 7-9-103.2 |
| Geothermal Electricity Generation-Related Sales and Use GRT and Compensating Tax Deduction | 7-9-112.1 |
| Geothermal Ground-Coupled Heat Pump Credit against PIT and CIT | 7-2-18.24 and 7-2A-24 |
| Renewable Energy Production Credit against PIT and CIT | 7-2-18.18 and 7-2A-19 |
| Solar Energy Systems GRT Deduction | 7-9-112 |
| Solar Market Development Credit against PIT | 7-2-18.14 |
| New Solar Market Development Credit against PIT | 7-2-18.31 |

| Environment, Conservation & Renewable Energy Expenditures | |
|---|---|
| **Name of Expenditure** | **Statute** |
| Sustainable Building Credit against PIT and CIT | 7-2-18.19 and 7-2A-21 |
| 2015 Sustainable Building Credit against PIT and CIT | 7-2-18.29 and 7-2A-28 |
| 2021 Sustainable Building Credit against PIT and CIT | 7-2-18.32 and 7-2A-28.1 |
| Wind and Solar Generation Equipment GRT Deduction | 7-9-54.3 |

| Health Care Incentive | |
|---|---|
| **Name of Expenditure** | **Statute** |
| Certain Health Care Providers Federal Payments Exemption from Gross Receipts – American Rescue Plan Act of 2021 (ARPA) | 7-9-41.6 (B) |
| Certain Health Care Providers Federal Payments Exemption from Gross Receipts – Coronavirus Aid, Relief, and Economic Security Act (CARES) | 7-9-41.6 (A) |
| Construction Equipment and Materials Used in the Construction of Sole Community Provider Hospitals GRT Deduction | 7-9-100 |
| Construction of Sole Community Provider Hospitals GRT Deduction | 7-9-99 |
| DOH-Licensed Hospitals Sixty Percent GRT and GGRT Deduction | 7-9-73.1 |
| Environmental Modifications for Medicaid Recipients GRT Deduction | 7-9-73.4 |
| Health Care Practitioner Services GRT Deduction and Hold Harmless Distribution | 7-9-93, 7-1-6.46, and 7-1-6.47 |
| Hearing and Vision Aids GRT Deduction | 7-9-111 |
| Medical and Health Care Services GRT Deduction | 7-9-77.1 |
| Prescription Drugs, Oxygen, Medical Cannabis and Psilocybin GRT and GGRT Deduction | 7-9-73.2 |
| Rural Health Care Practitioner Credit against PIT | 7-2-18.22 |

| Highly Specialized Industry Expenditures | |
|---|---|
| **Name of Expenditure** | **Statute** |
| Buses Used for Transportation of Agricultural Laborers Exemption from WDT | 7-15A-5(B) |
| Cigarette Tax Rate Reduction for Modified Risk Products | 7-12-3 (C) and (D) |
| Coal Exemption from Severance Surtax | 7-26-6.2 |
| Fuel for Space Vehicles Exemption from GRT and Compensating Tax | 7-9-26.1 |
| Goods and Services for the DOD Related to Directed Energy and Satellites GRT Deduction | 7-9-115 |
| Liquor License Holders Deduction from GRT | 7-9-119 |
| Liquor License Lessor Deduction from PIT and CIT | 7-2-40 and 7-2A31 |
| Locomotive Engine Fuel GRT and Compensating Tax Deduction | 7-9-110.1 and 7-9-110.2 |
| Lottery Retailer Receipts GRT Deduction | 7-9-87 |

| Highly Specialized Industry Expenditures | |
|---|---|
| **Name of Expenditure** | **Statute** |
| Microbrewer Beer, Small Wineries, and Craft Distillers Rate Differential from Liquor Excise Tax | 7-17-5(A)(5) and 7-17-5(A)(6) |
| Military Transformational Acquisition Programs GRT Deduction | 7-9-94 |
| Molybdenum Rate Differential from Resources Tax and Processors Tax | 7-25-4A(3) and 7-25-5A(4) |
| Natural Gas Exemption from Oil and Gas Severance Tax | 7-29-4(B)(1) |
| Natural Gas Rate Differential from Oil and Gas Emergency School Tax | 7-31-4(A)(6) and 7-31-4(A)(7) |
| Natural Gas Rate Differential from Oil and Gas Severance Tax | 7-29-4(A)(4), 7-29-4(A)(6), and 7-29-4(A)(7) |
| Newspaper Sales GRT Deduction | 7-9-64 |
| Oil and Other Liquid Hydrocarbons Exemption from Oil and Gas Severance Tax | 7-29-4(B)(2) |
| Oil and Other Liquid Hydrocarbons Rate Differential from Oil and Gas Emergency School Tax | 7-31-4(A)(4) and 7-31-4(A)(5) |
| Oil and Other Liquid Hydrocarbons Rate Differential from Oil and Gas Severance Tax Rate | 7-29-4(A)(3), 7-29-4(A)(5), 7-29-4(A)(8), and 7-29-4(A)(9) |
| Potash Rate Differential from Resources Tax and Processors Tax | 7-25-4A(2) and 7-25-5A(3) |
| Production or Staging of Professional Contests GRT Deduction | 7-9-107 |
| Publication Sales GRT Deduction | 7-9-63 |
| Purses and Jockey Remuneration at New Mexico Racetracks Exemption from GRT | 7-9-40(A) |
| Railroad Equipment, Aircraft, and Space Vehicles Exemption from Compensating Tax | 7-9-30 |
| Real Estate Transactions GRT Deduction | 7-9-66.1 |
| Sale of Dyed Special Fuel for Agricultural Purposes GRT Credit | 7-9-58.1 |
| Sale and Use of Agricultural Implements, Farm Tractors, Aircraft, and Motor Vehicles that Don't Have to be Registered GRT and Compensating Tax Deduction | 7-9-62 and 7-9-77 |
| Sale of Aerospace Services for the U.S. Air Force GRT Deduction | 7-9-54.1 |
| Spaceport-Related Activities GRT Deduction | 7-9-54.2 |
| Space-Related Test Articles Deduction from Compensating Tax | 7-9-54.4 |
| Tax Stamps Rate Differential in Cigarette Tax | 7-12-7(D) |
| Test Article Deduction from Compensating Tax | 7-9-54.5 |
| Timber Rate Differential from Processors Tax | 7-25-4A(2) |
| Uranium Enrichment Plant Equipment Deduction from Compensating Tax | 7-9-78.1 |
| Uranium Hexafluoride and Uranium Enrichment GRT Deduction | 7-9-90 |

# APPENDIX B: FREQUENTLY USED ACRONYMS

**ACA** – Affordable Care Act

**CIT** - Corporate Income Tax

**CREG** – Consensus Revenue Estimating Group

**CYFD** – New Mexico Children, Youth and Families Department

**DFA** – New Mexico Department of Finance and Administration

**DOH** – New Mexico Department of Health

**DWS** – New Mexico Department of Workforce Solutions

**EDD** – New Mexico Economic Development Department

**EMNRD** – New Mexico Energy, Minerals, and Natural Resources Department

**GGRT** - Governmental Gross Receipts Tax

**GRT** - Gross Receipts Tax

**HCA** – New Mexico Health Care Authority (previously Human Services Department)

**IRS** – Federal Government Internal Revenue Service

**LVGRT** - Leased Vehicle GRT

**MCF** - 1,000 Cubic Feet

**MFA** - Mortgage Finance Authority

**MVX** - Motor Vehicle Excise Tax

**NAICS** – North American Industry Classification System

**NMDOT** – New Mexico Department of Transportation

**NMENV** – New Mexico Environment Department

**PIT** - Personal Income Tax

**PPLF** – Petroleum Products Loading Fee

**REPTC** – Renewable Energy Production Tax Credit

**RSTP** – Revenue Stabilization and Tax Policy - an interim legislative committee

**TIDD** - Tax Increment Development District

**TPP** - Tangible Personal Property

**Tax & Rev** - New Mexico Taxation and Revenue Department

**WDT** - Weight Distance Tax

**WTI** - West Texas Intermediate

# INDEX OF STATUTES

Please note that statutes are not listed in numerical order by tax program. The software orders the statutes numerically but does not recognize the hyphenated sections. In short, it lists, for example, 7-12-1 et seq. before 7-9-1.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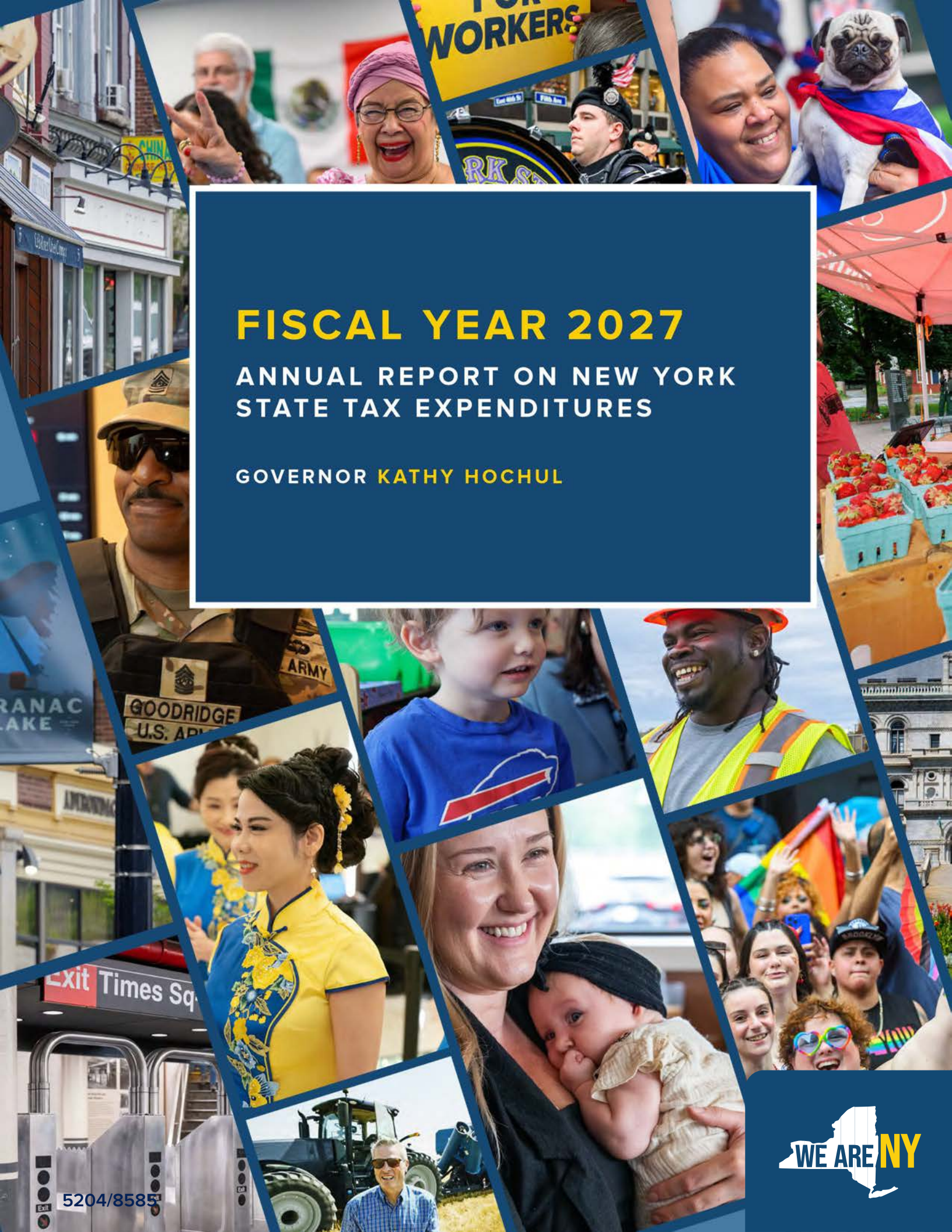


# FISCAL YEAR 2027

## ANNUAL REPORT ON NEW YORK STATE TAX EXPENDITURES

GOVERNOR KATHY HOCHUL

5204/8585

WE ARE NY

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The thirty-third annual *New York State Tax Expenditure Report* has been prepared by the Department of Taxation and Finance and the Division of the Budget in accordance with the provisions of Executive Law § 181, which mandates that any information relating to tax expenditures must be furnished in accordance with the secrecy provisions of the Tax Law.

As required by statute, the report includes:

- Tax expenditures associated with the:
  - personal income tax (Tax Law Article 22),
  - corporate franchise tax (Tax Law Article 9-A),
  - insurance tax (Tax Law Article 33),
  - corporation and utility taxes (Tax Law Article 9),
  - sales and compensating use tax (Tax Law Article 28),
  - petroleum business tax (Tax Law Article 13-A),
  - real estate transfer tax (Tax Law Article 31).
- the provisions of law authorizing the tax expenditures, their effective dates, and, where applicable, the date that such tax expenditures expire or are reduced;
- estimates (if reliable data are available) of the costs of the tax expenditures for the current taxable or calendar year and the five preceding years;
- an analysis of tax expenditure proposals included in the Governor's 2026-27 Executive Budget; and
- cautionary or advisory notes regarding the use of the report and data limitations.

As provided in prior years, the report also includes information that summarizes:

- tax expenditures that appear in more than one article of the Tax Law, for example *cross-article tax expenditures*; and
- state legislation enacted in recent years that added, deleted or modified certain tax expenditure provisions.

This report also includes a glossary of terms.

## USE OF THIS REPORT AND DATA LIMITATIONS

As defined by the Executive Law,[2] tax expenditures in this report are defined as *features of the Tax Law that by exemption, exclusion, deduction, allowance, credit, preferential tax rate, deferral, or other statutory device, reduce the amount of taxpayers' liabilities to the State by providing either economic incentives or tax relief to particular classes of persons or entities, to achieve a public purpose.* This definition is less subjective than an approach that defines tax expenditures by first defining a normal tax structure because it avoids judgments about what constitutes *normal.*

This report does not purport to offer an official list of tax expenditures. Rather, it describes as many tax expenditures as possible and provides revenue estimates for as many provisions as can be isolated and measured. Where applicable data are available, tax expenditure estimates generally cover five historical years. Forecasted estimates project the cost of a tax expenditure as reflected in the Tax Law as it was in effect on January 1, 2026. The forecasted estimates do not reflect changes proposed in the Executive Budget. A description of the Executive Budget Tax Expenditure proposals is included in a separate section of this report. As a result of new or improved information, the estimates may differ from those published in previous reports. The estimates in the report do not reflect the impact of the Metropolitan Transportation Authority surcharge, imposed on businesses operating in the Metropolitan Commuter Transportation District.

The *cost of a tax expenditure*,[3] or the tax expenditure revenue estimate, is the amount by which a tax expenditure reduces taxpayers' liability to the State for a taxable year or on a calendar year basis if a taxable year basis is not appropriate. The reduction in taxpayer liability is the difference between tax liability under the current Tax Law and tax liability if the particular expenditure did not exist. In the case of certain tax credits, the cost also includes amounts refunded to taxpayers. It is important to acknowledge that each tax expenditure estimate is measured separately and independently of other tax provisions (for example, other taxes are held constant) and no changes in taxpayer behavior are assumed. Thus, the tax expenditure estimates provided in this report are not equivalent to the impact on the State's Financial Plan if the expenditure were repealed or modified. In addition, because the expenditure estimates are measured separately and independently, individual tax expenditures cannot be summed.

[2] § 181(a).
[3] § 181(b).

The following table lists the taxes included in this report and the years for which tax expenditure estimates are provided.

| Tax Type | Historical | Forecast |
|---|---|---|
| Personal income tax | 2019, 2020, 2021, 2022, 2023 | 2026 |
| Corporate franchise tax* | 2018, 2019, 2020, 2021, 2022 | 2026 |
| Insurance tax* | 2018, 2019, 2020, 2021, 2022 | 2026 |
| Corporation and utilities | 2018, 2019, 2020, 2021, 2022 | 2026 |
| Cross-article credits | 2018, 2019, 2020, 2021, 2022, 2023 | 2026 |
| Sales and use tax | 2019, 2020, 2021, 2022, 2023 | 2026 |
| Petroleum business tax | 2020, 2021, 2022, 2023, 2024 | 2026 |
| Real estate transfer tax | 2020-21, 2021-22, 2022-23, 2023-24 | 2026-27 |

*Tax year is year with liability period beginning in the respective calendar year.

## Federal exclusions

The personal income (Article 22), corporate franchise (Article 9-A), and insurance (Article 33) taxes are all based, to some extent, on the federal tax law. In most cases, New York policymakers have opted to conform to the federal tax law. Conformity eases administration of the Tax Law, while at the same time promoting taxpayer compliance. As a result of this *coupling* of State definitions of the income base to federal definitions, exclusions or deductions from income at the federal level become exclusions or deductions at the State level. Therefore, these provisions automatically become tax expenditures at the State level but do not constitute tax expenditures in the same sense as provisions specifically designed by New York policymakers to promote economic development or to provide specific tax relief. No estimates for these provisions are included in the report. As states can decide to not follow (or decouple from) federal provisions, New York does not conform to all federal tax expenditure provisions.

## Reliability of the estimates

Estimates of the cost of tax expenditures have different levels of reliability based on the accuracy of both the data and the estimation procedure.

- For all of the taxes, with the exception of the sales and compensating use tax, the Department of Taxation and Finance assigns the highest category of reliability, Level 1, to estimates based on information from actual tax returns that were verified for accuracy.

- Level 2 applies to estimates based on data files containing unverified or incomplete information from actual tax returns. Neither of these tax return data sources is augmented with audit information.

- In Level 3 estimates, average marginal tax rates are applied to aggregate data.

- Level 4 estimates are based on national tax expenditure estimates made by the Federal Joint Committee on Taxation or the Office of Management and Budget or are estimates derived from non-tax data sources. Estimates for most of the sales tax expenditures are derived from non-tax data sources. Within this fourth level, the report further categorizes estimates based on the accuracy and suitability of the data sources. Category A estimates use both New York State and industry-specific data. Category B estimates use either New York-specific data that are not industry specific or national data derived from direct industry information, such as industry associations. Category C estimates use data other than state or industry-specific data.

- The last level of estimates, Level 5, includes those items for which no reliable data source currently exists.

The reliability of estimates may change from year to year. This is especially the case for base year and forecast estimates versus historical estimates. For example, provisions previously estimated with either less reliable tax return data or federal tax information might become Level 1 (highest reliability) if added directly to tax returns and verified for accuracy. As a result, current and projected estimates may differ from historical estimates.

The reliability of 2026 forecast values is generally lower than that of historical estimates. Historical estimates are based on data received by the Department or from sources covering periods or activity that already occurred. Forecasts by definition are for activity yet to happen and changes in taxpayer behavior, business choices, future economic conditions, and other events can have profound implications that cannot be precisely factored into the forecast estimates.

Recently enacted state legislation has added, deleted, or modified various provisions in this year's report.

## Additions:

- For taxable years beginning on or after January 1, 2025:
  - a new refundable credit for resident living organ donors is available for personal income taxpayers.
  - a new refundable Empire State independent film production credit, administered by the Governor's Office for Motion Picture and Television Development, is available under the corporate franchise tax and the personal income tax.
  - a new refundable credit for semiconductor research and development, administered by Empire State Development, is available under the corporate franchise tax and the personal income tax.
  - a new refundable credit for semiconductor manufacturing workforce training, administered by Empire State Development, is available under the corporate franchise tax and the personal income tax.

## Modifications:

- For tax years 2025 through 2027, the Empire State child credit is temporarily decoupled from the federal child credit and is increased to $1,000 per child under the age of four for tax years 2025 through 2027. The credit for children aged four to sixteen is $330 per child in 2025 and $500 per child in 2026 and 2027.
- For taxable years beginning on or after January 1, 2025, farm employers who indirectly paid eligible farm overtime through a qualified professional employer organization are eligible to claim the farm employer overtime credit. These farm employers must apply to the Department of Agriculture and Markets to receive a certificate allowing them to claim 2024 and 2025 expenses on their 2025 tax return. Beginning in tax year 2026, all farm employers must receive a certificate from the Department of Agriculture and Markets to claim the credit.
- The following changes apply to applications for the Empire State film production credit received on or after January 1, 2025:
  - An additional 10 percent credit is available for qualified production costs attributable to musical scoring.
  - A new Production Plus Program is established within the Empire State film production credit to allow an additional 5-10 percent credit to production companies that produce multiple projects in New York State.

  - The bifurcation/trifurcation claiming period is eliminated.

- For applications for the Empire State film post-production credit received on or after January 1, 2025, the eligibility criteria to claim credit for participation in program and for visual effects or animation post-production costs are lowered.
- The digital gaming media production credit is amended by lowering the production cost threshold, increasing the maximum wages paid that are considered eligible production costs and expanding the definition of digital gaming media production costs.
- The geothermal tax credit is increased to $10,000 for qualified systems placed in service on or after July 1, 2025. For taxable years beginning on or after January 1, 2026, the credit will become refundable for taxpayers below certain income thresholds.
- The low-income housing credit annual allocation is increased from $15 million to $30 million in 2025 and carried through every year at $30 million through 2029.
- The New York City musical and theatrical production credit is extended through tax year 2027 and increased by an additional $100 million in total available credit over the next two years.
- The following credit changes apply to tax years beginning on or after January 1, 2025:
  - Enhancements have been made to the Excelsior Jobs Program to add increased tax credits for semiconductor supply chain projects.
  - The credit for employment of persons with disabilities is increased to a flat $5,000 credit for qualified first or second-year wages under the corporate franchise tax and the personal income tax.
  - The Newspaper and Broadcast Media Jobs Program credit is amended to clarify eligiblity requirements for businesses with publications in more than one market.
  - The real property tax (circuit breaker) credit calculation is simplified by changing the basis of the credit from household income to federal adjusted gross income, condensing the credit brackets, creating a fixed credit amount that varies by income, and increasing the minimum credit amounts to $150 for seniors and $50 for taxpayers under age 65.
- The Jobs Retention Tax Credit Program is broadened to eliminate the strategic industries requirement and the credit amount is increased based on the number of employees for businesses located in a county where an emergency has been declared on or after June 1, 2025.
- The following tax credits have been extended:

- The Empire State film production and post-production credits are extended two years to taxable years beginning before January 1, 2037.
- The Excelsior Jobs Program is extended for five years from 2029 through 2034.
- The clean heating fuel credit is extended for three years to taxable years beginning before January 1, 2029, and applies to purchases of bioheating fuel for residential purchases before January 1, 2029.
- The alternative fuels and electric vehicle recharging property credit is extended for three years to taxable years beginning before January 1, 2029.
- The workers with disabilities credit is extended for three years to taxable years beginning before January 1, 2029.
- The hire a vet credit is extended for three years and is available for tax years beginning before January 1, 2029 for veterans who begin employment before January 1, 2028.
- The musical and theatrical production credit is extended for four years to taxable years beginning before January 1, 2030.
- The farm workforce retention credit is extended for three years to taxable years beginning before January 1, 2029.

- Effective May 9, 2025, property transfers for conservation and historic preservation to certain non-profit organizations are exempt from the mansion tax.
- For taxable years beginning on or after January 1, 2026, upon approval by the New York State Office of Parks, Recreation and Historic Preservation, a project is allowed a one-time transfer of the rehabilitation of historic properties credit.
- The personal income tax rates for certain brackets are permanently reduced gradually over two years beginning in tax year 2026. The temporary high income personal income tax rates are extended for five years through 2032.
- The sales tax exemption for certain vending machine sales of candy, juice, soft drinks and bottled water is extended through May 31, 2026.

## Deletions:

- The subtraction modification for unreimbursed organ donation expenses sunsets for taxable years beginning on or after January 1, 2025.

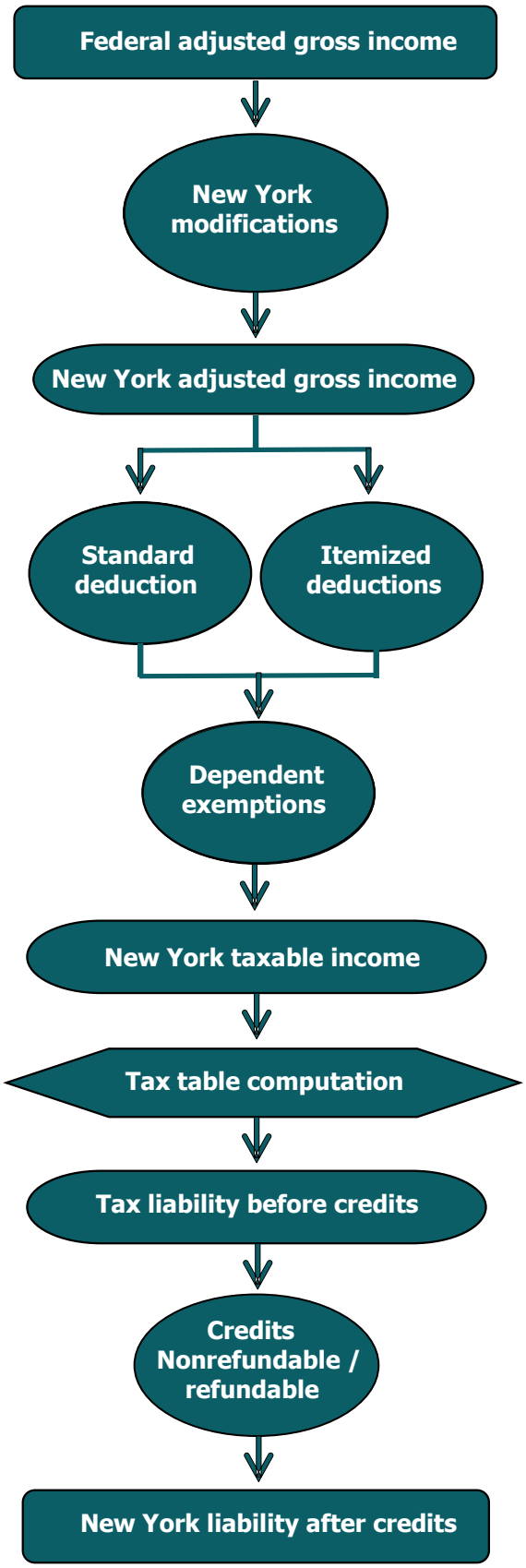
- The Employee Training Incentive Program is repealed for tax years beginning on or after January 1, 2029.

This section provides revenue estimates of New York State personal income tax expenditures for the 2026 tax year. Tax expenditures are first estimated for the 2023 tax year (the latest year for which historical tax data are available) and then projected to the 2026 tax year. This section also provides historical estimates from 2019 through 2023 for comparison. Table 1 lists the income tax provisions for which estimates exist, and the estimates themselves. To provide some perspective, it also shows total personal income tax liability for the 2023 tax year. The data used to generate the estimates do not include late-filed-returns, audited returns, or fiduciary returns because no contemporaneous data exist to make the estimates.

In 2025, New York State mailed over 8.2 million inflation refund checks totaling over $2 billion. Because this is a one-time program, this figure is not included in Table 1.

## Description of tax

The calculation of the New York State personal income tax starts with the federal definition of adjusted gross income. The Internal Revenue Code permits certain exclusions and adjustments in arriving at federal adjusted gross income. New York allows several state specific subtraction modifications and requires certain addition modifications in arriving at New York adjusted gross income. Taxpayers can then reduce their New York adjusted gross income by subtracting the higher of the New York standard deduction or New York itemized deductions. New York itemized deductions generally conform to federal itemized deductions as they existed prior to enactment of Public Law 115-97; however, certain modifications, such as an add-back for income taxes, apply. In addition, an overall New York State deduction limitation applies to upper-income taxpayers. New York taxpayers may also subtract from New York adjusted gross income a $1,000 exemption for each dependent, not including the taxpayer and spouse. After computing taxable income, taxpayers apply a marginal tax rate schedule to compute their tax before credit amount. Eligible refundable and/or nonrefundable credits are then subtracted to determine final New York liability. The chart below shows the calculation from federal adjusted gross income to final New York liability.


Federal adjusted gross income
New York modifications
New York adjusted gross income
Standard deduction
Itemized deductions
Dependent exemptions
New York taxable income
Tax table computation
Tax liability before credits
Credits Nonrefundable / refundable
New York liability after credits

Major features of the recent New York State income tax rates are as follows:

- For tax years 2018 through 2023, rate reductions were phased in for middle-class taxpayers. Fully phased in, taxpayers with taxable incomes between $13,900 and $80,650 ($27,900 and $161,550 for joint filers) saw their rates reduced to 5.50 percent and those with taxable incomes between $80,650 and $215,400 ($161,500 and $323,200 for joint filers) saw their rates reduced to 6.00 percent.

- Beginning with the 2026 tax year, an additional 0.2 percentage point rate reduction will be phased in over two years for all taxpayers with taxable income up to $215,400 ($323,200 for joint filers). The reduction will be fully phased in by tax year 2027 and is permanent for all tax years thereafter.

- For tax years 2021 through 2032, the top 8.82 marginal tax rate is replaced with three new rates and brackets as follows:

    - 9.65 percent on income between $1,077,550 and $5 million ($2,155,350 and $5 million for joint filers),
    - 10.30 percent on income between $5 million and $25 million (all filers), and
    - 10.90 percent on income over $25 million (all filers)

- For tax years 2033 and after, the top rate reverts to 8.82 percent on income over $1,077,550 ($2,155,350 for joint filers).

- If New York adjusted gross income exceeds $107,650, taxpayers must also compute a supplemental tax that recaptures the tax benefit that results from income in the lower brackets being taxed at rates lower than a taxpayer's top marginal rate.

The State personal income tax was originally enacted in 1919, but the present system of federal conformity with respect to income and deductions did not begin until 1960. Therefore, the report uses 1960 as the effective date for the provisions existing since the reorganization of the State's income tax. Many provisions have been amended since their enactment; however, this report does not provide a detailed legislative history of each item covering the entire intervening time frame.

The descriptive paragraph on each income tax expenditure summarizes the provision as it appears in the Tax Law in effect as of January 1, 2026. The listing includes some provisions that were repealed or allowed to sunset prior to 2026 to provide a complete history of the expenditure. Only tax credits specific to the personal income tax are described here. Descriptions of tax credits available under multiple tax articles are contained in the Cross-Article Tax Credits section of the report.

Repealed tax expenditures are removed from the report in the year following the publication of a complete history of the expenditure.

## Data sources

The primary source of data used in this section is:

- 2023 Personal Income Tax Population Study File—A data file based on 10.8 million personal income tax returns filed with the New York State Department of Taxation and Finance. The file includes micro data pertaining to full-year resident, part-year resident, and nonresident tax returns filed in 2024 for tax year 2023. The file represents the latest settled information as processed by the department's tax return system and is verified to ensure accuracy and reliability. These data are used in conjunction with a Personal Income Tax Simulation Model, a set of complex computer programs that simulate the various features of the Tax Law and variations thereof for the years being estimated.

## Methodology

For estimating tax expenditures in 2026, components of income, modifications, and itemized deductions on the 2023 population return file are extrapolated to 2026 levels using growth assumptions based on the economic forecast provided by the New York State Division of the Budget during December of 2025. This data file is then used with the Personal Income Tax Simulation Model revised to simulate 2026 Tax Law.

**Table 1**
**2026 personal income tax expenditure estimates (in millions of dollars)**
**(2023 total personal income tax liability = $50,927 Million)**

| Tax item | History | | | | | Forecast | Reliability level |
|---|---|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 | 2023 | 2026 | |
| **New York modifications** | | | | | | | |
| 1. Pension/annuity exclusion | 852.7 | 726.4 | 900.8 | 896.3 | 897.4 | 1,055.0 | 1 |
| 2. Exclusion of Social Security and Tier I railroad retirement benefits (taxable Social Security for federal purposes but New York exempt) | 1,233.9 | 1,241.7 | 1,397.2 | 1,461.5 | 1,656.8 | 2,015.0 | 1 |
| 3. Exclusion of interest on U.S. obligations | 291.3 | 164.9 | 113.5 | 269.2 | 673.1 | 596.0 | 1 |
| 4. Exclusion of pensions, annuities, interest, and lump sum payments received by New York State and municipal retirees | 1,128.6 | 1,134.7 | 1,245.4 | 1,271.3 | 1,292.7 | 1,466.0 | 1 |
| 5. Exclusion of pensions, annuities, interest, and lump sum payments by federal retirement systems | 216.2 | 217.4 | 238.6 | 243.6 | 244.2 | 279.0 | 1 |
| 6. Disability income exclusion | N/A | N/A | N/A | N/A | N/A | N/A | 5 |
| 7. Exclusion of interest or dividends on obligations or securities of a U.S. agency | N/A | N/A | N/A | N/A | N/A | N/A | 5 |
| 8. Exclusion of interest or dividend income on obligations or securities taxable for federal purposes but exempt for New York tax purposes | N/A | N/A | N/A | N/A | N/A | N/A | 5 |
| 9. Exclusion of accelerated death benefits and viatical settlements | * | * | * | * | * | * | 2 |
| 10. Exclusion for contributions to New York State College Choice Tuition Savings Program | 83.3 | 82.5 | 91.5 | 87.3 | 90.8 | 98.0 | 1 |
| 11. Deferral of gain from sale of qualified emerging technology investments | * | * | * | * | * | * | 2 |
| 12. Exclusion of payments to victims of Nazi persecution | * | * | * | * | * | * | 2 |
| 13. Compensation for Members of an Organized Militia | * | * | * | * | * | * | 2 |
| 14. Exclusion for living human organ donors | * | * | * | * | * | -- | 2 |
| 15. Exclusion of compensation for service in a combat zone for members of the armed services | * | * | * | * | * | * | 2 |
| 16. Exclusion of small business and/or farm income | 0.9 | 0.8 | 2.6 | 10.7 | 11.7 | 12.0 | 2 |
| 17. Exclusion of income attributable to the New York State Business Incubator and Innovation Hot Spot Support Act | 0.4 | 0.4 | 0.3 | 0.4 | 0.5 | 0.5 | 2 |
| 18. Exclusion of wages received from an employer located in START-UP New York area | 6.2 | 7.4 | 10.1 | 11.0 | 9.9 | 10.0 | 2 |
| 19. Exclusion of service award for volunteer firefighters and ambulance workers | 0.4 | 0.5 | 0.6 | 0.6 | 0.6 | 0.5 | 2 |
| 20. Exclusion of moving expenses and moving expense reimbursements | 1.2 | 0.8 | 1.0 | 1.3 | 1.3 | 1.0 | 2 |
| 21. New York's COVID-19 pandemic small business recovery grants | -- | -- | 2.6 | 1.5 | -- | -- | 2 |
| 22. Deduction for commercial cannabis activity | -- | -- | -- | 0.7 | 0.3 | 1.0 | 2 |

| Tax item | History 2019 | 2020 | 2021 | 2022 | 2023 | Forecast 2026 | Reliability level |
|---|---|---|---|---|---|---|---|
| **New York itemized deductions and exemptions** | | | | | | | |
| 23. Value of standard deductions for those returns with itemized deductions in excess of standard deduction | 1,298.9 | 1,203.2 | 1,190.1 | 1,193.1 | 1,199.5 | 1,189.0 | 1 |
| 24. Itemized deductions | | | | | | | |
| a. Medical/dental deduction | 102.3 | 91.0 | 97.6 | 102.6 | 104.5 | 120.0 | 1 |
| b. Interest deduction | 698.2 | 614.4 | 561.0 | 580.8 | 654.6 | 611.0 | 1 |
| c. Charitable contribution deduction | 613.6 | 672.9 | 883.7 | 688.6 | 726.6 | 732.0 | 1 |
| d. Casualty/theft deduction | 0.6 | 0.5 | 1.4 | 1.4 | 1.1 | 1.0 | 1 |
| e. Taxes paid deduction | 704.8 | 664.4 | 638.9 | 653.9 | 677.9 | 638.0 | 1 |
| f. Miscellaneous deductions subject to 2 Percent of AGI limitation | 119.7 | 104.5 | 100.2 | 112.9 | 104.3 | 97.0 | 1 |
| g. Other miscellaneous deductions | 36.7 | 23.0 | 42.7 | 47.1 | 48.0 | 46.0 | 1 |
| h. Union dues deduction | N/A | N/A | N/A | N/A | N/A | N/A | 1 |
| 25. Dependent exemptions | 281.6 | 269.2 | 268.3 | 261.9 | 258.7 | 264.0 | 1 |
| **New York credits** | | | | | | | |
| 26. Household credit | 85.3 | 83.3 | 83.2 | 71.1 | 67.7 | 63.0 | 1 |
| 27. Earned income credit | 979.0 | 772.3 | 728.5 | 923.1 | 1,011.0 | 1,180.0 | 1 |
| 28. Real property tax credit (circuit breaker) | 18.6 | 18.7 | 17.2 | 17.9 | 16.9 | 29.0 | 1 |
| 29. Child and dependent care credit | 169.2 | 107.4 | 119.4 | 115.8 | 110.1 | 110.0 | 1 |
| 30. Accumulation distribution credit[2] | 0.1 | 0.1 | 0.1 | 0.2 | 0.3 | 0.3 | 1 |
| 31. Solar energy system equipment credit [2] | 52.8 | 45.4 | 54.5 | 74.4 | 76.2 | 77.5 | 1 |
| 32. College tuition credit[3] | 192.2 | 174.6 | 169.9 | 166.3 | 156.9 | 157.0 | 1 |
| 33. Nursing home assessment tax credit | 20.1 | 17.9 | 16.6 | 18.1 | 19.3 | 18.5 | 1 |
| 34. Empire State child credit[4] | 612.9 | 597.5 | 545.6 | 555.4 | 694.1 | 1,546.9 | 1 |
| 35. Enhanced state earned income tax credit for certain non-custodial parents | 1.9 | 1.2 | 0.7 | 0.9 | 1.0 | 1.0 | 1 |
| 36. Volunteer firefighters and ambulance workers credit | 15.5 | 15.2 | 14.9 | 14.8 | 14.6 | 14.5 | 1 |
| 37. Historic homeownership rehabilitation credit | 3.6 | 3.0 | 4.1 | 4.9 | 6.7 | 9.0 | 1 |
| 38. STAR credit for homeowners | 478.3 | 579.6 | 659.1 | 760.4 | 788.8 | 1,036.6 | 4 |
| 39. STAR credit for New York City residents | 723.8 | 743.7 | 735.8 | 741.9 | 770.2 | 814.5 | 4 |
| 40. Employer compensation expense program wage credit | 0.8 | 2.5 | 9.7 | 5.0 | 11.2 | 18.0 | 1 |
| 41. Pass-through entity tax credit[5] | -- | -- | 11,971.1 | 13,398.0 | 12,439.6 | 16,643.0 | 1 |
| 42. Geothermal energy systems credit | -- | -- | -- | 1.8 | 4.0 | 10.0 | 1 |
| 43. Real property tax relief credit | -- | -- | 49.6 | 62.3 | 75.9 | -- | 1 |
| 44. Organ donation credit[1] | -- | -- | -- | -- | -- | 1.0 | 1 |
| **Cross-article credits** | | | | | | | |
| 1. Investment tax credit and employment incentive credit [2] | 29.5 | 32.8 | 45.2 | 66.6 | 200.1 | 225.0 | 1 |
| 2. Investment tax credit for the financial services industry[2] | * | * | 0.0 | 0.0 | 0.0 | * | 1 |
| 3. Special additional mortgage recording tax credit[2] | 13.0 | 9.1 | 11.8 | 14.6 | 8.7 | 11.5 | 1 |
| 4. Empire Zone, Qualified Empire Zone Enterprise, and zone equivalent areas tax credit [2] | | | | | | | |

| Tax item | History 2019 | 2020 | 2021 | 2022 | 2023 | Forecast 2026 | Reliability level |
|---|---|---|---|---|---|---|---|
| a. Empire Zone investment tax credit and employment incentive credit | 2.3 | 1.9 | 5.9 | 2.9 | 2.0 | 3.0 | 1 |
| b. Empire Zone/zone equivalent areas wage tax credit | 2.1 | 1.5 | 2.2 | 1.3 | 1.3 | 1.5 | 1 |
| c. Empire Zone capital credit | 0.1 | * | * | * | * | * | 1 |
| d. Qualified Empire Zone Enterprise real property tax credit | 1.6 | 0.5 | 0.4 | 0.2 | 0.2 | 0.5 | 1 |
| e. Qualified Empire Zone Enterprise tax reduction credit | 1.5 | 0.3 | * | 0.1 | 0.2 | * | 1 |
| 5. Farmers' school tax credit | 43.0 | 43.0 | 41.7 | 40.2 | 38.9 | 39.0 | 1 |
| 6. Credit for employment of persons with disabilities[2] | * | * | 0.7 | * | * | * | 1 |
| 7. Qualified emerging technology company credits[2] | | | | | | | |
| a. Qualified emerging technology company capital tax credit | 1.4 | 1.5 | 1.0 | 0.8 | 0.4 | 0.8 | 1 |
| b. Qualified emerging technology company employment credit | 0.3 | 0.1 | * | 0.2 | 0.3 | 0.2 | 1 |
| 8. Low-income housing credit[2] | * | * | * | * | * | * | 1 |
| 9. Credit for purchase of an automated external defibrillator[2] | 0.1 | 0.1 | 0.1 | 0.1 | 0.2 | 0.2 | 1 |
| 10. Green building credit[2] | * | 0.0 | * | * | * | * | 1 |
| 11. Long-term care insurance credit[2] | 94.0 | 60.7 | 73.6 | 60.6 | 58.8 | 61.0 | 1 |
| 12. Empire State film and commercial production credits | | | | | | | |
| a. Empire State film production credit[2] | 10.2 | 3.7 | 5.7 | 11.0 | 3.1 | 16.0 | 1 |
| b. Empire State film post production credit | 0.6 | 0.1 | 0.2 | 0.4 | * | 1.0 | 1 |
| c. Empire State commercial production credit | 0.0 | * | 2.0 | 0.5 | 2.5 | 5.0 | 1 |
| d. Empire State independent film production credit | -- | -- | -- | -- | -- | 10.0 | 4 |
| 13. Security training tax credit[2] | * | 0.1 | * | * | * | * | 1 |
| 14. Brownfields tax credits | 11.0 | 10.2 | 35.0 | 23.9 | 33.3 | 31.0 | 1 |
| a. Brownfield redevelopment tax credit | 10.6 | 9.9 | 34.4 | 23.7 | 33.0 | 30.5 | 1 |
| b. Remediated brownfield credit for real property taxes | 0.4 | 0.3 | 0.6 | 0.2 | 0.3 | 0.5 | 1 |
| c. Environmental remediation insurance credit | 0.0 | 0.0 | 0.0 | * | 0.0 | * | 1 |
| 15. Land conservation easement credit | 1.8 | 1.9 | 1.9 | 2.1 | 2.2 | 2.0 | 1 |
| 16. Clean heating fuel credit | 3.9 | 3.6 | 4.5 | 4.6 | 4.7 | 5.0 | 1 |
| 17. Rehabilitation of historic properties credit | 14.5 | 11.0 | 15.7 | 14.9 | 14.4 | 16.0 | 1 |
| 18. Excelsior Jobs Program tax credits | 2.5 | 2.0 | 3.1 | 2.8 | 2.9 | 30.0 | 1 |
| 19. Credit for companies who provide transportation to individuals with disabilities | 1.5 | 0.3 | 0.7 | 0.9 | 0.8 | 1.0 | 1 |
| 20. Economic Transformation and Facility Redevelopment Program tax credit | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | * | 1 |
| 21. New York Youth Jobs Program tax credit | 20.6 | 19.5 | 28.1 | 31.5 | 30.1 | 20.0 | 1 |
| 22. Empire State Jobs Retention Program credit | 0.6 | 0.7 | 0.4 | 0.9 | 0.6 | 5.0 | 1 |
| 23. Alcoholic beverage production credit (beer production credit) | 1.4 | 1.4 | 1.7 | 1.6 | 3.5 | 5.0 | 1 |
| 24. Alternative fuels and electric vehicle recharging property credit | 0.2 | 0.2 | 0.6 | 1.2 | 1.6 | 1.0 | 1 |

| Tax item | History 2019 | 2020 | 2021 | 2022 | 2023 | Forecast 2026 | Reliability level |
|---|---|---|---|---|---|---|---|
| 25. START-UP NY tax elimination credit | 0.3 | 0.8 | 12.6 | 0.5 | 1.2 | 2.0 | 1 |
| 26. Credit for the excise tax on telecommunication services paid by START-UP NY businesses | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | * | 1 |
| 27. Real property tax relief credit for manufacturing | 9.5 | 10.2 | 10.6 | 10.8 | 11.2 | 11.0 | 1 |
| 28. Hire a vet credit[1] | * | * | * | 0.1 | 0.3 | 0.5 | 1 |
| 29. Musical and theatrical production credit | * | 0.0 | 0.0 | * | * | 2.0 | 1 |
| 30. Workers with disabilities tax credit | * | * | * | * | 0.0 | 1.0 | 1 |
| 31. Employee training incentive credit | 0.0 | 0.0 | * | * | * | 3.0 | 1 |
| 32. Farm workforce retention credit | 7.8 | 6.4 | 9.8 | 20.3 | 21.0 | 21.0 | 1 |
| 33. Empire State apprenticeship tax credit | 0.1 | 0.1 | 0.2 | 0.1 | 0.2 | 3.0 | 1 |
| 34. Life sciences research and development tax credit | 0.0 | 0.3 | 0.1 | * | * | 1.0 | 1 |
| 35. Farm donations to food pantries credit | 0.1 | 0.2 | 0.1 | 0.2 | 0.2 | 0.2 | 1 |
| 36. Employer provided child care credit | -- | 0.2 | 0.4 | 0.4 | 1.1 | 1.0 | 1 |
| 37. Recovery tax credit | -- | * | 0.4 | 0.2 | 0.3 | 1.5 | 1 |
| 38. Restaurant return-to-work tax credit | -- | -- | 4.6 | -- | -- | -- | 1 |
| 39. New York City musical and theatrical production tax credit | -- | -- | 0.0 | 8.9 | 2.7 | 10.0 | 1 |
| 40. Covid-19 capital costs tax credit | -- | -- | -- | 2.5 | 11.8 | -- | 1 |
| 41. Grade number 6 heating oil conversion tax credit | -- | -- | -- | 0.0 | 0.0 | -- | 1 |
| 42. Farm employer overtime credit | -- | -- | -- | -- | -- | 52.0 | 4 |
| 43. Additional restaurant return-to-work tax credit | -- | -- | -- | 0.8 | -- | -- | 1 |
| 44. Empire State digital gaming media production tax credit | -- | -- | -- | -- | 0.0 | 2.5 | 1 |
| 45. Child care creation and expansion credit | -- | -- | -- | -- | * | -- | 1 |
| 46. Newspaper and Broadcast Media Jobs Program credit | -- | -- | -- | -- | -- | 5.0 | 4 |
| 47. Commercial security tax credit | -- | -- | -- | -- | -- | 2.0 | 4 |
| 48. Semiconductor manufacturing workforce training program tax credit[1] | -- | -- | -- | -- | -- | 1.0 | 4 |
| 49. Semiconductor research and development tax credit[1] | -- | -- | -- | -- | -- | * | 4 |

1. A new tax expenditure item or a revision of the methodology or revisions in the data sources resulted in an estimate that better reflects the tax expenditure value.

2. Credit estimates include nonrefundable amounts used to reduce current year tax liability. Figure also includes refundable amounts where applicable.

3. Estimate includes value of itemized deduction and credit.

4. In 2024, a total of $306 million was issued for the one-time payment of the Additional New York State Child Credit payments that is not reflected in this table.

5. Includes credit claims filed with IT-205.

* Less than $0.1 million.

-- The tax expenditure was not applicable for these years.

N/A No data available.

## New York modifications

The New York adjusted gross income of a resident or nonresident individual is defined as federal adjusted gross income with modifications as specified by New York Tax Law, Article 22, § 612.

1. **Pension/annuity exclusion**
   **Citation:** Tax Law § 612(c)(3-a)
   **Effective date:** Effective for taxable years beginning on or after January 1, 1982
   **Description:** Taxpayers aged 59 ½ and over may exclude from New York adjusted gross income pensions and annuities, to the extent included in federal adjusted gross income, but not in excess of $20,000 ($20,000 each for two married pensioners or annuitants filing jointly).

2. **Exclusion of Social Security and Tier 1 railroad retirement benefits (Taxable Social Security for federal purposes but New York exempt)**
   **Citation:** Tax Law § 612(c)(3-c)
   **Effective date:** Effective for taxable years beginning after December 31, 1983
   **Description:** Taxpayers may exclude from New York adjusted gross income Social Security and Tier 1 railroad retirement benefits, to the extent included in federal adjusted gross income.

3. **Exclusion of interest on U.S. obligations**
   **Citation:** Tax Law § 612(c)(1)
   **Effective date:** Effective for taxable years beginning on or after January 1, 1960
   **Description:** Taxpayers may exclude from New York adjusted gross income interest income on obligations of the United States and its possessions, to the extent included in federal adjusted gross income. Federal law prohibits New York from taxing this item.

4. **Exclusion of pensions, annuities, interest, and lump sum payments received by New York State and municipal retirees**
   **Citation:** Tax Law § 612(c)(3)(i)
   **Effective date:** Effective for taxable years beginning on or after January 1, 1960
   **Description:** Retirement payments received by officers and employees (or their beneficiaries) of New York State and its municipalities (including corporations and authorities), to the extent includable in federal adjusted gross income, may be subtracted in computing New York adjusted gross income. The State Constitution prohibits taxation of this income.

5. **Exclusion of pensions, annuities, interest, and lump sum payments by federal retirement systems**
   **Citation:** Tax Law § 612(c)(3)(ii)
   **Effective date:** Effective for tax years beginning on or after January 1, 1989
   **Description:** Payments received by officers and employees (and their beneficiaries) from federal retirement systems to the extent includable in federal adjusted gross income, may be subtracted in determining New York adjusted gross income. A 1989

U.S. Supreme Court ruling (*Davis v. Michigan Department of Treasury*) mandated that states must provide equal tax treatment for federal and state/local pensions.

6. **Disability income exclusion**
**Citation:** Tax Law § 612(c)(3-b)
**Effective date:** Effective for taxable years beginning after December 31, 1983
**Description:** A taxpayer may subtract up to $5,200 of disability income included in federal adjusted gross income, to the extent that such income would have been excluded from federal gross income prior to January 1, 1984, under the repealed provisions of Internal Revenue Code § 105(d). The total exclusion for disability and pension and annuity income may not exceed $20,000. The exclusion is reduced by the amount that the taxpayer's adjusted gross income exceeds $15,000.

7. **Exclusion of interest or dividends on obligations or securities of a U.S. agency**
**Citation:** Tax Law § 612(c)(2)
**Effective date:** Effective for taxable years on or after January 1, 1960
**Description:** Taxpayers may subtract from federal adjusted gross income, interest or dividend income on obligations or securities of a U.S. agency, to the extent that such income has been included in federal adjusted gross income. Federal law prohibits New York from taxing this income.

8. **Exclusion of interest or dividend income on obligations or securities taxable for federal purposes but exempt for New York Tax purposes**
**Citation:** Tax Law § 612(c)(6)
**Effective date:** Effective for taxable years beginning on or after January 1, 1960
**Description:** The taxpayer may subtract from federal adjusted gross income interest or dividend income on obligations or securities, to the extent that such income is exempt for New York income tax purposes under New York law but is subject to federal income tax.

9. **Exclusion of accelerated death benefits and viatical settlements**
**Citation:** Tax Law § 612(c)(30)
**Effective date:** Effective for taxable years beginning on or after January 1, 1991, for death benefits and for payments received on or after July 27, 1994, on viatical settlements.
**Description:** Taxpayers may subtract from federal adjusted gross income accelerated payments of part or all of the death benefit or special surrender value of a life insurance policy as a result of certain diagnoses (i.e., terminal illnesses), specified in the Insurance Law. Also, taxpayers may subtract the amount received from a viatical settlement company from the sale of a life insurance policy. Persons with catastrophic or life-threatening illnesses are eligible for this subtraction when they sell such policies to a viatical settlement company licensed by the New York State Department of Financial Services.

10. **Exclusion for contributions to New York State College Choice Tuition Savings Program**
**Citation:** Tax Law § 612(c)(32)
**Effective date:** Effective for taxable years beginning after December 31, 1997
**Description:** Taxpayers may subtract from federal adjusted gross income up to $5,000 per year ($10,000 for married couples filing jointly) of contributions to *family tuition accounts*, as defined in Education Law, Article 14-A, to the extent not deductible or eligible for credit for federal tax purposes. The maximum account balance may not exceed $520,000 per beneficiary, and the State Comptroller has authority to increase this figure to reflect increases in higher education costs.

11. **Deferral of gain from sale of qualified emerging technology investments**
**Citation:** Tax Law § 612(c)(34)
**Effective date:** Effective for qualified investments acquired on or after March 12, 1998
**Description:** Gain from the sale of qualified emerging technology investments may be subtracted from federal adjusted gross income, if reinvested in another qualified emerging technology investment. The amount subtracted must be added to federal adjusted gross income when the reinvestment is sold if the gain is not reinvested in a qualified emerging technology investment.

12. **Exclusion of payments to victims of Nazi persecution**
**Citation:** Tax Law §§ 612(c)(35) and (36)
**Effective date:** Effective for taxable years beginning on or after January 1, 1995
**Description:** Taxpayers may subtract certain distributions, to the extent included in federal adjusted gross income, made based on their status as a victim of Nazi persecution as defined in Public Law 103-286. The subtraction also applies to distributions received by victims' spouses and needy descendants. In addition, a subtraction is allowed for items of income included in federal adjusted gross income attributable to assets stolen or hidden from, or otherwise lost by victims of Nazi persecution immediately prior to, during, or after World War II.

13. **Exclusion of compensation for members of an organized militia**
**Citation:** Tax Law § 612(c)(8-b) (i)(ii)
**Effective date:** Effective for taxable years beginning on or after January 1, 2004
**Description:** An individual who is a member of a New York State organized militia may subtract from federal adjusted gross income compensation received for performing active service within New York State pursuant to active-duty orders issued by the Governor or the federal government.

14. **Exclusion for living human organ donors**
**Citation:** Tax Law § 612(c)(38)
**Effective date:** Effective for taxable years beginning on or after January 1, 2007 and before January 1, 2025
**Description:** Resident taxpayers may subtract certain unreimbursed expenses from federal adjusted gross income that are incurred by the taxpayer while donating one or more of their human organs, while living, to another human being for human organ

transplantation. Unreimbursed expenses include travel expenses, lodging expenses and lost wages. In addition, a *human organ* is defined as all or part of a liver, pancreas, kidney, intestine, lung, or bone marrow. The subtraction can only be claimed once and must be claimed in the taxable year in which the human organ transplantation occurs. The maximum allowable subtraction is $10,000 per taxpayer.

15. **Exclusion of compensation for service in a combat zone for members of the armed services of the United States**
**Citation:** Tax Law § 612(c)(8-c)
**Effective date:** Effective for taxable years beginning on or after January 1, 2008
**Description:** An individual who is a member of the armed services of the United States may subtract from federal adjusted gross income compensation received for performing active service in an area designated by the President of the United States by executive order as a *combat zone*.

16. **Exclusion of small business and/or farm income**
**Citation:** Tax Law § 612(c)(39)
**Effective date:** Effective for taxable years beginning on or after January 1, 2014
**Description:** Resident taxpayers with small business and/or farm income may subtract 3 percent of the net items of income, gain, loss, and deduction attributable to a business or farm included in federal adjusted gross income (but not less than zero) for tax year 2014. This was increased to 3.75 percent in tax year 2015, 5 percent for tax year 2016 until tax year 2022 where it was increased to 15 percent. Small business is defined as a sole proprietor or a farm business employing one or more persons during the taxable year that has net business income or net farm income of less than $250,000 or non-farm LLCs, partnerships, and S-corporations with less than $1.5 million in New York source gross income.

17. **Exclusion of income attributable to the New York State Business Incubator and Innovation Hot Spot Support Act**
**Citation:** Tax Law § 612(c)(39)
**Effective date:** Effective for taxable years beginning on or after January 1, 2014
**Description:** The creation of the New York State Business Incubator and Innovation Hot Spot Support Act allows an exclusion for five years beginning with the first tax year a qualified entity becomes a tenant in or part of an innovation hot spot. An individual who is the sole proprietor of a qualified entity, or a member of a limited liability company treated as a partnership, a partner in a partnership, or a shareholder in a New York S corporation, who if taxable under Article 22 is allowed a deduction (in the form of a subtraction modification) for the amount of income or gain included in his or her federal adjusted gross income, only to the extent that the income or gain is attributable to the operations of the qualified entity at (or as part of) an innovation hot spot. The amount of the subtraction modification is determined using books and records.

18. **Exclusion of wages received from an employer located in START-UP New York area**
**Citation:** Tax Law § 612(c)(40)

**Effective date**: Effective for taxable years beginning on or after January 1, 2014
**Description:** Resident taxpayers may subtract any wages received as an employee of a business located within a tax-free New York area during the first five years of such business's ten-year taxable year period to the extent the wages are included in federal adjusted gross income. During the second five years of such business's ten-year taxable period, resident taxpayers may subtract the first $200,000 of such wages in the case of a taxpayer filing as a single individual, the first $250,000 of such wages in the case of a taxpayer filing as a head of household, and $300,000 of such wages in the case of a taxpayer filing a joint return, to the extent included in federal adjusted gross income.

19. **Exclusion of service award for volunteer firefighters and ambulance workers**
**Citation:** Tax Law § 612(c)(41)
**Effective date:** Effective for taxable years beginning on or after January 1, 2014
**Description:** Volunteer firefighters and volunteer ambulance workers who have not attained the age of 59 ½ may subtract service awards included in gross income for federal tax purposes. To qualify for the subtraction modification, the service award must be from a length of service defined contribution plan or defined benefit plan as provided for in General Municipal Law Articles 11-A, 11-AA, 11-AAA, and 11-AAAA and be included in the calculation of the taxpayer's federal adjusted gross income for the tax year. However, a service award will not qualify for the subtraction modification if it is distributed in the form of a lump-sum distribution as defined in Internal Revenue Code, § 402(e)(4)(A) and taxed under New York State Tax Law, § 603.

20. **Exclusion of moving expenses and moving expense reimbursements**
**Citation:** Tax Law § 612(x)
**Effective date:** Effective for taxable years beginning on or after January 1, 2018
**Description:** Taxpayers may exclude from New York adjusted gross income any applicable moving expenses paid by the taxpayer during the taxable year and any applicable qualified moving expense reimbursement received by the taxpayer during the taxable year. Applicable qualified moving expenses and reimbursements are those deductions allowed under the Internal Revenue Code immediately prior to the enactment of Public Law 115-97.

21. **New York's COVID-19 pandemic small business recovery grants**
**Citation:** Tax Law § 612(c)(45)
**Effective date**: Taxable years beginning on or after January 1, 2021
**Description:** Grants received pursuant to New York's COVID-19 Pandemic Small Business Recovery Grant Program are excluded from taxable income.

22. **Deduction for commercial cannabis activity**
**Citation:** Tax Law § 612(c)(46)
**Effective date:** Taxable years beginning on or after January 1, 2022
**Description:** A taxpayer engaged in commercial cannabis activity may subtract expenses related to adult-use cannabis products that are disallowed federally under Internal Revenue Code § 280E.

## New York itemized deductions and exemptions

Individual taxpayers who elect not to use the standard deduction may reduce their New York adjusted gross income by their itemized deductions, and all taxpayers are allowed exemptions for dependents who qualify for the federal exemption.

23. **Value of standard deductions for those returns with itemized deductions in excess of standard deduction**
**Citation:** Tax Law § 614
**Effective date:** Effective for taxable years beginning on or after January 1, 1960
**Description:** Because all taxpayers are entitled to a standard deduction as a minimum, itemizers have their standard deduction built into their total deduction.

24. **Itemized deductions**
Taxpayers may itemize deductions on their State returns irrespective of actions taken on their federal returns.

New York itemized deductions are freestanding and represent federal law as it existed for Tax Year 2017. Thus, the citations below reference the Internal Revenue Code prior to the enactment of Public Law 115-97. They are authorized in New York Tax Law, Article 22, § 615. New York limits the availability of itemized deductions for certain high-income taxpayers. The percentage of disallowed deductions varies according to the taxpayer's New York adjusted gross income and filing status. Itemized deductions for a single taxpayer with New York adjusted gross income in excess of $100,000 are reduced by up to 25 percent. This reduction also applies to married taxpayers filing jointly with New York adjusted gross income in excess of $200,000 and heads of household with New York adjusted gross income exceeding $250,000. For all taxpayers with New York adjusted gross income above $475,000, itemized deductions are reduced by up to an additional 25 percent, equaling 50 percent for all taxpayers with New York adjusted gross income above $525,000. Beginning in tax year 2009 and after, the New York itemized deduction limitation has been revised to further limit a taxpayer's New York itemized deduction. If a taxpayer's New York adjusted gross income is more than $1,000,000, but not more than $10 million, the New York itemized deduction is limited to 50 percent of the federal itemized deduction for charitable contributions. For tax years beginning after 2012, if an individual's New York adjusted gross income is more than $10 million, the itemized deduction is limited to 25 percent of the federal itemized deduction for charitable contributions. All other federal itemized deductions are reduced to zero.

The federal itemized deduction limitation that was in effect prior to enactment of Public Law 115-97 further reduces the value of the deductions.

a. **Medical/dental deduction**
**Citation:** Internal Revenue Code § 213
**Effective date:** Effective for taxable years beginning on or after January 1, 1960

**Description:** Medical and dental expenses paid during the taxable year by and on behalf of the individual or his/her spouse or dependent may be deducted from federal adjusted gross income, as an itemized deduction, to the extent that the expenses (a) exceed 7.5 percent of adjusted gross income, and (b) are not compensated for by insurance or otherwise.

b. **Interest deduction**
**Citation:** Internal Revenue Code § 163
**Effective date:** Effective for taxable years beginning on or after January 1, 1960
**Description:** A taxpayer may deduct mortgage and investment interest paid or accrued during the taxable year on debt owed by the taxpayer. However, interest incurred on loans made to purchase securities, the income from which is tax-exempt in New York, is not deductible for New York purposes. Generally, mortgage interest is totally deductible (certain limitations apply).

c. **Charitable contribution deduction**
**Citation:** Internal Revenue Code § 170
**Effective date:** Effective for taxable years beginning on or after January 1, 1960
**Description:** Taxpayers may subtract from federal adjusted gross income contributions made to qualified organizations, up to a limit of 60 percent of their adjusted gross income. In certain cases, lower limits may apply.

d. **Casualty/theft deduction**
**Citation:** Internal Revenue Code § 165
**Effective date:** Effective for taxable years beginning on or after January 1, 1960
**Description:** Individuals may deduct casualty losses. Casualty losses mean uncompensated losses sustained as a result of the total or partial destruction of property, caused by a sudden, unexpected, or unusual event. Losses incurred as a consequence of the theft or embezzlement of the taxpayer's property may also be deducted from federal gross income. In both cases, a deduction is allowed only with respect to individual losses that exceed $100 and to the extent that total net losses exceed 10 percent of federal adjusted gross income.

e. **Taxes paid deduction**
**Citation:** Internal Revenue Code §§ 164, 615(c)(1)
**Effective date:** Effective for taxable years beginning on or after January 1, 1960, for property taxes. Effective for taxable years beginning on or after January 1, 2010, and expiring at the end of tax year 2011 for sales and use taxes.
**Description:** Individuals may deduct from federal adjusted gross income, real and personal property taxes that have been paid to any state, local or foreign government during the year.

f. **Miscellaneous deductions subject to 2 percent of adjusted gross income limitation**
**Citation:** Internal Revenue Code §§ 67, 212, 280A

**Effective date:** Effective for taxable years beginning after December 31, 1986 (§ 67); on or after January 1, 1960 (§ 212); after December 31, 1975 (§ 280A)
**Description:** Taxpayers may deduct certain miscellaneous expenses. Miscellaneous itemized deductions consist of three broad categories of personal expenses: deductible employee expenses, deductible expenses of producing income, and other deductible expenses (essentially, tax counsel and assistance and appraisal fees). The first two categories include such items as work clothes and uniforms, union dues and expenses, safe deposit box rentals, and malpractice insurance premiums.

g. **Other miscellaneous deductions**
**Citation:** Internal Revenue Code § 67
**Effective date:** Effective for taxable years beginning on or after January 1, 1987
**Description:** Taxpayers may deduct miscellaneous expenses not subject to the 2 percent AGI limitation. These include gambling losses (up to the amount of gambling winnings), impairment-related work expenses, and certain other expenses.

h. **Union dues deduction**
**Citation:** Tax Law § 615(d)
**Effective date:** Effective for taxable years beginning on or after January 1, 2018
**Description:** A taxpayer may deduct the full amount of union dues paid during a tax year to the extent the dues were not allowed as a federal miscellaneous itemized deduction under Internal Revenue Code § 67. In the event that any amount of dues was allowed under Internal Revenue Code § 67, then the amount allowed as a New York State itemized deduction is equal to the amount of union dues disallowed under federal law.

25. **Dependent exemptions**
**Citation:** Tax Law § 616
**Effective date:** Effective for taxable years beginning on or after January 1, 1960
**Description:** In computing taxable income, taxpayers may deduct $1,000 for each exemption for qualified dependents for which they are entitled a deduction for federal income tax purposes.

## New York credits

Credits are amounts that may be subtracted from the individual's computed State tax liability. The credits described below are specific to the personal income tax. Descriptions of other tax credits that are available under the personal income tax as well as other tax articles are contained in the Cross-Article Tax Credits section of the report.

26. **Household credit**
**Citation:** Tax Law § 606(b)
**Credit type:** Nonrefundable/non-carryforward
**Effective date:** Effective for taxable years beginning on or after January 1, 1978

**Description:** Taxpayers with certain incomes may claim a credit as shown in the table below:

| Single filing status if federal adjusted gross income is: | | | All other filing statuses if federal adjusted gross income is: | | | |
|---|---|---|---|---|---|---|
| Over | but not over | the credit is | Over | but not over | the credit is | + for each federal exemption |
| $ 0 | $ 5,000 | $75 | $ 0 | $ 5,000 | $75 | $15 |
| 5,000 | 6,000 | 60 | 5,000 | 6,000 | 60 | 15 |
| 6,000 | 7,000 | 50 | 6,000 | 7,000 | 50 | 15 |
| 7,000 | 20,000 | 45 | 7,000 | 20,000 | 45 | 15 |
| 20,000 | 25,000 | 40 | 20,000 | 22,000 | 50 | 10 |
| 25,000 | 28,000 | 20 | 22,000 | 25,000 | 40 | 10 |
| 28,000 | | No credit | 25,000 | 28,000 | 35 | 5 |
| | | | 28,000 | 32,000 | 15 | 5 |
| | | | 32,000 | | No credit | |

27. **Earned income credit**

**Citation:** Internal Revenue Code § 32, Tax Law § 606(d)
**Credit type:** Refundable (residents only)
**Effective date:** Effective for taxable years beginning after 1993
**Description:** Taxpayers may claim a credit equal to 30 percent of their federal earned income credit. In previous tax years, the credit equaled the following percentages of the federal credit:

| 1994 | 1995 | 1996-1999 | 2000 | 2001 | 2002 | 2003+ |
|---|---|---|---|---|---|---|
| 7.5% | 10% | 20% | 22.5% | 25% | 27.5% | 30.0% |

The table below shows income eligibility parameters and maximum amounts for the 2026 tax year:

| Eligibility Parameters | Maximum creditable earnings | Federal credit rate | Maximum state credit | Income for start of phase-out (MFJ)* | Others | Income cut-off (MFJ)* | Others |
|---|---|---|---|---|---|---|---|
| Taxpayers with 1 child | 13,020 | 34% | 1,328 | 31,160 | 23,890 | 58,863 | 51,593 |
| Taxpayers with 2 children | 18,290 | 40% | 2,195 | 31,160 | 23,890 | 65,899 | 58,629 |
| Taxpayers with 3 or more children | 18,290 | 45% | 2,469 | 31,160 | 23,890 | 70,244 | 62,974 |
| Taxpayers aged 25-64 without children | 8,680 | 7.65% | 199 | 18,140 | 10,860 | 26,820 | 19,540 |

* Earned income or federal adjusted gross income, whichever is greater.

Taxpayers must subtract the amount of household credit used to reduce tax liability from the earned income credit.

28. **Real property tax credit (circuit breaker)**
**Citation**: Tax Law § 606(e)
**Credit type:** Refundable
**Effective date:** Effective for taxable years beginning after December 31, 1977
**Description:** Qualified individuals may claim a credit against excess real property taxes, determined according to the level of income, subject to certain specified conditions and limits. Eligibility for the credit depends on the size of income ($18,000 or less), property use, the value of the property, or the adjusted rent of a tenant. The credit claimant must be a New York resident for the entire taxable year.

Prior to tax year 2025, the credit was equal to 50 percent of excess property taxes capped at certain amounts that varied by household income. For taxpayers aged 65 and over the minimum credit is $86 and the maximum credit is $375 and for taxpayers under age 65 the minimum credit is $41 and the maximum credit is $75.

For tax years beginning on or after January 1, 2025, the credit calculation is simplified by changing the basis of the credit from household income to federal adjusted gross income, condensing the credit brackets, creating a fixed credit amount that varies by income, and increasing the minimum credit amounts to $150 for seniors and $50 for taxpayers under age 65.

29. **Child and dependent care credit**
**Citation:** Tax Law § 606(c)
**Credit type:** Refundable (residents only)
**Effective date:** Effective for taxable years beginning after December 31, 1976
**Description:** Taxpayers may claim a credit equal to a percentage of the federal credit for household and dependent care expenses necessary to allow gainful employment. The federal credit is based upon maximum work-related, allowable expenses of a total of $3,000 for one qualifying individual, or $6,000 for two or more qualifying individuals. The maximum credit rate is 35 percent for taxpayers with incomes less than $15,000 and a minimum credit rate of 20 percent for taxpayers with incomes exceeding $43,000.

The New York State credit is refundable and equals varying percentages of the federal credit ranging from 110 percent where New York adjusted gross income is $25,000 or less to 20 percent where New York adjusted gross income exceeds $150,000. In addition, the New York State credit is calculated allowing higher expense maximums for those with more than two qualifying individuals: $7,500 (three qualifying individuals), $8,500 (four), and $9,000 (five or more).

30. **Accumulation distribution credit**
**Citation:** Tax Law §§ 621 and 635
**Credit type:** Nonrefundable/non-carryforward
**Effective date:** Effective for taxable years beginning on or after January 1, 1962
**Description:** Beneficiaries of trusts (residents and nonresidents) receiving an accumulation distribution can claim a credit for tax paid by the trust fiduciary on income included in the distribution.

31. **Solar energy system equipment credit**
**Citation:** Tax Law § 606(g-1)
**Credit type:** Nonrefundable/carryforward
**Effective date:** Effective for property placed in service in taxable years beginning on or after January 1, 1998
**Description:** Taxpayers may claim a credit equal to 25 percent of qualified solar energy system equipment expenditures that are for the purchase and installation of solar energy system equipment used at a principal residence in New York. Qualified expenditures also include expenditures for the leasing of solar energy systems equipment or the purchase of power generated by qualified systems under a written agreement that spans at least ten years. The credit was expanded in 2008 to apply to members of large multi-unit dwellings like cooperative housing corporations and condominium associations. Qualified expenditures include material and installation costs relating to components utilizing solar radiation to produce energy designed to provide heating, cooling, hot water, or electricity for residential use. The credit was capped at $3,750 for equipment placed in service before September 1, 2006, and $5,000 for equipment placed in service after such date. If the credit exceeds tax liability, taxpayers may carry over the credit for five years.

32. **College tuition credit/deduction**
**Citation:** Tax Law §§ 606(t), 615(d)(4)
**Credit type:** Refundable
**Effective date:** Effective for tax years beginning on or after January 1, 2001
**Description:** A credit is permitted for undergraduate college tuition expenses paid by New York residents on behalf of themselves, their spouses, or dependents to attend qualifying in-state or out-of-state institutions of higher education. The credit equals 4 percent of expenses, up to a maximum of $10,000 of expenses per student. The minimum credit equals the lesser of expenses or $200.

In lieu of the credit, both resident and nonresident taxpayers may elect to deduct qualifying expenses as an itemized deduction. The maximum deduction is a maximum of $10,000 of expenses per student.

Qualifying tuition expenses are defined as net of scholarships and financial aid. Qualifying institutions include colleges and business, trade, technical, or other occupational schools recognized and approved by the Regents of the University of the State of New York, or by other nationally recognized accrediting agencies accepted by the Regents that provide study leading to a post-secondary degree, certificate, or diploma. Tuition paid by a dependent student who is claimed on a parent's New York return is attributed to the parent and used by the parent to claim the credit or deduction.

**College tuition credit/deduction in 2023**
**by New York adjusted gross income**

| New York adjusted gross income | Number of claims | Amount claimed (millions $) |
|---|---|---|
| Less than $10,000 | 34,834 | $10.1 |
| $ 10,000 - $24,999 | 66,071 | $17.7 |
| $ 25,000 - $49,999 | 92,812 | $24.4 |
| $ 50,000 - $99,999 | 99,261 | $28.9 |
| $100,000 - $199,999 | 106,383 | $39.4 |
| $200,000 and over | 84,263 | $36.3 |
| **Total:** | **483,624** | **$156.9** |

33. **Nursing home assessment tax credit**
**Citation:** Tax Law § 606(hh)
**Credit type:** Refundable
**Effective date:** Effective for taxable years beginning on or after January 1, 2005
**Description:** Taxpayers may claim a nursing home assessment tax credit equal to the assessment imposed on the gross receipts of residential health care facilities under Public Health Law § 2807-d. The credit is allowed in cases where the assessment is paid by the taxpayer and is not covered under Medicaid or private insurance.

**Nursing home assessment tax credit in 2023**
**by New York adjusted gross income**

| New York adjusted gross income | Number of claims | Amount claimed (millions $) |
|---|---|---|
| Less than $10,000 | 1,450 | $6.5 |
| $ 10,000 - $24,999 | 550 | $2.9 |
| $ 25,000 - $49,999 | 490 | $2.9 |
| $ 50,000 - $99,999 | 505 | $3.3 |
| $100,000 - $199,999 | 323 | $2.5 |
| $200,000 and over | 152 | $1.2 |
| **Total:** | **3,470** | **$19.3** |

34. **Empire State child credit**
**Citation:** Tax Law § 606(c-1)
**Credit type:** Refundable (residents only)
**Effective date:** Effective for taxable years beginning on or after January 1, 2006
**Description:** For tax years prior to 2025, resident taxpayers with children ages four through sixteen may claim a credit equal to the greater of $100 times the number of children who qualify for the federal child tax credit as it existed for tax year 2017, or 33 percent of the taxpayer's allowed federal child tax credit as it existed for tax year 2017. The federal credit is based on 2017 law and is a maximum of $1,000 per qualifying child. The federal credit phases-out beginning at $110,000 of modified federal adjusted gross income for married taxpayers filing jointly, and $75,000 for others. New York taxpayers with modified federal adjusted gross income above these thresholds may only claim a New York credit equal to 33 percent of their allowed federal credit.

For tax years beginning on or after January 1, 2023, the Empire State child credit was expanded to include children under the age of four.

For tax years 2025 through 2027, the Empire State child credit is temporarily enhanced and decoupled from the 2017 federal credit calculation. In tax years 2025 through 2027, resident taxpayers may claim a $1,000 credit per child under age four. The credit for children ages four through sixteen is $330 per child in tax year 2025 and $500 per child in tax years 2026 and 2027. The credit phases out beginning at $110,000 of federal adjusted gross income for married taxpayers filing jointly; $75,000 for single, head of household, or qualifying surviving spouse; and $55,000 for married filing separate.

35. **Enhanced State earned income tax credit for certain non-custodial parents**
**Citation:** Tax Law § 606(d-1)
**Credit type:** Refundable (residents only)
**Effective date:** Effective for taxable years beginning on or after January 1, 2006
**Description:** Certain taxpayers may claim an enhanced New York State earned income tax credit. To qualify for the enhanced credit, claimants must be a resident taxpayer, age 18 and over, and have a minor child with whom they do not reside. The credit is equal to the greater of 20 percent of the federal earned income tax credit that the taxpayer would otherwise be able to claim for one qualifying child (if they were a custodial parent) or two and one-half times the earned income tax credit for taxpayers without qualifying children. Claimants must have a child support order in effect for at least half the tax year and have made required support payments. In addition, unlike the existing state earned income tax credit, the amount of credit allowed is not reduced by the amount of the state household credit used by the taxpayer. Taxpayers are not allowed more than one credit if they have multiple children or support orders.

36. **Volunteer firefighters and ambulance workers credit**
**Citation:** Tax Law § 606(e-1)
**Credit type:** Refundable
**Effective date:** Effective for taxable years beginning on or after January 1, 2007
**Description:** Resident taxpayers serving as active volunteer firefighters or volunteer ambulance workers may claim a $200 credit. To receive the credit, the taxpayer must be an active volunteer for the entire taxable year and must not be receiving a real property tax exemption relating to such service. In the case of a taxpayer and spouse filing jointly who both qualify for the credit, the amount of the credit is $400.

37. **Historic homeownership rehabilitation credit**
**Citation:** Tax Law § 606(pp)
**Credit type:** Nonrefundable/Carryforward/Refundable to certain taxpayers
**Effective date:** Effective for taxable years beginning on or after January 1, 2007/Amended credit effective for taxable years beginning on or after January 1, 2010 and before January 1, 2025
**Description**: Taxpayers may claim a tax credit for the rehabilitation of historic homes located in New York State. The amount of the credit is equal to 20 percent of qualified rehabilitation expenditures made by the taxpayer with respect to a qualified historic home. A qualified historic home is defined as one located in a targeted area within the meaning of Internal Revenue Code § 143(j) and located in an area of a city, town, or village whose governing body has identified by resolution that such area is an area in

need of community renewal, and that has adopted an historic preservation and community renewal program. The taxpayer must own the home and reside there during the taxable year. The credit is limited to $25,000 per residence. For taxable years beginning on or after January 1, 2010, the credit is amended by increasing the credit cap from $25,000 to $50,000, making the credit refundable for taxpayers with New York adjusted gross income that is less than or equal to $60,000, and expanding the definition of eligible properties to include those located within a census tract that is at or below 100 percent of the state median family income in the most recent federal census. After December 31, 2024, the credit reverts back to pre-2010 law.

38. **STAR credit for homeowners**
**Citation:** Tax Law § 606(eee)
**Credit type:** Refundable
**Effective date:** Effective for taxable years beginning on or after January 1, 2016
**Description:** Beginning with the 2016-2017 assessment rolls, homeowners enrolled in the STAR program may receive their STAR savings in the form of an advanced refundable personal income tax credit, delivered as a check or direct deposit directly from New York State. First-time homebuyers and homeowners who move may only enroll in the STAR credit program, while homeowners previously enrolled for the STAR exemption have the option of transferring to the credit but are not obligated to do so. STAR registration is only required once, and registered homeowners will continue to automatically receive a STAR credit payment in the future, provided they are eligible.

39. **STAR credit for New York City residents**
**Citation:** Tax Law § 606(eee)
**Credit type:** Refundable
**Effective date:** Effective for taxable years beginning on or after January 1, 2016
**Description:** Resident taxpayers in New York City whose incomes are $250,000 or less may claim a refundable School Tax Relief *Fixed Amount* Credit in the amount of $125 for married taxpayers filing jointly and $62.50 for all others. Effective for taxable years beginning on or after January 1, 2017, the credit is expanded to include a refundable *rate reduction amount*. City residents whose incomes are $500,000 or less who previously received the benefit of lower New York City personal income tax rates are instead eligible to receive this equivalent state income tax credit.

40. **Employer compensation expense program wage credit**
**Citation:** Tax Law § 606(ccc)
**Credit type:** Nonrefundable/Carryforward
**Effective date:** Effective for taxable years beginning on or after January 1, 2019
**Description:** Employees working for an employer who elected to participate in the Employer Compensation Expense Program (ECEP) may be entitled to claim the ECEP wage credit. The credit amount is equal to 1.5 percent of eligible wages earned in tax year 2019, increasing to 3 percent in 2020 and 5 percent in tax years 2021 and after. For purposes of claiming the credit, eligible wages are wages and compensation in excess of $40,000 paid by an employer participating in the program. Qualifying

taxpayers must reduce the credit amount by their effective personal income tax rate calculated prior to the application of any credits.

41. **Pass-through entity tax credit**
**Citation:** Tax Law § 606(kkk)
**Credit type:** Refundable
**Effective date of credit:** Effective for tax years beginning on or after January 1, 2021
**Description:** Taxpayers subject to New York State personal income tax who are direct partners, members or shareholders of a partnership or S corporation that elects to pay an optional pass-through entity tax under New York State Tax Law Article 24-A, add back their share of the pass-through entity tax expense at the federal level as an income modification and then take the pass-through entity tax credit. Each eligible taxpayer's pass-through entity tax credit is equal to the taxpayer's direct share of pass-through entity tax that was reported by the electing entity on the entity's pass-through entity tax annual return.

42. **Geothermal energy systems credit**
**Citation:** Tax Law § 606(g-4)
**Credit type:** Nonrefundable; for tax years beginning on or after January 1, 2026 refundable for certain taxpayers.
**Effective date of credit:** Effective for tax years beginning on or after January 1, 2022
**Description:** Taxpayers may claim a credit for 25 percent of costs related to the installation of a qualified geothermal energy system, with the credit capped at $5,000. For qualified systems placed in service on or after July 1, 2025, the credit cap is increased to $10,000. Unused credits may be carried forward up to five years.

Qualified expenditures refer to the purchase or lease of at least 10 years of geothermal equipment installed in a residential property located in state and is the taxpayer's residence at the time of installation. The expenses include materials, labor allocable to on-site preparation, assembly and original installation, architectural and engineering services, and designs and plans directly related to the construction or installation of the geothermal system equipment. Interest, finance charges, grants, or other costs used for any other credit cannot be used in the calculation of the credit.

In the case of equipment installed in a shared residence, the credit is prorated for each taxpayer based on its share of costs for installing the system. For lease agreements, the credit may only be claimed for 15 years and the 25 percent limit is on the aggregate payments made under the agreement.

For tax years beginning on or after January 1, 2026, the credit will become refundable for taxpayers with a federal adjusted gross income of $180,000 or less if they are filing as married filing jointly or qualified surviving spouse, or a federal adjusted gross income of $90,000 or less if they are filing single, married filing separately, or head of household.

43. **Real property tax relief credit**
**Citation:** Tax Law § 606(e-2)
**Credit type:** Refundable
**Effective date of credit:** Effective for tax years beginning on or after January 1, 2021, and before January 1, 2024
**Description:** The credit is computed using the amount of real property tax that exceeds 6 percent of the taxpayer's income, and a specified rate based on the taxpayer's income. To claim the credit, the computed amount must exceed $250. The credit cannot exceed $350, no matter the amount of the calculation.

To be eligible for this credit, New York State residents must have: (i) qualified gross income of $250,000 or less; (ii) owned and resided in New York State real property for more than six months; (iii) received either the STAR exemption or school tax relief credit; and (iv) paid real property taxes.

44. **Organ donation credit**
**Citation:** Tax Law § 606(ttt)
**Credit type:** Refundable
**Effective date of credit:** Effective for taxable years beginning on or after January 1, 2025
**Description:** Full-year resident taxpayers who, while living, donate one or more of their organs can claim a refundable credit for unreimbursed travel expenses, lodging expenses, and lost wages related to the organ donation that are incurred in the taxable year in which human organ transplantation occurs. The credit is capped at $10,000 and may only be claimed once. The credit may not apply to an organ donation for which the taxpayer received benefits under the Living Donor Support Program administered by the Department of Health (*Public Health Law § 4371*).

This section of the report lists 99 separate tax expenditures for the corporation franchise tax on general business corporations and banks. The list of tax expenditures is based on the Tax Law as of January 1, 2026. The listing includes some provisions that were repealed or allowed to sunset prior to 2026 to provide a complete history of the expenditure. Table 2 summarizes the tax expenditure estimates and includes total Article 9-A corporate franchise tax liability for the 2022 tax year to provide a benchmark for the tax expenditure estimates. Repealed tax expenditures are removed from the report in the year following the publication of a complete history of the expenditure.

In 2014, New York enacted comprehensive corporate tax reform, which took effect for tax years beginning on or after January 1, 2015. Given the significant changes to the tax structure, all of the individual expenditures listed in this section are considered effective for tax years beginning on or after January 1, 2015, even if they existed in years before reform.

Pre-reform descriptions of Articles 9-A and 32 and historical estimates of the tax expenditures for pre-reform tax years (prior to 2015) are reported in Appendices A and B in the FY 2020 Tax Expenditure Report.

## Description of tax

The corporate franchise tax has three separate bases. The business income base is the primary tax base, while the business capital and fixed dollar minimum tax bases are alternatives. Corporations pay the highest tax computed on these bases less applicable credits, but generally not less than the fixed dollar amount.

The calculation of the tax on business income begins with federal taxable income for U.S. corporations (including domestic banks) or effectively connected income, with treaty benefits added back, for alien (non-U.S.) corporations. Taxpayers then make several state specific modifications to arrive at entire net income. Many of these modifications are the tax expenditures included in this section. Investment income and other exempt income are then subtracted from entire net income, resulting in business income. Taxpayers use a single receipts factor with market-based sourcing rules to apportion business income to New York State.

The following table provides the tax rate schedule as it applies to the business income base:

| Type of business | Tax year 2015 | Tax year 2016 | Tax year 2017 | Tax years 2018 – 2020 | Tax years 2021 – 2026 | Tax year 2027 and thereafter |
|---|---|---|---|---|---|---|
| Qualified New York manufacturers | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Qualified emerging technology companies | 5.7% | 5.5% | 5.5% | 4.875% | 4.875% | 4.875% |
| Small businesses[1] | 6.5% | 6.5% | 6.5% | 6.5% | 6.5% | 6.5% |
| Taxpayers with business income base of more than $5 million | 7.1% | 6.5% | 6.5% | 6.5% | 7.25% | 6.5% |
| Remaining taxpayers | 7.1% | 6.5% | 6.5% | 6.5% | 6.5% | 6.5% |

[1] For the 2015 tax year, graduated rates apply to small businesses with business income over $290,000 but below $390,000. A flat 6.5% rate applies to tax years beginning on or after January 1, 2016.

The tax on business capital starts with the taxpayer's total assets reduced by its liabilities to arrive at total capital before apportionment. Taxpayers then subtract out investment capital as only business capital is subject to tax. Taxpayers multiply business capital by the business apportionment factor to determine the apportioned business capital base. For tax years beginning on or after January 1, 2021, qualified New York manufacturers, qualified emerging technology companies, cooperative housing corporations, and small business taxpayers are exempt from the capital base tax. The tax is capped at $5 million for remaining taxpayers subject to the base.

The capital base that was set to expire in tax year 2021 has been temporarily reinstated through tax year 2026. The following rate schedule applies to the capital base:

| Type of business | Tax year 2015 | Tax year 2016 | Tax year 2017 | Tax year 2018 | Tax year 2019 | Tax year 2020 | Tax years 2021 - 2026 | Tax year 2027 and thereafter |
|---|---|---|---|---|---|---|---|---|
| Qualified New York manufacturers & qualified emerging technology companies | 0.132% | 0.106% | 0.085% | 0.056% | 0.038% | 0.019% | 0% | 0% |
| Cooperative housing corporations | 0.04% | 0.04% | 0.04% | 0.04% | 0.04% | 0.025% | 0% | 0% |
| Small businesses | 0.15% | 0.125% | 0.100% | 0.075% | 0.050% | 0.025% | 0% | 0% |
| Remaining taxpayers | 0.15% | 0.125% | 0.100% | 0.075% | 0.050% | 0.025% | 0.1875% | 0% |

The fixed dollar minimum tax ranges from $25 to $200,000 depending on the taxpayer's New York receipts for the taxable year. Manufacturers, qualified emerging technology companies, non-captive real estate investment trusts, and non-captive regulated investment companies are subject to lower amounts.

Qualified New York manufacturers and qualified emerging technology companies are subject to the following fixed dollar minimum schedule:

| New York receipts | Tax year 2015 | Tax year 2016 | Tax year 2017 | Tax year 2018 and thereafter |
|---|---|---|---|---|
| Not more than $100,000 | $22 | $21 | $21 | $19 |
| More than $100,000 but not over $250,000 | $66 | $63 | $63 | $56 |
| More than $250,000 but not over $500,000 | $153 | $148 | $148 | $131 |
| More than $500,000 but not over $1,000,000 | $439 | $423 | $423 | $375 |
| More than $1,000,000 but not over $5,000,000 | $1,316 | $1,269 | $1,269 | $1,125 |
| More than $5,000,000 but not over $25,000,000 | $3,070 | $2,961 | $2,961 | $2,625 |
| Over $25 million | $4,385 | $4,230 | $4,230 | $3,750 |

Non-captive real estate investment trusts and non-captive regulated investment companies are subject to the following fixed dollar minimum schedule:

| New York receipts | Tax year 2016 and thereafter |
|---|---|
| Not more than $100,000 | $25 |
| More than $100,000 but not more than $250,000 | $75 |
| More than $250,000 but not over $500,000 | $175 |
| More than $500,000 | $500 |

Remaining taxpayers are subject to the following fixed dollar minimum schedule:

| New York receipts | Tax year 2015 and thereafter |
|---|---|
| Not more than $100,000 | $25 |
| More than $100,000 but not more than $250,000 | $75 |
| More than $250,000 but not over $500,000 | $175 |
| More than $500,000 but not over $1,000,000 | $500 |
| More than $1,000,000 but not over $5,000,000 | $1,500 |
| More than $5,000,000 but not over $25,000,000 | $3,500 |
| More than $25,000,000 but not over $50,000,000 | $5,000 |
| More than $50,000,000 but not over $100,000,000 | $10,000 |
| More than $100,000,000 but not over $250,000,000 | $20,000 |
| More than $250,000,000 but not over $500,000,000 | $50,000 |
| More than $500,000,000 but not over $1 billion | $100,000 |
| Over $1 billion | $200,000 |

## Data source

The major source of data used to compute the tax expenditure estimates is the Article 9-A study file compiled by the Department of Taxation and Finance. This study file includes information from tax returns filed under Article 9-A for tax years that began January 2022 through December 2022.

## Methodology

The projections of the tax expenditures from 2022 to 2026 account for tax law changes applicable in the forecast year.

Forecasts for modifications, exemptions, exclusions and base and rate preferences are estimated using a tax simulation model that adjusts only for law changes between the study file year and the forecast year. No other assumptions are made regarding economic growth or behavioral changes. Estimates for the credits are based on law changes, historical trends, and information supplied by other State agencies where applicable.

**Table 2**
**2026 New York State corporate franchise tax expenditure estimates (in millions of dollars)**
**(2022 total corporate franchise tax liability = $ 6,656 million)**

| Tax item | History | | | | | Forecast | |
|---|---|---|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2021 | 2022 | 2026 | Reliability level |
| **New York modifications to federal taxable income / effectively connected income** | | | | | | | |
| 1. Deduction of distributions made to victims or targets of Nazi persecution | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1 |
| 2. Deduction of receipts from school bus operations | 3.2 | 3.1 | 3.2 | 5.3 | 5.1 | 5.0 | 1 |
| 3. Deduction of taxable refunds or credits of state tax | 7.1 | 14.1 | 7.1 | 9.1 | 6.4 | 6.0 | 1 |
| 4. Wage and salary expense allowed as federal credits but not as federal expenses | 4.6 | 4.6 | 9.7 | 22.5 | 8.8 | 9.0 | 1 |
| 5. Deferred gain on qualified emerging technology investment | * | * | * | * | * | * | 1 |
| 6. Federal Internal Revenue Code § 179 deduction recapture for a sport utility vehicle (SUV) | * | * | * | * | * | * | 1 |
| 7. Modification for qualified residential loan portfolios | 7.4 | 2.2 | 6.1 | 10.5 | 8.2 | 8.0 | 1 |
| 8. Modification for community banks and small thrifts | 15.2 | 15.5 | 17.2 | 22.0 | 17.1 | 17.0 | 1 |
| 9. Captive real estate investment trust modification for small thrifts and community banks | 46.2 | 48.7 | 60.4 | 56.8 | 51.5 | 52.0 | 1 |
| 10. Exclusion of income for foreign airlines | N/A | N/A | N/A | N/A | N/A | N/A | 5 |
| 11. Deductions for qualified public utility corporations, power producers, and pipeline companies | 1.8 | 1.9 | 0.4 | 1.4 | 5.7 | 2.0 | 1 |
| 12. Contributions to capital of a corporation | 6.2 | 1.3 | 2.5 | 1.8 | 1.2 | 1.0 | 1 |
| 13. New York's COVID-19 pandemic small business recovery grants | -- | -- | -- | 0.6 | 2.6 | 0.0 | 1 |
| 14. Deduction for commercial cannabis activity | -- | -- | -- | -- | 1.3 | 4.0 | 1 |
| **New York modifications to entire net income** | | | | | | | |
| 15. Deduction for investment income | 70.4 | 49.1 | 58.6 | 65.3 | 48.7 | 49.0 | 1 |
| 16. Deduction for other exempt income[1] | 1,018.9 | 1,027.0 | 1,058.0 | 1,455.6 | 1,527.7 | 1,528.0 | 1 |
| **Corporate exemptions** | | | | | | | |
| 17. Companies operating in an innovation hot spot | * | * | * | * | * | * | 2 |
| 18. Exempt companies | N/A | N/A | N/A | N/A | N/A | N/A | 5 |
| 19. Homeowners association exemption from fixed dollar minimum tax | N/A | N/A | N/A | N/A | N/A | N/A | 5 |
| 20. Capital base exemption | -- | -- | -- | 155.1 | 166.9 | 167.0 | 1 |
| **Preferential tax rates** | | | | | | | |
| 21. Special tax benefits for New York manufacturers/qualified emerging technology companies | | | | | | | |
| a. Manufacturers | | | | | | | |
| 1. Zero percent business income rate | 145.9 | 148.8 | 119.8 | 373.0 | 366.9 | 367.0 | 1 |
| 2. Reduced fixed dollar minimum base amounts | 2.5 | 3.0 | 2.7 | 3.6 | 3.7 | 4.0 | 1 |

| Tax item | History 2018 | 2019 | 2020 | 2021 | 2022 | Forecast 2026 | Reliability level |
|---|---|---|---|---|---|---|---|
| b. Qualified emerging technology companies | | | | | | | |
| 1. Reduced business income rate | 15.0 | 19.6 | 31.2 | 55.6 | 68.8 | 69.0 | 1 |
| 2. Reduced fixed dollar minimum base amounts | 0.1 | 0.2 | 0.1 | 0.3 | 0.2 | * | 1 |
| 22. Special tax benefits for non-captive real estate investment trusts and non-captive regulated investment companies | | | | | | | |
| a. Fixed dollar minimum amounts | 4.7 | 4.8 | 4.9 | 5.0 | 6.2 | 6.0 | 1 |
| b. Capital base exemption | N/A | N/A | N/A | N/A | N/A | N/A | 5 |
| **Corporate franchise tax credits** | | | | | | | |
| 23. Credit for servicing SONYMA mortgages | 6.1 | 6.9 | 6.2 | 1.0 | 6.0 | 7.0 | 1 |
| **Cross-article credits** | | | | | | | |
| 1. Investment tax credit and employment incentive credit | 119.5 | 63.6 | 61.4 | 95.8 | 99.8 | 105.0 | 1 |
| 2. Investment tax credit for the financial services industry | 5.2 | 1.8 | 0.8 | 0.2 | 0.5 | * | 1 |
| 3. Special additional mortgage recording tax credit | 21.9 | 26.3 | 25.8 | 32.3 | 25.3 | 30.0 | 1 |
| 4. Empire Zone and Qualified Empire Zone Enterprise credits | | | | | | | |
| a. Empire Zone investment tax credit and employment incentive credit | 169.3 | 61.0 | 12.2 | 12.9 | 13.5 | 14.0 | 1 |
| b. Empire Zone/zone equivalent area wage tax credit | 1.8 | 2.5 | 1.5 | 3.0 | 4.9 | 5.0 | 1 |
| c. Empire Zone capital credit | * | 0.0 | 0.0 | 0.0 | 0.0 | * | 1 |
| d. Qualified Empire Zone Enterprise real property tax credit | 40.6 | 38.1 | 24.5 | 25.0 | 1.1 | 1.0 | 1 |
| e. Qualified Empire Zone Enterprise tax reduction credit | 2.0 | 1.7 | 0.2 | 0.1 | 0.0 | * | 1 |
| 5. Farmers' school property tax credit | 1.4 | 1.5 | 1.2 | 1.2 | 1.1 | 2.0 | 1 |
| 6. Credit for employment of persons with disabilities | * | 0.1 | 0.1 | * | 0.1 | * | 1 |
| 7. Qualified emerging technology company credits | | | | | | | |
| a. Qualified emerging technology company capital tax credit | 0.6 | 0.3 | 1.8 | 0.3 | 2.3 | 1.0 | 1 |
| b. Qualified emerging technology company employment credit | 2.9 | 4.3 | 3.7 | 3.5 | 5.8 | 5.0 | 1 |
| 8. Low-income housing credit | 53.1 | 52.7 | 57.0 | 55.9 | 54.2 | 60.0 | 1 |
| 9. Credit for purchase of an automated external defibrillator | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 1 |
| 10. Green building credit | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | * | 1 |
| 11. Long-term care insurance credit | 0.1 | 0.2 | * | * | 0.1 | 0.2 | 1 |
| 12. Empire State film and commercial credits | | | | | | | |
| a. Empire State film production credit | 509.5 | 389.9 | 414.0 | 366.1 | 448.7 | 657.0 | 1 |
| b. Empire State film post production credit | 14.8 | 10.9 | 16.4 | 20.0 | 16.3 | 44.0 | 1 |
| c. Empire State commercial production credit | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 2.0 | 1 |
| d. Empire State independent film production credit[2] | -- | -- | -- | -- | -- | 90.0 | 4 |
| 13. Security training tax credit | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | * | 1 |
| 14. Brownfields tax credits | | | | | | | |
| a. Brownfield redevelopment tax credit | 144.1 | 136.5 | 112.3 | 230.4 | 430.7 | 650.0 | 1 |

| Tax item | History | | | | | Forecast | Reliability level |
|---|---|---|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2021 | 2022 | 2026 | |
| b. Remediated brownfield credit for real property taxes | 2.0 | 3.9 | 1.8 | 5.8 | 7.1 | 6.0 | 1 |
| c. Environmental remediation insurance credit | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | * | 1 |
| 15. Land conservation easement credit | * | * | * | * | * | * | 1 |
| 16. Clean heating fuel credit | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 1.0 | 1 |
| 17. Rehabilitation of historic properties credit | 59.0 | 45.2 | 45.6 | 43.0 | 64.5 | 68.0 | 1 |
| 18. Excelsior Jobs Program tax credit | 24.5 | 19.8 | 28.6 | 29.3 | 30.5 | 292.0 | 1 |
| 19. Credit for companies who provide transportation to individuals with disabilities | * | 0.0 | * | * | * | * | 1 |
| 20. Economic Transformation and Facility Redevelopment Program tax credit | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | * | 1 |
| 21. New York Youth Jobs Program tax credit | 19.9 | 25.4 | 27.2 | 34.7 | 33.6 | 20.0 | 1 |
| 22. Empire State Jobs Retention Program tax credit | 3.2 | 3.2 | 3.2 | 3.2 | 0.0 | 25.0 | 1 |
| 23. Alcoholic Beverage production credit (beer production credit) | 2.7 | 2.8 | 2.8 | 2.9 | 2.4 | 3.0 | 1 |
| 24. Alternative fuels and electric vehicle recharging property credit | 0.4 | 0.7 | 0.4 | 0.1 | 0.2 | 1.0 | 1 |
| 25. START-UP NY tax elimination credit | 0.2 | 0.4 | 0.2 | 0.2 | 0.3 | 1.0 | 1 |
| 26. Credit for the excise tax on telecommunication services paid by START-UP NY businesses | * | * | 0.0 | 0.0 | 0.0 | * | 1 |
| 27. Real property tax relief credit for manufacturing | 2.3 | 1.9 | 1.1 | 0.6 | 0.6 | 2.0 | 1 |
| 28. Hire a vet credit | * | * | * | * | * | 0.5 | 1 |
| 29. Musical and theatrical production credit | 0.8 | 2.3 | 0.0 | 1.6 | 0.7 | 6.0 | 1 |
| 30. Workers with disabilities credit | 0.0 | 0.0 | 0.0 | 0.0 | * | * | 1 |
| 31. Employee Training Incentive Program | 0.0 | 0.0 | * | 0.0 | * | 2.0 | 1 |
| 32. Farm workforce retention credit | 0.8 | 1.4 | 1.2 | 1.8 | 3.7 | 4.0 | 1 |
| 33. Empire State apprenticeship tax credit | * | 0.4 | 0.2 | 0.2 | 0.3 | 7.0 | 1 |
| 34. Life sciences research and development tax credit | 1.6 | 3.4 | 2.2 | 2.4 | 3.3 | 9.0 | 1 |
| 35. Farm donations to food pantries credit | * | * | * | * | * | * | 1 |
| 36. Employer provided child care credit | -- | -- | 0.1 | 0.1 | 0.6 | 1.0 | 1 |
| 37. Recovery tax credit | -- | -- | 0.0 | 0.0 | 0.0 | 0.5 | 1 |
| 38. Restaurant return-to-work tax credit | -- | -- | -- | 1.1 | -- | -- | 1 |
| 39. New York City musical and theatrical production tax credit | -- | -- | -- | 14.5 | 76.5 | 90.0 | 1 |
| 40. Covid-19 capital costs tax credit | -- | -- | -- | -- | 1.2 | -- | 1 |
| 41. Grade number 6 heating oil conversion tax credit | -- | -- | -- | -- | 0.0 | -- | 1 |
| 42. Farm employer overtime credit | -- | -- | -- | -- | -- | 9.0 | 4 |
| 43. Additional restaurant return-to-work tax credit | -- | -- | -- | -- | 0.1 | -- | 1 |
| 44. Empire State digital gaming media production tax credit | -- | -- | -- | -- | -- | 2.5 | 4 |
| 45. Child care creation and expansion credit | -- | -- | -- | -- | -- | -- | 4 |
| 46. Newspaper and Broadcast Media Jobs Program credit | -- | -- | -- | -- | -- | 25.0 | 4 |
| 47. Commercial security tax credit | -- | -- | -- | -- | -- | 3.0 | 4 |

| Tax item | History 2018 | 2019 | 2020 | 2021 | 2022 | Forecast 2026 | Reliability level |
|---|---|---|---|---|---|---|---|
| 48. Semiconductor manufacturing workforce training program tax credit [2] | -- | -- | -- | -- | -- | 19.0 | 4 |
| 49. Semiconductor research and development tax credit[2] | -- | -- | -- | -- | -- | 5.0 | 4 |

1. The 2018 value includes the impact of exempting the one-time recognition of mandatory deemed repatriation income. The value includes the impact of exempting 95 percent of global intangible low-taxed income beginning in 2019/ net CFC tested income beginning in 2026.
2. A new expenditure item, revision of the methodology or revisions in the data sources resulting in a change that better reflects the tax expenditure value.

* Less than $0.1 million.

-- The tax expenditure was not applicable for these years.

N/A No data available.

## New York modifications to federal taxable income/effectively connected income

In computing New York entire net income, Article 9-A of the New York State Tax Law allows certain modifications to entire net income/effectively connected income.

1. **Deduction of distributions made to victims or targets of Nazi persecution**
   **Citation:** Tax Law § 13
   **Effective date:** Effective for tax years beginning on or after January 1, 2015
   **Description:** A taxpayer may exclude the amount received (including accumulated interest) from an eligible settlement fund, or from an eligible grantor trust established for the benefit of the victims or targets of Nazi persecution when computing New York entire net income.

2. **Deduction of receipts from school bus operations**
   **Citation:** Tax Law § 208(9)(a)(4)
   **Effective date:** Effective for tax years beginning on or after January 1, 2015
   **Description:** A taxpayer may exclude income less deductions with respect to amounts received from school districts and nonprofit religious, charitable, or educational organizations for the operation of school buses in determining entire net income.

3. **Deduction of taxable refunds or credits of State Tax**
   **Citation:** Tax Law § 208(9)(a)(5)
   **Effective date:** Effective for tax years beginning on or after January 1, 2015
   **Description:** A taxpayer may exclude any refund or credit of a tax imposed under Tax Law Article 9 (§§ 183, 183-a, 184, and 184-a), or Article 9-A, 23, or former 32 that was properly included as income for federal income tax purposes, and for which no exclusion or deduction was allowed in determining the taxpayer's entire net income for any prior year.

4. **Wage and salary expenses allowed as federal credits but not as federal expenses**
   **Citation:** Tax Law § 208(9)(a)(7)
   **Effective date:** Effective for tax years beginning on or after January 1, 2015
   **Description:** A taxpayer may exclude the amount of wages disallowed under Internal Revenue Code § 280C in the calculation of their applicable federal income from entire net income.

5. **Deferred gain on qualified emerging technology investments**
   **Citation:** Tax Law § 208(9)(a)(14)
   **Effective date:** Effective for tax years beginning on or after January 1, 2015
   **Description:** A deferral of gain on the sale of a qualified emerging technology investment is available to taxpayers for a qualified emerging technology investment that is (1) held for more than 36 months and (2) rolled over into the purchase of a replacement qualified emerging technology investment within 365 days. Gain deferred under this provision must be recognized when the replacement qualified emerging

technology investment is sold. However, gain on the sale of the replacement qualified emerging technology investment can be deferred if another replacement qualified emerging technology investment is acquired within 365 days.

6. **Federal Internal Revenue Code § 179 deduction recapture for a sport utility vehicle (SUV)**
**Citation:** Tax Law § 208(9)(a)(16)
**Effective date:** Effective for tax years beginning on or after January 1, 2015
**Description:** A taxpayer that previously claimed an Internal Revenue Code § 179 deduction with respect to an SUV may exclude the amount of that deduction that was recaptured in computing federal income.

7. **Modification for qualified residential loan portfolios**
**Citation:** Tax Law §§ 208(9)(a)(19), 208(9)(r)
**Effective date:** Effective for tax years beginning on or after January 1, 2015
**Description:** A thrift institution or a qualified community bank that maintains a qualified residential loan portfolio may deduct from federal taxable income the amount, if any, by which 32 percent of its entire net income exceeds the amounts deducted by the taxpayer pursuant to Internal Revenue Code §§ 166 and 585, less any amounts included in federal taxable income as a result of a recovery of a loan. A taxpayer utilizing this modification may not use the modifications described in items 8 and 9.

8. **Modification for community banks and small thrifts**
**Citation:** Tax Law §§ 208(9)(a)(19), 208(9)(s)
**Effective date:** Effective for tax years beginning on or after January 1, 2015
**Description:** A qualified community bank or a small thrift institution may be allowed a deduction in computing entire net income equal to the product of the taxpayer's net interest income from loans, a ratio of gross interest income during the taxable year from qualifying loans to gross interest income during the taxable year from all loans, and 50 percent. A taxpayer utilizing this modification may not use the modifications described in items 7 and 9.

9. **Captive real estate investment trust modification for small thrifts and community banks**
**Citation:** Tax Law §§ 208(9)(a)(19), 208(9)(t)
**Effective date:** Effective for tax years beginning on or after January 1, 2015
**Description:** A small thrift institution or a qualified community bank that maintained a captive real estate investment trust as of April 1, 2014, and continues to maintain such real estate investment trust must utilize a subtraction equal to 160 percent of the dividends paid deductions allowed to that captive real estate investment trust for the taxable year for federal income tax purposes. A taxpayer utilizing this modification may not use the modifications described in items 7 and 8.

10. **Exclusion of income for foreign airlines**
**Citation:** Tax Law § 208(9)(c-1)
**Effective date:** Effective for tax years beginning on or after January 1, 2015
**Description:** Certain foreign airlines may exclude all income from international operations of aircraft effectively connected to the United States, foreign passive income, and income earned overseas from overseas operations of aircraft from entire net income. These foreign airlines may also exclude business and investment assets connected with such exempt income from the capital base tax. These tax benefits apply provided the "home country" provides similar treatment to United States airlines.

11. **Deductions for qualified public utilities, power producers and pipeline companies**
**Citation:** Tax Law §§ 208(9)(c-2)(4), (5), 208(9)(c-3)(4)
**Effective date:** Effective for tax years beginning on or after January 1, 2015
**Description**: Taxpayers that are qualified public utility corporations, qualified power producers, or qualified pipeline corporations are allowed certain depreciation and expense deductions in determining entire net income.

12. **Contributions to capital of a corporation**
**Citation:** Tax Law § 208(9)(a)(20)
**Effective date:** Effective for tax years beginning on or after January 1, 2018
**Description:** In computing New York entire net income, a taxpayer may subtract contributions to a corporation's capital made by any governmental entity or civic group (other than a contribution made by a shareholder) that are included in gross income under Internal Revenue Code § 118(b)(2).

13. **New York's COVID-19 pandemic small business recovery grants**
**Citation:** Tax Law § 208(9)(a)(22)
**Effective date**: Taxable years beginning on or after January 1, 2021
**Description:** Grants received pursuant to New York's COVID-19 Pandemic Small Business Recovery Grant Program are excluded from taxable income.

14. **Deduction for commercial cannabis activity**
**Citation:** Tax Law § 208(9)(a)(23)
**Effective date:** Taxable years beginning on or after January 1, 2022
**Description:** A taxpayer engaged in commercial cannabis activity may subtract expenses related to adult-use cannabis products that are disallowed federally under Internal Revenue Code § 280E.

## New York modifications to entire net income

In computing New York Business Income, Article 9-A allows certain modifications to entire net income.

15. **Deduction for investment income**
**Citation:** Tax Law §§ 208(6), 208(8)
**Effective date:** Effective for tax years beginning on or after January 1, 2015
**Description:** A taxpayer may deduct income, including capital gains in excess of capital losses, from investment capital in determining business income.

Investment capital is defined as investments in stocks that:

1. satisfy the definition of a capital asset under Internal Revenue Code § 1221 at all times the taxpayer owned such stock during the taxable year;
2. are held by the taxpayer for investment for more than one year;
3. the dispositions of which are, or would be, treated by the taxpayer as generating long-term capital gains or losses under the Internal Revenue Code;
4. for stocks acquired on or after January 1, 2015, at any time after the close of the day in which they are acquired, have never been held for sale to customers in the regular course of business; and
5. before the close of the day on which the stock was acquired, are clearly identified in the taxpayer's records as stock held for investment in the same manner as required under Internal Revenue Code § 1236(a)(1) for the stock of a dealer in securities to be eligible for capital gain treatment (whether or not the taxpayer is in fact a dealer of securities).

In addition, investment capital includes debt and other securities the income of which cannot be apportioned under the U.S. Constitution.

Investment capital does not include stock in a corporation that is conducting a unitary business with the taxpayer, stock in a corporation that is included combined group pursuant to the commonly owned group election, and stock issued by the taxpayer.

Investment income must be reduced by interest expenses directly and indirectly attributable to those items of income. In lieu of performing expense attribution, taxpayers may instead elect to reduce the income by 40 percent. Finally, the amount of investment income, determined without regard to interest deductions, cannot exceed 8 percent of the taxpayer's entire net income.

16. **Deduction for other exempt income**
**Citation:** Tax Law §§ 208(6-a), 208(8)
**Effective date:** § 208(6-a) is effective for tax years beginning on or after January 1, 2015; § 208(6-a)(ii) is effective for tax years beginning on or after January 1, 2017; § 208(6-a)(iii) is effective for tax years beginning on or after January 1, 2019

**Description:** A taxpayer may deduct other exempt income from entire net income. Other exempt income means the sum of exempt controlled foreign corporation (CFC) income and exempt unitary corporation dividends.

Exempt CFC income defined in Tax Law § 208(6-a)(a) includes:

1. Subpart F income (other than that described in (2) below) required to be included in the taxpayer's federal gross income pursuant to Internal Revenue Code § 951(a) received from a corporation conducting a unitary business with the taxpayer but not included in the taxpayer's combined group;
2. mandatory deemed repatriation income required to be included in the taxpayer's federal gross income pursuant to Internal Revenue Code § 951(a) by reason of Internal Revenue Code § 965(a) received from a corporation that is not included in the taxpayer's combined group; and
3. 95 percent of net CFC tested income (NCTI), formerly global intangible low-taxed income (GILTI), required to be included in the taxpayer's federal gross income pursuant to Internal Revenue Code § 951A received from a corporation that is not included in the taxpayer's combined group.

The mandatory deemed repatriation related deduction allowed under Internal Revenue Code § 965(c) and the GILTI-related/NCTI-related deduction allowed under Internal Revenue Code § 250 must be added back to entire net income in years when the income is included in other exempt income.

For tax years beginning on or after January 1, 2018, and before January 1, 2019, GILTI income as well as the corresponding Internal Revenue Code § 250 deduction for a portion of GILTI income, flowed through from the federal return to New York. As a result, the net GILTI amount was generally included in taxable business income.

Exempt unitary corporation dividends defined in Tax Law § 208(6-a)(b) includes:

1. dividends received from a corporation conducting a unitary business with the taxpayer but taxable, or would be taxable, under a franchise tax imposed by Tax Law Article 9 or Article 33 (cross-article dividends); and
2. dividends (other than those described in item 1 above) received from a corporation conducting a unitary business with the taxpayer but not included in the taxpayer's combined group (i.e. alien corporations with no effectively connected income and corporations less than 50 percent directly or indirectly owned by the taxpayer).

The income listed above must be reduced by interest expenses directly or indirectly attributable to the production of such income. In lieu of performing expense attribution, taxpayers may instead elect to reduce the income (other than cross-article dividends) by 40 percent.

Other exempt income cannot exceed entire net income.

## Corporate exemptions

17. **Companies operating in an innovation hot spot**
**Citation:** Tax Law §§ 38, 208(9)(a)(18), 209(11)
**Effective date:** Effective for tax years beginning on or after January 1, 2015
**Description:** The New York State Business Incubator and Innovation Hot Spot Support Act created special tax benefits for qualified entities operating in Innovation Hot Spots. These tax benefits are allowed for five tax years beginning with the first tax year the qualified entity becomes a tenant in (or part of) an Innovation Hot Spot.

Qualified entities located completely within an Innovation Hot Spot are exempt from the business income and capital tax bases. Instead, these entities must only pay the fixed dollar minimum tax.

Qualified entities located both within and without an Innovation Hot Spot, or that are a corporate partner in a qualified entity, are allowed a deduction in computing entire net income for the amount of income or gain attributable to the operations at (or as part of) the Innovation Hot Spot.

18. **Exempt companies**
**Citation:** Tax Law §§ 3, 8, 208(9)(i), and 209(4)(9) and (12); Rural Cooperative Corporations Law § 77; Rural Electric Cooperative Law § 66; and Banking Law § 479
**Effective date:** Effective for tax years beginning on or after January 1, 2015
**Description:** The following companies or organizations are exempt from taxation under Article 9-A:
- limited profit housing companies;
- limited dividend housing companies;
- trust companies organized under a law of New York, all of the stock of which is owned by not less than 20 savings banks organized under a law of New York;
- Urban Development Corporation and its subsidiaries;
- certain domestic corporations exclusively engaged in the operation of one or more vessels in foreign commerce;
- certain domestic international sales corporations;
- passive trusts;
- certain corporations organized other than for profit and those corporations that are generally exempt from federal tax by the Internal Revenue Code;
- corporations exempt pursuant to Public Law 86-272 wherein a foreign corporation has limited its activities in New York to the mere solicitation of orders for tangible property by its employees or representatives;
- real estate mortgage investment conduits;
- industrial development agencies;
- housing development fund companies;
- corporations exempt from tax under Internal Revenue Code, §§ 501(c)(2) and (25);

- certain cooperative heating and cooling service companies that are organized without capital stock and that are exempt from tax pursuant to Internal Revenue Code § 501(c)(12);
- federal and state credit unions chartered under 12 U.S. Code, § 1768, Internal Revenue Code § 501(c)(14)(A), or New York State Banking Law § 479; and
- all farmers, fruit growers, and other like agricultural corporations organized and operated on a cooperative basis for the purposes expressed in the Co-operative Corporations Law, whether or not such corporations have capital stock.

19. **Homeowners association exemption from fixed dollar minimum tax**
**citation:** Tax Law § 210(1)
**Effective date:** Effective for tax years beginning on or after January 1, 2015
**Description:** Article 9-A exempts qualified homeowners associations that have no homeowner's taxable income from payment of the fixed dollar minimum tax. The associations would still be subject to the other taxable bases under Article 9-A, if applicable.

20. **Capital base exemption**
**Citation:** Tax Law § 210(1)(b)
**Effective date:** Taxable years beginning on or after January 1, 2021 and before January 1, 2027
**Description**: Taxpayers that are qualified New York manufacturers, qualified emerging technology companies, small businesses, and cooperative housing corporations are exempt from the capital base.

## Preferential tax rates

21. **Special tax benefits for New York manufacturers and qualified emerging technology companies**

    a. **Special tax benefits for New York manufacturers**
    Manufacturers in New York are subject to reduced tax rates and fixed dollar minimum amounts, as well as a lower capital base liability cap.

    A *manufacturer* is defined as *a taxpayer…principally engaged in the production of goods by manufacturing, processing, assembling, refining, mining, extracting, farming, agriculture, horticulture, floriculture, viticulture, or commercial fishing*. The generation and distribution of electricity, the distribution of natural gas, and the production of steam associated with the generation of electricity are not qualifying activities for a manufacturer.

    To be a *qualified New York manufacturer* eligible for the preferential tax treatment, the taxpayer must meet two tests. First, the taxpayer, or the combined group, must be principally engaged in manufacturing. This test is satisfied if more than 50 percent

of the taxpayer's or group's gross receipts are derived from the sale of goods produced by the activities listed above.

The second test requires the taxpayer to have manufacturing property in New York State with a New York adjusted basis of at least one million dollars or have all of its real and personal property located in New York State.

A taxpayer, or combined group, that fails the receipts test may still be a *qualified New York manufacturer* if it has at least 2,500 New York manufacturing employees and manufacturing property in New York State with a New York adjusted basis of at least $100 million.

1. **Zero percent Business income rate**
   **Citation:** Tax Law § 210(1)(a)(vi)
   **Effective date:** Effective for tax years beginning on or after January 1, 2015
   **Description:** Taxpayers that are qualified New York manufacturers are subject to a zero percent business income rate.

2. **Reduced fixed dollar minimum amounts**
   **Citation:** Tax Law § 210(1)(d)
   **Effective date:** Effective for tax years beginning on or after January 1, 2015
   **Description:** Taxpayers that are manufacturers are subject to the following reduced fixed dollar minimum amounts:

| New York receipts | Fixed dollar minimum tax |
|---|---|
| Not more than $100,000 | $19 |
| More than $100,000 but not more than $250,000 | $56 |
| More than $250,000 but not more than $500,000 | $131 |
| More than $500,000 but not more than $1,000,000 | $375 |
| More than $1,000,000 but not more than $5,000,000 | $1,125 |
| More than $5,000,000 but not more than $25,000,000 | $2,625 |
| Over $25 million | $3,750 |

b. **Special tax benefits for qualified emerging technology companies**
Qualified emerging technology companies in New York are subject to reduced tax rates and fixed dollar minimum amounts, as well as a lower capital base liability cap. A corporation is a *qualified emerging technology company* if it meets the definition in Public Authorities Law § 3102-e(1)(c), except that the $10 million limitation under § 3102-e(1)(c)(1) does not apply. A combined group may be considered a qualified emerging technology company if all members of the group meet the definition of a qualified emerging technology company.

A qualified emerging technology company must meet one of two tests:

- it must be engaged in creating or developing emerging technologies referenced in Public Authorities Law § 3102-e to qualify under the *primary products or services test*; or
- it must have research and development activities in New York State and have a ratio of research and development funds to net sales equal to or in excess of the average ratio for all surveyed companies classified as determined by the National Science Foundation in the most recent published results from its *Survey of Industry Research and Development*, or any comparable successor survey (the *research and development test*).

1. **Reduced business income rate**
   **Citation:** Tax Law § 210(1)(a)(vii)
   **Effective date:** Effective for tax years beginning on or after January 1, 2015
   **Description:** Taxpayers that are qualified emerging technology companies are subject to a lower 4.875 percent rate.

2. **Reduced fixed dollar minimum amounts**
   **Citation:** Tax Law § 210(1)(d)
   **Effective date:** Effective for tax years beginning on or after January 1, 2015
   **Description:** Taxpayers that are qualified emerging technology companies are subject to the following reduced fixed dollar minimum amounts:

| New York receipts | Fixed dollar minimum tax |
|---|---|
| Not more than $100,000 | $19 |
| More than $100,000 but not more than $250,000 | $56 |
| More than $250,000 but not more than $500,000 | $131 |
| More than $500,000 but not more than $1,000,000 | $375 |
| More than $1,000,000 but not more than $5,000,000 | $1,125 |
| More than $5,000,000 but not more than $25,000,000 | $2,625 |
| Over $25 million | $3,750 |

22. **Special tax benefits for non-captive real estate investment trusts and non-captive regulated investment companies**

a. **Fixed dollar minimum amounts**
   **Citation:** Tax Law § 210(1)(d)(1)(D-1)
   **Effective date:** Effective for tax years beginning on or after January 1, 2016
   **Description:** Taxpayers that are non-captive real estate investment trusts or non-captive regulated investment companies are subject to the following reduced fixed dollar minimum amounts:

| New York receipts | Fixed dollar minimum tax |
|---|---|
| Not more than $100,000 | $25 |
| More than $100,000 but not more than $250,000 | $75 |
| More than $250,000 but not more than $500,000 | $175 |
| Over $500,000 | $500 |

b. **Capital base exemption**
**Citation:** Tax Law §§ 209(5), 209(7)
**Effective date:** Effective for tax years beginning on or after January 1, 2015
**Description:** Non-captive real estate investment trusts and non-captive regulated investment companies are exempt from the capital base tax.

## Corporate franchise tax credits

23. **Credit for servicing State of New York Mortgage Agency mortgages**
**Citation:** Tax Law § 210-b(10)
**Pre-reform citation:** Tax Law §§ 210(21-a), 1456(a)
**Credit type:** Nonrefundable/non-carryforward
**Effective date of credit:** Effective for tax years beginning on or after January 1, 2015
**Description:** Banking corporations and mortgage bankers registered under Banking Law, Article 12-D and meeting certain regulatory requirements established by the State of New York Mortgage Agency (SONYMA) may claim a credit for servicing mortgages acquired by SONYMA. The credit equals 2.93 percent of the total principal and interest collected for each SONYMA mortgage secured by a one-to-four family residence. In addition, banks and mortgage bankers may receive an amount equal to the interest collected during the taxable year on each SONYMA mortgage secured by a five or more family-residence multiplied by a fraction. The fraction depends on the types of properties that secure the serviced mortgage loans. The credit may reduce tax liability to zero.

## Cross-article credits

Credits include amounts that the taxpayer may subtract in calculating New York tax liability or request as a refund or apply as a payment for the next tax period. Full descriptions of all the tax credits available under Article 9-A as well as other tax articles are contained in the cross-article tax credits section of this report.

This section of the report provides tax expenditure estimates for 57 separate provisions of the corporate franchise tax on insurance companies. The list of tax expenditures contained in Table 3 is based on the Tax Law as of January 1, 2026. The estimates are based on data from the 2022 tax year, the latest year for which Article 33 tax return data are available. They are also extrapolated to the 2026 tax year. The tax years refer to both the 2022 and 2026 calendar years and fiscal tax years beginning in 2022 and 2026. Total insurance tax liability for the 2022 tax year has been included to provide some perspective to the tax expenditure estimates. The listing includes some provisions that were repealed or allowed to sunset prior to 2026 to provide a complete history of the expenditure. Repealed tax expenditures are removed from the report in the year following the publication of a complete history of the expenditure.

## Description of tax

Article 33 imposes a franchise tax on insurance companies. The structure of the tax depends on the type of insurer as well as whether the insurance corporation is authorized to conduct an insurance business in New York.

**Life insurance corporations**
Life insurance corporations calculate tax on the highest of four bases and then add to the result both a subsidiary capital tax and a premiums tax.

The four alternative bases are:

- 7.1 percent of allocated entire net income; or
- 0.16 percent on allocated business and investment capital; or
- 9 percent of 30 percent of allocated entire net income plus officers' salaries less specified deductions; or
- a fixed dollar minimum tax of $250.

Life insurance corporations doing business within and without the State allocate entire net income, business and investment capital, and entire net income plus officers' salaries to New York based on weighted ratios of premiums and wages earned or paid in New York to those earned or paid everywhere.

Added to the highest of the four bases are:

- 0.08 percent tax on subsidiary capital allocated to New York; and
- 0.7 percent tax on gross premiums, less return premiums thereon, written on risks located or resident in New York.

The total tax liability, less Empire Zone credits, cannot be less than 1.5 percent of taxable premiums (the tax floor) or greater than 2 percent of taxable premiums (the cap on tax). Taxpayers may then claim other credits against the total tax liability.

**Non-life insurance corporations**
Non-life insurance corporations are subject to the larger of a tax on premiums or a flat $250 fixed dollar minimum. Accident and health insurance premiums are taxed at 2.0 percent and other non-life insurance premiums are taxed at 1.75 percent.

**Captive insurance corporations**
Captive insurance corporations are subject to tax on gross direct premiums and assumed reinsurance premiums, but cannot be less than a $5,000 minimum tax. Captives cannot use credits to reduce tax and are generally not included in a combined report.

**Unauthorized insurance corporations**
An unauthorized non-life insurance corporation, as well as an unauthorized life insurance corporation, doing business, employing capital, owning or leasing property in New York State in a corporate or organized capacity, or maintaining an office in New York State is subject to a franchise tax computed under the four bases plus the subsidiary capital base. However, an unauthorized insurance corporation is not subject to the additional premiums tax, or the limitations based on premiums.

## Data source
The major source of data used to compute the tax expenditure estimates is the Article 33 study file compiled by the Department of Taxation and Finance. This study file includes information from tax returns filed under Article 33 for tax years that began January 2022 through December 2022.

## Methodology
The projections of the tax expenditures from 2022 to 2026 account for tax law changes applicable in the forecast year.

Forecasts for modifications, exemptions, exclusions and base and rate preferences are estimated using a tax simulation model that adjusts only for law changes between the study file year and the forecast year. No other assumptions are made regarding economic growth or behavioral changes. Estimates for the credits are based on law changes, historical trends, and information supplied by other State agencies where applicable.

**Table 3**
**2026 New York State insurance tax expenditure estimates (in millions of dollars)**
**(2022 total insurance tax liability = $ 1,977.6 million)**

| Tax item | History | | | | | Forecast | |
|---|---|---|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2021 | 2022 | 2026 | Reliability level |
| **New York modifications to federal taxable income**[1] | | | | | | | |
| 1. Exclusion of income from subsidiary capital | 5.8 | 8.2 | 2.3 | 0.9 | 3.1 | 3.0 | 1 |
| 2. Deduction of 50 percent of dividends from non-subsidiary corporations | 2.4 | 4.9 | 1.3 | 3.9 | 5.6 | 6.0 | 1 |
| 3. Taxable refunds or credits of state tax | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1 |
| 4. Wage and salary expense allowed as federal credits but not as federal expenses | 0.0 | 0.0 | * | * | * | * | 1 |
| 5. Unearned premiums | * | 0.0 | * | * | * | * | 1 |
| 6. Discounted unpaid losses | 0.2 | 0.5 | * | * | 0.1 | * | 1 |
| 7. Reduction of loss deduction under Internal Revenue Code § 832(b)(5)(B) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1 |
| 8. Internal Revenue Code §§ 847(5) and 847(6) | 0.9 | 0.5 | * | 0.0 | 0.0 | 0.0 | 1 |
| 9. Qualified emerging technology investments (QETI) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1 |
| 10. Deduction of distributions made to victims or targets of Nazi persecution | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1 |
| 11. Mandatory deemed repatriation income | 5.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1 |
| 12. Contributions to capital of a corporation | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1 |
| 13. Net CFC Tested Income (formerly global intangible low-taxed income (GILTI) | -- | 0.0 | 0.0 | 0.9 | 0.0 | 0.0 | 1 |
| **Alternative bases**[1] | | | | | | | |
| 14. Exclusion of assets held as reserves under NYS Insurance Law §§ 1303, 1304, and 1305[1] | * | * | * | * | * | * | 4 |
| **Exclusions from premiums-based tax** | | | | | | | |
| 15. Exclusion of annuities from the tax on premiums[1] | 9.9 | 9.7 | 5.4 | 5.9 | 15.5 | 16.0 | 1 |
| 16. Exclusion of premiums written on certain joint underwriting policies[1] | 2.5 | 2.4 | 1.4 | 1.5 | 3.9 | 4.0 | 1 |
| 17. Exclusion of premiums written on marine vessels | 4.9 | 5.8 | 5.5 | 5.9 | 6.7 | 7.0 | 1 |
| 18. Exclusion of premiums written on certain reinsurance policies | 253.1 | 254.2 | 248.1 | 280.6 | 302.6 | 303.0 | 1 |
| 19. Exclusion for certain non-New York property or individuals | N/A | N/A | N/A | N/A | N/A | N/A | 5 |
| **Limitation on tax** | | | | | | | |
| 20. Limitation on tax liability[1] | 77.7 | 149.6 | 222.9 | 267.1 | 118.5 | 119.0 | 1 |
| **Corporate exemptions** | | | | | | | |
| 21. Exemption from Article 33 for specific types of entities engaged in an insurance business | N/A | N/A | N/A | N/A | N/A | N/A | 5 |
| **Preferential tax rates** | | | | | | | |
| 22. Preferential tax treatment for captive insurance companies | 27.3 | 22.4 | 17.4 | 16.5 | 25.8 | 26.0 | 2 |
| **Insurance tax credits** | | | | | | | |
| 23. Fire insurance premiums tax credit | 59.0 | 61.4 | 61.8 | 66.3 | 67.7 | 70.0 | 1 |

| Tax item | History 2018 | 2019 | 2020 | 2021 | 2022 | Forecast 2026 | Reliability level |
|---|---|---|---|---|---|---|---|
| 24. Retaliatory tax credit | 77.5 | 57.3 | 75.9 | 77.1 | 64.2 | 63.0 | 1 |
| 25. Credit for assessments paid to the life and health insurance company guaranty corporation | 26.2 | 11.2 | 12.0 | 6.6 | 6.6 | 14.0 | 1 |
| 26. Credit for investment in certified capital companies | * | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1 |
| **Cross-article credits** | | | | | | | |
| 27. Investment tax credit for the financial services industry | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | * | 1 |
| 28. Special additional mortgage recording tax credit | * | * | 0.0 | 0.0 | 0.0 | * | 1 |
| 29. Empire Zone and Qualified Empire Zone Enterprise tax credits | | | | | | | |
| a. Empire Zone and zone equivalent area wage tax credit | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | * | 1 |
| b. Empire Zone capital credit | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | * | 1 |
| c. Qualified Empire Zone Enterprise real property tax credit | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | * | 1 |
| d. Qualified Empire Zone Enterprise tax reduction credit | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | * | 1 |
| 30. Credit for employment of persons with disabilities | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | * | 1 |
| 31. Low-income housing credit | 0.5 | 0.5 | 1.1 | 0.6 | 2.4 | 1.0 | 1 |
| 32. Credit for purchase of automated external defibrillator | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | * | 1 |
| 33. Green buildings credit | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | * | 1 |
| 34. Long-Term care insurance credit | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | * | 1 |
| 35. Security training tax credit | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | * | 1 |
| 36. Brownfields tax credits | | | | | | | |
| a. Brownfield redevelopment tax credit | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | * | 1 |
| b. Remediated brownfield credit for real property taxes | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | * | 1 |
| c. Environmental remediation insurance credit | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | * | 1 |
| 37. Credit for rehabilitation of historic properties | 1.6 | 5.1 | 6.8 | 14.7 | 12.4 | 13.0 | 1 |
| 38. Excelsior Jobs Program tax credit | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | * | 1 |
| 39. Economic Transformation and Facility Redevelopment Program tax credit | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | * | 1 |
| 40. Empire State Jobs Retention Program credit | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | * | 1 |
| 41. Hire a vet credit | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | * | 1 |
| 42. Employer provided child care credit | -- | -- | 0.0 | 0.0 | 0.0 | * | 1 |
| 43. Recovery tax credit | -- | -- | 0.0 | 0.0 | 0.0 | * | 1 |
| 44. Child care creation and expansion credit | -- | -- | -- | -- | -- | -- | 1 |

1. Tax expenditure item applies only to life insurance corporations.

* Less than $0.1 million.

-- The tax expenditure was not applicable for these years.

N/A No data available.

## New York modifications to federal taxable income

In computing New York entire net income, modifications to federal taxable income are provided for under Tax Law Article 33. These modifications apply only to life insurance corporations.

1. **Exclusion of income from subsidiary capital**
   **Citation:** Tax Law §§ 1503(b)(1)(A) and 1503(b)(2)(H)
   **Effective date:** Effective for tax years beginning on or after January 1, 1974
   **Description:** In computing New York entire net income, taxpayers may subtract dividends, interest, and gains derived from subsidiary corporations that are not part of the combined group.

   Taxpayers may also deduct net CFC tested income (NCTI), formerly global intangible low-taxed income (GILTI), as defined in Internal Revenue Code § 951A and the related Internal Revenue Code § 78 dividends (less attributable interest and noninterest deductions) received from subsidiary corporations that are not part of the combined group. The related deductions under Internal Revenue Code § 250 must also be added back in computing entire net income.

   This modification does not include mandatory deemed repatriation income from subsidiary corporations (described in item 11 below).

2. **Deduction of 50 percent of dividends from non-subsidiary corporations**
   **Citation:** Tax Law § 1503(b)(1)(B)
   **Effective date:** Effective for tax years beginning on or after January 1, 1974
   **Description:** Life insurance corporations may deduct 50 percent of the company's share of dividend income received from non-subsidiary corporations. This modification does not include mandatory deemed repatriation income from non-subsidiary corporations (described in item 11 below).

3. **Taxable refunds or credits of state tax**
   **Citation:** Tax Law § 1503(b)(1)(C)
   **Effective date:** Effective for tax years beginning on or after January 1, 1974
   **Description:** A taxpayer may exclude any refund or credit of a tax imposed under Tax Law Article 9 (§§ 183, 183-a, 184, and 184-a), or Article 9-A, 23, or 33 that was properly included as income for federal income tax purposes, and for which no exclusion or deduction was allowed in determining the taxpayer's entire net income for any prior year.

4. **Wage and salary expense allowed as federal credits but not as federal expenses**
   **Citation:** Tax Law § 1503(b)(1)(D)
   **Effective date:** Effective for tax years beginning on or after January 1, 1977

**Description:** In computing New York entire net income, a taxpayer may exclude the amount of wages disallowed under Internal Revenue Code § 280C in the calculation of their applicable federal income.

5. **Unearned premiums**
**Citation:** Tax Law § 1503(b)(1)(L)
**Effective date:** Effective for tax years beginning after December 31, 1986
**Description:** A taxpayer may exclude from entire net income the amount of unearned premiums on outstanding business at the end of the tax year included in premiums earned as a result of Internal Revenue Code § 832(b)(4)(B), 832(b)(7)(B)(i), and 832(b)(8)(A)(i).

6. **Discounted unpaid losses**
**Citation:** Tax Law §1503(b)(1)(N)
**Effective date:** Effective for tax years beginning after December 31, 1986
**Description:** A taxpayer may exclude from entire net income the difference between the amount of discounted unpaid losses at the end of the tax year used in the calculation of losses incurred as a result of Internal Revenue Code § 832(b)(5)(A), and the amount of unpaid losses at the end of the tax year that would have been used in such calculation if such losses were not discounted for federal income tax purposes.

7. **Reduction of loss deduction under Internal Revenue Code § 832(b)(5)(B)**
**Citation:** Tax Law §1503(b)(1)(O)
**Effective date:** Effective for tax years beginning after December 31, 1986
**Description:** A taxpayer may exclude from entire net income the amount by which losses incurred were reduced as a result of Internal Revenue Code § 832(b)(5)(B).

8. **Internal Revenue Code §§ 847(5) and 847(6)**
**Citation:** Tax Law §1503(b)(1)(P)
**Effective date:** Effective for tax years beginning on or after January 1, 1993
**Description:** A taxpayer may exclude from entire net income the amount included in federal gross income as a result of Internal Revenue Code §§ 847(5) and 847(6).

9. **Qualified emerging technology investments**
**Citation:** Tax Law § 1503(b)(1)(Q)
**Effective date:** Effective for investments sold on or after March 12, 1998
**Description:** A deferral of gain on the sale of a qualified emerging technology investment is available to taxpayers for a qualified emerging technology investment that is (1) held for more than 36 months and (2) rolled over into the purchase of a replacement qualified emerging technology investment within 365 days. Gain deferred under this provision must be recognized when the replacement qualified emerging technology investment is sold. However, gain on the sale of the

replacement qualified emerging technology investment can be deferred if another replacement qualified emerging technology investment is acquired within 365 days.

10. **Deduction of distributions made to victims or targets of Nazi persecution**
**Citation:** Tax Law § 13
**Description:** A taxpayer may exclude the amount received (including accumulated interest) from an eligible settlement fund, or from an eligible grantor trust established for the benefit of the victims or targets of Nazi persecution when computing New York entire net income.

11. **Mandatory deemed repatriation**
**Citation:** Tax Law §§ 1503(b)(1)(S), 1503(b)(2)(H)
**Effective date:** Effective for tax years beginning on or after January 1, 2017
**Description:** In computing New York entire net income, a taxpayer may subtract from federal taxable income the Internal Revenue Code § 965(a) inclusion amount, less interest and noninterest deductions attributable to it, received from foreign corporations that are not included in a combined report with the taxpayer. The related deduction allowed under Internal Revenue Code § 965(c) must be added back when computing entire net income.

12. **Contributions to capital of a corporation**
**Citation:** Tax Law § 1503(b)(1)(T)
**Effective date:** Effective for tax years beginning on or after January 1, 2018
**Description:** In calculating New York entire net income, a taxpayer may subtract contributions to a corporation's capital made by any governmental entity or civic group (other than a contribution made by a shareholder) that are included in gross income under Internal Revenue Code § 118(b)(2).

13. **Net CFC Tested Income (formerly global intangible low-taxed income)**
**Citation:** Tax Law §§ 1503(b)(1)(U)-(V), 1503(b)(2)(H)
**Effective date:** Effective for tax years beginning on or after January 1, 2019
**Description:** In computing New York entire net income, a taxpayer may subtract from federal taxable income 95 percent of the net CFC tested income (NCTI), formerly global intangible low-tax income, less the attributable interest and noninterest deductions, from a non-subsidiary corporation that is not included in a combined report with the taxpayer. In addition, a taxpayer may subtract from federal taxable income any related Internal Revenue Code § 78 dividends, that has not otherwise been deducted, less attributable interest and noninterest deductions. The related deductions under Internal Revenue Code § 250 must be added back in computing entire net income.

For tax years beginning on or after January 1, 2018 and before January 1, 2019, global intangible low-tax income and related Internal Revenue Code § 78 dividends received from non-subsidiary corporations were subject to tax. As a result, the

corresponding deductions allowed under Internal Revenue Code § 250 for global intangible low-tax income and related Internal Revenue Code § 78 dividends were allowed to flow through from the federal return when computing New York entire net income.

## Alternative bases

One tax expenditure item applicable to life insurance corporations is provided for under the alternative tax base measured by business and investment capital.

14. **Exclusion of assets held as reserves under New York State Insurance Law §§ 1303, 1304, and 1305**
**Citation:** State Insurance Law §§ 1303, 1304, and 1305; Tax Law § 1500(l)(j)
**Effective date:** Effective for tax years beginning on or after January 1, 1974
**Description:** Insurance corporations may exclude assets that are held for loss or claim reserves, valuation reserves, and unearned premium reserves (as specified in the Insurance Law) from the definition of business capital and investment capital for purposes of calculating tax liability under the capital base tax.

## Exclusions from premiums base tax

The premiums tax base excludes premiums from several types of insurance.

15. **Exclusion of annuities from the tax on premiums**
**Citation:** Tax Law § 1510(c)(1)
**Effective date:** Effective for tax years beginning on or after January 1, 1974
**Description:** The premiums tax base excludes annuities.

16. **Exclusion of premiums written on certain joint underwriting policies**
**Citation:** Tax Law § 1510(c)(2)
**Effective date:** Effective for tax years beginning on or after January 1, 1974
**Description:** The premiums tax base does not include premiums on joint underwriting of group health insurance for persons aged 65 and over.

17. **Exclusion of premiums written on marine vessels**
**Citation:** Tax Law § 1510(c)(2)
**Effective date:** Effective for tax years beginning on or after January 1, 1974
**Description:** The premiums tax base does not include premiums for ocean marine insurance.

18. **Exclusion of premiums written on certain reinsurance policies**
**Citation:** Tax Law § 1510(c)(3)(A-B)
**Effective date:** Effective for tax years beginning on or after January 1, 1974

**Description:** The premiums tax base does not include premiums received by way of reinsurance from corporations or other insurers authorized to transact business in New York. It also excludes premiums received by way of reinsurance from corporations or other insurers not authorized to transact business in New York if such premiums are subject to the Excess Line Tax imposed under the Insurance Law.

19. **Exclusion for certain non-New York property or individuals**
**Citation:** Tax Law § 1512(b)(1)-(3)
**Effective date:** Effective for tax years beginning on or after January 1, 1974 [§ 1512(b)(3) effective for tax years beginning on or after January 1, 1978]
**Description:** The premiums tax base does not include premiums from:
- property, risks, or residents located outside of New York written by nonprofit life or fire insurance companies; and
- insurance risks on residents outside of the New York State written by federally exempt life insurance companies organized by nonprofit voluntary employees' beneficiary associations.

## Limitation on tax

Article 33 provides for a maximum tax liability cap for life insurance corporations. The total tax less Empire Zone credits, but before other credits, may not exceed 2 percent of taxable premiums. Taxpayers may apply all other insurance corporation tax credits to reduce the tax as determined under the cap.

20. **Limitation on tax liability**
**Citation:** Tax Law § 1505
**Effective date:** Effective for tax years beginning on or after January 1, 1977
**Description:** Article 33 limits the total tax liability of a life insurance corporation. Effective for taxable years beginning on or after January 1, 1998, the limitation, or cap, equals 2 percent of gross premiums for life insurers. An insurance corporation's tax liability equals the lower of (1) the tax determined under the cap, or (2) the tax determined on the highest of four alternative bases, plus the taxes on the subsidiary capital and premiums bases, less Empire Zone credits.

## Corporate exemptions

Article 33 of the Tax Law does not apply to several types of entities that may be engaged in an insurance business. Several additional types of entities are exempt only from the premiums tax.

21. **Exemption from Article 33 for specific types of entities engaged in an insurance business**
**Citation:** Tax Law § 1512(a)(1)-(8), (c)

**Effective date:** Effective for tax years beginning on or after January 1, 1974 [§§ 1512(a)(8) and 1512 (c) effective for taxable years beginning on or after January 1, 1978]
**Description:** Entities exempt from tax under Article 33 include:

- charitable, religious, missionary, educational, and philanthropic non-stock corporations [1512(a)(2)];
- retirement systems or pension funds engaged solely in an annuity business [1512(a)(3)];
- nonprofit medical expense indemnity or hospital service corporations [1512(a)(4)];
- incorporated or unincorporated fraternal benefit societies [1512(a)(5)];
- corporations for the insurance of domestic animals on a cooperative plan [1512(a)(6)];
- a town or county cooperative insurance corporation exempt from tax under Tax Law § 187 as it existed prior to 1974 [1512(a)(7)];
- not-for-profit voluntary employees' beneficiary associations exempted from federal income tax the members of which are employees (or beneficiaries or dependent of employees) of a single employer [1512(a)(8)];
- any nonprofit property/casualty insurance company organized pursuant to Insurance Law § 6703 [1512(a)(9)]; and
- entities conducting insurance business as a member of the New York Insurance Exchange [1512 (c)].

## Preferential tax rates

22. **Preferential tax treatment for captive insurance companies**
**Citation:** Tax Law § 1502-b
**Effective date:** Effective for tax years beginning on or after January 1, 1998
**Description:** Captive insurers are subject to a special premiums tax at lower rates than the rate that applies to other insurers. The tax imposed on captives equals the greater of the sum of the tax imposed on gross direct premiums and the tax imposed on assumed reinsurance premiums, or $5,000. The tax rates that apply to gross direct premiums and assumed reinsurance premiums decrease as the amount of premiums subject to tax increases, with the highest rate equaling 0.4 percent.

A combinable captive insurance company must be included in a combined return under Article 9-A if it is more than 50 percent owned by an Article 9-A corporation.

## Credits

Credits are amounts, enumerated by New York State Tax Law Article 33 that insurance corporations may subtract from their calculated New York tax liability. Article 33 credits are available to both life and non-life insurance corporations unless otherwise noted.

## Insurance tax credits

The credits described below are specific to the Insurance Tax.

23. **Fire insurance premiums tax credit**
**Citation:** Tax Law § 1511(a)
**Credit type:** Nonrefundable/non-carryforward
**Effective date:** Effective for tax years beginning on or after January 1, 1974
**Description:** A credit is allowed for additional taxes on premiums written by foreign or alien corporations for any insurance against loss or damage by fire, paid by foreign and alien fire insurance companies and foreign mutual fire insurance companies. Such taxes are imposed under the Insurance Law and under the charters of the cities of Buffalo and New York. Taxpayers must have paid or accrued the taxes during the tax year covered by the return.

24. **Retaliatory tax credit**
**Citation:** Tax Law § 1511(c), (i)
**Credit type:** Refundable
**Effective date:** Effective for tax years beginning on or after January 1, 1974
**Description:** Taxpayers may claim a credit for up to 90 percent of any retaliatory taxes paid to other states by New York domiciled or organized insurers as a result of New York State imposed taxes on insurers domiciled or organized in those other states.

25. **Credit for assessments paid to the life and health insurance company guaranty corporation**
**Citation:** Insurance Law § 7712(a)(b); Tax Law § 1511(f)
**Credit type:** Nonrefundable/carryforward
**Effective date:** Effective for tax years beginning after December 31, 1986; expanded to include health insurers for tax years beginning on or after January 1, 2024
**Description:** For tax years beginning before January 1, 2024, life insurance corporations may claim a tax credit for a portion of the cost of assessments paid to the life insurance company guaranty corporation in prior years. The maximum credit allowed to all life insurance companies for a particular year is limited to the greater of $40 million or 40 percent of the total tax liability of all such companies. To calculate its respective credit amount, an individual corporation multiplies the $40 million/40 percent maximum by the assessments it paid divided by the sum all

assessments paid by all corporations. For tax years beginning on or after January 1, 2024, the nonrefundable Life Insurance Company Guaranty Corporation credit was renamed the Life and Health Insurance Company Guaranty Corporation credit (LHICGC). The credit is available to eligible life and health insurers and the calculation has been simplified. For assessments issued in 2024 and later, eligible insurers will receive a certificate of tax credit specifying the amount that can be claimed for the year. Transition provisions allow any unused credit related to assessments issued in 2023 and earlier to be claimed in taxable years beginning on or after January 1, 2024.

26. **Credit for investment in certified capital companies**
**Citation:** Tax Law § 1511(k)
**Credit type:** Nonrefundable/carryforward
**Effective date:** Effective for tax years beginning after 1998, although the credit may be earned before 1999; the credit has been expanded four times since its enactment, to a combined statewide cap for all five programs of $400 million, effective January 1, 2007
**Description:** Under the five programs, taxpayers may claim a credit for 100 percent of the amount invested in certified capital companies. The credit can be claimed over 10 years, at a rate of 10 percent per year. The combined statewide cap is $400 million on the total amount of investments for which credits may be claimed. The total for all five programs may not exceed $40 million in any year.

## Cross-article credits

Descriptions of other tax credits that are available under the insurance tax as well as other tax articles are contained in the cross-article tax credits section of the report.

This section of the report provides descriptions of 39 separate tax expenditure provisions of the Article 9 tax. It contains estimates of the tax expenditures for tax years 2018 through 2022 (2022 is the latest year for which Article 9 tax return data are available). The list of tax expenditures is based on the Tax Law as of January 1, 2026. The estimates are also extrapolated to the 2026 tax year. The listing includes some provisions that were repealed or allowed to sunset prior to 2026 to provide a complete history of the expenditure.

Table 4 summarizes the tax expenditure estimates. It also includes total tax liability of Article 9 to provide perspective.

Repealed tax expenditures are removed from the report in the year following the publication of a complete history of the expenditure.

## Description of tax

Tax Law Article 9 imposes capital stock-based franchise and gross receipts-based taxes on a variety of specialized businesses.

§ 183 imposes a franchise tax on transportation and transmission companies and associations (excluding aviation companies that are taxable under Article 9-A) on the basis of allocated capital stock. Generally, a corporation's stock is allocated to New York in the ratio that the corporation's gross assets employed in the State bear to gross assets everywhere. U.S. obligations and cash in hand are excluded from the calculation. The tax equals the highest of the three amounts computed by the following methods: (1) allocated value of issued capital stock multiplied by 1.5 mills; (2) allocated value of issued capital stock on which dividends are paid 6 percent or more, multiplied by 0.375 mills for each one percent of dividends paid; or (3) a fixed minimum tax of $75. Effective January 1998, trucking and railroad companies previously taxable under § 183 became taxable under Article 9-A, unless an election had been made to remain taxable under Article 9. Effective January 1, 2000, gas pipelines became taxable under Article 9-A.

§ 184 imposes an additional franchise tax on transportation and transmission corporations and associations based on their gross earnings within the state. The tax is 3/8 percent of gross earnings received from business conducted in New York. Beginning in 1995, § 184 no longer applies to inter-exchange carriers, but applies only to those telecommunications corporations or associations principally engaged in a local telephone business. Companies principally engaged in long distance services are excluded from the tax. In addition, the law provided two exclusions to equalize the tax treatment of telecommunications services provided by local carriers, which remain subject to the § 184 tax, and inter-exchange carriers. One hundred percent of receipts from sales for ultimate consumption from interLATA, interstate, or international services and 30 percent of intraLATA toll services, including interregion regional calling plan services are excluded in the computation of tax under § 184. In January 1998, trucking and railroad companies formerly taxable under § 184 became taxable under Article 9-A, unless they elected to

remain taxable under Article 9. In January 2000, gas pipelines became taxable under Article 9-A.

§ 186, which was repealed effective January 1, 2000, provided for a franchise tax on waterworks companies, gas companies, electric or steam heating, lighting, and power companies. The tax was imposed at a rate of .75 percent on New York gross earnings and 4.5 percent on the amount of dividends paid that exceeded 4 percent of the amount of the taxpayer's paid-in capital employed in New York State. The minimum tax alternative of $125 applied, but only in case and to the extent that the tax computed under the primary method was less than $125. An additional excess dividends tax may have also applied. Energy and water companies formerly taxable under this section are now taxable under Article 9-A. However, a company may elect to remain a continuing § 186 taxpayer and be subject to the tax as it existed in 1999, if certain conditions apply.

§ 186-a provides for a gross receipts tax on the furnishing of utility services. A utility is defined as any seller of gas, electricity, steam, water, or refrigeration. Utilities that provide telephone or telegraph services that are subject to the supervision of the Public Service Commission pay the tax on their gross receipts not derived from the sale of telecommunications services at a rate of 2.5 percent. Telecommunications service receipts are taxable under § 186-e. The tax rate imposed on receipts from transportation, transmission, distribution, or delivery of energy for residential customers is 2 percent.

The following table shows the history of the § 186-a rate structure as it pertains to receipts from the sale of an energy commodity and charges for the transportation, transmission, distribution, or delivery of energy.

| Calendar year | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 and after |
|---|---|---|---|---|---|---|
| Commodity rate | 2.1% | 2.0% | 1.9% | 0.85% | 0.4% | 0% |
| Transmission and delivery Rate | 2.5% | 2.45% | 2.4% | 2.25% | 2.125% | 2.0% |

§ 186-e provides for an excise tax on telecommunications services at rate of 2.5 percent on the gross receipts of providers of non-mobile telecommunications services. The tax applies to gross receipts from all intrastate services and interstate and international services that either originate or terminate in New York and are billed to a service address in the State.

A separate excise tax is imposed on the sale of mobile telecommunication services by a telecommunication services provider at the rate of 2.9 percent. This rate applies to gross receipts from any mobile telecommunication service provided on or after May 1, 2015, by a home service provider where the mobile telecommunications customer's place of primary use is within New York State.

Most of the revenue from the Article 9 tax resulted from the gross receipts-based taxes (Tax Law §§ 184, 186, 186-a, and 186-e).

§ 186-f imposes public safety communications surcharges on certain wireless communications services. A $1.20 per month surcharge is imposed for each postpaid wireless communications device in service for every customer whose place of primary use is in New York State. A $0.90 surcharge applies to each retail sale of a prepaid wireless communication service. This section took effect on September 1, 2009. The surcharge on prepaid wireless communications service was effective on December 1, 2017.

## Data source

The major source of data used to compute the tax expenditure estimates is the 2022 Article 9 study file compiled by the Department of Taxation and Finance.

## Methodology

The projections of the tax expenditures from 2022 to 2026 account for tax law changes applicable in the forecast year.

Forecasts for modifications, exemptions, exclusions and base and rate preferences are estimated using a tax simulation model that adjusts only for law changes between the study file year and the forecast year. No other assumptions are made regarding economic growth or behavioral changes. Estimates for the credits are based on law changes, historical trends, and information supplied by other State agencies where applicable.

**Table 4**
**2026 New York State corporation and utilities tax expenditure estimates (in millions of dollars)**
**(2022 corporation and utilities tax liability = $414.8 million)**

| Tax item[1] | History 2018 | 2019 | 2020 | 2021 | 2022 | Forecast 2026 | Reliability level |
|---|---|---|---|---|---|---|---|
| **New York modifications to gross income** | | | | | | | |
| 1. Exclusion of interstate and foreign income | N/A | N/A | N/A | N/A | N/A | N/A | 5 |
| 2. Exclusion of receipts from interLATA, interstate, and international telephone services | 2.2 | 1.6 | 1.8 | 1.8 | 1.5 | 2.0 | 1 |
| 3. Exclusion of 30 percent of receipts from intraLATA toll telephone services | 0.5 | 0.6 | 0.5 | 0.5 | 0.4 | 1.0 | 1 |
| 4. Exclusion of cable television service | 114.0 | 111.0 | 107.0 | 136.0 | 121.4 | 115.0 | 3 |
| 5. Exclusion of receipts from certain telecommunications services for air safety and navigation purposes | N/A | N/A | N/A | N/A | N/A | N/A | 5 |
| **Corporate exemptions** | | | | | | | |
| 6. Ferry companies | N/A | N/A | N/A | N/A | N/A | N/A | 5 |
| 7. Taxicabs and omnibuses | N/A | N/A | N/A | N/A | N/A | N/A | 5 |
| 8. Railroads and vessels engaged in interstate or foreign commerce | N/A | N/A | N/A | N/A | N/A | N/A | 5 |
| 9. Corporations principally engaged in providing telecommunications for air safety and navigation purposes | N/A | N/A | N/A | N/A | N/A | N/A | 5 |
| 10. Foreign commerce | N/A | N/A | N/A | N/A | N/A | N/A | 5 |
| 11. Railroad leasing | N/A | N/A | N/A | N/A | N/A | N/A | 5 |
| 12. Foreign taxicabs and omnibuses | N/A | N/A | N/A | N/A | N/A | N/A | 5 |
| 13. Exempt companies | N/A | N/A | N/A | N/A | N/A | N/A | 5 |
| 14. Exempt organizations – § 186-a | N/A | N/A | N/A | N/A | N/A | N/A | 5 |
| 15. Water pollution facilities | N/A | N/A | N/A | N/A | N/A | N/A | 5 |
| 16. Commercial, industrial, and not-for-profit relief | N/A | N/A | N/A | N/A | N/A | N/A | 5 |
| 17. Exempt organizations – § 186-e | N/A | N/A | N/A | N/A | N/A | N/A | 5 |
| 18. §186-f public safety communications surcharge | | | | | | | |
| a. Lifeline consumers – § 186-f | 3.8 | 3.4 | 3.0 | 4.1 | 4.1 | 2.4 | 4 |
| b. Exempt organizations – § 186-f | N/A | N/A | N/A | N/A | N/A | N/A | 5 |
| c. Administrative fee – § 186-f | 4.2 | 4.2 | 4.3 | 4.5 | 4.6 | 5.1 | 2 |
| **Corporation tax credits** | | | | | | | |
| 19. Credit for tax paid in another jurisdiction | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | * | 1 |
| 20. Utility COVID-19 debt relief credit | -- | -- | -- | 0.0 | 37.0 | * | 1 |
| **Cross-article credits** | | | | | | | |
| 21. Special additional mortgage recording tax credit | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | * | 1 |
| 22. Empire Zone and Qualified Empire Zone Enterprise credits | | | | | | | |
| a. Empire Zone investment tax credit and employment incentive credit | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | * | 1 |
| b. Empire Zone wage tax credit | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | * | 1 |
| c. Qualified Empire Zone Enterprise real property tax credit | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | * | 1 |
| 23. Credit for employment of persons with disabilities | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | * | 1 |
| 24. Green building credit | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | * | 1 |
| 25. Long-term care insurance credit | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | * | 1 |
| 26. Security training tax credit | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | * | 1 |
| 27. Brownfields tax credits | | | | | | | |
| a. Brownfield redevelopment tax credit | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | * | 1 |
| b. Remediated brownfield credit for real property taxes | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | * | 1 |
| c. Environmental remediation insurance credit | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | * | 1 |
| 28. Economic transformation and facility redevelopment program tax credit | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | * | 1 |
| 29. Alternative fuels and electrical vehicle recharging property credit | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | * | 1 |
| 30. Commercial Security Tax Credit | -- | -- | -- | -- | 0.0 | * | 1 |

1/ Amounts in the table are the sum of the expenditure estimates across all Article 9 tax sections. See specific descriptions to determine the sections to which the expenditure applies and to view the section-specific estimates.
2/ A new expenditure item, revision of the methodology or revisions in the data sources resulting in a change that better reflects the tax expenditure value.

* Less than $0.1 million.
-- The tax expenditure was not applicable for these years.
N/A No data available.

## New York modifications to gross income

New York State Tax Law Article 9 provides for select modifications when computing New York gross income.

1. **Exclusion of interstate and foreign income**
   **Citation:** Tax Law § 184(1)
   **Effective date:** June 15, 1896
   **Description:** Corporations, joint stock corporations, or associations formed for or principally engaged in canal, steamboat, ferry, navigation, or corporations formed for or principally engaged in the operation of vessels may exclude earnings derived from business of an interstate or foreign character.

2. **Exclusion of receipts from interLATA, interstate, and international telephone services**
   **Citation:** Tax Law § 184(1)
   **Effective date:** January 1, 1995
   **Description:** Telephone companies subject to the tax may exclude 100 percent of receipts (other than those from the provision of carrier access services) from sales for ultimate consumption of interLATA, interstate, and international services.

3. **Exclusion of 30 percent of receipts from intraLATA toll telephone services**
   **Citation:** Tax Law § 184(1)
   **Effective date:** Effective for tax years beginning on or after January 1, 1996
   **Description:** Telephone companies subject to the tax may exclude 30 percent of receipts (other than those from the provision of carrier access services) from sales for ultimate consumption of intraLATA toll services, including inter-region regional calling plan services.

4. **Exclusion of cable television service**
   **Citation:** Tax Law § 186-e(2)(b)(2)
   **Effective date:** January 1, 1995
   **Description:** Cable television service is specifically excluded from the definition of telecommunications services and receipts from the sale of such service are not subject to tax.

5. **Exclusion of receipts from certain telecommunications services for air safety and navigation purposes**
   **Citation:** Tax Law § 186-e(2)(b)(3)
   **Effective date:** January 1, 1995
   **Description:** Receipts from the sale of telecommunications to air carriers solely for the purposes of air safety and navigation are excluded from the tax. Providers must be at least 90 percent owned (directly or indirectly) by air carriers and have the principal function of fulfilling requirements of the Federal Aviation Administration or

International Civil Aviation Organization relating to the existence of a communication system between aircraft and dispatcher, aircraft and air traffic control or ground station and ground station (or any combination of these entities).

## Corporate exemptions

6. **Ferry companies**
**Citation:** Tax Law §§ 183(1)(b), 184(1)
**Effective date:** April 14, 1914
**Description:** Ferry companies operating between any of the boroughs of the City of New York under a lease granted by the City are exempt from tax under §§ 183 and 184.

7. **Taxicabs and omnibuses**
**Citation:** Tax Law § 183(1)(c)
**Effective date:** April 11, 1951 (taxicabs); January 1, 1960 (omnibuses)
**Description:** With certain exceptions, and so long as the State tax on motor fuel exceeds two cents per gallon, corporations classified as taxicabs and omnibuses are taxable under Article 9-A and therefore are exempt from the tax imposed by § 183.

8. **Railroads and vessels engaged in interstate or foreign commerce**
**Citation:** Tax Law § 183(7)
**Effective date:** November 11, 1981 for taxable periods beginning on or after January 1, 1981 (original exclusion for vessels only, June 15, 1896)
**Description:** A railroad, palace car, or sleeping car corporation, navigation, canal, ferry (except a ferry operating between any of the boroughs of New York under a lease granted by the City), steamboat, or any other corporation formed for or principally engaged in the operation of vessels in interstate or foreign commerce is not subject to the § 183 tax, even though it maintains an office or otherwise employs capital in New York.

9. **Corporations principally engaged in providing telecommunications for air safety and navigation purposes**
**Citation:** Tax Law §§ 183(1)(b), 184(1)
**Effective date:** January 1, 1995
**Description:** Corporations principally engaged in selling of telecommunications to air carriers solely for the purposes of air safety and navigation are exempt from the tax under §§ 183 and 184. Providers must be at least 90 percent owned (directly or indirectly) by air carriers and have the principal function of fulfilling requirements of the Federal Aviation Administration or International Civil Aviation Organization relating to the existence of a communication system between aircraft and dispatcher, aircraft and air traffic control or ground station and ground station (or any combination of these entities).

10. **Foreign commerce**
**Citation:** Tax Law Article 1, § 3
**Effective date:** November 11, 1981 (original exclusion for vessels only, June 15, 1896)
**Description:** All corporations incorporated under the laws of the State of New York, exclusively engaged in the operation of vessels in foreign commerce, are exempted from tax on their capital stock, franchises, and earnings for State and local purposes.

11. **Railroad leasing**
**Citation:** Tax Law § 184(3)
**Effective date:** June 1, 1917
**Description:** In lieu of the tax on gross earnings, a railroad corporation involved in leasing railroad property to another railroad is subject to an excess income tax measured at the rate of 4 ½ percent on that portion of dividends paid in a calendar year in excess of 4 percent on the capital stock of the company.

12. **Foreign taxicabs and omnibuses**
**Citation:** Tax Law § 184(2)(b)(1)(iv)
**Effective date:** January 1, 1988, per trip fee enacted; taxable years beginning on or after January 1, 2021 complete exemption effective
**Description:** A foreign taxicab or omnibus company doing business in New York by making fewer than 12 trips into New York State on an annual basis, but not otherwise owning or leasing property, maintaining an office, or otherwise doing business in the State so as to become subject to tax, pays a tax equal to $15 per trip for tax years beginning before January 1, 2021. For tax years beginning on or after January 1, 2021, these entities are exempt from tax under § 184.

13. **Exempt companies**
**Citation:** Tax Law § 186-a(2)(a)
**Effective date:** January 1, 1960 (omnibuses)
**Description:** Persons engaged in operating omnibuses having a seating capacity of more than seven persons; or, street surface, rapid transit, subway, and elevated railroads are not subject to the § 186-a tax.

14. **Exempt organizations**
**Citation:** Tax Law § 186-a(2)(b)
**Effective date:** 1937
**Description:** The furnishing of utilities services by the State is exempt from tax. Utility services furnished by municipalities, political and civil subdivisions of the State or a municipality, public districts, and certain corporations and associations organized and operated exclusively for religious, charitable, or educational purposes are exempt from tax under certain circumstances.

15. **Water pollution facilities**
**Citation:** Tax Law § 186-a(2)(b)
**Effective date:** January 1, 1969
**Description:** § 186-a does not apply to a corporation organized and operated exclusively for the purpose of leasing from a city a water works system designed to alleviate water pollution within the city.

16. **Commercial, industrial, and not-for-profit relief**
**Citation:** Tax Law § 182-a(2)(c)(1)
**Effective date:** January 1, 2000
**Description:** In addition to the reduction and elimination of the tax on the commodity, the § 186-a tax on transmission and distribution for commercial, industrial and not-for-profit customers was eliminated through a phased in exclusion according to the following schedule:

| Calendar year | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 and after |
|---|---|---|---|---|---|---|
| Exclusion | 0% | 0% | 25% | 50% | 75% | 100% |

17. **Exempt organizations**
**Citation:** Tax Law § 186-e(1)(c)
**Effective date:** January 1, 1995
**Description:** Telecommunications services provided by the State, municipalities, political and civil subdivisions of the State or municipality, public districts, and corporations and associations organized and operated exclusively for religious, charitable, or educational purposes are exempt from § 186-e tax.

18. **§ 186-f public safety communications surcharge**

    a. **Lifeline consumers — § 186-f**
    **Citation:** Tax Law § 186-f(4)
    **Effective date**: December 1, 2017
    **Description:** Consumers who receive a Lifeline discount on their wireless communications service are exempt from the public safety communications surcharges.

    b. **Exempt organizations — § 186-f**
    **Citation:** Tax Law § 186-f(4)
    **Effective date**: September 1, 2009
    **Description:** The public safety communications surcharges do not apply to purchases by the State of New York and its agencies and instrumentalities; the United States of America and its agencies and instrumentalities; the United Nations; and a nonprofit property/casualty insurance company organized under Insurance Law § 6703.

c. **Administrative fee — § 186-f**
**Citation:** Tax Law § 186-f(2)
**Effective date**: September 1, 2009
**Description:** Wireless communications service suppliers and prepaid wireless communications sellers may retain an administrative fee of 1.749 percent of surcharges collected for timely filed and fully paid returns. Prior to December 1, 2017, the administrative fee was 1.166 percent.

## Credits

Credits include amounts that the taxpayer may in calculating New York tax liability or request as a refund or apply as a payment for the next tax period.

## Corporation tax credits

The credits described below are specific to the corporation tax.

19. **Credit for tax paid in another jurisdiction**
**Citation:** Tax Law § 186-e(4)(a)(2)
**Credit type:** Nonrefundable/non-carryforward
**Effective date:** January 1, 1995
**Description:** To prevent actual multijurisdictional taxation of sales of telecommunications services, providers of interstate and international telecommunications services may claim a credit for a like tax paid to another state or country on a telecommunications service taxable under § 186-e. The amount of the credit is the amount of tax lawfully due and paid to the other country or jurisdiction not exceeding the tax due to New York.

20. **Utility COVID-19 debt relief credit**
**Citation:** Tax Law § 187-q
**Credit type:** Refundable
**Effective date of Credit:** Effective for tax years beginning on or after January 1, 2021
**Description:** Taxpayers under Tax Law, Article 9, § 186-a are eligible for a refundable credit equal to the amount of debt waived from customers who received certain utility arrears assistance. The credit is administered by the Public Service Commission and is claimed in the taxable year in which the Public Service Commission certifies the amount of customer debt waived by the taxpayer that qualifies for the credit.

## Cross-article credits

Descriptions of tax credits that are available under the corporation tax as well as other tax articles are contained in the cross-article tax credits section of the report.

This section of the report provides tax expenditure descriptions and estimates for 164 provisions of the Sales and Use Tax Law. The list of expenditures is based on the Tax Law in effect as of January 1, 2026. The tax expenditure estimates only pertain to the state portion of the tax and do not include estimates of the revenue foregone by local governments levying sales and use taxes.

The report presents historical estimates for calendar years 2019 through 2023. Table 5 lists the tax expenditures and provides historical year and projected 2026 estimates. It also lists the years for which data are available. For recently added tax expenditures, the report displays historical estimates only for years the item existed as a tax expenditure. The effective dates recorded in the report refer to the date the applicable provision took effect.

## Description of tax

The New York State sales and use tax was enacted in 1965 and took effect August 1, 1965. This tax applies primarily to retail sales of tangible personal property in New York State. The sales and use tax also applies to a variety of services, notably, services to real or personal property, telephone service, and commercial energy use. Hotel occupancy, restaurant meals and certain admissions are also taxed. Generally, the tax base includes tangible personal property unless the law provides a specific exclusion or exemption and does not include services unless the law specifically enumerates the service as taxable.

The Tax Law provides manufacturers with exemptions for the purchase, repair, and maintenance of machinery and equipment used in production. Other exempt items include food, medicine, residential energy, and sales to exempt organizations. Although most services are not subject to sales or use tax, this report examines only services that are specifically exempted by New York.

The Department of Taxation and Finance administers the sales and use tax for the State and its constituent jurisdictions that also impose the tax. The State rate equals 4 percent. Local rates range from 3 percent to 4.75 percent. Communities within the Metropolitan Commuter Transportation District are subject to an additional 3/8 of 1 percent tax rate. In State fiscal year 2024-25, the Department collected about $19.1 billion for the State and approximately $23.5 billion for local governments from sales and use taxes.

## Data sources

Most sales tax expenditure estimates use aggregate, non-tax data sources. This is because no tax return data exist for the many exclusions and exemptions. Thus, the estimates are only suggestive of the revenue loss associated with each provision. Estimates are rounded to the nearest million dollars.

Data sources used to calculate the tax expenditure estimates include:

- Federal government publications and surveys such as the U.S. Census Bureau's *Economic Census*;
- New York State data resources from Open New York's open data portal; and
- Industry surveys and information, such as the information provided by the National Automobile Dealers Association.

## Methodology

The report bases the historical estimates on the most recent data available. If data are not available for a particular year covered by the report, the tax expenditure is estimated from the most recent data. For example, where 2019 represents the latest year for which relevant data are available, the 2019 data are used to derive historical estimates. Historical estimates may vary from prior year reports due to the availability of more recent data. From the most recent data, tax expenditure estimates are projected to 2026 levels.

A sales tax transaction can be exempt from tax because the good or service is exempt or because its use, purchaser, or seller is exempt. In valuing the exemptions, no account is taken of the fact that if the good or service were made taxable, some of the transactions would remain exempt because of the nature of the use, purchaser, or seller. Hence, the value of a particular good or service may be included in two or more tax expenditure estimates. Because of this overlapping, the revenue value of eliminating an exemption would not necessarily coincide with the estimated value herein.

**Table 5**
**2026 New York State sales and use tax expenditure estimates (in millions of dollars)**
**(2024-25 total NY sales and use tax liability = $19,096 million)**

| Tax item | Data source Year(s) | History 2019 | 2020 | 2021 | 2022 | 2023 | Forecast 2026 | Reliability level |
|---|---|---|---|---|---|---|---|---|
| **Services** | | | | | | | | |
| 1. Certain information services | | N/A | N/A | N/A | N/A | N/A | N/A | 5 |
| 2. Certain information services provided over the telephone | | N/A | N/A | N/A | N/A | N/A | N/A | 5 |
| 3. Services performed on a non-trade basis | | N/A | N/A | N/A | N/A | N/A | N/A | 5 |
| 4. Laundering, tailoring, shoe repair, and similar services | 2019 | 86.0 | 83.0 | 92.0 | 101.0 | 109.0 | 133.0 | 4B |
| 5. Capital improvement installation services | 2019 - 2022 | 802.0 | 864.0 | 953.0 | 1,097.0 | 1,166.0 | 1,424.0 | 4C |
| 6. Services related to railroad rolling stock | 2019 - 2022 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 4B |
| 7. Services to property delivered outside New York | | N/A | N/A | N/A | N/A | N/A | N/A | 5 |
| 8. Municipal parking services | 2019 - 2022 | 17.0 | 12.0 | 12.0 | 13.0 | 13.0 | 16.0 | 4A |
| 9. Parking and garaging at a private residence | 2019 - 2022 | * | * | * | * | * | * | 4A |
| 10. Certain protective and detective services | 2019 - 2022 | * | * | * | * | * | * | 4B |
| 11. Medical emergency alarm call services | 2019 - 2022 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 4C |
| 12. Coin-operated car wash services | 2019 | 9.0 | 9.0 | 10.0 | 11.0 | 12.0 | 15.0 | 4C |
| 13. Trash removal from a waste transfer facility | | N/A | N/A | N/A | N/A | N/A | N/A | 5 |
| 14. Transportation services in connection with funerals | 2019-2022 | 1.0 | 2.0 | 1.0 | 1.0 | 1.0 | 1.0 | 4C |
| 15. Transportation services provided by affiliated livery vehicles | 2022 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 4C |
| 16. Water and sewer line protection programs | 2019 | * | * | * | * | * | * | 4C |
| **Food** | | | | | | | | |
| 17. Certain food products | 2019 - 2022 | 1,626.0 | 1,840.0 | 1,953.0 | 2,111.0 | 2,192.0 | 2,389.0 | 4B |
| 18. Food sold to airlines | 2019 - 2022 | 7.0 | 2.0 | 2.0 | 8.0 | 8.0 | 8.0 | 4A |
| 19. Food sold at school cafeterias | 2019 - 2022 | 161.0 | 81.0 | 139.0 | 152.0 | 158.0 | 172.0 | 4A |
| 20. Food purchased with Supplemental Nutrition Assistance Program benefits | 2019 - 2022 | 174.0 | 227.0 | 331.0 | 379.0 | 393.0 | 429.0 | 4A |
| 21. Water delivered through mains or pipes | 2019 - 2022 | 108.0 | 110.0 | 108.0 | 111.0 | 115.0 | 126.0 | 4B |
| 22. Mandatory gratuity charges | 2019 - 2022 | 42.0 | 21.0 | 37.0 | 48.0 | 50.0 | 55.0 | 4A |
| 23. Alcoholic beverage tastings | 2019 - 2022 | * | * | * | * | * | * | 4B |
| 24. Vending machine sales of hot drinks and certain foods | 2019, 2022 | 16.0 | 17.0 | 11.0 | 12.0 | 12.0 | 12.0 | 4C |
| 25. Vending machine sales of candy, juice, soft drinks and bottled water | 2021, 2022 | 9.0 | 9.0 | 10.0 | 10.0 | 10.0 | 5.0 | 4C |
| 26. Food sold at senior citizen housing communities | 2022 | * | * | * | * | * | * | 4B |

| Tax item | Data source Year(s) | History 2019 | 2020 | 2021 | 2022 | 2023 | Forecast 2026 | Reliability level |
|---|---|---|---|---|---|---|---|---|
| **Medical and health** | | | | | | | | |
| 27. Drugs, medicine, and medical supplies | 2019 - 2022 | 1,525.0 | 1,454.0 | 1,482.0 | 1,757.0 | 1,893.0 | 2,350.0 | 4C |
| 28. Breast pump parts and supplies[2] | 2020 | -- | -- | * | * | * | * | 4C |
| 29. Menstrual products | 2019 - 2022 | 7.0 | 7.0 | 7.0 | 7.0 | 8.0 | 10.0 | 4C |
| 30. Diapers[2] | 2022 | -- | -- | -- | * | * | * | 4C |
| 31. Eyeglasses, hearing aids and prosthetic aids | 2019 - 2022 | 230.0 | 222.0 | 265.0 | 281.0 | 303.0 | 377.0 | 4C |
| 32. Veterinarian services | 2019 - 2022 | 58.0 | 62.0 | 67.0 | 73.0 | 79.0 | 98.0 | 4B |
| 33. Drugs or medicines used in farm production | 2019 | * | * | * | * | * | * | 4B |
| 34. Service dogs | 2019 | * | * | * | * | * | * | 4B |
| **Energy** | | | | | | | | |
| 35. Residential energy | 2019 - 2022 | 650.0 | 675.0 | 737.0 | 769.0 | 773.0 | 963.0 | 4A |
| 36. Fuel, gas, electricity, refrigeration, and steam used in research and development and production | 2019 - 2021 | 117.0 | 104.0 | 174.0 | 230.0 | 190.0 | 309.0 | 4C |
| 37. Fuel, gas, electricity, refrigeration, and steam used in farming and commercial horse boarding | 2022 | 15.0 | 14.0 | 18.0 | 23.0 | 19.0 | 30.0 | 4B |
| 38. Gas and electricity used in transmission, distribution and storage | 2019 - 2022 | 8.0 | 7.0 | 9.0 | 14.0 | 13.0 | 10.0 | 4C |
| 39. Residential solar energy systems | 2019 - 2022 | 8.0 | 7.0 | 9.0 | 10.0 | 11.0 | 14.0 | 4B |
| 40. Commercial solar energy systems | 2019 - 2022 | 4.0 | 5.0 | 6.0 | 7.0 | 8.0 | 11.0 | 4B |
| 41. Solar power purchase agreements | 2019 - 2022 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 4B |
| 42. Commercial fuel cell electricity generating systems equipment | 2022 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 4B |
| 43. Residential energy storage systems equipment | 2023 | * | * | * | * | * | * | 4C |
| 44. Electricity, refrigeration, and steam sold by certain cooperative corporations | 2022 | * | * | * | * | * | * | 4A |
| 45. Automotive fuel receipts exceeding two dollars per gallon | 2019 - 2022 | 161.0 | 23.0 | 202.0 | 282.0 | 264.0 | 217.0 | 4A |
| 46. Alternative fuels | 2019 - 2022 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 4A |
| 47. B20 bio-diesel fuel | 2019 - 2022 | * | * | * | * | * | * | 4A |
| **Transportation** | | | | | | | | |
| 48. Commercial vessels | | N/A | N/A | N/A | N/A | N/A | N/A | 5 |
| 49. Vessels | 2019 - 2022 | 2.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 4B |
| 50. Barge repairs | 2019 | * | * | * | * | * | * | 4C |
| 51. Commercial aircraft | 2019 - 2022 | 26.0 | 19.0 | 16.0 | 31.0 | 33.0 | 40.0 | 4C |
| 52. General aviation aircraft | 2019 - 2022 | 11.0 | 9.0 | 10.0 | 10.0 | 11.0 | 13.0 | 4C |
| 53. Fuel sold to airlines | 2019 - 2022 | 161.0 | 48.0 | 92.0 | 113.0 | 122.0 | 148.0 | 4A |
| 54. Parts for foreign aircraft | | N/A | N/A | N/A | N/A | N/A | N/A | 5 |

| Tax item | Data source Year(s) | History 2019 | 2020 | 2021 | 2022 | 2023 | Forecast 2026 | Reliability level |
|---|---|---|---|---|---|---|---|---|
| 55. Services to private aircraft | 2019 - 2022 | 8.0 | 8.0 | 9.0 | 9.0 | 10.0 | 12.0 | 4C |
| 56. Intra-family sales of motor vehicles | | N/A | N/A | N/A | N/A | N/A | N/A | 5 |
| 57. Motor vehicles and vessels sold to nonresidents | | N/A | N/A | N/A | N/A | N/A | N/A | 5 |
| 58. Motor vehicles purchased out-of-state by a member of the military service | 2019 | 4.0 | 3.0 | 4.0 | 5.0 | 5.0 | 6.0 | 4C |
| 59. Rental of trucks in certain cases | | N/A | N/A | N/A | N/A | N/A | N/A | 5 |
| 60. Tractor-trailer combinations | 2019 - 2022 | 30.0 | 31.0 | 20.0 | 24.0 | 26.0 | 32.0 | 4B |
| 61. Sales of property by railroads in reorganization | 2019 - 2022 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 4A |
| 62. Commercial buses | 2019 - 2022 | 3.0 | 4.0 | 3.0 | 6.0 | 6.0 | 7.0 | 4A |
| 63. Marine terminal facility equipment | 2022 | * | * | * | * | * | * | 4B |
| 64. Ferry boats | 2022 | * | * | * | * | * | * | 4A |
| **Communication and Media** | | | | | | | | |
| 65. Interstate or international telephone and telegraph service | 2019 - 2022 | 150.0 | 141.0 | 123.0 | 126.0 | 129.0 | 148.0 | 4A |
| 66. Internet access service | 2019 - 2023 | 539.0 | 561.0 | 605.0 | 641.0 | 679.0 | 778.0 | 4C |
| 67. Cable television service | 2019 - 2022 | 398.0 | 405.0 | 439.0 | 434.0 | 429.0 | 416.0 | 4C |
| 68. Newspapers and periodicals | 2019 - 2022 | 52.0 | 50.0 | 52.0 | 50.0 | 49.0 | 43.0 | 4B |
| 69. Electronic news services and electronic periodicals | | N/A | N/A | N/A | N/A | N/A | N/A | 5 |
| 70. Shopping papers | 2019 - 2022 | * | * | * | * | * | * | 4C |
| 71. Telephone service used by the media | | N/A | N/A | N/A | N/A | N/A | N/A | 5 |
| 72. Certain coin-operated telephone charges | 2019 - 2023 | * | * | * | * | * | * | 4C |
| 73. Telecommunications and internet equipment | 2019 - 2022 | 28.0 | 27.0 | 27.0 | 27.0 | 29.0 | 34.0 | 4B |
| 74. Internet data centers | 2019 - 2023 | 6.0 | 6.0 | 7.0 | 9.0 | 10.0 | 12.0 | 4C |
| 75. Radio and television broadcasting | 2019 - 2023 | 4.0 | 3.0 | 5.0 | 7.0 | 10.0 | 12.0 | 4C |
| 76. Film production | | N/A | N/A | N/A | N/A | N/A | N/A | 5 |
| 77. Certain mobile telecommunication services | 2019 - 2023 | 6.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 4B |
| **Industry** | | | | | | | | |
| 78. Tools and supplies used in production | | N/A | N/A | N/A | N/A | N/A | N/A | 5 |
| 79. Farm production and commercial horse boarding | 2019 - 2023 | 91.0 | 103.0 | 113.0 | 146.0 | 171.0 | 172.0 | 4B |
| 80. Research and development property | 2021 | 44.0 | 46.0 | 48.0 | 55.0 | 60.0 | 72.0 | 4B |
| 81. Machinery and equipment used in production | 2019 - 2022 | 358.0 | 358.0 | 362.0 | 415.0 | 439.0 | 440.0 | 4B |
| 82. Services to machinery and equipment used in production | 2022 | 15.0 | 15.0 | 16.0 | 16.0 | 17.0 | 17.0 | 4B |
| 83. Wrapping and packaging materials | | N/A | N/A | N/A | N/A | N/A | N/A | 5 |
| 84. Milk crates | 2019 - 2022 | * | * | * | * | * | * | 4C |
| 85. Commercial fishing vessels | 2019 - 2023 | * | * | * | * | * | * | 4B |

| Tax item | Data source Year(s) | History 2019 | 2020 | 2021 | 2022 | 2023 | Forecast 2026 | Reliability level |
|---|---|---|---|---|---|---|---|---|
| 86. Certain services used in gas or oil production | 2020 | * | * | * | * | * | * | 4C |
| 87. Pollution control equipment | 2019 - 2023 | 21.0 | 16.0 | 14.0 | 24.0 | 24.0 | 24.0 | 4C |
| 88. Property manufactured by the user | 2019 - 2023 | * | * | * | * | * | * | 4B |
| **Miscellaneous** | | | | | | | | |
| 89. Certain property sold through vending machines | 2020 - 2022 | * | * | * | * | * | * | 4C |
| 90. Trade-in allowance[1] | 2019 - 2023 | 479.0 | 404.0 | 556.0 | 550.0 | 492.0 | 528.0 | 4B |
| 91. Certain hotel room rent | | N/A | N/A | N/A | N/A | N/A | N/A | 5 |
| 92. Dues for fraternal societies | 2019 - 2023 | 26.0 | 19.0 | 24.0 | 28.0 | 31.0 | 32.0 | 4C |
| 93. Homeowner association dues | | N/A | N/A | N/A | N/A | N/A | N/A | 5 |
| 94. Homeowner association parking services | | N/A | N/A | N/A | N/A | N/A | N/A | 5 |
| 95. Property sold by morticians | 2019 - 2023 | 6.0 | 9.0 | 7.0 | 7.0 | 7.0 | 7.0 | 4C |
| 96. Cemetery monuments | 2019 | * | * | * | * | * | * | 4B |
| 97. Flags | | N/A | N/A | N/A | N/A | N/A | N/A | 5 |
| 98. Military decorations | 2019 - 2023 | * | * | * | * | * | * | 4C |
| 99. Military flags and banners | 2019 - 2023 | * | * | * | * | * | * | 4C |
| 100. Certain property manufactured and sold by a veteran | 2020 | * | * | * | * | * | * | 4C |
| 101. Garage sales | | N/A | N/A | N/A | N/A | N/A | N/A | 5 |
| 102. New mobile homes | 2019 - 2023 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 4A |
| 103. Used mobile homes | | N/A | N/A | N/A | N/A | N/A | N/A | 5 |
| 104. Modular homes | 2019 - 2023 | 3.0 | 3.0 | 2.0 | 3.0 | 3.0 | 2.0 | 4B |
| 105. Registered racehorses | | N/A | N/A | N/A | N/A | N/A | N/A | 5 |
| 106. Racehorses purchased through claiming races | | N/A | N/A | N/A | N/A | N/A | N/A | 5 |
| 107. Racehorses purchased out of state | | N/A | N/A | N/A | N/A | N/A | N/A | 5 |
| 108. Training and maintaining racehorses | 2020 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 4C |
| 109. Property sold to contractors for capital improvements or repairs for exempt organizations | 2019 - 2023 | 211.0 | 216.0 | 202.0 | 220.0 | 252.0 | 269.0 | 4C |
| 110. Property donated by a manufacturer to an exempt organization | | N/A | N/A | N/A | N/A | N/A | N/A | 5 |
| 111. Sales and use tax paid to other states | | N/A | N/A | N/A | N/A | N/A | N/A | 5 |
| 112. Precious metal bullion and coins[1] | 2019 - 2022 | 388.0 | 468.0 | 550.0 | 545.0 | 567.0 | 608.0 | 4C |
| 113. Computer software transferred to affiliated corporations | | N/A | N/A | N/A | N/A | N/A | N/A | 5 |

| Tax item | Data source Year(s) | History 2019 | 2020 | 2021 | 2022 | 2023 | Forecast 2026 | Reliability level |
|---|---|---|---|---|---|---|---|---|
| 114. Services to computer software | | N/A | N/A | N/A | N/A | N/A | N/A | 5 |
| 115. Self-use of prewritten software by its author | | N/A | N/A | N/A | N/A | N/A | N/A | 5 |
| 116. Computer system hardware | 2019 - 2022 | 21.0 | 22.0 | 29.0 | 28.0 | 27.0 | 28.0 | 4C |
| 117. Promotional materials mailed out of state | | N/A | N/A | N/A | N/A | N/A | N/A | 5 |
| 118. Printed promotional materials | 2019 | 42.0 | 43.0 | 43.0 | 45.0 | 47.0 | 50.0 | 4C |
| 119. U.S. postage used in the distribution of promotional materials | | N/A | N/A | N/A | N/A | N/A | N/A | 5 |
| 120. Clothing and footwear | 2019 - 2023 | 837.0 | 640.0 | 855.0 | 844.0 | 854.0 | 871.0 | 4B |
| 121. Coin-operated photocopying machines | 2019 - 2021 | * | * | * | * | * | * | 4C |
| 122. Luggage carts | 2019 - 2021 | * | * | * | * | * | * | 4C |
| 123. Emissions testing equipment | 2019 | * | * | * | * | * | * | 4A |
| 124. College textbooks | 2019 - 2021 | 14.0 | 15.0 | 10.0 | 10.0 | 10.0 | 10.0 | 4B |
| 125. Live dramatic or musical arts production | 2019 - 2021 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 4A |
| 126. Lower Manhattan commercial office space | 2019 - 2021 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 4B |
| 127. Dodd-Frank wall street reform and consumer protection act | 2019 | * | * | * | * | * | * | 4C |
| **Exempt organizations** | | | | | | | | |
| 128. New York State agencies and political subdivisions | 2019 - 2021 | 1,347.0 | 1,403.0 | 1,410.0 | 1,410.0 | 1,412.0 | 1,473.0 | 4C |
| 129. Industrial development agencies | 2019 - 2021 | 71.0 | 71.0 | 78.0 | 82.0 | 85.0 | 91.0 | 4A |
| 130. Federal agencies | 2019 - 2021 | 291.0 | 291.0 | 330.0 | 348.0 | 362.0 | 388.0 | 4B |
| 131. United Nations | | N/A | N/A | N/A | N/A | N/A | N/A | 5 |
| 132. Diplomats and foreign missions | | N/A | N/A | N/A | N/A | N/A | N/A | 5 |
| 133. Charitable organizations | 2019 - 2021 | 855.0 | 1,061.0 | 902.0 | 952.0 | 991.0 | 1,062.0 | 4C |
| 134. Veterans' posts or organizations | 2019 - 2021 | * | * | * | * | * | * | 4C |
| 135. Veterans' Home gift shops | 2019 | * | * | * | * | * | * | 4C |
| 136. Indian nations and members of such Indian nations | 2019 | 4.0 | 4.0 | 5.0 | 5.0 | 5.0 | 5.0 | 4C |
| 137. U.S. Military base post exchanges | 2019 - 2021 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 4A |
| 138. Nonprofit health maintenance organizations | 2019 | 20.0 | 22.0 | 25.0 | 26.0 | 27.0 | 28.0 | 4A |
| 139. Nonprofit medical expense indemnity or hospital service corporations | 2019 | 4.0 | 4.0 | 5.0 | 5.0 | 5.0 | 5.0 | 4A |
| 140. Nonprofit property/casualty insurance companies | | N/A | N/A | N/A | N/A | N/A | N/A | 5 |
| 141. Certain state credit unions | 2019 - 2021 | 5.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4A |
| 142. Rural electric cooperatives | 2019 - 2021 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 4A |
| 143. Municipal trash removal services | 2019 - 2021 | 39.0 | 39.0 | 38.0 | 40.0 | 42.0 | 45.0 | 4B |

| Tax item | Data source Year(s) | History 2019 | 2020 | 2021 | 2022 | 2023 | Forecast 2026 | Reliability level |
|---|---|---|---|---|---|---|---|---|
| **Admission charges** | | | | | | | | |
| 144. Certain admission charges | 2019 | 220.0 | 172.0 | 233.0 | 267.0 | 293.0 | 352.0 | 4B |
| 145. Amusement park admissions | 2019 | 4.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 4A |
| 146. Events given for the benefit of charitable organizations, veterans posts, and Indian nations | | N/A | N/A | N/A | N/A | N/A | N/A | 5 |
| 147. Events given for the benefit of certain orchestras and opera companies | | N/A | N/A | N/A | N/A | N/A | N/A | 5 |
| 148. National Guard organization events | | N/A | N/A | N/A | N/A | N/A | N/A | 5 |
| 149. Municipal police and fire department events | | N/A | N/A | N/A | N/A | N/A | N/A | 5 |
| 150. Certain athletic games | | N/A | N/A | N/A | N/A | N/A | N/A | 5 |
| 151. Carnivals or rodeos for certain charitable organizations | 2019 | 1.0 | * | 1.0 | 1.0 | 1.0 | 1.0 | 4B |
| 152. Agricultural fairs | 2019 | * | * | * | * | * | * | 4A |
| 153. Historical homes, gardens, sites, and museums | | N/A | N/A | N/A | N/A | N/A | N/A | 5 |
| 154. Performances at a roof garden or cabaret | | N/A | N/A | N/A | N/A | N/A | N/A | 5 |
| **Credits** | | | | | | | | |
| 155. Sales tax vendor credit | 2019 - 2023 | 83.0 | 70.0 | 78.0 | 83.0 | 83.0 | 83.0 | 2 |
| 156. Tangible personal property sold by contractors in certain situations | | N/A | N/A | N/A | N/A | N/A | N/A | 5 |
| 157. Construction materials used in empire zones | | N/A | N/A | N/A | N/A | N/A | N/A | 5 |
| 158. Bus companies providing local transit service | 2019 – 2021 | * | * | * | * | * | * | 4A |
| 159. Vessel operators providing local transit service | 2019 | * | * | * | * | * | * | 4B |
| 160. Commercial motor vehicle leases with terminal rental adjustment clauses | 2022 | -- | -- | -- | * | 2.0 | 3.0 | 4C |
| 161. Qualified Empire Zone Enterprises | 2019 – 2022 | 1.0 | * | * | * | * | * | 4A |
| 162. Economic Transformation and Facility Redevelopment Program | 2019 – 2021 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 4B |
| 163. New York State Business Incubator and Innovation Hot Spot Program | 2019 – 2021 | * | * | * | * | * | * | 4C |
| 164. START-UP NY tax elimination credit | 2019 – 2021 | * | * | * | * | * | * | 4C |

1. A new tax expenditure item or a revision of the methodology, data or data sources resulting in an estimate that better reflects the tax expenditure value.
2. First estimate in history is a partial calendar year estimate.

-- The tax expenditure was not applicable for these years.

* Less than $1 million.

N/A No data available.

## Services

1. **Certain information services**
   **Citation:** Tax Law § 1105(c)(1)
   **Effective date:** August 1, 1965; September 1, 1995 for meteorological services; March 1, 2012 for electronic news services.
   **Description:** An exclusion is allowed for the furnishing of information that is personal or individual in nature, the services of advertising or other agents acting in a representative capacity, information services used by newspapers, electronic news services, radio broadcasters, and television broadcasters in the collection and dissemination of news, and meteorological services.

2. **Certain information services provided over the telephone**
   **Citation:** Tax Law § 1105(c)(9)
   **Effective date:** September 1, 1990
   **Description:** An information service that would be exempt from tax if delivered in printed form is also exempt from tax when provided over the telephone. This exemption complements § 1105(c)(1), which is item 1 above.

3. **Services performed on a non-trade basis**
   **Citation:** Tax Law §§ 1105(c)(3)(i), 1105(c)(5)(i)
   **Effective date:** August 1, 1965
   **Description:** An exclusion is allowed for installation, repair, and maintenance services rendered by an individual who is engaged directly by a private homeowner or lessee and who is not in a regular trade or business offering those services to the public.

4. **Laundering, tailoring, shoe repair, and similar services**
   **Citation:** Tax Law § 1105(c)(3)(ii)
   **Effective date:** August 1, 1965
   **Description:** Charges for laundering, dry cleaning, tailoring, weaving, pressing, shoe repairing, and shoe shining are excluded from tax.

5. **Capital improvement installation services**
   **Citation:** Tax Law § 1105(c)(3)(iii)
   **Effective date:** August 1, 1965
   **Description:** An exclusion is allowed for installing property that, when installed, will constitute an addition or capital improvement to real property.

6. **Services related to railroad rolling stock**
   **Citation:** Tax Law § 1105(c)(3)(viii)
   **Effective date:** September 1, 1985

**Description:** Excluded from tax are repair and maintenance services rendered with respect to railroad rolling stock primarily engaged in carrying freight, but not including any charge for parts.

7. **Services to property delivered outside New York**
**Citation:** Tax Law § 1115(d)
**Effective date:** August 1, 1965
**Description:** Services to tangible personal property are exempt when the property is delivered outside New York State for use outside the State.

8. **Municipal parking services**
**Citation:** Tax Law § 1105(c)(6)
**Effective date:** December 1, 1996
**Description:** Charges for parking, garaging, or storing motor vehicles are exempt at facilities owned and operated by local governments and local public parking authorities.

9. **Parking and garaging at a private residence**
**Citation:** Tax Law § 1105(c)(6)
**Effective date:** June 1, 1990
**Description:** Charges for parking, garaging or storing vehicles at a garage that constitutes part of the premises occupied solely as a private one- or two-family dwelling are exempt.

10. **Certain protective and detective services**
**Citation:** Tax Law § 1105(c)(8)
**Effective date:** June 1, 1990
**Description:** Protective and detective services provided by a security officer licensed by the New York Waterfront Commission or the waterfront commission of New York harbor are exempt from tax.

11. **Medical emergency alarm call services**
**Citation:** Tax Law § 1115(r)
**Effective date:** September 1, 1994
**Description:** Exempt from tax are medical emergency alarm services.

12. **Coin-operated car wash services**
**Citation:** Tax Law § 1115(t)
**Effective date:** December 1, 1997; December 1, 2004, for certain vacuuming services; December 1, 2005 for additional automated services.
**Description:** The sales tax exempts the service of washing, waxing, or vacuuming a motor vehicle or other property by means of coin-operated equipment.

13. **Trash removal from a waste transfer facility**
**Citation:** Tax Law § 1105(c)(5)(iv)
**Effective date:** December 1, 2005
**Description:** Excluded from tax is the removal of waste material from a waste transfer station or construction and demolition debris processing facility, where the waste to be removed was not originally generated by the facility.

14. **Transportation services in connection with funerals**
**Citation:** Tax Law § 1101(b)(34)
**Effective date**: June 1, 2009
**Description:** Excluded from tax is the transportation service of transporting persons in connection with funerals.

15. **Transportation services provided by affiliated livery vehicles**
**Citation:** Tax Law § 1101(b)(34)
**Effective date:** June 1, 2009
**Description:** Charges for transportation services provided by affiliated livery vehicles within New York City are excluded from the sales tax on certain transportation services.

16. **Water and sewer service line protection programs**
**Citation:** Tax Law § 1115(ii)
**Effective date:** October 21, 2013
**Description:** Water and sewer service line protection programs sold to owners of residential property are exempt from tax.

## Food

17. **Certain food products**
**Citation:** Tax Law §§ 1115(a)(1), 1105(d)(i)(3)
**Effective date:** August 1, 1965
**Description:** Exempt from tax are food, food products, beverages, dietary foods, and health supplements sold for human consumption. The exemption does not include candy and confectionery, fruit drinks that contain less than 70 percent of natural fruit juice, soft drinks, sodas, beer, wine, or other alcoholic beverages. Sales of food (other than sandwiches) or drink of a type commonly sold in food stores are exempt when sold by a restaurant or other establishment unheated and for off-premises consumption.

18. **Food sold to airlines**
**Citation:** Tax Law § 1105(d)(ii)(A)
**Effective date:** August 1, 1965

**Description:** The sales tax does not apply to food or drink that is sold to an airline for consumption by passengers while in flight.

19. **Food sold at school cafeterias**
**Citation:** Tax Law § 1105(d)(ii)(B)
**Effective date:** September 1, 1968
**Description:** Food or drink sold to nursery school, kindergarten, elementary, or secondary school students at a restaurant or cafeteria located at the school is excluded from tax. Also excluded are food and nonalcoholic beverages sold at a restaurant, tavern, or other establishment located on the premises of a college or university when sold to enrolled students under a contractual arrangement whereby the students do not pay cash at the time they are served.

20. **Food purchased with Supplemental Nutrition Assistance Program benefits**
**Citation:** Tax Law § 1115(k)
**Effective date:** October 1, 1987
**Description:** Food and beverages eligible to be purchased with the Supplemental Nutrition Assistance Program (formerly known as *food stamps*) are exempt from tax.

21. **Water delivered through mains or pipes**
**Citation:** Tax Law § 1115(a)(2)
**Effective date:** August 1, 1965
**Description:** Water delivered to consumers through mains or pipes is exempt.

22. **Mandatory gratuity charges**
**Citation:** Tax Law § 1105(d) and NYS Regulation § 527.8(l)
**Effective date:** August 1, 1965
**Description:** A separately stated charge specifically designated as a gratuity is exempt where all such monies received are paid over to employees.

23. **Alcoholic beverage tastings**
**Citation:** Tax Law §§ 1105(d)(ii), 1115(a)(33), 1115(a)(45), 1118(13)
**Effective date**: December 1, 1997 for wine; April 13, 2015 for kegs, cans, bottles, corks, caps, and labels; June 1, 2015 for beer, cider and liquor; March 28, 2019 for mead and beer samples
**Description:** Wine, beer, cider, liquor and mead furnished at a tasting held in accordance with the Alcoholic Beverage Control Law to a customer or prospective customer for consumption at the tasting is exempt from tax. Also exempt are kegs, cans, bottles, corks, caps, and labels used to package the alcoholic beverages served at the tastings. In addition, certain beer samples sold by a licensed brewery or farm brewery are exempt from tax.

24. **Vending machine sales of hot drinks and certain foods**
**Citation:** Tax Law § 1105(d)(i)(3)
**Effective date:** December 1, 1997; December 1, 1999 for credit/debit card-operated machines.
**Description:** Exempt from tax are hot drinks sold through coin-operated vending machines and vending machines accepting credit cards or debit cards. In addition, vending machine sales of other food and beverage, including food and beverage sold for on-premises consumption, are exempt if the food or beverage would be exempt when sold at a grocery store.

25. **Vending machine sales of candy, juice, soft drinks and bottled water**
**Citation:** Tax Law § 1115(a)(1)
**Effective date:** September 1, 2000; $2.00 exemption and inclusion of bottled water effective June 1, 2019
**Description:** Candy, fruit drinks, soft drinks and bottled water sold for two dollars or less are exempt from tax when sold from a vending machine that accepts forms of payment other than coin or currency. For vending machines that only accept coin and currency, the exemption threshold is $1.50. For June 1, 2014, through May 31, 2019, the exemption threshold was $1.50.
**Termination date:** Expires May 31, 2026

26. **Food sold at senior citizen housing communities**
**Citation:** Tax Law § 1115(w)
**Effective date:** December 1, 2000
**Description:** Sales by a senior citizen independent housing community of food or drink (except alcoholic beverages) for on-premises consumption are exempt from tax when served to residents and their guests at the dining facility or in the resident's room.

## Medical and health

27. **Drugs, medicine, and medical supplies**
**Citation:** Tax Law § 1115(a)(3), (g)
**Effective date:** August 1, 1965 for drugs and medicines; September 1, 1976 for medical equipment and supplies and services to medical equipment.
**Description:** Exempt from tax are drugs and medicines intended for use, internally or externally, in the cure, mitigation, treatment, or prevention of illnesses or diseases in human beings. The exemption extends to medical equipment and supplies and services to medical equipment. This exemption does not include medical equipment and supplies purchased by a person who provides medical or dental services for compensation.

28. **Breast pump parts and supplies**
**Citation:** Tax Law § 1115(a)(46)
**Effective date:** September 1, 2021
**Description:** Breast pump replacement parts and breast pump collection and storage supplies are exempt from sales tax when purchased by an individual for home use.

29. **Menstrual products**
**Citation:** Tax Law § 1115(a)(3-a)
**Effective date**: September 1, 2016
**Description:** The retail sale of menstrual products is exempt from tax.

30. **Diapers**
**Citation:** Tax Law § 1115(a)(30-a)
**Effective date:** September 1, 2022
**Description:** Diapers intended for human use are exempt from sales tax.

31. **Eyeglasses, hearing aids, and prosthetic aids**
**Citation:** Tax Law § 1115(a)(4), (g)
**Effective date:** August 1, 1965 [ § 1115(a)(4)]; September 1, 1969 [§ 1115(g)]
**Description:** Eyeglasses, hearing aids, prosthetic aids, and artificial devices and component parts purchased to correct physical incapacity in human beings, as well as services performed upon these items, are exempt from tax.

32. **Veterinarian services**
**Citation:** Tax Law § 1115(f)(1)
**Effective date:** June 1, 1967
**Description:** Services rendered by a licensed veterinarian in the practice of veterinary medicine are exempt from tax. Tangible personal property designed for use by domestic animals or poultry is also exempt when sold by a veterinarian. However, the veterinarian pays sales tax on the purchase of such property.

33. **Drugs or medicines used in farm production**
**Citation:** Tax Law § 1115(f)(2)
**Effective date:** June 1, 2018
**Description:** Drugs or medicines for use on livestock or poultry used in farm production are exempt from tax. Prior to June 1, 2018, only a refund or credit for tax paid on these drugs or medicines was available.

34. **Service dogs**
**Citation:** Tax Law § 1115(s)
**Effective date:** September 24, 1995

**Description:** The sale of any good or service necessary to acquire, sustain, or maintain a guide dog, a hearing dog, or a service dog that is used by a person with a disability is exempt.

## Energy

35. **Residential energy**
**Citation:** Tax Law §§ 1105-A, 1115(a)(25)
**Effective date:** October 1, 1980 [§ 1105-A]; September 1, 1985 [§ 1115(a)(25)]
**Description:** Receipts from the retail sale of wood used for residential heating purposes, fuel oil, propane (except when sold in containers that hold less than 100 pounds), natural gas, electricity and steam, and gas, electric, and steam services used for residential purposes are taxed at the rate of zero percent and thus are exempt from State sales tax. Residential use of natural gas obtained from a gas well located on the landowner's property is exempt.

36. **Fuel, gas, electricity, refrigeration, and steam used in research and development and production**
**Citation:** Tax Law § 1115(b)(ii), (c)(1)
**Effective date:** August 1, 1965
**Description:** Fuel, gas, electricity, refrigeration, and steam; and gas, electric, refrigeration, and steam service used directly and exclusively in research and development in the experimental or laboratory sense, or used directly and exclusively in the production of tangible personal property, gas, electricity, refrigeration, or steam, for sale, by manufacturing, processing, assembling, generating, refining, mining, or extracting are exempt from the sales tax.

37. **Fuel, gas, electricity, refrigeration, and steam used in farming and commercial horse boarding**
**Citation:** Tax Law § 1115(c)(2)
**Effective date:** September 1, 2000
**Description:** Fuel, gas, electricity, refrigeration, and steam; and gas, electric, refrigeration, and steam service used in the production of tangible personal property, for sale, by farming or in a commercial horse boarding operation are exempt from tax.

38. **Gas and electricity used in transmission, distribution and storage**
**Citation:** Tax Law § 1115(w)
**Effective date:** June 1, 2000
**Description:** Gas or electricity or gas or electric service used directly and exclusively to provide gas or electric service consisting of operating a gas pipeline or gas distribution line or an electric transmission or distribution line and ensuring the necessary working pressure in an underground gas storage facility is exempt.

39. **Residential solar energy systems**
**Citation:** Tax Law § 1115(ee)(1)
**Effective date:** September 1, 2005
**Description:** Residential solar energy systems equipment and the service of installing such systems is exempt from tax.

40. **Commercial solar energy systems**
**Citation:** Tax Law § 1115(ii)(1)
**Effective date:** January 1, 2013
**Description:** Commercial solar energy systems equipment and the service of installing such systems is exempt from tax.

41. **Solar power purchase agreements**
**Citation:** Tax Law § 1115(ee)(2), (ii)(2)
**Effective date**: December 1, 2015
**Description:** Electricity sold by a solar energy company is exempt when the electricity is generated by equipment owned by the solar energy company and installed at the purchaser's residential or non-residential premises.

42. **Commercial fuel cell electricity generating systems equipment**
**Citation:** Tax Law § 1115(kk)
**Effective date**: June 1, 2016
**Description:** Exempt from tax is the retail sale of commercial fuel cell electricity generating systems equipment and the service of installing and maintaining the systems. Electricity generated by a fuel cell is also eligible for the exemption from sales tax under certain circumstances.

43. **Residential energy storage systems equipment**
**Citation:** Tax Law § 1115(a)(11)
**Effective date**: June 1, 2024
**Description:** Residential energy storage systems, the service of installing such systems and the sale of electricity generated by such equipment is exempt from tax.
**Termination date:** Expires May 31, 2026

44. **Electricity, refrigeration, and steam sold by certain cooperative corporations**
**Citation:** Tax Law § 1115(b)(iii)
**Effective date:** March 1, 2006
**Description:** Exempt from tax are electricity, steam, and refrigeration produced by a cogeneration facility owned and operated by certain cooperative corporations and distributed to tenants.

45. **Automotive fuel receipts exceeding two dollars per gallon**
**Citation:** Tax Law § 1111(m)
**Effective date:** June 1, 2006

**Description:** Certain motor fuel and diesel motor fuel sales are subject to tax at the rate of eight cents per gallon. This effectively exempts the portion of the taxable receipt exceeding two dollars per gallon.

46. **Alternative fuels**
**Citation:** Tax Law § 1115(a)(42)
**Effective date:** September 1, 2006
**Description:** E85, CNG, or hydrogen is exempt from sales tax when used directly and exclusively in the engine of a motor vehicle.
**Termination date:** Expires August 31, 2026

47. **B20 bio-diesel fuel**
**Citation:** Tax Law § 1111(n)
**Effective date:** September 1, 2006
**Description:** Bio-diesel fuel that is B20 is exempt from 20 percent of the cents-per-gallon sales tax rate imposed on certain sales of diesel motor fuel.
**Termination date:** Expires August 31, 2026

## Transportation

48. **Commercial vessels**
**Citation:** Tax Law §§ 1101(b)(16), 1105(c)(3)(iv), 1115(a)(8)
**Effective date:** August 1, 1965 [§§ 1105(c)(3)(iv), 1115(a)(8)]; December 1, 1996 [§ 1101(b)(16)]
**Description:** Sales of commercial vessels primarily engaged in interstate or foreign commerce and property used by or purchased for the use of such vessels for fuel, provisions, supplies, maintenance, and repairs are exempt. Services rendered with respect to commercial vessels are also exempt.

49. **Vessels**
**Citation:** Tax Law § 1115(jj)
**Effective date**: June 1, 2015
**Description:** Receipts in excess of $230,000 for a vessel [as defined in the Vehicle and Traffic Law, § 2250], including any outboard motor or trailer when sold in conjunction with the vessel, are exempt from sales tax.

50. **Barge repairs**
**Citation:** Tax Law § 1115(q)
**Effective date:** December 1, 1993
**Description:** Exempt from tax are maintenance and repair services (including parts) performed on a barge having a cargo capacity of at least 1,000 short tons used exclusively to transport goods in the conduct of its owner's business and primarily engaged in transportation between New York State and any other state or foreign country.

51. **Commercial aircraft**
**Citation:** Tax Law §§ 1101(b)(17), 1105(c)(3)(v), 1115(a)(21)
**Effective date:** March 1, 1979 [§ 1105(c)(3)(v), 1115(a)(21)]; December 1, 1996 [§1101(b)(17)]
**Description:** Exempt from tax are commercial aircraft primarily engaged in intrastate, interstate, or foreign commerce; machinery or equipment to be installed on such aircraft; property used by or purchased for the use of such aircraft for maintenance and repairs; flight simulators purchased by commercial airlines; and services rendered with respect to exempt purchases.

52. **General aviation aircraft**
**Citation:** Tax Law § 1115(a)(21-a)
**Effective date**: September 1, 2015
**Description:** General aviation aircraft, and machinery and equipment to be installed on the aircraft, are exempt from sales tax.

53. **Fuel sold to airlines**
**Citation:** Tax Law § 1115(a)(9)
**Effective date:** August 1, 1965
**Description:** Fuel sold to an airline for use in its airplanes is exempt from tax.

54. **Parts for foreign aircraft**
**Citation:** Tax Law § 1118(8)
**Effective date:** September 1, 1977
**Description:** Parts, engines, consumable technical supplies, and maintenance and ground equipment used exclusively in the operation, handling, or maintenance of aircraft are exempt from use tax if it is a foreign airline that brings such items into New York from a foreign country. These items must be used on aircraft owned by the foreign airline and are exempt only if similar items would not be subject to tax in the airline's home country if taken into such country by a U.S. airline.

55. **Services to private aircraft**
**Citation:** Tax Law § 1115(dd)
**Effective date:** December 1, 2004
**Description:** A sales and use tax exemption is provided for maintenance and certain other services performed on private aircraft, as well as the tangible personal property purchased and used in performing the services and any related storage charges.

56. **Intra-family sales of motor vehicles**
**Citation:** Tax Law § 1115(a)(14)
**Effective date:** September 1, 1969, for transactions between spouses, and September 1, 1972, for transactions between parents and children.
**Description:** Motor vehicles sold between spouses, or by a parent to a child or child to parent are exempt from tax.

57. **Motor vehicles and vessels sold to nonresidents**
**Citation:** Tax Law § 1117(a)
**Effective date:** August 1, 1965, as amended December 1, 1994, and March 1, 2001.
**Description:** Sales of motor vehicles and vessels in New York to nonresidents are exempt from the sales tax provided the nonresident purchaser is not registering the newly purchased vehicle or vessel for use in New York.

58. **Motor vehicles purchased out-of-state by a member of the military service**
**Citation:** Tax Law § 1115(a)(14-a)
**Effective date**: December 18, 2013
**Description:** Motor vehicles purchased in another state by a person while they are in the military service of the United States are exempt from tax.

59. **Rental of trucks in certain cases**
**Citation:** Tax Law § 1115(a)(22)
**Effective date:** May 15, 1981
**Description:** Certain rentals or leases of trucks, tractors, or tractor-trailer combinations to an authorized carrier, pursuant to a written contractual agreement are exempt.

60. **Tractor-trailer combinations**
**Citation:** Tax Law § 1115(a)(26), (g)
**Effective date:** January 1, 1988
**Description:** Exempt from tax are tractors, trailers or semitrailers, and property installed on such vehicles for their equipping, maintenance, or repair, provided the vehicle is used in combination where the gross weight of such combination exceeds 26,000 pounds. Related services performed on these vehicles are also exempt.

61. **Sales of property by railroads in reorganization**
**Citation:** Tax Law § 1115(h)
**Effective date:** August 1, 1975
**Description:** Sales of tangible personal property by a railroad in reorganization to a profitable railroad are exempt if the transactions are part of a reorganization plan.

62. **Commercial buses**
**Citation:** Tax Law § 1115(a)(32), (u)
**Effective date:** December 1, 1997
**Description:** Exempt from tax are buses and parts, equipment, and lubricants used in operating the bus, provided the vehicle weighs at least 26,000 pounds and measures 40 feet and is used to transport persons for hire. Related services performed on these vehicles are also exempt.

63. **Marine terminal facility equipment**
**Citation:** Tax Law § 1115(a)(41)
**Effective date:** December 1, 2005
**Description:** Exempt from tax are machinery and equipment for use directly and predominantly in loading, unloading, and handling cargo at a marine terminal facility located in a city with a population of one million or more that, in 2003, handled more than 350,000 twenty-foot equivalent units (TEUs).

64. **Ferry boats**
**Citation:** Tax Law § 1115(a)(43)
**Effective date:** September 1, 2008
**Description:** Exempt from tax are ferry boats and property used in conjunction with exempt boats for fuel, provisions, supplies, maintenance and repairs.

## Communication and media

65. **Interstate or international telephone and telegraph service**
**Citation:** Tax Law § 1105(b)
**Effective date:** August 1, 1965
**Description:** Charges for interstate and international telephone and telegraph services are exempt.

66. **Internet access service**
**Citation:** Tax Law § 1115(v)
**Effective date:** February 1, 1997
**Description:** The sales tax exempts Internet access service. Incidental services such as Internet communications or navigation software, an email address, and news headlines when offered in conjunction with Internet access are considered part of the exempt service.

67. **Cable television service**
**Citation:** Tax Law § 1105(c)(9)
**Effective date:** September 1, 1990
**Description:** Cable television service is exempt from tax.

68. **Newspapers and periodicals**
**Citation:** Tax Law §§ 1101(b)(6), 1115(a)(5), NYS Regulation § 528.6, 1118(5)
**Effective date:** August 1, 1965 [§ 1115(a)(5)]; December 1, 1994 [§ 1101(b)(6)]
**Description:** The sales of newspapers and periodicals are exempt from tax. In addition, the paper and ink used to publish newspapers and periodicals are exempt.

69. **Electronic news services and electronic periodicals**
**Citation:** Tax Law § 1115(gg)
**Effective date:** March 1, 2012

**Description:** Certain electronic news services and electronic periodicals are exempt from tax.

70. **Shopping papers**
**Citation:** Tax Law § 1115(a)(20), (i)
**Effective date:** September 1, 1977
**Description:** Receipts from the retail sale of a shopping paper to the publisher are exempt as well as the receipts from the sale of printing services performed in publishing such paper. In addition, the paper and ink used to publish a shopping paper are exempt.

71. **Telephone service used by the media**
**Citation:** Tax Law § 1115(b)(i)
**Effective date:** August 1, 1965; March 1, 2012 for electronic news services
**Description:** Charges for telephone and telegraph service used by newspapers, electronic news services, radio broadcasters, and television broadcasters in the collection or dissemination of news are exempt if the charges are toll charges or charges for mileage.

72. **Certain coin-operated telephone charges**
**Citation:** Tax Law § 1115(e)
**Effective date:** September 1, 1998
**Description:** Coin-operated telephone charges of 25 cents or less are exempt.

73. **Telecommunications and internet equipment**
**Citation:** Tax Law §§ 1115(a)(12-a), 1105(c)(3)(x)
**Effective date:** September 1, 2000
**Description:** Exempt from tax is tangible personal property used directly and predominantly in the receiving, initiating, amplifying, processing, transmitting, re-transmitting, switching, or monitoring of switching of telecommunications services for sale or Internet access services for sale.

74. **Internet data centers**
**Citation:** Tax Law § 1115(a)(37), (y)
**Effective date:** September 1, 2000
**Description:** Machinery, equipment, and certain other tangible personal property sold to a person operating an Internet data center that is required for and directly related to the provision of Internet website hosting and other website services at the data center are exempt. Also exempt are certain services to the exempt tangible personal property and building security services.

75. **Radio and television broadcasting**
**Citation:** Tax Law § 1115(a)(38), (aa)
**Effective date:** September 1, 2000

**Description:** Exempt from tax are purchases by radio and television broadcasters of machinery, equipment, parts, tools, and supplies used in the production and transmission of live or recorded programs. Installing, maintaining, servicing, or repairing the exempt items is also exempt. Moreover, the services of producing, fabricating, processing, printing, or imprinting tangible personal property furnished to the service provider by the broadcaster and performed in connection with the production, post-production, or the transmission of live or recorded programs are exempt.

76. **Film production**
**Citation:** Tax Law §§ 1115(a)(39), 1115(bb)
**Effective date:** December 1, 2002
**Description:** Tangible personal property used or consumed directly and predominantly in the production of a film for sale is exempt, regardless of the medium by which the film is conveyed to the purchaser. The exemption also extends to services rendered to the exempt property and to fuel and utility services used directly and exclusively in production.

77. **Certain mobile telecommunication services**
**Citation:** Tax Law § 1115(cc)
**Effective date:** August 1, 2002
**Description:** The sale of mobile telecommunication services by a home service provider is exempt from tax if the mobile telecommunications customer's place of primary use is outside of New York State.

## Industry

78. **Tools and supplies used in production**
**Citation:** Tax Law §§ 1105-B(a), 1115(a)(36)
**Effective date:** March 1, 1981, December 1, 1998 [§1115(a)(36)]
**Description:** Receipts from the retail sale of parts with a useful life of one year or less, tools and supplies for use or consumption directly and predominantly in the production of tangible personal property, gas, electricity, refrigeration, or steam for sale by manufacturing, processing, generating, assembling, refining, mining, or extracting are exempt from sales tax.

79. **Farm production and commercial horse boarding**
**Citation:** Tax Law §§ 1115(a)(6), 1105(c)(3)(vi), 1105(c)(5)(iii)
**Effective date:** August 1, 1965 [§1115(a)(6)]; September 1, 1982 [§ 1105(c)(3)(vi)], September 1, 2000 [§ 1105(c)(5)(iii)]
**Description:** Exempt from tax is tangible personal property for use or consumption predominantly in the production, for sale, of tangible personal property by farming or in a commercial horse boarding operation. Also exempt are the services of installing,

repairing, maintaining, and servicing tangible personal property and real property used predominantly in farming or in a commercial horse boarding operation.

80. **Research and development property**
**Citation:** Tax Law § 1115(a)(10)
**Effective date:** August 1, 1965
**Description:** Tangible personal property purchased for use or consumption directly and predominantly in research and development in the experimental or laboratory sense is exempt from tax.

81. **Machinery and equipment used in production**
**Citation:** Tax Law § 1115(a)(12)
**Effective date:** August 1, 1965
**Description:** Exempt from sales tax are machinery and equipment for use or consumption directly and predominantly in the production of tangible personal property, gas, electricity, refrigeration, or steam for sale by manufacturing, processing, generating, assembling, refining, mining, or extracting.

82. **Services to machinery and equipment used in production**
**Citation:** Tax Law § 1105-B(b)
**Effective date:** March 1, 1981
**Description:** The services of installing, repairing, maintaining, or servicing exempt production machinery and equipment or exempt parts, tools, and supplies are exempt.

83. **Wrapping and packaging materials**
**Citation:** Tax Law § 1115(a)(19)
**Effective date:** July 1, 1974
**Description:** Cartons, containers, wrapping, and packaging materials and supplies are nontaxable when used by a vendor in packaging or packing tangible personal property for sale and actually transferred to the purchaser.

84. **Milk crates**
**Citation:** Tax Law § 1115(a)(19-a)
**Effective date:** September 1, 2007
**Description:** Exempt from tax are milk crates purchased by a dairy farmer or licensed milk distributor used exclusively and directly for packaging and delivering milk and milk products to customers.

85. **Commercial fishing vessels**
**Citation:** Tax Law §§ 1115(a)(24), 1105(c)(3)(vii)
**Effective date:** August 1, 1985
**Description:** Exempt from tax are the sales of commercial fishing vessels used directly and predominantly in the harvesting of fish for sale, and property used by or

purchased for the use of such vessels for fuel, provisions, supplies, maintenance, and repairs. Related services are also exempt.

86. **Certain services used in gas or oil production**
**Citation:** Tax Law § 1105(c)(3)(ix), (c)(5)
**Effective date:** December 1, 1998
**Description:** Exempt from tax are the services of installing, maintaining, repairing, or servicing tangible personal property used directly and predominately in producing gas or oil for sale. Also exempt are maintenance and repair services rendered to real property or land used directly and predominately in producing gas or oil for sale.

87. **Pollution control equipment**
**Citation:** Tax Law § 1115(a)(40)
**Effective date:** March 1, 2001
**Description:** Machinery or equipment used directly and predominantly in the control, prevention, or abatement of pollution or contaminants from manufacturing or industrial facilities is exempt to the extent not exempted under expenditure item 81.

88. **Property manufactured by the user**
**Citation:** Tax Law § 1110(c)
**Effective date:** March 1, 2001
**Description:** The compensating use tax imposed on certain self-produced items used by a manufacturer on its own premises is computed on the cost of materials rather than on the manufacturer's normal selling price.

## Miscellaneous

89. **Certain property sold through vending machines**
**Citation:** Tax Law § 1115(a)(13), (13-a)
**Effective date:** August 1, 1965 [§ 1115(a)(13)]; 50-cent exemption effective December 1, 1997 [§ 1115(a)(13-a)]
**Description:** Tangible personal property sold through coin-operated vending machines at 10 cents or less is exempt, provided the retailer is primarily engaged in making such sales. Also exempt is tangible personal property sold through coin-operated bulk vending machines at 50 cents or less, provided the retailer is primarily engaged in making such sales.

90. **Trade-in allowance**
**Citation:** Tax Law § 1101(b)(3)
**Effective date:** August 1, 1965
**Description:** A credit for a trade-in on an automobile or other item qualifies as a reduction of the taxable receipts, provided the item traded in is intended for resale by the vendor.

91. **Certain hotel room rent**
**Citation:** Tax Law § 1105(e)(1),(2)
**Effective date:** August 1, 1965
**Description:** The rent for occupancy of a hotel room by a permanent resident or where the rent is not more than two dollars per day is exempt from tax.

92. **Dues for fraternal societies**
**Citation:** Tax Law § 1105(f)(2)(i), 1105(f)(2)(ii)(A), (B)
**Effective date:** August 1, 1965
**Description:** Dues and initiation fees paid to a fraternal society, order, or association operating under the lodge system or any fraternal association of students of a college or university are excluded from tax. Dues of $10 or less per year paid to a social or athletic club are also exempt.

93. **Homeowner association dues**
**Citation:** Tax Law § 1105(f)(2)(ii)(C)
**Effective date:** September 1, 1995
**Description:** The tax law exempts the dues paid to a homeowner association operating social or athletic facilities for its members.

94. **Homeowner association parking services**
**Citation:** Tax Law § 1105(c)(6)
**Effective date:** December 1, 1997
**Description:** Charges paid by a homeowner association member for parking, garaging, or storing motor vehicles at a facility owned or operated by the association are exempt.

95. **Property sold by morticians**
**Citation:** Tax Law § 1115(a)(7)
**Effective date:** August 1, 1965
**Description:** Exempt from tax is tangible personal property sold by a mortician, undertaker, or funeral director. However, sales to them for use in conducting funerals do not qualify as a sale for resale and are taxable.

96. **Cemetery monuments**
**Citation:** Tax Law § 1115(a)(44)
**Effective date:** September 1, 2017; June 1, 2019, for tangible personal property that will become a physical component part of the monument
**Description:** The retail sale of monuments, as that term is defined in Not-For-Profit Corporation Law § 1502(f), and tangible personal property that will become a physical component part of the monument is exempt from tax.

97. **Flags**
**Citation:** Tax Law § 1115(a)(11)
**Effective date:** August 1, 1965
**Description:** Flags of the United States of America and the State of New York are exempt.

98. **Military decorations**
**Citation:** Tax Law § 1115(a)(11-a)
**Effective date:** December 1, 2006
**Description:** Purchases of military decorations (for example, ribbons, medals, and lapel pins) by a veteran or active member of the United States military are exempt from tax.

99. **Military flags and banners**
**Citation:** Tax Law § 1115(a)(11-b)
**Effective date:** December 1, 2012
**Description:** Military service flags, prisoner of war flags and blue star banners are exempt from tax.

100. **Property manufactured and sold by a veteran**
**Citation:** Tax Law § 1115(a)(18-a)
**Effective date:** March 1, 2017
**Description:** Tangible personal property manufactured and sold by a veteran for the benefit of the veteran's service organization is exempt from tax. The exemption applies to the first $2,500 of such sales in a calendar year.

101. **Garage sales**
**Citation:** Tax Law § 1115(a)(18)
**Effective date:** September 1, 1973
**Description:** Certain sales of property at private residences are not taxable if the sales do not take place more than three days in a calendar year, are reasonably expected not to exceed $600, if no member of the household conducts a trade or business selling similar products, and the sale is not held to liquidate an estate.

102. **New mobile homes**
**Citation:** Tax Law § 1111(f)
**Effective date:** September 1, 1983
**Description:** Thirty percent of the receipts or consideration from sales of new mobile homes is exempt from tax.

103. **Used mobile homes**
**Citation:** Tax Law § 1115(a)(23)
**Effective date:** January 1, 1982
**Description:** Sales of used mobile homes are tax exempt.

104. **Modular homes**
**Citation:** Tax Law § 1111(p)
**Effective date**: December 1, 2009
**Description:** Forty percent of a vendor's receipt from the sale of a new modular home module is exempt from sales tax.

105. **Registered racehorses**
**Citation:** Tax Law § 1115(a)(29)
**Effective date:** June 1, 1994
**Description:** Certain registered racehorses purchased or used for entry in events on which pari-mutuel wagering is authorized are exempt. The exemption does not apply to a horse that had never raced in such an event during the first four years of its life.

106. **Racehorses purchased through claiming races**
**Citation:** Tax Law § 1111(g)
**Effective date:** July 1, 1985
**Description:** The sale in New York of racehorses through claiming races, if not otherwise exempt, is taxable on the full purchase price. However, on the second or later sale of the same horse in the same calendar year within the State, the tax applies only to the excess of the purchase price over the highest of the prior purchase prices.

107. **Racehorses purchased out of state**
**Citation:** Tax Law § 1118(9), (10)
**Effective date:** July 28, 1981 [§ 1118(9)]; July 1, 1985 [§ 1118(10)]
**Description:** Certain racehorses purchased outside New York and brought into the State for the purpose of entering racing events are exempt from use tax. For racehorses not otherwise exempt and entered in racing events in New York on more than five days, the use tax does not apply to the value of the racehorse in excess of $100,000.

108. **Training and maintaining racehorses**
**Citation:** Tax Law § 1115(m)
**Effective date:** July 19, 1988
**Description:** Exempt from tax are the services of training and maintaining racehorses. Also exempt is the tangible personal property actually transferred by a trainer to the racehorse owner in conjunction with such services.

109. **Property sold to contractors for capital improvements or repairs for exempt organizations**
**Citation:** Tax Law § 1115(a)(15), (16)
**Effective date:** September 1, 1969

**Description:** Tangible personal property sold to a contractor, subcontractor, or repairman is exempt from tax if the property is used in erecting structures, maintaining, servicing, repairing, or adding to or altering the real property of an exempt organization and such property becomes an integral component part of the realty.

110. **Property donated by a manufacturer to an exempt organization**
**Citation:** Tax Law § 1115(l)
**Effective date:** September 1, 1986
**Description:** Tangible personal property manufactured and donated by the manufacturer to an exempt organization is exempt from tax provided that the manufacturer offers the same kind of property for sale in the regular course of business and that the manufacturer has not made any other use of the donated property.

111. **Sales and use tax paid to other states**
**Citation:** Tax Law § 1118(7)
**Effective date:** August 1, 1965
**Description:** Exempt from tax are property or services upon which a sales or use tax was properly paid to another state, providing such state allows a corresponding exemption for taxable purchases in New York, and no credit or refund is available from such other state. Tax is due to New York to the extent that the tax imposed by New York is at a higher rate than the rate of such other state.

112. **Precious metal bullion and coins**
**Citation:** Tax Law § 1115(a)(27)
**Effective date:** September 1, 1989
**Description:** Precious metal bullion and coins sold for investment are exempt.

113. **Computer software transferred to affiliated corporations**
**Citation:** Tax Law § 1115(a)(28)
**Effective date:** September 1, 1991
**Description:** Computer software that was originally purchased as a nontaxable custom computer program and is subsequently sold by the original purchaser to a corporation that is a member of an affiliated group to which the original purchaser also belongs, is exempt from tax.

114. **Services to computer software**
**Citation:** Tax Law § 1115(o)
**Effective date:** September 1, 1991
**Description:** Installing, maintaining, servicing, or repairing prewritten computer software is exempt from tax.

115. **Self-use of prewritten software by its author**
**Citation:** Tax Law § 1110(g)
**Effective date:** September 1, 1991
**Description:** The Use Tax on prewritten computer software used by its author or creator is calculated on the cost of the blank medium, such as the disks or tapes, and not at the price at which the software is normally offered for sale.

116. **Computer system hardware**
**Citation:** Tax Law § 1115(a)(35)
**Effective date:** June 1, 1998; March 1, 2001 for Internet Web sites
**Description:** Exempt from tax are purchases, leases, or rentals of computer system hardware used or consumed directly and predominantly in designing and developing computer software for sale or in providing the service, for sale, of designing and developing internet websites.

117. **Promotional materials mailed out of state**
**Citation:** Tax Law § 1115(n)(1), (2)
**Effective date:** September 1, 1989
**Description:** Exempt from tax are promotional materials mailed out of state, envelopes, and Cheshire labels used in mailing promotional materials from points in New York State to customers outside New York State. A pro rata exemption is also allowed for charges for the use of a mailing list, in connection with mailing such promotional materials.

118. **Printed promotional materials**
**Citation:** Tax Law § 1115(n)(4), (5) and (6)
**Effective date:** March 1, 1997
**Description:** Exempt from tax are printed promotional materials distributed by U.S. mail or common carrier. Also exempt are certain services purchased in connection with the exempt promotional materials, such as mailing list services and a printer's storage service.

119. **U.S. postage used in the distribution of promotional materials**
**Citation:** Tax Law § 1115(n)(3)
**Effective date:** September 1, 1991
**Description:** Separately stated charges by a vendor to the purchaser of promotional materials, or of taxable services to such promotional material, for the cost of mailing the promotional materials by means of the United States Postal Service are exempt from tax.

120. **Clothing and footwear**
**Citation:** Tax Law § 1115(a)(30)
**Effective date:** March 1, 2000

**Description:** Exempt from tax are items of clothing and footwear costing less than $110. The exemption also applies to most fabric, thread, yarn, buttons, snaps, hooks, zippers, and like items that become a physical component part of exempt clothing or are used to make or repair the exempt clothing.

121. **Coin-operated photocopying machines**
**Citation:** Tax Law § 1115(a)(31)
**Effective date:** December 1, 1997
**Description:** Copies made using a coin-operated photocopy machine where the charge is 50 cents or less per copy are exempt from tax.

122. **Luggage carts**
**Citation:** Tax Law § 1115(a)(13-b)
**Effective date:** December 1, 1997
**Description:** Exempt from tax are temporary transportation devices (for example, luggage carts) sold through coin-operated equipment, provided the retailer is primarily engaged in making such sales.

123. **Emissions testing equipment**
**Citation:** Tax Law § 1115(a)(31)
**Effective date:** September 1, 1997
**Description:** Exempt from tax is enhanced emissions inspection equipment certified by the Department of Environmental Conservation for use in an enhanced emissions inspection and maintenance program as required by the federal Clean Air Act of 1990, when purchased by an authorized inspection station.

124. **College textbooks**
**Citation:** Tax Law § 1115(a)(34)
**Effective date:** June 1, 1998
**Description:** Course textbooks purchased by full or part-time students enrolled in an institution of higher education are exempt.

125. **Live dramatic or musical arts production**
**Citation:** Tax Law § 1115(x)
**Effective date:** March 1, 2001
**Description:** Exempt from tax are certain items of tangible personal property and certain services that are used directly and predominantly in producing certain live dramatic or musical arts performances.

126. **Lower Manhattan commercial office space**
**Citation:** Tax Law § 1115(ee)
**Effective date:** September 1, 2005

**Description:** Exempt from tax is a commercial tenant's, landlord's, and contractor's purchases and uses of certain property used to outfit, furnish, and equip certain leased commercial office space in eligible areas in Lower Manhattan.
**Termination date:** Expires December 1, 2030

127. **Dodd-Frank Wall Street Reform and Consumer Protection Act**
**Citation:** Tax Law § 1115(jj)
**Effective date**: September 1, 2015
**Description:** A sales tax exemption is granted to certain related-party sales arising as a result of the Dodd-Frank Wall Street Reform and Consumer Protection Act.
**Termination date:** Expires June 30, 2028

## Exempt organizations

128. **New York State agencies and political subdivisions**
**Citation:** Tax Law § 1116(a)(1)
**Effective date:** August 1, 1965
**Description:** Exempt from tax is the State of New York, or any of its agencies, instrumentalities, public corporations, or political subdivisions where it is the purchaser, user, or consumer, or where it is a vendor of services or property of a kind not ordinarily sold by private persons.

129. **Industrial development agencies**
**Citation:** Tax Law § 1116(a)(1), and General Municipal Law, Article 18-A
**Effective date:** May 26, 1969
**Description:** An Industrial Development Agency or Authority (IDA) qualifies as an exempt government organization under § 1116(a)(1) and receives all the benefits of that status. In addition, General Municipal Law, Article 18-A, grants tax exempt status to purchases made by an IDA project beneficiary (as agent of the IDA) and for sales by an IDA even where it is a vendor of services or property of a kind ordinarily sold by private persons.

130. **Federal agencies**
**Citation:** Tax Law § 1116(a)(2), and 12 U.S. Code § 1768
**Effective date:** August 1, 1965
**Description:** Exempt from tax is the United States of America, and any of its agencies and instrumentalities where it is the purchaser, user, or consumer, or where it sells services or property of a kind not ordinarily sold by private persons.

131. **United Nations**
**Citation:** Tax Law § 1116(a)(3)
**Effective date:** August 1, 1965
**Description:** Exempt from tax is the United Nations, or any international organization of which the United States is a member, where it is the purchaser, user,

or consumer, or where it sells services or property of a kind not ordinarily sold by private persons.

132. **Diplomats and foreign missions**
**Citation:** Federal treaties with diplomat's country
**Effective date:** Effective dates vary by federal treaties
**Description:** Diplomats of foreign countries and foreign missions are exempt from all national, state, and local taxes if the treaty with the foreign nation provides a reciprocal exemption for U.S. diplomats abroad.

133. **Charitable organizations**
**Citation:** Tax Law § 1116(a)(4)
**Effective date:** August 1, 1965
**Description:** Exempt from tax are purchases by nonprofit organizations organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary or educational purposes, fostering national or international amateur sports competition, or for the prevention of cruelty to children or animals.

134. **Veterans' posts or organizations**
**Citation:** Tax Law § 1116(a)(5), (g)
**Effective date:** September 1, 1974 [§ 1116(a)(5)]; December 1, 1993 [§ 1116(g)]
**Description:** Exempt from tax are purchases by certain posts or organizations of past or present members of the Armed Forces of the United States. Hotel occupancy purchased by individual members acting as duly authorized representatives of the post or organization are also exempt.

135. **Veterans' homes gift shops**
**Citation:** Tax Law § 1115(ff)
**Effective date:** December 1, 2006
**Description:** Sales of tangible personal property by any gift shop located in a veterans' home are exempt.

136. **Indian Nations and members of such Indian Nations**
**Citation:** Tax Law § 1116(a)(6); federal restrictions
**Effective date:** September 1, 1976
**Description:** The following Indian Nations residing in New York are exempt where they are the purchaser, user, or consumer: Cayuga, Oneida, Onondaga, Poospatuck, Saint Regis Mohawk, Seneca, Shinnecock, Tonawanda, and Tuscarora. In addition, members of these Nations are excluded from tax for purchases made by them on the reservation in New York State.

137. **U.S. Military base post exchanges**
**Citation:** 4 U.S. Code, §§ 104-110
**Effective date:** August 1, 1965

**Description:** Sales, except sales of motor fuel, made on a military base at a post exchange or commissary are exempt.

138. **Nonprofit health maintenance organizations**
**Citation:** Tax Law § 1116(a)(7)
**Effective date:** April 1, 1980
**Description:** Purchases by a nonprofit health maintenance organization subject to the provisions of Public Health Law, Article 44 are tax exempt.

139. **Nonprofit medical expense indemnity or hospital service corporations**
**Citation:** Insurance Law Article 43 § 4310(j)
**Effective date:** June 15, 1939
**Description:** The Insurance Law provides for an exemption from all State and local taxes (including State and local sales taxes) for certain entities. These entities include nonprofit corporations organized for the purpose of family medical expense indemnity, dental expense indemnity, hospital services, or health services.

140. **Nonprofit property/casualty insurance companies**
**Citation:** Insurance Law Article 67 § 6707
**Effective date:** December 20, 2000
**Description**: The Insurance Law provides for an exemption from sales tax for a nonprofit property/casualty insurance company subject to the provisions of Article 67 with respect to any property owned by it or under its jurisdiction, control, or supervision.

141. **Certain state credit unions**
**Citation:** Tax Law § 1116(a)(9)
**Effective date:** March 1, 2006
**Description:** New York State chartered credit unions are exempt from tax if they had converted to a state charter from a federal charter on or after January 1, 2006.

142. **Rural electric cooperatives**
**Citation:** Tax Law § 1116(a)(8)
**Effective date:** September 1, 1983
**Description:** Exempt from tax on their purchases are cooperatives and foreign corporations doing business in this State pursuant to the Rural Electric Cooperative Law.

143. **Municipal trash removal services**
**Citation:** Tax Law § 1116(e)
**Effective date:** June 30, 1980
**Description:** Receipts from the service of trash removal are exempt from tax where such service is rendered by or on behalf of a municipal corporation of the State other than New York City.

## Admission charges

144. **Certain admission charges**
**Citation:** Tax Law § 1105(f)(1)
**Effective date:** August 1, 1965; December 1, 1997, for circus admissions
**Description:** Exempt from tax are admission charges of 10 cents or less, plus admission charges to: race tracks; boxing or wrestling matches; live circus performances, dramatic, or musical arts performances; motion picture theaters; and sporting facilities where the patron is to be a participant, such as bowling alleys, health and fitness centers, and swimming pools.

145. **Amusement park admissions**
**Citation:** Tax Law § 1122
**Effective date:** July 27, 2004
**Description:** An exemption from Sales and Use Tax applies to 75 percent of the admission charge to certain amusement parks when the charge includes a fee for the use of amusement rides within the park.

146. **Events given for the benefit of charitable organizations, veterans posts, and Indian Nations**
**Citation:** Tax Law § 1116(d)(1)(A)
**Effective date:** August 1, 1965
**Description:** In general, admissions are exempt if all of the proceeds go exclusively to the benefit of a tax-exempt charitable organization, Indian Nations, or organization of past or present members of the Armed Forces.

147. **Events given for the benefit of certain orchestras and opera companies**
**Citation:** Tax Law § 1116(d)(1)(B)
**Effective date:** August 1, 1965
**Description:** Admissions are exempt if all of the proceeds go exclusively to the benefit of a society or organization conducted for the sole purpose of maintaining symphony orchestras or operas and receiving substantial support from voluntary contributions.

148. **National guard organization events**
**Citation:** Tax Law § 1116(d)(1)(c)
**Effective date:** August 1, 1965
**Description:** Admissions are exempt if all of the proceeds go exclusively to the benefit of a National Guard organization.

149. **Municipal police and fire department events**
**Citation:** Tax Law § 1116(d)(1)(D)
**Effective date:** August 1, 1965

**Description:** Admissions are exempt if all of the proceeds go exclusively to the benefit of a police or fire department of a political subdivision of the State, including its pension or disability funds, or to volunteer fire and ambulance companies.

150. **Certain athletic games**
**Citation:** Tax Law § 1116(d)(2)(A)
**Effective date:** August 1, 1965
**Description:** Admissions to any athletic game or exhibition are exempt where the proceeds go exclusively to the benefit of elementary or secondary schools.

151. **Carnivals or rodeos for certain charitable organizations**
**Citation:** Tax Law § 1116(d)(2)(B)
**Effective date:** July 30, 1983
**Description:** Admissions to carnivals or rodeos in which any professional performer or operator participates for compensation are exempt when the entire net profit inures exclusively to the benefit of a tax-exempt charitable organization having as its charitable purpose the operation of a school.

152. **Agricultural fairs**
**Citation:** Tax Law § 1116(d)(3)(A)
**Effective date:** August 1, 1965
**Description:** Admissions to agricultural fairs are exempt if no part of net earnings inures to the benefit of any stockholders or members of the association conducting the fair, and if the proceeds from the fair are used exclusively for the improvement, maintenance, and operation of such agricultural fairs.

153. **Historical homes, gardens, sites, and museums**
**Citation:** Tax Law § 1116(d)(3)(B), (c)
**Effective date:** August 1, 1965
**Description:** Admissions to an historical home or garden, historic sites, houses and shrines, or museums that are maintained and operated by a society or organization devoted to the preservation and maintenance of such historic places are exempt, provided that no part of net earnings goes to the benefit of any private stockholder or individual.

154. **Performances at a roof garden or cabaret**
**Citation:** Tax Law § 1123
**Effective date:** December 1, 2006
**Description:** The admission charge to a roof garden, cabaret, or similar place to attend a dramatic or musical arts performance is exempt from tax when separate from other charges such as charges for food or drink.

## Credits

155. **Sales tax vendor credit**
**Citation:** Tax Law § 1137(f)
**Effective date:** September 1, 1994; September 1, 2006, for current rates; September 1, 2010 for limitation of the credit to quarterly and annual filers.
**Description:** A vendor allowance is provided to vendors that timely file and fully pay quarterly or annual returns. The credit is equal to five percent of State and local taxes remitted up to $200 per return.

156. **Tangible property sold by contractors in certain situations**
**Citation:** Tax Law § 1119(a)
**Effective date:** August 1, 1965
**Description:** A credit for taxes paid is allowed on the sale to or use by a contractor or subcontractor of tangible personal property if that property is used solely in the performance of a preexisting lump sum or unit price construction contract. The credit would only be applicable following a sales and use tax rate change.

157. **Construction materials used in Empire Zones**
**Citation:** Tax Law § 1119(a)
**Effective date:** September 1, 1986
**Description:** A credit for taxes paid is allowed on the sale of tangible personal property purchased for use in constructing, expanding, or rehabilitating industrial or commercial real property located in an Empire Zone, but only to the extent that such property becomes an integral component part of the real property.

158. **Bus companies providing local transit service**
**Citation:** Tax Law § 1119(b)
**Effective date:** March 1, 1974
**Description:** A credit for taxes paid is allowed on the sale to, or use by, an omnibus carrier in New York of any omnibus, parts, equipment, lubricants, motor fuel, diesel fuel, maintenance or service, or repair purchased and used in the operation of any such omnibus by such carrier. The amount of credit is based on the ratio of the vehicle mileage in local transit service in New York to the total vehicle mileage in the State.

159. **Vessel operators providing local transit service**
**Citation:** Tax Law § 1119(b)
**Effective date:** December 1, 2004
**Description:** A credit or refund for taxes paid is allowed on the sale to, or use by a vessel operator of any vessel, parts, equipment, lubricants, diesel motor fuel, maintenance, servicing, or repairs purchased and used in the operation of certain vessels providing local transit service (for example, water taxis). The credit or refund is provided according to the percentage of the vessel's use in local transit service.

160. **Commercial motor vehicle leases with terminal rental adjustment clauses**
**Citation:** Tax Law § 1111(i)(B)
**Effective date:** June 1, 2022
**Description**: A credit or refund is allowed to a lessee or lessor under certain conditions for sales taxes paid on commercial motor vehicle leases with terminal rental adjustment clauses (TRAC leases).

161. **Qualified Empire Zone Enterprises**
**Citation:** Tax Law § 1119(d)
**Effective date**: September 1, 2009
**Description:** A credit or refund is available for tax paid on tangible personal property and certain services purchased by a Qualified Empire Zone Enterprise and used directly and predominantly in an Empire Zone in which the Qualified Empire Zone Enterprise has qualified for benefits. A refund or credit is also allowed for tax paid on tangible personal property sold to a contractor, subcontractor or repairman in certain situations.

162. **Economic transformation and facility redevelopment program**
**Citation**: Tax Law § 1119(f)
**Effective date:** March 31, 2011
**Description:** A refund is available to a participant in this program (or its contractor) for State tax paid on tangible personal property used in the construction, expansion, or rehabilitation of industrial or commercial real property located in an economic transformation area, but only to the extent that such property becomes an integral component part of the real property.

163. **New York State Business Incubator and Innovation Hot Spot Program**
**Citation:** Tax Law § 1119(d)
**Effective date:** March 28, 2013
**Description:** A credit or refund for taxes paid is allowed on tangible personal property and certain services purchased by a qualified entity that is a tenant in or part of a New York State innovation hot spot.

164. **START-UP New York tax elimination credit**
**Citation:** Tax Law § 1119(d)
**Effective date:** March 1, 2014
**Description:** A credit or refund is available for tax paid on tangible personal property and certain services purchased by an approved business that is located in a tax-free NY area. In addition, a credit or refund is available for certain purchases of tangible personal property by contractors, subcontractors, and repairmen that is used in constructing, improving, maintaining, servicing, or repairing real property of such an approved business.

This section provides tax expenditure estimates for 35 provisions of the petroleum business tax. Table 6 provides a list of expenditures based on the Tax Law as of January 1, 2026. The estimates are based on data for the 2024 calendar year (the latest complete year for which tax return data are available) and then extrapolated to the 2026 calendar year. Total petroleum business tax liability for calendar year 2024 is provided as a benchmark for the tax expenditure estimates.

## Description of tax

Tax Law, Article 13-A imposes a business privilege tax on petroleum businesses operating in New York State. The tax is measured by the quantity of various petroleum products refined or sold in the state or imported for sale or use in the state. Imposition of the tax occurs at different points in the distribution chain, depending upon the type of petroleum product. Motor fuel (gasoline) is subject to tax upon importation to New York State. Highway diesel motor fuel is taxable upon removal from an in-state registered fuel terminal. Non-highway diesel motor fuel and residual petroleum products become taxable on the final sale or use of the product in New York.

The Article 13-A business privilege tax was added to the Tax Law in 1983 and was imposed on the gross receipts of such businesses. On September 1, 1990, the tax was restructured, converting the annual gross receipts tax to a monthly tax measured by gallons.

Some of the exemptions, credits, and reimbursements provided for in the restructuring applied to the prior gross receipts tax. Although these provisions already had been in place, the effective dates and estimates cited herein reflect the date on which they were restructured.

## Data sources

The major sources of data used to calculate the tax expenditure estimates under Article 13-A include:

- Petroleum Business Tax (PBT) Master File for 2020-2024. This is an unverified file of all taxpayers filing a return under Article 13-A.
- Refund data from the Department of Taxation and Finance's Audit Division.
- Non-tax data sources such as: data from the U.S. Department of Energy and U.S. Department of Defense and New York State Energy Research and Development Authority.

## Methodology

The projections of the tax expenditures from 2024 to 2026 are based, where possible, on forecasted consumption of various petroleum products. These forecasts were produced by the United States Department of Energy - Energy Information Agency. The remaining expenditure estimates used forecasts of appropriate economic variables.

**Table 6**
**2026 New York State petroleum business tax expenditure estimates (in millions of dollars)**
**(2024 calendar year total petroleum business tax liability = $1,061 million)**

| Tax item | History | | | | | Forecast | |
|---|---|---|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2026 | Reliability level |
| **Exemptions** | | | | | | | |
| **Products** | | | | | | | |
| 1. Kerosene | 1.4 | 1.5 | 0.7 | 0.1 | 0.9 | 0.9 | 2 |
| 2. Bunker fuel | 3.2 | 3.4 | 1.5 | 6.5 | * | * | 2 |
| 3. Liquid petroleum gases | 59.7 | 63.9 | 58.5 | 52.6 | 51.4 | 52.8 | 4 |
| 4. CNG and hydrogen | 1.0 | 1.1 | 0.8 | 1.1 | 1.0 | 1.0 | 2 |
| 5. E-85 | 0.7 | 0.8 | 1.2 | 1.4 | 0.8 | 0.8 | 2 |
| 6. B-20 | 0.3 | 0.3 | 0.4 | 0.2 | 0.4 | 0.4 | 2 |
| **Sales** | | | | | | | |
| 7. Governments | 48.5 | 52.5 | 56.3 | 50.8 | 45.6 | 45.7 | 2 |
| 8. Residential heating | 145.8 | 153.5 | 143.0 | 127.1 | 123.3 | 122.1 | 2 |
| 9. Fuel used for manufacturing purposes | 3.3 | 3.5 | 4.0 | 5.0 | 4.0 | 4.0 | 2 |
| 10. Fuel used for farm production | 9.3 | 9.8 | 9.1 | 9.4 | 9.4 | 9.3 | 2 |
| 11. Not-for-profit organizations and veterans groups | 5.4 | 5.8 | 6.4 | 6.6 | 8.4 | 8.4 | 2 |
| 12. Fuel used for railroad purposes | 3.0 | 3.2 | 3.0 | 3.1 | 2.9 | 2.9 | 2 |
| 13. Certain commercial gallonage | 2.3 | 2.4 | 4.3 | 3.3 | 2.0 | 2.0 | 2 |
| 14. Fuel used for non-residential heating purposes | 5.3 | 5.6 | 5.4 | 4.6 | 4.5 | 4.5 | 2 |
| **Credit, refund, or reimbursement** | | | | | | | |
| 15. Residential heating fuel | * | * | * | * | * | * | 2 |
| 16. Governments | 1.5 | 1.6 | 5.5 | 5.1 | 7.8 | 7.8 | 2 |
| 17. Omnibus carriers | 3.4 | 3.6 | 3.7 | 4.1 | 4.6 | 4.6 | 2 |
| 18. Non-public school operators | 0.2 | 0.2 | 0.3 | 0.4 | 0.4 | 0.4 | 2 |
| 19. Regulated electric utilities | * | * | * | * | * | * | 2 |
| 20. Fuel used for manufacturing purposes | 0.1 | * | * | * | 0.6 | * | 2 |
| 21. Certain commercial gallonage | * | * | * | * | 0.2 | * | 2 |
| 22. Fuel used by commercial fishers | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 2 |
| 23. Fuel used by tugboats and towboats | -- | -- | -- | 2.0 | 2.0 | 2.0 | 2 |
| 24. Fuel used for farm production | 0.6 | 0.6 | 0.7 | 0.6 | 0.8 | 0.8 | 2 |
| 25. Fuel used for railroad purposes | * | * | * | * | * | * | 2 |
| 26. Fuel used for non-residential heating purposes | * | * | * | * | * | * | 2 |
| 27. Fuel used for mining or extracting purposes | 0.8 | 0.8 | 0.7 | 0.6 | 0.8 | 0.8 | 2 |
| 28. Bad debts | * | * | * | * | * | * | 2 |
| 29. Not-for-profit organizations and veterans groups | * | * | * | * | * | * | 2 |
| 30. Fuel used by passenger commuter ferries | 0.6 | 0.6 | 1.8 | 1.5 | 1.1 | 1.1 | 2 |
| 31. E-85 | 0.6 | 0.6 | 0.5 | 0.5 | 0.6 | 0.6 | 2 |
| 32. B-20 | * | * | * | * | * | * | 2 |

| Tax item | History 2020 | 2021 | 2022 | 2023 | 2024 | Forecast 2026 | Reliability level |
|---|---|---|---|---|---|---|---|
| **Exempt Entities** | | | | | | | |
| 33. Fuel used by voluntary ambulance services and volunteer fire departments | * | * | * | * | * | * | 2 |
| 34. Governments, the United Nations and certain not-for-profit organizations | * | * | * | * | * | * | 4 |
| 35. Certain airlines | 1.1 | 1.6 | 2.8 | 3.0 | 2.4 | 2.5 | 2 |

* Less than $0.1 million.

-- The tax expenditure was not applicable for these years.

N/A No data available.

## Exemptions

The petroleum business tax allows certain exemptions for gallonage otherwise included in the calculation of tax.

## Products

1. **Kerosene**
   **Citation:** Tax Law § 301-b(a)(1)
   **Effective date:** September 1, 1990
   **Description:** Exemptions from tax apply to kerosene sold or used by a petroleum business registered as a diesel motor fuel distributor. The exemption applies to kerosene that has not been blended or mixed with any diesel motor fuel, motor fuel, or residual petroleum product and is not used by the petroleum business as fuel to operate a motor vehicle or sold to a consumer to use as fuel for operation of a motor vehicle.

2. **Bunker fuel**
   **Citation:** Tax Law § 301-b(a)(4)
   **Effective date:** September 1, 1990
   **Description:** This section exempts from tax residual petroleum products sold by a business registered as a *residual petroleum business* to a consumer for exclusive use as bunker fuel, or, for use by the residual petroleum business as bunker fuel for its own vessels. Bunker fuel is petroleum fuel used in ships.

3. **Liquid petroleum gases**
   **Citation:** Tax Law § 301-b(a)(5)
   **Effective date:** September 1, 1990
   **Description:** An exemption from tax is allowed for liquid petroleum gases such as butane, ethane, or propane.
   **Data source:** Crude oil: U.S. Department of Energy; Liquid Petroleum Gases: Petroleum Business Tax Master File and U.S. Department of Energy

4. **Compressed natural gas and hydrogen**
   **Citation:** Tax Law § 301-b(a)(8)
   **Effective date:** September 1, 2006
   **Description:** Exemptions from tax apply to compressed natural gas and hydrogen that are suitable for use in the engine of a motor vehicle. This provision sunsets on September 1, 2026.

5. **E-85**
   **Citation:** Tax Law § 301-b(a)(6)
   **Effective date:** September 1, 2006

**Description:** Exemptions from tax apply to sales of E-85 provided the E-85 is delivered to and placed in a storage tank of a filling station to be dispensed directly into a motor vehicle for use in the operation of the motor vehicle. This provision sunsets on September 1, 2026.

6. **B-20**
**Citation:** Tax Law § 301-b(a)(7)(i,ii)
**Effective date:** September 1, 2006
**Description:** A partial exemption from tax applies to sales of B-20 (20 percent biodiesel and 80 percent diesel motor fuel). The partial exemption is equal to a 20 percent reduction of the otherwise applicable petroleum business tax rates on diesel motor fuel. This provision sunsets on September 1, 2026.

## Sales

7. **Governments**
**Citation:** Tax Law §§ 301-b(c), 301-e(e)(4)
**Effective date:** September 1, 1990
**Description:** The petroleum business tax exempts the sales of motor fuel, diesel motor fuel, or residual petroleum products to the New York State, the United States of America, or any of their agencies, instrumentalities, or political subdivisions. The exemption applies where such fuel is used by these entities for its own use or consumption. An exemption from tax also exists for naphtha based aviation fuel used solely for propelling military jet aircraft of the United States Armed Forces.

8. **Residential heating**
**Citation:** Tax Law § 301-b(d)(1)
**Effective date:** September 1, 1990
**Description:** An exemption from tax applies to non-highway diesel motor fuel and residual petroleum product sold by a registered distributor of the product to a consumer, exclusively for residential heating purposes.

9. **Fuel used for manufacturing purposes**
**Citation:** Tax Law §§ 301-a(f)(4), 301-a(g)(4)
**Effective date:** January 1, 1998
**Description:** The sale or use of residual fuel or non-highway diesel fuel for use and consumption directly and exclusively in the production of tangible personal property for sale by manufacturing, processing, or assembly are exempt from the full petroleum business tax. Prior to January 1, 1998 (effective in September 1994), the above sales or uses of such fuels were exempt from the supplemental portion of the petroleum business tax. (See item 20 for reimbursement if the tax was paid on subsequent sales.)

10. **Fuel used for farm production**
**Citation:** Tax Law § 301-b(g)
**Effective date:** September 1, 1994
**Description:** The sale or use of non-highway diesel motor fuel and residual petroleum product for off-highway farm production of goods for sale are exempt from the tax. However, the fuel must be delivered on the farm site. (See item 24)

11. **Not-for-profit organizations and veterans groups**
**Citation:** Tax Law § 301-b(h)
**Effective date:** January 1, 1996
**Description:** Not-for-profit organizations and veterans' groups purchasing and using residual fuel, non-highway diesel motor fuel for their exclusive use are eligible for a full, up-front exemption from the tax. These organizations include not-for-profit groups organized for religious, charitable, scientific, testing for public safety, literary or educational purposes, to foster national or international amateur sports competition, for the prevention of cruelty to children or animals, or veteran groups as listed in Tax Law, § 1116(a)(4) or (5). (See item 29 for a full credit/reimbursement of the tax.)

12. **Fuel used for railroad purposes**
**Citation:** Tax Law §§ 301-a(e)(4), 301-j(a)(3)
**Effective date:** January 1, 1997
**Description:** The sale of non-highway diesel motor fuel for use or consumption directly and exclusively in the operation of a locomotive or a self-propelled vehicle run only on rails or tracks is exempt from the supplemental portion of the tax. Such fuel is also taxed at a preferential rate under the base portion of the tax that is computed as the automotive diesel base rate less 1.3 cents. (See item 25 for refund/reimbursement of tax.)

13. **Certain commercial gallonage**
**Citation:** Tax Law § 301-j(a)(2)
**Effective date:** March 1, 1997
**Description:** Commercial gallonage defined as non-highway type diesel motor fuel and residual fuel that does not qualify for the utility credit/reimbursement or the manufacturing exemption or the not-for-profit exemption or the non-residential heating rate or will not be used in a commercial vessel is exempt from the supplemental portion of the tax. This fuel is primarily used for electric generation purposes. (See item 21 for refund/reimbursement of tax.)

14. **Fuel used for non-residential heating purposes**
**Citation:** Tax Law § 301-b(d)(2)
**Effective date:** April 1, 2001
**Description:** A partial exemption from tax applies to non-highway diesel motor fuel and residual petroleum product sold by a registered distributor of the product to a

consumer exclusively for non-residential heating purposes. The rate of the partial exemption was calculated as the then-current petroleum business tax supplemental tax rate (imposed under § 301-j) plus 20 percent of the then current petroleum business tax base rate (imposed under § 301-a) for the applicable fuel above. Effective September 1, 2002, this partial exemption is calculated as the then-current supplemental tax rate plus 46 percent of the then-current petroleum business tax base rate.

## Credit, refund, or reimbursement

A credit, refund, or reimbursement is allowed against taxes paid by certain petroleum businesses for particular petroleum products.

15. **Residential heating fuel**
**Citation:** Tax Law § 301-c(a)(1)
**Effective date:** September 1, 1990
**Description:** A reimbursement is allowed for taxes paid by subsequent purchasers of non-highway diesel motor fuel purchased in the State and sold to a consumer for use exclusively for residential heating purposes.

16. **Governments**
**Citation:** Tax Law § 301-c(b)
**Effective date:** September 1, 1990
**Description:** This section provides a reimbursement for taxes paid pursuant to the petroleum business tax on motor fuel and diesel motor fuel purchased in the State and then sold by the purchaser to the State of New York, the United States of America, or any of their instrumentalities, agencies, or political subdivisions.

17. **Omnibus carriers**
**Citation:** Tax Law § 301-c(c)
**Effective date:** April 1, 1992
**Description:** A reimbursement is allowed for taxes paid on motor fuel and diesel motor fuel purchased in the State by an omnibus carrier. The reimbursement applies to fuel used in the operation of: i) an omnibus in local transit service pursuant to a certificate of convenience and necessity issued by the Commissioner of the Department of Transportation, or issued by the Interstate Commerce Commission of the United States, or pursuant to a contract, franchise, or consent with a city having a population of one million or more; and ii) as a school bus used for the transportation of children in the State pursuant to the Education Law.

18. **Non-public school operators**
**Citation:** Tax Law § 301-c(d)
**Effective date:** April 1, 1992

**Description:** This section provides a reimbursement for taxes paid on motor fuel and diesel motor fuel purchased in the State by a non-public school operator and consumed by the operator exclusively for education related activities.

19. **Regulated electric utilities**
**Citation:** Tax Law § 301-d
**Effective date:** September 1, 1990
**Description:** This section extends a credit, refund, or reimbursement for the tax surcharge and part of the basic tax for fuel used in the production of electricity. For periods July 1991, and August 1991, this credit was available only for petroleum used to produce residential electricity.

20. **Fuel used for manufacturing purposes**
**Citation:** Tax Law § 301-c(j)
**Effective date:** January 1, 1998
**Description:** Purchasers who subsequently sell residual fuel or non-highway diesel fuel used and consumed for manufacturing purposes may be reimbursed for the full petroleum business tax. (See item 9 for the up-front exemption.) Prior to January 1, 1998 (effective in September 1994), the above purchasers making such sales were eligible for reimbursement of the supplemental portion of the petroleum business tax.

21. **Certain commercial gallonage**
**Citation:** Tax Law § 301-c(i)(1, 2)
**Effective date:** March 1, 1997
**Description:** Reimbursements are allowed to a consumer where such consumer purchased non-highway type diesel fuel or residual fuel, absorbed the supplemental portion of the tax in the purchase price and used such gallonage as *commercial gallonage*. The reimbursement is calculated as the amount of such gallonage multiplied by the then-applicable supplemental tax rate. (See item 13 for refund/reimbursement of tax.) Prior to March 1997 (and subsequent to September 1994), commercial gallonage was eligible for a credit/reimbursement at a rate of one-half the then-applicable supplemental tax plus surcharge on the supplemental tax under § 301-k.

22. **Fuel used by commercial fishers**
**Citation:** Tax Law § 301-c(g)
**Effective date:** September 1, 1994
**Description:** A reimbursement is allowed for diesel motor fuel and motor fuel used in the operation of a commercial fishing vessel by commercial fishers while such vessel is engaged in harvesting fish for sale.

23. **Fuel used by tugboats and towboats**
**Citation:** Tax Law § 301-c(q)
**Effective date:** September 1, 2022
**Description:** A reimbursement is allowed for the use of motor fuel, diesel motor fuel, or residual petroleum product by tugboats and towboats. In addition, purchasers of motor fuel, diesel motor fuel, or residual petroleum product used by tugboats and towboats may claim a reimbursement of the full amount of tax that has been passed through to the purchaser.

24. **Fuel used for farm production**
**Citation:** Tax Law § 301-c(e), (f)
**Effective date:** September 1, 1994
**Description:** Reimbursements are allowed for non-highway diesel motor fuel and residual fuel purchased in this State and sold by such purchaser to a consumer for farm use. In addition, a purchaser of motor fuel or highway diesel motor fuel who uses the fuel for farm production is eligible for a reimbursement of the petroleum business tax. The reimbursement is only allowed if it is not more than 1,500 gallons of gasoline or 4,500 gallons of highway diesel motor fuel purchased in a 30-day period, or for greater amounts with prior clearance by the Commissioner of Taxation and Finance. The motor fuel or highway diesel motor fuel must be delivered on the farm site and consumed off-highway in the production of goods for sale. (See item 10 for the up-front exemption.)

25. **Fuel used for railroad purposes**
**Citation:** Tax Law § 301-c(k)(1, 2)
**Effective date:** January 1, 1997
**Description:** Reimbursements are allowed to subsequent purchasers, who are registered as distributors of diesel motor fuel, have absorbed the full petroleum business tax non-highway diesel rate and then sell such fuel as *railroad diesel*. The amount of the reimbursement is equal to the difference between the full non-highway diesel rate and the railroad diesel rate. (See item 12 for the exemption from tax.)

26. **Fuel used for non-residential heating purposes**
**Citation:** Tax Law § 301-c(a)(2)
**Effective date:** April 1, 2001
**Description:** A partial reimbursement from tax applies to non-highway diesel motor fuel purchased in the State and then sold by such purchaser to a consumer exclusively for non-residential heating purposes. The partial reimbursement is provided only when such non-highway diesel motor fuel is delivered into a storage tank (that is not equipped with a hose or other apparatus where such fuel can be dispensed into the tank of a motor vehicle)—and where such tank is attached to the heating unit burning such fuel. Additionally, the purchaser must possess documentary proof that it absorbed the full amount of the petroleum business tax.

The rate of the partial reimbursement was calculated as the then-current petroleum business tax supplemental tax rate (imposed under § 301-j) plus 20 percent of the then- current petroleum business tax base rate (imposed under § 301-a) applicable for the specific diesel motor fuel rate above. Effective September 1, 2002, this partial exemption is calculated as the then-current supplemental tax rate plus 46 percent of the then- current petroleum business tax base rate.

27. **Fuel used for mining or extracting purposes**
**Citation:** Tax Law § 301-c(l)
**Effective date:** April 1, 2001
**Description:** A purchaser may obtain a reimbursement of the petroleum business tax paid on non-highway diesel motor fuel or residual petroleum product when such fuel is purchased exclusively for use and consumption directly and exclusively in the production of tangible personal property for sale by mining or extracting. The reimbursement is provided only where such fuel is delivered at the mining or extracting site and is consumed other than on the public highways of the State. Additionally, the purchaser must possess documentary proof that it absorbed the full amount of the petroleum business tax.

28. **Bad debts**
**Citation:** Tax Law § 301-l
**Effective date:** September 1, 1994
**Description:** A registered petroleum business or aviation fuel business may apply for a refund for petroleum business tax that it has paid with respect to gallonage sold in-bulk by the business for the purchaser's own consumption. The same must then give rise to a debt that becomes worthless for federal income tax purposes. In addition, a sale of motor fuel and highway diesel motor fuel to a filling station is a sale in-bulk for such filling station's own use and consumption. Sales by a filling station are not eligible for this refund.

29. **Not-for-profit organizations and veterans groups**
**Citation:** Tax Law § 301-c(h)
**Effective date:** January 1, 1996
**Description:** Purchasers who subsequently sell residual fuel or non-highway diesel motor fuel used and consumed exclusively by certain not-for-profit organizations and veterans' groups may apply for a full refund of the petroleum business tax. These organizations include the organizations listed in Tax Law, § 1116(a)(4) or (5). (See item 11 for the full up-front exemption.)

30. **Fuel used by passenger commuter ferries**
**Citation:** Tax Law §301-c(m)
**Effective date:** December 1, 2000

**Description:** A reimbursement is allowed for non-highway diesel motor fuel and residual petroleum product used and consumed by a passenger commuter ferry when such fuel is used exclusively in providing a mass transportation service.

31. **E-85**
**Citation:** Tax Law § 301-c(n)
**Effective date:** September 1, 2006
**Description:** A reimbursement of tax applies for purchases of E-85 where the tax was paid by the purchaser and the E-85 was delivered to and placed in a storage tank of a filling station to be dispensed directly into a motor vehicle for use in the operation of the motor vehicle. This provision sunsets on September 1, 2026.

32. **B-20**
**Citation**: Tax Law §301-c(o)
**Effective date**: September 1, 2006
**Description**: A partial reimbursement of tax applies for purchases of B-20 where the tax was paid by the purchaser and subsequently resold. The partial reimbursement is equal to 20 percent of the petroleum business tax paid on diesel motor fuel. This provision sunsets on September 1, 2026.

## Exempt entities

33. **Fuel used by volunteer ambulance services and volunteer fire departments**
**Citation:** Tax Law § 301-c (p)
**Effective date:** June 1, 2013
**Description:** A reimbursement is allowed for petroleum business tax paid on motor fuel and diesel motor fuel purchased by volunteer ambulance services (as defined in Public Health Law § 3001), volunteer fire companies and volunteer fire departments (as defined in Volunteer Firefighters' Benefit Law § 3) and volunteer rescue squads. To qualify, the entity must be the purchaser, user or consumer of the motor fuel or diesel motor fuel and use it in a vehicle owned and operated by such entity exclusively for its purposes.

34. **Governments, the United Nations, and certain not-for-profit organizations**
**Citation:** Tax Law § 305
**Effective date:** July 1, 1983
**Description:** Organizations exempt under the Sales Tax Law, § 1116(a) that import petroleum into New York exclusively for their own use and consumption are not considered petroleum businesses and are exempt from the petroleum business tax. These organizations include: the New York State, the United States of America and any of its agencies, instrumentalities, or political subdivisions; the United Nations; or any international organization of which the United States is a member; any trust, corporation, association, fund, or foundation operated exclusively for religious, charitable, or scientific purposes, or to foster international amateur sports

competition, for the prevention of cruelty to children or animals, or veteran's groups; certain Indian nations or tribes; and certain not-for-profit health maintenance organizations.

35. **Certain airlines**
**Citation:** Tax Law § 301-e(f)
**Effective date:** June 1, 2005
**Description:** Aviation fuel businesses (for example, airlines) that service four or more cities in the State with direct non-stop flights between these cities are fully exempt from the petroleum business tax. This provision will allow these airlines to "burn" jet fuel on take-offs in New York State without paying the petroleum business tax whether the associated flights or legs of flights are intra or interstate in destination.

This section of the report provides tax expenditure estimates for 18 separate provisions of the real estate transfer tax. Table 7 provides a list of expenditures based on the Tax Law as of January 1, 2026. The estimates are based on liability data from the 2023-24 fiscal year. Base year 2023-24 liability is also extrapolated to the 2026-27 fiscal year. The estimates are based on an examination of liability incurred between April 1 and March 31. Real estate transfer tax liability for the 2023-24 fiscal year has been included to provide some perspective to the tax expenditure estimates.

## Description of tax

Adopted in 1968, Article 31 of the New York State Tax Law imposes a real estate transfer tax on the conveyance of real property or an interest in real property where the consideration exceeds $500. Payment is due no later than fifteen days after the delivery of the instrument affecting the conveyance (such as a deed). The rate of tax equals two dollars for every five hundred dollars (or fraction thereof) of consideration. Responsibility for payment rests with the grantor (the seller). If the grantor has failed to pay the tax or is exempt from liability, the grantee (the buyer) is responsible for payment.

The transfer tax also applies to conveyances of shares of stock in a cooperative housing corporation, the creation of long-term leaseholds and subleases, and transfers or acquisitions of a controlling interest in an entity that owns an interest in real property.

Together with the basic transfer tax, an additional one percent tax (the *mansion* tax) is imposed on the conveyance of residential real property or interest therein where the consideration is one million dollars or more. The additional tax is imposed upon the grantee. However, if the grantee is exempt from tax, then the tax is imposed on the grantor.

## Data sources

The major source of data used to compute the tax expenditure estimates is the Real Estate Transfer Tax Return Database. This file, compiled by the Department of Taxation and Finance, includes information on selected transfers of real property. It includes data items from the TP-584 and TP-584-NYC tax returns filed with these transfers and is an unverified data file.

## Methodology

Historical estimates are projected to fiscal year 2026-27 levels using various economic forecast variables.

**Table 7**
**2027 New York State real estate transfer tax expenditure estimates (in millions of dollars)**
**(Fiscal year 2024 total real estate transfer tax liability = $ 1,161 million)**

| Tax item | History | | | | Forecast | Reliability level |
|---|---|---|---|---|---|---|
| | 2020-2021 | 2021-2022 | 2022-2023 | 2023-2024 | 2026-2027 | |
| **Exclusions** | | | | | | |
| 1. Continuing lien deduction | 3.3 | 4.9 | 3.8 | 2.9 | 4.0 | 2 |
| **Exemptions** | | | | | | |
| 2. State of New York | N/A | N/A | N/A | N/A | N/A | 5 |
| 3. The United Nations and United States of America | N/A | N/A | N/A | N/A | N/A | 5 |
| 4. Conveyances to the United Nations, United States of America, or State of New York | 1.4 | 1.9 | 1.5 | 2.2 | 2.0 | 2 |
| 5. Conveyances that secure a debt or other obligation | * | 0.1 | * | * | * | 2 |
| 6. Conveyances that confirm, correct, modify, or supplement a prior conveyance | 0.2 | 0.7 | 0.3 | 0.1 | 0.3 | 2 |
| 7. Bona fide gifts and conveyance without consideration | 0.1 | 0.3 | 0.5 | 0.2 | 0.3 | 2 |
| 8. Tax sale | 0.1 | 0.1 | * | 0.1 | 0.1 | 2 |
| 9. Mere changes of identity | 0.9 | 2.5 | 2.1 | 0.6 | 3.0 | 2 |
| 10. Deeds of partition | * | * | * | * | * | 2 |
| 11. Federal bankruptcy act | 1.3 | 4.3 | 9.7 | 2.7 | 4.0 | 2 |
| 12. Contract to sell or option to purchase without use | * | 0.1 | 0.1 | * | * | 2 |
| 13. Option or contract to purchase with right to occupy | * | * | * | * | * | 2 |
| 14. START-UP NY program leases | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 2 |
| 15. Exemption from additional tax (mansion tax) for certain conveyances of real property | -- | -- | -- | -- | * | 4 |
| **Credits** | | | | | | |
| 16. Credit for prior transfer tax paid | 0.3 | 0.5 | 0.4 | 0.2 | 0.4 | 2 |
| 17. Cooperative housing corporation transfer credit | 0.4 | 0.7 | 1.9 | 2.8 | 1.0 | 2 |
| **Preferential tax rates** | | | | | | |
| 18. Real estate investment trust transfers | D/ | 0.0 | D/ | 0.0 | 0.0 | 2 |

* Less than $0.1 million.

N/A No data available.

D/ Tax law prohibits the disclosure of individual taxpayer information.

-- Not applicable.

## Exclusions

1. **Continuing lien deduction**
   **Citation:** Tax Law § 1402
   **Effective date:** August 1, 1968 (amended May 1, 1983)
   **Description:** The real estate transfer tax excludes the amount of any lien or encumbrance remaining at the time of sale involving a one-, two-, or three-family house or individual residential condominium unit, from the total consideration used to calculate the tax due. Additionally, consideration does not include the value of any lien or encumbrance at the time of sale where consideration is less than $500,000.

## Exemptions

New York State Tax Law § 1405 exempts certain organizations from payment of the transfer tax. Liability for any tax incurred, when an exempt organization is the grantor, becomes the responsibility of the grantee and is payable no later than 15 days after delivery of the instrument affecting the conveyance. Where both parties are exempt there is no tax due. § 1405 also exempts certain conveyances from tax.

2. **State of New York**
   **Citation:** Tax Law § 1405(a)(1)
   **Effective date:** August 1, 1968
   **Description:** New York State or any of its agencies, instrumentalities, political subdivisions, or public corporations (including a public corporation created pursuant to an agreement with another state or Canada) are exempt.

3. **The United Nations and United States of America**
   **Citation:** Tax Law § 1405(a)(2)
   **Effective date:** August 1, 1968
   **Description:** The United Nations, the United States of America, and any of its agencies or instrumentalities are exempt from the payment of tax.

4. **Conveyances to the United Nations, United States of America, or State of New York**
   **Citation:** Tax Law § 1405(b)(1)
   **Effective date:** August 1, 1968
   **Description:** Conveyances to the United Nations, the United States of America, the New York State, or any of their agencies, political subdivisions, instrumentalities, or any public corporation (including public corporations created pursuant to an agreement with another state or Canada) are exempt.

5. **Conveyances that secure a debt or other obligation**
   **Citation:** Tax Law § 1405(b)(2)
   **Effective date:** August 1, 1968

**Description:** Conveyances used to secure a debt or other obligation are exempt.

6. **Conveyances that confirm, correct, modify, or supplement a prior conveyance**
   **Citation:** Tax Law § 1405(b)(3)
   **Effective date:** August 1, 1968
   **Description:** The real estate transfer tax does not apply to conveyances that, without additional consideration, confirm, correct, modify, or supplement a prior conveyance.

7. **Bona fide gifts and conveyance without consideration**
   **Citation:** Tax Law § 1405(b)(4)
   **Effective date:** August 1, 1968
   **Description:** Conveyances made without consideration, bona fide gifts, bequests, or inheritances are exempt.

8. **Tax sale**
   **Citation:** Tax Law § 1405(b)(5)
   **Effective date:** August 1, 1968
   **Description:** Any conveyance given in connection with a tax sale is exempt.

9. **Mere changes of identity**
   **Citation:** Tax Law § 1405(b)(6)
   **Effective date:** July 1, 1989
   **Description:** The transfer tax does not apply to a conveyance used to effectuate a mere change in identity or form of ownership where there is no change in beneficial ownership. This exemption is not applicable to conveyances to a cooperative housing corporation of the real property comprising the cooperative dwelling.

10. **Deeds of partition**
    **Citation:** Tax Law § 1405(b)(7)
    **Effective date:** August 1, 1968
    **Description:** Conveyances that consist of a deed of partition are exempt from tax. Partition is the division of property between several persons who are co-owners of the property. The object of a partition is to end the joint tenancy or tenancy in common and divide the property among the respective co-owners.

11. **Federal bankruptcy act**
    **Citation:** Tax Law § 1405(b)(8)
    **Effective date:** August 1, 1968
    **Description:** Any conveyance given pursuant to the Federal Bankruptcy Act is exempt.

12. **Contract to sell or option to purchase without use**
    **Citation:** Tax Law § 1405(b)(9)
    **Effective date:** July 1, 1989

**Description:** A conveyance that consists of a contract to sell real property without the use or occupancy of such property is exempt. Likewise, conveyances granting an option to purchase real property without the use or occupancy of the property is exempt.

13. **Option or contract to purchase with right to occupy**
**Citation:** Tax Law § 1405(b)(10)
**Effective date:** July 1, 1989
**Description:** Conveyances of an option or contract to purchase real property with the right to use or occupy the property are exempt, provided:

    a. the consideration is less than $200,000;
    b. such property or at least one unit of a two- or three-family house was used solely as the grantor's personal residence; and
    c. the real property consists of a one-, two-, or three-family house, an individual residential condominium unit or the sale of stock in a cooperative housing corporation in connection with a grant or transfer of a proprietary leasehold covering an individual residential cooperative unit.

14. **START-UP NY Program leases**
**Citation:** Tax Law § 1405(b)(11)
**Effective date:** January 1, 2014
**Description:** Certain leases created for a term in excess of 49 years, as well as assignments of any existing leases, are taxable. An exemption is allowed for these leases of real property located in tax-free NY areas to an approved business participating in the START-UP NY Program.

15. **Exemption from additional tax (mansion tax) for certain conveyances of real property**
**Citation:** Tax Law § 1405(c)
**Effective date:** May 9, 2025
**Description:** Conveyances of real property for open space, parks, or historic preservation purposes to any not-for-profit tax-exempt corporation operated for conservation, environmental, parks, or historic preservation purposes are exempt from the additional tax (mansion tax).

## Credits

The real estate transfer tax allows credits for taxes paid in certain transactions.

16. **Credit for prior transfer tax paid**
**Citation:** Tax Law § 1405-A
**Effective date:** July 1, 1989
**Description:** A grantor is allowed credit against the tax due on a conveyance of real property to the extent tax was paid by the grantor on a prior creation of a leasehold for all or a portion of the same real property or on the granting of a contract or option to purchase all or a part of the same real property.

17. **Cooperative housing corporation transfer credit**
**Citation:** Tax Law § 1405-B
**Effective date:** July 1, 1989
**Description:** A credit is allowed for a proportionate part of the amount of tax paid upon the conveyance to the cooperative housing corporation of real property comprising the cooperative dwelling or dwellings. The credit applies to the conveyance of cooperative shares to unit purchases. It is allowed only to the extent that the original conveyance of the real property to the cooperative housing corporation effectuates a mere change in identity or form of ownership, and not a change in the beneficial ownership of the property.

## Preferential tax rates

The real estate transfer tax allows a preferential tax rate in the following instances.

18. **Real estate investment trust transfers**
**Citation:** Tax Law § 1402(b)
**Effective date:** June 9, 1994, for initial formation real estate investment trusts and July 13, 1996 for existing real estate investment trusts
**Description:** The transfer tax rate is reduced to $1 per $500 (or fractional part thereof) on transfers of real property effected through qualifying real estate investment trust transfers occurring on or after:
    - June 9, 1994, in order to form a real estate investment trust; or
    - July 13, 1996, and before September 1, 2026, to existing real estate investment trusts.

Many of the tax credits New York State offers are available under the personal income tax and several of the corporate taxes. This section provides descriptions of these credits and notes where there may be article-specific differences. The section also provides an estimate for the credit under each article where it is available. Credits that are only available under one tax article are reported in their respective section.

Some credits contained in this section can no longer be earned in the current year. They are retained in this report, however, because taxpayers possess a large, unused reserve of certain credits that can be carried forward and applied against future tax liabilities. These credits can be identified by looking at the effective dates included for each credit.

**Table 8**
**2026 New York State cross-article tax credits estimates (in millions of dollars)**

| | Tax item | History 2018 | 2019 | 2020 | 2021 | 2022 | 2023[1] | Forecast 2026 |
|---|---|---|---|---|---|---|---|---|
| 1. | Investment tax credit and employment incentive credit | | | | | | | |
| | Personal income tax | 32.2 | 29.5 | 32.8 | 45.2 | 66.6 | 200.1 | 225.0 |
| | Corporate franchise tax | 119.5 | 63.6 | 61.4 | 95.8 | 99.8 | | 105.0 |
| | **Total** | **151.7** | **93.1** | **94.2** | **141.0** | **166.4** | | **330.0** |
| 2. | Investment tax credit for the financial services industry | | | | | | | |
| | Personal income tax | * | * | * | 0.0 | 0.0 | 0.0 | * |
| | Corporate franchise tax | 5.2 | 1.8 | 0.8 | 0.2 | 0.5 | | * |
| | Insurance | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | * |
| | **Total** | **5.2** | **1.8** | **0.8** | **0.2** | **0.5** | | * |
| 3. | Special additional mortgage recording tax credit | | | | | | | |
| | Personal income tax | 17.2 | 13.0 | 9.1 | 11.8 | 14.6 | 8.7 | 11.5 |
| | Corporate franchise tax | 21.9 | 26.3 | 25.8 | 32.3 | 25.3 | | 30.0 |
| | Insurance | * | * | 0.0 | 0.0 | 0.0 | | * |
| | Article 9 §183 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | * |
| | Article 9 §184 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | * |
| | Article 9 §186 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | * |
| | **Total** | **39.1** | **39.3** | **34.9** | **44.1** | **39.9** | | **41.5** |
| 4. | Empire Zone, Qualified Empire Zone Enterprise, and zone equivalent areas tax credits[2] | | | | | | | |
| | a. Empire Zone investment tax credit and employment incentive credit | | | | | | | |
| | Personal income tax | 5.4 | 2.3 | 1.9 | 5.9 | 2.9 | 2.0 | 3.0 |
| | Corporate franchise tax | 169.3 | 61.0 | 12.2 | 12.9 | 13.5 | | 14.0 |
| | b. Empire Zone/zone equivalent areas wage tax credit | | | | | | | |
| | Personal income tax | 3.0 | 2.1 | 1.5 | 2.2 | 1.3 | 1.3 | 1.5 |
| | Corporate franchise tax | 1.8 | 2.5 | 1.5 | 3.0 | 4.9 | | 5.0 |
| | Insurance | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | * |
| | c. Empire Zone capital credit | | | | | | | |
| | Personal income tax | 0.1 | 0.1 | * | * | * | * | * |
| | Corporate franchise tax | * | 0.0 | 0.0 | 0.0 | 0.0 | | * |
| | Insurance | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | * |
| | d. Qualified Empire Zone Enterprise real property tax credit | | | | | | | |
| | Personal income tax | 4.8 | 1.6 | 0.5 | 0.4 | 0.2 | 0.2 | 0.5 |
| | Corporate franchise tax | 40.6 | 38.1 | 24.5 | 25.0 | 1.1 | | 1.0 |
| | Insurance | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | * |
| | e. Qualified Empire Zone Enterprise tax reduction credit | | | | | | | |
| | Personal income tax | 3.3 | 1.5 | 0.3 | * | 0.1 | 0.2 | * |
| | Corporate franchise tax | 2.0 | 1.7 | 0.2 | 0.1 | 0.0 | | * |
| | Insurance | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | * |
| | **Total** | **230.3** | **110.9** | **42.6** | **49.5** | **24.0** | | **25.0** |
| 5. | Farmers' school tax credit | | | | | | | |
| | Personal income tax | 42.7 | 43.0 | 43.0 | 41.7 | 40.2 | 38.9 | 39.0 |
| | Corporate franchise tax | 1.4 | 1.5 | 1.2 | 1.2 | 1.1 | | 2.0 |
| | **Total** | **44.1** | **44.5** | **44.2** | **42.9** | **41.3** | | **41.0** |
| 6. | Credit for employment of persons with disabilities | | | | | | | |
| | Personal income tax | * | * | * | 0.7 | * | * | * |
| | Corporate franchise tax | * | 0.1 | 0.1 | * | 0.1 | | * |
| | Insurance | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | * |
| | Article 9 §183 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | * |
| | Article 9 §184 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | * |
| | Article 9 §186 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | * |
| | **Total** | * | **0.1** | **0.1** | **0.7** | **0.1** | | * |

| | Tax item | History 2018 | 2019 | 2020 | 2021 | 2022 | 2023[1] | Forecast 2026 |
|---|---|---|---|---|---|---|---|---|
| 7. | Qualified emerging technology company credits | | | | | | | |
| | a. Qualified emerging technology company capital tax credit | | | | | | | |
| | Personal income tax | 2.5 | 1.4 | 1.5 | 1.0 | 0.8 | 0.4 | 0.8 |
| | Corporate franchise tax | 0.6 | 0.3 | 1.8 | 0.3 | 2.3 | | 1.0 |
| | b. Qualified Emerging Technology Company employment credit | | | | | | | |
| | Personal income tax | 0.2 | 0.3 | 0.1 | * | 0.2 | 0.3 | 0.2 |
| | Corporate franchise tax | 2.9 | 4.3 | 3.7 | 3.5 | 5.8 | | 5.0 |
| | **Total** | **6.2** | **6.3** | **7.1** | **4.8** | **9.1** | | **7.0** |
| 8. | Low-income housing credit | | | | | | | |
| | Personal income tax | * | * | * | * | * | * | * |
| | Corporate franchise tax | 53.1 | 52.7 | 57.0 | 55.9 | 54.2 | | 60.0 |
| | Insurance | 0.5 | 0.5 | 1.1 | 0.6 | 2.4 | | 1.0 |
| | **Total** | **53.6** | **53.2** | **58.1** | **56.5** | **56.6** | | **61.0** |
| 9. | Credit for purchase of an automated external defibrillator | | | | | | | |
| | Personal income tax | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.2 | 0.2 |
| | Corporate franchise tax | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | | 0.1 |
| | Insurance | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | * |
| | **Total** | **0.2** | **0.2** | **0.2** | **0.2** | **0.2** | | **0.3** |
| 10. | Green buildings credit | | | | | | | |
| | Personal income tax | 0.0 | * | 0.0 | * | * | * | * |
| | Corporate franchise tax | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | * |
| | Insurance | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | * |
| | Article 9 §183 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | * |
| | Article 9 §184 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | * |
| | Article 9 §186 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | * |
| | **Total** | **0.0** | **0.0** | **0.0** | * | * | | * |
| 11. | Long-term care insurance credit | | | | | | | |
| | Personal income tax | 96.0 | 94.0 | 60.7 | 73.6 | 60.6 | 58.8 | 61.0 |
| | Corporate franchise tax | 0.1 | 0.2 | * | * | 0.1 | | 0.2 |
| | Insurance | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | * |
| | Article 9 §183 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | * |
| | Article 9 §184 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | * |
| | Article 9 §186 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | * |
| | Article 9 §186-a | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | * |
| | Article 9 §186-e | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | * |
| | **Total** | **96.1** | **94.2** | **60.7** | **73.6** | **60.7** | | **61.2** |
| 12. | Empire State film and commercial credits | | | | | | | |
| | a. Empire State film production credit | | | | | | | |
| | Personal income tax | 8.7 | 10.2 | 3.7 | 5.7 | 11.0 | 3.1 | 16.0 |
| | Corporate franchise tax | 509.5 | 389.9 | 414.0 | 366.1 | 448.7 | | 657.0 |
| | b. Empire State film post production credit | | | | | | | |
| | Personal income tax | 1.4 | 0.6 | 0.1 | 0.2 | 0.4 | * | 1.0 |
| | Corporate franchise tax | 14.8 | 10.9 | 16.4 | 20.0 | 16.3 | | 44.0 |
| | c. Empire State commercial production credit | | | | | | | |
| | Personal income tax | 0.0 | 0.0 | * | 2.0 | 0.5 | 2.5 | 5.0 |
| | Corporate franchise tax | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | | 2.0 |
| | d. Empire State independent film production credit[4] | | | | | | | |
| | Personal income tax | -- | -- | -- | -- | -- | -- | 10.0 |
| | Corporate franchise tax | -- | -- | -- | -- | -- | -- | 90.0 |
| | **Total** | **533.2** | **411.8** | **434.4** | **394.2** | **477.1** | | **825.0** |
| 13. | Security training tax credit | | | | | | | |
| | Personal income tax | 0.1 | * | 0.1 | * | * | * | * |
| | Corporate franchise tax | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | * |
| | Insurance | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | * |
| | Article 9 §183 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | * |

| | Tax item | History 2018 | 2019 | 2020 | 2021 | 2022 | 2023[1] | Forecast 2026 |
|---|---|---|---|---|---|---|---|---|
| | Article 9 §184 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | * |
| | Article 9 §186 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | * |
| | Article 9 §186-a | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | * |
| | Article 9 §186-e | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | * |
| | **Total** | **0.1** | * | **0.1** | * | * | | * |
| 14. | Brownfields tax credits | | | | | | | |
| | a. Brownfield redevelopment tax credit | | | | | | | |
| | Personal income tax | 12.1 | 10.6 | 9.9 | 34.4 | 23.7 | 33.0 | 30.5 |
| | Corporate franchise tax | 144.1 | 136.5 | 112.3 | 230.4 | 430.7 | | 650.0 |
| | Insurance | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | * |
| | Article 9 §183 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | * |
| | Article 9 §184 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | * |
| | b. Remediated brownfield credit for real property taxes | | | | | | | |
| | Personal income tax | 0.4 | 0.4 | 0.3 | 0.6 | 0.2 | 0.3 | 0.5 |
| | Corporate franchise tax | 2.0 | 3.9 | 1.8 | 5.8 | 7.1 | | 6.0 |
| | Insurance | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | * |
| | Article 9 §183 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | * |
| | Article 9 §184 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | * |
| | c. Environmental remediation insurance credit | | | | | | | |
| | Personal income tax | 0.0 | 0.0 | 0.0 | 0.0 | * | 0.0 | * |
| | Corporate franchise tax | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | * |
| | Insurance | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | * |
| | Article 9 §183 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | * |
| | Article 9 §184 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | * |
| | **Total** | **158.6** | **151.4** | **124.3** | **271.2** | **461.7** | | **687.0** |
| 15. | Land conservation easement credit | | | | | | | |
| | Personal income tax | 1.8 | 1.8 | 1.9 | 1.9 | 2.1 | 2.2 | 2.0 |
| | Corporate franchise tax | * | * | * | * | * | | * |
| | **Total** | **1.8** | **1.8** | **1.9** | **1.9** | **2.1** | | **2.0** |
| 16. | Clean heating fuel credit | | | | | | | |
| | Personal income tax | 3.8 | 3.9 | 3.6 | 4.5 | 4.6 | 4.7 | 5.0 |
| | Corporate franchise tax | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | | 1.0 |
| | **Total** | **4.5** | **4.6** | **4.3** | **5.2** | **5.3** | | **6.0** |
| 17. | Rehabilitation of historic properties credit | | | | | | | |
| | Personal income tax | 12.2 | 14.5 | 11.0 | 15.7 | 14.9 | 14.4 | 16.0 |
| | Corporate franchise tax | 59.0 | 45.2 | 45.6 | 43.0 | 64.5 | | 68.0 |
| | Insurance | 1.6 | 5.1 | 6.8 | 14.7 | 12.4 | | 13.0 |
| | **Total** | **72.8** | **64.8** | **63.4** | **73.4** | **91.8** | | **97.0** |
| 18. | Excelsior Jobs Program tax credits | | | | | | | |
| | Personal income tax | 2.3 | 2.5 | 2.0 | 3.1 | 2.8 | 2.9 | 30.0 |
| | Corporate franchise tax | 24.5 | 19.8 | 28.6 | 29.3 | 30.5 | | 292.0 |
| | Insurance | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | * |
| | **Total** | **26.8** | **22.3** | **30.6** | **32.4** | **33.3** | | **322.0** |
| 19. | Credit for companies who provide transportation to individuals with disabilities | | | | | | | |
| | Personal income tax | 0.5 | 1.5 | 0.3 | 0.7 | 0.9 | 0.8 | 1.0 |
| | Corporate franchise tax | * | 0.0 | * | * | * | | * |
| | **Total** | **0.5** | **1.5** | **0.3** | **0.7** | **0.9** | | **1.0** |
| 20. | Economic Transformation and Facility Redevelopment Program tax credit | | | | | | | |
| | Personal income tax | * | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | * |
| | Corporate franchise tax | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | * |
| | Insurance | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | * |
| | **Total** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** | | * |

| | Tax item | History 2018 | 2019 | 2020 | 2021 | 2022 | 2023[1] | Forecast 2026 |
|---|---|---|---|---|---|---|---|---|
| 21. | New York Youth Jobs Program tax credit | | | | | | | |
| | Personal income tax | 15.8 | 20.6 | 19.5 | 28.1 | 31.5 | 30.1 | 20.0 |
| | Corporate franchise tax | 19.9 | 25.4 | 27.2 | 34.7 | 33.6 | | 20.0 |
| | **Total** | **35.7** | **46.0** | **46.7** | **62.8** | **65.1** | | **40.0** |
| 22. | Empire State Jobs Retention Program credit[3] | | | | | | | |
| | Personal income tax | 0.5 | 0.6 | 0.7 | 0.4 | 0.9 | 0.6 | 5.0 |
| | Corporate franchise tax | 3.2 | 3.2 | 3.2 | 3.2 | 0.0 | | 25.0 |
| | Insurance | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | * |
| | **Total** | **3.7** | **3.8** | **3.9** | **3.6** | **0.9** | | **30.0** |
| 23. | Alcoholic beverage production credit (beer production credit) | | | | | | | |
| | Personal income tax | 1.5 | 1.4 | 1.4 | 1.7 | 1.6 | 3.5 | 5.0 |
| | Corporate franchise tax | 2.7 | 2.8 | 2.8 | 2.9 | 2.4 | | 3.0 |
| | **Total** | **4.2** | **4.2** | **4.2** | **4.6** | **4.0** | | **8.0** |
| 24. | Alternative fuels and electric vehicle recharging property credit | | | | | | | |
| | Personal income tax | 0.2 | 0.2 | 0.2 | 0.6 | 1.2 | 1.6 | 1.0 |
| | Corporate franchise tax | 0.4 | 0.7 | 0.4 | 0.1 | 0.2 | | 1.0 |
| | Article 9 §183 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | * |
| | Article 9 §184 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | * |
| | **Total** | **0.6** | **0.9** | **0.6** | **0.7** | **1.4** | | **2.0** |
| 25. | START-UP NY tax elimination credit | | | | | | | |
| | Personal income tax | 0.6 | 0.3 | 0.8 | 12.6 | 0.5 | 1.2 | 2.0 |
| | Corporate franchise tax | 0.2 | 0.4 | 0.2 | 0.2 | 0.3 | | 1.0 |
| | **Total** | **0.8** | **0.7** | **1.0** | **12.8** | **0.8** | | **3.0** |
| 26. | Credit for the excise tax on telecommunication services paid by START-UP NY businesses | | | | | | | |
| | Personal income ax | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | * |
| | Corporate franchise tax | * | * | 0.0 | 0.0 | 0.0 | | * |
| | **Total** | ***** | ***** | ***** | **0.0** | **0.0** | | ***** |
| 27. | Real property tax relief credit for manufacturing | | | | | | | |
| | Personal income tax | 9.1 | 9.5 | 10.2 | 10.6 | 10.8 | 11.2 | 11.0 |
| | Corporate franchise tax | 2.3 | 1.9 | 1.1 | 0.6 | 0.6 | | 2.0 |
| | **Total** | **11.4** | **11.4** | **11.3** | **11.2** | **11.4** | | **13.0** |
| 28. | Hire a vet credit | | | | | | | |
| | Personal income tax | * | * | * | * | 0.1 | 0.3 | 0.5 |
| | Corporate franchise tax | * | * | * | * | * | | 0.5 |
| | Insurance | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | * |
| | **Total** | ***** | ***** | ***** | ***** | **0.1** | | **1.0** |
| 29. | Musical and theatrical production credit | | | | | | | |
| | Personal income tax | * | * | 0.0 | 0.0 | * | * | 2.0 |
| | Corporate franchise tax | 0.8 | 2.3 | 0.0 | 1.6 | 0.7 | | 6.0 |
| | **Total** | **0.8** | **2.3** | **0.0** | **1.6** | **0.7** | | **8.0** |
| 30. | Workers with disabilities tax credit | | | | | | | |
| | Personal income tax | * | * | * | * | * | 0.0 | 1.0 |
| | Corporate franchise tax | 0.0 | 0.0 | 0.0 | 0.0 | * | | * |
| | **Total** | ***** | ***** | ***** | ***** | ***** | | **1.0** |
| 31. | Employee Training Incentive Program[3] | | | | | | | |
| | Personal income tax | * | 0.0 | 0.0 | * | * | * | 3.0 |
| | Corporate franchise tax | 0.0 | 0.0 | * | 0.0 | * | | 2.0 |
| | **Total** | ***** | **0.0** | ***** | ***** | ***** | | **5.0** |

| | Tax item | History 2018 | 2019 | 2020 | 2021 | 2022 | 2023[1] | Forecast 2026 |
|---|---|---|---|---|---|---|---|---|
| 32. | Farm workforce retention credit | | | | | | | |
| | Personal income tax | 4.5 | 7.8 | 6.4 | 9.8 | 20.3 | 21.0 | 21.0 |
| | Corporate franchise tax | 0.8 | 1.4 | 1.2 | 1.8 | 3.7 | | 4.0 |
| | **Total** | **5.3** | **9.2** | **7.6** | **11.6** | **24.0** | | **25.0** |
| 33. | Empire State apprenticeship tax credit | | | | | | | |
| | Personal income tax | * | 0.1 | 0.1 | 0.2 | 0.1 | 0.2 | 3.0 |
| | Corporate franchise tax | * | 0.4 | 0.2 | 0.2 | 0.3 | | 7.0 |
| | **Total** | ***** | **0.5** | **0.3** | **0.4** | **0.4** | | **10.0** |
| 34. | Life sciences research and development ax credit[3] | | | | | | | |
| | Personal income tax | 0.0 | 0.0 | 0.3 | 0.1 | * | * | 1.0 |
| | Corporate franchise tax | 1.6 | 3.4 | 2.2 | 2.4 | 3.3 | | 9.0 |
| | **Total** | **1.6** | **3.4** | **2.5** | **2.5** | **3.3** | | **10.0** |
| 35. | Farm donations to food pantries credit | | | | | | | |
| | Personal income tax | 0.1 | 0.1 | 0.2 | 0.1 | 0.2 | 0.2 | 0.2 |
| | Corporate franchise tax | * | * | * | * | * | | * |
| | **Total** | **0.1** | **0.1** | **0.2** | **0.1** | **0.3** | | **0.2** |
| 36. | Employer provided child care credit | | | | | | | |
| | Personal income ax | -- | -- | 0.2 | 0.4 | 0.4 | 1.1 | 1.0 |
| | Corporate franchise tax | -- | -- | 0.1 | 0.1 | 0.6 | | 1.0 |
| | Insurance | -- | -- | 0.0 | 0.0 | 0.0 | | * |
| | **Total** | | | **0.3** | **0.5** | **1.0** | | **2.0** |
| 37. | Recovery tax credit | | | | | | | |
| | Personal income tax | -- | -- | * | 0.4 | 0.2 | 0.3 | 1.5 |
| | Corporate franchise tax | -- | -- | 0.0 | 0.0 | 0.0 | | 0.5 |
| | Insurance | -- | -- | 0.0 | 0.0 | 0.0 | | * |
| | **Total** | | | ***** | **0.4** | **0.2** | | **2.0** |
| 38. | Restaurant return-to-work tax credit | | | | | | | |
| | Personal income tax | -- | -- | -- | 4.6 | -- | -- | -- |
| | Corporate franchise tax | -- | -- | -- | 1.1 | -- | | -- |
| | **Total** | | | | **5.7** | **--** | | **--** |
| 39. | New York City musical and theatrical production tax credit | | | | | | | |
| | Personal income tax | -- | -- | -- | 0.0 | 8.9 | 2.7 | 10.0 |
| | Corporate franchise tax | -- | -- | -- | 14.5 | 76.5 | | 90.0 |
| | **Total** | | | | **14.5** | **85.4** | | **100.0** |
| 40. | Covid-19 capital costs tax credit | | | | | | | |
| | Personal income tax | -- | -- | -- | -- | 2.5 | 11.8 | -- |
| | Corporate franchise tax | -- | -- | -- | -- | 1.2 | | -- |
| | **Total** | | | | | **3.7** | | **--** |
| 41. | Grade number 6 heating oil conversion tax credit | | | | | | | |
| | Personal income tax | -- | -- | -- | -- | 0.0 | 0.0 | -- |
| | Corporate franchise tax | -- | -- | -- | -- | 0.0 | | -- |
| | **Total** | | | | | **0.0** | | **--** |
| 42. | Farm employer overtime credit | | | | | | | |
| | Personal income tax | -- | -- | -- | -- | -- | -- | 52.0 |
| | Corporate franchise tax | -- | -- | -- | -- | -- | | 9.0 |
| | **Total** | | | | | | | **61.0** |
| 43. | Additional restaurant return-to-work tax credit | | | | | | | |
| | Personal income tax | -- | -- | -- | -- | 0.8 | -- | -- |
| | Corporate franchise tax | -- | -- | -- | -- | 0.1 | | -- |
| | **Total** | | | | | **0.9** | | **--** |

| | Tax item | History 2018 | 2019 | 2020 | 2021 | 2022 | 2023[1] | Forecast 2026 |
|---|---|---|---|---|---|---|---|---|
| 44. | Empire State digital gaming media production tax credit | | | | | | | |
| | Personal income tax | -- | -- | -- | -- | -- | 0.0 | 2.5 |
| | Corporate franchise tax | -- | -- | -- | -- | -- | | 2.5 |
| | **Total** | | | | | | | **5.0** |
| 45. | Child care creation and expansion credit | | | | | | | |
| | Personal income tax | -- | -- | -- | -- | -- | * | -- |
| | Corporate franchise tax | -- | -- | -- | -- | -- | | -- |
| | Insurance | -- | -- | -- | -- | -- | | -- |
| | **Total** | | | | | | | **--** |
| 46. | Newspaper and Broadcast Media Jobs Program credit | | | | | | | |
| | Personal income tax | -- | -- | -- | -- | -- | -- | 5.0 |
| | Corporate franchise tax | -- | -- | -- | -- | -- | | 25.0 |
| | **Total** | | | | | | | **30.0** |
| 47. | Commercial security tax credit | | | | | | | |
| | Person income tax | -- | -- | -- | -- | -- | -- | 2.0 |
| | Corporate franchise tax | -- | -- | -- | -- | -- | | 3.0 |
| | Article 9 §183 | -- | -- | -- | -- | -- | | * |
| | Article 9 §184 | -- | -- | -- | -- | -- | | * |
| | Article 9 §186 | -- | -- | -- | -- | -- | | * |
| | Article 9 §186-a | -- | -- | -- | -- | -- | | * |
| | Article 9 §186-e | -- | -- | -- | -- | -- | | * |
| | **Total** | | | | | | | **5.0** |
| 48. | Semiconductor manufacturing workforce training program tax credit[4] | | | | | | | |
| | Personal income tax | -- | -- | -- | -- | -- | -- | 1.0 |
| | Corporate franchise tax | -- | -- | -- | -- | -- | | 19.0 |
| | **Total** | | | | | | | **20.0** |
| 49. | Semiconductor research and development tax credit[4] | | | | | | | |
| | Personal income tax | -- | -- | -- | -- | -- | -- | * |
| | Corporate franchise tax | -- | -- | -- | -- | -- | -- | 5.0 |
| | **Total** | | | | | | | **5.0** |

1. Data for non-personal income tax items are not yet available.
2. The total forecast for the Empire Zone/Qualified Empire Zone Enterprise Program, including sales tax, is $25 million.
3. The Employee Training Incentive Program, the Empire State Jobs Retention Program, and the Life Sciences research and development tax credit are funded out of the Excelsior Jobs Program.
4. A new tax expenditure item or a revision of the revision of the methodology or revisions in the data sources resulted in an estimate that better reflects the tax expenditure value.

* Less than $0.1 million.

-- Tax expenditure not applicable for these years.

## 1. Investment tax credit and employment incentive credit

### a. Investment tax credit

**Citation:** Tax Law §§ 210-B(1), 606(a), a-1
**Credit type:** Refundable to new businesses and eligible farmers only
**Effective date of credit:** Effective for tax years beginning on or after January 1, 1969; the sections of this credit covering research and development research and development property and pollution control facilities represent a consolidation of previously separate tax benefits and are effective for tax years beginning on or after January 1, 1987
**Description:** The law allows a credit based on the cost or other basis for federal tax purposes of depreciable tangible personal property, including buildings and their structural components, acquired, constructed, reconstructed, or erected after December 31, 1968, having a useful life of four years or more, located within the State of New York, and used primarily for the production of goods by a variety of processes. The claiming of a depreciation or expense deduction for such property under certain other tax provisions, or the leasing of the property to another individual or corporation, unless explicitly allowed, disqualifies the taxpayer from exercising a claim under this provision. A taxpayer may carry forward any unused credit and apply it against the tax for subsequent years or, in the case of a qualified new business, claim it as a refund. For tax years 2023 through 2027, the investment tax credit will be fully refundable for eligible farmers. The refundability only applies to credit claimed for property placed in service on or after January 1, 2023, and before January 1, 2028. Eligible farmers may continue to carry over existing credit for property placed in service prior to January 1, 2023, however such amounts of credit remain nonrefundable.

Taxpayers who provide three or more services, such as a studio lighting grid, lighting and grip equipment, or industrial scale electrical capacity to qualified film productions are eligible to claim the investment tax credit on property used in the qualified film production facility.

The law allows a credit for expenditures paid or incurred during the tax year for the construction, reconstruction, erection, or improvement of pollution control, waste treatment, and acid rain control facilities. To qualify for the credit, facilities must be located within the State, used in regular business activities, and certified by the New York State Commissioner of Environmental Conservation.

Tangible property, including buildings and structural components of buildings used for the purpose of research and development in the laboratory or experimental sense is eligible for a higher credit rate. However, credit is not allowed with respect to property that has been leased to another individual or corporation, or that has been the basis of a claim for an elective expense deduction or a regular investment tax credit. Furthermore, the credit is not

allowed with respect to tangible personal property and other tangible property principally used by the taxpayer in the production or distribution of electricity, natural gas after extraction from wells, steam, or water delivered through a pipe.

**Personal income tax filers**: The credit rate equals 4 percent of the investment credit base. The taxpayer may claim a rate of 7 percent on research and development property but is not allowed to also claim the employment incentive credit. For a taxpayer that is an eligible farmer, they may claim a rate of 20 percent for property placed in service on or after April 1, 2022 that is principally used by the farmer in the production of goods by farming, agriculture, horticulture, floriculture, or viticulture. Where the allowable credit exceeds the taxpayer's liability for a given year, the taxpayer may carry forward the excess credit for 10 subsequent tax years. In the case of a new business or an eligible farmer who claims credit for property placed in service after January 1, 2023, and before January 1, 2028, excess credit may be received as a refund.

**Corporate franchise tax filers**: The credit rate equals 5 percent of the first $350 million of the investment credit base. A 4 percent rate applies to amounts above $350 million. The taxpayer may claim a rate of 9 percent on research and development property but is not allowed to also claim the employment incentive credit. For a taxpayer that is an eligible farmer, they may claim a rate of 20 percent for property placed in service on or after April 1, 2022 that is principally used by the farmer in the production of goods by farming, agriculture, horticulture, floriculture, or viticulture. Where the allowable credit exceeds the taxpayer's liability for a given year, the taxpayer may carry forward the excess credit for 15 subsequent tax years. In the case of a new business or an eligible farmer who claims credit for property placed in service after January 1, 2023 and before January 1, 2028, excess credit may be received as a refund.

**Note**: When qualified investment tax credit property is disposed of or ceases to be in qualified use prior to the end of its useful life, a portion of the credit must be recaptured. Any investment tax credit recapture may be added to the tax otherwise due in the year of disposition or disqualification.

b. **Employment incentive credit**
**Citation:** Tax Law §§ 210-B(2), 606(a-1)
**Credit type:** Corporate franchise tax - nonrefundable/carryforward; personal income tax - refundable to new businesses only
**Effective date of credit:** Effective for tax years beginning on or after January 1, 1987 for corporate franchise taxpayers; January 1, 1997 for personal income taxpayers

**Description:** Taxpayers that increase employment may be eligible for the employment incentive credit, which is allowed for each of the two years succeeding the taxable year in which the investment tax credit is earned. The amount of the credit is as follows:

- 1.5 percent of the investment tax credit base if employment is at least 101 percent but less than 102 percent of the employment base year;
- 2.0 percent of the investment tax credit base if employment is at least 102 percent but less than 103 percent of the employment base year;
- 2.5 percent of the investment tax credit base if employment is at least 103 percent of the employment base year.

**Note**: As part of corporate tax reform, the rehabilitation credit for historic barns and the retail enterprise tax credit were eliminated under the corporate franchise tax. These credits are still available under the personal income tax, but information on the amount of credits used and refunded in any year is not separately available.

2. **Investment tax credit for the financial services industry**
**Citation:** Tax Law §§ 210-B(1), 606(a)(2)(A), 1511(q)
**Credit type:** Refundable to new businesses only
**Effective date of credit:** Personal income tax/corporate franchise tax - effective for property placed in service on or after October 1, 1998, and before October 1, 2015; insurance - available for property placed in service on or after January 1, 2002, and before October 1, 2015
**Description:** An investment tax credit and employment incentive credit are allowed for qualified property used in the financial services industry and employment increases respectively. The rate of credit, maximum amounts, refund/carryforward provisions, and recapture rules are generally the same as for the regular investment tax credit/employment incentive credit available under the corporate franchise and personal income taxes.

Qualified property includes property principally used in the ordinary course of the taxpayer's trade or business:

- as a broker or dealer in connection with the purchase or sale of stocks, bonds, or other securities as defined in Internal Revenue Code § 475(c)(2), or of commodities as defined in Internal Revenue Code § 475(e), or in providing lending, loan arrangement, or loan origination services to customers in connection with the purchase or sale of securities as defined in Internal Revenue Code § 475(c)(2);
- of providing investment advisory services for a regulated investment company as described in Internal Revenue Code, § 851; or
- as an exchange registered as a national securities exchange (such as the New York Stock Exchange) or a board of trade defined under the New York Not-For-Profit Corporation Law, or an entity wholly owned by one or more national

security exchanges or boards of trade that provides automation or technical services to the national security exchanges or boards of trade.

Property purchased by a taxpayer affiliated with a regulated broker, dealer, registered investment advisor, or national securities exchange or board of trade, or property leased by a taxpayer to an affiliated regulated broker, dealer, registered investment advisor, national securities exchange, or board of trade is eligible for this credit if the property is used by the affiliate in an activity described above.

Taxpayers must also satisfy an annual employment test that measures New York State employment in the current tax year against one of three standards:

- **80% current-year test**: 80 percent or more of the employees performing the administrative and support functions resulting from or relating to the qualifying uses of the property are located in New York State;
- **95% three-year back-office test**: The average number of employees located in New York State performing the administrative and support functions resulting from or related to the qualifying uses of such equipment during the tax year is equal to or greater than 95 percent of the number during the 36 months immediately preceding the year for which the credit is claimed; or
- **90% end-of-year test**: The number of New York State employees during the current tax year is equal to or greater than 90 percent of the number on December 31, 1998 or, if the taxpayer was not a calendar year taxpayer in 1998, the last day of its first taxable year ending after December 31, 1998.

3. **Special additional mortgage recording tax credit**
**Citation:** Tax Law §§ 187, 210-B(9, 27), 606(f)(3), 1511(e)
**Credit type:** Nonrefundable/carryforward (refundable under personal income tax/corporate franchise tax for certain residential mortgages only)
**Effective date of credit:** Corporate franchise tax/bank/insurance/corporation effective for tax years beginning after December 31, 1978; personal income tax — effective for tax years beginning after 2003
**Description:** Taxpayers may claim a credit equal to the special additional mortgage recording tax paid on certain mortgages. The credit is not available for special additional tax paid on mortgages of real property principally improved by one or more structures containing in the aggregate not more than six residential dwelling units, each dwelling unit having its own separate cooking facilities, where the real property is located in one or more of the counties comprising the Metropolitan Commuter Transportation District or Erie County.

Effective for special additional mortgage recording tax paid in tax years beginning after January 1, 1994, an S corporation could elect to treat the unused portion of the credit as either a refund or carryforward instead of passing the credit through to shareholders. S corporations could also elect to take a refund regardless of whether the credit is carried from a New York C year or a New York S year. Under Tax Law,

Article 9-A, credit earned on or after January 1, 2015, is refundable for certain residential mortgages.

4. **Empire Zone, Qualified Empire Zone Enterprise, and zone equivalent area tax credits**

The Empire Zones Program expired on June 30, 2010. No new entrants will be admitted to the Program, but existing participants can continue to earn credits for several years. Taxpayers will be allowed to utilize the remainder of their five-year period for the Empire Zone wage tax credit and the remainder of their benefit period for the Qualified Empire Zone Enterprise credits (15 or 10 years, depending on the date of first certification). Taxpayers will be allowed to earn additional Empire Zone investment tax credit until April 1, 2014, but qualified investment projects can earn Empire Zone income tax credit for their next nine tax years. The Empire Zone employment incentive credit will be fully available for the three years after an Empire Zone income tax credit is claimed if the taxpayer meets the requisite employment tests. Finally, taxpayers can continue to earn the Empire Zone capital credit through March 31, 2014 for certified contributions in fulfillment of a pledge made to an Empire Zone community development project.

a. **Empire Zone investment tax credit and Empire Zone employment incentive credit**

**Citation:** Tax Law §§ 210-B(3), 210-b(4), 606(j), 606(j-1)

**Credit type:** 1) Empire Zone investment tax credit: 50 percent refundable to new businesses only; 2) Empire Zone employment incentive credit—nonrefundable/carryforward for corporate taxpayers; and 3) Empire Zone employment incentive credit— 50 percent refundable to new businesses only for personal income taxpayers

**Effective date of credit:** Personal income tax/corporate franchise tax—effective for tax years beginning on or after January 1, 1986

**Description:** Taxpayers may qualify for an enhanced Empire Zone investment tax credit equal to a percentage of the cost or other federal basis of tangible personal property, including buildings and structural components of buildings, located within a designated Empire Zone. The credit is also available to taxpayers in the financial services industry and contains the same rules and qualifications as the regular financial services investment tax credit. The credit rate is 10 percent for corporate taxpayers and 8 percent for personal income taxpayers.

Taxpayers may also claim an Empire Zone employment incentive credit similar to the regular employment incentive credit, based upon Empire Zone investment tax credit claimed and employment increased within an Empire Zone. The amount of the Empire Zone employment incentive credit allowed is 30 percent of the Empire Zone investment tax credit for each of the three years following the year for which the original Empire Zone investment tax credit was allowed. The

Empire Zone employment incentive credit is allowed only for those years during which the average number of employees (except general executive officers) in the Empire Zone is at least 101 percent of the average number of employees (except general executive officers) in the Empire Zone during the tax year immediately preceding the tax year for which the original Empire Zone investment tax credit was allowed.

b. **Empire Zone/zone equivalent areas wage tax credit**
**Citation:** Tax Law §§ 210-B(46), 606(k), 1511(g)
**Credit type:** 50 percent refundable to new business only
**Effective date of credit:** Personal income tax/corporate franchise tax/insurance — effective for tax years beginning on or after January 1, 1986
**Description:** A taxpayer may claim an Empire Zone wage tax credit for doing business and creating full-time jobs in an Empire Zone. The credit equals the product of the average number of newly hired targeted Empire Zone employees receiving Empire Zone wages multiplied by $3,000. The corresponding credit amount for non-targeted employees is $1,500. Taxpayers certified in investment zones may claim an additional $500 for each employee paid over $40,000 in wages. The Empire Zone wage tax credit is available for five years. Taxpayers employing individuals in areas that met Empire Zone eligibility criteria but were not so designated - Zone Equivalent Areas - could claim a credit for zone equivalent area wages paid for full-time employment in jobs created in the zone equivalent area. The zone equivalent area credit expired in 2004, but taxpayers are allowed to use carryforwards until exhausted. The total wage tax credit cannot exceed 50 percent of tax due before credits.

**Note**: Excess amounts of Empire Zone investment tax credit — and Empire Zone wage tax credit are 50 percent refundable to new business taxpayers or taxpayers designated as owners of a qualified investment project (QUIP) or a significant capital investment project (SCIP). Owners of qualified investment project or significant capital investment project may also refund 50 percent of excess Empire Zone-employment incentive credit.

c. **Empire Zone capital credit**
**Citation:** Tax Law §§ 210-B(46), 606(l), 1511(h)
**Credit type:** Nonrefundable/carryforward
**Effective date of credit:** Effective for tax years beginning on or after January 1, 1986
**Description:** Taxpayers may qualify for a credit for direct equity investments in certified zone businesses and contributions to community development projects. The credit equals 25 percent of the sum of each type of investment. The maximum credit per taxpayer is $100,000 for each investment type for an aggregate limit of $200,000 and cannot exceed one half of the taxpayer's pre-credit tax. Taxpayers may carry unused credits forward indefinitely.

d. **Qualified Empire Zone Enterprise real property tax credit**
**Citation:** Tax Law §§ 14, 15, 210-B(5), 606(bb), 1511(r)
**Credit type:** Refundable
**Effective date of credit:** Personal income tax/corporate franchise tax/insurance — effective for tax years beginning on or after January 1, 2001
**Description:** For taxpayers certified prior to April 1, 2005, the Qualified Empire Zone Enterprise real property tax credit is the product of three factors. The benefit period factor is 1.0 in the first ten years of certification, declining by 0.2 each year thereafter. The employment increase factor is based upon the Qualified Empire Zone Enterprise's job growth. The final factor is the Qualified Empire Zone Enterprise's real property taxes for the current tax year.

For taxpayers certified on or after April 1, 2005, and located in an Investment Zone, the credit equals 25 percent of the wages and health and retirement benefits of net new employees. Taxpayers located in a Development Zone use the same formula but include an additional factor, the Development Zone employment increase factor, scaled to reward greater job increases. The credit can exceed these amounts if the capital investment limitation is greater, but the credit is capped at the amount of real property taxes.

Taxpayers certified on or after April 1, 2009, must reduce the computed credit amount by 25 percent.

e. **Qualified Empire Zone Enterprise tax reduction credit**
**Citation:** Tax Law §§ 14, 16, 210-B(6), 606(cc), 1511(s)
**Credit type:** Nonrefundable/Non-carryforward
**Effective date of credit:** Effective for tax years beginning on or after January 1, 2001
**Description:** The Qualified Empire Zone Enterprise tax reduction credit is the product of four factors: the benefit period factor, the employment increase factor, the zone allocation factor, and the tax factor. The first two factors are discussed above. The zone allocation factor measures the Qualified Empire Zone Enterprise's economic presence in the zone. The tax factor depends on the type of filer:

Qualified Empire Zone Enterprise tax reduction credit tax factor

| Tax type | The tax factor is: |
|---|---|
| Personal income tax | The amount of personal income tax attributable to allocated Qualified Empire Zone Enterprise income |
| Corporate franchise tax | The Qualified Empire Zone Enterprise's tax on the business income base |
| Insurance tax | The greater of the Qualified Empire Zone Enterprise tax on the entire net income or entire net income plus compensation bases |

For corporate franchise taxpayers located entirely within an Empire Zone, the tax reduction credit can be applied against the fixed dollar minimum tax, potentially reducing a taxpayer's liability to zero.

5. **Farmers' School tax credit**
**Citation:** Tax Law §§ 210-B(11), 606(n)
**Credit type:** Refundable
**Effective date of credit:** Effective for tax years beginning on or after January 1, 1997
**Description:** Taxpayers primarily engaged in farming may claim a credit equal to 100 percent of total school property taxes paid on qualified New York agricultural property up to 350 acres, and 50 percent of the school taxes paid on acres in excess of 350. To be eligible, taxpayers must earn two-thirds of their federal income from farming, with three-year income averaging allowed in determining this threshold. Recapture provisions apply if the taxpayer converts the property to a nonqualified use in the two years subsequent to first use of the credit.

**Personal income tax filers:** For purposes of this test, total gross income is reduced by the sum (not to exceed $30,000) of earned income, pensions, Social Security, interest, and dividends. The credit begins to phase out for taxpayers with New York adjusted gross income in excess of $200,000, after subtracting principal on farm indebtedness, and is phased out completely at $300,000.

**Corporate franchise tax filers:** The credit begins to phase out for taxpayers with New York entire net income in excess of $200,000 and is phased out completely at $300,000. Shareholders may elect to claim their pro rata share of the corporation's income and principal payments on farm indebtedness when determining the farmers' school tax credit. In such instances, the corporation does not claim any credit.

6. **Credit for employment of persons with disabilities**
**Citation:** Tax Law §§ 187-a, 210-B(12), 606(o), 1511(j)
**Credit type:** Nonrefundable/carryforward
**Effective date of credit:** Effective for tax years beginning on or after January 1, 1998, applicable to individuals who begin work on or after January 1, 1997
**Description:** Employers may claim a credit equal to 35 percent of the first $6,000 of first year wages paid to employees with disabilities (a maximum of $2,100 per employee). Beginning in tax year 2025, the credit allowed under Articles 9-A and 22 is $5,000 for qualified first-year wages. However, if the first year's wages qualify for the federal work opportunity tax credit, the New York credit will apply to second year wages. To be eligible for the state credit, the disabled employee must work for the employer on a full-time basis for at least 180 days or 400 hours and must be certified by the State Department of Education or another designated state agency. Visually handicapped individuals may receive certification from the appropriate agency responsible for vocational rehabilitation of the blind and visually impaired.

7. **Qualified emerging technology company credits**

   a. **Qualified emerging technology company capital tax credit**
   **Citation:** Tax Law §§ 210-B(8), 606(r)
   **Credit type:** Nonrefundable/carryforward
   **Effective date of credit:** Effective for tax years beginning on or after January 1, 1999
   **Description:** Taxpayers who make a qualified investment in a certified qualified emerging technology company can receive a credit that varies depending upon how long the investment is held. Taxpayers claim the credit in the year the investment is made and certify the duration of the holding period. Investments held for four years from the close of the tax year in which the credit is first claimed qualify for a 10 percent credit. Investments held for nine years qualify for a 20 percent credit. If the property is sold, transferred, or disposed of prior to the end of the holding period, the taxpayer must recapture a portion of the credit. The aggregate limits for all years are $150,000 for the 10 percent credit, and $300,000 for the 20 percent credit. The amount of credit deducted may not exceed 50 percent of the tax due before any credits.

   b. **Qualified emerging technology company employment credit**
   **Citation:** Tax Law §§ 210-B(7), 606(q)
   **Credit type:** Refundable
   **Effective date of credit:** Effective for tax years beginning on or after January 1, 1999
   **Description:** A qualified emerging technology company may claim a credit equaling $1,000 for each individual employed over a base year level. Credit is allowed for three years.

8. **Low-income housing credit**
   **Citation:** Tax Law §§ 18, 210-B(15), 606(x), 1511(n)
   **Credit type:** Nonrefundable/carryforward
   **Effective date of credit:** Effective for tax years beginning on or after January 1, 2000, with respect to commitments for construction of low-income housing agreed upon on or after May 15, 2000
   **Description:** The *New York State Low-Income Housing Tax Credit Program*, based on the existing federal program, requires an agreement between the taxpayer and the commissioner of the New York State Division of Housing and Community Renewal for a long-term commitment to low-income housing. The amount of the credit is determined by New York State Division of Housing and Community Renewal and depends on the applicable percentage of the qualified basis of each low-income building. The credit amount allocated is allowed as a credit against tax for 10 tax years. Beginning in 2019, for buildings that receive an allocation of low-income housing credit on or after January 1, 2019, the Public Housing Law allows a one-time transfer of the credit to a person or entity without regard to the allocation of the

federal low-income housing credit and notwithstanding that the recipient may have no ownership interest in the building.

9. **Credit for purchase of an automated external defibrillator**
**Citation:** Tax Law §§ 210-B(13), 606(s), 1511(l)
**Credit type:** Nonrefundable/Non-carryforward
**Effective date of credit:** Effective for tax years beginning on or after January 1, 2001
**Description:** Taxpayers may claim a credit for the purchase of an automated external defibrillator, as defined in Public Health Law § 3000-b. The amount of credit equals the cost of each unit, up to a maximum of $500 per defibrillator.

10. **Green buildings credit**
**Citation:** Tax Law §§ 19, 187-d, 210-B(16), 606(y), 1511(o)
**Credit type:** Nonrefundable/carryforward
**Effective date of credit:** Effective for taxable years beginning on or after January 1, 2001
**Description:** The green building credit consists of several incentives for the purchase of recyclable building materials and other environmentally preferable tangible personal property. It also contains components for the purchase of fuel cells, photovoltaic modules, and environmentally sensitive non-ozone depleting refrigerants. Phase I authorized $25 million in credit for costs incurred on or after June 1, 1999, for property placed in service or that received a final certificate of occupancy in tax years from January 1, 2001, to 2004. Phase II of the program began in the 2005 tax year. An additional $25 million in total credit could be issued, but the amount on any one credit certificate was limited to $2 million.

11. **Long-term care insurance credit**
**Citation:** Tax Law §§ 190, 210-B(14), 606(aa), 1511(m)
**Credit type:** Nonrefundable/carryforward
**Effective date of credit:** Effective for tax years beginning on or after January 1, 2002
**Description:** Taxpayers may take a credit equal to a percentage of the premiums paid for the purchase of, or continuing coverage under, a long-term care insurance policy approved by the New York State Department of Financial Services. When enacted, the credit rate was 10 percent. Subsequent legislation increased the credit to 20 percent for tax years beginning after 2003. For New York resident taxpayers in tax years beginning on or after January 1, 2020, the credit is restricted to returns with New York adjusted gross income of less than $250,000 and is limited to $1,500.

12. **Empire State film and commercial credits**

a. **Empire State film production credit**
**Citation:** Tax Law §§ 24, 210-B(20), 606(gg),
**Credit type:** Refundable
**Effective date of credit:** Effective for tax years beginning on or after January 1, 2004 and before January 1, 2037
**Description:** Taxpayers satisfying a threshold level of film production activity in New York State may claim the Empire State film production credit. The credit is equal to 30 percent of qualified production costs incurred in the production of films and certain television shows. For initial applications received prior to April 1, 2023, and on or after April 1, 2020, the allowable amount of the credit was 25 percent. For tax years 2015 through 2036, Empire State film production and post-production projects are eligible for an additional credit equal to 10 percent of the wages or salaries of individuals employed by a qualified film or independent film production company for services performed in specific upstate New York counties. For initial applications received after January 1, 2025, the credit is increased by an additional 10 percent for qualified production costs attributable to musical scoring when such scoring costs include payment to a minimum of five musicians. Credit is awarded on a first come, first served basis with applications made to the New York State Governor's Office for Motion Picture and Television Development.

A new "production plus program" is established for tax years beginning on or after January 1, 2025. Qualified independent film production companies, qualified film production companies, or a company that is a majority owner of one or more qualified film production companies or qualified independent film production companies that undertake multiple productions in New York State may be eligible for a tax credit (in addition to the film production credit) for qualified production costs incurred on subsequent films or television series. A production company that submits at least two applications to the film production tax credit program after January 1, 2025, the sum of which total at least $100 million in qualified production costs in New York State, can receive an additional credit equal to 10 percent of qualified production costs. For independent film production companies that cannot meet the $100 million test, if two applications total at least $20 million, the additional credit is 5 percent. Initial applications for feature length films and new television series submitted after December 31, 2028 shall not be eligible for the program.

The annual amount of credit that could be allocated by the New York State Governor's Office for Motion Picture and Television Development was $420 million in 2010 through 2023. For tax years 2024 through 2036, the annual funding cap is increased to $700 million. Initially, up to $7 million of the annual allocation was available for the Empire State film post production credit.

Starting in 2015, the amount of the allocation dedicated to the post production credit increased to $25 million annually. For tax years 2024 through 2036, the annual allocation is increased to $45 million. The New York State Governor's Office for Motion Picture and Television Development has the authority to redirect Empire State film post production credit funds to the film credit if there are insufficient claims for the post production credit and applications for the film production credit exceed the allotted total. For tax years prior to January 1, 2008, the film credit was refundable across two years. For tax years starting in 2008, the credit was fully refundable. For tax years beginning on or after January 1, 2009 and before January 1, 2025, the utilization of the credit is spread across several years, depending on the size of the credit:

| If the amount of the credit is: | Then the film credit is claimed: |
|---|---|
| under $1 million | in the taxable year in which the film is completed |
| at least $1 million but less than $5 million | over a two-year period, with half claimed each year |
| at least $5 million | over a three-year period, with one-third claimed each year |

For applications submitted after January 1, 2025, the bifurcation/trifurcation claiming period of the film production and/or post-production is eliminated, now allowing the credit(s) to be claimed for the taxable year in which the qualified film is completed.

Taxpayers awarded credit from the 2010-2022 allocations claim credit in the later of the tax year the production of the qualified film is completed or the first taxable year beginning immediately after the allocation year for which the taxpayer was awarded credit. For initial applications received on or after April 1, 2023 and before January 1, 2025, credit may be claimed in the later of the tax year the production of the qualified film is completed or the taxable year that includes the last day of the allocation year for which the film has been allocated credit by New York State Empire State Development. In the case of a qualified film for which the credit application was received on or after January 1, 2025, the credit shall be claimed in the taxable year that includes the last day of the allocation year for which the film has been allocated a credit. If a certificate of tax credit is revoked because taxpayer did not meet the eligibility requirements, the amount of credit claimed prior to the revocation shall be added back to tax in the taxable year in which any such revocation becomes final.

b. **Empire State film post production credit**
**Citation:** Tax Law §§ 31, 210-B(32), 606(qq)
**Credit type:** Refundable—over 2 years
**Effective date of credit:** Effective for tax years beginning on or after August 11, 2010, and before January 1, 2037

**Description:** Companies that are ineligible for the film production credit may qualify for the film post production credit. Prior to tax year 2025, to be eligible for the post production credit, the costs incurred at a qualified post production facility, generally a facility in New York State, must equal or exceed 75 percent of the total post production costs at any post production facility. For applications received on or after January 1, 2025, eligible applicants must have incurred the lesser of $1 million or 75 percent of the amount of qualified post-production costs that exceed the total post-production costs of the qualified film. The credit is allowed for the taxable year in which the production of the qualified film is completed.

The credit is administered by the Governor's Office for Motion Picture and Television Development and was initially capped at $7 million per year (total allocation of $35 million) through tax year 2014. Starting in 2015, the amount of the allocation dedicated to the Empire State film post production credit was increased to $25 million annually. For tax years 2024 through 2036, the annual allocation is increased to $45 million.

As enacted, the credit equaled 10 percent of qualified post production costs paid in the production of a qualified film at a qualified post production facility. Applications received after July 24, 2012, were eligible for increased credit rates. The credit equaled 30 percent for work in the Metropolitan Commuter Transportation District (MCTD) and 35 percent for work outside of the MCTD. Beginning April 1, 2020, the allowable amount of credit was reduced from 30 percent to 25 percent for qualified films produced at qualified post-production facilities located within the MCTD and from 35 percent to 30 percent for qualified films produced at qualified post-production facilities located elsewhere in New York State. For initial applications received on or after April 21, 2023, the post-production credit rate is increased from 30 percent to 35 percent for qualified post production facilities located outside the MCTD and from 25 percent to 30 percent for work at qualified post production facilities located within the MCTD.

For tax years 2015 through 2036, Empire State film production and post-production projects are eligible for an additional credit equal to 10 percent of the wages or salaries of individuals directly employed (excluding those employed as writers, directors, composers, producers and performers) by a qualified film or independent film production company for services performed by those individuals in specific upstate New York counties in connection with a qualified film with a minimum budget of $500,000. If a certificate of tax credit is revoked because taxpayer did not meet the eligibility requirements, the amount of credit claimed prior to the revocation shall be added back to tax in the taxable year in which any such revocation becomes final.

c. **Empire State commercial production credit**
**Citation:** Tax Law §§ 28, 210-B(23), 606(jj)
**Credit type:** Refundable—over 2 years
**Effective date of credit:** Effective for tax years beginning on or after January 1, 2007 and before January 1, 2029
**Description:** A taxpayer satisfying a threshold level of commercial production activity may claim a tax credit for qualified commercial production in New York State. The credit is capped at $7 million per year and is administered by the Governor's Office for Motion Picture and Television Development. Beginning on or after January 1, 2019, the credit consists of two components:

- **MCTD component ($3 million):** 20 percent (previously 5 percent) of qualified production costs in excess of $500,000 during the calendar year for work within the MCTD. This component is also awarded on a *pro rata* basis, but with no per company limitation.
- **Outside MCTD component ($4 million):** 30 percent (previously 5 percent) of qualified production costs during the calendar year for work done outside the MCTD. However, to be eligible for the credit, the amount of total qualified production costs done outside the MCTD must be greater than $100,000. This component is distributed in the same manner as the MCTD component.

d. **Empire state independent film production credit**
**Citation:** Tax Law §§§ 24-d, 210-B(20-a), 606(gg-1)
**Credit type:** Refundable
**Effective date of credit:** Effective for taxable years beginning on or after January 1, 2025
**Description:** Qualified independent film production companies taxable under Articles 9-A and 22 can claim a refundable credit equal to 30 percent of qualified production costs paid or incurred in the production of a qualified film. Qualified production costs must equal or exceed 75 percent of the production costs paid or incurred that are attributable to the use of tangible property or the performance of services at any film production facility within New York State in the production of a qualified film. Costs less than $3 million are only allowed if shooting days spent in New York State outside of the film production facility equal or exceed 75 percent of the total shooting days spent within and without the state in the production of the film. Productions with a minimum budget of $500,000 may receive an additional ten percent credit on qualified labor expenses and other costs incurred for production taking place within certain counties. An additional ten percent credit is also available for qualified production costs attributable to musical scoring when incurred within the state and when such scoring costs include payment to a minimum of five musicians. Production costs attributed to the film, excluding labor costs, are capped at $60 million and the credit is administered by the Governor's Office for Motion Picture and Television Development. The aggregate amount of credit allowed in a calendar year is $100 million, with qualified films with budgets less than $10 million allocated $20 million and $80 million allocated for qualified

films with a budget of $10 million or more. The credit is restricted to the production of two or less qualified films per calendar year and may be claimed in the taxable year in which production of the film is completed.

13. **Security training tax credit**
**Citation:** Tax Law §§ 26, 187-n, 210-B(21), 606(ii), 1511(x)
**Credit type:** Refundable
**Effective date of credit:** Effective for tax years beginning on or after January 1, 2005
**Description:** Owners of commercial buildings over 500,000 square feet can claim $3,000 for each security guard employed who has undergone training certified by the New York State Office of Homeland Security and is paid a certain minimum wage. The credit is administered by the Office of Homeland Security.

14. **Brownfields tax credits**

a. **Brownfield redevelopment tax credit**
**Citation:** Tax Law §§ 21, 187-g, 210-B(17), 606(dd), 1511(u)
**Credit type:** Refundable
**Effective date of credit:** Effective for tax years beginning on or after April 1, 2005; eligibility contingent on site being accepted into the Brownfield Cleanup Program before January 1, 2033
**Description:** The brownfield redevelopment tax credit consists of three components relating to costs associated with: site preparation; tangible property; and on-site groundwater remediation. The rates and rules for the credit vary depending on when a site is accepted into the Brownfield Cleanup Program.

b. **Remediated brownfield credit for real property taxes**
**Citation:** Tax Law §§ 22, 187-h, 210-B(18), 606(ee), 1511(v)
**Credit type:** Refundable
**Effective date of credit:** Effective for tax years beginning on or after April 1, 2005; not available to sites accepted into the brownfield credit program on or after July 1, 2015
**Description:** The remediated brownfield credit for real property taxes equals 25 percent of the product of the taxpayer's employment factor (a percentage based on the number of persons employed by the taxpayer on a qualified site) and the taxpayer's eligible real property taxes. If the site is located in an Environmental Zone, the credit increases to 100 percent. The credit is limited to the number of full-time employees at the qualified site multiplied by $10,000.

c. **Environmental remediation insurance credit**
**Citation:** Tax Law §§ 23, 187-i, 210-B(19), 606(ff), 1511(w)
**Credit type:** Refundable

**Effective date of credit:** Effective for tax years beginning on or after April 1, 2005; not available to sites accepted into the BCP on or after July 1, 2015
**Description:** The environmental remediation insurance credit is allowed one time for premiums paid for environmental remediation insurance up to the lesser of $30,000 or 50 percent of the cost of the premiums.

15. **Land conservation easement credit**
**Citation:** Tax Law §§ 210-B(22), 606(kk)
**Credit type:** Refundable
**Effective date of credit:** Effective for tax years beginning on or after January 1, 2006
**Description:** Taxpayers may claim a tax credit equal to 25 percent of the school district, county, and city/town real property taxes paid on land that is under a conservation easement held by a public or private conservation agency. The maximum allowable tax credit is $5,000. The credit, in combination with any other credit for property taxes, may not exceed such taxes. The term *conservation easement* means a perpetual and permanent conservation easement as defined in Environmental Conservation Law, Article 49 that serves to protect open space, scenic, natural resources, biodiversity, agricultural, watershed, and/or historic preservation resources. Any conservation easement for which a tax credit is claimed must be filed with the Department of Environmental Conservation and comply with the provisions of Environmental Conservation Law, Article 49, Title 3 and the provisions of Internal Revenue Code § 170(h).

16. **Clean heating fuel credit**
**Citation:** Tax Law §§ 210-B(25), 606(mm)
**Credit type:** Refundable
**Effective date of credit:** Effective for purchases made on July 1, 2006 through June 30, 2007 and on or after January 1, 2008 and before January 1, 2029
**Description:** Taxpayers may claim a tax credit for bioheat used for space heating or hot water production for residential purposes within the state. The credit equals 1 cent per percent of biodiesel per gallon of bioheat purchased by the taxpayer and is capped at 20 cents per gallon. Biodiesel is defined as fuel comprised exclusively of mono-alkyl esters of long chain fatty acids derived from vegetable oils or animal fats, designated B100 that meets the specifications of American Society of Testing and Materials designated D6751. In addition, bioheat means a fuel comprised of biodiesel blended with conventional home heating oil that meets the specifications of the American Society of Testing and Materials designation D396 or D975. Beginning in 2017, the minimum biodiesel fuel threshold for bioheat is increased to at least six percent biodiesel per gallon of bioheat. Any bioheat purchased on or after January 1, 2017, that is graded below B6, will no longer qualify for the credit.

17. **Rehabilitation of historic properties credit**
**Citation:** Tax Law §§ 210-B(26), 606(oo), 1511(y)
**Credit type:** Nonrefundable/Carryforward/Refundable for qualified rehabilitations placed in service on/after January 1, 2015
**Effective date of credit:** Personal income tax/corporate franchise tax - effective for tax years beginning on or after January 1, 2007; Insurance tax - effective for tax years beginning on or after January 1, 2010

Amended credit effective for tax years beginning on or after January 1, 2010, and before January 1, 2030
**Description:** Taxpayers may claim a tax credit for the rehabilitation of historic properties located in New York State. The amount of the state credit is based on the credit amount allowed for the same taxable year under federal Internal Revenue Code § 47(a)(2). Effective for taxable years beginning on or after January 1, 2018, taxpayers are allowed to claim the entire amount of the state credit in one year instead of ratably over five years as required as a result of the Federal Tax Cuts and Jobs Act of 2017. Internal Revenue Code§ 47(c)(3) defines a certified historic structure as a building and its structural components that are listed in the National Register of Historic Places or located in a registered historic district and certified to be of historic significance to the district. Any state credit taken must be recaptured if the federal credit upon which it is based is recaptured by the taxpayer.

For tax years beginning on or after January 1, 2010, the credit is 100 percent of the amount of the federal historic properties credit claimed by the taxpayer, capped at $5 million. The cap is imposed at the entity level for partnerships, LLCs, or S corporations. Also, the credit is limited to projects located in distressed areas as defined in Internal Revenue Code §143(j) or located within a census tract that is at or below 100 percent of the State median family income in the most recent American Community Survey.

For tax years beginning on or after January 1, 2020, the credit is expanded to include a qualified rehabilitation project undertaken within a state park, state historic site, or other land owned by the state, that is under the jurisdiction of the Office of Parks, Recreation and Historic Preservation.

For tax years beginning on or after January 1, 2022, small projects receive a credit amount equal to 150 percent of the credit for qualified rehabilitation expenses. Small projects are defined as projects where qualified rehabilitation expenditures are no greater than $2.5 million.

After December 31, 2029, the credit reverts to a 30 percent rate and $100,000 cap.

For qualified rehabilitation projects placed in service on or after January 1, 2015, the credit is refundable.

For taxable years beginning on or after January 1, 2026, a one-time transfer of the credit is allowed regardless of how the federal credit is allocated, when approved by the New York State Office of Parks, Recreation, and Historic Preservation.

18. **Excelsior Jobs Program tax credits**
**Citation:** Tax Law §§ 31, 210-B(31), 606(qq), 1511(y)
**Credit type:** Refundable
**Effective date of credit:** Effective for tax years beginning on or after January 1, 2011
**Description:** The program is administered by New York State Empire State Development and offers five tax credits focused on certain strategic industries. New York State Empire State Development will calculate the amount of each credit annually and issue a certificate of tax credit to participants entitling them to the credits. As initially enacted, taxpayers were allowed to claim credits for five consecutive years. Participants accepted into the program after April 1, 2011, have a 10-year benefit period. No credits are allowed for taxable years beginning on or after January 1, 2050. Enhancements were made to the program in 2020 to add tax credits for green projects aimed at reducing greenhouse gas emissions and supporting the use of clean energy and in 2025 for semiconductor supply chain projects.

    a. **Excelsior Jobs tax credit**
    Excelsior Jobs Program participants may claim a credit for each net new job created in the State. For participants accepted into the program on or before April 1, 2011, the value of the credit cannot exceed $5,000 per new job and is computed on marginal wages plus benefit basis as follows:
        - 5 percent of wages plus benefits of $50,000 or less;
        - 4 percent of wages plus benefits between $50,001 and $75,000; and
        - 1.33 percent of wages plus benefits over $75,000.

    For taxpayers accepted into the program after April 1, 2011, the credit is equal to the gross wages multiplied by 6.85 percent. For green projects, the credit is equal to gross wages multiplied by 7.5 percent. For semiconductor supply chain projects, the credit is equal to gross wages multiplied by 7 percent.

    b. **Excelsior Jobs Program investment tax credit**
    Excelsior Jobs Program participants may claim a credit equal to 2 percent of the cost of qualified investments in New York. The credit is increased to 5 percent of the cost of qualified investments for green projects and the construction of childcare service facilities. For a semiconductor supply chain project, the credit shall be equal to 3 percent of the cost or other basis for federal income tax purposes of the qualified investment. Taxpayers cannot claim both the Excelsior Jobs Program investment tax credit and the brownfield tangible property credit

component for the same property in a given year. In addition, taxpayers accepted into the program on or before April 1, 2011, are prohibited from claiming both the Excelsior Jobs Program investment tax credit and the regular investment tax credit.

c. **Excelsior Jobs Program research and development tax credit**
Excelsior Jobs Program participants may claim a credit for research and development expenditures in New York. The credit is a percentage of the portion of the taxpayer's federal research and development credit pertaining to expenditures attributable to New York. Eligible expenditures are defined in Internal Revenue Code § 41. For taxpayers accepted into the program on or before April 1, 2011, the percentage is 10 percent. For those accepted into the program after April 1, 2011, the percentage is 50 percent, subject to a limit of three percent of qualified research and development expenditures attributable to New York activity. For tax years beginning on or after January 1, 2018, the limit is increased to 6 percent. The credit for green projects is equal to 8 percent of qualified research and development expenditures attributable to activities conducted in New York State. The credit for a semiconductor supply chain project is equal to 7 percent of the qualified research and development expenditures attributable to activities conducted in New York state.

d. **Excelsior real property tax credit**
Excelsior Jobs Program participants located in areas formerly designated as investment zones under the Empire Zones Program or that qualify as regionally significant projects may claim a credit for real property taxes. The credit equals 50 percent of the property taxes assessed and paid in the year immediately prior to a taxpayer's application to the Excelsior Jobs Program and is gradually phased out. For taxpayers accepted into the program on or before April 1, 2011, the credit is phased down 10 percent a year over five years. For those accepted into the program after April 1, 2011, the credit declines by 5 percent a year over ten years.

e. **Excelsior child care services tax credit**
Excelsior Jobs Program participants are eligible to claim a child care services tax credit for child care services expenditures in New York State. The credit is equal to 6 percent of child care services expenditures for the operation, sponsorship or direct financial support of a child care services program.

19. **Credit for companies who provide transportation to individuals with disabilities**
**Citation:** Tax Law §§ 210-B(38), 606(tt)
**Credit type:** Nonrefundable
**Effective date of credit:** Effective for tax years beginning on or after January 1, 2011 and before January 1, 2029

**Description:** Taxpayers providing taxicab or livery service may claim a tax credit equal to the incremental cost associated with upgrading a vehicle so that it is accessible by individuals with disabilities. In addition, taxpayers may also claim the credit for the purchase of new vehicles manufactured to be accessible by individuals with disabilities and for which there is no comparable make or model. The credit is limited to $15,000 per electric vehicle and $10,000 per other vehicles. Vehicles accessible for individuals with disabilities must comply with the Americans with Disabilities Act and other federal regulations. A similar credit existed for tax years beginning on or after January 1, 2006, and before January 1, 2011.

20. **Economic Transformation and Facility Redevelopment Program tax credit**
**Citation:** Tax Law §§ 35, 210-B(35), 606(ss), 1511(aa)
**Credit type:** Refundable
**Effective date of credit:** Effective on or after March 31, 2011 and before December 31, 2026
**Description:** Chapter 61 of the Laws of 2011 created the Economic Transformation and Facility Redevelopment Program designed to mitigate the economic consequences in communities where correctional facilities and facilities operated by the Office of Children and Family Services were closed through the period ending March 31, 2012. In addition, any psychiatric facility previously owned and operated by New York State located within the Metropolitan Commuter Transportation District (excluding New York City) is considered a closed facility under the program. The program is administered by New York State Empire State Development and offers a tax credit with four components to redevelop closed facilities and attract new businesses to the surrounding areas. Taxpayers may claim credit for five consecutive years.

    a. **Economic Transformation and Facility Redevelopment Program jobs tax credit component**
    Participants may claim a credit for each net new job created in the State. The credit is equal to the gross wages multiplied by 6.85 percent.

    b. **Economic Transformation and Facility Redevelopment Program investment tax credit component**
    Participants may claim a credit for qualified investments in the economic transformation area. For investments on the grounds of a closed facility, the credit is 10 percent of the cost of the investment, not to exceed $8 million for the facility. For investments in areas outside of the facility but within the economic transformation area, the credit is 6 percent of the cost of the investment, not to exceed $4 million per entity.

    c. **Economic Transformation and Facility Redevelopment Program job training tax credit component**

Participants may claim a credit for 50 percent of qualified training expenses paid during the year for employees displaced by a facility closure, not to exceed $4,000 per employee per tax year.

d. **Economic Transformation and Facility Redevelopment Program real property tax credit component**
Participants may claim a credit equal to 50 percent of the real property taxes assessed and paid in the first tax year of the benefit period for property located entirely within the grounds of a closed facility. The percentage decreases by 10 percent each year for the subsequent years of the benefit period. For property located outside of the facility but within the economic transformation area, the credit is equal to 25 percent of the real property taxes assessed and paid decreasing by 5 percent each year for subsequent years of the benefit period.

21. **New York Youth Jobs Program tax credit**
**Citation:** Tax Law §§ 210-B(36), 606(tt)
**Credit type:** Refundable
**Effective date of credit:** Effective for tax years beginning on or after January 1, 2012 and before January 1, 2028
**Description:** The New York Youth Works Tax Credit Program is designed to provide tax incentives to employers for employing at-risk youth in full-time and part-time positions in tax years 2012 through 2027. Legislation in 2015 renamed the program the Urban Youth Jobs Program Tax Credit. Legislation in 2017 further renamed the program the New York Youth Jobs Program tax credit to reflect that the program is now offered statewide. The program is administered by the New York State Department of Labor. Prior to 2018, the credit equaled $500 per month for up to six months for each qualified full-time employee or $250 per month for each qualified part-time position of at least 20 hours per week, or 10 hours if a full-time high school student. An additional $1,000 per full time employee or $500 per part time employee was available if the qualified employee remains employed for at least an additional six months. Finally, an additional $1,000 tax credit for each youth retained in full-time status and an additional $500 for each youth retained in part-time status was available if the qualified employee remains employed for one additional year. Beginning in 2018, these credit amounts are increased by fifty percent (for example, $250 increases to $375, $500 increased to $750 and $1,000 increases to $1,500).

To claim the credit, employers must first apply to and be approved by the New York State Department of Labor. The New York State Department of Labor will calculate the maximum amount of credit the employer will be allowed to claim and issue a certificate of eligibility to participants entitling them to the credit.

22. **Empire State Jobs Retention Program credit**
**Citation:** Tax Law §§ 36, 210-B(37), 606(tt), 1511(bb)

**Credit type:** Refundable
**Effective date of credit:** Effective for tax years beginning on or after January 1, 2012, pertaining to emergencies declared on or after January 1, 2011
**Description:** The Empire State Jobs Retention Program is designed to support the retention of strategic businesses and jobs directly impacted by an event that leads to an emergency declaration by the Governor. Prior to June 1, 2025, the Program offered a jobs tax credit equal to the product of 6.85 percent and the gross wages paid for each impacted job, defined as a job existing at the relevant location on the day before an event occurs that leads to an emergency declaration. A participant was also eligible for a 2 percent investment tax credit, but only for costs in excess of costs recovered by insurance. Taxpayers may claim the credit for 10 consecutive years. For a business to be eligible for the credit it must have: (a) been located in the county where an emergency is declared; (b) demonstrated substantial physical damage and economic harm; and (c) retained or exceeded 100 full-time equivalent jobs in the county where the emergency was declared.

To participate in the program on or after June 1, 2025, a business entity must submit a plan to retain, restore or increase staffing levels within one year from the date of application to at least the staffing levels that existed at the site the day prior to the date of the applicable declaration of the state of emergency. The new credit rate varies based on the number of employees. The credit is equal to the amount of gross wages paid for impacted jobs times 15 percent for business entities that employ 3-49 employees; 7.5 percent for business entities that employ 50-100 employees; or 3.75 percent for business entities that employ over 100 employees. An eligible business entity may only receive up to $500,000 in tax credits per event triggering an emergency declaration by the governor. The participant has six months of eligibility.

To claim credit, taxpayers must apply to and be approved by New York State Empire State Development who will calculate the amount of credit annually and issue a certificate of tax credit to participants. The total amount of tax credit issued is capped at $30 million allocated from the funds available for tax credits under the Excelsior Jobs Program Act.

23. **Alcoholic beverage production credit (formerly beer production credit)**
**Citation:** Tax Law §§ 37, 210-B(39), 606(uu)
**Credit type:** Refundable
**Effective date of credit:** Effective for tax years beginning on or after January 1, 2012
**Description:** For taxable years beginning on or after January 1, 2016, the beer production credit was expanded to include wine, liquor, and cider. The credit, renamed the alcoholic beverage production credit, was available to taxpayers registered as a distributor, under Tax Law, Article 18, that produced 60 million gallons or less of beer or cider, 20 million gallons or less of wine, or 800,000 gallons

or less of liquor in New York State. The credit was equal to 14 cents per gallon for the first 500,000 gallons of alcohol produced in New York State during the tax year, plus 4.5 cents per gallon for each additional gallon over 500,000 (up to 15 million additional gallons) produced in New York State in the same tax year.

For taxable years beginning on or after January 1, 2023, the credit rate for the first 500,000 gallons of alcohol produced in New York is amended as follows:

- Still wine, artificially carbonated sparkling wine, and natural sparkling wine: 30 cents per gallon
- Liquors containing more than 2 percent but not more than 24 percent of alcohol by volume: $2.54 per gallon produced
- Beer and Cider, artificially carbonated sparkling cider, and naturally sparkling cider containing more than 3.2 percent alcohol by volume: 14 cents per gallon produced
- Liquors containing more than 0 percent but less than 2 percent alcohol by volume: no credit
- All other liquors: $6.44 per gallon produced

The credit cap is applied at the entity level for partnerships, LLCs, and S corporations.

24. **Alternative fuels and electric vehicle recharging property credit**
**Citation:** Tax Law §§ 187-b, 210-B(30), 606(p)
**Credit type:** Nonrefundable
**Effective date of credit:** Effective for taxable years beginning on or after January 1, 2013 and before January 1, 2029
**Description:** Taxpayers may claim a nonrefundable credit equal to the lesser of $5,000 or 50 percent of the cost of alternative fuel vehicle refueling property or electric vehicle recharging property located in New York State less any costs paid from the proceeds of grants.

25. **START-UP NY tax elimination credit**
**Citation:** Tax Law §§ 39, 40, 210-B(41), 606(ww)
**Credit type:** Refundable
**Effective date of Credit:** Effective for taxable years beginning on or after January 1, 2014
**Description:** The tax-free New York area tax elimination credit is available to general business corporations, sole proprietorships, partnerships (including limited liability companies taxed as partnerships), and New York S corporations participating in the SUNY Tax-Free Areas to Revitalize and Transform Upstate New York Program (START-UP NY). The credit is equal to the product of:

- the tax-free NY area allocation factor and
- the tax factor.

The tax-free New York area allocation factor is the percentage of the business's economic presence in the tax-free New York area where the business was approved to locate under Economic Development Law, Article 21.

For Article 9-A taxpayers, the tax factor is the largest of the taxes on the business income base, capital base, or fixed dollar minimum tax after the deduction of any other credits. For Article 22 taxpayers, the tax factor is determined by reducing the individual's tax computed under Tax Law, § 601(a)-(d) for the tax year by any other allowable credits and adjusting that reduced amount by the ratio of the income from business in the tax-free New York area to the taxpayer's New York adjusted gross income. In both cases, the ratios may not exceed 1.0.

For corporate franchise taxpayers, the credit cannot reduce the tax due below the fixed dollar minimum unless the taxpayer has a tax-free New York area allocation factor of 100 percent. In that instance, the tax can be reduced to zero. Any excess credit may be refunded. For personal income taxpayers, the credit may reduce the tax to zero and any excess may be refunded.

26. **Credit for the excise tax on telecommunication services paid by START-UP New York businesses**
**Citation:** Tax Law §§ 210-B(44), 606(yy)
**Credit type:** Refundable
**Effective date of credit:** Effective for tax years beginning on or after January 1, 2014
**Description:** The credit is available to a business or owner of a business that is approved to participate in the START-UP NY program and located in a tax-free NY area. The credit is equal to the 2.5 percent excise tax on telecommunication services imposed by Tax Law § 186-e that is passed through to the approved business. The credit may be claimed when the tax is separately stated on a bill from the telecommunication service provider and the bill has been paid by such business.

27. **Real property tax relief credit for manufacturing**
**Citation:** Tax Law §§ 210-B(43), 606(i), 606(xx)
**Credit type:** Corporate franchise tax—nonrefundable/personal income tax—refundable
**Effective date of credit:** Effective for tax years beginning on or after January 1, 2014
**Description:** A qualified New York manufacturer is allowed a credit equal to 20 percent of the real property taxes paid during the tax year for real property located in New York and principally used in manufacturing, processing, assembling, refining, mining, extracting, farming, agriculture, horticulture, floriculture, viticulture or commercial fishing. A manufacturer must have at least 50 percent of its receipts from the forgoing activities and either all or at least $1 million of manufacturing property

located in New York. A manufacturer that fails the receipts test may still qualify if it employs at least 2,500 people in manufacturing in New York and has $100 million in manufacturing property in the state.

28. **Hire a veteran credit**
**Citation:** Tax Law §§ 210-B(29), 606(a-2), 1511 (g-1)
**Credit type**: Nonrefundable/carryforward for 3 years
**Effective date of credit:** Credit effective for taxable years beginning on or after January 1, 2015, and before January 1, 2029, but hiring may commence on January 1, 2014
**Description:** Employers hiring a qualified veteran to begin employment on or after January 1, 2014, but before January 1, 2028, and who is employed full-time or part-time in New York State for twelve continuous and uninterrupted months and 35 hours each week may claim the credit in the tax year in which the qualified veteran completes one year of employment with the taxpayer.

For tax years beginning on or after January 1, 2022, the credit equals 15 percent of the total amount of wages paid during the veteran's first full year of employment, or 20 percent for a disabled veteran. The credit is capped at $15,000 per veteran or $20,000 per disabled veteran.

For tax years beginning before January 1, 2022, the credit equaled 10 percent of the total amount of wages paid during the veteran's first full year of employment, or 15 percent for a disabled veteran. The credit was capped at $5,000 per veteran or $15,000 per disabled veteran.

29. **Musical and theatrical production credit**
**Citation:** Tax Law §§ 24-A, 210-B(47), 606(u)
**Credit type:** Refundable
**Effective date of credit:** Effective for tax years beginning on or after January 1, 2015 and before January 1, 2030
**Description:** Eligible production companies can claim a refundable credit equal to 25 percent of certain costs. The total amount of credit is capped at $8 million per year and the credit is administered by New York State Empire State Development. To be eligible, a company must produce a live, dramatic stage presentation in a qualified production facility on a tour that consists of eight or more shows in three or more localities. A qualified production facility is a 1,000 or more-seat theater located outside of New York City for which ticket receipts constitute 75 percent or more of the total receipts. The credit is based on costs for tangible property used and services performed in the course of production, with personal compensation expenses capped at $200,000 per week. The credit is also allowed for transportation expenditures that includes costs for packaging, crating, and transporting production equipment, sets, costumes, and cast and crew.

30. **Workers with disabilities tax credit**
**Citation:** Tax Law §§ 210-B(48), 606(zz)
**Credit type:** Nonrefundable/Carryforward for three years
**Effective date of credit:** Effective for tax years beginning on or after January 1, 2015 and before January 1, 2029
**Description:** The Workers with Disabilities Tax Credit Program, administered by the New York State Department of Labor (DOL), annually provides $6 million in tax credits for employing individuals with developmental disabilities. To participate in the program, a taxpayer must apply to the DOL by November 30th of the prior year. At the end of the tax year, the employer must obtain a final certificate of eligibility from the DOL that states the maximum amount of credit allowed and provides verification for the credit claims.

The credit is equal to 15 percent of the qualified wages for qualified full-time employees and 10 percent of the qualified wages for qualified part-time employees. Full-time employment is defined as working at least 30 hours per week, and part-time employment at least 8 hours per week, each for at least 6 months. The credit is available for qualified wages paid after January 1, 2015. An employer is not allowed to concurrently claim this credit and any other credit for the employment of persons with disabilities for the same employee. Any unused credit may be carried forward for 3 years.

31. **Employee Training Incentive Program**
**Citation:** Tax Law §§ 210-B(50), 606(ddd)
**Credit type:** Refundable
**Effective date of credit:** Effective for tax years beginning on or after January 1, 2015 and before January 1, 2029
**Description:** The Employee Training Incentive Program, administered by New York State Empire State Development, provides a refundable tax credit for certain employers that procure skills training for their employees or provide internship programs in advanced technology. Effective April 12, 2019, businesses may receive the credit if they conduct their own training and are otherwise eligible. Previously, training had to be provided by an approved provider. The total amount of tax credits for any taxable year may not exceed $5 million dollars and will be allotted from the funds available for tax credits under the Excelsior Jobs Program Act. The portion of the tax credit cap allocated to internship programs in advanced technology shall be not less than $250,000 or more than $1 million.

The credit equals 50 percent of eligible training costs, up to $10,000 per employee receiving eligible training and 50 percent of the stipend paid to an intern, up to a credit of $3,000 per intern. The credit is allowed in the taxable year in which the eligible training is completed.

32. **Farm workforce retention credit**
**Citation:** Tax Law §§ 42, 210-B(51), 606(fff)
**Credit type:** Refundable
**Effective date of credit:** Effective for taxable years beginning on or after January 1, 2017, and before January 1, 2029
**Description:** A farm employer whose federal gross income from farming for the taxable year is at least two-thirds of excess federal gross income is allowed a credit equal to a fixed amount per eligible farm employee. Excess federal gross income is defined to mean the amount of federal gross income from all sources for the taxable year in excess of $30,000.

An eligible farm employee is an individual who is employed for 500 hours or more per taxable year by a farm employer in New York State. However, general executive officers of a farm employer are excluded from the credit. For tax years beginning on or after January 1, 2019, if more than fifty percent of an eligible farmer's federal gross income from farming is from the sale of wine or cider, then an eligible farm employee shall only be included for purposes of calculating the credit if such employee is employed on qualified agricultural property. Also, where an individual employed by a farm employer in New York State becomes unable to work due to a documented illness or disability, the hours such individual is employed may be combined with the hours worked by a hired replacement individual when determining the 500-hour threshold.

The credit is phased in gradually by taxable year:

| Tax years beginning on or after | and before | Credit per eligible farm employee |
|---|---|---|
| January 1, 2017 | January 1, 2018 | $250 |
| January 1, 2018 | January 1, 2019 | $300 |
| January 1, 2019 | January 1, 2020 | $500 |
| January 1, 2020 | January 1, 2021 | $400 |
| January 1, 2021 | January 1, 2022 | $600 |
| January 1, 2022 | January 1, 2029 | $1200 |

33. **Empire State apprenticeship tax credit**
**Citation:** Tax Law §§ 210-B(49), 606(vvv)
**Credit type:** Refundable
**Effective date of credit:** Effective for tax years beginning on or after January 1, 2018 and before January 1, 2028
**Description:** The refundable credit, administered and allocated by the Department of Labor, is capped at $10 million annually for ten years beginning in 2018 through 2028. Any unused annual allocation of the credit shall be made available in a subsequent year before 2028.

The base credit for a qualified apprentice is equal to:

- $2,000 for year one of apprenticeship
- $3,000 for year two of apprenticeship
- $4,000 for year three of apprenticeship
- $5,000 for year four of apprenticeship
- $6,000 for year five of apprenticeship

A *qualified apprentice* means an individual employed by a participating employer in a full-time position for at least six months of a calendar year pursuant to a qualified apprenticeship agreement with a qualified employer. The individual must also complete the apprenticeship training program within one year.

A participating employer is entitled to an enhanced tax credit of an additional $500 on top of the base amount if the employer can show that the apprentice is being trained in their trade by a mentor. An additional $3,000 is available in years one, two, and three if the apprentice is a disadvantaged youth. A *disadvantaged youth* means an individual:(i) who is between the ages of sixteen and twenty-four when the youth begins the apprenticeship; and (ii) who is low-income or at-risk, as those terms are defined by the Commissioner of the Department of Labor. An additional $2,000 is available in year four and $1,000 in year five. The credit is not allowed for construction work.

34. **Life sciences research and development tax credit**
**Citation:** Tax Law §§ 43, 210-B(52), 606(hhh)
**Credit type:** Refundable
**Effective date of credit:** Effective for tax years beginning on or after January 1, 2018, and before January 1, 2028
**Description:** The refundable life sciences research and development tax credit is awarded by New York State Empire State Development (ESD) and is funded from the Excelsior Program. ESD can award $10 million annually for ten years. New life sciences companies can claim a 15 percent credit on their research and development expenditures, with the rate increasing to 20 percent for businesses with less than 10 employees. A company can claim credit for up to three years with an annual maximum of $500,000.

*Life sciences* means agricultural biotechnology, biogenetics, bioinformatics, biomedical engineering, biopharmaceuticals, academic medical centers, biotechnology, chemical synthesis, chemistry technology, medical diagnostics, genomics, medical image analysis, marine biology, medical devices, medical nanotechnology, natural product pharmaceuticals, proteomics, regenerative medicine, RNA interference, stem cell research, medical and neurological clinical trials, health robotics and veterinary science.

A *life sciences company* is a business entity or an organization or institution that devotes the majority of its efforts in the various stages of research, development, technology transfer and commercialization related to any life sciences field.

35. **Farm donations to food pantries credit**
**Citation:** Tax Law §§ 210-B(52), 606(n-2)
**Credit type:** Refundable
**Effective date of credit:** Effective for tax years beginning on or after January 1, 2018
**Description:** The refundable credit is equal to 25 percent of the fair market value of the taxpayer's qualified food donations, not to exceed $5,000 per year. If the taxpayer is a partner in a partnership or shareholder of a New York S corporation, the $5,000 cap is applied at the entity level.
To qualify, the taxpayer must have federal gross income from farming that is at least two-thirds of gross income from all sources for the taxable year in excess of thirty thousand dollars. In order to claim the credit, the taxpayer must receive a receipt or written acknowledgment from the qualified food pantry detailing the name of the food pantry, the date and location of the qualified donation, and a reasonably detailed description of the qualified donation.

36. **Employer provided child care credit**
**Citation:** Tax Law §§ 44, 210-B(53), 606(jjj), 1511(dd)
**Credit type:** Refundable
**Effective date of credit:** Effective for tax years beginning on or after January 1, 2020
**Description:** A refundable credit is available to taxpayers who are allowed the federal employer-provided child care credit under Internal Revenue Code, § 45F for qualifying expenditures paid or incurred in providing child care alternatives for their employees. The credit is equal to 25 percent of qualified child care expenditures related to a child care facility located in New York, plus 10 percent of qualified child care resources and referral expenditures, attributable to employees working in New York. The credit is capped at $150,000 per taxable year. For taxable years starting on or after January 1, 2022, the amount of the credit is doubled to 200 percent of the credit allowed under Internal Revenue Code, § 45F and the per entity cap is increased from $150,000 to $500,000 per taxable year.

Qualified child care expenditures include operating costs of a qualified child care facility of the taxpayer or under contract with another taxpayer, as well as amounts paid or incurred to acquire, construct, rehabilitate, or expand property used as part of a care facility of the taxpayer. Qualified child care resource and referral expenditures are amounts paid or incurred under a contract to provide child care resource and referral services to an employee of the taxpayer.

37. **Recovery tax credit**
**Citation:** Tax Law §§ 210-B(53), 606(jjj), 1511(dd)
**Credit type:** Refundable
**Effective date of credit:** Effective for tax years beginning on or after January 1, 2020
**Description:** The Office of Addiction Services and Supports administers this credit to provide incentives to certified employers for employing eligible individuals in recovery from a substance use disorder in New York State. The credit equals $1 per hour worked by each eligible employee, with a minimum requirement of 500 hours worked for each eligible employee. The credit cannot exceed $2,000 per eligible individual and may be claimed only one time for each eligible employee. Qualifying employers must have a formal working relationship with a local recovery community organization and eligible employees must demonstrate they have completed a course of treatment for a substance use disorder and are in a state of wellness. Employers must apply to the Office of Addiction Services and Supports by January 15 for credit based on employment in the preceding year.

38. **Restaurant return-to-work tax credit**
**Citation:** Tax Law §§ 46, 210-B(56), 606(lll)
**Credit type:** Refundable
**Effective date of credit:** Effective for tax years beginning on or after January 1, 2021, and before January 1, 2022
**Description:** The credit was administered by New York State Empire State Development (ESD) and provided up to $35 million in refundable tax credits to support restaurants impacted by the Covid-19 pandemic. Independently owned restaurants within New York City or located in an area outside of New York City that had been designated by the Department of Health as either an orange or red zone that could demonstrate economic harm from the pandemic could apply to ESD for a credit equal to $5,000 per full-time equivalent net employee increase, capped at $50,000 per entity. *Net employee increase* is defined as an increase of at least one full-time equivalent employee between the average starting full-time employment and the average ending full-time employment of a business entity.

*Average starting full-time employment* is calculated as the average number of full-time equivalent positions employed by a business entity in an eligible industry between January 1, 2021, and March 31, 2021. *Average ending full-time employment* is calculated as the average number of full-time equivalent positions employed by a business entity in an eligible industry between April 1, 2021, and either August 31, 2021, or December 31, 2021, whichever date the business entity chose to use.

39. **New York City musical and theatrical production tax credit**
**Citation:** Tax Law §§ 24-C, 210-B(57), 606(mmm)
**Credit type:** Refundable

**Effective date of credit:** Effective for tax years beginning on or after January 1, 2021, and before January 1, 2028
**Description:** Participants may claim a refundable tax credit equal to 25 percent of qualified production expenditures paid for during the qualified New York City musical and theatrical production's credit period. The total amount of credit is capped at $3 million per production whose first performance was before January 1, 2023, and $1.5 million per production whose first performance is on or after January 1, 2023. The credit, administered by New York State Empire State Development, is allowed by production companies that are qualified New York City musical and theatrical production companies. The aggregate amount of tax credits allowed for tax years before January 1, 2025 is $300 million and is allocated based on the date of the first performance of the qualified musical and theatrical production.

For tax years beginning or after January 1, 2025, an additional $100 million in total credit is available. *Qualified musical and theatrical production* is defined as a for-profit live, dramatic stage presentation that, in its original or adaptive version, is performed in a qualified New York City production facility, whether or not such production was performed in a qualified New York City production facility prior to the state disaster emergency pursuant to executive order 202 of 2020.

To be eligible, a company must produce a live, dramatic stage presentation in a qualified New York City production facility. A qualified production facility is a 500 or more-seat theater located in New York City for which ticket receipts constitute 75 percent or more of the total receipts.

Starting in 2023, the credit is amended to add Level 1 and Level 2 qualified New York City production facilities. A Level 1 qualified New York City production facility is defined as a facility located within the borough of Manhattan, bounded by, and including 41st Street and 54th Street and between 6th Avenue and 9th Avenue for which receipts attributable to live theatrical productions constitute 75 percent or more of gross receipts of the facility. A Level 2 qualified New York City production facility modifies a Level 1 facility to include facilities located in Manhattan in which live theatrical productions are or are intended to be primarily presented and lowers the seating capacity from 500 or more seats to 100 or more seats.

The amount of the credit cannot exceed $350,000 per qualified New York City musical and theatrical production in a Level 2 facility or $3,000,000 per qualified New York City musical and theatrical production in a Level 1 facility.

The definition of a *qualified NYC musical and theatrical production* was amended to specify that productions performing in a Level 2 facility must have a production budget greater than or equal to $750,000 and incur qualified production expenditures greater than or equal to $750,000.

The credit is based on costs for tangible property used and services performed in the course of production, with personal compensation expenses capped at $200,000 per week. The credit is also allowed for technical and crew production costs, such as expenditures for a qualified New York city production facility, or any part thereof, props, make-up, wardrobe, costumes, equipment used for special and visual effects, sound recording, set construction, and lighting. Qualified production expenditure does not include any costs incurred prior to the credit period of a qualified New York city musical and theatrical production company.

40. **Covid-19 capital costs tax credit**
**Citation:** Tax Law §§ 47, 210-B(58), 606(nnn)
**Credit type:** Refundable
**Effective date of credit:** Effective for costs incurred between January 1, 2021, and December 31, 2022
**Description:** Small business taxpayers that incurred costs of at least $2,000 from January 1, 2021, through December 31, 2022 to comply with public health or other emergency orders or regulations related to the COVID-19 pandemic could claim a credit equal to 50 percent of qualifying costs. The credit was capped at $25,000 per claim and the total amount of credit under the program was capped at $250 million.

To be eligible, a small business must have:
- had $2.5 million or less of gross receipts;
- been a resident in the state;
- been independently owned and operated;
- not been dominant in its field; and
- had 100 or fewer employees.

Taxpayers were required to apply to New York State Empire State Development Corporation for a certificate of tax credit.

41. **Grade number 6 heating oil conversion tax credit**
**Citation:** Tax Law §§ 47, 210-B(58), 606(nnn)
**Credit type:** Refundable
**Effective date of credit:** Effective for tax years beginning on or after January 1, 2022, and before January 1, 2024
**Description:** Taxpayers that met certain eligibility requirements could claim a refundable tax credit equal to 50 percent of the conversion costs for all the taxpayers' buildings located in a facility regulated pursuant to New York State Environmental Conservation Law, § 19-0302 or Title 10 of Article 17 that were paid on or after January 1, 2022, and before July 1, 2023. The New York State Energy Research and Development Authority administered credit was capped at $500,000 per facility, with the cap applied at the entity level for partnerships, LLCs, or S corporations. Costs used for this credit could not be used for other credits.

Conversion costs are the equipment and labor costs associated with the design, installation, and use of space heating and other energy conversion systems that are designed to or accommodate use of biodiesel fuel or a geothermal system and, at the option of the taxpayer, the cost of completing an American Society of Heating, Refrigerating and Air-conditioning Engineers level 2 energy audit.

42. **Farm employer overtime credit**
**Citation:** Tax Law §§ 42-a, 210-B(58), 606(nnn)
**Credit type:** Refundable
**Effective date of credit:** Effective for tax years beginning on or after January 1, 2022. However, credit may only be claimed for tax years where the overtime threshold, as set by the Commissioner of Labor, is below 60 hours per week.
**Description:** Taxpayers may claim a refundable credit for farm employers equal to 118 percent of the amount of additional overtime paid to their employees as a result of the phase-in of a new 40-hour overtime threshold as recommended by the Farm Laborers Wage Board and the Commissioner of Labor. The credit base is overtime paid on time between the new threshold and 60 hours per week. Eligible taxpayers may request an advance payment for qualified overtime paid between January 1 and July 31 of the applicable year by submitting an application to the Department of Agriculture and Markets by September 30 of the applicable year.

For tax years beginning on or after January 1, 2025, farm employers who indirectly paid eligible farm overtime through a qualified professional employer organization are eligible to claim this credit. These farm employers must apply to the Department of Agriculture and Markets to receive a certificate allowing them to claim 2024 and 2025 expenses on their 2025 tax return.

Beginning in tax year 2026, all farm employers must certify their annual eligible expenses with the Department of Agriculture and Markets in order to claim the credit. Employers must submit their application by February 1 after the calendar year in which the expenses were incurred, and the Department of Agriculture and Markets will issue the farm employer an overtime expense certificate indicating the eligible expenses for the credit.

43. **Additional restaurant return-to-work tax credit**
**Citation:** Tax Law §§ 46-a, 210-B(56-a), 606(nnn)
**Credit type:** Refundable
**Effective date of credit:** Effective for the tax year that includes December 31, 2022
**Description:** Business entities that were in the restaurant return-to-work program could claim a credit of $5,000 per each full-time equivalent net employee increase between 11 and 20 employees, provided the jobs continued to exist as of March 31, 2022.

A business entity was required to submit an application to New York State Empire State Development by July 1, 2022.

44. **Empire State digital gaming media production tax credit**
**Citation:** Tax Law §§ 45, 210-B(55), 606(nnn)
**Credit type:** Refundable
**Effective date of credit:** Effective for tax years beginning on or after January 1, 2023, and before January 1, 2028
**Description:** A taxpayer that is a digital gaming media production entity may claim a refundable credit equal to 25 percent of qualified costs in the Metropolitan Commuter Transportation District and 35 percent of costs outside of the Metropolitan Commuter Transportation District, provided the maximum qualified costs per production is $5 million. The credit is administered by Empire State Development and up to $5 million of credit can be allocated a year.

*Qualified costs* are digital gaming media production costs incurred and paid within New York State directly and predominately related to the creation, production or modification of a qualified digital gaming media production. These costs include up to $200,000 in wages paid to people, other than actors or writers, that are directly employed for services performed by those individuals for the creation, development, production, editing, and compositing of a digital gaming media production or productions. Distribution, marketing, promotion, and advertising, costs not directly related to creation of the media, and executives' salaries, if functioning in a solely corporate capacity, are not qualified costs.

45. **Child care creation and expansion credit**
**Citation:** Tax Law §§ 48, 210-B(59), 606(ooo), 1511(ee)
**Credit type:** Refundable
**Effective date of credit:** Effective for tax years beginning on or after April 1, 2023, and before January 1, 2025
**Description:** Eligible businesses that operated in New York State and created or expanded child care seats, directly or through a third party, for their employees could claim a refundable tax credit. The credit, administered by the Office of Children and Family Services, was capped at $25 million annually for two years. The credit was limited to 25 occupied infant and toddler child care seats per tax year. The credit was equal to the sum of the product of the number of infant child care seats that had been created or expanded and 20 percent of the child care rate for such infant child care seats and the product of the number of toddler child care seats that had been created or expanded and 20 percent of the child care rate for such toddler child care seats.

To participate, a business entity was required to submit a complete application to the New York State Office of Children and Family Services by January 31 after the end of each year.

46. **Newspaper and Broadcast Media Jobs Program credit**
**Citation:** Tax Law §§ 49, 210-B(60), 606(ppp)
**Credit type:** Refundable
**Effective date of credit:** Effective for tax years beginning on or after January 1, 2025, and before January 1, 2028
**Description:** To be eligible for the credit, a business must be: operating predominately within an eligible industry; be independently owned or, in the case of a print media business, demonstrate a reduction in circulation or in the number of full-time equivalent employees of at least 25 percent over the previous five years; and be located within New York.

The credit is administered by Empire State Development and is comprised of two components: the newspaper and broadcast media new job creation component and the newspaper and broadcast media existing jobs component. The newspaper and broadcast media new job creation component is equal to $5,000 per net new job created. The newspaper and broadcast media existing jobs component is equal to 50 percent of annual wages of an eligible employee, up to $50,000 per eligible employee.

A business entity may not receive in excess of $20,000 in tax credits under the new job creation component and $300,000 in tax credits under the existing jobs component. The $320,000 cap is applied on an entity basis and each print media publication servicing a different market is treated as a separate business.

The total amount of tax credits is capped at $30 million per year. The new job creation component may not exceed $4 million per year and the existing jobs component may not exceed $26 million per year. Fifty percent of the existing jobs component credit is for eligible business entities with 100 or fewer employees and 50 percent is for eligible business entities with over 100 employees.

47. **Commercial security tax credit**
**Citation:** Tax Law §§ 49, 210-B(60), 606(ppp), 187-r
**Credit type:** Refundable
**Effective date of credit:** Effective for tax years beginning on or after January 1, 2024, and before January 1, 2026
**Description:** A certified business entity that meets the eligibility requirements of the commercial security tax credit program may be eligible to claim the credit equal to $3,000 for each retail location of the business entity located in New York State. The credit, administered and allocated by the Division of Criminal Justice Services, is capped at $5 million annually. To be eligible for the credit, a business must have qualified retail theft prevention measure expenses that exceed $4,000 if it has 25 or fewer total employees or $6,000 for a qualified business if it has 26 to 50 employees for each physical New York retail location during the taxable year. It must certify that

it participates in a community anti-theft partnership as established by the Division of Criminal Justice Services.

48. **Semiconductor manufacturing workforce training program tax credit**
**Citation:** Tax Law §§ 210-B(62), 606(sss)
**Credit type:** Refundable
**Effective date of credit:** Effective taxable years beginning on or after January 1, 2025
**Description:** To be eligible for this credit administered by Empire State Development, a business entity operating in New York as a semiconductor manufacturing business or a manufacturing business must conduct eligible training or procure eligible training for its employees from an approved provider. The credit is equal to 75 percent of wages, salaries or other compensation, training costs, and wrap around services, up to a credit of $25,000 per employee receiving eligible training, up to $1 million per eligible non-semiconductor manufacturing business, and up to $5 million per eligible semiconductor manufacturing business. The credit is capped at $20 million per taxable year and is allocated from the funds available for tax credits under the Excelsior Jobs Program. The refundable credit can be claimed in the taxable year in which the training is completed.

49. **Semiconductor research and development tax credit**
**Citation:** Tax Law §§ 210-B(61), 606(rrr)
**Credit type:** Refundable
**Effective date of credit:** Effective for taxable years beginning on or after January 1, 2025
**Description:** To be eligible for this credit administered by Empire State Development, a taxpayer must incur at least $100 million in qualified investment in New York State with the establishment and operation of a research and development (R&D) facility. The credit is equal to 15 percent of the cost of qualified investments in semiconductor R&D projects in New York State. The total amount of credits issued by ESD is allocated from the funds available from Green CHIPS tax credits under the Excelsior Jobs Program. The credit can be claimed in the taxable year the certificate of credit is issued. Participants may receive this credit for up to ten consecutive taxable years.

This section describes the proposals contained in the 2026-27 Executive Budget that modify, add, or repeal specific tax expenditures. Each description begins with background information regarding the proposal, a summary of the proposal, reasons for recommending the change, and an estimate of the revenue implications. Table 9 provides a listing of these provisions.

**Table 9**
**2026-2027 Executive Budget proposals affecting tax expenditures**
**(in millions of dollars)**

| | 2026-27 fiscal year estimate |
|---|---|
| **Personal Income Tax** | |
| 1. Enhance and Reform the Child and Dependent Care Credit | -0- |
| 2. Eliminate Income Taxes on Tipped Wages | (52) |
| 3. Retain Deductibility of Certain Charitable Contributions | -0- |
| **Cross-article tax credits** | |
| 4. Extend the Refundability of the Investment Tax Credit for Farmers for Five Years | -0- |
| 5. Standardize the Definition of Farmer for Certain Tax Credits | -0- |
| 6. Extend the Commercial Security Tax Credit for Three Years | -0- |
| 7. Enhance the New York City Musical and Theatrical Production Tax Credit | -0- |
| **Real estate transfer tax** | |
| 8. Extend Reduced Transfer Tax Rates for Qualifying REITs (Three Year Extension) | -0- |
| **Sales tax** | |
| 9. Extend the Sales Tax Vending Machine Exemption for Three Years | (8) |
| 10. Establish a Sales Tax Exemption for EV Charging Stations | -0- |
| 11. Extend the Residential Energy Storage Exemption for Two Years | -0- |
| 12. Extend Alternative Fuels Exemptions for Five Years | -0- |

**1. Enhance and Reform the Child and Dependent Care Credit**

**Background**: The New York State child and dependent care credit (CDCC) is a benefit for working taxpayers to defray the costs of care for a dependent child under the age of 13 or an older disabled dependent or disabled spouse. The New York credit is computed as a share of the federal credit, with some additional state-specific enhancements. Taxpayers may be eligible for the State CDCC even if the federal credit was not claimed. The state CDCC is fully refundable for resident taxpayers, while part-year residents may claim a partially refundable credit and nonresidents may claim nonrefundable state CDCC.

**Proposal**: This proposal would replace the current child and dependent care credit with a new New York State child and dependent care credit that is no longer coupled with the federal counterpart. The reformed, refundable credit would provide a greater benefit to families and reduce complexity in claiming the credit. Eligibility for the credit would be limited to full-year New York residents.

**Discussion:** Computing the State's child and dependent care credit is currently complicated. Furthermore, the credit suffers from fairness issues due to its regressivity across some income ranges. These issues were compounded by the enhancement of the Federal child and dependent care credit by H.R. 1. This proposal corrects these problems while simultaneously making child and dependent care more affordable, dramatically simplifying the benefit calculation, enhancing the benefit, and making the credit fully progressive.

**Revenue:** This proposal would have no effect on state revenues in SFY 2026-27.

**2. Eliminate Income Taxes on Tipped Wages**

**Background**: Under current law, the Internal Revenue Code allows taxpayers a temporary deduction for qualified tips. The maximum annual deduction is $25,000 that phases out for taxpayers with income over $150,000 ($300,000 for joint filers). The design of the federal deduction does not allow the benefit to flow through to the state level.

**Proposal:** This proposal would create a state level subtraction that would reduce New York adjusted gross income by the same amount as the equivalent Federal deduction, up to $25,000.

**Discussion:** This proposal supports the State's goals of addressing affordability for New York taxpayers.

**Revenue:** This proposal would reduce state revenues in SFY 2026-27 by $52 million.

**3. Retain Deductibility of Certain Charitable Contributions**

**Background:** New York itemized deductions currently allow a deduction for contributions made to charitable organizations. The amount of the deduction is computed using the corresponding federal rules in place for the tax year. These federal rules generally require that donations be made to a qualified organization, which includes entities that are tax-exempt under Internal Revenue Code § 501(c)(3).

**Proposal:** This proposal would retain the state deductibility of certain charitable contributions to entities that lose their Internal Revenue Code § 501(c)(3) federal tax-exempt status.

**Discussion:** Federal officials have threatened to revoke the tax-exempt status of certain §501(c)(3) organizations for reasons unrelated to their compliance with the Internal Revenue Code. This threat has put tax-exempt organizations at risk of losing their preferential tax treatment. This bill would preserve the tax-exempt treatment for individual taxpayer donations to entities that continue to operate as charitable organizations that are or would be eligible for exemption from New York State sales tax, even if the Internal Revenue Service revokes their Internal Revenue Code § 501(c)(3) recognition. The organization must establish that the revocation was unrelated to its charitable mission.
**Revenue:** This proposal would have no effect on state revenues in SFY 2026-27.

**4. Extend the Refundability of the Investment Tax Credit for Farmers for Five Years**
**Background:** Taxpayers making qualifying investments in business property, primarily tangible personal property (like equipment) and certain structures used in production, may be eligible for the Investment Tax Credit (ITC). For eligible farmers, the credit rate is twenty percent of the qualified investment in certain farming related property. The ITC was temporarily made refundable for eligible farmers effective for taxable years beginning on or after January 1, 2023, for property placed in service on or after that date. This refundability provision currently applies through tax year 2027.
**Proposal:** This proposal would extend the refundability of the investment tax credit for farmers by five years, through tax year 2032.
**Discussion:** This proposal would maintain existing support for farmers and incentivize additional investment in New York State's agricultural sector by providing increased financial predictability for producers and farmers interested in relocating or expanding in the State.
**Revenue:** This proposal would have no effect on state revenues in SFY 2026-27.

**5. Standardize the Definition of Farmer for Certain Tax Credits**
**Background:** A taxpayer generally qualifies as an eligible farmer for certain credits if two-thirds of the farm's income is derived from farming. The computation of the two-thirds amount varies slightly across the investment tax credit, farmers' school tax credit, farm donation to food pantries credit, farm workforce retention credit, and farm overtime credit. These differences force farmers to determine eligibility for each credit separately, which results in farmers being eligible for some credits, but not others.
**Proposal:** This proposal would make one consistent definition of eligible farmer to be applied uniformly for the farm related tax credits under Articles 9-A and 22. Under this new definition, taxpayers are eligible for farm-related credits if gross income from farming in the current year (or the 3-year average) is at least two-thirds of their federal gross income less $30,000. This definition clarifies that gross income from farming includes payments from the state's farmland protection program, income from a commercial horse boarding operation, and income from the production or sale of maple syrup, Christmas trees, and cider or wine from a licensed New York state farm cidery or winery.
**Discussion:** New York State supports its farmers through a variety of programs, including various tax credits. Current inconsistency in the definition of "eligible farmer" can result in farm businesses qualifying for some benefits but not others. This proposal alleviates this

issue by unifying the definition of eligible farmer across multiple farm-related tax credits, streamlining the credit claim process. Additionally, it would allow the Department to administer these benefits in a more efficient and timely manner.
**Revenue:** This proposal would have no effect on state revenues in SFY 2026-27.

**6. Extend the Commercial Security Tax Credit for Three Years**
**Background**: Taxpayers that are subject to Article 9, 9-A, or 22 and have received a certificate of tax credit issued by the Division of Criminal Justice Services (DCJS) are able to claim a refundable tax credit equal to $3,000 for each retail location of a business entity that has incurred qualified retail theft prevention measure expenses for tax years 2024 and 2025. To be eligible, businesses that have between 26 and 50 total employees statewide must exceed $6,000 in retail theft prevention expenses per location, while businesses with 25 or fewer employees must spend more than $4,000 in retail theft prevention expenses per location.
**Proposal:** This proposal would extend the commercial security tax credit by three years, through tax year 2028.
**Discussion:** This proposal would continue to provide support for businesses investing in needed retail theft prevention measures for an additional three years.
**Revenue:** This proposal would have no effect on state revenues in SFY 2026-27.

**7. Enhance the New York City Musical and Theatrical Production Tax Credit**
**Background**: This credit program was enacted in 2021 to encourage musical and theatrical productions in New York City theaters. Taxpayers that are a qualified New York City musical and theatrical production company and have received a certificate of tax credit issued by Empire State Development (ESD) are eligible to claim a refundable credit equal to 25 percent of qualified production expenditures paid during the credit period under Articles 9-A and 22. A qualified level 1 production can receive a maximum credit of $3 million, while a qualified level 2 production can receive a maximum credit of $350,000. The total amount allocated for the credit is $400 million for the duration of the program and is available for tax years 2021 through 2027.
**Proposal:** This proposal would increase the aggregate credit cap for the New York City musical and theatrical production tax credit by $150 million for productions whose initial performances were on or after December 1, 2025.
**Discussion:** This proposal would expand existing financial incentives for musical and theatrical productions in New York City by increasing the aggregate cap from $400 million to $550 million for eligible productions.
**Revenue:** This proposal would have no effect on state revenues in SFY 2026-27.

**8. Extend Reduced Transfer Tax Rates for Qualifying REITs (Three Year Extension)**
**Background**: Certain real estate investment trusts (REITs) are eligible for reduced rates under the New York State Real Estate Transfer Tax (RETT). These reduced rates are currently set to expire on September 1, 2026.
**Proposal:** This proposal would extend the tax rate reductions for REITs under the New York State RETT until September 1, 2029.

**Discussion:** These provisions have been routinely extended since 1999. The extension of these preferential provisions would maintain and encourage new investments in real estate across the state.
**Revenue:** This proposal would have no effect on state revenues in SFY 2026-27.

**9. Extend the Sales Tax Vending Machine Exemption for Three Years**
**Background**: Candy, soft drinks, bottled water and certain fruit juice purchased from a vending machine that accepts only cash or coins are exempt from sales tax if the items are priced at $1.50 or less. If the vending machine can accept payment in some other form (such as a credit card), then the tax exemption threshold is $2.00 or less per item. These exemptions are set to expire after May 31, 2026.
**Proposal:** The 2026-27 Executive Budget would extend the existing sales tax exemption for certain food and drink purchased from vending machines for three years, through June 1, 2029.
**Discussion:** This proposal would incentivize the industry to continue to transition to cashless machines that are able to collect tax at the time of sale.
**Revenue:** This proposal would reduce state revenues by $8 million in SFY 2026-27.

**10. Establish a Sales Tax Exemption for EV Charging Stations**
**Background:** Electricity sold at EV charging stations is subject to state and local sales tax.
**Proposal:** The 2026-27 Executive Budget would provide a sales and use tax exemption for the retail sale of electricity at a commercial EV charging station. In addition, the purchase of electricity to be sold by a commercial EV charging station would be taxable.
**Discussion:** This proposal would encourage businesses to install and operate these stations by lowering the cost of owning and operating an EV charging station. These incentives will further the state's zero-emissions targets and simplify tax compliance for EV charging station operators.
**Revenue:** This proposal would have no effect on state revenues in SFY 2026-27.

**11. Extend the Residential Energy Storage Exemption for Two Years**
**Background:** Residential energy storage systems equipment and the service of installing these systems are exempt from state and local sales and use taxes. This exemption is set to expire after May 31, 2026.
**Proposal:** The 2026-27 Executive Budget would extend this exemption for two years, through June 1, 2028.
**Discussion:** This proposal would retain an incentive for New York households to purchase and use energy storage systems.
**Revenue:** This proposal would have no effect on state revenues in SFY 2026-27.

**12. Extend Alternative Fuels Exemptions for Five Years**
**Background:** E-85, CNG and hydrogen are fully exempt from the sales tax, motor fuel tax, and petroleum business tax. B20 is partially exempt from these taxes. Under current law, these exemptions are set to expire after August 31, 2026.

**Proposal:** The 2026-27 Executive Budget would extend these exemptions for five years, until September 1, 2031.
**Discussion:** This proposal would continue to encourage the use of alternative fuels and promote the consumption of cleaner energy sources.
**Revenue:** This proposal would have no effect on state revenues in SFY 2026-27.

**Business income:** Business income for Article 9-A taxpayers generally equals entire net income minus other exempt income and investment income.

**Business income base:** The taxable income base for Article 9-A taxpayers. It is computed by subtracting the prior net operating loss conversion subtraction and net operating loss deduction from apportioned business income.

**Compensating use tax**: Tax levied on tangible personal property and services for its consumption, storage, or use in the State of residency upon which sales tax has not been collected.

**Corporate exemption**: The partial or full statutory exemption of certain types of business entities from taxation.

**Credit**: Credits are amounts that are subtracted from tax liability (for example, credits reduce the amount of tax due by the amount of the credit):

**Credit Earned**: The amount of credit generated in the current tax year.

**Credit Claimed**: The amount of credit that taxpayers have available during the taxable year. Taxpayers determine this by adding credit earned in the current year to any unused credit from prior years and subtracting any applicable credit recapture. The claimed amount also reflects the imposition of any statutory limitations.

**Credit Used**: The amount of credit that taxpayers actually apply to their tax liability.

**Credit Carried Forward**: Any unused amount of credit that is allowed to be used to offset tax liability in future years. The amount of credit carried forward is determined by subtracting the amount of credit used or refunded in the current year from the amount of credit claimed.

**Credit Refunded**: Unused credit amounts requested as a refund or applied against the next liability period. These are requested amounts from the tax return, not necessarily amounts actually paid. Refund requests are subject to audit and adjustment by the New York state Tax Department and the Office of the State Comptroller.

**Deduction**: An amount that a taxpayer is allowed to subtract when computing the tax base.

**Deferral**: The legal authorization to delay the obligation to pay tax to a future period (for example, a future tax year).

**Dependent exemptions**: A fixed amount that is subtracted from New York adjusted gross income for an individual's dependents, not including the taxpayer or spouse.

**Entire net income:** Entire net income equals federal taxable income after certain additions and subtractions for items that New York treats differently. The major adjustment in the computation of entire net income for most taxpayers is the exclusion of certain income received from related entities not included in the New York combined group.

**Excise tax**: A fixed, per unit tax imposed on a commodity or commodities (for example, 14 cents per gallon of beer).

**Exclusion/exemption**: The statutory elimination of certain items or transactions from the tax base.

**Federal adjusted gross income (FAGI)**: The amount of federal income earned or received during the income year after certain exclusions and adjustments. Major exclusions from gross income include many government transfer payments, employer-provided pension contributions and fringe benefits, most capital gains from the sale of a primary residence, and a portion of Social Security benefits. Major adjustments to gross income include deductions for individual retirement arrangements, alimony paid, employee moving expenses, and one-half of self-employment tax paid.

**Federal conformity**: The extent to which state Tax Laws adopt or conform to various provisions of federal Tax Law.

**Federal taxable income (FTI)**: The amount of taxable income before certain deductions reported by a corporate taxpayer on its federal tax return. Federal taxable income includes all income received by the taxpayer during the tax year and most deductions from income. It does not include the federal net operating loss deduction or the special federal deductions for dividends received.

**Flow-through provisions**: Provisions (for example, definitions, deductions, exclusions) that are derived from provisions of the federal Tax Law and are applied to or flow-through to State Tax Law.

**Franchise tax**: A tax imposed on business corporations for the privilege of conducting business in New York State.

**Gross receipts tax**: Tax levied on the total receipts (for example, income from sales) of a business.

**Itemized deductions**: Individual deductions that are subtracted from New York adjusted gross income and are applied in lieu of a standard deduction.

**New York adjusted gross income**: The amount of federal adjusted gross income earned or received during the income year after certain modifications and before the subtraction of either the standard deduction or itemized deductions, and dependent exemptions. For example, New York state income tax refunds, included in federal adjusted gross income, are subtracted in determining New York adjusted gross income.

**Personal income tax**: A tax imposed on the income of persons. Examples of income that may be subject to tax include wages, non-wage income (interests, dividends, capital gains), business income, and investment income.

**Premiums tax**: A tax imposed on insurance corporations and levied on the amount of net premiums received.

**Reimbursement**: An amount due to a taxpayer where there was a payment of tax, but no liability.

**Sales tax**: An ad valorem tax levied on sales at retail.

**Service**: The performance of an action or activity for others.

**Standard deduction**: A statutorily fixed amount, determined by filing status, subtracted from New York adjusted gross income.

**Tangible personal property**: Corporeal personal property of any nature.

**Tax expenditure**: Features of the Tax Law that by exemption, exclusion, deduction, allowance, credit, preferential tax rate, deferral, or other statutory device, reduce the amount of taxpayers' liabilities to the State by providing either economic incentives or tax relief to particular classes of persons or entities, to achieve a public purpose.

**Taxable income**: The amount to which the applicable tax rate is applied. Taxable income is gross income (prior to any adjustments) minus modifications, deductions, and exemptions.

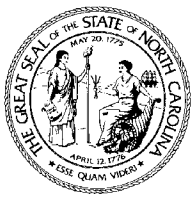
**Tax liability**: The amount of tax required to be paid by a taxpayer.

**Transfer tax**: A tax imposed on the transfer of tangible personal property (for example, real property) from one individual or entity to another.

## North Carolina

# Biennial Tax Expenditure Report

## 2025

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**Tax Research & Equity Division**

5392/8585

# North Carolina
# Biennial Tax
# Expenditure Report

# 2025

**Tax Research & Equity Division**
**North Carolina Department of Revenue**
January 2026

5393/8585

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# Introduction

In compliance with the requirements of Section 105-256 of the General Statutes of North Carolina, the Department of Revenue has prepared this report of tax expenditures contained in the Revenue Laws of North Carolina (except Subchapter II) as amended through 2025. The listing of expenditures and measurements of their respective costs will allow legislative review of their impact on the State's economy and on government revenues.

As in past publications, tax expenditures for each State-level tax type are presented in a separate section of this report. At the beginning of each section, some basic information of the tax base and normal State tax rates for relevant fiscal years is presented. Each tax expenditure provision includes a General Statutes citation, a short description of the tax expenditure, and a "Data Source" that notes the source of the data used for the estimate. Also, some of the tax expenditures have a "Note" that details some additional information pertinent to the estimation of that particular tax expenditure. The additional information in this report is to provide context for the estimates and is not intended to represent the official interpretation of the Department of Revenue.

The report includes information on the "enacting legislation" related to each tax expenditure, as available. These notes attempt to provide the session laws that first incorporated each of the tax expenditures into statute. In some cases, additional notes are given referring to prior treatment of a provision or substantive changes that have occurred subsequent to the initial enactment. However, it was not in the scope of this report to provide a comprehensive history of every provision. (Many of the older provisions are only followed back to the major re-codification of the tax laws in S.L. 1939-158.)

Several of the tax expenditure provisions have sunset dates. Notes related to the current sunset dates of each provision, when applicable, are included in the report. This report includes any tax expenditures that have a current sunset date after December 2025.

Estimates of the cost of tax expenditures are provided for Fiscal Year 2025-26 and Fiscal Year 2026-27.

## Defining Tax Expenditures for this Study

A tax expenditure is defined as an exemption, exclusion, deduction, allowance, credit, refund, preferential tax rate or other device that reduces the amount of tax revenue which otherwise would be collected.

Tax expenditures are created to give economic assistance to certain groups of producers or consumers in the economy or to promote other policy goals. This report does not purport to evaluate the various expenditures as to equity or desirability from a public policy standpoint.

Some tax expenditures are necessary. For instance, Constitutional restrictions forbid taxing the federal government's purchases, as well as certain transactions involving interstate trade and commerce on Indian Reservations. Also, there are specific exemptions or exclusions that are made in order to avoid duplicate taxation of an activity. For example, S-corporations are not taxed on profits that are transferred to shareholders, who subsequently pay income taxes on these dividends. Also, some exemptions and exclusions that are deemed necessary to define the appropriate tax base are not listed in the main body of this report. These types of tax expenditures are listed in Appendix B. No cost estimates are provided for these.

The sales tax presents the most ambiguous cases of when exemptions should be included as tax expenditures for this report. The sales tax is generally considered to be a tax on "final" purchases. Transactions involving the purchase of intermediate goods that will be further processed into a final good are properly exempted from the sales tax. It is arguable whether purchases of machinery, fuel or similar inputs used in production of final goods should be taxed. Since there is no consensus on this point, we include estimates of tax exemptions on inputs that are not directly transformed in the production process. Sales tax exemptions that are excluded from estimation are included in Appendix B.

The term "preferential tax rate" has been interpreted to mean any rate that is less than the basic rate that applies to the largest number of taxpayers. In some instances, higher rates are used on a relatively small number of taxpayers. In such cases, the lower general rates are not listed as preferential. Also, no preferential status is acknowledged when distinctly different bases are taxed at different rates under the same tax category. For example, under the alcoholic beverage taxes, different rates and bases are used to tax beer, wine, and spirituous liquor.

## Measuring the Fiscal Effects of Tax Expenditures

It should be noted at the outset of this report that the fiscal effects of tax expenditures are sometimes difficult to quantify. Several methods for estimating the costs of expenditures are used.

The most accurate source of information comes from actual tax returns that provide direct evidence of when certain expenditures are taken and the amounts of those expenditures. For example, we are able to use personal income tax and corporate income tax returns from 2021 and earlier years to measure the use of certain tax deductions and tax credits.

Sometimes, needed data are more timely and extensive at the national level than at the state level. When this occurs, the state-level data are estimated by determining North Carolina's share of national activity. In these cases, several assumptions must be made to derive the final estimates. Therefore, these estimates are less reliable than those that can be measured directly.

For most national economic data, the share of North Carolina's activities will consistently be in the range of 2.9% to 3.2%, which corresponds to North Carolina's share of gross domestic product (GDP) and population, respectively. Therefore, national statistics are often multiplied by one of these percentages to estimate North Carolina's value. However, when it is apparent that North Carolina's data are not typical of national activity, such as textile or pharmaceutical manufacturing, attempts are made to use more representative proportions.

In some cases, sufficient data were not available to allow estimation of the value of an expenditure. In these cases, the expenditure estimate is designated as "unavailable."

**Table 1. Summary of tax expenditure estimates for FY2025-26 by tax type**

| Tax Type | Number of Tax Expenditures | Sum of Estimates of $100,000 and Over ($Millions) | Number of Estimates Less than $100,000 | Number with Unavailable Estimates |
|---|---|---|---|---|
| Privilege Tax | 0 | 0.0 | 0 | 0 |
| Tobacco Products Tax | 7 | 14.0 | 2 | 0 |
| Alcoholic Beverage Tax | 6 | 3.1 | 4 | 1 |
| Franchise Tax | 17 | 549.6 | 2 | 2 |
| Corporation Income Tax | 34 | 242.9 | 7 | 15 |
| Various Tax Incentives (Articles 3B through 3L) | 7 | 39.5 | 0 | 0 |
| Individual Income Tax [see Note 1] | 22 | 1,973.2 | 5 | 1 |
| Sales and Use Tax | 179 | 7,048.8 | 8 | 64 |
| Highway Use Tax | 16 | 245.2 | 0 | 11 |
| Scrap Tire Disposal Tax | 2 | 1.0 | 0 | 1 |
| White Goods Disposal Tax | 1 | 0.0 | 1 | 0 |
| Severance Tax | 2 | 0.0 | 2 | 0 |
| Transportation Commerce Tax | 2 | 0.0 | 2 | 0 |
| Taxes on Insurance Companies | 9 | 317.5 | 0 | 3 |
| Excise Stamp Tax on Conveyances | 8 | 0 | 0 | 8 |
| Excise Taxes on Motor Fuels | 20 | 69.6 | 5 | 3 |
| Totals | 332 | 10,504.4 [see Note 2] | 38 | 109 |

Table 1 Notes

1 This summary does not include the “Government retirement income under Bailey decision” provision.

2 The sum of the estimates is provided for comparative purposes only. It should not be interpreted as the total gain to state revenue from eliminating all tax expenditures listed in this report. The total impact may be larger or smaller than this amount, depending on the interactions of the various tax expenditures.

3 The fiscal year 2025-26 Federal income tax expenditures that flow through to North Carolina income taxes are estimated in Appendix A. They are not included in the above table or in Table 2.

**Table 2. Forty-five largest estimated tax expenditures in FY2025-26**

| Rank | Tax Type | Item No. | Short Description | FY25-26 estimate ($Millions) |
|---|---|---|---|---|
| 1 | Sales and Use Tax | 148 | Food for Home Consumption | 1,460.0 |
| 2 | Sales and Use Tax | 60 | Prescription Drugs and Insulin for Human Use | 973.8 |
| 3 | Sales and Use Tax | 78 | Motor Vehicle Exemption Less Highway Use Tax | 926.9 |
| 4 | Individual Income Tax | 11 | Social Security Benefits in Excess of Federal Limit | 723.0 |
| 5 | Individual Income Tax | 3 | Standard Deduction in Excess of Base Amounts | 608.9 |
| 6 | Sales and Use Tax | 169 | Refunds to Nonprofits | 347.6 |
| 7 | Sales and Use Tax | 38 | Mill Machinery | 289.5 |
| 8 | Individual Income Tax | 12 | Government Retirement Income under Bailey Decision | 264.7 |
| 9 | Taxes on Insurance Premiums | 5 | Premiums Received from Annuities | 251.5 |
| 10 | Sales and Use Tax | 155 | Feeds, Litter and Medications for Farming | 245.1 |
| 11 | Franchise Tax | 14 | Deduction from Net Worth for Depreciation, Depletion and Amortization | 215.1 |
| 12 | Highway Use Tax | 3 | Trade-In Allowance on Sales of Motor Vehicles | 195.1 |
| 13 | Sales and Use Tax | 115 | Service Contracts or RMI Services on Exempt Items | 188.3 |
| 14 | Individual Income Tax | 4 | Charitable Contributions Itemized Deduction | 176.0 |
| 15 | Sales and Use Tax | 171 | Refunds to Certain Local Government Entities | 174.9 |
| 16 | Franchise Tax | 17 | Cap for Holding Companies | 166.7 |

| Rank | Tax Type | Item No. | Short Description | FY25-26 estimate ($Millions) |
|---|---|---|---|---|
| 17 | Sales and Use Tax | 9 | Landscaping | 142.3 |
| 18 | Corporation Income Tax | 14 | State Net Loss Carryforward | 141.1 |
| 19 | Sales and Use Tax | 59 | Durable Medical Equipment | 129.3 |
| 20 | Sales and Use Tax | 15 | Right to Participate in Sporting Activities | 127.4 |
| 21 | Sales and Use Tax | 86 | Custom Computer Software | 123.6 |
| 22 | Sales and Use Tax | 108 | Electricity Used by Manufacturers | 108.7 |
| 23 | Sales and Use Tax | 110 | Piped Natural Gas Used by Manufacturers (Power Plants) | 104.2 |
| 24 | Sales and Use Tax | 5 | Replacement or Installation of Building-Related System | 99.1 |
| 25 | Sales and Use Tax | 98 | Water Delivered Through Main Pipes | 98.5 |
| 26 | Individual Income Tax | 8 | Child Deduction | 96.1 |
| 27 | Sales and Use Tax | 69 | Packaging Items for Manufacturers | 93.3 |
| 28 | Sales and Use Tax | 35 | Telecommunications Equipment | 92.6 |
| 29 | Sales and Use Tax | 118 | Services Related to Cleaning of Real Property | 89.7 |
| 30 | Franchise Tax | 5 | Charitable Nonprofits | 87.4 |
| 31 | Corporation Income Tax | 21 | Accelerated Depreciation Adjustment | 84.5 |
| 32 | Sales and Use Tax | 12 | Installation by Real Property Contractor | 81.2 |
| 33 | Sales and Use Tax | 6 | Replacement or Installation of HVAC Systems | 79.1 |

| Rank | Tax Type | Item No. | Short Description | FY25-26 estimate ($Millions) |
|---|---|---|---|---|
| 34 | Individual Income Tax | 14 | Accelerated Depreciation Adjustment | 75.1 |
| 35 | Sales and Use Tax | 157 | Fowl Sold to a Farmer | 67.9 |
| 36 | Sales and Use Tax | 120 | Removal of Waste and Debris | 65.5 |
| 37 | Individual Income Tax | 20 | Net Operating Loss Carryforward | 63.8 |
| 38 | Sales and Use Tax | 7 | Replacement or Installation of Pavement, Patios & Decks | 61.4 |
| 39 | Individual Income Tax | 7 | Medical and Dental Expenses Itemized Deduction | 60.8 |
| 40 | Sales and Use Tax | 151 | Fertilizers, Seeds and Related Items Sold to a Farmer | 59.1 |
| 41 | Individual Income Tax | 13 | Uniformed Services Pension Income | 55.8 |
| 42 | Sales and Use Tax | 109 | Piped Natural Gas Used by Manufacturers (except Power Plants) | 44.9 |
| 43 | Sales and Use Tax | 4 | Painting and Wallpapering | 43.6 |
| 44 | Individual Income Tax | 5 | Qualified Mortgage Interest Itemized Deduction | 43.5 |
| 45 | Sales and Use Tax | 29 | Certain Services Provided Under a Property Management Contract | 39.9 |

# Updates to the Tax Expenditure Report Since 2023

This section highlights changes to tax expenditures since the last publication of this report in 2023. These changes are listed in the following categories:

1. tax expenditures that have been substantively altered
2. extended sunset dates and reactivated tax expenditures
3. new tax expenditures enacted
4. tax expenditures that have expired or have been repealed

In several of the entries below, a brief description of the changes to the tax expenditure is provided. For a more complete description, see the annual "Tax Law Changes" publication located on the North Carolina Department of Revenue website.

## Tax Expenditures That Have Been Substantively Altered

[There are no entries for this section]

## Extended Sunset Dates and Reactivated Tax Expenditures

1. Reactivation of certain real property donation tax credit

   Tax Category: Corporate Income Tax; Individual Income Tax

   Citation: G.S. 105-130.34; G.S. 105-153.11

   Enacting legislation: S.L. 2024-1

   Effective Date: Effective for taxable years beginning on or after Jan. 1, 2025 for donations made on or after Jan. 1, 2025. Expires for taxable years beginning on or after Jan. 1, 2027.

## New Tax Expenditure Provisions

2. Luxury liquor exemption

   Tax Category: Alcoholic Beverage Tax

   Citation: G.S. 105-113.81(f)

   Enacting legislation: S.L. 2024-41

   Effective Date: Effective for sales on or after Jan. 1, 2025

3. Use tax cap of $1,000 on luxury liquor

   Tax Category: Sales & Use Tax

   Citation: G.S. 105-164.27A(a4)

   Enacting legislation: S.L. 2024-41

   Effective Date: Effective for sales on or after Jan. 1, 2025

4. Public transportation use exemption from for-hire ground transport excise tax

   Tax Category: Transportation Commerce Tax

   Citation: G.S. 105-187.94(2)

   Enacting legislation: S.L. 2024-1, sec. 11.1(a)

   Effective Date: Effective July 1, 2025 and applies to for-hire ground transport services occurring on or after that date.

## Expired or Repealed Tax Expenditure Provisions

5. Exemption from professional license tax for professionals at least 75 years old

   Tax Category: Privilege Tax

   Citation: G.S. 105-41(b)(1)

   Effective Date: The professional license tax was repealed effective for taxable years beginning on or after July 1, 2024 by S.L. 2023-134, sec. 42.7.(a).

6. Exemption from professional license tax for individuals practicing the art of healing

   Tax Category: Privilege Tax

   Citation: G.S. 105-41(b)(2)

   Effective Date: Effective Date: The professional license tax was repealed effective for taxable years beginning on or after July 1, 2024.

7. Exemption from professional license tax for blind individuals

   Tax Category: Privilege Tax

   Citation: G.S. 105-41(b)(3)

   Effective Date: Effective Date: The professional license tax was repealed effective for taxable years beginning on or after July 1, 2024.

# Privilege Taxes (Article 2)

## Tax Base Information

Privilege taxes are imposed for the privilege of carrying on business or doing a remunerative act within the State. Privilege taxes on corporations are discussed under the "franchise tax" article.

Privilege tax bases are as follows:

- a tax of 0.277% of the face value of installment paper and related notes by installment paper dealers (these entities are distinct from banks).
- a tax of $250 per location at which business is conducted by loan agencies, including check cashing businesses and pawn brokers.

The privilege tax on professionals was repealed effective the taxable years beginning on or after July 1, 2024 (S.L. 2023-134)

A privilege tax on banks was repealed effective June 30, 2016, and a tax on publishers of newsprint publications was repealed effective Oct. 22, 2015.

During Fiscal Year 2024-25, approximately $39.4 million was collected from this tax, net of refunds.

**There are no tax expenditures for this tax type.**

# Tobacco Products Tax (Article 2A)

## Tax Base Information

A cigarette tax is levied on the sale or possession for sale in this State, by a distributor, of all cigarettes. Other tobacco products are taxed when a wholesale dealer or retail dealer first acquires or otherwise handles the products subject to the tax. Effective July 1, 2022, remote sellers of tobacco products are liable for the tax.

As of Sept. 1, 2009, the tax rate on a 20-pack of cigarettes is 45¢ and the tax rate on other tobacco products is 12.8% of the cost price.

A tax on vapor products at a rate of 5¢ per fluid milliliter of consumable product became effective June 1, 2015.

Effective July 1, 2025, there is a tax on certain alternative nicotine products. Also, the tax on snuff changed to a rate of 40¢ per ounce.

During Fiscal Year 2024-25, approximately $249.0 million was collected from this tax, net of refunds.

## Tax Expenditures

**1. Reduced Tax Rate for Modified Risk Tobacco Products**

**Citation:** G.S. 105-113.4E(b)

**Description:** The tax rate is reduced by 50% for a modified risk tobacco product issued a risk modification order by the United States Food and Drug Administration; the tax rate is reduced by 25% for a modified risk tobacco product issued an exposure modification order.

**Enacting Legislation:** S.L. 2018-5 - effective June 12, 2018

**FY25-26 Estimate (in $millions):** 5.3

**FY26-27 Estimate (in $millions):** 5.3

**Data Source:** Department of Revenue tax data

**2. Discount for Timely Reports -- Cigarettes**

**Citation:** G.S. 105-113.21(a1)

**Description:** A distributor who files a timely report and sends a timely payment may deduct from the amount due a discount of 2%. The current statute states that "(t)his

discount covers expenses incurred in preparing the records and reports required by this Part, and the expense of furnishing a bond."

**Enacting Legislation:** S.L. 2004-84 - effective for reporting periods beginning on or after August 1, 2004; there was a 4% discount prior to August 1, 2003 (S.L. 1969-1075).

**FY25-26 Estimate (in $millions):** 3.7

**FY26-27 Estimate (in $millions):** 3.7

**Data Source:** Department of Revenue tax data

**3. Refund for Unsalable Cigarettes**

**Citation:** G.S. 105-113.21(b)

**Description:** Refund for unsalable cigarettes upon which the tax has been paid.

**Enacting Legislation:** S.L. 1993-442

**FY25-26 Estimate (in $millions):** 0.1

**FY26-27 Estimate (in $millions):** 0.1

**Data Source:** Department of Revenue tax data

**4. Capped Amount of Tax on Cigars**

**Citation:** G.S. 105-113.36A(a)(2)

**Description:** Cigars are taxed as "other tobacco products," which are taxed at 12.8% of cost price. However, the tax on cigars is capped at 30¢ per cigar.

**Enacting Legislation:** SL 2021-180 -- sales or purchases occurring on or after July 1, 2022

**FY25-26 Estimate (in $millions):** 3.7

**FY26-27 Estimate (in $millions):** 3.8

**Data Source:** Department of Revenue tax data

**5. Sample Tobacco Products**

**Citation:** G.S. 105-113.36A(d)(3) [formerly G.S. 105-113.35(a2)(3)]

**Description:** The tax does not apply to a sample tobacco product distributed without charge.

**Enacting Legislation:** S.L. 1991-689 – effective Jan. 1, 1992 (this act created the tax on other tobacco products)

**FY25-26 Estimate (in $millions):** less than 0.1

**FY26-27 Estimate (in $millions):** less than 0.1

**6. Discount for Timely Reports -- Other Tobacco Products**

**Citation:** G.S. 105-113.37C(a) [formerly G.S. 105-113.39(a)]

**Description:** A wholesale dealer or retail dealer who files a timely report and sends a timely payment may deduct from the amount due a discount of 2%. This discount does not apply to taxes paid on vapor products.

**Enacting Legislation:** S.L. 2004-84 - effective for reporting periods beginning on or after August 1, 2004; there was a 4% discount prior to August 1, 2003.

**FY25-26 Estimate (in $millions):** 1.2

**FY26-27 Estimate (in $millions):** 1.2

**Data Source:** Department of Revenue tax data

**7. Refund for Unsalable Tobacco Products**

**Citation:** G.S. 105-113.37C(b) [formerly G.S. 105-113.39(b)]

**Description:** A wholesale dealer or retail dealer in possession of stale or otherwise unsalable tobacco products upon which the tax has been paid may return the tobacco products to the manufacturer and apply to the Secretary for refund of the tax.

**Enacting Legislation:** S.L. 2005-406 - effective Sept. 1, 2005

**FY25-26 Estimate (in $millions):** less than 0.1

**FY26-27 Estimate (in $millions):** less than 0.1

**Data Source:** Department of Revenue tax data

# Alcoholic Beverage License and Excise Taxes (Article 2C)

## Tax Base Information

Excise taxes are levied on beer and wine based on volume; excise taxes are levied on liquor sold by ABC stores and distillery permittees based on price. These excise taxes are in addition to sales & use tax, as well as other charges on sales of liquor.

As of Sept. 1, 2009, the tax on beer is 61.71¢ per gallon; the tax on unfortified wine is 26.34¢ per liter; the tax on fortified wine is 29.34¢ per liter; the tax on liquor is 30% of the sum of the distiller's price, the State ABC warehouse freight and bailment charges, and a markup for local ABC boards.

Effective September 1, 2015, the spirituous liquor excise tax includes sales of antique spirituous liquor.

Effective October 1, 2021, ABC stores may accept online orders for alcoholic beverages. (SL 2021-150)

During Fiscal Year 2024-25, $589.5 million was collected from this tax, net of refunds. Of this amount, $39.8 million was distributed to local governments.

## Tax Expenditures

**1. Beer and Wine Destroyed by a Major Disaster**

**Citation:** G.S. 105- 113.81(a)

**Description:** Excise taxes are not required to be paid on malt beverages or wine rendered unsalable by a major disaster.

**Enacting Legislation:** S.L. 1967-759 - effective Jan. 1, 1968; this provision was enacted as G.S. 18-81(i)

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**2. Beer and Wine for Oceangoing Vessels**

**Citation:** G.S. 105- 113.81(b)

**Description:** Excise taxes are not required to be paid on malt beverages or wine sold and delivered for use on oceangoing vessels. Sales made to officers, agents, crewmen, or passengers for their personal use are not exempt.

**Enacting Legislation:** S.L. 1963-992

**FY25-26 Estimate (in $millions):** less than 0.1

**FY26-27 Estimate (in $millions):** less than 0.1

**3. Brewery, Winery and Distillery Tastings**

**Citation:** G.S. 105- 113.81(e)

**Description:** Resident breweries, wineries and distilleries are not required to remit excise taxes on alcoholic beverages given free of charge to customers, visitors, and employees on the manufacturer's licensed premises for consumption on those premises.

**Enacting Legislation:** S.L. 1985-114 - effective April 23, 1985; distilleries added by S.L. 2015-98, effective June 19, 2015.

**FY25-26 Estimate (in $millions):** less than 0.1

**FY26-27 Estimate (in $millions):** less than 0.1

**4. Luxury Liquor Exemption**

**Citation:** G.S. 105- 113.81(f)

**Description:** A distillery is not required to remit excise taxes on spirituous liquor for which the purchase price for a single container is equal to or greater than $50,000. Purchaser must pay use tax in accordance with G.S. 105-164.27(a4).

**Enacting Legislation:** S.L. 2024-41 - effective for sales on or after Jan. 1, 2025

**FY25-26 Estimate (in $millions):** less than 0.1

**FY26-27 Estimate (in $millions):** less than 0.1

**5. Discount for Timely Reports**

**Citation:** G.S. 105-113.85

**Description:** A wholesaler or importer who files a timely report and sends a timely payment may deduct from the amount due a discount of 2%. The current statute states that "(t)his discount covers losses due to spoilage and breakage, expenses incurred in preparing the records and reports required by this Article, and the expense of furnishing a bond."

**Enacting Legislation:** S.L. 2004-84 - effective for reporting periods beginning on or after August 1, 2004; there was a 4% discount prior to August 1, 2003 (S.L. 1969-1239)

**FY25-26 Estimate (in $millions):** 3.1

**FY26-27 Estimate (in $millions):** 3.0

**Data Source:** Department of Revenue tax data

**6. Sacramental Wine**

**Citation:** G.S. 105-113.87(a)

**Description:** Refund for wine used for sacramental purposes.

**Enacting Legislation:** S.L. 1945-708 - this provision was enacted as G.S. 18-88.1

**FY25-26 Estimate (in $millions):** less than 0.1

**FY26-27 Estimate (in $millions):** less than 0.1

**Data Source:** Department of Revenue tax data

# Franchise Tax (Article 3)

## Brief Description and Tax Base Information

The general business franchise tax is a privilege tax on corporations operating in North Carolina. Effective for tax periods beginning on or after Jan. 1, 2018, this includes partnerships that elect to be treated as a corporation for income tax purposes.

For taxable years beginning on or after Jan. 1, 2023, the tax is $1.50 for every $1,000 of the total amount of net worth (apportioned to N.C. for multistate corporations)

For corporations doing business both in and outside North Carolina, the share of net worth apportioned to North Carolina is calculated by the same method used for the corporation income tax. For taxable periods beginning on or after Jan. 1, 2019, this is based on sales-only apportionment.

Effective for taxable years beginning on or after Jan. 1, 2017, the minimum franchise tax is $200. For tax periods prior to this, the minimum franchise tax is $35.

Effective for taxable years beginning on or after Jan. 1, 2019, the tax rate on S corporations is $200 on the first $1 million of the corporation's tax base and $1.50 for every $1,000 of the tax base in excess of $1 million.

Effective for taxable years beginning on or after Jan. 1, 2025, the tax rate on C corporations is $500 on the first $1 million of the corporation's tax base and $1.50 for every $1,000 of the tax base in excess of $1 million.

Effective April 1, 2017, for taxes due on or after that date, the tax on mutual burial associations under this article is repealed.

In Fiscal Year 2024-25, North Carolina collected approximately $783.1 million in business franchise taxes, net of refunds. General Fund collections were approximately $775.0 million in Fiscal Year 2024-25 after several transfers to other funds.

## Exemptions

**1. Critical Infrastructure Disaster Relief Operations**

**Citation:** G.S. 105-114(d)

**Description:** A nonresident business that solely performs disaster-related work in this State during a disaster response period at the request of a critical infrastructure company is not considered to be doing business in this State for purposes of this Article.

**Enacting Legislation:** S.L. 2019-187 - Applies to disaster declarations on or after Aug. 1, 2019

**FY25-26 Estimate (in $millions):** less than 0.1

**FY26-27 Estimate (in $millions):** less than 0.1

**2. Low Asset Noncorporate Affiliate**

**Citation:** G.S. 105-114.1(f)

**Description:** A corporation does not have to add the value of a noncorporate LLC for which it owns more than 50% of the capital interests if the total book value of the entity never exceeded $150,000 during the tax year.

**Enacting Legislation:** S.L. 2006-66 - effective for tax years beginning on or after Jan. 1, 2007

**FY25-26 Estimate (in $millions):** less than 0.1

**FY26-27 Estimate (in $millions):** less than 0.1

**Note:** The corporation parent must include the company's assets in its net worth base.

**3. Reduced C Corporation Tax on First $1 Million of Tax Base**

**Citation:** G.S. 105-120.2 & G.S. 105-122(d2)

**Description:** For a C corporation, the maximum tax on the first $1 million of the corporation's tax base is $500.

**Enacting Legislation:** S. L. 2023-134 - effective for taxable years beginning on or after Jan. 1, 2025.

**FY25-26 Estimate (in $millions):** 21.2

**FY26-27 Estimate (in $millions):** 22.0

**Data Source:** Department of Revenue tax data

**4. Reduced S Corporation Tax on First $1 Million of Tax Base**

**Citation:** G.S. 105-122(d2)

**Description:** For an S corporation, the tax rate is $200 for the first $1 million of the corporation's tax base instead of $1.50 per $1,000 of its tax base.

**Enacting Legislation:** S. L. 2017-57 - effective for taxable years beginning on or after Jan. 1, 2019

**FY25-26 Estimate (in $millions):** 26.8

**FY26-27 Estimate (in $millions):** 27.9

**Data Source:** Department of Revenue tax data

**5. Charitable Nonprofits**

**Citation:** G.S. 105-125(a)(1)

**Description:** Charitable, religious, fraternal, benevolent, scientific or educational nonprofit.

**Enacting Legislation:** S.L. 1939-158

**FY25-26 Estimate (in $millions):** 87.4

**FY26-27 Estimate (in $millions):** 90.9

**Data Source:** Based on IRS data compiled by the National Center for Charitable Statistics (NCCS) and IRS Form 990 summary data from IRS Statistics of Income Program

**6. Local Mutual Nonprofits**

**Citation:** G.S. 105-125(a)(3)

**Description:** Mutual ditch or irrigation association, mutual or cooperative telephone association, mutual canning association, cooperative breeding association or similar corporation of a purely local character deriving receipts solely from assessments, dues, or fees collected from members for the sole purpose of meeting expenses.

**Enacting Legislation:** S.L. 1955-1313

**FY25-26 Estimate (in $millions):** 5.7

**FY26-27 Estimate (in $millions):** 6.0

**Data Source:** Based on IRS data compiled by the National Center for Charitable Statistics (NCCS)

**7. Cooperative Marketing Associations**

**Citation:** G.S. 105-125(a)(4)

**Description:** Cooperative marketing associations that operate solely for the purpose of marketing the products of members or other farmers and returns proceeds of sales to members and farmers, less operating costs.

**Enacting Legislation:** S.L. 1955-1313

**FY25-26 Estimate (in $millions):** 0.5

**FY26-27 Estimate (in $millions):** 0.5

**Data Source:** Based on IRS data compiled by the National Center for Charitable Statistics (NCCS)

**8. Production Credit Association**

**Citation:** G.S. 105-125(a)(5)

**Description:** Nonprofit production credit association organized under federal Farm Credit Act of 1933.

**Enacting Legislation:** S.L. 1963-601

**FY25-26 Estimate (in $millions):** 2.0

**FY26-27 Estimate (in $millions):** 2.1

**Data Source:** Based on capital stock and retained earnings of the three farm credit associations in North Carolina

**9. Nonprofit Clubs**

**Citation:** G.S. 105-125(a)(6)

**Description:** Clubs organized and operated exclusively for pleasure, recreation, or other nonprofit purposes, a civic league operated solely for the promotion of social welfare, a business league, or a board of trade.

**Enacting Legislation:** S.L. 1939-158

**FY25-26 Estimate (in $millions):** 10.0

**FY26-27 Estimate (in $millions):** 10.4

**Data Source:** Based on IRS data compiled by the National Center for Charitable Statistics (NCCS)

**10. Chambers of Commerce**

**Citation:** G.S. 105-125(a)(7)

**Description:** Chamber of commerce or merchants' association, not organized for profit.

**Enacting Legislation:** S.L. 1939-158

**FY25-26 Estimate (in $millions):** 2.0

**FY26-27 Estimate (in $millions):** 2.1

**Data Source:** Based on IRS data compiled by the National Center for Charitable Statistics (NCCS)

**11. Homeowners' Associations**

**Citation:** G.S. 105-125(a)(8)

**Description:** Condominium association, homeowners' association, or cooperative housing corporation not organized for profit.

**Enacting Legislation:** S.L. 1975-591 - effective for taxable years beginning on or after Jan. 1, 1975

**FY25-26 Estimate (in $millions):** 1.7

**FY26-27 Estimate (in $millions):** 1.8

**Data Source:** Based on IRS data compiled by the National Center for Charitable Statistics (NCCS).

**12. Other Exempt Organizations**

**Citation:** G.S. 105-125(a)(9)

**Description:** Other organizations exempt from federal income tax under the Code.

**Enacting Legislation:** S.L. 1983-713 - effective for taxable years beginning on or after Jan. 1, 1983

**FY25-26 Estimate (in $millions):** 7.1

**FY26-27 Estimate (in $millions):** 7.3

**Data Source:** Estimate for state-chartered credit unions from NC Credit Union Division.

**13. Real Estate Mortgage Investment Conduits**

**Citation:** G.S. 105-125(a)

**Description:** An entity that qualifies as a real estate mortgage investment conduit, as defined in section 860D of the Code, is exempt from franchise taxes.

**Enacting Legislation:** S.L. 1993-494 - effective for taxable years beginning on or after Jan. 1, 1993

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

## Deductions

### 14. Deduction from Net Worth for Depreciation, Depletion and Amortization

**Citation:** G.S. 105-122(b)(1)

**Description:** A deduction for accumulated depreciation, depletion, and amortization as determined in accordance with the method used for federal tax purposes.

**Enacting Legislation:** S.L. 2015-241 – effective Jan. 1, 2017; a similar provision had existed under the "capital stock, surplus, and undivided profits" base (S.L. 1939-158)

**FY25-26 Estimate (in $millions):** 215.1

**FY26-27 Estimate (in $millions):** 223.7

**Source:** Department of Revenue tax data

### 15. Real Estate Investment Trusts and Regulated Investment Corporations

**Citation:** G.S. 105-125(b)

**Description:** A regulated investment company or a non-captive REIT may deduct the aggregate market value of its investments in the stocks, bonds, debentures, or other securities or evidences of debt of other corporations, partnerships, individuals, municipalities, governmental agencies, or governments.

**Enacting Legislation:** S.L. 1951-937 - for regulated investment companies; S.L. 1971-820 - added REITs

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

## Tax Credits

### 16. Tax Credit for LLCs Subject to Franchise Tax

**Citation:** G.S. 105-122.1

**Description:** Limited liability companies that are subject to the franchise tax are allowed a credit for the difference between the annual reporting fee for LLCs ($200) and the annual reporting fee for other corporations ($18 for electronic copy, $25 for paper copy). The amount of the credit cannot exceed the LLC's franchise tax liability for the year.

**Enacting Legislation:** S.L. 2006-66 – effective Jan. 1, 2007 (tax year 2006 returns). Prior to this, all LLCs were exempt from the franchise tax, but paid the higher reporting fee.

**FY25-26 Estimate (in $millions):** 3.4

**FY26-27 Estimate (in $millions):** 3.5

**Data Source:** Department of Revenue tax data

## Caps

### 17. Cap for Holding Companies

**Citation:** G.S. 105-120.2(b)(1)

**Description:** Maximum tax of $150,000 for holding companies. A holding company is any corporation which receives during its taxable year more than 80% of its gross income from corporations in which it owns directly or indirectly more than 50% of the outstanding voting stock.

**Enacting Legislation:** S.L. 1975-130 - effective Jan. 1, 1976; S.L. 2015-241 increased the maximum from $75,000, effective for taxes due on or after Jan. 1, 2017.

**FY25-26 Estimate (in $millions):** 166.7

**FY26-27 Estimate (in $millions):** 170.0

**Data Source:** Department of Revenue tax data

**Note:** Approximately 70 companies were subject to this cap in tax year 2024.

# Corporation Income Tax (Article 4, Part 1)

## Brief Description and Tax Base Information

The corporation income tax is a tax on the net income of every domestic C corporation and of every foreign C corporation doing business in North Carolina.

Exclusions and exemptions under federal law are generally passed through to North Carolina in order to determine taxable income. There are, however, a number of additions to federal taxable income; significant among these additions are (1) taxes paid on net income, (2) interest from obligations of other states and their political subdivisions, (3) net operating loss carryforwards, (4) domestic production activities deduction, (5) expenses related to non-taxed income, and (6) royalty payments paid to related entities.

A dividends-received deduction is considered necessary for determining the corporate income tax base, as it avoids multiple layers of taxation on dividends that are passed between related corporate entities. Expenses related to the exempt dividends must be added to North Carolina taxable income.

For certain nonprofit organizations, such as charities, exemption from the corporate income tax is not considered a tax expenditure because promoting public welfare is central to their operations, and these entities are still taxed on their unrelated business activities. Also, certain nonprofit cooperative business organizations, such as trade associations, are excluded because their profits are distributed to members. These exemptions from the tax base are similar to those used by the Joint Committee on Taxation in preparing their list of federal tax expenditures.

Corporation income tax rate: For taxable years beginning in 2019 through 2024, the tax rate is 2.5%. The tax rate in 2025 is 2.25%, and the rate is 2.0% for 2026 and 2027.

For multi-state corporations, apportionable income is apportioned to North Carolina using a sales-only formula for most corporations. This is effective for tax years beginning on or after Jan. 1, 2018. Prior to this, a three-factor formula with a greater weight on the sales factor was used. [In previous editions of this report, we included the deviation from the three-factor formula to be a tax expenditure, but that has been removed for this edition since the sales-only apportionment has become more standard across states.]

Corporations using an alternative apportionment calculation include air & water transportation, pipeline companies, railroads, motor carriers and electric power companies.

For tax years beginning on or after Jan. 1, 2020, the sales factor is calculated by most corporations using market-based sourcing rather than cost-of-performance rules. There are special provisions for banks and wholesale content distributors, such as television networks, cable program networks and television program distributors.

G.S. 105-130.5(a)(10) requires corporations to add the amount of most credits taken to their taxable income. The estimates of tax credits in this section were adjusted for this provision.

In Fiscal Year 2024-25, North Carolina collected approximately $1.6 billion in corporate income taxes, net of refunds.

## Exemptions

### 1. Critical Infrastructure Disaster Relief Operations

**Citation:** G.S. 105-130.1(b)

**Description:** A nonresident business that solely performs disaster-related work in this State during a disaster response period at the request of a critical infrastructure company is not considered to be doing business in this State for purposes of this Article.

**Enacting Legislation:** S.L. 2019-187 - Applies to disaster declarations on or after Aug. 1, 2019

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**Note:** S.L. 2019-187 also includes a new addition, G.S. 105-130.5(a)(30), for taxable corporations to add back to taxable income any payments to an affiliate or subsidiary that is not taxed due to this provision.

### 2. Air Transportation Company Apportionment

**Citation:** G.S. 105-130.4(s)

**Description:** A qualified air freight forwarder may use the revenue ton miles of an affiliated air carrier for purposes of apportioning its income to North Carolina.

**Enacting Legislation:** S. L. 2016-5 - effective for tax years beginning on or after Jan. 1, 2016

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

### 3. State Net Loss Apportionment Election

**Citation:** G.S. 105-130.4(t3)

**Description:** A taxpayer with a State net loss balance as of the end of its 2019 tax year may elect to apportion receipts from services based on the percentage of its income-producing activities performed in this State. The election is binding and irrevocable until the existing State net loss balance is fully utilized or has expired.

**Enacting Legislation:** S. L. 2019-246 - effective for tax years beginning on or after Jan. 1, 2020

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**4. Fraternal Beneficiary Societies**

**Citation:** G.S. 105-130.11(a)(1)

**Description:** Exemption for fraternal beneficiary societies, orders or associations (a) operating under the lodge system or providing benefits to members of a lodge system and (b) providing for the payment of life, sick, accident, or other benefits of the organization or their dependents.

**Enacting Legislation:** S.L. 1939-158

**FY25-26 Estimate (in $millions):** 0.1

**FY26-27 Estimate (in $millions):** 0.1

**Data Source:** National Center for Charitable Statistics; "Charities and Other Tax-Exempt Organizations, 2010," Statistics on Income, IRS

**Note:** Based on data for IRC 501(c)(8) organizations

**5. Certain Cooperative Companies**

**Citation:** G.S. 105-130.11(a)(2)

**Description:** Exemption for nonprofit cooperative banks without capital stock and electric and telephone membership corporations organized under Chapter 117 of the General Statutes.

**Enacting Legislation:** S.L. 1939-158

**FY25-26 Estimate (in $millions):** 1.0

**FY26-27 Estimate (in $millions):** 1.0

**Data Source:** National Center for Charitable Statistics; "Charities and Other Tax-Exempt Organizations, 2010," Statistics of Income, IRS

**Note:** Based on data for IRC 501(c)(14) organizations

**6. Nonprofit Clubs**

**Citation:** G.S. 105-130.11(a)(6)

**Description:** Exemption for nonprofit clubs organized and operated exclusively for pleasure, recreation, and other nonprofitable purposes.

**Enacting Legislation:** S.L. 1939-158

**FY25-26 Estimate (in $millions):** 1.0

**FY26-27 Estimate (in $millions):** 1.0

**Data Source:** National Center for Charitable Statistics; "Charities and Other Tax-Exempt Organizations, 2010," Statistics of Income, IRS

**Note:** Based on data for IRC 501(c)(7) organizations

**7. Local Mutual Nonprofits**

**Citation:** G.S. 105-130.11(a)(7)

**Description:** Exemption for farmers' or other mutual hail, cyclone, or fire insurance companies, mutual ditch or irrigation companies, mutual or cooperative telephone companies, or like organizations of a purely local nature.

**Enacting Legislation:** S.L. 1939-158

**FY25-26 Estimate (in $millions):** less than 0.1

**FY26-27 Estimate (in $millions):** less than 0.1

**Data Source:** Data on county farm mutual insurance companies, NC Department of Insurance; Department of Revenue tax data

**8. Insurance Companies Taxed on Gross Premiums**

**Citation:** G.S. 105-130.11(a)(11)

**Description:** Exemption for insurance companies paying the tax on gross premiums as specified in G.S. 105-228.5.

**FY25-26 Estimate (in $millions):** 0.0

**FY26-27 Estimate (in $millions):** 0.0

**Data Source:** IRS Statistics of Income; Department of Revenue tax data

**Note:** The estimate is the amount of income tax that is estimated to be collected in excess of the amount of collections under the insurance gross premiums tax.

**9. Homeowners' Associations**

**Citation:** G.S. 105-130.11(a)(11)

**Description:** Exemption for nonprofit condominium associations, homeowners' associations, or cooperative housing corporation, although they are subject to tax on any unrelated business income.

**Enacting Legislation:** S.L. 1975-591 - effective for taxable years beginning on or after Jan. 1, 1975

**FY25-26 Estimate (in $millions):** less than 0.1

**FY26-27 Estimate (in $millions):** less than 0.1

**Data Source:** National Center for Charitable Statistics; "Charities and Other Tax-Exempt Organizations, 2010," Statistics of Income, IRS

### 10. Nonprofit Unrelated Business Income from Research Activities

**Citation:** G.S. 105-130.11(b)(1)-(3)

**Description:** Entities that are exempt in G.S. 105-130.11(a) are taxable on their unrelated business income, except if their net income is derived from certain research activities.

**Enacting Legislation:** S.L. 1963-1169 - effective for taxable years beginning on or after Jan. 1, 1963

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

## Deductions

### 11. N.C. & Nonprofit Educational Institution Obligation Interest

**Citation:** G.S. 105-130.5(b)(1a)

**Description:** Deductions for interest on the obligations of this State, a political subdivision of this State, or a commission, an authority, or another agency of this State or of a political subdivision of this State, or a nonprofit educational institution.

**Enacting Legislation:** S.L. 1997-439 - effective for taxable years beginning on or after January 1, 1997. However, this was not a substantive change since interest has been exempt from income taxation under other long-standing statutes, e.g. G.S. 142.12.

**FY25-26 Estimate (in $millions):** 1.5

**FY26-27 Estimate (in $millions):** 1.4

**Data Source:** IRS Statistics of Income; Department of Revenue tax data

### 12. Dividends from Foreign Sources

**Citation:** G.S. 105-130.5(b)(3a)

**Description:** Deduction for dividends treated as received from sources outside the United States as determined under Section 862 of the Code, net of related expenses, to the extent included in federal taxable income.

**Enacting Legislation:** S.L. 2001-327

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**13. Various Provisions Related to Foreign Earnings**

**Citation:** G.S. 105-130.5(b)(3b)

**Description:** Deduction for any amount included in federal taxable income under section 78, 951, 951A or 965 of the Code, net of related expenses.

**Enacting Legislation:** S.L. 2001-327

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**Note:** Decouples from the adjustment for global intangible low-taxed income (GILTI) under IRC § 951A and treatment of deferred foreign income under IRC § 965 that were included in federal legislation effective for tax year beginning on or after Jan. 1, 2018.

**14. State Net Loss Carryforward**

**Citation:** G.S. 105-130.5(b)(4)&(4a)

**Description:** Deduction for net economic losses in any or all of the 15 preceding income years, pursuant to the provisions of G.S. 105-130.8A. For new losses in taxable years starting on or after Jan. 1, 2015, the net economic loss is redefined as State net loss and becomes a static amount. Any unused portion of a State net loss carried forward will not have to be first offset by nontaxable income in the future tax year.

**Enacting Legislation:** S.L. 1939-158; S.L. 2014-3 revised this be applicable to State net loss

**FY25-26 Estimate (in $millions):** 141.1

**FY26-27 Estimate (in $millions):** 138.0

**Data Source:** Department of Revenue tax data

**15. Net Capital Losses Not Deductible from Federal Taxable Income**

**Citation:** G.S. 105-130.5(b)(8)

**Description:** Deduction for the amount of losses realized on the sale or disposition of assets not allowed under section 1211(a) of the Code. (For federal taxes, certain capital losses can only be used to offset capital gains; however, they can be carried back 3 years and forward 5 years.)

**Enacting Legislation:** S.L. 1939-158

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**16. Shareholders of a Regulated Investment Company**

**Citation:** G.S. 105-130.5(b)(9)

**Description:** Deduction of the portion of undistributed capital gains of a regulated investment company for which a shareholder in the company takes a federal credit or deduction under Section 852 of the Code.

**Enacting Legislation:** S.L. 1971-820 - effective for taxable years beginning on or after Jan. 1, 1971

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**17. Basis Adjustment for Federal Tax Credit**

**Citation:** G.S. 105-130.5(b)(14)

**Description:** Deduction for the amount that the basis of a depreciable asset is reduced due to a Federal tax credit or because of a grant allowed under section 1603 of the American Recovery and Reinvestment Tax Act of 2009.

**Enacting Legislation:** S.L. 1983-61 - effective for taxable years beginning on or after Jan. 1, 1983

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**18. Natural Gas Expansion Surcharges**

**Citation:** G.S. 105-130.5(b)(16)

**Description:** Deduction for the amount of natural gas expansion surcharges collected by a natural gas local distribution company.

**Enacting Legislation:** S.L. 1991-598 - effective July 8, 1991

**FY25-26 Estimate (in $millions):** less than 0.1

**FY26-27 Estimate (in $millions):** less than 0.1

**Data Source:** North Carolina Utilities Commission; Department of Revenue tax data

**19. 911 Charges**

**Citation:** G.S. 105-130.5(b)(17)

**Description:** To the extent included in federal taxable income, 911 charges imposed under G.S. 62A-43 and remitted to the 911 Fund under that section.

**Enacting Legislation:** S.L. 1998-158, as amended by S.L. 1999-337 - effective Sept. 25, 1998

**FY25-26 Estimate (in $millions):** less than 0.1

**FY26-27 Estimate (in $millions):** less than 0.1

**Data Source:** Department of Revenue tax data

**20. Dividends from Captive REIT**

**Citation:** G.S. 105-130.5(b)(23)

**Description:** Deduction for a dividend received from a captive REIT, as defined in G.S. 105-130.12.

**Enacting Legislation:** S.L. 2007-323 - effective for taxable years beginning on or after Jan. 1, 2007

**FY25-26 Estimate (in $millions):** no net negative impact; see note

**FY26-27 Estimate (in $millions):** no net negative impact; see note

**Note:** This deduction is offset by G.S. 105-130.5(a)(19). A captive REIT must add to its taxable income any dividends paid to shareholders. Therefore, this deduction is needed to avoid double taxation.

**21. Accelerated Depreciation Adjustment**

**Citation:** G.S. 105-130.5(b)(27); also refer to G.S. 105-130.5B

**Description:** he IRS Code allows bonus depreciation allowances and modified accelerated cost recovery system above straight-line depreciation. North Carolina has decoupled from these provisions by having taxpayers add back a percentage of the federal deduction in each year and allowing taxpayers to deduct the addback over a period of 5 years in the future. For bonus depreciation, taxpayers must add back 85% of the amount taken on the federal return. Federal tax law allows for 100% bonus depreciation for 2018 through 2022, 80% in 2023, 60% in 2024, 100% in 2025 and future years.

**Enacting Legislation:** S.L. 2002-126 was the first provision related to bonus depreciation addbacks

**FY25-26 Estimate (in $millions):** 84.5

**FY26-27 Estimate (in $millions):** 83.0

**Source:** Derived estimates using N.C. Department of Revenue tax data and federal estimates from the Joint Committee of Taxation.

### 22. Section 179 Expensing Adjustment

**Citation:** G.S. 105-130.5(b)(27); also refer to G.S. 105-130.5B

**Description:** The IRS Code allows expanded Section 179 expensing. North Carolina has decoupled from these provisions by requiring taxpayers to add back the amount of the federal deduction that excceds N.C. dollar limits and phaseout thresholds and allowing taxpayers to deduct the addback over a period of 5 years in the future. For tax years since 2013, the N.C. dollar limit is $25,000 and the phaseout threshold is $200,000. Federal law allows a dollar limit of $1 million and a phaseout threshold of $2.5 million for 2018 through 2024 (with inflation-indexing of both amounts). For 2025 and future years, federal law allows a dollar limit of $2,500,000 and a phaseout threshold of $4 million (with inflation-indexing of both amounts).

**Enacting Legislation:** S.L. 2011-5 added the provision related to the addback for section 179 expensing

**FY25-26 Estimate (in $millions):** 1.2

**FY26-27 Estimate (in $millions):** 1.3

**Source:** Derived estimates using N.C. Department of Revenue tax data and federal estimates from the Joint Committee of Taxation.

### 23. Certain Hurricane Relief Payments

**Citation:** G.S. 105-130.5(b)(29)

**Description:** To the extent included in federal taxable income, the amount paid to the taxpayer during the taxable year from the State Emergency Response and Disaster Relief Reserve Fund for hurricane relief or assistance, but not including payments for goods or services provided by the taxpayer.

**Enacting Legislation:** S.L. 2018-5 - effective for tax years beginning on or after Jan. 1, 2017; a similar provision had been enacted by S.L. 2005-1 and was repealed effective Jan. 1, 2016

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**24. Decouple from IRC Section 1400Z-2 Opportunity Fund**

**Citation:** G.S. 105-130.5(b)(30)

**Description:** Deduction of the amount of gain included in the taxpayer's federal taxable income under IRC § 1400Z-2(a) to the extent the same income was added back to the taxpayer's federal taxable income in a prior taxable year.

**Enacting Legislation:** S.L. 2018-5 - effective for tax years beginning on or after Jan. 1, 2018

**FY25-26 Estimate (in $millions):** no net negative impact; see note

**FY26-27 Estimate (in $millions):** no net negative impact; see note

**Note:** This deduction is offset by the required addition to taxable income in G.S. 105-130.5(a)(26). The net impact is to shift taxable income to earlier years.

**25. Amounts Received as Economic Incentives**

**Citation:** G.S. 105-130.5(b)(31)

**Description:** To the extent included in federal taxable income, a taxpayer may deduct the amount received by a taxpayer as an economic incentive pursuant to G.S. 143B-437.012 or Part 2G or Part 2H of Article 10 of Chapter 143B of the General Statutes.

**Enacting Legislation:** S.L. 2019-237 - effective for tax years beginning on or after Jan. 1, 2019

**FY25-26 Estimate (in $millions):** 0.5

**FY26-27 Estimate (in $millions):** 0.5

**Data Source:** Department of Revenue tax data; N.C. Department of Commerce reports for economic incentive grants

**26. Deduction for Certain Grant Monies**

**Citation:** G.S. 105-130.5(b)(31a)

**Description:** A taxpayer may deduct the amount received under the Business Recovery Grant Program, the ReToolNC grant program for recovery from the economic impacts of the COVID-19 pandemic; and rent and utility assistance pursuant to Section 3.3 of S.L. 2020-4, as amended by Section 1.2 of S.L. 2020-97.

**Enacting Legislation:** S.L. 2021-180 - effective for tax years beginning on or after Jan. 1, 2021 (expanded provisions in S.L. 2022-6)

**FY25-26 Estimate (in $millions):** less than 0.1

**FY26-27 Estimate (in $millions):** less than 0.1

**27. Deduction for Extra Business Interest Expenses in 2019 and 2020**

**Citation:** G.S. 105-130.5(b)(32)

**Description:** A taxpayer may deduct 20% of the amount of interest expense added back to taxable income in 2019 and 2020 due to the de-coupling from Section 2306 of the CARES Act in each of the succeeding five tax years beginning with 2021.

**Enacting Legislation:** S.L. 2021-180 -- Effective for tax years beginning on or after Jan. 1, 2021

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**28. Qualified Interest Expense Ultimately Paid to an Unrelated Member**

**Citation:** G.S. 105-130.7B(b)(4)

**Description:** Interest deduction for a portion of a corporation's related member interest expense that represents its proportional share of amounts of interest traceable through related members and ultimately paid to an unrelated party.

**Enacting Legislation:** S. L. 2016-5 - effective for tax years beginning on or after Jan. 1, 2016

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**29. Percentage Depletion over Cost Depletion**

**Citation:** G.S. 105-130.5(a)(11)

**Description:** Allowance for percentage depletion over cost depletion for solid minerals or rare earths extracted from the soil or waters of this State.

**Enacting Legislation:** S.L. 1983-713 - effective for taxable years beginning on or after Jan. 1, 1983.

**FY25-26 Estimate (in $millions):** 1.8

**FY26-27 Estimate (in $millions):** 1.7

**Data Source:** Department of Revenue tax data

**30. Charitable Contributions Outside N.C.**

**Citation:** G.S. 105-130.9(1)

**Description:** Deduction for charitable contributions. The amount of deduction for this item may not exceed 5% of the taxpayer's net income. Contributions made to out-of-state donees are multiplied by the taxpayer's apportionment factor.

**Enacting Legislation:** S.L. 1939-158

**FY25-26 Estimate (in $millions):** 6.4

**FY26-27 Estimate (in $millions):** 6.3

**Data Source:** Department of Revenue tax data

**Note:** This estimate includes only contributions made to donees outside NC; see next item for deduction for donees in NC.

**31. Charitable Contributions Within N.C.**

**Citation:** G.S. 105-130.9(1)-(3)

**Description:** Most deductions are limited to 5% of the taxpayer's net income. Contributions to the State of North Carolina, its counties and municipalities and any agency or instrumentality of these institutions, in addition to contributions made to educational institutions located in North Carolina are fully deductible. For companies with income allocable outside North Carolina, charitable contributions to donees inside NC are not reduced by multiplying by the taxpayer's apportionment factor.

**Enacting Legislation:** S.L. 1939-158

**FY25-26 Estimate (in $millions):** 3.3

**FY26-27 Estimate (in $millions):** 3.3

**Data Source:** Department of Revenue tax data

**32. Amortization of Equipment Mandated by OSHA**

**Citation:** G.S. 105-130.10A

**Description:** In lieu of any depreciation allowance, a corporation may opt to deduct amortization of equipment mandated by the Occupational Safety and Health Act (OSHA), including the cost of planning, acquiring, constructing, modifying, and installing said equipment.

**Enacting Legislation:** S.L. 1979-776

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

## Tax Credits

### 33. Equipment for Cogenerating Power Plant

**Citation:** G.S. 105-130.25

**Description:** Credit of 10% of the costs to purchase and install electrical or mechanical equipment for a cogenerating power plant. A cogenerating power plant uses natural gas as its primary energy source. The total amount of tax credits for all taxpayers for qualifying payments in a calendar year may not exceed $5,000,000. A public utility, as defined in GS 62-3(23) is not eligible for this credit.

**Enacting Legislation:** S.L. 1979-801; S.L. 1993-674 limited the primary source of fuel to natural gas, effective Jan. 1, 1998.

**FY25-26 Estimate (in $millions):** less than 0.1

**FY26-27 Estimate (in $millions):** less than 0.1

**Data Source:** Department of Revenue tax data

### 34. Certain Real Property Donation Tax Credit

**Citation:** G.S. 105-130.34

**Description:** A taxpayer is allowed a tax credit of 25% of the fair market value of a qualified donation of real property interested located in North Carolina that is used for (1) forestland or farmland preservation, (2) fish and wildlife conservation, (3) a buffer for military training, testing or operations, (4) floodplain protection in certain counties, (5) historic landscape conservation, or (6) for public trails or access to public trails. The credit may not exceed $500,000 for a given C corporation The aggregate amount of credit for all taxpayers (including credits under G.S. 105-153.11) in a given taxable year is $5 million, $3.25 million of which is reserved for credits for property useful for forestland or farmland conservation.

**Enacting Legislation:** S.L. 2024-32, s. 15; S.L. 2025-4 - Effective for taxable years beginning on or after Jan. 1, 2025, for donations made on or after Jan. 1, 2025.

**Sunset Date:** Expires for taxable years beginning on or after Jan. 1, 2027, for donations made on or after Jan. 1, 2027.

**FY25-26 Estimate (in $millions):** 0.5

**FY26-27 Estimate (in $millions):** 0.5

**Data Source:** Fiscal note for SB 355 (2024); Department of Revenue tax data for a similar credit that expired in 2013.

# Various Incentive Tax Credits

The tax credits in this section can be applied against the franchise tax or income taxes. In addition, the historic rehabilitation tax credit in Articles 3H (except non-income producing property) and 3L may be taken against the insurance gross premiums tax.

**1. Credit for Investing in Major Recycling Facility (Article 3C)**

**Citation:** G.S. 105-129.27

**Description:** An owner that purchases or leases machinery and equipment for a major recycling facility in this State is allowed a credit equal to 50% of the amount payable by the owner during the taxable year to purchase or lease the machinery and equipment. Unused credits may be carried forward 25 years.

**Enacting Legislation:** S.L. 1998-55 - effective for taxable years beginning on or after Jan. 1, 1998

**FY25-26 Estimate (in $millions):** 6.0

**FY26-27 Estimate (in $millions):** 6.0

**Data Source:** Department of Revenue "Economic Incentive Reports"

**2. Credit for Income-Producing Rehabilitated Mill Property (Article 3H)**

**Citation:** G.S. 105-129.71(a)

**Description:** A taxpayer who makes qualified rehabilitation expenditures for a certified historic mill or agricultural warehouse located in this State is allowed a credit equal to 40% of the expenditures if the building is located in a Development Tier 1 or 2 area or 30% if the building is located in a Development Tier 3 area. A certificate from the State Historic Preservation Officer must be obtained which shows that the expenditures qualified for a Federal rehabilitation credit under section 47 of the Code and that the expenses exceeded $3,000,000. Unused credits can be carried forward for 9 years.

**Enacting Legislation:** S.L. 2006-40 - effective for taxable years beginning on or after Jan. 1, 2006 and applies to eligible sites placed into service on or after July 1, 2006

**Sunset Date:** Expires for rehabilitation projects not completed and placed in service by Jan. 1, 2030

**FY25-26 Estimate (in $millions):** 20.0

**FY26-27 Estimate (in $millions):** 20.0

**Data Source:** Department of Revenue "Economic Incentive Reports"

**Note:** This credit was reenacted by S.L. 2021-180; it was previously repealed for projects for which an eligibility certificate was issued on or after Jan. 1, 2015.

### 3. Mill Rehabilitation Tax Credit for Railroad Station (Article 3H)

**Citation:** G.S. 105-129.71(a1)

**Description:** Tax credit for rehabilitation of an eligible railroad station if qualified expenses were at least $10 million. The credit is 40% of expenditures incurred on or after Jan. 1, 2019. The credit cannot be taken for taxable years beginning prior to Jan. 1, 2021. The site must have been used as a manufacturing facility and either was used as a railroad station or is located adjacent to a site that was a railroad station. Other conditions apply.

**Enacting Legislation:** S.L. 2019-237 – qualified rehabilitation expenditures must be incurred on or after Jan. 1, 2019 and before Jan. 1, 2030

**Sunset Date:** Expires for rehabilitation projects completed and placed in service on or after Jan. 1, 2030

**FY25-26 Estimate (in $millions):** 5.8

**FY26-27 Estimate (in $millions):** 5.8

**Note:** Legislative fiscal note for House Bill 399 (2019 session) estimates the cost to be $5.8 million in each year.

### 4. Credit for Nonincome-Producing Rehabilitated Mill Property (Article 3H)

**Citation:** G.S. 105-129.72

**Description:** A taxpayer who makes qualified rehabilitation expenditures for a certified historic mill or agricultural warehouse located in this State is allowed a credit equal to 40% of the expenditures if the building is located in a Development Tier 1 or 2 area. A certificate from the State Historic Preservation Officer must be obtained which shows that the expenditures are for a certified historic structure and that the expenses exceeded $3,000,000. This credit must be taken in 5 annual installments. Unused credits may be carried forward 9 years.

**Enacting Legislation:** S.L. 2006-40 - effective for taxable years beginning on or after Jan. 1, 2006 and applies to eligible sites placed into service on or after July 1, 2006

**Sunset Date:** Expires for rehabilitation projects not completed and placed in service by Jan. 1, 2030

**FY25-26 Estimate (in $millions):** 0.1

**FY26-27 Estimate (in $millions):** 0.1

**Data Source:** Department of Revenue "Economic Incentive Reports"

**Note:** This credit was reenacted by S.L. 2021-180; it was previously repealed for projects for which an eligibility certificate was issued on or after Jan. 1, 2015.

**5. Credit for Constructing a Railroad Intermodal Facility (Article 3K)**

**Citation:** G.S. 105-129.96

**Description:** A taxpayer that constructs or leases an eligible railroad intermodal facility in this State and places it in service during the taxable year is allowed a tax credit equal to fifty percent (50%) of all amounts payable by the taxpayer towards the costs of construction or under the lease. In order to be eligible, the cost of construction must exceed $30 million. The credit may not exceed fifty percent (50%) of the tax against which it is applied. Any unused portion of a credit may be carried forward for the succeeding 10 years.

**Enacting Legislation:** S.L. 2007-323 - effective for eligible facilities placed into service on or after Jan. 1, 2007

**Sunset Date:** Expires Jan. 1, 2038

**FY25-26 Estimate (in $millions):** 1.0

**FY26-27 Estimate (in $millions):** 1.0

**Data Source:** Department of Revenue tax records

**6. Credit for Income-Producing Rehabilitated Historic Property (Article 3L)**

**Citation:** G.S. 105-129.100

**Description:** A taxpayer may receive a tax credit for qualified rehabilitation expenditures. The base amount of credit is 15% of the first $10 million of expenses and 10% of expenses over $10 million, but not exceeding $20 million. An additional 5% credit is allowed for a project located in a development tier 1 or 2 area or if the project is located on an eligible targeted investment site, or 10% for both. Effective for taxable years beginning on or after Jan. 1, 2021, an additional 5% tax credit on qualified expenditures on a project used for an educational purpose, not exceeding $20 million. The credit for an income-producing project cannot exceed $4,500,000. Any unused credits may be carried forward for the succeeding 9 years.

**Enacting Legislation:** S.L. 2015-241 - effective for eligible expenses incurred on or after Jan. 1, 2016; tax credits for historic rehabilitation were previously enacted by S.L. 1993-527 (expired on Jan. 1, 2015)

**Sunset Date:** Expires for qualified rehabilitation expenditures and rehabilitation expenses incurred on or after Jan. 1, 2030. Property that qualifies before this date must be placed in service by Jan. 1, 2032.

**FY25-26 Estimate (in $millions):** 6.0

**FY26-27 Estimate (in $millions):** 6.0

**Data Source:** Department of Revenue "Economic Incentive Reports" and newspaper reports of prospective projects.

**7. Credit for Nonincome-Producing Rehabilitated Historic Property (Article 3L)**

**Citation:** G.S. 105-129.101

**Description:** A taxpayer may receive a tax credit for qualified rehabilitation expenditures. The credit is 15% of expenses. At least $10,000 must be spent on the project and the tax credit cannot exceed $22,500 per discrete property parcel. Any unused credits may be carried forward for the succeeding 9 years.

**Enacting Legislation:** S.L. 2015-241 - effective for eligible expenses incurred on or after Jan. 1, 2016; tax credits for nonincome-producing historic rehabilitation were previously enacted by S.L. 1997-139 (expired on Jan. 1, 2015, with some exceptions)

**Sunset Date:** Expires for qualified rehabilitation expenditures and rehabilitation expenses incurred on or after Jan. 1, 2030. Property that qualifies before this date must be placed in service by Jan. 1, 2032.

**FY25-26 Estimate (in $millions):** 0.6

**FY26-27 Estimate (in $millions):** 0.7

**Data Source:** Department of Revenue "Economic Incentive Reports"

# Individual Income Tax (Article 4, Part 2)

## Brief Description and Tax Base Information

The individual income tax is a tax on the taxable income of every resident of the State and nonresidents deriving income from North Carolina sources.

The base of the individual income tax is federal adjusted gross income (AGI). This is a fairly broad definition of income, although it does not include certain exemptions and deductions from income, such as some Social Security payments, certain capital gains, interest on student loans, etc. AGI also does not include deductions for expenses necessary to produce income.

The North Carolina tax base does not include some components of AGI, including interest on obligations of other states and their political subdivisions. North Carolina has also de-coupled from several federal tax provisions in recent years.

North Carolina allows taxpayers to claim either a standard deduction or certain itemized deductions. For tax years 2020 and 2021, the standard deduction is $21,500 for filing statuses married filing jointly or surviving spouse; $16,125 for head of household; $10,750 for single or married filing separately. For tax years beginning on or after Jan. 1, 2022, the standard deduction is $25,500 for filing statuses married filing jointly or surviving spouse; $19,125 for head of household; $12,750 for single or married filing separately.

For purposes of this report, a standard deduction is considered part of the normal tax base as an allowance for necessary expenses associated with maintaining a household. The amounts used for the base standard deduction in this report are $20,000 for married individuals filing a joint return; $15,000 for heads of households; and $10,000 for single or married-filing-separately individuals. These amounts are the N.C. standard deduction amounts for tax year 2019. Since North Carolina currently allows larger standard deductions than these, a tax expenditure is included for the excess tax cost of these higher amounts.

Each shareholder’s pro rata share of an S Corporation’s income is subject to the adjustments provided under the individual income tax.

For taxable years beginning on or after Jan. 1, 2014, there has been only one tax bracket: the tax rate is 4.5% in 2024; 4.25% in 2025; and 3.99% in 2026 and later years. Additional rate reductions may be triggered for 2027 and future years, which could take the tax rate down to 2.49% if certain General Fund revenues amounts are met in a given year. Although these triggers may be expected to be met, resulting in lower tax rates in 2027 and later years, this report uses the 3.99% tax rate for these years.

The individual income tax is the largest component of the State’s General Fund revenues. In Fiscal Year 2024-25, North Carolina collected approximately $17.1 billion, net of refunds. Net General Fund collections were approximately $17.0 billion in Fiscal Year 2024-25 after several transfers.

## Exemptions

### 1. Critical Infrastructure Disaster Relief Operations

**Citation:** G.S. 105-153.2(2)

**Description:** This subdivision does not apply to a nonresident business or a nonresident employee who solely derives income from N.C. sources attributable to a business, trade, profession, or occupation carried on in this State to perform disaster-related work during a disaster response period at the request of a critical infrastructure company.

**Enacting Legislation:** S.L. 2019-187 - Applies to disaster declarations on or after Aug. 1, 2019

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

### 2. Certain Individuals Upon Death

**Citation:** G.S. 105-158

**Description:** An individual is not subject to tax if the individual is not subject to federal income tax under Code section 692, which exempts members of the Armed Forces and astronauts who have died in the line of duty, and persons killed as a result of certain terrorist attacks.

**Enacting Legislation:** S. L. 1969-1116 – effective Jan. 1, 1964

**FY25-26 Estimate (in $millions):** less than 0.1

**FY26-27 Estimate (in $millions):** less than 0.1

**Data Source:** Number of military deaths from Department of Defense

## Deductions

### 3. Standard Deduction in Excess of Base Amounts

**Citation:** G.S. 105-153.5(a)(1)

**Description:** Taxpayers may take either the standard deduction or itemized deductions. For tax years beginning on or after Jan. 1, 2022, standard deductions are $25,500 for married-filing-jointly or surviving spouses; $19,125 for head of household; $12,750 for single or married-filing-separately.

**Base standard deduction amounts:** Since the 2021 version of this report, the base standard deduction amounts are considered to be the Tax Year 2019 State standard deduction amounts. The base deductions are $10,000 for single and married-filing-

separately filers, $20,000 for married-filing-jointly and surviving-spouse filers, & $15,000 for head-of-household filers.

**Enacting Legislation:** S.L. 1939-158 allowed a $1,000 deduction for an individual (approximately $23,000 in 2025 dollars); $2,000 for a married man or head of household; $1,000 for a married woman having a separate and independent income; plus $200 for each dependent child or dependent incapable of self-support. S.L. 1953-1302 created a standard deduction in lieu of itemizing deductions; the deduction was the larger of $500 or 10% of gross income.

**FY25-26 Estimate (in $millions):** 608.9

**FY26-27 Estimate (in $millions):** 605.1

**Data Source:** Department of Revenue tax data

**Note:** The estimate reflects the amount of reduced tax liabilities for standard deductions above a base amount. The estimate includes (1) taxpayers taking the standard deduction and (2) taxpayers who switched from itemizing due to the higher standard deduction. In Tax Expenditure reports prior to 2021, the amount for this item also included taxpayers taking itemized deductions, whose deductions were converted to the standard deduction amount.

**4. Charitable Contributions Itemized Deduction**

**Citation:** G.S. 105-153.5(a)(2)a

**Description:** If itemizing deductions, a taxpayer may deduct an amount allowed as a deduction for charitable contributions under section 170 of the Code for that taxable year. For Tax Years 2014 through 2018, the amount may be increased for any 401K contributions under section 408(d)(8) deducted from federal income and added back to State income.

**Enacting Legislation:** S.L. 1939-158 allowed deductions for interest paid, charitable contributions and property taxes.

**FY25-26 Estimate (in $millions):** 176.0

**FY26-27 Estimate (in $millions):** 174.6

**Data Source:** Department of Revenue tax data

**5. Qualified Mortgage Interest Itemized Deduction**

**Citation:** G.S. 105-153.5(a)(2)b

**Description:** If itemizing deductions, a taxpayer may deduct the amount allowed as a deduction for interest paid or accrued during the taxable year under section 163(h) of the Code with respect to any qualified residence. The amount of this deduction is limited to $20,000 minus the amount of the property tax itemized deduction.

**Enacting Legislation:** S.L. 2013-316 – effective Jan. 1, 2014; S.L. 1939-158 allowed deductions for interest paid, charitable contributions and property taxes.

**FY25-26 Estimate (in $millions):** 43.5

**FY26-27 Estimate (in $millions):** 42.7

**Data Source:** Department of Revenue tax data

**6. Real Estate Property Tax Itemized Deduction**

**Citation:** G.S. 105-153.5(a)(2)b

**Description:** If itemizing deductions, a taxpayer may deduct the amount claimed as a deduction for property taxes paid or accrued on real estate under section 164 of the Code for that taxable year. The amount of this deduction is limited to $20,000 minus the amount of the mortgage interest itemized deduction.

**Enacting Legislation:** S.L. 2013-316 – effective Jan. 1, 2014; S.L. 1939-158 allowed deductions for interest paid, charitable contributions and property taxes.

**FY25-26 Estimate (in $millions):** 26.6

**FY26-27 Estimate (in $millions):** 26.6

**Data Source:** Department of Revenue tax data

**7. Medical and Dental Expenses Itemized Deduction**

**Citation:** G.S. 105-153.5(a)(2)c

**Description:** Effective January 1, 2015: If itemizing deductions, a taxpayer may deduct the amount allowed as a deduction for medical and dental expenses under section 213 of the Code for that taxable year.

**Enacting Legislation:** S.L. 2015-241; the deduction was previously included as an itemized deduction for tax years prior to 2014

**FY25-26 Estimate (in $millions):** 60.8

**FY26-27 Estimate (in $millions):** 63.3

**Data Source:** Department of Revenue tax data

**Note:** Federal law allows a deduction for medical and dental expenses that exceed 7.5% of adjusted gross income. North Carolina conforms to this threshold.

### 8. Child Deduction

**Citation:** G.S. 105-153.5(a1)

**Description:** A taxpayer may deduct an amount based on their AGI for each dependent child for whom they are allowed the federal child tax credit. S.L. 2021-180 increased the amount of the deductions and increased the AGI cap for taxable years beginning on or after Jan. 1, 2022. For taxpayers filing as married filing jointly, the deduction amount is $3,000 if AGI is $40,000 or less; $2,500 if AGI is between $40,001 and $60,000; $2,000 if AGI is between $60,001 and $80,000; $1,500 if AGI is between $80,001 and $100,000; $1,000 if AGI is between $100,001 and $120,000; and $500 if AGI is between $120,001 and $140,000.

**Enacting Legislation:** S.L. 2017-57, effective for tax years beginning on or after Jan. 1, 2018. This provision replaced the child tax credit under G.S. 105-153.10(a).

**FY25-26 Estimate (in $millions):** 96.1

**FY26-27 Estimate (in $millions):** 93.4

**Data Source:** Department of Revenue tax data

### 9. N.C. and Nonprofit Education Institution Interest

**Citation:** G.S. 105-153.5(b)(1)

**Description:** Deduction from adjusted gross income for interest upon the obligations of any of the following: (a) this State, a political subdivision of this State, or a commission, an authority, or another agency of this State or of a political subdivision of this State; (b) a nonprofit educational institution organized or chartered under the laws of this State.

**Enacting Legislation:** S.L. 1939-158; S.L. 1965-833 added the exemption for nonprofit educational institutions

**FY25-26 Estimate (in $millions):** 23.8

**FY26-27 Estimate (in $millions):** 23.4

**Data Source:** Department of Revenue tax data; Statistics of Income, Internal Revenue Service; Joint Committee on Taxation

### 10. Disposition of Certain Obligations

**Citation:** G.S. 105-153.5(b)(2)

**Description:** Deduction for gain from disposition of obligations issued before July 1, 1995, to the extent exempt from tax.

**Enacting Legislation:** S.L. 1995-46 repealed the tax-exempt status of the gain earned on the sale of certain North Carolina bonds.

**FY25-26 Estimate (in $millions):** less than 0.1

**FY26-27 Estimate (in $millions):** less than 0.1

**Data Source:** Department of Revenue tax data

**11. Social Security Benefits in Excess of Federal Limit**

**Citation:** G.S. 105-153.5(b)(3)

**Description:** Deduction for benefits received under Title II of the Social Security Act and amounts received from retirement annuities or pensions paid under the provisions of the Railroad Retirement Act of 1937.

**Enacting Legislation:** S.L. 1957-1340 - effective Jan. 1, 1957

**FY25-26 Estimate (in $millions):** 723.0

**FY26-27 Estimate (in $millions):** 728.3

**Data Source:** Department of Revenue tax data

**Note:** The Social Security Amendments of 1983 made OASDI benefits subject to federal income tax. Federal taxation of some Social Security benefits occurs when modified AGI exceeds $25,000 for single filers or $32,000 for married filing jointly. These limits are not increased each year for inflation and have not been adjusted since 1983.

**12. Government Retirement Income under Bailey Decision**

**Citation:** G.S. 105-153.5(b)(5)

**Description:** Deduction from adjusted gross income for certain retirement benefits received by eligible retirees of the State of North Carolina and its local governments or the federal government to the extent the amount is exempt pursuant to a court order in settlement of *Bailey v. State*, *Emory v. State*, or *Patton v. State*. Eligible retirees must have had 5 or more years of creditable service as of August 12, 1989. The exclusion also applies to retirement benefits received from the State's §401(k) and §457 plans if the retiree had contributed or contracted to contribute to the plan prior to August 12, 1989.

**Enacting Legislation:** S.L. 1941-25 established the State Retirement System and included an exemption from State taxation. This provision was repealed by S.L. 1989-792.

**FY25-26 Estimate (in $millions):** 264.7

**FY26-27 Estimate (in $millions):** 257.3

**Data Source:** Department of Revenue tax data

**13. Uniformed Services Pension Income**

**Citation:** G.S. 105-153.5(b)(5a)

**Description:** Deduction from adjusted gross income for the amount received during the taxable year from (a) retirement pay for service in the Armed Forces of the United States to a retired member that meets either of the following: (1) served at least 20 years; (2) medically retired under 10 U.S.C. Chapter 61, not including severance pay; (b) payments of a Plan defined in 10 U.S.C. § 1447 to a beneficiary of a retired member eligible to deduct retirement pay under (a). This exemption was expanded to include retirement pay for service in all uniformed services of the the United States for tax years beginning on or after Jan. 1, 2022.

**Enacting Legislation:** S.L. 2021-180 - effective for tax years beginning on or after Jan. 1, 2021.

**FY25-26 Estimate (in $millions):** 55.8

**FY26-27 Estimate (in $millions):** 56.9

**Data Source:** Department of Revenue tax data; legislative fiscal notes for SB12 (2021) and HB103 (2022)

**Note:** Certain military pension income would also be exempt under the "Bailey Decision" and included in that tax expenditure item and not included in this item.

**14. Accelerated Depreciation Adjustment**

**Citation:** G.S. 105-153.5(b)(8); also refer to G.S. 105-153.6

**Description:** The IRS Code allows bonus depreciation allowances and modified accelerated cost recovery system above straight-line depreciation. North Carolina has decoupled from these provisions by having taxpayers add back a percentage of the federal deduction in each year and allowing taxpayers to deduct the addback over a period of 5 years in the future. For bonus depreciation, taxpayers must add back 85% of the amount taken on the federal return. Federal tax law allows for 100% bonus depreciation for 2018 through 2022, 80% in 2023, 60% in 2024, and 100% in 2025 and future years.

**Enacting Legislation:** S.L. 2002-126 was the first provision related to bonus depreciation addbacks.

**FY25-26 Estimate (in $millions):** 75.1

**FY26-27 Estimate (in $millions):** 66.4

**Data Source:** Derived estimates using N.C. Department of Revenue tax data and federal estimates from the Joint Committee of Taxation.

**Note:** The estimate incorporates past and current differences between allowed depreciation and a straight-line depreciation method.

**15. Section 179 Expensing Adjustment**

**Citation:** G.S. 105-153.5(b)(8); also refer to G.S. 105-153.6

**Description:** The IRS Code allows expanded Section 179 expensing. North Carolina has decoupled from these provisions by requiring taxpayers to add back the amount of the federal deduction that excceds N.C. dollar limits and phaseout thresholds and allowing taxpayers to deduct the addback over a period of 5 years in the future. For tax years since 2013, the N.C. dollar limit is $25,000 and the phaseout threshold is $200,000. Federal law allows a dollar limit of $1 million and a phaseout threshold of $2.5 million for 2018 through 2024 (with inflation-indexing of both amounts). For 2025 and future years, federal law allows a dollar limit of $2,500,000 and a phaseout threshold of $4 million (with inflation-indexing of both amounts).

**Enacting Legislation:** S.L. 2011-5 added the provision related to the addback for section 179 expensing.

**FY25-26 Estimate (in $millions):** 12.8

**FY26-27 Estimate (in $millions):** 13.1

**Data Source:** Derived estimates using N.C. Department of Revenue tax data and federal estimates from the Joint Committee of Taxation.

**Note:** The estimate incorporates past and current differences between allowed expensing and a straight-line depreciation method.

**16. Personal Education Student Account**

**Citation:** G.S. 105-153.5(b)(12)

**Description:** Deduction for the amount deposited during the taxable year to a personal education student account under Article 41 of Chapter 115C of the General Statutes. (Scholarship funds up to $9,000 per eligible student for a fiscal year.)

**Enacting Legislation:** S.L. 2017-57 - effective for taxable years beginning on or after Jan. 1, 2018

**FY25-26 Estimate (in $millions):** 0.3

**FY26-27 Estimate (in $millions):** 0.3

**Data Source:** Derived estimates using N.C. Department of Revenue tax data and data from the North Carolina State Education Assistance Authority

**17. Certain Hurricane Relief Payments**

**Citation:** G.S. 105-153.5(b)(13)

**Description:** Deduction for the amount paid to the taxpayer during the taxable year from the State Emergency Response and Disaster Relief Reserve Fund for hurricane relief or assistance, but not including payments for goods or services provided by the taxpayer.

**Enacting Legislation:** S.L. 2018-5 - effective for tax years beginning on or after Jan. 1, 2017; a similar provision had been enacted by S.L. 2005-1 and was repealed effective Jan. 1, 2014

**FY25-26 Estimate (in $millions):** 0.2

**FY26-27 Estimate (in $millions):** 0.2

**Data Source:** Department of Revenue tax data

**18. Amounts Received as an Economic Incentive**

**Citation:** G.S. 105-153.5(b)(14)

**Description:** A taxpayer may deduct the amount received by a taxpayer as an economic incentive pursuant to G.S. 143B-437.012 or Part 2G or Part 2H of Article 10 of Chapter 143B of the General Statutes.

**Enacting Legislation:** S.L. 2019-237 - effective for tax years beginning on or after Jan. 1, 2019

**FY25-26 Estimate (in $millions):** 1.0

**FY26-27 Estimate (in $millions):** 1.0

**Data Source:** Department of Revenue tax data

**19. Deduction for Certain Grant Monies**

**Citation:** G.S. 105-153.5(b)(14a)

**Description:** A taxpayer may deduct the amount received under the Business Recovery Grant Program, the ReToolNC grant program for recovery from the economic impacts of the COVID-19 pandemic; and rent and utility assistance pursuant to Section 3.3 of S.L. 2020-4, as amended by Section 1.2 of S.L. 2020-97.

**Enacting Legislation:** S.L. 2021-180 and S.L. 2022-6 - effective for tax years beginning on or after Jan. 1, 2020

**FY25-26 Estimate (in $millions):** less than 0.1

**FY26-27 Estimate (in $millions):** less than 0.1

**20. Net Operating Loss Carryforward**

**Citation:** G.S. 105-153.5(b)(16)

**Description:** A taxpayer may deduct net operating losses incurred in a tax year in the following 15 years under conditions in G.S. 105-153.5A. Nonresidents may only include income and deductions derived from a business carried on in this State in determining their net operating loss.

**Enacting Legislation:** SL 2021-180 - effective for tax years beginning on or after Jan. 1, 2022; prior to this, federal NOL provisions carried through to State taxable income

**FY25-26 Estimate (in $millions):** 63.8

**FY26-27 Estimate (in $millions):** 62.6

**Data Source:** N.C. Department of Revenue personal income tax microsimulation data

**21. Decouple from IRC Section 1400Z-2 Opportunity Fund**

**Citation:** G.S. 105-153.5(c2)(6)

**Description:** Deduction of the amount of gain included in the taxpayer's adjusted gross income under IRC § 1400Z-2(a) to the extent the same income was added back to the taxpayer's N.C. taxable income in a prior taxable year.

**Enacting Legislation:** S.L. 2018-5 - effective for tax years beginning on or after Jan. 1, 2018

**FY25-26 Estimate (in $millions):** no net negative impact

**FY26-27 Estimate (in $millions):** no net negative impact

**Note:** This deduction is offset by the required addition to adjusted gross income in G.S. 105-153.5(c2)(5). The net impact is to shift taxable income to earlier years. Thus, there is likely to be a positive impact on the present value of State revenues.

**22. Deduction for Extra Business Interest Expenses in 2019 and 2020**

**Citation:** G.S. 105-153.5(c2)(17a)

**Description:** A taxpayer may deduct 20% of the amount of interest expense added back to taxable income in 2019 and 2020 due to the de-coupling from Section 2306 of the CARES Act in each of the succeeding five tax years beginning with 2021.

**Enacting Legislation:** S.L. 2021-180 -- Effective for tax years beginning on or after Jan. 1, 2021

**FY25-26 Estimate (in $millions):** 1.0

**FY26-27 Estimate (in $millions):** 0.0

**Data Source:** Department of Revenue tax data

## Tax Credits

### 23. Certain Real Property Donation Tax Credit

**Citation:** G.S. 105-153.11

**Description:** A taxpayer is allowed a tax credit of 25% of the fair market value of a qualified donation of real property interested located in North Carolina that is used for (1) forestland or farmland preservation, (2) fish and wildlife conservation, (3) a buffer for military training, testing or operations, (4) floodplain protection in certain counties, (5) historic landscape conservation, or (6) for public trails or access to public trails. The credit may not exceed $500,000 for a given C corporation The aggregate amount of credit for all taxpayers (including credits under G.S. 105-153.11) in a given taxable year is $5 million, $3.25 million of which is reserved for credits for property useful for forestland or farmland conservation.

**Enacting Legislation:** S.L. 2024-32, s. 15; S.L. 2025-4 - Effective for taxable years beginning on or after Jan. 1, 2025, for donations made on or after Jan. 1, 2025.

**Sunset Date:** Expires for taxable years beginning on or after Jan. 1, 2027, for donations made on or after Jan. 1, 2027.

**FY25-26 Estimate (in $millions):** 4.5

**FY26-27 Estimate (in $millions):** 4.5

**Data Source:** Fiscal note for SB 355 (2024); Department of Revenue tax data for a similar credit that expired in 2013.

# Sales and Use Tax (Article 5)

## Brief Description and Tax Base Information

The sales tax in North Carolina is imposed on final sales (including the value of leases and rentals) of tangible personal property, digital property and certain services occurring in the State, and the use tax is imposed on purchases made outside the State if the taxable item purchased is used or stored in North Carolina.

For this report, services are not considered part of the sales tax base unless they are specifically listed as taxable items in the General Statutes.

Effective Jan. 1, 2010, the sales tax applies to certain digital property that is delivered or accessed electronically, is not considered tangible personal property, and would be taxable if sold in a tangible medium.

Effective Jan. 1, 2014, the sales tax applies to admission charges to certain entertainment activities and to service contracts.

Effective March 1, 2016, the sales tax applies to repair, maintenance and installation (RMI) services.

Effective Jan. 1, 2017, the sales tax on RMI services was amended by S.L. 2016-94 in order to treat similar transactions the same and to expand the tax base to services on real property, except those related to a capital improvement provided through a real property contract.

Effective Feb. 1, 2020, a marketplace facilitator must collect sales tax from remote sales that it makes or facilitates for its marketplace sellers in this State if it meets either of the following conditions for sales sourced to this State in the prior or the current calendar year: (a) gross sales in excess of $100,000 or (b) 200 or more separate transactions.

**State sales tax rate:** As of July 1, 2011, the State sales tax rate is 4.75%.

**Combined general rate:** The State sales tax rate on telecommunications and ancillary services, video programming, and spirituous liquor is equal to the State combined general rate. This rate has been 7.0% since July 1, 2011. Effective July 1, 2014, the combined general rate also applies to sales of electricity and piped natural gas. Effective Jan. 1, 2016, aviation gasoline and jet fuel are taxed at the combined general rate.

For Fiscal Year 2024-25, sales and use tax collections net of refunds and reserves for sales taxes imposed by local governments were approximately $12.6 billion. (Sales tax revenues related to the lease of motor vehicles are not included in collections amounts here.)

Various other transfers from State sales & use taxes to local governments, including the distribution to the State Public School Fund, were approximately $836 million in Fiscal Year 2024-25. Net General Fund collections were approximately $11.0 billion in Fiscal Year 2024-25 after these and several other transfers.

**Table 3. Sales and use tax expenditure estimates for FY 2025-26**

| Item No. | Short Description | FY25-26 estimate ($Millions) |
|---|---|---|
| 1 | Work that Requires a Building Permit | Unavailable |
| 2 | Installation of Utilities | Unavailable |
| 3 | Installation of Capitalized or Expensed Equipment | Unavailable |
| 4 | Painting and Wallpapering | 43.6 |
| 5 | Replacement or Installation of Building-Related Systems | 99.1 |
| 6 | Replacement or Installation of HVAC Systems | 79.1 |
| 7 | Replacement or Installation of Pavement, Patios & Decks | 61.4 |
| 8 | Resolution of Construction-Related Issues | 8.3 |
| 9 | Landscaping | 142.3 |
| 10 | Certain Additions & Alterations to Real Property | Unavailable |
| 11 | Educational Service Via Digital Property | Unavailable |
| 12 | Installation by Real Property Contractor | 81.2 |
| 13 | Laundromat Self-Service Machines | 5.3 |
| 14 | Certain Accommodation Rentals | Unavailable |
| 15 | Right to Participate in Sporting Activities | 127.4 |
| 16 | Lifetime Seat Rights and Box Seat Rentals | 2.6 |
| 17 | Right to Participate in Certain Activities | 16.5 |
| 18 | Right to Participate in Certain Instructional Classes | 3.2 |
| 19 | Right to Participate in Certain Rides | Unavailable |
| 20 | Right to Participate in Amusement Rides | 13.0 |
| 21 | Membership Charges Deductible as Charitable Contribution | Unavailable |
| 22 | Donated Admission Charges | Unavailable |
| 23 | Amenities Exemption for Admission Charges | 1.6 |
| 24 | Events Sponsored by Primary and Secondary Schools | 16.6 |
| 25 | Events Sponsored Solely by a Nonprofit | Unavailable |
| 26 | Admission to Events on Farmland | 0.3 |
| 27 | Retailer-Contractor Provision for Real Property Contracts | Unavailable |
| 28 | Mixed Transaction Contract for RMI | Unavailable |
| 29 | Certain Services Provided Under a Property Management Contract | 39.9 |
| 30 | Items Given Away by Merchants | Unavailable |
| 31 | Certain Products of Forests and Mines Sold by Producers | Unavailable |

| Item No. | Short Description | FY25-26 estimate ($Millions) |
|---|---|---|
| 32 | Farm Products Sold by Producer and Ice Used for Preservation | 0.1 |
| 33 | Commercial Logging Machinery | 12.9 |
| 34 | Wood Chippers for Out-of-State Use | less than 0.1 |
| 35 | Telecommunications Equipment | 92.6 |
| 36 | Radio and Television Broadcast Equipment | 5.4 |
| 37 | Cable Service Broadcast Equipment | 8.5 |
| 38 | Mill Machinery | 289.5 |
| 39 | Major Recycling Facility Equipment | 0.2 |
| 40 | R&D Company Equipment | 3.7 |
| 41 | Software Publishing Company Equipment | 5.1 |
| 42 | Industrial Machinery Refurbishing Equipment | 0.1 |
| 43 | Ports Facility Equipment | Unavailable |
| 44 | Secondary Metals Recycler Equipment, Fuel, and Electricity | Unavailable |
| 45 | Precious Metals Extraction Equipment | Unavailable |
| 46 | Large Metal Fabricator Equipment | Unavailable |
| 47 | Ready-Mix Concrete Mill Parts | Unavailable |
| 48 | Large Fulfillment Facility Equipment | Unavailable |
| 49 | Certain Stone-Cutting Equipment | Unavailable |
| 50 | Various Items for Alcoholic Beverage Mfg. | 2.7 |
| 51 | Aquacultural Products in Raw State | 1.4 |
| 52 | Fuel for Small Power Production Facility | Unavailable |
| 53 | Tangible Property Purchased for Commercial Fishing | 1.2 |
| 54 | Items Used by Laundries and Dry Cleaning Businesses | 1.7 |
| 55 | Lubricants, Materials and Electricity Used by Major Recycling Facility | 4.7 |
| 56 | Motor Fuel or Alternative Fuel Taxed by Articles 36C or 36D | 0.0 |
| 57 | Diesel Fuel for Railroads | 10.2 |
| 58 | Fuel Purchases by an Interstate Air Business | 18.0 |
| 59 | Durable Medical Equipment | 129.3 |
| 60 | Prescription Drugs and Insulin for Human Use | 973.8 |
| 61 | Drugs Prescribed by a Veterinarian | 19.8 |
| 62 | Diapers and Incontinence Pads for Medicaid Beneficiaries | Less than 0.1 |
| 63 | Public School Books | 1.5 |

| Item No. | Short Description | FY25-26 estimate ($Millions) |
|---|---|---|
| 64 | Accounts of Sales Charged Off for Income Purposes | Unavailable |
| 65 | Sales by Blind Merchants | 0.4 |
| 66 | Lease or Rental of Films for Exhibition | 7.2 |
| 67 | Lease or Rental of Films, Transcriptions and Recordings to Broadcasters | 12.4 |
| 68 | Audiovisual Masters | 0.7 |
| 69 | Packaging Items for Manufacturers | 93.3 |
| 70 | Packaging Items for Retailers | 32.2 |
| 71 | Packaging Returned to Seller | Unavailable |
| 72 | Fuel and Consumables Used by Boats Transporting Freight | 0.5 |
| 73 | Food Sold in a School | 7.5 |
| 74 | Food Sold by a Public School Cafeteria to Certain Childcare Centers | 0.5 |
| 75 | Food Sold Not for Profit Related to a School | Unavailable |
| 76 | Meals for the Elderly | 1.7 |
| 77 | Food Sold by a Church or Religious Organization | Unavailable |
| 78 | Motor Vehicle Exemption Less Highway Use Tax | 926.9 |
| 79 | Sales by Nonprofits Whose Proceeds Go to the State | Unavailable |
| 80 | Sales by Nonprofits Conducted Annually | 2.4 |
| 81 | Advertising Supplements Sold with Newspapers | 0.3 |
| 82 | Components of Free Distribution Periodicals | Unavailable |
| 83 | Sales to the Department of Transportation | 0.0 |
| 84 | Mobile Classrooms Purchased by Boards of Education or Community Colleges | 0.7 |
| 85 | Articles Donated by Retailer or Wholesaler | Unavailable |
| 86 | Custom Computer Software | 123.6 |
| 87 | Certain Computer Software | Unavailable |
| 88 | Component Software or Digital Property | Unavailable |
| 89 | Certain Items Purchased by Interstate Passenger Air Carriers | Unavailable |
| 90 | Lubricants and Parts Used in Maintenance of Commercial Aircraft | 7.9 |
| 91 | Certain Items Purchased by Interstate Air Couriers | Unavailable |
| 92 | Aircraft Simulators | Unavailable |
| 93 | Items Related to Qualified Aircraft or Jet Engine | Unavailable |
| 94 | Items Related to Interstate Air and Ground Couriers | Unavailable |

| Item No. | Short Description | FY25-26 estimate ($Millions) |
|---|---|---|
| 95 | Electricity to Municipalities Supplied by Federal Agency | 2.9 |
| 96 | Delivery Charges of Direct Mail | Unavailable |
| 97 | Goods Sold Through Vending Machines | 13.6 |
| 98 | Water Delivered Through Main Pipes | 98.5 |
| 99 | Sales to State Agencies | 0.0 |
| 100 | Aerial Survey Data | 0.1 |
| 101 | Pay Telephone Services | Unavailable |
| 102 | 911 Charges | 6.5 |
| 103 | Telephone Charges Related to Occupancy of an Accommodation | 0.1 |
| 104 | Charges Related to State Network and Other Government Data Networks | Unavailable |
| 105 | Electricity and Equipment for an Eligible Internet Datacenter | Unavailable |
| 106 | Electricity and Equipment for a Qualifying Datacenter | Unavailable |
| 107 | Locomotives, Cranes and Trucks for a Railroad Intermodal Facility | Unavailable |
| 108 | Electricity Used by Manufacturers | 108.7 |
| 109 | Piped Natural Gas Used by Manufacturers (except Power Plants) | 43.1 |
| 110 | Piped Natural Gas Used by Power Plants | 104.2 |
| 111 | Other Fuel Used by Manufacturers | 15.2 |
| 112 | Disaster Assistance Debit Card Purchases | Unavailable |
| 113 | Interior Design Services | 2.9 |
| 114 | Motor Vehicle Service Contract | Unavailable |
| 115 | Service Contracts or RMI Services on Exempt Items | 188.3 |
| 116 | Motor Vehicle emissions and safety inspection fee | 7.9 |
| 117 | Services Performed by a Related Person | Unavailable |
| 118 | Services Related to Cleaning of Real Property | 89.7 |
| 119 | Services on Roads, Driveways, Parking Lots, & Sidewalks | Unavailable |
| 120 | Removal of Waste and Debris | 65.5 |
| 121 | Certain Real Property Inspections | 5.0 |
| 122 | Alterations & Clothing Repairs | 23.3 |
| 123 | Pest Control Service | 29.1 |
| 124 | Moving Services | 30.0 |
| 125 | Self-Service & Limited-Service Vehicle Washes | 11.0 |

| Item No. | Short Description | FY25-26 estimate ($Millions) |
|---|---|---|
| 126 | Utility Network Assets | Unavailable |
| 127 | Qualified Aircraft or Jet Engine | Unavailable |
| 128 | RMI & Service Contracts for Other Aircraft | Unavailable |
| 129 | Funeral-Related Services | 16.4 |
| 130 | Services Performed on an Animal | 22.1 |
| 131 | Security Service Contract for Real Property | 27.5 |
| 132 | Service Contract for Wastewater System | Unavailable |
| 133 | Items Used to Fulfill Taxable Service Contracts | Unavailable |
| 134 | RMI Services to Fulfill Taxable Service Contracts | Unavailable |
| 135 | Repair Parts and RMI Services on Items Covered by a Warranty | Unavailable |
| 136 | Modular & Manufactured Homes | 22.8 |
| 137 | Motorsports Engine & Related Items | Unavailable |
| 138 | Storage of a Motor Vehicle | 3.3 |
| 139 | Towing Services | 20.3 |
| 140 | Wastewater Dispersal System Items | Unavailable |
| 141 | Coins, Currency and Bullion Sales | 0.9 |
| 142 | N.C. Life and Health Insurance Guaranty Association | Unavailable |
| 143 | Educational Service for Home Schools | Unavailable |
| 144 | Live Services Provided Through Digital Works | Unavailable |
| 145 | Continuing Care Retirement Communities | 8.7 |
| 146 | Breast Pumps and Related Items | 3.1 |
| 147 | Service Charges on Meals and Beverages | 2.8 |
| 148 | Food for Home Consumption | 1,460.0 |
| 149 | Certain Artisan Bakery Items | 4.9 |
| 150 | Fuel and Electricity for Farming | 25.8 |
| 151 | Fertilizers, Seeds and Related Items Sold to a Farmer | 59.1 |
| 152 | Farm Machinery and Related Parts and Lubricants | 19.6 |
| 153 | Certain Containers Sold to a Farmer | 1.1 |
| 154 | Certain Storage Facilities Sold to a Farmer | 3.2 |
| 155 | Feeds, Litter and Medications for Farming | 245.1 |
| 156 | Certain Substances Used on Animals or Plants for Commercial Purposes | 18.8 |
| 157 | Fowl Sold to a Farmer | 67.9 |
| 158 | Livestock Sold to Farmer – Cattle, Sheep, Goats and Swine | 36.5 |

| Item No. | Short Description | FY25-26 estimate ($Millions) |
|---|---|---|
| 159 | Livestock Sold to a Farmer – Horses and Mules | 0.5 |
| 160 | Manufactured Facilities, Building Materials, and Related Equipment for Commercial Housing of Animals | 9.8 |
| 161 | Tobacco Farming Items | 0.2 |
| 162 | RMI Services for Farmers | 10.6 |
| 163 | Items for a Zoo Operated by Farmer | Unavailable |
| 164 | Items for a Wildlife Manager | Unavailable |
| 165 | RMI Services for Boats, Aircraft and Jet Engines in Excess of $25,000 | Unavailable |
| 166 | Use Tax on Luxury Liquor Capped at $1,000 | less than 0.1 |
| 167 | Refund to Interstate Carrier | 3.4 |
| 168 | Partial Refund for Purchases of Railway Cars and Accessories by a Utility | less than 0.1 |
| 169 | Refunds to Nonprofits | 347.6 |
| 170 | Refunds of Tax on Medicine and Drug Purchases to Certain Hospitals | included in item #169 |
| 171 | Refunds to Certain Local Government Entities | 174.9 |
| 172 | Refund for Major Recycling Facilities | 0.1 |
| 173 | Refund of Aviation Fuel for Motorsports Events | 0.2 |
| 174 | Refund on Professional Motor Racing Vehicle Parts | 2.7 |
| 175 | Refund for Railroad Intermodal Facilities | 0.1 |
| 176 | Refund for Transformative Project | 0.0 |
| 177 | Preferential Rate and Cap for Aircraft | 18.9 |
| 178 | Preferential Rate and Cap for Boats | 22.3 |
| 179 | Out-of-State Call Centers | Unavailable |

## Exemptions

### 1. Work that Requires a Building Permit

**Citation:** G.S. 105-164.3(31)b

**Description:** The definition of capital improvement includes: performance of work that requires the issuance of a permit under the State Building Code, other than repair or replacement of electrical components, gas logs, water heater, and similar individual items that are not part of new construction, reconstruction, or remodeling.

**Enacting Legislation:** S.L. 2017-204 - effective Jan. 1, 2017

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

### 2. Installation of Utilities

**Citation:** G.S. 105-164.3(31)c

**Description:** The definition of capital improvement includes: installation of utilities on utility-owned land, right-of-way, or easement, notwithstanding that charges for such are included in the gross receipts derived from services subject to the combined general rate under G.S. 105-164.4.

**Enacting Legislation:** S.L. 2017-204 - effective Jan. 1, 2017

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

### 3. Installation of Capitalized or Expensed Equipment

**Citation:** G.S. 105-164.3(31)d

**Description:** The definition of capital improvement includes: installation of equipment or fixture that is attached to real property and that is capitalized under GAAP or IFRS or is depreciated under the Code, or is expensed under Section 179 of the Code.

**Enacting Legislation:** S.L. 2017-204 - effective Jan. 1, 2017

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**4. Painting and Wallpapering**

**Citation:** G.S. 105-164.3(31)e

**Description:** The definition of capital improvement includes: painting or wallpapering, except where painting or wallpapering is incidental to the repair, maintenance, and installation service.

**Enacting Legislation:** S.L. 2017-204 - effective Jan. 1, 2017

**FY25-26 Estimate (in $millions):** 43.6

**FY26-27 Estimate (in $millions):** 45.8

**Data Source:** 2012, 2017 & 2022 Economic Censuses; County Business Patterns (US Census); Nonemployer Statistics (US Census)

**5. Replacement or Installation of Building-Related Systems**

**Citation:** G.S. 105-164.3(31)f

**Description:** The definition of capital improvement includes: replacement or installation of a roofing, septic tank, plumbing, electrical, commercial refrigeration, irrigation, sprinkler, or other similar system. The term does not include the repair, replacement, or installation of electrical or plumbing components, water heaters, gutters, and similar individual items that are not part of new construction, reconstruction, or remodeling.

**Enacting Legislation:** S.L. 2017-204 - effective Jan. 1, 2017

**FY25-26 Estimate (in $millions):** 99.1

**FY26-27 Estimate (in $millions):** 103.1

**Data Source:** 2012, 2017 & 2022 Economic Censuses; annual County Business Patterns (US Census); annual Nonemployer Statistics (US Census)

**6. Replacement or Installation of HVAC Systems**

**Citation:** G.S. 105-164.3(31)g

**Description:** The definition of capital improvement includes: replacement or installation of a heating, ventilation, and air conditioning unit or system. The term does not include the repair, replacement or installation of gas logs, water heaters, pool heaters, and similar items that are not part of new construction, reconstruction, or remodeling.

**Enacting Legislation:** S.L. 2017-204 - effective Jan. 1, 2017

**FY25-26 Estimate (in $millions):** 79.1

**FY26-27 Estimate (in $millions):** 83.9

**Data Source:** 2012, 2017 & 2022 Economic Censuses; annual County Business Patterns (US Census); annual Nonemployer Statistics (US Census)

**7. Replacement or Installation of Pavement, Patios & Decks**

**Citation:** G.S. 105-164.3(31)h

**Description:** The definition of capital improvement includes: replacement or installation of roads, driveways, parking lots, patios, decks, and sidewalk.

**Enacting Legislation:** S.L. 2017-204 - effective Jan. 1, 2017

**FY25-26 Estimate (in $millions):** 61.4

**FY26-27 Estimate (in $millions):** 63.3

**Data Source:** 2012, 2017 & 2022 Economic Censuses; annual County Business Patterns (US Census); annual Nonemployer Statistics (US Census)

**8. Resolution of Construction-Related Issues**

**Citation:** G.S. 105-164.3(31)i

**Description:** Services performed to resolve an issue that was part of a real property contract if the services are performed within 6 months of completion of the real property contract or, for new construction, within 12 months of the new structure being occupied for the first time.

**Enacting Legislation:** S.L. 2017-204 - effective Jan. 1, 2017

**FY25-26 Estimate (in $millions):** 8.3

**FY26-27 Estimate (in $millions):** 8.6

**Data Source:** 2012, 2017 & 2022 Economic Censuses; annual County Business Patterns (US Census); annual Nonemployer Statistics (US Census)

**9. Landscaping**

**Citation:** G.S. 105-164.3(31)j

**Description:** The definition of capital improvement includes: landscaping. As defined in G.S. 105-164.3(16e), the term does not include services to trees, shrubs, flowers, and similar items in pots or in buildings.

**Enacting Legislation:** S.L. 2017-204 - effective Jan. 1, 2017

**FY25-26 Estimate (in $millions):** 142.3

**FY26-27 Estimate (in $millions):** 158.1

**Data Source:** 2012 & 2017 Economic Censuses; annual County Business Patterns (US Census); annual Nonemployer Statistics (US Census)

**Note:** The estimates include installation and replacement of "hardscapes" such as patios and walkways that would be included in the receipts of landscaping services companies.

**10. Certain Additions & Alterations to Real Property**

**Citation:** G.S. 105-164.3(31)k

**Description:** The definition of capital improvement includes: addition or alteration to real property that is permanently affixed or installed to real property and is not an activity listed in subdivision (33i) of this section as a RMI service.

**Enacting Legislation:** S.L. 2017-204 - effective Jan. 1, 2017

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**11. Educational Service Via Digital Property**

**Citation:** G.S. 105-164.3(33)

**Description:** The definition of certain digital property excludes "educational service." Educational service is defined in GS 105-164.3(75) and is provided by or on behalf of a qualifying educational entity.

**Enacting Legislation:** S.L. 2020-6 - effective Oct. 1, 2019

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**12. Installation by Real Property Contractor**

**Citation:** G.S. 105-164.3(225)

**Description:** The definition of repair, maintenance and installation services is not applicable to tangible personal property or digital property installed or applied by a real property contractor pursuant to a real property contract.

**Enacting Legislation:** S.L. 2015-241 - effective Mar. 1, 2016

**FY25-26 Estimate (in $millions):** 81.2

**FY26-27 Estimate (in $millions):** 85.3

**Data Source:** 2022 Economic Census; County Business Patterns (US Census); Nonemployer Statistics (US Census); Quarterly Census of Employment and Wages

**Note:** This category includes estimated receipts of building finishing contractors (except painting and wallpapering) and plumbing

**13. Laundromat Self-Service Machines**

**Citation:** G.S. 105-164.4(a)(4)

**Description:** Taxation on the gross receipts of laundries does not apply to receipts derived from coin-, token-, or card-operated washing machines, extractors, and dryers.

**Enacting Legislation:** S.L. 1987-854 - effective July 1, 1988

**FY25-26 Estimate (in $millions):** 5.3

**FY26-27 Estimate (in $millions):** 5.4

**Data Source:** 2017 & 2022 Economic Censuses; annual County Business Patterns (US Census); annual Nonemployer Statistics (US Census)

**14. Certain Accommodation Rentals**

**Citation:** G.S. 105-164.4F(e); G.S. 105-164.13(70)

**Description:** Taxation at the general rate on accommodation rentals does not apply to (1) a private residence or cottage that is rented for fewer than 15 days in a calendar year unless the rental is made by an accommodation facilitator; (2) an accommodation supplied to the same person for a period of 90 or more continuous days; or (3) an accommodation arranged or provided by a school, camp, or similar entity where a tuition or fee is charged for enrollment in such entity.

**Enacting Legislation:** S.L. 1955-1313

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**15. Right to Participate in Sporting Activities**

**Citation:** G.S. 105-164.4G(e)(1)

**Description:** Exemption from tax on admission charges for an amount paid for the right to participate, other than to be a spectator, in sporting activities. Examples of these types of charges include bowling fees, golf green fees, and gym memberships.

**Enacting Legislation:** S.L. 2014-3 – effective May 29, 2014. These fees were excluded from the privilege tax on admissions previously, but not explicitly stated.

**FY25-26 Estimate (in $millions):** 127.4

**FY26-27 Estimate (in $millions):** 137.0

**Data Source:** 2012, 2017 & 2022 Economic Censuses; annual County Business Patterns (US Census); annual Nonemployer Statistics (US Census)

**16. Lifetime Seat Rights and Box Seat Rentals**

**Citation:** G.S. 105-164.4G(e)(4)

**Description:** Exemption from tax on admission charges for a charge for lifetime seat rights, lease, or rental of a suite or box for an entertainment activity, provided the charge is separately stated on an invoice or similar billing document given to the purchaser at the time of sale.

**Enacting Legislation:** S.L. 2014-3 – effective May 29, 2014. These fees were excluded from the privilege tax on admissions previously, but not explicitly stated.

**FY25-26 Estimate (in $millions):** 2.6

**FY26-27 Estimate (in $millions):** 2.7

**Data Source:** 2022 US Economic Census; 2022 Services Annual Survey, US Census Bureau

**17. Right to Participate in Certain Activities**

**Citation:** G.S. 105-164.4G(e)(6)a

**Description:** Exemption from tax for the right to participate, other than to be a spectator, in the following activities: rock climbing, skating, skiing, snowboarding, sledding, zip lining, or other similar activities.

**Enacting Legislation:** S.L. 2018-5 – effective June 12, 2018 (these items were not previously taxed)

**FY25-26 Estimate (in $millions):** 16.5

**FY26-27 Estimate (in $millions):** 17.5

**Data Source:** 2022 Economic Census, County Business Patterns and Nonemployer Statistics, US Census

**18. Right to Participate in Certain Instruction Classes**

**Citation:** G.S. 105-164.4G(e)(6)b

**Description:** Exemption from tax for the right to participate, other than to be a spectator, in the following activities: instruction classes related to the items in G.S. 105-164.4G(e)(6)a.

**Enacting Legislation:** S.L. 2018-5 – effective June 12, 2018 (these items were not previously taxed)

**FY25-26 Estimate (in $millions):** 3.2

**FY26-27 Estimate (in $millions):** 3.4

**Data Source:** 2022 Economic Census, County Business Patterns and Nonemployer Statistics, US Census

**19. Right to Participate in Certain Rides**

**Citation:** G.S. 105-164.4G(e)(6)c

**Description:** Exemption from tax for the right to participate, other than to be a spectator, in the following activities: riding in or on a carriage, boat, train, plane, horse, chairlift, or other similar rides.

**Enacting Legislation:** S.L. 2018-5 – effective June 12, 2018 (these items were not previously taxed)

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**20. Right to Participate in Certain Amusement Rides**

**Citation:** G.S. 105-164.4G(e)(6)c

**Description:** Exemption from tax for the right to participate, other than to be a spectator, in the following activities: amusement rides, including a waterslide.

**Enacting Legislation:** S.L. 2018-5 – effective June 12, 2018 (these items were not previously taxed)

**FY25-26 Estimate (in $millions):** 13.0

**FY26-27 Estimate (in $millions):** 14.1

**Data Source:** 2022 Economic Census, County Business Patterns and Nonemployer Statistics, US Census

**21. Membership Charges Deductible as Charitable Contribution**

**Citation:** G.S. 105-164.4G(f)(1)

**Description:** Exemption from tax on admission charges for the portion of a membership charge that is deductible as a charitable contribution under section 170 of the Code or that is described in section 170(ℓ)(2) of the Code.

**Enacting Legislation:** S.L. 2014-3 – effective May 29, 2014

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**22. Donated Admission Charges**

**Citation:** G.S. 105-164.4G(f)(2)

**Description:** Exemption from tax on admission charges for a donation that is deductible as a charitable contribution under section 170 of the Code or that is described in section 170(ℓ)(2) of the Code.

**Enacting Legislation:** S.L. 2014-3 – effective May 29, 2014

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**23. Amenities Exemption for Admission Charges**

**Citation:** G.S. 105-164.4G(f)(3)

**Description:** The value of amenities is excluded from the amount subject to tax. If charges for amenities are not separately stated on the face of an admission ticket, then the transaction is a bundled transaction and taxed in accordance with G.S. 105-164.4D except that subsection (a)(3) does not apply.

**Enacting Legislation:** S.L. 2013-316 - effective Jan. 1, 2014; formerly exempt under the privilege tax on amusements (S.L. 2010-31)

**FY25-26 Estimate (in $millions):** 1.6

**FY26-27 Estimate (in $millions):** 1.7

**Data Source:** 2012 US Economic Census; 2022 Services Annual Survey, US Census Bureau

**24. Events Sponsored by Primary and Secondary Schools**

**Citation:** G.S. 105-164.4G(f)(4)

**Description:** Exemption for admission charges to an event that is sponsored by an elementary or secondary school.

**Enacting Legislation:** S.L. 2013-316 - effective Jan. 1, 2014; formerly exempt from privilege tax on amusements under GS 105-40 (S.L. 1945-708)

**FY25-26 Estimate (in $millions):** 16.6

**FY26-27 Estimate (in $millions):** 16.9

**Data Source:** National Center for Educational Statistics; NC Department of Public Instruction; NC Department of Administration

**25. Events Sponsored Solely by a Nonprofit**

**Citation:** G.S. 105-164.4G(f)(5)

**Description:** Exemption for an event sponsored solely by a nonprofit entity that is exempt from tax under Article 4 of Chapter 105 if all the following conditions are met: (1) the entire proceeds are used exclusively for the entity's nonprofit purposes; (2) the entity does not declare dividends, receive profits, or pay salary or other compensation to any members or individuals; (3) the entity does not compensate any person for participating in the event or producing the event.

**Enacting Legislation:** S.L. 2014-3 - effective Jan. 1, 2015; formerly exempt from privilege tax on amusements under G.S. 105-40 and G.S. 106-507

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**26. Admission to Events on Farmland**

**Citation:** G.S. 105-164.4G(f)(6)

**Description:** Exempts tax on admission charge to an event sponsored by a farmer that takes place on farmland and is related to farming activities, such as a corn maze or a tutorial on raising crops, or animals. Eligible farmers must hold a qualifying farmer sales tax exemption certificate and the farmland is enrolled in the present-use value property tax program.

**Enacting Legislation:** S.L. 2017-204 - effective Jan. 1, 2014

**FY25-26 Estimate (in $millions):** 0.3

**FY26-27 Estimate (in $millions):** 0.4

**Data Source:** 2022 Census of Agriculture state-level data, National Agricultural Statistics Service, USDA

**27. Retailer-Contractor Provision for Real Property Contracts**

**Citation:** G.S. 105-164.4H(b)

**Description:** A retailer-contractor is allowed an exemption for sales of tangible personal property that is to be installed and becomes part of real property. The retailer-contractor pays use tax on its purchase price of the tangible property when it is withdrawn from inventory.

**Enacting Legislation:** S.L. 2014-3 - effective Jan. 1, 2015

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**28. Mixed Transaction Contract for RMI**

**Citation:** G.S. 105-164.4H(d)

**Description:** If taxable repair, maintenance or installation services (RMI) is included in a contract with a real property contract for a capital improvement, and the taxable RMI portion does not exceed 25% of the contract price, then taxable RMI and tangible personal property, digital property or service used to perform that service are taxable as a real property contract.

**Enacting Legislation:** S.L. 2016-94; S.L. 2017-204 - effective Jan. 1, 2017

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**29. Certain Services Provided Under a Property Management Contract**

**Citation:** G.S. 105-164.4K(b)

**Description:** The following services provided by a real property manager pursuant to a real property contract: (1) to troubleshoot, identify, or attempt to identify the source of a problem for the purpose of determining what is needed to restore the real property to working order or good condition; (2) to inspect or monitor the real property, including the normal operation of all systems that are part of the real property.

**Enacting Legislation:** S.L. 2019-169 - effective July 26, 2019

**FY25-26 Estimate (in $millions):** 39.9

**FY26-27 Estimate (in $millions):** 43.3

**Data Source:** 2022 Economic Census; County Business Patterns (US Census); Nonemployer Statistics (US Census)

**30. Items Given Away by Merchants**

**Citation:** G.S. 105-164.12C

**Description:** A retailer engaged in the business of selling prepared food and drink for immediate or on-premises consumption, who gives prepared food or drink to its patrons or employees free of charge, does not have to pay use tax on the value of the property given away.

**Enacting Legislation:** S.L. 2012-79 - this provision was previously included in the definition of "sale or selling" that was adopted to comply with a decision by the North Carolina Court of Appeals (S.L. 1996-14)

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**31. Certain Products of Forests and Mines Sold by Producers**

**Citation:** G.S. 105-164.13(3)

**Description:** Sales of products of forests and mines in their original or non-manufactured state when such sales are made by the producer in the capacity of producer.

**Enacting Legislation:** S.L. 1933-445

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**Note:** Although a portion of sales of these products will undergo further processing or be sold for resale, a sizable amount of goods will be sold at retail by the producer, especially products of the mine such as gravel sold to road contractors and coal sold to power companies.

**32. Farm Products Sold by Producer and Ice Used for Preservation**

**Citation:** G.S. 105-164.13(4b)

**Description:** Sales of products of a farm sold in their original state by the producer of the products if the producer is not primarily a retail merchant and ice used to preserve agriculture, aquaculture and commercial fishery products until the products are sold at retail.

**Enacting Legislation:** S.L. 1939-158; all ice was exempt prior to Sept. 1, 1990 (S.L. 1989-1068).

**FY25-26 Estimate (in $millions):** 0.1

**FY26-27 Estimate (in $millions):** 0.1

**Data Source:** 2022 Census of Agriculture & 2023 Census of Aquaculture (National Agricultural Statistics Service, USDA)

**33. Commercial Logging Machinery**

**Citation:** G.S. 105-164.13(4f)

**Description:** Sales to a person engaged in the commercial logging business of the following: (a) logging machinery; (b) attachments and repair parts for logging machinery; (c) lubricants applied to logging machinery; and (d) fuel used to operate logging machinery.

**Enacting Legislation:** S.L. 2006-19 - effective for sales on or after July 1, 2006; items were previously taxed at a preferential rate of 1% with an $80 cap on each piece of machinery, attachments and parts.

**FY25-26 Estimate (in $millions):** 12.9

**FY26-27 Estimate (in $millions):** 13.0

**Data Source:** Department of Revenue tax data; Legislative Fiscal Note for House Bill 1938 (2006). The number of firms and trends in logging industry in North Carolina were derived from Bureau of Labor Statistics data

**Note:** Motor fuels used off-highway are not subject to motor fuels tax but are subject to the sales tax.

**34. Wood Chippers for Out-of-State Use**

**Citation:** G.S. 105-164.13(4g)

**Description:** Exemption for a purchase of a wood chipper by a person who purchases a motor vehicle (trailer) in this State that is to be registered in another state for use in towing the wood chipper.

**Enacting Legislation:** S.L. 2010-147 - effective for sales made on or after July 1, 2009

**FY25-26 Estimate (in $millions):** less than 0.1

**FY26-27 Estimate (in $millions):** less than 0.1

**Data Source:** Legislative fiscal note for House Bill 1973 (2009)

**35. Telecommunications Equipment**

**Citation:** G.S. 105-164.13(5b)

**Description:** Sales to a telephone company of central office equipment, private branch exchange equipment, terminal equipment (other than public pay telephone), switchboard equipment, and attached parts and accessories.

**Enacting Legislation:** S.L. 2005-276 - effective Oct. 1, 2005; these items were previously taxed at 1%, with an $80 cap (S.L. 1961-826); exempt prior to 1961

**FY25-26 Estimate (in $millions):** 92.6

**FY26-27 Estimate (in $millions):** 94.5

**Data Source:** 2022 Service Annual Survey & 2022 Capital Spending Report, US Census Bureau

**36. Radio and Television Broadcast Equipment**

**Citation:** G.S. 105-164.13(5c)

**Description:** Sales of towers, broadcasting equipment, and attached parts and accessories to an FCC-licensed radio or television company.

**Enacting Legislation:** S.L. 2005-276 - effective Oct. 1, 2005; these items were previously taxed at 1%, with an $80 cap (S.L. 1961-826); exempt prior to 1961

**FY25-26 Estimate (in $millions):** 5.4

**FY26-27 Estimate (in $millions):** 5.7

**Data Source:** 2022 Service Annual Survey & 2022 Capital Spending Report, US Census Bureau

**37. Cable Service Broadcast Equipment**

**Citation:** G.S. 105-164.13(5d)

**Description:** Sales of broadcasting equipment and attached parts and accessories, excluding cable, to a cable service provider.

**Enacting Legislation:** S.L. 2005-276 - effective Oct. 1, 2005; these items were previously taxed at 1%, with an $80 cap

**FY25-26 Estimate (in $millions):** 8.5

**FY26-27 Estimate (in $millions):** 8.8

**Data Source:** 2022 Service Annual Survey & 2022 Capital Spending Report, US Census Bureau

**38. Mill Machinery**

**Citation:** G.S. 105-164.13(5e)

**Description:** Sales of mill machinery or mill machinery parts or accessories. A manufacturingplant does not include (i) a retailer principally engaged in the retail sale of foods prepared by it or (ii) a production company.

**Enacting Legislation:** S.L. 2017-57 - effective July 1, 2018; mill machinery, attachments and parts had previously been taxed at a preferential rate of 1% with an $80 cap per item under the sales tax statutes (S.L. 1961-826) or later under Article 5F; exempt prior to 1961

**FY25-26 Estimate (in $millions):** 289.5

**FY26-27 Estimate (in $millions):** 295.4

**Data Source:** Department of Revenue Article 5F tax database; 2022 Capital Expenditures Survey, US Census Bureau; Bureau of Labor Statistics employment series

**39. Major Recycling Facility Equipment**

**Citation:** G.S. 105-164.13(5f)

**Description:** Sales of (a) cranes, structural steel crane and support systems, and foundations related to the cranes and support systems, (b) port and dock facilities, (c) rail equipment, (d) material handling equipment to a major recycling facility.

**Enacting Legislation:** S.L. 2017-57 - effective July 1, 2018; items had previously been subject to tax under Article 5F (S.L. 2005-276, effective Jan. 1, 2006)

**FY25-26 Estimate (in $millions):** 0.2

**FY26-27 Estimate (in $millions):** 0.2

**Data Source:** Department of Revenue Article 5F tax database

**40. R&D Company Equipment**

**Citation:** G.S. 105-164.13(5g)

**Description:** Sales of equipment, or an attachment or repair part for equipment, that (a) is sold to a company primarily engaged in R&D activities in the physical, engineering and life sciences, (b) is capitalized by the company for tax purposes under the Code, (c) is used by the company in the research and development of tangible personal property.

**Enacting Legislation:** S.L. 2017-57 - effective July 1, 2018; items had previously been subject to tax under Article 5F (S.L. 2006-66, effective Jan. 1, 2007)

**FY25-26 Estimate (in $millions):** 3.7

**FY26-27 Estimate (in $millions):** 3.8

**Data Source:** Department of Revenue Article 5F tax database; 2022 Capital Expenditures Survey, US Census Bureau; Bureau of Labor Statistics employment series

**41. Software Publishing Company Equipment**

**Citation:** G.S. 105-164.13(5h)

**Description:** Sales of equipment, or an attachment or repair part for equipment, that (a) is sold to a company primarily engaged in software publishing activities, (b) is capitalized by the company for tax purposes under the Code, (c) is used by the company in the research and development of tangible personal property.

**Enacting Legislation:** S.L. 2017-57 - effective July 1, 2018; items had previously been subject to tax under Article 5F (S.L. 2007-323, effective Oct. 1, 2007)

**FY25-26 Estimate (in $millions):** 5.1

**FY26-27 Estimate (in $millions):** 5.2

**Data Source:** Department of Revenue Article 5F tax database; 2022 Capital Expenditures Survey, US Census Bureau; Bureau of Labor Statistics employment series

**42. Industrial Machinery Refurbishing Equipment**

**Citation:** G.S. 105-164.13(5i)

**Description:** Sales of equipment, or an attachment or repair part for equipment, that (a) is sold to a company primarily engaged at the esstablishment in industrial machinery refurbishing activities, (b) is capitalized by the company for tax purposes under the Code, and (c) is used by the company in repairing or refurbishing tangible personal property.

**Enacting Legislation:** S.L. 2017-57 - effective July 1, 2018; items had previously been subject to tax under Article 5F (S.L. 2008-107, effective July 1, 2008)

**FY25-26 Estimate (in $millions):** 0.1

**FY26-27 Estimate (in $millions):** 0.1

**Data Source:** Department of Revenue Article 5F tax database

**43. Ports Facility Equipment**

**Citation:** G.S. 105-164.13(5j)

**Description:** Sales of the following to a company located at a ports facility for waterborne commerce: (a) machinery and equipment that is used at the facility to unload or to facilitate the unloading or processing of bulk cargo to make it suitable for delivery to and use by manufacturing facilities, (b) parts, accessories, or attachments used to maintain, repair, replace, upgrade, improve, or otherwise modify such machinery and equipment.

**Enacting Legislation:** S.L. 2017-57 - effective July 1, 2018; items had previously been subject to tax under Article 5F (S.L. 2011-302, effective July 1, 2013)

**FY25-26 Estimate (in $millions):** Unavailable – included in item #38

**FY26-27 Estimate (in $millions):** Unavailable – included in item #38

**44. Secondary Metals Recycler Equipment, Fuel and Electricity**

**Citation:** G.S. 105-164.13(5k)

**Description:** Sales of the following to a secondary metals recycler: (a) equipment, or an attachment or repair part for equipment, that (i) is capitalized for tax purposes under the Code; (ii) is used by the person in the secondary metals recycling process, and (iii) is not a motor vehicle or an attachment or repair part for a motor vehicle; (b) fuel, piped

natural gas, or electricity for use at the person's facility at which the primary activity is secondary metals recycling.

**Enacting Legislation:** S.L. 2017-57 - effective July 1, 2018; items had previously been subject to tax under Article 5F (S.L. 2016-94, effective July 1, 2016)

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**45. Precious Metals Extraction Equipment**

**Citation:** G.S. 105-164.13(5l)

**Description:** Sales of equipment, or an attachment or repair part for equipment, that meets all the following requirements: (a) is sold to a company primarily engaged at the establishment in processing tangible personal property for the purposes of extracting precious metals to determine the value for potential purchase, (b) is capitalized for tax purposes under the Code, (c) is used by the company in the process.

**Enacting Legislation:** S.L. 2017-57 - effective July 1, 2018; items had previously been subject to tax under Article 5F (S.L. 2016-94, effective July 1, 2016)

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**46. Large Metal Fabricator Equipment**

**Citation:** G.S. 105-164.13(5m)

**Description:** Sales of equipment, or an attachment or repair part for equipment, that (a) is sold to a company that is engaged in the fabrication of metal work and that has annual gross receipts of at least $8 million; (b) is capitalized for tax purposes under the Code; (c) is used by the company at the establishment in the fabrication or manufacture of metal products or used by the company to create equipment for the fabrication or manufacture of metal products.

**Enacting Legislation:** S.L. 2017-57 - effective July 1, 2018; items had previously been subject to tax under Article 5F (S.L. 2016-94, effective July 1, 2016)

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**47. Ready-Mix Concrete Mill Parts**

**Citation:** G.S. 105-164.13(5n)

**Description:** Sales of repair or replacement parts for a ready-mix concrete mill, regardless of whether the mill is freestanding or affixed to a motor vehicle, to a company that primarily sells ready-mix concrete.

**Enacting Legislation:** S.L. 2017-57 - effective July 1, 2018; items had previously been subject to tax under Article 5F

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**48. Large Fulfillment Facility Equipment**

**Citation:** G.S. 105-164.13(5o)

**Description:** Sales of equipment, or an accessory, an attachment, or a repair part for equipment, that (a) is sold to a large fulfillment facility, (b) is used at the facility in the distribution process, which includes receiving, inventorying, sorting, repackaging, or distributing finished retail products, (c) is not electricity. The facility must invest at least $100 million in real and tangible property and maintain an employment level of at least 400.

**Enacting Legislation:** S.L. 2017-57 - effective July 1, 2017

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**49. Certain Stone-Cutting Equipment**

**Citation:** G.S. 105-164.13(5p)

**Description:** Sales of equipment, or an attachment or repair part for equipment, which is used in cutting, shaping, polishing, and finishing rough cut slabs and blocks of natural and engineered stone and stone-like products and sold to a company primarily engaged in the business of providing made-to-order countertops, walls, or tubs.

**Enacting Legislation:** S.L. 2019-169 - effective Oct. 1, 2019

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**50. Equipment, Supplies and Other Items for Alcoholic Beverage Manufacturing**

**Citation:** G.S. 105-164.13(5q)

**Description:** Sales of machinery, equipment, parts and accessories sold to certain alcoholic beverage manufacturers, as well as supplies and ingredients used or consumed in the manufacturing process.

**Enacting Legislation:** S.L. 2021-150, effective October 1, 2021

**FY25-26 Estimate (in $millions):** 2.7

**FY26-27 Estimate (in $millions):** 2.7

**Data Source:** Bureau of Labor Statistics Quarterly Census of Employment and Wages; Department of Revenue tax records

**51. Aquacultural Products in Raw State**

**Citation:** G.S. 105-164.13(7)

**Description:** Sales of products of waters in their original or non-manufactured state when such sales are made by the producer in the capacity of producer. Fish and seafoods are likewise exempt when sold by the fisherman in that capacity.

**Enacting Legislation:** S.L. 1957-1340

**FY25-26 Estimate (in $millions):** 1.4

**FY26-27 Estimate (in $millions):** 1.4

**Data Source:** 2023 Census of Aquaculture (National Agricultural Statistics Service, USDA)

**52. Fuel for Small Power Production Facility**

**Citation:** G.S. 105-164.13(8a)

**Description:** Sales of fuel to a small power production facility used by the facility to generate electricity. A small power production facitliy is defined by 16 USC § 796(17)(A) as a facility that produces energy using primarily renewable resources and has a power production capacity of not more than 80 megawatts.

**Enacting Legislation:** S.L. 1989-989 - effective July 1, 1991

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**53. Tangible Property Purchased for Commercial Fishing**

**Citation:** G.S. 105-164.13(9)

**Description:** Sales of boats, fuel oil, lubricating oils, machinery, equipment, nets, rigging, paints, parts, accessories, and supplies used in commercial fishing.

**Enacting Legislation:** S.L. 1957-1340

**FY25-26 Estimate (in $millions):** 1.2

**FY26-27 Estimate (in $millions):** 1.2

**Data Source:** NC Fisheries Association, NC Division of Marine Fisheries; Department of Revenue tax data

**54. Items Used by Laundries and Dry Cleaning Businesses**

**Citation:** G.S. 105-164.13(10)

**Description:** Sales to commercial laundries or to dry cleaning establishments of articles or materials used for the identification of garments being laundered or dry cleaned, wrapping paper, bags, hangers, starch, soaps, and similar items applied directly to the garments. As of January 1, 2006, this section also exempts laundry and dry-cleaning machinery, parts and accessories attached to the machinery, lubricants applied to the machinery, and fuel, other than electricity.

**Enacting Legislation:** S.L. 1957-1340; S.L. 2005-276 for laundering machinery, parts and accessories, and lubricants - these items were subject to a 1% tax with an $80 maximum per article prior to January 1, 2006. Fuel was subject to a 1% tax prior to January 1, 2006.

**FY25-26 Estimate (in $millions):** 1.7

**FY26-27 Estimate (in $millions):** 1.8

**Data Source:** 2022 Economic Census, US Census Bureau; County Business Patterns, US Census Bureau; Department of Revenue tax data

**55. Lubricants, Materials and Electricity Used by Major Recycling Facility**

**Citation:** G.S. 105-164.13(10a)

**Description:** Sales to major recycling facility of (a) lubricants and other additives for motor vehicles or machinery; (b) materials and supplies used or consumed in the facility; (c) electricity used at the facility.

**Enacting Legislation:** S.L. 1998-55 - effective for sales on or after July 1, 1998

**FY25-26 Estimate (in $millions):** 4.7

**FY26-27 Estimate (in $millions):** 4.8

**Data Source:** Department of Revenue tax data; 2012 Economic Census materials-consumed data for steel mills, 2022 Economic Census, US Census Bureau

**Note:** Electricity estimates for purchases made on or after July 1, 2014 are based on the State combined rate, with no netting for distribution to local governments

**56. Motor Fuel or Alternative Fuel Taxed by Articles 36C or 36D**

**Citation:** G.S. 105-164.13(11)

**Description:** Motor fuel, as defined in G.S. 105‑449.60, except motor fuel for which a refund of the per gallon excise tax is allowed under G.S. 105‑449.105A or G.S. 105‑449.107; alternative fuel taxed under Article 36D of this Chapter, unless a refund of that tax is allowed under G.S. 105‑449.107.

**Enacting Legislation:** S.L. 1947-501

**FY25-26 Estimate (in $millions):** 0.0

**FY26-27 Estimate (in $millions):** 0.0

**Data Source:** Department of Revenue tax records; Energy Information Administration

**Note:** The estimate is the amount of tax that would be collected at the State combined tax rate of 7.0% in excess of the amount collected by the excise tax on motor fuels.

**57. Diesel Fuel for Railroads**

**Citation:** G.S. 105-164.13(11a)

**Description:** Diesel fuel for railroad companies for use in rolling stock other than motor vehicles.

**Enacting Legislation:** S.L. 1995-451 - effective September 1, 1995

**FY25-26 Estimate (in $millions):** 10.2

**FY26-27 Estimate (in $millions):** 10.2

**Data Source:** Association of American Railroads; Surface Transportation Board

**58. Fuel Purchases by an Interstate Air Business**

**Citation:** G.S. 105-164.13(11b)

**Description:** Sales of aviation gasoline and jet fuel to an interstate air business for use in a commercial aircraft.

**Enacting Legislation:** S.L. 2015-259 – effective Jan. 1, 2016

**Sunset Date:** Jan. 1, 2029

**FY25-26 Estimate (in $millions):** 18.0

**FY26-27 Estimate (in $millions):** 18.7

**Data Source:** Legislative fiscal note for House Bill 117 (2015); Department of Revenue data on jet fuel purchases

**59. Durable Medical Equipment**

**Citation:** G.S. 105-164.13(12)

**Description:** Sales of (a) prosthetic devices for human use; (b) mobility-enhancing equipment sold on a prescription; (c) durable medical equipment sold on prescription; (d) durable medical supplies sold on prescription; (e) human blood, including whole, plasma, and derivatives; (f) human tissue, eyes, DNA, or an organ.

**Enacting Legislation:** S.L. 1943-400 - effective July 1, 1943; S.L. 2017-204 added the last two items, effective Aug. 11, 2017

**FY25-26 Estimate (in $millions):** 129.3

**FY26-27 Estimate (in $millions):** 134.8

**Data Source:** Centers for Medicare & Medicaid Services (2023): National Health Expenditure Projections

**Note:** The estimate does not include sales to patients in hospitals, nursing homes, and other provider settings, although optical goods sold by optometrists are included.

**60. Prescription Drugs and Insulin for Human Use**

**Citation:** G.S. 105-164.13(13)

**Description:** Drugs required by federal law to be dispensed only on prescription, over-the-counter drugs sold on prescription, and insulin. This exemption does not apply to over-the-counter drugs purchased by hospitals and other medical facilities for use and treatment of patients.

**Enacting Legislation:** S.L. 1937-406; the exemption for insulin was added by S.L. 1988-937, effective for sales on or after August 1, 1988.

**FY25-26 Estimate (in $millions):** 973.8

**FY26-27 Estimate (in $millions):** 1,028.0

**Data Source:** Centers for Medicare & Medicaid Services (2023): National Health Expenditure Projections

**Note:** The estimate does not include sales to patients in hospitals, nursing homes, and other provider settings.

**61. Drugs Prescribed by a Veterinarian**

**Citation:** G.S. 105-164.13(13)

**Description:** Drugs required by federal law to be dispensed only on prescription and over-the-counter drugs sold on prescription (by veterinarians). The exemption does not include pet food or feed to animals.

**Enacting Legislation:** S.L. 1985-555, effective July 1, 1985, added veterinarians to the list of professionals whose prescriptions were exempt. S.L. 1953-983 had added veterinarians previously, but that statute was repealed by S.L. 1961-826.

**FY25-26 Estimate (in $millions):** 19.8

**FY26-27 Estimate (in $millions):** 20.5

**Data Source:** American Veterinary Medical Association; 2012, 2017 and 2022 Economic Censuses

**Note:** The estimate does not include vaccines and medications for farm animals, which are predominantly exempt under G.S. 105-164.13E(6)a.

**62. Diapers and Incontinence Pads for Medicaid Beneficiaries**

**Citation:** G.S. 105-164.13(13d)

**Description:** Exemption for sales of diapers or incontinence underpads on prescription by an enrolled State Medicaid provider for use by beneficiaries of the State Medicaid program when the provider is reimbursed by the State Medicaid program or a Medicaid managed care organization, as defined in 42 U.S.C. § 1396b(m).

**Enacting Legislation:** S.L. 2019-169 - effective October 1, 2019

**FY25-26 Estimate (in $millions):** less than 0.1

**FY26-27 Estimate (in $millions):** less than 0.1

**63. Public School Books**

**Citation:** G.S. 105-164.13(14)

**Description:** Sales of public school books on the adopted list, the selling price of which is set by State contract.

**Enacting Legislation:** S.L. 1933-445

**FY25-26 Estimate (in $millions):** 1.5

**FY26-27 Estimate (in $millions):** 1.5

**Data Source:** N.C. Department of Public Instruction - expenditures on textbooks from annual statistical report

**Note:** Except for this specific exemption, textbook sales in North Carolina are taxable.

### 64. Accounts of Sales Charged Off for Income Purposes

**Citation:** G.S. 105-164.13(15)

**Description:** Accounts of purchasers, representing taxable sales, on which the sales and use tax has been paid, that are found to be worthless and actually charged off for income tax purposes may be deducted from gross sales. In the case of a municipality that sells electricity, the account may be deducted if it meets all the conditions for charge-off that would apply if the municipality were subject to income tax.

**Enacting Legislation:** S.L. 1933-445

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

### 65. Sales by Blind Merchants

**Citation:** G.S. 105-164.13(20)

**Description:** Sales by blind merchants operating under supervision of the Department of Health and Human Services.

**Enacting Legislation:** S.L. 1957-1340

**FY25-26 Estimate (in $millions):** 0.4

**FY26-27 Estimate (in $millions):** 0.4

**Data Source:** Business Enterprise Program statistics from the N.C. Department of Health and Human Services, Division of Services for the Blind

### 66. Lease or Rental of Films for Exhibition

**Citation:** G.S. 105-164.13(21)

**Description:** Lease or rental of motion picture films used for exhibition purposes where the lease or rental of such property is an established business or part of an established business.

**Enacting Legislation:** S.L. 1957-1340

**FY25-26 Estimate (in $millions):** 7.2

**FY26-27 Estimate (in $millions):** 7.4

**Data Source:** Department of Revenue tax data; 2022 Service Annual Survey (US Census Bureau); 2022 Economic Censuses

**67. Lease or Rental of Films, Transcriptions and Recordings to Broadcasters**

**Citation:** G.S. 105-164.13(22)

**Description:** Lease or rental of films, motion picture films, transcriptions and recordings to radio stations and television stations operating under a certificate from the Federal Communications Commission.

**Enacting Legislation:** S.L. 1957-1340

**FY25-26 Estimate (in $millions):** 12.4

**FY26-27 Estimate (in $millions):** 12.5

**Data Source:** Department of Revenue tax data; 2022 Service Annual Survey (US Census Bureau); 2022 Economic Census

**68. Audiovisual Masters**

**Citation:** G.S. 105-164.13(22a)

**Description:** Sales of audiovisual masters made or used by a production company in making images for first generation reproduction.

**Enacting Legislation:** S.L. 1997-521 - effective Oct. 1, 1997

**FY25-26 Estimate (in $millions):** 0.7

**FY26-27 Estimate (in $millions):** 0.7

**Data Source:** 2022 Service Annual Survey (US Census Bureau); Bureau of Labor Statistics Quarterly Census of Employment and Wages

**69. Packaging Items for Manufacturers**

**Citation:** G.S. 105-164.13(23)a

**Description:** Sales of the following packaging items: wrapping paper, cloth, plastic bags, labels, wrapping twine, packages and containers, cartons, cores, cones or spools, wooden boxes, baskets, coops and barrels, and like articles sold to manufacturers, when such materials constitute a part of the sale of tangible personal property.

**Enacting Legislation:** S.L. 1957-1340

**FY25-26 Estimate (in $millions):** 93.3

**FY26-27 Estimate (in $millions):** 95.5

**Data Source:** 2012 & 2022 Economic Census (US Census Bureau); County Business Patterns (US Census Bureau)

**Note:** Packaging costs related to glass, plastic and metal containers that are likely to be included in final products for resale were not included in the estimates.

**70. Packaging Items for Retailers**

**Citation:** G.S. 105-164.13(23)a

**Description:** Sales of the following packaging items: wrapping paper, cloth, plastic bags, labels, wrapping twine, packages and containers, cartons, including paper cups, napkins and drinking straws and like articles sold to retailers, when such materials constitute a part of the sale of tangible personal property.

**Enacting Legislation:** S.L. 1957-1340

**FY25-26 Estimate (in $millions):** 32.2

**FY26-27 Estimate (in $millions):** 33.5

**Data Source:** Business Expenses Estimates from 2012 Economic Census; 2022 Economic Census (US Census Bureau); County Business Patterns (US Census Bureau): Bureau of Labor Statistics

**Note:** The estimate includes costs associated with retail trade, wholesale trade and food services. Due to possibility of resale, only 20% of wholesale packaging costs are included in the estimates.

**71. Packaging Returned to Seller**

**Citation:** G.S. 105-164.13(23)b

**Description:** Packaging that is required to be returned to seller.

**Enacting Legislation:** S.L. 1997-397 - effective Oct. 1, 1997

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**Note:** Prior to the enactment of this exemption, these items were being taxed as reusable containers. In practice, many of these containers contained ingredient materials that were exempt from taxation. The sellers of the products were taxed on the lease of the containers.

**72. Fuel and Consumables Used by Boats Transporting Freight**

**Citation:** G.S. 105-164.13(24)

**Description:** Exemption of fuel and other tangible personal property for use or consumption by on on watergoing vessels for transport of freight in intrastate, interstate or foreign commerce in intracoastal waterways, sounds or rivers (formerly exempion

was just for freight on ocean going vessels which ply the high seas, which was not considered a tax expenditure for this report).

**Enacting Legislation:** S.L. 2023-134 - effective for sales occurring on or after Nov. 1, 2023

**FY25-26 Estimate (in $millions):** 0.5

**FY26-27 Estimate (in $millions):** 0.5

**Data Source:** Legislative Fiscal Note for HB 259 (2023), adjusted for the change in effective start date

**Note:** This citation also allows an exempion for freight on ocean going vessels which ply the high seas, which has not been considered a tax expenditure for this report.

**73. Food Sold in a School**

**Citation:** G.S. 105-164.13(26)

**Description:** Food and prepared food sold in a school building during the regular school day.

**Enacting Legislation:** S.L. 1961-826 - effective July 1, 1961

**FY25-26 Estimate (in $millions):** 7.5

**FY26-27 Estimate (in $millions):** 7.3

**Data Source:** Department of Public Instruction; Division of Non-Public Education, Department of Administration

**Note:** Meals paid by federal or state funds were excluded from the estimate.

**74. Food Sold by a Public School Cafeteria to Certain Childcare Centers**

**Citation:** G.S. 105-105.164.13(26a)

**Description:** Sales of food sold not for profit by a public school cafeteria to a childcare center that participates in the Child and Adult Care Food Program.

**Enacting Legislation:** S.L. 1991-931 - effective Aug. 1, 1992

**FY25-26 Estimate (in $millions):** 0.5

**FY26-27 Estimate (in $millions):** 0.5

**Data Source:** Food and Nutrition Service, US Department of Agriculture

**75. Food Sold Not for Profit Related to a School**

**Citation:** G.S. 105-105.164.13(26b)

**Description:** Food, prepared food, soft drinks, cany and other items sold not for profit for or at an event that is sponsored by an elementary or secondary school when the net proceeds of the sales will be given or contributed to the school or to a nonprofit charitable organization, one of whose purposes is to serve as a conduit through which the net proceeds will flow to the school.

**Enacting Legislation:** S.L. 2016-5 - effective Jan. 1, 2017

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**76. Meals for the Elderly**

**Citation:** G.S. 105-164.13(31)

**Description:** Sales of meals not for profit to elderly and incapacitated persons by charitable or religious organizations not operated for profit which are entitled to the refunds provided by G.S. 105-164.14(b), when such meals are delivered to the purchasers at their places of abode.

**Enacting Legislation:** S.L. 1975-982 - effective July 1, 1976

**FY25-26 Estimate (in $millions):** 1.7

**FY26-27 Estimate (in $millions):** 1.7

**Data Source:** Meals on Wheels data from Wake, Mecklenburg, Guilford, Cabarrus and Rowan Counties

**77. Food Sold by a Church or Religious Organization**

**Citation:** G.S. 105-164.13(31a)

**Description:** Food sold by a church or religious organization not operated for profit when proceeds are used for religious purposes.

**Enacting Legislation:** S.L. 1989-1060 - effective for sales on or after Oct. 1, 1990

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**78. Motor Vehicle Exemption Less Highway Use Tax**

**Citation:** G.S. 105-164.13(32)

**Description:** Sales of motor vehicles, the sale of a motor vehicle body to be mounted on a motor vehicle chassis when a certificate of title has not been issued for the chassis, and the sale of a motor vehicle body mounted on a motor vehicle chassis that temporarily enters the State so the manufacturer of the body can mount the body or chassis.

**Enacting Legislation:** S.L. 1989-692 added the exemption for motor vehicles and created the Highway Use Tax. Motor vehicles had been taxed under the sales tax prior to this and were taxed at preferential rates with a cap.

**FY25-26 Estimate (in $millions):** 926.9

**FY26-27 Estimate (in $millions):** 952.8

**Data Source:** NC Department of Transportation; NC Department of Revenue

**Note:** The estimate only includes the sales of vehicles. The estimate is the additional revenue that would be collected at the 4.75% sales tax rate above the 3% Highway Use Tax. It is assumed that there would be no trade-in allowance (see estimate for G.S. 105-187.3(b)).

**79. Sales by Nonprofits Whose Proceeds Go to the State**

**Citation:** G.S. 105-164.13(34)

**Description:** Sales of items by a nonprofit civic, charitable, educational, scientific or literary organization when the net proceeds of the sales will be given to the State of North Carolina or to one of its agencies or instrumentalities, or to one or more nonprofit charitable organizations, one of whose purposes is to serve as a conduit through which such net proceeds will flow to the State or to one or more of its agencies or instrumentalities.

**Enacting Legislation:** S.L. 1979-801 - effective for sales on or after Jan. 1, 1974

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**80. Sales by Nonprofits Conducted Annually**

**Citation:** G.S. 105-164.13(35)

**Description:** Sales by nonprofits conducted annually when the proceeds are used for the organization's activities. The products sold must be delivered to the purchaser within 60 days after the first solicitation of any sale made during the organization's annual sales period. S.L. 2023-12 added conditions for nonprofits that conducted more than one annual sales event..

**Enacting Legislation:** S.L. 1979-801 - effective for sales on or after July 1, 1979

**FY25-26 Estimate (in $millions):** 2.4

**FY26-27 Estimate (in $millions):** 2.4

**Data Source:** Girl Scout & Boy Scout receipts from Guidestar

**81. Advertising Supplements Sold with Newspapers**

**Citation:** G.S. 105-164.13(36)

**Description:** Advertising supplements and any other printed matter ultimately to be distributed with or as part of a newspaper.

**Enacting Legislation:** S.L. 1983-873 – effective July 20, 1983

**FY25-26 Estimate (in $millions):** 0.3

**FY26-27 Estimate (in $millions):** 0.2

**Data Source:** Annual reports of publicly-traded newspaper companies; 2022 Service Annual Survey (US Census Bureau)

**82. Components of Free Distribution Periodicals**

**Citation:** G.S. 105-164.13(39)

**Description:** Sales of paper, ink, and other tangible personal property to commercial printers and commercial publishers for use in free distribution periodicals and sales by printers of free distribution periodicals to the publishers of these periodicals.

**Enacting Legislation:** S.L. 1985-656 - effective Oct. 1, 1985; S.L. 1999-438 repealed this exemption, effective Oct. 1, 1999; S.L. 2004-124 reinstated this exemption, effective July 1, 2005

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**Note:** An estimate was provided by a legislative fiscal note for House Bill 1149 (2003-04 session)

**83. Sales to the Department of Transportation**

**Citation:** G.S. 105-164.13(40)

**Description:** Sales to the North Carolina Department of Transportation. This exemption does not apply to sales of tangible personal property to contractors for use in the performance of contracts with the Department of Transportation.

**Enacting Legislation:** S.L. 1985-973 - effective Aug. 1, 1986

**FY25-26 Estimate (in $millions):** 0.0

**FY26-27 Estimate (in $millions):** 0.0

**Note:** Additional sales tax revenue would be offset by additional State costs.

### 84. Mobile Classrooms Purchased by Boards of Education or Community Colleges

**Citation:** G.S. 105-164.13(41)

**Description:** Sales of mobile classrooms to local boards of education or to local boards of trustees of community colleges.

**Enacting Legislation:** S.L. 1993-484 - effective Oct. 1, 1993; this exemption was enacted when mobile offices and classrooms became taxable under the sales tax rather than the highway use tax.

**FY25-26 Estimate (in $millions):** 0.7

**FY26-27 Estimate (in $millions):** 0.7

**Data Source:** Amount spent on mobile classrooms was estimated using data from NC Public Schools; various LEA budgets

### 85. Articles Donated by Retailer or Wholesaler

**Citation:** G.S. 105-164.13(42)

**Description:** Tangible personal property that is purchased by a retialer for resale or is manufactured or purchased by a wholesale merchant for resale and then withdrawn from inventory and donated by the retailer or wholesale merchant.

**Enacting Legislation:** S.L. 1996-14 - effective Aug. 1, 1996

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

### 86. Custom Computer Software

**Citation:** G.S. 105-164.13(43)

**Description:** Sales of custom computer software and the portion of prewritten computer software that is modified or enhanced if the modification or enhancement is designed and developed to the specifications of a specific purchaser.

**Enacting Legislation:** S.L. 1983-713 excluded custom computer software from the definition of "tangible property"; S.L. 1997-370, effective for sales made on or after Oct. 1, 1997, changed the statutes to the more restrictive exemption.

**FY25-26 Estimate (in $millions):** 123.6

**FY26-27 Estimate (in $millions):** 126.1

**Data Source:** 2022 Capital Expenditures Survey and 2022 Service Annual Survey, US Census Bureau

**87. Certain Computer Software**

**Citation:** G.S. 105-164.13(43a)

**Description:** Computer software that meets any of the following descriptions: (a) it is designed to run on an enterprise server operating system, (b) it is sold to a person who operates a datacenter and is used within the datacenter, (c) it is sold to a person who provides cable service; telecommunications service, or video programming and is used to provide ancillary service, cable service, Internet access service, telecommunications service, or video programming.

**Enacting Legislation:** S.L. 2009-451 - effective Jan. 1, 2010. Prior to this legislation, digital downloads were not subject to the sales tax.

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**88. Component Software or Digital Property**

**Citation:** G.S. 105-164.13(43b)

**Description:** Effective January 1, 2010: Computer software or digital property that becomes a component part of other computer software or digital property that is offered for sale or of a service that is offered for sale.

**Enacting Legislation:** S.L. 2009-451 - effective Jan. 1, 2010

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**89. Certain Items Purchased by Interstate Passenger Air Carriers**

**Citation:** G.S. 105-164.13(45)

**Description:** Sales of aircraft lubricants, repair parts and accessories to an interstate passenger air carrier for use at its hub.

**Enacting Legislation:** S.L. 1999-360 - effective Jan. 1, 2001

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**90. Lubricants and Parts Used in Maintenance of Commercial Aircraft**

**Citation:** G.S. 105-164.13(45a)

**Description:** Sales to an interstate air business of tangible personal property that becomes a component part of or is dispensed as a lubricant into commercial aircraft during its maintenance, repair, or overhaul.

**Enacting Legislation:** S.L. 2004-124 - effective Oct. 1, 2004

**FY25-26 Estimate (in $millions):** 7.9

**FY26-27 Estimate (in $millions):** 8.2

**Data Source:** 2022 Service Annual Survey; share of maintenance material in airline expenses from Air Transport Association "Quarterly Cost Index"; Bureau of Labor Statistics data on Air Transportation quarterly employment and wages

**91. Certain Items Purchased by Interstate Air Couriers**

**Citation:** G.S. 105-164.13(45b)

**Description:** Sales to interstate air courier (a) aircraft lubricants, repair parts and accessories, (b) materials handling equipment, racking systems, and related parts and accessories for the storage or handling and movement of tangible personal property at an airport or in a warehouse or distribution facility.

**Enacting Legislation:** S.L. 1999-360 added part (a) of this exemption, effective Jan. 1, 2001; S.L. 2005-276, effective Oct. 1, 2005, added the remaining parts; these items were previously subject to a 1% tax, with a $80 cap per item since Jan. 1, 2001 (S.L. 1998-55)

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**92. Aircraft Simulators**

**Citation:** G.S. 105-164.13(45c)

**Description:** Sales of aircraft simulators to a company for flight crew training and maintenance training.

**Enacting Legislation:** S.L. 2009-511, effective Oct. 1, 2009; S.L. 2005-276 had allowed an exemption only for interstate air carriers; purchases by interstate air carriers or interstate air couriers were previously taxed at 1%, with a $80 cap, effective for purchases made on or after May 1, 1999 (S.L. 1999-360)

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**93. Items Related to Qualified Aircraft or Qualified Jet Engine**

**Citation:** G.S. 105-164.13(45d)

**Description:** Parts and accessories for use in the repair or maintenance of a qualified aircraft or a qualified jet engine. S.L. 2023-134 expanded the deduction to include aircraft with a maximum take-off weight between 2,000 and 9,000 pounds.

**Enacting Legislation:** S.L. 2015-259 – effective Oct. 1, 2015

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**94. Items related to Interstate Air and Ground Courier**

**Citation:** G.S. 105-164.13(45e)

**Description:** Exemption for sales to an interstate air and ground courier of materials handling equipment, automated conveyor systems, racking systems, and related parts and accessories for the storage or handling and movement of tangible personal property at its package sorting facility.

**Enacting Legislation:** S.L. 2022-74 -- effective for purchases made on or after July 1, 2022

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**Note:** The investment of private funds must be at least $100 million and the employment level must be at least 400 within 5 years after the date the facility is placed into service. Refer to estimates in Legislative Fiscal Note for House Bill 103 (2022).

**95. Electricity to Municipalities Supplied by Federal Agency**

**Citation:** G.S. 105-164.13(46)

**Description:** Sales of electricity by a municipality whose only wholesale provider is a federal agency and who is required by a contract with that federal agency to make payments in lieu of taxes.

**Enacting Legislation:** S.L. 1999-438 - prior to this, the exemption was included in the definition of "utility" in G.S. 105-164.3 when the sales tax was applied to electricity in 1985 - S.L. 1985-23.

**FY25-26 Estimate (in $millions):** 2.9

**FY26-27 Estimate (in $millions):** 2.9

**Data Source:** Tennessee Valley Authority report for Federal Fiscal Year 2018

**Note:** The estimates are based on a 7% combined State rate. Payments by TVA in lieu of taxes have been netted out of the estimates.

### 96. Delivery Charges of Direct Mail

**Citation:** G.S. 105-164.13(49a)

**Description:** Delivery charges for delivery of direct mail if the charges are separately stated on an invoice.

**Enacting Legislation:** S.L. 2004-124 - effective Oct. 1, 2004

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**Note:** An estimate was provided by a legislative fiscal note for HB 1414 (2003-04 session)

### 97. Goods Sold Through Vending Machines

**Citation:** G.S. 105-164.13(50)

**Description:** 50% of the sales price of goods sold through coin-operated vending machines, except tobacco and newspapers.

**Enacting Legislation:** S.L. 1987-854 - effective July 1, 1989; this exemption was originally included in G.S. 105-164.3 under the definition of "sales price"

**FY25-26 Estimate (in $millions):** 13.6

**FY26-27 Estimate (in $millions):** 13.7

**Data Source:** "2023 State of the Vending Industry Report," Automatic Merchandiser; 2022 Economic Censuses; Bureau of Labor Statistics Quarterly Census of Employment and Wages

**98. Water Delivered Through Main Pipes**

**Citation:** G.S. 105-164.13(51)

**Description:** Water delivered through main lines for either commercial or domestic use or consumption.

**Enacting Legislation:** S.L. 2003-284 -- prior to this, water delivered through main lines or pipes was excluded from tax because it was excluded from the definition of tangible personal property.

**FY25-26 Estimate (in $millions):** 98.5

**FY26-27 Estimate (in $millions):** 100.4

**Data Source:** NC Department of Energy and Natural Resources; "Statistical Information on Water and Sewer Operations," North Carolina Department of State Treasurer

**Note:** The estimate only considers a sales tax on the variable rates on water consumption. It does not include fixed charges or wastewater rates. Prior to July 1, 2014, there was a franchise tax on water companies subject to regulation by the North Carolina Utilities Commission; the tax is 4% of taxable gross receipts from the operation of a water system and 6% of gross receipts from the operation of a public sewer system; however, systems owned by counties and municipal corporations are exempt from the franchise tax.

**99. Sales to State Agencies**

**Citation:** G.S. 105-164.13(52)

**Description:** Items subject to sales and use tax under G.S. 105‑164.4, other than electricity, telecommunications service, and ancillary service. The items must be purchased by a State agency for its own use and in accordance with G.S. 105‑164.29A.

**Enacting Legislation:** S.L. 2003-431, effective for sales made on or after July 1, 2004

**FY25-26 Estimate (in $millions):** 0.0

**FY26-27 Estimate (in $millions):** 0.0

**100. Aerial Survey Data**

**Citation:** G.S. 105-164.13(53)

**Description:** Sales to a professional land surveyor of tangible personal property on which custom aerial survey data is stored in digital form or is depicted in graphic form.

**Enacting Legislation:** S.L. 2004-124 - effective Oct. 1, 2004

**FY25-26 Estimate (in $millions):** 0.1

**FY26-27 Estimate (in $millions):** 0.1

**Data Source:** 2017 Business Product data for Industry Codes related to Surveying Services (US Census Bureau)

**101. Pay Telephone Services**

**Citation:** G.S. 105-164.13(54)b

**Description:** Receipts of a pay telephone provider from the sale of pay telephone services.

**Enacting Legislation:** S.L. 2001-430 - effective Jan. 1, 2002. Pay telephone calls that are paid for by coin were exempt by S.L. 1998-197, effective Jan. 1, 2000.

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**102. 911 Charges**

**Citation:** G.S. 105-164.13(54)c

**Description:** 911 charges imposed under G.S. 62A-43 and remitted to the 911 Fund under that section.

**Enacting Legislation:** S.L. 2001-430 - effective Jan. 1, 2002

**FY25-26 Estimate (in $millions):** 6.5

**FY26-27 Estimate (in $millions):** 6.6

**Data Source:** 2024 State 911 Plan Report, NC 911 Board

**Note:** The estimate is based on the State tax rate on telecommunications, which is 7% for the relevant time periods.

**103. Telephone Charges Related to Occupancy of an Accommodation**

**Citation:** G.S. 105-164.13(54)d

**Description:** Charges for telephone service made by a hotel, motel, or another entity whose gross receipts are taxable under G.S. 105-164.4(a)(3) when the charges are incidental to the occupancy of the entity's accommodations.

**Enacting Legislation:** S.L. 2001-430 - effective Jan. 1, 2002

**FY25-26 Estimate (in $millions):** 0.1

**FY26-27 Estimate (in $millions):** 0.1

**Data Source:** 2012 Economic Census product-line data for accomodations

**Note:** The estimate is based on the State tax rate on telecommunications, which is 7% for the relevant time periods.

**104. Charges Related to State Network and Other Government Data Networks**

**Citation:** G.S. 105-164.13(54)e

**Description:** Charges to a State agency or to a local unit of government for the State Network and other data networks owned or leased by the State or unit of local government.

**Enacting Legislation:** S.L. 2001-487 - effective Jan. 1, 2002

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**105. Electricity and Equipment for an Eligible Internet Datacenter**

**Citation:** G.S. 105-164.13(55)

**Description:** Sales of electricity and certain business property to an eligible Internet datacenter. The datacenter must be located in a Tier 1 or Tier 2 county and at least $250 million must be invested in real or eligible business property over 5 years. Eligible business property includes equipment cooling systems; equipment used in the generation, transformation, transmission, distribution, or management of electricity; and property used to provide related computer engineering or computer science research.

**Enacting Legislation:** S.L. 2006-66 - effective for sales on or after Oct. 1, 2006

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**106. Electricity and Equipment for a Qualifying Datacenter**

**Citation:** G.S. 105-164.13(55a)

**Description:** Sales of electricity and datacenter support equipment to an eligible datacenter. The datacenter must invest at least $75 million in real or tangible property within a 5-year period, beginning on or after Jan. 1, 2012.

**Enacting Legislation:** S.L. 2015-259 - effective Jan. 1, 2016

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**Note:** See estimate in Legislative Fiscal Note for House Bill 117 (2015)

**107. Locomotives, Cranes and Trucks for a Railroad Intermodal Facility**

**Citation:** G.S. 105-164.13(56)

**Description:** Sales to the owner or lessee of an eligible railroad intermodal facility of intermodal cranes, intermodal hostler trucks, and railroad locomotives that reside on the premises of the facility and are used at the facility.

**Enacting Legislation:** S.L. 2007-323 - effective Jan. 1, 2007

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**108. Electricity Used by Manufacturers**

**Citation:** G.S. 105-164.13(57)

**Description:** Electricity sold to a manufacturer for use in connection with the operation of a manufacturing plant. The exemption does not apply to electricity used at a facility at which the primary activity is not manufacturing.

**Enacting Legislation:** S.L. 2007-397 - effective July 1, 2010; prior to this, electricity for manufacturing had a preferential tax rate of 2.83% (S.L. 1996 2nd extra session-2013), which was phased out between Oct. 1, 2007 and June 30, 2010.

**FY25-26 Estimate (in $millions):** 108.7

**FY26-27 Estimate (in $millions):** 110.4

**Data Source:** Department of Revenue tax data; Energy Information Administration

**Note:** Estimates for electricity purchases made on or after July 1, 2014 are based on the 7% State combined tax rate. No deduction to the estimates is made to account for related distributions to municipalities of a share of tax revenues.

**109. Piped Natural Gas Used by Manufacturers (except Power Plants)**

**Citation:** G.S. 105-164.13(57)

**Description:** Piped natural gas sold to a manufacturer (except a power plant) for use in connection with the operation of a manufacturing plant. Piped natural gas used for comfort heating only is not included in this exemption.

**Enacting Legislation:** S.L. 2007-397 - effective July 1, 2010; prior to this, the piped natural gas tax implicitly gave manufacturers a tax break by having a tax schedule that gave reduced rates to large end-users; rates for manufacturers were further reduced between Oct. 1, 2007 and June 30, 2010.

**FY25-26 Estimate (in $millions):** 43.1

**FY26-27 Estimate (in $millions):** 43.6

**Data Source:** Department of Revenue tax databases; Energy Information Administration

**Note:** Estimates for piped natural gas purchases made on or after July 1, 2014 are based on the 7% State combined tax rate. No deduction to the estimates is made to account for related distributions to municipalities of a share of tax revenues.

**110. Piped Natural Gas Used by Manufacturers (Power Plants)**

**Citation:** G.S. 105-164.13(57)

**Description:** Piped natural gas sold to a power plant for use in connection with the operation of a manufacturing plant. Piped natural gas used for comfort heating only is not included in this exemption.

**Enacting Legislation:** S.L. 2007-397 - effective July 1, 2010; prior to this, the piped natural gas tax implicitly gave manufacturers a tax break by having a tax schedule that gave reduced rates to large end-users; rates for manufacturers were further reduced between Oct. 1, 2007 and June 30, 2010.

**FY25-26 Estimate (in $millions):** 104.2

**FY26-27 Estimate (in $millions):** 108.4

**Data Source:** Department of Revenue tax databases; Energy Information Administration

**Note:** Estimates for piped natural gas purchases made on or after July 1, 2014 are based on the 7% State combined tax rate. No deduction to the estimates is made to account for related distributions to municipalities of a share of tax revenues.

**111. Other Fuel Used by Manufacturers**

**Citation:** G.S. 105-164.13(57)

**Description:** Other fuel sold to a manufacturer for use in connection with the operation of a manufacturing plant.

**Enacting Legislation:** S.L. 2007-397 - effective July 1, 2010; prior to this, fuel for manufacturing had a preferential tax rate of 1% (S.L. 1961-826), which was phased out between Oct. 1, 2007 and June 30, 2010; S.L. 1955-1313 exempted fuel for manufacturing

**FY25-26 Estimate (in $millions):** 15.2

**FY26-27 Estimate (in $millions):** 15.6

**Data Source:** Department of Revenue tax databases; Energy Information Administration

**Note:** Estimates are based on the 4.75% State sales and use tax rate.

**112. Disaster Assistance Debit Card Purchases**

**Citation:** G.S. 105-164.13(58)

**Description:** Tangible personal property purchased with a client assistance debit card issued for disaster assistance relief by a State agency or a federal agency or instrumentality.

**Enacting Legislation:** S.L. 2008-107 - effective Aug. 1, 2008

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**113. Interior Design Services**

**Citation:** G.S. 105-164.13(59)

**Description:** Interior design services provided in conjunction with the sale of tangible personal property.

**Enacting Legislation:** S.L. 2008-107 - effective Aug. 1, 2008

**FY25-26 Estimate (in $millions):** 2.9

**FY26-27 Estimate (in $millions):** 3.0

**Data Source:** County Business Patterns and Nonemployer Statistics for the relevant industry subsector

**Note:** The estimate assumes 10% of estimated services would be taxable. The estimate does not factor in sales of decorator charges by other types of businesses, such as furniture stores. In general, charges by retailers for services necessary to complete a sale of tangible personal property are considered part of the sales price and are therefore taxable. The Department of Revenue issued a technical bulletin related to interior design services prior to this exemption setting out guidelines for taxpayers regarding when the services would be taxable.

**114. Motor Vehicle Service Contract**

**Citation:** G.S. 105-164.13(61)

**Description:** A motor vehicle service contract is exempt.

**Enacting Legislation:** S.L. 2015-259 - effective March 1, 2016 (re-codified by S.L. 2017-204)

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**Note:** Service contracts on motor vehicles were taxable as of Jan. 1, 2014 and prior to March 1, 2016. Repair & maintenance services related to service contracts (except manufacturer or dealer warranties) were taxable as of March 1, 2016.

### 115. Service Contracts or RMI Services on Exempt Items

**Citation:** G.S. 105-164.13(61a)a

**Description:** Receipts from service contracts and RMI services related to an item exempt from tax under this Article are exempt. Also, property and services used to fulfill a service or contract for this item are exempt. This exemption does not apply to water for a pool, fish tank or similar aquatic feature or to a motor vehicle, except as provided under G.S. 105-164.13(62a).

**Enacting Legislation:** S.L. 2013-316 - effective Jan. 1, 2014 for service contracts; effective March 1, 2016 for RMI services

**FY25-26 Estimate (in $millions):** 188.3

**FY26-27 Estimate (in $millions):** 193.0

**Data Source:** Based on this report's estimates of the following exempt items: equipment exempt by G.S. 105.164.13(5a) through G.S. 105-164.13(5o); durable medical equipment; commercial logging machinery; and datacenter equipment. The estimate of service contract rate is derived from the "service contract" product line for retailers in 2012 Economic Census, US Census Bureau; repair and maintenance costs are estimated based on Annual Survey of Manufacturers (US Census Bureau)

### 116. Motor Vehicle Emissions and Safety Inspection Fee

**Citation:** G.S. 105-164.13(61a)b

**Description:** A motor vehicle emissions and safety inspection fee imposed pursuant to G.S. 20-183.7, provided the fee is separately stated on the invoice or other documentation provided to the purchaser at the time of sale.

**Enacting Legislation:** S.L. 2017-204 - effective Jan. 1, 2017

**FY25-26 Estimate (in $millions):** 7.9

**FY26-27 Estimate (in $millions):** 8.0

**Data Source:** Estimates based on NC DOT Highway Fund financial statements

### 117. Services Performed by a Related Person

**Citation:** G.S. 105-164.13(61a)c

**Description:** Services performed for a person by a related member.

**Enacting Legislation:** S.L. 2016-94 - effective Jan. 1, 2017

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**118. Services Related to Cleaning of Real Property**

**Citation:** G.S. 105-164.13(61a)d

**Description:** Cleaning of real property, except where the service constitutes a part of the gross receipts derived from the rental of an accommodation subject to tax under G.S. 105-164.4 or for a pool, fish tank, or other similar aquatic feature.

**Enacting Legislation:** S.L. 2016-94 - effective Jan. 1, 2017

**FY25-26 Estimate (in $millions):** 89.7

**FY26-27 Estimate (in $millions):** 94.2

**Data Source:** 2012, 2017 & 2022 Economic Censuses; County Business Patterns (US Census); Nonemployer Statistics (US Census)

**119. Services on Roads, Driveways, Parking Lots, & Sidewalks**

**Citation:** G.S. 105-164.13(61a)e

**Description:** Services on roads, driveways, parking lots, and sidewalks.

**Enacting Legislation:** S.L. 2016-94 - effective Jan. 1, 2017

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**120. Removal of Waste and Debris**

**Citation:** G.S. 105-164.13(61a)f

**Description:** Removal of waste, trash, debris, grease, snow, and other similar items from property, other than a motor vehicle. The exemption applies to household and commercial trash collection and removal services. The exemption applies to the removal of septage from property, including motor vehicles, but does not include removal of septage from portable toilets.

**Enacting Legislation:** S.L. 2016-94 - effective Jan. 1, 2017

**FY25-26 Estimate (in $millions):** 65.5

**FY26-27 Estimate (in $millions):** 68.8

**Data Source:** 2012, 2017 & 2022 Economic Censuses; County Business Patterns (US Census); Nonemployer Statistics (US Census)

### 121. Certain Real Property Inspections

**Citation:** G.S. 105-164.13(61a)g

**Description:** An inspection performed where the results are included in a report for the sale or financing of real property; an inspection of the structural integrity of real property; an inspection to a system that is a capital improvement under G.S. 105-164.3(2c)f., provided the inspection is to fulfill a safety requirement.

**Enacting Legislation:** S.L. 2016-94 - effective Jan. 1, 2017

**FY25-26 Estimate (in $millions):** 5.0

**FY26-27 Estimate (in $millions):** 5.3

**Data Source:** 2012, 2017 & 2022 Economic Censuses; County Business Patterns (US Census); Nonemployer Statistics (US Census)

### 122. Alterations & Clothing Repairs

**Citation:** G.S. 105-164.13(61a)h

**Description:** Alteration and repair of clothing, except where the service constitutes a part of the gross receipts derived from the rental of clothing subject to tax under G.S. 105-164.4 or for alteration and repair of belts and shoes.

**Enacting Legislation:** S.L. 2016-94 - effective Jan. 1, 2017

**FY25-26 Estimate (in $millions):** 23.3

**FY26-27 Estimate (in $millions):** 24.8

**Data Source:** 2012, 2017 & 2022 Economic Censuses; County Business Patterns (US Census); Nonemployer Statistics (US Census)

### 123. Pest Control Service

**Citation:** G.S. 105-164.13(61a)i

**Description:** Pest control services.

**Enacting Legislation:** S.L. 2016-94 - effective Jan. 1, 2017

**FY25-26 Estimate (in $millions):** 29.1

**FY26-27 Estimate (in $millions):** 31.0

**Data Source:** 2012, 2017 & 2022 Economic Censuses; County Business Patterns (US Census); Nonemployer Statistics (US Census) and Quarterly Census of Wages and Employment (BLS)

**124. Moving Services**

**Citation:** G.S. 105-164.13(61a)j

**Description:** Moving services.

**Enacting Legislation:** S.L. 2016-94 - effective Jan. 1, 2017

**FY25-26 Estimate (in $millions):** 30.0

**FY26-27 Estimate (in $millions):** 32.1

**Data Source:** 2012, 2017 & 2022 Economic Censuses; County Business Patterns (US Census); Nonemployer Statistics (US Census)

**125. Self-Service & Limited-Service Vehicle Washes**

**Citation:** G.S. 105-164.13(61a)k

**Description:** Self-service vehicle washes and vacuums and limited-service vehicle washes.

**Enacting Legislation:** S.L. 2016-94 - effective Jan. 1, 2017; for limited-service vehicle washes, S.L. 2019-169, effective Oct. 1, 2019

**FY25-26 Estimate (in $millions):** 11.0

**FY26-27 Estimate (in $millions):** 11.5

**Data Source:** 2012, 2017 & 2022 Economic Censuses; County Business Patterns (US Census); Nonemployer Statistics (US Census)

**126. Utility Network Assets**

**Citation:** G.S. 105-164.13(61a)ℓ

**Description:** Exempts tax on RMI and service contracts for a transmission, distribution, or other network asset contained on utility-owned land, right-of-way, or easement.

**Enacting Legislation:** S.L. 2013-316 - effective Jan. 1, 2014 for service contracts; effective March 1, 2016 for RMI services

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**127. Qualified Aircraft or Jet Engine**

**Citation:** G.S. 105-164.13(61a)m.1&2

**Description:** Exempts tax on RMI and service contracts for a qualified aircraft or qualified jet engine. A qualified aircraft has a maximum take-off weight of more than 9,000 pounds but not in excess of 15,000 pounds.

**Enacting Legislation:** 2015-259 - effective Oct. 1, 2015

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**128. RMI & Service Contracts for Other Aircraft**

**Citation:** G.S. 105-164.13(61a)m.3

**Description:** Exempts tax on RMI services and service contracts on an aircraft with a gross take-off weight of more than 2000 pounds.

**Enacting Legislation:** S.L. 2017-204 - effective July 1, 2019

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**129. Funeral-Related Services**

**Citation:** G.S. 105-164.13(61a)n

**Description:** Funeral-related services, including services for the burial of remains. This exemption does not apply to the sale of tangible personal property, such as caskets, headstones, and monuments.

**Enacting Legislation:** S.L. 2017-204 - effective Jan. 1, 2017

**FY25-26 Estimate (in $millions):** 16.4

**FY26-27 Estimate (in $millions):** 16.7

**Data Source:** 2012, 2017 & 2022 Economic Censuses; County Business Patterns (US Census); Nonemployer Statistics (US Census)

**130. Services Performed on an Animal**

**Citation:** G.S. 105-164.13(61a)o

**Description:** Services performed on an animal, such as hoof shoeing and microchipping a pet.

**Enacting Legislation:** S.L. 2017-204 - effective Jan. 1, 2017

**FY25-26 Estimate (in $millions):** 22.1

**FY26-27 Estimate (in $millions):** 23.7

**Data Source:** 2012, 2017 & 2022 Economic Censuses; County Business Patterns (US Census); Nonemployer Statistics (US Census)

### 131. Security Service Contract for Real Property

**Citation:** G.S. 105-164.13(61a)p

**Description:** A security or similar monitoring contract for real property. The exemption does not apply to charges for repair, maintenance, and installation services to repair security, alarm, and other similar monitoring systems for real property.

**Enacting Legislation:** S.L. 2014-3, sec. 6.1(c) - effective Oct. 1, 2014

**FY25-26 Estimate (in $millions):** 27.5

**FY26-27 Estimate (in $millions):** 28.0

**Data Source:** 2012, 2017 & 2022 Economic Censuses; County Business Patterns (US Census); Nonemployer Statistics (US Census)

**Note:** This item was formerly listed as G.S. 105-164.4I(c)(1)

### 132. Service Contract for a Wastewater System

**Citation:** G.S. 105-164.13(61a)q

**Description:** A contract to provide a certified operator for a wastewater system.

**Enacting Legislation:** S.L. 2017-204 - effective Jan. 1, 2017

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**Note:** This item was formerly listed as G.S. 105-164.4I(c)(2)

### 133. Items Used to Fulfill Taxable Service Contracts

**Citation:** G.S. 105-164.13(62)

**Description:** An item used to fulfill a taxable service contract if the purchaser of the contract is not charged the item or services. The exemption does not include a tool, equipment, supply or similar item that is not a component or repair part of the property for which a service contract is sold to a purchaser.

**Enacting Legislation:** S.L. 2013-316 - effective Jan. 1, 2014

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**134. RMI Services Used to Fulfill Taxable Service Contracts**

**Citation:** G.S. 105-164.13(62)

**Description:** Repair, maintenance, and installation services purchased or used to fulfill a service contract taxable under this Article if the purchaser of the contract is not charged for the services.

**Enacting Legislation:** S.L. 2015-241 - effective March 1, 2016 (modified by SL 2015-259)

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**135. Repair Parts and RMI Services on Items Covered by a Warranty**

**Citation:** G.S. 105-164.13(62a)

**Description:** Repair parts or repair, maintenance, and installation services used to maintain or repair property or a motor vehicle covered by a manufacturer's warranty or a dealer's warranty.

**Enacting Legislation:** S.L. 2015-259 - effective March 1, 2016

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**136. Modular & Manufactured Homes**

**Citation:** G.S. 105-164.13(64)

**Description:** Fifty percent of the sales price of a modular or manufactured home, including all accessories attached when delivered to the purchaser.

**Enacting Legislation:** S.L. 2014-100 - effective for sales made on or after Sept. 1, 2014; prior to Jan. 1, 2014, manufactured homes had a preferential tax rate of 2% with a maximum tax of $300 (S.L. 1957-1340; SL 1989-692) and modular homes had a preferential tax rate of 2.5% (S.L. 2003-400)

**FY25-26 Estimate (in $millions):** 22.8

**FY26-27 Estimate (in $millions):** 23.7

**Data Source:** Department of Revenue tax data

### 137. Motorsports Engine & Related Items

**Citation:** G.S. 105-164.13(65) & (65a)

**Description:** The sale, lease or rental of an engine to a professional motorsports racing team or a related member of a team for use in competition in a sanctioned race series; the sales price of or gross receipts derived from a service contract on, or repair, maintenance, and installation services for, a transmission, an engine, rear-end gears, and any other item that is purchased, leased or rented and that is exempt from tax or is allowed a sales tax refund under G.S. 105-164.14A(a)(5); an engine or part to build or rebuild an engine for use in competition in a sanctioned race series.

**Enacting Legislation:** S.L. 2013-414 - effective Jan. 1, 2014 for service contract; S.L. 2015-259 - effective Sept. 30, 2015

**Sunset Date:** Jan. 1, 2028

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

### 138. Storage of a Motor Vehicle

**Citation:** G.S. 105-164.13(66)

**Description:** Storage of a motor vehicle, provided the charge is separately stated on the invoice or other documentation provided to the purchaser at the time of the sale.

**Enacting Legislation:** S.L. 2016-94 - effective Jan. 1, 2017

**FY25-26 Estimate (in $millions):** 3.3

**FY26-27 Estimate (in $millions):** 3.5

**Data Source:** 2022 Economic Census; County Business Patterns (US Census); Nonemployer Statistics (US Census)

### 139. Towing Services

**Citation:** G.S. 105-164.13(67)

**Description:** Towing services, provided the charge is separately stated on the invoice or other documentation provided to the purchaser at the time of the sales.

**Enacting Legislation:** S.L. 2016-94 - effective Jan. 1, 2017

**FY25-26 Estimate (in $millions):** 20.3

**FY26-27 Estimate (in $millions):** 21.4

**Data Source:** 2012, 2017 & 2022 Economic Censuses; annual County Business Patterns (US Census); annual Nonemployer Statistics (US Census); annual NC Quarterly Census of Employment and Wages (BLS)

### 140. Wastewater Dispersal System Items

**Citation:** G.S. 105-164.13(68)

**Description:** Sales of products that are made of more than 75% by weight of recycled materials when the products are sold for use in an accepted wastewater dispersal system as defined in G.S. 130A-343. Effective July 1, 2017, other wastewater dispersal systems that are approved the the Department of Health and Human Services were exempted.

**Enacting Legislation:** S.L. 2016-94 - effective Oct. 1, 2016; S.L. 2017-139 expanded the exemption

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

### 141. Coins, Currency and Bullion Sales

**Citation:** G.S. 105-164.13(69)

**Description:** Sales of non-coin currency, investment metal bullion, and investment coins are exempt.

**Enacting Legislation:** S.L. 2017-181 - effective July 1, 2017

**FY25-26 Estimate (in $millions):** 0.9

**FY26-27 Estimate (in $millions):** 1.0

**Data Source:** Bullion sales from the US Mint; Legislative Fiscal Note for HB 434 (2017), adjusted for change in the price of gold

### 142. North Carolina Life and Health Insurance Guaranty Association

**Citation:** G.S. 105-164.13(71)

**Description:** Exemption for sales of items to the North Carolina Life and Health Insurance Guaranty Association.

**Enacting Legislation:** S.L. 2019-169 - effective July 26, 2019

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**143. Educational Service for Home Schools**

**Citation:** G.S. 105-164.13(72)

**Description:** Exemption for sales of a digital audio work or a digital audiovisual work that is a qualifying education expense under G.S. 115C-595(a)(3) to the operator of a home school as defined in G.S. 115C-563.

**Enacting Legislation:** S.L. 2020-6 - effective Oct. 1, 2019

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**144. Live Services Provided Through Digital Works**

**Citation:** G.S. 105-164.13(73)

**Description:** Exemption for sales of a digital audio work or digital audiovisual work that consists of nontaxable service content when the electronic transfer of the digital audio work or digital audiovisual work occurs contemporaneously with the provision of the nontaxable service in real time.

**Enacting Legislation:** S.L. 2020-6 - effective Oct. 1, 2019

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**145. Continuing Care Retirement Communities**

**Citation:** G.S. 105-164.13(74)

**Description:** Exemption for sales of items by a provider of continuing care to its residents, other than sales of alcoholic beverages. A provider of continuing care must pay sales and use tax on the purchase price of an item that is exempt from tax under this subdivision as if the provider is the user of the item. As a result, the provider of continuing care is not required to pay sales or use tax if the purchase would be exempt if purchased for use, not resale, by the provider.

**Enacting Legislation:** S.L. 2023-134, effective for sales occurring on or after Nov. 1, 2023

**FY25-26 Estimate (in $millions):** 8.7

**FY26-27 Estimate (in $millions):** 9.1

**Data Source:** 2022 Economic Census; Legislative Fiscal Note for HB 259 (2023), adjusted for change in effective date

### 146. Breast Pumps and Related Items

**Citation:** G.S. 105-164.13(74)

**Description:** Exemption for sales of breast pumps, including repair and replacement parts, breast pump kits, and breast pump collection and storage supplies.

**Enacting Legislation:** S.L. 2023-134, effective for sales occurring on or after Nov. 1, 2023.

**FY25-26 Estimate (in $millions):** 3.1

**FY26-27 Estimate (in $millions):** 3.2

**Data Source:** Legislative Fiscal Note for HB 259 (2023)

### 147. Service Charges on Meals and Beverages

**Citation:** G.S. 105-164.13A

**Description:** Service charges, considered tips, imposed on food, beverages or prepared food that do not exceed 20% of the sale price. The charges must be stated on the menu or price list and also in the invoice or bill. The charges must be given to the personnel directly involved in providing the service.

**Enacting Legislation:** S.L. 1979-801; S.L. 1998-438 expanded the exemption by increasing the tip percentage maximum from 15% to 20%.

**FY25-26 Estimate (in $millions):** 2.8

**FY26-27 Estimate (in $millions):** 2.9

**Data Source:** 2012, 2017 & 2022 Economic Censuses; Retail Trade Report, U.S. Census Bureau

### 148. Food for Home Consumption

**Citation:** G.S. 105-164.13B

**Description:** Food is exempt from sales and use taxes unless the food is in one of the following categories: (1) dietary supplements, (2) food sold through a vending machine, (3) prepared food, other than bakery items sold by an artisan bakery, (4) soft drinks, (5) candy.

**Enacting Legislation:** S.L. 1998-212 - effective for sales made on or after May 1, 1999; food was subject to the State sales tax beginning in 1961; the State tax on food for home consumption was phased out between Jan. 1, 1997 and May 1, 1999

**FY25-26 Estimate (in $millions):** 1,460.0

**FY26-27 Estimate (in $millions):** 1,552.3

**Data Source:** Department of Revenue data on 2% Local Sales Tax on food through June 2025

**Note:** Food for home consumption remains subject to a 2% local sales tax.

### 149. Certain Artisan Bakery Items

**Citation:** G.S. 105-164.13B

**Description:** Exempts bakery items sold without eating utensils by an artisan bakery. An artisan bakery is a bakery that (a) derives over 80% of its receipts from bakery items, and (b) has annual gross receipts of no more than $1.8 million.

**Enacting Legislation:** S.L. 2008-107 - effective for sales on or after Jan. 1, 2009

**FY25-26 Estimate (in $millions):** 4.9

**FY26-27 Estimate (in $millions):** 5.2

**Data Source:** 2022 Economic Censuses. NC data on number of establishments through 2024 were obtained from US Bureau of Labor Statistics Quarterly Census of Employment and Wages

### 150. Fuel and Electricity for Farming

**Citation:** G.S. 105-164.13E(a)(1)

**Description:** Qualifying farmers are allowed an exemption for fuel and electricity that is measured by a separate memter or another device and used for a purpose other than preparing food, heating dwellings, and other household purposes. For periods on or after July 1, 2014, a qualifying farmer has gross annual income from farming of at least $10,000 in the prior calendar year or an average of $10,000 in the prior 3 years.

**Enacting Legislation:** S.L. 2005-276 - effective Jan. 1, 2006; fuel had previously been exempt (S.L. 1949-392) before becoming subject to a 1% preferential tax rate (S.L. 1961-826); electricity was not exempt until July 1, 2010, although it was previously taxed at a preferential rate.

**FY25-26 Estimate (in $millions):** 25.8

**FY26-27 Estimate (in $millions):** 26.3

**Data Source:** Farm Production Expenditure report for North Carolina (through 2024), National Agricultural Statistics Service, United States Department of Agriculture; Energy Information Administration

**151. Fertilizers, Seeds and Related Items Sold to a Farmer**

**Citation:** G.S. 105-164.13E(a)(2)

**Description:** Qualifying farmers are allowed an exemption for commercial fertilizer, lime, land plaster, plastic mulch, plant bed covers, potting soil, baler twine, and seeds. For periods on or after July 1, 2014, a qualifying farmer has gross annual income from farming of at least $10,000 in the prior calendar year or an average of $10,000 in the prior 3 years. . Compost was added to this list, effective October 1, 2023.

**Enacting Legislation:** S.L. 1939-158 exempted fertilizers; S.L. 1945-708 exempted seeds; S.L. 2001-514 limited the exemption of fertilizers and seeds to farmers; S.L. 2004-124 and S.L. 2005-276, and S.L. 2007-500 added items to the list of exemptions.

**FY25-26 Estimate (in $millions):** 59.1

**FY26-27 Estimate (in $millions):** 62.9

**Data Source:** Farm Production Expenditure report for North Carolina (through 2024), National Agricultural Statistics Service, United States Department of Agriculture

**152. Farm Machinery and Related Parts and Lubricants**

**Citation:** G.S. 105-164.13E(a)(3)

**Description:** Qualifying farmers are allowed an exemption for farm machinery, attachment and repair parts for farm machinery, and lubricants applied to farm machinery. For periods on or after July 1, 2014, a qualifying farmer has gross annual income from farming of at least $10,000 in the prior calendar year or an average of $10,000 in the prior 3 years

**Enacting Legislation:** S.L. 2005-276 - effective Jan. 1, 2006; these items had been subject to a 1% preferential tax rate, with a $80 cap per item (S.L. 1961-826); they were previously exempt (S.L. 1955-1313)

**FY25-26 Estimate (in $millions):** 19.6

**FY26-27 Estimate (in $millions):** 20.1

**Data Source:** Farm Production Expenditure report for North Carolina (through 2024), National Agricultural Statistics Service, United States Department of Agriculture; Energy Information Administration

**153. Certain Containers Sold to a Farmer**

**Citation:** G.S. 105-164.13E(a)(4)

**Description:** Qualifying farmers are allowed an exemption for containers used in the planting, cultivating, harvesting, or curing of farm crops or in the production of dairy products, eggs, or animals or used in packaging and transporting the farmer's product for sale. For periods on or after July 1, 2014, a qualifying farmer has gross annual

income from farming of at least $10,000 in the prior calendar year or an average of $10,000 in the prior 3 years.

**Enacting Legislation:** S.L. 2005-276 - effective Jan. 1, 2006; these items were previously subject to a 1% preferential tax rate, with a $80 cap, effective July 1, 1982 (S.L. 1981-1273)

**FY25-26 Estimate (in $millions):** 1.1

**FY26-27 Estimate (in $millions):** 1.1

**Data Source:** Farm Production Expenditure report for North Carolina (through 2024), National Agricultural Statistics Service, United States Department of Agriculture

### 154. Certain Storage Facilities Sold to a Farmer

**Citation:** G.S. 105-164.13E(a)(5)

**Description:** Qualifying farmers are allowed an exemption for a grain, feed, or soybean storage facility and parts and accessories attached to the facility. For periods on or after July 1, 2014, a qualifying farmer has gross annual income from farming of at least $10,000 in the prior calendar year or an average of $10,000 in the prior 3 years.

**Enacting Legislation:** S.L. 2005-276 - effective Jan. 1, 2006; these items were previously subject to a 1% preferential tax rate, with a $80 cap, effective July 1, 1979 (S.L. 1979-801)

**FY25-26 Estimate (in $millions):** 3.2

**FY26-27 Estimate (in $millions):** 3.3

**Data Source:** Farm Production Expenditure report for North Carolina (through 2024), National Agricultural Statistics Service, United States Department of Agriculture

### 155. Feeds, Litter and Medications for Farming

**Citation:** G.S. 105-164.13E(a)(6)a

**Description:** Qualifying farmers are allowed an exemption for remedies, vaccines, medications, litter materials, and feeds for animals. For periods on or after July 1, 2014, a qualifying farmer has gross annual income from farming of at least $10,000 in the prior calendar year or an average of $10,000 in the prior 3 years.

**Enacting Legislation:** S.L. 1945-708 exempted seeds; S.L. 1977-1219 added the exemption for remedies, vaccines, and medications; S.L. 1995-477 restricted the exemptions to purchases for commercial use

**FY25-26 Estimate (in $millions):** 245.1

**FY26-27 Estimate (in $millions):** 252.5

**Data Source:** Farm Production Expenditure report for North Carolina (through 2024), National Agricultural Statistics Service, United States Department of Agriculture

**Note:** G.S. 105-164.13E(c1), enacted by S.L. 2018-5 and effective retroactively to July 1, 2014, allows this exemption for persons who purchase these items in order to provide a service to a qualified farmer.

### 156. Certain Substances Used on Animals or Plants for Commercial Purposes

**Citation:** G.S. 105-164.13E(a)(6)b-e

**Description:** Qualifying farmers are allowed an exemption for (b) rodenticides, insecticides, herbicides, fungicides, and pesticides; (c) defoliants for use on cottor or other crops; (d) plant growth inhibitors, regulators, or stimulators, including systemic and contact or other sucker control agents for tobacco and other crops; (e) semen. For periods on or after July 1, 2014, a qualifying farmer has gross annual income from farming of at least $10,000 in the prior calendar year or an average of $10,000 in the prior 3 years.

**Enacting Legislation:** S.L. 1945-708 exempted insecticides; S.L. 1949-1271, S.L. 1963-1169 and S.L. 1969-907 added items; S.L. 1995-477 restricted the exemptions to purchases for commercial use.

**FY25-26 Estimate (in $millions):** 18.8

**FY26-27 Estimate (in $millions):** 19.4

**Data Source:** Farm Production Expenditure report for North Carolina (through 2024), National Agricultural Statistics Service, United States Department of Agriculture

**Note:** G.S. 105-164.13E(c1), enacted by S.L. 2018-5 and effective retroactively to July 1, 2014, allows this exemption for persons who purchase these items in order to provide a service to a qualified farmer.

### 157. Fowl Sold to a Farmer

**Citation:** G.S. 105-164.13E(a)(7)a

**Description:** Qualifying farmers are allowed an exemption for purchases of fowl. (Prior to the enactment of S.L. 2021-180, this item referred to “baby chicks and poults”.)

**Enacting Legislation:** S.L. 2020-6, effective July 1, 2020. A similar exemption existed prior to July 1, 2014.

**FY25-26 Estimate (in $millions):** 67.9

**FY26-27 Estimate (in $millions):** 69.9

**Data Source:** North Carolina 2022 Census of Agriculture & Farm Production Expenditure report for North Carolina (through 2024), National Agricultural Statistics Service, United States Department of Agriculture

**158. Livestock Sold to a Farmer – Cattle, Sheep, Goats and Swine**

**Citation:** G.S. 105-164.13E(a)(7)b

**Description:** Qualifying farmers are allowed an exemption for livestock, as defined by G.S. 105-164.3. This item only includes the sale of cattle, sheep, goats and swine under the livestock exemption.

**Enacting Legislation:** S.L. 2020-6, effective July 1, 2020. Many of these sales would have been exempt under G.S. 105-164.13(4b).

**FY25-26 Estimate (in $millions):** 36.5

**FY26-27 Estimate (in $millions):** 37.6

**Data Source:** North Carolina 2022 Census of Agriculture & Farm Production Expenditure report for North Carolina (through 2024), National Agricultural Statistics Service, United States Department of Agriculture

**159. Livestock Sold to a Farmer – Horses and Mules**

**Citation:** G.S. 105-164.13E(a)(7)b

**Description:** Qualifying farmers are allowed an exemption for livestock, as defined by G.S. 105-164.3. This item only includes the sale of horses and mules under the livestock exemption.

**Enacting Legislation:** S.L. 2020-6, effective July 1, 2020. A similar exemption existed prior to July 1, 2014.

**FY25-26 Estimate (in $millions):** 0.5

**FY26-27 Estimate (in $millions):** 0.4

**Data Source:** North Carolina 2022 Census of Agriculture, National Agricultural Statistics Service, United States Department of Agriculture

**160. Manufactured Facilities, Building Materials, and Related Equipment for Commercial Housing of Animals**

**Citation:** G.S. 105-164.13E(a)(8)

**Description:** Qualifying farmers are allowed an exemption for (a) commercially manufactured facility to be used for commercial purposes for housing, raising, or feeding animals or for housing equipment necessary for these commercial activities, as well as equipment, and parts and accessories for the equipment, used in the facility; (b) building materials, supplies, fixtures, and equipment that become a part of or are used in the construction, repair, or improvement of an enclosure or a structure used for housing, raising or feeding animals or for housing equipment necessary for one of these commercial activities. For periods on or after July 1, 2014, a qualifying farmer has

gross annual income from farming of at least $10,000 in the prior calendar year or an average of $10,000 in the prior 3 years.

**Enacting Legislation:** S.L. 1985-973 - effective Aug. 1, 1986 for construction and repair materials; other items added by S.L. 1987-800; these items had been taxed at a preferential rate of 1%, with a $80 cap beginning July 1, 1979 (S.L. 1979-801) for swine facilities and July 1, 1983 (S.L. 1983-805) for livestock and poultry facilities.

**FY25-26 Estimate (in $millions):** 9.8

**FY26-27 Estimate (in $millions):** 10.1

**Data Source:** Farm Production Expenditure report for North Carolina (through 2024), National Agricultural Statistics Service, United States Department of Agriculture

### 161. Tobacco Farming Items

**Citation:** G.S. 105-164.13E(a)(9)

**Description:** Qualifying farmers are allowed an exemption for a bulk tobacco barn or rack, parts and accessories attached to the tobacco barn or rack, and any similar apparatus, part, or accessory used to cure or dry tobacco or another crop. For periods on or after July 1, 2014, a qualifying farmer has gross annual income from farming of at least $10,000 in the prior calendar year.

**Enacting Legislation:** S.L. 2005-276 - effective Jan. 1, 2006; these items were previously subject to a 1% preferential tax rate, with a $80 cap per item (S.L. 1971-887)

**FY25-26 Estimate (in $millions):** 0.2

**FY26-27 Estimate (in $millions):** 0.2

**Data Source:** Farm Production Expenditure report for North Carolina (through 2024), National Agricultural Statistics Service, United States Department of Agriculture

### 162. RMI Services for Farmers

**Citation:** G.S. 105-164.13E(a)(10)

**Description:** Repair, maintenance and installation services purchased by a qualifying or conditional farmer and for use by the farmer in farming operations.

**Enacting Legislation:** S.L. 2016-94 - effective Jan. 1, 2017

**FY25-26 Estimate (in $millions):** 10.6

**FY26-27 Estimate (in $millions):** 11.2

**Data Source:** Farm Production Expenditure report for North Carolina (through 2024), National Agricultural Statistics Service, United States Department of Agriculture; Energy Information Administration

**163. Items for a Zoo Operated by Farmer**

**Citation:** G.S. 105-164.13E(a1)

**Description:** Exemption for qualifying farmer or conditional farmer who operates a zoo in addition to the farmer's farming operations for the items listed in subsection (a) of this section and primarily used in the farmer's zoo operations..

**Enacting Legislation:** S.L. 2022-45 - effective for purchases made on or after Jan. 1, 2023

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**164. Items for a Wildlife Manager**

**Citation:** G.S. 105-164.13F

**Description:** Exemption for certain items purchased by a wildlife manager and used primarily for wildlife management activities on wildlife conservation land. The exemption also includes repair, maintenance and installation services for items exempt from sales tax.

**Enacting Legislation:** S.L. 2022-45 - effective for purchases made on or after Oct. 1, 2022

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**165. RMI Services for Boats, Aircraft and Jet Engines in Excess of $25,000**

**Citation:** G.S. 105-164.27A(a3)

**Description:** The amount of the use tax exemption is the amount of the installation charges and sales price of or gross receipts derived from the repair, maintenance, and installation services for boats, aircraft or a qualified jet engine that exceed $25,000.

**Enacting Legislation:** S.L. 2016-94 - effective July 1, 2016

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**166. Use tax on Luxury Liquor capped at $1,000**

**Citation:** G.S. 105-164.27A(a4)

**Description:** The maximum use tax on qualifying spirituous liquor is $1,000. "Qualifying spirituous liquor" is a single container of spirituous liquor, as defined in GS 18B-101, the purchase price of which is equal to or greater than $50,000.

**Enacting Legislation:** S.L. 2024-41 - effective for sales on or after Jan. 1, 2025

**FY25-26 Estimate (in $millions):** less than 0.1

**FY26-27 Estimate (in $millions):** less than 0.1

## Refunds

**167. Refund to Interstate Carrier**

**Citation:** G.S. 105-164.14(a)

**Description:** An interstate carrier is allowed a refund of part of the sales and use taxes paid on the purchase in this State of railway cars and locomotives, and fuel, lubricants, repair parts, and accessories for a motor vehicle, railroad car, locomotive, or airplane the carrier operates.

**Enacting Legislation:** S.L. 1957-1340

**FY25-26 Estimate (in $millions):** 3.4

**FY26-27 Estimate (in $millions):** 3.5

**Data Source:** Department of Revenue tax data

**Note:** Refund requests are made quarterly. Therefore, refunds lag taxes paid by up to 3 months.

**168. Partial Refund for Purchases of Railway Cars and Accessories by a Utility**

**Citation:** G.S. 105-164.14(a2)

**Description:** A utility company may receive a semiannual refund of part of the sales and use taxes it pays on the purchase in this State of railway cars and locomotives and accessories. The refund is based on the percentage of miles that the utility company operated its locomotives and railway cars in North Carolina during the refund period.

**Enacting Legislation:** S.L. 2006-06 - effective July 1, 2006

**FY25-26 Estimate (in $millions):** less than 0.1

**FY26-27 Estimate (in $millions):** less than 0.1

**Data Source:** Department of Revenue tax data

### 169. Refund of Sales Taxes to Nonprofits

**Citation:** G.S. 105-164.14(b)

**Description:** Refunds for sales taxes paid on purchases, other than electricity, telecommunications piped natural gas, video programming and prepaid meal plans, for use in carrying on the work of the nonprofit and indirect purchases of building materials and related equipment. The refund is only for nonprofits in the following categories: (1) hospitals, (2) an entity exempt from income tax under Section 501(c)(3) of the Code, except if they are in the following areas: community improvement and capacity building; public and societal benefit; mutual and membership benefit, (4) qualified retirement facilities, (5) volunteer fire departments and volunteer emergency medical service squads. Tax paid on sales by the nonprofits are not refundable.

**Enacting Legislation:** S.L. 1961-826 – effective July 1, 1961; this refund provision replaced an existing exemption (S.L. 1943-400)

**FY25-26 Estimate (in $millions):** 347.6

**FY26-27 Estimate (in $millions):** 356.9

**Data Source:** Department of Revenue tax data

**Note:** Effective for purchases made on or after July 1, 2014: the total annual State-related refund allowed an entity for a fiscal year may not exceed $31,700,000.

### 170. Refunds of Tax on Medicine and Drug Purchases to Certain Hospitals

**Citation:** G.S. 105-164.14(b)

**Description:** Hospitals not eligible for the refund of taxes on all tangible property purchases may receive a refund of tax on purchases of medicines and drugs for use in carrying out the work of such hospitals.

**Enacting Legislation:** SL 1977-895 - effective for taxes paid on or after July 1, 1977

**FY25-26 Estimate (in $millions):** included in Item #169

**FY26-27 Estimate (in $millions):** included in Item #169

**Data Source:** Department of Revenue tax data

**171. Refunds to Certain Local Government Entities**

**Citation:** G.S. 105-164.14(c)

**Description:** Refunds for sales taxes paid on purchases, other than electricity and telecommunications, by certain governmental entities and indirect purchases of building materials for use by those entities.

**Enacting Legislation:** S.L. 1961-826 - this refund provision replaced an existing exemption

**FY25-26 Estimate (in $millions):** 174.9

**FY26-27 Estimate (in $millions):** 186.5

**Data Source:** Department of Revenue tax data

**Note:** The estimate does not include refunds to the University of North Carolina Health Care System or a constituent institution of the University of North Carolina that were eligible under this provision.

**172. Refund for Major Recycling Facilities**

**Citation:** G.S. 105-164.14A(a)(2)

**Description:** The owner of a major recycling facility is allowed an annual refund of sales and use taxes paid by it on building materials, building supplies, fixtures, and equipment that became a part of the real property of the recycling facility.

**Enacting Legislation:** S.L. 1998-55 - effective July 1, 1998; this provision was formerly G.S. 105-164.14(g)

**FY25-26 Estimate (in $millions):** 0.1

**FY26-27 Estimate (in $millions):** 0.1

**Data Source:** Department of Revenue "Economic Incentive Reports"

**173. Refund of Aviation Fuel for Motorsports Events**

**Citation:** G.S. 105-164.14A(a)(4)

**Description:** A professional motorsports racing team or a motorsports sanctioning body is allowed a refund of the sales and use tax paid by it in this State on aviation fuel that is used to travel to or from a motorsports event in this State, to travel to a motorsports event in another state from a location in this State, or to travel to this State from a motorsports event in another state.

**Enacting Legislation:** S.L. 2005-435 - effective for purchases made on or after Jan. 1, 2005; this provision was formerly G.S. 105-164.14(l)

**Sunset Date:** Expires for purchases made on or after Jan. 1, 2029

**FY25-26 Estimate (in $millions):** 0.2

**FY26-27 Estimate (in $millions):** 0.2

**Data Source:** Department of Revenue "Economic Incentive Reports"

### 174. Refund on Professional Motor Racing Vehicle Parts

**Citation:** G.S. 105-164.14A(a)(5)

**Description:** A professional motorsports racing team may receive a refund of 50% of the sales tax paid on certain tangible personal property that comprises any part of a professional motor racing vehicle, except tires, instrumentation, telemetry, consumables and paint.

**Enacting Legislation:** S.L. 2006-66 - effective for purchases made on or after July 1, 2007; this provision was formerly G.S. 105-164.14(m)

**Sunset Date:** Expires for purchases made on or after Jan. 1, 2028

**FY25-26 Estimate (in $millions):** 2.7

**FY26-27 Estimate (in $millions):** 2.7

**Data Source:** Department of Revenue "Economic Incentive Reports"

### 175. Refund for Railroad Intermodal Facilities

**Citation:** G.S. 105-164.14A(a)(7)

**Description:** The owner or lessee of an eligible railroad intermodal facility is allowed an annual refund of sales and use taxes paid by it under this Article on building materials, building supplies, fixtures, and equipment that become a part of the real property of the facility.

**Enacting Legislation:** S.L. 2007-323 - effective Jan. 1, 2007; this provision was formerly G.S. 105-164.14(o)

**Sunset Date:** Expires for purchases made on or after Jan. 1, 2038

**FY25-26 Estimate (in $millions):** 0.1

**FY26-27 Estimate (in $millions):** 0.1

**Data Source:** Department of Revenue "Economic Incentive Reports"

**176. Refund for a Transformative Project**

**Citation:** G.S. 105-164.14A(a)(8)

**Description:** An owner or lessee of a business that is the recipient of a JDIG grant on or before June 30, 2019, for a transformative project as defined in G.S. 143B-437.51(9a) is allowed a refund of sales and use tax paid by it on building materials, building supplies, fixtures, and equipment that becomes a part of the real property of the facility. An eligible project required an investment of $1 billion and the creation of 3.000 jobs.

**Enacting Legislation:** S.L. 2017-57 - effective July 1, 2017

**FY25-26 Estimate (in $millions):** 0.0

**FY26-27 Estimate (in $millions):** 0.0

## Preferential tax rates

**177. Preferential Rate and Cap for Aircraft**

**Citation:** G.S. 105-164.4(a)(1a)c

**Description:** Effective October 1, 2015: Tax rate of 4.75% on the retail sale of each aircraft, including all accessories attached to the item at the time of purchase. The maximum tax is $2,500 per article. Prior to Oct. 1, 2015, the tax rate was 3% on the retail sale of each aircraft or boat, with a maximum tax of $1,500 per article.

**Enacting Legislation:** S.L. 1957-1340 - imposed a tax of 1% with an $80 cap on airplanes; tax rate and cap were increased at various time intervals; S.L. 1967-1116 added boats, effective July 1, 1967; in 1989, the maximum tax on boats and aircraft was increased from $300 to $1,500 (S.L. 1989-692); tax rate was increased from 3.0% to 4.75% with $2,500 cap, effective October 1, 2015 (S.L. 2015-259)

**FY25-26 Estimate (in $millions):** 18.9

**FY26-27 Estimate (in $millions):** 19.3

**Data Source:** Department of Revenue tax data

**Note:** For the estimates, a price elasticity of demand of -4 was used to reflect a lower demand at a higher rate of tax.

**178. Preferential Rate and Cap for Boats**

**Citation:** G.S. 105-164.4(a)(1b)

**Description:** Tax rate of 3% on the retail sale of each aircraft or boat. The maximum tax is $1,500 per article.

**Enacting Legislation:** S.L. 1957-1340 - imposed a tax of 1% with an $80 cap on airplanes; tax rate and cap were increased at various time intervals; S.L. 1967-1116 added boats, effective July 1, 1967; in 1989, the maximum tax on boats and aircraft was increased from $300 to $1,500 (S.L. 1989-692).

**FY25-26 Estimate (in $millions):** 22.3

**FY26-27 Estimate (in $millions):** 23.0

**Data Source:** Department of Revenue tax data; National Marine Manufacturers Association

**Note:** For the estimates, a price elasticity of demand of -2 was used to reflect a lower demand at a higher rate of tax.

## Caps

### 179. Out-of-State Telecommunications Service at Call Centers

**Citation:** G.S. 105-164.4C(f)

**Description:** The gross receipts tax on telecommunications service that originates outside this State, terminates in this State, and is provided by a call center that has a direct pay permit may not exceed $50,000. (S.L. 2001-430)

**Enacting Legislation:** S.L. 2001-430 - effective Jan. 1, 2002. This is also when the exemption from sales tax for interstate calls was removed.

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**Note:** There are five taxpayers with direct pay permits for telecommunications services. Not enough information was available to determine cost.

# Highway Use Tax (Article 5A)

## Tax Base Information

The highway use tax is imposed on the privilege of using the highways of this State. It is imposed on the sale or lease of motor vehicles for which a certificate of title is issued. Trailers pulled by automobiles are included in this tax if they are required to have a title.

Prior to the creation of this tax in 1989, the purchase of motor vehicles was taxed under the sales & use tax at a rate of 2%, with a $300 maximum. S.L. 1995-390 removed the $40 minimum tax, effective July 1, 1996. S.L. 2001-424 removed the cap from non-commercial vehicles, effective Oct. 1, 2001. (S.L. 2001-497 restored the cap for recreational vehicles.)

The base rate is 3% on the sales of motor vehicles and on long-term leases and rentals; short-term leases are taxed at 8%. As of October 1, 2019, vehicle subscription services are taxed at 5%, as authorized by Session Law 2019-69.

In Fiscal Year 2024-25, approximately $1.1 billion was collected under the 3% tax, net of refunds. Approximately $117 million was collected from the 8% short term lease and 5% subscription service, which are collected under the sales and use tax and transferred to the Highway Fund during each fiscal year.

## Tax Expenditures

**1. Maximum Tax of $2,000 for Class A or Class B Commercial Motor Vehicles**

**Citation:** G.S. 105-187.3(a)

**Description:** Effective Jan. 1, 2016, the tax on each title issued for a Class A or Class B commercial motor vehicles is capped at $2,000. Prior to Jan. 1, 2016, the maximum tax was $1,000.

**Enacting Legislation:** S.L. 1989-692, effective Oct. 1, 1989; there was a cap for motor vehicles under the sales tax prior to the creation of the Highway Use Tax.

**FY25-26 Estimate (in $millions):** 33.9

**FY26-27 Estimate (in $millions):** 34.9

**Data Source:** Estimates based on data from N.C. Department of Transportation

**2. Maximum Tax of $2,000 for Recreational Vehicles**

**Citation:** G.S. 105-187.3(a)

**Description:** Effective Jan. 1, 2016, the tax on each title issued for a recreational vehicles is capped at $2,000. Prior to Jan. 1, 2016, the maximum tax was $1,500.

**Enacting Legislation:** S.L. 1989-692, effective Oct. 1, 1989; the cap rose from $1,000 in 1989 to $1,500 on July 1, 1993; there was a cap for motor vehicles under the sales tax prior to the creation of the Highway Use Tax.

**FY25-26 Estimate (in $millions):** 7.7

**FY26-27 Estimate (in $millions):** 7.9

**Data Source:** Estimates based on data from N.C. Department of Transportation

**3. Trade-In Allowance on Sales of Motor Vehicles**

**Citation:** G.S. 105-187.3(b)

**Description:** The retail value of a motor vehicle for which a certificate of title is issued is reduced by the amount of any allowance given by the seller for a motor vehicle taken in trade as a full or partial payment for the purchased motor vehicle.

**Enacting Legislation:** S.L. 1989-692, effective Oct. 1, 1989; a trade-in allowance was added in the sales tax statutes for motor vehicles by S.L. 1983-713, effective Aug. 1, 1983, when the maximum tax was raised from $120 to $300.

**FY25-26 Estimate (in $millions):** 195.1

**FY26-27 Estimate (in $millions):** 200.9

**Data Source:** N.C. Department of Transportation; Virginia Department of Motor Vehicles; National Automobile Dealers Association; RL Polk & Co. (as used by NADA)

**4. Trade-In Allowance on Leases of Motor Vehicles**

**Citation:** G.S. 105-187.5(b)

**Description:** The gross receipts tax on a lease or rental of a motor vehicle does not include the amount of any allowance given for a motor vehicle taken in trade as a partial payment.

**Enacting Legislation:** S.L. 1995-410 - effective Oct. 1, 1995

**FY25-26 Estimate (in $millions):** 3.3

**FY26-27 Estimate (in $millions):** 3.3

**Data Source:** N.C. Department of Transportation; Virginia Department of Motor Vehicles; National Automobile Dealers Association; RL Polk & Co. (as used by NADA)

**5. Title Issued by Will or Intestacy**

**Citation:** G.S. 105-187.6(a)(4)

**Description:** Full exemption when a certificate of title is issued by will or intestacy.

**Enacting Legislation:** S.L. 1989-692, effective Oct. 1, 1989

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**6. Gift Between Close Family Members**

**Citation:** G.S. 105-187.6(a)(5)

**Description:** Full exemption when a certificate of title is issued by a gift between a husband and wife, a parent and child, or a stepparent and a stepchild.

**Enacting Legislation:** S.L. 1989-692, effective Oct. 1, 1989

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**7. Vehicles Leased to Public School Driver Education Programs**

**Citation:** G.S. 105-187.6(a)(8)

**Description:** Full exemption when a certificate of title is issued to a local board of education for use in a driver education program when the vehicle is transferred back to retailer within 300 days or from another board of education.

**Enacting Legislation:** S.L. 1993-467 - effective Aug. 1, 1993

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**8. Volunteer Fire and Rescue Squad Vehicles**

**Citation:** G.S. 105-187.6(a)(9)

**Description:** Full exemption for volunteer fire department or rescue squad, when the vehicle is either (1) a fire truck, a pump truck, a tanker truck, or a ladder truck used to suppress fire, (2) a four-wheel drive vehicle intended to be mounted with a water tank and used to fight forest fires, (3) an emergency service vehicle.

**Enacting Legislation:** S.L. 2001-424, section 34.24, effective October 1, 2001

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**9. Transfer to a Revocable Trust**

**Citation:** G.S. 105-187.6(a)(11)

**Description:** Full exemption for transfer to a revocable trust from an owner who is the sole beneficiary of the trust.

**Enacting Legislation:** S.L. 2010-95 - effective July 17, 2010

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**10. Charities Related to Vehicle Donations**

**Citation:** G.S. 105-187.6(a)(12)

**Description:** Full exemption when a certificate of title is issued as the result of a transfer of a vehicle to a charitable 501(c)(3) organization, where the vehicle was donated solely for purposes of resale.

**Enacting Legislation:** S.L. 2018-43 - effective June 22, 2018

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**11. Secured Party with Perfected Interest**

**Citation:** G.S. 105-187.6(b)(1)

**Description:** Maximum tax of $40 when a certificate is issued to a secured party who has a perfected interest in the motor vehicle.

**Enacting Legislation:** S.L. 1989-692, effective Oct. 1, 1989

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**12. Sales to Related Businesses**

**Citation:** G.S. 105-187.6(b)(2)

**Description:** Maximum of $40 when a certificate of title is issued to a business that is not a separate entity from the seller.

**Enacting Legislation:** S.L. 1989-692, effective Oct. 1, 1989

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**13. Vehicles Titled in Another State**

**Citation:** G.S. 105-187.6(c)

**Description:** Maximum tax of $250 if vehicle has been titled in another state for at least 90 days. Prior to Jan. 1, 2016, the maximum tax was $150.

**Enacting Legislation:** S.L. 1989-692, effective Oct. 1, 1989

**FY25-26 Estimate (in $millions):** 5.2

**FY26-27 Estimate (in $millions):** 5.3

**Data Source:** Estimates based on data from N.C. Department of Transportation

**14. Credit for Tax Paid in Another State**

**Citation:** G.S. 105-187.7(a)

**Description:** Credit for amount of tax paid in another state within 90 days of applying for title.

**Enacting Legislation:** S.L. 1989-692, effective Oct. 1, 1989

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**15. Credit for Tax Paid in Another State if Previously Titled in NC**

**Citation:** G.S. 105-1987.7(b)

**Description:** Credit for amount paid in another state within 1 year if vehicle was previously titled in NC.

**Enacting Legislation:** S.L. 1995-512 - effective Oct. 1, 1995

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**16. Return of Purchased Vehicle**

**Citation:** G.S. 105-187.8

**Description:** Refund for return of purchased vehicle within 90 days of purchase.

**Enacting Legislation:** S.L. 1989-692, effective Oct. 1, 1989

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

# Scrap Tire Disposal Tax (Article 5B)

## Tax Base Information

This privilege tax is imposed on a tire retailer on the sale price of each new tire sold at retail and on a retailer or wholesaler on the price of each new tire sold for placement on a vehicle offered for sale, lease or rental. The tax is also applicable to new tires that are purchased for storage, use or consumption in this State or for placement in this State on a vehicle offered for sales, lease or rental.

This tax was enacted by S.L. 1991-221 and became effective on July 1, 1991. (It replaced a similar provision that had been enacted in 1989 under Chapter 130A, effective Jan. 1, 1990.)

The base tax rate is 2%.

For Fiscal Year 2013-14 and forward, 30% of net revenues are transferred to the General Fund and the remaining 70% is distributed to counties on a per capita basis.

In Fiscal Year 2024-25, $29.2 million was collected from this tax, net of refunds. Of this amount, approximately $20.1 million was transferred to local governments. Net General Fund collections were approximately $8.6 million in Fiscal Year 2024-25 after these and other transfers.

## Tax Expenditures

**1. Lower Tax Rate for Large Tires**
**Citation:** G.S. 105-187.16
**Description:** The tax rate on tires with a bead diameter of 20 inches or more is 1%.
**Enacting Legislation:** S.L. 1993-548 - the tax rate on tires with a bead diameter of less than 20 inches was increased from 1% to 2% effective October 1, 1993. A sunset of July 1, 1997 was in effect for the original legislation. This sunset was extended by subsequent legislation and later repealed by S.L. 2002-10.

**FY25-26 Estimate (in $millions):** 1.0

**FY26-27 Estimate (in $millions):** 1.0

**Data Source:** Department of Revenue tax database

**Note:** The estimate does not include additional revenues that would be distributed to the counties, which is 70% of net revenues.

**2. Exemption for Certain Tire Sales**
**Citation:** G.S. 105-187.18
**Description:** Exemption for bicycle tires, recapped tires, tires sold for placement on new vehicle.
**Enacting Legislation:** S.L. 1991-221 – effective July 1, 1991

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

# White Goods Disposal Tax (Article 5C)

## Tax Base Information

The tax is imposed on a white goods retailer at a flat rate of $3 for each new white good sold. The tax is imposed on a new white good purchased outside the State for storage, use, or consumption in this State. Examples of white goods are refrigerators, ranges, water heaters, freezers, unit air conditioners, washing machines, clothes dryers, and dishwashers.

This tax was enacted by S.L. 1993-471 and became effective on January 1, 1994.

The base tax rate is $3 for each new white good sold.

For Fiscal Year 2013-14 and forward, 28% of net revenues are transferred to the General Fund and 72% is distributed to counties on a per capita basis (unless the county is disallowed a distribution under G.S. 130A-309.87).

In Fiscal Year 2024-25, $8.2 million was collected from this tax, net of refunds. Of this amount, approximately $4.3 million was distributed to local governments. Net General Fund collections were approximately $3.5 million in Fiscal Year 2024-25 after these and other transfers.

## Tax Expenditures

**1. Refund for Large Purchases**

**Citation:** G.S. 105-187.23

**Description:** Refund of 60% for person who buys at least 50 new white goods of any kind in the same sale.

**Enacting Legislation:** S.L. 1993-471 - effective Jan. 1, 1994

**FY25-26 Estimate (in $millions):** less than 0.1

**FY26-27 Estimate (in $millions):** less than 0.1

**Data Source:** Department of Revenue tax database

**Note:** The estimate does not include additional revenues that would be distributed to the counties.

# Severance Tax (Article 5I)

## Tax Base Information

The tax is imposed on all energy minerals severed from the soil and water of this State when sold.

This tax was enacted by S.L. 2014-4 and became effective July 1, 2015.

For oil and condensates, the tax rate is 2% between July 1, 2015 and Dec. 31, 2018; 3.5% between Jan. 1, 2019 and Dec. 31, 2020; and 5% on or after Jan. 1, 2021.

For gas, the tax rate ranges from 0.9% to 2.9% between July 1, 2015 and Dec. 31, 2018. The tax rate depends on the delivered to market value of the gas sold. Between Jan. 1, 2019 and Dec. 31, 2020, the tax rate ranges between 0.9% and 5%. On or after Jan. 1, 2021, the rate ranges from 0.9% to 9%.

The tax rate from a marginal gas well is 0.4% between July 1, 2015 and Dec. 31, 2018; 0.6% between Jan. 1, 2019 and Dec. 31, 2020; and 0.8% on or after Jan. 1, 2021.

In Fiscal Year 2024-25, there were no net collections from this tax.

## Tax Expenditures

**1. Delivered to Market Adjustment**

**Citation:** G.S. 105-187.78(a)

**Description:** A producer may deduct the actual costs of delivering the gas to market incurred from the gross receipts of a cost reimbursement.

**Enacting Legislation:** S.L. 2014-4 - effective July 1, 2015

**FY25-26 Estimate (in $millions):** less than 0.1

**FY26-27 Estimate (in $millions):** less than 0.1

**Note:** It is estimated that little to no activity will occur during the relevant time period.

**2. On-Site Use Exemption**

**Citation:** G.S. 105-187.79

**Description:** On-site use is exempt from the severance tax. On-site use refers to energy minerals that are used on the land from which they are taken by the producer and which have a yearly cumulative delivered to market value of not greater than $1,200.

**Enacting Legislation:** S.L. 2014-4 - effective July 1, 2015

**FY25-26 Estimate (in $millions):** less than 0.1

**FY26-27 Estimate (in $millions):** less than 0.1

**Note:** It is estimated that little to no activity will occur during the relevant time period.

# Transportation Commerce Tax (Article 5J)

## Tax Base Information

This excise tax is imposed on all for-hire ground transport service providers for which a passenger is charged a fee.

This tax was enacted by S.L. 2023-134. It is effective July 1, 2025, and applies to for-hire ground transport services occurring on or after that date.

For exclusive-ride services, the tax rate is 1.5%. For shared-ride service, the tax rate is 1%.

The net tax proceeds are credited to the Highway Fund. The cost of administration of the tax is retained by the Department of Revenue. In Fiscal Year 2024-25, there were no net collections from this tax.

## Tax Expenditures

**1. Lower tax rate for shared-ride service**
**Citation:** G.S. 105-187.91(a)(2)
**Description:** The tax rate on shared-ride service is 2/3 the rate for exclusive-ride service.
**Enacting Legislation:** S.L. 2014-4 - effective July 1, 2015

**FY25-26 Estimate (in $millions):** less than 0.1

**FY26-27 Estimate (in $millions):** less than 0.1

**Data Source:** Department of Revenue tax database

**2. Exempt for-hire transport used as public transportation**
**Citation:** G.S. 105-187.94(2)
**Description:** The tax does not apply to for-hire ground transport service provided by a for-hire ground transport service provider as public transportation on behalf of a State agency, a governmental entity listed in G.S. 105-164.14(c), or a local board of education.
**Enacting Legislation:** S.L. 2014-4 - effective July 1, 2015

**FY25-26 Estimate (in $millions):** less than 0.1

**FY26-27 Estimate (in $millions):** less than 0.1

**Data Source:** Reports from local governments with expected type of services

# Taxes on Insurance Companies (Article 8B)

## Tax Base Information

The tax on an insurer is measured by gross premiums from business done in this State during the calendar year. The base tax rate is 1.9%. However, premiums on worker compensation plans are taxed at 2.5%. There is an additional 0.74% tax on property coverage contracts.

There is also an insurance regulatory charge, which is a percentage of the insurer's gross premiums tax liability. The percentage has been set at 6.5% for recent calendar years. However, for calendar years 2024 and 2025, the regulatory charge was changed to 2.0% by S.L. 2023-134.

In Fiscal Year 2024-25, $1.5 billion was collected from the tax and regulatory fee, net of refunds. Net General Fund collections were approximately $1.43 billion in Fiscal Year 2024-25 after certain transfers.

## Tax Expenditures

**1. Foreign Captive Insurance Company**

**Citation:** G.S. 105-228.4A(a)

**Description:** The tax on captive insurance companies does not apply to a foreign captive insurance company.

**Enacting Legislation:** S.L. 2018-5, effective June 12, 2018

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**2. Captive Insurance Company Cap**

**Citation:** G.S. 105-228.4A(f)

**Description:** The aggregate amount of tax payable may not exceed $100,000. If the company is a protected cell captive insurance company with more than 10 cells, the tax may not exceed $100,000 plus $5,000 times the number of cells in excess of 10.

**Enacting Legislation:** S.L. 2013-116, effective July 1, 2013

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**3. Limited Definition of Tax Base for Bail Bonds**

**Citation:** G.S. 105-228.5(b1)

**Description:** Gross premiums from business done in this State in the case of an insurer of bail bonds means only the amounts received by the insurer from a surety bondsman during the calendar year for bail bonds written on behalf of the insurer.

**Enacting Legislation:** S.L. 2021-180 -- effective for tax years beginning on or after Jan. 1, 2022

**FY25-26 Estimate (in $millions):** 1.0

**FY26-27 Estimate (in $millions):** 1.0

**Data Source:** Fiscal note prepared by General Assembly staff for SB 105 (2021)

**4. Federally Tax-Exempt Pensions, Annuities or Profit-Sharing Plan**

**Citation:** G.S. 105-228.5(c)(1)

**Description:** Excludes premiums connected with funding a pension, annuity or profit-sharing plan qualified or exempt under section 401, 403, 404, 408, 457 or 501 of the Code.

**Enacting Legislation:** S.L. 1973-142 - effective July 1, 1973

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**5. Premiums Received from Annuities**

**Citation:** G.S. 105-228.5(c)(2)

**Description:** Excludes premiums if received from annuities, as defined in G.S. 58-7-15.

**Enacting Legislation:** S.L. 1993-600 - effective Jan. 1, 1995

**FY25-26 Estimate (in $millions):** 251.5

**FY26-27 Estimate (in $millions):** 249.0

**Data Source:** North Carolina Department of Insurance

**6. Premiums Related to Funding Agreements**

**Citation:** G.S. 105-228.5(c)(3)

**Description:** Excludes premiums if connected with funding agreements defined in G.S. 58-7-16.

**Enacting Legislation:** S.L. 1993-600 - effective Jan. 1, 1995

**FY25-26 Estimate (in $millions):** 16.0

**FY26-27 Estimate (in $millions):** 16.3

**Data Source:** Estimates based on data from N.C. Department of Insurance

**7. Automobile Premiums for Additional Rate on Property Coverage Contracts**

**Citation:** G.S. 105-228.5(d)(3)

**Description:** Only 10% of the gross premiums from insurance contracts for automobile physical damage coverage are taxed compared to 100% of all other types of property coverage. This provision refers to the additional tax on property coverage contracts.

**Enacting Legislation:** S.L. 2006-196 - effective for taxable years beginning on or after Jan. 1, 2008. This provision replaced a tax on fire and lightning coverage that had excluded automobile and marine contracts.

**FY25-26 Estimate (in $millions):** 36.9

**FY26-27 Estimate (in $millions):** 39.3

**Data Source:** Estimates based on data from N.C. Department of Insurance

**Note:** Only a fraction of the revenues of the additional tax on property coverage contracts are credited to the General Fund. The estimates , however, represent 100% of the foregone revenues.

**8. Farmers' Mutual Assessment Fire Insurance Companies and Fraternal Organizations**

**Citation:** G.S. 105-228.5(g)

**Description:** Excludes farmers' mutual assessment fire insurance companies and nonprofit fraternal organizations.

**Enacting Legislation:** This is a longstanding provision in the insurance statutes.

**FY25-26 Estimate (in $millions):** 4.0

**FY26-27 Estimate (in $millions):** 4.2

**Data Source:** Estimates based on data from N.C. Department of Insurance

**Note:** Includes an estimate for the additional 0.74% rate on property coverage contracts (for the farmers' mutuals only).

**9. Assessments paid to Insurance Guaranty Association and Life and Health Insurance Guaranty Association**

**Citation:** G.S. 105-228.5A

**Description:** Credit against gross premiums for assessments paid to the Insurance Guaranty Association and the Life and Health Insurance Guaranty Associaton. (These

organizations require insurers to pay assessments to cover claims against insolvent insurers.)

**Enacting Legislation:** S.L. 1991-689 - effective Jan. 1, 1991. Prior to this, insurance companies were allowed to increase their premiums to recoup assessment charges.

**FY25-26 Estimate (in $millions):** 8.1

**FY26-27 Estimate (in $millions):** 8.3

**Data Source:** Department of Revenue Insurance Tax database; North Carolina Insurance Guaranty Association

# Excise Tax on Conveyances (Article 8E)

## Tax Base Information

This tax is levied on each instrument by which any interest in real property is conveyed to another person. This tax applies to timber deeds and contracts for the sale of standing timber as if these were transfers of real property.

The tax rate is $1 on each $500 of real property value or fractional part thereof.

Fifty percent of the taxes collected are deposited in county funds, and the counties may also retain an additional 2% for administrative costs. The remaining amount is remitted to the State.

In Fiscal Year 2024-25, $117.0 million was remitted to the State from this tax. All these funds were deposited in the General Fund.

## Tax Expenditures

**1. Transfers of Property by Operation of Law**

**Citation:** G.S. 105-228.29(1)

**Description:** The tax does not apply to transfer of real property if by operation of law.

**Enacting Legislation:** S.L. 1967-986 - effective Jan. 1, 1968

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**2. Transfers of Property by Lease**

**Citation:** G.S. 105-228.29(2)

**Description:** The tax does not apply to a transfer by lease for a term of years.

**Enacting Legislation:** S.L. 1967-986 - effective Jan. 1, 1968

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**3. Transfers of Property Pursuant to a Will**

**Citation:** G.S. 105-228.29(3)

**Description:** The tax does not apply to transfers pursuant to a will.

**Enacting Legislation:** S.L. 1967-986 - effective Jan. 1, 1968

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**4. Transfers of Property by Intestacy**

**Citation:** G.S. 105-228.29(4)

**Description:** The tax does not apply to transfers by intestacy.

**Enacting Legislation:** S.L. 1967-986 - effective Jan. 1, 1968

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**5. Transfers of Property by Gift**

**Citation:** G.S. 105-228.29(5)

**Description:** The tax does not apply to transfers by gift.

**Enacting Legislation:** S.L. 1967-986 - effective Jan. 1, 1968

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**6. Transfers Involving No Payments**

**Citation:** G.S. 105-228.29(6)

**Description:** The tax does not apply if no consideration in property or money is due or paid by the tranferee to the transferor.

**Enacting Legislation:** S.L. 1967-986 - effective Jan. 1, 1968

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**7. Transfers by Merger, Conversion or Consolidation**

**Citation:** G.S. 105-228.29(7)

**Description:** The tax does not apply if transfer is by merger, conversion or consolidation.

**Enacting Legislation:** S.L. 1967-986 - effective Jan. 1, 1968

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**8. Transfers by Instrument Securing Debt**

**Citation:** G.S. 105-228.29(8)

**Description:** The tax does not apply if transfer is by an instrument securing indebtedness.

**Enacting Legislation:** S.L. 1967-986 - effective Jan. 1, 1968

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

# Excise Tax on Motor Fuels (Article 36C) and Alternative Fuels (Article 36D)

## Tax Base Information

The tax base includes only fuel for vehicles licensed for highway use. Fuels sold for non-highway use are exempt from the Motor Fuels Tax but are subject to the Sales and Use Tax.

The tax rate on Alternative Fuels is set equivalent to the tax on motor fuels, as determined by the Secretary of Revenue.

Beginning Jan. 1, 2017, the tax rate is adjusted each year using a weighted average of the population growth rate and the growth rate of the energy consumer price index. In 2020 and 2021, the tax rate was 36.1¢ per gallon. (S.L. 2020-91, sec. 4.2 set the 2021 tax rate to be the greater of 36.1¢ per gallon and the tax rate obtained from the above calculation. Also, the derivation of the tax rate for 2022 used the 2021 tax rate obtained from the calculation.) In calendar year 2025, the tax rate was 40.3¢ per gallon.

In Fiscal Year 2024-25, approximately $2.6 billion was collected from the motor fuels excise tax, net of refunds.

## Tax Expenditures

**1. Sales to the State for its Use**

**Citation:** G.S. 105-449.88(3)

**Description:** Exemption for motor fuel sales to the State for its use.

**Enacting Legislation:** S.L. 1991-689

**FY25-26 Estimate (in $millions):** 0.0

**FY26-27 Estimate (in $millions):** 0.0

**Data Source:** Motor Fuels Tax Division, Department of Revenue

**Note:** The loss to the Highway Fund & Highway Trust Fund is approximately $10 million per year, but there is no net effect on overall State funds.

**2. Sales to Local Boards of Education**

**Citation:** G.S. 105-449.88(4)

**Description:** Exemption for motor fuel sales to local boards of education.

**Enacting Legislation:** S.L. 1995-390; formerly, there was an exemption for gasoline used in public school transportation (S.L. 1941-119)

**FY25-26 Estimate (in $millions):** 9.8

**FY26-27 Estimate (in $millions):** 10.2

**Data Source:** Motor Fuels Tax Division, Department of Revenue

**3. Sales to Charter Schools**

**Citation:** G.S. 105-449.88(6)

**Description:** Exemption for motor fuels sales to charter schools.

**Enacting Legislation:** S.L. 2000-72 - effective Oct. 1, 2000

**FY25-26 Estimate (in $millions):** 0.1

**FY26-27 Estimate (in $millions):** 0.1

**Data Source:** Motor Fuels Tax Division, Department of Revenue

**4. Sales to Community Colleges**

**Citation:** G.S. 105-449.88(7)

**Description:** Exemption for motor fuel sales to community colleges.

**Enacting Legislation:** S.L. 2001-427 - effective Jan. 1, 2003

**FY25-26 Estimate (in $millions):** 0.1

**FY26-27 Estimate (in $millions):** 0.1

**Data Source:** Motor Fuels Tax Division, Department of Revenue

**5. Sales to County or Municipal Corporation**

**Citation:** G.S. 105-449.88(8)

**Description:** Exemption for motor fuel sales to county or municipal corporation.

**Enacting Legislation:** S.L. 2002-108 - effective Jan. 1, 2003; counties and municipal corporations were formerly allowed a refund of all but 1¢ per gallon (S.L. 1957-1226)

**FY25-26 Estimate (in $millions):** 30.4

**FY26-27 Estimate (in $millions):** 31.6

**Data Source:** Motor Fuels Tax Division, Department of Revenue

**6. Biodiesel Used in the Producer's Vehicle**

**Citation:** G.S. 105-449.88(9)

**Description:** Exemption for biodiesel that is produced by an individual for use in a private passenger vehicle registered in that individual's name.

**Enacting Legislation:** S.L. 2007-524 - effective Oct. 1, 2007

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**7. Sales to a Hospital Authority**

**Citation:** G.S. 105-449.88(10)

**Description:** Exemption for motor fuel sold to a hospital authority created under G.S. 131E-17.

**Enacting Legislation:** S.L. 2016-5 - effective May 11, 2016

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**8. Sales to a Joint Agency for Fire, Police or Emergency Services**

**Citation:** G.S. 105-449.88(11)

**Description:** Exemptionfor motor fuel sold to a joint agency created by interlocal agreement for the purposes of fire protection, police protection, or emergency services.

**Enacting Legislation:** S.L. 2018-39 - effective October 1, 2018

**FY25-26 Estimate (in $millions):** Unavailable

**FY26-27 Estimate (in $millions):** Unavailable

**9. Discount for Timely Payment -- Licensed Distributors and Importers**

**Citation:** G.S. 105-449.93(b)

**Description:** 1% discount to licensed distributor for timely payment.

**Enacting Legislation:** S.L. 1995-390 - effective Jan. 1, 1996; prior to this, distributors had been allowed a tare deduction for gasoline

**FY25-26 Estimate (in $millions):** 25.4

**FY26-27 Estimate (in $millions):** 26.2

**Data Source:** Motor Fuels Tax Division, Department of Revenue

**10. Discount for Collection Expense -- Suppliers**

**Citation:** G.S. 105-449.97(b)

**Description:** 0.1% discount to supplier for timely payment.

**Enacting Legislation:** S.L. 1995-390 - effective Jan. 1, 1996

**FY25-26 Estimate (in $millions):** 1.0

**FY26-27 Estimate (in $millions):** 1.0

**Data Source:** Motor Fuels Tax Division, Department of Revenue

**11. Discount for Timely Filing and Payments -- Sales to Unlicensed Distributors or Bulk-End Users**

**Citation:** G.S. 105-449.97(c)

**Description:** A supplier that sells motor fuel directly to an unlicensed distributor or to the bulk-end user, the retailer, or the user of the fuel may take the same percentage discount on the fuel that a licensed distributor may take under G.S. 105-449.93(b) when making deferred payments of tax to the supplier.

**Enacting Legislation:** S.L. 1995-390 - effective Jan. 1, 1996

**FY25-26 Estimate (in $millions):** included in item #9

**FY26-27 Estimate (in $millions):** included in item #9

**12. Discount for Timely Filing and Payments -- Certain Returns of Importers**

**Citation:** G.S. 105-449.99(b)

**Description:** An importer that imports motor fuel received from an elective supplier or a permissive supplier may deduct the percentage discount under G.S. 105-449.93(b) when remitting tax to the supplier, as trustee, for payment to the State.

**Enacting Legislation:** S.L. 1995-390 - effective Jan. 1, 1996

**FY25-26 Estimate (in $millions):** included in item #9

**FY26-27 Estimate (in $millions):** included in item #9

**13. Damage to Conveyance**

**Citation:** G.S. 105-449.105(b)

**Description:** Exemption for loss of fuel due to damage to a conveyance transporting the motor fuel, fire, a natural disaster, an act of war, or an accident.

**Enacting Legislation:** S.L. 1995-390 - effective Jan. 1, 1996

**FY25-26 Estimate (in $millions):** less than 0.1

**FY26-27 Estimate (in $millions):** less than 0.1

**Data Source:** Motor Fuels Tax Division, Department of Revenue

**14. Accidentally Combining Fuels**

**Citation:** G.S. 105-449.105(c)

**Description:** Refund for accidentally combining any of the following: (1) dyed diesel fuel with tax-paid motor fuel, (2) gasoline with diesel fuel, or (3) undyed diesel fuel with dyed kerosene.

**Enacting Legislation:** S.L. 1995-390 - effective Jan. 1, 1996

**FY25-26 Estimate (in $millions):** less than 0.1

**FY26-27 Estimate (in $millions):** less than 0.1

**Data Source:** Motor Fuels Tax Division, Department of Revenue

**15. Hold Harmless Refunds to Distributors and Importers**

**Citation:** G.S. 105-449.105B

**Description:** Refund to distributors and importers of the difference between the amount of discount under G.S. 105-449.93(b) for all motor fuel and the amount calculated by the following schedule for gasoline: 2% of the first 150,000 gallons purchased per month; 1.5% of the next 100,000 gallons; and 1% of the amount over 250,000 gallons.

**Enacting Legislation:** S.L. 1995-390 - effective Jan. 1, 1996

**FY25-26 Estimate (in $millions):** 0.1

**FY26-27 Estimate (in $millions):** 0.1

**Data Source:** Motor Fuels Tax Division, Department of Revenue

**16. Refund for Nonprofit Transportation Services**

**Citation:** G.S. 105-449.106(a)(2)

**Description:** Refund of tax less 1 cent per gallon for a private nonprofit organization that transports passengers under contract with or at the express designation of a unit of local government.

**Enacting Legislation:** S.L. 1977-1215 - effective July 1, 1978

**FY25-26 Estimate (in $millions):** 0.2

**FY26-27 Estimate (in $millions):** 0.2

**Data Source:** Motor Fuels Tax Division, Department of Revenue

**17. Refund for Volunteer Fire Department**

**Citation:** G.S. 105-449.106(a)(3)

**Description:** Refund of tax less 1 cent per gallon for a volunteer fire department.

**Enacting Legislation:** S.L. 1971-1160 - effective Oct. 1, 1971

**FY25-26 Estimate (in $millions):** 0.4

**FY26-27 Estimate (in $millions):** 0.4

**Data Source:** Motor Fuels Tax Division, Department of Revenue

**18. Refund for Volunteer Rescue Squad**

**Citation:** G.S. 105-449.106(a)(4)

**Description:** Refund of tax less 1 cent per gallon for a volunteer rescue squad.

**Enacting Legislation:** S.L. 1981-1246 - effective July 1, 1983

**FY25-26 Estimate (in $millions):** 0.1

**FY26-27 Estimate (in $millions):** 0.1

**Data Source:** Motor Fuels Tax Division, Department of Revenue

**19. Refund for Sheltered Workshop**

**Citation:** G.S. 105-449.106(a)(5)

**Description:** Refund of tax less 1 cent per gallon for a sheltered workshop recognized by the Department of Human Services.

**Enacting Legislation:** S.L. 1975-845 - effective July 1, 1975

**FY25-26 Estimate (in $millions):** 0.1

**FY26-27 Estimate (in $millions):** 0.1

**Data Source:** Motor Fuels Tax Division, Department of Revenue

**20. Partial Refund for Power Takeoff Vehicles**

**Citation:** G.S. 105-449.107(b)

**Description:** Annual refund of 33.3% of taxes for certain vehicles, less appropriate sales or privilege tax. The vehicles include concrete mixing vehicles; solid waste compacting vehicle; bulk feed vehicle that delivers feed to poultry or livestock and uses a power takeoff to unload the feed; a vehicle that delivers lime or fertilizer in bulk to farms and uses a power takeoff to unload the lime or fertilizer; a tank wagon that delivers alternative fuel or motor fuel or another type of liquid fuel into storage tanks and uses a power takeoff to make the delivery; or a commercial vehicle that delivers and spreads mulch, soils, composts, sand, sawdust, and similar materials and that uses a power takeoff to unload, blow and spread the materials; a septage removal vehicle; and a sweeper.

**Enacting Legislation:** S.L. 1979-801 - effective Jan. 1, 1980 for concrete mixers; S.L. 1983-1025 added solid waste compactors; S.L. 1985-656 added farm delivery vehicles; S.L. 1997-423 reduced the refund by the amount of sales or privilege tax that would be due on the fuel; S.L. 2001-408 added mulch-blowing equipment; S.L. 2005-377 added septage pumpers and sweepers

**FY25-26 Estimate (in $millions):** 1.9

**FY26-27 Estimate (in $millions):** 1.9

**Data Source:** Motor Fuels Tax Division, Department of Revenue

# Appendix A: Federal Tax Expenditure Flow-Through Items

The taxable income amounts for North Carolina income taxes are derived in large part from federal rules defining what constitutes taxable income components. As such, most federal exemptions and exclusions "flow through" to State income taxes. The tables in this appendix provide estimates of the North Carolina FY25-26 and FY26-27 tax revenue loss for those federal flow-through provisions. For the individual income tax provision, only those provisions with an estimated impact over $0.5 million for either fiscal year are presented.

North Carolina's itemized deductions are based on federal itemized deduction provisions. However, these have been included in the main body of this report since there are specific provisions for each of these in North Carolina's tax code.

As of the timing of this publication, North Carolina conforms to the Internal Revenue Code (I.R.C.) enacted as of Jan. 1, 2023, as shown in G.S. 105-228.90(b)(7). Therefore, the estimates in this section do not encompass several federal acts, such as the One Big Beautiful Bill Act (OBBBA) of July 2025, that would otherwise have a substantive impact on North Carolina's flow-through tax expenditures.

North Carolina has decoupled from (or is not directly impacted by) the following federal provisions for recent years:

- Exclusion from income of the discharge of qualified principal residence indebtedness under I.R.C. Section 108 of the Code for tax years through 2025
- Exclusion from income for the employer payments of principal or interest on a taxpayer's education loan through tax year 2025
- Exclusion from income for the discharge of a student loan under I.R.C. Section 108(f)(5) through tax year 2025
- Deduction for qualified tuition and related expenses
- 20% deduction for qualified business income
- Deferred gains reinvested into an Opportunity Fund under sec. 1400Z-2 of the Code

Several provisions from the OBBBA would have a significant impact on N.C. income tax revenues if conformity were changed to allow these to pass through to N.C. taxable income.

An important provision is the OBBBA section 70301, which will allow a full expensing option for domestic research and development costs beginning in 2025 (with retroactive treatment for certain businesses that incurred R&D expenses during between 2022 and 2024.) This is a change from the general 5-year amortization of R&D expenses, which is not considered to be a tax expenditure.

Another significant provision from the OBBBA is section 70307, which would provide a special depreciation allowance for qualified production property constructed between Jan. 20, 2025, and Dec. 31, 2028.

Estimates for national impacts on federal income taxes of provisions of the OBBBA are available from "Estimated Budgetary Effects of Public Law 119-21, to Provide for Reconciliation Pursuant to Title II of H. Con. Res. 14, Relative to CBO's January 2025 Baseline," Congressional Budget Office, July 21, 2025.

**Table 4. Federal pass-through tax expenditures for the individual income tax**

| List Number | Individual Income Tax Expenditure Description | FY25-26 Estimate ($Millions) | FY26-27 Estimate ($Millions) |
|---|---|---|---|
| 1 | Net exclusion of contributions and earnings for defined contribution plans | 1,292.4 | 1,513.4 |
| 2 | Exclusion of employer contributions for health care, health insurance premiums, and long-term care insurance premiums | 1,187.6 | 1,180.0 |
| 3 | Net exclusion of contributions and earnings for defined benefit plans | 774.6 | 820.5 |
| 4 | Exclusion of capital gains at death (step-up basis) | 465.5 | 479.3 |
| 5 | Exclusion of untaxed Social Security and railroad retirement benefits | 417.1 | 445.2 |
| 6 | Exclusion of capital gains from sale of principal residences | 385.9 | 408.4 |
| 7 | Deduction for IRAs (traditional and Roth) | 216.0 | 238.9 |
| 8 | Exclusion of veterans' benefits (includes veteran's disability compensation, pensions, and readjustment benefits) | 102.7 | 103.4 |
| 9 | Medical care and Tricare insurance for military dependents and retirees | 96.1 | 94.4 |
| 10 | Exclusion of benefits and allowances to armed forces personnel (includes exemption for military disability benefits) | 95.5 | 96.5 |
| 11 | Exclusion of amounts received under life insurance contracts | 90.4 | 92.0 |
| 12 | Net exclusion of pension contributions and earnings for plans covering partners and sole proprietors ("Keogh" plans) | 88.2 | 96.4 |
| 13 | Health Savings Accounts | 75.0 | 79.9 |
| 14 | Deduction for health insurance premiums and long-term care insurance premiums for the self-employed | 57.7 | 63.5 |
| 15 | Treatment of meals and lodging (other than military) | 54.5 | 53.4 |
| 16 | Exclusion of miscellaneous fringe benefits | 52.8 | 52.7 |
| 17 | Exclusion of scholarship and fellowship income | 49.4 | 51.8 |
| 18 | Carryover basis of appreciated property transferred by gift | 40.6 | 41.5 |
| 19 | Deferral of gain on like-kind exchanges | 37.9 | 35.3 |
| 20 | Exclusion for employer paid accident and disability premiums | 36.9 | 37.8 |

| List Number | Individual Income Tax Expenditure Description | FY25-26 Estimate ($Millions) | FY26-27 Estimate ($Millions) |
|---|---|---|---|
| 21 | Exclusion for employer-paid transportation benefits and employer-provided transit and vanpool benefits | 33.6 | 33.5 |
| 22 | Exclusion of workers' compensation benefits (disability and survivors payments) | 32.7 | 34.8 |
| 23 | Exclusion of earnings of qualified tuition programs (including prepaid tuition programs and savings account programs) | 31.1 | 29.9 |
| 24 | Depreciation of rental housing in excess of alternative depreciation system | 29.8 | 28.4 |
| 25 | Exclusion of workers' compensation benefits (medical benefits) | 26.9 | 28.6 |
| 26 | Exclusion for employer contributions for premiums on group long-term life insurance | 23.3 | 23.9 |
| 27 | Exclusion of gain for certain small business stock | 22.5 | 22.9 |
| 28 | Special treatment of employee stock ownership plans | 21.3 | 22.0 |
| 29 | Deduction for interest on student loans | 15.7 | 16.3 |
| 30 | Exclusion of income earned by voluntary employees' beneficiary associations | 15.4 | 18.6 |
| 31 | Cash accounting, other than agriculture | 14.7 | 15.7 |
| 32 | Exclusion of health insurance benefits for military retirees and retiree dependents enrolled in Medicare | 14.2 | 15.2 |
| 33 | Exclusion of combat pay | 13.9 | 14.8 |
| 34 | Exclusion of compensatory damages on account of personal physical injuries or physical sickness | 10.5 | 10.1 |
| 35 | Deferral of gain on non-dealer installment sales | 10.5 | 10.8 |
| 36 | Exclusion of employer-provided (on-site) gyms | 10.0 | 10.1 |
| 37 | Exclusion of certain allowances for federal employees abroad | 9.4 | 9.2 |
| 38 | Exclusion of cash public assistance benefits | 9.2 | 9.3 |
| 39 | Exclusion of employer-provided education assistance benefits | 7.5 | 6.7 |
| 40 | Exclusion of housing allowances for ministers | 6.1 | 5.9 |
| 41 | Exemption from imputed interest rules | 6.0 | 6.6 |
| 42 | Exclusion of employer-provided child care | 6.0 | 6.6 |
| 43 | Deferral of taxation on spread on acquisition of stock under incentive stock option rules | 5.9 | 6.2 |

| List Number | Individual Income Tax Expenditure Description | FY25-26 Estimate ($Millions) | FY26-27 Estimate ($Millions) |
|---|---|---|---|
| 44 | Depreciation of buildings other than rental housing in excess of alternative depreciation system | 3.4 | 3.8 |
| 45 | Exclusion of certain foster care payments | 3.1 | 3.1 |
| 46 | Deduction for expenditures on energy-efficient commercial building property | 2.6 | 2.5 |
| 47 | Exclusion of employee awards | 2.5 | 2.4 |
| 48 | Inventory methods of valuation, including last in first out, lower of cost or market, specific identification for homogeneous products | 2.0 | 1.9 |
| 49 | Exclusion for employer-provided education & tuition reduction benefits | 1.9 | 1.9 |
| 50 | Deduction for overnight expenses for National Guard and Reserve members | 1.6 | 1.5 |
| 51 | Deduction for teacher classroom expenses | 1.5 | 1.5 |
| 52 | Amortization of business start-up costs | 1.0 | 1.4 |
| 53 | Deferral of taxation on spread on employee stock purchase plans | 1.0 | 1.0 |
| 54 | Completed contract rules | 0.9 | 1.0 |
| 55 | Exclusion for employer-provided adoption assistance | 0.7 | 0.7 |
| 56 | Distributions in redemption of stock to pay various taxes imposed at death | 0.5 | 0.5 |

Sources: *Estimates of Federal Tax Expenditures for Fiscal Years 2024-2028* (JCX-48-24), Joint Committee on Taxation, December 11, 2024. The reference tax law includes changes through November 1, 2024. Federal tax expenditures are also measured by *Tax Expenditures Fiscal Year* 2026, Office of Tax Analysis, US Department of the Treasury, November 27, 2024

These sources may differ on how a tax expenditure is defined. For example, the Office of Tax Analysis considers "exclusion of net imputed rental income" for owner-occupied housing as a tax expenditure, but the Joint Committee on Taxation does not. Generally, this table uses the estimates from the Joint Committee on Taxation.

Note: Descriptions of federal tax expenditures can be found in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, Congressional Research Service, December 2024.

**Table 5. Federal Pass-through tax expenditures for the corporate income tax**

| List Number | Corporate Income Tax Expenditure Description | FY25-26 Estimate ($Millions) | FY26-27 Estimate ($Millions) |
|---|---|---|---|
| 1 | Deferral of gain on non-dealer installment sales | 15.6 | 15.3 |
| 2 | Deferral of gain on like-kind exchanges | 8.1 | 7.5 |
| 3 | Special tax provisions for employee stock ownership plans | 7.6 | 7.7 |
| 4 | Special rules for IC-DISCs | 7.1 | 6.6 |
| 5 | Inventory methods and valuation, including last in first out, lower of cost or market, specific identification for homogeneous products | 5.0 | 4.5 |
| 6 | Completed contract rules | 2.4 | 2.3 |
| 7 | Cash accounting, other than agriculture | 1.8 | 1.7 |
| 8 | Depreciation of rental housing in excess of alternative depreciation system | 1.8 | 1.4 |
| 9 | Eliminate requirement that financial institutions allocate interest expense attributable to tax-exempt interest | 1.5 | 1.4 |
| 10 | Expensing of timber-growing costs | 0.9 | 0.8 |
| 11 | Depreciation of buildings other than rental housing in excess of alternative depreciation system | 0.9 | 0.8 |
| 12 | Amortization and expensing of reforestation expenses | 0.3 | 0.3 |
| 13 | Deduction for certain energy efficient commercial building property | 0.3 | 0.3 |
| 14 | Amortization of business start-up costs | 0.1 | 0.1 |
| 15 | Amortization of air pollution control facilities | 0.1 | 0.1 |

Sources: *Estimates of Federal Tax Expenditures for Fiscal Years 2024-2028* (JCX-48-24), Joint Committee on Taxation, December 11, 2024. The reference tax law includes changes through November 1, 2024. Federal tax expenditures are also measured by *Tax Expenditures Fiscal Year* 2026, Office of Tax Analysis, US Department of the Treasury, November 27, 2024.

Note: Items are included in this table if the State impact is measured to be at least $100,000. Items with negative amounts (meaning that the provision would increase tax revenues) are excluded.

# Appendix B: Other Tax Exclusions and Exemptions

This section contains a list of additional provisions that are not included in the main body of the report's text because they are considered necessary for the ordinary functioning of the tax system.

## Tobacco Tax

**1. Sales to Distributors**
**Description:** Manufacturers shipping cigarettes to other distributors are exempt.
**Citation:** G.S. 105-113.1
**Reason for Excluding from Tax Expenditure List:** Avoid Double Taxation

**2. Out-of-State Shipments**
**Description:** A distributor is exempt from tax if possession is for out-of-state shipments.
**Citation:** G.S. 105-113.9
**Reason for Excluding from Tax Expenditure List:** Not in Taxable Base

**3. Out-of-State Sales**
**Description:** Exemption for tobacco products sold outside the State.
**Citation:** G.S. 105-113.36A(d)(1) [formerly G.S. 105-113.35(a2)(1)]
**Reason for Excluding from Tax Expenditure List:** Not in Taxable Base

**4. Sales to Federal Government**
**Description:** Exemption for tobacco products sold to the federal government.
**Citation:** G.S. 105-113.36A(d)(2) [formerly G.S. 105-113.35(a2)(2)]
**Reason for Excluding from Tax Expenditure List:** Constitutional Restrictions

## Alcoholic Beverage License and Excise Taxes

**5. Sales to U.S. Armed Forces**
**Description:** Exemption if beverage is sold to the U.S. Armed Forces.
**Citation:** G.S. 105-113.81(c)
**Reason for Excluding from Tax Expenditure List:** Constitutional Restrictions

**6. Out-of-State Sales**
**Description:** Exemption if beverage is sold outside the State.
**Citation:** G.S. 105-113.81(d)
**Reason for Excluding from Tax Expenditure List:** Not in Taxable Base

## Franchise Tax

**7. Insurance Companies**
**Description:** Exemption for an insurance company subject to tax under Article 8B of this Chapter.
**Citation:** G.S. 105-125(a)(2)
**Reason for Excluding from Tax Expenditure List:** Avoid Double Taxation

**8. Transfers of Debt**
**Description:** For debtor corporations, a proportionate part of debt determined on the bases of the ratio of capital borrowed by a creditor corporation from a source other than a parent, subsidiary or affiliate to the total assets of the creditor corporation. For creditor corporations, the amount of any debt owed to it by a parent, subsidiary, or affiliated corporation to the extent that such debt has been included in the tax base of the parent, subsidiary, or affiliated debtor corporation reporting for taxation under the provisions of this section.
**Citation:** G.S. 105-122(b)
**Reason for Excluding from Tax Expenditure List:** Avoid Double Taxation

## Corporation Income Tax

**9. U.S. Obligation Interest**
**Description:** Deductions for interest upon the obligations of the U.S. or its possessions, to the extent included in federal taxable income.
**Citation:** G.S. 105-130.5(b)(1)
**Reason for Excluding from Tax Expenditure List:** Intergovernmental Reciprocity

**10. Payments Received from an Affiliated Company That Paid Tax on Payment**
**Description:** Payment received from a parent, subsidiary or affiliated corporation in excess of fair compensation in inter-company transactions which in the determination of the net income or net loss of such corporation were not allowed as a deduction.
**Citation:** G.S. 105-130.5(b)(2)
**Reason for Excluding from Tax Expenditure List:** Avoid Double Taxation

**11. Adjustment for Federal Tax Credits**
**Description:** Deduction for business expenses when a federal tax credit was taken in lieu of a deduction.
**Citation:** G.S. 105-130.5(b)(11)
**Reason for Excluding from Tax Expenditure List:** Not in Taxable Base: In the Code, there are some activities that may receive either a tax credit or a deduction from taxable income, but not both. A taxpayer that chooses to take the credit may deduct the alternative allowable Federal deduction when calculating North Carolina taxable income. Many of these deductions are related to the federal Work Opportunity, Welfare-to-Work, and fuel tax credits.

**12. Royalty Payments Taxed by Related Member**
**Description:** Exemption for royalty payments received from a related member who added the payments to income.

**Citation:** G.S. 105-130.5(b)(20)
**Reason for Excluding from Tax Expenditure List:** Avoid Double Taxation

**13. Discharge of Certain Indebtedness**
**Description:** Section 108(i) of the Code allowed a business to cancel debt in 2009 and 2010, but defer paying taxes on the resultant income until a 5-year period beginning in 2014. NC decoupled from this provision. This deduction allows them to remove this amount from their NC taxable income in tax years 2014-2018.
**Citation:** G.S. 105-130.5(b)(25)
**Reason for Excluding from Tax Expenditure List:** Avoid Double Taxation

**14. Exemption for Adding Back Paid Royalties to Taxable Income**
**Description:** A taxpayer that pays royalties to a related member that does not include this income on a North Carolina income tax return must add these payments to their taxable income. However, the addback may be foregone if the recipient of the payment is organized under the laws of another country that has a tax treaty with the U.S. and the country imposes a tax on the royalty income of the recipient at a rate that is equal to or exceeds the State's corporate income tax rate.
**Citation:** G.S. 105-130.7A(c)(3)
**Reason for Excluding from Tax Expenditure List:** Constitutional Restrictions

**15. Certain Charitable Organizations**
**Description:** Exemption for cemetery corporations and corporations organized for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals.
**Citation:** G.S. 105-130.11(a)(3)
**Reason for Excluding from Tax Expenditure List:** Not in Taxable Base - following the Joint Committee on Taxation’s argument that the nonbusiness activities of charities predominate and unrelated business activities are subject to tax.

**16. Nonprofit Business Associations**
**Description:** Exemption for business leagues, chambers of commerce, merchants' associations or boards of trade not organized for profit.
**Citation:** G.S. 105-130.11(a)(4)
**Reason for Excluding from Tax Expenditure List:** Not in Taxable Base

**17. Nonprofit Promoters of Social Welfare**
**Description:** Exemption for civic leagues or organizations not organized for profit, but operated for the promotion of social welfare.
**Citation:** G.S. 105-130.11(a)(5)
**Reason for Excluding from Tax Expenditure List:** Not in Taxable Base

**18. Nonprofit Agricultural Marketing Memberships**
**Description:** Exemption for farmers' , fruit growers' or like organization for the purposes of marketing member products.
**Citation:** G.S. 105-130.11(a)(8)
**Reason for Excluding from Tax Expenditure List:** Not in Taxable Base

**19. Certain Agricultural Associations**

**Description:** Exemption for mutual associations formed under G.S. 54-111 through 54-128 to conduct agricultural business on the mutual plan and marketing associations organized under GS 54-129 through 54-158.

**Citation:** G.S. 105-130.11(a)(9)

**Reason for Excluding from Tax Expenditure List:** Not in Taxable Base

**20. Real Estate Mortgage Investment Conduits**

**Description:** An entity that qualifies as a real estate mortgage investment conduit, per Section 860D of the Code is exempt.

**Citation:** G.S. 105-130.11(d)

**Reason for Excluding from Tax Expenditure List:** Avoid Double Taxation

**21. Distributed Earnings of Regulated Investment Companies and Real Estate Investment Trusts**

**Description:** A regulated investment company or real estate investment trust shall be taxed only on that part of its net income which is not distributed or declared for distribution to shareholders.

**Citation:** G.S. 105-130.12

**Reason for Excluding from Tax Expenditure List:** Avoid Double Taxation

**22. S-Corporation Shareholders**

**Description:** Credits shall be given to prevent double taxation of S-Corporation shareholders.

**Citation:** G.S. 105-131.8

**Reason for Excluding from Tax Expenditure List:** Avoid Double Taxation

## Individual Income Tax

**23. Right of Claim Itemized Deduction**

**Description:** Deduction for repayment in the current year of an amount included in an earlier taxable year because it appeared that the taxpayer had an unrestricted right to such item.

**Citation:** G.S. 105-153.5(a)(2)d

**Reason for Excluding from Tax Expenditure List:** Avoid double taxation

**24. U.S. Obligation Interest**

**Description:** Deductions for interest upon the obligations of the U.S. or its possessions, to the extent included in federal taxable income.

**Citation:** G.S. 105-153.5(b)(1)

**Reason for Excluding from Tax Expenditure List:** Intergovernmental Reciprocity

**25. Refunds of State, Local or Foreign Taxes in Federal AGI**

**Description:** Refunds of state, local, and foreign income taxes included in the taxpayer's federal adjusted gross income are exempt.

**Citation:** G.S. 105-153.5(b)(4)

**Reason for Excluding from Tax Expenditure List:** Avoid Double Taxation

**26. Income from Federally-Recognized Indian Reservation**

**Description:** Exemption for income that is (1) earned or received by an enrolled member of a federally recognized Indian Tribe and (2) derived from activities on a federally recognized Indian reservation while the member resides on the reservation.

**Citation:** G.S. 105-153.5(b)(6)

**Reason for Excluding from Tax Expenditure List:** Constitutional Restrictions

**27. Adjustment to the Basis of Property**

**Description:** Deduction for the amount by which the basis of property exceeds the basis of property under the Code, in the year the taxpayer disposes of the property.

**Citation:** G.S. 105-153.5(b)(7)

**Reason for Excluding from Tax Expenditure List:** The basis needs to be adjusted in order to apply the correct amount of taxation on capital gains and capital losses.

**28. Discharge of Certain Indebtedness**

**Description:** Deduction for the amount added to federal taxable income under section 108(i)(1) of the Code.

**Citation:** G.S. 105-153.5(b)(10)

**Reason for Excluding from Tax Expenditure List:** Avoid Double Taxation.

**29. Business-Related Deduction in Lieu of a Tax Credit**

**Description:** A taxpayer may deduct an ordinary and necessary business expense that was not deducted from federal income due to the taxpayer taking a federal tax credit.

**Citation:** G.S. 105-153.5(b)(11)

**Reason for Excluding from Tax Expenditure List:** Business expenses are deductible as a normal part of the income tax.

**30. Income Taxes Paid to Other States**

**Description:** Individuals residing in North Carolina may receive a tax credit for income taxes paid to other states. The tax credit may not exceed the amount of income tax that would have been paid to North Carolina on the relevant income.

**Citation:** G.S. 105-105.153.9

**Reason for Excluding from Tax Expenditure List:** Avoid Double Taxation: The income has been taxed by another State

## Sales and Use Tax

**31. Instructional Seminars and Workshops**
**Description:** Tuition, registration fees, or charges to attend instructional seminars, conferences, or workshops for educational purposes are excluded from sales tax on entertainment activities.
**Citation:** G.S. 105-164.4G(e)(2)
**Effective Date:** admissions sold on or after May 29, 2014 (S.L. 2014-3)
**Reason for Excluding from Tax Expenditure List:** Not in tax base

**32. Political Contributions Related to an Entertainment Activity**
**Description:** A political contribution is excluded from the sales tax on entertainment activities.
**Citation:** G.S. 105-164.4G(e)(3)
**Effective Date:** admissions sold on or after May 29, 2014 (S.L. 2014-3)
**Reason for Excluding from Tax Expenditure List:** Not in tax base

**33. Transportation Related to an Amusement**
**Description:** An amount paid solely for transportation is excluded from the sales tax on entertainment activities.
**Citation:** G.S. 105-164.4G(e)(5)
**Effective Date:** admissions sold on or after May 29, 2014 (S.L. 2014-3)
**Reason for Excluding from Tax Expenditure List:** Not in tax base

**34. Farm Products Requiring Further Processing**
**Description:** Exemption for sales of cotton, tobacco, peanuts or other farm products sold to manufacturers for further manufacturing or processing.
**Citation:** G.S. 105-164.13(4)
**Reason for Excluding from Tax Expenditure List:** Purchase of Intermediate Good

**35. Manufactured Products Sold for Resale**
**Description:** Exemption for sales of manufactured products produced and sold by manufacturers or producers to other manufacturers, producers, or registered retailers or wholesale merchants, for the purpose of resale.
**Citation:** G.S. 105-164.13(5)
**Reason for Excluding from Tax Expenditure List:** Purchase of Intermediate Good

**36. Ingredients in Manufacturing Process**
**Description:** Exemption for sales to a manufacturer of tangible personal property that enters into or becomes an ingredient or component part of tangible personal property that is manufactured.
**Citation:** G.S. 105-164.13(8)
**Reason for Excluding from Tax Expenditure List:** Purchase of Intermediate Good

**37. Articles Repossessed by Vendor**
**Description:** Exemption for sales of an article repossessed by the vendor if the tax was paid on the sales price of the article.

**Citation:** G.S. 105-164.13(16)
**Reason for Excluding from Tax Expenditure List:** Not in the Tax Base

**38. Sales with Constitutional Protection**
**Description:** Sales which a state would be without power to tax under the limitations of the Constitution or laws of the United States or under the Constitution of this State.
**Citation:** G.S. 105-164.13(17)
**Reason for Excluding from Tax Expenditure List:** Constitutional Restrictions

**39. Items for Use on Ocean-Going Vessels**
**Description:** Sales of fuel and other items for use or consumption by or on ocean-going vessels.
**Citation:** G.S. 105-164.13(24)
**Reason for Excluding from Tax Expenditure List:** Sales for Use Outside North Carolina

**40. Sales on Cherokee Indian Reservation**
**Description:** Exemption for sales by merchants on the Cherokee Indian Reservation.
**Citation:** G.S. 105-164.13(25)
**Reason for Excluding from Tax Expenditure List:** Constitutional Restrictions

**41. Articles Purchased for Export to a Foreign Country**
**Description:** Exemption for tangible property purchased solely for the purpose of export to a foreign country for exclusive use or consumption in that or some other foreign country.
**Citation:** G.S. 105-164.13(33)
**Reason for Excluding from Tax Expenditure List:** Sales for Use Outside North Carolina

**42. Purchases Delivered Outside N.C.**
**Description:** Exemption for tangible property sold by a retailer to purchasers within or without this State, when the property is delivered in this State to a common carrier or to the United States Postal Service for delivery to the purchaser or the purchaser's designees outside this State and the purchaser does not subsequently use the property in this State.
**Citation:** G.S. 105-164.13(33a)
**Reason for Excluding from Tax Expenditure List:** Sales for Use Outside North Carolina

**43. Food Stamp Purchases**
**Description:** Exemption for food and other items lawfully purchased under the Food Stamp Program or WIC.
**Citation:** G.S. 105-164.13(38)
**Reason for Excluding from Tax Expenditure List:** Federal law prohibits state or local taxation.

**44. Deposit on Returnable Beverage Container**
**Description:** Exemption for an amount charged as a deposit on a beverage container that is returnable to the vendor for reuse when the amount is refundable or creditable to the vendee.
**Citation:** G.S. 105-164.13(47)
**Reason for Excluding from Tax Expenditure List:** Not a Final Sale

**45. Deposit on Returnable Replacement Part**
**Description:** Exemption for an amount charged as a deposit on an aeronautic, automotive, industrial, marine or farm replacement part that is returnable to the vendor for rebuilding or remanufacturing when the amount is refundable or creditable to the vendee. This exemption does not include tires or batteries.
**Citation:** G.S. 105-164.13(48)
**Reason for Excluding from Tax Expenditure List:** Not a Final Sale

**46. Resold Telecommunications Services**
**Description:** Telecommunications service that is a component part of or is integrated into a telecommunications service that is resold.
**Citation:** G.S. 105-164.13(54)a
**Reason for Excluding from Tax Expenditure List:** Not a Final Sale

**47. Repair, Maintenance and Installation Services Purchased for Resale**
**Description:** Exemption for repair, maintenance and installation services purchased for resale. (Enacting Legislation: S.L. 2015-241)
**Citation:** G.S. 105-164.13(61b)
**Reason for Excluding from Tax Expenditure List:** Not a Final Sale

**48. Food, Prepared Food and Related Items Covered under a Prepaid Meal Plan**
**Description:** Exemption for food and prepared food to be provided to a person entitled to the food under a prepaid meal plan subject to tax under G.S. 105-164.4(a)(12). (Enacting Legislation: S.L. 2014-3)
**Citation:** G.S. 105-164.13(63)
**Reason for Excluding from Tax Expenditure List:** Avoid Double Taxation

## Highway Use Tax

**49. Salvage Vehicles**
**Description:** Full exemption when a certificate of title is issued to the insurer of the motor vehicle because the vehicle is a salvage vehicle.
**Citation:** G.S. 105-187.6(a)(1)
**Reason for Excluding from Tax Expenditure List:** Not a Final Sale

**50. Resale of Automobile by Manufacturer or Retailer**
**Description:** Full exemption when a certificate of title is issued to either a manufacturer or a motor vehicle retailer for the purpose of resale.
**Citation:** G.S. 105-187.6(a)(2)
**Reason for Excluding from Tax Expenditure List:** Not a Final Sale

**51. Correction in Owner's Name on Title**
**Description:** Full exemption when a certificate of title is issued to the same owner to reflect a change or correction in the owner's name.
**Citation:** G.S. 105-187.6(a)(3)
**Reason for Excluding from Tax Expenditure List:** Avoid Double Taxation

**52. Removal of a Co-Owner's Name from Title**
**Description:** Full exemption when a certificate of title is issued to one or more of the same co-owners to reflect the removal of one or more other co-owners.
**Citation:** G.S. 105-187.6(a)(3a)
**Reason for Excluding from Tax Expenditure List:** Avoid Double Taxation

**53. Change in Title Due to Marital Separation or Divorce**
**Description:** Full exemption when a certificate of title is issued by a distribution of marital or divisible property incident to a marital separation or divorce.
**Citation:** G.S. 105-187.6(a)(6)
**Reason for Excluding from Tax Expenditure List:** Avoid Double Taxation

**54. Transfer of Government-Operated Vehicle Through a State Agency**
**Description:** Full exemption for sale to a State agency from a unit of local government, volunteer fire department, or volunteer rescue squad to enable the State agency to transfer the vehicle to another unit of local government, volunteer fire department, or volunteer rescue squad.
**Citation:** G.S. 105-187.6(a)(10)
**Reason for Excluding from Tax Expenditure List:** Not a Final Sale

**55. Vehicle Donations to Charities Solely for Resale**
**Description:** Full exemption when a certificate of title is issued as the result of a transfer of a vehicle to a charitable 501(c)(3) organization, where the vehicle was donated solely for purposes of resale.
**Citation:** G.S. 105-187.6(a)(12)
**Enacting Legislation:** S.L. 2018-43 - effective June 22, 2018
**Reason for Excluding from Tax Expenditure List:** Not a Final Sale

## Gross Premiums Tax on Insurance Companies

**56. Premiums from Federal Employees Health Benefits Plan and Medicare or Medicaid**
**Description:** Excludes premiums to the extent prohibited by federal law from Federal Employees Health Benefits Plan and Medicare or Medicaid.
**Citation:** G.S. 105-228.5(c)(4)
**Reason for Excluding from Tax Expenditure List:** Constitutional Restrictions

## Excise Tax on Motor Fuels and Alternative Fuels

**57. Sales for Out-of-State Use**
**Description:** The excise tax on motor fuel does not apply to motor fuel removed from a terminal for export if the motor fuel is removed by a licensed distributor or a licensed exporter and the supplier of the motor fuel collects tax on it at the rate of the motor fuel's destination state.
**Citation:** G.S. 105-449.88(1)
**Reason for Excluding from Tax Expenditure List:** Sale for Use Outside North Carolina

**58. Sales to Out-of-State Suppliers**

**Description:** The tax does not apply to motor fuel removed by transport truck from a terminal for export if the motor fuel is removed by a licensed distributor or licensed exporter, the supplier that is the position holder for the motor fuel sells the motor fuel to another supplier as the motor fuel crosses the terminal rack, the purchasing supplier or its customer receives the motor fuel at the terminal rack for export, and the supplier that is the position holder collects the tax on the motor fuel at the rate of the motor fuel's destination state.

**Citation:** G.S. 105-449.88(1a)

**Reason for Excluding from Tax Expenditure List:** Sale for Use Outside North Carolina

**59. Sales to the Federal Government**

**Description:** The tax does not apply to motor fuel sold to the federal government for its use.

**Citation:** G.S. 105-449.88(2)

**Reason for Excluding from Tax Expenditure List:** Constitutional Restrictions

**60. Diesel Sold to an Airport**

**Description:** Exemption for sales of diesel that is kerosene and sold to an airport.

**Citation:** G.S. 105-449.88(5)

**Reason for Excluding from Tax Expenditure List:** Not in Taxable Base

**61. Refunds for Sale to Exempt Entity**

**Description:** An entity whose use of motor fuel is exempt from tax may obtain a refund of any motor fuel excise tax the entity pays. The person who sells the fuel to the exempt entity is also allowed to obtain a refund of any taxes paid on the fuel.

**Citation:** G.S. 105-449.105(a)

**Reason for Excluding from Tax Expenditure List:** Not in Taxable Base

**62. Sale of Kerosene for Uses Not Related to Motor Vehicles**

**Description:** A distributor who sells kerosene may obtain a refund for the excise tax paid on the kerosene if the distributor dispenses the kerosene into a storage facility for use in: (1) heating, (2) drying crops, (3) a manufacturing process. The storage facility must be installed in a manner that makes use of the fuel for any other purpose improbable.

**Citation:** G.S. 105-449.105A

**Reason for Excluding from Tax Expenditure List:** Not in Taxable Base

**63. Motor Fuel for Off-Highway Equipment**

**Description:** Quarterly refunds of the estimated entire tax to a person who purchases and uses motor fuel to operate special mobile equipment off-highway. (Special mobile equipment is a vehicle that has a permanently attached crane, mill, ditch-digging apparatus, or similar attachment. It is not designed or used primarily for the transportation of persons or property.)

**Citation:** G.S. 105-449.106(c)

**Reason for Excluding from Tax Expenditure List:** Not in Taxable Base

**64. Sale of Motor Fuel for Uses Not Related to Highway Vehicle**

**Description:** Refund for purchases and uses of motor fuel for a purpose other than to operate a licensed highway vehicle.

**Citation:** G.S. 105-449.107(a)

**Reason for Excluding from Tax Expenditure List:** Not in Taxable Base

**65. Sales to Cherokee Indian Reservation**
**Description:** Refund for motor fuels and special fuels taxes to the Cherokee Indians on behalf of its members who reside on or engage in otherwise taxable transactions within Cherokee trust lands.
**Citation:** G.S. 105-449.114
**Reason for Excluding from Tax Expenditure List:** Constitutional Restrictions

End of Report

# Biennial Report

2025

OFFICE OF STATE TAX COMMISSIONER

## 57th Edition

NDTax
NORTH DAKOTA
tax.nd.gov

5557/8585

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# A LETTER FROM THE COMMISSIONER

Greetings,

The North Dakota Office of State Tax Commissioner remains steadfast in its mission to provide efficient, accurate, and exceptional service to taxpayers by fairly and effectively administering the tax laws of our state. Established as an independent agency in 1912, the Office of State Tax Commissioner serves as North Dakota's primary revenue collection agency, accounting for more than 95 percent of all general fund dollars each biennium.

The agency administers nearly 30 tax types, including sales and use, individual and corporate income, oil and gas, and excise taxes such as motor vehicle, alcohol, and tobacco. The authority and responsibilities of the agency are outlined in Title 57 of the North Dakota Century Code, with general powers defined in N.D.C.C. § 57-01-02.

As Tax Commissioner of North Dakota, I am pleased to present the Biennial Report for the period of July 1, 2023, through June 30, 2025. This report highlights successful programs, legislative actions, and advancements made to better serve the taxpayers of the state.

During this biennium, the 69th North Dakota Legislative Assembly completed a productive and historic session with lawmakers introducing 1,089 bills, the most since 2009. Of these, 615 successfully passed both the House and Senate, with Governor Kelly Armstrong signing 536 into law.

This Biennial Report offers a comprehensive overview of our agency's key functions and responsibilities. It includes detailed information on income tax credits and incentives, alcohol wholesale tax administration, oil extraction tax legislation, biennium-to-biennium financial comparisons, an overview of tax collection types, and a full statement of expenditures. Through intuitive dashboards and in-depth analytics, Power BI helps identify trends, track performance, and present meaningful comparisons. The data featured in this report reflects our continued commitment to transparency, accuracy, and informed decision-making.

The Office of State Tax Commissioner will continue to remain focused on delivering exceptional customer service, advancing digital capabilities, and improving innovative solutions to better serve the residents and businesses of North Dakota. These efforts continue to guide our operations and reflect our ongoing commitment to effective tax administration in the state.

If you have any questions regarding North Dakota tax-related programs, please reach out to our agency at 701-328-7088, visit our website at www.tax.nd.gov, and connect with our social media.

Sincerely,

Brian Kroshus, Tax Commissioner



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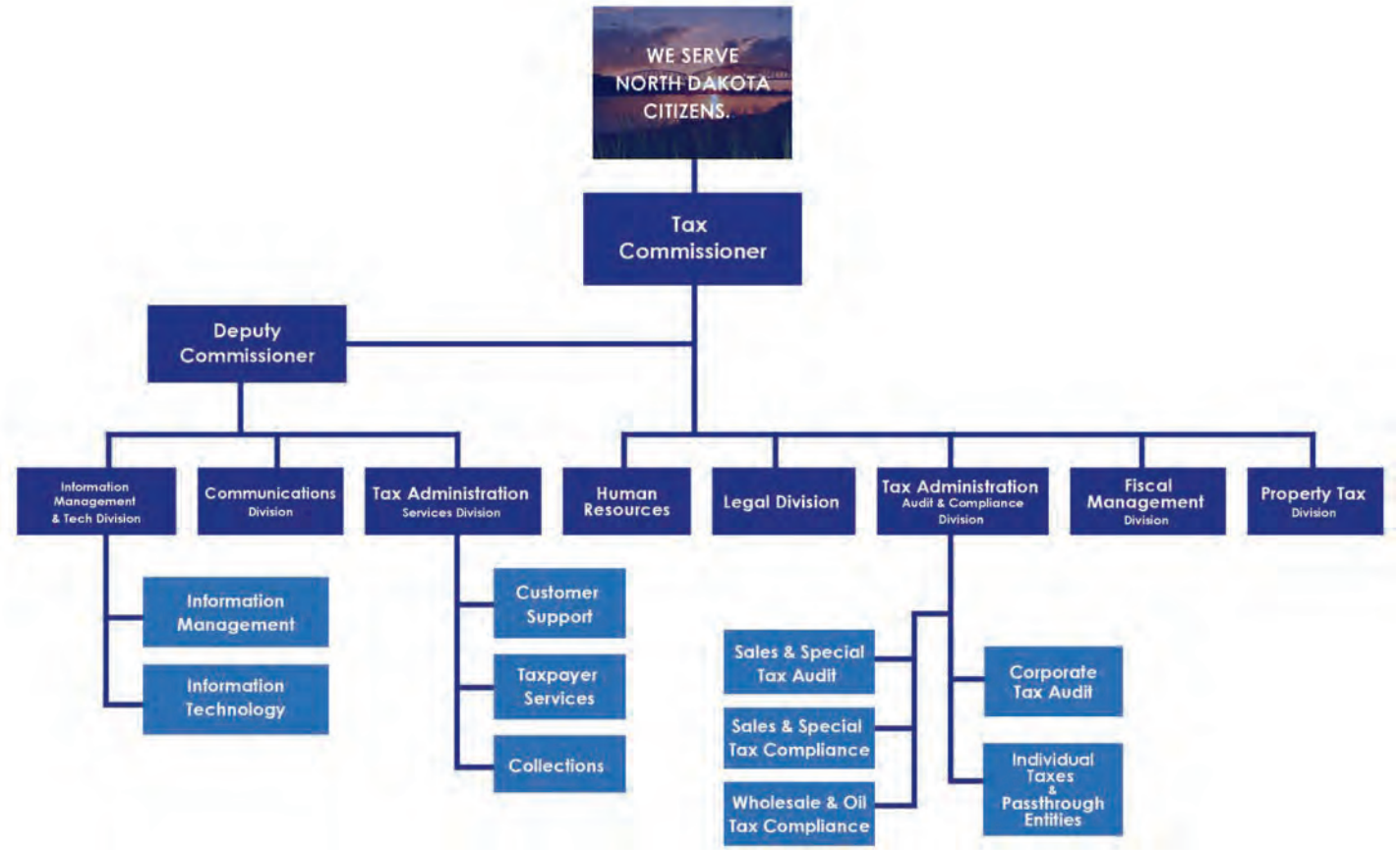
# ORGANIZATIONAL CHART




The Office of State Tax Commissioner is comprised of six divisions. The following provides insight into the roles and responsibilities of these divisions.

**COMMISSIONER'S DIVISION**

- This division serves as the administrative hub of the agency. It manages personnel, communications, and research functions, and conducts tax-related studies as assigned by the Tax Commissioner. The Deputy Commissioner and Human Resources are also part of this division.

**FISCAL MANAGEMENT DIVISION**

- This is the financial center covering revenue accounting, accounts payable, payroll, asset management, purchasing, and budgeting.

**INFORMATION MANAGEMENT AND TECHNOLOGY DIVISION**

- The Information Management and Technology (IM&T) Division leads the agency's technology efforts and safeguards taxpayer data. They support an integrated tax system (Gentax® and the onsite support staff) and all other software programs used throughout the agency. The IM&T division is also responsible for processing all incoming and outgoing mail, printing, validating, imaging, data entry, and storage of all tax records.

# FUNCTIONS & RESPONSIBILITIES

## LEGAL DIVISION

- The Legal Division provides litigation services, legal advice and counsel to the agency and State Board of Equalization. In addition to handling all aspects of litigation, services provided include drafting legislation, commissioner opinions, open records responses, policies, contracts, and correspondence. During legislative sessions, the division provides information and testimony to legislative committees on behalf of the agency. It also assists the agency in interpreting new or amended laws and aids the agency and Tax Commissioner in the implementation of those laws.

## PROPERTY TAX DIVISION

- The Property Tax Division administers property and utility taxes, coal taxes, the Primary Residence Credit Program, Homestead Property Tax Credit and Renter's Refund Program, Disabled Veterans Property Tax Credit Program, and provides administrative and technical support to the State Board of Equalization.

## TAX ADMINISTRATION DIVISION

- The largest division of the agency administers taxes for individual income, corporate income, sales and use, motor fuels, oil and gas gross production, oil extraction, alcoholic beverages, tobacco products and estate; special taxes; telecommunications gross receipts tax; and applicable local option taxes. This division is also responsible for the collection of delinquent taxes and determining licensing requirements, establishing filing frequency requirements and managing taxpayer demographic information.

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# LEGISLATIVE UPDATES

The following are highlights of income tax, property tax, and sales and special taxes legislation approved by the 2025 Legislative Assembly and signed into law by Governor Kelly Armstrong.

*Please Note: The information provided in this section is not reflected in the charts and graphs on the succeeding pages. New approved state tax laws will affect future net collections and will be displayed in upcoming biennial reports.*

## INCOME TAX CREDIT LEGISLATION

### SB 2282 - INCOME TAX CREDIT FOR EMPLOYER PROVIDED CHILD CARE PAYMENTS

Beginning with tax year 2025, a new income tax credit was created for employers who provide child care assistance to their employees. The credit equals 50% of an employer's qualified child care payments made during the year, up to the first $1,000 of payments per employee. To qualify, employers must offer an equal opportunity for all employees with child care costs to participate. Eligible payments include those made directly to North Dakota–licensed child care facilities or to licensed facilities within ten miles of the state, as well as reimbursements made to employees for qualified child care.

The credit is available to corporations, individuals, estates, trusts, and passthrough entities, with passthrough credits distributed proportionally to each owner. There is no cap on the total amount of credit that may be earned in a tax year; however, it is nonrefundable and cannot be carried forward to future years.

### SB 2038 - DISCLOSURE OF TAX INCENTIVE INFORMATION

Senate Bill 2038 amends existing law to require the Office of State Tax Commissioner to disclose the amount of any tax exemption granted to a taxpayer upon request from the chairman of legislative management or a legislative standing committee. This change expands current law, which already allows similar disclosures for tax credits and deductions claimed.

However, the bill maintains confidentiality protections by prohibiting the disclosure of a taxpayer's name or any other information restricted under N.D.C.C. Title 57.

## FEDERAL TAX LAW CHANGES

### H.R. 1 - ONE BIG BEAUTIFUL BILL ACT

On July 4, 2025, President Donald Trump signed into law the One Big Beautiful Bill Act (OBBBA), a budget reconciliation measure that includes several federal income tax changes.

A major provision makes permanent many elements of the Tax Cuts and Jobs Act of 2017, which were set to expire after tax year 2025. New individual income tax provisions provide partial exclusions or deductions for tip income, overtime pay, car loan interest, and charitable contributions, along with adjustments to the standard deduction, itemized deductions, and child tax credit.

Some provisions apply retroactively to 2025, while others are permanent or expire after 2028. Because North Dakota's income tax calculation begins with federal taxable income, these federal changes will automatically affect North Dakota taxable income.

However, federal tax credit changes do not directly impact state calculations. North Dakota's income tax rates and brackets for 2025 remain unchanged, with updated 2026 rates and withholding tables to be published in November once federal inflation data becomes available.

# LEGISLATIVE UPDATES

## PROPERTY TAX CREDIT

### HB 1176 - PROPERTY TAX RELIEF: PRIMARY RESIDENCE CREDIT

House Bill 1176 continues and updates the Primary Residence Credit (PRC) program established during the 2023 Legislative Session under House Bill 1158. Qualifying PRC applicants receive an annual property tax credit against the property taxes due on their primary residence. Key updates include:

- Expansion of the maximum credit from $500 to $1,600 per primary residence
- One-time special application period for mobile homeowners.
- Funding the program with legacy fund earnings
- Creating a new primary residential property class for tax years after 2025

### RENTER'S REFUND

House Bill 1176 increases the maximum benefit under the Renter's Refund program from $400 to $600. The Renter's Refund program provides a partial refund of rent paid for a renter's place of residence or mobile home lot.

### DISABLED VETERAN'S CREDIT

House Bill 1176 increases the maximum benefit under the Disabled Veteran's Credit program from $8,100 to $9,000. The bill also allows a Disabled Veteran's benefit for a parent or child and clarifies the definitions of child, homestead, and parent for Disabled Veteran's Credit program purposes.

### ADMINISTRATIVE IMPACTS FOR HB 1176

- Places a 3% annual cap on how much local governments can increase property taxes levied
- Provides for an interim legislative management study of property tax reform and relief
- Eliminates estimated property tax notices and replaces with Notice of Assessment
- Requires notice of budget hearings to all property owners
- Updates information required on property tax statements

## SALES & SPECIAL TAXES

### HB 1466 - DOMESTIC AND MANUFACTURING DISTILLERIES

House Bill 1466 updates the production limits for domestic distilleries and manufacturing distilleries to a limit of 25,000 gallons and 40,000 gallons per year, respectively. The bill introduces new definitions to N.D.C.C. § 5-01-01.

- Domestic Distillery - a distillery that produces 25,000 gallons or fewer of distilled spirits in a year.
- Manufacturing Distillery - a distillery that produces 40,000 gallons or fewer of distilled spirits in a year.
- Satellite Location - an offsite location owned or leased by a manufacturing distillery to conduct retail operations.

Additionally, the bill revises the proof gallon to liter ratio for self-distribution, effectively increasing the production limits related to distillery self-distribution privileges, from 42,000 liters to 45,425 liters per year.

Lastly, it expands the locations a manufacturing distillery can use a special event permit to include off-premises events, on-premises events, and events at the manufacturing distillery's satellite location.

### HB 1281 - FIRE DEPARTMENT MOTOR FUEL TAX REFUNDS

House Bill 1281 establishes a new motor fuel and special tax refund available for fuel purchases made by a fire department certified under N.D.C.C. § 18-04-02.

For purchases made after June 30, 2025, fire departments may file a claim for a refund of motor vehicle fuel (gasoline/gasohol), special fuel (undyed diesel) and aviation fuel (jet fuel or aviation gasoline) taxes.

Claims for refund must be filed between January 1 and June 30 of the year following the fuel purchases.

# LEGISLATIVE UPDATES

## SALES & SPECIAL TAXES

### SB 2397 - DEVELOPMENT INCENTIVE WELL OIL EXTRACTION TAX EXEMPTION AND GAS TAX EXEMPTION

Senate Bill 2397 has two components. First, it expands the existing gas tax exemptions to include an exemption for gas used as fuel in the operation of the lease site for drilling or production of oil or gas.

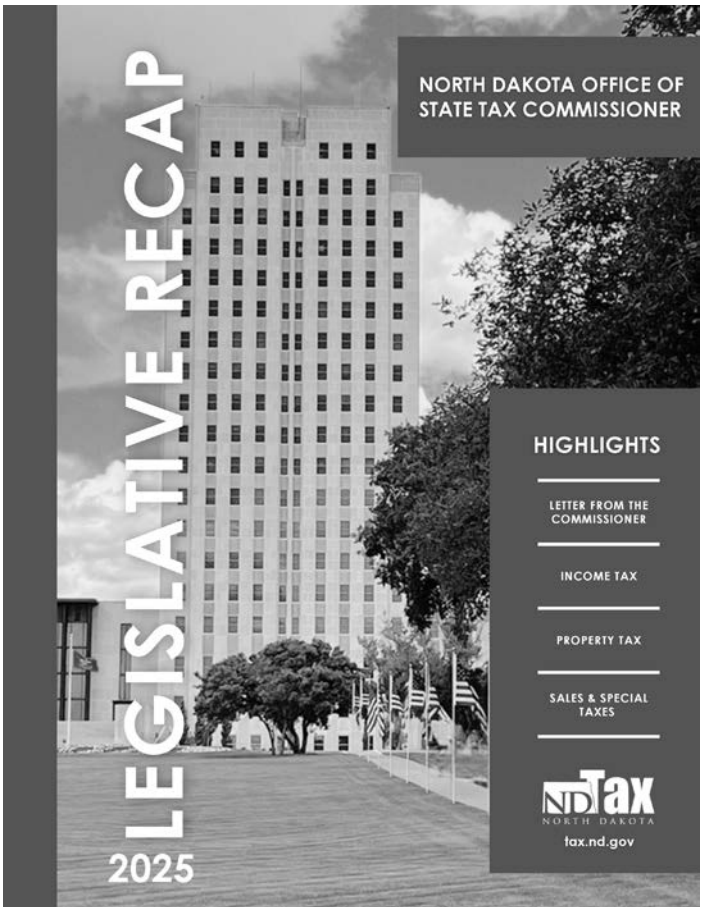
The expansion also applies to gas produced from an enhanced oil recovery project that utilizes gas for injection, up to the point where the volume of the initially injected gas has been recovered. Additionally, the previous requirement that generators at the well site must consume at least 75% of the gas produced has been removed.

Secondly, the bill establishes a new oil extraction tax exemption for development incentive wells. A development incentive well is defined as one that:

- Is spud after June 30, 2025.
- Utilizes a new or innovative drilling or completion technique that is a technical advancement.
- Demonstrates the ability to access a formation that otherwise would remain undeveloped.
- Is designed and anticipated to increase the number of wells, increase production, or boost the ultimate recovery of oil or gas from a well.

To qualify for the oil extraction tax exemption, development incentive wells must receive certification from the North Dakota Industrial Commission. The first 250,000 barrels of oil from a certified development incentive well drilled and completed before July 1, 2028, may be exempt from the oil extraction tax.

The exemption will not apply to wells located within the exterior boundaries of a reservation unless the tribe chooses to opt in by providing written notice. The development incentive well oil extraction tax exemption will expire on June 30, 2031.




A comprehensive publication regarding all tax changes made during the 2025 Legislative Session can be found in the Office of State Tax Commissioner's online Legislative Recap publication at **tax.nd.gov**.

# COMPARATIVE STATEMENTS

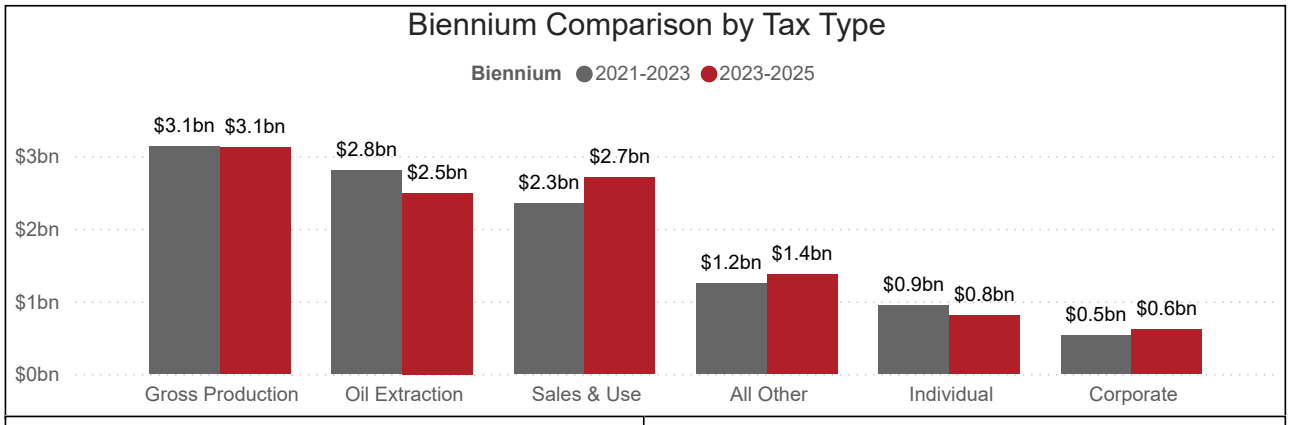
In this section, an overview of the Office of State Tax Commissioner's comparative statements will be provided. This provides a direct "biennium-to-biennium" comparison of the total collections.

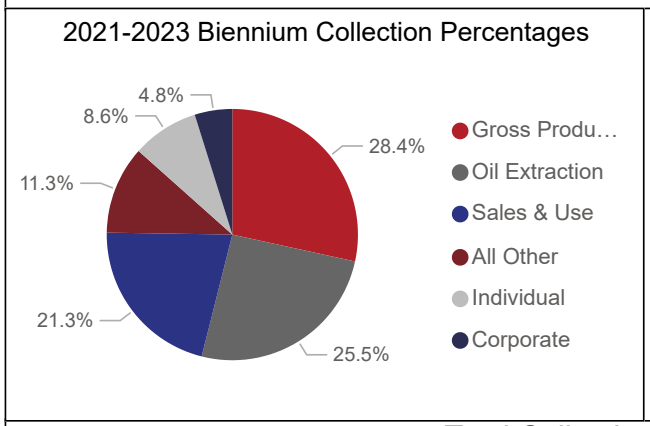
# COMPARATIVE STATEMENT OF COLLECTIONS

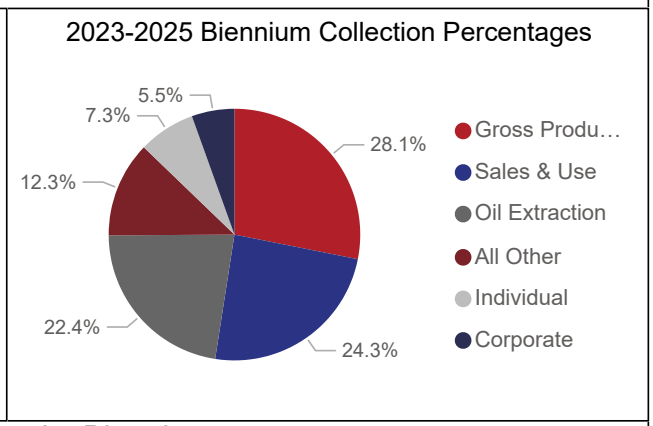
The charts on this page give a broad overview of the net collections by tax type over the last two bienniums. The top score cards show the total collection amounts, as well as the biennium percentage change. The bar chart compares the biennium collections by tax type. The two pie charts show the net collections as a percentage. The line chart at the bottom gives a historical view of net collections for the previous 10 bienniums.

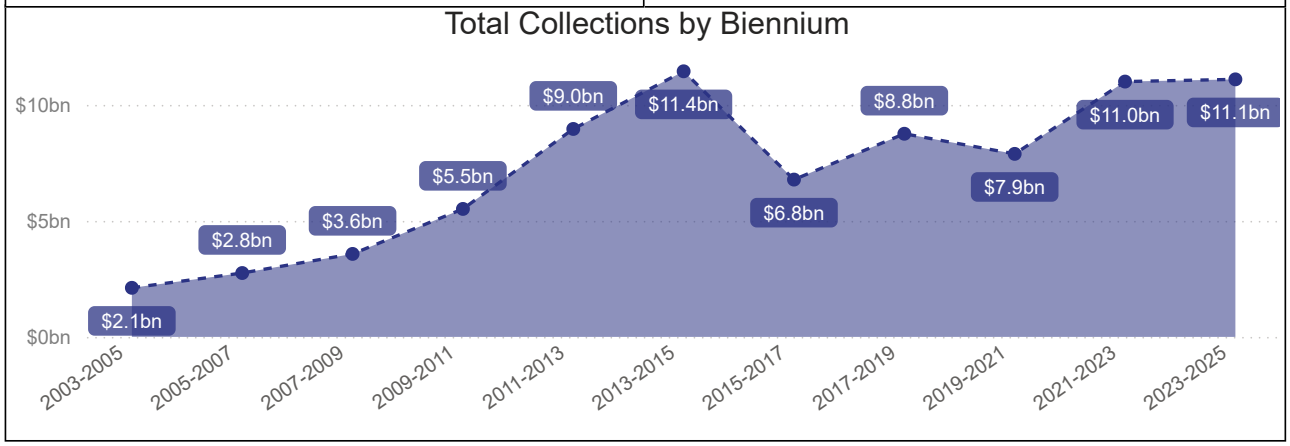
The following two pages provide the breakout of this data relative to the subsequent collection categories showcased throughout the remainder of this report.

| 2023-2025 Biennium | 2021-2023 Biennium | Biennium Difference |
|---|---|---|
| **$11.1bn** | **$11.0bn** | **0.9%** |
| Total Collections | Total Collections | Percentage Change |





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# STATEMENT OF COLLECTIONS: 2023-2025 BIENNIUM

| Tax Type Category<br>Included Tax or Fee Type | FY 2024 Collections | FY 2025 Collections | Biennium Total |
|---|---|---|---|
| **Sales and Use Tax** | **$1,321,011,468** | **$1,378,480,295** | **$2,699,491,763** |
| Alcohol Gross Receipts Tax (Tribal) | $0 | $133,564 | $133,564 |
| Motor Vehicle Excise Tax | $1,012,088 | $906,638 | $1,918,726 |
| Sales, Use, and Gross Receipts Tax | $1,319,999,380 | $1,377,440,093 | $2,697,439,473 |
| **Individual Income Tax** | **$356,913,752** | **$454,307,586** | **$811,221,338** |
| **Corporate Income Tax** | **$277,392,914** | **$332,524,651** | **$609,917,565** |
| **Oil & Gas Gross Production Tax** | **$1,694,376,429** | **$1,427,928,399** | **$3,122,304,828** |
| **Oil Extraction Tax** | **$1,367,523,349** | **$1,123,908,455** | **$2,491,431,804** |
| **Coal Conversion Tax** | **$4,025,691** | **$4,335,058** | **$8,360,749** |
| **Coal Severance Tax** | **$9,465,362** | **$9,598,197** | **$19,063,559** |
| **Motor Fuels** | **$189,614,124** | **$191,627,736** | **$381,241,860** |
| Motor Vehicle Fuel Tax | $98,888,282 | $99,420,988 | $198,309,270 |
| Special Fuel Tax | $90,725,842 | $92,206,748 | $182,932,590 |
| **Alcohol Tax** | **$10,831,484** | **$10,832,534** | **$21,664,018** |
| Wholesale Alcohol Tax | $10,831,484 | $10,790,141 | $21,621,625 |
| Wholesale Alcohol Tax (Tribal) | $0 | $42,393 | $42,393 |
| **Cigarette & Tobacco Tax** | **$21,701,776** | **$20,201,117** | **$41,902,893** |
| Cigarette Tax (Cities) | $1,009,447 | $921,058 | $1,930,505 |
| Cigarette Tax (GF) | $13,806,156 | $12,595,877 | $26,402,033 |
| Cigarette Tax (Tribal) | $63,772 | $48,664 | $112,436 |
| Tobacco Tax | $6,822,401 | $6,635,518 | $13,457,919 |
| **Electric Generation Tax** | **$29,725,136** | **$31,222,902** | **$60,948,038** |
| **Other** | **$13,565,036** | **$14,548,153** | **$28,113,189** |
| Aircraft Excise Tax | $12,959 | $41,352 | $54,311 |
| Airline Tax | $228,408 | $309,416 | $537,824 |
| Financial Institutions Tax | $0 | $4,783 | $4,783 |
| Fuel Dealers & Inspection Fees | $274,178 | $276,888 | $551,066 |
| Miscellaneous Remittances | $22,783 | $15,006 | $37,789 |
| Music & Composition Tax | $497,673 | $300,847 | $798,520 |
| Prepaid Wireless Fees | $992,686 | $1,075,276 | $2,067,962 |
| Provider Assessment | $6,780,907 | $7,745,269 | $14,526,176 |
| Telecommunications Tax | $4,755,442 | $4,779,316 | $9,534,758 |
| **Total State Tax & Fees** | **$5,296,146,521** | **$4,999,515,083** | **$10,295,661,604** |

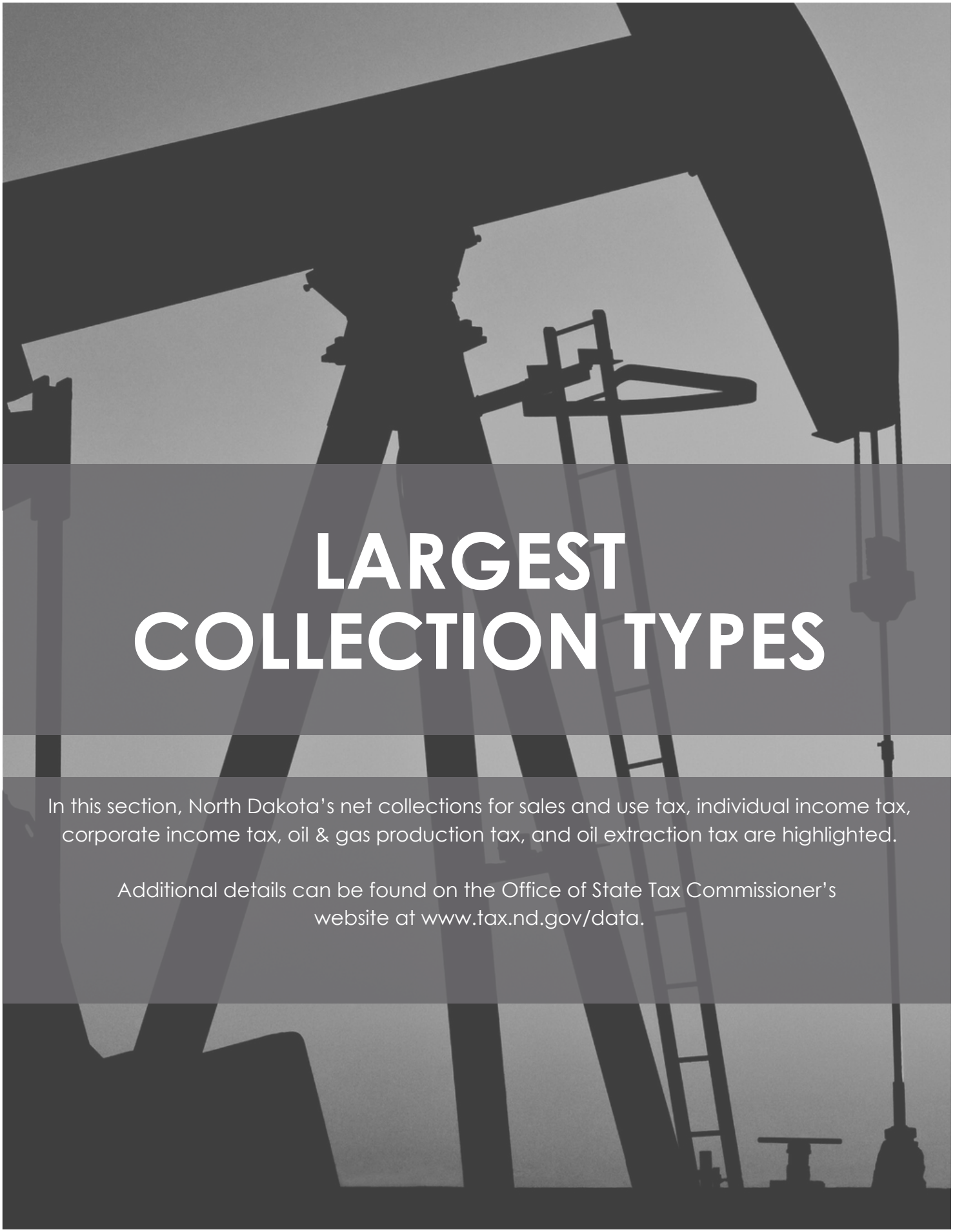
# STATEMENT OF COLLECTIONS: 2023-2025 BIENNIUM

| State Tax or Fee Type | FY 2024 Collections | FY 2025 Collections | Biennium Total |
|---|---|---|---|
| Aircraft Excise Tax | $12,959 | $41,352 | $54,311 |
| Airline Tax | $228,408 | $309,416 | $537,824 |
| Alcohol Gross Receipts Tax (Tribal) | $0 | $133,564 | $133,564 |
| Cigarette Tax (Cities) | $1,009,447 | $921,058 | $1,930,505 |
| Cigarette Tax (GF) | $13,806,156 | $12,595,877 | $26,402,033 |
| Cigarette Tax (Tribal) | $63,772 | $48,664 | $112,436 |
| Coal Conversion Tax | $4,025,691 | $4,335,058 | $8,360,749 |
| Coal Severance Tax | $9,465,362 | $9,598,197 | $19,063,559 |
| Corporate Income Tax | $277,392,914 | $332,524,651 | $609,917,565 |
| Electric Generation Tax | $29,725,136 | $31,222,902 | $60,948,038 |
| Financial Institutions Tax | $0 | $4,783 | $4,783 |
| Fuel Dealers & Inspection Fees | $274,178 | $276,888 | $551,066 |
| Individual Income Tax | $356,913,752 | $454,307,586 | $811,221,338 |
| Miscellaneous Remittances | $22,783 | $15,006 | $37,789 |
| Motor Vehicle Excise Tax | $1,012,088 | $906,638 | $1,918,726 |
| Motor Vehicle Fuel Tax | $98,888,282 | $99,420,988 | $198,309,270 |
| Music & Composition Tax | $497,673 | $300,847 | $798,520 |
| Oil & Gas Gross Production Tax | $1,694,376,429 | $1,427,928,399 | $3,122,304,828 |
| Oil Extraction Tax | $1,367,523,349 | $1,123,908,455 | $2,491,431,804 |
| Prepaid Wireless Fees | $992,686 | $1,075,276 | $2,067,962 |
| Provider Assessment | $6,780,907 | $7,745,269 | $14,526,176 |
| Sales, Use, & Gross Receipts Tax | $1,319,999,380 | $1,377,440,093 | $2,697,439,473 |
| Special Fuel Tax | $90,725,842 | $92,206,748 | $182,932,590 |
| Telecommunications Tax | $4,755,442 | $4,779,316 | $9,534,758 |
| Tobacco Tax | $6,822,401 | $6,635,518 | $13,457,919 |
| Wholesale Alcohol Tax | $10,831,484 | $10,790,141 | $21,621,625 |
| Wholesale Alcohol Tax (Tribal) | $0 | $42,393 | $42,393 |
| **Total** | **$5,296,146,521** | **$4,999,515,083** | **$10,295,611,604** |

| Local Tax Type | FY 2024 Collections | FY 2025 Collections | Biennium Total |
|---|---|---|---|
| Local Motor Vehicle Rental Tax | $169,091 | $180,694 | $349,785 |
| Local Occupancy Tax | $4,011,994 | $4,769,392 | $8,781,386 |
| Local Restaurant & Lodging Tax | $11,061,323 | $11,719,537 | $22,780,860 |
| Local Sales Tax | $367,978,411 | $403,791,595 | $771,770,006 |
| **Total** | **$383,220,819** | **$420,461,218** | **$803,682,037** |

| Income Funds Type | FY 2024 Collections | FY 2025 Collections | Biennium Total |
|---|---|---|---|
| Centennial Tree Trust Fund | $33,366 | $25,352 | $58,718 |
| Nongame Wildlife Fund | $27,989 | $22,996 | $50,985 |
| Organ Transplant Support Fund | $19,341 | $31,888 | $51,229 |
| Veterans' Postwar Trust Fund | $28,545 | $20,817 | $49,362 |
| **Total** | **$109,241** | **$101,053** | **$210,294** |

| | | | |
|---|---|---|---|
| **Total Collections** | **$5,679,476,581** | **$5,420,077,354** | **$11,099,553,935** |



# LARGEST COLLECTION TYPES

In this section, North Dakota's net collections for sales and use tax, individual income tax, corporate income tax, oil & gas production tax, and oil extraction tax are highlighted.

Additional details can be found on the Office of State Tax Commissioner's website at www.tax.nd.gov/data.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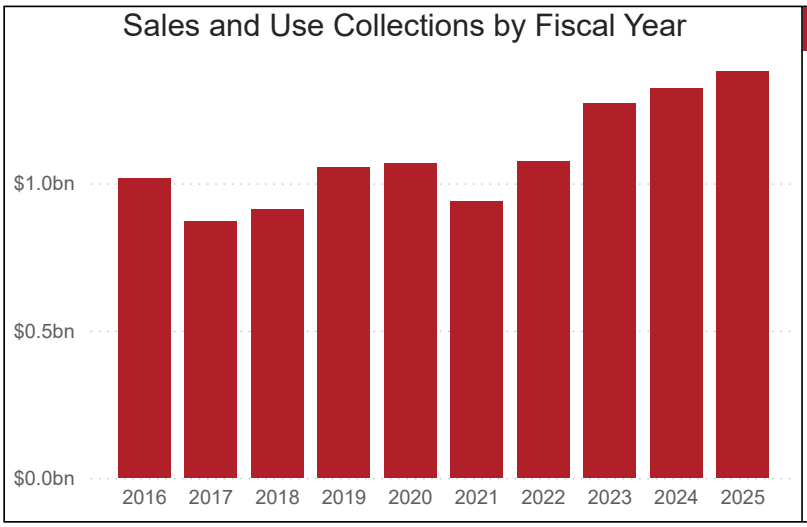
# SALES AND USE TAX

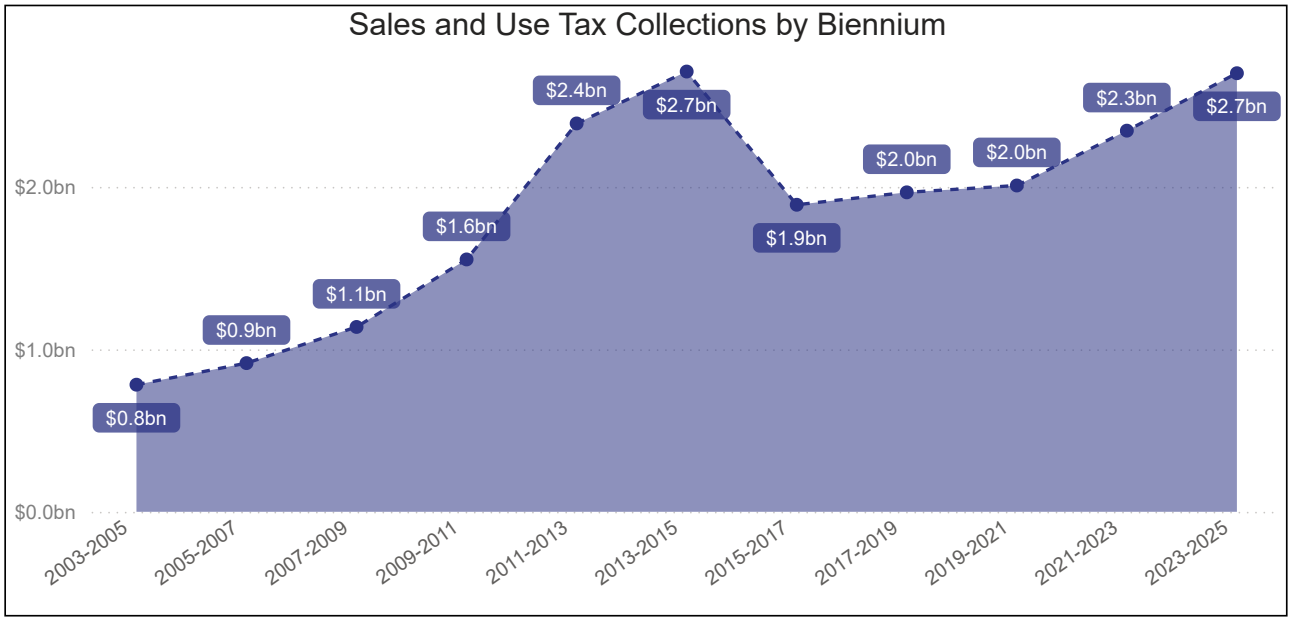
Generally, the North Dakota sales, use, and gross receipts taxes are imposed on the gross receipts of retailers. Sales tax is paid by the purchaser and collected by the retailer. The general sales and use tax rate is 5%, alcoholic beverages are taxed at 7%, and the tax rate on new farm machinery and new mobile homes is 3%. The revenues are then deposited into a variety of funds, including the State Aid Distribution Fund, County Aid Distribution Fund, Ag Research Fund, Multistate Audit Fund, and the General Fund. These totals include motor vehicle excise tax collections, excluding North Dakota Department of Transportation collections, and do not include local sales tax collections.

| 2023-2025 Biennium | 2021-2023 Biennium | Biennium Difference |
|---|---|---|
| **$2.7bn** | **$2.3bn** | **15.1%** |
| Collections | Collections | Percentage Change |




**Sales and Use Tax**

| Fiscal Year | Collections |
|---|---|
| 2025 | $1,378,480,295 |
| 2024 | $1,321,011,468 |
| 2023 | $1,270,943,346 |
| 2022 | $1,074,998,980 |
| 2021 | $940,162,688 |
| 2020 | $1,068,244,312 |
| 2019 | $1,053,484,880 |
| 2018 | $912,788,410 |
| 2017 | $872,421,766 |
| 2016 | $1,017,376,784 |





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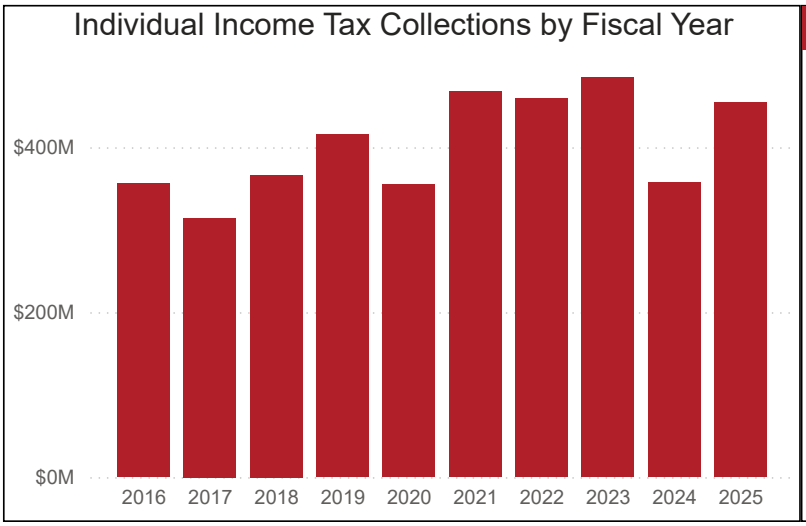
# INDIVIDUAL INCOME TAX

For tax years 2015 through 2022, tax rates ranged from 1.10% to 2.90% of North Dakota taxable income. Tax years 2021 and 2022 included the tax relief credit which was worth up to $350 for single filers and up to $700 for joint filers. For tax years beginning with 2023, the tax rates range from 0% to 2.5%. Individual income tax revenues are deposited in the State General Fund.

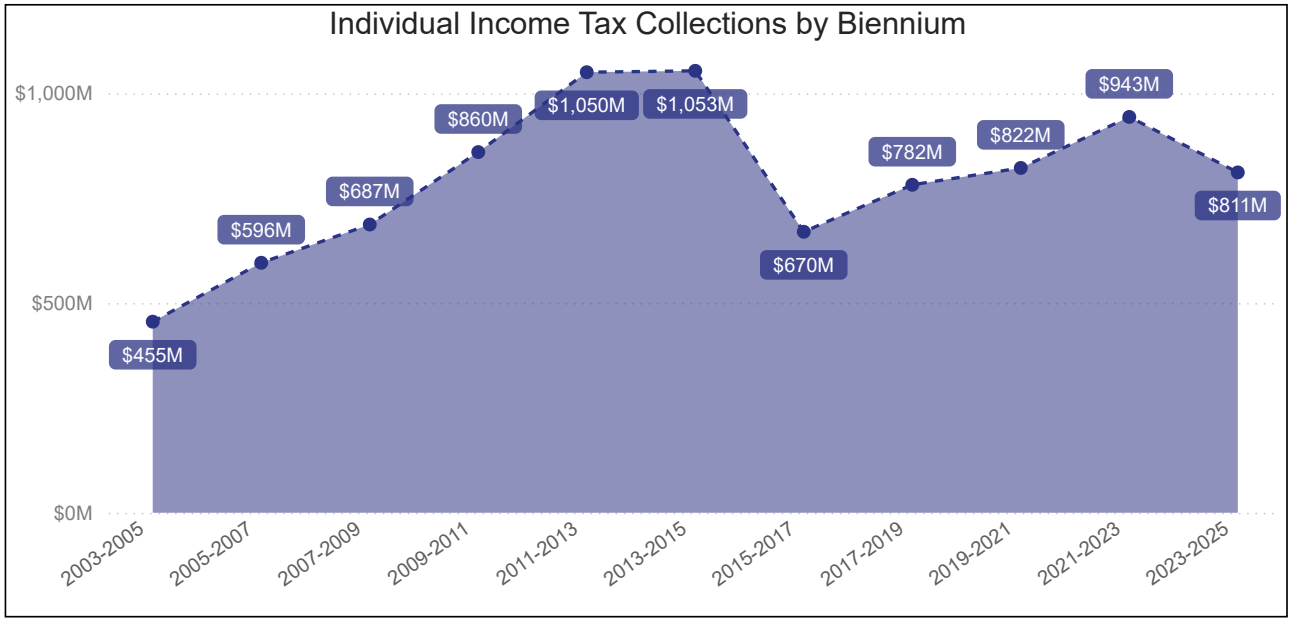
Please Note: Although individual income tax is filed by calendar year, for the purpose of this report, collections are reported by fiscal year.

| 2023-2025 Biennium | 2021-2023 Biennium | Biennium Difference |
|---|---|---|
| **$811.2M** | **$943.4M** | **-14.0%** |
| Collections | Collections | Percentage Change |




**Individual Income Tax**

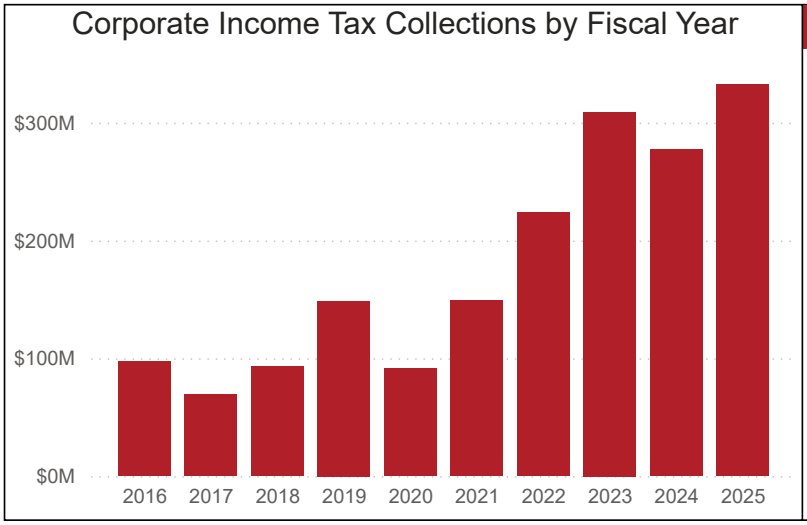
| Fiscal Year | Collections |
|---|---|
| 2025 | $454,307,586 |
| 2024 | $356,913,752 |
| 2023 | $484,841,723 |
| 2022 | $458,606,976 |
| 2021 | $467,619,975 |
| 2020 | $354,297,561 |
| 2019 | $415,389,437 |
| 2018 | $366,321,257 |
| 2017 | $314,192,157 |
| 2016 | $355,512,173 |



# CORPORATE INCOME TAX

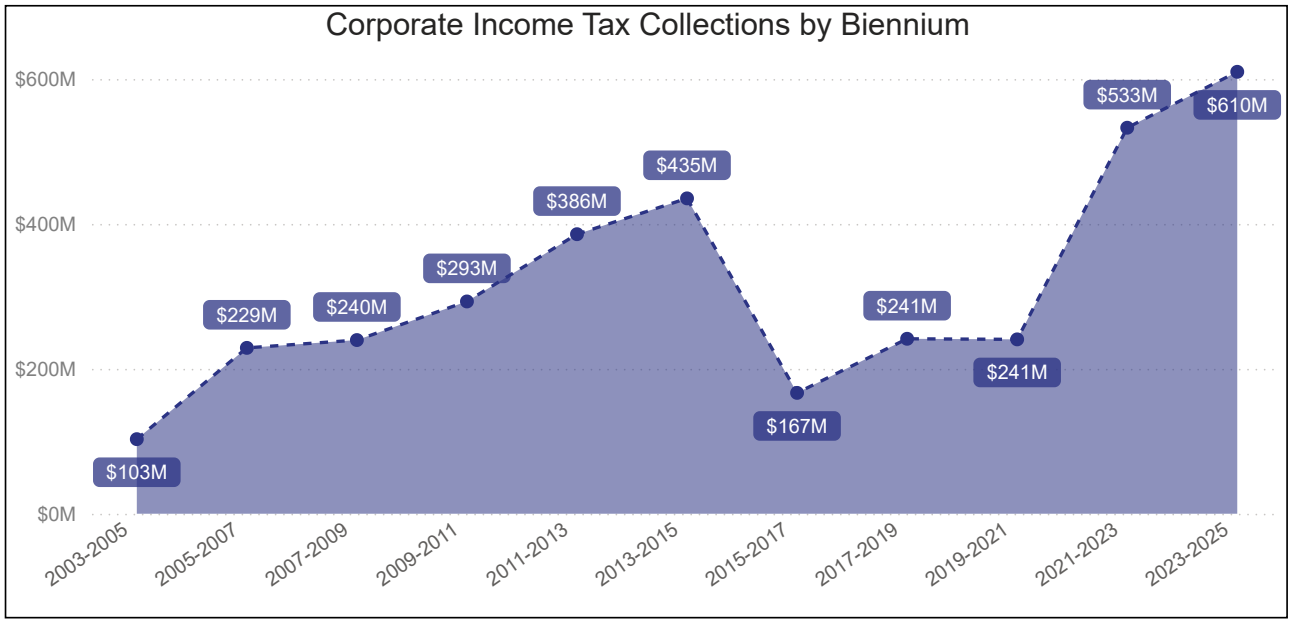
For the tax years beginning with 2015, tax rates range from 1.41% to 4.31%. Corporate income tax revenues are deposited in the State General Fund.

| 2023-2025 Biennium | 2021-2023 Biennium | Biennium Difference |
|---|---|---|
| **$609.9M** | **$532.7M** | **14.5%** |
| Collections | Collections | Percentage Change |




**Corporate Income Tax**

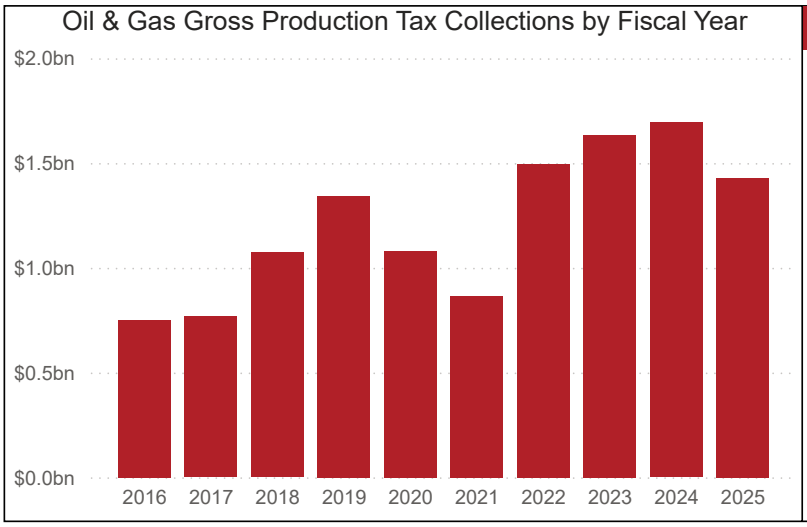
| Fiscal Year | Collections |
|---|---|
| 2025 | $332,524,651 |
| 2024 | $277,392,914 |
| 2023 | $308,960,938 |
| 2022 | $223,786,315 |
| 2021 | $148,989,722 |
| 2020 | $91,654,676 |
| 2019 | $148,581,690 |
| 2018 | $92,872,214 |
| 2017 | $69,225,592 |
| 2016 | $97,580,800 |



# OIL AND GAS GROSS PRODUCTION TAX

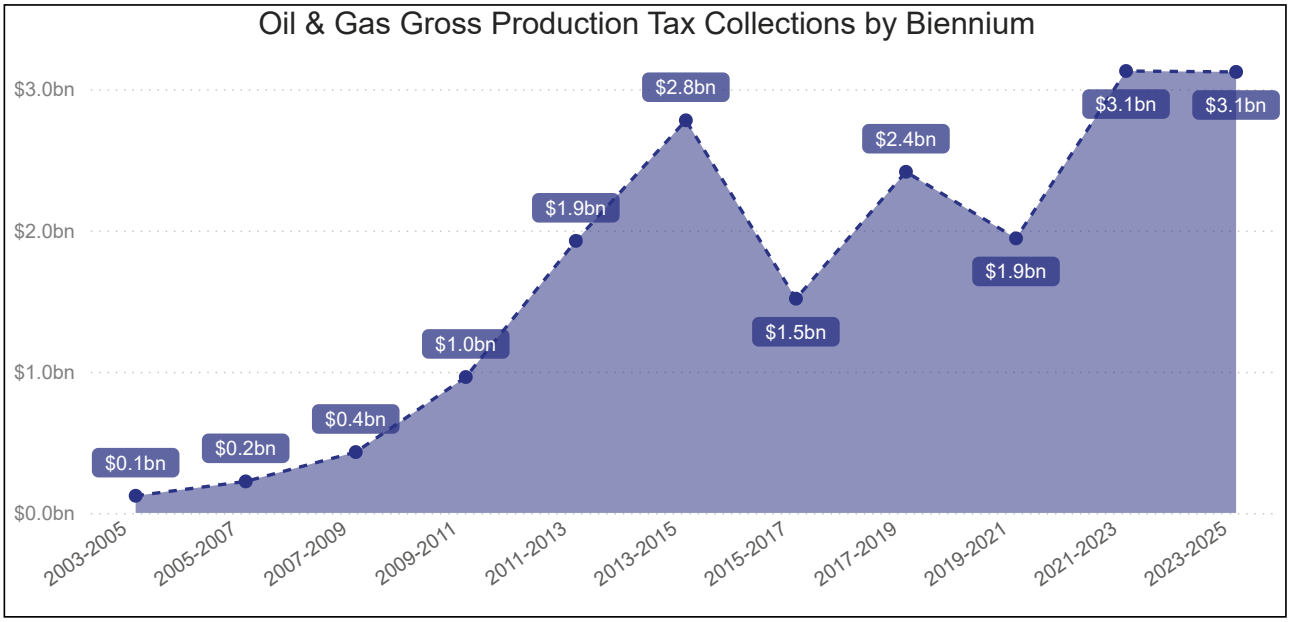
The gross value of oil production at the well, less any part which is specifically exempt, is taxed at a rate of 5% in lieu of property taxes on the oil and gas producing properties. Gas production is taxed on a volume basis at a rate determined by the movement of a fuels cost index. These tax revenues are deposited into a variety of funds, including the Outdoor Heritage Fund, Abandoned Oil and Gas Well Plugging and Site Reclamation Fund, Legacy Fund, and the State General Fund. Additional revenue is allocated to the oil producing counties.

| 2023-2025 Biennium | 2021-2023 Biennium | Biennium Difference |
|---|---|---|
| **$3.1bn** Collections | **$3.1bn** Collections | **-0.2%** Percentage Change |




**Oil & Gas Gross Production Tax**

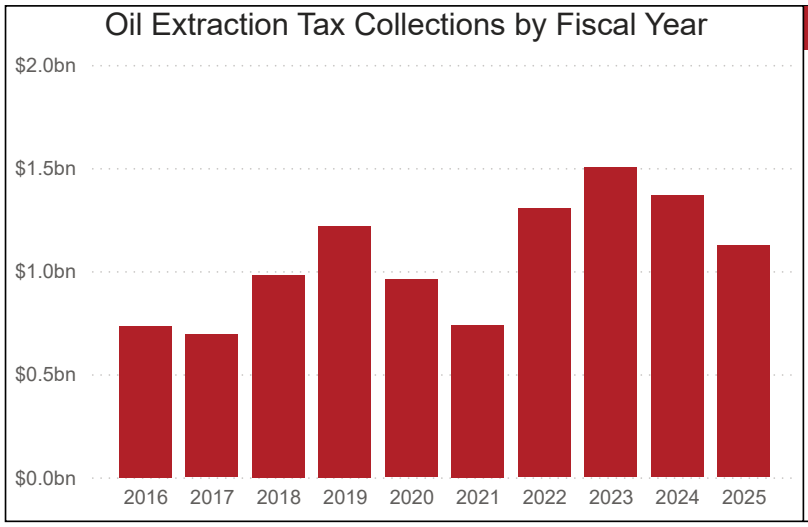
| Fiscal Year | Collections |
|---|---|
| 2025 | $1,427,928,399 |
| 2024 | $1,694,376,429 |
| 2023 | $1,634,144,485 |
| 2022 | $1,494,531,005 |
| 2021 | $864,056,938 |
| 2020 | $1,079,900,629 |
| 2019 | $1,342,037,843 |
| 2018 | $1,073,026,703 |
| 2017 | $766,430,836 |
| 2016 | $750,474,504 |



# OIL EXTRACTION TAX

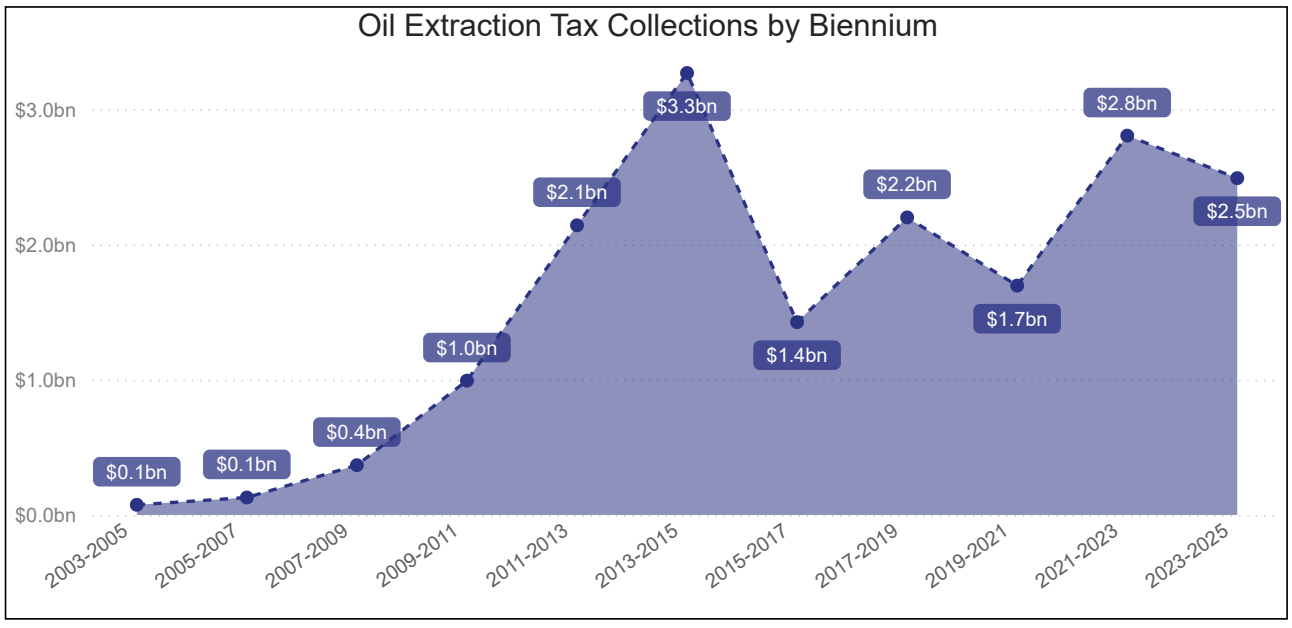
The oil extraction tax is a tax on the gross value of oil production at the well, less any part which is specifically exempt. The oil extraction tax trigger was in effect for the July through November months of Fiscal Year 2025 which caused an estimated revenue increase of over $135 million. Revenues from the oil extraction tax are deposited into several funds, including the Legacy Fund, Common Schools Trust Fund, Foundation Aid Stabilization Fund, Southwest Water Pipeline Sinking Fund, Resources Trust Fund, and the State General Fund.

| 2023-2025 Biennium | 2021-2023 Biennium | Biennium Difference |
|---|---|---|
| **$2.5bn** | **$2.8bn** | **-11.2%** |
| Collections | Collections | Percentage Change |




**Oil Extraction Tax**

| Fiscal Year | Collections |
|---|---|
| 2025 | $1,123,908,455 |
| 2024 | $1,367,523,349 |
| 2023 | $1,502,726,167 |
| 2022 | $1,303,104,198 |
| 2021 | $737,815,364 |
| 2020 | $958,579,683 |
| 2019 | $1,219,436,220 |
| 2018 | $981,364,851 |
| 2017 | $693,306,400 |
| 2016 | $732,866,348 |



# OTHER TAXES

This section features North Dakota's diverse tax categories, including coal conversion and severance taxes, motor fuel taxes, and other key sources such as alcohol, cigarette and tobacco products, and electric generation tax.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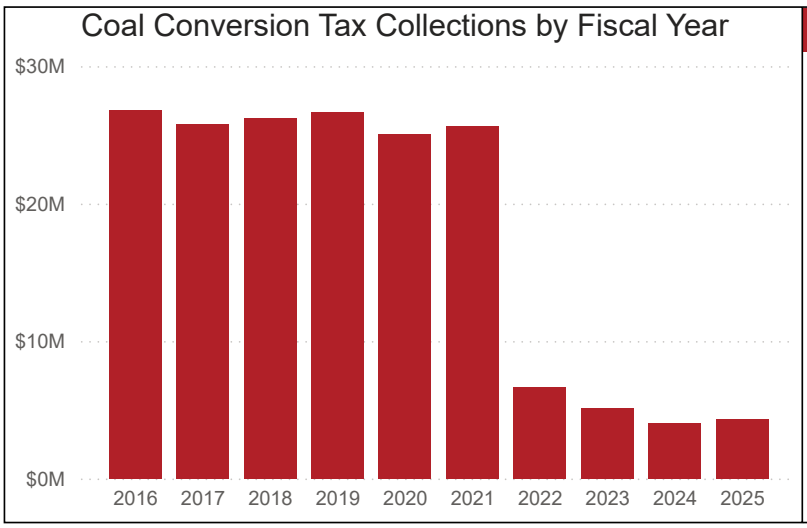
# COAL CONVERSION TAX

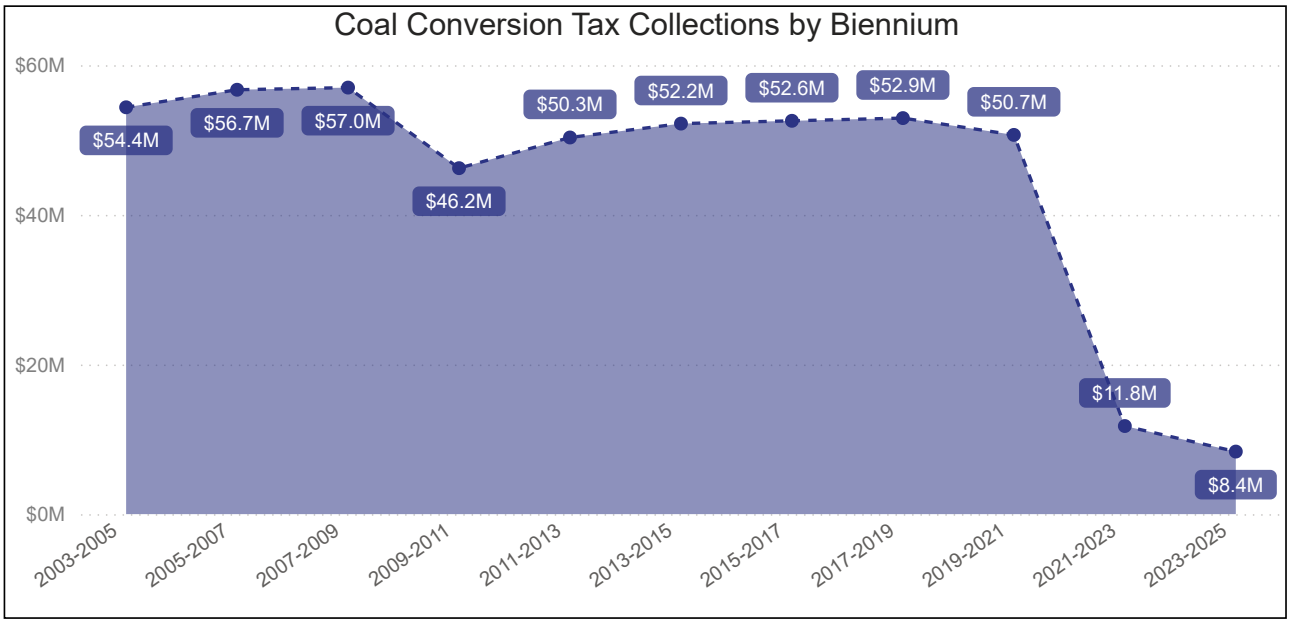
Facilities that process or convert coal are subject to the coal conversion facilities tax unless exempt by statute. Electrical generating plants that have a single generating unit with the capacity of 10,000 kilowatts or more are subject to the coal conversion facilities tax. The 2021 Legislature exempted electrical generating plants and coal conversion facilities from the 85% State General Fund tax beginning July 1, 2021, and ending June 30, 2026. Instead, the companies will pay a lignite research tax on 5% of the 85% State Legacy Fund tax. The 2025 Legislature implemented a graduated exemption of 85% of the State's share of tax from July 1, 2026, until June 30, 2031.

| 2023-2025 Biennium | 2021-2023 Biennium | Biennium Difference |
|---|---|---|
| **$8.4M** | **$11.8M** | **-29.0%** |
| Collections | Collections | Percentage Change |




**Coal Conversion Tax**

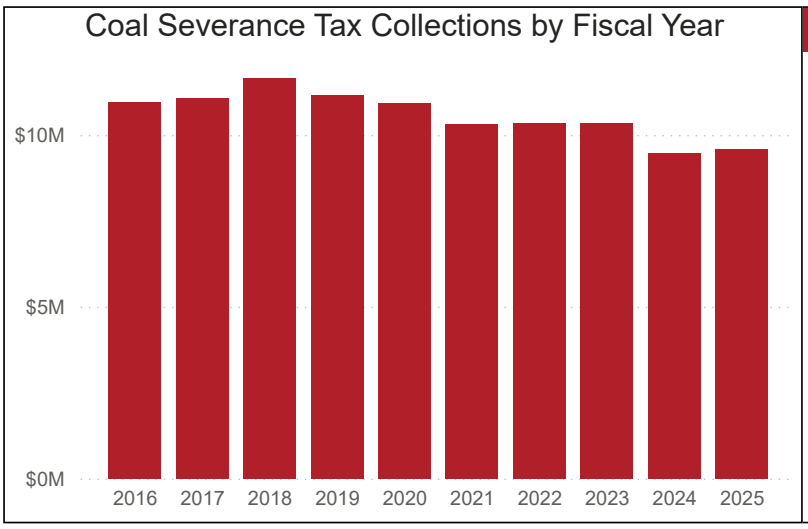
| Fiscal Year | Collections |
|---|---|
| 2025 | $4,335,058 |
| 2024 | $4,025,691 |
| 2023 | $5,102,099 |
| 2022 | $6,671,229 |
| 2021 | $25,641,128 |
| 2020 | $25,040,729 |
| 2019 | $26,690,136 |
| 2018 | $26,237,709 |
| 2017 | $25,779,352 |
| 2016 | $26,785,652 |



# COAL SEVERANCE TAX

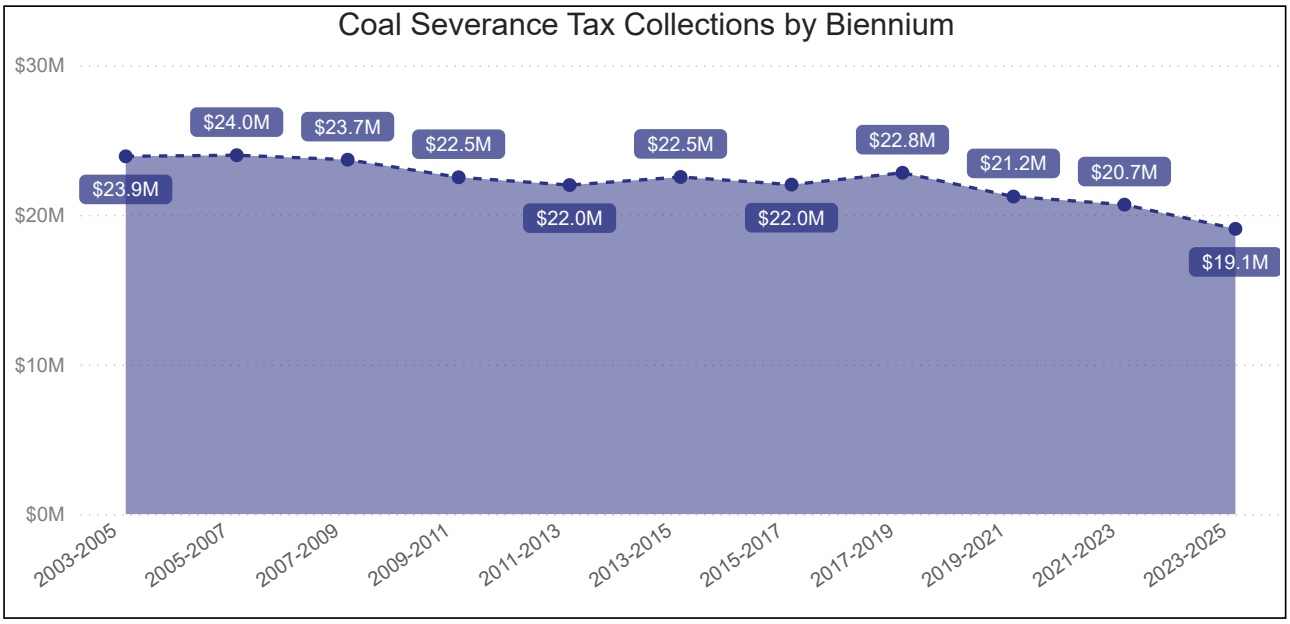
The coal severance tax is applied to coal severed from the ground on a $0.375 per ton basis. The 2021 Legislature approved HB 1412 which provides the county to grant an optional, partial, or complete exemption from up to 70% of the tax imposed. Any tax revenue exceeding 30% of the tax imposed under this subsection must be allocated to the county. In the 2025 Legislative Session, HB 1279 allowed for the 70% county exemption to be continued through June 30, 2031 unless the Tax Commissioner certifies to the Legislative Council that the production tax credit for electricity from renewables under section 45 of the Internal Revenue Code [26 U.S.C. 45] and the clean electricity production tax credit under section 45Y of the Internal Revenue Code [26 U.S.C. 45Y] have been repealed, if the certification is received before June 30, 2031.

| 2023-2025 Biennium | 2021-2023 Biennium | Biennium Difference |
|---|---|---|
| **$19.1M** | **$20.7M** | **-7.8%** |
| Collections | Collections | Percentage Change |




**Coal Severance Tax**

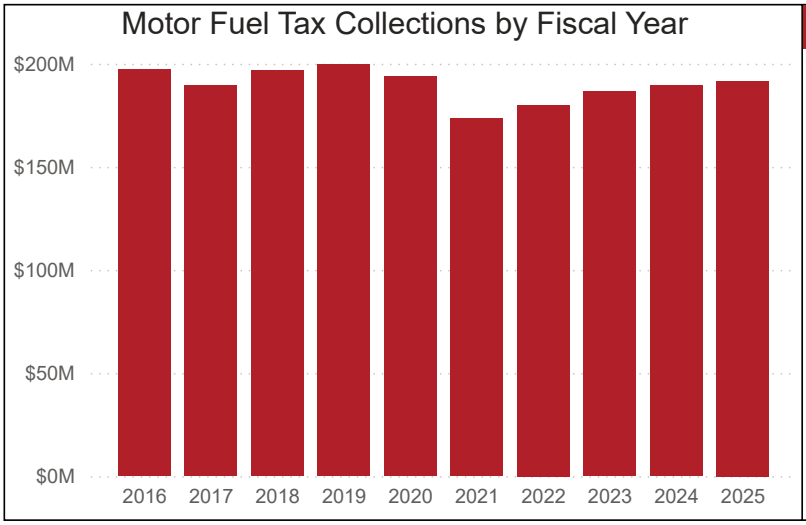
| Fiscal Year | Collections |
|---|---|
| 2025 | $9,598,197 |
| 2024 | $9,465,362 |
| 2023 | $10,337,509 |
| 2022 | $10,343,540 |
| 2021 | $10,307,101 |
| 2020 | $10,914,914 |
| 2019 | $11,155,296 |
| 2018 | $11,654,559 |
| 2017 | $11,070,361 |
| 2016 | $10,948,613 |



# MOTOR FUEL TAX

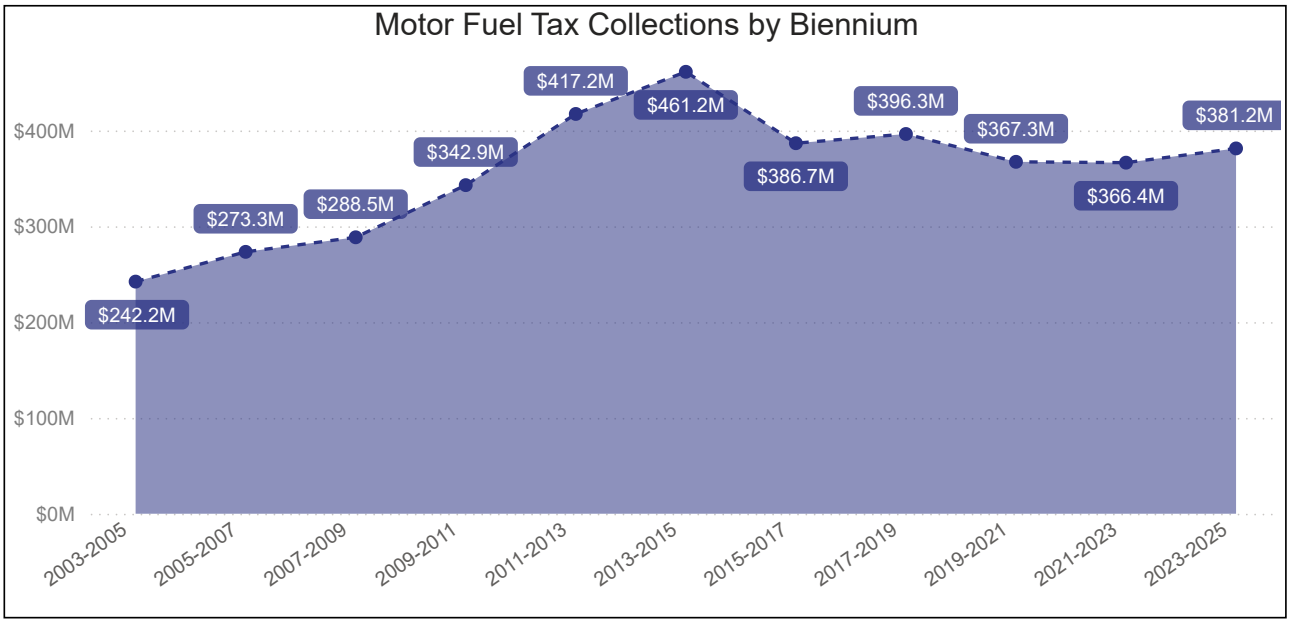
The motor fuel taxes are made up of collections from aviation fuel, motor vehicle fuel and special fuel. Aviation fuel tax is a per gallon tax levied on all aviation fuel at $0.08 per gallon. Motor vehicle fuel tax is a per gallon tax levied on all motor vehicle fuel (gasoline and gasohol) at $0.23 per gallon. Special fuel taxes tax diesel fuels at $0.23 per gallon, dyed fuel and kerosene at $0.04 per gallon, and a tax of 2% is levied on propane.

| 2023-2025 Biennium | 2021-2023 Biennium | Biennium Difference |
|---|---|---|
| **$381.2M** | **$366.4M** | **4.1%** |
| Collections | Collections | Percentage Change |




**Motor Fuel Tax**

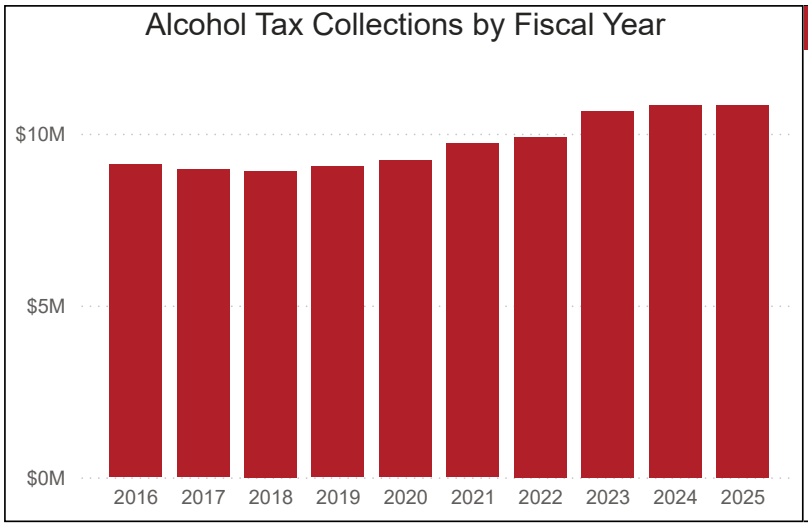
| Fiscal Year | Collections |
|---|---|
| 2025 | $191,627,736 |
| 2024 | $189,614,124 |
| 2023 | $186,438,950 |
| 2022 | $179,941,029 |
| 2021 | $173,285,625 |
| 2020 | $193,966,910 |
| 2019 | $199,550,769 |
| 2018 | $196,756,642 |
| 2017 | $189,517,844 |
| 2016 | $197,177,741 |



# ALCOHOL TAX

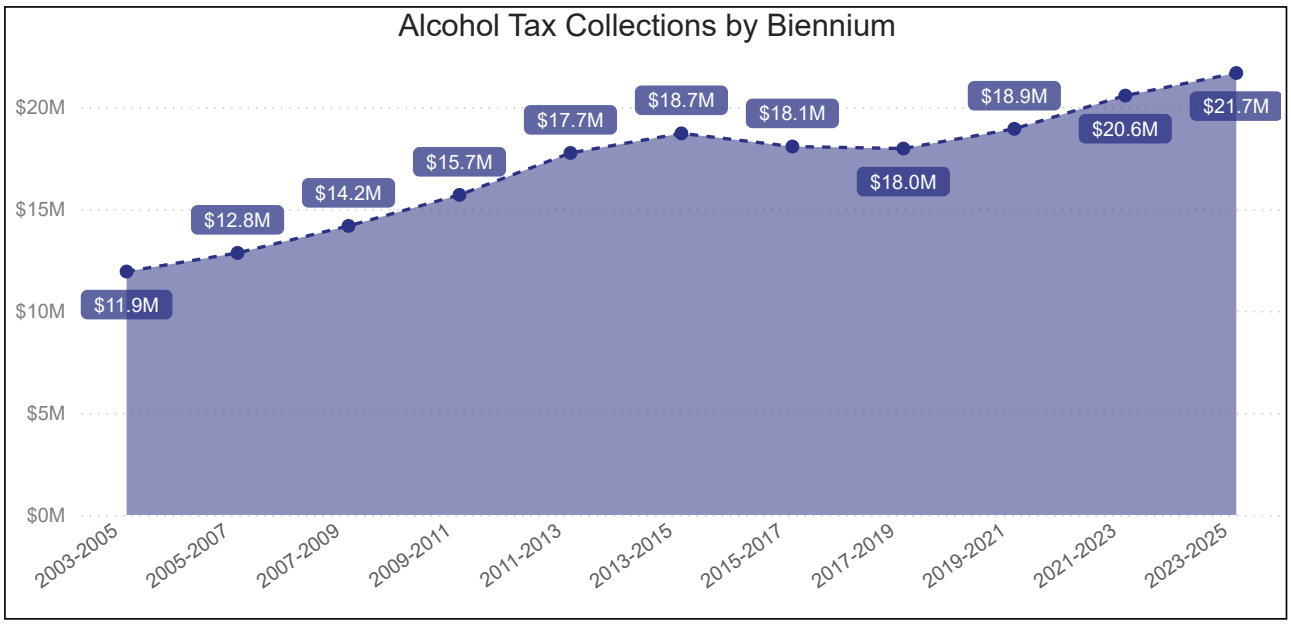
The alcohol tax, made up of tax collections on beer and liquor, is a privilege tax imposed on all alcoholic beverage wholesalers doing business in North Dakota. In addition, direct shippers, microbrew pubs, brewer taprooms, domestic wineries, and domestic distilleries pay the taxes on alcoholic beverages made by those facilities and sold directly to consumers. These tax revenues are deposited into the State General Fund.

| 2023-2025 Biennium | 2021-2023 Biennium | Biennium Difference |
|---|---|---|
| **$21.7M** | **$20.6M** | **5.4%** |
| Collections | Collections | Percentage Change |




**Alcohol Tax**

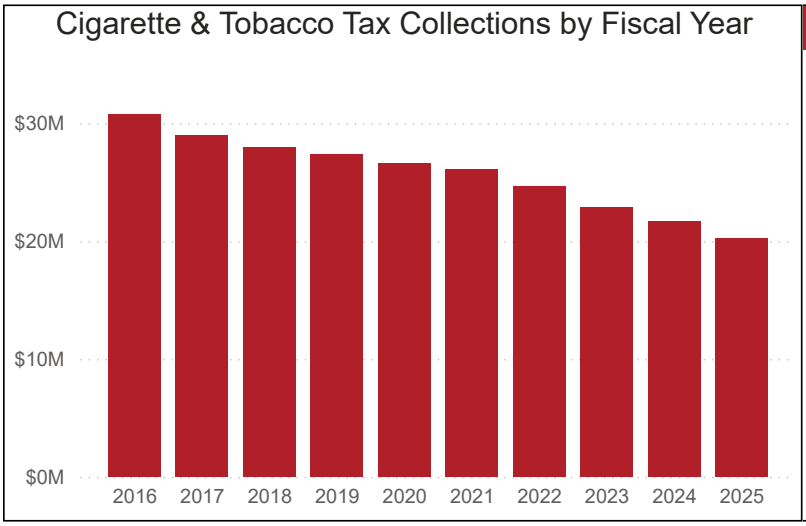
| Fiscal Year | Collections |
|---|---|
| 2025 | $10,832,534 |
| 2024 | $10,831,484 |
| 2023 | $10,653,454 |
| 2022 | $9,903,036 |
| 2021 | $9,713,763 |
| 2020 | $9,214,659 |
| 2019 | $9,049,233 |
| 2018 | $8,912,231 |
| 2017 | $8,954,200 |
| 2016 | $9,106,683 |



# CIGARETTE & TOBACCO PRODUCTS TAX

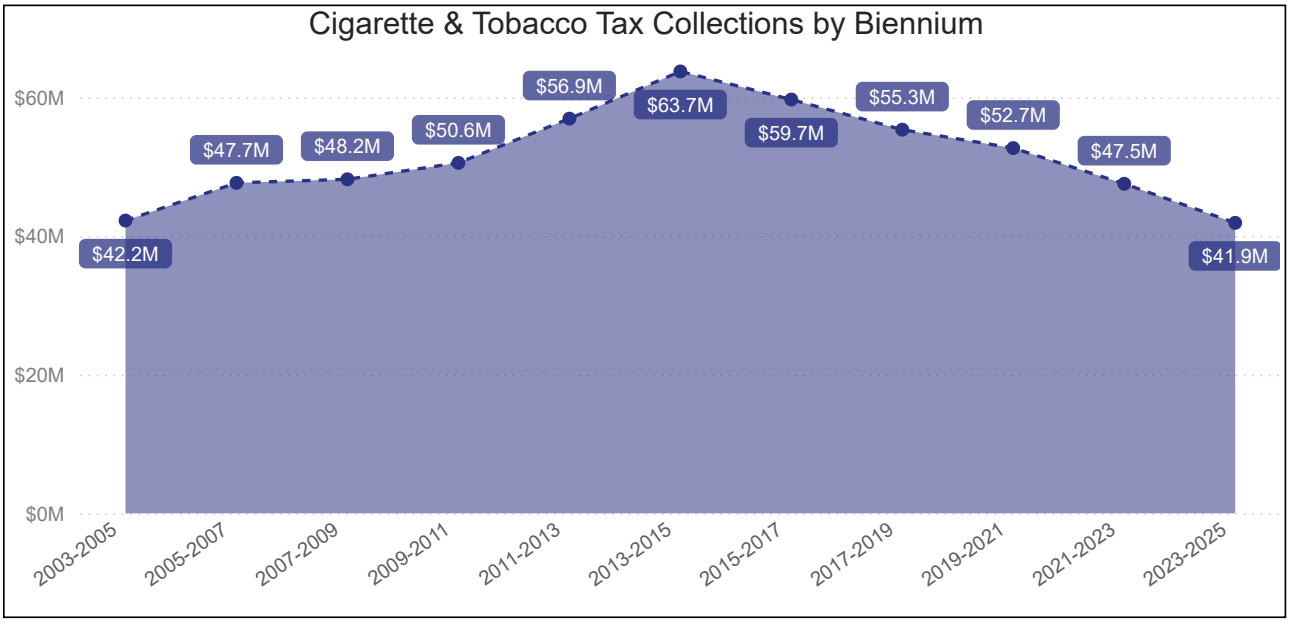
The cigarette tax rate is $0.44 per package of 20 cigarettes. Generally, the tobacco products tax is 28% of the wholesale purchase price. Some tobacco products are taxed based on weight. Cigarette & tobacco products tax revenues are deposited into the State General Fund and allocated to cities and tribes in North Dakota.

| 2023-2025 Biennium | 2021-2023 Biennium | Biennium Difference |
|---|---|---|
| **$41.9M** | **$47.5M** | **-11.8%** |
| Collections | Collections | Percentage Change |




**Cigarette & Tobacco Tax**

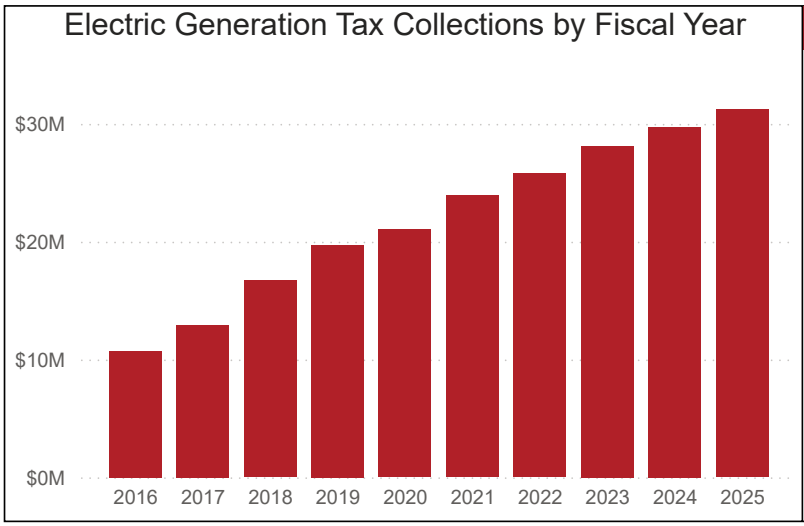
| Fiscal Year | Collections |
|---|---|
| 2025 | $20,201,117 |
| 2024 | $21,701,776 |
| 2023 | $22,887,675 |
| 2022 | $24,648,149 |
| 2021 | $26,077,562 |
| 2020 | $26,607,049 |
| 2019 | $27,359,995 |
| 2018 | $27,976,158 |
| 2017 | $28,952,046 |
| 2016 | $30,732,247 |



# ELECTRIC GENERATION TAX

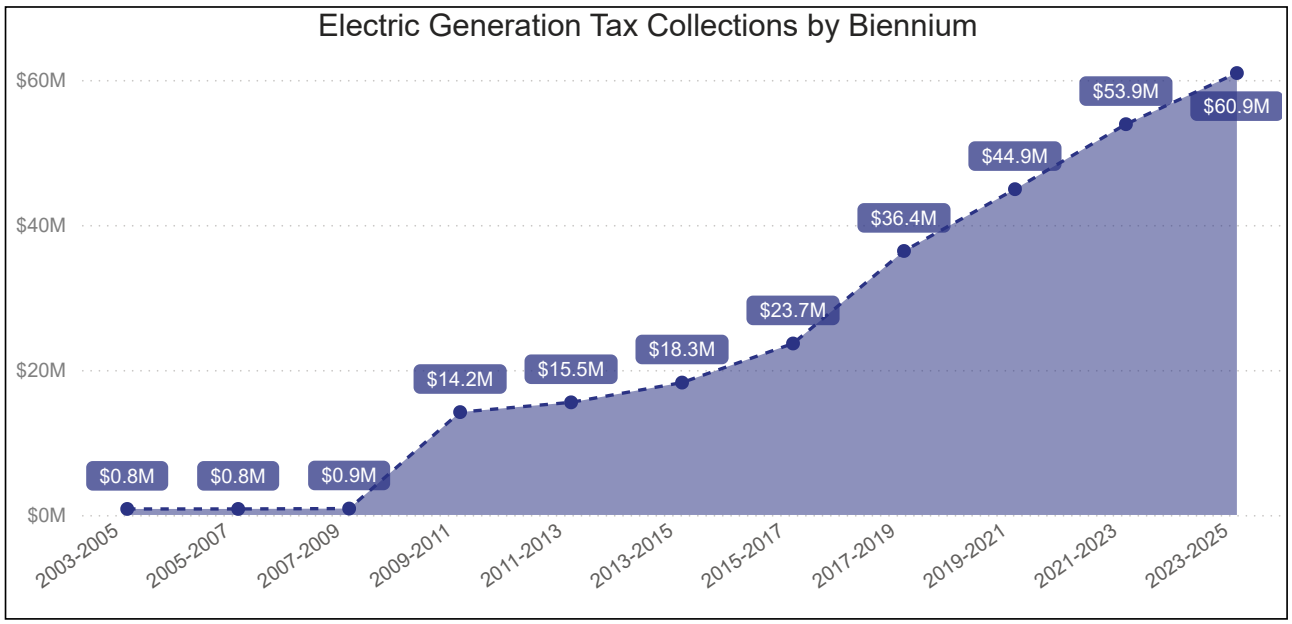
All transmission lines of 100 kilowatts or more, on which construction is completed after December 31, 2014, or which is 20 years or more from the date of first assessment, are subject to taxes in lieu of property taxes. Electric generation tax revenues are deposited into the Electric Generation and Transmission Fund.

| 2023-2025 Biennium | 2021-2023 Biennium | Biennium Difference |
|---|---|---|
| **$60.9M** | **$53.9M** | **13.1%** |
| Collections | Collections | Percentage Change |




**Electric Generation Tax**

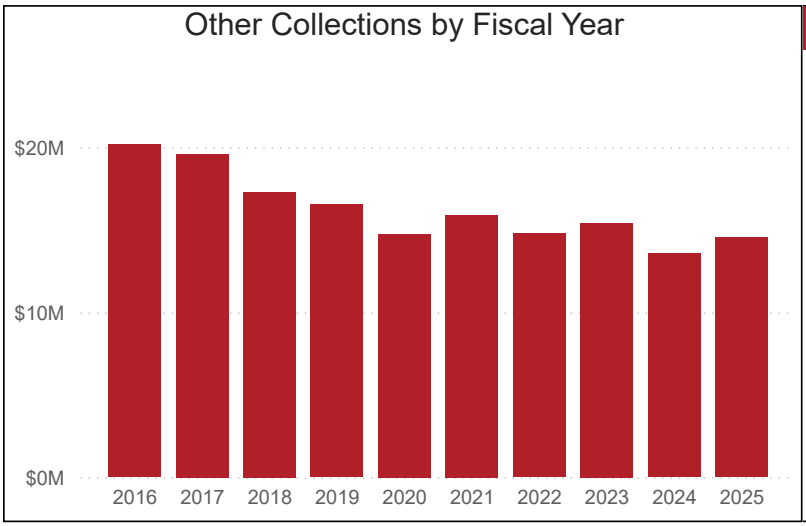
| Fiscal Year | Collections |
|---|---|
| 2025 | $31,222,902 |
| 2024 | $29,725,136 |
| 2023 | $28,106,912 |
| 2022 | $25,789,719 |
| 2021 | $23,914,437 |
| 2020 | $21,018,518 |
| 2019 | $19,706,197 |
| 2018 | $16,703,423 |
| 2017 | $12,925,602 |
| 2016 | $10,724,632 |



# OTHER TAXES

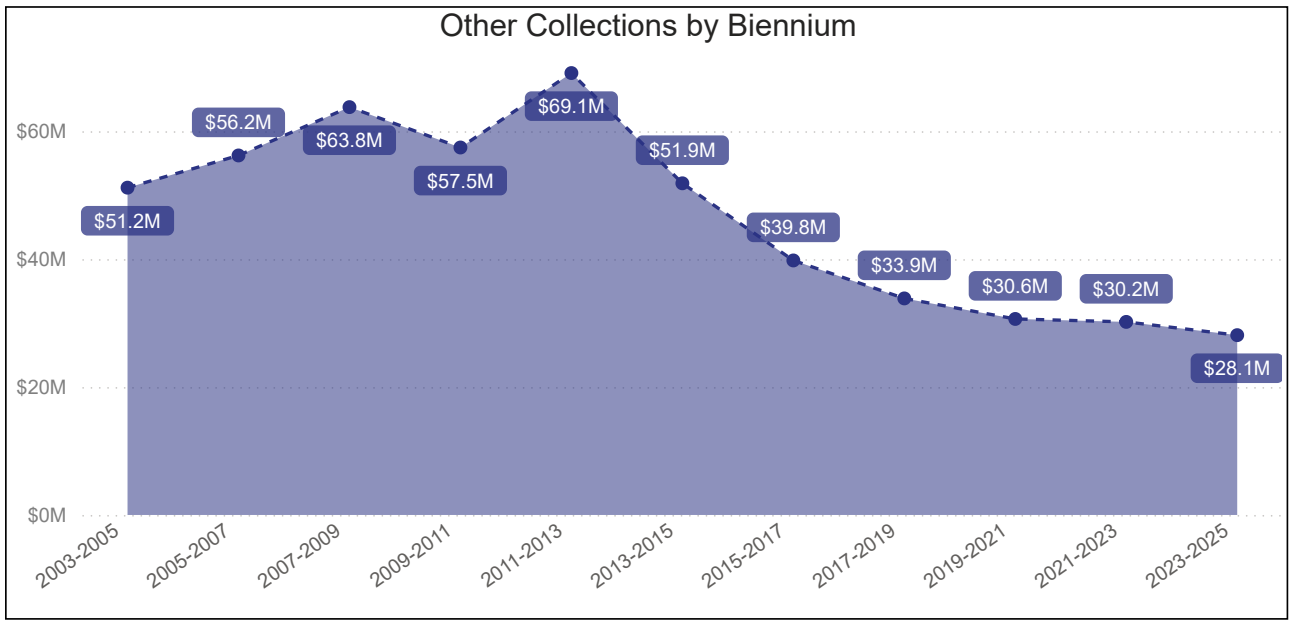
This page includes the collections from the aircraft excise tax, airline tax, financial institutions tax, fuel dealers and inspection fees, miscellaneous remittances, music and composition tax, prepaid wireless 911 fee, provider assessment tax, and telecommunications tax types.

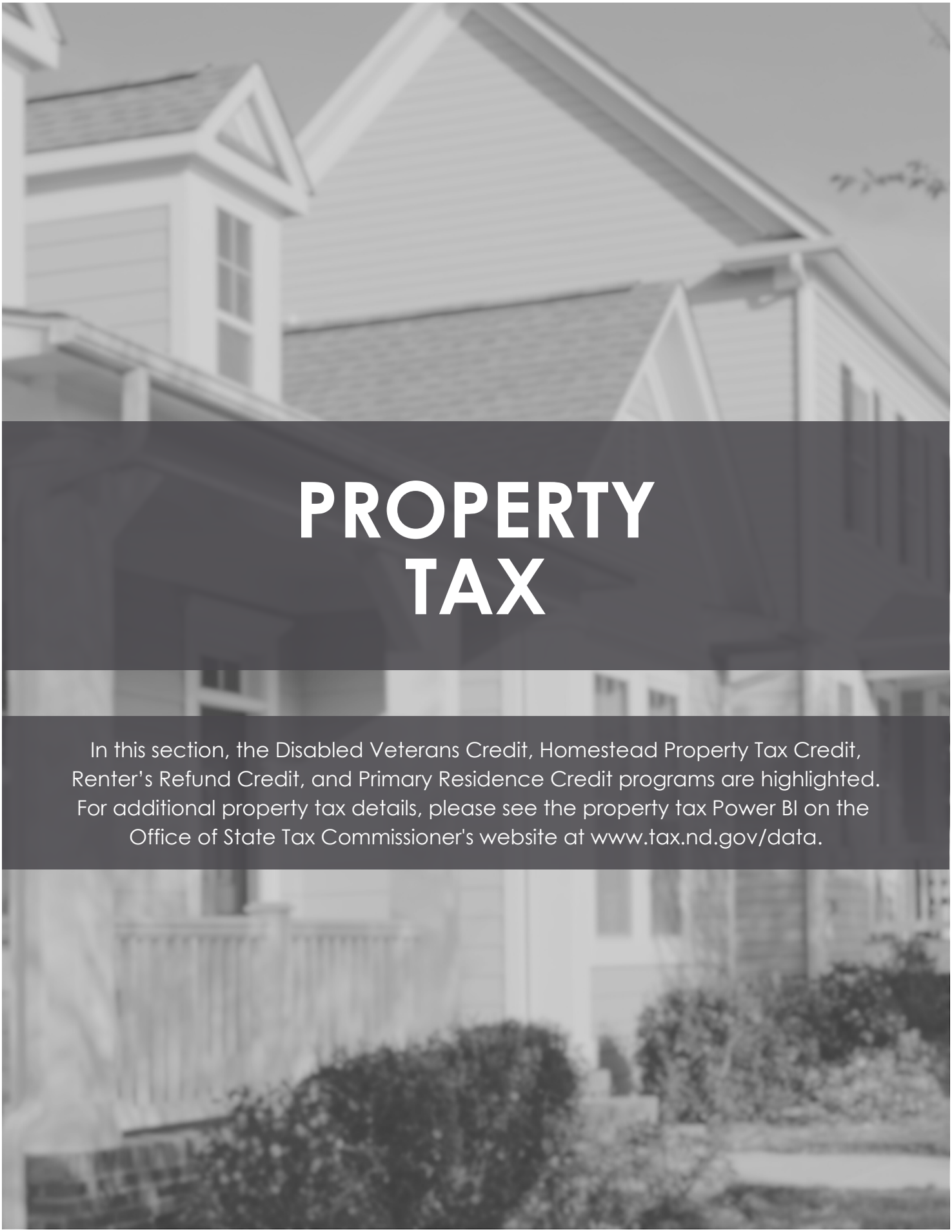
| 2023-2025 Biennium | 2021-2023 Biennium | Biennium Difference |
|---|---|---|
| **$28.1M** | **$30.2M** | **-6.9%** |
| Collections | Collections | Percentage Change |




**Other**

| Fiscal Year | Collections |
|---|---|
| 2025 | $14,548,153 |
| 2024 | $13,565,036 |
| 2023 | $15,401,307 |
| 2022 | $14,783,581 |
| 2021 | $15,893,664 |
| 2020 | $14,752,296 |
| 2019 | $16,545,309 |
| 2018 | $17,311,724 |
| 2017 | $19,605,005 |
| 2016 | $20,186,888 |





# PROPERTY TAX

In this section, the Disabled Veterans Credit, Homestead Property Tax Credit, Renter's Refund Credit, and Primary Residence Credit programs are highlighted. For additional property tax details, please see the property tax Power BI on the Office of State Tax Commissioner's website at www.tax.nd.gov/data.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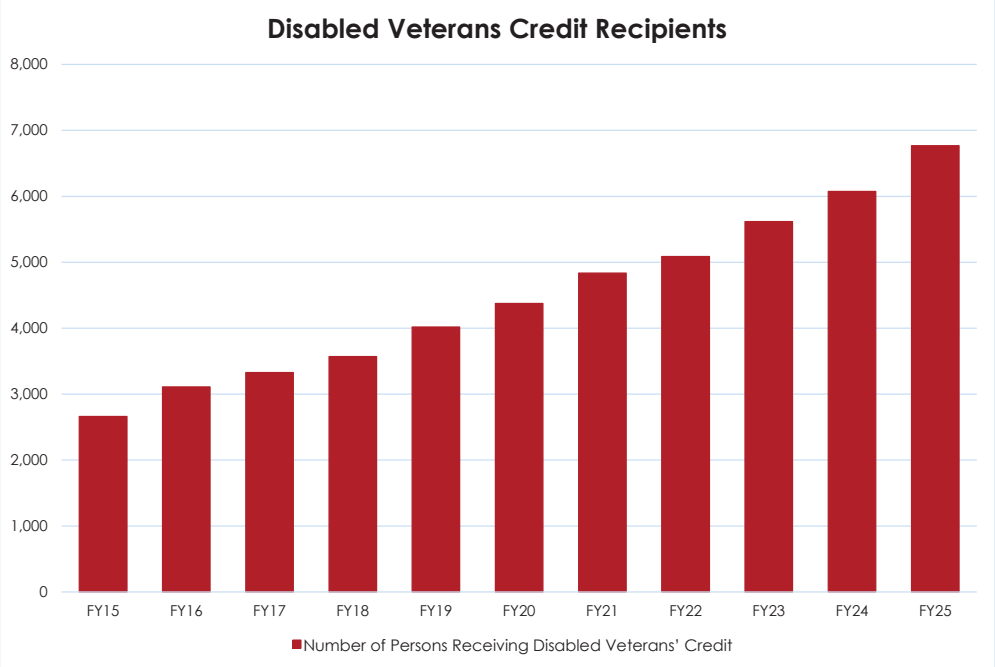
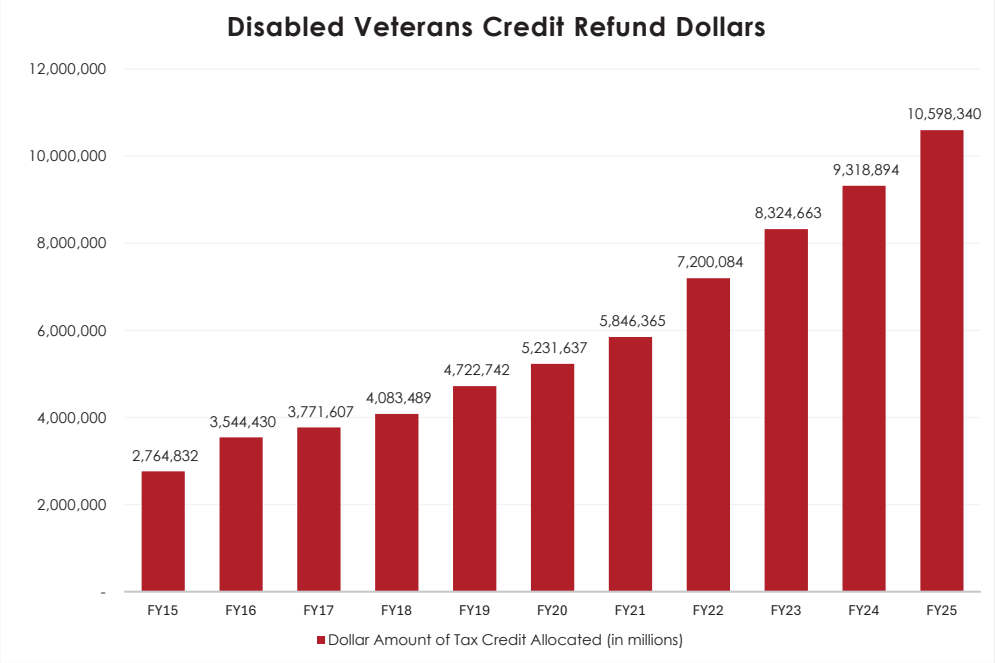
# DISABLED VETERANS CREDIT

The Disabled Veterans Credit is a property tax credit for U.S. Armed Forces veterans with a service-connected disability. It reduces the taxable value of a qualifying residence and the taxes owed. Eligible veterans must file an application with their local assessor or county director of tax equalization by March 31 of the assessment year. The charts below show, in thousands, the number of North Dakotans receiving the credit and the total refund dollars (in millions) distributed from fiscal years 2015 to 2025.



# HOMESTEAD PROPERTY TAX CREDIT & RENTER'S REFUND

The Homestead Property Tax Credit and Renter's Refund are available to eligible North Dakotans. Individuals may qualify for the property tax credit or partial refund of the rent they pay, if one of the following requirements is met:

- 65 years of age or older, OR
- An individual with a permanent and total disability
- Proof of total disability must be established by a certificate from a licensed physician or a written determination of disability from the Social Security Administration or federal or state agency authorized to certify an individual's disability.
- There is no age requirement for those with a permanent and total disability.
- For a married couple who are living together, only one may apply for the Homestead Property Tax Credit or Renter's Refund. Only the spouse applying for the credit needs to be 65 years of age or older, or permanently and totally disabled.
- Have a household income of $70,000 or less

**Homestead Credit Amount**

The credit for eligible homeowners is a reduction in the taxable value of the homestead as determined by the following schedule for taxes levied in 2023 and 2024 (Payable in 2024 and 2025):

| Income of | Reduction Percent | Maximum Amount |
|---|---|---|
| $0 - $40,000 | 100% | $9,000 |
| $40,001 - $70,000 | 50% | $4,500 |

**Renter's Refund Amount**

The refund for eligible renters is determined through a percentage comparison of annual rent payments and total household income. If 20% of your annual rent exceeds your annual income, you will receive a refund for the over payment.

For example, a renter pays $800 per month in rent ($9,600 per year) and the renter's income is $35,000.

- 20% of $9,600 (rent) is $1,920
- 4% of $35,000 (income) is $1,400
- $1,920 - $1,400 = $520 Renter's Refund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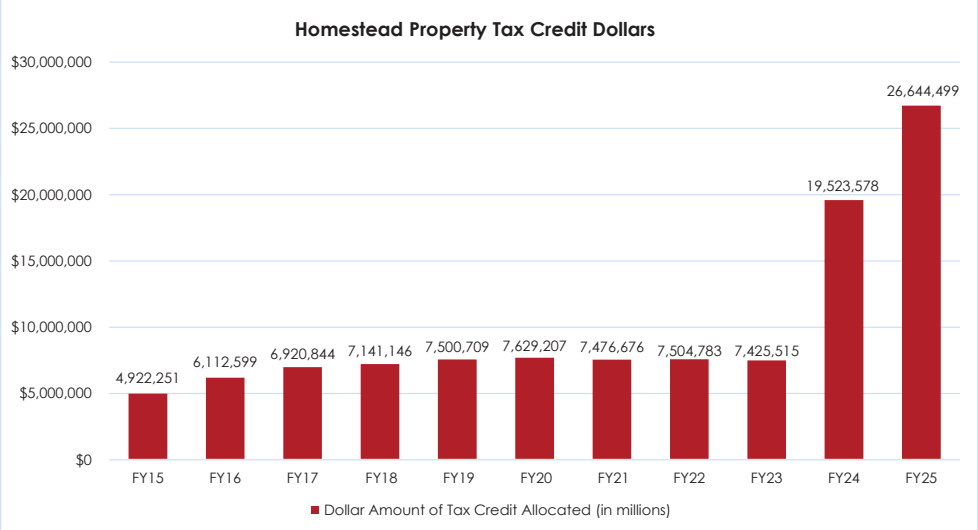
# HOMESTEAD PROPERTY TAX CREDIT & RENTER'S REFUND

The charts and data tables showcased below showcase the total amount of recipients and funding allocated to these programs from fiscal years 2015 - 2025.

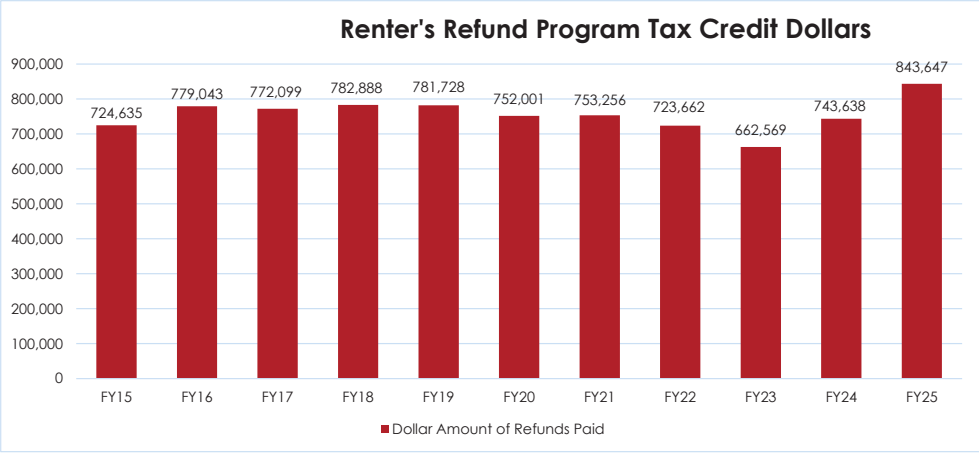
## Homestead Property Tax Credit

| # of Individuals Receiving the Homestead Credit | |
|---|---|
| Fiscal Year | Recipients |
| 2015 | 6,740 |
| 2016 | 8,659 |
| 2017 | 8,621 |
| 2018 | 9,705 |
| 2019 | 9,399 |
| 2020 | 9,320 |
| 2021 | 9,173 |
| 2022 | 8,892 |
| 2023 | 8,687 |
| 2024 | 14,627 |
| 2025 | 19,490 |




## Renter's Refund Tax Credit

| # of Individuals Receiving the Renter's Refund Credit | |
|---|---|
| Fiscal Year | Recipients |
| 2015 | 2,680 |
| 2016 | 2,814 |
| 2017 | 2,749 |
| 2018 | 2,790 |
| 2019 | 2,844 |
| 2020 | 2,651 |
| 2021 | 2,579 |
| 2022 | 2,453 |
| 2023 | 2,285 |
| 2024 | 2,544 |
| 2025 | 2,697 |



# PRIMARY RESIDENCE CREDIT

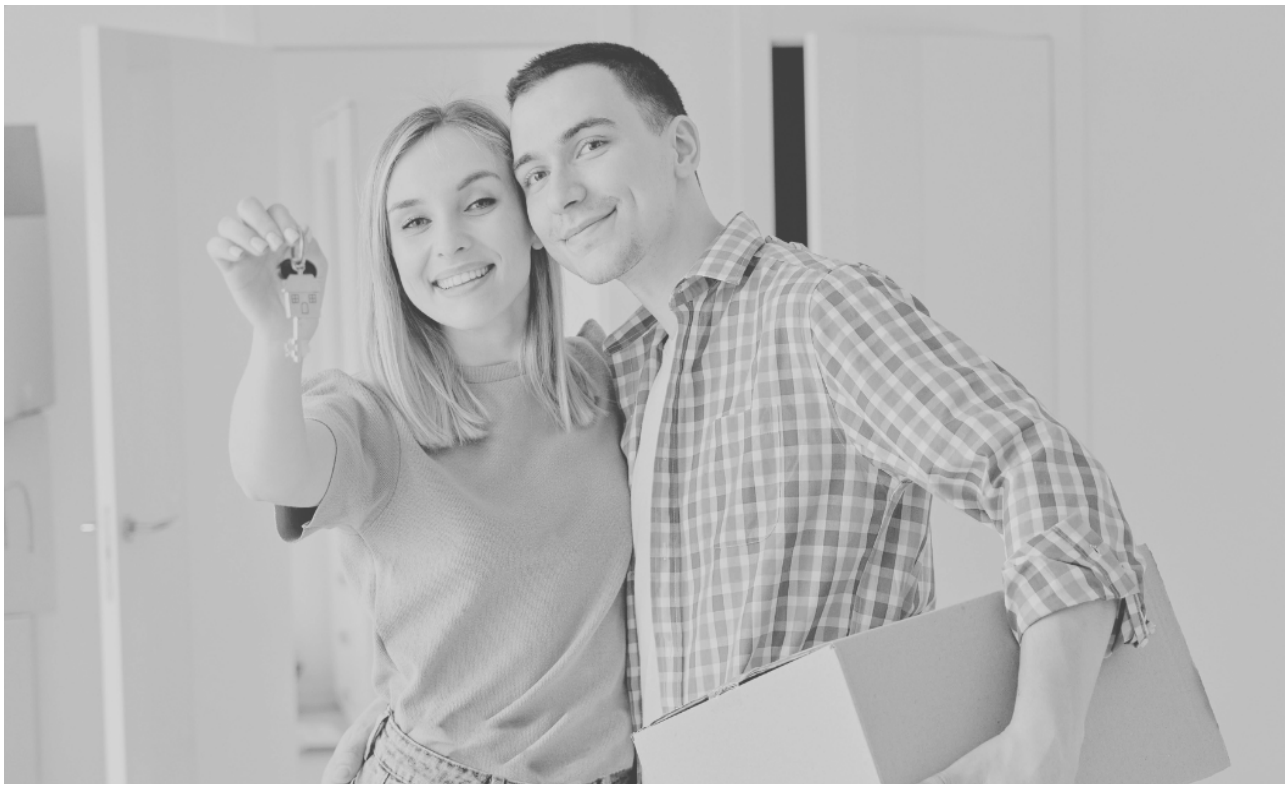
Among the most significant outcomes for taxpayers during the 2025 Legislative Session was the passage of House Bill 1176, a landmark property tax relief measure. This legislation increases the Primary Residence Credit (PRC) from $500 to $1,600 annually, delivering substantial tax savings to North Dakota homeowners.

The revised PRC program will be funded through a dedicated stream of earnings from the state's $12 billion dollar Legacy Earnings Fund. Over the 2025-2027 biennium, it is projected to provide $403 million in property tax relief, with the potential for continued growth as the Legacy Fund expands in future years.

HB 1176 builds upon the PRC program first established in the 2023 Legislative Session under HB 1158, ensuring property tax relief remains both sustainable and accessible. Eligible applicants receive an annual property tax credit applied directly against taxes due on their primary residence.

Key updates to the PRC program this session included:

- Expanding the maximum credit from $500 to $1,600 per primary residence
- Introducing a one-time special application period for mobile homeowners
- Funding the program with the Legacy Earnings Fund
- Creating a new primary residential property tax class for tax years after 2025




5587/8585

# EXPENDITURES

This section provides the Office of State Tax Commissioner's statement of expenditures for the 2023–2025 biennium. For additional fiscal details or questions, please contact a representative from our Fiscal team.

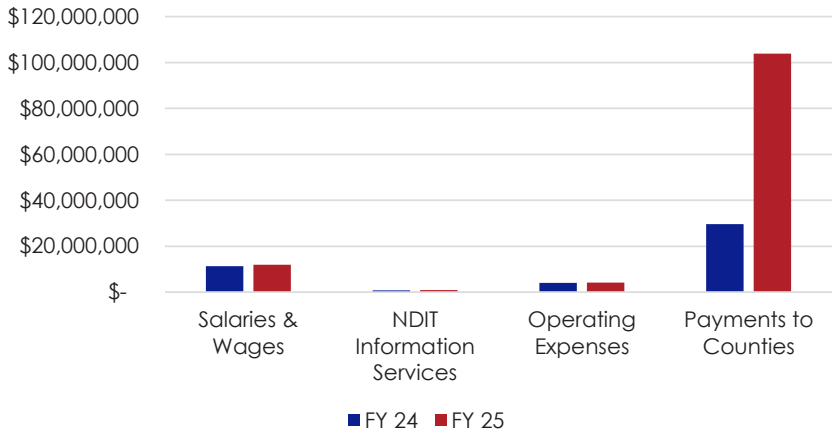

5588/8585

# STATEMENT OF EXPENDITURES 2023-2025 BIENNIUM

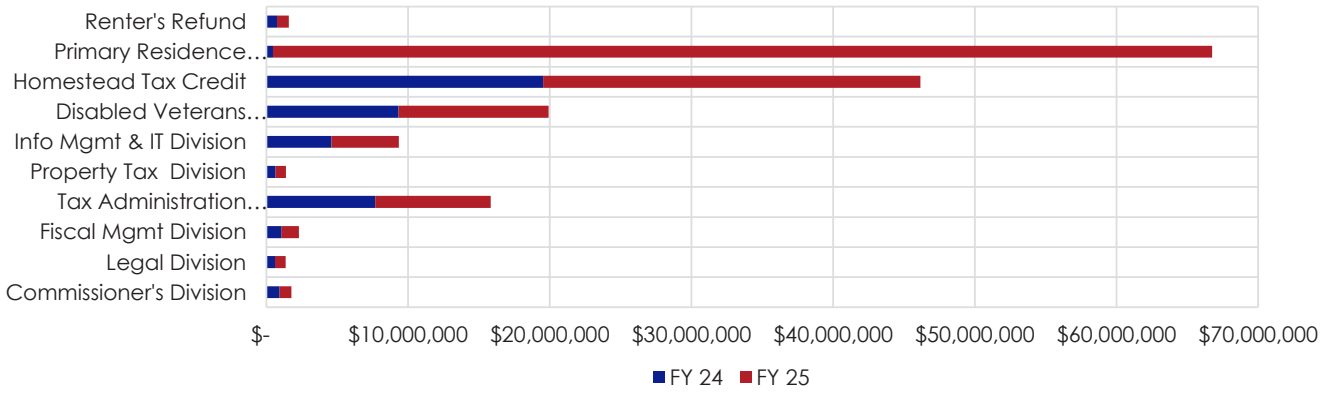
| Expense Type | FY 24 | FY 25 | Biennium Total |
|---|---|---|---|
| Salaries & Wages | $ 11,328,072 | $ 11,934,029 | $ 23,262,102 |
| NDIT Information Services | $ 733,265 | $ 827,258 | $ 1,560,523 |
| Operating Expenses | $ 3,978,618 | $ 4,114,711 | $ 8,093,329 |
| Payments to Counties | $ 29,586,110 | $ 103,880,826 | $ 133,466,936 |
| **Total** | **$ 45,626,065** | **$ 120,756,825** | **$ 166,382,889** |

| Division/Credit Expenditure | FY 24 | FY 25 | Biennium Total |
|---|---|---|---|
| Commissioner's Division | $ 931,125 | $ 832,236 | $ 1,763,361 |
| Legal Division | $ 615,300 | $ 751,032 | $ 1,366,332 |
| Fiscal Mgmt Division | $ 1,084,709 | $ 1,200,512 | $ 2,285,221 |
| Tax Administration Division | $ 7,684,056 | $ 8,144,008 | $ 15,828,064 |
| Property Tax Division | $ 654,339 | $ 718,236 | $ 1,372,575 |
| Info Mgmt & IT Division | $ 4,601,580 | $ 4,745,129 | $ 9,346,708 |
| Disabled Veterans Credit | $ 9,318,894 | $ 10,598,340 | $ 19,917,234 |
| Homestead Tax Credit | $ 19,523,578 | $ 26,644,499 | $ 46,168,077 |
| Primary Residence Credit | $ 468,846 | $ 66,279,185 | $ 66,748,032 |
| Renter's Refund | $ 743,638 | $ 843,647 | $ 1,587,285 |
| **Total** | **$ 45,626,065** | **$ 120,756,825** | **$ 166,382,889** |

**FY24/25 Expense Comparison**




**Expenditures 24/25 Biennium**



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5590/8585

**Ohio Department of Taxation**
4485 Northland Ridge Blvd.
Columbus, Ohio 43229

# Tax Expenditure Report

## The State of Ohio Executive Budget
Fiscal Years 2026/2027

Department of Taxation

5591/8585

Department of Taxation
Tax Commissioner's Office

Tax.Ohio.gov

November 1, 2024

Governor Mike DeWine
Riffe Center, 30th Floor
77 South High Street
Columbus, Ohio 43215

Dear Governor DeWine,

It is my pleasure to present Ohio's Tax Expenditure Report for the Governor's Executive Budget for the ensuing fiscal biennium, a responsibility required of the Tax Commissioner by Sections 107.03 and 5703.48 of the Ohio Revised Code.

This report describes 177 state tax expenditures allowed under current law. It contains a description of each tax expenditure under existing laws and, in comparative form, a detailed estimate of the approximate amount of revenue not available to the state general revenue fund in each fiscal year of the current and ensuing fiscal bienniums because of the operation of each tax expenditure.

Additionally, the report provides a description of, and the aggregate true value of, real property exempted in this state for the preceding tax year due to the operation of four categories of property tax exemptions. It also shows the amount of revenue paid from the general revenue fund in the preceding calendar year to reimburse subdivisions for each of three property tax exemptions for which reimbursement is required.

The report is not intended to and does not evaluate the merits of these tax expenditures. Its purpose is to serve as an important resource for those entrusted to make decisions about Ohio's state budget for the ensuing fiscal biennium.

Sincerely,

Patricia Harris,
Tax Commissioner

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# Introduction

## State of Ohio Tax Expenditure Report

Section 5703.48 of the Ohio Revised Code (R.C.), enacted in 1987, requires the Department of Taxation to prepare and submit a tax expenditure report to the governor in each even-numbered year by November 1st. R.C. 107.03(D)(6) requires the governor to submit the report to the Ohio General Assembly as an appendix to the Governor's biennial budget. The report provides a description of each tax expenditure under existing law and a detailed estimate of the approximate amount of revenue not available (or "revenue foregone") to the General Revenue Fund (GRF) in each fiscal year of the current and ensuing fiscal biennia because of the operation of each tax expenditure.

R.C. 5703.48 defines a "tax expenditure" to mean "a tax provision in the Revised Code that exempts, either in whole or in part, certain persons, income, goods, services, or property from the effect of taxes levied by the state, including, but not limited to, tax deductions, exemptions, deferrals, exclusions, allowances, credits, reimbursements, and preferential tax rates, provided" certain statutory criteria that apply to the provision. Academic literature has described tax expenditures as "special preferences" that are "departures from the normal tax structure and are designed to favor a particular industry, activity, or class of persons" and that "essentially represent government spending for the favored activities or groups made through the tax system rather than through direct grants, loans, or other forms of government assistance." Unlike direct budgetary expenditures, unless there is a pre-existing termination date, tax expenditures may remain in law indefinitely.

An important purpose of this report is to inform the executive and legislative branches during the state budgetary process of revenue foregone to the GRF because of tax expenditures. This report provides an estimate of the dollar value of each tax expenditure, but it makes no statement on the expenditure's appropriateness or merit.

In this edition, estimated revenue foregone to the GRF is provided for the following two fiscal year (FY) biennial budget periods: FY 2024-2025 and FY 2026-2027. This edition includes 177 different state tax expenditures and provides the legal citation(s), year of enactment, and year(s) of major alterations (if any), and a brief description of each tax expenditure. The report also includes the aggregate true value of real property in this state exempted from property taxation due to 4 categories of property tax, as well as the amount of revenue paid from the general revenue fund in the preceding calendar year to reimburse subdivisions for each of 3 property tax exemptions for which reimbursement is required.

## The Tax Expenditure Concept

Since the tax expenditure concept was first articulated in 1967 by Stanley S. Surrey (Assistant Secretary for Tax Policy, U.S. Department of the Treasury), the executive and legislative branches of the U.S. government, most state governments, and many foreign governments have issued their own versions of a tax expenditure report. In its broadest outline, the tax expenditure concept is uniform and constant: A tax expenditure represents a legislated variation from – more commonly, a reduction to – a standardized tax base. Beyond this broad conceptualization, however, varying ideas about what constitutes a tax expenditure have led to differing approaches for identifying them.

At the federal level, the Joint Committee on Taxation (JCT) of the U.S. Congress is vested with the privilege of publishing a report on federal tax expenditures for the House Committee on Ways & Means and the Senate Committee on Finance.[1] According to the JCT:

> ***Tax expenditure analysis can help both policymakers and the public to understand the actual size of government, the uses to which government resources are put, and the tax and economic policy consequences that follow from the implicit or explicit choices made in fashioning legislation.***[2]

The JCT consults with the Office of Tax Analysis in the U.S. Department of the Treasury to produce the report.[3] The JCT's first report was prepared in 1972 covering FFY 1967-1971, and subsequent reports cover every five-year period since FFY 1977-1981.[4]

The vast majority of states and the District of Columbia produce a tax expenditure report in some form.[5] There is variation among the states on what is considered a tax expenditure (and by extension, implied "baseline" tax structures).[6] Ultimately, the variation stems from a fundamental ambiguity in the tax expenditure analysis: The lack of universally applicable and accepted definition of "tax expenditure" sufficiently robust in meaning for it to be used by all jurisdictions and for all taxes. As a result, each reporting agency applies an operating definition of "tax expenditure" with analytical utility for that agency

---

[1] The complete collection of JCT tax expenditure reports is available at https://www.jct.gov/publications/?it=content&category_name=Tax%20Expenditures. For an international perspective, the Organisation for Economic Co-operation and Development (OECD) has studied the use of tax expenditures internationally, including the United States. Organisation for Economic Co-operation and Development, ***Tax Expenditures in OECD Countries*** (2010).

[2] Joint Committee on Taxation***, Estimates of Federal Tax Expenditures for Fiscal Years 2019-2023*** (JCX-55-19), December 18, 2019, at 1.

[3] ***Id***.

[4] ***Id*** at 1.

[5] Institute on Taxation and Economic Policy, ***available at*** https://itep.org/state-by-state-tax-expenditure-reports/.

[6] ***E.g.***, Jason Levitis, Nicholas Johnson & Jeremy Koulsih, ***State Budget Accountability Through Tax Expenditure Reports***, State Tax Notes, May 27, 2009, at 655.

and its administration, as well as legislative policymakers and the wider policy audience within that jurisdiction.[7]

## Tax Expenditures in This Report

R.C. 5703.48 defines "tax expenditure" for purposes of this report. A "tax expenditure" means "a tax provision in the Revised Code that exempts, either in whole or in part, certain persons, income, goods, services, or property from the effect of taxes levied by the state, including but not limited to, tax deductions, exemptions, deferrals, exclusions, allowances, credits, reimbursements, and preferential tax rates" provided certain statutory criteria are met.

Listed below are the statutory criteria used to determine whether a tax provision constitutes a tax expenditure for this report. All four criteria must be true for the item to be considered as such:

1. **The provision reduces, or has the potential to reduce, revenue to the GRF.**

   By law, the Tax Expenditure Report includes only taxes the revenue from which are allocated in whole or in part to the GRF. Therefore, locally levied taxes are excluded from this report. Also excluded are certain state taxes the revenues from which are not allocated to the GRF (such as the motor fuel tax, horse racing tax, and the severance tax).

2. **The persons, income, goods, services, or property exempted by the provision would have been part of a defined tax base.**

   For a provision to be a tax expenditure, it specifically must exempt from taxation a person or activity that otherwise would have been part of the tax base. There are some items specifically exempt by the Ohio Revised Code that are not considered to be part of the tax base. These items are not included as a tax expenditure in this report. For example, services, unless specifically enumerated, are not part of Ohio's sales and use tax base. Therefore, this report does not list the numerous services that are not part of the sales and use tax base. Other examples include the sales tax "resale" exemption (discussion in the Sales & Use Tax section of this report) and the commercial activity tax exclusion for non-profit entities.

[7] Some agencies work under a statutorily prescribed definition of "tax expenditure." Even though these agencies comply with the statutory definition in good faith and to the maximum extent possible, there is no statutory definition with sufficient nuance and logic to guide all determinations. The agencies must develop an operating definition of tax expenditure and use reasonable judgement to determine the items that fit the definition.

3. **The persons, income, goods, services, or property exempted by the provision are not subject to an alternate tax levied by the state.**

   Persons or activities subject to alternative taxes are not considered tax expenditures in this report. For example, insurance companies are excluded from the commercial activity tax under the Ohio Revised Code, but this exclusion is not considered a tax expenditure since insurance companies are taxed under the insurance premium taxes.

4. **The provision is subject to modification or repeal by an act of the General Assembly.**

   The provision must take the form of an exemption, deduction, credit, etc., existing in the Ohio Revised Code. Anything that can be changed only by a state constitutional amendment, federal law change, or federal constitutional amendment is not considered a tax expenditure in this report. For example, Article XII, Section 3 of the Ohio Constitution prohibits the levy of collection of any excise tax upon the sale or purchase of food for human consumption off the premises where sold. Therefore, the R.C. 5739.02(B)(2) sales and use tax exemption for the sale or purchase of food for human consumption off the premises where sold is not considered a tax expenditure in this report.

Tax expenditures are organized in this report by tax types. Although revenue from the natural gas excise tax is distributed to the GRF, there are no tax expenditures related to it. Some tax expenditures apply to more than one tax. In most of these instances, the effects are combined and reported under a single tax so as not to be repetitive.[8]

## Interpretation of Tax Expenditures

Tax policy experts have identified nuanced ways to evaluate tax expenditures.[9] Tax expenditures provide an explicit accounting of deviations from a baseline tax structure. Users of a tax expenditure report can identify deviations from a baseline, who benefits, and the relative fiscal magnitudes. The report may serve as a foundation for further analysis on whether, and to what degree, a tax expenditure violates principles of good tax policy (e.g., efficiency, fairness,

[8] Example: The Job Creation Tax Credit is shown in the commercial activity tax (CAT) section, though the credit may be claimed against not only the CAT, but also the petroleum activity tax, insurance premium taxes, financial institutions tax, and the individual income tax. The estimate displayed in the report reflects the total of all applicable taxes.

[9] ***E.g.***, Eric J. Toder, Address at the National Tax Association Annual Conference (November 19, 2005), ***available at*** https://www.urban.org/sites/default/files/publication/50941/411371-Tax-Expenditures-and-Tax-Reform.PDF.

simplicity, and uniformity). To one degree or another, tax expenditures might reduce economic efficiency, heighten tax complexity, or treat people with the same ability to pay in a disparate or inequitable manner.

Tax expenditures are often viewed as an appropriate mechanism for spending government resources. Under this viewpoint, the tax system can serve as an instrument for reallocating resources or otherwise addressing economic inefficiencies. Thus, the tax expenditure report identifies the specific circumstances under which policymakers have chosen to allocate state resources through the tax code to address a perceived societal need or want fully or partially. According to this conceptualization, then the question is whether the "spending" is appropriate and not necessarily whether it violates a tax policy principle.

## Quantifying Tax Expenditures

In accordance with R.C. 5703.48, the FY 2026-2027 Biennial Tax Expenditure Report identifies the estimated revenue that is foregone, or "spent", by the GRF because of the existence of a tax expenditure under current law. The estimates reflect the amount of financial benefit provided to recipients, adjusted to reflect the GRF's share of the tax expenditure. No further adjustments are made to the estimates, except where another tax expenditure is also available to the taxpayer for the same item or activity ("overlap").

There are other methods to quantify tax expenditures including estimating revenues that would be gained if the tax expenditure were repealed. The tax expenditures in this report are not quantified using methods other than "revenue foregone." Estimates produced under a "revenue gain from repeal" concept encompass an extensive array of (primarily downward) adjustments. An example would be an adjustment regarding the effective date of a repeal as there may be important cash-flow consequences associated with the effective date of a repeal. Another potentially significant adjustment involves taxpayer behavioral responses to the repealed tax expenditure. Economic activity would likely be affected to varying degrees as tax is newly applied to the previously tax-exempt item or activity. Furthermore, one may expect short-term compliance difficulties with the newly taxed item or activity.

To summarize, the figures in this report do not represent the estimated revenue gain from repeal of each tax expenditure. Instead, the figures reflect reasonable estimates (rounded to the nearest $100,000 for estimates of $1 million or more) of the tax benefits realized by recipients of the tax expenditure's benefits – what has been referred to as the "revenue foregone." Additionally, while this report provides totals

summing the tax expenditures by tax type and in total, the totals do not represent the revenues that would be gained by the GRF from repealing all the tax expenditures simultaneously.

## Data Sources for Tax Expenditure Estimates

The accuracy of the estimates varies with the source of data and applicability of the data to the tax expenditure provision. In some instances, the Ohio Department of Taxation (ODT) must rely on external sources that may not be as reliable or accurate as internal data that is relied upon to estimate the revenue foregone from other tax expenditures. A data reference code has been provided to identify the source for individual tax expenditures as follows:

| | |
|---|---|
| **Data Source Code (A):** | Data emanating from tax returns filed with ODT as well as other information generated by the Department. |
| **Data Source Code (B):** | Data produced by government agencies other than ODT such as other State of Ohio agencies, the federal government (e.g., Internal Revenue Service, U.S. Census Bureau, and others), other state governments, and Ohio local governments. |
| **Data Source Code (C):** | All other data sources, including (but not limited to) information from business information service providers, academic research, and non-profit research organizations. |

# FY 2026-2027 Tax Expenditure Estimates Table

## *Sales and Use Tax*

| | | General Revenue Fund Revenue Foregone *(dollars in millions)* | | | | Source Code |
|---|---|---|---|---|---|---|
| | | FY 2024 | FY 2025 | FY 2026 | FY 2027 | |
| **Sales & Use Tax** | | | | | | |
| **Exempt entities** | | | | | | |
| 1.01 | Sales to churches and certain other types of non-profit organizations | $657.4 | $702.1 | $741.3 | $776.1 | B, C |
| 1.02 | Sales to the state, its subdivisions & certain other states | $177.9 | $185.8 | $187.0 | $187.9 | B, C |
| 1.03 | Sales by churches and certain types of non-profit organizations | $63.2 | $66.1 | $69.2 | $72.5 | B |
| **Exemption for property and services used or consumed to produce a product** | | | | | | |
| 1.04 | Property used primarily in manufacturing | $2,362.7 | $2,427.7 | $2,480.8 | $2,513.0 | B, C |
| 1.05 | Packaging and packaging equipment | $285.8 | $290.1 | $294.5 | $299.9 | B, C |
| 1.06 | Sales of TPP and services to electricity providers | $393.9 | $388.2 | $401.6 | $421.2 | A, B |
| 1.07 | TPP used in agriculture | $441.7 | $436.1 | $432.7 | $430.7 | B |
| 1.08 | TPP used in mining | $67.0 | $68.9 | $71.0 | $73.0 | B, C |
| 1.09 | Agricultural land tile and portable grain bins | $2.2 | $2.2 | $2.2 | $2.2 | A, B |
| 1.10 | TPP used to produce printed materials | $4.6 | $4.5 | $4.4 | $4.4 | B, C |
| 1.11 | Items used in storing, preparing and serving food | $58.6 | $60.5 | $62.5 | $64.5 | B, C |
| 1.12 | Property used in preparing eggs for sale | $5.9 | $6.1 | $6.3 | $6.5 | B |
| **Exemption based on specified use of property or service** | | | | | | |
| 1.13 | Building and const materials used in certain structures | $425.6 | $449.1 | $473.7 | $493.6 | B, C |
| 1.14 | TPP used directly in providing public utility services | $171.6 | $173.3 | $175.5 | $179.1 | A, B, C |
| 1.15 | Property used to fulfill a warranty or service contract | $47.5 | $48.5 | $50.2 | $51.6 | B, C |
| 1.16 | Motor vehicles sold in Ohio for use outside the state | $69.1 | $68.3 | $69.0 | $71.4 | A, C |
| 1.17 | TPP used in research and development | $59.8 | $62.8 | $64.5 | $65.4 | B, C |

| | | General Revenue Fund Revenue Foregone *(dollars in millions)* | | | | Source Code |
|---|---|---|---|---|---|---|
| | | FY 2024 | FY 2025 | FY 2026 | FY 2027 | |
| **Sales & Use Tax -- continued** | | | | | | |
| 1.18 | TPP and services used in providing telecommunications services | $155.3 | $160.4 | $165.6 | $170.9 | A, B |
| 1.19 | Qualified TPP used in making retail sales | $74.8 | $76.5 | $78.0 | $79.9 | B, C |
| 1.20 | Property used in highway transportation for hire | $60.7 | $61.9 | $63.9 | $64.9 | B, C |
| 1.21 | Qualified call center exemption | $19.3 | $19.9 | $20.3 | $20.8 | B, C |
| 1.22 | Copyrighted motion pictures and films | $6.4 | $6.4 | $6.8 | $7.3 | B, C |
| 1.23 | Equipment used in distribution warehouses | $10.5 | $10.9 | $11.5 | $12.0 | B, C |
| 1.24 | Drugs distributed to physicians as free samples | $36.2 | $38.1 | $40.2 | $42.3 | B, C |
| 1.25 | Property used in air, noise, or water pollution control | $14.2 | $14.1 | $14.2 | $14.4 | A, B |
| 1.26 | Tangible personal property used in electronic publishing | $34.6 | $40.8 | $48.1 | $56.7 | B |
| 1.27 | 25% refund for TPP used by electronic information service providers | $1.1 | $1.1 | $1.2 | $1.2 | A, C |
| 1.28 | Sales of tangible personal property to a megaproject operator for use in certain circumstances at the site of a semiconductor wafer manufacturing megaproject | $45.7 | $111.7 | $141.2 | $125.0 | B, C |
| 1.29 | Certain watercraft that are seasonally stored or repaired in Ohio | $1.9 | $1.9 | $1.9 | $1.9 | C |
| **Exempt products and services** | | | | | | |
| 1.30 | Prescription drugs and selected medical supplies | $590.7 | $616.8 | $642.5 | $674.6 | B |
| 1.31 | Transportation of persons and property | $344.5 | $360.3 | $378.6 | $396.3 | A, B, C |
| 1.32 | Newspapers | $22.6 | $22.6 | $22.6 | $22.6 | B, C |
| 1.33 | Artificial limbs, prostheses and other medical equipment | $83.6 | $89.7 | $94.5 | $98.6 | B |
| 1.34 | Qualified used manufactured and mobile homes | $6.4 | $6.7 | $7.1 | $7.4 | B, C |
| 1.35 | Aviation repair and maintenance services and parts | $15.7 | $16.2 | $16.5 | $16.7 | A, B |

| | | General Revenue Fund Revenue Foregone (*dollars in millions*) | | | | Source Code |
|---|---|---|---|---|---|---|
| | | FY 2024 | FY 2025 | FY 2026 | FY 2027 | |
| **Sales & Use Tax -- continued** | | | | | | |
| 1.36 | Exempt flight simulators | $1.0 | $1.0 | $1.0 | $1.0 | B, C |
| 1.37 | Sales of natural gas by a municipal utility | $1.7 | $1.7 | $1.7 | $1.7 | B, C |
| 1.38 | Investment bullion and coins | $7.8 | $8.1 | $8.3 | $8.6 | A, B, C |
| 1.39 | Motor vehicle rental if payment reimbursed under warranty | $3.9 | $3.8 | $3.8 | $3.9 | C |
| 1.40 | Feminine hygiene products | $11.3 | $12.0 | $12.6 | $13.2 | B, C |
| 1.41 | Exemption for diapers or incontinence underpads pursuant to a prescription for benefit of a Medicaid recipient with diagnosis of incontinence | $1.1 | $1.2 | $1.2 | $1.3 | B, C |
| 1.42 | Baby Diapers | $18.7 | $18.7 | $18.8 | $19.0 | C |
| 1.43 | Skin creams and wipes for children | Minimal | Minimal | $1.0 | $1.0 | C |
| 1.44 | Child car seats | $2.5 | $2.6 | $2.7 | $2.8 | C |
| 1.45 | Baby strollers | $2.1 | $2.1 | $2.2 | $2.2 | C |
| **Miscellaneous** | | | | | | |
| 1.46 | Value of motor vehicle trade-ins | $286.1 | $295.4 | $299.2 | $305.5 | B, C |
| 1.47 | Discount for vendors | $79.1 | $80.4 | $82.2 | $84.4 | A |
| 1.48 | Food sold to students on school premises | $40.2 | $40.0 | $39.9 | $39.8 | B, C |
| 1.49 | Value of watercraft trade-ins | $2.8 | $2.9 | $3.1 | $3.3 | C |
| 1.50 | Sales of cable, video and audio/audiovisual works bought or sold by cable or video service providers | $10.1 | $10.0 | $9.9 | $9.9 | B, C |
| 1.51 | $800 tax cap on qualified fractionally owned aircraft | $10.3 | $10.0 | $9.8 | $9.6 | A, B, C |
| 1.52 | Ships and rail rolling stock used in interstate commerce | $6.8 | $6.9 | $7.1 | $7.3 | A, B, C |
| 1.53 | Sales of qualified property used in an eligible computer data center | $130.4 | $135.8 | $141.8 | $148.0 | A, B, C |
| 1.54 | Sales of computers and computer equip to certified teachers | $1.3 | $1.4 | $1.4 | $1.5 | B, C |
| 1.55 | Three-day sales tax holiday for specified clothing, school supplies and school instructional material[10] | $22.7 | $0.0 | $23.4 | $23.9 | B, C |

[10] This expenditure will not occur in any year in which an expanded sales tax holiday under 5739.41 (expenditure item 1.64) will occur.

| | | General Revenue Fund Revenue Foregone *(dollars in millions)* | | | | Source Code |
|---|---|---|---|---|---|---|
| | | FY 2024 | FY 2025 | FY 2026 | FY 2027 | |
| **Sales & Use Tax -- continued** | | | | | | |
| 1.56 | Sales of a digital audio work electronically delivered through use of a machine, such as a jukebox | $4.5 | $4.7 | $4.9 | $5.1 | B, C |
| 1.57 | Deduction of sales tax remitted for certain bad debts charged off as uncollectible by private label credit card account lenders | $6.6 | $6.9 | $7.0 | $7.2 | B, C |
| 1.58 | Exemption for income tax filing fees | $1.6 | $1.6 | $1.6 | $1.6 | A, B |
| 1.59 | Motor vehicle and manufactured home documentary service charges | $23.7 | $33.5 | $39.2 | $40.0 | B, C |
| 1.60 | Sales of animals by non-profit animal shelters | $1.3 | $1.3 | $1.3 | $1.3 | B, C |
| 1.61 | Agricultural "use on use" property | $1.0 | $1.0 | $1.1 | $1.2 | B |
| 1.62 | Bulk water for residential use | Minimal | $1.0 | $1.0 | $1.1 | A, B, C |
| 1.63 | Emergency and fire protection vehicles and equipment | $1.7 | $1.7 | $1.7 | $1.8 | B, C |
| **Tax expenditures with revenue impact below $1 million** | | | | | | |
| 1.64 | Expanded Ohio sales tax holiday | N/A | $0.0 | $0.0 | $0.0 | B |
| 1.65 | Exempt the 4% fee on the sale of consumer grade fireworks | Minimal | Minimal | Minimal | Minimal | B |
| 1.66 | Sales to veterans' headquarters | Minimal | Minimal | Minimal | Minimal | C |
| 1.67 | TPP used or consumed in commercial fishing | Minimal | Minimal | Minimal | Minimal | B |
| 1.68 | Property for use in a retail business outside Ohio | Minimal | Minimal | Minimal | Minimal | B, C |
| 1.69 | TPP/services to maintain/repair fractionally owned aircraft | Minimal | Minimal | Minimal | Minimal | A, B |
| 1.70 | Controlled circulation magazines | Minimal | Minimal | Minimal | Minimal | C |
| 1.71 | Sales to qualifying non-profit corporations | Minimal | Minimal | Minimal | Minimal | B, C |
| 1.72 | Use tax exemption for equipment stored, used, consumed by an out-of-state disaster business for disaster response work | Minimal | Minimal | Minimal | Minimal | B, C |

| | | General Revenue Fund Revenue Foregone (*dollars in millions*) | | | | Source Code |
|---|---|---|---|---|---|---|
| | | FY 2024 | FY 2025 | FY 2026 | FY 2027 | |
| **Sales & Use Tax -- continued** | | | | | | |
| 1.73 | Exemption for exports that are delivered into Ohio for temporary storage, packaging, or consolidation before shipment to a foreign citizen | Minimal | Minimal | Minimal | Minimal | A, C |
| 1.74 | Exemption for motor fuel used for powering refrigeration units on vehicles other than units that provide comfort for the operator or occupants | Minimal | Minimal | Minimal | Minimal | A, C |
| 1.75 | Bassinets and baby cribs | Minimal | Minimal | Minimal | Minimal | C |
| **Total Sales and Use Tax** | | **$7,499.0** | **$7,782.0** | **$8,070.0** | **$8,273.7** | |

## *Personal Income Tax*

| | | General Revenue Fund Revenue Foregone (*dollars in millions*) | | | | Source Code |
|---|---|---|---|---|---|---|
| | | FY 2024 | FY 2025 | FY 2026 | FY 2027 | |
| **Individual Income Tax** | | | | | | |
| **Exemptions, exclusions and deductions** | | | | | | |
| 2.01 | Personal, spousal, and dependent exemption | $448.7 | $443.2 | $457.0 | $473.1 | A, B |
| 2.02 | Social security and railroad retirement benefits | $393.6 | $402.5 | $411.5 | $422.6 | A, B |
| 2.03 | Deduction for taxpayers not eligible for employer sponsored medical plan | $50.5 | $54.3 | $57.1 | $58.4 | B, C |
| 2.04 | Exemption for disability income | $8.1 | $8.3 | $8.3 | $8.5 | A, B |
| 2.05 | Exemption for survivor benefit income | $19.1 | $19.0 | $19.1 | $19.4 | A, B |
| 2.06 | Exemption for active-duty military income | $24.3 | $25.2 | $25.5 | $26.0 | A |
| 2.07 | Deduction for excess medical expenses | $3.6 | $3.9 | $4.1 | $5.9 | A, B |
| 2.08 | Exemption for pre-1972 trusts | $7.0 | $6.7 | $7.2 | $7.7 | A, C |
| 2.09 | Deduction for long-term care insurance premiums | $23.0 | $22.9 | $23.9 | $25.0 | C |
| 2.10 | Deduction for contributions to educational variable savings programs | $19.3 | $18.8 | $19.2 | $19.7 | A |
| 2.11 | Exemption for uniformed services retirement income | $34.2 | $35.1 | $36.2 | $37.2 | A, B |

| | | General Revenue Fund Revenue Foregone (*dollars in millions*) | | | | Source Code |
|---|---|---|---|---|---|---|
| | | FY 2024 | FY 2025 | FY 2026 | FY 2027 | |
| **Individual Income Tax -- continued** | | | | | | |
| 2.12 | Ohio business income deduction | $850.9 | $886.6 | $902.8 | $919.0 | A, B |
| 2.13 | Home purchase savings account tax deduction | $0.0 | $2.2 | $2.4 | $2.5 | B |
| 2.14 | Deduction for venture capital gains | N/A | N/A | N/A | $11.0 | A, B |
| 2.15 | Deduction for capital gains from the sale of business interests | N/A | N/A | N/A | $31.1 | B |
| 2.16 | Tax deduction for payments received from gov't or railroad companies as a result of the East Palestine train derailment | Minimal | $1.1 | Minimal | Minimal | B, C |
| **Non-business tax credits** | | | | | | |
| 2.17 | Joint filer credit | $199.2 | $207.0 | $209.5 | $214.7 | A |
| 2.18 | $20 personal exemption credit | $4.0 | $3.8 | $3.1 | $2.4 | A, B |
| 2.19 | Retirement income credit | $78.1 | $78.1 | $78.1 | $78.1 | A |
| 2.20 | Resident credit for income taxed by another state | $186.6 | $191.1 | $204.8 | $212.4 | A |
| 2.21 | $50 senior citizen credit | $22.7 | $23.4 | $24.0 | $24.5 | A, B |
| 2.22 | Campaign contribution credit | $1.7 | $1.8 | $1.5 | $1.6 | A |
| 2.23 | State Earned Income tax credit | $56.4 | $59.3 | $60.9 | $62.2 | A |
| 2.24 | Home Instruction tax credit | $1.2 | $1.2 | $1.3 | $1.3 | A, B |
| 2.25 | Donations to Scholarship Organizations | $21.0 | $23.1 | $24.3 | $25.5 | B, C |
| **Business tax credits** | | | | | | |
| 2.26 | Historic structure rehabilitation credit | $33.0 | $124.6 | $72.2 | $48.1 | A, B |
| 2.27 | Eligible productions tax credit | $38.6 | $43.2 | $48.0 | $48.0 | A |
| 2.28 | Small business investment credit | $2.5 | $2.7 | $2.9 | $3.1 | A |
| 2.29 | Opportunity Zone tax credit | $35.9 | $33.0 | $27.2 | $26.6 | A, B |
| 2.30 | 15% credit for wages paid to an employee participating in a career technical training program | $2.4 | $2.4 | $2.4 | $2.4 | B, C |
| 2.31 | Beginning farmer management credit | Minimal | Minimal | $1.9 | $1.9 | B |
| 2.32 | Credit for sale or rental of agricultural assets to a beginning farmer | Minimal | $1.3 | $2.8 | $3.0 | B |
| 2.33 | Income Tax Credit for commercial vehicle operator training expenses | $0.0 | Minimal | $1.4 | $1.4 | A, B |
| 2.34 | Ohio Low-Income Housing Tax Credit Program | $0.0 | $8.5 | $18.1 | $27.8 | A, B |

| | | General Revenue Fund Revenue Foregone *(dollars in millions)* | | | | Source Code |
|---|---|---|---|---|---|---|
| | | FY 2024 | FY 2025 | FY 2026 | FY 2027 | |
| **Individual Income Tax -- continued** | | | | | | |
| 2.35 | Ohio Single Family Tax Credit Program (single family homes) | $0.0 | Minimal | $5.9 | $12.1 | B |
| 2.36 | Welcome Home Ohio Program | $0.0 | $2.4 | $12.1 | $9.7 | B, C |
| **Tax expenditures with revenue impact below $1 million** | | | | | | |
| 2.37 | Medical savings accounts | Minimal | Minimal | Minimal | Minimal | A |
| 2.38 | Deduction for student loan amounts repaid under rural practice incentive program | Minimal | Minimal | Minimal | Minimal | A |
| 2.39 | Deduction for amounts delivered to a higher education institution on behalf of adopted Ohio residents who are attending the institution | $0.0 | Minimal | Minimal | Minimal | A, B |
| 2.40 | Contributions to another person's Individual Development Account | Minimal | Minimal | Minimal | Minimal | A |
| 2.41 | Deduction for Pell grant or Ohio College Opportunity grant proceeds | Minimal | Minimal | Minimal | Minimal | A |
| 2.42 | Deduction for ABLE Account contributions | Minimal | Minimal | Minimal | Minimal | A |
| 2.43 | Lump sum retirement income credit | Minimal | Minimal | Minimal | Minimal | A |
| 2.44 | Deduction for health insurance coverage for qualifying adult children and other dependents | Minimal | Minimal | Minimal | Minimal | A |
| 2.45 | Deduction for qualified disaster relief work | Minimal | Minimal | Minimal | Minimal | A |
| 2.46 | Deduction for certain disability severance payments for honorably discharged veterans | Minimal | Minimal | Minimal | Minimal | A |
| 2.47 | Deduction for qualifying educators' out-of-pocket expenses for professional development and classroom supplies | Minimal | Minimal | Minimal | Minimal | A |
| 2.48 | Deduction for amounts received under the Ohio adoption grant program | Minimal | Minimal | Minimal | Minimal | A, B |
| 2.49 | Dependent care credit | Minimal | Minimal | Minimal | Minimal | A, B |

| | | General Revenue Fund Revenue Foregone (*dollars in millions*) | | | | Source Code |
|---|---|---|---|---|---|---|
| | | FY 2024 | FY 2025 | FY 2026 | FY 2027 | |
| **Individual Income Tax --continued** | | | | | | |
| 2.50 | Credit for dependents who attend non-chartered non-public schools | Minimal | Minimal | Minimal | Minimal | A |
| 2.51 | Lead Abatement tax credit | Minimal | Minimal | Minimal | Minimal | A |
| 2.52 | Lump sum distribution credit | Minimal | Minimal | Minimal | Minimal | A |
| 2.53 | Deduction for organ donation expenses | Minimal | Minimal | Minimal | Minimal | A |
| 2.54 | Enterprise zone day care/training credit | Minimal | Minimal | Minimal | Minimal | A |
| 2.55 | Enterprise zone employee credit | Minimal | Minimal | Minimal | Minimal | A |
| 2.56 | Grape production credit | Minimal | Minimal | Minimal | Minimal | A |
| 2.57 | Displaced worker job training credit | Minimal | Minimal | Minimal | Minimal | A |
| | | | | | | |
| **Total Income Tax** | | **$2,565.6** | **$2,736.7** | **$2,776.7** | **$2,873.9** | |

## *Financial Institutions Tax*

| | | | | | | |
|---|---|---|---|---|---|---|
| **Financial Institutions Tax** | | | | | | |
| 3.01 | New markets tax credit | $8.3 | $7.6 | $7.6 | $7.6 | A, B |
| 3.02 | Credit for venture capital loan loss | $15.3 | $15.3 | $15.3 | $15.3 | A, B |
| 3.03 | De novo bank tax exemption | Minimal | Minimal | Minimal | Minimal | A |
| | | | | | | |
| **Total Financial Institutions Tax** | | **$23.6** | **$22.9** | **$22.9** | **$22.9** | |

## *Commercial Activity Tax*

| | | General Revenue Fund Revenue Foregone (*dollars in millions*) | | | | Source Code |
|---|---|---|---|---|---|---|
| | | FY 2024 | FY 2025 | FY 2026 | FY 2027 | |
| **Commercial Activity Tax** | | | | | | |
| **Exclusions and deductions** | | | | | | |
| 4.01 | Exclusion of first $3 million of taxable gross receipts for TY 2024 and the first $6 million of taxable gross receipts for TY 2025 and beyond | $353.2 | $607.1 | $760.3 | $791.3 | A |
| 4.02 | Qualifying distribution center receipts | $302.2 | $334.5 | $367.7 | $404.3 | A |
| 4.03 | State & federal cigarette excise tax exclusion | $3.2 | $2.8 | $2.5 | $2.4 | A, B |

| | | General Revenue Fund Revenue Foregone (*dollars in millions*) | | | | Source Code |
|---|---|---|---|---|---|---|
| | | FY 2024 | FY 2025 | FY 2026 | FY 2027 | |
| **Commercial Activity Tax -- continued** | | | | | | |
| 4.04 | Exclude real estate brokerage fees | $2.7 | $1.9 | $1.6 | $1.7 | A, C |
| 4.05 | State & federal alcoholic beverage tax exclusion | $1.2 | $1.2 | $1.2 | $1.3 | A, B, C |
| 4.06 | Exclusion for professional employer organizations | $27.5 | $29.7 | $32.1 | $34.7 | B, C |
| 4.07 | Exclusion of certain services to financial institutions | $1.8 | $1.7 | $1.8 | $1.9 | B |
| 4.08 | Exclusion for agricultural commodity handlers | $4.5 | $2.7 | $2.5 | $2.7 | B, C |
| 4.09 | Qualified Supply Chain receipts | $3.5 | $3.2 | $3.0 | $3.1 | A, B, C |
| 4.10 | Exclusion for sales of certain new capital equipment for semiconductor megaprojects | $0.0 | $4.5 | $5.2 | $5.2 | B, C |
| 4.11 | Exclusion for mortgage-backed securities | $5.1 | $4.9 | $5.0 | $5.5 | A, B |
| 4.12 | Differential of PAT-CAT tax on dyed diesel for railroads | $1.2 | $1.2 | $1.1 | $1.1 | A, B, C |
| 4.13 | Exclusion for receipts of a megaproject supplier | $3.2 | $7.0 | $10.3 | $10.5 | A, B, C |
| 4.14 | Exclusion for anti-neoplastic drug receipts | $1.1 | Minimal | Minimal | Minimal | A, C |
| **Tax credits** | | | | | | |
| 4.15 | Credit for increased research and development | $34.2 | $35.2 | $37.8 | $40.7 | A, B |
| 4.16 | Job creation credit | $106.4 | $119.8 | $123.9 | $128.1 | A, B, C |
| 4.17 | Job retention tax credit | $20.0 | $22.3 | $23.1 | $24.0 | A, B, C |
| 4.18 | Credit for net operating losses | $17.0 | $14.5 | $15.1 | $15.7 | A |
| 4.19 | Research and development loan program credit | $1.1 | $1.2 | $1.2 | $1.2 | A |

| | | General Revenue Fund Revenue Foregone (*dollars in millions*) | | | | Source Code |
|---|---|---|---|---|---|---|
| | | FY 2024 | FY 2025 | FY 2026 | FY 2027 | |
| **Commercial Activity Tax -- continued** | | | | | | |
| **Tax expenditures with revenue impact below $1 million** | | | | | | |
| 4.20 | Exclusion for receipts a taxpayer receives to compensate for lost business resulting from the East Palestine train derailment | Minimal | Minimal | Minimal | Minimal | B, C |
| 4.21 | Exclusion for gross receipts from consumer fireworks 4% fee | Minimal | Minimal | Minimal | Minimal | B |
| 4.22 | Motor vehicle transfer exclusion | Minimal | Minimal | Minimal | Minimal | A, B |
| 4.23 | Trusts created before 1-1-72 | Minimal | Minimal | Minimal | Minimal | A |
| 4.24 | Horse racing taxes and purse exclusion | Minimal | Minimal | Minimal | Minimal | A, B |
| 4.25 | Exclusion for uranium enrichment facilities | Minimal | Minimal | Minimal | Minimal | A, B |
| 4.26 | Exclusion for receipts realized by an out-of-state disaster relief business | Minimal | Minimal | Minimal | Minimal | B, C |
| 4.27 | Exclusion for BWC dividend payments | Minimal | Minimal | Minimal | Minimal | B |
| | | | | | | |
| **Total Commercial Activity Tax** | | **$889.1** | **$1,195.4** | **$1,395.4** | **$1,475.4** | |

## *Public Utilities Excise Tax*

| | | General Revenue Fund Revenue Foregone (*dollars in millions*) | | | | Source Code |
|---|---|---|---|---|---|---|
| | | FY 2024 | FY 2025 | FY 2026 | FY 2027 | |
| **Public Utility Excise Tax** | | | | | | |
| 5.01 | Exemption for municipal utilities and non-profit waterworks | $105.8 | $108.3 | $110.9 | $113.6 | A, B, C |
| 5.02 | Sales to other public utilities for resale | $6.7 | $6.7 | $6.7 | $6.7 | A |
| **Tax expenditures with revenue impact below $1 million** | | | | | | |
| 5.03 | $25,000 deduction from gross receipts | Minimal | Minimal | Minimal | Minimal | A |
| | | | | | | |
| **Total Public Utility Excise Tax** | | **$112.5** | **$115.0** | **$117.6** | **$120.3** | |

## *Kilowatt Hour Tax*

| | | General Revenue Fund Revenue Foregone (*dollars in millions*) | | | | Source Code |
|---|---|---|---|---|---|---|
| | | FY 2024 | FY 2025 | FY 2026 | FY 2027 | |
| **Kilowatt Hour Tax** | | | | | | |
| 6.01 | Exemption for qualified end users | $5.2 | $4.8 | $4.9 | $5.0 | A, B, C |
| | | | | | | |
| **Total Kilowatt Hour Tax** | | **$5.2** | **$4.8** | **$4.9** | **$5.0** | |

## *Insurance Premium Taxes*

| | | General Revenue Fund Revenue Foregone (*dollars in millions*) | | | | Source Code |
|---|---|---|---|---|---|---|
| | | FY 2024 | FY 2025 | FY 2026 | FY 2027 | |
| **Insurance Premium Taxes** | | | | | | |
| 7.01 | Deduction for premiums received from qualified small business alliances | $27.5 | $27.3 | $27.2 | $27.0 | B |
| 7.02 | Credit for small insurers | $1.8 | $1.8 | $1.7 | $1.7 | B |
| 7.03 | Contributions to a certified Rural Business Growth Fund Credit | $10.9 | $21.7 | $10.9 | $10.9 | B |
| 7.04 | Contributions to transformational mixed-use development projects | $0.5 | $41.0 | $68.8 | $96.6 | B |
| **Tax expenditures with revenue impact below $1 million** | | | | | | |
| 7.05 | Ohio Life and Health Guaranty Association contribution credit | Minimal | Minimal | Minimal | Minimal | B |
| | | | | | | |
| **Total Insurance Premium Taxes** | | **$40.7** | **$91.8** | **$108.6** | **$136.2** | |

## *Cigarette and Other Tobacco Products Taxes*

| | | General Revenue Fund Revenue Foregone (*dollars in millions*) | | | | Source Code |
|---|---|---|---|---|---|---|
| | | FY 2024 | FY 2025 | FY 2026 | FY 2027 | |
| **Cigarette and Other Tobacco Products Taxes** | | | | | | |
| 8.01 | Discount for cigarette tax stamps | $11.3 | $10.6 | $9.9 | $9.3 | B |
| 8.02 | Discount for timely payment of other tobacco products' excise tax | $2.7 | $2.8 | $2.9 | $3.0 | A |
| **Total Cigarette and Other Tobacco Products Taxes** | | **$14.0** | **$13.4** | **$12.8** | **$12.3** | |

## *Alcoholic Beverage Tax*

| | | General Revenue Fund Revenue Foregone (*dollars in millions*) | | | | Source Code |
|---|---|---|---|---|---|---|
| | | FY 2024 | FY 2025 | FY 2026 | FY 2027 | |
| **Alcoholic Beverage Tax** | | | | | | |
| 9.01 | Advanced payment credit/discount | $1.6 | $1.6 | $1.6 | $1.7 | A |
| 9.02 | Small brewer's credit | $4.3 | $4.3 | $4.3 | $4.3 | A |
| **Tax expenditures with revenue impact below $1 million** | | | | | | |
| 9.03 | Sacramental wine exemption | Minimal | Minimal | Minimal | Minimal | B, C |
| 9.04 | Small wine producer's exemption | Minimal | Minimal | Minimal | Minimal | A |
| | | | | | | |
| **Total Alcoholic Beverage Tax** | | **$5.9** | **$5.9** | **$5.9** | **$6.0** | |

## *Grand Total All Taxes*

| | General Revenue Fund Revenue Foregone (*dollars in millions*) | | | |
|---|---|---|---|---|
| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
| **GRAND TOTAL ALL TAXES** | **$11,155.6** | **$11,967.9** | **$12,514.8** | **$12,925.7** |

## *Appendix A: Property Tax Exemptions*

| **APPENDIX A: Property Tax Exemptions** | | Aggregate True Value (*dollars in millions*) | | | | Source Code |
|---|---|---|---|---|---|---|
| | | CY 2020 | CY 2021 | CY 2022 | CY 2023 | |
| **Property Tax Exemption True Value** | | | | | | |
| **Exemptions** | | | | | | |
| 10.01 | Charitable and public worship | $36,768.9 | $38,475.4 | $39,325.3 | $42,567.6 | A, B |
| 10.02 | Public and educational | $92,869.7 | $95,284.3 | $97,163.7 | $102,954.5 | A, B |
| 10.03 | Local economic development | $48,258.0 | $51,015.0 | $55,350.2 | $69,048.1 | A, B |
| 10.04 | All other property tax exemptions | $3,985.8 | $2,492.6 | $2,644.8 | $3,811.6 | A, B |
| **Total True Value** | | **$181,882.4** | **$187,267.3** | **$194,484.1** | **$218,381.7** | |

| APPENDIX A: Property Tax Exemptions | | Aggregate Reimbursements (*dollars in millions*) | | | | Source Code |
|---|---|---|---|---|---|---|
| | | CY 2020 | CY 2021 | CY 2022 | CY 2023 | |
| **Property Tax Exemption Reimbursements** | | | | | | |
| **Reimbursements** | | | | | | |
| 10.05 | 10% credit for property not used in business | $1,174.2 | $1,203.3 | $1,224.6 | $1,245.9 | A |
| 10.06 | 2.5% owner occupancy | $219.2 | $226.3 | $230.6 | $234.2 | A |
| 10.07 | Homestead exemption | $390.5 | $369.7 | $349.5 | $336.5 | A |
| **Total Reimbursements** | | **$1,783.9** | **$1,799.3** | **$1,804.7** | **$1,816.6** | |

# Sales & Use Tax

## Summary

The sales and use tax became law in 1934 at a rate of 3.0 percent and began to be levied on January 27, 1935. In 1967, the rate was increased to 4.0 percent. After a temporary 5.0 percent rate was imposed during the period of January through June 1981, a permanent 5.0 percent rate was adopted in November 1981. Until 1981, the sales and use tax was restricted to the sales or rental of tangible personal property. In November 1981, the tax base was extended to selected services. Since then, additional services were made subject to the tax. Authority to levy a permissive sales and use tax was given to counties in 1967 and to transit authorities in 1974. Currently, all 88 counties and nine transit authorities levy such tax. The local tax is reported and remitted along with the state sales and use tax. Counties and transit authorities are permitted to each levy a rate of up to 1.5 percent.

In 2003, legislation was enacted to impose a temporary increase in the state sales and use tax rate from 5.0 percent to 6.0 percent (in effect from July 1, 2003, through June 30, 2005). Rather than allowing the rate to revert to 5.0 percent once the temporary increase expired, the General Assembly set the rate at 5.5 percent, effective July 1, 2005. The rate was increased to 5.75 percent effective September 1, 2013.

### Taxpayer

The sales tax is called a “trust” tax because consumers entrust the tax to persons who make retail sales with the understanding that the tax will be reported and paid to the State of Ohio in a timely manner. Any person who makes a “retail sale” subject to tax, or stores, uses, or consumes tangible personal property, or realizes a benefit in this state from any taxable service on which tax has not been paid is required to file a return and remit the tax due. It is the consumer’s responsibility to file and remit use taxes if the sales tax is not collected and remitted by the vendor.

### Tax Base

The sale and rental of tangible personal property and statutorily enumerated services in Ohio (or property and selected services purchased out-of-state for use in Ohio) constitute the Ohio sales and use tax base. The tax base reflects a complex amalgam of statutory and constitutional provisions, as well as the accumulation of administrative and case law interpretations.

Since its 1935 inception, the sales and use tax structure has reflected a variety of exceptions, exemptions, and credits. This report omits some of these exceptions, exemptions, and credits because they are baseline features of the tax (see the **Introduction** section). For instance, certain sales and use tax exceptions have been excluded that conform the tax more closely to the concept of a tax on final consumption – thereby mitigating the economic distortions otherwise created by “pyramiding” (a phenomenon that occurs when

the same activity or final product is taxed more than once as it moves through the economic production chain). This exception is the resale exception.[11] The resale exception applies to purchased items that are subsequently resold by the purchaser in the same form (typically to a final consumer). This exception is elemental to a sales and use tax such that is it is not considered a tax preference and therefore does not appear as a tax expenditure in this report.

The report does not include a credit for sales tax paid to other states. When an item is purchased in another state and sales tax is paid to such state, Ohio law typically allows a credit for the tax paid to that state (although if the tax paid to the other state is lower than what the tax would have been under Ohio law, the purchaser must pay the difference to Ohio).[12] Such a credit is a baseline feature of the sales and use tax, and therefore it is not considered a tax expenditure for this report.

Another item excluded from this report is the exemption for "casual sales."[13] The report reflects the assumption that the sales tax was inherently designed to not tax the kinds of transactions subject to the casual sales exemption. Transactions covered by the casual sales exemption are those involving the sale of an item by a person that had originally acquired them for the person's own use if the item had already been subject to a state sales and use tax.

Other exceptions considered inherent to the sales and use tax – and therefore not appearing as a tax expenditure in this report – are those sanctioned by the Ohio Constitution. One such exception pertains to food sold for human consumption.[14] The Ohio Constitution precludes the imposition of a sales tax on food (including prepared food) consumed off the premises where sold.[15] Another such exception is for certain sales of motor fuel. Sales of fuel used by motor vehicles operated on public highways are not subject to the sales and use tax because the Ohio Constitution requires any revenue generated from an excise tax on this product is to be used solely for highway-related purposes and not be deposited into the GRF.[16]

[11] R.C. § 5739.01(E)

[12] R.C. § 5741.02(C)(5).

[13] R.C. § 5739.02(B)(8). However, sales of motor vehicles, watercraft, and other specified vehicles are not subject to the casual sales exemption.

[14] R.C. § 5739.02(B)(2)

[15] Ohio Constitution Art. XII, § 13.

[16] R.C. § 5739.02(B)(6)(a) and Ohio Constitution Art. XII, § 5a. Ohio imposes a motor vehicle fuel excise tax of 38.5 cents per gallon for gasoline and 47 cents per gallon for all other motor fuels (except compressed natural gas). The revenues are earmarked for highway-related purposes (construction, repair and maintenance or roads, bridges, et.) as prescribed in R.C. § 5735.01 et seq.

## Tax Rate

The tax is imposed by the State of Ohio at a 5.75 percent rate. In addition, a local permissive sales and use tax may be imposed by a county or transit authority, however, the revenue impacts of the listed tax expenditures to the counties and transit authorities are ***not*** reflected in this report.

## Significant Changes Enacted by the 134th & 135th General Assemblies

HB 66 of the 134th GA created a sales and use tax exemption for income tax filing fees and documentary service charges associated with motor vehicle and mobile home sales. The bill also created a use tax exemption for certain watercraft that are seasonally stored or repaired in Ohio. Lastly, the bill expanded the sales and use tax exemption for pollution control equipment to include leased property.

HB 223 of the 134t GA created a deduction on the sales tax return for unpaid balances on private label credit account receivables that are bad debt and are charged off as uncollectible on the books of a lender.

Am. Sub. HB 33 (FY 2024-FY 2025 Biennial Operating Budget) of the 135th GA instituted a sales and use tax exemption for baby items. These items include children's diapers, children's preventative skin creams and wipes, child vehicle restraints or booster seats, cribs for children, and strollers for children up to about 36 months of age. Additionally, the bill created an expanded sales tax holiday, modified the exemption for pollution control equipment to extend to leased property, and exempted the 4% fee on the sales of consumer grade fireworks from sales and use tax.

## Sales and Use Tax Expenditure Estimates

The estimates shown below reflect the estimated revenue foregone by the GRF from each tax expenditure. The estimates reflect the effect of "overlapping" provisions (i.e., another credit or exemption available to the taxpayer for the same item or activity) that effectively reduces the revenue consequences associated with the tax expenditure. Figures are rounded to the nearest tenth (to the nearest hundred thousand dollars).

The sales and use tax expenditure estimates rely mostly on secondary data sources rather than ODT's internal data sources such as tax returns. Economic Census data – generated by the U.S. Department of Commerce, Bureau of the Census – is the most extensively used source of data for the estimates. However, other types of data and information are used in these estimates, including those generated by other non-Census Bureau federal agencies, trade groups and academic, public, and non-profit research organizations.

**NOTE:** See page 9 for descriptions of data source codes.

# Exempt entities

## 1.01 Sales to churches and certain other non-profit organizations

***R.C. 5739.02(B)(12); originally enacted 1935, revised 2013.***

Sales to churches, non-profit entities organized under Internal Revenue Code section 501(c)(3), and certain other types of non-profit organizations are exempt.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 657.4 | $ 702.1 | $ 741.3 | $ 776.1 |

Data Source Code: B, C

## 1.02 Sales to the state, any of its political subdivisions, and to certain other states[17]

***R.C. 5739.02(B)(1); originally enacted 1935, revised 1994.***

Sales to the State of Ohio and any of its political subdivisions are exempt. Also exempt are sales to any other state (and their political subdivisions) if such state provides a reciprocal exemption to Ohio.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 177.9 | $ 185.8 | $ 187.0 | $ 187.9 |

Data Source Code: B, C

[17] This estimate excludes estimated purchases by the State of Ohio because such purchases do not entail an appreciable state fiscal cost. The reason is currently foregone sales and use tax revenue is offset by decreased costs on the state's acquisitions. Viewed from another perspective, if the exemption were repealed, the State of Ohio would experience an increase in expenditures nearly commensurate with the sales tax revenue gain.

### 1.03 Sales by churches and certain other non-profit organizations

***R.C. 5739.02(B)(9); originally enacted 1961.***

Sales, other than motor vehicles, mobile homes, and manufactured homes, by churches, non-profit entities organized under Internal Revenue Code section 501(c)(3), and certain other non-profit organizations are exempt, if the number of days on which sales are made does not exceed six in any calendar year, except the limitation on the number of days does not apply to sales made by student clubs and other groups of students of a primary or secondary school, or a parent-teacher association, booster group, or similar organization that raises money to support or fund curricular or extra-curricular activities of a primary or secondary school.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 63.2 | $ 66.1 | $ 69.2 | $ 72.5 |

Data Source Code: B

## Exemptions for property used or consumed to produce a product

### 1.04 Tangible personal property used primarily in manufacturing tangible personal property

***R.C. 5739.011, 5739.02(B)(42)(g); originally enacted 1935, revised 1990, 2019, 2020.***

Sales of tangible personal property are exempt where the purpose of the purchaser is to use the property primarily in a manufacturing operation to produce tangible personal property for sale.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $2,362.7 | $2,427.7 | $2,480.8 | $2,513.0 |

Data Source Code: B, C

## 1.05 Packaging and packaging equipment

***R.C. 5739.02(B)(15); originally enacted 1961.***

Packaging and packaging equipment, including materials, labels, and parts for packaging machinery and equipment sold to manufacturers and other qualified businesses are exempt.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 285.8 | $ 290.1 | $ 294.5 | $ 299.9 |

Data Source Code: B, C

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## 1.06 Sales of tangible personal property and services to electricity providers

***R.C. 5739.02(B)(40); originally enacted 2000.***

Sales of tangible personal property and services to a provider of electricity used or consumed directly and primarily in generating or distributing electricity for use by others are exempt.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 393.9 | $ 388.2 | $ 401.6 | $ 421.2 |

Data Source Code: A, B

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## 1.07 Sales of tangible personal property used or consumed in agriculture

***R.C. 5739.02(B)(42)(n); originally enacted 1935, revised 2011, 2018.***

Sales where the purpose of the purchaser is to use or consume the thing transferred primarily in producing personal property for sale by farming, agriculture, horticulture, or floriculture are exempt.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 441.7 | $ 436.1 | $ 432.7 | $ 430.7 |

Data Source Code: B

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## 1.08 Sales of tangible personal property used or consumed in mining

***R.C. 5739.02(B)(42)(a), (q); originally enacted 1935, revised 2011, 2018.***

Sales of tangible personal property and certain services used or consumed directly in producing a product sold by mining operations or directly in the production of crude oil or natural gas are exempt.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 67.0 | $ 68.9 | $ 71.0 | $ 73.0 |

Data Source Code: B, C

## 1.09 Agricultural land tile and portable grain bins

***R.C. 5739.02(B)(30), (31); originally enacted 1985.***

Sales and installation of agricultural land tile and erection or installation of portable grain bins are exempt.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 2.2 | $ 2.2 | $ 2.2 | $ 2.2 |

Data Source Code: A, B

## 1.10 Tangible personal property used in the production of printed materials[18]

***R.C. 5739.02(B)(42)(f); originally enacted 1973.***

Machinery, equipment, and material used in the production for sales of printed, lithographic, photostatic, or other graphic productions or re-productions are exempt.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 4.6 | $ 4.5 | $ 4.4 | $ 4.4 |

Data Source Code: B, C

## 1.11 Tangible personal property used in storing, preparing, and serving food[19]

***R.C. 5739.02(B)(27); originally enacted 1981.***

Tangible personal property purchased by a licensed food service operation used primarily to prepare food for human consumption, to preserve such food, or to clean tangible personal property used to prepare or preserve such food is exempt.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 58.6 | $ 60.5 | $ 62.5 | $ 64.5 |

Data Source Code: B, C

[18] This estimate was reduced by an estimated 75% under the expectation that most of this property is also subject to the sales tax exemption for tangible personal property used primarily in manufacturing (tax expenditure item 1.04). The estimate for tax expenditure 1.04 was not adjusted for the tangible personal property also subject to tax expenditure item 1.10. The exemption also applies to property used to produce magazines distributed as controlled circulation publications as reported in tax expenditure item 1.70.

[19] This estimate was reduced by an estimated 50% under the expectation that most of this property is also subject to the sales tax exemption for tangible personal property used primarily in manufacturing (tax expenditure item 1.04) and for packaging and packaging equipment (tax expenditure item 1.05).

### 1.12 Tangible personal property used in preparation of eggs for sale

***R.C. 5739.02(B)(24); originally enacted 1974.***

Tangible personal property purchased by persons engaged in the preparation of eggs for sale and used or consumed directly in such preparation, including property used for cleaning, packaging, handling, and transportation equipment (except motor vehicles licensed to operate on public highways) is exempt.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 5.9 | $ 6.1 | $ 6.3 | $ 6.5 |

Data Source Code: B

## Exemption based on specified use of property or service

### 1.13 Building and construction materials and services used in certain structures[20]

***R.C. 5739.02(B)(13); originally enacted 1959, revised 1994, 2022.***

Building and construction materials and services sold to construction contractors for incorporation into a structure or improvement to real property are exempt under a construction contract with the following entities: federal government; the State of Ohio and its political subdivisions; religious institutions and other organizations exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code; businesses engaged in horticultural and livestock purposes; and certain other specified types of entities.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 425.6 | $ 449.1 | $ 473.7 | $ 493.6 |

Data Source Code: B, C

[20] This estimate excludes estimated purchases attributable to building contracts with the State of Ohio. This reflects the assumption that currently foregone revenue from the exemption is offset by decreased project costs for state projects. Because the tax exemption creates no appreciable fiscal impact to the state on its projects, those projects were excluded. It includes the recent inclusion of materials sold for incorporation into a structure or improvement to real property that is used primarily as, or primarily in support of, a manufacturing facility or research and development facility and that is to be owned by a megaproject operator as found in HB 687 of the 134th General Assembly.

## 1.14 Tangible personal property used directly in providing a public utility service

***R.C. 5739.02(B)(42)(a); originally enacted 1935.***

Tangible personal property and fuel used in the production, transportation, or distribution of a public utility service, or used in the repair or maintenance of machinery and equipment used directly in providing a public utility service are exempt.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 171.6 | $ 173.3 | $ 175.5 | $ 179.1 |

Data Source Code: A, B, C

## 1.15 Property used to fulfill a warranty or service contract

***R.C. 5739.02(B)(42)(k); originally enacted 1986.***

Parts and labor used to fulfill a warranty that is provided as part of the price of tangible personal property sold are exempt from the sales and use tax. In addition, parts and labor used to fulfill a warranty, maintenance, or service contract in which the vendor of such warranty or contract agrees to repair or maintain the consumer's tangible personal property are exempt.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 47.5 | $ 48.5 | $ 50.2 | $ 51.6 |

Data Source Code: B, C

### 1.16 Motor vehicles sold in Ohio for use outside of the state

***R.C. 5739.02(B)(23), 5739.029, 5739.21; originally enacted 1971, revised 2007, 2008.***

Motor vehicles sold in Ohio to non-residents, when the vehicles are immediately removed from Ohio and titled or registered in another state, are exempt. However, no exemption is permitted if the vehicles are titled or registered in a foreign nation (other than Canada), or in a U.S. state that applies its sales tax to an Ohioan purchasing a vehicle in that state for immediate removal to Ohio.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 69.1 | $ 68.3 | $ 69.0 | $ 71.4 |

Data Source Code: A, C

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### 1.17 Tangible personal property used in research and development

***R.C. 5739.02(B)(42)(i); originally enacted 1993, amended 2022.***

Qualified tangible personal property used in research and development is exempt.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 59.8 | $ 62.8 | $ 64.5 | $ 65.4 |

Data Source Code: B, C

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### 1.18 Tangible personal property and services used in providing telecommunications and satellite services

***R.C. 5739.02(B)(34); originally enacted 1987.***

Tangible personal property and services used directly and primarily in providing telecommunications, mobile telecommunications, or satellite broadcasting services are exempt.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 155.3 | $ 160.4 | $ 165.6 | $ 170.9 |

Data Source Code: A, B

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## 1.19 Qualified tangible personal property used in making a retail sale

***R.C. 5739.02(B)(35); originally enacted 1935.***

Sales of advertising material or catalogs used or consumed in making retail sales that price and describe property offered for retail sale are exempt. Additionally, purchases by direct marketing vendors of items that are used in printing advertising material and equipment primarily used to accept orders for direct marketing retail sales are also exempt.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 74.8 | $ 76.5 | $ 78.0 | $ 79.9 |

Data Source Code: B, C

## 1.20 Property used in highway transportation for hire

***R.C. 5739.02(B)(32); originally enacted 1985.***

The sale, lease, repair, and maintenance of motor vehicles primarily used in transporting personal property by a person engaged in highway transportation for hire is exempt. Parts and other items attached to/incorporated into the motor vehicle also qualify for the exemption.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 60.7 | $ 61.9 | $ 63.9 | $ 64.9 |

Data Source Code: B, C

## 1.21 Qualified call center exemption

***R.C. 5739.02(B)(45); originally enacted 2003, revised 2012.***

The sales of telecommunications services that are used directly and primarily to perform the functions of a qualified call center are exempt.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 19.3 | $ 19.9 | $ 20.3 | $ 20.8 |

Data Source Code: B, C

## 1.22 Copyrighted motion pictures and films

***R.C. 5739.01(B)(8); originally enacted 1945.***

Rental or sale of copyrighted motion pictures for exhibition purposes, unless solely for advertising, are exempt. Rentals of videotaped motion pictures, DVDs or similar items for private home use are taxable.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 6.4 | $ 6.4 | $ 6.8 | $ 7.3 |

Data Source Code: B, C

### 1.23 Tangible personal property used or consumed in private warehouses and distribution centers with inventory primarily shipped out of state.

***R.C. 5739.02(B)(42)(j); originally enacted 1994, revised 2008.***

Tangible personal property used or consumed primarily in storing, transporting, mailing, or otherwise handling purchased sales inventory in a warehouse, distribution center, or similar facility, when the inventory is primarily distributed outside Ohio to retail stores of the persons who owns or controls the warehouse, distribution center, or similar facilities is exempt. The exemption does not apply to motor vehicles registered for operations on public highways.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 10.5 | $ 10.9 | $ 11.5 | $ 12.0 |

Data Source Code: B, C

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### 1.24 Drugs distributed to physicians for use as free samples

***R.C. 5741.02(C)(7); originally enacted 2001.***

Drugs that are, or are intended to be, distributed free of charge to a practitioner licensed to prescribe, dispense, and administer drugs to a human being during a professional practice and that, by law, may be dispensed only by or upon the order of that practitioner are exempt.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 36.2 | $ 38.1 | $ 40.2 | $ 42.3 |

Data Source Code: B, C

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### 1.25 Property used in air, noise, or water pollution; or property used in energy or waste conversion

***R.C. 5709.20, 5709.25; originally enacted 1965, 1978, amended 2003, 2018, 2023.***

Tangible personal property used in industrial air, noise, or water pollution or for energy conversion, solid waste conversion, or thermal efficiency improvement facilities by holders of exempt facility certificates is exempt.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 14.2 | $ 14.1 | $ 14.2 | $ 14.4 |

Data Source Code: A, B

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### 1.26 Tangible personal property used in electronic publishing

***R.C. 5739.01(JJJ), 5739.02(B)(42)(o); originally enacted 2007.***

Tangible personal property used in acquiring, formatting, editing, storing, and disseminating data or information by electronic publishing is exempt. “Electronic publishing” is limited to electronic information and data access provided primarily to business customers.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 34.6 | $ 40.8 | $ 48.1 | $ 56.7 |

Data Source Code: B

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### 1.27 25 percent refund for qualified tangible personal property used by electronic information service providers

***R.C. 5739.071; originally enacted 1993.***

Allow for a 25% refund for qualified tangible personal property used by electronic information service providers.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 1.1 | $ 1.1 | $ 1.2 | $ 1.2 |

Data Source Code: A, C

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### 1.28 Sales of Tangible personal property to a megaproject operator for use in certain circumstances at the site of a semiconductor wafer manufacturing megaproject site

***R.C. 122.17, 5739.01(RRR), 5739.02(B)(58); originally enacted 2022.***

Sales of tangible personal property to a megaproject operator for use at the site of a semiconductor wafer manufacturing megaproject primarily for certain delineated purposes.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $45.7 | $111.7 | $141.2 | $125.0 |

Data Source Code: B, C

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### 1.29 Watercraft only in Ohio for storage and maintenance in certain specific circumstances

***R.C. 5741.02(C)(11); originally enacted 2023.***

The watercraft is in this state only for storage and maintenance purposes, the watercraft is not used or stored in this state between the first day of May and the last day of September of any year, the watercraft is not required to be registered in this state under section 1547.54 of the revised code, and the owner paid taxes to another jurisdiction on the sale, use, or consumption of the watercraft or paid sales tax on the watercraft under section 5739.027 of the Revised Code , unless the watercraft is used and titled or registered in a jurisdiction that does not impose a sales or use tax or similar excise tax on the ownership or use of the watercraft.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $1.9 | $1.9 | $1.9 | $1.9 |

Data Source Code: C

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# Exempt products and services

## 1.30 Prescription drugs and selected medical items

***R.C. 5739.02(B)(18); originally enacted 1961.***

Drugs that may only be dispensed pursuant to a prescription; certain products used by diabetics; and other qualified items used by individuals for medical purposes are exempt.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 590.7 | $ 616.8 | $ 642.5 | $ 674.6 |

Data Source Code: B

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## 1.31 Transportation of persons or property

***R.C. 5739.02(B)(11); originally enacted 1935, revised 2003.***

Transportation of property and most transportation of persons is exempt.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 344.5 | $ 360.3 | $ 378.6 | $ 396.3 |

Data Source Code: A, B, C

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## 1.32 Newspapers

***R.C. 5739.02(B)(4); originally enacted 1935.***

Newspapers purchased at places of business, vending machines, or through subscription and published at least biweekly are exempt.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 22.6 | $ 22.6 | $ 22.6 | $ 22.6 |

Data Source Code: B, C

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## 1.33 Artificial limbs, prostheses, wheelchairs, and other durable medical equipment

***R.C. 5739.01(FFF), (GGG), (HHH), 5739.02(B)(19); originally enacted 1973, revised 1978, 2001, 2003, 2018.***

Sales of prosthetic devices, durable medical equipment for home use, and mobility enhancing equipment, inclusive of corrective eyeglasses or contact lenses, are exempt. To qualify for the exemption, the property must be purchased pursuant to a prescription and the items must be for use for a human being.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 83.6 | $ 89.7 | $ 94.5 | $ 98.6 |

Data Source Code: B

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## 1.34 Exemption for used mobile homes and reduced taxable price on new mobile homes

***R.C. 5739.02(B)(39), 5739.0210; originally enacted 2000.***

Sales of qualified used manufactured and mobile homes are exempt. In addition, for sales and use tax purposes, the dealers of new manufactured and mobile homes are considered the consumers of the homes they sell, so sales and use tax paid is based on the dealers' costs rather than on the amount paid by the ultimate consumer.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 6.4 | $ 6.7 | $ 7.1 | $ 7.4 |

Data Source Code: B, C

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### 1.35 Sales of materials and services for maintenance and repair of aircraft

***R.C. 5739.02(B)(49); originally enacted 2008.***

Sales of materials, parts, equipment, and engines used in the repair or maintenance of aircraft or avionics systems, as well as sales of maintenance and repair services are exempt.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 15.7 | $ 16.2 | $ 16.5 | $ 16.7 |

Data Source Code: A, B

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### 1.36 Flight simulators

***R.C. 5739.02(B)(50); originally enacted 2008.***

Sales of full flight simulators that are used for pilot or flight-crew training are exempt. Additionally, sales of repair or replacement parts or components of such flight simulators, as well as repair or maintenance services are exempt.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 1.0 | $ 1.0 | $ 1.0 | $ 1.0 |

Data Source Code: B, C

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### 1.37 Sales of natural gas by a municipal utility

***R.C. 5739.02(B)(7); originally enacted 2016.***

Sales of natural gas by a municipal natural gas utility, if delivered to consumers through pipes or conduits, are exempt.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 1.7 | $ 1.7 | $ 1.7 | $ 1.7 |

Data Source Code: B, C

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### 1.38 Sales of investment bullion and coins

***R.C. 5739.02(B)(57); originally enacted 1989; repealed 2005; reenacted 2013, repealed 2019, re-enacted 2021.***

Sales of investment coins and bullion are exempt from the sales and use tax.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 7.8 | $ 8.1 | $ 8.3 | $ 8.6 |

Data Source Code: A, B, C

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### 1.39 Motor vehicle rental if payment is reimbursed under warranty

***R.C. 5739.02(B)(42)(p); originally enacted 2015.***

The rental payments for motor vehicles provided to the owner or lessee of a motor vehicle that is being repaired or serviced are exempt if the motor vehicle provided is rented and the purchaser is reimbursed for the cost of the rental by a manufacturer, warrantor, or provider of a maintenance, service, or other similar contract or agreement, with respect to the motor vehicle being repaired or serviced.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 3.9 | $ 3.8 | $ 3.8 | $ 3.9 |

Data Source Code: C

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### 1.40 Feminine hygiene products

***R.C. 5739.02(B)(48); originally enacted 2020.***

Sales of tampons, panty liners, menstrual cups, sanitary napkins, and other similar tangible personal property designed for feminine hygiene in connection with the human menstrual cycle are exempt from the sales and use tax (does not include grooming and other hygiene products).

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 11.3 | $ 12.0 | $ 12.6 | $ 13.2 |

Data Source Code: B, C

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### 1.41 Sales of diapers or incontinence underpads sold pursuant to a prescription for the benefit of a Medicaid recipient

***R.C. 5739.02(B)(56) originally enacted 2020.***

Sales of diapers or incontinence underpads sold pursuant to a prescription for the benefit of a Medicaid recipient with a diagnosis of incontinence, provided that the Medicaid program covers diapers or incontinence pads as an incontinence garment are exempt from the sales and use tax.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 1.1 | $ 1.2 | $ 1.2 | $ 1.3 |

Data Source Code: B, C

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### 1.42 Sales of children's diapers

***R.C. 5739.02(B)(60); originally enacted 2023.***

Sales of children's diapers are exempt from the sales and use tax.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 18.7 | $ 18.7 | $ 18.8 | $ 19.0 |

Data Source Code: C

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### 1.43 Sales of therapeutic or preventative creams and wipes marketed primarily for use on the skin of children

***R.C. 5739.02(B)(61); originally enacted 2023.***

Sales of therapeutic or preventative creams and wipes marketed primarily for use on the skin of children are exempt from the sales and use tax.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | Minimal | Minimal | $ 1.0 | $ 1.0 |

Data Source Code: C

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### 1.44 Sales of child restraint devices or booster seats

***R.C. 5739.02(B)(62); originally enacted 2023.***

Sales of a child restraint device or booster seat that meets the national highway traffic safety administration standard for child restraint systems under 49 C.F.R. 571.213 are exempt from the sales and use tax.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 2.5 | $ 2.6 | $ 2.7 | $ 2.8 |

Data Source Code: C

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### 1.45 Sales of strollers for children

***R.C. 5739.02(B)(64); originally enacted 2023.***

Sales of strollers meant for transporting children from infancy to about thirty-six months of age that meet the United States consumer product safety commission safety standard for carriages and strollers under 16 C.F.R. 1227.2 are exempt from the sales and use tax.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 2.1 | $ 2.1 | $ 2.2 | $ 2.2 |

Data Source Code: C

## Miscellaneous provisions

### 1.46 Value of motor vehicle trade-ins

***R.C. 5739.01(H)(2); originally enacted 1981.***

The value of a motor vehicle traded-in on the purchase of a new motor vehicle from a motor vehicle dealer is exempt and may be deducted from the taxable base of the new motor vehicle.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 286.1 | $ 295.4 | $ 299.2 | $ 305.5 |

Data Source Code: B, C

### 1.47 Discount for vendors

***R.C. 5739.12(B)(1), 5741.12(A); originally enacted 1981; amended 2004, 2005, 2009.***

A 0.75 percent discount on sales and use tax collected by vendors and out-of-state sellers are granted if the tax due is remitted by the due date of the tax return.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 79.1 | $ 80.4 | $ 82.2 | $ 84.4 |

Data Source Code: A

## 1.48 Food sold to students on school premises

***R.C. 5739.02(B)(3); originally enacted 1937.***

The sales of food to students in a cafeteria, dormitory, fraternity, or sorority maintained in a public, private, or parochial school, college, or university are exempt.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 40.2 | $ 40.0 | $ 39.9 | $ 39.8 |

Data Source Code: B, C

## 1.49 Value of watercraft trade-ins

***R.C. 5739.01(H)(3); originally enacted 1990.***

The value of any watercraft, watercraft and trailer, or outboard motor traded in on a new or used watercraft or outboard motor sold by a licensed dealer is exempt and may be deducted from the taxable base of the new or used watercraft or outboard motor.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 2.8 | $ 2.9 | $ 3.1 | $ 3.3 |

Data Source Code: C

### 1.50 Value of cable, video, and audio/visual works bought or sold by cable or video service providers

***R.C. 5739.02(B)(53); originally enacted 2013.***

Sales of cable service or programming, video or audio service or programming, or electronically transferred digital audio/visual work to or by a cable service provider, video service provider, or radio or television broadcast station regulated by the federal government are exempt.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 10.1 | $ 10.0 | $ 9.9 | $ 9.9 |

Data Source Code: B, C

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### 1.51 $800 tax cap on qualified fractionally owned aircraft

***R.C. 5739.025(C)(1); originally enacted 2003.***

Sales of shares of qualified fractionally owned aircraft, except for a payment of no more than $800 per aircraft, which is allocated to each fractional owner according to their percentage ownership share, are exempt.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 10.3 | $ 10.0 | $ 9.8 | $ 9.6 |

Data Source Code: A, B, C

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## 1.52 Ships and rail rolling stock used in interstate or foreign commerce

***R.C. 5739.02(B)(14); originally enacted 1938.***

Sales of ships or rail rolling stock used principally in interstate or foreign commerce and material used for repairing, altering, or propelling them are exempt.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 6.8 | $ 6.9 | $ 7.1 | $ 7.3 |

Data Source Code: A, B, C

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## 1.53 Sales of qualified tangible personal property used in an eligible computer data center

***R.C. 122.175; originally enacted 2011, revised 2013, 2017.***

Sales, storage, use, or other consumption of qualified computer data center equipment used or to be used at an eligible computer data center are exempt.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 130.4 | $ 135.8 | $ 141.8 | $ 148.0 |

Data Source Code: A, B, C

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## 1.54 Sales of computers and computer equipment to certified teachers

***R.C. 5739.02(B)(37); originally enacted 1997.***

Sales of personal computers, computer keyboards, computer monitors, and other peripheral computer equipment purchased by a licensed or certified teacher in this state for use by that individual in the preparation for teaching primary or secondary school students are exempt.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 1.3 | $ 1.4 | $ 1.4 | $ 1.5 |

Data Source Code: B, C

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### 1.55 Three-day sales and use tax holiday for specified clothing, school supplies, and school instructional material

***R.C. 5739.02(B)(55); originally enacted 2018.***

Sales of the following are exempt on the first Friday of August and the following Saturday and Sunday of each year, beginning in 2018: each item of clothing, the price of which is seventy-five dollars or less, each item of school supplies, the price of which is twenty dollars or less, and each item of school instructional material, the price of which is twenty dollars or less. This holiday will not occur in any year in any year in which an expanded sales and use tax holiday will be held under R.C. 5739.41.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 22.7 | $ 0.0 | $ 23.4 | $ 23.9 |

Data Source Code: B, C

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### 1.56 Sales of digital audio work electronically transferred through use of a machine such as a juke box

***R.C. 5739.02(B)(54); originally enacted 2017.***

Sales of a digital audio work electronically transferred for delivery through use of a machine, such as a juke box, that does all the following: accepts payments to operate, automatically plays selected digital audio work for a single play upon receipt of payment and operates exclusively for the purpose of playing digital audio work for a commercial establishment.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 4.5 | $ 4.7 | $ 4.9 | $ 5.1 |

Data Source Code: B, C

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### 1.57 Deduction of sales tax remitted for certain bad debts charged off as uncollectable by private label credit card account lenders

***R.C. 5739.01(Y)(2)(l); originally enacted 2023.***

A vendor may deduct on a return the unpaid balance on private label credit accounts or private label credit account receivables that are bad debt and are charged off as uncollectible on the books of a lender on or after July 1, 2023, and against which a deduction has not previously been taken under this section. The deduction authorized may be taken by the vendor only on the basis of accounts or receivables bad debt from purchases from the vendor whose name is carried, referred to, or branded on the private label credit account or from purchases from any of the vendor's affiliates or franchisees.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 6.6 | $ 6.9 | $ 7.0 | $ 7.2 |

Data Source Code: B, C

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### 1.58 Fees charged to electronically file income tax returns

***R.C. 5739.01(Y)(2)(l); originally enacted 2023.***

Fees charged to electronically file income tax returns, reports, or other related documents or schedules with a federal, state, or local government entity or to remit a payment of any such individual income tax to such an entity are exempt from the sales and use tax. This exemption does not include federal, state, or local taxes withheld by an employer from an employee's compensation.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 1.6 | $ 1.6 | $ 1.6 | $ 1.6 |

Data Source Code: A, B

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## 1.59 Documentary service charges imposed for motor vehicle and manufactured homes

***R.C. 5739.02(B)(59), 4517.261, 4781.24; originally enacted 2023.***

Exempt from the sales and use tax are documentary service charges imposed for motor vehicles and manufactured homes. These are fees to title motor vehicles and manufactured homes. The fee is outlined in the written contract containing the agreements of the parties involved. In the case of manufactured homes, the fee is equal to the lesser of ten percent of the amount the buyer is required to pay pursuant to the contract, excluding tax, title, and registration fees, and any negative equity adjustment, or the amount allowed in a retail installment contract ($250). The fee for motor vehicles is similar, however the amount allowed in a retail installment contract is adjusted by the change in the CPI since 2006.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 23.7 | $ 33.5 | $ 39.2 | $ 40.0 |

Data Source Code: B, C

## 1.60 Sales of animals by nonprofit animal shelters

***R.C. 5739.02(B)(28); originally enacted 1981.***

Sales of animals by nonprofit animal adoption services or county humane societies are exempt from sales and use tax.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 1.3 | $ 1.3 | $ 1.3 | $ 1.3 |

Data Source Code: B, C

## 1.61 Sales of certain agricultural property

***R.C. 5739.02(B)(17); originally enacted 1961.***

Sales to persons engaged in farming, agriculture, horticulture, or floriculture, of property for use in the production of property, which is for use in the production of property for sale, are excluded from sales and use tax.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 1.0 | $ 1.0 | $ 1.1 | $ 1.2 |

Data Source Code: B

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## 1.62 Bulk water for residential use

***R.C. 5739.02(B)(25)(a); originally enacted 1978.***

Sales of water to a consumer for residential use are exempt from the sales and use tax.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | Minimal | $ 1.0 | $ 1.0 | $ 1.1 |

Data Source Code: A, B, C

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## 1.63 Emergency fire protection vehicles and equipment

***R.C. 5739.02(B)(20); originally enacted 1965, revised 2000.***

Sales of emergency and fire protection vehicles and equipment to non-profit organizations for use solely in providing fire protection and emergency services, including trauma care and emergency medical services, for political subdivisions of the state are exempt from the sales and use tax.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 1.7 | $ 1.7 | $ 1.7 | $ 1.8 |

Data Source Code: B, C

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## Tax expenditures with annual revenue impact below $1 million

### 1.64 Expanded Ohio sales tax holiday[21]

***R.C. 131.44, 5739.01, 5739.02, 5739.41; originally enacted 2023.***

### 1.65 Four per cent fee on the sale of consumer grade fireworks

***R.C. 5739.02(B)(65); originally enacted 2023.***

### 1.66 Sales to veterans' headquarters

***R.C. 5739.02(B)(33); originally enacted 1986.***

### 1.67 Tangible personal property used or consumed directly in commercial fishing

***R.C. 5739.02(B)(42)(d); originally enacted 1945.***

### 1.68 Tangible personal property for use in a retail business outside Ohio

***R.C. 5739.02(B)(21); originally enacted 1968.***

### 1.69 Sales of tangible personal property and services for maintenance and repair of qualified fractionally owned aircraft[22]

***R.C. 5739.02(B)(44); originally enacted 2003.***

### 1.70 Controlled circulation magazines

***R.C. 5739.02(B)(4); originally enacted 1935, revised 2002, 2013.***

### 1.71 Sales to qualifying non-profits

***R.C. 307.695, 5739.02(B)(52); originally enacted 2013.***

[21] This expenditure occurs only if certification is received from the Office of Budget and Management under R.C. 131.44(B). Further, the expenditure is shown as having a minimal revenue impact under the expectation that, if the holiday is held, the GRF will be reimbursed for any revenue not received due to the operation of the holiday by the expanded sales tax holiday fund.

[22] This tax expenditure item is shown as having a minimal revenue impact under the expectation that most of the qualifying property and services is also eligible for the exemption for materials and services used in the maintenance and repair of aircraft (tax expenditure item 1.35). In contrast, the estimate for tax expenditure item 1.35 was not reduced to reflect tangible property and services subject to this tax expenditure item (item 1.69).

**1.72 Equipment stored, used, or otherwise consumed by an out-of-state disaster business during a disaster response period in Ohio**

***R.C. 5703.94, 5741.02(C)(10); originally enacted 2018.***

**1.73 Exports that are delivered into Ohio for temporary storage, packaging, or consolidation before shipment to a foreign citizen.**

***R.C. 5739.02(B)(38); originally enacted 2017, amended 2019.***

**1.74 Motor fuel used for powering refrigeration units on vehicles other than units that provide comfort for the operator or occupants**

***R.C. 5739.02(B)(6)(b) originally enacted 2020.***

**1.75 Sales of cribs for children**

***R.C. 5739.02(B)(63) originally enacted 2023.***

# Individual Income Tax

## Summary

Ohio was first authorized to levy an income tax in 1912 by constitutional amendment. However, 60 years passed before the state individual income tax became effective in 1972. The income tax was designed to be closely based on federal law to facilitate compliance by the taxpayer and ease of administration by the state.

### Taxpayer

The tax is paid by individuals, estates and trusts residing in Ohio, or earning or receiving Ohio income, including lottery winnings, prizes, or awards. The tax is also paid by individuals, estates and trusts otherwise having nexus with Ohio. Withholding responsibilities apply to employers who pay wages and salaries to employees who work in Ohio.

### Tax Base

The tax base for an individual's income, other than business income, is federal adjusted gross income (FAGI), plus or minus Ohio adjustments, less an exemption for the taxpayer, taxpayer's spouse, and each dependent. The tax base for an individual's business income is taxable business income. In the case of estates, the tax base is Ohio taxable income and for trusts it is a modified Ohio taxable income.

### Tax Rates

Ohio has implemented significant income tax reductions and reform under Am. Sub. H.B. 33 (135$^{th}$ General Assembly's FY 2024-FY 2025 Biennial Operating Budget). Ohio reduced the number of income tax brackets for non-business income from four to two; by collapsing the bottom two and top two brackets into each other; while at the same time, reducing top income tax rate from 3.99% to 3.5%. The tax rate on business income less any amount allowed under R.C. 5747.02(A)(4)(b) is a flat 3.0 percent after application of the business income deduction.

Annual indexing of the income tax brackets took effect in tax year 2010 (though there have been some years where it was suspended temporarily). Ohio law requires annual adjustments to the individual income tax brackets based on the growth in the gross domestic product deflator during the preceding calendar year. The calculated amounts are ultimately required to be rounded to the nearest $50. The changes to the tax brackets are calculated in August of each year and apply to the taxable year during which the calculations are made. Reductions in the tax caused by the

| Taxable Year 2024 Income Tax Table for Individuals | | | |
|---|---|---|---|
| Ohio adjusted gross income less taxable business income and exemptions | | Ohio Income Tax | |
| More Than | Not More Than | Marginal Tax Rate | Base Tax Liability |
| $0 | $26,050 | 0% | $0 |
| 26,050 | 100,000 | 2.750% | $360.69 |
| 100,000 | | 3.500% | $2,394.32 |
| | | | |
| Taxable business income less any amount allowed under 5747.02(A)(4)(b) | | Ohio Income Tax | |
| More than | | Marginal Tax Rate | Base Tax Liability |
| $0 | | 3.000% | $0 |

indexing are not considered tax expenditures for the purposes of this report. Similarly, alterations in tax brackets do not meet the operative definition of a tax expenditure, which is why the annual indexation of the individual income tax brackets is not included as a tax expenditure item in this report.

| Taxable Year 2024 Income Tax Table for Estates (Ohio Taxable Income) and Trusts (Modified Ohio Taxable Income) | | | |
|---|---|---|---|
| Ohio Taxable Income or Modified Ohio Taxable Income | | Ohio Income Tax | |
| More Than | Not More Than | Marginal Tax Rate | Base Tax Liability |
| $0 | $26,050 | 1.38462% | $0 |
| 26,050 | 100,000 | 2.750% | $360.69 |
| 100,000 | | 3.500% | $2,394.32 |

Annual indexing of the income tax brackets took effect in tax year 2010 (though there have been some years where it was suspended temporarily). Ohio law requires annual adjustments to the individual income tax brackets based on the growth in the gross domestic product deflator during the preceding calendar year. The calculated amounts are ultimately required to be rounded to the nearest $50. The changes to the tax brackets are calculated in August of each year and apply to the taxable year during which the calculations are made. Reductions in the tax rates caused by the indexing are not considered tax expenditures for the purposes of this report. Similarly, alterations in tax brackets do not meet the operative definition of a tax expenditure, which is why the annual indexation of the individual income tax brackets is not included as a tax expenditure item in this report.

### Significant Changes Enacted by the 134th and 135th General Assemblies

HB 45 of the 134th GA repealed the adoption credit and created in its place a grant program coupled with an income tax deduction for grant amounts received. The bill also created a deduction for taxpayers who were adopted and enrolled at a public or private two-or-four-year higher education institution for grants awarded by the chancellor of higher education.

HB 66 of the 134th GA created an income tax credit for commercial vehicle operator training expenses and amended the credit for donations to scholarship granting organizations by specifying that the maximum amount of credit that can be claimed for spouses filing jointly is $1,500. Prior law had limited the credit to $750 per taxpayer.

HB 150 of the 134th GA created an income tax deduction for student loan amounts repaid on behalf of the taxpayer under the rural practice incentive program.

Am. Sub HB 33 of the 135th GA altered the structure of the income tax brackets for other than business income. The bill also increased the annual limit for the eligible production credit and created a refundable tax credit for production companies completing qualifying capital improvement projects in Ohio. The bill added a deduction for income received as a result of the train derailment in East Palestine Ohio and increased the amount of the non-chartered, nonpublic school tuition credit by $500. Several housing related programs, credits, and deductions were created as part of the bill, including (1) an above market rate home savings account with an associated deduction for contributions made to and interest earned in such accounts, (2) a nonrefundable credit that piggybacks on the federal low-income housing tax credit for affordable housing projects in Ohio, (3) the Welcome Home Ohio program, which includes a non-refundable credit for electing subdivisions or eligible developers that rehabilitate or construct a unit of single-

family residential property and sell the property to a qualifying individual, for that individual's occupancy, and (4) a single-family housing development tax credit for investment in the development and construction of affordable single-family housing. Finally, the bill requires a pass-through entity (PTE) investor to add back entity level PTE taxes imposed by another state that were deducted from their federal adjusted gross income to their Ohio adjusted gross income. It then altered the resident credit to include these taxes in its calculation.

### Individual Income Tax Expenditure Estimates

The estimates shown below reflect the estimated revenue foregone by the GRF from each tax expenditure. The estimates reflect the effect of "overlapping" provisions (i.e., another credit, exemption, or deduction available to the taxpayer for the same or similar purpose) that effectively reduces the revenue consequences associated with the tax expenditure. Figures are rounded to the nearest tenth (to the nearest hundred thousand dollars).

Various data sources were used to derive the tax expenditure estimates. Most of the tax expenditure estimates were based on information reported on individual state and/or federal income tax returns filed with ODT or with the Internal Revenue Service. However, some estimates utilized secondary revenue sources such as the IRS's Statistics of Income, other state agencies, and published public research.

**NOTE:** See page 9 for descriptions of data source codes.

# Exemptions, exclusions, and deductions

## 2.01 Personal, spousal, and dependent exemption

***R.C. 5747.025; originally enacted 1972, revised 1974, 1975, 1995, 1996, 1997, 2002, 2013, 2014, 2019, 2021, 2023.***

A deduction may be claimed for the taxpayer, taxpayer's spouse, and each dependent. The deduction amount is dependent upon the taxpayer's income and is indexed for inflation. Indexing was suspended for tax years 2024 and 2025. For tax year 2024, the amounts are: (1) $2,400 for Modified Adjusted Gross Income (MAGI) less than or equal to $40,000; (2) $2,150 for MAGI greater than $40,000 but less than or equal to $80,000; and (3) $1,900 for MAGI greater than $80,000.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 448.7 | $ 443.2 | $ 457.0 | $ 473.1 |

Data Source Code: A, B

## 2.02 Personal, spousal, and dependent exemption

***R.C.*** *5747.01(A)(5); originally enacted 1972.*

All social security and railroad retirement benefits included in FAGI may be excluded from the calculation of Ohio Adjusted Gross Income (OAGI).

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 393.6 | $ 402.5 | $ 411.5 | $ 422.6 |

Data Source Code: A, B

### 2.03 Deduction for taxpayers not eligible for employer sponsored medical plan

***R.C. 5747.01(A)(10)(a); originally enacted 1999.***

Qualifying taxpayers who are not eligible for an employer sponsored health plan may deduct any amounts paid for medical care insurance.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 50.5 | $ 54.3 | $ 57.1 | $ 58.4 |

Data Source Code: B, C

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### 2.04 Exemption for disability income

***R.C. 5747.01(A)(4); originally enacted 1975.***

Disability income included in FAGI is excluded from the calculation of OAGI.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 8.1 | $ 8.3 | $ 8.3 | $ 8.5 |

Data Source Code: A, B

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### 2.05 Exemption for survivor benefits

***R.C. 5747.01(A)(4); originally enacted 1975.***

Survivor benefit income included in FAGI is excluded from the calculation of OAGI.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 19.1 | $ 19.0 | $ 19.1 | $ 19.4 |

Data Source Code: A, B

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## 2.06 Exemption for active-duty military income

***R.C. 5747.01(A)(21); originally enacted 2006.***

Military income included in FAGI is excluded from the calculation of OAGI if the pay is received for active-duty service in the military, military reserve, or National Guard for service outside Ohio.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 24.3 | $ 25.2 | $ 25.5 | $ 26.0 |

Data Source Code: A

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## 2.07 Deduction for excess medical expenses

***R.C. 5747.01(A)(10)(b); originally enacted 1999.***

Qualifying taxpayers may claim a deduction for medical expenses that exceed 7.5% of FAGI.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 3.6 | $ 3.9 | $ 4.1 | $ 5.9 |

Data Source Code: A, B

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## 2.08 Exemption for pre-1972 trusts

***R.C. 5747.01(EE); originally enacted 2006.***

Qualifying trusts created before 1972 that have elected to be subject to the commercial activity tax are exempt.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 7.0 | $ 6.7 | $ 7.2 | $ 7.7 |

Data Source Code: A, C

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## 2.09 Deduction for long-term care insurance premiums

***R.C. 5747.01(A)(10)(a), (c); originally enacted 1999.***

A taxpayer may deduct the full amount of long-term health care insurance premiums.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 23.0 | $ 22.9 | $ 23.9 | $ 25.0 |

Data Source Code: C

## 2.10 Deduction for contributions to educational savings programs

***R.C. 5747.01(A)(9), 5747.70; originally enacted 1999, revised 2017, 2018.***

A taxpayer may deduct limited to $4,000 per beneficiary, contributions to variable educational savings programs.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 19.3 | $ 18.8 | $ 19.2 | $ 19.7 |

Data Source Code: A

## 2.11 Exemption for uniformed services retirement income

***R.C. 5747.01(A)(23); originally enacted 2008, revised 2014.***

Uniformed services retirement income included in FAGI is excluded from the calculation of OAGI.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 34.2 | $ 35.1 | $ 36.2 | $ 37.2 |

Data Source Code: A, B

## 2.12 Ohio business investor income deduction

***R.C. 5747.01(A)(28); originally enacted 2013, revised 2014, 2015.***

Individuals who have business income may claim a deduction of up to $250,000 of their net business income.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 850.9 | $ 886.6 | $ 902.8 | $ 919.0 |

Data Source Code: A, B

## 2.13 Home purchase savings account deduction

***R.C. 5747.85; originally enacted 2023.***

Individuals may deduct amounts they contributed to a homeownership savings account, amounts contributed to their homeownership savings account by an employer, and interest earned on a homeownership savings account to the extent that these amounts have not been otherwise deducted or excluded in computing an account owner's federal or Ohio adjusted gross income.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 0.0 | $ 2.2 | $ 2.4 | $ 2.5 |

Data Source Code: B

## 2.14 Deduction for venture capital gains

***R.C. 122.851, 5747.01(A)(35); originally enacted 2021 (first effective for tax year 2026).***

Taxpayers may claim a deduction for all, or a portion of capital gains received by investors in certain Ohio-based venture capital operating companies (VCOC).

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | N/A | N/A | N/A | $ 11.0 |

Data Source Code: A, B

## 2.15 Deduction for capital gains from the sale of business interests

***R.C. 5747.01(A)(34), 5747.79; originally enacted 2021 (first effective for tax year 2026).***

Taxpayers may claim a deduction for the capital gains from the sale of the ownership interest in a business in which they have materially participated.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | N/A | N/A | N/A | $ 31.1 |

Data Source Code: B

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## 2.16 Deduction for payments received from government or railroad companies because of the East Palestine train derailment

***R.C. 5747.001(A)(39); originally enacted 2023.***

There is a deduction for income attributable to amounts provided to a taxpayer for any of the purposes for which an exclusion would have qualified as "qualified disaster relief payments" under IRC section 139, if the train derailment near the city of East Palestine on February 3., 2023 had been a qualified disaster pursuant to that section, or to compensate for lost business resulting from that derailment, if such amounts are provided by a government agency, a railroad company, or any subsidiary, insurer, or agent of a railroad company.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | Minimal | $ 1.1 | Minimal | Minimal |

Data Source Code: B, C

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# Non-business tax credits

## 2.17 Joint filer credit

***R.C. 5747.05(E); originally enacted 1971, amended 2019.***

Individuals using married filing joint status may claim a joint filing credit if each spouse has at least $500 in earned income. The maximum credit allowed in any tax year is $650.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 199.2 | $ 207.0 | $ 209.5 | $ 214.7 |

Data Source Code: A

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## 2.18 $20 personal exemption credit

***R.C. 5747.022; originally enacted 1983, revised 2013, 2019.***

Taxpayers whose MAGI, less applicable exemptions, for the taxable year is less than $30,000 may claim a $20 credit times the number of exemptions allowed for the taxpayer, taxpayer's spouse and each dependent.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 4.0 | $ 3.8 | $ 3.1 | $ 2.4 |

Data Source Code: A, B

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## 2.19 Retirement income credit

***R.C. 5747.055(B); originally enacted 1983, revised 2015, 2019.***

Taxpayers with qualified retirement income included in FAGI and whose MAGI for the taxable year, less applicable exemptions, is less than $100,000, may claim a credit of up to $200.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 78.1 | $ 78.1 | $ 78.1 | $ 78.1 |

Data Source Code: A

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## 2.20 Resident credit for income taxes paid to another state

***R.C. 5747.05(B); originally enacted 1972, revised 2023.***

Ohio residents may claim a credit for taxes paid to another state. The credit is the lesser of the amount of the tax levied by the other state or the amount of Ohio income tax that would otherwise have been paid on such income.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 186.6 | $ 191.1 | $ 204.8 | $ 212.4 |

Data Source Code: A

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## 2.21 $50 senior citizen credit

***R.C. 5747.055(F); originally enacted 1972, revised 2015, 2019.***

Taxpayers aged 65 years or older whose MAGI for the taxable year, less applicable exemptions, is less than $100,000 may claim a $50 tax credit per return.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 22.7 | $ 23.4 | $ 24.0 | $ 24.5 |

Data Source Code: A, B

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## 2.22 Campaign contribution credit

***R.C. 5747.29; originally enacted 1995; repealed 2019; reenacted 2020.***

Taxpayers may claim a credit of up to $50 ($100 for a joint return) for campaign contributions to candidates running for a statewide office, state representative, or state senator.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 1.7 | $ 1.8 | $ 1.5 | $ 1.6 |

Data Source Code: A

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## 2.23 State earned income tax credit

***R.C. 5747.71; originally enacted 2013, revised 2015, 2019.***

Qualifying taxpayers may claim a non-refundable state earned income tax credit equal to up to 30 percent of the taxpayer's allowed federal earned income tax credit.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 56.4 | $ 59.3 | $ 60.9 | $ 62.2 |

Data Source Code: A

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## 2.24 Home instruction tax credit

***R.C. 5747.72; originally enacted 2021.***

A maximum of $250 non-refundable credit for taxpayers with home-schooled children.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 1.2 | $ 1.2 | $ 1.3 | $ 1.3 |

Data Source Code: A, B

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## 2.25 Credit for donations to scholarship organizations

***R.C. 5747.73; originally enacted 2021, revised 2023.***

A maximum $750 non-refundable credit ($1,500 for taxpayers using married filing joint filing status) for cash donations made to certain scholarship granting organizations that prioritize low-income students.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 21.0 | $ 23.1 | $ 24.3 | $ 25.5 |

Data Source Code: B, C

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## Business tax credits

### 2.26 Historic structure rehabilitation credit[23]

***R.C. 149.311, 5725.34, 5726.52, 5729.17, 5747.76; originally enacted 2007, revised 2008, 2011, 2012, 2013, 2014, 2016, 2017, 2022, 2023.***

A credit equal to 25 percent of qualified rehabilitation expenditures, but not exceeding $5 million in a given taxable year, is available to owners of historic structures. Excess credits may be carried forward for five years or until used, whichever occurs first.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 33.0 | $ 124.6 | $ 72.2 | $ 48.1 |

Data Source Code: A, B

### 2.27 Eligible productions tax credit[24]

***R.C. 122.85, 5726.55, 5747.66, and 5751.54; originally enacted 2009, revised 2012, 2016, 2019, 2023.***

A refundable tax credit may be claimed for Ohio production expenditures by eligible productions. The credit equals 30 percent of eligible expenditures. The credit is based on the lesser of initially budgeted production expenditures or actual production expenditures. The total amount issued may not exceed $50 million per fiscal year.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 38.6 | $ 43.2 | $ 48.0 | $ 48.0 |

Data Source Code: A

[23] The credit is also available to qualifying taxpayers subject to the domestic and foreign insurance taxes and the financial institutions tax. Additionally, R.C. 5725.151 and 5733.47, are references to the now phased-out dealers in intangibles and corporate franchise taxes, respectively. The estimates given for this tax expenditure item are inclusive for all the stated taxes.

[24] The tax credit is also available to qualifying taxpayers subject to the financial institution tax and commercial activity tax. The estimates given for this tax expenditure item are inclusive for all stated taxes. R.C. 122.85 still references the corporate franchise tax; however, that tax has been repealed for tax years 2014 and thereafter.

## 2.28 Small business investment credit

***R.C. 122.86, 5747.81; originally enacted 2011, amended 2012, 2014, 2015, 2019.***

Investors in a qualified "small business enterprise" with an operating presence in Ohio are granted a non-refundable income tax credit.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 2.5 | $ 2.7 | $ 2.9 | $ 3.1 |

Data Source Code: A

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## 2.29 Opportunity zone tax credit

***R.C. 122.84; originally enacted 2019, amended 2021, 2022.***

Taxpayers may claim a non-refundable tax credit for investments in Ohio qualified Opportunity Zones.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 35.9 | $ 33.0 | $ 27.2 | $ 26.6 |

Data Source Code: A, B

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## 2.30 15-percent credit for wages paid to an employee participating in a career technical program

*R.C. 5747.057; originally enacted 2022.*

Non-refundable credit for 15-percent of the total wages paid to a student participating in a career technical training program.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 2.4 | $ 2.4 | $ 2.4 | $ 2.4 |

Data Source Code: B, C

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## 2.31 Beginning farmer management credit

*R.C. 901.61(E) and 5747.77(B); originally enacted 2022.*

Beginning farmers who complete a financial management program certified by the Ohio Department of Agriculture may receive a non-refundable tax credit (with three-year carry-forward) equal to the cost of attending such a program.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | Minimal | Minimal | $ 1.9 | $ 1.9 |

Data Source Code: B

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## 2.32 Credit for the sale or rental of agricultural assets to a beginning farmer

*R.C. 901.61(D) and 5747.77(A); originally enacted 2022.*

A non-refundable credit (with seven-year carry-forward) for owners of agricultural assets for the sale or rental of those assets to beginning farmers.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | Minimal | $ 1.3 | $ 2.8 | $ 3.0 |

Data Source Code: B

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## 2.33 Credit for commercial vehicle operator training expenses

*R.C.122.91 and 5747.82; originally enacted 2023.*

Employers may receive a nonrefundable tax credit for 50% of expenses incurred to train a commercial vehicle operator. The amount of the credit is limited to $25,000 per year per employer.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 0.0 | Minimal | $ 1.4 | $ 1.4 |

Data Source Code: A, B

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## 2.34 Ohio low-income housing tax credit

*R.C. 5747.83, 5725.36, 5726.58, 5729.19, and 175.16; originally enacted 2023.*

Taxpayers may claim a nonrefundable credit against the personal income tax, financial institution tax, or insurance premium taxes for the development of low-income rental housing in conjunction with the federal low-income housing tax credit (LIHTC) for projects placed in service on or after July 1, 2023.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 0.0 | $ 8.5 | $ 18.1 | $ 27.8 |

Data Source Code: A, B

## 2.35 Tax credit for single family housing development

*R.C.175.17; originally enacted 2023.*

A non-refundable credit may be made available to any person that contributes to a project to develop single-family dwellings in this state that satisfies certain conditions and qualifications. The tax credit is calculated as the difference between the total development cost of the project and the aggregate appraised market value of all dwellings in the project.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 0.0 | Minimal | $ 5.9 | $ 12.1 |

Data Source Code: B

### 2.36 Welcome home Ohio credit

*R.C. 122.631, 122.632, 122.633; originally enacted 2023.*

A non-refundable credit may be available to electing subdivisions or eligible developers that rehabilitate or construct a unit of single-family residential property and sells the property to a qualifying individual, for that individual's occupancy. The credit can be claimed against the financial institutions tax or the personal income tax and is equal to the lesser of $90,000 or one third of the cost to rehabilitate or construct the property.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 0.0 | $ 2.4 | $ 12.1 | $ 9.7 |

Data Source Code: B, C

## Tax expenditures with revenue impact below $1 million

### 2.37 Deduction for a medical savings account

*R.C. 3924.66, 5747.01(A)(13); originally enacted 1996.*

### 2.38 Deduction for student loan amounts repaid under rural practice incentive program

*R.C. 5747.01(A)(40), 3333.135; originally enacted 2023.*

### 2.39 Deduction for amounts delivered to a higher education institution on behalf of adopted Ohio residents who are attending the institution

*R.C. 5747.01(A)(37), 3333.128; originally enacted 2023.*

### 2.40 Contributions to another person's individual development account

*R.C. 329.11, 329.14, 5747.01(A)(16); originally enacted 2000.*

### 2.41 Deduction for Pell grant or Ohio college opportunity grant proceeds

*R.C. 5747.01(A)(27); originally enacted 2011.*

### 2.42 Deduction for ABLE account contributions

*R.C. 5747.01(A)(29) and 5747.78; originally enacted 2016.*

### 2.43 Lump sum retirement income credit for taxpayers with less than $100,000 in MAGI

*R.C. 5747.055(C) through (E); originally enacted 1972, revised 2015, 2019.*

### 2.44 Deduction for health insurance for qualified adult children and other dependents

*R.C. 5747.01(A)(10); originally enacted 2009.*

### 2.45 Deduction for qualified disaster relief work

*R.C. 5703.94, 5747.01(A)(30); originally enacted 2018.*

### 2.46 Deduction for certain disability severance payments for honorably discharged veterans

*R.C. 5747.01(A)(32); originally enacted 2019.*

### 2.47 Deduction for qualifying educators' out-of-pocket expenses for professional development and classroom supplies

*R.C. 5747.01(A)(31); originally enacted 2020.*

### 2.48 Deduction for amounts received under the Ohio adoption grant program

*R.C. 5747.01(A)(38), 5101.191; originally enacted 2023.*

### 2.49 Dependent care credit

*R.C. 5747.054; originally enacted 1988, revised 1993, 1997, 2016, 2019.*

### 2.50 Credit for dependents who attend non-chartered non-public schools

*R.C. 5747.75; originally enacted 2021, revised 2023.*

### 2.51 Lead abatement tax credit

*R.C. 3742.50, 5747.26; originally enacted 2019.*

### 2.52 Lump sum distribution credit for taxpayers with less than $100,000 in MAGI

*R.C. 5747.055(G); originally enacted 1972, revised 2015, 2019.*

### 2.53 Deduction for organ donation expenses

*R.C. 5747.01(A)(22); originally enacted 2007.*

### 2.54 Enterprise zone day care / training credit

*R.C. 5709.65(A)(4); originally enacted 1982, amended 2015.*

### 2.55 Enterprise zone employee credit

*R.C. 5709.66(B)(1); originally enacted 1994, amended 2015.*

### 2.56 Grape production credit

*R.C. 5747.28; originally enacted 1994, revised 2016.*

### 2.57 Displaced worker job training credit

*R.C. 5747.27(G); originally enacted 1994, revised 2015.*

# Financial Institutions Tax

## Summary

The financial institutions tax (FIT) was enacted in 2012 by Am. Sub. H.B. 510 (129th General Assembly). The tax replaced the corporate franchise tax that had remained on financial institutions after that tax was phased-out for most of its taxpayers, and the dealers in intangibles tax. FIT became effective in 2014, based on activity in 2013.

### Taxpayers

The FIT applies to each financial institution for the privilege of doing business in the state. A "financial institution" is a bank organization (national or state chartered bank, federal savings association or bank, agency or branch of a foreign bank, bank or savings and loan organizations, trust, corporation organized under 12 U.S.C. 611 or entities licensed as a small business investment company); holding company of a bank organization or a non-bank organizations (an entity that engages in business primarily as a "small dollar lender," which is defined as any person primarily engaged in the business of loaning money to individuals if the loan is for one year or less and does not exceed $5,000).

Various business organizations are not included in the definition of a FIT taxpayer. As this is an exclusion from the definition of a taxpayer, these are not within the tax base and therefore not considered a tax expenditure. These excluded businesses include insurance companies, credit unions, institutions organized exclusively for charitable purposes, diversified savings and loan holding companies and other specifically enumerated business types.

### Tax Base and Tax Rate

The tax base is "total Ohio equity capital" of financial institutions. Total equity capital is comprised of all forms of equity, such as common stock, surplus, and retained earnings. However, the equity capital of non-controlling minority interests in consolidated subsidiaries that are not financial institutions are not included. An apportionment ratio based on gross receipts is applied to total equity capital. H.B. 166 (133rd General Assembly) altered the tax base. For tax years 2014 through 2019, total Ohio equity capital is equal to the product of multiplying the total equity capital of the financial institution by an Ohio apportionment factor. For tax year 2020 and thereafter, total Ohio equity capital is equal to the total equity capital of the financial institution, limited to 14-percent of its total consolidated assets, multiplied by an Ohio apportionment factor.

FIT taxpayers are subject to a $1,000 minimum tax. The tax has a three-tier rate structure as follows:

1. 0.8 percent on the first $200 million of total Ohio equity capital.
2. 0.4 percent on the next $1.1 billion of total Ohio equity capital (above $200 million, but less than $1.3 billion).
3. 0.25 percent on the remaining total Ohio equity capital ($1.3 billion and above).

## Significant Changes Enacted by the 134th & 135th General Assemblies

There were no significant changes in the financial institutions tax.

## Financial Institutions Tax Expenditure Estimates

Specifically, enumerated deductions and tax credits are listed. Numerous tax credits are awarded by the Ohio Development Services Agency (DSA) that are applicable to a variety of taxes and are displayed either in the Individual Income Tax or the Commercial Activity Tax sections, as those taxes contain most of the claims. Various business types that are not included in the definition of a FIT taxpayer are not considered a tax expenditure for this report.[25]

The estimates shown below reflect revenue foregone by the GRF from each tax expenditure. As mentioned above, many of the credits are listed in other sections of this report.

Data are primarily from tax returns and other taxpayer filings with ODT and data from DSA.

**NOTE:** See page 9 for descriptions of data source codes.

[25] R.C. 5726.041

# Tax Credits

## 3.01 New markets tax credit[26]

*R.C. 5725.33, 5726.54, 5729.16; originally enacted 2009, revised 2013, 2015, 2017.*

Taxpayers with an equity investment in a qualifying community development entity may claim a non-refundable tax credit equal to a designated percentage of the adjusted purchase price of qualified low-income community investments. The credit percentage is zero percent in the first two years of the investment, 7.0 percent in the third year and 8.0 percent in each of the four following years (for a total credit of 39 percent).

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 8.3 | $ 7.6 | $ 7.6 | $ 7.6 |

Data Source Code: A, B

## 3.02 Credit for venture capital loan loss[27]

*R.C. 150.07, 5707.031, 5725.19, 5726.53, 5727.241, 5729.08, 5733.49, 5747.80; originally enacted 2003, revised 2005, 2006, 2013.*

A tax credit is available to certain investors incurring specified losses in the Ohio Venture Capital Loan Program.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 15.3 | $ 15.3 | $ 15.3 | $ 15.3 |

Data Source Code: A, B

# Tax expenditures with revenue impact below $1 million

## 3.03 De Novo Bank Exemption

*R.C. 5726.01, 5726.04; effective 2021.*

[26] This credit is also available to the foreign and domestic insurance premium taxes. Estimates for all taxes affected are displayed in this tax expenditure item.

[27] This credit is available to under the foreign and domestic premium tax, the public utility tax for natural gas and combined companies and the individual income tax. Estimates for all taxes affected are displayed in this tax expenditure item. Additionally, the dealers in intangibles tax and the corporate franchise tax still have references to this credit, though those taxes have been repealed and no further credits can be taken against them.

# Commercial Activity Tax

## Summary

The commercial activity tax (CAT) is a business privilege tax. The CAT is a successor tax to Ohio's general business property and corporate franchise taxes, both now phased out.

With the enactment of Am. Sub. H.B. 33 of the 135th Ohio General Assembly, the CAT underwent major changes beginning January 1, 2024. Effective January 1, 2024, persons with annual taxable gross receipts of $3 million or less are no longer subject to the CAT and the annual minimum tax was eliminated. Effective January 1, 2025, persons with annual taxable gross receipts of $6 million or less are no longer subject to the CAT.

The tax is paid on a quarterly basis. Returns and payments are due by the 10th day of the second month following the end of the calendar quarter (e.g., taxes for the third calendar quarter of 2023 were required to be filed and paid by November 10, 2023).

### Taxpayers

Prior to January 1, 2024, the CAT was paid by persons doing business in Ohio, including individuals and entities, having more than $150,000 in taxable gross receipts in a calendar year. Effective January 1, 2024, the CAT is paid by persons doing business in Ohio, including individuals and entities, having more than $3 million in taxable gross receipts in a calendar year. These persons include, but are not limited to, persons that have substantial nexus with Ohio. Substantial nexus with Ohio means a person that owns or uses a part or all its capital in Ohio, holds a certificate of compliance with Ohio laws authorizing it to do business in Ohio, has "bright-line presence" in Ohio, or otherwise has nexus with Ohio to the extent the person can be required to remit the tax under the Constitution of the United States.

A person has "bright line presence" in Ohio for a reporting period and for the remaining portion of the calendar year when the person:

1. Has at least $500,000 in taxable gross receipts in Ohio during the calendar year.
2. Has at least $50,000 in property in the aggregate in Ohio at any time during the calendar year.
3. Has as least $50,000 in payroll in Ohio during the calendar year.
4. Has at least 25 percent of total property, payroll, or gross receipts within Ohio at any time during the calendar year.

or

5. Is domiciled in Ohio as an individual or for corporate, commercial, or other business purposes.

### Tax Base

The CAT is imposed on the privilege of doing business in Ohio, measured by gross receipts from business activities in Ohio. “Taxable gross receipts” means gross receipts sitused to Ohio. “Gross receipts” means the total amount realized, without deduction for the cost of goods sold or other expenses incurred, that contributes to the production of gross income, except as otherwise specified in the statute. The taxpayer’s method of accounting for the CAT is the same as the method the taxpayer used for federal income taxes.

### Tax Rate

Prior to January 1, 2024, taxpayers with annual taxable gross receipts more than $1 million paid an annual minimum tax plus the product of the tax rate (0.26 percent) multiplied by taxable gross receipts for the tax period after subtracting the first $1 million of taxable gross receipts for a calendar year. Effective January 1, 2024, the annual minimum tax was eliminated, and the annual exclusion amount was increased to $3 million. Therefore, taxpayers pay the product of the tax rate (.26 percent) multiplied by taxable gross receipts for the tax period after subtracting the first $3 million of taxable gross receipts for a calendar year. Calendar quarter taxpayers apply the full exclusion amount to the first calendar quarter return filed that calendar year and may carry forward and apply any unused exclusion amount to subsequent calendar quarters within that same calendar year.

### Significant Changes Enacted by the 134th & 135th General Assemblies

Am. Sub H.B. 33 of the 135th GA made major changes to the CAT. Those changes include raising the annual exclusion from $1 million to $3 million beginning January 1, 2024, and from $3 million to $6 million beginning January 1, 2025. The annual minimum tax was repealed, and new exclusions were added for gross receipts received from governments or railroad companies because of the train derailment in East Palestine and for the 4% fee on the sale of consumer grade fireworks.

### CAT Tax Expenditure Estimates

The following characteristics are designated as meeting the definition of a CAT tax expenditure: (1) any exclusion, deduction, or credit not contained in R.C. 5751.01 or R.C. 5751.011; or (2) any gross receipts exclusion or deduction contained in R.C. 56751.01 or R.C. 5751.011 that benefits a

specific class of taxpayers. In all cases, the exclusion, deduction, or credit must produce a tax savings for taxpayers and an associated loss in GRF tax revenue to be considered a tax expenditure.

The estimates shown below reflect the estimated revenue foregone by the GRF from each tax expenditure. The estimates reflect the effect of "overlapping" provisions (i.e., another credit, exemption, or deduction available to the taxpayer for the same or similar purpose) that effectively reduces the revenue consequences associated with the tax expenditure. Figures are rounded to the nearest tenth (to the nearest hundred thousand dollars).

The estimates of the tax expenditures are based on various sources. Some of the estimates use data reported to ODT while others were generated using secondary sources, such as economic data reported by the Bureau of the Census. Some of the tax expenditure items in this section reflect tax credits issued by the Ohio Development Services Agency and apply to several taxes. These are reported here (as well as some in the **Individual Income Tax** section) as the credits taken against the CAT were most of the credits taken.

**NOTE:** See page 9 for description of data source codes.

## Exclusions and Deductions

### 4.01 Exclusion of the first $3 million in tax year 2024 and the first $6 million in tax year 2025 of taxable gross receipts

*R.C. 5751.01(R), 5751.03; originally enacted 2005, revised 2013, 2023.*

The first $3 million in tax year 2024 and the first $6 million in tax year 2025 of each taxpayer's annual taxable gross receipts are not subject to the commercial activity tax rate.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 353.2 | $ 607.1 | $ 760.3 | $ 791.3 |

Data Source Code: A

### 4.02 Exclusion for qualified distribution center receipts

*R.C. 5751.01(F)(2)(z), 5751.40; originally enacted 2006, revised 2012, 2020.*

Purchases made by a qualified Ohio distribution center, and destined for a location outside Ohio, are excluded from the suppliers' taxable gross receipts. A qualified distribution center is a facility in which the center's cumulative costs from its suppliers equals or exceeds $500 million and more than 50 percent of the center's total cost of qualified property is shipped to a location outside Ohio.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 302.2 | $ 334.5 | $ 367.7 | $ 404.3 |

Data Source Code: A

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### 4.03 Exclusion for state and federal cigarette excise tax

*R.C. 5751.01(F)(2)(q); originally enacted 2005, amended 2019.*

An amount equal to state and federal excise taxes paid for cigarettes and other tobacco products (including vapor products) are excluded from taxable gross receipts from the sale of such cigarettes or other tobacco products by a wholesale dealer, retail dealer, distributor, manufacturer, or seller.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 3.2 | $ 2.8 | $ 2.5 | $ 2.4 |

Data Source Code: A, B

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### 4.04 Exclusion for real estate brokerage gross receipts that are not retained

*R.C. 5751.01(F)(3); originally enacted 2005.*

In the case where a taxpayer is acting as a real estate broker, any fees not retained by the broker are not included in the broker's taxable gross receipts.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 2.7 | $ 1.9 | $ 1.6 | $ 1.7 |

Data Source Code: A, C

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### 4.05 Exclusion for state and federal alcoholic beverage excise taxes

*R.C. 5751.01(F)(2)(s); originally enacted 2005.*

An amount equal to state and federal excise taxes paid for beer, or intoxicating liquor is excluded from the taxable gross receipts from the sale of such beer or intoxicating liquor.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 1.2 | $ 1.2 | $ 1.2 | $ 1.3 |

Data Source Code: A, B, C

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### 4.06 Exclusion for professional employer organizations

*R.C. 5751.01(F)(2)(x); originally enacted 2005, amended 2021.*

Property, money, and other amounts received by a professional employer organization (PEO), or an alternate employer organization, from a client employer, more than the administrative fee charged by the PEO to the client employer, are excluded from the taxable gross receipts of the PEO.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 27.5 | $ 29.7 | $ 32.1 | $ 34.7 |

Data Source Code: B, C

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### 4.07 Exclusion of certain services to financial institutions

*R.C. 5751.01(F)(2)(u); originally enacted 2005.*

Receipts from a financial institution for certain services provided to the financial institution, if the financial institution and the entity providing those services share a common ownership, are excluded from taxable gross receipts.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 1.8 | $ 1.7 | $ 1.8 | $ 1.9 |

Data Source Code: B

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### 4.08 Exclusion for receipts from the sale of agricultural commodities by an agricultural commodity handler

*R.C. 5751.01(F)(2)(ii); originally enacted 2013.*

Receipts from the sale of agricultural commodities are excluded from taxable gross receipts of licensed agricultural grain handlers.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 4.5 | $ 2.7 | $ 2.5 | $ 2.7 |

Data Source Code: B, C

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### 4.09 Exclusion for qualified supply chain receipts

*R.C. 5751.01(F)(2)(jj), 5751.42; originally enacted 2015, amended 2016, 2020.*

Receipts from members of a qualified integrated supply chain are excluded from taxable gross receipts.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 3.5 | $ 3.2 | $ 3.0 | $ 3.1 |

Data Source Code: A, B, C

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### 4.10 Exclusion for certain new capital equipment for semiconductor megaprojects

*R.C. 5751.01(F)(2)(pp), 5751.091; originally enacted 2022.*

Receipts from the sale of each new piece of capital equipment that has a cost more than $100 million and that is used at the site of a megaproject are excluded from taxable gross receipts.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 0.0 | $ 4.5 | $ 5.2 | $ 5.2 |

Data Source Code: B, C

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### 4.11 Exclusion for the principal balance of mortgage-backed securities or mortgage loans sold by a mortgage lender

*R.C. 5751.01(F)(2)(mm); originally enacted 2021.*

For receipts the sale of a mortgage-backed security or a mortgage loan by a mortgage lender holding a valid certificate of registration or by a person that is a member of the mortgage lender's consolidated elected taxpayer group, the amount equal to the principal balance of the mortgage loan is excluded from the definition of taxable gross receipts.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 5.1 | $ 4.9 | $ 5.0 | $ 5.5 |

Data Source Code: A, B

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### 4.12 Exclusion for tax differential of CAT/PAT for dyed diesel for railroads

*R.C. 5751.01(F)(2)(kk); originally enacted 2015.*

Excluded from gross receipts of railroad companies is an amount equal to the product of the number of gallons of dyed diesel fuel purchased directly from a supplier multiplied by the average wholesale price for a gallon of diesel fuel, multiplied by a fraction. The numerator of the fraction equals the rate of PAT tax less the rate of CAT tax, and the denominator of the fraction equals the rate of CAT tax.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 1.2 | $ 1.2 | $ 1.1 | $ 1.1 |

Data Source Code: A, B, C

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### 4.13 Exclusion for receipts of a megaproject supplier

*R.C. 122.17, 5751.01(F)(2)(oo), 5751.052, 5751.091; originally enacted 2021, amended 2022.*

Receipts of a megaproject supplier for sales of tangible personal property directly to a megaproject operator are excluded from the Commercial Activity Tax definition of taxable gross receipts.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 3.2 | $ 7.0 | $ 10.3 | $ 10.5 |

Data Source Code: A, B, C

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### 4.14 Exclusion for receipts realized from administering anti-neoplastic drugs

*R.C. 5751.01(F)(2)(v); originally enacted 2005.*

An amount equal to receipts realized from administering anti-neoplastic drugs and other cancer chemotherapy, biologicals, therapeutic agents, and supportive drugs in a physician's office, to patients with cancer, is excluded from taxable gross receipts.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 1.1 | Minimal | Minimal | Minimal |

Data Source Code: A, C

## Tax Credits

### 4.15 Credit for increased research and development[28]

*R.C. 5726.56, 5733.351, 5751.51; originally enacted 2001, revised 2005, 2013.*

Taxpayers may claim a non-refundable credit equal to 7.0 percent of the increased qualified research and development expenses incurred in Ohio.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 34.2 | $ 35.2 | $ 37.8 | $ 40.7 |

Data Source Code: A, B

[28] This credit was originally applicable to the corporate franchise tax under R.C. 5733.351. This tax has been phased out. The credit is now applicable to both CAT and to FIT and the revenue estimates reflect the amounts attributable to both.

### 4.16 Credit for job creation[29]

*R.C. 122.17, 5725.32, 5726.50, 5729.032, 5736.50, 5747.058(A), 5751.50(A); originally enacted 1993, revised 2005, 2011, 2013, 2014, 2015, 2017, 2021, 2022.*

A qualifying business may be granted a refundable tax credit for job creation through an agreement with the Ohio Tax Credit Authority (OTCA). The credit is an agreed upon percentage of a taxpayer's "excess payroll," which is the taxpayer's "Ohio employee payroll" less "baseline payroll." "Ohio employee payroll" is compensation paid by an employer that is subject to Ohio income tax withholding requirements. "Baseline payroll" means "Ohio employee payroll," except the measurement period is the 12 months immediately preceding the agreement (i.e., date OTCA approved the taxpayer's application or the date OTCA received a recommendation from the Chief Investment Officer of JobsOhio, whichever occurs first).

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 106.4 | $ 119.8 | $ 123.9 | $ 128.1 |

Data Source Code: A, B, C

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### 4.17 Credit for job retention[30]

*R.C. 122.171, 5725.98, 5726.50, 5729.98, 5736.50, 5747.058(B), 5751.50(B); originally enacted 2003, revised 2005, 2009, 2011, 2012, 2013, 2014, 2015, 2016, 2019, 2020, and 2023.*

A qualifying business may be granted a non-refundable tax credit through an agreement with the Ohio Tax Credit Authority. The credit is equal to a an agreed upon percentage of the taxpayer's "Ohio employee payroll".

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 20.0 | $ 22.3 | $ 23.1 | $ 24.0 |

Data Source Code: A, B, C

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[29] This credit is also available against the domestic and foreign insurance premium taxes, FIT, PAT, and the individual income tax (if the sole proprietor or pass-through entity is not claiming the same credit against the CAT). This estimate includes amounts attributable to those taxes.

[30] This credit is also available against the domestic and foreign insurance premium taxes, FIT, PAT, and the individual income tax (if the sole proprietor or pass-through entity is not claiming the same credit against the CAT). This estimate includes amounts attributable to those taxes.

### 4.18 Credit for net operating loss carryforwards and other deferred tax assets

*R.C. 5751.53; originally enacted 2005.*

Beginning in calendar year 2010 and for each calendar year beginning prior to January 1, 2030, qualifying taxpayers may claim a non-refundable tax credit equal to 8.0 percent of the taxpayer's corporate franchise tax net operating loss carry-forwards and other deferred tax items.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 17.0 | $ 14.5 | $ 15.1 | $ 15.7 |

Data Source Code: A

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### 4.19 Research and development loan program credit[31]

*R.C. 166.21, 5733.352, 5747.331, 5751.52; originally enacted 2003, revised 2005, 2013, and 2014.*

Borrowers in the Research and Development Loan Fund Program are eligible for non-refundable and limited transferable credits against the commercial activity tax or personal income tax for qualified payments made on loans issued from the fund by the Director of Development Services.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 1.1 | $ 1.2 | $ 1.2 | $ 1.2 |

Data Source Code: A

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## Tax expenditures with revenue impact below $1 million

### 4.20 Exclusion for payments received from government or railroad companies for lost business because of the East Palestine train derailment

*R.C. 5751.01(F)(2) (ss); originally enacted 2023.*

[31] The credit is applicable to the individual income tax as well as the commercial activity tax. It is also still referred to in corporate franchise tax law, however as that tax has been repealed, no further credits may be taken against it.

### 4.21 Exclusion for the four percent fee on the sale of consumer grade fireworks

*R.C. 5751.01(F)(2)(tt); originally enacted 2023.*

### 4.22 Exclusion for motor vehicle transfers

*R.C. 5751.01(F)(2)(t); originally enacted 2005.*

### 4.23 Exclusion for pre-1972 trusts

*R.C. 5751.01(E)(7); originally enacted 2005.*

### 4.24 Exclusion for horse racing taxes and purses

*R.C. 5751.01(F)(2)(y); originally enacted 2005.*

### 4.25 Exclusion for receipts from the sale of uranium from a qualifying uranium enrichment zone

*R.C. 5751.01(F)(2)(gg), 5751.41; originally enacted 2011, Revised 2020.*

### 4.26 Exclusion for receipts realized by an out-of-state disaster business

*R.C. 5703.94, 5751.01(F)(2)(ll); originally enacted 2018.*

### 4.27 Exclusion for Bureau of Worker's Compensation dividend payments

*R.C. 5751.01(F)(2)(nn); originally enacted 2021, amended 2022.*

# Public Utility Excise Tax

## Summary

The public utility excise tax (PUET) is levied on companies classified by statute as public utilities. Originally enacted in 1894, the present tax structure was established in 1911. Historically, electric, natural gas, and local telephone companies have accounted for the bulk of the total PUET revenue collections. However, in 2001, electric and rural electric companies became subject to the kilowatt-hour tax and the corporate franchise tax (eventually replaced by the commercial activity tax) and these entities no longer were subject to the PUET. Similarly, in 2005, telephone companies were no longer subject to the PUET as they became subject to the corporate franchise tax and their services became subject to the sales tax.

### Taxpayer

Taxpayers include heating, pipeline (excluding businesses primarily consisting of producing or gathering natural gas – rather than supplying or distributing natural gas to consumers – or producing, refining, or marketing petroleum products), water transportation, waterworks, and natural gas companies.

### Tax Base

The PUET is applied to the gross receipts of natural gas, pipeline, heating, water transportation, and waterworks companies.[32]

### Tax Rate

The tax rate for the PUET for most public utilities is 4.75 percent, except that pipeline companies' rate is 6.75 percent. There is a minimum tax of $50 for each tax year.

### Significant Changes Enacted by the 134th & 135th General Assemblies

There were no significant changes affecting the public utility excise tax.

[32] In 2001, natural gas companies began to pay the PUET on a different schedule (Am. Sub. S.B. 215, 123rd General Assembly). Additionally, these companies became subject to the natural gas consumption tax (also known as "MCF Tax") to mitigate the impact of a reduction in their tangible personal property tax assessment rates (Am. Sub. S.B. 287, 123rd General Assembly).

### Public Utility Excise Tax Expenditure Estimates

The estimates shown below reflect the estimated revenue foregone by the GRF from each tax expenditure. The report reflects any possible "overlapping" effect (i.e., another credit, exclusion, or exemption available to the taxpayer) that effectively reduces the revenue consequences associated with the tax expenditure.

Data used to estimate the expenditures were primarily derived from PUET returns filed with ODT and other departmental sources. Data from the U.S. Census Bureau were also used as a basis for some estimates.

**NOTE:** See page 9 for description of data source codes.

## Exemptions, credits, and deductions

### 5.01 Exemption for municipal utilities and non-profit waterworks

*R.C. 5727.05; originally enacted 1896, revised 1999.*

Municipal utilities and non-profit corporations that are engaged in the treatment, distribution, and sale of water to consumers are exempt.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 105.8 | $ 108.3 | $ 110.9 | $ 113.6 |

Data Source Code: A, B, C

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### 5.02 Exemption for sales to other public utilities for resale

*R.C. 5727.33(B)(4); originally enacted 1961, revised 2004.*

Sales to other public utilities are exempt when the services are to be resold by that public utility.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 6.7 | $ 6.7 | $ 6.7 | $ 6.7 |

Data Source Code: A

# Tax expenditures with revenue impact below $1 million

## 5.03 $25,000 deduction from gross receipts for each public utility company

*R.C. 5727.33; originally enacted 1934, revised 2004.*

# Kilowatt-Hour Tax

## Summary

Am. Sub. S.B. 3 (123rd General Assembly) restructured the electric utility industry in Ohio. Prior to this, electric companies had been subject to the public utility excise tax, and they were subject to higher assessment rates on their tangible personal property than general taxpayers. The Act removed electric and rural electric companies from the public utility excise tax, reduced the assessment rates on their tangible personal property, made them subject to the corporate franchise tax (eventually replaced by the commercial activity tax) and created the kilowatt-hour tax. The kilowatt-hour tax is levied on electric distribution companies and is measured by the end-user's consumption of electricity as measured in kilowatt-hours. Qualifying large end-users of electricity may elect to self-assess the tax based on the number of kilowatt-hours consumed at a tax rate structure specific only to self-assessors. The kilowatt-hour tax became effective in May 2001.

### Tax Base

The tax base for the kilowatt-hour tax is the number of kilowatt-hours distributed to the end-user by electric distribution companies. The base for self-assessors is the number of kilowatt-hours consumed.

### Tax Rate

Kilowatt-hour tax rate:

| Kilowatt-Hours Distributed to the End-User Per Month | Rate Per Kilowatt-Hour |
|---|---|
| Up to 2,000 Kilowatts | $0.00465 |
| 2,001-15,000 Kilowatts | $0.00419 |
| Over 15,000 Kilowatts | $0.00363 |

Self-assessor option: End-users above 45 million kilowatt-hours in annual consumption may register to self-assess the tax. Self-assessors pay $0.00257 on the first 500 million kilowatt-hours consumed and $0.001832 per kilowatt-hour consumed more than 500 million.

### Significant Changes Enacted by the 134th & 135th General Assemblies

There were no significant changes affecting the Kilowatt-Hour tax.

### Kilowatt-Hour Tax Expenditure Estimate

Data used to estimate the kilowatt-hour tax expenditures are primarily from return filings with ODT, industry data and data from the U.S. Energy Information Agency (U.S. Department of Energy).

**NOTE:** See page 9 for description of data source codes.

## Exemptions, credits, and deductions

### 6.01 Exemption for qualified end-users and certain self-generators[33]

*R.C. 5727.81(D(1), (2)); originally enacted 1999, revised 2009, 2017, 2021.*

Exempts from the kilowatt hour tax the distribution of any kilowatt hours of electricity to certain end-users and for certain self-generators of electricity that meet conditions specified in Ohio law.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 5.2 | $ 4.8 | $ 4.9 | $ 5.0 |

Data Source Code: A, B, C

[33] In order not to risk disclosure of confidential taxpayer information, several small kilowatt-hour tax exemptions are included here, as they are all "qualified end-users." These include: electricity distributed to the federal government, electricity distributed to an end-user located at a federal facility that uses electricity for the enrichment of uranium, an end-user of electricity that uses more than 3 million kilowatt-hours of electricity at one manufacturing location in this state for a calendar day for use in a qualifying manufacturing process, electricity distributed to a manufacturer who is using the electricity in a qualified chlor-alkali process to manufacture chlorine and other chemicals, and electricity distributed to a qualified regeneration facility. Additionally, added to this tax expenditure is the exemption for kilowatt hours of electricity generated by a self-generator if the electric generating facility is sized to as not to exceed 100% of the customer generator's annual requirements of electric energy at the time of interconnection.

# Insurance Premium Taxes

## Summary

The domestic insurance tax was created in 1830 with a 4.0 percent property tax on dividends paid by insurance companies. In 1933, the tax was changed to the lesser of 0.2 percent on capital and surplus or 1.67 percent of gross premiums. The franchise tax rate on gross premiums was increased to 2.5 percent in 1971. The tax rate on surplus and capital was increased to 0.6 percent in 1981.

The foreign insurance premium tax was also created in 1830, with a 4.0 percent property tax on profits from premiums. In 1852, the value of gross premiums (rather than net profits from premiums) was subject to the tax. In 1888, a supplemental tax was levied on gross premiums, and when added to the property tax, it produced an effective tax rate of 2.5 percent on gross premiums. A direct 2.5 percent gross premiums tax was created in 1902.

Am. Sub. H.B. 215 (122nd General Assembly) made numerous changes to the domestic and foreign insurance taxes, including changes to the rates and bases of the two taxes. These changes were fully phased in by tax year 2003, at which time the two taxes share the same gross premium rate (1.4 percent). The bill also established a small insurer's tax credit, along with a minimum tax of $250.

### Taxpayers

The tax is paid by insurance companies organized under Ohio law ("domestic" insurance companies) and those not organized under Ohio law ("foreign" insurance companies based out of state).

### Tax Base

The tax base for domestic and foreign insurance companies is the gross premiums covering risks in Ohio, less specified deductions.

### Tax Rate

Domestic and foreign insurers are taxed at 1.4 percent of gross premiums. Foreign insurers are also subject to retaliatory provisions. However, health insurers are instead subject to a 1.0 percent rate. Fire insurance is subject to an additional 0.75 percent rate on gross premiums.

### Significant Changes Enacted by the 133rd and 134th General Assembly

There were no significant changes affecting insurance premium taxes

### Insurance Premium Tax Expenditure Estimates

The estimates shown below reflect the estimated revenue foregone by the GRF from each tax expenditure. Data for these tax expenditures are obtained from the Ohio Department of Insurance and the Ohio Life and Health Guaranty Association. Additionally, certain business tax credits that are applicable to multiple taxes are reported in the tax where most of the revenue impact is realized. Please see sections for the **Individual Income Tax**, **Financial Institutions Tax,** and the **Commercial Activity Tax** for those estimates.

**NOTE:** See page 9 for descriptions of data source codes.

## Credits and deductions

### 7.01 Deduction for premiums received from qualified small business alliances

*R.C. 1731.07; originally enacted 1993, revised 1997.*

An insurer may deduct amounts received from underwriting a health care plan under the qualified small employer health care alliance program. The deduction is allowed on premiums or other charges received from, or on behalf of, an enrolled small employer and eligible employees and retirees covered by the health benefit plan.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 27.5 | $ 27.3 | $ 27.2 | $ 27.0 |

Data Source Code: B

### 7.02 Credit for small insurers

*R.C. 5725.98, 5729.031, 5729.98; originally enacted 1999.*

A foreign or domestic insurance company or insurance company group, with less than $75 million in premiums sold in all states by the company or group, may take a tax credit of up to a maximum of $200,000 against its foreign or domestic insurance premium tax liability.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 1.8 | $ 1.8 | $ 1.7 | $ 1.7 |

Data Source Code: B

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### 7.03 Credit for loans or investments in certified rural business growth funds

*R.C. 122.151, 122.152, 5725.98, 5729.98; originally enacted 2018, 2021.*

A non-refundable credit against the domestic and foreign insurance premium taxes are allowed for loans or investments into certified business growth funds.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 10.9 | $ 21.7 | $ 10.9 | $ 10.9 |

Data Source Code: B

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### 7.04 Credit for contributions of capital to transformational mixed-use development projects

*R.C. 122.09, 5725.35, 5729.18; originally enacted 2021, amended 2021.*

A non-refundable credit against the domestic and foreign insurance premium taxes are allowed for capital contributions to transformational mixed-use development projects.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 0.5 | $ 41.0 | $ 68.8 | $ 96.6 |

Data Source Code: B

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# Tax expenditures with revenue impact below $1 million

## 7.05 Ohio Life and Health Guaranty Association contributions credit

*R.C. 3956.20, 5725.98, 5729.98; originally enacted 1989.*

# Cigarette and Other Tobacco Products Taxes

## Summary

The excise tax on cigarettes was first levied in 1931. The tax rate increased from its original $0.01 per pack to $0.15 per pack in 1971. The rate was reduced to $0.14 in 1981 as it became subject to the sales and use tax. The rate was increased to $0.24 per pack in 1993 and was increased to $0.55 per pack in 2002 and to $1.25 in 2005. In 2015, the current tax rate of $1.60 (80 mills per cigarette, translating into $0.08 per cigarette) per pack became effective.

Other tobacco products include cigars, chewing tobacco, rolling tobacco, smoking tobacco, snuff, little cigars, premium cigars, and similar tobacco products.[34] The excise tax on other tobacco products was levied beginning in 1993. The current rate is 17.0 percent on the wholesale price. However, the tax rate for little cigars is 37.0 percent of wholesale price and for premium cigars it is a maximum amount of $0.50 plus an inflationary factor set by ODT each year. For FY 2025, that rate for premium cigars is $0.64 per cigar.

Am. Sub. H.B. 166 (FY 2022-FY 2023 Biennial Operating Budget) created a tax on vapor products.[35] The tax became effective October 1, 2019, and is based on volume and is given below.

### Taxpayer

The cigarette tax is paid by wholesale dealers, meaning those who purchase cigarettes directly from manufacturers, producers, importers, or other wholesalers for stamping and then sell cigarettes to retailers for the purpose of resale. The Other Tobacco Tax (OTP) is paid by distributors, meaning all manufacturers, wholesalers, and retailers who are licensed as OTP distributors. An excise tax is levied on the use, consumption, or storage for consumption of cigarettes and OTP by consumers in Ohio if the tax has not already been paid.

[34] "Little cigars" are defined in R.C. 5743.01(P) as "(A)ny roll for smoking, other than cigarettes, made wholly or in part of tobacco that uses an integrated cellulose acetate filter and is wrapped in any substance containing tobacco, other than natural leaf tobacco." "Premium cigars," defined in R.C. 5743.01(Q), are defined as " (A)ny roll for smoking, other than cigarettes or little cigars," that is made wholly or in part of tobacco and that has all of the following characteristics: binder and wrapper consists entirely of leaf tobacco, roll contains no filter or tip, nor any mouthpiece consisting of a material other than tobacco, and the weight of one thousand such rolls is at least six pounds."

[35] "Vapor products" are defined in R.C. 5743.01(T) as liquid solution or other substance that (1) contains nicotine and (2) is depleted as it is used in an electronic smoking product. "Vapor product" does not include any solution or substance regulated as a drug, device, or combination product under Chapter V of the "Federal Food, Drug, and Cosmetic Act," 21 U.S.C. 301, et seq.

## Tax Base

The cigarette tax applies to the sale, use, consumption, or storage of cigarettes in Ohio. It is a tax per cigarette. The excise tax on other tobacco products applies to the receipt or import of other tobacco products for resale. While the tax on most other tobacco products is based on wholesale price, the tax for premium cigars is based on a maximum amount per premium cigar. The tax base for vapor is volume. "Vapor volume" is defined as one-tenth of one milliliter if the vapor product is sold in liquid form or one-tenth of one gram of vapor product if it is sold in something other than liquid form.

## Tax Rate

The cigarette tax rate is $0.08 per cigarette (translating into $1.60 per package of 20 cigarettes). The other tobacco products tax is 17.0 percent of the wholesale price, except for little cigars, which is taxed at 37.0 percent, and premium cigars are taxed at a maximum of $0.50 per premium cigar, indexed for inflation. Currently, for FY 2025, the rate for premium cigars is $0.64. For vapor products, the tax rate is $0.01 per one-tenth of one milliliter if the vapor product is sold in liquid form or $0.01 per one-tenth of one gram of vapor product if it is sold in something other than liquid form.

## Significant Changes Enacted by the 134th & 135th General Assemblies

There were no significant changes affecting cigarette and other tobacco products taxes.

## Cigarette and Other Tobacco Products Tax Expenditure Estimates

The estimates shown below reflect the estimated revenue foregone by the GRF from each tax expenditure and are based primarily on tax returns filed with ODT.

**NOTE:** See page 9 for descriptions of data source codes.

# Credits

## 8.01 Discount for cigarette tax stamps

*R.C. 5743.05; originally enacted 1934, revised in 2003, 2005, 2006, 2014, 2015.*

Cigarette excise taxpayers are eligible to receive a discount when purchasing cigarette excise tax stamps or meter impressions as a commission for affixing and cancelling the stamps or meter impressions. The value of this discount shall not be less than 1.8 percent or more than 10.0 percent of the face value of the tax stamps and meter impressions, the exact rate set by rule. Cigarette excise taxpayers shall not receive this discount on payments made when filing a monthly or semi-monthly return, but when they purchase the stamps.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 11.3 | $ 10.6 | $ 9.9 | $ 9.3 |

Data Source Code: B

## 8.02 Discount for timely payment of other tobacco products excise tax

*R.C. 5743.52(A); originally enacted 1934, revised 2000, 2014, 2019.*

Wholesalers and retailers of other tobacco products and vapor products are eligible for a 2.5 percent discount for the timely payment of their other tobacco product excise tax liability.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 2.7 | $ 2.8 | $ 2.9 | $ 3.0 |

Data Source Code: A

# Alcoholic Beverage Taxes

## Summary

In 1933, the year Prohibition was repealed, the Ohio Department of Liquor Control was created and the General Assembly enacted tax levies on beer, wine, and other non-spirituous beverages. A spirituous liquor tax was added a year later. As of 1997, the Department of Liquor Control became a division of the Ohio Department of Commerce. The Division of Liquor Control administers Ohio's tax on spirituous liquor (i.e., intoxicating liquor with more than 21.0 percent of alcohol by volume). ODT administers Ohio's taxes on all other alcoholic beverages.

### Taxpayer

The alcoholic beverage taxes are levied on manufacturers, bottlers and canners, wholesale dealers, distributors, and retail dealers.

### Tax Base

Sales by volume of the following non-spirituous beverages: beer, wine, mixed beverages, and cider.

## Tax Rates

| Type of Product | Code Section | Measure | Rate |
|---|---|---|---|
| Beer in bottles or cans (12 ounces or less) | 4301.42 | per ounce | $0.14 |
| Beer in bottles or cans (more than 12 ounces) | 4301.42 | 6 oz. or Fraction thereof | $0.84 |
| Wine (containing 4-14% ABV) | 4301.43-.432 | gallon | $0.32 |
| Wine (containing 14-21% ABV) | 4301.43-.432 | gallon | $1.00 |
| Vermouth | 4301.43-.432 | gallon | $1.10 |
| Sparkling wine | 4301.43-.432 | gallon | $1.50 |
| Cider | 4301.43 | gallon | $0.24 |
| Mixed Beverages | 4301.43 | gallon | $1.20 |
| Beer in barrels | 4305.01 | 31 gallons | $5.58 |

### Significant Changes Enacted by the 134th & 135th General Assemblies

There were no significant changes affecting alcoholic beverage taxes.

### Alcoholic Beverage Tax Expenditure Estimates

The estimates shown below reflect the estimated revenue foregone by the GRF from each tax expenditure. Various data sources were used to derive the estimates. Most of the estimates were based upon information taken from returns filed with ODT.

**NOTE:** See page 9 for descriptions of data source codes.

## Credits

### 9.01 Advanced payment credit

*R.C. 4303.33; originally enacted 1963; amended 2016, 2021.*

Beer permit holders are eligible to claim a 3.0 percent credit on advance payments made on or before the 18th of the month for which the tax is paid. In addition, a discount is offered on the balance of the tax due (after the advanced payment) if received by the 10th day of the following month. This additional discount is the lesser of 0.3 percent of the advanced payment or 3.0 percent of the net amount of tax due after the deduction of the advanced payment. Wine and mixed beverage permit holders are eligible to claim a 3.0 percent credit on payments made on or before the 18th day of the month for the previous month's liability.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 1.6 | $ 1.6 | $ 1.6 | $ 1.7 |

Data Source Code: A

### 9.02 Small brewers credit

*R.C. 4303.332; originally enacted 1981, revised 2002, 2013, 2021.*

Licensed Ohio beer manufacturers whose total production of beer, regardless of production location, is less than 31 million gallons per year are eligible for a credit (or refund) against the state's alcoholic beverages tax. The amount of the credit is equal to the excise tax paid on the beer/malt beverages distributed in Ohio with a maximum credit up to 9.3 million gallons. The taxpayer receives the credit in the following year.

***(Dollars in millions)***

| ***Estimate:*** | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| | $ 4.3 | $ 4.3 | $ 4.3 | $ 4.3 |

Data Source Code: A

## Tax expenditures with revenue impact below $1 million

### 9.03 Exemption for sacramental wine

*R.C. 4301.23; originally enacted 1937.*

### 9.04 Exemption for small wine producers

*R.C. 4303.333; originally enacted 1982, revised 2016, 2021.*

# Appendix A: Property Tax Exemptions

## Summary

The real property tax is Ohio's oldest tax. It has been an ad valorem tax – meaning, based on value – since 1825, and the Ohio Constitution has generally required property to be taxed by uniform rule according to value since 1851. The Department of Taxation ensures uniformity through its oversight of the appraisal work of Ohio's county auditors. According to state law and department rules, auditors conduct a full reappraisal of real property every six years and update values in the third year following each sexennial reappraisal. The Department's Division of Tax Equalization compares the assessed values of properties to sale prices, then uses these "sales ratios" to evaluate assessments and, if necessary, seek changes.

### Taxpayer

All real property owners who are not specifically exempt are subject to the real property tax.

### Tax Base

The real property tax base is the taxable (assessed) value of land and improvements. The taxable value is 35 percent of true (market) value, except for certain land devoted exclusively to agricultural use.

### Tax Rates

Real property tax rates are levied locally and vary by taxing authority. The total tax rate for any parcel includes all levies either enacted by a legislative body or approved by the voters of all taxing authority in which the property is a part. Examples of such jurisdictions include school districts, counties, municipalities, townships and special service districts.

### True Value of Exemptions

State law exempts or authorizes a subdivision to exempt from taxation all or a portion of the value of real property. Expressed major exemptions include:

- Primary and secondary schools (public and nonpublic).
- Public colleges, academies, and state universities.
- Churches and property used for public or charitable purposes.
- Government and public property.
- Public recreational facilities used for athletic events.
- Nature preserves.

For purposes of this report, in accordance with R.C. 5703.48, exemptions are categorized into one of four headings and summarized. Those four headings are:

(a) Charitable and public worship
(b) Public and educational
(c) Local economic development
(d) Other exemptions

State law requires county auditors to classify each separate parcel of real property according to its principal and current use[36]. The classifications are organized by land use codes prescribed by rule[37]. Each year county auditors submit an abstract of exempt real property to the Tax Commissioner. The abstract reports the taxable value of all real property that is on the exempt property tax list of the county, by exemption classification, and is the basis of the true value totals presented in this report.

**The table below** contains a list of exempt property land use descriptions and their assigned category. Please note that the classification "graveyards and cemeteries", does not delineate ownership and could therefore

| Land Use Code | Description | Category |
|---|---|---|
| 600 | Exempt property owned by United States of America | Public and Educational |
| 610 | Exempt property owned by state of Ohio | |
| 620 | Exempt property owned by counties | |
| 630 | Exempt property owned by townships | |
| 640 | Exempt property owned by municipalities | |
| 650 | Exempt property owned by board of education | |
| 660 | Exempt property owned by park districts (public) | |
| 670 | Exempt property owned by colleges, academies (private) | |
| 680 | Charitable exemptions - hospitals - homes for aged, etc. | Charitable and Public Worship |
| 685 | Churches, etc., public worship | |
| 690 | Graveyards, monuments, and cemeteries | Other |
| No Code | Other Exempted property | |
| 700 | Community urban redevelopment corporation tax abatements | Local Economic Development |
| 710 | Community reinvestment area tax abatements | |
| 720 | Municipal improvement tax abatements | |
| 730 | Municipal urban redevelopment tax abatements | |
| 740 | Other tax abatements | |

[36] ORC 5713.041
[37] OAC 5703-25-10

contain values representative of either the Public and Educational or the Charitable and Public Worship categories. As a result, it was determined that "graveyards and cemeteries" would be placed in the "Other exemptions" category for purposes of this report. The "Other exemptions" category includes items that the county auditors were unable classify.

### Property Tax Exemption Reimbursement by the GRF

The state reimburses local governments and school districts for the full amounts of two credits (when applicable) and the homestead exemption. Since 1971, a 10% credit has applied to each taxpayer's real property tax bill. In 2005, as part of a broader series of tax reforms, the General Assembly limited the 10% credit to all real property not intended primarily for use in a business activity. The state reimburses local governments and schools for the cost of this credit, now called the non-business credit. In addition, since the 1979 tax year, a 2.5% credit, called the owner occupancy credit, of real property taxes has been available to homesteads – meaning a dwelling plus up to one acre occupied by the homeowner. The state reimburses local governments and schools for the cost of this credit. These two credits do not apply to new local levies or replacement local levies passed after Sept. 29, 2013; they will continue to apply only to existing and renewed levies.

The homestead exemption dates to 1971. Eligibility for new exemptions is limited to qualifying taxpayers by age and modified Ohio adjusted gross income. The income threshold is adjusted annually for inflation as is the amount of the benefit. For tax year 2025, the income threshold is $40,000. Each qualified homeowner receives a credit equal to the taxes that would otherwise be charged on up, for tax year 2025, $29,000 of true value (meaning, $10,150 in taxable value) of the homestead. Surviving spouses of a public service officer killed in the line of duty and veterans who have received a 100% permanent total disability rating or a total disability rating for a service-connected disability or combination of service-connected disabilities are exempt from this income threshold and are eligible to receive a homestead credit value of $58,000 of true value, for tax year 2025.

## Aggregate true value of real property exempted

### 10.01 Charitable and public worship exemptions

*R.C. 5709 et seq (e.g. R.C. 5709.07 & 5709.12); Use codes 680-685.*

***(Dollars in millions)***

| ***Total:*** | CY 2020 | CY 2021 | CY 2022 | CY 2023 |
|---|---|---|---|---|
| | $36,768.9 | $38,475.4 | $39,325.3 | $42,567.6 |

Data Source Code: A, B

### 10.02 Public and educational exemptions

*R.C. 5709 et seq (e.g. R.C. 5709.07, 5709.08), 3313.44, 3345.17; Use codes 600-670.*

***(Dollars in millions)***

| ***Total:*** | CY 2020 | CY 2021 | CY 2022 | CY 2023 |
|---|---|---|---|---|
| | $92,869.7 | $95,284.3 | $97,163.7 | $102,954.5 |

Data Source Code: A, B

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### 10.03 Local economic development exemptions

*R.C. 5709 et seq (e.g. R.C. 5709.40, 5709.41, 5709.62, 5709.73); Use codes 700-740.*

***(Dollars in millions)***

| ***Total:*** | CY 2020 | CY 2021 | CY 2022 | CY 2023 |
|---|---|---|---|---|
| | $48,258.0 | $51,015.0 | $55,350.2 | $69,048.1 |

Data Source Code: A, B

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### 10.04 All other property tax exemptions

*R.C. 5709 et seq (e.g. R.C. 5709.14, 5709.18); Use codes 690 & entries with no code.*

***(Dollars in millions)***

| ***Total:*** | CY 2020 | CY 2021 | CY 2022 | CY 2023 |
|---|---|---|---|---|
| | $3,985.8 | $2,492.6 | $2,644.8 | $3,811.6 |

Data Source Code: A, B

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## Property tax exemption reimbursements to subdivisions from state GRF

### 10.05 10% credit for property not used in business

*R.C. 319.302.*

***(Dollars in millions)***

| ***Total:*** | CY 2020 | CY 2021 | CY 2022 | CY 2023 |
|---|---|---|---|---|
| | $1,174.2 | $1,203.3 | $1,224.6 | $1,245.9 |

Data Source Code: A

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### 10.06 2.5% credit for owner occupied property

*R.C. 323.152(B).*

***(Dollars in millions)***

| ***Total:*** | CY 2020 | CY 2021 | CY 2022 | CY 2023 |
|---|---|---|---|---|
| | $ 219.2 | $ 226.3 | $ 230.6 | $ 234.2 |

Data Source Code: A

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### 10.07 Homestead exemption

*R.C. 323.151 – 323.157.*

***(Dollars in millions)***

| ***Total:*** | CY 2020 | CY 2021 | CY 2022 | CY 2023 |
|---|---|---|---|---|
| | $ 390.5 | $ 369.7 | $ 349.5 | $ 336.5 |

Data Source Code: A

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OKLAHOMA TAX COMMISSION

# TAX EXPENDITURE REPORT

OKLAHOMA
Tax Commission

## 2023-2024

PREPARED BY THE TAX POLICY DIVISION
OF THE OKLAHOMA TAX COMMISSION

5701/8585

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# I. INTRODUCTION

The following report is the 17th issue of the Oklahoma Tax Expenditure Report prepared by the Tax Policy Division of the Oklahoma Tax Commission pursuant to 68 O.S. § 205(E). The report includes the Tax Commission's best estimate of the amount of state revenue that would have been collected but for the existence of each exclusion, deduction, credit, exemption, deferral, or other preferential tax treatment allowed by law for the previous fiscal year, or the most recent tax year with complete data. The report is prepared no later than October 1 of each even-numbered year. Our next report will be issued October 1, 2026, with estimates for Fiscal Year 2026.

The provisions of state tax law that fall within the definition of a "tax expenditure" are separated by tax type. The statutory provisions are listed for reference. Tax expenditures do not include incentive payment programs or exemptions to taxes not administered, regulated, or collected by the Tax Commission.

The estimates are based upon information from actual tax returns and secondary data sources. Each estimate has a different level of reliability based upon the accuracy of both the data and the estimation procedure. The different categories are as follows:

| | |
|---|---|
| Level 1 | Estimate based upon information contained in actual tax returns. The data collected is from returns verified for accuracy and unverified returns. This is the highest level of reliability. |
| Level 2 | Estimate based upon a projection from a composite of a fraction of returns filed or average amount of collections for the particular tax type involved. |
| Level 3 | Estimate derived from secondary data sources, such as other governmental agencies, industry sources, or national reports. |

The estimation process for income tax expenditures prevents the summing of each expenditure and the drawing of any precise conclusions about their aggregate value. All estimates given are rounded to the nearest thousand dollars, and estimates less than $25,000 are listed as "Minimal" unless a Level 1 estimate is available. Expenditures for which data resources are not available state "*Information Unavailable*" in place of an estimate. The Commission will continue to strive to provide an estimate for these expenditures in subsequent reports.

In 1995, the Tax Commission contracted with the Center for Economic and Management Research at the University of Oklahoma (OU) and the Office of Business and Economic Research at Oklahoma State University (OSU) wherein the departments utilized their resources to provide revenue estimates for sales tax expenditures. The expenditures for which the departments provided estimates are noted in the "Data Source" line as "OU/OSU Group." The original estimates provided by the OU/OSU Group have been adjusted for the 2024 fiscal year.

This report does not propose to offer an official list of tax expenditures. Rather, it describes as many statutory "tax expenditures" as possible and provides revenue estimates for as many provisions of the state tax laws as can be isolated and measured. Further, each description is a very brief overview and is not intended to describe the tax expenditure with specificity.

# II. INCOME TAX

## A. CREDITS

Tax credits directly reduce tax liability and, in some cases, are fully refundable, transferable, or can be carried forward to a subsequent tax year. Unless indicated otherwise, the following credits are nonrefundable, nontransferable, and have no carryover provisions. The following expenditure estimates reflect income tax filings for the 2022 tax year. Since the last expenditure report, some income tax credits have been repealed or allowed to sunset. Those credits that were allowed to sunset or were repealed that had provisions allowing for the carryover of unused credits are reflected in this report, while those without carryover provisions are not included.

1. ***Low Income Sales Tax Relief*, 68 O.S. § 1370.3**
   For Oklahoma residents whose gross household income does not exceed $12,000 per year, a refundable credit of $40 per personal exemption is allowed. The credit is only available if sales tax is levied under 68 O.S. § 1370.2. To date, sales tax has not been levied under 68 O.S. § 1370.2. (This credit is different from the Sales Tax Relief Credit authorized under 68 O.S. § 5011.)
   **Estimate:** $0
   **Data Source:** Income Tax Returns
   **Reliability:** 1

2. ***Taxes Paid to Another State*, 68 O.S. § 2357**
   An income tax credit is allowed for taxes paid to another state by resident individuals on income received as compensation for personal services in another state.
   **Estimate:** $55,912,000 / 36,387 Returns
   **Data Source:** Income Tax Returns
   **Reliability:** 1

3. ***Child Care / Child Tax Credit*, 68 O.S. § 2357**
   An income tax credit is allowed for childcare expenses in the amount of 20% of the federal childcare credit. Taxpayers can elect to take the greater of the childcare credit or 5% of the federal child tax credit authorized under the Internal Revenue Code. In both cases, federal adjusted gross income (AGI) cannot exceed $100,000. This credit is allowed to residents, part-year residents and non-resident military, subject to proration of Oklahoma AGI to federal AGI.
   **Estimate:** $42,559,000 / 352,998 Returns
   **Data Source:** Income Tax Returns
   **Reliability:** 1

4. ***Oklahoma Investment/New Jobs*, 68 O.S. § 2357.4**
   An income tax credit is allowed for either an investment in depreciable property used in a manufacturing or processing facility or for a net increase in average levels of employment in said facilities. Any credit allowed but not used may be carried over indefinitely.
   **Estimate:** $24,319,000 / 625 Returns
   **Data Source:** Income Tax Returns
   **Reliability:** 1

5. ***Venture Capital*, 68 O.S. § 2357.7**

Provides for an income tax credit of 20% of the amount of investments made in qualified venture capital companies. Any credit not utilized for the year of investment can be carried forward against subsequent income tax liabilities for a period of 3 years. The unutilized credit is freely transferable for the same 3-year period.

**Estimate:** $5,215,000 / 42 Returns
**Data Source:** Income Tax Returns
**Reliability:** 1

6. ***Investments in Clean-Burning Motor Vehicle Fuel Property (Motor Vehicles)*, 68 O.S. § 2357.22**

A credit for the purchase or conversion of qualified clean-burning motor vehicle fuel property is allowed. The amount of the credit for conversion of a vehicle is the cost of the equipment installed. The amount of the credit for a motor vehicle originally equipped with clean-burning fuel property is either the portion of the basis of the vehicle that is clean-burning fuel property or $1,500 if taxpayer is unable or elects not to determine the exaction portion of the basis that is attributable to such property. The maximum amount of the credit is based upon the gross vehicle weight of the qualified vehicle.

**Estimate:** $4,080,000 / 213 Returns
**Data Source:** Income Tax Returns
**Reliability:** 1

7. ***Investments in Clean-Burning Motor Vehicle Fuel Property (Infrastructure)*, 68 O.S. § 2357.22**

A per-location credit of 45% of the cost of the qualified clean-burning motor vehicle fuel property is allowed for property directly related to the delivery of a qualified fuel into the fuel tank of a motor vehicle and the storage of such fuel or for a public access recharging system for vehicles propelled by electricity. A per-location credit equal to the lesser of $2,500 or 50% of the cost of property which is directly related to the compression and delivery of natural gas from a private home or residence, for noncommercial purposes, into the fuel tank of a motor vehicle propelled by compressed natural gas is allowed.

**Estimate:** $3,098,000 / 144 Returns
**Data Source:** Income Tax Returns
**Reliability:** 1

8. ***Natural Disaster Tax Credit*, 68 O.S. § 2357.29A**

A refundable income tax credit is allowed for owners of residential real property whose primary residence was damaged or destroyed in a natural disaster occurring after December 31, 2011. For purposes of this credit, a “natural disaster” means a weather or fire event for which a Presidential Major Disaster Declaration was issued, or a tornado occurring in calendar year 2012 or 2013 regardless of whether a Presidential Major Disaster Declaration was issued. The amount of the credit is the difference between the ad valorem property tax paid on the property and on improvements in the year prior to the damage or destruction and the ad valorem property tax paid the first year after the improvement is complete. Eligible taxpayers will be entitled to claim this credit for 5 consecutive years. After the first year the credit is claimed, the amount of the credit will be 80% of the previous year's credit.

**Estimate:** $42,000 / 148 Returns
**Data Source:** Income Tax Returns
**Reliability:** 1

9. ***Credit for Electricity Generated by Zero-Emission Facilities,* 68 O.S. § 2357.32A**

An income tax credit is allowed based on the amount of electricity generated by a qualified zero-emission facility placed in service before July 1, 2017. The credit is available for 10 years after the qualified zero-emission facility is placed in service. Credits earned on or after January 1, 2014, are not transferable; any credit earned, but not used, is refundable in an amount equal to 85% of the amount of the credit.[1] The credit for electricity generated by non-wind sources, which sunsetted on December 31, 2021, is capped at $500,000.

**Estimate:** $16,410,000 / 40 Returns
**Data Source:** Income Tax Returns
**Reliability:** 1

10. ***Credit for Manufacturers of Advanced Small Wind Turbines,* 68 O.S. § 2357.32B**

A transferable income tax credit is allowed for Oklahoma manufacturers of advanced small wind turbine products, including rotor blades and alternators. The credit is based on the square footage of rotor-swept area of advanced small wind turbines manufactured in this state. This credit is for tax years ending on or before December 31, 2012; any unused credit may be carried over for a period of 10 years.

**Estimate:** $0
**Data Source:** Income Tax Returns
**Reliability:** 1

11. ***Tourism Promotion Credit*, 68 O.S. §§ 2357.34 through 2357.40**

An income tax credit is allowed for an investment in a qualified tourism attraction project. The credit is based on the approved costs of the project and is 10% if the approved costs are between $500,000 and $1 million, and 25%, if the approved costs are in excess of $1 million. Any credit allowed, but not used, may be carried over for 10 years. This credit was repealed, effective January 1, 2014.

**Estimate:** $0
**Data Source:** Income Tax Returns
**Reliability:** 1

12. ***Tax Credit for Qualified Rehabilitation Expenditures*, 68 O.S. § 2357.41**

A transferable income tax credit equal to 100% of the federal rehabilitation credit under 26 U.S.C. § 47 is allowed. Unused credit may be carried over for a period of 10 years.

**Estimate:** $241,000 / 40 Returns
**Data Source:** Income Tax Returns
**Reliability:** 1

13. ***Oklahoma Earned Income Tax Credit*, 68 O.S. § 2357.43**

A refundable income tax credit equal to 5% of the amount of the tax year 2022 federal earned income tax credit is allowed.

**Estimate:** $40,249,000 / 321,693 Returns
**Data Source:** Income Tax Returns
**Reliability:** 1

[1] 68 O.S § 2357.32A(D)(3) allows taxpayers the option of irrevocably electing to defer the payment of the tax credit refund for 10 years for any credits initially claimed on or after July 1, 2019.

14. ***Credit for Donations to Biomedical Research Institute*, 68 O.S. § 2357.45**
An income tax credit is allowed for donations to a qualified independent biomedical research institute. The credit is 50% of the amount donated, not to exceed $1,000. Unused credit may be carried over for a period of 4 years.
**Estimate:** $670,000 / 966 Returns
**Data Source:** Income Tax Returns
**Reliability:** 1

15. ***Credit for Donations to Cancer Research Institute*, 68 O.S. § 2357.45**
An income tax credit is allowed for donations to a cancer research institute. The credit is 50% of the amount donated, not to exceed $1,000. Unused credit may be carried over for a period of 4 years.
**Estimate:** $82,000 / 501 Returns
**Data Source:** Income Tax Returns
**Reliability:** 1

16. ***Investment Incentive Credit*, 68 O.S. § 2357.81**
An income tax credit is allowed for new or expanded facilities located within certain qualified incentive districts based on an ad valorem abatement. Any unused credit allowed, but not used, may be carried over for 10 years. This credit was repealed, effective January 1, 2014.
**Estimate:** $0
**Data Source:** Income Tax Returns
**Reliability:** 1

17. ***Credit for Eligible Taxpayer's Qualified Railroad Reconstruction or Replacement Expenditures*, 68 O.S. § 2357.104**
Eligible taxpayers may qualify for a transferable income tax credit equal to 50% of qualified track improvement expenditures up to a cap of $5,000 multiplied by the miles of railroad track owned or leased by that taxpayer within Oklahoma. Unused credits can be transferred and/or carried forward for 5 years following the year of qualification. The credit is capped at $5 million per year.
**Estimate:** $497,000 / 10 Returns
**Data Source:** Income Tax Returns
**Reliability:** 1

18. ***Strategic Industrial Development Enhancement (SIDE) Credit*, 68 O.S. § 2357.105**
An income tax credit is allowed for amounts invested in strategic industrial development enhancement projects, effective for tax years 2023 through 2027. The credit is allocated by the Oklahoma Department of Commerce to a qualifying project and is transferable. Credits allocated by Commerce may not exceed $12 million per year.
**Estimate:** *Information Unavailable. This credit was effective beginning with tax year 2023.*

19. ***Scholarship-Granting Organizations*, 68 O.S. § 2357.206**
An income tax credit is allowed for 50% of the amount donated to a scholarship granting organization (SGO), not to exceed $1,000 for each taxpayer, $2,000 for married taxpayers filing jointly, or $100,000 for a legal business entity. The SGO credit is capped at $25 million per year. Unused credit may be carried over for a period of 3 years.
**Estimate:** $4,681,000 / 1,427 Returns
**Data Source:** Income Tax Returns
**Reliability:** 1

20. ***Educational Improvement Grant Organizations*, 68 O.S. § 2357.206**
An income tax credit is allowed for 50% of the amount donated to an educational improvement grant organization not to exceed $1,000 for each taxpayer, $2,000 for married taxpayers filing jointly, or $100,000 for a legal business entity. The amount of credit for contributions to educational improvement grant organizations, public school foundations, and public school districts is capped $25 million per year. Unused credit may be carried over for a period of 3 years.
**Estimate:** $347,000 / 40 Returns
**Data Source:** Income Tax Returns
**Reliability:** 1

21. ***Public School Foundations or Public School Districts*, 68 O.S. § 2357.206**
An income tax credit is allowed for 50% of the amount donated to a public school foundation, or public school district not to exceed $1,000 for each taxpayer, $2,000 for married taxpayers filing jointly, or $100,000 for a legal business entity. The amount of credit for contributions to educational improvement grant organizations, public school foundations, and public school districts is capped $25 million per year. Unused credit may be carried over for a period of 3 years.
**Estimate:** $899,000 / 1,484 Returns
**Data Source:** Income Tax Returns
**Reliability:** 1

22. ***Credit for Employers in the Aerospace Sector*, 68 O.S. §§ 2357.302 and 2357.303**
A qualified employer is allowed an income tax credit for tuition reimbursement and/or compensation paid to a qualified employee. The amount of the tuition credit is 50% of the tuition reimbursed to a qualified employee for the first through fourth years of employment, and the amount of the compensation credit is 10% of the compensation paid for the first through fifth years of employment in the aerospace sector if the qualified employee graduated from an institution located in Oklahoma, or 5% if the qualified employee graduated from an institution located outside this state. The credit for compensation cannot exceed $12,500 for each qualified employee annually.
**Estimate:** $248,000 / 52 Returns
**Data Source:** Income Tax Returns
**Reliability:** 1

23. ***Credit for Employees in the Aerospace Sector*, 68 O.S. § 2357.304**
A qualified employee is allowed an income tax credit of $5,000 per year for a period of time not to exceed 5 years. Any credit claimed, but not used, may be carried over up to 5 subsequent taxable years during the lifetime of the qualified employee.
**Estimate:** $9,161,000 / 2,722 Returns
**Data Source:** Income Tax Returns
**Reliability:** 1

24. ***Affordable Housing Tax Credit*, 68 O.S. § 2357.403**
An income tax credit, equal to the amount of the federal low-income housing tax credit but not to exceed $4 million per allocation year, is allowed for qualified housing projects placed in service after July 1, 2015. Any credit not used can be carried forward against subsequent income tax liabilities for a period of 2 years.
**Estimate:** $532,000 / 7 Returns
**Data Source:** Income Tax Returns
**Reliability:** 1

25. ***Credit for Employers in the Vehicle Manufacturing Industry*, 68 O.S. § 2357.404**
A qualified employer is allowed an income tax credit for tuition reimbursement and/or compensation paid to a qualified employee. The amount of the tuition credit is 50% of the tuition reimbursed to a qualified employee for the first through fourth years of employment, and the amount of the compensation credit is 10% of the compensation paid for the first through fifth years of employment in the vehicle manufacturing sector if the qualified employee graduated from an institution located in Oklahoma, or 5% if the qualified employee graduated from an institution located outside this state. The credit for compensation cannot exceed $12,500 for each qualified employee annually.
**Estimate:** $0
**Data Source:** Income Tax Returns
**Reliability:** 1

26. ***Credit for Employees in the Vehicle Manufacturing Industry*, 68 O.S. § 2357.404**
A qualified employee is allowed an income tax credit of $5,000 per year for a period not to exceed 5 years. Any credit claimed, but not used, may be carried over up to 5 subsequent taxable years.
**Estimate:** $29,000 / 10 Returns
**Data Source:** Income Tax Returns
**Reliability:** 1

27. ***Software or Cybersecurity Employee Tax Credit*, 68 O.S. § 2357.405**
An income tax credit is allowed for individuals employed as qualified software or cybersecurity employees effective for tax years 2020 through 2029. The amount of the credit is either $2,200 or $1,800, depending upon the employee's level of education and is available for no more than 7 years.
**Estimate:** $1,224,000 / 226 Returns
**Data Source:** Income Tax Returns
**Reliability:** 1

28. ***Verified Blood Donation Tax Credit*, 68 O.S. § 2357.406**
An income tax credit in the amount of $20 for each qualified donation is allowed for employers for each verified blood donation made by an employee as part of a blood drive that is organized by an Oklahoma nonprofit blood donation organization in coordination with an employer or group of employers. Total credits are capped at $500,000 per year.
**Estimate:** $40,000 / 271 Returns
**Data Source:** Income Tax Returns
**Reliability:** 1

29. ***Adoption Expense Credit*, 68 O.S. § 2357.601**
A refundable income tax credit is allowed for nonrecurring adoption expenses paid by a resident individual taxpayer in connection with the adoption of a minor or the proposed adoption of a minor that did not result in a decreed adoption. The credit is 10% of qualified expenses, not to exceed $2,000 per calendar year with respect to single filing status or married filing separate income tax returns, and not to exceed $4,000 per calendar year with respect to married filing joint return filing status.
**Estimate:** *Information Unavailable. This credit was effective beginning with tax year 2023.*

30. ***Volunteer Firefighter Credit*, 68 O.S. § 2358.7**
An income tax credit of $200 or $400[2] is allowed for a volunteer firefighter who completes annual continuing education, training, and certification requirements.
**Estimate:** $709,000 / 2,233 Returns
**Data Source:** Income Tax Returns
**Reliability:** 1

31. ***Small Business Guaranty Fee Credit*, 68 O.S. § 2370.1**
Certain financial institutions, whose main office is located in Oklahoma, are entitled to claim as a credit against the "in lieu" tax the amount of the guaranty fees the financial institution pays to the SBA under certain SBA loan programs. Any credit allowed, but not used, may be carried over for a period of 5 years.
**Estimate:** $154,000 / 4 Returns
**Data Source:** Income Tax Returns
**Reliability:** 1

32. ***Low Income Property Tax Relief*, 68 O.S. § 2907**
A refundable income tax credit is allowed for an Oklahoma taxpayer, head of household, at least 65 years of age or totally disabled, with a gross household income that does not exceed $12,000. The credit is based on the amount of property tax that exceeds 1% of the household income, limited to a maximum credit of $200.
**Estimate:** $333,000 / 1,787 Returns
**Data Source:** Income Tax Returns
**Reliability:** 1

[2] Beginning with tax year 2024, the amount of the credit is increased to $300 or $600, based on training and certification requirements.

33. ***Oklahoma Rural Jobs Credit*, 68 O.S. § 3934**
Provides for an income tax credit for investments made in rural funds. Any unused credit can be carried forward against subsequent income tax liabilities for a period of 5 years.
**Estimate:** $5,800 / 21 Returns
**Data Source:** Income Tax Returns
**Reliability:** 1

34. ***Sales Tax Relief*, 68 O.S. § 5011**
Persons domiciled in Oklahoma during the entire calendar year and whose gross household income does not exceed $20,000 for individuals and $50,000 for those who claim a dependent, are at least 65 years old, or have a physical disability constituting a substantial handicap to employment may file a claim for sales tax relief. This relief is in the form of a refundable income tax credit in the amount of $40 per qualified exemption.
**Estimate:** $28,619,000 / 357,684 Returns
**Data Source:** Income Tax Returns
**Reliability:** 1

35. ***Oklahoma Research and Development Incentives Act*, 68 O.S. § 54006**
An income tax credit is allowed for a net increase in the number of full-time-equivalent employees engaged in computer services, data processing or research and development. The amount of the credit is $500 for each new employee, but not to exceed 50 new employees. Any credits allowed, but not used, in any taxable year may be carried over in order to each of the 4 years following the year of qualification and, to the extent not used in those years, in order to each of the 5 years following the initial 4-year period. This credit was repealed effective January 1, 2014.
**Estimate:** $12,000 / 24 Returns
**Data Source:** Income Tax Returns
**Reliability:** 1

36. ***Parental Choice Tax Credit – Private School Credit*, 70 O.S. § 28-101(C)(1)**
An income tax credit is allowed for qualified expenses to support the education of eligible students in Oklahoma. The amount of the credit varies based on the amount of tuition and fees and the federal adjusted gross income of the parents or legal guardians of the eligible student. The total amount of credits cannot exceed $150 million for tax year 2024, $100 million for January 1 through June 30, 2025, and $250 million for fiscal year 2026 and subsequent fiscal years.
**Estimate:** $75,000,000 in prepaid 2024 tax credits were issued in FY2024[3] / 27,048 Approved Applications
**Data Source:** Tax Commission Records
**Reliability:** 1

[3] The remaining $75,000 of tax year 2024 credits will be issued in FY2025.

37. ***Parental Choice Tax Credit – Homeschool Credit*, 70 O.S. § 28-101(C)(2)**
An income tax credit is allowed for qualified expenses paid by an Oklahoma taxpayer for the homeschool education of an eligible student. The amount of the credit is 100% of qualified expenses, not to exceed $1,000 per eligible student per tax year. For tax year 2025, and subsequent tax years, the total amount of credits cannot exceed $5 million annually.
**Estimate:** *Information Unavailable. This credit was effective beginning with tax year 2024.*

38. ***Parental Choice Tax Credit – Credit for Students Experiencing Homelessness*, 70 O.S. § 28-101(C)(3)**
An income tax credit is allowed for an eligible student who attends an accredited private school that exclusively serves students experiencing homelessness. The amount of the credit is $7,500 or the amount of the cost to educate the eligible student at the private school, whichever is less.
**Estimate:** $0[4]
**Data Source:** Tax Commission Records
**Reliability:** 1

39. ***Parental Choice Tax Credit – Credit for Financially Disadvantaged Students*, 70 O.S. § 28-101(C)(4)**
An income tax credit is allowed for an eligible student who attends an accredited private school that primarily serves financially disadvantaged students. The amount of the credit is $7,500 or the amount of the cost to educate the eligible student at the private school, whichever is less.
**Estimate:** $0[4]
**Data Source:** Tax Commission Records
**Reliability:** 1

40. ***Oklahoma Capital Investment Board*, 74 O.S. § 5085.7**
The Oklahoma Capital Investment Board is allowed to sell up to $20 million in income tax credits under certain circumstances per fiscal year.
**Estimate:** $3,145,000 / 15 Returns
**Data Source:** Income Tax Returns
**Reliability:** 1

[4] Tax year 2024 credit payments are expected to be made in FY2025.

## B. DEDUCTIONS AND EXEMPTIONS

Oklahoma allows deductions and exemptions to taxpayers in computing Oklahoma taxable income under certain conditions.[5] The amount of the deduction or exemption varies. Exemptions generally refer to a personal allowance or specific monetary exemption that may be claimed by an individual to reduce Oklahoma taxable income. A tax deduction is a reduction of a taxpayer's total income that decreases the amount of taxable income used in calculating the income tax. Expenditure estimates below reflect income tax filings for 2022 tax year.

1. ***Oil and Gas Allowance*, 68 O.S. § 2353**
   An income tax deduction is available as an allowance for depletion based upon cost of oil and gas deposit.
   **Estimate:** $17,381,000 / 76,959 Returns
   **Data Source:** Oklahoma Individual Income Tax Micro-Simulator
   **Reliability:** 2

2. ***Deduction for Living Organ Donation*, 68 O.S. § 2358**
   A one-time income tax deduction for individual taxpayers of up to $10,000 is allowed for unreimbursed expenses for the donation of one or more human organs. The donor must donate the organ while living to qualify for the deduction.
   **Estimate:** *Information Unavailable. This deduction is commingled with several others on Oklahoma income tax form 511.*

3. ***Taxpayers with Physical Disabilities*, 68 O.S. § 2358**
   Individual Oklahoma resident taxpayers with physical disabilities may deduct the expenditures to modify a motor vehicle, home, or workplace to compensate for their handicap.
   **Estimate:** Minimal
   **Data Source:** Oklahoma Individual Income Tax Micro-Simulator
   **Reliability:** 2

4. ***Nonrecurring Adoption Expenses*, 68 O.S. § 2358**
   Nonrecurring adoption expenses incurred in connection with the adoption or proposed adoption of a minor may be deducted from Oklahoma adjusted gross income, through tax year 2022. The deduction is limited to $20,000 per calendar year.
   **Estimate:** $148,000 / 532 Returns
   **Data Source:** Oklahoma Individual Income Tax Micro-Simulator
   **Reliability:** 2

5. ***Oklahoma College Savings Plan Act*, 68 O.S. § 2358**
   An income tax deduction is allowed for contributions to an account established under the Oklahoma College Savings Plan Act, up to $10,000 for each individual taxpayer or $20,000 for taxpayers filing a joint return.
   **Estimate:** $4,651,000 / 16,461 Returns
   **Data Source:** Oklahoma Individual Income Tax Micro-Simulator
   **Reliability:** 2

[5] While some of these deductions and exemptions are available for both corporate and individual income tax filers, aggregate data for corporate filers is not available. The tax expenditure estimates in this report for deductions and exemptions that are available for both corporate and individual filers reflect only individual income tax.

6. ***Members of the Armed Services*, 68 O.S. § 2358**

100% of income received from the United States as salary or compensation, other than retirement benefits, as a member of the U.S. Armed Forces is allowed as a deduction from taxable income.

**Estimate:** $30,216,000 / 22,290 Returns
**Data Source:** Oklahoma Individual Income Tax Micro-Simulator
**Reliability:** 2

7. ***Itemized/Standard Deductions*, 68 O.S. § 2358**

Individual taxpayers may either itemize their deductions or claim an Oklahoma standard deduction. If using itemized deductions, those will be the same as claimed for federal income tax purposes. The amount of the Oklahoma standard deduction is equal to the amount of tax year 2017 federal standard deduction.

**Estimate:** $559,151,000 / 1,701,659 Standard Deduction Returns
$81,813,000 / 166,472 Itemized Deductions Returns
**Data Source:** Oklahoma Individual Income Tax Micro-Simulator
**Reliability:** 2

8. ***Swine and Poultry Producers*, 68 O.S. § 2358**

An income tax deduction from adjusted gross income is allowed for the depreciation of new construction or expansion costs incurred by swine and poultry producers.

**Estimate:** *Information Unavailable. This deduction is commingled with several others on Oklahoma income tax form 511.*

9. ***Oklahoma Police Corps Scholarship Program*, 68 O.S. § 2358**

An income tax deduction is allowed, by individual taxpayers, of federally taxable scholarship or stipend income if received from the Oklahoma Police Corps Scholarship Program.

**Estimate:** *Information Unavailable. This deduction is commingled with several others on Oklahoma income tax form 511.*

10. ***Deduction for Discharge of Farm Indebtedness Income*, 68 O.S. §2358**

An income tax deduction is allowed by individual taxpayers due to the discharge of farm indebtedness.

**Estimate:** *Information Unavailable. This deduction is commingled with several others on Oklahoma income tax form 511.*

11. ***Oklahoma Source Capital Gain Deduction*, 68 O.S. § 2358**

Taxpayers may deduct certain qualifying capital gains that are included in federal adjusted gross income or federal taxable income. The qualifying gain must be earned on real or tangible personal property located within Oklahoma, be earned on the sale of stock or ownership interest in an Oklahoma headquartered entity, or be earned on the sale of real property, tangible personal property or intangible personal property located within Oklahoma as part of the sale of all or substantially all of the assets of an Oklahoma headquartered entity or an Oklahoma proprietorship business enterprise.

**Estimate:** $161,896,000 / 20,206 Returns
**Data Source:** Oklahoma Individual Income Tax Micro-Simulator
**Reliability:** 2

12. ***Transfers of Technologies to Small Business*, 68 O.S. § 2358**
Royalty payments received for transfers of technologies to qualified Oklahoma small businesses are exempt from taxable income.
**Estimate:** *Information Unavailable. This exemption is commingled with several others on Oklahoma income tax form 511.*

13. ***Personal Exemption*, 68 O.S. § 2358**
A personal exemption of $1,000 in lieu of the federal personal exemption is allowed in calculating Oklahoma taxable income for an individual taxpayer.
**Estimate:** $127,908,000 / 1,797,471 Returns
**Data Source:** Oklahoma Individual Income Tax Micro-Simulator
**Reliability:** 2

14. ***Blind Individuals*, 68 O.S. § 2358**
An income tax exemption of $1,000 is allowed for each individual taxpayer or spouse who is blind at the close of the tax year.
**Estimate:** $115,000 / 4,355 Returns
**Data Source:** Oklahoma Individual Income Tax Micro-Simulator
**Reliability:** 2

15. ***Individuals 65 or Older*, 68 O.S. § 2358**
An income tax exemption of $1,000 is allowed for each individual taxpayer or spouse who is 65 years of age or older; provided certain income limitations apply.
**Estimate:** $197,000 / 85,663 Returns
**Data Source:** Oklahoma Individual Income Tax Micro-Simulator
**Reliability:** 2

16. ***Government Retirement Benefits*, 68 O.S. § 2358**
An income tax exemption is allowed for the first $10,000 of most Oklahoma and federal government retirement benefits that are included in federal adjusted gross income.
**Estimate:** $24,584,000 / 64,665 Returns
**Data Source:** Oklahoma Individual Income Tax Micro-Simulator
**Reliability:** 2

17. ***Social Security Benefits*, 68 O.S. § 2358**
An income tax exemption is allowed for 100% of social security benefits to the extent the social security benefits are included in federal adjusted gross income.
**Estimate:** $206,078,000 / 262,808 Returns
**Data Source:** Oklahoma Individual Income Tax Micro-Simulator
**Reliability:** 2

18. ***Civil Service Retirement in Lieu of Social Security Benefits*, 68 O.S. § 2358**
An income tax exemption is allowed for 100% of certain federal civil service benefits received in lieu of social security benefits.
**Estimate:** $30,319,000 / 19,232 Returns
**Data Source:** Oklahoma Individual Income Tax Micro-Simulator
**Reliability:** 2

19. ***Military Retirement Benefits*, 68 O.S. § 2358**
An income tax exemption is allowed for 100% of military retirement benefits from any component of the U.S. Armed Forces.
**Estimate:** $32,416,000 / 28,851 Returns
**Data Source:** Oklahoma Individual Income Tax Micro-Simulator
**Reliability:** 2

20. ***Private Retirement Benefits*, 68 O.S. § 2358**
An income tax exemption of up to $10,000 is allowed for specified private retirement benefits included in federal adjusted gross income.
**Estimate:** $88,122,000 / 273,923 Returns
**Data Source:** Oklahoma Individual Income Tax Micro-Simulator
**Reliability:** 2

21. ***Deferred Compensation*, 68 O.S. § 2358**
Lump-sum distributions from employer deferred compensation plans, which are not plans within the Internal Revenue Code, deposited in separate bank accounts, are excluded from an individual's taxable income.
**Estimate:** *Information Unavailable. This exemption is commingled with several others on Oklahoma income tax form 511.*

22. ***Medical Savings Account*, 68 O.S. § 2358**
Contributions made to a medical savings account and interest earned are exempt from an individual's taxable income.
**Estimate:** *Information Unavailable. This exemption is commingled with several others on Oklahoma income tax form 511.*

23. ***Agricultural Commodity Processing Facilities*, 68 O.S. § 2358**
An exclusion from taxable income, in the amount of 15% of the investment for new or expanded agricultural commodity processing facilities, is allowed.
**Estimate:** *Information Unavailable. This exemption is commingled with several others on Oklahoma income tax form 511.*

24. ***Safety Pays OSHA Consultation Service Exemption*, 68 O.S. § 2358**
An employer that utilizes the Safety Pays OSHA Consultation Service provided by the Oklahoma Department of Labor is entitled to a $1,000 exemption for the tax year the service is utilized.
**Estimate:** *Information Unavailable. This exemption is commingled with several others on Oklahoma income tax form 511.*

25. ***Competitive Livestock Show Award*, 68 O.S. § 2358**
The recipient of an award for participation in a competitive livestock show event may exclude from taxable income the amount of the award, not to exceed $600.
**Estimate:** *Information Unavailable. This exemption is commingled with several others on Oklahoma income tax form 511.*

26. ***Poll Worker Exemption*, 68 O.S. § 2358**
An employer providing paid leave to an employee for the purpose of volunteering as a poll worker with a county election board in Oklahoma may exclude from taxable income $100 for each day of leave provided in the tax year.
**Estimate:** *Information Unavailable. This exemption will be effective beginning in tax year 2025.*

27. ***Prisoners of War*, 68 O.S. § 2358.1**

Income of members of the U.S. Armed Forces and certain civilians who have been detained as prisoners of war or are listed as missing in action are exempt from state income taxes. The income of spouses and dependents of such persons is eligible for an exemption from Oklahoma income tax for the duration of the prisoner of war or missing in action status. Section 2358.1 further provides for refund provisions on taxes paid during prisoner of war or missing in action status.

**Estimate:** $0
**Data Source:** Income Tax Returns
**Reliability:** 1

28. ***Deceased Member of Armed Forces and Spouse*, 68 O.S. § 2358.1A**

Any payment made by the U.S. Department of Defense (USDOD) as a result of the death of a member of the U.S. Armed Forces who has been killed in action in a USDOD designated combat zone is exempt from Oklahoma income tax during the taxable year in which the individual is declared deceased by the U.S. Armed Forces. Any income earned by the spouse of a member of the Armed Forces who has been killed in action in a USDOD designated combat zone is exempt from Oklahoma income tax during the taxable year in which the individual is declared deceased by the Armed Forces.

**Estimate:** *Information Unavailable*

29. ***Foster Care Deduction*, 68 O.S. § 2358.5-1**

An income tax deduction of up to $5,000 is allowed for expenses incurred to provide care for a foster child.

**Estimate:** $228,000 / 1,433 Returns
**Data Source:** Income Tax Returns
**Reliability:** 1

30. ***Tax Incentives for Inventors*, 74 O.S. § 5064.7**

Royalty income is exempt from state income taxes for a period of 7 years upon certain products developed and manufactured in Oklahoma. Further, manufacturers may qualify for the Oklahoma Investment/ New Jobs Credit (68 O.S. § 2357.4) and an income exclusion of 65% of depreciable property purchased and directly used in manufacturing the product, not to exceed $500,000.

**Estimate:** *Information Unavailable. This exemption is commingled with several others on Oklahoma income tax form 511.*

31. ***Small Business Incubators – Tenants*, 74 O.S. § 5078**

Tenants of small business incubators are exempt from income tax on the income earned as a result of the occupancy in the incubator. This exemption is available for a period up to 10 years.

**Estimate:** *Information Unavailable. This exemption is commingled with several others on Oklahoma income tax form 511.*

32. ***Oklahoma First-Time Home Buyer Savings Account*, 46 O.S. § 311 et seq.**

Oklahoma residents may deduct from Oklahoma taxable income the amount contributed to a home buyer savings account, as well as exclude from Oklahoma taxable income the amount of earnings, including interest and other income on the principal in an eligible home buyer savings account.

**Estimate:** *Information Unavailable. This exemption is commingled with several others on Oklahoma income tax form 511.*

## C. BONDS, NOTES AND OBLIGATIONS

Oklahoma exempts the interest and other income earned on certain bonds, notes, and obligations from Oklahoma income tax. Tax return source data does not typically show this data; therefore, estimates are unavailable.

1. ***Municipal Power Authority*, 11 O.S. § 24-106 (MPA)**
   Income and interest earned on bonds and notes of the MPA are nontaxable.

2. ***Urban Renewal Authorities*, 11 O.S. § 38-115 (URA)**
   Income and interest earned on bonds and notes of the URA are nontaxable.

3. ***Public Rural Ambulance Service Districts*, 19 O.S. § 1220**
   Income interest and capital gains on securities and evidences of indebtedness issued by public rural ambulance service districts are exempt from income tax.

4. ***State of Oklahoma Building Bonds*, 62 O.S. § 57.4 (OBB)**
   All bonds issued pursuant to this act, and the interest thereon, is not subject to taxation by the State of Oklahoma.

5. ***State of Oklahoma Building Bonds of 1961*, 62 O.S. § 57.34**
   Income derived from OBB of 1961 is not subject to taxation by the State of Oklahoma.

6. ***State of Oklahoma Building Bonds of 1965*, 62 O.S. § 57.54**
   Income derived from State of OBB of 1965 is not subject to taxation by the State of Oklahoma.

7. ***State of Oklahoma Institutional Building Bonds of 1965*, 62 O.S. § 57.64**
   Income derived from State of Oklahoma Institutional Building Bonds of 1965 is not subject to taxation by the State of Oklahoma.

8. ***Local Industrial Development Act*, 62 O.S. § 660 (LIDA)**
   Bonds issued under the LIDA are exempt from all state taxes.

9. ***University Hospital Authority Revenue Bonds*, 63 O.S. § 3218 (UHA)**
   UHA revenue bonds are exempt from taxation by the State of Oklahoma and any political subdivision thereof, including the income therefrom, and any gain from the sale thereof.

10. ***Bond Interest Income*, 68 O.S. § 2358.5**
    Interest from local government obligations issued after July 1, 2001, by or on behalf of Oklahoma educational institutions, cities, towns, counties or public trusts (in which any of the foregoing are beneficiaries) is exempt from Oklahoma income tax.

11. ***Oklahoma Turnpike Authority*, 69 O.S. § 1714 (OTA)**
    The OTA is not required to pay any taxes or assessments on any project or property acquired under the statute creating and governing the OTA. Any income earned by the OTA, as well as any bond issued by the OTA, is exempt from state taxation. In the event the OTA leases property for concessions, that transaction creates a taxable event.

12. ***Oklahoma Educational Television Authority*, 70 O.S. § 23-116 (OETA)**
Income earned by the OETA and income derived from bonds issued by the OETA are exempt from income tax.

13. ***Oklahoma Student Loan Authority Bonds*, 70 O.S. § 695.3 (OSLA)**
Bonds and the income from bonds issued by the OSLA are exempt from income tax.

14. ***Independent School Districts – Stadium, Sports Arena, & Recreation Facilities Construction Revenue Bonds*, 70 O.S. § 821.4**
Any bond issued pursuant to 70 O.S. § 821 et seq. is exempt from income tax.

15. ***Board of Regents of Specific Institutions of Higher Learning Authorized to Issue Tax Exempt Bonds*, 70 O.S. § 4002**
Bonds issued by various boards of regents of institutes of higher learning are exempt from income tax.

16. ***Oklahoma Tuition Trust*, 70 O.S. § 6014 (OTT)**
The property and income of the OTT are exempt from taxation. Purchasers of advance tuition payments administered by the OTT are allowed to deduct those payments from taxable income in the year the purchase was made.

17. ***Oklahoma Industrial Finance Authority – State Industrial Finance Bonds*, 74 O.S. § 856 (OIFA)**
Income derived from bonds of OIFA is exempt from income tax.

18. ***Native American Cultural & Educational Authority of Oklahoma*, 74 O.S. § 1226.10 (Authority)**
The Authority is exempt from paying taxes on any project or property acquired or used by the Authority. This includes income from the property of the Authority.

19. ***Oklahoma Development Finance Authority Bonds*, 74 O.S. § 5062.11 (ODFA)**
Income derived from bonds issued by the ODFA is exempt from income tax.

20. ***Credit Enhancement Reserve Fund General Obligation Bonds Issued by the Oklahoma Development Finance Authority*, 74 O.S. § 5063.18 (CERFGO)**
Interest and income from CERFGO bonds issued by the ODFA are exempt from income tax.

21. ***Irrigation Districts*, 82 O.S. § 277.17**
All bonds, notes, and warrants, as well as interest thereon, issued pursuant to the Oklahoma Irrigation District Act are exempt from income tax.

22. ***Conservancy Districts/Conservancy Bonds*, 82 O.S. § 688**
Interest on any bond, note or warrant issued by a conservancy district is exempt from income tax.

23. ***Grand River Dam Authority*, 82 O.S. § 876 (GRDA)**
Bonds and interest on bonds issued by the GRDA are exempt from income tax.

24. ***Water Resources Board Investment Certificates*, 82 O.S. § 1085.33 (WRB)**
Income derived from WRB Investment Certificates is exempt from income tax.

25. ***Port Authority Bonds*, 82 O.S. § 1124**
Income derived from bonds issued by a port authority is exempt from income tax.

26. ***Regional Water Districts*, 82 O.S. § 1274**
Interest and capital gains on obligations, securities, and evidences of indebtedness of regional water districts are exempt from income tax.

27. ***Rural Water, Sewer, Gas & Solid Waste Management Districts*, 82 O.S. § 1324.22**
Interest and capital gains on securities or evidences of indebtedness of rural water, sewer, gas, and solid waste management districts are exempt from income tax.

## D. EXEMPT ENTITIES

Oklahoma statutes exempt a variety of entities from Oklahoma income tax. These include certain governmental entities, quasi-governmental agencies, and certain other tax-exempt organizations. Most do not have income tax filing requirements with the Oklahoma Tax Commission; therefore, an estimate of the tax expenditure is unavailable.

1. ***Airport Property & Income*, 3 O.S. § 65.17**
Any property in this state acquired by municipalities operating an airport for public purposes is exempt from Oklahoma state taxation.

2. ***Investment of Surplus Funds of Cemetery Corporations*, 8 O.S. § 17**
Surplus funds of cemetery corporations to be invested in secure real estate or securities to ensure perpetual maintenance and improvement of the cemetery are exempt from Oklahoma state taxation.

3. ***Municipal Power Authority*, 11 O.S. § 24-106**
Property of the Municipal Power Authority is nontaxable by the State of Oklahoma.

4. ***Rural Electric Cooperatives*, 18 O.S. § 437.25**
Income earned by rural electric cooperatives is exempt from income tax.

5. ***Oklahoma Property and Casualty Insurance Guaranty Association*, 36 O.S. § 2017**
The Association is exempt from payment of all fees and all taxes levied by the State of Oklahoma.

6. ***Oklahoma Life and Health Insurance Guaranty Association*, 36 O.S. § 2040**
The Association is exempt from payment of all fees and all taxes levied by the State of Oklahoma, except taxes levied on real property.

7. ***Nonprofit Hospital Service and Medical Indemnity Corporations*, 36 O.S. § 2617**
Income earned by nonprofit hospital service and medical indemnity corporations is exempt from income tax.

8. ***Nonprofit Optometric Service and Indemnity Corporations*, 36 O.S. § 2665**
Income earned by nonprofit optometric service and indemnity corporations is exempt from income tax.

9. ***Nonprofit Dental Service Corporations*, 36 O.S. § 2685**
Income earned by nonprofit dental service corporations is exempt from Oklahoma income tax.

10. ***Nonprofit Chiropractic Service Corporations*, 36 O.S. § 2691.15**
Income earned by nonprofit chiropractic service corporations is exempt from Oklahoma income tax.

11. ***Housing Authorities*, 63 O.S. § 1066**
Property and funds of housing authorities are exempt from all state taxes. This tax exemption does not apply to any portion of the project used by a profit-making enterprise.

12. ***Exempt Organizations*, 68 O.S. § 2359**
This provision exempts certain organizations from Oklahoma income tax. The exemption includes organizations exempt from taxation under provisions of the Internal Revenue Code and insurance companies paying a tax on gross premiums.

13. ***Oklahoma Turnpike Authority*, 69 O.S. § 1714 (OTA)**
The OTA is not required to pay any taxes or assessments on any project or property acquired under the statute creating and governing the OTA. Any income earned by the OTA, as well as any bond issued by the OTA, is exempt from state taxation. In the event the OTA leases property for concessions, that transaction creates a taxable event.

14. ***Oklahoma Educational Television Authority*, 70 O.S. § 23-116 (OETA)**
The OETA is not required to pay any taxes or assessments upon any project or any property acquired or used by the OETA.

15. ***Oklahoma Tuition Trust*, 70 O.S. § 6014 (OTT)**
The property and income of the OTT are exempt from taxation. Purchasers of advance tuition payments administered by the OTT are allowed to deduct those payments from taxable income in the year the purchase was made.

16. ***Native American Cultural & Educational Authority of Oklahoma*, 74 O.S. § 1226.10 (Authority)**
The Authority is exempt from paying taxes on any project or property acquired or used by the Authority. This includes income from the property of the Authority.

17. ***Export Trading Companies*, 74 O.S. § 2106**
An export trading company, with a registered office or other office in this state, is exempt from state corporate income tax and franchise tax for a period of 2 years from the date the Tax Commission certifies the export trading company as a qualified export trading company.

18. ***Oklahoma Center for the Advancement of Science and Technology*, 74 O.S. § 5060.9 (OCAST)**
The OCAST is exempt from all franchise, corporate business and income taxes levied by the state of Oklahoma.

## E. MISCELLANEOUS INCOME TAX EXPENDITURES

1. ***Qualified Refinery Property*, 68 O.S. § 2357.204**

Qualified Oklahoma refineries may elect to expense the cost of qualified refinery property that is not chargeable to a capital account.

**Estimate:** *Information Unavailable. This expense is commingled with several others on the Oklahoma income tax return.*

2. ***Cost of Complying with Sulfur Regulations*, 68 O.S. § 2357.205**

Qualified Oklahoma refineries may elect to allocate all or a portion of the cost of complying with sulfur regulations to its owners.

**Estimate:** *Information Unavailable. This expense is commingled with several others on the Oklahoma income tax return.*

3. ***Net Operating Losses*, 68 O.S. § 2358**

Oklahoma net operating losses can be used to offset another year's taxable income. Losses may either be carried forward or carried back at the option of the taxpayer.

**Estimate:** $41,251,000[6]/ 21,223 Returns
**Data Source:** Oklahoma Individual Income Tax Micro-Simulator
**Reliability:** 2

4. ***Income Averaging for Farmers*, 68 O.S. § 2358.4**

Farmers may elect to compute Oklahoma income tax using the income averaging method.

**Estimate:** *Information Unavailable*

[6] While net operating losses are available for both corporate and individual income tax filers, aggregate data for corporate filers is unavailable. The tax expenditure estimate for net operating losses reflects only individual income tax due to the data limitation.

# III. SALES AND USE TAXES

1. ***Rural Electric Cooperatives*, 18 O.S. § 437.25**
Purchases by rural electric cooperatives and foreign corporations transacting business under the Rural Electric Cooperative Act.
**Estimate(Sales Tax):** $9,612,000
**Data Source:** OU/OSU Group
**Reliability:** 3

2. ***Rural Water and Sewer Districts*, 18 O.S. § 863**
Purchases by nonprofit corporations organized for the purpose of developing and providing rural water supply and sewage disposal facilities.
**Estimate:** *Information Unavailable*

3. ***Ambulance Service Districts*, 19 O.S. § 1220**
Purchases made by ambulance service districts.
**Estimate:** *Information Unavailable*

4. ***Oklahoma Property and Casualty Insurance Guaranty Association*, 36 O.S. § 2017**
Purchases made by the Oklahoma Property and Casualty Insurance Guaranty Association.
**Estimate:** Not shown to avoid disclosure of information about specific taxpayers.

5. ***Oklahoma Life and Health Insurance Guaranty Association*, 36 O.S. § 2040**
Purchases made by the Oklahoma Life and Health Insurance Guaranty Association.
**Estimate:** Not shown to avoid disclosure of information about specific taxpayers.

6. ***Oklahoma Housing Authority*, 63 O.S. § 1066**
Purchase of property by an Oklahoma housing authority.
**Estimate(Sales Tax):** $43,000
**Data Source:** OU/OSU Group
**Reliability:** 3

7. ***Newspapers and Periodicals*, 68 O.S. § 1354**
Sales of newspapers and periodicals.
**Estimate(Sales Tax):** $2,276,000
**Data Source:** Tax Commission Records
**Reliability:** 1

8. ***Water, Sewage and Refuse Services*, 68 O.S. § 1354**
Sales of water, sewage, and refuse services.
**Estimate(Sales Tax):** $19,637,000
**Data Source:** OU/OSU Group
**Reliability:** 3

9. ***Tourism Broker Transportation Services*, 68 O.S. § 1354**
Transportation services provided by a tourism service broker that are incidental to the rendition of tourism brokerage services.
**Estimate(Sales Tax):** $739,000
**Data Source:** OU/OSU Group
**Reliability:** 3

10. ***Funeral Home Transportation Services*, 68 O.S. § 1354**
Transportation services provided by a funeral establishment to family members and other persons for purposes of conducting a funeral in this state.
**Estimate(Sales Tax):** $439,000
**Data Source:** OU/OSU Group
**Reliability:** 3

11. ***Scientific/Educational Lab Printing*, 68 O.S. § 1354**
Services of printing, copying or photocopying by a privately owned scientific and educational library.
**Estimate:** Not shown to avoid disclosure of information about specific taxpayers.

12. ***Credit for Contractors after Sales Tax Increase*, 68 O.S. § 1354**
Taxes paid by a contractor for purchases made subsequent to the date of a contract entered into prior to the effective date of an increase in the sales tax levied.
**Estimate(Sales Tax):** $0[7]

13. ***Sales of Admission Tickets by Aquariums*, 68 O.S. § 1354**
Sales of admission tickets by aquariums exempt from taxation pursuant to the provisions of the Internal Revenue Code, 26 U.S.C. §501(c)(3), or owned or operated by a public trust or political subdivision of this state, shall be collected and disbursed to the entity responsible for the aquarium's operations for use by that entity for promoting visitation primarily to out-of-state residents.
**Estimate:** Not shown to avoid disclosure of information about specific taxpayers.

14. ***Leases of Motor Vehicles*, 68 O.S. § 1355**
Leases for a period of 12 months or more of motor vehicles.
**Estimate:** *Information Unavailable*

15. ***Leases of Aircraft*, 68 O.S. § 1355**
Leases of aircraft upon which the owners have paid the aircraft excise tax or are exempt from such tax.
**Estimate:** *Information Unavailable*

16. ***United States Government, or Agents of the U.S. Government*, 68 O.S. § 1356**
Sales of property/services to the U.S. Government, or sales to agents of the U.S. Government wherein ownership and possession transfer immediately to the U.S. Government
**Estimate:** $0[8]

17. ***State of Oklahoma*, 68 O.S. § 1356**
Sales of property/services to the State of Oklahoma and its political subdivisions.
**Estimate(Sales Tax):** $138,982,000
**Data Source:** OU/OSU Group
**Reliability:** 3

[7] Not applicable for FY24; last increase to state sales tax rate was effective February 1, 1990.
[8] All expenditures involving the United States are given an estimate of zero. This estimate is provided since the State cannot levy a tax upon the federal government under the decision of the U.S. Supreme Court.

18. ***Federally Funded Facility*, 68 O.S. § 1356**
Sales of property to agents appointed by a political subdivision of this state if such sale is associated with the development of a qualified federal facility.
**Estimate:** *Information Unavailable*

19. ***County, District, or State Fair Authorities*, 68 O.S. § 1356**
Sales made by county, district or state fair authorities of this state, upon the premises of the fair authority, for the sole benefit of the fair authority.
**Estimate:** *Information Unavailable*

20. ***School Cafeterias*, 68 O.S. § 1356**
Sale of food in cafeterias or lunch rooms by elementary schools, high schools, colleges or universities.
**Estimate(Sales Tax):** $9,090,000
**Data Source:** OU/OSU Group
**Reliability:** 3

21. ***Fraternal, Religious, Civic, Charitable or Educational Societies*, 68 O.S. §1356**
Dues paid to fraternal, religious, civic, charitable or educational societies or organizations by regular members thereof.
**Estimate(Sales Tax):** $5,387,000
**Data Source:** OU/OSU Group
**Reliability:** 3

22. ***Privately Owned Scientific and Educational Libraries*, 68 O.S. § 1356**
Dues paid to privately owned scientific and educational libraries by members sharing the use of services rendered by such libraries with students interested in the study of geology, petroleum engineering, or related subjects.
**Estimate:** Not shown to avoid disclosure of information about specific taxpayers.

23. ***Churches*, 68 O.S. § 1356**
Sales of property/services to, or by, churches.
**Estimate(Sales Tax):** $8,218,000
**Data Source:** OU/OSU Group
**Reliability:** 3

24. ***Charitable Purposes*, 68 O.S. § 1356**
Sales by nonprofit organizations making sales on behalf of, or at the request of, a church(es) during a single 3-day period each year, where the proceeds are used for charitable purposes.
**Estimate:** *Information Unavailable*

25. ***Admission Tickets (College or University)* , 68 O.S. § 1356**
Amount of proceeds from the sale of admission tickets, which is separately stated on the ticket, for repayment of money borrowed by any state-supported college or university for the purpose of constructing or enlarging any facility.
**Estimate:** *Information Unavailable*

26. ***Council Organizations*, 68 O.S. § 1356**
Sales of tangible personal property/services to Council Organizations of the Boy Scouts of America, Girl Scouts of U.S.A. and Campfire USA.
**Estimate:** Not shown to avoid disclosure of information about specific taxpayers.

27. ***Subdivisions or Agencies of the State*, 68 O.S. § 1356**
Sales of property/services to any county, municipality, rural water district, public school district, city-county library system, the institutions of the Okla. State System of Higher Education, the Grand River Dam Authority, the Northeast Okla. Public Facilities Authority, Okla. Municipal Power Authority, City of Tulsa Rogers County Port Authority, Muskogee City-County Port Authority, the ODVA, the Broken Bow Economic Development Authority, Ardmore Development Authority, Durant Industrial Authority, Oklahoma Ordnance Works Authority, Central Okla. Master Conservancy District, Arbuckle Master Conservancy District, Fort Cobb Master Conservancy District, Foss Reservoir Master Conservancy District, Mountain Park Master Conservancy District, Waurika Lake Master Conservancy District and OMES only when carrying out a public construction contract on behalf of the ODVA, the University Hospital Trust, the OSU Medical Authority and Trust, and the OSU Veterinary Medicine Authority and Trust. The exemption also extends to persons who have entered into a public contract with any of the above-named subdivisions or agencies.
**Estimate(Sales Tax):** $172,887,000
**Data Source:** OU/OSU Group
**Reliability:** 3

28. ***Private Education Institutions*, 68 O.S. § 1356**
Sales to private institutions of higher education and private elementary and secondary institutions of education accredited by the State Department of Education.
**Estimate(Sales Tax):** $4,563,000
**Data Source:** OU/OSU Group
**Reliability:** 3

29. ***Tuition and Educational Fees*, 68 O.S. § 1356**
Tuition and educational fees paid to private institutions of higher education and private elementary and secondary institutions of education accredited by the State Department of Education.
**Estimate:** *Information Unavailable*

30. ***Sales by Schools*, 68 O.S. § 1356**
Sales of tangible personal property by a public/private school (K-12), public school district, public/private school board, public/private school student group or organization, parent-teacher association or organization, or public/private school personnel for the purpose of raising funds.
**Estimate(Sales Tax):** $9,935,000
**Data Source:** OU/OSU Group
**Reliability:** 3

31. ***4-H Clubs*, 68 O.S. § 1356**
Sales of tangible personal property by local, county, state or regional 4-H clubs, councils, committees, leader associations, foundations, camps, and training centers for the purpose of raising funds.
**Estimate:** Not shown to avoid disclosure of information about specific taxpayers.

32. ***Athletic Event Admission Tickets*, 68 O.S. § 1356**
The first $75,000 of gross receipts each year from sale of tickets and concessions at athletic events by organizations exempt from taxation under 26 U.S.C. §501(c)(4).
**Estimate:** *Information Unavailable*

33. ***Development and Production of Advertising, Promotion, Publicity and Public Relations Programs for the Oklahoma Tourism & Recreation Department*, 68 O.S. § 1356**
Sales of tangible personal property/services to any person with whom the Oklahoma Tourism and Recreation Department has entered into a public contract and which is necessary for carrying out such contract to assist the Department in the development and production of advertising, promotion, publicity and public relations programs.
**Estimate:** *Information Unavailable*

34. ***Volunteer Fire Departments*, 68 O.S. § 1356**
Sales of property/services to volunteer fire departments for use by the fire department.
**Estimate:** *Information Unavailable*

35. ***Complimentary Admission Tickets*, 68 O.S. § 1356**
**Citation:** **68 O.S. §1356**
**Description:** Free tickets for admission to places of amusement, sports, or other activities that are issued through a box office operated by a state institution of higher education or by a municipality.
**Estimate(Sales Tax):** Minimal
**Data Source:** OU/OSU Group
**Reliability:** 3

36. ***Sales by Fire Departments*, 68 O.S. § 1356**
The first $15,000 of gross receipts each year from sales of tangible personal property by fire departments organized pursuant to Titles 11, 18 or 19 of the Oklahoma Statutes for the purpose of raising funds.
**Estimate(Sales Tax):** $712,000
**Data Source:** OU/OSU Group
**Reliability:** 3

37. ***Boys and Girls Clubs of America*, 68 O.S. § 1356**
Sales of tangible personal property/services to any Boys and Girls Clubs of America affiliate in this state that is not affiliated with the Salvation Army.
**Estimate:** Not shown to avoid disclosure of information about specific taxpayers.

38. ***Court-Adjudicated Juvenile Facility*, 68 O.S. § 1356**
Sales of tangible personal property/services to any federally tax exempt organization that takes court-adjudicated juveniles for purposes of rehabilitation.
**Estimate(Sales Tax):** Minimal
**Data Source:** OU/OSU Group
**Reliability:** 3

39. ***Qualified Health Centers*, 68 O.S. § 1356**
Sales of property/services to federally-qualified health centers, indigent health care centers, and qualifying community-based health centers.
**Estimate:** *Information Unavailable*

40. ***Dues or Fees Paid to YMCAs or YWCAs*, 68 O.S. § 1356**
Dues or fees paid to YMCAs, YWCAs, or municipally-owned recreation centers for use of facilities or programs.
**Estimate:** *Information Unavailable*

41. ***Cultural Organizations*, 68 O.S. § 1356**
The first $15,000 each year from sales by, or to, cultural organizations.
**Estimate(Sales Tax):** $164,000
**Data Source:** Tax Commission Records
**Reliability:** 2

42. ***Accredited Museums*, 68 O.S. § 1356**
Sales of property/services to museums or other entities accredited by the American Association of Museums, a/k/a the American Alliance of Museums.
**Estimate:** $69,000
**Data Source:** Nonprofit Entities
**Reliability:** 3

43. ***Non-Accredited Museums*, 68 O.S. § 1356**
Sales of tangible personal property/services to a museum that operates as part of an organization that is exempt from taxation pursuant to 26 U.S.C., § 501(c)(3) and is not accredited by the American Alliance of Museums. To qualify, the described entities must operate on an annual budget of less than $1 million.[9]
**Estimate:** $33,000
**Data Source:** Nonprofit Entities
**Reliability:** 3

44. ***Museum Admission Tickets*, 68 O.S. § 1356**
Sales of tickets for admission to museums accredited by the American Association of Museums, a/k/a the American Alliance of Museums.
**Estimate:** $412,000
**Data Source:** Nonprofit Entities
**Reliability:** 3

45. ***Children's Homes*, 68 O.S. § 1356**
Sales of property/services to children's homes that are supported by one or more churches whose members serve as trustees of the home.
**Estimate:** *Information Unavailable*

46. ***Disabled American Veterans*, 68 O.S. § 1356**
Sales of property/services to the organization known as Disabled American Veterans, Department of Oklahoma, Inc., and subordinate chapters thereof.
**Estimate:** *Information Unavailable*

47. ***Youth Camps*, 68 O.S. § 1356**
Sales of property/services to youth camps supported or sponsored by one or more churches whose members serve as trustees of the organization.
**Estimate:** *Information Unavailable*

[9] Effective November 1, 2021 through December 31, 2024.

48. ***University Hospitals Trust and Nonprofit Organization with Joint Operating Agreement with the University Hospitals Trust*, 68 O.S. § 1356**

Effective July 1, 2022, transfer of tangible personal property/services to, or by, the University Hospitals Trust created pursuant to 63 O.S. § 3224 along with the transfer of tangible personal property/services to, or by, nonprofit entities which are exempt from taxation pursuant to 26 U.S.C., § 501(c)(3) which have entered into a joint operating agreement with the University Hospitals Trust.

**Estimate:** Not shown to avoid disclosure of information about specific taxpayers.

49. ***Lease or Lease-Purchase Agreement*, 68 O.S. § 1356**

Sales of tangible personal property/services to a municipality, county or school district pursuant to a lease or lease-purchase agreement between the vendor and a municipality, county or school district.

**Estimate:** *Information Unavailable*

50. ***Spaceport Operations*, 68 O.S. § 1356**

A. Sales of tangible personal property/services to any spaceport user.

B. Sale, use, storage, consumption, or distribution in this state of:

(1) Any satellite or associated launch vehicle, including components, parts and motors, imported or caused to be imported into this state for the purpose of export by means of launching into space.

(2) Any space facility, space propulsion system or space vehicle, satellite, or station of any kind possessing space flight capacity, including components thereof.

(3) Tangible personal property placed on or used aboard any space facility, space propulsion system or space vehicle, satellite, or station possessing space flight capacity.

C. Sale, lease, use, storage, consumption, or distribution in this state of tangible personal property meeting the definition of "section 38 property" as defined in Section 48(a)(1)(A) and (B)(i) of the Internal Revenue Code of 1986, that is an integral part of and used primarily in support of space flight.

D. Purchase or lease of machinery and equipment for use at a fixed location in this state, which is used exclusively in the manufacturing, processing, compounding, or producing of any space facility, space propulsion system or space vehicle, satellite, or station of any kind possessing space flight capacity.

**Estimate:** $0
**Data Source:** Tax Commission Records
**Reliability:** 1

51. ***Admission Tickets Surcharge*, 68 O.S. § 1356**

Amount of surcharge or any other amount that is separately stated on an admission ticket that is imposed, collected and used for the sole purpose of constructing, remodeling or enlarging facilities of a public trust having a municipality or county as its sole beneficiary.

**Estimate:** *Information Unavailable*

52. ***State Parks*, 68 O.S. § 1356**

Purchases of items used in or for the benefit of the state parks by a 501(c)(3) organization whose purpose is to support one or more state parks.

**Estimate:** *Information Unavailable*

53. ***Parking Privileges*, 68 O.S. § 1356**
Sale, lease, or use of parking privileges by an institution of the Oklahoma State System of Higher Education.
**Estimate:** $350,000
**Data Source:** Higher Education Sources
**Reliability:** 3

54. ***Campus Construction Projects*, 68 O.S. § 1356**
Sales of tangible personal property/services for use on campus construction projects for the benefit of institutions of the Oklahoma State System of Higher Education or private institutions of higher education accredited by the Oklahoma State Regents for Higher Education when such projects are financed by or through the use of § 501(c)(3) nonprofit entities that are exempt from taxation.
**Estimate:** *Information Unavailable*

55. ***School Construction Projects*, 68 O.S. § 1356**
Sales of tangible personal property/services for use on school construction projects for the benefit of any public school or school district when such projects are financed by or through § 501(c)(3) nonprofit entities exempt from taxation.
**Estimate:** *Information Unavailable*

56. ***National Championship Sports Event*, 68 O.S. § 1356**
Sales of tangible personal property/services by a nonprofit organization made in the course of conducting a national championship sports event, if a portion of the payment would qualify as the receipt of a qualified sponsorship payment.
**Estimate:** *Information Unavailable*

57. ***Education Related to Robotics*, 68 O.S. § 1356**
Sales of tangible personal property/services to, or by, nonprofit organizations affiliated with a comprehensive university within the Oklahoma State System of Higher Education providing education and teachers training relating to robotics.
**Estimate:** *Information Unavailable*

58. ***Youth Athletic Teams*, 68 O.S. § 1356**
The first $15,000 in sales of tangible personal property to, or by, youth athletic teams, that are part of an organization that is exempt from taxation pursuant to § 501(c)(4), that are made to raise money for the team.
**Estimate(Sales Tax):** Minimal
**Data Source:** Tax Commission Records
**Reliability:** 2

59. ***Championship Event Tickets*, 68 O.S. § 1356**
Sales of tickets to college athletic events at venues owned or operated by a municipality or a public trust, of which the municipality is the sole beneficiary, that are part of a tournament to determine regional or national championships at the college or university level.
**Estimate:** *Information Unavailable*

60. ***Oklahoma City National Memorial*, 68 O.S. § 1356**
Sales of tangible personal property/services to, or by, a nonprofit organization operating the OKC National Memorial and Museum.
**Estimate:** Not shown to avoid disclosure of information about specific taxpayers.

61. ***Veterans' Organizations*, 68 O.S. § 1356**
Sales of tangible personal property/services to nonprofit veterans' organizations that furnish support to area veterans' organizations to be used for the purpose of constructing a memorial or museum.
**Estimate:** *Information Unavailable*

62. ***Public Libraries*, 68 O.S. § 1356**
Sales of tangible personal property/services to nonprofit organizations that are expending monies received from a private foundation grant in conjunction with expenditures of local sales tax revenue to construct a local public library.
**Estimate(Sales Tax):** $0
**Data Source:** Tax Commission Records
**Reliability:** 1

63. ***Bordering States*, 68 O.S. § 1356**
Sales of tangible personal property/services to bordering states or their political subdivisions, but only to the extent those states afford this state and its political subdivisions the same sales tax treatment.
**Estimate:** *Information Unavailable*

64. ***Career Technology Student Organization*, 68 O.S. § 1356**
Sales of tangible personal property/services to the Career Technology Student Organizations under the supervision of the Oklahoma Department of Career and Technology Education.
**Estimate(Sales Tax):** Minimal
**Data Source:** Industry Sources
**Reliability:** 3

65. ***Improvements or Expansions of Hospitals or Nursing Homes*, 68 O.S. § 1356**
Purchases made to improve or expand hospitals and nursing homes owned and operated by cities, towns, counties, or by public trusts having these units of political subdivision as their beneficiary, or to § 501(c)(3) organizations, or to the contractor or subcontractor with one of the above named entity types.
**Estimate(Sales Tax):** $0
**Data Source:** Tax Commission Records
**Reliability:** 1

66. ***Specialized Facilities Serving Physically and Mentally Handicapped Persons,* 68 O.S. § 1356**
Sales of tangible personal property/services to a § 501(c)(3) organization that assists, trains, educates, and provides housing for physically and mentally handicapped persons; and the organization receives at least 85% of its annual budget from state or federal funds.
**Estimate:** *Information Unavailable*

67. ***Neighborhood Watch Organizations*, 68 O.S. § 1356**
The first $2,000 in yearly sales to, by, or for the benefit of the first 2,000 neighborhood watch organizations to apply that are working directly with law enforcement.
**Estimate(Sales Tax):** Minimal
**Data Source:** Tax Commission Records
**Reliability:** 2

68. ***Organization Providing Services During the Day to Homeless Persons*, 68 O.S. § 1356**

Sales of tangible personal property to a § 501(c)(3) organization organized primarily for the purpose of providing services to homeless persons during the day and located in a metropolitan area with a population in excess of 500,000 persons.

**Estimate:** $314,000
**Data Source:** Nonprofit Entities
**Reliability:** 3

69. ***Organization Providing Funding for the Preservation and Conservation of Wetlands and Habitat for Wild Ducks and Turkeys*, 68 O.S. § 1356**

Sales of tangible personal property/services to, or by, a § 501(c)(3) organization for events the principal purpose of which is to provide funding for the preservation of wetlands and habitat for wild ducks and wild turkeys.

**Estimate:** Not shown to avoid disclosure of information about specific taxpayers.

70. ***Organization That is Part of a Network of Autonomous Member Organizations,* 68 O.S. § 1356**

Sales of tangible personal property/services to a § 501(c)(3) organization that is part of a network of community-based, autonomous member organizations that meet the following criteria:

a. Serves people with workplace disadvantages/disabilities by providing job training/employment services, job placement, and post-employment support,
b. Has locations in the United States and at least 20 other countries,
c. Collects donated clothing and household goods to sell in retail stores and provides contract labor services to business and government, and
d. Provides documentation to the OTC that over 75% of its revenues are channeled into employment, job training and placement programs and other critical community services.

**Estimate:** Not shown to avoid disclosure of information about specific taxpayers.

71. ***Tickets to National Basketball Association and National Hockey League Games*, 68 O.S. § 1356**

Sales or gifts of tickets to National Basketball Association or National Hockey League Games.

**Estimate:** Not shown to avoid disclosure of information about specific taxpayers.

72. ***Admission to Professional Sporting Events*, 68 O.S. § 1356**

Admissions to professional sporting events involving ice hockey, baseball, basketball, football or arena football, or soccer.

**Estimate(Sales Tax):** $1,276,000
**Data Source:** Industry Sources
**Reliability:** 3

73. ***Tickets to an Annual Event Sponsored by an Educational and Charitable Organization of Women*, 68 O.S. § 1356**

Admissions to an annual event sponsored by an educational and charitable § 501(c)(3) organization of women that promotes volunteerism, developing the potential of women and improving the community through the effective action and leadership of trained volunteers.

**Estimate:** *Information Unavailable*

74. ***Community Mental Health Center*, 68 O.S. § 1356**
Sales of tangible personal property/services to any community mental health center as defined in 43A O.S. § 3-302.
**Estimate:** $61,000
**Data Source:** Nonprofit Entities
**Reliability:** 3

75. ***Community Health Charities Member Organizations*, 68 O.S. § 1356**
Sales of tangible personal property/services to an organization primarily engaged either in providing educational services and programs concerning health-related diseases and conditions to individuals suffering from such health-related diseases and conditions or their caregivers and family members or support to such individuals, or in health-related research as to such diseases and conditions, or both. Such organization must itself be a member of a tax-exempt organization that is primarily engaged in advancing the purposes of its member organizations through fundraising, public awareness or other efforts for the benefit of its member organizations. In order to qualify for the exemption, the member nonprofit organization shall be required to provide proof to the OTC of its membership status in the membership organization.
**Estimate:** *Information Unavailable*

76. ***National Volunteer Women's Service Organization*, 68 O.S. § 1356**
Sales of tangible personal property/services to, or by, an organization that is part of a national volunteer women's service organization dedicated to promoting patriotism, preserving American history and securing better education for children and which has at least 168,000 members in 3,000 chapters across the U.S.
**Estimate:** Not shown to avoid disclosure of information about specific taxpayers.

77. ***YMCA or YWCA*, 68 O.S. § 1356**
Sales of tangible personal property/services to, or by, a YMCA or YWCA organization.
**Estimate:** Not shown to avoid disclosure of information about specific taxpayers.

78. ***Veterans of Foreign Wars*, 68 O.S. § 1356**
Sales of tangible personal property/services to, or by, the Oklahoma chapters.
**Estimate:** Not shown to avoid disclosure of information about specific taxpayers.

79. ***Food Boxes Containing Edible Staple Food Items*, 68 O.S. § 1356**
Sales of boxes containing edible staple food items when the boxes are sold by churches or by § 501(c)(3) organizations where the organization was organized for to feed needy persons or to encourage volunteer service.
**Estimate:** *Information Unavailable*

80. ***Contractors and Subcontractors with Churches*, 68 O.S. § 1356**
Purchases of tangible personal property/services by persons with whom a church has duly entered into a construction contract or to a subcontractor to that contract.
**Estimate:** *Information Unavailable*

81. ***Organizations Providing Training and Education to Developmentally Disabled Individuals*, 68 O.S. § 1356**
Sales of tangible personal property/services used exclusively for charitable, educational or religious purposes, to, or by, a § 501(c)(3) organization and has a Not-for-Profit Certificate of Incorporation in Oklahoma, that is organized to provide training and education to developmentally disabled individuals; educating the community about the rights, abilities and strengths of developmentally disabled individuals; and promoting unity among developmentally disabled individuals in their community and geographic area.
**Estimate:** *Information Unavailable*

82. ***Shelters for Abused, Neglected or Abandoned Children*, 68 O.S. § 1356**
Sales of tangible personal property/services to a § 501(c)(3) organization that is a shelter for abused, neglected, or abandoned children from birth to age 18.
**Estimate:** *Information Unavailable*

83. ***Child Care Centers Possessing a 3-Star Rating*, 68 O.S. § 1356**
Sales of tangible personal property/services to child care centers possessing a 3-star rating with DHS and providing on-site universal pre-kindergarten education to 4-year-old children through a contractual relationship with a public school.
**Estimate:** *Information Unavailable*

84. ***Blue Star Mothers of America, Inc.*, 68 O.S. § 1356**
Sales of tangible personal property to the exempt 501(c)(19) service organization known as Blue Star Mothers of America, Inc., which sends personal property to U.S. Military personnel overseas who are serving in a combat zone.
**Estimate:** Not shown to avoid disclosure of information about specific taxpayers.

85. ***Local Public or Private School Foundations*, 68 O.S. § 1356**
Sales of tangible personal property by, or to, nonprofit local public/private school foundations that solicit money or property in the name of any public/private school or public school district.
**Estimate:** *Information Unavailable*

86. ***Organizations Providing Funds for Medical Scholarships*, 68 O.S. § 1356**
Sales of food and snack items to, or by, a § 501(c)(3) organization whose primary purpose is providing funds for scholarships in the medical field.
**Estimate:** *Information Unavailable*

87. ***Construction Projects for Entities Providing End-Of-Life Care and Hospice Services*, 68 O.S. § 1356**
Sales of tangible personal property/services for use solely on construction projects for § 501(c)(3) organizations whose purpose is to provide end-of-life care and access to hospice services to low-income individuals who live in a facility owned by the organization. The measure extends the exemption to sales to any person, including contractors and subcontractors, with whom such organization has duly entered into a construction contract, necessary for carrying out such contract.
**Estimate:** *Information Unavailable*

88. ***Event Admissions Sales by Organizations Supporting General Hospitals*, 68 O.S. § 1356**
Sales of admission tickets to events held by § 501(c)(3) organizations that are organized for the purpose of supporting general hospitals licensed by the Oklahoma Department of Health.
**Estimate:** *Information Unavailable*

89. ***Nonprofit Foundation Raising Contributions in Support of Activities of the NRA and Similar Organizations*, 68 O.S. § 1356**
Sales of property to a nonprofit foundation that raises tax deductible contributions in support of a wide range of firearms related public interest activities of the National Rifle Association of America and other organizations that defend and foster the Second Amendment and sales of property to, or by, grassroots fundraising programs related to events to raise funds for the referenced foundation.
**Estimate:** *Information Unavailable*

90. ***Nonprofit Fundraising Events*, 68 O.S. § 1356**
Sales by a § 501(c)(3) organization or entity that are related to a fundraising event sponsored by the organization or entity when the event does not exceed any 5 consecutive days and when the sales are not in the organization's or entity's regular course of business. The provided exemption is limited to tickets sold for admittance to the fundraising event and items that were donated to the organization or entity for sale at the event.
**Estimate:** *Information Unavailable*

91. ***Collaborative Model Organizations Connecting Community Agencies to Serve Persons Affected by Violence*, 68 O.S. § 1356**
Sales of tangible personal property/services to a § 501(c)(3) organization that operates as a collaborative model which connects community agencies in one location to serve individuals and families affected by violence and where victims have access to services and advocacy at no cost to the victim.
**Estimate:** $112,000
**Data Source:** Nonprofit Entities
**Reliability:** 3

92. ***National Guard Association of Oklahoma* , 68 O.S. § 1356**
Sales of tangible personal property/services to or by a § 501(c)(19) association which is known as the National Guard Association of Oklahoma.
**Estimate:** Not shown to avoid disclosure of information about specific taxpayers.

93. ***Marine Corps League of Oklahoma*, 68 O.S. § 1356**
Sales of tangible personal property/services to or by a § 501(c)(4) association which is known as the Marine Corps League of Oklahoma.
**Estimate:** Not shown to avoid disclosure of information about specific taxpayers.

94. ***American Legion*, 68 O.S. § 1356**
Sales of tangible personal property/services to the American Legion, whether the purchase is made by the entity chartered by the U.S. Congress or is an entity organized under the laws of Oklahoma or another state pursuant to the authority of the national American Legion organization.
**Estimate**: Not shown to avoid disclosure of information about specific taxpayers.

95. ***Fab Lab Network Member*, 68 O.S. § 1356**

Sales of tangible personal property/services to, or by, a § 501(c)(3) organization that is an official member of the Fab Lab Network in compliance with the Fab Charter as verified by a letter from the MIT Fab Foundation and whose primary and principal purpose is to provide community access to advanced 21st century manufacturing and digital fabrication tools for science, technology, engineering, art and math (STEAM) learning skills, developing inventions, creating and sustaining businesses and producing personalized products.

**Estimate:** Not shown to avoid disclosure of information about specific taxpayers.

96. ***Nonprofit Organizations that Construct, Remodel and Sell Affordable Housing*, 68 O.S. § 1356**

Sales of tangible personal property/services used solely for construction and remodeling projects to a § 501(c)(3) organization that meets the following requirements:

a. Its primary purpose is to construct or remodel and sell affordable housing and provide homeownership education to residents of Oklahoma that have an income that is below 100% of the Family Median Income guidelines as defined by the U.S. Department of Housing and Urban Development,

b. Conducts its activities in a manner that serves public or charitable purposes, rather than commercial purposes,

c. Receives funding and revenue and charges fees in a manner that does not incentivize it or its employees to act other than in the best interest of its clients,

d. Compensates its employees in a manner that does not incentivize employees to act other than in the best interest of its clients.

**Estimate (Sales Tax):** $302,000
**Data Source:** Industry Sources
**Reliability:** 3

97. ***Nonprofit Organizations Restoring Single-Family Housing Following a Natural Disaster*, 68 O.S. § 1356**

a. Sales of tangible personal property/services to qualified non-profit organizations that provide repair, restoration, or construction of replacement single-family dwellings following a natural disaster. To be eligible, an entity must have expended at least 75% of its funds on the restoration to single-family housing following a disaster.

b. Sales of tangible personal property/services made on or after July 1, 2022, to a qualified nonprofit entity, the principal functions of which are to provide assistance to a natural person following a disaster,[10] with program emphasis on repair, restoration, or construction of replacement single-family dwellings. An entity operated exclusively for charitable and educational purposes through the coordination of volunteers for the disaster recovery of homes[11] that offers its services free of charge to disaster survivors statewide who are low income, with no or limited means of recovery on their own, for the restoration of single-family housing following a disaster, including related general and administrative expenses, will be eligible for the exemption.

**Estimate (Sales Tax):** $0
**Data Source:** Tax Commission Records
**Reliability:** 1

[10] For purposes of the exemption, "disaster" is defined to mean damage to property with or without accompanying injury to persons from heavy rain, high winds, tornadic winds, drought, wildfire, snow, ice, geologic disturbances, explosions, chemical accidents or spills and other events, causing damage to property on a large scale.

[11] As derived from Part III, Statement of Program Services, of Internal Revenues Service Form 990.

98. ***Nonprofit Organizations that Provide Support to Veterans, Members of the Armed Forces, National Guard and Reservists*, 68 O.S. § 1356**
Sales of tangible personal property/services to a § 501(c)(3) organization that provides support to veterans, active duty members of the Armed Forces, reservists and members of the National Guard to assist with the transition to civilian life, and that provides documentation to the OTC that over 70% of its revenue is expended on support for transition to civilian life.
**Estimate**: *Information Unavailable*

99. ***Oklahoma Women Veterans Organization and Subchapters*, 68 O.S. § 1356**
Sales of tangible personal property/services to or by a veteran's organization, and its subchapters in Oklahoma, that is exempt from taxation pursuant to 26 U.S.C. §501(c)(19) and is known as the Oklahoma Women Veterans Organization.
**Estimate**: *Information Unavailable*

100. ***Transportation of School Pupils*, 68 O.S. § 1357**
Transportation of school pupils to and from elementary schools or high schools.
**Estimate(Sales Tax):** $0
**Data Source:** OU/OSU Group
**Reliability:** 3

101. ***Local Transportation*, 68 O.S. § 1357**
Transportation of persons where the fare does not exceed $1 or local transportation within the corporate limits of a municipality except by taxicabs.
**Estimate(Sales Tax):** $343,000
**Data Source:** Industry Sources
**Reliability:** 3

102. ***Sales for Resale*, 68 O.S. § 1357**
Sales for resale to persons engaged in the business of reselling the articles purchased and who have been issued sales tax permits by the OTC.
**Estimate(Sales Tax):** $9,275,528,000
**Estimate(Use Tax):** $3,673,000,000
**Data Source:** Tax Commission Records
**Reliability:** 1

103. ***Sales of Certain Types of Advertising*, 68 O.S. § 1357**
Sales of advertising space in newspapers, periodicals, programs relating to sporting and entertainment events, on billboards (including signage, posters, panels, marquees, or on other similar surfaces, whether indoors or outdoors), or programs relating to sporting and entertainment events, and sales of any advertising displayed at a sporting event by way of the Internet, electronic display devices, or through public address or broadcast systems, and any advertising via the Internet, electronic display devices, electronic media, including radio, public address or broadcast systems, television (whether through closed circuit broadcasting systems or otherwise), and cable and satellite television, and the servicing of any advertising devices.
**Estimate(Sales Tax):** $62,772,000
**Data Source:** OU/OSU Group
**Reliability:** 3

104. ***Terrestrial or Aquatic Animal Life Supplies*, 68 O.S. § 1357**
Eggs, feed, supplies, machinery and equipment purchased by persons regularly engaged in the business of raising worms, fish or insects.
**Estimate(Sales Tax):** Minimal
**Data Source:** OU/OSU Group
**Reliability:** 3

105. ***Utilities for Residential Use*, 68 O.S. § 1357**
Sale of natural or artificial gas and electricity sold exclusively for residential use.
**Estimate(Sales Tax):** $177,614,000
**Data Source:** OU/OSU Group
**Reliability:** 3

106. ***Drugs*, 68 O.S. § 1357**
Sales of drugs, except for over-the-counter drugs, prescribed for the treatment of human beings by a person licensed to prescribe the drugs and sales of insulin and medical oxygen.
**Estimate(Sales Tax):** $275,909,000
**Data Source:** Secondary Sources
**Reliability:** 3

107. ***Oil or Chemical Drums*, 68 O.S. § 1357**
Sales of returnable oil and chemical drums to any person not in the business of reselling returnable oil drums.
**Estimate:** *Information Unavailable*

108. ***Utensils Sold to Vendors*, 68 O.S. § 1357**
Sales of one-way utensils, paper napkins, cups and disposable containers to a vendor of meals or beverages.
**Estimate:** *Information Unavailable*[12]

109. ***Federal Food Stamp Program*, 68 O.S. § 1357**
Sales of food or food products for home consumption that are purchased in whole or in part with federal food stamp coupons.
**Estimate(Sales Tax):** $0[13]
**Data Source:** Tax Commission Records
**Reliability:** 1

110. ***Meals on Wheels*, 68 O.S. § 1357**
Sales of food, food products or equipment and supplies to, or by, nonprofit organizations commonly known as “Meals on Wheels” or “Mobile Meals”, or nonprofit entities that receive funding pursuant to the Older Americans Act of 1965, to provide nutrition programs for the care and benefit of elderly persons.
**Estimate:** *Information Unavailable*

[12] The specific amount related to this expenditure is unavailable, but is included as a part of the estimate provided for the Sales for Resale exemption outlined in number 102 of the Sales and Use Tax Section.
[13] In accordance with Oklahoma Sales Tax Reports, sales tax in the amount of $67,210,686.37 was exempted pursuant to the federal food stamp program but because federal law prohibits states from imposing sales tax on items purchased with food stamps a zero estimate is provided. 7 U.S.C. §2013(a).

111. ***Collection and Distribution of Food to the Needy*, 68 O.S. § 1357**
Sales to, or by, nonprofit § 501(c)(3) organizations that are primarily engaged in the collection and distribution of food and household products, and that facilitate the distribution of them to the needy.
**Estimate:** *Information Unavailable*

112. ***Children's Homes*, 68 O.S. § 1357**
Sales of tangible personal property/services to children's homes that are located on church-owned property and are operated by § 501(c)(3) organizations.
**Estimate (Sales Tax):** $114,000
**Data Source:** OU/OSU Group
**Reliability:** 3

113. ***Aircraft Maintenance Facility*, 68 O.S. § 1357**
**Description:** Sales of computers, data processing equipment, related peripherals and telephone, telegraph or telecommunications service and equipment for use in a qualified aircraft maintenance or manufacturing facility. Further, sales of property consumed in the construction or expansion of a qualified aircraft maintenance or manufacturing facility.
**Estimate:** *Information Unavailable*

114. ***Certain Telecommunications Services*, 68 O.S. § 1357**
Sales of interstate and international 800, 900 and private communications services, value-added non-voice data service, interstate and international telecommunications service that is rendered by a company for private use within its organization or used or distributed by a company to its affiliated group, regulatory assessments and telecommunications nonrecurring charges, including installation, connection, change or initiation of telecommunications services that are not associated with a retail consumer sale.
**Estimate:** *Information Unavailable*

115. ***Railroad Track Spikes*, 68 O.S. § 1357**
Sales of railroad track spikes manufactured and sold for use in this state.
**Estimate:** *Information Unavailable*

116. ***Aircraft and Aircraft Parts*, 68 O.S. § 1357**
Sales of aircraft engine repairs and aircraft parts at a qualified aircraft maintenance facility and sales of machinery, tools, supplies, equipment, and related tangible personal property/services used or consumed in the repair, remodeling or maintenance of aircraft, aircraft engines, or aircraft component parts which occur at a qualified aircraft maintenance facility.
**Estimate:** *Information Unavailable*

117. ***Computer Services and Data Processing*, 68 O.S. § 1357**
Sales of machinery and equipment purchased and used by qualifying persons and establishments primarily engaged in computer services and data processing.
**Estimate:** *Information Unavailable*

118. ***Prosthetic Devices*, 68 O.S. § 1357**
Sales of prosthetic devices for individual use.
**Estimate:** *Information Unavailable*

119. ***Motion Picture and Television Production Companies*, 68 O.S. § 1357**
Sales of property/services to a motion picture or television production company to be used or consumed in connection with an eligible production.
**Estimate (Sales Tax):** $63,000
**Data Source:** Tax Commission Records
**Reliability:** 2

120. ***Diesel Fuel*, 68 O.S. § 1357**
Diesel fuel sold for use by commercial vessels, barges and other commercial watercraft.
**Estimate:** *Information Unavailable*

121. ***Biomedical Research Foundations*, 68 O.S. § 1357**
Sales of property/services to tax-exempt, independent, nonprofit biomedical research foundations and community blood banks.
**Estimate:** *Information Unavailable*

122. ***Wireless Telecommunication Equipment*, 68 O.S. § 1357**
Wireless telecommunications equipment used as part of a promotional package.
**Estimate:** *Information Unavailable*

123. ***Rail Transportation Cars*, 68 O.S. § 1357**
Leases of rail transportation cars used to transport coal to plants in this state that generate electricity.
**Estimate:** *Information Unavailable*

124. ***Aircraft Repair and Modification*, 68 O.S. § 1357**
Sales of aircraft engine repairs, modification, and replacement parts, sales of aircraft frame repairs and modification, aircraft interior modification, and paint, and sales of services used in the repair, modification and replacement of parts of aircraft engines, aircraft frame and interior repair and modification, and paint.
**Estimate(Sales Tax):** $3,248,000
**Data Source:** OU/OSU Group
**Reliability:** 3

125. ***Ship, Motor Vessel or Barge*, 68 O.S. § 1357**
Sales of materials and supplies to the owner or operator of a ship, motor vessel, or barge that is used in interstate or international commerce.
**Estimate:** *Information Unavailable*

126. ***Estate Sales*, 68 O.S. § 1357**
Estate sales if the sale is held at decedent's residence, for 3 consecutive days or less, within 6 months of the date of death. Goods sold must be part of the estate of the decedent. Sale must not be held by someone who is required to hold a sales tax permit or a Transient Merchant License.
**Estimate:** *Information Unavailable*

127. ***Electricity Used in Oil Dewatering Projects*, 68 O.S. § 1357**
Electricity used by an oil and gas operator for reservoir dewatering projects.
**Estimate:** *Information Unavailable*

128. ***Prewritten Computer Software*, 68 O.S. § 1357**
Sales of prewritten computer software that is delivered electronically.
**Estimate:** *Information Unavailable*

129. ***Modular Dwelling Units*, 68 O.S. § 1357**
Sales of certain modular dwelling units to the extent of 45% of the total sales price of the unit.
**Estimate:** *Information Unavailable*

130. ***Disabled Veterans in Receipt of Compensation at the 100% Rate and Surviving Spouses Thereof, and Surviving Spouses of Persons Killed in the Line of Duty*, 68 O.S. § 1357**
Sales of tangible personal property/services to:
a. Persons who are residents of Oklahoma and have been honorably discharged from active service in any branch of the U.S. Armed Forces or Oklahoma National Guard and who have been certified by the U.S. Dept. of Veterans Affairs to be in receipt of disability compensation at the 100% rate and the disability shall be permanent and have been sustained through military action or accident or resulting from disease contracted while in such active service and registered with the veterans registry created by the ODVA, or
b. The surviving spouse of the person in (a) if the person is deceased and the spouse has not remarried and the surviving spouse of a person who is determined by the U.S. Department of Defense or any branch of the U.S. military to have died while in the line of duty if the spouse has not remarried. Sales qualifying for the exemption shall not exceed $25,000.00 per year per individual while the disabled veteran is living. Sales qualifying for the exemption shall not exceed $1,000.00 per year for an unremarried surviving spouse. If the disability determination that would have been made while the disabled veteran was still living is not made final until after the death of the disabled veteran, the exemption authorized by this subparagraph may still be claimed by the surviving spouse.
**Estimate(Sales Tax):** $61,861,000
**Data Source:** Tax Commission Records
**Reliability:** 2

131. ***Enhanced Recovery Methods*, 68 O.S. § 1357**
Sales of electricity that are used in enhanced recovery methods of oil production.
**Estimate:** *Information Unavailable*

132. ***Intrastate Charter and Tour Bus Transportation*, 68 O.S. § 1357**
The sale of intrastate charter and tour bus transportation.
**Estimate:** *Information Unavailable*

133. ***Vitamins, Minerals and Dietary Supplements by a Licensed Chiropractor*, 68 O.S. § 1357**
Sales of vitamins, minerals and dietary supplements by a licensed chiropractor to his/her patient.
**Estimate:** *Information Unavailable*

134. ***Web Search Portals*, 68 O.S. § 1357**
Sales of goods, wares, merchandise, tangible personal property, machinery and equipment to a web search portal located in this state.
**Estimate:** *Information Unavailable*

135. ***Contractors and Subcontractors with Rural Electric Cooperatives*, 68 O.S. § 1357**
Purchases of tangible personal property made by (sub)contractors with rural electric coops that is consumed or incorporated in the construction or expansion of a facility.
**Estimate:** *Information Unavailable*

136. ***Businesses Engaged in Repair of Electronic Goods*, 68 O.S. § 1357**
Sales of tangible personal property/services to businesses primarily engaged in the repair of consumer electronic goods that are sold by the original manufacturer to the businesses where the goods are repaired for sale.
**Estimate(Sales Tax):** $0
**Data Source:** Tax Commission Records
**Reliability:** 1

137. ***Rolling Stock*, 68 O.S. § 1357**
On or after July 1, 2019, and prior to July 1, 2029, sales or leases[14] of rolling stock–locomotives, autocars, and railroad cars when sold or leased by the manufacturer.
**Estimate:** Not shown to avoid disclosure of information about specific taxpayers.

138. ***Precious Metals*, 68 O.S. § 1357**
Sales of gold, silver, platinum, palladium or other bullion such as coins and bars and legal tender of any nation, which is sold according to its value or as an investment.
**Estimate:** *Information Unavailable*

139. ***Commercial Forestry Service Equipment*, 68 O.S. § 1357**
January 1, 2022 until January 2027, sales of commercial forestry service equipment, limited to, forwarders, fellers, bunchers, track/wheeled skidders, hydraulic excavators, delimbers, soil compactors and skid steer loaders, to businesses engaged in logging, timber and tree farming.
**Estimate:** *Information Unavailable*

140. ***Qualifying Broadband Equipment by Providers of Internet Service, 68 O.S. § 1357***
Sales, lease, rental, storage, use or other consumption of qualifying broadband equipment[15] by internet service providers or subsidiaries if the property is directly used or consumed by the provider or subsidiary in or during the distribution of broadband Internet service. The exemption for qualified broadband equipment is to be administered as a rebate. No claim for rebate shall be approved unless the equipment was purchased in order to establish or expand broadband services in underserved or unserved areas[16] and that the claimant establishes that as a result of the equipment purchased there has been net growth in the number of potential customers served in underserved or unserved areas.
**Estimate:** $0[17]
**Data Source:** Tax Commission Records
**Reliability:** 1

[14] "Sales or leases" includes railroad car maintenance and retrofitting of railroad cars for further use only on the railways.
[15] Does not include supporting or ancillary functions, such as office or field operations, marketing, transportation, warehousing, data storage, or similar operations that do not directly result in the distribution of broadband Internet service nor does it include property directly used or consumed during the data processing service or information service, or property sold or leased to the customer for use within the location receiving broadband.
[16] For purposes of the exemption authorized by 68 O.S. §1357(43), "broadband," "underserved" and "unserved" shall mean those services and areas as defined in 17 O.S. §139.102.
[17] No impact to state sales and use tax revenues is projected until FY 25.

141. ***Drugs and Medical Devices*, 68 O.S. § 1357.6**
Sales of drugs for the treatment of human beings, medical appliances, devices or equipment when administered or distributed by an authorized practitioner or when purchased or leased by or on behalf of any individual for their use under a prescription or work order of an authorized practitioner and when the cost of such items is reimbursable under the Medicare or Medicaid Program. Sales of prosthetics, durable medical equipment and mobility-enhancing equipment when administered, distributed or prescribed by a practitioner, who is authorized by law to administer, distribute or prescribe such items.
**Estimate(Sales Tax):** $16,102,000
**Data Source:** OU/OSU Group
**Reliability:** 3

142. ***Horses*, 68 O.S. § 1357.7**
Sales of horses.
**Estimate(Sales Tax):** $1,767,000
**Data Source:** OU/OSU Group
**Reliability:** 3

143. ***Related Entities*, 68 O.S. § 1357.9**
Sales of services between related entities
**Estimate(Sales Tax):** $0
**Data Source:** Tax Commission Records
**Reliability:** 1

144. ***Sales Tax Holiday*, 68 O.S. § 1357.10**
Sales of clothing or footwear designed to be worn on or about the body if the sales price is less than $100 and the sale takes place during the period beginning at 12:01 AM, the first Friday in August and ending at midnight on the following Sunday. The exemption includes sales taxes levied by state, cities, counties and authorities. The local taxes are reimbursed to cities and counties from other state sales tax revenues.
**Estimate(Sales Tax):** $8,531,000
**Data Source:** Tax Commission Records
**Reliability:** 2

145. ***Agricultural Sales*, 68 O.S. § 1358**
Sales of agricultural products sold directly at or from a farm; livestock; baby chicks; turkey poults and starter pullets used in commercial production; animal feed; items to be used in production of agricultural products; farm machinery; supplies, machinery and equipment to persons raising evergreen trees; sales to an agricultural permit holder or to any person the permit holder has contracted to construct livestock facilities.
**Estimate(Sales Tax):** $180,593,000
**Data Source:** Tax Commission Records
**Reliability:** 1

146. ***Sales to Manufacturers*, 68 O.S. § 1359**

a. Sales of property to a manufacturer for use in a manufacturing operation and sales made to any person making purchases pursuant to a contractual relationship for the construction and improvement of manufacturing goods, wares, merchandise, property, machinery and equipment for use in a manufacturing operation of a petroleum refinery.
b. Ethyl alcohol when sold and used for the purpose of blending with motor fuel.
c. Sales of containers.
d. Sales of returnable soft drink, beer and water containers.
e. Sales of property by a manufacturer for immediate exportation out of the state.
f. Machinery and supplies sold for use in reducing the harmful properties of hazardous waste.
g. Sales of property to a "qualified manufacturer."
h. Sales of property purchased and used by a licensed radio or television station in broadcasting.
i. Sales of property purchased and used by a licensed cable television operator in cable casting.
j. Sales of packaging materials.
k. Sales of any pattern used in the process of manufacturing iron, steel or other metal castings.
l. Deposits made and that are subsequently refunded for returnable containers used to transport cement.
m. Machinery, electricity, fuels, explosives, and materials used in the mining of coals.
n. Deposits made for returnable cartons, crates, pallets, and containers used to transport mushrooms from a farm for resale.
o. Sales of tangible personal property/services used or consumed in all phases of the extraction and manufacturing of crushed stone and sand.
p. Sale, use or consumption of paper stock and other raw materials that are manufactured into commercial printed material in this state primarily for use and delivery outside this state.
q. Sale of machinery and equipment, including, but not limited to servers and computer, racks power distribution units, cabling, switchgear, transformers, substations, software, network equipment, and electricity, used for commercial mining of digital assets in a colocation facility.[18]

**Estimate(Sales Tax):** $2,638,668,000
**Estimate(Use Tax):** $8,447,000
**Data Source:** OU/OSU Group
**Reliability:** 3

147. ***Sales to Corporations, Partnerships, or Limited Liability Companies and Sales/Transfers Between Wholly Owned Subsidiaries of a Parent Company and Between a Parent Company and its Wholly Owned Subsidiary*, 68 O.S. § 1360**

Sales between corporations, partnerships, or limited liability companies pursuant to a merger, reorganization, or dissolution and sales or transfers of tangible personal property between wholly owned subsidiaries of a parent company and between a parent company and its wholly owned subsidiarity.

**Estimate:** *Information Unavailable*

[18] Effective November 1, 2024.

148. ***Donations*, 68 O.S. § 1362**
Items that are withdrawn from inventory for donation to persons affected by the tornadoes for which a presidential disaster declaration was issued.
**Estimate:** *Information Unavailable*

149. ***Bad Debt Credit*, 68 O.S. § 1366**
Taxes paid on gross receipts subsequently determined to be worthless or uncollectible.
**Estimate(Sales Tax):** $1,124,000
**Data Source:** Tax Commission Records
**Reliability:** 1

150. ***Out-of-State Tax Credit*, 68 O.S. § 1404**
Taxes paid on an article of tangible personal property to another state by the person using such tangible personal property in this state.
**Estimate(Use Tax):** $1,539,000
**Data Source:** Tax Commission Records
**Reliability:** 1

151. ***Commercial Airlines or Railroads*, 68 O.S. § 1404**
Tangible personal property used, or to be used by, commercial airlines or railroads.
**Estimate:** *Information Unavailable*

152. ***Livestock Purchased Outside the State*, 68 O.S. § 1404**
Livestock purchased outside this state and brought into this state for feeding or breeding purposes, and that is later resold.
**Estimate(Use Tax):** $86,527,000
**Data Source:** OU/OSU Group
**Reliability:** 3

153. ***Rail Transportation Cars*, 68 O.S. § 1404**
Leases of rail transportation cars used to transport coal to plants in this state that generate electricity.
**Estimate:** *Information Unavailable*

154. ***Bad Debt Credit*, 68 O.S. § 1407.1**
Use taxes paid on gross receipts pursuant to 68 O.S. §§ 1406 and 1407 and subsequently determined to be worthless or uncollectible.
**Estimate(Use Tax):** $0
**Data Source:** Tax Commission Records
**Reliability:** 1

155. ***Oklahoma Administrative Code*, 75 O.S. § 256**
Sale or resale of the "Oklahoma Administrative Code" by Secretary of State.
**Estimate(Sales Tax):** Minimal
**Data Source:** Oklahoma Secretary of State's Office
**Reliability:** 3

156. ***Irrigation Districts*, 82 O.S. § 277.17**
All purchases or use of tangible personal property by irrigation districts.
**Estimate(Sales Tax):** $65,000
**Estimate(Use Tax):** *Information Unavailable*
**Data Source:** OU/OSU Group
**Reliability:** 3

157. ***Conservancy Districts*, 82 O.S. § 688.1**
All purchases of property by conservancy districts and master conservancy districts.
**Estimate:** *Information Unavailable*

158. ***Regional Water Districts*, 82 O.S. § 1274**
All purchases of property by regional water districts.
**Estimate:** *Information Unavailable*

159. ***Rural Water, Sewer, Gas and Solid Waste Management Districts*, 82 O.S. § 1324.22**
All purchases of property by rural water, sewer, gas and solid waste management districts.
**Estimate:** *Information Unavailable*

# IV. AD VALOREM TAX

Ad valorem tax is a local revenue source and, as such, state revenues are not affected by the imposition of exclusions, exemptions, deductions, credits, deferrals or other preferential tax treatment for purposes of ad valorem taxation. Therefore, a review of ad valorem tax expenditures is omitted from this report.

# V. MOTOR VEHICLE REGISTRATION FEES

1. ***Abandoned Vehicles Auctioned by Class AA Wreckers,* 42 O.S. § 91.1**
Abandoned vehicles auctioned by Class AA wrecker services upon which prior years fees are exempted.
**Estimate:** Minimal
**Data Source:** Service Oklahoma
**Reliability:** 3

2. ***Fire Department Vehicles*, 47 O.S. § 1113**
Vehicles owned and operated by a charitable corporation that provides a volunteer or full-time fire department.
**Estimate:** $7,000
**Data Source:** Service Oklahoma
**Reliability:** 3

3. ***Donated Vehicles,* 47 O.S. § 1115**
Vehicles donated to nonprofit charitable organizations.
**Estimate:** Minimal
**Data Source:** Service Oklahoma
**Reliability:** 3

4. ***Military Personnel Vehicles,* 47 O.S. § 1127**
Vehicles owned by qualifying service members (or spouse) of the U.S. Armed Forces who are either residents of, or stationed in, Oklahoma.
**Estimate:** $1,473,000
**Data Source:** Service Oklahoma
**Reliability:** 3

5. ***Special Mobilized Machinery,* 47 O.S. § 1129**
Special purpose machines that derive no revenue from the transportation of persons or property and whose useful revenue-producing service is performed at destinations away from public highways.
**Estimate:** $3,034,000
**Data Source:** Service Oklahoma
**Reliability:** 3

6. ***Vehicle Replacement Credit,* 47 O.S. § 1132**
Credit allowed towards the registration fee of a new vehicle that is a replacement for a stolen or defective new original vehicle.
**Estimate:** Minimal
**Data Source:** Service Oklahoma
**Reliability:** 3

7. ***Destroyed Vehicles,* 47 O.S. § 1132.3**
A credit towards the registration fee due on a vehicle that is a replacement for a vehicle destroyed by tornado and eligible for a registration fee credit.
**Estimate:** Minimal
**Data Source:** Service Oklahoma
**Reliability:** 3

8. ***Farm Vehicles,* 47 O.S. § 1134**
Pickup, truck or truck-tractor owned and operated by a farmer and used primarily for farm use.
**Estimate:** $3,879,000
**Data Source:** Service Oklahoma
**Reliability:** 3

9. ***Taxicabs and Privately Owned School Buses,* 47 O.S. § 1134.1**
Special registration fees for taxicabs and privately-owned school buses used for transporting school children.
**Estimate:** $19,000
**Data Source:** Service Oklahoma
**Reliability:** 3

10. ***Forestry Vehicles,* 47 O.S. § 1134.2**
Vehicles used for transporting unfinished forest products from point of harvest to the point of first processing.
**Estimate:** $272,000
**Data Source:** Service Oklahoma
**Reliability:** 3

11. ***Political Subdivision Vehicles,* 47 O.S. § 1135.1**
Vehicles owned by a political subdivision of this state.
**Estimate:** $327,000
**Data Source:** Service Oklahoma
**Reliability:** 3

12. ***Vehicles Owned by a Religious Corporation or Society*, 47 O.S. § 1135.1**
Motor bus, manufactured home, or mobile chapel and power unit owned and operated by a religious corporation or society.
**Estimate:** $171,000
**Data Source:** Service Oklahoma
**Reliability:** 3

13. ***Youth Program Vehicles,* 47 O.S. § 1135.1**
Vehicles owned or operated by nonprofit organizations devoted exclusively to youth groups.
**Estimate:** $83,000
**Data Source:** Service Oklahoma
**Reliability:** 3

14. ***Employment of the Handicapped,* 47 O.S. § 1135.1**
Vehicles owned or operated by nonprofit organizations actually involved in programs for the employment of the handicapped.
**Estimate:** $15,000
**Data Source:** Service Oklahoma
**Reliability:** 3

15. ***Transportation for Older Persons,* 47 O.S. § 1135.1**
Vehicles owned and operated by nonprofit organizations that provide older persons transportation to and from medical, dental and religious services and relief from business and social isolation.
**Estimate:** $114,000
**Data Source:** Service Oklahoma
**Reliability:** 3

16. ***Transportation of Surplus Food,* 47 O.S. § 1135.1**
Vehicles owned and operated by private nonprofit organizations used for the transportation of surplus foods.
**Estimate:** $10,000
**Data Source:** Service Oklahoma
**Reliability:** 3

17. ***Civil Air Patrol*, 47 O.S. § 1135.1**
Vehicles owned or operated by the Civil Air Patrol, a congressionally chartered corporation that also serves as an auxiliary of the United States Air Force.
**Estimate:** $0
**Data Source:** Service Oklahoma
**Reliability:** 3

18. ***Fraternal or Civic Service Organization Vehicles,* 47 O.S. § 1135.1**
Any vehicle owned by a fraternal or civic service organization with at least 100 local chapters or clubs, and used to provide mobile health screening services to the general public at no cost to the recipient.
**Estimate:** *Information Unavailable*

19. ***Physically Disabled Vehicles,* 47 O.S. § 1135.1**
Vehicles that have been modified because of the physical disability of the owner or of a family member within the second degree of consanguinity of the owner.
**Estimate:** $97,000
**Data Source:** Service Oklahoma
**Reliability:** 3

20. ***Indian Tribal Vehicles,* 47 O.S. § 1135.1**
Vehicles owned by a Native American Indian Tribal Association and used for the furtherance of its tribal functions.
**Estimate:** $204,000
**Data Source:** Service Oklahoma
**Reliability:** 3

21. ***Antique or Classic Vehicles,* 47 O.S. § 1135.1**
Vehicles 25 years of age or older that travel on the highways for historical or exhibition purposes only.
**Estimate:** $56,000
**Data Source:** Service Oklahoma
**Reliability:** 3

22. ***Prisoner of War Vehicles,* 47 O.S. § 1135.2**
Vehicles owned by members of the U.S. Armed Forces or civilians who were former prisoners of war held by a foreign country.
**Estimate:** $3,000
**Data Source:** Service Oklahoma
**Reliability:** 3

23. ***Congressional Medal of Honor Recipient Vehicles,* 47 O.S. § 1135.2**
Vehicles owned by residents of this state who have been awarded the Congressional Medal of Honor.
**Estimate:** Not shown to avoid disclosure of information about specific taxpayers.

24. ***Killed in Action Vehicles,* 47 O.S. § 1135.2**
Vehicles owned by the spouse of a member of the U.S. Armed Forces who was killed in action.
**Estimate:** $1,000
**Data Source:** Service Oklahoma
**Reliability:** 3

25. ***Gold Star Parents' Vehicles,* 47 O.S. § 1135.2**
Vehicles owned by parents of a member of the U.S. Armed Forces who was killed during a war.
**Estimate:** $11,000
**Data Source:** Service Oklahoma
**Reliability:** 3

26. ***Disabled Veterans' Vehicles,* 47 O.S. § 1135.2**
Vehicles owned by veterans of the U.S. Armed Forces that have a service-connected disability rating of 50% or more.
**Estimate:** $6,281,000
**Data Source:** Service Oklahoma
**Reliability:** 3

27. ***Former Military Vehicles,* 47 O.S. § 1136.2**
Former military vehicles used only for exhibitions, club activities, parades, and other functions of public interest and not used for regular transportation.
**Estimate:** $1,000
**Data Source:** Service Oklahoma
**Reliability:** 3

28. ***Rural Water or Sewer District Vehicles,* 68 O.S. § 2903**
Vehicles owned by any rural water or sewer district.
**Estimate:** $33,000
**Data Source:** Service Oklahoma
**Reliability:** 3

29. ***Conservancy District Vehicles,* 82 O.S. § 688.1**
Vehicles owned by conservancy districts and master conservancy districts.
**Estimate:** $1,000
**Data Source:** Service Oklahoma
**Reliability:** 3

# VI. MOTOR VEHICLE EXCISE TAX

1. ***Donated Vehicles,* 47 O.S. §1115**
   Vehicles donated to nonprofit charitable organizations.
   **Estimate:** *Information Unavailable*

2. ***International Registration Plan (IRP) Motor Vehicle Excise Tax,* 68 O.S. § 2103**
   An excise tax rate of $10 is applicable to trucks or truck-tractors titled with the state under the IRP and registered for a laden weight or combined laden weight of 50,000 pounds or more.
   **Estimate:** $10,310,000
   **Data Source:** Service Oklahoma
   **Reliability:** 3

3. ***Marital and Parental Transfers,* 68 O.S. § 2103**
   Transfers of a motor vehicle without consideration between a husband and wife, or parent and child.
   **Estimate:** $28,884,000
   **Data Source:** Service Oklahoma
   **Reliability:** 3

4. ***Transfers to a Trust,* 68 O.S. § 2103**
   Transfers of a motor vehicle without consideration between an individual and an express trust with right of revocation.
   **Estimate:** $3,968,000
   **Data Source:** Service Oklahoma
   **Reliability:** 3

5. ***Replacement Vehicles,* 68 O.S. § 2103**
   Credit allowed with respect to excise tax paid for a new vehicle that is a replacement for a stolen or defective new original vehicle.
   **Estimate:** Minimal
   **Data Source:** Service Oklahoma
   **Reliability:** 3

6. ***Destroyed Vehicles*, 68 O.S. § 2103.1**
   A credit towards the excise tax due on a vehicle that is a replacement for a vehicle destroyed by tornado and eligible for an excise tax credit.
   **Estimate:** Minimal
   **Data Source:** Service Oklahoma
   **Reliability:** 3

7. ***Nonresident Person,* 68 O.S. § 2105**
   Vehicle owned by a nonresident person who operates principally in some other state, but who is in Oklahoma only occasionally.
   **Estimate:** Minimal
   **Data Source:** Service Oklahoma
   **Reliability:** 3

8. ***New Resident,* 68 O.S. § 2105**
Vehicle brought into this state by a person formerly living in another state, who has owned and registered the vehicle in such other state at least 60 days prior to being subject to registration in this state.
**Estimate:** $25,301,000
**Data Source:** Service Oklahoma
**Reliability:** 3

9. ***Political Subdivision Vehicles,* 68 O.S. § 2105**
Vehicles registered or leased by the state, political subdivisions of the state, or certain fire departments.
**Estimate:** $5,389,000
**Data Source:** Service Oklahoma
**Reliability:** 3

10. ***Inherited Vehicles,* 68 O.S. § 2105**
Vehicles, the legal ownership of which was obtained by the owner through inheritance.
**Estimate:** $6,287,000
**Data Source:** Service Oklahoma
**Reliability:** 3

11. ***Used Motor Vehicle Dealers,* 68 O.S. § 2105**
Vehicles that are owned and being offered for sale by a licensed used motor vehicle dealer.
**Estimate:** $82,971,000
**Data Source:** Service Oklahoma
**Reliability:** 3

12. ***Out-of-State Motor Vehicle Dealers,* 68 O.S. § 2105**
Vehicles purchased by a dealer licensed in another state for use or resale in another state.
**Estimate:** Minimal
**Data Source:** Service Oklahoma
**Reliability:** 3

13. ***Foreclosure Vehicles,* 68 O.S. § 2105**
Vehicles, the ownership of which was obtained by the lienholder or mortgagee under, or by, a foreclosure of a lien or mortgage.
**Estimate:** $21,807,000
**Data Source:** Service Oklahoma
**Reliability:** 3

14. ***Vehicles Taxed Under Ad Valorem Tax Code,* 68 O.S. § 2105**
Vehicles that are taxed under the Ad Valorem Tax Code.
**Estimate:** $602,000
**Data Source:** Service Oklahoma
**Reliability:** 3

15. ***Corporate, Partnership, or Limited Liability Company Vehicles,* 68 O.S. § 2105**
Vehicles transferred pursuant to the formation or dissolution of a corporation, partnership, or limited liability company.
**Estimate:** $1,227,000
**Data Source:** Service Oklahoma
**Reliability:** 3

16. ***Rental Vehicles,* 68 O.S. § 2105**
Vehicles purchased by a person to be used by a business engaged in renting motor vehicles without a driver.
**Estimate:** $15,912,000
**Data Source:** Service Oklahoma
**Reliability:** 3

17. ***New Motor Vehicle Dealer,* 68 O.S. § 2105**
Vehicles of the latest manufactured model transferred to a licensed, franchised new motor vehicle dealer.
**Estimate:** $3,084,000
**Data Source:** Service Oklahoma
**Reliability:** 3

18. ***Lease Vehicle,* 68 O.S. § 2105**
A leased vehicle transferred to the lessee.
**Estimate:** $841,000
**Data Source:** Service Oklahoma
**Reliability:** 3

19. ***Fraternal or Civic Service Organization,* 68 O.S. § 2105**
Any vehicle owned by a fraternal or civic service organization with at least 100 local chapters or clubs and used to provide mobile health screening services to the general public at no cost to the recipient.
**Estimate:** Minimal
**Data Source:** Service Oklahoma
**Reliability:** 3

20. ***New Dealer Temporary Registration,* 68 O.S. § 2105**
Any new vehicle registered and authorized by the manufacturer or dealer for an individual's personal use, not to exceed 4 months.
**Estimate:** $3,378,000
**Data Source:** Service Oklahoma
**Reliability:** 3

21. ***100% Disabled Veteran,* 68 O.S. § 2105**
Vehicles purchased by disabled veterans with 100% service connected disability.
**Estimate:** $4,739,000
**Data Source:** Service Oklahoma
**Reliability:** 3

22. ***Irrigation District Vehicles,* 82 O.S. §§ 277.17 and 688.1**

Vehicles purchased by irrigation districts, conservancy districts, and master conservancy districts and used in this state.

**Estimate:** Not shown to avoid disclosure of information about specific taxpayers.
**Data Source:** Service Oklahoma
**Reliability:** 3

23. ***Non-IRP Heavy Weight Commercial Trucks and All Cargo-Carrying Commercial Trailers,* 68 O.S. § 2103**

An excise tax rate of $10 applicable to commercial (non-IRP) trucks or truck-tractors registered at a laden weight or combined laden weight of 50,000 pounds or more and all cargo-carrying commercial trailers.

**Estimate:** $39,137,000
**Data Source:** Service Oklahoma
**Reliability:** 3

24. ***Return of Repossessed Vehicle Within 30 Days,* 68 O.S. § 2105**

Vehicles repossessed and then transferred back to the former owner within 30 days of issuance of the repossession title.

**Estimate:** $62,000
**Data Source:** Service Oklahoma
**Reliability:** 3

# VII. MOTOR FUEL TAXES

Motor fuel tax being inclusive of gasoline excise tax and diesel fuel tax is levied upon the sale of such products in Oklahoma. Gasoline and diesel fuel sold to, or consumed by certain entities may be exempt or subject to credits as provided for by statute.

1. ***Fuel for Exportation*, 68 O.S. § 500.10**
   Sale of gasoline or diesel to be exported out of this state by a licensed supplier or licensed exporter.
   **Estimate:** *Information Unavailable*

2. ***Diverted Fuel*, 68 O.S. § 500.10**
   Credit for gasoline or diesel taxes previously paid on motor fuel that was approved for diversion across state boundaries.
   **Estimate:** *Information Unavailable*

3. ***Fuel Exported by Tank Wagon*, 68 O.S. § 500.10**
   Gasoline or diesel exported out of a bulk plant in this state in a tank wagon.
   **Estimate:** *Information Unavailable*

4. ***K-1 Kerosene*, 68 O.S. § 500.10**
   K-1 kerosene sold at retail for use other than for highway use.
   **Estimate:** *Information Unavailable*

5. ***Sales to Federal Government*, 68 O.S. § 500.10**
   Sales of gasoline or diesel fuel to the United States of America.
   **Estimate(Gasoline Tax):** $0[19]
   **Estimate(Diesel Tax):** $0

6. ***Fuel Used for the Transportation of School Children*, 68 O.S. § 500.10**
   Fuel sold for use solely in FFA and 4-H Club trucks and vehicles and school buses operated by public school districts.
   **Estimate:** *Information Unavailable*

7. ***Fuel Used by Exempt Entities*, 68 O.S. § 500.10**
   Fuel sold for use in motor vehicles owned and operated by counties, cities, towns, volunteer fire departments, rural electric cooperatives, rural water and sewer districts, rural ambulance service districts, or federally-recognized Indian tribes.
   **Estimate:** *Information Unavailable*

8. ***Fuel Used for Agricultural Purposes*, 68 O.S. § 500.10**
   Sales to persons actually engaged in farming for use in farm tractors or stationary engines.
   **Estimate:** $151,000
   **Data Source:** Tax Commission Records
   **Reliability:** 1

[19] All expenditures involving the United States are given an estimate of zero. This estimate is provided since the State cannot levy a tax upon the federal government under the decision of the U.S. Supreme Court.

9. ***Fuel Sold within Indian Country*, 68 O.S. § 500.10**
Motor fuel sold within an Indian Reservation or within Indian Country by a federally-recognized tribe to a member of that tribe and used in motor vehicles owned by that tribal member.
**Estimate:** $0
**Data Source:** Tax Commission Records
**Reliability:** 1

10. ***Diesel Fuel Used to Run Equipment*, 68 O.S. § 500.10**
The portion of diesel fuel used to operate equipment attached to a motor vehicle or consumed in a vehicle off-road.
**Estimate:** $1,127,000
**Data Source:** Tax Commission Records
**Reliability:** 1

11. ***Fuel Purchased Out of State*, 68 O.S. § 500.10**
Gasoline or diesel acquired outside the state in a motor vehicle and consumed in this state in the same vehicle.
**Estimate:** *Information Unavailable*

12. ***Diesel Fuel Used for Certain Purposes*, 68 O.S. § 500.10**
Diesel fuel used as heating oil, in railroad locomotives, or any other motorized, flanged-wheel rail equipment, or used for other non-highway purposes.
**Estimate:** $4,110,000
**Data Source:** Tax Commission Records
**Reliability:** 1

13. ***Lost or Destroyed Fuel*, 68 O.S. § 500.10**
Motor fuel lost or destroyed as a direct result of a sudden and unexpected casualty.
**Estimate:** *Information Unavailable*

14. ***Contaminated Diesel*, 68 O.S. § 500.10**
Credit for taxes paid on diesel fuel which has been accidentally contaminated by dye.
**Estimate:** $0
**Data Source:** Tax Commission Records
**Reliability:** 1

15. ***Diesel Fuel That Has Been Dyed Under Federal Regulations for Off-Road Use*, 68 O.S. § 500.10**
Dyed diesel fuel.
**Estimate:** $76,810,000
**Data Source:** Tax Commission Records
**Reliability:** 1

16. ***Aircraft Fuel*, 68 O.S. § 500.10**
Gasoline, diesel and kerosene sold for use as fuel to generate power in aircraft engines.
**Estimate:** $54,000
**Data Source:** Tax Commission Records
**Reliability:** 1

17. ***Oklahoma Space Industry Development Authority*, 68 O.S. § 500.10**
Motor fuel sold to the Oklahoma Space Industry Development Authority or any spaceport user.
**Estimate:** *Information Unavailable*

18. ***Biofuels*, 68 O.S. § 500.10**
Biofuels or biodiesel produced by an individual with crops grown on property owned by that person for use in his or her vehicle on the public roads and highways.
**Estimate:** *Information Unavailable*

# VIII. FRANCHISE TAX

Oklahoma levies an annual franchise tax on all corporations that do business in Oklahoma.[20] Corporations[21] are taxed $1.25 for each $1,000 of capital invested or used in Oklahoma. Foreign corporations are additionally assessed $100 per year, payable to the OTC, for the Secretary of State acting as it's registered agent. The maximum annual tax is $20,000, and entities that have a calculated franchise tax of $250 or less are not required to remit the tax. Further, several types of entities are specifically exempt from franchise tax as outlined below. Data limitations do not allow for an estimate of the effect of the $20,000 maximum or exempted entities.

1. ***Maximum Tax of $20,000,* 68 O.S. § 1205**
   All capital employed that imposes a liability in excess of $20,000 is exempt.
   **Estimate:** *Information Unavailable*

2. ***Corporations Owing Tax of $250 or Less,* 68 O.S. § 1205**
   All capital employed that imposes a liability in the amount of $250 or less in tax is exempt.
   **Estimate:** $1,227,000 / 17,792 Returns
   **Data Source:** Tax Commission Records
   **Reliability:** 2

3. ***Export Trading Companies,* 74 O.S. § 2106**
   An export trading company, with a registered office or other office in this state, is exempt from state corporate income tax and franchise tax for a period of two years from the date the OTC certifies the export trading company as a qualified export trading company.
   **Estimate:** *Information Unavailable*

4. ***Oklahoma Center for the Advancement of Science and Technology,* 74 O.S. § 5060.9**
   OCAST is exempt from all franchise, corporate business and income taxes levied by the state of Oklahoma.
   **Estimate:** *Information Unavailable*

5. ***Oklahoma Development Finance Authority,* 74 O.S. § 5062.14**
   ODFA is exempt from all franchise, corporate, business and other taxes of any nature levied by the state of Oklahoma.
   **Estimate:** *Information Unavailable*

6. ***Exempt Corporations and Organizations,* 68 O.S. § 1206**
   This provision exempts certain organizations from Oklahoma franchise tax.
   **Estimate:** *Information Unavailable*

[20] Oklahoma franchise tax has been repealed, beginning with tax year 2024.
[21] Limited liability companies, as defined by 18 O.S. § 2001 are not subject to Oklahoma franchise tax.

# IX. GROSS PRODUCTION AND PETROLEUM EXCISE TAX

1. ***New Well Incentive (Reduced Rate @ 5%),* 68 O.S. § 1001**
The production of oil and gas is taxed at a rate of 5%, commencing with the month of first production for a period of 36 months.
**Estimate(Gross Production):** $178,933,000
**Estimate(Petroleum Excise):** $0
**Data Source:** Gross Production Tax Reports
**Reliability:** 1

2. ***Lease Interest Exemptions*, 68 O.S. §§ 1008 and 1106**
The portion of royalty interest exempt from gross production and petroleum excise tax attributable to the minerals owned by cities, counties, school districts, Indian tribes, and state or federal government.
**Estimate(Gross Production):** $13,752,000
**Estimate(Petroleum Excise):** $204,000
**Data Source:** Gross Production Tax Reports
**Reliability:** 1

3. ***Gas Marketing Deduction*, 68 O.S. §§ 1001.4, 1101 and 1102**
A deduction on the levy of gross production and petroleum excise tax for certain non-production related costs associated with the marketing and transportation of natural gas.
**Estimate(Gross Production):** $165,125,000
**Estimate(Petroleum Excise):** $2,491,000
**Data Source:** Gross Production Tax Reports
**Reliability:** 1

4. ***Economically At-Risk Oil or Gas Lease*, 68 O.S. § 1011.3a**
Exemption from gross production tax for production from an economically at-risk oil or gas lease.[22]
**Estimate(Gross Production):** $0
**Estimate(Petroleum Excise):** $0
**Data Source:** Gross Production Tax Reports
**Reliability:** 1

5. ***Secondary and Tertiary Recovery Projects,* 68 O.S. § 1001**
Exemption from gross production tax for production which results from secondary and tertiary recovery projects.[22]
**Estimate(Gross Production):** $0
**Estimate(Petroleum Excise):** $0
**Data Source:** Gross Production Tax Reports
**Reliability:** 1

6. ***Wells Drilled With the Use of Recycled Water,* 68 O.S. § 1001**
Exemption from gross production tax for production from wells completed with the use of recycled water.[22]
**Estimate(Gross Production):** $0
**Estimate(Petroleum Excise):** $0
**Data Source:** Gross Production Tax Reports
**Reliability:** 1

[22] Effective July 1, 2022. No refunds paid out in FY 2024.

# X. MISCELLANEOUS TAX PROVISIONS

## A. AIRCRAFT REGISTRATION FEES

Aircraft operated on or from any Oklahoma airport for 30 days or longer must be registered in this state and the applicable registration fees paid thereon. Aircraft licensed by a foreign country, owned by governmental and certain other groups, and those not currently airworthy are exempt from the referenced registration requirements. Aggregate data to estimate these tax expenditures is not presently available.

1. ***Aircraft Owned by the Manufacturer,* 3 O.S. § 253**
   Aircraft manufactured under a FAA approved certificate that are owned and in the possession of the manufacturer.

2. ***Aircraft Owned by Charitable Organizations,* 3 O.S. § 253**
   Aircraft owned by charitable organizations and used solely for the furtherance of charitable purposes.

3. ***Aircraft Owned by Nonresidents,* 3 O.S. § 253**
   Aircraft belonging to nonresidents of this state and registered in another state.

4. ***Aircraft of the Federal Government and State Government,* 3 O.S. § 253**
   Aircraft of the federal government, any state government, and any aircraft of the Civil Air Patrol.

5. ***Aircraft of a Foreign Country,* 3 O.S. § 253**
   Aircraft licensed by a foreign country with which the United States has a reciprocal agreement covering the operation of such licensed aircraft.

6. ***Aircraft Which Are Not Airworthy,* 3 O.S. § 253**
   Aircraft not currently licensed or holding a current airworthiness certificate by the FAA.

## B. AIRCRAFT EXCISE TAX

Aircraft excise tax is levied upon the transfer of legal ownership or use within Oklahoma of each aircraft that is to be registered with the FAA at a rate of 3.25% of the purchase price of such aircraft. Specific transactions are exempted from the imposition of aircraft excise tax including aircraft with a selling price in excess of $2.5 million, certain special purpose aircraft and aircraft transfers made without consideration to an express trust. Aggregate data to estimate these tax expenditures is not presently available.

1. ***Aircraft Owned by the Manufacturer*, 68 O.S. § 6003**
   Aircraft manufactured under a FAA approved certificate that are owned and in the possession of the manufacturer.

2. ***Aircraft Owned by Dealers*, 68 O.S. § 6003**
   Aircraft owned by a licensed dealer and in the dealer's inventory.

3. ***Aircraft of the Federal Government and State Governments*, 68 O.S. § 6003**
   Aircraft belonging to the federal government or any state government.

4. ***Corporate, Partnership or Limited Liability Company Aircraft*, 68 O.S. § 6003**
Aircraft transferred pursuant to the formation, reorganization or dissolution of a corporation, partnership, or limited liability.

5. ***Aircraft Owned by Commercial Airlines*, 68 O.S. § 6003**
Aircraft purchased or used by commercial airlines.

6. ***Aircraft upon Which an Out-Of-State Tax Has Been Paid*, 68 O.S. § 6003**
Aircraft on which a tax levied pursuant to the provisions of the laws of another state, equal to or in excess of the aircraft excise tax, has been paid by the person using the aircraft in this state.

7. ***Aircraft Acquired by Inheritance*, 68 O.S. § 6003**
Aircraft when the legal ownership of such aircraft is obtained by the applicant for a certificate of title by inheritance.

8. ***Aircraft Obtained through Foreclosure Proceedings*, 68 O.S. § 6003**
Aircraft obtained by the lienholder or mortgagee under or by foreclosure of a lien or mortgage.

9. ***Aircraft Transferred within the Family*, 68 O.S. § 6003**
Aircraft transferred between husband and wife, or parent and child, where no valuable consideration is given.

10. ***Aircraft Used for Agricultural Purposes*, 68 O.S. § 6003**
Aircraft purchased by a resident of this state and used exclusively in this state for agricultural spraying purposes.

11. ***Aircraft Sold for More Than $2,500,000*, 68 O.S. § 6003**
Aircraft with a selling price in excess of $2.5 million that are transferred to a purchaser who is not a resident of this state for immediate transfer out of state.

12. ***Trust Transfers*, 68 O.S. § 6003**
Aircraft transferred without consideration between an individual and an express trust.

## C. USED TIRE RECYCLING FEES

A used tire recycling fee is assessed on sales of motor vehicle tires and tires associated with the first registration of motor vehicles and trailers and semitrailers first titled in the state. Exemptions from the imposition of the used tire recycling fee exist for used or retread tires upon which the used tire fee was previously paid and all-terrain and off-road motorcycles. Exemptions are reported in the aggregate, and therefore, estimates are unavailable.

1. ***Recycling Fee Previously Paid,* 27A O.S. § 2-11-401.2**
Purchases of used or retreaded tires, provided that the tire dealer can document that the recycling fee has been previously paid.

2. ***All-terrain Vehicles and Off-road Motorcycles,* 27A O.S. § 2-11-401.2**
All-terrain vehicles and off-road motorcycles registered pursuant to 47 O.S. § 1132.

## D. ALCOHOLIC BEVERAGE TAX

1. ***Beer Manufactured for Export,* 37A O.S. § 5-101**
Beer manufactured for export.
**Estimate:** *Information Unavailable*

2. ***Industrial Use Alcohol*, 37A O.S. § 5-103**
Alcohol used exclusively for industrial purposes by the holder of an industrial license.
**Estimate:** *Information Unavailable*

3. ***U.S. Tax-Free Permit*, 37A O.S. § 5-103**
Alcohol lawfully withdrawn and used free of tax under a tax-free permit issued by the United States.
**Estimate:** *Information Unavailable*

4. ***Licensed Physicians and Dentists*, 37A O.S. § 5-103**
Alcohol used exclusively by licensed physicians, dentists, and pharmacists in the practice of their professions.
**Estimate:** *Information Unavailable*

5. ***Beer, Cider and Wine Made for Personal Use*, 37A O.S. § 5-103**
Beer, cider and wine made for personal use by a person licensed by the ABLE Commission.
**Estimate:** *Information Unavailable*

6. ***Sacramental Wine*, 37A O.S. § 5-103**
Wine used exclusively for sacramental purposes in bona fide religious ceremonies.
**Estimate:** $0
**Data Source:** Tax Commission Records
**Reliability:** 1

7. ***Imported Alcoholic Beverages*, 37A O.S. § 5-103**
Alcoholic beverages, not exceeding one liter, imported into this state by the possessor for his/her personal use.
**Estimate:** *Information Unavailable*

8. ***Charitable events licensed and approved by the ABLE Commission,* 37A O.S. § 5-103**
Alcoholic beverages provided to attendees, free of charge, at charitable events licensed and approved by the ABLE Commission.
**Estimate:** *Information Unavailable*

9. ***Licensed Caterer*, 37A O.S. § 5-103**
Mixed beverage and public event licensees which utilize the services of a licensed caterer.
**Estimate:** *Information Unavailable*

## E. CIGARETTE STAMP TAX

***Veterans' Hospitals*, 68 O.S. § 321**
Cigarettes sold to veterans' hospitals and state-operated domiciliary homes for veterans.
**Estimate:** $5,000
**Data Source:** Cigarette Wholesaler Tax Reports
**Reliability:** 1

## F. TOBACCO PRODUCTS TAX

***Veterans' Hospitals,* 68 O.S. § 419**
Tobacco products sold to veterans' hospitals and state-operated homes for veterans.
**Estimate:** $0
**Data Source:** Tax Commission Records
**Reliability:** 1

## G. SPECIAL FUEL USE TAX

Special fuel use tax is levied upon fuel existing in a liquid or gaseous state and that is delivered into fuel supply tanks of motor vehicles in Oklahoma or that is imported into this state in the fuel supply tanks of vehicles being used on the highways of this state for commercial purposes. Special fuels used in certain vehicles or by certain entities may be exempt or subject to credits as provided for by statute. Aggregate data is unavailable to estimate the tax expenditures.

1. ***United States of America,* 68 O.S. § 708**
   Special fuel delivered into the supply tanks of, or used by, motor vehicles owned by the United States.

2. ***Agricultural Use,* 68 O.S. § 708**
   Special fuel delivered into the supply tanks of farm tractors and stationary engines used for agricultural purposes.

3. ***Passenger Automobiles,* 68 O.S. § 708**
   Special fuel imported into Oklahoma in the fuel supply tanks of passenger automobiles.

4. ***Motor Vehicles with 25 Gallons or Less Supply Tanks,* 68 O.S. § 708**
   Special fuel imported into Oklahoma in storage tanks with a capacity of 25 gallons or less and not used for commercial purposes.

5. ***Agricultural Vehicles,* 68 O.S. § 708**
   Special fuel imported by persons transporting livestock and farm products to or from the market.

6. ***Road Machinery and Equipment,* 68 O.S. § 708**
   Special fuel used in road machinery and equipment built for and used on location in the construction of public highways.

7. ***Passenger Motor Buses or Coaches,* 68 O.S. § 708**
   Special fuel used in passenger motor buses or coaches with a seating capacity of 10 or more persons used in public transit systems.

8. ***County, City or Town Vehicles,* 68 O.S. § 708**
Special fuel purchased by any county, city or town for use in vehicles operated for the benefit of the county, city or town.

9. ***School Districts,* 68 O.S. § 708**
Special fuel purchased by an Oklahoma school district for use in vehicles for the sole benefit of the school district.

10. ***State Department of Transportation,* 68 O.S. § 708**
Special fuel purchased by the Oklahoma Department of Transportation for use in vehicles for the sole benefit of the Department of Transportation.

11. ***Credit for Special Fuel Consumed Outside the State,* 68 O.S. § 722**
Special fuel upon which tax has been paid andis is used outside Oklahoma.

12. ***Fee in Lieu of Tax,* 68 O.S. § 723**
Flat fee of $50 on liquefied petroleum gas (LPG) or natural gas used to propel automobiles, vans and pickup trucks not exceeding one ton capacity; $100 per year for those not exceeding one ton capacity using methanol or "M-85"; and $150 for those exceeding one ton capacity using LPG, methanol or "M-85". These fees are in lieu of the special fuel tax.

## H. COIN-OPERATED MUSIC AND AMUSEMENT DEVICE FEES

A coin-op fee is for vending, music, amusement, and bulk-vending devices and is in lieu of sales tax. An annual decal is required. No reporting requirement exists for coin-op devices exempted by statute and therefore tax expenditure estimates are unavailable.

1. ***Vending Devices Owned by Schools, Churches, or Governments,* 68 O.S. § 1503.1**
Coin-operated vending devices owned by and located in a public or private school, a church, or a governmental entity.

2. ***Newspaper Vending Devices*, 68 O.S. §1503.1**
Coin-operated vending devices that dispense only newspapers or periodicals.

3. ***Postage Stamp Vending Devices*, 68 O.S. §1503.1**
Coin-operated vending devices that dispense only postage stamps.

4. ***Vending Devices Installed on Federal Military Bases*, 68 O.S. §1503.1**
Coin-operated vending devices installed on federal military bases.

## I. MOTOR VEHICLE RENTAL TAX

1. ***Lease Vehicles,* 68 O.S. § 2110**
Vehicles subject to any lease agreements.
**Estimate:** *Information Unavailable*

2. ***Prorate Vehicles,* 68 O.S. § 2110**
Truck or truck-tractors having a combined laden weight of 8,000 pounds or more and registered pursuant to the International Registration Plan.
**Estimate:** *Information Unavailable*

3. ***Trailers or Semitrailers,* 68 O.S. § 2110**
Trailers or semitrailers registered pursuant to 47 O.S. § 1133.
**Estimate:** *Information Unavailable*

4. ***State Government,* 68 O.S. § 2110**
Vehicle rentals to state government entities.
**Estimate:** $28,000
**Data Source:** Tax Commission Records
**Reliability:** 1

5. ***Bad Debt Deduction,* 68 O.S. § 2110**
Vehicle rental tax deduction from gross receipts for bad debts.
**Estimate:** $0
**Data Source:** Tax Commission Records
**Reliability:** 1

## J. DOCUMENTARY STAMP TAX

All property transferred by deed not specifically exempted by statute is subject to the documentary stamp tax. No centralized database exists to compile the property value or tax information for the property transfers exempted and therefore estimates are unavailable.

1. ***Deeds Which Secure a Debt,* 68 O.S. § 3202**
Deeds which secure a debt or other obligation.

2. ***Supplemental Deeds,* 68 O.S. § 3202**
Deeds which, without additional consideration, confirm, correct, modify or supplement a deed previously recorded.

3. ***Deeds between Family Members,* 68 O.S. § 3202**
Deeds, without consideration, between husband and wife, parent and child or any persons related within the second degree of consanguinity or deeds between any person and an express revocable trust created by such person or spouse.

4. ***Tax Deeds,* 68 O.S. § 3202**
Tax deeds.

5. ***Deeds of Release of Property,* 68 O.S. § 3202**
Deeds of release of property that is security for a debt or other obligation.

6. ***Deeds Executed by Indian Tribal Members,* 68 O.S. § 3202**
Deeds executed by members of Indian tribes in approval proceedings of the district courts or by the Secretary of the Interior.

7. ***Deeds of Partition,* 68 O.S. § 3202**
Deeds of partition, unless, for consideration, some of the parties take shares greater in value than their individual interests.

8. ***Merger Deeds,* 68 O.S. § 3202**
Deeds made pursuant to mergers of partnerships, limited liability companies, or corporations.

9. ***Deeds to a Parent Corporation,* 68 O.S. § 3202**
Deeds made by a subsidiary corporation to its parent corporation for no consideration.

10. ***State of Oklahoma,* 68 O.S. § 3202**
Deeds or instruments to which Oklahoma or any of its instrumentalities, agencies or subdivisions is a party.

11. ***United States of America,* 68 O.S. § 3202**
Deeds or instruments to which the United States or any of its agencies or departments is a party.
**Estimate:** $0[23]

12. ***Foreclosure Deeds,* 68 O.S. § 3202**
Deeds executed pursuant to a foreclosure proceeding in which the grantee is the holder of a mortgage on the property being foreclosed.

13. ***Oklahoma Space Industry Development Authority Deeds,* 68 O.S. § 3202**
Deeds or instruments to which the Oklahoma Space Industry Development Authority or a spaceport user is a party.

## K. CHARITY GAMES TAX

1. ***Veterans' Organizations,* 3A O.S. § 421**
Sales of bingo faces, U-PIK-EM bingo game sets, breakopen ticket games, and other charity game equipment to certain veterans' organizations.
**Estimate:** *Information Unavailable*

2. ***Group Home for Mentally Disabled Individuals,* 3A O.S. § 421**
Sales of bingo faces, U-PIK-EM bingo game sets, breakopen ticket games, and other charity games equipment to a group home for mentally disabled individuals exempt from taxation pursuant to Section 501(c)(3) of the Internal Revenue Code.
**Estimate:** *Information Unavailable*

3. ***Charitable Healthcare Organization,* 3A O.S. § 421**
Sales of bingo faces, U-PIK-EM bingo game sets, breakopen ticket games, and other charity games equipment to a charitable healthcare organization exempt from taxation pursuant to Section 501(c)(3) of the Internal Revenue Code.
**Estimate:** *Information Unavailable*

4. ***Bad Debt Credit,* 3A O.S. § 422**
Credit allowed for taxes paid by the distributor that become uncollectible from an organization.
**Estimate:** $0
**Data Source:** Tax Commission Records
**Reliability:** 1

[23] All expenditures involving the United States are given an estimate of zero. This estimate is provided since the State cannot levy a tax upon the federal government under the decision of the U.S. Supreme Court.

5. ***Damaged Equipment,* 3A O.S. § 422**
Credit for tax paid on damaged bingo faces, U-PIK-EM bingo game sets, breakopen ticket games, or charity game equipment.
**Estimate:** $0
**Data Source:** Tax Commission Records
**Reliability:** 1

## L. BOAT AND OUTBOARD MOTOR REGISTRATION FEES

1. ***Military Personnel,* 63 O.S. § 4021**
Boats/motors owned by an active duty member (or spouse) of the U.S. Armed Forces who are either a resident of, or stationed in, Oklahoma.
**Estimate:** $8,000
**Data Source:** Service Oklahoma
**Reliability:** 3

2. ***Boat and Motor Replacement Credit,* 63 O.S. § 4021**
Credit allowed towards the registration fee of a new boat/motor that is a replacement for a stolen or defective new original boat/motor.
**Estimate:** Minimal
**Data Source:** Service Oklahoma
**Reliability:** 3

3. ***State of Oklahoma,* 63 O.S. § 4021**
Boats/motors owned by Oklahoma, its agencies, departments, or political subdivisions.
**Estimate:** $16,000
**Data Source:** Service Oklahoma
**Reliability:** 3

4. ***Houseboats of a Fleet of Twenty or More Vessels,* 63 O.S. § 4021**
Boats which are part of a fleet used for lodging and for which a rental fee and sales taxes are collected.
**Estimate:** Minimal
**Data Source:** Service Oklahoma
**Reliability:** 3

5. ***Boy Scouts of America, Girl Scouts of U.S.A. and Campfire Girls,* 63 O.S. § 4021**
Boats/motors owned by Boy Scouts of America, Girl Scouts of U.S.A. and Campfire Girls devoted exclusively to youth programs emphasizing physical fitness, character development and citizenship training.
**Estimate:** $1,000
**Data Source:** Service Oklahoma
**Reliability:** 3

6. ***Donated Boats and Motors,* 63 O.S. § 4021**
Boats/motors donated to nonprofit charitable organizations.
**Estimate:** Minimal
**Data Source:** Service Oklahoma
**Reliability:** 3

## M. BOAT AND OUTBOARD MOTOR EXCISE TAX

1. ***Donated Boats and Motors,* 63 O.S. § 4021**
   Boats/motors donated to nonprofit charitable organizations.
   **Estimate:** *Information Unavailable*

2. ***Marital and Parental Transfers,* 63 O.S. § 4103**
   Transfers of boats/motors, without consideration, between a husband and wife or parent and child.
   **Estimate:** $196,000
   **Data Source:** Service Oklahoma
   **Reliability:** 3

3. ***Replacement Boat and Motor*, 63 O.S. § 4103**
   Credit allowed with respect to excise tax paid for a new boat/motor that is a replacement for a stolen or defective new original boat/motor.
   **Estimate:** Minimal
   **Data Source:** Service Oklahoma
   **Reliability:** 3

4. ***New Resident,* 63 O.S. § 4106**
   Boat/motor brought into this state by a person formerly living in another state, who has owned and registered the boat/motor in such other state at least 60 days prior to being subject to registration in this state.
   **Estimate:** $115,000
   **Data Source:** Service Oklahoma
   **Reliability:** 3

5. ***Government Entities,* 63 O.S. § 4106**
   Any boat/motor registered by the United States, Oklahoma, or by any of their political subdivisions.
   **Estimate:** $8,000
   **Data Source:** Service Oklahoma
   **Reliability:** 3

6. ***Inherited,* 63 O.S. § 4106**
   Any boat/motor, the legal ownership of which was obtained by the owner through inheritance.
   **Estimate:** $104,000
   **Data Source:** Service Oklahoma
   **Reliability:** 3

7. ***Used Boat and Motor Dealers,* 63 O.S. § 4106**
   **Description:** Any boat/motor owned and being offered for sale by a licensed boat/motor dealer.
   **Estimate:** $40,000
   **Data Source:** Service Oklahoma
   **Reliability:** 3

8. ***Foreclosure,* 63 O.S. § 4106**
Any boat/motor, the ownership of which was obtained by the lienholder or mortgagee under or by a foreclosure of a lien or mortgage.
**Estimate:** $27,000
**Data Source:** Service Oklahoma
**Reliability:** 3

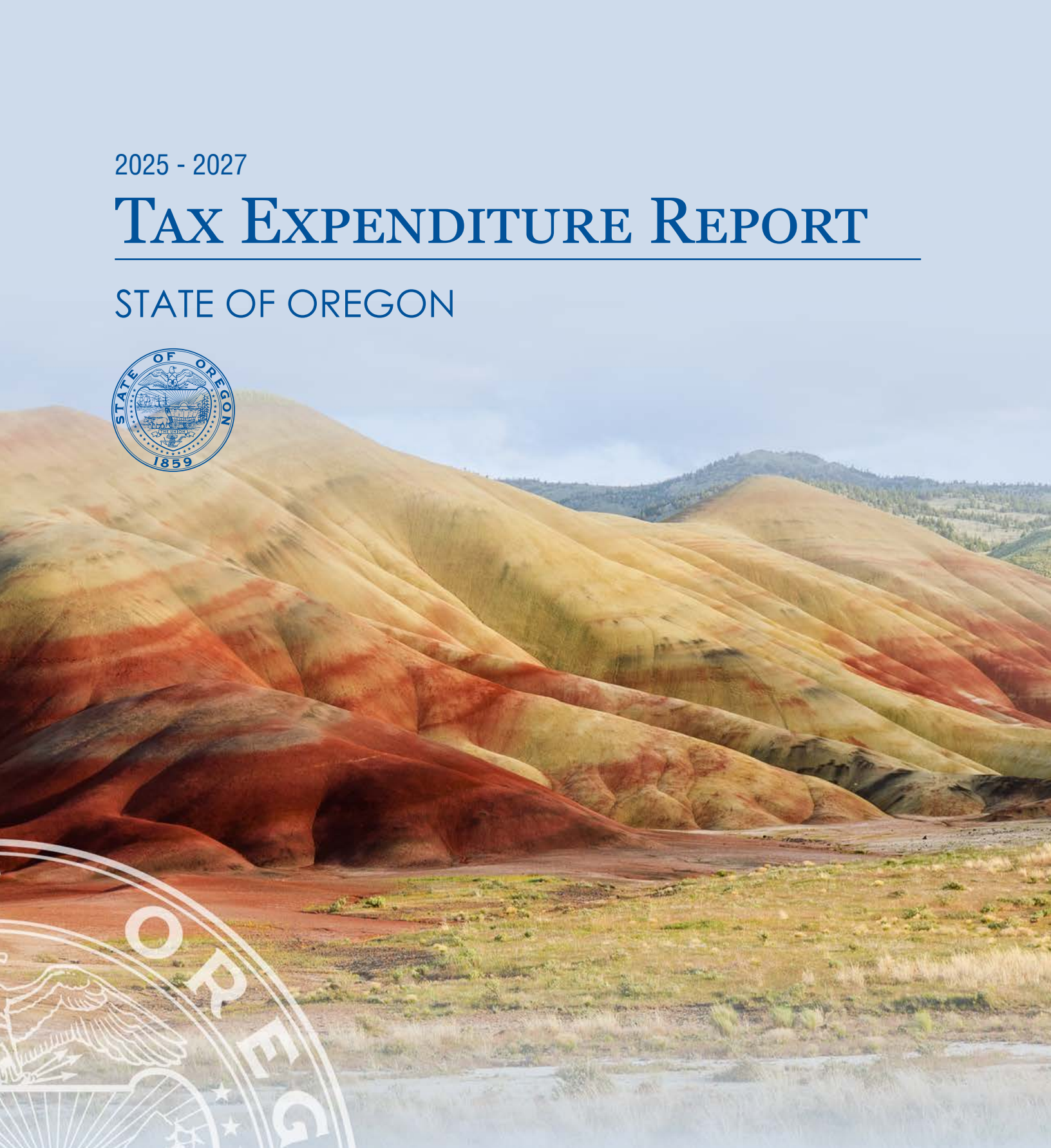
9. ***Boy Scouts of America, Girl Scouts of U.S.A. and Campfire Girls,* 63 O.S. § 4106**
Boats/motor owned by the council organization or similar state supervisory organizations of the Boy Scouts of America, Girl Scouts of U.S.A. and the Campfire Girls.
**Estimate:** $1,000
**Data Source:** Service Oklahoma
**Reliability:** 3

10. ***Corporate and Partnership Boats and Motors,* 63 O.S. § 4106**
Any boat or motor transferred pursuant to the formation or dissolution of a corporation or partnership.
**Estimate:** $2,000
**Data Source:** Service Oklahoma
**Reliability:** 3

2025 - 2027

# Tax Expenditure Report

## STATE OF OREGON



Governor Tina Kotek

Tina Kotek

Oklahoma

5771/8585

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## PUBLICATIONS AVAILABLE ONLINE

| | |
|---|---|
| 2025-27 Governor's Budget: | https://oregon.gov/das/financial/documents/2025-27_gb.pdf |
| Tax Expenditure Report: | https://oregon.gov/dor/stats |
| Economic and Revenue Forecast (Quarterly): | https://oregon.gov/das/oea/pages/forecastecorev.aspx |
| Prison Population Forecast (Twice Yearly): | https://oregon.gov/das/oea/pages/forecastcorrections.aspx |

## WEBSITES OF INTEREST

| | |
|---|---|
| Governor's Budget homepage: | https://budget.oregon.gov |
| Governor's homepage: | https://governor.oregon.gov |
| State of Oregon homepage: | https://oregon.gov |
| Chief Financial Office homepage: | https://oregon.gov/das/financial/pages/index.aspx |
| Office of Economic Analysis homepage: | https://oregon.gov/das/oea/pages/index.aspx |
| Oregon Department of Revenue Statistics: | https://oregon.gov/dor/stats |

**State of Oregon**

**2025-27**

♦ ♦

# Tax Expenditure Report

Department of Revenue
Research Section

Department of Administrative Services
Chief Financial Office

5773/8585

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# GOVERNOR'S MESSAGE

## Dear Fellow Oregonians -

The biennial Tax Expenditure Report is an important tool for understanding how government works towards our state's goals within Oregon's tax structure. My 2025-2027 recommended budget relies on the accuracy and predictability of our tax structure to make progress on Oregonians' top priorities.

This report, as a companion to the biennial Governor's Recommended Budget, contains important information that can help policy makers understand the broad scope of spending that occurs through tax credits and deductions. We must continue to examine the tax expenditures in this report to ensure that they are still effective, equitable, and deliver on the outcomes initially promised. Many of the tax expenditures in this report connect to existing federal tax code. If new proposals come forward at the federal level, this report should be used as an objective resource to determine whether Oregon should remain connected to specific federal tax codes.

Oregonians deserve full disclosure of how well the revenue system is working, consistent with my commitment to accountability, transparency, and excellent customer service. This report provides a factual contribution to the healthy debate of our public finance system.

Sincerely,

Governor Tina Kotek
State of Oregon

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# INTRODUCTION

Oregon's 1995 Budget Accountability Act (the Act) requires the Governor, with the assistance of the Department of Revenue (DOR) and the Department of Administrative Services, to produce a tax expenditure report every biennium, along with the Governor's Budget. The report was first prepared in 1996 for the 1997–99 biennium. This report covers tax expenditures for the 2025–27 biennium.

## TAX EXPENDITURE DEFINED

The Act (see ORS 291.201) defines a tax expenditure as:

> any law of the federal government or of this state that exempts, in whole or in part, certain persons, income, goods, services, or property from the impact of established taxes, including, but not limited to tax deductions, tax exclusions, tax subtractions, tax exemptions, tax deferrals, preferential tax rates, and tax credits.

The term "tax expenditure" derives from the parallel between these tax provisions and direct government expenditures. For example, a program to encourage businesses to purchase pollution abatement equipment could be structured with an incentive in the form of a tax credit or a direct payment by the state to businesses.

It's not always entirely clear which provisions meet Oregon's definition of tax expenditure. For example, a law could exempt certain persons, income, goods, services, or property from the impact of a tax, but it may not be obvious whether that exemption was meant to be an *exemption from the established tax*, or if it was intended to *define the base of the established tax*.

For this report, a number of factors were considered to determine if a provision of law was included in this report. More information about the criteria used can be found on DOR's website in the associated document "Factors Used in Identifying Tax Expenditures Included in Oregon's Tax Expenditure Report."

This report describes 357 tax expenditures in 18 Oregon tax programs. Because tax expenditures impart special treatment to groups of taxpayers, it is necessary to begin with a clear explanation of how the tax generally works. Each of the 18 chapters in the report begins with a general description of the tax program, including a forecast of revenues based on current law.

In some tax programs, an alternative tax or fee is imposed for recipients of a tax expenditure. In the interest of being comprehensive, this report includes provisions involving tax relief from a specific tax, even if those taxpayers are subject to an alternative tax. The alternative taxes or fees paid are reported as *In Lieu* payments in the descriptive information for each tax expenditure.

This report provides general information about Oregon's tax expenditures. It is not intended as legal advice and is not a complete statement of Oregon laws and rules.

## PURPOSE OF THE TAX EXPENDITURE REPORT

The Act declares the necessity of:

> a review of the fairness and efficiency of all tax deductions, tax exclusions, tax subtractions, tax exemptions, tax deferrals, preferential tax rates, and tax credits. These types of tax expenditures are similar to direct government expenditures because they provide special benefits to favored individuals or businesses, and thus result in higher tax rates for all individuals... It is in the best interest of this state to have prepared a biennial report of tax expenditures that will allow the public and policy makers to identify and analyze tax expenditures and to periodically make criteria-based decisions on whether the expenditures should be continued. The tax expenditure report will allow tax expenditures to be debated in conjunction with on-line budgets and will result in the elimination of inefficient and inappropriate tax expenditures, resulting in greater accountability by state government and a lowering of the tax burden on all taxpayers.

The Act specifies that the report include the following information: a list of the tax expenditures; the statutory authority for each; the purpose for which each was enacted; estimates of the revenue loss for the coming biennium; the revenue loss for the preceding biennium; and a determination of whether each tax expenditure has achieved its

purpose, including an analysis of the persons who benefit from the tax expenditure. Each tax expenditure is to be categorized according to the programs or functions it supports. Finally, for those expenditures that will sunset next biennium, the report is to include the Governor's opinion on whether the sunset should be allowed to take effect as scheduled or be revised to a different date.

## HOW TO USE THIS REPORT

***Organization***

This report has been designed to allow a quick overview of Oregon's current tax expenditures as well as a perusal of more extensive details. There are four main sections: the summary, the Governor's recommendations on tax expenditures scheduled to sunset in the 2025–27 biennium, an index of all tax expenditures by tax program, and detailed descriptions of each tax expenditure (Chapters 1–18).

The Index of Tax Expenditures by Tax Program on page 10 is a good starting point to identify those expenditures for which more information is desired. The numbering system can be used as an index to locate the full description of each tax expenditure in Chapters 1–18. In the PDF version of this report, blue text can be clicked on to navigate to a section or tax expenditure.

The main body of this report, Chapters 1–18, is organized by tax program. Each chapter begins with a description of that chapter's tax and contains detailed descriptions of the tax expenditures associated with that tax program.

Appendix A on page 385 and Appendix B on page 389 include the full text of the Budget Accountability Act and a list of contributors to this report, including the agencies that evaluated the tax expenditures. Appendix C on page 391 lists the tax expenditures that are new, modified, or that have been removed since this report was last published in 2023. Appendix D on page 395 lists the personal income tax expenditures and corporation income tax expenditures separately along with their corresponding revenue impacts. The Index of Tax Expenditures by Keyword on page 409 orders tax expenditures by keyword. For example, finding "veterans" in the keyword index lists all of the tax expenditures with "veterans" in the name.

***Program/Function Categories***

Each tax expenditure has been assigned to one of 10 program/function categories. Wherever possible, an expenditure was categorized as one of the budget program areas used in the Governor's Budget: Education, Human Services, Economic and Community Development, Natural Resources, Transportation, and Consumer and Business Services. Those that did not fit one of these program areas were assigned to one of four function categories: Tax Administration, Government, Social Policy, and Federal Law. Because some tax expenditures can fit neatly into more than one category, those who wish to sum the revenue impacts by program or function should be careful that they agree with these assignments or change them accordingly.

***Evaluations***

Personnel in many state agencies contributed to this report, including evaluating whether these tax expenditures achieve their purpose (see Appendix B). Agencies were asked to evaluate tax expenditures if the expenditure related to their program responsibility or if they had appropriate knowledge of the subject matter.

Not all tax expenditures were evaluated. Tax expenditures were generally not evaluated if:

- it has already sunset in a previous biennium
- the revenue impact estimate for any biennia is less than $100,000
- no one qualifies for the tax expenditure
- there is no specific agency with program responsibility for the tax expenditure, or
- the tax expenditure exists for tax administration purposes only

In addition, income tax expenditures that result from Oregon's connection to federal law are also generally not evaluated by state agencies. Instead, citations are given for the federal assessments of the federal laws.

**Revenue Impacts**

The revenue impact of a tax expenditure is intended to measure indirect "spending" through the tax system with respect to that one provision, or alternatively the amount of relief or subsidy being provided through that provision. The revenue impact is generally estimated as the amount of tax not collected due to the tax expenditure, but the dollar impact is NOT the amount of revenue that could be gained by repealing the tax expenditure. There are four main reasons for this:

- Many income tax credits are taken over a period of years or the taxpayer can carry forward some amount of the credit if there is insufficient tax liability to offset. Similarly, some property tax exemptions and special assessments are granted for a specified number of years which may extend beyond when the tax expenditures expire. In these and other similar cases, even if the tax expenditure were eliminated, some taxpayers would be able to continue to get a reduction in their taxes for some years after the law had sunset.
- For property taxes, when a property no longer receives an exemption, its maximum assessed value is reset. The impact of this reset is unpredictable and can lead to higher or lower tax bills going forward.
- The revenue impact estimates do not incorporate behavioral changes that may occur if a tax expenditure were eliminated.
- Each provision is estimated independently. A tax expenditure beneficiary may qualify for a tax reduction under more than one law, thus eliminating one provision might increase the use of another one.
- Administratively, governments may not be able to collect the full liability for some tax expenditures.

**For these reasons, and because tax expenditures interact with each other and the rest of the tax system, caution should be used when summing the revenue impacts.**

The tax expenditures reported here represent revenue loss to the state and local governments. For example, income tax expenditures reduce state General Fund revenue while property tax expenditures reduce revenue to local governments. The property tax is unique in that exempting property from property taxation may result in both a revenue loss to local governments and a shift of taxes to other taxpayers. A complete explanation of revenue loss and shift can be found at the beginning of Property Tax on page 187. For all property tax expenditures, the detailed descriptions report the revenue loss and shift separately.

Revenue impact estimates are generally rounded to the nearest $100,000. For tax expenditures with an impact greater than zero but less than $100,000, the revenue impact is listed as "Less than $100,000." Revenue estimates for tax expenditures that arise from Oregon's connection to federal income taxes are generally rounded to the nearest $500,000, and tax expenditures with an impact greater than zero but less than $500,000 are listed as "Less than $500,000."

Because tax expenditures reflect income or property that is not taxed, direct data often did not exist for estimating revenue impacts. For income tax expenditures, the primary and secondary data sources were Oregon and federal tax returns, respectively. Where appropriate, estimates of selected federal tax expenditures made by the Joint Committee on Taxation of the U.S. Congress were used as the basis for Oregon estimates. For property tax expenditures, information reported by county assessors was used whenever possible. For all tax programs, data from various federal and state agencies were used where available.

Estimates provided within this book are based on current law at the time this publication was finalized in November 2024. Current law anticipates expiration of federal tax provisions that are scheduled to expire. Several provisions are routinely reauthorized for one- or two-year periods, often retroactively. These federal tax expenditures are commonly referred to as "tax extenders" because of their routine reauthorization. Most recently, the Inflation Reduction Act of 2022 (P.L. 117-169) extended a few federal provisions but also modified and added others. (Several more federal tax code modifications, though no "extenders", were enacted by the SECURE 2.0 Act of 2022, which was part of the omnibus legislative package of the Consolidated Appropriations Act of 2023, P.L. 117-328.) Future extension of expired or expiring federal provisions, most notably ones associated with the Tax Cuts and Jobs Act of 2017 (P.L. 115-97), could directly affect the revenue impact of those provisions. Because of the interactive effects between tax expenditures and the other reasons detailed above, revenue estimates should be viewed as orders of magnitude.

***Who Benefits***

Where possible, this report provides information about the beneficiaries of tax expenditures using the most recent tax return data available. For corporation returns, 2021 is the most recent complete tax year available; for personal income tax returns, 2022 is the most recent complete tax year available; and, for property tax information, tax year 2023–24 is the most recent year available. Note that these numbers are a snapshot at the time this report was published and could change as returns are amended, filed late, or changed as a result of an audit.

Where data is available for individual income tax provisions, we provide distributional tables by income for claimants. The term "filer" used in these tables corresponds to a filed return (either single or joint). For example, a return comprised of two people filing jointly would be reflected in the tables as one filer.

## ACKNOWLEDGMENTS

Although the Department of Revenue coordinated the construction of this report, numerous Oregon state agencies provided important information and analysis regarding the objectives and effectiveness of individual tax expenditures. These agencies are listed in Appendix B.

The Congressional Research Service publication, *Tax Expenditures: Compendium of Background Material on Individual Provisions,* is used extensively throughout this report to describe and evaluate the tax expenditures that result from Oregon's connection to the federal income tax. Estimates of federal tax expenditures made by the Joint Committee on Taxation of the U.S. Congress were used to estimate many tax expenditures that result from Oregon's connection to the federal income tax.

# SUMMARY

This report describes 357 individual tax expenditures currently specified in Oregon and federal law. Of those, 167 are related to Oregon's personal and corporation income taxes and 140 are related to local property taxes. The remaining 50 are related to various other state tax programs. Of the 167 income tax expenditures, 84 result from Oregon's connection to the federal income tax code. Oregon is tied to the federal definition of taxable income, except for a few provisions for which Oregon has explicitly disconnected. By adopting the federal definition of income, Oregon also adopts most of the exclusions and deductions from income that are part of federal personal and corporation income taxes.

It is also important to note that there are several extremely large single tax expenditures in both the property and income tax programs that influence these totals. For example, for 2025–27, roughly $7.3 billion of the nearly $13.5 billion of tax expenditures in the property tax program is related to three property tax expenditures: 2.078, State and Local Property ($3.6 billion), 2.072, Personal Property for Personal Use ($2.2 billion), and 2.063, Motor Vehicles and Trailers ($1.5 billion). Similarly, the three largest income tax expenditures (1.007, Employer Paid Medical and Cafeteria Plan Benefits; 1.307, Social Security Benefits (Oregon); and 1.008, Pension Contributions and Earnings) account for about $7.3 billion of the total $18.0 billion for all income tax expenditures.

In addition, some tax expenditures included in this report fit the statutory definition of tax expenditure but do not fit as easily into the framework of "spending" through the tax system. For example, the federal government prohibits state and local governments from taxing certain income (such as 1.324, Income Earned in "Indian Country") or property (such as 2.093, Federal Property). These "tax expenditures" do not represent the same explicit policy decisions as some of the more direct Oregon subtractions and credits.

**SUMMARY OF OREGON TAX PROGRAMS WITH TAX EXPENDITURES ($ Millions)**

| Tax Program | Number of Expenditures | Estimated Revenues 2025-27 | Revenue Impact 2023-25 | Revenue Impact 2025-27 |
|---|---|---|---|---|
| **Income (Personal and Corporate)** | 167 | 32,401 | 16,507 | 18,093 |
| Federal Exclusions | 54 | | 8,527 | 9,468 |
| Federal Adjustments/Deductions | 30 | | 3,130 | 3,316 |
| Oregon Subtractions | 30 | | 2,931 | 3,356 |
| Oregon Credits | 45 | | 1,660 | 1,683 |
| Other Oregon Provisions | 8 | | 260 | 272 |
| **Property** | 140 | 20,418 | 12,540 | 13,442 |
| Full Exemptions | 94 | | 11,024 | 11,878 |
| Partial Exemptions | 31 | | 879 | 874 |
| Special Assessment | 14 | | 642 | 700 |
| Other | 1 | | 0 | 0 |
| **All Other Oregon Taxes with Tax Expenditures** | 50 | 8,090 | 622 | 628 |
| **All Oregon Taxes with Tax Expenditures** | 357 | 60,909 | 29,675 | 32,174 |

For reasons explained in Revenue Impacts on page 3, there are difficulties with summing tax expenditures. This table is intended only to provide rough orders of magnitudes for large groups of tax expenditures and caution should be exercised when adding revenue impacts.

# SUNSETTING TAX EXPENDITURES AND GOVERNOR'S RECOMMENDATIONS

Many tax laws are explicitly written with a limited period of applicability; the last day the law is in effect is referenced in this book as the **sunset date**. In addition to explicit sunsets written into statute, ORS 315.037 specifies sunsets for recently enacted tax expenditures:

> (1) As used in this section, "tax expenditure" has the meaning given that term in ORS 291.201.
>
> (2) Any tax credit enacted by the Legislative Assembly on or after January 1, 2010, shall apply for a maximum of six tax years beginning with the initial tax year for which the credit is applicable, unless the Legislative Assembly expressly provides for another period of applicability.
>
> (3) Any tax expenditure enacted by the Legislative Assembly on or after January 1, 2014, shall apply for a maximum of six tax years beginning with the initial tax year for which the tax expenditure is applicable, unless the Legislative Assembly expressly provides for another period of applicability.

ORS 315.037 has added two sources of uncertainty to identification and reporting of sunset dates. The first source of uncertainty is the statutory definition of tax expenditure in ORS 291.201. The definition is difficult to apply because it relies on identifying exemptions from an "established tax," which is undefined. The second source of uncertainty is that "period of applicability" is not defined for purposes of ORS 315.037. [1] For provisions in this report that have an unclear sunset status, the source of uncertainty is noted in the description of the provision.

## GOVERNOR'S RECOMMENDATIONS

ORS 291.214 requires that the Governor's Tax Expenditure Report:

> Identify each tax expenditure that has a full or partial sunset that, if allowed to take effect, will have a fiscal impact on the state or on school districts for the next biennium, and shall prepare a recommendation as to each tax expenditure identified under this paragraph that indicates the Governor's opinion on whether the full or partial sunset of the tax expenditure should be allowed to take effect as scheduled or should be revised to a different date.

According to Oregon statute "full sunset" means any provision that completely eliminates an existing tax expenditure on a specified date, while "partial sunset" means any provision that reduces the amount of an existing tax expenditure or that alters the eligibility requirements for the expenditure as of a specified date. On the following pages are the 20 tax expenditures that are set to expire during the 2025–27 biennium, and the Governor's recommendation as to whether the specific tax provision should be allowed to sunset as scheduled, or have the sunset date changed. The table includes the revenue impact the tax expenditure will have under current law, and the additional cost if the tax expenditure were extended through the end of the 2025–27 biennium. For more details on these tax expenditures, see their entries in the full report.

1. For example, many statutes have language such as "This Act applies to tax years beginning on or after January 1, 2023 and before January 1, 2029," which suggests a clear period in which the tax expenditure is applicable. Other statutes have language like this: "This Act applies to tax years beginning on or after January 1, 2023." It is unclear if the absence of the end date, as shown in the latter example, implies that the Legislature intended the six-year limit from ORS 315.037 to apply.

## TAX EXPENDITURES SCHEDULED FOR SUNSET IN 2025-27

As part of the 1995 Budget Accountability Act, the governor is required to identify each tax expenditure that has a full or partial sunset occurring in the coming biennium and prepare a recommendation that indicates whether the full or partial sunset should be allowed to take effect. Below are those tax expenditures.

| | TAX EXPENDITURE NAME | TYPE | SUNSET | 2025-27 REVENUE IMPACT ($000)* | 2025-27 COST TO EXTEND ($000)* | GOVERNOR'S RECOMMENDATION |
|---|---|---|---|---|---|---|
| 1.303 | AmeriCorps Awards | Income Tax Subtraction | 12-31-2026 | Less than 100 | Less than 100 | Extend Sunset |
| 1.313 | Manufactured Dwelling Park Capital Gain | Income Tax Subtraction | 12-31-2025 | 300 | 600 | Extend Sunset |
| 1.314 | First-time Home Buyer Savings | Income Tax Subtraction | 12-31-2026 | 3,000 | 1,000 | Extend Sunset |
| 1.317 | Personal Casualty Loss | Income Tax Subtraction | 12-31-2025 | 200 | 0 | Extend Sunset |
| 1.318 | Wildfire Judgment or Settlement and Legal Fees | Income Tax Subtraction | 12-31-2025 | Not Available | Not Available | Extend Sunset |
| 1.406 | Earned Income Credit | Income Tax Credit | 12-31-2025 | 54,300 | 54,400 | Extend Sunset |
| 1.425 | Manufactured Dwelling Park Closure | Income Tax Credit | 12-31-2025 | Less than 100 | Less than 100 | Extend Sunset |
| 1.431 | Crop Donation | Income Tax Credit | 12-31-2025 | 200 | 100 | Extend Sunset |
| 1.445 | Certain Retirement Income | Income Tax Credit | 12-31-2025 | 400 | 400 | Extend Sunset |
| 2.015 | Brownfield Development | Property Tax Exemption | 01-01-2027 | Less than 100 | Less than 100 | Extend Sunset |
| 2.026 | Cargo Containers | Property Tax Exemption | 06-30-2026 | Less than 100 | Less than 100 | Extend Sunset |
| 2.102 | Vertical Housing Development Zone | Partial Property Tax Exemption | 12-31-2025 | 12,900 | 8,800 | Extend Sunset |
| 2.108 | Nonprofit Low-Income Rental Housing | Partial Property Tax Exemption | 06-30-2027 | 45,400 | 0 | Extend Sunset |
| 2.109 | New or Rehabilitated Multi-Unit Rental Housing | Partial Property Tax Exemption | 01-02-2027 | Less than 100 | Less than 100 | Extend Sunset |
| 3.003 | Vehicle Used for Testing Emissions (Gas and Use Fuel Taxes) | Gas, Use, and Jet Fuel Taxes Exclusion | 12-31-2025 | 0 | 0 | Extend Sunset |

* The revenue impact includes the effect of the currently scheduled sunset. The cost to extend is the additional revenue impact if the tax expenditure is extended.

## TAX EXPENDITURES SCHEDULED FOR SUNSET IN 2025-27

As part of the 1995 Budget Accountability Act, the governor is required to identify each tax expenditure that has a full or partial sunset occurring in the coming biennium and prepare a recommendation that indicates whether the full or partial sunset should be allowed to take effect. Below are those tax expenditures.

| | TAX EXPENDITURE NAME | TYPE | SUNSET | 2025-27 REVENUE IMPACT ($000)* | 2025-27 COST TO EXTEND ($000)* | GOVERNOR'S RECOMMENDATION |
|---|---|---|---|---|---|---|
| 4.003 | Vehicle Used for Testing Emissions (Weight-Mile Tax) | Weight-Mile Tax Exclusion | 12-31-2025 | 200 | 500 | Extend Sunset |
| 7.003 | Oregon Grapes for Wine Without Oregon Designation or AVA | Beer and Wine Tax Exclusion | 06-30-2027 | Less than 100 | Less than 100 | Extend Sunset |
| 9.001 | Sales of Prescription Drugs by Eligible Pharmacies | Corporate Activity Tax Exclusion | 12-31-2025 | 4,600 | 4,700 | Extend Sunset |
| 9.002 | Subcontractor Labor Payments for Residential Construction | Corporate Activity Tax Exclusion | 12-31-2025 | 900 | 1,000 | Extend Sunset |
| 9.004 | Insurers Subject to Retaliatory Tax | Corporate Activity Tax Exclusion | 12-31-2026 | Not Available | Not Available | Extend Sunset |

* The revenue impact includes the effect of the currently scheduled sunset. The cost to extend is the additional revenue impact if the tax expenditure is extended.

## INDEX OF TAX EXPENDITURES BY TAX PROGRAM

| | Tax Expenditure | Program or Function | Year Enacted | Oregon Statute | Revenue Impact ($ Thousands) 2023-25 | 2025-27 |
|---|---|---|---|---|---|---|
| **Personal & Corporate Income Taxes** | | | | | | |
| *Federal Exclusions* | | | | | | |
| 1.001 | Scholarship and Fellowship Income | Education | 1954 | 316.048 | 34,000 | 38,000 |
| 1.002 | Qualified Education Savings (Federal) | Education | 1996 | 316.048 | 41,000 | 43,000 |
| 1.003 | Exclusion of Employer-Provided Tuition Reduction | Education | 1984 | 316.048 | 2,000 | 2,500 |
| 1.004 | Certain Foster Care Payments | Human Services | 1982 | 316.048 | 4,000 | 4,000 |
| 1.005 | Employee Adoption Benefits | Human Services | 1996 | 316.048 | Less than 500 | Less than 500 |
| 1.006 | Compensatory Damages | Human Services | 1918 | 316.048 | 16,000 | 15,000 |
| 1.007 | Employer Paid Medical and Cafeteria Plan Benefits | Human Services | 1918 and 1978 | 316.048 | 1,800,000 | 1,800,000 |
| 1.008 | Pension Contributions and Earnings | Human Services | 1921 | 316.048 | 3,100,000 | 3,900,000 |
| 1.009 | Social Security Benefits (Federal) | Human Services | 1938 | 316.048 | 898,000 | 972,000 |
| 1.010 | Regional Economic Development Incentives | Economic/Community | 1993 | 316.048, 317.013 | Less than 500 | Less than 500 |
| 1.011 | Capital Gain Invested in Opportunity Zone | Economic/Community | 2017 | 316.048, 317.013 | 23,000 | 2,500 |
| 1.012 | Exclusion of Gain from Certain Small Business Stock | Economic/Community | 1993 | 316.048 | 78,000 | 77,000 |
| 1.013 | Imputed Interest Rules | Economic/Community | 1984 | 316.048, 317.013 | 7,500 | 8,000 |
| 1.014 | Employer Provided Dependent Care | Economic/Community | 1981 | 316.048 | 7,000 | 9,000 |
| 1.015 | Capital Gains on Home Sales | Economic/Community | 1997 | 316.048 | 450,000 | 470,000 |
| 1.016 | Income Earned Abroad by U.S. Citizens | Economic/Community | 1926 | 316.048 | 50,000 | 51,000 |
| 1.017 | Cancellation of Mortgage Debt | Economic/Community | 2007 | 316.048 | 1,500 | Less than 500 |
| 1.018 | Employer Paid Group Life Insurance Premiums | Economic/Community | 1920 | 316.048 | 35,000 | 36,000 |
| 1.019 | Employer Paid Accident and Disability Insurance | Economic/Community | 1954 | 316.048 | 54,000 | 57,000 |

## INDEX OF TAX EXPENDITURES BY TAX PROGRAM

| | Tax Expenditure | Program or Function | Year Enacted | Oregon Statute | Revenue Impact ($ Thousands) 2023-25 | 2025-27 |
|---|---|---|---|---|---|---|
| 1.020 | Employer Provided On-Site Gyms | Economic/Community | 1984 | 316.048 | 16,000 | 15,000 |
| 1.021 | Miscellaneous Fringe Benefits | Economic/Community | 1984 | 316.048 | 82,000 | 81,000 |
| 1.022 | Employee Meals and Lodging (Nonmilitary) | Economic/Community | 1918 | 316.048 | 89,000 | 83,000 |
| 1.023 | Employee Stock Ownership Plans | Economic/Community | 1974 | 316.048, 317.013 | 50,000 | 52,000 |
| 1.024 | Employee Awards | Economic/Community | 1986 | 316.048 | 4,000 | 4,000 |
| 1.025 | Employer Provided Education Benefits | Economic/Community | 1978 | 316.048 | 14,000 | 11,000 |
| 1.026 | Spread on Acquisition of Stock | Economic/Community | 1981 | 316.048 | 9,500 | 10,000 |
| 1.027 | Meal and Entertainment Expenses | Economic/Community | 1962 | 316.048 | 7,500 | 8,000 |
| 1.028 | Veterans' Benefits and Services | Economic/Community | 1917 | 316.048 | 160,000 | 170,000 |
| 1.029 | Military and Dependents TRICARE Insurance | Economic/Community | 1925 | 316.048 | 98,000 | 110,000 |
| 1.030 | Cash Accounting, Other than Agriculture | Economic/Community | 1916 | 316.048, 317.013 | 21,000 | 20,000 |
| 1.031 | Inventory Methods of Valuation | Economic/Community | 1938 | 316.048, 317.013 | 13,000 | 13,000 |
| 1.032 | Energy Conservation Subsidies (Federal) | Natural Resources | 1992 | 316.048 | 500 | 500 |
| 1.033 | Pass-Through Status of Specified Publicly Traded Partnerships | Natural Resources | 1987 | 317.013 | 4,500 | 6,500 |
| 1.034 | Employer Paid Transportation Benefits | Transportation | 1984 | 316.048 | 53,000 | 52,000 |
| 1.035 | Certain Disaster Mitigation Payments | Consumer and Business Services | 2005 | 316.048, 317.013 | 1,000 | 500 |
| 1.036 | Credit Union Income | Consumer and Business Services | 1951 | 317.080(1) | 32,000 | 37,000 |
| 1.037 | Elimination of Tax Exempt Interest Allocation for Banks | Consumer and Business Services | 2009 | 317.013 | 4,500 | 4,500 |
| 1.038 | Workers' Compensation Benefits (Medical) | Consumer and Business Services | 1918 | 316.048 | 37,000 | 44,000 |
| 1.039 | Workers' Compensation Benefits (Nonmedical) | Consumer and Business Services | 1918 | 316.048 | 25,000 | 23,000 |
| 1.040 | Gain on Nondealer Installment Sales | Tax Administration | 1921 | 316.048, 317.013 | 49,500 | 53,500 |
| 1.041 | Gain on Like-Kind Exchanges | Tax Administration | 1921 | 316.048, 317.013 | 108,000 | 95,500 |

## INDEX OF TAX EXPENDITURES BY TAX PROGRAM

| | Tax Expenditure | Program or Function | Year Enacted | Oregon Statute | Revenue Impact ($ Thousands) 2023-25 | 2025-27 |
|---|---|---|---|---|---|---|
| 1.042 | Allowances for Federal Employees Abroad | Government | 1943 | 316.048 | 4,000 | 4,000 |
| 1.043 | Interest on Oregon State and Local Debt | Government | 1913 | 316.048 | 40,400 | 41,600 |
| 1.044 | Voluntary Employees' Beneficiary Associations | Social Policy | 1928 | 316.048 | 16,000 | 16,000 |
| 1.045 | Rental Allowances for Clergy Housing | Social Policy | 1921 | 316.048 | 7,500 | 7,500 |
| 1.046 | Discharge of Certain Student Loan Debt | Social Policy | 1984 | 316.048 | 12,000 | 6,500 |
| 1.047 | Capital Gains on Inherited Property | Social Policy | 1921 | 316.048 | 690,000 | 730,000 |
| 1.048 | Capital Gains on Gifts | Social Policy | 1921 | 316.048 | 49,000 | 40,000 |
| 1.049 | Life Insurance Proceeds | Social Policy | 1913 | 316.048, 317.013 | 135,000 | 146,000 |
| 1.050 | Disability Benefits of Military and Victims of Terrorism | Social Policy | 1942 | 316.048 | 3,000 | 3,500 |
| 1.051 | Benefits and Allowances of Armed Forces Personnel | Social Policy | 1925 | 316.048 | 64,000 | 66,000 |
| 1.052 | Combat Pay | Social Policy | Pre-1945 | 316.048 | 6,500 | 7,500 |
| 1.053 | Deferral of Interest on Savings Bonds | Social Policy | 1951 | 316.048 | 4,000 | 3,500 |
| 1.054 | Deferral of Certain Advance Payments | Federal Law | 2017 | 316.048, 317.013 | 15,500 | 16,500 |
| *Federal Adjustments* | | | | | | |
| 1.101 | Teacher Classroom Expenses | Education | 2002 | 316.048 | 1,900 | 1,900 |
| 1.102 | Interest on Student Loans | Education | 1997 | 316.048 | 18,200 | 38,000 |
| 1.103 | Self-Employment Health Insurance | Human Services | 1986 | 316.048 | 83,000 | 84,600 |
| 1.104 | Health Savings Accounts | Human Services | 2003 | 316.048 | 92,000 | 110,000 |
| 1.105 | IRA Contributions and Earnings | Human Services | 1974 | 316.048 | 220,000 | 280,000 |
| 1.106 | Moving Expenses | Economic/Community | 1964 | 316.048 | 100 | 3,500 |
| 1.107 | Overnight Travel Expenses of National Guard and Reserve Members | Social Policy | 2003 | 316.048 | 2,000 | 2,000 |

## INDEX OF TAX EXPENDITURES BY TAX PROGRAM

| | Tax Expenditure | Program or Function | Year Enacted | Oregon Statute | Revenue Impact ($ Thousands) 2023-25 | 2025-27 |
|---|---|---|---|---|---|---|
| *Federal Deductions* | | | | | | |
| 1.201 | Medical and Dental Expenses | Human Services | 1942 | 316.695 | 255,000 | 288,000 |
| 1.202 | Removal of Architectural Barriers | Human Services | 1976 | 316.048, 317.013 | Less than 500 | Less than 500 |
| 1.203 | Deduction of Certain Film and Television Production Costs | Economic/Community | 2004 | 316.048, 317.013 | 500 | Less than 500 |
| 1.204 | Accelerated Depreciation of Certain Buildings | Economic/Community | 1954 | 316.048, 317.013 | 5,000 | 4,500 |
| 1.205 | Accelerated Depreciation of Equipment | Economic/Community | 1954 | 316.048, 317.013 | 133,000 | 3,500 |
| 1.206 | Section 179 Expensing Allowances | Economic/Community | 1958 | 316.048, 317.013 | 45,000 | 47,000 |
| 1.207 | Amortization of Business Start-Up Costs | Economic/Community | 1980 | 316.048, 317.013 | 1,000 | 1,500 |
| 1.208 | Foreign-Derived Intangible Income | Economic/Community | 2017 | 317.013 | 120,000 | 110,000 |
| 1.209 | Accelerated Depreciation of Rental Housing | Economic/Community | 1954 | 316.048, 317.013 | 37,000 | 27,000 |
| 1.210 | Home Mortgage Interest | Economic/Community | 1913 | 316.695 | 962,000 | 1,010,000 |
| 1.211 | Property Taxes | Economic/Community | 1913 | 316.695 | 587,000 | 656,000 |
| 1.212 | Soil and Water Conservation Expenditures | Natural Resources | 1954 | 316.048, 317.013 | 500 | 500 |
| 1.213 | Fertilizer and Soil Conditioner Costs | Natural Resources | 1960 | 316.048, 317.013 | 500 | 500 |
| 1.214 | Extended Carryback of Farming Loss | Natural Resources | 1999 | 316.048 | 500 | 500 |
| 1.215 | Intangible Development Costs for Fuels | Natural Resources | 1954 | 316.695, 317.013 | 3,000 | 2,000 |
| 1.216 | Amortization of Air Pollution Control Facilities | Natural Resources | 2005 | 317.013 | Less than 500 | Less than 500 |
| 1.217 | Expensing Timber-Growing Costs | Natural Resources | 1986 | 316.048, 317.013 | 2,500 | 2,500 |
| 1.218 | Expensing and Amortization of Reforestation Costs | Natural Resources | 1980 | 316.048, 317.013 | 500 | 500 |
| 1.219 | Magazine Circulation Expenditures | Tax Administration | 1950 | 316.048, 317.013 | Less than 500 | Less than 500 |
| 1.220 | Completed Contract Rules | Tax Administration | 1986 | 316.048, 317.013 | 7,500 | 8,500 |
| 1.221 | Charitable Contributions | Social Policy | 1917 and 1935 | 316.695, 317.013 | 543,000 | 605,000 |

## INDEX OF TAX EXPENDITURES BY TAX PROGRAM

| | Tax Expenditure | Program or Function | Year Enacted | Oregon Statute | Revenue Impact ($ Thousands) 2023-25 | 2025-27 |
|---|---|---|---|---|---|---|
| 1.222 | Casualty and Theft Losses | Social Policy | 1913 | 316.695 | 400 | 2,200 |
| 1.223 | Local Income Taxes | Social Policy | 1913 | 316.695 | 8,700 | 26,100 |
| *Oregon Subtractions* | | | | | | |
| 1.301 | Oregon 529 College Savings Network | Education | 1999 | 316.699 | 1,300 | 0 |
| 1.302 | Scholarship Awards Used for Housing Expenses | Education | 1999 | 316.846 | 1,400 | 1,400 |
| 1.303 | AmeriCorps Awards | Education | 2021 | 316.847 | Less than 100 | Less than 100 |
| 1.304 | Medical Subtraction for Elderly | Human Services | 2013 | 316.693 | 55,000 | 55,000 |
| 1.305 | Additional Deduction for Elderly or Blind | Human Services | 1989 | 316.695(7) | 28,300 | 29,600 |
| 1.306 | ABLE Account Contributions | Human Services | 2015 | 316.699 | Less than 100 | 0 |
| 1.307 | Social Security Benefits (Oregon) | Human Services | 1985 | 316.054 | 1,350,000 | 1,560,000 |
| 1.308 | Film Production Labor Rebate | Economic/Community | 2005 | 316.698, 317.394 | 1,000 | 1,000 |
| 1.309 | Artist's Charitable Contribution | Economic/Community | 1979 | 316.838 | Less than 100 | Less than 100 |
| 1.310 | Oregon Investment Advantage | Economic/Community | 2001 | 316.778, 317.391 | Not Available | Not Available |
| 1.311 | Dividend Received from an IC-DISC | Economic/Community | 2013 | 316.749(1) | 13,200 | 14,100 |
| 1.312 | Individual Development Accounts (Exclusion and Subtraction) | Economic/Community | 1999 | 316.848 | Less than 100 | Less than 100 |
| 1.313 | Manufactured Dwelling Park Capital Gain | Economic/Community | 2005 | Ore. Laws 2005 c.826 §6-10 | 900 | 300 |
| 1.314 | First-time Home Buyer Savings | Economic/Community | 2018 | 316.798 | 1,100 | 3,000 |
| 1.315 | Manufactured Dwelling Tenant Payment | Economic/Community | 2007 | 316.795, 317.092 | Less than 100 | Less than 100 |
| 1.316 | Interest from State and Local Government Bonds | Economic/Community | 1987 | 316.056 | 300 | 300 |
| 1.317 | Personal Casualty Loss | Economic/Community | 2023 | 316.850 | 600 | 200 |
| 1.318 | Wildfire Judgment or Settlement and Legal Fees | Economic/Community | 2024 | Ore. Laws 2024 c.50 | Not Available | Not Available |
| 1.319 | Depletion Costs for Metal Mines | Natural Resources | Pre-1953 | 317.374 | Less than 100 | Less than 100 |
| 1.320 | Energy Conservation Subsidies (Oregon) | Natural Resources | 1981 | 316.744, 317.386 | Less than 100 | Less than 100 |

## INDEX OF TAX EXPENDITURES BY TAX PROGRAM

| | Tax Expenditure | Program or Function | Year Enacted | Oregon Statute | Revenue Impact ($ Thousands) 2023-25 | 2025-27 |
|---|---|---|---|---|---|---|
| 1.321 | Agriculture Sector Net Operating Loss Carryback | Natural Resources | 2022 | Ore. Laws 2022 c.82 §12-15 | 10,700 | 19,300 |
| 1.322 | Wet Marine and Transportation Policies | Consumer and Business Services | 1995 | 317.080(8) | 2,500 | 2,500 |
| 1.323 | Hydroelectric Dam and Waterway Workers | Tax Administration | 1997 | 316.127(8), (10) | Not Available | Not Available |
| 1.324 | Income Earned in "Indian Country" | Government | 1977 | 316.777 | 8,600 | 9,300 |
| 1.325 | Federal Pension Income | Government | 1998 | 316.680(1)(e) | 129,000 | 129,000 |
| 1.326 | Legislative Per Diem and Allowance | Government | 1967 | 171.072(7) | 100 | 100 |
| 1.327 | Oregon State Lottery Prizes | Government | 1985 | 461.560 | 400 | 500 |
| 1.328 | Federal Income Tax Subtraction | Social Policy | 1929 | 316.680(1)(b), 316.685, 316.695 | 1,200,000 | 1,420,000 |
| 1.329 | Military Active Duty and Related Pay | Social Policy | 1969 | 316.792 | 47,200 | 48,100 |
| 1.330 | Interest and Dividends on U.S. Obligations | Federal Law | 1970 | 316.680(1)(a) | 79,000 | 62,000 |
| *Oregon Credits* | | | | | | |
| 1.401 | Employer Provided Scholarships | Education | 2001 | 315.237 | Less than 100 | Less than 100 |
| 1.402 | Contributions of Computer Equipment | Education | 1985 | 317.151 | Less than 100 | Less than 100 |
| 1.403 | Opportunity Grant Fund Contributions | Education | 2018 | 315.643 | Not Available | Not Available |
| 1.404 | Employee Training | Education | 2017 | 315.523 | Less than 100 | Less than 100 |
| 1.405 | Contributions to 529 Account | Education | 2019 | 315.650 | 17,600 | 17,600 |
| 1.406 | Earned Income Credit | Human Services | 1997 | 315.266 | 106,000 | 54,300 |
| 1.407 | Child with a Disability | Human Services | 1985 | 316.099(3) | 8,700 | 8,700 |
| 1.408 | Rural Medical Practice | Human Services | 1989 | 315.613, 315.616, 315.619 | 11,800 | 11,000 |
| 1.409 | Volunteer Rural Emergency Medical Providers | Human Services | 2005 | 315.622 | 100 | 100 |
| 1.410 | Severe Disability | Human Services | 1985 | 316.758 | 7,800 | 7,800 |
| 1.411 | Contributions to ABLE Account | Human Services | 2019 | 315.650 | 600 | 600 |
| 1.412 | Oregon Kids Credit | Human Services | 2023 | 315.273 | 78,100 | 79,600 |
| 1.413 | Farmworker Housing Lender's Credit | Economic/Community | 1989 | 317.147 | Less than 100 | 0 |

## INDEX OF TAX EXPENDITURES BY TAX PROGRAM

| | Tax Expenditure | Program or Function | Year Enacted | Oregon Statute | Revenue Impact ($ Thousands) 2023-25 | 2025-27 |
|---|---|---|---|---|---|---|
| 1.414 | Agriculture Workforce Housing Construction | Economic/Community | 1989 | 315.164 | 7,300 | 10,000 |
| 1.415 | Film Production Development Contributions | Economic/Community | 2003 | 315.514, 315.516 | 38,800 | 38,800 |
| 1.416 | Renewable Resource Equipment Manufacturing Facilities | Economic/Community | 2011 | 315.341 | Less than 100 | Less than 100 |
| 1.417 | Oregon Low-Income Community Jobs Initiative | Economic/Community | 2011 | 315.533(2) | Not Available | Not Available |
| 1.418 | Long Term Rural Enterprise Zone Facilities (Income Tax) | Economic/Community | 1997 | 317.124 | Not Available | Not Available |
| 1.419 | Reservation Enterprise Zone (Income Tax) | Economic/Community | 2001 | 315.506 | Less than 100 | Less than 100 |
| 1.420 | Public University Venture Development Fund | Economic/Community | 2005 | 315.640 | 200 | 200 |
| 1.421 | Working Family Household and Dependent Care | Economic/Community | 2015 | 315.264 | 34,300 | 34,200 |
| 1.422 | Contributions to Office of Child Care | Economic/Community | 2001 | 315.213 | Less than 100 | Less than 100 |
| 1.423 | Individual Development Account Donation (Credit) | Economic/Community | 1999 | 315.271 | 13,400 | 13,700 |
| 1.424 | Oregon Affordable Housing Lender's Credit | Economic/Community | 1989 | 317.097 | 15,000 | 16,000 |
| 1.425 | Manufactured Dwelling Park Closure | Economic/Community | 2007 | 316.090 | Less than 100 | Less than 100 |
| 1.426 | Qualified Research Expenses for Semiconductor Companies | Economic/Community | 2023 | 315.518, 315.519 | 23,900 | 55,500 |
| 1.427 | Publicly Supported Housing Seller's Credit | Economic/Community | 2023 | 315.283 | Not Yet Available | Not Yet Available |
| 1.428 | Agricultural Worker Overtime | Natural Resources | 2022 | 315.133 | 19,600 | 50,400 |
| 1.429 | Small Forest Owner Forest Conservation (Income Tax) | Natural Resources | 2022 | 315.124 | Not Available | Not Available |
| 1.430 | Bovine Manure | Natural Resources | 2017 | 315.176(3)(a) | Less than 100 | Less than 100 |
| 1.431 | Crop Donation | Natural Resources | 1977 | 315.156 | 300 | 200 |
| 1.432 | Energy Conservation Lender's Credit | Natural Resources | 1981 | 317.112 | Less than 100 | Less than 100 |
| 1.433 | Transportation Projects | Natural Resources | 2011 | 315.336(1) | Less than 100 | 0 |
| 1.434 | Alternative Energy Devices (Residential) | Natural Resources | 1977 | 316.116 | 200 | Less than 100 |
| 1.435 | Business Energy Facilities, Conservation and Renewables | Natural Resources | 1979 | 315.354 | 300 | Less than 100 |

## INDEX OF TAX EXPENDITURES BY TAX PROGRAM

| | Tax Expenditure | Program or Function | Year Enacted | Oregon Statute | Revenue Impact ($ Thousands) 2023-25 | 2025-27 |
|---|---|---|---|---|---|---|
| 1.436 | Energy Conservation Projects | Natural Resources | 2011 | 315.331(1) | Less than 100 | Less than 100 |
| 1.437 | Weatherization Lender's Credit | Natural Resources | 1977 | 317.111 | Less than 100 | Less than 100 |
| 1.438 | Fish Screening Devices | Natural Resources | 1989 | 315.138 | Less than 100 | Less than 100 |
| 1.439 | Short Line Railroad Rehabilitation | Transportation | 2019 | 315.593 | Not Available | Not Available |
| 1.440 | Oregon Life and Health IGA Assessments | Consumer and Business Services | 1975 | 734.835 | 700 | 200 |
| 1.441 | Political Contributions | Government | 1969 | 316.102 | 6,000 | 4,600 |
| 1.442 | Oregon Cultural Trust | Social Policy | 2001 | 315.675 | 8,500 | 8,800 |
| 1.443 | Personal Exemption | Social Policy | 1985 | 316.085 | 1,260,000 | 1,270,000 |
| 1.444 | Oregon Veterans' Home Physicians | Social Policy | 2007 | 315.624 | Less than 100 | Less than 100 |
| 1.445 | Certain Retirement Income | Social Policy | 1991 | 316.157 | 900 | 400 |
| *Oregon Other* | | | | | | |
| 1.501 | Public Warehouse Sales Throwback Exemption | Economic/Community | 2005 | 314.665 | Less than 100 | Less than 100 |
| 1.502 | Tax Rates for Certain Pass-Through Income | Economic/Community | 2013 | 316.043(2) | 242,000 | 253,000 |
| 1.503 | Income Averaging for Farmers | Natural Resources | 2001 | 314.297 | 1,300 | 1,300 |
| 1.504 | Capital Gains from Farm Property | Natural Resources | 2001 | 316.045, 317.063, 318.020 | 4,700 | 5,200 |
| 1.505 | Nonresident Disaster Related Income | Consumer and Business Services | 2015 | 401.690 | Not Available | Not Available |
| 1.506 | Apportionment for Utility and Telecommunication Companies | Consumer and Business Services | 2001 | 314.280 | 800 | 800 |
| 1.507 | Nonresident Armed Forces | Social Policy | 1942 | 50 U.S.C. § 4001 | 11,100 | 11,800 |
| 1.508 | Nonresident Spouse of Nonresident Servicemember Serving in Oregon | Social Policy | 2009 | 50 U.S.C. § 4001 | Not Available | Not Available |

## INDEX OF TAX EXPENDITURES BY TAX PROGRAM

| | Tax Expenditure | Program or Function | Year Enacted | Oregon Statute | Revenue Impact ($ Thousands) 2023-25 | 2025-27 |
|---|---|---|---|---|---|---|
| **Property Tax** | | | | | | |
| *Full Exemptions* | | | | | | |
| 2.001 | Academies, Day Care, and Student Housing | Education | 1957 | 307.145 | 78,800 | 85,500 |
| 2.002 | Student Housing Furnishings | Education | 1957 | 307.195 | Less than 100 | Less than 100 |
| 2.003 | Leased Student Housing Publicly Owned | Education | 1947 | 307.110(3)(a) | 37,200 | 41,800 |
| 2.004 | Higher Education Parking Space | Education | 1989 | 307.110(3)(f) | Incl. in 2.078 | Incl. in 2.078 |
| 2.005 | Private Libraries for Public Use | Education | 1854 | 307.160 | Less than 100 | Less than 100 |
| 2.006 | Leased Rural Health Care Property | Human Services | 1999 | 307.110(3)(i) | 400 | 500 |
| 2.007 | Senior Services Centers | Human Services | 1993 | 307.147 | 400 | 500 |
| 2.008 | Land Owned by Nonprofit for Purpose of Building Low-Income Housing | Economic/Community | 2015 | 307.513 | 100 | 100 |
| 2.009 | Agricultural Housing and Day Care Facilities | Economic/Community | 1973 | 307.485 | 800 | 900 |
| 2.010 | Fairground Leased Storage Space | Economic/Community | 1987 | 307.110(3)(d), (e) | Less than 100 | Less than 100 |
| 2.011 | Commercial Buildings Under Construction | Economic/Community | 1959 | 307.330 | 77,000 | 84,500 |
| 2.012 | Construction in Process in an Enterprise Zone | Economic/Community | 2003 | 285C.170 | Incl. in 2.011 | Incl. in 2.011 |
| 2.013 | Enterprise Zone Businesses | Economic/Community | 1985 | 285C.175 | 98,100 | 190,000 |
| 2.014 | Long Term Rural Enterprise Zone (Property Tax) | Economic/Community | 1997 | 285C.409 | 356,000 | 389,000 |
| 2.015 | Brownfield Development | Economic/Community | 2016 | Ore. Laws 2016 c.96, 2019 c.492 | Less than 100 | Less than 100 |
| 2.016 | New Industrial Property in Rural Areas | Economic/Community | 2016 | Ore. Laws 2016 c.112, 2018 c.111 §15, 2019 c.575 | Less than 100 | Less than 100 |
| 2.017 | Industry Apprenticeship/ Training Trust | Economic/Community | 1983 | 307.580 | 1,500 | 1,600 |
| 2.018 | Rural Renewable Energy Development Zone | Economic/Community | 2003 | 285C.362 | 5,300 | 10,700 |
| 2.019 | Housing Authority Rental Properties | Economic/Community | 1937 | 307.092 | 39,100 | 44,300 |

## INDEX OF TAX EXPENDITURES BY TAX PROGRAM

| | Tax Expenditure | Program or Function | Year Enacted | Oregon Statute | Revenue Impact ($ Thousands) 2023-25 | 2025-27 |
|---|---|---|---|---|---|---|
| 2.020 | Local Government Owned Low-Income Housing | Economic/Community | 2013 | 307.110(3)(h) | 3,900 | 4,300 |
| 2.021 | Federal Land Under Summer Homes | Economic/Community | 1975 | 307.183 to 307.184 | Not Available | Not Available |
| 2.022 | Federal Land Under Recreation Facility | Economic/Community | 1975 | 307.182 | 100 | 100 |
| 2.023 | Nonprofit Elderly Housing State Funded | Economic/Community | 1977 | 307.242 | 3,400 | 3,600 |
| 2.024 | Inventory | Economic/Community | 1969 | 307.400 | 925,000 | 981,000 |
| 2.025 | Business Personal Property and Residential Floating Structures | Economic/Community | 1979 | 308.250(2)(a) | 10,500 | 11,400 |
| 2.026 | Cargo Containers | Economic/Community | 1979 | 307.835 | 200 | Less than 100 |
| 2.027 | Leased Docks and Airports | Economic/Community | 1947 | 307.120 | 12,800 | 13,900 |
| 2.028 | Ship Repair Facility Materials | Economic/Community | 1957 | 308.256(7) | Incl. in 2.024 | Incl. in 2.024 |
| 2.029 | Railroad Cars Being Repaired | Economic/Community | 1973 | 308.665 | 900 | 1,000 |
| 2.030 | Low-Income Housing Owned by Religious Organization | Economic/Community | 2021 | 307.140(4) | Incl. in 2.087 | Incl. in 2.087 |
| 2.031 | New ADU or Newly Converted Multiplex | Economic/Community | 2023 | Ore. Laws 2023 c.583 | 200 | 400 |
| 2.032 | Food Processing Equipment | Natural Resources | 2005 | 307.455 | 13,600 | 18,500 |
| 2.033 | Farm Machinery and Equipment | Natural Resources | 1973 | 307.394 | 109,000 | 115,000 |
| 2.034 | Mobile Field Incinerators | Natural Resources | 1971 | 307.390 | Incl. in 2.033 | Incl. in 2.033 |
| 2.035 | Crops, Plants, and Fruit Trees | Natural Resources | 1957 | 307.320 | 16,600 | 18,100 |
| 2.036 | Agricultural Products Held by the Farmer | Natural Resources | 1965 | 307.325 | 100 | 100 |
| 2.037 | Nursery Stock | Natural Resources | 1971 | 307.315 | 4,700 | 5,100 |
| 2.038 | Leased State and Local Farming and Grazing Land | Natural Resources | 1971 | 307.110(3)(b) | Incl. in 2.078 | Incl. in 2.078 |
| 2.039 | Leased Federal Grazing Land | Natural Resources | 1961 | 307.060 | Incl. in 2.093 | Incl. in 2.093 |
| 2.040 | Shellfish Growing on State Land | Natural Resources | 1969 | 622.290 | Less than 100 | Less than 100 |
| 2.041 | Center Pivot Irrigation Equipment | Natural Resources | 1973 | 307.398 | Incl. in 2.033 | Incl. in 2.033 |
| 2.042 | Other Farm/Aquaculture/ Egg Equipment | Natural Resources | 1973 | 307.397 | Incl. in 2.033 | Incl. in 2.033 |
| 2.043 | Field Burning Smoke Management Equipment | Natural Resources | 1973 | 307.391 | Incl. in 2.033 | Incl. in 2.033 |

## INDEX OF TAX EXPENDITURES BY TAX PROGRAM

| | Tax Expenditure | Program or Function | Year Enacted | Oregon Statute | Revenue Impact ($ Thousands) 2023-25 | 2025-27 |
|---|---|---|---|---|---|---|
| 2.044 | Crab Pots | Natural Resources | 1969 | 508.270 | 400 | 500 |
| 2.045 | Land Leased From State Land Board | Natural Resources | 1982 | 307.168 | 2,600 | 2,700 |
| 2.046 | Natural Gas Pipeline Extension | Natural Resources | 2007 | 307.107 | Less than 100 | Less than 100 |
| 2.047 | Solar Projects | Natural Resources | 2015 | Ore. Laws 2015 c.571, 2019 c.628, 2021 c.571 | 7,500 | 8,200 |
| 2.048 | Cooperative Providing Heat by Combustion of Biomass | Natural Resources | 2019 | 308.521 | Not Available | Not Available |
| 2.049 | Nonprofit Sewage Treatment Facilities | Natural Resources | 1997 | 307.118 | Less than 100 | Less than 100 |
| 2.050 | Riparian Habitat Land | Natural Resources | 1981 | 308A.362 | 400 | 400 |
| 2.051 | Environmentally Sensitive Logging Equipment | Natural Resources | 1999 | 307.827 | 6,900 | 7,400 |
| 2.052 | Skyline and Swing Yarders | Natural Resources | 1999 | 307.831 | Incl. in 2.051 | Incl. in 2.051 |
| 2.053 | Forest Fire Protection Association | Natural Resources | 1957 | 307.125 | 300 | 400 |
| 2.054 | Federal Standing Timber Under Contract | Natural Resources | 1965 | 307.050 | 1,800 | 1,900 |
| 2.055 | State and Local Standing Timber Under Contract | Natural Resources | 1965 | 307.100 | 1,500 | 1,600 |
| 2.056 | Western Private Standing Timber | Natural Resources | 1977 | 321.272 | 455,000 | 489,000 |
| 2.057 | Eastern Private Standing Timber | Natural Resources | 1961 | 321.829 | 32,500 | 34,900 |
| 2.058 | Private Farm and Logging Roads | Natural Resources | 1963 | 308.236 | 45,300 | 49,000 |
| 2.059 | Nonprofit Public Park Use Land | Natural Resources | 1971 | 307.115 | 300 | 400 |
| 2.060 | Inactive Mineral Interests | Natural Resources | 1997 | 308.115 | Less than 100 | Less than 100 |
| 2.061 | Mining Claims on Federal Land | Natural Resources | 1898 | 307.080 | 600 | 600 |
| 2.062 | Small Watercraft | Natural Resources | 1959 | 830.790(3) | 66,300 | 67,700 |
| 2.063 | Motor Vehicles and Trailers | Transportation | 1921 | 803.585 | 1,510,000 | 1,570,000 |
| 2.064 | ODOT Land Under Use Permit | Transportation | 1981 | 307.110(3)(c) | 0 | 0 |
| 2.065 | Tollways and Related Facilities | Transportation | 1995 | 383.017(1) | 0 | 0 |
| 2.066 | Foreign-Owned Aircraft and Aircraft Not Owned by Air Transportation Companies | Transportation | 1987 | 308.558(4), (5) | 30,500 | 31,100 |

## INDEX OF TAX EXPENDITURES BY TAX PROGRAM

| | Tax Expenditure | Program or Function | Year Enacted | Oregon Statute | Revenue Impact ($ Thousands) 2023-25 | 2025-27 |
|---|---|---|---|---|---|---|
| 2.067 | Nonprofit Water Associations | Consumer and Business Services | 1937 | 307.210 | 300 | 300 |
| 2.068 | Nonprofit Electrical Distribution Associations | Consumer and Business Services | 1943 | 308.805 | 27,700 | 32,500 |
| 2.069 | Property Used for Disaster or Emergency Related Work | Consumer and Business Services | 2015 | 401.690(1)(d) | Not Available | Not Available |
| 2.070 | Beverage Containers Requiring Deposit | Tax Administration | 1983 | 307.402 | Less than 100 | Less than 100 |
| 2.071 | Manufactured Structure in High-Population County | Tax Administration | 2010 | 308.250(2)(b), (3) | 7,600 | 7,700 |
| 2.072 | Personal Property for Personal Use | Tax Administration | 1854 | 307.190 | 2,080,000 | 2,230,000 |
| 2.073 | Heavy Equipment Rental | Tax Administration | 2018 | 307.872 | 13,100 | 13,900 |
| 2.074 | Beach Lands | Government | 1969 | 307.450 | Not Available | Not Available |
| 2.075 | Property of Indians and on Tribal Trust Land | Government | 1854 | 307.180, 307.181(1), 307.181(2) | Not Available | Not Available |
| 2.076 | Equipment for Maritime Emergency Response | Government | 2010 | 307.197 | Less than 100 | Less than 100 |
| 2.077 | Interstate Bridges of Local Governments | Government | 2017 | 381.310(10)(a) | 0 | 0 |
| 2.078 | State and Local Property | Government | 1854 | 307.090 | 3,350,000 | 3,620,000 |
| 2.079 | Corporations for Irrigation, Drainage, Water Supply or Flood Control | Government | 1937 | 554.320 | Incl. in 2.078 | Incl. in 2.078 |
| 2.080 | Local Government Public Ways | Government | 1895 | 307.200 | Not Available | Not Available |
| 2.081 | Interstate Bridges of Other States or Subdivisions | Government | 2014 | 381.824 | 0 | 0 |
| 2.082 | Property Used Exclusively for Tribal Government Services | Government | 2012 | 307.181(3) | Not Available | Not Available |
| 2.083 | Federally Leased High-Voltage Electricity Transmission Property | Government | 2013 | 307.040(3) | 2,000 | 2,100 |
| 2.084 | Solar Improvement on Tribal Land | Government | 2024 | 307.181(2)(c) | 0 | 6,100 |
| 2.085 | Charitable, Literary, and Scientific Organizations | Social Policy | 1854 | 307.130 | 281,000 | 306,000 |
| 2.086 | Fraternal Organizations | Social Policy | 1961 | 307.136 | 18,500 | 22,000 |
| 2.087 | Religious Organizations | Social Policy | 1854 | 307.140 | 152,000 | 165,000 |
| 2.088 | Cemeteries, Burial Grounds, and Mausoleums | Social Policy | 1854 | 307.150 | 6,700 | 6,900 |
| 2.089 | City Owned Sports Facility | Social Policy | 2001 | 307.171 | 3,500 | 3,800 |

## INDEX OF TAX EXPENDITURES BY TAX PROGRAM

| | Tax Expenditure | Program or Function | Year Enacted | Oregon Statute | Revenue Impact ($ Thousands) 2023-25 | 2025-27 |
|---|---|---|---|---|---|---|
| 2.090 | Exempt Lease from Taxable Owner | Social Policy | 1977 | 307.112 | Incl. in others | Incl. in others |
| 2.091 | Exempt Lease from Exempt Owner | Social Policy | 1973 | 307.166 | Incl. in others | Incl. in others |
| 2.092 | Property of LLC Owned by Nonprofit Corporation | Social Policy | 2005 | 307.022 | Incl. in others | Incl. in others |
| 2.093 | Federal Property | Federal Law | 1854 | 307.040 | 1,120,000 | 1,170,000 |
| 2.094 | Amtrak Passenger Railroad | Federal Law | 1983 | 308.515(3)(d) | 4,100 | 4,200 |
| *Partial Exemptions* | | | | | | |
| 2.095 | Fraternities, Sororities, and Cooperatives | Education | 1973 | 307.471 | 200 | 200 |
| 2.096 | New Rural Health Care Facilities | Human Services | 2001 | 307.804(2) | Less than 100 | Less than 100 |
| 2.097 | Long Term Care Facilities | Human Services | 1999 | 307.811 | 200 | 200 |
| 2.098 | Facilities with Prepayment Agreement | Economic/Community | 1975 | 311.865 | Less than 100 | Less than 100 |
| 2.099 | Certain Communication Related Property | Economic/Community | 2001 | 308.671 | 63,000 | 67,800 |
| 2.100 | Strategic Investment Program | Economic/Community | 1993 | 307.123 | 681,000 | 654,000 |
| 2.101 | Cap on Central Assessment for Certain Companies | Economic/Community | 2015 | 308.674 | 4,000 | 4,400 |
| 2.102 | Vertical Housing Development Zone | Economic/Community | 2001 | 307.864 | 11,800 | 12,900 |
| 2.103 | Certain Single-Unit Housing | Economic/Community | 1989 | 307.664 | 3,900 | 4,200 |
| 2.104 | Rehabilitated Housing | Economic/Community | 1975 | 308.459 | Less than 100 | Less than 100 |
| 2.105 | Multi-Unit Rental Housing in Designated Areas | Economic/Community | 1975 | 307.612 | 21,100 | 24,600 |
| 2.106 | Low Income Multi-Unit Rental Housing | Economic/Community | 1999 | 307.612 | Incl. in 2.105 | Incl. in 2.105 |
| 2.107 | Property for Low-Income Rental | Economic/Community | 1989 | 307.517, 307.518 | 4,500 | 5,100 |
| 2.108 | Nonprofit Low-Income Rental Housing | Economic/Community | 1985 | 307.541 | 39,000 | 45,400 |
| 2.109 | New or Rehabilitated Multi-Unit Rental Housing | Economic/Community | 2017 | Ore. Laws 2017 c.624 | Less than 100 | Less than 100 |
| 2.110 | Home Share Program Low-Income Housing | Economic/Community | 2019 | Ore. Laws 2019 c.566 | Less than 100 | Less than 100 |
| 2.111 | Disabled Veterans or Surviving Spouses of Veterans | Economic/Community | 1921 | 307.250 | 32,300 | 35,000 |
| 2.112 | Veterans in Nonprofit Elderly Housing | Economic/Community | 1969 | 307.370 | 300 | 300 |

## INDEX OF TAX EXPENDITURES BY TAX PROGRAM

| | Tax Expenditure | Program or Function | Year Enacted | Oregon Statute | Revenue Impact ($ Thousands) 2023-25 | 2025-27 |
|---|---|---|---|---|---|---|
| 2.113 | Workforce Housing | Economic/Community | 2021 | Ore. Laws 2021 c.527 | Less than 100 | Less than 100 |
| 2.114 | Affordable Housing Covenant | Economic/Community | 2021 | 307.555 | 200 | 300 |
| 2.115 | Affordable Housing Projects Receiving Grant | Economic/Community | 2024 | Ore. Laws 2024 c.110 | Not Yet Available | Not Yet Available |
| 2.116 | Alternative Energy Systems | Natural Resources | 1975 | 307.175 | 13,500 | 14,700 |
| 2.117 | Pollution Control Facilities | Natural Resources | 1967 | 307.405 | Less than 100 | Less than 100 |
| 2.118 | Watercraft Centrally Assessed | Natural Resources | 1925 | 308.515(3)(a-c) | Not Available | Not Available |
| 2.119 | Aircraft Under 75,000 Pounds Owned by Air Transportation Companies | Transportation | 1987 | 308.565(5) | 200 | 200 |
| 2.120 | Homestead Exemption for Active Duty Military | Social Policy | 2005 | 307.286 | 100 | 100 |
| 2.121 | Surviving Spouse of Public Safety Officer | Social Policy | 2016 | 307.295 | Less than 100 | Less than 100 |
| 2.122 | Seismic Upgrades | Social Policy | 2017 | Ore. Laws 2017 c.537 | Less than 100 | Less than 100 |
| 2.123 | Railroad Right of Way in Water District | Social Policy | 1943 | 264.110 | Less than 100 | Less than 100 |
| 2.124 | Railroad Right of Way in Highway Lighting District | Social Policy | 1947 | 372.190 | Less than 100 | Less than 100 |
| 2.125 | Railroad Right of Way in Rural Fire District | Social Policy | 1969 | 478.010(2)(d) | 3,800 | 4,100 |
| *Special Assessments* | | | | | | |
| 2.126 | Use-Restricted Multi-Unit Rental Housing | Economic/Community | 2001 | 308.704 | 4,500 | 5,000 |
| 2.127 | Nonprofit Housing for the Elderly | Economic/Community | 1969 | 308.490 | Less than 100 | Less than 100 |
| 2.128 | Homes Rebuilt After 2020 Wildfires | Economic/Community | 2024 | Ore. Laws 2024 c.94 | Not Available | Not Available |
| 2.129 | Farmland | Natural Resources | 1967 | 308A.062, 308A.068, 308A.128 | 411,000 | 448,000 |
| 2.130 | Farm Homesites | Natural Resources | 1987 | 308A.253 | 26,300 | 29,300 |
| 2.131 | Historic Property | Natural Resources | 1975 | 358.505 | 3,300 | 2,400 |
| 2.132 | Wildlife Habitat | Natural Resources | 2003 | 308A.415 | 2,000 | 2,100 |
| 2.133 | Conservation Easements | Natural Resources | 2007 | 308A.456 | 700 | 700 |
| 2.134 | Open Space Land | Natural Resources | 1971 | 308A.315 | 1,100 | 1,200 |
| 2.135 | Forest Homesites | Natural Resources | 1989 | 308A.253 | 9,000 | 9,700 |
| 2.136 | Western Private Forestland | Natural Resources | 1977 | 321.354 | 134,000 | 144,000 |

## INDEX OF TAX EXPENDITURES BY TAX PROGRAM

| | Tax Expenditure | Program or Function | Year Enacted | Oregon Statute | Revenue Impact ($ Thousands) 2023-25 | 2025-27 |
|---|---|---|---|---|---|---|
| 2.137 | Eastern Private Forestland | Natural Resources | 1971 | 321.833 | 14,700 | 15,900 |
| 2.138 | Small Tract Forestland Option | Natural Resources | 2003 | 321.722 | 29,900 | 36,700 |
| 2.139 | Watercraft Locally Assessed | Natural Resources | 1925 | 308.256 | 5,300 | 5,300 |
| *Other* | | | | | | |
| 2.140 | Destroyed or Damaged Property | Social Policy | 1971 | 308.146, 308.425 | 400 | 400 |
| **Gas, Use, and Jet Fuel Taxes** | | | | | | |
| 3.001 | Forest Products: Gasoline | Natural Resources | 1945 | 319.320(1)(b), (d) | 0 | 0 |
| 3.002 | Forest Products: Other than Gasoline | Natural Resources | 1965 | 319.831(1)(c), (g) | 0 | 0 |
| 3.003 | Vehicle Used for Testing Emissions (Gas and Use Fuel Taxes) | Transportation | 2015 | 825.475 | 0 | 0 |
| 3.004 | Fuel for Aircraft Departing U.S. | Transportation | 1953 | 319.330(2) | Less than 100 | Less than 100 |
| 3.005 | Public Services | Government | 1961 | 319.831(1)(d-f), (h-k) | 2,100 | 2,100 |
| 3.006 | Public Transportation | Government | 1974 | 267.570(2) | 1,000 | 1,000 |
| **Weight-Mile Tax** | | | | | | |
| 4.001 | Farming Operations | Natural Resources | 1983 | 825.017(4), 825.024 | 13,400 | 13,600 |
| 4.002 | Forest Products on County Roads | Natural Resources | 1977 | 825.017(8) | Less than 100 | Less than 100 |
| 4.003 | Vehicle Used for Testing Emissions (Weight-Mile Tax) | Transportation | 2015 | 825.475 | 700 | 200 |
| 4.004 | Elementary and Secondary School Vehicles | Government | Pre-1953 | 825.017(1) | 2,900 | 3,000 |
| 4.005 | Fire Protection | Government | 1977 | 825.017(16) | Less than 100 | Less than 100 |
| 4.006 | Government Owned or Operated Vehicles | Government | 1947 | 825.017(10) | 800 | 800 |
| 4.007 | Public Mass Transit Vehicles | Government | 1977 | 825.017(11) | 8,100 | 8,300 |
| 4.008 | Charitable Organizations | Social Policy | 1977 | 825.017(13) | 200 | 200 |

## INDEX OF TAX EXPENDITURES BY TAX PROGRAM

| | Tax Expenditure | Program or Function | Year Enacted | Oregon Statute | Revenue Impact ($ Thousands) 2023-25 | 2025-27 |
|---|---|---|---|---|---|---|
| **Cigarette Tax** | | | | | | |
| 5.001 | Small Quantity by Consumers | Tax Administration | 1965 | 323.060 | 400 | 400 |
| 5.002 | Federal and Veterans Institutions (Cigarette) | Federal Law | 1965 | 323.055 | 500 | 500 |
| **Other Tobacco Products Tax** | | | | | | |
| 6.001 | Federal and Veterans Institutions (Other Tobacco Products) | Federal Law | 1985 | 323.515 | Less than 100 | Less than 100 |
| **Beer and Wine Taxes** | | | | | | |
| 7.001 | Small Wineries | Economic/Community | 1977 | 473.050(5) | 3,700 | 4,000 |
| 7.002 | Wine Marketing Activities | Economic/Community | 2001 | 473.047 | Less than 100 | Less than 100 |
| 7.003 | Oregon Grapes for Wine Without Oregon Designation or AVA | Natural Resources | 2019 | 473.046 | Less than 100 | Less than 100 |
| **Emergency and Crisis Services Taxes** | | | | | | |
| 8.001 | State and Local Subscribers | Government | 1981 | 403.205(1) | 11,500 | 11,600 |
| 8.002 | Oregon Telephone Assistance Program | Government | 2023 | 403.205(2) | 100 | 100 |
| 8.003 | Federal Subscribers | Federal Law | 1981 | 403.205(1) | 1,100 | 1,200 |
| 8.004 | Indian Reservation Subscribers | Federal Law | 1981 | 403.205(1) | 1,000 | 1,100 |
| **Corporate Activity Tax** | | | | | | |
| 9.001 | Sales of Prescription Drugs by Eligible Pharmacies | Human Services | 2022 | 317A.123 | 9,000 | 4,600 |
| 9.002 | Subcontractor Labor Payments for Residential Construction | Economic/Community | 2019 | 317A.122 | 1,700 | 900 |
| 9.003 | Precious Metals | Economic/Community | 2023 | 317A.100(1)(b)(WW) | 100 | 200 |
| 9.004 | Insurers Subject to Retaliatory Tax | Consumer and Business Services | 2021 | 317A.100(4)(h) | Not Available | Not Available |

## INDEX OF TAX EXPENDITURES BY TAX PROGRAM

| | Tax Expenditure | Program or Function | Year Enacted | Oregon Statute | Revenue Impact ($ Thousands) 2023-25 | 2025-27 |
|---|---|---|---|---|---|---|
| **Electric Cooperative Tax** | | | | | | |
| 10.001 | Revenue from Government Leased Lines | Natural Resources | 1969 | 308.805, 308.807(1) | 200 | 200 |
| **Oil and Gas Privilege Tax** | | | | | | |
| 11.001 | State and Local Interests | Government | 1981 | 324.090(1) | Not Available | Not Available |
| 11.002 | Credit for Property Taxes Paid | Natural Resources | 1981 | 324.090(2) | Not Available | Not Available |
| **Medical Provider Taxes** | | | | | | |
| 12.001 | Excluded Hospitals | Human Services | 2003 | 414.853(3)(b) | a | a |
| 12.002 | Oregon Veterans' Home | Human Services | 2003 | 409.803 | a | a |
| 12.003 | Type A and B Hospitals | Human Services | 2017 | 414.855(3)(c) | a | a |
| **Lodging Tax** | | | | | | |
| 13.001 | Exempt Dwelling Units | Social Policy | 2005 | 320.308 | Not Available | Not Available |
| 13.002 | Lodging Paid for by the Federal Government | Federal Law | 2003 | U.S. Constitution, Article VI, Clause 2 | 800 | 800 |
| **Local Construction Tax** | | | | | | |
| 14.001 | Exempt Construction | Social Policy | 2007 | 320.173 | Not Available | Not Available |
| **Estate Transfer Tax** | | | | | | |
| 15.001 | Conservation Easement | Natural Resources | 2011 | 118.010(3) | Less than 100 | Less than 100 |
| 15.002 | Marital Deduction | Economic/Community | 2011 | 118.010(3), (8) | 399,000 | 399,000 |
| 15.003 | Natural Resource and Fishing Property (Deduction) | Natural Resources | 2023 | 118.145 | 23,400 | 31,300 |
| 15.004 | Charitable Bequests | Social Policy | 2011 | 118.010(3) | 109,000 | 109,000 |
| 15.005 | Natural Resource and Fishing Property (Credit) | Natural Resources | 2007 | 118.140 | Less than 100 | Less than 100 |
| 15.006 | Small Forest Owner Forest Conservation (Estate Transfer Tax) | Natural Resources | 2022 | 315.124 | Not Available | Not Available |
| 15.007 | Special Valuation | Economic/Community | 2011 | 118.010(3) | Not Available | Not Available |

## INDEX OF TAX EXPENDITURES BY TAX PROGRAM

| | Tax Expenditure | Program or Function | Year Enacted | Oregon Statute | Revenue Impact ($ Thousands) 2023-25 | 2025-27 |
|---|---|---|---|---|---|---|
| **Marijuana Tax** | | | | | | |
| 16.001 | Marijuana Purchased for Medical Use | Human Services | 2016 | 475C.678 | 18,900 | 19,200 |
| **Vehicle Use Tax** | | | | | | |
| 17.001 | Certain Vehicle Modifications (Vehicle Use Tax) | Economic/Community | 2018 | 320.400(2)(b) | Not Available | Not Available |
| 17.002 | Vehicles Purchased by the Federal Government or Tribes | Federal Law | 2017 | U.S. Constitution, Article VI, Clause 2 | 200 | 200 |
| **Vehicle Privilege Tax** | | | | | | |
| 18.001 | Certain Vehicle Modifications (Vehicle Privilege Tax) | Economic/Community | 2018 | 320.400(2)(b) | Not Available | Not Available |
| 18.002 | Vehicles Sold at Auction | Economic/Community | 2017 | 320.425(2) | 100 | 100 |
| 18.003 | Vehicles Sold for Out of State Use | Economic/Community | 2017 | 320.425(1) | 12,700 | 14,300 |

a. No revenue loss, tax expenditure results in a shift in tax liability from exempt to nonexempt taxpayers.

# CHAPTER 1. PERSONAL & CORPORATE INCOME TAXES

This chapter describes tax expenditures in Oregon's personal and corporation income tax programs. The chapter is divided into sections based on the legal source and form of the tax expenditures. A more complete discussion of how Oregon tax expenditures are identified is available at www.oregon.gov/DOR/Stats. The following is a brief summary of how tax expenditures are identified for the income tax programs.

Oregon law defines a tax expenditure as a reduction in tax resulting from a deviation from the "established tax." For tax expenditures resulting from Oregon's connection to the federal definition of taxable income, we adopt the definition of the tax expenditures used by the U.S. Congressional Research Service (CRS) and the federal Joint Committee on Taxation (JCT). Under that definition, the tax base is income from all sources, including both monetary and nonmonetary income, less any expenses incurred in earning investment and business income. Monetary income includes wages, salaries, interest, dividends, public assistance payments, and all other monetary income. Examples of nonmonetary income include the value of health benefits provided by employers, the value of gifts received by the individual, and discounts that employees may receive when they buy products from their employer. For business income, the expenses necessary to produce the income are not considered income, so deductions that result from economic expenses like wages and rents are not considered tax expenditures.

For tax expenditures that are specific to Oregon, we report provisions that create specific reductions in taxable income, differential tax rates, tax credits, and other provisions that reduce tax and are explicit in Oregon law.

The starting point for calculating Oregon's personal and corporate income taxes is income taxable at the federal level, and this connection to the federal tax code has important implications for Oregon's tax. Using the same definition of income helps simplify the Oregon tax return, reducing the number of calculations taxpayers need to make. The connection to the federal definition of taxable income also makes the tax easier for the state of Oregon to administer.

In 2017, significant changes were made to the federal income tax system by the law generally known as the Tax Cuts and Jobs Act of 2017 (TCJA). For individuals, TCJA temporarily increased the standard deduction, eliminated the personal exemption, lowered tax rates, and made changes to itemized deductions. Most of those changes do not directly affect Oregon's definition of taxable income, but a federal cap of $10,000 in deductible state and local income taxes impacts Oregon tax paid by taxpayers who itemize Oregon deductions and have property taxes in excess of $10,000. Most of these temporary federal provisions from TCJA will expire after tax year 2025. For corporations, TCJA made several permanent changes, including a reduction in the tax rate and significant changes in the way international corporations' income is taxed. Oregon is not connected to federal tax rates, but does have a connection to many federal provisions, including changes in treatment of depreciation and expensing, as well as the changes in international taxation.

Oregon has some deviations from federal taxable income. Income taxed federally but not by Oregon is subtracted from federal taxable income when computing Oregon tax (called subtractions). There are also additions to federal taxable income: income Oregon taxes that is not taxed federally. After those calculations are complete, Oregon also has tax expenditures expressed as tax credits or preferential tax rates.

**Personal Income Tax**

The personal income tax, sometimes called the individual income tax, is the state of Oregon's largest source of revenue. For the 2023–25 biennium, this revenue is estimated to be $21.9 billion, or 81 percent of General Fund revenues, and $29.3 billion for 2025–27. The Department of Revenue publishes an annual report that provides detailed information and statistics on the personal income tax. The most recent edition of *Oregon Personal Income Tax Statistics* is at www.oregon.gov/DOR/Stats.

**Corporation Excise and Income Taxes**

Oregon's corporation excise and income taxes are the taxes on corporate profits where net income is the measure of profitability. Virtually all corporate tax filers pay the excise tax, and very few pay the income tax. Because the taxes are nearly identical and the tax base is net income, we refer here to both taxes as the corporation income tax.

The corporation income tax is the second largest source of revenue for the state General Fund. For the 2023–25 biennium, this revenue is estimated to be $3.11 billion, or 11 percent of General Fund revenues, and $3.12 billion for 2025–27. The Department of Revenue publishes an annual report that provides detailed information and statistics on

the corporation income tax. The most recent version of *Oregon Corporate Excise and Income Tax* is at www.oregon.gov/DOR/Stats.

**Changes to Tax on Corporations' International Earnings**

The Tax Cuts and Jobs Act of 2017 made significant changes to how taxes are applied to corporations. In Oregon, a tax expenditure is a provision that exempts income from "the impact of established taxes," the established tax base of corporations with international operations is taken to be income earned within the U.S. Four major features of the federal system for taxing corporations with international operations are particularly relevant to state-reported tax expenditures.

- Participation Exemption: Corporations are taxed on their profits within the U.S. and not taxed on the profits of their foreign subsidiaries. This is accomplished by allowing a 100 percent deduction for dividends paid by foreign corporations to U.S. based corporations with at least 10 percent ownership in the payer. The exemption of foreign profits from domestic tax is considered the established tax base for a territorial tax system and is not reported as an Oregon tax expenditure.
- Global Intangible Low Taxed Income (GILTI): Corporations are required to add earnings in foreign countries that exceed 10 percent of their investment to the otherwise territorial base as taxable income. They are then allowed a deduction and a limited credit for foreign taxes paid on that income. Because those earnings would not be included in a purely territorial tax base, this acts as a minimum tax on foreign profits. The deduction that corresponds to the additional income included by GILTI is not reported as a tax expenditure in Oregon.
- Foreign Derived Intangible Income (FDII): Corporations with earnings in the U.S. that are attributable to exports can deduct a portion of those earnings that exceed 10 percent of their investment. This income is part of a territorial tax base, and therefore, the deduction is intended to selectively benefit exporters. This benefit is reported as an Oregon tax expenditure because it provides favorable treatment of some income that would otherwise be included in the territorial tax base.
- Base Erosion and Anti-Abuse Tax (BEAT): This federal provision acts as a minimum tax to very large corporations making significant payments to foreign affiliates. Oregon is not connected to the BEAT, therefore it has no impact on Oregon tax expenditure reporting.

# TAX EXPENDITURES IN FEDERAL TAXABLE INCOME

Like many states, Oregon's income tax calculations begin with the definition of taxable income in federal law, with some specific exceptions. Tying to the federal definition of taxable income implicitly adopts many of the tax expenditures that exist in the federal tax code. Special provisions allowed by the federal government that reduce taxable income will flow through to Oregon's tax and result in lower Oregon tax collections.

The listing of federal tax expenditures is based on the December 2023 estimates prepared by the federal Joint Committee on Taxation[1]. That publication is our primary source of information used to estimate the Oregon revenue reduction associated with federal tax expenditures. An additional source of information is the Fiscal Year 2025 Analytical Perspectives publication prepared by the White House's Office of Management and Budget [2].

For several of the tax expenditures, revenue impacts were estimated from Oregon personal income tax return information. Beginning with tax year 2018, a new schedule was created to complement the Oregon personal income tax return, where taxpayers who itemize deductions for Oregon are required to list their itemized deductions. This allowed for a more direct measure of the revenue impact for several of the tax expenditures related to itemized deductions.

The tax expenditures in this report differ from those reported by JCT in the following ways:

- Oregon does not have an automatic connection to federal tax credits, federal rates, or taxable income for insurance companies, so related federal tax expenditures are not presented;
- deviations from a "normal tax structure" that generally result in higher taxes are not listed in this report (JCT refers to these as negative tax expenditures);
- earnings of businesses outside the U.S. are no longer part of Oregon's established tax base after the changes made by the Tax Cuts and Jobs Act of 2017;
- some related provisions were combined, though an attempt was made to specify which ones have been combined in the descriptions of the tax expenditures; and
- employment-related moving expenses is listed as a tax expenditure.

For federal tax expenditures that reduce Oregon receipts and have an associated revenue impact estimated by JCT, this report provides full descriptions. The descriptions rely heavily on the Congressional Research Service Compendium of Tax Expenditures [3], which is a good resource to peruse for more detailed descriptions and analysis.

In addition, for these tax expenditures included in this report, if the federal counterpart is listed in the Congressional Research Service Compendium of Tax Expenditures, a specific citation is given under the Evaluation, which points to the federal assessment of that federal tax expenditure.

Tax expenditures resulting from the connection to federal taxable income are categorized into exclusions, adjustments (above-the-line deductions), and deductions.

The first part of the income tax chapter of this report provides estimates and descriptions for 84 federal provisions (exclusions, deductions, and adjustments). Of those, 53 flow through to Oregon's personal income tax, 5 flow through to corporations, and 26 flow through to both the personal and corporation income taxes.

We generally do not provide full descriptions of federal tax expenditures that are listed by JCT as *de minimis*, or not quantifiable. Nor do we give full descriptions of provisions that Oregon specifically does not connect to. These provisions are listed in Other Federal Provisions (Unquantified or Disconnected) on page 93.

1. Joint Committee on Taxation, *Estimates of Federal Tax Expenditures for Fiscal Years 2023-2027* (JCX-59-23), December 7, 2023. https://www.jct.gov/publications/2023/jcx-59-23/
2. Office of Management and Budget, *Analytical Perspectives Budget of the U.S. Government Fiscal year 2025*. https://www.whitehouse.gov/wp-content/uploads/2024/03/spec_fy2025.pdf
3. Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions,* Senate Committee Print 117-24, December 2022, U.S. Government Printing Office. https://www.congress.gov/117/cprt/SPRT49569/CPRT-117SPRT49569.pdf

# 1.001 SCHOLARSHIP AND FELLOWSHIP INCOME

**Internal Revenue Code Section:** 117
**Oregon Statute:** 316.048 (Connection to federal personal taxable income)
**Sunset Date:** None
**Year Enacted:** 1954

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | $34,000,000 | $34,000,000 |
| 2025-27 | Not Applicable | $38,000,000 | $38,000,000 |

## DESCRIPTION

Scholarships and fellowships are excluded from personal taxable income to the extent that they cover tuition and course related expenses (e.g. books, supplies, fees and equipment) of individuals who are candidates for undergraduate or graduate degrees at colleges, universities, or other educational institutions.

This provision is extended by the subtraction described in 1.302, Scholarship Awards Used for Housing Expenses.

## PURPOSE

This provision "…initially justified the exclusion of scholarship and fellowship income on the grounds that the awards were analogous to gifts. With the development and proliferation of grant programs based on financial need, justification now rests on the hardship that taxation would impose." (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2022)

## WHO BENEFITS

Individuals receiving scholarship or fellowship income or reduced tuition. Students attending schools with higher tuition costs will generally benefit more because tuition and course-related fees are greater.

## EVALUATION

See Exclusion of Scholarship and Fellowship Income, Assessment, p. 723 in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

# 1.002 QUALIFIED EDUCATION SAVINGS (FEDERAL)

**Internal Revenue Code Section:** 529 and 530
**Oregon Statute:** 316.048 (Connection to federal personal taxable income)
**Sunset Date:** None
**Year Enacted:** 1996

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | $41,000,000 | $41,000,000 |
| 2025-27 | Not Applicable | $43,000,000 | $43,000,000 |

## DESCRIPTION

Individuals may establish tax-deferred and tax-exempt college savings plans through state-sponsored savings plans, trust or custodial accounts, or prepaid tuition accounts through qualifying educational institutions. These accounts are set up for the purpose of paying education-related expenses or tuition on behalf of a designated beneficiary. The SECURE 2.0 Act of 2022 allowed tax-free distributions in 2024 onwards for 529 qualified tuition programs to Roth IRAs, subject to some limitations.

Qualifying distributions from savings or prepaid tuition plans are excluded from taxable income. Nonqualifying distributions are subject to a federal penalty, and the earnings of the nonqualifying distribution are subject to income taxation.

Under federal law, contributions to these accounts are not tax deductible, but the earnings on the account balances are excluded from income. The revenue impact for this expenditure is based on earnings on the accounts.

The estimated revenue loss for this tax expenditure includes the following components listed separately by the U.S. Joint Committee on Taxation:

- Prepaid Tuition Programs.
- Savings Account Programs.
- Exclusion of earnings of trust accounts for higher education ("Coverdell ESAs").

Oregon also has a tax benefit for taxpayers who contribute to an Oregon 529 College Savings Network account in the form of a refundable tax credit. See 1.405, Contributions to 529 Account.

### PURPOSE
"…529 plans were intended to encourage families to save for college…" (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2020). Presumably, the purpose of the exclusion is to further encourage families to contribute to 529 plans as a way to save for college.

### WHO BENEFITS
Students and families of students are able to defer and eventually avoid tax on earnings of these accounts and therefore may accumulate savings more quickly for future higher education expenses. Tax benefits are more likely to accrue to higher income families reflecting higher tax rates and means to save for college.

### EVALUATION
See Assessments for tax expenditures related to Education Savings, p. 701 and 707 in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

## 1.003 EXCLUSION OF EMPLOYER-PROVIDED TUITION REDUCTION

**Internal Revenue Code Section:** 117(d)
**Oregon Statute:** 316.048 (Connection to federal personal taxable income)
**Sunset Date:** None
**Year Enacted:** 1984

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | $2,000,000 | $2,000,000 |
| 2025-27 | Not Applicable | $2,500,000 | $2,500,000 |

### DESCRIPTION
Tuition reductions for employees of educational institutions may be excluded from federal income taxes provided they do not represent payment for services. The exclusion also applies to tuition reductions for an employee's spouse and dependent children. Tuition reductions can occur at schools other than where the employee works, provided they are granted by the school attended, and not paid by the employing school. Tuition reductions cannot discriminate in favor of highly compensated employees.

### PURPOSE
"Educational institutions provide tuition reductions to employees as a fringe benefit, which may reduce costs of labor and job turnover." (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2022).

### WHO BENEFITS
Employees of education institutions who receive untaxed tuition reductions.

### EVALUATION
See Exclusion of Employer-Provided Tuition Reduction Benefits, *Assessment*, p. 719 in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

## 1.004 CERTAIN FOSTER CARE PAYMENTS

**Internal Revenue Code Section:** 131
**Oregon Statute:** 316.048 (Connection to federal personal taxable income)
**Sunset Date:** None
**Year Enacted:** 1982

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | $4,000,000 | $4,000,000 |
| 2025-27 | Not Applicable | $4,000,000 | $4,000,000 |

### DESCRIPTION
Payments made by a state, local, or qualified foster care placement agency to a foster care provider for caring for a qualified foster individual in the provider's home are excluded from personal taxable income of the foster care provider. Payments received in excess of actual expenses incurred represent the monies that would be taxable were it not for the exclusion. A qualified foster individual is an individual placed by a qualified foster care placement agency, regardless of age at the time of placement.

### PURPOSE
"… payments made by charitable child-placing agencies or governments (such as child welfare agencies) were not taxable when the payments were reimbursements or advances for expenses incurred on behalf of the agencies or governments by the foster parents." (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2022)

### WHO BENEFITS
Foster care providers for qualified individuals.

### EVALUATION
See Exclusion of Certain Foster Care Payments, *Assessment*, p. 874 in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

## 1.005 EMPLOYEE ADOPTION BENEFITS

**Internal Revenue Code Section:** 137
**Oregon Statute:** 316.048 (Connection to federal personal taxable income)
**Sunset Date:** None
**Year Enacted:** 1996

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | Less than $500,000 | Less than $500,000 |
| 2025-27 | Not Applicable | Less than $500,000 | Less than $500,000 |

### DESCRIPTION
Benefits that employees who adopt children receive under employer-sponsored adoption assistance programs are excluded from personal taxable income. The maximum exclusion in 2023 was $15,950 per child, including special needs children. Expenses may be incurred over several years. Employees who receive employer-provided adoption assistance must do so under an established employer-sponsored adoption assistance program (see IRS publication 15-B for description of employee program parameters). In 2023, the exclusion was phased out for modified adjusted gross

incomes between $239,230 and $279,230, at which point no exclusion was allowed. The exclusion limit and the beginning of the income phase-out range are permanently indexed to inflation. The $40,000 range over which the exclusion is phased-out is not indexed to inflation.

### PURPOSE
"According to the Joint Committee on Taxation, Congress enacted the … exclusion because of the belief that the financial costs associated with the adoption process should not be a barrier to adoption." (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2022)

### WHO BENEFITS
Adoptive parents who receive benefits from employer-sponsored adoption assistance programs.

### EVALUATION
See Adoption Credit and Employee Adoption Benefits Exclusion, *Assessment*, p. 868 in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

## 1.006 COMPENSATORY DAMAGES

**Internal Revenue Code Section:** 104(a)(2)
**Oregon Statute:** 316.048 (Connection to federal personal taxable income)
**Sunset Date:** None
**Year Enacted:** 1918

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | $16,000,000 | $16,000,000 |
| 2025-27 | Not Applicable | $15,000,000 | $15,000,000 |

### DESCRIPTION
Payments that a person receives as compensatory damages for physical injury or physical sickness, whether paid in a lump sum or in periodic payments, are excluded from taxable income.

### PURPOSE
"It [the exclusion] is based on the reasoning that these payments are compensating for a loss." (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2022), Presumably, the purpose of the exclusion is to avoid reducing of the value of these payments.

### WHO BENEFITS
People who have been injured and received compensatory damages.

### EVALUATION
See Exclusion of Damages on Account of Personal Physical Injuries or Physical Sickness, Assessment, p. 1012 in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

# 1.007 EMPLOYER PAID MEDICAL AND CAFETERIA PLAN BENEFITS

**Internal Revenue Code Section:** 105, 106 and 125
**Oregon Statute:** 316.048 (Connection to federal personal taxable income)
**Sunset Date:** None
**Year Enacted:** 1918 and 1978 (Cafeteria plan benefits)

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | $1,800,000,000 | $1,800,000,000 |
| 2025-27 | Not Applicable | $1,800,000,000 | $1,800,000,000 |

## DESCRIPTION

Employer payments for health insurance, other employee medical expenses, and long-term care insurance are not included in the employee's personal taxable income. Federal law does require that the imputed value of health and other fringe benefits of a domestic partner be included in adjusted gross income when cohabitating couples are not married.

Also included in this tax expenditure are employer-paid benefits under cafeteria plans, which offer employees a choice between taking monetary compensation or qualified benefits such as health insurance, dependent care assistance, and adoption assistance. The employee pays no tax when choosing the benefits but does pay tax when choosing the cash. This provision was enacted in federal law in 1978.

## PURPOSE

"The exclusion for employer-provided health benefits is thought to exert a strong influence on the health insurance coverage for a substantial share of the nonelderly working population. Because of the subsidy, employers face a significant incentive to offer employee compensation in the form of health benefits rather than taxable wages salaries. (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2022).

## WHO BENEFITS

Employees, their spouses, and dependents receiving employer-paid health benefits and employees receiving employer-paid cafeteria plan benefits.

## EVALUATION

See Exclusion of Employer Contributions for Health Care, Health Insurance Premiums, and Long-Term Care Insurance Premiums, *Assessment*, p. 968 in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

# 1.008 PENSION CONTRIBUTIONS AND EARNINGS

**Internal Revenue Code Section:** 401–407, 410–418E, and 457
**Oregon Statute:** 316.048 (Connection to federal personal taxable income)
**Sunset Date:** None
**Year Enacted:** 1921

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | $3,100,000,000 | $3,100,000,000 |
| 2025-27 | Not Applicable | $3,900,000,000 | $3,900,000,000 |

## DESCRIPTION

In general, all compensation (wages and benefits) of an employee is taxable income for the employee. This provision exempts employer contributions to pension plans from inclusion in the employee's personal taxable income in the year

of contribution. In addition, self-employed individuals are allowed to reduce taxable income for qualified contributions to qualified retirement accounts. Earnings on balances in those accounts are also not taxed.

Tax on contributions and earnings is deferred until distribution when withdrawals are included in taxable income. The estimated revenue impact is a net figure; the revenue foregone in a given year is offset by the amount of tax paid on withdrawals in that year. The bulk of the revenue impact in most years is from the exclusion on earnings.

This tax expenditure includes the following components listed separately by the federal Joint Committee on Taxation:

- Defined Benefit Plans.
- Defined Contribution Plans.
- Plans covering partners and sole proprietors (sometimes referred to as "Keogh Plans").

More than 90 percent of the estimated revenue loss of this provision is attributable to employer (defined benefit and contribution) plans.

### PURPOSE
"The major economic justification for the favorable tax treatment of pension plans is that they arguably increase savings and increase retirement income security." (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2022)

### WHO BENEFITS
Employees and self-employed individuals with qualified retirement savings or pension benefits.

### EVALUATION
See Assessments for tax expenditures related to pension contributions and earnings, p. 1041, 1049, and 1059 in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

## 1.009 SOCIAL SECURITY BENEFITS (FEDERAL)

**Internal Revenue Code Section:** 86 (and multiple revenue rulings)
**Oregon Statute:** 316.048 (Connection to federal personal taxable income)
**Sunset Date:** None
**Year Enacted:** 1938

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | $898,000,000 | $898,000,000 |
| 2025-27 | Not Applicable | $972,000,000 | $972,000,000 |

### DESCRIPTION
A portion of Social Security and Railroad Retirement Board benefits are considered nontaxable at the federal level. Oregon extends the tax exemption to the full amount of benefits. As a result, there are two tax expenditures pertaining to these benefits. This tax expenditure pertains to those benefits that are exempt at the federal level. The tax expenditure pertaining to the portion of benefits that are taxed at the federal level but are exempt in Oregon is 1.307, Social Security Benefits (Oregon).

The portion of benefits subject to federal taxation depends on the amount of "provisional income" above certain thresholds. Provisional income is adjusted gross income plus one-half of Social Security benefits and otherwise tax-exempt interest income (i.e., interest from tax-exempt bonds) as well as certain income specifically excluded from federal income taxation. Taxpayers with provisional income under $25,000 (single) or $32,000 (married filing jointly) pay no federal tax.

If provisional income is above these thresholds but below $34,000 (single) or $44,000 (joint) then the amount of benefits subject to tax is the lesser of: (1) 50 percent of benefits, or (2) 50 percent of provisional income above the first threshold. If income is above the second threshold, the amount of benefits subject to tax is the lesser of: (1) 85 percent

of benefits, or (2) 85 percent of income above the second threshold, plus the smaller of $4,500 (single) or $6,000 (joint), or 50 percent of benefits. For couples filing separately, taxable benefits are the lesser of 85 percent of benefits or 85 percent of provisional income.

### PURPOSE
The Congressional Research Service cited three reasons for the original exclusion: (1) Congress did not intend for these benefits to be taxed, (2) the benefits were intended to be in the form of government transfers, and (3) taxing these benefits would defeat their intended purposes.

### WHO BENEFITS
Oregon taxpayers who receive federally taxable Social Security or Railroad Retirement Board benefits. For 2022, about 430,500 full-year Oregon filers used this exclusion or the related Oregon subtraction.

For more detail, see the distributional table presented with the Oregon subtraction, 1.307, Social Security Benefits (Oregon).

### EVALUATION
See Exclusion of Untaxed Social Security and Railroad Retirement Benefits, *Assessment*, p. 1108 in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

## 1.010 REGIONAL ECONOMIC DEVELOPMENT INCENTIVES

**Internal Revenue Code Section:** 38(b), 39(d), 280C(a), and 1391–1397D
**Oregon Statute:** 316.048 and 317.013 (Connections to federal personal and corporation taxable income)
**Sunset Date:** 12-31-2025
**Year Enacted:** 1993

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Less than $500,000 | Less than $500,000 | Less than $500,000 |
| 2025-27 | Less than $500,000 | Less than $500,000 | Less than $500,000 |

### DESCRIPTION
Federal law allowed for the designation of up to 40 empowerment zones, 95 enterprise communities, and 40 renewal communities in the United States to receive special tax benefits. These tax benefits include a wage tax credit (Oregon is not connected to the federal tax credit), the nonrecognition of gains on rollovers of empowerment zone investments, and expanded tax-exempt financing for certain empowerment zone facilities.

Designated areas must satisfy eligibility criteria including poverty rates, population, and geographic size limits. These provisions were enacted as temporary but have been extended several times. After the most recent extension (in the Consolidated Appropriations Act of 2021), designated areas are eligible for benefits through December 31, 2025.

Oregon currently has no areas that qualify for this tax expenditure. The 10-year designation of two Oregon federal Enterprise Communities in Josephine County and Portland ended on December 31, 2004. As of the publication date of this report, there has been no Oregon area designated as a federal Empowerment Zone or Renewal Community.

Oregon taxpayers may have lower taxable income due to investments in these zones despite their location outside Oregon.

### PURPOSE
"The geographically targeted tax provisions [of this tax expenditure] may encourage increased employment and income of individuals living and working in the zones and increased incentives to businesses operating in the zones." (Congressional Research Service, Tax Expenditures: Compendium of Background Material on Individual Provisions: 2022).

### WHO BENEFITS
Both businesses and employees within the designated areas may benefit.

### EVALUATION
See Empowerment Zone Tax Incentives, *Assessment*, p. 627 in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

## 1.011 CAPITAL GAIN INVESTED IN OPPORTUNITY ZONE

**Internal Revenue Code Section:** 1400Z-1 and 1400Z-2
**Oregon Statute:** 316.048 and 317.013 (Connections to federal personal and corporation taxable income)
**Sunset Date:** 12-31-2026
**Year Enacted:** 2017

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | $3,000,000 | $20,000,000 | $23,000,000 |
| 2025-27 | Less than $500,000 | $2,500,000 | $2,500,000 |

### DESCRIPTION
Capital gains invested in or derived from investments in designated Opportunity Zones are eligible for deferral or exclusion from income.

Three tax incentives are associated with qualified Opportunity Zones:

- Federal income tax on capital gains may be temporarily deferred if the gains are reinvested in a qualified opportunity fund (QOF) within 180 days after the sale or disposition of the related asset.
- If the investment in the QOF is held for at least five years, 10 percent of the gain may be excluded from taxable income. If the asset or investment is held for at least seven years, 15 percent of the gain may be excluded from taxable income.
- QOF investments held for at least 10 years and until at least December 31, 2026, are to be eligible for permanent exclusion of capital gains tax on any gains from the qualified portion of their investment earned within the Opportunity Zone when the QOF investment is sold or disposed.

A qualified opportunity fund is a corporation or partnership that invests at least 90 percent of its assets in property in a designated qualified opportunity zone.

Designated Opportunity Zones are certain low-income census tracts designated by state governors and approved by the U.S. Treasury. In May of 2018, all 86 of Oregon's nominated Opportunity Zones were approved.

Oregon taxpayers may have lower taxable income due to investments in these zones whether their location is inside or outside Oregon.

Opportunity Zone tax incentives are in effect from December 22, 2017 through December 31, 2026. There is no gain or deferral available with respect to any sale or exchange made after December 31, 2026, and there is no exclusion available for investments in qualified Opportunity Zones made after December 31, 2026.

### PURPOSE
"Opportunity Zones are an economic development tool – that is, they are designed to spur economic development and job creation in distressed communities" (Internal Revenue Service Opportunity Zones Frequently Asked Questions, accessed July 2018)

### WHO BENEFITS
Taxpayers who invest in qualified opportunity funds.

### EVALUATION
See Qualified Opportunity Zones, *Assessment*, p. 647 in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

# 1.012 EXCLUSION OF GAIN FROM CERTAIN SMALL BUSINESS STOCK

**Internal Revenue Code Section:** 1202 and 1045
**Oregon Statute:** 316.048 (Connection to federal personal taxable income)
**Sunset Date:** None
**Year Enacted:** 1993

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | $78,000,000 | $78,000,000 |
| 2025-27 | Not Applicable | $77,000,000 | $77,000,000 |

## DESCRIPTION

Individual and non-corporate business taxpayers (including pass-through entities like partnerships and S corporations) are allowed to exclude from gross income 50 percent or more of gain from the sale or exchange of qualified small business stock (QSBS).

The exclusion is 100 percent for stock acquired after September 27, 2010 if it meets all of the following:

- The stock must be acquired by a noncorporate taxpayer at the time of issue in exchange for money, property, or services; and then held for at least five years.
- The stock must be issued by a C corporation with no more than $50 million in gross assets, and at least 80 percent of its assets must be employed during the five-year holding period.
- The corporation must be a "specialized small business investment company" (SSBIC) or in any line of business excluding the following: healthcare, law, engineering, architecture, food service, lodging, farming, insurance, finance, and mining.

The exclusion is limited to the greater of $10 million or ten times the taxpayer's basis in the stock. The former limit is not adjusted for inflation.

## PURPOSE

"The QSBS gains exclusion seems largely intended to increase the flow of equity capital to new or young small firms and SSBICs in a range of industries. These firms may have difficulty raising capital from more traditional sources such as banks, angel investors, or private equity firms." (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions:* 2022)

## WHO BENEFITS

Individuals who invest in qualified small business stock at the initial offering and later realize gains on that investment. According to the Congressional Research Service, most of the benefits are captured by small business owners and high-income individuals.

## EVALUATION

See Exclusion of Gain from Certain Small Business Stock, *Assessment*, p. 575 in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

## 1.013 IMPUTED INTEREST RULES

**Internal Revenue Code Section:** 163(e), 483, 1274 and 1274A
**Oregon Statute:** 316.048 and 317.013 (Connections to federal personal and corporation taxable income)
**Sunset Date:** None
**Year Enacted:** 1984

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Less than $500,000 | $7,500,000 | $7,500,000 |
| 2025-27 | Less than $500,000 | $8,000,000 | $8,000,000 |

### DESCRIPTION

For debt instruments that pay less than the market rate of interest, a higher market rate (imputed interest rate) generally must be used to calculate income and expenses for tax purposes. The imputed interest must be included as income to the recipient and is deducted by the payer.

There are several exceptions to the general imputed interest rule. Debt associated with the sale of property when the total sales price is no more than $250,000, the sale of farms or small businesses by individuals when the sales price is no more than $1 million, and the sale of a personal residence are not subject to the imputation rules. The reported impact of this provision is the revenue loss caused by the exceptions.

A common example of this exemption is a low interest, no interest, or "gift" loan involved in the sale of property between family members.

### PURPOSE

According to the Congressional Research Service, the purpose of these exemptions is "to allow more flexibility in structuring sales of personal residences, small businesses, and farms by the owners, and to avoid the administrative problems that might arise in applying the rules to other smaller sales." (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2022)

### WHO BENEFITS

Sellers of residences, small businesses, and farms who would otherwise pay tax on interest they do not charge and will not receive.

### EVALUATION

See Exemptions from Imputed Interest Rules, *Assessment*, p. 505 in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

## 1.014 EMPLOYER PROVIDED DEPENDENT CARE

**Internal Revenue Code Section:** 129
**Oregon Statute:** 316.048 (Connection to federal personal taxable income)
**Sunset Date:** None
**Year Enacted:** 1981

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | $7,000,000 | $7,000,000 |
| 2025-27 | Not Applicable | $9,000,000 | $9,000,000 |

### DESCRIPTION

Employer payments for dependent care through a dependent care assistance program are not included in the employee's personal taxable income. The maximum exclusion is $5,000 and may not exceed the employee's (or employee's spouse if married) earned income. To qualify, the employer assistance must be provided under a plan that meets certain conditions, such as eligibility requirements that do not discriminate in favor of certain employees.

### PURPOSE
"The provision was intended to recognize the similarity of child care expenses to employee business expenses and provide a limited benefit." (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions:* 2022).

### WHO BENEFITS
Employees receiving employer paid dependent care benefits.

### EVALUATION
See Credit for Child and Dependent Care and Exclusion of Employer-Provided Child Care, *Assessment*, p. 853 in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

## 1.015 CAPITAL GAINS ON HOME SALES

**Internal Revenue Code Section:** 121
**Oregon Statute:** 316.048 (Connection to federal personal taxable income)
**Sunset Date:** None
**Year Enacted:** 1997

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | $450,000,000 | $450,000,000 |
| 2025-27 | Not Applicable | $470,000,000 | $470,000,000 |

### DESCRIPTION
Homeowners may exclude from personal taxable income up to $250,000 (single taxpayers) or $500,000 (married taxpayers filing joint returns) of capital gain realized on the sale of their principal residence. (These limits are not indexed to inflation.) To qualify, the taxpayer must have owned and occupied the home for at least two of the previous five years. The exclusion applies only to the portion of the property associated with the residence, not portions of the property used in business activity. The exclusion is allowed each time a taxpayer meets the eligibility requirements, but generally not more than once every two years.

### PURPOSE
"… many see the exclusion on the sale of a principal residence as justifiable because the tax law does not allow the deduction of personal capital losses, because much of the profit from the sale of a personal residence can represent inflationary gains, and because the purchase of a principal residence is less of a profit-motivated decision than other types of investments. Taxing the gain on the sale of a principal residence might also interfere with labor mobility…" (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2022).

### WHO BENEFITS
Homeowners who sell their principal residences for a gain.

### EVALUATION
See Exclusion of Capital Gains on Sales of Principal Residences, *Assessment*, p. 397 in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

## 1.016 INCOME EARNED ABROAD BY U.S. CITIZENS

**Internal Revenue Code Section:** 911
**Oregon Statute:** 316.048 (Connection to federal personal taxable income)
**Sunset Date:** None
**Year Enacted:** 1926

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | $50,000,000 | $50,000,000 |
| 2025-27 | Not Applicable | $51,000,000 | $51,000,000 |

### DESCRIPTION

U.S. citizens (except U.S. federal employees) who live abroad may exclude from personal taxable income any salary or wages earned from employment overseas. In 2023, the maximum exclusion is up to $120,000. The income limit of the foreign earned income exclusion is indexed to inflation. A taxpayer must meet foreign residence tests to receive the exclusion. Taxpayers may also exclude the value of employer provided foreign housing expenses if certain conditions are met.

Oregon law (ORS 316.027) clarifies that individuals qualifying for this federal exemption are not considered residents for the purpose of calculating Oregon individual income taxes.

This tax expenditure includes the following components listed separately by the federal Joint Committee on Taxation:

- Exclusion of Foreign Earned Income: Housing.
- Exclusion of Foreign Earned Income: Salary.

### PURPOSE

"Historically, the foreign-earned income and housing cost exclusions have been defended on the grounds that they help increase U.S. exports, because Americans working abroad play an important role in promoting the sale of U.S. goods abroad." (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2022)

### WHO BENEFITS

U.S. citizens who live and work abroad.

### EVALUATION

See Exclusion of Foreign Earned Income: Housing and Salary, *Assessment*, p. 37 in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

## 1.017 CANCELLATION OF MORTGAGE DEBT

**Internal Revenue Code Section:** 108
**Oregon Statute:** 316.048 (Connection to federal personal taxable income)
**Sunset Date:** 12-31-2025
**Year Enacted:** 2007

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | $1,500,000 | $1,500,000 |
| 2025-27 | Not Applicable | Less than $500,000 | Less than $500,000 |

NOTE: The revenue impact estimate includes the effect of the sunset.

### DESCRIPTION

In general, when a "discharge of indebtedness" occurs, the forgiven debt is considered income to the taxpayer. An exception is allowed for debt discharged through 2025 up to $2 million ($1 million if married filing separately) if the

debt was incurred to acquire, construct, or substantially improve the taxpayer's principal residence. The Taxpayer Certainty and Disaster Tax Relief Act of 2020 extended this provision, which was to expire in tax year 2020, through tax year 2025.

### PURPOSE
"A rationale for excluding canceled mortgage debt income has focused on minimizing hardship for households in distress." (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2022)

### WHO BENEFITS
Taxpayers who have had eligible debt discharged.

### EVALUATION
See Exclusion of Income Attributable to the Discharge of Principal Residence Acquisition Indebtedness, *Assessment*, p. 435 in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

## 1.018 EMPLOYER PAID GROUP LIFE INSURANCE PREMIUMS

**Internal Revenue Code Section:** 79
**Oregon Statute:** 316.048 (Connection to federal personal taxable income)
**Sunset Date:** None
**Year Enacted:** 1920

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | $35,000,000 | $35,000,000 |
| 2025-27 | Not Applicable | $36,000,000 | $36,000,000 |

### DESCRIPTION
The cost of employer provided group term life insurance plans that satisfy "anti-discrimination" provisions, net of employee contributions, above a $50,000 (not indexed to inflation) coverage threshold is excluded from the employees' gross income.

### PURPOSE
The Congressional Research Service did not state a clear purpose for this federal provision. Presumably, the purpose is to encourage employers and employees to incorporate life insurance benefits into compensation packages without discriminating between type of employee. An example of discriminating between employees would be offering insurance benefits to officers, owners, and/or highly compensated employees only.

### WHO BENEFITS
Employees who have some life insurance premiums paid by their employer.

### EVALUATION
See Exclusion of Other Employee Benefits: Premiums on Group Term Life Insurance, *Assessment*, p. 1089 in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

## 1.019 EMPLOYER PAID ACCIDENT AND DISABILITY INSURANCE

**Internal Revenue Code Section:** 105 and 106
**Oregon Statute:** 316.048 (Connection to federal personal taxable income)
**Sunset Date:** None
**Year Enacted:** 1954

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | $54,000,000 | $54,000,000 |
| 2025-27 | Not Applicable | $57,000,000 | $57,000,000 |

### DESCRIPTION
Employer payments for employee accident and disability insurance premiums are not included in the employee's personal taxable income. Benefits paid to employees are generally taxable, however payments that relate to permanent injuries are excluded from taxable income so long as those payments are computed without regard to the amount of time an employee is absent from work.

### PURPOSE
To encourage employers and employees to incorporate accident and disability insurance into compensation packages.

### WHO BENEFITS
Employees who have some accident and disability insurance premiums paid by their employer.

### EVALUATION
See Exclusion of Other Employee Benefits: Premiums on Accident and Disability Insurance, *Assessment*, p. 1092 in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

## 1.020 EMPLOYER PROVIDED ON-SITE GYMS

**Internal Revenue Code Section:** 132(j)(4)
**Oregon Statute:** 316.048 (Connection to federal personal taxable income)
**Sunset Date:** None
**Year Enacted:** 1984

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | $16,000,000 | $16,000,000 |
| 2025-27 | Not Applicable | $15,000,000 | $15,000,000 |

### DESCRIPTION
The value that employees gain from having access to an on-site athletic facility provided and operated by their employer is exempt from personal income tax. The exemption applies if substantially all of the users of the facilities are employees, their spouses, and their children.

### PURPOSE
To codify the traditional treatment of these benefits as not contributing to taxable income and to avoid the difficulty of monitoring and assigning values to them.

### WHO BENEFITS
Employees with access to employer-provided on-site gyms at their workplace.

### EVALUATION
See Exclusion of Employer-Provided (On-Site) Gyms, *Assessment*, p. 820 in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

## 1.021 MISCELLANEOUS FRINGE BENEFITS

**Internal Revenue Code Section:** 132 and 117(d)
**Oregon Statute:** 316.048 (Connection to federal personal taxable income)
**Sunset Date:** None
**Year Enacted:** 1984

| Revenue Impact | | | |
|---|---|---|---|
| | Corporation | Personal | Total |
| 2023-25 | Not Applicable | $82,000,000 | $82,000,000 |
| 2025-27 | Not Applicable | $81,000,000 | $81,000,000 |

### DESCRIPTION

Certain fringe benefits are exempt from personal income tax. These benefits include no-additional-cost services (such as free standby flights for airline employees), qualified employee discounts, working condition fringe benefits, and low value fringe benefits (such as providing coffee to employees or allowing them occasional personal use of an office copy machine). Also included are subsidized parking and eating facilities. The provision of these fringe benefits must meet certain "anti-discrimination" rules to qualify. The benefits must be provided solely to employees, their spouses, and dependent children; retired employees; or the widows or widowers of former employees.

### PURPOSE

To codify the traditional treatment of these benefits as not contributing to taxable income and to avoid the difficulty of monitoring and assigning values to them.

### WHO BENEFITS

Employees receiving fringe benefits.

### EVALUATION

See Exclusion of Miscellaneous Fringe Benefits, *Assessment*, p. 814 in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

## 1.022 EMPLOYEE MEALS AND LODGING (NONMILITARY)

**Internal Revenue Code Section:** 119 and 132(e)(2)
**Oregon Statute:** 316.048 (Connection to federal personal taxable income)
**Sunset Date:** None
**Year Enacted:** 1918

| Revenue Impact | | | |
|---|---|---|---|
| | Corporation | Personal | Total |
| 2023-25 | Not Applicable | $89,000,000 | $89,000,000 |
| 2025-27 | Not Applicable | $83,000,000 | $83,000,000 |

### DESCRIPTION

Employees do not include in personal taxable income the fair market value of meals furnished by employers if the meals are furnished on the employer's business premises and for the convenience of the employer. In certain situations, this includes the value of meals provided to an employee at a subsidized eating facility operated by the employer.

Fair market value of lodging provided by the employer can also be excluded from income, if the lodging is furnished on business premises for the convenience of the employer, and if the employee is required to accept the lodging as a condition of employment.

The Tax Cuts and Jobs Act of 2017 included a provision denying businesses a tax deduction for 50 percent of expenses for meals provided to employees for the convenience of the employer. The federal Joint Committee on Taxation lists the increased tax paid by employers under these provisions as a "negative tax expenditure." Oregon's law defining tax

expenditures does not contemplate this type of negative tax expenditure, so an estimate of the impact of the associated tax increase for Oregon corporate tax is not included. Predominantly the reduction in taxes paid by employees is reflected in the estimated revenue loss above. This revenue impact would also include a small amount from a "negative tax expenditure" for businesses that report their business income on their federal personal income tax return, as the Joint Committee on Taxation reports only a net revenue impact.

### PURPOSE
To eliminate record keeping difficulties and to acknowledge that the fair market value of employer provided meals and lodging may be difficult to measure.

### WHO BENEFITS
Employees who are furnished exempt meals or lodging by their employers.

### EVALUATION
See Treatment of Meals and Lodging (Other Than Military), *Assessment*, p. 785 in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

## 1.023 EMPLOYEE STOCK OWNERSHIP PLANS

**Internal Revenue Code Section:** 401(a)(28), 404(a)(9), 404(k), 415(c)(6), 512(e), 1042, 4975(d)(3), 4978, and 4979A
**Oregon Statute:** 316.048 and 317.013 (Connections to federal personal and corporation taxable income)
**Sunset Date:** None
**Year Enacted:** 1974

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | $26,000,000 | $24,000,000 | $50,000,000 |
| 2025-27 | $29,000,000 | $23,000,000 | $52,000,000 |

### DESCRIPTION
An Employee Stock Ownership Plan (ESOP) is a defined contribution plan (similar to a 401(k) plan) that is required to invest primarily in the stock of the sponsoring employer. Generally, sponsoring employers provide the funds for the ESOP to purchase the stock for the benefit of their employees—no contribution from the employee is required, but the employees are the owners of the stock.

Employees are not taxed on the employer contributions or the earnings on invested funds until they are distributed. An employer may deduct dividends paid on stock held by an ESOP if the dividends are paid to plan participants, if the dividends are used to repay a loan that was used to buy the stock, or for dividends paid on stock in a retirement plan.

Under certain circumstances, a stockholder may defer the recognition of the gain from the sale of stock to an ESOP. The estimated tax benefit is a net figure; the revenue foregone in a given year is offset by the amount of tax paid on distributions in that year.

### PURPOSE
According to the Congressional Research Service, the purpose of the tax incentive is to broaden employee stock ownership, provide employees with a source of retirement income, and grant employers a tax favored means of financing.

### WHO BENEFITS
Employers and employees of participating companies.

### EVALUATION
See Special Tax Provisions for Employee Stock Ownership Plans (ESOPs), *Assessment*, p. 770 in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

## 1.024 EMPLOYEE AWARDS

**Internal Revenue Code Section:** 74(c) and 274(j)
**Oregon Statute:** 316.048 (Connection to federal personal taxable income)
**Sunset Date:** None
**Year Enacted:** 1986

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | $4,000,000 | $4,000,000 |
| 2025-27 | Not Applicable | $4,000,000 | $4,000,000 |

### DESCRIPTION

Tangible personal property given as awards to employees for length of service or for safety are excluded from personal taxable income. The amount of the exclusion is usually limited to $400 but may be as much as $1,600 for individual awards given as part of qualified employee achievement rewards plan. There are certain qualification requirements to ensure that the awards do not constitute disguised compensation.

### PURPOSE

To encourage longevity in employment and safety practices on the job.

### WHO BENEFITS

Employees who receive length of service or safety awards.

### EVALUATION

See Exclusion of Employee Awards, *Assessment*, p. 781 in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

## 1.025 EMPLOYER PROVIDED EDUCATION BENEFITS

**Internal Revenue Code Section:** 127 and 3121(a)(18)
**Oregon Statute:** 316.048 (Connection to federal personal taxable income)
**Sunset Date:** None
**Year Enacted:** 1978

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | $14,000,000 | $14,000,000 |
| 2025-27 | Not Applicable | $11,000,000 | $11,000,000 |

### DESCRIPTION

Employer-provided graduate and undergraduate assistance benefits are excluded from the personal taxable income of the recipient if they are part of an educational assistance program. The limit on the annual exclusion is $5,250, which is not indexed for inflation. Characteristics of the program must include the following:

- The program must not discriminate in favor of highly compensated employees.
- Assistance provided to employees owning more than 5 percent of the business may not exceed more than 5 percent of the benefits.
- Employees must have reasonable notification of the program's availability and terms.

Educational assistance includes the payment of tuition, fees, books, supplies, and equipment; however, it does not include items such as meals, lodging, and transportation. The exclusion does not apply to education pertaining to sports, games, or hobbies unless they involve the employer's business. Through 2025, student loan payments are eligible expenses.

### PURPOSE
According to the Congressional Research Service, the purpose of the exclusion is to encourage employers to offer educational assistance to employees.

### WHO BENEFITS
Employees receiving employer-provided educational assistance.

### EVALUATION
See Exclusion of Employer-Provided Education Assistance Benefits, *Assessment*, p. 764 in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

## 1.026 SPREAD ON ACQUISITION OF STOCK

**Internal Revenue Code Section:** 421, 422, and 423
**Oregon Statute:** 316.048 (Connection to federal personal taxable income)
**Sunset Date:** None
**Year Enacted:** 1981

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | $9,500,000 | $9,500,000 |
| 2025-27 | Not Applicable | $10,000,000 | $10,000,000 |

### DESCRIPTION
Employees who have been granted stock options under a qualified plan are allowed to exercise, or buy, those options within a specified time frame. Generally, these provisions provide options to employees allowing them to buy stock for less than the current market price. At the time the employee exercises his or her options, the stock is transferred from the company to the employee, but the difference in value between the market value and the option price is not immediately included in taxable income. The value of this exemption is that the tax is deferred until the employee sells the stock.

Contrary to normal treatment of compensation paid to employees, the employers that grants qualified options are not allowed to deduct the options as an expense. As a result, employers pay higher taxes than they would without these provisions. The Joint Committee on Taxation lists the increased tax paid by employers under these provisions as a "negative tax expenditure." Oregon's law defining tax expenditures doesn't contemplate this type of negative tax expenditure, so an estimate of the impact of the associated tax increase for Oregon corporate tax is not included. Predominantly the reduction in taxes paid by employees is reflected in the estimated revenue loss above. This revenue impact would also include a small amount from a "negative tax expenditure" for businesses that report their business income on their federal personal income tax return, as the Joint Committee on Taxation reports only a net revenue impact.

This tax expenditure includes the following components listed separately by the federal Joint Committee on Taxation:

- Deferral of Taxation on Spread on Acquisition of Stock under Incentive Stock Option Plans.
- Deferral of Taxation on Spread on Employee Stock Purchase Plans.

### PURPOSE
"The Economic Recovery Tax Act of 1981 (P.L. 97-34) reinstituted special rules for qualified stock options with the justification that encouraging the management of a business to have a proprietary interest in its successful operation would provide an important incentive to expand and improve the profit position of the companies involved."(Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2022)

### WHO BENEFITS
Taxpayers who receive stock options as a form of compensation.

### EVALUATION
See Assessments for tax expenditures related to spread on acquisition of stock, p. 789 and 795 in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

## 1.027 MEAL AND ENTERTAINMENT EXPENSES

**Internal Revenue Code Section:** 274
**Oregon Statute:** 316.048 (Connection to federal personal taxable income)
**Sunset Date:** None
**Year Enacted:** 1962

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | $7,500,000 | $7,500,000 |
| 2025-27 | Not Applicable | $8,000,000 | $8,000,000 |

### DESCRIPTION
Employees do not include in personal taxable income the fair market value of entertainment provided by their employers. Employee holiday parties or annual picnics might be examples of employer-provided entertainment excluded by this provision.

The Tax Cuts and Jobs Act of 2017 included a provision denying businesses a tax deduction for most entertainment expenses. The federal Joint Committee on Taxation lists the increased tax paid by employers under these provisions as a "negative tax expenditure." Oregon's law defining tax expenditures does not contemplate this type of negative tax expenditure, so an estimate of the impact of the associated tax increase for Oregon corporate tax is not included. Predominantly the reduction in taxes paid by employees is reflected in the estimated revenue loss above. This revenue impact would also include a small amount from a "negative tax expenditure" for businesses that report their business income on their federal personal income tax return, as the Joint Committee on Taxation reports only a net revenue impact.

### PURPOSE
To eliminate record keeping difficulties and to acknowledge that the fair market value of employer provided entertainment may be difficult to measure.

### WHO BENEFITS
Employees who are furnished exempt entertainment by their employers.

### EVALUATION
See Treatment of Meals and Entertainment, Assessment, p. 825 in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

## 1.028 VETERANS' BENEFITS AND SERVICES

**Federal Code:** U.S. Code Title 38, Section 5301
**Oregon Statute:** 316.048 (Connection to federal personal taxable income)
**Sunset Date:** None
**Year Enacted:** 1917

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | $160,000,000 | $160,000,000 |
| 2025-27 | Not Applicable | $170,000,000 | $170,000,000 |

### DESCRIPTION
All benefits provided by the U.S. Department of Veterans Affairs (VA) are excluded from the personal taxable income of recipients, including disability compensation, pensions, and GI bill benefits.

This tax expenditure includes the following components listed separately by the federal Joint Committee on Taxation:

- Exclusion of Veteran's Disability Compensation.
- Exclusion of Veteran's Pensions.
- Exclusion of Veteran's Readjustment [GI bill] Benefits.

### PURPOSE
"Many have concluded that the exclusion is in recognition of the extraordinary sacrifices made by armed forces personnel, especially during periods of war." (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions:* 2022)

### WHO BENEFITS
Veterans, their survivors, and dependents and their families receiving benefits from the VA.

### EVALUATION
See Assessments for tax expenditures related to veterans' benefits and services, p. 1118, 1124, and 1128 in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

## 1.029 MILITARY AND DEPENDENTS TRICARE INSURANCE

**Internal Revenue Code Section:** 112 and 134
**Oregon Statute:** 316.048 (Connection to federal personal taxable income)
**Sunset Date:** None
**Year Enacted:** 1925

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | $98,000,000 | $98,000,000 |
| 2025-27 | Not Applicable | $110,000,000 | $110,000,000 |

### DESCRIPTION
Health insurance benefits, such as medical and dental benefits, provided to dependents of active-duty military personnel as well as retired military and their dependents are not taxed. Some medical care for such dependents is provided in military facilities and by military doctors on a space available basis. The tax expenditure for benefits not taxed for active-duty military personnel is described in 1.051, Benefits and Allowances of Armed Forces Personnel.

The Department of Defense (DOD) has implemented TRICARE, in an effort to coordinate the efforts of armed services' medical facilities and civilian providers. Beneficiaries can receive care under one of three options:

- TRICARE Prime, a DOD-managed HMO
- TRICARE Extra, a preferred-provider organization
- TRICARE Standard, a fee-for-service option that provides access to any authorized provider but at a higher copayment.

Under the latter two options, beneficiaries are reimbursed for portions of the costs of health care received from civilian providers. Retirees and their dependents who are eligible for Medicare and participate in Medicare Part B are allowed to retain their TRICARE coverage, which includes pharmaceutical benefits.

The revenue estimate is based on two provisions listed separately by the federal Joint Committee on Taxation. The two provisions arise by differentiating between recipients based on their eligibility for Medicare.

### PURPOSE
"In 1925, the United States Court of Claims, in its ruling in Jones v. United States, 60 Ct. Cl. 552 (1925), drew a sharp distinction between the pay and the allowances received by military personnel. The court ruled that housing and housing allowances for these individuals constituted reimbursements similar to other tax-exempt benefits received by employees in the executive and legislative branches." (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2022)

### WHO BENEFITS
Retired military personnel receiving medical benefits for themselves or their dependents, and active-duty military members receiving medical care benefits for their dependents.

### EVALUATION
See Assessments for tax expenditures related to military and dependents medical care and insurance, p. 973 and 980 in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

## 1.030 CASH ACCOUNTING, OTHER THAN AGRICULTURE

**Internal Revenue Code Section:** 446 and 448
**Oregon Statute:** 316.048 and 317.013 (Connections to federal personal and corporation taxable income)
**Sunset Date:** None
**Year Enacted:** 1916

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | $5,000,000 | $16,000,000 | $21,000,000 |
| 2025-27 | $5,000,000 | $15,000,000 | $20,000,000 |

### DESCRIPTION
Employee-owned service businesses and small businesses with average annual gross receipts of less than $26 million (as of 2022) for the prior three years are allowed to choose the cash method of accounting instead of the accrual method.

The Tax Cuts and Jobs Act of 2017 increased the gross receipts threshold for tax years beginning in 2018 and added indexing for inflation. The prior threshold was $5 million in gross receipts.

This expenditure changes the timing of reporting earnings and expense but is classified here as an exclusion of income. Using the cash method of accounting for tax purposes effectively defers corporation and personal income tax by allowing qualified businesses to record income when it is received rather than when it is earned.

This expenditure relates to "Cash Accounting for Agriculture", which is among the Joint Committee on Taxation's list of de minimis tax expenditures. More information about this expenditure may be found on p. 327 in Tax Expenditures: Compendium of Background Material on Individual Provisions, 2022.

### PURPOSE
"Most self-employed individuals and many other smaller businesses use the cash method of accounting for tax purposes because recordkeeping is less burdensome. […] The Revenue Act of 1916 allowed businesses to calculate their taxable income using the same accounting method they used to compute their income for financial reporting". (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2022)

### WHO BENEFITS
Primarily, owners of eligible small businesses and professional service corporations of all sizes.

### EVALUATION
See Cash Accounting, Other than Agriculture, *Assessment*, p. 527 in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

# 1.031 INVENTORY METHODS OF VALUATION

**Internal Revenue Code Section:** 475, 491–492
**Oregon Statute:** 316.048 and 317.013 (Connections to federal personal and corporation taxable income)
**Sunset Date:** None
**Year Enacted:** 1938

| Revenue Impact | | | |
|---|---|---|---|
| | Corporation | Personal | Total |
| 2023-25 | $11,000,000 | $2,000,000 | $13,000,000 |
| 2025-27 | $11,000,000 | $2,000,000 | $13,000,000 |

## DESCRIPTION

A taxpayer who sells goods must generally maintain inventory records to determine the cost of goods sold. Inventory can be kept by tracking individual items or may use several other methods.

The method that is considered normal for purposes of this tax expenditure is FIFO (first-in, first-out, assuming the most recent good sold is the earliest one purchased). The method with the largest difference versus FIFO is known as LIFO (last-in, first-out, assuming the most recent good sold is the last one purchased). If using FIFO, a taxpayer with inventory that is valued below cost may choose the lower of cost or market (LCM) method which allows the taxpayer a further tax reduction. Taxpayers may also use a method known as "specific identification" to specify which lots are sold and which are valued in inventory.

The federal Joint Committee on Taxation lists estimates of the impact for the first two alternate methods separately, but the bulk of the impact of this provision is from the LIFO method. The Joint Committee on Taxation considers the impact of the "specific identification" method as de minimis and is therefore not included in this estimate.

## PURPOSE

When LIFO was adopted for tax purposes in 1939, the “reason for adopting it was to allow a standard accounting practice.” In 1981, LIFO reporting was simplified, “…by allowing a simplified dollar value method that could be applied to all inventory by small businesses and allowed the use of external indexes. The reason was to make the method that most effectively mitigates the effects of inflation more accessible to all businesses.” (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2022)

## WHO BENEFITS

Business taxpayers who use alternate methods of valuing their inventory.

## EVALUATION

See Inventory Methods and Valuation: LIFO, LCM, and Specific Identification, *Assessment*, p. 584 in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

# 1.032 ENERGY CONSERVATION SUBSIDIES (FEDERAL)

**Internal Revenue Code Section:** 136
**Oregon Statute:** 316.048 (Connection to federal personal taxable income)
**Sunset Date:** None
**Year Enacted:** 1992

| Revenue Impact | | | |
|---|---|---|---|
| | Corporation | Personal | Total |
| 2023-25 | Not Applicable | $500,000 | $500,000 |
| 2025-27 | Not Applicable | $500,000 | $500,000 |

## DESCRIPTION

Residential energy customers can exclude from personal taxable income subsidies provided by public utilities for the purchase or installation of an energy conservation improvement.

Subsidies paid to corporations are not exempt under this federal provision but can be subtracted from gross income under 1.320, Energy Conservation Subsidies (Oregon).

### PURPOSE
According to the Congressional Research Service, the purpose of the exclusion is to encourage residential customers of public utilities to participate in conservation programs sponsored by the utility. This would enhance energy efficiency of dwelling units and encourage energy conservation in residential buildings.

### WHO BENEFITS
Homeowners who participate in conservation programs and receive rebates to install energy saving devices.

### EVALUATION
See Exclusion of Energy Conservation Subsidies Provided by Public Utilities, *Assessment*, p. 124 in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

## 1.033 PASS-THROUGH STATUS OF SPECIFIED PUBLICLY TRADED PARTNERSHIPS

**Internal Revenue Code Section:** 7704
**Oregon Statute:** 317.013 (Connection to federal corporation taxable income)
**Sunset Date:** None
**Year Enacted:** 1987

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | $4,500,000 | Not Applicable | $4,500,000 |
| 2025-27 | $6,500,000 | Not Applicable | $6,500,000 |

### DESCRIPTION
With a few exceptions, publicly traded partnerships that receive at least 90 percent of their gross income from qualifying sources are treated as pass-through entities for tax purposes and are exempt from corporate taxes that would otherwise apply. This exemption is an exception to general rules that subject partnerships traded on established securities markets to corporate taxes.

Qualifying income sources include interest, dividends, property rental income and gain from disposition of real property. In addition, income derived from certain activities related to energy or mining of natural resources also qualifies. The federal Joint Committee on Taxation classifies this as a tax expenditure affecting personal income taxpayers and lists one provision for energy and another for mining.

### PURPOSE
The Congressional Research Service notes that proponents of these policies may argue, "…that the industries targeted through the definition of qualified income have reason to be subsidized, and government policy should help spur investment and growth" in the energy sector and the exploration of natural resources. (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2022)

### WHO BENEFITS
Owners of publicly traded partnerships that are exempt from corporate-level taxation.

### EVALUATION
See Assessments for tax expenditures related to pass through status of specified publicly traded partnerships, p. 113 and 303 in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

# 1.034 EMPLOYER PAID TRANSPORTATION BENEFITS

**Internal Revenue Code Section:** 132(f)
**Oregon Statute:** 316.048 (Connection to federal personal taxable income)
**Sunset Date:** None (TCJA suspension of bike benefits is temporary, see description)
**Year Enacted:** 1984

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | $53,000,000 | $53,000,000 |
| 2025-27 | Not Applicable | $52,000,000 | $52,000,000 |

## DESCRIPTION

In general, all compensation (wages and benefits) of an employee is taxable income of the employee. This provision exempts employer payments for employee parking, transportation in a commuter highway vehicle, and transit passes from inclusion in employees' personal taxable income. Employees can use pretax dollars, if their employer allows, to pay for transit passes, vanpool fares, and parking. Parking facilities provided free of charge by the employer are also excludable from income. Employees are allowed to elect taxable cash compensation in lieu of qualified transportation fringe benefits.

For 2024, the maximum exclusion for parking, transit, and commuter transportation is $315 per month, which is adjusted each year for inflation.

The Tax Cuts and Jobs Act of 2017 (TCJA) made these benefits non-deductible for employers that provide them. The federal Joint Committee on Taxation lists the increased tax paid by employers under these provisions as a "negative tax expenditure." Oregon's law defining tax expenditures does not contemplate this type of negative tax expenditure, so an estimate of the impact of the associated tax increase for Oregon corporate tax is not included. Predominantly, the reduction in taxes paid by employees is reflected in the estimated revenue loss above. This revenue impact would also include a small amount from a "negative tax expenditure" for businesses that report their business income on their federal personal income tax return, as the Joint Committee on Taxation reports only a net revenue impact.

TCJA also suspended the bicycle commuting exclusion for 2018 through 2025. The maximum exclusion for qualified bicycle commuting expenses was $20 per month for employees who regularly used a bicycle for commuting and did not receive other commuting benefits. The maximum exclusion for bicycle commuting is not adjusted for inflation.

## PURPOSE

According to the Congressional Research Service, the exclusions for mass transit and commuter transportation were introduced because "Subsidies for mass transit and vanpools encourage use of mass transportation and may reduce congestion and pollution." The parking benefit was given a statutory exclusion in 1984 because some employers had been providing free parking as a fringe benefit, "for many years, and employers, employees, and the Internal Revenue Service had not considered [it] taxable." (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2022)

## WHO BENEFITS

The exclusion benefits both employers and employees. Employees benefit through higher compensation while their employers may benefit through lower wage costs. To the extent this exemption induces employees to use mass transportation, and assuming mass transportation reduces congestion, this exemption may lower commuting costs to all workers in urban areas.

## EVALUATION

See Treatment of Employer-Paid Transportation Benefits (Parking, Van Pools, and Transit Passes, Black Car Services), *Assessment*, p. 616 in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

## 1.035 CERTAIN DISASTER MITIGATION PAYMENTS

**Internal Revenue Code Section:** 139(g)
**Oregon Statute:** 316.048 and 317.013 (Connections to federal personal and corporation taxable income)
**Sunset Date:** None
**Year Enacted:** 2005

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Less than $500,000 | $1,000,000 | $1,000,000 |
| 2025-27 | Less than $500,000 | $500,000 | $500,000 |

### DESCRIPTION

Disaster mitigation payments made to the owner of a property to mitigate hazards to that property, as paid through the Robert T. Stafford Disaster Relief and Emergency Assistance Act or the National Flood Insurance Act, are excluded from taxable income.

### PURPOSE

To retain the value of disaster mitigation payments by not imposing tax on those payments.

### WHO BENEFITS

Recipients of specified disaster mitigation payments.

### EVALUATION

See Exclusion of Disaster Mitigation Payments, *Assessment*, p. 1002 in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

## 1.036 CREDIT UNION INCOME

**Internal Revenue Code Section:** 501(c)(14) and 12 U.S.C. § 1768
**Oregon Statute:** 317.080(1)
**Sunset Date:** None
**Year Enacted:** 1951

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | $32,000,000 | Not Applicable | $32,000,000 |
| 2025-27 | $37,000,000 | Not Applicable | $37,000,000 |

### DESCRIPTION

Credit unions without capital stock, organized and operated for mutual purposes and without profit are exempt from corporate income taxation. Credit unions are nonprofit cooperatives organized by people with a common bond that distinguishes them from the general public. Members pool their funds to make loans to one another. Credit unions may be more likely to provide services to low-income individuals at rates lower than other financial institutions.

Credit union members with deposits pay federal income tax on interest earned on those deposits, independent of this federal provision.

Before 1951, the income of mutual banks, savings and loans, and credit unions was not taxed. In 1951, the exemption from mutual banks and savings and loans was removed, but credit unions retained the exemption.

### PURPOSE

In 1951, at the time that the exemption for mutual banks and savings and loan institutions was removed, no specific reason was given for continuing the exemption of credit unions. “Supporters of the credit union exemption emphasize the uniqueness of credit unions compared to other depository institutions.” (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions:* 2022)

### WHO BENEFITS
Credit unions meeting the eligibility requirements.

### EVALUATION
See Exemption of Credit Union Income, *Assessment*, p. 342 in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

## 1.037 ELIMINATION OF TAX EXEMPT INTEREST ALLOCATION FOR BANKS

**Internal Revenue Code Section:** 265(a), 265(b), 291(e) and 141
**Oregon Statute:** 317.013 (Connection to federal corporation taxable income)
**Sunset Date:** None
**Year Enacted:** 2009

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | $4,500,000 | Not Applicable | $4,500,000 |
| 2025-27 | $4,500,000 | Not Applicable | $4,500,000 |

### DESCRIPTION
This tax expenditure is a modification from complex rules intended to keep financial institutions from benefiting from two tax exemptions on interest on tax exempt bonds. Financial institutions normally deduct the interest they pay depositors from their income as a business expense. The interest deduction is required to be reduced by the percentage of a financial institution's investments that are in tax-free bonds.

For bonds issued in 2009 and 2010, the reduced interest deduction does not apply if the financial institution has less than 2 percent of its investments in tax-free bonds, or its tax-free bonds meet certain qualifying criteria.

### PURPOSE
According to the Congressional Research Service, "The American Recovery and Reinvestment Act of 2009 (P.L. 111-5) expanded the de minimis level for small issuers and allowed a two-percent safe harbor for financial institutions to stimulate demand for tax-exempt obligations." (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2022)

### WHO BENEFITS
Banks that have qualified investments in tax-free bonds.

### EVALUATION
See Eliminate Requirement that Financial Institutions Allocate Interest Expense Attributable to Tax-Exempt Interest, *Assessment*, p. 1146 in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

## 1.038 WORKERS' COMPENSATION BENEFITS (MEDICAL)

**Internal Revenue Code Section:** 104(a)(1)
**Oregon Statute:** 316.048 (Connection to federal personal taxable income)
**Sunset Date:** None
**Year Enacted:** 1918

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | $37,000,000 | $37,000,000 |
| 2025-27 | Not Applicable | $44,000,000 | $44,000,000 |

### DESCRIPTION
Workers' compensation medical benefits are not included in personal taxable income. These benefits include payments for medical treatment of work-related illness or injury. The revenue impact estimates shown are for workers' compensation medical benefits only; workers' compensation nonmedical benefits are covered in tax expenditure 1.039, Workers' Compensation Benefits (Nonmedical).

### PURPOSE
To compensate for the economic hardship imposed by work-related injury, sickness, or death and to be consistent with the tax treatment of court-awarded compensatory damages. See tax expenditure 1.006, Compensatory Damages.

### WHO BENEFITS
Any worker covered by the workers' compensation program including injured or ill workers who receive workers' compensation medical benefits.

### EVALUATION
See Exclusion of Workers' Compensation Benefits (Medical Benefits), *Assessment*, p. 944 in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

## 1.039 WORKERS' COMPENSATION BENEFITS (NONMEDICAL)

**Internal Revenue Code Section:** 104(a)(1)
**Oregon Statute:** 316.048 (Connection to federal personal taxable income)
**Sunset Date:** None
**Year Enacted:** 1918

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | $25,000,000 | $25,000,000 |
| 2025-27 | Not Applicable | $23,000,000 | $23,000,000 |

### DESCRIPTION
Workers' compensation nonmedical benefits are not included in personal taxable income. Nonmedical workers' compensation benefits are paid to disabled workers in the case of work-related injury or to their families in cases of work-related death. The revenue impact estimates shown above are for workers' compensation nonmedical benefits only. These benefits may include cash earnings replacement payments, special payments for physical impairment, and coverage for certain injury or death-related expenses (e.g., burial costs). The effect of workers' compensation medical benefits is covered in tax expenditure 1.038, Workers' Compensation Benefits (Medical).

### PURPOSE
To compensate for the economic hardship imposed by work-related injury, sickness, or death, and to be consistent with the tax treatment of court-awarded compensatory damages. See tax expenditure 1.006, Compensatory Damages, for more information.

### WHO BENEFITS
Any worker covered by the workers' compensation program including workers or their families (in cases of work-related death) receiving workers' compensation benefits.

### EVALUATION
See Exclusion of Workers' Compensation Benefits (Disability and Survivors Payments), *Assessment*, p. 1007 in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

# 1.040 GAIN ON NONDEALER INSTALLMENT SALES

**Internal Revenue Code Section:** 453 and 453A(b)
**Oregon Statute:** 316.048 and 317.013 (Connections to federal personal and corporation taxable income)
**Sunset Date:** None
**Year Enacted:** 1921

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | $41,000,000 | $8,500,000 | $49,500,000 |
| 2025-27 | $46,000,000 | $7,500,000 | $53,500,000 |

## DESCRIPTION

Persons who do not deal regularly in selling property (nondealers) are allowed to defer the tax on gains from sales of property that are not readily tradable by using the installment method of accounting. Under the installment method, gross profit from the sale is prorated over the years during which the payments are received. The deferral of taxes conveys a tax advantage compared to being taxed in full in the year of sale.

Interest must be paid to the federal government on the deferred taxes attributable to the portion of the installment sales that exceed $5 million. Oregon law (ORS 314.302) requires that interest also be paid to Oregon for these deferred taxes.

## PURPOSE

To match the timing of tax payments to the timing of the cash flow generated by the sale of the property. Requiring an up-front payment of taxes by a seller who won't receive the bulk of payments for the property until the future can place a heavy burden on infrequent sellers of property.

## WHO BENEFITS

Infrequent sellers of property who sell on an installment basis. "…the primary benefit probably flows to sellers of farms, small businesses, and small real estate investments." (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2022)

## EVALUATION

See Deferral of Gain on Non-Dealer Installment Sales, *Assessment*, p. 457 in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

# 1.041 GAIN ON LIKE-KIND EXCHANGES

**Internal Revenue Code Section:** 1031
**Oregon Statute:** 316.048 and 317.013 (Connections to federal personal and corporation taxable income)
**Sunset Date:** None
**Year Enacted:** 1921

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | $10,000,000 | $98,000,000 | $108,000,000 |
| 2025-27 | $9,500,000 | $86,000,000 | $95,500,000 |

## DESCRIPTION

Like-kind exchanges are exchanges of properties that are of the same general type but may be of very different quality and use, such as real estate. For exchanges in 2018 or later, the Tax Cuts and Jobs Act of 2017 limits the deferral of gain to real property (generally land and buildings).

Gain at the time of exchange is deferred until the property is ultimately disposed of. In the case of properties being exchanged in a series of transactions, the accumulated gains from each transaction are claimed for tax purposes only in the year the final property in the series is disposed of.

Before 2001, non-Oregon residents were required to claim the accumulated gains on property within Oregon at the time the property was disposed of in exchange for property outside Oregon. Following the passage of HB 2206 in 2001, non-Oregon resident taxpayers are allowed the same benefits as Oregon resident taxpayers in regard to continuing to defer the gains from the Oregon property until the series of like-kind exchanges is ended by the disposal of the final property.

### PURPOSE
To recognize that the investment in the new property is much like a continuation of the investment in the old and therefore, is not a taxable event.

### WHO BENEFITS
Taxpayers who engage in exchanges of like properties. This type of activity is concentrated in the real estate sector.

### EVALUATION
See Deferral of Gain on Non-Dealer Installment Sales, *Assessment*, p. 457 in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

## 1.042 ALLOWANCES FOR FEDERAL EMPLOYEES ABROAD

**Internal Revenue Code Section:** 912
**Oregon Statute:** 316.048 (Connection to federal personal taxable income)
**Sunset Date:** None
**Year Enacted:** 1943

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | $4,000,000 | $4,000,000 |
| 2025-27 | Not Applicable | $4,000,000 | $4,000,000 |

### DESCRIPTION
U.S. federal civilian employees working abroad are allowed to exclude from personal taxable income certain special allowances that are primarily for the costs of living abroad, such as the costs of housing, education, and travel.

### PURPOSE
"Congress determined that federal personnel overseas were engaged in 'highly important' duties and that the allowances merely offset the extra costs of working and living abroad. Congress determined that the government should bear the full burden of the excess living costs, including any income taxes that would otherwise be imposed on cost-of-living allowances." (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2022)

### WHO BENEFITS
Federal civilian employees working abroad.

### EVALUATION
See Exclusion of Certain Allowances for Federal Employees Abroad, *Assessment*, p. 41 in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

# 1.043 INTEREST ON OREGON STATE AND LOCAL DEBT

**Internal Revenue Code Section:** 103, 141-146, 501(c)(3)
**Oregon Statute:** 316.048 (Connection to federal personal taxable income)
**Sunset Date:** None
**Year Enacted:** 1913

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | $40,400,000 | $40,400,000 |
| 2025-27 | Not Applicable | $41,600,000 | $41,600,000 |

## DESCRIPTION

The interest income earned from state or local government obligations is excluded from federal corporate and personal taxable income. Oregon does not allow this exclusion for corporate income taxpayers; however, Oregon does allow this exclusion for personal income taxpayers for interest income from Oregon state or local government obligations. These obligations are primarily bonds issued by the state of Oregon and local government taxing districts such as cities, counties, and school districts. Interest and dividends on bonds and notes of other states or political subdivisions are taxable in Oregon.

These bonds fall into two categories. First, there are governmental bonds in which the bond proceeds generally are used to build capital facilities that are owned and operated by governmental entities and serve the general public interest, such as highways, schools, and government buildings. The majority of the tax benefit falls in this category.

Second, there are qualified private activity bonds where a portion of the bond benefits accrue to individuals or businesses rather than to the general public. These include state and local government bonds for: energy production, local furnishing of electric energy or gas, and local district heating or cooling facilities; sewage, water as well as solid and hazardous waste facilities; owner-occupied, rental, and veterans' housing; small issue industrial development; high-speed rail, private airports, docks, mass-commuting, highway and surface freight transfer facilities; student loans and public education facilities; private nonprofit hospital facilities; carbon capture facilities; broadband projects; green building and sustainable design projects. Many of these bonds are subject to the state private activity bond annual volume cap set by the federal government.

Interest income on qualified private activity bonds is exempt from federal income tax as well as Oregon income tax. There are other nonqualified private activity bonds. The interest earned on these bonds is taxable at the federal level but not at the state level. See tax expenditure 1.316, Interest from State and Local Government Bonds, for more information.

## PURPOSE

"… many believe the exemption for governmental bonds is still justified on economic grounds, principally as a means of encouraging state and local governments to invest in public capital." (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2022). Presumably, the exclusion is allowed for interest from Oregon state or local government obligations for personal income taxpayers as a way to lower the cost of borrowing for Oregon state and local governments.

## WHO BENEFITS

In 2022, about 64,800 Oregon taxpayers reported nontaxable interest income from Oregon state or local government debt obligations, saving a total of about $18.9 million in tax.

## EVALUATION

See Exclusion of Interest on Public Purpose State and Local Government Bonds, *Assessment*, p. 1133 in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

## 1.044 VOLUNTARY EMPLOYEES' BENEFICIARY ASSOCIATIONS

**Internal Revenue Code Section:** 419, 419A, 501(a), 501(c)(9), 512(a)(3), and 4976
**Oregon Statute:** 316.048 (Connection to federal personal taxable income)
**Sunset Date:** None
**Year Enacted:** 1928

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | $16,000,000 | $16,000,000 |
| 2025-27 | Not Applicable | $16,000,000 | $16,000,000 |

### DESCRIPTION
Voluntary Employees' Beneficiary Associations (VEBAs) generally fund the expenses of life insurance, medical, accident, and other benefits to associations of employees, their dependents, and their beneficiaries. If certain requirements are met, contributions to and income earned by VEBAs can be exempt from income taxes. Depending on the circumstances, benefit distributions to recipients from VEBAs may or may not be taxable.

### PURPOSE
To promote the provision of life, sickness, accident, and other insurance and fringe benefits and the structuring of benefits in an irrevocable trust fund associated with a VEBA.

### WHO BENEFITS
Recipients of the program benefits and employers who contribute.

### EVALUATION
See Exclusion of Income Earned by Voluntary Employees' Beneficiary Associations, *Assessment*, p. 809 in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

## 1.045 RENTAL ALLOWANCES FOR CLERGY HOUSING

**Internal Revenue Code Section:** 107 and 265
**Oregon Statute:** 316.048 (Connection to federal personal taxable income)
**Sunset Date:** None
**Year Enacted:** 1921

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | $7,500,000 | $7,500,000 |
| 2025-27 | Not Applicable | $7,500,000 | $7,500,000 |

### DESCRIPTION
Clergy members can exclude from personal taxable income the fair rental value of a home owned or rented by a religious organization or a cash housing allowance paid as part of the clergy member's compensation. While the terms "minister" and "church" are referenced in the Internal Revenue Code, these exclusions apply to clergy in all religions.

### PURPOSE
"The exclusion for the housing allowances for ministers entered the federal tax code through the Revenue Act of 1921. There is no record of why Congress did so. … Congress may have intended to provide tax relief to a segment of society that was widely seen as essential to the spiritual welfare of Americans, but that often experienced economic deprivation because of their relatively low salaries." (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2022)

### WHO BENEFITS
Clergy members who receive a housing allowance or who live in a home provided by the religious organization.

### EVALUATION
See Exclusion of Housing Allowances for Ministers, *Assessment*, p. 800 in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

## 1.046 DISCHARGE OF CERTAIN STUDENT LOAN DEBT

**Internal Revenue Code Section:** 108(f), 20 U.S.C. § 1087ee(a)(5)
**Oregon Statute:** 316.048 (Connection to federal personal taxable income)
**Sunset Date:** None (TCJA provisions are temporary, see description)
**Year Enacted:** 1984

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | $12,000,000 | $12,000,000 |
| 2025-27 | Not Applicable | $6,500,000 | $6,500,000 |

### DESCRIPTION
Income for tax purposes generally includes cancelled, forgiven, or debt repaid on the borrower's behalf. Discharged student loan debt may be excluded if the relevant loan was made by specified types of lenders, borrowed to assist an individual in attending an educational organization, and contained terms providing that some or all of the loan would be cancelled for work performed for a specified period of time, in a certain profession, and for a specified broad class of employers. Specified lenders include the federal government, state and local governments, public benefit corporations, tax-exempt public benefit corporations, and qualified educational institutions.

The major federal loans qualifying for exempt discharge of indebtedness are the William D. Ford Federal Direct Loan (DL), Federal Perkins Loan, and the Federal Family Education Loan (FFEL – no longer available, however any amount remaining amount on the loan that is cancelled may be excluded). This provision also excludes repayment of loans on behalf of graduates made under the National Health Service Corps repayment program.

The Tax Cuts and Jobs Act of 2017 temporarily expanded this provision, allowing discharge due to death or permanent disability to qualify in tax years 2018 through 2025. The American Rescue Plan Act (ARPA) of 2021 broadened this temporary expansion to include loans discharged for almost any reason.

### PURPOSE
To encourage individuals to work for federal, state, or local government agencies and school districts where discharge of a student loan is offered as an incentive.

### WHO BENEFITS
Individuals with student loans discharged under the program.

### EVALUATION
See Exclusion of Income Attributable to the Discharge of Certain Student Loan Debt and Certain Federal and State Education Loan Repayment Programs, *Assessment*, p. 748 in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

# 1.047 CAPITAL GAINS ON INHERITED PROPERTY

**Internal Revenue Code Section:** 303, 1001, 1014, 1023, 1040, 1221, and 1222
**Oregon Statute:** 316.048 (Connection to federal personal taxable income)
**Sunset Date:** None
**Year Enacted:** 1921

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | $690,000,000 | $690,000,000 |
| 2025-27 | Not Applicable | $730,000,000 | $730,000,000 |

## DESCRIPTION

In general, capital gains are taxed based on the increased value of property when it is sold or exchanged. However, when property is transferred at death, unrealized capital gains on the property are excluded from personal taxable income. The new basis for the heir is set to the market value on the date of the decedent's death. The revenue loss estimates do not reflect any potential tax liability associated with Oregon's estate tax.

In addition, income from redemption of stock (selling stock back to the corporation) after the decedent's death receives the new basis and is treated as a capital gain if the stock is more than 35 percent of the estate and the redemption value does not exceed the expenses or taxes associated with the estate. This redemption of stock is listed as a separate expenditure by the federal Joint Committee on Taxation, but income from redemption of stock represents a very small part of this tax expenditure.

## PURPOSE

At the federal level, this treatment is intertwined with the treatment of gifts given while a person is alive ("*inter vivos* gifts"). "The original rationale for nonrecognition of capital gains on *inter vivos* gifts or transfers at death is not indicated in the legislative history of any of the several interrelated applicable provisions. One current justification given for the treatment, however, is that death and *inter vivos* gifts are considered as inappropriate events to result in the recognition of income." (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2022)

## WHO BENEFITS

Recipients of inherited assets with accumulated capital gains.

## EVALUATION

See Assessments for tax expenditures related to capital gains on inherited property, p. 454 and 580 *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

# 1.048 CAPITAL GAINS ON GIFTS

**Internal Revenue Code Section:** 1015, 1023, 1040, 1221, and 1222
**Oregon Statute:** 316.048 (Connection to federal personal taxable income)
**Sunset Date:** None
**Year Enacted:** 1921

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | $49,000,000 | $49,000,000 |
| 2025-27 | Not Applicable | $40,000,000 | $40,000,000 |

## DESCRIPTION

When a gift is made, any capital gain accrued on the property while held by the donor is excluded from personal taxable income until the recipient disposes of the property. The recipient is taxed on the capital gains at the time of sale

of the property. The tax expenditure is the net value of deferred taxes in a given year, minus the taxes on realized gains deferred in prior years.

### PURPOSE
At the federal level, gifts given while a person is alive are often called "*inter vivos* gifts" to distinguish them from inherited property given at the time of death. "The original rationale for nonrecognition of capital gains on *inter vivos* gifts or transfers at death is not indicated in the legislative history of any of the several interrelated applicable provisions. One current justification given for the treatment, however, is that death and *inter vivos* gifts are considered as inappropriate events to result in the recognition of income." (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2022)

### WHO BENEFITS
Donors and recipients of gifts.

### EVALUATION
See Carryover Basis of Appreciated Property Transferred by Gifts, *Assessment*, p. 532 in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

## 1.049 LIFE INSURANCE PROCEEDS

**Internal Revenue Code Section:** 101
**Oregon Statute:** 316.048 and 317.013 (Connections to federal personal and corporation taxable income)
**Sunset Date:** None
**Year Enacted:** 1913

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | $15,000,000 | $120,000,000 | $135,000,000 |
| 2025-27 | $16,000,000 | $130,000,000 | $146,000,000 |

### DESCRIPTION
Life insurance proceeds paid to a beneficiary because of the death of the insured person are generally excluded from taxable income. A few cases exist where proceeds may be included in taxable income, including interest on a delayed payment or certain profits from selling a policy during the lifetime of the insured person.

### PURPOSE
Presumably, the purpose is to support family members and businesses that receive a payment from a life insurance policy.

### WHO BENEFITS
Beneficiaries of untaxed life insurance proceeds.

### EVALUATION
See Exclusion of Amounts Received Under Life Insurance Contracts, *Assessment*, p. 1096 in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

# 1.050 DISABILITY BENEFITS OF MILITARY AND VICTIMS OF TERRORISM

**Internal Revenue Code Section:** 104(a)(4)-(5) and 104(b)
**Oregon Statute:** 316.048 (Connection to federal personal taxable income)
**Sunset Date:** None
**Year Enacted:** 1942

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | $3,000,000 | $3,000,000 |
| 2025-27 | Not Applicable | $3,500,000 | $3,500,000 |

## DESCRIPTION

Individuals who were members of the armed forces on or before September 24, 1975, may be eligible for the exclusion of disability pay from personal taxable income. In addition, under the Victims of Terrorism Tax Relief Act of 2001, any civilian or member of the military whose disability is attributable to terrorism or military action anywhere in the world may exclude disability income from gross income.

For members of the armed forces, the amount of disability pay is calculated as the greater of:

- The percentage of disability multiplied by the terminal monthly basic pay
- The terminal monthly basic pay multiplied by the number of service years times 2.5.

If the percentage-of-disability method is used, the entire amount is excludable from taxable income. If the years-of-service method is used, only the portion that would have been paid under the percentage-of-disability method is excludable.

Members of the armed forces who joined after September 24, 1975, may exclude Department of Defense disability payments equivalent to disability payments they could have received from the Veterans' Administration. Otherwise, disability pensions may be excluded only if the disability is combat related.

## PURPOSE

To compensate for the economic hardship imposed by injury or sickness and to be consistent with the tax treatment of workers' compensation payments and court-awarded damages, which also are not taxed.

## WHO BENEFITS

Veterans or victims of terrorism receiving excluded disability payments.

## EVALUATION

See Exclusion of Military Disability Benefits, *Assessment*, p. 27 in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

# 1.051 BENEFITS AND ALLOWANCES OF ARMED FORCES PERSONNEL

**Internal Revenue Code Section:** 112 and 134
**Oregon Statute:** 316.048 (Connection to federal personal taxable income)
**Sunset Date:** None
**Year Enacted:** 1925

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | $64,000,000 | $64,000,000 |
| 2025-27 | Not Applicable | $66,000,000 | $66,000,000 |

### DESCRIPTION
Various in-kind benefits received by military personnel are not taxed. These benefits include medical and dental benefits, group term life insurance, professional education and dependent education, moving and storage, premiums for survivor and retirement protection plans, subsistence allowances, uniform allowances, housing allowances, overseas cost of living allowances, evacuation allowances, family separation allowances, travel for consecutive overseas tours, emergency assistance, family counseling and defense counsel, burial and death services, and travel of dependents to a burial site. In addition, payments made to families as death gratuities when members of the armed forces die are tax exempt.

### PURPOSE
"For some compensation, the rationale for an exclusion was a desire to reduce the tax burden of military personnel during wartime (e.g., the exclusion for combat pay). For other compensation, the exclusion was based on the belief that the benefits were intrinsic to the military way of life". (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2022)

### WHO BENEFITS
People serving in the U.S. military.

### EVALUATION
See Exclusion of Benefits and Allowances for Armed Forces Personnel, *Assessment*, p. 22 in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

## 1.052 COMBAT PAY

**Internal Revenue Code Section:** 112
**Oregon Statute:** 316.048 (Connection to federal personal taxable income)
**Sunset Date:** None (TCJA provisions are temporary, see description)
**Year Enacted:** Pre-1945

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | $6,500,000 | $6,500,000 |
| 2025-27 | Not Applicable | $7,500,000 | $7,500,000 |

### DESCRIPTION
Compensation paid to members of the U.S. armed forces is generally taxable. This provision excludes income earned by active-duty armed forces members in combat zones. It also applies to members hospitalized for injury received or a disease contracted in a combat zone for up to two years after termination of combatant activities in the combat zone.

The Tax Cuts and Jobs Act of 2017 includes a temporary provision expanding the definition of combat zones to include a "qualified hazardous duty area." Currently, the definition adds the Sinai Peninsula of Egypt. This provision applies to the portion of the first taxable year ending after June 9, 2015 as well as subsequent taxable years beginning before January 1, 2026.

### PURPOSE
"Generally, the compensation paid to military personnel serving in a combat zone is increased to reflect the hazards inherent in such a duty. Excluding combat pay from taxation may reflect a general public recognition that service members should be rewarded for putting their lives at risk." (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2022)

### WHO BENEFITS
Active-duty military personnel serving in a combat zone.

### EVALUATION
See Exclusion of Combat Pay, *Assessment*, p. 31 in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

## 1.053 DEFERRAL OF INTEREST ON SAVINGS BONDS

**Internal Revenue Code Section:** 454(c)
**Oregon Statute:** 316.048 (Connection to federal personal taxable income)
**Sunset Date:** None
**Year Enacted:** 1951

| Revenue Impact | | | |
|---|---|---|---|
| | Corporation | Personal | Total |
| 2023-25 | Not Applicable | $4,000,000 | $4,000,000 |
| 2025-27 | Not Applicable | $3,500,000 | $3,500,000 |

### DESCRIPTION
Owners of U.S. Treasury Series E, Series EE, and Series I savings bonds have the option of either including interest in taxable income as it accrues or excluding interest from taxable income until the bond is redeemed. The revenue loss shown above is the tax that would be due on the deferred interest if it were reported and taxed as it accrued.

The deferral of tax on interest income on savings bonds provides two advantages. The first advantage is the deferral of any tax payment on the accrued interest, which is equivalent to receiving an interest-free loan. The second advantage results from the taxpayer often being in a lower income tax bracket when the bond is redeemed, such as after the taxpayer has retired.

### PURPOSE
The Congressional Research Service reports that the purpose is to encourage holding U.S. savings bonds.

### WHO BENEFITS
Holders of savings bonds that defer the inclusion of earned interest in their taxable income. According to the Congressional Research Service, the primary beneficiaries are middle-income taxpayers.

### EVALUATION
See Deferral of Interest on Savings Bonds, *Assessment*, p. 1155 in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

## 1.054 DEFERRAL OF CERTAIN ADVANCE PAYMENTS

**Internal Revenue Code Section:** 451(c)
**Oregon Statute:** 316.048 and 317.013 (Connections to federal personal and corporation income)
**Sunset Date:** None
**Year Enacted:** 2017

| Revenue Impact | | | |
|---|---|---|---|
| | Corporation | Personal | Total |
| 2023-25 | $12,000,000 | $3,500,000 | $15,500,000 |
| 2025-27 | $13,000,000 | $3,500,000 | $16,500,000 |

### DESCRIPTION
Taxpayers usually account for income using the accrual method, which accounts for income based on when transactions are made. The Tax Cuts and Jobs Act of 2017 (TCJA) codified an exception with respect to advance payments—i.e. payments received before the goods or services are provided—that had been formerly allowed by administrative guidance. The exception, which applies to tax years beginning after December 31, 2017, allows

taxpayers to defer, for one year only, the recognition of advance payments if the taxpayer's financial accounting statement defers recognition. Payments for goods and services (such as subscriptions and gift cards) are eligible whereas items such as rent and insurance payments are not.

## PURPOSE

The Congressional Research Service did not state a clear purpose for this federal provision. Presumably, it is meant to support businesses that receive advance payments. The Congressional Research Service did note, however, that this provision "conforms the recognition of income more closely to financial accounting and is consistent with matching income and costs." (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions:* 2022)

## WHO BENEFITS

Taxpayers who receive advance payments. According to the Congressional Research Service, this tax expenditure "is used more extensively by unincorporated businesses." (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions:* 2022)

## EVALUATION

See Deferral of Certain Advance Payments, Assessment, p. 600 in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

# 1.101 TEACHER CLASSROOM EXPENSES

**Internal Revenue Code Section:** 62(a)(2)(D)
**Oregon Statute:** 316.048 (Connection to federal personal taxable income)
**Sunset Date:** None
**Year Enacted:** 2002

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | $1,900,000 | $1,900,000 |
| 2025-27 | Not Applicable | $1,900,000 | $1,900,000 |

## DESCRIPTION

Eligible elementary or secondary school employees are allowed to deduct unreimbursed eligible expenses. The deduction was limited to $300 in 2023. This amount is adjusted each year for inflation (rounded to the nearest $50) and can be taken without itemizing (known as an adjustment or above the line deduction).

Eligible expenses are for books, supplies, computer equipment, supplementary materials used in the classroom and professional development. Eligible employees include kindergarten through grade 12 teachers, instructors, counselors, and principals working in a school for at least 900 hours during a school year.

This provision was enacted as a temporary provision in 2002 and was temporarily extended several times. The PATH Act of 2015 (P.L. 114-113) made this provision permanent, added the inflation adjustment, and added professional development as an eligible expense.

## PURPOSE

"An above-the-line deduction targeted at educators may be considered desirable because teachers voluntarily augment school funds by purchasing items thought to enhance the quality of children's education". (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2022)

## WHO BENEFITS

In 2022, about 40,400 taxpayers claimed on average an adjustment of $267, which resulted in a savings of $22 in Oregon tax due to this provision. The table below shows use of this adjustment for tax year 2022.

**2022 Personal Income Tax Filers**

| Income Group of Full-Year Filers* | Number of Filers Taking Adjustment | Average Adjustment | Total Adjusted ($ millions) | Revenue Impact ($ millions) | Percent of Revenue Impact by Income Group |
|---|---|---|---|---|---|
| Below $19,400 | 990 | $250 | $0.2 | <$0.1 | 1% |
| $19,400 - $40,400 | 2,670 | $240 | $0.7 | <$0.1 | 6% |
| $40,400 - $67,700 | 6,160 | $270 | $1.6 | $0.1 | 16% |
| $67,700 - $117,800 | 10,770 | $280 | $3.1 | $0.3 | 30% |
| Above $117,800 | 14,590 | $320 | $4.6 | $0.4 | 46% |
| All Full-Year Filers | 35,160 | $290 | $10.2 | $0.9 | 100% |
| Part-Year and Nonresident Filers | 5,220 | $110 | $0.6 | <$0.1 | |

**Each income group contains 20 percent of the full-year filers (approximately 376,000)*

## EVALUATION

See Deduction for Teacher Classroom Expenses, *Assessment*, p. 678 in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

# 1.102 INTEREST ON STUDENT LOANS

**Internal Revenue Code Section:** 221
**Oregon Statute:** 316.048 (Connection to federal personal taxable income)
**Sunset Date:** None
**Year Enacted:** 1997

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | $18,200,000 | $18,200,000 |
| 2025-27 | Not Applicable | $38,000,000 | $38,000,000 |

## DESCRIPTION

A taxpayer may deduct interest on qualified higher education loans. The maximum deduction is $2,500 and is not indexed to inflation. The deduction can be taken without itemizing (known as an adjustment or above-the-line deduction). The deduction is not allowed for individuals who may be claimed as a dependent on another taxpayer's return.

A qualified education loan is indebtedness incurred solely to pay for qualified higher education expenses, such as tuition, fees, and room and board. Interest on loans from relatives or qualified employer plans may not be deducted. The qualifying expenses must be reduced by amounts received from other tax-free education benefits.

For 2023, the deduction was phased out for income between $75,000 and $90,000 (single) or $155,000 and $185,000 (married). For income above those upper amounts, no deduction is allowed. The phase-out range is adjusted for inflation each year.

## PURPOSE

"The interest deduction was seen as a way to help taxpayers repay student loan debt, which has risen substantially in recent years." Additionally, "The tax deduction can be justified both as a way of encouraging persons to undertake additional education and as a means of easing repayment burdens". (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2022)

## WHO BENEFITS

Taxpayers who incurred indebtedness to pay qualified higher education expenses for themselves, their spouse, or their dependents. In 2022, approximately 57,900 Oregon taxpayers claimed on average, an adjustment of $786, which resulted in a savings of $64 in Oregon tax due to this provision. The table below shows usage of this adjustment for tax year 2022.

**2022 Personal Income Tax Filers**

| Income Group of Full-Year Filers* | Number of Filers Taking Adjustment | Average Adjustment | Total Adjusted ($ millions) | Revenue Impact ($ millions) | Percent of Revenue Impact by Income Group |
|---|---|---|---|---|---|
| Below $19,400 | 4,050 | $900 | $3.6 | $0.2 | 5% |
| $19,400 - $40,400 | 7,340 | $910 | $6.7 | $0.6 | 16% |
| $40,400 - $67,700 | 12,530 | $930 | $11.7 | $1.0 | 30% |
| $67,700 - $117,800 | 13,500 | $820 | $11.1 | $1.0 | 28% |
| Above $117,800 | 10,660 | $760 | $8.1 | $0.7 | 21% |
| All Full-Year Filers | 48,080 | $860 | $41.2 | $3.4 | 100% |
| Part-Year and Nonresident Filers | 9,810 | $440 | $4.3 | $0.3 | |

**Each income group contains 20 percent of the full-year filers (approximately 376,000)*

## EVALUATION

See Deduction for Interest on Student Loans, *Assessment*, p. 693 in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

# 1.103 SELF-EMPLOYMENT HEALTH INSURANCE

**Internal Revenue Code Section:** 162(L)
**Oregon Statute:** 316.048 (Connection to federal personal taxable income)
**Sunset Date:** None
**Year Enacted:** 1986

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | $83,000,000 | $83,000,000 |
| 2025-27 | Not Applicable | $84,600,000 | $84,600,000 |

## DESCRIPTION

Self-employed individuals may deduct amounts paid for health insurance. The insurance must be for themselves, their spouses, or their dependents. The deduction can be taken without itemizing (known as an adjustment or an above-the-line deduction) and is limited to the taxpayer's earned income. This adjustment is also available to working partners in a partnership and employees of an S corporation who own more than 2 percent of the corporation's stock.

Self-employed individuals may also adjust personal income by amounts paid for qualified long-term care insurance.

## PURPOSE

"In establishing the deduction for spending on health insurance and long-term care insurance by the self-employed, Congress seemed to have two motivations. One was to provide those individuals with a tax benefit comparable to the exclusion from the taxable income of any employer-provided health benefits received by employees. A second motive was to improve access to health care by the self-employed." (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2022)

## WHO BENEFITS

Self-employed individuals who paid for health and/or long-term care insurance, and their immediate family. In 2022, approximately 80,700 Oregon taxpayers claimed on average an adjustment of $6,232, which resulted in a savings of $538 in Oregon tax due to this provision. The table below shows usage of this adjustment for tax year 2022.

**2022 Personal Income Tax Filers**

| Income Group of Full-Year Filers* | Number of Filers Taking Adjustment | Average Adjustment | Total Adjusted ($ millions) | Revenue Impact ($ millions) | Percent of Revenue Impact by Income Group |
|---|---|---|---|---|---|
| Below $19,400 | 6,710 | $3,560 | $23.9 | $0.4 | 1% |
| $19,400 - $40,400 | 6,820 | $3,360 | $22.9 | $1.6 | 4% |
| $40,400 - $67,700 | 8,290 | $4,420 | $36.6 | $3.1 | 7% |
| $67,700 - $117,800 | 12,730 | $6,100 | $77.7 | $6.7 | 16% |
| Above $117,800 | 28,350 | $10,970 | $311.0 | $29.2 | 71% |
| All Full-Year Filers | 62,910 | $7,510 | $472.2 | $40.9 | 100% |
| Part-Year and Nonresident Filers | 17,740 | $1,710 | $30.4 | $2.5 | |

**Each income group contains 20 percent of the full-year filers (approximately 376,000)*

## EVALUATION

See Deduction for Health Insurance Premiums and Long-Term Care Insurance Premiums by the Self-Employed, Assessment, p. 958 in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

## 1.104 HEALTH SAVINGS ACCOUNTS

**Internal Revenue Code Section:** 223
**Oregon Statute:** 316.048 (Connection to federal personal taxable income)
**Sunset Date:** None
**Year Enacted:** 2003

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | $92,000,000 | $92,000,000 |
| 2025-27 | Not Applicable | $110,000,000 | $110,000,000 |

### DESCRIPTION

Contributions to health savings accounts (HSAs) by qualified individuals, or by a qualified individual's employer on behalf of the employee, are deductible from federal gross income. The deduction can be taken without itemizing (known as an adjustment or above-the-line deduction). Withdrawals from HSAs are exempt from income taxes if used for qualified medical expenses. HSA account earnings are tax-exempt and unused balances may accumulate without limit. The revenue loss numbers provided above include the losses related to both the adjustment and exclusion connected to HSAs.

The accounts are used to pay medical costs incurred until an insurance deductible amount is met. To qualify for 2023, individuals must have high deductible (at least $1,500 for individual coverage and $3,000 for families) health insurance and generally have no other health care coverage. Contributions are limited to $3,850 for individual coverage and $7,750 for a family. The deductible amounts and contribution limits are adjusted annually for inflation. Individuals who are 55 or older and not yet covered by Medicare may contribute an additional $1,000 each year.

### PURPOSE

"HSAs are a tax-advantaged account designed to help people save and pay for unreimbursed medical expenses such as health insurance cost sharing (e.g., deductibles, copayments, and co-insurance) and services not covered by insurance ... HSAs in concert with HDHPs [high-deductible health insurance plans] allow individuals to save for routine and other medical costs while insuring against large or catastrophic medical expenses. Properly designed, they may encourage more cost-conscious health care use and the accumulation of funds for medical care ... HDHPs and HSAs have also been touted as a way to lower overall health care costs, as consumers are incentivized to find out what health care providers charge and be willing to switch to lower-cost providers or forgo a doctor's visit for what they may consider a minor ailment." (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions:* 2022)

### WHO BENEFITS

Taxpayers who use health savings accounts.

### EVALUATION

See Health Savings Accounts, *Assessment*, p. 912 in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

## 1.105 IRA CONTRIBUTIONS AND EARNINGS

**Internal Revenue Code Section:** 219, 408, and 408A
**Oregon Statute:** 316.048 (Connection to federal personal taxable income)
**Sunset Date:** None
**Year Enacted:** 1974

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | $220,000,000 | $220,000,000 |
| 2025-27 | Not Applicable | $280,000,000 | $280,000,000 |

### DESCRIPTION
There are two types of Individual Retirement Accounts (IRAs) from which taxpayers may receive a tax benefit: Traditional and Roth. The Traditional IRA allows for tax deductible contributions, while the Roth IRA allows for tax-free withdrawals. The revenue impact consists of the tax benefits from the deductibility of traditional IRAs, the tax-deferred earnings of traditional IRAs, and the tax-free earnings of Roth IRAs. This deduction can be taken without itemizing (known as an adjustment or above-the-line deduction).

The federal Joint Committee on Taxation lists the two account types as separate tax expenditures, but their estimated impact is combined here.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020 made a temporary waiver of the minimum distribution requirement of certain employer-provided qualified retirement plans and IRAs for calendar year 2020. This waiver could change the timing of when taxpayers make withdrawals, hence affecting the earnings. The exact effect on the revenue impact is uncertain, however it is thought to be relatively small.

### PURPOSE
To provide an incentive for taxpayers to save for retirement, education, and homeownership, and to provide a savings incentive for workers who do not have employer provided pension plans.

### WHO BENEFITS
Taxpayers who contribute to eligible IRAs or have earnings within an eligible IRA.

### EVALUATION
See Assessments for tax expenditures related to IRA contributions and earnings, p. 1073 and 1079 *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

## 1.106 MOVING EXPENSES

**Internal Revenue Code Section:** 217
**Oregon Statute:** 316.048 (Connection to federal personal taxable income)
**Sunset Date:** None (TCJA provisions are temporary, see description)
**Year Enacted:** 1964

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | $100,000 | $100,000 |
| 2025-27 | Not Applicable | $3,500,000 | $3,500,000 |

### DESCRIPTION
Active-duty members of the military incurring moving expenses related to being stationed in a new location are allowed an adjustment to personal taxable income for qualified moving expenses. The Tax Cuts and Jobs Act of 2017 suspended this provision for tax years 2018 through 2025 for non-military taxpayers.

This deduction is taken without itemizing (known as an adjustment or an above-the-line deduction). The expenses include costs of moving household goods and traveling expenses while moving.

The federal Joint Committee on Taxation does not consider this adjustment to be a tax expenditure, presumably because the costs associated with seeking income (e.g. a job) would be deductible under their "normal tax structure."

### PURPOSE
To reduce employment-related moving costs for active-duty members of the military.

### WHO BENEFITS
Active-duty members of the military incurring moving expenses related to being stationed in a new location. The number of taxpayers claiming this adjustment in 2022 was about 700 and the average savings in Oregon tax from this provision was $80.

### EVALUATION
Not evaluated.

## 1.107 OVERNIGHT TRAVEL EXPENSES OF NATIONAL GUARD AND RESERVE MEMBERS

**Internal Revenue Code Section:** 162(p) and 62(a)(2)(E)
**Oregon Statute:** 316.048 (Connection to federal personal taxable income)
**Sunset Date:** None
**Year Enacted:** 2003

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | $2,000,000 | $2,000,000 |
| 2025-27 | Not Applicable | $2,000,000 | $2,000,000 |

### DESCRIPTION
A deduction is allowed for all unreimbursed overnight travel, meals, and lodging expenses of National Guard and Reserve members. This deduction can be taken without itemizing (known as an adjustment or above-the-line deduction). To qualify, recipients must have traveled more than 100 miles away from home and stayed overnight as part of an activity while on official duty. No deduction is permitted for commuting expenses to and from drill meetings, and the amount of expenses may not exceed the general federal government per diem rate applicable to that locale.

### PURPOSE
To offer a partial reimbursement to National Guard and Reserve members for unreimbursed overnight travel expenses incurred in the line of duty.

### WHO BENEFITS
Members of the National Guard and Reserve.

### EVALUATION
See Deduction for Overnight-Travel Expenses of National Guard and Reserve Members, *Assessment*, p. 16 in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

# 1.201 MEDICAL AND DENTAL EXPENSES

**Internal Revenue Code Section:** 213
**Oregon Statute:** 316.695 (Connection to federal personal deductions)
**Sunset Date:** None
**Year Enacted:** 1942

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | $255,000,000 | $255,000,000 |
| 2025-27 | Not Applicable | $288,000,000 | $288,000,000 |

## DESCRIPTION

Most medical expenses paid for by an individual but not reimbursed by an employer or insurance company are deductible from taxable income to the extent they exceed 7.5 percent of adjusted gross income (AGI) for the taxpayer. The Disaster Tax Relief Act of 2020 made the 7.5 percent of AGI floor permanent. The deduction includes amounts paid for such things as:

- Health insurance premiums
- Diagnosis, treatment, mitigation, or prevention of disease
- Prescription drugs and insulin (not over-the-counter medication)
- Transportation for and/or essential to medical care
- Long-term care insurance premiums up to an age-based annual limit. For 2023 the limit ranges from $480 for taxpayers 40 or younger, up to $5,960 for taxpayers over 70.

See also 1.304, Medical Subtraction for Elderly, which provides a description of Oregon's provision allowing certain qualified taxpayers to subtract medical and dental expenses.

## PURPOSE

"For individual taxpayers who itemize, the deduction can ease the financial burden imposed by costly medical expenses. The federal tax code, in part, regards these expenses as involuntary expenses that reduce a taxpayer's ability to pay taxes by absorbing a substantial part of income" (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions:* 2022)

## WHO BENEFITS

In 2022, approximately 254,000 Oregon taxpayers claimed on average a deduction for medical expenses of $8,700, which resulted in a savings of $510 in Oregon tax. The table below shows the use of this deduction for 2022.

**2022 Personal Income Tax Filers**

| Income Group of Full-Year Filers* | Number of Filers Taking Deduction | Average Deduction | Total Deducted ($ millions) | Revenue Impact ($ millions) | Percent of Revenue Impact by Income Group |
|---|---|---|---|---|---|
| Below $19,400 | 56,400 | $7,280 | $410.7 | $4.6 | 4% |
| $19,400 - $40,400 | 46,600 | $7,660 | $357.1 | $16.1 | 13% |
| $40,400 - $67,700 | 45,700 | $8,600 | $393.1 | $25.4 | 20% |
| $67,700 - $117,800 | 54,600 | $9,620 | $525.5 | $40.0 | 32% |
| Above $117,800 | 32,300 | $13,940 | $450.3 | $38.6 | 31% |
| All Full-Year Filers | 235,600 | $9,070 | $2,136.7 | $124.7 | 100% |
| Part-Year and Nonresident Filers | 18,800 | $4,120 | $77.5 | $4.5 | |

**Each income group contains 20 percent of the full-year filers (approximately 376,000)*

## EVALUATION

See Deduction for Medical Expenses and Long-Term Care Expenses, *Assessment*, p. 924 in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

## 1.202 REMOVAL OF ARCHITECTURAL BARRIERS

**Internal Revenue Code Section:** 190
**Oregon Statute:** 316.048 and 317.013 (Connections to federal personal and corporation taxable income)
**Sunset Date:** None
**Year Enacted:** 1976

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Less than $500,000 | Less than $500,000 | Less than $500,000 |
| 2025-27 | Less than $500,000 | Less than $500,000 | Less than $500,000 |

### DESCRIPTION

A deduction from corporation or personal taxable income of up to $15,000 is allowed for the removal of architectural and transportation barriers. This limit is not adjusted for inflation. Eligible expenses include those necessary to make facilities or transportation vehicles, for use in trade or business, more accessible to the disabled and people 65 and over.

### PURPOSE

To reduce physical barriers for employees and customers who are disabled or age 65 and over.

### WHO BENEFITS

The taxpayers incurring eligible costs of making the structural changes.

### EVALUATION

See Expensing of Costs to Remove Architectural and Transportation Barriers to the Handicapped and Elderly, *Assessment*, p. 569 in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

## 1.203 DEDUCTION OF CERTAIN FILM AND TELEVISION PRODUCTION COSTS

**Internal Revenue Code Section:** 181
**Oregon Statute:** 316.048 and 317.013 (Connections to federal personal and corporation taxable incomes)
**Sunset Date:** 12-31-2025
**Year Enacted:** 2004

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | $500,000 | Less than $500,000 | $500,000 |
| 2025-27 | Less than $500,000 | Less than $500,000 | Less than $500,000 |

NOTE: The revenue impact estimate includes the effect of the sunset.

### DESCRIPTION

The cost of producing films and television programs is usually depreciated over a period of time using the income forecast method (which allows deductions based on the pattern of expected earnings). This federal tax provision allows production costs to be deducted when incurred. Eligible productions are restricted to those with a cost of $15 million or less ($20 million if produced in certain designated low-income areas) and in which at least 75 percent of the compensation is for services performed in the United States. Only the first 44 episodes of a television series qualify, and sexually explicit productions are not eligible.

This provision was enacted temporarily in 2004 and has been extended several times. The Taxpayer Certainty and Disaster Tax Relief Act of 2020 extended it through tax year 2025.

### PURPOSE

To encourage film production in the United States.

### WHO BENEFITS
Taxpayers with eligible film and television production costs.

### EVALUATION
Not evaluated.

## 1.204 ACCELERATED DEPRECIATION OF CERTAIN BUILDINGS

**Internal Revenue Code Section:** 167 and 168
**Oregon Statute:** 316.048 and 317.013 (Connections to federal personal and corporation taxable income)
**Sunset Date:** None (TCJA and other provisions are temporary, see description).
**Year Enacted:** 1954

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | $2,500,000 | $2,500,000 | $5,000,000 |
| 2025-27 | $2,500,000 | $2,000,000 | $4,500,000 |

### DESCRIPTION
In general, taxpayers may deduct from corporation and personal taxable income the depreciation of buildings based on a straight-line method where equal amounts are deducted in each period. This tax expenditure permits the use of accelerated depreciation methods for most buildings, which allow for faster write-offs than the straight-line method. The revenue impact of this tax expenditure represents the additional tax that would have been paid if straight-line depreciation had been used. Note: The tax expenditure associated with rental housing is covered separately in 1.209, Accelerated Depreciation of Rental Housing.

The Tax Cuts and Jobs Act of 2017 (TCJA) made several changes to depreciation allowances. In terms of the estimated revenue impact, the extension of "bonus depreciation" was the most substantive. Bonus depreciation generally allows additional depreciation of an asset's cost in the first year it is in service. If an asset is acquired and placed in service between September 27, 2017 and December 31, 2022, the changes allow 100 percent expensing. For assets placed in service at later dates, the percentage declines by 20 points per year. Consequently, the bonus depreciation rate is 80 percent in 2023, and completely phased out beginning in 2026. The referenced end dates are increased by one year for longer production-period property with longer lives. TCJA also expanded the applicability of bonus depreciation to used buildings.

Accelerated depreciation of any type of capital does not change the cumulative amount of depreciation over all years. Therefore, this provision allows a taxpayer to deduct more in the first year of the investment and subsequently less in the later years of the capital life cycle resulting in a potential net increase in tax revenue from this provision in the years following accelerated depreciation of the building(s) (reported as a negative revenue impact).

### PURPOSE
"Accelerated depreciation provides a tax incentive to the extent it is faster than economic (i.e., actual) depreciation." (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2022). Presumably, this could promote investment in buildings.

### WHO BENEFITS
This expenditure benefits owners of buildings used in a trade or business.

### EVALUATION
See Depreciation of Buildings Other Than Rental Housing in Excess of Alternative Depreciation System, *Assessment*, p. 352 in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

# 1.205 ACCELERATED DEPRECIATION OF EQUIPMENT

**Internal Revenue Code Section:** 167 and 168
**Oregon Statute:** 316.048 and 317.013 (Connections to federal personal and corporation taxable income)
**Sunset Date:** None (TCJA and other provisions are temporary, see description)
**Year Enacted:** 1954

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | $97,000,000 | $36,000,000 | $133,000,000 |
| 2025-27 | $3,500,000 | Less than $500,000 | $3,500,000 |

## DESCRIPTION

In general, taxpayers may deduct from corporation and personal taxable income the depreciation of equipment based on a straight-line method where equal amounts are deducted in each period. This tax expenditure permits the use of accelerated depreciation methods, which allow for faster write-offs than the straight-line method. The tax expenditure is the additional tax that would have been paid if straight-line depreciation had been used.

The Tax Cuts and Jobs Act of 2017 (TCJA) made several changes to depreciation allowances. In terms of the estimated revenue impact, the extension and expansion of "bonus depreciation" was the most substantive. Bonus depreciation generally allows additional depreciation of an asset's cost in the first year it is in service. If an asset is acquired and placed in service September 27, 2017 through December 31, 2022, the changes allow 100 percent expensing. For assets placed in service at later dates, the percent declines by 20 points per year. Consequently, the bonus depreciation rate is 80 percent in 2023, and completely phased out after 2026. The referenced end dates are increased by one year for some production property with longer lives. TCJA also expanded applicability of bonus depreciation provisions to used equipment.

Accelerated depreciation of any type of capital does not change the cumulative amount of depreciation over all years. Therefore, this provision allows a taxpayer to deduct more in the first year of the investment and subsequently less in the latter years of the capital life cycle resulting in a potential net increase in tax revenue from this provision in the years following accelerated depreciation of the equipment (reported as a negative revenue impact).

This tax expenditure includes the following components listed separately by the federal Joint Committee on Taxation:

- Depreciation of equipment in excess of the alternative depreciation system.
- Five-year Modified Accelerated Cost Recovery System (MACRS) for certain energy property (solar, wind, etc.)
- 10-year MACRS for smart electric distribution property.
- 15-year MACRS for certain electric transmission property.
- 15-year MACRS for natural gas distribution line.
- 15-year straight-line cost recovery for qualified leasehold improvements, qualified restaurant improvements, and qualified retail improvements. (TCJA included language that leaves the status of these properties uncertain.)

## PURPOSE

"This [provision] represents a tax expenditure because the depreciation methods are faster than economic (i.e., actual) depreciation. Existing evidence indicates that the economic decline rate for equipment is much slower than that reflected in tax depreciation methods" (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2022). Presumably, this could promote investment in business equipment.

## WHO BENEFITS

Owners of equipment used in a trade or business.

### EVALUATION

See Depreciation on Equipment in Excess of Alternative Depreciation System, Assessment, p. 485 and Depreciation Recovery Periods for Energy-Specific Items, *Assessment*, p. 109 in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

## 1.206 SECTION 179 EXPENSING ALLOWANCES

**Internal Revenue Code Section:** 179
**Oregon Statute:** 316.048 and 317.013 (Connections to federal personal and corporation taxable income)
**Sunset Date:** None
**Year Enacted:** 1958

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | $7,000,000 | $38,000,000 | $45,000,000 |
| 2025-27 | $8,000,000 | $39,000,000 | $47,000,000 |

### DESCRIPTION

In general, the cost of business property must be deducted from personal and corporation income as it depreciates over its useful life. Subject to specific limits, Section 179 allows a taxpayer to elect to take an immediate deduction for qualifying property.

For tax year 2023, the maximum for a Section 179 immediate deduction is $1.16 million for property placed in service in 2018 or later. The deduction is phased out for total expenditures exceeding $2.89 million. These limits are adjusted for inflation.

The Tax Cuts and Jobs Act of 2017 increased the allowed immediate deduction from $500,000 to $1 million and the amount for total expenditures where the deduction is phased out from $2 million to $2.5 million.

Immediate expensing of any type of property for tax purposes is in lieu of depreciating the property over a number of years and does not change the cumulative amount of depreciation over all years. Therefore, this provision allows a taxpayer to deduct more in the first year of the investment and subsequently less in the later years of the capital life cycle resulting in a potential net increase in tax from this provision (reported as a negative revenue impact).

### PURPOSE

When initially enacted, Section 179 expensing "…was intended to reduce the tax burden on small firms, give them an incentive to invest more, and simplify their tax accounting." (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2022)

### WHO BENEFITS

Businesses with qualified property purchases.

### EVALUATION

See Expensing Under Section 179 of Depreciable Business Property, *Assessment*, p. 493 in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

# 1.207 AMORTIZATION OF BUSINESS START-UP COSTS

**Internal Revenue Code Section:** 195
**Oregon Statute:** 316.048 and 317.013 (Connections to federal personal and corporation taxable income)
**Sunset Date:** None
**Year Enacted:** 1980

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Less than $500,000 | $1,000,000 | $1,000,000 |
| 2025-27 | Less than $500,000 | $1,500,000 | $1,500,000 |

## DESCRIPTION

This provision allows a taxpayer to deduct from personal or corporation taxable income eligible start-up expenditures incurred prior to the day the business starts. A deduction of these expenditures as a current expense is available up to $10,000 and any remaining amount is amortized over 15 years. The expense limit is reduced dollar for dollar when start-up expenses exceed $60,000. Thus, no deduction as a current expense is available if start-up expenditures are $70,000 or greater. Start-up expenditures must satisfy two requirements to qualify for this treatment. First, they must be paid in connection with creating or investigating a trade or business before the taxpayer begins an active business. Second, they must be an expenditure that would have been deductible for an active business.

## PURPOSE

To encourage the formation of new businesses and to clarify the tax treatment of start-up expenditures.

## WHO BENEFITS

New businesses that incur start-up costs.

## EVALUATION

See Amortization of Business Startup Costs, *Assessment*, p. 500 in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

# 1.208 FOREIGN-DERIVED INTANGIBLE INCOME

**Internal Revenue Code Section:** 250
**Oregon Statute:** 317.013 (Connection to federal corporation taxable income)
**Sunset Date:** None (deduction reduced after 12-31-2025, see description)
**Year Enacted:** 2017

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | $120,000,000 | Not Applicable | $120,000,000 |
| 2025-27 | $110,000,000 | Not Applicable | $110,000,000 |

## DESCRIPTION

Corporations deduct 37.5 percent of "foreign-derived intangible income" from their federal taxable income for tax years 2018 through 2025. The deduction is reduced to 21.875 percent starting in tax year 2026.

The concept of "foreign-derived intangible income" (FDII) is complex and defined in the Tax Cuts and Jobs Act of 2017 (TCJA). In brief summary, FDII is U.S. profits on sales of exported property or services that exceed 10 percent of the corporation's investment.

The deduction for FDII works in conjunction with provisions for Global Intangible Low Taxed Income (GILTI). The subsidy provided by FDII is supplemented by GILTI, which taxes certain international income that would otherwise be excluded from tax. The GILTI inclusion is based on profits exceeding 10 percent of the corporation's investment in countries outside the United States.

For a brief discussion on the changes to tax on corporations' international earnings due to TCJA see the introduction to Chapter 1, Income Tax (Personal and Corporation).

### PURPOSE
Presumably, to encourage locating intangible assets in the United States.

### WHO BENEFITS
Domestic corporations that export goods or services.

### EVALUATION
See Deduction for Foreign-Derived Intangible Income Derived from Trade or Business within the United States, *Assessment*, p. 63 in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

## 1.209 ACCELERATED DEPRECIATION OF RENTAL HOUSING

**Internal Revenue Code Section:** 168(c)
**Oregon Statute:** 316.048 and 317.013 (Connections to federal personal and corporation taxable income)
**Sunset Date:** None
**Year Enacted:** 1954

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | $6,000,000 | $31,000,000 | $37,000,000 |
| 2025-27 | $5,000,000 | $22,000,000 | $27,000,000 |

### DESCRIPTION
In general, taxpayers may deduct from corporation and personal taxable income the depreciation of rental housing based on a straight-line method where equal amounts are deducted in each period over 27.5 years.

This tax expenditure measures the revenue loss due to deductions in excess of those allowed under a 40-year straight-line depreciation method permitted by the Alternative Minimum Tax. Rental housing properties placed in service before 1986 continue depreciation according to the method they started with, which may allow the property to depreciate faster than under a straight-line method.

### PURPOSE
To promote investment in rental housing by effectively deferring taxes paid on those investments.

### WHO BENEFITS
Owners of rental housing.

### EVALUATION
See Depreciation of Rental Housing in Excess of Alternative Depreciation System, *Assessment*, p. 412 in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

## 1.210 HOME MORTGAGE INTEREST

**Internal Revenue Code Section:** 163(h)
**Oregon Statute:** 316.695 (Connection to federal personal deductions)
**Sunset Date:** None (TCJA provisions are temporary, see description)
**Year Enacted:** 1913

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | $962,000,000 | $962,000,000 |
| 2025-27 | Not Applicable | $1,010,000,000 | $1,010,000,000 |

## DESCRIPTION

Mortgage interest paid by owner-occupants on their primary and secondary residences is deductible from personal taxable income for taxpayers who itemize deductions. The current law allows this deduction for debt incurred after December 15, 2017 up to $750,000 ($375,000 if married filing separately) for a home purchase and does not allow the deduction of interest on home equity loans unless the proceeds are used for constructing or significantly improving the taxpayer's residence.

These temporary limits of the deduction set by Tax Cuts and Jobs Act of 2017 will revert to the previous limits for debts after December 31, 2025, allowing the deduction of the interest on loans up to $1 million ($500,000 if married filing separately) for the purchase of the residence. Deductions will also be allowed on home equity loans up to $100,000 ($50,000 if married filing separately).

## PURPOSE

According to the Congressional Research Service, no rationale was provided when this provision was originally enacted in 1913. Originally, when this provision was enacted, the deduction made no distinction between interest payments made for business, personal, living, or family expenses and there is no evidence in the legislative history that the interest deduction was intended to encourage home ownership or to stimulate the housing industry at that time. However, the Congressional Research Service also notes that major justifications for the mortgage interest deduction have been stated as the desire to encourage homeownership and to stimulate residential construction.

## WHO BENEFITS

In 2022, approximately 687,800 Oregon taxpayers claimed on average, a deduction for home mortgage interest paid of $7,670, which resulted in a savings of $640 in Oregon tax. The table below shows the use of this deduction for 2022.

**2022 Personal Income Tax Filers**

| Income Group of Full-Year Filers* | Number of Filers Taking Deduction | Average Deduction | Total Deducted ($ millions) | Revenue Impact ($ millions) | Percent of Revenue Impact by Income Group |
|---|---|---|---|---|---|
| Below $19,400 | 31,800 | $6,040 | $192.0 | $1.9 | <1% |
| $19,400 - $40,400 | 42,300 | $6,100 | $258.0 | $15.8 | 4% |
| $40,400 - $67,700 | 85,800 | $6,680 | $573.0 | $47.1 | 11% |
| $67,700 - $117,800 | 172,800 | $7,660 | $1,322.8 | $114.1 | 28% |
| Above $117,800 | 252,300 | $10,250 | $2,586.8 | $235.4 | 57% |
| All Full-Year Filers | 584,900 | $8,430 | $4,932.6 | $414.4 | 100% |
| Part-Year and Nonresident Filers | 102,900 | $3,340 | $343.6 | $25.9 | |

**Each income group contains 20 percent of the full-year filers (approximately 376,000)*

## EVALUATION

See Deduction for Mortgage Interest on Owner-Occupied Residences, *Assessment*, p. 386 in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

# 1.211 PROPERTY TAXES

**Internal Revenue Code Section:** 164
**Oregon Statute:** 316.695 (Connection to federal personal deductions)
**Sunset Date:** None (TCJA provisions are temporary, see description)
**Year Enacted:** 1913

| Revenue Impact | | | |
|---|---|---|---|
| | Corporation | Personal | Total |
| 2023-25 | Not Applicable | $587,000,000 | $587,000,000 |
| 2025-27 | Not Applicable | $656,000,000 | $656,000,000 |

### DESCRIPTION

Property taxes on nonbusiness property paid to state or local governments for services or benefits for the general public welfare are deductible from personal taxable income for taxpayers who itemize deductions. The taxes must be based on the value of the property and be charged uniformly across all property in the jurisdiction of the governing entity.

The Tax Cuts and Jobs Act of 2017 (TCJA) temporarily limits this deduction. For federal tax purposes, there is a limit of $10,000 total for the deduction for property tax combined with the deduction for state and local income tax. Because Oregon does not allow a deduction for state income tax, and, for most taxpayers, the local income tax deduction is very small, taxpayers who itemize Oregon deductions will generally have the $10,000 limit apply to their Oregon itemized deduction for property tax alone. This limit is in place for tax years 2018 through 2025.

### PURPOSE

"Deductibility of state and local taxes was adopted in 1913 to avoid taxing income that was obligated to expenditures over which the taxpayer had little or no discretionary control." (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2022)

### WHO BENEFITS

In 2022, approximately 865,000 Oregon taxpayers claimed on average a deduction for property taxes of $4,150, which resulted in a savings of $336 in Oregon tax. The table below shows the use of this deduction for 2022.

**2022 Personal Income Tax Filers**

| Income Group of Full-Year Filers* | Number of Filers Taking Deduction | Average Deduction | Total Deducted ($ millions) | Revenue Impact ($ millions) | Percent of Revenue Impact by Income Group |
|---|---|---|---|---|---|
| Below $19,400 | 56,700 | $3,600 | $204.1 | $2.6 | <1% |
| $19,400 - $40,400 | 64,900 | $3,590 | $233.2 | $13.4 | 5% |
| $40,400 - $67,700 | 110,400 | $3,630 | $400.9 | $31.9 | 11% |
| $67,700 - $117,800 | 208,900 | $4,150 | $867.2 | $74.1 | 27% |
| Above $117,800 | 301,800 | $5,710 | $1,724.7 | $156.7 | 56% |
| All Full-Year Filers | 742,700 | $4,620 | $3,430.0 | $278.8 | 100% |
| Part-Year and Nonresident Filers | 121,900 | $1,300 | $158.0 | $12.0 | |

**Each income group contains 20 percent of the full-year filers (approximately 376,000)*

### EVALUATION

See Deduction of Nonbusiness State and Local Government Taxes, *Assessment*, p. 1140 in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

## 1.212 SOIL AND WATER CONSERVATION EXPENDITURES

**Internal Revenue Code Section:** 175
**Oregon Statute:** 316.048 and 317.013 (Connections to federal personal and corporation taxable income)
**Sunset Date:** None
**Year Enacted:** 1954

| Revenue Impact | | | |
|---|---|---|---|
| | Corporation | Personal | Total |
| 2023-25 | Less than $500,000 | $500,000 | $500,000 |
| 2025-27 | Less than $500,000 | $500,000 | $500,000 |

### DESCRIPTION

For corporation and personal income tax purposes, certain investments in soil and water conservation projects that produce benefits over a number of years can be expensed rather than depreciated. The expensing of these costs represents a departure from the typical practice of depreciating improvements and represents a tax expenditure because deductions can be claimed before the income associated with the deductions is realized.

### PURPOSE
To promote soil and water conservation and to reduce the tax burden on farmers.

### WHO BENEFITS
Farmers who engage in projects that conserve soil and water. In many cases these improvements are made to land or water areas that may not provide any return on investment to the farmer.

### EVALUATION
See Expensing of Soil and Water Conservation Expenditures, *Assessment*, p. 318 in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

## 1.213 FERTILIZER AND SOIL CONDITIONER COSTS

**Internal Revenue Code Section:** 180 and 464 (Reg. S1.180-1 and S1.180-2)
**Oregon Statute:** 316.048 and 317.013 (Connections to federal personal and corporation taxable income)
**Sunset Date:** None
**Year Enacted:** 1960

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Less than $500,000 | $500,000 | $500,000 |
| 2025-27 | Less than $500,000 | $500,000 | $500,000 |

### DESCRIPTION
For corporation and personal income tax purposes, certain investments in soil fertilization and conditioning projects that produce benefits over a number of years can be expensed rather than depreciated. The expensing of these costs represents a departure from typical practice and represents a tax expenditure because deductions can be claimed before the income associated with the deductions is realized.

### PURPOSE
To promote activities that maintain and improve the fertility of the soil.

### WHO BENEFITS
Farmers who invest in projects to fertilize and condition their soil.

### EVALUATION
See Expensing by Farmers for Fertilizer and Soil Conditioner Costs, *Assessment*, p. 336 in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

## 1.214 EXTENDED CARRYBACK OF FARMING LOSS

**Internal Revenue Code Section:** 172(b)(1)(B)
**Oregon Statute:** 316.048 (Connection to federal personal taxable income)
**Sunset Date:** None
**Year Enacted:** 1999

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | $500,000 | $500,000 |
| 2025-27 | Not Applicable | $500,000 | $500,000 |

### DESCRIPTION
This tax expenditure is an exception to a general limit imposed on loss carrybacks. When an individual taxpayer has a net operating loss (business expenses exceed gross income), the taxpayer generally may not elect to subtract the loss

amount from income that was taxed in previous years. This provision allows farming losses to be carried back up to two years.

The Tax Cuts and Jobs Act of 2017 modified this provision for losses incurred for tax years ending after 2017. Net operating loss was previously allowed up to two years for most individual taxpayers, and up to five years for farming.

For a related Oregon provision, see 1.321, Agriculture Sector Net Operating Loss Carryback.

### PURPOSE
According to the Congressional Research Service, congressional committee reports indicated that an extension of time to carry back losses was considered appropriate for the farm industry because of the volatility of farm income.

### WHO BENEFITS
Farmers with losses to carry back.

### EVALUATION
See Two-Year Carryback Period for Net Operating Losses Attributable to Farming, *Assessment*, p. 339 in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

## 1.215 INTANGIBLE DEVELOPMENT COSTS FOR FUELS

**Internal Revenue Code Section:** 263(c), 291, 616, 617, 57(a)(2), 59(e) and 1254
**Oregon Statute:** 316.695 and 317.013 (Connections to federal personal and corporation deductions)
**Sunset Date:** None
**Year Enacted:** 1954

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | $3,000,000 | Less than $500,000 | $3,000,000 |
| 2025-27 | $2,000,000 | Less than $500,000 | $2,000,000 |

### DESCRIPTION
Intangible drilling and development costs incurred in oil, gas, and geothermal wells may be expensed. Intangible drilling and development costs include amounts paid for fuel, labor, materials, hauling, or repair to drilling equipment. Costs associated with determining the precise location and potential size of a mineral deposit are amortized over two years by independent businesses, and over five years by major oil companies.

Though relatively few oil, gas and geothermal wells exist in Oregon, corporations' income is apportioned to Oregon after these costs are expensed.

This tax expenditure includes the following components listed separately by the federal Joint Committee on Taxation:

- Expensing of Exploration and Development Costs for Oil and Gas.
- Amortization of geological and geophysical expenditures associated with oil and gas exploration.

### PURPOSE
To encourage development of petroleum, natural gas, and geothermal wells.

### WHO BENEFITS
The owners incurring the specified expenses for qualified activities.

### EVALUATION
See Assessments for tax expenditures related to intangible development cost for fuels, p. 127 and 133 in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

## 1.216 AMORTIZATION OF AIR POLLUTION CONTROL FACILITIES

**Internal Revenue Code Section:** 169(d)(5)
**Oregon Statute:** 317.013 (Connection to federal corporation taxable income)
**Sunset Date:** None
**Year Enacted:** 2005

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Less than $500,000 | Not Applicable | Less than $500,000 |
| 2025-27 | Less than $500,000 | Not Applicable | Less than $500,000 |

### DESCRIPTION

Coal-fired electric generation plants may amortize investments in certified pollution control equipment over shorter periods than the life of the equipment. A pollution control facility placed in service after April 11, 2005 qualifies for a 5-year (for plants placed in service prior to 1976) or 7-year amortization (newer plants) if the useful life of the facility is 15 years or less. The amount available for this amortization is reduced for facilities with useful lives in excess of 15 years.

### PURPOSE

"For installations in pre-1976 plants, the five-year amortization of pollution control equipment was added by the Tax Reform Act of 1969 (P.L. 91-172) to compensate for the loss of the investment tax credit, which was repealed by the same act." (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2022)

### WHO BENEFITS

Owners of coal-fired electric generation plants who install certified pollution control equipment.

### EVALUATION

See Amortization of Air Pollution Control Facilities, *Assessment*, p. 209 in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

## 1.217 EXPENSING TIMBER-GROWING COSTS

**Internal Revenue Code Section:** 263A(c)(5)
**Oregon Statute:** 316.048 and 317.013 (Connections to federal personal and corporation taxable income)
**Sunset Date:** None
**Year Enacted:** 1986

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | $2,500,000 | Less than $500,000 | $2,500,000 |
| 2025-27 | $2,500,000 | Less than $500,000 | $2,500,000 |

### DESCRIPTION

Most of the production costs (e.g. disease and pest control, clearing brush, etc.) of growing timber may be expensed rather than capitalized when computing corporation and personal taxable income. Expensing allows full deduction in the year the expenses are incurred, while capitalization requires the deduction to be taken over a number of years. In most other industries, these expenses must be capitalized.

### PURPOSE

To provide tax relief to timber growers in recognition of the long growing periods for timber during which no revenue is produced.

### WHO BENEFITS

Taxpayers who have timber-growing expenses that are not connected with a timber harvest or reforestation activity.

### EVALUATION
See Expensing of Timber-Growing Costs, Assessment, p. 284 in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

## 1.218 EXPENSING AND AMORTIZATION OF REFORESTATION COSTS

**Internal Revenue Code Section:** 194 and 263A(c)(5)
**Oregon Statute:** 316.048 and 317.013 (Connections to federal personal and corporation taxable income)
**Sunset Date:** None
**Year Enacted:** 1980

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Less than $500,000 | $500,000 | $500,000 |
| 2025-27 | Less than $500,000 | $500,000 | $500,000 |

### DESCRIPTION
Qualified reforestation costs can be expensed up to $10,000 annually with the remainder amortized (deducted) over seven years. Costs that qualify for amortization are those for site preparation, seed or seedlings, labor, and tools. The limitation on expensing is for each qualifying property.

Without this provision, reforestation costs would be capitalized into the property's cost basis and deducted when sold.

Reforestation costs do not include any costs for which the taxpayer has been reimbursed under any governmental reforestation cost-sharing program unless the amounts reimbursed have been included in the gross income of the taxpayer.

### PURPOSE
To lower the annual after-tax cost of reforestation.

### WHO BENEFITS
Business taxpayers who are reforesting forest lands.

### EVALUATION
See Amortization and Expensing of Reforestation Expenses, *Assessment*, p. 306 in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

## 1.219 MAGAZINE CIRCULATION EXPENDITURES

**Internal Revenue Code Section:** 173
**Oregon Statute:** 316.048 and 317.013 (Connections to federal personal and corporation taxable income)
**Sunset Date:** None
**Year Enacted:** 1950

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Less than $500,000 | Less than $500,000 | Less than $500,000 |
| 2025-27 | Less than $500,000 | Less than $500,000 | Less than $500,000 |

### DESCRIPTION
This provision allows publishers of periodicals to deduct expenditures to establish, maintain, or increase circulation in the year that the expenditures are made. The revenue impact of this tax expenditure is the difference between the current deduction of costs and the recovery that would have been allowed if these expenses were capitalized and deducted over time.

### PURPOSE
To reduce the cost of tax compliance.

### WHO BENEFITS
Publishers of periodicals.

### EVALUATION
See Expensing of Magazine Circulation Expenditures, *Assessment*, p. 508 in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

## 1.220 COMPLETED CONTRACT RULES

**Internal Revenue Code Section:** 460
**Oregon Statute:** 316.048 and 317.013 (Connections to federal personal and corporation taxable income)
**Sunset Date:** None
**Year Enacted:** 1986

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | $7,000,000 | $500,000 | $7,500,000 |
| 2025-27 | $7,500,000 | $1,000,000 | $8,500,000 |

### DESCRIPTION
Some taxpayers with construction or manufacturing contracts extending for more than one tax year are allowed to use the completed contract method of accounting. Under this method, income and costs pertaining to the contract are reported when the contract is completed; however, some indirect costs may be deducted from corporation and personal taxable income in the year paid or incurred. This mismatching of income and expenses results in a deferral of tax payments.

This provision is restricted to apply mostly to long-term home construction contracts. Other real estate construction contracts may qualify if the gross receipts of the contractor are $25 million or less and the contract is estimated to be completed within two years.

### PURPOSE
This tax reporting method was allowed because these contracts may involve “so many uncertainties that profit or loss was undeterminable until the contract was completed.” (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2022)

### WHO BENEFITS
Residential construction contractors are the main beneficiaries.

### EVALUATION
See Completed Contract Rules, *Assessment*, p. 517 in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

# 1.221 CHARITABLE CONTRIBUTIONS

**Internal Revenue Code Section:** 170 and 642(c)
**Oregon Statute:** 316.695 and 317.013 (Connections to federal personal and corporation deductions)
**Sunset Date:** None (TCJA expansions are temporary, see description)
**Year Enacted:** 1917 and 1935 (personal and corporation)

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | $38,000,000 | $505,000,000 | $543,000,000 |
| 2025-27 | $50,000,000 | $555,000,000 | $605,000,000 |

## DESCRIPTION

Contributions to charitable, educational, health, religious, and certain other nonprofit organizations are allowed as itemized deductions from personal taxable income of amounts up to 60 percent of adjusted gross income. Corporations can deduct from corporate taxable income contributions up to 10 percent of adjusted taxable income. Taxpayers who donate property may deduct the current market value of the property up to 30 percent of adjusted gross income and do not need to pay tax on any capital gains realized on the property. Contributions in excess of the limits may be applied up to five future tax years until the contributions are completely deducted.

Due to the passage of HB 2060 in 2013, an Oregon deduction is not allowed for contributions to a charitable organization that does not spend at least 30 percent of its total annual functional expenses on program services. Affected organizations are required to notify donors in writing that donations are not deductible for Oregon tax purposes.

The Tax Cuts and Jobs Act of 2017 (TCJA) temporarily increased the previous 50 percent of adjusted gross income limit for charitable cash donations to the current 60 percent limit. This limit is in effect from tax years 2018 through 2025. In addition, TCJA repealed the portion of the deduction that had been allowed to taxpayers who made donations to colleges in exchange for the right to purchase tickets to athletic events. That portion of the deduction is disallowed for tax years after 2017.

## PURPOSE

"The deduction for charitable contributions reduces the net cost of contributing." (Congressional Research Service, Tax Expenditures: Compendium of Background Material on Individual Provisions: 2022) Presumably, the purpose is to encourage donations to designated charitable organizations.

## WHO BENEFITS

In 2022, approximately 608,000 Oregon personal income tax taxpayers claimed a deduction for donations to charitable organizations on their Oregon Schedule OR-A. The average deduction of about $4,930 by those taxpayers resulted in an average tax savings of $430. See the table below for details on the use of the deduction by income level.

**2022 Personal Income Tax Filers**

| Income Group of Full-Year Filers* | Number of Filers Taking Deduction | Average Deduction | Total Deducted ($ millions) | Revenue Impact ($ millions) | Percent of Revenue Impact by Income Group |
|---|---|---|---|---|---|
| Below $19,400 | 35,000 | $1,620 | $56.7 | $0.9 | <1% |
| $19,400 - $40,400 | 47,100 | $2,420 | $114.0 | $5.7 | 2% |
| $40,400 - $67,700 | 73,300 | $2,680 | $196.7 | $14.6 | 6% |
| $67,700 - $117,800 | 142,800 | $3,210 | $459.1 | $38.3 | 16% |
| Above $117,800 | 232,500 | $8,380 | $1,947.8 | $182.9 | 75% |
| All Full-Year Filers | 530,700 | $5,230 | $2,774.3 | $242.4 | 100% |
| Part-Year and Nonresident Filers | 77,400 | $2,860 | $221.5 | $19.1 | |

**Each income group contains 20 percent of the full-year filers (approximately 376,000)*

According to the federal Joint Committee on Taxation, of the total amount deducted for personal income taxpayers for federal fiscal year 2023, 13 percent was for donations to educational organizations, 10 percent for donations to health organizations, and 77 percent for donations to other charitable organizations. Of the total amount deducted for

corporate income taxpayers, 23 percent was for donations to educational organizations, 27 percent for donations to health organizations, and 50 percent for donations to other charitable organizations.

### EVALUATION

See Assessments for Charitable Contribution related tax expenditures for Education, Health and Other, p. 755, 938, and 881 in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

## 1.222 CASUALTY AND THEFT LOSSES

**Internal Revenue Code Section:** 165(c)(3), 165(e) and 165(h)-165(k)
**Oregon Statute:** 316.695 (Connection to federal personal deductions)
**Sunset Date:** None (TCJA provisions are temporary, see description)
**Year Enacted:** 1913

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | $400,000 | $400,000 |
| 2025-27 | Not Applicable | $2,200,000 | $2,200,000 |

### DESCRIPTION

Taxpayers who itemize deductions may deduct from personal taxable income nonbusiness casualty and theft losses that are not reimbursed through insurance. For tax years 2018 through 2025, taxpayers can only claim this deduction if the losses were associated with a federally declared disaster. Taxpayers may deduct only losses of more than $100 each, but only to the extent that the total of such losses exceed 10 percent of adjusted gross income (AGI).

The limitation related to losses associated with a federally declared disaster, which was set by the Tax Cuts and Jobs Act of 2017 (TCJA), becomes no longer in effect after tax year 2025. For tax years beginning 2026, eligible losses will include losses arising from fire, storm, shipwreck, or other casualty, or from theft. The cause of the loss should be considered a sudden, unexpected, and unusual event.

### PURPOSE

According to the Congressional Research Service, no rationale was provided when this provision was originally enacted in 1913. However, it stated "The deduction was intended to be for extraordinary, nonrecurring losses which go beyond the average or usual losses incurred by most taxpayers in day-to-day living". (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions:* 2022)

### WHO BENEFITS

About 80 taxpayers claimed a deduction for losses incurred in federally declared disasters in 2022.

### EVALUATION

See Deduction for Casualty and Theft Losses, *Assessment*, p. 1039 in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

## 1.223 LOCAL INCOME TAXES

**Internal Revenue Code Section:** 164
**Oregon Statute:** 316.695 (Connection to federal personal deductions)
**Sunset Date:** None
**Year Enacted:** 1913

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | $8,700,000 | $8,700,000 |
| 2025-27 | Not Applicable | $26,100,000 | $26,100,000 |

## DESCRIPTION

Income taxes paid to cities and other local governments are deductible from personal taxable income for taxpayers who itemize deductions for state income tax.

For individual taxpayers, the Arts Tax imposed by the City of Portland, the Multnomah County Preschool for All Income Tax, and the Portland Metro Supportive Housing Services Income Tax qualify for this deduction.

For business taxpayers, while local taxes are deductible, it is considered a normal business cost and is not reported as an Oregon tax expenditure.

The Tax Cuts and Jobs Act of 2017 temporarily limits this deduction for individuals but not businesses. For federal tax purposes, there is a limit of $10,000 total for the deduction for property tax combined with the deduction for state and local income tax. The limit may reduce the impact of this Oregon itemized deduction for individuals. This limit is in place for tax years 2018 through 2025.

## PURPOSE

"Deductibility of state and local taxes was adopted in 1913 to avoid taxing income that was obligated to expenditures over which the taxpayer had little or no discretionary control." (Congressional Research Service, *Tax Expenditures: Compendium of Background Material on Individual Provisions*: 2022)

## WHO BENEFITS

Taxpayers who pay income taxes to local governments.

## EVALUATION

See Deduction of Nonbusiness State and Local Government Taxes, *Assessment*, p. 1140 in *Tax Expenditures: Compendium of Background Material on Individual Provisions*, 2022.

# OTHER FEDERAL PROVISIONS (UNQUANTIFIED OR DISCONNECTED)

**Tax Expenditures listed by federal Joint Committee on Taxation as "Quantitatively *de minimis*"**

These are tax expenditures that flow through to Oregon through the connection to federal taxable income, but JCT has estimated that their impact is lower than $250 million in federal tax for federal fiscal years 2023 through 2027. It is important to note that, in previous reports, the JCT used a lower threshold of $50 million. As a result, the following list has expanded.

- Miscellaneous nonresident individual income tax exclusions (certain gambling winnings, ship or aircraft operation income, certain exchange or training programs compensation, bond income of residents of the Ryukyu Islands, certain wagering income) (IRC 871(j), 872(b))
- Miscellaneous foreign corporate income tax exclusions (ship or aircraft operation income, foreign railroad rolling stock earnings, certain communication satellite earnings (IRC 883)
- Exclusion of interest on state and local qualified private activity bonds for green buildings and sustainable design projects (IRC 142(a)(14))
- Seven-year MACRS for Alaska natural gas pipeline (IRC 168(e)(3)(C))
- Energy efficient commercial buildings deduction (IRC 179D)
- Expensing of tertiary injectants (IRC 193)
- Expensing of exploration and development costs, other fuels (IRC 616 and 617)
- Special depreciation allowance for certain reuse and recycling property (IRC 168(m))
- Special rules for mining reclamation reserves (IRC 468)
- Exclusion of earnings of certain environmental settlement funds (IRC 468B(g))
- Expensing of exploration and development costs, nonfuel minerals (IRC 616 and 617)
- Exclusion of cancellation of indebtedness income of farmers (IRC 108(a)(1)(C))
- Exclusion of cost-sharing payments of farmers (IRC 126)
- Cash accounting for agriculture (IRC 446)
- Expensing of costs of raising dairy and breeding cattle (IRC 1231(b)(3))
- Exclusion of investment income from structured settlement arrangements (IRC 72(u)(3)(C) and 130)
- Inclusion of income arising from business indebtedness discharged by the reacquisition of a debt instrument (IRC 108(i))
- Alaska Native Corporation trusts (IRC 139G, 247, and 646)
- Seven-year MACRS for motorsports entertainment complexes (IRC 168(i)(15))
- Special rules for magazine, paperback book, and record returns (IRC 458)
- Inventory methods and valuation: specific identification for homogeneous products (IRC 471)
- Exclusion from unrelated business taxable income ("UBTI") of certain payments to controlling exempt organizations (IRC 512)
- Bad debt reserves of financial institutions (IRC 585)

- Deferral of gain on sales of property to comply with conflict-of-interest requirements (IRC 1043)
- Exclusion of gain or loss on sale or exchange of brownfield property (IRC 512(b)(19))
- Exclusion of interest on state and local qualified private activity bonds for high-speed intercity rail facilities (IRC 142(a)(11))
- Exclusion of Indian general welfare benefits (IRC 139E)
- Accelerated depreciation for business property on an Indian reservation (IRC 168(j))
- Exclusion of Olympic and Paralympic medals and prizes (IRC 74(d))
- Exclusion of interest on educational savings bonds (IRC 135)
- Exclusion of restitution payments received by victims of the Nazi regime and the victims' heirs and estates (Section 803 of Pub. L. No. 107-16)
- Archer Medical savings accounts (IRC 220)
- Exclusion of survivor annuities paid to families of public safety officers killed in the line of duty (IRC 101(h))
- Exclusion of special benefits for disabled coal miners (IRC 501(c)(21)
- ABLE accounts (IRC 529A)
- Burial expenses for veterans (IRC Section 134 and 38 USC 5301)
- Exclusion of certain amounts received by wrongfully incarcerated individual (IRC 139F)

**Tax Expenditures listed by federal Joint Committee on Taxation as "Not Quantifiable"**

These are tax expenditures that flow through to Oregon through the connection to federal taxable income, but JCT has noted that projected revenue changes due to these provisions are not available.

- Deduction for US employment tax paid under section 3121(l) agreements for employees of foreign affiliates
- Accelerated deductions for nuclear decommissioning costs (IRC 468A)
- Fossil fuel capital gains treatment (IRC 631(C))
- Exception to partial interest rule for qualified conservation contribution (IRC 170(h))
- Ten-year MACRS for single purpose agricultural or horticultural structures (IRC 168(e)(3), (i)(13))
- Exceptions from dealer disposition definition for installment sales (IRC 453(1)(2)(A))
- Exceptions from interest calculation on installment sales for small dispositions (IRC 453A(b)(3))
- Unrecaptured section 1250 gain rate, which applies to depreciation taken on real property (IRC 1(h))
- Treatment of loans under life insurance and annuity contracts and 401(k) plans (IRC 72(e), 72(p), and 7702)
- Amortization of organizational expenditures (IRC 248)
- Deferral of prepaid subscription income (IRC 455)
- Deferral of prepaid dues income of certain membership organizations (IRC 456)
- Exemption for cemetery companies (IRC 501(c)(13))
- Certain exceptions to the UBTI rules - passive income gains, income from certain research, trade shows and fairs, bingo games, pole rentals, sponsorship payments, real estate exception to the debt-financed income rules (IRC 512-514)

- Amortization of partnership organization and syndication fees (IRC 709)
- Nonrecognition of in-kind distributions by regulated investment companies in redemption of their stock (IRC 852(b)(6))
- Specific identification of sold equities (IRC 1012 (and Treasury Reg. sect. 1012-1))
- Losses on small business stock (IRC 1242-1244)
- Special discount rate rule for certain debt instruments where stated principal amount is $2.8 million or less (IRC 1274A)
- Tax treatment of convertible bonds (Treasury Reg. sect. 1.1275-4; Revenue Ruling 2002-31)

**Oregon law is not connected to Federal law**

These are federal tax expenditures but not Oregon tax expenditures because of specific modifications to federal taxable income in Oregon law.

- Interest expense allocation: Separate grouping of affiliated financial companies (IRC 864). ORS 317.625 disconnects from federal treatment in sections 861 to 864 of IRC.
- Inventory property sales source rules exception (IRC 861, 862, 863, and 865). ORS 317.625 disconnects from federal treatment in sections 861 to 864 of IRC.
- Excess of percentage over cost depletion for Oil and Gas (IRC 611, 612, 613, 613A, and 291). ORS 317.374 disconnects from federal treatment in IRC 611 and requires a "reasonable" Oregon depletion allowance in calculating Oregon taxable income.
- Excess of percentage over cost depletion for Other Fuels (IRC 611, 612, 613, 613A, and 291). ORS 317.374 disconnects from federal treatment in IRC 611 and requires a "reasonable" Oregon depletion allowance in calculating Oregon taxable income.
- Excess of percentage over cost depletion for nonfuel minerals (IRC 611, 612, 613, and 291). ORS 317.374 disconnects from federal treatment in IRC 611 and requires a "reasonable" Oregon depletion allowance in calculating Oregon taxable income.
- Deduction for income attributable to domestic production (QPAI) (IRC 199). ORS 316.836 and 317.398 require that taxpayers add the amount deducted from federal taxable income based on IRC 199 to calculate Oregon taxable income. The Tax Cuts and Jobs Act repealed this provision beginning with tax year 2018.
- Deferral of tax on capital construction funds of shipping companies (IRC 7518). ORS 317.319 requires that taxpayers add the amount deferred to Oregon taxable income.
- Special rules for interest-charge domestic international sales corporations (IRC 991-997). ORS 317.283 does not recognize transactions related to IC-DISCs formed after January 1, 2014. It does impose special treatment for IC-DISCs formed on or before January 1, 2014 (see 1.311, Dividend Received from an IC-DISC in this report).

# TAX EXPENDITURES FROM OREGON INCOME TAX PROVISIONS

Oregon has many provisions in its income tax law that reduce tax. Some provisions, known as subtractions, reduce federal taxable income, the starting point for calculating Oregon's personal and corporate income taxes. Other provisions, known as tax credits, directly reduce the tax. Finally, there are a small number of provisions that reduce tax through other mechanisms, such as reduced tax rates. Not all of these provisions are tax expenditures, as some exist, for example, to prevent double taxation.

Some tax expenditures only affect the personal income tax or corporate income tax, but many apply to both. Some tax expenditures specifically apply to businesses. The structure of a business determines how the income and hence the tax expenditure is reported. For C corporations, tax expenditures are reported on their corporate income tax returns. For sole proprietorships, partnerships, and S corporations, tax expenditures are reported on the business owners' personal income tax returns.

This report includes 30 Oregon specific subtractions (29 apply to the personal income tax and eight apply to the corporate income tax), 45 Oregon specific credits (43 apply to the personal income tax and 30 apply to the corporate income tax), and eight other provisions that reduce Oregon tax. See Appendix D on page 395 for a list separated by personal and corporate income tax.

Subtractions represent income included in federal taxable income that is not taxed by Oregon and deductions allowed by Oregon that are not included in federal taxable income. An example of the former is a subtraction for certain military related income. An example of the latter is a subtraction for medical expenses for elderly taxpayers beyond the deduction allowed at the federal level.

Tax credits reduce taxpayers' tax liability on a dollar-for-dollar basis. For a typical tax credit, the tax credit can only reduce the tax liability to zero. For some credits, if there is an excess portion more than the tax liability, that portion is lost and cannot be used. For other credits that additional portion can be carried forward to future tax years. Oregon has a small number of special credits called "refundable" credits where the taxpayer receives a payment for any portion of the credit that is more than the tax liability. Some credits have the feature that the credit may be transferred from one taxpayer to another qualified taxpayer at a specified rate. Typically, a taxpayer will transfer a credit when they do not have the tax liability to use it. To help readers of this report, additional information has been included in the header of each Oregon tax credit to indicate if the credit has a carryforward, is refundable, and is transferable.

A small number of other provisions in Oregon tax law also reduce income tax. These provisions include reduced tax rates for certain types of income, rules that determine how income is apportioned to Oregon for certain companies, and averaging a certain type of income over several years.

# 1.301 OREGON 529 COLLEGE SAVINGS NETWORK

**Oregon Statute:** 316.699
**Sunset Date:** 12-31-2019
**Year Enacted:** 1999

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | $1,300,000 | $1,300,000 |
| 2025-27 | Not Applicable | $0 | $0 |

## DESCRIPTION

The Oregon 529 College Savings Network subtraction has expired and been replaced with a refundable credit. The last allowable contributions for this subtraction must have been made during tax years beginning before January 1, 2020. Nevertheless, there is a revenue impact for the 2023-25 biennium due to unused subtraction amounts carried forward to succeeding years. Carryforward of unused amounts in excess of the limitations may be subtracted from taxable income for up to four succeeding years after the donation. A taxpayer who donated at the time of the sunset may have carried forward unused amounts through tax years beginning before January 1, 2024.

A subtraction was allowed from individual taxable income for contributions made to Oregon 529 College Savings Network accounts for higher education. The maximum allowable carryforward subtraction amount for 2023 was $5,580 on a joint return or $2,790 on all other returns. This maximum applies to the combined total of ABLE account (see 1.306, ABLE Account Contributions) and Oregon 529 College Savings Network contributions carried forward.

The proceeds of these accounts are meant to be used to pay higher education related expenses for a designated beneficiary. Total contributions to these accounts were allowed up to the amount necessary to cover the qualified higher education expenses of the beneficiary or limits specified by the Oregon 529 Savings Board. Contributions over the annual limit could be carried forward for up to four years. Beginning with tax year 2012, taxpayers could make direct deposit contributions of personal income tax refunds into accounts.

The revenue impact above includes only the impact of the state allowed subtraction for contributions. Under federal law, contributions to these accounts are not tax deductible. However, earnings on contributions and qualifying distributions from the accounts are excluded from federal taxable income. The revenue impact and complete description of federal tax benefits applicable to Oregon 529 College Savings Network accounts are detailed in tax expenditure 1.002, Qualified Education Savings (Federal).

Federal tax reform passed by Congress in December 2017, the Tax Cuts and Jobs Act, extended the tax exemption for earnings to distributions used to pay elementary and secondary school tuition. HB 4080 (2018) amended ORS 316.680 to specify that funds in Oregon 529 savings plans could be used for higher education expenses only, and that earnings and previously subtracted contributions that were withdrawn and used to pay K-12 costs must be added to taxable income.

Legislation in 2019 (HB 2164) replaced this subtraction with a refundable credit for contributions to an Oregon 529 College Savings Network account. For details on the new credit, see 1.405, Contributions to 529 Account.

## PURPOSE

The statute that allowed this expenditure did not explicitly state a purpose. Presumably, the purpose was to increase the ability of families and individuals to save for higher education.

### WHO BENEFITS

Oregon personal income taxpayers who contributed to Oregon 529 College Savings Network accounts. For tax year 2022, only amounts carried forward from previous years were allowed to be subtracted. The table below shows usage of this subtraction for tax year 2022.

**2022 Personal Income Tax Filers**

| Income Group of Full-Year Filers* | Number of Filers Taking Subtraction | Average Subtraction | Total Subtracted ($ millions) | Revenue Impact ($ millions) | Percent of Revenue Impact by Income Group |
|---|---|---|---|---|---|
| Below $19,400 | 280 | $2,120 | $0.6 | <$0.1 | <1% |
| $19,400 - $40,400 | 270 | $1,760 | $0.5 | <$0.1 | 1% |
| $40,400 - $67,700 | 510 | $1,710 | $0.9 | $0.1 | 2% |
| $67,700 - $117,800 | 1,600 | $2,200 | $3.5 | $0.3 | 10% |
| Above $117,800 | 7,610 | $3,530 | $26.9 | $2.5 | 86% |
| All Full-Year Filers | 10,270 | $3,150 | $32.4 | $2.9 | 100% |
| Part-Year and Nonresident Filers | 350 | $3,290 | $1.2 | $0.1 | |

**Each income group contains 20 percent of the full-year filers (approximately 376,000)*

### EVALUATION

Not evaluated.

## 1.302 SCHOLARSHIP AWARDS USED FOR HOUSING EXPENSES

**Oregon Statute:** 316.846
**Sunset Date:** None
**Year Enacted:** 1999

| Revenue Impact | | | |
|---|---|---|---|
| | Corporation | Personal | Total |
| 2023-25 | Not Applicable | $1,400,000 | $1,400,000 |
| 2025-27 | Not Applicable | $1,400,000 | $1,400,000 |

### DESCRIPTION

A subtraction from taxable income is allowed for scholarship and fellowship income used to pay for housing expenses. This provision extends the federal exclusion described in tax expenditure 1.001, Scholarship and Fellowship Income, for income received from scholarships and fellowships that is used only for tuition and course-related expenses. The scholarship recipient must be either the taxpayer or a dependent of the taxpayer and must be attending an accredited community college, college, university, or other institution of higher education. A subtraction may not be allowed under this section if the amounts are not included in the taxpayer's federal gross income for the tax year or are taken as a deduction on the taxpayer's federal income tax return for the tax year.

### PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to help students meet the financial challenges of attending college.

## WHO BENEFITS

Individuals receiving scholarship or fellowship income to pay for housing expenses. The table below shows usage of this subtraction for tax year 2022.

**2022 Personal Income Tax Filers**

| Income Group of Full-Year Filers* | Number of Filers Taking Subtraction | Average Subtraction | Total Subtracted ($ millions) | Revenue Impact ($ millions) | Percent of Revenue Impact by Income Group |
|---|---|---|---|---|---|
| Below $19,400 | 550 | $4,450 | $2.4 | $0.1 | 26% |
| $19,400 - $40,400 | 440 | $5,630 | $2.5 | $0.2 | 41% |
| $40,400 - $67,700 | 170 | $5,370 | $0.9 | $0.1 | 16% |
| $67,700 - $117,800 | 90 | $5,560 | $0.5 | <$0.1 | 8% |
| Above $117,800 | 70 | $6,240 | $0.4 | <$0.1 | 8% |
| All Full-Year Filers | 1,320 | $5,130 | $6.8 | $0.5 | 100% |
| Part-Year and Nonresident Filers | 210 | $5,380 | $1.1 | <$0.1 | |

**Each income group contains 20 percent of the full-year filers (approximately 376,000)*

## EVALUATION

*Provided by the Higher Education Coordinating Commission*

This tax expenditure is a fiscally effective method of achieving its purpose, which is to reduce the cost of postsecondary education and training. It makes more funding available to these students, allowing them to complete their education with less debt. The preponderance of the expenditure is claimed by individuals that typically require the greatest assistance managing the cost of attendance (i.e., are least able to afford the cost of college/university).

Housing expenses are typically the largest expense for postsecondary students, making this an effective means for making postsecondary education and training more affordable. Because of the restrictions around using the benefit (the recipient must be either the taxpayer or a dependent of the taxpayer enrolled in an accredited institution), the benefit is effectively structured to flow to the intended recipients.

# 1.303 AMERICORPS AWARDS

**Oregon Statute:** 316.847
**Sunset Date:** 12-31-2026
**Year Enacted:** 2021

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | Less than $100,000 | Less than $100,000 |
| 2025-27 | Not Applicable | Less than $100,000 | Less than $100,000 |

NOTE: The revenue impact estimate includes the effect of the sunset.

## DESCRIPTION

AmeriCorps national service educational award amounts can be subtracted from Oregon personal taxable income. Education awards can be used to pay current educational expenses at eligible schools or used to repay qualified student loans.

## PURPOSE

The statutes that allow this expenditure do not explicitly state a purpose. According to the legislative staff revenue impact statement for HB 2433 (2021), the purpose of this provision is "...to eliminate a tax burden on AmeriCorps members when using their education award, causing a subsequent increase in use of awards, and acting as an incentive for AmeriCorps members of other states to attend school in Oregon."

## WHO BENEFITS

Individuals receiving AmeriCorps national service educational awards. In tax year 2022, about 30 personal income taxpayers saved approximately $320, on average, using this subtraction.

### EVALUATION

*Provided by the Higher Education Coordinating Commission*

This tax expenditure is a fiscally effective method of reducing the cost of postsecondary education and training. It makes more funding available to students who are strengthening communities through their AmeriCorps service. AmeriCorps members engage in community service, and this fiscal benefit encourages the feasibility of that work. The program allows them to complete their education with less debt. Because of the restrictions around using the benefit (the recipient must receive the AmeriCorps national service educational award), the benefit is effectively structured to flow to the intended recipients.

## 1.304 MEDICAL SUBTRACTION FOR ELDERLY

**Oregon Statute:** 316.693
**Sunset Date:** None
**Year Enacted:** 2013

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | $55,000,000 | $55,000,000 |
| 2025-27 | Not Applicable | $55,000,000 | $55,000,000 |

### DESCRIPTION

The amount an individual pays for medical care that is not compensated for by insurance or otherwise may be subtracted from their federal taxable income for purposes of calculating Oregon personal income tax liability. Medical care for dependents is not allowed to be subtracted under this provision. This subtraction is available to taxpayers age 66 and over.

The maximum allowable subtraction of medical expenses attributable to each individual taxpayer meeting the age requirement depends on filing status and income. None of the amounts are adjusted for inflation.

| Filing Status | Federal Adjusted Gross Income | Maximum Allowable Subtraction per Qualifying Individual |
|---|---|---|
| Single or Married Filing Separately | Below $25,000 | $1,800 |
| | $25,000 - $49,999 | $1,400 |
| | $50,000 - $99,999 | $1,000 |
| | Above $100,000 | $0 |
| Married Filing Jointly, Head of Household, or Qualifying Surviving Spouse | Below $50,000 | $1,800 |
| | $50,000 - $99,999 | $1,400 |
| | $100,000 - $199,999 | $1,000 |
| | Above $200,000 | $0 |

Legislation in 2013 (HB 3601) created this subtraction to replace the former Oregon Additional Medical Deduction for Elderly, which, when combined with the federal deduction, allowed certain taxpayers to deduct all or most of their medical and dental expenses from Oregon taxable income.

### PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to offset the costs of medical and dental expenses for older taxpayers. The itemized deduction of the former expenditure was converted to a subtraction so that it would be available to all eligible taxpayers, whether they use the standard deduction or itemize their deductions.

### WHO BENEFITS

Older taxpayers with medical and dental expenses. Approximately 285,100 returns used the subtraction for tax year 2022. The average subtracted amount per tax return was approximately $1,600.

The table below shows usage of this subtraction for tax year 2022.

**2022 Personal Income Tax Filers**

| Income Group of Full-Year Filers* | Number of Filers Taking Subtraction | Average Subtraction | Total Subtracted ($ millions) | Revenue Impact ($ millions) | Percent of Revenue Impact by Income Group |
|---|---|---|---|---|---|
| Below $19,400 | 56,400 | $1,120 | $63.0 | $1.4 | 5% |
| $19,400 - $40,400 | 50,840 | $1,710 | $87.1 | $4.6 | 16% |
| $40,400 - $67,700 | 54,430 | $1,720 | $93.4 | $6.5 | 23% |
| $67,700 - $117,800 | 71,730 | $1,710 | $122.4 | $9.9 | 35% |
| Above $117,800 | 38,150 | $1,690 | $64.7 | $5.6 | 20% |
| All Full-Year Filers | 271,550 | $1,590 | $430.6 | $27.9 | 100% |
| Part-Year and Nonresident Filers | 13,540 | $1,540 | $20.9 | $0.8 | |

**Each income group contains 20 percent of the full-year filers (approximately 376,000)*

## EVALUATION

*Provided by the Oregon Department of Human Services*

This tax measure seems to meet its purpose in allowing older individuals to deduct expenses for their medical and dental care from their Oregon taxable income. This allows individuals to keep or have more income available to them to support them remaining independent and less likely to use other state and federal programs.

# 1.305 ADDITIONAL DEDUCTION FOR ELDERLY OR BLIND

**Oregon Statute:** 316.695(7)
**Sunset Date:** None
**Year Enacted:** 1989

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | $28,300,000 | $28,300,000 |
| 2025-27 | Not Applicable | $29,600,000 | $29,600,000 |

## DESCRIPTION

Taxpayers age 65 or over and those who are blind receive a larger Oregon standard deduction from personal taxable income based on their filing status. For taxpayers who are single or head of household, the standard deduction is increased by $1,200 per qualifying condition. For all other filers, the additional amount is $1,000 per qualifying condition. For example, the additional deduction amount is $2,400 if a single taxpayer is age 65 or over and blind. These amounts are not adjusted for inflation. This tax expenditure does not benefit taxpayers who itemize deductions for Oregon because they do not use the standard deduction. Taxpayers can take advantage of both this expenditure and 1.304, Medical Subtraction for Elderly.

## PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to offset associated living expenses of Oregon taxpayers who are elderly or blind.

## WHO BENEFITS

The table below shows usage of this subtraction for tax year 2022.

**2022 Personal Income Tax Filers**

| Income Group of Full-Year Filers* | Number of Filers Taking Subtraction | Average Subtraction | Total Subtracted ($ millions) | Revenue Impact ($ millions) | Percent of Revenue Impact by Income Group |
|---|---|---|---|---|---|
| Below $19,400 | 44,530 | $1,120 | $60.7 | $1.4 | 11% |
| $19,400 - $40,400 | 25,440 | $1,100 | $35.3 | $2.6 | 21% |
| $40,400 - $67,700 | 24,770 | $1,090 | $34.4 | $2.8 | 23% |
| $67,700 - $117,800 | 26,090 | $1,050 | $39.1 | $3.3 | 27% |
| Above $117,800 | 15,460 | $1,030 | $25.3 | $2.3 | 18% |
| All Full-Year Filers | 136,290 | $1,080 | $194.9 | $12.3 | 100% |
| Part-Year and Nonresident Filers | 14,250 | $400 | $7.7 | $0.5 | |

**Each income group contains 20 percent of the full-year filers (approximately 376,000)*

Since both taxpayers on a joint return can claim this deduction, the 150,540 filed tax returns that took the subtraction presented in the above table represent approximately 199,230 individuals claiming the additional deduction. The majority, about 196,340, are elderly individuals.

## EVALUATION

*Provided by the Oregon Department of Human Services*

This tax expenditure achieves its purpose and is effective in promoting independence among its recipients. The deduction allows for greater disposable income for eligible individuals and helps build individual self-sufficiency. This money enables individuals to avoid needing other services offered by the state Department of Human Services. It is most beneficial to those people who are on the margin between self-reliance and reliance on the state.

# 1.306 ABLE ACCOUNT CONTRIBUTIONS

**Oregon Statute:** 316.699
**Sunset Date:** 12-31-2019
**Year Enacted:** 2015

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | Less than $100,000 | Less than $100,000 |
| 2025-27 | Not Applicable | $0 | $0 |

## DESCRIPTION

The ABLE (Achieving a Better Life Experience) Account Contributions subtraction has expired and been replaced with a refundable credit. The last allowable contributions for this subtraction must have been made for tax years beginning before January 1, 2020. Nevertheless, there is a revenue impact for the 2023-25 biennium due to unused subtraction amounts carried forward to succeeding years. Carryforward of unused amounts in excess of the limitations may have been subtracted from taxable income for up to four succeeding years after the donation. A taxpayer who donated at the time of the sunset may have carried forward unused amounts through tax years beginning before January 1, 2024.

A subtraction was allowed from individual taxable income for contributions made to an Oregon ABLE account when the contributions were made before the designated beneficiary of the account was 21 years old. The maximum allowable carryforward subtraction amount for 2023 was $5,580 on a joint return or $2,790 on all other returns. This maximum applies to the combined total of ABLE account and Oregon 529 College Savings Network (see 1.301, Oregon 529 College Savings Network) contributions carried forward.

The proceeds of these accounts are meant to be used to pay qualified disability expenses of the designated beneficiary, including education, housing, transportation, employment training and support, health care, and financial management. Individuals diagnosed with a disability before the age of 26 (age 46 after 2025) are eligible for an Oregon

ABLE Savings Plan account. Up to $100,000 can be saved within an ABLE account without the assets affecting federal and state benefits, and up to the gift tax exemption limit ($18,000 in 2024) can be contributed annually. That said, for some taxpayers, the 2017 Tax Cuts and Jobs Act (TCJA) temporarily increased the allowable contribution for tax years 2018 through 2025. Beyond the standard annual contribution limit mentioned previously, eligible employed designated beneficiaries are allowed to contribute an additional amount up to the lower of the prior year's poverty level for a household of one or the beneficiary's compensation in the tax year. The TCJA also allows rollovers from 529 plans owned by the beneficiary or a family member into an ABLE account (subject to contribution limits).

Oregon legislation in 2017 (SB 1027) amended the law so that, in the event of the death of the designated beneficiary, the money in the ABLE account can be transferred to the estate of the beneficiary or to another eligible individual's ABLE account.

The revenue impact above includes only the impact of the state-allowed subtraction for contributions. Under federal law, contributions to these accounts are not tax deductible. However, earnings on the contributions and qualifying distributions from the accounts are excluded from federal taxable income. The Joint Committee on Taxation considers the federal tax expenditure to be quantitatively *de minimis*. As such, the federal tax expenditure is listed in the "Other Federal Provisions" section of this report.

Legislation in 2019 (HB 2164) replaced this Oregon subtraction with a refundable credit for contributions to an ABLE account. For details on the new credit, see 1.411, Contributions to ABLE Account.

### PURPOSE
The statute that allowed this expenditure did not explicitly state a purpose. According to the legislative staff revenue impact statement for the bill that created the Oregon subtraction, SB 777 (2015), the purpose was "…to help people with disabilities to save money for necessary expenses to meet the challenges of life."

### WHO BENEFITS
For tax year 2022, only amounts carried forward from previous years were allowed to be subtracted. About 310 personal income taxpayers saved approximately $130, on average, using this subtraction.

### EVALUATION
Not evaluated.

## 1.307 SOCIAL SECURITY BENEFITS (OREGON)

**Oregon Statute:** 316.054
**Sunset Date:** None
**Year Enacted:** 1985

| Revenue Impact | | | |
|---|---|---|---|
| | Corporation | Personal | Total |
| 2023-25 | Not Applicable | $1,350,000,000 | $1,350,000,000 |
| 2025-27 | Not Applicable | $1,560,000,000 | $1,560,000,000 |

### DESCRIPTION
Social Security and Railroad Retirement Board benefits are exempt from Oregon personal income tax. A portion of Social Security and Railroad Retirement Board benefits are considered nontaxable at the federal level. Oregon extends the tax exemption to the full amount of benefits. As a result, there are two tax expenditures pertaining to these benefits. This tax expenditure pertains to those benefits that are exempt only in Oregon (i.e., they are taxable at the federal level). The tax expenditure pertaining to those benefits that are exempt at both the federal level and in Oregon is 1.009, Social Security Benefits (Federal).

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. According to the Official 1986 Primary Voters' Pamphlet, which described the ballot measure that passed and amended the Oregon Constitution to ban state and local taxes on Social Security and Railroad Retirement Board benefits, "Social Security benefits are the basic

retirement income for many Oregonians. These benefits do not provide an adequate standard of living. The erosion of these benefits through taxations would place an undue hardship on many Oregonians least able to pay. The taxation of Social Security benefits would also be unfair. Social Security recipients paid income taxes on their contribution to Social Security during their many years of work. It would be unfair to tax these benefits after retirement."

### WHO BENEFITS

Oregon taxpayers who receive federally taxable Social Security or Railroad Retirement Board benefits.

For tax year 2022, the table below shows the combined usage of this subtraction and the federal exclusion, 1.009, Social Security Benefits (Federal).

**2022 Personal Income Tax Filers**

| Income Group of Full-Year Filers* | Number of Filers with SS Benefits | Average SS Benefit | Total SS Benefits ($ millions) | Revenue Impact ($ millions) | Percent of Revenue Impact by Income Group |
|---|---|---|---|---|---|
| Below $19,400 | 104,960 | $1,240 | $2,397.1 | $129.9 | 14% |
| $19,400 - $40,400 | 68,360 | $1,960 | $1,758.8 | $134.3 | 14% |
| $40,400 - $67,700 | 70,490 | $2,110 | $1,817.7 | $148.8 | 16% |
| $67,700 - $117,800 | 98,980 | $2,470 | $2,864.3 | $244.0 | 26% |
| Above $117,800 | 87,710 | $3,280 | $3,216.9 | $288.1 | 30% |
| All Full-Year Filers | 430,510 | $2,200 | $12,054.8 | $945.1 | 100% |
| Part-Year and Nonresident Filers | 43,650 | $650 | $382.5 | $28.3 | |

**Each income group contains 20 percent of the full-year filers (approximately 376,000)*

### EVALUATION

*Provided by the Oregon Department of Human Services*

This tax expenditure achieves its purpose; however, the issue continues to be the focus of significant national discussion and debate. While this tax subtraction provides the recipients with more disposable income, some are concerned over the viability of the Social Security benefits system in the long term. Retirement index data forecasts that retirement programs and savings patterns of persons aged 30–48 years are not adequate to maintain these individuals at a living standard commensurate with their current living standards. Projections suggest that the rate of retirement savings must increase threefold from present standards in order to accomplish this future parity. The inability to achieve this parity will cause greater numbers of people to look to government service programs to assist them. The present population of those ages 30–48 years is substantial, and this program could have a dramatic impact when they reach the retirement age.

## 1.308 FILM PRODUCTION LABOR REBATE

**Oregon Statute:** 316.698 and 317.394
**Sunset Date:** 12-31-2029 (certification)
**Year Enacted:** 2005

| Revenue Impact | | | |
|---|---|---|---|
| | Corporation | Personal | Total |
| 2023-25 | Less than $100,000 | $1,000,000 | $1,000,000 |
| 2025-27 | Less than $100,000 | $1,000,000 | $1,000,000 |

### DESCRIPTION

Labor rebate payments are excluded from taxation for individuals or corporations that incur $1 million or more in actual expenses for film, commercial, or television show production in Oregon. For S corporations and other pass-through entities that have qualifying income for the subtraction, the subtraction is shared by the shareholders and subtracted from their Oregon personal income tax. The Oregon Film and Video Office (OFVO) certifies persons or businesses engaging in qualifying film production as eligible for the labor rebate, commonly known as the Greenlight Oregon Labor Rebate, if it is reasonably likely that the person or business will incur actual expenses of at least $1

million. Upon completion of the film production, OFVO verifies actual expenses and disallows the rebate if actual expenses are less than $1 million.

The labor rebate is equal to 6.2 percent of the payroll paid during qualifying film production for which Oregon personal income tax withholding applies. Upon verification that the qualifying film production has paid the required withholding taxes, the Department of Revenue issues rebate payments to the Greenlight Oregon Labor Rebate Fund (GOLRF).

Legislation in 2021 extended the scheduled sunset of the provision from December 31, 2023 to December 31, 2029 (HB 2433).

### PURPOSE

The statutes that allow this expenditure do not explicitly state a purpose. According to the legislative staff revenue impact statement for HB 2433 (2021), the purpose of this provision is "...to maximize the value of the Greenlight Oregon Labor Rebate Fund."

### WHO BENEFITS

Individuals and businesses engaging in film production with expenses over $1 million who receive labor rebate payments from the GOLRF. The Department transferred $5.8 million to the GOLRF in fiscal year 2023 and $5.9 million in fiscal year 2024.

### EVALUATION

*Provided by the Oregon Film and Video Office*

This tax expenditure achieves its purpose of retaining and recruiting film production in the state and generating associated spending and employment. Without this program, there would undoubtedly be a drop in activity for Oregon's film, television, and commercial industry. This is an industry that provides jobs, small business spending and on-going media marketing value for the state.

The GOLRF, in tandem with the Oregon Production Investment Fund (OPIF), is integral in Oregon's ability to compete with the more than 30 other US states that offer production incentives and is directly responsible for the $285 million of direct film, television, and commercial production spending that was recorded in the 2021-2023 biennium. This number includes more than $37 million of local commercial production spending directly attributed to the GOLRF program.

In addition to helping recruit out-of-state productions into Oregon, this program also supports Oregon's local commercial production industry. Oregon-based commercial production companies utilize GOLRF to increase their competitive edge to both create work here in the state for export and to attract work into the state, creating a more sustained workforce and a stronger company foundation. Combined, GOLRF and OPIF have accounted for a more than $2 billion in direct production spending in Oregon since the program's inception in 2005, currently affecting more than 3600 jobs on an annual basis on more than 100 Oregon-based projects.

GOLRF has been integral to creating a balanced system that imports work into the state as much as creates and retains work from established companies and individuals already located here in the state. Oregon's media incentive programs are critical to making media work more competitive here in Oregon in a national landscape that includes more than 30 states and all Canadian provinces offering Film & Media incentive programs.

## 1.309 ARTIST'S CHARITABLE CONTRIBUTION

**Oregon Statute:** 316.838
**Sunset Date:** None
**Year Enacted:** 1979

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | Less than $100,000 | Less than $100,000 |
| 2025-27 | Not Applicable | Less than $100,000 | Less than $100,000 |

### DESCRIPTION
Under section 170 of the federal Internal Revenue Code, artists who donate their artwork for charitable contributions can only deduct the costs of materials used to produce the artwork, not the fair market value of the artwork. Oregon law expands the federal provision for charitable contributions, in that it allows artists liable for Oregon personal income taxes to subtract from taxable income the fair market value of the art, not just the costs of materials. Note that this subtraction only applies to artwork donated by the artist because if the donation of the artwork is by someone other than the artist, federal provisions already allow the deduction of the fair market value of the artwork. Due to the passage of HB 2060 in 2013, artists cannot use this subtraction if the donation was to a charitable organization disqualified from receiving tax deductible contributions due to not spending at least 30 percent of its total annual functional expenses on program services.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to encourage the donation of artists' works to charitable organizations.

### WHO BENEFITS
Artists who donate their art to charitable organizations benefit from this expenditure. For tax year 2022, approximately 240 personal income taxpayers claimed an average subtraction of $1,300, resulting in a tax savings of $100 per taxpayer.

### EVALUATION
Not evaluated.

## 1.310 OREGON INVESTMENT ADVANTAGE

**Oregon Statute:** 316.778 and 317.391
**Sunset Date:** None
**Year Enacted:** 2001

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Available* | Not Available* | Not Available* |
| 2025-27 | Not Available* | Not Available* | Not Available* |

** In certain cases, to conform with taxpayer privacy disclosure laws, revenue impact numbers are not provided for tax expenditures that may affect at most a few taxpayers.*

### DESCRIPTION
Income from business operations at a certified facility may be subtracted for up to 10 consecutive years from Oregon taxable income on personal or corporate tax returns. For S corporations and other pass-through entities that have qualifying income, the subtraction is distributed among the shareholders or owners of the business to potentially reduce their Oregon personal income taxes. To be eligible for the subtraction, the business must apply for preliminary certification from the Oregon Business Development Department (OBDD) before hiring employees, starting construction, making improvements, or beginning facility operations. To qualify for preliminary certification, all the following must be true:

- The proposed facility site is in an eligible county (see below), and
  (i) inside the urban growth boundary of a city of 15,000 or fewer residents, or
  (ii) on industrially zoned land in a larger city or unincorporated area.
- The proposed facility is intended to operate for at least 10 years.
- The proposed operations at the facility

(i) constitute new business operations, unlike what the business does anywhere else in Oregon, and

(ii) do not compete with existing employers in the city, port, or county where the facility is located.

- The city, port, or county does not formally object within 60 days.
- The business intends to hire five or more full-time, year-round employees, who for preliminary certification applications submitted to OBDD:
  - between July 1, 2011, and October 5, 2017, receive compensation (wages and benefits) at least 50 percent higher than per capita personal income (PCPI) for the county at the time of the application, or at least equal to county PCPI while providing health insurance benefits, or,
  - since October 6, 2017 (HB 2066, 2017):
    (i) receive compensation meeting the above minimums or that is at least 30 percent more than county PCPI for locations outside any metropolitan statistical area, and
    (ii) (in all cases) receive average annual wage at least equal to the current average wage for the county.

To claim the subtraction, a preliminarily certified business needs to apply annually to OBDD for certification and confirm compliance with hiring and compensation requirements. If the business does not comply in a particular year when seeking certification, it is disqualified from the program for that year and any subsequent year.

Since July 1, 2016, a statutory definition for eligible counties are those counties that are both in the lower half among county PCPIs and in the upper half of annual unemployment rates. In 2024, this meant that businesses may apply to receive preliminary certification for locations only in 14 counties: Baker, Crook, Curry, Douglas, Grant, Harney, Jefferson, Josephine, Klamath, Lake, Linn Umatilla Union and Wallowa.

For a corporation, the amount of subtracted income is determined by multiplying the corporation's Oregon taxable income by the sum of:

- Fifty percent of the ratio of the payroll of the business from employment at the certified facility to total statewide payroll of the business, and
- Fifty percent of the ratio of the value of the property of the business at the certified facility to the value of the property of the business statewide.

For a personal income taxpayer who qualifies for a subtraction as a shareholder or owner of an S corporation or other pass-through entity that operates a certified facility, the amount of subtracted income is determined by multiplying the taxpayer's federal taxable income (limited for non-residents or part year residents to Oregon-sourced federal taxable income) by the product of:

- The ratio of the taxpayer's portion of federal adjusted gross income from the business to the taxpayer's total federally adjusted gross income, and
- The ratio of business income derived from sales at the certified facility to sales from all the business's activities.

## PURPOSE

The statutes that allow this expenditure do not explicitly state a purpose. Presumably, the purpose is to encourage business development in low-income areas with high unemployment rates, especially those areas with low population.

## WHO BENEFITS

Businesses investing in new facility operations in areas with relatively high unemployment and lower incomes, especially in smaller cities.

During the 2024 fiscal year, OBDD issued annual certifications for fewer than ten businesses.

## EVALUATION

*Provided by the Oregon Business Development Department*

Depending on a business firm's state income tax situation and the nature of the facility, this exemption of taxable income—as a type of state tax holiday—may seem quite enticing for developments ranging from those by small business owners to very large corporate projects in certain parts of rural Oregon, where it is otherwise challenging to spur economic activity and diversity. It is, however, a complex incentive, requiring sophisticated tax knowledge to even estimate the probable, medium-term savings in any given case.

After 2011, new preliminary certification applications dropped off, probably due in part to further statutory complexities that hindered communication and marketing of this tax exemption, despite the five-year reinstatement of slightly broader eligibility criteria. Currently certified business firms employ 220 persons full-time with excellent levels of compensation for rural Oregon.

As Oregon's only significant incentive for business development based on state income taxes, this expenditure is valuable in fostering private investments to help counterbalance conditions in parts of Oregon that lack urban centers in economic development activity. Not only is it unique, but the tax benefit does not depend on the sheer size of new capital outlays like a property tax abatement. Even though its geographic focus is still quite narrow within rural Oregon, and despite other restrictions on use, this expenditure has served as a critical driver in advancing certain projects.

Further analysis is needed to take these geographic objectives into account, as well as incremental tax effects among a relatively small number of situations. Business Oregon presently lacks access to data and resources to thoroughly conduct such an analysis.

It may be noted, however, that while an analogous income tax credit would be simpler to communicate to businesses, this expenditure is less comparable to a direct government expenditure than a credit would be. The taxes abated by this expenditure might relate more directly to otherwise additional state tax revenues, such that there is not necessarily as much of a net fiscal loss. Other advantages over a direct expenditure include individual businessperson's determining where and what investments are economically cost-effective under the current tax structure, market conditions and so forth, as well as general avoidance of bureaucratic-administrative costs, complications or resource allocation inefficiencies. Nevertheless, it is not as finely controllable as a direct expenditure might be for policy purposes.

Other than its policy bias toward rural locations and against the expansion of existing business operations, this tax expenditure does not favor one group of industries in Oregon over another. Finally, like a tax credit, its effectiveness as an incentive depends on the taxpayer's having an Oregon tax liability, but the 10-year exemption period and potential for the new facility to generate additional taxable income could mitigate that issue.

# 1.311 DIVIDEND RECEIVED FROM AN IC-DISC

**Oregon Statute:** 316.749(1)
**Sunset Date:** None
**Year Enacted:** 2013

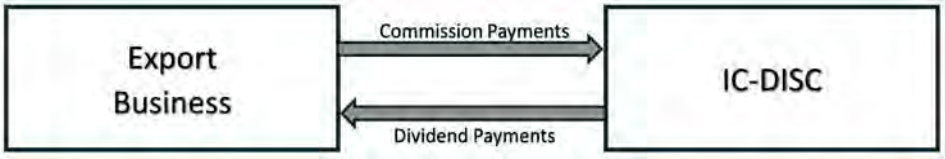
| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | $13,200,000 | $13,200,000 |
| 2025-27 | Not Applicable | $14,100,000 | $14,100,000 |

## DESCRIPTION

Personal income taxpayers may subtract from Oregon taxable income any dividend received since 2013 from an Interest Charge – Domestic International Sales Corporation (IC-DISC) that was formed on or before January 1, 2014 if the IC-DISC is subject to tax under ORS 317.283(2)(a). An IC-DISC is defined in section 992 of the Internal Revenue Code.

As a simple overview, an export-oriented business creates an IC-DISC. The business then makes commission payments to the IC-DISC as a percentage of export sales. This income to the IC-DISC is then returned to the owners or

shareholders of the business as dividends. In most cases, aside from other functions or services performed through the IC-DISC, the amount of commission payments will equal the amount of dividend payments. The diagram below shows this simplified flow of funds.




At the federal level, regardless of when the IC-DISC was formed, an IC-DISC is not subject to federal income taxes and the dividends are taxed at the lower capital gains tax rate rather than the standard federal personal income tax rate.

At the state level, taxation of an IC-DISC depends on when the IC-DISC was formed. First, the commission payments to an IC-DISC are deductible if the IC-DISC was formed on or before January 1, 2014. Second, the IC-DISC formed before 2014 is taxed at a rate of 2.5 percent on its commissions received (see In Lieu below). Third, the owners or shareholders of the IC-DISC subtract the IC-DISC dividends on their personal income tax returns. In general, the net effect of the flow of payments is that the IC-DISC income distributed to the IC-DISC's owners or shareholders is taxed at a rate of 2.5 percent rather than at the prevailing marginal income tax rate of typically 8.75 or 9.9 percent.

For Oregon export businesses that created an IC-DISC after January 1, 2014, the IC-DISC is disregarded and dividends paid by it to the export business are treated as regular taxable income.

## PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for HB 3601 (2013 Special Session), the purpose of this provision "…is to encourage export activity of Oregon based businesses."

## WHO BENEFITS

Taxpayers with taxable personal income who receive a dividend from an IC-DISC that was formed on or before January 1, 2014. In tax year 2022, about 250 personal income taxpayers saved approximately $24,000 in tax, on average, using this subtraction.

Over 99 percent of the revenue impact goes to personal income tax filers with incomes above $100,000.

## IN LIEU

An IC-DISC is taxed on income at a rate of 2.5 percent. For tax year 2021, approximately 230 IC-DISCs paid a total of $3.0 million in income tax.

## EVALUATION

*Provided by the Oregon Business Development Department*

This tax expenditure may bolster foreign sales activity for certain Oregon exporters that work with IC-DISCs formed before 2014 especially during the brief period immediately following passage of HB 3601 by the 2013 special session of the Legislature, which could have an ongoing benefit to the Oregon economy. Nationally, that is the intent of the federal law that provides for IC-DISCs in the first place; for any IC-DISC formed after 2013, Oregon provisions for affected taxpayers operate more restrictively with respect to state taxable income compared to federal tax returns. The department lacks data or direct experience to address this expenditure further.

# 1.312 INDIVIDUAL DEVELOPMENT ACCOUNTS (EXCLUSION AND SUBTRACTION)

**Oregon Statute:** 316.848
**Sunset Date:** None
**Year Enacted:** 1999

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | Less than $100,000 | Less than $100,000 |
| 2025-27 | Not Applicable | Less than $100,000 | Less than $100,000 |

## DESCRIPTION

Contributions, matching deposits (from fiduciary organizations), and account earnings of individual development accounts (IDAs) for low-income households are exempt from state income tax if funds are withdrawn for approved purposes. Contributions to the accounts by the account holder are subtracted from federal taxable income of the account holder as they are made, and the matching deposits and account earnings are exempt from taxation until withdrawn. If withdrawals from the account are for a qualified purpose, the entire withdrawal is exempt from taxation. For this subtraction, low-income households are defined as those having a net worth less than $20,000 and income no greater than 80 percent of the area median household income as determined by the U.S. Department of Housing and Urban Development.

The Oregon Housing and Community Services Department (OHCS) administers the Oregon IDA Initiative through Neighborhood Partnerships, which selects fiduciary organizations to manage the IDAs. These fiduciary organizations may establish lower thresholds for income and net worth of account holders than prescribed by statute. Approved purposes for which withdrawals may be made include: acquiring postsecondary education, the first time purchase of a primary residence, certain improvements and repairs to a primary residence, purchase of equipment or training needed to obtain or maintain employment, saving for retirement, and capitalization of a small business. Account holders may not accrue more than $6,000 of matching funds in any 12-month period. OHCS establishes a maximum total amount of state directed resources that may be used as matching funds for asset purchase for each individual development account.

Amounts remaining in accounts after asset purchase may be rolled over into qualified tuition savings program accounts. Legislation in 2015 (HB 2171) expanded the approved purposes for which withdrawals may be made and provided that accounts established for retirement savings may be rolled over into an individual retirement account, a retirement plan, or a similar account or plan established under the Internal Revenue Code. Legislation in 2021 (HB 2433) increased the maximum accrual of matching funds during any 12-month period from $3,000 to $6,000.

There is another tax expenditure closely related to this program: 1.423, Individual Development Account Donation (Credit), provides a credit for individuals or businesses that make contributions to the Oregon IDA Initiative through Neighborhood Partnerships in support of IDA programs.

## PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to help lower income Oregonians obtain the assets needed to become economically more resilient by instituting an asset-based prosperity strategy that promotes improved personal financial management and savings and the accumulation of key assets.

## WHO BENEFITS

In tax year 2022, about 90 personal income taxpayers saved approximately $110, on average, using this subtraction.

## EVALUATION

Not evaluated.

# 1.313 MANUFACTURED DWELLING PARK CAPITAL GAIN

**Oregon Law:** Ore. Laws 2005 c.826 §6-10
**Sunset Date:** 12-31-2025
**Year Enacted:** 2005

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Less than $100,000 | $900,000 | $900,000 |
| 2025-27 | Less than $100,000 | $300,000 | $300,000 |

NOTE: The revenue impact estimate includes the effect of the sunset.

## DESCRIPTION

Individuals or corporations that sell a manufactured dwelling park may subtract the taxable gain from Oregon taxable income if the sale was made to a corporate entity formed by tenants of the park, or a nonprofit corporation or housing authority as described in ORS 90.844. In 2019, the Legislature (HB 2164) extended the sunset to December 31, 2025.

HB 2456 (2021) allows individuals or corporations to subtract the taxable gains from Oregon taxable income for any manufactured dwelling park that is destroyed by a natural disaster if the sale is made to a nonprofit corporation or housing authority that will redevelop the site as a manufactured dwelling park.

## PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for HB 2164 (2019), the purpose of this subtraction is "to encourage sales of manufactured dwelling parks to a corporate entity formed by the tenants of the park, or by a nonprofit corporation or housing authority."

## WHO BENEFITS

Owners of manufactured dwelling parks who sell to one of the listed organizations and have a gain as a result of the sale. Few taxpayers have used this expenditure.

## EVALUATION

*Provided by the Oregon Housing and Community Services Department*

Through General Housing Account Program (GHAP) and/or Housing Development Grant Program (HDGP) funding, a number of manufactured home parks were preserved and sold either to a nonprofit or to a resident nonprofit cooperative, where the tenants form an organization to purchase the park. Preservation of parks is a critical tool for retaining housing stock affordable to low-income Oregonians, particularly for lower income rural communities. Nonprofits and resident nonprofit cooperatives compete with private investors when manufactured dwelling parks are for sale and this incentive provides a useful tool for encouraging park owners to consider selling to nonprofits. Despite low usage, any incentive that promotes retention of manufactured parks is absolutely meeting its objectives and is achieving the purpose of the tax expenditure.

# 1.314 FIRST-TIME HOME BUYER SAVINGS

**Oregon Statute:** 316.798
**Sunset Date:** 12-31-2026 (new accounts); 12-31-2036 (existing accounts)
**Year Enacted:** 2018

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | $1,100,000 | $1,100,000 |
| 2025-27 | Not Applicable | $3,000,000 | $3,000,000 |

NOTE: The revenue impact estimate includes the effect of the sunset.

## DESCRIPTION

A subtraction from Oregon taxable income is allowed for cash contributed by an eligible account holder to an eligible first-time home buyer savings account. In addition, earnings on the account, including interest and other income, are exempt from state taxation up to a specified limit, provided that conditions are met.

A savings account is eligible if it is established for the purpose of paying or reimbursing the down payment and allowable closing costs for the purchase of a single-family dwelling in Oregon that serves as the principal residence of the account holder (or a qualified beneficiary, starting in 2025). Manufactured homes, residential trailers, mobile homes, and condominium units also qualify. A home buyer is eligible if they are an Oregon resident and haven't owned or purchased a single-family residence within three years prior to purchasing the single-family residence.

The subtraction may be claimed each year for up to ten years after the account is opened and cannot exceed specified limits that are adjusted for inflation. The combined principal and earnings per account holder that may be subtracted over the ten years is limited to $50,000. This subtraction is not available to accounts opened after December 31, 2026.

The subtraction is phased out for taxpayers with federal adjusted gross income of $104,000 or more if filing individually or income of $149,000 or more if filing a joint return. This table shows the maximum allowable annual subtraction amounts for 2024. Only amounts in the rightmost column are adjusted for inflation.

| Filing Status | Federal Adjusted Gross Income | Maximum Allowable Subtraction |
|---|---|---|
| Married Filing Jointly | Below $149,000 | $11,865 |
| | $149,000 - $157,999 | $9,495 |
| | $158,000 - $166,999 | $7,120 |
| | $167,000 - $175,999 | $4,750 |
| | $176,000 - $186,999 | $2,375 |
| | Above $186,999 | $0 |
| All Others | Below $104,000 | $5,935 |
| | $104,000 - $110,999 | $4,750 |
| | $111,000 - $116,999 | $3,560 |
| | $117,000 - $122,999 | $2,375 |
| | $123,000 - $130,999 | $1,190 |
| | Above $130,999 | $0 |

To qualify for the subtraction, an eligible residence must be purchased within ten years of opening the account. Any amount withdrawn and used for an unqualified purpose before the end of the ten-year period is subject to a five percent penalty and the amount withdrawn must be added back to income if previously subtracted. Any amount that remains in the account at the end of the tenth year must be added back to income if previously subtracted.

People other than the account holder may contribute to an account established for this program. However, only the account holder is eligible to claim this subtraction on their Oregon return.

Legislation in 2024 (SB 1527) made two modifications to this subtraction for accounts created on or after January 1, 2025. First, it allows the funds to be used by a designated qualified beneficiary in addition to the account holder. Second, it removes the requirement for financial institutions to designate accounts as first-time home buyer savings accounts and instead requires the taxpayers to designate the accounts.

## PURPOSE

The law that created this subtraction, Oregon Laws 2018, Chapter 109, states that "the Legislative Assembly finds that saving for a down payment and closing costs for the purchase of a first home is challenging in the present economy. The first-time home buyer savings account program will provide opportunities for Oregon residents to save funds for first-time home ownership and will provide Oregonians with meaningful incentives to save for the purchase of a first home."

## WHO BENEFITS

For tax year 2022, approximately 1,250 taxpayers claimed this subtraction. The average subtraction was slightly over $5,000.

**2022 Personal Income Tax Filers**

| Income Group of Full-Year Filers* | Number of Filers Taking Subtraction | Average Subtraction | Total Subtracted ($ millions) | Revenue Impact ($ millions) | Percent of Revenue Impact by Income Group |
|---|---|---|---|---|---|
| Below $19,400 | 70 | $3,440 | $0.2 | <$0.1 | 1% |
| $19,400 - $40,400 | 160 | $3,960 | $0.6 | <$0.1 | 9% |
| $40,400 - $67,700 | 350 | $4,330 | $1.5 | $0.1 | 26% |
| $67,700 - $117,800 | 440 | $5,870 | $2.6 | $0.2 | 44% |
| Above $117,800 | 180 | $6,250 | $1.1 | $0.1 | 20% |
| All Full-Year Filers | 1,190 | $5,080 | $6.1 | $0.5 | 100% |
| Part-Year and Nonresident Filers | 60 | $5,740 | $0.3 | <$0.1 | |

**Each income group contains 20 percent of the full-year filers (approximately 376,000)*

## EVALUATION

*Provided by the Oregon Housing and Community Services Department*

Homeownership is a key tool for lifting families out of poverty and creating generational wealth, which disproportionately impacts communities of color who have been excluded from ownership through direct actions of governments, financial institutions, and individual actors. OHCS doesn't administer this program and therefore cannot speak to the utilization rate or ultimate success.

# 1.315 MANUFACTURED DWELLING TENANT PAYMENT

**Oregon Statute:** 316.795 and 317.092
**Sunset Date:** None
**Year Enacted:** 2007

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Less than $100,000 | Less than $100,000 | Less than $100,000 |
| 2025-27 | Less than $100,000 | Less than $100,000 | Less than $100,000 |

## DESCRIPTION

Under state law (ORS 90.645), an owner of a manufactured dwelling park is required to pay each manufactured dwelling tenant if the tenant is forced to relocate because the owner is closing the park. The tenant receiving this money can subtract this amount from their Oregon taxable income.

The payment amount depends on the size of the dwelling. Legislation passed in 2017 (HB 2008) requires the Oregon Housing and Community Services Department (OHCS) to update the amounts annually for inflation. OHCS reports that, as of 2024, the tenant of a single-wide manufactured dwelling will receive $7,982; the tenant of a double-wide manufactured dwelling will receive $10,643; and the tenant of a triple-wide manufactured dwelling will receive $13,304.

## PURPOSE

The statutes that allow this expenditure do not explicitly state a purpose. Presumably, the purpose is to provide financial assistance to manufactured dwelling owners who are forced to relocate because of the closure of the manufactured dwelling park.

## WHO BENEFITS

Residents of closed manufactured dwelling parks who receive payments from the park owners. Few taxpayers claim this subtraction.

### EVALUATION
Not evaluated.

## 1.316 INTEREST FROM STATE AND LOCAL GOVERNMENT BONDS

**Oregon Statute:** 316.056
**Sunset Date:** None
**Year Enacted:** 1987

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | $300,000 | $300,000 |
| 2025-27 | Not Applicable | $300,000 | $300,000 |

### DESCRIPTION
Interest or dividends from all federally taxable bonds issued by Oregon state and local governments may be subtracted from Oregon taxable income. This includes interest or dividends received from obligations of counties, cities, local service districts, special government bodies, the Oregon Health and Science University, Oregon public universities, or other political subdivisions of Oregon that are authorized by the Legislative Assembly to issue bonds. Interest on revenue bonds issued by the State Treasurer can be subtracted from income for tax purposes only to the extent that the structure financed is located within Oregon.

This provision also applies to nonqualified private activity bonds, which are bonds primarily issued by local governments to help finance private developments.

This subtraction applies only to interest or dividends that are taxed at the federal level but not by Oregon. See tax expenditure 1.043, Interest on Oregon State and Local Debt, for information related to interest or dividends not taxed federally or by Oregon.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to promote projects that have public benefits by encouraging the purchase of federally taxable bonds issued by the State of Oregon and local governments.

### WHO BENEFITS
Taxpayers holding these bonds benefit from the tax-free interest income. For tax year 2022, approximately 810 personal income taxpayers claimed an average subtraction of about $2,300 using this provision. The State of Oregon and local governments also benefit because this provision reduces the costs of borrowing.

### EVALUATION
Not evaluated.

## 1.317 PERSONAL CASUALTY LOSS

**Oregon Statute:** 316.850
**Sunset Date:** 12-31-2025
**Year Enacted:** 2023 (HB 2812)

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | $600,000 | $600,000 |
| 2025-27 | Not Applicable | $200,000 | $200,000 |

NOTE: The revenue impact estimate includes the effect of the sunset.

### DESCRIPTION

The federal Tax Cuts and Jobs Act (TCJA) of 2017 temporarily limited the deduction of personal casualty losses only to those caused by a federally declared disaster. An Oregon provision enacted in 2023 (HB 2812) allows for the subtraction from taxable income of personal casualty losses that are incurred in Oregon and would have been federally deductible if not for the TCJA.

For this subtraction, qualified personal casualty losses must result from an event that is subject to a state of emergency declared by the Governor or which occur in an area subject to a Governor's executive order invoking the Emergency Conflagration Act. Subtractions are not allowed for losses from theft or which are deducted on a taxpayer's federal income tax return. Except for the requirement of a federal disaster declaration, other limitations associated with federal deductions for casualty losses still apply. See 1.222, Casualty and Theft Losses for a description of the related federal tax expenditure.

This subtraction applies to tax years beginning on or after January 1, 2020 and before January 1, 2026.

### PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for HB 2812 (2023), "the policy purpose of this measure is to provide support to Oregonians with property destroyed in areas subject to Oregon declared emergencies thereby eliminating the tax deduction disparity between federal and state declared disasters."

### WHO BENEFITS

Personal income taxpayers who would have been otherwise been limited by a temporary federal law in their ability to subtract or deduct qualified personal casualty losses for Oregon tax purposes.

### EVALUATION

*Provided by the Oregon Department of Emergency Management*

The purpose of this tax expenditure appears to be meeting the appropriate stipulations for those residents incurring personal casualty losses in Oregon due to a catastrophic event for which a state of emergency has been declared by the Governor. Without this declaration, or invoking of the Emergency Conflagration Act, Oregonians affected by the event would be at a distinct economic disadvantage when trying to recover from personal casualty loss.

The structure of the tax expenditure allows those directly affected to benefit from the disparity that exists between federal and state law without this tax expenditure.

## 1.318 WILDFIRE JUDGMENT OR SETTLEMENT AND LEGAL FEES

**Oregon Law:** Ore. Laws 2024 c.50
**Sunset Date:** 12-31-2025 (see description)
**Year Enacted:** 2024 (SB 1520)

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | Not Available | Not Available |
| 2025-27 | Not Applicable | Not Available | Not Available |

### DESCRIPTION

Income received in judgment or settlement of a civil lawsuit arising from a qualifying wildfire may be subtracted from taxable income for Oregon personal income tax purposes. Wildfires (defined in ORS 477.089) qualify for this subtraction if they are the subject of a state of emergency declared by the Governor, occur in an area subject to an executive order of the Governor invoking the Emergency Conflagration Act, or are federally declared disasters, whether located within Oregon or elsewhere.

This subtraction is only allowed for amounts not taken as a deduction or credit from federal income taxes and only to the extent that the damages remedied by the judgment or settlement are not compensated by insurance or otherwise.

Legal fees incurred by a plaintiff in wildfire-related litigation may also be subtracted from taxable income. In contrast, for tax years 2018 through 2025, such legal fees are not generally allowed to be deducted for federal tax purposes due to the federal Tax Cuts and Jobs Act of 2017.

The subtraction applies to declarations and executive orders issued between January 1, 2018 and December 31, 2025. Judgment or settlement amounts or legal fees arising from wildfires during that time may be subtracted as they are received or incurred going forward, effective 2018. For tax years beginning before January 1, 2021, taxpayers may file amended returns on an extended timeline (prior to May 15, 2025) to claim the subtraction retroactively. No interest accrues on such retroactive claims for applicable refunds.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for SB 1520 (2024), "the policy purpose of this measure is to assist taxpayers in rebuilding and recovering following the impact of a catastrophic wildfire."

### WHO BENEFITS
Plaintiffs in wildfire-related civil litigation who pay legal fees or receive a judgment or settlement arising from a qualifying wildfire. Relatively few taxpayers have used this new subtraction as of the publication date of this report.

### EVALUATION
*Provided by the Oregon Department of Emergency Management*

The purpose of this tax expenditure appears to be meeting the appropriate stipulations for those residents incurring legal fees or receiving a judgment in wildfire-related civil litigation in Oregon due to a catastrophic event for which a state of emergency has been declared by the Governor.

Oregonians affected by such events are already dealing with the effects of the catastrophic event and the benefit of this subtraction appears to be properly structured to pass through to its intended recipients allowing for economic relief as applicable.

## 1.319 DEPLETION COSTS FOR METAL MINES

**Oregon Statute:** 317.374
**Sunset Date:** None
**Year Enacted:** Pre-1953

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Less than $100,000 | Less than $100,000 | Less than $100,000 |
| 2025-27 | Less than $100,000 | Less than $100,000 | Less than $100,000 |

### DESCRIPTION
Oregon operators of timber, mines, fossil fuel wells and other natural deposits are allowed a depletion allowance based on the cost of the property used to produce the natural resources (known as cost depletion). A partial exception exists for Oregon operators of metal mines which are allowed the option of calculating depletion using the percentage depletion method as opposed to cost depletion which is considered the standard accounting method.

The percentage depletion method allows Oregon operators of metal mines to elect to deduct a depletion allowance equal to 15 percent of the gross income from the metal mine. Up to 50 percent of the net income from the metal mine may be deducted using the depletion allowance based on gross income from the metal mine.

A tax expenditure exists if the percentage depletion method used by the metal mine operator yields a greater tax benefit than the cost depletion method otherwise would.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to encourage discovery and development of metal deposits by potentially reducing the taxes on mining operations.

### WHO BENEFITS
Very few metal mining companies using the percentage depletion method.

### EVALUATION
Not evaluated.

## 1.320 ENERGY CONSERVATION SUBSIDIES (OREGON)

**Oregon Statute:** 316.744 and 317.386
**Sunset Date:** None
**Year Enacted:** 1981

| Revenue Impact | | | |
|---|---|---|---|
| | Corporation | Personal | Total |
| 2023-25 | Less than $100,000 | Less than $100,000 | Less than $100,000 |
| 2025-27 | Less than $100,000 | Less than $100,000 | Less than $100,000 |

### DESCRIPTION
Cash payments provided by publicly and investor-owned utilities for the purchase or installation of an energy conservation device under the Residential Energy Conservation Act (ORS 469.631–469.687) can be subtracted from corporate and personal taxable income. Cash payments received from the Oregon Housing and Community Services Department for energy conservation in oil-heated dwellings are also eligible.

For personal income taxpayers who receive cash payments from utilities as part of energy conservation programs, federal law already exempts these payments for residential energy customers from personal taxable income; see 1.032, Energy Conservation Subsidies (Federal). As a result, for personal income taxes, this expenditure only includes payments that are not covered by the federal law, that is, payments received from entities other than utilities.

### PURPOSE
The statutes that allow this expenditure do not explicitly state a purpose. Presumably, the purpose is to promote energy conservation by encouraging owners of housing to participate in conservation programs sponsored by utilities or the Oregon Housing and Community Services Department.

### WHO BENEFITS
Homeowners and contractors who receive payments from the Oregon Housing and Community Services Department for completing weatherization or energy conservation projects on oil-heated dwellings. The Oregon Housing and Community Services Department expects to provide payments of approximately $100,000 in 2024. Additionally, corporate owners of rental housing who receive cash payments from utilities as part of energy conservation programs may benefit.

### EVALUATION
Not evaluated.

## 1.321 AGRICULTURE SECTOR NET OPERATING LOSS CARRYBACK

**Oregon Law:** Ore. Laws 2022 c.82 §12-15
**Sunset Date:** 12-31-2028
**Year Enacted:** 2022

| Revenue Impact | | | |
|---|---|---|---|
| | Corporation | Personal | Total |
| 2023-25 | $10,600,000 | $100,000 | $10,700,000 |
| 2025-27 | $19,100,000 | $200,000 | $19,300,000 |

### DESCRIPTION

Net operating loss carryback allows businesses that have losses in a given year to deduct these losses from the taxable profit of preceding years by amending prior year tax returns. For certain eligible personal and corporate taxpayers, a net operating loss may be carried back for up to three years preceding the tax year in which the losses occur. This loss carryback is available to losses arising in tax years 2023 through 2028. Eligible taxpayers are those doing business (as identified by the 2017 North American Industry Classification System) in crop production, animal production, or aquaculture.

The federal Tax Cuts and Jobs Act of 2017 (TCJA) allowed personal income taxpayers in the specified industries to carry back losses for two years and such losses were allowed to offset up to 80 percent of taxable income for tax years after 2017. Oregon legislation passed in 2022 (SB 1524) grants an additional year to carry back losses incurred on personal income and removes the limitation of offsetting only 80 percent of taxable income. For personal income taxes, this tax expenditure and revenue impact estimate only includes the additional year to carry back losses and the removal of the 80 percent limit, as the initial two years are included in 1.214, Extended Carryback of Farming Loss.

For corporations, the TCJA only allowed losses to be carried forward whereas carryback was not allowed. The new legislation in 2022 allows corporate taxpayers in the specified industries to carry back losses for a total of three years.

### PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for SB 1524 (2022) “the policy purpose of the net operating loss carryback provision is to smooth the tax liability of farm businesses reflective of the ups and downs in farm business income and losses.”

### WHO BENEFITS

Personal and corporate income taxpayers in the agriculture sector.

### EVALUATION

*Provided by the Oregon Department of Agriculture*

The tax subtraction facts are described and cannot be evaluated until implemented in 2024 for the 2023 tax year.

## 1.322 WET MARINE AND TRANSPORTATION POLICIES

**Oregon Statute:** 317.080(8)
**Sunset Date:** None
**Year Enacted:** 1995

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | $2,500,000 | Not Applicable | $2,500,000 |
| 2025-27 | $2,500,000 | Not Applicable | $2,500,000 |

### DESCRIPTION

Foreign or alien insurers (those formed under the laws of a state other than Oregon or a country other than the United States, respectively) that are authorized by Oregon and write wet marine and transportation (often referred to as ocean marine) insurance are allowed to subtract from taxable income the underwriting profit derived from wet marine and transportation insurance. As described in ORS 731.194, wet marine and transportation insurance covers:

- The insurance of ships and freight
- The insurance of personal property in transport between countries or transported by coast or inland waterways
- The insurance of railroads and aircraft along with their freight while engaged in interstate transport or commerce

Legislation in 2019 (HB 2787) limited this subtraction to only authorized insurers.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to conform to other states' tax treatment of wet marine and transportation insurers.

### WHO BENEFITS
Authorized foreign or alien insurers that sell wet marine and transportation policies.

### IN LIEU
Authorized insurers that write wet marine and transportation policies are required under ORS 731.824 to pay an underwriting profit tax. A 5 percent tax is imposed on the average wet marine insurance underwriting profit during the previous three years. For calendar year 2023, 87 insurers had premiums; 38 of these insurers paid $191,885 in tax based on underwriting profits from writing wet marine and transportation insurance.

### EVALUATION
*Provided by the Department of Consumer and Business Services*

Wet marine and transportation insurers have been taxed only on their underwriting profit since at least 1928. Wet marine and transportation is subject to federal law and treaty. Taxing wet marine and transportation insurers based on underwriting profit rather than gross premium helps to achieve uniformity among states. This method of taxation ultimately benefits parties that purchase this type of insurance, such as ports and interstate transportation carriers, including marine, railroad, and aircraft, by reducing the cost of insurance (if the insurer passes the savings on to the insured).

If this tax expenditure were eliminated, Oregon would have a unique tax structure compared to other states. If the tax subtraction were repealed, it could potentially put the policy holders at a competitive disadvantage with other states.

## 1.323 HYDROELECTRIC DAM AND WATERWAY WORKERS

**Oregon Statute:** 316.127(8) and (10)
**Sunset Date:** None
**Year Enacted:** 1997

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | Not Available | Not Available |
| 2025-27 | Not Applicable | Not Available | Not Available |

### DESCRIPTION
Under federal law enacted in 1998 (P.L.105-261), Oregon cannot tax nonresident federal employees who provide services at federally owned hydroelectric facilities on the Columbia River. In 2001, the Oregon Legislature (SB 426) made compensation nontaxable when earned by any nonresident dam workers on the Columbia River, not just nonresident federal employees working at the dams.

Under federal law approved in 2000 (P.L. 106-489), Oregon cannot tax nonresidents working on vessels or ships that operate in navigable waters of more than one state.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purposes are to comply with federal law and simplify tax compliance for certain nonresidents with regularly assigned duties in more than one state.

### WHO BENEFITS
Nonresident workers at federal dams on the Columbia River and nonresident pilots, captains, and crews of vessels operating in navigable waters of more than one state.

### EVALUATION
*Provided by the Department of Revenue*

This expenditure complies with federal law and also relieves the specified taxpayers of the difficulty of determining the portion of income earned in Oregon while working on dams or ships in border river areas.

## 1.324 INCOME EARNED IN "INDIAN COUNTRY"

**Oregon Statute:** 316.777
**Sunset Date:** None
**Year Enacted:** 1977

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | $8,600,000 | $8,600,000 |
| 2025-27 | Not Applicable | $9,300,000 | $9,300,000 |

### DESCRIPTION
Income earned within the boundaries of federally recognized "Indian country" (as defined in 18 USC 1151) in Oregon by members of federally recognized American Indian tribes is exempt from taxation under Oregon's personal income tax. The taxpayer must reside in Indian country in Oregon and the income must be earned in Indian country to qualify for the exemption.

As defined in 18 USC 1151, "Indian country" means "(a) all land within the limits of any Indian reservation under the jurisdiction of the United States Government, notwithstanding the issuance of any patent, and, including rights-of-way running through the reservation, (b) all dependent Indian communities within the borders of the United States whether within the original or subsequently acquired territory thereof, and whether within or without the limits of a state, and (c) all Indian allotments, the Indian titles to which have not been extinguished, including rights-of-way running through the same."

### PURPOSE
To comply with federal law.

### WHO BENEFITS
Tribal members who earn income in "Indian country." The table below shows usage of this subtraction for tax year 2022.

**2022 Personal Income Tax Filers**

| Income Group of Full-Year Filers* | Number of Filers Taking Subtraction | Average Subtraction | Total Subtracted ($ millions) | Revenue Impact ($ millions) | Percent of Revenue Impact by Income Group |
|---|---|---|---|---|---|
| Below $19,400 | 270 | $9,400 | $2.5 | <$0.1 | 1% |
| $19,400 - $40,400 | 420 | $26,110 | $10.9 | $0.5 | 14% |
| $40,400 - $67,700 | 420 | $43,490 | $18.2 | $1.1 | 29% |
| $67,700 - $117,800 | 260 | $63,210 | $16.4 | $1.1 | 29% |
| Above $117,800 | 110 | $114,070 | $12.8 | $1.0 | 26% |
| All Full-Year Filers | 1,470 | $41,280 | $60.7 | $3.8 | 100% |
| Part-Year and Nonresident Filers | 30 | $31,380 | $1.1 | $0.1 | |

**Each income group contains 20 percent of the full-year filers (approximately 376,000)*

### EVALUATION
*Provided by the Department of Revenue*

This expenditure achieves its purpose of compliance with federal law.

# 1.325 FEDERAL PENSION INCOME

**Oregon Statute:** 316.680(1)(e)
**Sunset Date:** None
**Year Enacted:** 1998

| Revenue Impact | | | |
|---|---|---|---|
| | Corporation | Personal | Total |
| 2023-25 | Not Applicable | $129,000,000 | $129,000,000 |
| 2025-27 | Not Applicable | $129,000,000 | $129,000,000 |

## DESCRIPTION

Pension income attributable to federal employment prior to October 1, 1991, is exempt from the Oregon personal income tax. The subtraction is prorated based on the number of months of federal employment prior to October 1991 versus the months after October 1991.

This tax expenditure is the result of a series of legislative actions and court cases through the 1990s which attempted to define a consistent tax policy toward government pension income. This followed the 1989 U.S. Supreme Court ruling that state pensions could not receive better tax treatment than federal pensions (*Davis v. Michigan*, 489 U.S. 803).

## PURPOSE

To comply with federal law.

## WHO BENEFITS

The table below shows usage of this subtraction for tax year 2022.

**2022 Personal Income Tax Filers**

| Income Group of Full-Year Filers* | Number of Filers Taking Subtraction | Average Subtraction | Total Subtracted ($ millions) | Revenue Impact ($ millions) | Percent of Revenue Impact by Income Group |
|---|---|---|---|---|---|
| Below $19,400 | 1,890 | $9,450 | $17.8 | $0.3 | <1% |
| $19,400 - $40,400 | 5,250 | $16,090 | $84.5 | $3.6 | 6% |
| $40,400 - $67,700 | 7,370 | $22,490 | $165.8 | $10.2 | 17% |
| $67,700 - $117,800 | 10,860 | $27,570 | $299.3 | $22.6 | 37% |
| Above $117,800 | 8,710 | $32,000 | $278.8 | $24.0 | 40% |
| All Full-Year Filers | 34,080 | $24,830 | $846.2 | $60.7 | 100% |
| Part-Year and Nonresident Filers | 660 | $23,680 | $15.7 | $0.7 | |

**Each income group contains 20 percent of the full-year filers (approximately 376,000)*

## EVALUATION

*Provided by the Department of Revenue*

This expenditure achieves its purpose of compliance with federal law.

# 1.326 LEGISLATIVE PER DIEM AND ALLOWANCE

**Oregon Statute:** 171.072(7)
**Sunset Date:** None
**Year Enacted:** 1967

| Revenue Impact | | | |
|---|---|---|---|
| | Corporation | Personal | Total |
| 2023-25 | Not Applicable | $100,000 | $100,000 |
| 2025-27 | Not Applicable | $100,000 | $100,000 |

### DESCRIPTION
Members of the Oregon Legislature are allowed to subtract from their Oregon taxable income a legislative per diem or allowance received. Members receive a per diem for each day that the Legislature is in session. In addition, members are entitled to a monthly allowance for expenses incurred in the performance of official duties during periods when the Legislature is not in session. Members may also receive mileage reimbursement and a per diem for each interim day spent serving on a nonlegislative committee or entity such as an interstate body or advisory committee. Further, when the Legislature is not in session, members may receive mileage reimbursement for periods spent working on a Legislative committee or task force.

Reimbursements of actual expenses related to legislative work, as well as ordinary and necessary business expenses in excess of the reimbursements may also be subtracted from income for state income tax purposes. Reimbursements by the state for actual expenses for meals and lodging associated with state travel for the same period during which a legislator receives per diem are subject to state income tax.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to maintain the benefits available to members serving in Oregon's Legislature.

### WHO BENEFITS
Members of the Oregon Legislative Assembly. For tax year 2022, approximately 30 taxpayers claimed an average subtraction of about $10,700, for an average tax savings of about $950.

### EVALUATION
Not evaluated.

## 1.327 OREGON STATE LOTTERY PRIZES

**Oregon Statute:** 461.560
**Sunset Date:** None
**Year Enacted:** 1985

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | $400,000 | $400,000 |
| 2025-27 | Not Applicable | $500,000 | $500,000 |

### DESCRIPTION
Oregon State Lottery (Lottery) prize winners may subtract from Oregon taxable income Oregon Lottery winnings of up to $600. The $600 limit applies to a single play of a single game. The amount is not adjusted for inflation.

Originally, all prizes awarded by the Lottery were exempt from tax. In 1997, the Oregon Legislature changed the law so that only prizes up to and including $600 were exempt. However, individuals who purchased a winning ticket prior to January 1, 1998, may continue to subtract those winnings.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to enable ease of play and prize redemption for Lottery game participants and to support ease of selling and prize payment for Lottery game retailers.

## WHO BENEFITS

For tax year 2022, approximately 640 personal income taxpayers claimed an average subtraction of about $4,600 using this provision. The table below shows usage of this subtraction for tax year 2022.

**2022 Personal Income Tax Filers**

| Income Group of Full-Year Filers* | Number of Filers Taking Subtraction | Average Subtraction | Total Subtracted ($ millions) | Revenue Impact ($ millions) | Percent of Revenue Impact by Income Group |
|---|---|---|---|---|---|
| Below $19,400 | 110 | $1,860 | $0.2 | <$0.1 | 2% |
| $19,400 - $40,400 | 80 | $2,050 | $0.2 | <$0.1 | 5% |
| $40,400 - $67,700 | 140 | $2,480 | $0.3 | <$0.1 | 13% |
| $67,700 - $117,800 | 140 | $4,130 | $0.6 | <$0.1 | 25% |
| Above $117,800 | 130 | $9,540 | $1.2 | <$0.1 | 54% |
| All Full-Year Filers | 600 | $4,170 | $2.5 | $0.2 | 100% |
| Part-Year and Nonresident Filers | 40 | $11,530 | <$0.1 | <$0.1 | |

**Each income group contains 20 percent of the full-year filers (approximately 376,000)*

## EVALUATION

*Provided by the Oregon Lottery*

This tax expenditure achieves its purpose and helps support the statutory purpose of the Lottery: to generate profits for the public purpose without imposing additional or increased taxes. Eliminating this tax expenditure would be a disincentive to players. Most prizes awarded in Lottery games are less than $600. For example, in Fiscal Year 2023, players claimed more than $170 million in prizes each worth $600 or less. Because these prizes are not subject to reporting and withholding, winners can claim them through a statewide retailer network, such as at a local convenience store or gas station. The remaining prizes above $600 are subject to reporting and taxation and/or withholding. In calendar year 2023, 8,147 W2Gs were sent to DOR resulting in the remittance of $3,950,199.49 in state tax withholding for traditional Lottery prizes.

Since 2009, the Lottery has changed the prize mix on Video Lottery games offered to the public. In 2009 all Video Lottery prizes were under $600 and therefore not subject to taxation. These prizes were paid by 3,200 retailers throughout the State. In 2010 Lottery began awarding prizes above $600 which were subject to reporting and tax withholding for State purposes. In calendar year 2023, 47,220 W2Gs were sent to DOR resulting in the remittance of $10,166,843.86 in state tax withholding for Video Lottery prizes.

In October 2019 Lottery introduced an on-line sports betting game which is sold only through Lottery's downloadable mobile application. In calendar year 2023, 60,886 W2Gs were sent to DOR resulting in the remittance of $2,718,099.86 in state tax withholding for Lottery sports prizes.

As with Traditional prizes, most video prizes (which are also under $600) are paid directly by Lottery retailers. Changing the taxation and reporting requirements for Video and Traditional prizes would require that winners travel to claim centers for payment of smaller prizes and would be a burden for both winners from an inconvenience perspective and the Lottery. Specifically, there would be significant costs to program Lottery gaming systems and change processes to accommodate the tax change to send out reporting and withholding documents to all players for prizes paid by Lottery. These costs would result in reduced funds available as transfers to beneficiaries.

Lottery continues to face pressures from other entertainment options and gambling opportunities (such as illegal offshore gambling) for which players do not pay taxes. If players choose other options, as an example, a loss of even 1% of video sales over the last two fiscal years to competition would have reduced transfers to the state by roughly $15.8 million.

# 1.328 FEDERAL INCOME TAX SUBTRACTION

**Oregon Statute:** 316.680(1)(b), 316.685, and 316.695
**Sunset Date:** None
**Year Enacted:** 1929

| Revenue Impact | | | |
|---|---|---|---|
| | Corporation | Personal | Total |
| 2023-25 | Not Applicable | $1,200,000,000 | $1,200,000,000 |
| 2025-27 | Not Applicable | $1,420,000,000 | $1,420,000,000 |

## DESCRIPTION

Taxpayers are allowed a limited subtraction for their current year's federal income tax liability after credits. The subtraction limit is up to $8,250 for 2024 (indexed to inflation), except that those taxpayers who use a filing status of married filing separately have a subtraction limit up to 50 percent of that amount or $4,125 for 2024.

The maximum subtraction limit is phased down for high income filers. Filers with a filing status of single or married filing separately with an adjusted gross income of $125,000 to $145,000 have a reduced limit, as do filers with a filing status married filing jointly, head of household, or surviving spouse with an adjusted gross income of $250,000 to $290,000. For filers with an adjusted gross income above their respective upper limit, no subtraction of their federal income tax is allowed.

## PURPOSE

The statutes that allow this expenditure do not explicitly state a purpose. Presumably, the purpose is to help offset payments toward a federal income tax liability for taxpayers whose income is below a certain threshold.

## WHO BENEFITS

The table below shows usage of this subtraction for tax year 2022.

**2022 Personal Income Tax Filers**

| Income Group of Full-Year Filers* | Number of Filers Taking Subtraction | Average Subtraction | Total Subtracted ($ millions) | Revenue Impact ($ millions) | Percent of Revenue Impact by Income Group |
|---|---|---|---|---|---|
| Below $19,400 | 66,230 | $290 | $19.5 | $1.6 | <1% |
| $19,400 - $40,400 | 254,190 | $1,600 | $407.9 | $34.5 | 7% |
| $40,400 - $67,700 | 321,330 | $3,720 | $1,193.9 | $102.2 | 21% |
| $67,700 - $117,800 | 357,360 | $6,070 | $2,168.3 | $187.5 | 38% |
| Above $117,800 | 276,690 | $6,700 | $1,852.9 | $162.1 | 33% |
| All Full-Year Filers | 1,275,810 | $4,420 | $5,642.5 | $487.9 | 100% |
| Part-Year and Nonresident Filers | 189,810 | $2,220 | $421.3 | $32.2 | |

**Each income group contains 20 percent of the full-year filers (approximately 376,000)*

## EVALUATION

Not evaluated.

# 1.329 MILITARY ACTIVE DUTY AND RELATED PAY

**Oregon Statute:** 316.792
**Sunset Date:** None
**Year Enacted:** 1969

| Revenue Impact | | | |
|---|---|---|---|
| | Corporation | Personal | Total |
| 2023-25 | Not Applicable | $47,200,000 | $47,200,000 |
| 2025-27 | Not Applicable | $48,100,000 | $48,100,000 |

## DESCRIPTION

Typically, military members who are Oregon residents or domiciled in Oregon may subtract qualifying military pay from Oregon taxable income.

Taxpayers may subtract all military pay for:

- Service performed outside this state in the year of initial draft or enlistment or in the year of discharge
- Service performed outside this state during any month beginning on or after August 1, 1990, and before the date designated by the President of the United States as the date of termination of combatant activities in the Persian Gulf Desert Shield area
- Service by a member of the reserve components, if:
  - The military pay is for service performed when the taxpayer is away from the home of the taxpayer overnight
  - The taxpayer is required to be away from home overnight in order to perform the service, and
  - The service is of a duration of at least 21 consecutive days, although the consecutive days need not be in the same tax year
- Service performed by a member of the Oregon National Guard while in active service of the state or on state active duty

An additional $6,000 per year can be subtracted for service not otherwise qualified in the list above. The total amount subtracted may not exceed the taxpayer's total military pay included in federal taxable income for the tax year. See 1.507, Nonresident Armed Forces for the special treatment of residency requirements for active-duty members of the military.

HB 2071 (2023) expanded the list of service to receive a full subtraction to include service performed by a member of the Oregon National Guard while in active service of the state or on state active duty.

## PURPOSE

The statutes that allow this tax expenditure do not explicitly state a purpose. According to the legislative staff revenue impact statement for HB 2171 (2015), the purpose of this subtraction "… is to provide tax relief to service members … in consideration of their work and sacrifices for their state and country."

## WHO BENEFITS

The table below shows usage of this subtraction for tax year 2022.

**2022 Personal Income Tax Filers**

| Income Group of Full-Year Filers* | Number of Filers Taking Subtraction | Average Subtraction | Total Subtracted ($ millions) | Revenue Impact ($ millions) | Percent of Revenue Impact by Income Group |
|---|---|---|---|---|---|
| Below $19,400 | 890 | $9,040 | $8.0 | $0.3 | 2% |
| $19,400 - $40,400 | 3,900 | $23,910 | $93.2 | $5.3 | 26% |
| $40,400 - $67,700 | 2,780 | $32,610 | $90.5 | $5.5 | 27% |
| $67,700 - $117,800 | 2,020 | $38,190 | $77.3 | $5.4 | 26% |
| Above $117,800 | 1,410 | $37,810 | $53.2 | $4.1 | 20% |
| All Full-Year Filers | 10,990 | $29,320 | $322.2 | $20.6 | 100% |
| Part-Year and Nonresident Filers | 1,600 | $35,220 | $56.3 | $2.5 | |

**Each income group contains 20 percent of the full-year filers (approximately 376,000)*

## EVALUATION

*Provided by the Oregon Military Department*

This tax expenditure achieves its purpose and is a valuable benefit to members of the Oregon National Guard, both Army and Air, as well as other military personnel. Although the subtraction per tax return is not a great deal of money,

it is one of few incentives the State of Oregon offers its citizen soldiers that is comparable to those offered in other states. When talking with prospective recruits or soldiers contemplating re-enlistment, the subject of state incentives frequently arises. There is merit in offering benefits that are comparable to those of other states; examples of which include free tuition to state colleges and universities, re-enlistment bonuses, free automobile licenses, free driver's licenses, and free hunting and fishing licenses. These state benefits are an inexpensive way to recognize the contributions Guard members make to their communities. They help the state recruit and retain quality soldiers and airmen and should be maintained by the State of Oregon.

## 1.330 INTEREST AND DIVIDENDS ON U.S. OBLIGATIONS

**Oregon Statute:** 316.680(1)(a)
**Sunset Date:** None
**Year Enacted:** 1970

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | $79,000,000 | $79,000,000 |
| 2025-27 | Not Applicable | $62,000,000 | $62,000,000 |

### DESCRIPTION

Interest and dividends earned on the direct obligations of the U.S. government are exempt from Oregon personal income tax. For example, the dividends or interest earned on U.S. Treasury bills, notes, bonds, and savings bonds are not taxable by state and local governments. Excluded from this provision are the debt instruments of quasi-governmental issuers like the Government National Mortgage Association and the Federal National Mortgage Association. Bonds issued by quasi-governmental issuers are not direct obligations of the U.S. government.

Interest income on state or local debt is excluded federally, and described in 1.043, Interest on Oregon State and Local Debt.

### PURPOSE

To comply with federal law prohibiting states from taxing interest and dividends on U.S. government obligations.

### WHO BENEFITS

The direct beneficiaries are taxpayers who receive income from U.S. obligations such as bonds. The table below shows usage of this subtraction for tax year 2022.

**2022 Personal Income Tax Filers**

| Income Group of Full-Year Filers* | Number of Filers Taking Subtraction | Average Subtraction | Total Subtracted ($ millions) | Revenue Impact ($ millions) | Percent of Revenue Impact by Income Group |
|---|---|---|---|---|---|
| Below $19,400 | 6,740 | $770 | $5.2 | <$0.1 | <1% |
| $19,400 - $40,400 | 6,390 | $960 | $6.2 | $0.3 | 2% |
| $40,400 - $67,700 | 8,720 | $1,320 | $11.5 | $0.8 | 5% |
| $67,700 - $117,800 | 15,820 | $1,830 | $29.0 | $2.3 | 16% |
| Above $117,800 | 33,810 | $3,430 | $116.0 | $10.7 | 76% |
| All Full-Year Filers | 71,470 | $2,350 | $167.9 | $14.1 | 100% |
| Part-Year and Nonresident Filers | 2,640 | $2,970 | $7.8 | $0.4 | |

**Each income group contains 20 percent of the full-year filers (approximately 376,000)*

### EVALUATION

*Provided by the Department of Revenue*

This expenditure achieves its purpose of compliance with federal law.

# 1.401 EMPLOYER PROVIDED SCHOLARSHIPS

**Oregon Statute:** 315.237
**Sunset Date:** 12-31-2029
**Year Enacted:** 2001

**Carryforward:** 5 years
**Refundable:** No
**Transferable:** No

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Less than $100,000 | Less than $100,000 | Less than $100,000 |
| 2025-27 | Less than $100,000 | Less than $100,000 | Less than $100,000 |

## DESCRIPTION

Qualifying employers may claim a credit against their income tax for 50 percent of the amount of scholarships funded for their employees or their employees' dependents, with a maximum credit of $50,000 per tax year. The amount each taxpayer claims in any one year may not exceed the tax liability of that taxpayer for that year. If the credit exceeds the employer's tax liability, the excess may be carried forward up to five years. To qualify, employers must have between four and 250 full-time equivalent employees and have their scholarship program and credit amount certified by the Office of Student Access and Completion within the Oregon Higher Education Coordinating Commission. There is a $1 million cap on the total amount of credits that can be certified per calendar year, and the total lifetime amount of credits an employer may claim is limited to $1 million. The credit is prorated for a nonresident taxpayer.

Legislation in 2023 (HB 2071) extended the scheduled sunset of the provision from December 31, 2025 to December 31, 2029.

## PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. According to the revenue impact statement for HB 2164 (2019), the purpose of the credit is "to encourage and leverage private money to help pay for higher education."

## WHO BENEFITS

Taxpayers with a tax liability who fund employee and dependent scholarship programs. Very few taxpayers benefit from this credit.

## EVALUATION

*Provided by the Higher Education Coordinating Commission*

This benefit encourages employers to support the postsecondary education and training of its employees by providing a tax benefit to those employers for offering postsecondary scholarships to employees. Because the majority of postsecondary students are employed while they attend school, this benefit indirectly supports the educational attainment goals of individuals and the state.

# 1.402 CONTRIBUTIONS OF COMPUTER EQUIPMENT

**Oregon Statute:** 317.151
**Sunset Date:** 12-31-2013
**Year Enacted:** 1985

**Carryforward:** 5 years
**Refundable:** No
**Transferable:** No

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Less than $100,000 | Less than $100,000 | Less than $100,000 |
| 2025-27 | Less than $100,000 | Less than $100,000 | Less than $100,000 |

## DESCRIPTION

The Contributions of Computer Equipment credit expired as of December 31, 2013. Nevertheless, there may be revenue impacts for the 2023-25 and 2025-27 biennia due to unused credit amounts carried forward to succeeding years or new credits based on agreements in place prior to the sunset. Unused credit amounts due to insufficient tax liability may be used in later years, for up to five years. A taxpayer who made a donation in the year of the sunset, 2013, may carry forward unused amounts through tax year 2018. Generally, the contribution had to be made in tax years

beginning before January 1, 2014, to qualify for the credit. However, if a written contract or agreement for donating money for scientific or engineering research was agreed upon before January 1, 2014, but the donation was given after that date, the credit is still allowed.

A credit against income taxes was allowed for contributions of any of the following to an institution of higher education, a postsecondary school, or a public school (grades K-12) in Oregon:

- Computers and scientific equipment
- An agreement for maintenance of the computers and scientific equipment
- Money given by contract or agreement for scientific or engineering research.

The credit was equal to 10 percent of the fair market value of the contribution donated. This credit is in lieu of any deduction based on the contribution. For S corporations that claim the credit, the credit is shared by the S corporation shareholders and claimed against their Oregon personal income tax.

### PURPOSE
The statute that allowed this expenditure did not explicitly state a purpose. Presumably, the purpose was to encourage donations of computers and scientific equipment to educational institutions.

### WHO BENEFITS
Very few taxpayers benefit from this credit.

### EVALUATION
Not evaluated.

## 1.403 OPPORTUNITY GRANT FUND CONTRIBUTIONS

**Oregon Statute:** 315.643
**Sunset Date:** 12-31-2022
**Year Enacted:** 2018
**Carryforward:** 3 years
**Refundable:** No
**Transferable:** No

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Available* | Not Available* | Not Available* |
| 2025-27 | Not Available* | Not Available* | Not Available* |

** In certain cases, to conform with taxpayer privacy disclosure laws, revenue numbers are not provided for tax expenditures that may affect at most a few taxpayers. This includes tax expenditures that do not currently affect any Oregon taxpayer, but could at a later date.*

### DESCRIPTION
The Opportunity Grant Fund Contributions credit expired as of December 31, 2022; however, there are revenue impacts for the 2023-25 and 2025-27 biennia due to unused tax credits carried forward to succeeding years. The last possible year to claim this credit is the tax year beginning before January 1, 2026. A credit against corporation or personal income taxes was available to taxpayers who purchase tax credits from an auction conducted by the Department of Revenue (DOR), in cooperation with the Higher Education Coordinating Commission (HECC). The proceeds of the auction went to the Opportunity Grant Fund.

DOR administered the auction process and determined the minimum bid before conducting the auction, which could not be below 90 percent of the value of the credit. Legislation in 2019 (SB 459) decreased the requirement for the minimum bid from 95 percent of the value of the credit to 90 percent. It also required the auction to be conducted no later than April 15 following December 31 of any tax year for which the credit was allowed. Legislation in 2021 (HB 2456) allowed taxpayers to either claim the credit for the tax year in which they participated in the auction or for the prior tax year, as long as they had not yet filed a tax return for the prior year. Legislation in 2023 (SB 129) sunset the Opportunity Grant Fund Contributions credit for tax years beginning on or after January 1, 2023 and allowed taxpayers to claim the credit for tax year 2023 if a taxpayer purchased credit at auction conducted on or after January 1, 2023, and before March 1, 2023. The final auction was held in February of 2023.

There was no maximum credit per taxpayer, but there was a $14 million limit on the total amount of credits that can be issued annually.

The tax credit was not transferable. The amount each taxpayer claimed in any one year could not exceed the tax liability of that taxpayer for that year. Any tax credit not used in a particular year because of insufficient tax liability could be carried forward for up to three years. A nonresident or part-year resident taxpayer could claim the credit in full, without proration.

### PURPOSE
According to the revenue impact statement for SB 1528 (2018), the purpose of the credit was to "establish an additional funding source to be used to support the Oregon Opportunity Grant program thereby expanding support to Oregon higher education students in need of financial assistance."

### WHO BENEFITS
Taxpayers with a tax liability who purchased tax credits in an auction, proceeds of which funded the Opportunity Grant Fund. At the final auctions in December 2022 and February 2023, about 140 taxpayers paid $13.2 million for tax credits with a total value of $13.8 million. According to the HECC website, more than 30,000 college students receive Opportunity Grants each year.

### EVALUATION
Not evaluated.

## 1.404 EMPLOYEE TRAINING

**Oregon Statute:** 315.523
**Sunset Date:** 12-31-2022 (see description)
**Year Enacted:** 2017

**Carryforward:** 3 years
**Refundable:** No
**Transferable:** No

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Less than $100,000 | Less than $100,000 | Less than $100,000 |
| 2025-27 | Less than $100,000 | Less than $100,000 | Less than $100,000 |

### DESCRIPTION
The Employee Training credit expired as of December 31, 2022; however, there are revenue impacts for the 2023-25 and 2025-27 biennia due to unused tax credits carried forward to succeeding years. A credit was allowed against personal or corporation income taxes to a taxpayer who was located in a qualifying county and who established and implemented an employee training program in collaboration with a local community college. The credit allowed was 12 percent of the taxpayer's expenses to establish and implement the training program. The amount each taxpayer claimed in any one year could not exceed the tax liability of that taxpayer for that year. If the credit exceeded the employer's tax liability, the excess could be carried forward up to three years.

Only Klamath County was a qualifying county, which was defined as one with population greater than 60,000 but less than 80,000 that:

- was located entirely outside of the Portland Metropolitan Area Regional Urban Growth Boundary (UGB) and UGBs of cities with more than 30,000 in population
- had an annual economic development budget of $500,000 or greater
- had an unemployment rate at least 1.5 percentage points greater than the comparable statewide unemployment rate
- was party to an agreement with an institute of higher education to coordinate efforts to promote enterprise throughout the county

- was the site of a base or installation of the Armed Forces of the United States that employed at least 750 civilian and military personnel, and
- had access to internet service with the minimum connection speed required to effectively conduct electronic commerce.

Because the legislation enacting this statute did not explicitly provide a period of applicability for this tax expenditure, ORS 315.037(2) established that this tax credit shall apply for a maximum of six years beginning with the initial applicable tax year. In this case, the last applicable tax year is 2022 with carryforward available through 2025.

### PURPOSE
The statute that allowed this expenditure did not explicitly state a purpose. Presumably, the purpose was to encourage employers to collaborate with community colleges to offer employee training programs.

### WHO BENEFITS
Individuals or businesses implementing employee training programs in qualified counties. Very few taxpayers benefited from this credit.

### EVALUATION
Not evaluated.

## 1.405 CONTRIBUTIONS TO 529 ACCOUNT

**Oregon Statute:** 315.650
**Sunset Date:** 12-31-2029
**Year Enacted:** 2019

**Carryforward:** No
**Refundable:** Yes
**Transferable:** No

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | $17,600,000 | $17,600,000 |
| 2025-27 | Not Applicable | $17,600,000 | $17,600,000 |

NOTE: The revenue impact estimate includes both the portion used to reduce tax liability, and the portion paid directly to taxpayers.

### DESCRIPTION
A credit may be claimed against personal income taxes for contributions made to an Oregon 529 College Savings Network account for higher education. The amount of the credit allowed is limited based on the taxpayer's adjusted gross income (AGI) and is the lesser of $180 ($360 for a joint return) in 2024, adjusted annually for inflation, or the following:

| AGI Limit | Credit Amount |
|---|---|
| Less than $30,000 | 100% of contribution |
| $30,000 to $70,000 | 50% of contribution |
| $70,000 to $100,000 | 25% of contribution |
| $100,000 to $250,000 | 10% of contribution |
| $250,000 or more | 5% of contribution |

The credit is refundable. To the extent that the credit exceeds a taxpayer's liability (reduced by any nonrefundable credits), the taxpayer receives a payment for the excess.

The proceeds of Oregon 529 College Savings Network accounts are meant to be used to pay higher education related expenses for a designated beneficiary. Total contributions to these accounts are allowed up to the amount necessary to cover the qualified higher education expenses of the beneficiary or limits specified by the Oregon 529 Savings Board.

The revenue impact above includes only the impact of the state allowed credit for contributions. Under federal law, contributions to these accounts are not tax deductible. However, earnings on contributions and qualifying distributions from the accounts are excluded from federal tax. The revenue impact and complete description of federal tax benefits

applicable to Oregon 529 College Savings Network accounts are detailed in tax expenditure 1.002, Qualified Education Savings (Federal).

This credit replaces the corresponding subtraction, 1.301, Oregon 529 College Savings Network, which sunset December 31, 2019.

Legislation in 2023 (HB 2071) extended the scheduled sunset of the provision from December 31, 2025 to December 31, 2029.

## PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. According to the revenue impact statement for HB 2164 (2019), the purpose is "to provide families and individuals a tool with which to begin saving for higher education expenses thereby encouraging individuals to commit to continuing their education beyond high school. Policy intent of restructuring tax subtraction as a refundable credit is to make tax incentive more available to families and individuals of more modest means."

## WHO BENEFITS

The table below shows usage of this credit for tax year 2022:

**2022 Personal Income Tax Filers**

| Income Group of Full-Year Filers* | Number of Filers Using Credit | Average Revenue Impact of Credit | Revenue Impact ($ millions) | Percent of Revenue Impact by Income Group |
|---|---|---|---|---|
| Below $19,400 | 1,030 | $180 | $0.2 | 2% |
| $19,400 - $40,400 | 930 | $190 | $0.2 | 2% |
| $40,400 - $67,700 | 2,150 | $190 | $0.4 | 5% |
| $67,700 - $117,800 | 7,200 | $180 | $1.3 | 15% |
| Above $117,800 | 30,170 | $210 | $6.5 | 76% |
| All Full-Year Filers | 41,470 | $210 | $8.5 | 100% |
| Part-Year and Nonresident Filers | 1,260 | $110 | $0.1 | |

**Each income group contains 20 percent of the full-year filers (approximately 376,000)*

Since this is a refundable credit, the full amount of credits claimed can be used, even if the taxpayer has little or no tax liability. Of the approximately $8.6 million claimed for 2022, $8.3 million was used to reduce tax liability, while the remaining $0.3 million exceeded tax liability and was paid directly to taxpayers.

## EVALUATION

*Provided by the Higher Education Coordinating Commission*

This tax expenditure is a fiscally effective method of achieving its purpose, which is to reduce the cost of higher education. With more than one-third of Oregon students having estimated resources that do not cover their cost of attendance, even after accounting for family and financial aid contributions, this allows families to save ahead to meet educational expenses. This is particularly important going forward as the fastest growing component of the cost of attendance is housing and related costs, which these contributions can be used to pay for. The greatest revenue impact occurs for families with higher incomes, and this is consistent with HECC analysis showing that families' and students' contributions cover nearly all of the cost of attendance for students from middle and higher income backgrounds.

# 1.406 EARNED INCOME CREDIT

**Oregon Statute:** 315.266
**Sunset Date:** 12-31-2025
**Year Enacted:** 1997

**Carryforward:** No
**Refundable:** Yes
**Transferable:** No

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | $106,000,000 | $106,000,000 |
| 2025-27 | Not Applicable | $54,300,000 | $54,300,000 |

NOTE: The revenue impact estimate includes both the portion used to reduce tax liability, and the portion paid directly to taxpayers. The revenue impact estimate includes the effect of the sunset.

## DESCRIPTION

Taxpayers eligible for the federal earned income tax credit (EITC), a refundable federal income tax credit for low-income working individuals and families, may claim an Oregon income tax credit equal to 9 percent of the federal credit. For taxpayers with at least one dependent under the age of three, the Oregon income tax credit increases to 12 percent of the federal EITC. Legislation in 2021 (HB 2433) expanded qualification for the credit starting in tax year 2022 by allowing resident and nonresident individuals to claim the credit using their Individual Taxpayer Identification Number (ITIN) in lieu of a Social Security Number, as required for the federal credit. To determine the amount of their Oregon credit, these taxpayers compute the amount of federal EITC they would qualify for but for the ITIN limitation and multiply that amount by the appropriate Oregon credit rate (9 percent or 12 percent).

Like the federal credit, the Oregon tax credit is also a refundable credit. To the extent that the state credit exceeds a taxpayer's liability (reduced by any nonrefundable credits), the taxpayer receives a payment for the excess.

The federal EITC varies based on a taxpayer's "earned" income (generally wages and certain types of self-employment income). Specifically, the federal EITC equals a fixed percentage of earned income until reaching a maximum amount. The credit then remains at this maximum amount over a subsequent range of earned income. The credit then decreases with earned income until the point when the credit becomes zero for incomes above a certain threshold. The income breakpoints and maximum credit depend on filing status and number of qualifying children. For tax year 2024, the maximum federal EITC for a taxpayer without children is $632. In contrast, the maximum credit for a taxpayer with one child is $4,213, with two children is $6,960, and with three or more children is $7,830. For married filing jointly taxpayers with three or more children, they cannot claim the credit if they a have an adjusted gross income above $66,819. For single taxpayers and taxpayers with two or fewer children the threshold income is less.

At inception, the Oregon credit was 5 percent of the federal earned income tax credit. In 2006, the Oregon credit became refundable. In 2008, the Oregon credit increased to 6 percent of the federal credit and further increased to 8 percent in 2014. Beginning with tax year 2017, the Oregon credit increased to 11 percent of the federal credit for taxpayers with a dependent under the age of three. Legislation in 2019 (HB 2164) increased the Oregon credit from 8 percent to 9 percent of the federal credit and, for taxpayers with a dependent under the age of three, from 11 percent to 12 percent. The same legislation extended the scheduled sunset of the Oregon earned income credit to December 31, 2025.

## PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for HB 2164 (2019), the purpose of the credit is "to increase the spendable income of low-income working families by offsetting state income taxes, thereby encouraging low wage earners to enter the labor force or earn more if already part of the labor force." The legislative staff revenue impact statement for HB 2433 stated that the purpose of the expansion was "to make the earned income tax credit more equitable by eliminating the distinction between taxpayers filing with a Social Security Number and those filing with an Individual Taxpayer Identification Number."

## WHO BENEFITS

The table below shows usage of this credit for tax year 2022, including filers using an ITIN to claim the credit.

**2022 Personal Income Tax Filers**

| Income Group of Full-Year Filers* | Number of Filers Using Credit | Average Revenue Impact of Credit | Revenue Impact ($ millions) | Percent of Revenue Impact by Income Group |
|---|---|---|---|---|
| Below $19,400 | 107,050 | $160 | $16.8 | 39% |
| $19,400 - $40,400 | 72,200 | $320 | $22.9 | 53% |
| $40,400 - $67,700 | 27,590 | $120 | $3.3 | 8% |
| $67,700 - $117,800 | 0 | $0 | $0.0 | 0% |
| Above $117,800 | 0 | $0 | $0.0 | 0% |
| All Full-Year Filers | 206,840 | $210 | $43.0 | 100% |
| Part-Year and Nonresident Filers | 23,070 | $130 | $2.9 | |

**Each income group contains 20 percent of the full-year filers (approximately 376,000)*

Since this is a refundable credit, the full amount of credits claimed can be used, even if the taxpayer has little or no tax liability. Of the approximately $45.9 million claimed for 2022, $25.8 million was used to reduce tax liability, while the remaining $20.1 million exceeded tax liability and was paid directly to taxpayers.

## EVALUATION

*Provided by the Oregon Department of Human Services*

Research has shown that providing cash to families can reduce the number of children living in poverty. A study from the U.S. Department of Health and Human Services found that children living in poverty are at seven times higher risk for neglect, three times higher risk for physical abuse and two times higher risk for sexual abuse. By giving cash refunds to families, the federal Earned Income Tax Credit (EITC) and Oregon (EIC) can reduce a family's chance of entering the child welfare system by reducing the risk of neglect and abuse.

Together, the EITC and the Oregon EIC can be a significant support to families, but many Oregonians don't receive it because they do not file a return. The IRS estimates that for tax year 2020, Oregon had the lowest EITC participation rate of eligible residents compared to other states. Roughly one out of every three eligible residents did not file for the EITC and thus did not receive either the federal or the state credit for 2020. Filing for 2020 occurred in early 2021 at the height of the pandemic, so a low rate of participation is to be expected, but Oregon has consistently been in the bottom half of the country for EITC uptake every year.

Electronic filing virtually ensures that taxpayers receive the tax credits that they are eligible for when they file. Lack of access to technology, questions about tax forms and rules, fear of making a mistake and the inability to afford tax preparation assistance prevent many Oregonians from filing. Access to free tax preparation assistance is critical to ensuring that Oregonians receive valuable tax credits like the Oregon EIC.

# 1.407 CHILD WITH A DISABILITY

**Oregon Statute:** 316.099(3)
**Sunset Date:** 12-31-2027
**Year Enacted:** 1985

**Carryforward:** No
**Refundable:** No
**Transferable:** No

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | $8,700,000 | $8,700,000 |
| 2025-27 | Not Applicable | $8,700,000 | $8,700,000 |

## DESCRIPTION

For taxpayers with adjusted gross income that does not exceed $100,000, an additional exemption credit is allowed for each qualifying dependent child who is disabled. The adjusted gross income limits are not adjusted for inflation. The amount of the exemption credit (and hence the child with a disability credit) is indexed each year to account for

inflation and is prorated for nonresidents and part-year residents. The credit is $249 in 2024. This credit is in addition to 1.443, Personal Exemption.

"Child with a disability" is defined in statute as a dependent child who is eligible for early intervention services, or who is diagnosed for special education purposes as being intellectually disabled, multi-disabled, visually impaired, hearing impaired, deaf-blind, orthopedically impaired, other health impaired, or as having autism, emotional disturbance or traumatic brain injury, in accordance with State Board of Education rules.

Use of this program has been expanded by the federal Americans with Disabilities Act, as well as a tax court decision allowing the credit for nonresident dependents diagnosed and educated in other states.

Prior to 2013, there were no adjusted gross income limits for the additional personal exemption credit for a dependent child with a qualifying disability. In 2013, the Legislature eliminated all personal exemption credits, including any credit claimed for a child with a disability, for joint filers with adjusted gross income above $200,000, and for single filers with adjusted gross income above $100,000. In 2014, the Legislature reinstated the additional personal exemption credits for dependent disabled children for high income taxpayers, retroactive to tax year 2013, but in 2015 (HB 2171) limited this credit to taxpayers with adjusted gross income that does not exceed $100,000 regardless of filing status.

Legislation in 2021 (HB 2433) extended the sunset of the credit for a child with a disability to December 31, 2027.

## PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for HB 2433 (2021) the purpose is, "to provide financial relief and offset costs associated with a child's disability."

## WHO BENEFITS

The table below shows usage of this credit for tax year 2022.

**2022 Personal Income Tax Filers**

| Income Group of Full-Year Filers* | Number of Filers Using Credit | Average Revenue Impact of Credit | Revenue Impact ($ millions) | Percent of Revenue Impact by Income Group |
|---|---|---|---|---|
| Below $19,400 | 3,160 | $30 | $0.1 | 3% |
| $19,400 - $40,400 | 4,710 | $220 | $1.1 | 30% |
| $40,400 - $67,700 | 5,130 | $260 | $1.3 | 38% |
| $67,700 - $117,800 | 3,850 | $260 | $1.0 | 29% |
| Above $117,800 | 0 | $0 | $0.0 | 0% |
| All Full-Year Filers | 16,850 | $210 | $3.5 | 100% |
| Part-Year and Nonresident Filers | 1,230 | $120 | $0.1 | |

**Each income group contains 20 percent of the full-year filers (approximately 376,000)*

## EVALUATION

*Provided by the Oregon Department of Human Services*

This tax expenditure achieves its purpose and is of greatest assistance to those people who are at the margin of needing state assistance. It allows for greater disposable income to meet the more costly needs of children with disabilities. This tax expenditure is well targeted and provides the recipients with valuable financial assistance that alleviates or prevents the reliance on direct state services. As a result, this tax credit saves the state more than it costs.

# 1.408 RURAL MEDICAL PRACTICE

**Oregon Statute:** 315.613, 315.616, and 315.619
**Sunset Date:** 12-31-2027 (new); 01-01-2037 (continuing)
**Year Enacted:** 1989

**Carryforward:** No
**Refundable:** No
**Transferable:** No

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | $11,800,000 | $11,800,000 |
| 2025-27 | Not Applicable | $11,000,000 | $11,000,000 |

## DESCRIPTION

A nonrefundable credit of up to $5,000 against personal income taxes is allowed to certain rural medical providers. Eligible providers include physicians, dentists, podiatrists, optometrists, physician associates, certified registered nurse anesthetists, and nurse practitioners. Providers must be certified by the Office of Rural Health.

To qualify, providers must care for patients in a qualifying rural area for at least 20 hours per week, averaged over the month. They must also be willing to serve patients with Medicare coverage and patients receiving medical assistance in at least the same proportion as the proportion of Medicare and medical assistance populations in the county where they practice, up to 20 percent for Medicare patients or 15 percent for medical assistance patients. Other requirements for eligibility vary by type of provider.

The tax credit amount is based on the distance a provider's practice or hospital membership is from a major population center of 40,000 or more:

- If at least 10 miles but fewer than 20 miles, $3,000
- If at least 20 miles but fewer than 50 miles, $4,000
- If 50 or more miles, $5,000.

Currently, there are seven such major population centers in Oregon: the Portland area, Salem, Eugene/Springfield, Medford, Grants Pass, Bend, and Corvallis/Albany.

The total credit amount awarded by the Office of Rural Health is based on the distances outlined above and the number of months during the year that the practitioner maintains the rural practice. If the practice is maintained for fewer than 12 months, the Office of Rural Health prorates the credit accordingly. For nonresidents and part-year residents, the credit is also prorated.

Legislation in 2017 (HB 2066) placed an income cap on those eligible for the credit. Starting with tax year 2018, only taxpayers with income less than $300,000 qualify for the credit. Exempted from the income cap, however, are physicians who practice as general surgeons, specialize in obstetrics, or specialize in family or general practice and also provide obstetrical services. In 2021 (HB 2433), legislation expanded the income cap exemption to also include physicians who specialize in family or general practice and also practice emergency medicine in a county that is a frontier rural practice county.

Legislation in 2017 also added a lifetime 10-year limit starting on or after tax year 2018.

Legislation in 2019 (HB 2847) expanded the categories of hospitals in which practicing medical providers can qualify for the credit, including rural referral centers and sole community hospitals as defined by the Centers for Medicare and Medicaid Services. According to the revenue impact statement prepared by staff for this legislation, the expansion was intended to include the Sky Lakes Medical Center in Klamath Falls as a qualifying hospital.

Legislation in 2021 (HB 2433) extended the sunset for this tax credit to December 31, 2027. Providers who are eligible for the credit in 2027 may claim the credit for any tax year that begins on or before January 1, 2037.

## PURPOSE

The statutes that allow this expenditure do not explicitly state a purpose. According to the revenue impact statement prepared by legislative staff for HB 2433 (2021), "the policy purpose of this credit is to support the recruitment and retention of certain medical professionals in rural areas, thereby improving access in rural areas to such health care providers."

## WHO BENEFITS

Medical professionals who qualify for this tax credit. For the 2023 tax year, nearly 1,900 practitioners were certified by the Office of Rural Health for the credit. The table below shows usage of this credit for tax year 2022.

**2022 Personal Income Tax Filers**

| Income Group of Full-Year Filers* | Number of Filers Using Credit | Average Revenue Impact of Credit | Revenue Impact ($ millions) | Percent of Revenue Impact by Income Group |
|---|---|---|---|---|
| Below $19,400 | <10 | $20 | <$0.1 | <1% |
| $19,400 - $40,400 | <10 | $880 | <$0.1 | <1% |
| $40,400 - $67,700 | 30 | $2,550 | <$0.1 | <1% |
| $67,700 - $117,800 | 140 | $3,850 | $0.5 | 9% |
| Above $117,800 | 1,230 | $4,220 | $5.2 | 90% |
| All Full-Year Filers | 1,400 | $4,110 | $5.8 | 100% |
| Part-Year and Nonresident Filers | 190 | $2,290 | $0.4 | |

**Each income group contains 20 percent of the full-year filers (approximately 376,000)*

## EVALUATION

*Provided by the Office of Rural Health*

This tax credit was created to attract and retain practitioners in rural and frontier Oregon, thereby improving access to care for rural Oregonians. Past surveys conducted by the Office of Rural Health (ORH) indicate that rural practitioners value the tax credit more as a retention tool than a recruitment tool. A 2016 study mandated by HB 3396 (2015) examined a subset of tax credit recipients - those who are also National Health Service Corps (NHSC) providers. That study found that 67.5 percent of primary care NHSC providers who also received the tax credit continued to practice in primary care HPSA areas in Oregon one year after completion of their NHSC obligation, while the retention rate for primary NHSC providers who did not receive the tax credit was 61.4 percent. The difference in the retention rates two years after the completion of NHSC obligation is even greater: 53.6 percent among tax credit recipients versus 43.3 percent among non-recipients. ORH administers one state (Oregon Health Care Provider Loan Repayment) and one additional federal loan (Oregon Partnership Loan Repayment) repayment program to increase recruitment to rural and frontier communities. The tax credit program works in conjunction with these programs to retain providers beyond service obligations. In tax year 2023, ORH certified 1,898 providers as eligible for the tax credit. Of those, 604 were MDs, 117 DOs, 601 NPs, and 414 PAs.

# 1.409 VOLUNTEER RURAL EMERGENCY MEDICAL PROVIDERS

**Oregon Statute:** 315.622
**Sunset Date:** 12-31-2027
**Year Enacted:** 2005

**Carryforward:** No
**Refundable:** No
**Transferable:** No

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | $100,000 | $100,000 |
| 2025-27 | Not Applicable | $100,000 | $100,000 |

## DESCRIPTION

A nonrefundable credit of $250 (not adjusted for inflation) against personal income taxes is allowed to certain rural emergency medical service providers certified by the Office of Rural Health. They cannot carry forward any unused portion. The amount of the credit is prorated for nonresidents and part-year residents. To receive the credit, at least 20 percent of the services provided by the emergency medical service provider must be volunteer hours spent in a qualifying rural area. For this provision, rural means any area at least 25 miles from a city with a population of 30,000 or more. Two joint personal income taxpayers can each qualify for and claim the credit for a total of $500 per return, if applicable.

Legislation in 2023 (HB 2071) extended the scheduled sunset of the provision from December 31, 2025 to December 31, 2027.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for HB 2164 (2019), the purpose is "To help defray the out of pocket costs of rural volunteer providers of emergency medical services."

### WHO BENEFITS
Certified emergency medical providers who volunteer at least 20 percent of their services in rural areas.

For tax year 2022, over 200 personal income tax filers saved an average of about $250 using this credit.

### EVALUATION
*Provided by the Office of Rural Health*

Rural volunteer EMTs must pay for the cost of training and certification out of their own pockets, which has made the recruitment and retention of rural volunteer EMTs difficult. The EMT Tax Credit program was designed to assist rural volunteer EMTs by offsetting those costs and increasing the retention of trained health care professionals. While the Office of Rural Health has not done a formal evaluation of this program, the office does believe it is an effective program and should be continued. For tax years 2022 and 2023, respectively, the Office of Rural Health certified 350 and 321 rural, volunteer EMTs for this tax credit.

## 1.410 SEVERE DISABILITY

**Oregon Statute:** 316.758
**Sunset Date:** 12-31-2027
**Year Enacted:** 1985

**Carryforward:** No
**Refundable:** No
**Transferable:** No

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | $7,800,000 | $7,800,000 |
| 2025-27 | Not Applicable | $7,800,000 | $7,800,000 |

### DESCRIPTION
An exemption credit is allowed for nondependent taxpayers with severe disabilities and federal adjusted gross income that does not exceed $100,000. Two exemptions may be claimed on a joint return if both spouses qualify. The adjusted gross income limit is not adjusted for inflation. The amount of the exemption credit (and hence the severe disability credit) is indexed each year to account for inflation and is prorated for nonresidents and part-year residents. The credit is $249 in 2024. This credit is in addition to 1.443, Personal Exemption.

Severe disability is defined by any of the following:

- The loss of use of one or more lower extremities
- The loss of use of both hands
- Permanent blindness
- A physical or mental condition that limits the abilities of the person to earn a living, maintain a household, or provide personal transportation without employing special orthopedic or medical equipment or outside help.

Legislation enacted in 2021 (HB 2433) extended this credit's sunset, stating that the credit may not be claimed for tax years beginning after December 31, 2027.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for HB 2433 (2021), the purpose of this credit is "… provide financial relief and offset costs associated with a taxpayer's disability."

### WHO BENEFITS

The table below shows usage of this credit for tax year 2022.

**2022 Personal Income Tax Filers**

| Income Group of Full-Year Filers* | Number of Filers Using Credit | Average Revenue Impact of Credit | Revenue Impact ($ millions) | Percent of Revenue Impact by Income Group |
|---|---|---|---|---|
| Below $19,400 | 9,890 | $50 | $0.5 | 15% |
| $19,400 - $40,400 | 6,110 | $160 | $1.0 | 27% |
| $40,400 - $67,700 | 5,620 | $190 | $1.1 | 30% |
| $67,700 - $117,800 | 4,710 | $210 | $1.0 | 27% |
| Above $117,800 | 0 | $0 | $0.0 | 0% |
| All Full-Year Filers | 26,330 | $140 | $3.6 | 100% |
| Part-Year and Nonresident Filers | 1,810 | $90 | $0.2 | |

**Each income group contains 20 percent of the full-year filers (approximately 376,000)*

### EVALUATION

*Provided by the Oregon Department of Human Services*

This tax expenditure appears to achieve its purpose. It increases disposable income for eligible individuals. While a tax credit is clearly beneficial, there is a concern that those who qualify for this credit may not earn sufficient income to fully utilize it.

## 1.411 CONTRIBUTIONS TO ABLE ACCOUNT

**Oregon Statute:** 315.650
**Sunset Date:** 12-31-2029
**Year Enacted:** 2019

**Carryforward:** No
**Refundable:** Yes
**Transferable:** No

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | $600,000 | $600,000 |
| 2025-27 | Not Applicable | $600,000 | $600,000 |

NOTE: The revenue impact estimate includes both the portion used to reduce tax liability, and the portion paid directly to taxpayers.

### DESCRIPTION

A credit may be claimed against personal income taxes for contributions made to an Oregon ABLE (Achieving a Better Life Experience) account. The amount of the credit allowed is limited based on the taxpayer's adjusted gross income (AGI) and is the lesser of $180 ($360 for a joint return) for 2024, adjusted annually for inflation, or the following:

| AGI Limit | Credit Amount |
|---|---|
| Less than $30,000 | 100% of contribution |
| $30,000 to $70,000 | 50% of contribution |
| $70,000 to $100,000 | 25% of contribution |
| $100,000 to $250,000 | 10% of contribution |
| $250,000 or more | 5% of contribution |

The credit is a refundable credit. To the extent that the credit exceeds a taxpayer's liability (reduced by any nonrefundable credits), the taxpayer receives a payment for the excess.

The proceeds of Oregon ABLE accounts are meant to be used to pay qualified disability expenses of the designated beneficiary, including education, housing, transportation, employment training and support, health care, and financial management. Individuals diagnosed with a disability before the age of 26 (age 46 after 2025) are eligible for an Oregon ABLE Savings Plan account. Up to $100,000 can be saved within an ABLE account without the assets affecting federal and state benefits, and up to the gift tax exemption limit ($18,000 in 2024) can be contributed annually.

In addition, the 2017 Tax Cuts and Jobs Act (TCJA) temporarily increased the allowable contribution for tax years 2018 through 2025. Above and beyond the standard annual contribution limit mentioned previously, an eligible employed designated beneficiary is allowed to contribute an additional amount up to the lower of the prior year's poverty level for a household of one or the beneficiary's compensation in the tax year.

The revenue impact above includes only the impact of the state-allowed credit for contributions. Under federal law, contributions to these accounts are not tax deductible. However, qualifying distributions and earnings on contributions are excluded from federal and state taxable income. The Joint Committee on Taxation considers the federal tax expenditure to be quantitatively *de minimis*. As such, the federal tax expenditure is listed in the "Other Federal Provisions" section of this report.

This credit replaces the corresponding subtraction, 1.306, ABLE Account Contributions, which sunset December 31, 2019.

## PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for HB 2164 (2019), the purpose is "to help people with disabilities to save money for necessary expenses to meet the challenges of life."

## WHO BENEFITS

The table below shows usage of this credit for tax year 2022.

**2022 Personal Income Tax Filers**

| Income Group of Full-Year Filers* | Number of Filers Using Credit | Average Revenue Impact of Credit | Revenue Impact ($ millions) | Percent of Revenue Impact by Income Group |
|---|---|---|---|---|
| Below $19,400 | 580 | $150 | <$0.1 | 37% |
| $19,400 - $40,400 | 120 | $150 | <$0.1 | 8% |
| $40,400 - $67,700 | 90 | $170 | <$0.1 | 7% |
| $67,700 - $117,800 | 180 | $190 | <$0.1 | 15% |
| Above $117,800 | 370 | $220 | <$0.1 | 34% |
| All Full-Year Filers | 1,340 | $180 | $0.2 | 100% |
| Part-Year and Nonresident Filers | 40 | $140 | <$0.1 | |

**Each income group contains 20 percent of the full-year filers (approximately 376,000)*

## EVALUATION

*Provided by the Oregon Department of Human Services*

Oregon ABLE is incredibly important for people with disabilities to be able to save money for unexpected expenses, long-term expenses such as a down payment on a vehicle, or home, etc. Currently, with federal requirements to remain connected to Social Security or Medicaid (critical to access health and safety services such as attendant care, medical, etc.) a person with a disability can only save up to $2,000 *at a time*. Meaning, once they save $2,000 to go towards unexpected expenses, a home, etc. they must immediately stop saving because excess of that will put them at risk of losing benefits. This makes it nearly impossible for people with disabilities to live as independently as possible, or step down from Medicaid services. As noted above, ABLE allows individuals to save more, which makes investing (like anyone else in Oregon) possible. The tax benefit allows individuals, parents, grandparents, etc. to contribute for their children, as well. Overall, this program has changed lives and expectations for people with disabilities in Oregon and should continue.

# 1.412 OREGON KIDS CREDIT

**Oregon Statute:** 315.273
**Sunset Date:** 12-31-2028
**Year Enacted:** 2023 (HB 3235)

**Carryforward:** No
**Refundable:** Yes
**Transferable:** No

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | $78,100,000 | $78,100,000 |
| 2025-27 | Not Applicable | $79,600,000 | $79,600,000 |

NOTE: The revenue impact estimate includes both the portion used to reduce tax liability, and the portion paid directly to taxpayers.

## DESCRIPTION

As of tax year 2023, a refundable personal income tax credit is allowed for low-income families with qualifying children and modified adjusted gross income below $30,000. Modified adjusted gross income is Oregon income after additions and subtractions plus any losses deducted on the federal return that exceed $20,000. The tax credit is equal to $1,000 per qualifying child under the age of six at the close of the tax year. The number of qualifying children is limited to no more than five per taxpayer. The credit phases out proportionally for taxpayers with qualifying income between $25,000 and $30,000. Starting with tax year 2024, the phaseout thresholds and credit amount will be adjusted for inflation. The credit cannot be claimed by taxpayers filing as married filing separately. The amount of the credit is prorated for nonresidents and part-year residents.

## PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for HB 3235 (2023), the purpose "is to decrease childhood poverty in Oregon, understanding that early childhood investments can be particularly effective in increasing the lifetime well-being of an individual."

## WHO BENEFITS

Low-income taxpayers with qualifying children under age six.

## EVALUATION

*Provided by the Oregon Department of Human Services*

This is a new credit that is available to very low-income families. In fact, the credit is available even if the taxpayer has no taxable income. It is also available to families who are not eligible for a Social Security Number because of their immigration status. Data pulled from the Oregon Health Plan database estimates that about 80,000 families were eligible for this credit in tax year 2023. To date, only about half of those families, filed and received the credit.

The dollar value of this credit is high and significantly impacts the financial position of eligible families, particularly when the credit supplements the EITC, the Oregon EIC and the Child Tax Credit. Sometimes, however, the taxpayer's income is so low that they are not eligible for the Child Tax Credit, or they don't have earned income for the EITC, so this is only credit they receive. This general applicability generously fills some gaps in the tax code that otherwise exclude needy families.

Unfortunately, many of the families that are eligible to receive the credit do not file tax returns, either because they do not have a filing requirement or because they need assistance to obtain an Individual Taxpayer Identification Number (ITIN) from the IRS in order to file. And for those families that do file, they often pay a provider $400 to file their return, reducing the full benefit of the credit. Access to free tax preparation assistance statewide is critical to ensuring that the full amount of this important and valuable credit reaches all eligible families.

## 1.413 FARMWORKER HOUSING LENDER'S CREDIT

**Oregon Statute:** 317.147
**Sunset Date:** 12-31-2013
**Year Enacted:** 1989

**Carryforward:** No
**Refundable:** No
**Transferable:** Yes

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Less than $100,000 | Less than $100,000 | Less than $100,000 |
| 2025-27 | $0 | $0 | $0 |

### DESCRIPTION

The farmworker housing lender's credit expired as of December 31, 2013; however, there can be revenue impact for the 2023–25 biennium due to possible tax credits being claimed for up to a ten-year period. The last possible year to claim this credit is the tax year beginning before January 1, 2024. A credit against corporation income taxes was allowed for lending institutions financing construction or rehabilitation of farmworker housing projects. The credit equaled 50 percent of the interest income earned during the year on loans to finance the direct costs associated with constructing or rehabilitating farmworker housing. For S corporations that claimed the credit, the credit was shared by the S corporation shareholders and claimed against their Oregon personal income tax.

The lender must have received certification from the borrower that upon completion the project will comply with all health and safety standards. The housing must have been located in Oregon and the interest rate on the loan cannot have been above 13.5 percent. The credit could be claimed over the term of the loan or for ten years, whichever was less, and applied to the loans made on or after January 1, 1990.

If a lending institution sold a qualifying loan, the right to claim the credit was passed on to the buyer provided the same conditions were offered to the borrower. The selling bank retained the right to claim the credit if it continued to service the loan.

### PURPOSE

The statute that allowed this expenditure does not explicitly state a purpose. Presumably, the purpose was to promote construction and rehabilitation of safe and healthful housing for farm workers.

### WHO BENEFITS

Very few taxpayers benefit from the credit.

### EVALUATION

Not evaluated.

## 1.414 AGRICULTURE WORKFORCE HOUSING CONSTRUCTION

**Oregon Statute:** 315.164
**Sunset Date:** 12-31-2031
**Year Enacted:** 1989

**Carryforward:** 9 years
**Refundable:** No
**Transferable:** Yes

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | $5,500,000 | $1,800,000 | $7,300,000 |
| 2025-27 | $7,100,000 | $2,900,000 | $10,000,000 |

### DESCRIPTION

A credit against corporation or personal income taxes is allowed for construction, rehabilitation, or acquisition of agriculture workforce housing in Oregon. The credit is 50 percent of the eligible costs for housing projects and may be taken for the tax year in which the project is completed or in any of the nine tax years succeeding the tax year in which the project is completed. The maximum allowable credit claimed by a taxpayer for any one tax year cannot exceed 20 percent of the total allowable credit. Taxpayer eligibility for the credit is determined by Oregon Housing and Community Services Department (OHCS).

Legislation in 2021 (HB 2433) increased the existing limit on eligible agriculture workforce housing construction tax credits from $7.25 million to no more than $16.75 million in total potential credits claimed per biennium, effective July 1, 2021.

The agriculture workforce housing must meet certain qualifications for the taxpayer to be eligible for the credit. Rehabilitation projects must restore housing to a condition that meets building code requirements. Agriculture workforce housing must also be registered, if required, as an agriculture workforce camp with the Department of Consumer and Business Services. The housing units for which the credit is being claimed must be occupied by agricultural workers.

Any portion of the credit allowed in a given tax year exceeding the taxpayer's tax liability may be carried forward for up to nine years. A taxpayer eligible to claim the credit may transfer the entire amount of the credit to another taxpayer who contributed to the project. In the case of a transfer, the credit is still taken for the tax year in which the project is completed or in any of the nine tax years succeeding the tax year in which the project is completed.

Legislation in 2023 (HB 2071) extended the sunset of this tax credit program to December 31, 2031. A credit may not be claimed for agriculture workforce housing projects completed in tax years beginning on or after January 1, 2032.

## PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for HB 2164 (2019), the purpose of this credit is "to provide support for the construction or rehabilitation of agriculture workforce housing thereby supporting the goal of ensuring adequate agricultural labor housing through a collaboration of the public, private, and nonprofit sectors."

## WHO BENEFITS

For tax year 2022, 18 personal income taxpayers (including S corporation taxpayers) saved on average $15,000 in Oregon tax using this credit. For tax year 2021, 13 corporate taxpayers saved on average almost $185,000 in Oregon tax using this credit.

## EVALUATION

*Provided by the Oregon Housing and Community Services Department*

This expenditure achieves the purpose of promoting construction and rehabilitation of safe and healthy housing for agriculture workers. Recent progress in developing adequate housing for Oregon's agriculture worker population is due in large part to the availability of the agriculture worker housing development tax credits. If the tax expenditure were eliminated, financing of community based agriculture worker housing would be impeded and a primary incentive to improve or construct onsite housing would be eliminated. Major supporters of better agriculture worker housing include migrant health clinics that see the effects of unsanitary conditions. This concern has only become more present in light of the COVID-19 pandemic.

The availability of agriculture worker housing enhances the health of Oregon's agricultural industry, benefiting workers and growers alike. This industry must compete on a regional, national, and international basis for its labor force. It can be argued that to remain competitive in this market, Oregon must continue its efforts to improve the supply of decent and affordable housing for its farm labor force. Because agriculture is a major Oregon industry, with gross sales totaling $5.48 billion in 2012, and because crops dependent on the labor of agriculture workers account for over one-third of this amount, the impact on Oregon's economy is significant.

There are several direct spending programs, both at the state level and at the national level, that are used to develop affordable housing. This tax credit integrates well with these programs, since a chief factor in the award of funds under the other programs is the ability to match those funds. The availability of the agriculture worker tax credit allows Oregon to compete particularly well for federal dollars. Of significance are the USDA Rural Development 514 and 516 programs designated for agriculture worker housing. Before the advent of the agriculture worker housing development tax credit, Oregon's usage of U.S. Department of Agriculture labor housing fund was almost nonexistent.

# 1.415 FILM PRODUCTION DEVELOPMENT CONTRIBUTIONS

**Oregon Statute:** 315.514 and 315.516
**Sunset Date:** 12-31-2029
**Year Enacted:** 2003
**Carryforward:** 3 years
**Refundable:** No
**Transferable:** No

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Available | Not Available | $38,800,000 |
| 2025-27 | Not Available | Not Available | $38,800,000 |

## DESCRIPTION

A credit against corporation or personal income taxes is available to taxpayers who purchase tax credits from an auction conducted by the Department of Revenue (DOR), in cooperation with the Oregon Film and Video Office (OFVO). The proceeds of the auction go to the Oregon Production Investment Fund (OPIF) and are used to reimburse qualifying filmmakers or local media production services companies for a portion of their Oregon expenses.

ORS 315.516 allows the Legislature to directly appropriate funds to the OPIF in lieu of holding an auction in a future fiscal year. In 2018, HB 4028 amended this statute to allow the Legislature to make this direct appropriation for the current fiscal year, for the difference between the credits sold at auction and the annual maximum, in the event that credits remain unsold when the auction ends.

DOR administers the auction process and determines the minimum bid before conducting the auction, which cannot be below 90 percent of the value of the credit. Legislation in 2019 (SB 459) decreased the requirement for the minimum bid from 95 percent of the value of the credit. It also allows auctions to be conducted up until April 15 following December 31 of any tax year for which the credit is allowed. Due to legislation in 2021 (HB 2456), taxpayers can now either claim the credit for the tax year in which they participated in the auction or for the prior tax year, as long as they have not yet filed a tax return for the prior year.

There is no maximum credit per taxpayer, but there is a limit on the total amount of credits that can be issued annually. In 2021, the Legislature extended the sunset to December 31, 2029 and increased the annual credit limit from $14 million to $20 million (HB 2433).

The tax credit is not transferable, and any tax credit not used in a particular year because of insufficient tax liability may be carried forward for up to three years. A nonresident or part-year resident taxpayer can claim the credit in full, without proration. If the amount paid for the tax credits is claimed as a deduction for federal tax purposes, the amount paid is added to federal taxable income for Oregon tax purposes to claim the credit.

## PURPOSE

“Provide the necessary financial incentives for taxpayers to make contributions …” to the Oregon Production Investment Fund (ORS 315.514(2)(b)(C)). According to the revenue impact statement for HB 2433, the purpose of the Oregon Production Investment Fund is to “(encourage) film and video production in Oregon and (strengthen) Oregon’s film and video industry infrastructure by bringing in more production spending.”

## WHO BENEFITS

Taxpayers with a tax liability who purchase tax credits in an auction, whose proceeds fund the Oregon Production Investment Fund. At the most recent auction in September of 2023, about 70 taxpayers paid more than $18.9 million for tax credits with a total value of $20 million.

Typically, very few corporations claim this credit each year.

## EVALUATION

*Provided by the Oregon Film and Video Office*

This tax expenditure achieves its purpose of retaining and recruiting film production in the state and generating associated spending and employment. Without this program, there would undoubtedly be a drop in activity for Oregon's film, television, and commercial industry due to the high competition of state incentive programs in the US and Canada. This is an industry that provides jobs, small business spending and on-going media marketing value for the

state. Oregon is a competitive destination for creative media production because of OPIF and the Greenlight Oregon Labor Rebate Program.

The Oregon Production Investment Fund (OPIF) has been integral in Oregon's ability to compete with the more than 30 other U.S. states that offer production incentives. OPIF (in conjunction with Greenlight Oregon Labor Rebate Fund, "GOLRF") is directly responsible for the $285 million of direct film, television, media, and commercial production spending that was recorded in the 2021-2023 biennium. Since the introduction of the OPIF in 2003, OFVO has tracked the economic activity directly attributed to the incentive programs rising from just over $30 million for the 2005-2007 biennium, to now $165 million per year, while the number of tracked jobs per biennium has climbed from just over 1200 in 2005-2007 to more than 7000 for 2021-2023. Feature films, television series, animated projects, interactive games, and countless commercial projects are being produced by local crews and producers accumulating more than $2 billion of tracked in-state spending since the inception of the OPIF program.

The traditional "media industry" has changed rapidly and these programs have proven to be flexible and robust enough to keep up with that change. In recent years, Oregon has attracted projects not only from traditional studios like HBO, CBS, Warner Brothers, Disney, and NBC but also from the growing online programming industry with multiple projects from Netflix and Amazon. And a world class OSCAR winning animation industry based in Oregon.

In addition, the new "regional" incentive (R-OPIF) which was introduced in 2017 has quickly become a very useful tool for bringing production work to other parts of the state outside of the Portland metro area. Since its launch in July of 2017, we have seen production work grow in Bandon, Vernonia, Bend, Curry & Coos Counties, Astoria, Ashland, and Silverton resulting in more than $3.6 million in localized hotel and accommodation spending in non-Portland regions. While the "Local" or L-OPIF program specifically supports lower budgeted, locally produced projects - from indie features to homegrown interactive games to animated shorts and documentary films.

This growing group of diverse programming is also very useful to marketing Oregon to the tourism industry. Releases of new films like the Paramount's "Little Wing" and series like HBO's "The Rehearsal" in addition to upcoming major releases like Netflix's "The Night Always Comes" based on Oregon author Willy Vlautin's book and the anticipated Amazon series "Criminal" push the Oregon brand to international audience on a regular basis though major distribution outlets. This is celebrated by the first-in-the-world Oregon Film Trail and 42 signs drawing tourists to iconic production locations like Brownsville, Joseph, Astoria and Klamath Falls.

All of the projects are being put together by local producers utilizing local crews and cast and renting and buying equipment and supplies from countless local vendors.

But it is the local animation community that is most consistently growing and deeply Oregon Made. "Guillermo Del Toro's Pinocchio" won an Oscar in 2022 while Laika is working on their next feature based on Portland author Colin Meloy's book "Wildwood" combine to make Oregon a major destination for animated projects due to is deeply artistic and diverse workforce.

OPIF has been integral to creating a balanced system that imports work into the state as much as creates work for established companies and individuals already here in the state providing jobs and direct spending in a wide variety of the state's vendors - from caterers to car rentals; from dry cleaning to security firms. On top of that, Oregon's media incentive programs are instrumental in making media work more competitive here in Oregon in a national landscape that includes many states offering better Film & Media incentive programs and creates a knock-on marketing platform for the state in numerous national and international audiences.

# 1.416 RENEWABLE RESOURCE EQUIPMENT MANUFACTURING FACILITIES

**Oregon Statute:** 315.341
**Sunset Date:** 12-31-2013 (preliminary certification)
**Year Enacted:** 2011

**Carryforward:** 8 years, see description
**Refundable:** No
**Transferable:** Yes

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Less than $100,000 | Less than $100,000 | Less than $100,000 |
| 2025-27 | Less than $100,000 | Less than $100,000 | Less than $100,000 |

## DESCRIPTION

The Renewable Energy Resource Equipment Manufacturing Facilities tax credit expired as of December 31, 2013; however, there are revenue impacts for the 2023-25 and 2025-27 biennia due to unused tax credits carried forward. The last tax year for which a carryforward credit may be used is the tax year beginning before January 1, 2027. Credits were certified for businesses with investments in qualified facilities that manufacture renewable energy resource equipment in Oregon. Businesses claiming this credit must have received certification from Oregon Business Development Department (OBDD). Legislation in 2007 (HB 3201) expanded the Business Energy Facilities tax credit (BETC) to allow renewable energy manufacturing facilities to qualify for the BETC tax credit. Subsequent legislation in 2011 (HB 2523) transferred the administration of the manufacturing portion of original BETC from the Oregon Department of Energy to OBDD and, in the process, made the manufacturing portion of BETC its own tax expenditure, the Renewable Energy Resource Equipment Manufacturing Facilities tax credit (Manufacturing BETC). The remaining part of BETC, which has also expired, is described in 1.435, Business Energy Facilities, Conservation and Renewables.

Eligible costs included buildings, equipment, machinery, and other expenses related to the manufacturing of renewable energy products such as solar cells, wind turbines or components manufactured for primary use in products using renewable energy, renewable energy storage devices, and the manufacturing of electric vehicles or component parts of electric vehicles.

Qualified Oregon facilities that manufactured renewable energy resource equipment were eligible for a tax credit equal to 50 percent of the maximum eligible cost. Costs were limited up to $2.5 million for a facility used to manufacture electric vehicles or component parts of electric vehicles and up to $40 million in the case of any other eligible facility. The credit was taken for the five succeeding tax years at 10 percent of the certified cost of the facility. Any tax credit not used in a particular year because of insufficient tax liability may be carried forward for up to eight years.

The total amount of certified tax credits allowed was $200 million for the 2009-11 biennium, $200 million for the 2011-13 biennium and $50 million for the period from July 1, 2013, to December 31, 2013.

A pass-through option allowed project owners to transfer their tax credit eligibility to another Oregon taxpayer in exchange for a lump sum cash payment. Transferees were a corporation or individual (but not partnerships or LLCs), who then claimed the tax credit on their tax returns. OBDD determined the credit transfer rate employing a formula established by administrative rule in accordance with ORS 285C.549. The credit could be transferred or sold only once.

## PURPOSE

The statute that allowed this expenditure did not explicitly state a purpose for this expenditure. Presumably, it was to provide an economic tool to expand existing manufacturing or attract renewable manufacturing plants to Oregon.

## WHO BENEFITS

Oregon businesses with investments in facilities that manufacture renewable energy resource equipment. Taxpayers with a tax liability who purchase tax credits also benefit. For calendar years 2008-2013, six corporations received nearly $115 million dollars in tax credits. All of these credits have been sold to 12 other corporate and 13 individual taxpayers for a total of $77 million.

## EVALUATION

Not evaluated.

# 1.417 OREGON LOW-INCOME COMMUNITY JOBS INITIATIVE

**Oregon Statute:** 315.533(2)
**Sunset Date:** 06-30-2016
**Year Enacted:** 2011

**Carryforward:** 5 years, see description
**Refundable:** No
**Transferable:** No

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Available* | Not Available* | Not Available* |
| 2025-27 | Not Available* | Not Available* | Not Available* |

** In certain cases, to conform with taxpayer privacy disclosure laws, revenue impact numbers are not provided for tax expenditures that may affect at most a few taxpayers.*

## DESCRIPTION

The Oregon Low-Income Community Jobs Initiative tax credit expired as of June 30, 2016; however, there are revenue impacts for the 2023-25 and 2025-27 biennia due to certified credits taken over a seven-year period and unused tax credits carried forward to succeeding years. Taxpayers who made a qualified low-income community investment were eligible for a credit against personal or corporate income taxes equal to 39 percent of the cost of the investment. A qualified low-income community investment was an equity investment in, or long-term debt security issued by, a qualified community development entity (CDE) which met specified conditions and obtained certification from the Oregon Business Development Department. The investment must have been acquired with cash after July 1, 2012, and the CDE must have used at least 85 percent of the cash purchase price toward making capital or equity investments in, or loans to, any qualified active low-income community business, as defined in section 45D of the Internal Revenue Code (federal New Markets Tax Credit program).

These low-income communities were located in census tracts that had a poverty rate of 20 percent or more, or where the median income was below 80 percent of either the statewide median income or the metropolitan median income, whichever was lower. Community development entities, also defined in section 45D of the Internal Revenue Code, are entities that have entered into an allocation agreement with the Community Development Financial Institutions Fund of the U.S. Department of the Treasury. CDEs serving Oregon that had been allocated Federal New Market Tax Credits were allowed to apply to use this tax credit.

The credit applied to qualified investments made between July 1, 2012 and June 30, 2016. The credit was taken over seven years with no credit in the tax year that the investment is made or in the following tax year, a seven percent credit in the third tax year, and an eight percent credit for each of the four subsequent tax years.

This credit was nonrefundable. Any allowable credit related to investments made on or after July 1, 2012, and before January 1, 2014, and not used by the taxpayer for a particular tax year could be carried forward to offset the taxpayer's tax liability for any subsequent tax year. Legislation in 2013 set a limit of five years for a taxpayer to carry forward any allowable credit related to investments made on or after January 1, 2014, that is not used by the taxpayer for a particular tax year to offset the taxpayer's tax liability in future tax years. The credit was not allowed to be transferred or sold.

A taxpayer who claimed this credit was not allowed to claim any other credit under ORS Chapter 317 or ORS Chapter 285C during the same tax year based on activities related to the same qualified active low-income community business.

The maximum amount that may be claimed by all Oregon taxpayers for this credit is $16 million per tax year; the maximum amount of Oregon tax credits invested in any single project could not exceed $4 million for investments made on or after July 1, 2012, and before January 1, 2014. Legislation in 2013 set the maximum amount of Oregon tax credits invested in any single project at $8 million for investments made on or after January 1, 2014.

Fifteen percent of the total $16 million, $2.4 million, was reserved for clean energy projects that produce goods that directly reduce emissions of greenhouse gases or were designed as environmentally sensitive replacements for products in current use, or projects which had a primary purpose of improving the environment or reducing emissions of greenhouse gases.

### PURPOSE
The statute that allowed this expenditure does not explicitly state a purpose. Based on the legislative staff revenue impact statement for SB 817 (2011), the purpose of this credit was "to increase private capital investments in Oregon small businesses operating in low-income communities."

### WHO BENEFITS
Investors in qualified equity investments.

### EVALUATION
Not evaluated.

## 1.418 LONG TERM RURAL ENTERPRISE ZONE FACILITIES (INCOME TAX)

**Oregon Statute:** 317.124
**Sunset Date:** 06-30-2018 (local certification)
**Year Enacted:** 1997
**Carryforward:** 5 years
**Refundable:** No
**Transferable:** No

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Available* | Not Available* | Not Available* |
| 2025-27 | Not Available* | Not Available* | Not Available* |

** In certain cases, to conform with taxpayer privacy disclosure laws, revenue numbers are not provided for tax expenditures that may affect at most a few taxpayers. This includes tax expenditures that do not currently affect any Oregon taxpayer, but could at a later date.*

### DESCRIPTION
Corporations that make certain large investments in a rural enterprise zone facility are eligible for a tax credit, if approved by the Governor. For S corporations that claim the credit, the credit is shared by the S corporation shareholders and claimed against their Oregon personal income tax. The investment must have been locally approved for the related property tax expenditure, 2.014, Long Term Rural Enterprise Zone (Property Tax), on or before June 30, 2018. To be eligible for the property tax exemption, the investment must be located in a county with chronic unemployment or low income. See 2.014, Long Term Rural Enterprise Zone (Property Tax) for details on investment and newly hired employee criteria.

The tax credit is equal to 62.5 percent of the taxpayer's gross payroll costs at the facility. The credit applies only against liabilities in excess of a threshold amount of up to $1 million. The amount of the threshold may be lower, depending on the facility's location and workforce size. The credit may be claimed over a period of five to 15 years, as determined by the Governor and elected by the taxpayer, starting with the tax year that begins no later than in the third calendar year after the facility is placed in service. Each year's unused credits can be carried forward for up to five years.

Approval from the Governor is required for this income tax credit; it is not required for the related property tax exemption, 2.014, Long Term Rural Enterprise Zone (Property Tax).

Income tax payments made by corporations that are approved by the Governor for this credit are deposited into the Long-Term Enterprise Zone Fund and are annually distributed to specified local property taxing districts. This redistribution occurs whether or not the taxpayer uses this credit.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to encourage investment in rural areas of chronic unemployment or low income.

### WHO BENEFITS
Very few corporations have been approved by the Governor to claim the credit.

### EVALUATION
Not evaluated.

# 1.419 RESERVATION ENTERPRISE ZONE (INCOME TAX)

**Oregon Statute:** 315.506
**Sunset Date:** 12-31-2029
**Year Enacted:** 2001

**Carryforward:** No
**Refundable:** No
**Transferable:** No

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Less than $100,000 | Less than $100,000 | Less than $100,000 |
| 2025-27 | Less than $100,000 | Less than $100,000 | Less than $100,000 |

## DESCRIPTION

Qualified taxpayers operating a new business facility in a reservation enterprise or partnership zone may claim an income tax credit against tribal property tax paid. The tribal tax must be imposed on non-tribal businesses on a uniform basis across the relevant territory. C corporations claim this credit against their corporate excise tax, and S corporation shareholders, partners, and sole proprietors claim it against personal income taxes.

The amount of the credit is prorated for nonresidents and part-year residents. The credit must be used in the same year that the tribal tax is paid and may not be carried forward to another year. The amount of tax credit used in a given tax year cannot exceed the tax liability for that tax year.

The government of each federally recognized Indian tribe in Oregon can have the Oregon Business Development Department designate a single reservation enterprise zone, covering any reservation area of the tribe, as well as any off-reservation land of the tribe held in trust by the U.S. Government or pending trust status anywhere in the state. The reservation enterprise zone may cover an area of no more than 12 square miles, which does not have to be contiguous.

The government of any eligible Indian tribe may also cosponsor one or more reservation partnership zones comprising a contiguous area of up to 12 square miles. A reservation partnership zone includes lands within the jurisdiction of a cosponsoring city, port or county and may (but does not need to) also include both lands held in trust by the federal government for the benefit of the tribe or lands within the boundaries of the tribe's reservation.

Except for this tax credit, reservation enterprise zones and reservation partnership zones are otherwise equivalent to a regular rural enterprise zone, such that businesses can be exempt from property taxes if they meet the requirements for tax expenditure 2.013, Enterprise Zone Businesses, or 2.014, Long Term Rural Enterprise Zone (Property Tax), which do not sunset for purposes of these tribally based designations. Neither property tax exemption has been used yet in a reservation enterprise zone.

In 2023, the Legislature extended the sunset of this credit to December 31, 2029 (HB 2071).

## PURPOSE

"To remove the tax disincentives that currently inhibit private business and industry from locating and operating enterprises within the boundaries of the rural Indian reservations of this state" (ORS 285C.303).

## WHO BENEFITS

Businesses operating in reservation enterprise/partnership zones. Currently, two reservation enterprise zones have been re-designated for the Confederated Tribes of Umatilla Indian Reservation (CTUIR) and the Confederate Tribes of Warm Springs. No reservation partnership zone is known to exist.

## EVALUATION

*Provided by the Oregon Business Development Department*

For CTUIR at least, this tax credit has reportedly been useful in its instituting a property tax to pay for infrastructure improvements, which can serve economic development in other ways. The credit as such makes this even more doable, by offsetting the deterrent of the tribal tax on businesses in the enterprise zone. In addition, this tax expenditure eliminates redundant tax layering among sovereign entities and may be compared to a credit for foreign taxes paid. OBDD stands ready to assist all Tribes in Oregon regarding the creation of tribal enterprise zones, and the taxation options that it would facilitate in addition to inducing private business development. This tax expenditure has apparently been used sparingly, so far. It does not have employment or reporting requirements, and the Department, otherwise, lacks the data or direct experience to address it further.

# 1.420 PUBLIC UNIVERSITY VENTURE DEVELOPMENT FUND

**Oregon Statute:** 315.640
**Sunset Date:** 12-31-2029
**Year Enacted:** 2005

**Carryforward:** 3 years
**Refundable:** No
**Transferable:** No

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Less than $100,000 | $200,000 | $200,000 |
| 2025-27 | Less than $100,000 | $200,000 | $200,000 |

## DESCRIPTION

Oregon public universities and Oregon Health and Science University may establish university venture development funds to provide capital for the development of commercially viable products and services. Either the universities or their foundations may administer the funds. When a fund accepts a donation, the university or foundation issues a certification letter to each donor.

Donors who have received certifications qualify for a credit, not to exceed $600,000, against their personal or corporate income taxes equal to 60 percent of the amount donated during that tax year. The amount each taxpayer claims in any one year may not exceed the tax liability of that taxpayer for that year. Unused credit amounts may be claimed in future tax years for up to three consecutive tax years after the year in which the credit is initially allowed. The credit is prorated for a nonresident taxpayer. If the amount of donation is claimed as a deduction for federal tax purposes, the donation amount is added to federal taxable income for Oregon tax purposes to claim the credit.

The venture development funds provide grants for the purpose of facilitating the commercialization of university research and development. When a venture development fund earns income from those grants in the form of royalties, cash from the sale of equity, or license fee payments, the fund must transfer 20 percent of the realized income to the state General Fund, up to the amount of tax credits certified by the university.

Whenever the total outstanding amount owed to the General Fund reaches $8.4 million, the issuance of further tax credit certificates must cease. The universities may issue new tax credits equal to the transferred amounts immediately upon deposit into the General Fund. ORS 350.540(2) divides the $8.4 million total into specific amounts allowed for each university:

- Oregon State University : $3,947,720
- University of Oregon : $2,122,670
- Portland State University : $1,275,840
- Oregon Health and Science University : $1,023,770
- Eastern Oregon University, Southern Oregon University, Western Oregon University, and Oregon Institute of Technology : $7,500 each.

Legislation in 2023 (HB 2071) extended the scheduled sunset of the provision from December 31, 2027 to December 31, 2029.

## PURPOSE

The statute that allows this expenditure does not explicitly state a purpose for the tax credit, but the statute that allows university development venture funds does state a purpose. That purpose is “facilitating the commercialization of university research and development” (ORS 350.550).

## WHO BENEFITS

Taxpayers who make donations to university venture development funds. Typically, very few corporations claim this credit each year. For tax year 2022, about 30 personal income taxpayers saved an average of about $7,200 in Oregon taxes using this credit.

### EVALUATION

*Provided by the Higher Education Coordinating Commission*

This tax expenditure achieves its purpose. It facilitates taxpayers' contributions to the research and development activity of the research universities to further their research mission. University research is often in service of the creation of knowledge helpful to the development of economic activity in Oregon.

## 1.421 WORKING FAMILY HOUSEHOLD AND DEPENDENT CARE

**Oregon Statute:** 315.264
**Sunset Date:** 12-31-2027
**Year Enacted:** 2015

**Carryforward:** No
**Refundable:** Yes
**Transferable:** No

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | $34,300,000 | $34,300,000 |
| 2025-27 | Not Applicable | $34,200,000 | $34,200,000 |

NOTE: The revenue impact estimate includes both the portion used to reduce tax liability, and the portion paid directly to taxpayers.

### DESCRIPTION

A refundable personal income tax credit is allowed for low and middle-income working families with employment-related dependent care expenses. To qualify, the taxpayer must have paid qualifying expenses for one or more qualifying individuals (generally a dependent under age 13, a disabled dependent, a disabled taxpayer or a disabled spouse) so the taxpayer (and the taxpayer's spouse if filing jointly) could work, look for work, or attend school.

Qualified expenses include only amounts paid by the taxpayer for household services and care of the qualifying individual as specified by the federal child and dependent care expenses tax credit. The qualifying expenses cannot exceed $12,000 for one qualifying individual or $24,000 for two or more qualifying individuals and cannot exceed the taxpayer's earned and imputed income if filing single or the lesser of the taxpayer's or the taxpayer's spouse's earned and imputed income. These qualifying expenses limits are not adjusted for inflation. Imputed income is $1,000 or $2,000 multiplied by the number of qualified months a taxpayer was a student with one or more qualifying individuals, respectively.

For those filing jointly, if either the taxpayer or the taxpayer's spouse attended school full-time or were disabled, $250 ($500 if two or more qualifying persons cared for) per month counts toward earned income for that person.

A taxpayer cannot claim the credit unless the taxpayer's adjusted gross income (AGI) is less than or equal to three times the federal poverty guidelines. For 2024, the AGI limit by household size is:

| Household Size | AGI Limit |
|---|---|
| 2 | $61,320 |
| 3 | $77,460 |
| 4 | $93,660 |
| 5 | $109,740 |
| 6 | $125,880 |
| 7 | $142,020 |
| 8 or more | $158,160 |

The amount of the credit as a percentage of qualifying expenses varies depending on the taxpayer's household size, AGI, and the age of the youngest dependent. The percentage varies from 4 percent to 75 percent of the qualifying expense. The amount of the credit initially increases with income and then decreases until the credit is not allowed above three times the federal poverty guidelines. The credit increases for taxpayers with younger dependents.

Following the creation of this tax credit in 2015, the Legislature made minor technical modifications to it in 2017 (SB 162) and 2018 (HB 4028). In 2021, the Legislature (HB 2433) extended the sunset for this income tax credit to

December 31, 2027, and modified other provisions, including accounting for imputed income (in addition to earned income subject to taxation) as noted above, applicable on or after January 1, 2022 and before January 1, 2028.

### PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for HB 2433 (2021), the "policy purpose of the credit is to enable low-income working families to care for young children and disabled dependents by offsetting care costs so that they may be gainfully employed or attending school."

### WHO BENEFITS

Low and middle-income working taxpayers with employment-related dependent care expenses whose federal adjusted gross income is less than three times the federal poverty level.

The table below shows usage of this credit for tax year 2022.

**2022 Personal Income Tax Filers**

| Income Group of Full-Year Filers* | Number of Filers Using Credit | Average Revenue Impact of Credit | Revenue Impact ($ millions) | Percent of Revenue Impact by Income Group |
|---|---|---|---|---|
| Below $19,400 | 1,790 | $1,270 | $2.3 | 14% |
| $19,400 - $40,400 | 4,790 | $1,480 | $7.1 | 43% |
| $40,400 - $67,700 | 5,970 | $990 | $5.9 | 36% |
| $67,700 - $117,800 | 2,340 | $560 | $1.3 | 8% |
| Above $117,800 | 30 | $360 | <$0.1 | <1% |
| All Full-Year Filers | 14,920 | $1,110 | $16.6 | 100% |
| Part-Year and Nonresident Filers | 1,250 | $710 | $0.9 | |

**Each income group contains 20 percent of the full-year filers (approximately 376,000)*

Since this is a refundable credit, the full amount of credits claimed can be used, even if the taxpayer has little or no tax liability. Of the approximately $17.5 million claimed for 2022, $10 million was used to reduce tax liability, while the remaining $7.5 million exceeded tax liability and was paid directly to taxpayers.

### EVALUATION

*Provided by the Oregon Department of Human Services*

With the high cost of dependent care in Oregon, this tax credit is helpful to families, though many still struggle to afford quality dependent care needed to work or attend school. This credit supplements other programs provided by the State of Oregon to help families afford dependent care and move towards self-sufficiency. Because this credit is only available to those who file a tax return, providing free tax preparation assistance to low-income families statewide is critical to ensuring that all eligible families receive the benefits of this credit.

## 1.422 CONTRIBUTIONS TO OFFICE OF CHILD CARE

**Oregon Statute:** 315.213
**Sunset Date:** 12-31-2021
**Year Enacted:** 2001

**Carryforward:** 4 years
**Refundable:** No
**Transferable:** No

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Less than $100,000 | Less than $100,000 | Less than $100,000 |
| 2025-27 | Less than $100,000 | Less than $100,000 | Less than $100,000 |

### DESCRIPTION

The credit against corporation or personal income taxes for contributions made to the Office of Child Care (OCC) of the Oregon Department of Education expired as of December 31, 2021; however, there can be revenue impacts for the 2023–25 and 2025–27 biennia due to tax credits being carried forward for up to a four-year period. Carryforward credit may be used through tax years beginning before January 1, 2026.

The OCC issued tax credit certificates to taxpayers who made contributions to the Child Care Fund (CCF). The total value of tax credit certificates could not exceed $500,000 per calendar year. The 2015 Legislature set the maximum amount of credit available to taxpayer to be 50 percent of the contribution. Previously, it was 75 percent of the contribution.

The amount of the credit must be added to Oregon taxable income if it is deducted when computing federal taxable income.

The OCC distributed the funds from the contributions according to rules established by the Early Learning Council.

### PURPOSE

A statute (ORS 329A.706) pertaining to implementation of this tax credit program stated that its purposes were to "(a) Encourage taxpayers to make contributions to the Office of Child Care by providing a financial return on qualified contributions and by soliciting other contributions. (b) Achieve specific and measurable goals for targeted communities and populations. (c) Strengthen the viability and improve the professional development of child care providers."

### WHO BENEFITS

Very few taxpayers benefit from this tax credit.

### EVALUATION

Not evaluated.

## 1.423 INDIVIDUAL DEVELOPMENT ACCOUNT DONATION (CREDIT)

**Oregon Statute:** 315.271
**Sunset Date:** 12-31-2029
**Year Enacted:** 1999

**Carryforward:** 3 years
**Refundable:** No
**Transferable:** No

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Less than $100,000 | $13,400,000 | $13,400,000 |
| 2025-27 | Less than $100,000 | $13,700,000 | $13,700,000 |

### DESCRIPTION

Individuals or businesses donating to state selected fiduciary organizations for distribution to individual development accounts (IDAs) are allowed a tax credit for donations prior to January 1, 2030. The tax credit is equal to a percentage of the taxpayer's donation, as determined by the fiduciary organization, but cannot exceed 90 percent (increased from 70 percent by legislation in 2019) of the donation. Donations are applied toward matching IDA account holder savings and toward program related expenses. Any credit not used due to insufficient tax liability may be carried forward for up to three years.

The amount used to compute the credit must be added to Oregon taxable income if it was deducted when computing federal taxable income.

The Housing and Community Services Department (OHCS) maintains a limit on the total number of credits issued each year. The Legislature in 2015 set the limit of total credits allowed to all taxpayers as $7.5 million and in 2016 set the total credit allowed to a taxpayer in any tax year not to exceed $500,000. OHCS administers the Oregon IDA Initiative through Neighborhood Partnerships, which selects fiduciary organizations to manage the IDAs.

There is another tax expenditure closely related to this program: 1.312, Individual Development Accounts (Exclusion and Subtraction), which provides that contributions to and earnings from IDAs are not taxed by Oregon if used for approved purposes.

In 2023, legislation (HB 2071) extended the sunset of the tax credit for a donation to the Individual Development Account from December 31, 2027 to December 31, 2029.

### PURPOSE

The purpose for this credit is set forth in ORS 458.675. In summary, the purpose is to fund an asset-based antipoverty strategy providing lasting on-ramps to financial stability for low-income Oregonians that promotes personal financial

management, investment, and savings for key assets. These assets include: acquiring post-secondary education; the first-time purchase of a primary residence; capitalization of a small business; replacement of a primary residence when replacement offers significant improvement of habitability or energy efficiency; certain improvements and repairs to a primary residence; purchase of equipment or training needed to obtain or maintain employment; the rental of a primary residence to achieve housing stability; purchase or repair of a vehicle; saving of funds for retirement; debt repayment; and establishment of emergency savings.

### WHO BENEFITS

Individuals or businesses making donations to state selected fiduciary organizations for distribution to IDAs directly benefit from this credit. For tax year 2022, about 380 personal income tax filers used the credit and almost all of them had incomes above $100,000.

### EVALUATION

*Provided by the Oregon Housing and Community Services Department*

This expenditure achieves its purpose in creating economic opportunity for low-income Oregonians. Proceeds from donations are matched with savings from participants to build the financial resiliency of households. Further, because the credit remains at no more than 90 percent of donations, the credit provides more resources than a direct expenditure. Available credits granted started at a contribution limit of $666,667 in 2003, rising two million each year, until 2009 when contributions were capped at $10 million. In 2016 the formula changed from a contribution cap to a cap on tax credits available and was set at $7.5 million where it has since remained. Tax credit contributions to administrative contractor Neighborhood Partnerships totaled $8.1 million in 2020, and $8.3 million in 2021 and 2022, which is the maximum possible revenue based on the current tax credit cap of $7.5 million annually. Between January 2017 and December 2021, more than 6,000 Oregon residents opened Individual Development Accounts (IDAs). In the same period, 5,256 savers successfully completed an asset purchase, saving over $12.8 million, and receiving $32 million in match funds. 90% of savers were extremely low to low income and 68% were women. Savers identified in the following racial and ethnic categories: 45.8% white alone; 26% Hispanic/Latinx; 11.9% Black or African American, 8.5% Native American, 5.2% Asian, Native Hawaiian, or other Pacific Islander. Upon successful completion of all program requirements, including financial education, over the course of six months to three years participants save toward their goals to purchase their first home, obtain needed postsecondary education, start a small business, or achieve other goals. Savers are matched up to $5 for every $1 they save. In the 2021 and 2022 program years 24% invested in education; 22% in home purchase; 18% in microenterprise, and 35% across the other asset categories. The Oregon IDA Initiative performs rigorous evaluation of the efficacy of the program, originally working with the Regional Research Institute at Portland State University and since 2015 using in-house data and evaluation expertise. This evaluation data demonstrates growing impact for communities of color and consistent stabilization outcomes, including improvements in credit, attainment of savings, and timely mortgage payments. Copies of the evaluations may be found here: https://www.oregonidainitiative.org/evaluation/.

## 1.424 OREGON AFFORDABLE HOUSING LENDER'S CREDIT

**Oregon Statute:** 317.097
**Sunset Date:** 12-31-2031 (certification)
**Year Enacted:** 1989

**Carryforward:** 5 years
**Refundable:** No
**Transferable:** Yes

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | $14,700,000 | $300,000 | $15,000,000 |
| 2025-27 | $15,700,000 | $300,000 | $16,000,000 |

### DESCRIPTION

This provision allows a credit against corporation taxes for lending institutions that make qualified loans at below market interest rates for the construction, development, acquisition, or rehabilitation of a manufactured dwelling park, low-income housing, limited equity cooperative, or a preservation project. For S corporations that claim the credit, the credit is shared by the S corporation shareholders and claimed against their Oregon personal income tax.

The Housing and Community Services Department may certify qualified loans up to a specified cap on the total credits that can be granted each fiscal year for new and existing qualified loans. This cap has been increased multiple times over the past two decades, from $11 million per fiscal year in 2005, to the current cap of $35 million.

The amount of the credit for the lending institution is the difference between the finance charge on the qualified loan and the finance charge at the time the qualified loan was made that would have been charged had a similar loan been made at market interest rates. The finance charge is the total of all interest, loan fees, interest on any loan fees financed by the lending institution, and other charges related to the cost of obtaining credit.

The credit cannot exceed 4 percent of the unpaid balance of the qualified loan during the tax year for which the credit is claimed. Any credit that cannot be used because of insufficient tax liability in the current year can be used in later years, for up to five years.

To qualify for the credit, qualified loans must be made on or before December 31, 2025 and certified by the Housing and Community Services Department on or before December 31, 2031. Legislation in 2021 (HB 2433) allowed qualified loans to be certified to receive credits for up to 30 years in the case of a qualified loan with a contract for rent assistance or financing resources from the United States Department of Agriculture, or 20 years for any other qualified loan. This legislation also set the current cap on total credits that can be granted in each fiscal year.

Legislation in 2023 (HB 2071) extended the certification date from December 31, 2025 to December 31, 2031 and expanded the credit to include loans for limited equity cooperative housing.

## PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. Based on the legislative staff revenue impact statement for HB 2066 (2017), “the policy purpose of the affordable housing lender’s tax credit is to increase the supply of low-income housing.”

## WHO BENEFITS

For tax year 2021, 18 corporate income taxpayers benefited from this credit, reducing tax liability by about $260,000 on average. For tax year 2022, 20 personal income taxpayers benefited from this credit, reducing tax liability by about $6,600 on average. Low-income households also benefit from this provision because some of the recipients of the loans are required to pass on savings from a reduced interest rate to their tenants in the form of lower rents.

## EVALUATION

*Provided by the Oregon Housing and Community Services Department*

This expenditure achieves its purpose and effectively supports nearly 13,000 households throughout the state. Without the credit program, rents in Oregon Affordable Housing Tax Credit projects would be 15–25 percent higher, which would decrease the number of homes available for low and very low-income Oregonians while increasing the rent burden on those same families. Without this incentive, many of the low-income housing projects targeting households with incomes below 80 percent of Area Median Income would not be financially feasible.

The credit is used with many other direct spending programs such as housing grants and federal Low Income Housing Tax Credits. The credit is applied to the permanent financing after all direct spending programs have been incorporated into the overall project financing. By using the credit in this manner, the maximum benefit is passed on to the tenants for a “bottom line” tenant rent benefit. A direct spending program would likely be more costly to taxpayers.

Since July 2007 OHCS has successfully used this credit for projects partially financed with tax-exempt bonds. The ability to use these credits increases the amount of debt a development can service, which reduces the aggregate amount of federal, state and local public financing needed for such projects to be financially feasible. OHCS continues to effectively use this program to preserve projects that have Project Based Housing Assistance Payment contracts and other federal rent subsidies.

# 1.425 MANUFACTURED DWELLING PARK CLOSURE

**Oregon Statute:** 316.090
**Sunset Date:** 12-31-2025
**Year Enacted:** 2007

**Carryforward:** No
**Refundable:** Yes
**Transferable:** No

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | Less than $100,000 | Less than $100,000 |
| 2025-27 | Not Applicable | Less than $100,000 | Less than $100,000 |

NOTE: The revenue impact includes both the portion used to reduce tax liability, and the portion paid directly to taxpayers. The revenue impact estimate includes the effect of the sunset.

## DESCRIPTION

A $5,000 refundable credit is allowed for owners of manufactured dwellings who are forced to move due to the closure of their manufactured dwelling park. To qualify for the credit, the taxpayer must live in the manufactured dwelling as their primary residence and then leave the park between January 1, 2007 and December 31, 2025 as a result of closure. The credit is reduced by any payments made as compensation for exercise of eminent domain by order of a federal, state or local agency. A taxpayer may claim only one credit due to park closure for any given tax year.

This credit is refundable. To the extent the credit exceeds a taxpayer's liability (reduced by any nonrefundable credits), the taxpayer is entitled to a payment of the excess.

Legislation in 2019 (HB 2164) extended the scheduled sunset of the provision from December 31, 2019 to December 31, 2025.

## PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for HB 2164 (2019), the purpose of the credit is "to mitigate the costs to manufactured dwelling park households that are forced to move due to instances where market forces and development are causing closure of the manufactured dwelling park."

## WHO BENEFITS

Manufactured dwelling owners who are forced to move due to the closure of their manufactured dwelling park. Very few taxpayers claim this credit.

## EVALUATION

*Provided by the Oregon Housing and Community Services Department*

Manufactured homes and associated parks are critical housing stock options for low-income Oregonians. With extremely low vacancy rates and escalating rents across the state, many park tenants have few options if a park closes. Additionally, high property values are enticing park owners to redevelop, increasing the likelihood that park closures will occur. Despite low usage, likely due in part to OHCS' preservation efforts, any incentive that assists displaced low-income manufactured home tenants is absolutely meeting its objectives and is achieving the purpose of the tax expenditure.

# 1.426 QUALIFIED RESEARCH EXPENSES FOR SEMICONDUCTOR COMPANIES

**Oregon Statute:** 315.518 and 315.519
**Sunset Date:** 12-31-2029
**Year Enacted:** 2023 (HB 2009)

**Carryforward:** 5 years
**Refundable:** Partially, see description
**Transferable:** No

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | $23,100,000 | $800,000 | $23,900,000 |
| 2025-27 | $53,500,000 | $2,000,000 | $55,500,000 |

NOTE: The revenue impact includes both the portion used to reduce tax liability, and the portion paid directly to taxpayers.

## DESCRIPTION

A credit against personal or corporate income taxes is allowed for taxpayers who are qualified semiconductor companies with qualified research expenses for research conducted in Oregon starting in tax year 2024.

To qualify as a semiconductor company, a company's primary activity must be in the research, design, development, fabrication, assembly, testing, packaging or validation of semiconductors, or in the creation of semiconductor manufacturing equipment, semiconductor core intellectual property, or electronic design automation software that is primarily intended for use in the semiconductor industry.

The credit shall be determined in accordance with section 41 of the Internal Revenue Code, except as follows:

- The applicable percentage specified in section 41(a) of the Internal Revenue Code shall be 15 percent of the difference between qualified research expenses and a base amount prescribed by IRC 41. Also, the Oregon credit equals 15 percent of the basic research expenses determined under IRC 41(e)(1)(A).
- Qualified research and basic research consist only of research conducted in Oregon by a qualified semiconductor company, in support of a trade or business directly related to semiconductors.

To claim a credit, a taxpayer must obtain approval (certification) from the Oregon Business Development Department. The maximum credit that can be claimed by a taxpayer in one tax year is $4 million. Any credit that cannot be used because of insufficient tax liability in the current year can be carried forward up to five years.

A portion of the credit is refundable to taxpayers meeting certain employment criteria:

- 75 percent refundable for taxpayers with fewer than 150 employees in Oregon.
- 50 percent refundable for taxpayers with at least 150 employees in Oregon but fewer than 500.
- 25 percent refundable for taxpayers with at least 500 employees in Oregon but fewer than 3,000.
- There is no refundable portion allowed for taxpayers with 3,000 or more employees in Oregon.

The biennial credit certification limits are $35 million in 2023-25, $80 million in 2025-27, $90 million in 2027-29, and $50 million for fiscal year 2029-30. The sunset date for this credit is December 31, 2029. To administer these statutory biennial credit certification limits, Oregon Administrative Rule 123-401-0600, "Calculation of Tax Credit Certified Amount", establishes annual caps for each tax year as follows: $35 million for tax year 2024; $38.25 million for tax year 2025; $41.75 million for tax year 2026; $44 million for tax year 2027; $46 million for tax year 2028; $50 million for tax year 2029. The same rule prescribes the approach to managing credit usage if potential tax credits sought across all applications exceed the total annual credit cap for a particular tax year.

## PURPOSE

The statute that allowed this expenditure did not explicitly state a purpose. The legislative staff revenue impact statement for HB 2009 (2023) states "the policy purpose of the research and development tax credit is to increase Oregon's employment base across firms that support the semiconductor sector."

## WHO BENEFITS

Businesses who conduct research in the semiconductor industry. The Oregon Business Development Department (Business Oregon) registered 26 businesses who would be eligible to claim a credit for tax year 2024. Such pre-registration is not required for future tax years.

## EVALUATION

*Provided by the Oregon Business Development Department*

As a global center for semiconductor research & development, many semiconductor companies in Oregon play a critical role in the nation's efforts to regain technological leadership in this sector. This expenditure is intended to recognize and further the contributions of Oregon's semiconductor industry to regional and national economies. While no taxpayer has yet claimed the R&D Tax Credit, the one-time registration required to qualify for the credit in tax year 2024 provided information on expected utilization. An analysis issued by the Legislative Revenue Office in March 2024 identified 26 qualified taxpayers, projecting a total $600 million in R&D expenses and an estimated tax credit usage of $23.9 million in 2024. While the number of qualifying taxpayers is expected to vary year to year as business practices

evolve, Business Oregon expects the number of potential recipients to grow in future years. The 26 registered taxpayers for 2024 are likely a subset of potential recipients during the life of this expenditure, due to the short time frame and challenge of notifying all possible program stakeholders of the initial registration process in 2023.

The R&D Tax Credit is expected to benefit semiconductor companies of all sizes and representing different aspects of the production cycle, from software design start-ups to leading-edge chip manufacturers. Business Oregon anticipates the credit to serve as both a retention incentive for businesses with research and development operations already in Oregon, and a recruitment offering for new businesses interested in locating or expanding in the state. Growing the research and development ecosystem for the semiconductor sector increases both the demand and supply of highly educated workforce, which in turn supports further recruitment of semiconductor and other advanced manufacturing and technology companies to Oregon.

## 1.427 PUBLICLY SUPPORTED HOUSING SELLER'S CREDIT

**Oregon Statute:** 315.283
**Sunset Date:** 12-31-2029
**Year Enacted:** 2023 (HB 2071)

**Carryforward:** 3 years
**Refundable:** No
**Transferable:** No

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Yet Available | Not Yet Available | Not Yet Available |
| 2025-27 | Not Yet Available | Not Yet Available | Not Yet Available |

### DESCRIPTION

Qualified sellers of publicly supported housing (PuSH) are allowed to claim a credit against personal or corporate income taxes. A sale qualifies if the purchaser enters into a recorded agreement that extends or adopts affordability restrictions for a period of at least 30 years. Dwelling units that would have otherwise had expiring affordability restrictions generally must be extended as-is. Dwelling units with newly adopted restrictions must have rental rates that are affordable to households earning 80 percent of the area median income. The housing must have been owned by the seller for at least five years prior to the qualified sale. Sellers and purchasers may not have a business or familial relationship with each other, called an identity of interest.

The credit amount may not exceed 2.5 percent, or 5 percent if owned for at least ten years, of the lesser of the sale price or the appraised amount. Credit amounts not used by a taxpayer in a given tax year can be carried forward for up to three succeeding tax years.

Credits and sales must be approved by the Oregon Housing and Community Services Department to qualify. The total credit amount certified may not exceed $3 million for all taxpayers in a year.

Legislation passed in 2024 (SB 1526) states that this credit applies to sales of publicly supported housing completed in tax years beginning on or after January 1, 2024 and before January 1, 2030.

### PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. The legislative staff revenue impact statement for HB 2071 (2023) states: "the policy purpose of this credit is to incentivize owners of affordable housing, in which affordability restrictions are nearing expiration, to sell such housing to a buyer willing to preserve affordable housing for an additional thirty years."

### WHO BENEFITS

Qualified sellers of publicly supported housing for which the purchaser enters into a recorded affordability restriction agreement.

### EVALUATION

*Provided by the Oregon Housing and Community Services Department*

This resource has not yet been made available, so we are not yet able to evaluate its impact.

# 1.428 AGRICULTURAL WORKER OVERTIME

**Oregon Statute:** 315.133
**Sunset Date:** 12-31-2028 (see description)
**Year Enacted:** 2022

**Carryforward:** No
**Refundable:** Yes
**Transferable:** No

| Revenue Impact | | | |
|---|---|---|---|
| | Corporation | Personal | Total |
| 2023-25 | $2,900,000 | $16,700,000 | $19,600,000 |
| 2025-27 | $5,600,000 | $44,800,000 | $50,400,000 |

NOTE: The revenue impact estimate includes both the portion used to reduce tax liability and the portion paid directly to taxpayers.

## DESCRIPTION

A credit against personal or corporate income taxes is allowed based on overtime compensation paid to agricultural workers by eligible employers. The credit is available for tax years beginning on or after January 1, 2023. Eligible employers are defined as employers who are in the business of crop production, animal production, or aquaculture. The credit is a percentage of the overtime compensation paid to agricultural workers over the tax year.

The credit is refundable. To the extent that the credit exceeds a taxpayer's liability (reduced by any nonrefundable credits), the taxpayer receives payment for the excess. Uniquely, this credit is allowed to be claimed even by corporations paying the corporation minimum tax.

Labor contractors may not claim the credit, but eligible employers may claim the credit based on wages paid to workers through a labor contractor. Overtime wages paid to immediate family members do not qualify for this credit. Before claiming the credit, the taxpayer must receive a notice of acknowledgment from the Department of Revenue stating the maximum amount of credit the taxpayer can claim. The amount of credit depends on the year, number of employees, and whether the employer works in the dairy industry.

The total tax credit amount allowed for all taxpayers in a given calendar year may not exceed $55 million. Nonresidents are entitled to claim this credit. The same limitations and calculations apply to residents and non-residents if the employees perform the work in Oregon. Nonresidents shall prorate the credit using the proportion provided in ORS 316.117.

Because the legislation enacting this statute did not expressly provide a period of applicability for this tax expenditure, ORS 315.037(3) establishes that this tax expenditure shall apply for a maximum of six years beginning with the initial applicable tax year. In this case, the last applicable tax year is the tax year beginning before January 1, 2029.

## PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for HB 4002 (2022), "the purpose of this credit is to reduce the costs to eligible employers resulting from requiring overtime compensation, with greater benefit available primarily to smaller agricultural employers. The ultimate intent of the policy is to ensure agricultural employees receive overtime compensation for weekly hours worked in excess of forty hours".

## WHO BENEFITS

Eligible agricultural employers who are required to pay overtime compensation to their workers benefit from this tax credit.

## EVALUATION

*Provided by the Oregon Department of Agriculture*

The tax credit facts are described and cannot be evaluated until implemented in 2024 for the 2023 tax year.

# 1.429 SMALL FOREST OWNER FOREST CONSERVATION (INCOME TAX)

**Oregon Statute:** 315.124
**Sunset Date:** None
**Year Enacted:** 2022

**Carryforward:** Yes, see description
**Refundable:** No
**Transferable:** No

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Available | Not Available | Not Available |
| 2025-27 | Not Available | Not Available | Not Available |

## DESCRIPTION

A credit against personal or corporation income taxes is allowed for qualifying timber harvests. A qualifying harvest is one that is adjacent to a riparian area subject to the Oregon Forest Practices Act, is equal to or larger than the area not harvested in the riparian area, and abides by standard practice harvest restrictions. To qualify, a taxpayer must be a small forestland owner and they cannot have harvested more than two million board feet of timber in the prior three years. A small forestland owner is a person who owns fewer than 5,000 acres of forestland. Beginning January 1, 2024, applications to be certified for the credit were accepted by the Oregon Department of Forestry (ODF).

The amount of the credit is equal to the total of the certified stumpage value of the specified standing timber not harvested in the conservation area, the cost of establishing the stumpage value, and one-half of certified stumpage value of retained timber in a dry channel area adjacent to the forest conservation area (if applicable).

The stumpage value of the standing timber and the associated costs must be certified by ODF to be eligible for the credit and the taxpayer is required to abide by the standard practice harvest restrictions on the property for 50 years after the certification is issued. If the property used to claim this credit is subsequently harvested or otherwise violates the conservation restrictions required to be certified for this credit, then additional tax, interest, and penalties may apply.

The credit is claimed in the tax year in which the harvest is completed. Credits unclaimed because of insufficient tax liability can be carried forward to any following tax year, and may be carried forward to nonconsecutive tax years.

If the holder of the credit dies before being able to use the full amount certified, the estate of the decedent may use the credit for estate taxes imposed by Oregon (see 15.006, Small Forest Owner Forest Conservation (Estate Transfer Tax)). If the amount of the credit exceeds the estate tax liability, the heirs and devisees may use the remaining credit amount for their personal or corporate income taxes.

Legislation in 2023 (HB 2161) modified this tax credit by increasing certified stumpage value by 25 percent, if the small forestland owner has federal adjusted gross income of not more than 125 percent of the Oregon median household income averaged over three previous tax years, and if the small forestland owner is significantly disproportionately impacted by rules adopted by the State Forester under ORS 527.610 to 527.770 or cannot use the small forestland minimum option because of the horizontal lineal feet limitation applicable to fifth field watersheds.

The legislation that enacted this tax expenditure specified that any sunset under ORS 315.037 does not apply.

## PURPOSE

The statute that allowed this expenditure did not explicitly state a purpose. The legislative staff revenue impact statement for SB 1502 (2022) stated “the policy purpose of this credit is to provide small forestland owners with financial encouragement to adopt standard practice harvest restrictions.”

## WHO BENEFITS

Individuals, their heirs, and corporations that own fewer than 5,000 acres of forestland in the state and harvest fewer than 2 million board feet annually in accordance with the specific restrictions and avoid harvesting trees within riparian areas.

## EVALUATION

Not evaluated.

# 1.430 BOVINE MANURE

**Oregon Statute:** 315.176(3)(a)
**Sunset Date:** 12-31-2021
**Year Enacted:** 2017

**Carryforward:** 4 years
**Refundable:** No
**Transferable:** Yes

| Revenue Impact | | | |
|---|---|---|---|
| | Corporation | Personal | Total |
| 2023-25 | Not Available* | Not Available* | Less than $100,000 |
| 2025-27 | Not Available* | Not Available* | Less than $100,000 |

**In certain cases, to conform with taxpayer privacy disclosure laws, revenue numbers are not provided for tax expenditures that may affect at most a few taxpayers. This includes tax expenditures that do not currently affect any Oregon taxpayer but could at a later date.*

## DESCRIPTION

The bovine manure tax credit expired as of December 31, 2021. Even though this credit has expired, there are revenue impacts in the 2023-25 and 2025-27 biennia due to credits carried forward. The last year to claim this credit is the tax year beginning before January 1, 2026. A credit was allowed for corporate or personal income taxpayers who collected bovine manure to be produced into biofuels or who produced bovine manure into biofuel. Tax credits were certified by the Oregon Department of Agriculture (ODA).

The credit rate is equal to $3.50 per wet ton of bovine manure collected for or produced into biofuels. The credit can be claimed only one time for each unit of manure. The amount of credit used in a given tax year cannot exceed the tax liability of the corporation or individual claiming the credit, and any unused credit can be carried forward for four years. The total amount certified by ODA may not exceed $5 million for all taxpayers in any calendar year. ODA is required to make rules to proportionately reduce the amount of certified credits among all taxpayers in the event that applications exceed the annual limit.

The tax credit for bovine manure collection or production can be transferred once to a third party. The transfer must take place before the due date (including extensions) or the filing date of either the transferor's or transferee's tax return, whichever is earliest, for the first year the credit is allowed.

Legislation in 2016 (SB 1507) extended only the biomass manure portion of the Production or Collection of Biomass income tax credit through December 31, 2021. A tax credit for all other forms of biomass was allowed to sunset. In addition, a tax credit for biomass manure was reduced from $5.00 to $3.50 per wet ton of biomass manure beginning tax year 2016, with the certification process to be continued by the Oregon Department of Energy. Legislation in 2017 (HB 2066) moved up the sunset date of the biomass manure provision to align with the sunset of the credit for other types of biomass, so no biomass credit could be claimed after tax year 2017, except for any unused credit carried forward.

The 2017 legislation also created a new credit for taxpayers who collect bovine manure that produce biofuels and producers of biofuels from bovine manure to be administered by ODA and with an annual limit per tax year for all credits certified.

Legislation in 2018 (HB 4028) changed the annual limit period from tax year to calendar year (due to the difficulty of administering the transfer provisions) and clarified that the term "bovine manure" means cattle manure, whereas "cattle" means cows, heifers, bulls, steers, or calves.

## PURPOSE

The statute that allowed this expenditure does not explicitly state a purpose. The legislative staff revenue impact statement for HB 2066 (2017) stated "The policy purpose of the bovine manure tax credit is to ensure the viability and use of digester technology investment."

## WHO BENEFITS

Producers and collectors of bovine manure that produce biofuel. The anaerobic digesters, which break down biodegradable material, in this case bovine manure, by microorganisms are located on dairy farms located in Tillamook and Morrow counties as well as in the Willamette Valley.

## EVALUATION
Not evaluated.

# 1.431 CROP DONATION

**Oregon Statute:** 315.156
**Sunset Date:** 12-31-2025
**Year Enacted:** 1977

**Carryforward:** 3 years
**Refundable:** No
**Transferable:** No

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Less than $100,000 | $300,000 | $300,000 |
| 2025-27 | Less than $100,000 | $200,000 | $200,000 |

NOTE: The revenue impact estimate includes the effect of the sunset.

## DESCRIPTION
A credit is allowed against personal or corporation income taxes for donating crops to gleaning cooperatives, food banks, or other qualifying charitable organizations in Oregon. The credit can be claimed on both harvested and post-harvest donations. The credit is calculated as 15 percent of the wholesale market price of the donated crops or livestock that produce food for human consumption.

Unused credit amounts due to insufficient tax liability may be carried forward for up to three years. The amount of the credit is prorated for nonresidents and part-year residents.

The Crop Donation credit was reinstated in 2014 after previously expiring in 2011, and the credit percentage was increased from 10 percent to 15 percent.

Legislation in 2019 (HB 2164) extended the scheduled sunset of the provision from December 31, 2019 to December 31, 2025.

## PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for HB 2164 (2019), the purpose of this credit is to "…increase the amount of food donated to gleaning cooperatives, food banks and other charitable organizations as well as providing compensation to farmers who donate already harvested crops."

## WHO BENEFITS
Farmers and agricultural producers who donate crops or livestock to qualified organizations benefit directly from this tax credit. For tax year 2022, about 50 personal income taxpayers claimed this credit. Few corporations claim the credit.

## EVALUATION
*Provided by the Oregon Department of Agriculture*

Food security is a significant issue for nearly 15 percent of the state's residents. The Crop Donation credit helps offset costs for farmers and growers who donate their crops/livestock to charitable organizations working to close this food gap.

The Crop Donation tax credit may serve as an efficient mechanism to encourage food donations from the agricultural sector by providing financial incentives that help offset the significant costs associated with harvesting, transporting, and donating crops. This credit leverages the existing tax infrastructure, potentially reducing administrative burdens compared to direct subsidies, and supports farmers in managing surplus crops in a way that benefits the community, enhances their public image, and fosters stronger ties with local communities.

However, the effectiveness of this credit may be limited for smaller or newer farming operations, which might struggle with awareness, logistical challenges, or insufficient taxable income to fully benefit. If the credit were eliminated, it is likely that food donations from the agricultural sector would decline, exacerbating food insecurity in Oregon. To improve the program, outreach efforts could be expanded to ensure all eligible farmers are informed and able to participate, while additional support for logistical challenges could help smaller farms contribute more effectively.

Additionally, expanding the credit to include more agricultural products or increasing the credit percentage could further enhance its impact on reducing food insecurity in the state.

## 1.432 ENERGY CONSERVATION LENDER'S CREDIT

**Oregon Statute:** 317.112
**Sunset Date:** 12-31-2011
**Year Enacted:** 1981

**Carryforward:** 15 years, see description
**Refundable:** No
**Transferable:** No

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Less than $100,000 | Less than $100,000 | Less than $100,000 |
| 2025-27 | Less than $100,000 | Less than $100,000 | Less than $100,000 |

### DESCRIPTION

The energy conservation lender's credit expired as of December 31, 2011; however, there can be revenue impacts for the 2023-25 and 2025-27 biennia due to unused tax credits carried forward to succeeding years. The last tax year for which a carryforward credit may be used is the tax year beginning before January 1, 2027.

Commercial lending institutions were allowed a tax credit for financing energy conservation measures of residential fuel oil customers or wood heating residents. The lending corporations must have charged no more than a 6.5 percent interest rate on the loan. The credit equaled the difference between the interest that would have been earned if the loan was made at the usual rate of interest (or alternatively at an upper limit rate established by the Department of Energy) and the interest earned at the 6.5 percent rate. For S corporations that claimed the credit, the credit was shared by the S corporation shareholders and claimed against their Oregon personal income tax.

The loan amount could not exceed $5,000 for a single dwelling unit or $2,000 for a single dwelling unit if it was owned by a corporation and the term could not exceed 10 years. The loan must have been used by the dwelling owner to finance energy conservation measures that were recommended as cost effective in an energy audit, which must have been completed before getting the loan. Any credits not used because of insufficient tax liability could be carried forward up to 15 succeeding years.

### PURPOSE

The statute that allowed this expenditure does not explicitly state a purpose. Presumably, the purpose was to promote energy conservation in oil and wood heated homes by encouraging lending institutions to make loans for the financing of energy saving projects.

### WHO BENEFITS

Lenders who made loans for energy conservation measures. Homeowners and owners of rental housing qualifying for energy conservation loans. Very few taxpayers benefit from this credit.

### EVALUATION

Not evaluated.

# 1.433 TRANSPORTATION PROJECTS

**Oregon Statute:** 315.336(1)
**Sunset Date:** 12-31-2017 (12-31-2015 for transit service projects)
**Year Enacted:** 2011

**Carryforward:** 5 years
**Refundable:** No
**Transferable:** Yes

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Less than $100,000 | Less than $100,000 | Less than $100,000 |
| 2025-27 | $0 | $0 | $0 |

## DESCRIPTION

The credit for transportation projects expired as of December 31, 2017; however, there can be revenue impacts for the 2023-25 and 2025-27 biennia due to certified credits claimed over five years and unused tax credits that are allowed to be carried forward for a maximum of five years. A credit is only allowed if the first tax year for which the credit would otherwise be claimed began before January 1, 2018.

A credit is allowed against corporation or personal income taxes for transportation projects in Oregon. Entities were eligible for this credit if they acquired an alternative fuel vehicle fleet or developed alternative fuel vehicle infrastructure (AFVI) projects such as electric vehicle charging or compressed natural gas systems. Public or nonprofit entities that provided transit services to members of the public and received state or federal funding for those services were also eligible for a transportation projects tax credit. In the case of transit service projects, a credit was only allowed if the first tax year for which the credit would otherwise be allowed to be claimed began on or before 2015. Also in this case, the last tax year for which a carryforward credit may be used is the tax year beginning before January 1, 2025.

The transportation projects program was created in 2011, along with 1.436, Energy Conservation Projects, and a previous tax expenditure for renewable energy development contributions (ORS 315.326).

To qualify for a transportation project tax credit, a taxpayer must have had the project certified by the Oregon Department of Energy (ODOE).

Alternative fuel vehicle projects were eligible for a credit up to 35 percent of the certified cost. Alternative fuel vehicle projects could either be for the development of alternative fuel vehicle infrastructure or the acquisition of an alternative fuel vehicle fleet. Legislation in 2013 added alternative fuel vehicle fleet acquisitions as eligible for tax credits beginning in January 2015.

Certified projects other than alternative fuel vehicle projects were eligible for a credit amount ranging from 10 to 35 percent of certified project costs, depending on the tax year.

When this provision was enacted, the total amount of potential tax credits for the program was limited to $20 million per biennium. Legislation in 2013 and 2014 redirected a one-time total of $3 million of transportation project tax credits for the 2013-15 biennium to be auctioned for tax years 2013-2016. The proceeds from the auction of these tax credits were to be deposited into the Alternative Fuel Vehicle Revolving Fund.

Project owners with no tax liability—such as schools, governmental agencies, tribes or nonprofit organizations—could take advantage of the transportation project program by using the pass-through option, which allowed project owners to transfer their tax credit eligibility to a partner for a lump sum cash payment. Transfer partners can be businesses or individuals with an Oregon tax liability, who then claim the credit on their tax returns. Transfer to a partnership was not allowed. ODOE administered the transfer process and set the rate for calculating the payment. Each credit could be transferred or sold only once.

## PURPOSE

The statute that allowed this expenditure did not explicitly state a purpose. Presumably, the purpose was similar to that of 1.435, Business Energy Facilities, Conservation and Renewables, which was “to encourage the conservation of electricity, petroleum and natural gas by providing tax relief for Oregon facilities that conserve energy resources or meet energy requirements through the use of renewable resources.” (ORS 469B.133)

### WHO BENEFITS
The alternative fuel vehicle infrastructure and fleet portions of the transportation tax credit program benefited businesses, organizations, nonprofits, tribes, schools, and public bodies that wanted to invest in cleaner transportation fuels and vehicles.

The transit services portion of the transportation tax credit program benefited government or nonprofit entities that received state or federal funding for transit services.

### EVALUATION
Not evaluated.

## 1.434 ALTERNATIVE ENERGY DEVICES (RESIDENTIAL)

**Oregon Statute:** 316.116
**Sunset Date:** 12-31-2017
**Year Enacted:** 1977

**Carryforward:** 5 years, see description
**Refundable:** No
**Transferable:** Yes

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | $200,000 | $200,000 |
| 2025-27 | Not Applicable | Less than $100,000 | Less than $100,000 |

### DESCRIPTION
The alternative energy devices (residential) tax credit (or commonly referred to as the Residential Energy Tax Credit, RETC) expired as of December 31, 2017; however, there can be revenue impacts for the 2023-25 and 2025-27 biennia due to possible tax credits being claimed over a four-year period and also due to unused tax credits that are allowed to be carried forward for a maximum of five years. The last tax year for which a carryforward credit may be used is the tax year beginning before January 1, 2026.

A credit against personal income tax was allowed to taxpayers who installed qualifying alternative energy devices in their residences.

The Oregon Department of Energy (ODOE) listed a set of eligible devices that homeowners or renters could purchase and install in their primary or secondary residence located in Oregon. Eligible devices, appliances, and systems have changed over time to adapt to changes in energy use and market conditions.

Tax credit eligibility requirements varied for over twenty types of eligible devices. In general, tax credits were issued for no more than 50 percent of the cost of the device or $1,500. Credits over $1,500 must have been claimed over multiple years, with no more than $1,500 being claimed per year.

RETC applicants may also have been eligible for additional incentives offered by their utility, the Energy Trust of Oregon, or the federal government. These additional incentives were deducted from the eligible cost of the device when calculating the credit amount. The sum of the state and federal credits and incentives could not exceed the cost of the acquisition, construction, and installation of the alternative energy device.

Any credit unused in a particular year because of insufficient tax liability could be used in later years, for up to five years. If a taxpayer had no Oregon tax liability, the taxpayer could have transferred the tax credit to an individual with an Oregon tax liability, who made a lump sum payment equal the present value of the certified tax credit (as determined by ODOE) to the taxpayer.

### PURPOSE
The statute that allowed this expenditure did not explicitly state a purpose. Presumably, the purpose was to promote residential energy savings, energy displacement, and market transformation by providing personal income tax credits to Oregonians who purchased energy efficient devices and renewable energy systems for their homes.

### WHO BENEFITS
The Residential Energy Tax Credit program benefited homeowners, renters, and landlords statewide who upgraded or purchased energy efficient devices and renewable energy systems.

## EVALUATION
Not evaluated.

# 1.435 BUSINESS ENERGY FACILITIES, CONSERVATION AND RENEWABLES

**Oregon Statute:** 315.354
**Sunset Date:** 12-31-2012 (see description)
**Year Enacted:** 1979

**Carryforward:** 8 years, see description
**Refundable:** No
**Transferable:** Yes

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | $200,000 | $100,000 | $300,000 |
| 2025-27 | Less than $100,000 | Less than $100,000 | Less than $100,000 |

## DESCRIPTION
The conservation and renewable energy resource components of the Business Energy Facilities tax credit (or commonly referred to as the Business Energy Tax Credit, BETC) have expired as of December 31, 2012; however, there can be revenue impacts for the 2023-25 and 2025-27 biennia due to certified credits taken over a five-year period and unused tax credits that are allowed to be carried forward for a maximum of eight years. The last tax year for which a carryforward credit may be used is the tax year beginning before January 1, 2028.

The 2011 Legislature transferred the administration of the manufacturing component of BETC from the Oregon Department of Energy (ODOE) to the Oregon Business Development Department and in the process made the manufacturing component of BETC its own tax expenditure, 1.416, Renewable Resource Equipment Manufacturing Facilities tax credit.

To replace the expired components of the BETC program, the 2011 Legislature created three new tax credits which are a part of the Energy Incentive Program (EIP):

- 1.433, Transportation Projects
- 1.436, Energy Conservation Projects
- A credit for contributions to the renewable energy development fund administered by ODOE (ORS 315.326)

For this tax expenditure, which includes just the conservation and renewable components of BETC, a credit was allowed against corporation or personal income taxes for Oregon businesses with investments in such projects as energy conservation and renewable energy resources.

To have qualified for a BETC (conservation and renewables), the project must have been certified by ODOE before starting. Conservation projects included a variety of energy conservation projects in the following categories: energy efficiency (e.g. insulation, HVAC, and lighting), homebuilder (e.g. solar systems installed in new or existing homes), rentals (e.g. appliance and weatherization improvements in rental housing), transportation (e.g. alternate fuel vehicles) and other projects, such as recycling. Renewable energy resource projects included a variety of projects that use or produce energy from biomass, wind, water, geothermal, solar photovoltaic cells or solar thermal (water heating) systems.

In general, conservation projects received a tax credit of 35 percent of the eligible costs. After the 2007 Legislative Session, renewable projects received a tax credit of 50 percent of eligible costs. Eligible costs must have been directly related to the project and included equipment costs, engineering and design fees, materials, supplies, installation costs, loan fees and permit costs. Maintenance costs and costs to replace equipment at the end of its useful life or required to meet regulations were not eligible.

The limit on eligible costs was $10 million for conservation projects and $20 million for renewable projects. For certain types of projects, there were additional limits on the eligible costs.

The tax credit was taken over five years with 10 percent taken the first two years and 5 percent taken the final three years for 35 percent tax credits, and 10 percent taken each year for 50 percent tax credits. If the eligible costs of the

project were $20,000 or less, the tax credit could be taken in one year. Any tax credit not used in a particular year because of insufficient tax liability could be carried forward for up to eight years.

Project owners with no tax liability, such as schools, governmental agencies, tribes or nonprofit organizations could take advantage of the BETC program by using the pass-through option, which allowed project owners to transfer their BETC eligibility to a partner for a lump sum cash payment. The transfer partner could have been a business or individual with an Oregon tax liability, who then claimed the tax credit on their tax returns. The ODOE administered the transfer process and set the rate for calculating the payment. The pass-through option was expanded by the Legislature in 2001 and participation steadily increased. In 2009, just over half of the projects transferred their BETC credit. The 2009 Legislature limited the transferability, so that the credit could not be transferred more than once.

- House Bills 3672 (2011) and 4079 (2012) clarified the sunset of the BETC program:
- Applications for preliminary BETC certification that were received by April 15, 2011 must have received their preliminary certification by June 30, 2011.
- Projects with a preliminary certification that began construction by April 15, 2011 must receive their final certification based on the conditions of their preliminary certifications (for conservation and transportation projects, final certification cannot be after June 30, 2014).
- Projects with preliminary certification that began construction after April 15, 2011 must receive final certification by December 31, 2012.

Certifications are granted for a period not to exceed five years and begin on the tax year during which the applicant submitted their completed application for final certification.

### PURPOSE
"To encourage the conservation of electricity, petroleum and natural gas by providing tax relief for Oregon facilities that conserve energy resources or meet energy requirements through the use of renewable resources." (ORS 469B.133)

### WHO BENEFITS
Businesses that invested in facilities that produced energy, reduced the consumption of energy, recycled, or used less polluting transportation fuels. For tax year 2021, approximately 11 corporate taxpayers benefited from the credit. These taxpayers reduced their tax liability by an average of about $120,000. For tax year 2022, approximately 20 personal income taxpayers (composed of individuals, S corporations, and partnerships) benefited from the credit.

### EVALUATION
Not evaluated.

## 1.436 ENERGY CONSERVATION PROJECTS

**Oregon Statute:** 315.331(1)
**Sunset Date:** 12-31-2017
**Year Enacted:** 2011

**Carryforward:** 5 years
**Refundable:** No
**Transferable:** Yes

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Less than $100,000 | Less than $100,000 | Less than $100,000 |
| 2025-27 | Less than $100,000 | Less than $100,000 | Less than $100,000 |

### DESCRIPTION
The tax credit for an energy conservation project has expired as of December 31, 2017; however, there can be revenue impacts for the 2023-25 and 2025-27 biennia due to certified credits taken over a five-year period and unused credits that are allowed to be carried forward for a maximum of five years. The last tax year for which a carryforward credit may be used is the tax year beginning before January 1, 2027.

A credit was allowed against corporation or personal income taxes for energy conservation projects in Oregon. The Energy Conservation Projects program was created in 2011, along with 1.433, Transportation Projects, and a previous tax expenditure for renewable energy development contributions (ORS 315.326).

To qualify for an Energy Conservation Project tax credit, a taxpayer must have had the project certified by the Oregon Department of Energy (ODOE). Qualifying energy conservation projects were eligible for a credit that was equal to an amount up to 35 percent of the project cost. The credit was taken over five years in increments related to project cost: 10 percent in the first and second year and 5 percent each year thereafter. Taxpayers with certified costs of $20,000 or less could take the tax credit in one year. Any credit unused in a particular year because of insufficient tax liability could be carried forward for up to five years. The total amount of potential tax credits for the program was limited to $28 million per biennium.

Project owners with no tax liability, such as schools, governmental agencies, tribes, or non-profit organizations could take advantage of the Energy Conservation Project program by using the pass-through option, which allowed project owners to transfer their tax credit eligibility to a partner for a lump sum cash payment. Transfer partners could be a business or individual with an Oregon tax liability, who then claimed the tax credit on their tax return. Transfer to a partnership was not allowed. The ODOE administered the transfer process and set the rate for calculating the payment. The credit could be transferred or sold only once. The 2015 Legislature permitted ODOE to require applicants to enter into a performance agreement, which can include a recertification requirement for owners of projects with a cost of $1 million or more.

### PURPOSE
The statute that allowed this expenditure does not explicitly state a purpose. Presumably, the purpose was similar to 1.435, Business Energy Facilities, Conservation and Renewables which states "...to encourage the conservation of electricity, petroleum and natural gas by providing tax relief for Oregon facilities that conserve energy resources or meet energy requirements through the use of renewable resources." (ORS 469B.133)

### WHO BENEFITS
The program benefited businesses, organizations, public bodies, schools, nonprofits, and tribes that invested in energy efficiency or conservation projects at a business or residential rental property in Oregon.

### EVALUATION
Not evaluated.

## 1.437 WEATHERIZATION LENDER'S CREDIT

**Oregon Statute:** 317.111
**Sunset Date:** 10-31-1981
**Year Enacted:** 1977

**Carryforward:** 15 years, see description
**Refundable:** No
**Transferable:** No

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Less than $100,000 | Not Applicable | Less than $100,000 |
| 2025-27 | Less than $100,000 | Not Applicable | Less than $100,000 |

### DESCRIPTION
The weatherization lender's credit has expired as of October 31, 1981; however, there can be revenue impacts in the 2023–25 and 2025–27 biennia due to credits carried forward to succeeding years due to possible unused tax credits from credits claimed during the term of the weatherization loan. A credit against corporation income taxes was allowed for commercial lending institutions that made below market rate loans for financing weatherization projects. The credit was equal to the difference between the amount of interest charged at a rate of 6.5 percent and the amount that would have been charged at the lesser of 12 percent or the average percent the lending institution charged for home improvement loans. Unused credit amounts could be carried forward for 15 years.

### PURPOSE
The statute that allowed this expenditure did not explicitly state a purpose. Presumably, the purpose was to promote energy conservation by encouraging lending institutions to make loans for projects to weatherize homes.

### WHO BENEFITS
Lending institutions that made weatherization loans between 1977 and 1981. Very few taxpayers benefit from this credit.

### EVALUATION
Not evaluated.

## 1.438 FISH SCREENING DEVICES

**Oregon Statute:** 315.138
**Sunset Date:** 01-01-2030 (preliminary certification)
**Year Enacted:** 1989

**Carryforward:** 5 years
**Refundable:** No
**Transferable:** No

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Less than $100,000 | Less than $100,000 | Less than $100,000 |
| 2025-27 | Less than $100,000 | Less than $100,000 | Less than $100,000 |

### DESCRIPTION
A credit against personal and corporation income tax is allowed for installing a fish screening device, bypass device, or fishway (except where the device is part of a federally regulated hydroelectric project). These projects are primarily on agricultural land to keep fish from entering irrigation canals. Legislation passed in 2007 attempted to encourage the wider use of these devices by allowing the credit on any substantial diversion of water from rivers, lakes and streams that is not required to be licensed by the Federal Energy Regulatory Commission. Legislation passed in 2009 (HB 2065) further clarified that the credit is allowed for installing any of the following: a fish screening device, bypass device, or fishway.

The credit for each device installed equals 50 percent of the taxpayer's net certified cost of installing the screening device, bypass device, or fishway. The total credit allowed cannot exceed $5,000 per device installed. Devices that are financed by the Water Development Fund are ineligible for the credit.

The device must be certified by Oregon Department of Fish and Wildlife (ODFW) to be eligible for the credit. There is a preliminary certification prior to installation and a final certification upon completion.

Screening devices may be required on any diversion located in waters of the state in which fish subject to the department’s jurisdiction live. The owner must maintain any mandatory device after completion.

The credit is claimed in the year of final certification. Credits unclaimed because of insufficient tax liability can be carried forward for up to five years. The 2023 Legislature extended this tax credit (HB 2071), so that ODFW may issue preliminary certifications up to January 1, 2030.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. The legislative staff revenue impact statement for HB 2171 (2023) stated “The policy purpose of this credit is to support fish protection, production, and population connectivity of native migratory fish thereby supporting the restoration of Oregon’s native salmonid populations.”

### WHO BENEFITS
Taxpayers who install fish screening or passage devices. For 2023, ODFW certified 23 screens and fishways for a qualifying tax credit.

## EVALUATION

*Provided by the Oregon Department of Fish and Wildlife*

This tax credit is an additional incentive for water users to install fish screens and fishways to maximize fish protection while still allowing landowners to divert and utilize water for agricultural and other operations. This program is not used frequently enough to create a significant impact on the State budget but it is a benefit at the individual land owner scale. Participation in this program is low due to many projects being implemented with cost share assistance from a variety of partners such that the landowner and eligible taxpayer does not end up with certifiable costs eligible for the tax credit. When landowners do fund these projects their ability to use this tax credit is part of the selling point of the project.

# 1.439 SHORT LINE RAILROAD REHABILITATION

**Oregon Statute:** 315.593
**Sunset Date:** 12-31-2029
**Year Enacted:** 2019

**Carryforward:** 5 years
**Refundable:** No
**Transferable:** Yes

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Available* | Not Available* | Not Available* |
| 2025-27 | Not Available* | Not Available* | Not Available* |

** In certain cases, to conform with taxpayer privacy disclosure laws, revenue numbers are not provided for tax expenditures that may affect at most a few taxpayers. This includes tax expenditures that do not currently affect any Oregon taxpayer, but could at a later date.*

## DESCRIPTION

A credit is allowed against corporation or personal income taxes based on short line railroad rehabilitation project costs paid or incurred during the tax year for which the credit is claimed.

Project costs are those directly related to the work necessary to maintain, reconstruct, or replace infrastructure in Oregon owned or leased by a short line railroad. Project costs do not include those funded by or used to qualify for any state or federal grants, or costs that are used to claim a federal tax credit.

A short line railroad is defined as a carrier by railroad with less than $900 million in annual operating revenues (see 49 C.F.R. pt. 1201).

The amount of the credit allowed to a taxpayer is the lesser of:

- 50 percent of the rehabilitation project costs paid or incurred
- $3,500 times the number of miles of short line track the taxpayer owns or leases in the state

Any portion of the credit exceeding the taxpayer's liability in a particular tax year may be carried forward for up to five years. The amount of the credit is prorated for nonresidents and part-year residents.

Rehabilitation projects must be certified by the Oregon Department of Transportation to be eligible for this credit. The total amount of potential tax credits allowed at the time of preliminary certification may not exceed $4 million for any biennium (ORS 315.603).

Legislation in 2023 (HB 2071) extended the sunset of this provision to allow claims for tax years beginning before January 1, 2030. Other legislation in 2023 (HB 3406) eliminated the distinction between tier 1 and tier 2 short line railroads. Prior to this legislation, the amount of the credit allowed to a taxpayer who owned or leased 200 or more miles of short line track in the state was the lesser of:

- 50 percent of the rehabilitation project costs paid or incurred
- $1,000 times the number of miles of short line track the taxpayer owns or leases in the state

The credit calculation did not change for taxpayers who owned or leased less than 200 or more miles of short line track in the state and for government owned or leased railroads.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for HB 2164 (2019), the purpose of this credit is "to encourage and leverage private capital investment in short line railroad infrastructure with the intent to create cascading economic development opportunities across the state and to incentivize new short line rail customers by improving the conditions of short line railroads throughout Oregon."

### WHO BENEFITS
Short line railroads with eligible rehabilitation costs.

### EVALUATION
*Provided by the Oregon Department of Transportation*

In 2023, ODOT issued preliminary certifications to eight short line railroads for the rehabilitation tax credit. This preliminary certification is step 1 of a 2-step process. Step 2 requires the railroad to submit proof that they actually completed the project and spent the funds as outlined in their application by year end. ODOT issued final certifications to six of those short line railroads for 2023, which is 75% of those that received preliminary certifications.

## 1.440 OREGON LIFE AND HEALTH IGA ASSESSMENTS

**Oregon Statute:** 734.835
**Sunset Date:** 12-31-2027
**Year Enacted:** 1975

**Carryforward:** No
**Refundable:** No
**Transferable:** No

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | $700,000 | Not Applicable | $700,000 |
| 2025-27 | $200,000 | Not Applicable | $200,000 |

### DESCRIPTION
Life and health insurance companies pay both the corporation income tax and two types of assessments (class A and class B) to Oregon Life and Health Insurance Guaranty Association (OLHIGA). The class B assessment is made if needed to cover the cost of claims against insurers that have gone out of business. In general, the solvent insurers are then entitled to a credit against their corporation income taxes for class B assessments paid to OLHIGA at the rate of 20 percent of the assessment per year for each of the five calendar years following the year in which the assessment was paid, not to exceed each solvent insurer's corporate income tax liability. In the event that an insurer goes out of business, all remaining assessment amounts may be credited for the year it goes out of business.

Legislation in 2021 (HB 2433) extended the sunset such that the first tax year for which the credit would be allowed is the tax year beginning before January 1, 2028.

### PURPOSE
ORS 734.770 states that "the purpose of ORS 734.750 to 734.890 is to protect the persons specified in ORS 734.790, subject to certain limitations, against failure in the performance of contractual obligations, under life and health insurance policies and annuity contracts specified in ORS 734.790, because of the impairment or insolvency of the insurer issuing such policies or contracts."

### WHO BENEFITS
Insurance companies affected by OLHIGA class B assessments. The recent OLHIGA class B assessments have been:

- $4,410,000 in 2017
- $1,700,000 in 2018
- $1,145,000 in 2019
- $1,500,000 in 2020

There was no assessment from 2021 onwards.

### EVALUATION

*Provided by the Department of Consumer and Business Services*

This type of credit is common throughout the United States. It allows insurers to recover the costs of the assessment they pay to the guaranty association, which in turn is used to cover the cost of claims against insolvent insurers. In effect the General Fund, through the OLHIGA, funds the costs associated with Oregon claims filed against insolvent insurers, with some offsetting increase in retaliatory tax.

Because this tax credit is taken on the excise tax and the excise tax, net of credits, is used in calculating the retaliatory tax, there is an offsetting increase in retaliatory tax as a result of this credit, which is dollar for dollar within certain thresholds.

## 1.441 POLITICAL CONTRIBUTIONS

**Oregon Statute:** 316.102
**Sunset Date:** 12-31-2027
**Year Enacted:** 1969

**Carryforward:** No
**Refundable:** No
**Transferable:** No

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | $6,000,000 | $6,000,000 |
| 2025-27 | Not Applicable | $4,600,000 | $4,600,000 |

### DESCRIPTION

A nonrefundable credit may be claimed against personal income taxes for qualified political contributions made, not to exceed $50 ($100 for a joint return). The credit may not be taken by joint filers with federal adjusted gross income above $150,000, or by other types of filers with federal adjusted gross income above $75,000. These limits were decreased from $200,000 and $100,000 by legislation in 2019 (HB 2164) and are not adjusted for inflation.

Qualified political contributions include cash contributions to a major or minor political party; to candidates for state, federal, or local elective office; or to political action committees that are registered with the Oregon Secretary of State's office. Credits that cannot be used because of insufficient tax liability in the current year may not be carried forward to later years.

Legislation in 2023 (HB 2071) extended the sunset of the provision to allow claims for tax years beginning before January 1, 2028.

### PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for HB 2164 (2019), the purpose of the credit is "to encourage large numbers of people to contribute small amounts of money to candidates and political parties, thereby encouraging participation in the political process."

## WHO BENEFITS

Taxpayers who make cash contributions to political candidates or parties or political action committees. The number of full-year resident taxpayers who claim this credit fluctuates from year to year. Usage of the credit is generally highest during presidential election years. The table below shows usage of this credit for tax year 2022.

**2022 Personal Income Tax Filers**

| Income Group of Full-Year Filers* | Number of Filers Using Credit | Average Revenue Impact of Credit | Revenue Impact ($ millions) | Percent of Revenue Impact by Income Group |
|---|---|---|---|---|
| Below $19,400 | 5,820 | $20 | $0.1 | 4% |
| $19,400 - $40,400 | 8,180 | $40 | $0.4 | 12% |
| $40,400 - $67,700 | 11,600 | $60 | $0.7 | 23% |
| $67,700 - $117,800 | 13,410 | $80 | $1.1 | 39% |
| Above $117,800 | 7,050 | $90 | $0.6 | 22% |
| All Full-Year Filers | 46,060 | $60 | $2.8 | 100% |
| Part-Year and Nonresident Filers | 1,130 | $50 | $0.1 | |

**Each income group contains 20 percent of the full-year filers (approximately 376,000)*

## EVALUATION

*Provided by the Oregon Secretary of State*

In 2016, the multi-partisan Campaign Finance Task Force chaired by former Secretary of State Jeanne Atkins voted 13-1 (with three excused) to adopt the statement that: "Oregon campaign contribution tax credit is useful in encouraging small contributions by individuals and gives candidates and political committees the opportunity to do positive outreach to constituents. The program has had bipartisan support over the years."

Since the tax credit has been in effect since 1969, it is difficult to know how many Oregonians would participate without the tax credit, although many candidates and political committees highlight the tax credit as a fundraising tool. However, the credit amount is relatively small at $100 on a joint return for filers earning less than $150,000 and $50 for filers earning less than $75,000. In the absence of publicly funded elections or other state-sponsored grassroots campaign financing measures, the political contribution tax credit remains a tool to encourage political participation by individuals.

While prior assessments of this tax expenditure have included speculation on the percentage of contributions that used the credit, the adoption of income limits in 2017 makes such calculations untenable. For example, while the Secretary of State's Elections Division can reasonably estimate the number of donations made each year under $100, they are not able to assess the income level of the contributor(s) and whether they qualified for this tax credit. Therefore, the Oregon Secretary of State is unable to discern which contributions were received from contributors that are eligible for this tax credit from those that are not.

Because the income limit is not tied to inflation, the overall fiscal impact of this expenditure is likely to decrease with time, as fewer and fewer Oregonians become eligible.

# 1.442 OREGON CULTURAL TRUST

**Oregon Statute:** 315.675
**Sunset Date:** 12-31-2027
**Year Enacted:** 2001

**Carryforward:** No
**Refundable:** No
**Transferable:** No

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Less than $100,000 | $8,500,000 | $8,500,000 |
| 2025-27 | Less than $100,000 | $8,800,000 | $8,800,000 |

## DESCRIPTION

A credit is allowed against personal or corporation income tax for contributions made to the Trust for Cultural Development Account of the Oregon Cultural Trust. In order to qualify for the credit, the taxpayer must first contribute

to one of the more than 1,600 Oregon cultural organizations exempt from federal income taxes per 26 U.S.C. § 501(c)(3). The taxpayer can then make a contribution of equal or lesser value to the Trust for Cultural Development Account, thereby purchasing a tax credit for that amount. The credit is equal to the amount of the contribution to the Trust for Cultural Development Account, and may not exceed $500 for a single filer, $1,000 for joint filers, or $2,500 for corporations. Married taxpayers filing separate returns may claim a share of the allowed joint credit in proportion to the contribution made by each spouse. The amount of the credit is prorated for nonresidents and part-year residents. This credit may not exceed the tax liability of the taxpayers and may not be carried forward to another tax year.

Legislation in 2023 (HB 2071) extended the scheduled sunset of the provision from December 31, 2025 to December 31, 2027.

## PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. According to the revenue impact statement for HB 2164 (2019), the purpose of the credit is "to protect and stabilize Oregon's cultural resources by creating a solid foundation for the future through the leveraging of private sector support from both individuals and businesses."

## WHO BENEFITS

The table below shows personal income tax usage of this credit for tax year 2022.

**2022 Personal Income Tax Filers**

| Income Group of Full-Year Filers* | Number of Filers Using Credit | Average Revenue Impact of Credit | Revenue Impact ($ millions) | Percent of Revenue Impact by Income Group |
|---|---|---|---|---|
| Below $19,400 | 130 | $50 | <$0.1 | <1% |
| $19,400 - $40,400 | 250 | $180 | <$0.1 | 1% |
| $40,400 - $67,700 | 620 | $290 | $0.2 | 4% |
| $67,700 - $117,800 | 1,770 | $420 | $0.7 | 18% |
| Above $117,800 | 4,700 | $660 | $3.1 | 76% |
| All Full-Year Filers | 7,480 | $550 | $4.1 | 100% |
| Part-Year and Nonresident Filers | 80 | $290 | $0.0 | |

**Each income group contains 20 percent of the full-year filers (approximately 376,000)*

For tax year 2021, very few corporate taxpayers benefited from this credit. These taxpayers reduced their tax liability by $2,000, on average.

## EVALUATION

*Provided by the Oregon Cultural Trust*

Oregon Cultural Trust (OCT) is nationally recognized for its engagement of citizens around statewide cultural issues, and its role in providing stable and accessible funding for cultural nonprofits. Part of this access is achieved through 36 county coalitions, whose role is to distribute funds locally according to each county's cultural plan. Since its inception the Trust as brought in 175,618 donations totaling $86,137,185. Fiscal year 2024 was a record year with 10,317 donations totaling $4 million., with an average giving amount of $502 per gift. Annually, about one half of the income from contributions (50-40 percent) is allocated to the Trust corpus, ensuring the health and growth of the cultural sector in Oregon for future generations. The balance (no less than 50 percent, but no more than 60 percent) is granted to Cultural Development Grant Program, Community Participation Grant Program, and Core Partner Agencies. Through a competitive peer review process administered by the OCT, grant awards are strategically made to fulfill the OCT's mission, to lead Oregon in cultivating, growing and valuing culture as an integral part of communities. OCT does this by inspiring Oregonians to invest in a permanent fund that provides annual grants to cultural organizations. Final report and plans are also reviewed annually by the OCT for compliance and impact.

The Trust for Cultural Development Account serves as a repository for both public and private moneys designated to fund specific arts, heritage and humanities programs. Under the direction of the Trust Board, each fiscal year the Oregon Cultural Trust (OCT) disburses no less than 50 percent, but no more than 60 percent of the amount in the Trust for Cultural Development Account on July 1. The OCT may use up to $400,000 of the total amount disbursed from the account for administrative expenses, with a cost of living increase applied annually (Consumer Price Index). The balance of the amount disbursed from the account is distributed in the following three ways: Cultural Development

Grant Program (50 percent), Community Participation Grant Program (25 percent), and Core Partner Agencies (25 percent).

The Cultural Development Grant Program supports the preservation, stabilization of and investment in Oregon's cultural resources. Grants address significant opportunities to advance, preserve or stabilize cultural resources, and invest in the development of new cultural resources. Grant awards are required to be matched 1:1 and have a broad cultural impact, and applicants must have culture as a priority within their mission. To ensure equitable distribution of program awards, organizations must wait to apply for one year if they have received funding in the previous two consecutive years.

The Community Cultural Participation Grant Program provides funds to 36 counties and Oregon's nine federally recognized Indian tribes, collectively called the "County Coalition," for local cultural activities. Each applicant must develop a local cultural plan that identifies priorities specific for building public participation across cultural disciplines and organizations. Each member must also identify annual benchmarks and involve local leadership and governance for grant fund management and plans must be broadly disseminated within each county or tribe. The members of the statewide coalitions are all volunteer driven and disburse grants in their communities, often in fiscal sponsorship with their county government or mission-aligned cultural nonprofit.

The Core Partner Agencies program enables state agencies to carry out their missions and mandates, serve more grantees, encourage new cultural undertakings, and research and investigate ways in which culture and related cultural policy will impact the state in the future. The core partner agencies are the Oregon Arts Commission, Oregon Humanities, the State Historic Preservation Office, the Oregon Heritage Commission, and the Oregon Historical Society. The partners also decide on disbursement of Cooperative Partner Projects, which have included statewide projects such as Oregon's Poet Laureate Program, The Confluence Project, the Oregon Folklife Network and the newly, much needed Organizational and Professional Development Grants for cultural organizations across the state of Oregon.

Of particular note in fiscal year 2024, the Trust received $454,583 in grants, bequests and matching gifts that were given without the tax credit. The Trust received three bequests totaling $370,645. Also, we received 136 gifts above the tax credit limit. This is a testament to Oregonians' generous support of the work we are doing for culture in Oregon.

Because of this amazing support, the Trust will be granting a record $3,960,976 in fiscal year 2025 grants.

Historically the Trust has given out 2,568 grants totaling $42,778,938.

## 1.443 PERSONAL EXEMPTION

**Oregon Statute:** 316.085
**Sunset Date:** None
**Year Enacted:** 1985

**Carryforward:** No
**Refundable:** No
**Transferable:** No

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | $1,260,000,000 | $1,260,000,000 |
| 2025-27 | Not Applicable | $1,270,000,000 | $1,270,000,000 |

### DESCRIPTION

Oregon personal income taxpayers receive a personal exemption credit for each taxpayer and dependent represented on the return. Individuals who can be claimed as a dependent on another's return cannot claim a credit on their own return. The amount of the credit is indexed to inflation and is $249 in 2024. The amount of the credit is prorated for nonresidents and part-year residents.

Taxpayers whose filing status is married filing jointly, surviving spouse, or head of household may not claim this credit if their adjusted gross income is above $200,000, and single filers or married taxpayers filing separate returns may not claim this credit if their adjusted gross income is above $100,000. The adjusted gross income limits are not adjusted for inflation.

## PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to provide a minimum level of tax-free income that increases with family size for all Oregon personal income taxpayers below a certain income level.

## WHO BENEFITS

Oregon personal income taxpayers, except those who are claimed on another taxpayer's return. The table below shows usage of this credit for tax year 2022.

**2022 Personal Income Tax Filers**

| Income Group of Full-Year Filers* | Number of Filers Using Credit | Average Revenue Impact of Credit | Revenue Impact ($ millions) | Percent of Revenue Impact by Income Group |
|---|---|---|---|---|
| Below $19,400 | 298,130 | $160 | $48.1 | 8% |
| $19,400 - $40,400 | 366,460 | $320 | $117.4 | 20% |
| $40,400 - $67,700 | 374,950 | $360 | $135.9 | 23% |
| $67,700 - $117,800 | 345,470 | $470 | $161.3 | 28% |
| Above $117,800 | 189,800 | $610 | $116.1 | 20% |
| All Full-Year Filers | 1,574,810 | $370 | $578.8 | 100% |
| Part-Year and Nonresident Filers | 239,510 | $180 | $43.8 | |

**Each income group contains 20 percent of the full-year filers (approximately 376,000)*

## EVALUATION

Not evaluated.

# 1.444 OREGON VETERANS' HOME PHYSICIANS

**Oregon Statute:** 315.624
**Sunset Date:** 12-31-2027
**Year Enacted:** 2007

**Carryforward:** No
**Refundable:** No
**Transferable:** No

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | Less than $100,000 | Less than $100,000 |
| 2025-27 | Not Applicable | Less than $100,000 | Less than $100,000 |

## DESCRIPTION

A credit against personal income tax is allowed for physicians who provide medical care to residents of an Oregon Veterans' Home. The credit is $1,000 for every eight residents to whom the physician provides care, with a maximum of $5,000 per year. To qualify for the credit, a physician cannot miss more than 5 percent of scheduled visits with residents, as verified by a letter from an Oregon Veterans' Home. The letter must be submitted with the corresponding tax return. Nonresidents and part-year residents must prorate their credit amount in the same manner they would prorate their standard deduction under ORS 316.117.

A qualifying taxpayer may claim both this credit and the rural medical practitioner credit (see 1.408, Rural Medical Practice).

Legislation in 2021 extended the scheduled sunset of the provision from December 31, 2021 to December 31, 2027.

## PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for HB 2433 (2021), the purpose of this credit is "…to increase the number of health care professionals providing long-term care to Oregon veterans, thereby increasing the number of veterans receiving such care."

### WHO BENEFITS
Physicians providing care to residents of an Oregon Veterans' Home. Oregon has two Oregon Veterans' Homes, one in The Dalles and one in Lebanon. Very few personal income taxpayers claimed this credit.

### EVALUATION
*Provided by the Oregon Department of Veterans' Affairs*

This tax credit is having the desired effect of encouraging physicians to provide care to residents of an Oregon Veterans' Home. The tax credit is important because Oregon Veterans' Homes are in rural locations and at times have experienced challenges finding physicians to provide care to residents.

## 1.445 CERTAIN RETIREMENT INCOME

**Oregon Statute:** 316.157
**Sunset Date:** 12-31-2025
**Year Enacted:** 1991

**Carryforward:** No
**Refundable:** No
**Transferable:** No

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | $900,000 | $900,000 |
| 2025-27 | Not Applicable | $400,000 | $400,000 |

NOTE: The revenue impact estimate includes the effect of the sunset.

### DESCRIPTION
Low-income taxpayers who are 62 or older and receiving taxable retirement income are allowed a credit against personal income taxes of up to 9 percent of their net pension income. Net pension income is all retirement income included in federal taxable income, except federal pensions excluded from Oregon taxable income (see 1.325, Federal Pension Income) and Social Security benefits, which are not taxed by Oregon. Thus, net pension income consists of private, state, local, and some federal government pensions and distributions from deferred compensation plans, IRAs, SEPs, and Keoghs.

To qualify for the credit, the taxpayer must meet all of the following conditions:

- Household income of $22,500 or less ($45,000 or less if married filing jointly)
- No more than $7,500 ($15,000 if married filing jointly) in Social Security and/or Tier 1 Railroad Retirement Board benefits
- Household income plus Social Security and Tier 1 Railroad Retirement Board benefits of $22,500 or less ($45,000 if married filing jointly).

Legislation in 2019 extended the scheduled sunset of the provision from December 31, 2019 to December 31, 2025.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for HB 2164 (2019), the purpose of this credit is "To provide tax relief to low-income individuals with pension income."

## WHO BENEFITS

Low-income retirees benefit from this credit. The table below shows usage of this credit for tax year 2022.

**2022 Personal Income Tax Filers**

| Income Group of Full-Year Filers* | Number of Filers Using Credit | Average Revenue Impact of Credit | Revenue Impact ($ millions) | Percent of Revenue Impact by Income Group |
|---|---|---|---|---|
| Below $19,400 | 2,650 | $80 | $0.2 | 34% |
| $19,400 - $40,400 | 1,360 | $270 | $0.4 | 61% |
| $40,400 - $67,700 | 180 | $180 | $0.0 | 5% |
| $67,700 - $117,800 | 0 | $0 | $0.0 | 0% |
| Above $117,800 | 0 | $0 | $0.0 | 0% |
| All Full-Year Filers | 4,190 | $150 | $0.6 | 100% |
| Part-Year and Nonresident Filers | 130 | $100 | $0.0 | |

**Each income group contains 20 percent of the full-year filers (approximately 376,000)*

## EVALUATION

*Provided by the Oregon Department of Human Services*

This tax expenditure appears to achieve its purpose. It provides added financial security to those eligible and contributes to their ability to remain self-sufficient. By encouraging financial independence, this provision reduces demand for other state funded services and saves the state money. This tax expenditure will become increasingly important as the population distribution changes. Current forecasts indicate that current retirement savings are not nearly sufficient to support future retirees in their accustomed lifestyles.

# 1.501 PUBLIC WAREHOUSE SALES THROWBACK EXEMPTION

**Oregon Statute:** 314.665
**Sunset Date:** None
**Year Enacted:** 2005

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Less than $100,000 | Not Applicable | Less than $100,000 |
| 2025-27 | Less than $100,000 | Not Applicable | Less than $100,000 |

## DESCRIPTION

For the purposes of taxation, income of corporations doing business in more than one state is apportioned based on Oregon sales relative to sales in all other states. Sales outside the state that originate in Oregon can be taxed in Oregon, known as a throwback, if the sales are to the federal government or are made in another state where the company is not subject to tax (does not have nexus).

This measure exempts certain corporations from throwing back sales. To qualify for the exemption, the corporation's sole activity in Oregon must be the storage of goods in a public warehouse or storing goods in a public warehouse and with employees in the state whose sole purpose is to solicit sales.

Public warehouse means:

- A warehouse owned or operated by a person who does not own the goods stored in the warehouse
- Does not include a warehouse that is owned by a person who is related to the person who owns goods that are stored in the warehouse, or an affiliate of the person who owns goods that are stored in the warehouse.

The Department of Revenue may determine if a corporation's activities fit this definition of a public warehouse.

## PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to encourage development and expansion of public warehouses in Oregon.

## WHO BENEFITS

Corporate taxpayer with a public warehouse. No known taxpayer benefits from this provision.

## EVALUATION

Not evaluated.

# 1.502 TAX RATES FOR CERTAIN PASS-THROUGH INCOME

**Oregon Statute:** 316.043(2)
**Sunset Date:** None
**Year Enacted:** 2013

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | $242,000,000 | $242,000,000 |
| 2025-27 | Not Applicable | $253,000,000 | $253,000,000 |

## DESCRIPTION

Taxpayers with qualifying nonpassive income attributable to a business entity which is a partnership, S corporation, or a sole proprietorship may make an irrevocable election on the original return for that year's qualifying income to be taxed at the following marginal rates (brackets are not adjusted for inflation):

| Net Qualifying Income | Tax Rate |
|---|---|
| $1 to $500,000 | 7.0% |
| $500,001 - $1,000,000 | 7.5% |
| $100,001 - $2,500,000 | 8.0% |
| $2,500,001 to $5,000,000 | 9.0% |
| More than $5,000,000 | 9.9% |

The ordinary business income at the business entity level cannot be in excess of $5 million for the tax year for the taxpayer to be able to use these tax rates. Generally, taxable personal income at or below $250,000 would be taxed at marginal rates from 4.75 to 8.75 percent, and income over $250,000 ($125,000 for single or married filing separately) would be taxed at a marginal rate of 9.9 percent.

Nonpassive taxable income is reduced by nonpassive losses. Nonpassive income and loss are income and loss other than from passive activity as determined under section 469 of the Internal Revenue Code. Nonpassive income does not include wages, interest, dividends, or capital gains.

The taxpayer must materially participate in the trade or business and must meet an employment requirement. Legislation passed in 2014 (SB 1534) clarified the definition of the term “material participation” to match the definition in section 469 of the federal Internal Revenue Code.

A requisite employee may not be an owner, member, or limited partner of the partnership, S corporation, or sole proprietorship. Employees who meet this requirement must work, in the aggregate, at least 1,200 hours in Oregon by the close of the tax year; however, only the hours worked by such an employee in a week in which the employee works at least thirty hours may be considered in determining whether this requirement is met.

The partnership or S corporation must meet either the employee ratio or the income distribution requirement based on the amount of ordinary business income (OBI) as follows. The employee requirements are:

| OBI at Least | But not More Than | Employees Required | Aggregate Hours Worked by Employees |
|---|---|---|---|
| $0 | $250,000 | One | 1,200 |
| $250,001 | $500,000 | One per owner | 1,200 |
| $500,001 | $1,000,000 | Two per owner | 2,400 |
| $1,000,001 | $2,500,000 | Four per owner | 4,800 |
| $2,500,001 | $5,000,000 | Ten per owner | 12,000 |

If the employee ratio requirements are not met, then the distributions of income of a partnership or S corporation, as a percentage of ordinary business income, may not exceed 25 percent. The percentage is computed based on total distributions and total OBI for the current and most recent two tax years.

The only addition or subtraction allowed in the calculation of qualifying income is any depreciation adjustment directly related to the partnership, S corporation, or sole proprietorship.

Nonresident taxpayers who elect to use these rates may not join in the filing of a composite return under ORS 314.778.

A nonresident may apply reduced rates only to qualifying income earned in Oregon. Part-year residents calculate the tax due on the qualifying income based upon the proportion of qualifying income in Oregon to their qualifying income from all sources.

In 2018, the Legislature met in a special session to allow sole proprietors meeting the same nonpassive income and employment requirements as partnerships and S corporations to apply these preferential tax rates to qualifying business income (HB 4301). Legislation in 2021 (SB 139) modified the tax rates on qualifying income and created additional requirements for partnerships and S corporations related to total business income and employee requirements.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for HB 3601 (2013), the purpose of allowing this preferential tax rate election "is to encourage small business growth and investment."

### WHO BENEFITS
Taxpayers who have qualifying income attributable to a partnership, S corporation, or sole proprietorship and who elect to be taxed at preferential rates. For tax year 2022, 25,200 personal income taxpayers saved an average of $5,060 in Oregon tax using these reduced tax rates. The table below shows personal income tax usage of these tax rates for tax year 2022.

**2022 Personal Income Tax Filers**

| Income Group of Full-Year Filers* | Number of Filers Using Tax Rates | Average Revenue Impact | Revenue Impact ($ millions) | Percent of Revenue Impact by Income Group |
|---|---|---|---|---|
| Below $19,400 | 30 | $60 | <$0.1 | <1% |
| $19,400 - $40,400 | 280 | $110 | <$0.1 | <1% |
| $40,400 - $67,700 | 910 | $250 | $0.2 | <1% |
| $67,700 - $117,800 | 2,780 | $500 | $1.4 | 1% |
| Above $117,800 | 19,410 | $5,990 | $116.3 | 99% |
| All Full-Year Filers | 23,400 | $5,040 | $117.9 | 100% |
| Part-Year and Nonresident Filers | 1,800 | $5,310 | $9.6 | |

**Each income group contains 20 percent of the full-year filers (approximately 376,000)*

### EVALUATION
*Provided by the Oregon Business Development Department*

This tax expenditure may contribute to the strength of the Oregon economy by encouraging greater activity by certain smaller-sized companies with potential for high growth in employment and income generation. The department, however, lacks the data or direct experience to address it further.

## 1.503 INCOME AVERAGING FOR FARMERS

**Oregon Statute:** 314.297
**Sunset Date:** None
**Year Enacted:** 2001

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | $1,300,000 | $1,300,000 |
| 2025-27 | Not Applicable | $1,300,000 | $1,300,000 |

### DESCRIPTION
Personal income taxpayers may elect to average all or some of their current tax year's farm income by shifting that farm income to the three prior years, when calculating their Oregon tax liability.

For the current year, the taxpayer subtracts their elected farm income from their total taxable income. The tax is then computed on that new value of taxable income using the current tax year's tax rates. To that tax is added the cumulative increase in the tax that would result from adding one-third of the elected farm income to the taxable income for each of the three prior years.

The elected farm income can include gain on the sale of farm assets, with the exception of gain on the sale of land.

If the taxpayer has current tax year farm income higher than their taxable income for one or more of the three prior years, because of Oregon's progressive tax rate structure, it is possible that the taxpayer's tax liability computed by the farm income averaging method can be less than the tax liability computed by the normal method.

Even though the Oregon statute allowing income averaging for farmers does not have an explicit connection to the federal tax code for farm income averaging, the method in Oregon's statute follows that in the federal tax code.

### PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to allow personal income taxpayers to compute their Oregon personal income taxes on farm income following the federal farm income averaging method. According to the Congressional Research Service, the purpose of the federal provision is to mitigate the adverse tax consequences of fluctuating incomes under a progressive tax structure. By allowing farmers to smooth out income over several years, the provision aims to reduce the tax burden during years of high income, thereby providing more financial stability.

### WHO BENEFITS

Taxpayers whose main source of income is agricultural production. In each year from 2018 to 2022 an average of about 600 individuals saved about $1,100 of Oregon tax using this provision.

### EVALUATION

*Provided by the Oregon Department of Agriculture*

The Income Averaging for Farmers provision may offer a valuable tool for mitigating the effects of income volatility that many farmers experience due to factors like fluctuating commodity prices and unpredictable weather conditions. By allowing farmers to average their income over three years, this provision may help stabilize their tax liabilities, making financial planning more manageable. This approach is consistent with federal tax policies, providing a streamlined method for farmers to align their state and federal tax strategies.

However, the benefits of income averaging may be limited to those farmers who experience significant income spikes, potentially excluding smaller operations or those with more stable income patterns. The provision may be particularly useful for long-established farmers who have the necessary income history to take full advantage of averaging. Eliminating this provision could lead to increased tax burdens in high-income years, potentially straining farmers' finances during periods of economic uncertainty.

## 1.504 CAPITAL GAINS FROM FARM PROPERTY

**Oregon Statute:** 316.045, 317.063, and 318.020
**Sunset Date:** None
**Year Enacted:** 2001

| Revenue Impact | | | |
|---|---|---|---|
| | Corporation | Personal | Total |
| 2023-25 | Less than $100,000 | $4,700,000 | $4,700,000 |
| 2025-27 | Less than $100,000 | $5,200,000 | $5,200,000 |

### DESCRIPTION

If a taxpayer sells or exchanges capital assets used in qualified farming activities, a reduced tax rate of 5 percent is available on the realized capital gain. The sale or exchange must represent termination of all the taxpayer's ownership interests in a farming business, or a termination of all the taxpayer's ownership interests in property that is used in a farming business.

The sale of ownership interests in a farming corporation, partnership, or other entity qualifies for the special tax rate. A personal income taxpayer must have at least a ten percent ownership interest in the entity before the sale or exchange.

### PURPOSE

The statutes that allow this expenditure do not explicitly state a purpose. Presumably, the purpose is to lower the tax burden on farmers liquidating their farming businesses, allowing transition farmland to continue in farm use, and the owners to retain capital they have accumulated over years of investment in an operation.

### WHO BENEFITS

Property owners who terminate a farming business benefit by realizing more of their capitalized equity. For tax year 2022, approximately 240 individuals saved an average of about $8,800 of Oregon tax using this provision. Very few corporations benefit from this credit.

### EVALUATION

*Provided by the Oregon Department of Agriculture*

Agricultural landowners build equity in their operations over time through ownership (debts, collateral), appreciation, and improvements. Years of work are capitalized into the land, buildings, and equipment used to operate a viable farm business, which represents the retirement savings for the farm family. Capital gains taxes can substantially reduce the retirement "savings" which can discourage and delay transitioning or selling farmland to the next generation. Many retired farmers lease or rent out their land because of the high cost to transition land including a capital gains penalty from selling. This behavior shifts the tax burden upon the owner's death to the next generation of farmers and ranchers. Reducing the cost of land transfers provides stability and opportunity for Oregon's farming and ranching families.

The average age of farmers in Oregon is 60 years (up from 55 years in 2002). A study jointly completed by Oregon State University, Portland State University and Rogue Farm Corps, states that as older (Oregon) farmers retire over the next two decades, over 10 million acres, or 64 percent of Oregon's agricultural land, will pass to new owners. Lower capital gains rates for agriculture landowners achieves the purpose of an orderly transfer of ownership with a more secured retirement for older farmers. Lower capital gains taxes also support Goal 3 (to preserve and maintain agricultural lands) in Oregon's Statewide Planning Goals and Guidelines for Land Use by keeping farmland in agricultural use. To maximize the effectiveness of this provision, it may be beneficial to consider additional measures that encourage the sale of farmland specifically to other agricultural producers or to entities committed to maintaining the land in agricultural use.

## 1.505 NONRESIDENT DISASTER RELATED INCOME

**Oregon Statute:** 401.690
**Sunset Date:** None
**Year Enacted:** 2015

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Available | Not Available | Not Available |
| 2025-27 | Not Available | Not Available | Not Available |

### DESCRIPTION

An out-of-state emergency service provider, whether a business or an individual, is exempt from corporate or personal income tax when operating solely for the purpose of performing disaster or emergency-related work on critical infrastructure in Oregon. For purposes of this exemption, a disaster must have been declared to exist within this state by the President of the United States or the Governor of Oregon.

This tax expenditure generally grants these benefits for disaster or emergency-related work conducted by an out-of-state business:

- The activity may not be used as the sole basis for determining that a corporation is doing business in Oregon.
- The business income from the activity is not considered for apportionment of corporate income to Oregon.
- Income from the activity cannot be the sole basis of imposition of corporate income and excise taxes on the business.

For individuals, an out-of-state employee who performs disaster or emergency-related work during a declared emergency is not taxed as a resident, nonresident, or part-year resident, is not considered to have established domicile or residence in this state, and is not subject to withholding.

Businesses and individuals exempt under this provision are still required to pay appropriate transaction taxes and fees, such as the lodging tax, except as otherwise exempted by law.

Legislation in 2019 (HB 2127) removed any sunset under ORS 315.037 for this tax expenditure.

### PURPOSE
"To ensure that businesses may focus on quick response to the needs of this state and its residents during a declared disaster or emergency, it is appropriate for the Legislative Assembly to deem that this activity for a reasonable period of time before, during and after the disaster or emergency for repairing and restoration of the often devastating damage to critical infrastructure in this state as defined in section 3 of this 2015 Act does not establish presence, residency, doing business in this state or any other criteria for purposes of state and local taxes or licensing and regulatory requirements." (ORS 401.680(5))

### WHO BENEFITS
Out-of-state companies and employees providing disaster or emergency related services in Oregon.

### EVALUATION
*Provided by the Oregon Department of Emergency Management*

To date Oregon has not suffered from a catastrophic disaster which would require a massive influx of individuals or companies to come in and assist the State in recovery operations. The end goal of the legislation is to ease the barriers of entry for private industry in order to encourage support and investment to help expedite Oregon's recovery from catastrophic disasters.

## 1.506 APPORTIONMENT FOR UTILITY AND TELECOMMUNICATION COMPANIES

**Oregon Statute:** 314.280
**Sunset Date:** None
**Year Enacted:** 2001

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | $800,000 | Not Applicable | $800,000 |
| 2025-27 | $800,000 | Not Applicable | $800,000 |

### DESCRIPTION
Corporate taxpayers primarily engaged in the business of utilities or telecommunications may elect to apportion their business income to Oregon using an apportionment formula based on the double-weighted sales factor instead of the apportionment formula currently in place. Currently, the apportionment formula is based purely on Oregon sales relative to sales in all states. The double-weighted sales factor is calculated as 50 percent of the sales factor plus 25 percent of the property factor and 25 percent of the payroll factor.

Utilities and telecommunications firms may elect to use this alternative apportionment formula until they decide to revoke it. Election and revocation are done according to rules established by the Department of Revenue. An election applies to the tax year for which the election is made and for each subsequent tax year until a revocation. A revocation applies to the tax year following the year in which the revocation is made and to all subsequent tax years. Because corporate taxpayers presumably use the method that results in the lowest tax liability, tax revenue from these corporations will be lower at least for the first year of using the alternative apportionment formula than it would be if either apportionment formula applied to all corporations.

### PURPOSE
"…so as fairly and accurately to reflect the net income of the business done within the state…" (ORS 314.280).

### WHO BENEFITS
Utility and telecommunication firms benefit by being able to choose between double-weighted sales and the current apportionment formulas for telecommunication and utility firms established by ORS 314.280. On average, fewer than 20 corporate taxpayers benefit from this alternative apportionment formula each year.

### EVALUATION
*Provided by the Oregon Public Utility Commission*

The state has deemed that allowing utilities and telecommunications companies to use the alternative apportionment formula provides a "fair and equitable" allocation of a corporate taxpayer's business income to Oregon. Firms that choose the alternative formula lower their Oregon tax liability and retain the benefit.

## 1.507 NONRESIDENT ARMED FORCES

**Federal Code:** 50 U.S.C. § 4001
**Sunset Date:** None
**Year Enacted:** 1942

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | $11,100,000 | $11,100,000 |
| 2025-27 | Not Applicable | $11,800,000 | $11,800,000 |

### DESCRIPTION
Compensation paid by the United States for service in the Armed Forces of the United States performed in Oregon by a nonresident does not constitute income derived from sources within the state.

For tax purposes, a servicemember and their spouse may elect to use

- the residence or domicile of the servicemember,
- the residence or domicile of the spouse, or
- the permanent duty station of the servicemember.

See 1.329, Military Active Duty and Related Pay for the Oregon subtraction from taxable income for certain military-related income.

### PURPOSE
The statute that allows this tax expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for HB 2171 (2015), the purpose of this subtraction "… is to provide tax relief to service members … in consideration of their work and sacrifices for their state and country."

### WHO BENEFITS
Nonresident Armed Forces workers who perform service in Oregon.

### EVALUATION
*Provided by the Oregon Military Department*

This tax expenditure achieves its purpose and is a valuable benefit to members of the National Guard, as well as other military personnel assigned to the State of Oregon in an active duty status. This benefit ensures that personnel assigned to an installation within the borders of this state, but who retain residence in another state are not subject to Oregon income tax. This is a valuable benefit to military personnel who may choose to leave their families in another state as they fulfill their active duty mission in Oregon. This alleviates an additional tax burden on these families who are already sacrificing by having their family member(s) serving in another state. The number of personnel impacted by this expenditure is limited as there is a very small active duty presence within Oregon.

# 1.508 NONRESIDENT SPOUSE OF NONRESIDENT SERVICEMEMBER SERVING IN OREGON

**Federal Code:** 50 U.S.C. § 4001
**Sunset Date:** None
**Year Enacted:** 2009

| Revenue Impact | | | |
|---|---|---|---|
| | **Corporation** | **Personal** | **Total** |
| 2023-25 | Not Applicable | Not Available | Not Available |
| 2025-27 | Not Applicable | Not Available | Not Available |

## DESCRIPTION

Under federal law—the Military Spouses Residency Relief Act—enacted in 2009, the spouse of a servicemember shall not be considered a resident of a state if they are in the state solely to be with the servicemember while the servicemember is stationed in the state.

For tax purposes, a servicemember and their spouse may elect to use

- the residence or domicile of the servicemember,
- the residence or domicile of the spouse, or
- the permanent duty station of the servicemember.

Income for services performed by the spouse of a servicemember shall not be deemed to be income for services performed or from sources within Oregon if the spouse is not considered a resident of the state.

Federal law was amended in 2018—the Servicemembers Civil Relief Act—to allow a spouse of a servicemember to elect to use the same residence for the purposes of taxation as the servicemember elects.

In effect, these laws exclude from taxable income earnings of spouses of servicemembers who are relocated to Oregon from out-of-state if the spouse does not elect to be an Oregon resident for tax purposes.

## PURPOSE

To comply with federal law.

## WHO BENEFITS

Nonresident spouses of nonresident servicemembers living and working in Oregon.

## EVALUATION

*Provided by the Department of Revenue*

This expenditure complies with federal law and also relieves the specified taxpayers of the difficulty of determining the portion of income earned in Oregon while working in the state.

# CHAPTER 2. PROPERTY TAX

The property tax is Oregon's second largest source of revenue, providing most of the revenue for nonschool local governments and roughly one quarter of the revenue for school districts. Total property taxes imposed, including taxes for urban renewal agencies, are forecast to total $18.7 billion in the 2023–25 biennium and $20.4 billion in the 2025–27 biennium.

The major features of Oregon's property tax system are largely defined by two voter-approved ballot measures: Measure 5 in 1990 and Measure 50 in 1997. Measure 5 placed constitutional limits on the amount of tax that could be levied on a property for most purposes. Measure 50 cut property taxes and made three fundamental changes to the structure of the property tax system: first, it replaced most tax levies with limited permanent tax rates; second, it rolled back the assessed value of every property in the state to 90 percent of its 1995–96 assessed value; and third, it limited the future growth in each property's maximum assessed value to 3 percent per year.

The Department of Revenue also publishes an annual report that provides detailed statistics on Oregon's property tax system. The most recent edition of *Oregon Property Tax Statistics* can be found at www.oregon.gov/DOR/Stats.

**Property Tax Expenditures**

The base for taxation for property taxes is generally all real property and all tangible personal property in Oregon and is set by ORS 307.030. Tax expenditures occur when certain property is excluded from some or all taxation, or has reduced taxable value. There are three primary types of property tax expenditures: full exemption, partial exemption, and special assessment.

With a full exemption, a property's entire value is exempt from all property taxes.

Partial exemptions reduce, but do not eliminate, the taxes on a property, and they exist in several different forms. For example, an exemption program may exempt only improvement value, but the land value continues to be taxed. Other properties may be exempt from the taxes imposed by the local city but still pay property taxes for schools and other districts. Some exemptions apply only to taxing districts that have opted in, or have not opted out, of the tax exemption program.

The final primary type of property tax expenditure is known as a special assessment. Specially assessed properties are assigned a property value using an assessment technique that results in a lower taxable value than would be the case if the usual assessment practice were used.

A property receiving an exemption (or special assessment) has its maximum assessed value reset at the end of the exemption by multiplying the real market value of the property by the changed property ratio, generally a ratio of the average maximum assessed value for similar properties in the county divided by the average real market value of similar properties in the county. This makes the property tax unique, in that a property that stops receiving an exemption may have a higher tax than it would have had if it never received the exemption in the first place. In some circumstances, a taxpayer would be better off not to ever receive the exemption. It also means that a property that stops receiving an exemption may still benefit after the exemption is over.

**Revenue Loss and Shift**

The revenue impact for property tax expenditures consists of two components: revenue loss and shift. Most property taxes levied in Oregon are through fixed tax rates. With these levies if a property is exempt from taxation then the taxing district simply raises less money than if the property were taxable. This direct loss of tax revenue is the much larger impact of property tax exemptions and special assessments and is reported here as the "loss."

Some levies, mostly bond levies to repay debt, do not have a fixed tax rate and instead calculate the tax rate each year by dividing the amount of tax revenue needed that year across the value of all taxable properties. In these cases, if a property is exempt from tax the effect is to raise the overall tax rate on the remaining taxable properties. Therefore, the final amount of tax raised for the district will remain the same because the tax burden is shifted to the other properties. The amount of tax that would have been paid by the exempt properties that is instead paid by the remaining taxable properties is reported here as the "shift." More than 80 percent of all property taxes are from fixed tax rates, so the revenue losses due to property tax exemptions are much larger than the shifts.

Property tax expenditures also interact with other parts of the public finance system, especially school funding. Approximately 40 percent of all property taxes are imposed to pay for K-12 schools. Because the state General Fund

also provides funding for schools using a statewide funding formula, some of the property tax revenue lost to school districts from tax expenditures is replaced by state funding. Therefore, property tax exemptions have an indirect effect on the state General Fund. This replacement component is not included in the revenue impacts reported here. For all property tax expenditures, the detailed descriptions report both the revenue loss and shift separately, while the Index of Tax Expenditures at the beginning of this report includes only the loss.

Whenever possible, the exempt assessed value is obtained from county or DOR property tax reporting. For some expenditures, the assessed value of the exempt properties is estimated using other data sources.

# 2.001 ACADEMIES, DAY CARE, AND STUDENT HOUSING

**Oregon Statute:** 307.145
**Sunset Date:** None
**Year Enacted:** 1957
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $2.5 billion

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $78,800,000 | $19,300,000 |
| 2025-27 | $85,500,000 | $20,900,000 |

## DESCRIPTION

Property owned by a charitable or religious organization that is used for childcare facilities, schools, academies, or student housing is exempt from property taxation under this provision. Childcare facilities must be regulated by the Office of Child Care at the Department of Early Learning and Care unless exempted by rule. Prior to the passage of HB 3073 (2021), the facilities were regulated by the Office of Child Care in the Early Learning Division at the Department of Education. To qualify, the property must be used for educational purposes. The organization must file an application with the county assessor to claim the exemption.

## PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to maintain tax treatment for certain school and childcare properties that is comparable to the treatment provided to similar organizations under 2.085, Charitable, Literary, and Scientific Organizations.

## WHO BENEFITS

Approximately 840 schools and day care properties were exempt in fiscal year 2023–24.

## EVALUATION

*Provided by the Department of Early Learning and Care*

This tax expenditure is used by organizations that qualify through preschool programs administered through the Oregon Department of Education's Early Learning Division – Oregon Prekindergarten and Preschool Promise. It reduces costs of these programs, which helps lay the groundwork for a child's intellectual, emotional, social, and physical development. It also helps children get a good start in life by supporting strong parenting, appropriate education, and adequate nutrition and health care. The Oregon Prekindergarten and Preschool Promise programs serve children who are below the federal poverty level. Studies have shown that participation in a quality preschool program increases the chances of a child successfully completing school and holding a job while decreasing the chances of dropping out of school and needing public assistance. Money invested in our youth through this program means less money will be required later for more costly programs. It is a fiscally effective method of achieving its purpose.

# 2.002 STUDENT HOUSING FURNISHINGS

**Oregon Statute:** 307.195
**Sunset Date:** None
**Year Enacted:** 1957
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $1.5 million

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | Less than $100,000 | Less than $100,000 |
| 2025-27 | Less than $100,000 | Less than $100,000 |

### DESCRIPTION
All personal property, furniture, goods, and furnishings in a student housing cooperative, fraternity, or sorority are exempt from property taxation so long as the housing is not rented out for profit.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to reduce the costs associated with college housing. In conjunction with 2.095, this expenditure provides equitable treatment with those students living on campus in publicly owned dormitories; see 2.003, for more information.

### WHO BENEFITS
Nonprofit organizations that rent furnished units to college students, which in turn benefits students by reducing rental rates.

### EVALUATION
*Provided by the Higher Education Coordinating Commission*

This tax expenditure achieves its purpose. As with real property taxes, the tax exemption on personal property for not-for-profit student housing is a valuable provision in minimizing housing costs for students. It is a fiscally effective means of achieving its purpose, as housing expenses typically carry some of the highest financial burden on postsecondary students.

## 2.003 LEASED STUDENT HOUSING PUBLICLY OWNED

**Oregon Statute:** 307.110(3)(a)
**Sunset Date:** None
**Year Enacted:** 1947
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $1.2 billion

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $37,200,000 | $8,900,000 |
| 2025-27 | $41,800,000 | $10,000,000 |

### DESCRIPTION
Generally, state-owned housing that is rented is taxable. However, publicly owned property that is rented or leased for housing purposes to students attending a school or college is exempt from property tax. This provision applies to all student housing, such as residence halls and student family housing, owned by public universities and leased to students. Residence halls owned by private colleges generally fall under tax expenditure 2.001. This provision is an exception to the general rule that public property is taxable when held under contract of sale or leased to a private individual or business.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to reduce the costs associated with college housing.

### WHO BENEFITS
Approximately 15,300 students who lease rooms or apartments from eight public university campuses.

### EVALUATION
*Provided by the Higher Education Coordinating Commission*

This tax expenditure achieves its purpose and is critical to minimizing the cost of student housing. Housing costs are, on average, the highest expense for students, particularly at a time when their income generation is limited and generally committed to education expenses. More than one-third of students who apply for financial aid (possibly more, as data are limited) cannot afford the cost of postsecondary education and training, even with expected financial aid grants,

institutional grants, their own expected earnings, and expected family contributions. Exempting these properties from taxes contributes to lower housing costs and greater access to higher education.

## 2.004 HIGHER EDUCATION PARKING SPACE

**Oregon Statute:** 307.110(3)(f)
**Sunset Date:** None
**Year Enacted:** 1989
**2023-24 Estimated Reduction in the Taxable Assessed Value:** Included in 2.078, State and Local Property

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | Included in 2.078 | Included in 2.078 |
| 2025-27 | Included in 2.078 | Included in 2.078 |

### DESCRIPTION

State-owned property rented for public parking is generally taxable. However, state property owned by public universities and rented to employees, students, or visitors for parking use is exempt from property tax. University spaces are taxable when rented to members of the general public who are not employees, students, or visitors.

### PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to reduce the costs associated with attending, visiting, or working at a public university.

### WHO BENEFITS

All eight higher education campuses rent parking spaces to students, employees, and visitors. Some are paved lots and others are parking structures built with bond revenue.

### EVALUATION

*Provided by the Higher Education Coordinating Commission*

This tax expenditure achieves its purpose and is an additional element in providing access to higher education. Reducing the cost of parking for students, who generally have a severely limited income, is another means of lowering the cost of attending colleges and universities. Applying this exemption to all parking eliminates the administrative costs of separately tracking student and employee parking.

## 2.005 PRIVATE LIBRARIES FOR PUBLIC USE

**Oregon Statute:** 307.160
**Sunset Date:** None
**Year Enacted:** 1854
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $2.5 million

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | Less than $100,000 | Less than $100,000 |
| 2025-27 | Less than $100,000 | Less than $100,000 |

### DESCRIPTION

Private property used as a library open to the public is exempt from property taxation. The exemption includes the real property, books, and furnishings dedicated to library use. Privately owned libraries open to the general public use the exemption while publicly owned libraries are exempt under tax expenditure 2.078, State and Local Property. The owner must file an application with the county assessor to claim the exemption. (ORS 307.162)

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to broaden the application of tax expenditure 2.085, Charitable, Literary, and Scientific Organizations exemption, to public or private libraries, acknowledging the public contribution of these efforts as activities and services that relieves government from having to provide the same.

### WHO BENEFITS
Ten libraries use this exemption within Benton, Lane, Multnomah, and Tillamook counties.

### EVALUATION
Not evaluated.

## 2.006 LEASED RURAL HEALTH CARE PROPERTY

**Oregon Statute:** 307.110(3)(i)
**Sunset Date:** None
**Year Enacted:** 1999
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $13 million

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $400,000 | Less than $100,000 |
| 2025-27 | $500,000 | Less than $100,000 |

### DESCRIPTION
In general, when public property is held under contract of sale or is leased to a private individual or business, it is considered taxable. This tax expenditure exempts the property of a health district if the property is leased or rented for purposes of providing facilities for health care practitioners. The health district must reside in a frontier rural practice county, as defined by the Office of Rural Health. In 2024, ten counties were included in this category: Baker, Gilliam, Grant, Harney, Lake, Malheur, Morrow, Sherman, Wallowa, and Wheeler.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to encourage medical practitioners to practice in rural areas by extending the public health district property tax exemption to property leased by health districts to private taxable entities.

### WHO BENEFITS
In 2023-24, there were seven accounts receiving this exemption across two counties.

### EVALUATION
*Provided by the Office of Rural Health*

This modest benefit costs local governments less than $500,000 per biennium and affects only ten Oregon counties. It allows very fragile rural hospitals that are located in “frontier” communities to use a portion of their property to provide office space for physicians, without incurring a tax liability on those properties. Provision of adequate and convenient office space is often a critical factor in the recruitment and retention of rural physicians. Passage of this law has allowed Harney District Hospital to complete new office suites for its physicians and played a significant role in Wallowa Memorial Hospital in Enterprise building a badly needed new facility.

## 2.007 SENIOR SERVICES CENTERS

**Oregon Statute:** 307.147
**Sunset Date:** None
**Year Enacted:** 1993
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $16 million

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $400,000 | Less than $100,000 |
| 2025-27 | $500,000 | $100,000 |

### DESCRIPTION

Property that is owned by a nonprofit organization and used for senior services and qualified activities is exempt from property tax. To qualify, the property must be primarily used to provide services and activities to people over age 50. Eligible services and qualified activities include food service programs, exercise and health screening, estate planning, crafts workshops, and dances or celebrations. If the property is used primarily for fund raising or as living quarters, then the exemption is not allowed. The nonprofit organization must file an application with the county assessor to claim the exemption.

### PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to encourage organizations to provide services to senior citizens.

### WHO BENEFITS

Thirty-six property tax accounts received this exemption in tax year 2023-24.

### EVALUATION

*Provided by the Oregon Department of Human Services*

While this tax does exempt properties that do not meet the requirements of tax expenditure 2.085, Charitable, Literary, and Scientific Organizations, one concern is the restriction placed on fundraising. This condition often translates into a choice for senior service centers between fundraising and this property tax exemption. It is not likely that many centers will opt for the exemption over the fundraising, so questions of applicability and efficiency of this tax expenditure arise.

## 2.008 LAND OWNED BY NONPROFIT FOR PURPOSE OF BUILDING LOW-INCOME HOUSING

**Oregon Statute:** 307.513
**Sunset Date:** 06-30-2029
**Year Enacted:** 2015
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $3.6 million

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $100,000 | Less than $100,000 |
| 2025-27 | $100,000 | Less than $100,000 |

### DESCRIPTION

Land acquired and held by a nonprofit corporation for the purpose of building residences to be sold to certain individuals is exempt from property tax. This exemption only applies to the land on which the residences are to be built.

To qualify for this exemption the residences must be sold to individuals whose income is not greater than 80 percent of area median income, adjusted for family size. In addition, the nonprofit corporation must have sold at least one residence to a qualifying person in the 10 years prior to claiming this exemption. The exemption can last for up to 7

years, or 10 years if a request for an extension is filed timely. The exemption expires before the 7- or 10-year limit when the corporation transfers title to the residence(s) or the land.

This exemption has the potential for additional taxes to be due if the property is disqualified from exemption or the property is sold to a non-qualifying individual.

Legislation in 2019 (HB 2130) extended the scheduled sunset of this exemption to June 30, 2029.

### PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for HB 2690 (2015): "The policy purpose of this measure is to provide tax relief to land owning nonprofit corporations building residences to be sold to lower income individuals thus encouraging the development and availability of low income housing."

### WHO BENEFITS

Land-owning nonprofit corporations building residences to be sold to lower income individuals. Counties reported 37 property tax accounts receiving this exemption in tax year 2023-24.

### EVALUATION

*Provided by the Oregon Housing and Community Services Department*

This expenditure achieves its purpose of supporting affordable housing providers and developers. By allowing a property tax exemption to nonprofit corporations, the cost of holding land and therefore the cost of development is decreased. This modest savings allows nonprofit corporations to acquire land for eventual development without incurring recurring tax costs. In addition the tax savings allows for homes to be built with fewer subsidies, which then better enables the nonprofit corporations to set purchase prices so that they are affordable to households earning at or below 80 percent area median income.

## 2.009 AGRICULTURAL HOUSING AND DAY CARE FACILITIES

**Oregon Statute:** 307.485
**Sunset Date:** None
**Year Enacted:** 1973
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $36 million

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $800,000 | $200,000 |
| 2025-27 | $900,000 | $200,000 |

### DESCRIPTION

Eligible agricultural workforce housing and farm labor camps for farm laborers, as well as eligible day care facilities operating in conjunction with those housing facilities, are exempt from property tax. All property eligible for this exemption must be owned or operated by a nonprofit corporation. Community-based eligible agricultural workforce housing provides occupancy to active, retired, or disabled agricultural workers and their families. To be eligible, the housing must comply with applicable building codes. An eligible farm labor camp is a place where housing, sleeping places, or campgrounds provide occupancy in compliance with applicable safety and health standards for agricultural labor housing. Eligible child care facilities must be in compliance with the Department of Early Learning and Care and operated in conjunction with eligible farm labor housing.

An exemption claim with supporting documentation must be made each year with the county assessor.

### PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for HB 2610 (2015), the purpose of this exemption "… is to expand the availability of low cost housing

and child care facilities for agricultural workers and their families, so long as the property meets applicable safety and health standards."

### WHO BENEFITS

Nonprofit owners and operators of agricultural workforce housing, farm labor camps and associated day care facilities. In tax year 2023-24, counties reported 22 exempt tax accounts in six counties; most are located in Umatilla, Morrow, or Marion counties.

### IN LIEU

In lieu of real and personal property taxes, the nonprofit corporation owning or operating the exempt agricultural workforce or farm labor housing must make annual payments to the county treasurer equal to 10 percent of net rental income from the previous year.

Nonprofit corporations operating agricultural workforce or farm labor housing do not usually have a net rental income after depreciation, and generally make no in lieu of tax payments. When payments are made, they are usually small. Any funds collected are distributed to taxing districts where the exempt property is located.

### EVALUATION

*Provided by the Oregon Housing and Community Services Department*

This expenditure achieves its purpose of supporting housing and service providers. Without the tax exemption, the associated day care facilities and agricultural housing may not be built or rehabilitated at all. Assuming that the difference between (a) the amount of property taxes that would be owed without this statute and (b) the amount of the payment in lieu of taxes that in fact is paid under the statute is passed along to the residents, then the benefit of the tax expenditure is easily calculated by the amount of the reduced rent or day care cost.

While an administrative improvement would be to eliminate the requirement that an application be filed every year, it is probably the trigger mechanism needed for the annual health and safety inspections.

## 2.010 FAIRGROUND LEASED STORAGE SPACE

**Oregon Statute:** 307.110(3)(d) and (e)
**Sunset Date:** None
**Year Enacted:** 1987
**2023-24 Estimated Reduction in the Taxable Assessed Value:** Less than $1 million

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | Less than $100,000 | Less than $100,000 |
| 2025-27 | Less than $100,000 | Less than $100,000 |

### DESCRIPTION

In general, when public property is held under contract of sale or is leased to a private individual or business, it is considered taxable. This tax expenditure provides an exception to that general rule. County or state fairground land or buildings are exempt from property tax if they are used for certain purposes in addition to county fair use. Usage described in ORS 565.230(2), such as, exhibitions, shows, carnivals, circuses, dances, entertainment, or public gatherings qualifies. Storage of recreational vehicles or farm machinery and equipment and use of horse stalls also qualify.

While leasing storage space for livestock and equipment at fairgrounds is common, the duration of the leases are short enough and the sizes of space being leased small enough to make the revenue impact minimal.

### PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to promote fairs by allowing fair boards to earn more revenue throughout the off-season to support fairs. Boards can receive higher rent because the renter pays no property taxes.

### WHO BENEFITS
All 36 counties in Oregon hold county fairs; 34 counties have fairgrounds and most are able to benefit from this exemption. The Oregon State Fair and Exposition Center has minimal leased property that is exempt under this statute.

### EVALUATION
Not evaluated.

## 2.011 COMMERCIAL BUILDINGS UNDER CONSTRUCTION

**Oregon Statute:** 307.330
**Sunset Date:** None
**Year Enacted:** 1959
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $2.5 billion

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $77,000,000 | $18,700,000 |
| 2025-27 | $84,500,000 | $20,500,000 |

### DESCRIPTION
Certain commercial and industrial buildings are exempt from property taxation while they are under construction. A new structure or an addition is exempt from property taxation if meeting the following criteria on the January 1 assessment date:

- The property is under construction, including additions to an existing structure.
- No part of the new structure or improvement has been or is in service for any commercial use or occupancy.
- The property is being built for the purpose of earning income.
- The property is not to be occupied for at least one year after construction began in the case of any non-manufacturing facility.
- The property is not centrally assessed by the Department of Revenue.

The exemption cannot be claimed for more than two consecutive years. Machinery and equipment at the building site also qualifies if it will be installed as real property in the structure. The property is listed on the county property tax assessment roll, but the assessment is canceled if proof that the property meets the above requirements is furnished to the assessor by April 1 of each assessment year.

The revenue impact estimates include those from the related tax expenditure 2.012, Construction in Process in an Enterprise Zone.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to encourage business investment in plant and equipment by delaying property taxes until a facility can generate cash revenue. Manufacturing firms do not commonly experience immediate cash flow.

### WHO BENEFITS
In fiscal year 2023–24, 68 properties were exempt under this expenditure or under 2.012, Construction in Process in an Enterprise Zone. The use of this provision is driven by construction projects and fluctuates significantly. The majority of the exempt value is in Multnomah and Washington counties.

### EVALUATION
*Provided by the Oregon Business Development Department*

This expenditure achieves its purpose by allowing new traded-sector investments to delay paying property taxes until they are much more likely to be able to earn revenue. Economic consequences are also relevant. New construction and

investments might be significantly deterred by the additional up-front cost of paying property taxes on partially finished but still unproductive property.

This expenditure is administratively effective and efficient. Alternatives to this expenditure would be to refund such taxes through direct payments or credits on other taxes. The administrative burdens and complexity of such alternatives suggest that the current exemption is preferable.

This program might be underutilized, probably because it is not widely known outside Portland and other metropolitan areas (as noted above, aside from utilization with enterprise zones and the sister expenditure of 2.012, Construction in Process in an Enterprise Zone, Construction in Process in an Enterprise Zone); administrative technicalities may also limit accessibility. Otherwise, although manufacturing operations are favored, this expenditure has been available to any industry sector consistent with its purpose for more than 50 years.

## 2.012 CONSTRUCTION IN PROCESS IN AN ENTERPRISE ZONE

**Oregon Statute:** 285C.170
**Sunset Date:** None (enterprise zone program sunsets 06-30-2032, except for reservation enterprise and reservation partnership zones)
**Year Enacted:** 2003
**2023-24 Estimated Reduction in the Taxable Assessed Value:** Included in 2.011, Commercial Buildings Under Construction

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | Included in 2.011 | Included in 2.011 |
| 2025-27 | Included in 2.011 | Included in 2.011 |

### DESCRIPTION

Property undergoing construction, addition, modification, or installation is exempt from property taxation for up to two consecutive years provided that the property satisfies all the following requirements:

- Located in a current enterprise zone.
- Owned or leased by a business firm authorized by the local zone sponsor and county assessor to receive the standard enterprise zone exemption on qualified property – expenditure 2.013, Enterprise Zone Businesses.
- Will be qualified property upon completion, in that there is no known reason to conclude that the property or firm will not satisfy the requirements for 2.013, Enterprise Zone Businesses.
- Has not been exempt under 2.011, Commercial Buildings Under Construction.
- Not centrally assessed.
- Will not be operated as a hotel, motel, or destination resort.

This exemption is effectively an extension of expenditure 2.011, Commercial Buildings Under Construction, specifically to properties that are expected to qualify for a standard enterprise zone exemption (2.013, Enterprise Zone Businesses) when they are completed. If a property is exempt under 2.011, Commercial Buildings Under Construction in a subsequent year, the combined duration of the exemptions cannot exceed two consecutive years. Recent legislation (HB 2009, 2023) extended the sunset date for the enterprise zone program to June 30, 2032.

### PURPOSE

"To stimulate and protect economic success … throughout all regions of the state, but especially in those communities at the center of or outside major metropolitan areas for which geography may act as an economic hindrance … by providing tax incentives for employment, business, industry and commerce and by providing adequate levels of complementary assistance to community strategies for such interrelated goals as environmental protection, growth management and efficient infrastructure" (ORS 285C.055).

### WHO BENEFITS
See 2.011, Commercial Buildings Under Construction.

### EVALUATION
*Provided by the Oregon Business Development Department*

This program has achieved its purpose in allowing for a more straightforward message about the new property that is exempt in an enterprise zone – both before (under this expenditure) and after that property is placed in service (under 2.013, Enterprise Zone Businesses). Most such standard enterprise zone projects, if they still have property in the process of construction/installation on January 1, will be able to avail themselves of this exemption. Consequently, this tax expenditure has contributed to the ability of Oregon's enterprise zone system to attract and spur development, and new employment, in especially interested and economically distressed parts of Oregon. It will also smooth out administration of property subject to exemption over the course of taxpayer's investment

In the absence of this tax expenditure, most affected property could otherwise be exempt under the rather longstanding tax expenditure 2.011, Commercial Buildings Under Construction. At times, however, that exemption will cover less property. Additional coverage under this provision compared to 2.011, Commercial Buildings Under Construction includes:

- A project of an authorized business firm with no new construction or additions to a building or structure, but rather only modifications to or installations of qualified property that were incomplete but still had an appreciable effect on valuations as of a given January 1 assessment date
- Property items that once fully installed will remain personal property
- Real property machinery and equipment installed directly on land and not inside a building or otherwise affixed to a structure
- Nonmanufacturing facility (*e.g.*, a distribution center) necessitating less than 12 months to build
- Property that is still in the process of construction, reconstruction, modification or installation in a year after another part of the same facility or building has already been placed in service—property is effectively severable with this program in contrast to 2.011, Commercial Buildings Under Construction.

Data do not exist in order to isolate and analyze usage of this tax expenditure independent of 2.011, Commercial Buildings Under Construction, because they are essentially interchangeable and operate through parallel filing systems (for which there is not specific data collection in any case). The differences between the expenditures are transitory and tend to involve factors that would only modestly affect total market value. Though in certain cases, the last two bullets above could entail substantial property tax abatement in a given year.

## 2.013 ENTERPRISE ZONE BUSINESSES

**Oregon Statute:** 285C.175
**Sunset Date:** None (enterprise zone program sunsets 06-30-2032, except for reservation enterprise and reservation partnership zones)
**Year Enacted:** 1985
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $3.6 billion

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $98,100,000 | $22,100,000 |
| 2025-27 | $190,000,000 | $46,000,000 |

### DESCRIPTION
Qualified real and personal property owned or leased and newly placed into service by a qualified business firm in an enterprise zone is exempt from property tax for three to five consecutive years. A new or expanding business can qualify for this exemption if the business meets all the conditions outlined in ORS 285C.135 and 285C.200, such as

applying locally for authorization prior to construction, engaging in eligible business operations, entering into a first source hiring agreement with local publicly funded job training providers, and increasing the number of jobs in the enterprise zone by the greater of one additional job or 10 percent. By resolution, the local zone sponsor may waive the requisite increase in jobs under special circumstances. Recent legislation (HB 2009, 2023) extended the sunset date of the enterprise zone program to June 30, 2032.

To be exempt, the property owned or leased by the business must satisfy timing, location, minimum cost, and other requirements described in ORS 285C.180. Property is disqualified if used for an ineligible activity, such as retail operations, or if the business firm substantially curtails operations or closes during the exemption period. When property becomes disqualified, previously abated amounts must be repaid.

The default length of the exemption period is three years, but for many of the larger projects and nearly all projects in the Portland metropolitan region, the length of the exemption is five years. The additional two years of exemption depend on a written agreement executed prior to local authorization between the business firm and the local zone sponsor, which may stipulate additional requirements for the firm. New jobs of the firm (except in the Portland and Salem area urban zones) need to also satisfy special criteria for employee pay, which the Legislature modified in 2017. HB 2009 (2023) added a requirement that in the fourth and fifth years of the exemption period, the business pays a fee to the local school for the support of the statewide school system. The zone sponsor and school district must have previously established the rate for the fee between 15 and 30 percent of each year's total tax savings, as also applies to latter years of 2.014, Long Term Rural Enterprise Zone (Property Tax).

Any urban enterprise zone may also impose additional conditions related to employment opportunities on any authorized business firm regardless of the exemption period.

Enterprise zones are sponsored, designated, and amended by city, port or county governments, subject to determination by the Oregon Business Development Department (OBDD) of compliance with economic criteria, local taxing district consultations and other statutory requirements.

In addition, nine federally recognized Indian Tribes can each have OBDD designate one reservation enterprise zone comprising any of their tribal lands, or they may create any number of contiguous reservation partnership zones with a local government. These tribal zones are otherwise enterprise zones, but they may continue after 2025, and this expenditure does not sunset for purposes of tribally based designations. Businesses in a tribal zone, even ones not eligible for this exemption, might be able to claim a state income tax credit, see expenditure 1.419, Reservation Enterprise Zone (Income Tax).

As of August 2024, Oregon had 73 enterprise zones, of which 55 are categorized as rural, and 18, as urban. They are spread throughout the state in 34 of the 36 counties and sponsored by 119 cities, 15 ports, 29 counties, and 2 Indian Tribes. In addition, 20 cities, 7 ports and 3 other counties formally consent to zones within their territory that are sponsored by other jurisdictions.

All enterprise zones terminate after 10 to 11 years. A qualified business receiving this exemption when the zone terminates may continue to receive the exemption for the number of years for which it qualified.

The relationship and comparison of this tax expenditure to others in this report are summarized as follows:

- Property of an authorized business under construction or in the process of being installed in the enterprise zone is generally allowed an exemption upon annual filing for 2.012, Construction in Process in an Enterprise Zone of up to two consecutive years.
- Up to 15 enterprise zones may also be designated as an Electronic Commerce Enterprise Zone. In addition to the expenditure here—but with some expanded eligibility for business activities and lower cost minimum for many types of personal property items—this overlay designation formerly allowed businesses qualifying for this tax expenditure to also claim an Electronic Commerce Enterprise Zone Income Tax Credit on certain capital expenses incurred prior to the business's 2018 income tax year.
- Facilities specially approved by the zone sponsor in most rural enterprise zones may alternatively use 2.014, Long Term Rural Enterprise Zone (Property Tax). Its 7 to 15-year tax abatement differs from the standard exemption here in terms of its approval process, length of exemption period, the treatment of property under construction, necessary county location, required minimum investment and employment criteria.

Projects in a Rural Renewable Energy Development (RRED) Zone as described in 2.018, Rural Renewable Energy Development Zone may receive the same standard enterprise zone exemption as this expenditure, but the RRED Zone program differs in four ways: 1) only certain types of renewable energy projects are eligible; 2) the zone areas are more expansive, generally countywide; 3) there is a locally determined limit of up to no more than $250 million for all exemptions with a given RRED Zone designation; and 4) the exemption does not sunset for purposes of RRED Zones.

## PURPOSE

"To stimulate and protect economic success … throughout all regions of the state, but especially in those communities at the center of or outside major metropolitan areas for which geography may act as an economic hindrance … by providing tax incentives for employment, business, industry and commerce and by providing adequate levels of complementary assistance to community strategies for such interrelated goals as environmental protection, growth management and efficient infrastructure" (ORS 285C.055).

## WHO BENEFITS

Eligible businesses operating in an enterprise zone (or engaged in e-commerce operations in an electronic commerce city). Many of these businesses are manufacturers, across a wide array of subsectors, but they also include financial/ service centers, headquarters, data centers, distribution facilities, hotels in some zones by local choice, and various other traded-sector business types.

## IN LIEU

Businesses may make payments imposed by or agreed to with the zone sponsor under special cases provided in statute for reasonable additional local requirements. If a business is not satisfying certain program requirements, a one-time payment of that year's tax savings (PiLoD) may be made to the zone sponsor to avoid fully retroactive disqualification. Some applications or property tax filings also entail administrative fees.

## EVALUATION

*Provided by the Oregon Business Development Department*

This tax expenditure achieves its purpose. The program continues to be associated with numerous job-creating investments (mostly by in-state companies), located in more economically challenged areas of Oregon. The jobs should help improve the material quality of life for many existing residents through employment opportunities and in indirect ways. Although a few zones have been unable to foster new re/investment, most have had at least some activity.

The following data for outcomes come from the latest reports annually prepared for the Department of Revenue (DOR) by county assessor's offices, and they are subject to diligent follow-up and quality checking annually by OBDD, which receives copies of the reports. The data again show a program that has expanded substantially over the years in terms of business investment and employment.

In the 2022–23 tax year, these county reports showed 408 standard exemptions. These exemptions affected $60.6 million in taxes extended (as directly reported by the counties). Another 84 exemptions of 3 to 5 years are expected to begin in 2024 on investments completed in 2023 and costing $1.7 billion. For those exemptions ongoing in 2022–23, approximately $5.6 billion in private investment was made by business from 2018 to 2022.

All told, these exemptions (including new ones in 2024) encompass 305 distinct projects by about 265 different business firms; both figures are smaller by 46 and 45 compared to two years ago. Sixty-eight percent of the companies were already operating inside the enterprise zone. The firms' total number of employees working in full-time, year-round jobs totaled 34,913 in 2023 or by early 2024, of which 15,508 were jobs newly created with the exemption, as reported by the companies in claiming exemptions on DOR forms filed with the county assessor.

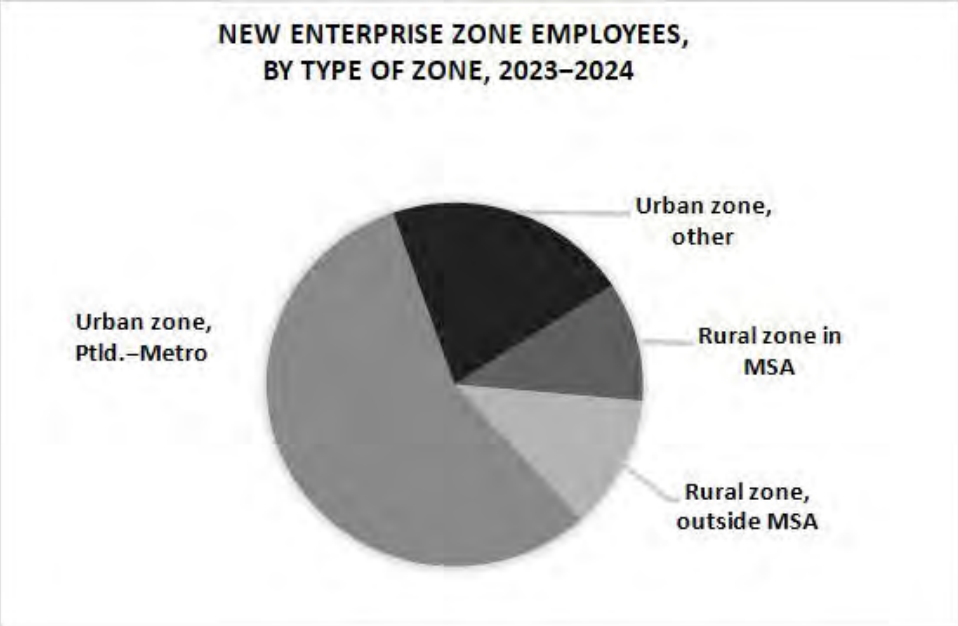
Dividing estimated property taxes abated over several years by those new direct jobs is about $13,500 in property taxes per employee with some variation depending on the method used. This sort of measure can vary wildly by project, from less than $100 per job to greater than $100,000, skewing the average, such that property taxes per job would drop dramatically if excluding but a few of the most capital-intensive projects.

Consistent, straightforward employment criteria (which local governments can waive in certain situations) control a qualified business firm's receipt of the standard enterprise zone exemption. The respective tax benefit depends simply on how much qualified property the business firm owns or leases at the time. This is how exempting property from taxation works, but the effect as an inducement can be rather blunt from a policy perspective. Given the nonlinear

nature of capital investment, it has long been the case that a handful of enterprise zone businesses (10 or less) overwhelmingly account for most exempt property and thus taxes forgone each year.

Undoubtedly, some enterprise zone investments would have been made even without this tax inducement, but they would tend to be among the many smaller projects comprising relatively little exempt property value overall. As investment size grows, the present-value benefit of avoiding taxes during a project's early years becomes increasingly significant for a firm's cash-flow analysis, not only in encouraging, attracting, and retaining sizeable capital investments and associated traded-sector jobs in Oregon, but also in terms of expediting or expanding the actual business operations. In addition, this program can militate private investment toward places with underutilized economic resources.

Most of program activity and job creation occur in the urbanized Portland region. The following chart distributes new jobs among zones in the METRO urban growth boundary, other urban enterprise zones, rural zones inside the 13 Oregon counties that are part of a metropolitan statistical area (MSA), and all other rural designations:




The *Property Tax Incentives Impact Study*, by Applied Economics (Business Oregon, Salem, February 2022) compiled data from the Oregon Employment Department on the change in payrolls related to business projects that were still actively using the expenditure during the 2019-21 biennium. The data were modeled to estimate indirect and induced employment effects in Oregon, and the overall return on investment (ROI) was found to be especially robust for this expenditure relative to estimated net property taxes lost while the projects were exempt, including the offset of In Lieu revenue. The study also addressed various quantitative and qualitative matters, including other local and state costs and benefits.

More immediately in terms of post-exemption properties, $652 million in assessed value of formerly exempt property was added to the 2023 rolls, rendering additional taxes of $18.3 million in the second half of the current biennium, for which Multnomah County does not report, and which does not include disqualified exemptions or special payments (see In Lieu above). Some of this added value would have occurred eventually, of course, possibly with a very different facility by another business, but not necessarily for a long time, as indicated anecdotally with the effect of newly designated enterprise zones on sites that had long gone undeveloped. Much of the once-exempt machinery and equipment is also not retired or removed for many years, or it may give rise to related/replacement investments that do not qualify for subsequent exemption.

Looking ahead—based on local applications for authorization copied by zone sponsors to OBDD by the beginning of July 2024—77 additional projects are proposed to begin exemptions in 2025 or later years, with a conservative number of 1,659 proposed new hires in addition to approximately 8,000 existing enterprise zone employees of the authorized business firms. These new projects would entail nearly $6.7 billion of further investment, consisting mostly of high-technology or data-processing operations in the Hillsboro Enterprise Zone. This represents an extraordinary amount of

anticipated capital expense by enterprise zone businesses, which explains the much higher revenue impact projection for the 2025–27 biennium.

Enterprise zones are relatively common across Oregon; their benefits are the same throughout the state, and the zone typically covers all relevant land or sites for trade-sector development within a defined area. These characteristics allow a wide spectrum of traded-sector businesses to participate while adhering to uniformity and other strictures for taxation in the State Constitution.

This expenditure is also fiscally effective. Administration while highly decentralized is manageable, inexpensive, and minimizes the possibility of abuse. The short time frame of the exemption, three to five years, will tend to moderate revenue impacts. One alternative would be an income tax credit, but that could present greater challenges to administer and enforce, and any anticipated lack of immediate state income tax liability would substantially lessen its attractiveness to businesses. This type of expenditure also affords economic-administrative advantages and efficiencies compared to a directly funded grant to influence business development decisions about where and when to locate or expand.

Diverse enterprise zone programs are still found in most other states, many of which also offer high-impact, statewide incentives that Oregon does not. Oregon's enterprise zone system continues to stand out for its rural basis, local control, and reliance on property tax relief.

Finally, on a broad, statewide level, Oregon enterprise zones are one of, if not the state's premier tool for stimulating increased business investment across many traded-sector industries, including in competition with places outside of Oregon for retaining existing operations in Oregon. While many of the projects indicated above would also involve other local and state attributes, efforts, or programs, the standard exemption from property taxes is oftentimes the only significant inducement that the locality and Oregon can bring to bear.

## 2.014 LONG TERM RURAL ENTERPRISE ZONE (PROPERTY TAX)

**Oregon Statute:** 285C.409
**Sunset Date:** 06-30-2032 (local certification)
**Year Enacted:** 1997
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $12 billion

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $356,000,000 | $28,000,000 |
| 2025-27 | $389,000,000 | $30,600,000 |

### DESCRIPTION

The value of all new property and improvements at qualifying facilities in a rural enterprise zone can be exempt from property tax for 7 to 15 years as determined by an agreement between the business operating the facility and the local zone sponsor (city, port, or county). This new property can also be exempt while under construction for an unlimited number of years. To receive these exemptions, the business must also have approval by resolution of the city and county in which the proposed facility is located. Unlike business operations receiving a three- to five-year exemption under ORS 285C.175 (see 2.013, Enterprise Zone Businesses), any type of business activity is eligible for this tax expenditure. Recent legislation HB 2009 (2023) extended the sunset date for the long-term rural enterprise zone program to June 30, 2032.

In addition to being in a rural enterprise zone at the time of the agreement, the facility also needs to be inside one of presently 25 eligible counties (currently containing 37 of Oregon's 55 rural zones) that:

- Meets statutorily prescribed criteria for net out-migration or chronically low per capita income or high unemployment, or
- Is a qualified rural county (QRC), defined as a county outside a federal metropolitan statistical area (MSA) with a general countywide property tax rate of at least 1.3 percent.

The locally certified business must then meet specific requirements for minimum investment costs, new full-time hires, and average annual employee wages and compensation at the facility, as shown in the table below for facilities that begin their exemption in or after 2018. If a qualified business fails to meet those requirements, previously abated taxes must be repaid.

| Minimum qualifications: Long-term rural enterprise zone facility | |
|---|---|
| **Criteria** | **Minimums** |
| Investment ($) by end of year when operations begin (including existing, nonexempt property) | 1% of total county real market value (RMV) up to $25 million - or 0.5% of county RMV up to $12.5 million if facility is 10 miles or more from Interstate 5 (I-5) |
| Full-time hires by business at facility | 75 by end of 6th year - or if 10 miles or more from I-5: 50, 35 (if county population 40,000 or less), or 10 (if county population 10,000 or less or investment is greater than $200 million) by end of 4th year |
| Average annual employee compensation (including benefits) | At least 150% (130% if in QRC) of county average annual wage by end of 6th year and thereafter maintain at that level |
| Average annual employee wage | At least 100% of county wage in every year after meeting compensation criterion |

HB 2009 (2023) added a requirement that in the sixth and later years of the exemption period, the business pays a fee to the local school for the support of the statewide school system. The zone sponsor and school district must have previously established the rate for the fee between 15 and 30 percent of each year's total tax savings, as also applies to extended abatements of 2.013, Enterprise Zone Businesses.

A business locally certified before July 1, 2018 may also claim a corporate excise tax credit if formally allowed by the Governor. See 1.418, Long Term Rural Enterprise Zone Facilities (Income Tax).

## PURPOSE

The statute that allows this expenditure does not explicitly state a purpose for this expenditure. Presumably, it expands on the purpose of enterprise zones generally: "To stimulate and protect economic success … throughout all regions of the state, but especially … outside major metropolitan areas for which geography may act as an economic hindrance … by providing tax incentives for employment, business, industry and commerce and by providing adequate levels of complementary assistance to community strategies for such interrelated goals as environmental protection, growth management and efficient infrastructure" (ORS 285C.055).

## WHO BENEFITS

Businesses operating certain specially certified facilities in rural communities. As of 2024, a total of 17 facilities of 9 distinct companies were receiving a long-term rural enterprise zone facility (post-construction) exemption.

## IN LIEU

The agreement between the business and the sponsor of the rural enterprise zone may include additional requirements requested by the sponsor, including but not limited to contributions for local services or public infrastructure benefiting the facility. Agreements typically have stipulated a schedule of other local payments during the exemption period, which benefit sponsoring governments and the local community.

## EVALUATION

*Provided by the Oregon Business Development Department*

Besides two lumber manufacturers in Douglas and Klamath counties, this program currently consists of facilities that process either data or food, including massive, follow-on investments by Amazon, Apple, Facebook and Google in the counties of Crook, Morrow, Umatilla and Wasco, in which the original exemption for Google expired in 2022. Other certified facilities yet to begin a 7 to 15-year exemption include additional Amazon data centers in Morrow and Umatilla counties and two food-processing facilities in Deschutes and Morrow counties. The Big Beam/Fort George Brewery facility in Clatsop County demonstrates that new facility investments can be far from the massive amounts seen in other cases, in order for a business to utilize this program.

From 2021 to 2023, the exempt value with the 17 facilities receiving (in all but one case) 15-year property tax abatements under this expenditure grew from $8.8 to $12.8 billion. The exempt value of these facilities ranges from several million to a couple billion dollars. In 2023, the total property tax effect of the exemptions was $187.5 million.

It is possible, and perhaps likely, that if Oregon did not have this program, these major investments in rural areas would not have happened there, and other prospective investors would not be looking so seriously at rural Oregon, which faces considerable economic challenges compared to metropolitan areas. In addition, they are rather extraordinary projects, for which there is strong probability that nowhere near that amount of taxable property would otherwise exist at those locations or elsewhere in the state. That Oregon offers other advantages for these investments—for example, cost of electricity, climate, and absence of any sales and use tax in the case of data centers—does not overturn that assessment. Businesses considering major investments will typically have comparably profitable options, such that property tax relief might still be indispensable for such rural development opportunities.

For purposes of the distribution of state revenue in association with the (former) state tax credit noted above, counties provide a limited report to Department of Revenue on the property taxes currently being forgone under this tax expenditure at the end of each calendar year. Program administration and compliance are entirely a local, *ad hoc* matter, with nothing by way of statutory provisions. The Oregon Business Development Department (OBDD), however, has created administrative tools to assist in monitoring hiring and other criteria by local entities

## 2.015 BROWNFIELD DEVELOPMENT

**Oregon Law:** Ore. Laws 2016 c.96 and 2019 c.492
**Sunset Date:** 01-01-2027
**Year Enacted:** 2016
**2023-24 Estimated Reduction in the Taxable Assessed Value:** Less than $1 million

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | Less than $100,000 | Less than $100,000 |
| 2025-27 | Less than $100,000 | Less than $100,000 |

NOTE: The revenue impact estimate includes the effect of the sunset

### DESCRIPTION

This provision allows a local governing body of a city, county, or port to adopt an ordinance or resolution providing for a program that offers property tax incentives for any land that constitutes a brownfield located within the jurisdiction of the city, county, or port. The property tax program as specified in the local ordinance may contain either or both of the following:

- Special assessment of the brownfield land
- Exemption or partial exemption of improvements and personal property on the brownfield land

The following properties are not eligible for a local brownfield development property tax incentive program:

- Properties centrally assessed under ORS 308.505 to 308.681 by the Department of Revenue
- Industrial properties assessed by the Department of Revenue
- Superfund sites

The local ordinance does not become effective unless the taxing districts representing at least 75 percent of the property taxes within that location agree to the property tax incentive program.

Other elements of this program include:

- The owner of the property must obtain, as applicable, a site evaluation by a state registered geologist or professional engineer. If the evaluation shows that the site needs remedial action due to the presence of

hazardous substances, then such remediation must be conducted under a process authorized by the Department of Environmental Quality.

- The period for which the property tax incentive program benefits may be granted, not to exceed ten years, must be specified by the local ordinance. However, the ordinance may allow for an additional period, not to exceed five years.
- For ordinances that contain a provision for a special assessment, the special assessment is based on the real market value of the property if the property were not a brownfield minus the eligible costs required to clean up and contain the brownfield. Eligible costs include costs associated with site evaluations and remedial action, demolishing existing improvements as needed to complete remedial action, treating and disposing of hazardous waste and materials that contain hazardous waste, and constructing or modifying existing improvements to contain or abate hazardous substances. Eligible costs are reduced by government grants, tax credits, insurance proceeds or legal settlement funds received to offset remediation costs.
- For an ordinance that contains an exemption or partial exemption of improvements and personal property on a brownfield, the ordinance must state the percentage of the exemption to be applied to the real market value of the improvements and personal property.
- A local government may adopt other provisions, so long as they do not conflict with the statutory requirements.
- Property receiving a benefit under this program will continue to do so until the earlier of: the benefit period expiring, the date on which the dollar amount of the benefit equals the eligible costs for the property, or discovery that the owner of the brownfield failed to comply with the agreement. If the land is specially assessed, the owner must report annually the eligible costs incurred, for purposes of verification against the benefit limit.
- Upon disqualification, the taxes that would have been due for all prior years, if not for the benefit, are added to the next tax roll.

If a local governing body adopts both a special assessment and an exemption or partial exemption program, the two tax benefits must be granted concurrently for any property.

Applications are made to and approved by the local jurisdiction and may require an application fee. Property approved for the benefits may also be charged a fee by the county assessor. Legislation in 2016 (HB 4084) enacted this provision and scheduled it for repeal in 2027. The last day a local governing body can adopt an ordinance as specified by this provision is January 1, 2027. Despite such a repeal of the state law, property that has been granted a benefit under this provision will continue to receive the benefit for the specified term, provided that all other conditions are met. At any time, a local governing body may amend or repeal its program for property tax incentives related to brownfields. However, property that is receiving a benefit at the time the local program is amended or repealed will continue to receive the tax benefit under the conditions that were in place when the tax benefit was initially granted.

Originally, property was ineligible for this brownfield tax incentive if the property was granted any other special assessment, exemption, or partial exemption for the same tax year. Legislation in 2019 (HB 2699) enabled property benefiting from this brownfield tax incentive to be granted any other special assessment, exemption, or partial exemption for the same property tax year, provided that the total property tax liability of the property is not reduced below zero.

## PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to allow the governing body of a city, state, or county, or port to provide a tax incentive program to encourage owners of brownfield land to take remedial action on the land, so that it is possible the land can be developed.

## WHO BENEFITS

Owners of brownfield land who take remedial action on that land. In tax year 2023-24, counties reported three accounts that benefited from this exemption.

## EVALUATION

*Provided by the Department of Environmental Quality*

DEQ recommends maintaining Oregon Laws 2016, Chapter 96 because it is a valuable tool for local governments to increase brownfield cleanups and redevelopment throughout Oregon. Implementation of brownfield tax incentives will contribute to creating a market for the brownfields properties, help in allowing for the cleanup and mitigation of these properties, and help to address the high costs of brownfield remediation that often hinder redevelopment opportunities throughout our communities in Oregon. Brownfield investigations and remediation costs (if necessary) create additional barriers to community based organizations, including those representing environmental justice communities. Cleanup and redevelopment of brownfields will result in reduced human health and environmental risk from exposure to contaminated sites, as well as provide public benefits including affordable housing, and community amenities such as parks, access to healthy food, and services not currently available. Brownfield cleanup and redevelopments also create job opportunities via cleanup implementation, site development, and site reuse.

Since Oregon Laws 2016, Chapter 96 was enacted in 2016, local governments have been considering how to implement this law in their jurisdictions. It takes communities some time to learn how to implement new legislation in their communities and draft legally sound ordinances/resolutions. In June 2018, Marion County became the first local government to implement Oregon Laws 2016, Chapter 96 by adopting Ordinance 1390.

The Oregon Brownfield Coalition fully supports Oregon Laws 2016, Chapter 96. The coalition is a group of more than 50 public, private, and nonprofit organizations dedicated to finding solutions to the statewide problem of brownfield contamination. Coalition members have expressed that the tax incentive authority is absolutely needed by local governments. The Oregon Brownfield Coalition has not convened since late 2020.

# 2.016 NEW INDUSTRIAL PROPERTY IN RURAL AREAS

**Oregon Law:** Ore. Laws 2016 c.112, 2018 c.111 §15, and 2019 c.575
**Sunset Date:** 01-01-2030
**Year Enacted:** 2016
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $3.7 million

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | Less than $100,000 | Less than $100,000 |
| 2025-27 | Less than $100,000 | Less than $100,000 |

## DESCRIPTION

This provision allows a governing body of a city or county to adopt an ordinance or resolution granting a limited-duration property tax exemption or tax deferral for industrial property located within the boundaries of that city or county. The local ordinance does not become effective unless the taxing districts representing at least 75 percent of the applicable property taxes agree to the property tax incentive program.

The following criteria must be met according to the local governing body's ordinance or resolution for the property to receive an exemption or tax deferral:

- The industrial property must be newly constructed or installed in a rural area, whether or not the location has formerly been used for industrial purposes. "Rural area" for the purpose of this provision is defined as an area located in unincorporated territory, or in a city with a population of less than 40,000, that is located entirely outside of urban growth boundaries of any city with a population of 40,000 or more.
- The property must be newly constructed or installed industrial property and must have a cost of initial investment of at least $1 million and not more than $25 million.
- The applicant must meet employment or other conditions per agreement with the city or county.

- Unless the city or county specifies otherwise, the exemption is granted at 100 percent of the real market value of the qualified property for any three out of five consecutive property tax years.
- The county or city may specify in the ordinance or resolution:

A minimum cost of initial investment greater than $1 million,

- Number of years not greater than five for which exemption is granted,
- The percentage of real market value of the qualified property granted exemption each year, and
- Different schedules in each property tax year for the number of exempt years and percentage of real market value exempt, depending on the minimum cost of initial investment.

Instead of an exemption, a city or county may adopt an ordinance that defers the payment of tax that otherwise would be exempt as described above for qualified property. Interest does not accrue while the taxes are deferred. As with an exemption, the deferral cannot be granted for more than five tax years. The first year of deferred taxes are billed and due in the first tax year after the deferral ends. The second year of deferred taxes are billed and due in the second tax year after the deferral ends. This pattern continues for each deferred tax year, year by year, until all deferred taxes are billed.

At any time, a city or county may amend or terminate their ordinance for exemption or deferral on qualified industrial property. However, a property that is receiving an exemption or deferral at the time that the ordinance is amended or terminated will continue to receive the exemption or deferral that was in place when the exemption was initially granted.

Property cannot receive both this exemption or deferral and any other exemption or special assessment (excluding 2.011, Commercial Buildings Under Construction).

If exempt property is not used in the manner or location for which it had been approved, or employment or other agreement terms are not met, the property may be disqualified from exemption and previously exempted tax would be charged on the next tax roll.

Legislation in 2018 (HB 2048) made some technical modifications to the definition of the “eligible location” for the industrial property to qualify for the property tax exemption. Legislation in 2019 (HB 2053) made a change to the due date for meeting employment requirements. Recent legislation in 2023 (HB 2080) extended the last day a local governing body can adopt an ordinance specified by this provision to January 1, 2030.

## PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for HB 2080 (2023), “The policy purpose of this measure is to allow cities and counties the ability to provide temporary property tax relief to industrial owners newly constructing or installing qualified industrial improvements in rural area, thereby encouraging business investment in such property and contributing to overall economic development.”

## WHO BENEFITS

Owners of industrial property in rural areas who construct or install new industrial property improvements.

## EVALUATION

*Provided by the Oregon Business Development Department*

This tax expenditure might contribute to economic development in Oregon by offering rural city/county jurisdiction an alternative to enterprise zones (see 2.013, Enterprise Zone Businesses) in a few cases, especially unincorporated areas with economic conditions that would not allow for zone designation. The department, nevertheless, lacks the data or direct experience to address it further, except to observe that the promulgation of the necessary ordinance, local district concurrence, and development of program apparatus at the local level necessitates a great deal of time and special efforts, as undertaken in Marion County, where this tax expenditure is currently being used.

# 2.017 INDUSTRY APPRENTICESHIP/TRAINING TRUST

**Oregon Statute:** 307.580
**Sunset Date:** None
**Year Enacted:** 1983
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $47 million

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $1,500,000 | $400,000 |
| 2025-27 | $1,600,000 | $400,000 |

## DESCRIPTION

All real and personal property owned, held under contract of sale, or leased by an industry apprenticeship or training trust is exempt from property taxation if the industry apprenticeship or training trust meets all of the following conditions:

- The trust is organized only for assisting or implementing training programs according to ORS Chapter 660, Apprenticeship and Training
- The property is used exclusively and actively in training
- The trust is exempt from federal income taxes
- The trust does not discriminate based on age, race, religion, sex, or national origin.

The organization must file an application with the county assessor to claim the exemption. Industries and occupations likely to benefit from this exemption may include carpentry, electrical, masonry, plumbing, sheet metal, painting, mechanical, and machinist trades.

Legislation in 2023 (HB 2507) allowed the exemption to be kept if the property is used by a nonprofit corporation organized under section 501(c) of the Internal Revenue Code for a period of no more than seven consecutive days or a total on 30 cumulative days during any property tax year.

## PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to provide equity between training trusts and other private schools. Trusts cannot qualify for an exemption under other statutes because they are not incorporated and are prevented from doing so by federal regulation. Many skilled labor occupations require an apprenticeship period to obtain a license in Oregon, and apprenticeship trusts provide training often unavailable at traditional schools.

## WHO BENEFITS

The exemption lowers the cost of operation to the apprenticeship trusts. Seven counties reported 36 accounts for this exemption in tax year 2023-24.

## EVALUATION

Not evaluated.

# 2.018 RURAL RENEWABLE ENERGY DEVELOPMENT ZONE

**Oregon Statute:** 285C.362
**Sunset Date:** None
**Year Enacted:** 2003
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $190 million

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $5,300,000 | $400,000 |
| 2025-27 | $10,700,000 | $900,000 |

## DESCRIPTION

Qualified property is exempt from property tax in a Rural Renewable Energy Development (RRED) Zone if used for the generation of electricity from a "renewable energy resource" or for the manufacture, storage, or distribution of biodiesel, ethanol or similar fuels made from applicable inputs, subject to certain criteria. The exemption can last up to five years.

Counties, cities in rural counties, or a combination of contiguous rural counties can request the Oregon Business Development Department to designate them as a RRED Zone, encompassing all rural territory of the jurisdiction(s), which is defined as any area outside the urban growth boundary of cities with a population of 30,000 or more. From 2006 to mid-2024, 18 counties and one city have been designated as RRED Zones, and some have been re-designated either after terminating by operation of law or to refresh the $250-million cap discussed below. Currently, there are 13 counties and the City of Pilot Rock designated as RRED Zones.

RRED Zones are indistinguishable from an enterprise zone in terms of the standard property tax exemption that it provides (see 2.013, Enterprise Zone Businesses), except that the zone sponsor (typically, the county government) may waive the requirement to increase employment for projects with investment costs of $5 million or more. The geography, however, for a RRED Zone is quite different. The entire (rural) territory of the applicant zone sponsor is designated as a zone, which may be is helpful in accommodating physically expansive developments, such as solar or wind farms. Biofuel projects could just as easily use an existing enterprise zone.

The overall amount of exempt property allowed over time within the zone is set by a local resolution with the zone's designation, and by default, it cannot exceed $250 million (increased from $100 million in 2007) in terms of the real market value of property at the outset of the exemption period.

## PURPOSE

The statute that allows this expenditure does not explicitly state a purpose for this expenditure. Presumably, it is to further renewable energy business development.

## WHO BENEFITS

Firms involved in the production of biofuels or electricity from renewable energy resources in rural communities. In fiscal year 2023–24, four solar energy projects in Crook and Jefferson counties received this exemption.

## EVALUATION

*Provided by the Oregon Business Development Department*

This expenditure has contributed to its purpose. Several businesses have placed projects into service, including biofuel production, community-size wind farms, geothermal power generation, and utility solar installations in rural areas, motivated in part, it seems, by this incentive. Current exempt projects employed at least a handful of people full time. (RRED Zone tax and other data are sometimes included as part of the annual county assessor reports required for standard enterprise zone exemptions, 2.013, Enterprise Zone Businesses)

Wind farms were the originally intended use of this expenditure, but the huge increase during the mid- to late 2000s in their sheer size meant that they turned to a program more appropriate for such increasingly massive capital investments—see 2.100, Strategic Investment Program. After 2010, the RRED Zone program saw a number of different types of projects, but use later subsided.

Subsequently, greater solar energy development arose and applied for authorization in the RRED Zones, but for a time, some of them and other solar farms instead used another tax expenditure—see 2.047, Solar Projects. Then, for several years, solar developers found greater favor with RRED Zones, and interest for re /designations of such zones grew as a result (and because of possibilities with harnessing wave or tidal energy). Investments in utility scale solar energy were often approved in RRED zones using the $5 million waiver noted above, absolving them of necessarily maintaining one or more employees inside the zone (typically the entire county). The relative attractiveness of 2.047, Solar Projects was more recently improved by 2021 legislation (SB 154).

Nevertheless, the RRED Zone statutes offer a clearer basis for counties to negotiate side issues with energy developers, including possibly additional 'in lieu of like' payments. This expenditure may also represent a better deal for other local taxing districts that depend more on property tax revenues.

## 2.019 HOUSING AUTHORITY RENTAL PROPERTIES

**Oregon Statute:** 307.092
**Sunset Date:** None
**Year Enacted:** 1937
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $1.2 billion

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $39,100,000 | $9,400,000 |
| 2025-27 | $44,300,000 | $10,700,000 |

### DESCRIPTION

Property that is owned or leased by housing authorities is considered to be public property and is exempt from all state and local taxes and special assessments. This exemption does not apply to commercial property of the housing authority which is leased to a taxable entity.

Property held in a partnership with private partners is also exempt so long as the housing authority is the general partner or manager of the property, and the property is used for housing low-income persons.

Housing authorities are public corporations at the city or county level created under ORS 456.055. They provide affordable housing services to low-income individuals and families.

### PURPOSE

The exemption recognizes housing authority property as "public property used for essential public and governmental purposes" (ORS 307.092) and gives it the same exempt status as other public property. Presumably, the exemption also facilitates authorities providing lower rents to low-income renters.

### WHO BENEFITS

In tax year 2023-24, approximately 1,312 property accounts in 24 counties around the state received this exemption.

### IN LIEU

A housing authority can agree to make payments in lieu of tax payments for improvements, services, and facilities furnished by local governments, such as streets, lighting, water, and sewer.

### EVALUATION

*Provided by the Oregon Housing and Community Services Department*

This expenditure achieves its purpose of supporting housing authorities. Based on research, this statute was required with the federal Housing Act of 1937 that created housing authorities. Since then, the exemption has proven to be a critical component of their ability to provide more units of housing and homes at more affordable rates to very low-income Oregonians.

The exemption achieves affordable rents in the following two ways. First, approximately 50 percent of housing authority tenants pay a rent of 30 percent of their income. That is the maximum they can pay under federal law in

public housing—that is, federally subsidized, housing authority owned housing. The balance of their rent is paid by the federal government through the housing authority. Tenant rent cannot be increased if the cost of their housing unit is increased. The benefit of the property tax exemption in these units is that the housing authorities can make more homes available to a larger number of tenants than if there were no exemption.

Second, approximately 50 percent of the tenants live in housing owned by housing authorities but not subsidized by the old federal public housing subsidies. Instead, this housing has been financed through a mix of commercial loans and "off market" financing sources including federal Low Income Housing Tax Credits, the Oregon Housing Fund, and the property tax exemption. In these housing developments, rent is not restricted to 30 percent of income. Even though the tenants are low income, their rents are directly related to construction and operating costs. The property tax exemption is a substantial part of making these units affordable to low-income households.

Many of the people who benefit from this expenditure are the most vulnerable in the local community. This exemption successfully achieves its purpose. The process for providing the exemption is very straightforward and easily administered; upon demonstration of a housing authority's qualifying relationship to a given piece of property, the exemption is granted. It is unlikely that local jurisdictions would prefer to collect taxes and use them in a direct spending program to achieve the low-income housing development that this exemption makes possible. The exemption is also the most fiscally effective means of achieving its purpose.

## 2.020 LOCAL GOVERNMENT OWNED LOW-INCOME HOUSING

**Oregon Statute:** 307.110(3)(h)
**Sunset Date:** None
**Year Enacted:** 2013
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $130 million

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $3,900,000 | $700,000 |
| 2025-27 | $4,300,000 | $800,000 |

### DESCRIPTION

In general, when public property is held under contract of sale or is leased to a private individual or business, it is considered taxable. However, property of any county or city, town or other municipal corporation or political subdivision of Oregon that is used for affordable housing or is leased or rented to persons of lower income is exempt from property taxation. A person of lower income is a person whose income is not greater than 80 percent of the area median income, adjusted for family size, as determined by the Oregon Housing and Community Services Department using United States Department of Housing and Urban Development information.

### PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for HB 3112 (2013), the purpose of this provision "…is to provide cities and local governments with the ability to acquire property to build and maintain adequate low-income housing."

### WHO BENEFITS

In 2023-24, counties reported that there were 65 accounts receiving this exemption across two counties.

### EVALUATION

*Provided by the Oregon Housing and Community Services Department*

This expenditure achieves its purpose. By allowing city and county affordable housing projects to be exempt from property taxation, the operating costs of the project are reduced. While not all cities and counties have the organizational and budget capacity to own and operate affordable housing, for those that do have the capacity, this reduction to operating costs serves as an incentive to acquire, build, and maintain affordable housing rental resources for low-income households.

## 2.021 FEDERAL LAND UNDER SUMMER HOMES

**Oregon Statute:** 307.183 to 307.184
**Sunset Date:** None
**Year Enacted:** 1975
**2023-24 Estimated Reduction in the Taxable Assessed Value:** Not Available

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | Not Available | Not Available |
| 2025-27 | Not Available | Not Available |

### DESCRIPTION

In general, when public property is held under contract of sale or is leased to a private individual or business, it is considered taxable. However, the land under summer homes that is owned by the Forest Service or Bureau of Land Management and used by permit or lease is exempt from property tax. The summer home, other buildings or structures, and improvements to the land (water or septic systems, electric service, and landscaping) are all taxable to the lessee.

### PURPOSE

The statutes that allow this expenditure do not explicitly state a purpose. Presumably, the purpose is to avoid the administrative difficulty of valuing federal property that has restrictions on land use.

### WHO BENEFITS

Owners of summer homes on federal land with special use permits for residential purposes.

### EVALUATION

Not evaluated.

## 2.022 FEDERAL LAND UNDER RECREATION FACILITY

**Oregon Statute:** 307.182
**Sunset Date:** 06-30-2030
**Year Enacted:** 1975
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $5.3 million

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $100,000 | Less than $100,000 |
| 2025-27 | $100,000 | Less than $100,000 |

### DESCRIPTION

In general, when public property is held under contract of sale or is leased to a private individual or business, it is considered taxable. This provision ensures that federal government land remains exempt from property tax when occupied and used by a commercial recreation facilities operator under a permit. Examples are ski resorts and lake marinas on federal land. Only the land is exempt. All real and personal property improvements are taxable to the taxpayer having possession of the property.

This exemption applies only to recreation facility land held under permit. Some recreation facility land is held only by lease and is thus taxable.

This property tax exemption was allowed to sunset on June 30, 2012; however, legislation in 2013 (SB 549) reinstated this exemption retroactive to tax year 2012–13 and set a sunset date of June 30, 2024. Recent legislation in 2023 (HB 2080) extended the sunset date to June 30, 2030.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for HB 2080 (2023), the purpose of this credit is "to acknowledge the fees paid by permit holders to the Forest Service, 25 percent of which is returned to counties. It is also to avoid the administrative difficulty of valuing federal land with restrictions on land use."

### WHO BENEFITS
Operators of recreational facilities that operate under permit on federal land benefit from this exemption.

### IN LIEU
Recreational facilities pay for permits to use the land. Twenty-five percent of the fees paid to the Forest Service are shared with counties.

### EVALUATION
*Provided by the Oregon Business Development Department*

This expenditure achieves its purpose. Recreation areas that benefit from this legislation are on Forest Service land via a Special Use Permit. This permit, while long term, is very restrictive and not at all like a typical, private landlord–tenant arrangement. These restrictions make it very difficult to establish a value on the property. In addition, removal of the property tax exemption for recreation facilities on federal lands would subject these areas to some level of double taxation unless other adjustments were also made. Moreover, exceptional legal complexities might attend efforts to assess taxes on land effectively still under federal ownership and control. Finally, this tax expenditure would help sustain and control costs at recreational opportunities, including as attractions for spending by out of state tourists that could benefit the state as well as local economies.

## 2.023 NONPROFIT ELDERLY HOUSING STATE FUNDED

**Oregon Statute:** 307.242
**Sunset Date:** None
**Year Enacted:** 1977
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $110 million

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $3,400,000 | $800,000 |
| 2025-27 | $3,600,000 | $900,000 |

### DESCRIPTION
Group homes for the elderly built or acquired after January 1, 1977 by private nonprofit corporations (defined in ORS 307.375) that receive subsidies under certain federal and state housing programs are exempt from property taxation. Only the land and improvement value, not personal property, may be exempted. The corporation may not charge more than one month's rent as a "move in" fee or deposit, and rents must reflect the property tax savings. The occupants do not qualify for the veteran's exemption or homestead tax relief. If the corporation receives a state subsidy, any property added after January 1, 1990 is not eligible for exemption.

### PURPOSE
To "assist private nonprofit corporations to provide permanent housing, recreational and social facilities, and care to elderly persons" (ORS 307.241).

### WHO BENEFITS
Residents of exempted homes who pay lower rent as a result of the home not paying property tax. In tax year 2023-24, 13 counties had 43 homes receiving this exemption.

### IN LIEU

An annual claim must be filed with the county assessor to receive the exemption. If approved, an amount equal to what the exempt taxes would have been is billed to the Department of Revenue instead of the property owner. Funds to pay these amounts are appropriated by the legislature from the General Fund. If the General Fund appropriation is not sufficient to pay the liabilities in full, then all of the amounts paid are prorated to no more than the appropriation amount. In the event that this proration is necessary, it will result in a revenue loss to the taxing districts. For 2023-24, proration was needed, and the payments made by the state totaled approximately $1.82 million, about $241 thousand less that the total tax liability of $2.061 million.

### EVALUATION

*Provided by the Oregon Housing and Community Services Department*

Generally, this expenditure appears to achieve its purpose. The effect of the state funded tax relief is to reduce housing project operating expenses, thereby reducing the rents to project occupants. Tenants otherwise would have to support the property taxes through the monthly rent they pay. The average monthly rent reduction is about $40 per unit. For seniors on fixed incomes, any rent reduction can be significant.

Because eligible project sponsorship or ownership is limited to nonprofit corporations, it is assumed the full benefit of the tax relief is passed on to the project tenants. As OHCS does not income verify residents, it is also assumed that the elderly households that reside in eligible housing projects have limited incomes that warrant the benefit of this rent reduction.

The current annual application process is very time consuming and involves a minimum of six separate steps each year. The administrative steps for county government include: 1) mail applications to each qualifying nonprofit, 2) verify information received from each applicant, 3) provide a copy of the information to the Department of Revenue, 4) notify applicant of approval/denial, 5) send tax statements and certification letter to the Department of Revenue for payment, and 6) notify applicant that the taxes have been paid. An alternative to the annual application could be a statement of compliance from the qualifying nonprofit if verification is required.

An alternate means to provide an equal benefit to the project residents would be a rent subsidy program. However, administration of a rent subsidy program would be more administratively burdensome than the existing subsidy.

A direct property tax exemption may be a more efficient means to provide a like benefit to the project tenants. However, local taxing districts (such as cities and schools) would not receive compensating income if a direct property tax exemption were implemented in lieu of the tax relief program. This revenue loss would be relatively small when considered in the context of the overall scope of exemptions and special assessments. However, property taxes are direct expenses that affect the operating costs of rental housing. Without this exemption, seniors would likely experience corresponding increases in rent payments.

## 2.024 INVENTORY

**Oregon Statute:** 307.400
**Sunset Date:** None
**Year Enacted:** 1969
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $29 billion

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $925,000,000 | $222,000,000 |
| 2025-27 | $981,000,000 | $235,000,000 |

### DESCRIPTION

Inventory is exempt from property taxation. In general, inventory is tangible personal property that is or will become part of the stock held for sale in the ordinary course of a taxpayer's business. This includes materials, supplies, containers, goods in process, finished goods, and "for sale" inventory, but not machinery and equipment used to

produce these goods. The revenue impact of this tax expenditure includes the revenue impact of 2.028, Ship Repair Facility Materials.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to eliminate the tax compliance burden of enumerating inventory and to eliminate behavior specifically aimed at reducing inventories on the date of assessment.

### WHO BENEFITS
Manufacturing, wholesale, and retail trade businesses are the primary beneficiaries of this exemption.

### EVALUATION
Not evaluated.

## 2.025 BUSINESS PERSONAL PROPERTY AND RESIDENTIAL FLOATING STRUCTURES

**Oregon Statute:** 308.250(2)(a)
**Sunset Date:** None
**Year Enacted:** 1979
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $390 million

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $10,500,000 | $2,000,000 |
| 2025-27 | $11,400,000 | $2,100,000 |

### DESCRIPTION
Business personal property required to be reported under ORS 308.290 and existing, unmodified residential floating structures are exempt from property tax if the total assessed value of such personal property of a taxpayer in a year is less than the specified maximum. The maximum threshold is $22,500 for the tax year beginning July 1, 2024. It is indexed annually to inflation.

To receive an exemption from property tax for business personal property where one did not exist in the previous tax year, the taxpayer must file a business personal property return with the county assessor. After receiving an initial exemption of property tax on this property, in order to maintain the exemption for future years, the taxpayer may file an annual statement declaring that the value continues to be less than the threshold. If the taxpayer has added or deleted personal property since the prior assessment year, the taxpayer is required to submit to the county assessor a signed business personal property return with an updated asset detail list on or before March 15. Business personal property can include items such as office furniture, industrial machinery, commercial floating structures, and equipment.

In 2017, the Legislature (HB 2573) changed this expenditure from a cancellation of property tax to an exemption from taxation. In 2022, the Legislature (SB 1559) added residential floating structures to the statute exempting business personal property below the threshold.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to reduce filing burdens for small businesses and owners of residential floating structures, as well as to reduce administrative costs related to the processing and collections of small business personal property or residential floating structure tax accounts.

### WHO BENEFITS
Counties reported that approximately 70,000 property tax accounts benefited in tax year 2023-24.

### EVALUATION
Not evaluated.

## 2.026 CARGO CONTAINERS

**Oregon Statute:** 307.835
**Sunset Date:** 06-30-2026
**Year Enacted:** 1979
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $5.3 million

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $200,000 | Less than $100,000 |
| 2025-27 | Less than $100,000 | Less than $100,000 |

NOTE: The revenue impact estimate includes the effect of the sunset.

### DESCRIPTION
All cargo containers principally used for the transportation of cargo by vessels in trade and ocean commerce are exempt from property tax. Cargo containers must be designed for carriage of goods by vessels, be strong enough for repeated use, and be fitted with handling devices. In 2019 (HB 2130), the Legislature extended the sunset date to June 30, 2026.

This statutory exemption applies to containers owned by both domestic and foreign (international) companies. However, the containers owned by foreign companies would be exempt even in the absence of this statute based upon interpretation of commerce law in the U.S. Constitution, as clarified under the rulings of the following court cases: *Japan Line Ltd., v. County of Los Angeles,* 441 US 434 (1979) and *Itel Containers International Corp. v. Huddleston, Comm'r of Revenue of Tennessee,* 507 US 60 (1993) (explaining the scope of the holding in *Japan Line*).

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for HB 2130 (2019), "the policy purpose is to assist Oregon shipping companies in competing in a global market."

### WHO BENEFITS
Owners of ocean-going cargo containers. The Port of Portland reported handling 116,063 containers associated with ocean-going vessels at its marine terminals in 2023.

### EVALUATION
*Provided by the Oregon Business Development Department*

The Port of Portland and Oregon's shipping interests face a very competitive environment among West Coast ports in their efforts to reestablish container shipping services for Oregon businesses. Because of that, both the Port and the Columbia River Steamship Operators Association have traditionally supported retention of the cargo container exemption in the interest of regaining and maintaining the state's access to international container shipping service. The exemption also benefits agricultural shippers and others seeking to move containerized cargo through the upriver ports of Morrow and Umatilla to Terminal 6 at the Port of Portland, as well as the Oregon International Port of Coos Bay in the future as it is developing a multimodal container facility. Besides helping maintain competitive access to international container shipping service that is important to many Oregon industries, this property tax expenditure is also intended to moderate shipping costs for those industries.

# 2.027 LEASED DOCKS AND AIRPORTS

**Oregon Statute:** 307.120
**Sunset Date:** None
**Year Enacted:** 1947
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $410 million

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $12,800,000 | $3,600,000 |
| 2025-27 | $13,900,000 | $3,800,000 |

## DESCRIPTION

In general, when public property is held under contract of sale or is leased to a private individual or business, it is considered taxable. This tax expenditure provides exceptions to this rule as it relates to leased dock and airport property.

Public dock property is exempt from property tax if it is leased, subleased, rented, or preferentially assigned and used for:

- Berthing ships or barges
- Handling, loading, and unloading cargo from ships
- Cleaning or decontaminating agricultural cargo, if the property does not further alter or process an agricultural commodity.

By December 31 preceding a year in which the property is leased, or within 30 days of entering into the lease, whichever is later, the private lessee must file a request for the county assessor to compute a required in-lieu payment.

The requirements above do not apply to property held under lease or rental agreement executed for any purpose prior to July 5, 1947, which is exempt and does not require the in-lieu payment. In this case, the exemption continues only during the term of the lease or rental agreement in effect on July 5, 1947.

For a city-owned airport or port district serving a population of fewer than 300,000, airport property that is leased and used by private individuals remains exempt if the rent proceeds are used for airport operations and maintenance. An in-lieu payment is not required.

## PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to support the operation of docks and small airports, regardless of the type of entity operating them.

## WHO BENEFITS

Entities leasing eligible dock or airport properties. In tax year 2023–24, there were approximately 350 exempt properties in eleven counties.

## IN LIEU

For qualifying dock properties, an in-lieu payment of one-quarter of one percent of real market value is assessed annually and distributed to school districts. Airport properties are not subject to the in-lieu requirement.

## EVALUATION

*Provided by the Oregon Business Development Department*

Besides reducing revenue available for other public service, this exemption shifts a portion of the local property tax burden from owners and users of dock and airport property to owners of other properties. Increased economic activity due to this exemption may compensate for these tax effects by increasing other local and state tax collections, in addition to public benefits arising from the upkeep and use of port infrastructure and of local airports in smaller communities. Public ports, which support retaining this exemption, use it in various ways across Oregon, including as

an essential way to generate revenue to maintain properties and attract tenants at their airport facilities, as well as working productively with dock operators or cargo handlers for maritime shipping.

## 2.028 SHIP REPAIR FACILITY MATERIALS

**Oregon Statute:** 308.256(7)
**Sunset Date:** None
**Year Enacted:** 1957
**2023-24 Estimated Reduction in the Taxable Assessed Value:** Included in 2.024, Inventory

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | Included in 2.024 | Included in 2.024 |
| 2025-27 | Included in 2.024 | Included in 2.024 |

### DESCRIPTION

Materials and parts held by shipyards and ship repair facilities as of January 1 are exempt from property tax if, by April 1, the parts and materials are physically attached to or part of watercraft undergoing major remodeling, renovation, conversion, or repair. The parts and materials are initially assessed, but assessors must cancel the assessment if documentary proof of qualification for exemption is provided before April 1.

The value of watercraft under construction or undergoing major remodeling is also exempt, as described in tax expenditure 2.139, Watercraft Locally Assessed.

### PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to help Oregon shipyards compete with shipyards in other states.

### WHO BENEFITS

This exemption predates tax expenditure 2.024, Inventory. Most—if not all—of the material exempted by this statute would likely be considered inventory.

### EVALUATION

Not evaluated.

## 2.029 RAILROAD CARS BEING REPAIRED

**Oregon Statute:** 308.665
**Sunset Date:** None
**Year Enacted:** 1973
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $30 million

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $900,000 | $200,000 |
| 2025-27 | $1,000,000 | $200,000 |

### DESCRIPTION

Railroad cars owned by private companies and undergoing major work are exempt from property taxation. Major work includes remodeling, renovation, conversion, or repairs, if the total labor exceeds 10 hours. A railroad car is exempt starting from the time it awaits transportation to a repair facility and ending with the time it has returned from a repair facility. Documentation proving qualification for the exemption must be furnished to the Department of Revenue.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to avoid taxing transportation equipment that is temporarily unable to be used for its intended purpose.

### WHO BENEFITS
Approximately 80 companies benefited from this exemption in tax year 2023–24.

### EVALUATION
Not evaluated.

## 2.030 LOW-INCOME HOUSING OWNED BY RELIGIOUS ORGANIZATION

**Oregon Statute:** 307.140(4)
**Sunset Date:** None
**Year Enacted:** 2021
**2023-24 Estimated Reduction in the Taxable Assessed Value:** Included in 2.087, Religious Organizations

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | Included in 2.087 | Included in 2.087 |
| 2025-27 | Included in 2.087 | Included in 2.087 |

### DESCRIPTION
Land and buildings on the land owned by a religious organization and held or used solely to provide affordable housing to low-income individuals is exempt from taxation. Legislation explicitly excluded this exemption from the automatic six-year sunset under ORS 315.037.

### PURPOSE
The law that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for HB 2008 (2021), the purpose of this provision is "to increase the supply of affordable housing in the state."

### WHO BENEFITS
Religious organizations who own land that is rented by low-income individuals, and those low-income individuals.

### EVALUATION
*Provided by the Oregon Housing and Community Services Department*

To increase the supply of affordable housing for Oregonians we need the participation of as many sectors as possible, including the faith-based and religious organizations. Allowing the tax exemption on the land and buildings for low-income housing purpose will reduce the operating expenses as well as keeping the rents low for tenants.

## 2.031 NEW ADU OR NEWLY CONVERTED MULTIPLEX

**Oregon Law:** Ore. Laws 2023 c.583
**Sunset Date:** None
**Year Enacted:** 2023 (SB 919)
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $0

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $200,000 | Less than $100,000 |
| 2025-27 | $400,000 | Less than $100,000 |

### DESCRIPTION

A city or county may grant a property tax exemption for up to 5 years for a newly constructed accessory dwelling unit (ADU), or a newly converted duplex, triplex, or quadplex that is occupied as a primary residence. A newly constructed ADU must be occupied as a primary residence to be exempt. The main dwelling unit does not need to be occupied as a primary residence because it is not eligible for exemption. If any exempt unit is no longer occupied as a primary residence, the entire property becomes ineligible for exemption. Legislation explicitly excluded this exemption from the automatic six-year sunset under ORS 315.037.

For a property to receive the exemption, the owner must file an application and local taxing districts representing at least 51 percent of the taxes on the property must agree to the exemption, after which the exemption applies to the taxes of all districts. To continue receiving the exemption each year after receiving initial approval, the owner must file a new application.

### PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for SB 919 (2023), "the purpose of the exemption is to expand housing supply, utilizing existing residential land and infrastructure."

### WHO BENEFITS

Owners of a newly constructed accessory dwelling unit, or a newly converted duplex, triplex, or quadplex who occupy it as a primary residence.

### EVALUATION

*Provided by the Oregon Housing and Community Services Department*

Due to the recent approval of this tax exemption, OHCS has not yet had an opportunity to evaluate the use or usefulness of this opportunity.

## 2.032 FOOD PROCESSING EQUIPMENT

**Oregon Statute:** 307.455
**Sunset Date:** 06-30-2030
**Year Enacted:** 2005
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $330 million

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $13,600,000 | $3,000,000 |
| 2025-27 | $18,500,000 | $4,100,000 |

### DESCRIPTION

Upon application, qualified real or personal property machinery and equipment that is newly acquired by a food processing business is exempt from property taxation for five years. The machinery or equipment may be new or used, as long as it is newly acquired by the food processor. Food processing businesses are those that freeze, can, dehydrate, concentrate, preserve, process, or repack fruit, vegetables, nuts, legumes, or seafood in any procedure that generally occurs before the first sale by the processor. Producers of alcoholic beverages are ineligible.

Legislation in 2015 (HB 3125) expanded the exemption to include machinery and equipment used to process grains, bakery products, dairy products, and eggs, and prohibited anyone engaged in the business of producing marijuana or any product containing marijuana or a marijuana extract from qualifying for the exemption. The legislation also required qualified machinery and equipment used to process grains and bakery products to have real market value of at least $100,000 when placed in service. However, the 2016 Legislature modified this provision to require the total cost of initial equipment investment by the food processor to be at least $100,000 to qualify for the exemption.

Qualified machinery is certified by the Oregon Department of Agriculture. Machinery and equipment is exempt for five years following certification.

Legislation in 2019 (HB 2164) allows a city or county to adopt a lower exemption amount or opt out of the exemption. Legislation in 2023 (HB 2080) included meat and wild game processing under this exemption. HB 2080 also extended the sunset date from June 30, 2025 to June 30, 2030; any equipment that has already received the exemption by that date will continue to receive the exemption for the full five years.

### PURPOSE

"The Legislative Assembly declares that a property tax exemption for qualified real property machinery and equipment encourages continued operation and expansion of the food processing industry in this state" (ORS 307.453).

### WHO BENEFITS

Food processors that acquire machinery and equipment.

### EVALUATION

*Provided by the Oregon Department of Agriculture*

Not only must Oregon's food and beverage processors be competitive with their national competitors, they must also be competitive in the global marketplace. Opportunities to make capital investments that provide gains in efficiencies and expand product lines is one strategy for businesses to remain competitive.

This tax exemption encourages food-processing companies to replace aging equipment with more efficient and modern equipment. The exemption also supports food processors make the needed investments for new product lines. Investments made by local businesses are an investment in local jobs and healthy communities. Because processors try to be located near the source of their ingredients (ex. Oregon agricultural commodities), these capital investments also positively support rural communities.

The exemption also allows for Oregon to be more competitive when recruiting food processors for direct investment. The exemption also encourages opportunities for agricultural producers to invest and create value-added products. These both aid rural and urban economic development.

This exemption is narrowly targeted, and serves its purpose of creating investment, retaining and expanding jobs, and creating additional markets for Oregon growers. There has been interest in expansion of this credit to include other commodities and food products.

## 2.033 FARM MACHINERY AND EQUIPMENT

**Oregon Statute:** 307.394
**Sunset Date:** None
**Year Enacted:** 1973
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $4.7 billion

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $109,000,000 | $19,200,000 |
| 2025-27 | $115,000,000 | $20,400,000 |

### DESCRIPTION

Machinery and equipment classified as personal property or real property and used in farm operations involving crops, livestock, poultry, fur bearing animals, bees, dairying, animal husbandry, or other agricultural or horticultural products are exempt from property tax.

Added by HB 2904 (2009), machinery and equipment used primarily to implement a plan certified by an agent of the Oregon State University Extension Service to remediate or mitigate severe adverse conditions on farmland is exempt while the plan is in process.

The revenue impacts of the following tax expenditures are included here:

- 2.034, Mobile Field Incinerators

- 2.041, Center Pivot Irrigation Equipment
- 2.042, Other Farm/Aquaculture/Egg Equipment
- 2.043, Field Burning Smoke Management Equipment

Legislation in 2024 (HB 4111) expanded the exemption to include machinery and equipment classified as real property beginning tax years starting on or after July 1, 2025. Before this legislation, only machinery and equipment classified as personal property, held for use in qualifying farm operations was eligible for this exemption.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to improve the financial viability of farming by reducing the operational costs associated with purchasing and maintaining essential farm machinery and equipment, and ease tax administration.

### WHO BENEFITS
Farmers and agricultural producers who own and use qualifying machinery and equipment benefit directly from this exemption. By reducing the property tax burden, the exemption helps farmers manage their operational costs more effectively, which may be particularly beneficial for small and beginning farmers.

### EVALUATION
*Provided by the Oregon Department of Agriculture*

This expenditure assists agriculture producers in modernizing machinery and equipment classified as personal property. Agricultural machinery and equipment are extremely expensive, and farmers spend more on machinery per worker than any other industry. Agricultural producers do not set prices and as commodity prices fluctuate dramatically tax planning and cost recovery is limited. This tax exemption assists small and beginning producers by reducing the compounding operational costs on critical machinery and equipment. Reducing tax liability allows agricultural producers who benefit to adopt new technologies and increase efficiencies.

The current tax exemption appears a more appropriate treatment of this particular situation than direct spending.

## 2.034 MOBILE FIELD INCINERATORS

**Oregon Statute:** 307.390
**Sunset Date:** None
**Year Enacted:** 1971
**2023-24 Estimated Reduction in the Taxable Assessed Value:** Included in 2.033, Farm Machinery and Equipment

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | Included in 2.033 | Included in 2.033 |
| 2025-27 | Included in 2.033 | Included in 2.033 |

### DESCRIPTION
Mobile field incinerators owned by farmers and used exclusively for sanitizing grass seed fields by means other than open field burning are exempt from property tax. Incinerators must be purchased within five years after they are certified by the Department of Environmental Quality. If these incinerators are used at the field site in preparing the soil for farm purposes, these would be exempted under tax expenditure 2.033, Farm Machinery and Equipment.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to encourage pollution control by the use of mobile field incinerators in place of open field burning of grass straw.

### WHO BENEFITS
Farmers with mobile field incinerators would receive the benefit. However, these incinerators are not commonly used.

### EVALUATION

*Provided by the Oregon Department of Agriculture*

This expenditure is not achieving the purpose for which it was intended. The current technology of mobile field incinerators is too expensive to be viable and farmers have adopted other means to sanitize grass seed fields. Barring a major technological advance that reduces its cost, the use of mobile field incinerators is not likely to become a viable technology for farmers.

## 2.035 CROPS, PLANTS, AND FRUIT TREES

**Oregon Statute:** 307.320
**Sunset Date:** None
**Year Enacted:** 1957
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $710 million

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $16,600,000 | $2,900,000 |
| 2025-27 | $18,100,000 | $3,200,000 |

### DESCRIPTION

Deciduous trees, shrubs, plants, crops, cultured Christmas trees, and cultivated hardwood trees growing on agricultural land are exempt from local property taxation. When crops and plants are harvested and unsold as of the assessment date, they are treated as inventory subject to the exemption described in tax expenditure 2.024, Inventory. Agricultural products held for use in farming operations are exempt as described in tax expenditure 2.036, Agricultural Products Held by the Farmer.

### PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purposes are to improve the financial viability of agriculture by reducing the property tax burden and to ease administration by eliminating the filing of personal property tax returns for farmers.

### WHO BENEFITS

Owners of deciduous trees, shrubs, plants, crops, cultured Christmas trees, and cultivated hardwood trees growing on agricultural land. Oregon has about three and half million acres of harvested agricultural land.

### EVALUATION

*Provided by the Oregon Department of Agriculture*

This exemption is accomplishing its purpose. This exemption helps maintain the financial viability of farming operations by excluding these assets from property taxation while they are still in the growing phase, allowing farmers to focus resources on production rather than on tax liabilities. This support may be particularly valuable in mitigating the financial impacts of unpredictable factors such as weather conditions and market fluctuations, which can significantly affect agricultural income.

It is our view that this expenditure is the most fiscally effective means of achieving its purpose, also placing this inventory on par with the exemption of inventory tax on all businesses in Oregon.

## 2.036 AGRICULTURAL PRODUCTS HELD BY THE FARMER

**Oregon Statute:** 307.325
**Sunset Date:** None
**Year Enacted:** 1965
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $5.0 million

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $100,000 | Less than $100,000 |
| 2025-27 | $100,000 | Less than $100,000 |

### DESCRIPTION

Agricultural products in the possession of the farmer who produced them or acquired them for consumption or use in the farm operation are exempt from property tax. These products are grain, seed, hay, fruit, vegetables, nuts, hops, wool, fish, livestock, fur bearing animals, bees, poultry, butter, cheese, milk (evaporated, condensed or concentrated), mint, bivalve mollusks, and vermiculture supplies and products.

Most products held by farmers are considered inventories because they are being held for ultimate sale and are exempt under tax expenditure 2.024, Inventory. This provision exempts those products not covered by the inventory exemption if they are held for use on the farm rather than for ultimate sale.

### PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to eliminate the burden of enumerating livestock and crop inventories and to improve the financial viability of farming.

### WHO BENEFITS

Most of the exempt value for this expenditure is for cattle and calves used in farm operations. It also benefits other farmers who hold products for their own use, such as those who raise hay and other feed for their own animals.

### EVALUATION

Not evaluated.

## 2.037 NURSERY STOCK

**Oregon Statute:** 307.315
**Sunset Date:** None
**Year Enacted:** 1971
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $200 million

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $4,700,000 | $800,000 |
| 2025-27 | $5,100,000 | $900,000 |

### DESCRIPTION

This exemption applies to nursery stock held by growers or wholesalers, and exempts them from local property taxation. Nursery stock includes plants, trees, and shrubs that are either bare-root, balled, in containers, or in the ground, and are grown or kept for propagation or sale.

### PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to improve the financial viability of the nursery industry by reducing the property tax burden.

### WHO BENEFITS

Most nursery stock is grown in Western Oregon, concentrated in the Willamette Valley.

## EVALUATION

*Provided by the Oregon Department of Agriculture*

This tax expenditure is accomplishing its purpose. The exemption of nursery stock is consistent with the exemption provided for other farm commodities described in tax expenditure 2.035, Crops, Plants, and Fruit Trees, and with the exemption of inventories in nonagricultural industries described in tax expenditure 2.024, Inventory. This exemption helps ensure that nursery businesses can remain competitive by allowing them to allocate more resources toward production, innovation, and market expansion rather than tax liabilities. Given that Oregon's nursery industry is a major player in both national and international markets, maintaining this exemption is likely important for sustaining its growth and competitiveness.

Any change, such as the elimination of this exemption, resulting in an increase in market price would reduce the competitiveness of Oregon-grown nursery stock in the national and international marketplaces. The current tax expenditure is the most effective means of achieving this purpose and places this inventory on par with all other business inventory in Oregon as tax exempt.

# 2.038 LEASED STATE AND LOCAL FARMING AND GRAZING LAND

**Oregon Statute:** 307.110(3)(b)
**Sunset Date:** None
**Year Enacted:** 1971
**2023-24 Estimated Reduction in the Taxable Assessed Value:** Included in 2.078, State and Local Property

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | Included in 2.078 | Included in 2.078 |
| 2025-27 | Included in 2.078 | Included in 2.078 |

## DESCRIPTION

In general, when public property is held under contract of sale or is leased to a private individual or business, it is considered taxable. However, land owned by the state or a local government that is leased or rented for agricultural or grazing use by persons who do not pay rent in cash or as a share of the crop is exempt from property taxes. In some cases, the lessee performs a service in return for farming or grazing rights. For example, a farmer might use public land for agricultural purposes, and in return, agree to keep other state or locally owned land mowed.

## PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to provide property tax relief to farmers and livestock owners, and to avoid the administrative difficulty of valuing these state and local government properties that have restrictions on land use.

## WHO BENEFITS

Farmers and ranchers who lease state and local land. The expenditure also benefits state and local governments, who in exchange receive land maintenance, which may be more valuable than the potential rent due to management costs associated with small, isolated parcels.

## EVALUATION

*Provided by the Oregon Department of Agriculture*

This expenditure effectively achieves its purpose. It produces benefits to local communities through the increased economic activities associated with the livestock industry. The increased economic activities provide additional tax resources for Eastern Oregon counties, and the state or local government is provided a service of land management, weed control, reduced fire danger or other value in exchange for pasture feed.

Without this expenditure, it is likely that costs to governments would exceed benefits due to the substantial expenses needed to administer the lands in comparison to the returns to the state.

## 2.039 LEASED FEDERAL GRAZING LAND

**Oregon Statute:** 307.060
**Sunset Date:** None
**Year Enacted:** 1961
**2023-24 Estimated Reduction in the Taxable Assessed Value:** Included in 2.093, Federal Property

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | Included in 2.093 | Included in 2.093 |
| 2025-27 | Included in 2.093 | Included in 2.093 |

### DESCRIPTION
In general, when public property is held under contract of sale or is leased to a private individual or business, it is considered taxable. However, federal land leased primarily for agricultural purposes from a federal wildlife conservation agency or used primarily for livestock grazing is exempt from local property taxation.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purposes are to improve the financial viability of agriculture by reducing the property tax burden and to avoid the administrative difficulty of valuing federal property that has restrictions on land use.

### WHO BENEFITS
Farmers and ranchers who lease federal land for grazing.

### IN LIEU
The Bureau of Land Management and the Forest Service establish grazing fees based on animal unit months (AUM) rather than acres. An animal unit month is defined as the amount of forage needed to sustain one cow for one month. Part of the fee income paid to the federal government is shared with local governments.

### EVALUATION
*Provided by the Oregon Department of Agriculture*

The treatment of federal land under this exemption is consistent with the treatment of state and local land (2.039). Further, federal lands are not subject to property taxation by local jurisdiction regardless of use.

## 2.040 SHELLFISH GROWING ON STATE LAND

**Oregon Statute:** 622.290
**Sunset Date:** None
**Year Enacted:** 1969
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $3.5 million

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | Less than $100,000 | Less than $100,000 |
| 2025-27 | Less than $100,000 | Less than $100,000 |

### DESCRIPTION
In general, when public property is held under contract of sale or is leased to a private individual or business, it is considered taxable. However, state land being used for the private cultivation of oysters, clams, and mussels under permit from the Department of Agriculture is exempt from local property taxation. Annual cultivation fees and use taxes are paid in lieu of property taxes and lease fees.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to encourage shellfish production and to avoid the administrative difficulty of valuing state property that has restrictions on land use.

### WHO BENEFITS
Shellfish growers using state owned land. State land is leased for growing in Coos, Douglas, Lincoln, and Tillamook counties. Commercial lease holders range from individuals with only a few acres under lease to large companies with several thousand acres.

### IN LIEU
The Department of Agriculture collected $66,409 in fees in 2023 for shellfish lease and production. The fees support the department's oversight of the shellfish leasing program.

### EVALUATION
Not evaluated.

## 2.041 CENTER PIVOT IRRIGATION EQUIPMENT

**Oregon Statute:** 307.398
**Sunset Date:** None
**Year Enacted:** 1973
**2023-24 Estimated Reduction in the Taxable Assessed Value:** Included in 2.033, Farm Machinery and Equipment

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | Included in 2.033 | Included in 2.033 |
| 2025-27 | Included in 2.033 | Included in 2.033 |

### DESCRIPTION
Center pivot irrigation equipment used in farm operations is exempt from property taxation. The revenue impact for this tax expenditure is contained in 2.033, Farm Machinery and Equipment.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to improve the financial viability of farming and ease tax administration.

### WHO BENEFITS
Farmers who own center pivot irrigation equipment receive benefits from this provision.

### EVALUATION
*Provided by the Oregon Department of Agriculture*

See evaluation for 2.033, Farm Machinery and Equipment.

## 2.042 OTHER FARM/AQUACULTURE/EGG EQUIPMENT

**Oregon Statute:** 307.397
**Sunset Date:** None
**Year Enacted:** 1973
**2023-24 Estimated Reduction in the Taxable Assessed Value:** Included in 2.033, Farm Machinery and Equipment

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | Included in 2.033 | Included in 2.033 |
| 2025-27 | Included in 2.033 | Included in 2.033 |

### DESCRIPTION
Certain machinery and equipment used in farm operations is exempt from property taxation. Under this section of statute, the following are exempt:

- Frost control systems
- Trellises for hops and other agricultural purposes
- Hop harvesting equipment
- In-water racks and other equipment for raising bivalve mollusks
- Equipment used in production and preparation of eggs for market
- Greenhouses that do not have a permanent heat source other than radiant heating provided by direct sunlight.

The revenue impact for this provision is included under 2.033, Farm Machinery and Equipment.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to improve the financial viability of farming and ease tax administration.

### WHO BENEFITS
Farmers who own the specified equipment receive benefits from this provision.

### EVALUATION
*Provided by the Oregon Department of Agriculture*

See evaluation for 2.033, Farm Machinery and Equipment.

## 2.043 FIELD BURNING SMOKE MANAGEMENT EQUIPMENT

**Oregon Statute:** 307.391
**Sunset Date:** None
**Year Enacted:** 1973
**2023-24 Estimated Reduction in the Taxable Assessed Value:** Included in 2.033, Farm Machinery and Equipment

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | Included in 2.033 | Included in 2.033 |
| 2025-27 | Included in 2.033 | Included in 2.033 |

### DESCRIPTION
Radio communications equipment, meteorological equipment, or other tangible personal property used in connection with the operation of the field burning smoke management program (administered by the Oregon Department of Agriculture) is exempt from property taxation.

The goal of the smoke management program is to offer maximum opportunities for open field burning, propane flaming, and stack burning with minimal smoke impacts on the public. At a minimum, farmers are required to have a radio to receive information regarding field burning. The field burning equipment itself would be exempt under tax expenditure 2.033, Farm Machinery and Equipment, as long as the burning was conducted for the purpose of soil maintenance for farming use.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to reduce the cost of ownership of equipment used in conjunction with the field burning smoke management program.

### WHO BENEFITS
All farmers who own the specified equipment receive benefits from this provision. Approximately 30 growers burn fields each year.

### EVALUATION
*Provided by the Oregon Department of Agriculture*

With the restrictions on field burning put in place by the 2009 Legislature, the number of farmers using field burning has decreased. In some parts of the state, based on the type of grass seed produced, field burning is the only available management technique, subsequently the practice is still used.

## 2.044 CRAB POTS

**Oregon Statute:** 508.270
**Sunset Date:** None
**Year Enacted:** 1969
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $15 million

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $400,000 | Less than $100,000 |
| 2025-27 | $500,000 | $100,000 |

### DESCRIPTION
Crab pots used by an owner with a commercial fishing license used with a commercially licensed boat are exempt from property tax if proof of required licensing is furnished to the assessor by August 1 of the assessment year.

Crab pots are considered personal property and would be fully taxable without this exemption. Because crab pots can be stored on land and then moved to the sea, they are not considered part of the vessel. This is unlike other types of fishing, where fishing gear (nets, hooks, lines, etc.) is considered part of the ship and its value is included when the vessel is assessed (see 2.139, Watercraft Locally Assessed).

Approximately 149,300 crab pots were expected to be used for the 2023 crab fishing season, which is at the maximum limit set by the Oregon Fish and Wildlife Commission. Depending on the vessel, the limit of crab pots per vessel can be 200, 300 or 500. These limits have been in effect since the 2006–07 crab season. Each crab pot requires a buoy tag, costing $1.15 each, for each fishing season. Buoy tag receipts are used exclusively to purchase the buoy tags for the following year.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to make the treatment of crab fishing operations more consistent with those of other types of fishing.

### WHO BENEFITS
Owners or operators of commercial crab fishing vessels. For the 2023 crab fishing season, owners/operators of over 420 vessels had crab permits.

### IN LIEU
In 2023 the fees for a crab permit per vessel were $202 resident, and $252 non-resident. In 2023 the Oregon Department of Fish and Wildlife collected over $60,880 from resident and over $34,882 from non-resident crab fishers in crab permits. Those funds are used by ODFW for commercial fishery management. In addition, owners of vessels used for crab fishing are required to obtain the proper commercial boat and crew member licenses.

### EVALUATION
*Provided by the Oregon Department of Fish and Wildlife*

This expenditure has effectively achieved its purpose. It provides tax relief to crab fishing operations, and it makes the property tax treatment of crabbing operations consistent with that of other types of fishing.

## 2.045 LAND LEASED FROM STATE LAND BOARD

**Oregon Statute:** 307.168
**Sunset Date:** None
**Year Enacted:** 1982
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $110 million

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $2,600,000 | $500,000 |
| 2025-27 | $2,700,000 | $500,000 |

### DESCRIPTION

In general, when public property is held under contract of sale or is leased to a private individual or business, it is considered taxable. However, the following land leased from the State Land Board or Department of State Lands is exempt from property taxation: submerged, submersible, and grazing land. The exemption does not apply to any buildings, improvements, mines, minerals, or quarries on the land, but does include any water rights appertaining to the land.

### PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to provide property tax relief to livestock owners and to avoid administrative difficulty of valuing state property with its restrictions on land use.

### WHO BENEFITS

Lessees benefit through reduced costs.

### EVALUATION

*Provided by the Department of State Lands*

This exemption is effective in achieving its purpose. As trustee of the Common School Fund, the state manages lands owned by the Fund in order to maximize revenue, consistent with long term resource stewardship. Exempting leased Common School lands from taxation can help increase lease income, and therefore furthers the primary trust obligation.

## 2.046 NATURAL GAS PIPELINE EXTENSION

**Oregon Statute:** 307.107
**Sunset Date:** None
**Year Enacted:** 2007
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $1.4 million

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | Less than $100,000 | Less than $100,000 |
| 2025-27 | Less than $100,000 | Less than $100,000 |

### DESCRIPTION

In general, when public property is held under contract of sale or is leased to a private individual or business, it is considered taxable. However, all property (real, personal, tangible, and intangible) used for a natural gas pipeline extension project is exempt from property taxation if:

- Project is partially financed by Oregon Unified International Trade Fund
- Length of pipeline does not exceed 115 miles
- Owner of the property is a local government.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to clarify that under certain conditions government-owned pipeline is exempt if leased.

### WHO BENEFITS
The only known natural gas pipeline that qualifies is approximately 76 miles of pipeline owned by Coos County and leased to NW Natural.

### EVALUATION
Not evaluated.

## 2.047 SOLAR PROJECTS

**Oregon Law:** Ore. Laws 2015 c.571, 2019 c.628, and 2021 c.571
**Sunset Date:** 01-01-2028 (for new agreements)
**Year Enacted:** 2015
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $320 million

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $7,500,000 | $1,300,000 |
| 2025-27 | $8,200,000 | $1,500,000 |

### DESCRIPTION
Property constituting a solar project located in an unincorporated county area is exempt from property taxes when an agreement has been made between the governing body of the county and the owner of the solar project. A portion of the solar project may be located within the boundaries of an incorporated city, however in that case, the governing body of the city must also be a party to the agreement. A fee in lieu of property taxes is required as part of the agreement.

The agreement is limited to 20 consecutive years. The last day an agreement can be made is January 1, 2028.

If the owner of the solar project fails to pay the fee in lieu of property taxes by the prescribed date, the property does not receive an exemption the following property tax year. If the owner pays the delinquent fee plus interest within a year, the property can resume the exemption for the subsequent property tax year. However, if the owner fails to pay the fee in lieu of property taxes for more than one year, the property is disqualified from receiving this exemption from property taxes.

Legislation in 2021 (SB 154) changed the terms of the fee and extended the sunset from January 1, 2022, to January 1, 2028.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for HB 3492 (2015), “The policy purpose of this measure is to provide tax relief and tax stability to utility scale solar production property owners and developers, which subsequently encourages the development of utility scale solar production.”

### WHO BENEFITS
Owners of solar projects who have made an agreement with a county to receive a property tax exemption for that property. For property tax year 2023-24, a total of 31 solar projects had an agreement to receive this property tax exemption. These projects are presently located in the counties of Deschutes, Harney, Jackson, Klamath, Lake, Polk, and Sherman. For 2024-25, the number of projects with an agreement for this property tax exemption are projected to increase to 36.

### IN LIEU
The fee in lieu of property taxes amount is computed at a rate not less than $5,500, and not more than $7,000, per megawatt of nameplate capacity of the solar project for each property tax year. Based on their capacity, participating projects have total fees in lieu of property taxes in the amount of about $1,900,000 for 2023-24.

### EVALUATION
*Provided by the Oregon Business Development Department*

This tax expenditure should contribute to the development of utility scale solar energy projects in Oregon by offering rural jurisdictions and the developers another way to reduce property tax payments. The main existing option is the three to five year exemption in a Rural Renewable Energy Development Zone (RRED Zone – see expenditure 2.018, Rural Renewable Energy Development Zone). To stimulate solar energy development in Oregon, the Legislature has also provided special utility policies and funds, including the Solar Development Incentive grant program.

The department lacks data or direct experience with this expenditure, but there have been projects previously proposed in a RRED Zone, for which the county government and project owners later agreed to use this expenditure instead. In other cases, the decision was made for solar projects to stay with or opt for the RRED Zone exemption.

The net tax effect of using this expenditure versus a RRED Zone is difficult to generalize about and depends on situational factors and project characteristics. The predictable long term cash flows with this tax expenditure are evidently much better suited to the business models of solar project developers. There might also be an advantage for local governments, compared to the short term property taxes forgone in a RRED Zone followed by longer term but harder to predict tax receipts.

## 2.048 COOPERATIVE PROVIDING HEAT BY COMBUSTION OF BIOMASS

**Oregon Statute:** 308.521
**Sunset Date:** 06-30-2025
**Year Enacted:** 2019
**2023-24 Estimated Reduction in the Taxable Assessed Value:** Not Available*

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | Not Available* | Not Available* |
| 2025-27 | Not Available* | Not Available* |

** In certain cases, to conform with taxpayer privacy disclosure laws, revenue impact numbers are not provided for tax expenditures that may affect at most a few taxpayers. This includes tax expenditures that do not currently affect any Oregon taxpayer but could at a later date.*

### DESCRIPTION
Property that is owned or used by a predominately public-owned cooperative for the purpose of providing steam or hot water heat by combustion of biomass is exempt from property tax for property tax years beginning on or after July 1, 2019. The cooperative corporation must meet the Oregon statutory definition of cooperative and be subject to central assessment by the Department of Revenue. At least 50 percent of the interest in the cooperative must be owned by public entities that are themselves exempt from property tax. Biomass is defined in ORS 315.141.

Because the legislation enacting this statute did not expressly provide a period of applicability for this tax expenditure, ORS 315.037(3) establishes that this tax expenditure shall apply for a maximum of six years beginning with the initial applicable tax year. In this case, the last applicable tax year is 2024–25.

### PURPOSE
The statute that allows this exemption does not explicitly state a purpose. The legislative staff revenue impact statement provided for HB 2458 (2019) says “the intent of this measure is to encourage cooperatives to invest in the production of biomass fueled energy that primarily serves public and tax-exempt entities.”

### WHO BENEFITS
Predominantly publicly-owned cooperatives established for the purpose of providing steam or hot water heat by combustion of biomass.

### EVALUATION
*Provided by the Oregon Department of Energy*

It is difficult to measure the impact the tax exemption has made on the number of cooperatives installing equipment that combusts biomass to generate steam or hot water heat. The ODOE Energy Incentives Program (EIP) issued tax credits to two projects involving the use of biomass under its Energy Conservation Projects income tax credit program and two biogas projects received Renewable Energy Development grants in the EIP Program as well. That tax credit program sunset in 2017. The exemption may encourage cooperatives to invest in biomass systems.

## 2.049 NONPROFIT SEWAGE TREATMENT FACILITIES

**Oregon Statute:** 307.118
**Sunset Date:** None
**Year Enacted:** 1997
**2023-24 Estimated Reduction in the Taxable Assessed Value:** Less than $1 million

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | Less than $100,000 | Less than $100,000 |
| 2025-27 | Less than $100,000 | Less than $100,000 |

### DESCRIPTION
An exemption from property taxes is allowed for wastewater treatment, sewage treatment, and related property owned by a nonprofit corporation engaged solely in wastewater treatment and sewage treatment facility applications. The nonprofit corporation must have been in existence as of January 1, 1997, and the facilities must have been constructed and in operation on January 1, 1997. The exemption was created for the Mapleton Commercial Area Owners' Association in Lane County, and it is unlikely any other facilities could qualify for the exemption.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to assist nonprofit sewage treatment facilities.

### WHO BENEFITS
There is one entity in the state that qualifies for this exemption, the Mapleton Commercial Area Owners' Association in Lane County. The beneficiaries of this legislation are the owners of the homes and businesses that are members of the Mapleton Commercial Area Owners' Association.

### EVALUATION
Not evaluated.

# 2.050 RIPARIAN HABITAT LAND

**Oregon Statute:** 308A.362
**Sunset Date:** None
**Year Enacted:** 1981
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $16 million

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $400,000 | Less than $100,000 |
| 2025-27 | $400,000 | Less than $100,000 |

## DESCRIPTION

Land designated as riparian land by the Oregon Department of Fish and Wildlife (ODFW) is exempt from property taxation. Designated riparian land must be privately-owned stream beds and the land under adjacent vegetation influenced by the proximity to water, but which does not extend more than 100 feet from the stream bank.

The following types of designated riparian land qualify for the exemption:

- Lands located outside urban growth boundaries (UGB) and zoned as forest or agricultural (including range land) in compliance with statewide planning goals.
- Lands that were outside a UGB and zoned as forest or agricultural (including range land) as of July 1, 1997, but are no longer outside a UGB or so zoned, qualify. The landowner must apply for riparian designation within five years of the change.
- Lands within city and urban growth boundaries may qualify if the city and county authorize the exemption (ORS 308A.360).

ODFW can designate land as riparian habitat land if the owner has developed and implemented a plan for continued protection of the land using approved rehabilitation techniques. For lands within city and urban growth boundaries, ODFW can approve up to 50 applications per year.

The exemption continues until withdrawn by the owner or use is incompatible with riparian use. Upon withdrawal or disqualification, an additional tax equal to the sum of the tax benefit for each year exempt (up to five years) is due.

If the land is specially assessed as farm, forest, or open space before riparian designation, any additional tax for a change in designation to riparian is abated.

## PURPOSE

To "maintain, preserve, conserve and rehabilitate riparian lands to assure the protection of the soil, water, fish and wildlife resources of the state for the economic and social well-being of the state and its citizens...to prevent the forced conversion of riparian environments to more intensive uses as a result of economic pressures caused by the assessment of those lands...at values incompatible with their protection as riparian lands and that tax exemption must be granted to permit the continued availability of riparian environments..." (ORS 308A.353).

## WHO BENEFITS

Owners of land that has been designated by the Department of Fish and Wildlife as riparian land.

There are 148 landowners enrolled in the Riparian Lands Tax Incentive Program across 21 counties.

## EVALUATION

*Provided by the Oregon Department of Fish and Wildlife*

The Riparian Lands Tax Incentive Program (RLTIP) offers a property tax incentive to property owners for improving or maintaining qualifying riparian lands which can include up to 100 feet from a waterway. Under this program, property owners file a Riparian Management Plan with the Oregon Department of Fish and Wildlife and County to receive a complete property tax exemption for the qualifying riparian lands on their property, provided measures are implemented to protect, conserve, and restore the riparian land.

The main limitation for enrollment in the RLTIP is the small tax benefit of enrolling a polygon that is less than 200 feet wide. The landowners are currently taxed at either a farm or forest rate, and a tax emption for enrolling a polygon within this area is often not worth the effort.

## 2.051 ENVIRONMENTALLY SENSITIVE LOGGING EQUIPMENT

**Oregon Statute:** 307.827
**Sunset Date:** None
**Year Enacted:** 1999
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $310 million

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $6,900,000 | $700,000 |
| 2025-27 | $7,400,000 | $800,000 |

### DESCRIPTION

Environmentally sensitive logging equipment, defined as logging equipment manufactured after 1992, is exempt from property taxes. Machinery and equipment exempt under this provision is:

- Used or held for use in logging or forest management operations; and
- Specifically designed for activities related to water quality or fish and wildlife habitat protection in the forest; or
- An excavator used or held for use in logging road construction, maintenance, reconstruction, or improvements, including the closing or obliterating of existing forest roads.

### PURPOSE

"…to facilitate the transition of older logging equipment to newer equipment designed and manufactured to be as environmentally sensitive as current technology can provide, consistent with the need to match the equipment to the specifics of the site being harvested" (ORS 307.824).

### WHO BENEFITS

Owners of logging equipment manufactured after 1992 benefit from this exemption. From the most recent data available from 2021-22, there were over 850 exempt accounts located in 20 counties.

### EVALUATION

*Provided by the Oregon Department of Fish and Wildlife*

The effectiveness of this exemption has not been evaluated because its potential benefits to fish habitat are indirect. Yet log suspension in riparian zones, less ground and soil compaction and less sedimentation provide immediate improvements to aquatic habitat that fish depend on. The level of habitat improvement is expected to increase in proportion to the extent that the use of environmentally sensitive equipment replaces the use of less sensitive methods.

## 2.052 SKYLINE AND SWING YARDERS

**Oregon Statute:** 307.831
**Sunset Date:** None
**Year Enacted:** 1999
**2023-24 Estimated Reduction in the Taxable Assessed Value:** Included in 2.051, Environmentally Sensitive Logging Equipment

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | Included in 2.051 | Included in 2.051 |
| 2025-27 | Included in 2.051 | Included in 2.051 |

### DESCRIPTION
Skyline and swing yarders capable of full log suspension are exempt from property taxation. Such logging equipment is used to lift logs by use of cables from the forest to a central location, usually near a logging road, especially when the terrain is steep and the use of traditional wheeled equipment is not feasible.

### PURPOSE
"…to facilitate the transition of older logging equipment to newer equipment designed and manufactured to be as environmentally sensitive as current technology can provide, consistent with the need to match the equipment to the specifics of the site being harvested" (ORS 307.824).

### WHO BENEFITS
See 2.051, Environmentally Sensitive Logging Equipment.

### EVALUATION
*Provided by the Oregon Department of Fish and Wildlife*

See 2.051, Environmentally Sensitive Logging Equipment.

## 2.053 FOREST FIRE PROTECTION ASSOCIATION

**Oregon Statute:** 307.125
**Sunset Date:** None
**Year Enacted:** 1957
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $13 million

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $300,000 | Less than $100,000 |
| 2025-27 | $400,000 | Less than $100,000 |

### DESCRIPTION
All personal and real property of forest protection districts, organizations, associations, and agencies is exempt from property taxation if the property is used exclusively for forest protection and fire suppression under ORS Chapter 477. A forest protective association is defined as an association, group, or agency composed of owners of forestlands, organized for the purpose of protecting such forestlands from fire. Examples of property held by associations may include trucks, radios, fire engines, trailers, and utility vehicles.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to help keep the cost of protecting timber assets low.

### WHO BENEFITS
Forest protection organizations. Most of the property of forest protection entities has been handed over to the Department of Forestry, and the associations work under contract or cooperative agreement with the department. Currently, there are 12 forest protection districts in the state, with nine of them managed by one agency, the Department of Forestry, and the other three managed by three separate forest protective associations. The three largest associations operate in Douglas County, Coos and Curry counties, and northern Klamath County.

### EVALUATION
*Provided by the Oregon Department of Forestry*

This provision is effective in achieving its purpose. The costs of providing forest fire prevention and suppression varies among districts due to the fuel and weather conditions that prevail on the lands protected and the risks and hazards that exist. It appears that this tax treatment provides the equity desired, as the purely administrative costs do not appear to be different among the various districts, whether association or state operated. Because the expenses of these associations are largely borne by the forest landowner, the associations would likely raise the assessments to landowners if this property were not exempt.

## 2.054 FEDERAL STANDING TIMBER UNDER CONTRACT

**Oregon Statute:** 307.050
**Sunset Date:** None
**Year Enacted:** 1965
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $78 million

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $1,800,000 | $300,000 |
| 2025-27 | $1,900,000 | $300,000 |

### DESCRIPTION
In general, when public property is held under contract of sale to a private individual or business, it is considered taxable. However, federal standing timber is exempt from property tax even if held under a contract of sale. Many timber contracts allow three years from the time of sale to the time of harvest. Federal standing timber not under contract of sale is included in 2.093, Federal Property.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to improve the financial viability of the timber industry by reducing the property tax burden on timber sold by the federal government to the industry.

### WHO BENEFITS
Companies buying federal standing timber for harvest. This includes both large and small companies that either do not have private timber supplies or who supplement their own supplies with federal timber. The volume of federal timber under contract was approximately 710 million board feet in 2023 and sold on average at about $190 per thousand board feet.

### EVALUATION
*Provided by the Oregon Department of Forestry*

This expenditure is effective in achieving its purpose. It makes the treatment of federal timber under contract consistent with that of other standing timber.

## 2.055 STATE AND LOCAL STANDING TIMBER UNDER CONTRACT

**Oregon Statute:** 307.100
**Sunset Date:** None
**Year Enacted:** 1965
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $64 million

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $1,500,000 | $300,000 |
| 2025-27 | $1,600,000 | $300,000 |

### DESCRIPTION
In general, when public property is held under contract of sale to a private individual or business, it is considered taxable. However, state or local government standing timber is exempt from property taxation even if held under a contract of sale.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to treat timber under contract like other private standing timber in Oregon, which under current law is treated as a crop, not as real property.

### WHO BENEFITS
Companies buying state or local standing timber for harvest. This includes both large and small companies that either do not have private timber supplies or who supplement their own supplies. The volume of state timber under contract was about 210 million board feet in fiscal year 2023 and sold on average at about $510 per thousand board feet. The volume of local timber under contract is unknown but is thought to be small.

### EVALUATION
*Provided by the Oregon Department of Forestry*

This expenditure is effective in achieving its purpose. It makes the treatment of state and local timber under contract consistent with that of other standing timber.

## 2.056 WESTERN PRIVATE STANDING TIMBER

**Oregon Statute:** 321.272
**Sunset Date:** None
**Year Enacted:** 1977
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $20 billion

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $455,000,000 | $80,600,000 |
| 2025-27 | $489,000,000 | $86,600,000 |

### DESCRIPTION
Privately owned standing timber in western Oregon is exempt from local property taxes. Western Oregon includes Benton, Clackamas, Clatsop, Columbia, Coos, Curry, Douglas, Hood River, Jackson, Josephine, Lane, Lincoln, Linn, Marion, Multnomah, Polk, Tillamook, Washington, and Yamhill counties.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to improve the financial viability of timber production by eliminating the property tax burden and to lessen the incentive to prematurely liquidate immature timber by decreasing the holding costs of keeping the timber on the stump and growing.

### WHO BENEFITS
Private timber owners in western Oregon. In fiscal year 2023–24 there were about 6 million acres of private land classified as forestland for property taxation purposes located in western Oregon.

### EVALUATION
*Provided by the Oregon Department of Forestry*

Before 1977, both land and timber were taxed as property. In some cases this led to premature harvesting to lower property tax burden. To encourage holding timber to longer rotation ages, the property tax on the value of the timber was eliminated, but a yield tax on timber harvest was retained. In 1993, in recognition of the agricultural crop nature of growing timber and the substantial investment it requires, the tax on the crop (privilege tax) was eliminated.

There are indications that timber harvests average approximately 50 years, and that the total private timber harvest, while declining since the late 1950s, has been essentially at sustainable levels through the past decade.

Information is lacking on the effectiveness of other methods of discouraging premature timber harvests. Regulatory methods would likely be exceedingly expensive to administer, and variable tax rates would require nearly confiscatory levels for young timber in order to be effective.

## 2.057 EASTERN PRIVATE STANDING TIMBER

**Oregon Statute:** 321.829
**Sunset Date:** None
**Year Enacted:** 1961
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $1.4 billion

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $32,500,000 | $5,800,000 |
| 2025-27 | $34,900,000 | $6,200,000 |

### DESCRIPTION
Privately owned standing timber in eastern Oregon is exempt from local property taxation. Eastern Oregon includes Baker, Crook, Deschutes, Gilliam, Grant, Harney, Jefferson, Klamath, Lake, Malheur, Morrow, Sherman, Umatilla, Union, Wallowa, Wasco, and Wheeler counties.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to improve the financial viability of timber production by eliminating the property tax burden and to lessen the incentive to prematurely liquidate immature timber by decreasing the holding costs of keeping the timber on the stump and growing.

### WHO BENEFITS
Private timber owners in eastern Oregon. In fiscal year 2023-24 there were about 2 million acres of private land classified as forestland for property taxation purposes located in eastern Oregon.

### EVALUATION
*Provided by the Oregon Department of Forestry*

Before 1977 in Western Oregon and 1961 in Eastern Oregon, both land and timber were taxed as property. In some cases this led to premature harvesting to lower property tax burden. To encourage holding timber to longer rotation ages, the property tax on the value of the timber was eliminated, but a yield tax on timber harvests was retained. In 1993, in recognition of the agricultural crop nature of growing timber and the substantial investment it requires, the tax on the crop (privilege tax) was eliminated.

## 2.058 PRIVATE FARM AND LOGGING ROADS

**Oregon Statute:** 308.236
**Sunset Date:** None
**Year Enacted:** 1963
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $1.9 billion

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $45,300,000 | $8,000,000 |
| 2025-27 | $49,000,000 | $8,700,000 |

### DESCRIPTION

Farm, grazing, and logging roads on private land are exempt from local property taxation. Exempt property also includes the culverts, drains, fill, surfacing, and bridges associated with these roads. The land under the roads is taxable. The exemption does not apply to principal exterior timber access roads, which are two-lane improved roads that are continuously maintained and connect a timber conversion center or public highway to a principal forest area. Many logging roads are built specifically to allow timber to be harvested. Once the harvest is finished, the roads have little or no value. Some logging roads, however, are used for forest management and fire suppression on an ongoing basis, so they maintain value long after they are built.

### PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to avoid the administrative difficulty of valuing these roads, most of which are logging roads.

### WHO BENEFITS

Owners of farm and timberland where roads have been built. Most of the value exempt under this provision is logging roads. Logging roads are expensive to build because they must accommodate heavy logging equipment and are usually built in hilly or mountainous terrain. Farm roads are generally on flat land and involve little cost to build. Oregon Department of Forestry estimates that there are approximately 85,000 miles of logging roads on private lands.

### EVALUATION

Not evaluated.

## 2.059 NONPROFIT PUBLIC PARK USE LAND

**Oregon Statute:** 307.115
**Sunset Date:** None
**Year Enacted:** 1971
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $9.7 million

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $300,000 | Less than $100,000 |
| 2025-27 | $400,000 | Less than $100,000 |

### DESCRIPTION

Nonprofit corporation property used for public park or recreation purposes is exempt from property taxation if the following conditions are met:

- The purpose of the corporation is to acquire park or recreation property or maintain and operate a public park and recreation facility.
- The property is used for public park or public recreation purposes and cannot be used to produce income.
- Any net earnings of the corporation must not benefit any private individual.

- Upon dissolution, any remaining assets must revert to the state or a local government.
- The granting authority (either a city or a county governing body depending on which has jurisdiction) approves the application for exemption.

The nonprofit corporation must file an application with the county assessor to claim the exemption. The city or county governing body having jurisdiction will act on the application. This exemption is for 10 years and is renewable by reapplication.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to encourage development of parks by private nonprofit corporations.

### WHO BENEFITS
Nonprofit corporations with property used for public park or recreation purposes. Counties report 19 property tax accounts received this exemption in tax year 2023-24.

### EVALUATION
*Provided by the Oregon Parks and Recreation Department*

This exemption appears to be effective in achieving its implied purpose by encouraging the preservation of open space and park land. Little information or resources exist to allow an in-depth evaluation of this program, but as a matter of public policy, it contributes to Oregon's quality of life and helps meet the needs of Oregon's growing population for parks, open spaces, greenways, natural settings, and recreational facilities. The program supplements what the government can provide by encouraging land protection and management decisions by nongovernment entities that also contribute to the public good. Studies show that parks and recreational facilities do contribute to local economies.

## 2.060 INACTIVE MINERAL INTERESTS

**Oregon Statute:** 308.115
**Sunset Date:** None
**Year Enacted:** 1997
**2023-24 Estimated Reduction in the Taxable Assessed Value:** Less than $1 million

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | Less than $100,000 | Less than $100,000 |
| 2025-27 | Less than $100,000 | Less than $100,000 |

### DESCRIPTION
Mineral interests owned separately from surface interests are exempt from local property tax if the property is not being mined.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to eliminate the administrative expense of assessing this property.

### WHO BENEFITS
Owners of mineral interests who are not actively mining those interests.

### EVALUATION
Not evaluated.

## 2.061 MINING CLAIMS ON FEDERAL LAND

**Oregon Statute:** 307.080
**Sunset Date:** None
**Year Enacted:** 1898
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $25 million

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $600,000 | $100,000 |
| 2025-27 | $600,000 | $100,000 |

### DESCRIPTION
Unpatented mining claims on federal property are exempt from local property taxation. Any improvements or equipment on the claim are taxable. Unpatented mining claims are private claims to public land without the federal government having conveyed title.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to reduce the administrative expense associated with assigning value to mining claims which are intangible in nature.

### WHO BENEFITS
As of June 2024, there were about 12,600 active mining claims in Oregon. Claims range in size depending in part upon their type.

### IN LIEU
Claimants generally pay annual maintenance fees to continue to hold their claims.

### EVALUATION
Not evaluated.

## 2.062 SMALL WATERCRAFT

**Oregon Statute:** 830.790(3)
**Sunset Date:** None
**Year Enacted:** 1959
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $2.3 billion

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $66,300,000 | $14,700,000 |
| 2025-27 | $67,700,000 | $15,000,000 |

### DESCRIPTION
Sailboats over twelve feet, all motorboats, and amphibious vehicles requiring registration from the State Marine Board are exempt from property tax. Boats of water transportation companies that are centrally assessed are not eligible for the exemption.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to avoid administrative difficulties associated with valuing mobile property.

### WHO BENEFITS
In 2023, there were approximately 139,000 boats registered in Oregon.

### IN LIEU
Fees for registration and title were $8.3 million in 2023, and are in lieu of any other tax or license fees. Registration fees are paid every two years and are based on a flat fee of $5.95 per foot of watercraft length for sailboats 12 feet or more and all motorboats. In addition, a $5.00 Aquatic Invasive Species Surcharge is due with each of these registrations. Registration fees for amphibious vehicles are $6.

No fee is required for boats owned by eleemosynary organizations which are operated primarily as a part of organized activities for the purpose of teaching youths scout craft, camping, seamanship, self-reliance, patriotism, courage, and kindred virtues. Boating programs are funded entirely by user fees.

### EVALUATION
*Provided by the Oregon State Marine Board*

The exemption achieves its purpose. Fees for registration and title fund key programs that benefit small watercraft owners, such as Law Enforcement, Facilities and Aquatic Invasive Species Prevention. This exemption is an extension of the personal property for personal use exemption, which is analogous to personal use motor vehicles, recreational vehicles, all-terrain vehicles, and personal aircraft (all of which are exempt). The exemption eases the administrative problems that are inherent in assessing property taxes on mobile personal property that tends to decrease in value over time.

## 2.063 MOTOR VEHICLES AND TRAILERS

**Oregon Statute:** 803.585
**Sunset Date:** None
**Year Enacted:** 1921
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $53 billion

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $1,510,000,000 | $336,000,000 |
| 2025-27 | $1,570,000,000 | $350,000,000 |

### DESCRIPTION
Most vehicles are exempt from property taxation. The exemption covers virtually all vehicles that transport people or goods over public roads including cars, trucks, buses, most travel trailers, campers, and motorcycles.

Travel trailers include park trailers less than 8½ feet wide. Although travel trailers are normally exempt from property taxation, an owner may have one assessed for property taxation if the trailer is used as a permanent home or for purposes other than recreation (ORS 308.880). No registration as a vehicle is needed in this case.

Fixed-load vehicles that are not used primarily to transport people or property over public roads are generally taxable.

Owners of exempt vehicles are required to pay registration fees in lieu of property taxes.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to avoid taxing property that is subject to registration fees.

### WHO BENEFITS
In 2023, there were about 3.47 million registered passenger vehicles and about 897,000 other registered vehicles and trailers in Oregon.

### IN LIEU
The two-year registration fee for passenger vehicles is based on fuel economy. For vehicles with miles-per-gallon (MPG) of 0-19 the fee is $126. The fee is $136 for vehicles with MPG of 20-39. The fee is $156 for vehicles with MPG of 40 or higher. The fee for electric vehicles is $316 unless the vehicle is enrolled in the OReGO program. Fees for motorcycles and mopeds are $88. The four-year new car registration fees are higher. The fee for large trucks and buses varies by

registered weight. Other on- and off-road vehicles have different fees for various time periods. The registration fees are forecasted to be $604.5 million in 2023–25 and $623.7 million in 2025–27.

### EVALUATION

*Provided by the Oregon Department of Transportation*

The vehicle registration fees support the costs to administer the Driver and Motor Vehicle Division. Revenue net of these costs is shared between ODOT and Oregon's counties and cities. In addition, registration fees have been raised through legislation to support the debt service on bonds for large transportation improvement programs.

Removal of this exemption would allow for the imposition of ad valorem taxes on vehicles, increasing both highway dedicated revenue and administrative costs.

## 2.064 ODOT LAND UNDER USE PERMIT

**Oregon Statute:** 307.110(3)(c)
**Sunset Date:** None
**Year Enacted:** 1981
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $0

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $0 | $0 |
| 2025-27 | $0 | $0 |

### DESCRIPTION

In general, when public property is held under contract of sale or is leased to a private individual or business, it is considered taxable. However, Oregon Department of Transportation (ODOT) real property used by a person under a land use permit is exempt from property taxation. The exemption applies to real property with use restrictions such that only an administrative processing fee can be charged. These are generally small parcels abutting highways used for pasture or landscaping. Other real property leased for more than an administrative fee, such as for parking or commercial displays, is taxable.

### PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to lower the cost for taxpayers using ODOT property under a use permit, and to avoid the administrative difficulty of valuing this property.

### WHO BENEFITS

People using property with use restrictions under permit.

### IN LIEU

As of 2023, ODOT has 182 active permits that provide approximately $9,000 in annual administrative fees. By permitting this use, ODOT saves maintenance and weed control costs.

### EVALUATION

Not evaluated.

## 2.065 TOLLWAYS AND RELATED FACILITIES

**Oregon Statute:** 383.017(1)
**Sunset Date:** None
**Year Enacted:** 1995
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $0

| Revenue Impact | | |
|---|---|---|
| | Loss | Shift |
| 2023-25 | $0 | $0 |
| 2025-27 | $0 | $0 |

### DESCRIPTION

Tollways—and any related facilities that would normally be purchased, constructed, or installed by the Oregon Department of Transportation (ODOT) if the tollway were a conventional highway that was constructed and operated by ODOT—are exempt from property taxation. Without this exemption, private property used for tollways or public property that is transferred to private use for tollways might otherwise be taxable.

### PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. However, a statute related to tollways (ORS 383.001) states "because public funding sources are not providing the state with sufficient funds to meet all of its transportation needs, private funding should be encouraged as an additional source of funding for transportation projects and facilities." This exemption presumably encourages the construction of transportation infrastructure by treating privately-owned tollways the same as publicly-owned tollways from a property taxation perspective. Privately-owned tollways would presumably serve the same public purpose as public tollways.

### WHO BENEFITS

No taxpayer is using this provision. Potential beneficiaries include private investors in tollways, presumably as part of public-private partnerships.

### EVALUATION

Not evaluated.

## 2.066 FOREIGN-OWNED AIRCRAFT AND AIRCRAFT NOT OWNED BY AIR TRANSPORTATION COMPANIES

**Oregon Statute:** 308.558(4) and (5)
**Sunset Date:** None
**Year Enacted:** 1987
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $1.1 billion

| Revenue Impact | | |
|---|---|---|
| | Loss | Shift |
| 2023-25 | $30,500,000 | $6,800,000 |
| 2025-27 | $31,100,000 | $6,900,000 |

### DESCRIPTION

Generally, aircraft not owned by air transportation companies are exempt from property taxation but pay registration fees to the Department of Aviation. Aircraft owned or used by a foreign (international) carrier are exempt from property taxation.

Aircraft owned by air transportation companies are described in 2.119, Aircraft Under 75,000 Pounds Owned by Air Transportation Companies.

### PURPOSE
The statutes that allow this expenditure do not explicitly state a purpose. Presumably, the purpose is to avoid taxing property that is generally subject to registration fees.

### WHO BENEFITS
The Department of Aviation annually registers approximately 3,400 aircraft that are exempt from property tax. In addition, foreign or international carriers benefit from this exemption.

### IN LIEU
The annual registration fee for aircraft not owned by a foreign carrier varies from $700 for a turbojet to $25 for a UAS (drone) under 55 pounds. The Department of Aviation received approximately $389,000 in registration fees for aircraft registered in 2023.

### EVALUATION
*Provided by the Department of Aviation*

The direct recipients of the tax expenditure are the aircraft owners of aircraft that are not owned by air transportation companies as well as foreign owned aircraft. These aircraft range from large turbojets to small Unmanned Aircraft Systems (UAS). The large turbojets are generally owned by large private companies and the UAS are often owned by individuals. The benefits also flow through to aircraft dealers in Oregon, businesses in Oregon that own aircraft as well as aviation businesses in Oregon that may have more business due to this tax expenditure.

The measurable benefits to the aircraft owner would be a substantial tax savings. The immeasurable benefits may be more aircraft that are based in Oregon as opposed to neighboring states that charge aircraft property tax. For example, California charges a 1-1.2% property tax annually on aircraft based on the assessed value. Yet many aircraft owners would base their aircraft in Oregon even if there were aircraft property taxes.

If this tax expenditure were eliminated, aircraft owners of aircraft not owned by air transportation companies would pay property tax for these aircraft. There could be approximately $10 million per year available for aviation programs in Oregon. While the statute does not explicitly state a purpose for this tax expenditure, if the purpose were to benefit aviation in Oregon then this tax expenditure could be restructured to limit those that are exempt from paying the property tax and allow the tax revenues to be used for aviation programs in Oregon.

## 2.067 NONPROFIT WATER ASSOCIATIONS

**Oregon Statute:** 307.210
**Sunset Date:** None
**Year Enacted:** 1937
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $13 million

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $300,000 | Less than $100,000 |
| 2025-27 | $300,000 | Less than $100,000 |

### DESCRIPTION
Property of a mutual or cooperative water association is exempt from taxation if:

- The association is nonprofit
- The property is used primarily to store, convey, and distribute water to association members for domestic use or irrigation

- No more than 15 percent of the association's members are commercial establishments using the water for commercial purposes
- No more than 25 percent of the total annual volume of water furnished by the association is used by commercial establishments or for commercial purposes.

Property exempt under this provision includes land, improvements, fixtures, equipment, supplies, dams, and dikes.

An association seeking to claim this exemption must file an application with the county assessor. Associations do not need to reapply each year as long as the ownership and use of the property remain unchanged from the previous tax year.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to encourage the distribution of water in areas not supplied by publicly owned water systems.

### WHO BENEFITS
For tax year 2023–24, counties reported that approximately 200 property tax accounts were exempt under this provision.

### EVALUATION
*Provided by the Oregon Public Utility Commission*

The Public Utility Commission of Oregon (Commission) currently regulates eleven nonprofit water associations that meet the definition stated above. Based on ORS 757.063, this number could potentially increase if members of nonprofit water associations petition the Commission for regulation. Commission policy has been to not assign a rate of return on rate base. As such, the associations do not earn net income (profit) maintaining their nonprofit status. As a result, the tax exemption theoretically encourages the distribution of water in areas not supplied by publicly owned water systems by allowing rates to be lower than if a profit and tax expense (income and property) were included in rates.

## 2.068 NONPROFIT ELECTRICAL DISTRIBUTION ASSOCIATIONS

**Oregon Statute:** 308.805
**Sunset Date:** None
**Year Enacted:** 1943
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $1.2 billion

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $27,700,000 | $4,900,000 |
| 2025-27 | $32,500,000 | $5,700,000 |

### DESCRIPTION
The transmission and distribution lines of a mutual or cooperative electrical association are exempt from local property taxation if:

- The association is nonprofit
- The principal purpose of the association is to distribute electricity to its members.

The exemption for transmission and distribution lines includes all property that is energized or energizable and all property supporting or integrated with energized or energizable property. This includes but is not limited to substations, poles, conductors, transformers, services, meters, streetlights, easements, generators, communication equipment, lines leased to government agencies, tools, supplies, and office furniture and equipment.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to avoid the difficulty of assessing electrical lines and to encourage the distribution of electricity in areas not supplied by for-profit companies because of the distribution cost.

### WHO BENEFITS
Nineteen cooperatives are exempt under this provision.

### IN LIEU
All exempt associations must pay an electric cooperative tax in lieu of the property tax, calculated as the lesser of four percent on gross revenue minus power costs or a tax at the Measure 5 limits plus any applicable county bond rate. Gross revenue includes all revenue from the operation of electric distribution systems except line lease payments from government agencies. For more information, see Electric Cooperative Tax on page 349.

Proceeds from the gross revenue based payments are distributed to the counties in proportion to each association's wire miles in each county. Within each county, 66.7 percent goes to the county and 33.3 percent to the county school fund. Proceeds from the other method are distributed according to ORS 311.390.

For tax years 2023–24 and 2024–25, the electric cooperative tax paid by these 19 cooperatives was $11.4 million and $12.4 million, respectively. That tax was based on gross revenues for 15 out of the 19 cooperatives in both years. See Chapter 10 for more information.

### EVALUATION
*Provided by the Oregon Public Utility Commission*

This provision appears to be effective in achieving its purpose, but an in-depth evaluation of the program is not possible because these cooperatives are not regulated. All 19 electric cooperatives in the state qualify for the exemption and are charged the in lieu tax. As a result, their distribution lines need not be assessed for property tax purposes, resulting in savings for both the utilities' ratepayers and taxpayers.

## 2.069 PROPERTY USED FOR DISASTER OR EMERGENCY RELATED WORK

**Oregon Statute:** 401.690(1)(d)
**Sunset Date:** None
**Year Enacted:** 2015
**2023-24 Estimated Reduction in the Taxable Assessed Value:** Not Available

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | Not Available | Not Available |
| 2025-27 | Not Available | Not Available |

### DESCRIPTION
Property brought into Oregon solely for use during a disaster response period to repair critical infrastructure and subsequently removed is not subject to taxation.

See 1.505, Nonresident Disaster Related Income for a similar expenditure for corporate and personal income taxes.

Legislation in 2019 (HB 2127) explicitly excluded this exemption from the automatic six-year sunset under ORS 315.037.

### PURPOSE
"To ensure that businesses may focus on quick response to the needs of this state and its residents during a declared disaster or emergency, it is appropriate for the Legislative Assembly to deem that this activity for a reasonable period of time before, during and after the disaster or emergency for repairing and restoration of the often devastating damage to critical infrastructure in this state as defined in section 3 of this 2015 Act does not establish presence, residency,

doing business in this state or any other criteria for purposes of state and local taxes or licensing and regulatory requirements." (ORS 401.680(5))

### WHO BENEFITS
Out-of-state companies providing disaster or emergency related services in Oregon.

### EVALUATION
*Provided by the Oregon Department of Emergency Management*

To date Oregon has not suffered from a catastrophic disaster which would require a massive influx of individuals or companies to come in and assist the State in recovery operations. The end goal of the legislation is to ease the barriers of entry for private industry in order to encourage support and investment to help expedite Oregon's recovery from catastrophic disasters.

## 2.070 BEVERAGE CONTAINERS REQUIRING DEPOSIT

**Oregon Statute:** 307.402
**Sunset Date:** None
**Year Enacted:** 1983
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $2.3 million

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | Less than $100,000 | Less than $100,000 |
| 2025-27 | Less than $100,000 | Less than $100,000 |

### DESCRIPTION
All beverage containers that have a refund value (requiring a deposit), as specified in the Bottle Bill (ORS 459A.700–459A.744), are exempt from property tax. These containers are not considered inventory if owned by the distributor. The containers are not "sold" with the contents but are intended to be returned for a refund. Distributors must pay redemption centers the refund value for each container returned for recycling. Distributors keep the deposits on the containers that are not returned for the refund. Deposit containers for carbonated soft drinks, soda water, mineral waters, and beer or other malt beverages may be glass, metal, or plastic.

The 2007 Legislature expanded the Bottle Bill to include a refundable deposit for all bottled water and flavored water containers under three liters effective January 1, 2009. The 2011 Legislature expanded the Bottle Bill to include additional beverage containers under specified circumstances and authorized an increase of the redemption value if beverage container return rates fell below 80 percent. In August 2016, the Oregon Liquor and Cannabis Commission determined that redemption rates for containers were below 80 percent, so the deposit amount increased from 5 cents per container to 10 cents starting in April 2017. The additional beverage container types are now included in the deposit and refund process as of January 1, 2018. The 2019 Legislature added kombucha and hard seltzer beverage containers to the Bottle Bill. SB 1520 (2022) added canned wine to the list of containers that require a deposit starting July 1, 2025.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to eliminate the tax compliance burden of enumerating the containers returned.

### WHO BENEFITS
The beneficiaries of this exemption are bottlers, distributors, and retail stores that temporarily hold beverage containers requiring a deposit.

### EVALUATION
Not evaluated.

# 2.071 MANUFACTURED STRUCTURE IN HIGH-POPULATION COUNTY

**Oregon Statute:** 308.250(2)(b) and (3)
**Sunset Date:** None
**Year Enacted:** 2010
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $230 million

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $7,600,000 | $2,300,000 |
| 2025-27 | $7,700,000 | $2,400,000 |

## DESCRIPTION

Personal property manufactured structures in some counties are exempt from property taxes if the value of the property is below certain amounts. A manufactured structure is personal property if the structure is owned separately from the land it is situated on.

In counties with a population between 340,000 and 570,000, if the total assessed value of all personal property manufactured structures owned by a taxpayer is less than $22,500, these manufactured structures are exempt from taxation. Currently, Clackamas, Lane, and Marion Counties have a population between 340,000 and 570,000. The $22,500 threshold applies for tax year 2024-25 and is adjusted annually.

In counties with a population of more than 570,000, there are three possible exemptions allowed:

- A full exemption of $45,000 (for tax year 2024-25, adjusted annually for inflation)
- A full exemption of greater than $45,000 if adopted by the county
- A partial exemption of any dollar amount if adopted by the county

For all counties with a population of more than 340,000 that opt to use one of the first two full exemptions listed above, if the total assessed value of all personal property manufactured structures owned by a taxpayer are a single dollar above the limit, the entire property is taxable. For counties with population above 570,000 that opt to use the partial exemption, all taxpayers with personal property manufactured structures will have their properties' taxable value reduced by the dollar amount adopted by the county.

Legislation in 2019 created the second and third options in the list above. At the time of publication, only Multnomah and Washington Counties have populations above 570,000. Washington County uses the full exemption of $45,000 at the time of publication. Multnomah County adopted a resolution creating a partial exemption of $50,000 starting in tax year 2022-23. The maximum property value amounts are adjusted annually for inflation.

This exemption does not apply to any properties in counties with fewer than 340,000 people.

## PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for HB 2676 (2013), the purpose of this provision "…is to reduce administrative costs associated with processing personal property accounts with low value. It is also to provide tax relief to low-income homeowners living in inexpensive structures."

## WHO BENEFITS

For the 2024-25 property tax year, five counties reported that more than 31,000 properties benefited from this exemption.

## EVALUATION

Not evaluated.

## 2.072 PERSONAL PROPERTY FOR PERSONAL USE

**Oregon Statute:** 307.190
**Sunset Date:** None
**Year Enacted:** 1854
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $72 billion

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $2,080,000,000 | $463,000,000 |
| 2025-27 | $2,230,000,000 | $496,000,000 |

### DESCRIPTION

Tangible personal property held by the owner for personal use is exempt from property tax. Examples of personal property for personal use are household goods, furniture, appliances, personal effects, clothing, recreational goods, and entertainment equipment.

The exemption does not apply, although different tax exemptions might, to any property that is:

- Wholly or partially used in the ordinary course of a trade or business
- Used for the production of income or solely for investment
- Required to be licensed or registered
- A floating home, boathouse, or manufactured structure

### PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to reduce the administrative expense associated with assigning value to various personal property items that were not intended to be taxed as property.

### WHO BENEFITS

The exemption benefits all households.

### EVALUATION

Not evaluated.

## 2.073 HEAVY EQUIPMENT RENTAL

**Oregon Statute:** 307.872
**Sunset Date:** None
**Year Enacted:** 2018
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $420 million

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $13,100,000 | $3,100,000 |
| 2025-27 | $13,900,000 | $3,300,000 |

### DESCRIPTION

Qualified heavy equipment held primarily for rental is exempt from property taxation. Qualified heavy equipment means any construction, mining, earthmoving or industrial equipment, together with attachments and other equipment and tools, including, but not limited to, towable trailers and fixed load vehicles. Equipment must be mobile, held primarily for rental, and owned by a qualified heavy equipment provider engaged in the business of renting heavy equipment without an operator.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to ease the burden on taxpayers in determining equipment values and locations for highly mobile rental equipment.

### WHO BENEFITS
Qualified rental facilities primarily engaged in the business of renting heavy equipment without an operator. Approximately 150 properties in 29 counties received this exemption in tax year 2023-24.

### IN LIEU
Taxpayers that are exempt from property taxation on their rental equipment instead pay a 2 percent tax based on the rental price of qualified heavy equipment that is collected from the renter of the equipment.

The heavy equipment rental tax (HERT) rate was designed to raise the same amount of revenue as property taxes on the affected properties. In order to achieve this outcome, for the first two tax years of the program, 2019-20 and 2020-21, the Department of Revenue estimated the amount of property taxes that would have been paid on this equipment in the absence of an exemption. The difference between what is paid for the HERT and what would have been paid under the property tax system was then billed or refunded to the taxpayer.

In July 2022, DOR submitted a report to the Legislature comparing revenues from the 2 percent tax on the rental price of heavy rental equipment to revenues that would have been raised under the property tax system, and discussion of issues administering this program.

### EVALUATION
Not evaluated.

## 2.074 BEACH LANDS

**Oregon Statute:** 307.450
**Sunset Date:** None
**Year Enacted:** 1969
**2023-24 Estimated Reduction in the Taxable Assessed Value:** Not Available

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | Not Available | Not Available |
| 2025-27 | Not Available | Not Available |

### DESCRIPTION
Beach lands are exempt from property taxation. However, improvements are not exempt. Generally, beach lands are those along the Pacific Ocean between the extreme low tide and the vegetation line. While much of this land is publicly owned, some is privately owned, but in most cases, it has severe restrictions on development (ORS 390.605 to 390.729). While this tax expenditure covers all beach land, regardless of ownership, the publicly owned portion of beach land would be exempt under tax expenditure 2.078, State and Local Property, if this provision did not exist.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to preserve public access to ocean beaches and to clarify that ocean beaches, even if privately owned, are exempt from property taxation.

### WHO BENEFITS
Owners of beach front property and others who use Oregon beaches.

### EVALUATION
Not evaluated.

## 2.075 PROPERTY OF INDIANS AND ON TRIBAL TRUST LAND

**Oregon Statute:** 307.180, 307.181(1), and 307.181(2)
**Sunset Date:** None
**Year Enacted:** 1854
**2023-24 Estimated Reduction in the Taxable Assessed Value:** Not Available

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | Not Available | Not Available |
| 2025-27 | Not Available | Not Available |

### DESCRIPTION

Real property owned by an Indian tribe or tribal member and located on an Indian reservation or tribal trust land is generally exempt from property tax. Exempt property must be real property of Indians residing upon reservations who have not severed their tribal relations or taken land in severalty. Land acquired by an Indian tribe is exempt from property taxation if the land is within ancient tribal boundaries and is held in or in the process of being placed in a U.S. trust for the tribe.

Legislation in 2015 (HB 2148) exempted from state and local property taxes and fees permanent improvements (regardless of ownership) located on land that is held in trust for a federally recognized tribe or individual member, unless the property is centrally assessed.

### PURPOSE

The statutes that allow this exemption do not explicitly state a purpose. Presumably, the purpose is to replicate the status of Indians under federal law before statehood.

### WHO BENEFITS

Nine federally recognized tribal governments exist in Oregon. Reservation and land in trust acreage totals approximately 900,000 acres in Oregon. Other beneficiaries include people who own permanent improvements located on land that is held in trust for a tribe or tribal member.

### EVALUATION

Not evaluated.

## 2.076 EQUIPMENT FOR MARITIME EMERGENCY RESPONSE

**Oregon Statute:** 307.197
**Sunset Date:** None
**Year Enacted:** 2010
**2023-24 Estimated Reduction in the Taxable Assessed Value:** Less than $1 million

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | Less than $100,000 | Less than $100,000 |
| 2025-27 | Less than $100,000 | Less than $100,000 |

### DESCRIPTION

Communications equipment, emergency response equipment and other tangible personal property is exempt from ad valorem property taxation if the equipment or property meets all three of these criteria:

- It is acquired or used primarily for the purposes of responding to and maintaining the capability to respond to shipboard fires or oil spills in navigable waters

- It is owned by a nonprofit corporation under ORS chapter 65 that operates as a maritime fire and safety association, and
- It is made available by the nonprofit corporation for use by a federal, state, or local emergency response agency pursuant to a mutual aid compact.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to encourage nonprofit maritime fire and safety associations to own communications equipment used for maritime emergency response and to provide access for public agencies to use this specialized equipment in emergency situations.

### WHO BENEFITS
Maritime fire and safety associations which own communications and emergency response equipment used primarily for the purposes of responding to shipboard fires or oil spills. Federal, state and/or local emergency response agencies may also benefit by having the ability to use the equipment.

### EVALUATION
Not evaluated.

## 2.077 INTERSTATE BRIDGES OF LOCAL GOVERNMENTS

**Oregon Statute:** 381.310(10)(a)
**Sunset Date:** None
**Year Enacted:** 2017
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $0

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $0 | $0 |
| 2025-27 | $0 | $0 |

### DESCRIPTION
A bridge project to cross the Columbia River under agreement with the Port of Hood River and meeting the provisions of ORS 381.205 through ORS 381.314 is exempt from property taxes. Public property generally becomes taxable when held under contract of sale or leased to a private individual or business. This provision extends the exemption provided by 2.078, State and Local Property, to include bridge projects commissioned by local jurisdictions, even if the property is transferred to private ownership. The legislation that created this provision in 2017 (HB 2750) specified that it would apply to all tax years beginning on or after January 1, 2018, regardless of any sunset under ORS 315.037.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to encourage development of a replacement bridge across the Columbia River in the vicinity of Hood River.

### WHO BENEFITS
The owners of bridges that are constructed under the terms of this legislation. As of publication of this report in 2024, no bridges have yet been constructed that qualify for this exemption.

### EVALUATION
Not evaluated.

# 2.078 STATE AND LOCAL PROPERTY

**Oregon Statute:** 307.090
**Sunset Date:** None
**Year Enacted:** 1854
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $110 billion

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $3,350,000,000 | $802,000,000 |
| 2025-27 | $3,620,000,000 | $868,000,000 |

## DESCRIPTION

State and local government property is exempt from property taxation. This includes property related to administration of state and local government, such as a city hall or state-owned building, and land owned by the state and local governments, such as public parks and forests.

Generally, if property owned by state or local government is held under contract of sale or lease by a private party, then it becomes taxable. For example, office buildings owned by the State of Oregon and used for public purposes are exempt, but space in those same buildings, if leased to a private company, is taxable. Certain nonprofit entities created by the Oregon Health and Science University are considered public corporations and thus their property can be exempt from property taxation under this provision.

The Oregon Legislature specifically exempted some types of leasehold interests that otherwise would be taxable state and local property. Revenue impacts from the following tax expenditures are included in the revenue impact for this tax expenditure.

- 2.004, Higher Education Parking Space
- 2.038, Leased State and Local Farming and Grazing Land
- 2.079, Corporations for Irrigation, Drainage, Water Supply or Flood Control

Revenue impacts from the following tax expenditures have been subtracted from the revenue impact for this tax expenditure to avoid duplication.

- 2.003, Leased Student Housing Publicly Owned
- 2.006, Leased Rural Health Care Property
- 2.010, Fairground Leased Storage Space
- 2.027, Leased Docks and Airports
- 2.040, Shellfish Growing on State Land
- 2.045, Land Leased From State Land Board
- 2.046, Natural Gas Pipeline Extension
- 2.055, State and Local Standing Timber Under Contract
- 2.064, ODOT Land Under Use Permit

## PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to avoid reciprocal taxation among public entities; to avoid taxing public services that are funded through the tax.

## WHO BENEFITS

State and local governments in Oregon. County assessors reported approximately 55,000 state and local government properties throughout Oregon in tax year 2023-24.

### IN LIEU
The following types of property make in lieu payments to local taxing districts:

- City Property Used to Produce Energy (ORS 307.090(2))
- Fish and Wildlife Commission Lands (ORS 496.340)
- State Timber Land (Board of Forestry) (ORS 530.110–530.115)
- Common School Fund Lands (ORS 327.410–327.420).

### EVALUATION
Not evaluated.

## 2.079 CORPORATIONS FOR IRRIGATION, DRAINAGE, WATER SUPPLY OR FLOOD CONTROL

**Oregon Statute:** 554.320
**Sunset Date:** None
**Year Enacted:** 1937
**2023-24 Estimated Reduction in the Taxable Assessed Value:** Included in 2.078, State and Local Property

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | Included in 2.078 | Included in 2.078 |
| 2025-27 | Included in 2.078 | Included in 2.078 |

### DESCRIPTION
Nonprofit corporations organized for use or control of water are exempt from property taxation. The corporation must be organized as a nonprofit and all revenues and incomes of the corporation must be exclusively used for improvements or maintenance of lands subject to the corporation's rates, tolls, charges, fees, fines, or assessments.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to treat nonprofit corporations organized for use or control of water similar to local taxing districts which are exempt from property taxation under 2.078, State and Local Property.

### WHO BENEFITS
Nonprofit corporations organized for use or control of water and members of the nonprofit corporations receiving services at presumably lower costs.

### EVALUATION
Not evaluated.

## 2.080 LOCAL GOVERNMENT PUBLIC WAYS

**Oregon Statute:** 307.200
**Sunset Date:** None
**Year Enacted:** 1895
**2023-24 Estimated Reduction in the Taxable Assessed Value:** Not Available

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | Not Available | Not Available |
| 2025-27 | Not Available | Not Available |

### DESCRIPTION
Privately held land that is subject to a designated public right-of-way is exempt from taxation. Affected land is land "within the boundary of any county road, and all dedicated streets and alleys in any incorporated or unincorporated city or town…" The property owners do not have exclusive private use of the land. The land is not assessed and is not tracked on the assessment or tax roll.

Land subject to this exemption has economic value, but it is unclear if it carries direct value in the context of how property is valued in the property tax system. The value of the right-of-way may be captured in the increased value of adjoining lands and properties.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to compensate owners for the loss of private use of the land and to recognize the difficulty associated with placing a value on the land.

### WHO BENEFITS
Owners of designated public right-of-way land.

### EVALUATION
Not evaluated.

## 2.081 INTERSTATE BRIDGES OF OTHER STATES OR SUBDIVISIONS

**Oregon Statute:** 381.824
**Sunset Date:** None
**Year Enacted:** 2014
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $0

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $0 | $0 |
| 2025-27 | $0 | $0 |

### DESCRIPTION
Bridges that pass over a river or body of water forming a boundary between Oregon and another state, and that are operated by another state or by a subdivision of that state are exempt from property taxation for the portion of the bridge in Oregon. This exemption is conditional on the other state similarly exempting bridges in the other state that are owned by the state of Oregon or its subdivisions from property taxation.

This property tax exemption was removed by legislation in 2007 (SB 1022); legislation in 2014 (SB 1534) reinstated this exemption and made it retroactive to January 1, 2008. In 2017 (HB 2750), the exemption was specifically expanded to include bridges owned by ports.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. Presumably, the exemption serves several purposes: to receive reciprocal treatment for Oregon bridges that cross into other states, to avoid the administrative difficulty of separating the value of a bridge from the likely already exempt highway, and to avoid taxing property that might be jointly owned by already exempt entities.

### WHO BENEFITS
The owners of bridges that cross into Oregon that are operated by another state or any subdivision of that state. Currently no bridges qualify for this exemption, however the existence of this exemption enables two bridges owned by subdivisions of Oregon that cross into the State of Washington to be exempt from tax in that state under the agreement for reciprocal treatment.

### EVALUATION
Not evaluated.

# 2.082 PROPERTY USED EXCLUSIVELY FOR TRIBAL GOVERNMENT SERVICES

**Oregon Statute:** 307.181(3)
**Sunset Date:** None
**Year Enacted:** 2012
**2023-24 Estimated Reduction in the Taxable Assessed Value:** Not Available

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | Not Available | Not Available |
| 2025-27 | Not Available | Not Available |

## DESCRIPTION

Property owned exclusively by an eligible Indian tribe or by an entity wholly owned by an eligible tribe and used exclusively for certain government services is exempt from property taxation. This exemption is applicable to Indian tribal government service properties that otherwise would be taxable, usually because the property is not located on land held in trust for a tribe by the federal government. Tribe-owned properties that provide tribal government services located on Indian Reservations and that are exempt under federal law are also exempt from taxation under 2.075, Property of Indians and on Tribal Trust Land.

Eligible government services are specified and include tribal administration, elementary, secondary, or higher education, utility, cemeteries, and health, fire, or police services.

Certain housing properties leased or rented to low-income persons by an eligible tribe or a partnership, nonprofit corporation, or limited liability company of which an eligible Indian tribe is a general partner, limited partner, director, member, manager, or general manager, are also exempt. All agreements necessary for the construction and operation of such low-income rental housing must have been executed on or before June 30, 2017. All properties where agreements were executed on or before the June 30, 2017 deadline remain exempt, however, properties that did not meet the deadline do not receive the exemption.

## PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for HB 4041 (2012), “the purpose of this tax expenditure is to extend property tax benefits to Indian tribal governments for providing government services equivalent to those provided by other governmental entities. Additionally, the expenditure encourages the provision of housing to low-income individuals while achieving consistency in the administration of property tax exemptions.”

## WHO BENEFITS

Eligible tribal nations with property used for government services.

## EVALUATION

Not evaluated.

# 2.083 FEDERALLY LEASED HIGH-VOLTAGE ELECTRICITY TRANSMISSION PROPERTY

**Oregon Statute:** 307.040(3)
**Sunset Date:** None
**Year Enacted:** 2013
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $85 million

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $2,000,000 | $500,000 |
| 2025-27 | $2,100,000 | $600,000 |

## DESCRIPTION

In general, property that is owned by a non-governmental entity is taxable, even if it is leased to the United States. This provision ensures that property that is leased to the United States under a lease or lease-purchase agreement from a non-governmental entity is exempt from property tax if:

- The property is operated or used in furtherance of a statutory responsibility of the United States with respect to a high-voltage electricity transmission system that the United States owns and operates within the Pacific Northwest.
- The property is constructed on or affixed to real property interests of the United States and,
- Upon expiration of the lease or lease-purchase agreement, the United States has an option to purchase the property for a nominal price, if the debt incurred by the entity to acquire the property has been paid.

## PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for SB 261 (2013), "The purpose of this tax expenditure is to treat leased property as property of the United States government if it is used for electricity transmission by a federal agency. The purpose is also to expand energy transmission in Oregon."

## WHO BENEFITS

Third parties that finance equipment and facilities for the Bonneville Power Administration (BPA), as they would not be required to pay property tax on the equipment and facilities they own. This would ultimately reduce the cost for the BPA, as their lease payments would be reduced.

## EVALUATION

*Provided by the Oregon Public Utility Commission*

This provision could be effective in achieving its purpose, but an in-depth evaluation of the program is not possible because the third parties that finance equipment and facilities for Bonneville Power Administration are not necessarily regulated by the Public Utility Commission. The Public Utility Commission does not have any financial or other information about these companies.

However, in general tax costs incurred by a utility are allowed into rates within limits. Therefore, an increase in taxes that the utility is obligated to pay could result in a rate increase for its customers. Conversely, a tax cost that is avoided by the utility could represent a savings for customers.

## 2.084 SOLAR IMPROVEMENT ON TRIBAL LAND

**Oregon Statute:** 307.181(2)(c)
**Sunset Date:** None
**Year Enacted:** 2024 (SB 1526)
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $0

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $0 | $0 |
| 2025-27 | $6,100,000 | $900,000 |

### DESCRIPTION

The first solar energy system that would otherwise be centrally assessed that is completed after June 6, 2024 is exempt from taxation provided that it is:

- located on land within Jefferson and Wasco Counties owned by the United States and held in trust for a federally recognized Indian tribe
- subject to a property tax imposed by a federally recognized Indian tribe in Oregon

The legislation that enacted this tax expenditure, SB 1526 (2024), specified that any sunset under ORS 315.037 does not apply.

### PURPOSE

The statute that allows this tax expenditure does not explicitly state a purpose. The legislative staff revenue impact statement for SB 1526 (2024) states "the policy purpose of this measure is to recognize[…] that Tribes largely have discretion over property taxation within Tribal boundaries."

### WHO BENEFITS

The owners of the qualifying solar energy system.

### EVALUATION

Not evaluated.

## 2.085 CHARITABLE, LITERARY, AND SCIENTIFIC ORGANIZATIONS

**Oregon Statute:** 307.130
**Sunset Date:** None (The low-income housing exemption sunsets 06-30-2028.)
**Year Enacted:** 1854
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $9.6 billion

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $281,000,000 | $63,900,000 |
| 2025-27 | $306,000,000 | $69,800,000 |

### DESCRIPTION

Property owned or being purchased by literary, benevolent, and charitable organizations or scientific institutions is exempt from property taxation. To qualify, the organization or institution must:

- Be a nonprofit corporation
- Provide a charitable service to the public without expectation of payment
- Occupy and use the property in a manner that furthers the organization’s charitable purpose.

The organization or institution must file an application with the county assessor to claim the exemption (ORS 307.162).Shelter workshops and retail stores selling donated or consigned goods to support a welfare program or not-for-profit housing program are exempt from property taxation. Parking lots are also covered by the exemption as long as there is no charge for at least 355 days each year.

Real and personal property of retail stores owned by nonprofit entities is exempt from property taxation if the retail stores deal exclusively in donated inventory and the proceeds from the stores' sales are used to financially support a not-for-profit housing program.

Real and personal property of a retail store owned by a nonprofit corporation is exempt from property taxation if the store deals exclusively in donated inventory, operates with substantial support from volunteers, and all net proceeds of the retail store sales are donated to one or more of the following:

- A nonprofit corporation that provides animal rescue services
- A manufacturer or provider of goods or services in return for an equivalent value of goods or services from the manufacturer or provider
- To an entity that provides spaying and neutering services for pets of individuals residing in households with an annual household income at or below 80 percent of the area median income
- For the purpose of aiding domesticated animals, regardless of whether the animals are in the custody of the county shelter, in furtherance of the purpose for which the nonprofit corporation was organized.

Real or personal property of a nonprofit corporation that was offered, occupied, or used as low-income housing and granted exemption by the county as of the property tax year beginning July 1, 2012 is exempt from property taxation. Legislation in 2021 (HB 2446) extended the sunset of the low-income housing part of the exemption to June 30, 2028.

Over the years, legislation expanded and clarified the exemption, addressing retail stores (HB 3537, 2007; HB 3459, 2017), and low-income housing (HB 4039, 2014).

### PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to recognize the social benefits of some nonprofit organizations.

### WHO BENEFITS

This exemption applies to many nonprofit organizations. Examples are some hospitals, social service organizations, museums, youth and athletic groups, summer camps, and conservation groups. In tax year 2023-24, approximately 7,400 property tax accounts in 29 counties were exempt, but the number of organizations is unknown because the same organization may have property in more than one county.

### EVALUATION

Not evaluated.

## 2.086 FRATERNAL ORGANIZATIONS

**Oregon Statute:** 307.136
**Sunset Date:** None
**Year Enacted:** 1961
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $690 million

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $18,500,000 | $2,700,000 |
| 2025-27 | $22,000,000 | $3,200,000 |

### DESCRIPTION
Property used for fraternal or lodge work, entertainment, or recreational purposes by a fraternal organization (as defined in ORS 307.134) is exempt from property taxation. Fraternal organization property remains exempt even while being rented or leased to other persons so long as the rent does not exceed expenses for heat, lights, water, janitorial services, and supplies. Parking lots are exempt as long as there is no charge for at least 355 days each year. The fraternal organization must file an application with the county assessor to claim the exemption.

To qualify, a fraternal organization must:

- Be organized as a nonprofit
- Regularly provide financial support for a charitable activity with the purpose of doing good to others rather than for the convenience of its members
- Be established under the lodge system with ritualistic form of work and representative form of government
- Not distribute any income to its officers, members, or employees except for reasonable compensation for services
- Not be a college fraternity or sorority.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to recognize the social benefits of fraternal organizations.

### WHO BENEFITS
In tax year 2023-24, approximately 1,100 property tax accounts were exempt. Qualifying organizations may include the State Grange, American Legion, Veterans of Foreign Wars, Eagles, Elks, Masons, Moose, Odd Fellows, Knights of Pythias, Knights of Columbus, Lions Clubs, Soroptimists, Rotary, and Kiwanis.

### EVALUATION
Not evaluated.

## 2.087 RELIGIOUS ORGANIZATIONS

**Oregon Statute:** 307.140
**Sunset Date:** None
**Year Enacted:** 1854
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $5.3 billion

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $152,000,000 | $33,900,000 |
| 2025-27 | $165,000,000 | $36,900,000 |

### DESCRIPTION
Houses of public worship and other buildings or property used solely for administration, education, literary, benevolent, charitable, entertainment and recreational purposes by religious organizations, and cemeteries are exempt from property tax. Parking lots are exempt as long as there is no charge for at least 355 days each tax year. The religious organization must file an application with the county assessor to claim the exemption.

Legislation in 2021 (HB 2008) permitted religious organizations to file applications without paying a filing fee.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to recognize the social benefits of religious organizations.

### WHO BENEFITS
In tax year 2023-24, counties reported that nearly 7,700 property tax accounts were exempt.

### EVALUATION
Not evaluated.

## 2.088 CEMETERIES, BURIAL GROUNDS, AND MAUSOLEUMS

**Oregon Statute:** 307.150
**Sunset Date:** None
**Year Enacted:** 1854
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $230 million

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $6,700,000 | $1,600,000 |
| 2025-27 | $6,900,000 | $1,600,000 |

### DESCRIPTION
Burial grounds, tombs and rights of burial, and lands and buildings on the land, not exceeding 30 acres, used for the sole purpose of a crematory or alternative disposition facility and for burial of incinerated or reduced human remains are exempt from property taxation. Lands used exclusively for cemetery purposes, not exceeding 600 acres, are exempt. Buildings to store maintenance equipment are included in the exemption. To qualify, a claim must be filed with the county assessor.

This statute exempts both nonprofit and for-profit cemetery and crematory associations, as well as family burial grounds. The property tax exemption for cemeteries and crematory properties is granted regardless of the organizational structure or state in which an association is organized.

Cemeteries owned by cities, counties, or cemetery districts are exempt by tax expenditure 2.078, State and Local Property. Cemeteries owned and maintained by religious organizations are exempt by tax expenditure 2.087, Religious Organizations.

Legislation in 2021 (HB 2574) broadened the exemption, operative beginning on July 1, 2022, to include lands used for the purpose of alternative disposition facilities and for burial of reduced remains.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is implementation of traditional public policy to not tax cemeteries.

### WHO BENEFITS
In tax year 2023-24, about 1,120 properties were exempt. About a third of the exempt value is located in Multnomah County.

### EVALUATION
Not evaluated.

## 2.089 CITY OWNED SPORTS FACILITY

**Oregon Statute:** 307.171
**Sunset Date:** None
**Year Enacted:** 2001
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $85 million

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $3,500,000 | $700,000 |
| 2025-27 | $3,800,000 | $800,000 |

### DESCRIPTION
In general, when public property is held under contract of sale or is leased to a private individual or business, it is considered taxable. However, this provision exempts any sports facility owned by a city with a population of at least 500,000 from taxation, even if leased to or operated by a taxable entity. Portland is the only city in Oregon with a population that qualifies.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to encourage the use of the specific qualifying facility as a private sports venue.

### WHO BENEFITS
The only facilities in Portland currently affected by this statute are Providence Park and the Veterans Memorial Coliseum. As of the writing of this report, the City of Portland has approved the purchase of the Moda Center but the purchase is not yet complete. It is expected that the Moda Center will also qualify for this exemption.

### EVALUATION
Not evaluated.

## 2.090 EXEMPT LEASE FROM TAXABLE OWNER

**Oregon Statute:** 307.112
**Sunset Date:** None
**Year Enacted:** 1977
**2023-24 Estimated Reduction in the Taxable Assessed Value:** *

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | * | * |
| 2025-27 | * | * |

** Included in property tax exemption expenditures listed below.*

### DESCRIPTION
Property that is held under lease, sublease, or lease-purchase agreement by an entity that qualifies for a property tax exemption (under ORS Chapter 307) is exempt from property taxation. Eligible entities are institutions, organizations, and public bodies (other than the State of Oregon or an Oregon public university). The property must be used for a qualifying purpose, and the county assessor must be satisfied that the tax savings resulting from the exemption will inure solely to the benefit of the lessee. The lessee must file an application with the county assessor to receive this exemption.

Leased properties that qualify for this exemption are reported under one of the following expenditures:

- 2.001, Academies, Day Care, and Student Housing
- 2.007, Senior Services Centers

- 2.078, State and Local Property
- 2.082, Property Used Exclusively for Tribal Government Services
- 2.085, Charitable, Literary, and Scientific Organizations
- 2.086, Fraternal Organizations
- 2.087, Religious Organizations

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to extend equal treatment to exempt organizations whether they rent, lease, or sublease property.

### WHO BENEFITS
Exempt organizations and local governments.

### EVALUATION
Not evaluated.

## 2.091 EXEMPT LEASE FROM EXEMPT OWNER

**Oregon Statute:** 307.166
**Sunset Date:** None
**Year Enacted:** 1973
**2023-24 Estimated Reduction in the Taxable Assessed Value:** *

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | * | * |
| 2025-27 | * | * |

** Included in other ORS Chapter 307 property exemption tax expenditures.*

### DESCRIPTION
Property that is leased or rented to an entity that qualifies for a property tax exemption (under ORS Chapter 307) from an owner who also qualifies for an exemption is exempt from property tax. Eligible entities are institutions, organizations, and public bodies. The property must be used for a qualifying purpose and the tax savings resulting from the exemption must inure solely to the benefit of the lessee. The lessee must file an application with the county assessor to claim the exemption, or a federal, state, or local government leasing property to another governmental entity only needs to provide the assessor with basic information about the nature of the lease and the exempt entities.

Leased properties that qualify for this exemption may be reported under one of the following expenditures:

- 2.001, Academies, Day Care, and Student Housing
- 2.007, Senior Services Centers
- 2.078, State and Local Property
- 2.085, Charitable, Literary, and Scientific Organizations
- 2.086, Fraternal Organizations
- 2.087, Religious Organizations
- 2.093, Federal Property

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to extend equal treatment to exempt organizations whether they rent, lease, or sublease property.

### WHO BENEFITS
Exempt organizations and governments.

### EVALUATION
Not evaluated.

## 2.092 PROPERTY OF LLC OWNED BY NONPROFIT CORPORATION

**Oregon Statute:** 307.022
**Sunset Date:** None
**Year Enacted:** 2005
**2023-24 Estimated Reduction in the Taxable Assessed Value:** *

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | * | * |
| 2025-27 | * | * |

** Included in other ORS Chapter 307 property exemption tax expenditures.*

### DESCRIPTION
A Limited Liability Company (LLC) that is wholly owned by a nonprofit corporation qualifies for a special assessment or property tax exemption if the nonprofit corporation would qualify. The LLC's property qualifies for special assessment or exemption if it is exclusively using the property consistent with the nonprofit corporation's purposes.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to allow nonprofit owners of property to structure their property ownership in a way that provides the limited liability protection of an LLC while still providing the owner a property tax benefit.

### WHO BENEFITS
Nonprofit corporations that would qualify for a property tax exemption or special assessment that own property through wholly owned LLCs.

### EVALUATION
Not evaluated.

## 2.093 FEDERAL PROPERTY

**Oregon Statute:** 307.040
**Sunset Date:** None
**Year Enacted:** 1854
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $39 billion

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $1,120,000,000 | $250,000,000 |
| 2025-27 | $1,170,000,000 | $260,000,000 |

### DESCRIPTION
Property of the United States and its agencies is exempt from property tax when taxation is prohibited by federal law. Federal property held under contract of sale or lease by a private party is generally taxable.

The Oregon Legislature exempted some leasehold interests of federal land that otherwise would be taxable.

The revenue impact for this tax expenditure includes the impact of 2.039, Leased Federal Grazing Land.

Revenue impacts from the following tax expenditures are not included in the estimate for this tax expenditure to avoid duplication.

- 2.021, Federal Land Under Summer Homes
- 2.022, Federal Land Under Recreation Facility
- 2.054, Federal Standing Timber Under Contract
- 2.061, Mining Claims on Federal Land

### PURPOSE
To comply with federal law.

### WHO BENEFITS
The United States government owns about 32 million acres in Oregon, or 53 percent of the land.

### IN LIEU
The federal government makes payments in lieu of property taxes to local governments for certain types of federal land, for example:

- Federal forest land
- Land subject to the Payments in Lieu of Taxes Act of 1976
- Coos Bay Wagon Road lands
- Public land resource sales
- Bureau of Land Management grazing lands
- U.S. mineral leases

### EVALUATION
*Provided by the Department of Revenue*

This expenditure achieves its purpose of compliance with federal law.

## 2.094 AMTRAK PASSENGER RAILROAD

**Oregon Statute:** 308.515(3)(d)
**Sunset Date:** None
**Year Enacted:** 1983
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $140 million

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $4,100,000 | $900,000 |
| 2025-27 | $4,200,000 | $900,000 |

## DESCRIPTION

National Railroad Passenger Corporation (Amtrak) property is exempt from property tax. Federal law (49 U.S.C. § 24301(k)) exempts the company from paying state or local taxes on personal property and most real property. Amtrak does not own land or structures in Oregon but leases or pays fees for use. If taxed, the value would likely be computed using an allocation formula based on share of passenger miles traveled in Oregon.

## PURPOSE

To comply with federal law.

## WHO BENEFITS

Amtrak benefits by not paying property taxes.

## EVALUATION

*Provided by the Department of Revenue*

This expenditure achieves its purpose of compliance with federal law.

## 2.095 FRATERNITIES, SORORITIES, AND COOPERATIVES

**Oregon Statute:** 307.471
**Sunset Date:** None
**Year Enacted:** 1973
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $15 million

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $200,000 | Less than $100,000 |
| 2025-27 | $200,000 | Less than $100,000 |

### DESCRIPTION

Certain property owned by a qualified nonprofit corporation, such as a fraternity, sorority, or cooperative housing organization, is exempt from property taxes imposed by schools, educational service districts, and community colleges. The property must be rented exclusively to students who attend an accredited educational institution which offers at least a two-year program acceptable for full credit toward a baccalaureate degree, and student occupancy must be nondiscriminatory with regard to race, creed, color, and national origin.

An application to the county assessor is required to claim the exemption. If an exempt property loses qualified status, the owner is required to notify the assessor. If notification is not provided and the property is disqualified, additional taxes equal to the tax benefit of the exemption for all exempted prior years plus interest and a 20 percent penalty on the tax amount shall be assessed. Tax expenditure 2.003, Leased Student Housing Publicly Owned, covers similar property owned by a public college.

### PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to help keep college housing costs to a minimum and provide equitable treatment with those students living on campus in publicly-owned residence halls.

### WHO BENEFITS

In fiscal year 2023–24, approximately 60 accounts were exempt and located primarily in Benton and Lane counties.

### EVALUATION

*Provided by the Higher Education Coordinating Commission*

This tax expenditure achieves its purpose and contributes to containing the costs of higher education. Housing is typically one of the highest sources of financial burden for postsecondary students, many of whom cannot afford the cost of their education even with expected financial resources. Fraternities, sororities, and cooperatives are not-for-profit organizations that primarily or exclusively serve students. They are also important and traditional components in the housing supply for colleges and universities. These organizations provide the second largest option for campus student housing (residence halls are the first). Consequently, this exemption is valuable in supporting higher education. It is a fiscally effective means of achieving its purpose.

## 2.096 NEW RURAL HEALTH CARE FACILITIES

**Oregon Statute:** 307.804(2)
**Sunset Date:** None
**Year Enacted:** 2001
**2023-24 Estimated Reduction in the Taxable Assessed Value:** Less than $1 million

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | Less than $100,000 | Less than $100,000 |
| 2025-27 | Less than $100,000 | Less than $100,000 |

### DESCRIPTION
Real and personal property of a rural health care facility may be exempt from property taxation if the property constitutes new construction, new additions, new modifications, or new installations of property as of the first assessment date for which the facility is in service. Land and other existing property are not exempt.

The exemption lasts three years, but the taxpayer must file its intention to take the exemption each year. The exemption is available only in a county where the county governing body has passed a resolution authorizing the exemption and then only from the taxes of taxing districts that elect to participate by also passing a resolution or ordinance.

A rural health care facility is one that is located in a rural health service area with an average travel time of more than 30 minutes from a population center of 30,000 or more, as determined by the Office of Rural Health, and is used exclusively to provide medical care.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to promote health care in rural areas.

### WHO BENEFITS
No taxpayers received this exemption in 2023-24.

### EVALUATION
Not evaluated.

## 2.097 LONG TERM CARE FACILITIES

**Oregon Statute:** 307.811
**Sunset Date:** None
**Year Enacted:** 1999
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $7.3 million

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $200,000 | Less than $100,000 |
| 2025-27 | $200,000 | Less than $100,000 |

### DESCRIPTION
A property tax exemption is allowed for real and personal property that is used solely in the operation of a long term care facility that has been certified for the tax year as an essential community provider long term care facility. Qualifying long term care facilities are nursing facilities, assisted living facilities, residential care facilities, and adult foster homes. The owner of the facility must file with the county assessor a copy of a certificate issued by the Aging and People with Disabilities Division of the Oregon Department of Human Services. Adult foster homes must have an average residency rate of at least 60 percent of residents eligible for Medicaid, whereas all other qualifying facilities must have a residency rate of 50 percent (ORS 443.888). The facility will only receive a property tax exemption from those taxing districts granting the exemption.

### PURPOSE
The statutory policy is to recognize that "…owners of long term care facilities that devote substantial proportions of those facilities to providing long term care to residents eligible for medical services under Medicaid provide an essential community service. The Legislative Assembly declares that a property tax exemption will enable these essential community provider long term care facilities to increase the quality of care provided to facility residents." (ORS 307.808)

### WHO BENEFITS
In tax year 2023-24, counties reported that six property tax accounts received this exemption.

### EVALUATION

*Provided by the Oregon Housing and Community Services Department*

This exemption is helpful to the few facilities that have applied. However, utilization is low likely due to the low number of facilities that serve more than 50% Medicaid consumers. It is also likely that smaller programs are unaware that the exemption is available. Additionally, the language excludes facilities serving individuals with intellectual or developmental disabilities licensed by ODHS, Office of Developmental Disabilities Services and facilities serving individuals with behavioral health needs licensed by the Oregon Health Authority.

## 2.098 FACILITIES WITH PREPAYMENT AGREEMENT

**Oregon Statute:** 311.865
**Sunset Date:** None
**Year Enacted:** 1975
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $2.4 million

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | Less than $100,000 | Less than $100,000 |
| 2025-27 | Less than $100,000 | Less than $100,000 |

### DESCRIPTION

Certain facilities that have pre-paid property taxes while under construction are partially exempt from property tax for a period of years upon completion of the construction of the facility. To qualify for this exemption, a facility must be a thermal power plant, a hydroelectric power project or any building or improvement that is suitable for use for industrial, commercial, or warehousing purposes.

To qualify there must be an agreement between the taxing unit/local government and the property owner which specifies some restrictions, such as that the exemption should not exceed 10 years from the date of the completion of the construction of the facility.

### PURPOSE

"…to provide a method for prepaying ad valorem property taxes during the period of planning and construction of the facility, in order that units of local government may provide the services, buildings or other resources necessitated without imposing an undue burden upon other properties subject to taxation within the unit, and to provide for repayment of the amounts prepaid" (ORS 311.850).

### WHO BENEFITS

Facilities that previously pre-paid property taxes under one of these specified agreements. In tax year 2023-24 only one county reported using this exemption: Clackamas County reported 11 exempt accounts.

### IN LIEU

Facilities under construction enter an agreement to pre-pay property taxes for the facility that is under planning and construction to local government. The amounts pre-paid are considered a budget source for local governments. The amounts pre-paid are the basis for the amounts that are exempt under this provision.

### EVALUATION

*Provided by the Oregon Business Development Department*

This tax expenditure can serve to facilitate eligible developments, for which obstacles arise in relation to special costs for local public services affected by or required during construction or related activities. The pre-paid amounts would offset these impacts on local governments allowing construction to proceed. Later, when the new facility's real market value is reduced for up to 10 years, a tax expenditure is in effect. The taxpayer's savings, however, are not to exceed the amount previously paid to local governments plus interest, so that over time, there is not necessarily a net loss of public revenues. Though certain local taxing districts, which are not much affected by construction and do not receive prepayments, might experience a net loss.

# 2.099 CERTAIN COMMUNICATION RELATED PROPERTY

**Oregon Statute:** 308.671
**Sunset Date:** None
**Year Enacted:** 2001
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $2.2 billion

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $63,000,000 | $14,000,000 |
| 2025-27 | $67,800,000 | $15,100,000 |

## DESCRIPTION

A communication company may choose one of the following types of property to be exempt from property taxation:

- Licenses granted by the Federal Communication Commission.
- If the company is in the business of communication, franchises.
- Satellites that are used by the company to provide communication services directly to retail customers or that are being constructed for such use and Federal Communications Commission licenses related to the use of the satellites to provide the communication services.

Legislation in 2015 (SB 611) added the exemptions for franchises and satellites.

## PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for SB 611 (2015), which modified this provision, "The policy purpose of this measure is to provide tax relief for centrally assessed companies, primarily those with high levels of intangible value and to create a tax environment that incentivizes investment by centrally assessed communication companies in Oregon."

## WHO BENEFITS

Communication companies that have FCC licenses, franchises, or satellites. In fiscal year 2023-24, 34 companies received this exemption. Twenty-three of these companies received the exemption on their FCC licenses, and the remaining 11 received the exemption on their franchises or their satellites.

## EVALUATION

*Provided by the Oregon Public Utility Commission*

The statute appears to provide tax relief for centrally assessed communications companies and creates a tax environment more friendly towards centrally assessed communication companies in Oregon. However, the PUC does not have information on which companies have received tax relief under this option. Presumably, this option would remove one potential barrier for national, regional, or Oregon-only telecommunications companies looking to invest in Oregon. This may provide benefits to new market entrants who could provide alternatives to legacy telecommunications service and infrastructure. Expanding upon the exemption might incentivize existing or new market entrants making investments to replace aging infrastructure capable of providing modern telecommunications services. Not all of the potential market entrants have FCC licenses or franchises from Oregon public bodies. Such an expansion could be time-limited to encourage faster facility build out.

# 2.100 STRATEGIC INVESTMENT PROGRAM

**Oregon Statute:** 307.123
**Sunset Date:** None
**Year Enacted:** 1993
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $24 billion

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $681,000,000 | $131,000,000 |
| 2025-27 | $654,000,000 | $124,000,000 |

## DESCRIPTION

This expenditure (abbreviated as SIP) allows for part of a new business project with a large capital investment to be exempt from property taxes over a 15-year period. The property tax exemption is on the amount of the eligible project's real market value that exceeds a certain threshold amount. The project's real market value up to the threshold amount is fully taxable at that property's assessed value. This taxable portion's threshold increases 3 percent each year during the 15-year exemption period.

For SIP projects in urban areas, the initial taxable amount is $100 million, which is indexed for price inflation in 2026 and later under House Bill 2009 in 2023. So, for example, a new project with a total investment cost of $175 million, $75 million would be exempt from property taxation and $100 million would be fully taxable in the first year of the exemption.

For SIP projects in rural areas, if the total investment cost is less than or equal to $500 million, the taxable amount is initially $40 million. If the total investment cost is more than $500 million but not more than $1 billion, then the taxable portion is $75 million. If the cost is more than $1 billion, then the taxable portion is $150 million. These threshold amounts for rural areas reflect increases by HB 2009, but they are not inflation-indexed going forward. A rural area is defined here as an area located outside current urban growth boundaries (UGBs) surrounding any city of 40,000 or more in population.

The new investment must be in a traded-sector industry—i.e., sells goods or services in markets with national or international competition, including but not limited to manufacturing. The business making the investment and operating the project needs to conduct a job fair (added by HB 2009) and to enter into a first source hiring agreement with local publicly funded job training providers.

Approval of a SIP project requires a county public hearing, written agreement between the business and the county—and the city if locating inside city limits and, under HB 2009, the port if anywhere inside the port district—and finally, formal action (vote) by the county governing body. The Oregon Business Development Commission (OBDC) makes a final determination of project eligibility for it to receive SIP tax treatment, including that investment costs will be at least $40 million in a rural area or $150 million, if urban, as increased from $25 and $100 million, and to be adjusted for price inflation after 2025, under HB 2009.

In applying to the state for this exemption, businesses must pay fees equal to $10,000 ($5,000 in rural areas). An additional $50,000 ($10,000 in rural areas) is due with the OBDC's determination of eligibility, from which the Department of Revenue receives 50 percent for administrative purposes. The remaining funds are deposited in the Oregon Business, Innovation and Trade Fund.

A business using this property tax exemption must also pay the county an annual fee in support of community services (see In Lieu below), in addition to other requirements under the agreement with the county (and any applicable city/port) which typically prescribes further payments to local governments. In 2017, the Legislature (SB 936, 2017) not only increased the taxable portion of property for rural projects of $0.5 billion or more (see above), but the yearly cap on community service fees was also raised from $500,000 and $2 million in rural and urban areas, respectively, to $2.5 million for any new project. For future projects, HB 2009 increased the fee's maximum to $3 million annually as indexed to price inflation starting in 2025 (including during the exemption period).

Starting in 2011, the 2007 Legislature provided for local "gain share" of annual personal income tax revenue from state tax collections attributable to new and retained employment at SIP projects first exempt in or after 2008. A percentage

of the estimated amount of state revenue is transferred to the county for local distribution under the same formula as the community service fee (see In Lieu below). In 2015, the Legislature (SB 129):

- Extended gain-share provisions through 2024. (SB 1524 (2023) extended this date an extra year to 2025, which HB 2009 extended until 2030).
- Capped the total that any one county could receive at $16 million per year (currently affecting only Washington County).

Reduced from 50 percent to 20 percent, the portion of estimated tax revenue from retained jobs subject to transfer (still 50 percent for new-job revenue).

## PURPOSE

"…to improve employment in areas where eligible projects are to be located and [the Legislative Assembly] urges business firms that will benefit from an eligible project to hire employees from the region in which the eligible project is to be located whenever practicable" (ORS 285C.603).

## WHO BENEFITS

By tax year 2023–24, 20 SIP projects were receiving this property tax exemption, 8 of which will complete their exemption during the 2023–2025 biennium; 10 others had been formerly exempt. The Intel Corporation is the program's only urban user at present and has dominated program activity with large investments in high-technology semiconductor commercialization and fabrication in Hillsboro and Aloha since 1994, in addition to data centers, wood/paper-related products, and power generation (mostly wind) in rural areas. Over the next four years, 11 approved projects are expected to begin exemptions.

## IN LIEU

Businesses that have exempt property value under SIP pay a community service fee each year equal to 25 percent of the property taxes that would have otherwise been imposed. In 2023, businesses in the Strategic Investment Program paid $10.2 million in statutory community services fees in addition to more than $111 million in other locally negotiated payments primarily made to county governments, as well as $19 million in property taxes on the taxable portion of SIP projects. Community service fees are generally divided up among the county, city (if any), and (non-school) taxing districts in the project's property tax code area under a special intergovernmental agreement or otherwise by OBDC action.

## EVALUATION

*Provided by the Oregon Business Development Department*

The program appears to achieve its purposes by giving local governments an option in pursuing well-structured arrangements for extraordinarily large, highly capital-intensive investments, such that companies are paying more reasonable taxes relative to direct public service impacts in communities that particularly value those companies' construction spending, employment impacts, negotiated concessions, franchise taxes and other benefits. As such, local officials have thoughtfully approved 41 SIP projects.

Anecdotal evidence, at least, suggests that these mutually beneficial arrangements have been crucial for attracting and maintaining exceptionally large investments and associated operations in Oregon. OBDD does not have sufficient data to determine that participating businesses do not simply realize lower taxes on property that might have existed any way, or that local/regional economies are sustainably better off than they would otherwise be.

The 2003 Legislature may not have expected the lower threshold for rural projects to be a panacea for all of Oregon's struggling rural economies (business investments even approaching the former rural threshold $25 million are still rather unusual). Nevertheless, that policy change has had an impact with operating projects in Clackamas, Clatsop, Columbia, Gilliam, Lincoln, Morrow, Sherman and Umatilla counties, as well as recently approved projects in Coos, Douglas, Klamath, Lake, Wasco and Yamhill counties. Many rural projects comprise major energy investments, for which parts of Oregon offer distinct advantages, even if some amount of negotiated property tax relief might have still been critical relative to other locations. The number of other of industries involved in the program statewide has been expanding, especially lumber manufacturing.

In 2022–23, businesses in the program enjoyed net savings of $280.5 million in property taxes, before subtracting $121.8 million of nontax fees or other payments under local SIP agreements, so that the net revenue foregone by local governments (after also adjusting for levy shifts and typical tax payment discounts by county) was approximately $168.9 million.

The taxable portions of these SIP projects generated as much as $19 million in property taxes, aside from the taxes on former project property, other property of these businesses, and the property of their suppliers, contractors and so forth. Also, worth considering might be how these amounts compare to the taxes levied on commercial or other developments relative to demands on public services.

With respect to outcomes, as reported under the gain-share provisions discussed above, there are 15,040 full-time equivalent jobs created or retained directly with these current projects (overwhelmingly at Intel) with average annual incomes of about $181,894. These payrolls generated an estimated $125 million in state personal income taxes in 2023, of which $17.5 million was paid out by the state in gain-share distributions to county governments. Gain-share funds are distributed consistent with business's community service fees among cities and special service districts.

## 2.101 CAP ON CENTRAL ASSESSMENT FOR CERTAIN COMPANIES

**Oregon Statute:** 308.674
**Sunset Date:** 06-30-2030
**Year Enacted:** 2015
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $140 million

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $4,000,000 | $900,000 |
| 2025-27 | $4,400,000 | $1,000,000 |

### DESCRIPTION

A company that is centrally assessed (under ORS 308.515(1)) will receive an exemption on any value above 130 percent of the historical or original cost of the company's real property and tangible personal property included in the unit subject to central assessment. The exemption is calculated so as to not double count any exemption elected under 2.099, Certain Communication Related Property. In addition, the amount of this exemption may not exceed an amount equal to 95 percent of the real market value of the company's real property and tangible and intangible personal property included in the unit subject to central assessment.

The property of a company that is granted this exemption for a property tax year is not eligible to receive any other property tax exemption except as provided by 2.099, Certain Communication Related Property. In addition, a company's status as having been granted this exemption for a property tax year has no effect on the benefits that the property of the company or the company may be granted under Chapter 285C (Enterprise Zone tax expenditures) or 2.100, Strategic Investment Program for the property tax year.

Legislation in 2023 (HB 2080) extended the sunset to June 30, 2030.

### PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for HB 2080 (2023), "the policy purpose of this measure is to provide tax relief for centrally assessed companies, primarily those with high levels of intangible value and to create a tax environment that incentivizes investment by centrally assessed communication companies in Oregon."

### WHO BENEFITS

In fiscal year 2023-24, 60 companies received this exemption. The assessed value of property exempted for these companies was $140 million.

### EVALUATION

*Provided by the Oregon Business Development Department*

This tax expenditure should improve the competitiveness of telecommunication investments in Oregon in comparison to the alternative of fully applying unitary methods of valuation that incorporate the intangible assets of nationwide telecommunication companies in assessing taxable value. The relative size of such assets might be extraordinarily high for such businesses, and other states do not appear to commonly employ methods that effectively tax most such intangible value of the telecommunication industry. The department, however, lacks the data or direct experience to address this expenditure further.

## 2.102 VERTICAL HOUSING DEVELOPMENT ZONE

**Oregon Statute:** 307.864
**Sunset Date:** 12-31-2025 (for new certifications)
**Year Enacted:** 2001
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $390 million

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $11,800,000 | $2,700,000 |
| 2025-27 | $12,900,000 | $2,900,000 |

NOTE: The revenue impact estimate includes the effect of the sunset.

### DESCRIPTION

A partial property tax exemption is available for 10 consecutive years for qualified residential housing combined with nonresidential uses in a vertical housing development zone. Vertical housing development zones are designated by a city or county, but the city or county must consider the potential impact of displacement on existing residents before designating the zone.

The qualified project must consist of a multiple story building or group of buildings, including at least one multiple story building containing nonresidential and residential space in any proportion. The partial property tax exemption depends on the portion of the property dedicated to residential housing. If any of the residential floors are converted to commercial space, the project may receive a reduced exemption or be disqualified.

A project may be new construction or a rehabilitation of an existing building. The land on which a project is located may be included in the partial exemption if the project restricts participation of at least a portion of the residential units to low-income persons or families, defined as having income 80 percent or less of area median income, adjusted for family size, as determined by the Oregon Housing and Community Services Department.

The taxpayer must apply with the city or county for the exemption but the vertical housing development project partial exemption does not apply to the taxes of any local taxing district or special district that elects not to participate.

Legislation in 2015 extended the sunset for new certifications through 2025, added a definition for “nonresidential use,” and allowed any local taxing districts to opt out of the exemption and thus tax these properties at their full assessed value. Legislation in 2017 removed Oregon Housing and Community Services Department from the process of designating and certifying a zone and added a requirement that cities and counties consider the potential for displacement on residents before designating a new zone.

### PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to encourage investment in and rehabilitation of properties in targeted areas of a city or community, to augment the availability of appropriate housing, and to revitalize communities.

### WHO BENEFITS

Taxpayers of approved projects receive partial property tax exemptions. In tax year 2023-24, four counties reported that there were 23 accounts receiving this exemption.

### EVALUATION

*Provided by the Oregon Housing and Community Services Department*

This expenditure achieves its purpose. The program is relatively efficient to administer in comparison with other types of housing funding. The exemption offers an incentive to encourage the construction or rehabilitation of properties in targeted areas of communities in order to augment the availability of appropriate housing and to revitalize such communities.

Although it is assumed that the placement of these projects benefits the communities and an increased tax base, the program is not structured to get feedback from the communities to verify this.

## 2.103 CERTAIN SINGLE-UNIT HOUSING

**Oregon Statute:** 307.664
**Sunset Date:** 12-31-2029 (last day to approve applications)
**Year Enacted:** 1989
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $110 million

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $3,900,000 | $1,300,000 |
| 2025-27 | $4,200,000 | $1,400,000 |

### DESCRIPTION

A city may grant a property tax exemption for up to 10 successive years for rehabilitated, newly constructed, or newly purchased single-unit housing. Condominiums and single-family homes can qualify for this exemption. A manufactured structure is eligible depending on the jurisdiction. Only the value of the dwelling is exempt; the land remains taxable.

Qualified dwelling unit has a market value for the land and improvements of no more than 120 percent, or a lesser percentage as adopted by the city or county by resolution, of the median sales price of dwelling units located within the city. Each dwelling unit is intended to be purchased and lived in by one person or one family.

Approved property is generally exempt only from city or county taxes. However, if local taxing districts representing at least 51 percent of the taxes on the property pass resolutions supporting the exemption, then the exemption applies to the taxes of all districts.

If a city has more than 40 percent of the total tax rate of all taxing districts with jurisdiction over the property, a county resolution or ordinance is required for the exemption to apply.

To qualify for the exemption, the property must meet certain criteria such as type of the property, value of the property, and, for new construction, the date it was constructed.

A change of use will disqualify the property from the program. Upon disqualification, an additional tax is generally due based on the number of years of exemption.

Legislation in 2017 (HB 2964) allows cities to extend the exemption to newly purchased or newly rehabilitated housing.

Legislation in 2023 (HB 2080) extends the sunset for cities to approve new applications to December 31, 2029.

Legislation in 2024 (HB 4063) allows a city to approve or terminate the exemption. Also, it requires a city to provide the county assessor with certain information about the approved application by the April 1 filing deadline for the tax exemption.

### PURPOSE

"(1) The Legislative Assembly finds it to be in the public interest to encourage homeownership among low- and moderate-income families. (2) The Legislative Assembly further finds and declares that the cities of this state should be able to establish and design programs to stimulate the purchase, rehabilitation and construction of single-unit housing for homeownership by low- and moderate-income families by means of a limited property tax exemption, as provided under ORS 307.651 to 307.687." (ORS 307.654)

### WHO BENEFITS
Homeowners who qualify for the reduced taxes. Most of the exempted homes are in the Portland area.

### EVALUATION
*Provided by the Oregon Housing and Community Services Department*

This expenditure achieves its purpose. The program is relatively efficient to administer in comparison with other types of housing funding. There is no need to channel funding through different layers of government and minimal need to establish larger bureaucratic mechanisms to develop program guidelines or to review for program eligibility. The exemption is intended to provide an incentive for builders to build housing that they would not otherwise build by providing to the purchaser of a qualifying home a full property tax exemption on the building for 10 years. Whether any given home would or would not have been built without the benefit of the exemption is difficult to determine. The popularity of the program with builders suggests that the exemption functions well.

A major advantage of tax exemptions over a direct expenditure is the ability to tie the exemption to the specific project with little risk to the city. If the project is not constructed, the assistance is not tied up pending the fate of the project in the way a direct budgeted funding commitment would be. In other words, there is no lost opportunity of funds committed to a project that is not constructed; nor is there any lost revenue.

Additionally, the program provides an additional incentive that helps to design housing in ways consistent with local policy.

The program is available to both for profit and nonprofit housing developers. Local programs can be designed with a variety of monitoring and evaluative controls.

## 2.104 REHABILITATED HOUSING

**Oregon Statute:** 308.459
**Sunset Date:** 12-31-2016 (last day to complete rehabilitation)
**Year Enacted:** 1975
**2023-24 Estimated Reduction in the Taxable Assessed Value:** Less than $1 million

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | Less than $100,000 | Less than $100,000 |
| 2025-27 | Less than $100,000 | Less than $100,000 |

### DESCRIPTION
A city or county could grant an exemption from property tax for any value that is attributed to the rehabilitation of housing or conversion of buildings for housing (single or multi-family) for up to 10 years. If the housing was at least 25 years old at the time of application, it may have qualified if it underwent rehabilitation on or after September 12, 1975, and before January 1, 2017. The rehabilitation must have cost at least 5 percent of the assessed value of the property before rehabilitation. Regardless of the age of the housing, it could have qualified if it underwent rehabilitations that cost at least 50 percent of the assessed value of the property before rehabilitation, and the rehabilitations were done after October 3, 1989, and before January 1, 2017. There was a procedure allowing for a 12-month extension of the deadline for completion of a rehabilitation. Applications for this partial exemption must have been filed with the city or county prior to January 1, 2015.

To receive the exemption, the property must have met several requirements. Before rehabilitation, it must have failed to comply with one or more standards of applicable building or housing codes. The property must have consisted of residential units, of which at least 50 percent were for nontransient occupants. If the property was owner-occupied, the property must have been in a distressed area as designated by the city or county. Finally, the property must have been approved for exemption by the city or county before rehabilitation.

The assessed value of exempt property was frozen for ten years at its assessed value before rehabilitation. However, if the owners of the property entered into a low-income rental assistance contract with a government agency during this

time, and if the contract expires after the ten-year period, the property value will remain frozen through the term of the contract.

Qualified property was generally exempt only from city or county taxes. However, if local taxing districts representing at least 51 percent of the taxes on the property passed resolutions supporting the exemption, then the exemption applied to the taxes of all districts.

### PURPOSE

To "encourage the rehabilitation of existing units in substandard condition and the conversion of transient accommodation to permanent residential units and the conversion of nonresidential structures to permanent residential units in order to make these units sound additions to the housing stock of the state" (ORS 308.453).

### WHO BENEFITS

Single or multi-family housing owners who rehabilitated their property. Counties reported that no taxpayers received this exemption in 2023-24.

### EVALUATION

Not evaluated.

## 2.105 MULTI-UNIT RENTAL HOUSING IN DESIGNATED AREAS

**Oregon Statute:** 307.612
**Sunset Date:** 01-01-2032
**Year Enacted:** 1975
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $610 million

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $21,100,000 | $6,300,000 |
| 2025-27 | $24,600,000 | $7,300,000 |

### DESCRIPTION

A city or county may grant a property tax exemption for multiple unit rental housing (excluding land) in areas designated as core areas, light rail station areas, and transit-oriented areas for up to 10 successive years. Housing that can qualify for this exemption includes newly constructed housing and property converted to housing use.

Core, light rail station, and transit-oriented areas are locations designated by the city or county granting the property tax exemption. Cities may designate any of these types of areas, while counties may designate light rail station areas or transit-oriented areas, but not core areas.

Approved property is generally exempt only from city or county taxes. However, if local taxing districts representing at least 51 percent of the taxes on the property pass resolutions supporting the exemption, then the exemption applies to the taxes of all districts.

The exemption does not include the land or any improvements not part of the multiple unit housing with these exceptions:

- Parking constructed as part of the multiple unit housing construction, addition, or conversion
- Commercial property to the extend that the commercial property is a required design or public benefit element of a multiple-unit housing construction, addition, or conversion approved by an authorizing city or county
- In the case of a structure to which stories or other improvements are added or a structure that is converted in whole or in part from other use to dwelling units, the entire multiple-unit housing including the additions to the structure and converted structures may be exempt from taxation.

Any county over 300,000 in population, and any city, may include urban renewal land and land near the central business district within its eligible core area. Construction is to be completed by January 1, 2032, but an extension is possible.

Legislation in 2011 (SB 322) included commercial property as eligible for this exemption if the commercial property is a required design or public benefit element of a multiple-unit housing construction, addition or conversion approved by an authorizing city or county. Legislation in 2019 (SB 262) extended the last date for completion of construction to January 1, 2032. Legislation in 2023 (HB 2080) required the city or county to send notice of approval to the owner and provide the county assessor documents listing the owner, property details and approval conditions.

For additional provisions associated with this exemption see 2.106, Low Income Multi-Unit Rental Housing.

### PURPOSE

To "stimulate the construction of rental housing in the core areas of Oregon's urban centers to improve the balance between the residential and commercial nature of those areas..." and to have city programs emphasizing the "development of vacant or underused sites in the core areas..." with "rental rates accessible to a broad range of the general public" (ORS 307.600).

### WHO BENEFITS

For tax year 2023–24, four counties reported 111 property tax accounts which benefited from this exemption or 2.106, Low Income Multi-Unit Rental Housing. Most are in Lane and Multnomah counties.

### EVALUATION

*Provided by the Oregon Housing and Community Services Department*

This expenditure achieves its purpose. This is a relatively older tax exemption program that offers a long track record to judge its success. The exemption offers an incentive for developers to construct or convert to rental housing developments they would not otherwise construct or convert in city downtown core areas. The burden of proof falls on the developers as to whether any given development would have been built without the benefit of the exemption. This point must be demonstrated through a series of public hearings. The exemption is popular, but the process for either seeking or receiving qualification for the exemption is expensive and time consuming.

The Portland Bureau of Housing ensures the exempted property provides such public benefits as: reduction of rents, a limited rate of return on investment to the developer and the subsequent owner of only 10–12 percent per year, and public art, landscaping, child care, or set-asides of land for public parks. Although developments need only 10 units or more to qualify for the exemption, the complexity of the process makes it impractical for all but large developments. Therefore, the exemption tends to exclude smaller projects and less sophisticated housing developers.

The exemption seems to perform a solid public purpose, but is subject to a locally designed approval process.

## 2.106 LOW INCOME MULTI-UNIT RENTAL HOUSING

**Oregon Statute:** 307.612
**Sunset Date:** 01-01-2032
**Year Enacted:** 1999
**2023-24 Estimated Reduction in the Taxable Assessed Value:** Included in 2.105, Multi-Unit Rental Housing in Designated Areas

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | Included in 2.105 | Included in 2.105 |
| 2025-27 | Included in 2.105 | Included in 2.105 |

### DESCRIPTION

This tax expenditure is related to tax expenditure 2.105. A city or county may exempt from property tax any building operated as low-income rental housing under a low-income assistance contract with the state or federal government. The duration of exemption may run no more than 10 successive years unless extended by the city or county to run

through the tax year in which the contract terminates. The property is not required to be in a core, light rail station, or transit-oriented area.

Qualified property is generally exempt only from city or county taxes. However, if local taxing districts representing at least 51 percent of the taxes on the property pass resolutions supporting the exemption, then the exemption applies to the taxes of all districts.

An exemption is allowed only when the city or county has designated an area in which exemptions may be granted and has approved the exemption application. The exemption may not include the land or any improvements not associated with the multi-unit housing but may include parking constructed as part of it or the commercial property that is a required design or public benefit element of a multiple-unit housing construction, addition or conversion approved by an authorizing city or county. To qualify for this exemption, applications must be received before January 1, 2032. Legislation in 2019 (SB 262) extended the date for applications.

Legislation in 2023 (HB 2080) expanded the property tax exemption for multiple-unit housing to include the entire multiple-unit housing, including the additions to the structure and converted structures, in the case of a structure to which stories or other improvements are added or a structure that is converted in whole or in part from other use to dwelling units.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to provide an incentive to maintain or expand the supply of affordable rental housing.

### WHO BENEFITS
Owners of low income rental housing complexes; the properties exempt under this provision are included in the properties described in 2.105, Multi-Unit Rental Housing in Designated Areas.

### EVALUATION
*Provided by the Oregon Housing and Community Services Department*

This expenditure achieves its purpose. The exemption encourages the development of affordable housing and essentially lowers the operational costs of the property helping offset the reduced revenue that occurs when entering into an affordability agreement. Affordable housing is a scarce resource and tenants of subsidized housing are of low income. These families would have very limited opportunities in finding replacement housing at the same affordable rent level without this program.

## 2.107 PROPERTY FOR LOW-INCOME RENTAL

**Oregon Statute:** 307.517 and 307.518
**Sunset Date:** 06-30-2030 (application deadline)
**Year Enacted:** 1989
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $140 million

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $4,500,000 | $700,000 |
| 2025-27 | $5,100,000 | $800,000 |

### DESCRIPTION
Newly constructed rental housing occupied by low-income persons or property held for a period of time set by the city or county for future development as low-income rental housing is exempt from property taxes for 20 years if the property meets certain criteria such as the location, year it was built, renters' income, and the amount it is rented for.

The sunset date is June 30, 2030. Applications for exemption must be filed with the city or county by that date. The property must be owned by either a for-profit business or nonprofit 501(c)3 entity. In addition, low-income rental residences owned by a nonprofit public benefit or religious corporation could be exempt if they meet certain criteria.

Generally, exemption applies only to city or county property taxes. However, if districts representing at least 51 percent of the taxes on the property pass resolutions supporting the exemption, then the exemption applies to the property tax levies of all districts.

Legislation in 2015 (HB 2130) amended the law to allow cities or counties to establish reasonable maximum holding times for land designated for low-income housing development. The legislation also permitted cities or counties to elect additional qualifying criteria before granting the exemption.

Legislation in 2023 (HB 2080) expanded this low-income rental housing property tax exemption to include housing owned by limited equity cooperative corporations.

## PURPOSE

The statutes that allow this expenditure do not explicitly state a purpose. According to the legislative staff revenue impact statement for HB 2130 (2019), "the policy purpose of this measure is to assist in providing housing equity throughout the state and reduce homelessness."

## WHO BENEFITS

For tax year 2023–24, five counties reported around 121 property tax accounts were exempt, most located within Lane County

## EVALUATION

*Provided by the Oregon Housing and Community Services Department*

This expenditure is critical to the viability of many low-income housing developments; it achieves its stated purpose. The exemption reduces the operating expenses for the provider of low-income housing, thereby resulting in lower rents. Without this assistance in lowering rents, some Oregonians could not afford decent housing; in some cases, this housing would not be built.

Where a taxing jurisdiction has adopted the authorizing provisions, the process by which it grants the exemption is quite straightforward; if a development meets the criteria, it receives the benefit of the exemption. It is relatively easy to administer once in place.

The taxing entity typically requires an annual report of tenant income levels and the rental rates being charged in exempted developments. This helps ensure fulfillment of the requirement that the project rental rates reflect the full property tax reduction and prevents possible abuse of the exemption by developers or development owners.

After the 20-year exemption, the entire property comes onto the tax rolls at its full assessed value. Tenants, property owners, and local governments benefit in the long term.

Since Measure 50 took effect in 1997, property tax exemptions have caused actual revenue losses to local governments. Before Measure 50, exemptions did not decrease local tax revenues because other property tax payers paid at a higher tax rate to compensate. Despite the loss to local governments caused by Measure 50, local governments have elected to increase the exempted value significantly since Measure 50.

This exemption enables local governments to contribute to providing affordable housing in their communities without raising additional revenue and spending it on affordable housing. The administrative costs of this exemption are likely less than would be incurred through a direct program developed to achieve this objective. This exemption fits well with other direct and indirect spending programs for affordable housing assistance. The exemption is both fiscally effective and an efficient means of achieving its public goal.

# 2.108 NONPROFIT LOW-INCOME RENTAL HOUSING

**Oregon Statute:** 307.541
**Sunset Date:** 06-30-2027
**Year Enacted:** 1985
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $1.1 billion

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $39,000,000 | $12,400,000 |
| 2025-27 | $45,400,000 | $14,500,000 |

NOTE: The revenue impact estimate includes the effect of the sunset.

## DESCRIPTION

A city or county may exempt from property tax certain property owned or being purchased by a nonprofit corporation if the property is intended for the purpose of low-income housing. The property must currently be in use as housing or may be land being held for that purpose. Qualifying nonprofit corporations must be exempt from federal income tax and upon liquidation distribute remaining assets to other tax-exempt charitable organizations or the state of Oregon.

Approved property is generally exempt only from city or county taxes. However, if local taxing districts representing at least 51 percent of the taxes on the property pass resolutions supporting the exemption, then the exemption applies to the taxes of all districts.

When applying for the exemption, the nonprofit corporation must certify that the income level of each renter is at or below 60 percent of area median income which is determined by the State Housing Stability Council based on information from the U.S. Department of Housing and Urban Development. In addition, the nonprofit corporation must describe how the exemption will benefit project residents, and, for projects after October 5, 2015, must meet any additional criteria established by the city or county prior to the application.

Each year the nonprofit corporation must file an application with the appropriate city or county to claim the exemption. The exemption is only allowed for tax years beginning on or after January 1, 1985, and before July 1, 2027.

This expenditure is similar to 2.107, Property for Low-Income Rental. The qualifications are not identical, but for a nonprofit organization, it could be possible that it would qualify under either requirement.

Legislation in 2015 (HB 2130) amended the law to allow cities or counties to establish reasonable maximum holding times for land designated for low-income housing development and permits cities or counties to elect additional qualifying criteria before granting the exemption. HB 3082 in 2015 amended the law to allow alternative definitions of low-income, up to 80 percent of area median income, for the purpose of renewing an existing application.

Legislation in 2021 (HB 2456) allowed for a city or county to define “low income” using three different options that would potentially increase the income level of eligible tenants: a) at or below 60 percent of the area median income; b) at or below 60 percent of the area median income for the initial year and at or below 80 percent of the area median income for subsequent years; or c) for property awarded tax credits through the federal Low-Income Housing Tax Credit Program, at or below 80 percent of the area median income if the average of all units on the property is at or below 60 percent of the area median income.

## PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to encourage nonprofit organizations to help fill the need for low-income housing.

## WHO BENEFITS

Nonprofit organizations benefit directly. The tenants of the housing benefit to the extent that below-market rate rental housing is available. For tax year 2023-24, counties reported 872 property tax accounts. Most are located in Multnomah County.

### EVALUATION

*Provided by the Oregon Housing and Community Services Department*

This expenditure achieves its purpose. The exemption is intended to enable community development corporations and other qualifying local nonprofit organizations to provide affordable rental housing for low income households they would otherwise be unable to provide. To qualify for this popular program, the nonprofit submits an application each year for a one-year exemption, renewable indefinitely before the exemption's sunset date as long as the organization, tenants, and property continue to meet the qualifying criteria. The exemption is simple to administer because the criteria are clear: the benefiting organization must be a qualified nonprofit, the benefiting tenants must have qualifying income levels, and the property must consist of qualifying rental housing. Having met these requirements, a nonprofit will receive its exemption.

The tax expenditure appears to be both a fiscally effective and efficient means of achieving its goal. These exemptions can be counted as matching funds by the state and other local participating jurisdictions to enable the expenditure of HUD Home Investment Partnerships funds.

## 2.109 NEW OR REHABILITATED MULTI-UNIT RENTAL HOUSING

**Oregon Law:** Ore. Laws 2017 c.624
**Sunset Date:** 01-02-2027
**Year Enacted:** 2017
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $1.3 million

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | Less than $100,000 | Less than $100,000 |
| 2025-27 | Less than $100,000 | Less than $100,000 |

NOTE: The revenue impact estimate includes the effect of the sunset.

### DESCRIPTION

This provision allows a governing body of a city or county to adopt an ordinance or resolution granting a newly rehabilitated or constructed multi-unit rental housing an exemption from property taxes. The ordinance must publish one of two schedules:

1. The number of years the exemption will be granted for must increase directly with the percentage of units that are rented at affordable rates to households with income at or below 120 percent of the area median income (AMI). Up to a maximum of 10 years can be granted for exemption.
2. Legislation in 2023 (HB 2080), authorizes a city or county to establish a schedule in which, for 10 years, the percentage of property tax exemption granted to an affordable multiunit rental housing complex increases directly with the percentage of units rented to households with an annual income at or below 120 percent of the area median income.

The ordinance or resolution must also include definitions for AMI and affordable for purposes of qualifying for the exemption.

For the ordinance or resolution to take effect, districts representing at least 51 percent of the taxes on the property must pass resolutions supporting the exemption. The exemption applies to the property tax levies of all taxing districts in which the property is located.

A property must file an application to receive this exemption for each year in which the property remains eligible to receive the exemption.

The laws authorizing this exemption are repealed on January 2, 2027. However, any properties granted exemption under an ordinance or resolution authorized by this program continue to receive the exemption through the remainder of the terms of that ordinance or resolution.

### PURPOSE
The statutes that allow this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for HB 2377 (2017), "The policy purpose of this measure is to provide county and city governing bodies the ability to implement a targeted property tax exemption that encourages development of multiunit rental property that is rented to households with annual income at or below 120 percent of the area median thereby increasing the development, rehabilitation and, ultimately, the supply of workforce and low income housing units."

### WHO BENEFITS
Owners of multifamily housing projects benefit directly from reduction in taxes. The tenants of the housing benefit to the extent that below-market rate rental housing is available as a result.

### EVALUATION
*Provided by the Oregon Housing and Community Services Department*

The ability for local jurisdictions to provide incentives to develop housing affordable to income below 120% AMI is critical as the demand far outstrips supply in that income range. OHCS does not administer this program and therefore cannot speak to the utilization rate or ultimate success.

## 2.110 HOME SHARE PROGRAM LOW-INCOME HOUSING

**Oregon Law:** Ore. Laws 2019 c.566
**Sunset Date:** 01-01-2029 (new properties)
**Year Enacted:** 2019
**2023-24 Estimated Reduction in the Taxable Assessed Value:** Less than $1 million

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | Less than $100,000 | Less than $100,000 |
| 2025-27 | Less than $100,000 | Less than $100,000 |

### DESCRIPTION
A city or county may adopt an ordinance granting a property tax exemption to qualified properties renting rooms to tenants in home share programs. No more than 500 properties statewide may be granted the exemption in any property tax year. The available exemptions are divided among jurisdictions that have adopted a related ordinance proportionate to population.

In order to qualify an individual homeowner must rent space in their home to at least one tenant through a home share program. Qualifying tenants must have income that is no more than 60 percent of the area median income, or a lesser percentage determined by the city or county implementing the program. Home share programs are operated by cities, counties, nonprofits, and housing authorities.

Qualified properties continue to receive the exemption for the period established when the exemption is granted regardless of prospective changes to city or county ordinances.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for SB 1045 (2019): "This program is intended as a tool in assisting individuals to stay in their homes, and provide homes for the underhoused."

### WHO BENEFITS
Owners of individual residences renting a portion of their residence to low-income individuals.

### EVALUATION
*Provided by the Oregon Housing and Community Services Department*

If there is a lack of interest on the part of homeowners to taking on roommates through home share programs, then this seems like it could be an effective inducement to encourage participation. The overall impact to taxing jurisdictions

that rely on property taxes to supply their budgets seems relatively limited and, spread out over the entire state as it is, no one county or city would be disproportionately affected.

## 2.111 DISABLED VETERANS OR SURVIVING SPOUSES OF VETERANS

**Oregon Statute:** 307.250
**Sunset Date:** None
**Year Enacted:** 1921
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $1.2 billion

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $32,300,000 | $5,800,000 |
| 2025-27 | $35,000,000 | $6,300,000 |

### DESCRIPTION

Eligible veterans or surviving spouses may have a portion of their homestead or personal property's assessed value exempt from property taxes. To qualify as a disabled veteran, one must have disabilities of 40 percent or more as certified by the United States Department of Veterans Affairs or any branch of the United States Armed Forces. Alternatively, a veteran can be certified as having disabilities of 40 percent or more by a private licensed physician, however the veteran must have total gross income of not more than 185 percent of federal poverty guidelines.

A veteran's surviving spouse who has not remarried also qualifies for this exemption, even if the veteran had not been disabled.

For the initial year of the exemption, claims must be filed by April 1 or within 30 days of acquiring property between March 1 and June 30. Generally, for subsequent years where the ownership and use of the property have not changed, a new claim is not required.

For tax year 2024-25, the exemption amount is $25,537. For disabled veterans who have service-connected disabilities, the exemption amount increases to $30,646. These amounts increase by 3 percent each year.

The surviving spouse of a veteran who died due to service-connected injury or illness or qualified for the higher exemption amount for at least one year also qualifies for the higher exemption amount if they do not remarry.

Qualified nonprofit homes for the elderly as defined in a related expenditure, 2.112, Veterans in Nonprofit Elderly Housing, can claim this exemption for their eligible residents if they pass the tax benefit through to these residents in the form of lower rents. The revenue impacts reported here include those real property exemptions for eligible veterans or surviving spouses who live in these qualified nonprofit homes for the elderly.

### PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to recognize the service and sacrifices made by veterans for the country and to compensate veterans and their spouses for reductions in civilian earning capacity due to disabilities.

### WHO BENEFITS

For tax year 2023-24, counties reported that approximately 37,000 property tax accounts associated with eligible veterans or surviving spouses claimed this exemption.

### EVALUATION

*Provided by the Oregon Department of Veterans' Affairs*

This tax expenditure achieves its purpose by providing an additional income benefit to disabled veterans and surviving spouses of veterans. In many cases, if it were not for this benefit, the veteran or spouse may lose their home or become dependent on social assistance programs. This additional spendable income also helps the local economy.

The expenditure is fiscally effective. It allows disabled veterans and surviving spouses to remain independent and reduces their use of other social programs.

# 2.112 VETERANS IN NONPROFIT ELDERLY HOUSING

**Oregon Statute:** 307.370
**Sunset Date:** None
**Year Enacted:** 1969
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $10 million

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $300,000 | Less than $100,000 |
| 2025-27 | $300,000 | Less than $100,000 |

## DESCRIPTION

Personal property used in the operation of nonprofit homes for the elderly and attributable to veterans or their surviving spouses is exempt from property taxation. A claim for this exemption must be filed with the county assessor.

To qualify for this exemption:

- The home must be exclusively occupied and used in the operation of a nonprofit home for elderly persons.
- The home must receive at least 95 percent of its operating revenue (excluding investment income) from residents for living, medical, recreational, and social service costs.
- The home cannot allow any of its net earnings to benefit any private individual.
- The nonprofit corporation provides in its articles that, if the corporation is dissolved, any remaining assets revert to the state or to an exempt, religious, charitable, scientific, literary, or educational organization.

There are two related tax expenditures. An exemption for real property is included in expenditure 2.111, Disabled Veterans or Surviving Spouses of Veterans. Expenditure 2.127, Nonprofit Housing for the Elderly, allows these nonprofit homes the option of using a special assessment that generally results in lower assessed values and taxes on these properties.

## PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to extend veteran property tax exemption benefits to those not owning a home, but who are living in a nonprofit home for elderly persons. In addition, the personal property exemption is to encourage housing for the elderly.

## WHO BENEFITS

In tax year 2023-24, five counties reported 14 property tax accounts associated with nonprofit homes for the elderly claimed this exemption for their personal property.

## EVALUATION

*Provided by the Oregon Department of Veterans' Affairs*

This tax expenditure achieves its purpose by allowing disabled veterans and spouses who are living in nonprofit homes for the elderly to receive a rent reduction equivalent to the tax reduction for those who own their homes, as described in 2.111, Disabled Veterans or Surviving Spouses of Veterans. This benefit may allow disabled veterans and surviving spouses to remain independent and reduce their use of other social programs.

According to statute, each nonprofit corporation must provide information to the county assessor to show that the appropriate rent credit was given to each applicable resident.

## 2.113 WORKFORCE HOUSING

**Oregon Law:** Ore. Laws 2021 c.527
**Sunset Date:** 06-30-2032 (new exemptions)
**Year Enacted:** 2021
**2023-24 Estimated Reduction in the Taxable Assessed Value:** Less than $1 million

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | Less than $100,000 | Less than $100,000 |
| 2025-27 | Less than $100,000 | Less than $100,000 |

### DESCRIPTION

A county with a population less than 15,000 may exempt from property tax a limited number of newly constructed single-family homes if the owner has an annual adjusted gross income below limits that are adjusted for inflation. For 2024, the income limit was $84,480 for single filers and $162,960 for joint filers. A county must pass a workforce housing exemption law that sets the percentage of real market value to be exempt and determines for how long exemptions will be approved. The exemption can apply for three to five years. Each year, the county may approve up to five new eligible properties to receive this exemption. Properties that were approved in a previous year do not count against this limit.

For a property to receive the exemption, the owner must file an application and local taxing districts representing at least 51 percent of the taxes on the property must agree to the exemption, after which the exemption applies to the taxes of all districts. To continue receiving the exemption each year after receiving initial approval, the owner must file an application annually. If the initial application was approved before the sunset date, then the applicant can continue receiving the exemption for the duration of the period.

### PURPOSE

The law that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for HB 2438 (2021), the purpose of this provision is "...to encourage skilled labor migration to rural Oregon."

### WHO BENEFITS

Property owners who have new single family homes constructed in counties with a population less than 15,000. There are currently eight counties that could pass a workforce housing exemption law and use this exemption: Gilliam, Grant, Harney, Lake, Morrow, Sherman, Wallowa, and Wheeler.

### EVALUATION

*Provided by the Oregon Housing and Community Services Department*

The property tax exemption on single-family homes as established in the bill provides incentives for qualified builders and owners to invest and create housing opportunities for people that need to work in these counties. The availability of homes or lack of, can attract and keep teachers, health professionals, and other workers in these communities.

## 2.114 AFFORDABLE HOUSING COVENANT

**Oregon Statute:** 307.555
**Sunset Date:** None
**Year Enacted:** 2021
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $7.8 million

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $200,000 | Less than $100,000 |
| 2025-27 | $300,000 | Less than $100,000 |

### DESCRIPTION

Land burdened by an affordable housing covenant requiring long-term affordability and owned by an eligible covenant holder is exempt from taxation if the improvements on the land are owner-occupied housing, or if owner-occupied housing is going to be built on the land in the next 10 years.

For owner-occupied condominium units burdened with an affordable housing covenant, 27 percent of the assessed value is exempt from taxation.

An eligible covenant holder must be an agency of the United States government, a public benefit corporation or religious corporation, a consumer housing cooperative, a manufactured dwelling park nonprofit cooperative, or a federally recognized Indian tribe. An affordable housing covenant requires the land to be occupied by low- or moderate-income households. Long-term is defined as a term of no fewer than 99 years.

The legislation that enacted this tax expenditure specified that any sunset under ORS 315.037 does not apply.

### PURPOSE

The law that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for HB 3275 (2021), the purpose of this provision is "...to increase the supply of affordable housing in Oregon."

### WHO BENEFITS

Eligible covenant holders and the low- and moderate- income households who live on properties burdened with affordable housing covenants.

### EVALUATION

*Provided by the Oregon Housing and Community Services Department*

The partial exemption of tax liability ensures that the land is held for a long time to provide affordable housing opportunities for people. The long-term affordability ensures that the land is not converted to a different use such as commercial or industrial.

## 2.115 AFFORDABLE HOUSING PROJECTS RECEIVING GRANT

**Oregon Law:** Ore. Laws 2024 c.110
**Sunset Date:** 06-30-2031
**Year Enacted:** 2024 (SB 1537)
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $0

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | Not Yet Available | Not Yet Available |
| 2025-27 | Not Yet Available | Not Yet Available |

### DESCRIPTION

A partial property tax exemption is available to eligible moderate income housing projects (120 percent of the area median income or less) receiving grant money through a city or county that receives a loan from the Housing Project Revolving Loan Fund program administered by Oregon Housing and Community Services (OHCS). Grant money can be used to cover eligible costs, including infrastructure and system development charges, predevelopment costs, construction costs, and land write-downs. The housing developed through this program must be available to households that meet the income requirement.

Because the legislation enacting this statute did not explicitly provide a period of applicability for this tax expenditure, ORS 315.037(3) established that this exemption shall apply for a maximum of six years beginning with the initial applicable tax year. In this case, the last applicable tax year is 2030-31.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for SB 1537 (2024), the purpose of this exemption "…is to reduce barriers to affordable housing production."

### WHO BENEFITS
Developers of moderate income housing projects receiving the funding. The program includes both muti-family development and homeownership.

### IN LIEU
Owners of these developments pay a fee in lieu of taxes to the sponsoring jurisdiction to repay the OHCS loan.

### EVALUATION
*Provided by the Oregon Housing and Community Services Department*

This resource has not yet been made available, so we are not yet able to evaluate its impact.

## 2.116 ALTERNATIVE ENERGY SYSTEMS

**Oregon Statute:** 307.175
**Sunset Date:** 07-01-2029
**Year Enacted:** 1975
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $440 million

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $13,500,000 | $3,100,000 |
| 2025-27 | $14,700,000 | $3,400,000 |

### DESCRIPTION
Solar, geothermal, wind, water, fuel cell, or methane gas energy systems used for heating, cooling, or generating electricity are exempt from property tax. To qualify, the system must be a net metering facility or a system primarily designed to offset onsite electricity use. The proportion of a community solar project that is owned by residential customers or leased by residential subscribers is also exempt from property tax. Additional value added to the underlying property because of the existence of the alternative energy system is exempt. No application is required.

Legislation in 2022 (SB 1519) broadened the exemption to include a proportion of community solar projects and extended the sunset to July 1, 2029. Legislation in 2023 (HB 2080) removes references to proportion of community solar project owned and leased by residential subscribers.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to encourage the use of alternative sources of energy. The revenue impact statement prepared for SB 1519 in 2022 stated that the policy purpose of the additional exemption on community solar projects was "to encourage the development of renewable energy for residential customers that do not have access to individual rooftop solar."

### WHO BENEFITS
For property tax year 2023-24, counties reported that approximately 11,300 properties received this exemption.

### EVALUATION
*Provided by the Oregon Department of Energy*

It is difficult to measure the impact the tax exemption has made on the number of households and businesses installing equipment that uses solar, wind, hydro, or geothermal energy. In prior years the predominant incentives that have encouraged such installations have been the tax credits for 1.434, Alternative Energy Devices (Residential) available under the income tax, which sunset after tax year 2017, and 1.436, Energy Conservation Projects within the Energy Incentive Program, which was a grant program funded by tax credit auctions that ended in 2017; these credits were

also applicable to income taxes. The remaining incentives with outstanding income tax credits are 1.436, Energy Conservation Projects, sunset 2017, and 1.433, Transportation Projects, sunset 2017. The property tax exemption may work in tandem with the Rooftop Solar & Storage Rebate Program authorized by the legislature in HB 2618 in the 2019 session and expanded in 2021 by HB 5006, in 2022 by HB 5202, and in 2023 by SB 5506. Without the exemption, homeowners and businesses might hesitate to invest in a system that would increase their assessed valuation.

## 2.117 POLLUTION CONTROL FACILITIES

**Oregon Statute:** 307.405
**Sunset Date:** 12-31-2007 (for new certifications)
**Year Enacted:** 1967
**2023-24 Estimated Reduction in the Taxable Assessed Value:** Less than $1 million

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | Less than $100,000 | Less than $100,000 |
| 2025-27 | Less than $100,000 | Less than $100,000 |

### DESCRIPTION

A pollution control facility owned or leased by a cooperative or nonprofit corporation and used in connection with its trade or business was eligible for a property tax exemption. The last day that a pollution control facility could be certified to receive this exemption was December 31, 2007, however this exemption lasts up to 20 years from the date of certification. The Environmental Quality Commission certified the facility cost and the exemption percentage

A pollution control facility was any land, structure, machinery, equipment, or device that prevented, controlled, or reduced air, water, noise, or nonpoint source pollution, solid or hazardous waste, or recycled or disposed of used oil. In most cases, the percentage allocable to pollution control depended on whether the owner earned any income from the facility. Thus, if a pollution control facility, in addition to reducing pollution, had some useful end product, then only a portion of the construction of the facility might be allocated to pollution control.

The program provided an incentive to cooperatives and nonprofits for installing pollution control facilities not required under current law, defined as “sole purpose facilities.” The program also compensated cooperatives and nonprofits for installing facilities required by the Department of Environmental Quality or by the U.S. Environmental Protection Agency, defined as “principal purpose facilities.”

This exemption was a companion to the Pollution Control income tax credit. For-profit companies were eligible for the income tax credit, while nonprofits and cooperatives were eligible for the property tax exemption.

### PURPOSE

To “assist in the prevention, control and reduction of air, water and noise pollution and solid waste, hazardous wastes and used oil in this state by providing tax relief...” (ORS 468.160).

### WHO BENEFITS

In 2023-24, Tillamook County reported a single property tax account using this exemption.

### EVALUATION

Not evaluated.

# 2.118 WATERCRAFT CENTRALLY ASSESSED

**Oregon Statute:** 308.515(3)(a-c)
**Sunset Date:** None
**Year Enacted:** 1925
**2023-24 Estimated Reduction in the Taxable Assessed Value:** Not Available*

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | Not Available* | Not Available* |
| 2025-27 | Not Available* | Not Available* |

** In certain cases, to conform with taxpayer privacy disclosure laws, revenue numbers are not provided for tax expenditures that may affect at most a few taxpayers. This includes tax expenditures that do not currently affect any Oregon taxpayer, but could at a later date.*

## DESCRIPTION

Certain types of watercraft that would otherwise be centrally assessed are excluded from such assessment and are therefore exempt from taxation. The Department of Revenue is responsible for making a central assessment of designated types of companies and utilities for property tax purposes. Watercraft (such as barges, tugboats, and excursion boats) of water transportation companies involved in transportation of people or goods on inland waters, including border rivers and coastal bays, are centrally assessed for property taxation by the Department of Revenue. Also, the department assesses watercraft of centrally assessed utilities.

Properties exempt from central assessment and taxation include:

- Watercraft of water transportation companies used on the high seas or outside Oregon. Trips between inland ports and high seas are treated as high seas use.
- Property used by or for water transportation companies exclusively for hire by other persons for booming and rafting, dredging, log or marine salvage, ship berthing, maintenance, sludge removal, cleaning or repair, marine or water-based construction, or guide service.
- Interstate ferries.

A related provision, 2.139, Watercraft Locally Assessed, allows for the exemption or special assessment of some other types of commercial watercraft.

## PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to apportion to Oregon the taxable value of watercraft based on their use in Oregon.

## WHO BENEFITS

Few water transportation companies have property that qualifies for the exemption.

## EVALUATION

Not evaluated.

## 2.119 AIRCRAFT UNDER 75,000 POUNDS OWNED BY AIR TRANSPORTATION COMPANIES

**Oregon Statute:** 308.565(5)
**Sunset Date:** None
**Year Enacted:** 1987
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $7.5 million

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $200,000 | Less than $100,000 |
| 2025-27 | $200,000 | Less than $100,000 |

### DESCRIPTION

Aircraft that weigh less than 75,000 pounds and are owned by air transportation companies are taxed on only 60 percent of the value which would have otherwise been assigned for property taxation. Transportation company aircraft weighing 75,000 pounds or more are fully taxable and are centrally assessed by the Department of Revenue in proportion to the company's business in Oregon.

Aircraft not owned by air transportation companies are described in 2.066, Foreign-Owned Aircraft and Aircraft Not Owned by Air Transportation Companies.

### PURPOSE

The statute that allows this expenditure do not explicitly state a purpose. Presumably, the purpose is to provide a favorable business climate for air transportation companies that own relatively light-weight aircraft.

### WHO BENEFITS

For the 2023–24 property tax year, few air transportation companies owned aircraft under 75,000 pounds and benefited from this exemption.

### EVALUATION

Not evaluated.

## 2.120 HOMESTEAD EXEMPTION FOR ACTIVE DUTY MILITARY

**Oregon Statute:** 307.286
**Sunset Date:** None
**Year Enacted:** 2005
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $3.0 million

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $100,000 | Less than $100,000 |
| 2025-27 | $100,000 | Less than $100,000 |

### DESCRIPTION

Oregon residents who are serving in the Oregon National Guard, military reserve forces, or organized militia of any other state may apply for an Oregon property tax exemption on their homestead up to a specified amount of assessed value if:

- The resident serves on active duty under Title 10 of the United States Code or is deployed under the Emergency Management Assistance Compact for at least one day of the tax year (July 1 through June 30) claimed.

- The resident serves at least 178 consecutive days on active duty, regardless of the location of service, and
- Application is made to the county assessor by August 1 following the end of the tax year for which the exemption is claimed.

In tax year 2024-25, the maximum exemption is $108,367. The allowable amount of exemption increases by three percent per year.

If the qualified service member dies while performing the service, the person occupying the service member's home may file for the exemption, even if the service member died before completing the minimum number of service days.

When a property is disqualified or stops receiving an exemption, the property's maximum assessed value is reset as required by the Oregon Constitution. While this is true for all property tax exemptions and special assessments, this can have a particularly noticeable impact for recipients of this exemption, which may last only a single year. In some cases, a taxpayer's taxes the year after receiving this exemption may be higher than they would have been if they did not receive this exemption.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to assist Oregon households where a member has been called away from home to active military service during the year.

### WHO BENEFITS
Members of the Oregon National Guard, Armed Forces Reserves, or organized militia who are homeowners and who spend extended periods on federal active duty service during the tax year. Members of their households may also benefit from this expenditure.

### EVALUATION
*Provided by the Oregon Military Department*

This tax expenditure alleviates property tax burdens for members of the Oregon National Guard and Reserve members of the United States Armed Forces who are deployed on federal active duty for 178 days or more. The direct recipients are the service members and their families, who often are impacted financially and emotionally during long deployments. It serves as valuable acknowledgement of the sacrifices service members and their families make in honored service to the nation.

## 2.121 SURVIVING SPOUSE OF PUBLIC SAFETY OFFICER

**Oregon Statute:** 307.295
**Sunset Date:** 06-30-2032
**Year Enacted:** 2016
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $1.4 million

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | Less than $100,000 | Less than $100,000 |
| 2025-27 | Less than $100,000 | Less than $100,000 |

### DESCRIPTION
Oregon counties may, by ordinance or resolution, allow an exemption of up to $250,000 of assessed value of the homestead of a surviving spouse of a fire service professional, police officer, or reserve officer killed in the line of duty. A homestead is defined as the owner-occupied principal dwelling, either real or personal property, owned by a surviving spouse and the tax lot upon which the dwelling is located. A surviving spouse seeking the exemption must file an application with the county assessor on or before April 1 preceding the property tax year for which the exemption is sought. To qualify for the exemption, the surviving spouse must not remarry.

Legislation in 2023 (HB 2080) extended the scheduled sunset of the provision from June 30, 2025 to June 30, 2032.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for HB 2080 (2023), "… the purpose of this measure is to allow counties to extend tax exemption for police, firefighters, and their families and to extend similar support to first responders."

### WHO BENEFITS
The surviving spouses of fire service professionals, police officers, or reserve officers killed in the line of duty. Roughly ten people benefit from this exemption.

### EVALUATION
*Provided by the Oregon Military Department*

This tax expenditure may impact wildland firefighting personnel employed by the Oregon Military Department. The Oregon Military Department employs multiple full time and seasonal Wildland Fire Fighters to support fire suppression missions at our training sites across the state, and who provide support to the Department of Forestry in their wildland firefighting mission. On an as needed basis we also activate several hundred members of the Oregon National Guard into a State Active Duty Status, making them temporary state employees, to support the Department of Forestry in their wildland firefighting mission. These personnel act as Type 2 Wildland Firefighters and are trained by the Department of Public Safety Standards and Training. This expenditure serves as valuable acknowledgement of the sacrifices firefighters and their families make in service to the state.

## 2.122 SEISMIC UPGRADES

**Oregon Law:** Ore. Laws 2017 c.537
**Sunset Date:** 12-31-2027 (for new certifications)
**Year Enacted:** 2017
**2023-24 Estimated Reduction in the Taxable Assessed Value:** Less than $1 million

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | Less than $100,000 | Less than $100,000 |
| 2025-27 | Less than $100,000 | Less than $100,000 |

### DESCRIPTION
A city or county may adopt an ordinance or resolution providing full or partial exemption from property tax for eligible property that will be seismically retrofitted. The ordinance or resolution adopted must specify the period, not to exceed 15 years, for which the exemption may be granted. The local ordinance does not become effective unless the districts representing at least 75 percent of the property taxes within the territory of the city or county agree to the property tax incentive program.

Eligible property is improvements built before January 1, 1993 that constitute a commercial, industrial, or multifamily building. Eligible costs include but are not limited to all costs directly related to structural seismic retrofitting, including the necessary costs of demolition and restoration of similar architectural finishes, electrical systems, plumbing and mechanical systems. Also eligible are costs for architectural and engineering fees and fees for testing, insurance and project management related to the seismic retrofitting. Eligible costs are reduced by amounts of local, state, and federal financial incentives received for the seismic retrofitting, exclusive of this property tax exemption.

Property subject to central assessment under ORS 308.505 to 308.674 and state-appraised industrial property under 306.126 are not eligible for the exemption. Costs that are not eligible include, but are not limited to, costs associated with refurbishing or remodeling that are intended to enhance the aesthetics, functionality or marketability of the improvements but do not extend the seismic life safety of the improvements. Also not eligible are costs for abatement of hazardous materials, including but not limited to asbestos, or for relocation or loss of rent during the seismic retrofitting.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. According to legislative staff revenue impact statement for SB 311 (2017), the purpose of this provision "is to provide authority to cities and counties to design and implement property tax exemption programs intended to partially or fully offset the costs related to seismically retrofitting commercial, industrial, or multifamily buildings, thereby mitigating potential loses to life and property resulting from a Great Cascadia Subduction Zone earthquake."

### WHO BENEFITS
Owners of properties that are seismically upgraded. Counties report that very few properties have received this exemption since its inception.

### EVALUATION
*Provided by the Oregon Department of Emergency Management*

Due to the high likelihood that a Cascadia Subduction Zone earthquake would result in building structural failures on a massive scale along the western side of the state, the Department of Emergency Management is supportive of implementation and continuation of a property tax incentive that enables businesses and property owners to seismically retrofit commercial, industrial or multifamily buildings.

## 2.123 RAILROAD RIGHT OF WAY IN WATER DISTRICT

**Oregon Statute:** 264.110
**Sunset Date:** None
**Year Enacted:** 1943
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $22 million

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | Less than $100,000 | Less than $100,000 |
| 2025-27 | Less than $100,000 | Less than $100,000 |

### DESCRIPTION
Railroad rights of way, improvements, and rolling stock are exempt from property tax imposed by any water supply district that was formed after June 9, 1943.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to avoid taxing a property that would not significantly benefit from a water district's services.

### WHO BENEFITS
Railroad companies that might otherwise be considered to have property located within the boundaries of water supply districts.

### EVALUATION
Not evaluated.

## 2.124 RAILROAD RIGHT OF WAY IN HIGHWAY LIGHTING DISTRICT

**Oregon Statute:** 372.190
**Sunset Date:** None
**Year Enacted:** 1947
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $1.0 million

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | Less than $100,000 | Less than $100,000 |
| 2025-27 | Less than $100,000 | Less than $100,000 |

### DESCRIPTION
Railroad rights of way are exempt from property tax imposed by a highway lighting district unless the right of way is at a grade crossing. A highway is defined as any road or way open to public travel.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to avoid taxing a property that would not significantly benefit from a lighting district's services.

### WHO BENEFITS
Railroad companies that have property in highway lighting districts. Highway lighting districts collect a very small amount of tax.

### EVALUATION
Not evaluated.

## 2.125 RAILROAD RIGHT OF WAY IN RURAL FIRE DISTRICT

**Oregon Statute:** 478.010(2)(d)
**Sunset Date:** None
**Year Enacted:** 1969
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $1.0 billion

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $3,800,000 | $200,000 |
| 2025-27 | $4,100,000 | $200,000 |

### DESCRIPTION
Railroad rights of way, improvements, and rolling stock are exempt from property tax imposed by a rural fire protection district unless the railroad consents to be taxed.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to avoid taxing a property that would not significantly benefit from a rural fire district.

### WHO BENEFITS
Railroad companies that might otherwise be considered to have property in fire districts.

### EVALUATION
Not evaluated.

# 2.126 USE-RESTRICTED MULTI-UNIT RENTAL HOUSING

**Oregon Statute:** 308.704
**Sunset Date:** None
**Year Enacted:** 2001
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $150 million

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $4,500,000 | $600,000 |
| 2025-27 | $5,000,000 | $700,000 |

## DESCRIPTION

Owners of multi-unit rental housing property that is limited by government restrictions on use may apply for special assessment of the property. The property must be residential, consist of four or more units, and not be an assisted living facility. The restrictions on use include restricting rents and qualifying tenants based on income which thereby allows the owner to take advantage of government incentive programs such as a federal low-income housing tax credit, a low interest or government guaranteed loan, or rent subsidies.

A property granted this special assessment may have the taxable special assessed value of the property calculated by using either of:

- An annual net operating income approach and a capitalization rate, or
- An adjustment of market value based on the ratio of the average rent of restricted income rental units to the average rent of similar units that do not have tenant income qualifications and limited rents.

## PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to establish common appraisal methods and tax treatment for multi-unit low-income rental housing complexes in a way that provides tax relief to compensate for the government-imposed restrictions on use of such properties.

## WHO BENEFITS

For property tax year 2023–24, almost all counties reported at least one property using this special assessment; statewide there are 636 property tax accounts receiving this special assessment.

## EVALUATION

*Provided by the Oregon Housing and Community Services Department*

This expenditure achieves its purpose. The community of affordable housing developers, consisting of both for-profit and nonprofit organizations, were experiencing economic hardships with the valuation of properties based on the cost of development. The restricted rental incomes of the affordable housing developments throughout the state did not generate enough cash flow to cover property taxes based on valuations related to cost of development. Owners of some newly created developments were forced to access operating reserves as a short-term gap to meet the additional property tax expenses. Without the relief offered through this special assessment, affordable housing developments were at risk of technical or actual default with their primary lenders. Without the relief, these same lenders would be less willing to underwrite new loans without additional subsidies from government entities thereby reducing the number of new affordable units that could be deployed.

The amount of loss identified assumes that the properties should have been assessed by other methods. Rather, OHCS believes that the more accurate evaluation may be the net income approach.

## 2.127 NONPROFIT HOUSING FOR THE ELDERLY

**Oregon Statute:** 308.490
**Sunset Date:** None
**Year Enacted:** 1969
**2023-24 Estimated Reduction in the Taxable Assessed Value:** Less than $1 million

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | Less than $100,000 | Less than $100,000 |
| 2025-27 | Less than $100,000 | Less than $100,000 |

### DESCRIPTION

The assessed value of a home for the elderly operated by a nonprofit corporation may only be calculated using certain appraisal methods. These methods should not take into account considerations of replacement cost, but rather consider:

- The amount of money for which the property may be exchanged in a reasonable period of time under conditions in which both parties to the exchange are able, willing, and reasonably well informed
- The gross income that reasonably could be expected from the property if leased or rented to the public generally, less annual operating expenses, reserves for replacements and insurance, depreciation, and taxes
- The relative supply and demand for similar properties
- The relative value of the location of the property.

Use of these considerations rather than replacement cost generally results in lower assessed values and taxes on these properties.

The nonprofit corporation must be organized and operated to provide permanent residential, recreational, and social facilities primarily for the elderly and receive 95 percent of its gross operating revenue from payments for housing, medical, and recreation services received in its facilities.

### PURPOSE

The statutory policy is to recognize "… benefits inherent in operation of these homes, especially in the housing and care furnished to elderly persons for whom this state and its political subdivisions otherwise might be responsible" (ORS 308.490(1))

### WHO BENEFITS

In tax year 2023–24, four counties reported that 18 property tax accounts benefitted from this special assessment.

### EVALUATION

Not evaluated.

## 2.128 HOMES REBUILT AFTER 2020 WILDFIRES

**Oregon Law:** Ore. Laws 2024 c.94
**Sunset Date:** None
**Year Enacted:** 2024 (SB 1545)
**2023-24 Estimated Reduction in the Taxable Assessed Value:** Not Available

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | Not Available | Not Available |
| 2025-27 | Not Available | Not Available |

### DESCRIPTION

Oregon counties may elect to allow homesteads rebuilt to replace a homestead destroyed by a wildfire in September 2020 to be specially assessed if:

- The homestead is in a county that was covered by a state of emergency declared in response to the wildfire, and
- It is constructed on the same lot by the same owner as the destroyed homestead.

The special assessment only applies to the new property to the extent that the square footage of the new homestead is not larger than the destroyed homestead. Any portion of the new homestead that exceeds the square footage of the destroyed homestead is assessed and taxed normally.

For the first year of special assessment, the taxable value of the eligible property is the real market value of the property from tax year 2020-21—prior to the wildfires—multiplied by the maximum assessed value the property would have had if not eligible for the exemption in the applicable property tax year divided by the real market value of the property in the applicable property tax year after rebuilding. The owner must file a claim by December 31, 2025 if the initial year of the special assessment is before the 2025-26 tax year, or otherwise between January 1 and April 1 to initially receive this special assessment for the following tax year. In subsequent years, the owner must attest that they will continue to occupy the homestead for the following year to continue receiving the special assessment.

The property continues to receive this special assessment until:

- The owner no longer occupies the homestead, except when required to be absent by reason of health or active military service,
- The homestead is rented to another person for any duration, or
- The homestead is transferred to new ownership.

The legislation that enacted this tax expenditure specified that any sunset under ORS 315.037 does not apply.

### PURPOSE

The legislation creating this special assessment does not explicitly state a policy purpose. According to the legislative staff revenue impact statement for SB 1545 (2024), the purpose of this special assessment is "to provide property tax relief to those that had their homesteads destroyed in the September 2020 wildfires and have rebuilt the homestead on the same lot."

### WHO BENEFITS

Homeowners whose homes were destroyed by wildfires in September 2020.

### EVALUATION

Not evaluated.

## 2.129 FARMLAND

**Oregon Statute:** 308A.062, 308A.068, and 308A.128
**Sunset Date:** None
**Year Enacted:** 1967
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $18 billion

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $411,000,000 | $60,000,000 |
| 2025-27 | $448,000,000 | $65,300,000 |

## DESCRIPTION

Land used exclusively for farming may be specially assessed at its value for farm use instead of its highest and best use value.

Farm use value is determined using the income approach. Under this approach, farmland value is based on the farmland's potential ability to generate farm income. Farmland is categorized into one of seven classifications related to soil quality. Farmland value is then established on a per acre basis for each class of land. Similarly classified farmland can be valued differently depending on the value zone (based on such variables as rainfall, expected frost days, and distance to market) the farmland resides within. This value is converted to present value using the local property tax rate plus the five-year average interest rate charged by the Federal Farm Credit Bank on loans for Oregon farm properties.

Farm activity must involve the use of the land for crops, livestock, poultry, fur bearing animals, honeybees, dairies, animal husbandry, aquatic species, or cultured Christmas trees. Farm use land may also include a woodlot of 20 acres or less, wasteland, land under farm buildings, and ponds. In 2009, the Oregon Legislature expanded the definition of farm use and farmland to include land subject to or in the process of implementing a remediation plan. Remediation plans are certified by the Oregon State University Extension Service and are plans to remediate or mitigate severe adverse conditions on farmland. The farmer must intend to make a profit, with an exception for donations to food banks or schools, using accepted farming practices.

There are two farm use special assessment categories: farmland inside an exclusive farm use (EFU) zone and farmland in a nonexclusive (non-EFU) zone. The farm use value of EFU and non-EFU farmland is determined the same way. However, the eligibility and disqualification procedures are different.

Special assessment of EFU farmland does not require an application if the land is in a qualifying farm use. EFU farmland is disqualified if it is not being farmed in a qualifying farm use, the land is approved for nonfarm dwelling under ORS Chapter 215, or the land is rezoned to a non-EFU zone.

An application must be filed for special assessment of non-EFU zoned farmland. There are two tests for qualification in a non-EFU zone, farm use and gross income. Farm use must have occurred in the current year and the two years prior. Gross income from farm use is required in three of the last five non-flood, non-drought, or non-farmer illness calendar years. For farms of 6.5 acres or less, the minimum gross income is $650; for farms of more than 6.5 acres, but less than 30 acres, the minimum income required is at least equal to the product of $100 times the number of acres; and for farms of 30 acres or more, the income requirement is $3,000. When land is disqualified, it may be assessed at current market value and an additional tax may be imposed.

Additionally, Oregon statute (ORS 308A.128) exempts land that is qualified for special assessment as EFU farmland from the assessments and property taxes of certain sanitary and water supply districts or authorities.

## PURPOSE

"The Legislative Assembly recognizes that agriculture and related land uses contribute significantly to Oregon's character and economy. The Legislative Assembly finds that providing the means for agriculture to continue and prosper is in the interest of all citizens of this state, who benefit directly or indirectly from agriculture production and stewardship of farmlands and ranchlands. Valuation of farm properties based upon the market data from sales for investment or other purposes not connected with bona fide farm use encourages the conversion of agriculture land to other uses. The identification of agricultural land for farm use, as provided by law, substantially limits alternative use of such land and justifies the valuation of that land based on its agricultural production capability. Therefore, it is the declared intent of the Legislative Assembly that bona fide farm properties be assessed for ad valorem property tax purposes at a value that is exclusive of values attributable to urban influences of speculative purposes" (ORS 308A.050).

## WHO BENEFITS

Owners of farmland benefit directly. In tax year 2023–24, approximately 15.4 million acres of land were assessed at farm use value as reported by counties. Fifteen percent of the acreage is in Western Oregon and 85 percent is in Eastern Oregon.

### EVALUATION

*Provided by the Department of Land Conservation and Development*

Special farm use assessment is a key component of farm financial stability. Special assessment provides an essential incentive that helps preserve the maximum amount of farmland in large blocks in accordance with Oregon's Agricultural Land Use Policy (see ORS 215.243). Zoning limits development opportunities in exclusive farm use zones so the incentives provided by special assessment are critical to preventing conversion of farmland to other uses.

The effective protection of agricultural land requires well-coordinated special assessment and land use programs.

Special assessment shifts the burden of funding public services onto other community residents and businesses that do not have special assessments. However, farm use provides a variety of benefits to the entire state including a supply of locally grown food, employment opportunities, financial opportunities for agricultural processors and other value-added businesses, carbon sequestration, and protection of habitat and scenic values.

The special farm use assessment program can conflict with other aspects of Oregon's land use programs. Inside urban growth boundaries (UGBs) it can discourage timely development by lowering an owner's holding costs and tying up land that is otherwise planned for urban development. This can put pressure on cities to expand their UGBs onto rural EFU lands when existing farmland inside the UGB is withheld from development.

## 2.130 FARM HOMESITES

**Oregon Statute:** 308A.253
**Sunset Date:** None
**Year Enacted:** 1987
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $1.1 billion

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $26,300,000 | $4,800,000 |
| 2025-27 | $29,300,000 | $5,300,000 |

### DESCRIPTION

A farm homesite being used in conjunction with specially assessed farmland has a special assessed property value. "Homesite" means land including all tangible improvements to the land under and adjacent to a dwelling and other structures, customarily provided in conjunction with the dwelling. It does not include the value of dwellings or structures built on the land.

Farm homesites in nonexclusive farm use (non-EFU) zones qualify for special assessment only if the farmland was operated as a part of a farm unit that produced more than one-half of the adjusted gross income of the owner or owners in the year prior to application and each subsequent year the special assessment is desired. Farm homesites in exclusive farm use zones are not subject to the aforementioned income requirements. Because of the non-EFU income requirements, few specially assessed homesites are in these areas.

The homesite specially assessed value is calculated as the average per acre real market value, as defined in ORS 308.205, for the contiguous bare farmland under the same ownership plus up to $4,000 for land improvements. Land improvements would include a well and septic system necessary for a homesite. If disqualified, no additional tax is imposed unless the homesite is established as a nonfarm dwelling under ORS 215.236.

### PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to extend the benefit of specially assessed farmland to farm homesites. See purpose for 2.129, Farmland.

### WHO BENEFITS

For tax year 2023-24, 31 counties reported approximately 39,000 property tax accounts.

### EVALUATION

*Provided by the Department of Land Conservation and Development*

Farm homesites are required to be used in conjunction with a farm operation. From a land use perspective, within exclusive farm use zones, farm homesites allowable when used to house people who are primarily engaged in farm operations on the property**.** Extending special farm assessments to farm homesites reinforces the effects of special assessment for 2.129, Farmland.

## 2.131 HISTORIC PROPERTY

**Oregon Statute:** 358.505
**Sunset Date:** 06-30-2024 (application deadline)
**Year Enacted:** 1975
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $110 million

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $3,300,000 | $1,000,000 |
| 2025-27 | $2,400,000 | $700,000 |

### DESCRIPTION

Historic properties can be specially assessed for 10 years. The last date that new properties could be accepted for the Special Assessment Property Tax Program for Historic Properties was June 30, 2024. For qualifying properties, the assessed value cannot exceed the real market value at the time of application; increased value from improvements is exempt for 10 years. In the first year of the special assessment the assessed value is generally similar to the assessed value at the time of the application. Applications for special assessment must be reviewed by the State Historic Preservation Officer. Applicants must pay a fee and file a plan for proposed rehabilitation and maintenance. Legislation in 2022 (HB 4054) extended the sunset for applications to June 30, 2024. As of the date of publication of this report, there has been no legislation to extend the sunset for applications beyond June 30, 2024.

Prior to the 2022 legislative changes, the assessed value of properties specially assessed under this statute was limited to the assessed value at the time of application, and the assessed value in the initial years of the special assessment was typically significantly lower than the assessed value at the time of application.

Property is removed from this special assessment at the end of the 10-year period but can qualify for a second 10-year period if reapplication is approved and the local government (city, or county if not located in a city) does not prohibit it (by resolution). Approval of reapplication requires plans for significant investment in seismic upgrades, energy conservation, or disability access. Following the second 10-year period, the property can no longer qualify.

If, during a special assessment term, the historic property is disqualified, either at the owner's request or from failure to meet the requirements, the tax savings from having a low value must be repaid. The additional tax and interest are equal to the sum of the tax benefit received for each year of special assessment as historic property. In addition, a penalty of 15 percent of the back taxes and interest owed is levied upon the disqualified property owner. However, if the property is destroyed or substantially altered by acts of nature or other events for which the owner is not responsible, or transferred to a tax-exempt owner, or transferred to a new owner who expressly assents to and continues to implement the preservation plan in effect, no additional tax or penalty is charged.

### PURPOSE

To "…maintain, preserve and rehabilitate properties of Oregon historical significance…" (ORS 358.475).

### WHO BENEFITS

In the tax year beginning July 1, 2024 there were 11 new and 147 total historic properties participating in the program. Of the 11 new participating properties, 6 were located within Multnomah County. Participating properties are in almost every county in the state, but they are concentrated along the Interstate 5 corridor. Properties in Multnomah County represent most of the total assessed value of all participating properties.

### EVALUATION
Not evaluated.

## 2.132 WILDLIFE HABITAT

**Oregon Statute:** 308A.415
**Sunset Date:** None
**Year Enacted:** 2003
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $87 million

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $2,000,000 | $300,000 |
| 2025-27 | $2,100,000 | $400,000 |

### DESCRIPTION
Owners of property that is clearly identifiable as containing significant wildlife habitat property or zoned as exclusive farm use, mixed farm and forest use, or forest use may apply to participate in a wildlife habitat conservation management plan. Application is made to the Department of Fish and Wildlife. By entering such a plan, the property owner receives the benefit of having the property valued as the farm or forest land special assessment without being required to meet all the farm or forest land special assessment qualifications. See 2.129, Farmland; 2.136, Western Private Forestland; or 2.137, Eastern Private Forestland, for information about these programs.

Wildlife habitat special assessment is only available in counties or cities that have requested to be in the program. Management plans must be developed in conjunction with a cooperating agency such as the Department of Fish and Wildlife, Soil and Water Conservation Districts, the Oregon State University Extension Service, or other natural resource agency or professional. The plans must be approved by the Department of Fish and Wildlife. Once approved, the land is assessed at either the farm use or forestland value. If land becomes disqualified, an additional tax may be imposed.

Once property is assessed under wildlife habitat special assessment, the property may roll back into the original farm or forest use special assessment without penalty if certain conditions are met. Likewise, farm or forest use specially assessed property may roll into the wildlife habitat special assessment without penalty for leaving the farm or forest use.

### PURPOSE
To encourage “the protection and preservation of wildlife resources ... by recognizing wildlife habitat conservation and management as a legitimate land use” (ORS 308A.403).

### WHO BENEFITS
The direct beneficiaries are landowners who voluntarily enter into a Wildlife Habitat Conservation and Management Program (WHCMP) approved by the Department of Fish and Wildlife. As of 2024, there are 385 landowners enrolled in the WHCMP program. Properties of these landowners are located in 15 counties.

### EVALUATION
*Provided by the Oregon Department of Fish and Wildlife*

In general, the department believes the program is a useful, voluntary conservation tool to help protect wildlife habitat. Private lands play an essential role in conservation of fish, wildlife, and habitat and there is broad interest among landowners to participate in conservation. The program helps to conserve important habitats such as oak woodland, streamside riparian areas, wetlands, among others. The program has historically seen a lot of interest from landowners and support from partners, such as the Soil and Water Conservation Districts. Counties and choose to opt in to the program. Counties that choose to opt out of the program cite reasons such as low interest from landowners, low suitability of available lands, and revenue constraints. Landowners found not in compliance with their approved Wildlife Habitat and Conservation Management Plan may be unenrolled from the program, and the department then notifies the county assessor. Counties can then either permit the property to roll back into a farm or forest use special assessment without penalty if certain conditions are met, or an additional tax may be imposed.

The program has been a useful tool for voluntary conservation, however the agency workload associated with administering the program has at times been unwieldy. When the WHCMP program was created, the language was prescriptive in obligating the department to review, monitor, and ensure compliance with the program but did not provide dedicated resources to the agency for the work. These prescriptive requirements and limited department capacity created barriers to implementation of the program and led to a pause in the program certain ODFW Watershed Districts. Given the high level of interest in the WHCMP program among conservation partners, in 2022 the department worked closely with partners and legislative sponsors to amend ORS 308A in a manner that would allow the WHCMP to re-open in paused areas and improve the functionality of the program overall. Included in the amended statute were the following updates:

- A better focus on conservation priorities by allowing ODFW to set enrollment criteria
- Removing barriers to program sustainability by changing the compliance burden on the agency's monitoring from 'shall' to 'may'
- Adding a landowner attestation of compliance when enrolling
- Moving to a complaint-based compliance framework rather than a monitoring-based framework, which we believe is more consistent with other deferral programs
- Provide more flexibly to partner with SWCDs and others on implementing elements of the program

In addition to the statutory changes, the department is also taking steps to streamline the simplify the landowner application process and expand the technical resources available to landowners to help them maintain compliance with the program. The department is currently undergoing rulemaking to revise OAR 635-430 to be in alignment with the revised statute (anticipated Fish and Wildlife Commission decision on August 9, 2024), and the department plans to re-open paused areas in a pilot-test approach beginning in early 2025.

There are several elements crucial to the success of the WHCMP program:

- Good communication between the department and counties,
- Strong participation from conservation organizations and cooperating agencies to ease the administrative burden for the department and assist landowners with their implementation responsibilities, and
- Commitment from enrolled landowners to implement their plans and good communication with the Department, the counties, and subsequent landowners who may inherit enrollment in the program.

## 2.133 CONSERVATION EASEMENTS

**Oregon Statute:** 308A.456
**Sunset Date:** None
**Year Enacted:** 2007
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $32 million

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $700,000 | $100,000 |
| 2025-27 | $700,000 | $100,000 |

### DESCRIPTION

Qualifying property owners can execute an easement on all or a portion of their property. The owner executes and records an easement on their property that exclusively commits that property for a designated conservation purpose. The easement is placed in the control of a qualifying public entity or other qualifying holder who is responsible for ensuring the property is managed consistent with the easement. Following certification to the county assessor, the property that is the subject of the easement is specially assessed depending on which special assessment it might

qualify for, either as forestland (2.136, Western Private Forestland or 2.137, Eastern Private Forestland) or as farmland (2.129, Farmland).

Failure to manage the land in accordance with the terms of the conservation easement can result in disqualification by the assessor. In the event of disqualification, an additional tax may be imposed.

### PURPOSE

"…retaining or protecting natural, scenic, or open space values of real property, ensuring its availability for agricultural, forest, recreational, or open space use, protecting natural resources, maintaining or enhancing air or water quality, or preserving the historical, architectural, archaeological, or cultural aspects of real property" (ORS 271.715).

### WHO BENEFITS

Landowners who set aside land for conservation and those already enrolled in other special assessment programs who wish to transfer land to this program without penalty. Counties reported that just over 300 property tax accounts in 14 counties received this special assessment in tax year 2023-24.

### EVALUATION

*Provided by the Oregon Department of Fish and Wildlife*

This program offers another advantage to holding land in conservation easements for landowners as they can get special assessments as farm or forest land and the accompanying tax benefits. As such, wildlife and fish benefit from the existence of more habitat on these private lands. The people of Oregon and visitors enjoy the experience of hunting, fishing, and viewing wildlife that is enhanced through the existence of more lands set aside for conservation. In areas where habitat is degraded, nearby conservation lands can be critical in maintaining species integrity.

## 2.134 OPEN SPACE LAND

**Oregon Statute:** 308A.315
**Sunset Date:** None
**Year Enacted:** 1971
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $48 million

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $1,100,000 | $200,000 |
| 2025-27 | $1,200,000 | $200,000 |

### DESCRIPTION

Open space land is specially assessed for property tax as though its current highest and best use is open space use rather than an alternative use. While the land benefits from the special assessment, improvements on open space land do not receive the special assessment and are valued normally.

Open space land is any land designated as open space in an official comprehensive land use plan or any land that, if preserved in its present use, would accomplish one of the following:

- Conserve and enhance natural or scenic resources
- Protect air, streams, or water supply
- Promote conservation of soils, wetlands, beaches, or tidal marshes
- Conserve landscaped areas, such as golf courses
- Enhance the value of neighboring parks, forests, wildlife preserves, or other open space
- Enhance recreation opportunities
- Preserve historic sites

- Promote orderly urban or suburban development
- Retain land in its natural state under conditions required by the legislative body granting the open space classification.

Open space land may be changed from one open space use to another without paying the additional tax. However, if land is withdrawn from open space classification, any tax benefits received from open space classification in previous years must be paid back plus 8 percent annual interest. The amount of the payback is based on the difference between the assessed value in an alternative use and open space value in the year of withdrawal and each year the land was specially assessed.

### PURPOSE

"The Legislative Assembly declares that it is in the best interest of this state to maintain, preserve, conserve and otherwise continue in existence adequate open space lands and their vegetation to assure continued public health by counteracting pollutants and to assure the use and enjoyment of natural resources and scenic beauty for the economic and social well-being of this state and its people. The Legislative Assembly further declares that it is in the public interest to prevent the forced conversion of open space lands to more intensive uses as the result of economic pressures caused by the assessment of those lands for purposes of property taxation at values incompatible with their preservation as open space lands, that assessment practices must be designed to permit the continued availability of open space lands for these purposes and that it is the intent of ORS 308A.300 to 308A.330 to so provide." (ORS 308A.303).

### WHO BENEFITS

County assessors reported that approximately 370 properties in 17 counties benefitted from this tax expenditure in tax year 2023-24.

### EVALUATION

*Provided by the Oregon Parks and Recreation Department*

This exemption appears to achieve its stated purpose by encouraging the preservation of open space and park land. Little information or resources exist to allow an in-depth quantitative evaluation of this program, but as a matter of public policy, it contributes to Oregon's quality of life and helps meet the needs of Oregon's growing population for open spaces, greenways, natural settings, and recreational facilities. In addition, the ecosystem services provided by open space in terms of flood protection, water filtration, groundwater recharge, carbon sequestration, protection of biodiversity, air quality enhancement, recreation opportunities and other services essential to the health and well-being of society represent a significant economic and social benefit to Oregonians. Many of these services are particularly important as Oregonians adapt to impacts of climate change. Similarly, the social and recreation benefits during the global COVID-19 pandemic, which allow Oregonians a diversity of opportunities to safely experience nature and outdoor activities unavailable in more developed urban and suburban areas, is significant. Finally, the program leverages public investment by encouraging land protection and management in partnership with nongovernment entities that also contribute to the public good.

## 2.135 FOREST HOMESITES

**Oregon Statute:** 308A.253
**Sunset Date:** None
**Year Enacted:** 1989
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $390 million

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $9,000,000 | $1,400,000 |
| 2025-27 | $9,700,000 | $1,500,000 |

### DESCRIPTION

A forest homesite used in conjunction with specially assessed forestland or highest and best use forestland may have a specially assessed property value. The homesites are adjacent to forestland under the same ownership, most of which is participating in one of the following special assessments: 2.136, Western Private Forestland, 2.137, Eastern Private Forestland, or 2.138, Small Tract Forestland Option. "Homesite" means land including all tangible improvements to the land under and adjacent to a dwelling and other structures, customarily provided in conjunction with the dwelling. It does not include the value of the home built on the land which is assessed the same as any other house.

A forest homesite used in conjunction with growing and harvesting trees must be on a parcel of more than 10 acres of highest and best use or designated forestland. The homesite specially assessed value is the value of one acre, calculated as the average real market value for all contiguous bare forestland (on a per acre basis) under the same ownership, plus up to $4,000 for land improvements. Land improvements include a well and septic system necessary for a homesite.

### PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to encourage growing and harvesting trees on forestland.

### WHO BENEFITS

For 2023–24, counties reported approximately 12,570 property tax accounts with forest homesites.

### EVALUATION

*Provided by the Oregon Department of Forestry*

Extending special forest assessments to forest homesites reinforces the effects of special assessments for forestland.

## 2.136 WESTERN PRIVATE FORESTLAND

**Oregon Statute:** 321.354
**Sunset Date:** None
**Year Enacted:** 1977
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $5.9 billion

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $134,000,000 | $23,600,000 |
| 2025-27 | $144,000,000 | $25,400,000 |

### DESCRIPTION

Forestland is considered either: 1) highest and best use forestland or 2) designated forestland which is specially assessed. Value is determined for these specially assessed properties by the potential of the land to grow timber. Each acre of land is assigned one of eight productivity classes based on the rate of growth of standing timber or the potential to grow timber. Western Oregon includes Benton, Clackamas, Clatsop, Columbia, Coos, Curry, Douglas, Hood River, Jackson, Josephine, Lane, Lincoln, Linn, Marion, Multnomah, Polk, Tillamook, Washington, and Yamhill counties.

Counties identify the highest and best use forestland within their county. Highest and best use forestland is defined as land whose best, most economically productive use is to grow timber and other forest products. For these lands, the special assessment value equals the real market value. Therefore, there is no tax expenditure associated with them.

Designated forestland properties have a highest and best use as something other than forest use but are valued as if the land's highest and best use was forestland. The owners of these properties have applied to the county for special designation as forestland. The application contains a signed statement that the owner intends to use this property for the primary purpose of growing and harvesting trees. Lands that do not continue to meet the requirements of this program will be disqualified and be required to repay up to five years' worth of tax based on the difference between the tax calculated at the property's specially assessed value and what would have been calculated using the property's highest and best use value.

Small forestland owners (those who own 10 to 4,999 acres of forestland) have the option of participating in the program described in 2.138, Small Tract Forestland Option.

### PURPOSE
According to ORS 321.262, the stated purposes of this expenditure are encouraging the growing and harvesting of timber, promoting the continuous production of forest products from private forestlands, and encouraging forestry and the restocking of forestlands to provide present and future benefits by enhancing the water supply, preventing erosion, providing habitat for wildlife, providing scenic and recreational opportunities, and providing for needed products.

### WHO BENEFITS
Owners of designated forestland property. There are approximately 2.6 million acres of designated private forestland (specially assessed) in Western Oregon.

### EVALUATION
*Provided by the Oregon Department of Forestry*

The program encourages retention of forestland for forest use. Owners must meet stocking standards of the Forest Practices Act or have a management plan to meet requirements. Owners pay assessment based on 100 percent of the value of land as forestland, so no severance tax is due at harvest.

Forestland owners delay timber harvests for an indeterminate period. During this period, noncommercial values that accrue to the public are maintained and increased, notably wildlife habitat, clean air, clean water, carbon sequestration, visual quality, etc.

## 2.137 EASTERN PRIVATE FORESTLAND

**Oregon Statute:** 321.833
**Sunset Date:** None
**Year Enacted:** 1971
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $620 million

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $14,700,000 | $1,300,000 |
| 2025-27 | $15,900,000 | $1,400,000 |

### DESCRIPTION
Forestland is considered either: 1) highest and best use forestland or 2) designated forestland which is specially assessed. Value is determined for these specially assessed properties by the potential of the land to grow timber. Each acre of land in the state is assigned one of eight productivity classes based on the rate of growth of standing timber or the potential to grow timber; by statute forestland in eastern Oregon is assigned the lowest productivity class. Eastern Oregon includes Baker, Crook, Deschutes, Gilliam, Grant, Harney, Jefferson, Klamath, Lake, Malheur, Morrow, Sherman, Umatilla, Union, Wallowa, Wasco, and Wheeler counties.

Counties identify the highest and best use forestland within their county. Highest and best use forestland is defined as land whose best, most economically productive use is to grow timber and other forest products. For these lands, the special assessment value equals the real market value. Therefore, there is no tax expenditure associated with them.

Designated forestland properties have a highest and best use as something other than forest use but are valued as if the land's highest and best use was forestland. The owners of these properties have applied to the county for special designation as forestland. The application contains a signed statement that the owner intends to use this property for the primary purpose of growing and harvesting trees. Lands that do not continue to meet the requirements of this program will be disqualified and be required to repay up to five years worth of tax based on the difference between the tax calculated at the property's specially assessed value and what would have been calculated using the property's highest and best use value.

Small forestland owners (those who own 10 to 4,999 acres of forestland) have the option of participating in the program described in 2.138, Small Tract Forestland Option.

### PURPOSE
According to ORS 321.262, the stated purposes of this expenditure are encouraging the growing and harvesting of timber, promoting the continuous production of forest products from private forestlands, and encouraging forestry and the restocking of forestlands to provide present and future benefits by enhancing the water supply, preventing erosion, providing habitat for wildlife, providing scenic and recreational opportunities, and providing for needed products.

### WHO BENEFITS
Owners of designated forestland property. There are approximately 1.2 million acres of designated private forestland (specially assessed) in Eastern Oregon.

### EVALUATION
*Provided by the Oregon Department of Forestry*

The program encourages retention of forestland for forest use. Owners must meet stocking standards of the Forest Practices Act or have a management plan to meet requirements. Owners pay assessments based on 100 percent of the value of land as forestland, so no severance tax is due at harvest.

Forestland owners delay timber harvests for an indeterminate period. During this period, noncommercial values, which accrue to the public, are maintained and increased, notably wildlife habitat, clean air, clean water, carbon sequestration, visual quality, etc.

## 2.138 SMALL TRACT FORESTLAND OPTION

**Oregon Statute:** 321.722
**Sunset Date:** None
**Year Enacted:** 2003
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $1.3 billion

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $29,900,000 | $5,900,000 |
| 2025-27 | $36,700,000 | $6,900,000 |

### DESCRIPTION
Owners of 10 to 4,999 acres of Oregon forestland are provided the option of:

- Having their land specially assessed under 2.136, Western Private Forestland, or 2.137, Eastern Private Forestland, or
- Participating in the Small Tract Forestland Program. Under this program, forestland receives a specially assessed value equal to 20 percent of the specially assessed forestland value that designated forestland receives. When the timber is harvested, participants pay a severance tax.

This expenditure relates to the special assessment of the Small Tract Forestland Program.

### PURPOSE
"The Legislative Assembly declares the purposes of the small tract forestland tax option program established under ORS 321.700 to 321.754 are to:

(a) Impose property taxes on forestland values that are annually determined and adjusted as described in ORS 321.201 to 321.222 and then specially assessed; and

(b) Impose a severance tax on the harvesting of timber from small tract forestland in order to:

(A) Recognize the long-term nature of the forest crop and foster the public policy of this state to encourage the growing and harvesting of timber;

(B) Protect the public welfare by ensuring that the citizens of this state and future generations will have the benefits to be derived from the continuous production of forest products from privately held small tract forestland;

(C) Promote the public policy of this state to encourage forestry and the restocking of forestlands in order to provide present and future benefits, including but not limited to water supply enhancement, erosion prevention, wildlife habitat, scenic and recreational opportunities and needed forest products;

(D) Produce revenues for local taxing districts;

(E) Match the incidence of taxation with the realization of the economic benefits of harvest; and

(F) Encourage the establishment of new forests on denuded, nonstocked or underproducing forestland" (ORS 321.703).

## WHO BENEFITS

Owners of small tracts of timberland who select this optional tax treatment. In 2023–24 there were approximately 610,000 acres assessed as small tract forestland and roughly 14,000 accounts.

## IN LIEU

Participants in the Small Tract Forestland Program are subject to a severance tax paid when timber is harvested from the subject forestland. The tax raised approximately $1.2 million in the 2021-23 biennium. The severance tax is designed to partially offset the expenditure impact caused by valuing the forestland at 20 percent of specially assessed forestland value. The severance tax rates are indexed annually in proportion to annual changes in small tract forestland assessed value. Revenues from the severance tax are distributed to the State School Fund, county General Funds, and the Community College Support Fund. Revenues are also used to reimburse the state's General Fund for expenses incurred in the collection of small tract forestland taxes.

## EVALUATION

*Provided by the Oregon Department of Forestry*

Similar to a predecessor land and privilege tax system, under the current approach, land is assessed at 20 percent of its specially assessed value as forestland, and the remainder of the tax is collected at harvest when the landowner has cash flow. The severance tax differs from the old privilege tax in that it is based on volume harvested not the value of the trees.

According to the Department of Revenue, the primary purpose of the Small Tract Forestland Program (STF) is to provide a cash flow protection mechanism for small woodland owners who are unable to manage their harvest rotation to match the cash flow between tax payments and harvest receipts on specially assessed forestland. Sixty percent of the STF program participants in Eastern Oregon individually own less than 100 acres. If this majority of program participants were not in this program they would pay approximately $.38 more per acre per year in property tax and they would owe no severance tax at the point in which they harvested their timber. Based on the high percentage of small acreage accounts participating, and the subsequent low tax burden, the program appears to be used by a significant number of forestland owners for whom cash flow is not an issue. For the small acreage accounts, this tax expenditure does not meet its stated purpose.

The costs of this program, driven by the program requirements, is high relative to the population served consistent with the program purpose. Data of eligible taxpayers electing to use this program indicate that the program requirements could be greatly reduced and more narrowly targeted to meet just the needs of the target population. There are substantial administrative expenses for this program relative to the revenue generated by the severance tax.

# 2.139 WATERCRAFT LOCALLY ASSESSED

**Oregon Statute:** 308.256
**Sunset Date:** None
**Year Enacted:** 1925
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $190 million

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $5,300,000 | $1,200,000 |
| 2025-27 | $5,300,000 | $1,200,000 |

## DESCRIPTION

Oregon statute provides special property tax treatment for a variety of types of watercraft. This tax expenditure includes multiple types of watercraft and ownership situations for watercraft that are not centrally assessed or licensed by ODOT.

Fully exempt watercraft include:

- Watercraft customarily engaged in the transportation of persons or property entirely outside of Oregon.
- Watercraft under construction or undergoing major remodeling. Major remodeling exists if the cost exceeds 10 percent of the value of the watercraft before remodeling.

Specially assessed watercraft include:

- Ships and vessels used on inland waters are specially assessed at 40 percent of assessed value.
- Ships and vessels used on the high seas or between the high seas and inland ports (coastal fishing boats, for example) are specially assessed at 4 percent of assessed value.
- Offshore self-propelled oil drilling rigs are also specially assessed at 4 percent of assessed value.

Some types of commercial watercraft are not exempt and are taxed at 100 percent of assessed value. These watercraft include dredges, museum ships, restaurant ships, and any vessel used for deep-sea fish reduction or processing (but not canning).

Small watercraft are included in 2.062, Small Watercraft. Centrally assessed watercraft are included in 2.118, Watercraft Centrally Assessed

## PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to provide tax relief to Oregon's commercial fishing industry.

## WHO BENEFITS

In 2023, the Oregon Department of Fish and Wildlife issued 946 resident and 455 non-resident commercial fishing boat licenses.

## EVALUATION

*Provided by the Oregon Department of Fish and Wildlife*

This expenditure has achieved its purpose, although the exact proportion of fish landed outside Oregon waters is unknown. Many fishing vessels operate in distant water fisheries, but return to Oregon in the off-season.

# 2.140 DESTROYED OR DAMAGED PROPERTY

**Oregon Statute:** 308.146 and 308.425
**Sunset Date:** None
**Year Enacted:** 1971
**2023-24 Estimated Reduction in the Taxable Assessed Value:** $15 million

| Revenue Impact | | |
|---|---|---|
| | **Loss** | **Shift** |
| 2023-25 | $400,000 | Less than $100,000 |
| 2025-27 | $400,000 | Less than $100,000 |

## DESCRIPTION

Property that is destroyed or damaged may be eligible for special tax treatment. Under ORS 308.146, if property is destroyed or damaged between January 1 through June 30 by fire or an "act of God," the owner may apply to have the property assessed on the value of the property as of July 1. Normally, property is assessed on the value as of January 1. Taxpayers claiming this special treatment must file with the assessor before the later of August 1 that year or 60 days after the property was damaged or destroyed. Taxpayers can file late within the same assessment year by paying a late fee.

ORS 308.146 also calls for a property's maximum assessed value to be reduced when destruction or damage reduces the property's real market value. This treatment is not applicable to centrally assessed property nor damage to minor construction that had no impact on the property's maximum assessed value when added to the assessment roll.

If property is destroyed or damaged by fire or natural causes, then, under ORS 308.425, the property tax for the current tax year may be prorated on a monthly basis. Generally, the property owner must apply to receive the proration. Application for proration under this provision must be made by the end of the tax year or within 60 days after the property is damaged or destroyed, whichever is later. Legislation passed in 2021 (HB 2341) allows county tax collectors to provide this relief to properties affected by declared disasters without taxpayers having to apply, for tax years beginning on or after July 1, 2020.

If the property is destroyed or damaged, the monthly tax is 1/12 of the total tax for each month before damage and a percentage of the monthly tax for each month in the tax year that the property remains destroyed or damaged. The percentage used is the ratio of the value after damage to the value before damage.

According to ORS 308.440, none of the above benefits may be given to any person who is convicted of arson with regard to the property for which relief is sought.

## PURPOSE

The statutes that allow this expenditure do not explicitly state a purpose. Presumably, the purpose is to provide tax relief to those with a total or partial loss of use of the property due to fire or natural causes.

## WHO BENEFITS

Property owners whose property is destroyed or damaged by fire or natural causes during the tax year.

## EVALUATION

Not evaluated.

# CHAPTER 3. GAS, USE, AND JET FUEL TAXES

Fuels used in motor vehicles (gasoline and use fuels) and airplanes (aviation gasoline and jet fuel) are taxed in Oregon. Use fuels are fuels other than gasoline or jet fuel used in motor vehicles, such as diesel, propane, and natural gas. Gasoline, use, and jet fuel taxes are among the transportation taxes in Oregon, in addition to the Weight-Mile Tax on page 323, Vehicle Use Tax on page 377, and others. In general, ongoing vehicle operation is subject to either fuel taxes or the weight-mile tax, but not both. Total revenue from the gasoline, use, and jet fuel taxes, accounted for by the Department of Transportation, is forecast to be $1.39 billion in the 2023-24 biennium and $1.38 billion in the 2025–27 biennium.

Most of this tax revenue is dedicated to the construction and maintenance of roads in Oregon. Aviation gasoline and jet fuel tax revenue is used to fund aviation programs.

**Gasoline Tax**

In 1919, Oregon became the first state to institute a user tax on gasoline. Effective January 1, 2024, the state of Oregon and the federal government impose taxes of 40 cents and 18.4 cents per gallon respectively, for a total tax rate of 58.4 cents per gallon. During the 2017 Session the Legislature passed HB 2017, increasing the state tax rate to 34 cents per gallon and establishing three additional two cent increases in 2020, 2022, and 2024 if certain conditions are met. The Department met the conditions for each of the two cent increases, occurring January 2020, January 2022, and January 2024. In addition to the state and federal taxes, two Oregon counties and several cities also assess local gasoline taxes, ranging from 1 to 10 cents per gallon. Oregon administers tax collection for 17 cities and two counties, while the gasoline taxes imposed by ten cities are administered by the local government. The state tax is paid to the Oregon Department of Transportation (ODOT) by the approximately 160 licensed wholesale fuel dealers in the state. The tax is then passed on to the consumer in the price paid at the pump. Depending on the use of the fuel, these taxes may be refunded to the consumer (see refunds section below for more information).

**Use Fuel Tax**

In 1943, Oregon imposed a tax on fuels other than gasoline used in motor vehicles. Diesel is the primary fuel, but other fuels used in motor vehicles such as biodiesel, propane, and natural gas are also taxed. At the time of publication, the state of Oregon and the federal government imposed taxes of 40 cents and 24.4 cents per gallon, respectively, on diesel and biodiesel for a total tax rate of 64.4 cents per gallon. As with gasoline, HB 2017 increased the rate to 34 cents per gallon and included the same three two-cent conditional increases. There are approximately 600 licensed retailers in the state who submit payments to ODOT for taxes collected from consumers of use fuels. In addition, there are another 1,000 users operating more than 3,700 vehicles that have obtained ODOT Use Fuel user licenses and pay the tax directly to the state rather than paying at the pump. The use fuel tax does not apply to trucks subject to weight-mile taxes. Some consumers of use fuels are exempted from the use fuel tax and may claim refunds for the tax paid. See refunds discussion below.

**Gasoline and Other Fuel Tax Refunds**

The state gasoline and use fuel taxes are intended to assess users of public roadways for a fair share of the related construction and maintenance costs for roads. State law allows an exception from these taxes in cases where the user does not benefit from the facilities or services funded by the imposed tax, or where an alternate method of payment has been established in lieu of the tax. Examples include gasoline used in or for: cleaning or dyeing, power take-off equipment, stationary gasoline engines, uses that do not propel vehicles on public highways, or gasoline or other fuels used on private property. Refunds may be claimed for taxes paid on gasoline or other fuels used in these ways. In some cases, consumers of gasoline or other fuels for highway transportation use may claim refunds when specifically allowed in statute. These highway use refunds are considered tax expenditures and are described in the following pages. Additional information about refunds is available from ODOT at www.oregon.gov/ODOT/CS/FTG/Pages/ftr.aspx.

**Aviation Fuel Tax**

This tax is assessed in the same manner as the gasoline tax. The current rate is eleven cents per gallon, last increased two cents during the 2015 Legislative Session. A lower rate of three cents per gallon applies to jet fuel. As with the aviation fuel tax, this rate was increased two cents per gallon during the 2015 Legislative Session. When consumers purchase gasoline for use as aircraft fuel, they may be required to pay the full Oregon gasoline tax rate of 40 cents per

gallon at the time of purchase. In such cases, statute allows consumers to claim a refund of the extra 29 cents per gallon of tax paid.

# 3.001 FOREST PRODUCTS: GASOLINE

**Oregon Statute:** 319.320(1)(b) and (d)
**Sunset Date:** None
**Year Enacted:** 1945

| Revenue Impact | |
|---|---|
| | **Total** |
| 2023-25 | $0 |
| 2025-27 | $0 |

## DESCRIPTION

A refund is allowed for tax paid on gasoline when used for the removal of forest products on certain public roads or for construction or maintenance of the roads used for such forest products removal. Only roads that are not state highways or city streets or are county roads approved by the county may be considered when calculating the fuel tax eligible for refund. An agreement with the Oregon Board of Forestry, the State Forester, the county, or an agency of the United States must authorize the use of the road. To qualify for refunds of tax on fuels used for county road use, the user is required to have the same authorization to use the road as above and is required to pay for construction or maintenance of the county road.

In some cases, construction of a specific roadway is necessary for the removal of forest products. This provision allows counties to contract with the users of a roadway for the maintenance and improvement of that specific section of roadway.

## PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose for this expenditure is that, in most cases, the fuel and weight-mile taxes pay for the general use of the transportation system where tracking user damage to identifiable areas is difficult. In this case, however, the section of roadway over which heavy loads are moved is easily identified, and cost to the user can be more directly allocated to a specific section of roadway.

## WHO BENEFITS

This provision does not appear to have been used in over 12 years. Potential beneficiaries include businesses that transport forest products to the extent that any required road maintenance costs are surpassed by the amount of refunds.

## EVALUATION

*Provided by the Oregon Department of Transportation*

This expenditure is ineffective in achieving its purpose as the costs of construction or maintenance of a typical county road are higher than that of fuels taxes paid. Removal of forest products are typically performed on roads other than state highways, county roads, or city streets, and a tax refund is allowed for fuels used for this purpose under ORS 319.831(c). Two additional points are important for understanding why this exemption is not used. First, over time the equipment used to construct and maintain roads and to remove forest products have shifted to diesel as the motive power. Since the point of taxation of diesel is at the end use, this fuel can be purchased without having to pay the fuels tax. Second, the vehicles used to transport forest products will almost exclusively be subject to the weight-mile tax, which is the in lieu of tax for heavy vehicles.

Furthermore, contacts with the public works department of counties with major timber operations, the Forest Service, and timber industry representatives indicate that this provision is not well known.

# 3.002 FOREST PRODUCTS: OTHER THAN GASOLINE

**Oregon Statute:** 319.831(1)(c) and (g)
**Sunset Date:** None
**Year Enacted:** 1965

| Revenue Impact | |
|---|---|
| | **Total** |
| 2023-25 | $0 |
| 2025-27 | $0 |

## DESCRIPTION

A refund is allowed for tax paid on fuels other than gasoline (such as diesel) when used for the removal of forest products on certain public roads or for construction or maintenance of the roads used for such forest products removal. Only roads that are not state highways or city streets or are county roads approved by the county may be considered when calculating the fuel tax eligible for refund. An agreement with the Oregon Board of Forestry, the State Forester, the county, or an agency of the United States must authorize the use of the road. To qualify for refunds of tax on fuels used for county road use, the user is required to have the same authorization to use the road as above and is required to pay for construction or maintenance of the county road.

In some cases, construction of a specific roadway is necessary for the removal of forest products. This provision allows counties to contract with the users of a roadway for the maintenance and improvement of that specific section of roadway.

## PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose for this expenditure is that, in most cases, the fuel and weight-mile taxes pay for the general use of the transportation system where tracking user damage to identifiable areas is difficult. In this case, however, the section of roadway over which heavy loads are moved is easily identified, and cost to the user can be more directly allocated to a specific section of roadway.

## WHO BENEFITS

This provision does not appear to have been used in over 12 years. Potential beneficiaries include businesses that transport forest products to the extent that any required road maintenance costs are surpassed by the amount of refunds.

## EVALUATION

*Provided by the Oregon Department of Transportation*

This expenditure is ineffective in achieving its purpose as the costs of construction or maintenance of a typical county road are higher than that of fuels taxes paid. Removal of forest products are typically performed on roads other than state highways, county roads, or city streets, and a tax refund is allowed for fuels used for this purpose under ORS 319.831(c). Two additional points are important for understanding why this exemption is not used. First, over time the equipment used to construct and maintain roads and to remove forest products have shifted to diesel as the motive power. Since the point of taxation of diesel is at the end use, this fuel can be purchased without having to pay the fuels tax. Second, the vehicles used to transport forest products will almost exclusively be subject to the weight-mile tax, which is the in lieu of tax for heavy vehicles.

Furthermore, contacts with the public works department of counties with major timber operations, the Forest Service, and timber industry representatives indicate that this provision is not well known.

## 3.003 VEHICLE USED FOR TESTING EMISSIONS (GAS AND USE FUEL TAXES)

**Oregon Statute:** 825.475
**Sunset Date:** 12-31-2025
**Year Enacted:** 2015

| Revenue Impact | |
|---|---|
| | **Total** |
| 2023-25 | $0 |
| 2025-27 | $0 |

NOTE: The revenue impact estimate includes the effect of the sunset.

### DESCRIPTION

A person operating a vehicle for the purpose of emissions research and development is exempt from the fuel taxes for that use. To qualify for the exemption, the person operating the vehicle must not be operating the vehicle as a for-hire carrier and the US Environmental Protection Agency must have provided an exemption with federal requirements for the same testing being conducted.

Currently, the only vehicles performing qualifying emissions testing are heavy trucks. These vehicles would not be subject to the fuel tax and would instead be subject to the weight-mile tax. See 4.003, Vehicle Used for Testing Emissions (Weight-Mile Tax) for the same exemption for vehicles performing emissions testing applying to the weight-mile tax.

Legislation in 2019 (HB 2164) set a sunset date of December 31, 2025 for this provision.

### PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for HB 2164 (2019), the purpose is "to avoid taxing research and compliance work."

### WHO BENEFITS

Owners of motor vehicles being used to do emissions research and development.

### EVALUATION

*Provided by the Oregon Department of Transportation*

The exemption from Gas and Use Fuel taxes for vehicles being used to test emissions is currently not being used by any light vehicles normally subject to this tax. The vehicles used for testing emissions are heavy trucks only, which are covered by 4.003, Vehicle Used for Testing Emissions (Weight-Mile Tax).

## 3.004 FUEL FOR AIRCRAFT DEPARTING U.S.

**Oregon Statute:** 319.330(2)
**Sunset Date:** None
**Year Enacted:** 1953

| Revenue Impact | |
|---|---|
| | **Total** |
| 2023-25 | Less than $100,000 |
| 2025-27 | Less than $100,000 |

### DESCRIPTION

A refund is allowed for tax paid on fuel used by international air carriers. Refund requests are presented to the Oregon Department of Transportation for tax collected on aircraft fuel used solely for aircraft operations from a point within the state of Oregon directly to a point not within any state of the United States.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to promote international airline travel to and from Oregon, and to make it financially attractive for airlines with international flights to operate from Oregon airports.

### WHO BENEFITS
According to the Oregon Department of Transportation, few taxpayers use this provision.

### EVALUATION
Not evaluated.

## 3.005 PUBLIC SERVICES

**Oregon Statute:** 319.831(1)(d-f), (h-k)
**Sunset Date:** None
**Year Enacted:** 1961

| Revenue Impact | |
|---|---|
| | **Total** |
| 2023-25 | $2,100,000 |
| 2025-27 | $2,100,000 |

### DESCRIPTION
A refund is allowed for any tax paid on fuels other than gasoline when the fuels are used in the performance of a public service. State agencies, counties, incorporated cities and towns, rural fire protection districts, road assessment districts, and special districts (as defined in ORS 198) are allowed refunds for any use. Agencies of the United States are exempt under federal law. School and education service districts or their contractors may also claim refunds for fuels used in transporting students.

Vehicles exempt under this tax expenditure are not also exempt under the weight-mile tax expenditures 4.004, Elementary and Secondary School Vehicles or 4.006, Government Owned or Operated Vehicles. Vehicles are subject to either the fuels tax or the weight-mile tax, but not both.

### PURPOSE
The statutes that allow this expenditure do not explicitly state a purpose. Presumably, the purpose is to avoid use fuel taxation among public entities and to avoid taxing public services that are funded through the tax.

### WHO BENEFITS
Beneficiaries include state government, over 240 incorporated cities and towns, 36 counties, almost 200 school districts, 19 educational service districts, over 250 rural fire protection districts, and various other local districts and federal agencies.

### EVALUATION
*Provided by the Oregon Department of Transportation*

This expenditure achieves its purpose. Cities, counties, and the State use diesel fuel substantially in conjunction with the construction and maintenance of roads. Revenues generated through the tax on such fuels are dedicated for this purpose and this provision reduces the processing of funds before returning them to public agencies to be used for this purpose. This is an effective continuation of established policies that avoid reciprocal taxation among public entities.

# 3.006 PUBLIC TRANSPORTATION

**Oregon Statute:** 267.570(2)
**Sunset Date:** None
**Year Enacted:** 1974

| Revenue Impact | |
|---|---|
| | **Total** |
| 2023-25 | $1,000,000 |
| 2025-27 | $1,000,000 |

## DESCRIPTION

A refund is allowed for any tax paid on fuels other than gasoline when used in the operation of mass transit and transportation districts. Transit and transportation districts are treated the same as municipalities for purposes of claiming this exemption.

## PURPOSE

The statutes that allow this expenditure do not explicitly state a purpose. Presumably, the purpose is to lower the cost of providing public transportation services.

## WHO BENEFITS

Three mass transit districts, seven transportation districts, and one county service district in the state provide public transportation service.

## EVALUATION

*Provided by the Oregon Department of Transportation*

This expenditure achieves its purpose. Without this exemption, fares could be higher, which would decrease ridership, particularly by those from lower income groups and/or those with limited mobility.

# CHAPTER 4. WEIGHT-MILE TAX

The weight-mile tax is one of the taxes that provide for the maintenance, operation, construction, and reconstruction of public highways in Oregon. Other taxes for that purpose include the Gas, Use, and Jet Fuel Taxes on page 315 and the Vehicle Use Tax on page 377. In general, ongoing vehicle operation is subject to either fuel taxes or the weight-mile tax, but not both. Heavy vehicles that are generally subject to the weight-mile tax are not subject to the use fuel tax. Revenue from the weight-mile tax is forecast to be $932.2 million in the 2023–25 biennium and $977.3 million in the 2025–27 biennium. This tax revenue is dedicated to the construction and maintenance of roads in Oregon.

This tax is imposed on heavy vehicles according to a combination of the number of axles and/or combined weight of the vehicle and the number of miles driven. Studies show that, although fuel consumption increases with vehicle size and weight, it does not increase proportionately with cost responsibility. Above 26,000 pounds registered weight, the overall weight and axle loads become important factors in determining requirements for the strength of pavements, bridges, and other structures. Therefore, a diesel fuel tax would not be an accurate measure of cost responsibility for heavy vehicles.

The tax rate schedule changes as the weight of the vehicle increases from 26,001 pounds to 105,500 pounds, and as the number of axles increases. Within each weight or axle group, a truck pays the stated amount multiplied by the number of miles the truck travels each year on Oregon public roads. The weight-mile tax schedules are based on results of cost responsibility studies that determine the fair share that heavy vehicles should pay for the maintenance, operation, and improvement of the state's highway system.

The tax rates consist of separate schedules for vehicles with declared weights between 26,001-80,000 pounds (Tax Table A) and those operated under special permit with registered weights between 80,001-105,500 pounds (Tax Table B). The tax tables and additional information are posted at https://www.oregon.gov/odot/Forms/Motcarr/9928-2024.pdf.

Since 1947, the weight-mile tax schedules have been adjusted as the result of updated cost responsibility studies and revenue measures passed by the Legislature. The Office of Economic Analysis is responsible for producing the Highway Cost Allocation Study each biennium. The most recent edition of this study is available at www.oregon.gov/das/OEA/Pages/hcas.aspx.

# 4.001 FARMING OPERATIONS

**Oregon Statute:** 825.017(4) and 825.024
**Sunset Date:** None
**Year Enacted:** 1983

| Revenue Impact | |
|---|---|
| | **Total** |
| 2023-25 | $13,400,000 |
| 2025-27 | $13,600,000 |

## DESCRIPTION

Vehicles used in conjunction with farming operations are exempt from the payment of weight-mile taxes if they meet certain conditions. This includes implements of husbandry and farm-related equipment as referenced in the two Oregon statutes cited.

Implements of husbandry are those vehicles and trailers used exclusively in agricultural operations. The definition for farm related equipment is more inclusive and identifies uses incidental to farming operations such as transportation of supplies and equipment, as well as the personal use of vehicles by the farmer and the farmer's family or employees.

Vehicles registered as farm equipment are used primarily off the road system, and in most cases, the transportation of such vehicles on the road is incidental to their use. Over 60 percent of the vehicles operated in conjunction with farming weigh fewer than 26,000 pounds and are not subject to weight-mile taxation. This provision applies only to those farm vehicles that exceed 26,000 pounds.

It should be noted that farm vehicles are subject to fuel taxes unless they are operated off the road system, in which case a refund is allowed under ORS 319.320(3). Because farm vehicles over 26,000 pounds pay fuel tax, they are not subject to weight-mile tax.

## PURPOSE

The statutes that allow this expenditure do not explicitly state a purpose. Presumably, the purpose is to relieve farmers of the recordkeeping necessary to comply with the weight-mile tax and to recognize the partial or seasonal use of the transportation system by these users.

## WHO BENEFITS

Per information from the U.S. Department of Agriculture and the ODOT Driver and Motor Vehicle Services Division, there were approximately 35,500 farming operations in the state and about 15,700 registered farm vehicles in 2022.

## EVALUATION

*Provided by the Oregon Department of Transportation*

This expenditure appears to achieve its purpose. However, the benefit per farm is very small and probably does not provide a competitive edge for farming in Oregon. Of course, larger farming operations benefit according to the amount of equipment in operation.

# 4.002 FOREST PRODUCTS ON COUNTY ROADS

**Oregon Statute:** 825.017(8)
**Sunset Date:** None
**Year Enacted:** 1977

| Revenue Impact | |
|---|---|
| | **Total** |
| 2023-25 | Less than $100,000 |
| 2025-27 | Less than $100,000 |

### DESCRIPTION
Vehicles used for the removal of forest products on a public road are exempt from the payment of weight-mile taxes. An agreement with the Oregon Board of Forestry, the State Forester, or an agency of the United States must authorize the use of the road and require the user to pay for or perform the construction or maintenance of the county road. In some cases, construction of a specific roadway is necessary for the removal of forest products. This provision allows counties to contract with the users of a roadway for the maintenance and improvement of the specific section of roadway used.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. Presumably, the rationale for this expenditure is that, in most cases, fuels and weight-mile taxes pay for the general use of the transportation system where tracking user damage to identifiable areas is difficult. In this case, however, the section of roadway over which heavy loads are moved is easily identified, and the cost imposed by the user can be more directly allocated to a specific section of roadway.

### WHO BENEFITS
Potential beneficiaries include businesses that transport forest products to the extent that any required road maintenance costs are surpassed by the amount exempt.

### EVALUATION
*Provided by the Oregon Department of Transportation*

This expenditure is ineffective in achieving its purpose as the costs of construction or maintenance of a typical county road would be higher than that of the weight-mile taxes paid.

Furthermore, contacts with the public works department of counties with major timber operations, the U.S. Forest Service, and timber industry representatives indicate that this provision is not well known.

## 4.003 VEHICLE USED FOR TESTING EMISSIONS (WEIGHT-MILE TAX)

**Oregon Statute:** 825.475
**Sunset Date:** 12-31-2025
**Year Enacted:** 2015

| Revenue Impact | |
|---|---|
| | **Total** |
| 2023-25 | $700,000 |
| 2025-27 | $200,000 |

NOTE: The revenue impact estimate includes the effect of the sunset.

### DESCRIPTION
A person operating a vehicle for the purpose of emissions research and development is exempt from the weight-mile tax for that use. To qualify for the exemption, the person must not be operating the vehicle as a for-hire carrier and the US Environmental Protection Agency must have provided an exemption with federal requirements for the same testing.

See 3.003, Vehicle Used for Testing Emissions (Gas and Use Fuel Taxes) for the same exemption applying to the fuel taxes.

Legislation in 2019 (HB 2164) set a sunset date of December 31, 2025 for this provision.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for HB 2164 (2019), the purpose is "to avoid taxing research and compliance work."

### WHO BENEFITS
Owners of motor vehicles being used to do emissions research and development.

### EVALUATION

*Provided by the Oregon Department of Transportation*

This tax expenditure provides a continuation of an exemption from fuel tax and weight mile tax that was granted by the Oregon Department of Environmental Quality (DEQ) to test new heavy truck technology. The current exemption granted by DEQ could not be continued and the Department of Justice determined that there was no mechanism that allowed ODOT to provide a similar tax exemption. The provisions in HB 2465 (2015) provide the statutory means to continue testing heavy vehicle emissions in Oregon without paying fuel tax or weight-mile tax. In 2023, there were 23 trucks in this testing program operating about 1.56 million miles in Oregon per year.

## 4.004 ELEMENTARY AND SECONDARY SCHOOL VEHICLES

**Oregon Statute:** 825.017(1)
**Sunset Date:** None
**Year Enacted:** Pre-1953

| Revenue Impact | |
|---|---|
| | **Total** |
| 2023-25 | $2,900,000 |
| 2025-27 | $3,000,000 |

### DESCRIPTION

Vehicles used by, or under contract with, any elementary or secondary school district are exempt from the payment of weight-mile taxes when engaged exclusively in transporting students to or from school or authorized school activities or those activities sponsored by a public university.

Vehicles exempt under this tax expenditure are not also exempt under the fuels tax expenditure 3.005, Public Services. Vehicles are subject to either the fuels tax or the weight-mile tax but not both.

### PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. Presumably, the rationale is that weight-mile taxation is generally applied to for-hire commercial vehicles. School buses are either owned by a school district or a contractor supplying services to a school district and are therefore not for-hire vehicles. This provision reduces the record keeping and audit cost of the refund application process.

### WHO BENEFITS

There are about 200 school districts operating more than 1,200 elementary and secondary schools. This provision applies only to school buses that exceed 26,000 pounds, the threshold weight for the weight-mile tax. Approximately 41 percent of the miles traveled by school buses are in weight classes equal to or less than 26,000 pounds.

### EVALUATION

*Provided by the Oregon Department of Transportation*

This expenditure achieves its purpose. It reduces the cost of public education in Oregon by reducing the cost to school districts that would be necessitated by paying the weight-mile tax as well as complying with the record keeping and other compliance costs of the tax.

## 4.005 FIRE PROTECTION

**Oregon Statute:** 825.017(16)
**Sunset Date:** None
**Year Enacted:** 1977

| Revenue Impact | |
|---|---|
| | **Total** |
| 2023-25 | Less than $100,000 |
| 2025-27 | Less than $100,000 |

### DESCRIPTION

Fire trucks and rescue vehicles designated as emergency vehicles by the Department of Transportation are exempt from the weight-mile tax when involved in emergency and related operations. This exemption also applies to the vehicles being moved to or from the work area.

Many fire protection vehicles are owned by units of government and are exempt from weight-mile taxes under 4.006, Government Owned or Operated Vehicles, however this exemption also applies to privately owned fire protection vehicles.

### PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to lower the cost of providing fire protection services normally provided through public services, and to station additional water supply trucks near logging operations when deemed necessary by forestry officials.

### WHO BENEFITS

Nongovernment owners of fire protection vehicles. Few are using this exemption.

### EVALUATION

*Provided by the Oregon Department of Transportation*

This expenditure appears to achieve its purpose. These fire protection vehicles are very few in number and operate primarily off the highway system; they would not be subject to taxation, with the exception of the provision that allows movement to and from the work area. This provision is effective, as the cost associated with record keeping and weight-mile audit would likely exceed any revenue generated. This is a minimal investment in supporting activities to protect Oregon's forest resources.

## 4.006 GOVERNMENT OWNED OR OPERATED VEHICLES

**Oregon Statute:** 825.017(10)
**Sunset Date:** None
**Year Enacted:** 1947

| Revenue Impact | |
|---|---|
| | **Total** |
| 2023-25 | $800,000 |
| 2025-27 | $800,000 |

### DESCRIPTION

Vehicles being used in the performance of public services are exempt from weight-mile taxes. Exempt vehicles include those owned or operated by the United States, the state of Oregon, or any county, city, town, or municipality in this state when owned or operated:

- as a carrier of property for hire
- by a transportation district

- by a county service district, or
- by an intergovernmental body that provides public transportation

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to avoid reciprocal taxation among public entities when the tax revenue would be used largely for the same purpose as the activity being taxed (road construction and maintenance). For federal vehicles, the purpose is to comply with the U.S. Constitution, which prohibits states from taxing the federal government.

### WHO BENEFITS
Beneficiaries include federal and state government, 241 incorporated cities and towns, 36 counties, and the U.S. Postal Service.

### EVALUATION
*Provided by the Oregon Department of Transportation*

This expenditure achieves its purpose. Cities and counties, the major beneficiaries of this provision, operate equipment subject to this tax largely in conjunction with the construction and maintenance of roads. Revenue generated through this tax is dedicated for this purpose, and this provision reduces the processing of funds before returning them to public agencies to be used for this purpose. This is an effective continuation of established policies that avoid the reciprocal taxation of governing agencies.

## 4.007 PUBLIC MASS TRANSIT VEHICLES

**Oregon Statute:** 825.017(11)
**Sunset Date:** None
**Year Enacted:** 1977

| Revenue Impact | |
|---|---|
| | **Total** |
| 2023-25 | $8,100,000 |
| 2025-27 | $8,300,000 |

### DESCRIPTION
Vehicles owned or operated by a mass transit district are exempt from weight-mile taxes.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to lower the cost of providing public transportation services.

### WHO BENEFITS
Three mass transit districts, seven transportation districts, and one county service district in the state provide public transportation service.

### EVALUATION
*Provided by the Oregon Department of Transportation*

This expenditure achieves its purpose. Without this exemption, fares could be higher, which would decrease ridership, particularly by those from lower income groups and/or those with limited mobility.

# 4.008 CHARITABLE ORGANIZATIONS

**Oregon Statute:** 825.017(13)
**Sunset Date:** None
**Year Enacted:** 1977

| Revenue Impact | |
|---|---|
| | **Total** |
| 2023-25 | $200,000 |
| 2025-27 | $200,000 |

## DESCRIPTION

Vehicles owned or under contract with a charitable organization are exempt from payment of weight-mile taxes when engaged exclusively in performing transportation necessary to the operation of the charitable organization.

## PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to help support services provided by charitable organizations.

## WHO BENEFITS

Charitable organizations operating vehicles that are registered by weight. Few are using this exemption.

## EVALUATION

*Provided by the Oregon Department of Transportation*

Although the benefit in this case is relatively small, this provision is believed to be effective in achieving its purpose. There are relatively few vehicles being operated by charitable organizations that exceed the 26,000 pound lower limit of the weight-mile tax rate schedules.

Charitable organizations are excluded from all provisions of Chapter 825 of the ORS, which include operating authority and regulatory requirements before deregulation. At the time this exemption was passed, the exclusion from the provisions of Chapter 825 would have granted such organizations greater operating freedom and may have been the original incentive to provide this exemption.

# CHAPTER 5. CIGARETTE TAX

Cigarette distributors are required to pay a tax for the distribution of each cigarette in Oregon. The tax is imposed on the initial distribution and no additional tax is imposed for subsequent distributions.

The Oregon cigarette tax began in 1966. Generally, the tax is paid through the use of tax stamps that are purchased by the 29 Oregon licensed cigarette distributors (as of July 2024). Distributors may pay the tax at the time they purchase the stamps or defer the payment until the 20th of the month following the purchase.

In November 2020, Oregon voters passed Ballot Measure 108, increasing the Oregon tax per pack of 20 cigarettes from $1.33 to $3.33.

Cigarette tax net revenue for the 2023–25 and 2025–27 biennia are forecast to be $602 million and $591 million, respectively.

Following the payment of administrative, enforcement, and refund expenses, tax receipts are distributed as follows:

**Tax Distribution Percentages**

| Destination | Percentage |
|---|---|
| Oregon Health Authority | 85.8% |
| General Fund | 6.6% |
| Mental Health | 4.5% |
| Tobacco Use Reduction Account | 1.0% |
| Cities | 0.7% |
| Counties | 0.7% |
| Transportation | 0.7% |

## 5.001 SMALL QUANTITY BY CONSUMERS

**Oregon Statute:** 323.060
**Sunset Date:** None
**Year Enacted:** 1965

| Revenue Impact | |
|---|---|
| | **Total** |
| 2023-25 | $400,000 |
| 2025-27 | $400,000 |

### DESCRIPTION
The use or consumption of untaxed cigarettes transported into Oregon as a single lot or shipment of no more than 199 cigarettes is not taxed. This exemption also applies to cigarettes obtained at exempted federal installations when the quantity obtained is no more than 199 cigarettes at one time.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to avoid the administrative and compliance costs of taxing these small quantities.

### WHO BENEFITS
Individuals who transport small quantities of untaxed cigarettes into Oregon or obtain them at federal installations in Oregon.

### EVALUATION
Not evaluated.

## 5.002 FEDERAL AND VETERANS INSTITUTIONS (CIGARETTE)

**Oregon Statute:** 323.055
**Sunset Date:** None
**Year Enacted:** 1965

| Revenue Impact | |
|---|---|
| | **Total** |
| 2023-25 | $500,000 |
| 2025-27 | $500,000 |

### DESCRIPTION
Oregon cigarette taxes are not imposed on the sale of cigarettes at these locations:

- United States Army, Air Force, Navy, Marine Corps, or Coast Guard exchanges and commissaries
- Navy or Coast Guard ships' stores
- Ships' stores maintained under federal bond
- The U.S. Department of Veterans Affairs
- Exchanges and commissaries run by the National Oceanic and Atmospheric Administration (NOAA) or the Public Health Service (PHS) of the U.S. Department of Health and Human Services.

Also, the sale or gift of federally tax-free cigarettes delivered directly from the manufacturer to a veterans' home, hospital, or domiciliary care facility are not taxed.

### PURPOSE
To comply with federal law.

## WHO BENEFITS

People eligible to purchase cigarettes at the above locations, such as members, retirees, and certain veterans of the U.S. Armed Forces, authorized family members, members of NOAA or PHS, and certain civilian employees.

## EVALUATION

*Provided by the Department of Revenue*

This expenditure achieves its purpose of compliance with federal law.

# CHAPTER 6. OTHER TOBACCO PRODUCTS TAX

An "other tobacco products" tax is imposed on the sale, storage, use, consumption, handling, or distribution of tobacco products other than cigarettes. Examples of other tobacco products are cigars, tobacco for chewing or smoking in a pipe, e-cigarettes, and other nicotine inhalant systems. The tax is imposed on the distributor at the time the distributor imports, produces, or ships the tobacco products into Oregon. As of July 2024, there were 335 licensed distributors of other tobacco products.

In November 2020, Oregon voters passed Measure 108, which raised the maximum tax per cigar from 50 cents to one dollar and added e-cigarettes and other nicotine inhalant systems to products taxed under the other tobacco products tax. In 2021, the Legislature passed Senate Bill 587, which prohibits the unlicensed sale of tobacco products and inhalant delivery systems and requires the Department of Revenue to issue licenses to qualified retailers of such items.

**Other Tobacco Products Tax Rates**

| Product | Rate | Min/Max |
|---|---|---|
| Moist Snuff | $1.86 per ounce | Min: $2.24 per retail container |
| All Other Products | 65% of wholesale sales price | Max: $1.00 per cigar |

Other tobacco products tax net revenue for the 2023–25 and 2025–27 biennia are forecast to be $166 and $165 million, respectively. Distributions for 2025–27 are forecast to be:

- General Fund: $56.1 million
- Oregon Health Plan: $43.3 million
- Oregon Health Authority: $55.0 million
- Tobacco Use Reduction Account: $10.9 million

# 6.001 FEDERAL AND VETERANS INSTITUTIONS (OTHER TOBACCO PRODUCTS)

**Oregon Statute:** 323.515
**Sunset Date:** None
**Year Enacted:** 1985

| Revenue Impact | |
|---|---|
| | **Total** |
| 2023-25 | Less than $100,000 |
| 2025-27 | Less than $100,000 |

## DESCRIPTION

The other tobacco products tax does not apply to tobacco products that are sold at United States Army, Air Force, Navy, Marine Corps, Coast Guard, National Oceanic and Atmospheric Administration (NOAA), or Public Health Service (PHS) of the United States Department of Health and Human Services exchanges and commissaries; Navy or Coast Guard ships' stores; U.S. Department of Veterans Affairs; or ships' stores maintained under federal bond.

## PURPOSE

To comply with federal law.

## WHO BENEFITS

Members and veterans of the U.S. Armed Forces, and members of NOAA or PHS who purchase other tobacco products at federal institutions.

## EVALUATION

*Provided by the Department of Revenue*

This expenditure achieves its purpose of compliance with federal law.

# CHAPTER 7. BEER AND WINE TAXES

A tax is imposed upon the privilege of engaging in business as a manufacturer or as an importing distributor of malt beverages or wines. The Oregon Liquor and Cannabis Commission (OLCC) collects the tax. The tax rate for manufacturing or importing malt beverages is $2.60 per barrel of 31 gallons. The tax rate for manufacturing or importing wine is 65 cents per gallon on wines with 16 percent or less alcohol by volume, and an additional 10 cents per gallon on wines with more than 16 percent alcohol by volume. There is an additional two cents per gallon wine tax imposed on selling and delivering of wines, which goes directly to the Oregon Wine Board. Fifty percent of the remaining beer and wine taxes go to the Mental Health Alcoholism and Drug Services Account, and the other 50 percent into the OLCC Account and distributed as described below.

Beverages with more than 21 percent alcohol are exclusively distributed and sold by the state of Oregon. Amounts generated by the imposition of a $0.50 per bottle surcharge are dedicated directly to the General Fund. The remaining net revenue from the sale of these beverages and from the portion of the wine and malt beverage tax that goes into the OLCC account are distributed as follows:

General Fund: 56%

Cities (by population): 20%

Cities (by formula): 14%

Counties (by population): 10%

Beer and wine tax revenue is forecast to be $36.6 million for the 2023–25 biennium and $36.6 million for the 2025–27 biennium.

A separate tax is imposed on the sale or use of all agricultural products used in a winery for making wine. The OLCC collects the tax. The tax rate for vinifera varieties (true or hybrid) is $25 per ton. Revenue from the tax on grapes is forecast to be approximately $3.4 million for the 2023–25 biennium. The tax rate for all other agricultural products used to make wine over 8.5 percent alcohol is $0.021 per gallon.

# 7.001 SMALL WINERIES

**Oregon Statute:** 473.050(5)
**Sunset Date:** None
**Year Enacted:** 1977

| Revenue Impact | |
|---|---|
| | **Total** |
| 2023-25 | $3,700,000 |
| 2025-27 | $4,000,000 |

## DESCRIPTION

This provision allows all U.S. wine manufacturers producing fewer than 100,000 gallons annually to exempt the first 40,000 gallons sold each year in Oregon from the wine privilege tax.

## PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to encourage the development of small wineries that produce fewer than 100,000 gallons annually.

## WHO BENEFITS

Small wineries benefit in that they are able to sell their product more competitively. It is estimated that 5.5 million gallons will be claimed as tax exempt during the 2023–25 biennium. This is expected to increase to 6.0 million gallons exempted in the 2025–27 biennium.

## EVALUATION

*Provided by the Oregon Liquor and Cannabis Commission*

This tax exemption achieves its purpose. It was enacted to help small Oregon wineries get established and allows these wineries enough profit to stay in business until they become large enough to compete with the established, high-volume wineries. In 1977, when the exemption was enacted, there were approximately 10 licensed wineries. Today, there are over 900 wineries in the state, and the industry is still growing. Nearly all of Oregon's wineries are small enough to qualify for the full tax exemption. Oregon wines have continued to show overall growth.

Oregon has gained the reputation of a quality wine producing state, which has added to the image and livability of the state and promotes tourism and hospitality. The growth of the Oregon wine industry has also caused growth in secondary markets such as vineyards, label design, bottling, and marketing.

Because of the exemption, the industry decided to dedicate some of the tax savings to establish and maintain the Oregon Wine Board. The board divides its resources between research and development and industry promotion. If this were not the case, the industry would be asking the Legislature for funding from General Fund dollars.

# 7.002 WINE MARKETING ACTIVITIES

**Oregon Statute:** 473.047
**Sunset Date:** None
**Year Enacted:** 2001

| Revenue Impact | |
|---|---|
| | **Total** |
| 2023-25 | Less than $100,000 |
| 2025-27 | Less than $100,000 |

## DESCRIPTION

This provision allows a credit against the wine privilege tax for certain marketing activities as defined by the Oregon Wine Board. The marketing activities must not promote any specific brand or winery and must be approved by the Oregon Wine Board. The total credit is limited by an amount equal to 28 percent of the sum of: a) one hundred percent of the cost of qualified marketing activities to the extent the cost does not exceed the amount of tax owed for

manufacturing or importing fewer than 40,000 gallons of wine, and b) 25 percent of the tax owed for manufacturing or importing greater than 40,000 gallons of wine. The total credit may not exceed the tax liability of the manufacturer or importing distributor of wine. Small wineries (wineries producing fewer than 100,000 gallons a year) that sell fewer than 40,000 gallons a year do not pay privilege tax because they are already exempt by 7.001, Small Wineries.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to encourage marketing of the Oregon wine industry.

### WHO BENEFITS
Large wineries, some small wineries (wineries selling more than 40,000 gallons of wine, but producing fewer than 100,000 gallons a year) and the Oregon wine industry could benefit.

### EVALUATION
*Provided by the Oregon Liquor and Cannabis Commission*

No winery has claimed the credit through June 30, 2024.

## 7.003 OREGON GRAPES FOR WINE WITHOUT OREGON DESIGNATION OR AVA

**Oregon Statute:** 473.046
**Sunset Date:** 06-30-2027 (see description)
**Year Enacted:** 2019

| Revenue Impact | |
|---|---|
| | **Total** |
| 2023-25 | Less than $100,000 |
| 2025-27 | Less than $100,000 |

NOTE: The revenue impact estimate includes the effect of the sunset.

### DESCRIPTION
Wineries purchasing grape products harvested in Oregon and used for wine produced within a federally approved American Viticultural Area (AVA) located partially within Oregon that does not use Oregon designations or use an American Viticultural Area located wholly within Oregon on its label or packaging, or in its advertising or marketing are exempt from the tax on sale or use of agricultural products by wineries.

This exemption applies to taxes on grape purchases made on or after July 1, 2021.

Because the legislation enacting this provision did not expressly provide a period of applicability for this tax expenditure, ORS 315.037(3) establishes that this tax expenditure shall apply for a maximum of six years beginning with the initial applicable tax year. In this case, the last applicable tax year must begin before June 30, 2027.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to avoid taxing grape growers operating partially in Oregon that are subject to similar taxes in other states and are not benefiting or marketing their grapes as from Oregon.

### WHO BENEFITS
Wineries making wine in certain American Viticultural Areas partially in Oregon that do not label the wine with an Oregon designation.

### EVALUATION
*Provided by the Oregon Liquor and Cannabis Commission*

No information available.

# CHAPTER 8. EMERGENCY AND CRISIS SERVICES TAXES

The 911 emergency communications tax was enacted in 1981 to help local governments pay for establishing, operating, or improving a 911 emergency reporting system. Originally, the tax was 3 percent of the monthly rate charged for basic exchange access services. In 1991, that rate was increased to 5 percent. From October 1, 1995 through December 31, 2019, the rate was 75 cents per line per month and applied to all forms of wired and wireless telecommunications services. HB 4055 (2014) amended the tax to enhance the administration and enforcement of existing law governing Voice over Internet Protocol (VoIP) and wireless prepaid phones with access to 911. After an initial transition period for the first part of 2015, fixed line VoIP subscribers paid 75 cents per line per month, and each retail transaction for a wireless prepaid phone (such as adding minutes) was taxed at a rate of 75 cents per transaction. Starting on January 1, 2020, the rate increased to $1.00 per month or transaction, and then increased to $1.25 per month or transaction on January 1, 2021. These rates are the result of HB 2449, enacted in 2019.

The tax for subscribers is paid quarterly by the telecommunication utilities and service providers, who collect the tax from subscribers on their monthly billings. The tax for prepaid phones is collected by retail sellers. The 911 emergency communications tax has been extended seven times since inception and under current law will sunset at the end of 2029.

The 911 emergency communications tax revenue for the 2023–25 and 2025–27 biennia is forecast to be $160.5 million and $165.7 million, respectively. Net revenue from the tax is distributed to cities and counties on a per capita basis to be used for their 911 emergency communications systems.

House Bill 2757, passed in 2023, established the 988 trust fund to improve the statewide coordinated crisis system which includes maintaining and improving the 988 suicide prevention and behavioral health crisis hotline. Beginning January 1, 2024, in addition to the 911 emergency communications tax, this bill imposes a 988 coordinated crisis services tax at the rate of 40 cents tax per line per month or transaction to all forms of wired and wireless telecommunications services. The 988 coordinated crisis services tax is scheduled to sunset at the end of 2029.

The 988 coordinated crisis services tax revenue for the 2025–27 biennium is forecast to be $54.1 million. Net revenue from the tax is distributed to the Oregon Health Authority to be used for the improvement of the statewide coordinated crisis system.

# 8.001 STATE AND LOCAL SUBSCRIBERS

**Oregon Statute:** 403.205(1)
**Sunset Date:** None (The emergency and crisis services taxes sunset 12-31-2029.)
**Year Enacted:** 1981

| Revenue Impact | | | |
|---|---|---|---|
| | 911 | 988 | Total |
| 2023-25 | $8,700,000 | $2,800,000 | $11,500,000 |
| 2025-27 | $8,800,000 | $2,800,000 | $11,600,000 |

## DESCRIPTION

State and local governments are exempt from the emergency communications tax and the coordinated crisis services tax. These governments include regional housing authorities exempt from state taxes under ORS 307.092.

## PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to avoid reciprocal taxation among public entities; to avoid taxing public services that are funded through the tax.

## WHO BENEFITS

State and local governments. There are approximately 280,000 employees in state and local government.

## EVALUATION

Not evaluated.

# 8.002 OREGON TELEPHONE ASSISTANCE PROGRAM

**Oregon Statute:** 403.205(2)
**Sunset Date:** None (The crisis services tax sunsets 12-31-2029.)
**Year Enacted:** 2023 (HB 2757)

| Revenue Impact | | | |
|---|---|---|---|
| | 911 | 988 | Total |
| 2023-25 | Not Applicable | $100,000 | $100,000 |
| 2025-27 | Not Applicable | $100,000 | $100,000 |

## DESCRIPTION

Recipients of the Oregon Telephone Assistance Program (OTAP) benefit are exempt from the coordinated crisis services tax. To qualify for the OTAP, households must either have an income that is at or below 135 percent of the Federal Poverty Guidelines or participate in one of several qualifying assistance programs including but not limited to the Supplemental Nutrition Assistance Program, Medicaid, or Supplemental Security Income.

## PURPOSE

The legislation creating this expenditure did not explicitly state a purpose. According to the legislative staff revenue impact statement for HB 2757 (2023), the policy purpose is "to support access to phone service for households that qualify for the Oregon [Telephone Assistance] Program."

## WHO BENEFITS

Recipients of OTAP benefits.

## EVALUATION

*Provided by the Oregon Public Utility Commission*

The statute provides tax relief for qualifying households with low incomes that participate in the OTAP. The tax expenditure reinforces the policy of the state that adequate, affordable residential telecommunication service is

available to all Oregonians. The effectiveness of the 988-tax expenditure is contingent upon OTAP participating service provider compliance.

## 8.003 FEDERAL SUBSCRIBERS

**Oregon Statute:** 403.205(1)
**Sunset Date:** None (The emergency and crisis services taxes sunset 12-31-2029.)
**Year Enacted:** 1981

| Revenue Impact | | | |
|---|---|---|---|
| | 911 | 988 | Total |
| 2023-25 | $900,000 | $200,000 | $1,100,000 |
| 2025-27 | $900,000 | $300,000 | $1,200,000 |

### DESCRIPTION
The federal government is exempt from the emergency communications tax and the coordinated crisis services tax. Exempt entities include foreign government offices that are exempt from taxation by treaty provisions with the federal government, as well as certain federally chartered corporations (e.g. U.S. Postal Service, Amtrak, Federal Reserve Bank) specifically exempt from state income taxes by federal law.

### PURPOSE
To comply with federal law.

### WHO BENEFITS
The federal government as well as foreign government offices and exempt federally chartered corporations. There are about 28,000 federal employees in Oregon.

### EVALUATION
*Provided by the Department of Revenue*

This tax expenditure meets its purpose of compliance with federal law.

## 8.004 INDIAN RESERVATION SUBSCRIBERS

**Oregon Statute:** 403.205(1)
**Sunset Date:** None (The emergency and crisis services taxes sunset 12-31-2029.)
**Year Enacted:** 1981

| Revenue Impact | | | |
|---|---|---|---|
| | 911 | 988 | Total |
| 2023-25 | $800,000 | $200,000 | $1,000,000 |
| 2025-27 | $800,000 | $300,000 | $1,100,000 |

### DESCRIPTION
Tribal members on federally recognized reservations in Oregon are exempt from the emergency communications tax and the coordinated crisis services tax. They must be enrolled members of the tribe located on the reservation.

### PURPOSE
To comply with federal law.

### WHO BENEFITS
Tribal members on federally recognized reservations in Oregon.

## EVALUATION

*Provided by the Department of Revenue*

This tax expenditure meets its purpose of compliance with federal law.

# CHAPTER 9. CORPORATE ACTIVITY TAX

On May 16, 2019, Governor Kate Brown signed House Bill 3427 into law. The legislation established a "Fund for Student Success" funded by a new Corporate Activity Tax (CAT) imposed on all types of business entities.

The CAT is in addition to the state's current corporate and personal income taxes. Revenue from the CAT is transferred to the Fund for Student Success and used for education spending. Receipts are forecasted to be $2.80 billion in the 2023–25 biennium and $3.15 billion in the 2025–27 biennium.

Starting on January 1, 2020, the tax is imposed for the privilege of doing business in the state. The CAT is measured on a business's commercial activity: the total amount a business realizes from transactions and activity in Oregon. Certain items are excluded from the definition of commercial activity and, therefore, are not subject to the CAT. In addition, there is a 35 percent subtraction for certain business expenses. The CAT is applied to Oregon taxable commercial activity in excess of $1 million. The tax is computed as $250 plus 0.57 percent of Oregon taxable commercial activity of more than $1 million.

# 9.001 SALES OF PRESCRIPTION DRUGS BY ELIGIBLE PHARMACIES

**Oregon Statute:** 317A.123
**Sunset Date:** 12-31-2025
**Year Enacted:** 2022

| Revenue Impact | |
|---|---|
| | **Total** |
| 2023-25 | $9,000,000 |
| 2025-27 | $4,600,000 |

NOTE: The revenue impact estimate includes the effect of the sunset.

## DESCRIPTION

Prescription drug sales from eligible pharmacies which have nine or fewer locations under common ownership in this state (excepting pharmacies that cater primarily to veterinary customers) are exempt from the corporate activity tax for tax years beginning on or after January 1, 2022, and before January 1, 2026.

## PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact for SB 1524 (2022), the "policy purpose of the eligible pharmacy exclusion is to prevent the closure of community pharmacies due to the corporate activity tax."

## WHO BENEFITS

The eligible pharmacies described above.

## EVALUATION

Not evaluated.

# 9.002 SUBCONTRACTOR LABOR PAYMENTS FOR RESIDENTIAL CONSTRUCTION

**Oregon Statute:** 317A.122
**Sunset Date:** 12-31-2025
**Year Enacted:** 2019

| Revenue Impact | |
|---|---|
| | **Total** |
| 2023-25 | $1,700,000 |
| 2025-27 | $900,000 |

NOTE: The revenue impact estimate includes the effect of the sunset.

## DESCRIPTION

Certain payments for labor costs made from a general contractor to a subcontractor for single-family residential construction in Oregon are excluded from the corporate activity tax. The exclusion is for 15 percent of the labor costs paid to subcontractors by the general contractor.

Payments made from general contractors to subcontractors for materials, land, or permits are not excluded from taxation. Payments between subcontractors are also not excluded from taxation.

Single-family housing is defined in administrative rule as single-family detached or semidetached houses and townhouses or row houses that do not share utilities, heating, or air-conditioning across housing units, have no housing units constructed above or below, and are separated from any adjacent units by a ground-to-roof wall.

Legislation in 2019 (HB 2164) established that this exclusion applies to tax years beginning before January 1, 2026.

### PURPOSE
The statute that allows this tax expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for HB 2164 (2019), the purpose of this credit is “to encourage the employment of subcontractors within the residential construction sector.”

### WHO BENEFITS
General contractors on single-family residential construction who pay subcontractors. In tax year 2021, approximately 300 taxpayers benefitted from this exclusion.

### EVALUATION
*Provided by the Oregon Housing and Community Services Department*

OHCS does not have any data to evaluate the effectiveness of the program.

## 9.003 PRECIOUS METALS

**Oregon Statute:** 317A.100(1)(b)(WW)
**Sunset Date:** None
**Year Enacted:** 2023 (HB 2073)

| Revenue Impact | |
|---|---|
| | **Total** |
| 2023-25 | $100,000 |
| 2025-27 | $200,000 |

### DESCRIPTION
For purposes of the corporate activity tax, commercial activity does not include the cost paid by a dealer for items of precious metal. The difference between the amount received for the sale and the cost of precious metals continues to be included in commercial activity. An “item of precious metal” means an item of gold, silver, platinum, rhodium or palladium that has been put through a process of smelting or refining and that is in a state or condition such that its value depends on its contents and not its form.

The legislation that enacted this tax expenditure specified that any sunset under ORS 315.037 does not apply.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. According to the legislative staff revenue impact statement for HB 2073 (2023), "the policy purpose of the precious metals exemption is to create more equitable tax treatment between precious metals purchased as investments or used as a medium of exchange and similar assets such as stocks, bonds, and cash."

### WHO BENEFITS
Dealers of precious metals.

### EVALUATION
Not evaluated.

# 9.004 INSURERS SUBJECT TO RETALIATORY TAX

**Oregon Statute:** 317A.100(4)(h)
**Sunset Date:** 12-31-2026 (see description)
**Year Enacted:** 2021

| Revenue Impact | |
|---|---|
| | **Total** |
| 2023-25 | Not Available |
| 2025-27 | Not Available |

## DESCRIPTION

Foreign or alien insurance companies (those formed under the laws of a state other than Oregon or a country other than the United States, respectively) are exempt from the corporate activity tax to the extent that they are subject to Oregon's retaliatory tax under ORS 731.854 and 731.859.

Because the legislation enacting this provision did not expressly provide a period of applicability for this tax expenditure, ORS 315.037(3) establishes that this tax expenditure shall apply for a maximum of six years beginning with the initial applicable tax year. In this case, the last applicable tax year is 2026.

## PURPOSE

The statute that allows this tax expenditure does not explicitly state a purpose. Presumably, the purpose is to support Oregon-domiciled insurance companies by lowering the overall Oregon tax burden on non-Oregon insurance companies, since a high Oregon burden could trigger retaliatory taxes in other states.

## WHO BENEFITS

Oregon-domiciled insurance companies paying taxes in lower-tax states that impose retaliatory taxes to equal what their domiciled companies would face in Oregon; foreign or alien insurance companies from lower-tax domiciles below the threshold for Oregon's retaliatory tax.

## EVALUATION

*Provided by the Department of Consumer and Business Services*

Beginning with the first applicable tax year, 2021, this exemption from Oregon's corporate activity tax allows Oregon domiciled carriers to avoid increased retaliatory taxes levied by other states due to the decreased Oregon tax burden. Within certain thresholds, there should be no net reduction in Oregon's General Fund tax receipts because the corporate activity tax exemption on non-Oregon-domiciled carriers is offset to a significant degree by the increased retaliatory tax.

# CHAPTER 10. ELECTRIC COOPERATIVE TAX

Mutual and cooperative electrical associations are subject to a tax on gross earnings that is in lieu of all other taxes on transmission and distribution lines. The associations must be nonprofit, and the principal purpose must be to distribute electricity to their members. (See 2.068, Nonprofit Electrical Distribution Associations for the related property tax expenditure.)

Per ORS 308.807, associations must pay the lesser of:

- Four percent of all gross revenue derived from the use or operation of transmission and distribution lines (exclusive of revenues from the leasing of lines to governmental agencies) minus the cost of power to the association, or
- The result of the following calculation, where RMV stands for real market value:

  *((RMV of the transmission & distribution lines)×(max school rate allowed under ORS 310.150))*

  *+ ((RMV of transmission & distribution lines)×($10 per $1,000 of RMV))*

  *+ ((RMV of transmission & distribution lines)×(bond tax rates per ORS 310.140))*

For the 2024–2025 tax year, 15 associations paid an amount based on gross earnings and four paid the amount described in the second calculation.

The distribution of proceeds depends on which calculation method is used. If the first method is used, proceeds from the tax are distributed to counties in proportion to the association's wire miles in each county. These payments are distributed one-third to the county school fund and two-thirds to the county general fund. If the second calculation method is used, payments are deposited in the unsegregated tax collections account and distributed according to the percentage distribution schedule in ORS 311.390.

Electric cooperative tax revenue is forecast to be $23.1 million for the 2023–25 biennium and $24.6 million for the 2025–27 biennium.

# 10.001 REVENUE FROM GOVERNMENT LEASED LINES

**Oregon Statute:** 308.805 and 308.807(1)
**Sunset Date:** None
**Year Enacted:** 1969

| Revenue Impact | |
|---|---|
| | **Total** |
| 2023-25 | $200,000 |
| 2025-27 | $200,000 |

## DESCRIPTION

Revenue received by nonprofit mutual and cooperative electric distribution associations for leasing lines to the government is exempt from the total revenue when calculating the tax on gross earnings for the electric cooperative tax.

## PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purposes are to encourage the leasing of lines to governmental agencies and reduce electric leasing costs to the government.

## WHO BENEFITS

There are 19 cooperatives in Oregon subject to the tax; four of them received this exemption in tax year 2023–24.

## EVALUATION

Not evaluated.

# CHAPTER 11. OIL AND GAS PRIVILEGE TAX

A privilege tax is levied on the total volume of petroleum, crude oil, mineral oil, casinghead gas, and natural gas produced, or extracted, from a well within Oregon. The privilege tax is 6 percent of the gross value, or prevailing cash price, at the well for oil or gas produced. Net revenue derived from this tax is paid into the Common School Fund. To conform with taxpayer privacy disclosure laws, revenue numbers are not provided for tax programs that may affect at most a few taxpayers.

## 11.001 STATE AND LOCAL INTERESTS

**Oregon Statute:** 324.090(1)
**Sunset Date:** None
**Year Enacted:** 1981

| Revenue Impact | |
|---|---|
| | **Total** |
| 2023-25 | Not Available* |
| 2025-27 | Not Available* |

** In certain cases, to conform with taxpayer privacy disclosure laws, revenue numbers are not provided for tax expenditures that may affect at most a few taxpayers. This includes tax expenditures that do not currently affect any Oregon taxpayer, but could at a later date.*

### DESCRIPTION

Any royalty or other interest in oil or gas owned by the state or a local government is exempt from the oil and gas privilege tax.

### PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to adhere to the principle that governments typically do not tax themselves.

### WHO BENEFITS

State and local governments.

### EVALUATION

Not evaluated.

## 11.002 CREDIT FOR PROPERTY TAXES PAID

**Oregon Statute:** 324.090(2)
**Sunset Date:** None
**Year Enacted:** 1981

| Revenue Impact | |
|---|---|
| | **Total** |
| 2023-25 | Not Available* |
| 2025-27 | Not Available* |

** In certain cases, to conform with taxpayer privacy disclosure laws, revenue numbers are not provided for tax expenditures that may affect at most a few taxpayers. This includes tax expenditures that do not currently affect any Oregon taxpayer, but could at a later date.*

### DESCRIPTION

A credit is allowed against the oil and gas privilege tax for property taxes paid. This includes taxes on any property rights attached to the right to produce oil and gas, producing oil and gas leases, and machinery and equipment used in the operation of the well.

### PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to avoid double taxation of the value of oil and gas extracted.

### WHO BENEFITS

Producers of natural gas in Oregon. As of August 2024, there are a total of 75 permitted wells in Columbia and Coos Counties. Not all permitted natural gas wells produce gas, and there are no actively producing oil wells in Oregon.

## EVALUATION

*Provided by the Department of Geology and Mineral Industries*

This credit effectively avoids the double taxation of oil and gas resources that would occur if mining companies paid both property taxes and privilege taxes. If the companies were taxed through both the property tax and the privilege tax, the companies would pay tax twice on the same property.

# CHAPTER 12. MEDICAL PROVIDER TAXES

The 2003 Legislature created the hospital assessment, long term care facility tax, and Medicaid managed care assessment, collectively referred to here as the Medical Provider Taxes. These taxes are used to finance Medicaid services and leverage additional federal funds. Only the hospital and long term care facility taxes are discussed here because they are the only ones with tax expenditures.

**Hospital assessment**

The assessment on each hospital subject to this assessment is imposed at a rate determined by the director of the Oregon Health Authority (OHA) and is revised as needed. The assessment rate used is the best estimate of the rate needed to fund identified services and costs. Currently, the assessment rate is 6.0 percent of net patient revenues for Type A and Type B hospitals and 6.0 percent of net patient revenues for other hospitals but has been as low as 0.15 percent.

The assessment applies to net revenues earned by hospitals before the earlier of September 30, 2025, or the date the assessment no longer qualifies for federal matching funds. Net proceeds from this assessment are deposited in the Hospital Quality Assurance Fund. These revenues are to be used to partially fund the Oregon Health Plan in the OHA budget. The OHA 2023-25 Legislatively Adopted Budget includes $1.68 billion in hospital revenue in the Health Systems budget to partially fund the Oregon Health Plan. Hospital assessment receipts are forecast to be $1.669 billion for the 2023-25 biennium and $221.8 million for the 2025-27 biennium. The large decrease is because of the scheduled expiration of the assessments after one quarter of the 2025-27 biennium.

**Hospital Assessment Rate History**

| Period Beginning | Assessment Rate |
|---|---|
| July 1, 2004 | 0.95 percent |
| January 1, 2005 | 0.68 percent |
| July 1, 2006 | 0.82 percent |
| January 1, 2008 | 0.63 percent |
| July 1, 2009 | 0.15 percent |
| October 1, 2009 | 2.80 percent |
| July 1, 2010 | 2.32 percent |
| July 1, 2011 | 5.25 percent |
| October 1, 2011 | 5.08 percent |
| January 1, 2012 | 4.32 percent |
| April 1, 2013 | 5.30 percent |
| October 1, 2014 | 5.80 percent |
| April 1, 2016 | 5.30 percent |
| July 1, 2017 | 6.00 percent |
| October 5, 2017 | 5.30 percent |
| January 1, 2018 | 6.00 percent |

**Type A/B Hospital Assessment Rate History**

| Period Beginning | Assessment Rate |
|---|---|
| January 1, 2018 | 4.00 percent |
| July 1, 2018 | 4.75 percent |
| July 1, 2019 | 4.20 percent |
| December 1, 2019 | 2.69 percent |
| January 1, 2020 | 5.50 percent |
| October 1, 2020 | 6.00 percent |

**Long term care facility tax**

The assessment for this tax equals the rate times the number of patient days at the long term care facility for a calendar quarter. The Oregon Department of Human Services director typically establishes an annual assessment rate that applies for a 12-month period beginning July 1. The rate was initially $8.25 and has increased to $37.68 as of July 2024.

Net proceeds from this tax are deposited in the Long Term Care Facility Quality Assurance Fund. These revenues are intended to increase nursing facility Medicaid reimbursement rates and improve the financial stability of the nursing home industry. Long term care facility tax receipts are forecast to be $154.4 million for the 2023-25 biennium and $173.8 million for the 2025-27 biennium.

**Long Term Care Facility Tax Rate History**

| Period Beginning | Tax Rate |
|---|---|
| July 1, 2003 | $8.25 |
| July 1, 2004 | $10.87 |
| July 1, 2005 | $12.23 |
| July 1, 2006 | $13.73 |
| July 1, 2007 | $15.00 |
| July 1, 2008 | $14.85 |
| December 1, 2008 | $13.75 |
| July 1, 2009 | $15.38 |
| July 1, 2010 | $16.21 |
| July 1, 2011 | $17.51 |
| July 1, 2012 | $18.35 |
| July 1, 2013 | $20.79 |
| January 1, 2014 | $20.46 |
| July 1, 2014 | $19.37 |
| July 1, 2015 | $22.56 |
| July 1, 2016 | $22.99 |
| July 1, 2017 | $23.68 |
| July 1, 2018 | $24.46 |
| July 1, 2019 | $25.44 |
| July 1, 2020 | $25.92 |
| July 1, 2021 | $27.44 |
| July 1, 2022 | $32.91 |
| July 1, 2023 | $34.02 |
| July 1, 2024 | $37.68 |

# 12.001 EXCLUDED HOSPITALS

**Oregon Statute:** 414.853(3)(b)
**Sunset Date:** None (The tax sunsets 09-30-2025 or at the cessation of federal matching funds.)
**Year Enacted:** 2003

| Revenue Impact | |
|---|---|
| | **Shift*** |
| 2023-25 | $382,000,000 |
| 2025-27 | $74,300,000 |

** There is no loss in revenue because the Oregon Health Authority sets the tax rate to achieve specific funding goals. However, the assessment liability of exempt hospitals is shifted to nonexempt hospitals.*

## DESCRIPTION

Hospitals that provide only psychiatric care, special inpatient care facilities, pediatric specialty hospitals providing care to children at no charge, public hospitals other than hospitals created by health districts, and hospitals operated by the United States Department of Veterans Affairs are exempted from paying the hospital assessment. HB 2010 in 2019 extended the period of applicability of the hospital assessment and this tax expenditure through September 30, 2025.

## PURPOSE

The purpose of exempting hospitals operated by the US Department of Veterans Affairs is to comply with federal law, as federal entities are not subject to state taxation. The statute that allows this expenditure does not explicitly state a purpose for exempting the other facilities. Presumably, one purpose is to avoid taxing hospitals receiving little or no reimbursement from Medicaid. Such hospitals include pediatric specialty hospitals providing care to children at no charge, hospitals providing only psychiatric care, and special inpatient care hospitals. In the case of Oregon Health and Science University (OHSU), the Oregon Health Authority determined that the OHSU hospital could generate revenue in a different way while implementing a federally approved program.

## WHO BENEFITS

Three US Department of Veterans Affairs hospitals, the Oregon State Hospital (provides only psychiatric care), Vibra Specialty Hospital (special inpatient facility providing long term acute care), and OHSU (public hospital not created by a health district).

## EVALUATION

*Provided by the Oregon Health Authority*

If OHSU were not excluded from the hospital assessment, it would have paid an estimated $292 million dollars for the 2023–25 biennium, and $38 million for the 2025–27 biennium. The reduced amount in 2025-27 is due to the expiration of DRG [Diagnostic Related Group] hospital taxes on September 30, 2025. If the tax was ongoing throughout 2025-27 OHSU would pay $323 million if not exempt. Beginning January 1, 2018, the OHA implemented a new program with OHSU that provides even greater benefit to the agency to meet its ongoing revenue targets.

If the Oregon State Hospital were not excluded from the hospital assessment, it would have paid an estimated $1.2 million for the 2023–25 biennium and $0.1 million for the 2025–27 biennium. If not for the expiration of tax programs on September 30, 2025 and Oregon State Hospital's exemption they would be required to pay $0.9 million in 2025-27.

While Vibra and hospitals operated by Veterans Affairs do not report revenue information to OHA, and it cannot estimate the revenue impact for these hospitals, high level estimates are provided and included in the total impact by the Department of Revenue based on historical data.

Although OHSU is excluded from the assessment, OHA is now receiving funds from OHSU at even greater amounts than it paid under the assessment through an intergovernmental agreement. The funding from OHSU is used to meet OHA budget targets for the Oregon Health Plan and for the state share of federally-approved quality and access payments—which are eligible for Medicaid matching funds—to OHSU. As a result, both OHA and OHSU received increased benefit from excluding OHSU from the hospital assessment.

## 12.002 OREGON VETERANS' HOME

**Oregon Statute:** 409.803
**Sunset Date:** None (The tax sunsets 06-30-2026.)
**Year Enacted:** 2003

| Revenue Impact | |
|---|---|
| | **Shift*** |
| 2023-25 | $6,600,000 |
| 2025-27 | $3,700,000 |

** There is no loss in revenue because the Oregon Department of Human Services sets the tax rate to achieve specific funding goals. However, the tax liability of exempt long term care facilities is shifted to nonexempt long term care facilities.*

### DESCRIPTION

The two Oregon Veterans' Homes providing long term skilled nursing care in The Dalles and Lebanon, Oregon are exempt from the long term care facility tax. They are state owned and privately managed. HB 4162 in 2018 extended the period of applicability of the long term care facility assessment and this tax expenditure through June 30, 2026.

### PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to avoid taxing a public entity

### WHO BENEFITS

The Oregon Veterans' Homes and their residents and the spouses of residents.

### EVALUATION

Not evaluated.

## 12.003 TYPE A AND B HOSPITALS

**Oregon Statute:** 414.855(3)(c)
**Sunset Date:** None (The tax sunsets 09-30-2025 or at the cessation of federal matching funds.)
**Year Enacted:** 2017

| Revenue Impact | |
|---|---|
| | **Shift*** |
| 2023-25 | $0 |
| 2025-27 | $0 |

** There is no loss in revenue because the Oregon Health Authority sets the assessment rate to achieve specific funding goals. However, the assessment liability of exempt hospitals is shifted to nonexempt hospitals.*

### DESCRIPTION

Prior to the passage of HB 2391 in 2017, Type A and B hospitals in Oregon were exempted from paying the hospital assessment. Now, they must pay the hospital assessment, but the director of the Oregon Health Authority (OHA) may impose a lower rate of assessment on them to take into account the hospitals' financial position. Type A hospitals have fewer than 50 beds and are more than 30 miles from another hospital. Type B hospitals have fewer than 50 beds and are fewer than 30 miles from another hospital. Type A and B hospitals are paid on a cost to charge ratio for Medicaid clients. HB 2010 in 2019 extended the period of applicability of the hospital assessment and this tax expenditure through September 30, 2025.

### PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. During the development of the 2017–19 Legislatively Adopted Budget, OHA staff working with hospital representatives determined that Type A and B hospitals could be added to the hospital assessment, generating additional revenue to help meet the state's funding needs for the Oregon Health Plan and, under a new federally-approved program, OHA would make quality and access pool

payments to Type A and B hospitals to offset their cost of the assessment in aggregate. To meet a revenue target established during legislative budget negotiations, OHA calculated that a lower assessment rate on Type A and B hospitals would achieve the needed funding amount. Therefore, the Legislature approved HB 2391, giving the OHA Director the authority to impose a lower rate on Type A and B hospitals.

## WHO BENEFITS

There are 12 Type A and 20 Type B hospitals, though none benefit from this tax expenditure since their assessment rate is the same as the regular hospital assessment rate.

## EVALUATION

*Provided by the Oregon Health Authority*

Type A and B hospitals are projected to pay $332 million for the 2023–25 biennium and $40 million for the 2025– 27 biennium. The reduction is due to the expiration of the tax program on September 30, 2025. If the tax did not expire A and B hospitals would be projected to pay $324 million in the 2025-27 biennium.

Type A and B hospitals are currently paying 6.0% hospital tax rate, matching the rate assessed to DRG hospitals

Type A and B hospitals, in the aggregate, do not benefit and are not harmed by any specific assessment rate. OHA will adjust quality and access pool payments to Type A and B hospitals, in the aggregate, to be equal to amount of assessment revenue paid by Type A and B hospitals in the aggregate. The assessment rate is set by the director to meet the Oregon Health Plan funding target established in the 2023–25 Legislatively Adopted Budget and for making quality and access pool payments—which are eligible for Medicaid matching funds—to Type A and B hospitals to offset their cost of the assessment.

# CHAPTER 13. LODGING TAX

The Oregon Legislature approved House Bill 2267 in 2003, which created the Oregon state transient lodging tax. The tax applies to the fee charged to a customer for overnight lodging. The tax rate was one percent from January 1, 2004 through June 30, 2016. From July 1, 2016 through June 30, 2020, the rate was 1.8 percent. Effective July 1, 2020, the rate is 1.5 percent. The revenue from this tax funds the Oregon Tourism Commission and its programs.

House Bill 2197, passed in 2005, expanded the definition of transient lodging, and expanded the list of those who must pay the tax. House Bill 2656, passed in 2013, enhanced the administration and enforcement of existing law governing transient lodging taxes. Legislative changes required transient lodging providers and transient lodging intermediaries to collect and remit taxes computed on the retail price paid by the customer for occupancy of transient lodging. These legislative changes became effective on October 7, 2013. House Bill 4146, passed in 2016, changed the tax rates and distribution of revenue. During the 2018 Legislative Session, House Bill 4120 expanded the definition of a transient lodging intermediary.

The lodging tax was designed to be a tourism and travel related tax, with a tax base that encompassed tourism and travel related transient lodging. The statutory implementation of the lodging tax encompasses a wider base of transient lodging, and then excludes certain non-travel and non-tourism lodging. For example, overnight stays in hospitals and other medical facilities could be subject to the tax if the statutory exemption did not exist. Lodging tax receipts are forecast to be $89.7 million and $99.1 million for the 2023–25 and the 2025–27 biennia, respectively.

# 13.001 EXEMPT DWELLING UNITS

**Oregon Statute:** 320.308
**Sunset Date:** None
**Year Enacted:** 2005

| Revenue Impact | |
|---|---|
| | **Total** |
| 2023-25 | Not Available |
| 2025-27 | Not Available |

## DESCRIPTION

Certain facilities and dwelling units used for temporary lodging are exempt from state lodging taxation. Exempt facilities/units include:

- Health care or residential facilities licensed, registered, or certified by the Oregon Department of Human Services or the Oregon Health Authority
- Mental health and substance abuse treatment facilities
- Units used for temporary occupancy by the general public for fewer than 30 days per year, unless rented out using a platform of any kind provided by a transient lodging intermediary
- Emergency shelters funded through a government agency
- Nonprofit facilities
- Units occupied by the same person for 30 or more consecutive days.
- Generally, any barracks, quarters, or other facilities or space located on installations owned or managed by the Oregon Military Department that are used for temporary human occupancy by military-affiliated personnel.

The lodging tax was enacted with the intent for the tax base to comprise tourism and travel related transient lodging providers. Its statutory implementation included all transient lodging, and then subsequently excluded non-tourism and non-travel related lodging from the tax. This exclusion was probably included for statute writing simplicity reasons in defining the tax base.

## PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to implement a tourism and travel related lodging tax program that does not apply to the exempted facilities.

## WHO BENEFITS

Individuals who make use of exempt lodging facilities and the organizations that operate such facilities.

## EVALUATION

Not evaluated.

# 13.002 LODGING PAID FOR BY THE FEDERAL GOVERNMENT

**Federal Constitution:** U.S. Constitution, Article VI, Clause 2
**Sunset Date:** None
**Year Enacted:** 2003 (tax enacted)

| Revenue Impact | |
|---|---|
| | **Total** |
| 2023-25 | $800,000 |
| 2025-27 | $800,000 |

## DESCRIPTION

As a result of the supremacy clause in the U.S. Constitution, federal employees on official business are exempt from the state lodging tax when payment for lodging is made by a federal agency. Employees of federal instrumentalities are also exempt when on official business and when payment for lodging is made by the federal instrumentality or federal government. A federal instrumentality is an organization that assists in the performance of a government function, receives funding from the federal government, and is exempt from taxation. Examples of federal instrumentalities include federal credit unions and the American Red Cross.

## PURPOSE

To comply with the U.S. Constitution, which prohibits states from taxing the federal government.

## WHO BENEFITS

The federal government and federal instrumentalities.

## EVALUATION

*Provided by the Department of Revenue*

This tax expenditure meets its purpose of compliance with federal law.

# CHAPTER 14. LOCAL CONSTRUCTION TAX

In 2007, the Oregon Legislature passed into law Senate Bill 1036, allowing school districts to impose a tax on new construction based on the square footage of the new construction. The bill also allowed certain other local districts to impose a construction tax if the tax was in effect or was the subject of a public hearing before May 1, 2007. Senate Bill 1036 also restricted all other local construction taxes until January 2018, but this restriction was amended by the legislature in 2016.

The tax rate limitation and maximum tax are adjusted annually based on an average construction cost index. For fiscal year 2024–25, the tax rates are limited to $1.63 per square foot for residential construction and 82 cents per square foot for other construction, with a maximum of $40,800 per structure.

School districts may use construction tax proceeds only for capital improvements. After entering into intergovernmental agreements with the school district imposing the tax, the tax is collected by state or local governments responsible for issuing building permits. Up to four percent of tax revenues can be used to reimburse the state or local government's administrative fees associated with collecting the tax.

In 2016, the legislature passed Senate Bill 1533, which allowed cities and counties to impose construction taxes. Such taxes imposed on residential property may not exceed one percent of the permit value for residential construction permits. The revenue is devoted to developer incentives and affordable housing.

# 14.001 EXEMPT CONSTRUCTION

**Oregon Statute:** 320.173
**Sunset Date:** None
**Year Enacted:** 2007

| Revenue Impact | |
|---|---|
| | **Total** |
| 2023-25 | Not Available |
| 2025-27 | Not Available |

## DESCRIPTION

Certain types of construction may not be subjected to local construction taxes. Exempt construction includes:

- Private school improvements
- Public improvements defined by ORS 279A.010
- Affordable housing meeting certain criteria
- Public or private hospital improvements
- Improvements to religious facilities primarily used for worship or education associated with worship
- Agricultural buildings as defined by ORS 455.315 (2)(a)
- Facilities that are operated by a not-for-profit corporation and that are long term care facilities (defined in ORS 442.015) or residential care facilities (defined in ORS 443.400)
- Continuing care retirement communities (defined in ORS 101.020).
- Residential housing being constructed on a lot or parcel of land to replace residential housing on the lot or parcel of land that was destroyed or damaged by wildfire or another declared state of emergency.

Legislation in 2021 (HB 2607) added residential housing being constructed to replace destroyed and damaged housing after a disaster to the list of exempt property types.

## PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to avoid taxing construction activities that could be funded by the tax being imposed, and to encourage other types of preferred or protected construction activities.

## WHO BENEFITS

Purchasers, owners, or developers of exempted building types.

## EVALUATION

Not evaluated.

# CHAPTER 15. ESTATE TRANSFER TAX

Oregon places a tax on the transfer of wealth to heirs and beneficiaries. For deaths on or after January 1, 2012, the Oregon estate transfer tax return must be filed if the gross estate is $1,000,000 or more at the date of death. This filing threshold is not inflation adjusted. The Oregon estate transfer tax is tied to the federal estate tax as the federal tax existed on December 31, 2010.

For much of recent history Oregon had an inheritance tax that was tied directly to the federal estate tax in a form referred to as a "pick up tax." That is, Oregon's inheritance tax was equal to the maximum state inheritance tax credit allowed against the federal estate tax. In 2012, the Legislature changed the Oregon inheritance tax to the Oregon estate transfer tax that exists today.

Receipts for this tax are very volatile, depending on the circumstances of a small number of taxpayers. Generally, a few thousand returns are filed each year, though the majority of the total revenue comes from a small number of larger estates. There has been revenue growth in recent years reflecting, in part, Oregon's population growth as well as growth in the value of assets comprising estates. Receipts from the estate tax are expected to be $606.4 million in 2023–25 and $598.5 million in 2025–27.

## 15.001 CONSERVATION EASEMENT

**Oregon Statute:** 118.010(3)
**Sunset Date:** None
**Year Enacted:** 2011

| Revenue Impact | |
|---|---|
| | **Total** |
| 2023-25 | Less than $100,000 |
| 2025-27 | Less than $100,000 |

### DESCRIPTION

The value of land subject to a conservation easement can be excluded from the taxable estate, up to $500,000.

For land to qualify, it must

- be located in the United States,
- be owned by the decedent or family member for the three years preceding the decedent's death,
- be associated with a conservation easement that is not solely for the purposes of historic preservation, and
- only allow minimal commercial use.

### PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to encourage the use of conservation easements which allow private landowners to conserve land and prevent its development while retaining ownership.

### WHO BENEFITS

Beneficiaries of an estate that includes land subject to a conservation easement. Few taxpayers use this exclusion.

### EVALUATION

Not evaluated.

## 15.002 MARITAL DEDUCTION

**Oregon Statute:** 118.010(3) and (8)
**Sunset Date:** None
**Year Enacted:** 2011

| Revenue Impact | |
|---|---|
| | **Total** |
| 2023-25 | $399,000,000 |
| 2025-27 | $399,000,000 |

### DESCRIPTION

A deduction is available for the value of property passed from the decedent to a surviving spouse. The value of this property would then be taxed when the surviving spouse dies.

There are two different deductions available related to property passed to a surviving spouse.

Under 26 U.S. Code §2056, a marital deduction is allowed for the value of any interest in property which passes from the decedent to a surviving spouse if that interest is included in the value of the gross estate. To qualify, all income must be payable to the surviving spouse during their lifetime, and no one other than the surviving spouse can have any rights to income or principal during the lifetime of the surviving spouse. The Oregon Estate Transfer Tax borrows federal definitions for the federal taxable estate, thus this deduction is available for Oregon taxpayers. Oregon taxpayers may make a separate election for the marital deduction than that used for the federal estate tax.

In addition to the marital deduction, taxpayers may elect to qualify a trust or other property interest as Oregon special marital property (OSMP), which is treated similarly to the marital deduction. To qualify as OSMP, the principal or income must be accumulated or distributed to the surviving spouse during their lifetime, and no part of the trust or other property interest may be transferred to another person during the lifetime of the spouse. In the case that a trust or other property interest would otherwise qualify, but it allows principal or income distributions to those other than the surviving spouse, the executor may elect to set aside a share of the trust or property interest as a separate trust or property interest. The permissible distributees must consent to the election of the portion of the property as OSMP and must release any rights to the OSMP during the life of the surviving spouse. This election is irrevocable.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to treat a married couple as a single unit.

### WHO BENEFITS
The surviving spouse of a decedent. In 2022, there were over 1,000 estate tax returns that used the spousal exclusion.

### EVALUATION
Not evaluated.

## 15.003 NATURAL RESOURCE AND FISHING PROPERTY (DEDUCTION)

**Oregon Statute:** 118.145
**Sunset Date:** 12-31-2028 (see description)
**Year Enacted:** 2023 (SB 498)

| Revenue Impact | |
|---|---|
| | **Total** |
| 2023-25 | $23,400,000 |
| 2025-27 | $31,300,000 |

### DESCRIPTION
An exemption from the value of a taxable estate is allowed for some estates with natural resource or commercial fishing properties located in Oregon. The maximum exemption allowed is $15 million.

To qualify for this exemption, the decedent or any family member of the decedent must materially participate in farm business, forestry business or fishing business for at least 75 percent of the days of each of the five calendar years before and after death. The property must be transferred to one or more family member after the death and family members inheriting the property must also materially participate. A family member is a person within the third degree of relation to the decedent, by blood, marriage, adoption, civil union or domestic partnership.

Farm use property, forest use property, and farm or forest homesites qualify as natural resource property. Property used in commercial fishing operations or in the processing and marketing of those operations also qualifies. An estate claiming this exemption may not claim the credit allowed under 15.005, Natural Resource and Fishing Property (Credit).

Additional tax may be imposed if during the 5 years following the decedent's death, the natural resource property for which an exemption is allowed is sold or transferred to a person other than a family member of the decedent, or if requirements for material participation are not met.

Because the legislation enacting this provision did not expressly provide a period of applicability for this tax expenditure, ORS 315.037(3) establishes that this tax expenditure shall apply for a maximum of six years beginning with the initial applicable tax year. In this case, the last applicable tax year is 2028.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. According to the revenue impact statement describing SB 498 (2023), "The policy purpose of this measure is to alleviate the need for estates with natural resource property to sell assets to pay estate tax, facilitating the passage of property ownership to family members. "

### WHO BENEFITS
Family members of decedents who owned natural resource property at the time of death.

### EVALUATION
Not evaluated.

## 15.004 CHARITABLE BEQUESTS

**Oregon Statute:** 118.010(3)
**Sunset Date:** None
**Year Enacted:** 2011

| Revenue Impact | |
|---|---|
| | **Total** |
| 2023-25 | $109,000,000 |
| 2025-27 | $109,000,000 |

### DESCRIPTION
An unlimited deduction is allowed for estates that bequeath assets to charitable or religious organizations; federal, state, or local governments; or certain other nonprofit organizations. Such bequests must have been made during the decedent's lifetime or by will.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to encourage contributions to charitable organizations.

### WHO BENEFITS
Beneficiaries of an estate that bequeaths assets to qualifying entities.

### EVALUATION
Not evaluated.

## 15.005 NATURAL RESOURCE AND FISHING PROPERTY (CREDIT)

**Oregon Statute:** 118.140
**Sunset Date:** None
**Year Enacted:** 2007

| Revenue Impact | |
|---|---|
| | **Total** |
| 2023-25 | Less than $100,000 |
| 2025-27 | Less than $100,000 |

### DESCRIPTION
A credit against estate taxes is allowed for some estates with natural resource or commercial fishing properties located in Oregon. The credit amount is determined by the value of the estate's natural resources property in Oregon. The maximum value of natural resource property on which the credit is calculated is $7.5 million. The maximum adjusted estate value allowed for the credit is $15 million. The natural resource property must comprise at least 50 percent of the total estate value to be eligible. This provision requires the decedent to have owned the property and its use to have been devoted to farm or forest purposes or commercial fishing businesses for five out of eight years immediately preceding the decedent's death. The property must be transferred to or held in trust by a family member under the same classification for five out of eight years immediately following the decedent's death, failing to meet this requirement results in repayment of the credit by the taxpayer in whole or part.

Farm use property, forest use property, and farm or forest homesites qualify as natural resource property. Property used in commercial fishing operations or in the processing and marketing of those operations also qualifies.

The credit amount is calculated as the tax that would have otherwise been due multiplied by the fraction of the natural resource property's value, up to $7.5 million, out of the total value of the adjusted gross estate, up to $15 million, provided that the fraction is at least one half. Zero credit is allowed if the total adjusted gross estate exceeds $15 million.

SB 498 (2023) restricts this credit only to estates that do not claim an exemption under 15.003, Natural Resource and Fishing Property (Deduction).

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. According to the legislative staff measure summary describing HB 3618 (2008), "the policy goal is to preserve small natural resource based businesses by allowing family owners to pass businesses onto future generations."

### WHO BENEFITS
Family members of decedents who owned natural resource property at the time of death. For the most recent tax year available, 2022, a total of about 60 estate tax returns claimed this credit. The total amount of the credit claimed in this year was $9.3 million.

### EVALUATION
*Provided by the Oregon Department of Agriculture*

The Natural Resource and Fishing Property credit may be crucial in preserving Oregon's natural resource-based businesses, particularly those that are family-owned. By offering relief from estate taxes, this provision may prevent the forced sale or fragmentation of agricultural, forestry, and fishing properties, which are often the primary assets of these businesses. This helps ensure that these properties remain in productive use, supporting the long-term sustainability of Oregon's natural resource economy.

However, the credit's limitations, particularly the $7.5 million cap on eligible property value and the $15 million estate value threshold, may present significant challenges for some families. As land values and the cost of maintaining natural resource businesses have risen, especially in regions with high real estate demand, the credit may not be sufficient to fully mitigate the estate tax burden for larger or more valuable properties. This could force heirs to sell portions of their land or other assets to cover tax liabilities, leading to the fragmentation of the property and potentially disrupting the continuity of the business.

## 15.006 SMALL FOREST OWNER FOREST CONSERVATION (ESTATE TRANSFER TAX)

**Oregon Statute:** 315.124
**Sunset Date:** None
**Year Enacted:** 2022

| Revenue Impact | |
|---|---|
| | **Total** |
| 2023-25 | Not Available |
| 2025-27 | Not Available |

### DESCRIPTION
A credit for estate taxes is allowed for estates where the decedent held a certification for a credit under 1.429, Small Forest Owner Forest Conservation (Income Tax) for qualifying timber harvests on land owned by the decedent. The qualifications for this credit follow the requirements of the personal income tax credit.

The credit amount that can be used by the estate is any amount of the credit that was certified, but not used to offset personal income taxes. The credit cannot be used in excess of the estate tax liability, but any remaining amount may be used by the heirs or devisees for their use on personal or corporate income taxes.

If the property used to claim this credit is subsequently harvested or otherwise violates the conservation restrictions required to be certified for the credit, then additional tax, interest, and penalties may apply.

The legislation that enacted this tax expenditure specified that any sunset under ORS 315.037 does not apply.

### PURPOSE
The statute that allows this expenditure does not explicitly state a purpose. The legislative staff revenue impact statement for SB 1502 (2022) states “the policy purpose of this credit is to provide small forestland owners with financial encouragement to adopt standard practice harvest restrictions.”

### WHO BENEFITS
Estates of individuals who owned fewer than 5000 acres of forestland in the state and harvest fewer than 2 million board feet annually in accordance with the specific restrictions and avoid harvesting trees within riparian areas.

### EVALUATION
Not evaluated.

## 15.007 SPECIAL VALUATION

**Oregon Statute:** 118.010(3)
**Sunset Date:** None
**Year Enacted:** 2011

| Revenue Impact | |
|---|---|
| | **Total** |
| 2023-25 | Not Available |
| 2025-27 | Not Available |

### DESCRIPTION
In general, property is valued according to its "highest and best use". If an estate's property is being used for farming purposes or in a trade or business other than farming it may be valued according to its actual use. To qualify, all of the following conditions must be met:

- Fifty percent or more of the value of the estate consists of real or personal property which was being used for farming or business by the decedent or a family member and was passed from the decedent to a family member.
- Twenty five percent or more of the value of the estate consists of real property which was being used for farming or business by the decedent or a family member and was passed from the decedent to a family member.
- For at least five out of the eight years preceding the decedent's death, the real property must have been owned by the decedent or a family member, used for farming or business and there must have been material participation by the decedent or a family member in the operation of the farm or business.

The executor of the estate must elect to use special use valuation on the return, and enter into a written agreement with any person who has an interest in the property consenting to the election. For calendar year 2024, the maximum allowed decrease in the value of qualified real property from electing to use special use valuation is $1,390,000.

Additional tax is imposed if, within 10 years after the decedent's death, the qualified heir disposes of the qualified property or ceases to use it for its qualified use. The qualified heir is personally liable for the additional tax imposed.

## PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to preserve small businesses by allowing family owners to pass businesses onto future generations.

## WHO BENEFITS

Family members of a decedent with a qualifying estate.

## EVALUATION

Not evaluated.

# CHAPTER 16. MARIJUANA TAX

Oregon's marijuana tax is a 17 percent state tax combined with up to a 3 percent local tax, both applied to the retail price at the point of sale. The Department of Revenue collects the state tax and, for cities or counties that have requested it, the local tax.

Oregon voters approved Measure 91 in a statewide general election on November 4, 2014. The measure legalized the production, processing, delivery, possession, and sale of marijuana among adults for recreational purposes. A system for legalized medical marijuana in Oregon had been created previously with the approval of Measure 67 in 1998. The tax structure outlined in Measure 91 would have applied to marijuana producers, but in 2015 the Oregon Legislative Assembly replaced that structure with a tax applied at the point of retail sale.

Sales of recreational marijuana may only be made by recreational retailers licensed by the Oregon Liquor and Cannabis Commission (OLCC). The tax rate of 17 percent (up to 20 percent with a possible local option) has applied since January 2017 or the retailer's first licensed date, whichever was earlier.

Marijuana tax receipts are forecasted to be $313 million for the 2023–25 biennium and $339 million for the 2025–27 biennium.

Net marijuana tax revenue exceeding $11.25 million per quarter (adjusted annually for inflation beginning 2023) is directed to drug treatment and recovery services, according to Measure 110, approved by voters in November 2020. The first $11.25 million in net revenue each quarter ($45 million per year) is distributed by statutory formula to recipients such as the State School Fund, Oregon State Police, Oregon Health Authority, and participating cities and counties. The annual adjustment of the $11.25 million quarterly threshold is due to House Bill 4056 (2022).

# 16.001 MARIJUANA PURCHASED FOR MEDICAL USE

**Oregon Statute:** 475C.678
**Sunset Date:** 12-31-2027
**Year Enacted:** 2016

| Revenue Impact | | | |
|---|---|---|---|
| | State | Local | Total |
| 2023-25 | $16,100,000 | $2,800,000 | $18,900,000 |
| 2025-27 | $16,300,000 | $2,900,000 | $19,200,000 |

## DESCRIPTION

Retail sales of usable marijuana or marijuana items are not subject to the marijuana tax when made to people who hold a valid medical marijuana patient or caregiver card issued by the Oregon Health Authority. This tax exemption applies to both state and local marijuana taxes. Although the law exempting medical marijuana only became effective in 2016, medical marijuana was not taxed before that time either. The introduction of taxed recreational marijuana sales in 2016 led to an opportunity to distinguish between taxed and untaxed marijuana sales.

Legislation in 2021 (HB 2433) specified that this provision applies to sales of marijuana items occurring on or after January 1, 2016, and before January 1, 2028.

## PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. According to the revenue impact statement prepared by legislative staff for HB 2433 (2021), the "policy purpose of this exemption is to preserve access to medical marijuana in a similar manner as it was available prior to the legalization of recreational marijuana."

## WHO BENEFITS

Medical marijuana cardholders who make retail purchases of usable marijuana or marijuana items and who have been authorized by the Oregon Health Authority to use marijuana in the treatment of a debilitating medical condition. Close to 15,000 people held a medical marijuana patient card as of May 2024, and nearly 6,000 people held a caregiver card.

## IN LIEU

Medical marijuana cardholders must pay an annual fee for a medical marijuana card. Card fees for patients total approximately $1.5 million annually. Approximately 38 percent of patients pay full price for the annual fee.

## EVALUATION

*Provided by the Oregon Health Authority*

Registered medical marijuana patients pay an annual registration fee of $200 or a reduced fee, between $20-$60, depending on their qualifying status. The fees paid by the patient support the administration of the medical marijuana program which includes registration of patients and regulatory oversight of medical marijuana grow sites and facilities. The patient fees supplant the need for a tax on medical marijuana products sold at retail locations since the fees pay for the administration of the program. The tax exemption from sales of medical marijuana to registered patients would alleviate the financial burden on patients with a medical necessity who already pay a fee to access medical marijuana.

# CHAPTER 17. VEHICLE USE TAX

The vehicle use tax was created in 2017 by the Oregon Legislative Assembly (HB 2017) and imposed beginning January 1, 2018. It imposes a tax on vehicle purchasers who intend to use a motor vehicle in Oregon. The tax is 0.5 percent of the retail price of certain vehicles purchased. In general, vehicles covered by the tax are those never before registered in Oregon and with 7,500 or fewer miles on their odometer (if they have one). The tax does not apply to vehicles with a gross vehicle weight rating over 26,000 pounds.

Vehicles potentially subject to the tax include passenger vehicles, motorcycles, campers, buses, trucks, trailers (if required to be registered in Oregon), and commercial motor vehicles. The use tax is reduced by amounts paid for the Vehicle Privilege Tax on page 381.

Gross receipts are forecasted by the Oregon Department of Transportation to be $22.7 million and $24.4 million for the 2023–25 and 2025–27 biennia, respectively. Net revenue from the vehicle use tax is distributed to the State Highway Fund.

# 17.001 CERTAIN VEHICLE MODIFICATIONS (VEHICLE USE TAX)

**Oregon Statute:** 320.400(2)(b)
**Sunset Date:** None
**Year Enacted:** 2018

| Revenue Impact | |
|---|---|
| | **Total** |
| 2023-25 | Not Available |
| 2025-27 | Not Available |

## DESCRIPTION

This provision states the retail value of the following modifications are not included in the retail sales price used in calculation, under ORS 320.410(2), of the tax on the storage, use, or other consumption in Oregon of motor vehicles purchased at retail:

- Modifications to a taxable vehicle that are necessary for a person with a disability to enter or drive or to otherwise operate or use the vehicle.
- Customized industrial modifications to the chassis of a taxable vehicle (typically a medium-duty truck) that has a gross vehicle weight rating (GVWR) of at least 10,000 pounds and not more than 26,000 pounds.

The legislative intent of the vehicle use tax was not to include the retail value of these modifications in the definition of "retail sale price" of which the tax is based. Presumably, it was simpler to make a general definition of retail sales price and then state what it does not include.

Legislation in 2019 (HB 2592) removed any sunset under ORS 315.037 for all tax expenditures related to the transportation project taxes enacted in 2017.

## PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to not include the retail value of these modifications in the retail sales prices used in calculation of the tax on the storage, use, or other consumption in Oregon of motor vehicles purchased at retail.

## WHO BENEFITS

Persons who purchase a taxable vehicle with adaptive modifications and businesses who purchase taxable vehicles with customized industrial modifications.

## EVALUATION

Not evaluated.

# 17.002 VEHICLES PURCHASED BY THE FEDERAL GOVERNMENT OR TRIBES

**Federal Constitution:** U.S. Constitution, Article VI, Clause 2
**Sunset Date:** None
**Year Enacted:** 2017 (tax enacted)

| Revenue Impact | |
|---|---|
| | **Total** |
| 2023-25 | $200,000 |
| 2025-27 | $200,000 |

## DESCRIPTION

The State of Oregon is prohibited by the U.S. Constitution from taxing the federal government or tribal governments. Oregon cannot require the federal government or tribal governments to pay the vehicle use tax.

## PURPOSE
To comply with federal law.

## WHO BENEFITS
The federal government and tribal governments.

## EVALUATION
*Provided by the Department of Revenue*

This tax expenditure achieves its purpose of compliance with federal law.

# CHAPTER 18. VEHICLE PRIVILEGE TAX

The vehicle privilege tax was created in 2017 by the Oregon Legislative Assembly (HB 2017) and imposed beginning January 1, 2018. It imposes a tax on motor vehicle dealers for the privilege of selling vehicles in Oregon, where a dealer is defined as someone who is or would be required to obtain a vehicle dealer certificate in Oregon. The tax is 0.5 percent of the retail price of certain vehicles sold. In general, vehicles covered by the tax are those never before registered in Oregon and with 7,500 or fewer miles on their odometer (if they have one). The tax does not apply to vehicles with a gross vehicle weight rating over 26,000 pounds, nor to those with a resale certificate.

Vehicles potentially subject to the tax include passenger vehicles, motorcycles, campers, buses, trucks, trailers (if required to be registered in Oregon), and commercial motor vehicles. If the privilege tax is not paid for a vehicle intended to be used in Oregon, the Vehicle Use Tax on page 377 applies.

Gross receipts of the vehicle privilege tax are forecasted by the Oregon Department of Transportation to be $78.8 million and $83.6 million for the 2023–25 and 2025–27 biennia, respectively. Net revenue from the vehicle privilege tax is distributed to the Zero-Emission Incentive Fund and to the Connect Oregon Fund. Effective January 1, 2023, the greater of $12 million per year or 45 percent of annual gross tax receipts is transferred to the Zero-Emission Incentive Fund and remaining revenue is transferred to the Connect Oregon Fund.

# 18.001 CERTAIN VEHICLE MODIFICATIONS (VEHICLE PRIVILEGE TAX)

**Oregon Statute:** 320.400(2)(b)
**Sunset Date:** None
**Year Enacted:** 2018

| Revenue Impact | |
|---|---|
| | **Total** |
| 2023-25 | Not Available |
| 2025-27 | Not Available |

## DESCRIPTION

This provision states the retail value of the following modifications are not included in the retail sales price used in calculation under ORS 320.405(2) of the tax imposed on each vehicle dealer for the privilege of engaging in the business selling taxable motor vehicles at retail in Oregon:

- Modifications to a taxable vehicle that are necessary for a person with a disability to enter or drive or to otherwise operate or use the vehicle.
- Customized industrial modifications to the chassis of a taxable vehicle (typically a medium-duty truck) that has a gross vehicle weight rating (GVWR) of at least 10,000 pounds and not more than 26,000 pounds.

The legislative intent of the vehicle privilege tax was not to include the retail value of these modifications in the definition of "retail sales price" of which the tax is based. Presumably, it was simpler to make a general definition of retail sales price and then state what it does not include.

Legislation in 2019 (HB 2592) removed any sunset under ORS 315.037 for all tax expenditures related to the transportation project taxes enacted in 2017.

## PURPOSE

The statute that allows this expenditure does not explicitly state a purpose. Presumably, the purpose is to not include the retail value of these modifications in the retail sales prices used in calculation of the tax imposed on each vehicle dealer for the privilege of engaging in the business selling taxable motor vehicles at retail in Oregon.

## WHO BENEFITS

Persons who purchase a taxable vehicle with adaptive modifications and businesses who purchase taxable vehicles with customized industrial modifications.

## EVALUATION

Not evaluated.

# 18.002 VEHICLES SOLD AT AUCTION

**Oregon Statute:** 320.425(2)
**Sunset Date:** None
**Year Enacted:** 2017

| Revenue Impact | |
|---|---|
| | **Total** |
| 2023-25 | $100,000 |
| 2025-27 | $100,000 |

## DESCRIPTION

A seller of otherwise taxable motor vehicles is not liable for the vehicle privilege tax with respect to vehicles sold at an event that lasts less than seven consecutive days, for which the public is charged admission and at which otherwise taxable motor vehicles are sold at auction.

Legislation in 2019 (HB 2592) removed any sunset under ORS 315.037 for all tax expenditures related to the transportation project taxes enacted in 2017.

### PURPOSE

The statute that allows this tax expenditure does not explicitly state a purpose. Presumably, the purpose is to not tax vehicles sold at auction the same as vehicles sold at retail.

### WHO BENEFITS

Dealers selling taxable motor vehicles at auctions. Presumably, examples of vehicles sold at auction could include collector/classic vehicles, repossessed vehicles, and damaged vehicles that have never been registered in Oregon.

### EVALUATION

Not evaluated.

## 18.003 VEHICLES SOLD FOR OUT OF STATE USE

**Oregon Statute:** 320.425(1)
**Sunset Date:** None
**Year Enacted:** 2017

| Revenue Impact | |
|---|---|
| | **Total** |
| 2023-25 | $12,700,000 |
| 2025-27 | $14,300,000 |

### DESCRIPTION

A seller of otherwise taxable motor vehicles is not liable for the vehicle privilege tax for vehicles sold to non-Oregon residents. Sales of otherwise taxable motor vehicles to a business for use primarily outside of Oregon are also exempt.

Legislation in 2019 (HB 2592) removed any sunset under ORS 315.037 for all tax expenditures related to the transportation project taxes enacted in 2017.

### PURPOSE

The statute that allows this tax expenditure does not explicitly state a purpose. Presumably, the purpose is to not disadvantage Oregon dealers selling taxable motor vehicles to non-residents or businesses located out-of-state.

### WHO BENEFITS

Dealers selling taxable motor vehicles for out-of-state use. On average, 250 dealers each quarter since the tax program's inception reported selling vehicles to nonresidents and 50 dealers per quarter reported selling vehicles to a business for use primarily outside of Oregon.

### EVALUATION

*Provided by the Oregon Department of Transportation*

This tax expenditure appears to be successful. Similar to out-of-state dealers selling to Oregon residents, Oregon dealers would likely want to sell a vehicle at the most competitive total cost, and not assessing the Privilege Tax would reduce this total cost. The purchaser would then report the sale to their home jurisdiction and the appropriate tax would get paid at that time.

# APPENDIX A: OREGON STATUTE REQUIRING TAX EXPENDITURE REPORT

Oregon Laws 1995, Chapter 746, known as the Budget Accountability Act, established the requirement for the Tax Expenditure Report. That law was incorporated into the Oregon Revised Statutes, and subsequently modified. Below is the 2023 edition of the ORS requiring the Tax Expenditure Report.

**291.190 Short title.** ORS 291.195, 291.201 and 291.203 may be cited as the Budget Accountability Act.

**291.195 Policy for financial expenditure planning.** (1) The Legislative Assembly hereby declares that the ability to make fiscally sound and effective spending decisions has been enhanced by requiring agencies and programs to develop performance measures and to evaluate all General Fund, State Lottery Fund and other expenditures in accordance with these performance measures. Fiscal pressure on this state requires even greater accountability and necessitates a review of the fairness and efficiency of all tax deductions, tax exclusions, tax subtractions, tax exemptions, tax deferrals, preferential tax rates and tax credits. These types of tax expenditures are similar to direct government expenditures because they provide special benefits to favored individuals or businesses, and thus result in higher tax rates for all individuals.

(2) The Legislative Assembly further finds that 76 percent of property in this state is exempt from property taxation and that income tax expenditures total billions of dollars per biennium. An accurate and accountable state budget should reflect the true costs of tax expenditures and should fund only those tax expenditures that are effective and efficient uses of limited tax dollars.

(3) The Legislative Assembly declares that it is in the best interest of this state to have prepared a biennial report of tax expenditures that will allow the public and policy makers to identify and analyze tax expenditures and to periodically make criteria-based decisions on whether the expenditures should be continued. The tax expenditure report will allow tax expenditures to be debated in conjunction with online budgets and will result in the elimination of inefficient and inappropriate tax expenditures, resulting in greater accountability by state government and a lowering of the tax burden on all taxpayers.

**291.201 "Tax expenditure" defined for ORS 291.201 to 291.222.** As used in ORS 291.201 to 291.222, "tax expenditure" means any law of the federal government or this state that exempts, in whole or in part, certain persons, income, goods, services or property from the impact of established taxes, including but not limited to tax deductions, tax exclusions, tax subtractions, tax exemptions, tax deferrals, preferential tax rates and tax credits.

**291.202 Budget and tax expenditure report of Governor; department to assist in preparation.** (1) Except as otherwise provided in ORS 291.222, the Governor shall prepare in each even-numbered year for the biennium beginning July 1 of the following year:

(a) A Governor's budget; and

(b) A tax expenditure report.

(2) The Oregon Department of Administrative Services shall advise and assist the Governor in the preparation of the Governor's budget and the tax expenditure report and shall perform any duties connected to the budget or report as the Governor requires.

(3) The Department of Revenue shall advise and assist the Governor in the preparation of the tax expenditure report.

**291.203 Tax expenditure report by Governor.** (1) Not later than November 10 of each even-numbered year, the Governor shall cause the tax expenditure report to be compiled and prepared for printing.

(2) In the tax expenditure report, the Governor shall:

(a) List each tax expenditure;

(b) Identify the statutory authority for each tax expenditure;

(c) Describe the purpose of each tax expenditure;

(d) Estimate the amount of revenue loss caused by each tax expenditure for the coming biennium;

(e) List the actual amount of revenue loss in the preceding biennium for each tax expenditure or an estimate if the actual amount cannot be determined;

(f) Determine whether each tax expenditure has successfully achieved the purpose for which the tax expenditure was enacted and currently serves, including an analysis of the persons that are benefited by the expenditure; and

(g) Categorize each tax expenditure according to the programs or functions each tax expenditure supports.

**291.214 Governor to prepare recommendations regarding certain tax expenditures.** (1) The Governor, during the preparation of the Governor's budget and before its submission to the Legislative Assembly, shall identify each tax expenditure that has a full or partial sunset that, if allowed to take effect, will have a fiscal impact on the state or on school districts for the next biennium, and shall prepare a recommendation as to each tax expenditure identified under this paragraph that indicates the Governor's opinion on whether the full or partial sunset of the tax expenditure should be allowed to take effect as scheduled or should be revised to a different date.

(2) As used in this section:

(a) "Full sunset" means any provision that completely eliminates an existing tax expenditure on a specified date.

(b) "Partial sunset" means any provision that reduces the amount of an existing tax expenditure or that alters the eligibility requirements for the expenditure as of a specified date.

**291.216 Governor's budget; when due; content.** (1) The Governor's budget shall include a budget message prepared by the Governor, including recommendations of the Governor with reference to the fiscal policy of the state government for the coming biennium, describing the important features of the budget, embracing a general budget summary setting forth the aggregate figures of the budget so as to show a balanced relation between the total proposed expenditures and the total anticipated income, with the basis and factors on which the estimates are made, the amount to be borrowed, and other means of financing the estimated expenditures for the ensuing biennium, compared with the corresponding figures for at least the last completed biennium and the current biennium.

(2) The Governor's budget shall be supported by explanatory schedules or statements, classifying the expenditures reported in the budget, both past and proposed, by organization units, objects and funds, and the income by organization units, sources and funds, and the proposed amount of new borrowing as well as proposed new tax or revenue sources, including a single comprehensive list of all proposed increases in fees, licenses and assessments assumed in the budget.

(3) The Governor's budget shall be submitted for all dedicated funds, as well as the state General Fund, and shall include the estimated amounts of federal and other aids or grants to state agencies or activities provided for any purpose whatever, together with estimated expenditures therefrom.

(4) The Governor's budget shall embrace the detailed estimates of expenditures and revenues. It shall include:

(a) Statements of the bonded indebtedness of the state government, showing the actual amount of the debt service for at least the past biennium, and the estimated amount for the current biennium and the ensuing biennium, the debt authorized and unissued, the condition of the sinking funds and the borrowing capacity.

(b) The Governor's recommendations concerning tax expenditures identified under ORS 291.214.

(c) Any statements relative to the financial plan which the Governor may consider desirable or which may be required by the Legislative Assembly.

(5) The Governor's budget shall use the estimated revenues under ORS 291.342 for the fiscal year in which the budget is submitted as the basis for total anticipated income under subsection (1) of this section, subject to adjustment as may be necessary to reflect accurately projections for the next biennium.

(6)(a) The Governor's budget shall present information regarding the expenses of the state in the following categories:

(A) Personnel expenses, including compensation and benefits for state employees, but excluding costs of services contracted out and temporary service costs.

(B) Supplies, equipment and the costs of services contracted out.

(C) Special payments.

(D) Capital construction.

(E) Capital outlay.

(F) Debt service.

(b) For each category described in paragraph (a) of this subsection, the budget shall show actual expenditures for the prior biennium and estimated expenditures for the current biennium.

(c) As supplemental information to the budget, the Governor shall include an estimate of the projected costs of continuing currently authorized programs in the next biennium. The estimate shall include, but is not limited to the projected costs of:

(A) Removing one-time expenditures;

(B) Program phase-ins and phase-outs;

(C) Personnel expenses compared to existing compensation plan agreements, including position vacancy experience calculations;

(D) Inflation for services, supplies and medical costs;

(E) Transfers between state funds or accounts;

(F) Mandated caseload changes; and

(G) Debt service for previously issued debt.

(d) The budget shall show the total increase in the cost of salaries and benefits for all state positions.

(7) The Governor's budget shall include:

(a) The total number of positions and full-time equivalent positions included in the budget.

(b) The average vacancy rate in the present biennium.

(c) The number of permanent, full-time equivalent vacancies as of July 1 of even-numbered years.

(8) The Governor's budget shall include computations showing budget figures as a percentage of the total General Fund, federal fund, fee or other source category, as may be appropriate.

(9) The Governor's budget shall include, in a format that provides side-by-side comparison with the State Debt Policy Advisory Commission report of net debt capacity, a six-year forecast, by debt type and repayment source, of:

(a) That portion of the capital construction program required to be reported by ORS 291.224 that will be financed by debt issuance.

(b) The acquisition of equipment or technology in excess of $500,000 that will be financed by debt issuance.

(c) Other state agency debt issuance for grant or loan purposes.

(10) The Governor's budget shall include the outcomes-based budgeting information required by ORS 291.217 (2) and (3).

(11) The Governor's budget shall include recommendations regarding available funds that could be used to make lump sum payments to the Public Employees Retirement System under ORS 238.229.

(12) The Governor's budget shall include a narrative summarizing the racial impact statements required under ORS 291.206.

**291.218 Printing Governor's budget and tax expenditure report; transmitting to members of legislature; distribution.** Except when the Governor under whose supervision the Governor's budget and the tax expenditure report have been prepared will be succeeded in office in January next following:

(1) The Oregon Department of Administrative Services shall have as many copies of the Governor's budget and the tax expenditure report printed as the Governor directs.

(2) Not later than December 1 of each even-numbered year, the Governor shall transmit a copy of the Governor's budget and the tax expenditure report to each member of the Legislative Assembly who is to serve during the next regular session of the Legislative Assembly.

(3) Upon request, the Governor shall distribute copies of the Governor's budget and the tax expenditure report free of charge to public libraries, schools and state officials. The Governor shall make copies available to the general public at a reasonable charge for each copy.

**291.220 Furnishing information and assistance to legislature.** (1) The Governor, upon request, shall furnish the Legislative Assembly any further information required concerning the Governor's budget and the tax expenditure report.

(2) The Oregon Department of Administrative Services, upon request, shall furnish a representative to assist the Legislative Assembly, the Joint Committee on Ways and Means and the Legislative Revenue Officer in the consideration of the budget, the tax expenditure report and any accompanying measures.

**291.222 Furnishing information and assistance to Governor-elect; revision of budget and tax expenditure report.** If the Governor under whose supervision the Governor's budget and tax expenditure report have been prepared will be succeeded in office in January next following:

(1) The Oregon Department of Administrative Services shall make available to the Governor-elect so much as the Governor-elect requests of the information upon which the Governor's budget and tax expenditure report are based, and upon completion of the budget and tax expenditure report, shall supply the Governor-elect with a copy of the budget and report, but may not print or distribute the budget or report. The department shall also make available to the Governor-elect all facilities of the department reasonably necessary to permit the Governor-elect to review and become familiar with the budget or tax expenditure report.

(2) After a review of the Governor's budget and tax expenditure report, the Governor-elect may prepare revisions and additions to the budget or report. The Oregon Department of Administrative Services and the Department of Revenue shall assist, upon request, in the preparation of any revisions or additions.

(3) The Oregon Department of Administrative Services shall have printed as many copies of the revised Governor's budget and revised tax expenditure report as the Governor-elect requests.

(4) Not later than February 1 of each odd-numbered year, the Oregon Department of Administrative Services shall transmit a copy of the revised Governor's budget and revised tax expenditure report to each member of the Legislative Assembly.

(5) Upon request, the department shall distribute copies of the revised Governor's budget and revised tax expenditure report free of charge, under any rules the department may adopt, to public libraries, schools and state officials. The department shall make copies of the revised budget and revised tax expenditure report available to the general public at a reasonable charge for each copy.

# APPENDIX B: CONTRIBUTORS

The report was developed by the following members of the Department of Revenue Research Section, with assistance from numerous Department of Revenue and other state agency personnel:

| | |
|---|---|
| Mark Beilby | Research Analyst |
| David Brimmer | Senior Economist |
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| Saurabh Gupta | Economist |
| Amy Kormendy | Research Data Governance Analyst |
| Sonya Rogers | Research Assistant |
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| Yasu Tanaka | Research Analyst |
| Brittany Teahan | Economist |

The following agencies evaluated the effectiveness of the tax expenditures and provided other important information:

Agriculture, Oregon Department of

Aviation, Department of

Business Development Department, Oregon

Chief Financial Office

Consumer and Business Services, Department of

Early Learning and Care, Department of

Emergency Management, Oregon Department of

Energy, Oregon Department of

Environmental Quality, Department of

Film and Video Office, Oregon

Fish and Wildlife, Oregon Department of

Forestry, Oregon Department of

Geology and Mineral Industries, Department of

Health Authority, Oregon

Higher Education Coordinating Commission

Housing and Community Services Department, Oregon

Human Services, Oregon Department of

Land Conservation and Development, Department of

Lands, Department of State

Legislative Revenue Office

Liquor and Cannabis Commission, Oregon

Lottery, Oregon

Marine Board, Oregon State

Military Department, Oregon

Office of Economic Analysis

Parks and Recreation Department, Oregon

Public Utility Commission, Oregon

Rural Health, Office of

Secretary of State, Oregon

Transportation, Oregon Department of

Veterans' Affairs, Oregon Department of

# APPENDIX C: NEW, MODIFIED, OR REMOVED TAX EXPENDITURES

This appendix contains a list of tax expenditures that have been created, modified, or removed since the publication of the *2023-25 Tax Expenditure Report*. Although many of the tax expenditures reflected here were created or changed during Oregon's 2023 or 2024 Legislative sessions, several are on this list because the Department has changed its interpretation of whether certain provisions represent tax expenditures or because they were included or excluded from the previous publication in error. The *2023-25 Tax Expenditure Report* provides descriptions of the removed items listed below.

The listing of modified tax expenditures below does not include modifications of tax expenditures that resulted from changes in federal law for income taxes that impact Oregon's income taxes.

| | Tax Expenditure | Type | Oregon Legislation Creating or Modifying Tax Expenditure |
|---|---|---|---|
| **NEW TAX EXPENDITURES** | | | |
| *Personal & Corporate Income Taxes* | | | |
| 1.054 | Deferral of Certain Advance Payments | Exclusion | ORS 316.048 & 317.013 |
| 1.317 | Personal Casualty Loss | Subtraction | HB 2812 (2023) |
| 1.318 | Wildfire Judgment or Settlement and Legal Fees | Subtraction | SB 1520 (2024) |
| 1.412 | Oregon Kids Credit | Credit | HB 3235 (2023) |
| 1.426 | Qualified Research Expenses for Semiconductor Companies | Credit | HB 2009 (2023) |
| 1.427 | Publicly Supported Housing Seller's Credit | Credit | HB 2071 (2023) & SB 1526 (2024) |
| *Property Tax* | | | |
| 2.031 | New ADU or Newly Converted Multiplex | Full | SB 919 (2023) |
| 2.084 | Solar Improvement on Tribal Land | Full | SB 1526 (2024) |
| 2.115 | Affordable Housing Projects Receiving Grant | Partial | SB 1537 (2024) |
| 2.128 | Homes Rebuilt After 2020 Wildfires | Special | SB 1545 (2024) |
| *Emergency and Crisis Services Taxes* | | | |
| 8.002 | Oregon Telephone Assistance Program | Exclusion | HB 2757 (2023) |
| *Corporate Activity Tax* | | | |
| 9.003 | Precious Metals | Exclusion | HB 2073 (2023) |
| *Estate Transfer Tax* | | | |
| 15.001 | Conservation Easement | Exclusion | ORS 118.010(3) |
| 15.002 | Marital Deduction | Deduction | ORS 118.010(3) |
| 15.003 | Natural Resource and Fishing Property (Deduction) | Deduction | SB 498 (2023) |
| 15.004 | Charitable Bequests | Deduction | ORS 118.010(3) |
| 15.007 | Special Valuation | Other | ORS 118.010(3) |

| | Tax Expenditure | Type | Oregon Legislation Creating or Modifying Tax Expenditure |
|---|---|---|---|
| **MODIFIED TAX EXPENDITURES** | | | |
| *Personal & Corporate Income Taxes* | | | |
| 1.314 | First-time Home Buyer Savings | Subtraction | SB 1527 (2024) |
| 1.329 | Military Active Duty and Related Pay | Subtraction | HB 2071 (2023) |
| 1.401 | Employer Provided Scholarships | Credit | HB 2071 (2023) |
| 1.403 | Opportunity Grant Fund Contributions | Credit | SB 129 (2023) |
| 1.405 | Contributions to 529 Account | Credit | HB 2071(2023) |
| 1.408 | Rural Medical Practice | Credit | HB 4010 (2024) |
| 1.409 | Volunteer Rural Emergency Medical Providers | Credit | HB 2071 (2023) |
| 1.411 | Contributions to ABLE Account | Credit | HB 2071 (2023) |
| 1.414 | Agriculture Workforce Housing Construction | Credit | HB 2071 (2023) |
| 1.415 | Film Production Development Contributions | Credit | HB 2093 (2023) |
| 1.419 | Reservation Enterprise Zone (Income Tax) | Credit | HB 2071 (2023) |
| 1.420 | Public University Venture Development Fund | Credit | HB 2071 (2023) |
| 1.423 | Individual Development Account Donation (Credit) | Credit | HB 2071 (2023) |
| 1.429 | Small Forest Owner Forest Conservation (Income Tax) | Credit | HB 2161 (2023) |
| 1.438 | Fish Screening Devices | Credit | HB 2071 (2023) |
| 1.439 | Short Line Railroad Rehabilitation | Credit | HB 2071 (2023), HB 3406 (2023), & SB 1526 (2024) |
| 1.441 | Political Contributions | Credit | HB 2071 (2023) |
| 1.442 | Oregon Cultural Trust | Credit | HB 2071 (2023) |
| *Property Tax* | | | |
| 2.012 | Construction in Process in an Enterprise Zone | Full | HB 2009 (2023) |
| 2.013 | Enterprise Zone Businesses | Full | HB 2009 (2023) |
| 2.014 | Long Term Rural Enterprise Zone (Property Tax) | Full | HB 2009 (2023) |
| 2.016 | New Industrial Property in Rural Areas | Full | HB 2080 (2023) |
| 2.022 | Federal Land Under Recreation Facility | Full | HB 2080 (2023) |
| 2.032 | Food Processing Equipment | Full | HB 2080 (2023) |
| 2.033 | Farm Machinery and Equipment | Full | HB 4111 (2024) |
| 2.100 | Strategic Investment Program | Partial | HB 2009 (2023) |
| 2.101 | Cap on Central Assessment for Certain Companies | Partial | HB 2080 (2023) |
| 2.103 | Certain Single-Unit Housing | Partial | HB 2080 (2023), HB 4063 (2024), & SB 1526 (2024) |
| 2.105 | Multi-Unit Rental Housing in Designated Areas | Partial | HB 2080 (2023) |
| 2.106 | Low Income Multi-Unit Rental Housing | Partial | HB 2080 (2023) |
| 2.107 | Property for Low-Income Rental | Partial | HB 2080 (2023) |
| 2.109 | New or Rehabilitated Multi-Unit Rental Housing | Partial | HB 2080 (2023) |
| 2.111 | Disabled Veterans or Surviving Spouses of Veterans | Partial | HB 2080 (2023) |
| 2.114 | Affordable Housing Covenant | Partial | SB 1526 (2024) |
| 2.116 | Alternative Energy Systems | Partial | HB 2080 (2023) |
| 2.121 | Surviving Spouse of Public Safety Officer | Partial | HB 2080 (2023) |

| Tax Expenditure | Type | Removal Reason |
|---|---|---|
| **REMOVED TAX EXPENDITURES** | | |
| *Personal & Corporate Income Taxes* | | |
| Special Benefits for Disabled Coal Miners | Exclusion | JCT Threshold Update |
| ABLE Account Earnings | Exclusion | JCT Threshold Update |
| Magazine, Paperback, and Record Returns | Exclusion | JCT Threshold Update |
| Agriculture Cost-Sharing Payments | Exclusion | JCT Threshold Update |
| Cancellation of Debt for Farmers | Exclusion | JCT Threshold Update |
| Earnings of Certain Environmental Settlement Funds | Exclusion | JCT Threshold Update |
| Nonprofits Gain from Brownfield | Exclusion | JCT Threshold Update |
| Certain Payments to Controlling Exempt Organizations | Exclusion | JCT Threshold Update |
| Public Safety Officer Survivor Annuities | Exclusion | JCT Threshold Update |
| Research and Development Costs | Deduction | Federal Legislative Change |
| Cash Accounting for Agriculture | Deduction | JCT Threshold Update |
| Development Costs for Nonfuel Minerals | Deduction | JCT Threshold Update |
| Energy Efficient Commercial Property | Deduction | JCT Threshold Update |
| Special Depreciation for Recycling Equipment | Deduction | JCT Threshold Update |
| Mining and Solid Waste Reclamation Reserves | Deduction | JCT Threshold Update |
| Land Donated to Schools | Subtraction | Sunset |
| Qualified Research Activities | Credit | Sunset |
| Qualified Research Activities (Alternative) | Credit | Sunset |
| Electronic Commerce Enterprise Zone (Income Tax) | Credit | Sunset |
| Production or Collection of Biomass | Credit | Sunset |
| Alternatives to Field Burning | Credit | Sunset |
| Pollution Control | Credit | Sunset |
| Reforestation | Credit | Sunset |
| *Property Tax* | | |
| Certain Property Owned by a Port | Full | Sunset |
| Transfer of Cemetery Land for Low-Income Housing | Full | Sunset |
| *Corporate Activity Tax* | | |
| Manufactured Dwelling Cooperatives | Exclusion | Not a Tax Expenditure |
| Milk Sales by Dairy Farmers Who are not Members of an Agricultural Cooperative | Exclusion | Not a Tax Expenditure |
| *Vehicle Use Tax* | | |
| Tax Paid to Another Jurisdiction | Exclusion | Not a Tax Expenditure |

# APPENDIX D: PERSONAL AND CORPORATE INCOME TAX EXPENDITURES

Of Oregon's 167 income tax expenditures, some apply exclusively to individuals, some apply exclusively to corporations, and some may be claimed by both individuals and corporations. The table below provides a summary of the income tax expenditures and their revenue impacts, and categorizes them by whether they apply exclusively to personal income taxes, exclusively to corporate income taxes, or to both.

**INCOME TAX EXPENDITURE ESTIMATES BY TYPE OF TAXPAYER FOR 2025-27 ($MILLIONS)**

| | Individuals Only | | Corporations Only | | Both Individuals and Corporations | | |
|---|---|---|---|---|---|---|---|
| Expenditure Type | Number | Revenue Impact* | Number | Revenue Impact* | Number | Revenue Impact* (Individuals) | Revenue Impact* (Corporations) |
| Exclusions | 40 | $9,012 | 3 | $48 | 11 | $278 | $130 |
| Adjustments | 7 | $520 | 0 | $0 | 0 | $0 | $0 |
| Deductions | 6 | $1,983 | 2 | $110 | 15 | $622 | $81 |
| Subtractions | 22 | $3,333 | 1 | $3 | 7 | $2 | $19 |
| Credits | 15 | $1,489 | 2 | $1 | 28 | $73 | $82 |
| Other | 4 | $266 | 2 | $1 | 2 | $5 | $0 |

*For reasons explained in Revenue Impacts on page 3, there are difficulties with summing tax expenditures. This table is intended only to provide rough orders of magnitudes for large groups of tax expenditures and caution should be exercised when adding revenue impacts.

The table on the following pages lists all income tax expenditures and their revenue impacts, categorized into those that apply to personal income taxes and those that apply to corporate income taxes.

## PERSONAL INCOME TAX EXPENDITURES

| | Tax Expenditure | Program or Function | Year Enacted | Oregon Statute | Revenue Impact ($ Thousands) 2023-25 | 2025-27 |
|---|---|---|---|---|---|---|
| *Federal Exclusions* | | | | | | |
| 1.001 | Scholarship and Fellowship Income | Education | 1954 | 316.048 | 34,000 | 38,000 |
| 1.002 | Qualified Education Savings (Federal) | Education | 1996 | 316.048 | 41,000 | 43,000 |
| 1.003 | Exclusion of Employer-Provided Tuition Reduction | Education | 1984 | 316.048 | 2,000 | 2,500 |
| 1.004 | Certain Foster Care Payments | Human Services | 1982 | 316.048 | 4,000 | 4,000 |
| 1.005 | Employee Adoption Benefits | Human Services | 1996 | 316.048 | Less than 500 | Less than 500 |
| 1.006 | Compensatory Damages | Human Services | 1918 | 316.048 | 16,000 | 15,000 |
| 1.007 | Employer Paid Medical and Cafeteria Plan Benefits | Human Services | 1918 and 1978 | 316.048 | 1,800,000 | 1,800,000 |
| 1.008 | Pension Contributions and Earnings | Human Services | 1921 | 316.048 | 3,100,000 | 3,900,000 |
| 1.009 | Social Security Benefits (Federal) | Human Services | 1938 | 316.048 | 898,000 | 972,000 |
| 1.010 | Regional Economic Development Incentives | Economic/Community | 1993 | 316.048, 317.013 | Less than 500 | Less than 500 |
| 1.011 | Capital Gain Invested in Opportunity Zone | Economic/Community | 2017 | 316.048, 317.013 | 20,000 | 2,500 |
| 1.012 | Exclusion of Gain from Certain Small Business Stock | Economic/Community | 1993 | 316.048 | 78,000 | 77,000 |
| 1.013 | Imputed Interest Rules | Economic/Community | 1984 | 316.048, 317.013 | 7,500 | 8,000 |
| 1.014 | Employer Provided Dependent Care | Economic/Community | 1981 | 316.048 | 7,000 | 9,000 |
| 1.015 | Capital Gains on Home Sales | Economic/Community | 1997 | 316.048 | 450,000 | 470,000 |
| 1.016 | Income Earned Abroad by U.S. Citizens | Economic/Community | 1926 | 316.048 | 50,000 | 51,000 |
| 1.017 | Cancellation of Mortgage Debt | Economic/Community | 2007 | 316.048 | 1,500 | Less than 500 |
| 1.018 | Employer Paid Group Life Insurance Premiums | Economic/Community | 1920 | 316.048 | 35,000 | 36,000 |
| 1.019 | Employer Paid Accident and Disability Insurance | Economic/Community | 1954 | 316.048 | 54,000 | 57,000 |
| 1.020 | Employer Provided On-Site Gyms | Economic/Community | 1984 | 316.048 | 16,000 | 15,000 |

## PERSONAL INCOME TAX EXPENDITURES

| | Tax Expenditure | Program or Function | Year Enacted | Oregon Statute | Revenue Impact ($ Thousands) 2023-25 | 2025-27 |
|---|---|---|---|---|---|---|
| 1.021 | Miscellaneous Fringe Benefits | Economic/Community | 1984 | 316.048 | 82,000 | 81,000 |
| 1.022 | Employee Meals and Lodging (Nonmilitary) | Economic/Community | 1918 | 316.048 | 89,000 | 83,000 |
| 1.023 | Employee Stock Ownership Plans | Economic/Community | 1974 | 316.048, 317.013 | 24,000 | 23,000 |
| 1.024 | Employee Awards | Economic/Community | 1986 | 316.048 | 4,000 | 4,000 |
| 1.025 | Employer Provided Education Benefits | Economic/Community | 1978 | 316.048 | 14,000 | 11,000 |
| 1.026 | Spread on Acquisition of Stock | Economic/Community | 1981 | 316.048 | 9,500 | 10,000 |
| 1.027 | Meal and Entertainment Expenses | Economic/Community | 1962 | 316.048 | 7,500 | 8,000 |
| 1.028 | Veterans' Benefits and Services | Economic/Community | 1917 | 316.048 | 160,000 | 170,000 |
| 1.029 | Military and Dependents TRICARE Insurance | Economic/Community | 1925 | 316.048 | 98,000 | 110,000 |
| 1.030 | Cash Accounting, Other than Agriculture | Economic/Community | 1916 | 316.048, 317.013 | 16,000 | 15,000 |
| 1.031 | Inventory Methods of Valuation | Economic/Community | 1938 | 316.048, 317.013 | 2,000 | 2,000 |
| 1.032 | Energy Conservation Subsidies (Federal) | Natural Resources | 1992 | 316.048 | 500 | 500 |
| 1.034 | Employer Paid Transportation Benefits | Transportation | 1984 | 316.048 | 53,000 | 52,000 |
| 1.035 | Certain Disaster Mitigation Payments | Consumer and Business Services | 2005 | 316.048, 317.013 | 1,000 | 500 |
| 1.038 | Workers' Compensation Benefits (Medical) | Consumer and Business Services | 1918 | 316.048 | 37,000 | 44,000 |
| 1.039 | Workers' Compensation Benefits (Nonmedical) | Consumer and Business Services | 1918 | 316.048 | 25,000 | 23,000 |
| 1.040 | Gain on Nondealer Installment Sales | Tax Administration | 1921 | 316.048, 317.013 | 8,500 | 7,500 |
| 1.041 | Gain on Like-Kind Exchanges | Tax Administration | 1921 | 316.048, 317.013 | 98,000 | 86,000 |
| 1.042 | Allowances for Federal Employees Abroad | Government | 1943 | 316.048 | 4,000 | 4,000 |
| 1.043 | Interest on Oregon State and Local Debt | Government | 1913 | 316.048 | 40,400 | 41,600 |
| 1.044 | Voluntary Employees' Beneficiary Associations | Social Policy | 1928 | 316.048 | 16,000 | 16,000 |
| 1.045 | Rental Allowances for Clergy Housing | Social Policy | 1921 | 316.048 | 7,500 | 7,500 |
| 1.046 | Discharge of Certain Student Loan Debt | Social Policy | 1984 | 316.048 | 12,000 | 6,500 |

## PERSONAL INCOME TAX EXPENDITURES

| | Tax Expenditure | Program or Function | Year Enacted | Oregon Statute | Revenue Impact ($ Thousands) 2023-25 | 2025-27 |
|---|---|---|---|---|---|---|
| 1.047 | Capital Gains on Inherited Property | Social Policy | 1921 | 316.048 | 690,000 | 730,000 |
| 1.048 | Capital Gains on Gifts | Social Policy | 1921 | 316.048 | 49,000 | 40,000 |
| 1.049 | Life Insurance Proceeds | Social Policy | 1913 | 316.048, 317.013 | 120,000 | 130,000 |
| 1.050 | Disability Benefits of Military and Victims of Terrorism | Social Policy | 1942 | 316.048 | 3,000 | 3,500 |
| 1.051 | Benefits and Allowances of Armed Forces Personnel | Social Policy | 1925 | 316.048 | 64,000 | 66,000 |
| 1.052 | Combat Pay | Social Policy | Pre-1945 | 316.048 | 6,500 | 7,500 |
| 1.053 | Deferral of Interest on Savings Bonds | Social Policy | 1951 | 316.048 | 4,000 | 3,500 |
| 1.054 | Deferral of Certain Advance Payments | Federal Law | 2017 | 316.048, 317.013 | 3,500 | 3,500 |
| *Federal Adjustments* | | | | | | |
| 1.101 | Teacher Classroom Expenses | Education | 2002 | 316.048 | 1,900 | 1,900 |
| 1.102 | Interest on Student Loans | Education | 1997 | 316.048 | 18,200 | 38,000 |
| 1.103 | Self-Employment Health Insurance | Human Services | 1986 | 316.048 | 83,000 | 84,600 |
| 1.104 | Health Savings Accounts | Human Services | 2003 | 316.048 | 92,000 | 110,000 |
| 1.105 | IRA Contributions and Earnings | Human Services | 1974 | 316.048 | 220,000 | 280,000 |
| 1.106 | Moving Expenses | Economic/Community | 1964 | 316.048 | 100 | 3,500 |
| 1.107 | Overnight Travel Expenses of National Guard and Reserve Members | Social Policy | 2003 | 316.048 | 2,000 | 2,000 |
| *Federal Deductions* | | | | | | |
| 1.201 | Medical and Dental Expenses | Human Services | 1942 | 316.695 | 255,000 | 288,000 |
| 1.202 | Removal of Architectural Barriers | Human Services | 1976 | 316.048, 317.013 | Less than 500 | Less than 500 |
| 1.203 | Deduction of Certain Film and Television Production Costs | Economic/Community | 2004 | 316.048, 317.013 | Less than 500 | Less than 500 |
| 1.204 | Accelerated Depreciation of Certain Buildings | Economic/Community | 1954 | 316.048, 317.013 | 2,500 | 2,000 |
| 1.205 | Accelerated Depreciation of Equipment | Economic/Community | 1954 | 316.048, 317.013 | 36,000 | Less than 500 |

## PERSONAL INCOME TAX EXPENDITURES

| | Tax Expenditure | Program or Function | Year Enacted | Oregon Statute | Revenue Impact ($ Thousands) 2023-25 | 2025-27 |
|---|---|---|---|---|---|---|
| 1.206 | Section 179 Expensing Allowances | Economic/Community | 1958 | 316.048, 317.013 | 38,000 | 39,000 |
| 1.207 | Amortization of Business Start-Up Costs | Economic/Community | 1980 | 316.048, 317.013 | 1,000 | 1,500 |
| 1.209 | Accelerated Depreciation of Rental Housing | Economic/Community | 1954 | 316.048, 317.013 | 31,000 | 22,000 |
| 1.210 | Home Mortgage Interest | Economic/Community | 1913 | 316.695 | 962,000 | 1,010,000 |
| 1.211 | Property Taxes | Economic/Community | 1913 | 316.695 | 587,000 | 656,000 |
| 1.212 | Soil and Water Conservation Expenditures | Natural Resources | 1954 | 316.048, 317.013 | 500 | 500 |
| 1.213 | Fertilizer and Soil Conditioner Costs | Natural Resources | 1960 | 316.048, 317.013 | 500 | 500 |
| 1.214 | Extended Carryback of Farming Loss | Natural Resources | 1999 | 316.048 | 500 | 500 |
| 1.215 | Intangible Development Costs for Fuels | Natural Resources | 1954 | 316.695, 317.013 | Less than 500 | Less than 500 |
| 1.217 | Expensing Timber-Growing Costs | Natural Resources | 1986 | 316.048, 317.013 | Less than 500 | Less than 500 |
| 1.218 | Expensing and Amortization of Reforestation Costs | Natural Resources | 1980 | 316.048, 317.013 | 500 | 500 |
| 1.219 | Magazine Circulation Expenditures | Tax Administration | 1950 | 316.048, 317.013 | Less than 500 | Less than 500 |
| 1.220 | Completed Contract Rules | Tax Administration | 1986 | 316.048, 317.013 | 500 | 1,000 |
| 1.221 | Charitable Contributions | Social Policy | 1917 and 1935 | 316.695, 317.013 | 505,000 | 555,000 |
| 1.222 | Casualty and Theft Losses | Social Policy | 1913 | 316.695 | 400 | 2,200 |
| 1.223 | Local Income Taxes | Social Policy | 1913 | 316.695 | 8,700 | 26,100 |
| *Oregon Subtractions* | | | | | | |
| 1.301 | Oregon 529 College Savings Network | Education | 1999 | 316.699 | 1,300 | 0 |
| 1.302 | Scholarship Awards Used for Housing Expenses | Education | 1999 | 316.846 | 1,400 | 1,400 |
| 1.303 | AmeriCorps Awards | Education | 2021 | 316.847 | Less than 100 | Less than 100 |
| 1.304 | Medical Subtraction for Elderly | Human Services | 2013 | 316.693 | 55,000 | 55,000 |
| 1.305 | Additional Deduction for Elderly or Blind | Human Services | 1989 | 316.695(7) | 28,300 | 29,600 |
| 1.306 | ABLE Account Contributions | Human Services | 2015 | 316.699 | Less than 100 | 0 |

## PERSONAL INCOME TAX EXPENDITURES

| | Tax Expenditure | Program or Function | Year Enacted | Oregon Statute | Revenue Impact ($ Thousands) 2023-25 | 2025-27 |
|---|---|---|---|---|---|---|
| 1.307 | Social Security Benefits (Oregon) | Human Services | 1985 | 316.054 | 1,350,000 | 1,560,000 |
| 1.308 | Film Production Labor Rebate | Economic/Community | 2005 | 316.698, 317.394 | 1,000 | 1,000 |
| 1.309 | Artist's Charitable Contribution | Economic/Community | 1979 | 316.838 | Less than 100 | Less than 100 |
| 1.310 | Oregon Investment Advantage | Economic/Community | 2001 | 316.778, 317.391 | Not Available | Not Available |
| 1.311 | Dividend Received from an IC-DISC | Economic/Community | 2013 | 316.749(1) | 13,200 | 14,100 |
| 1.312 | Individual Development Accounts (Exclusion and Subtraction) | Economic/Community | 1999 | 316.848 | Less than 100 | Less than 100 |
| 1.313 | Manufactured Dwelling Park Capital Gain | Economic/Community | 2005 | Ore. Laws 2005 c.826 §6-10 | 900 | 300 |
| 1.314 | First-time Home Buyer Savings | Economic/Community | 2018 | 316.798 | 1,100 | 3,000 |
| 1.315 | Manufactured Dwelling Tenant Payment | Economic/Community | 2007 | 316.795, 317.092 | Less than 100 | Less than 100 |
| 1.316 | Interest from State and Local Government Bonds | Economic/Community | 1987 | 316.056 | 300 | 300 |
| 1.317 | Personal Casualty Loss | Economic/Community | 2023 | 316.850 | 600 | 200 |
| 1.318 | Wildfire Judgment or Settlement and Legal Fees | Economic/Community | 2024 | Ore. Laws 2024 c.50 | Not Available | Not Available |
| 1.319 | Depletion Costs for Metal Mines | Natural Resources | Pre-1953 | 317.374 | Less than 100 | Less than 100 |
| 1.320 | Energy Conservation Subsidies (Oregon) | Natural Resources | 1981 | 316.744, 317.386 | Less than 100 | Less than 100 |
| 1.321 | Agriculture Sector Net Operating Loss Carryback | Natural Resources | 2022 | Ore. Laws 2022 c.82 §12-15 | 100 | 200 |
| 1.323 | Hydroelectric Dam and Waterway Workers | Tax Administration | 1997 | 316.127(8), (10) | Not Available | Not Available |
| 1.324 | Income Earned in "Indian Country" | Government | 1977 | 316.777 | 8,600 | 9,300 |
| 1.325 | Federal Pension Income | Government | 1998 | 316.680(1)(e) | 129,000 | 129,000 |
| 1.326 | Legislative Per Diem and Allowance | Government | 1967 | 171.072(7) | 100 | 100 |
| 1.327 | Oregon State Lottery Prizes | Government | 1985 | 461.560 | 400 | 500 |
| 1.328 | Federal Income Tax Subtraction | Social Policy | 1929 | 316.680(1)(b), 316.685, 316.695 | 1,200,000 | 1,420,000 |
| 1.329 | Military Active Duty and Related Pay | Social Policy | 1969 | 316.792 | 47,200 | 48,100 |
| 1.330 | Interest and Dividends on U.S. Obligations | Federal Law | 1970 | 316.680(1)(a) | 79,000 | 62,000 |

## PERSONAL INCOME TAX EXPENDITURES

| | Tax Expenditure | Program or Function | Year Enacted | Oregon Statute | Revenue Impact ($ Thousands) 2023-25 | 2025-27 |
|---|---|---|---|---|---|---|
| *Oregon Credits* | | | | | | |
| 1.401 | Employer Provided Scholarships | Education | 2001 | 315.237 | Less than 100 | Less than 100 |
| 1.402 | Contributions of Computer Equipment | Education | 1985 | 317.151 | Less than 100 | Less than 100 |
| 1.403 | Opportunity Grant Fund Contributions | Education | 2018 | 315.643 | Not Available | Not Available |
| 1.404 | Employee Training | Education | 2017 | 315.523 | Less than 100 | Less than 100 |
| 1.405 | Contributions to 529 Account | Education | 2019 | 315.650 | 17,600 | 17,600 |
| 1.406 | Earned Income Credit | Human Services | 1997 | 315.266 | 106,000 | 54,300 |
| 1.407 | Child with a Disability | Human Services | 1985 | 316.099(3) | 8,700 | 8,700 |
| 1.408 | Rural Medical Practice | Human Services | 1989 | 315.613, 315.616, 315.619 | 11,800 | 11,000 |
| 1.409 | Volunteer Rural Emergency Medical Providers | Human Services | 2005 | 315.622 | 100 | 100 |
| 1.410 | Severe Disability | Human Services | 1985 | 316.758 | 7,800 | 7,800 |
| 1.411 | Contributions to ABLE Account | Human Services | 2019 | 315.650 | 600 | 600 |
| 1.412 | Oregon Kids Credit | Human Services | 2023 | 315.273 | 78,100 | 79,600 |
| 1.413 | Farmworker Housing Lender's Credit | Economic/Community | 1989 | 317.147 | Less than 100 | 0 |
| 1.414 | Agriculture Workforce Housing Construction | Economic/Community | 1989 | 315.164 | 1,800 | 2,900 |
| 1.415 | Film Production Development Contributions | Economic/Community | 2003 | 315.514, 315.516 | Not Available | Not Available |
| 1.416 | Renewable Resource Equipment Manufacturing Facilities | Economic/Community | 2011 | 315.341 | Less than 100 | Less than 100 |
| 1.417 | Oregon Low-Income Community Jobs Initiative | Economic/Community | 2011 | 315.533(2) | Not Available | Not Available |
| 1.418 | Long Term Rural Enterprise Zone Facilities (Income Tax) | Economic/Community | 1997 | 317.124 | Not Available | Not Available |
| 1.419 | Reservation Enterprise Zone (Income Tax) | Economic/Community | 2001 | 315.506 | Less than 100 | Less than 100 |
| 1.420 | Public University Venture Development Fund | Economic/Community | 2005 | 315.640 | 200 | 200 |
| 1.421 | Working Family Household and Dependent Care | Economic/Community | 2015 | 315.264 | 34,300 | 34,200 |
| 1.422 | Contributions to Office of Child Care | Economic/Community | 2001 | 315.213 | Less than 100 | Less than 100 |

## PERSONAL INCOME TAX EXPENDITURES

| | Tax Expenditure | Program or Function | Year Enacted | Oregon Statute | Revenue Impact ($ Thousands) 2023-25 | 2025-27 |
|---|---|---|---|---|---|---|
| 1.423 | Individual Development Account Donation (Credit) | Economic/Community | 1999 | 315.271 | 13,400 | 13,700 |
| 1.424 | Oregon Affordable Housing Lender's Credit | Economic/Community | 1989 | 317.097 | 300 | 300 |
| 1.425 | Manufactured Dwelling Park Closure | Economic/Community | 2007 | 316.090 | Less than 100 | Less than 100 |
| 1.426 | Qualified Research Expenses for Semiconductor Companies | Economic/Community | 2023 | 315.518, 315.519 | 800 | 2,000 |
| 1.427 | Publicly Supported Housing Seller's Credit | Economic/Community | 2023 | 315.283 | Not Yet Available | Not Yet Available |
| 1.428 | Agricultural Worker Overtime | Natural Resources | 2022 | 315.133 | 16,700 | 44,800 |
| 1.429 | Small Forest Owner Forest Conservation (Income Tax) | Natural Resources | 2022 | 315.124 | Not Available | Not Available |
| 1.430 | Bovine Manure | Natural Resources | 2017 | 315.176(3)(a) | Not Available | Not Available |
| 1.431 | Crop Donation | Natural Resources | 1977 | 315.156 | 300 | 200 |
| 1.432 | Energy Conservation Lender's Credit | Natural Resources | 1981 | 317.112 | Less than 100 | Less than 100 |
| 1.433 | Transportation Projects | Natural Resources | 2011 | 315.336(1) | Less than 100 | 0 |
| 1.434 | Alternative Energy Devices (Residential) | Natural Resources | 1977 | 316.116 | 200 | Less than 100 |
| 1.435 | Business Energy Facilities, Conservation and Renewables | Natural Resources | 1979 | 315.354 | 100 | Less than 100 |
| 1.436 | Energy Conservation Projects | Natural Resources | 2011 | 315.331(1) | Less than 100 | Less than 100 |
| 1.438 | Fish Screening Devices | Natural Resources | 1989 | 315.138 | Less than 100 | Less than 100 |
| 1.439 | Short Line Railroad Rehabilitation | Transportation | 2019 | 315.593 | Not Available | Not Available |
| 1.441 | Political Contributions | Government | 1969 | 316.102 | 6,000 | 4,600 |
| 1.442 | Oregon Cultural Trust | Social Policy | 2001 | 315.675 | 8,500 | 8,800 |
| 1.443 | Personal Exemption | Social Policy | 1985 | 316.085 | 1,260,000 | 1,270,000 |
| 1.444 | Oregon Veterans' Home Physicians | Social Policy | 2007 | 315.624 | Less than 100 | Less than 100 |
| 1.445 | Certain Retirement Income | Social Policy | 1991 | 316.157 | 900 | 400 |
| *Oregon Other* | | | | | | |
| 1.502 | Tax Rates for Certain Pass-Through Income | Economic/Community | 2013 | 316.043(2) | 242,000 | 253,000 |
| 1.503 | Income Averaging for Farmers | Natural Resources | 2001 | 314.297 | 1,300 | 1,300 |

## PERSONAL INCOME TAX EXPENDITURES

| | Tax Expenditure | Program or Function | Year Enacted | Oregon Statute | Revenue Impact ($ Thousands) 2023-25 | 2025-27 |
|---|---|---|---|---|---|---|
| 1.504 | Capital Gains from Farm Property | Natural Resources | 2001 | 316.045, 317.063, 318.020 | 4,700 | 5,200 |
| 1.505 | Nonresident Disaster Related Income | Consumer and Business Services | 2015 | 401.690 | Not Available | Not Available |
| 1.507 | Nonresident Armed Forces | Social Policy | 1942 | 50 U.S.C. § 4001 | 11,100 | 11,800 |
| 1.508 | Nonresident Spouse of Nonresident Servicemember Serving in Oregon | Social Policy | 2009 | 50 U.S.C. § 4001 | Not Available | Not Available |

## CORPORATE INCOME TAX EXPENDITURES

| | Tax Expenditure | Program or Function | Year Enacted | Oregon Statute | Revenue Impact ($ Thousands) 2023-25 | 2025-27 |
|---|---|---|---|---|---|---|
| Federal Exclusions | | | | | | |
| 1.010 | Regional Economic Development Incentives | Economic/Community | 1993 | 316.048, 317.013 | Less than 500 | Less than 500 |
| 1.011 | Capital Gain Invested in Opportunity Zone | Economic/Community | 2017 | 316.048, 317.013 | 3,000 | Less than 500 |
| 1.013 | Imputed Interest Rules | Economic/Community | 1984 | 316.048, 317.013 | Less than 500 | Less than 500 |
| 1.023 | Employee Stock Ownership Plans | Economic/Community | 1974 | 316.048, 317.013 | 26,000 | 29,000 |
| 1.030 | Cash Accounting, Other than Agriculture | Economic/Community | 1916 | 316.048, 317.013 | 5,000 | 5,000 |
| 1.031 | Inventory Methods of Valuation | Economic/Community | 1938 | 316.048, 317.013 | 11,000 | 11,000 |
| 1.033 | Pass-Through Status of Specified Publicly Traded Partnerships | Natural Resources | 1987 | 317.013 | 4,500 | 6,500 |
| 1.035 | Certain Disaster Mitigation Payments | Consumer and Business Services | 2005 | 316.048, 317.013 | Less than 500 | Less than 500 |
| 1.036 | Credit Union Income | Consumer and Business Services | 1951 | 317.080(1) | 32,000 | 37,000 |
| 1.037 | Elimination of Tax Exempt Interest Allocation for Banks | Consumer and Business Services | 2009 | 317.013 | 4,500 | 4,500 |
| 1.040 | Gain on Nondealer Installment Sales | Tax Administration | 1921 | 316.048, 317.013 | 41,000 | 46,000 |
| 1.041 | Gain on Like-Kind Exchanges | Tax Administration | 1921 | 316.048, 317.013 | 10,000 | 9,500 |

## CORPORATE INCOME TAX EXPENDITURES

| | Tax Expenditure | Program or Function | Year Enacted | Oregon Statute | Revenue Impact ($ Thousands) 2023-25 | 2025-27 |
|---|---|---|---|---|---|---|
| 1.049 | Life Insurance Proceeds | Social Policy | 1913 | 316.048, 317.013 | 15,000 | 16,000 |
| 1.054 | Deferral of Certain Advance Payments | Federal Law | 2017 | 316.048, 317.013 | 12,000 | 13,000 |
| Federal Deductions | | | | | | |
| 1.202 | Removal of Architectural Barriers | Human Services | 1976 | 316.048, 317.013 | Less than 500 | Less than 500 |
| 1.203 | Deduction of Certain Film and Television Production Costs | Economic/Community | 2004 | 316.048, 317.013 | 500 | Less than 500 |
| 1.204 | Accelerated Depreciation of Certain Buildings | Economic/Community | 1954 | 316.048, 317.013 | 2,500 | 2,500 |
| 1.205 | Accelerated Depreciation of Equipment | Economic/Community | 1954 | 316.048, 317.013 | 97,000 | 3,500 |
| 1.206 | Section 179 Expensing Allowances | Economic/Community | 1958 | 316.048, 317.013 | 7,000 | 8,000 |
| 1.207 | Amortization of Business Start-Up Costs | Economic/Community | 1980 | 316.048, 317.013 | Less than 500 | Less than 500 |
| 1.208 | Foreign-Derived Intangible Income | Economic/Community | 2017 | 317.013 | 120,000 | 110,000 |
| 1.209 | Accelerated Depreciation of Rental Housing | Economic/Community | 1954 | 316.048, 317.013 | 6,000 | 5,000 |
| 1.212 | Soil and Water Conservation Expenditures | Natural Resources | 1954 | 316.048, 317.013 | Less than 500 | Less than 500 |
| 1.213 | Fertilizer and Soil Conditioner Costs | Natural Resources | 1960 | 316.048, 317.013 | Less than 500 | Less than 500 |
| 1.215 | Intangible Development Costs for Fuels | Natural Resources | 1954 | 316.695, 317.013 | 3,000 | 2,000 |
| 1.216 | Amortization of Air Pollution Control Facilities | Natural Resources | 2005 | 317.013 | Less than 500 | Less than 500 |
| 1.217 | Expensing Timber-Growing Costs | Natural Resources | 1986 | 316.048, 317.013 | 2,500 | 2,500 |
| 1.218 | Expensing and Amortization of Reforestation Costs | Natural Resources | 1980 | 316.048, 317.013 | Less than 500 | Less than 500 |
| 1.219 | Magazine Circulation Expenditures | Tax Administration | 1950 | 316.048, 317.013 | Less than 500 | Less than 500 |
| 1.220 | Completed Contract Rules | Tax Administration | 1986 | 316.048, 317.013 | 7,000 | 7,500 |
| 1.221 | Charitable Contributions | Social Policy | 1917 and 1935 | 316.695, 317.013 | 38,000 | 50,000 |

## CORPORATE INCOME TAX EXPENDITURES

| | Tax Expenditure | Program or Function | Year Enacted | Oregon Statute | Revenue Impact ($ Thousands) 2023-25 | 2025-27 |
|---|---|---|---|---|---|---|
| Oregon Subtractions | | | | | | |
| 1.308 | Film Production Labor Rebate | Economic/Community | 2005 | 316.698, 317.394 | Less than 100 | Less than 100 |
| 1.310 | Oregon Investment Advantage | Economic/Community | 2001 | 316.778, 317.391 | Not Available | Not Available |
| 1.313 | Manufactured Dwelling Park Capital Gain | Economic/Community | 2005 | Ore. Laws 2005 c.826 §6-10 | Less than 100 | Less than 100 |
| 1.315 | Manufactured Dwelling Tenant Payment | Economic/Community | 2007 | 316.795, 317.092 | Less than 100 | Less than 100 |
| 1.319 | Depletion Costs for Metal Mines | Natural Resources | Pre-1953 | 317.374 | Less than 100 | Less than 100 |
| 1.320 | Energy Conservation Subsidies (Oregon) | Natural Resources | 1981 | 316.744, 317.386 | Less than 100 | Less than 100 |
| 1.321 | Agriculture Sector Net Operating Loss Carryback | Natural Resources | 2022 | Ore. Laws 2022 c.82 §12-15 | 10,600 | 19,100 |
| 1.322 | Wet Marine and Transportation Policies | Consumer and Business Services | 1995 | 317.080(8) | 2,500 | 2,500 |
| Oregon Credits | | | | | | |
| 1.401 | Employer Provided Scholarships | Education | 2001 | 315.237 | Less than 100 | Less than 100 |
| 1.402 | Contributions of Computer Equipment | Education | 1985 | 317.151 | Less than 100 | Less than 100 |
| 1.403 | Opportunity Grant Fund Contributions | Education | 2018 | 315.643 | Not Available | Not Available |
| 1.404 | Employee Training | Education | 2017 | 315.523 | Less than 100 | Less than 100 |
| 1.413 | Farmworker Housing Lender's Credit | Economic/Community | 1989 | 317.147 | Less than 100 | 0 |
| 1.414 | Agriculture Workforce Housing Construction | Economic/Community | 1989 | 315.164 | 5,500 | 7,100 |
| 1.415 | Film Production Development Contributions | Economic/Community | 2003 | 315.514, 315.516 | Not Available | Not Available |
| 1.416 | Renewable Resource Equipment Manufacturing Facilities | Economic/Community | 2011 | 315.341 | Less than 100 | Less than 100 |
| 1.417 | Oregon Low-Income Community Jobs Initiative | Economic/Community | 2011 | 315.533(2) | Not Available | Not Available |
| 1.418 | Long Term Rural Enterprise Zone Facilities (Income Tax) | Economic/Community | 1997 | 317.124 | Not Available | Not Available |
| 1.419 | Reservation Enterprise Zone (Income Tax) | Economic/Community | 2001 | 315.506 | Less than 100 | Less than 100 |

## CORPORATE INCOME TAX EXPENDITURES

| | Tax Expenditure | Program or Function | Year Enacted | Oregon Statute | Revenue Impact ($ Thousands) 2023-25 | 2025-27 |
|---|---|---|---|---|---|---|
| 1.420 | Public University Venture Development Fund | Economic/Community | 2005 | 315.640 | Less than 100 | Less than 100 |
| 1.422 | Contributions to Office of Child Care | Economic/Community | 2001 | 315.213 | Less than 100 | Less than 100 |
| 1.423 | Individual Development Account Donation (Credit) | Economic/Community | 1999 | 315.271 | Less than 100 | Less than 100 |
| 1.424 | Oregon Affordable Housing Lender's Credit | Economic/Community | 1989 | 317.097 | 14,700 | 15,700 |
| 1.426 | Qualified Research Expenses for Semiconductor Companies | Economic/Community | 2023 | 315.518, 315.519 | 23,100 | 53,500 |
| 1.427 | Publicly Supported Housing Seller's Credit | Economic/Community | 2023 | 315.283 | Not Yet Available | Not Yet Available |
| 1.428 | Agricultural Worker Overtime | Natural Resources | 2022 | 315.133 | 2,900 | 5,600 |
| 1.429 | Small Forest Owner Forest Conservation (Income Tax) | Natural Resources | 2022 | 315.124 | Not Available | Not Available |
| 1.430 | Bovine Manure | Natural Resources | 2017 | 315.176(3)(a) | Not Available | Not Available |
| 1.431 | Crop Donation | Natural Resources | 1977 | 315.156 | Less than 100 | Less than 100 |
| 1.432 | Energy Conservation Lender's Credit | Natural Resources | 1981 | 317.112 | Less than 100 | Less than 100 |
| 1.433 | Transportation Projects | Natural Resources | 2011 | 315.336(1) | Less than 100 | 0 |
| 1.435 | Business Energy Facilities, Conservation and Renewables | Natural Resources | 1979 | 315.354 | 200 | Less than 100 |
| 1.436 | Energy Conservation Projects | Natural Resources | 2011 | 315.331(1) | Less than 100 | Less than 100 |
| 1.437 | Weatherization Lender's Credit | Natural Resources | 1977 | 317.111 | Less than 100 | Less than 100 |
| 1.438 | Fish Screening Devices | Natural Resources | 1989 | 315.138 | Less than 100 | Less than 100 |
| 1.439 | Short Line Railroad Rehabilitation | Transportation | 2019 | 315.593 | Not Available | Not Available |
| 1.440 | Oregon Life and Health IGA Assessments | Consumer and Business Services | 1975 | 734.835 | 700 | 200 |
| 1.442 | Oregon Cultural Trust | Social Policy | 2001 | 315.675 | Less than 100 | Less than 100 |

## CORPORATE INCOME TAX EXPENDITURES

| | Tax Expenditure | Program or Function | Year Enacted | Oregon Statute | Revenue Impact ($ Thousands) 2023-25 | 2025-27 |
|---|---|---|---|---|---|---|
| Oregon Other | | | | | | |
| 1.501 | Public Warehouse Sales Throwback Exemption | Economic/Community | 2005 | 314.665 | Less than 100 | Less than 100 |
| 1.504 | Capital Gains from Farm Property | Natural Resources | 2001 | 316.045, 317.063, 318.020 | Less than 100 | Less than 100 |
| 1.505 | Nonresident Disaster Related Income | Consumer and Business Services | 2015 | 401.690 | Not Available | Not Available |
| 1.506 | Apportionment for Utility and Telecommunication Companies | Consumer and Business Services | 2001 | 314.280 | 800 | 800 |

## Index of Tax Expenditures by Keyword


| Keyword | Tax Expenditure Number | Tax Program |
|---|---|---|
| 529 Account, Contributions to | 1.405 | Income Tax |
| 529 College Savings Network, Oregon | 1.301 | Income Tax |
| ABLE Account Contributions | 1.306 | Income Tax |
| ABLE Account, Contributions to | 1.411 | Income Tax |
| ADU or Newly Converted Multiplex, New | 2.031 | Property Tax |
| Abroad, Allowances for Federal Employees | 1.042 | Income Tax |
| Academies, Day Care, and Student Housing | 2.001 | Property Tax |
| Accelerated Depreciation of Certain Buildings | 1.204 | Income Tax |
| Accelerated Depreciation of Equipment | 1.205 | Income Tax |
| Accelerated Depreciation of Rental Housing | 1.209 | Income Tax |
| Accident and Disability Insurance, Employer Paid | 1.019 | Income Tax |
| Account Contributions, ABLE | 1.306 | Income Tax |
| Account Donation (Credit), Individual Development | 1.423 | Income Tax |
| Account, Contributions to 529 | 1.405 | Income Tax |
| Account, Contributions to ABLE | 1.411 | Income Tax |
| Accounting, Other than Agriculture, Cash | 1.030 | Income Tax |
| Accounts (Exclusion and Subtraction), Individual Development | 1.312 | Income Tax |
| Accounts, Health Savings | 1.104 | Income Tax |
| Acquisition of Stock, Spread on | 1.026 | Income Tax |
| Active Duty Military, Homestead Exemption for | 2.120 | Property Tax |
| Active Duty and Related Pay, Military | 1.329 | Income Tax |
| Additional Deduction for Elderly or Blind | 1.305 | Income Tax |
| Adoption Benefits, Employee | 1.005 | Income Tax |
| Advance Payments, Deferral of Certain | 1.054 | Income Tax |
| Affordable Housing Covenant | 2.114 | Property Tax |
| Affordable Housing Lender's Credit, Oregon | 1.424 | Income Tax |
| Affordable Housing Projects Receiving Grant | 2.115 | Property Tax |
| Agricultural Housing and Day Care Facilities | 2.009 | Property Tax |
| Agricultural Products Held by the Farmer | 2.036 | Property Tax |
| Agricultural Worker Overtime | 1.428 | Income Tax |
| Agriculture Sector Net Operating Loss Carryback | 1.321 | Income Tax |
| Agriculture Workforce Housing Construction | 1.414 | Income Tax |
| Agriculture, Cash Accounting, Other than | 1.030 | Income Tax |
| Air Pollution Control Facilities, Amortization of | 1.216 | Income Tax |
| Air Transportation Companies, Aircraft Under 75,000 Pounds Owned by | 2.119 | Property Tax |
| Air Transportation Companies, Foreign-Owned Aircraft and Aircraft Not Owned by | 2.066 | Property Tax |
| Aircraft Departing U.S., Fuel for | 3.004 | Gas, Use, and Jet Fuel Taxes |
| Aircraft Under 75,000 Pounds Owned by Air Transportation Companies | 2.119 | Property Tax |
| Aircraft and Aircraft Not Owned by Air Transportation Companies, Foreign-Owned | 2.066 | Property Tax |
| Airports, Leased Docks and | 2.027 | Property Tax |
| Allowance, Legislative Per Diem and | 1.326 | Income Tax |
| Allowances for Clergy Housing, Rental | 1.045 | Income Tax |

## Index of Tax Expenditures by Keyword

| Keyword | Tax Expenditure Number | Tax Program |
|---|---|---|
| Allowances for Federal Employees Abroad | 1.042 | Income Tax |
| Allowances of Armed Forces Personnel, Benefits and | 1.051 | Income Tax |
| Allowances, Section 179 Expensing | 1.206 | Income Tax |
| Alternative Energy Devices (Residential) | 1.434 | Income Tax |
| Alternative Energy Systems | 2.116 | Property Tax |
| AmeriCorps Awards | 1.303 | Income Tax |
| Amortization of Air Pollution Control Facilities | 1.216 | Income Tax |
| Amortization of Business Start-Up Costs | 1.207 | Income Tax |
| Amortization of Reforestation Costs, Expensing and | 1.218 | Income Tax |
| Amtrak Passenger Railroad | 2.094 | Property Tax |
| Apportionment for Utility and Telecommunication Companies | 1.506 | Income Tax |
| Apprenticeship/Training Trust, Industry | 2.017 | Property Tax |
| Architectural Barriers, Removal of | 1.202 | Income Tax |
| Armed Forces Personnel, Benefits and Allowances of | 1.051 | Income Tax |
| Armed Forces, Nonresident | 1.507 | Income Tax |
| Artist's Charitable Contribution | 1.309 | Income Tax |
| Assessment for Certain Companies, Cap on Central | 2.101 | Property Tax |
| Assessments, Oregon Life and Health IGA | 1.440 | Income Tax |
| Association, Forest Fire Protection | 2.053 | Property Tax |
| Associations, Nonprofit Electrical Distribution | 2.068 | Property Tax |
| Associations, Nonprofit Water | 2.067 | Property Tax |
| Associations, Voluntary Employees' Beneficiary | 1.044 | Income Tax |
| Auction, Vehicles Sold at | 18.002 | Vehicle Privilege Tax |
| Averaging for Farmers, Income | 1.503 | Income Tax |
| Awards Used for Housing Expenses, Scholarship | 1.302 | Income Tax |
| Awards, AmeriCorps | 1.303 | Income Tax |
| Awards, Employee | 1.024 | Income Tax |
| Banks, Elimination of Tax Exempt Interest Allocation for | 1.037 | Income Tax |
| Barriers, Removal of Architectural | 1.202 | Income Tax |
| Beach Lands | 2.074 | Property Tax |
| Beneficiary Associations, Voluntary Employees' | 1.044 | Income Tax |
| Benefits (Federal), Social Security | 1.009 | Income Tax |
| Benefits (Medical), Workers' Compensation | 1.038 | Income Tax |
| Benefits (Nonmedical), Workers' Compensation | 1.039 | Income Tax |
| Benefits (Oregon), Social Security | 1.307 | Income Tax |
| Benefits and Allowances of Armed Forces Personnel | 1.051 | Income Tax |
| Benefits and Services, Veterans' | 1.028 | Income Tax |
| Benefits of Military and Victims of Terrorism, Disability | 1.050 | Income Tax |
| Benefits, Employee Adoption | 1.005 | Income Tax |
| Benefits, Employer Paid Medical and Cafeteria Plan | 1.007 | Income Tax |
| Benefits, Employer Paid Transportation | 1.034 | Income Tax |
| Benefits, Employer Provided Education | 1.025 | Income Tax |
| Benefits, Miscellaneous Fringe | 1.021 | Income Tax |
| Bequests, Charitable | 15.004 | Estate Transfer Tax |

## Index of Tax Expenditures by Keyword


| Keyword | Tax Expenditure Number | Tax Program |
|---|---|---|
| Beverage Containers Requiring Deposit | 2.070 | Property Tax |
| Biomass, Cooperative Providing Heat by Combustion of | 2.048 | Property Tax |
| Blind, Additional Deduction for Elderly or | 1.305 | Income Tax |
| Bonds, Deferral of Interest on Savings | 1.053 | Income Tax |
| Bonds, Interest from State and Local Government | 1.316 | Income Tax |
| Bovine Manure | 1.430 | Income Tax |
| Bridges of Local Governments, Interstate | 2.077 | Property Tax |
| Bridges of Other States or Subdivisions, Interstate | 2.081 | Property Tax |
| Brownfield Development | 2.015 | Property Tax |
| Building Low-Income Housing, Land Owned by Nonprofit for Purpose of | 2.008 | Property Tax |
| Buildings Under Construction, Commercial | 2.011 | Property Tax |
| Buildings, Accelerated Depreciation of Certain | 1.204 | Income Tax |
| Burial Grounds, and Mausoleums, Cemeteries, | 2.088 | Property Tax |
| Burning Smoke Management Equipment, Field | 2.043 | Property Tax |
| Business Energy Facilities, Conservation and Renewables | 1.435 | Income Tax |
| Business Personal Property and Residential Floating Structures | 2.025 | Property Tax |
| Business Start-Up Costs, Amortization of | 1.207 | Income Tax |
| Business Stock, Exclusion of Gain from Certain Small | 1.012 | Income Tax |
| Businesses, Enterprise Zone | 2.013 | Property Tax |
| Buyer Savings, First-time Home | 1.314 | Income Tax |
| Cafeteria Plan Benefits, Employer Paid Medical and | 1.007 | Income Tax |
| Cancellation of Mortgage Debt | 1.017 | Income Tax |
| Cap on Central Assessment for Certain Companies | 2.101 | Property Tax |
| Capital Gain Invested in Opportunity Zone | 1.011 | Income Tax |
| Capital Gain, Manufactured Dwelling Park | 1.313 | Income Tax |
| Capital Gains from Farm Property | 1.504 | Income Tax |
| Capital Gains on Gifts | 1.048 | Income Tax |
| Capital Gains on Home Sales | 1.015 | Income Tax |
| Capital Gains on Inherited Property | 1.047 | Income Tax |
| Care Facilities, Agricultural Housing and Day | 2.009 | Property Tax |
| Care Facilities, Long Term | 2.097 | Property Tax |
| Care, Contributions to Office of Child | 1.422 | Income Tax |
| Care, Employer Provided Dependent | 1.014 | Income Tax |
| Care, Working Family Household and Dependent | 1.421 | Income Tax |
| Care, and Student Housing, Academies, Day | 2.001 | Property Tax |
| Cargo Containers | 2.026 | Property Tax |
| Carryback of Farming Loss, Extended | 1.214 | Income Tax |
| Carryback, Agriculture Sector Net Operating Loss | 1.321 | Income Tax |
| Cars Being Repaired, Railroad | 2.029 | Property Tax |
| Cash Accounting, Other than Agriculture | 1.030 | Income Tax |
| Casualty Loss, Personal | 1.317 | Income Tax |
| Casualty and Theft Losses | 1.222 | Income Tax |
| Cemeteries, Burial Grounds, and Mausoleums | 2.088 | Property Tax |
| Center Pivot Irrigation Equipment | 2.041 | Property Tax |

## Index of Tax Expenditures by Keyword


| Keyword | Tax Expenditure Number | Tax Program |
|---|---|---|
| Centers, Senior Services | 2.007 | Property Tax |
| Central Assessment for Certain Companies, Cap on | 2.101 | Property Tax |
| Centrally Assessed, Watercraft | 2.118 | Property Tax |
| Charitable Bequests | 15.004 | Estate Transfer Tax |
| Charitable Contribution, Artist's | 1.309 | Income Tax |
| Charitable Contributions | 1.221 | Income Tax |
| Charitable Organizations | 4.008 | Weight-Mile Tax |
| Charitable, Literary, and Scientific Organizations | 2.085 | Property Tax |
| Child Care, Contributions to Office of | 1.422 | Income Tax |
| Child with a Disability | 1.407 | Income Tax |
| Circulation Expenditures, Magazine | 1.219 | Income Tax |
| City Owned Sports Facility | 2.089 | Property Tax |
| Claims on Federal Land, Mining | 2.061 | Property Tax |
| Classroom Expenses, Teacher | 1.101 | Income Tax |
| Clergy Housing, Rental Allowances for | 1.045 | Income Tax |
| Closure, Manufactured Dwelling Park | 1.425 | Income Tax |
| College Savings Network, Oregon 529 | 1.301 | Income Tax |
| Combat Pay | 1.052 | Income Tax |
| Commercial Buildings Under Construction | 2.011 | Property Tax |
| Communication Related Property, Certain | 2.099 | Property Tax |
| Community Jobs Initiative, Oregon Low-Income | 1.417 | Income Tax |
| Companies, Aircraft Under 75,000 Pounds Owned by Air Transportation | 2.119 | Property Tax |
| Companies, Apportionment for Utility and Telecommunication | 1.506 | Income Tax |
| Companies, Cap on Central Assessment for Certain | 2.101 | Property Tax |
| Companies, Foreign-Owned Aircraft and Aircraft Not Owned by Air Transportation | 2.066 | Property Tax |
| Companies, Qualified Research Expenses for Semiconductor | 1.426 | Income Tax |
| Compensation Benefits (Medical), Workers' | 1.038 | Income Tax |
| Compensation Benefits (Nonmedical), Workers' | 1.039 | Income Tax |
| Compensatory Damages | 1.006 | Income Tax |
| Completed Contract Rules | 1.220 | Income Tax |
| Computer Equipment, Contributions of | 1.402 | Income Tax |
| Conditioner Costs, Fertilizer and Soil | 1.213 | Income Tax |
| Conservation (Estate Transfer Tax), Small Forest Owner Forest | 15.006 | Estate Transfer Tax |
| Conservation (Income Tax), Small Forest Owner Forest | 1.429 | Income Tax |
| Conservation Easement | 15.001 | Estate Transfer Tax |
| Conservation Easements | 2.133 | Property Tax |
| Conservation Expenditures, Soil and Water | 1.212 | Income Tax |
| Conservation Lender's Credit, Energy | 1.432 | Income Tax |
| Conservation Projects, Energy | 1.436 | Income Tax |
| Conservation Subsidies (Federal), Energy | 1.032 | Income Tax |
| Conservation Subsidies (Oregon), Energy | 1.320 | Income Tax |
| Conservation and Renewables, Business Energy Facilities, | 1.435 | Income Tax |
| Construction in Process in an Enterprise Zone | 2.012 | Property Tax |




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## Index of Tax Expenditures by Keyword


| Keyword | Tax Expenditure Number | Tax Program |
|---|---|---|
| Construction, Agriculture Workforce Housing | 1.414 | Income Tax |
| Construction, Commercial Buildings Under | 2.011 | Property Tax |
| Construction, Exempt | 14.001 | Local Construction Tax |
| Construction, Subcontractor Labor Payments for Residential | 9.002 | Corporate Activity Tax |
| Consumers, Small Quantity by | 5.001 | Cigarette Tax |
| Containers Requiring Deposit, Beverage | 2.070 | Property Tax |
| Containers, Cargo | 2.026 | Property Tax |
| Contract Rules, Completed | 1.220 | Income Tax |
| Contract, Federal Standing Timber Under | 2.054 | Property Tax |
| Contract, State and Local Standing Timber Under | 2.055 | Property Tax |
| Contribution, Artist's Charitable | 1.309 | Income Tax |
| Contributions and Earnings, IRA | 1.105 | Income Tax |
| Contributions and Earnings, Pension | 1.008 | Income Tax |
| Contributions of Computer Equipment | 1.402 | Income Tax |
| Contributions to 529 Account | 1.405 | Income Tax |
| Contributions to ABLE Account | 1.411 | Income Tax |
| Contributions to Office of Child Care | 1.422 | Income Tax |
| Contributions, ABLE Account | 1.306 | Income Tax |
| Contributions, Charitable | 1.221 | Income Tax |
| Contributions, Film Production Development | 1.415 | Income Tax |
| Contributions, Opportunity Grant Fund | 1.403 | Income Tax |
| Contributions, Political | 1.441 | Income Tax |
| Cooperative Providing Heat by Combustion of Biomass | 2.048 | Property Tax |
| Cooperatives, Fraternities, Sororities, and | 2.095 | Property Tax |
| Corporation, Property of LLC Owned by Nonprofit | 2.092 | Property Tax |
| Corporations for Irrigation, Drainage, Water Supply or Flood Control | 2.079 | Property Tax |
| Costs for Fuels, Intangible Development | 1.215 | Income Tax |
| Costs for Metal Mines, Depletion | 1.319 | Income Tax |
| Costs, Amortization of Business Start-Up | 1.207 | Income Tax |
| Costs, Deduction of Certain Film and Television Production | 1.203 | Income Tax |
| Costs, Expensing Timber-Growing | 1.217 | Income Tax |
| Costs, Expensing and Amortization of Reforestation | 1.218 | Income Tax |
| Costs, Fertilizer and Soil Conditioner | 1.213 | Income Tax |
| County Roads, Forest Products on | 4.002 | Weight-Mile Tax |
| Covenant, Affordable Housing | 2.114 | Property Tax |
| Crab Pots | 2.044 | Property Tax |
| Credit Union Income | 1.036 | Income Tax |
| Credit for Property Taxes Paid | 11.002 | Oil and Gas Privilege Tax |
| Credit, Earned Income | 1.406 | Income Tax |
| Credit, Energy Conservation Lender's | 1.432 | Income Tax |
| Credit, Farmworker Housing Lender's | 1.413 | Income Tax |
| Credit, Oregon Affordable Housing Lender's | 1.424 | Income Tax |
| Credit, Publicly Supported Housing Seller's | 1.427 | Income Tax |
| Credit, Weatherization Lender's | 1.437 | Income Tax |

## Index of Tax Expenditures by Keyword

| Keyword | Tax Expenditure Number | Tax Program |
|---|---|---|
| Crop Donation | 1.431 | Income Tax |
| Crops, Plants, and Fruit Trees | 2.035 | Property Tax |
| Cultural Trust, Oregon | 1.442 | Income Tax |
| Dam and Waterway Workers, Hydroelectric | 1.323 | Income Tax |
| Damaged Property, Destroyed or | 2.140 | Property Tax |
| Damages, Compensatory | 1.006 | Income Tax |
| Day Care Facilities, Agricultural Housing and | 2.009 | Property Tax |
| Day Care, and Student Housing, Academies, | 2.001 | Property Tax |
| Debt, Cancellation of Mortgage | 1.017 | Income Tax |
| Debt, Discharge of Certain Student Loan | 1.046 | Income Tax |
| Debt, Interest on Oregon State and Local | 1.043 | Income Tax |
| Deduction for Elderly or Blind, Additional | 1.305 | Income Tax |
| Deduction of Certain Film and Television Production Costs | 1.203 | Income Tax |
| Deferral of Certain Advance Payments | 1.054 | Income Tax |
| Deferral of Interest on Savings Bonds | 1.053 | Income Tax |
| Dental Expenses, Medical and | 1.201 | Income Tax |
| Dependent Care, Employer Provided | 1.014 | Income Tax |
| Dependent Care, Working Family Household and | 1.421 | Income Tax |
| Dependents TRICARE Insurance, Military and | 1.029 | Income Tax |
| Depletion Costs for Metal Mines | 1.319 | Income Tax |
| Deposit, Beverage Containers Requiring | 2.070 | Property Tax |
| Depreciation of Certain Buildings, Accelerated | 1.204 | Income Tax |
| Depreciation of Equipment, Accelerated | 1.205 | Income Tax |
| Depreciation of Rental Housing, Accelerated | 1.209 | Income Tax |
| Destroyed or Damaged Property | 2.140 | Property Tax |
| Development Account Donation (Credit), Individual | 1.423 | Income Tax |
| Development Accounts (Exclusion and Subtraction), Individual | 1.312 | Income Tax |
| Development Contributions, Film Production | 1.415 | Income Tax |
| Development Costs for Fuels, Intangible | 1.215 | Income Tax |
| Development Fund, Public University Venture | 1.420 | Income Tax |
| Development Incentives, Regional Economic | 1.010 | Income Tax |
| Development Zone, Rural Renewable Energy | 2.018 | Property Tax |
| Development Zone, Vertical Housing | 2.102 | Property Tax |
| Development, Brownfield | 2.015 | Property Tax |
| Devices, Fish Screening | 1.438 | Income Tax |
| Diem and Allowance, Legislative Per | 1.326 | Income Tax |
| Disability Benefits of Military and Victims of Terrorism | 1.050 | Income Tax |
| Disability Insurance, Employer Paid Accident and | 1.019 | Income Tax |
| Disability, Child with a | 1.407 | Income Tax |
| Disability, Severe | 1.410 | Income Tax |
| Disabled Veterans or Surviving Spouses of Veterans | 2.111 | Property Tax |
| Disaster Mitigation Payments, Certain | 1.035 | Income Tax |
| Disaster Related Income, Nonresident | 1.505 | Income Tax |
| Disaster or Emergency Related Work, Property Used for | 2.069 | Property Tax |

## Index of Tax Expenditures by Keyword

| Keyword | Tax Expenditure Number | Tax Program |
|---|---|---|
| Discharge of Certain Student Loan Debt | 1.046 | Income Tax |
| Dividend Received from an IC-DISC | 1.311 | Income Tax |
| Dividends on U.S. Obligations, Interest and | 1.330 | Income Tax |
| Docks and Airports, Leased | 2.027 | Property Tax |
| Donation (Credit), Individual Development Account | 1.423 | Income Tax |
| Donation, Crop | 1.431 | Income Tax |
| Drainage, Water Supply or Flood Control, Corporations for Irrigation, | 2.079 | Property Tax |
| Dwelling Park Closure, Manufactured | 1.425 | Income Tax |
| Dwelling Tenant Payment, Manufactured | 1.315 | Income Tax |
| Dwelling Units, Exempt | 13.001 | Lodging Tax |
| Earned Abroad by U.S. Citizens, Income | 1.016 | Income Tax |
| Earned Income Credit | 1.406 | Income Tax |
| Earned in "Indian Country", Income | 1.324 | Income Tax |
| Earnings, IRA Contributions and | 1.105 | Income Tax |
| Earnings, Pension Contributions and | 1.008 | Income Tax |
| Easement, Conservation | 15.001 | Estate Transfer Tax |
| Easements, Conservation | 2.133 | Property Tax |
| Eastern Private Forestland | 2.137 | Property Tax |
| Eastern Private Standing Timber | 2.057 | Property Tax |
| Economic Development Incentives, Regional | 1.010 | Income Tax |
| Education Benefits, Employer Provided | 1.025 | Income Tax |
| Education Parking Space, Higher | 2.004 | Property Tax |
| Education Savings (Federal), Qualified | 1.002 | Income Tax |
| Elderly Housing State Funded, Nonprofit | 2.023 | Property Tax |
| Elderly Housing, Veterans in Nonprofit | 2.112 | Property Tax |
| Elderly or Blind, Additional Deduction for | 1.305 | Income Tax |
| Elderly, Medical Subtraction for | 1.304 | Income Tax |
| Elderly, Nonprofit Housing for the | 2.127 | Property Tax |
| Electrical Distribution Associations, Nonprofit | 2.068 | Property Tax |
| Electricity Transmission Property, Federally Leased High-Voltage | 2.083 | Property Tax |
| Elementary and Secondary School Vehicles | 4.004 | Weight-Mile Tax |
| Elimination of Tax Exempt Interest Allocation for Banks | 1.037 | Income Tax |
| Emergency Medical Providers, Volunteer Rural | 1.409 | Income Tax |
| Emergency Related Work, Property Used for Disaster or | 2.069 | Property Tax |
| Emergency Response, Equipment for Maritime | 2.076 | Property Tax |
| Emissions (Gas and Use Fuel Taxes), Vehicle Used for Testing | 3.003 | Gas, Use, and Jet Fuel Taxes |
| Emissions (Weight-Mile Tax), Vehicle Used for Testing | 4.003 | Weight-Mile Tax |
| Employee Adoption Benefits | 1.005 | Income Tax |
| Employee Awards | 1.024 | Income Tax |
| Employee Meals and Lodging (Nonmilitary) | 1.022 | Income Tax |
| Employee Stock Ownership Plans | 1.023 | Income Tax |
| Employee Training | 1.404 | Income Tax |
| Employees Abroad, Allowances for Federal | 1.042 | Income Tax |
| Employees' Beneficiary Associations, Voluntary | 1.044 | Income Tax |

## Index of Tax Expenditures by Keyword

| Keyword | Tax Expenditure Number | Tax Program |
|---|---|---|
| Employer Paid Accident and Disability Insurance | 1.019 | Income Tax |
| Employer Paid Group Life Insurance Premiums | 1.018 | Income Tax |
| Employer Paid Medical and Cafeteria Plan Benefits | 1.007 | Income Tax |
| Employer Paid Transportation Benefits | 1.034 | Income Tax |
| Employer Provided Dependent Care | 1.014 | Income Tax |
| Employer Provided Education Benefits | 1.025 | Income Tax |
| Employer Provided On-Site Gyms | 1.020 | Income Tax |
| Employer Provided Scholarships | 1.401 | Income Tax |
| Employer-Provided Tuition Reduction, Exclusion of | 1.003 | Income Tax |
| Energy Conservation Lender's Credit | 1.432 | Income Tax |
| Energy Conservation Projects | 1.436 | Income Tax |
| Energy Conservation Subsidies (Federal) | 1.032 | Income Tax |
| Energy Conservation Subsidies (Oregon) | 1.320 | Income Tax |
| Energy Development Zone, Rural Renewable | 2.018 | Property Tax |
| Energy Facilities, Conservation and Renewables, Business | 1.435 | Income Tax |
| Energy Systems, Alternative | 2.116 | Property Tax |
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| Nonprofit for Purpose of Building Low-Income Housing, Land Owned by | 2.008 | Property Tax |
| Nonresident Armed Forces | 1.507 | Income Tax |
| Nonresident Disaster Related Income | 1.505 | Income Tax |
| Nonresident Spouse of Nonresident Servicemember Serving in Oregon | 1.508 | Income Tax |
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| ODOT Land Under Use Permit | 2.064 | Property Tax |
| Obligations, Interest and Dividends on U.S. | 1.330 | Income Tax |
| Office of Child Care, Contributions to | 1.422 | Income Tax |
| Officer, Surviving Spouse of Public Safety | 2.121 | Property Tax |
| On-Site Gyms, Employer Provided | 1.020 | Income Tax |

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| Opportunity Grant Fund Contributions | 1.403 | Income Tax |
| Opportunity Zone, Capital Gain Invested in | 1.011 | Income Tax |
| Oregon 529 College Savings Network | 1.301 | Income Tax |
| Oregon Affordable Housing Lender's Credit | 1.424 | Income Tax |
| Oregon Cultural Trust | 1.442 | Income Tax |
| Oregon Grapes for Wine Without Oregon Designation or AVA | 7.003 | Beer and Wine Taxes |
| Oregon Investment Advantage | 1.310 | Income Tax |
| Oregon Kids Credit | 1.412 | Income Tax |
| Oregon Life and Health IGA Assessments | 1.440 | Income Tax |
| Oregon Low-Income Community Jobs Initiative | 1.417 | Income Tax |
| Oregon State Lottery Prizes | 1.327 | Income Tax |
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| Oregon Telephone Assistance Program | 8.002 | 911 and 988 Taxes |
| Oregon Veterans' Home | 12.002 | Medical Provider Taxes |
| Oregon Veterans' Home Physicians | 1.444 | Income Tax |
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| Personal Exemption | 1.443 | Income Tax |
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| Physicians, Oregon Veterans' Home | 1.444 | Income Tax |
| Pipeline Extension, Natural Gas | 2.046 | Property Tax |
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| Residential Floating Structures, Business Personal Property and | 2.025 | Property Tax |
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| Rural Medical Practice | 1.408 | Income Tax |
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| Start-Up Costs, Amortization of Business | 1.207 | Income Tax |
| State Funded, Nonprofit Elderly Housing | 2.023 | Property Tax |
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| Subscribers, Indian Reservation | 8.004 | 911 and 988 Taxes |
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| Subsidies (Oregon), Energy Conservation | 1.320 | Income Tax |
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| Television Production Costs, Deduction of Certain Film and | 1.203 | Income Tax |
| Tenant Payment, Manufactured Dwelling | 1.315 | Income Tax |
| Terrorism, Disability Benefits of Military and Victims of | 1.050 | Income Tax |
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| Volunteer Rural Emergency Medical Providers | 1.409 | Income Tax |
| Warehouse Sales Throwback Exemption, Public | 1.501 | Income Tax |
| Water Associations, Nonprofit | 2.067 | Property Tax |
| Water Conservation Expenditures, Soil and | 1.212 | Income Tax |
| Water District, Railroad Right of Way in | 2.123 | Property Tax |
| Water Supply or Flood Control, Corporations for Irrigation, Drainage, | 2.079 | Property Tax |
| Watercraft Centrally Assessed | 2.118 | Property Tax |
| Watercraft Locally Assessed | 2.139 | Property Tax |
| Watercraft, Small | 2.062 | Property Tax |
| Waterway Workers, Hydroelectric Dam and | 1.323 | Income Tax |
| Weatherization Lender's Credit | 1.437 | Income Tax |
| Western Private Forestland | 2.136 | Property Tax |
| Western Private Standing Timber | 2.056 | Property Tax |
| Wet Marine and Transportation Policies | 1.322 | Income Tax |
| Wildfire Judgment or Settlement and Legal Fees | 1.318 | Income Tax |
| Wildfires, Homes Rebuilt After 2020 | 2.128 | Property Tax |
| Wildlife Habitat | 2.132 | Property Tax |
| Wine Marketing Activities | 7.002 | Beer and Wine Taxes |
| Wine Without Oregon Designation or AVA, Oregon Grapes for | 7.003 | Beer and Wine Taxes |
| Wineries, Small | 7.001 | Beer and Wine Taxes |
| Worker Overtime, Agricultural | 1.428 | Income Tax |
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| Workforce Housing | 2.113 | Property Tax |
| Workforce Housing Construction, Agriculture | 1.414 | Income Tax |
| Working Family Household and Dependent Care | 1.421 | Income Tax |

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Commonwealth of Pennsylvania

Governor's Executive Budget

# TAX EXPENDITURES

Tax credits, deductions, exemptions, and exclusions provided by law result in a significant reduction in revenues that would otherwise be received at current tax rates. These reductions are referred to as tax expenditures. Proposed changes to current law tax expenditures are shown in Section C.



6215/8585

# Tax Expenditure Analysis

The 2026-27 Governor's Executive Budget presents a summary of the Department of Revenue's 2026-27 Tax Expenditure Analysis. This more detailed document, published concurrently with the Governor's Executive Budget, contains the details required by Article VI of the Administrative Code of 1929.

The traditional budget process involves estimating Commonwealth revenues and appropriating these funds for numerous programs. This process undergoes intense scrutiny from interests inside and outside government. Constrained by available revenues, programs are initiated, expanded, limited, or deleted based on merit. To augment the traditional budget process, this budget summarizes an analysis of indirect expenditures that occur through special treatment within the tax structure. Various tax credits, deductions, exemptions, and exclusions are provided, resulting in reductions in revenue that would otherwise be received by the Commonwealth at current tax rates. Cumulatively, these are referred to in this budget as "tax expenditures."

The Commonwealth's tax structure contains many tax expenditures, ranging from the sales and use tax exemption for firewood to the S corporation exemption in the corporate net income tax. In general, they confer special treatment on specific taxpayers, activities, or goods and services. The tax expenditures listed in this budget result from the accumulation of many prior legislative sessions, and the original intent of certain tax expenditures may no longer align with current policies. A comprehensive tax expenditure analysis permits an on-going evaluation of each tax expenditure.

Act 180 of 1992 revised the tax expenditure analysis requirements. This act stipulated that tax expenditure data be revised and updated every two years. Consistent with this provision, tax expenditures summarized in this and subsequent budget documents will be updated and revised biennially. Exceptions include tax expenditures initiated, deleted, or amended by statute, expenditures where improved data allow significant revisions, or items of significant policy interest.

For the purposes of this document, a "tax expenditure" is defined as a reduction in revenue that would otherwise be collected by the Commonwealth due to an exemption, reduction, deduction, limitation, exclusion, tax deferral, discount, refund, commission, credit, special rate, or special treatment. This definition provides a general framework for determining whether to classify certain items as tax expenditures. To facilitate this classification process, six specific criteria have been adopted to augment the general definition of a tax expenditure:

(1) Reduces state revenues,
(2) Confers special treatment,
(3) Is included in the defined tax base,
(4) Is not subjected to equivalent alternative taxation,
(5) Can be altered by a change in state law, and
(6) Is not an appropriation.

There are three primary limitations on tax expenditure estimates. First, estimated revenue foregone due to a tax expenditure should not be construed as the revenue that could be gained if the tax expenditure provision were rescinded in legislation. The impact of any particular piece of legislation will vary depending on how the bill is drafted, how its terms are defined, when it becomes effective, and how it relates to other parts of the tax law. In contrast, tax expenditure estimates are often based on concepts defined by the way that government statistics on the subject are made available to the department. Furthermore, no attempt has been made to account for changes in taxpayer behavior that may occur because of tax law changes. For example, if the sales and use tax exemptions were rescinded for equipment and utilities directly used in manufacturing, it is possible that capital investment in manufacturing would be reduced and that these sales and use tax receipts would be less than the tax expenditure estimate.

A second limitation is that individual estimates are not additive. It is not always possible to estimate each tax expenditure with regard to interactions with other provisions of that tax or other taxes. For example, certain exempt items qualify under multiple tax expenditures. If gasoline were to be included in the sales and use tax base, agricultural, political subdivision, and manufacturing/processing use would continue to be exempt under other provisions. Therefore, no bottom line can be presented similar to that shown for total revenues or expenditures in the current Governor's Executive Budget.

Third, these estimates are, in many cases, necessarily derived from data completely independent of taxpayer returns. Minor differences in data collection techniques among the various data sources used could introduce a small element of error into the estimates. These estimates are intended to represent the magnitude of each tax expenditure, not to provide pinpoint accuracy.

All estimates appear in millions of dollars. The word "nominal" is used when the estimated impact is less than $100,000. Estimates of revenue loss or beneficiary count and description that are not available are represented by "N/A."

# Expenditure Introduction

**ADMINISTRATIVE COSTS:**

Costs incurred to administer the multiple tax expenditures cannot be separately identified. Tax expenditures are a significant factor associated with the need for more compliance audits and the increased complexity of compliance audits. These audits contribute significantly to the volume of appeals processed by the Department of Revenue.

**ADMINISTRATIVE COST ESTIMATES:**

(Dollar Amounts in Millions)

| General Fund | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 |
|---|---|---|---|---|---|---|---|
| Corporate Taxes | $ 8.1 | $ 8.4 | $ 8.6 | $ 8.9 | $ 9.1 | $ 9.4 | $ 9.7 |
| Consumption Taxes | 15.6 | 15.8 | 16.0 | 16.3 | 16.5 | 16.8 | 17.0 |
| Other Taxes | 1.7 | 1.8 | 1.8 | 1.9 | 1.9 | 2.0 | 2.1 |

| Motor License Fund | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 |
|---|---|---|---|---|---|---|---|
| Oil Company Franchise Tax | $ 0.4 | $ 0.4 | $ 0.4 | $ 0.4 | $ 0.4 | $ 0.4 | $ 0.4 |
| Motor Carriers Road Tax/IFTA | 1.4 | 1.4 | 1.5 | 1.5 | 1.5 | 1.5 | 1.6 |
| Motor Vehicle Code | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |

Administrative costs for the following special funds are nominal: Public Transportation Assistance Fund, Unemployment Compensation Insurance Tax, and State Gaming Fund.

**Corporate Taxes included in figures above:**

Corporate net income tax, gross receipts tax, public utility realty tax, insurance premiums tax, and bank and trust company shares.

**Consumption taxes included in figures above:**

Sales and use tax and cigarette tax.

**Other taxes included in figures above:**

Personal income tax, inheritance tax, realty transfer tax, and table game taxes.

**BENEFICIARIES:**

Information provided under the “Beneficiaries” headings represents an actual or estimated number and description of Pennsylvania residents, households, or businesses benefiting from that specific tax expenditure. An unreported number of non-Pennsylvania entities may also benefit from the tax expenditure.

**FURTHER INFORMATION:**

Tax Compendium
Sales and Use Tax Retailer's Information
Personal Income Tax Guide
Property Tax/Rent Rebate Program

# Tax Credit Programs

## Introduction

**GENERAL INFORMATION:** Tax credit programs incentivize the growth and development of certain industries and activities within the Commonwealth. Eligible taxpayers and tax types vary by credit, along with timelines for usage, and rules for sale, assignment, or pass through.

**BENEFICIARIES:** Estimates of numbers of businesses, individuals, and other entities benefiting from various tax credits are approximate.

**ADMINISTRATIVE COSTS:** Administrative costs are borne by multiple departments, depending on the particular program. Costs for 2024-25 are estimated at $3.3 million.

**AUTHORIZING LEGISLATION:** Most of the tax credit programs are authorized in two codes:

- Tax Reform Code of 1971 (P.L. 6, No. 2), as amended (TRC).
- Public School Code of 1949 (P.L. 30, No. 14), as amended (PSC).

The remaining programs have their specific legislation noted.

| TAX CREDIT PROGRAM | AUTHORIZING LEGISLATION |
|---|---|
| Neighborhood Assistance | Article XIX-A of the TRC |
| New Jobs | Article XVIII-B of the TRC |
| Research and Development | Article XVII-B of the TRC |
| Keystone Opportunity Zones | Act 92 of October 6, 1998 (P.L. 702, No. 92) |
| Educational Improvement | Article XX-B of the PSC |
| Opportunity Scholarship | Article XX-B of the PSC |
| Keystone Innovation Zones | Article XIX-F of the TRC |
| Film Production | Article XVII-D of the TRC |
| Video Game Production | Article XVII-D of the TRC |
| Entertainment Economic Enhancement Program | Article XVII-D of the TRC |
| Resource Enhancement and Protection | Article XVII-E of the TRC |
| Keystone Special Development Zones | Article XIX-C of the TRC |
| Resource Manufacturing | Article XVII-G of the TRC |
| Historic Preservation Incentive | Article XVII-H of the TRC |
| Organ and Bone Marrow Donation | Article XVIII of the TRC |
| Out-of-State Entities During a Declared Emergency | Act 203 of 2014 (P.L. 3044, No. 203) |
| Waterfront Development | Article XVII-K of the TRC |
| Coal Refuse Energy and Reclamation | Article XVII-J of the TRC |
| Manufacturing | Article XVIII-G of the TRC |
| Rural Jobs and Investment | Article XVIII-G of the TRC |
| Malt Beverage | Article XX, Section 2010 of the TRC |
| Mixed-Use Development | Article XIX-E of the TRC |
| Computer Data Center Equipment Incentive Program | Article XXIX-D of the TRC |
| Affordable Housing | Article XIX-G of the TRC |
| Airport Land Development Zone | Article XIX-H of the TRC |
| Local Resource Manufacturing | Article XVII-L of the TRC |
| Pennsylvania Milk Processing | Article XVII-L of the TRC |
| Regional Clean Hydrogen Hubs | Article XVII-L of the TRC |
| Semiconductor Manufacturing and Biomedical Manufacturing and Research | Article XVII-L of the TRC |
| 529 Savings Account Employer Matching Contribution | Article XIX-J of the TRC |
| Employer Child Care Contribution | Article XIX-K of the TRC |
| Innovate in PA | Article XVIII-F of the TRC |
| Beginning Farmers | Article XVIII-H of the TRC |
| Child and Dependent Care Enhancement | Article XVI-W of the Fiscal Code |
| Working Pennsylvanians | Article XVI-W.2 of the Fiscal Code (P.L. 343, No.176) |

## Estimates

**PROGRAM ESTIMATES:** 2024-25 reflects actual credit awards. Future years reflect program caps, as applicable, or estimates for formula-based programs.

(Dollar Amounts in Millions)

| TAX CREDIT PROGRAM | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 |
|---|---|---|---|---|---|---|---|
| Neighborhood Assistance | $ 71.3 | $ 72.0 | $ 72.0 | $ 72.0 | $ 72.0 | $ 72.0 | $ 72.0 |
| New Jobs | 7.4 | 4.0 | 3.9 | 3.9 | 3.1 | 1.6 | 0.6 |
| Research and Development | 59.8 | 60.0 | 60.0 | 60.0 | 60.0 | 60.0 | 60.0 |
| Keystone Opportunity Zones | 110.9 | 76.9 | 65.7 | 43.3 | 38.5 | 38.3 | 39.7 |
| Education Improvement [a] | 437.0 | 590.0 | 590.0 | 590.0 | 590.0 | 590.0 | 590.0 |
| Opportunity Scholarships | 61.0 | 90.0 | 90.0 | 90.0 | 90.0 | 90.0 | 90.0 |
| Keystone Innovation Zones | 6.6 | 15.0 | 15.0 | 15.0 | 15.0 | 15.0 | 15.0 |
| Film Production | 116.2 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Video Game Production [b] | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| Entertainment Economic Enhancement Program | 22.5 | 24.0 | 24.0 | 24.0 | 24.0 | 24.0 | 24.0 |
| Resource Enhancement and Protection | 20.8 | 13.0 | 13.0 | 13.0 | 13.0 | 13.0 | 13.0 |
| Keystone Special Development Zones | 3.6 | N/A | N/A | N/A | N/A | N/A | N/A |
| Resource Manufacturing | 56.9 | 65.0 | 65.0 | 65.0 | 65.0 | 65.0 | 65.0 |
| Historic Preservation Incentive | 9.8 | 20.0 | 20.0 | 20.0 | 20.0 | 20.0 | 20.0 |
| Organ and Bone Marrow Donation | 0.0 | Nominal | Nominal | Nominal | Nominal | Nominal | Nominal |
| Exemptions for Out-of-State Entities During a Declared Emergency | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Waterfront Development [b] | 3.3 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 |
| Coal Refuse Energy and Reclamation | 49.0 | 55.0 | 55.0 | 55.0 | 55.0 | 55.0 | 55.0 |
| Manufacturing [b] | 0.2 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 |
| Rural Jobs and Investment | 6.0 | 6.0 | 12.0 | 12.0 | 6.0 | 6.0 | 6.0 |
| Malt Beverage | 1.7 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 |
| Mixed-Use Development | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 |
| Affordable Housing | 0.0 | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 |
| Airport Land Development Zone | 0.0 | 1.8 | 4.5 | 7.1 | 9.8 | 10.9 | 10.9 |
| Local Resource Manufacturing [b] | 0.0 | 56.7 | 56.7 | 56.7 | 56.7 | 56.7 | 56.7 |
| Pennsylvania Milk Processing | 0.0 | 15.0 | 15.0 | 15.0 | 15.0 | 15.0 | 15.0 |
| Regional Clean Hydrogen Hubs | 0.0 | 50.0 | 50.0 | 50.0 | 50.0 | 50.0 | 50.0 |
| Semiconductor Manufacturing and Biomedical Manufacturing and Research | 0.0 | 20.0 | 20.0 | 20.0 | 20.0 | 20.0 | 0.0 |
| 529 Savings Account Employer Matching Contribution | 0.0 | 9.3 | 12.0 | 12.8 | 13.0 | 13.0 | 3.8 |
| Employer Child Care Contribution | 0.0 | 8.1 | 8.1 | 8.0 | 8.0 | 8.0 | 7.9 |
| Innovate in PA [b] | 0.0 | 0.0 | - | - | - | - | - |
| Beginning Farmers | 0.4 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 0.0 |
| Child and Dependent Care Enhancement | 133.8 | 135.0 | 134.7 | 134.4 | 134.1 | 133.8 | 133.5 |
| Working Pennsylvanians | 0.0 | 184.7 | 203.2 | 212.8 | 218.3 | 223.9 | 228.1 |

[a] This budget proposes to reallocate caps within the Education Improvement tax credit to provide more tax credits to Educational Improvement Organizations. The overall cap for the EITC program is proposed to remain unchanged.

[b] Tax credit expenditure amounts are shown at current law levels. Changes affecting these credits are proposed. Details are shown in Section C.

| | Beneficiaries | | | |
|---|---|---|---|---|
| | COMPANIES | INDIVIDUALS | ORGANIZATIONS | OTHER |
| Neighborhood Assistance | 310 | 280 | - | - |
| New Jobs | 25 | - | - | - |
| Research and Development | 1,000 | - | - | - |
| Keystone Opportunity Zones | 480 | - | - | - |
| Educational Improvement | 1,400 | 10,800 | 1,370 | - |
| Opportunity Scholarship | 400 | 3,200 | 170 | - |
| Keystone Innovation Zones | 90 | - | - | - |
| Film Production | - | - | - | 55 film projects |
| Resource Enhancement and Protection | 130 | 240 | - | - |
| Waterfront Development | - | - | 10 | - |
| Malt Beverage | - | - | - | 530 brewers |
| Airport Land Development Zone | 50 | - | - | - |
| Local Resource Manufacturing | - | - | - | Up to 3 projects |
| Employer Child Care Contribution | - | - | - | 11,800 employers |
| Innovate in PA | 30 | - | - | - |
| Child and Dependent Care Enhancement | - | 219,500 | - | - |
| Working Pennsylvanians | - | 802,000 | - | - |

**MINIMAL NUMBER OF BENEFICIARIES**

| | |
|---|---|
| Video Game Production | Organ and Bone Marrow Donation |
| Entertainment Economic Enhancement | Mixed-Use Development |

**UNKNOWN NUMBER OF BENEFICIARIES**

| | |
|---|---|
| Keystone Special Development Zones | Rural Jobs and Investment |
| Resource Manufacturing | Affordable Housing |
| Historic Preservation Incentive | Pennsylvania Milk Processing |
| Exemptions for Out-of-State Entities during a Declared Emergency | Semiconductor Manufacturing and Biomedical Manufacturing and Research |
| Manufacturing | Regional Clean Hydrogen Hubs |
| Coal Refuse Energy and Reclamation | 529 Savings Account Employer Matching Contribution |

## Administering Agencies

**ENTITIES RESPONSIBLE FOR TAX CREDIT ADMINISTRATION**

| | |
|---|---|
| DCED | Department of Community and Economic Development |
| DEP | Department of Environmental Protection |
| DOR | Department of Revenue |
| PDE | Department of Education |
| PHFA | Pennsylvania Housing Finance Agency |
| PHMC | Pennsylvania Historical and Museum Commission |
| SCC | Department of Agriculture's State Conservation Commission |

| TAX CREDIT PROGRAM | ADMINISTERING ENTITIES |
|---|---|
| Neighborhood Assistance | DCED, DOR |
| New Jobs | DCED, DOR |
| Research and Development | DCED, DOR |
| Keystone Opportunity Zones | DCED, DOR |
| Educational Improvement | DCED, DOR, PDE |
| Opportunity Scholarship | DCED, DOR, PDE |
| Keystone Innovation Zones | DCED, DOR |
| Film Production | DCED, DOR |
| Video Game Production | DCED, DOR |
| Entertainment Economic Enhancement Program | DCED, DOR |
| Resource Enhancement and Protection | DOR, SCC |
| Keystone Special Development Zones | DCED, DOR |
| Resource Manufacturing | DCED, DOR |
| Historic Preservation Incentive | DCED, DOR, PHMC |
| Organ and Bone Marrow Donation | DOR |
| Exemptions for Out-of-State Entities during a Declared Emergency | DOR |
| Waterfront Development | DCED |
| Coal Refuse Energy and Reclamation | DCED, DOR, DEP |
| Manufacturing | DCED, DOR |
| Rural Jobs and Investment | DCED, DOR |
| Malt Beverage | DOR |
| Mixed-Use Development | DOR, PHFA |
| Affordable Housing | DOR, PHFA |
| Airport Land Development Zone | DCED, DOR |
| Local Resource Manufacturing | DCED, DOR |
| Pennsylvania Milk Processing | DOR |
| Regional Clean Hydrogen Hubs | DCED, DOR |
| Semiconductor Manufacturing and Biomedical Manufacturing and Research | DOR |
| 529 Savings Account Employer Matching Contribution | DOR |
| Employer Child Care Contribution | DOR |
| Innovate in PA | DCED |
| Beginning Farmers | DCED |
| Child and Dependent Care Enhancement | DOR |
| Working Pennsylvanians | DOR |

# Corporation Taxes

## Corporate Net Income Tax

(Dollar Amounts in Millions)

| *Estimates:* | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 |
|---|---|---|---|---|---|---|---|
| Air Freight Forwarding Special Apportionment | $ 6.4 | $ 6.1 | $ 6.1 | $ 5.9 | $ 5.7 | $ 5.4 | $ 5.1 |
| Federal Insurance Contributions Act (FICA) Tax on Tips Deduction | 4.4 | 4.4 | 4.3 | 4.2 | 4 | 3.8 | 3.7 |
| Limited Liability Companies (LLC) Exemption | 1518.3 | 1312.2 | 1110.7 | 922 | 760.1 | 623 | 500.3 |
| Net Operating Loss Carryforward | 748.8 | 718.7 | 727.1 | 753.2 | 732 | 701.6 | 666.5 |
| Nonprofit Corporations Exemption | 55.1 | 52.6 | 50.2 | 47.6 | 44.9 | 42.2 | 39.3 |
| Nonprofit Nonstock Commodity or Stock Exchange Exemption | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Pennsylvania S Corporation Exemption | 777.7 | 665.8 | 557.2 | 456.1 | 369.3 | 295.6 | 229.9 |
| Powdered Metallurgy Nexus Exemption | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Qualified Manufacturing Innovation & Reinvestment Deduction | 1.1 | 2.8 | 4 | 4.6 | 5 | 4 | 3.6 |
| Sales Factor Apportionment Weight | 755.2 | 713.9 | 664.8 | 613.5 | 570 | 534.9 | 502.1 |

## Gross Receipts Tax

(Dollar Amounts in Millions)

| *Estimates:* | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 |
|---|---|---|---|---|---|---|---|
| Electric Cooperatives | $ 28.2 | $ 26.8 | $ 25.2 | $ 24.1 | $ 24.2 | $ 25 | $ 25.2 |
| Municipally-owned Public Utilities | 14.9 | 13.6 | 11.9 | 11 | 11.1 | 11.7 | 11.9 |
| Nuclear Generating Facility Damage | N/A | N/A | N/A | N/A | N/A | N/A | N/A |

## Public Utility Realty Tax

(Dollar Amounts in Millions)

| *Estimates:* | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 |
|---|---|---|---|---|---|---|---|
| Easements | $ 3.0 | $ 3.0 | $ 3.0 | $ 3.0 | $ 3.1 | $ 3.1 | $ 3.1 |
| Electric Generation Facilities | 26.9 | 27.1 | 27.4 | 27.6 | 27.9 | 28.1 | 28.4 |
| Municipalities | 3.7 | 3.8 | 3.8 | 3.8 | 3.9 | 3.9 | 3.9 |
| Property Subject to Local Taxation | 3.3 | 3.4 | 3.4 | 3.4 | 3.4 | 3.5 | 3.5 |
| Railroad Rights-of-Way | 6.9 | 6.9 | 7.0 | 7.0 | 7.1 | 7.2 | 7.2 |
| Sewage Services | 6.0 | 6.1 | 6.1 | 6.2 | 6.3 | 6.3 | 6.4 |

## Insurance Premiums Tax

(Dollar Amounts in Millions)

| *Estimates:* | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 |
|---|---|---|---|---|---|---|---|
| Extraordinary Medical Benefit | $ 0.1 | $ 0.1 | $ 0.1 | $ 0.1 | $ 0.2 | $ 0.2 | $ 0.2 |
| Innovate in PA Tax Credit | 0.0 | 0.0 | - | - | - | - | - |
| Life and Health Insurance Guaranty Association Credit | 12.5 | 7.8 | 50.5 | 49.0 | 49.0 | 49.0 | 31.9 |
| Mutual Beneficial Associations | 24.2 | 24.7 | 25.6 | 26.8 | 28.0 | 29.4 | 30.8 |
| Nonprofit Hospital and Medical Care Service Organizations | 68.9 | 71.2 | 73.5 | 75.8 | 78.3 | 80.7 | 83.3 |
| Property and Casualty Insurance Guaranty Association Credit | 0.0 | 0.0 | 0.7 | 1.4 | 2.1 | 2.8 | 3.6 |
| Surplus Lines Tax Exemption for Charter Schools | N/A | N/A | N/A | N/A | N/A | N/A | N/A |

## Bank and Trust Company Shares Tax

(Dollar Amounts in Millions)

| *Estimates:* | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 |
|---|---|---|---|---|---|---|---|
| EDGE Act Deduction | $ 25.6 | $ 26.8 | $ 28.2 | $ 29.7 | $ 31.1 | $ 32.6 | $ 34.2 |
| Goodwill Deduction | 87.2 | 89.2 | 91.2 | 93.3 | 95.4 | 97.6 | 99.8 |

## Mutual Thrift Institutions Tax

(Dollar Amounts in Millions)

| *Estimates:* | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 |
|---|---|---|---|---|---|---|---|
| Credit Unions | $ 12.6 | $ 17.1 | $ 18.6 | $ 19.9 | $ 21.3 | $ 22.8 | $ 24.4 |
| Net Operating Loss Carryforward | 0.6 | 0.6 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 |

# Sales and Use Tax

## General/Personal Expenditures

(Dollar Amounts in Millions)

| *Estimates:* | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 |
|---|---|---|---|---|---|---|---|
| Breast Feeding Supplies | $ 3.8 | $ 4.1 | $ 4.4 | $ 4.6 | $ 4.9 | $ 5.2 | $ 5.6 |
| Candy and Gum | 105.8 | 109.4 | 112.4 | 115.0 | 117.6 | 120.0 | 122.3 |
| Caskets and Burial Vaults | 17.8 | 18.1 | 18.3 | 18.4 | 18.6 | 18.8 | 19.0 |
| Charges for Returnable Containers | 18.4 | 18.7 | 19.0 | 19.2 | 19.5 | 19.7 | 20.0 |
| Clothing and Footwear | 799.7 | 836.0 | 865.6 | 890.1 | 914.5 | 934.1 | 956.7 |
| Flags | 1.5 | 1.6 | 1.6 | 1.6 | 1.7 | 1.7 | 1.7 |
| Food | 2,235.1 | 2,311.5 | 2,374.7 | 2,430.2 | 2,485.2 | 2,535.5 | 2,583.5 |
| Gratuities | 151.7 | 158.6 | 162.8 | 165.0 | 167.8 | 172.4 | 177.7 |
| Liquor or Malt Beverage Purchased from Retail Dispenser | 160.2 | 169.7 | 175.0 | 177.4 | 180.4 | 185.8 | 192.4 |
| Magazine Subscriptions | 28.2 | 28.2 | 28.6 | 29.0 | 29.5 | 30.0 | 30.4 |
| Newspapers | 24.8 | 23.0 | 22.0 | 21.6 | 21.6 | 21.6 | 21.7 |
| Non-prescription Drugs | 126.1 | 136.3 | 145.3 | 153.6 | 162.7 | 173.0 | 183.3 |
| Personal Hygiene Products | 86.7 | 89.1 | 91.2 | 93.5 | 96.2 | 98.9 | 101.5 |
| Prescription Drugs and Orthopedic Equipment | 989.6 | 1,067.2 | 1,136.0 | 1,200.0 | 1,270.1 | 1,348.4 | 1,427.9 |
| Supplemental Nutrition Assistance Program (SNAP) Purchases | 13.1 | 12.6 | 12.6 | 12.8 | 13.0 | 13.2 | 13.4 |
| Textbooks | 11.9 | 11.1 | 10.6 | 10.2 | 9.8 | 9.4 | 8.9 |

## Fuels and Utilities

(Dollar Amounts in Millions)

| *Estimates:* | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 |
|---|---|---|---|---|---|---|---|
| Coal | $ 139.8 | $ 144.9 | $ 149.2 | $ 151.7 | $ 154.2 | $ 159.0 | $ 163.9 |
| Firewood | 4.2 | 4.4 | 4.6 | 4.7 | 4.9 | 5.1 | 5.2 |
| Gasoline and Motor Fuels | 1,048.7 | 961.2 | 864.9 | 860.3 | 893.6 | 890.4 | 921.5 |
| Residential Utilities: Electricity | 573.4 | 609.4 | 635.5 | 648.4 | 658.6 | 672.6 | 687.0 |
| Residential Utilities: Fuel Oil/Gas | 391.1 | 394.4 | 379.7 | 380.8 | 388.2 | 402.2 | 418.7 |
| Residential Utilities: Telephone | 11.5 | 11.0 | 10.6 | 10.3 | 9.9 | 9.6 | 9.3 |
| Water and Sewage Services | 153.3 | 153.3 | 161.2 | 162.9 | 171.1 | 185.7 | 193.3 |

## Motor Vehicles/Vessels

(Dollar Amounts in Millions)

| *Estimates:* | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 |
|---|---|---|---|---|---|---|---|
| Aircraft Parts, Helicopters, Flight Simulators, and Related Materials | $ 7.8 | $ 8.1 | $ 8.3 | $ 8.4 | $ 8.7 | $ 8.9 | $ 9.2 |
| Commercial Vessels (Construction and Repair) | 18.9 | 20.1 | 21.3 | 22.2 | 22.9 | 23.5 | 24.2 |
| Commercial Vessels (Equipment and Maintenance) | 3.4 | 3.5 | 3.6 | 3.8 | 3.9 | 4.0 | 4.1 |
| Common Carriers | 71.5 | 75.9 | 79.9 | 82.8 | 85.1 | 87.1 | 89.1 |
| Motor Vehicles (Out-of-State Purchasers) | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Multipurpose Agricultural Vehicles Used for Farming | 1.1 | 1.1 | 1.1 | 1.1 | 1.0 | 1.1 | 1.1 |
| School Buses | 29.4 | 29.1 | 28.9 | 28.6 | 28.4 | 28.1 | 27.9 |

## Production Expenditures

(Dollar Amounts in Millions)

| *Estimates:* | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 |
|---|---|---|---|---|---|---|---|
| Contract Farming | $ 43.5 | $ 50.0 | $ 51.9 | $ 50.6 | $ 50.1 | $ 50.6 | $ 51.2 |
| Manufacturing Exemption (Agricultural) | 92.5 | 91.4 | 91.6 | 95.3 | 99.3 | 102.5 | 104.0 |
| Manufacturing Exemption (Foundations for Machinery and Equipment) | 12.4 | 12.4 | 12.4 | 12.4 | 12.4 | 12.4 | 12.4 |
| Manufacturing Exemption (Manufacture and Processing) | 1,429.6 | 1,476.1 | 1,541.0 | 1,602.6 | 1,658.5 | 1,714.2 | 1,776.2 |
| Manufacturing Exemption (Public Utility) | 114.8 | 120.8 | 125.3 | 128.8 | 131.8 | 133.9 | 135.8 |

## Purely Public Charities

(Dollar Amounts in Millions)

| *Estimates:* | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 |
|---|---|---|---|---|---|---|---|
| Charitable Organizations | $ 15.9 | $ 16.8 | $ 17.8 | $ 18.8 | $ 19.7 | $ 20.6 | $ 21.4 |
| Health & Social Assistance Organizations | 237.4 | 257.4 | 275.7 | 290.5 | 305.0 | 319.2 | 333.7 |
| Nonprofit Educational Institutions | 149.2 | 156.5 | 166.3 | 178.5 | 190.6 | 199.9 | 208.0 |
| Religious Organizations | 11.4 | 12.0 | 12.7 | 13.5 | 14.1 | 14.8 | 15.3 |
| Volunteer Firemen's Organizations | 24.5 | 25.7 | 27.3 | 29.2 | 31.1 | 32.6 | 33.9 |

## Other

(Dollar Amounts in Millions)

| *Estimates:* | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 |
|---|---|---|---|---|---|---|---|
| Airline Catering | $ 2.0 | $ 2.1 | $ 2.2 | $ 2.3 | $ 2.4 | $ 2.4 | $ 2.5 |
| Bad Debts | 5.1 | 5.3 | 5.5 | 5.6 | 5.8 | 5.9 | 6.1 |
| Building Materials and Supplies for Animal Housing | 6.2 | 6.5 | 6.7 | 7.0 | 7.3 | 7.6 | 7.9 |
| Canned Software Purchased by Financial Institutions | 16.5 | 17.5 | 18.5 | 19.4 | 20.2 | 21.0 | 21.8 |
| Catalogs and Direct Mail Advertising | 3.9 | 4.1 | 4.3 | 4.5 | 4.6 | 4.8 | 5.0 |
| Computer Data Center Equipment Exemption | 41.1 | 114.8 | 188.4 | 260.3 | 345.9 | 431.6 | 517.2 |
| Construction of Memorials | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Convention Center Rentals | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Copies of an Official Document | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 |
| Exempt Governmental Units | 636.5 | 662.7 | 686.3 | 711.1 | 734.1 | 757.8 | 782.5 |
| Fish Feed | Nominal | Nominal | Nominal | Nominal | Nominal | Nominal | Nominal |
| Food and Beverage Purchased from Volunteer Firemen's Organizations | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Horses | 3.2 | 3.2 | 3.2 | 3.2 | 3.2 | 3.2 | 3.2 |
| Hotel - Permanent Resident | 11.2 | 11.7 | 12.2 | 12.7 | 13.1 | 13.6 | 14.1 |
| Investment Metal Bullion and Investment Coins | 34.5 | 36.1 | 37.5 | 38.9 | 40.3 | 41.7 | 43.0 |
| Isolated Sales | 136.9 | 142.9 | 147.5 | 151.6 | 155.1 | 159.2 | 164.1 |
| Out-of-State Credit | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Out-of-State Purchases | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Rail Transportation Equipment | 15.2 | 16.0 | 17.0 | 17.8 | 18.4 | 18.9 | 19.6 |
| Rental of Films for Commercial Exhibition | 2.3 | 2.5 | 2.7 | 2.8 | 2.9 | 3.1 | 3.3 |
| Restaurant Waste Grease Traps | 1.9 | 3.0 | 3.1 | 3.2 | 3.3 | 3.4 | 3.4 |
| Stair Lift Devices | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Storage | 342.6 | 360.1 | 378.3 | 392.4 | 404.5 | 416.3 | 428.4 |
| Substituted Tax Base | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Temporary Usage | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Tourist Promotion Agencies | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Trade-in Value | 351.1 | 352.0 | 365.7 | 366.6 | 371.1 | 378.7 | 386.5 |
| Trout | Nominal | Nominal | Nominal | Nominal | Nominal | Nominal | Nominal |
| Uniform Commercial Code Filing Fees | 2.9 | 3.1 | 3.2 | 3.2 | 3.3 | 3.4 | 3.4 |
| Vendor Discount | 17.5 | 18.0 | 18.3 | 18.6 | 18.8 | 19.1 | 19.4 |
| Wrapping and Packaging Supplies | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Youth Sports Programs | N/A | N/A | N/A | N/A | N/A | N/A | N/A |

# Services

(Dollar Amounts in Millions)

| *Estimates:* | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 |
|---|---|---|---|---|---|---|---|
| **LODGING** | | | | | | | |
| Recreational parks, camps, and campgrounds ... | $ 19.1 | $ 19.1 | $ 19.0 | $ 18.9 | $ 19.2 | $ 19.6 | $ 20.0 |
| **PERSONAL SERVICES** | | | | | | | |
| Dry-cleaning & laundry services ..... | $ 55.6 | $ 58.8 | $ 61.8 | $ 64.7 | $ 67.7 | $ 70.6 | $ 73.6 |
| Funeral parlors, crematories, & death care services ..... | 79.0 | 83.4 | 87.2 | 91.2 | 95.3 | 99.7 | 104.2 |
| Personal care services ..... | 338.3 | 356.9 | 373.5 | 390.5 | 408.2 | 426.8 | 446.4 |
| Other: personal services ..... | 86.2 | 91.0 | 95.2 | 99.5 | 104.0 | 108.8 | 113.7 |
| **BUSINESS SERVICES** | | | | | | | |
| Administrative services ..... | $ 958.3 | $ 1011.6 | $ 1059.1 | $ 1101.2 | $ 1144.3 | $ 1188.9 | $ 1235.5 |
| Advertising, public relations, & related services .. | 1260.8 | 1336.0 | 1404.7 | 1459.1 | 1510.1 | 1559.9 | 1611.7 |
| Consulting (scientific, environmental, & technical) ..... | 596.6 | 632.3 | 660.4 | 683.7 | 709.4 | 737.7 | 768.1 |
| Information services ..... | 323.0 | 341.8 | 363.9 | 391.8 | 420.4 | 446.3 | 471.2 |
| Services to buildings and dwellings ..... | 457.3 | 481.7 | 505.2 | 525.8 | 545.6 | 564.6 | 584.1 |
| Scientific research & development services ..... | 212.2 | 218.0 | 217.8 | 221.0 | 227.6 | 233.9 | 240.7 |
| **COMPUTER SERVICES** | | | | | | | |
| Custom programming, design & data processing | $ 920.3 | $ 972.5 | $ 1017.3 | $ 1054.8 | $ 1092.3 | $ 1129.9 | $ 1169.5 |
| **AUTOMOTIVE SERVICES** | | | | | | | |
| Parking lots & garages ..... | $ 98.8 | $ 104.3 | $ 109.1 | $ 114.1 | $ 119.2 | $ 124.7 | $ 130.4 |
| **RECREATION SERVICES** | | | | | | | |
| Amusement & recreation industries ..... | $ 549.3 | $ 589.9 | $ 650.4 | $ 717.3 | $ 773.9 | $ 822.5 | $ 876.0 |
| Museums, historical sites, zoos, & parks ..... | 36.7 | 39.4 | 43.7 | 48.4 | 52.3 | 55.7 | 59.4 |
| Spectator sports admissions (excludes schools). | 28.1 | 30.1 | 32.9 | 35.9 | 38.7 | 40.9 | 43.2 |
| Theater, dance, music, & performing arts admissions ..... | 16.6 | 18.9 | 21.0 | 23.2 | 25.4 | 27.6 | 29.6 |
| **HEALTH SERVICES** | | | | | | | |
| Home health care, nursing care, & other ambulatory health care services ..... | $ 706.6 | $ 756.8 | $ 804.1 | $ 853.5 | $ 904.7 | $ 955.6 | $ 1007.0 |
| Hospitals ..... | 1758.2 | 1882.9 | 2000.8 | 2123.6 | 2250.9 | 2377.7 | 2505.6 |
| Physician & dental services ..... | 1785.1 | 1911.8 | 2031.4 | 2156.2 | 2285.4 | 2414.1 | 2544.0 |
| Social assistance including day care ..... | 456.4 | 486.1 | 515.2 | 545.9 | 578.2 | 611.7 | 646.3 |

(Dollar Amounts in Millions)

| *Estimates, continued* | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 |
|---|---|---|---|---|---|---|---|
| **PROFESSIONAL SERVICES** | | | | | | | |
| Accounting, auditing, & bookkeeping services | $ 490.0 | $ 518.3 | $ 542.8 | $ 564.2 | $ 586.1 | $ 608.5 | $ 631.9 |
| Architectural, engineering, & related services | 510.5 | 537.0 | 561.8 | 584.2 | 607.6 | 632.0 | 657.7 |
| Legal | 929.4 | 983.2 | 1029.5 | 1072.5 | 1116.8 | 1162.6 | 1210.9 |
| Other professional and technical services | 291.9 | 307.4 | 320.5 | 332.1 | 344.7 | 358.5 | 373.2 |
| Specialized design | 114.0 | 119.7 | 124.7 | 129.4 | 134.4 | 140.0 | 146.1 |
| **TRANSPORTATION SERVICES** | | | | | | | |
| Air transportation | $ 8.8 | $ 9.1 | $ 9.1 | $ 9.1 | $ 9.3 | $ 9.5 | $ 9.7 |
| Other transportation | 24.1 | 25.2 | 26.0 | 26.7 | 27.4 | 28.1 | 28.9 |
| Transit & ground transportation | 234.1 | 244.0 | 249.8 | 255.0 | 262.4 | 271.1 | 280.2 |
| Truck transportation | 22.9 | 23.9 | 24.7 | 25.4 | 26.0 | 26.8 | 27.5 |
| **MISCELLANEOUS SERVICES** | | | | | | | |
| Basic television | $ 94.2 | $ 98.5 | $ 103.6 | $ 109.8 | $ 114.0 | $ 115.0 | $ 116.1 |
| Electrical, plumbing, heating, & AC service fees | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Financial institution fees | 188.0 | 193.7 | 199.5 | 205.5 | 211.6 | 218.0 | 224.5 |
| Tuition (college, vocational training, & instruction) | 1390.7 | 1467.6 | 1536.3 | 1606.2 | 1679.0 | 1755.7 | 1835.7 |
| Veterinary fees | 140.8 | 148.6 | 155.3 | 162.2 | 169.4 | 177.1 | 185.1 |
| Waste management and remediation services | 296.7 | 311.9 | 327.1 | 341.0 | 354.5 | 367.5 | 380.9 |

## Cigarette Tax

(Dollar Amounts in Millions)

| *Estimates:* | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 |
|---|---|---|---|---|---|---|---|
| Commissions on Sales of Stamps | $ 4.8 | $ 4.4 | $ 4.0 | $ 3.7 | $ 3.4 | $ 3.2 | $ 3.0 |
| State Veterans Homes | Nominal | Nominal | Nominal | Nominal | Nominal | Nominal | Nominal |
| Unstamped Cigarettes (200 and Under) | N/A | N/A | N/A | N/A | N/A | N/A | N/A |

## Table Games Tax

(Dollar Amounts in Millions)

| *Estimates:* | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 |
|---|---|---|---|---|---|---|---|
| Promotional Item Deduction | $ 1.8 | $ 1.8 | $ 1.8 | $ 1.7 | $ 1.7 | $ 1.6 | $ 1.6 |

## Sports Wagering Tax

(Dollar Amounts in Millions)

| *Estimates:* | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 |
|---|---|---|---|---|---|---|---|
| Promotional Item Deduction | $ 0.1 | $ 0.1 | $ 0.1 | $ 0.1 | $ 0.1 | $ 0.1 | $ 0.1 |

## Tobacco Products Tax

The tobacco products tax contains no tax expenditures as defined for this tax expenditure analysis.

## Malt Beverage Tax

The malt beverage tax contains no tax expenditures as defined for this tax expenditure analysis.

## Liquor Tax

The liquor tax contains no tax expenditures as defined for this tax expenditure analysis.

# Personal Income Tax

## Exclusions from Income

(Dollar Amounts in Millions)

| *Estimates:* | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 |
|---|---|---|---|---|---|---|---|
| Achieving a Better Life Experience (ABLE) Savings Programs | $ 0.7 | $ 0.8 | $ 0.9 | $ 1.0 | $ 1.1 | $ 1.2 | $ 1.3 |
| Business Income Deductions: Depreciation | 163.5 | 173.1 | 182.9 | 196.8 | 202.2 | 212.0 | 221.7 |
| Business Income Deductions: Other | 2567.3 | 2718.9 | 2872.9 | 3091.9 | 3176.8 | 3331.1 | 3483.5 |
| Cafeteria Plans | 76.4 | 80.4 | 84.9 | 88.4 | 91.5 | 94.6 | 97.8 |
| Compensation for Military Service | 137.6 | 142.7 | 147.9 | 152.8 | 157.2 | 161.4 | 165.8 |
| Crop Insurance Proceeds | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Employee Benefit Program Employer Contributions | 1192.5 | 1262.9 | 1330.5 | 1399.9 | 1468.7 | 1536.4 | 1605.5 |
| Employer-Provided Dependent Care Benefits | 5.4 | 6.1 | 6.9 | 6.8 | 6.8 | 6.8 | 6.7 |
| Exemption for Election Officials | 0.5 | 0.5 | 0.5 | 0.6 | 0.6 | 0.6 | 0.6 |
| Foster Care | 4.0 | 3.9 | 3.8 | 3.7 | 3.6 | 3.5 | 3.4 |
| Health Savings Account/Archer Medical Savings Accounts | 56.9 | 59.9 | 62.8 | 65.8 | 68.6 | 71.4 | 74.2 |
| Holocaust Reparations | 0.0 | Nominal | Nominal | Nominal | Nominal | Nominal | Nominal |
| Intangible Drilling Costs | 0.1 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| Interest on Qualified Student Loans | 1.1 | 26.0 | 37.5 | 37.7 | 37.9 | 38.0 | 38.2 |
| Involuntary Conversions | Nominal | Nominal | Nominal | Nominal | Nominal | Nominal | Nominal |
| Life Insurance Proceeds | 176.2 | 181.6 | 187.3 | 193.1 | 199.0 | 205.3 | 211.8 |
| Nonqualified Deferred Compensation | 45.7 | 46.6 | 47.6 | 48.6 | 49.5 | 50.6 | 51.6 |
| Olympic Medals and Prizes | Nominal | Nominal | Nominal | Nominal | Nominal | Nominal | Nominal |
| Payments from Norfolk Southern Train Derailment | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Pennsylvania Lottery Noncash Prizes | 0.4 | 0.3 | 0.3 | 0.3 | 0.2 | 0.2 | 0.1 |
| Public Assistance | 4.1 | 4.2 | 4.2 | 4.2 | 4.2 | 4.2 | 4.2 |
| Qualified Tuition Programs | 48.6 | 50.8 | 52.7 | 54.9 | 57.3 | 60.0 | 62.7 |
| Reimbursement for Actual Expenses | 0.6 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 |
| Retirement Contributions by Employers | 1023.0 | 1076.0 | 1136.7 | 1183.0 | 1224.8 | 1265.8 | 1308.9 |
| Retirement Income | 4839.7 | 5105.0 | 5369.8 | 5632.4 | 5884.8 | 6138.9 | 6406.9 |
| Sale of a Principal Residence | 313.4 | 331.0 | 342.4 | 360.8 | 373.4 | 390.0 | 394.8 |
| Scholarships, Grants, Fellowships, and Stipends | 165.7 | 168.2 | 170.8 | 173.5 | 176.1 | 178.9 | 181.6 |
| Sickness or Disability Proceeds | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Start-up Business Deduction | 0.8 | 0.8 | 0.9 | 0.9 | 0.9 | 0.9 | 1.0 |
| State/Local Obligations | 61.3 | 59.6 | 58.0 | 56.4 | 54.9 | 53.4 | 52.0 |
| Strike Benefits | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Unemployment and Supplemental Unemployment Compensation | 64.5 | 70.4 | 75.1 | 77.4 | 76.0 | 73.7 | 72.6 |
| Unreimbursed Expenses | 42.9 | 43.2 | 43.3 | 43.4 | 43.5 | 43.5 | 43.5 |
| Workers' Compensation | 91.6 | 91.8 | 92.0 | 92.3 | 92.5 | 92.7 | 92.9 |

## Credits

(Dollar Amounts in Millions)

| *Estimates:* | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 |
|---|---|---|---|---|---|---|---|
| Resident Credit | $ 575.1 | $ 590.8 | $ 583.4 | $ 577.0 | $ 598.4 | $ 622.9 | $ 646.9 |
| Special Poverty Provisions (Tax Forgiveness) | 191.3 | 185.1 | 181.4 | 180.4 | 179.5 | 178.0 | 175.9 |

## Estimated Taxes

(Dollar Amounts in Millions)

| *Estimates:* | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 |
|---|---|---|---|---|---|---|---|
| Estimated Taxes for Farmers | $ 0.6 | $ 0.7 | $ 0.8 | $ 0.7 | $ 0.8 | $ 0.9 | $ 0.9 |
| Estimated Taxes for Fiduciaries | 15.5 | 14.1 | 12.5 | 11.4 | 11.9 | 12.6 | 13.3 |
| Estimated Taxes for Prior Year Tax Forgiveness Recipients | 1.8 | 1.8 | 1.5 | 1.2 | 1.1 | 1.1 | 1.1 |
| Estimated Payments for Small Amounts | 2.1 | 2.4 | 2.3 | 2.8 | 3.4 | 4.0 | 4.1 |

# Realty Transfer Tax

(Dollar Amounts in Millions)

| *Estimates:* | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 |
|---|---|---|---|---|---|---|---|
| Ownership Interest in Real Estate Company or Family Farm | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Partition of Realty by Co-Tenants | $ 1.8 | $ 1.8 | $ 2.1 | $ 2.3 | $ 2.5 | $ 2.7 | $ 3 |
| Production or Extraction of Coal, Oil, Natural Gas, or Minerals | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Public Utility Easements | 18.6 | 19.6 | 22.5 | 24.8 | 27 | 29.1 | 31.5 |
| Real Estate Devoted to Agriculture | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Standing Timber or Crops | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Transfers Among Family Members | 99 | 104 | 119.7 | 131.7 | 143.2 | 154.6 | 167.2 |
| Transfers Between Religious Organizations | 1.8 | 1.9 | 2.2 | 2.4 | 2.6 | 2.8 | 3.1 |
| Transfers Involving Volunteer Emergency Agencies | 2.5 | 2.6 | 3 | 3.3 | 3.6 | 3.9 | 4.2 |
| Transfers of Realty Valued at $100 or Less | 2 | 2.1 | 2.5 | 2.7 | 2.9 | 3.2 | 3.4 |
| Transfers to a Conservancy | 0.2 | 0.2 | 0.3 | 0.3 | 0.3 | 0.4 | 0.4 |
| Transfers to Beginning Farmers | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Transfers to Certain Nonprofit Organizations from Housing Authorities Within the Commonwealth | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Transfers to Governmental Units and Veterans Service Organizations | 10.1 | 10.7 | 12.3 | 13.5 | 14.7 | 15.8 | 17.1 |
| Transfers to or from a Land Bank | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Transfers to or from a Nonprofit Industrial Development Agency | 10 | 10.5 | 12.1 | 13.3 | 14.5 | 15.7 | 16.9 |
| Transfers to Shareholders or Partners | 2.2 | 2.3 | 2.7 | 3 | 3.2 | 3.5 | 3.8 |

# Inheritance Tax

(Dollar Amounts in Millions)

| *Estimates:* | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 |
|---|---|---|---|---|---|---|---|
| Family Exemption | $ 2.1 | $ 2.1 | $ 2.1 | $ 2.2 | $ 2.3 | $ 2.3 | $ 2.4 |
| Federal War Risk Insurance and National Service Life Insurance Proceeds | Nominal | Nominal | Nominal | Nominal | Nominal | Nominal | Nominal |
| Life Insurance Proceeds | 156.4 | 160.1 | 165.2 | 170.2 | 175.5 | 180.9 | 186.7 |
| Preferential Rate for Transfers to Lineal Beneficiaries | 2,313.4 | 2,375.1 | 2,418.5 | 2,482.0 | 2,556.9 | 2,634.4 | 2,714.3 |
| Preferential Rate for Transfers to Siblings | 53.9 | 55.4 | 56.4 | 57.9 | 59.6 | 61.4 | 63.2 |
| Transfers from a Parent to Child 21 or Younger | 23.7 | 24.1 | 24.2 | 25.0 | 25.7 | 26.7 | 27.8 |
| Transfers of Property from a Child to a Parent | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |
| Transfers of Property to Spouse | 3,779.6 | 3,881.3 | 3,952.1 | 4,055.6 | 4,177.7 | 4,304.4 | 4,434.9 |

## Personal Exclusions and Deductions

(Dollar Amounts in Millions)

| *Estimates:* | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 |
|---|---|---|---|---|---|---|---|
| Advancements | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Debts and Liabilities of the Decedent | $ 73.2 | $ 75.2 | $ 77.3 | $ 79.4 | $ 81.6 | $ 83.8 | $ 86.1 |
| Employment Benefits | 10 | 10.6 | 11.3 | 12.1 | 12.9 | 13.7 | 14.6 |
| Estate Administration Expenses | 65.3 | 67.1 | 68.9 | 70.8 | 72.8 | 74.8 | 76.8 |
| Nominal Ownership of Property | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Property Subject to Power of Appointment | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Railroad Retirement Burial Benefits | Nominal | Nominal | Nominal | Nominal | Nominal | Nominal | Nominal |
| Social Security Death Payments | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 |
| Transfers by Active Duty Military | Nominal | Nominal | Nominal | Nominal | Nominal | Nominal | Nominal |

## Business Related Exclusions and Deductions

(Dollar Amounts in Millions)

| *Estimates:* | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 |
|---|---|---|---|---|---|---|---|
| Agricultural Transfers to Family Members | $ 7.7 | $ 8 | $ 8.4 | $ 8.8 | $ 9.2 | $ 9.6 | $ 10 |
| Family-Owned Business Transfers to Family Members | 9.6 | 9.9 | 10 | 10.3 | 10.6 | 10.9 | 11.3 |
| Preferential Valuation of Agricultural Conservation Easements | 0.8 | 0.9 | 1 | 1 | 1.1 | 1.2 | 1.2 |
| Preferential Valuation of Farmland | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Small Business Interest Transfer Extended Payment Schedule | N/A | N/A | N/A | N/A | N/A | N/A | N/A |

## Other Exclusions

(Dollar Amounts in Millions)

| *Estimates:* | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 |
|---|---|---|---|---|---|---|---|
| Transfers to Charitable Organizations | $ 158.3 | $ 162.6 | $ 165.5 | $ 169.9 | $ 175.0 | $ 180.3 | $ 185.8 |
| Transfers to Governments | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.7 | 0.7 |

# Motor License Fund

## Oil Company Franchise Tax

(Dollar Amounts in Millions)

| *Estimates:* | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 |
|---|---|---|---|---|---|---|---|
| Agricultural Use | $ 4.5 | $ 4.5 | $ 4.4 | $ 4.4 | $ 4.3 | $ 4.3 | $ 4.2 |
| Buses | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 |
| Discount (Distributors) | 5.1 | 5.1 | 5.1 | 5.0 | 4.9 | 4.9 | 4.8 |
| Electric Cooperatives | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |
| Foreign Diplomats | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Nonprofit Nonpublic Schools | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| Political Subdivisions | 51.1 | 50.7 | 50.2 | 49.2 | 48.8 | 48.3 | 47.6 |
| Power Take-off | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Second Class County Port Authorities | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Truck Refrigeration Units | 5.4 | 5.4 | 5.3 | 5.3 | 5.2 | 5.2 | 5.2 |
| Volunteer Emergency Vehicles | 11.9 | 11.8 | 11.7 | 11.5 | 11.4 | 11.3 | 11.1 |

## Motor Carrier Road Tax / IFTA

(Dollar Amounts in Millions)

| *Estimates:* | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 |
|---|---|---|---|---|---|---|---|
| Charitable and Religious Organizations | $ 1.7 | $ 1.7 | $ 1.7 | $ 1.7 | $ 1.7 | $ 1.7 | $ 1.7 |
| Churches | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Electric Cooperatives | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Emergency Vehicles | 14.7 | 14.5 | 14.4 | 14.3 | 14.2 | 14.1 | 14.0 |
| Farm Vehicles | 9.5 | 9.4 | 9.3 | 9.2 | 9.2 | 9.1 | 9.0 |
| Implements of Husbandry | Nominal | Nominal | Nominal | Nominal | Nominal | Nominal | Nominal |
| Political Subdivisions | 35.3 | 35.0 | 34.7 | 34.4 | 34.3 | 34.0 | 33.7 |
| Recreational Vehicles | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| School Buses | 11.5 | 11.4 | 11.3 | 11.2 | 11.2 | 11.1 | 11.0 |
| Special Mobile Equipment | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | Nominal | Nominal |
| Vehicles Needing Emergency Repairs | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Vehicles Securing Repairs or Reconditioning | N/A | N/A | N/A | N/A | N/A | N/A | N/A |

# Motor License Fund Tax Expenditures

## Motor Vehicle Code - Vehicle Registrations

(Dollar Amounts in Millions)

| *Estimates:* | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 |
|---|---|---|---|---|---|---|---|
| Charitable Organizations | $ 1.5 | $ 1.6 | $ 1.6 | $ 1.7 | $ 1.8 | $ 1.9 | $ 1.9 |
| Commercial Implements of Husbandry | 0.1 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| Disabled/Severely Disabled Veterans | 0.6 | 0.8 | 0.8 | 1.0 | 1.1 | 1.3 | 1.4 |
| Emergency Vehicles | 10.0 | 10.7 | 10.8 | 11.6 | 11.7 | 12.4 | 12.5 |
| Farm Trucks | 6.8 | 7.4 | 7.5 | 8.1 | 8.3 | 8.9 | 9.0 |
| Former Prisoners of War | Nominal | Nominal | Nominal | Nominal | Nominal | Nominal | Nominal |
| Older Pennsylvanians | 4.4 | 4.9 | 5.1 | 5.7 | 6.0 | 6.5 | 6.9 |
| Political Subdivisions | 36.9 | 40.0 | 40.8 | 44.1 | 45.0 | 48.0 | 49.0 |

## Motor Vehicle Code - Other

(Dollar Amounts in Millions)

| *Estimates:* | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 |
|---|---|---|---|---|---|---|---|
| Bridge Permits | Nominal | Nominal | Nominal | Nominal | Nominal | Nominal | Nominal |
| Carnival Trucks/Truck Tractors | Nominal | Nominal | Nominal | Nominal | Nominal | Nominal | Nominal |
| Hauling Permits | Nominal | Nominal | Nominal | Nominal | Nominal | Nominal | Nominal |
| Police Accident Reports | Nominal | Nominal | Nominal | Nominal | Nominal | Nominal | Nominal |

# Public Transportation Assistance Fund

## Motor Vehicle Lease Tax and Motor Vehicle Rental Fee

(Dollar Amounts in Millions)

| *Estimates:* | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 |
|---|---|---|---|---|---|---|---|
| Common Carriers - Motor Vehicle Leases | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Common Carriers - Motor Vehicle Rentals | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Exempt Governmental Units - Motor Vehicle Leases | $ 2.2 | $ 2.3 | $ 2.5 | $ 2.6 | $ 2.8 | $ 3.0 | $ 3.2 |
| Exempt Governmental Units - Motor Vehicle Rentals | 0.5 | 0.5 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 |
| Exempt Organizations - Motor Vehicle Leases | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Exempt Organizations - Motor Vehicle Rentals | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Motor Carriers (Class 4 and Above) - Motor Vehicle Leases | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| School Buses - Motor Vehicle Leases | 3.6 | 3.5 | 3.5 | 3.5 | 3.4 | 3.4 | 3.4 |
| School Buses - Motor Vehicle Rentals | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Vendor Discount - Motor Vehicle Rentals | 1.2 | 1.2 | 1.2 | 1.3 | 1.4 | 1.4 | 1.4 |

## Tire Fee

(Dollar Amounts in Millions)

| *Estimates:* | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 |
|---|---|---|---|---|---|---|---|
| Exempt Governmental Units | Nominal | Nominal | Nominal | Nominal | Nominal | Nominal | Nominal |
| Vendor Discount | $ 0.1 | $ 0.1 | $ 0.1 | $ 0.1 | $ 0.1 | $ 0.2 | $ 0.2 |

# Unemployment Compensation Contribution Fund

## Unemployment Compensation Insurance Tax

(Dollar Amounts in Millions)

| *Estimates:* | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 |
|---|---|---|---|---|---|---|---|
| Limitation of the Taxable Wage Base | $ 9,644.4 | $ 10,297.5 | $ 10,738.8 | $ 11,726.2 | $ 12,524.7 | $ 13,086.7 | $ 13,649.7 |

# State Gaming Fund

## Slot Machine Tax

(Dollar Amounts in Millions)

| *Estimates:* | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 |
|---|---|---|---|---|---|---|---|
| Promotional Item Deduction | $ 9.8 | $ 9.9 | $ 10.2 | $ 10.2 | $ 10.1 | $ 10.1 | $ 10.1 |

*STATE OF RHODE ISLAND*

**GOVERNOR DANIEL J. MCKEE**

# 2024
# TAX EXPENDITURES REPORT

STATE OF RHODE ISLAND

DEPARTMENT OF REVENUE

## Office of Revenue Analysis

**Issue Date: January 9, 2024**

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# I. Executive Summary

Tax expenditures are legal mandates that provide preferential tax treatment to taxpayers that meet the requirements of the mandates. The *2024 Tax Expenditures Report* contains information on 227 tax expenditure items enacted in the Rhode Island General Laws as of January 1, 2023, however not all items were in effect for the years reported. For tax expenditure items that did have reliable data from which to estimate revenue forgone, the estimated total revenue forgone was $2.56 billion in 2020 and $2.83 billion in 2021.

The *2024 Tax Expenditures Report* continues to use the reliability index that was developed in the *2010 Tax Expenditures Report*. The Index of Reliability is shown below:

| Index of Reliability | Interpretation |
|---|---|
| Level One (1) | Estimate is from actual Rhode Island tax return data |
| Level Two (2) | Estimate is extrapolated from Rhode Island source data |
| Level Three (3) | Estimate is from Rhode Island tax simulation model |
| Level Four (4) | Estimate is federal/national data scaled for Rhode Island |
| Level Five (5) | No reliable data exists from which to derive an estimate |

The following table shows the number of tax expenditure items by tax expenditure category, the revenue forgone by tax expenditure category, and the average reliability index level by tax expenditure category for 2020:

**Summary Table by Tax Expenditure Category for 2020**

| Tax Expenditure Category | Number of Items in Each Category | Tax Year 2020 Revenue Forgone[1] | Average Reliability Index Level |
|---|---|---|---|
| Credits | 30 | $ 317,570,864 | 1.1 |
| Deductions | 22 | 252,171,097 | 2.6 |
| Exclusions | 23 | 349,853,590 | 4.0 |
| Exemptions | 106 | 1,575,192,087 | 3.2 |
| Modifications | 27 | 45,831,656 | 1.6 |
| Other Items | 6 | --- | 5.0 |
| Preferential Tax Rates | 2 | 19,503,866 | 3.0 |

[1] Revenue forgone amounts are a mix of fiscal year and tax year periodicities depending on the tax expenditure category in question.

| Summary Table by Tax Expenditure Category for 2020 | | | |
|---|---|---|---|
| **Tax Expenditure Category** | **Number of Items in Each Category** | **Tax Year 2020 Revenue Forgone**[1] | **Average Reliability Index Level** |
| Tax Abatements | 3 | 1,705,798 | 2.3 |
| Tax Deferrals | 2 | 0 | 3.0 |
| **2020 TOTAL** | **221** | **$ 2,561,828,958** | **2.8** |

The tax expenditure category with the highest number of tax expenditure items in 2020 was Exemptions with 106. Exemptions also had the highest number of items for which no reliable data exists from which to estimate revenue forgone with 35 or 33.0% of all Exemptions. Finally, Exemptions are also the tax expenditure category with the largest amount of revenue forgone at $1.57 billion or 61.5% of the estimated total revenue forgone for 2020.

The revenue forgone for each of the tax expenditure items is assigned a reliability index level on a scale of one to five, with one meaning the calculated revenue forgone is the most reliable possible and five meaning that it is not possible to calculate the revenue forgone for the tax expenditure item. A total of 86 or 38.9% of all 2020 tax expenditure items received a reliability index level score of one, while 67 or 30.3% of the 221 tax expenditure items were assigned a reliability index score of five. The remaining 68 tax expenditure items were assigned a reliability index level score of two, three, or four.

The following table shows the number of tax expenditure items by tax expenditure category, the revenue forgone by tax expenditure category, and the average reliability index level by tax expenditure category for 2021:

| Summary Table by Tax Expenditure Category for 2021 | | | |
|---|---|---|---|
| **Tax Expenditure Category** | **Number of Items in Each Category** | **Tax Year 2021 Revenue Forgone**[2] | **Average Reliability Index Level** |
| Credits | 30 | $ 335,988,517 | 1.1 |
| Deductions | 21 | 253,043,503 | 3.4 |
| Exclusions | 24 | 499,296,919 | 3.8 |
| Exemptions | 106 | 1,682,838,721 | 3.2 |
| Modifications | 27 | 45,913,467 | 1.6 |
| Other Items | 6 | --- | 5.0 |
| Preferential Tax Rates | 2 | 14,409,731 | 3.0 |

[2] Revenue forgone amounts are a mix of fiscal year and tax year periodicities depending on the tax expenditure category in question.

| Summary Table by Tax Expenditure Category for 2021 | | | |
|---|---|---|---|
| **Tax Expenditure Category** | **Number of Items in Each Category** | **Tax Year 2021 Revenue Forgone[2]** | **Average Reliability Index Level** |
| Tax Abatements | 3 | 1,950,239 | 2.3 |
| Tax Deferrals | 2 | 0 | 3.0 |
| **2021 TOTAL** | **221** | **$ 2,833,441,097** | **2.9** |

The tax expenditure category with the highest number of tax expenditure items in 2021 was Exemptions with 106. Exemptions also had the highest number of items for which no reliable data exists from which to estimate revenue forgone with 35, or 33.0% of all Exemptions. Finally, Exemptions are also the tax expenditure category with the largest amount of revenue forgone at $1.68 billion or 59.4% of the estimated total revenue forgone for 2021.

A total of 87 or 39.4% of all tax expenditure items in 2021 received a reliability index level score of one, while 72 or 32.6% of the 221 tax expenditure items were assigned a reliability index score of five. The remaining 62 tax expenditure items were assigned a reliability index level score of two, three or four.

The following table shows the number of tax expenditure items grouped by tax type, the revenue forgone grouped by tax type, and the average reliability index level grouped by tax type for 2020:

| Summary Table by Tax Type for 2020 | | | |
|---|---|---|---|
| **Tax Type** | **Number of Items *** | **Tax Year 2020 Revenue Forgone[3]** | **Average Reliability Index Level** |
| Alcoholic Beverage Tax | 4 | $ 271,758 | 3.0 |
| Bank Deposits Tax | 4 | 0 | 2.0 |
| Bank Tax | 20 | 29,685,255 | 1.4 |
| Beverage Containers Tax | 2 | 359,838 | 3.5 |
| Business Corporation Tax | 49 | 86,655,362 | 2.8 |
| Cigarettes Tax | 4 | 5,411,928 | 2.3 |
| Estate and Transfer Tax | 3 | 8,762,508 | 2.3 |
| Hotel Tax | 1 | 3,796,496 | 1.0 |
| Ins Co Gross Premiums Tax | 21 | 9,241,083 | 1.5 |
| Motor Carrier Fuel Use Tax | 1 | 5,979,435 | 1.0 |

[3] Revenue forgone amounts are a mix of fiscal year and tax year periodicities depending on the tax type in question.

| Summary Table by Tax Type for 2020 | | | |
|---|---|---|---|
| **Tax Type** | **Number of Items *** | **Tax Year 2020 Revenue Forgone**[3] | **Average Reliability Index Level** |
| Motor Fuel Tax | 3 | 280,879,868 | 1.3 |
| Non-Profit Refund | 1 | 0 | 1.0 |
| Personal Income Tax | 57 | 669,756,280 | 1.8 |
| Public Service Corporation Tax | 22 | 1,443,336 | 2.3 |
| Real Estate Conveyance Tax | 5 | 0 | 4.2 |
| Refund Option | 3 | 3,710,166 | 1.0 |
| Rental Vehicle Surcharge | 1 | 4,778,672 | 1.0 |
| Sales and Use Tax | 87 | 1,449,541,133 | 3.3 |
| Shared Responsibility Payment Penalty Tax | 4 | 1,555,840 | 3.5 |
| **2020 TOTAL** | **292** | **$ 2,561,828,958** | **2.5** |

* The number of items by tax type will exceed the number of items by tax expenditure category due to individual tax expenditure items spanning more than one tax type.

The tax type with the highest number of tax expenditure items in 2020 was the Sales and Use Tax with 87. The tax type with the largest amount of revenue forgone in 2020 was also the Sales and Use Tax at $1.45 billion or 56.6% of the estimated total revenue forgone. Finally, the tax type with the highest number of tax expenditure items for which no reliable data existed was again the Sales and Use Tax at 26 items, or 29.9% of all tax expenditure items in this tax type. Several tax types had the smallest amount of revenue forgone at $0 for tax expenditure items for which revenue forgone could be determined.

The individual tax expenditure with the largest amount of revenue forgone is the sales and use tax exemption for purchases used for manufacturing purposes at nearly $384.5 million or 15% of the estimated total revenue forgone. This tax expenditure item was assigned a reliability index level of two. There were 70 individual tax expenditure items which had the smallest possible revenue forgone of $0 and all were assigned a reliability index level of one.

The following table shows the number of tax expenditure items grouped by tax type, the revenue forgone grouped by tax type, and the average reliability index level grouped by tax type for 2021:

| Summary Table by Tax Type for 2021 | | | |
|---|---|---|---|
| **Tax Type** | **Number of Items *** | **Tax Year 2021 Revenue Forgone[4]** | **Average Reliability Index Level** |
| Alcoholic Beverage Tax | 4 | $ 236,729 | 3.0 |
| Bank Deposits Tax | 4 | 0 | 2.0 |
| Bank Tax | 21 | 19,909,295 | 1.4 |
| Beverage Containers Tax | 2 | 341,851 | 3.5 |
| Business Corporation Tax | 50 | 106,677,554 | 2.8 |
| Cigarettes Tax | 4 | 7,861,163 | 2.3 |
| Estate and Transfer Tax | 3 | 12,201,478 | 2.3 |
| Hotel Tax | 1 | 3,701,787 | 1.0 |
| Ins Co Gross Premiums Tax | 21 | 12,452,328 | 1.5 |
| Motor Carrier Fuel Use Tax | 1 | 4,407,456 | 1.0 |
| Motor Fuel Tax | 3 | 397,608,367 | 1.3 |
| Non-Profit Refund | 1 | 0 | 1.0 |
| Personal Income Tax | 57 | 702,049,978 | 2.0 |
| Public Service Corporation Tax | 22 | 1,406,773 | 2.3 |
| Real Estate Conveyance Tax | 5 | 0 | 4.2 |
| Refund Option | 3 | 4,196,013 | 1.0 |
| Rental Vehicle Surcharge | 1 | 3,510,364 | 1.0 |
| Sales and Use Tax | 87 | 1,555,651,099 | 3.3 |
| Shared Responsibility Payment Penalty Tax | 4 | 1,228,862 | 3.5 |
| **2021 TOTAL** | **294** | **$ 2,833,441,097** | **2.5** |

* The number of items by tax type will exceed the number of items by tax expenditure category due to individual tax expenditure items spanning more than one tax type.

The tax type with the largest number of 2021 tax expenditure items for which no reliable data existed was the Sales and Use tax at 26 items or 29.9% of all tax expenditure items in this tax type. The tax type with the largest amount of revenue forgone was the Sales and Use Tax at $1.56 billion or 54.9% of the estimated total revenue forgone. Several tax types had the smallest amount of revenue forgone at $0 for tax expenditure items for which revenue forgone could be determined.

[4] Revenue forgone amounts are a mix of fiscal year and tax year periodicities depending on the tax type in question.

The largest amount of calculated revenue forgone for an individual tax expenditure item for 2021 is the sales and use tax exemption for purchases used for manufacturing purposes at nearly $413.2 million or 14.6% of the total calculated revenue forgone. This tax expenditure item was assigned a reliability index level of two.

# II. Foreword

The *2024 Tax Expenditures Report* generally uses data for 2020 as its base year and includes estimates of forgone revenue for 2020 through 2025. The year reference can be either calendar year or fiscal year and is dependent on the tax expenditure item. For example, the tax expenditure amount for the exclusion of the biodiesel portion of a blended gallon of diesel fuel is reported on a fiscal year basis while the tax expenditure amount for the tax credit received for the provision of accommodations under Americans with Disabilities Act is reported on a calendar year basis. The Office of Revenue Analysis (ORA) has tried to make it clear throughout the report when a tax expenditure amount is for a fiscal year versus a calendar year, and when a summary tax expenditure amount is provided by tax expenditure category or by tax type, a note is provided that breaks out the tax expenditure amount by fiscal and calendar year.

Whenever more recent data was available for subsequent years, the latest data was included in the report rather than an estimate. It should be noted that more recent data may have become available for some tax expenditure items during the preparation of this report but is not reflected in this report.

The *2022 Tax Expenditures Report* included information on tax expenditure items for Tax Years 2018 through 2023, with Tax Year 2018 as its base tax year. Technically, the *2024 Tax Expenditures Report* is mandated to provide information on all tax expenditure items in effect on January 1, 2023, as well as an estimate of forgone revenue for 2024 and 2025. For a complete and more accurate picture for 2020 through 2021 forgone revenue to be provided, ORA reported current data or an updated estimate of forgone revenue as appropriate.

As always, constructive comments are welcome and any errors or omissions in the report are the responsibility of the Chief of the Office of Revenue Analysis.

Matthew McCabe
Chief, Office of Revenue Analysis
Rhode Island Department of Revenue



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# III. Introduction

## Purpose of the Tax Expenditures Report

The purpose of the *Tax Expenditures Report* is to provide information on the cost of tax preference items that are mandated under Rhode Island law, federal law, or other legal mandates. Tax expenditure items are not subject to the same public scrutiny as spending appropriations that are made through the budget process. Oftentimes, the estimated cost of a tax expenditure item is made only once — at the time it is passed into law. The *Tax Expenditures Report* provides for an accounting of the cost of tax expenditure items on an ongoing basis. By providing this cost information, the *Tax Expenditures Report* allows these expenditures to be assessed on par with appropriated expenditures. Absent a *Tax Expenditures Report*, it would be extremely difficult to assess the cost effectiveness of a tax expenditure vis-à-vis an appropriated expenditure. As the Center on Budget and Policy Priorities notes, tax expenditures are simply "spending by another name."[5]

## Current Rhode Island Law on Tax Expenditures Reporting

*R.I. Gen. Laws Ch. 44-48.1 – Tax Expenditure Reporting*[6]

R.I. Gen. Laws § 44-48.1-1(a) mandates that the Chief of the Office of Revenue Analysis deliver to the General Assembly by the second Tuesday in January of each even numbered year a tax expenditure report. The tax expenditure report must include the minimum information for 100% of the tax expenditures in place on January 1 of the odd numbered year preceding the report's publication. Thus, the *2024 Tax Expenditures Report* covers the tax expenditures that were in place on January 1, 2023.

R.I. Gen. Laws § 44-48.1-1(b) defines a tax expenditure as "any tax credit, deduction, exemption, exclusion, credit preferential tax rate, tax abatement, and tax deferral that provides preferential treatment to selected taxpayers." The term "credit preferential tax rate" is not defined in the statute. The Chief of the Office of Revenue Analysis has chosen to interpret this item to mean a "modification" or "preferential tax rate" and reports on each of these tax expenditure items separately. The Office of Revenue Analysis has determined that, as of January 1, 2024, there were 231 tax expenditure items in effect in 2023[7] either directly through Rhode Island General Laws, constitutional provisions, or indirectly through adoption of other tax codes.

R.I. Gen. Laws § 44-48.1-1(c) delineates the information on each tax expenditure item that must be included in the report. This information includes: (1) the legal reference of the tax expenditure items, "including whether the tax expenditure is the result of a federal or state constitutional, judicial, or statutory mandate;" (2) the actual amount of revenue forgone or an estimate for the calendar year in which the report is published and the year following the report's publication, and an index of the reliability of each estimate that ranges in value from one to five, with level one

[5] Levitis, Jason, Nicholas Johnson, and Jeremy Koulish, *Promoting State Budget Accountability Through Tax Expenditure Reporting.* Center on Budget and Policy Priorities: Washington, D.C., April 2009, page 5.
[6] A full copy of the statute governing tax expenditure reporting is contained in Appendix A.
[3.] This includes any new tax expenditures contained within the report for which there may not be revenue forgone yet.



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being the most reliable; (3) the identification of the beneficiaries of the tax expenditure by "number, income, class and industry;" (4) a comparison of the Rhode Island tax expenditure items to tax expenditure items of the other New England states, but particularly Connecticut and Massachusetts; (5) "the data source(s) and analysis methodology" for each tax expenditure item estimate; and (6) "identification of similar taxpayers or industries" that do not benefit from the tax expenditure item. To the greatest extent possible, the Office of Revenue Analysis has tried to comply with each of these informational mandates.

R.I. Gen. Laws § 44-48.1-1(d) requires that each report contain a section comprised of recommendations to improve the effectiveness of the tax expenditures report as a tax policy tool. The recommendations are to be accompanied with an identification of the resources needed to implement the recommendations and an estimate of the costs associated with the recommendations.

*R.I. Gen. Laws Ch. 44-48.2 – Rhode Island Economic Development Tax Incentives Evaluation Act of 2013*[8]

On July 11, 2013, R.I. Gen. Laws Ch. 44-48.2 entitled the "Rhode Island Economic Development Tax Incentives Evaluation Act of 2013" was enacted into law. R.I. Gen. Laws § 44-48.2-4(a) states that the Tax Expenditure Report produced pursuant to § 44-48.1-1 "shall include an additional analysis component… produced in consultation with the chief executive officer of the commerce corporation, the director of the office of management and budget, and the director of the department of labor and training." A total of 21 tax expenditure economic development incentives are to be analyzed "at least once between July 1, 2014, and June 30, 2017, and no less than once every three (3) years thereafter" while the analysis of any tax expenditure economic development incentives enacted into law after July 1, 2013 "shall be completed within five (5) years of taking effect and no less than once every three (3) years thereafter". The statutory references for the 21 economic development tax incentives are listed in § 44-48.2-3(a)(1). The additional analysis component that must be included in the tax expenditure report for these tax expenditure economic development incentives is detailed in § 44-48.2-5(a).

The Office of Revenue Analysis produced the first round of tax incentive evaluation reports containing the analysis required in R.I. Gen. Laws § 44-48.2-5(a) for all 21 of the tax expenditure economic development incentives listed in § 44-48.2-3(a)(1) between March 2018 and July 2018. The second round of tax incentive evaluation reports was produced between June 2020 and May 2022. The Office of Revenue Analysis is currently working on the third round and has completed tax incentive evaluation reports for the Stay Invested in RI Wavemaker Fellowship (Ch. 42-64.26, published on April 14, 2023), Jobs Development Act (Ch. 42-64.5, published on September 28, 2023), the Investment Tax Credit (Chs. 44-31-1, 44-31-1.1, and 44-31-2, published on September 29, 2023) and the New Qualified Jobs Incentive Act of 2015 (Ch. 44-48.3, published on October 30, 2023).

[8] A full copy of the statute governing tax incentive evaluation is contained in Appendix B.

## History of Rhode Island Law on Tax Expenditures Reporting

Rhode Island's governing statute for tax expenditure reporting was passed into law without the Governor's signature on August 9, 1996 (see Rhode Island Public Laws 1996, Ch. 327, § 1 and Ch. 394, § 1). This initial statute required the state tax administrator to submit annually to the General Assembly beginning in 1998, on or before the second Tuesday in January, "to the extent possible within the appropriations provided for the purpose," a tax expenditures report. The tax expenditures report for 1998 was to provide the "minimum information" for 25% of existing tax expenditures. The report for 1999 would cover an additional 25% of the tax expenditures, so that 50% of tax expenditures will have been reported. Similar 25% increments were required for 2000 and 2001, such that by January 2001, 100% of tax expenditures will have been reported. Beginning in January 2002, the cycle repeated itself so that no report on a tax expenditure item was more than four years old.

The definition of tax expenditure was the same as it is in current law, as was the requirement for providing the legal reference of each tax expenditure, identifying the beneficiaries of each tax expenditure as well as similar taxpayers or industries that did not benefit from the tax expenditure, and comparing Rhode Island's tax expenditure items to those of other New England states, particularly Connecticut and Massachusetts. The original statute also required that the report include the legislative history of each tax expenditure, the determination of the beneficiary's state tax burden and a cost/benefit analysis of each tax expenditure item including the direct revenue loss from the tax expenditure as well as the economic and tax revenue gains occurring through the economic activity resulting from the tax expenditure. On June 25, 1997 (see Rhode Island Public Laws 1997, Ch. 30, § 1), the original statute was amended to delete the requirement of the inclusion of a cost/benefit analysis for each tax expenditure item in the tax expenditure report.

On July 10, 2003, the statute was amended again to change the periodicity of the report from annually to biannually beginning in 2004. In addition, the rolling renewal of 25% of existing tax expenditures was changed to require that "the minimum information on 100% of tax expenditures in effect on January 1" of the prior calendar year be reported. The requirement that the legislative history of a tax expenditure item be reported was eliminated leaving only the requirement that the legal reference for each tax expenditure item be reported. Further, the original statute was modified to require that an estimate of the revenue forgone that results from each tax expenditure item be reported if the actual amount cannot be determined and that such estimates be made for the calendar year preceding and following the year in which the report is published as well as the report's publication year. Additionally, the requirement that the beneficiary of tax expenditure item's state tax burden be determined was deleted and replaced with the requirement that the data sources and analysis methodology underlying each estimate of revenue forgone be provided. Also, the amendment to the statute required each report to include "a section containing recommendations for improving the effectiveness of the report as a tax policy tool" including the resources required and an estimate of the costs associated with these recommendations. Finally, the revision to the statute required the state tax administrator to "make available to the General Assembly a plan to improve Rhode Island's tax expenditure reporting effort" by the second Tuesday in January 2004.

On June 30, 2006, R.I. Gen. Laws Ch. 44-48.1 was amended to shift the responsibility for the delivery of the tax expenditure report from "the state tax administrator, to the extent possible within the appropriations provided for the purpose" to the Chief of the Office of Revenue Analysis. There have been no further amendments to R.I. Gen. Laws Ch. 44-48.1 since 2006.

# IV. Interpreting the Report

## The Index of Reliability

R.I. Gen. Laws § 44-48.1-1(c)(2)[9] requires the Chief of the Office of Revenue Analysis to develop an index of the reliability of each estimate of revenue forgone. By statute, the reliability index is based on a scale of one to five, with level one being most reliable. The statute further specifies that estimates of revenue forgone that are derived from actual tax returns should be assigned reliability level one, while those estimates of revenue forgone for which no reliable data exists should be assigned reliability level five. The *2010 Tax Expenditures Report* was the first report to provide such an index.

The *2024 Tax Expenditures Report* continues to use the reliability index that was developed in the *2010 Tax Expenditures Report*. The reliability index of is shown below:

| Reliability Index | Interpretation |
|---|---|
| Level 1 | Estimate is from actual Rhode Island tax return data |
| Level 2 | Estimate is extrapolated from Rhode Island source data |
| Level 3 | Estimate is from Rhode Island tax simulation model |
| Level 4 | Estimate is federal/national data scaled for Rhode Island |
| Level 5 | No reliable data exists from which to derive an estimate |

The end points of the reliability index (i.e., level 1 and level 5) are consistent with their statutory mandates. An estimate of revenue forgone for a tax expenditure item that is assigned a reliability index of level 1 will be based on actual Rhode Island tax return data. Given the fact that reliability index of 5 indicates that no reliable data exists from which to derive an estimate, tax expenditure items assigned this level will not have an estimate of revenue forgone presented.

The reliability index levels 2 - 4 requires some further explanation. An estimate of revenue forgone with reliability index of 2 is based on data that can be directly sourced to Rhode Island or an update of a previously derived estimate of the tax expenditure item. Some examples of data that can be directly sourced to Rhode Island include data provided by the U.S. Census Bureau, the U.S. Bureau of Labor Statistics, and the U.S. Bureau of Economic Analysis. In addition, state government agencies, quasi-public agencies, and non-governmental organizations can provide reliable Rhode Island-specific data from which to estimate the revenue forgone of a tax expenditure item. In the case of updating a previously derived estimate, the original estimate may be from a previously published tax expenditures report, a fiscal note that was completed for a particular piece of legislation during a session of the General Assembly, or an estimate that was derived by the Office of Management and Budget, the Division of Taxation, the Office of Revenue Analysis, or some other state agency for a purpose other than that of the tax expenditures report. When a reliability index of 2 is assigned to the revenue forgone estimate of a tax expenditure item, the source of the Rhode Island data will be specified.

[9] A full copy of the statute governing tax expenditure reporting is contained in Appendix A.

An estimate of revenue forgone for a tax expenditure item with a reliability index of 3 is derived from a micro simulation model of a particular tax that has been developed and provided by a third-party vendor. In some cases, a micro simulation model will generate estimates based on underlying Rhode Island economic data rather than actual tax data. The main example of this type of micro simulation model is the *Rhode Island Interactive Sales and Use Tax Simulation Model* that was purchased by the General Assembly in 2008 and made available to the Office of Revenue Analysis for the purpose of estimating the revenue impacts from changing sales tax rates, sales tax exemptions, and/or the sales tax base. This model is used extensively to estimate the revenue forgone from the numerous transactions that are exempt from the State's sales and use tax.

Finally, an estimate of revenue forgone for a tax expenditure item with a reliability index of 4 is based on federal / national data that is scaled to Rhode Island. Alternatively, the estimate may be based on federal data that is then adjusted by a factor that allows for the extrapolation of the federal data to Rhode Island. When a reliability index of 4 is assigned to the revenue forgone estimate of a tax expenditure item, the date on which the original estimate was derived will be stated if it is known as will the method used to update the original estimate. In the case of an estimate that is based on federal data that is scaled to Rhode Island, the base federal data will be identified as will the scaling factor.

## Structure of the Report

Beginning with the *2010 Tax Expenditures Report*, the Office of Revenue Analysis adopted a revised presentation format for this report. Rather than list the tax expenditure items by the tax type to which they apply, the *2010 Tax Expenditures Report* used the category of tax expenditure item as the organizing key. That is, each category of tax expenditure items listed each individual tax expenditure item and the tax types to which the individual tax expenditure item applies. For example, the Motion Picture Production Tax Credit would be categorized under "Credits" with the business corporation tax, bank excise tax, insurance company gross premiums tax, and the personal income tax as the relevant tax types. The *2024 Tax Expenditures Report* follows the same approach as was adopted for the *2010 Tax Expenditures Report*.

To assist readers in the use of the *2024 Tax Expenditures Report*, two sets of summary tables are included. The first set of summary tables lists the value of tax expenditures by tax expenditure item. Thus, for example, under the category "Credits" the total value of each individual tax expenditure credit item, without regard to the tax type under which it was used, will be shown. The second set of summary tables lists the value of tax expenditures by tax type. Thus, for example, under the tax type "Personal Income" the total value of each individual tax expenditure item that is used under the personal income tax will be displayed.

## Definition of Terms

The following definitions will be used when referring to the different types of tax expenditure items included in this report.

Credit: The direct dollar-for-dollar reduction of an individual's tax liability. The value of a tax credit is invariant to a taxpayer's tax bracket.

Deduction: An amount subtracted from adjusted gross income when calculating taxable income. The value of a tax deduction is proportional to a taxpayer's tax bracket.

Exclusion: An amount or proportion that can be legally excluded from the taxable base prior to the assessment of tax.

Exemption: A taxable expenditure, income, or investment on which no tax is levied. A tax exemption may be of limited or permanent duration.

Modification: An amount added to or subtracted from gross income to arrive at adjusted gross income. Usually, adjusted gross income is the basis from which taxable income is derived.

Preferential Tax Rate: A tax rate made available to certain taxpayers that is less than the statutory tax rate. Typically, the preferential tax rate is made available to taxpayers that meet specified criteria.

Tax Abatement: Rebate given in levies or taxes under special circumstances or as an offset to the performance of particular actions.

Tax Deferral: Paying taxes in the future for income earned in the current year.

## Categorization of Tax Expenditure Items

The tables on the following pages show the categorization of tax expenditure items and to which taxes each tax expenditure item applies. The individual tax expenditure items are listed alphabetically and those tax expenditure items that originate in the federal Internal Revenue Code are so indicated.

| 2024 TAX EXPENDITURE ITEMS | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| *An asterisk (*) indicates a tax expenditure item that is no longer allowed under Rhode Island General Laws, for that particular tax type.* | | | | | | | | | | |
| | | Tax Type Against Which Tax Expenditure Item May Be Applied | | | | | | | | |
| Number | Credits: | RI Statutory Reference: | Bus Corp 44-11 | Pub Serv 44-13 | Bank 44-14 | Bank Dep 44-15 | Ins Co 44-17 | PIT 44-30 | SUT 44-18 | Other Taxes |
| 1 | Accommodations under Americans with Disabilities Act | 44-54-1 | X | X | | | | | | |
| 2 | Adult and Child Daycare | 44-47 | X | X | X | | X | * | | |
| 3 | Adult Education | 44-46 | X | X | X | X | X | * | | |
| 4 | Apprenticeship | 44-11-41 | X | | | | | | | |
| 5 | Biotechnology Investment | 44-31-1.1 | X | | | | | * | | |
| 6 | Child and Dependent Care (Federal) | 44-30-2.6 | | | | | | X | | |
| 7 | Contribution to Scholarship Organizations | 44-62 | X | X | X | X | X | X | | |
| 8 | Earned Income (Federal/State) | 44-30-2.6(c)(2)(N) | | | | | | X | | |
| 9 | Educational Assistance and Development | 44-42-2 | X | X | X | | X | | | |
| 10 | Employment – Welfare Bonus Program | 44-39.1-1 | X | X | X | X | X | * | | |
| 11 | Historic Homeownership Assistance | 44-33.1-3 | | | | | | X | | |
| 12 | Historic Preservation | 44-33.6-3 | X | X | X | | X | X | | |
| 13 | Historic Structures | 44-33.2-3 | X | X | X | | X | X | | |
| 14 | Hydroelectric Power | 44-30-22 | X | | | | | * | | |
| 15 | Investment | 44-31-1 | X | | X | | X | * | | |
| 16 | Juvenile Restitution | 14-1-32.1(c) | X | | | | | | | |
| 17 | Lead Paint Abatement | 44-30.3-1 | | | | | | X | | |
| 18 | Low-Income Housing *(new)* | | X | X | X | | X | X | | |
| 19 | Motion Picture Production | 44-31.2-5 | X | | X | | X | X | | |
| 20 | Motor Carrier Fuel Use Taxes Paid to Rhode Island | 31-36.1-15 | | | | | | | | X |
| 21 | Musical and Theatrical Production | 44-31.3-2 | X | X | X | | X | X | | |
| 22 | New Qualifed Jobs Incentive Act | 44-48.3 | X | X | X | | X | X | | |
| 23 | Property Tax Relief | 44-33-5 | | | | | | X | | |
| 24 | Rebuild Rhode Island | 42-64.20 | X | X | X | | X | X | | |
| 25 | Research and Development Expense | 44-32-3 | X | | | | X | * | | |
| 26 | Research and Development Property | 44-32-2 | X | | | | X | * | | |
| 27 | Residential Renewable Energy System | 44-57-1 | X | | | | | * | | |
| 28 | Rhode Island Small Business Development Fund | 42-64.33-3 | | | | | X | | | |
| 29 | Stay Invested in RI Wavemaker Fellowship | 42-64.26 | | | | | | X | | |
| 30 | Tax on Net Estate of Decedent | 44-22-1.1 | | | | | | | | X |
| 31 | Taxes Paid to Other States | 44-30-18 | | | | | | X | | |

*Definitions*: Bus Corp: Business Corporation Tax; Pub Serv: Public Service Corporation Tax; Banks: Taxation of Banks; Bank Dep: Tax on Bank Deposits, Generally; *Ins Co: Taxation of Insurance* Companies; PIT: Personal Income Tax; and SUT: Sales and Use Tax.

| 2024 TAX EXPENDITURE ITEMS | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| *An asterisk (*) indicates a tax expenditure item that is no longer allowed under Rhode Island General Laws, for that particular tax type.* | | | | | | | | | |
| | | Tax Type Against Which Tax Expenditure Item May Be Applied | | | | | | | |
| Number | **Deductions:** | RI Statutory Reference: | Bus Corp 44-11 | Pub Serv 44-13 | Bank 44-14 | Bank Dep 44-15 | Ins Co 44-17 | PIT 44-30 | SUT 44-18 | Other Taxes |
| 1 | Accelerated Amortization for Certain Manufacturers | 44-11-11.3 | X | | | | | | | |
| 2 | Alimony Paid (Federal) | 44-30-2.6(c)(3) / 44-30-32(a) | | | | | | X | | |
| 3 | Amortization of Air or Water Pollution Prevention and Treatment Facilities | 44-11-11.1 | X | | | | | | | |
| 4 | Certain Business Expenses of Reservists, etc. (Federal) | 44-30-2.6(c)(3)/ 44-30-32(a) | | | | | | X | | |
| 5 | Connecting Fees, Switching, and Carrier Access Charges | 44-13-1(b) | | X | | | | | | |
| 6 | Educator Expenses (Federal) | 44-30-2.6 / 44-30-32(a) | | | | | | X | | |
| 7 | Electricity for Resale | 44-13-4(2) | | X | | | | | | |
| 8 | Health Savings Account (Federal) | 44-30-2.6(c)(3) / 44-30-32(a) | | | | | | X | | |
| 9 | Individual Retirement Arrangement Contributions (Federal) | 44-30-2.6(c)(3) / 44-30-32(a) | | | | | | X | | |
| 10 | Keough and SEP Contributions (Federal) | 44-30-2.6(c)(3) / 44-30-32(a) | | | | | | X | | |
| 11 | Merchandise Sold | 44-13-5(a) | | X | | | | | | |
| 12 | Moving Expenses (Federal) | 44-30-2.6(c)(3) / 44-30-32(a) | | | | | | X | | |
| 13 | Net Operating Losses | 44-11-11(b) | X | | | | | | | |
| 14 | One-Half of Self Employment Tax (Federal) | 44-30-2.6(c)(3) / 44-30-32(a) | | | | | | X | | |
| 15 | Penalty of Early Withdrawal of Savings (Federal) | 44-30-2.6(c)(3) / 44-30-32(a) | | | | | | X | | |
| 16 | Qualified Charitable Contribution on Non-Itemized Returns (Federal) | 44-30-2.6(c)(3) / 44-30-32(a) | | | | | | X | | |
| 17 | Qualifying Investment in a Certified Venture Capital Partnership | 44-43-2 | X | X | X | | X | | | |
| 18 | Return or Unabsorbed Premiums or Premiums for Reinsurance Assumed | 44-17-2 | | | | | X | | | |
| 19 | Self-Employed Health Insurance (Federal) | 44-30-2.6(c)(3) / 44-30-32(a) | | | | | | X | | |
| 20 | Standard Deduction | 44-30-2.6(c)(3)(B) | | | | | | X | | |
| 21 | Student Loan Interest (Federal) | 44-30-2.6(c)(3) / 44-30-32(a) | | | | | | X | | |
| 22 | Tax Incentives for Employers | 44-55-4.1 | X | X | X | X | X | | | |

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| 2024 TAX EXPENDITURE ITEMS | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| *An asterisk (*) indicates a tax expenditure item that is no longer allowed under Rhode Island General Laws, for that particular tax type.* | | | | | | | | | | |
| | | Tax Type Against Which Tax Expenditure Item May Be Applied | | | | | | | | |
| Number | **Exclusions:** | RI Statutory Reference: | Bus Corp 44-11 | Pub Serv 44-13 | Bank 44-14 | Bank Dep 44-15 | Ins Co 44-17 | PIT 44-30 | SUT 44-18 | Other Taxes |
| 1 | Biodiesel Portion of Blended Gallon of Diesel Fuel | 31-36-1(6) | | | | | | | | X |
| 2 | Conveyance of Mobile/Manufactured Homes for Consideration of $100 or less | 31-44-20(a) | | | | | | | | X |
| 3 | Conveyance of Real Estate for Consideration of $100 or less | 44-25-1(a) / 44-25-1(b) | | | | | | | | X |
| 4 | Conveyance of Real Estate Relating to the Capitol Center Project | 44-25-2(c) | | | | | | | | X |
| 5 | Corporations Exempt from Taxation by Charter | 44-11-1(4)(vi) | X | | | | | | | |
| 6 | Corporations Not Doing Business for Profit | 44-11-1(4)(iv) | X | | | | | | | |
| 7 | Corporations That Maintain and Manage Intangible Investments | 44-11-1(4)(vii) | X | | | | | | | |
| 8 | Dividends Received from Shares of Stock | 44-11-12(1) / 44-14-15 | X | X | X | | | | | |
| 9 | Financial Institutions | 44-11-1(4)(i) | X | | | | | | | |
| 10 | Fraternal Benefit Societies | 44-17-1(a) | | | | | X | | | |
| 11 | Gain or Loss on Sale of Property Other Than Securities | 44-14-11 | | | X | | | | | |
| 12 | Income from the Sale of International Investment Management Services | 44-11-14.5 | X | | | | | | | |
| 13 | Insurance and Surety Companies | 44-11-1(4)(iii) | X | | | | | | | |
| 14 | Interest Received from Debt Instruments Issued by Public Service Corporations | 44-11-12(2) | X | | | | | | | |
| 15 | Long-Term Gain From Capital Investment in Small Business | 44-43-5 | X | X | X | | | X | | |
| 16 | Lubricating Oils, Marine Diesel Fuel, Aviation Fuel, and Heating Oil | 31-36-1(4) | | | | | | | | X |
| 17 | Maximum Tax of $0.50 per Cigar | 44-20-13.2(a)(2) | | | | | | | | X |
| 18 | Medical Cannabis *(new)* | 21-28.11-3(2 | | | | | | | | X |
| 19 | Paycheck Protection Program Loan Foregiveness | 44-14-11/44-30-12 | X | | X | | | X | | |
| 20 | Possession of 10 Packs of Cigarettes with Out-of-State Tax Stamps | 44-20-16 | | | | | | | | X |
| 21 | Public Service Corporations | 44-11-1(4)(ii) | X | | | | | | | |
| 22 | Taxed Gross Earnings and Associated Costs of Non-Public Service Corporations | 44-13-2.2 | X | | | | | X | | |
| 23 | Taxes Legally Imposed on Consumer but Separately Stated on Invoice | 44-18-12(b)(iv) | | | | | | | X | |
| 24 | Value-Added Non-Voice Services That Use Computer Processing Applications | 44-13-4(4) | | X | | | | | | |
| 25 | Veterinary and Testing Laboratories Services | 44-18-7.3(b)(3) | | | | | | | X | |

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| 2024 TAX EXPENDITURE ITEMS | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| *An asterisk (*) indicates a tax expenditure item that is no longer allowed under Rhode Island General Laws, for that particular tax type.* | | | | | | | | | | |
| | | Tax Type Against Which Tax Expenditure Item May Be Applied | | | | | | | | |
| Number | Exemptions: | RI Statutory Reference: | Bus Corp 44-11 | Pub Serv 44-13 | Bank 44-14 | Bank Dep 44-15 | Ins Co 44-17 | PIT 44-30 | SUT 44-18 | Other Taxes |
| 1 | Affordable Housing Development | 44-25-2(f) | | | | | | | | X |
| 2 | Agricultural Products for Human Consumption | 44-18-30(61) | | | | | | | X | |
| 3 | Air and Water Pollution Control Facilities | 44-18-30(15) | | | | | | | X | |
| 4 | Aircraft and Aircraft Parts | 44-18-30(56) | | | | | | | X | |
| 5 | Banks and Regulated Investment Companies Interstate Toll Free Calls | 44-18-30(49) | | | | | | | X | |
| 6 | Beverage Containers, Hard-to-Dispose Material, and Litter Control Participation Permittee | 44-44-2(1) | | | | | | | | X |
| 7 | Boats or Vessels Brought in Exclusively for Winter Storage, Maintenance, Repair or Sale | 44-18-30(46) | | | | | | | X | |
| 8 | Boats or Vessels Generally | 44-18-30(48) | | | | | | | X | |
| 9 | Boats to Non-Residents | 44-18-30(30) | | | | | | | X | |
| 10 | Breast Pumps Collection and Storage Supplies *(new)* | 44-18-30(67) | | | | | | | X | |
| 11 | Building Materials Used to Rebuild After Disaster | 44-18-30(51) | | | | | | | X | |
| 12 | Buses, Trucks, or Trailers Used in Interstate Commerce | 44-18-40 | | | | | | | X | |
| 13 | Camps | 44-18-30(16) | | | | | | | X | |
| 14 | Cannabis Sold in Rolling Papers *(new)* | 44-20-59 | | | | | | | | X |
| 15 | Casual Sales | 44-18-20(g) | | | | | | | X | |
| 16 | Charitable, Educational, or Religious Organizations | 44-18-30(5) | | | | | | | X | |
| 17 | Clothing and Footwear | 44-18-30(27) | | | | | | | X | |
| 18 | Coffins, Caskets, Urns, Shrouds, and Burial Garments | 44-18-30(12) | | | | | | | X | |
| 19 | Coins | 44-18-30(43) | | | | | | | X | |
| 20 | Commercial Fishing Vessels in Excess of Five Net Tons | 44-18-30(26) | | | | | | | X | |
| 21 | Commercial Vessels of 50 Tons Burden or More | 44-18-30(25) | | | | | | | X | |
| 22 | Compressed Air | 44-18-30(33) | | | | | | | X | |
| 23 | Containers | 44-18-30(4) | | | | | | | X | |
| 24 | Deed, Instrument, or Writing where Grantor is U.S. Government or State of Rhode Island | 44-25-2(b) | | | | | | | | X |
| 25 | Diesel Emission Control Technology | 44-18-30(62) | | | | | | | X | |
| 26 | Dietary Supplements | 44-18-30(59) | | | | | | | X | |
| 27 | Educational Institutions Rental Charges | 44-18-30(18) | | | | | | | X | |
| 28 | Electricity and Gas | 44-18-30(21) | | | | | | | X | |
| 29 | Equipment for Research and Development | 44-18-30(42) | | | | | | | X | |
| 30 | Estates of Persons Declared Missing in Action by the U.S. Armed Forces | 44-22-2 | | | | | | | | X |
| 31 | Farm Equipment | 44-18-30(32) | | | | | | | X | |
| 32 | Farm Structure Construction Materials | 44-18-30(44) | | | | | | | X | |
| 33 | Feed for Certain Animals Used in Commercial Farming | 44-18-30(63) | | | | | | | X | |
| 34 | Feminine Hygiene Products | 44-18-30(66) | | | | | | | X | |
| 35 | First 50,000 Gallons of Distilled Spirits of a Distiller in Continuous Operation for 12 Months | 3-10-1(d) | | | | | | | | X |
| 36 | First 100,000 Barrels of Beer of a Brewer in Continuous Operation for 12 Months | 3-10-1(c) | | | | | | | | X |
| 37 | Flags | 44-18-30(34) | | | | | | | X | |
| 38 | Food and Food Ingredients | 44-18-30(9) | | | | | | | X | |
| 39 | Food Items Paid for by Food Stamps | 44-18-30(39) | | | | | | | X | |
| 40 | Gasoline | 44-18-30(6) | | | | | | | X | |
| *Definitions*: Bus Corp: Business Corporation Tax; Pub Serv: Public Service Corporation Tax; Banks: Taxation of Banks; Bank Dep: Tax on Bank Deposits, Generally; *Ins Co: Taxation of Insurance* Companies; PIT: Personal Income Tax; and SUT: Sales and Use Tax. | | | | | | | | | | |

| 2024 TAX EXPENDITURE ITEMS | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| *An asterisk (*) indicates a tax expenditure item that is no longer allowed under Rhode Island General Laws, for that particular tax type.* | | | | | | | | | |
| | | Tax Type Against Which Tax Expenditure Item May Be Applied | | | | | | | |
| Number | Exemptions: | RI Statutory Reference: | Bus Corp 44-11 | Pub Serv 44-13 | Bank 44-14 | Bank Dep 44-15 | Ins Co 44-17 | PIT 44-30 | SUT 44-18 | Other Taxes |
| 41 | Hardship *(new)* | 44-30-101(e)(2) | | | | | | | | X |
| 42 | Heating Fuels | 44-18-30(20) | | | | | | | X | |
| 43 | Horse Food Products | 44-18-30(53) | | | | | | | X | |
| 44 | Human Blood | 44-18-30(60) | | | | | | | X | |
| 45 | Installation Labor Charges When Separately Stated | 44-18-12(b)(ii) | | | | | | | X | |
| 46 | Jewelry Display Product | 44-18-30(47) | | | | | | | X | |
| 47 | Lottery Prizes | 42-61-17 | | | | | | | X | |
| 48 | Manufacturers' Machinery and Equipment | 44-18-30(22) | | | | | | | X | |
| 49 | Medicaid *(new)* | 44-30-101(e)(6) | | | | | | | | X |
| 50 | Medicines, Drugs, and Durable Medical Equipment | 44-18-30(10) | | | | | | | X | |
| 51 | Mobile and Manufactured Homes Generally | 44-18-30(50) | | | | | | | X | |
| 52 | Motor Vehicle and Adaptive Equipment for Amputee Veterans | 44-18-30(35) | | | | | | | X | |
| 53 | Motor Vehicle and Adaptive Equipment for Persons with Disabilities | 44-18-30(19) | | | | | | | X | |
| 54 | Narragansett Pier Railroad Company | 44-13-1(a) | | X | | | | | | |
| 55 | Newspapers | 44-18-30(2) | | | | | | | X | |
| 56 | Ocean Marine Insurance | 44-17-1 | | | | | X | | | |
| 57 | Out-of-State Shipments of Rhode Island Alcoholic Beverage Manufacturers | 3-10-2 | | | | | | | | X |
| 58 | Personal and Dependent | 44-30-2.6(c)(3)(C) | | | | | | X | | |
| 59 | Personal Holding Company, Regulated Investment Company, or Real Estate Investment Trust | 44-11-2( c ) | X | | | | | | | |
| 60 | Precious Metal Bullion | 44-18-30(24) | | | | | | | X | |
| 61 | Promotional and Product Literature of Boat Manufacturers | 44-18-30(38) | | | | | | | X | |
| 62 | Property Otherwise Exempted | 44-18-36(3) | | | | | | | X | |
| 63 | Property Purchased from Federal Government | 44-18-35 | | | | | | | X | |
| 64 | Property Purchased Outside of State by Nonresident and Brought into State | 44-18-36(2) | | | | | | | X | |
| 65 | Property Returned Within 120 Days from the Date of Delivery | 44-18-30(58) | | | | | | | X | |
| 66 | Prosthetic Devices and Mobility Enhancing Equipment | 44-18-30(11) | | | | | | | X | |
| 67 | Purchases Used for Manufacturing Purposes | 44-18-30(7) | | | | | | | X | |
| 68 | Qualified Sales of Manufactured and Mobile Home Parks | 31-44-3.3 | | | | | | | | X |
| 69 | Rebuild Rhode Island Sales and Use Tax | 42-64.20-5(o) | | | | | | | X | |
| 70 | Refillable and Reusable Beverage Containers | 44-44-3 | | | | | | | | X |
| 71 | Religious Conscience *(new)* | 44-30-101(e)(3) | | | | | | | | X |
| 72 | Renewable Energy Products | 44-18-30(57) | | | | | | | X | |
| 73 | Rental Charged for Living or Sleeping Quarters in a Hospital or Nursing Home | 44-18-30(17) | | | | | | | X | |
| 74 | Rhode Island Industrial Facilities Corporation Lessees | 45-37.1-9, 9.1 | | | | | | | * | |
| 75 | Sacramental Wines Sold Directly to Member of Clergy | 3-10-1(b) | | | | | | | | X |
| 76 | Sales and Use Taxes Paid to Other Jurisdictions | 44-18-30A(a) | | | | | | | X | |
| 77 | Sales beyond Constitutional Power of State | 44-18-30(1) | | | | | | | X | |
| 78 | Sales by Writers, Composers, Artists | 44-18-30B | | | | | | | X | |
| 79 | Sales in Municipal Economic Development Zones | 44-18-30C | | | | | | | X | |
| 80 | Sales in Public Buildings by Blind People | 44-18-30(14) | | | | | | | X | |

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| 2024 TAX EXPENDITURE ITEMS | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| *An asterisk (*) indicates a tax expenditure item that is no longer allowed under Rhode Island General Laws, for that particular tax type.* | | | | | | | | | | |
| | | Tax Type Against Which Tax Expenditure Item May Be Applied | | | | | | | | |
| Number | Exemptions: | RI Statutory Reference: | Bus Corp 44-11 | Pub Serv 44-13 | Bank 44-14 | Bank Dep 44-15 | Ins Co 44-17 | PIT 44-30 | SUT 44-18 | Other Taxes |
| 81 | Sales of Motor Vehicles to Non-residents | 44-18-30(13) | | | | | | | X | |
| 82 | Sales of Non-Motorized Recreational Vehicles to Non-residents | 44-18-30(54) | | | | | | | X | |
| 83 | Sales of Trailers Ordinarily Used for Residential Purposes | 44-18-20(d)(3) | | | | | | | X | |
| 84 | Sales to Common Carriers for Use Outside of the State | 44-18-33 | | | | | | | X | |
| 85 | Sales to Federal Government | 44-18-31 | | | | | | | X | |
| 86 | Sales to the State or Its Political Subdivisions | 44-18-30(8) | | | | | | | X | |
| 87 | Sales to the U.S. Government and Operators of Railroad Transportation Equipment | 31-36-13 | | | | | | | | X |
| 88 | School Meals | 44-18-30(3) | | | | | | | X | |
| 89 | Securities from Taxation | 44-13-14 | | X | | | | | | |
| 90 | Seeds and Plants used to Grow Food and Food Ingredients | 44-18-30(65) | | | | | | | X | |
| 91 | Special Adaptations for Wheelchair Accessible Taxicabs | 44-18-30(19)(iii) | | | | | | | X | |
| 92 | Stay Invested in RI Wavemaker Fellowship Awards | 42-64.26-8 | | | | | | X | | |
| 93 | Supplies Used in On-Site Hazardous Waste Recycling, Reuse, or Treatment | 44-18-30(37) | | | | | | | X | |
| 94 | Supplies Used in Preparing Floral Products and/or Arrangements | 44-18-30(52) | | | | | | | X | |
| 95 | Taxpayers with Income Below Filing Threshold *(new)* | 44-30-101(e)(4) | | | | | | | | X |
| 96 | Telecommunications Carrier Access Service | 44-18-30(45) | | | | | | | X | |
| 97 | Textbooks | 44-18-30(36) | | | | | | | X | |
| 98 | Total Loss or Destruction of Motor Vehicle within 120 Days of Tax Payment | 44-18-21(c) | | | | | | | X | |
| 99 | Trade-in Value of Boats | 44-18-30(41) | | | | | | | X | |
| 100 | Trade-in Value of Motorcycles *(new)* | 44-18-30(68) | | | | | | | X | |
| 101 | Trade-In Value of Private Passenger Automobiles | 44-18-30(23) | | | | | | | X | |
| 102 | Transfers or Sales Made to Immediate Family Members | 44-18-20(d)(1) | | | | | | | X | |
| 103 | Transfers or Sales Related to Business Dissolution or Partial Liquidation | 44-18-20(d)(2) | | | | | | | X | |
| 104 | Transportation Charges of Motor Carriers to Haul Goods | 44-18-30(40) | | | | | | | X | |
| 105 | Vacation Homes Rented in Entirety | 44-18-36.1(a) | | | | | | | | X |
| 106 | Vehicles Purchased by Nonresident Military Personnel Subject to Sales Tax Elsewhere | 44-18-30A(b) | | | | | | | X | |
| 107 | Video Lottery Terminal, Table Games, and Sports Wagering Prizes | 42-61.2-10 | | | | | | | X | |
| 108 | Water for Residential Use | 44-18-30(28) | | | | | | | X | |
| 109 | Wine and Spirits | 44-18-30(64) | | | | | | | X | |
| 110 | Youth Activities Equipment Sold for $20 or less by Nonprofit Organizations | 44-18-30(31) | | | | | | | X | |

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| 2024 TAX EXPENDITURE ITEMS | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Tax Type Against Which Tax Expenditure Item May Be Applied | | | | | | | | |
| Number | Modifications: | RI Statutory Reference: | Bus Corp 44-11 | Pub Serv 44-13 | Bank 44-14 | Bank Dep 44-15 | Ins Co 44-17 | PIT 44-30 | SUT 44-18 | Other Taxes |
| 1 | Bonus Depreciation Provided by JCWAA of 2002 and JGTRRA of 2003 | 44-61-1 | X | | X | | | X | | |
| 2 | Companies Engaged in Buying, Selling, Dealing in, or Holding Securities on Own Behalf | 44-11-2(b) | X | | | | | | | |
| 3 | Contribution to Medical Savings Account by Scituate Residents | 44-30-25.1(d)(1) | | | | | | X | | |
| 4 | Contributions to an Account under Tuition Savings Program | 44-30-12(c)(4) | | | | | | X | | |
| 5 | Enterprise Zone Business Owner with Domiciliary in Enterprise Zone | 42-64.3-7 | | | | | | X | | |
| 6 | Federally Taxable Withdrawals from Tuition Savings Program Account | 44-30-12(c)(3) | | | | | | X | | |
| 7 | Gain from Stock Options in Qualifying Corporations | 44-39.3-1 | | | | | | X | | |
| 8 | Income Earned on a Rhode Island Family Education Account | 44-30-12(c)(2) / 44-30-25(f) | | | | | | X | | |
| 9 | Income from the Assignment or Transfer of Historic Preservation Tax Credits | 44-33.6-3(f) | | | | | | X | | |
| 10 | Income from the Assignment or Transfer of Historic Structures Tax Credits | 44-33.2-3(e)(2) | | | | | | X | | |
| 11 | Income from the Assignment or Transfer of Motion Picture Production Tax Credits | 44-31.2-9 | | | | | | X | | |
| 12 | Income from the Assignment or Transfer of Musical and Theatrical Production Tax Credits | 44-31.3-2(b)(6) | | | | | | X | | |
| 13 | Income or Gain from a Qualifying Employee's Ownership of a Qualifying Corporation | 44-43-8 | | | | | | X | | |
| 14 | Interest on Obligations of the United States and its Possessions | 44-11-11(a)(1)(vi) / 44-30-12(c)(1) | | | | | | X | | |
| 15 | Military Pay of Non-resident Individuals | 44-30-32(d) | | | | | | X | | |
| 16 | New Research and Development Facilities | 44-32-1 | X | | | | | X | | |
| 17 | Organ Transplantation | 44-30-12(c)(7) | | | | | | X | | |
| 18 | Performance-Based Income of Eligible Employees via the Jobs Growth Act | 42-64.11-4 | | | | | | X | | |
| 19 | Profits or Gains from Sale of Work by Artists, Writers, and Composers | 44-30-1.1(c)(1) | | | | | | X | | |
| 20 | Provision of Insurance Benefit to Dependent or Domestic Partner | 44-30-12(c)(6) | | | | | | X | | |
| 21 | Qualifying Investment in a Certified Venture Capital Partnership | 44-43-2(5) | | | | | | X | | |
| 22 | Railroad Retirement Benefits | 45 U.S.C. 231m(a) | | | | | | X | | |
| 23 | Rental Vehicle Surcharge Retained by Rental Car Companies | 31-34.1-2(b) | | | | | | | | X |
| 24 | Rhode Island Fiduciary Adjustment | 44-30-12(d) | | | | | | X | | |
| 25 | Tax Incentives for Employers | 44-55-4.1 | | | | | | X | | |
| 26 | Taxable Military Service Pension Income *(new)* | 44-30-12(c)(11) | | | | | | X | | |
| 27 | Taxable Pension Plan and/or Annuity Income | 44-30-12(c)(9) | | | | | | X | | |
| 28 | Taxable Social Security Income | 44-30-12(c)(8) | | | | | | X | | |

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| 2024 TAX EXPENDITURE ITEMS | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| *An asterisk (*) indicates a tax expenditure item that is no longer allowed under Rhode Island General Laws, for that particular tax type.* | | | | | | | | | | |
| | | Tax Type Against Which Tax Expenditure Item May Be Applied | | | | | | | | |
| Number | **Other Items:** | RI Statutory Reference: | Bus Corp 44-11 | Pub Serv 44-13 | Bank 44-14 | Bank Dep 44-15 | Ins Co 44-17 | PIT 44-30 | SUT 44-18 | Other Taxes |
| 1 | Allocation and Apportionment of Airlines | 44-11-15 / 280-RICR-20-25-9.11(C) | X | | | | | | | |
| 2 | Allocation and Apportionment of Brokerage Services | 44-11-14.2(b) / 280-RICR-20-25-9.11(D)(2) | X | | | | | | | |
| 3 | Allocation and Apportionment of Credit Card Banks | 44-11-14.3 / 280-RICR-20-25-9.11(E) | X | | | | | | | |
| 4 | Allocation and Apportionment of Motor Carriers | 44-11-15 / 280-RICR-20-25-9.11(B) | X | | | | | | | |
| 5 | Allocation and Apportionment of Regulated Investment Companies | 44-11-14.2(a) / 280-RICR-20-25-9.11(D)(1) | X | | | | | | | |
| 6 | Allocation and Apportionment of Retirement and Pension Plans | 44-11-14.4 / 280-RICR-20-25-9.11(F) | X | | | | | | | |
| | | Tax Type Against Which Tax Expenditure Item May Be Applied | | | | | | | | |
| Number | **Preferential Tax Rates:** | RI Statutory Reference: | Bus Corp 44-11 | Pub Serv 44-13 | Bank 44-14 | Bank Dep 44-15 | Ins Co 44-17 | PIT 44-30 | SUT 44-18 | Other Taxes |
| 1 | Jobs Development Act | 42-64.5-3 | X | X | X | | X | | | |
| 2 | Life Science Rate Reduction | 42-64.14-10/ 42-64.14-11 | X | | | | | | | |
| | | Tax Type Against Which Tax Expenditure Item May Be Applied | | | | | | | | |
| Number | **Tax Abatements:** | RI Statutory Reference: | Bus Corp 44-11 | Pub Serv 44-13 | Bank 44-14 | Bank Dep 44-15 | Ins Co 44-17 | PIT 44-30 | SUT 44-18 | Other Taxes |
| 1 | Child Tax Rebate *(new)* | 44-30-103 | | | | | | X | | |
| 2 | Cigarette Tax Stamping Discount | 44-20-19 | | | | | | | | X |
| 3 | Political Check-Off | 44-30-2(d)(1) | | | | | | X | | |
| 4 | Temporary Relief from Gross Earnings Tax on Electricity and Gas *(new)* | 44-13-37 | | X | | | | | | |
| 5 | Value of Farmland Included in Estate | 44-23-5(b) | | | | | | | | X |
| | | Tax Type Against Which Tax Expenditure Item May Be Applied | | | | | | | | |
| Number | **Tax Deferrals:** | RI Statutory Reference: | Bus Corp 44-11 | Pub Serv 44-13 | Bank 44-14 | Bank Dep 44-15 | Ins Co 44-17 | PIT 44-30 | SUT 44-18 | Other Taxes |
| 1 | Holding Period for Unstamped Cigarettes | 44-20-14 | | | | | | | | X |
| 2 | Write-Downs or Reserves for Securities Losses | 44-14-14 | | | X | | | | | |

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# V. Laws Changes that Impact Tax Expenditures

There were several law changes enacted during the 2022 and 2023 sessions by the General Assembly that impact tax expenditures. Law changes that impacted tax expenditures enacted in the 2020 and 2021 sessions of the General Assembly were included in the *2022 Tax Expenditures Report*. The following list of revised, added, and deleted tax expenditure items is in alphabetical order by tax expenditure category. In the case of a sunset that has been extended in more than one session, only the last enacted change is listed.

## CREDITS

- **Contributions to Scholarship Organizations**

  Statutory Reference: R.I. Gen. Laws Chapter 44-62 / R.I. Pub. Laws 2023, Ch. 79, Art. 4, § 8

  Year Enacted / Last Year Amended: 2006 / 2023

  Description of Change: The enacted change increases the cap on the total tax credit allowed from $1.5 million to $1.6 million.

  Sunset: N/A

  Effective Date: January 1, 2024

  Tax Expenditures Impacted: The enacted change may increase the tax expenditures associated with business corporation tax, public service corporation tax, bank excise tax, bank deposits tax, insurance company gross premiums tax, and personal income tax.

  Purpose: No explicit purpose provided in the statute for the enacted change.

- **Earned Income (Federal)**

  Statutory Reference: R.I. Gen. Laws § 44-30-2.6(c)(2)(N) / R.I. Pub. Laws 2023, Ch. 79, Art. 4, § 2

  Year Enacted / Last Year Amended: 2001 / 2023

  Description of Change: The Rhode Island earned income tax credit uses the federal earned income tax credit amount as the basis for the calculation of the state earned income tax credit. The enacted change increases the state earned income tax credit from 15% of the federal earned income tax credit amount to 16% for tax years beginning on or after January 1, 2024. This credit is fully refundable.

  Sunset: N/A

  Effective Date: June 6, 2023

Tax Expenditures Impacted: The enacted change will increase the tax expenditures associated with personal income taxes.

Purpose: No explicit purpose provided in the statute for the enacted change.

- **Historic Preservation 2013**

Statutory Reference: R.I. Gen. Laws Ch. 44-33.6 / R.I. Pub. Laws 2022, Ch. 231, Art. 9, § 18 / R.I. Pub. Laws 2022, Ch. 271 and 272 / R.I. Pub. Laws 2023, Ch. 339, § 1

Year Enacted / Last Year Amended: 1996 / 2023

Description of Change: The 2023 General Assembly extended the sunset after which Historic Preservation Tax Credits can no longer be reserved to June 30, 2024. Additionally, constructions projects over $10 million are subject to prevailing wage requirements and must receive certification of compliance with these requirements in order to receive tax credits under this program.

Sunset: No credits shall be reserved on or after June 30, 2024 or upon the exhaustion of the maximum aggregate credits, whichever comes first.

Effective Date: July 1, 2022 / June 24, 2023

Tax Expenditures Impacted: The extension of the sunset day may increase the tax expenditures associated with the business corporation tax, public service corporation tax, bank excise tax, insurance company gross premiums tax, and personal income tax. The addition of the prevailing wage requirements may decrease the tax expenditures related with the noted taxes.

Purpose: No explicit purpose provided in the statute for the enacted change.

- **Low-Income Housing**

Statutory Reference: R.I. Gen. Laws Ch. 44-71 / R.I. Pub. Laws 2023, Ch. 79, Art. 6, § 5

Year Enacted / Last Year Amended: 2023 / N/A

Description of Change: The new law creates a low-income housing tax credit program for taxpayers who own an interest in an eligible Rhode Island low-income housing project. Eligibility is based on the federal definition of a qualified low-income housing project as defined in the Internal Revenue Code and is certified by the Department of Housing. Total credits in a given fiscal year cannot exceed $30 million.

The tax credit will be issued as five annual increments. If any portion of the tax credit for a given year exceeds the total tax liability for the taxpayer, the excess credit can be carried

forward for the four succeeding years. Unused tax credits can be transferred, sold, or assigned to other taxpayers eligible under this chapter to receive credits.

If any portion of the federal low-income housing tax credits taken on a low-income project is required to be recaptured, the state low-income house tax credit will also be recaptured equal to the tax credits previously claimed multiplied by a fraction, the numerator of which is the amount of federal credits recaptured and the denominator of which is the amount of federal credits previously claimed.

Sunset: No credits shall be issued for tax years beginning on or after June 30, 2028.

Effective Date: June 16, 2023

Tax Expenditures Impacted: The new tax credit may be taken against the business corporation tax, public service corporation tax, bank excise tax, insurance company gross premiums tax, and the personal income tax.

Purpose: The purpose of the Rhode Island low-income housing tax credit to increase the development and availability of affordable housing in Rhode Island.

- **Motion Picture Production Tax Credit**

Statutory Reference: R.I. Gen. Laws § 44-31.2-5 / R.I. Pub. Laws 2022, Ch. 231, Art. 9, § 16

Year Enacted / Last Year Amended: 2005 / 2022

Description of Change: The aggregate annual cap for total motion picture production tax credits and/or musical and theatrical tax production credits was increased to $40 million for TY 2023 and TY 2024 only. Previous legislation had increased the cap from $15 million to $20 million starting in TY 2020, and a separate bill increased the cap to $30 million just for TY 2022. After TY 2024, the cap will revert to $20 million.

Sunset: No credits shall be issued on or after July 1, 2027 unless the production has received initial certification prior to July 1, 2027.

Effective Date: July 1, 2022

Tax Expenditures Impacted: The enacted changes may increase the tax expenditures for the business corporation tax, bank excise tax, insurance company gross premiums tax, and personal income tax.

Purpose: No explicit purpose provided in the statute for the enacted changes.

- **Musical and Theatrical Production Tax Credit**

  Statutory Reference: R.I. Gen. Laws § 44-31.3-2 / R.I. Pub. Laws 2022, Ch. 231, Art. 9, § 16 / R.I. Pub. Laws 2023, Chs. 239 and 240

  Year Enacted / Last Year Amended: 2012 / 2022

  Description of Change: In the 2022 General Assembly session, the aggregate annual cap for total motion picture production tax credits and/or musical and theatrical tax production credits was increased from $20 million to $40 million for TY 2023 and TY 2024 only. In the 2023 session, the type of productions eligible for the musical and theatrical tax production credits was expanded to include national touring productions. Additionally, the sunset was extended from July 1, 2024 to July 1, 2027.

  Sunset: No credits shall be issued on or after July 1, 2027 unless the production has received initial certification prior to July 1, 2027.

  Effective Date: July 1, 2022 / June 23, 2023

  Tax Expenditures Impacted: The enacted changes may increase the tax expenditures for the business corporation tax, bank excise tax, insurance company gross premiums tax, and personal income tax.

  Purpose: No explicit purpose provided in the statute for the enacted changes.

- **New Qualified Jobs Incentive Act**

  Statutory Reference: R.I. Gen. Laws Ch. 44-48.3 / R.I. Pub. Laws 2022, Ch. 231, Art. 9, § 19 / R.I. Pub. Laws 2023, Ch. 79, Art. 7, § 15

  Year Enacted / Last Year Amended: 2015 / 2023

  Description of Change: The New Qualified Jobs Incentive Act sunset was extended to December 31, 2024 in the 2023 session.

  Sunset: No credits can be authorized to be reserved after December 31, 2024.

  Effective Date: July 1, 2022 / June 16, 2023

  Tax Expenditures Impacted: The enacted changes may increase the tax expenditures for the business corporation tax, public service corporation tax, bank excise tax, insurance company gross premiums tax, and personal income tax.

  Purpose: No explicit purpose provided in the statute for the extension of this tax credit.

- **Property Tax Relief**

  Statutory Reference: R.I. Gen. Laws Ch. 44-33 / R.I. Pub. Laws 2022, Ch. 231, Art. 6, § 11

  Year Enacted / Last Year Amended: 1977 / 2022

  Description of Change: The maximum qualifying income amount was increased from $30,000 to $35,000 and the maximum credit amount was set at $600 for TY 2022. The qualifying income ranges and maximum credit amount were tied to inflation based on the Consumer Price Index for all Urban Consumers (CPI-U) beginning on or after January 1, 2023.

  Sunset: N/A

  Effective Date: July 1, 2022

  Tax Expenditures Impacted: These enacted changes increase the tax expenditure for the personal income tax.

  Purpose: No explicit purpose provided in the statute for enacted changes.

- **Rebuild Rhode Island Tax Credit**

  Statutory Reference: R.I. Gen. Laws Ch. 42-64.20 / R.I. Pub. Laws 2022, Ch. 231, Art. 9, § 4 / R.I. Pub. Laws 2022, Ch. 272 / R.I. Pub. Laws 2023, Ch. 79, Art. 7, § 4

  Year Enacted / Last Year Amended: 2015 / 2023

  Description of Change: In the 2022 session, construction projects over $10 million were made subject to prevailing wage requirements and must receive certification of compliance with these requirements in order to receive tax credits under this program. In the 2023 session, the sunset was extended to December 31, 2024 and the cap on maximum aggregate credits was increased from $210 million to $225 million.

  Sunset: No credits can be authorized to be reserved after December 31, 2024.

  Effective Date: July 1, 2022 / June 16, 2023

  Tax Expenditures Impacted: The extension of the sunset and the increase in the cap will increase the tax expenditures for the business corporation tax, public service corporation tax, bank excise tax, insurance company gross premiums tax, and personal income tax. The addition of the prevailing wage requirements may decrease the tax expenditures related with the noted taxes.

  Purpose: No explicit purpose provided in the statute for these enacted changes.

- **Stay Invested in RI Wavemaker Fellowship**

  Statutory Reference: R.I. Gen. Laws Ch. 42-64.26 / R.I. Pub. Laws 2022, Ch. 231, Art. 9, § 10 / R.I. Pub. Laws 2023, Ch. 79, Art. 7, § 10

  Year Enacted / Last Year Amended: 2015 / 2023

  Description of Change: The 2022 session expanded the Wavemaker Fellowship Program to include health care professionals, including high-demand healthcare practitioners or mental health professionals, clinical social workers, and mental health counselors licensed by the Department of Health. In the 2023 session, the program was expanded to include teachers in elementary and secondary education. Additionally, the program's sunset was extended to December 31, 2024 in the 2023 session.

  Sunset: No credits can be authorized to be reserved after December 31, 2024.

  Effective Date: July 1, 2022 / June 16, 2023

  Tax Expenditures Impacted: This enacted change will increase the tax expenditure for personal income tax.

  Purpose: No explicit purpose provided in the statute for the expansion of this tax credit.

## EXEMPTIONS

- **Breast Pump Collection and Storage Supplies:**

  Statutory Reference: R.I. Gen. Laws § 44-18-30(67) / R.I. Pub. Laws 2022, Ch. 231, Art. 6, § 8

  Year Enacted / Last Year Amended: 2022 / N/A

  Description of Change: Creates an exemption from the sales and use tax for breast pumps and breast pump collection and storage supplies. The new exemption applies to the purchase of these items that are used in connection with a breast pump, including breast shields and breast shield connectors, breast pump tubes and tubing adapters, breast pump valves and membranes, backflow protectors and backflow protector adapters, bottles and bottle caps specific to the operation of the breast pump, breast milk storage bags, and related items sold as part of a breast pump kit pre-packaged by a breast pump manufacturer.

  Effective Date: October 1, 2022

  Tax Expenditures Impacted: The enacted change creates a new tax expenditure for the sales and use tax.

  Purpose: No explicit purpose provided in the statute.

- **Cannabis Sold in Rolling Papers:**

  Statutory Reference: R.I. Gen. Laws § 44-20-59 / R.I. Pub. Laws 2023, Chs. 136 and 137

  Year Enacted / Last Year Amended: 2023 / N/A

  Description of Change: Creates an exemption from the cigarette and other tobacco products taxes for adult-use cannabis sold in rolling papers.

  Effective Date: June 22, 2023

  Tax Expenditures Impacted: The enacted change creates a new tax expenditure for the cigarettes and other tobacco products taxes.

  Purpose: No explicit purpose provided in the statute.

- **Coffins, Caskets, Urns, Shrouds, and Burial Garments:**

  Statutory Reference: R.I. Gen. Laws § 44-18-30(12) / R.I. Pub. Laws 2022, Ch. 231, Art. 6, § 8

  Year Enacted / Last Year Amended: 1952 / 2022

  Description of Change: The sales and use tax exemption that includes coffins, caskets, urns, shrouds, and burial garments was expanded to include burial containers, urn liners, urn vaults, grave liners, grave vaults, burial tent setups, and prayer cards.

  Effective Date: October 1, 2022

  Tax Expenditures Impacted: The enacted change increases the tax expenditures for the sales and use tax.

  Purpose: No explicit purpose provided in the statute.

- **Medicaid Exemption:**

  Statutory Reference: R.I. Gen. Laws § 44-30-101(e)(6) / R.I. Pub. Laws 2023, Ch. 79, Art. 4, § 4

  Year Enacted / Last Year Amended: 2023 / N/A

  Description of Change: Rhode Island's health insurance mandate requires Rhode Islanders to have minimum essential coverage for healthcare otherwise a tax is imposed on an individual for failing to maintain minimum health insurance coverage throughout the calendar year.

During the 2023 session, a new exemption was enacted to exempt any applicable individual who was enrolled in the Medicaid program through December 31, 2023.

Effective Date: June 16, 2023

Tax Expenditures Impacted: The enacted change creates a new tax expenditure for the shared responsibility payment penalty tax.

Purpose: No explicit purpose provided in the statute.

- **Rebuild Rhode Island Sales and Use Tax Exemption**

Statutory Reference: R.I. Gen. Laws Ch. 42-64.20-5(q) / R.I. Pub. Laws 2022, Ch. 231, Art. 9, § 4 / R.I. Pub. Laws 2022, Ch. 272, § 1 / R.I. Pub. Laws 2023, Ch. 79, Art. 7, § 4

Year Enacted / Last Year Amended: 2015 / 2023

Description of Change:
In the 2022 session, construction projects over $10 million were made subject to prevailing wage requirements and must receive certification of compliance with these requirements in order to receive tax credits under this program. In the 2023 session, the sunset was extended to December 31, 2024 and the cap on maximum aggregate credits was increased from $210 million to $225 million. The Commerce Corporation is authorized to provide sales and use tax exemptions as part of Rebuild Rhode Island awards.

Sunset: No credits can be authorized to be reserved after December 31, 2024.

Effective Date: July 1, 2022 / June 16, 2023

Tax Expenditures Impacted: The extension of the sunset and the increase in the cap will increase the tax expenditures for the business corporation tax, public service corporation tax, bank excise tax, insurance company gross premiums tax, and personal income tax. The addition of the prevailing wage requirements may decrease the tax expenditures related with the noted taxes.

Purpose: No explicit purpose provided in the statute for these enacted changes.

- **Stay Invested in RI Wavemaker Fellowship Awards**

Statutory Reference: R.I. Gen. Laws Ch. 42-64.26-8 / R.I. Pub. Laws 2022, Ch. 231, Art. 9, § 10 / R.I. Pub. Laws 2023, Ch. 79, Art. 7, § 10

Year Enacted / Last Year Amended: 2015 / 2023

Description of Change: The 2022 session expanded the Wavemaker Fellowship Program to include health care professionals, including high-demand healthcare practitioners or mental

health professionals, clinical social workers, and mental health counselors licensed by the Department of Health. In the 2023 session, the program was expanded to include teachers in elementary and secondary education. Additionally, the program's sunset was extended to December 31, 2024 in the 2023 session. All awards under this program are exempt from personal income tax.

Sunset: No credits can be authorized to be reserved after December 31, 2023.
July 1, 2022 / June 16, 2023

Tax Expenditures Impacted: This program will increase the tax expenditure for the personal income tax.

Purpose: No explicit purpose provided in the statute for the expansion of this tax credit.

- **Trade-In Value of Motorcycles:**

Statutory Reference: R.I. Gen. Laws § 44-18-30(68) / R.I. Pub. Laws 2022, Ch. 231, Art. 6, § 8

Year Enacted / Last Year Amended: 2022 / N/A

Description of Change: Creates an exemption against the sales and use tax for the trade-in value of new or used motorcycles. The exemption does not apply to motorcycles used for hire or other types of motor vehicles.

Effective Date: October 1, 2022

Tax Expenditures Impacted: The enacted change creates a new tax expenditure for the sales and use tax.

Purpose: No explicit purpose provided in the statute.

## EXCLUSIONS

- **Medical Cannabis:**

Statutory Reference: R.I. Gen. Laws §§ 21-28.11-3 and 21-28.11-13 / R.I. Pub. Laws 2022, Ch. 32

Year Enacted / Last Year Amended: 2022 / N/A

Description of Change: The state cannabis excise tax (10%) and the local cannabis excise tax (3%) is imposed on adult-use cannabis, which is defined as cannabis which may be legally possessed and consumed for non-medical purposes by a person who is at least 21 years of age. Medical cannabis is exempt from these excise taxes, but subject to the 4% compassion center surcharge. Both adult-use and medical cannabis are subject to the sales and use tax.

Effective Date: December 1, 2022

Tax Expenditures Impacted: The enacted change creates a tax expenditure for the state cannabis excise tax.

Purpose: No explicit purpose provided in the statute.

## Modifications

- **Taxable Military Service Pension Income:**

  Statutory Reference: R.I. Gen. § 44-30-12(c)(11) / R.I. Pub. Laws 2022, Ch. 231, Art. 6, § 9

  Year Enacted / Last Year Amended: 2022 / N/A

  Description of Change: A modification reducing federal adjusted gross income (AGI) for taxable military service benefits included in federal AGI is beginning on or after January 1, 2023. The modification, alone or in combination with the taxable pension and annuities modification, may not exceed the amount of the military service pension received in the tax year for which the modification is claimed.

  Effective Date: January 1, 2023

  Tax Expenditures Impacted: The enacted change adds a new tax expenditure to be taken against the personal income tax.

  Purpose: No explicit purpose provided in the statute.

- **Taxable Pension Plan and/or Annuity Income:**

  Statutory Reference: R.I. Gen. § 44-30-12(c)(9) / R.I. Pub. Laws 2022, Ch. 231, Art. 6, § 9

  Year Enacted / Last Year Amended: 2016 / 2022

  Description of Change: The maximum modification amount was increased from $15,000 to $20,000.

  Effective Date: January 1, 2023

  Tax Expenditures Impacted: The enacted change increases the tax expenditure taken against the personal income tax.

  Purpose: No explicit purpose provided in the statute.

## Tax Abatements

- **Child Tax Rebate:**

  Statutory Reference: R.I. Gen. § 44-30-103 / R.I. Pub. Laws 2022, Ch. 231, Art. 6, § 10

  Year Enacted / Last Year Amended: 2022 / N/A

  Description of Change: A one-time child tax rebate of $250 per child 18 years and younger, up to a maximum of three children, was distributed to qualifying Rhode Island resident taxpayers based on the taxpayer's TY 2021 Rhode Island personal income tax return. The federal adjusted gross income of each taxpayer must be below the income threshold of $100,000 for single, head of household, married filing separately, and qualifying widow(er) filers or $200,000 for joint filers. Child Tax Rebate payments will not be considered income for the purposes of state personal income tax for tax year 2022.

  Effective Date: July 1, 2022

  Tax Expenditures Impacted: The enacted change adds a new tax expenditure to be taken against the personal income tax.

  Purpose: No explicit purpose provided in the statute.

- **Temporary Relief from Gross Earnings Tax on Electricity and Gas:**

  Statutory Reference: R.I. Gen. § 44-13-37 / R.I. Pub. Laws 2023, Ch. 79, Art. 4, § 2

  Year Enacted / Last Year Amended: 2023 / N/A

  Description of Change: For the months of December 2023 through March 2024, electric and natural gas utility companies will not be allowed to charge the public service corporation tax but are still required to pay the amount of tax to the state. These utility companies may apply to the Division of Taxation for a rebate payment for the amount of public service corporation tax that would otherwise have been charged to customers for the given months.

  Effective Date: June 6, 2023

  Tax Expenditures Impacted: The enacted change adds a new tax expenditure to be taken against the public service corporation tax.

  Purpose: No explicit purpose provided in the statute.

# VI. Summary Results by Tax Expenditure Item

Forgone revenue in any given year can be either on a calendar year or a fiscal year basis. Unless otherwise marked, tax expenditures items are reported for FY 2020 and FY 2021. Tax expenditure items marked with a † indicate forgone revenue is on a calendar year basis. Additionally, tax expenditure items marked with a ^ indicate that FY 2021 and FY 2022 are reported. Finally, tax expenditure items marked with a * indicate forgone revenue is included with another tax expenditure item.

## Credits

| Page Number | Item | 2020 Forgone Revenue | Reliability Level | 2021 Forgone Revenue | Reliability Level |
|---|---|---|---|---|---|
| 66 | Accommodations under Americans with Disabilities Act † | $ 0 | 1 | $ 0 | 1 |
| 67 | Adult and Child Daycare † | 0 | 1 | 0 | 1 |
| 70 | Adult Education † | 0 | 1 | 0 | 1 |
| 72 | Apprenticeship † | 0 | 1 | 0 | 1 |
| 74 | Biotechnology Investment † | * | 5 | * | 5 |
| 75 | Child and Dependent Care (Federal) † | 2,536,226 | 1 | 9,970,987 | 1 |
| 77 | Contributions to Scholarship Organizations † | 1,172,382 | 1 | 1,162,475 | 1 |
| 80 | Earned Income (Federal) † | 22,917,692 | 1 | 26,462,253 | 1 |
| 82 | Educational Assistance and Development † | 0 | 1 | 0 | 1 |
| 85 | Employment – Welfare Bonus Program † | 0 | 1 | 0 | 1 |
| 87 | Historic Homeownership Assistance† | 7,450 | 1 | 7,332 | 1 |
| 88 | Historic Preservation † | 1,133,312 | 1 | 495,057 | 1 |
| 92 | Historic Structures † | 782,036 | 1 | 2,494,072 | 1 |
| 95 | Hydroelectric Power † | 0 | 1 | 0 | 1 |
| 96 | Investment † | 10,934,063 | 1 | 6,569,155 | 1 |
| 99 | Juvenile Restitution † | 0 | 1 | 0 | 1 |
| 100 | Lead Paint Abatement † | 165,773 | 1 | 183,245 | 1 |
| 101 | Low-Income Housing *(new)* | *n/a* | *n/a* | *n/a* | *n/a* |
| 104 | Motion Picture Production † | 6,132,629 | 1 | 13,547,037 | 1 |
| 107 | Motor Carrier Fuel Use Taxes Paid to Rhode Island † | 5,979,435 | 1 | 4,407,456 | 1 |
| 109 | Musical and Theatrical Productions † | 612,298 | 1 | 1,002,882 | 1 |
| 111 | New Qualified Jobs Incentive Act † | 538,774 | 1 | 927,218 | 1 |
| 115 | Property Tax Relief † | 3,390,353 | 1 | 3,238,106 | 1 |
| 118 | Rebuild Rhode Island † | 10,458,351 | 1 | 12,768,652 | 1 |
| 122 | Research and Development Expense † | 3,775,958 | 1 | 4,047,726 | 1 |
| 125 | Research and Development Property† | 156,705 | 1 | 23,959 | 1 |

## Credits (continued)

| Page Number | Item | 2020 Forgone Revenue | Reliability Level | 2021 Forgone Revenue | Reliability Level |
|---|---|---|---|---|---|
| 126 | Residential Renewable Energy System † | $ 0 | 1 | $ 0 | 1 |
| 127 | Rhode Island Small Business Development Fund † | 0 | 1 | 0 | 1 |
| 129 | Stay Invested in RI Wavemaker Fellowship † | 1,475,808 | 1 | 895,959 | 1 |
| 132 | Tax on Net Estate of Decedent † | 8,762,508 | 1 | 12,201,478 | 1 |
| 133 | Taxes Paid to Other States † | 236,639,111 | 1 | 235,583,468 | 1 |
| | ***Total Credits*** | ***$317,570,864*** | ***1.1*** | ***$335,988,517*** | ***1.1*** |

## Deductions

| Page Number | Item | 2020 Forgone Revenue | Reliability Level | 2021 Forgone Revenue | Reliability Level |
|---|---|---|---|---|---|
| 137 | Accelerated Amortization for Certain Manufacturers † | $ --- | 5 | $ --- | 5 |
| 137 | Alimony Paid (Federal) † | 1,097,801 | 4 | 1,030,721 | 4 |
| 139 | Amortization of Air or Water Pollution Prevention and Treatment Facilities † | 552 | 1 | 6 | 1 |
| 140 | Certain Business Expenses of Reservists, etc. (Federal) † | 259,989 | 4 | 220,336 | 4 |
| 142 | Connecting Fees, Switching and Carrier Access Charges † | 1,443,336 | 1 | 1,406,773 | 1 |
| 143 | Educator Expenses (Federal) † | 92,278 | 2 | --- | 5 |
| 144 | Electricity for Resale † | --- | 5 | --- | 5 |
| 145 | Health Savings Account (Federal) † | 610,520 | 4 | 622,932 | 4 |
| 147 | Individual Retirement Arrangement Contributions (Federal) † | 1,105,194 | 2 | --- | 5 |
| 149 | Keogh and SEP Contribution (Federal) † | 3,622,833 | 2 | --- | 5 |
| 151 | Merchandise Sold † | 0 | 1 | 0 | 1 |
| 152 | Moving Expenses (Federal) † | 21,371 | 4 | 28,450 | 4 |
| 154 | Net Operating Losses † | 14,046,351 | 1 | 23,819,042 | 1 |
| 156 | One-Half of Self-Employment Tax (Federal) † | 3,416,786 | 4 | 4,082,713 | 4 |
| 157 | Penalty of Early Withdrawal of Savings (Federal) † | 21,398 | 4 | 13,104 | 4 |
| 159 | Qualified Charitable Contributions on Non-Itemized Returns (Federal) † | 849,263 | 2 | *n/a* | *n/a* |
| 160 | Qualifying Investment in a Certified Venture Capital Partnership † | 2,695,451 | 1 | 9,060 | 1 |
| 162 | Return or Unabsorbed Premiums or Premiums for Reinsurance Assumed † | --- | 5 | --- | 5 |
| 164 | Self-employed Health Insurance (Federal) † | 3,454,982 | 2 | --- | 5 |
| 165 | Standard Deduction † | 218,741,263 | 1 | 221,767,280 | 1 |

## Deductions (continued)

| Page Number | Item | 2020 Forgone Revenue | Reliability Level | 2021 Forgone Revenue | Reliability Level |
|---|---|---|---|---|---|
| 167 | Student Loan Interest (Federal) † | $ 626,874 | 2 | $ --- | 5 |
| 169 | Tax Incentives for Employers † | 64,855 | 1 | 43,086 | 1 |
| | ***Total Deductions*** | ***$252,171,097*** | ***2.6*** | ***$253,043,503*** | ***3.4*** |

## Exclusions

| Page Number | Item | 2020 Forgone Revenue | Reliability Level | 2021 Forgone Revenue | Reliability Level |
|---|---|---|---|---|---|
| 173 | Biodiesel Portion of Blended Gallon of Diesel Fuel | $ 2,596,954 | 1 | $ 2,244,196 | 1 |
| 174 | Conveyance of Mobile/Manufactured Homes for Consideration of $100 or less | --- | 5 | --- | 5 |
| 175 | Conveyance of Real Estate for Consideration of $100 or less | --- | 5 | --- | 5 |
| 176 | Conveyance of Real Estate Relating to the Capitol Center Project | 0 | 1 | 0 | 1 |
| 177 | Corporations Exempt from Taxation by Charter | --- | 5 | --- | 5 |
| 177 | Corporations Not Doing Business for Profit | --- | 5 | --- | 5 |
| 178 | Corporations that Maintain and Manage Intangible Investments | --- | 5 | --- | 5 |
| 179 | Dividends Received from Shares of Stock † | 60,935,873 | 1 | 53,565,084 | 1 |
| 181 | Financial Institutions | --- | 5 | --- | 5 |
| 182 | Fraternal Benefit Societies | --- | 5 | --- | 5 |
| 183 | Gain or Loss on Sale of Property Other Than Securities | 0 | 1 | 184,870 | 1 |
| 184 | Income from the Sale of International Investment Management Services | --- | 5 | --- | 5 |
| 185 | Insurance and Surety Companies | --- | 5 | --- | 5 |
| 186 | Interest Received from Debt Instruments Issued by Public Service Corporations | --- | 5 | --- | 5 |
| 186 | Long-Term Gain from Capital Investment in Small Business | --- | 5 | --- | 5 |
| 187 | Lubricating Oils, Marine Diesel Fuel, Aviation Fuel, and Heating Oil | 276,627,413 | 2 | 392,508,124 | 2 |
| 188 | Maximum Tax of $0.50 per Cigar | 3,790,765 | 2 | 5,991,694 | 2 |
| 190 | Medical Cannabis (*new*) | *n/a* | *n/a* | *n/a* | *n/a* |
| 191 | Paycheck Protection Program Loan Forgiveness | *n/a* | *n/a* | 38,463,751 | 1 |
| 194 | Possession of 10 Packs of Cigarettes with Out-of-State Tax Stamps | --- | 5 | --- | 5 |
| 195 | Public Service Corporations | --- | 5 | --- | 5 |

## Exclusions (continued)

| Page Number | Item | 2020 Forgone Revenue | Reliability Level | 2020 Forgone Revenue | Reliability Level |
|---|---|---|---|---|---|
| 195 | Taxed Gross Earnings and Associated Costs of Non-Public Service Corporations | $ --- | 5 | $ --- | 5 |
| 196 | Taxes Legally Imposed on Consumer but Separately Stated on Invoice | --- | 5 | --- | 5 |
| 197 | Value-Added Non-Voice Services that Use Computer Processing Applications | --- | 5 | --- | 5 |
| 197 | Veterinary and Testing Laboratory Services ^ | 5,902,585 | 3 | 6,339,200 | 3 |
| | ***Total Exclusions*** | ***$349,853,590*** | ***4.0*** | ***$499,296,919*** | ***3.8*** |

## Exemptions

| Page Number | Item | 2020 Forgone Revenue | Reliability Level | 2021 Forgone Revenue | Reliability Level |
|---|---|---|---|---|---|
| 201 | Affordable Housing Development | *n/a* | *n/a* | *n/a* | *n/a* |
| 202 | Agricultural Products for Human Consumption ^ | $ 5,583,084 | 3 | $ 6,191,552 | 3 |
| 203 | Air and Water Pollution Control Facilities ^ | --- | 5 | --- | 5 |
| 204 | Aircraft and Aircraft Parts ^ | 5,606,033 | 3 | 6,180,163 | 3 |
| 206 | Banks and Regulated Investment Companies Interstate Toll Free Calls | 596,561 | 4 | 685,501 | 4 |
| 207 | Beverage Containers, Hard-to-Dispose Material, and Litter Control Participation Permittee † | 359,838 | 2 | 341,851 | 2 |
| 208 | Boats or Vessels Brought in Exclusively for Winter Storage, Maintenance, Repair or Sale ^ | * | 5 | * | 5 |
| 209 | Boats or Vessels Generally ^ | 8,300,416 | 3 | 9,755,095 | 3 |
| 210 | Boats Sold to Non-Residents ^ | * | 5 | * | 5 |
| 211 | Breast Pumps Collections and Storage Supplies *(new)* | *n/a* | *n/a* | *n/a* | *n/a* |
| 212 | Building Materials Used to Rebuild After Disaster | --- | 5 | --- | 5 |
| 212 | Buses, Trucks, or Trailers Used in Interstate Commerce ^ | 3,702,800 | 3 | 3,767,300 | 3 |
| 213 | Camps ^ | 1,046,617 | 3 | 1,140,498 | 3 |
| 215 | Cannabis Sold in Rolling Papers *(new)* | *n/a* | *n/a* | *n/a* | *n/a* |
| 216 | Casual Sales | 6,464 | 1 | 6,735 | 1 |
| 217 | Charitable, Education, or Religious Organizations ^ | 108,038,086 | 3 | 117,140,871 | 3 |
| 219 | Clothing and Footwear ^ | 45,297,370 | 3 | 48,928,598 | 3 |
| 220 | Coffins, Caskets, Urns, Shrouds, and Burial Garments ^ | 1,513,562 | 3 | 1,508,163 | 3 |
| 222 | Coins | 401,255 | 4 | 792,109 | 4 |
| 223 | Commercial Fishing Vessels in Excess of Five Net Tons | 375,433 | 4 | 433,540 | 4 |

## **Exemptions** (continued)

| Page Number | Item | 2020 Forgone Revenue | Reliability Level | 2021 Forgone Revenue | Reliability Level |
|---|---|---|---|---|---|
| 225 | Commercial Vessels of 50 Tons Burden or More | --- | 5 | --- | 5 |
| 225 | Compressed Air | --- | 5 | --- | 5 |
| 226 | Containers ^ | $ 13,731,281 | 3 | $ 14,934,828 | 3 |
| 227 | Deed, Instrument or Writing where Grantor is U.S. Government or State of Rhode Island | --- | 5 | --- | 5 |
| 228 | Diesel Emission Control Technology | --- | 5 | --- | 5 |
| 229 | Dietary Supplements | 3,230,148 | 4 | 3,463,269 | 4 |
| 230 | Educational Institutions Rental Charges^ | 7,021,563 | 3 | 7,512,185 | 3 |
| 232 | Electricity and Gas ^ | 83,257,450 | 3 | 90,692,348 | 3 |
| 234 | Equipment for Research and Development ^ | 7,805,300 | 3 | 8,111,800 | 3 |
| 235 | Estates of Persons Declared Missing in Action by U.S. Armed Forces | 0 | 1 | 0 | 1 |
| 236 | Farm Equipment ^ | 725,400 | 3 | 725,400 | 3 |
| 238 | Farm Structure Construction Materials ^ | 511,186 | 3 | 575,042 | 3 |
| 239 | Feed for Certain Animals Used in Commercial Farming ^ | 121,715 | 3 | 137,004 | 3 |
| 240 | Feminine Hygiene Products | 1,114,575 | 4 | 1,159,385 | 4 |
| 242 | First 50,000 Gallons of Distilled Spirits of a Distiller in Continuous Operation for 12 Months † | 129,600 | 1 | 32,400 | 1 |
| 243 | First 100,000 Barrels of Beer of a Brewer in Continuous Operation for 12 Months | 142,158 | 1 | 204,329 | 1 |
| 244 | Flags | 68,652 | 4 | 69,454 | 4 |
| 245 | Food and Food Ingredients ^ | 197,406,134 | 3 | 208,699,808 | 3 |
| 247 | Food Items Paid for by Food Stamps | 14,951,921 | 1 | 15,569,325 | 1 |
| 248 | Gasoline | 71,376,998 | 2 | 71,058,451 | 2 |
| 250 | Hardship *(new)* | 8,840 | 2 | 18,456 | 2 |
| 251 | Heating Fuels | 25,024,115 | 4 | 23,636,849 | 4 |
| 253 | Horse Food Products ^ | 69,210 | 3 | 69,419 | 3 |
| 254 | Human Blood | 804,040 | 4 | 847,677 | 4 |
| 256 | Installation Labor Charges, When Separately Stated ^ | 42,031,200 | 3 | 44,944,700 | 3 |
| 257 | Jewelry Display Product | --- | 5 | --- | 5 |
| 257 | Lottery Prizes | 0 | 1 | 0 | 1 |
| 258 | Manufacturers' Machinery and Equipment ^ | 38,531,955 | 3 | 39,691,599 | 3 |
| 260 | Medicaid *(new)* | --- | 5 | --- | 5 |
| 260 | Medicines, Drugs, and Durable Medical Equipment ^ | 158,208,681 | 3 | 176,557,862 | 3 |
| 262 | Mobile and Manufactured Homes Generally | 667,125 | 1 | 387,900 | 1 |



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## **Exemptions** (continued)

| Page Number | Item | 2020 Forgone Revenue | Reliability Level | 2021 Forgone Revenue | Reliability Level |
|---|---|---|---|---|---|
| 263 | Motor Vehicle and Adaptive Equipment for Amputee Veterans | * | 5 | * | 5 |
| 264 | Motor Vehicle and Adaptive Equipment for Persons with Disabilities | $ 3,705 | 1 | $ 3,125 | 1 |
| 265 | Narragansett Pier Railroad Company | --- | 5 | --- | 5 |
| 266 | Newspapers ^ | 2,632,253 | 3 | 3,312,034 | 3 |
| 267 | Ocean Marine Insurance | 459,467 | 4 | 520,862 | 4 |
| 269 | Out-of-State Shipments of Rhode Island Alcoholic Beverage Manufacturers | --- | 5 | --- | 5 |
| 269 | Personal and Dependent † | 123,452,894 | 1 | 124,613,086 | 1 |
| 272 | Personal Holding Company, Regulated Investment Company or Real Estate Investment Trust | --- | 5 | --- | 5 |
| 273 | Precious Metal Bullion | --- | 5 | --- | 5 |
| 274 | Promotional and Product Literature of Boat Manufacturers ^ | 27,200 | 3 | 29,600 | 3 |
| 275 | Property Otherwise Exempted | --- | 5 | --- | 5 |
| 276 | Property Purchased from Federal Government ^ | 9,517,136 | 3 | 10,270,477 | 3 |
| 277 | Property Purchased Outside of State by Non-Resident and Brought into State | --- | 5 | --- | 5 |
| 278 | Property Returned Within 120 Days from the Date of Delivery | 74,641 | 1 | 63,578 | 1 |
| 280 | Prosthetic Devices and Mobility Enhancing Equipment ^ | 15,485,604 | 3 | 17,095,066 | 3 |
| 281 | Purchases Used for Manufacturing Purposes † | 384,518,750 | 2 | 413,153,020 | 2 |
| 283 | Qualified Sales of Manufactured and Mobile Home Parks | --- | 5 | --- | 5 |
| 283 | Rebuild Rhode Island Sales and Use Tax | 2,411,964 | 1 | 3,133,732 | 1 |
| 284 | Refillable and Reusable Beverage Containers | --- | 5 | --- | 5 |
| 285 | Religious Conscience *(new)* | * | 5 | * | 5 |
| 285 | Renewable Energy Products † | 6,580,287 | 2 | 2,160,774 | 2 |
| 287 | Rental Charged for Living or Sleeping Quarters in a Hospital or Nursing Home^ | 42,731,578 | 3 | 47,049,655 | 3 |
| 289 | Rhode Island Industrial Facilities Corporation Lessees | 0 | 1 | 33,843 | 1 |
| 290 | Sacramental Wines Sold Directly to Member of Clergy | --- | 5 | --- | 5 |
| 290 | Sales and Use Taxes Paid to Other Jurisdictions | 15,759,268 | 1 | 21,376,384 | 1 |
| 292 | Sales beyond Constitutional Power of State | --- | 5 | --- | 5 |
| 293 | Sales by Writers, Composers, Artists † | 970,077 | 2 | 1,488,819 | 2 |

## **Exemptions** (continued)

| Page Number | Item | 2020 Forgone Revenue | Reliability Level | 2021 Forgone Revenue | Reliability Level |
|---|---|---|---|---|---|
| 294 | Sales in Municipal Economic Development Zones | 0 | 1 | 0 | 1 |
| 296 | Sales in Public Buildings by Blind People | $ 50,701 | 1 | $ 23,568 | 1 |
| 297 | Sales of Motor Vehicles to Non-Residents | 1,081,068 | 2 | 1,457,127 | 2 |
| 299 | Sales of Non-Motorized Recreational Vehicles to Non-Residents | --- | 5 | --- | 5 |
| 299 | Sales of Trailers Ordinarily Used for Residential Purposes | --- | 5 | --- | 5 |
| 300 | Sales to Common Carriers for Use Outside of the State | --- | 5 | --- | 5 |
| 301 | Sales to Federal Government ^ | 4,791,200 | 3 | 4,778,300 | 3 |
| 302 | Sales to the State or Its Political Subdivisions ^ | 44,022,200 | 3 | 44,619,000 | 3 |
| 304 | Sales to the U.S. Government and Operators of Railroad Transportation Equipment | 1,655,501 | 1 | 2,856,047 | 1 |
| 305 | School Meals ^ | 2,737,095 | 3 | 2,887,235 | 3 |
| 307 | Securities from Taxation | --- | 5 | --- | 5 |
| 307 | Seeds and Plants used to Grow Food and Food Ingredients | * | 5 | * | 5 |
| 308 | Special Adaptations for Wheelchair Accessible Taxicabs | --- | 5 | --- | 5 |
| 309 | Stay Invested in RI Wavemaker Fellowship Awards † | 1,745 | 1 | 27,598 | 1 |
| 310 | Supplies Used in On-Site Hazardous Waste Recycling, Reuse, or Treatment | --- | 5 | --- | 5 |
| 310 | Supplies Used in Preparing Floral Products and/or Arrangements ^ | 355,555 | 3 | 381,029 | 3 |
| 311 | Taxpayers with Income Below Filing Threshold *(new)* | 1,547,000 | 2 | 1,210,406 | 2 |
| 313 | Telecommunications Carrier Access Services ^ | 12,804,900 | 3 | 13,536,000 | 3 |
| 314 | Textbooks ^ | 2,103,592 | 3 | 2,306,924 | 3 |
| 315 | Total Loss or Destruction of Motor Vehicle within 120 Days of Tax Payment | 74,641 | 1 | 63,578 | 1 |
| 316 | Trade-in Value of Boats | --- | 5 | --- | 5 |
| 317 | Trade-in Value of Motorcycles *(new)* | *n/a* | *n/a* | *n/a* | *n/a* |
| 319 | Trade-In Value of Private Passenger Automobiles | 14,034,465 | 1 | 18,048,027 | 1 |
| 320 | Transfers or Sales Made to Immediate Family Members | --- | 5 | --- | 5 |
| 321 | Transfers or Sales Related to Business Dissolution or Partial Liquidation | --- | 5 | --- | 5 |
| 322 | Transportation Charges of Motor Carriers to Haul Goods | --- | 5 | --- | 5 |

## Exemptions (continued)

| Page Number | Item | 2020 Forgone Revenue | Reliability Level | 2021 Forgone Revenue | Reliability Level |
|---|---|---|---|---|---|
| 323 | Vacation Homes Rented in Entirely | 3,796,496 | 1 | 3,701,787 | 1 |
| 324 | Vehicles Purchased by Non-Resident Military Personnel Subject to Sales Tax Elsewhere | $ --- | 5 | $ --- | 5 |
| 324 | Video Lottery Terminal, Table Games, and Sports Wagering Prizes | 0 | 1 | 0 | 1 |
| 325 | Water for Residential Use | 14,608,737 | 2 | 15,364,364 | 2 |
| 327 | Wine and Spirits | 19,135,601 | 1 | 21,302,210 | 1 |
| 328 | Youth Activities Equipment Sold for $20 or less by Non-Profit Organizations | --- | 5 | --- | 5 |
| | ***Total Exemptions*** | ***$1,575,192,087*** | ***3.2*** | ***$1,682,838,721*** | ***3.2*** |

## Modifications

| Page Number | Item | 2020 Forgone Revenue | Reliability Level | 2021 Forgone Revenue | Reliability Level |
|---|---|---|---|---|---|
| 331 | Bonus Depreciation Provided by JCWAA of 2002 and JGTRRA of 2003 † | $ 0 | 1 | $ 0 | 1 |
| 335 | Companies Engaged in Buying, Selling, Dealing in or Holding Securities on Own Behalf † | --- | 5 | --- | 5 |
| 335 | Contribution to Medical Savings Account by Scituate Residents † | 503 | 1 | 353 | 1 |
| 337 | Contributions to an Account under Tuition Savings Program † | 169,111 | 1 | 187,939 | 1 |
| 339 | Enterprise Zone Business Owner with Domiciliary in Enterprise Zone † | 32,344 | 1 | 84,837 | 1 |
| 340 | Federally Taxable Withdrawals from Tuition Savings Program Account † | * | 5 | * | 5 |
| 341 | Gain from Stock Options in Qualifying Corporations † | * | 5 | * | 5 |
| 342 | Income Earned on a Rhode Island Family Education Account † | 12,320 | 1 | 21,485 | 1 |
| 343 | Income from the Assignment or Transfer of Historic Preservation Tax Credits † | 2,427 | 2 | 2,548 | 2 |
| 345 | Income from the Assignment or Transfer of Historic Structures Tax Credits † | 1,675 | 2 | 12,837 | 2 |
| 346 | Income from the Assignment or Transfer of Motion Picture Production Company Tax Credits † | 13,135 | 2 | 69,729 | 2 |
| 348 | Income from the Assignment or Transfer of Musical and Theatrical Tax Credits † | 1,311 | 2 | 5,162 | 2 |
| 349 | Income or Gain from a Qualifying Employee's Ownership of a Qualifying Corporation † | 171,745 | 1 | 12,032 | 1 |

## Modifications (continued)

| Page Number | Item | 2020 Forgone Revenue | Reliability Level | 2021 Forgone Revenue | Reliability Level |
|---|---|---|---|---|---|
| 350 | Interest on Obligations of the United States and its Possessions † | 2,371,998 | 1 | 2,083,053 | 1 |
| 352 | Military Pay of Non-Resident Individuals † | $ 799,283 | 1 | $ 992,262 | 1 |
| 354 | New Research and Development Facilities † | 68,372 | 1 | 501,737 | 1 |
| 356 | Organ Transplantation † | 4,024 | 1 | 5,078 | 1 |
| 357 | Performance-Based Income of Eligible Employees via the Jobs Growth Act † | 1,039 | 1 | 5,593 | 1 |
| 358 | Profits or Gains from Sales of Work by Artists, Writers, and Composers † | 13,652 | 1 | 14,981 | 1 |
| 359 | Provision of Insurance Benefit to Dependent or Domestic Partner † | 49,783 | 1 | 50,217 | 1 |
| 360 | Qualifying Investment in a Certified Venture Capital Partnership † | 4,711 | 1 | 9,638 | 1 |
| 361 | Railroad Retirement Benefits † | 205,642 | 1 | 208,471 | 1 |
| 363 | Rental Vehicle Surcharge Retained by Rental Car Companies | 4,778,672 | 1 | 3,510,364 | 1 |
| 364 | Rhode Island Fiduciary Adjustment † | 0 | 1 | 352,236 | 1 |
| 366 | Tax Incentives for Employers † | 51,716 | 1 | 12,264 | 1 |
| 367 | Taxable Military Service Pension Income *(new)* | *n/a* | *n/a* | *n/a* | *n/a* |
| 368 | Taxable Pension Plan and/or Annuity Income † | 13,984,777 | 1 | 13,961,295 | 1 |
| 370 | Taxable Social Security Income † | 23,093,416 | 1 | 23,809,356 | 1 |
| | ***Total Modifications*** | ***$45,831,656*** | ***1.6*** | ***$45,913,467*** | ***1.6*** |

## Other Items

| Page Number | Item | 2020 Forgone Revenue | Reliability Level | 2021 Forgone Revenue | Reliability Level |
|---|---|---|---|---|---|
| 374 | Allocation and Apportionment of Airlines | $ --- | 5 | $ --- | 5 |
| 375 | Allocation and Apportionment of Brokerage Services | --- | 5 | --- | 5 |
| 376 | Allocation and Apportionment of Credit Card Banks | --- | 5 | --- | 5 |
| 377 | Allocation and Apportionment of Motor Carriers | --- | 5 | --- | 5 |
| 379 | Allocation and Apportionment of Regulated Investment Companies | --- | 5 | --- | 5 |
| 381 | Allocation and Apportionment of Retirement and Pension Plans | --- | 5 | --- | 5 |
| | ***Total Other Items*** | ***$ ---*** | ***5.0*** | ***$ ---*** | ***5.0*** |



6281/8585

## Preferential Tax Rates

| Page Number | Item | 2020 Forgone Revenue | Reliability Level | 2021 Forgone Revenue | Reliability Level |
|---|---|---|---|---|---|
| 385 | Jobs Development Act | $ 19,503,866 | 1 | $ 14,409,731 | 1 |
| 387 | Life Science Rate Reduction | * | 5 | * | 5 |
| | ***Total Preferential Tax Rate*** | ***$19,503,866*** | ***3.0*** | ***$14,409,731*** | ***3.0*** |

## Tax Abatements

| Page Number | Item | 2020 Forgone Revenue | Reliability Level | 2021 Forgone Revenue | Reliability Level |
|---|---|---|---|---|---|
| 390 | Child Tax Rebate *(new)* | *n/a* | *n/a* | *n/a* | *n/a* |
| 390 | Cigarette Tax Stamping Discount | $ 1,621,163 | 1 | $ 1,869,469 | 1 |
| 392 | Political Check-Off † | 84,635 | 1 | 80,770 | 1 |
| 394 | Temporary Relief from Gross Earnings Tax on Electricity and Gas *(new)* | *n/a* | *n/a* | *n/a* | *n/a* |
| 395 | Value of Farmland Included in Estate | --- | *5* | --- | 5 |
| | ***Total Tax Abatements*** | ***$ 1,705,798*** | ***2.3*** | ***$ 1,950,239*** | ***2.3*** |

## Tax Deferrals

| Page Number | Item | 2020 Forgone Revenue | Reliability Level | 2021 Forgone Revenue | Reliability Level |
|---|---|---|---|---|---|
| 398 | Holding Period for Unstamped Cigarettes † | $ 0 | 1 | $ 0 | 1 |
| 399 | Write-Downs or Reserves for Securities Losses † | --- | 5 | --- | 5 |
| | ***Total Tax Deferrals*** | ***$ 0*** | ***3.0*** | ***$ 0*** | ***3.0*** |
| | ***TOTAL TAX EXPENDTURES*** | ***$2,561,828,958*** | ***2.8*** | ***$ 2,833,441,097*** | ***2.9*** |

# VII. Summary Results by Tax Type

Forgone revenue in any given year can be either on a calendar year or a fiscal year basis. Unless otherwise marked, tax expenditures items are reported for FY 2020 and 2021. Tax expenditure items marked with a † indicate forgone revenue is on a calendar year basis. Additionally, tax expenditure items marked with a ^ indicate that FY 2021 and FY 2022 are reported. Finally, tax expenditure items marked with a * indicate forgone revenue is included with another tax expenditure item.

## Alcoholic Beverage Tax (R.I. Gen. Laws Ch. 3-10)

### *Exemptions*

| Page Number | Item | 2020 Forgone Revenue | Reliability Level | 2021 Forgone Revenue | Reliability Level |
|---|---|---|---|---|---|
| 242 | First 50,000 Gallons of Distilled Spirits of a Distiller in Continuous Operation for 12 Months † | $ 129,600 | 1 | $ 32,400 | 1 |
| 243 | First 100,000 Barrels of Beer of a Brewer in Continuous Operation for 12 Months | 142,158 | 1 | 204,329 | 1 |
| 269 | Out-of-State Shipments of Rhode Island Alcoholic Beverage Manufacturers | --- | 5 | --- | 5 |
| 290 | Sacramental Wines Sold Directly to Member of Clergy | --- | 5 | --- | 5 |
| | ***Total Exemptions*** | ***$ 271,758*** | ***3.0*** | ***$ 236,729*** | ***3.0*** |
| | ***Total Alcoholic Beverage Tax*** | ***$ 271,758*** | ***3.0*** | ***$ 236,729*** | ***3.0*** |

## Bank Deposits Tax (R.I. Gen. Laws Ch. 44-15)

### *Credits*

| Page Number | Item | 2020 Forgone Revenue | Reliability Level | 2021 Forgone Revenue | Reliability Level |
|---|---|---|---|---|---|
| 70 | Adult Education † | $ 0 | 1 | $ 0 | 1 |
| 77 | Contributions to Scholarship Organizations † | 0 | 1 | 0 | 1 |
| 85 | Employment – Welfare Bonus Program † | 0 | 1 | 0 | 1 |
| | ***Total Credits*** | ***$ 0*** | ***1.0*** | ***$ 0*** | ***1.0*** |

### *Deductions*

| Page Number | Item | 2020 Forgone Revenue | Reliability Level | 2021 Forgone Revenue | Reliability Level |
|---|---|---|---|---|---|
| 169 | Tax Incentives for Employers † | $ --- | 5 | $ --- | 5 |
| | ***Total Deductions*** | ***$ ---*** | ***5.0*** | ***$ ---*** | ***5.0*** |
| | ***Total Bank Deposits Tax*** | ***$ 0*** | ***2.0*** | ***$ 0*** | ***2.0*** |

## Bank Tax (R.I. Gen. Laws Ch. 44-14)

### *Credits*

| Page Number | Item | 2020 Forgone Revenue | Reliability Level | 2021 Forgone Revenue | Reliability Level |
|---|---|---|---|---|---|
| 67 | Adult and Child Daycare † | $ 0 | 1 | $ 0 | 1 |
| 70 | Adult Education † | 0 | 1 | 0 | 1 |
| 77 | Contributions to Scholarship Organizations † | 0 | 1 | 0 | 1 |
| 82 | Educational Assistance and Development † | 0 | 1 | 0 | 1 |
| 85 | Employment – Welfare Bonus Program † | 0 | 1 | 0 | 1 |
| 88 | Historic Preservation † | 0 | 1 | 0 | 1 |
| 92 | Historic Structures † | 0 | 1 | 0 | 1 |
| 96 | Investment † | 10,032,135 | 1 | 5,063,595 | 1 |
| 101 | Low-Income Housing *(new)* | *n/a* | *n/a* | *n/a* | *n/a* |
| 104 | Motion Picture Production† | 0 | 1 | 0 | 1 |
| 109 | Musical and Theatrical Production † | 0 | 1 | 0 | 1 |
| 111 | New Qualified Jobs Incentive Act † | 0 | 1 | 0 | 1 |
| 118 | Rebuild Rhode Island † | 0 | 1 | 0 | 1 |
| | ***Total Credits*** | ***$ 10,032,135*** | ***1.0*** | ***$ 5,063,595*** | ***1.0*** |

### *Deductions*

| Page Number | Item | 2020 Forgone Revenue | Reliability Level | 2021 Forgone Revenue | Reliability Level |
|---|---|---|---|---|---|
| 160 | Qualifying Investment in a Certified Venture Capital Partnership † | $ 0 | 1 | $ 0 | 1 |
| 169 | Tax Incentives for Employers † | 0 | 1 | 0 | 1 |
| | ***Total Deductions*** | ***$ 0*** | ***1.0*** | ***$ 0*** | ***1.0*** |

### *Exclusions*

| Page Number | Item | 2020 Forgone Revenue | Reliability Level | 2021 Forgone Revenue | Reliability Level |
|---|---|---|---|---|---|
| 179 | Dividends Received from Shares of Stock † | $ 1,697,246 | 1 | $ 1,459,070 | 1 |
| 183 | Gain or Loss on Sale of Property Other Than Securities | 0 | 1 | 184,870 | 1 |
| 186 | Long-Term Gain from Capital Investment in Small Business | --- | 5 | --- | 5 |
| 191 | Paycheck Protection Program Loan Forgiveness | *n/a* | *n/a* | 0 | 1 |
| | ***Total Exclusions*** | ***$ 1,697,246*** | ***2.3*** | ***$ 1,643,940*** | ***2.0*** |

### *Modifications*

| Page Number | Item | 2020 Forgone Revenue | Reliability Level | 2021 Forgone Revenue | Reliability Level |
|---|---|---|---|---|---|
| 331 | Bonus Depreciation Provided by JCWAA of 2002 and JGTRRA of 2003 † | $ 0 | 1 | $ 0 | 1 |
| | ***Total Modifications*** | ***$ 0*** | ***1.0*** | ***$ 0*** | ***1.0*** |

## Bank Tax (R.I. Gen. Laws Ch. 44-14)

### *Preferential Tax Rates*

| Page Number | Item | 2020 Forgone Revenue | Reliability Level | 2021 Forgone Revenue | Reliability Level |
|---|---|---|---|---|---|
| 385 | Jobs Development Act | $ 17,955,874 | 1 | $ 13,201,760 | 1 |
| | ***Total Preferential Tax Rates*** | ***$ 17,955,874*** | ***1.0*** | ***$ 13,201,760*** | ***1.0*** |

### *Tax Deferrals*

| Page Number | Item | 2020 Forgone Revenue | Reliability Level | 2021 Forgone Revenue | Reliability Level |
|---|---|---|---|---|---|
| 399 | Write-Downs or Reserves for Securities Losses † | --- | 5 | --- | 5 |
| | ***Total Tax Deferrals*** | ***$ ---*** | ***5.0*** | ***$ ---*** | ***5.0*** |
| | ***Total Bank Tax*** | ***$ 29,685,255*** | ***1.4*** | ***$ 19,909,295*** | ***1.4*** |

## Beverage Containers Tax (R.I. Gen. Laws Ch. 44-44)

### *Exemptions*

| Page Number | Item | 2020 Forgone Revenue | Reliability Level | 2021 Forgone Revenue | Reliability Level |
|---|---|---|---|---|---|
| 207 | Beverage Containers, Hard-to-Dispose Material, and Litter Control Participation Permit † | $ 359,838 | 2 | $ 341,851 | 2 |
| 284 | Refillable and Reusable Beverage Containers | --- | 5 | --- | 5 |
| | ***Total Exemptions*** | ***$ 359,838*** | ***3.5*** | ***$ 341,851*** | ***3.5*** |
| | ***Total Tax on Beverage Containers*** | ***$ 359,838*** | ***3.5*** | ***$ 341,851*** | ***3.5*** |

## Business Corporation Tax (R.I. Gen. Laws Ch. 44-11)

### *Credits*

| Page Number | Item | 2020 Forgone Revenue | Reliability Level | 2021 Forgone Revenue | Reliability Level |
|---|---|---|---|---|---|
| 66 | Accommodations Under Americans with Disabilities Act † | $ 0 | 1 | $ 0 | 1 |
| 67 | Adult and Child Daycare † | 0 | 1 | 0 | 1 |
| 70 | Adult Education † | 0 | 1 | 0 | 1 |
| 72 | Apprenticeship † | 0 | 1 | 0 | 1 |
| 74 | Biotechnology Investment † | * | 5 | * | 5 |
| 77 | Contributions to Scholarship Organizations † | 0 | 1 | 0 | 1 |
| 82 | Educational Assistance and Development † | 0 | 1 | 0 | 1 |
| 85 | Employment – Welfare Bonus Program † | $ 0 | 1 | $ 0 | 1 |
| 88 | Historic Preservation † | 0 | 1 | 0 | 1 |
| 92 | Historic Structures † | 0 | 1 | 0 | 1 |
| 95 | Hydroelectric Power † | 0 | 1 | 0 | 1 |
| 96 | Investment † | 724,946 | 1 | 1,329,905 | 1 |
| 99 | Juvenile Restitution † | 0 | 1 | 0 | 1 |

## Business Corporation Tax (R.I. Gen. Laws Ch. 44-11)

### *Credits (continued)*

| Page Number | Item | 2020 Forgone Revenue | Reliability Level | 2021 Forgone Revenue | Reliability Level |
|---|---|---|---|---|---|
| 101 | Low-Income Housing *(new)* | *n/a* | *n/a* | *n/a* | *n/a* |
| 104 | Motion Picture Production † | 4,956,521 | 1 | 7,616,056 | 1 |
| 109 | Musical and Theatrical Production † | 0 | 1 | 0 | 1 |
| 111 | New Qualified Jobs Incentive Act † | 0 | 1 | 387,749 | 1 |
| 118 | Rebuild Rhode Island † | 0 | 1 | 100,426 | 1 |
| 122 | Research and Development Expense † | 3,312,247 | 1 | 3,352,955 | 1 |
| 125 | Research and Development Property † | 0 | 1 | 23,959 | 1 |
| 126 | Residential Renewable Energy System † | 0 | 1 | 0 | 1 |
| | ***Total Credits*** | ***$ 8,993,714*** | ***1.2*** | ***$ 12,811,050*** | ***1.2*** |

### *Deductions*

| Page Number | Item | 2020 Forgone Revenue | Reliability Level | 2021 Forgone Revenue | Reliability Level |
|---|---|---|---|---|---|
| 137 | Accelerated Amortization for Certain Manufacturers † | $ --- | 5 | $ --- | 5 |
| 139 | Amortization of Air or Water Pollution Prevention and Treatment Facilities † | 552 | 1 | 6 | 1 |
| 154 | Net Operating Losses † | 14,046,351 | 1 | 23,819,042 | 1 |
| 160 | Qualifying Investment in a Certified Venture Capital Partnership † | 2,695,451 | 1 | 9,060 | 1 |
| 169 | Tax Incentives for Employers † | 64,855 | 1 | 43,086 | 1 |
| | ***Total Deductions*** | ***$ 16,807,209*** | ***1.8*** | ***$ 23,871,194*** | ***1.8*** |

### *Exclusions*

| Page Number | Item | 2020 Forgone Revenue | Reliability Level | 2021 Forgone Revenue | Reliability Level |
|---|---|---|---|---|---|
| 177 | Corporations Exempt from Taxation by Charter | $ --- | 5 | $ --- | 5 |
| 177 | Corporations Not Doing Business for Profit | --- | 5 | --- | 5 |
| 178 | Corporations that Maintain and Manage Intangible Investments | --- | 5 | --- | 5 |
| 179 | Dividends Received from Shares of Stock † | 59,238,627 | 1 | 52,106,014 | 1 |
| 181 | Financial Institutions | $ --- | 5 | $ --- | 5 |
| 182 | Fraternal Benefit Societies | --- | 5 | --- | 5 |
| 184 | Income from the Sale of International Investment Management Services | --- | 5 | --- | 5 |
| 185 | Insurance and Surety Companies | --- | 5 | --- | 5 |
| 186 | Interest Received from Debt Instruments Issued by Public Service Corporations | --- | 5 | --- | 5 |
| 186 | Long-Term Gain from Capital Investment in Small Business | --- | 5 | --- | 5 |

## Business Corporation Tax (R.I. Gen. Laws Ch. 44-11)

### *Exclusions (continued)*

| Page Number | Item | 2020 Forgone Revenue | Reliability Level | 2021 Forgone Revenue | Reliability Level |
|---|---|---|---|---|---|
| 191 | Paycheck Protection Program Loan Forgiveness | *n/a* | *n/a* | 16,185,602 | 1 |
| 195 | Public Service Corporations | --- | 5 | --- | 5 |
| 195 | Taxed Gross Earnings and Associated Costs of Non-Public Service Corporations | --- | 5 | --- | 5 |
| | ***Total Exclusions*** | ***$ 59,238,627*** | ***4.7*** | ***$ 68,291,616*** | ***4.4*** |

### *Exemptions*

| Page Number | Item | 2020 Forgone Revenue | Reliability Level | 2021 Forgone Revenue | Reliability Level |
|---|---|---|---|---|---|
| 272 | Personal Holding Company, Regulated Investment Company or Real Estate Investment Trust | $ --- | 5 | $ --- | 5 |
| | ***Total Exemptions*** | ***$ ---*** | ***5.0*** | ***$ ---*** | ***5.0*** |

### *Modifications*

| Page Number | Item | 2020 Forgone Revenue | Reliability Level | 2021 Forgone Revenue | Reliability Level |
|---|---|---|---|---|---|
| 331 | Bonus Depreciation Provided by JCWAA of 2002 and JGTRRA of 2003 † | $ 0 | 1 | $ 0 | 1 |
| 335 | Companies Engaged in Buying, Selling, Dealing in or Holding Securities on Own Behalf † | --- | 5 | --- | 5 |
| 354 | New Research and Development Facilities † | 67,820 | 1 | 495,723 | 1 |
| | ***Total Modifications*** | ***$ 67,820*** | ***2.3*** | ***$ 495,723*** | ***2.3*** |

### *Other Items*

| Page Number | Item | 2020 Forgone Revenue | Reliability Level | 2021 Forgone Revenue | Reliability Level |
|---|---|---|---|---|---|
| 374 | Allocation and Apportionment of Airlines | $ --- | 5 | $ --- | 5 |
| 375 | Allocation and Apportionment of Brokerage Services | $ --- | 5 | $ --- | 5 |
| 376 | Allocation and Apportionment of Credit Card Banks | --- | 5 | --- | 5 |
| 377 | Allocation and Apportionment of Motor Carriers | $ --- | 5 | $ --- | 5 |
| 379 | Allocation and Apportionment of Regulated Investment Companies | --- | 5 | --- | 5 |
| 381 | Allocation and Apportionment of Retirement and Pension Plans | --- | 5 | --- | 5 |
| | ***Total Other Items*** | ***$ ---*** | ***5.0*** | ***$ ---*** | ***5.0*** |



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## Business Corporation Tax (R.I. Gen. Laws Ch. 44-11)

### *Preferential Tax Rates*

| Page Number | Item | 2020 Forgone Revenue | Reliability Level | 2021 Forgone Revenue | Reliability Level |
|---|---|---|---|---|---|
| 385 | Jobs Development Act | $ 1,547,992 | 1 | $ 1,207,971 | 1 |
| 387 | Life Science Rate Reduction | * | 5 | * | 5 |
| | ***Total Preferential Tax Rates*** | ***$ 1,547,992*** | ***3.0*** | ***$ 1,207,971*** | ***3.0*** |
| | ***Total Business Corporation Tax*** | ***$ 86,655,362*** | ***2.8*** | ***$106,677,554*** | ***2.8*** |

## Cannabis Excise Tax (R.I. Gen. Laws § 21-28.11-13)

### *Exclusions*

| Page Number | Item | 2020 Forgone Revenue | Reliability Level | 2021 Forgone Revenue | Reliability Level |
|---|---|---|---|---|---|
| 190 | Medical Cannabis *(new)* | *n/a* | *n/a* | *n/a* | *n/a* |
| | ***Total Exclusions*** | ***n/a*** | ***n/a*** | ***n/a*** | ***n/a*** |
| | ***Total Cannabis Excise Tax*** | ***n/a*** | ***n/a*** | ***n/a*** | ***n/a*** |

## Cigarette Tax (R.I. Gen. Laws Chapter 44-20)

### *Exclusions*

| Page Number | Item | 2020 Forgone Revenue | Reliability Level | 2021 Forgone Revenue | Reliability Level |
|---|---|---|---|---|---|
| 188 | Maximum Tax of $0.50 per Cigar | $ 3,790,765 | 2 | $ 5,991,694 | 2 |
| 194 | Possession of 10 Packs of Cigarettes with Out-of-State Tax Stamps | --- | 5 | --- | 5 |
| | ***Total Exclusions*** | ***$ 3,790,765*** | ***3.5*** | ***$ 5,991,694*** | ***3.5*** |

### *Exemptions*

| Page Number | Item | 2020 Forgone Revenue | Reliability Level | 2021 Forgone Revenue | Reliability Level |
|---|---|---|---|---|---|
| 215 | Cannabis Sold in Rolling Papers *(new)* | *n/a* | *n/a* | *n/a* | *n/a* |
| | ***Total Exemptions*** | ***n/a*** | ***n/a*** | ***n/a*** | ***n/a*** |

### *Tax Abatements*

| Page Number | Item | 2020 Forgone Revenue | Reliability Level | 2021 Forgone Revenue | Reliability Level |
|---|---|---|---|---|---|
| 390 | Cigarette Tax Stamping Discount | $ 1,621,163 | 1 | $ 1,869,469 | 1 |
| | ***Total Tax Abatements*** | ***$ 1,621,163*** | ***1.0*** | ***$ 1,869,469*** | ***1.0*** |

### *Tax Deferrals*

| Page Number | Item | 2020 Forgone Revenue | Reliability Level | 2021 Forgone Revenue | Reliability Level |
|---|---|---|---|---|---|
| 398 | Holding Period for Unstamped Cigarettes † | $ 0 | 1 | $ 0 | 1 |
| | ***Total Tax Deferrals*** | ***$ 0*** | ***1.0*** | ***$ 0*** | ***1.0*** |
| | ***Total Cigarette Tax*** | ***$ 5,411,928*** | ***2.3*** | ***$ 7,861,163*** | ***2.3*** |

## Estate and Transfer Tax (R.I. Gen. Laws Ch. 44-22)

### *Credits*

| Page Number | Item | 2020 Forgone Revenue | Reliability Level | 2021 Forgone Revenue | Reliability Level |
|---|---|---|---|---|---|
| 132 | Tax on Net Estate of Decedent † | $ 8,762,508 | 1 | $ 12,201,478 | 1 |
| | ***Total Credits*** | ***$ 8,762,508*** | ***1.0*** | ***$ 12,201,478*** | ***1.0*** |

### *Exemptions*

| Page Number | Item | 2020 Forgone Revenue | Reliability Level | 2021 Forgone Revenue | Reliability Level |
|---|---|---|---|---|---|
| 235 | Estates of Persons Declared Missing in Action by U.S. Armed Forces | $ 0 | 1 | $ 0 | 1 |
| | ***Total Exemptions*** | ***$ 0*** | ***1.0*** | ***$ 0*** | ***1.0*** |

### *Tax Abatements*

| Page Number | Item | 2020 Forgone Revenue | Reliability Level | 2021 Forgone Revenue | Reliability Level |
|---|---|---|---|---|---|
| 395 | Value of Farmland Included in Estate | $ --- | 5 | $ --- | 5 |
| | ***Total Tax Abatements*** | ***$ ---*** | ***5*** | ***$ ---*** | ***5*** |
| | ***Total Estate and Transfer Tax*** | ***$ 8,762,508*** | ***2.3*** | ***$ 12,201,478*** | ***2.3*** |

## Hotel Tax (R.I. Gen. Laws § 44-18-36.1)

### *Exemptions*

| Page Number | Item | 2020 Forgone Revenue | Reliability Level | 2021 Forgone Revenue | Reliability Level |
|---|---|---|---|---|---|
| 323 | Vacation Homes Rented in Entirely | $ 3,796,496 | 1 | $ 3,701,787 | 1 |
| | ***Total Exemptions*** | ***$ 3,796,496*** | ***1.0*** | ***$ 3,701,787*** | ***1.0*** |
| | ***Total Hotel Tax*** | ***$ 3,796,496*** | ***1.0*** | ***$ 3,701,787*** | ***1.0*** |

## Insurance Company Gross Premiums Tax (R.I. Gen. Laws Ch. 44-17)

### *Credits*

| Page Number | Item | 2020 Forgone Revenue | Reliability Level | 2021 Forgone Revenue | Reliability Level |
|---|---|---|---|---|---|
| 67 | Adult and Child Daycare † | $ 0 | 1 | $ 0 | 1 |
| 70 | Adult Education † | 0 | 1 | 0 | 1 |
| 77 | Contributions to Scholarship Organizations † | 90,000 | 1 | 36,000 | 1 |
| 82 | Educational Assistance and Development † | 0 | 1 | 0 | 1 |
| 85 | Employment – Welfare Bonus Program † | $ 0 | 1 | $ 0 | 1 |
| 88 | Historic Preservation † | 0 | 1 | 0 | 1 |
| 92 | Historic Structures † | 653,690 | 1 | 0 | 1 |
| 96 | Investment † | 176,982 | 1 | 175,655 | 1 |
| 101 | Low-Income Housing *(new)* | *n/a* | *n/a* | *n/a* | *n/a* |
| 104 | Motion Picture Production † | 519,885 | 1 | 4,241,832 | 1 |
| 109 | Musical and Theatrical Production † | 0 | 1 | 0 | 1 |
| 111 | New Qualified Jobs Incentive Act † | 0 | 1 | 0 | 1 |
| 118 | Rebuild Rhode Island † | 6,720,643 | 1 | 6,783,208 | 1 |

## Insurance Company Gross Premiums Tax (R.I. Gen. Laws Ch. 44-17)

### *Credits (continued)*

| Page Number | Item | 2020 Forgone Revenue | Reliability Level | 2021 Forgone Revenue | Reliability Level |
|---|---|---|---|---|---|
| 122 | Research and Development Expense † | 463,711 | 1 | 694,771 | 1 |
| 125 | Research and Development Property † | 156,705 | 1 | 0 | 1 |
| 127 | Rhode Island Small Business Development Fund † | 0 | 1 | 0 | 1 |
| | ***Total Credits*** | ***$ 8,781,616*** | ***1.0*** | ***$ 11,931,466*** | ***1.0*** |

### *Deductions*

| Page Number | Item | 2020 Forgone Revenue | Reliability Level | 2021 Forgone Revenue | Reliability Level |
|---|---|---|---|---|---|
| 160 | Qualifying Investment in a Certified Venture Capital Partnership † | $ 0 | 1 | $ 0 | 1 |
| 162 | Return or Unabsorbed Premiums or Premiums for Reinsurance Assumed † | --- | 5 | --- | 5 |
| 169 | Tax Incentives for Employers † | 0 | 1 | 0 | 1 |
| | ***Total Deductions*** | ***$ 0*** | ***2.3*** | ***$ 0*** | ***2.3*** |

### *Exclusions*

| Page Number | Item | 2020 Forgone Revenue | Reliability Level | 2021 Forgone Revenue | Reliability Level |
|---|---|---|---|---|---|
| 182 | Fraternal Benefit Societies | $ --- | 5 | $ --- | 5 |
| | ***Total Exclusions*** | ***$ ---*** | ***5.0*** | ***$ ---*** | ***5.0*** |

### *Exemptions*

| Page Number | Item | 2020 Forgone Revenue | Reliability Level | 2021 Forgone Revenue | Reliability Level |
|---|---|---|---|---|---|
| 267 | Ocean Marine Insurance | $ 459,467 | 4 | $ 520,862 | 4 |
| | ***Total Exemptions*** | ***$ 459,467*** | ***4.0*** | ***$ 520,862*** | ***4.0*** |

### *Preferential Tax Rates*

| Page Number | Item | 2020 Forgone Revenue | Reliability Level | 2021 Forgone Revenue | Reliability Level |
|---|---|---|---|---|---|
| 385 | Jobs Development Act | $ 0 | 1 | $ 0 | 1 |
| | ***Total Preferential Tax Rates*** | ***$ 0*** | ***1.0*** | ***$ 0*** | ***1.0*** |
| | ***Total Insurance Company Gross Premiums Tax*** | ***$ 9,241,083*** | ***1.5*** | ***$ 12,452,328*** | ***1.5*** |

## Motor Carrier Fuel Use Tax (R.I. Gen. Laws Ch. 31-36.1)

### *Credits*

| Page Number | Item | 2020 Forgone Revenue | Reliability Level | 2021 Forgone Revenue | Reliability Level |
|---|---|---|---|---|---|
| 107 | Motor Carrier Fuel Use Taxes Paid to Rhode Island † | $ 5,979,435 | 1 | $ 4,407,456 | 1 |
| | ***Total Credits*** | ***$ 5,979,435*** | ***1.0*** | ***$ 4,407,456*** | ***1.0*** |
| | ***Total Motor Carrier Fuel Use Tax*** | ***$ 5,979,435*** | ***1.0*** | ***$ 4,407,456*** | ***1.0*** |

## Motor Fuel Tax (R.I. Gen. Laws Ch. 31-36)

### *Exclusions*

| Page Number | Item | 2020 Forgone Revenue | Reliability Level | 2021 Forgone Revenue | Reliability Level |
|---|---|---|---|---|---|
| 173 | Biodiesel Portion of Blended Gallon of Diesel Fuel | $ 2,596,954 | 1 | $ 2,244,196 | 1 |
| 187 | Lubricating Oils, Marine Diesel Fuel, Aviation Fuel, and Heating Oil | 276,627,413 | 2 | 392,508,124 | 2 |
| | ***Total Exclusions*** | ***$ 279,224,367*** | ***1.5*** | ***$ 394,752,320*** | ***1.5*** |

### *Exemptions*

| Page Number | Item | 2020 Forgone Revenue | Reliability Level | 2021 Forgone Revenue | Reliability Level |
|---|---|---|---|---|---|
| 304 | Sales to the U.S. Government and Operators of Railroad Transportation Equipment | $ 1,655,501 | 1 | $ 2,856,047 | 1 |
| | ***Total Exemptions*** | ***$ 1,655,501*** | ***1.0*** | ***$ 2,856,047*** | ***1.0*** |
| | ***Total Motor Fuel Tax*** | ***$ 280,879,868*** | ***1.3*** | ***$ 397,608,367*** | ***1.3*** |

## Non-Profit Refund (R.I. Gen. Laws § 44-33.6-3)

### *Credits*

| Page Number | Item | 2020 Forgone Revenue | Reliability Level | 2021 Forgone Revenue | Reliability Level |
|---|---|---|---|---|---|
| 88 | Historic Preservation † | $ 0 | 1 | $ 0 | 1 |
| | ***Total Credits*** | ***$ 0*** | ***1.0*** | ***$ 0*** | ***1.0*** |
| | ***Total Non-Profit Refund*** | ***$ 0*** | ***1.0*** | ***$ 0*** | ***1.0*** |

## Personal Income Tax (R.I. Gen. Laws Ch. 44-30)

### *Credits*

| Page Number | Item | 2020 Forgone Revenue | Reliability Level | 2021 Forgone Revenue | Reliability Level |
|---|---|---|---|---|---|
| 75 | Child and Dependent Care (Federal) † | $ 2,536,226 | 1 | $ 9,970,987 | 1 |
| 77 | Contributions to Scholarship Organizations † | 1,082,382 | 1 | 1,126,475 | 1 |
| 80 | Earned Income (Federal) † | 22,917,692 | 1 | 26,462,253 | 1 |
| 87 | Historic Homeownership Assistance† | 7,450 | 1 | 7,332 | 1 |
| 88 | Historic Preservation † | 1,133,312 | 1 | 495,057 | 1 |
| 92 | Historic Structures † | 128,346 | 1 | 2,494,072 | 1 |
| 100 | Lead Paint Abatement † | 165,773 | 1 | 183,245 | 1 |
| 104 | Motion Picture Production † | $ 656,223 | 1 | $ 1,689,149 | 1 |
| 109 | Musical and Theatrical Production † | 612,298 | 1 | 1,002,882 | 1 |
| 111 | New Qualified Jobs Incentive Act † | 30,637 | 1 | 539,469 | 1 |
| 115 | Property Tax Relief † | 3,390,353 | 1 | 3,238,106 | 1 |
| 118 | Rebuild Rhode Island † | 1,951,574 | 1 | 2,542,161 | 1 |
| 129 | Stay Invested in RI Wavemaker Fellowship † | 59,913 | 1 | 42,803 | 1 |
| 133 | Taxes Paid to Other States † | 236,639,111 | 1 | 235,583,468 | 1 |
| | ***Total Credits*** | ***$ 271,311,290*** | ***1.0*** | ***$ 285,377,459*** | ***1.0*** |



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## Personal Income Tax (R.I. Gen. Laws Ch. 44-30)

### *Deductions*

| Page Number | Item | 2020 Forgone Revenue | Reliability Level | 2021 Forgone Revenue | Reliability Level |
|---|---|---|---|---|---|
| 137 | Alimony Paid (Federal) † | $ 1,097,801 | 4 | $ 1,030,721 | 4 |
| 140 | Certain Business Expenses of Reservists, etc. (Federal) † | 259,989 | 4 | 220,336 | 4 |
| 143 | Educator Expenses (Federal) † | 92,278 | 2 | --- | 5 |
| 145 | Health Savings Account (Federal) † | 610,520 | 4 | 622,932 | 4 |
| 147 | Individual Retirement Arrangement Contributions (Federal) † | 1,105,194 | 2 | --- | 5 |
| 149 | Keogh and SEP Contributions (Federal) † | 3,622,833 | 2 | --- | 5 |
| 152 | Moving Expenses (Federal) † | 21,371 | 4 | 28,450 | 4 |
| 156 | One-Half of Self-employment Tax (Federal) † | 3,416,786 | 4 | 4,082,713 | 4 |
| 157 | Penalty of Early Withdrawal of Savings (Federal) † | 21,398 | 4 | 13,104 | 4 |
| 159 | Qualified Charitable Contributions on Non-Itemized Returns (Federal) † | 849,263 | 2 | *n/a* | *n/a* |
| 164 | Self-employed Health Insurance (Federal) † | 3,454,982 | 2 | --- | 5 |
| 165 | Standard Deduction † | 218,741,263 | 1 | 221,767,280 | 1 |
| 167 | Student Loan Interest (Federal) † | 626,874 | 2 | --- | 5 |
| | ***Total Deductions*** | ***$ 233,920,552*** | ***2.8*** | ***$ 227,765,536*** | ***4.2*** |

### *Exclusions*

| Page Number | Item | 2020 Forgone Revenue | Reliability Level | 2021 Forgone Revenue | Reliability Level |
|---|---|---|---|---|---|
| 186 | Long-Term Gain from Capital Investment in Small Business | $ --- | 5 | $ --- | 5 |
| 191 | Paycheck Protection Program Loan Forgiveness | *n/a* | *n/a* | 22,278,149 | 1 |
| 195 | Taxed Gross Earnings and Associated Costs of Non-Public Service Corporations | --- | 55 | --- | 5 |
| | ***Total Exclusions*** | ***$ ---*** | ***5.0*** | ***$ 22,278,149*** | ***3.7*** |

### *Exemptions*

| Page Number | Item | 2020 Forgone Revenue | Reliability Level | 2021 Forgone Revenue | Reliability Level |
|---|---|---|---|---|---|
| 269 | Personal and Dependent † | $ 123,452,894 | 1 | $ 124,613,086 | 1 |
| 309 | Stay Invested in RI Wavemaker Fellowship Awards † | 1,745 | 1 | 27,598 | 1 |
| | ***Total Exemptions*** | ***$ 123,454,639*** | ***1.0*** | ***$ 124,640,684*** | ***1.0*** |

### *Modifications*

| Page Number | Item | 2020 Forgone Revenue | Reliability Level | 2021 Forgone Revenue | Reliability Level |
|---|---|---|---|---|---|
| 331 | Bonus Depreciation Provided by JCWAA of 2002 and JGTRRA of 2003 † | $ 0 | 1 | $ 0 | 1 |
| 335 | Contribution to Medical Savings Accounts by Scituate Residents † | 503 | 1 | 353 | 1 |

## Personal Income Tax (R.I. Gen. Laws Ch. 44-30)

***Modifications (continued)***

| Page Number | Item | 2020 Forgone Revenue | Reliability Level | 2021 Forgone Revenue | Reliability Level |
|---|---|---|---|---|---|
| 337 | Contributions to an Account under Tuition Savings Program † | 169,111 | 1 | 187,939 | 1 |
| 339 | Enterprise Zone Business Owner with Domiciliary in Enterprise Zone† | 32,344 | 1 | 84,837 | 1 |
| 340 | Federally Taxable Withdrawals from Tuition Savings Program Account † | * | 5 | * | 5 |
| 341 | Gain from Stock Options in Qualifying Corporations † | * | 5 | * | 5 |
| 342 | Income Earned on a Rhode Island Family Education Account † | 12,320 | 1 | 21,485 | 1 |
| 343 | Income from the Assignment or Transfer of Historic Preservation Tax Credits † | 2,427 | 2 | 2,548 | 2 |
| 345 | Income from the Assignment or Transfer of Historic Structures Tax Credits † | 1,675 | 2 | 12,837 | 2 |
| 346 | Income from the Assignment or Transfer of Motion Picture Production Tax Credits † | 13,135 | 2 | 69,729 | 2 |
| 348 | Income from the Assignment or Transfer of Musical and Theatrical Production Tax Credits † | 1,311 | 2 | 5,162 | 2 |
| 349 | Income or Gain from a Qualifying Employee's Ownership of a Qualifying Corporation † | 171,745 | 1 | 12,032 | 1 |
| 350 | Interest on Obligations of the United States and its Possessions † | 2,371,998 | 1 | 2,083,053 | 1 |
| 352 | Military Pay of Non-Resident Individuals † | 799,283 | 1 | 992,262 | 1 |
| 354 | New Research and Development Facilities † | 552 | 1 | 6,014 | 1 |
| 356 | Organ Transplantation † | 4,024 | 1 | 5,078 | 1 |
| 357 | Performance-Based Income of Eligible Employees via the Jobs Growth Act † | 1,039 | 1 | 5,593 | 1 |
| 358 | Profits or Gains from Sales of Work by Artists, Writers, and Composers † | 13,652 | 1 | 14,981 | 1 |
| 359 | Provision of Insurance Benefit to Dependent or Domestic Partner † | 49,783 | 1 | 50,217 | 1 |
| 360 | Qualifying Investment in a Certified Venture Capital Partnership † | 4,711 | 1 | 9,638 | 1 |
| 361 | Railroad Retirement Benefits † | 205,642 | 1 | 208,471 | 1 |
| 364 | Rhode Island Fiduciary Adjustment † | 0 | 1 | 352,236 | 1 |
| 366 | Tax Incentives for Employers † | 51,716 | 1 | 12,264 | 1 |
| 367 | Taxable Military Service Pension Income *(new)* | *n/a* | *n/a* | *n/a* | *n/a* |

## Personal Income Tax (R.I. Gen. Laws Ch. 44-30)

### *Modifications (continued)*

| Page Number | Item | 2020 Forgone Revenue | Reliability Level | 2021 Forgone Revenue | Reliability Level |
|---|---|---|---|---|---|
| 368 | Taxable Pension Plan and/or Annuity Income † | 13,984,777 | 1 | 13,961,295 | 1 |
| 370 | Taxable Social Security Income † | 23,093,416 | 1 | 23,809,356 | 1 |
| | ***Total Modifications*** | ***$ 40,985,164*** | ***1.5*** | ***$ 41,907,380*** | ***1.5*** |

### *Tax Abatements*

| Page Number | Item | 2020 Forgone Revenue | Reliability Level | 2021 Forgone Revenue | Reliability Level |
|---|---|---|---|---|---|
| 390 | Child Tax Rebate *(new)* | *n/a* | *n/a* | *n/a* | *n/a* |
| 392 | Political Check-Off † | $ 84,635 | 1 | $ 80,770 | 1 |
| | ***Total Tax Abatements*** | ***$ 84,635*** | ***1.0*** | ***$ 80,770*** | ***1.0*** |
| | ***Total Personal Income Tax*** | ***$ 669,756,280*** | ***1.8*** | ***$ 702,049,978*** | ***2.0*** |

## Public Service Corporation Tax (R.I. Gen. Laws Ch. 44-13)

### *Credits*

| Page Number | Item | 2020 Forgone Revenue | Reliability Level | 2021 Forgone Revenue | Reliability Level |
|---|---|---|---|---|---|
| 66 | Accommodations Under Americans with Disabilities Act † | $ 0 | 1 | $ 0 | 1 |
| 67 | Adult and Child Daycare † | 0 | 1 | 0 | 1 |
| 70 | Adult Education † | 0 | 1 | 0 | 1 |
| 77 | Contributions to Scholarship Organizations † | 0 | 1 | 0 | 1 |
| 82 | Educational Assistance and Development † | 0 | 1 | 0 | 1 |
| 85 | Employment – Welfare Bonus Program † | 0 | 1 | 0 | 1 |
| 88 | Historic Preservation † | 0 | 1 | 0 | 1 |
| 92 | Historic Structures † | 0 | 1 | 0 | 1 |
| 101 | Low-Income Housing *(new)* | *n/a* | *n/a* | *n/a* | *n/a* |
| 109 | Musical and Theatrical Production † | 0 | 1 | 0 | 1 |
| 111 | New Qualified Jobs Incentive Act † | $ 0 | 1 | $ 0 | 1 |
| 118 | Rebuild Rhode Island † | 0 | 1 | 0 | 1 |
| | ***Total Credits*** | ***$ 0*** | ***1.0*** | ***$ 0*** | ***1.0*** |

### *Deductions*

| Page Number | Item | 2020 Forgone Revenue | Reliability Level | 2021 Forgone Revenue | Reliability Level |
|---|---|---|---|---|---|
| 142 | Connecting Fees, Switching and Carrier Access Charges † | $ 1,443,336 | 1 | $ 1,406,773 | 1 |
| 144 | Electricity for Resale † | --- | 5 | --- | 5 |
| 151 | Merchandise Sold † | 0 | 1 | 0 | 1 |
| 160 | Qualifying Investment in a Certified Venture Capital Partnership † | 0 | 1 | 0 | 1 |
| 169 | Tax Incentives for Employers † | --- | 5 | --- | 5 |
| | ***Total Deductions*** | ***$ 1,443,336*** | ***2.6*** | ***$ 1,406,773*** | ***2.6*** |

## Public Service Corporation Tax (R.I. Gen. Laws Ch. 44-13)

### *Exclusions*

| Page Number | Item | 2020 Forgone Revenue | Reliability Level | 2021 Forgone Revenue | Reliability Level |
|---|---|---|---|---|---|
| 179 | Dividends Received from Shares of Stock † | $ --- | 5 | $ --- | 5 |
| 186 | Long-Term Gain from Capital Investment in Small Business | --- | 5 | --- | 5 |
| 197 | Value-Added Non-Voice Services That Use Computer Processing Applications | --- | 5 | --- | 5 |
| | ***Total Exclusions*** | ***$ ---*** | ***5.0*** | ***$ ---*** | ***5.0*** |

### *Exemptions*

| Page Number | Item | 2020 Forgone Revenue | Reliability Level | 2021 Forgone Revenue | Reliability Level |
|---|---|---|---|---|---|
| 265 | Narragansett Pier Railroad Company | $ --- | 5 | $ --- | 5 |
| 307 | Securities from Taxation | --- | 5 | --- | 5 |
| | ***Total Exemptions*** | ***$ ---*** | ***5.0*** | ***$ ---*** | ***5.0*** |

### *Preferential Tax Rates*

| Page Number | Item | 2020 Forgone Revenue | Reliability Level | 2021 Forgone Revenue | Reliability Level |
|---|---|---|---|---|---|
| 385 | Jobs Development Act | $ 0 | 1 | $ 0 | 1 |
| | ***Total Preferential Tax Rate*** | ***$ 0*** | ***1.0*** | ***$ 0*** | ***1.0*** |

### *Tax Abatements*

| Page Number | Item | 2020 Forgone Revenue | Reliability Level | 2021 Forgone Revenue | Reliability Level |
|---|---|---|---|---|---|
| 394 | Temporary Relief from Gross Earnings Tax on Electricity and Gas *(new)* | *n/a* | *n/a* | *n/a* | *n/a* |
| | ***Total Tax Abatements*** | ***n/a*** | ***n/a*** | ***n/a*** | ***n/a*** |
| | ***Total Public Service Corporation Tax*** | ***$ 1,443,336*** | ***2.3*** | ***$ 1,406,773*** | ***2.3*** |

## Real Estate Conveyance Tax (R.I. Gen. Laws Ch. 44-25)

### *Exclusions*

| Page Number | Item | 2020 Forgone Revenue | Reliability Level | 2021 Forgone Revenue | Reliability Level |
|---|---|---|---|---|---|
| 174 | Conveyance of Mobile/Manufactured Homes for Consideration of $100 or less | $ --- | 5 | $ --- | 5 |
| 175 | Conveyance of Real Estate for Consideration of $100 or less | --- | 5 | --- | 5 |
| 176 | Conveyance of Real Estate Relating to the Capitol Center Project | 0 | 1 | 0 | 1 |
| | ***Total Exclusions*** | ***$ 0*** | ***3.7*** | ***$ 0*** | ***3.7*** |

## Real Estate Conveyance Tax (R.I. Gen. Laws Ch. 44-25)

### *Exemptions*

| Page Number | Item | 2020 Forgone Revenue | Reliability Level | 2021 Forgone Revenue | Reliability Level |
|---|---|---|---|---|---|
| 201 | Affordable Housing Development | *n/a* | *n/a* | *n/a* | *n/a* |
| 227 | Deed, Instrument or Writing where Grantor is U.S. Government or State of Rhode Island | $ --- | 5 | $ --- | 5 |
| 283 | Qualified Sales of Manufactured and Mobile Home Parks | --- | 5 | --- | 5 |
| | ***Total Exemptions*** | ***$ ---*** | ***5.0*** | ***$ ---*** | ***5.0*** |
| | ***Total Real Estate Conveyance Tax*** | ***$ 0*** | ***4.2*** | ***$ 0*** | ***4.2*** |

## Rental Vehicle Surcharge (R.I. Gen. Laws Ch. 31-34.1)

### *Modifications*

| Page Number | Item | 2020 Forgone Revenue | Reliability Level | 2021 Forgone Revenue | Reliability Level |
|---|---|---|---|---|---|
| 363 | Rental Vehicle Surcharge Retained by Rental Car Companies | $ 4,778,672 | 1 | $ 3,510,364 | 1 |
| | ***Total Modifications*** | ***$ 4,778,672*** | ***1.0*** | ***$ 3,510,364*** | ***1.0*** |
| | ***Total Rental Vehicle Surcharge*** | ***$ 4,778,672*** | ***1.0*** | ***$ 3,510,364*** | ***1.0*** |

## Refund Option (Multiple)

### *Credits*

| Page Number | Item | 2020 Forgone Revenue | Reliability Level | 2021 Forgone Revenue | Reliability Level |
|---|---|---|---|---|---|
| 111 | New Qualified Jobs Incentive Act † | $ 508,137 | 1 | $ 0 | 1 |
| 118 | Rebuild Rhode Island † | 1,786,134 | 1 | 3,342,857 | 1 |
| 129 | Stay Invested in RI Wavemaker Fellowship † | 1,415,895 | 1 | 853,156 | 1 |
| | ***Total Credits*** | ***$ 3,710,166*** | ***1.0*** | ***$ 4,196,013*** | ***1.0*** |
| | ***Total Refund Option*** | ***$ 3,710,166*** | ***1.0*** | ***$ 4,196,013*** | ***1.0*** |

## Sales and Use Tax (R.I. Gen. Laws Ch. 44-18)

### *Exclusions*

| Page Number | Item | 2020 Forgone Revenue | Reliability Level | 2021 Forgone Revenue | Reliability Level |
|---|---|---|---|---|---|
| 196 | Taxes Legally Imposed on Consumer but Separately Stated on Invoice | $ --- | 5 | $ --- | 5 |
| 197 | Veterinary and Testing Laboratory Services^ | 5,902,585 | 3 | 6,339,200 | 3 |
| | ***Total Exclusions*** | ***$ 5,902,585*** | ***4.0*** | ***$ 6,339,200*** | ***4.0*** |

## Sales and Use Tax (R.I. Gen. Laws Ch. 44-18)

### *Exemptions*

| Page Number | Item | 2020 Forgone Revenue | Reliability Level | 2021 Forgone Revenue | Reliability Level |
|---|---|---|---|---|---|
| 202 | Agricultural Products for Human Consumption ^ | $ 5,583,084 | 3 | $ 6,191,552 | 3 |
| 203 | Air and Water Pollution Control Facilities ^ | --- | 5 | --- | 5 |
| 204 | Aircraft and Aircraft Parts ^ | 5,606,033 | 3 | 6,180,163 | 3 |
| 206 | Banks and Regulated Investment Companies Interstate Toll Free Calls | 596,561 | 4 | 685,501 | 4 |
| 208 | Boats or Vessels Brought in Exclusively for Winter Storage, Maintenance, Repair or Sale ^ | * | 5 | * | 5 |
| 209 | Boats or Vessels Generally ^ | 8,300,416 | 3 | 9,755,095 | 3 |
| 210 | Boats Sold to Non-Residents ^ | * | 5 | * | 5 |
| 211 | Breast Pumps Collection and Storage Supplies *(new)* | *n/a* | *n/a* | *n/a* | *n/a* |
| 212 | Building Materials Used to Rebuild After Disaster | --- | 5 | --- | 5 |
| 212 | Buses, Trucks, or Trailers used in Interstate Commerce ^ | 3,702,800 | 3 | 3,767,300 | 3 |
| 213 | Camps ^ | 1,046,617 | 3 | 1,140,498 | 3 |
| 216 | Casual Sales | 6,464 | 1 | 6,735 | 1 |
| 217 | Charitable, Educational, or Religious Organizations ^ | 108,038,086 | 3 | 117,140,871 | 3 |
| 219 | Clothing and Footwear ^ | 45,297,370 | 3 | 48,928,598 | 3 |
| 220 | Coffins, Caskets, Urns, Shrouds, and Burial Garments ^ | 1,513,562 | 3 | 1,508,163 | 3 |
| 222 | Coins | 401,255 | 4 | 792,109 | 4 |
| 223 | Commercial Fishing Vessels in Excess of Five Net Tons | 375,433 | 4 | 433,540 | 4 |
| 225 | Commercial Vessels of 50 Tons Burden or More | --- | 5 | --- | 5 |
| 225 | Compressed Air | --- | 5 | --- | 5 |
| 226 | Containers ^ | 13,731,281 | 3 | 14,934,828 | 3 |
| 228 | Diesel Emission Control Technology | --- | 5 | --- | 5 |
| 229 | Dietary Supplements | 3,230,148 | 4 | 3,463,269 | 4 |
| 230 | Educational Institutions Rental Charges ^ | 7,021,563 | 3 | 7,512,185 | 3 |
| 232 | Electricity and Gas ^ | $ 83,257,450 | 3 | $ 90,692,348 | 3 |
| 234 | Equipment for Research and Development ^ | 7,805,300 | 3 | 8,111,800 | 3 |
| 236 | Farm Equipment ^ | 725,400 | 3 | 725,400 | 3 |
| 238 | Farm Structure Construction Materials ^ | 511,186 | 3 | 575,042 | 3 |
| 239 | Feed for Certain Animals Used in Commercial Farming ^ | 121,715 | 3 | 137,004 | 3 |
| 240 | Feminine Hygiene Products | 1,114,575 | 4 | 1,159,385 | 4 |

## Sales and Use Tax (R.I. Gen. Laws Ch. 44-18)

***Exemptions (continued)***

| Page Number | Item | 2020 Forgone Revenue | Reliability Level | 2021 Forgone Revenue | Reliability Level |
|---|---|---|---|---|---|
| 244 | Flags | 68,652 | 4 | 69,454 | 4 |
| 245 | Food and Food Ingredients ^ | 197,406,134 | 3 | 208,699,808 | 3 |
| 247 | Food Items Paid for by Food Stamps | 14,951,921 | 1 | 15,569,325 | 1 |
| 248 | Gasoline | 71,376,998 | 2 | 71,058,451 | 2 |
| 251 | Heating Fuels | 25,024,115 | 4 | 23,636,849 | 4 |
| 253 | Horse Food Products ^ | 69,210 | 3 | 69,419 | 3 |
| 254 | Human Blood | 804,040 | 4 | 847,677 | 4 |
| 256 | Installation Labor Charges When Separately Stated ^ | 42,031,200 | 3 | 44,944,700 | 3 |
| 257 | Jewelry Display Product | --- | 5 | --- | 5 |
| 257 | Lottery Prizes | 0 | 1 | 0 | 1 |
| 258 | Manufacturers' Machinery and Equipment ^ | 38,531,955 | 3 | 39,691,599 | 3 |
| 260 | Medicines, Drugs, and Durable Medical Equipment ^ | 158,208,681 | 3 | 176,557,862 | 3 |
| 262 | Mobile and Manufactured Homes Generally | 667,125 | 1 | 387,900 | 1 |
| 263 | Motor Vehicle and Adaptive Equipment for Amputee Veterans | * | 5 | * | 5 |
| 264 | Motor Vehicles and Adaptive Equipment for Persons with Disabilities | 3,705 | 1 | 3,125 | 1 |
| 266 | Newspapers ^ | 2,632,253 | 3 | 3,312,034 | 3 |
| 273 | Precious Metal Bullion | --- | 5 | --- | 5 |
| 274 | Promotional and Product Literature of Boat Manufacturers ^ | 27,200 | 3 | 29,600 | 3 |
| 275 | Property Otherwise Exempted | --- | 5 | --- | 5 |
| 276 | Property Purchased from Federal Government ^ | 9,517,136 | 3 | 10,270,477 | 3 |
| 277 | Property Purchased Outside of State by Non-Resident and Brought into State | --- | 5 | --- | 5 |
| 278 | Property Returned Within 120 Days from the Date of Delivery | 74,641 | 1 | 63,578 | 1 |
| 280 | Prosthetic Devices and Mobility Enhancing Equipment ^ | 15,485,604 | 3 | 17,095,066 | 3 |
| 281 | Purchases Used for Manufacturing Purposes † | $ 384,518,750 | 2 | $ 413,153,020 | 2 |
| 283 | Rebuild Rhode Island Sales and Use Tax | 2,411,964 | 1 | 3,133,732 | 1 |
| 285 | Renewable Energy Products | 6,580,287 | 2 | 2,160,774 | 2 |
| 287 | Rental Charged for Living or Sleeping Quarters in a Hospital or Nursing Home ^ | 42,731,578 | 3 | 47,049,655 | 3 |
| 289 | Rhode Island Industrial Facilities Corporation Lessees | 0 | 1 | 33,843 | 1 |

## Sales and Use Tax (R.I. Gen. Laws Ch. 44-18)

***Exemptions (continued)***

| Page Number | Item | 2020 Forgone Revenue | Reliability Level | 2021 Forgone Revenue | Reliability Level |
|---|---|---|---|---|---|
| 290 | Sales and Use Taxes Paid to Other Jurisdictions | 15,759,268 | 1 | 21,376,384 | 1 |
| 292 | Sales beyond Constitutional Power of State | --- | 5 | --- | 5 |
| 293 | Sales by Writers, Composers, Artists † | 970,077 | 2 | 1,488,819 | 2 |
| 294 | Sales in Municipal Economic Development Zones | 0 | 1 | 0 | 1 |
| 296 | Sales in Public Buildings by Blind People | 50,701 | 1 | 23,568 | 1 |
| 297 | Sales of Motor Vehicles to Non-Residents | 1,081,068 | 2 | 1,457,127 | 2 |
| 299 | Sales of Non-Motorized Recreational Vehicles to Non-Residents | --- | 5 | --- | 5 |
| 299 | Sales of Trailers Ordinarily Used for Residential Purposes | --- | 5 | --- | 5 |
| 300 | Sales to Common Carriers for Use Outside of the State | --- | 5 | --- | 5 |
| 301 | Sales to Federal Government ^ | 4,791,200 | 3 | 4,778,300 | 3 |
| 302 | Sales to the State or Its Political Subdivisions ^ | 44,022,200 | 3 | 44,619,000 | 3 |
| 305 | School Meals ^ | 2,737,095 | 3 | 2,887,235 | 3 |
| 307 | Seeds and Plants used to Grow Food and Food Ingredients | * | 5 | * | 5 |
| 308 | Special Adaptations for Wheelchair Accessible Taxicabs | --- | 5 | --- | 5 |
| 310 | Supplies Used in On-Site Hazardous Waste Recycling, Reuse, or Treatment | --- | 5 | --- | 5 |
| 310 | Supplies Used in Preparing Floral Products and/or Arrangements ^ | 355,555 | 3 | 381,029 | 3 |
| 313 | Telecommunications Carrier Access Services ^ | 12,804,900 | 3 | 13,536,000 | 3 |
| 314 | Textbooks ^ | 2,103,592 | 3 | 2,306,924 | 3 |
| 315 | Total Loss or Destruction of Motor Vehicle within 120 Days of Tax Payment | 74,641 | 1 | 63,578 | 1 |
| 316 | Trade-in Value of Boats | --- | 5 | --- | 5 |
| 317 | Trade-in Value of Motorcycles *(new)* | *n/a* | *n/a* | *n/a* | *n/a* |
| 319 | Trade-In Value of Private Passenger Automobiles | $ 14,034,465 | 1 | $ 18,048,027 | 1 |
| 320 | Transfers or Sales Made to Immediate Family Members | --- | 5 | --- | 5 |
| 321 | Transfers or Sales Related to Business Dissolution or Partial Liquidation | --- | 5 | --- | 5 |
| 337 | Transportation Charges of Motor Carriers to Haul Goods | --- | 5 | --- | 5 |



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## Sales and Use Tax (R.I. Gen. Laws Ch. 44-18)

***Exemptions (continued)***

| Page Number | Item | 2020 Forgone Revenue | Reliability Level | 2021 Forgone Revenue | Reliability Level |
|---|---|---|---|---|---|
| 324 | Vehicles Purchased by Non-Resident Military Personnel Subject to Sales Tax Elsewhere | --- | 5 | --- | 5 |
| 324 | Video Lottery Terminal, Table Games, and Sports Wagering Prizes | 0 | 1 | 0 | 1 |
| 325 | Water for Residential Use | 14,608,737 | 2 | 15,364,364 | 2 |
| 327 | Wine and Spirits | 19,135,601 | 1 | 21,302,210 | 1 |
| 328 | Youth Activities Equipment Sold for $20 or less by Nonprofit Organizations | --- | 5 | --- | 5 |
| | ***Total Exemptions*** | ***$ 1,443,638,548*** | ***3.3*** | ***$ 1,549,311,899*** | ***3.3*** |
| | ***Total Sales and Use Tax*** | ***$ 1,449,541,133*** | ***3.3*** | ***$ 1,555,651,099*** | ***3.3*** |

## Shared Responsibility Payment Penalty Tax (R.I. Gen. Laws § 44-30-101(c))

***Exemptions***

| Page Number | Item | 2020 Forgone Revenue | Reliability Level | 2021 Forgone Revenue | Reliability Level |
|---|---|---|---|---|---|
| 250 | Hardship *(new)* | $ 8,840 | 2 | $ 18,456 | 2 |
| 260 | Medicaid *(new)* | --- | 5 | --- | 5 |
| 285 | Religious Conscience *(new)* | * | 5 | * | 5 |
| 311 | Taxpayers with Income Below Filing Threshold *(new)* | 1,547,000 | 2 | 1,210,406 | 2 |
| | ***Total Exemptions*** | **$ 1,555,840** | **3.5** | **$ 1,228,862** | **3.5** |
| | ***Total Shared Responsibility Payment Penalty Tax*** | **$ 1,555,840** | **3.5** | **$ 1,228,862** | **3.5** |
| | ***TOTAL TAX EXPENDTURES*** | ***$2,561,828,958*** | ***2.5*** | ***$2,833,441,097*** | ***2.5*** |

# VIII. Detail of Tax Expenditure Items

# CREDITS

## 1. Accommodations under the Americans with Disabilities Act (ADA):

Statutory Reference: R.I. Gen. Laws § 44-54-1

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1997 / 2010

Description: A small business taxpayer that pays for or incurs expenses to provide access to persons with disabilities to comply with federal or state laws is allowed a credit against the business corporation tax and the public service corporation tax equal to 10% of the total amount expended. The credit cannot exceed $1,000 each tax year.

Data Source: Rhode Island Division of Taxation.

Reliability Index: 1

| *Calendar Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Business Corporation Tax | $0 | 0 |
| 2020 Public Service Corporation Tax | $0 | 0 |
| **2020 Total** | **$0** | **0** |
| 2021 Business Corporation Tax | $0 | 0 |
| 2021 Public Service Corporation Tax | $0 | 0 |
| **2021 Total** | **$0** | **0** |

Projection Methodology: Amount of credit and number of taxpayers held constant with TY 2021.

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2022 Business Corporation Tax | $0 | 0 |
| 2022 Public Service Corporation Tax | $0 | 0 |
| **2022 Projected Total** | **$0** | **0** |
| 2023 Business Corporation Tax | $0 | 0 |
| 2023 Public Service Corporation Tax | $0 | 0 |
| **2023 Projected Total** | **$0** | **0** |

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2024 Business Corporation Tax | $0 | 0 |
| 2024 Public Service Corporation Tax | $0 | 0 |
| **2024 Projected Total** | **$0** | **0** |
| 2025 Business Corporation Tax | $0 | 0 |
| 2025 Public Service Corporation Tax | $0 | 0 |
| **2025 Projected Total** | **$0** | **0** |

Law Comparison: Massachusetts has a similar provision.

Massachusetts: Massachusetts allows taxpayers to deduct up to $15,000 of the costs of removing architectural or transportation barriers to the handicapped in the year these costs are incurred. The immediate deduction of these expenditures, which would otherwise have to be capitalized and depreciated over a longer period, results in a deferral of tax or an interest-free loan.

Massachusetts Statute: 26 U.S.C. § 190

**2. Adult and Child Daycare:**

Statutory Reference: R.I. Gen. Laws §§ 44-47-1 and 44-47-3

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1987 / 1994

Description: A credit is allowed against the business corporation tax, public service corporation tax (except the taxation of certain tangible property), bank excise tax, and insurance company gross premiums tax for 30% of the total amount expended in the state by a taxpayer (a) for day care services purchased to provide care for the dependent children or dependent adult family members of the taxpayer's employees or employees of commercial tenants of the taxpayer during the employees' hours of employment; (b) in the establishment and/or operation of a day care facility used primarily by the dependent children of the taxpayer's employees or employees of commercial tenants of the taxpayer during the employees' hours of employment; (c) in conjunction with one or more other taxpayers for the establishment and/or operation of a day care facility used primarily by the dependent children of the taxpayer's employees or employees of commercial tenants of the taxpayer during the employees' hours of employment; or (d) the total amount forgone in rent or lease payments related to the dedication of rental or lease space to child day care services.

The maximum credit allowed is $30,000 and cannot be used to reduce the tax due in any given tax year to less than $100 or the minimum tax for each tax type established in law. The credit may be carried forward for the next five consecutive tax years, if the credit has been earned under

conditions (b), (c) or (d) above, but no carry forward provision is available for credits earned under condition (a).

Data Source: Rhode Island Division of Taxation. TY 2022 data is as of October 2023 and may not include any extensions or amended returns that have not yet been processed by the Division of Taxation.

Reliability Index: 1

| *Calendar Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Business Corporation Tax | $0 | 0 |
| 2020 Public Service Corporation Tax | $0 | 0 |
| 2020 Bank Tax | $0 | 0 |
| 2020 Ins Co Gross Premiums Tax | $0 | 0 |
| **2020 Total** | **$0** | **0** |
| 2021 Business Corporation Tax | $0 | 0 |
| 2021 Public Service Corporation Tax | $0 | 0 |
| 2021 Bank Tax | $0 | 0 |
| 2021 Ins Co Gross Premiums Tax | $0 | 0 |
| **2021 Total** | **$0** | **0** |

Projection Methodology: TY 2022 data is as of October 2023 and may not include any extensions or amended returns that have not yet been processed by the Division of Taxation. Amount of credit and number of taxpayers held constant with TY 2022.

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2022 Business Corporation Tax | $0 | 0 |
| 2022 Public Service Corporation Tax | $0 | 0 |
| 2022 Bank Tax | $0 | 0 |
| 2022 Ins Co Gross Premiums Tax | $0 | 0 |
| **2022 Projected Total** | **$0** | **0** |

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2023 Business Corporation Tax | $0 | 0 |
| 2023 Public Service Corporation Tax | $0 | 0 |
| 2023 Bank Tax | $0 | 0 |
| 2023 Ins Co Gross Premiums Tax | $0 | 0 |
| **2023 Projected Total** | **$0** | **0** |
| 2024 Business Corporation Tax | $0 | 0 |
| 2024 Public Service Corporation Tax | $0 | 0 |
| 2024 Bank Tax | $0 | 0 |
| 2024 Ins Co Gross Premiums Tax | $0 | 0 |
| **2024 Projected Total** | **$0** | **0** |
| 2025 Business Corporation Tax | $0 | 0 |
| 2025 Public Service Corporation Tax | $0 | 0 |
| 2025 Bank Tax | $0 | 0 |
| 2025 Ins Co Gross Premiums Tax | $0 | 0 |
| **2025 Projected Total** | **$0** | **0** |

Law Comparison: Connecticut and Maine have similar provisions.

Connecticut: Connecticut allows a corporation subject to the corporation business tax to claim a credit for expenditures made as a human capital investment. Eligible expenditures include planning, site preparation, construction, renovation, or acquisition of facilities for the purpose of establishing a day care facility in Connecticut to be used primarily by the children of employees who are employed in the state, as well as subsidies to employees who are employed in the state for childcare to be provided in the state. The tax credit is equal to 5% of the amount paid or incurred by the corporation for a human capital investment. Corporation business tax credits cannot, in general, exceed 50% of corporation business tax liability, and unused amounts may be carried forward for up to five succeeding income years.

Beginning in TY 2024, the credit increases to 10% for most eligible investments and 25% for currently eligible childcare-related investments. It also makes additional childcare-related investments eligible for the 25% credit. Taxpayers eligible for the 25% credit may use the credit to reduce their corporate business tax liability up to 70%.

Connecticut Statute: Conn. Gen. Stat. § 12-217x

Maine: Eligible taxpayers can claim a credit up to 25% of adult dependent care expenses paid for adult day care, hospice services, and respite care provided these expenses were not used in calculating the federal child and dependent care credit. Eligible expenses are capped at $3,000 for one qualifying individual or $6,000 for two or more qualifying individuals. The credit is refundable up to $500.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 5218-A

### 3. Adult Education:

Statutory Reference: R.I. Gen. Laws §§ 44-46-1, 44-46-3, and 44-46-7

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1985 / 1999

Description: An employer is allowed a credit against the business corporation tax, public service corporation tax, bank excise tax, bank deposits tax, and the insurance company gross premiums tax for 50% of the costs incurred solely and directly for non-worksite or worksite-based adult education programs. The employees for whom the employer claims an adult education tax credit must remain in the employ of the business for a minimum period of 13 consecutive weeks and a minimum of 455 hours of paid employment before an employer is eligible for the credit.

The maximum credit per employee is $300 and the maximum credit per calendar year per employer is $5,000. This credit cannot reduce the business corporation tax liability to less than $100 or the minimum tax for each tax type established in law. The credit is not refundable, and any amount of the credit that is not used in the taxable year in which the employer becomes eligible for the credit cannot be carried forward to the following year.

Data Source: Rhode Island Division of Taxation.

Reliability Index: 1

| *Calendar Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Business Corporation Tax | $0 | 0 |
| 2020 Public Service Corporation Tax | $0 | 0 |
| 2020 Bank Tax | $0 | 0 |
| 2020 Bank Deposits Tax | $0 | 0 |
| 2020 Ins Co Gross Premiums Tax | $0 | 0 |
| **2020 Total** | **$0** | **0** |

| *Calendar Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2021 Business Corporation Tax | $0 | 0 |
| 2021 Public Service Corporation Tax | $0 | 0 |
| 2021 Bank Tax | $0 | 0 |
| 2021 Bank Deposits Tax | $0 | 0 |
| 2021 Ins Co Gross Premiums Tax | $0 | 0 |
| **2021 Total** | **$0** | **0** |

Projection Methodology: Amount of credit and number of taxpayers held constant with TY 2021.

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2022 Business Corporation Tax | $0 | 0 |
| 2022 Public Service Corporation Tax | $0 | 0 |
| 2022 Bank Tax | $0 | 0 |
| 2022 Bank Deposits Tax | $0 | 0 |
| 2022 Ins Co Gross Premiums Tax | $0 | 0 |
| **2022 Projected Total** | **$0** | **0** |
| 2023 Business Corporation Tax | $0 | 0 |
| 2023 Public Service Corporation Tax | $0 | 0 |
| 2023 Bank Tax | $0 | 0 |
| 2023 Bank Deposits Tax | $0 | 0 |
| 2023 Ins Co Gross Premiums Tax | $0 | 0 |
| **2023 Projected Total** | **$0** | **0** |
| 2024 Business Corporation Tax | $0 | 0 |
| 2024 Public Service Corporation Tax | $0 | 0 |
| 2024 Bank Tax | $0 | 0 |
| 2024 Bank Deposits Tax | $0 | 0 |
| 2024 Ins Co Gross Premiums Tax | $0 | 0 |
| **2024 Projected Total** | **$0** | **0** |

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2025 Business Corporation Tax | $0 | 0 |
| 2025 Public Service Corporation Tax | $0 | 0 |
| 2025 Bank Tax | $0 | 0 |
| 2025 Bank Deposits Tax | $0 | 0 |
| 2025 Ins Co Gross Premiums Tax | $0 | 0 |
| **2025 Projected Total** | **$0** | **0** |

Law Comparison: Only Connecticut has a similar provision.

Connecticut: Connecticut allows a corporation subject to the corporation business tax to claim a credit for expenditures made as a human capital investment. Eligible expenditures include job training, work education programs in locations such as high schools and work education-diversified occupation programs, and worker training and education provided by institutions of higher education in Connecticut. The tax credit is equal to 5% of the amount paid or incurred by the corporation for a human capital investment. Corporation business tax credits cannot, in general, exceed 50% of corporation business tax liability, and unused amounts may be carried forward for up to five succeeding income years.

Beginning in TY 2024, the credit increases to 10% for most eligible investments and 25% for currently eligible childcare-related investments. It also makes additional childcare-related investments eligible for the 25% credit. Taxpayers eligible for the 25% credit may use the credit to reduce their corporate business tax liability up to 70%.

Connecticut Statute: Conn. Gen. Stat. § 12-217x

**4. Apprenticeship:**

Statutory Reference: R.I. Gen. Laws § 44-11-41

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1996 / N/A

Description: Any taxpayer who employs a machine tool, metal trade, or plastic process technician apprentice duly enrolled and registered under the terms of a qualified program is eligible for a credit against the business corporation tax imposed by R.I. Gen. Laws Chapter 44-11. The amount of the credit is equal to 50% of the actual wages paid to each qualifying apprentice or $4,800, whichever is less. The number of apprenticeships for which a tax credit is allowed must exceed the average number of apprenticeships begun during the five preceding years.

The credit is not refundable and or able to be carried forward to succeeding tax years.

Data Source: Rhode Island Division of Taxation.

Reliability Index: 1

| *Calendar Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Business Corporation Tax | $0 | 0 |
| 2021 Business Corporation Tax | $0 | 0 |

Projection Methodology: Amount of credit and number of taxpayers held constant with TY 2021.

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2022 Business Corporation Tax | $0 | 0 |
| 2023 Business Corporation Tax | $0 | 0 |
| 2024 Business Corporation Tax | $0 | 0 |
| 2025 Business Corporation Tax | $0 | 0 |

Law Comparison: Only Connecticut and Massachusetts have similar provisions.

Connecticut: A credit may be applied against the Connecticut corporation business tax by corporations that employ apprentices who are receiving training in the manufacturing, plastics and plastics-related, or construction trades. Wages of pre-apprentices are not eligible for this tax credit.

The tax credit allowed per apprentice in the manufacturing trades and plastics and plastics-related trades is the lesser of $6 per hour multiplied by the total number of hours worked during the income year by apprentices in the first half of a two-year term of apprenticeship or the first three-quarters of a four-year term of apprenticeship. The amount of credit allowed is $7,500 or 50% of actual wages paid in the first half of a two-year term of apprenticeship or in the first three-quarters of a four-year term of apprenticeship, whichever is less. The tax credit allowed per apprentice in construction trades shall be the lesser of: (1) $2 per hour multiplied by the total number of hours completed by the apprentice during a four-year qualifying apprenticeship training program; (2) 50% of the total wages paid to the apprentice during a four-year qualifying apprenticeship training program; or (3) $4,000. The credit is transferable but is not refundable or able to be carried forward.

Connecticut Statute: Conn. Gen. Stat. § 12-217g

Massachusetts: Massachusetts allows a refundable credit awarded to employers who are apprenticeship-program sponsors and who have entered into an apprentice agreement with each apprentice for whom the credit is claimed. The credit is equal to $4,800 or 50% of the wages paid to the apprentice for each apprentice. The total amount of credits authorized annually is $2.5

million. The credit is refundable, nontransferable, and can be taken against personal income tax and corporate excise tax.

Massachusetts Statute: Mass. Gen. Laws ch. 62, § 6(v)

**5. Biotechnology Investment:**

Statutory Reference: R.I. Gen. Laws § 44-31-1.1

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 2006 / N/A

Description: Any company primarily engaged in commercial biological research and development or manufacturing and sale of biotechnology products or active pharmaceutical ingredients shall be allowed a credit of 10% of the cost or other basis for federal tax purposes of tangible personal property, excluding vehicles and furniture, and other tangible property with situs in Rhode Island and principally used in the production of biotechnology products. This credit can be used against the business corporation tax, and unused credit amounts can be carried forward for up to 15 succeeding tax years.

To qualify for the tax credit, a company must pay its employees that work a minimum of 30 hours per week within the state a median annual wage equal to or greater than 125% of the average annual wage paid by all employers in Rhode Island to employees that work a minimum of 30 hours per week. The company must also provide benefits typical to the biotechnology industry.

Data Source: No reliable data exists for this expenditure item.

Reliability Index: 5 (This credit is included in the Investment Tax Credit.)

Projection Methodology: No separate projection is made due to lack of reliable data. Projected impact of the Biotechnology Investment Tax Credit is included in the projections of the Investment Tax Credit.

Law Comparison: Connecticut and Massachusetts have similar provisions.

Connecticut: Connecticut has a modification reducing taxable income for general partners of a qualified venture capital fund that invest in a Connecticut bioscience business.

Connecticut Statute: Conn. Gen. Stat. § 12-704g

Massachusetts: Massachusetts provides for an incentive payment to a biotechnology or medical device manufacturing company that creates 10 or more eligible jobs in the commonwealth during a single calendar year. The jobs incentive payment is equal to 50% of the salary paid to the persons who perform the newly created eligible jobs multiplied by the applicable Massachusetts income tax rate.

Massachusetts also has a life sciences refundable investment tax credit equal to 10% of the cost of qualifying property acquired, constructed, or erected during the tax year.

Massachusetts Statute: Mass. Gen. Laws ch. 62C, § 67D(b) and ch 63 §38U

### 6. Child and Dependent Care (Federal):

Statutory Reference: R.I. Gen. Laws § 44-30-2.6(c)(3)(F)(I)(g) / 26 U.S. Code § 21

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 2001 / 2010

Description: A taxpayer entitled to the federal child and dependent care credit is entitled to a credit against the Rhode Island personal income tax. In general, if a taxpayer can claim the federal credit for expenses paid for someone to care for a dependent that is under age 13 or to care for a spouse or dependent who is unable to care for themselves, then the taxpayer can claim a credit for the same expenses against the personal income tax. The child and/or dependent care expenses must be paid in order for the taxpayer to work or look for work. The amount of the credit is equal to 25% of the federal credit that is claimed.

*The American Rescue Plan Act of 2021 (ARPA), signed into law on March 11, 2021, made several changes for the purposes of calculating the child and dependent care tax credit for TY 2021 only. The maximum allowable expenses will increase from $3,000 to $8,000 for one qualifying child or adult dependent and from $6,000 to $16,000 for two or more qualifying children or adult dependents. The maximum credit rate is increased to 50% of allowable expenses up from 35% of allowable expenses. The TY 2021 federal child and dependent care credit phases out for federal returns with a federal adjusted gross income (AGI) over $125,000 until AGI reaches $183,000. For returns with a federal AGI of over $183,000 up to $400,000, the credit percentage is 20%. There is a further phaseout for returns with a federal AGI of over $400,000 that phase out until the credit percentage reaches 0% for returns with a federal AGI of over $438,000. Finally, for TY 2021, the ARPA also increases the maximum amount that you can contribute to an employer-sponsored dependent care flexible spending account (FSA) from $5,000 to $10,500, which would increase the allowable expenses for the child and dependent care credit for taxpayers who choose this option ($2,500 to $5,000 for eligible married filing separate taxpayers).*

Data Source: Office of Revenue Analysis (ORA) calculations based on TY 2020 and TY 2021 personal income tax data.

Reliability Index: 1

| *Calendar Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Personal Income Tax | $2,536,226 | 19,128 |
| 2021 Personal Income Tax | $9,970,987 | 21,261 |

Projection Methodology: The number of taxpayers is held constant with TY 2021. The average credit amount per taxpayer for TY 2018 – TY 2020 was applied to the projected number of taxpayers to project revenue forgone for TY 2022 – TY 2025. (TY 2021 was excluded from the projection average due to the temporary federal policy changes.)

| ***Calendar Year / Tax Type*** | ***Projected Revenue Forgone*** | ***Projected Number of Taxpayers*** |
|---|---|---|
| 2022 Personal Income Tax | $2,955,055 | 21,261 |
| 2023 Personal Income Tax | $2,955,055 | 21,261 |
| 2024 Personal Income Tax | $2,955,055 | 21,261 |
| 2025 Personal Income Tax | $2,955,055 | 21,261 |

Law Comparison: Maine, Massachusetts, and Vermont have similar provisions.

Maine: Taxpayers are allowed a credit against the tax otherwise due in the amount of 25% of the federal tax credit allowable for child and dependent care expenses in the same tax year.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 5218

Massachusetts: Massachusetts' provisions provide for a deduction in taxes due by any federal credit allowable on the resident's federal income tax return through TY 2020. If a taxpayer claims this deduction on their form, they are ineligible to claim the dependent member of household deduction.

Effective beginning on or after January 1, 2021, Massachusetts repealed the child and dependent care expenses deduction and replaced it with a refundable child and dependent care credit for employment-related expenses. The maximum credit is $240 for one qualifying individual and $480 for two or more qualifying individuals. Through legislation adopted at the end of 2023, the state eliminated the two-dependent cap and increased the credit to $310 for TY 2023 and to $440 on a permanent basis.

Massachusetts Statute: Mass. Gen. Laws ch. 62, §§ 3(B)(a)(7) and 6(x)

Vermont: Prior to TY 2022, a taxpayer was entitled to a nonrefundable credit against the personal income tax of 24% of the federal childcare and dependent care credit for a given taxable year. Vermont also previously had a low-income child and dependent credit for taxpayers with federal AGI under $30,000, if filing individually, or $40,000, if married filing jointly. The credit was equal to 50% of the federal child and dependent care credit for child and dependent care services procured in Vermont at a certified facility. Taxpayers could not take both credits.

The separate low-income child and dependent care credit was repealed in 2022. The Vermont child and dependent care credit was increased to 72% of the federal credit and made refundable.

Beginning in TY 2023, Vermont switched to a simple apportionment ratio for part-year residents claiming the credit.

Vermont Statute: Vt. Stat. Ann. tit. 32, §§ 5822(d) and 5828c

### 7. Contributions to Scholarship Organizations:

Statutory Reference: R.I. Gen. Laws Chapter 44-62

Stated Purpose: The credit is offered to enhance the educational opportunities available to all students in the state.

Year Enacted / Last Year Amended: 2006 / 2014

Description: Taxpayers that make voluntary cash contributions to certified scholarship organizations are entitled to receive a credit against the business corporation tax, public service corporation tax, bank excise tax, bank deposits tax, insurance company gross premiums tax, and personal income tax. The maximum credit allowed a business entity is no greater than $100,000 in any tax year. The total aggregate amount of all tax credits for contributions to scholarship organizations approved by the Division of Taxation in a fiscal year cannot exceed $1.5 million. This cap was increased to $1.6 million, effective January 1, 2024.

There are two methods by which the tax credit can be earned, a two-year contribution plan and a one-time contribution plan. Under the two-year contribution plan, the taxpayer commits to making the same amount of contribution for two consecutive tax years. In this case, the yearly tax credit earned is equal to 90% of the total voluntary contribution made by the business entity. Under the one-time contribution plan, the business entity receives a credit equal to 75% of the total voluntary contribution that is made.

The tax credit must be used in the tax year the contribution was made. The tax credit is not refundable, assignable, transferable, or able to be carried forward.

Data Source: *Business Corporation Tax, Bank Tax, Insurance Company Gross Premiums Taxes, and Personal Income Tax:* Rhode Island Division of Taxation Testimony, November 2023 Revenue Estimating Conference.

*Public Service Corporation Tax and Bank Deposits Tax:* Rhode Island Division of Taxation.

Reliability Index: 1

| *Calendar Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Business Corporation Tax | $0 | 0 |
| 2020 Public Service Corporation Tax | $0 | 0 |
| 2020 Bank Tax | $0 | 0 |
| 2020 Bank Deposits Tax | $0 | 0 |
| 2020 Ins Co Gross Premiums Tax | $90,000 | < 10 |
| 2020 Personal Income Tax | $1,082,382 | 68 |
| **2020 Total** | **$1,172,382** | **Not Available*** |
| 2021 Business Corporation Tax | $0 | 0 |
| 2021 Public Service Corporation Tax | $0 | 0 |
| 2021 Bank Tax | $0 | 0 |
| 2021 Bank Deposits Tax | $0 | 0 |
| 2021 Ins Co Gross Premiums Tax | $36,000 | < 10 |
| 2021 Personal Income Tax | $1,126,475 | 58 |
| **2021 Total** | **$1,162,475** | **Not Available*** |

**Indicates data that is not disclosed by Taxation due to taxpayer's confidentiality*

Projection Methodology: TY 2022 amount of credit and number of taxpayers is what was reported at the November 2023 Revenue Estimating Conference by the Division of Taxation. Forgone revenue amounts and the number of taxpayers for TY 2021 – TY 2023 are equal to the 3-year average using the TY 2018 - TY 2020 amount of revenue forgone and number of taxpayers. No adjustment was made for the 2024 increase in the program cap because prior usage was already under the cap.

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2022 Business Corporation Tax | $0 | 0 |
| 2022 Public Service Corporation Tax | $0 | 0 |
| 2022 Bank Tax | $0 | 0 |
| 2022 Bank Deposits Tax | $0 | 0 |
| 2022 Ins Co Gross Premiums Tax | $175,050 | < 10 |
| 2022 Personal Income Tax | $1,047,750 | 51 |
| **2022 Projected Total** | **$1,222,800** | **Not Available*** |

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2023 Business Corporation Tax | $0 | 0 |
| 2023 Public Service Corporation Tax | $0 | 0 |
| 2023 Bank Tax | $0 | 0 |
| 2023 Bank Deposits Tax | $0 | 0 |
| 2023 Ins Co Gross Premiums Tax | $60,000 | 3 |
| 2023 Personal Income Tax | $1,011,996 | 58 |
| **2023 Projected Total** | **$1,071,996** | **61** |
| 2024 Business Corporation Tax | $0 | 0 |
| 2024 Public Service Corporation Tax | $0 | 0 |
| 2024 Bank Tax | $0 | 0 |
| 2024 Bank Deposits Tax | $0 | 0 |
| 2024 Ins Co Gross Premiums Tax | $60,000 | 3 |
| 2024 Personal Income Tax | $1,011,996 | 58 |
| **2024 Projected Total** | **$1,071,996** | **61** |
| 2025 Business Corporation Tax | $0 | 0 |
| 2025 Public Service Corporation Tax | $0 | 0 |
| 2025 Bank Tax | $0 | 0 |
| 2025 Bank Deposits Tax | $0 | 0 |
| 2025 Ins Co Gross Premiums Tax | $60,000 | 3 |
| 2025 Personal Income Tax | $1,011,996 | 58 |
| **2025 Projected Total** | **$1,071,996** | **61** |

*****_Indicates data that is not disclosed by Taxation due to taxpayer's confidentiality_

Law Comparison: Only New Hampshire has a similar provision.

New Hampshire: A tax credit is allowed for business organizations and business enterprises that contribute to scholarship organizations which award scholarships to be used by students to defray educational expenses. For each contribution made to a scholarship organization, a business may claim a credit equal to 85% of the contribution against the business profits tax, the business enterprise tax, or the tax on interest and dividends. Credits cannot exceed the maximum education tax credit allowed, and no business organization or business enterprise shall receive more than 10% of the aggregate amount of tax credits permitted. The credit may be carried forward five years

but cannot exceed $1 million in any given year. The aggregate of tax credits issued is capped at $5,100,000.

New Hampshire Statute: N.H. Rev. Stat. Ann., Ch. 77-G(3) and 77-G(4)

## 8. Earned Income (Federal):

Statutory Reference: R.I. Gen. Laws § 44-30-2.6(c)(2)(N) and (3)(F)(I)(a) / R.I. Pub. Laws 2023, Ch. 79, Art. 4, § 2

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 2001 / 2023

Description: A taxpayer entitled to a federal earned income credit is allowed a Rhode Island earned income credit equal to 15% of the federal earned income credit through TY 2023. For tax years beginning on or after January 1, 2024, the allowable percentage increases to 16%. The Rhode Island credit amount is fully refundable.

In general, a taxpayer can claim the federal credit if he/she is employed and meets certain income criteria and rules including those having to do with children living in the home.

*The Taxpayer Certainty and Disaster Tax Relief Act of 2020 signed into law on December 27, 2020 as part of the Consolidated Appropriations Act, 2021 allows for taxpayers to choose to use their 2019 income for the purposes of calculating the federal earned income tax credit for TY 2020 if the taxpayer's 2020 income is less than their income in 2019.*

*The American Rescue Plan Act of 2021 (ARPA), signed into law on March 11, 2021, made several changes for the purposes of calculating the federal earned income tax credit for TY 2021 only. The minimum eligible age to receive the credit decreased from 25 years old to 19 years old, except for students whose minimum age is 24 years old and for former foster youth or qualified homeless youth whose minimum age is 18 years old. The maximum age of 64 years old is eliminated for TY 2021. Additionally, the credit and phaseout percentages increase from 7.65% to 15.3%. Finally, there is an increase in the earned income and phaseout amounts from $4,220 and $5,280 to $9,820 and $11,610, respectively.*

Data Source: Division of Taxation, November 2023 Revenue Estimating Conference (REC) testimony.

Reliability Index: 1

| ***Calendar Year / Tax Type*** | ***Revenue Forgone*** | ***Number of Taxpayers*** |
|---|---|---|
| 2020 Personal Income Tax | $22,917,692 | 76,926 |
| 2021 Personal Income Tax | $26,462,253 | 101,468 |

Projection Methodology: TY 2022 revenue forgone amount and the number of taxpayers figures are as provided at the November 2023 REC. The Office of Revenue Analysis (ORA) applied the growth rates in Rhode Island personal income provided by S&P Global at the November 2023 Revenue Estimating Conference to project the TY 2023-TY 2025 revenue forgone. Additionally, the estimated revenue impact from increasing the EITC rate to 16% as calculated by ORA were added to the base revenue forgone projections. The number of taxpayers is held constant for TY 2023-TY 2025.

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2022 Personal Income Tax | $26,339,816 | 72,289 |
| 2023 Personal Income Tax | $31,682,097 | 80,282 |
| 2024 Personal Income Tax | $31,012,210 | 80,282 |
| 2025 Personal Income Tax | $32,395,044 | 80,282 |

Law Comparison: Connecticut, Maine, Massachusetts, and Vermont have similar provisions.

Connecticut: Connecticut allows for a refundable earned income tax credit equal to 23% of the federal earned income tax credit to resident taxpayers who work and earn incomes below certain levels. Beginning in TY 2021, the percentage increased from 23% to 30.5%. In the FY 2024 budget, the percentage was further increased to 40%, effective January 1, 2024.

Connecticut Statute: Conn. Gen. Stat. § 12-704e

Maine: Prior to TY 2021, the Maine earned income tax credit amount was 12% of the federal earned income tax credit amount for eligible taxpayers with qualifying children and 25% of the federal earned income tax credit amount for eligible taxpayers without qualifying children. Effective for tax years beginning on January 1, 2021, the amount of Maine credit is equal to 20% of the federal earned income tax credit for all eligible resident, non-resident, and part-year resident individuals. Effective for tax years beginning on or after January 1, 2022, the amount of Maine earned income credit increases to 25% of the federal earned income tax credit amount for eligible taxpayers with qualifying children and to 50% of the federal earned income tax credit amount for eligible taxpayers without qualifying children. In addition, taxpayers aged 18 to 24 years without qualifying children are eligible for the Maine earned income tax credit calculated as if they were eligible for the federal earned income tax credit. The credit is fully refundable (prorated for part-year residents).

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 5219-S

Massachusetts: Massachusetts' provisions include a credit against the taxes imposed if the taxpayer qualified for and claimed the federal earned income credit. The refundable credit is 30% of the federal credit through TY 2023 and increases to 40% beginning with TY 2024. If the taxpayer claims and receives other state income tax credits, this credit must be applied last. Taxpayers who are victims of domestic abuse that file a Massachusetts personal income tax return

as married filing separately may be eligible for the credit, despite not being eligible for the federal earned income tax credit if they meet certain criteria.

Massachusetts Statute: Mass. Gen. Laws ch. 62, § 6(h)

Vermont: The refundable credit is 36% of the individual's federal earned income tax credit multiplied by the percentage of the individual's earned income earned or received while a Vermont resident to the individual's total earned income prior to TY 2022 and 38% thereafter. If the taxpayer's earnings come from periods of part-year residency, then the credit is prorated. Beginning in TY 2023, Vermont switched to a simple apportionment ratio for part-year residents claiming the credit.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 5828b

### 9. Educational Assistance and Development:

Statutory Reference: R.I. Gen. Laws §§ 44-42-2 and 44-42-5

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1985 / N/A

Description: An 8% credit is allowed against the business corporation tax, public service corporation tax (except the taxation of certain tangible personal property), bank excise tax, and insurance company gross premiums tax for contributions in excess of $10,000 made to an institution of higher education in Rhode Island (a) for the establishment or maintenance of a faculty chair, department, or program for scientific research or education; (b) for a work fellowship program that is providing training connected with scientific research or education for the students of the institution; or (c) for tangible personal property contributed for use in an educational, training, or research program for scientific research or education, excluding sale discounts and sale-gift or similar arrangements for the purchase of equipment.

The credit cannot reduce the tax due below $100 in a given tax year or the minimum tax for each tax type established in law. Any amount of credit not used may be carried forward for five succeeding years.

Data Source: Rhode Island Division of Taxation.

Reliability Index: 1

| *Calendar Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Business Corporation Tax | $0 | 0 |
| 2020 Public Service Corporation Tax | $0 | 0 |
| 2020 Bank Tax | $0 | 0 |
| 2020 Ins Co Gross Premiums Tax | $0 | 0 |
| **2020 Total** | **$0** | **0** |
| 2021 Business Corporation Tax | $0 | 0 |
| 2021 Public Service Corporation Tax | $0 | 0 |
| 2021 Bank Tax | $0 | 0 |
| 2021 Ins Co Gross Premiums Tax | $0 | 0 |
| **2021 Total** | **$0** | **0** |

Projection Methodology: Amount of credit and number of taxpayers held constant with TY 2021.

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2022 Business Corporation Tax | $0 | 0 |
| 2022 Public Service Corporation Tax | $0 | 0 |
| 2022 Bank Tax | $0 | 0 |
| 2022 Ins Co Gross Premiums Tax | $0 | 0 |
| **2022 Projected Total** | **$0** | **0** |
| 2023 Business Corporation Tax | $0 | 0 |
| 2023 Public Service Corporation Tax | $0 | 0 |
| 2023 Bank Tax | $0 | 0 |
| 2023 Ins Co Gross Premiums Tax | $0 | 0 |
| **2023 Projected Total** | **$0** | **0** |
| 2024 Business Corporation Tax | $0 | 0 |
| 2024 Public Service Corporation Tax | $0 | 0 |
| 2024 Bank Tax | $0 | 0 |
| 2024 Ins Co Gross Premiums Tax | $0 | 0 |
| **2024 Projected Total** | **$0** | **0** |

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2025 Business Corporation Tax | $0 | 0 |
| 2025 Public Service Corporation Tax | $0 | 0 |
| 2025 Bank Tax | $0 | 0 |
| 2025 Ins Co Gross Premiums Tax | $0 | 0 |
| **2025 Projected Total** | **$0** | **0** |

Law Comparison: Connecticut, Massachusetts, and Vermont have similar provisions.

Connecticut: Connecticut allows a corporation subject to the corporation business tax to claim a credit for expenditures made as a human capital investment. Eligible expenditures include donations or capital contributions to institutions of higher education in Connecticut for improvements or advancements of technology, including physical plant improvements. The tax credit is equal to 5% of the amount paid or incurred by the corporation for a human capital investment. A credit cannot exceed the amount of corporation business tax otherwise payable, although unused amounts can be carried forward for up to five succeeding income years. Beginning in TY 2024, the credit increases to 10% for most eligible investments and 25% for currently eligible childcare-related investments. It also makes additional childcare-related investments eligible for the 25% credit. Taxpayers eligible for the 25% credit may use the credit to reduce their corporate business tax liability up to 70%.

Connecticut also has a credit for land donated without any financial consideration or sold at a discounted price to a municipality of the state for educational use. The credit is 50% of the difference between the fair market value and the amount received for the donated land. The credit sunset on January 1, 2013, but unused credits may be carried forward for 15 years.

Connecticut Statute: Conn. Gen. Stat. §§ 12-217x and 12-217ff

Massachusetts: Corporations can deduct charitable donations as defined by § 170 of the Internal Revenue Code up to 10% of taxable income. Included under the federal definition of charitable contributions are contributions to an educational organization which normally maintains a regular faculty and curriculum. Excess contributions can be carried forward up to five succeeding tax years.

Massachusetts Statute: 26 U.S.C. § 170

New Hampshire: New Hampshire allows for a tax credit against the business profits tax for qualifying charitable donations to career and technical education centers. Credits may only be used in the tax year the donation was made, up to 25% of the taxpayer's tax liability before credits. Total credits in a given fiscal year are capped at $500,000.

New Hampshire Statute: N.H. Rev. Stat. Ann. § 188-E:9-a

Vermont: Gifts are eligible for Vermont's charitable contribution tax credit, which is a 5% credit of the first $20,000 in eligible charitable contributions made during the taxable year regardless of whether taxpayers itemize on their federal returns. The tax credit is nonrefundable. Vermont follows federal law 26 U.S.C. § 170 as amended by the TCJA and other relevant regulations. Included under the federal definition of charitable contributions are contributions to an educational organization which normally maintains a regular faculty and curriculum.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 5822(c)(3)

**10. Employment − Welfare Bonus Program:**

Statutory Reference: R.I. Gen. Laws §§ 44-39.1-1, 44-39.1-2, and 40-6.3-4

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1985 / 1986

Description: Any employer participating in the Bonus Program under R.I. Gen. Laws Ch. 40-6.3 is entitled to apply for the employment tax credit. This credit is awarded to employers that hire individuals who had previously received Aid to Families with Dependent Children (AFDC) for 30 consecutive months prior to the law's enactment and employ such individuals for at least 24 consecutive months prior to application for the credit. The credit is equal to $250 per eligible employee and can be applied against the business corporation tax, public service corporation tax, bank excise tax, bank deposits tax, and insurance company gross premiums tax.

The credit cannot be applied until all other credits for which the taxpayer is eligible to use have been applied, and it cannot reduce the tax due below $100 in a given tax year or the minimum tax for each tax type established in law. The credit is not refundable, and any unused credit amounts cannot be carried forward to succeeding tax years.

Data Source: Rhode Island Division of Taxation.

Reliability Index: 1

| *Calendar Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Business Corporation Tax | $0 | 0 |
| 2020 Public Service Corporation Tax | $0 | 0 |
| 2020 Bank Tax | $0 | 0 |
| 2020 Bank Deposits Tax | $0 | 0 |
| 2020 Ins Co Gross Premiums Tax | $0 | 0 |
| **2020 Total** | **$0** | **0** |

| *Calendar Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2021 Business Corporation Tax | $0 | 0 |
| 2021 Public Service Corporation Tax | $0 | 0 |
| 2021 Bank Tax | $0 | 0 |
| 2021 Bank Deposits Tax | $0 | 0 |
| 2021 Ins Co Gross Premiums Tax | $0 | 0 |
| **2021 Total** | **$0** | **< 10** |

Projection Methodology: Amount of credit and number of taxpayers held constant with TY 2021.

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2022 Business Corporation Tax | $0 | 0 |
| 2022 Public Service Corporation Tax | $0 | 0 |
| 2022 Bank Tax | $0 | 0 |
| 2022 Bank Deposits Tax | $0 | 0 |
| 2022 Ins Co Gross Premiums Tax | $0 | 0 |
| **2022 Projected Total** | **$0** | **0** |
| 2023 Business Corporation Tax | $0 | 0 |
| 2023 Public Service Corporation Tax | $0 | 0 |
| 2023 Bank Tax | $0 | 0 |
| 2023 Bank Deposits Tax | $0 | 0 |
| 2023 Ins Co Gross Premiums Tax | $0 | 0 |
| **2023 Projected Total** | **$0** | **0** |
| 2024 Business Corporation Tax | $0 | 0 |
| 2024 Public Service Corporation Tax | $0 | 0 |
| 2024 Bank Tax | $0 | 0 |
| 2024 Bank Deposits Tax | $0 | 0 |
| 2024 Ins Co Gross Premiums Tax | $0 | 0 |
| **2024 Projected Total** | **$0** | **0** |

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2025 Business Corporation Tax | $0 | 0 |
| 2025 Public Service Corporation Tax | $0 | 0 |
| 2025 Bank Tax | $0 | 0 |
| 2025 Bank Deposits Tax | $0 | 0 |
| 2025 Ins Co Gross Premiums Tax | $0 | 0 |
| **2025 Projected Total** | **$0** | **0** |

Law Comparison: No similar provisions found in the other New England states.

## 11. Historic Homeownership Assistance:

Statutory Reference: R.I. Gen. Laws Chapter 44-33.1

Stated Purpose: "The purpose of this chapter is to encourage maintenance and rehabilitation of residential properties that have historic merit by providing income tax credit for the maintenance or rehabilitation of historic residences."

Year Enacted / Last Year Amended: 1989 / 2017

Description: The historic homeownership tax credit is equal to up to 20% of the certified costs of maintenance or rehabilitation in the year in which the work is completed for a taxpayer who owns and lives in a Rhode Island historical residence. It was eliminated as part of the reform of the personal income tax system that was enacted in June 2010. At that time, taxpayers with unused amounts of credits were denied the opportunity to use these carryforward amounts in tax years beginning after December 31, 2010. In the 2017 session, the General Assembly amended the law to allow the use of these unused amounts of historic homeownership tax credits against personal income tax liabilities effective for tax years beginning after December 31, 2016.

Data Source: Rhode Island Division of Taxation Testimony, November 2023 Revenue Estimating Conference.

Reliability Index: 1

| *Calendar Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Personal Income Tax | $7,450 | < 10 |
| 2021 Personal Income Tax | $7,332 | < 10 |

Projection Methodology: The revenue forgone amount and the number of taxpayers for TY 2022 are as reported by the Division of Taxation at the November 2023 Revenue Estimating Conference

testimony. TY 2023 – TY 2025 credit amounts are an average of TY 2020 – TY 2022 and the number of taxpayers is held constant with TY 2023.

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2022 Personal Income Tax | $7,232 | < 10 |
| 2023 Personal Income Tax | $7,338 | < 10 |
| 2024 Personal Income Tax | $7,338 | < 10 |
| 2025 Personal Income Tax | $7,338 | < 10 |

Law Comparison: Connecticut and Vermont have similar provisions.

Connecticut: An owner of an historic home who incurs qualified rehabilitation expenditures exceeding $15,000 shall be eligible for a tax credit in an amount equal to 30% of the qualified rehabilitation expenditures not to exceed $30,000 per dwelling. The owner must occupy the home as a primary residence for at least five years after completion of the rehabilitation work. Unused credit may be carried forward for four years. Of the $3 million of total credits reserved for this credit, 70% must be for owners rehabilitating historic homes located in a regional center as designated in the state plan of conservation and development adopted by the General Assembly.

Conn. Gen. Stat. § 10-416

Vermont: Under the Vermont Downtown and Village Center Tax Credit program, a qualified applicant of a qualified historic rehabilitation project may claim against his or her individual income tax liability a nonrefundable historic rehabilitation tax credit of 10% of the qualified rehabilitation expenditures. To qualify for this tax credit, expenditures for the qualified project must exceed $5,000. The total credit program (along with three other credits under this program umbrella) is capped at $3,000,000 annually. Unused credits can be carried forward for nine years.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 5930bb(b), 5930cc(a), and 5930ee(1)

## 12. Historic Preservation:

Statutory Reference: R.I. Gen. Laws Chapter 44-33.6 / R.I. Pub. Laws 2022, Ch. 272 / R.I. Pub. Laws 2023, Ch. 339

Stated Purpose: "The purpose of this chapter is to create economic incentives for the purpose of stimulating the redevelopment and reuse of Rhode Island's historic structures, as well as to generate the positive economic and employment activities that will result from such redevelopment and reuse."

Year Enacted / Last Year Amended: 2013 / 2023

Description: A taxpayer that incurs qualified rehabilitation expenditures for the substantial rehabilitation of a certified historic structure, provided the taxpayer is not a social club, is entitled to a credit against the business corporation tax, public service corporation tax, bank excise tax, insurance company gross premiums tax, and personal income tax. The credit is equal to 20% of the qualified rehabilitation expenditures for any certified historic structure or 25% of the qualified rehabilitation expenditures, provided that either (i) at least 25% of the total rentable area of the certified historic structure is available for a trade or business or (ii) the entire rentable area located on the first floor of the certified historic structure is available for a trade or business.

Tax credits are allowed for the tax year in which the structure or an identifiable portion of the structure is placed into service and unused amounts can be carried forward for up to ten years from the first tax year the credits were utilized. The maximum credit per project cannot exceed $5 million for all phases of any certified rehabilitation project, and the maximum total credits authorized cannot exceed the sum of the estimated credits available in the historic preservation tax credit trust fund. No credits shall be authorized to be reserved under this tax credit program on or after June 30, 2024 or upon the exhaustion of the maximum aggregate credits, whichever comes first. Credits may be allocated to partners, members, or owners that are exempt from taxation under § 501(c)(4) or § 501(c)(6) and are listed as non-profit refund under tax type.

Additionally, constructions projects over $10 million are subject to prevailing wage requirements and must receive certification of compliance with these requirements in order to receive tax credits under this program.

Data Source: Rhode Island Division of Taxation.

Reliability Index: 1

| ***Calendar Year / Tax Type*** | ***Revenue Forgone*** | ***Number of Taxpayers*** |
|---|---|---|
| 2020 Business Corporation Tax | $0 | 0 |
| 2020 Public Service Corporation Tax | $0 | 0 |
| 2020 Bank Tax | $0 | 0 |
| 2020 Ins Co Gross Premiums Tax | $0 | 0 |
| 2020 Personal Income Tax | $1,133,312 | 60 |
| 2020 Non-Profit Refund | $0 | 0 |
| **2020 Total** | **$1,133,312** | **60** |

| *Calendar Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2021 Business Corporation Tax | $0 | 0 |
| 2021 Public Service Corporation Tax | $0 | 0 |
| 2021 Bank Tax | $0 | 0 |
| 2021 Ins Co Gross Premiums Tax | $0 | 0 |
| 2021 Personal Income Tax | $495,057 | 27 |
| 2021 Non-Profit Refund | $0 | 0 |
| **2021 Total** | **$495,057** | **27** |

Projection Methodology: TY 2022 figures are as provided by the Division of Taxation. Data is as of December 2023 and is subject to amendments. TY 2023 – TY 2025 revenue forgone amounts and number of taxpayers are the three-year average of TY 2020 – TY 2022.

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2022 Business Corporation Tax | $0 | 0 |
| 2022 Public Service Corporation Tax | $0 | 0 |
| 2022 Bank Tax | $0 | 0 |
| 2022 Ins Co Gross Premiums Tax | $0 | 0 |
| 2022 Personal Income Tax | $476,788 | 11 |
| 2022 Non-Profit Refund | $0 | 0 |
| **2022 Projected Total** | **$476,788** | **11** |
| 2023 Business Corporation Tax | $0 | 0 |
| 2023 Public Service Corporation Tax | $0 | 0 |
| 2023 Bank Tax | $0 | 0 |
| 2023 Ins Co Gross Premiums Tax | $0 | 0 |
| 2023 Personal Income Tax | $701,719 | 19 |
| 2023 Non-Profit Refund | $0 | 0 |
| **2023 Projected Total** | **$701,719** | **19** |

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2024 Business Corporation Tax | $0 | 0 |
| 2024 Public Service Corporation Tax | $0 | 0 |
| 2024 Bank Tax | $0 | 0 |
| 2024 Ins Co Gross Premiums Tax | $0 | 0 |
| 2024 Personal Income Tax | $701,719 | 19 |
| 2024 Non-Profit Refund | $0 | 0 |
| **2024 Projected Total** | **$701,719** | **19** |
| 2025 Business Corporation Tax | $0 | 0 |
| 2025 Public Service Corporation Tax | $0 | 0 |
| 2025 Bank Tax | $0 | 0 |
| 2025 Ins Co Gross Premiums Tax | $0 | 0 |
| 2025 Personal Income Tax | $701,719 | 19 |
| 2025 Non-Profit Refund | $0 | 0 |
| **2025 Projected Total** | **$701,719** | **19** |

Law Comparison: Connecticut, Maine, Massachusetts, and Vermont have similar provisions.

Connecticut: A tax credit is available to individuals, limited liability companies, non-profit and for-profit corporations, or other business entities for expenses associated with rehabilitating certain historic properties. The credit is equal to 25% of the actual rehabilitation expenditures, or 30% of the actual qualified rehabilitation expenditures for projects including affordable housing. The per-project cap is $4.5 million, and the annual limit for all taxpayers is $31.7 million. Unused credits may be carried forward for 5 years. Beginning on or after January 1, 2024, nonprofit corporations will be able to claim the credits against the unrelated business income tax and all other taxpayers may claim it against the personal income tax. Nonprofits may also carry forward unused credits for four years.

Connecticut Statute: Conn. Gen. Stat. § 10-416c

Maine: Taxpayers are allowed historic rehabilitation credits for the certified qualified rehabilitation expenditures incurred. A refundable rehabilitation credit is allowed against the income tax in an amount equal to 25% of the taxpayer's certified qualified rehabilitation expenditures for which a tax credit is claimed under the Internal Revenue Code § 47 for a certified historic structure located in Maine. There is an enhanced credit for a certified affordable housing project (34% in 2020). In the 2022 session, Maine elected to extend the credit sunset date from December 31, 2025 to December 31, 2030.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 5219-BB

Massachusetts: Massachusetts' provisions include a 20% credit of qualified rehabilitation expenditures incurred in the rehabilitation of a certified historic structure. The credit is not refundable, but a carryforward is allowed for five tax years. Credits may be authorized annually until December 31, 2027 in an aggregate amount up to $55 million per year.

Massachusetts Statute: Mass. Gen. Laws ch. 62, § 6J and ch. 63, § 38R

Vermont: Under the Vermont Downtown and Village Center Tax Credit program, a qualified applicant of a qualified historic rehabilitation project may claim against his or her individual income tax liability a nonrefundable historic rehabilitation tax credit of 10% of the qualified rehabilitation expenditures. To qualify for this tax credit, expenditures for the qualified project must exceed $5,000. The total credit program (along with three other credits under this program umbrella) is capped at $3,000,000 annually. Unused credits can be carried forward for nine years.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 5930bb(b), 5930cc(a), and 5930ee(1)

## 13. Historic Structures:

Statutory Reference: R.I. Gen. Laws Chapter 44-33.2

Stated Purpose: "The purpose of this chapter is to create economic incentives for the purpose of stimulating the redevelopment and reuse of Rhode Island's historic structures."

Year Enacted / Last Year Amended: 2001 / 2008

Description: A credit equal to 30% of the qualified rehabilitation expenditures (QREs) incurred to rehabilitate the historic structure is allowed against the business corporation tax, public service corporation tax, bank excise tax, insurance company gross premiums tax, and personal income tax for the redevelopment and reuse of Rhode Island's historic structures. The structure must have been certified as historic by the Rhode Island Historical Preservation and Heritage Commission and placed into service prior to January 1, 2008. The credit processing fee for these projects is 2.25% of the QREs. Projects that are in progress as of January 1, 2008 but not yet placed into service are eligible to receive a credit equal to either 27% of the QREs incurred with a credit processing fee of 5%, 26% of the QREs incurred with a credit processing fee of 4%, or 25% of the QREs incurred with a credit processing fee of 3%.

Historic structures tax credits are transferrable and unused amounts of the credit may be carried forward to a maximum of 10 succeeding tax years. Proceeds from the sale of historic structures tax credits are exempt from Rhode Island taxes.

Data Source: Rhode Island Division of Taxation.

Reliability Index: 1

| *Calendar Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Business Corporation Tax | $0 | 0 |
| 2020 Public Service Corporation Tax | $0 | 0 |
| 2020 Bank Tax | $0 | 0 |
| 2020 Ins Co Gross Premiums Tax | $653,690 | < 10 |
| 2020 Personal Income Tax | $128,346 | 19 |
| **2020 Total** | **$782,036** | **Not Available*** |
| 2021 Business Corporation Tax | $0 | 0 |
| 2021 Public Service Corporation Tax | $0 | 0 |
| 2021 Bank Tax | $0 | 0 |
| 2021 Ins Co Gross Premiums Tax | $0 | 0 |
| 2021 Personal Income Tax | $2,494,072 | 29 |
| **2021 Total** | **$2,494,072** | **29** |

**Indicates data that is not disclosed by Taxation due to taxpayer's confidentiality*

Projection Methodology: TY 2022 figures are as provided by the Division of Taxation. Data is as of December 2023 and is subject to amendments. TY 2023 – TY 2025 revenue forgone amounts and number of taxpayers are the three-year average of TY 2020 – TY 2022.

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2022 Business Corporation Tax | $0 | 0 |
| 2022 Public Service Corporation Tax | $0 | 0 |
| 2022 Bank Tax | $0 | 0 |
| 2022 Ins Co Gross Premiums Tax | $2,500,000 | < 10 |
| 2022 Personal Income Tax | $0 | 0 |
| **2022 Projected Total** | $2,500,000 | < 10 |
| 2023 Business Corporation Tax | $0 | 0 |
| 2023 Public Service Corporation Tax | $0 | 0 |
| 2023 Bank Tax | $0 | 0 |
| 2023 Ins Co Gross Premiums Tax | $1,051,230 | < 10 |
| 2023 Personal Income Tax | $874,139 | 16 |
| **2023 Projected Total** | **$1,925,369** | **Not Available*** |
| 2024 Business Corporation Tax | $0 | 0 |
| 2024 Public Service Corporation Tax | $0 | 0 |
| 2024 Bank Tax | $0 | 0 |
| 2024 Ins Co Gross Premiums Tax | $1,051,230 | < 10 |
| 2024 Personal Income Tax | $874,139 | 16 |
| **2024 Projected Total** | **$1,925,369** | **Not Available*** |
| 2025 Business Corporation Tax | $0 | 0 |
| 2025 Public Service Corporation Tax | $0 | 0 |
| 2025 Bank Tax | $0 | 0 |
| 2025 Ins Co Gross Premiums Tax | $1,051,230 | < 10 |
| 2025 Personal Income Tax | $874,139 | 16 |
| **2025 Projected Total** | **$1,925,369** | **Not Available*** |

**Indicates data that is not disclosed by Taxation due to taxpayer's confidentiality*

Law Comparison: Connecticut, Maine, Massachusetts, and Vermont have similar provisions.

Connecticut: A tax credit is available to individuals, limited liability companies, non-profit and for-profit corporations, or other business entities for expenses associated with rehabilitating certain historic properties. The credit is equal to 25% of the actual rehabilitation expenditures, or 30% of the actual qualified rehabilitation expenditures for projects including affordable housing. The per-

project cap is $4.5 million, and the annual limit for all taxpayers is $31.7 million. Unused credits may be carried forward for 5 years. Beginning on or after January 1, 2024, nonprofit corporations will be able to claim the credits against the unrelated business income tax and all other taxpayers may claim it against the personal income tax. Nonprofits may also carry forward unused credits for four years.

Connecticut Statute: Conn. Gen. Stat. § 10-416c

Maine: Taxpayers are allowed historic rehabilitation credits for the certified qualified rehabilitation expenditures incurred. A refundable rehabilitation credit is allowed against the income tax in an amount equal to 25% of the taxpayer's certified qualified rehabilitation expenditures for which a tax credit is claimed under the Internal Revenue Code § 47 for a certified historic structure located in Maine. There is an enhanced credit for a certified affordable housing project (34% in 2020). In the 2022 session, Maine elected to extend the credit sunset date from December 31, 2025 to December 31, 2030.

Maine Statute: Me. Rev. Stat. Ann. Tit. 36, § 5219-BB

Massachusetts: Massachusetts' provisions include a 20% credit of qualified rehabilitation expenditures incurred in the rehabilitation of a certified historic structure. The credit is not refundable, but a carryforward is allowed for five tax years. Credits may be authorized annually until December 31, 2027 in an aggregate amount up to $55 million per year.

Massachusetts Statute: Mass. Gen. Laws ch. 62, § 6J and ch. 63, § 38R

Vermont: Under the Vermont Downtown and Village Center Tax Credit program, a qualified applicant of a qualified historic rehabilitation project may claim against his or her individual income tax liability a nonrefundable historic rehabilitation tax credit of 10% of the qualified rehabilitation expenditures. To qualify for this tax credit, expenditures for the qualified project must exceed $5,000. The total credit program (along with three other credits under this program umbrella) is capped at $3,000,000 annually. Unused credits can be carried forward for nine years.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 5930bb(b), 5930cc(a), and 5930ee(1)

## 14. Hydroelectric Power:

Statutory Reference: R.I. Gen. Laws §§ 44-30-20, 44-30-22, and 44-30-23

Stated Purpose: "It is the policy of this state to support and foster the development of hydropower generating facilities by the establishment of tax incentives for those owners of existing dams who install hydroelectric power generation equipment."

Year Enacted / Last Year Amended: 1980 / N/A

Description: A hydroelectric power developer will be allowed a non-refundable state income tax credit in the amount of 10% of the installation costs of a small hydroelectric power production

facility at an existing dam site in Rhode Island. The credit can be used against the business corporation tax. This credit is limited to $500,000 in costs to develop a small hydroelectric power production facility for a maximum credit of $50,000. Unused portions of the credit may be carried forward up to five succeeding tax years.

Data Source: Rhode Island Division of Taxation.

Reliability Index: 1

| *Calendar Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Business Corporation Tax | $0 | 0 |
| 2021 Business Corporation Tax | $0 | 0 |

Projection Methodology: Amount of credit and number of taxpayers held constant with TY 2021.

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2022 Business Corporation Tax | $0 | 0 |
| 2023 Business Corporation Tax | $0 | 0 |
| 2024 Business Corporation Tax | $0 | 0 |
| 2025 Business Corporation Tax | $0 | 0 |

Law Comparison: No similar provisions found in the other New England states.

**15. Investment:**

Statutory Reference: R.I. Gen. Laws § 44-31-1

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1974 / 2002

Description: A credit is allowed against the business corporation tax, bank excise tax, and insurance company gross premiums tax for the cost of realty and tangible property in Rhode Island, which are principally used by the taxpayer in the production of goods by manufacturing, processing or assembling. General manufacturers are provided with a credit of 4% of the cost or qualified amounts for leased assets of tangible personal property, buildings, and structural components of buildings provided that the assets have a useful life of at least four years. A credit equal to 10% of the cost or qualified amounts for leased assets of tangible personal property, excluding motor vehicles and furniture, provided that the assets have a useful life of at least four years is granted to manufacturers that are classified in major groups 20 through 39, 50 and 51, 60 through 67, 73, 76, 80 through 82, 87, and 89 in the Standard Industrial Classification manual (SIC

Codes). A 10% credit of the cost or qualified amounts for leased assets of buildings and structural components is also provided to high performance manufacturers, which are defined as businesses described in major groups 28, 30, 34 to 36, and 38 of the SIC Codes. For leased buildings and structural components, the lease must have a term of at least 20 years. High performance manufacturers must also meet certain wage requirements to qualify. The above noted credit percentages also apply to computers, software, and telecommunications hardware even if these assets have useful lives of less than four years.

The 4% credit can reduce the tax due to the amount of the corporate minimum tax, as set forth in R.I. Gen. Laws § 44-11-2(e). The 10% credit can only reduce a tax liability by 50% unless it has been applied by a high-performance manufacturer to the acquisition of buildings by purchase or by a lease of 20 years or more, in which case the tax liability can be reduced to the amount of the corporate minimum tax. Credits are non-refundable, and unused amounts of the credits can be carried forward up to seven succeeding tax years.

Data Source: Rhode Island Division of Taxation testimony from the November 2023 Revenue Estimating Conference.

The figures below include any amounts attributable to the Biotechnology Investment credit.

Reliability Index: 1

| ***Calendar Year / Tax Type*** | ***Revenue Forgone*** | ***Number of Taxpayers*** |
|---|---|---|
| 2020 Business Corporation Tax | $724,946 | 31 |
| 2020 Bank Tax | $10,032,135 | <10 |
| 2020 Ins Co Gross Premiums Tax | $176,982 | <10 |
| **2020 Total** | **$10,934,063** | **Not Available*** |
| 2021 Business Corporation Tax | $1,329,905 | 36 |
| 2021 Bank Tax | $5,063,595 | <10 |
| 2021 Ins Co Gross Premiums Tax | $175,655 | <10 |
| **2021 Total** | **$6,569,155** | **Not Available*** |

**Indicates data that is not disclosed by Taxation due to taxpayer's confidentiality*

Projection Methodology: TY 2022 amount of credit and number of taxpayers is what was reported at the November 2023 Revenue Estimating Conference by the Division of Taxation. Forgone revenue amounts and the number of taxpayers for TY 2023 - TY 2025 are equal to the 3-year average using the TY 2020 - TY 2022 amount of revenue forgone and number of taxpayers. If the count of taxpayers provided by the Division of Taxation was < 10, ORA used the midpoint estimate of 5 taxpayers in calculating the average.

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2022 Business Corporation Tax | $2,434,302 | 27 |
| 2022 Bank Tax | $2,912,689 | <10 |
| 2022 Ins Co Gross Premiums Tax | $210,177 | <10 |
| **2022 Total** | **$5,557,168** | **Not Available*** |
| 2023 Business Corporation Tax | $1,496,384 | 31 |
| 2023 Bank Tax | $6,002,806 | 5 |
| 2023 Ins Co Gross Premiums Tax | $204,357 | 5 |
| **2023 Projected Total** | **$7,703,547** | **41** |
| 2024 Business Corporation Tax | $1,496,384 | 31 |
| 2024 Bank Tax | $6,002,806 | 5 |
| 2024 Ins Co Gross Premiums Tax | $204,357 | 5 |
| **2024 Projected Total** | **$7,703,547** | **41** |
| 2025 Business Corporation Tax | $1,496,384 | 31 |
| 2025 Bank Tax | $6,002,806 | 5 |
| 2025 Ins Co Gross Premiums Tax | $204,357 | 5 |
| **2025 Projected Total** | **$7,703,547** | **41** |

**Indicates data that is not disclosed by Taxation due to taxpayer's confidentiality*

Law Comparison: All of the New England states have similar provisions.

Connecticut: Connecticut allows a credit against corporation business tax equal to 5% of the amount paid or incurred by a corporation for any new fixed capital investments. Any credit not used during the income year in which the acquisition was made may be carried forward to the next five succeeding income years.

Connecticut Statute: Conn. Gen. Stat. § 12-217w

Maine: Maine's seed capital investment credit is eligible to an investment in a new business that: a) is located in Maine; b) has gross sales of $3 million or less per year; c) is the full-time, professional activity of at least one of the principal owners; d) that has been determined by the authority to be a manufacturer or a value-added natural resource enterprise; and e) is a manufacturer, value-added natural resource enterprise, or a product or service provider with 60% of sales derived from outside the state or to out-of-state residents, engaged in developing or applying advanced technologies or is a certified visual media production company. The credit rate is 50% for investors prior to April 1, 2020 and 40% after that date. Beginning with the tax year the investment was made, 25% of the authorized credit may be used for each tax year, limited to 50%

of tax liability. Only investments made by venture capital funds are fully refundable. Otherwise, unused credits can be carried forward for 15 years. Effective March 2021, improvement property placed in service after December 31, 2017 and before January 1, 2020 may not be included for purposes of calculating the credit. For tax years 2021 and 2022, the annual aggregate credits issued under this program was reduced from $15 million to $13.5 million.

Maine also had two similar credits that have been repealed – the jobs and investment tax credit and the high-technology investment tax credit, both of which can still be taken via carry forwards through TY 2022 and TY 2026, respectively.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, §§ 5215, 5216-B, and 5219-M and tit. 10, § 1100-T

Massachusetts: Massachusetts provisions include manufacturers, corporations engaged primarily in research and development, and corporations engaged primarily in agriculture or commercial fishing. The credit is 3% of the cost or other basis of the property, including buildings and leased tangible property, and has a three-year carry forward of unused credit. The credit may not exceed 50% of the corporate excise tax liability.

Massachusetts Statute: Mass. Gen. Laws ch. 63, § 31A(i), (j)

New Hampshire: An investment tax credit equal to 75% of the contribution made to the Community Development Finance Authority during the contributor's tax year is allowed against the business profits tax, the insurance taxes, or the business enterprise tax, individually or in combination. The credit or any unused portion of the credit may be carried forward for five succeeding years but may not exceed $1 million in any given tax year. Contributors may only take the credit after the contributions are received by the authority.

New Hampshire Statute: N.H. Rev. Stat. Ann. § 162-L:10

Vermont: Vermont entitles taxpayers to a credit against the tax imposed of 24% of the federal investment tax credit allowed for the taxable year attributable to the Vermont-property portion of the investment in the following activities: rehabilitation, energy, advanced coal products, and gasification products. Only solar energy investment may be carried forward for up to five years.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 5822(d)

**16. Juvenile Restitution:**

Statutory Reference: R.I. Gen. Laws § 14-1-32.1(c)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1980 / 1989

Description: An employer of a juvenile hired under the juvenile victim restitution program of the Family Court is entitled to receive a credit of 10% of the wages paid to the juvenile annually. The

credit cannot exceed $3,000 annually and may be taken against the business corporation tax imposed by R.I. Gen. Laws Chapter 44-11.

Data Source: Rhode Island Division of Taxation.

Reliability Index: 1

| *Calendar Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Business Corporation Tax | $0 | 0 |
| 2021 Business Corporation Tax | $0 | 0 |

Projection Methodology: Amount of credit and number of taxpayers held constant with TY 2021.

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2022 Business Corporation Tax | $0 | 0 |
| 2023 Business Corporation Tax | $0 | 0 |
| 2024 Business Corporation Tax | $0 | 0 |
| 2025 Business Corporation Tax | $0 | 0 |

Law Comparison: No similar provisions found in the other New England states.

**17. Lead Paint Abatement:**

Statutory Reference: R.I. Gen. Laws §§ 44-30.3-1 and 44-30.3-2

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 2004 / N/A

Description: A property owner or lessee who resides in Rhode Island is entitled to tax relief for residential lead removal or lead hazard reduction when they obtain a Housing Resources Commission regulated certification or obtain a Department of Health regulated lead safe certification, and fulfill all requirements, including certain income requirements as provided by this law. The tax relief can be used against the personal income tax.

The tax relief shall be equal to the amount actually paid for the required lead abatement or lead hazard mitigation up to a maximum of $1,500 per dwelling unit for mitigation and up to $5,000 per dwelling unit for abatement. The credit can be earned on a maximum of three dwelling units per claimant. The tax credit is refundable for the amounts of the credit claimed in excess of the taxpayer's liability.

The maximum credit amount that can be claimed in a given fiscal year is $250,000. For tax year 2020, claimants with household incomes of $47,500 or less shall receive priority in receiving tax credit certificates. For tax years 2021 and 2022, this amount is $48,150 and $51,000, respectively.

Data Source: Office of Revenue Analysis (ORA) calculations based on TY 2020 and TY 2021 personal income tax data.

Reliability Index: 1

| *Calendar Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Personal Income Tax | $165,773 | 31 |
| 2021 Personal Income Tax | $183,245 | 37 |

Projection Methodology: Revenue forgone amounts and the number of taxpayers are the average of TY 2020 and TY 2021.

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2022 Personal Income Tax | $174,509 | 34 |
| 2023 Personal Income Tax | $174,509 | 34 |
| 2024 Personal Income Tax | $174,509 | 34 |
| 2025 Personal Income Tax | $174,509 | 34 |

Law Comparison: Only Massachusetts has a similar provision.

Massachusetts: Massachusetts' provisions allow a credit to an owner of a residence who pays for the containment or abatement of any paint, plaster, or other accessible structural materials containing dangerous levels of lead or who pays for the replacement of one or more window units in a dwelling constructed before 1978 in order to bring the dwelling into full compliance with the provisions of Mass. Gen. Laws ch. 111, § 197 (concerning materials containing dangerous levels of lead). The taxpayer may claim a credit for the lesser of the cost of the removal, containment, or replacement or $1,500 per dwelling. The credit is not transferable or refundable but may be carried forward for seven years. This credit was increased to $3,000 for full abatement and $1,000 for a partial abatement, retroactive to January 1, 2023.

Massachusetts Statute: Mass. Gen. Laws ch. 62, § 6(e)

## 18. Low-Income Housing:

Statutory Reference: R.I. Gen. Laws Ch. 44-71 / R.I. Pub. Laws 2023, Ch. 79, Art. 6, § 5

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 2023 / N/A

Description: The low-income housing tax credit program is for taxpayers who own an interest in an eligible Rhode Island low-income housing project. Eligibility is based on the federal definition of a qualified low-income housing project as defined in the Internal Revenue Code and is certified by the Department of Housing. Total credits authorized in a given fiscal year cannot exceed $30 million. The tax credit will be issued as five annual increments after the completion of the qualified housing project. If any portion of the tax credit for a given year exceeds the total tax liability for the taxpayer, the excess credit can be carried forward for the four succeeding years. Unused tax credits can be transferred, sold, or assigned to other taxpayers eligible under this chapter to receive credits. Finally, the credit recipient may also request a refund of their credits in whole or in part for 90% of the credit amount.

If any portion of the federal low-income housing tax credits taken on a low-income project is required to be recaptured, the state low-income house tax credit will also be recaptured equal to the tax credits previously claimed multiplied by a fraction, the numerator of which is the amount of federal credits recaptured and the denominator of which is the amount of federal credits previously claimed.

The tax credit may be taken against the business corporation tax, public service corporation tax, bank excise tax, insurance company gross premiums tax, and the personal income tax and sunsets on June 30, 2028.

Projection Methodology: Estimated revenue forgone amounts for FY 2023 – FY 2025 are as included in the FY 2024 enacted budget. It is estimated the first year of revenue forgone from this credit will not be until FY 2026 as credits will not be given until the qualified housing project is completed.

| ***Fiscal Year / Tax Type*** | ***Projected Revenue Forgone*** | ***Projected Number of Taxpayers*** |
|---|---|---|
| 2023 Business Corporation Tax | $0 | 0 |
| 2023 Public Service Corporation Tax | $0 | 0 |
| 2023 Bank Tax | $0 | 0 |
| 2023 Ins Co Gross Premiums Tax | $0 | 0 |
| 2023 Personal Income Tax | $0 | 0 |
| **2023 Projected Total** | **$0** | **0** |

| *Fiscal Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2024 Business Corporation Tax | $0 | 0 |
| 2024 Public Service Corporation Tax | $0 | 0 |
| 2024 Bank Tax | $0 | 0 |
| 2024 Ins Co Gross Premiums Tax | $0 | 0 |
| 2024 Personal Income Tax | $0 | 0 |
| **2024 Projected Total** | **$0** | **0** |
| 2025 Business Corporation Tax | $0 | 0 |
| 2024 Public Service Corporation Tax | $0 | 0 |
| 2025 Bank Tax | $0 | 0 |
| 2025 Ins Co Gross Premiums Tax | $0 | 0 |
| 2025 Personal Income Tax | $0 | 0 |
| **2025 Projected Total** | **$0** | **0** |

Law Comparison: Maine, Massachusetts, and Vermont have similar provisions.

Massachusetts: Massachusetts' provisions allow a nonrefundable credit to personal income tax and corporate excise tax for the construction or development of low-income housing. There is an annual cap of $100 million through 2020 and $50 million for every year thereafter. The credits are transferable and may be carried forward five years.

Massachusetts also allows a nonrefundable low-income housing tax credit for corporate excise and personal income taxpayers that donate real or personal property to certain nonprofit organizations for use in purchasing, constructing, or rehabilitating a qualified low-income housing project in the state. This credit is generally limited to 50% of the amount of donation but may be taken up to 65% if authorized. Credits under for low-income housing donations are not able to be carried forward. For tax years 2021 – 2022, the annual cap is $40 million. Effective for TY 2023 and thereafter, the annual cap is increased to $60 million.

Massachusetts Statute: Mass. Gen. Laws ch. 62, § 6I(a) and ch. 63 § 31H

Maine: Maine has a refundable tax credit for taxpayers who receive a certificate for an affordable housing project for calendar years 2021-2028. The total cap per calendar year is, in general, $10,000,000. The credit is equal to either (1) the total federal low-income housing tax credit using the entire federal credit period for all buildings in a qualified Maine project or (2) an amount equal to the lesser of $500,000 or 50% of the qualified basis of an affordable housing project that incurs at least $100,000 includible in eligible basis in the construction or rehabilitation of an affordable housing project for which a federal low-income housing tax credit is not claimed for those

expenditures. This credit is subject to recapture if the property does not remain credit-qualified for a certain period.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, §§ 5219-WW

Vermont: A nonrefundable credit is provided for approved affordable rental housing projects or owner-occupied affordable housing units. The amount of credit is based on the taxpayer's eligible cash contribution and the issuing agency's allocation plan. Total tax credits available to the taxpayer are the amount of the first-year allocation plus the succeeding four years' deemed allocation and can only be taken against the bank franchise and insurance premiums taxes.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 5930u

**19. Motion Picture Production:**

Statutory Reference: R.I. Gen. Laws § 44-31.2-5 / R.I. Pub. Laws 2022, Ch. 231, Art. 9, § 16

Stated Purpose: "The primary objective of this chapter is to encourage development in Rhode Island of a strong capital base for motion picture film, videotape, and television program productions, in order to achieve a more independent, self-supporting industry. This objective is divided into immediate and long-term objectives as follows:

1. Immediate objectives are to:
    i. Attract private investment for the production of motion pictures, videotape productions, and television programs, which contain substantial Rhode Island content as defined herein.
    ii. Develop a tax infrastructure, which encourages private investment. This infrastructure will provide for state participation in the form of tax credits to encourage investment in state-certified productions.
    iii. Develop a tax infrastructure utilizing tax credits, which encourage investments in multiple state-certified production projects.
2. Long-term objectives are to:
    i. Encourage increased employment opportunities within this sector and increased competition with other states in fully developing economic development options within the film and video industry.
    ii. Encourage new education curricula in order to provide a labor force trained in all aspects of film production."

Year Enacted / Last Year Amended: 2005 / 2022

Description: A 30% tax credit based on the amount of state-certified production costs directly attributable to activities within the state may be awarded to a motion picture production company, provided that the primary locations are within the state. The credit can be used against the business corporation tax, bank excise tax, insurance company gross premiums tax, and personal income tax. To qualify, the minimum total production budget must be at least $100,000 and the maximum credit allowed is $7 million per production. The tax administrator is granted authority to waive

that cap for feature-length films or TV series. The credit can be transferred or sold to another Rhode Island taxpayer, and unused amounts of the credit can be carried forward for up to three succeeding tax years.

No more than $20 million in total credits may be issued for any tax year for motion picture production tax credits and/or musical and theatrical production tax credits. No specific amount shall be set aside for either type of production. For TY 2022, the aggregate annual cap was increased from $20 million to $30 million for total motion picture production tax credits and/or musical and theatrical production tax credits. For TY 2023 and TY 2024, the aggregate annual cap was increased from $20 million to $40 million for total motion picture production tax credits and/or musical and theatrical production tax credits. No credits shall be issued on or after July 1, 2027, unless the production has received initial certification prior to July 1, 2027.

Data Source: Rhode Island Division of Taxation.

Reliability Index: 1

| ***Calendar Year / Tax Type*** | ***Revenue Forgone*** | ***Number of Taxpayers*** |
|---|---|---|
| 2020 Business Corporation Tax | $4,956,521 | < 10 |
| 2020 Bank Tax | $0 | 0 |
| 2020 Ins Co Gross Premiums Tax | $519,885 | < 10 |
| 2020 Personal Income Tax | $656,223 | 17 |
| **2020 Total** | **$6,132,629** | **Not Available*** |
| 2021 Business Corporation Tax | $7,616,056 | < 10 |
| 2021 Bank Tax | $0 | 0 |
| 2021 Ins Co Gross Premiums Tax | $4,241,832 | 16 |
| 2021 Personal Income Tax | $1,689,149 | 40 |
| **2021 Total** | **$13,547,037** | **Not Available*** |

**Indicates data that is not disclosed by Taxation due to taxpayer's confidentiality*

Projection Methodology: The projection for CY 2023-CY 2025 motion picture production tax credits is based on estimates prepared by the Office of Revenue Analysis for the November 2023 Revenue Estimating Conference for FY 2021-FY 2024 for motion picture production projects that qualify under R.I. Gen. Laws Ch. 44-31.2. This analysis assumes that the full $40 million of motion picture production and/or musical and theatrical production tax credits will be utilized in CY 2024, while CY 2025 and CY 2026 assume a $20 million maximum allowance and CY 2027 a $10,000,000 maximum allowance. The allocation of the total amount of motion picture production tax credits to CY 2023-CY 2025 was executed using the percentages derived for the allocation of motion picture production tax credits and the Office of Revenue Analysis applying these percentages to the estimates for FY 2023-FY 2026 for the included motion picture productions. Each fiscal year estimate was assumed be equally split into each calendar year within that fiscal

year (e.g. FY 2024 includes CY 2023 and CY 2024). The amount of motion picture production tax credits allocated to each tax type is based on that tax type's three-year average percentage of total motion picture production tax credits redeemed. For personal income tax, the percentage is 24.8%; for business corporation tax the percentage is 60.1%; for bank (financial institutions) tax the percentage is 0.0%; and for insurance company gross premiums tax the percentage is 15.1%. No company has ever used a motion picture production tax credit against the tax owed under the public service corporation tax.

| ***Calendar Year / Tax Type*** | ***Projected Revenue Forgone*** | ***Projected Number of Taxpayers*** |
|---|---|---|
| 2022 Business Corporation Tax | $3,498,410 | < 10 |
| 2022 Bank Tax | $0 | 0 |
| 2022 Ins Co Gross Premiums Tax | $0 | 0 |
| 2022 Personal Income Tax | $1,475,067 | 29 |
| **2022 Total** | **$4,973,477** | **Not Available*** |
| 2023 Business Corporation Tax | $4,252,304 | *No estimate possible* |
| 2023 Bank Tax | $0 | *No estimate possible* |
| 2023 Ins Co Gross Premiums Tax | $10,563,495 | *No estimate possible* |
| 2023 Personal Income Tax | $3,336,834 | *No estimate possible* |
| **2023 Projected Total** | **$18,152,633** | ***No estimate possible*** |
| 2024 Business Corporation Tax | $ 6,052,778 | *No estimate possible* |
| 2024 Bank Tax | $0 | *No estimate possible* |
| 2024 Ins Co Gross Premiums Tax | $14,655,386 | *No estimate possible* |
| 2024 Personal Income Tax | $3,693,712 | *No estimate possible* |
| **2024 Projected Total** | **$24,401,876** | ***No estimate possible*** |
| 2025 Business Corporation Tax | $6,981,600 | *No estimate possible* |
| 2025 Bank Tax | $0 | *No estimate possible* |
| 2025 Ins Co Gross Premiums Tax | $16,904,310 | *No estimate possible* |
| 2025 Personal Income Tax | $4,260,526 | *No estimate possible* |
| **2025 Projected Total** | **$28,146,435** | ***No estimate possible*** |

Law Comparison: Connecticut, Maine, and Massachusetts have similar provisions.

Connecticut: Production companies incurring production expenses or costs between $100,000 and $500,000 may be eligible for a credit equal to 10% of production expenses or costs, between

$500,000 and $1 million may be eligible for a credit equal to 15% of production expenses or costs, and more than $1 million may be eligible for a credit equal to 30% of production expenses or costs. To qualify for the credit, production companies must conduct at least 50% of the principal photography days within the state, expend at least 50% of post-production costs within the state, or expend at least $1 million of post-production costs within the state. No expenses or costs incurred outside the state and used within the state are eligible for the credit. No credit may be sold, assigned, or otherwise transferred, in whole or in part, more than three times. Issued credits can be carried forward for five income years. For income tax years commencing on or after January 1, 2019, for credits that are sold, assigned, or otherwise transferred, the taxpayer may only claim 92% to 95% of the credit value determined by the relationship between the buyer and the seller of the credit. Beginning in TY 2022, eligible production companies or other taxpayers claiming the credit (i.e., transferees) may only claim 78% of the credit's value when using it against the sales and use tax, and transferees may claim the credit against the tax only if there is at least 50% common ownership between the transferee and eligible production company that transferred the credit. The limitation on the amount of credit that can be claimed against sales and use tax increases from 78% to 92% for TY 2024 and TY 2025.

Connecticut Statute: Conn. Gen. Stat. § 12-217jj

Maine: A visual media production company is allowed a nonrefundable income tax credit in an amount equal to 5% of the nonwage visual media production expenses if such expenses are $75,000 or greater. In addition, a certified visual media production company is allowed a reimbursement equal to 12% of certified production wages paid to employees who are residents of Maine and 10% of certified production wages paid to other employees.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, §§ 5219-Y and 6902(1)

Massachusetts: A taxpayer engaged in the making of a motion picture is allowed a credit equal to 25% of the total aggregate payroll paid by a motion picture production company and constitutes Massachusetts source income (excluding any employee whose salary is equal to or greater than $1 million) if total in-state production costs are at least $50,000. In addition, a taxpayer whose in-state production expenses exceed 50% of the total production expenses for a motion picture or who shoots at least 50% of the total principal photography days of the film in Massachusetts is entitled to an additional credit equal to 25% of all Massachusetts production expenses, excluding the payroll expenses. They are also allowed a credit equal to 25% of the total aggregate payroll paid by a motion picture production company that constitutes Massachusetts source income. Effective January 1, 2022, a taxpayer must have 75% of production expenses attributable to Massachusetts to be eligible for the additional credit. These tax credits are refundable, may be carried forward up to five subsequent taxable years, and have been made permanent.

Massachusetts Statute: Mass. Gen. Laws ch. 62, § 6(l) and ch. 63, §38(X)

**20. Motor Carrier Fuel Use Taxes Paid to Rhode Island:**

Statutory Reference: R.I. Gen. Laws § 31-36.1-15

Stated Purpose: "The purpose of this chapter is to assure the payment of tax on fuel consumed by motor carriers in propelling qualified motor vehicles on the public highways in Rhode Island."

Year Enacted / Last Year Amended: 1981 / 2006

Description: All motor carriers are entitled to a credit against the motor carrier fuel use tax imposed on motor fuel purchased within the state but used outside of the state for its operations, provided that the tax imposed by the laws of the State of Rhode Island has been paid by the motor carrier on said fuel. The credit is equal to the tax rate per gallon of motor fuel in effect when the fuel was purchased. The tax rate per gallon of motor fuel was $0.34 in CY 2020 – the first half of CY 2023. The rate increased to $0.37 per gallon as of July 1, 2023.

The tax credit is refundable to the extent that the credit, to which any motor carrier is entitled for any quarter, exceeds the amount of the motor fuel tax for which the motor carrier is liable. The motor carrier is also allowed to use the credit excess towards any of the eight succeeding quarters.

Data Source: Excise Tax Section, Rhode Island Division of Taxation. The number of taxpayers is the number of licensed International Fuel Tax Agreement (IFTA) carriers in Rhode Island.

Reliability Index: 1

| ***Calendar Year / Tax Type*** | ***Revenue Forgone*** | ***Number of Taxpayers*** |
|---|---|---|
| 2020 Motor Carrier Fuel Use Tax | $5,979,435 | 938 |
| 2021 Motor Carrier Fuel Use Tax | $4,407,456 | 1,099 |
| 2022 Motor Carrier Fuel Use Tax | $3,250,114 | 1,114 |

Projection Methodology: The number of taxpayers for CY 2023 is the number of IFTA carriers as provided by Taxation as of December 2023. The projected revenue forgone for CY 2023 is the average amount of revenue forgone for each taxpayer in CY 2022 multiplied by the number of IFTA carriers for CY 2023. CY 2024 and CY 2025 revenue forgone amounts and number of taxpayers are held constant with CY 2023.

| ***Calendar Year / Tax Type*** | ***Projected Revenue Forgone*** | ***Projected Number of Taxpayers*** |
|---|---|---|
| 2023 Motor Carrier Fuel Use Tax | $2,859,166 | 980 |
| 2024 Motor Carrier Fuel Use Tax | $2,859,166 | 980 |
| 2025 Motor Carrier Fuel Use Tax | $2,859,166 | 980 |

Law Comparison: All of the five New England states are also signatories of the International Fuel Tax Agreement and, therefore, all have similar provisions.

## 21. Musical and Theatrical Production:

Statutory Reference: R.I. Gen. Laws § 44-31.3-2 / R.I. Pub. Laws 2022, Ch. 231, Art. 9, § 16

Stated Purpose: "The purpose of this chapter is to create economic incentives for the purpose of stimulating the local economy and reducing unemployment in Rhode Island."

Year Enacted / Last Year Amended: 2012 / 2022

Description: This credit is equal to 30% of the production and performance expenditures and transportation expenditures directly attributable to activities in the state for a live stage production in a qualified production facility. The credit is allowed against the business corporation tax, public service corporation tax, bank excise tax, insurance company gross premiums tax, and the personal income tax. To qualify, the minimum production budget must be $100,000, and the maximum credit allowed is $5 million per production.

No more than $20 million may be issued for any tax year for the total combined motion picture production tax credits and musical and theatrical production tax credits with a maximum of $15 million available for musical and theatrical productions. For TY 2022, the aggregate annual cap was increased from $20 million to $30 million for total motion picture production tax credits and/or musical and theatrical production tax credits. For TY 2023 and TY 2024, the aggregate annual cap was increased from $20 million to $40 million for total motion picture production tax credits and/or musical and theatrical production tax credits. In the 2023 session, the type of productions eligible for the musical and theatrical tax production credits was expanded to include national touring productions. No credits shall be issued on or after July 1, 2027, unless the production has received initial certification prior to July 1, 2027.

Data Source: Rhode Island Division of Taxation. Data is current as of November 2023.

Reliability Index: 1

| ***Calendar Year / Tax Type*** | ***Revenue Forgone*** | ***Number of Taxpayers*** |
|---|---|---|
| 2020 Business Corporation Tax | $0 | 0 |
| 2020 Public Service Corporation Tax | $0 | 0 |
| 2020 Bank Tax | $0 | 0 |
| 2020 Ins Co Gross Premiums Tax | $0 | 0 |
| 2020 Personal Income Tax | $612,298 | 33 |
| **2020 Total** | **$612,298** | **33** |

| *Calendar Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2021 Business Corporation Tax | $0 | 0 |
| 2021 Public Service Corporation Tax | $0 | 0 |
| 2021 Bank Tax | $0 | 0 |
| 2021 Ins Co Gross Premiums Tax | $0 | 0 |
| 2021 Personal Income Tax | $1,002,882 | 29 |
| **2021 Total** | **$1,002,882** | **29** |

Projection Methodology: The projection for CY 2022-2025 musical and theatrical production tax credits is based on estimates prepared by the Office of Revenue Analysis. For CY 2022 ORA took estimated unused credit amounts as well as credit assigned for CY 2022 reported at the 2023 November Revenue Estimating Conference by the Rhode Island Film and Television Office. Credit usage per year was allocated in the same manner that was observed from previously assigned credit usage in CY 2012-2021. ORA estimates that 34% of the credit issued is used in the year of issuance; 30% of the credit issued is used in the year immediately following issuance; 33% of the credit issued is used in the second year immediately following issuance; and 2% of the credit issued is used in the third year immediately following issuance. A similar method was used for CY 2023, CY 2024 and CY 2025 however, ORA estimated the amount of credit assigned by taking the average amount of credit assigned from CY 2019-2023. Finally, the amount of projected credit was allocated to tax type by utilizing the average credit usage per tax type from CY 2016-2021.

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2022 Business Corporation Tax | $0 | *No estimate possible* |
| 2022 Public Service Corporation Tax | $0 | *No estimate possible* |
| 2022 Bank Tax | $0 | *No estimate possible* |
| 2022 Ins Co Gross Premiums Tax | $0 | *No estimate possible* |
| 2022 Personal Income Tax | $294,928 | *No estimate possible* |
| **2023 Projected Total** | **$294,928** | ***No estimate possible*** |
| 2023 Business Corporation Tax | $0 | *No estimate possible* |
| 2023 Public Service Corporation Tax | $0 | *No estimate possible* |
| 2023 Bank Tax | $0 | *No estimate possible* |
| 2023 Ins Co Gross Premiums Tax | $0 | *No estimate possible* |
| 2023 Personal Income Tax | $410,818 | *No estimate possible* |
| **2023 Projected Total** | **$410,818** | ***No estimate possible*** |

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2024 Business Corporation Tax | $0 | *No estimate possible* |
| 2024 Public Service Corporation Tax | $0 | *No estimate possible* |
| 2024 Bank Tax | $0 | *No estimate possible* |
| 2024 Ins Co Gross Premiums Tax | $0 | *No estimate possible* |
| 2024 Personal Income Tax | $590,086 | *No estimate possible* |
| **2024 Projected Total** | **$590,086** | ***No estimate possible*** |
| 2025 Business Corporation Tax | $0 | *No estimate possible* |
| 2025 Public Service Corporation Tax | $0 | *No estimate possible* |
| 2025 Bank Tax | $0 | *No estimate possible* |
| 2025 Ins Co Gross Premiums Tax | $0 | *No estimate possible* |
| 2025 Personal Income Tax | $352,383 | *No estimate possible* |
| **2025 Projected Total** | **$352,383** | ***No estimate possible*** |

Law Comparison: Only Connecticut has a similar provision.

Connecticut: Beginning on or after January 1, 2024, Connecticut will issue tax credits for production companies of eligible pre- and post-Broadway productions and live theatrical tours performed at qualified facilities in the state. The credit equals 30% of the production's eligible expenditures. The annual fiscal year cap is $2.5 million.

Connecticut Statutes: Conn. P.A. 23-204 § 372

**22. New Qualified Jobs Incentive Act:**

Statutory Reference: R.I. Gen. Laws Chapter 44-48.3

Stated Purpose: "Through the establishment of a jobs incentive program, Rhode Island can take steps to stimulate business expansion and attraction, create well-paying jobs for its residents, and generate revenues for necessary state and local governmental services."

Year Enacted / Last Year Amended: 2015 / 2022

Description: A qualifying business may receive a tax credit of at least $2,500 a year for each new full-time job created where the employee works at least 35 hours a week and whose wages are subject to withholding. The credit amount can increase if the business meets certain criteria. For each application approved after July 1, 2019, the tax credit is capped at 75% of the reasonable withholding received by the state for each new full-time job created or $7,500, whichever is greater.

Administered by CommerceRI, the program may provide tax credits to eligible businesses for a period of up to 10 years. An eligible business under the program is allowed a credit against the business corporation tax, public service corporation tax, bank excise tax, insurance company gross premiums tax, and personal income tax. The tax can be carried forward for the succeeding four years. In addition, the tax credit can be redeemed for cash in whole or in part for 90% of the value of the tax credit (reported below as refund option). The new qualified jobs incentive tax credit sunset is December 31, 2024.

Data Source: Rhode Island Division of Taxation.

Reliability Index: 1

| ***Calendar Year / Tax Type*** | ***Revenue Forgone*** | ***Number of Taxpayers*** |
|---|---|---|
| 2020 Business Corporation Tax | $0 | 0 |
| 2020 Public Service Corporation Tax | $0 | 0 |
| 2020 Bank Tax | $0 | 0 |
| 2020 Ins Co Gross Premiums Tax | $0 | 0 |
| 2020 Personal Income Tax | $30,637 | < 10 |
| 2020 Refund Option | $508,137 | < 10 |
| **2020 Total** | **$538,774** | **Not Available*** |
| 2021 Business Corporation Tax | $387,749 | < 10 |
| 2021 Public Service Corporation Tax | $0 | 0 |
| 2021 Bank Tax | $0 | 0 |
| 2021 Ins Co Gross Premiums Tax | $0 | 0 |
| 2021 Personal Income Tax | $539,469 | < 10 |
| 2021 Refund Option | $0 | 0 |
| **2021 Total** | **$927,218** | **Not Available*** |

**Indicates data that is not disclosed by Taxation due to taxpayer's confidentiality*

Projection Methodology: TY 2022 is as provided by the Division of Taxation, with data as of December 2023. The projection for CY 2023-CY 2025 is based on information provided by CommerceRI in their testimony at the November 2023 Revenue Estimating Conferences. CommerceRI reported future credit activity in fiscal years. ORA calculated a CY amount by taking half of each fiscal year the calendar year spanned. The distribution between tax types of projected revenue forgone was calculated based on data from TY 2018-TY 2022 (TY 2018 and TY 2019 figures were reported in the *2022 Tax Expenditures Report*). ORA assumed no tax type would have more than 10 taxpayers in any given calendar year.



6348/8585

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2022 Business Corporation Tax | $0 | 0 |
| 2022 Public Service Corporation Tax | $0 | 0 |
| 2022 Bank Tax | $0 | 0 |
| 2022 Ins Co Gross Premiums Tax | $0 | 0 |
| 2022 Personal Income Tax | $0 | 0 |
| 2022 Refund Option | $2,542,340 | < 10 |
| **2022 Total** | **$**2,542,340 | **< 10** |
| 2023 Business Corporation Tax | $276,259 | < 10 |
| 2023 Public Service Corporation Tax | $0 | 0 |
| 2023 Bank Tax | $0 | 0 |
| 2023 Ins Co Gross Premiums Tax | $0 | 0 |
| 2023 Personal Income Tax | $1,743,146 | < 10 |
| 2023 Refund Option | $1,283,661 | < 10 |
| **2023 Total** | **$3,303,066** | **Not Available*** |
| 2023 Business Corporation Tax | $285,773 | < 10 |
| 2023 Public Service Corporation Tax | $0 | 0 |
| 2023 Bank Tax | $0 | 0 |
| 2023 Ins Co Gross Premiums Tax | $0 | 0 |
| 2024 Personal Income Tax | $1,803,182 | < 10 |
| 2024 Refund Option | $1,327,872 | < 10 |
| **2024 Total** | **$3,416,827** | **Not Available*** |

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2023 Business Corporation Tax | $443,493 | < 10 |
| 2023 Public Service Corporation Tax | $0 | 0 |
| 2023 Bank Tax | $0 | 0 |
| 2023 Ins Co Gross Premiums Tax | $0 | 0 |
| 2025 Personal Income Tax | $2,798,367 | < 10 |
| 2025 Refund Option | $2,060,731 | < 10 |
| **2025 Total** | **$5,302,591** | **Not Available*** |

Law Comparison: Connecticut, Massachusetts, New Hampshire, and Vermont have similar provisions.

Connecticut: Under the Jobs CT tax rebate program, effective January 1, 2023, qualified businesses that create jobs in the state may be allowed a tax rebate, which may be treated as a credit against the corporation business tax or pass-through entity tax or an offset of the insurance companies tax on premiums, for reaching certain job creation targets. The rebate is based on the number of new FTEs created and maintained, the FTE's average wage, and the state income tax that would be paid on this average wage for a single filer. A maximum of $40 million in credits may be issued in a given fiscal year.

Connecticut Statutes: Conn. Gen. Stat. §§ 32-7t

Maine: Qualified businesses are eligible for a reimbursement for qualified employees equal to a percentage of withholding taxes during the first five calendar years. The percentage of reimbursement is equal to a percentage dependent upon the labor market unemployment rate compared to the State's unemployment rate. Percentages can be 30%, 50%, or 75%. The percentage for reimbursement for the 6th to 10th years of the employment tax increment financing development program is established upon the labor market unemployment rate at the beginning of the 6$^{th}$ year. The program is capped at a total annual amount of $20 million in 1996 dollars adjusted by CPI.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 6754

Massachusetts: The Economic Development Incentive Program credit provisions include certified job creation projects, with a credit up to $5,000 per job created. Criteria such as job creation or capital investment used to certify credit eligible projects are dependent upon the type of project. Credits are not transferable but may be refundable only for certain designated projects. Credits are subject to a yearly cap of $30 million per year, with a max maximum of $5 million per year in refundable credits.

Massachusetts Statute: Mass. Gen. Laws ch. 62, § 6(g) and ch. 63, § 38N, see also TIR 16-15

New Hampshire: New Hampshire provides for a tax credit to businesses who hire new, full-time, year-round employees in Coos County for work directly in one or more business activities. To qualify, an employee must be paid actual wages equal to or greater than 150% of the current state minimum wage. A qualified tax credit employee does not include an employee who is: (a) shifted to a new position because of a merger, acquisition, or restructuring; (b) laid-off and rehired within 270 days to the same or a similar position; or (c) not on the employer's payroll for at least 90 days prior to the date on which the employer claims the credit for the first tax period. The tax credit is renewable for four consecutive additional tax years and can be carried forward for up to five years. No credits may be granted after December 31, 2027.

New Hampshire Statute: N.H. Rev. Stat. §§77-E:3-c and 162-Q

Vermont: Vermont does not include a credit but does provide a cash incentive to authorized companies, paid in installments and based on new, qualified job and payroll creation in Vermont. The incentive amount is earned over a period of up to five years and paid out over a period of up to nine years, provided the company maintains or increases base payroll and meets the necessary targets.

Vermont also provides a performance-based employment growth incentive to be taken against a business' withholding tax due upon approval. The value of the incentives is dependent upon the net fiscal benefit resulting from projected qualifying payroll and qualifying capital investment. An incentive ratio is applied to the net fiscal benefit generated by a cost-benefit model in order to determine the maximum award for each application it approves. An incentive percentage for each approved application is calculated by dividing the authorized award amount by the five-year sum of all payroll targets. The council may authorize incentives in excess of net fiscal benefit multiplied by the incentive ratio not to exceed an annual authorization established by law.

To the extent a business authorized to earn employment growth incentives experiences a 90% or greater drop below application base jobs or, in the case of a business with no jobs at the time its application is approved a 90% or greater drop below its cumulative job target during the utilization period, all authority to earn and claim incentives is revoked and such business will be subject to recapture of all incentives previously claimed, together with interest and penalty.

Vermont Statute: Vt. Stat. Ann. tit. 32 § 3325-3342

### 23. Property Tax Relief:

Statutory Reference: R.I. Gen. Laws Chapter 44-33

Stated Purpose: "The purpose of this chapter is to provide relief, through a system of tax credits and refunds and appropriations from the general fund, to elderly and/or disabled persons who own or rent their homes."

Year Enacted / Last Year Amended: 1977 / 2006

Description: Rhode Island full-year residents with total annual household income of $30,000 or less are entitled to a refundable credit against the personal income tax equal to the amount by which the property taxes accrued or rent constituting property taxes accrued upon the claimant's homestead for the taxable year exceeds a certain percentage of the claimant's total household income. The percentage is based upon income level and household size. This credit is available only to those taxpayers who were over the age of 65 and/or disabled. The credit is computed based on the following table:

| Income Range | 1 Person | 2 or More Persons |
|---|---|---|
| Less than $6,000 | 3% | 3% |
| $6,001 to $9,000 | 4% | 4% |
| $9,001 to $12,000 | 5% | 5% |
| $12,001 to $15,000 | 6% | 5% |
| $15,001 to $30,000 | 6% | 6% |

Prior to TY 2022, the maximum credit was increased by increments of five dollars from the maximum of $300 in 2006 based on income derived from video lottery games. The credit maximum in TY 2020 equaled $400, while in TY 2021 the credit maximum was $415.

For TY 2022, the maximum qualifying income amount was increased from $30,000 to $35,000, and the maximum credit amount was set at $600. The qualifying income ranges and maximum credit amount were tied to inflation beginning on or after January 1, 2023.

Data Source: Division of Taxation, November 2023 Revenue Estimate Conference (REC) testimony.

Reliability Index: 1

| ***Calendar Year / Tax Type*** | ***Revenue Forgone*** | ***Number of Taxpayers*** |
|---|---|---|
| 2020 Personal Income Tax | $3,390,353 | 12,023 |
| 2021 Personal Income Tax | $3,238,106 | 10,712 |

Projection Methodology: TY 2022 is as reported at the November 2023 REC. Revenue forgone for TY 2023-TY 2025 is grown by S&P Global's CPI-U forecast as adopted at the November 2023 REC. The number of taxpayers is held constant.

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2022 Personal Income Tax | $5,273,323 | 10,495 |
| 2023 Personal Income Tax | $5,397,820 | 10,495 |
| 2024 Personal Income Tax | $5,510,085 | 10,495 |
| 2025 Personal Income Tax | $5,642,714 | 10,495 |

Law Comparison: Connecticut, Maine, Massachusetts, and Vermont have similar provisions.

Connecticut: The tax credit is a maximum of $200 with a phase out income schedule based on filing status through TY 2021. Beginning in TY 2022, the credit maximum is $300 for TY 2022. For the tax years 2017-2021, eligibility for the credit is limited to taxpayers who are 65 years of age or older or validly claim at least one dependent on their federal income tax return for that year.

Connecticut Statute: Conn. Gen. Stat. § 12-704c

Maine: A refundable tax credit is available for property taxes paid on a resident's homestead above 5% of income for TY 2020 and TY 2021 and above 4% for TY 2022 and thereafter. The credit is limited to $750 for resident individuals under 65 years of age or $1,200 for resident taxpayers 65 years and older for TY 2020 and increased to $1,000 and $1,500, respectively, starting in TY 2021. Rent constituting property tax equals 15% of rent. There is a benefit base limit (i.e., maximum amount of property taxes paid) to qualify a taxpayer for this credit. In TY 2022, this cap is $2,200 for single filers, $2,800 for joint filers without dependents, and $3,450 for joint filers with dependents or head of household filers.

For tax years beginning on or after January 1, 2023, resident individuals who are veterans and 100% permanently and totally disabled are allowed an additional income tax credit equal to the amount of the property tax fairness credit the individual qualifies for, effectively doubling the property tax fairness credit. The total credit may not exceed the property taxes paid and rent constituting property taxes paid by the individual during the tax year.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 5219-KK

Massachusetts: Massachusetts' provisions include a credit available only to taxpayers 65 and older who rent or own a residential property located in Massachusetts (owners must reside in the property as a principal residence). The credit is equal to the amount by which the real estate tax payment, or 25% of the rent constituting the real estate tax payment, exceeds 10% of the taxpayer's total income, not to exceed a certain threshold ($1,170 for TY 2021). There are income limits based on filing status, as well as a property value limitation. All threshold figures are subject to inflation. For TY 2021, income limits are: $62,000 for single filers, $78,000 for head of household filers, and $93,000 for joint filers. The assessed valuation of the residence cannot exceed $884,000. This credit was increased to $2,400 and indexed to inflation, retroactive to January 1, 2023.

Massachusetts Statute: Mass. Gen. Laws ch. 62, § 6(k)

Vermont: Vermont's provisions include a credit on property taxes for residents below a certain income threshold and that meet certain other requirements. Taxpayers must be domiciled in Vermont for a full year, the property must qualify as a homestead as of April 1 (taxpayers must file a homestead declaration), and not be claimed as a dependent of another taxpayer.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 6066

**24. Rebuild Rhode Island:**

Statutory Reference: R.I. Gen. Laws Chapter 42-64.20

Stated Purpose: "Through the establishment of a rebuild Rhode Island tax credit program, Rhode Island can take steps to stimulate business development; retain and attract new business and industry to the state; create good-paying jobs for its residents; assist with business, commercial, and industrial real estate development; and generate revenues for necessary state and local governmental services."

Year Enacted / Last Year Amended: 2015 / 2023

Description: In general, this program offers tax credits against the business corporation tax, public service corporation tax, bank excise tax, insurance company gross premiums tax, and personal income tax for certain commercial developments that have a financing gap. The project cost must be at least $5 million. The maximum credit is the lesser of 30% of the total project cost, or the amount needed to close a project financing gap. The credit is capped at $15 million for any qualified development project, including projects completed in phases or in multiple projects and the amounts awarded for any sales and use tax exemptions. However, projects that would develop land or buildings on the I-195 land as a separate qualified development project may be exempt from the maximum credit allowed of 30% of the total project cost if it is less than the amount needed to close a project funding gap. The maximum aggregate tax credit amount is set at $210 million, excluding credits issued for projects on the I-195 land, but was increased to $225 million in the 2023 session. The project cap for a project on I-195 land is set at $25 million, also inclusive of any sales and use tax exemptions.

The credit allowed cannot reduce the tax due for any taxable year by more than 50% of the tax liability that would be payable and, for corporations, to no less than the corporate minimum tax as set in R.I. Gen. Laws § 44-11-2(e). The amount that exceeds the taxpayer's tax liability may be carried forward for up to four years, and credits may also be assigned or sold. The program is administered by CommerceRI. At the discretion of CommerceRI, projects eligible for the tax credit may be exempt from sales and use tax on certain items used in the project. Finally, the credit recipient may also request a refund of their credits in whole or in part for 90% of the credit amount.

Effective July 1, 2022, construction projects over $10 million are subject to prevailing wage requirements and must receive certification of compliance with these requirements to receive tax credits under this program. The sunset date was extended to December 31, 2024.

Data Source: Rhode Island Division of Taxation.

Reliability Index: 1

| *Calendar Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Business Corporation Tax | $0 | 0 |
| 2020 Public Service Corporation Tax | $0 | 0 |
| 2020 Bank Tax | $0 | 0 |
| 2020 Ins Co Gross Premiums Tax | $6,720,643 | 22 |
| 2020 Personal Income Tax | $1,951,574 | 40 |
| 2020 Refund Option | $1,786,134 | < 10 |
| **2020 Total** | **$10,458,351** | **Not Available*** |
| 2021 Business Corporation Tax | $100,426 | < 10 |
| 2021 Public Service Corporation Tax | $0 | 0 |
| 2021 Bank Tax | $0 | 0 |
| 2021 Ins Co Gross Premiums Tax | $6,783,208 | 22 |
| 2021 Personal Income Tax | $2,542,161 | 42 |
| 2021 Refund Option | $3,342,857 | < 10 |
| **2021 Total** | **$12,768,652** | **Not Available*** |

**Indicates data that is not disclosed by Taxation due to taxpayer's confidentiality*

Projection Methodology: TY 2022 projected revenue forgone amounts and the number of taxpayers were reported by the Division of Taxation and are accurate as of December 2023. For TY 2023-TY 2025 projections of revenue forgone, ORA applied the three-year average of growth of anticipated Rebuild tax credits as reported by CommerceRI to TY 2022 amounts. For the projected number of taxpayers for all tax types except the refund option, ORA applied the three-year average of growth of the number of certified Rebuild projects as reported by CommerceRI to TY 2022 number of taxpayers. As the actual figure for the refund option is unavailable, ORA held the number of taxpayers constant with TY 2022.

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2022 Business Corporation Tax | $0 | 0 |
| 2022 Public Service Corporation Tax | $0 | 0 |
| 2022 Bank Tax | $0 | 0 |
| 2022 Ins Co Gross Premiums Tax | $7,036,709 | 23 |
| 2022 Personal Income Tax | $497,879 | 15 |
| 2022 Refund Option | $4,861,627 | < 10 |
| **2022 Projected Total** | **$12,396,215** | **Not Available*** |
| 2023 Business Corporation Tax | $0 | 0 |
| 2023 Public Service Corporation Tax | $0 | 0 |
| 2023 Bank Tax | $0 | 0 |
| 2023 Ins Co Gross Premiums Tax | $9,667,655 | 35 |
| 2023 Personal Income Tax | $684,030 | 23 |
| 2023 Refund Option | $6,679,334 | < 10 |
| **2023 Projected Total** | **$17,031,020** | **Not Available*** |
| 2024 Business Corporation Tax | $0 | 0 |
| 2024 Public Service Corporation Tax | $0 | 0 |
| 2024 Bank Tax | $0 | 0 |
| 2024 Ins Co Gross Premiums Tax | $10,984,697 | 47 |
| 2024 Personal Income Tax | $777,217 | 30 |
| 2024 Refund Option | $7,589,272 | < 10 |
| **2024 Projected Total** | **$19,351,186** | **Not Available*** |

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2025 Business Corporation Tax | $0 | 0 |
| 2025 Public Service Corporation Tax | $0 | 0 |
| 2025 Bank Tax | $0 | 0 |
| 2025 Ins Co Gross Premiums Tax | $11,323,466 | 56 |
| 2025 Personal Income Tax | $801,186 | 37 |
| 2025 Refund Option | $7,823,326 | < 10 |
| **2025 Projected Total** | **$19,947,978** | **Not Available*** |

**Indicates data that is not disclosed by Taxation due to taxpayer's confidentiality*

Law Comparison: Connecticut, Maine, and Massachusetts have similar provisions.

Connecticut: A tax credit is available for investments in eligible industrial site investment projects or eligible urban reinvestment projects. The tax credit is redeemable at an amount equal to a percentage of the approved investments in accordance with a set schedule over ten years. The per project cap is $100,000,00, and the total program cap is $950,000,000. A carryforward is allowed for up to five years, and credits are transferable.

Connecticut Statute: Conn. Gen. Stat. § 32-9t

Maine: A taxpayer making a qualified equity investment in a low-income community business is allowed a refundable credit equal to 39% of the investment. The credit is taken over seven years, with 0% allowed in the first two years, 7% allowed in year three, and 8% allowed in remaining years. The credit may be carried forward for up to 20 years. Certain recapture provisions apply.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 5219-HH

Massachusetts: Massachusetts has a refundable credit that provides a tax credit equal to 50% of the total qualified investments against state tax liability for those who invest in a community development corporation's community investment plan, which invest in economic opportunities for low- and moderate-income households. Qualified investment must be at least $1,000. The total value of the tax credits authorized are limited to $8,000,000 in TY 2022, $10 million in TY 2021 and TY 2022, and $12 million in TY 2023-TY 2025. The credit can be carried forward up to 5 years.

Massachusetts Statute: Mass. Gen. Laws ch. 63, § 38EE

## 25. Research and Development Expense:

Statutory Reference: R.I. Gen. Laws § 44-32-3

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1994 / 1999

Description: A taxpayer is allowed a credit against the business corporation tax and insurance company gross premiums tax for the excess, if any, of the qualified research expenses for the taxable year over the base period research expenses, where qualified and base period research expenses are as defined in 26 U.S.C. § 41. The amount of credit is equal to 22.5% of expenses for the first $25,000 worth of credit taken and 16.9% of expenses for any amount of applicable credit above $25,000.

The credit allowed cannot reduce the tax due for any taxable year by more than 50% of the tax liability that would be payable and, for corporations, to no less than the corporate minimum tax as set in R.I. Gen. Laws § 44-11-2(e). Unused amounts of the credit earned in a taxable year may be carried forward up to seven succeeding tax years.

Data Source: Rhode Island Division of Taxation's testimony at the November 2023 Revenue Estimating Conference

Reliability Index: 1

| ***Calendar Year / Tax Type*** | ***Revenue Forgone*** | ***Number of Taxpayers*** |
|---|---|---|
| 2020 Business Corporation Tax | $3,312,247 | 64 |
| 2020 Ins Co Gross Premiums Tax | $463,711 | <10 |
| **2020 Total** | **$3,775,958** | **Not Available*** |
| 2021 Business Corporation Tax | $3,352,955 | 67 |
| 2021 Ins Co Gross Premiums Tax | $694,771 | <10 |
| **2021 Total** | **$4,047,726** | **Not Available*** |

**Indicates data that is not disclosed by Taxation due to taxpayer's confidentiality*

Projection Methodology: TY 2022 credit amount and number of taxpayers are what was reported at the November 2023 Revenue Estimating Conference by the Division of Taxation. TY 2023 - TY 2025 forgone revenue amounts and number of taxpayers are equal to the TY 2020 – TY 2022 average amount of revenue forgone and count of taxpayers. If the count of taxpayers provided by the Division of Taxation was < 10 and otherwise unknown, ORA used the midpoint estimate of 5 taxpayers in calculating the average.

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2022 Business Corporation Tax | $4,297,107 | 79 |
| 2022 Ins Co Gross Premiums Tax | $850,461 | < 10 |
| **2022 Projected Total** | **$5,147,568** | **Not Available*** |
| 2023 Business Corporation Tax | $3,654,103 | 70 |
| 2023 Ins Co Gross Premiums Tax | $669,648 | 5 |
| **2023 Projected Total** | **$4,323,751** | **75** |
| 2024 Business Corporation Tax | $3,654,103 | 70 |
| 2024 Ins Co Gross Premiums Tax | $669,648 | 5 |
| **2024 Projected Total** | **$4,323,751** | **75** |
| 2025 Business Corporation Tax | $3,654,103 | 70 |
| 2025 Ins Co Gross Premiums Tax | $669,648 | 5 |
| **2025 Projected Total** | **$4,323,751** | **75** |

**Indicates data that is not disclosed by Taxation due to taxpayer's confidentiality*

Law Comparison: All of the New England states have similar provisions.

Connecticut: A corporation may receive a credit against its corporation business tax equal to 20% of the amount by which research and experimental expenditures, as defined in § 174 of the Internal Revenue Code, in the current income year exceed expenditures in the preceding year. Unused credits may be carried forward for 15 years.

Connecticut also allows a credit against corporation business taxes for research and development expenditures incurred in the state. The credit is 1% of expenditures up to $50 million, $500,000 plus 2% of the excess of expenses over $50 million and up to $100 million, $1.5 million plus 4% of the excess of expenses over $100 million and up to $200 million, and 6% of expenditures over $200 million. Unused credits may be carried forward until fully taken. Beginning in TY 2021, the carry forward period is capped at 15 years. Current law caps the total value of credits corporations may claim at 50.01% of their annual tax liability. The credits for research and development expenditures can reduce up to 60% of their liability for the 2021 income year and 70% of their liability for the 2022 income year and for each income year after that.

Companies with less than $70 million in gross sales that cannot take either research and development credit because they do not have a tax liability are permitted to sell unused credits back to the state at 65% of their value. The maximum annual refund is $1.5 million per company.

Connecticut Statute: Conn. Gen. Stat. §§ 12-217j, 12-217n, 12-217ee, 12-217zz(a)(4)

Maine: Maine's provisions include a credit of 5% of the excess, if any, of the qualified research expenses for the tax year over the average spent on research expenses over the last 3 years, and 7.5% of the basic research payments. The credit is limited to 100% of the corporation's first $25,000 of tax and 75% of the tax over $25,000. There is a 15-year carry forward.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 5219-K

Massachusetts: A credit is allowed for domestic or foreign corporations against its excise tax. There are two calculation methods allowed. The first credit calculation is equal to 10% of the excess, if any, of the qualified research expenses for the taxable year over a base amount plus 15% of the basic research payments determined under § 41(e)(1)(A) of the Internal Revenue Code. The second method is based on the federal simplified method. The credit amount is equal to a percentage of the difference between the taxpayer's qualified research expenses for the current tax year and 50% of the taxpayer's average qualified research expenses for the preceding three tax years. The percentage used to calculate the credit under the second method was phased in. The rate was 7.5% for CY 2020 and 10% for CY 2021 and thereafter.

The amount of research credit that can be used in a taxable year is limited to 100% of a corporation's first $25,000 of excise tax, plus 75% of the corporation's excise tax in excess of $25,000. A single $25,000 amount applies to affiliated groups of corporations. Credits can be carried forward for 15 years, in general, but in certain instances the credit can be carried forward indefinitely. The research credit is not transferable and generally is not refundable. However, a certified Life Science Company may apply to the Massachusetts Life Science Center for a refund of a portion of its available excess research credits in lieu of carrying such credits forward for use in later years.

Massachusetts Statute: Mass. Gen. Laws ch. 63, § 38M

New Hampshire: There is a research and development tax credit for qualified manufacturing research and development expenditures made or incurred during the fiscal year. The aggregate of tax credits is capped at $7,000,000 for any fiscal year. Credit can be carried forward for the subsequent five tax years. The amount of the credit is lesser of: (A) 10% of the excess of the qualified manufacturing research and development expenses for the taxable year over the base amount; (B) the proportional share of the maximum aggregate credit amount; and (C) $50,000.

New Hampshire Statute: N.H. Rev. Stat. Ann. § 77-A:5(XIII)

Vermont: A taxpayer is eligible for a credit against the income tax imposed in an amount equal to 27% of the amount of the federal tax credit allowed in the taxable year for eligible research and development expenditures under 26 U.S.C. § 41(a) and which are made in Vermont. Any unused credit may be carried forward for up to 10 years.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 5930ii

## 26. Research and Development Property:

Statutory Reference: R.I. Gen. Laws § 44-32-2

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1994 / 1999

Description: A taxpayer is allowed a credit against the business corporation tax and insurance company gross premiums tax for tangible personal property and other tangible property, including buildings and structural components of buildings. The property must be depreciable or a recovery property as determined under 26 U.S.C. § 167 and § 168, have a useful life of at least three years, have a situs in the state, and be used principally for purposes of research and development in the experimental or laboratory sense. The amount of credit is equal to 10% of the cost or other basis for federal income tax purposes of the property.

The credit allowed cannot reduce the tax due for corporations to less than the corporate minimum tax as set in R.I. Gen. Laws § 44-11-2(e). Unused amounts of the credit earned in a taxable year may be carried forward up to seven succeeding tax years.

Data Source: Rhode Island Division of Taxation's testimony at the November 2023 Revenue Estimating Conference

Reliability Index: 1

| *Calendar Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Business Corporation Tax | $0 | 0 |
| 2020 Ins Co Gross Premiums Tax | $156,705 | < 10 |
| **2020 Total** | **$156,705** | **< 10** |
| 2021 Business Corporation Tax | $23,959 | < 10 |
| 2021 Ins Co Gross Premiums Tax | $0 | 0 |
| **2021 Total** | **$23,959** | **< 10** |

Projection Methodology: TY 2022 amount of credit and number of taxpayers are what was reported at the November 2023 Revenue Estimating Conference by the Division of Taxation. TY 2023 – TY 2025 forgone revenue amounts and number of taxpayers are equal to the TY 2020 – TY 2022 average amount of revenue forgone and count of taxpayers. If the count of taxpayers provided by the Division of Taxation was < 10 and otherwise unknown, ORA used the midpoint estimate of 5 taxpayers in calculating the average.

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2022 Business Corporation Tax | $268,386 | < 10 |
| 2022 Ins Co Gross Premiums Tax | $0 | 0 |
| **2022 Projected Total** | **$268,386** | **< 10** |
| 2023 Business Corporation Tax | $97,448 | 3 |
| 2023 Ins Co Gross Premiums Tax | $52,235 | 2 |
| **2023 Projected Total** | **$149,683** | **5** |
| 2024 Business Corporation Tax | $97,448 | 3 |
| 2024 Ins Co Gross Premiums Tax | $52,235 | 2 |
| **2024 Projected Total** | **$149,683** | **5** |
| 2025 Business Corporation Tax | $97,448 | 3 |
| 2025 Ins Co Gross Premiums Tax | $52,235 | 2 |
| **2025 Projected Total** | **$149,683** | **5** |

Law Comparison: Only Maine has a similar provision.

Maine: Maine has a capital investment credit based on the amount of federal bonus depreciation for eligible property. For individual taxpayers, the credit percentage is 7% for tax years beginning after 2014 and before 2020 and 1.2% for tax years beginning in 2020 and later. For corporate taxpayers, the credit percentage is 9% for tax years beginning after 2014 and before 2020 and 1.2% for tax years beginning in 2020 and later. For credits for investments in TY 2020 and thereafter, taxpayers can recapture the disallowed federal depreciation that represents the credit base in future tax years. The credit is not refundable, but any unused portions may be carried forward for a period not to exceed 20 years. The credit is not limited to research and development property.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, §§ 5219-NN

**27. Residential Renewable Energy System:**

Statutory Reference: R.I. Gen. Laws Chapter 44-57

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 2000 / 2009

Description: An eligible person who pays all or part of the cost of an eligible renewable energy system is allowed a credit of 25% of the cost of the system against the business corporation tax. The eligible renewable energy systems and their respective maximum costs are: $15,000 for a photovoltaic system, $7,000 for a solar domestic hot water system, $15,000 for an active solar

heating system, $7,000 for a geothermal system, and $15,000 for a wind-energy system. Renewable energy systems with cost in excess of these maximums will receive a credit of 25% of the maximum allowable system cost. The tax credit cannot lower the claimant's tax liability to below the corporate minimum, and unused amounts of the credit cannot be carried forward.

Data Source: Rhode Island Division of Taxation.

Reliability Index: 1

| *Calendar Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Business Corporation Tax | $0 | 0 |
| 2021 Business Corporation Tax | $0 | 0 |

Projection Methodology: Amount of credit and number of taxpayers is held constant with TY 2021.

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2022 Business Corporation Tax | $0 | 0 |
| 2023 Business Corporation Tax | $0 | 0 |
| 2024 Business Corporation Tax | $0 | 0 |
| 2025 Business Corporation Tax | $0 | 0 |

Law Comparison: Only Massachusetts has a similar provision.

Massachusetts: Massachusetts provides a credit equal to the lesser of 15% of the net expenditure for renewable energy source property or $1,000. Massachusetts allows a carry-over of any excess amount for three years.

Massachusetts Statute: Mass. Gen. Laws ch. 62, § 6(d)

**28. Rhode Island Small Business Development Fund:**

Statutory Reference: R.I. Gen. Laws § 42-64.33-3

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 2019 / N/A

Description: Under the Rhode Island Small Business Development Fund tax credit program, a small business fund investor upon making a capital investment is eligible for a nonrefundable tax credit against the insurance company gross premiums tax. An eligible business is defined as a

business that at the time of initial qualified investment had less than 250 employees, had its principal business operations in the state, had $15 million or less in net income from the preceding tax year, and was engaged in industries listed in R.I. Gen. Laws §42-64.33-2(6)(iv). Any unused amount of credit may be carried forward for a period of seven years. Credits earned by or allocated to a partnership, limited liability company, or S corporation may be allocated to the partners, members, or shareholders of the entity for their direct use against state tax liability.

This tax credit program allows the State to recapture tax credit amounts if the small business fund investor fails to meet some or all requirements of the program.

Data Source: Rhode Island Division of Taxation.

Reliability Index: 1

| ***Calendar Year / Tax Type*** | ***Revenue Forgone*** | ***Number of Taxpayers*** |
|---|---|---|
| 2020 Ins Co Gross Premiums Tax | $0 | 0 |
| 2021 Ins Co Gross Premiums Tax | $0 | 0 |

Projection Methodology: Investments totaling $20 million for the fund were announced at the end of CY 2021. The law allows a credit equal to 21.5% of the investment in the fourth through sixth year after the initial investment.

| ***Calendar Year / Tax Type*** | ***Projected Revenue Forgone*** | ***Projected Number of Taxpayers*** |
|---|---|---|
| 2022 Ins Co Gross Premiums Tax | $0 | 0 |
| 2023 Ins Co Gross Premiums Tax | $0 | 0 |
| 2024 Ins Co Gross Premiums Tax | $4,300,000 | *No estimate possible* |
| 2025 Ins Co Gross Premiums Tax | $4,300,000 | *No estimate possible* |

Law Comparison: Maine has a similar provision.

Maine: Maine's seed capital investment credit is eligible to an investment in a new business that: a) is located in Maine; b) has gross sales of $3 million or less per year; c) is the full-time, professional activity of at least one of the principal owners; d) that has been determined by the authority to be a manufacturer or a value-added natural resource enterprise; and e) is a manufacturer, value-added natural resource enterprise, or a product or service provider with 60% of sales derived from outside the state or to out-of-state residents, engaged in developing or applying advanced technologies or is a certified visual media production company. The credit rate is 50% for investors prior to April 1, 2020 and 40% after that date. Beginning with the tax year the investment was made, 25% of the authorized credit may be used for each tax year, limited to 50% of tax liability. Only investments made by venture capital funds are fully refundable. Otherwise, unused credits can be carried forward for 15 years. Effective March 2021, improvement property

placed in service after December 31, 2017 and before January 1, 2020 may not be included for purposes of calculating the credit. For tax years 2021 and 2022, the annual aggregate credits issued under this program was reduced from $15 million to $13.5 million.

Maine also had two similar credits that have been repealed – the jobs and investment tax credit and the high-technology investment tax credit, both of which can still be taken via carry forwards through TY 2022 and TY 2026, respectively.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, §§ 5215, 5216-B, and 5219-M and tit. 10, § 1100-T

**29. Stay Invested in RI Wavemaker Fellowship:**

Statutory Reference: R.I. Gen. Laws Chapter 42-64.26

Stated Purpose: "The purpose of the fund is to expand employment opportunities in the state and to retain talented individuals in the state by providing tax credits in relation to education loan repayment expenses to applicants who meet the eligibility requirements under this chapter."

Year Enacted / Last Year Amended: 2015 / 2021

Description: The Stay Invested in RI Wavemaker Fellowship (Wavemaker) program provides a tax credit that can be claimed by an applicant who graduated from an accredited post-secondary institution of higher learning with an associate's, bachelor's, graduate, or post-graduate degree and at which the applicant incurred education loan repayment expenses. The taxpayer must be a full-time employee with a Rhode Island-based employer located in the State for a term of up to four consecutive 12-month periods and work in one or more of the following covered fields: life, natural or environmental sciences; computer, information or software technology; advanced mathematics or finance; engineering; industrial design or other commercially related design field; or medicine or medical device technology. Effective July 2022, the program was expanded to include health care professionals including healthcare practitioners or mental health professionals, clinical social workers, and mental health counselors licensed by the Department of Health. Effective June 2023, the program was expanded to include teachers in elementary and secondary education.

The maximum amount of credit that can be granted by CommerceRI to an applicant is $1,000 for an associate degree holder, $4,000 for a bachelor's degree holder, and $6,000 for a graduate or post-graduate degree holder. Credit amounts may not exceed the education loan repayment expenses incurred by such applicant during each 12-month period.

The credit is allowed against the personal income tax. The fellowship recipient may also request a refund of their credits, in whole or in part, for 100% of the credit amount. The Stay Invested in RI Wavemaker Fellowship tax credit sunset was extended to December 31, 2024.

Data Source: Rhode Island Division of Taxation.

Reliability Index: 1

| *Calendar Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Personal Income Tax | $59,913 | 24 |
| 2020 Refund Option | $1,415,895 | 388 |
| **2020 Total** | **$1,475,808** | **412** |
| 2021 Personal Income Tax | $42,803 | 16 |
| 2021 Refund Option | $853,156 | 254 |
| **2021 Total** | **$895,959** | **270** |

Projection Methodology: TY 2022 revenue forgone amounts and number of taxpayers are as provided by the Division of Taxation. For TY 2023-TY 2025, revenue forgone and number of taxpayers use the TY 2020 – TY 2023 average amount of revenue forgone and count of taxpayers. In addition, ORA added revenue forgone amounts according to additional appropriations made to the Stay Invested in RI Wavemaker Fellowship Fund, compared to FY 2022, of $1,600,000 for FY 2023 and $2,400,000 for FY 2024. FY 2025 and FY 2026 are assumed to also be $2,400,000. These additional appropriations are assumed to be entirely due to the expansion of the program to new taxpayers. For the FY 2023 additional amount, half was assumed to be taken in TY 2023 and was added to the base projection. For FY 2024, half was assumed to be taken in TY 2023 and the other half in TY 2024. ORA followed the same methodology to calculate the additional revenue forgone amounts based on the FY 2025 and FY 2026 figures. These figures were then allocated to personal income tax and the refund option by applying the average three-year revenue forgone figures for each tax type. To estimate the additional number of taxpayers impacted by this expansion, ORA calculated the three-year revenue forgone amount for each taxpayer who had a tax benefit from the Wavemaker program and divided the additional revenue forgone totals by this figure.

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2022 Personal Income Tax | $50,111 | < 10 |
| 2022 Refund Option | $1,396,808 | 158 |
| **2022 Total** | **$1,446,919** | **Not Available*** |
| 2023 Personal Income Tax | $133,484 | 33 |
| 2023 Refund Option | $2,835,140 | 812 |
| **2023 Projected Total** | **$2,968,624** | **844** |
| 2024 Personal Income Tax | $151,633 | 57 |
| 2024 Refund Option | $5,508,097 | 921 |
| **2024 Projected Total** | **$3,368,624** | **978** |

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2025 Personal Income Tax | $151,633 | 57 |
| 2025 Refund Option | $5,508,097 | 921 |
| **2025 Projected Total** | **$3,368,624** | **978** |

**Indicates data that is not disclosed by Taxation due to taxpayer's confidentiality*

Law Comparison: Only Connecticut, Maine, and Vermont have similar provisions.

Connecticut: Connecticut offers a tax credit for employers making certain student loan payments, effective January 1, 2022. Connecticut employers who employ residents on a full-time basis may claim a credit of up to 50% of student loan payments made directly by the business on behalf of their employees. The tax credit is refundable only for small businesses (who are defined as having gross receipts of less than $5 million).

Connecticut Statute: Conn. Gen. Stat. § 12-217qq

Maine: A credit was previously available for certain educational loan payments for Maine resident individuals who earned an associate or bachelor's degree from a Maine or non-Maine community college, college or university or a graduate degree from an accredited Maine college or university and who subsequently lived in Maine, worked for an employer located in Maine, and paid taxes in Maine. The credit was available to eligible graduates and employers making loan payments on behalf of qualifying employees. For tax years beginning in 2020, Maine residents who were employed in Maine prior to, or during, the COVID-19 pandemic and who became unemployed as a result of COVID-19 may have been eligible for the educational opportunity tax credit to the extent otherwise qualified.

For tax years beginning on or after January 1, 2022, qualified individuals may claim the refundable student loan repayment tax credit (SLRTC), which replaces the repealed educational opportunity tax credit (EOTC). The new SLRTC is equal to the amount of eligible student loan payments made directly by the taxpayer to a relevant lender during the tax year, plus the amount of unused EOTC amounts carried forward from prior tax years, up to $2,500. However, up to $3,500 may be claimed for either tax year 2022 or tax year 2023, whichever year is elected, by qualified individuals who received an EOTC during any tax year beginning in 2019-2021 that was based on loans acquired to obtain a bachelor's degree or associate degree in science, technology, engineering, or mathematics. A $25,000 lifetime cap applies to the SLRTC for each qualified individual.

Maine Statute: 36 Me. Rev. Stat. Ann tit. 36, § 5217-D and 5217-E

Vermont: Vermont does not have a credit but does allow for a personal income tax deduction for the interest paid on qualified education loans. There is an income limit of $120,000 for single taxpayers and $200,000 for married taxpayers.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 5811(21)(B)(vi)

## 30. Tax on Net Estate of Decedent:

Statutory Reference: R.I. Gen. Laws § 44-22-1.1

Year Enacted / Last Year Amended: 1985 / 2014

Description: Provides a credit against the estate and transfer taxes owed under R.I. Gen. Laws Chapter 44-22 for decedents whose net estate is over a specific threshold. The Rhode Island credit amount and threshold amounts are adjusted for inflation. See below for the inflation figures for the credit amount and new estate threshold:

| *Year of Death of Decedent* | *Credit Amount* | *Threshold Amount* |
|---|---|---|
| 2020 | $69,515 | $1,579,922 |
| 2021 | $70,490 | $1,595,156 |
| 2022 | $74,300 | $1,648,611 |
| 2023 | $80,395 | $1,733,264 |

Data Source: Rhode Island Division of Taxation

Reliability Index: 1

| *Fiscal Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Estate and Transfer Tax | $8,762,508 | 132 |
| 2021 Estate and Transfer Tax | $12,201,478 | 177 |

Projection Methodology: Projected revenue forgone amounts and number are taxpayers were grown by the S&P Global forecast of the consumer price index – for all urban consumers (CPI-U) and Rhode Island population 65+, respectively, provided for the November 2023 Revenue Estimating Conference.

| *Fiscal Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2022 Estate and Transfer Tax | $13,076,069 | 182 |
| 2023 Estate and Transfer Tax | $13,895,381 | 187 |
| 2024 Estate and Transfer Tax | $14,293,284 | 191 |
| 2025 Estate and Transfer Tax | $14,632,260 | 195 |

Law Comparison: Connecticut, Maine, Massachusetts, and Vermont have similar provisions.

Connecticut: For decedents dying on or after January 1, 2020, if the taxable estate is not over $5.1 million than there is no estate tax owed. For anything over $5.1 million, Connecticut taxes the amount in a graduated rate schedule from 10% to 12% on the excess over $10.1 million. Through tax year 2022, the estate tax threshold will increase annually until it matches the federal threshold ($12.92 million for TY 2023 and is indexed to inflation). The Connecticut threshold will be $7.1 million in TY 2021 and $9.1 million in TY 2022. Connecticut is scheduled to match the federal exemption in TY 2023.

Connecticut Statute: Conn. Gen. Stat. § 12-402

Maine: The annual Maine exclusion amount is $5.6 million. Maine has a 3-tier tax rate system of 8%, 10%, and 12% based on the amount of the value of the estate. ORA calculates that the Rhode Island credit equivalent of Maine's $5.6 million exception would be $462,800.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 4102

Massachusetts: Massachusetts has an exclusion amount of $1.0 million. ORA calculates the Rhode Island credit equivalent of such an exemption would be $33,200. For estates in which the death occurred after January 1, 2023, the exclusion amount is increased to $2.0 million. This exclusion is effectuated through a new tax credit, capped at $99,600, that is available to all estate tax filers.

Massachusetts Statute: Mass. Gen. Laws ch. 65C, § 3

Vermont: Vermont has an independent estate tax rate schedule and exemption amount. Estates have an exemption amount of $5 million and are taxed at 16% for any value over that.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 7442a

### 31. Taxes Paid to Other States:

Statutory Reference: R.I. Gen. Laws § 44-30-18

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1971 / 1972

Description: A resident shall be allowed a credit against the personal income tax for the aggregate of net income taxes imposed for the taxable year by other states and the District of Columbia, provided that such taxes are imposed irrespective of the residence of the taxpayer. The credit shall not exceed the proportion of the taxpayer's Rhode Island personal income tax derived from Rhode Island income and taxed by the other state in the same taxable year.

Data Source: Office of Revenue Analysis (ORA) calculations based on TY 2020 and TY 2021 personal income tax data.

Reliability Index: 1

| *Calendar Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Personal Income Tax | $236,639,111 | 96,160 |
| 2021 Personal Income Tax | $235,583,468 | 99,739 |

Projection Methodology: The average 3-year growth rate for revenue forgone and the number of taxpayers was applied to TY 2021 amounts to project TY 2022 – TY 2025.

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2022 Personal Income Tax | $246,504,686 | 102,784 |
| 2023 Personal Income Tax | $257,932,191 | 105,923 |
| 2024 Personal Income Tax | $269,889,454 | 109,157 |
| 2025 Personal Income Tax | $282,401,034 | 112,490 |

Law Comparison: Connecticut, Maine, Massachusetts, and Vermont have similar provisions.

Connecticut: Connecticut allows a credit against personal income taxes in the amount of any income tax imposed on any resident or part-year resident for the taxable year by another state.

Connecticut Statute: Conn. Gen. Stat. § 12-704

Maine: Maine's provisions also include the income taxes of any state, political subdivision thereof, the District of Columbia, or any political subdivision of a foreign country that is analogous to a state of the United States. However, the other taxing jurisdiction must allow a reciprocal reduction of its tax. For tax years beginning in 2020 and 2021, a Maine resident who began teleworking in Maine due to the COVID-19 pandemic and who was performing the same services from a location outside of Maine immediately prior to the COVID-19 state of emergency declared by the Governor, is allowed to claim the tax credit for income tax paid to another jurisdiction to the extent that the other jurisdiction is asserting the income is sourced to that jurisdiction and the employee does not qualify for an income tax credit in that jurisdiction for Maine income taxes paid as a result of the compensation.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 5217-A; L.D. 220; P.L. 2021, c. 1, Pt. I, § 1; L.D. 1216; P.L. 2021, c. 181, Pt. D, § 4.

Massachusetts: Massachusetts' provisions also include a credit for the income taxes due in all states, territories, possessions of the United States, as well as in the Canadian provinces.

Massachusetts Statute: Mass. Gen. Laws ch. 62, § 6(a)

Vermont: Vermont's provisions also include credit for the income taxes of all territories or possessions of the United States, the District of Columbia, and a limited credit for the income taxes of the Canadian provinces.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 5825

# DEDUCTIONS

## 1. Accelerated Amortization for Certain Manufacturers:

Statutory Reference: R.I. Gen. Laws § 44-11-11.3

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1994 / N/A

Description: Any business corporation taxpayer engaged in manufacturing activities in Rhode Island that has on average over the five previous years annually produced goods at facilities located in Rhode Island that generated net sales of at least $10 million and where at least 80% of that production has been for eventual sale to a branch of the United States armed services may, if it represents that it anticipates the need to reduce its reliance on such sales, elect to amortize the unrecovered basis of all or a portion of its depreciable assets over a 60 month period in equal monthly installments. After said election, the company must maintain an average of 1,000 employees or lose 20% of the tax benefit derived from the election for each decrease of 100 full-time employees below 1,000.

Data Source: No reliable data exists for this tax expenditure item.

Reliability Index: 5

Projection Methodology: No projection is made due to lack of reliable data.

Law Comparison: No similar provisions were found for the other New England states.

## 2. Alimony Paid (Federal):

Statutory Reference: R.I. Gen. Laws §§ 44-30-2.6(c)(3) and 44-30-32(a)(1) / U.S. Public Law 115–97

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 2001 / 2017

Description: Rhode Island's income tax system for a resident individual starts with the individual's federal adjusted gross income (AGI). The Rhode Island income of a non-resident individual includes the net amount of income and deductions included in federal adjusted gross income that are derived from or connected with Rhode Island sources.

Federal AGI includes a deduction for alimony paid under divorce or separate maintenance decrees or written separation agreements between the taxpayer and the taxpayer's spouse or former spouse that were entered into prior to January 1, 2019. The Tax Cuts and Jobs Act of 2017 eliminated the federal deduction for alimony paid effective for divorce or separation agreements entered into in tax years beginning after December 31, 2018. The passage of this act effectively eliminated the

deduction of alimony paid for Rhode Island personal income tax purposes for these same divorce and separation agreements.

Data Source: TY 2020 and TY 2021 Statistics of Income Bulletin, Internal Revenue Service. The federal deduction data is scaled for Rhode Island by using the ratio of total Rhode Island adjusted gross income to total federal AGI for TY 2020 and the three-year (TY 2018-TY 2020) average ratio of total Rhode Island AGI to total federal AGI for TY 2021. Forgone revenue is determined by multiplying the calculated Rhode Island value of the deduction by an effective tax rate of 3.132% for TY 2020 and 3.243% for TY 2021. Federal number of taxpayers' data is scaled for Rhode Island by using the ratio of total Rhode Island tax filers to total federal tax filers for TY 2020 and the three-year (TY 2018-TY 2020) average ratio of total Rhode Island tax filers to total federal tax filers for TY 2021. As the publication of this report, the IRS has not published the TY 2021 Statistics of Income with state-level data.

Reliability Index: 4

| ***Calendar Year / Tax Type*** | ***Revenue Forgone*** | ***Number of Taxpayers*** |
|---|---|---|
| 2020 Personal Income Tax | $1,097,801 | 1,473 |
| 2021 Personal Income Tax | $1,030,721 | 1,325 |

Projection Methodology: For projected forgone revenue and projected number of taxpayers for TY 2022-2025, ORA took the average of TY 2020 and 2021.

| ***Calendar Year / Tax Type*** | ***Projected Revenue Forgone*** | ***Projected Number of Taxpayers*** |
|---|---|---|
| 2022 Personal Income Tax | $1,064,261 | 1,399 |
| 2023 Personal Income Tax | $1,064,261 | 1,399 |
| 2024 Personal Income Tax | $1,064,261 | 1,399 |
| 2025 Personal Income Tax | $1,064,261 | 1,399 |

Law Comparison: Connecticut, Maine, Massachusetts, and Vermont have similar provisions.

Connecticut: Connecticut's income base provisions begin with federal AGI and, therefore, allow this item because it is part of the determination of the taxpayer's federal AGI.

Connecticut Statute: Conn. Gen. Stat. § 12-701(a)(19)

Maine: Maine's personal income tax base is federal AGI, as defined by federal law, which by application allows a deduction for alimony paid.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 5121

Massachusetts: Massachusetts' provisions include a deduction for amounts paid to former spouses for alimony or separate maintenance under court order as stated on the federal tax return.

Massachusetts Statute: Mass. Gen. Laws ch. 62, § 2(d)(1)

Vermont: Because Vermont uses federal AGI as the starting point for calculating Vermont income tax liability, the federal treatment of alimony or separate maintenance payments is adopted.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 5811(21)

### 3. Amortization of Air or Water Pollution Prevention and Treatment Facilities:

Statutory Reference: R.I. Gen. Laws § 44-11-11.1

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1966 / 2000

Description: A business corporation taxpayer may elect to take a deduction for the amortization of the adjusted basis for determining gain of any certified air or water pollution treatment or prevention facility over a period of 60 months. The amortization deduction requires that the federal depreciation or amortization, if any, must be added back before the Rhode Island calculation is made. The treatment or prevention facility must be certified by the Director of the Department of Environmental Management.

Data Source: Rhode Island Division of Taxation and Office of Revenue Analysis calculations. The amount of forgone revenue is derived by multiplying the deduction by the business corporation tax rate of 7%.

Reliability Index: 1

| *Calendar Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Business Corporation Tax | $552 | < 10 |
| 2021 Business Corporation Tax | $6 | < 10 |

Projection Methodology: TY 2022-TY 2025 forgone revenue amounts and number of taxpayers is the average forgone revenue and number of taxpayers from TY 2020-TY 2021.

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2022 Business Corporation Tax | $279 | < 10 |
| 2023 Business Corporation Tax | $279 | < 10 |
| 2024 Business Corporation Tax | $279 | < 10 |
| 2025 Business Corporation Tax | $279 | < 10 |

Law Comparison: Only Massachusetts has a similar provision.

Massachusetts: Massachusetts' provisions include a deduction for 100% of the costs associated with the construction, reconstruction, erection, or improvement of the facility of an approved industrial air pollution control facility or industrial waste treatment facility during the taxable year.

Massachusetts Statute: Mass. Gen. Laws ch. 63, § 38D

**4. Certain Business Expenses of Reservists, etc. (Federal):**

Statutory Reference: R.I. Gen. Laws §§ 44-30-2.6(c)(3) and 44-30-32(a)(1) / 26 U.S.C. §§ 62(a)(2)(B-C) and (E) and § 162

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 2001 / 2010

Description: Rhode Island's income tax system for a resident individual starts with the individual's federal adjusted gross income (AGI). The Rhode Island income of a non-resident individual includes the net amount of income and deductions included in federal adjusted gross income that are derived from or connected with Rhode Island sources.

Federal AGI includes a deduction for certain business expenses of Armed Forces reservists, qualified performing artists, fee-basis state and local government officials, and employees with impairment-related work expenses. These expenses are ordinary and necessary unreimbursed expenses attributable to an individual's job including vehicle expenses, expenses related to travel that is not overnight (parking fees, tolls, transportation by train, bus, etc.), expenses related to overnight travel (lodging, airfare, etc.), other business expenses, and meals.

Data Source: TY 2020 and TY 2021 Statistics of Income Bulletin, Internal Revenue Service. The federal deduction data is scaled for Rhode Island by using the ratio of total Rhode Island adjusted gross income to total federal AGI for TY 2020 and the three-year (TY 2018-TY 2020) average ratio of total Rhode Island AGI to total federal AGI for TY 2021. Forgone revenue is determined by multiplying the calculated Rhode Island value of the deduction by an effective tax rate of 3.132% for TY 2020 and 3.243% for TY 2021. Federal number of taxpayers' data is scaled for Rhode Island by using the ratio of total Rhode Island tax filers to total federal tax filers for TY 2020 and the three-year (TY 2018-TY 2020) average ratio of total Rhode Island tax filers to total

federal tax filers for TY 2021. As the publication of this report, the IRS has not published the TY 2021 Statistics of Income with state-level data.

Reliability Index: 4

| *Calendar Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Personal Income Tax | $259,989 | 1,108 |
| 2021 Personal Income Tax | $220,336 | 958 |

Projection Methodology: For TY 2022 - 2025, the forgone revenue amounts and the number of taxpayers are the average of TY 2020 and TY 2021.

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2022 Personal Income Tax | $240,163 | 1,033 |
| 2023 Personal Income Tax | $240,163 | 1,033 |
| 2024 Personal Income Tax | $240,163 | 1,033 |
| 2025 Personal Income Tax | $240,163 | 1,033 |

Law Comparison: Connecticut, Maine, Massachusetts, and Vermont have similar provisions.

Connecticut: Connecticut's income base provisions begin with federal AGI and, therefore, allow this item because it is part of the determination of the taxpayer's federal AGI.

Connecticut Statute: Conn. Gen. Stat. § 12-701(a)(19)

Maine: Maine's personal income tax base is federal AGI, as defined by federal law, which by application allows a deduction for certain business expenses of Armed Forces reservists, qualified performance artists, and fee-based government officials.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 5121

Massachusetts: Massachusetts' provisions include a deduction for certain business expenses of Armed Forces reservists, qualified performing artists, and fee-based government officials as stated on the taxpayer's federal income tax return.

Massachusetts Statute: Mass. Gen. Laws ch. 62, § 2(d)(1)

Vermont: Because Vermont uses federal AGI as the starting point for calculating Vermont income tax liability, the federal treatment of certain business expenses of Armed Forces reservists, qualified performance artists, and fee-based government officials is adopted.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 5811(21)

**5. Connecting Fees, Switching, and Carrier Access Charges:**

Statutory Reference: R.I. Gen. Laws § 44-13-1(b)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1942 / 1985

Description: All amounts paid by a telecommunications corporation subject to the public services corporation tax to another corporation for connecting fees, switching charges, and carrier access charges can be deducted from the gross earnings of the paying corporation.

Data Source: Rhode Island Division of Taxation and Office of Revenue Analysis (ORA) calculations. The amount of forgone revenue is derived by multiplying the amount of deduction by the public service corporation tax rate for telecommunications corporations of 5%. This item includes an unknown amount of uncollectable bad debt.

Reliability Index: 1

| *Calendar Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Public Service Corporation Tax | $1,443,336 | 33 |
| 2021 Public Service Corporation Tax | $1,406,773 | 37 |

Projection Methodology: TY 2022 projected amount of forgone revenue and number of taxpayers was calculated by applying the average annual growth realized from TY 2017- TY 2021 to TY 2021. TY 2023 – TY 2025 are set equal to TY 2022.

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2022 Public Service Corporation Tax | $1,196,178 | 34 |
| 2023 Public Service Corporation Tax | $1,196,178 | 34 |
| 2024 Public Service Corporation Tax | $1,196,178 | 34 |
| 2025 Public Service Corporation Tax | $1,196,178 | 34 |

Law Comparison: Maine and New Hampshire have similar provisions.

Maine: Sales of services to another service provider for resale, including access services, are exempt from the service provider tax.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 2557(30)

New Hampshire: Communication services for purposes of the calculation of the New Hampshire communications tax does not include purchases of communications services by a communications services provider for use as a component part of the service provided by the taxpayer to the ultimate retail consumer who originates or terminates the taxable end-to-end communications, including carrier access charges, right of access charges, charges for use of inter-company facilities, and all communications services resold in the subsequent provision of, used as a component of, or integrated into end-to-end communications services.

New Hampshire Statute: N.H. Rev. Stat. Ann. §§ 82-A:2, III(b)

### 6. Educator Expenses (Federal):

Statutory Reference: R.I. Gen. Laws §§ 44-30-2.6(c)(3) and 44-30-32(a)(1) / 26 U.S.C. § 62(a)(2)(D) and § 162 / U.S. Public Law No. 116-260

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 2001 / 2020

Description: Rhode Island's income tax system for a resident individual starts with the individual's federal adjusted gross income (AGI). The Rhode Island income of a non-resident individual includes the net amount of income and deductions included in federal adjusted gross income that are derived from or connected with Rhode Island sources.

Federal AGI allows a qualified educator to deduct unreimbursed expenses incurred for books, supplies, computer equipment, other equipment, and supplementary materials used in a classroom. Supplies used for the prevention of COVID-19 in a classroom and purchased after March 12, 2020 are also eligible for this deduction. The maximum allowable deduction was $250 per eligible educator through TY 2021 and was increased to $300 for TY 2022.

Data Source: TY 2020, Internal Revenue Service, Statistics of Income (SOI), Table 2: Individual Income and Tax Data, by State and Size of Adjusted Gross Income. TY 2020 data is for Rhode Island resident returns only. Forgone revenue is determined by multiplying the reported amount of the deduction by the Rhode Island resident effective personal income tax rate for each reported federal AGI category and then summing the forgone revenue amounts across all federal AGI categories. For TY 2020, these Rhode Island resident effective tax rates range from 0.0644% for the federal AGI category of under $25,000 to 4.8242% for the federal AGI category of $1,000,000 or more. The number of taxpayers is the total number reported in the IRS' SOI report. As the publication of this report, the IRS has not published the TY 2021 Statistics of Income with state-level data.

Reliability Index: *TY 2020*: 2; *TY 2021*: 5

| *Calendar Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Personal Income Tax | $92,278 | 14,230 |
| 2021 Personal Income Tax | *No estimate possible* | *No estimate possible* |

Projection Methodology: For projected forgone revenue and projected number of taxpayers for TY 2022-2025, ORA held constant with TY 2020.

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2022 Personal Income Tax | $92,278 | 14,230 |
| 2023 Personal Income Tax | $92,278 | 14,230 |
| 2024 Personal Income Tax | $92,278 | 14,230 |
| 2025 Personal Income Tax | $92,278 | 14,230 |

Law Comparison: Connecticut, Maine, Massachusetts, and Vermont have similar provisions.

Connecticut: Connecticut's income base provisions begin with federal AGI and, therefore, allow this item because it is part of the determination of the taxpayer's federal AGI.

Connecticut Statute: Conn. Gen. Stat. § 12-701(a)(19)

Maine: Maine's personal income tax base is federal AGI, as defined by federal law, which by application allows a deduction for educator expenses.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 5121

Massachusetts: Massachusetts' provisions include a deduction for educator expenses as stated on the taxpayer's federal income tax return.

Massachusetts Statute: Mass. Gen. Laws ch. 62, § 2(d)(1)

Vermont: Because Vermont uses federal AGI as the starting point for calculating Vermont income tax liability, the federal treatment of educator expenses is adopted.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 5811(21)

### 7. Electricity for Resale:

Statutory Reference: R.I. Gen. Laws § 44-13-4(2)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1942 / 2008

Description: The transmission or sale of electricity to other public utility corporations, non-regulated power producers, or municipal utilities for resale, whether within the state or not, can be deducted from gross earnings prior to the calculation of the public service corporation tax.

Data Source: No reliable data exists for this tax expenditure item.

Reliability Index: 5

Projection Methodology: No projection is made due to lack of reliable data.

Law Comparison: Only Connecticut has a similar provision.

Connecticut: A deduction is allowed from all sales for resale of water, steam, gas, and electricity to any public service corporation or municipal utilities.

Connecticut Statute: Conn. Gen. Stat. § 12-265(b)(1)(A)

## 8. Health Savings Account (Federal):

Statutory Reference: R.I. Gen. Laws §§ 44-30-2.6(c)(3) and 44-30-32(a)(1) / 26 U.S.C. §§ 62(a)(19) and 223

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 2001 / 2010

Description: Rhode Island's income tax system for a resident individual starts with the individual's federal adjusted gross income (AGI). The Rhode Island income of a non-resident individual includes the net amount of income and deductions included in federal adjusted gross income that are derived from or connected with Rhode Island sources.

Federal AGI allows for the deduction of contributions to a qualified health savings account (HSA). For contributions to an HSA to be deductible, the taxpayer must be enrolled in a high-deductible health insurance plan and not be covered by another type of health insurance. The high deductible health insurance plan must satisfy certain criteria. The maximum deductible HSA contributions for tax years 2020 through 2024 are listed below:

| *Tax Year* | *Single Coverage* | *Family Coverage* |
|---|---|---|
| 2020 | $3,550 | $7,100 |
| 2021 | $3,600 | $7,200 |
| 2022 | $3,650 | $7,300 |
| 2023 | $3,850 | $7,750 |
| 2024 | $4,150 | $8,300 |

Data Source: TY 2020 and TY 2021 Statistics of Income Bulletin, Internal Revenue Service. The federal deduction data is scaled for Rhode Island by using the ratio of total Rhode Island adjusted gross income to total federal AGI for TY 2020 and the three-year (TY 2018-TY 2020) average ratio of total Rhode Island AGI to total federal AGI for TY 2021. Forgone revenue is determined by multiplying the calculated Rhode Island value of the deduction by an effective tax rate of 3.132% for TY 2020 and 3.243% for TY 2021. Federal number of taxpayers' data is scaled for Rhode Island by using the ratio of total Rhode Island tax filers to total federal tax filers for TY 2020 and the three-year (TY 2018-TY 2020) average ratio of total Rhode Island tax filers to total federal tax filers for TY 2021. As the publication of this report, the IRS has not published the TY 2021 Statistics of Income with state-level data.

Reliability Index: 4

| *Calendar Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Personal Income Tax | $610,520 | 7,040 |
| 2021 Personal Income Tax | $622,932 | 6,781 |

Projection Methodology: For projected forgone revenue and projected number of taxpayers for TY 2022-2025, ORA took the average of TY 2020 and 2021.

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2022 Personal Income Tax | $616,726 | 6,911 |
| 2023 Personal Income Tax | $616,726 | 6,911 |
| 2024 Personal Income Tax | $616,726 | 6,911 |
| 2025 Personal Income Tax | $616,726 | 6,911 |

Law Comparison: Connecticut, Maine, Massachusetts, and Vermont have similar provisions.

Connecticut: Connecticut's income base provisions begin with federal AGI and, therefore, allow this item as it is part of the determination of the taxpayer's federal AGI.

Connecticut Statute: Conn. Gen. Stat. § 12-701(a)(19)

Maine: Maine's personal income tax base is federal AGI, as defined by federal law, which by application allows a deduction for contributions to an HSA.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 5121

Massachusetts: Massachusetts' provisions include a deduction from total income for contributions to an HSA as stated on the taxpayer's federal income tax return.

Massachusetts Statute: Mass. Gen. Laws ch. 62, § 2(d)(1)

Vermont: Because Vermont uses federal AGI as the starting point for calculating Vermont income tax liability, the federal treatment of HSA contributions is adopted.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 5811(21)

**9. Individual Retirement Arrangement (IRA) Contributions (Federal):**

Statutory Reference: R.I. Gen. Laws §§ 44-30-2.6(c)(3) and 44-30-32(a)(1) / 26 U.S.C. §§ 62(a)(7) and 219

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 2001 / 2010

Description: Rhode Island's income tax system for a resident individual starts with the individual's federal adjusted gross income (AGI). The Rhode Island income of a non-resident individual includes the net amount of income and deductions included in federal adjusted gross income that are derived from or connected with Rhode Island sources.

Federal AGI includes a deduction for contributions to traditional individual retirement arrangements. For TY 2020-2022, contributions were subject to a maximum amount of $6,000 for taxpayers less than 50 years old and $7,000 for taxpayers 50 years old or more. For tax year 2023, the comparable figures are $6,500 and $7,500, respectively.

This deduction is subject to a phase-out at the federal level based on the taxpayer's modified AGI. The table below lists the phase-out ranges for single and head of household filers who are covered by a workplace retirement plan, the income phase-out ranges for married couples filing jointly where the spouse making the IRA contribution is covered by a workplace retirement plan, and the phase-out ranges for married couples filing jointly where the IRA contributor is not covered by a workplace retirement plan but is married to someone who is covered for tax years 2020 through 2024. For married individuals filing separately who lived apart, the deduction thresholds are the same as single filers. For married individuals filing separately and living together for at least part of the year that are covered by a retirement plan at work or have a spouse that is covered by a workplace plan, the phase-out range for tax years 2020 - 2024 includes any modified AGI below $10,000.

| *Tax Year* | *Single / Heads of Household / Married Filing Separately and Living Apart* | *Married Filing Jointly Contributor Covered by Workplace Plan* | *Married Filing Jointly Contributor Not Covered by Workplace Plan but Spouse is Covered* |
|---|---|---|---|
| 2020 | $65,000 - $75,000 | $104,000 - $124,000 | $196,000 - $206,000 |
| 2021 | $66,000 - $76,000 | $105,000 - $125,000 | $198,000 - $208,000 |
| 2022 | $68,000 - $78,000 | $109,000 - $129,000 | $204,000 - $214,000 |
| 2023 | $73,000 - $83,000 | $116,000 - $136,000 | $218,000 - $228,000 |
| 2024 | $77,000 - $87,000 | $123,000 - $143,000 | $230,000 - $240,000 |

Data Source: TY 2020, Internal Revenue Service, Statistics of Income (SOI), Table 2: Individual Income and Tax Data, by State and Size of Adjusted Gross Income. TY 2020 data is for Rhode Island resident returns only. Forgone revenue is determined by multiplying the reported amount of the deduction by the Rhode Island resident effective personal income tax rate for each reported federal AGI category and then summing the forgone revenue amounts across all federal AGI categories. For TY 2020, these Rhode Island resident effective tax rates range from 0.0644% for the federal AGI category of under $25,000 to 4.8242% for the federal AGI category of $1,000,000 or more. The number of taxpayers is the total number reported in the IRS' SOI report. As the publication of this report, the IRS has not published the TY 2021 SOI with state-level data.

Reliability Index: *TY 2020*: 2; *TY 2021*: 5

| *Calendar Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Personal Income Tax | $1,105,194 | 8,900 |
| 2021 Personal Income Tax | *No estimate possible* | *No estimate possible* |

Projection Methodology: For projected forgone revenue and projected number of taxpayers for TY 2022-2025, ORA held constant with TY 2020.

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2022 Personal Income Tax | $1,013,240 | 8,770 |
| 2023 Personal Income Tax | $1,013,240 | 8,770 |
| 2024 Personal Income Tax | $1,013,240 | 8,770 |
| 2025 Personal Income Tax | $1,013,240 | 8,770 |

Law Comparison: Connecticut, Maine, Massachusetts, and Vermont have similar provisions.

Connecticut: Connecticut's income base provisions begin with federal AGI and, therefore, allow this item as part of the determination of the taxpayer's federal AGI.

Connecticut Statute: Conn. Gen. Stat. § 12-701(a)(19)

Maine: Maine's personal income tax base is federal AGI, as defined by federal law, which by application allows a deduction for contributions to an IRA.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 5121

Massachusetts: Massachusetts' provisions include a deduction from total gross income for contributions to an IRA as stated on the taxpayer's federal income tax return.

Massachusetts Statute: Mass. Gen. Laws ch. 62, §§ 2(a)(2)(F) and 5(b)

Vermont: Because Vermont uses federal AGI as the starting point for calculating Vermont income tax liability, the federal treatment of contributions to IRAs is adopted.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 5811(21)

**10. Keogh Plan and Simplified Employee Pension Plan Contributions (Federal):**

Statutory Reference: R.I. Gen. Laws §§ 44-30-2.6(c)(3) and 44-30-32(a)(1) / 26 U.S.C. §§ 62(a)(7) and 219

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 2001 / 2010

Description: Rhode Island's income tax system for a resident individual starts with the individual's federal adjusted gross income (AGI). The Rhode Island income of a non-resident individual includes the net amount of income and deductions included in federal adjusted gross income that are derived from or connected with Rhode Island sources.

Federal AGI includes a deduction for contributions to a Keogh plan and a Simplified Employee Pension (SEP) plan. The deduction is limited to the lesser of total contributions made to the business' defined-contribution Keogh or SEP plan, including any excess contributions carryover, or 25% of compensation paid to employees participating in the plan. The contributions an employer can make to an employee's defined-contribution Keogh or SEP plan are limited to 25% of the employee's compensation or a specific maximum deduction, whichever is less. The allowable compensation to be included in the calculation of the 25% is also limited to a specific dollar amount. The table below lists the maximum amounts of allowable compensation to be considered for the deduction and the maximum deductible contribution to an eligible employee's plan.

| *Tax Year* | *Maximum Allowable Compensation* | *Maximum Contribution to an Eligible Employee's Plan* |
|---|---|---|
| 2018 | $275,000 | $55,000 |
| 2019 | $280,000 | $56,000 |
| 2020 | $285,000 | $57,000 |
| 2021 | $290,000 | $58,000 |
| 2022 | $305,000 | $61,000 |
| 2023 | $330,000 | $66,000 |

Data Source: TY 2020, Internal Revenue Service, Statistics of Income (SOI), Table 2: Individual Income and Tax Data, by State and Size of Adjusted Gross Income. TY 2020 data is for Rhode Island resident returns only. Forgone revenue is determined by multiplying the reported amount of the deduction by the Rhode Island resident effective personal income tax rate for each reported federal AGI category and then summing the forgone revenue amounts across all federal AGI categories. For TY 2020, these Rhode Island resident effective tax rates range from 0.0644% for the federal AGI category of under $25,000 to 4.8242% for the federal AGI category of $1,000,000 or more. The number of taxpayers is the total number reported in the IRS' SOI report. As the publication of this report, the IRS has not published the TY 2021 SOI with state-level data.

Reliability Index: *TY 2020*: 2; *TY 2021*: 5

| *Calendar Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Personal Income Tax | $3,622,833 | 4,080 |
| 2021 Personal Income Tax | *No estimate possible* | *No estimate possible* |

Projection Methodology: For projected forgone revenue and projected number of taxpayers for TY 2022-2025, ORA held constant with TY 2020.

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2022 Personal Income Tax | $3,622,833 | 4,080 |
| 2023 Personal Income Tax | $3,622,833 | 4,080 |
| 2024 Personal Income Tax | $3,622,833 | 4,080 |
| 2025 Personal Income Tax | $3,622,833 | 4,080 |

Law Comparison: Connecticut, Maine, Massachusetts, and Vermont have similar provisions.

Connecticut: Connecticut's income base provisions begin with federal AGI and, therefore, allow this item as part of the determination of the taxpayer's federal AGI.

Connecticut Statute: Conn. Gen. Stat. § 12-701(a)(19)

Maine: Maine's personal income tax base is federal AGI, as defined by federal law, which by application allows a deduction for contributions to Keogh and SEP plans equal to 25% of their income.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 5121

Massachusetts: Massachusetts' provisions include a deduction for contributions to Keogh and SEP plans as stated on the taxpayer's federal income tax return. However, the deduction for contributions on behalf of employees as defined in Internal Revenue Code § 401(c)(1) (e.g., partners and owners of sole proprietorships) is specifically disallowed.

Massachusetts Statute: Mass. Gen. Laws ch. 62, §§ 2(a)(2)(F) and 2(d)(1)(D)

Vermont: Because Vermont uses federal AGI as the starting point for calculating Vermont income tax liability, the federal treatment of deductions for contributions to Keogh and SEP plans is adopted.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 5811(21)

## 11. Merchandise Sold:

Statutory Reference: R.I. Gen. Laws § 44-13-5(a)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1942 / 2003

Description: Corporations with a principal line of business in manufacturing, selling, and distributing to the public electric or heating gas and in the case of every public service cable corporation may deduct from the gross earnings reported on the corporations' gross earnings tax return the net invoice price plus the transportation cost of any merchandise sales.

Data Source: Rhode Island Division of Taxation

Reliability Index: 1

| *Calendar Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Public Service Corporation Tax | $0 | 0 |
| 2021 Public Service Corporation Tax | $0 | 0 |

Projection Methodology: The forgone revenue amounts and the number of taxpayers for tax years 2022 - 2025 are held constant with TY 2021.

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2022 Public Service Corporation Tax | $0 | 0 |
| 2023 Public Service Corporation Tax | $0 | 0 |
| 2024 Public Service Corporation Tax | $0 | 0 |
| 2025 Public Service Corporation Tax | $0 | 0 |

Law Comparison: Only Connecticut has a similar provision.

Connecticut: Connecticut's provisions allow a deduction from the utility companies tax for sales of appliances, which use water, steam, gas, or electricity. The deduction is the net invoice price plus transportation costs of such appliances.

Connecticut Statute: Conn. Gen. Stat. § 12-265(b)(1)(C)

**12. Moving Expenses (Federal):**

Statutory Reference: R.I. Gen. Laws §§ 44-30-2.6(c)(3) and 44-30-32(a)(1) / 26 U.S.C. §§ 62(a)(15), 132, and 217

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 2001 / 2010

Description: Rhode Island's income tax system for a resident individual starts with the individual's federal adjusted gross income (AGI). The Rhode Island income of a non-resident individual includes the net amount of income and deductions included in federal adjusted gross income that are derived from or connected with Rhode Island sources.

Federal AGI includes a deduction for moving expenses provided that the expenses are incurred within one year from the date that the taxpayer has reported to work in the new location, the new main job location is at least 50 miles farther from the taxpayer's former home than the prior job location, and the taxpayer works full-time for 39 weeks in the first 12 months after arrival in the area of the new job location (self-employed taxpayers must also work 78 weeks in the first 24 months after arrival in the area of the new job location).

The federal Tax Cuts and Jobs Act of 2017 eliminated the federal deduction for moving expenses, except for members of the Armed Forces, effective for tax years beginning after December 31, 2017 and prior to January 1, 2026.

Data Source: TY 2020 and TY 2021 Statistics of Income Bulletin, Internal Revenue Service. The federal deduction data is scaled for Rhode Island by using the ratio of total Rhode Island adjusted gross income to total federal AGI for TY 2020 and the three-year (TY 2018-TY 2020) average ratio of total Rhode Island AGI to total federal AGI for TY 2021. Forgone revenue is determined



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by multiplying the calculated Rhode Island value of the deduction by an effective tax rate of 3.132% for TY 2020 and 3.243% for TY 2021. Federal number of taxpayers' data is scaled for Rhode Island by using the ratio of total Rhode Island tax filers to total federal tax filers for TY 2020 and the three-year (TY 2018-TY 2020) average ratio of total Rhode Island tax filers to total federal tax filers for TY 2021. As the publication of this report, the IRS has not published the TY 2021 Statistics of Income with state-level data.

Reliability Index: 4

| *Calendar Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Personal Income Tax | $21,371 | 284 |
| 2021 Personal Income Tax | $28,450 | 330 |

Projection Methodology: For projected forgone revenue and projected number of taxpayers for TY 2022-2025, ORA took the average of TY 2020 and 2021.

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2022 Personal Income Tax | $24,911 | 307 |
| 2023 Personal Income Tax | $24,911 | 307 |
| 2024 Personal Income Tax | $24,911 | 307 |
| 2025 Personal Income Tax | $24,911 | 307 |

Law Comparison: Connecticut, Maine, Massachusetts, and Vermont have similar provisions.

Connecticut: Connecticut's income base provisions begin with federal AGI and, therefore, allow this item as part of the determination of the taxpayer's federal AGI.

Connecticut Statute: Conn. Gen. Stat. § 12-701(a)(19)

Maine: Maine's personal income tax base is federal AGI, as defined by federal law, which by application allows a deduction for moving expenses.

Maine Statute: Me. Rev. Stat. Ann. Tit. 36, § 5121

Massachusetts: Massachusetts' provisions include a deduction for moving expenses as stated on the taxpayer's federal income tax return for tax years beginning before December 31, 2017. Massachusetts did not conform to the elimination of this federal deduction as Massachusetts follows the Internal Revenue Code in effect as of January 1, 2005 regarding this issue. Thus, this deduction is still allowed in the calculation of Massachusetts taxable income.

Massachusetts Statute: Mass. Gen. Laws ch. 62, § 2(d)(1)

Vermont: Vermont uses an individual's federal taxable income as the starting point for calculating Vermont income tax liability, and thus the federal treatment of deductions for moving expenses is adopted.

Vermont Statute: Vt. Stat. Ann. Tit. 32, § 5811(21)

**13. Net Operating Losses:**

Statutory Reference: R.I. Gen. Laws § 44-11-11(b) / 26 U.S.C. § 172

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1938 / 2007

Description: A taxpayer subject to the business corporation tax is allowed a net operating loss deduction that is the same as that allowed under 26 U.S.C. § 172, subject to the specific determinative criteria outlined in R.I. Gen. Laws § 44-11-11. This section also allows the taxpayer to carry the net operating loss forward for five succeeding tax years and disallows the carryback of a net operating loss. Prior to the Tax Cuts and Jobs Act of 2017, federal tax law allowed a two-year carryback of a net operating loss and a 20-year carry-forward of a net operating loss. For tax years beginning after December 31, 2017, federal tax law disallows the carryback of a net operating loss but provides for an indefinite carryforward period.

Data Source: Rhode Island Division of Taxation and Office of Revenue Analysis (ORA) calculations. This deduction includes amounts that are not necessarily specific to Rhode Island-based activity. The amount of forgone revenue is derived by multiplying the apportioned deduction by the business corporation tax rate of 7%. The number of taxpayers includes C-corporations that had a deduction decreasing federal taxable income.

Reliability Index: 1

| *Calendar Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Business Corporation Tax | $14,046,351 | 1,909 |
| 2021 Business Corporation Tax | $23,819,042 | 2,190 |

Projection Methodology: TY 2022 forgone revenue amounts and number of taxpayers is the 4-year average of the revenue forgone amounts and number of taxpayers from TY 2018 - TY 2021. TYs 2023 - TY 2025 are set equal to TY 2022.

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2022 Business Corporation Tax | $18,881,237 | 2,054 |
| 2023 Business Corporation Tax | $18,881,237 | 2,054 |
| 2024 Business Corporation Tax | $18,881,237 | 2,054 |
| 2025 Business Corporation Tax | $18,881,237 | 2,054 |

Law Comparison: All New England states have net operating loss deduction provisions.

Connecticut: Connecticut allows a net operating loss carryover deduction that is deductible for 20 years following the loss year, subject to apportionment. For losses occurring in tax years beginning on or after January 1, 2015, carryforwards are limited to 50% of net income. Taxpayers with net operating losses greater than $6 billion from pre-2013 years and a tax liability greater than $2.5 million may elect to use net operating loss carryforwards earlier than otherwise allowed. Net operating losses may not be carried back.

Connecticut Statute: Conn. Gen. Stat. § 12-217(a)(4)(A)

Maine: Passed in the 2021 session, and retroactively applicable to tax years beginning on or after January 1, 2018, Maine law is changed to conform to the federal tax treatment of net operating loss (NOL) carryforward deductions allowed under Internal Revenue Code, § 172(a)(2). Under that provision, the NOL carryforward deduction for tax years beginning on or after January 1, 2021, with respect to NOLs arising in tax years beginning after December 31, 2017, is limited to 80% of federal taxable income. The 80% limitation does not apply to NOL deductions claimed for tax years beginning in 2018-2020 nor does it apply to NOL deductions that are claimed for tax years beginning after 2020 if the deduction is associated with an NOL arising in tax years beginning prior to January 1, 2018.

Maine Statute: Me. Rev. Stat. Ann. Tit. 36, §§ 5122(1)(MM) and (2)(UU), 5200-A(1)(N) and (2)(M)

Massachusetts: Corporations are allowed a deduction for net operating losses computed under Massachusetts' law, which can be carried forward for 20 taxable years. Net operating losses cannot be carried back, and capital losses cannot be carried forward or back.

Massachusetts Statute: Mass. Gen. Laws ch. 63, § 30(5)(b)(4)

New Hampshire: New Hampshire allows a deduction for the amount of net operating loss carryover determined under 26 U.S.C. § 172 in effect as of a given date except for the limitation to a carryforward for 10 years following the loss year. The law does not allow for the carryback of losses in any instance. A net operating loss is apportioned in the year incurred. For taxable years ending on or after January 1, 2013, the amount of net operating loss generated in a tax year that may be carried forward may not exceed $10,000,000.

New Hampshire Statute: N.H. Rev. Stat. Ann. § 77-A:4, XIII

Vermont: Vermont's statutes include a net operating loss deduction in place of the federal net operating loss deduction. Vermont net operating loss is defined as any negative income after allocation and apportionment of Vermont net income. The net operating loss deduction is allowed as a carryforward in the 10 years following the loss year.

Vermont Statute: Vt. Stat. Ann. Tit. 32, §§ 5811(25), 5832, and 5888(4)(B)

**14. One-Half of Self-Employment Tax (Federal):**

Statutory Reference: R.I. Gen. Laws §§ 44-30-2.6(c)(3) and 44-30-32 / 26 U.S.C § 164(f)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 2001 / 2010

Description: Rhode Island's income tax system for a resident individual starts with the individual's federal adjusted gross income (AGI). The Rhode Island income of a non-resident individual includes the net amount of income and deductions included in federal adjusted gross income that are derived from or connected with Rhode Island sources.

Federal AGI includes a deduction for one-half of the amount of self-employment tax paid by self-employed taxpayers. Self-employed individuals, those taxpayers who are sole proprietors, independent contractors, partners in a partnership, and members in a single member LLC, must pay a tax on net earnings from self-employment for Social Security and Medicare. Because taxpayers that are employees are responsible for only one-half of the Social Security and Medicare taxes assessed, the other half being paid by the employer, self-employed taxpayers can deduct one-half of the self-employment tax paid to Social Security and Medicare.

Data Source: TY 2020 and TY 2021 Statistics of Income Bulletin, Internal Revenue Service. The federal deduction data is scaled for Rhode Island by using the ratio of total Rhode Island adjusted gross income to total federal AGI for TY 2020 and the three-year (TY 2018-TY 2020) average ratio of total Rhode Island AGI to total federal AGI for TY 2021. Forgone revenue is determined by multiplying the calculated Rhode Island value of the deduction by an effective tax rate of 3.132% for TY 2020 and 3.243% for TY 2021. Federal number of taxpayers' data is scaled for Rhode Island by using the ratio of total Rhode Island tax filers to total federal tax filers for TY 2020 and the three-year (TY 2018-TY 2020) average ratio of total Rhode Island tax filers to total federal tax filers for TY 2021. As the publication of this report, the IRS has not published the TY 2021 Statistics of Income with state-level data.

Reliability Index: 4

| *Calendar Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Personal Income Tax | $3,416,786 | 71,332 |
| 2021 Personal Income Tax | $4,082,713 | 75,830 |

Projection Methodology: For projected forgone revenue and projected number of taxpayers for TY 2022-2025, ORA took the average of TY 2020 and 2021.

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2022 Personal Income Tax | $3,749,750 | 73,581 |
| 2023 Personal Income Tax | $3,749,750 | 73,581 |
| 2024 Personal Income Tax | $3,749,750 | 73,581 |
| 2025 Personal Income Tax | $3,749,750 | 73,581 |

Law Comparison: Connecticut, Maine, Massachusetts, and Vermont have similar provisions.

Connecticut: Connecticut's income base provisions begin with federal AGI and, therefore, allow this item as part of the determination of the taxpayer's federal AGI.

Connecticut Statute: Conn. Gen. Stat. § 12-701(a)(19)

Maine: Maine's personal income tax base is federal AGI, as defined by federal law, which by application allows a deduction for one-half of the self-employment tax paid.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 5121

Massachusetts: Massachusetts' deduction is based on the full amount of self-employment tax paid but limited to $2,000.

Massachusetts Statute: Mass. Gen. Laws ch. 62, § 3B(a)(3)

Vermont: Because Vermont uses federal AGI as the starting point for calculating Vermont income tax liability, the federal treatment of deductions for one-half of the self- employment tax is adopted.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 5811(21)

### 15. Penalty for Early Withdrawal of Savings (Federal):

Statutory Reference: R.I. Gen. Laws §§ 44-30-2.6(c)(3) and 44-30-32(a)(1) / 26 U.S.C §§ 62(a)(9) and 165

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 2001 / 2010

Description: Rhode Island's income tax system for a resident individual starts with the individual's federal adjusted gross income (AGI). The Rhode Island income of a non-resident individual includes the net amount of income and deductions included in federal adjusted gross income that are derived from or connected with Rhode Island sources.

Federal AGI allows a deduction for the penalty paid for the withdrawal of monies from a certificate of deposit (CD) or other time deposit savings account prior to the maturation of the time deposit savings account.

Data Source: TY 2020 and TY 2021 Statistics of Income Bulletin, Internal Revenue Service. The federal deduction data is scaled for Rhode Island by using the ratio of total Rhode Island adjusted gross income to total federal AGI for TY 2020 and the three-year (TY 2018-TY 2020) average ratio of total Rhode Island AGI to total federal AGI for TY 2021. Forgone revenue is determined by multiplying the calculated Rhode Island value of the deduction by an effective tax rate of 3.132% for TY 2020 and 3.243% for TY 2021. Federal number of taxpayers' data is scaled for Rhode Island by using the ratio of total Rhode Island tax filers to total federal tax filers for TY 2020 and the three-year (TY 2018-TY 2020) average ratio of total Rhode Island tax filers to total federal tax filers for TY 2021. As the publication of this report, the IRS has not published the TY 2021 Statistics of Income with state-level data.

Reliability Index: 4

| ***Calendar Year / Tax Type*** | ***Revenue Forgone*** | ***Number of Taxpayers*** |
|---|---|---|
| 2020 Personal Income Tax | $21,398 | 1,330 |
| 2021 Personal Income Tax | $13,104 | 1,075 |

Projection Methodology: For projected forgone revenue and projected number of taxpayers for TY 2022-2025, ORA took the average of TY 2020 and 2021.

| ***Calendar Year / Tax Type*** | ***Projected Revenue Forgone*** | ***Projected Number of Taxpayers*** |
|---|---|---|
| 2022 Personal Income Tax | $17,251 | 1,203 |
| 2023 Personal Income Tax | $17,251 | 1,203 |
| 2024 Personal Income Tax | $17,251 | 1,203 |
| 2025 Personal Income Tax | $17,251 | 1,203 |

Law Comparison: Connecticut, Maine, Massachusetts, and Vermont have similar provisions.

Connecticut: Connecticut's income base provisions begin with federal AGI and, therefore, allow this item because it is part of the determination of the taxpayer's federal AGI.

Connecticut Statute: Conn. Gen. Stat. § 12-701(a)(19)

Maine: Maine's personal income tax base is federal AGI, as defined by federal law, which by application allows a deduction for the penalty on the early withdrawal of monies from time deposit savings accounts.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 5121

Massachusetts: Massachusetts' provisions include a deduction for the penalty on the early withdrawal of monies from time deposit savings accounts as stated on the taxpayer's federal income tax return.

Massachusetts Statute: Mass. Gen. Laws ch. 62, § 2(d)(1)

Vermont: Because Vermont uses federal AGI as the starting point for calculating Vermont income tax liability, the federal treatment of the penalty on the early withdrawal of monies from time deposit savings accounts is adopted.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 5811(21)

### 16. Qualified Charitable Contribution for Non-Itemized Returns (Federal):

Statutory Reference: R.I. Gen. Laws §§ 44-30-2.6(c)(3) and 44-30-32(a)(1) / 26 U.S.C. § 62(a)(22) / U.S. Public Law No. 116-136

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 2020

Description: Rhode Island's income tax system for a resident individual starts with the individual's federal adjusted gross income (AGI). The Rhode Island income of a non-resident individual includes the net amount of income and deductions included in federal adjusted gross income that are derived from or connected with Rhode Island sources.

The federal Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020 created a federal deduction for TY 2020 of up to $300 for charitable contributions for eligible taxpayers who do not elect to itemize deductions for federal tax purposes. This deduction reduced the taxpayer's federal adjusted gross income (AGI) and, as a result, reduced Rhode Island tax liability for eligible taxpayers. The American Rescue Plan Act of 2021 reinstated the qualified charitable contribution for non-itemized returns at $300 for individual filers and $600 for joint filers for TY 2021. However, this deduction was placed on the federal tax return after the calculation of federal AGI. Thus, there is no TY 2021 impact for Rhode Island personal income tax purposes.

Data Source: TY 2020, Internal Revenue Service, Statistics of Income (SOI), Table 2: Individual Income and Tax Data, by State and Size of Adjusted Gross Income. TY 2020 data is for Rhode Island resident returns only. Forgone revenue is determined by multiplying the reported amount of the deduction by the Rhode Island resident effective personal income tax rate for each reported federal AGI category and then summing the forgone revenue amounts across all federal AGI categories. For TY 2020, these Rhode Island resident effective tax rates range from 0.0644% for the federal AGI category of under $25,000 to 4.8242% for the federal AGI category of $100,000 to $200,000. The number of taxpayers is the total number reported in the IRS' SOI report.

Reliability Index: 2

| *Calendar Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Personal Income Tax | $849,263 | 161,330 |

Law Comparison: Connecticut, Maine, Massachusetts, and Vermont have similar provisions.

Connecticut: Connecticut's income base provisions begin with federal AGI and, therefore, allow this item because it is part of the determination of the taxpayer's federal AGI.

Connecticut Statute: Conn. Gen. Stat. § 12-701(a)(19)

Maine: Maine's personal income tax base is federal AGI, as defined by federal law, which by application allowed for a deduction of up to $300 for charitable contributions for eligible taxpayers who do not elect to itemize deductions for federal tax purposes for TY 2020.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 5121

Massachusetts: Massachusetts did not conform to the above-the-line deduction for charitable contributions for non-itemized returns. However, for tax years beginning on or after January 1, 2023, Massachusetts separately allows a deduction for charitable contributions with no itemization requirement, limited to 10% of the taxpayer's federal taxable income.

Massachusetts Statute: Mass. Gen. Laws ch. 62, § 3B(a)(13)

Vermont: Because Vermont uses federal AGI as the starting point for calculating Vermont income tax liability, the federal treatment of qualified charitable contribution for non-itemized returns is adopted.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 5811(21)

### 17. Qualifying Investment in a Certified Venture Capital Partnership:

Statutory Reference: R.I. Gen. Laws § 44-43-2

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1987 / N/A

Description: A deduction reducing net income or net worth, gross earnings, or gross premiums for making a qualifying investment in a certified venture capital partnership is allowed equal to the qualifying investment in the year in which the taxpayer first makes such an investment prior to computing the tax owed under the business corporation tax, public service corporation tax, bank excise tax, and insurance gross premiums tax. A modification reducing federal adjusted gross income (AGI) shall be allowed prior to computing the tax owed under the personal income tax and is included in the modifications section of this report.

Data Source: *Business Corporation Tax:* Rhode Island Division of Taxation and Office of Revenue Analysis (ORA) calculations. The amount of forgone revenue is derived by multiplying the deduction by the business corporation tax rate of 7%. The number of taxpayers includes C-corporations that had a deduction decreasing federal taxable income.

*Public Service Corporation Tax:* Rhode Island Division of Taxation and ORA calculations. The amount of forgone revenue is derived by multiplying the deduction amount by a weighted average public service corporation gross earnings tax rate of 4.03% for TY 2020 and TY 2021.

*Bank Tax*: Rhode Island Division of Taxation.

*Insurance Company Gross Premiums Tax*: Rhode Island Division of Taxation and ORA calculations. The amount of forgone revenue is derived by multiplying the deduction amount by the insurance company gross premiums tax rate of 2%.

Reliability Index: 1

| ***Calendar Year / Tax Type*** | ***Revenue Forgone*** | ***Number of Taxpayers*** |
|---|---|---|
| 2020 Business Corporation Tax | $2,695,451 | < 10 |
| 2020 Public Service Corporation Tax | $0 | 0 |
| 2020 Bank Tax | $0 | 0 |
| 2020 Ins Co Gross Premiums Tax | $0 | 0 |
| **2020 Total** | **$2,695,451** | **< 10** |
| 2021 Business Corporation Tax | $9,060 | 27 |
| 2021 Public Service Corporation Tax | $0 | 0 |
| 2021 Bank Tax | $0 | 0 |
| 2021 Ins Co Gross Premiums Tax | $0 | 0 |
| **2021 Total** | **$9,060** | **27** |

Projection Methodology: TY 2022-TY 2025 forgone revenue amounts and number of taxpayers is the average forgone revenue and number of taxpayers from TY 2018-TY 2021.

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2022 Business Corporation Tax | $684,979 | < 10 |
| 2022 Public Service Corporation Tax | $0 | 0 |
| 2022 Bank Tax | $0 | 0 |
| 2022 Ins Co Gross Premiums Tax | $0 | 0 |
| **2022 Projected Total** | **$684,979** | **< 10** |
| 2023 Business Corporation Tax | $684,979 | < 10 |
| 2023 Public Service Corporation Tax | $0 | 0 |
| 2023 Bank Tax | $0 | 0 |
| 2023 Ins Co Gross Premiums Tax | $0 | 0 |
| **2023 Projected Total** | **$684,979** | **< 10** |
| 2024 Business Corporation Tax | $684,979 | < 10 |
| 2024 Public Service Corporation Tax | $0 | 0 |
| 2024 Bank Tax | $0 | 0 |
| 2024 Ins Co Gross Premiums Tax | $0 | 0 |
| **2024 Projected Total** | **$684,979** | **< 10** |
| 2025 Business Corporation Tax | $684,979 | < 10 |
| 2025 Public Service Corporation Tax | $0 | 0 |
| 2025 Bank Tax | $0 | 0 |
| 2025 Ins Co Gross Premiums Tax | $0 | 0 |
| **2025 Projected Total** | **$684,979** | **< 10** |

Law Comparison: No similar provisions found in the other New England states.

**18. Return or Unabsorbed Premiums or Premiums for Reinsurance Assumed:**

Statutory Reference: R.I. Gen. Laws § 44-17-2

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1896 / 2007

Description: Taxpayers subject to the insurance company gross premiums tax can deduct from gross premiums the amount of return premiums on contracts covering property and risks, the amount of premiums for reinsurance assumed of the property and risks, and, for mutual insurance companies, the amount of dividends or unused or unabsorbed portion of the premiums applied as a partial payment of the premiums or returned to policyholders in cash or credited to policyholders.

Data Source: No reliable data exists for this tax expenditure item.

Reliability Index: 5

Law Comparison: All New England states have similar provisions.

Connecticut: Connecticut levies a tax on net direct premiums on domestic and nonresident and foreign insurance companies. Net direct premiums specifically exclude premiums received for reinsurances assumed from other insurance companies and returned or canceled premiums and dividends paid to policyholders on direct business.

Connecticut Statute: Conn. Gen. Stat. §§ 12-201(7), (8)

Maine: The Maine insurance premiums tax is measured by the full amount of gross insurance premiums, reduced by all direct return premiums on the gross direct premiums, and all dividends paid to policy holders on direct premiums. Except when direct return premiums are returned in the same tax year that the premium was paid, the deduction allowed may be taken only if the tax has been paid.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 2515

Massachusetts: In determining the tax payable by insurance companies, all premiums on policies written but not taken or canceled through default of payment and all premiums returned or credited to policyholders during the tax year may be deducted, provided that all premiums for which the deduction is claimed have been included as premium receipts on the tax return. This deduction does not include premiums returned or credited on reinsurance assumed.

Massachusetts Statute: Mass. Gen. Laws ch. 63, §§ 20 and 24

New Hampshire: The premium tax on authorized and formerly authorized insurers is calculated based on the total of gross direct premiums received during the previous calendar year for policies insuring property, subjects, or risks for residents located in the state or to be performed in the state, minus premiums or dividends returned or credited to policyholders. Title insurers may also deduct the portion of the premiums chargeable to title search and examination services. The tax on premiums for surplus lines is also calculated based on the amount of gross premiums less the amount of return premiums.

New Hampshire Statute: N.H. Rev. Stat. Ann. §§ 400-A:31(I) and 405:29(I)

Vermont: Vermont has a deduction for all sums paid for return premiums on canceled policies located in the state and dividends actually paid or allowed to policyholders residing in the state.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 8554

**19. Self-Employed Health Insurance (Federal):**

Statutory Reference: R.I. Gen. Laws §§ 44-30-2.6(c)(3) and 44-30-32(a)(1) / 26 U.S.C. § 162(l)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 2001 / 2010

Description: Rhode Island's income tax system for a resident individual starts with the individual's federal adjusted gross income (AGI). The Rhode Island income of a non-resident individual includes the net amount of income and deductions included in federal adjusted gross income that are derived from or connected with Rhode Island sources.

Federal AGI includes a deduction for the premiums paid for medical, dental, and qualified long-term care insurance for the taxpayer, the taxpayer's spouse, the taxpayer's dependents, and the taxpayer's child who is not a dependent but less than 27 years of age if the taxpayer is a self-employed individual with a net profit, a partner with net earnings from self-employment, or a shareholder owning more than 2% of the outstanding stock of an S corporation with wages from the corporation. The insurance plan must be established under the business. The premium deduction for qualified long-term care insurance is subject to a maximum allowable amount.

Data Source: TY 2020, Internal Revenue Service, Statistics of Income (SOI), Table 2: Individual Income and Tax Data, by State and Size of Adjusted Gross Income. TY 2020 data is for Rhode Island resident returns only. Revenue forgone is determined by multiplying the reported amount of the deduction by the Rhode Island resident effective personal income tax rate for each reported federal AGI category and then summing the forgone revenue amounts across all federal AGI categories. For TY 2020, these Rhode Island resident effective tax rates range from 0.0644% for the federal AGI category of under $25,000 to 4.8242% for the federal AGI category of $1,000,000 or more. The number of taxpayers is the total number reported in the IRS' SOI report. As the publication of this report, the IRS has not published the TY 2021 SOI with state-level data.

Reliability Index: *TY 2020*: 2; *TY 2021*: 5

| ***Calendar Year / Tax Type*** | ***Revenue Forgone*** | ***Number of Taxpayers*** |
|---|---|---|
| 2020 Personal Income Tax | $3,454,982 | 12,870 |
| 2021 Personal Income Tax | *No estimate possible* | *No estimate possible* |

Projection Methodology: For projected forgone revenue and projected number of taxpayers for TY 2022-2025, ORA held constant with TY 2020.

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2022 Personal Income Tax | $3,454,982 | 12,870 |
| 2023 Personal Income Tax | $3,454,982 | 12,870 |
| 2024 Personal Income Tax | $3,454,982 | 12,870 |
| 2025 Personal Income Tax | $3,454,982 | 12,870 |

Law Comparison: Connecticut, Maine, Massachusetts, and Vermont have similar provisions.

Connecticut: Connecticut's income base provisions begin with federal AGI and, therefore, allow this item because it is part of the determination of the taxpayer's federal AGI.

Connecticut Statute: Conn. Gen. Stat. § 12-701(a)(19)

Maine: Maine's personal income tax base is federal AGI, as defined by federal law, which by application allows a deduction for payments for health insurance by the self-employed.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 5121

Massachusetts: Massachusetts' provisions include a deduction for payments for health insurance by the self-employed as stated on the taxpayer's federal income tax return.

Massachusetts Statute: Mass. Gen. Laws ch. 62, § 2(d)(1)

Vermont: Because Vermont uses federal AGI as the starting point for calculating Vermont income tax liability, the federal treatment of deductions for payments for health insurance by the self-employed is adopted.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 5811(21)

**20. Standard Deduction:**

Statutory Reference: R.I. Gen. Laws § 44-30-2.6(c)(3)(B)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 2001 / 2010

Description: Rhode Island allows a basic standard deduction from modified adjusted gross income (AGI), the amounts for which are adjusted for inflation.

The table below lists the standard deduction for single, married filing separately, head of household, married filing jointly, and qualifying widow(er) personal income tax filers. For taxpayers with a modified federal AGI greater than a specified amount in each tax year, regardless

of filing status, there is a phase-out in the deduction amount allowed to be taken. For example, for each $5,950 increase, or part thereof, in modified AGI, a reduction of 20% in the allowable standard deduction amount was imposed in TY 2020. Once a taxpayer's modified AGI exceeds the phase-out limit, the allowable standard deduction amount is zero.

| *Tax Year* | *Single / Married Filing Separately* | *Head of Household* | *Married Filing Jointly / Widow(er)* | *Phase-Out Range* |
|---|---|---|---|---|
| 2018 | $8,525 | $12,800 | $17,050 | $199,000 - $221,800 |
| 2019 | $8,750 | $13,100 | $17,500 | $203,850 - $227,050 |
| 2020 | $8,900 | $13,350 | $17,800 | $207,700 - $231,500 |
| 2021 | $9,050 | $13,550 | $18,100 | $210,750 - $234,750 |
| 2022 | $9,300 | $13,950 | $18,600 | $217,050 - $241,850 |
| 2023 | $10,000/$10,025 | $15,050 | $20,050 | $233,750 - $260,550 |

Data Source: Office of Revenue Analysis (ORA) Personal Income Tax Simulation Model. ORA calculated the Rhode Island tax liability for each taxpayer under TY 2020 and TY 2021 laws and the Rhode Island tax liability for each taxpayer without the applicable standard deduction for the same tax years, then summed the results for both calculations across all taxpayers. Forgone revenue is determined by taking the difference the two tax liability calculations. Number of taxpayers includes all taxpayers that had a non-zero tax difference between the two calculations above. It should be noted that the forgone revenue amounts and the number of taxpayers exclude taxpayers who may have claimed the standard deduction on their tax form but had a Rhode Island modified AGI of $0 or less. These taxpayers received no positive benefit from the standard deduction and thus there was no forgone revenue from these returns for this expenditure item.

Reliability Index: 1

| *Calendar Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Personal Income Tax | $218,741,263 | 550,385 |
| 2021 Personal Income Tax | $221,767,280 | 556,027 |

Projection Methodology: The projected forgone revenue was calculated for TY 2022 – TY 2025 by applying the growth in the United States consumer price index for all urban consumers from the November 2023 S&P Global forecast. The projected number of taxpayers for TY 2022 – TY 2022 is calculated using the three-year average growth rate in the number of filers for Rhode Island resident and non-resident returns of 0.34%.

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2022 Personal Income Tax | $239,478,684 | 557,940 |
| 2023 Personal Income Tax | $249,267,953 | 559,859 |
| 2024 Personal Income Tax | $255,255,898 | 561,785 |
| 2025 Personal Income Tax | $260,974,354 | 563,718 |

Law Comparison: Maine and Vermont have similar provisions.

Maine: Maine's standard deduction is equal to the federal standard deduction, including the additional standard deduction amount for age and blindness, and is subject to a phase-out.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 5124-C

Vermont: Vermont has a state-defined standard deduction of $6,250 for single filers or married filing separately, $9,400 for head of household filers, and $12,500 for married filing jointly or qualifying widow(er) for TY 2020. There is an additional deduction of $1,050 for taxpayers who are 65 years and older and/or blind and who qualified and received the deduction at the federal level. All deduction amounts are subject to inflation on an annual basis. The TY 2021 figures for the standard deduction are $6,350 for single filers or married filing separately, $9,500 for head of household filers, and $12,700 for married filing jointly or qualifying widow(er), with an additional $1,050 for individuals 65 and older and/or blind. For TY 2022, the comparable standard deduction figures are $6,500, $9,800, and $13,050, with an additional $1,050 for individuals 65 and older and/or blind.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 5811(21)(C)(ii) and (iii)

**21. Student Loan Interest (Federal):**

Statutory Reference: R.I. Gen. Laws §§ 44-30-2.6(c)(3) and 44-30-32(a)(1) / 26 U.S.C. §§ 62(a)(17) and 221

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 2001 / 2010

Description: Rhode Island's income tax system for a resident individual starts with the individual's federal adjusted gross income (AGI). The Rhode Island income of a non-resident individual includes the net amount of income and deductions included in federal adjusted gross income that are derived from or connected with Rhode Island sources.

Federal AGI allows a deduction for the interest paid on a qualified student loan. A qualified student loan is a loan that was taken out solely to pay qualified education expenses. For TY 2020-TY 2024,

the maximum deduction amount for student loan interest is $2,500 per return, subject to a phase out for taxpayers with a modified federal AGI over a certain amount. Taxpayers who are married filing separately or who can be claimed as a dependent are ineligible for this deduction.

| | ***Single / Head of Household/ Widow(er)*** | | ***Married Filing Jointly*** | |
|---|---|---|---|---|
| ***Tax Year*** | ***Deduction Maximum*** | ***Phase-Out Range*** | ***Deduction Maximum*** | ***Phase-Out Range*** |
| 2020 | $2,500 | $70,000 - $85,000 | $2,500 | $140,000 - $170,000 |
| 2021 | $2,500 | $70,000 - $85,000 | $2,500 | $140,000 - $170,000 |
| 2022 | $2,500 | $70,000 - $85,000 | $2,500 | $145,000 - $175,000 |
| 2023 | $2,500 | $75,000 - $90,000 | $2,500 | $155,000 - $185,000 |
| 2024 | $2,500 | $80,000 - $95,000 | $2,500 | $165,000 - $195,000 |

Data Source: TY 2020, Internal Revenue Service, Statistics of Income (SOI), Table 2: Individual Income and Tax Data, by State and Size of Adjusted Gross Income. TY 2020 data is for Rhode Island resident returns only. Forgone revenue is determined by multiplying the reported amount of the deduction by the Rhode Island resident effective personal income tax rate for each reported federal AGI category, excluding married filing separately and dependent returns as these filers do not qualify for the federal student loan interest deduction, and then summing the forgone revenue amounts across all federal AGI categories. For TY 2020, these Rhode Island resident effective tax rates range from -0.0933% for the federal AGI category of under $25,000 to 2.8598% for the federal AGI category of $100,000 to $200,000. The number of taxpayers is the total number reported in the IRS' SOI report. As the publication of this report, the IRS has not published the TY 2021 SOI with state-level data.

Reliability Index: *TY 2020*: 2; *TY 2021*: 5

| ***Calendar Year / Tax Type*** | ***Revenue Forgone*** | ***Number of Taxpayers*** |
|---|---|---|
| 2020 Personal Income Tax | $626,874 | 42,750 |
| 2021 Personal Income Tax | *No estimate possible* | *No estimate possible* |

Projection Methodology: For projected forgone revenue and projected number of taxpayers for TY 2022-2025, ORA held constant with TY 2020.

| ***Calendar Year / Tax Type*** | ***Projected Revenue Forgone*** | ***Projected Number of Taxpayers*** |
|---|---|---|
| 2022 Personal Income Tax | $626,874 | 42,750 |
| 2023 Personal Income Tax | $626,874 | 42,750 |
| 2024 Personal Income Tax | $626,874 | 42,750 |
| 2025 Personal Income Tax | $626,874 | 42,750 |

Law Comparison: Connecticut, Maine, Massachusetts, and Vermont have similar provisions.

Connecticut: Connecticut's income base provisions begin with federal AGI and, therefore, allow this item because it is part of the determination of the taxpayer's federal AGI.

Connecticut Statute: Conn. Gen. Stat. § 12-701(a)(19)

Maine: Maine's personal income tax base is federal AGI, as defined by federal law, which by application allows a deduction for interest paid on a student loan up to $2,500.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 5121

Massachusetts: Massachusetts' provisions follow the federal deduction for interest paid by the taxpayer for a qualified education loan for graduate or undergraduate education, subject to taxpayer income limitations. Massachusetts also allows for a separate student loan deduction for interest from undergraduate loans. Taxpayers are not allowed to take both federal and state level deductions.

Massachusetts Statute: Mass. Gen. Laws ch. 62, § 2(d)(1) and 3B(a)(12)

Vermont: Because Vermont uses federal AGI as the starting point for calculating Vermont income tax liability, the federal treatment of interest paid on a student loan is adopted.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 5811(21)

**22. Tax Incentives for Employers:**

Statutory Reference: R.I. Gen. Laws § 44-55-4.1

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1997 / N/A

Description: Businesses that employ and retain in the state employees who have been previously unemployed for at least 26 consecutive calendar weeks and have been domiciled residents of Rhode Island for at least 52 consecutive calendar weeks or have been a recipient of Rhode Island's Aid to Families with Dependent Children program for at least one year preceding the date of hire receive a deduction from the business corporation tax, public service corporation tax, bank excise tax, bank deposits tax, and insurance company gross premiums tax. The deduction is equal to 40% of the eligible employee's first year wages, up to a maximum $2,400 per eligible employee. A modification reducing income subject to the personal income tax is provided to eligible businesses and is listed in the modification section of this report.

Data Source: *Business Corporation:* Rhode Island Division of Taxation and Office of Revenue Analysis (ORA) calculations. The amount of forgone revenue is derived by multiplying the

apportioned deduction by the business corporation tax rate of 7%. The number of taxpayers includes C-corporations that had a deduction decreasing federal taxable income.

*Bank Tax:* Rhode Island Division of Taxation and Office of Revenue Analysis (ORA) calculations. The amount of forgone revenue is derived by multiplying the apportioned deduction by the bank excise tax rate of 9%.

*Bank Deposits Tax*: No reliable data exists for this tax expenditure item.

*Insurance Company Gross Premiums Tax,* Rhode Island Division of Taxation and ORA calculations. The amount of forgone revenue is derived by multiplying the deduction by the insurance company gross premiums tax of 2%.

*Public Service Corporation Tax*: No reliable data exists for this tax expenditure item.

Reliability Index: *Business Corporation, Bank, and Insurance Company Gross Premiums Taxes,* 1*; Public Service Corporation, Bank Deposits Taxes,* 5

| ***Calendar Year / Tax Type*** | ***Revenue Forgone*** | ***Number of Taxpayers*** |
|---|---|---|
| 2020 Business Corporation Tax | $64,855 | 78 |
| 2020 Public Service Corporation Tax | *No estimate possible* | *No estimate possible* |
| 2020 Bank Tax | $0 | 0 |
| 2020 Bank Deposits Tax | *No estimate possible* | *No estimate possible* |
| 2020 Ins Co Gross Premiums Tax | $0 | 0 |
| **2020 Total** | **$64,855** | **78** |
| 2021 Business Corporation Tax | $43,086 | 74 |
| 2021 Public Service Corporation Tax | *No estimate possible* | *No estimate possible* |
| 2021 Bank Tax | $0 | 0 |
| 2021 Bank Deposits Tax | *No estimate possible* | *No estimate possible* |
| 2021 Ins Co Gross Premiums Tax | $0 | 0 |
| **2021 Total** | **$43,086** | **74** |

Projection Methodology: *Business Corporation, Bank Tax, And Insurance Company Gross Premiums Taxes:* TY 2022 forgone revenue amounts and number of taxpayers is the 4-year average revenue forgone and number of taxpayers from TY 2018-TY 2021. TYs 2023- TY 2025 are set equal to TY 2022.

*Public Service Corporation and Bank Deposits Taxes*: No projection is made due to lack of reliable data.

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2022 Business Corporation Tax | $70,494 | 69 |
| 2022 Public Service Corporation Tax | *No estimate possible* | *No estimate possible* |
| 2022 Bank Tax | $0 | 0 |
| 2022 Bank Deposits Tax | *No estimate possible* | *No estimate possible* |
| 2022 Ins Co Gross Premiums Tax | $0 | 0 |
| **2022 Projected Total** | **$70,494** | **69** |
| 2023 Business Corporation Tax | $70,494 | 69 |
| 2023 Public Service Corporation Tax | *No estimate possible* | *No estimate possible* |
| 2023 Bank Tax | $0 | 0 |
| 2023 Bank Deposits Tax | *No estimate possible* | *No estimate possible* |
| 2023 Ins Co Gross Premiums Tax | $0 | 0 |
| **2023 Projected Total** | **$70,494** | **69** |
| 2024 Business Corporation Tax | $70,494 | 69 |
| 2024 Public Service Corporation Tax | *No estimate possible* | *No estimate possible* |
| 2024 Bank Tax | $0 | 0 |
| 2024 Bank Deposits Tax | *No estimate possible* | *No estimate possible* |
| 2024 Ins Co Gross Premiums Tax | $0 | 0 |
| **2024 Projected Total** | **$70,494** | **69** |
| 2025 Business Corporation Tax | $70,494 | 69 |
| 2025 Public Service Corporation Tax | *No estimate possible* | *No estimate possible* |
| 2025 Bank Tax | $0 | 0 |
| 2025 Bank Deposits Tax | *No estimate possible* | *No estimate possible* |
| 2025 Ins Co Gross Premiums Tax | $0 | 0 |
| **2025 Projected Total** | **$70,494** | **69** |

Law Comparison: No similar provisions found in the other New England states.

# EXCLUSIONS

## 1. Biodiesel Portion of Blended Gallon of Diesel Fuel:

Statutory Reference: R.I. Gen. Laws § 31-36-1(6)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1925 / 2009

Description: The manufactured biodiesel portion of any gallon of blended biodiesel and petroleum diesel fuel is excluded from the state's motor fuel tax provided that the manufactured biodiesel consists of "[m]ono-alkyl esters of long chain fatty acids derived from vegetable oils or animal fats which conform to ASTM D6751 specifications for use in diesel engines" and the production of which "results in employment at a fixed location at a manufacturing facility for biodiesel fuel."

Data Source: Excise Tax Section, Rhode Island Division of Taxation. Total biodiesel gallons are summed and multiplied by the motor fuel tax rate of $0.34 per gallon for FY 2020 - 2022. The number of taxpayers is as reported by Biodiesel Magazine.

Reliability Index: 1

| *Fiscal Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Motor Fuel Tax | $2,596,954 | 1 |
| 2021 Motor Fuel Tax | $2,244,196 | 1 |
| 2022 Motor Fuel Tax | $1,546,350 | 1 |
| 2023 Motor Fuel Tax | $0 | 0 |

Projection Methodology: The FY 2024 and FY 2025 forgone revenue amounts and the number of taxpayers are held constant with FY 2023.

| *Fiscal Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2024 Motor Fuel Tax | $0 | 0 |
| 2025 Motor Fuel Tax | $0 | 0 |

Law Comparison: Only Massachusetts has a similar provision.

Massachusetts: For fuel consisting of eligible cellulosic biofuel or of a blend of gasoline and eligible cellulosic biofuel, the tax per gallon is reduced in proportion to the percentage of the fuel content consisting of eligible cellulosic biofuel, measured by available energy content, as determined by the department of energy resources.

Massachusetts Statute: Mass. Gen. Laws ch. 64A, § 1A

## 2. Conveyance of Mobile/Manufactured Homes for Consideration of $100 or Less:

Statutory Reference: R.I. Gen. Laws § 31-44-20

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1996 / N/A

Description: The mobile home conveyance tax, as included under the real estate conveyance tax, applies only to mobile and manufactured homes that are conveyed for a consideration of more than $100. If no consideration is paid for the conveyance of a mobile/manufactured home, no documentary stamps are required on the instrument of conveyance.

Data Source: No reliable data exists for this tax expenditure item.

Reliability Index: 5

Projection Methodology: No projection is made due to lack of reliable data.

Law Comparison: Connecticut, Massachusetts, and New Hampshire have similar provisions.

Connecticut: Connecticut taxes resales of mobile manufactured, modular, or prefabricated homes are taxed under the real estate conveyance tax. Connecticut's provisions include exclusion for conveyance of property when the consideration is less than $2,000.

Connecticut Statute: Conn. Gen. Stat. §§ 12-412c and 12-498(a)(10)

Massachusetts: Mobile homes that acquire characteristics of a conventional home are deemed to be real estate and are taxed as such. Massachusetts' provisions include an exclusion for conveyance where the consideration is not more than $100.

Massachusetts Statute: Mass. Gen. Laws ch. 64D, § 1

New Hampshire: New Hampshire's provisions include exclusion for conveyance where the consideration is $4,000 or less. In such cases, there is a minimum fee of $20. Manufactured housing is deemed real estate for the purposes of the tax on the transfer of real property when it is placed on a site and connected to required utilities.

New Hampshire Statute: N.H. Rev. Stat. Ann. § 78-B:1, I(b) and IV

Vermont: If a mobile home is affixed to the land or is financed as real estate, the transfer of ownership of a mobile home is treated as real property and is subject to the property transfer tax. Vermont's provisions include an exclusion of the first $110,000 in value of the property transferred if the purchaser obtains a purchase money mortgage funded in part with a homeland grant through the Vermont Housing and Conservation Trust Fund or which the Vermont Housing and Finance

Agency or U.S. Department of Agriculture and Rural Development has committed to make or purchase. A tax at the rate of 1.25% is imposed on the value of that property in excess of $110,000. All other property transferred has a lower tax rate (0.5% vs 1.25%) for the first $100,000 of value.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 9602(1)

### 3. Conveyance of Real Estate for Consideration of $100 or Less:

Statutory Reference: R.I. Gen. Laws §§ 44-25-1(a) and (c)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1968 / 2004

Description: The real estate conveyance tax applies only to lands, tenements, or other realty that are conveyed for a consideration of more than $100. When no consideration is paid for the conveyance of the lands, tenements, or other realty, no documentary stamps are required on the instrument of conveyance.

Data Source: No reliable data exists for this tax expenditure item.

Reliability Index: 5

Projection Methodology: No projection is made due to lack of reliable data.

Law Comparison: Connecticut, Massachusetts, New Hampshire, and Vermont have similar provisions.

Connecticut: Connecticut's provisions include an exclusion for conveyance of property when the consideration is less than $2,000.

Connecticut Statute: Conn. Gen. Stat. § 12-498(a)(10)

Massachusetts: Massachusetts' provisions include an exclusion for conveyance where the consideration is not more than $100.

Massachusetts Statute: Mass. Gen. Laws ch. 64D, § 1

New Hampshire: New Hampshire's provisions include exclusion for conveyance where the consideration is $4,000 or less. In such cases, there is a minimum fee of $20.

New Hampshire Statute: N.H. Rev. Stat. Ann. § 78-B:1, I(b)

Vermont: Vermont's provisions include an exclusion of the first $110,000 in value of the property transferred if the purchaser obtains a purchase money mortgage funded in part with a homeland grant through the Vermont Housing and Conservation Trust Fund or which the Vermont Housing

and Finance Agency or U.S. Department of Agriculture and Rural Development has committed to make or purchase. A tax at the rate of 1.25% is imposed on the value of that property in excess of $110,000. All other property transferred has a lower tax rate (0.5% vs 1.25%) for the first $100,000 of value.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 9602(1)

**4. Conveyance of Real Estate Relating to the Capitol Center Project:**

Statutory Reference: R.I. Gen. Laws § 44-25-2(c)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1984 / N/A

Description: The real estate conveyance tax does not apply to any deed, instrument, or writing that relates to the Capitol Center Project in the City of Providence.

Data Source: Rhode Island Department of Revenue.

Reliability Index: 1

| *Fiscal Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Real Estate Conveyance Tax | $0 | 0 |
| 2021 Real Estate Conveyance Tax | $0 | 0 |
| 2022 Real Estate Conveyance Tax | $0 | 0 |
| 2023 Real Estate Conveyance Tax | $0 | 0 |

Projection Methodology: Amount of exclusion and number of taxpayers held constant with FY 2023.

| *Fiscal Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2024 Real Estate Conveyance Tax | $0 | 0 |
| 2025 Real Estate Conveyance Tax | $0 | 0 |

Law Comparison: Connecticut has a similar provision.

Connecticut: Connecticut's provisions include an exclusion for conveyance of property for the Adriaen's Landing site or the Rentschler Field facility site.

Connecticut Statute: Conn. Gen. Stat. §§ 12-498(a)(15) and 32-650

## 5. Corporations Exempt from Taxation by Charter:

Statutory Reference: R.I. Gen. Laws § 44-11-1(4)(vi)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1938 / 1994

Description: Any corporation expressly exempt from taxation by charter is excluded from the base of taxpayers subject to the business corporation tax.

Data Source: No reliable data exists for this tax expenditure item.

Reliability Index: 5

Projection Methodology: No projection is made due to lack of reliable data.

Law Comparison: No similar provisions were found in the other New England states.

## 6. Corporations Not Doing Business for Profit:

Statutory Reference: R.I. Gen. Laws § 44-11-1(4)(iv)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1938 / 1994

Description: Corporations specified in the Rhode Island Nonprofit Corporation Act, incorporated hospitals, schools, colleges, and other institutions of learning not organized for business purposes, not doing business for profit, and for which no part of the net earnings benefits any private stockholder or individual are excluded from the base of taxpayers subject to the business corporation tax.

Data Source: No reliable data exists for this tax expenditure item.

Reliability Index: 5

Projection Methodology: No projection is made due to lack of reliable data.

Law Comparison: All of the New England states have similar provisions.

Connecticut: Connecticut's provisions include exclusion for companies exempt by the federal corporation net income tax law or under any other section of the Internal Revenue Code; however, such organizations are likewise taxed on their unrelated business income.

Connecticut Statute: Conn. Gen. Stat. § 12-214(a)(2)(B)

Maine: Maine's provisions include a general exclusion from the Maine corporate income tax for a corporation exempt from federal income tax.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 5102(6)

Massachusetts: Massachusetts' provisions include exclusion for corporations, which are tax exempt for federal income tax purposes under § 501 of the Internal Revenue Code.

Massachusetts Statute: Mass. Gen. Laws ch. 63, § 30(3)

New Hampshire: New Hampshire's provisions provide an exclusion from the business profits tax for organizations exempt from federal tax under § 501(c)(3) of the Internal Revenue Code.

New Hampshire Statute: N.H. Rev. Stat. Ann. § 77-A:1, I

Vermont: Vermont's corporate income tax starts with federal taxable income, which excludes organizations exempt under § 501(c)(3) of the Internal Revenue Code.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 5811(18)

### 7. Corporations that Maintain and Manage Intangible Investments:

Statutory Reference: R.I. Gen. Laws § 44-11-1(4)(vii)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1938 / 1994

Description: Corporations, including all corporations under direct or indirect common ownership, that employ not less than five full-time equivalent employees in the state, that maintain an office in the state, and whose activities within the state are confined to the maintenance and management of their intangible investments, the collection and distribution of the income from those investments, or from tangible property physically located outside the state are excluded from the base of taxpayers subject to the business corporation tax.

Data Source: No reliable data exists for this tax expenditure item.

Reliability Index: 5

Projection Methodology: No projection is made due to lack of reliable data.

Law Comparison: Connecticut, Massachusetts, and New Hampshire have similar provisions.

Connecticut: Passive investment companies are exempt from the corporation business tax. In addition, dividends received, directly or indirectly, from such companies do not constitute gross income for corporation business tax purposes.

Connecticut Statute: Conn. Gen. Stat. § 12-213(a)(9)(D)

Massachusetts: Corporate regulated investment companies are exempt from the corporate excise tax.

Massachusetts Statute: Mass. Gen. Laws ch. 63, §§ 30(4) and 38B(b-c)

New Hampshire: New Hampshire's provisions provide an exclusion from the business profits tax for qualified investment companies.

New Hampshire Statute: N.H. Rev. Stat. Ann. § 77-A:1, I and XXI

## 8. Dividends Received From Shares of Stock:

Statutory Reference: R.I. Gen. Laws §§ 44-11-12 and 44-14-15

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1938 / 1989

Description: Dividends received from the shares of stock of any business entity subject to the business corporation tax, public service corporation tax, or bank excise tax are excluded from a taxpayer's net income.

Data Source: *Business Corporation Tax*: Rhode Island Division of Taxation. The amount of exempt interest and dividends was multiplied by the taxpayer's apportionment factor in each tax year for any taxpayer that took this exclusion. The amount of revenue forgone is derived by multiplying the apportioned dividends received by the business corporation tax rate of 7% for TY 2020 and TY 2021.

*Bank Tax*: Rhode Island Division of Taxation. The amount of exempt interest and dividends was multiplied by the taxpayer's apportionment factor in each tax year for any taxpayer that took this exclusion. The amount of revenue forgone is derived by multiplying the apportioned dividends received by the banking institution excise tax rate of 9% for TY 2020 and TY 2021.

*Public Service Corporation Tax*: No reliable data exists for this tax expenditure item.

Reliability Index: *Business Corporation Tax, Bank Tax:* 1; Public Service Corporation Tax: 5

| *Calendar Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Business Corporation Tax | $59,238,627 | 2,000 |
| 2020 Public Service Corporation Tax | *No estimate possible* | *No estimate possible* |
| 2020 Bank Tax | $1,697,246 | 30 |
| **2020 Total** | **$60,935,873** | **2,030** |
| 2021 Business Corporation Tax | $52,106,014 | 1,810 |
| 2021 Public Service Corporation Tax | *No estimate possible* | *No estimate possible* |
| 2021 Bank Tax | $1,459,070 | 22 |
| **2021 Total** | **$53,565,084** | **1,832** |

Projection Methodology: *Business Corporation Tax and Bank Tax*: TY 2022-TY 2025 is the average number of taxpayers and revenue forgone from TY 2018-TY 2021.

*Public Service Corporation Tax*: No projection is made due to lack of reliable data.

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2022 Business Corporation Tax | $34,542,538 | 1,833 |
| 2022 Public Service Corporation Tax | *No estimate possible* | *No estimate possible* |
| 2022 Bank Tax | $1,571,256 | 28 |
| **2022 Projected Total** | **$36,113,794** | **1,861** |
| 2023 Business Corporation Tax | $34,542,538 | 1,833 |
| 2023 Public Service Corporation Tax | *No estimate possible* | *No estimate possible* |
| 2023 Bank Tax | $1,571,256 | 28 |
| **2023 Projected Total** | **$36,113,794** | **1,861** |
| 2024 Business Corporation Tax | $34,542,538 | 1,833 |
| 2024 Public Service Corporation Tax | *No estimate possible* | *No estimate possible* |
| 2024 Bank Tax | $1,571,256 | 28 |
| **2024 Projected Total** | **$36,113,794** | **1,861** |
| 2025 Business Corporation Tax | $34,542,538 | 1,833 |
| 2025 Public Service Corporation Tax | *No estimate possible* | *No estimate possible* |
| 2025 Bank Tax | $1,571,256 | 28 |
| **2025 Projected Total** | **$36,113,794** | **1,861** |

Law Comparison: Connecticut, Maine, and Massachusetts have similar provisions.

Connecticut: Connecticut allows a deduction for all dividends not otherwise deducted from gross income other than 30% of dividends received from a domestic corporation in which the taxpayer owns less than 20% of the total voting power and value of the stock of such corporation.

Connecticut Statute: Conn. Gen. Stat. § 12-217(a)(1)(D)

Maine: The federal taxable income of the taxpayer is decreased by 50% of the apportionable dividend income received during the taxable year from an affiliated corporation that is not included with the taxpayer in a Maine combined report.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 5200-A(2)(G)

Massachusetts: In determining taxable net income, 95% of dividends, exclusive of distributions in liquidation, are deducted from net income except for dividends from or on account of the ownership of any class of stock, if the corporation owns less than 15% of the voting stock of the corporation paying such dividend.

Massachusetts Statute: Mass. Gen. Laws ch. 63, § 38(a)(1)

**9. Financial Institutions:**

Statutory Reference: R.I. Gen. Laws § 44-11-1(4)(i)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1938 / 1994

Description: State banks, mutual savings banks, federal savings banks, trust companies, national banking associations, building and loan associations, credit unions, and loan and investment companies are excluded from the base of taxpayers that are subject to business corporation tax. These financial institutions are taxable under the bank excise tax and/or the bank deposits tax.

Data Source: No reliable data exists for this tax expenditure item.

Reliability Index: 5

Projection Methodology: No projection is made due to lack of reliable data.

Law Comparison: Maine, Massachusetts, and Vermont have similar provisions.

Maine: Financial corporations subject to the Maine financial institutions franchise tax under Me. Rev. Stat. Ann. tit. 36, § 5206 are not subject to the Maine corporate income tax.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 5102(6)(B)

Massachusetts: In lieu of the corporate excise tax, every financial institution engaged in business in Massachusetts is subject to an excise tax for financial institutions measured by taxable net income.

Massachusetts Statute: Mass. Gen. Laws ch. 63, § 2(a)

Vermont: Banking corporations and loan associations are exempt from the corporation income tax. Instead, they are subject to a franchise tax on the privilege of doing business in Vermont. The tax is imposed on every corporation that is a bank, savings bank, savings institution, trust company, savings and loan association, and building and loan association located in Vermont.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 5836(g)

**10. Fraternal Benefit Societies:**

Statutory Reference: R.I. Gen. Laws § 44-11-1(4)(v) / R.I. Gen. Laws § 44-17-1(a)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1896 / 2010

Description: Fraternal benefit societies, as defined in R.I. Gen. Laws § 27-25-1, are excluded from the base of taxpayers subject to the business corporation tax and the insurance company gross premiums tax.

Data Source: No reliable data exists for this tax expenditure item.

Reliability Index: 5

Projection Methodology: No projection is made due to lack of reliable data.

Law Comparison: All the other New England states have similar provisions.

Connecticut: Fraternal benefit societies that are operated under the lodge system and designed to provide benefits to members and their dependents and other domestic fraternal societies operated under the lodge system, which devote their net earnings to charitable purposes are exempt from federal income tax under Internal Revenue Code §§ 501(c)(8) and 501(c)(10) and, therefore, are exempt from the Connecticut corporation business, dues, and insurance tax. However, entities exempt from federal income tax under Internal Revenue Code § 501 may be subject to the Connecticut tax on unrelated business income, under appropriate circumstances.

Connecticut Statute: Conn. Gen. Stat. §§ 12-201(4), 12-214(a)(2)(B) and 12-543(b)(3)

Maine: Every society organized or licensed as a fraternal benefit society is defined as a charitable and benevolent institution, and all its funds are exempt from state, county, district, municipal, and school tax other than taxes on real estate and office equipment.

Maine Statute: Me. Rev. Stat. Ann. tit. 24-A, § 4140

Massachusetts: Every society organized or licensed as a fraternal benefit society is a charitable and benevolent institution under Massachusetts law, and all its funds are exempt from state, county, district, municipal, and school taxes other than taxes on real estate and office equipment.

Massachusetts Statute: Mass. Gen. Laws ch. 63, § 30(3) and ch. 176, § 49

New Hampshire: Fraternal benefit societies are excluded from the insurance premium tax.

New Hampshire Statute: N.H. Rev. Stat. Ann. § 400-A:39, X

Vermont: Every society organized or licensed as a fraternal benefit society is defined as a charitable and benevolent institution, and all its funds shall be exempt from state, county, district, municipal, and school taxes other than taxes on real estate and office equipment.

Vermont Statute: Vt. Stat. Ann. tit. 8, § 4500

### 11. Gain or Loss on Sale of Any Property Other Than Securities:

Statutory Reference: R.I. Gen. Laws § 44-14-11

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1942 / 1956

Description: Taxpayers subject to the bank excise tax exclude gains from the sale or other disposition of any property other than securities from gross income. Losses from the sale or other disposition of any property other than securities are not to be deducted from gross income.

Data Source: Rhode Island Division of Taxation. The gains and losses reported were multiplied by the taxpayer's apportionment factor in each tax year for any taxpayer that took this exclusion. ORA then subtracted the losses from the gains. The amount of revenue forgone is derived by multiplying the result by the banking institution excise tax rate of 9% for TY 2021. For TY 2020, the total amount of losses from the sale or other disposition of any property other than securities were more than the total amount of gains from the sale or other disposition of any property other than securities and thus there was no tax expenditure for that tax year. The number of taxpayers includes only taxpayers who reported gains from the sale or other disposition of any property other than securities.

Reliability Index: 1

| *Fiscal Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Bank Tax | $0 | < 10 |
| 2021 Bank Tax | $184,870 | 10 |

Projection Methodology: TY 2022-TY 2025 is the average number of taxpayers and revenue forgone from TY 2018-TY 2021.

| *Fiscal Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2022 Bank Tax | $54,526 | < 10 |
| 2023 Bank Tax | $54,526 | < 10 |
| 2024 Bank Tax | $54,526 | < 10 |
| 2025 Bank Tax | $54,526 | < 10 |

Law Comparison: No similar provisions were found in the other New England states.

**12. Income from Sale of International Investment Management Services:**

Statutory Reference: R.I. Gen. Laws § 44-11-14.5 / Rhode Island Regulation 280-RICR-20-25-9.11(G)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1997 / N/A

Description: A taxpayer located in Rhode Island that employs, separately or as part of a consolidated tax return, an average of not less than 500 full-time equivalent employees in the state excludes from its net income subject to the business corporation tax any income derived from the sale of international investment management services to non-U.S. persons or non-U.S. investment funds.

Data Source: No reliable data exists for this tax expenditure item.

Reliability Index: 5

Projection Methodology: No projection is made due to lack of reliable data.

Law Comparison: Only Connecticut has a similar provision.

Connecticut: Earnings from international banking facilities are allowed to be deducted under the net income base.

Connecticut Statute: Conn. Gen. Stat. § 12-217(a)(1)(C)

**13. Insurance and Surety Companies:**

Statutory Reference: R.I. Gen. Laws § 44-11-1(4)(iii)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1938 / 1994

Description: Insurance and surety companies are excluded from the base of taxpayers that are subject to the business corporation tax. These companies are subject to the insurance company gross premiums tax.

Data Source: No reliable data exists for this tax expenditure item.

Reliability Index: 5

Projection Methodology: No projection is made due to lack of reliable data.

Law Comparison: All the other New England states have similar provisions.

Connecticut: Connecticut's provisions include exclusion from the corporation business tax for domestic insurance companies or those organized or incorporated under the laws of any other state or foreign government.

Connecticut Statute: Conn. Gen. Stat. § 12-214(2)(A)

Maine: Maine's provisions include an exclusion from the Maine corporate income tax for insurance companies by definition.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 5102(6)

Massachusetts: Massachusetts' provisions include exclusion for insurance companies from the corporate excise tax but provide that such companies are subject to a tax on premiums.

Massachusetts Statute: Mass. Gen. Laws ch. 63, §§ 20, 22, and 23

New Hampshire: While not excluded from the business profits tax base, taxpayers are eligible for a tax credit for taxes paid to the insurance premium tax.

New Hampshire Statute: N.H. Rev. Stat. Ann. § 77-A:5, III

Vermont: Insurance companies are excluded from the corporate income tax in Vermont.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 5811(3)(A)

**14. Interest Received from Debt Instruments Issued by Public Service Corporations:**

Statutory Reference: R.I. Gen. Laws § 44-11-12(2)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1938 / 1989

Description: Interest received from the debt instruments or the distributive share of the taxable income of any company subject to the public service corporation tax are excluded from a taxpayer's net income that is subject to the business corporation tax.

Data Source: No reliable data exists for this tax expenditure item.

Reliability Index: 5

Projection Methodology: No projection is made due to lack of reliable data.

Law Comparison: No similar provisions were found in the other New England states.

**15. Long-Term Gain from Capital Investment in Small Business:**

Statutory Reference: R.I. Gen. Laws §§ 44-43-1 and 44-43-5

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1987 / N/A

Description: A long-term capital gain realized from the sale or exchange of an interest in any qualifying business entity is excluded from the determination of income that is subject to the business corporation tax, public service corporation tax, bank excise tax, and personal income tax.

A qualifying business entity is a business entity that has average annual gross revenue less than $2.5 million; has been in business for less than four years; expends money to establish, expand, or increase its operations at a regular place of business in Rhode Island; and has received certification from the Rhode Island Commerce Corporation.

Data Source: No reliable data exists for this tax expenditure item.

Reliability Index: 5

Projection Methodology: No projection is made due to lack of reliable data.

Law Comparison: Only Vermont has a similar provision.

Vermont: An exclusion from taxable income for the first $5,000 of adjusted net capital gains or 40% of the income from adjusted net capital gains held for more than three years.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 5811(21)(B)(ii)

**16. Lubricating Oils, Marine Diesel Fuel, Aviation Fuel, and Heating Oil:**

Statutory Reference: R.I. Gen. Laws § 31-36-1(4)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1925 / 2009

Description: Lubricating oils, marine diesel fuel, aviation fuel, and heating oil are excluded from the list of fuels that are suitable to use in the operation and propulsion of motor vehicles with internal combustion engines that are subject to the motor fuel tax.

Data Source: Annual Energy Outlook, Independent Statistics and Analysis, U.S. Energy Information Administration; U.S. Department of Energy, FY 2020 - 2023. Other non-taxable distribution (gallons), jet fuel, and marine diesel fuel, Excise Tax Section, Rhode Island Division of Taxation. New England quadrillion btu of residential fuel oil was converted to gallons and apportioned to RI and other non-taxable fuel are summed and multiplied by the motor fuel tax rate of $0.34 per gallon in FY 2020 – FY 2022 and $0.37 per gallon for FY 2023 to arrive at the revenue forgone. No reliable data exists from which to determine the number of taxpayers.

Reliability Index: 2

| ***Fiscal Year / Tax Type*** | ***Revenue Forgone*** | ***Number of Taxpayers*** |
|---|---|---|
| 2020 Motor Fuel Tax | $276,627,413 | *No estimate possible* |
| 2021 Motor Fuel Tax | $392,508,124 | *No estimate possible* |
| 2022 Motor Fuel Tax | $471,659,310 | *No estimate possible* |
| 2023 Motor Fuel Tax | $569,565,382 | *No estimate possible* |

Projection Methodology: Amount of revenue forgone for FY 2024 is the average of revenue forgone for FY 2022 and FY 2023. The exclusion amount for FY 2025 is held constant with FY 2024. No projection of the number of taxpayers is possible due to a lack of reliable data.

| ***Fiscal Year / Tax Type*** | ***Projected Revenue Forgone*** | ***Projected Number of Taxpayers*** |
|---|---|---|
| 2024 Motor Fuel Tax | $520,612,346 | *No estimate possible* |
| 2025 Motor Fuel Tax | $520,612,346 | *No estimate possible* |

Law Comparison: Connecticut, Maine, Massachusetts, New Hampshire, and Vermont have similar provisions.

Connecticut: Connecticut's motor vehicle fuels tax excludes lubricating oils from the definition of fuels.

Connecticut Statute: Conn. Gen. Stat. § 12-455a

Maine: Maine's provisions exclude lubricating oils from the definition of internal combustion engine fuel. Aircraft users are entitled to a reimbursement in the amount of the motor fuel tax paid less 4 cents per gallon.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, §§ 2902 and 2910

Massachusetts: Massachusetts' provisions exclude lubricating oils from the definition of fuel for purposes of the taxation of gasoline.

Massachusetts Statute: Mass. Gen. Laws ch. 64A, § 1

New Hampshire: Motor fuel is defined as all products used in an internal combustion engine for the generation of power to propel motor vehicles or mechanical contrivances on or over the ways of the state. Thus, lubricating oils are excluded from the tax on the sale of motor fuels. Motor fuel used for the propulsion of aircraft is subject to a lower tax rate.

New Hampshire Statute: N.H. Rev. Stat. Ann. §§ 259:58 and 422:34

Vermont: Vermont's law excludes lubricating oils from the gasoline tax definition. Gasoline or other motor fuel is defined to mean any type of fuel used in an internal combustion engine to generate power to propel a motor vehicle upon a highway.

Vermont Statute: Vt. Stat. Ann. tit. 23, § 3173

**17. Maximum Tax of $0.50 per Cigar:**

Statutory Reference: R.I. Gen. Laws §§ 44-20-13.2(a)(1) and (a)(2)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1992 / 2009

Description: The other tobacco products tax, as included in the cigarettes tax, is placed on all smokeless tobacco, cigars, and pipe tobacco products sold or held for sale in the state by any person. The tax is imposed at a rate of 80% of the wholesale cost of cigars, pipe tobacco products and smokeless tobacco other than snuff. The tax on cigars is a maximum of $0.50 for each cigar.

Data Source: Excise Tax Section, Rhode Island Division of Taxation. *Patterns of Premium and Nonpremium Cigar Use in the United States: Findings from Wave 6 (2021) of the Population Assessment of Tobacco and Health Study,* Edwards et al., Nicotine & Tobacco Research, 2023. The total number of individual cigars with a wholesale cost greater than $0.63 was 2,400,197 in FY 2020, 3,793,758 in FY 2021, 4,212,513 in FY 2022, and 3,717,544 in FY 2023. Based on cigar consumption and price data reported by Edwards et al. in 2023, 17.4% of cigars reported smoked by study participants in the most recent 30 days were premiums cigars, 23.6% of cigars smoked in the most recent 30 days were nonpremium cigars, and 59.0% of cigars smoked in the most recent 30 days were cigarillos. This same study reported the median retail price of premium cigars was $8.67, the median retail price of nonpremium cigars was $3.09, and the median retail price of cigarillos was $1.34. Premium cigars, nonpremium cigars, and cigarillos were categorized based on the tobacco blends, components, manufacturing process and other characteristics associated with the usual brand smoked by current cigar smokers surveyed.

ORA used this data to estimate the number of cigars with a wholesale cost of greater than $0.63 in Rhode Island that were premium, nonpremium, and cigarillos. Accounting for the state 7% sales and use tax and the wholesale markup fees, cartage fees, and retail markup fees, ORA calculated median wholesale costs of $7.44, $2.65, and $1.15 for premium cigars, nonpremium cigars, and cigarillos, respectively. Using this price data, ORA then calculated the total wholesale cost for cigars sold in Rhode Island with a wholesale cost of greater than $0.63. Revenue forgone for these cigars is based on the difference between taxes estimated using 80% of the estimated total wholesale costs, computed using the price data and estimated number of cigars for premium and nonpremium cigars and actual taxes collected each year. No reliable data exists from which to determine the number of taxpayers.

Reliability Index: 2

| ***Fiscal Year / Tax Type*** | ***Revenue Forgone*** | ***Number of Taxpayers*** |
|---|---|---|
| 2020 Cigarette Tax | $3,790,765 | *No estimate possible* |
| 2021 Cigarette Tax | $5,991,694 | *No estimate possible* |
| 2022 Cigarette Tax | $6,653,058 | *No estimate possible* |
| 2023 Cigarette Tax | $5,871,326 | *No estimate possible* |

Projection Methodology: Amount of exclusion is the average of revenue forgone from FY 2021 through FY 2023. No projection of the number of taxpayers is possible due to a lack of reliable data.

| ***Fiscal Year / Tax Type*** | ***Projected Revenue Forgone*** | ***Projected Number of Taxpayers*** |
|---|---|---|
| 2024 Cigarette Tax | $6,172,026 | *No estimate possible* |
| 2025 Cigarette Tax | $6,172,026 | *No estimate possible* |

Law Comparison: Connecticut and Vermont have similar provisions.

Connecticut: The tax on all tobacco products of 50% of the wholesale price may not exceed $0.50 per cigar.

Connecticut Statute: Conn. Gen. Stat. §§ 12-330c(a)(1-2)

Vermont: The tax on cigars is 92% of the wholesale price for cigars with a wholesale price less than or equal to $2.17, $2.00 per cigar with a wholesale price of greater than $2.17 and less than $10.00, and $4.00 per cigar with a wholesale price of $10.00 or more per cigar.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 7811(a)

**18. Medical Cannabis:**

Statutory Reference: R.I. Gen. Laws § 21-28.11-3(2) / R.I. Pub. Laws 2022, Ch. 32

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 2022 / N/A

Description: The 10% state cannabis excise tax is imposed on adult use cannabis as of December 1, 2023, which is defined as cannabis which may be legally possessed and consumed for non-medical purposes by a person who is at least 21 years of age. Medical cannabis is exempt from this excise tax but is subject to a 4% compassion center surcharge. Both adult use and medical cannabis are subject to the 7% sales and use tax. Adult use cannabis is also subject to a 3% local tax, which is outside the scope of this report.

Data Source: Rhode Island Office of Accounts and Controls, monthly *Comparative Revenue Report,* January 2023 – June 2023. Rhode Island Department of Business Regulation, *Industry Overview '23 Thru Sept.* Revenue forgone is the difference between what was collected under the 4% compassion center surcharge for January 2023 through June 2023 and what would have been collected under the 10% state cannabis excise tax for that same period. The number of taxpayers is the average of the active patient count as reported by the Department of Business Regulation for December 2022 through June 2023.

Reliability Index: 1

| *Fiscal Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2023 Cannabis Excise Tax | $1,182,993 | 13,631 |

Projection Methodology: Revenue forgone is projected taking the difference of the 4% compassion center surcharge estimate for FY 2024 as calculated by the Rhode Island Office of Management and Budget and those same figures scaled to the 10% state cannabis tax. The number

of taxpayers for FY 2024 is the average active patient count for the first quarter of FY 2024 as reported by the Department of Business Regulation. FY 2025 is held constant with FY 2024.

| *Fiscal Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2024 State Cannabis Excise Tax | $2,063,561 | 11,234 |
| 2025 State Cannabis Excise Tax | $2,063,561 | 11,234 |

Law Comparison: Connecticut, Massachusetts, and Vermont have similar provisions.

Connecticut: The cannabis tax does not apply to the sale of cannabis for palliative use.

Connecticut Statute: Conn. Gen. Stat. §§ 12-330ll(b)(2)(B)

Massachusetts: Massachusetts provides an exemption from the state marijuana excise tax and local tax option for the sale of marijuana and marijuana products by a medical marijuana treatment center, registered personal caregiver to a qualifying patient, or personal caregiver.

Massachusetts Statute: Mass. Gen. Laws ch. 64N, § 4

Maine: Maine charges a 10% sales and use tax on adult use cannabis products if sold to a person who is not a qualifying patient. Cannabis purchases by medical cannabis patients are charged the standard 5.5% sales and use tax.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 1811(1)(D)(5)

Vermont: Cannabis sales made by medical cannabis dispensaries to registered qualifying patients or through their registered caregivers are exempt from the cannabis excise tax.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 7902(d)(2)

**19. Paycheck Protection Program Loan Forgiveness:**

Statutory Reference: R.I. Gen. Laws §§ 44-11-11(a)(1)(iv), 44-14-11, and 44-30-12 / R.I. Pub. Laws 2021, Ch. 162, Art. 6, §§ 11-13 / U.S. Pub. Law No. 116-136

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 2021 / N/A

Description: Any amount of a Paycheck Protection Program (PPP) loan that is forgiven for federal income tax purposes under the Coronavirus Aid, Relief, and Economic Security Act of 2020 as part of the Consolidated Appropriations Act of 2021 and/or any other subsequent federal stimulus relief packages enacted by law must be included in net income for the calculation of business corporation tax, gross income for the calculation of the bank excise tax, or Rhode Island adjusted

gross income for the calculation of the personal income tax only to the extent that the amount of the loan forgiven exceeds $250,000. This enacted change was retroactive to January 1, 2020. Based on data from the United States Small Business Administration (SBA) on PPP loan forgiveness dates and amount, only FY 2021 and FY 2022 are expected to be impacted by this tax expenditure item.

Data Source: Rhode Island Division of Taxation. Office of Revenue Analysis (ORA) Personal Income Tax Simulation Model. ORA calculated the Rhode Island tax liability for each personal income taxpayer who had an increasing modification for PPP loans greater than $250,000 under TY 2021 laws and the Rhode Island tax liability for each taxpayer as if they paid personal income tax on the first $250,000 of forgiven PPP loans for the same tax year and then summed the results for both calculations across all taxpayers. Forgone revenue is determined by taking the difference the two tax liability calculations. Number of taxpayers for personal income tax includes all taxpayers that had a non-zero tax difference between the two calculations above.

Business corporation tax revenue forgone was calculated by applying to $250,000 the apportionment percentage for each return with PPP loans greater than $250,000 as reported on the business corporation tax form and then summing across all such returns. To calculate forgone revenue, the 7% business corporations tax rate was applied to this sum. The number of taxpayers only includes the number of business corporation taxpayers who paid tax on PPP loans greater than $250,000.

No taxpayers reported loans greater than $250,000 on the bank excise tax in any tax year.

It was not possible to determine the revenue forgone based on PPP loan data from the SBA for taxpayers whose PPP loan amounts were less than $250,000 because each loan would not necessarily be connected to one tax return (e.g., a forgiven PPP loan taken out by a pass-through entity could be reflected on multiple tax returns based on an individual's distribute share of that loan, each return having different effective tax rates).

Reliability Index: 1

| ***Calendar Year / Tax Type*** | ***Revenue Forgone*** | ***Number of Taxpayers*** |
|---|---|---|
| 2021 Business Corporation Tax | $16,185,602 | 2,078 |
| 2021 Bank Tax | $0 | 0 |
| 2021 Personal Income Tax | $22,278,149 | 1,987 |
| **2021 Total** | **$38,463,751** | **4,065** |

Projection Methodology: Projected revenue forgone for personal income tax is estimated by ORA using loan forgiveness data provided by the SBA for CY 2021 and CY 2022. ORA applied the percentage decrease in the number of loans forgiven and the amount of the loans forgiven to the CY 2021 revenue forgone amount and number of taxpayers to calculate the comparable figures for CY 2022. Projected revenue forgone and number of taxpayers for CY 2022 business corporation tax are as provided by Taxation, which include only returns processed as of December 2023. As

of October 3, 2023, the SBA reported no loans by Rhode Island borrowers greater than $250,000 with a loan forgiveness date in TY 2023, and thus ORA projects no revenue forgone beyond TY 2022.

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2022 Business Corporation Tax | $2,283,060 | 238 |
| 2022 Bank Tax | $0 | 0 |
| 2022 Personal Income Tax | $3,195,125 | 328 |
| **2022 Projected Total** | **$5,478,185** | **566** |

Law Comparison: All the other New England states have similar provisions.

Connecticut: Connecticut's income base provisions begin with federal definitions of adjusted gross income (personal income tax) and taxable income (corporate income tax) and, therefore, PPP loan forgiveness is excluded from taxation in Connecticut because PPP loan forgiveness is not included in the determination of the taxpayer's federal definitions of adjusted gross income or taxable income.

Connecticut Statute: Conn. Gen. Stat. §§ 12-213(a)(9) and 12-701(a)(19)

Maine: Maine's personal income tax base is federal AGI, as defined by federal law, and, therefore, PPP loan forgiveness is excluded from taxation in Maine because PPP loan forgiveness is not included in the determination of the taxpayer's federal definitions of AGI or taxable income.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 5121

Massachusetts: Massachusetts enacted legislation to exclude from the personal income tax any loan forgiveness allowed under the federal CARES Act for TY 2020. For purposes of the corporate excise tax, Massachusetts follows the Internal Revenue Code as currently in effect. Therefore, any amount forgiven for a corporate borrower would be excluded from Massachusetts gross income.

Massachusetts also allows personal income taxpayers to deduct from their Massachusetts gross income the amount of cancelation of debt income related to Paycheck Protection Program beginning on or after January 1, 2021.

Massachusetts Statute: Mass. Gen. Laws ch. 62, § 2(a); "An Act Financing a Program for Improvements to the Unemployment Insurance Trust Fund and Providing Relief to Employers and Workers in the Commonwealth," § 12; "An Act relative to immediate COVID-19 recovery needs," § 77; Mass. Gen. Laws ch. 63, § 1

New Hampshire: No amount of loans forgiven under the federal PPP loan program is required to be included in the gross business income of the taxpayer for purposes of calculating the business profits tax.

New Hampshire Statute: N.H. Rev. Stat. Ann. § 77-A:3-c; N.H. Technical Information Release 2021-003

Vermont: Because Vermont uses federal AGI as the starting point for calculating Vermont personal income tax liability and taxable income as the starting point for calculating Vermont corporate income tax liability, the federal treatment of PPP loan forgiveness is adopted.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 5811(18) and (21)

**20. Possession of Ten Packs of Cigarettes with Out-of-State Tax Stamps:**

Statutory Reference: R.I. Gen. Laws § 44-20-16

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1948 / 1991

Description: Neither the tax imposed on unstamped cigarettes nor the use tax on cigarettes apply to the use or storage of cigarettes up to a maximum of 10 packs that have been brought into the state on a person.

Data Source: No reliable data exists for this tax expenditure item.

Reliability Index: 5

Projection Methodology: No projection is made due to lack of reliable data.

Law Comparison: Connecticut, Maine, and Vermont have similar provisions.

Connecticut: Connecticut's provisions allow an individual the use or storage of cigarettes in an amount not exceeding 200 cigarettes which have been brought into this state on the person or in accompanying baggage.

Connecticut Statute: Conn. Gen. Stat. §12-320

Maine: Maine's provisions allow an unlicensed individual to transport cigarettes for personal use not to exceed two cartons.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 4366-B(2)

Vermont: Products purchased outside of Vermont by an individual in quantities of 400 or less of cigarettes, little cigars, and 0.0325-ounce units of roll-your-own tobacco and brought into the state for that individual's own use or consumption is exempt from the cigarettes and tobacco products taxes.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 7771(c)(1)(C)

**21. Public Service Corporations:**

Statutory Reference: R.I. Gen. Laws § 44-11-1(4)(ii)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1938 / 1994

Description: Public service corporations, except for those public service corporations provided for in R.I. Gen. Laws § 44-13-2.2, are excluded from the base of taxpayers subject to the business corporation tax. These companies are instead subject to the public service corporation tax imposed under R.I. Gen. Laws Ch. 44-13.

Data Source: No reliable data exists for this tax expenditure item.

Reliability Index: 5

Projection Methodology: No projection is made due to lack of reliable data.

Law Comparison: Connecticut and Vermont have similar provisions.

Connecticut: Connecticut's provisions specifically state that the taxation provided for public service companies tax upon gross earnings in any year is in lieu of all other taxes.

Connecticut Statute: Conn. Gen. Stat. § 12-268j

Vermont: Railroad companies are exempt from the corporate income tax. Instead, such companies pay a separate railroad tax, which is calculated based on appraisal value.

Vermont Statute: Vt. Stat. Ann. tit. 32, §§ 5811(3) and 8211

**22. Taxed Gross Earnings and Associated Costs of Non-Public Service Corporations:**

Statutory Reference: R.I. Gen. Laws § 44-13-2.2

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1997 / N/A

Description: R.I. Gen. Laws § 44-13-2.2 requires that a corporation or public service company whose principal business in Rhode Island is not an activity specified in R.I. Gen. Laws § 44-13-4 is subject to the business corporation tax or the personal income tax. The gross earnings subject to the public service corporation tax and the direct and indirect costs associated with these gross

earnings are excluded from the calculation of net income upon which the business corporation and personal income taxes are assessed.

Data Source: No reliable data exists for this tax expenditure item.

Reliability Index: 5

Projection Methodology: No projection is made due to lack of reliable data.

Law Comparison: No similar provisions were found in the other New England states.

**23. Taxes Legally Imposed on Consumer but Separately Stated on Invoice:**

Statutory Reference: R.I. Gen. Laws § 44-18-12(b)(iv)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1947 / 2006

Description: Taxes legally imposed directly on the consumer that are separately stated on the invoice, bill of sale, or similar document provided to the purchaser are not included in the sale price upon which the sales tax is assessed.

Data Source: No reliable data exists for this tax expenditure item.

Reliability Index: 5

Projection Methodology: No projection is made due to lack of reliable data.

Law Comparison: Connecticut, Maine, Massachusetts, and Vermont have similar provisions.

Connecticut: The sale price does not include the amount of any tax, not including manufacturers or importer's excise tax, imposed by the United States upon or with respect to retail sales.

Connecticut Statute: Conn. Gen. Stat. § 12-407(a)(8)(B)(iii)

Maine: The sale price does not include the amount of any tax imposed by the United States on or with respect to retail sales.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 1752 (14)(B)

Massachusetts: In computing the tax due, the vendor excludes the tax reimbursement paid by the purchaser to the vendor and the federal manufacturers' excise tax levied on motor vehicles (trucks) under the Internal Revenue Code.

Massachusetts Statute: Mass. Gen. Laws ch. 64H, §§ 1 and 3(a)

Vermont: The term sales price, which is the tax base for the sales and use tax, does not include any taxes legally imposed directly on the consumer that are separately stated on the invoice, bill of sale, or similar document given to the purchaser.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 9701(4)(B)(iii)

**24. Value-Added Non-Voice Services That Use Computer Processing Applications:**

Statutory Reference: R.I. Gen. Laws § 44-13-4(4)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1942 / 2008

Description: Value-added non-voice services in which computer processing applications are used to act on the form, content, code, and protocol of the information to be transmitted are excluded from the definition of telecommunication service and thus are not subject to the public service corporation tax.

Data Source: No reliable data exists for this tax expenditure item.

Reliability Index: 5

Projection Methodology: No projection is made due to lack of reliable data.

Law Comparison: Only New Hampshire has a similar provision.

New Hampshire: Value-added services in which computer processing applications are used to act on the form, content, code, and protocol of the information for purposes other than transmission are excluded from the definition of communication services for the purposes of calculating the communication services tax.

New Hampshire Statute: N.H. Rev. Stat. Ann. § 82-A:2, III(a)

Vermont: Value-added non-voice data service is excluded from the imposition of sales and use tax on telecommunication services.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 9771(5)

**25. Veterinary and Testing Laboratories Services:**

Statutory Reference: R.I. Gen. Laws § 44-18-7.3(b)(3)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 2012 / N/A

Description: Sales and use tax is imposed on pet care services except for veterinary and testing laboratories services.

Data Source: FY 2021 and FY 2022 Rhode Island Sales and Use Tax Simulation Model. No reliable data exists from which to determine the number of taxpayers.

Reliability Index: 3

| *Fiscal Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| FY 2021 Sales and Use Tax | $5,902,585 | *No estimate possible* |
| FY 2022 Sales and Use Tax | $6,339,200 | *No estimate possible* |

Projection Methodology: The Office of Revenue Analysis applied the FY 2023 growth rate in Rhode Island personal consumption expenditures, recreation services from the November 2023 S&P Global forecast to FY 2022 revenue forgone to project FY 2023 revenue forgone. A similar process was followed for FY 2024 and FY 2025. No projection of the number of taxpayers is possible due to a lack of reliable data.

| *Fiscal Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2023 Sales and Use Tax | $6,651,220 | *No estimate possible* |
| 2024 Sales and Use Tax | $6,982,134 | *No estimate possible* |
| 2025 Sales and Use Tax | $7,484,707 | *No estimate possible* |

Law Comparison: Connecticut, Maine, Massachusetts, and Vermont have similar provisions.

Connecticut: Pet grooming, pet obedience services, and pet boarding, unless provided as an integral part of professional veterinary services, are taxable. Veterinary services are not identified as taxable services and are exempt from tax.

Connecticut Statute: Conn. Gen. Stat. § 12-407(a)(37)(KK)

Maine: Services such as surgery, grooming, lab testing, and boarding sold by veterinarians are not subject to Maine sales tax.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 1752 (17-B)

Massachusetts: The only services subject to the Massachusetts sales and use tax are telecommunications services.

Massachusetts Statute: Mass. Gen. Laws ch. 64H, § 1

Vermont: Sales of services are exempt from sales and use tax unless specifically designated as taxable. Veterinary services are not specifically designated as a taxable service.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 9771

# EXEMPTIONS

## 1. Affordable Housing Development:

Statutory Reference: R.I. Gen. Laws § 44-25-2(f) / R.I. Pub. Laws 2021, Ch. 162, Art.14, § 7

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 2021 / N/A

Description: Exempt from the realty transfer tax, effective July 6, 2021, are real estate transactions or transfers of acquired real estate companies that were either financed by federal low-income housing tax credits or were completed by non-profit entities or entities owned by a non-profit entity exempt from tax under § 501(c)(3) of the Internal Revenue Code and whose transaction falls under a qualifying affordable housing program.

Projection Methodology: Revenue forgone is the estimate included in the FY 2022 enacted budget. ORA assumes no growth for FY 2023 – FY 2025.

| ***Fiscal Year / Tax Type*** | ***Projected Revenue Forgone*** | ***Projected Number of Taxpayers*** |
|---|---|---|
| 2022 Real Estate Conveyance Tax | $30,194 | *No estimate possible* |
| 2023 Real Estate Conveyance Tax | $30,194 | *No estimate possible* |
| 2024 Real Estate Conveyance Tax | $30,194 | *No estimate possible* |
| 2025 Real Estate Conveyance Tax | $30,194 | *No estimate possible* |

Law Comparison: New Hampshire and Vermont have similar provisions.

New Hampshire: New Hampshire provides an exemption from the tax on the transfer of real property for an otherwise taxable transfer between a land trust, incorporated under RSA 292 and established to provide affordable housing to low-income people, and a housing cooperative if the transfer tax is paid by the trust on the initial purchase of the property. Provided the tax was paid by the buyer or seller when the real property title was acquired, New Hampshire also exempts the direct or indirect transfer of an interest in real property in connection with: (1) "a federal low-income housing tax credit project as defined in Section 42 of the Internal Revenue Code of 1986…", (2) "a project funded with federal grants made to states for low-income housing projects in lieu of low-income housing tax credits under Section 1602 of the American Recovery and Reinvestment Act of 2009…", (3) "a Rental Assistance Demonstration (RAD) public housing conversion under the federal Consolidated and Further Continuing Appropriations Act of 2012…", or (4) or other federal, state, or local financing program requiring that the real estate remains subject to land use restriction and rental housing affordability covenants which limit allowable rents charged to individuals and families…"

New Hampshire Statute: N.H. Rev. Stat. Ann. § 78-B:2, XV and XXIII

Vermont: Transfers made to organizations qualifying under 26 U.S.C. § 501(c)(3) or to a wholly owned subsidiary corporation of such an organization are exempt from the property transfer tax provided one of the stated purposes of the transferee to acquire property in order to preserve housing for low-income families. Vermont also exempts transfers "made to a corporation qualifying as a limited equity cooperative under the Cooperative Housing Ownership Act, provided the property in the hands of the transferee will be used to provide housing for persons or households of low or moderate income." Finally, Vermont exempts "transfers of leasehold or fee interests made to individuals with low income by organizations qualifying under 26 U.S.C. § 501(c)(3) and having as its primary purpose the provision of housing to individuals with low income, or from a wholly owned subsidiary of the organization, when the transfer is made concurrently with the transfer of an improvement located on the leasehold or fee property, or is a renewal of a lease where the purpose of the lease is to provide affordable housing or to ensure the continued affordability of the housing, or both."

Vermont Statute: 32 V.S.A. § 9603(20)(A), (21), and (23)

**2. Agricultural Products for Human Consumption:**

Statutory Reference: R.I. Gen. Laws § 44-18-30(61)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 2007 / N/A

Description: The sale, storage, use, or consumption of livestock and poultry of the kinds of products which ordinarily constitute food for human consumption and of livestock of the kind the products of which ordinarily constitute fibers for human use is exempt from the sales and use tax.

Data Source: FY 2021 and FY 2022 Rhode Island Interactive Sales and Use Tax Simulation Model. No reliable data exists from which to determine the number of taxpayers.

Reliability Index: 3

| ***Fiscal Year / Tax Type*** | ***Revenue Forgone*** | ***Number of Taxpayers*** |
|---|---|---|
| 2021 Sales and Use Tax | $5,583,084 | *No estimate possible* |
| 2022 Sales and Use Tax | $6,191,552 | *No estimate possible* |

Projection Methodology: The Office of Revenue Analysis applied the FY 2023 growth rate in Rhode Island personal consumption expenditures for food and beverages purchased for off-premises consumption from the November 2023 S&P Global forecast to FY 2022 revenue forgone to project FY 2023 revenue forgone. A similar process was followed for FY 2024 and FY 2025. No projection of the number of taxpayers is possible due to a lack of reliable data.

| *Fiscal Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2023 Sales and Use Tax | $6,442,600 | *No estimate possible* |
| 2024 Sales and Use Tax | $6,535,427 | *No estimate possible* |
| 2025 Sales and Use Tax | $6,620,878 | *No estimate possible* |

Law Comparison: Massachusetts and Vermont have similar provisions.

Massachusetts: Sales of livestock and poultry of a kind which ordinarily constitute food for human consumption, as well as the feed for such livestock and poultry, are exempt from the sales and use tax.

Massachusetts Statute: Mass. Gen. Laws ch. 64H, § 6(p)

Vermont: Agriculture feeds, seed, plants, baler twine, silage bags, agricultural wrap, sheets of plastic for bunker covers, liming materials, breeding and other livestock, semen breeding fees, baby chicks, turkey poults, agriculture chemicals other than pesticides, veterinary supplies, and bedding; and fertilizers and pesticides for use and consumption directly in the production for sale of tangible personal property on farms, including stock, dairy, poultry, fruit and truck farms, orchards, nurseries, or in greenhouses or other similar structures used primarily for the raising of agricultural or horticultural commodities for sale are exempt from the sales and use tax in Vermont.

Effective July 1, 2019, the veterinary supplies category was removed from this exemption. Prescription drugs, durable medical equipment, and veterinary supplies intended for animal use remain exempt. Over-the-counter medicine intended for animal use is taxable.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 9741(3)

**3. Air and Water Pollution Control Facilities:**

Statutory Reference: R.I. Gen. Laws § 44-18-30(15)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1966 / 1980

Description: The sale, storage, use, or consumption of tangible personal property or supplies acquired for use in the operation of air and/or water pollution control facilities and which have been certified as approved for that purpose by the Director of the Rhode Island Department of Environmental Management is exempt from the sales and use tax.

Data Source: Rhode Island Department of Environmental Management (DEM) reported the number of sales tax exemptions issued each year. No reliable data exists from which to estimate the revenue forgone.

Reliability Index: 5

| *Fiscal Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2021 Sales and Use Tax | *No estimate possible* | 2 |
| 2022 Sales and Use Tax | *No estimate possible* | 1 |

Projection Methodology: No projection of the revenue forgone is possible due to a lack of reliable data. The projected number of taxpayers is the 5-year average of the sales tax exemptions issued by R.I. DEM.

| *Fiscal Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2023 Sales and Use Tax | *No estimate possible* | 1 |
| 2024 Sales and Use Tax | *No estimate possible* | 1 |
| 2025 Sales and Use Tax | *No estimate possible* | 1 |

Law Comparison: Connecticut and Maine have similar provisions.

Connecticut: Connecticut's provisions include the sale, use, or other consumption of tangible personal property incorporated into or consumed in waste treatment facilities or in air pollution control facilities.

Connecticut Statute: Conn. Gen. Stat. §§ 12-412(21) and 12-412(22)

Maine: Maine's provisions include sales of water pollution control and air pollution control facilities certified as such by the Commissioner of Environmental Protection, any part or accessories thereof, or any materials for the construction or maintenance of a facility.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, §§ 1760(29) and 1760(30)

**4. Aircraft and Aircraft Parts:**

Statutory Reference: R.I. Gen. Laws § 44-18-30(56)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 2004 / N/A

Description: The sale, storage, use, or consumption of any new or used aircraft or aircraft parts is exempt from the sales and use tax.

Data Source: FY 2021 and FY 2022 Rhode Island Interactive Sales and Use Tax Simulation Model. No reliable data exists from which to determine the number of taxpayers.

Reliability Index: 3

| *Fiscal Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2021 Sales and Use Tax | $5,606,033 | *No estimate possible* |
| 2022 Sales and Use Tax | $6,180,163 | *No estimate possible* |

Projection Methodology: The Office of Revenue Analysis applied the FY 2023 growth rate in Rhode Island personal consumption expenditures for recreational goods and vehicles from the November 2023 S&P Global forecast to FY 2022 revenue forgone to project FY 2023 revenue forgone. A similar process was followed for FY 2024 and FY 2025. No projection of the number of taxpayers is possible due to a lack of reliable data.

| *Fiscal Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2023 Sales and Use Tax | $6,371,844 | *No estimate possible* |
| 2024 Sales and Use Tax | $6,583,262 | *No estimate possible* |
| 2025 Sales and Use Tax | $6,711,492 | *No estimate possible* |

Law Comparison: Connecticut, Maine, Massachusetts, and Vermont have similar provisions.

Connecticut: The sale, storage, use, or other consumption of aircraft is exempt from tax. Aircraft repair or replacement parts and repair services are also exempt.

Connecticut Statute: Conn. Gen. Stat. §§ 12-412(20), 12-412(76), and 12-412(77)

Maine: A sales and use tax exemption applies to sales or leases of aircraft that weigh over 6,000 pounds, that are propelled by one or more turbine engines, or that are in use by a small commercial air carrier such as a commuter airline or air taxi. An exemption also applies to the sale or use in Maine of replacement or repair parts of an aircraft. An exemption applies for "sales, use, or leases of aircraft and sales of repair and replacement parts exclusively for use in aircraft or in the significant overhauling or rebuilding of aircraft or aircraft parts or components from July 1, 2011 to June 20, 2033." This time-limited exemption is not subject to the same aircraft size, type, and use restrictions that apply to the permanent exemption in §§ 1760(88).

Maine Statute: Me. Rev. Stat. Ann. Tit. 36, §§ 1760(76), 1760(88), and 1760(88-A)

Massachusetts: The sale of aircraft and repair or replacement parts exclusively for use in aircraft or in the significant overhauling or rebuilding of aircraft, aircraft parts, or components on a factory basis is exempt from sales and use taxes.

Massachusetts Statute: Mass. Gen. Laws ch. 64H, §§ 6(uu) and 6(vv)

Vermont: There is an exemption for aircraft sold to a person engaging in air commerce for use primarily in the carrying of persons or property for compensation or hire and for parts, machinery, and equipment to be installed in any aircraft. The sales of drones, and parts, machinery, and equipment to be installed in drones are no longer exempted from sales and use tax.

Vermont Statute: Vt. Stat. Ann. Tit. 32, § 9741(29)

**5. Banks and Regulated Investment Companies Interstate Toll Free Calls:**

Statutory Reference: R.I. Gen. Laws § 44-18-30(49)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1996 / 1999

Description: The sales and use tax does not apply to the furnishing of interstate and international, toll-free, terminating telecommunication service that is used directly and exclusively by or for the benefit of an eligible company. An eligible company is a company that employs "on average during the calendar year" at least 500 full-time equivalent employees and is a regulated investment company, as defined in 26 U.S.C. § 851, or a corporation providing service, directly or indirectly, to or on behalf of a regulated investment company, an employee benefit plan, a retirement plan or a pension plan or a state-chartered bank.

Data Source: Number of toll-free numbers reported managed by Somos. Revenue forgone is calculated by applying the sales and use tax rate to the number of toll-free calls made by an investment company in Rhode Island. The revenue forgone estimate assumes 4 hours of toll-free calls per day, 5 days a week, 52 weeks a year, at a cost of 6.4 cents per minute. The product is multiplied by the total number of toll-free calls made in the United States, which is then scaled to U.S. investment firms using the ratio of U.S. investment firms to total U.S. firms. The result is then scaled to Rhode Island using the ratio of Rhode Island investment firms to U.S. investment firms. The estimate of revenue forgone is determined by multiplying this figure by 7%. No reliable data exists from which to determine the number of taxpayers.

Reliability Index: 4

| ***Fiscal Year / Tax Type*** | ***Revenue Forgone*** | ***Number of Taxpayers*** |
|---|---|---|
| 2020 Sales and Use Tax | $596,561 | *No estimate possible* |
| 2021 Sales and Use Tax | $685,501 | *No estimate possible* |

Projection Methodology: For FY 2022, ORA applied the FY 2022 growth rate in Rhode Island sales and use tax revenues to FY 2021 forgone revenue. FY 2023-FY 2025 assume no additional growth. No projection of the number of taxpayers is possible due to a lack of reliable data.

| *Fiscal Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2022 Sales and Use Tax | $685,501 | *No estimate possible* |
| 2023 Sales and Use Tax | $685,501 | *No estimate possible* |
| 2024 Sales and Use Tax | $685,501 | *No estimate possible* |
| 2025 Sales and Use Tax | $685,501 | *No estimate possible* |

Law Comparison: Only Maine has a similar provision.

Maine: Sales of international and interstate telecommunications service are exempt from the service provider tax for all purchasers.

Maine Statute: Me. Rev. Stat. Ann. Tit. 36, §§ 2557(33) and 2557(34)

**6. Beverage Containers, Hard-to-Dispose Material, and Litter Control Participation Permittee:**

Statutory Reference: R.I. Gen. Laws §§ 44-44-2 and 44-44-3 / R.I. Pub. Laws 2019, Ch. 88, Art. 5, § 15

Stated Purpose: This chapter is enacted to provide funding for the litter reduction and recycling program and the hard-to-dispose material – control and recycling program.

Year Enacted / Last Year Amended: 1984 / 2019

Description: The definition of beverage includes all non-alcoholic drinks for human consumption, except milk, but including beer and other malt beverages and subjects these beverages to the tax on beverage containers. Milk sales are exempt from the beverage container tax per case. The case fee $0.08.

Data Source: Annual Estimates of Population for the United States (2020 - 2022), United States Census Bureau. Per Capita Consumption of Dairy, USDA National Agricultural Statistics Service. Excise Tax Section, Rhode Island Division of Taxation. Revenue forgone is based on beverage sales in Rhode Island that are not subject to the tax on beverage containers, which includes milk sales. Number of taxpayers was provided by the Division of Taxation.

Forgone revenue from milk sales is based on the number of cases of milk sold in Rhode Island annually multiplied by $0.08 per case. Rhode Island milk sales are based on the per capita consumption of milk (in gallons) divided by four to determine the per capita consumption of milk (cases) and the result is multiplied by the population of Rhode Island to determine the number of cases of milk consumed in Rhode Island.

Reliability Index: 2

| *Calendar Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Tax on Beverage Containers | $359,838 | 33 |
| 2021 Tax on Beverage Containers | $341,851 | 30 |
| 2022 Tax on Beverage Containers | $330,664 | 31 |

Projection Methodology: CY 2023 - CY 2025 assume no additional growth in revenue forgone or the number of taxpayers.

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2023 Tax on Beverage Containers | $330,664 | 31 |
| 2024 Tax on Beverage Containers | $330,664 | 31 |
| 2025 Tax on Beverage Containers | $330,664 | 31 |

Comparison: No similar provisions found in the other New England states.

**7. Boats or Vessels Brought in Exclusively for Winter Storage Maintenance, Repair or Sale:**

Statutory Reference: R.I. Gen. Laws § 44-18-30(46)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1991 / N/A

Description: There is an exemption against the use tax for the use of any boat or vessel within Rhode Island exclusively for purposes of delivery of a vessel to a facility in this state for storage, including dry storage and storage in water by means of apparatus preventing ice damage to the hull, maintenance, or repair; the actual process of storage, maintenance, or repair of the boat or vessel; or storage for the purpose of selling the boat or vessel. This exemption is specifically for the period between October 1 – April 30.

Data Source: *No reliable data exists for this tax expenditure item. (The forgone revenue from this exemption is included in the "Boats or Vessels Generally" exemption.)

Reliability Index: 5

Projection Methodology: *No reliable data exists for this tax expenditure item. (The forgone revenue from this exemption is included in the "Boats or Vessels Generally" exemption.)

Law Comparison: Connecticut and Maine have similar provisions.

Connecticut: Connecticut's provisions include an exemption from use tax for vessels brought into the state exclusively for storage, maintenance, or repair between October 1 – May 31.

Connecticut Statute: Conn. Gen. Stat. § 12-413a

Maine: The purchase of a watercraft outside of Maine is exempt if the watercraft is registered outside the state by the purchaser and used outside the state by the purchaser and the watercraft is present in Maine not more than 30 days, not including any time spent in Maine for temporary storage, during the 12 months following its purchase.

Maine Statute: Me. Rev. Stat. Ann. Tit. 36, § 1760(25)(B)

**8. Boats or Vessels Generally:**

Statutory Reference: R.I. Gen. Laws § 44-18-30(48)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1993 / N/A

Description: The sale, storage, use, or other consumption of any new or used boat is exempt from the sales and use tax.

Data Source: FY 2021 and FY 2022 Rhode Island Interactive Sales and Use Tax Simulation Model. No reliable data exists from which to determine the number of taxpayers.

Reliability Index: 3

| *Fiscal Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2021 Sales and Use Tax | $8,300,416 | *No estimate possible* |
| 2022 Sales and Use Tax | $9,755,095 | *No estimate possible* |

Projection Methodology: The Office of Revenue Analysis applied the FY 2023 growth rate in Rhode Island personal consumption expenditures, recreational goods and vehicles from the November 2023 S&P Global forecast to FY 2022 revenue forgone to project FY 2023 revenue forgone. A similar process was followed for FY 2024 and FY 2025. No projection of the number of taxpayers is possible due to a lack of reliable data.

| *Fiscal Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2023 Sales and Use Tax | $10,057,654 | *No estimate possible* |
| 2024 Sales and Use Tax | $10,391,367 | *No estimate possible* |
| 2025 Sales and Use Tax | $10,593,772 | *No estimate possible* |

Law Comparison: Connecticut has a similar provision.

Connecticut: Connecticut's provisions include an exemption from sales tax provided such vessel is docked in the state for sixty or fewer days in a calendar year. Boats, boat engines, and boat trailers are charged a reduced rate for the sales and use tax of 2.99% compared to the standard Connecticut sales and use tax rate of 6.35%.

Connecticut Statute: Conn. Gen. Stat. § 12-408(1)(E)(ii)

**9. Boats Sold to Non-Residents:**

Statutory Reference: R.I. Gen. Laws § 44-18-30(30)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1982 / N/A

Description: The sale of a boat or vessel to a bona fide non-resident who does not register the boat or vessel in Rhode Island or document the boat or vessel with the United States government at a home port within the state, whether the sale or delivery of the boat or vessel is made within this state or elsewhere is exempt from the sales and use tax. The non-resident must transport the boat outside the state for use solely outside of Rhode Island within 30 days after delivery by the seller.

Data Source: *No reliable data exists for this tax expenditure item. (The forgone revenue from this exemption is included in the "Boats or Vessels Generally" exemption.)

Reliability Index: 5

Projection Methodology: *No reliable data exists for this tax expenditure item. (The forgone revenue from this exemption is included in the "Boats or Vessels Generally" exemption.)

Law Comparison: Connecticut and Maine have similar provisions.

Connecticut: A vessel sold to a non-resident is exempt from tax if the non-resident does not maintain a permanent place of abode in Connecticut, the vessel is not registered or required to be registered with the Connecticut Department of Motor Vehicles, and the non-resident provides the retailer with CERT-139 (Sales and Use Tax Exemption for a Vessel Purchased by a Non-Resident of Connecticut).

Connecticut Statute: Conn. Gen. Stat. § 12-412(60)

Maine: Sales of watercraft to a person that is not a resident of Maine, when the watercraft is intended to be sailed or transported outside the state within 30 days of delivery by the seller; sales to a person that is not a resident of the state, under contracts for the construction of a watercraft intended to be sailed or transported outside the state within 30 days of delivery by the seller, of

materials to be incorporated in the watercraft; and sales to a person that is not a resident of Maine for the repair, alteration, refitting, reconstruction, overhaul, or restoration of a watercraft intended to be sailed or transported outside the state within 30 days of delivery by the seller, of materials to be incorporated in the watercraft are exempt from the sales and use tax.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 1760(25)

**10. Breast Pumps Collection and Storage Supplies:**

Statutory Reference: R.I. Gen. Laws § 44-18-30(67)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 2022 / N/A

Description: Exempt from the sales and use tax, effective October 1, 2022, are breast pump collection and storage supplies defined as tangible personal property used in conjunction with a breast pump to collect milk expressed from a human breast and to store collected milk until it is ready for consumption. Breast pump collection and storage supplies include, but are not limited to, breast shields and breast shield connectors; breast pump tubes and tubing adapters; breast pump valves and membranes; backflow protectors and backflow protector adaptors; bottles and bottle caps specific to the operation of the breast pump; breast milk storage bags; and related items sold as part of a breast pump kit pre-packaged by the breast pump manufacturer.

Projection Methodology: Revenue forgone is the estimate included in the FY 2023 enacted budget. FY 2024 is a full year impact of the FY 2023 estimate. FY 2025 is set to FY 2024. ORA assumes no growth for FY 2023 – FY 2025.

| ***Fiscal Year / Tax Type*** | ***Projected Revenue Forgone*** | ***Projected Number of Taxpayers*** |
|---|---|---|
| 2023 Sales and Use Tax | $58,328 | *No estimate possible* |
| 2024 Sales and Use Tax | $79,359 | *No estimate possible* |
| 2025 Sales and Use Tax | $79,359 | *No estimate possible* |

Law Comparison: Connecticut and Massachusetts have similar provisions.

Connecticut: The sale, storage, use, or consumption of breast pumps, breast pump collection and storage supplies, and breast pump kits are exempt from the sales and use tax when sold to an individual for home use. Also exempt are repair or replacement parts and repair services rendered to breast pumps. If a breast pump kit includes other taxable items, the kit is subject to the tax.

Connecticut Statute: Conn. Gen. Stat. § 12-412(125)

Massachusetts: The rental, sale, and repair of "physician-prescribed, medically necessary breast pumps" are exempt from the sales and use tax.

Massachusetts Statute: Mass. Gen. Laws ch. 64H, § 6(l)

**11. Building Materials Used to Rebuild After Disaster:**

Statutory Reference: R.I. Gen. Laws § 44-18-30(51)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1998 / N/A

Description: The sale, storage, use, or other consumption of lumber, hardware, and other building materials used in the reconstruction of a manufacturing business facility that suffers the destruction of 60% or more of the facility is exempt from the sales and use tax. The exemption does not apply to the cost of the reconstruction materials reimbursed by insurance.

Data Source: No reliable data exists for this tax expenditure item.

Reliability Index: 5

Projection Methodology: No projection is made due to lack of reliable data.

Law Comparison: No similar provisions found in the other New England states.

**12. Buses, Trucks, or Trailers Used in Interstate Commerce:**

Statutory Reference: R.I. Gen. Laws § 44-18-40

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1992 / 2012

Description: The purchase, rental, or lease of a bus, truck, or trailer by a bus or trucking company is not subject to the sales and use tax provided that the bus, truck, and/or trailer is utilized exclusively in interstate commerce. Buses operated by a bus company are allowed the sales and use tax exemption for the purchase or rental/lease of a bus that transports passengers for hire, provided that the bus is used no less than 80% of the time in interstate commerce.

Data Source: FY 2021 and FY 2022 Rhode Island Interactive Sales and Use Tax Simulation Model. No reliable data exists from which to determine the number of taxpayers.

Reliability Index: 3

| *Fiscal Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2021 Sales and Use Tax | $3,702,800 | *No estimate possible* |
| 2022 Sales and Use Tax | $3,767,300 | *No estimate possible* |

Projection Methodology: The Office of Revenue Analysis applied the FY 2023 growth rate in Rhode Island personal consumption expenditures, motor vehicles and parts from the November 2023 S&P Global forecast to FY 2022 revenue forgone to project FY 2023 revenue forgone. A similar process was followed for FY 2024 and FY 2025. No projection of the number of taxpayers is possible due to a lack of reliable data.

| *Fiscal Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2023 Sales and Use Tax | $4,253,970 | *No estimate possible* |
| 2024 Sales and Use Tax | $4,162,009 | *No estimate possible* |
| 2025 Sales and Use Tax | $3,977,661 | *No estimate possible* |

Law Comparison: Connecticut, Maine, and Massachusetts have similar provisions.

Connecticut: Each purchaser of a commercial truck, truck, tractor, truck tractor, or semi-trailer or vehicle used in combination is exempt from tax on such vehicles with a gross vehicle weight of greater than 26,000 lbs. Purchasers must present of a certificate/permit issued by the Interstate Commerce Commission at purchase of the vehicle.

Connecticut Statute: Conn. Gen. Stat. § 12-412(70)

Maine: The sale of a vehicle, railroad rolling stock, aircraft, or watercraft that is placed in use for interstate or foreign commerce within 30 days after that sale and that is used by the purchaser not less than 80% of the time for the next two years for interstate or foreign commerce is exempt from the sales and use tax.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 1760(41-A)

Massachusetts: Sales of new and used motor buses used to provide scheduled, intracity local service are exempt from the sales and use tax.

Massachusetts Statute: Mass. Gen. Laws ch. 64H, § 6(aa)

**13. Camps:**

Statutory Reference: R.I. Gen. Laws § 44-18-30(16)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1967 / N/A

Description: The rental charged for living quarters, sleeping, or housekeeping accommodations at camps or retreat houses operated by religious, charitable, educational, or other nonprofit organizations as listed in R.I. Gen. Laws § 44-18-30(5) or privately owned and operated summer camps for children are exempt from the sales and use tax.

Data Source: FY 2021 and FY 2022 Rhode Island Interactive Sales and Use Tax Simulation Model. No reliable data exists from which to determine the number of taxpayers.

Reliability Index: 3

| ***Fiscal Year / Tax Type*** | ***Revenue Forgone*** | ***Number of Taxpayers*** |
|---|---|---|
| 2021 Sales and Use Tax | $1,046,617 | *No estimate possible* |
| 2022 Sales and Use Tax | $1,140,498 | *No estimate possible* |

Projection Methodology: The Office of Revenue Analysis applied the FY 2023 growth rate in Rhode Island personal consumption expenditures for recreation services from the November 2023 S&P Global forecast to FY 2022 revenue forgone to project FY 2023 revenue forgone. A similar process was followed for FY 2024 and FY 2025. No projection of the number of taxpayers is possible due to a lack of reliable data.

| ***Fiscal Year / Tax Type*** | ***Projected Revenue Forgone*** | ***Projected Number of Taxpayers*** |
|---|---|---|
| 2023 Sales and Use Tax | $1,196,634 | *No estimate possible* |
| 2024 Sales and Use Tax | $1,256,169 | *No estimate possible* |
| 2025 Sales and Use Tax | $1,346,588 | *No estimate possible* |

Law Comparison: Connecticut, Maine, Massachusetts, and Vermont have similar provisions.

Connecticut: Privately owned and operated summer camps for children, as well as those operated by religious or charitable organizations, are exempt from tax on lodging accommodations.

Connecticut Statute: Conn. Gen. Stat. § 12-407(17)

Maine: Maine's provisions include an exemption for rental charged for living quarters, sleeping, or housekeeping accommodations at camps, which are also entitled to a corresponding property tax exemption.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 1760(17)

Massachusetts: An exemption from both the sales tax on meals and the room occupancy excise tax is provided for summer camps for children age 18 and under or for developmentally disabled

individuals. Camps that satisfy the above criteria but offer their facilities during the off-season to individuals 60 years of age or over for 30 days or less in any calendar year will not lose their exemption.

Massachusetts Statute: Mass. Gen. Laws ch. 64G, § 2 and 64H, § 6(cc)

Vermont: Overnight accommodations and meals at camps serving children are not subject to the rooms or meals tax.

Vermont Statute: Vt. Stat. Ann. tit. 32, §§ 9202(6) and 9202(10)(D)(ii)(VI)

**14. Cannabis Sold in Rolling Papers:**

Statutory Reference: R.I. Gen. Laws § 44-20-59 / R.I. Pub. Laws 2023, Chs. 136 and 137

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 2023 / N/A

Description: Cannabis sold in rolling papers is exempt from cigarette and other tobacco products taxes.

Projection Methodology: FY 2024 revenue forgone is as included in the FY 2024 Enacted Budget. FY 2025 revenue forgone is from the fiscal note for 2023-S-0707. No projection of the number of taxpayers is possible due to a lack of reliable data.

| ***Fiscal Year / Tax Type*** | ***Projected Revenue Forgone*** | ***Projected Number of Taxpayers*** |
|---|---|---|
| 2024 Cigarette Tax | $445,701 | *No estimate possible* |
| 2025 Cigarette Tax | $560,964 | *No estimate possible* |

Law Comparison: Connecticut, Maine, Massachusetts, and Vermont have similar provisions.

Connecticut: Cigarettes and tobacco products must include tobacco, at least in part, in order to be taxed under the cigarette and tobacco products taxes.

Connecticut Statute: Conn. Gen. Stat. §§ 12-285(b)(1) and 12-330a(2)

Maine: Maine's provisions include an exemption for other tobacco products containing cannabis or for cannabis products sold as medical marijuana.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 4403-A(2)

Massachusetts: The definitions of cigarettes, little cigars, and smokeless tobacco include only products made of tobacco, excluding cannabis products from the cigarettes tax.

Massachusetts Statute: Mass. Gen. Laws ch. 64C, § 1

Vermont: Vermont specifically excludes cannabis products from the tobacco products tax. Additionally, the definition of a cigarette specifies that the product must be made of tobacco.

Vermont Statute: Vt. Stat. Ann. tit. 32, §§ 7702 and 7811(b)

**15. Casual Sales:**

Statutory Reference: R.I. Gen. Laws § 44-18-20(d-g)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1947 / 1995

Description: Casual sales are sales made by a person other than a retailer, provided that in the case of a sale of a motor vehicle the term means a sale made by a person other than a licensed motor vehicle dealer or an auctioneer at an auction sale and are exempt from the sales and use tax. Casual sales include sales of tangible personal property not held or used by the seller in the course of the activities for which the seller is required to hold a seller's permit. Casual sales are limited to no more than five in any twelve-month period and include sales made at bazaars. Casual sales also include fairs, picnics, or similar events by nonprofit organizations and are limited to a total of two events that do not exceed six days in duration.

Data Source: Excise Tax Section, Rhode Island Division of Taxation. Data is for the casual sale of motor vehicles only.

Reliability Index: 1

| *Fiscal Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Sales and Use Tax | $6,464 | 162 |
| 2021 Sales and Use Tax | $6,735 | 155 |
| 2022 Sales and Use Tax | $7,023 | 138 |
| 2023 Sales and Use Tax | $5,942 | 94 |

Projection Methodology: Revenue forgone and number of taxpayers for FY 2024 and FY 2025 use a 3-year average based on data from 2021 - 2023.

| *Fiscal Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2024 Sales and Use Tax | $6,567 | 129 |
| 2025 Sales and Use Tax | $6,567 | 129 |

Law Comparison: Connecticut, Maine, Massachusetts, and Vermont have similar provisions.

Connecticut: Casual or isolated sales are exempt from tax. These are sales whose number, scope, and character are insufficient to make it necessary for the seller to have a seller's permit. Only retailers must charge the sales tax, and a person making casual or isolated sales would not meet the definition of retailer contained in Connecticut law.

Connecticut Statute: Conn. Gen. Stat. §§ 12-407(a)(12), 12-408(1)(A), and 12-431

Maine: Casual sales, in general, are not subject to Maine's sales and use taxes. These taxes are imposed on sales at retail, and casual sales are specifically excluded from the definition of retail sales. In most cases of casual sales involving the sale of trailers, truck campers, motor vehicles, special mobile equipment except farm tractors and lumber harvesting vehicles or loaders, watercraft or aircraft, the sales and use tax must be imposed.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, §§ 1752(11)(B)(1) and 1764

Massachusetts: Casual and isolated sales by a vendor not regularly engaged in the business of making sales at retail are exempt from the sales and use tax except for the casual or isolated sale of a motor vehicle, trailer, boat, or airplane.

Massachusetts Statute: Mass. Gen. Laws ch. 64H, § 6(c)

Vermont: Sale of tangible property as a casual sale is exempt.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 9741(4)

**16. Charitable, Education, or Religious Organizations:**

Statutory Reference: R.I. Gen. Laws § 44-18-30(5)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1961 / 1988

Description: The sale, storage, use, and other consumption of tangible personal property by nonprofit hospitals; educational institutions not operated for a profit; churches; orphanages; other institutions or organizations operated exclusively for religious or charitable purposes; interest-free loan associations not operated for profit; nonprofit organized sporting leagues, associations, and bands for boys and girls under the age of 19; state chapters of national vocational students

organizations; organized nonprofit golden age and senior citizens clubs for men and women; and parent teacher associations are exempt from the sales and use tax.

Data Source: FY 2021 and FY 2022 Rhode Island Interactive Sales and Use Tax Simulation Model. No reliable data exists from which to determine the number of taxpayers.

Reliability Index: 3

| *Fiscal Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2021 Sales and Use Tax | $108,038,086 | *No estimate possible* |
| 2022 Sales and Use Tax | $117,140,871 | *No estimate possible* |

Projection Methodology: The Office of Revenue Analysis applied the FY 2023 growth rate in Rhode Island final consumption expenditures of nonprofit institutions serving households from the November 2023 S&P Global forecast to FY 2022 revenue forgone to project FY 2023 revenue forgone. A similar process was followed for FY 2024 and FY 2025. No projection of the number of taxpayers is possible due to a lack of reliable data.

| *Fiscal Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2023 Sales and Use Tax | $126,200,177 | *No estimate possible* |
| 2024 Sales and Use Tax | $131,873,513 | *No estimate possible* |
| 2025 Sales and Use Tax | $139,848,956 | *No estimate possible* |

Law Comparison: Connecticut, Maine, Massachusetts, and Vermont have similar provisions.

Connecticut: Connecticut exempts from the sales and use tax sales to any organization exempt from federal income tax under various Internal Revenue Code § 501 provisions, as well as nonprofit charitable hospitals, nursing homes, rest homes, and residential care homes.

Connecticut Statute: Conn. Gen. Stat. §§ 12-412(5) and 12-412(8)

Maine: Maine exempts from the sales and use tax various non-profit, educational, religious, and tribal organizations.

Maine Statute: Me. Rev. Stat. Ann. Tit. 36, §§ 1760(16), 1760(18-A), 1760(28), 1760(42-44), 1760(47-A), 1760(49-51), 1760(55-56), 1760(60), 1760(62-67), 1760(69-70), 1760(72), 1760(77), 1760(100-106), 1760(108-110), 1760(112-114)

Massachusetts: The sales and use tax exemption includes sales to any corporation, foundation, organization, or institution exempt from taxation under the federal Internal Revenue Code § 501(c)(3), provided that the tangible personal property or services sold is used in the conduct of religious, charitable, educational, or scientific enterprise and the corporation, foundation,

organization or institution has obtained a certification from the commissioner stating that it is entitled to such an exemption.

Massachusetts Statute: Mass. Gen. Laws ch. 64H, § 6(e)

Vermont: Organizations that qualify for exempt status under the provisions of 26 U.S.C. § 501(c)(3), as well as agricultural organizations similarly qualified under 26 U.S.C. § 501(c)(5) when presenting agricultural fairs, field days, or festivals, are not subject to the sales and use tax. Organizations which qualify for exempt status under the provisions of 26 U.S.C. § 501(c)(4)-(13) and (19) and political organizations, as defined in 26 U.S.C. § 527(e), are exempt from the sales and use tax upon entertainment charges for up to than four special events (not including usual or continuing activities of the organization) held in any calendar year, and which, in the aggregate, are not held on more than four days in such year and are open to the general public.

Vermont Statute: Vt. Stat. Ann. tit. 32, §§ 9743(3) and 9743(5)

### 17. Clothing and Footwear:

Statutory Reference: R.I. Gen. Laws § 44-18-30(27)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1977 / 2012

Description: The sales of articles of clothing and footwear suitable for general use to be worn or carried on or about the human body are exempt from the sales and use tax. This exemption does not apply to clothing for athletic activity, protective use, or the sale of clothing or footwear with a retail sales price exceeding $250 per item. The sales and use tax is imposed on the portion of the retail price of an individual item of clothing or footwear that exceeds $250.

Data Source: FY 2021 and FY 2022 Rhode Island Interactive Sales and Use Tax Simulation Model. No reliable data exists from which to determine the number of taxpayers.

Reliability Index: 3

| *Fiscal Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2021 Sales and Use Tax | $45,297,370 | *No estimate possible* |
| 2022 Sales and Use Tax | $48,928,598 | *No estimate possible* |

Projection Methodology: The Office of Revenue Analysis applied the FY 2023 growth rate in Rhode Island personal consumption expenditures, clothing and footwear from the November 2023 S&P Global forecast to FY 2022 revenue forgone to project FY 2023 revenue forgone. A similar process was followed for FY 2024 and FY 2025. No projection of the number of taxpayers is possible due to a lack of reliable data.

| *Fiscal Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2023 Sales and Use Tax | $50,650,133 | *No estimate possible* |
| 2024 Sales and Use Tax | $51,601,303 | *No estimate possible* |
| 2025 Sales and Use Tax | $53,809,501 | *No estimate possible* |

Law Comparison: Connecticut previously had similar provisions that have since been repealed. Massachusetts, and Vermont have similar provisions.

Connecticut: Prior to January 1, 2020, Connecticut exempted safety apparel only, which was defined as any item of clothing or protective equipment worn by an employee for protection during the course of the employee's employment.

Connecticut Statute: Conn. Gen. Stat. § 12-412(91)

Massachusetts: Massachusetts' exemption provisions are limited to clothing, including footwear, that is intended to be worn or carried on the human body up to $175 of the sales price per item. The exemption does not apply to special clothing or footwear designed for athletic activity or protective use and is not normally worn except for the athletic or protective use. Sales of wearing materials or any cloth made up of natural or synthetic fibers and used for clothing purposes are also exempt.

Massachusetts Statute: Mass. Gen. Laws ch. 64H, §§ 6(k) and 6(v)

Vermont: The sales and use tax exemption applies to all clothing in Vermont, but clothing does not include clothing accessories or equipment, protective equipment, or sport or recreational equipment.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 9741(45)

**18. Coffins, Caskets, Urns, Shrouds, and Burial Garments:**

Statutory Reference: R.I. Gen. Laws § 44-18-30(12) / R.I. Pub. Laws 2022, Ch. 231, Article 6, § 8

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1952 / 2022

Description: The sale, storage, use, or other consumption of coffins, caskets, shrouds and other burial garments ordinarily sold by a funeral director as part of the business of funeral directing are exempt from the sales and use tax.

Effective October 1, 2019, this exemption was expanded to include the sale, storage, use, or other consumption of urns sold by a funeral director as part of the business of funeral directing. Effective October 1, 2022, this exemption was further expanded to include burial containers, urn liners, urn vaults, grave liners, grave vaults, burial tent setups, and prayer cards.

Data Source: FY 2021 and FY 2022 Rhode Island Interactive Sales and Use Tax Simulation Model. No reliable data exists from which to determine the number of taxpayers.

Reliability Index: 3

| *Fiscal Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2021 Sales and Use Tax | $1,513,562 | *No estimate possible* |
| 2022 Sales and Use Tax | $1,508,163 | *No estimate possible* |

Projection Methodology: The Office of Revenue Analysis added the adopted FY 2023 budget estimate for the exemption expansion to FY 2022 estimated revenue forgone and then applied the FY 2023 growth rate in Rhode Island personal consumption expenditures, other services from the November 2023 S&P Global forecast to FY 2022 revenue forgone to project FY 2023 revenue forgone. A similar process was followed for FY 2024 and FY 2025. No projection of the number of taxpayers is possible due to a lack of reliable data.

| *Fiscal Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2023 Sales and Use Tax | $1,735,855 | *No estimate possible* |
| 2024 Sales and Use Tax | $1,801,348 | *No estimate possible* |
| 2025 Sales and Use Tax | $1,903,872 | *No estimate possible* |

Law Comparison: Connecticut, Maine, Massachusetts, and Vermont have similar provisions.

Connecticut: Connecticut exempts sales of tangible personal property by any funeral establishment performing the primary services in preparation for and the conduct of burial or cremation, provided any such property must be used directly in the performance of such services and the total amount of such exempt sales with respect to any single funeral may not exceed $2,500. Sales of caskets used for burial or cremation are also exempt.

Connecticut Statute: Conn. Gen. Stat. § 12-412(55)

Maine: Sales of funeral services are exempt from the sales and use tax.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 1760(24)

Massachusetts: Sales of coffins, caskets, burial garments, or other materials ordinarily sold by a funeral director as part of the business of funeral directing are exempt from the sales and use tax.

Massachusetts Statute: Mass. Gen. Laws ch. 64H, § 6(n)

Vermont: Funeral charges, including sales of tangible personal property such as caskets, vaults, boxes, clothing, crematory urns, and other such funeral furnishings necessary for a funeral are exempt from the sales and use tax. The exemption does not include the sale of flowers and other items sold as an accommodation rather than as an integral part of the funeral service or preparation.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 9741(22)

**19. Coins:**

Statutory Reference: R.I. Gen. Laws § 44-18-30(43)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1988 / N/A

Description: The sale and other consumption of coins having numismatic or investment value are exempt from the sales and use tax.

Data Source: 2019 - 2022 Annual Reports, United States Mint. Annual Estimates of Population for the United States (2019 - 2022), United States Census Bureau. Revenue forgone is based on the annual numismatic and bullion coin sales in Rhode Island. Annual U.S. numismatic and bullion coin sales are scaled for Rhode Island using the ratio of Rhode Island's population to the total U.S. population. Revenue forgone is determined by multiplying this amount by 7%. No reliable data exists from which to determine the number of taxpayers.

Reliability Index: 4

| ***Fiscal Year / Tax Type*** | ***Revenue Forgone*** | ***Number of Taxpayers*** |
|---|---|---|
| 2020 Sales and Use Tax | $401,255 | *No estimate possible* |
| 2021 Sales and Use Tax | $792,109 | *No estimate possible* |
| 2022 Sales and Use Tax | $1,001,923 | *No estimate possible* |

Projection Methodology: Revenue forgone amounts for FY 2022 and FY 2023 assume no additional growth. No projection of the number of taxpayers is possible due to a lack of reliable data.

| *Fiscal Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2023 Sales and Use Tax | $1,001,923 | *No estimate possible* |
| 2024 Sales and Use Tax | $1,001,923 | *No estimate possible* |
| 2025 Sales and Use Tax | $1,001,923 | *No estimate possible* |

Law Comparison: Connecticut, Massachusetts, and Vermont have similar provisions.

Connecticut: Connecticut's provisions include exemptions for legal tender of any nation, rare and antique coins, and coins traded according to value as a precious metal. The exemption is limited to transactions in which the total value of the sale is less than $1,000.

Connecticut Statute: Conn. Gen. Stat. § 12-412(45)

Massachusetts: Massachusetts' exemption includes sales of $1,000 or more of items traded or sold according to their value as precious metals such as rare coins of numismatic value, gold or silver bullion or coins, and gold or silver tender of any nation.

Massachusetts Statute: Mass. Gen. Laws ch. 64H, § 6(ll)

Vermont: Coins and other numismatic items when purchased as a medium of exchange are not considered tangible personal property and are exempt from the sales and use tax.

Vermont Statute: 10-066 Code Vt. R. 10-060-033-X § 1.9701(7)-1(B)(3)

**20. Commercial Fishing Vessels in Excess of Five Net Tons:**

Statutory Reference: R.I. Gen. Laws § 44-18-30(26)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1976 / 2002

Description: The sale, use, storage, or other consumption of vessels and other watercraft of more than five net tons and used exclusively for commercial fishing is exempt from the sales and use tax. The exemption also applies to fishing equipment used in connection with the commercial fishing done by the vessel, as well as material for the maintenance and/or repair of the vessels.

Data Source: Annual estimates of number of boats, Annual vessel permit data listed by home port, National Oceanic and Atmospheric Administration, Greater Atlantic Region. Pricing data obtained from an online marine broker where boat weight was available. The average price per length was calculated for boats with lengths of under 32', 31.99'-41', 39.99'-56', 54.99'-66', and over 65'. Revenue forgone is determined by multiplying the average price calculated by the number of boats in each range based on length that weigh greater than five tons and have a home port listed as

Rhode Island and then multiplying by the sales and use tax rate of 7%. Number of taxpayers are the number of new permits for fishing vessels listed for that year. Estimate is for the sale of vessels only and does not include additional revenue forgone for fishing equipment used in connection with the commercial fishing done by the vessel or materials for the maintenance and/or repair of the vessels.

Reliability Index: 4

| *Fiscal Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Sales and Use Tax | $375,433 | 14 |
| 2021 Sales and Use Tax | $433,540 | 7 |
| 2022 Sales and Use Tax | $1,159,274 | 24 |
| 2023 Sales and Use Tax | $642,219 | 12 |

Projection Methodology: The projected revenue forgone and the number of taxpayers for FY 2024 were calculated based on a four-year average using FY 2020 – FY 2023. FY 2025 revenue forgone amounts and number of taxpayers were held constant with FY 2024.

| *Fiscal Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2024 Sales and Use Tax | $652,617 | 14 |
| 2025 Sales and Use Tax | $652,617 | 14 |

Law Comparison: Connecticut, Maine, Massachusetts, and Vermont have similar provisions.

Connecticut: Commercial fishing vessels and machinery or equipment for use on such vessels are exempt from the sales and use tax. A commercial fishing vessel includes any vessel with a certificate of documentation issued by the United States Coast Guard for coastwise fishery.

Connecticut Statute: Conn. Gen. Stat. § 12-412(40)

Maine: Maine does not include an exemption, but a refund and an alternative exemption card procedure exist for certain depreciable machinery and equipment used in commercial fishing. This includes new or used watercraft, nets, traps, cables, tackle and related equipment necessary to and used directly and primarily in the operation of a commercial fishing venture.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 2013 and Code Me. R. 18-125 Ch. 323

Massachusetts: Massachusetts' provisions include an exemption for sales of vessels used directly and exclusively in commercial fishing, including machinery, equipment, and replacement parts. Also, vessels used exclusively to provide scheduled commuter passenger service, including repair and replacement parts, are exempt from the sales and use tax.

Massachusetts Statute: Mass. Gen. Laws ch. 64H, § 6(o) & 6(pp)

Vermont: Ferryboats, including depreciable parts, machinery, and equipment to be installed as a capital asset in such ferryboat, for use primarily in the carriage of persons or property for compensation or hire are exempt.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 9741(31)

**21. Commercial Vessels of 50 Tons Burden or More:**

Statutory Reference: R.I. Gen. Laws § 44-18-30(25)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1976 / N/A

Description: Sales made to commercial ships, barges, or other vessels of 50 tons burden or more primarily engaged in interstate or foreign commerce are exempt from the sales and use tax. Provisions, supplies, and material purchased for maintenance and repairs of such commercial vessels are also exempt.

Data Source: No reliable data exists for this tax expenditure item.

Reliability Index: 5

Projection Methodology: No projection is made due to lack of reliable data.

Law Comparison: Maine and Massachusetts have similar provisions.

Maine: Sales of cabin, deck, engine supplies, and bunkering oil to ships engaged in transporting cargo or passengers for hire in interstate or foreign commerce are exempt from the sales and use tax.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 1760(4)

Massachusetts: Sales of barges or vessels of 50 tons burden or over are exempt from the sales and use tax when constructed in Massachusetts and sold by their builders. Also exempt are sales of fuel or fuel substitutes for vessels engaged in interstate or foreign commerce or used directly and exclusively in commercial fishing along with the machinery, equipment, and replacement parts.

Massachusetts Statute: Mass. Gen. Laws ch. 64H, § 6(o)

**22. Compressed Air:**

Statutory Reference: R.I. Gen. Laws § 44-18-30(33)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1984 / N/A

Description: The sale, storage, consumption, or other use of compressed air is exempt from the sales and use tax.

Data Source: No reliable data exists for this tax expenditure item.

Reliability Index: 5

Projection Methodology: No projection is made due to lack of reliable data.

Law Comparison: No similar provisions were found in the other New England states.

**23. Containers:**

Statutory Reference: R.I. Gen. Laws § 44-18-30(4) / Rhode Island Public Laws 2018, Chapter 47, Article 4, § 10

Stated Purpose: No stated purpose given in law.

Year Enacted / Year Amended: 1947 / 2018

Description: The sale, storage, use, or other consumption of non-returnable containers, when sold without the contents to people who place the contents in the container and sell the contents with the container are exempt from the sales and use tax. Non-returnable containers include boxes, paper bags, and wrapping materials that are biodegradable and all bags and wrapping materials utilized in the medical and healing arts. Returnable containers are exempt when sold with the contents in connection with the retail sale of the contents and when sold for refilling. Kegs and barrel containers, returnable and non-returnable, that are sold to alcoholic beverage producers who place the alcoholic beverages in the containers are also exempt from sales and use tax.

Data Source: FY 2020 and FY 2021 Rhode Island Interactive Sales and Use Tax Simulation Model. No reliable data exists from which to determine the number of taxpayers.

Reliability Index: 3

| ***Fiscal Year / Tax Type*** | ***Revenue Forgone*** | ***Number of Taxpayers*** |
|---|---|---|
| 2021 Sales and Use Tax | $13,731,281 | *No estimate possible* |
| 2022 Sales and Use Tax | $14,934,828 | *No estimate possible* |

Projection Methodology: The Office of Revenue Analysis applied the FY 2023 growth rate in the United States producer price index for finished goods from the November 2023 S&P Global

forecast to FY 2022 revenue forgone to project FY 2023 revenue forgone. A similar process was followed for FY 2024 and FY 2025. No projection of the number of taxpayers is possible due to a lack of reliable data.

| ***Fiscal Year / Tax Type*** | ***Projected Revenue Forgone*** | ***Projected Number of Taxpayers*** |
|---|---|---|
| 2023 Sales and Use Tax | $15,985,031 | *No estimate possible* |
| 2024 Sales and Use Tax | $16,184,794 | *No estimate possible* |
| 2025 Sales and Use Tax | $16,430,745 | *No estimate possible* |

Law Comparison: Connecticut, Maine, Massachusetts, and Vermont have similar provisions.

Connecticut: Connecticut's provisions are similar to Rhode Island's and include an exemption for returnable dairy product containers when sold without the contents.

Connecticut Statute: Conn. Gen. Stat. § 12-412(14)

Maine: Maine's provisions include returnable containers sold with the contents or resold for refilling. Additionally, packaging materials when sold for packing or shipping tangible personal property or for packing or shipping tangible personal property sold by the purchaser of the packaging materials are exempt from the sales and use tax.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, §§ 1760(12) and 1760(12-A)

Massachusetts: Massachusetts' exempts most containers, including sales of empty returnable and non-returnable containers to be filled and resold, containers whose contents are exempt from the sales tax, and returnable containers when sold with the contents or resold for refilling.

Massachusetts Statute: Mass. Gen. Laws ch. 64H, § 6(q)

Vermont: Materials, containers, labels, sacks, cans, boxes, drums or bags and other packing, packaging or shipping materials for use in packing, packaging, or shipping tangible personal property by a manufacturer or distributor are exempt.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 9741(16)

**24. Deed, Instrument, or Writing where Grantor is U.S. Government or State of Rhode Island:**

Statutory Reference: R.I. Gen. Laws § 44-25-2(b)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1968 / 2000

Description: Any deed, instrument, or writing where the United States, the State of Rhode Island, or one the State's political subdivisions is the grantor is exempt from the real estate conveyance tax.

Data Source: No reliable data exists for this tax expenditure item.

Reliability Index: 5

Projection Methodology: No projection is made due to lack of reliable data.

Law Comparison: All of the New England states have similar provisions.

Connecticut: Connecticut's provisions include an exemption from the real estate conveyance tax for those deeds for which Connecticut is prohibited from taxing under the United States Constitution or related laws, as well as deeds to which the state or any of its political subdivisions is a party.

Connecticut Statute: Conn. Gen. Stat. § 12-498(a)(1) and (3)

Maine: Deeds to property transferred to or by the United States, the State of Maine, or any of their instrumentalities, agencies or subdivisions are exempt from the real estate transfer tax.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 4641-C(1)

Massachusetts: The excise tax on deeds, instruments, and writings does not apply to any deed, instrument or writing to which the commonwealth, a city or town of the commonwealth, or the United States or any of their agencies are a party.

Massachusetts Statute: Mass. Gen. Laws ch. 64d, § 1

New Hampshire: Transfers to the state, a state agency, a county, a city, a town, a school district, or a village district are exempt from the tax on the transfer of real property. Also exempt are transfers to the United States or any agency or instrumentality thereof.

New Hampshire Statute: N.H. Rev. Stat. Ann. § 78-B:2, I and II

Vermont: Transfers of property to the United States of America, the State of Vermont, or any of their instrumentalities, agencies, or subdivisions are exempt from the property transfer tax.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 9603(2)

**25. Diesel Emission Control Technology:**

Statutory Reference: R.I. Gen. Laws § 44-18-30(62)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 2010 / N/A

Description: The sale and use of diesel retrofit technology that is required by the Diesel Emissions Reduction Act (R.I. Gen. Laws § 31-47.3-4) is exempt from the sales and use tax.

Data Source: No reliable data exists for this tax expenditure item.

Reliability Index: 5

Projection Methodology: No projection is made due to lack of reliable data.

Law Comparison: No similar provisions were found for the other New England states.

**26. Dietary Supplements:**

Statutory Reference: R.I. Gen. Laws § 44-18-30(59)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 2006 / N/A

Description: The sale, storage, use or other consumption of dietary supplements, as defined in R.I. Gen. Laws § 44-18-7.1(l)(v), sold on prescription are exempt from the sale and use tax. A dietary supplement is any product, other than tobacco, that contains one or more of the following: vitamin; mineral; herb or other botanical; amino acid; dietary substance for use by humans that increases the total dietary intake; or concentrate, metabolite, constituent, extract, or combination of any ingredient described previously.

Data Source: 2020 and 2021 Supplemental Business Report, Nutrition Business Journal. Annual Estimates of Population for the United States and Rhode Island (2020 and 2021), United States Census Bureau. Revenue forgone is based on the annual sales of dietary supplements by prescription in Rhode Island. The U.S. sales of dietary supplements are scaled to Rhode Island using the ratio of Rhode Island's population to the total U.S. population. It is assumed that 25% of Rhode Island sales of dietary supplements are by prescription. Revenue forgone is determined by multiplying this amount by 7%. No reliable data exists from which to determine the number of taxpayers.

Reliability Index: 4

| *Fiscal Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Sales and Use Tax | $3,230,148 | *No estimate possible* |
| 2021 Sales and Use Tax | $3,463,269 | *No estimate possible* |
| 2022 Sales and Use Tax | $3,505,352 | *No estimate possible* |

Projection Methodology: Revenue forgone for FY 2023 – FY 2025 was held constant. No projection of the number of taxpayers is possible due to a lack of reliable data.

| ***Fiscal Year / Tax Type*** | ***Projected Revenue Forgone*** | ***Projected Number of Taxpayers*** |
|---|---|---|
| 2023 Sales and Use Tax | $3,505,352 | *No estimate possible* |
| 2024 Sales and Use Tax | $3,505,352 | *No estimate possible* |
| 2025 Sales and Use Tax | $3,505,352 | *No estimate possible* |

Law Comparison: Connecticut, Maine, and Vermont have similar provisions.

Connecticut: Connecticut's exemption for nonprescription drugs or medicines includes vitamin or mineral concentrates, dietary supplements, and natural or herbal drugs or medicines.

Connecticut Statute: Conn. Gen. Stat. § 12-412(120)

Maine: Medicines, tonics, vitamins and preparations in liquid, powdered, granular, tablet, lozenge or pill form, sold as dietary supplements or adjuncts, when sold on the prescription of a physician are exempt.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, §§ 1760(3) and 1752(3-B)

Vermont: Sales of food and food ingredients sold for human consumption off the premises where sold, as well as eligible foods purchased with food stamps are exempt. Non-prescription vitamins and dietary supplements are considered to be food.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 9741(13), Code of Vt. Rules § 1.9741(2)(B)

**27. Educational Institutions Rental Charges:**

Statutory Reference: R.I. Gen. Laws § 44-18-30(18)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1967 / N/A

Description: The rent charged by any nonprofit educational institution for living quarters, sleeping, housekeeping accommodations, or other rooms or accommodations to any student or teacher necessitated by attendance at an educational institution is exempt from the sales and use tax.

Data Source: FY 2021 and FY 2022 Rhode Island Interactive Sales and Use Tax Simulation Model. No reliable data exists from which to determine the number of taxpayers.

Reliability Index: 3

| *Fiscal Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2021 Sales and Use Tax | $7,021,563 | *No estimate possible* |
| 2022 Sales and Use Tax | $7,512,185 | *No estimate possible* |

Projection Methodology: The Office of Revenue Analysis applied the FY 2023 growth rate in Rhode Island personal consumption expenditures, food services and accommodations from the November 2023 S&P Global forecast to FY 2022 revenue forgone to project FY 2023 revenue forgone. A similar process was followed for FY 2024 and FY 2025. No projection of the number of taxpayers is possible due to a lack of reliable data.

| *Fiscal Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2023 Sales and Use Tax | $8,136,053 | *No estimate possible* |
| 2024 Sales and Use Tax | $8,550,418 | *No estimate possible* |
| 2025 Sales and Use Tax | $8,994,256 | *No estimate possible* |

Law Comparison: Connecticut and Maine have similar sales and use tax provisions. Massachusetts, New Hampshire, and Vermont provide similar exemptions under the room occupancy excise, rooms, and rooms and meals taxes, respectively.

Connecticut: Connecticut's provisions include the exemption of lodging accommodations at educational institutions.

Connecticut Statute: Conn. Gen. Stat. § 12-407(a)(17)

Maine: Maine's provisions include the exemption of rental charges for living quarters, sleeping, or housekeeping accommodations to any student necessitated by attendance at a school.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 1760(19)

Massachusetts: Massachusetts provisions include the exemption of lodging accommodations, including dormitories, at religious, charitable, educational, and philanthropic institutions; provided, however, that this exemption shall not apply to accommodations provided by any such institution at a hotel or motel operated by the institution.

Massachusetts Statute: Mass. Gen. Laws ch. 64G, § 2(ii)

New Hampshire: New Hampshire excludes from the definition of occupancy any occupancy at a facility or establishment owned or leased related to a long-term agreement by an organization operated for educational purposes that is exempt from federal income taxation under § 501(c)(3)

of the Internal Revenue Code (IRC), but only if occupancy at such facility or establishment is provided: (A) To students regularly attending the organization; (B) To employees, faculty members or administrative officials of the organization for occupancy at such facility or establishment provided in connection with responsibilities performed for the organization; (C) To volunteers providing services in connection with the organization; or (D) To any person whose occupancy at such facility or establishment is provided for an activity which is related to educational purposes and the sponsor of such activity is an organization exempt from federal income taxation under § 501(c) of the IRC or is provided by the federal government, state government, or an instrumentality thereof. The exemption provided does not apply if occupancy at the facility or establishment is offered to the general public on a regular and continuous basis without regard to an activity which is related to educational purposes.

New Hampshire Statute: N.H. Rev. Stat. Ann. § 78-A:6-d, VI

Vermont: The rental charges for living quarters, sleeping, or household accommodations to students attending a school are not subject to the rooms tax.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 9202(8)

### 28. Electricity and Gas:

Statutory Reference: R.I. Gen. Laws § 44-18-30(21)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1972 / 2015

Description: The sale, use, storage, or other consumption of electricity or gas, regardless of use, is exempt from the sales and use tax.

Data Source: FY 2021 and FY 2022 Rhode Island Interactive Sales and Use Tax Simulation Model. Annual Energy Outlook, Independent Statistics and Analysis, U.S. Energy Information Administration; U.S. Department of Energy. Revenue forgone is based on electricity, gas and distillate fuel oil consumption and price in New England. No reliable data exists from which to determine the number of taxpayers.

Reliability Index: 3

| *Fiscal Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2021 Sales and Use Tax | $83,257,450 | *No estimate possible* |
| 2022 Sales and Use Tax | $90,692,348 | *No estimate possible* |

Projection Methodology: The Office of Revenue Analysis applied the FY 2023 growth rate in Rhode Island personal consumption expenditures, housing and utilities services from the November 2023 S&P Global forecast to FY 2022 revenue forgone to project FY 2023 revenue

forgone. A similar process was followed for FY 2024 and FY 2025. No projection of the number of taxpayers is possible due to a lack of reliable data.

| ***Calendar Year / Tax Type*** | ***Projected Revenue Forgone*** | ***Projected Number of Taxpayers*** |
|---|---|---|
| 2023 Sales and Use Tax | $99,149,536 | *No estimate possible* |
| 2024 Sales and Use Tax | $103,472,779 | *No estimate possible* |
| 2025 Sales and Use Tax | $107,190,155 | *No estimate possible* |

Law Comparison: Connecticut, Maine, Massachusetts, and Vermont have similar provisions.

Connecticut: Connecticut's provisions exempt from the sales and use tax the sale, furnishing, or service of gas, including bottled gas, and electricity when delivered to consumers through mains, lines, pipes, or bottles for use in any residential dwelling or directly in agricultural production or in the fabrication of a finished product to be sold or an industrial manufacturing plant provided that not less than 75% of the gas or electricity is used for the purpose of production, fabrication, or manufacturing.

Connecticut Statute: Conn. Gen. Stat. § 12-412(3)

Maine: Maine exempts coal, oil, wood, and all other fuels, including the first 750 kilowatt hours of residential electricity per month and gas when purchased for cooking and heating in buildings designed and used for both human habitation and sleeping. Maine also exempts 95% of the sale price of all fuel and electricity purchased for use at a manufacturing facility. Fuel purchased for use in commercial agriculture, commercial fishing, or commercial wood harvesting is eligible for refund. Effective January 1, 2023 this exemption was amended to include all residential electricity consumed by eligible customers enrolled in either a low-income assistance program or an arrearage management program administered by the Public Utilities Commission.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, §§ 1760(9), 1760(9-B), 1760(9-C), 1760(9-D), and 2013(2)

Massachusetts: Massachusetts exempts the sales, furnishing, or service of water, gas, steam, or electricity used for residential purposes as well as gas, steam, or electricity consumed and used directly in an industrial plant in the actual manufacture of tangible personal property at which at least 75% of fuel consumed is used for purpose of such manufacturing or heating. Massachusetts also exempts sales of gas, steam, electricity, and heating fuel used by any business that has five or fewer employees and had gross income of less than $1.0 million for the preceding calendar year.

Massachusetts Statute: Mass. Gen. Laws ch. 64H, § 6(i) and 6(qq)

Vermont: Vermont exempts sales of electricity, oil, gas, and other fuels used in a residence for all domestic use, including heating. Sales of electricity, oil, gas, and other fuels used directly and

exclusively for farming purposes are also exempt, as well as those fuels used directly or indirectly in manufacturing processes.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 9741(26), 9741(27), and 9741(34)

**29. Equipment for Research and Development:**

Statutory Reference: R.I. Gen. Laws § 44-18-30(42)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1987 / 1996

Description: The sale, use, storage, or other consumption of equipment that is used for research and development purposes by a qualifying company is exempt from the sales and use tax. A qualifying company is a business for which the use of research and development equipment is an integral part of its operation. Equipment means scientific equipment, computers, software, and related items.

Data Source: FY 2021 and FY 2022 Rhode Island Interactive Sales and Use Tax Simulation Model. No reliable data exists from which to determine the number of taxpayers.

Reliability Index: 3

| ***Fiscal Year / Tax Type*** | ***Revenue Forgone*** | ***Number of Taxpayers*** |
|---|---|---|
| 2021 Sales and Use Tax | $7,805,300 | *No estimate possible* |
| 2022 Sales and Use Tax | $8,111,800 | *No estimate possible* |

Projection Methodology: The Office of Revenue Analysis applied the FY 2023 growth rate in the United States producer price index for machinery and equipment from the November 2023 S&P Global forecast to FY 2022 revenue forgone to project FY 2023 revenue forgone. A similar process was followed for FY 2024 and FY 2025. No projection of the number of taxpayers is possible due to a lack of reliable data.

| ***Fiscal Year / Tax Type*** | ***Projected Revenue Forgone*** | ***Projected Number of Taxpayers*** |
|---|---|---|
| 2023 Sales and Use Tax | $8,804,017 | *No estimate possible* |
| 2024 Sales and Use Tax | $8,975,372 | *No estimate possible* |
| 2025 Sales and Use Tax | $8,949,865 | *No estimate possible* |

Law Comparison: Connecticut, Maine, Massachusetts, and Vermont have similar provisions.

Connecticut: Property used in research and development in the manufacturing industry qualifies for the exemption given to manufacturing materials. Research and development services are not among the list of taxable services and, therefore, are not subject to tax. Also, a sales and use tax exemption for the sale of and the storage, use, or other consumption of machinery, equipment, tools, materials, supplies, and fuel used directly in the biotechnology industry is available.

Connecticut Statute: Conn. Gen. Stat. §§ 12-407(a)(37), 12-412(89), and 12-412i(a)(2)

Maine: Maine's exemption provisions include sales of machinery and equipment for use by the purchaser directly and exclusively in research and development in the experimental and laboratory sense or primarily biotechnology applications.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 1760(32)

Massachusetts: Sales of materials, tools, fuels, machinery, and replacement parts, used in research and development by a manufacturing or research and development corporation are exempt from the sales and use tax.

Massachusetts Statute: Mass. Gen. Laws ch. 64H, §§ 6(r) and 6(s)

Vermont: Vermont's provisions exempt sales of tangible personal property purchased for use or consumption directly and exclusively, except for isolated or occasional uses, in commercial industrial, or agricultural research and development.

Vermont's Statute: Vt. Stat. Ann. tit. 32, § 9741(24)

**30. Estates of Persons Declared Missing in Action by U.S. Armed Forces:**

Statutory Reference: R.I. Gen. Laws § 44-22-2

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1977 / 1990

Description: The estate of a serviceman or servicewoman who has been classified by the armed forces of the United States as missing in action is exempt from the estate and transfer tax.

Data Source: Estate Tax Section, Rhode Island Division of Taxation.

Reliability Index: 1

| *Fiscal Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Estate and Transfer Tax | $0 | 0 |
| 2021 Estate and Transfer Tax | $0 | 0 |
| 2022 Estate and Transfer Tax | $0 | 0 |

Projection Methodology: Projected revenue forgone and number of taxpayers for FY 2023 through FY 2025 is held constant with FY 2022.

| *Fiscal Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2023 Estate and Transfer Tax | $0 | 0 |
| 2024 Estate and Transfer Tax | $0 | 0 |
| 2025 Estate and Transfer Tax | $0 | 0 |

Law Comparison: No similar provisions were found for the other New England states.

**31. Farm Equipment:**

Statutory Reference: R.I. Gen. Laws § 44-18-30(32)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1984 / 2004

Description: The sale, storage, use, or other consumption of machinery and equipment used directly for commercial farming and agricultural production is exempt from the sales and use tax. The exemption includes replacement parts, as well as tools and supplies used in the repair and maintenance of farming equipment. Commercial farming is defined as the keeping or boarding of five or more horses or the production within this state of agricultural products, including, but not limited to, field or orchard crops, livestock, dairy, and poultry, or their products, where the keeping, boarding, or production provides at least $2,500 in annual gross sales to the operator.

Data Source: FY 2021 and FY 2022 Rhode Island Interactive Sales and Use Tax Simulation Model. Number of taxpayers are from 2021 update of county business patterns published by the United States Census Bureau. Includes all firms classified under the North American Industry Classification System (NAICS) of agriculture, forestry, fishing, and hunting.

Reliability Index: 3

| *Fiscal Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2021 Sales and Use Tax | $725,400 | 38 |
| 2022 Sales and Use Tax | $725,400 | 38 |

Projection Methodology: The Office of Revenue Analysis applied the FY 2023 growth rate in the United States producer price index for machinery and equipment from the November 2023 S&P Global forecast to FY 2022 revenue forgone to project FY 2023 revenue forgone. A similar process was followed for FY 2024 and FY 2025. The number of taxpayers for FY 2023-2025 was held constant with FY 2022.

| *Fiscal Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2023 Sales and Use Tax | $787,302 | 38 |
| 2024 Sales and Use Tax | $802,625 | 38 |
| 2025 Sales and Use Tax | $800,344 | 38 |

Law Comparison: Connecticut, Maine, Massachusetts, and Vermont have similar provisions.

Connecticut: Connecticut's provisions include any items sold exclusively for use in agricultural production by a farmer engaged in such production as a business as evidenced by the Farmer's Tax Exemption Permit issued by the Connecticut Department of Revenue Services.

Connecticut Statute: Conn. Gen. Stat. § 12-412(63)

Maine: Maine tax law does not include a similar exemption but does provide a refund procedure for certain depreciable machinery and equipment used in commercial agricultural production, commercial fishing, or commercial aquacultural production. The refund procedure is also applicable to purchases of electricity used for such purposes.

Maine Statute: Me. Rev. Stat. Ann. Tit. 36, § 2013 and Code Me. R. 18-125 Ch. 323

Massachusetts: Massachusetts' provisions include sales of machinery or replacement parts used directly and exclusively in agricultural production. Farmers (including persons who raise poultry and livestock) and fishermen pay no tax on materials, tools, and fuel they buy that is used or consumed directly and exclusively in agricultural production and commercial fishing.

Massachusetts Statute: Mass. Gen. Laws ch. 64H, §§ 6(r) and 6(s)

Vermont: Sales of agricultural machinery and equipment used predominately to produce or grow tangible personal property for sale at farms (including stock, dairy, poultry, fruit, and truck farms) orchards, nurseries, or in greenhouses or other similar structures used primarily for the raising of agricultural or horticultural items for sale are exempt from sales and use tax. Predominately means 75% of the time the equipment is in use.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 9741(25)

**32. Farm Structure Construction Materials:**

Statutory Reference: R.I. Gen. Laws § 44-18-30(44)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1988 / N/A

Description: Lumber, hardware, and other materials used in the new construction of farm structures, including production facilities and any other structures used in connection with commercial farming, are exempt from the sales and use tax.

Data Source: FY 2021 and FY 2022 Rhode Island Interactive Sales and Use Tax Simulation Model. No reliable data exists from which to determine the number of taxpayers.

Reliability Index: 3

| *Fiscal Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2021 Sales and Use Tax | $511,186 | *No estimate possible* |
| 2022 Sales and Use Tax | $575,042 | *No estimate possible* |

Projection Methodology: The Office of Revenue Analysis applied the FY 2023 growth rate in the United States chained price index for farm and miscellaneous nonresidential construction from the November 2023 S&P Global forecast to FY 2022 revenue forgone to project FY 2023 revenue forgone. A similar process was followed for FY 2024 and FY 2025. No projection of the number of taxpayers is possible due to a lack of reliable data.

| *Fiscal Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2023 Sales and Use Tax | $595,339 | *No estimate possible* |
| 2024 Sales and Use Tax | $589,241 | *No estimate possible* |
| 2025 Sales and Use Tax | $663,787 | *No estimate possible* |

Law Comparison: Maine and Massachusetts have similar provisions.

Maine: Any materials for the construction, repair or maintenance of an animal waste storage facility are exempt. An animal waste storage facility means a structure or pit constructed and used solely for storing manure, animal bedding waste, or other wastes generated by animal production.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 1760(81)

Massachusetts: "Sales of building materials and supplies to be used in the construction, reconstruction, alteration, remodeling or repair of… (4) any building or structure located in a Marine Industrial Park… provided, however, that said building or structure is exclusively used for agricultural production or seafood processing or as a seafood storage facility…"

Massachusetts Statute: Mass. Gen. Laws Ch. 64H §§ 6(f)

### 33. Feed for Certain Animals Used in Commercial Farming:

Statutory Reference: R.I. Gen. Laws § 44-18-30(63)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 2012 / N/A

Description: The feed for livestock and poultry of the kinds of products of which ordinarily constitute food for human consumption and of livestock of the kind the products of which ordinarily constitute fibers for human use is exempted from the sales and use tax.

Data Source: FY 2021 and FY 2022 Rhode Island Interactive Sales and Use Tax Simulation Model and Office of Revenue Analysis calculations. Number of taxpayers are from 2021 update of county business patterns published by the United States Census Bureau. Includes all firms classified under the North American Industry Classification System (NAICS) of agriculture, forestry, fishing, and hunting.

Reliability Index: 3

| *Fiscal Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2021 Sales and Use Tax | $121,715 | 38 |
| 2022 Sales and Use Tax | $137,004 | 38 |

Projection Methodology: The Office of Revenue Analysis applied the FY 2023 growth rate in the Unites States producer price index for processed foods and feeds from the November 2023 S&P Global forecast to FY 2022 revenue forgone to project FY 2023 revenue forgone. A similar process was followed for FY 2024 and FY 2025. The number of taxpayers for FY 2023-2025 was held constant with FY 2022.

| *Fiscal Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2023 Sales and Use Tax | $146,107 | 38 |
| 2024 Sales and Use Tax | $144,232 | 38 |
| 2025 Sales and Use Tax | $144,581 | 38 |

Law Comparison: Connecticut, Maine, Massachusetts, and Vermont have similar provisions.

Connecticut: Connecticut's provisions include any items sold exclusively for use in agricultural production by a farmer engaged in such production as a business as evidenced by the Farmer's Tax Exemption Permit issued by the Connecticut Department of Revenue Services. This includes the raising, feeding, caring for, shearing, training, or management of livestock including horses, bees, poultry, fur-bearing animals, or wildlife.

Connecticut Statute: Conn. Gen. Stat. § 12-412(63)

Maine: Maine's provisions include products used in aquaculture production, including bait, and products used in animal agriculture, including feed. Maine also exempts farm animal bedding and hay from the sales and use tax.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, §§ 1760(7-A), 1760(7-C), and 1760(78)

Massachusetts: Massachusetts exempts from sales tax the sales of feed, including the bags in which the feed is customarily contained, for livestock and poultry, which ordinarily constitute food for human consumption, are sold in the regular course of business, or are animals produced for research, testing, or other purposes relating to the promotion or maintenance of the health, safety or well-being of human beings or animals.

Massachusetts Statute: Mass. Gen. Laws ch. 64H, § 6(p)(2)

Vermont: Agriculture feeds, seeds, plants, baler twine, silage bags, agricultural wrap, sheets of plastic for bunker covers, liming materials, breeding and other livestock, semen breeding fees, baby chicks, turkey poults, agriculture chemicals other than pesticides, veterinary supplies, and bedding; and fertilizers and pesticides for use and consumption directly in the production for sale of tangible personal property on farms, including stock, dairy, poultry, fruit and truck farms, orchards, nurseries, or in greenhouses or other similar structures used primarily for the raising of agricultural or horticultural commodities for sale are exempt for the sales and use tax in Vermont.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 9741(3)

### 34. Feminine Hygiene Products:

Statutory Reference: R.I. Gen. Laws § 44-18-30(66) / R.I. Pub. Laws 2019, Ch. 88, Art. 5, § 9

Stated Purpose: No explicit purpose provided in the statute.

Year Enacted / Last Year Amended: 2019 / N/A

Description: Beginning October 1, 2019, the sale, storage, use, or other consumption of tampons, panty liners, menstrual cups, sanitary napkins, and similar products for which the principal use is feminine hygiene in connection with the menstrual cycle is exempt from the sales and use tax.

Data Source: Statista Market Insights, Tissue Hygiene Paper, 2023 Report. 2020 Annual estimates of the resident population by single year of age and sex for the United States for 2020 and population estimates by age and sex for Rhode Island for 2018 - 2019, United States Census Bureau. Rhode Island Population Estimates Aged 10-54 and United States Population Estimates Aged 16+ for 2021-2026, S&P Global. ORA utilized total sales of sanitary napkins/tampons in the United States and assumed sanitary napkins and tampons were 81.2% of the total feminine hygiene products category for all years based on data from a 2018 Statista report. The total was then divided by the total number of women in the United States ages 12-51 years old, as the average menstrual age range for women is 12-51 years, to calculate the average annual cost for feminine hygiene products for women in this age group. United States Census data was used to estimate the number of Rhode Island women aged 12-51 years. Additionally, ORA assumed 10% of such women would be pregnant or breastfeeding at any given time. Revenue forgone was calculated by multiplying the average annual cost of feminine hygiene products and the estimated number of Rhode Island women 12-51 years old. The number of taxpayers is the estimated number of females in Rhode Island 12-51 years old that are not pregnant or breastfeeding.

Reliability Index: 4

| ***Fiscal Year / Tax Type*** | ***Revenue Forgone*** | ***Number of Taxpayers*** |
|---|---|---|
| 2020 Sales and Use Tax | $1,114,575 | 284,587 |
| 2021 Sales and Use Tax | $1,159,385 | 283,354 |
| 2022 Sales and Use Tax | $1,176,006 | 281,564 |

Projection Methodology: Revenue forgone for FY 2023 – FY 2025 is grown using forecast data for sales of feminine hygiene products provided by Statista's Market Insight, and the number of taxpayers is grown using forecast data for the population of Rhode Island for ages 10 - 54 years as provided by S&P Global for the November 2023 Revenue Estimating Conference.

| ***Fiscal Year / Tax Type*** | ***Projected Revenue Forgone*** | ***Projected Number of Taxpayers*** |
|---|---|---|
| 2023 Sales and Use Tax | $1,200,369 | 279,204 |
| 2024 Sales and Use Tax | $1,249,887 | 277,156 |
| 2025 Sales and Use Tax | $1,292,997 | 276,045 |

Law Comparison: Connecticut, Maine, Massachusetts, and Vermont have similar provisions.

Connecticut: Sales of menstrual products are exempt from the sales and use tax.

Connecticut Statute: Conn. Gen. Stat. § 12-412(122)

Maine: Menstrual products are exempt from the sales and use tax effective October 1, 2021.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, §1760(107)

Massachusetts: Health care items are exempt from the sales and use tax, and the state classifies sanitary napkins and belts and tampons as health care items.

Massachusetts Statute: Mass. Gen. Laws ch. 64H, § 6(l)

Vermont: Feminine hygiene products used in connection with the human menstrual cycle are exempt from the Vermont sales and use tax.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 9741(56)

### 35. First 50,000 Gallons of Distilled Spirits of a Distiller in Continuous Operation for 12 Months:

Statutory Reference: R.I. Gen. Laws § 3-10-1(d)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 2016 / NA

Description: The first 50,000 gallons of distilled spirits produced and distributed in Rhode Island in any calendar year is exempt from the alcoholic beverage excise tax, provided that the distiller has actively and directly owned, managed, and operated a distillery in the state for at least 12 consecutive months.

Data Source: Excise Tax Section, Rhode Island Division of Taxation. Based on gallonage filings with the Excise Tax Section. ORA took the estimate for the number of gallons distributed in Rhode Island for CY 2020 – CY 2022 and multiplied by the per gallonage excise tax rate of $5.40. Number of taxpayers is the number of distilleries as identified by the Rhode Island Department of Business Regulation.

Reliability Index: 1

| *Calendar Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Alcoholic Beverage Tax | $129,600 | 6 |
| 2021 Alcoholic Beverage Tax | $32,400 | 6 |
| 2022 Alcoholic Beverage Tax | $37,800 | 7 |

Projection Methodology: The revenue forgone amounts for CY 2023 – CY 2025 are the average revenue forgone amounts per distillery from CY 2020 – CY 2023 multiplied by the projected number of taxpayers. The number of taxpayers for CY 2023 are as reported in public data by the

Department of Business Regulation as of November 2023. The number of taxpayers for CY 2024 – CY 2025 were held constant with CY 2023.

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2023 Alcoholic Beverage Tax | $97,200 | 9 |
| 2024 Alcoholic Beverage Tax | $97,200 | 9 |
| 2025 Alcoholic Beverage Tax | $97,200 | 9 |

Law Comparison: No similar provisions were found for the other New England states.

**36. First 100,000 Barrels of Beer of a Brewer in Continuous Operation for 12 Months:**

Statutory Reference: R.I. Gen. Laws § 3-10-1(c)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1933 / 2013

Description: The first 100,000 barrels of beer produced and distributed in Rhode Island in any calendar year is exempt from the alcoholic beverage excise tax, provided that the brewer has actively and directly owned, managed, and operated a brewery in the state for at least 12 consecutive months. A barrel of beer is defined as 31 gallons.

Data Source: Data for FY 2020 - FY 2022 is from the Excise Tax Section, Rhode Island Division of Taxation. The Excise Tax Section reports that a brewer is not required to file barrels of beer brewed until they brew more than 100,000 barrels. The revenue forgone estimates are determined by taking reported gallons sold in Rhode Island only and calculating barrels sold in Rhode Island (31 gallons per barrel) multiplied by the tax rate of $3.30 per barrel. Revenue forgone does not include estimates from smaller brewers and brewpubs who have not filed with the Division of Taxation. Number of taxpayers is from the Rhode Island Department of Business Regulation (DBR).

Reliability Index: 1

| *Fiscal Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Alcoholic Beverage Tax | $142,158 | 34 |
| 2021 Alcoholic Beverage Tax | $204,329 | 34 |
| 2022 Alcoholic Beverage Tax | $180,836 | 40 |

Projection Methodology: Revenue forgone for FY 2023 and FY 2024 is calculated taking the amount of revenue forgone divided by the number of breweries and brewpubs for FY 2020 – FY

2022 and then calculating the average of the results. The average was then applied to the number of breweries and brewpubs for FY 2023 – FY 2025 to estimate revenue forgone for those fiscal years. Number of taxpayers for FY 2023 – FY 2025 is from DBR's website as of October 2023.

| ***Fiscal Year / Tax Type*** | ***Projected Revenue Forgone*** | ***Projected Number of Taxpayers*** |
|---|---|---|
| 2023 Alcoholic Beverage Tax | $207,737 | 42 |
| 2024 Alcoholic Beverage Tax | $207,737 | 42 |
| 2025 Alcoholic Beverage Tax | $207,737 | 42 |

Law Comparison: Only Connecticut has a similar provision.

Connecticut: Connecticut exempts from the alcoholic beverages tax the first 15 barrels of beer each year, provided it is consumed on the brewery premises.

Connecticut Statute: Conn. Gen. Stat. § 12-435

**37. Flags:**

Statutory Reference: R.I. Gen. Laws § 44-18-30(34)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1984 / 1992

Description: The sale, use, storage, or other consumption of United States, Rhode Island, or POW-MIA flags is exempt from the sales and use tax.

Data Source: Interview with Flag Manufacturers Association of America board member, Detroit News. Annual Estimates of Population for the United States (2019 through 2021), United States Census Bureau. Revenue forgone is based on the annual sales of U.S. flags in Rhode Island. Nationally, the sale of U.S. flags is consistent year to year; therefore, no growth in U.S. sales is estimated. National sales are scaled for Rhode Island using the ratio of Rhode Island's population to the total United States population. Revenue forgone is determined by multiplying this amount by 7%. No reliable data exists from which to determine the number of taxpayers.

Reliability Index: 4

| *Fiscal Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Sales and Use Tax | $68,652 | *No estimate possible* |
| 2021 Sales and Use Tax | $69,454 | *No estimate possible* |
| 2022 Sales and Use Tax | $69,148 | *No estimate possible* |

Projection Methodology: FY 2022 - FY 2025 assume no additional growth. No projection of the number of taxpayers is possible due to a lack of reliable data.

| *Fiscal Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2023 Sales and Use Tax | $69,148 | *No estimate possible* |
| 2024 Sales and Use Tax | $69,148 | *No estimate possible* |
| 2025 Sales and Use Tax | $69,148 | *No estimate possible* |

Law Comparison: Connecticut, Massachusetts, and Vermont have similar provisions.

Connecticut: Flags of the United States and the State of Connecticut are exempt from the sales and use tax.

Connecticut Statute: Conn. Gen. Stat. § 12-412(23)

Massachusetts: Flags of the United States are exempt from the sales and use tax.

Massachusetts Statute: Mass. Gen. Laws ch. 64H, § 6(w)

Vermont: Flags of the United States sold to and by veterans' organizations exempted under § 501(c)(19) of the Internal Revenue Code are exempt from the sales and use tax.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 9741(33)

**38. Food and Food Ingredients:**

Statutory Reference: R.I. Gen. Laws § 44-18-30(9)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1948 / 2006

Description: The sale, storage, use, or other consumption of food and food ingredients sold for ingestion or chewing by humans for their taste or nutritional value is exempt from the sales and use tax. For the purposes of this exemption, food and food ingredients does not include candy, soft

drinks, dietary supplements, alcoholic beverages, tobacco, food sold through vending machines, or prepared foods generally.

Data Source: FY 2021 and FY 2022 Rhode Island Interactive Sales and Use Tax Simulation Model. The exemption amount for food items paid for under the Supplemental Nutrition Assistance Program (SNAP) under R.I. Gen. Laws § 44-18-30(39), as determined from information provided by the Rhode Island Department of Human Services (DHS), was subtracted from this estimate. No reliable data exists from which to determine the number of taxpayers.

Reliability Index: 3 (Figures below include any amounts attributable to the "Seeds and Plants used for Food and Food Ingredients" exemption).

| ***Fiscal Year / Tax Type*** | ***Revenue Forgone*** | ***Number of Taxpayers*** |
|---|---|---|
| 2021 Sales and Use Tax | $197,406,134 | *No estimate possible* |
| 2022 Sales and Use Tax | $208,699,808 | *No estimate possible* |

Projection Methodology: The Office of Revenue Analysis applied the FY 2023 growth rate in Rhode Island personal consumption expenditures, food and beverages purchases for off-premises consumption from the November 2023 S&P Global forecast to FY 2021 revenue forgone to project FY 2023 revenue forgone. A similar process was followed for FY 2024 and FY 2025. No projection of the number of taxpayers is possible due to a lack of reliable data.

| ***Fiscal Year / Tax Type*** | ***Projected Revenue Forgone*** | ***Projected Number of Taxpayers*** |
|---|---|---|
| 2023 Sales and Use Tax | $215,026,676 | *No estimate possible* |
| 2024 Sales and Use Tax | $218,124,847 | *No estimate possible* |
| 2025 Sales and Use Tax | $220,976,829 | *No estimate possible* |

Law Comparison: Connecticut, Maine, Massachusetts, and Vermont have similar provisions.

Connecticut: Sales of food products for human consumption are exempt from the sales and use tax. Food products include cereals and cereal products, milk and milk products, oleomargarine, meat and meat products, fish and fish products, eggs and egg products, vegetables and vegetable products, fruit and fruit products, spices and salt, sugar and sugar products other than candy and confectionery, coffee and coffee substitutes, tea, cocoa and cocoa products other than candy and confectionery.

Connecticut Statute: Conn. Gen. Stat. § 12-412(13)

Maine: Sales of grocery staples are exempt from the sales and use tax.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, §§ 1760(3) and 1752(3-B)

Massachusetts: Sales of food products for human consumption which includes cereals and cereal products, flour and flour products, milk and milk products, including ice cream, oleomargarine, meat and meat products, fish and fish products, eggs and egg products, vegetables and vegetable products, fruit and fruit products, soft drinks, herbs, spices and salt, sugar and sugar products, candy and confectionery; coffee and coffee substitutes, tea, cocoa and cocoa products; and ice when used for household consumption are exempt.

Massachusetts Statute: Mass. Gen. Laws ch. 64H, § 6(h)

Vermont: Sales of food and food ingredients sold for human consumption off the premises where sold, as well as eligible foods purchased through the SNAP program are exempt. Food and food ingredients are defined as substances, whether in liquid, concentrated, solid, frozen, dried, or dehydrated form, that are sold for ingestion or chewing by humans and are consumed for their taste or nutritional value. Food and food ingredients do not include alcoholic beverages, tobacco, or soft drinks.

Vermont Statute: Vt. Stat. Ann. tit. 32, §§ 9741(13) and 9701(31)

### 39. Food Items Paid for by Food Stamps:

Statutory Reference: R.I. Gen. Laws § 44-18-30(39)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1986 / N/A

Description: The sale, storage, use, or other consumption of eligible food items paid for with U.S. government food stamps is exempt from the sales and use tax.

Data Source: Revenue forgone is based on Supplemental Nutrition Assistance Program (SNAP) benefits information supplied by the Department of Human Services and the Department of Administration's Office of Management and Budget. An assumed leakage factor of 10% was applied for out-of-state use. The balance is then multiplied by the sales and use tax rate of 7%. Number of taxpayers represents the average number of SNAP recipients during each fiscal year.

Reliability Index: 1

| *Fiscal Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Sales and Use Tax | $14,951,921 | 147,822 |
| 2021 Sales and Use Tax | $15,569,325 | 142,385 |
| 2022 Sales and Use Tax | $17,451,164 | 139,254 |
| 2023 Sales and Use Tax | $20,294,008 | 142,270 |

Projection Methodology: FY 2024 projected amount of forgone revenue and number of taxpayers was calculated by applying the average annual growth realized from FY 2019 - FY 2023 to FY 2023. FY 2025 is set equal to FY 2024.

| *Fiscal Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2024 Sales and Use Tax | $21,319,849 | 139,193 |
| 2025 Sales and Use Tax | $21,319,849 | 139,193 |

Law Comparison: Connecticut, Maine, Massachusetts, and Vermont have similar provisions.

Connecticut: Sales of any items purchased with SNAP benefits are exempt from the Connecticut sales and use tax.

Connecticut Statute: Conn. Gen. Stat. § 12-412(57)

Maine: Sales of items purchased with food instruments distributed by the Department of Health and Human Services pursuant to SNAP or the Women, Infants, and Children (WIC) Special Supplemental Food Program are exempt from the sales and use tax.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 1760(54)

Massachusetts: Tangible personal property purchased with federal food stamps is exempt from the sales and use tax.

Massachusetts Statute: Mass. Gen. Laws ch. 64H, § 6(kk)

Vermont: Sales of food and food ingredients sold for human consumption off the premises where sold and sales of eligible foods that are purchased with benefits under SNAP are exempt, including a limited list of restaurant meals.

Vermont Statute: Vt. Stat. Ann. tit. 32, §§ 9202(10)(D)(ii)(X) and 9741(13)

**40. Gasoline:**

Statutory Reference: R.I. Gen. Laws § 44-18-30(6)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1947 / 1996

Description: The sale, storage, use, or other consumption of gasoline and other products taxed under the motor fuel tax and the sale, storage, use, or other consumption of aviation fuel are exempt from the sales and use tax.

Data Source: Excise Tax Section, Rhode Island Division of Taxation. Gasoline and diesel price data collected from Moody's Analytics. Revenue forgone is based on taxable sales of motor fuel, gasoline, and diesel in Rhode Island. The Office of Revenue Analysis calculated Rhode Island taxable sales by multiplying the annual taxable gallons of gasoline and diesel by the average monthly price per gallon, including state and federal taxes, of self-serve unleaded gasoline and low sulfur diesel fuels. Revenue forgone is determined by multiplying this figure by 7%. No reliable data exists from which to determine the number of taxpayers.

Reliability Index: 2

| ***Fiscal Year / Tax Type*** | ***Revenue Forgone*** | ***Number of Taxpayers*** |
|---|---|---|
| 2020 Sales and Use Tax | $71,376,998 | *No estimate possible* |
| 2021 Sales and Use Tax | $71,058,451 | *No estimate possible* |
| 2022 Sales and Use Tax | $112,796,550 | *No estimate possible* |
| 2023 Sales and Use Tax | $117,513,242 | *No estimate possible* |

Projection Methodology: FY 2024 is the 2-year average of revenue forgone from FY 2022 and FY 2023. FY 2025 assume no additional growth. No projection of the number of taxpayers is possible due to a lack of reliable data.

| ***Fiscal Year / Tax Type*** | ***Projected Revenue Forgone*** | ***Projected Number of Taxpayers*** |
|---|---|---|
| 2024 Sales and Use Tax | $115,154,896 | *No estimate possible* |
| 2025 Sales and Use Tax | $115,154,896 | *No estimate possible* |

Law Comparison: Connecticut, Maine, Massachusetts, and Vermont have similar provisions.

Connecticut: The sale, storage, use, or other consumption of motor fuel is exempt. Dyed diesel sold to marine fuel docks for marine purposes is exempt from the motor vehicle fuels tax but is subject to sales tax at a reduced rate of 2.99%.

Connecticut Statute: Conn. Gen. Stat. §§ 12-412(15) and 12-408(1)(E)(iii)

Maine: Certain motor fuels upon which a motor fuel tax has been paid are exempt from the sales and use tax. Internal combustion engine fuel bought and used for the purpose of propelling jet engine aircraft is also exempt. Sales tax paid on fuel purchased for use in commercial agriculture, commercial fishing, or commercial wood harvesting is eligible for refund.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, §§ 1760(8)(A), 1760(8)(B), and 2013(2)

Massachusetts: Gasoline and special motor carrier fuels that are subject to the provisions of Chapters 64A (Taxation of Sales of Gasoline), 64E (Taxation of Special Fuels in the Propulsion

of Motor Vehicles), or 64F (Taxation of Fuel and Special Fuels Acquired Outside and Used within the Commonwealth) of the Massachusetts General Laws are exempt from the sales and use tax.

Massachusetts Statute: Mass. Gen. Laws ch. 64H, § 6(g)

Vermont: Motor fuels that are taxed under the state's gasoline tax, and dyed diesel used to power forestry machinery or to propel a vehicle off the highways of the State are exempt from the sales and use tax. Jet fuel and natural gas are taxable for sales and use tax purposes.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 9741(7)(A)

**41. Hardship:**

Statutory Reference: R.I. Gen. Laws § 44-30-101(e)(2)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 2019 / N/A

Description: Beginning in 2020, Rhode Island residents are required to maintain health insurance or be subject to a tax known as the "Shared Responsibility Payment Penalty." A taxpayer may claim a coverage exemption if they or a member of their household experienced a hardship that prevented them from obtaining minimum essential coverage. Hardship exemptions can include, but are not limited to, homelessness, eviction or foreclosure, death of a close family member, domestic violence, fire, flood, or other damage to your home or filing for bankruptcy. Individuals must be approved through Healthsource RI to receive the exemption.

Data Source: Rhode Island Division of Taxation. The number of taxpayers is a count of how many returns had this exemption claimed. It is possible that a return could represent more than one filer, such as in a joint return, which would be undercounted as reported here. It is also possible that the exemption was claimed for less than a full year. To calculate revenue forgone, Taxation provided an unaudited, taxpayer provided individual mandate penalty assessed, for all returns in that tax year that were assessed a penalty. Average assessed penalty per return was $680 in TY 2020, $769 in TY 2021 and $786 in preliminary TY 2022. ORA multiplied the average assessed penalty by the number of returns claiming that exemption in each tax year.

Reliability Index: 2 (This exemption includes the Religious Conscience exemption from the Shared Responsibility Payment Penalty).

| *Calendar Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Shared Responsibility Payment Penalty Tax | $8,840 | 13 |
| 2021 Shared Responsibility Payment Penalty Tax | $18,456 | 24 |
| 2022 Shared Responsibility Payment Penalty Tax | $11,790 | 15 |

Projection Methodology: Revenue forgone amounts and number of taxpayers for TY 2023 are calculated using a three-year average based on data from TY 2020 – TY 2022. TYs 2024 and 2025 is set equal to TY 2023.

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2023 Shared Responsibility Payment Penalty Tax | $13,029 | 17 |
| 2024 Shared Responsibility Payment Penalty Tax | $13,029 | 17 |
| 2025 Shared Responsibility Payment Penalty Tax | $13,029 | 17 |

Law Comparison: A similar provision was found in Massachusetts.

Massachusetts: An individual may file an appeal on the imposition of the penalty claiming a hardship prevented them from purchasing health insurance.

Massachusetts Statute: Mass. Regulation 830 CMR 111M.2.1

**42. Heating Fuels:**

Statutory Reference: R.I. Gen. Laws § 44-18-30(20)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1972 / 2015

Description: The sale, storage, use, or other consumption of every type of heating fuel, regardless of use, is exempt from the sales and use tax.

Data Source: Annual Energy Outlook, Independent Statistics and Analysis, U.S. Energy Information Administration; U.S. Department of Energy. Revenue forgone is based on energy consumption and price in Rhode Island. For FY 2020 - FY 2025, Rhode Island sales of distillate

fuel oil and propane included residential, commercial, and industrial consumption of New England quadrillion btu of distillate fuel oil and propane consumed. Revenue forgone is determined by multiplying New England total consumption in quadrillion btu by the average yearly price per btu, scaling the figure to Rhode Island by Rhode Island's percent of New England's residential quadrillion btu, and multiplying by 7%. No reliable data exists from which to determine the number of taxpayers.

Reliability Index: 4

| ***Fiscal Year / Tax Type*** | ***Revenue Forgone*** | ***Number of Taxpayers*** |
|---|---|---|
| 2020 Sales and Use Tax | $25,024,115 | *No estimate possible* |
| 2021 Sales and Use Tax | $23,636,849 | *No estimate possible* |
| 2022 Sales and Use Tax | $34,383,062 | *No estimate possible* |
| 2023 Sales and Use Tax | $43,950,997 | *No estimate possible* |

Projection Methodology: FY 2024 and FY 2025 revenue forgone amounts were calculated using the previous methodology based on EIA projections for energy consumption and price. No projection of the number of taxpayers is possible due to a lack of reliable data.

| ***Fiscal Year / Tax Type*** | ***Projected Revenue Forgone*** | ***Projected Number of Taxpayers*** |
|---|---|---|
| 2024 Sales and Use Tax | $41,163,432 | *No estimate possible* |
| 2025 Sales and Use Tax | $37,378,435 | *No estimate possible* |

Law Comparison: Connecticut, Maine, Massachusetts, and Vermont have similar provisions.

Connecticut: All fuels used for heating purposes for residential use are exempt from the sales and use tax, along with any building or premise used directly in agricultural production or in the fabrication of a finished product to be sold or an industrial manufacturing plant provided that not less than 75% of the gas or electricity is used for the purpose of production, fabrication, or manufacturing.

Connecticut Statute: Conn. Gen. Stat. § 12-412(16)

Maine: Coal, oil, wood and all other fuels, except gas and electricity, when bought for cooking and heating in buildings designed and used for both human habitation and sleeping are exempt. Additionally, 95% of the sale price of all fuel and electricity purchased for use at a manufacturing facility is exempt.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, §§ 1760(9) and 1760(9-D)

Massachusetts: The sales of fuel used for residential heating purposes are exempt, as well as fuel used for heating purposes in an industrial plant where not less than 75% is used in the actual manufacture of tangible personal property to be sold. Massachusetts also exempts heating fuels used by any business that has five or fewer employees and had gross income of less than $1.0 million for the preceding calendar year.

Massachusetts Statute: Mass. Gen. Laws ch. 64H, §§ 6(j) and 6(qq)

Vermont: Vermont exempts sales of electricity, oil, gas, and other fuels used in a residence for all domestic use, including heating. Sales of electricity, oil, gas, and other fuels used directly and exclusively for farming purposes are also exempt, as well as those fuels used directly or indirectly in manufacturing.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 9741(26), 9741(27), and 9741(34)

### 43. Horse Food Products:

Statutory Reference: R.I. Gen. Laws § 44-18-30(53)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 2000 / N/A

Description: The sale, use, storage, or other consumption of horse food products purchased by a person engaged in the business of boarding horses is exempt from the sales and use tax.

Data Source: FY 2021 and FY 2022 Rhode Island Interactive Sales and Use Tax Simulation Model. No reliable data exists from which to determine the number of taxpayers. This estimate was scaled to horses by multiplying the estimate by the ratio of "total horses and ponies on Rhode Island farms" to the "total number of livestock on Rhode Island farms" derived from the 2017 Census of Agriculture, Rhode Island state profile. The calculated percentage was 2.5187%.

Reliability Index: 3

| *Fiscal Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2021 Sales and Use Tax | $69,210 | *No estimate possible* |
| 2022 Sales and Use Tax | $69,419 | *No estimate possible* |

Projection Methodology: The Office of Revenue Analysis applied the FY 2023 growth rate in the Unites States producer price index for processed foods and feeds from the November 2023 S&P Global forecast to FY 2022 revenue forgone to project FY 2023 revenue forgone. A similar process was followed for FY 2024 and FY 2025. No projection of the number of taxpayers is possible due to a lack of reliable data.

| *Fiscal Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2023 Sales and Use Tax | $74,032 | *No estimate possible* |
| 2024 Sales and Use Tax | $73,082 | *No estimate possible* |
| 2025 Sales and Use Tax | $73,259 | *No estimate possible* |

Comparison: Connecticut, Maine, Massachusetts, and Vermont have similar provisions.

Connecticut: Connecticut's exemption for agricultural production includes the raising, feeding, caring for, shearing, training, or management of livestock, including horses.

Connecticut Statute: Conn. Gen. Stat. § 12-412(63)(C)

Maine: Sales of breeding stock, semen, embryos, feed, hormones, antibiotics, medicine, pesticides, and litter for use in animal agricultural production and sales of antiseptics and cleaning agents used in commercial animal agricultural production. Animal agricultural production includes the raising and keeping of equines. Farm animal bedding and hay are also exempt from the sales and use tax.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, §§ 1760(7-C) and 1760(78)

Massachusetts: Sales of feed, including the bags in which the feed is customarily contained for livestock and poultry of a kind, which ordinarily constitute food for human consumption or are to be sold in the regular course of business are exempt.

Massachusetts Statute: Mass. Gen. Laws ch. 64H, § 6(p)

Vermont: Vermont exempts agricultural feeds broadly from the sales and use tax.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 9741(3)

**44. Human Blood:**

Statutory Reference: R.I. Gen. Laws § 44-18-30(60)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 2007 / N/A

Description: The sale, use, storage, or other consumption of human blood is exempt from the sales and use tax.

Data Source: The 2019 and 2021 National Blood Collection and Utilization Survey Report (conducted by the Association for the Advancement of Blood and Biotherapies), United States

Department of Health and Human Services. Annual Estimates of Population for the United States (2019-2022) and 2020 Decennial Census of Population, United States Census Bureau. Revenue forgone is based on the sale of whole blood, red blood cell units, and apheresis-derived platelet units to hospitals located in Rhode Island. The total value of units of blood collected in the U.S. is scaled for Rhode Island using the ratio of Rhode Island's population to the total U.S. population. Revenue forgone is determined by multiplying this amount by 7%. No reliable data exists from which to determine the number of taxpayers.

Reliability Index: 4

| ***Fiscal Year / Tax Type*** | ***Revenue Forgone*** | ***Number of Taxpayers*** |
|---|---|---|
| 2020 Sales and Use Tax | $804,040 | *No estimate possible* |
| 2021 Sales and Use Tax | $847,677 | *No estimate possible* |
| 2022 Sales and Use Tax | $906,676 | *No estimate possible* |

Projection Methodology: FY 2023 - FY 2025 revenue forgone amounts assume no additional growth. No projection of the number of taxpayers is possible due to a lack of reliable data.

| ***Fiscal Year / Tax Type*** | ***Projected Revenue Forgone*** | ***Projected Number of Taxpayers*** |
|---|---|---|
| 2023 Sales and Use Tax | $906,676 | *No estimate possible* |
| 2024 Sales and Use Tax | $906,676 | *No estimate possible* |
| 2025 Sales and Use Tax | $906,676 | *No estimate possible* |

Law Comparison: Connecticut, Massachusetts, and Vermont have similar provisions.

Connecticut: Blood or blood plasma, when sold for medical use in humans or animals, is exempt from the sales and use tax.

Connecticut Statute: Conn. Gen. Stat. § 12-412(19)

Massachusetts: Medical items, including blood and blood plasma, are exempt from the sales and use tax.

Massachusetts Statute: Mass. Gen. Laws ch. 64H, § 6(l)

Vermont: Blood or blood plasma used in treatment intended to alleviate human suffering or to correct, in whole or in part, human physical disabilities is exempt from the sales and use tax.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 9741(2)

## 45. Installation Labor Charges When Separately Stated:

Statutory Reference: R.I. Gen. Laws § 44-18-12(b)(ii)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1947 / 2006

Description: The amount charged for labor or services rendered in installing or applying the property sold is exempt from the sales and use tax, provided that the charges for such labor or services rendered are separately stated by the retailer to the purchaser.

Data Source: FY 2021 and FY 2022 Rhode Island Interactive Sales and Use Tax Simulation Model. No reliable data exists from which to determine the number of taxpayers.

Reliability Index: 3

| *Fiscal Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2021 Sales and Use Tax | $42,031,200 | *No estimate possible* |
| 2022 Sales and Use Tax | $44,944,700 | *No estimate possible* |

Projection Methodology: The Office of Revenue Analysis applied the FY 2023 growth rate in Rhode Island personal consumption expenditures on services for household consumption expenditures from the November 2023 S&P Global forecast to FY 2022 revenue forgone to project FY 2023 revenue forgone. A similar process was followed for FY 2024 and FY 2025. No projection of the number of taxpayers is possible due to a lack of reliable data.

| *Fiscal Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2023 Sales and Use Tax | $48,194,667 | *No estimate possible* |
| 2024 Sales and Use Tax | $50,521,943 | *No estimate possible* |
| 2025 Sales and Use Tax | $52,580,440 | *No estimate possible* |

Law Comparison: Connecticut, Maine, Massachusetts, and Vermont have similar provisions.

Connecticut: Charges for labor rendered in installing or applying the property sold, provided such charge is separately stated, are exempt.

Connecticut Statute: Conn. Gen. Stat. § 12-407(8)(B)(iv)

Maine: The price received for labor or services used in installing or applying or repairing the property sold or fabricated, if separately charged or stated, is excluded from the taxable sales price.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 1752(14)(B)(4)

Massachusetts: The amount charged for labor or services rendered in installing or applying the property sold is exempt.

Massachusetts Statute: Mass. Gen. Laws ch. 64H, § 1

Vermont: Installation charges are exempt from the sales and use tax.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 9701(4)(B)(iv)

**46. Jewelry Display Product:**

Statutory Reference: R.I. Gen. Laws § 44-18-30(47)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1993 / N/A

Description: The sale, use, storage, or other consumption of tangible personal property used to display any jewelry product is exempt from the sales and use tax as long as the title to the jewelry display product is transferred by the jewelry manufacturer or seller, shipped out of state for use solely outside the state, and is not returned to the manufacturer or seller.

Data Source: No reliable data exists for this tax expenditure item.

Reliability Index: 5

Projection Methodology: No projection is made due to lack of reliable data.

Law Comparison: No similar provisions were found for the other New England states.

**47. Lottery Prizes:**

Statutory Reference: R.I. Gen. Laws § 42-61-17

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1974 / 1989

Description: The prizes received from the Division of Lottery are exempt from the state sales or use tax. Prizes are still subject to any taxes applicable to personal income tax.

Data Source: Division of Lottery, Department of Revenue

Reliability Index: 1

| *Fiscal Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Sales and Use Tax | $0 | 0 |
| 2021 Sales and Use Tax | $0 | 0 |

Projection Methodology: Revenue forgone and number of taxpayers for FY 2022 – FY 2025 are held constant with FY 2021.

| *Fiscal Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2022 Sales and Use Tax | $0 | 0 |
| 2023 Sales and Use Tax | $0 | 0 |
| 2024 Sales and Use Tax | $0 | 0 |
| 2025 Sales and Use Tax | $0 | 0 |

Law Comparison: No similar provisions were found for the other New England states.

**48. Manufacturers' Machinery and Equipment:**

Statutory Reference: R.I. Gen. Laws § 44-18-30(22)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1974 / 1998

Description: The sale, storage, use, or other consumption of tools, dies, molds, machinery and equipment, including replacement parts, and related items to the extent used in connection with the actual manufacture, conversion, or processing of tangible personal property or computer software is exempt from the sales and use tax. The exemption is allowed whether the machinery and/or equipment is to be sold or used in the furnishing of power to an individual manufacturing plant. Machinery and equipment used in administration or distribution operations is not exempt.

Data Source: FY 2021 and FY 2022 Rhode Island Interactive Sales and Use Tax Simulation Model. Number of taxpayers are from 2021 update of county business patterns published by the United States Census Bureau. Includes all firms classified under the North American Industry Classification System (NAICS) of manufacturing.

Reliability Index: 3

| *Fiscal Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2021 Sales and Use Tax | $38,531,955 | 1,189 |
| 2022 Sales and Use Tax | $39,691,599 | 1,189 |

Projection Methodology: The Office of Revenue Analysis applied the FY 2023 growth rate in the United States producer price index for machinery and equipment from the November 2023 S&P Global forecast to FY 2022 revenue forgone to project FY 2023 revenue forgone. A similar process was followed for FY 2024 and FY 2025. FY 2023 – FY 2025 number of taxpayers held constant with FY 2022.

| *Fiscal Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2023 Sales and Use Tax | $43,078,665 | 1,189 |
| 2024 Sales and Use Tax | $43,917,118 | 1,189 |
| 2025 Sales and Use Tax | $43,792,309 | 1,189 |

Law Comparison: Connecticut, Maine, Massachusetts, and Vermont have similar provisions.

Connecticut: Machinery used directly in a manufacturing production process is exempt from the sales and use tax.

Connecticut Statute: Conn. Gen. Stat. § 12-412(34)

Maine: Machinery and equipment for use by the purchaser directly and primarily in either the production of tangible personal property intended to be sold or leased ultimately for final use or consumption or in the production of tangible personal property are exempt.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 1760(31)

Massachusetts: Machinery or its replacement parts used directly and exclusively in an industrial plant in the actual manufacture of tangible personal property that is to be sold is exempt.

Massachusetts Statute: Mass. Gen. Laws ch. 64H, § 6(s)

Vermont: Machinery and equipment used in or consumed as an integral or essential part of an integrated production operation by a manufacturing or processing plant or facility engaged in the manufacture of tangible personal property for sale or in the manufacture of other machinery or equipment, parts, or supplies for use in the manufacturing process are exempt.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 9741(14)

**49. Medicaid:**

Statutory Reference: R.I. Gen. Laws § 44-30-101(e)(6) / R.I. Pub. Laws 2023, Ch. 79, Art. 4, § 4

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 2023 / N/A

Description: Rhode Island's health insurance mandate requires Rhode Islanders to have minimum essential coverage for healthcare. During the 2023 session, a new exemption was enacted to exempt any applicable individual who was enrolled in the Medicaid program through December 31, 2023.

Data Source: No reliable data exists for this tax expenditure item.

Reliability Index: 5

Projection Methodology: No projection is made due to lack of reliable data.

Law Comparison: No similar provisions were found for the other New England states.

**50. Medicines, Drugs, and Durable Medical Equipment:**

Statutory Reference: R.I. Gen. Laws § 44-18-30(10)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1948 / 2011

Description: The sale, use, storage, or other consumption of drugs sold on prescription, medical oxygen, insulin whether it is sold on prescription or not, durable medical equipment for home use only, and supplies and related ancillary dressings used to dispense or administer prescription drugs is exempt from the sales and use tax. The exemption for over-the-counter drugs was eliminated in the FY 2012 budget.

Data Source: FY 2021 and FY 2022 Rhode Island Interactive Sales and Use Tax Simulation Model. No reliable data exists from which to determine the number of taxpayers.

Reliability Index: 3

| *Fiscal Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2021 Sales and Use Tax | $158,208,681 | *No estimate possible* |
| 2022 Sales and Use Tax | $176,557,862 | *No estimate possible* |

Projection Methodology: The Office of Revenue Analysis applied the FY 2023 growth rate in Rhode Island personal consumption expenditures, nondurable goods from the November 2023 S&P Global forecast to FY 2022 revenue forgone to project FY 2023 revenue forgone. A similar process was followed for FY 2024 and FY 2025. No projection of the number of taxpayers is possible due to a lack of reliable data.

| ***Fiscal Year / Tax Type*** | ***Projected Revenue Forgone*** | ***Projected Number of Taxpayers*** |
|---|---|---|
| 2023 Sales and Use Tax | $185,199,536 | *No estimate possible* |
| 2024 Sales and Use Tax | $192,389,102 | *No estimate possible* |
| 2025 Sales and Use Tax | $195,463,935 | *No estimate possible* |

Law Comparison: Connecticut, Maine, Massachusetts, and Vermont have similar provisions.

Connecticut: Oxygen, blood plasma, prostheses, walkers and wheelchairs, medical devices and machines, prescription medicines, over-the-counter drugs and medicines, needles, and syringes are exempt from the state's sales and use tax.

Connecticut Statute: Conn. Gen. Stat. §§ 12-412(4), 12-412(19), and 12-412(120)

Maine: Sales of medicines for human beings sold by prescription are exempt from Maine sales tax. Sales of over-the-counter drugs and medical marijuana are not exempt from Maine sales tax. All equipment and supplies, whether medical or otherwise, used in the diagnosis or treatment of human diabetes is exempt. Maine's provisions also exclude the sale of positive airway pressure equipment and supplies and oxygen delivery equipment for rental for personal use to a person engaged in the business of renting positive airway pressure equipment and oxygen delivery equipment from sales tax.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, §§ 1760(5), 1760(33), and 1760(94)

Massachusetts: Sales of medicine, insulin needles and insulin syringes on prescriptions of registered physicians; sales of artificial devices individually designed, constructed. or altered solely for the use of a particular crippled person so as to become a brace, support, supplement, correction or substitute for the bodily structure; sales of artificial limbs, artificial eyes, hearing aids and other equipment worn as a correction or substitute for any functioning portion of the body; sales of artificial teeth by a dentist and the materials used by a dentist in dental treatment; sales of prescription eyeglasses; sales of crutches and wheel chairs for the use of disabled persons; sales of baby oil; the rental, sales, and repairs of kidney dialysis machines, enteral and parenteral feedings, and feeding devices, suction machines, physician-prescribed, medically necessary breast pumps, oxygen concentrators, oxygen regulators, oxygen humidifiers, oxygen masks, oxygen cannulas, ultrasonic nebulizers, life sustaining resuscitators, incubators, heart pacemakers, canes, all types of hospital beds for home use, tripod quad canes, breast prosthesis, alternating pressure pad units and patient lifts, when prescribed by a physician are exempt from the sales and use tax. All medical

implements, pads, pouches, and solutions used as a result of a person undergoing a colostomy or ileostomy are also exempt.

Massachusetts Statute: Mass. Gen. Laws ch. 64H, §§ 6(l) and 6(z)

Vermont: Drugs intended for human use, durable medical equipment, mobility enhancing equipment, and prosthetic devices and supplies, including blood, blood plasma, insulin, and medical oxygen, used in treatment intended to alleviate human suffering or to correct, in whole or in part, human physical disabilities are exempt from the sales and use tax.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 9741(2)

**51. Mobile and Manufactured Homes Generally:**

Statutory Reference: R.I. Gen. Laws § 44-18-30(50)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1996 / N/A

Description: The sale, use, storage, or other consumption of mobile and/or manufactured homes that are subject to the mobile home conveyance tax is exempt from the sales and use tax.

Data Source: Rhode Island Division of Taxation. Revenue forgone is calculated from mobile home conveyance tax receipts. The Office of Revenue Analysis used the current mobile home conveyance tax rate of $1.40 for each $500 or fractional part thereof which is paid for the purchase of the home to estimate gross sales. Revenue forgone is determined by multiplying this figure by 7%. No reliable data exists from which to determine the number of taxpayers.

Reliability Index: 1

| *Fiscal Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Sales and Use Tax | $667,125 | *No estimate possible* |
| 2021 Sales and Use Tax | $387,900 | *No estimate possible* |
| 2022 Sales and Use Tax | $328,450 | *No estimate possible* |
| 2023 Sales and Use Tax | $598,616 | *No estimate possible* |

Projection Methodology: FY 2024 and FY 2025 assume no additional growth. No projection of the number of taxpayers is possible due to a lack of reliable data.

| *Fiscal Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2024 Sales and Use Tax | $598,616 | *No estimate possible* |
| 2025 Sales and Use Tax | $598,616 | *No estimate possible* |

Law Comparison: Connecticut, Maine, and Vermont have similar provisions.

Connecticut: Sale of a new modular or prefabricated home from a manufacturer shall be subject to sales and use taxes except that the sales price of a new mobile manufactured home or new modular or prefabricated home shall be deemed to be 70% of the manufacturer's sales price for the calculation of the sales and use tax.

Connecticut Statute: Conn. Gen. Stat. § 12-412c(a)

Maine: Sales of new manufactured housing, except for the costs of materials, are exempt from the sales and use tax up to a maximum of 50% of the sale price. Sales of used manufactured houses are fully exempt.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 1760(40)

Vermont: Vermont's provisions include exclusion from the sales and use tax for 40% of the receipts from the sale of mobile homes and modular housing when they are sold as tangible personal property.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 9741(32)

**52. Motor Vehicle and Adaptive Equipment for Amputee Veterans:**

Statutory Reference: R.I. Gen. Laws § 44-18-30(35)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1985 / 1989

Description: The sale of a motor vehicle and adaptive equipment to and for the use of a veteran with a service-connected loss of or loss of use of a leg, foot, hand or arm or any veteran who is a double amputee, whether service-connected or not, is exempt from the sales and use tax. The motor vehicle must be purchased by and especially equipped for use by the qualifying veteran.

Data Source: *No reliable data exists for this tax expenditure item. (The forgone revenue from this exemption is included in the "Motor Vehicles and Adaptive Equipment for Persons with Disabilities" exemption.)

Reliability Index: 5

Projection Methodology: No projection is made due to lack of reliable data.

Law Comparison: Maine and Massachusetts have similar provisions.

Maine: Sales of motor vehicles to amputee veterans who have been granted free registration of such vehicles by the Secretary of State are exempt.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 1760(22)

Massachusetts: Sales of motor vehicles purchased by or for the use of a veteran who has been determined to be permanently disabled by the medical advisory board and has been issued a disabled veteran number plate are exempt. The exemption applies only to a single motor vehicle that must be purchased by and registered for the personal, noncommercial use of the disabled veteran.

Massachusetts Statute: Mass. Gen. Laws ch. 64H, § 6(u)

**53. Motor Vehicles and Adaptive Equipment for Persons with Disabilities:**

Statutory Reference: R.I. Gen. Laws § 44-18-30(19)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1969 / 2000

Description: The sale of special adaptations, the component parts of special adaptations, or a specially adapted motor vehicle is exempt from the sales and use tax, provided that the owner supplies the tax administrator with an affidavit of a licensed physician indicating that the specially adapted motor vehicle is necessary to transport a disabled family member, including the owner.

Data Source: Division of Motor Vehicles, Rhode Island Department of Revenue.

Reliability Index: 1

| *Fiscal Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Sales and Use Tax | $3,705 | 16 |
| 2021 Sales and Use Tax | $3,125 | < 10 |
| 2022 Sales and Use Tax | $3,341 | < 10 |
| 2023 Sales and Use Tax | $6,055 | 12 |

Projection Methodology: Revenue forgone amounts and number of taxpayers for FY 2024 are calculated using a three-year average based on data from FY 2021 – FY 2023. FY 2025 is set equal to FY 2024.

| *Fiscal Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2024 Sales and Use Tax | $4,174 | < 10 |
| 2025 Sales and Use Tax | $4,174 | < 10 |

Law Comparison: Connecticut, Maine, Massachusetts, and Vermont have similar provisions.

Connecticut: Sales and the storage, use, or other consumption of special equipment installed in a motor vehicle for the exclusive use of a person with physical disabilities and repair or replacement parts for such equipment, whether such repair or replacement parts are purchased separately or in conjunction with such equipment, and whether such parts continue the original function or enhance the functionality of such equipment are exempt.

Connecticut Statute: Conn. Gen. Stat. § 12-412(80)

Maine: A person with a disability is granted a sales tax exemption for adaptive equipment for installation in or on a motor vehicle to make that vehicle operable or accessible by a person with a disability who is issued a disability plate or placard by the Secretary of State.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 1760(95)

Massachusetts: Sales of a motor vehicles purchased by and for the use of a person who has suffered loss, or permanent loss of use of at least one leg or arm are exempt from the sales and use tax. This exemption applies to one motor vehicle only that is owned and registered for the personal, noncommercial use of such person.

Massachusetts Statute: Mass. Gen. Laws ch. 64H, § 6(u)

Vermont: There is an exemption from the motor vehicle purchase and use tax for one motor vehicle owned or leased and operated by a person with a permanent physical disability for whom the vehicle controls have been altered to enable the person to drive. A motor vehicle owned or leased by a parent or guardian of a person with a permanent disability for whom a mechanical lifting device has been installed to allow for entry and exit of the vehicle, provided that the person with a disability has been certified exempt from the tax by the Commissioner of Motor Vehicles under the provisions of § 8901 of this title, is also exempt.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 8911(12)

**54. Narragansett Pier Railroad Company:**

Statutory Reference: R.I. Gen. Laws § 44-13-1(a)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1942 / 1985

Description: The Narragansett Pier Railroad Company is exempt from the public service corporation tax in any year that net receipts of the railroad from dividends or other form of distribution of corporate earnings do not total at least 4% of the aggregate value of the property of the railroad.

Data Source: No reliable data exists for this tax expenditure item.

Reliability Index: 5

Projection Methodology: No projection is made due to lack of reliable data.

Law Comparison: No similar provisions were found for the other New England states.

**55. Newspapers:**

Statutory Reference: R.I. Gen. Laws § 44-18-30(2)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1947 / N/A

Description: The sale, storage, use, or other consumption of newspapers is exempt from the sales and use tax. In this context, newspapers are defined as unbound publications printed on newsprint containing news, editorial comments, opinions, features, advertising, and other matters of public interest. Newspapers do not include magazines, handbills, circulars, flyers, sales catalogs, or similar items unless the item is printed for and distributed as a part of a newspaper.

Data Source: FY 2021 and FY 2022 Rhode Island Interactive Sales and Use Tax Simulation Model. No reliable data exists from which to determine the number of taxpayers.

Reliability Index: 3

| ***Fiscal Year / Tax Type*** | ***Revenue Forgone*** | ***Number of Taxpayers*** |
|---|---|---|
| 2021 Sales and Use Tax | $2,632,253 | *No estimate possible* |
| 2022 Sales and Use Tax | $3,312,034 | *No estimate possible* |

Projection Methodology: The Office of Revenue Analysis applied the FY 2023 growth rate in Rhode Island personal consumption expenditures, other nondurable goods from the November 2023 S&P Global forecast to FY 2022 revenue forgone to project FY 2023 revenue forgone. A similar process was followed for FY 2024 and FY 2025. No projection of the number of taxpayers is possible due to a lack of reliable data.

| *Fiscal Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2023 Sales and Use Tax | $3,285,332 | *No estimate possible* |
| 2024 Sales and Use Tax | $3,412,871 | *No estimate possible* |
| 2025 Sales and Use Tax | $3,467,417 | *No estimate possible* |

Law Comparison: Connecticut, Maine, Massachusetts, and Vermont have similar provisions.

Connecticut: Connecticut's provisions exempt newspapers by subscription, magazines, regardless of frequency, and publications by subscription that only contain puzzles.

Connecticut Statute: Conn. Gen. Stat. § 12-412(114)

Maine: Maine's provisions exempt sales of any publication regularly issued at average intervals not exceeding three months. Maine also exempts free publications and components of publications.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 1760(14) and 1760(14-A)

Massachusetts: Massachusetts' provisions exempt sales of newspapers and magazines, regardless of frequency, from the sales and use tax.

Massachusetts Statute: Mass. Gen. Laws ch. 64H, § 6(m)

Vermont: Vermont's provision exempts newspapers and tangible personal property that becomes part of a newspaper, even if the newspaper is distributed without charge, from the sales and use tax. On average for the tax year, at least 10% of a newspaper's printed material must consist of news of general or community interest, community notices, editorial comment, or articles by different authors.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 9741(15)

**56. Ocean Marine Insurance:**

Statutory Reference: R.I. Gen. Laws § 44-17-1(a)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1896 / N/A

Description: The premiums received from contracts of ocean marine insurance are exempt from the insurance gross premiums tax. In this context, ocean marine insurance is defined as contracts of insurance written by an insurance company transacting the business of marine insurance upon hulls, freights, disbursements, goods, wares, merchandise, and all other personal property and interests in the course of importation/exportation to or from any country or transportation

coastwise in connection with any and all risks or perils of navigation, transit, while being prepared for and while awaiting shipment, and during any delays, storage, or reshipment, including war risks and marine builders risks.

Data Source: National Association of Insurance Commissioners (NAIC), State Insurance Regulation in Rhode Island: Key Facts and Market Trends for 2020. Insurance Information Institute, Net Premiums Written By Line, Property/Casualty Insurance, 2018-2020. Rhode Island Division of Taxation. For FY 2020, Rhode Island insurance premium data for ocean marine insurance premiums was estimated by applying the percentage of United States ocean marine insurance premiums of the total United States ocean and inland marine insurance premiums to the total amount of reported Rhode Island ocean and inland marine insurance premiums. ORA used the 2021 growth rate in U.S. ocean marine insurance premiums to calculate the 2021 ocean marine premiums. Revenue forgone is determined by multiplying the ocean marine insurance premiums amounts by 2%. Number of taxpayers are the number of property/casualty insurance companies who included ocean marine and federal exempt premiums on the Rhode Island insurance tax form. ORA calculated a percentage of ocean marine insurance premiums from this using the NAIC data to exclude federal flood and farm insurance companies from the number of taxpayers.

Reliability Index: 4

| *Calendar Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Ins Co Gross Premiums Tax | $459,467 | 46 |
| 2021 Ins Co Gross Premiums Tax | $520,862 | 45 |

Projection Methodology: The CY 2022 projection used data provided by NAIC and the Division of Taxation with ORA calculations using the same methodology to that of CY 2020. Taxation data on the number of taxpayers is as of December 2023 and is subject to revision. Revenue forgone for CY 2023 – CY 2025 was grown using the S&P Global forecast for gross state product, finance and insurance as provided for the November 2023 Revenue Estimating Conference. The number of projected taxpayers is held constant with CY 2021

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2022 Ins Co Gross Premiums Tax | $526,577 | 45 |
| 2023 Ins Co Gross Premiums Tax | $515,337 | 45 |
| 2024 Ins Co Gross Premiums Tax | $564,541 | 45 |
| 2025 Ins Co Gross Premiums Tax | $611,198 | 45 |

Law Comparison: Only Connecticut has a similar provision.

Connecticut: Ocean marine insurance companies are excluded from the tax on net direct insurance premiums of nonresident and foreign companies.

Connecticut Statute: Conn. Gen. Stat. § 12-210(b)

**57. Out-of-State Shipments of Rhode Island Alcoholic Beverage Manufacturers:**

Statutory Reference: R.I. Gen. Laws § 3-10-2

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1933 / 1956

Description: Rhode Island-based manufacturers of alcoholic beverages ship any beverage out-of-state with the intention that the consumption of that beverage will be outside of the state's borders may receive an exemption from the alcoholic beverage excise tax. The exemption from the tax is granted by the Department of Business Regulation.

Data Source: No reliable data exists for this tax expenditure item.

Reliability Index: 5

Projection Methodology: No projection is made due to lack of reliable data.

Law Comparison: Connecticut, Massachusetts, and Vermont have similar provisions.

Connecticut: No tax is imposed on manufacturers of alcoholic beverages for sales to licensed distributors or on sales for export.

Connecticut Statute: Conn. Gen. Stat. § 12-435

Massachusetts: Alcoholic beverages made in Massachusetts or imported into Massachusetts and then exported from the state are exempt from the alcohol beverage excise tax.

Massachusetts Statute: Mass. Gen. Laws ch. 138, § 21(g)

Vermont: Vermont states the alcoholic beverage taxes are only due on sales in the State.

Vermont Statute: Vt. Stat. Ann. tit. 7, §§ 421(a) and 422(a)

**58. Personal and Dependent:**

Statutory Reference: R.I. Gen. Laws § 44-30-2.6(c)(3)(C)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 2001 / 2018

Description: Resident and non-resident taxpayers are allowed a personal and/or dependent exemption against the personal income tax. A personal exemption is granted to the taxpayer and spouse, if jointly filing a tax return, and the dependent exemption is granted to the dependents that are claimed by the taxpayer on their federal income tax return. The term exemption amount means the same as it did in the 26 U.S.C. §§ 151 and 152 as of December 22, 2017. The exemption amount is adjusted for inflation. If the taxpayer identification number (TIN) is not listed on the federal income tax form for any individual, the TIN must be listed on the Rhode Island personal income tax form for the exemption to be claimed.

| *Tax Year* | *Personal and Dependent Exemption Amount* | *Phase-Out Range* |
|---|---|---|
| 2020 | $4,150 | $207,700 - $231,500 |
| 2021 | $4,250 | $210,750 - $234,750 |
| 2022 | $4,350 | $217,050 - $241,850 |
| 2023 | $4,250 | $233,750 - $260,550 |

Data Source: Division of Taxation, Office of Revenue Analysis (ORA) Personal Income Tax Simulation Model. ORA calculated the Rhode Island tax liability for each taxpayer under TY 2020 and 2021 Rhode Island personal income tax laws and the Rhode Island tax liability for each taxpayer without the personal and dependent exemptions for the same tax years, then summed the results for both calculations across all taxpayers. Revenue forgone is determined by taking the difference between the two tax liability calculations. Number of taxpayers includes all taxpayers that claimed an exemption to reduce their personal tax liability.

Reliability Index: 1

| *Calendar Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Personal Income Tax | $123,452,894 | 589,041 |
| 2021 Personal Income Tax | $124,613,086 | 584,166 |

Projection Methodology: The projected forgone revenue was calculated for TY 2022 – TY 2025 by applying the growth in the United States consumer price index for all urban consumers from the November 2023 S&P Global forecast. The projected number of taxpayers for TY 2022 – TY 2025 is calculated using the three-year average growth rate in the number of filers for Rhode Island resident and non-resident returns that took the personal exemption.

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2022 Personal Income Tax | $134,565,288 | 590,379 |
| 2023 Personal Income Tax | $140,065,968 | 596,658 |
| 2024 Personal Income Tax | $143,430,650 | 603,004 |
| 2025 Personal Income Tax | $146,643,903 | 609,417 |

Law Comparison: Connecticut, Massachusetts, Maine, and Vermont have similar provisions.

Connecticut: A personal exemption of $15,000 is allowed in the calculation of the personal income tax. In the case of any such taxpayer whose Connecticut adjusted gross income (AGI) for the taxable year exceeds $30,000, the exemption amount shall be reduced by $1,000 for each $1,000, or fraction thereof, by which the taxpayer's Connecticut AGI exceeds said amount. The exemption amount for a head of household filer is $19,000 and the phaseout threshold is $38,000. The comparable figures for married individuals filing a joint return or any person who files a return for such taxable year as a surviving spouse is entitled to a single personal exemption of $24,000 in determining Connecticut taxable income for purposes of this chapter with a phaseout threshold of $48,000.

Connecticut Statute: Conn. Gen. Stat. § 12-702

Massachusetts: Massachusetts' provisions include personal exemptions as a deduction to income. For TY 2022, the exemption amounts are as follows: A personal exemption amount is allowed for the single or married filing separately filer, which shall not exceed $4,400; married filing jointly filers are allowed an exemption amount up to $8,800; head of household filers are allowed an exemption up to $6,800. There are additional exemptions provided for qualifying dependents of $1,000 each. Blindness for the primary filer and spouse is allowed an additional exemption of $2,200 each. An exemption of $700 for each spouse who attained the age of 65 before the close of the taxable year is also allowed.

Massachusetts Statute: Mass. Gen. Laws ch. 62, § 3(A)(b), 3(B)(a)(8)

Maine: A resident individual is allowed a personal exemption deduction of $4,150 unless the taxpayer is claimed as a dependent on another return. A resident individual is allowed an additional personal exemption deduction equal to $4,150 if the individual is married filing a joint return, unless the individual's spouse may be claimed as a dependent on another return. The deduction allowed is subject to phase-out. The personal exemption deduction and phaseout threshold amounts are adjusted for inflation. For tax years beginning on or after January 1, 2020, a taxpayer who is married filing separate may claim a personal exemption for their spouse if they have no gross income during the tax year and would otherwise qualify for a federal personal exemption, notwithstanding the federal suspension of the personal exemption through 2025.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 5126-A

Vermont: Vermont allows a personal exemption for each taxpayer, spouse or deceased spouse of the taxpayer whose filing status is married filing a joint return or surviving spouse, and individual qualifying as a dependent of the taxpayer under 26 U.S.C. § 152, provided that no exemption may be claimed for an individual who is a dependent of another taxpayer is allowed. The exemption amounts were $4,350 for TY 2020 and TY 2021 and $4,500 for TY 2022.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 5811(21)(C)(i)

## 59. Personal Holding Company, Regulated Investment Company, or Real Estate Investment Trust:

Statutory Reference: R.I. Gen. Laws § 44-11-2(c)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1956 / 2004

Description: A personal holding company, a regulated investment company, or a real estate investment trust is exempt from the business corporation tax. Instead, such companies must pay annually to the state a tax equal to $0.10 for each $100 of gross income or a tax of $100, whichever tax is greater. Gross income is as defined in federal income tax law plus any interest not included in federal gross income, less interest precluded from taxation by Rhode Island, and less 50% of the excess capital gains over capital losses realized in the taxable year.

Data Source: Rhode Island Division of Taxation

Reliability Index: Revenue Forgone: 5, Number of Taxpayers: 1

| ***Calendar Year / Tax Type*** | ***Revenue Forgone*** | ***Number of Taxpayers*** |
|---|---|---|
| 2020 Business Corporation Tax | *No estimate possible* | 64 |
| 2021 Business Corporation Tax | *No estimate possible* | 52 |

Projection Methodology: TY 2022 projected number of taxpayers is the 4-year average count of taxpayers from TY 2018-TY 2021. TY 2023 – TY 2025 are set equal to TY 2022.

| ***Calendar Year / Tax Type*** | ***Projected Revenue Forgone*** | ***Projected Number of Taxpayers*** |
|---|---|---|
| 2022 Business Corporation Tax | *No estimate possible* | 60 |
| 2023 Business Corporation Tax | *No estimate possible* | 60 |
| 2024 Business Corporation Tax | *No estimate possible* | 60 |
| 2025 Business Corporation Tax | *No estimate possible* | 60 |

Law Comparison: Connecticut, Massachusetts and New Hampshire have similar provisions.

Connecticut: These entities are exempt from the net income base of the tax and from the capital base and the minimum tax. Regulated investment company (RIC) means a regulated investment company as defined in I.R.C. § 851. Distributions paid by RICs to the company that are exempt-interest dividends, as defined in 26 U.S.C. § 852(b)(5), and capital gain dividends, as defined in 26 U.S.C. § 852(b)(3)(C), are not dividends as defined in the federal income tax law because federal law transforms their character from dividend income to exempt-interest income and capital

gain income, respectively. Therefore, exempt-interest dividends and capital gain dividends may not be deducted under Connecticut business taxes. Distributions paid by the regulated investment company to the company that are not exempt-interest dividends or capital gain dividends may be deducted, provided that such distributions are dividends as defined in 26 U.S.C. § 316 and no provision of federal income tax law expressly transforms their dividend character, and provided that the regulated investment company is a domestic corporation.

Connecticut Statute: Conn. Gen. Stat. §§ 12-217(a)(1)(B), 12-217(a)(3), and 12-219(c)

Massachusetts: Regulated investment companies are exempt from the corporate excise tax.

Massachusetts Statute: Mass. Gen. Laws ch. 63, § 30

New Hampshire: An enterprise shall not be characterized as a business organization and is excluded from taxation at the entity level if it elects to be treated as a qualified investment company. A qualified investment company is defined as (1) A regulated investment company as defined in § 851 of the United States Internal Revenue Code (IRC) of 1986 in effect on December 31, 2016 (for TY 2018); (2) An organization that is an investment company under the Investment Company Act of 1940 as amended; (3) An organization that would be an investment company under the Investment Company Act of 1940, as amended, but for the exception from investment company status provided by § 3(c)(1) or 3(c)(7) of said Investment Company Act; or (4) A qualified community development entity as defined in § 45D of the IRC, which entity is owned, controlled, or managed, directly or indirectly, by the business finance authority of the State of New Hampshire.

New Hampshire Statute: N.H. Rev. Stat. Ann. §§ 77-A:1, I and XXI

**60. Precious Metal Bullion:**

Statutory Reference: R.I. Gen. Laws § 44-18-30(24)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1975 / N/A

Description: The sale, storage, use, or other consumption of precious metal bullion is exempt from the sales and use tax. Precious metal bullion is defined as any elementary precious metal which has been put through a process of smelting or refining and which is in a state or condition that its value depends upon its content not upon its form. Precious metal bullion does not include fabricated precious metal that has been manufactured for one or more customary industrial, professional, or artistic uses.

Data Source: No reliable data exists for this tax expenditure item.

Reliability Index: 5

Projection Methodology: No projection is made due to lack of reliable data.

Law Comparison: Connecticut and Massachusetts have similar provisions.

Connecticut: Connecticut's provisions include gold or silver bullion. The sales and use tax exemption is limited to transactions in which the total value of the sale is less than $1,000.

Connecticut Statute: Conn. Gen. Stat. § 12-412(45)

Massachusetts: Massachusetts' provisions exempt sales of $1,000 or more of rare coins of numismatic value, gold or silver bullion or coins, or gold or silver tender traded and sold according to value as precious metal.

Massachusetts Statute: Mass. Gen. Laws ch. 64H, § 6(ll)

**61. Promotional and Product Literature of Boat Manufacturers:**

Statutory Reference: R.I. Gen. Laws § 44-18-30(38)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1984 / N/A

Description: The sale, storage, use, or other consumption of boat manufacturers' promotional and product literature is exempt from the sales and use tax, provided that the literature is shipped to points outside of Rhode Island and either accompanies the product which is sold, is shipped in bulk to out-of-state dealers for use in the sale of the product, or is mailed directly to customers at no charge.

Data Source: FY 2021 and FY 2022 Rhode Island Interactive Sales and Use Tax Simulation Model. No reliable data exists from which to determine the number of taxpayers.

Reliability Index: 3

| *Fiscal Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2021 Sales and Use Tax | $27,200 | *No estimate possible* |
| 2022 Sales and Use Tax | $29,600 | *No estimate possible* |

Projection Methodology: The Office of Revenue Analysis applied the FY 2023 growth rate in Rhode Island personal consumption expenditures, other nondurable goods from the November 2023 S&P Global forecast to FY 2022 revenue forgone to project FY 2023 revenue forgone. A similar process was followed for FY 2024 and FY 2025. No projection of the number of taxpayers is possible due to a lack of reliable data.

| *Fiscal Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2023 Sales and Use Tax | $31,049 | *No estimate possible* |
| 2024 Sales and Use Tax | $32,254 | *No estimate possible* |
| 2025 Sales and Use Tax | $32,770 | *No estimate possible* |

Law Comparison: Maine and Massachusetts have similar provisions.

Maine: Maine's exemption includes all advertising or promotional materials printed on paper and purchased for the purpose of subsequently transporting such materials out of the state.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 1760(83)

Massachusetts: Sales of printed material manufactured by special order in Massachusetts are exempt from the sales and use tax to the extent the material is delivered to an interstate carrier, a mailing house, or a United States Post Office for delivery or mailing to a purchaser located outside the state or a purchasers designee located outside the state, including sales of direct and cooperative direct mail promotional advertising materials manufactured both inside and outside of Massachusetts and which are distributed to residents of the state from any location. For the purpose of this exemption, direct and cooperative direct mail promotional advertising materials do not include mail order catalogs, department store catalogs, telephone directories, or similar printed advertising books, booklets, or circulars greater than six pages in total length.

Massachusetts Statute: Mass. Gen. Laws ch. 64H, § 6(ff)

**62. Property Otherwise Exempted:**

Statutory Reference: R.I. Gen. Laws § 44-18-36(3)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1947 / 1989

Description: Property purchased at retail, the sale of which would be exempt by express specification from the sales tax imposed by R.I. Gen. Laws Chapter 44-18, is also exempted from the use tax imposed under R.I. Gen. Laws § 44-18-20 had the sale been otherwise subject to the sales tax.

Data Source: No reliable data exists for this tax expenditure item.

Reliability Index: 5

Projection Methodology: No projection is made due to lack of reliable data.

Law Comparison: Connecticut, Maine, Massachusetts, and Vermont have similar provisions.

Connecticut: Items exempt from use tax are those that are exempt if the storage, acceptance, consumption or other use is not otherwise taxable under the sales tax.

Connecticut Statute: Conn. Gen. Stat. § 12-413

Maine: A use tax is imposed on the storage, use, or other consumption in Maine of tangible personal property or a service only if the sale of such item or service would be subject to the sales tax as a retail or casual sale. Thus, sales that would be exempt from the sales tax are also exempt from the use tax.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 1861

Massachusetts: Sales exempt from the taxes imposed under the sales tax, except for the purchase of any motor vehicle or trailer, boat, airplane, are exempt from the use tax.

Massachusetts Statute: Mass. Gen. Laws ch. 64I, § 7(b)

Vermont: Unless property has already been or will be subject to the sales tax, there is imposed on every person a use tax at the rate of 6% for the use within the state, except as otherwise exempted.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 9773

### 63. Property Purchased from Federal Government:

Statutory Reference: R.I. Gen. Laws § 44-18-35

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1947 / 1956

Description: The storage, use, or other consumption of property purchased from the United States, its agencies and instrumentalities, is exempt from the sales and use tax only to the extent that the taxation in this state would violate the provisions of the Constitution of the United States.

Data Source: FY 2021 and FY 2022 Rhode Island Interactive Sales and Use Tax Simulation Model. No reliable data exists from which to determine the number of taxpayers.

Reliability Index: 3

| *Fiscal Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2021 Sales and Use Tax | $9,517,136 | *No estimate possible* |
| 2022 Sales and Use Tax | $10,270,477 | *No estimate possible* |

Projection Methodology: The Office of Revenue Analysis applied the FY 2023 growth rate in the United States chained price index for federal gross investment in structures from the November 2023 S&P Global forecast to FY 2022 revenue forgone to project FY 2023 revenue forgone. A similar process was followed for FY 2024 and FY 2025. No projection of the number of taxpayers is possible due to a lack of reliable data.

| ***Fiscal Year / Tax Type*** | ***Projected Revenue Forgone*** | ***Projected Number of Taxpayers*** |
|---|---|---|
| 2023 Sales and Use Tax | $11,186,996 | *No estimate possible* |
| 2024 Sales and Use Tax | $11,452,427 | *No estimate possible* |
| 2025 Sales and Use Tax | $11,887,568 | *No estimate possible* |

Law Comparison: Connecticut, Maine, Massachusetts, and Vermont have similar provisions.

Connecticut: Sales of tangible personal property or services, which the state is prohibited from taxing under the Constitution or laws of the United States, are exempt.

Connecticut Statute: Conn. Gen. Stat. § 12-413(2)

Maine: No tax is imposed on the sales, storage or use on or in connection with sales made directly to the State of Maine, any political subdivision of Maine, to the federal government, or to any unincorporated agency or instrumentality of Maine or the federal government, including agencies and instrumentalities that are wholly owned.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 1760(2)

Massachusetts: Sales prohibited from taxation under the Constitution or laws of the United States are exempt from the sales and use tax.

Massachusetts Statute: Mass. Gen. Laws ch. 64H, § 6(a)

Vermont: Sales not within the taxing power of the state under the Constitution of the United States are exempt from the Vermont sales and use tax. The United States of America, any of its instrumentalities, are explicitly exempt from sales and use taxes when it is the purchaser, user, or consumer, or when it sells services or property of a kind not ordinarily sold by private persons.

Vermont Statute: Vt. Stat. Ann. tit. 32, §§ 9471(1) and 9743(2)

**64. Property Purchased Outside of State by Non-Resident and Brought into State:**

Statutory Reference: R.I. Gen. Laws § 44-18-36(2)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1947 / 1989

Description: The storage, use, or other consumption of property purchased by the user while a non-resident, used outside of Rhode Island while a non-resident, and then brought into Rhode Island for the user's personal use is exempt from the use tax imposed by R.I. Gen. Laws Chapter 44-18. The term used outside of Rhode Island does not include the mere removal of the property from the state of purchase to Rhode Island.

Data Source: No reliable data exists for this tax expenditure item.

Reliability Index: 5

Projection Methodology: No projection is made due to lack of reliable data.

Law Comparison: Maine, Massachusetts, and Vermont have similar provisions.

Maine: Sales of property purchased and used by the present owner outside the State for more than 12 months prior to the property's use in Maine are exempt. The exemption also applies to automobiles if, at the time of purchase, the purchaser was a resident of another state. The exemption also applies in certain scenarios to snowmobiles, ATVs, and aircraft.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 1760(45)(B)

Massachusetts: Sales which the purchaser has paid a tax or made reimbursement to a vendor or retailer under the laws of any state or territory of the United States are exempt.

Massachusetts Statute: Mass. Gen. Laws ch. 64I, § 7(c)

Vermont: Property purchased and used by the user while a non-resident of Vermont, except in the case of tangible personal property which the user, in the performance of a contract, incorporates into real property located in the state is exempt from the state's sales and use tax.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 9744(a)(2)

**65. Property Returned Within 120 Days from the Date of Delivery:**

Statutory Reference: R.I. Gen. Laws § 44-18-30(58)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 2006 / N/A

Description: The amount charged for property returned by customers within 120 days from the date of delivery when the entire amount, exclusive of handling charges, paid for the property is refunded in either cash or credit is exempt from the sales and use tax.

Data Source: Excise Tax Section, Rhode Island Division of Taxation. Data is for the returns of motor vehicles only.

Reliability Index: 1

| *Fiscal Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Sales and Use Tax | $74,641 | 60 |
| 2021 Sales and Use Tax | $63,578 | 66 |
| 2022 Sales and Use Tax | $106,991 | 90 |
| 2023 Sales and Use Tax | $72,935 | 46 |

Projection Methodology: Projected revenue forgone and the number of taxpayers for FY 2023 is the three-year average from FY 2021 – FY 2023. FY 2024 figures are held constant.

| *Fiscal Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2024 Sales and Use Tax | $81,168 | 67 |
| 2025 Sales and Use Tax | $81,168 | 67 |

Law Comparison: Connecticut, Maine, Massachusetts, and Vermont have similar provisions.

Connecticut: Connecticut's provisions include a general provision for refunds of sales tax paid if the item is returned within 90 days from the date of purchase.

Connecticut Statute: Conn. Gen. Stat. § 12-407(a)(8)(B)(ii)

Maine: The sale price excludes the price of property returned by customers when the full price is refunded either in cash or by credit.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 1752(14)(B)(3)

Massachusetts: Massachusetts' law includes a general provision for refund of the sales tax paid if the items are returned within 90 days from date of sale.

Massachusetts Statute: Mass. Gen. Laws ch. 64H, § 1

Vermont: The commissioner may provide by regulation for the exclusion from taxable receipts property that has been returned on the receipt or charge for which a refund or credit of the tax has been made.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 9780

## 66. Prosthetic Devices and Mobility Enhancing Equipment:

Statutory Reference: R.I. Gen. Laws § 44-18-30(11)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1948 / 2006

Description: The sale, storage, use, or other consumption of prosthetic devices sold on prescription including, but not limited to, artificial limbs; dentures; spectacles, eyeglasses, and artificial eyes; artificial hearing devices and hearing aids, whether or not sold on prescription; and mobility enhancing equipment is exempt from the sales and use tax. Mobility enhancing equipment includes wheelchairs, crutches, and canes.

Data Source: FY 2020 and FY 2021 Rhode Island Interactive Sales and Use Tax Simulation Model. No reliable data exists from which to determine the number of taxpayers.

Reliability Index: 3

| *Fiscal Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2021 Sales and Use Tax | $15,485,604 | *No estimate possible* |
| 2022 Sales and Use Tax | $17,095,066 | *No estimate possible* |

Projection Methodology: The Office of Revenue Analysis applied the FY 2023 growth rate in Rhode Island personal consumption expenditures for other durable goods from the November 2023 S&P Global forecast to FY 2022 revenue forgone to project FY 2023 revenue forgone. A similar process was followed for FY 2024 and FY 2025. No projection of the number of taxpayers is possible due to a lack of reliable data.

| *Fiscal Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2023 Sales and Use Tax | $17,309,334 | *No estimate possible* |
| 2024 Sales and Use Tax | $17,603,404 | *No estimate possible* |
| 2025 Sales and Use Tax | $18,099,935 | *No estimate possible* |

Law Comparison: Connecticut, Maine, Massachusetts, and Vermont have similar provisions.

Connecticut: Connecticut's exemption includes oxygen, blood plasma, prostheses, custom-made wigs or hairpieces, hearing and vision aids, canes, crutches, walkers and wheelchairs, vital life support equipment, apnea monitors, support hose, related repair or replacement parts, and repair services.

Connecticut Statute: Conn. Gen. Stat. § 12-412(19)

Maine: The exemption for prosthetic devises applies to sales of prosthetic or orthotic devices sold by prescription. The purchase of crutches and wheelchairs for the use of sick, injured, or disabled persons are also exempt from the sales and use tax.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 1760(5-A)

Massachusetts: Massachusetts' exemption includes sales of artificial devices individually designed, constructed or altered solely for a handicap person so as to become a brace, support, supplement, correction or substitute for the bodily structure, including the extremities of the individual. Sales of artificial limbs, artificial eyes, hearing aids, and other equipment worn as a correction or substitute for any functioning portion of the body are also exempt.

Massachusetts Statute: Mass. Gen. Laws ch. 64H, § 6(l)

Vermont: Vermont's exemptions include durable medical equipment, mobility enhancing equipment, and prosthetic devices and supplies, including blood, blood plasma, insulin, and medical oxygen, used in treatment intended to alleviate human suffering or to correct, in whole or in part, human physical disabilities.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 9741(2)

**67. Purchases Used for Manufacturing Purposes:**

Statutory Reference: R.I. Gen. Laws § 44-18-30(7)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1947 / 1996

Description: The sale, storage, use, or other consumption of computer software, tangible personal property, electricity, natural gas, artificial gas, steam, refrigeration, and water is exempt from the sales and use tax when the property or service is purchased for the purpose of being manufactured into a finished product for resale and becomes an ingredient, component, or integral part of the manufactured, compounded, processed, assembled, or prepared product or if the property or service is consumed in the process of manufacturing for resale computer software, tangible personal property, electricity, natural gas, artificial gas, steam, refrigeration, or water.

Data Source: TY 2020 and TY 2021 Census, Annual Survey of Manufacturers. Office of Revenue Analysis used reported total cost of materials by all RI manufacturers. Forgone revenue is found by multiplying this figure by 7%. Number of taxpayers are from 2020 and 2021 update of county business patterns published by the United States Census Bureau. Includes all firms classified under the North American Industry Classification System (NAICS) of manufacturing. Note that this tax expenditure estimate overlaps with the "Electricity and Gas" sales and use tax exemption estimate, which is derived from a different data source.

Reliability Index: 2

| *Calendar Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Sales and Use Tax | $384,518,750 | 1,228 |
| 2021 Sales and Use Tax | $413,153,020 | 1,189 |

Projection Methodology: The Office of Revenue Analysis applied the CY 2021 growth rate in the United States producer price index for all commodities from the November 2023 S&P Global forecast to CY 2021 revenue forgone to project CY 2022 revenue forgone. A similar process was followed for CY 2023 – CY 2025. CY 2022 – CY 2025 number of taxpayers held constant with CY 2021.

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2022 Sales and Use Tax | $480,579,805 | 1,189 |
| 2023 Sales and Use Tax | $462,179,977 | 1,189 |
| 2024 Sales and Use Tax | $446,045,612 | 1,189 |
| 2025 Sales and Use Tax | $453,290,295 | 1,189 |

Law Comparison: Connecticut, Maine, Massachusetts, and Vermont have similar provisions.

Connecticut: Sales of and the storage or use of materials, rope, fishing nets, tools, fuel, or any substitute of such products, which become an ingredient or component part of tangible personal property to be sold or which are used directly in the fishing industry or in an industrial plant in the actual fabrication of the finished product to be sold, are exempt from the sales and use tax.

Connecticut Statute: Conn. Gen. Stat. § 12-412(18)

Maine: In Maine, 95% of the sale price of all fuel and electricity purchased for use at a manufacturing facility is exempt from the sales and use tax. Additionally, fuel oil or coal where the by-products from the burning of which become an ingredient or component part of tangible personal property for later sale are also exempt. Maine's provisions also include tangible personal property that becomes an ingredient or component part of tangible personal property produced for later sale or lease or produced pursuant to a contract with the federal government as well as tangible personal property, except for fuel or electricity, that is consumed, destroyed, or loses its identity directly and primarily in the production of tangible personal property for later sale inside or outside of the state, for lease outside of the state, or produced pursuant to a contract with the federal government or an agency of the federal government.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, §§ 1760(9-D), 1760(9-G), 1760(74)

Massachusetts: Sales of materials, tools, fuel, or any substitute, which become an ingredient or component part of tangible personal property to be sold or which are consumed and used directly and exclusively in an industrial plant in the actual manufacture of tangible personal property to be sold are exempt.

Massachusetts Statute: Mass. Gen. Laws ch. 64H, § 6(r)

Vermont: Tangible personal property, which becomes an ingredient or component part of, or is consumed or destroyed or loses its identity in the manufacture of tangible personal property for sale, is exempt.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 9741(14)

**68. Qualified Sales of Manufactured and Mobile Home Parks:**

Statutory Reference: R.I. Gen. Laws § 31-44-3.3

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 2012 / N/A

Description: The qualified sale of a mobile or manufactured home community to a resident-owned organization is exempt from the real estate conveyance tax.

Data Source: No reliable data exists for this tax expenditure item.

Reliability Index: 5

Projection Methodology: No projection is made due to lack of reliable data.

Law Comparison: No similar provisions were found for the other New England states.

**69. Rebuild Rhode Island Sales and Use Tax:**

Statutory Reference: R.I. Gen. Laws § 42-64.20-5(q)

Stated Purpose: "Through the establishment of a rebuild Rhode Island tax credit program, Rhode Island can take steps to stimulate business development; retain and attract new business and industry to the state; create good-paying jobs for its residents; assist with business, commercial, and industrial real estate development; and generate revenues for necessary state and local governmental services."

Year Enacted / Last Year Amended: 2015 / 2022

Description: At the discretion of the Rhode Island Commerce Corporation (CommerceRI), projects which have been deemed eligible to receive Rebuild Rhode Island Tax Credits may be

exempt from sales and use taxes imposed on furniture, fixtures and equipment, except automobiles, and materials including construction materials and supplies to the extent they are utilized directly and exclusively on the project in question and are essential to the project. The Rebuild Rhode Island Tax Credit qualified per project cap of $15 million, or $25 million cap in the case of a qualified development project on "I-195 land", includes any amounts awarded for sales and use tax exemptions. Effective January 1, 2023, constructions projects over $10 million are subject to prevailing wage requirements and must receive certification of compliance with these requirements in order to receive tax credits under this program. The sunset date was extended to December 31, 2024 by the 2023 General Assembly.

Data Source: Rhode Island Division of Taxation testimony at the November 2023 Revenue Estimating Conference (REC). Number of taxpayers from Rhode Island Commerce's testimony at same conference. (Projected revenue forgone for the Rebuild Rhode Island tax credit is included in the credits section.)

Reliability Index: 1

| *Fiscal Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Sales and Use Tax | $2,411,964 | 4 |
| 2021 Sales and Use Tax | $3,133,732 | 9 |
| 2022 Sales and Use Tax | $3,854,370 | 4 |
| 2023 Sales and Use Tax | $4,527,161 | 3 |

Projection Methodology: FY 2024 projected revenue forgone is year-to-date as of 10/30/2023 as reported by the Division of Taxation. The FY 2024 number of taxpayers reported is from CommerceRI's November 2023 testimony. FY 2025 is based on projected amounts reported at November 2023 Revenue Estimating Conference by CommerceRI.

| *Fiscal Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2024 Sales and Use Tax | $295,366 | 3 |
| 2025 Sales and Use Tax | $5,520,691 | 5 |

Law Comparison: No similar provisions were found for the other New England states.

**70. Refillable and Reusable Beverage Containers:**

Statutory Reference: R.I. Gen. Laws § 44-44-3

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1984 / 1998

Description: Reusable and refillable beverage containers are exempt from the tax on beverage containers. R.I. Gen. Laws Chapter 44-44 imposes a tax of $0.04 on each case of beverage containers sold by a wholesaler to a retailer or consumer.

Data Source: No reliable data exists for this tax expenditure item.

Reliability Index: 5

Projection Methodology: No projection is made due to lack of reliable data.

Law Comparison: No similar provisions were found for the other New England states.

**71. Religious Conscience:**

Statutory Reference: R.I. Gen. Laws § 44-30-101(e)(3)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 2019 / N/A

Description: Beginning in 2020, Rhode Island residents are required to maintain health insurance or be subject to a tax known as the "Shared Responsibility Payment Penalty." An individual may claim a coverage exemption for members of recognized religious sects.

Data Source: *No reliable data exists for this tax expenditure item. (This exemption is included in the Hardship exemption.)

Reliability Index: 5

Projection Methodology: No projection is made due to lack of reliable data.

Law Comparison: A similar provision was found in Massachusetts.

Massachusetts: An individual is exempt from penalty if they file a sworn affidavit with their personal income tax return that their sincerely held religious beliefs are the basis of the refusal to obtain and maintain credible coverage during the taxable year for which the return was filed.

Massachusetts Statute: Mass. Gen. Laws ch. 111M, § 3

**72. Renewable Energy Products:**

Statutory Reference: R.I. Gen. Laws § 44-18-30(57)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 2005 / N/A

Description: The sale, storage, use, or other consumption of solar photovoltaic modules or panels or any module or panel that generates electricity from light; solar thermal collectors; geothermal heat pumps; wind turbines; towers used to mount wind turbines if specified or sold by a wind turbine manufacturer; DC to AC inverters that interconnect with utility power lines; manufactured mounting racks and ballast pans for solar collector, module, or panel installation, monitoring, and control equipment if specified or supplied by a manufacturer of solar thermal, solar photovoltaic, geothermal or wind energy systems; and solar storage tanks that are part of a solar domestic hot water system or a solar space heating system are exempt from the sales and use tax.

Data Source: Rhode Island Office of Energy Resources (OER) and Office of Revenue Analysis (ORA) calculations. The count of taxpayers includes all interconnected solar and wind projects. Forgone revenue is based on the number of energy systems installed during the calendar year as well as an average cost assumption by ORA of $11,311 on solar panels per installation in Rhode Island, as found on www.solarreviews.com for 2023. The average cost was adjusted by the consumer price index (CPI) for previous years. The Office of Revenue Analysis used this data to estimate sales of renewable energy products in Rhode Island for TY 2020 – TY 2023 and multiplied it by 7% to estimate revenue forgone. TY 2023 data is for installations through 12/8/2023.

Reliability Index: 2

| ***Calendar Year / Tax Type*** | ***Revenue Forgone*** | ***Number of Taxpayers*** |
|---|---|---|
| 2020 Sales and Use Tax | $6,580,287 | 9,348 |
| 2021 Sales and Use Tax | $2,160,774 | 3,034 |
| 2022 Sales and Use Tax | $3,317,067 | 4,395 |
| 2023 Sales and Use Tax | $4,406,992 | 5,566 |

Projection Methodology: TY 2024 forgone revenue amounts and number of taxpayers are equal to the 4-year average (TY 2020-2023) amount of revenue forgone and count of taxpayers. TY 2025 is set equal to TY 2024.

| ***Calendar Year / Tax Type*** | ***Projected Revenue Forgone*** | ***Projected Number of Taxpayers*** |
|---|---|---|
| 2024 Sales and Use Tax | $4,116,280 | 5,586 |
| 2025 Sales and Use Tax | $4,116,280 | 5,586 |

Law Comparison: Connecticut, Massachusetts, and Vermont have similar provisions.

Connecticut: Sales and use of solar energy electricity generating systems, passive or active solar water or space heating systems, geothermal resource systems, including related equipment and sales of installation services, are exempt from sales tax.

Connecticut Statute: Conn. Gen. Stat. § 12-412(117)

Massachusetts: Sales of equipment directly related to a solar, wind-powered, or heat pump system that serves as the primary or auxiliary power system for the purpose of heating or otherwise supplying the energy needs for the taxpayer's principal residence are exempt.

Massachusetts Statute: Mass. Gen. Laws ch. 64H, § 6(dd)

Vermont: Vermont's provisions exempt hot water systems that convert solar energy into thermal energy used to heat water but limited to the property directly used to capture, convert, or store solar energy for this purpose. In addition, a net metering system that employs a renewable energy source is also exempt.

Vermont Statute: Vt. Stat. Ann. Tit. 32, § 9741(46)

**73. Rental Charged for Living or Sleeping Quarters in a Hospital or Nursing Home:**

Statutory Reference: R.I. Gen. Laws § 44-18-30(17)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1967 / N/A

Description: The rental charged for living or sleeping quarters in an institution licensed by the state for the hospitalization, custodial, or nursing care of human beings is exempt from the sales and use tax.

Data Source: FY 2021 and FY 2022 Rhode Island Interactive Sales and Use Tax Simulation Model. The estimate from the sales and use tax model includes nonprofit and propriety hospitals and nonprofit and propriety nursing homes. No reliable data exists from which to determine the number of taxpayers.

Reliability Index: 3

| *Fiscal Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2021 Sales and Use Tax | $42,731,578 | *No estimate possible* |
| 2022 Sales and Use Tax | $47,049,655 | *No estimate possible* |

Projection Methodology: The Office of Revenue Analysis applied the FY 2023 growth rate in Rhode Island personal consumption expenditures, health care services from the November 2023 S&P Global forecast to FY 2022 revenue forgone to project FY 2023 revenue forgone. A similar

process was followed for FY 2024 and FY 2025. No projection of the number of taxpayers is possible due to a lack of reliable data.

| *Fiscal Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2023 Sales and Use Tax | $49,688,544 | *No estimate possible* |
| 2024 Sales and Use Tax | $51,881,963 | *No estimate possible* |
| 2025 Sales and Use Tax | $53,767,967 | *No estimate possible* |

Law Comparison: Connecticut and Maine have similar provisions. Massachusetts, New Hampshire, and Vermont provide similar exemptions under their Room Occupancy Excise, Rooms, or Rooms and Meals taxes, respectively.

Connecticut: Connecticut's provisions include an exemption for rentals in nonprofit charitable hospitals, nursing homes, rest homes and homes for the aged.

Connecticut Statute: Conn. Gen. Stat. §§ 12-407(a)(17)(A), 12-407(a)(17)(B), and 12-407(a)(17)(F)

Maine: Maine's provisions include an exemption on rental charged for living or sleeping quarters in an institution licensed by the state for the hospitalization or nursing care of human beings is exempt from tax.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 1760(18)

Massachusetts: Massachusetts exempts from the room occupancy tax dormitories or lodging accommodations at religious, charitable, educational, and philanthropic institutions. The exemption does not apply to accommodations provided by any such institution at a hotel or motel operated by the institution.

Massachusetts Statute: Mass. Gen. Laws ch. 64G, § 2

New Hampshire: New Hampshire excludes from the definition of hotel a hospital licensed under New Hampshire law (§ 151) or a sanitarium, convalescent home, nursing home, or home for the aged.

New Hampshire Statute: N.H. Rev. Stat. Ann. § 78-A:6-d, I

Vermont: The room charges to occupy a hospital or other institution providing health care such as a nursing home are not subject to the rooms and meals tax.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 9202(3)(A)

## 74. Rhode Island Industrial Facilities Corporation Lessees:

Statutory Reference: R.I. Gen. Laws §§ 45-37.1-9 and 45-37.1-9.1

Stated Purpose: The exercise of the powers granted by R.I. Gen. Laws Chapter 45-37.1 titled "Rhode Island Industrial Facilities Corporation" will be in all respects for the benefit of the people of Rhode Island; the increase of their commerce, welfare, and prosperity; for the improvement of their health and living conditions; and will constitute the performance of an essential government.

Year Enacted / Last Year Amended: 1967 / 2011

Description: The Rhode Island Industrial Facilities Corporation (RIIFC) is not required to pay any taxes or assessments upon or in respect of a project or any property or moneys of the corporation. In the case of any person, partnership, corporation, or concern leasing a project from RIIFC, any such person, partnership, corporation or concern is exempt from payment of state sales tax on materials used in construction of such a facility only to the extent that the costs of such materials do not exceed the amount financed through the corporation. The sales tax benefits granted only apply to materials used in the construction, reconstruction, or rehabilitation of the project and to the acquisition of furniture, fixtures, and equipment, except automobiles, trucks or other motor vehicles, or materials that otherwise are depreciable and have a useful life of one year or more.

Effective June 30, 2011, this exemption was repealed and will only apply to projects previously approved and those projects for which long-term agreements were entered.

Data Source: Rhode Island Division of Taxation testimony at the November 2023 Revenue Estimating Conference.

Reliability Index: 1

| *Fiscal Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Sales and Use Tax | $0 | 0 |
| 2021 Sales and Use Tax | $33,843 | 1 |
| 2022 Sales and Use Tax | $0 | 0 |
| 2023 Sales and Use Tax | $0 | 0 |

Projection Methodology: This exemption was repealed effective July 1, 2011 for projects not approved on or before June 30, 2011. Only projects approved prior to June 30, 2011 can take the exemption. FY 2024 and FY 2025 was set equal to FY 2023.

| *Fiscal Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2024 Sales and Use Tax | $0 | 0 |
| 2025 Sales and Use Tax | $0 | 0 |

Law Comparison: No similar provisions were found for the other New England states.

**75. Sacramental Wines Sold Directly to Member of Clergy:**

Statutory Reference: R.I. Gen. Laws § 3-10-1(b)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1933 / 1997

Description: Sacramental wines sold directly to a member of the clergy for use by the purchaser or his or her congregation for sacramental or other religious purposes is exempt from the alcoholic beverage excise tax.

Data Source: No reliable data exists for this tax expenditure item.

Reliability Index: 5

Projection Methodology: No projection is made due to lack of reliable data.

Law Comparison: Only Massachusetts has a similar provision.

Massachusetts: Sacramental wines are exempt from the excise tax on alcoholic beverages.

Massachusetts Statute: Mass. Gen. Laws ch. 138, § 21

**76. Sales and Use Taxes Paid to Other Jurisdictions:**

Statutory Reference: R.I. Gen. Laws § 44-18-30A(a)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1965 / 1986

Description: The use tax provisions of R.I. Gen. Laws Chapter 44-18 do not apply to the use, storage, or other consumption in Rhode Island of tangible personal property purchased at retail outside the state where the purchaser has paid a sales or use tax equal to or greater than the Rhode Island sales and use tax in another taxing jurisdiction. If the purchaser has paid a sales or use tax in an amount less than the amount imposed by the Rhode Island sales and use tax in another taxing jurisdiction, then the purchaser must pay to the tax administrator the difference in the amount paid

to the other taxing jurisdiction and the amount that would be imposed by the Rhode Island sales and use tax.

Data Source: Data from Rhode Island Department of Revenue, Division of Motor Vehicles (DMV) and Division of Taxation, Office of Revenue Analysis (ORA) calculation. Estimate includes motor vehicles purchased in Massachusetts but registered in Rhode Island and sales taxes paid in other states claimed on personal income tax (PIT) forms. ORA assumed that sales taxes claimed on a PIT tax form belong to the following fiscal year.

Reliability Index: 1

| *Fiscal Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Sales and Use Tax | $15,759,268 | 12,986 |
| 2021 Sales and Use Tax | $21,376,384 | 15,870 |
| 2022 Sales and Use Tax | $22,523,367 | 14,394 |

Projection Methodology: FY 2023 revenue forgone and number of taxpayers is for motor vehicles purchased in Massachusetts but registered in RI only. The projected revenue forgone for FY 2024 as well as the projected number of taxpayers is determined by the average of the values from FY 2021 – FY 2023. FY 2025 is set equal to FY 2024.

| *Fiscal Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2023 Sales and Use Tax | $25,656,796 | 16,026 |
| 2024 Sales and Use Tax | $23,185,516 | 15,430 |
| 2025 Sales and Use Tax | $23,185,516 | 15,430 |

Law Comparison: Connecticut, Maine, Massachusetts, and Vermont have similar provisions.

Connecticut: If any taxable property or services have already been subjected to sales or use tax in another state or one of its political subdivisions, Connecticut tax is due only on the difference between the applicable Connecticut rate and the rate on which the other jurisdiction's tax was computed. If the other jurisdiction's rate was higher than Connecticut's, no further tax is due.

Connecticut Statute: Conn. Gen. Stat. § 12-430(5)

Maine: Maine's use tax provisions do not apply to the use, storage, or consumption in Maine of purchases made outside the state if the purchaser paid the other jurisdiction a sales or use tax equal or greater to the amount of tax imposed by Maine. However, if the amount of tax paid to the other jurisdiction is less than the amount imposed by Maine, the purchaser must pay tax in an amount representing the difference between the tax paid in the other jurisdiction and the total amount of tax that otherwise would be due to Maine.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 1862

Massachusetts: A credit is allowed against Massachusetts use tax for sales tax paid to another state or territory on purchases of items for use, storage, or other consumption in Massachusetts. The credit is allowed if (1) the other state allows a corresponding credit on sales or use tax paid to Massachusetts on property brought into the other state, (2) a sales or similar tax was actually paid to the other reciprocal state, and (3) the tax paid to the other state was legally due without any right to a refund or credit. If the Massachusetts tax rate is higher than the rate of the other state's tax, the use tax is payable to the extent of the rate difference.

Massachusetts Statute: Mass. Gen. Laws ch. 64I, § 7(c)

Vermont: Property or services are exempt from the sales and use tax to the extent that a retail sales or use tax was legally due and paid, without any right to a refund or credit, to any other state or jurisdiction within any other state, providing the other state or jurisdiction allows a corresponding exemption with respect to the sale or use of tangible personal property or services upon which such a sales tax or compensating use tax was paid to Vermont. To the extent that the Vermont sales tax is a higher rate than the rate of tax in the first taxing jurisdiction, the use tax must be paid based on the difference in the rates. Vermont's provisions also apply specifically to motor vehicles. Motor vehicles on which the state sales or use tax has been paid by the person applying for registration in Vermont or paid by a person who, at the time of the tax payment to another state, was the spouse of the person now applying for registration, are exempt. If the tax paid in another state is less than the Vermont tax, the tax due is the difference between the two rates.

Vermont Statute: Vt. Stat. Ann. tit. 32, §§ 9744(3) and 8911(9)

**77. Sales Beyond Constitutional Power of State:**

Statutory Reference: R.I. Gen. Laws § 44-18-30(1)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1947 / N/A

Description: The gross receipts from the sale, storage, use, or other consumption of tangible personal property of which Rhode Island is prohibited from taxing under the Constitution of the United States or under the Constitution of Rhode Island are exempt from the sales and use tax.

Data Source: No reliable data exists for this tax expenditure item.

Reliability Index: 5

Projection Methodology: No projection is made due to lack of reliable data.

Law Comparison: Connecticut, Maine, Massachusetts, and Vermont have similar provisions.

Connecticut: Sales of tangible personal property or services prohibited from taxation under the Constitution or laws of the United States are exempt.

Connecticut Statute: Conn. Gen. Stat. § 12-412(2)

Maine: Sales the state is prohibited from taxing under the Constitution or laws of the United States or under the Constitution of Maine are exempt.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 1760(1)

Massachusetts: Sales which Massachusetts is prohibited from taxing under the constitution or laws of the United States are exempt from the sales and use tax.

Massachusetts Statute: Mass. Gen. Laws ch. 64H, § 6(a)

Vermont: Sales not within the taxing power of this state under the Constitution of the United States are exempt.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 9741(1)

**78. Sales by Writers, Composers, Artists:**

Statutory Reference: R.I. Gen. Laws § 44-18-30B

Stated Purpose: "The general assembly makes the following findings of facts: (1) The arts and culture are a significant asset for Rhode Island, one which generates revenue through increased tourism and economic activity, creates jobs and economic opportunities, revitalizes communities adding to quality of life and property values, and fosters creativity, innovation, and entrepreneurship. (2) Since 1998, the establishment of arts districts where "one-of-a-kind limited production" works of art may be sold exempt from state sales tax has resulted in an increased presence for the arts in designated cities and towns, with benefits to those communities and to the state. (3) Since the establishment of arts districts, many communities have sought legislation to expand the program to their city or town. (4) There is value in expanding the arts district program statewide, providing incentives for the sale and purchase of art. This is a unique opportunity for Rhode Island to shape history, and gain an advantage over other states, by becoming the first-and-only state in the country to declare a statewide sales tax exemption on art. This will strengthen Rhode Island's identity as an arts-friendly destination and "State of the Arts"."

Year Enacted / Last Year Amended: 1996 / 2014

Description: Individuals who meet the necessary requirements are entitled to a sales tax exemption for the sale of a work or works sold from the individual's business located in the State of Rhode Island. The work must be an original and creative work, whether written, composed, or executed for one-of-a-kind limited production and which falls into one of the following categories: book or other writing; play or the performance of said play; musical composition or the performance of

said composition; painting, print, photograph, or other like picture; sculpture; traditional and fine crafts; creation of a film or the acting within the film; creation of a dance or the performance of the dance.

Data Source: Excise Tax Section, Rhode Island Division of Taxation. Revenue forgone is based on eligible sales of artistic works in Rhode Island as reported by artists as part of the annual sales tax reconciliation conducted by the Division of Taxation and multiplied by 7%. The number of taxpayers represents the number of returns that had values associated with this exemption.

Reliability Index: 2

| *Calendar Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Sales and Use Tax | $970,077 | 793 |
| 2021 Sales and Use Tax | $1,488,819 | 879 |
| 2022 Sales and Use Tax | $1,262,488 | 818 |

Projection Methodology: The Office of Revenue Analysis calculated the CY 2020-2022 average in revenue forgone and the number of taxpayers to project CY 2023 forgone revenue and number of taxpayers. CY 2024 and CY 2025 assume no additional growth.

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2023 Sales and Use Tax | $1,240,461 | 830 |
| 2024 Sales and Use Tax | $1,240,461 | 830 |
| 2025 Sales and Use Tax | $1,240,461 | 830 |

Law Comparison: No similar provisions were found for the other New England states.

**79. Sales in Municipal Economic Development Zones:**

Statutory Reference: R.I. Gen. Laws § 44-18-30C

Stated Purpose: The General Assembly makes the following findings of fact: (1) Various sections of several towns in the state, including, but not limited to, the town of West Warwick, are deteriorated, blighted areas which have created very difficult challenges to economic development; (2) Several areas of the state are in a distressed financial condition as defined by R.I. Gen. Laws § 45-13-12(b) and cannot finance economic development projects on its own without the participation of private enterprise; (3) The General Assembly has found that it is nearly impossible for private enterprise alone to meet these challenges; (4) In certain sections of financially distressed communities, the serious challenges of economic development and/or redevelopment have not been met by private enterprise alone and the impact is being felt throughout the community; (5) Legislation enacted to encourage redevelopment of the deteriorated, blighted areas through the

formation of local redevelopment agencies has had very limited success; (6) Various states, such as New Jersey, Pennsylvania, and Michigan, have had a great deal of success in generating economic development by exercising the authority to exempt and/or stabilize taxes; (7) The State of Rhode Island has generated economic growth by redirecting and/or exempting certain commercial and retail activity from the imposition of sales and use and income taxes with recent examples being the Providence Place Mall, the Arts Districts in the cities of Providence, Pawtucket, and Westerly, and financial services and aquaculture industries; (8) Most recently, municipalities in our state have had great success in attracting large commercial development, including financial services, manufacturing, and major energy facilities, due in large part to the authority to exempt and/or stabilize property, tangible and/or inventory taxes; (9) Attracting large non-residential developments or encouraging expansion of existing commercial entities can be extremely important to municipalities, where the quality of public education is largely dependent on the local tax base, thereby expanding the commercial tax base and reducing reliance upon the residential tax base; (10) The ability to attract this development and increase the non-residential tax base, in turn, improves municipalities' ability to finance school systems, municipal services and infrastructure, thereby improving the quality of life; (11) In addition to increasing the local non-residential tax base, this development creates construction jobs, permanent jobs, and spurs additional investment by private enterprises; and (12) Providing authority to offer tax exemptions from, or to stabilize, the imposition of sales and use taxes will attract and assist in expanding, revitalizing and redeveloping the tax base in our municipalities, thereby providing long-term economic benefits and development.

Year Enacted / Last Year Amended: 2002 / 2005

Description: All businesses engaging in qualifying sales and located in new construction in a Municipal Economic Development (MED) Zone are exempt from the requirement to charge and collect 50% of the current sales and use tax pursuant to R.I. Gen. Laws §§ 44-18-18 and 44-18-20 for a period of 10 years. Sales and use taxes collected in a MED Zone are returned to the municipality in which the MED Zone is located in accordance with the provisions of R.I. Gen. Laws § 44-18-30C(b). Qualifying sales do not include gambling activities or the retail sales of motor vehicles, furniture, home furnishings, including mattresses and oriental rugs, tobacco products, or packaged alcoholic beverages. In addition, qualifying sales must originate and have the point of delivery within the same MED Zone.

Data Source: Excise Tax Section, Rhode Island Division of Taxation. As of October 2023, no business has applied for status as an eligible business engaging in qualifying sales in a MED Zone.

Reliability Index: 1

| *Fiscal Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Sales and Use Tax | $0 | 0 |
| 2021 Sales and Use Tax | $0 | 0 |
| 2022 Sales and Use Tax | $0 | 0 |
| 2023 Sales and Use Tax | $0 | 0 |

Projection Methodology: FY 2024 and FY 2025 revenue forgone amounts and number of taxpayers are held constant with FY 2023.

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| *Fiscal Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2024 Sales and Use Tax | $0 | 0 |
| 2025 Sales and Use Tax | $0 | 0 |

Law Comparison: Only Vermont has a similar provision.

Vermont: Receipts from the sales tax on sales of construction materials used in qualified projects are allocated and paid to the municipality in which the project is located as follows: (1) In a municipality in which the population is 7,500 residents or less, all receipts from sales in excess of $100,000 of construction materials used in each separate qualified project located in that municipality; (2) In a municipality in which the population is greater than 7,500 residents but fewer than 30,000 residents, all receipts from sales in excess of $200,000 of construction materials used in each separate qualified project located in that municipality; or (3) In a municipality in which the population is more than 30,000 residents, all receipts from sales in excess of $1.0 million of construction materials used in each separate qualified project located in that municipality.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 9819(a)

**80. Sales in Public Buildings by Blind People:**

Statutory Reference: R.I. Gen. Laws § 44-18-30(14)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1965 / 1988

Description: The sale, storage, use or other consumption of all products or wares offered for purchase in all public buildings from a person licensed under R.I. Gen. Laws § 40-9-11.1 titled "Authorization to Establish Vending Facilities for the Blind on State Property" is exempt from the sales and use tax.

Data Source: Rhode Island Business Enterprise Program Data, Office of Rehabilitation Services, Rhode Island Department of Human Services. Revenue forgone is based on sales generated through the Business Enterprises Program multiplied by 7%. Number of taxpayers reflects the number of licensed blind vendors.

Reliability Index: 1

| *Fiscal Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Sales and Use Tax | $50,701 | 12 |
| 2021 Sales and Use Tax | $23,568 | 12 |
| 2022 Sales and Use Tax | $37,801 | 12 |

Projection Methodology: For FY 2023 – FY 2025, the amount of exemption was calculated using forecast data provided by S&P Global for the November 2023 Revenue Estimating Conference for personal consumption expenditures, food services and accommodations. The number of taxpayers was held constant with FY 2022.

| *Fiscal Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2023 Sales and Use Tax | $39,334 | 12 |
| 2024 Sales and Use Tax | $39,901 | 12 |
| 2025 Sales and Use Tax | $40,422 | 12 |

Law Comparison: No similar provisions were found for the other New England states.

**81. Sales of Motor Vehicles to Non-Residents:**

Statutory Reference: R.I. Gen. Laws § 44-18-30(13)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1958 / 1990

Description: The sale of a motor vehicle to a bona fide non-resident who does not register the motor vehicle in Rhode Island regardless of where the sale or delivery of the motor vehicle took place is exempt from the sales and use tax. If a motor vehicle is sold to a bona fide non-resident whose state of residence does not allow a like exemption to its non-residents, then a sales tax is imposed at a rate equal to the rate that would have been imposed in the bona fide non-resident's home state not to exceed the use tax rate that is imposed under R.I. Gen. Laws § 44-18-20. When computing the tax, the licensed Rhode Island motor vehicle dealer takes into consideration the law in the bona fide non-resident's state of residence as it pertains to the trade-in of motor vehicles. The sales tax collected by the Rhode Island-licensed motor vehicle dealer is remitted to the tax administrator.

It should be noted that Massachusetts is a non-reciprocal state to Rhode Island when it comes to the assessment of a sales tax on the sale of motor vehicles to bona fide non-residents. Thus, sales by Rhode Island motor vehicle dealers to residents of Massachusetts are subject to Rhode Island sales tax up to the Massachusetts sales tax rate. The sales taxes collected from Massachusetts residents are remitted to the Rhode Island Department of Revenue.

Data Source: Excise Tax Section, Rhode Island Division of Taxation. ORA used actual FY 2020 sales data and grew it by the growth realized in RI registry receipts for FY 2021 to arrive at FY 2021 revenue forgone. FY 2020 number of taxpayers is as reflected in the actual data whereas FY 2021 number of taxpayers is the three-year average of taxpayers found from fiscal years 2020, 2017, and 2015 (years for which data is available).

Reliability Index: 2

| *Fiscal Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Sales and Use Tax | $1,081,068 | 694 |
| 2021 Sales and Use Tax | $1,457,127 | 1,370 |

Projection Methodology: The FY 2022 and FY 2023 growth rates in Rhode Island registry sales tax receipts were applied sequentially to the FY 2021 revenue forgone to estimate FY 2022 and FY 2023 forgone revenues. The same process was used to project the number of taxpayers for FY 2022 and FY 2023. FY 2024 and FY 2025 assume no additional growth and number of taxpayers was held constant.

| *Fiscal Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2022 Sales and Use Tax | $1,521,705 | 1,431 |
| 2023 Sales and Use Tax | $1,585,584 | 1,491 |
| 2024 Sales and Use Tax | $1,585,584 | 1,491 |
| 2025 Sales and Use Tax | $1,585,584 | 1,491 |

Law Comparison: Connecticut, Maine, and Vermont have similar provisions.

Connecticut: Connecticut's provision allows an exemption from the sales tax for non-residents who do not register the vehicle in Connecticut.

Connecticut Statute: Conn. Gen. Stat. § 12-412(60)

Maine: Maine's provisions exempt the sales of motor vehicles, semitrailers, aircraft, and camper trailers purchased by a non-resident or a resident business and intended to be driven or transported outside the state immediately upon delivery by the seller.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, §§ 1760(23-C) and 1760(23-D)

Vermont: The motor vehicle purchase and use tax is defined as imposed upon the purchase in Vermont of a motor vehicle by a resident.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 8903(a)(1)

**82. Sales of Non-Motorized Recreational Vehicles Sold to Non-Residents:**

Statutory Reference: R.I. Gen. Laws § 44-18-30(54)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 2003 / N/A

Description: The sale of a non-motorized recreational vehicle to a bona fide non-resident who does not register the non-motorized recreational vehicle in Rhode Island regardless of where the sale or delivery of the non-motorized recreational vehicle took place is exempt from the sales and use tax. If a non-motorized recreational vehicle is sold to a bona fide non-resident whose state of residence does not allow a like exemption to its non-residents, then a sales tax is imposed at a rate equal to the rate that would have been imposed in the bona fide non-resident's home state not to exceed the use tax rate that is imposed under R.I. Gen. Laws § 44-18-20. When computing the tax, the licensed Rhode Island non-motorized recreational vehicle dealer shall take into consideration the law in the bona fide non-resident's state of residence as it pertains to the trade-in of non-motorized recreational vehicles. The sales tax collected by the Rhode Island-licensed non-motorized recreational vehicle dealer is remitted to the tax administrator.

A non-motorized recreational vehicle is any portable dwelling designed and constructed to be used as a temporary dwelling for travel, camping, recreational and vacation use that is eligible to be registered for highway use.

Data Source: No reliable data exists for this tax expenditure item.

Reliability Index: 5

Projection Methodology: No projection is made due to lack of reliable data.

Law Comparison: Only Maine has a similar provision.

Maine: Maine's provisions generally exempt sales of camper trailers, including truck campers, purchased by a non-resident and intended to be driven or transported outside the state immediately upon delivery by the seller.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 1760(23-C)

**83. Sales of Trailers Ordinarily Used for Residential Purposes:**

Statutory Reference: R.I. Gen. Laws § 44-18-20(d)(3)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1947 / 1995

Description: The sale or transfer of a trailer, other than a camping trailer, of the type ordinarily used for residential purposes and commonly known as a house trailer or a mobile home is exempt from the use tax.

Data Source: No reliable data exists for this tax expenditure item. (The forgone revenue from this exemption is included in the "Mobile and Manufactured Homes Generally" exemption.)

Reliability Index: 5

Projection Methodology: No projection is made due to lack of reliable data.

Law Comparison: Connecticut, Maine, and Vermont have similar provisions.

Connecticut: Connecticut's provisions include an exemption for mobile manufactured homes if such dwelling is permitted as a non-conforming use.

Connecticut Statute: Conn. Gen. Stat. § 12-412c(b)

Maine: Maine's exemptions include the sales of used manufactured housing and up to 50% of the sale price of new manufactured housing, except for the cost of materials.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 1760(40)

Vermont: Vermont's provisions include an exemption of 40% of the receipts from the sales of mobile homes when sold as tangible personal property.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 9741(32)

**84. Sales to Common Carriers for Use Outside of the State:**

Statutory Reference: R.I. Gen. Laws § 44-18-33

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1947 / N/A

Description: The gross receipts from sales of tangible personal property to a common carrier when shipped by the seller via the purchasing carrier under a bill of lading to a point outside of Rhode Island for use by the carrier in the conduct of its business as a common carrier are exempt from the sales and use tax.

Data Source: No reliable data exists for this tax expenditure item.

Reliability Index: 5

Projection Methodology: No projection is made due to lack of reliable data.

Law Comparison: No similar provisions were found for the other New England states.

**85. Sales to Federal Government:**

Statutory Reference: R.I. Gen. Laws § 44-18-31

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1947 / N/A

Description: The gross receipts from the sale of any tangible personal property to the United States government, its agencies and instrumentalities, are exempt from the sales and use tax.

Data Source: FY 2021 and FY 2022 Rhode Island Interactive Sales and Use Tax Simulation Model. No reliable data exists from which to determine the number of taxpayers.

Reliability Index: 3

| *Fiscal Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2021 Sales and Use Tax | $4,791,200 | *No estimate possible* |
| 2022 Sales and Use Tax | $4,778,300 | *No estimate possible* |

Projection Methodology: The Office of Revenue Analysis applied the FY 2023 growth rate in the United States chained price index for federal purchases from the November 2023 S&P Global forecast to FY 2021 revenue forgone to project FY 2023 revenue forgone. A similar process was followed for FY 2024 and FY 2025. No projection of the number of taxpayers is possible due to a lack of reliable data.

| *Fiscal Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2023 Sales and Use Tax | $5,021,002 | *No estimate possible* |
| 2024 Sales and Use Tax | $5,139,687 | *No estimate possible* |
| 2025 Sales and Use Tax | $5,243,943 | *No estimate possible* |

Law Comparison: Connecticut, Maine, Massachusetts, and Vermont have similar provisions.

Connecticut: Sales of tangible personal property or services to the United States or respective agencies are exempt from the sales and use tax.

Connecticut Statute: Conn. Gen. Stat. § 12-412(1)

Maine: Maine does not impose a tax on sales, storage, or use on or in connection with sales made directly to the federal government or to any unincorporated agency or instrumentality of the federal government, including agencies and instrumentalities that are wholly owned.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 1760(2)

Massachusetts: Sales made to the United States, Massachusetts, or their political subdivisions or agencies are exempt from the sales and use tax.

Massachusetts Statute: Mass. Gen. Laws ch. 64H, § 6(d)

Vermont: Any sale, service, or admission to a place of entertainment charged by or to the United States of America, any of its agencies and instrumentalities, to the extent it is immune from taxation when it is the purchaser, user, or consumer or when it sells services or property of a kind not ordinarily sold by private persons is exempt.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 9743(2)

**86. Sales to the State or its Political Subdivisions:**

Statutory Reference: R.I. Gen. Laws § 44-18-30(8)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1947 / N/A

Description: The sale to and the storage, use, or other consumption by the State of Rhode Island, any city, town, district, or other political subdivision of the State is exempt from the sales and use tax. Every redevelopment agency created pursuant R.I. Gen. Laws Chapter 45-31 is deemed to be a subdivision of the municipality in which it is located.

Data Source: FY 2021 and FY 2022 Rhode Island Interactive Sales and Use Tax Simulation Model. Number of taxpayers is a sum of the state agencies/departments, cities and towns, quasi-public agencies, and fire districts in Rhode Island.

Reliability Index: 3

| *Fiscal Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2021 Sales and Use Tax | $44,022,200 | 136 |
| 2022 Sales and Use Tax | $44,619,000 | 138 |

Projection Methodology: The Office of Revenue Analysis applied the growth rate in projected FY 2023 Rhode Island state expenditures over those audited FY 2022 state estimates to calculate FY 2023 revenue forgone. A similar process was followed for FY 2024 and FY 2025 using the enacted

FY 2024 state expenditures and projected FY 2025 state expenditures as reported publicly by the Rhode Island House Fiscal Office for the enacted FY 2024 budget. The number of taxpayers for FY 2023-FY 2025 is held constant with FY 2022.

| *Fiscal Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2023 Sales and Use Tax | $44,059,269 | 138 |
| 2024 Sales and Use Tax | $46,195,997 | 138 |
| 2025 Sales and Use Tax | $48,436,349 | 138 |

Law Comparison: Connecticut, Maine, Massachusetts, and Vermont have similar provisions.

Connecticut: The sales of tangible personal property or services to the state of Connecticut or any of its political subdivisions or are exempt from the sales and use tax. In addition, sales of goods and services to The University of Connecticut Educational Properties Incorporated, the Connecticut Materials Innovation and Recycling Authority for the operation of projects, and any tourism district in the state are also exempt.

Connecticut Statute: Conn. Gen. Stat. §§ 12-412(1), 12-412(84), 12-412(92) and 12-412(93)

Maine: Sales to the state or any political subdivision or to any unincorporated agency or instrumentality of either of them or to any incorporated agency or instrumentality of them wholly owned by them are exempt. In addition, sales to nonprofit fire departments, nonprofit ambulance services, regional planning commissions and councils of government, community action organizations, and nonprofit volunteer search and rescue organizations are also exempt.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, §§ 1760(2), 1760(26), 1760(37), 1760(49), and 1760(53)

Massachusetts: Sales to Massachusetts or any political subdivision or respective agency of the state are exempt from the sales and use tax. In addition, sales of fire trucks to any volunteer, nonprofit fire company or similar organization furnishing public fire protection and sales of ambulances to any volunteer, nonprofit organization furnishing a public ambulance service are exempt.

Massachusetts Statute: Mass. Gen. Laws ch. 64H, §§ 6(d) and 6(x)

Vermont: The state of Vermont, its agencies, instrumentalities, public authorities, public corporations, and political subdivisions are not subject to sales and use tax when it is a purchaser, user, or consumer; it is a vendor of services or property of a kind not ordinarily sold by private persons; or it charges for admission to any amusement. In addition, a school or municipality is not subject to the sales and use tax. Finally, sales of equipment, supplies, and building materials made directly to volunteer fire departments, volunteer ambulance companies, or volunteer rescue squads for official use by the volunteer organizations are exempt.

Vermont Statute: Vt. Stat. Ann. tit. 32, §§ 9743(1), 9743(6), and 9741(21)

**87. Sales to U.S. Government and Operators of Railroad Transportation Equipment:**

Statutory Reference: R.I. Gen. Laws § 31-36-13

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1925 / 1977

Description: Any fuel sold by a distributor to the United States government or to a person, firm, or corporation that will use the fuel solely for the operation of railroad transportation equipment on fixed rails or tracks is exempt from the motor fuel tax.

Data Source: Excise Tax Section, Rhode Island Division of Taxation. Revenue forgone is based on motor fuel consumption by exempt distributors.

Reliability Index: 1

| *Fiscal Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Motor Fuel Tax | $1,655,501 | 6 |
| 2021 Motor Fuel Tax | $2,856,047 | 6 |
| 2022 Motor Fuel Tax | $2,157,351 | 6 |
| 2023 Motor Fuel Tax | $2,991,836 | 6 |

Projection Methodology: The amount of exemption for FY 2024 and FY 2025 is the three-year average of the amount of revenue forgone for FY 2021 – FY 2023, and the number of taxpayers is held constant with FY 2023.

| *Fiscal Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2024 Motor Fuel Tax | $2,668,411 | 6 |
| 2025 Motor Fuel Tax | $2,668,411 | 6 |

Law Comparison: Maine, Massachusetts, and Vermont have similar provisions.

Maine: The gasoline tax is not imposed if the imposition of the tax is precluded by federal law or regulation.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 2903(4)(F)

Massachusetts: Sales of fuel used in the operation of railroads are exempt from the sales and use tax.

Massachusetts Statute: Mass. Gen. Laws ch. 64H, § 6(j)(3)

Vermont: Railroad rolling stock, including depreciable parts, machinery and equipment to be installed as a capital asset in such rolling stock, sold for use primarily in the carriage of persons or property are exempt. Railroad rolling stock includes locomotives, cabooses, boxcars, tank cars, flatbed cars, maintenance of way equipment and all other wheeled vehicles used on rails or tracks. Railroads are also exempt in purchasing diesel fuels.

Vermont Statute: Vt. Stat. Ann. tit. 32, §§ 9741(30) and 9741(7)(B)

**88. School Meals:**

Statutory Reference: R.I. Gen. Laws § 44-18-30(3)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1947 / 1989

Description: The sale, storage, use, or other consumption of meals served by public, private, or parochial schools, school districts, colleges, universities, student organizations, parent teacher associations to the students or teachers of a school, college, or university whether the meals are served by the educational institutions or by a food service or management entity under contract to the educational institutions is exempt from the sales and use tax.

Data Source: FY 2021 and FY 2022 Rhode Island Interactive Sales and Use Tax Simulation Model. No reliable data exists from which to determine the number of taxpayers.

Reliability Index: 3

| *Fiscal Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2021 Sales and Use Tax | $2,737,095 | *No estimate possible* |
| 2022 Sales and Use Tax | $2,887,235 | *No estimate possible* |

Projection Methodology: The Office of Revenue Analysis applied the FY 2023 growth rate in Rhode Island personal consumption expenditures, food services and accommodations from the November 2023 S&P Global forecast to FY 2022 revenue forgone to project FY 2023 revenue forgone. A similar process was followed for FY 2024 and FY 2025. No projection of the number of taxpayers is possible due to a lack of reliable data.

| *Fiscal Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2023 Sales and Use Tax | $3,127,013 | *No estimate possible* |
| 2024 Sales and Use Tax | $3,286,269 | *No estimate possible* |
| 2025 Sales and Use Tax | $3,456,854 | *No estimate possible* |

Law Comparison: Connecticut's, Maine's and Massachusetts' exemptions are under the Sales and Use Tax. New Hampshire's and Vermont's exemptions are under the Meals and Rooms tax.

Connecticut: Sales of meals and food products to students and teachers by schools, colleges, and universities and to patients by hospitals, homes for the aged and convalescent homes, nursing homes, and rest homes are exempt.

Connecticut Statute: Conn. Gen. Stat. § 12-412(9)

Maine: Meals served to students and teachers by schools, colleges, universities, student organizations, and parent-teacher associations to the students or teachers of a school are exempt. Sales to employees of colleges are also exempt if purchased using a school-issued debit card.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, §§ 1760(6)(A) and 1760(6)(E)

Massachusetts: Meals served to students at schools, colleges, and universities and meals served by camps for children eighteen years of age or under or for developmentally disabled individuals are exempt.

Massachusetts Statute: Mass. Gen. Laws ch. 64H, § 6(cc)

New Hampshire: Meals served or furnished by an organization operated for educational purposes exempt from federal income taxation under § 501(c)(3) of the Internal Revenue Code (IRC), either directly through facilities owned and operated by such organization or indirectly through a catering or food service enterprise under contract with such organization if such meals are served or furnished: (A) To students regularly attending the organization; (B) To employees, faculty members or administrative officers of the organization; (C) To volunteers providing services in connection with the organization; or (D) To other persons if the meals are served or furnished for an activity related to educational purposes and the sponsor of such activity is an organization exempt from federal income taxation under § 501(c)(3) of the IRC or the federal government, state government, or an instrumentality thereof.

New Hampshire Statute: N.H. Rev. Stat. Ann. § 78-A:6-c, II

Vermont: Schools may sell meals on their own ground without collecting the meals tax. Contractors, restaurants, and caterers may sell meals to school students and staff under this exemption if the meals provided are for the benefit of the school or are otherwise sponsored by the

school. Restaurants and caterers providing meals for private events on school grounds must collect the meals tax.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 9202(10)(D)(ii)(II), Vermont Technical Bulletin 48

**89. Securities from Taxation:**

Statutory Reference: R.I. Gen. Laws § 44-13-14

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1942 / 1985

Description: The owners of shares of stock, bonds, debentures, and other evidences of indebtedness of any corporation liable to the public service corporation tax and of any corporation the property of which is operated in Rhode Island by any corporation shall be exempt from taxation.

Data Source: No reliable data exists for this tax expenditure item.

Reliability Index: 5

Projection Methodology: No projection is made due to lack of reliable data.

Law Comparison: No similar provisions were found for the other New England states.

**90. Seeds and Plants used to Grow Food and Food Ingredients:**

Statutory Reference: R.I. Gen. Laws § 44-18-30(65)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1947 / 2017

Description: The sale, storage, use, or other consumption of seeds and plants used to grow food and food ingredients is exempt from the sales and use tax. The exemption does not apply to marijuana seeds or plants.

Data Source: *No reliable data exists for this tax expenditure item. (The forgone revenue from this exemption is included in the "Food and Food Ingredients" exemption.)

Reliability Index: 5

Projection Methodology: *No reliable data exists for this tax expenditure item. (The forgone revenue from this exemption is included in the "Food and Food Ingredients" exemption.)

Law Comparison: Connecticut, Maine, Massachusetts, and Vermont have similar provisions.

Connecticut: Vegetable seeds suitable for planting to produce food for human consumption are exempt from Connecticut's sales tax.

Connecticut Statute: Conn. Gen. Stat. § 12-412(96)

Maine: Products, including seeds, used in commercial agricultural production are exempt from the state sales and use tax. Vegetable seeds and seedlings used in home gardens are taxable.

Maine Statute: Me. Rev. Stat. Ann. tit., 36 § 1760(7-B)

Massachusetts: Sales of plants, including parts of plants, suitable for planting to produce food for human consumption or when such plants or plant parts are sold in the regular course of business are exempt from sales and use tax in Massachusetts.

Massachusetts Statute: Massachusetts Gen. Laws Ch. 64H § 6(p)(4)

Vermont: Vermont's provisions include a sales and use tax exemption for agricultural inputs, which include seed and plants used for agricultural purposes.

Vermont Statute: Vt. Stat. Ann. tit., 32 § 9741(3)

**91. Special Adaptations for Wheelchair Accessible Taxicabs:**

Statutory Reference: R.I. Gen. Laws § 44-18-30(19)(iii)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 2007 / N/A

Description: The sale of special adaptations or the component parts of the special adaptations for a wheelchair accessible taxicab and/or a wheelchair accessible public motor vehicle as defined in R.I. Gen. Laws §§ 39-14-1 and 39-14.1-1, respectively, are exempt from the sales and use tax.

Data Source: No reliable data exists for this tax expenditure item.

Reliability Index: 5

Projection Methodology: No projection is made due to lack of reliable data.

Law Comparison: No similar provisions were found for the other New England states.

## 92. Stay Invested in RI Wavemaker Fellowship Awards:

Statutory Reference: R.I. Gen. Laws Ch. 42-64.26-8 / R.I. Pub. Laws 2022, Ch. 231, Art. 9, § 10 / R.I. Pub. Laws 2023, Ch. 79, Art. 7, § 10

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 2015 / 2023

Description: The Stay Invested in RI Wavemaker Fellowship program offers qualifying individuals a refundable tax credit worth the value of their annual student loan burden. Awards can be issued as a personal income tax credit and/or as a refund at any point in the calendar year. Prior to January 1, 2021, only the tax credit allowed under this chapter was exempt from the personal income tax imposed by R.I. Gen. Laws Ch. 44-30. For tax years beginning on or after January 1, 2021, all awards issued under this program are eligible for this exemption.

The Stay Invested in RI Wavemaker Fellowship program was expanded to include health care professionals, including high-demand healthcare practitioners or mental health professionals, clinical social workers, and mental health counselors licensed by the Department of Health effective July 1, 2022. No credits can be authorized to be reserved after December 31, 2024.

Data Source: Rhode Island Division of Taxation and Office of Revenue Analysis (ORA) Personal Income Tax Simulation Model. Forgone revenue was determined by applying the effective tax rates from Rhode Island personal income tax returns for TY 2020 and TY 2021 of 2.91% and 3.08%, respectively, to the amount of personal income tax credit for TY 2020 and tax credit and refund option taken in TY 2021. This estimate is conservative in that not all tax credit awarded will subsequently be converted to a refund by the taxpayer.

Reliability Index: 1

| *Calendar Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Personal Income Tax | $1,745 | 24 |
| 2021 Personal Income Tax | $27,598 | 270 |

Projection Methodology: Projected forgone revenue for TY 2022 was determined by applying the average of the effective tax rates from Rhode Island personal income tax returns for TY 2020 and TY 2021 of 3.00% to the amount of personal income tax credit and refund amount in TY 2022. TY 2023 forgone revenue is equal to the TY 2021 – TY 2022 average amount of revenue forgone. The number of taxpayers is equal to the TY 2021 – TY 2022 average number of taxpayers. TY 2024 and TY 2025 are set equal to TY 2023.

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2022 Personal Income Tax | $16,003 | 163 |
| 2023 Personal Income Tax | $21,800 | 217 |
| 2024 Personal Income Tax | $21,800 | 217 |
| 2025 Personal Income Tax | $21,800 | 217 |

Law Comparison: No similar provisions were found for the other New England states.

**93. Supplies Used in On-Site Hazardous Waste Recycling, Reuse, or Treatment:**

Statutory Reference: R.I. Gen. Laws § 44-18-30(37)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1988 / N/A

Description: The sale, storage, use, or other consumption of tangible personal property or supplies used or consumed in the operation of equipment used solely for the recycling, reuse, or recovery of materials (other than precious metals) from the treatment of hazardous wastes as defined in R.I. Gen. Laws § 23-19.1-4 is exempt from the sales and use tax. The hazardous wastes must be generated in Rhode Island solely by the same taxpayer and where the personal property is located at, in, or adjacent to a generating facility of the taxpayer in Rhode Island.

Data Source: No reliable data exists for this tax expenditure item.

Reliability Index: 5

Projection Methodology: No projection is made due to lack of reliable data.

Law Comparison: Only Connecticut has a similar provision.

Connecticut: Connecticut's provision includes an exemption from the sales and use tax for personal property for incorporation into or used in waste treatment facilities.

Connecticut Statute: Conn. Gen. Stat. § 12-412(21)

**94. Supplies Used in Preparing Floral Products and/or Arrangements:**

Statutory Reference: R.I. Gen. Laws § 44-18-30(52)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 2000 / N/A

Description: The sale, storage, use, or other consumption of tangible personal property or supplies purchased by florists, garden centers, or other like producers or vendors of flowers, plants, floral products, and natural and artificial floral arrangements sold with flowers, plants, floral products, and natural and artificial floral arrangements or are otherwise used in the decoration, fabrication, creation, processing, or preparation of flowers, plants, floral products, or natural and artificial floral arrangements is exempt from the sales and use tax.

Data Source: FY 2021 and FY 2022 Rhode Island Interactive Sales and Use Tax Simulation Model. No reliable data exists from which to determine the number of taxpayers.

Reliability Index: 3

| ***Fiscal Year / Tax Type*** | ***Revenue Forgone*** | ***Number of Taxpayers*** |
|---|---|---|
| 2021 Sales and Use Tax | $355,555 | *No estimate possible* |
| 2022 Sales and Use Tax | $381,029 | *No estimate possible* |

Projection Methodology: The Office of Revenue Analysis applied the FY 2023 growth rate in the United States producer price index for intermediate materials from the November 2023 S&P Global forecast to FY 2022 revenue forgone to project FY 2023 revenue forgone. A similar process was followed for FY 2024 and FY 2025. No projection of the number of taxpayers is possible due to a lack of reliable data.

| ***Fiscal Year / Tax Type*** | ***Projected Revenue Forgone*** | ***Projected Number of Taxpayers*** |
|---|---|---|
| 2023 Sales and Use Tax | $395,955 | *No estimate possible* |
| 2024 Sales and Use Tax | $371,435 | *No estimate possible* |
| 2025 Sales and Use Tax | $362,480 | *No estimate possible* |

Law Comparison: Only Vermont has a similar provision.

Vermont: Sales of fresh cut flowers only by a qualified § 501(c)(3) organization during a single, annual sales event not to exceed seven days are exempt.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 9743(3)(D)

**95. Taxpayers with Income Below Filing Threshold:**

Statutory Reference: R.I. Gen. Laws § 44-30-101(e)(4)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 2019 / N/A

Description: Beginning in 2020, Rhode Island residents are required to maintain health insurance or be subject to a tax known as the "Shared Responsibility Payment Penalty." If an individual's gross income or the income of their household is less than the minimum threshold required for filing a tax return, then the taxpayer is exempt from the shared responsibility payment penalty tax.

Data Source: Rhode Island Division of Taxation. The number of taxpayers is a count of how many returns had this exemption claimed. It is possible that a return could represent more than one filer, such as in a joint return, which would be undercounted as reported here. It is also possible that the exemption was claimed for less than a full year. To calculate revenue forgone, Taxation provided an unaudited, taxpayer provided individual mandate penalty assessed for all returns in that tax year that were assessed a penalty. Average assessed penalty per return was $680 in TY 2020, $769 in TY 2021 and $786 in preliminary TY 2022. ORA multiplied the average assessed penalty by the number of returns claiming that exemption in each tax year.

Reliability Index: 2

| ***Calendar Year / Tax Type*** | ***Revenue Forgone*** | ***Number of Taxpayers*** |
|---|---|---|
| 2020 Shared Responsibility Payment Penalty Tax | $1,547,000 | 2,275 |
| 2021 Shared Responsibility Payment Penalty Tax | $1,210,406 | 1,574 |
| 2022 Shared Responsibility Payment Penalty Tax | $1,230,876 | 1,566 |

Projection Methodology: Revenue forgone amounts and number of taxpayers for TY 2023 are calculated using a three-year average based on data from TY 2020 – TY 2022. TYs 2024 and 2025 is set equal to TY 2023.

| ***Calendar Year / Tax Type*** | ***Projected Revenue Forgone*** | ***Projected Number of Taxpayers*** |
|---|---|---|
| 2023 Shared Responsibility Payment Penalty Tax | $1,329,427 | 1,805 |
| 2024 Shared Responsibility Payment Penalty Tax | $1,329,427 | 1,805 |
| 2025 Shared Responsibility Payment Penalty Tax | $1,329,427 | 1,805 |

Law Comparison: A similar provision was found in Massachusetts.

Massachusetts: Individuals at or below 150% of the Federal Poverty Level (FPL) are not subject to a penalty for failure to purchase health insurance.

Massachusetts Statute: Mass. TIR 22-17

**96. Telecommunications Carrier Access Services:**

Statutory Reference: R.I. Gen. Laws § 44-18-30(45)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1989 / 2007

Description: Carrier access service or telecommunications service purchased by a telecommunications company from another telecommunications company to facilitate the provision of telecommunications service is exempt from the sales and use tax.

Data Source: FY 2021 and FY 2022 Rhode Island Interactive Sales and Use Tax Simulation Model. No reliable data exists from which to determine the number of taxpayers.

Reliability Index: 3

| *Fiscal Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2021 Sales and Use Tax | $12,804,900 | *No estimate possible* |
| 2022 Sales and Use Tax | $13,536,000 | *No estimate possible* |

Projection Methodology: The Office of Revenue Analysis applied the FY 2023 growth rate in Rhode Island gross domestic state product for utilities from the November 2023 S&P Global forecast to FY 2022 revenue forgone to project FY 2023 revenue forgone. A similar process was followed for FY 2024 and FY 2025. No projection of the number of taxpayers is possible due to a lack of reliable data.

| *Fiscal Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2023 Sales and Use Tax | $15,331,959 | *No estimate possible* |
| 2024 Sales and Use Tax | $15,330,918 | *No estimate possible* |
| 2025 Sales and Use Tax | $15,906,273 | *No estimate possible* |

Law Comparison: Connecticut, Maine, Massachusetts, and Vermont have similar provisions.

Connecticut: Connecticut's provision includes an exemption from the sales and use tax for access or interconnection service purchased by a provider of telecommunications service from another provider of such service for purposes of rendering such service.

Connecticut Statute: Conn. Gen. Stat. § 12-412(26)(A)(iv)

Maine: Sales of international and interstate telecommunications services are exempt from the service provider tax for all purchasers.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, §§ 2557(33) and 2557(34)

Massachusetts: Retail sales are defined as the sale of services, tangible personal property, or both for any purpose other than resale in the regular course of business. Thus, the tax on sales of telecommunications does not apply to sales for resale.

Massachusetts Statute: Mass. Gen. Laws ch. 64H, § 1

Vermont: Charges for wholesale transactions between telecommunications service providers where the service is a component part of a service provided to an end user are exempt from the sales and use tax. This exemption includes, but is not limited to, network access charges and interconnection charges paid to a local exchange carrier. In addition, the sale of telecommunications service to an affiliate of the telecommunications provider is not a taxable transaction under Vermont law.

Vermont Statute: Vt. Stat. Ann. tit. 32, §§ 9741(41) and 9742(10)

**97. Textbooks:**

Statutory Reference: R.I. Gen. Laws § 44-18-30(36)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1985 / 2007

Description: The sale, storage, use, or other consumption of textbooks by an educational institution, as defined in R.I. Gen. Laws § 44-18-30(18) or § 16-63-9(a)(4), or the sale, storage, use, or other consumption of used textbooks by any source is exempt from the sales and use tax.

Data Source: FY 2021 and FY 2022 Rhode Island Interactive Sales and Use Tax Simulation Model. No reliable data exists from which to determine the number of taxpayers.

Reliability Index: 3

| *Fiscal Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2021 Sales and Use Tax | $2,103,592 | *No estimate possible* |
| 2022 Sales and Use Tax | $2,306,924 | *No estimate possible* |

Projection Methodology: The Office of Revenue Analysis applied the FY 2023 growth rate in Rhode Island personal consumption expenditures for other durable goods from the November 2023 S&P Global forecast to FY 2022 revenue forgone to project FY 2023 revenue forgone. A similar

process was followed for FY 2024 and FY 2025. No projection of the number of taxpayers is possible due to a lack of reliable data.

| *Fiscal Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2023 Sales and Use Tax | $2,335,839 | *No estimate possible* |
| 2024 Sales and Use Tax | $2,375,523 | *No estimate possible* |
| 2025 Sales and Use Tax | $2,442,528 | *No estimate possible* |

Law Comparison: Connecticut, Massachusetts, and Vermont have similar provisions.

Connecticut: Connecticut exempts sales of college textbooks both new and used to full and part-time students enrolled at institutions of higher education or private occupational schools.

Connecticut Statute: Conn. Gen. Stat. § 12-412(109)

Massachusetts: Sales of books required for instructional purposes in educational institutions are exempt from the sales and use tax.

Massachusetts Statute: Mass. Gen. Laws ch. 64H, § 6(m)

Vermont: Textbooks are exempt if sold by an organization that qualifies for exempt status under the provisions of 26 U.S.C. § 501(c)(3) and whose gross sales of tangible personal property and services, which would be otherwise subject to the sales and use tax under, did not exceed $20,000 in the prior year.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 9743(3)(C)

**98. Total Loss or Destruction of Motor Vehicle within 120 Days of Tax Payment:**

Statutory Reference: R.I. Gen. Laws § 44-18-21(c)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1947 / 1977

Description: In the case of a motor vehicle that has been destroyed or been deemed a total loss within 120 days of its purchase, the amount of the use tax paid on the vehicle under R.I. Gen. Laws § 44-18-20 constitutes an overpayment. The overpayment may be credited against the amount of use tax on any replacement vehicle the owner acquires or may be refunded in whole or in part.

Data Source: Excise Tax Section, Rhode Island Division of Taxation.

Reliability Index: 1

| *Fiscal Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Sales and Use Tax | $74,641 | 60 |
| 2021 Sales and Use Tax | $63,578 | 66 |
| 2022 Sales and Use Tax | $72,448 | 65 |
| 2023 Sales and Use Tax | $26,024 | 16 |

Projection Methodology: FY 2024 and FY 2025 are the three-year averages for data reported for FY 2021 – FY 2023.

| *Fiscal Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2024 Sales and Use Tax | $54,017 | 49 |
| 2025 Sales and Use Tax | $54,017 | 49 |

Law Comparison: Connecticut and Vermont have similar provisions.

Connecticut: No use tax shall be payable in cases of purchase when a motor vehicle which has been declared a total loss is rebuilt for sale or use, provided the purchaser was subjected to the sales and use tax for the last taxable sale of the vehicle.

Connecticut Statute: Conn. Gen. Stat. § 12-431(a)(2)(D)

Vermont: Vermont's provisions include a partial or complete refund of taxes paid if an insurer makes a payment on account of the total loss or destruction of a vehicle from an accident occurring within three months of the purchase.

Vermont's Statute: Vt. Stat. Ann. tit. 32, § 8902(5)(D)(ii)

**99. Trade-In Value of Boats:**

Statutory Reference: R.I. Gen. Laws § 44-18-30(41)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1987 / N/A

Description: The sale, storage, use, or other consumption of the portion of the purchase price paid for a new or used boat that is allocated for a trade-in allowance from the boat of the buyer traded in to the seller or of the proceeds received from an insurance claim as a result of a stolen or damaged boat and used towards the purchase of a new or used boat by the buyer is exempt from the sales and use tax. R.I. Gen. Laws § 44-18-30(48), adopted in 1993, exempted the sale of new

or used boats from the sales and use tax. This effectively rendered the exemption of the trade-in value of boats moot.

Data Source: No reliable data exists for this tax expenditure item.

Reliability Index: 5

Projection Methodology: No projection is made due to lack of reliable data.

Projection Methodology: No projection is made due to lack of reliable data.

Law Comparison: Connecticut, Maine, Massachusetts, and Vermont have similar provisions.

Connecticut: Where a trade-in of any vessel is received by a retailer of such vessels upon the sale of another such vessel to a consumer, the tax is only on the difference between the sale price of such vessel purchased and the amount allowed for the trade-in on such vessel.

Connecticut Statute: Conn. Gen. Stat. § 12-430(4)

Maine: When one or more watercraft are traded in toward the sale price of another watercraft, the tax imposed must be levied only upon the difference between the sale price of the watercraft and the trade-in allowance of the watercraft taken in trade.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 1765(3)

Massachusetts: Where a trade-in of a boat is received by a boat dealer upon the sale of another boat to a consumer or user, the tax is imposed only on the difference between the sale price of the boat purchased and the amount allowed on the boat traded in on such purchase.

Massachusetts Statute: Mass. Gen. Laws ch. 64H, § 27A

Vermont: Sales price does not include credit for any trade-in where trade-in means an allowance made for like-kind property given to a vendor.

Vermont Statute: Vt. Stat. Ann. tit. 32, §§ 9701(4)(B)(v) and 9701(10)

**100. Trade-In Value of Motorcycles:**

Statutory Reference: R.I. Gen. Laws § 44-18-30(68) / R.I. Pub. Laws 2022, Ch. 231, Article 6, § 8

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 2022 / N/A

Description: Effective October 1, 2022, the sale, storage, use, or other consumption of the portion of the purchase price paid for a new or used motorcycle that is allocated for a trade-in allowance from the motorcycle of the buyer traded in to the seller or of the proceeds received from the manufacturer of motorcycles for the repurchase of the motorcycle, whether the repurchase was voluntary or not, towards the purchase of a new or used motorcycle by the buyer is exempt from the sales and use tax. The term motorcycle means a motorcycle not used for hire and does not refer to any other motor vehicle.

Data Source: Division of Motor Vehicles, Rhode Island Department of Revenue.

Reliability Index: 1

| *Fiscal Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2023 Sales and Use Tax | $117,037 | 181 |

Projection Methodology: FY 2024 and FY 2025 were grown using forecast data from S&P Global for personal consumption expenditures, durable goods, motor vehicles and parts. The number of taxpayers for FY 2024 and FY 2025 were held constant with FY 2023.

| *Fiscal Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2024 Sales and Use Tax | $114,507 | 181 |
| 2025 Sales and Use Tax | $109,435 | 181 |

Law Comparison: Connecticut, Maine, Massachusetts, and Vermont have similar provisions.

Connecticut: Where a trade-in of a motor vehicle is received by a motor vehicle dealer upon the sale of another motor vehicle to a consumer, the tax is only on the difference between the sale price of the motor vehicle and the amount allowed for the trade-in on such motor vehicle. Connecticut defines motorcycles as a motor vehicle with or without a side car.

Connecticut Statute: Conn. Gen. Stat. § 12-430(4)

Maine: When one or more motor vehicles are traded in toward the sale price of another motor vehicle, the tax imposed must be levied only upon the difference between the sale price of the motor vehicle and the trade-in allowance of the motor vehicle taken in trade. A motor vehicle is defined as any self-propelled vehicle designed for the conveyance of passengers on the public highways.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 1765(1)

Massachusetts: Where a trade-in of a motor vehicle is received by a dealer upon the sale of another motor vehicle to a consumer or user, the tax shall be imposed only on the difference between the sales price of the motor vehicle purchased and the amount allowed on the motor vehicle traded in

on such purchase. A motor vehicle is defined as a self-propelled vehicle designed for use and used primarily on the highway.

Massachusetts Statute: Mass. Gen. Laws ch. 64H, § 26

Vermont: For any purchaser who has paid tax on the purchase or use of a motor vehicle that was sold or traded by the purchaser, the taxable cost of the replacement motor vehicle shall exclude the value allowed by the seller on any motor vehicle accepted by him as part of the consideration of the motor vehicle, provided the motor vehicle accepted by the seller is owned and previously or currently registered by the purchaser with no change of ownership since registration. Vermont defines a motorcycle as a type of motor vehicle.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 8902(5)(A)

**101. Trade-In Value of Private Passenger Automobiles:**

Statutory Reference: R.I. Gen. Laws § 44-18-30(23)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1975 / 2011

Description: The sale, storage, use, or other consumption of the portion of the purchase price paid for a new or used automobile that is allocated for a trade-in allowance from the automobile of the buyer traded in to the seller or of the proceeds received from the manufacturer of automobiles for the repurchase of the automobile, whether the repurchase was voluntary or not, towards the purchase of a new or used automobile by the buyer is exempt from the sales and use tax. The term automobile means a private passenger automobile not used for hire and does not refer to any other motor vehicle.

Data Source: Division of Motor Vehicles, Rhode Island Department of Revenue.

Reliability Index: 1

| *Fiscal Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Sales and Use Tax | $14,034,465 | 22,450 |
| 2021 Sales and Use Tax | $18,048,027 | 27,209 |
| 2022 Sales and Use Tax | $21,395,963 | 22,971 |
| 2023 Sales and Use Tax | $25,313,303 | 26,336 |

Projection Methodology: FY 2024 and FY 2025 were grown using forecast data from S&P Global for personal consumption expenditures, durable goods, motor vehicles and parts. The number of taxpayers for FY 2024 and FY 2025 were held constant with FY 2023.

| *Fiscal Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2024 Sales and Use Tax | $24,766,091 | 26,336 |
| 2025 Sales and Use Tax | $23,669,122 | 26,336 |

Law Comparison: Connecticut, Maine, Massachusetts, and Vermont have similar provisions.

Connecticut: Where a trade-in of a motor vehicle is received by a motor vehicle dealer upon the sale of another motor vehicle to a consumer, the tax is only on the difference between the sale price of the motor vehicle and the amount allowed for the trade-in on such motor vehicle.

Connecticut Statute: Conn. Gen. Stat. § 12-430(4)

Maine: When one or more motor vehicles are traded in toward the sale price of another motor vehicle, the tax imposed must be levied only upon the difference between the sale price of the motor vehicle and the trade-in allowance of the motor vehicle taken in trade.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 1765(1)

Massachusetts: Where a trade-in of a motor vehicle is received by a dealer upon the sale of another motor vehicle to a consumer or user, the tax shall be imposed only on the difference between the sales price of the motor vehicle purchased and the amount allowed on the motor vehicle traded in on such purchase.

Massachusetts Statute: Mass. Gen. Laws ch. 64H, § 26

Vermont: For any purchaser who has paid tax on the purchase or use of a motor vehicle that was sold or traded by the purchaser, the taxable cost of the replacement motor vehicle shall exclude the value allowed by the seller on any motor vehicle accepted by him as part of the consideration of the motor vehicle, provided the motor vehicle accepted by the seller is owned and previously or currently registered by the purchaser with no change of ownership since registration.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 8902(5)(A)

**102. Transfers or Sales Made to Immediate Family Members:**

Statutory Reference: R.I. Gen. Laws § 44-18-20(d)(1)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1947 / 1995

Description: The sale or transfer of tangible personal property that is otherwise subject to the sales and use tax is exempt from said tax when the transferee or purchaser is the spouse, mother, father, brother, sister, or child of the transferor or seller.

Data Source: No reliable data exists for this tax expenditure item.

Reliability Index: 5

Projection Methodology: No projection is made due to lack of reliable data.

Law Comparison: Connecticut, Massachusetts, and Vermont have similar provisions.

Connecticut: No use tax shall be payable in cases of purchase of motor vehicles, vessels, snowmobiles, and aircraft when the purchaser is the spouse, mother, father, brother, sister, or child of the seller.

Connecticut Statute: Conn. Gen. Stat. § 12-431(a)(2)(A)

Massachusetts: Massachusetts' provisions include an exemption for family members including a spouse, mother, father, brother, sister, or child of the seller in the purchase of motor vehicles, trailers, boats, and airplanes.

Massachusetts Statute: Mass. Gen. Laws ch. 64I, § 7(b)

Vermont: Motor vehicles transferred to the spouse, mother, father, child, grandparent, or grandchild of the donor are exempt from tax.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 8911(8)

**103. Transfers or Sales Related to Business Dissolution or Partial Liquidation:**

Statutory Reference: R.I. Gen. Laws § 44-18-20(d)(2)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1947 / 1995

Description: The sale or transfer of tangible personal property that is otherwise subject to the sales and use tax is exempt from said tax when the transfer or sale is made in connection with the organization, reorganization, dissolution, or partial liquidation of a business entity provided that: the last taxable sale, transfer, or use of the article being sold was subject to the sales and use tax; the transferee is the business entity referred to or is a stockholder, owner, member, or partner; and any gain or loss to the transferor is not recognized as income for federal income tax purposes.

Data Source: No reliable data exists for this tax expenditure item.

Reliability Index: 5

Projection Methodology: No projection is made due to lack of reliable data.

Law Comparison: Connecticut, Maine, Massachusetts, and Vermont have similar provisions.

Connecticut: No use tax shall be payable in cases of purchase when a motor vehicle or vessel is sold in connection with the organization, reorganization or liquidation of an incorporated business, provided the last taxable sale or use of the motor vehicle or vessel was subjected to the sales or use tax and the purchaser is the incorporated business or a stockholder.

Connecticut Statute: Conn. Gen. Stat. § 12-431(a)(2)(B)

Maine: A retail sale that is subject to the sales and use tax includes the sale or liquidation of a business or the sale of substantially all of the assets of a business, to the extent that the seller purchased the assets of the business for resale, lease, or rental in the ordinary course of business, except when the sale is to an affiliated entity and the transferee purchases the assets for resale, lease, or rental in the ordinary course of business or the sale is to a person that purchases the assets for resale, lease, or rental in the ordinary course of business or that purchases the assets for transfer to an affiliate for resale, lease, or rental by the affiliate in the ordinary course of business.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 1752(11)(A)(4)

Massachusetts: The sale or transfer of a motor vehicle, trailer, or other vehicle to or from a business entity is exempt from tax as follows, provided that the transferor previously paid the sales or use tax on the vehicle: (a) the sale or transfer must be pursuant to a transaction which qualifies as a reorganization; (b) the sale or transfer must be pursuant to the formation of a partnership or corporate trust, or pursuant to the organization of a corporation, solely in exchange for an ownership interest in the enterprise; or (c) the sale or transfer must be to an owner of a business entity solely in exchange for the owner's interest on the complete dissolution of a partnership or corporate trust, or the complete liquidation of a corporation.

Massachusetts Regulation: 830 CMR 64H.25.1 Motor Vehicles

Vermont: The transfer of tangible personal property to a corporation in a reorganization, a merger or consolidation is exempt from the sales and use tax. The distribution of property by a corporation or partnership in liquidation is also exempt.

Vermont Statute: Vt. Stat. Ann. tit. 32, §§ 9742(2) through 9742(6)

**104. Transportation Charges of Motor Carriers to Haul Goods:**

Statutory Reference: R.I. Gen. Laws § 44-18-30(40)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1987 / N/A

Description: The sale or hiring of motor carriers, as defined in R.I. Gen. Laws § 39-12-2(l), to haul goods when the contract or hiring cost is charged by a motor freight tariff filed with the Rhode Island Public Utilities Commission based on the number of miles driven or by the number of hours spent on the job is exempt from the sales and use tax.

Data Source: No reliable data exists for this tax expenditure item.

Reliability Index: 5

Projection Methodology: No projection is made due to lack of reliable data.

Law Comparison: No similar provisions were found for the other New England states.

**105. Vacation Homes Rented in Entirety:**

Statutory Reference: R.I. Gen. Laws § 44-18-36.1(a)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1986 / 2015

Description: A house, condominium, or other resident dwelling rented in its entirety is exempt from the state hotel tax administered and collected by the Division of Taxation or the City of Newport. The state hotel tax is a 5% tax upon the total consideration charged for occupancy of any space furnished by any hotel, travel packages, or room reseller.

Data Source: Rhode Island Division of Taxation, monthly hotel tax data, Office of Revenue Analysis (ORA) calculations.

Reliability Index: 1

| *Fiscal Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Hotel Tax | $3,796,496 | *No estimate possible* |
| 2021 Hotel Tax | $3,701,787 | *No estimate possible* |
| 2022 Hotel Tax | $3,760,897 | *No estimate possible* |
| 2023 Hotel Tax | $4,113,258 | *No estimate possible* |

Projection Methodology: ORA projections of the hotel tax amounts for FY 2024 - FY 2025 are as forecasted for the FY 2025 Governor's Recommended budget. No projection of the number of taxpayers is possible due to a lack of reliable data.

| *Fiscal Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2024 Sales and Use Tax | $4,810,492 | *No estimate possible* |
| 2025 Sales and Use Tax | $4,919,762 | *No estimate possible* |

Law Comparison: No similar provisions were found in the other New England states.

**106. Vehicles Purchased by Non-Resident Military Personnel Subject to Sales Tax Elsewhere:**

Statutory Reference: R.I. Gen. Laws § 44-18-30A(b)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1965 / 1986

Description: The use, storage, or other consumption of a motor vehicle purchased in Rhode Island where the buyer is an active-duty member of the United States Armed Forces stationed outside of Rhode Island and where the buyer has paid a sales or use tax greater than or equal to the amount imposed by the Rhode Island sales and use tax is exempt from the use tax imposed by R.I. Gen. Laws § 44-18-20. If the buyer has paid a sales or use tax in an amount less than the Rhode Island sales tax rate, then the buyer must pay the difference between the amount of the tax paid and the amount of the Rhode Island sales and use tax to the tax administrator.

Data Source: No reliable data exists for this tax expenditure item.

Reliability Index: 5

Projection Methodology: No projection is made due to lack of reliable data.

Law Comparison: Connecticut has a similar provision.

Connecticut: Sales of motor vehicles to non-resident members of the armed forces on full-time active duty in Connecticut or their spouses are taxed at a reduced 4.5% rate, provided that the retailer requires and obtains documentation including a declaration under penalty of false statement confirming the purchaser's military status and state of residency.

Connecticut Statute: Conn. Gen. Stat. § 12-408(1)(C)

**107. Video Lottery Terminal, Table Games, and Sports Wagering Prizes:**

Statutory Reference: R.I. Gen. Laws § 42-61.2-10

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1992 / 2018

Description: The prizes from video lottery terminals, table games, and sports betting, including payoffs, received from the Division of Lottery are exempt from the state sales or use tax. Prizes are still subject to the personal income tax.

Data Source: Division of Lottery, Department of Revenue

Reliability Index: 1

| *Fiscal Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Sales and Use Tax | $0 | 0 |
| 2021 Sales and Use Tax | $0 | 0 |

Projection Methodology: Revenue forgone and number of taxpayers for FY 2022 – FY 2024 are held constant with FY 2021.

| *Fiscal Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2022 Sales and Use Tax | $0 | 0 |
| 2023 Sales and Use Tax | $0 | 0 |
| 2024 Sales and Use Tax | $0 | 0 |
| 2025 Sales and Use Tax | $0 | 0 |

Law Comparison: No similar provisions were found for the other New England states.

**108. Water for Residential Use:**

Statutory Reference: R.I. Gen. Laws § 44-18-30(28)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1977 / N/A

Description: The sale, storage, use, or other consumption of water provided for domestic use by occupants of residential premises is exempt from the sales and use tax.

Data Source: Rhode Island Public Utilities Commission, Rhode Island regulated water suppliers' water rates. Estimate is based on usage of 60,000 gallons per household at an average cost of $496.53 for FY 2020 and $499.52 for FY 2021. From the physical housing characteristics for occupied housing units reported by the US Census Bureau, American Community Survey (ACS), it is estimated that there were number of households in Rhode Island were 441,274 households in CY 2020 and 440,170 in CY 2021. Revenue forgone was determined by multiplying the total

yearly sales by 7% and summing one half of each calendar year to arrive at a fiscal year total. Fiscal year number of taxpayers was determined by summing one-half of each calendar year.

Reliability Index: 2

| *Fiscal Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Sales and Use Tax | $14,608,737 | 424,224 |
| 2021 Sales and Use Tax | $15,364,364 | 440,722 |

Projection Methodology: FY 2022 revenue forgone amounts and number of taxpayers were forecasted using the same methodology as noted above. ORA applied the growth rates from the S&P Global forecast provided for the November 2023 Revenue Estimating Conference (REC) for total Rhode Island family and non-family households to project FY 2023 – FY 2025 revenue forgone and number of taxpayers.

| *Fiscal Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2022 Sales and Use Tax | $15,607,121 | 447,685 |
| 2023 Sales and Use Tax | $15,639,461 | 448,613 |
| 2024 Sales and Use Tax | $15,651,042 | 448,945 |
| 2025 Sales and Use Tax | $15,682,482 | 449,847 |

Law Comparison: Connecticut, Maine, Massachusetts, and Vermont have similar provisions.

Connecticut: Connecticut exempts the sales of water, steam, and telegraph services, when delivered to consumers through mains, lines, pipes, or bottles from the sales and use tax.

Connecticut Statute: Conn. Gen. Stat. § 12-412(3)(C)

Maine: Sales of water purchased for use in buildings designed and used for both human habitation and sleeping, with the exception of hotels, are exempt.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 1760(39)

Massachusetts: The sale, furnishing, and service of water is exempt from the sales and use tax.

Massachusetts Statute: Mass. Gen. Laws ch. 64H, § 6(i)

Vermont: Water is excluded from taxable public utility services.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 9771(3)

## 109. Wine and Spirits:

Statutory Reference: R.I. Gen. Laws § 44-18-30(64)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1947 / 2013 / 2015

Description: The sale, storage, use, or other consumption of wine and spirits by a Class A Licensee of alcoholic beverages is exempt from the sales and use tax.

Data Source: Tax Administrator's Reports *Sales and Taxation of Alcoholic Beverages in Rhode Island* published May 2022 and May 2023. United States Census Data, 2020 Decennial Census and the 2021 and 2022 American Community Survey 1-Year Estimates. United States Centers for Disease Control and Prevention, Behavioral Risk Factor Surveillance System Data, 2020-2022. ORA utilized the five-year average percent of alcohol excise taxes remitted from January – June as well as July – December to extract fiscal year sales from the Taxation report to calculate revenue forgone. To estimate the number of taxpayers, ORA utilized CDC survey data on the percentage of adults who said that had had at least one drink of alcohol within the past 30 days and applied that percentage to the number of Rhode Island adults as reported by the Census Bureau.

Reliability Index: 1 (Revenue Forgone); 2 (Number of Taxpayers)

| ***Fiscal Year / Tax Type*** | ***Revenue Forgone*** | ***Number of Taxpayers*** |
|---|---|---|
| 2020 Sales and Use Tax | $19,135,601 | 518,355 |
| 2021 Sales and Use Tax | $21,302,210 | 520,839 |
| 2022 Sales and Use Tax | $21,079,637 | 512,088 |

Projection Methodology: The Office of Revenue Analysis applied the FY 2023 growth rate in personal consumption expenditures, food and beverages purchased for off-premises consumption from the S&P Global forecast provided for the November 2023 Revenue Estimating Conference to FY 2022 revenue forgone to project FY 2023 revenue forgone. A similar process was followed for FY 2024 and FY 2025. The projected number of taxpayers is the average of FY 2020 – 2022.

| ***Fiscal Year / Tax Type*** | ***Projected Revenue Forgone*** | ***Projected Number of Taxpayers*** |
|---|---|---|
| 2023 Sales and Use Tax | $21,934,350 | 517,094 |
| 2024 Sales and Use Tax | $22,250,387 | 517,094 |
| 2025 Sales and Use Tax | $22,541,310 | 517,094 |

Law Comparison: Only Massachusetts has a similar provision.

Massachusetts: The sales of all alcoholic beverages taxed under the excise taxes listed in Mass. Gen. Laws ch. 138 are exempt from sales and use taxes.

Massachusetts Statute: Mass. Gen. Laws ch. 64H, § 6(g)

**110. Youth Activities Equipment Sold for $20 or Less:**

Statutory Reference: R.I. Gen. Laws § 44-18-30(31)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1984 / 1995

Description: The sale, storage, use, or other consumption of items $20 or less by nonprofit charitable organizations for youth activities that the organization is formed to sponsor and support or by accredited elementary and secondary schools for the purposes of the schools or organized activities of enrolled students is exempt from the sales and use tax.

Data Source: No reliable data exists for this tax expenditure item.

Reliability Index: 5

Projection Methodology: No projection is made due to lack of reliable data.

Law Comparison: Connecticut, Maine, Massachusetts, and Vermont have similar provisions.

Connecticut: A sales and use tax exemption is provided for sales of items for $20 or less made by eleemosynary organizations when the sales are made for purposes of supporting youth activities. Examples of such organizations include: Boy Scouts, Girl Scouts, Parent-Teacher Organizations, Boys' and Girls' Clubs, Little League, Pee Wee Football, 4-H Clubs, Camp Fire Girls and Junior Achievement.

Connecticut Statute: Conn. Gen. Stat. § 12-412(26)

Massachusetts: Sales of tangible personal property by a nonprofit organization for fundraising purposes are exempt from sales tax as casual and isolated sales if the organization does not make sales in the regular course of business of the same type of property and amounts derived from such casual and isolated sales are used to further the organization's exempt purpose.

Massachusetts Regulation: 830 CMR § 64H.6.1(4)(a) Casual and Isolated Sales

Maine: Sales of tangible personal property and taxable services by elementary and secondary schools and by student organizations sponsored by those schools, including booster clubs and student or parent-teacher organizations, as long as the profits from the sales are used to benefit those schools or student organizations or are used for a charitable purpose.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 1760(64)

Vermont: Sales by qualified § 501(c)(3) organizations are exempt from the sales and use tax if the organization's gross sales of tangible personal property and services, which would be subject to the sales and use tax but for this exemption, did not exceed $20,000 in the prior year.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 9743(3)(C)

# MODIFICATIONS

## 1. Bonus Depreciation Provided by JCWAA of 2002 and JGTRRA of 2003:

Statutory Reference: R.I. Gen. Laws § 44-61-1 / 26 U.S. Code § 168(k)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 2002 / 2008

Description: For purposes of depreciating assets under the business corporation tax, bank excise tax, and personal income tax, the bonus depreciation provided by the federal Job Creation and Workers Assistance Act (JCWAA) of 2002 and the federal Jobs Growth Tax Relief Reconciliation Act (JGTRRA) of 2003, or any subsequent enactment for federal tax purposes, is not allowed for Rhode Island tax purposes. In the year those assets are placed in service and in all subsequent years, depreciation for Rhode Island tax purposes is allowed as it would have been computed prior to the enactment of the JCWAA of 2002.

The JCWAA of 2002 allowed a special 30% bonus depreciation deduction in the first year for qualifying property purchased after September 10, 2001, and before September 11, 2004, for purposes of computing federal net income. In addition, the JCWAA of 2002 modified Internal Revenue Code (IRC) § 168(k) to allow taxpayers to claim an additional first-year bonus depreciation allowance on any new Modified Accelerated Cost Recovery System (MACRS) property when the recovery period is 20 years or less. The additional depreciation allowance is equal to 30% of the adjusted cost basis of the property after any IRC §179 expense deductions are taken. The JGTRRA of 2003 increased the bonus depreciation deduction from 30% to 50% for assets purchased after May 5, 2003, but before January 1, 2005. The American Jobs Creation Act of 2004 extended some bonus depreciation rules for certain aircraft as well as other items. The Economic Stimulus Act of 2008 reintroduced bonus depreciation of 50% for qualifying property placed in service in TY 2008. The American Recovery and Reinvestment Act of 2009 extended the 50% bonus depreciation for qualifying property placed in service in TY 2009. The Small Business Jobs Act of 2010 increased the bonus depreciation from 50% to 100% for qualifying property acquired and placed in service after September 8, 2010, but before January 1, 2012. Qualifying property acquired on or before September 8, 2010 was eligible for the 50% bonus depreciation, if that property was placed in service prior to January 1, 2013. The American Taxpayer Relief Act of 2012 extends the 50% bonus depreciation for qualifying property placed in service in TY 2013. The Protecting Americans from Tax Hikes (PATH) Act of 2015 extended bonus depreciation to property acquired and placed in service before 2020 while retaining the 50% bonus depreciation in 2017 and providing for lesser bonus depreciation percentages of 40% for TY 2018 and 30% for TY 2019. The Tax Cuts and Jobs Act (TCJA) of 2017 retained the 50% bonus depreciation for property placed in service on or before September 27, 2017 and increased the bonus depreciation to 100% for property placed in service after September 27, 2017 but before January 1, 2023. Beginning on January 1, 2023, the allowable bonus depreciation decreases by 20 percentage points in each subsequent year until it reaches 0% on January 1, 2027.

Rhode Island's disallowance of bonus depreciation is a timing issue. In the year that an asset is put in service and is eligible for the federal bonus depreciation, a Rhode Island taxpayer must take as a modification increasing federal adjusted gross income (AGI) the difference in the bonus

depreciation amount allowed on the federal tax return and the depreciation amount allowed for Rhode Island tax purposes. In subsequent years, a Rhode Island taxpayer may take as a modification decreasing federal AGI the difference in the depreciation amount allowed for Rhode Island tax purposes and the depreciation amount allowed on the federal tax return. At the end of the asset's "useful" life, the same amount of depreciation will be realized by the taxpayer on both the federal and the Rhode Island tax returns. Thus, over the life of the asset, there is no net impact on Rhode Island tax collections.

The Division of Taxation allows corporate tax filers to report bonus depreciation and expensing as set forth in the IRC § 179 on the same line as a total. As a result, depending on the tax year, the reported amounts on Rhode Island business corporation tax returns include both bonus depreciation and § 179 expensing. However, after tax year 2018, it is presumed that § 179 expensing deductions will be minimal due to conformity with federal tax law on § 179 expensing.

Data Source: *Business Corporation Tax*: Rhode Island Division of Taxation and Office of Revenue Analysis (ORA) calculations. For TYs 2020 and 2021, this deduction includes combined bonus depreciation, and any § 179 expensing reported for C-corporations only, and the amounts are not necessarily specific to Rhode Island-based activity. For TY 2020 and TY 2021, the total net modification resulted in an increase to federal taxable income and thus, no revenue was forgone for these taxpayers. The number of taxpayers includes C-corporations, S-corporations and partnerships that had a deduction increasing or decreasing federal taxable income and can include a taxpayer in both categories, provided the taxpayer simultaneously had a modification increasing and decreasing federal taxable income.

*Bank Tax*: Rhode Island Division of Taxation and ORA calculations. This deduction includes combined bonus depreciation and enhanced § 179 expensing and the amounts are not necessarily specific to Rhode Island-based activity. For TYs 2020 and 2021, the total net deduction amount was positive; therefore, there is no revenue forgone from this deduction. The number of taxpayers includes those taxpayers with a deduction that increased or decreased their federal taxable income.

*Personal Income Tax*: Office of Revenue Analysis (ORA) calculations. Modifications include adjustments that either increase or decrease federal AGI. For TY 2020 and TY 2021, the total net modification by resident and non-resident taxpayers increased federal AGI; therefore, there is no revenue forgone from this modification in TY 2020 or TY 2021. The number of taxpayers includes those resident and non-resident taxpayers with a modification that either increased or decreased federal AGI.

Reliability Index: 1

| ***Calendar Year / Tax Type*** | ***Revenue Forgone*** | ***Number of Taxpayers*** |
|---|---|---|
| 2020 Business Corporation Tax | $0 | 29,959 |
| 2020 Bank Tax | $0 | 53 |
| 2020 Personal Income Tax | $0 | 30,830 |
| **2020 Total** | **$0** | **60,842** |

| *Calendar Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2021 Business Corporation Tax | $0 | 29,193 |
| 2021 Bank Tax | $0 | 42 |
| 2021 Personal Income Tax | $0 | 26,263 |
| **2021 Total** | **$0** | **55,498** |

Projection Methodology: *Business Corporation:* TY 2022 projection provided by the Division of Taxation with data that was available as of June 2023 and is subject to revision. The total net modification resulted in an increase to federal taxable income and thus, no revenue was forgone for these taxpayers. Due to changes in federal tax law, ORA is unable to project usage of this modification into the future and have thus reported no estimate possible for tax years 2023-2025. The projected number of taxpayers for tax years 2023-2025 is the 4-year average number of taxpayers reported for TYs 2018-2021. *Bank Taxes, Personal Income Taxes*: Due to changes in federal tax law, ORA is unable to project usage of this modification into the future and have thus reported no estimate possible for tax years 2022-2025. The number of projected taxpayers for TY 2022 is the 4-year average of total taxpayers that have taken the modification either increasing or decreasing federal AGI. TYs 2023-2025 are set equal to TY 2022.

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2022 Business Corporation Tax | $0 | 9,491 |
| 2022 Bank Tax | $0 | 55 |
| 2022 Personal Income Tax | *No estimate possible* | 27,436 |
| **2022 Projected Total** | **$0** | **36,982** |
| 2023 Business Corporation Tax | *No estimate possible* | 28,977 |
| 2023 Bank Tax | *No estimate possible* | 55 |
| 2023 Personal Income Tax | *No estimate possible* | 27,436 |
| **2023 Projected Total** | ***No estimate possible*** | **56,468** |
| 2024 Business Corporation Tax | *No estimate possible* | 28,977 |
| 2024 Bank Tax | *No estimate possible* | 55 |
| 2024 Personal Income Tax | *No estimate possible* | 27,436 |
| **2024 Projected Total** | ***No estimate possible*** | **56,468** |

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2025 Business Corporation Tax | *No estimate possible* | 28,977 |
| 2025 Bank Tax | *No estimate possible* | 55 |
| 2025 Personal Income Tax | *No estimate possible* | 27,436 |
| **2025 Projected Total** | ***No estimate possible*** | **56,468** |

**Indicates data that is not disclosed by Taxation due to taxpayer's confidentiality*

Law Comparison: Connecticut, Maine, and Vermont have similar provisions.
Connecticut: Effective for tax year 2017 and going forward, Connecticut decoupled from the federal bonus depreciation deduction. Taxpayers who report a subtraction modification on their federal return must report a bonus depreciation addition modification on the Connecticut return. The taxpayer may then report 25% of such additional allowance for depreciation in each of the four succeeding taxable years.

Connecticut corporation tax law states that for purposes of determining net income subject to tax, the deduction allowed for depreciation shall be determined as provided under the IRC, provided that in making such determination the provisions of § 168(k) of the IRC do not apply.

Connecticut Statute: Conn. Gen. Stat. §§ 12-701(a)(20)(A)(ix), 12-701(a)(20)(B)(v), and 12-217(b)(1)

Maine: For tax years beginning on or after January 1, 2015, federal AGI is increased by an amount equal to the net increase attributable to the depreciation deduction claimed by the taxpayer under § 168(k) for which a Maine credit is claimed under § 5219-NN for that tax year; and an amount equal to the net increase attributable to the depreciation deduction claimed by the taxpayer under § 168(k) with respect to property for which a Maine credit is not claimed under § 5219-NN.

The addition modifications are recaptured in future years through a series of subtraction modifications. Federal AGI or federal net income is reduced by a fraction of any amount previously added back by the taxpayer. For tax years beginning on or after January 1, 2016, an amount equal to the net increase in the depreciation deduction allowable under §§ 167 and 168 of the IRC that would have been applicable to that property had the depreciation deduction under § 168(k) of the IRC not been claimed with respect to such property placed in service during the taxable year for which an addition was required. For property placed in service on or after January 1, 2020, an affected property is eligible to take both a bonus depreciation addition modification and the Maine capital investment credit.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, ch. 805, §§ 5122(1)(KK), 5122(2)(NN), and 5122(2)(RR) and ch. 817, §§ 5200-A(1)(CC), and 5200-A(2)(AA)

Vermont: Vermont defines net income for any corporate taxpayer as the taxable income of the taxpayer for that taxable year under the laws of the United States, without regard to 26 U.S.C. § 168(k) of the Internal Revenue Code (IRC), and excluding income which under the laws of the

United States is exempt from taxation by the states. For the individual income tax and for that of estates or trusts, Vermont includes provisions that taxable income is determined based on federal AGI or taxable income, respectively, without regard to § 168(k) of the IRC.

Vermont Statute: Vt. Stat. Ann. tit. 32, §§ 5811(18)(A), (21), and (28)

**2. Companies Engaged in Buying, Selling, Dealing in, or Holding Securities on Own Behalf:**

Statutory Reference: R.I. Gen. Laws § 44-11-2(b)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1938 / 2004

Description: Corporations that buy, sell, deal in or hold securities on their own behalf and "not as a broker, underwriter, or distributor" and whose gross receipts derived from these actions amount to at least 90% of its total gross receipts derived from all activities in a taxable year can take as a modification reducing net income 50% of excess capital gains over capital losses for the taxable year prior to computing the business corporation tax.

Data Source: No reliable data exists for this tax expenditure item.

Reliability Index: 5

Projection Methodology: No projection is made due to lack of reliable data.

Law Comparison: Only Massachusetts has a similar provision.

Massachusetts: Every financial institution or business corporation which is engaged exclusively in buying, selling, dealing in, or holding securities on its own behalf and not as a broker and is not a bank holding company under the Internal Revenue Code, as amended and in effect for the taxable year shall pay, on account of each taxable year, an excise equal to 0.132% of the gross income received by such corporation during the taxable year, or $456, whichever is greater. For every financial institution or business corporation that is engaged in buying, selling, dealing or holding securities on its own behalf and not as a broker and is a bank holding company, the respective rate is 0.33% of the gross income, or $456, whichever is greater. Such companies are exempt from the corporate excise tax.

Massachusetts Statute: Mass. Gen. Laws ch. 63, §§ 38B, 68C

**3. Contribution to Medical Savings Accounts by Scituate Residents:**

Statutory Reference: R.I. Gen. Laws § 44-30-25.1(d)(1)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 2002 / N/A

Description: A resident individual of the town of Scituate who establishes a medical savings account is allowed a modification decreasing federal adjusted gross income (AGI) prior to computing the personal income tax for contributions made to said medical savings account to the extent such a contribution is deemed taxable under the Internal Revenue Code. The income, including gains and losses on a medical savings account, is exempt from taxation.

Data Source: Division of Taxation and Office of Revenue Analysis (ORA) Personal Income Tax Simulation Model. Modification includes adjustments that decreased federal AGI. ORA calculated the Rhode Island tax liability for each taxpayer under TY 2020 and TY 2021 Rhode Island personal income tax laws and the Rhode Island tax liability for each taxpayer without the modification for the same tax years, then summed the results for both calculations across all taxpayers. Revenue forgone is determined by taking the difference between the two tax liability calculations. The number of taxpayers includes those resident and non-resident taxpayers with a modification that decreased federal AGI.

Reliability Index: 1

| ***Calendar Year / Tax Type*** | ***Revenue Forgone*** | ***Number of Taxpayers*** |
|---|---|---|
| 2020 Personal Income Tax | $503 | < 10 |
| 2021 Personal Income Tax | $353 | < 10 |

Projection Methodology: TY 2022 projected amount of forgone revenue and number of taxpayers is the 4-year average number of taxpayers reported for TYs 2018-2021. TY 2023 – TY 2025 are set equal to TY 2022.

| ***Calendar Year / Tax Type*** | ***Projected Revenue Forgone*** | ***Projected Number of Taxpayers*** |
|---|---|---|
| 2022 Personal Income Tax | $507 | < 10 |
| 2023 Personal Income Tax | $507 | < 10 |
| 2024 Personal Income Tax | $507 | < 10 |
| 2025 Personal Income Tax | $507 | < 10 |

Law Comparison: Massachusetts has a similar provision.

Massachusetts: Massachusetts allows a deduction for contributions to Archer Medical Savings Accounts (MSA) for all individuals who qualify for the federal deduction.

Massachusetts Statute: Mass. Gen. Laws ch. 62, § 2(d)(1)

## 4. Contributions to an Account under Tuition Savings Program:

Statutory Reference: R.I. Gen. Laws § 44-30-12(c)(4)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 2002 / NA

Description: Contributions made to an account under the Rhode Island tuition savings program, including the "contributions carryover," if any, can be taken as a modification decreasing federal adjusted gross income (AGI) prior to computing the personal income tax subject to the limitation that the aggregate subtraction for any taxable year of the taxpayer shall not exceed $500 or $1,000 if a joint return. The subtraction shall not reduce the taxpayer's federal AGI to less than zero.

The following shall not be considered contributions to an account under the tuition savings program: (1) Contributions made by any person to an account who is not a participant of the account at the time the contribution is made; (2) Transfers or rollovers to an account from any other tuition savings program account or from any other "qualified tuition program" under § 529 of the Internal Revenue Code; or (3) A change of the beneficiary of the account.

Data Source: Division of Taxation and Office of Revenue Analysis (ORA) Personal Income Tax Simulation Model. Modification includes adjustments that decreased federal AGI. ORA calculated the Rhode Island tax liability for each taxpayer under TY 2020 and TY 2021 Rhode Island personal income tax laws and the Rhode Island tax liability for each taxpayer without the modification for the same tax years, then summed the results for both calculations across all taxpayers. Revenue forgone is determined by taking the difference between the two tax liability calculations. The number of taxpayers includes those resident and non-resident taxpayers with a modification that decreased federal AGI.

Reliability Index: 1 (This modification includes the Federally Taxable Qualified Withdrawals from Tuition Savings Program Account modification).

| *Calendar Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Personal Income Tax | $169,111 | 4,255 |
| 2021 Personal Income Tax | $187,939 | 4,438 |

Projection Methodology: TY 2022 projected amount of forgone revenue and number of taxpayers was calculated by applying the average annual growth realized from TY 2017- TY 2021 to TY 2021. TY 2023 – TY 2025 are set equal to TY 2022.

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2022 Personal Income Tax | $199,286 | 4,673 |
| 2023 Personal Income Tax | $199,286 | 4,673 |
| 2024 Personal Income Tax | $199,286 | 4,673 |
| 2025 Personal Income Tax | $199,286 | 4,673 |

Law Comparison: Connecticut, Maine, Massachusetts, and Vermont have similar provisions.

Connecticut: Connecticut taxpayers may deduct contributions to accounts established pursuant to any qualified state tuition program, as defined in § 529(b) of the Internal Revenue Code, established and maintained by the state or any official, agency, or instrumentality of the state, but may not exceed $5,000 for each individual taxpayer or $10,000 for taxpayers filing a joint return. Any amount of a contribution that is not subtracted by the taxpayer in that year for which the contribution is made may be carried forward as a subtraction from income for the succeeding five years, provided the amount subtracted does not exceed the maximum allowed in each subsequent taxable year.

Connecticut Statute: Conn. Gen. Stat. §§ 12-701(a)(20)(B)(xiii) and 12-701a

Maine: For tax years beginning on or after January 1, 2023, the income subtraction modification for contributions to a qualified tuition program established under Section 529 of the Internal Revenue Code is reinstated. The deduction, equal to contributions made to a qualified tuition plan up to $1,000 for each designated beneficiary, may not be claimed by taxpayers whose federal adjusted gross income exceeds $100,000 if filing single or married filing separately, or $200,000 if married filing jointly or head of household.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 5122(2)YY

Massachusetts: There is a deduction equal to either the purchases of or contributions made in a taxable year to an account in a pre-paid tuition program or a college savings program established by Massachusetts or an instrumentality or authority of Massachusetts. The deduction is capped at $1,000 for single, married filing separately, or head of household filers and $2,000 for a married couple filing jointly.

Massachusetts Statute: Mass. Gen. Laws ch. 62, § 3(B)(a)(19)

Vermont: The Vermont Higher Education Investment Plan (VHEIP) tax credit entitles a taxpayer, including each spouse filing a joint return, a nonrefundable credit of 10% of the first $2,500 contributed for each beneficiary to a Vermont higher education investment plan account. A taxpayer who has received this credit must repay to the state 10% of any non-qualified distribution from a VHEIP account, up to a maximum of the total credits received by the taxpayer. Distributions may be used for qualified postsecondary school expenses, qualified expenses for registered apprenticeships, and for qualified higher education loan repayments.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 5825a

**5. Enterprise Zone Business Owner with Domiciliary in Enterprise Zone:**

Statutory Reference: R.I. Gen. Laws § 42-64.3-7

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1982 / 1997

Description: A domiciliary of an enterprise zone who owns and operates a qualified business facility in that zone and which business is not required to file a business corporation tax, public service corporation tax, bank excise tax, or insurance company gross premiums tax return may take as a modification decreasing federal adjusted gross income (AGI) prior to computing the personal income tax, an amount of $50,000 during the first three years after certification and operations in the zone and may deduct $25,000 in the fourth and fifth year. In the case of multiple business owners, the modification shall be apportioned according to the ownership interests of the qualified business.

Data Source: Division of Taxation and Office of Revenue Analysis (ORA) Personal Income Tax Simulation Model. Modification includes adjustments that decreased federal AGI. ORA calculated the Rhode Island tax liability for each taxpayer under TY 2020 and TY 2021 Rhode Island personal income tax laws and the Rhode Island tax liability for each taxpayer without the modification for the same tax years, then summed the results for both calculations across all taxpayers. Revenue forgone is determined by taking the difference between the two tax liability calculations. The number of taxpayers includes those resident taxpayers with a modification that decreased federal AGI.

Reliability Index: 1

| *Calendar Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Personal Income Tax | $32,344 | 119 |
| 2021 Personal Income Tax | $84,837 | 55 |

Projection Methodology: TY 2022 projected amount of forgone revenue and number of taxpayers is the 4-year average of total taxpayers that have taken the modification and estimated revenue forgone. TYs 2023 – 2025 are set equal to TY 2022.

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2022 Personal Income Tax | $40,373 | 83 |
| 2023 Personal Income Tax | $40,373 | 83 |
| 2024 Personal Income Tax | $40,373 | 83 |
| 2025 Personal Income Tax | $40,373 | 83 |

Law Comparison: Only Maine has a similar provision.

Maine: Maine allows as a modification decreasing the taxable income of the taxpayer under the laws of the United States in the case of a corporation, or federal AGI in the case of an individual, an amount equal to the reduction in salary and wage expenses for federal income tax purposes associated with the taxpayer's federal empowerment zone employment credit as determined under § 1396 of the Internal Revenue Code.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, §§ 5122(2)(B) and 5200-A(2)(C)

**6. Federally Taxable Qualified Withdrawals from Tuition Savings Program Account:**

Statutory Reference: R.I. Gen. Laws § 44-30-12(c)(3)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 2001 / N/A

Description: The amount of any withdrawal or distribution from the tuition savings program referenced in R.I. Gen. Laws § 16-57-6.1 which is included in federal adjusted gross income (AGI) other than a withdrawal or distribution or portion thereof that is deemed nonqualified is a modification that decreases federal AGI for purposes of the personal income tax.

Under federal income tax law, the taxable portion of a qualified withdrawal or distribution is the earnings portion of the withdrawal or transfer that exceeds the adjusted qualified education expenses. Adjusted qualified education expenses is the total qualified education expenses reduced by any tax-free educational assistance. Tax-free educational assistance includes: the tax-free portion of scholarships and fellowships, veterans' educational assistance, Pell grants, employer-provided educational assistance and any other nontaxable (tax-free) payments (other than gifts or inheritances) received as educational assistance.

Data Source: *No reliable data exists for this tax expenditure item. (This modification is included in the Contributions to an Account under Tuition Savings Program.)

Reliability Index: 5

Projection Methodology: No projection is made due to lack of reliable data.

Law Comparison: Connecticut and Maine have similar provisions.

Connecticut: To the extent included in the federal AGI of a designated beneficiary, any distribution to such beneficiary from any qualified state tuition program, as defined in § 529(b) of the Internal Revenue Code, established and maintained by the state or any official, agency, or instrumentality of the state can be taken as a modification decreasing federal AGI for Connecticut income tax purposes.

Connecticut Statute: Conn. Gen. Stat. § 12-701(a)(20)(B)(xii)

Maine: To the extent included in federal AGI, any amount that is a qualified distribution from an account established under the Maine College Savings Program and used for paying higher education expenses of the designated beneficiary of that account is subtracted from federal AGI in calculating Maine taxable income.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 5122(2)(J)

**7. Gain from Stock Options in Qualifying Corporations:**

Statutory Reference: R.I. Gen. Laws § 44-39.3-1

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1997 / N/A

Description: "The income, gain, or preference items resulting from the sale, transfer, or exercise of qualified and nonqualified stock options, the stock issued or transferred on the exercise of any option and warrants issued with respect to options and/or stock of a qualifying corporation" can be taken by a qualifying taxpayer as a modification reducing federal adjusted gross income (AGI) for the purposes of computing the personal income tax.

A qualifying taxpayer is a resident of Rhode Island who has been employed at a location in Rhode Island for at least three consecutive months as a full-time employee of a qualifying corporation and the estate, heirs, and successors of that taxpayer. A qualifying corporation is any corporation that (1) annually elects to be a qualifying corporation; (2) has at least 10 full-time employees in Rhode Island; and (3) is engaged principally in at least one business activity described in Standard Industrial Classification (SIC) codes 7371, Computer Programming Services; 7372, Prepackaged Software; or 7373, Computer Integrated Systems Design.

Data Source: *No reliable data exists for this tax expenditure item. (This modification is included in the Income or Gain from a Qualifying Employee's Ownership of a Qualifying Corporation modification.)

Reliability Index: 5

Projection Methodology: No projection is made due to lack of reliable data.

Law Comparison: Massachusetts has a similar provision.

Massachusetts: Massachusetts gives a preferential tax rate of 3% for gains derived from the sale of investments. Investments must have been made within five years of the corporation's date of incorporation and must be in stock that generally satisfies the definition of qualified small business stock under the Internal Revenue Code (IRC) § 1202(c), except for the requirement the stock be of a C-corporation. The stock must have been held for a minimum of three years and the investments must be made in a corporation domiciled in Massachusetts, incorporated on or after January 1, 2011, has less than $50 million in assets at the time of investment, and complies with certain active business requirements under the IRC § 1202.

Massachusetts Statute: Mass. Gen. Laws ch. 62, § 4(c)

**8. Income Earned on Rhode Island Family Education Accounts:**

Statutory Reference: R.I. Gen. Laws §§ 44-30-12(c)(2) and 44-30-25(f)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1988 / 2005

Description: The income earned on the assets held in family education accounts can be taken as a modification decreasing federal adjusted gross income (AGI) prior to the computation of the personal income tax. A family education account is an account created by an individual taxpayer for the purpose of providing qualified educational benefits to a qualified beneficiary provided that the account is created by a written governing instrument as prescribed by the Tax Administrator that designates the account as a Rhode Island Family Education Account.

Data Source: Division of Taxation, Office of Revenue Analysis (ORA) Personal Income Tax Simulation Model. Modification includes adjustments that decreased federal AGI. ORA calculated the Rhode Island tax liability for each taxpayer under TY 2020 and TY 2021 Rhode Island personal income tax laws and the Rhode Island tax liability for each taxpayer without the modification for the same tax years, then summed the results for both calculations across all taxpayers. Forgone revenue is determined by taking the difference between the two tax liability calculations. The number of taxpayers includes those resident and non-resident taxpayers with a modification that decreased federal AGI.

Reliability Index: 1

| *Calendar Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Personal Income Tax | $12,320 | 219 |
| 2021 Personal Income Tax | $21,485 | 225 |

Projection Methodology: TY 2022 projected amount of forgone revenue and number of taxpayers was calculated by applying the average annual growth realized from TY 2017 - TY 2021 to TY 2021. TY 2023 – TY 2025 are set equal to TY 2022.

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2022 Personal Income Tax | $22,908 | 214 |
| 2023 Personal Income Tax | $22,908 | 214 |
| 2024 Personal Income Tax | $22,908 | 214 |
| 2025 Personal Income Tax | $22,908 | 214 |

Law Comparison: Connecticut, Maine, and Massachusetts have similar provisions.

Connecticut: To the extent includable in the federal AGI of a designated beneficiary, any distribution to such beneficiary from any qualified state tuition program, as defined in § 529(b) of the Internal Revenue Code, established and maintained by the state or any official, agency, or instrumentality of the state can be taken as a modification decreasing federal AGI for Connecticut income tax purposes.

Connecticut Statute: Conn. Gen. Stat. § 12-701(a)(20)(B)(xii)

Maine: To the extent included in federal AGI, any amount constituting a qualified distribution from an account established under Maine law and used for paying higher education expenses of the designated beneficiary of that account can be claimed as a modification decreasing federal AGI in determining Maine taxable income.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 5122(2)(J)

Massachusetts: Plan earnings are tax-free when used to pay for qualified higher education expenses. Income may be taxable if the distribution is made for a reason other than qualified expenses, beneficiary's death, or receipt of a scholarship.

Massachusetts Statute: Mass. Gen. Laws ch. 62, § 3(B)(a)(19)

### 9. Income from the Assignment or Transfer of Historic Preservation Tax Credits:

Statutory Reference: R.I. Gen. Laws § 44-33.6-3(f)

Year Enacted / Last Year Amended: 2013 / 2016

Stated Purpose: The purpose of this chapter is to create economic incentives for the purpose of stimulating the redevelopment and reuse of Rhode Island's historic structures, as well as to generate the positive economic and employment activities that will result from such redevelopment and reuse.

Description: Any assignment or sales proceeds received by the taxpayer for its assignment or sale of the historic preservation tax credits are taken as a modification decreasing federal (AGI) prior to the calculation of the taxes.

If a tax credit is subsequently recaptured, revoked or adjusted, the seller's tax calculation for the year of revocation, recapture, or adjustment shall be increased by the total amount of the sales proceeds, without proration, as a modification increasing federal AGI under the personal income tax.

In the event that the seller is not a natural person, the seller's tax calculation under the business corporation tax, public service corporation tax (except the taxation of certain tangible personal property), bank excise tax, insurance company gross premiums tax, and personal income tax, as applicable, for the year of revocation, recapture, or adjustment, shall be increased by including the total amount of the sales proceeds without proration. As such, assignment or sales of tax credits under above mentioned tax types increase taxable income to the seller. The Office of Revenue Analysis (ORA) will report on the required increasing and decreasing modifications to federal AGI under the personal income tax.

Data Source: Division of Taxation and Office of Revenue Analysis (ORA) Personal Income Tax Simulation Model. Modification includes adjustments that decreased federal AGI. ORA calculated the Rhode Island tax liability for each taxpayer under TY 2020 and TY 2021 Rhode Island personal income tax laws and the Rhode Island tax liability for each taxpayer without the modification for the same tax years, then summed the results for both calculations across all taxpayers. Forgone revenue is determined by taking the difference between the two tax liability calculations.

The raw data for this modification includes the modification amounts for income for the assignment or transfer of historic preservation, historic structures, motion picture, and musical or theatrical production tax credits. The amount of revenue forgone allocated to each tax credit type is a projection based on TY 2020 and TY 2021 tax credit redemption. The number of taxpayers includes those resident and non-resident taxpayers with a modification that decreased federal AGI.

Reliability Index: 2

| ***Calendar Year / Tax Type*** | ***Revenue Forgone*** | ***Number of Taxpayers*** |
|---|---|---|
| 2020 Personal Income Tax | $2,427 | 132 |
| 2021 Personal Income Tax | $2,548 | 16 |

Projection Methodology: Projected amount of modification and number of taxpayers for TY 2022 is the 4-year average of revenue forgone and number of taxpayers from TY 2018-TY 2021. TYs 2023-2025 are set equal to TY 2022.

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2022 Personal Income Tax | $8,941 | 59 |
| 2023 Personal Income Tax | $8,941 | 59 |
| 2024 Personal Income Tax | $8,941 | 59 |
| 2025 Personal Income Tax | $8,941 | 59 |

Law Comparison: No similar provisions found in the other New England states.

**10. Income from the Assignment or Transfer of Historic Structures Tax Credits:**

Statutory Reference: R.I. Gen. Laws § 44-33.2-3(e)(2)

Year Enacted / Last Year Amended: 2001 / 2008

Stated Purpose: The purpose of this chapter is to create economic incentives for the purpose of stimulating the redevelopment and reuse of Rhode Island's historic structures.

Description: Any assignment or sales proceeds received by the taxpayer for its assignment or sale of the historic structures tax credits shall be taken as a modification decreasing federal adjusted gross income (AGI) prior to the calculation of the taxes.

If a tax credit is subsequently recaptured, revoked or adjusted, the seller's tax calculation for the year of revocation, recapture, or adjustment shall be increased by the total amount of the sales proceeds, without proration, as a modification increasing federal AGI under the personal income tax.

In the event that the seller is not a natural person, the seller's tax calculation under the business corporation tax, public service corporation tax (except the taxation of certain tangible personal property), bank excise tax, insurance company gross premiums tax, and personal income tax, as applicable, for the year of revocation, recapture, or adjustment, shall be increased by including the total amount of the sales proceeds without proration. As such, assignment or sales of tax credits under above mentioned tax types increase taxable income to the seller. The Office of Revenue Analysis (ORA) will report on the required increasing and decreasing modifications to federal AGI under the personal income tax.

Data Source: Division of Taxation and Office of Revenue Analysis (ORA) Personal Income Tax Simulation Model. Modification includes adjustments that decreased federal AGI. ORA calculated the Rhode Island tax liability for each taxpayer under TY 2020 and TY 2021 Rhode Island personal income tax laws and the Rhode Island tax liability for each taxpayer without the modification for the same tax years, then summed the results for both calculations across all taxpayers. Forgone revenue is determined by taking the difference between the two tax liability calculations.

The raw data for this modification includes the modification amounts for income for the assignment or transfer of historic preservation, historic structures, motion picture, and musical or theatrical production tax credits. The amount of revenue forgone allocated to each tax credit type is a projection based on TY 2020 and TY 2021 tax credit redemption. The number of taxpayers includes those resident and non-resident taxpayers with a modification that decreased federal AGI.

Reliability Index: 2

| *Calendar Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Personal Income Tax | $1,675 | 44 |
| 2021 Personal Income Tax | $12,837 | 17 |

Projection Methodology: Projected amount of modification and number of taxpayers for TY 2022 is the 4-year average of revenue forgone and number of taxpayers from TY 2018-TY 2021. TYs 2023-2025 are set equal to TY 2022.

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2022 Personal Income Tax | $13,332 | 31 |
| 2023 Personal Income Tax | $13,332 | 31 |
| 2024 Personal Income Tax | $13,332 | 31 |
| 2025 Personal Income Tax | $13,332 | 31 |

Law Comparison: No similar provisions found in the other New England states.

**11. Income from the Assignment or Transfer of Motion Picture Production Credits:**

Statutory Reference: R.I. Gen. Laws § 44-31.2-9

Year Enacted / Last Year Amended: 2005 / 2006

Stated Purpose: "The primary objective of this chapter is to encourage development in Rhode Island of a strong capital base for motion picture film, videotape, and television program productions, in order to achieve a more independent, self-supporting industry. This objective is divided into immediate and long-term objectives as follows:

1. Immediate objectives are to:
    i. Attract private investment for the production of motion pictures, videotape productions, and television programs, which contain substantial Rhode Island content as defined herein.
    ii. Develop a tax infrastructure, which encourages private investment. This infrastructure will provide for state participation in the form of tax credits to encourage investment in state-certified productions.

iii. Develop a tax infrastructure utilizing tax credits, which encourage investments in multiple state-certified production projects.

2. Long-term objectives are to:
   i. Encourage increased employment opportunities within this sector and increased competition with other states in fully developing economic development options within the film and video industry.
   ii. Encourage new education curricula in order to provide a labor force trained in all aspects of film production."

Description: Any motion picture production tax credit certificate which has been issued to a motion picture production company, or passed through to partners, members, owners, shareholders, etc in accordance with R.I. Gen. Laws § 44-31.2-5(d), to the extent not previously claimed against the tax of the motion picture production company or of the owner of the certificate, may be transferred or sold by such company to another Rhode Island taxpayer, subject to certain procedures and conditions. Any assignment or sales proceeds received by the motion picture production company for its assignment or sale of the motion picture production tax credit is taken as a modification decreasing federal taxable income prior to the calculation of taxes.

Failure to comply with transfer requirements set forth in R.I. Gen. Laws § 44-31.2-9 will result in the disallowance of the tax credit until the taxpayers are in full compliance. Disallowance of the motion picture production tax credit that was previously claimed is recaptured and added back as a modification increasing federal adjusted gross income (AGI).

Data Source: Division of Taxation and Office of Revenue Analysis (ORA) Personal Income Tax Simulation Model. Modification includes adjustments that decreased federal AGI. ORA calculated the Rhode Island tax liability for each taxpayer under TY 2020 and TY 2021 Rhode Island personal income tax laws and the Rhode Island tax liability for each taxpayer without the modification for the same tax years, then summed the results for both calculations across all taxpayers. Forgone revenue is determined by taking the difference between the two tax liability calculations.

The raw data for this modification includes the modification amounts for income for the assignment or transfer of historic preservation, historic structures, motion picture, and musical or theatrical production tax credits. The amount of revenue forgone allocated to each tax credit type is a projection based on TY 2020 and TY 2021 tax credit redemption. The number of taxpayers includes those resident and non-resident taxpayers with a modification that decreased federal AGI.

Reliability Index: 2

| ***Calendar Year / Tax Type*** | ***Revenue Forgone*** | ***Number of Taxpayers*** |
|---|---|---|
| 2020 Personal Income Tax | $13,135 | 46 |
| 2021 Personal Income Tax | $69,729 | 35 |

Projection Methodology: Projected amount of modification and number of taxpayers for TY 2022 is the 4-year average of revenue forgone and number of taxpayers from TY 2018-TY 2021. TYs 2023-2025 are set equal to TY 2022.

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2022 Personal Income Tax | $22,155 | 23 |
| 2023 Personal Income Tax | $22,155 | 23 |
| 2024 Personal Income Tax | $22,155 | 23 |
| 2025 Personal Income Tax | $22,155 | 23 |

Law Comparison: No similar provisions found in the other New England states.

**12. Income from the Assignment or Transfer of Musical and Theatrical Production Tax Credits:**

Statutory Reference: R.I. Gen. Laws § 44-31.3-2(b)(6)

Stated Purpose: The purpose of this tax expenditure is to create economic incentives for the purpose of stimulating the local economy and reducing unemployment in Rhode Island.

Year Enacted / Last Year Amended: 2012 / 2014

Description: Any musical and theatrical production tax credit, to the extent not previously claimed against the tax of the taxpayer, may be transferred or sold to another Rhode Island taxpayer, subject to certain procedures and conditions. The assignee of the tax credits may use acquired credits to offset up to 100% of the tax liabilities against the business corporation tax, public service corporation tax (except the taxation of certain tangible personal property), bank excise tax, insurance company gross premiums tax, and personal income tax. The assignee may apply the tax credit against taxes imposed on the assignee for not more than three succeeding tax years. Any assignment or sales proceeds received for its assignment or sale shall be taken as a modification decreasing federal taxable income prior to the calculation of taxes imposed by the State of Rhode Island.

Data Source: Division of Taxation and Office of Revenue Analysis (ORA) Personal Income Tax Simulation Model. Modification includes adjustments that decreased federal adjusted gross income (AGI). ORA calculated the Rhode Island tax liability for each taxpayer under TY 2020 and TY 2021 Rhode Island personal income tax laws and the Rhode Island tax liability for each taxpayer without the modification for the same tax years, then summed the results for both calculations across all taxpayers. Forgone revenue is determined by taking the difference between the two tax liability calculations.

The raw data for this modification includes the modification amounts for income for the assignment or transfer of historic preservation, historic structures, motion picture, and musical or

theatrical production tax credits. The amount of revenue forgone allocated to each tax credit type is a projection based on TY 2020 and TY 2021 tax credit redemption. The number of taxpayers includes those resident and non-resident taxpayers with a modification that decreased federal AGI.

Reliability Index: 2

| *Calendar Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Personal Income Tax | $1,311 | 73 |
| 2021 Personal Income Tax | $5,162 | 17 |

Projection Methodology: Projected amount of modification and number of taxpayers for TY 2022 is the 4-year average of revenue forgone and number of taxpayers from TY 2018-TY 2021. TYs 2023-2025 are set equal to TY 2022.

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2022 Personal Income Tax | $1,450 | 25 |
| 2023 Personal Income Tax | $1,450 | 25 |
| 2024 Personal Income Tax | $1,450 | 25 |
| 2025 Personal Income Tax | $1,450 | 25 |

Law Comparison: No similar provisions found in the other New England states.

**13. Income or Gain from a Qualifying Employee's Ownership of a Qualifying Corporation:**

Statutory Reference: R.I. Gen. Laws § 44-43-8

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1993 / 1995

Description: Any income, gain or preference items resulting from the transfer of employer securities from a qualified retirement plan, the sale, transfer, or exercise of stock, warrants, options, bonds, notes, or other interests of any corporation can be taken as a modification decreasing federal adjusted gross income (AGI) for the purpose of computing the personal income tax provided that at the time of the sale, transfer, or exercise the corporation is a qualifying corporation. A qualifying corporation is headquartered or has a principal office located in Rhode Island and has at least 100 or 50% of its full-time employees based in Rhode Island. Further corporation qualifications are defined in R.I. Gen. Laws § 44-43-8(c).

Data Source: Division of Taxation and Office of Revenue Analysis (ORA) Personal Income Tax Simulation Model. Modification includes adjustments that decreased federal AGI. ORA calculated

the Rhode Island tax liability for each taxpayer under TY 2020 and TY 2021 Rhode Island personal income tax laws and the Rhode Island tax liability for each taxpayer without the modification for the same tax years, then summed the results for both calculations across all taxpayers. Forgone revenue is determined by taking the difference between the two tax liability calculations. The number of taxpayers includes those resident and non-resident taxpayers with a modification that decreased federal AGI.

Reliability Index: 1 (This modification includes the Gain from Stock Options in Qualifying Corporations modification.)

| *Calendar Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Personal Income Tax | $171,745 | 28 |
| 2021 Personal Income Tax | $12,032 | 16 |

Projection Methodology: TY 2022 projected amount of forgone revenue and number of taxpayers is the 3-year average number of taxpayers reported for TYs 2017, 2019, and 2021, excluding two outlier years of data from TY 2018 and TY 2020. TYs 2023-2025 are set equal to TY 2022.

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2022 Personal Income Tax | $24,393 | 23 |
| 2023 Personal Income Tax | $24,393 | 23 |
| 2024 Personal Income Tax | $24,393 | 23 |
| 2025 Personal Income Tax | $24,393 | 23 |

Law Comparison: No similar provisions found in the other New England states.

**14. Interest on Obligations of the United States and its Possessions:**

Statutory Reference: R.I. Gen. Laws §§ 44-30-12(c)(1) and 44-11-11(a)(1)(v)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1971 / N/A

Description: Any interest income on obligations of the United States and its possessions to the extent includible in gross income for federal income tax purposes, and any interest or dividend income on obligations, or securities of any authority, commission, or instrumentality of the United States to the extent includible in gross income for federal income tax purposes but exempt from state income taxes under the laws of the United States; provided that the amount to be subtracted shall in any case be reduced by any interest on indebtedness incurred or continued to purchase or carry obligations or securities the income of which is exempt from Rhode Island personal income

tax, to the extent the interest has been deducted in determining federal adjusted gross income (AGI) or taxable income shall be subtracted from federal AGI prior to computing the personal income tax.

Data Source: Division of Taxation and Office of Revenue Analysis (ORA) Personal Income Tax Simulation Model. Modification includes adjustments that decreased federal AGI. ORA calculated the Rhode Island tax liability for each taxpayer under TY 2020 and TY 2021 Rhode Island personal income tax laws and the Rhode Island tax liability for each taxpayer without the modification for the same tax years, then summed the results for both calculations across all taxpayers. Forgone revenue is determined by taking the difference between the two tax liability calculations. The number of taxpayers includes those resident and non-resident taxpayers with a modification that decreased federal AGI.

Reliability Index: 1

| ***Calendar Year / Tax Type*** | ***Revenue Forgone*** | ***Number of Taxpayers*** |
|---|---|---|
| 2020 Personal Income Tax | $2,371,998 | 19,491 |
| 2021 Personal Income Tax | $2,083,053 | 14,762 |

Projection Methodology: TY 2022 projected amount of forgone revenue and number of taxpayers was calculated by applying the average annual growth realized from TY 2017- TY 2021 to TY 2021. TY 2023 – TY 2025 are set equal to TY 2022.

| ***Calendar Year / Tax Type*** | ***Projected Revenue Forgone*** | ***Projected Number of Taxpayers*** |
|---|---|---|
| 2022 Personal Income Tax | $2,133,695 | 14,646 |
| 2023 Personal Income Tax | $2,133,695 | 14,646 |
| 2024 Personal Income Tax | $2,133,695 | 14,646 |
| 2025 Personal Income Tax | $2,133,695 | 14,646 |

Law Comparison: All of the New England states have similar provisions.

Connecticut: In determining Connecticut personal income tax, any income with respect to which taxation by any state is prohibited by federal law is deducted from federal AGI to the extent the amount is includable in federal AGI.

Connecticut Statute: Conn. Gen. Stat. § 12-701(a)(20)(B)(i)

Maine: Federal AGI is reduced by interest or dividends on obligations of the United States and its territories and possessions or of any authority, commission, or instrumentality of the United States to the extent that interest or those dividends are included in federal AGI but exempt from state

income taxes under the laws of the United States. A similar provision exists under Maine's corporate income tax.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 5122(2)(A) and 5200-A(2)(A)

Massachusetts: Interest on obligations of the United States are exempt from state income taxation to the extent included in federal AGI, and dividends received from a regulated investment company qualified under § 851 of the IRC to the extent such dividends are attributable to interest on obligations of the United States that are exempt from state income taxation and are so identified in a written notice mailed to the shareholders of such regulated investment company not later than 60 days after the close of its tax year can be deducted from federal AGI.

Massachusetts Statute: Mass. Gen. Laws ch. 62, § 2(a)(2)(A)

New Hampshire: Income derived from interest on notes, bonds or other securities of the United States is deducted from gross business profits before calculating tax.

New Hampshire Statute: N.H. Rev. Stat. Ann. § 77-A:4(II)

Vermont: Taxable income begins with federal AGI, without regard to 26 U.S.C § 165(k) and is decreased by income from United States government obligations.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 5811(21)(B)(i)

**15. Military Pay of Non-Resident Individuals:**

Statutory Reference: R.I. Gen. Laws § 44-30-32(d)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1971 / N/A

Description: Compensation paid by the United States for service in the armed forces of the United States, performed by an individual not domiciled in Rhode Island can be taken as a modification decreasing federal adjusted gross income (AGI) for the purposes of computing the personal income tax.

Data Source: Division of Taxation and Office of Revenue Analysis (ORA) Personal Income Tax Simulation Model. Modification includes adjustments that decreased federal AGI. ORA calculated the Rhode Island tax liability for each taxpayer under TY 2020 and TY 2021 Rhode Island personal income tax laws and the Rhode Island tax liability for each taxpayer without the modification for the same tax years, then summed the results for both calculations across all taxpayers. Forgone revenue is determined by taking the difference between the two tax liability calculations. The number of taxpayers includes those resident and non-resident taxpayers with a modification that decreased federal AGI.

Reliability Index: 1

| *Calendar Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Personal Income Tax | $799,283 | 1,054 |
| 2021 Personal Income Tax | $992,262 | 730 |

Projection Methodology: TY 2022 projected amount of forgone revenue and number of taxpayers was calculated by applying the average annual growth realized from TY 2017- TY 2021 to TY 2021. TY 2023 – TY 2025 are set equal to TY 2022.

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2022 Personal Income Tax | $1,118,862 | 710 |
| 2023 Personal Income Tax | $1,118,862 | 710 |
| 2024 Personal Income Tax | $1,118,862 | 710 |
| 2025 Personal Income Tax | $1,118,862 | 710 |

Law Comparison: Connecticut, Maine, Massachusetts, and Vermont have similar provisions.

Connecticut: Compensation paid by the United States for active service in the armed forces of the United States that is performed by an individual not domiciled in Connecticut is not considered to be Connecticut income derived from sources within Connecticut.

Connecticut Statute: Conn. Gen. Stat. § 12-711(d)

Maine: A member of the armed services who is a legal resident of another state but is stationed in Maine by military orders is not subject to Maine income tax on his or her service pay.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 5142(7)

Massachusetts: The compensation paid by the United States to its uniformed military personnel assigned to duty at military posts, bases, or stations within the state for services rendered by said personnel while on active duty are not considered to be from Massachusetts sources.

Massachusetts Statute: Mass. Gen. Laws ch. 62, § 5A(c)

Vermont: For any taxable year, the Vermont income of a resident individual is the federal AGI of the individual for that taxable year less military pay for full-time active duty with the armed services earned outside Vermont and less the first $2,000 of military pay for unit training in Vermont to National Guard and United States Reserve personnel that have certified that all of his or her unit training was completed during the calendar year and who have a federal AGI of less than $50,000.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 5823(a)(2)

**16. New Research and Development Facilities:**

Statutory Reference: R.I. Gen. Laws § 44-32-1

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1974 / 1975

Description: A deduction for all expenditures paid or incurred for the construction, reconstruction, erection, or acquisition of any new tangible property that is depreciable under 26 U.S.C. § 167, was acquired by purchase as defined in 26 U.S.C. § 179(d), is located in the State, and is used in the taxpayer's trade or business for purposes of research and development in the experimental or laboratory sense shall be allowed against the portion of its entire net income allocated to Rhode Island during the taxable year. The deduction can be taken against the business corporation or personal income taxes and is in lieu of depreciation or an investment tax credit. The deduction is not refundable and may be carried over for up to three years.

Data Source: *Business Corporation Tax*: Rhode Island Division of Taxation and Office of Revenue Analysis (ORA) calculations. Amount of allowed deduction was summed and then multiplied by the business corporation tax rate of 7% for TY 2020 and TY 2021 to determine forgone revenue. The number of taxpayers includes those taxpayers with a deduction that decreased federal AGI.

*Personal Income Tax*: Division of Taxation and Office of Revenue Analysis (ORA) Personal Income Tax Simulation Model. Modification includes adjustments that decreased federal adjusted gross income (AGI). ORA calculated the Rhode Island tax liability for each taxpayer under TY 2020 and TY 2021 Rhode Island personal income tax laws and the Rhode Island tax liability for each taxpayer without the modification for the same tax years, then summed the results for both calculations across all taxpayers. Forgone revenue is determined by taking the difference between the two tax liability calculations. The number of taxpayers includes those resident and non-resident taxpayers with a modification that decreased federal AGI.

Reliability Index: *Business Corporation Tax*, *Personal Income Tax*, 1

| *Calendar Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Business Corporation Tax | $67,820 | 13 |
| 2020 Personal Income Tax | $552 | < 10 |
| **2020 Total** | **$68,372** | **Not Available*** |
| 2021 Business Corporation Tax | $495,723 | 36 |
| 2021 Personal Income Tax | $6,014 | < 10 |
| **2021 Total** | **$501,737** | **Not Available*** |

**Indicates data that is not disclosed due to taxpayer's confidentiality*

Projection Methodology: *Business Corporation Tax*: TY 2022 projections provided by the Division of Taxation with data that was available as of June 2023 and is subject to revision. TY 2023-TY 2025 is the four-year average from TY 2019 – TY 2022 of revenue forgone and number of taxpayers.

*Personal Income Tax*: TY 2022 projected amount of forgone revenue and number of taxpayers is the five-year average from TY 2017 – TY 2021 of revenue forgone and number of taxpayers. TY 2023 – TY 2025 are set equal to TY 2022.

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2022 Business Corporation Tax | $259,219 | 11 |
| 2022 Personal Income Tax | $1,823 | < 10 |
| **2022 Projected Total** | **$261,042** | **Not Available*** |
| 2023 Business Corporation Tax | $272,160 | 18 |
| 2023 Personal Income Tax | $1,823 | < 10 |
| **2023 Projected Total** | **$273,983** | **Not Available*** |
| 2024 Business Corporation Tax | $272,160 | 18 |
| 2024 Personal Income Tax | $1,823 | < 10 |
| **2024 Projected Total** | **$273,983** | **Not Available*** |
| 2025 Business Corporation Tax | $272,160 | 18 |
| 2025 Personal Income Tax | $1,823 | < 10 |
| **2025 Projected Total** | **$273,983** | **Not Available*** |

**Indicates data that is not disclosed due to taxpayer's confidentiality*

Law Comparison: No similar provisions found in the other New England states.

## 17. Organ Transplantation:

Statutory Reference: R.I. Gen. Laws § 44-30-12(c)(7)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 2009 / N/A

Description: An individual may subtract up to $10,000 from federal adjusted gross income (AGI) if he or she, while living, donates one or more of his or her human organs to another human being for human organ transplantation. An individual can claim this decreasing modification once and for unreimbursed expenses that are incurred by the claimant and related to the claimant's organ donation in travel expenses, lodging expenses and lost wages. This modification may be claimed by residents of Rhode Island only.

Data Source: Division of Taxation and Office of Revenue Analysis (ORA) Personal Income Tax Simulation Model. Modification includes adjustments that decreased federal AGI. ORA calculated the Rhode Island tax liability for each taxpayer under TY 2020 and TY 2021 Rhode Island personal income tax laws and the Rhode Island tax liability for each taxpayer without the modification for the same tax years, then summed the results for both calculations across all taxpayers. Forgone revenue is determined by taking the difference between the two tax liability calculations. The number of taxpayers includes those resident taxpayers with a modification that decreased federal AGI.

Reliability Index: 1

| *Calendar Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Personal Income Tax | $4,024 | 48 |
| 2021 Personal Income Tax | $5,078 | 25 |

Projection Methodology: TY 2022 projected amount of forgone revenue and number of taxpayers was calculated by applying the average annual growth realized from TY 2017- TY 2021 to TY 2021. TY 2023 – TY 2025 are set equal to TY 2022.

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2022 Personal Income Tax | $5,303 | 28 |
| 2023 Personal Income Tax | $5,303 | 28 |
| 2024 Personal Income Tax | $5,303 | 28 |
| 2025 Personal Income Tax | $5,303 | 28 |

Law Comparison: Connecticut and Massachusetts have similar provisions.

Connecticut: Taxpayers may subtract up to $10,000 from Connecticut AGI for certain expenses (lost wages, medical, travel and housing expenses) related to organ donation.

Connecticut Statute: Conn. Gen. Stat. § 12-701(B)(xxii)

Massachusetts: A deduction is allowed for any individual who donates an organ to another person for human organ transplantation. The individual may claim travel expenses, lodging expenses, and lost wages not to exceed $10,000 that are incurred by the individual and related to the individual's organ donation. This deduction is only available to Massachusetts residents.

Massachusetts Statute: Mass. Gen. Laws ch. 62, § 3(B)(a)(16)

**18. Performance-Based Income of Eligible Employees via the Jobs Growth Act:**

Statutory Reference: R.I. Gen. Laws § 42-64.11-4

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 2005 / N/A

Description: An eligible employee of a certified company shall be allowed a modification decreasing adjusted gross income by up to 50% of the performance-based income (commonly known as bonuses) realized by the eligible employee prior to computing their personal income tax during any calendar year for which an eligible company is certified. A certified company must apply to the Rhode Island Commerce Corporation and employ 100 or more new workers and have new payroll of at least $10 million. In general, eligible employees make more than 125% of the state's average wage.

In any taxable year, a certified company or its affiliates pays a tax equal to 5% of the aggregate performance-based compensation paid to its eligible employees.

Data Source: Rhode Island Division of Taxation and Office of Revenue Analysis Personal Income Tax Simulation Model. Modification includes adjustments that decreased federal AGI. ORA calculated the Rhode Island tax liability for each taxpayer under TY 2020 and TY 2021 Rhode Island personal income tax laws and the Rhode Island tax liability for each taxpayer without the modification for the same tax years, then summed the results for both calculations across all taxpayers. Forgone revenue is determined by taking the difference between the two tax liability calculations. The number of taxpayers includes those resident and non-resident taxpayers with a modification that decreased federal AGI. These results are subject to change as they may or may not have been verified by Taxation as of publication.

Reliability Index: 1

| *Calendar Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Personal Income Tax | $1,039 | < 10 |
| 2021 Personal Income Tax | $5,593 | < 10 |

Projection Methodology: TY 2022 projected amount of forgone revenue and number of taxpayers is the four-year average from TY 2018 – TY 2021 of revenue forgone and number of taxpayers. TY 2023 – TY 2025 are set equal to TY 2022.

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2022 Personal Income Tax | $4,618 | < 10 |
| 2023 Personal Income Tax | $4,618 | < 10 |
| 2024 Personal Income Tax | $4,618 | < 10 |
| 2025 Personal Income Tax | $4,618 | < 10 |

Law Comparison: No similar provisions found in the other New England states.

**19. Profits or Gains from Sales of Work by Artists, Writers, and Composers:**

Statutory Reference: R.I. Gen. Laws § 44-30-1.1(c)(1)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1996 / 2005

Description: An eligible individual is entitled to have the profits or gains arising from the publication, production, or sale of a work or works be taken as a modification reducing federal adjusted gross income (AGI) for the purposes of computing the personal income tax. The modification is available only to artists, writers and composers that reside within designated economic development zones in Providence, Pawtucket, Woonsocket, Warwick, East Providence, Westerly, or Warren or within Newport, Tiverton, Little Compton.

A work is defined in R.I. Gen. Laws § 44-30-1.1(a) as "an original and creative work whether written, composed, created or executed" that falls into one of the following categories: (1) a book or other writing; (2) a play or the performance of said play; (3) a musical composition or the performance of said composition; (4) a painting or other like picture; (5) a sculpture; (6) traditional and fine crafts; (7) the creation of a film or the acting of said film; or (8) the creation of a dance or the performance of said dance.

Data Source: Division of Taxation and Office of Revenue Analysis (ORA) Personal Income Tax Simulation Model. Modification includes adjustments that decreased federal AGI. ORA calculated

the Rhode Island tax liability for each taxpayer under TY 2020 and TY 2021 Rhode Island personal income tax laws and the Rhode Island tax liability for each taxpayer without the modification for the same tax years, then summed the results for both calculations across all taxpayers. Forgone revenue is determined by taking the difference between the two tax liability calculations. The number of taxpayers includes those resident and non-resident taxpayers with a modification that decreased federal AGI.

Reliability Index: 1

| *Calendar Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Personal Income Tax | $13,652 | 79 |
| 2021 Personal Income Tax | $14,981 | 90 |

Projection Methodology: TY 2022 projected amount of forgone revenue and number of taxpayers was calculated by applying the average annual growth realized from TY 2017- TY 2021 to TY 2021. Forgone revenues for TY 2023 – TY 2025 are set equal to TY 2022.

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2022 Personal Income Tax | $15,092 | 93 |
| 2023 Personal Income Tax | $15,092 | 93 |
| 2024 Personal Income Tax | $15,092 | 93 |
| 2025 Personal Income Tax | $15,092 | 93 |

Law Comparison: No similar provisions found in the other New England states.

**20. Provision of Insurance Benefit to Dependent or Domestic Partner:**

Statutory Reference: R.I. Gen. Laws § 44-30-12(c)(6)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 2006 / N/A

Description: Any amount of insurance benefits or other coverage plan paid for or provided to a dependent, including a domestic partner, that is included in adjusted gross income (AGI) for federal income tax purposes shall be taken as a modification reducing federal AGI prior to the computation of the personal income tax.

Data Source: Division of Taxation and Office of Revenue Analysis (ORA) Personal Income Tax Simulation Model. Modification includes adjustments that decreased federal AGI. ORA calculated

the Rhode Island tax liability for each taxpayer under TY 2020 and TY 2021 Rhode Island personal income tax laws and the Rhode Island tax liability for each taxpayer without the modification for the same tax years, then summed the results for both calculations across all taxpayers. Revenue forgone is determined by taking the difference between the two tax liability calculations. The number of taxpayers includes those resident and non-resident taxpayers with a modification that decreased federal AGI.

Reliability Index: 1

| *Calendar Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Personal Income Tax | $49,783 | 379 |
| 2021 Personal Income Tax | $50,217 | 302 |

Projection Methodology: TY 2022 projected amount of forgone revenue and number of taxpayers was calculated by applying the average annual growth realized from TY 2017- TY 2021 to TY 2021. Forgone revenues for TY 2023 – TY 2025 are set equal to TY 2022.

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2022 Personal Income Tax | $51,261 | 295 |
| 2023 Personal Income Tax | $51,261 | 295 |
| 2024 Personal Income Tax | $51,261 | 295 |
| 2025 Personal Income Tax | $51,261 | 295 |

Law Comparison: Massachusetts has a similar provision.

Massachusetts: If an employee participates in an employer-provided health insurance plan, any amount which would be included in gross income of the employee by reason of coverage under the plan of any person other than the employee, to the extent such coverage is mandated by law, may be deducted from federal AGI for purposes of calculating Massachusetts personal income tax.

Massachusetts Statute: Mass. Gen. Laws ch. 62, § 2(a)(2)(Q)

**21. Qualifying Investment in a Certified Venture Capital Partnership:**

Statutory Reference: R.I. Gen. Laws § 44-43-2(5)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1987 / N/A

Description: A modification reducing federal adjusted gross income (AGI) for making a qualifying investment in a certified venture capital partnership shall be allowed in the amount of the qualifying investment in the year in which the taxpayer first makes such an investment prior to computing the personal income tax. (A deduction against the business corporation tax, public service corporation tax, bank excise tax, and insurance company gross premiums tax is allowed and included in the *Deductions* section)

Data Source: Division of Taxation and Office of Revenue Analysis (ORA) Personal Income Tax Simulation Model. Modification includes adjustments that decreased federal AGI. ORA calculated the Rhode Island tax liability for each taxpayer under TY 2020 and TY 2021 Rhode Island personal income tax laws and the Rhode Island tax liability for each taxpayer without the modification for the same tax years, then summed the results for both calculations across all taxpayers. Forgone revenue is determined by taking the difference between the two tax liability calculations. The number of taxpayers includes those resident and non-resident taxpayers with a modification that decreased federal AGI.

Reliability Index: 1

| ***Calendar Year / Tax Type*** | ***Revenue Forgone*** | ***Number of Taxpayers*** |
|---|---|---|
| 2020 Personal Income Tax | $4,711 | < 10 |
| 2021 Personal Income Tax | $9,638 | 10 |

Projection Methodology: TY 2022 projected amount of forgone revenue and number of taxpayers is the two-year average from TY 2020 – TY 2021 of revenue forgone and number of taxpayers. TYs 2023 – TY 2025 are set equal to TY 2022.

| ***Calendar Year / Tax Type*** | ***Projected Revenue Forgone*** | ***Projected Number of Taxpayers*** |
|---|---|---|
| 2022 Personal Income Tax | $7,175 | < 10 |
| 2023 Personal Income Tax | $7,175 | < 10 |
| 2024 Personal Income Tax | $7,175 | < 10 |
| 2025 Personal Income Tax | $7,175 | < 10 |

Law Comparison: No similar provisions found in the other New England states.

**22. Railroad Retirement Benefits:**

Statutory Reference: 45 U.S.C. § 231m(a)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1935 / 2008

Description: The United States Railroad Retirement Act provides that notwithstanding any other law of the United States, or of any State, territory, or the District of Columbia no annuity or supplemental annuity shall be assignable or be subject to any tax or to garnishment, attachment, or other legal process under any circumstances whatsoever.

Data Source: Division of Taxation and Office of Revenue Analysis (ORA) Personal Income Tax Simulation Model. Modification includes adjustments that decreased federal adjusted gross income (AGI). ORA calculated the Rhode Island tax liability for each taxpayer under TY 2020 and TY 2021 Rhode Island personal income tax laws and the Rhode Island tax liability for each taxpayer without the modification for the same tax years, then summed the results for both calculations across all taxpayers. Forgone revenue is determined by taking the difference between the two tax liability calculations. The number of taxpayers includes those resident and non-resident taxpayers with a modification that decreased federal AGI.

Reliability Index: 1

| ***Calendar Year / Tax Type*** | ***Revenue Forgone*** | ***Number of Taxpayers*** |
|---|---|---|
| 2020 Personal Income Tax | $205,642 | 352 |
| 2021 Personal Income Tax | $208,471 | 264 |

Projection Methodology: TY 2022 projected amount of forgone revenue and number of taxpayers was calculated by applying the average annual growth realized from TY 2017- TY 2021 to TY 2021. Forgone revenues for TY 2023 – TY 2025 are set equal to TY 2022.

| ***Calendar Year / Tax Type*** | ***Projected Revenue Forgone*** | ***Projected Number of Taxpayers*** |
|---|---|---|
| 2022 Personal Income Tax | $210,585 | 261 |
| 2023 Personal Income Tax | $210,585 | 261 |
| 2024 Personal Income Tax | $210,585 | 261 |
| 2025 Personal Income Tax | $210,585 | 261 |

Law Comparison: While every state is subject to federal law, Connecticut, Maine, Massachusetts, and Vermont have explicit provisions in their statutes.

Connecticut: In computing Connecticut AGI, there shall be subtracted from federal AGI, to the extent properly includable in gross income for federal income tax purpose, any tier 1 railroad retirement benefits.

Connecticut Statute: Conn. Gen. Stat. § 12-701(a)(20)(B)(iv)

Maine: In determining income subject to the Maine personal income tax, federal AGI is reduced by railroad retirement benefits paid by the United States to the extent included in federal AGI.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 5122(2)(C)

Massachusetts: Massachusetts provides a deduction for Social Security benefits included in federal AGI under § 86 of the Internal Revenue Code. The term Social Security benefits in § 86 includes Tier 1 railroad retirement benefits.

Massachusetts Statute: Mass. Gen. Laws ch. 62, § 2(a)(2)(H)

Vermont: Vermont's provisions exclude Tier I and II railroad retirement benefits from the calculation of the personal income tax.

Vermont Statute: Vt. Stat. Ann. tit. 32, §§ 5811(21)(B)(iv)

**23. Rental Vehicle Surcharge Retained by Rental Car Companies:**

Statutory Reference: R.I. Gen. Laws § 31-34.1-2(b)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1994 / 2014

Description: The rental vehicle surcharge rate is 8% of gross receipts per vehicle on all rentals for each of the first 30 consecutive days. Of the revenue collected from the imposition of the rental vehicle surcharge, 60% is retained by the rental car company and 40% of the surcharge is remitted to the state for deposit in the Rhode Island highway maintenance account. The 60% of retained revenue is used by the rental car companies to reimburse themselves for motor vehicle licensing fees, title fees, registration fees and transfer fees paid to the state and excise taxes paid to municipalities. If that 60% of retained revenue exceeds those fees and taxes, the companies remit that balance to the state for deposit in the Rhode Island highway maintenance account.

Data Source: Excise Tax Section, Rhode Island Division of Taxation

Reliability Index: 1

| *Fiscal Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Rental Vehicle Surcharge | $4,778,672 | 64 |
| 2021 Rental Vehicle Surcharge | $3,510,364 | 51 |
| 2022 Rental Vehicle Surcharge | $5,878,876 | 66 |
| 2023 Rental Vehicle Surcharge | $1,866,196 | 65 |

Projection Methodology: The number of taxpayers and projected revenue forgone projected for FY 2024 is the 3-year average number of taxpayers and revenue forgone from FY 2021 – FY 2023. FY 2025 is held constant with FY 2024.

| *Fiscal Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2024 Rental Vehicle Surcharge | $3,751,812 | 61 |
| 2025 Rental Vehicle Surcharge | $3,751,812 | 61 |

Law Comparison: Connecticut and New Hampshire have similar provisions.

Connecticut: The rental surcharge is equal to 3% of the total rental charge and is included in the sales tax base. It applies only if the rental company owns a fleet of at least five passenger motor vehicles used for rentals, and the vehicle is leased for less than 31 days. The total surcharge collected is retained by the rental company up to the amount of personal property tax paid to any Connecticut municipality as well as any registration and titling fees paid during the year to the DMV on the vehicles. Any excess is remitted to the state.

Connecticut Statute: Conn. Gen. Stat. § 12-692(b)

New Hampshire: New Hampshire assess an 8.5% tax on motor vehicle rentals. Operators are permitted to take a commission equal to 3% if they keep the prescribed records, file the return timely, pay the tax due timely, and follow the appropriate method of filing.

New Hampshire Statute: N.H. Rev. Stat. Ann. § 78-A:7(III)

**24. Rhode Island Fiduciary Adjustment:**

Statutory Reference: R.I. Gen. Laws § 44-30-12(d)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1971 / 2002

Description: The taxpayer's share, as beneficiary of an estate or trust, of the Rhode Island fiduciary adjustment determined under R.I. Gen. Laws § 44-30-17 shall be taken as a modification either decreasing or increasing federal adjusted gross income (AGI) as the case may be prior to the computation of the personal income tax liability.

The Rhode Island fiduciary adjustment is the net amount of the personal income tax modifications provided for in R.I. Gen. Laws § 44-30-12 exclusive of subdivisions (b)(4), (c)(3), and (c)(4), which relate to items of income or deduction of an estate or trust. This includes the modification for the Rhode Island fiduciary adjustment, subdivision (d) of R.I. Gen. Laws § 44-30-17, if the estate or trust is a beneficiary of another estate or trust. The respective shares of an estate or trust and its beneficiaries, including solely for the purpose of this allocation, non-resident beneficiaries,

in the fiduciary adjustment are in proportion to their respective share of federal distributable net income of the estate or trust.

Data Source: Office of Revenue Analysis (ORA) calculations. Modifications include adjustments that either increase or decrease federal AGI. For TY 2020, the total net modification by resident and non-resident taxpayers increased federal AGI; therefore, there is no revenue forgone from this modification. For TY 2021, the total net modification by resident and non-resident taxpayers decreased federal AGI and the revenue forgone is reported. The number of taxpayers includes those resident and non-resident taxpayers with a modification that either increased or decreased federal AGI.

Reliability Index: 1

| *Calendar Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Personal Income Tax | $0 | 1,604 |
| 2021 Personal Income Tax | $352,236 | 1,272 |

Projection Methodology: TY 2022 projected amount of forgone revenue is the 5-year average reported for TYs 2017- 2021. TY 2022 number of taxpayers was calculated by applying the average annual growth realized from TY 2017- TY 2021 to TY 2021. Forgone revenues and number of taxpayers for TY 2023 – TY 2025 are set equal to TY 2022.

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2022 Personal Income Tax | $70,447 | 1,253 |
| 2023 Personal Income Tax | $70,447 | 1,253 |
| 2024 Personal Income Tax | $70,447 | 1,253 |
| 2025 Personal Income Tax | $70,447 | 1,253 |

Law Comparison: Connecticut, Maine, and Massachusetts have similar provisions.

Connecticut: With respect to a person who is the beneficiary of a trust or estate, there shall be added or subtracted from federal AGI such person's share, as determined under § 12-714, in the Connecticut fiduciary adjustment.

Connecticut Statute: Conn. Gen. Stat. § 12-701(a)(20)(C)

Maine: There shall be added to or subtracted from federal AGI the taxpayer's share of the fiduciary adjustment determined under § 5164, Computation of Taxable Income of Resident Estates and Trusts.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 5122(3)

Massachusetts: Massachusetts gross income includes modification for the income received from any trustee or other fiduciary, which income is taxable under the personal income tax to the trustee or other fiduciary.

Massachusetts Statute: Mass. Gen. Laws ch. 62, § 2(a)(2)(C)

**25. Tax Incentives for Employers:**

Statutory Reference: R.I. Gen. Laws § 44-55-4.1

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1997 / N/A

Description: Businesses that employ and retain in the State employees who have been previously unemployed for at least 26 consecutive calendar weeks and have been employed for at least 52 consecutive calendar weeks shall receive a modification from the income, gross earnings, deposits, or gross premiums subject to the personal income tax. The modification is equal to 40% of the eligible employee's first year wages, up to a maximum $2,400 per eligible employee. (Eligible businesses receive a deduction from the income, gross earnings, deposits, or gross premiums subject to the business corporation tax, public service corporation tax, bank excise tax, bank deposits tax, and insurance company gross premiums tax.)

Data Source: Division of Taxation and Office of Revenue Analysis (ORA) Personal Income Tax Simulation Model. Modification includes adjustments that decreased federal adjusted gross income (AGI). ORA calculated the Rhode Island tax liability for each taxpayer under TY 2020 and TY 2021 Rhode Island personal income tax laws and the Rhode Island tax liability for each taxpayer without the modification for the same tax years, then summed the results for both calculations across all taxpayers. Forgone revenue is determined by taking the difference between the two tax liability calculations. The number of taxpayers includes those resident and non-resident taxpayers with a modification that decreased federal AGI.

Reliability Index: 1

| *Calendar Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Personal Income Tax | $51,716 | 20 |
| 2021 Personal Income Tax | $12,264 | 24 |

Projection Methodology: TY 2022 projected amount of forgone revenue and number of taxpayers was calculated by applying the average annual growth realized from TY 2017- TY 2021 to TY 2021. Forgone revenues for TY 2023 – TY 2025 are set equal to TY 2022.

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2022 Personal Income Tax | $18,986 | 26 |
| 2023 Personal Income Tax | $18,986 | 26 |
| 2024 Personal Income Tax | $18,986 | 26 |
| 2025 Personal Income Tax | $18,986 | 26 |

Law Comparison: No similar provisions found in the other New England states.

**26. Taxable Military Service Pension Income:**

Statutory Reference: R.I. Gen. Laws § 44-30-12(c)(11) / R.I. Pub. Laws 2022, Ch. 231, Article 6, § 9

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 2022 / N/A

Description: A modification reducing federal adjusted gross income (AGI) for taxable military service benefits included in federal AGI is beginning on or after January 1, 2023. The modification, alone or in combination with the taxable pension and annuities modification, may not exceed the amount of the military service pension received in the tax year for which the modification is claimed.

Projection Methodology: Estimates were prepared by ORA at the request of the Senate Fiscal Office during the 2022 session. ORA utilized information reported by the United States Department of Defense, Office of the Actuary on total military retirees and military survivors living in Rhode Island during federal fiscal year 2020. The number of taxpayers is the estimated Rhode Island residents and does not include any non-residents that may take the modification.

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2023 Personal Income Tax | $6,147,815 | 3,594 |
| 2024 Personal Income Tax | $6,449,650 | 3,594 |
| 2025 Personal Income Tax | $6,739,867 | 3,594 |

Law Comparison: Connecticut, Maine, and Massachusetts have similar provisions.

Connecticut: To the extent properly includable in gross income for federal income tax purposes, any income received from the United States government as retirement pay for a retired member of

the Armed Forces or the National Guard is deducted from federal AGI for Connecticut personal income tax purposes.

Connecticut Statute: Conn. Gen. Stat. § 12-701(20)(B)(xvii)

Maine: Benefits received under a military retirement plan, including survivor benefits are fully exempt from Maine income tax.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 5122(2)(M-2)

Massachusetts: Massachusetts personal income tax provisions include a modification reducing federal AGI for income from any contributory annuity, pension, endowment, or retirement fund of the United States government, Massachusetts, or any political subdivision thereof, including the optional retirement system established by § 40 of Chapter 15A to which the employee has contributed or any income received from the United States government as retirement pay for a retired member of the Uniformed Services of the United States, including survivorship benefits.

Massachusetts Statute: Mass. Gen. Laws ch. 62, § 2(a)(2)(E)

Vermont: Taxpayers with U.S. military retirement income may subtract the first $10,000 of income. The federal AGI threshold for eligible filers is $50,000 for single, married filing separately and head of household filers which a phase-out for incomes greater than $50,000 but less than $60,000.

**27. Taxable Pension Plan and/or Annuity Income:**

Statutory Reference: R.I. Gen. Laws § 44-30-12(c)(9)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 2016 / 2022

Description: A modification reducing federal adjusted gross income (AGI) for up to $15,000 of taxable pension and/or annuity income included in federal AGI is allowed for individual filers with federal AGI of $80,000 or less and joint filers with federal AGI of $100,000 or less who also have reached "full retirement age" based on Social Security Administration rules for tax years beginning on or after January 1, 2017. For tax years beginning in 2023, a modification up to $20,000 is allowed. The federal AGI dollar amounts will be adjusted for inflation on a going-forward basis. For the tax year beginning on January 1, 2020, the federal AGI thresholds increased to $84,700 and $105,850, respectively. For the tax year beginning on January 1, 2021, the federal AGI thresholds increased to $87,200 and $109,050, respectively.

Data Source: Division of Taxation and Office of Revenue Analysis (ORA) Personal Income Tax Simulation Model. Modification includes adjustments that decreased federal adjusted gross income (AGI). ORA calculated the Rhode Island tax liability for each taxpayer under TY 2020 and TY 2021 Rhode Island personal income tax laws and the Rhode Island tax liability for each

taxpayer without the modification for the same tax years, then summed the results for both calculations across all taxpayers. Forgone revenue is determined by taking the difference between the two tax liability calculations. The number of taxpayers includes those resident and non-resident taxpayers with a modification that decreased federal AGI.

Reliability Index: 1

| *Calendar Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Personal Income Tax | $13,984,777 | 48,153 |
| 2021 Personal Income Tax | $13,961,295 | 34,737 |

Projection Methodology: TY 2022 projected amount of forgone revenue and number of taxpayers was calculated by applying the average annual growth realized from TY 2017 - TY 2021 to TY 2021. Projected number of taxpayers for TY 2023 – TY 2025 are set equal to TY 2022. Beginning in 2023, the modification is set to increase to $20,000. ORA took the projected amount of forgone revenue in TY 2022 and added estimates that were prepared by ORA at the request of the Senate Fiscal Office during the 2022 session estimating the projected increase in revenue forgone for this modification due to the increase of the allowed modification.

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2022 Personal Income Tax | $14,515,147 | 34,338 |
| 2023 Personal Income Tax | $17,645,712 | 34,338 |
| 2024 Personal Income Tax | $17,799,411 | 34,338 |
| 2025 Personal Income Tax | $17,947,194 | 34,338 |

Law Comparison: Connecticut, Maine, and Massachusetts have similar provisions.

Connecticut: Connecticut has an exemption for pension and annuity income for filers below a certain threshold. The threshold is $75,000 for single, married filing separately and head of household filers, and $100,000 for joint filers. This exemption was phased in and was 28% of pension and annuity income for TY 2020 and 42% for TY 2021. The phase-in was accelerated in the 2022 Session to 100% of pension and annuity income for TY 2022 and thereafter. Beginning in tax year 2024, Connecticut increased the income threshold limits to $100,000 for single, married people filing separately, and heads of households and $150,000 for joint filers. However, for those taxpayers whose income exceeds the current eligibility thresholds the amount of pension, annuity, and IRA income taxpayers may deduct is gradually reduced by a set phase-in percentage table.

Connecticut has an additional exemption for taxable income received from the state teachers' retirement system. To the extent includable in federal AGI, for TY 2020, 25% of the income received from the state teachers' retirement system, and for TY 2021 and each tax year thereafter,

50% of the income received from the state teachers' retirement system is deducted from federal AGI in determining Connecticut AGI subject to the personal income tax.

Connecticut Statute: Conn. Gen. Stat. § 12-701(20)(B)(xx), (xxi)

Maine: For each individual who is a primary recipient of pension benefits under an employee retirement plan, federal AGI is reduced by an amount that is the lesser of: (1) the individual maximum amount, reduced by the individual's Social Security and railroad retirement benefits paid by the United States, but not less than $0 or (2) the aggregate of retirement plan benefits under employee retirement plans and taxable distributions from individual retirement accounts included in the individual's federal AGI. The individual maximum deduction is $10,000 in tax year 2021; $25,000 for tax years beginning in 2022; $30,000 for tax years beginning in 2023; and $35,000 for tax years beginning on or after January 1, 2024.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 5122(2)(M-2)

Massachusetts: Massachusetts personal income tax provisions include a modification reducing federal AGI for income from annuity, stock bonus, pension, profit-sharing, annuity or deferred-payment plans, contracts described in §§ 403(b) and 404 of the Code or for individual retirement accounts (IRAs), individual retirement annuities, or retirement bonds described in §§ 408 and 409 of the Code. This modification does not apply to income from the optional retirement system established by Mass. Gen. Laws, ch. 15A, § 40.

Massachusetts Statute: Mass. Gen. Laws ch. 62, § 2(a)(2)(F)

Vermont: Taxpayers with income from the Civil Service Retirement System or from a contributory annuity, pension, endowment, or retirement system of the U.S. government, the state of Vermont or another state or a political subdivision of the U.S., Vermont or other states may subtract the first $10,000 of income. The federal AGI threshold for eligible filers is $50,000 for single, married filing separately and head of household filers with a phase-out for incomes greater than $50,000 but less than $60,000, and an eligible income threshold of $65,000 for joint filers with a modification phase-out for incomes greater than $65,000 and less than $75,000. A taxpayer is allowed only one modification for all types of retirement income per year.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 5830e

**28. Taxable Social Security Income:**

Statutory Reference: R.I. Gen. Laws § 44-30-12(c)(8)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 2015 / N/A

Description: A modification reducing federal adjusted gross income (AGI) of taxable Social Security income included in federal AGI is allowed for individual filers with federal AGI of

$80,000 or less and joint filers with federal AGI of $100,000 or less who also have reached "full retirement age" based on Social Security Administration rules. The federal AGI dollar amounts are annually adjusted for inflation and are listed below:

| *Tax Year* | *Single/Head of Household* | *Married Filing Separately* | *Married Filing Jointly/Qualifying Widow(er)* |
|---|---|---|---|
| 2020 | $86,350 | $86,375 | $107,950 |
| 2021 | $88,950 | $88,975 | $111,200 |
| 2022 | $95,800 | $95,800 | $199,750 |
| 2023 | $101,000 | $101,025 | $126,250 |

Data Source: Division of Taxation and Office of Revenue Analysis (ORA) Personal Income Tax Simulation Model. Modification includes adjustments that decreased federal adjusted gross income (AGI). ORA calculated the Rhode Island tax liability for each taxpayer under TY 2020 and TY 2021 Rhode Island personal income tax laws and the Rhode Island tax liability for each taxpayer without the modification for the same tax years, then summed the results for both calculations across all taxpayers. Forgone revenue is determined by taking the difference between the two tax liability calculations. The number of taxpayers includes those resident and non-resident taxpayers with a modification that decreased federal AGI.

Reliability Index: 1

| *Calendar Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Personal Income Tax | $23,093,416 | 52,965 |
| 2021 Personal Income Tax | $23,809,356 | 42,914 |

Projection Methodology: TY 2022 projected amount of forgone revenue and number of taxpayers was calculated by applying the average annual growth realized from TY 2017- TY 2021 to TY 2021. Forgone revenues for TY 2023 – TY 2025 are set equal to TY 2022.

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2022 Personal Income Tax | $25,661,238 | 44,033 |
| 2023 Personal Income Tax | $25,661,238 | 44,033 |
| 2024 Personal Income Tax | $25,661,238 | 44,033 |
| 2025 Personal Income Tax | $25,661,238 | 44,033 |

Law Comparison: Connecticut, Maine, Massachusetts, and Vermont have similar provisions.

Connecticut: There is a modification from federal AGI for an amount equal to the Social Security benefits for single filers and married individuals filing separately whose federal AGI for such taxable year is less than $75,000, and for married individuals filing jointly and heads of households whose federal AGI for such taxable year is less than $100,000. Taxpayers with AGIs equal to or greater than these thresholds qualify for a partial exemption through which no more than 25% of their total Social Security benefits received is subject to tax.

Connecticut Statute: Conn. Gen. Stat. § 12-701(20)(B)(x)

Maine: Federal AGI is reduced by Social Security benefits and railroad retirement benefits paid by the United States for Maine income tax purposes, to the extent these benefits are included in federal AGI.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 5122(2)(C)

Massachusetts: Social Security benefits includable in federal AGI may be subtracted from federal AGI for the calculation of Massachusetts personal income tax.

Massachusetts Statute: Mass. Gen. Laws ch. 62, § 2(a)(2)(H)

Vermont: Social Security beneficiaries meeting certain income requirements can claim an exemption for the taxable portion of their Social Security benefits. For single, married filing separately, head of household, and qualifying widow(er) filers, taxpayers with a federal AGI of less than $50,000 may exclude all of their federally taxable Social Security benefits while taxpayers with a federal AGI between $50,000 and $60,000 maybe exclude some portion of the federally taxable Social Security. For married filing jointly filers, the maximum federal AGI is $75,000, with a phaseout range of $65,000 to $75,000. A taxpayer is allowed only one modification for all types of retirement income per year.

Vermont Statute: Vt. Stat. Ann. tit. 32, §§ 5811(21)(B)(iv), 5830e

# OTHER ITEMS

## 1. Allocation and Apportionment of Airlines:

Statutory Reference: R.I. Gen. Laws § 44-11-15 / R.I. Code of Regulations 280-20-25-9.11(C)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 2004 / 2015

Description: According to the Rhode Island Code of Regulations (RICR) 280-20-25-9, Apportionment of Net Income, Part 9.11 specifies that certain categories of taxpayers are eligible to apportion income according to modified formulas. Airlines are specifically listed as a type of taxpayer eligible for a special apportionment formula. Passenger revenue and freight revenue are allocated to Rhode Island based on the ratio of departures of flight aircraft, by type, from locations in Rhode Island compared to departures everywhere, multiplied by total passenger revenue everywhere to determine the share of net income attributable to Rhode Island for an airline. All other receipts attributable to Rhode Island are included in the numerator. The apportioned net income is then subject to the tax.

Data Source: No reliable data exists for this tax expenditure item.

Reliability Index: 5

Projection Methodology: No projection is made due to lack of reliable data.

Law Comparison: Connecticut, Massachusetts, and New Hampshire have similar provisions.

Connecticut: Connecticut's tax on air carriers allocated to Connecticut by the average of the following three ratios (a) The ratio aircraft arrivals and departures within Connecticut by such air carrier during the income year to total aircraft arrivals and departures by carrier on its entire system during the same periodnonscheduled operations; (b) the ratio revenue tons handled by such air carrier at airports within Connecticut during the income year to the total revenue tons handled by carrier at all airports on its entire system during the same period; (c) the ratio air carrier's originating revenue within Connecticut for the income year to the total originating revenue of such carrier from its entire system for the same period. If the formula provided subjects a taxpayer to a portion of taxes larger or smaller than is reasonably attributable to Connecticut, then the provisions of Conn. Gen. Stat. 12-221a shall apply.

Connecticut Statute: Conn. Gen. Stat. § 12-244

Massachusetts: Airlines use a modified three-factor apportionment percentage formula in Massachusetts. The numerator of the property factor is the sum of the average value of the real and tangible personal property of the airline, other than aircraft ready for flight, situated in Massachusetts and the average value of the aircraft ready for flight owned or rented and used by the airline in Massachusetts. The denominator of the property factor is the average value of all of the airline's real and tangible personal property owned, rented, or leased, and used during the taxable year. The numerator of the payroll factor is the sum of the compensation paid in

Massachusetts to non-flight personnel during the taxable year. The denominator of the payroll factor is the total compensation paid by the airline during the taxable year. The sales factor is a fraction whose numerator is total sales of the taxpayer in Massachusetts during the taxable year and whose denominator is total sales of the taxpayer everywhere during the taxable year. In general, a taxpayer's total sales are its gross receipts.

Massachusetts Statute: Mass. Gen. Laws ch. 63, § 38(j), Mass. Regulations 830 CMR 63.38.2: Apportionment of Income of Airlines

New Hampshire: New Hampshire uses a three-factor apportionment formula based on payroll, property, and a double-weighted sales factor for the calculation of the business profits tax. Airlines use a modified version of this apportionment formula. The property factor is the sum of average New Hampshire mobile property and non-mobile property divided by the sum of average mobile property everywhere. The payroll factor is the sum of New Hampshire mobile payroll divided by the sum of mobile payroll everywhere. The sales factor is the sum of New Hampshire transportation sales divided by the sum of transportation sales everywhere.

New Hampshire Statute: N.H. Rev. Stat. Ann. § 77-A:3, II(a); NH Admin Rules Rev 304.07

**2. Allocation and Apportionment of Brokerage Services:**

Statutory Reference: R.I. Gen. Laws § 44-11-14.2(b) / R.I. Code of Regulations 280-20-25-9.11(D)(2)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1995 / N/A

Description: Any taxpayer located in Rhode Island that provides securities brokerage services may choose to allocate its net income as follows: all net income derived directly or indirectly from the sale of security brokerage services shall be apportioned to Rhode Island only to the extent that securities brokerage customers are domiciled in Rhode Island. The apportionment factor is defined as the ratio of the brokerage commissions and total margin interest paid on accounts owned by Rhode Island domiciled customers to the brokerage commissions and total margin interest paid on accounts owned by all of the taxpayer's customers. The apportioned net income is then subject to the tax. If the taxpayer chooses to use this apportionment method, then the taxpayer must use this apportionment method for the five succeeding tax years after the tax year of election.

Data Source: No reliable data exists for this tax expenditure item.

Reliability Index: 5

Projection Methodology: No projection is made due to lack of reliable data.

Law Comparison: Only Connecticut has a similar provision.

Connecticut: Each taxpayer that provides securities brokerage service apportions its net income derived, directly or indirectly, from rendering securities brokerage services as follows: the numerator of the apportionment fraction consists of the brokerage commissions and total margin interest paid on behalf of brokerage accounts owned by the taxpayer's customers who are domiciled in Connecticut during such taxpayer's income year, computed according to the method of accounting used in the computation of net income. The denominator of the apportionment fraction consists of brokerage commissions and total margin interest paid on behalf of brokerage accounts owned by all of the taxpayer's customers domiciled during such taxpayer's income year, computed according to the method of accounting used in the computation of net income.

Connecticut Statute: Conn. Gen. Stat. §§ 12-218(f)

**3. Allocation and Apportionment of Credit Card Banks:**

Statutory Reference: R.I. Gen. Laws § 44-11-14.3 / R.I. Code of Regulations 280-20-25-9.11(E)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1996 / N/A

Description: Any banking institution whose business activities are taxable within and outside of Rhode Island and whose activities are limited to those described in § 2(c)(2)(F) of the federal Bank Holding Company Act (12 U.S.C. § 1841(c)(2)(F)) may choose to allocate its net income based on a special apportionment formula. All net income derived directly or indirectly from the banking institution shall be apportioned to Rhode Island only to the extent that the banking institution's customers are domiciled in Rhode Island. The apportionment factor is defined as the ratio of the income derived from accounts owned by customers domiciled in Rhode Island to the income derived from accounts owned by all of the banking institution's customers. The apportioned net income is then subject to the tax. If the taxpayer chooses to use this apportionment method, then the taxpayer must use this apportionment method for the five succeeding tax years after the tax year of election.

Data Source: No reliable data exists for this tax expenditure item.

Reliability Index: 5

Projection Methodology: No projection is made due to lack of reliable data.

Law Comparison: Connecticut and New Hampshire have similar provisions.

Connecticut: Any financial service company that has net income derived from credit card activities apportions its net income derived from credit card activities using a special formula. The numerator of the apportionment fraction is Connecticut receipts. The denominator of the apportionment fraction consists of the total amount of interest and fees or penalties in the nature of interest from credit card receivables; receipts from fees charged to all card holders, including, but not limited

to, annual fees; net gains from the sale of credit card receivables for all card holders; and all credit card issuer's reimbursement fees.

Connecticut receipts are the sum of interest and fees or penalties in the nature of interest from credit card receivables and receipts from fees charged to card holders, including, but not limited to, annual fees, for card holders in Connecticut and the product of the sum of net gains from the sale of credit card receivables and all credit card issuer's reimbursement fees multiplied by a fraction. The numerator of this fraction is interest and fees or penalties in the nature of interest from credit card receivables and receipts from fees charged to card holders, including, but not limited to, annual fees, from card holders in Connecticut, and the denominator is the total amount of interest and fees or penalties in the nature of interest from credit card receivables and receipts from fees charged to card holders, including, but not limited to, annual fees, for all card holders. Income derived by such taxpayer from sources other than credit card activities are apportioned using Connecticut's standard apportionment formula.

Connecticut Statute: Conn. Gen. Stat. § 12-218(i)

New Hampshire: New Hampshire uses a three-factor apportionment formula based on payroll, property, and a double-weighted sales factor for the calculation of the business profits tax. Financial institutions, including credit card companies, use a modified version of this apportionment formula. The property factor shall be the sum of the value of the real and tangible property and the intangible property components. The real and tangible property component shall be calculated using the standard formula for all businesses. The intangible property component shall include the average value of the business organization's loans and credit card receivables and be determined to be located in New Hampshire when it is properly assigned to a regular place of business within New Hampshire based upon the preponderance of substantive contacts relating to the loans having occurred in New Hampshire. The payroll factor is calculated in the same as the standard apportionment formula for New Hampshire, which is the total compensation consisting of wages, salaries, commissions and other forms of renumeration paid during the taxable period to employees for personal services, excluding benefits. The sales factor is a fraction with the numerator being the sum of the receipts from the lease, sublease, rental or sub-rental of real property located in New Hampshire and the lease or rental of tangible personal property, other than transportation equipment, located in New Hampshire when it is first placed in service by the lessee owned by the business organization in New Hampshire during the taxable year and the denominator being the receipts of the business organization within and without New Hampshire during the taxable period.

New Hampshire Statute: N.H. Rev. Stat. Ann. § 77-A:3, II(a); NH Admin Rules Rev 304.10

**4. Allocation and Apportionment of Motor Carriers:**

Statutory Reference: R.I. Gen. Laws § 44-11-15 / R.I. Code of Regulations 280-20-25-9.11(B)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 2004 / 2015

Description: According to the Rhode Island Code of Regulations (RICR) 280-20-25-9.11 Apportionment of Net Income, only certain, specified categories of taxpayers are eligible to apportion income according to modified formulas. Motor carriers are specifically listed as a type of taxpayer eligible for a special apportionment formula.

For tax years beginning on or after January 1, 2015, to arrive at a determination of the share of net income attributable to Rhode Island the motor carrier's net income is multiplied by the motor carrier's apportionment percentage. The apportionment percentage is a ratio of the motor carrier's total Rhode Island sales and the motor carrier's total worldwide sales. A motor carrier's Rhode Island sales consist of the average of the inbound/outbound Rhode Island receipts plus all other receipts attributable to Rhode Island.

Data Source: No reliable data exists for this tax expenditure item.

Reliability Index: 5

Projection Methodology: No projection is made due to lack of reliable data.

Law Comparison: Connecticut, Massachusetts, New Hampshire have similar provisions.

Connecticut: Any motor carrier which transports property for hire and which is taxable both within and without Connecticut apportions its net income derived from carrying of property for hire using an apportionment fraction, the numerator of which is the total number of miles operated within Connecticut and the denominator of which is the total number of miles operated everywhere. Income derived by motor carriers from sources other than the carrying of property for hire use Connecticut's standard apportionment formula to calculate the net income attributable to the state.

Connecticut Statute: Conn. Gen. Stat. § 12-218(d)

Massachusetts: Motor carrier companies use a modified three-factor apportionment percentage formula in Massachusetts. The numerator of the property factor is the sum of the value of the real and tangible personal property of the motor carrier, other than mobile property, situated in Massachusetts and the value of the mobile property owned, rented, or leased and used by the motor carrier in Massachusetts. The denominator of the property factor is the average value of all the motor carrier's real and tangible personal property owned, rented, or leased, and used during the taxable year. The value of the mobile property owned, rented, or leased, and used by the motor carrier in Massachusetts is the total value of the motor carrier's mobile property, multiplied by the percentage of miles traveled by the motor carrier's mobile property in Massachusetts.

The numerator of the payroll factor is the sum of the compensation paid in Massachusetts to personnel other than operating personnel and the compensation paid in Massachusetts to operating personnel. The compensation paid in Massachusetts to operating personnel is computed by multiplying the motor carrier's total payroll for operating personnel by the percentage of miles traveled by the motor carrier's mobile property in Massachusetts. The denominator of the payroll factor is the total compensation paid by the motor carrier during the taxable year.

The sales factor is calculated in the same manner as that of the standard Massachusetts apportionment formula and is a fraction whose numerator is total sales of the taxpayer in Massachusetts during the taxable year and whose denominator is total sales of the taxpayer everywhere during the taxable year. In general, a taxpayer's total sales are its gross receipts.

Massachusetts Statute: Mass. Gen. Laws ch. 63, § 38(j), Mass. Regulations 830 CMR 63.38.3: Apportionment of Income of Motor Carriers

New Hampshire: New Hampshire uses a three-factor apportionment formula based on payroll, property, and a double-weighted sales factor for the calculation of the business profits tax. Transportation industries other than airlines, communication, and energy companies use a modified version of this apportionment formula. The property factor's components shall be calculated utilizing the following provisions: the property factor is the sum of average New Hampshire mobile property and average New Hampshire non-mobile property, divided by the sum of average mobile property everywhere and average non-mobile property everywhere. The payroll factor is the sum of New Hampshire mobile payroll and New Hampshire non-mobile payroll divided by the sum of mobile payroll everywhere and non-mobile payroll everywhere. The sales factor is the sum of New Hampshire transportation income and New Hampshire non-transportation income divided by the sum of transportation income everywhere and non-transportation income everywhere.

New Hampshire Statute: N.H. Rev. Stat. Ann. § 77-A:3, II(a); NH Admin Rules Rev 304.07

**5. Allocation and Apportionment of Regulated Investment Companies:**

Statutory Reference: R.I. Gen. Laws § 44-11-14.2(a) / R.I. Code of Regulations 280-20-25-9.11(D)(1)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1995 / N/A

Description: Any taxpayer located in Rhode Island that sells management, distribution or administration services to or on behalf of a regulated investment company, as defined by federal law, may choose to allocate its net income as follows: all net income derived directly or indirectly from the sale of management, distribution, or administration services to or on behalf of regulated investment companies, including net income received directly or indirectly from trustees, and sponsors or participants of employee benefit plans that have accounts in a regulated investment company, shall be apportioned to Rhode Island only to the extent that shareholders of the regulated investment company are domiciled in Rhode Island. The apportionment factor is defined as the ratio of the taxpayer's Rhode Island receipts from the services it provides to the taxpayer's receipts everywhere from the services it provides. Rhode Island receipts are determined by multiplying total receipts for the taxable year from each separate regulated investment company for which the services are performed by a fraction: the numerator being the average of the number of shares owned by the regulated investment company's shareholders domiciled in this state at the beginning

of and at the end of the company's taxable year and the denominator being the average of the number of the shares owned by the regulated investment company's shareholders everywhere at the beginning and the end of the company's taxable year.

The apportioned net income is then subject to the tax. If the taxpayer chooses to use this apportionment method, then the taxpayer must use this apportionment method for the five succeeding tax years after the tax year of election.

Data Source: No reliable data exists for this tax expenditure item.

Reliability Index: 5

Projection Methodology: No projection is made due to lack of reliable data.

Law Comparison: Connecticut and Massachusetts have similar provisions.

Connecticut: Each taxpayer that provides management, distribution or administrative services to or on behalf of a regulated investment company apportions by a fraction its net income derived directly or indirectly from providing management, distribution, or administrative services to or on behalf of a regulated investment company, including net income received directly or indirectly from trustees and sponsors or participants of employee benefit plans which have accounts in a regulated investment company. The numerator of the apportionment fraction is the sum of Connecticut receipts from the sale of management, distribution or administrative services to or on behalf of all the regulated investment companies, while the denominator of the apportionment fraction is total receipts from the sale of management, distribution or administrative services to or on behalf of all the regulated investment companies.

Connecticut receipts are determined by multiplying receipts from the rendering of management, distribution or administrative services to or on behalf of each separate regulated investment company by a fraction. The numerator of this fraction is the average of the number of shares on the first day of such regulated investment company's taxable year that are owned by shareholders of such regulated investment company domiciled in Connecticut and the number of shares on the last day of such regulated investment company's taxable year that are owned by shareholders of such regulated investment company domiciled in Connecticut. The denominator of this fraction is the average of the number of shares that are owned by shareholders of such regulated investment company on such dates.

Connecticut Statute: Conn. Gen. Stat. § 12-218(e)

Maine: Maine has a special apportionment formula for mutual fund service providers. A mutual fund service provider may elect to apportion its net income as follows: net income is multiplied by a fraction, the numerator of which is the Maine receipts during the taxable year and the denominator of which is the total receipts everywhere for the same taxable year. Maine receipts from the direct or indirect provision of management, distribution or administration services to or on behalf of a regulated investment company or from trustees, sponsors and participants of employee benefit plans that have accounts in a regulated investment company are determined by

multiplying total receipts for the taxable year from each separate regulated investment company for which the mutual fund service provider performs management, distribution or administration services by a fraction. The numerator of the fraction is the average of the number of shares owned by the regulated investment company's shareholders domiciled in Maine at the beginning of and at the end of the regulated investment company's taxable year, and the denominator of the fraction is the average of the number of the shares owned by the regulated investment company's shareholders everywhere at the beginning of and at the end of the regulated investment company's taxable year. If the taxpayer chooses to use this apportionment method, then the taxpayer must use this apportionment method for the five succeeding tax years after the tax year of election.

*This special apportionment was repealed in the Maine 2019 legislative session.*

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 5212(2), ME Pub. Law Ch. 401, Pt. C, § 10

Massachusetts: A mutual fund service corporation is defined as any corporation doing business in Massachusetts that derives more than 50% of its gross income from directly or indirectly providing management, distribution, or administration services to or on behalf of a regulated investment company and from trustees, sponsors and participants of employee benefit plans that have accounts in a regulated investment company. Any mutual fund service corporation whose employment level in the current taxable year is equal to or greater than its jobs commitment level for a taxable year or any mutual fund service corporation for which the jobs commitment level requirement no longer applies apportions its net income by multiplying it by 100% of the sales factor. A mutual fund service corporation that fails to achieve its jobs commitment level may still use 100% of the sales factor in apportioning net income if the failure to achieve the jobs commitment level for any taxable year is demonstrated by the mutual fund service corporation to be a direct result of adverse economic conditions in that taxable year.

Any taxable net income received by mutual fund sales that is not derived from mutual fund sales must be apportioned using the standard Massachusetts three-factor apportionment. A mutual fund service corporation that has taxable net income from mutual fund sales as well as taxable net income from non-mutual fund sales in the same tax year will have two income apportionment percentages for that year. If a mutual fund service corporation is subject to the non-income measure of the corporate excise tax, the mutual fund service corporation must use a weighted average of the two apportionment percentages to calculate the non-income measure of its excise due for that tax year. To determine the weighted average percentage, a mutual fund service corporation must calculate the ratio of its taxable net income from mutual fund sales to its taxable net income from non-mutual fund sales.

Massachusetts Statute: Mass. Gen. Laws ch. 63, § 38(m), 830 CMR 63.38.7 Apportionment of Income of Mutual Fund Service Corporations

### 6. Allocation and Apportionment of Retirement and Pension Plans:

Statutory Reference: R.I. Gen. Laws § 44-11-14.4 / Rhode Island Code of Regulations 280-20-25-9.11(F)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1996 / N/A

Description: Any taxpayer located in Rhode Island that sells management, distribution, or administration services, including without limitations, transfer agent, fund accounting, custody and other similar related services to or on behalf of an employee retirement or pension plan may choose to apportion to Rhode Island all net income derived directly and indirectly from the sale of the management, distribution, or administration services to or on behalf of a retirement or pension plan to the extent that the beneficiaries or participants of a retirement or pension plan are domiciled in Rhode Island. The apportionment factor is defined as the ratio of Rhode Island receipts from the services to the total receipts everywhere from the services for the same taxable year. Rhode Island receipts are determined by multiplying total taxable year receipts from a retirement or pension plan for which the services are performed by a fraction, the numerator of which is the average of the number of total beneficiaries or participants of each retirement or pension plan domiciled in Rhode Island at the beginning of and at the end of the taxable year of the taxpayer and the denominator of which is the average of the number of total beneficiaries or participants of the retirement or pension plan located everywhere at the beginning of and at the end of the taxable year of the taxpayer. The apportioned net income is then subject to the tax. If the taxpayer chooses to use this apportionment method, then the taxpayer must use this apportionment method for the five succeeding tax years after the tax year of election.

Data Source: No reliable data exists for this tax expenditure item.

Reliability Index: 5

Projection Methodology: No projection is made due to lack of reliable data.

Law Comparison: Only Connecticut has a similar provision.

Connecticut: Connecticut uses a special apportionment formula for financial service companies, including those that provide management, distribution and administrative services performed on behalf of a pension fund or retirement account. The numerator of the receipts factor includes receipts received for management, distribution and administrative services performed on behalf of a pension fund or retirement account equal to the product of such receipts for the income year multiplied by a fraction, the numerator of which is the average of the number of participants with an interest in the pension fund or retirement account on the first day of the pension fund or retirement account taxable year and whose billing address is in Connecticut and the number of participants with an interest in the pension fund or retirement account on the last day of the pension fund or retirement account taxable year and whose billing address is in Connecticut.

The denominator of the fraction is the total number of participants with an interest in the pension fund or retirement account on such dates. In lieu of using the billing addresses of the participants with an interest in the pension fund or retirement account, the taxpayer may elect to determine receipts based upon the average of the fair market value of funds under management in each taxable year allocated to the commercial domicile of the sponsor of the pension fund or retirement

account and, where there is no sponsor for a particular pension fund or retirement account, the billing address of the participant. The election, if made by the taxpayer must be used five successive years and shall be applicable to all receipts from the rendering of management, distribution or administrative services performed for any pension fund or retirement account.

Connecticut Statute: Conn. Gen. Stat. § 12-218b(j)(2)

# PREFERENTIAL TAX RATES

## 1. Jobs Development Act:

Statutory Reference: R.I. Gen. Laws § 42-64.5-3 / R.I. Gen. Laws § 44-48.3-12

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1994 / 2015

Description: The rate of tax payable by an eligible company, or each of its eligible subsidiaries, on its net income taxed under the business corporation tax, bank excise tax, and insurance company gross premiums tax or on its gross earnings taxed the public service corporation tax shall be reduced by the amount specified in the Jobs Development Act (R.I. Gen. Laws § 42-64.5-4). The amount of rate reduction for any eligible company that is not a telecommunications company shall be based on the aggregate amounts of new units of employment for each taxable year over the base employment. A unit of employment consists of 10 new full-time equivalent employees for companies with base employment levels of 100 or fewer full-time employees or 50 new full-time equivalent employees for companies with base employment of more than 100 full-time employees.

Under the original terms of the Jobs Development Act, a qualifying company received a 0.25 percentage point reduction in the statutory tax rate for each unit of employment added up to a maximum reduction of six percentage points. These parameters applied to all tax types other than the tax on the gross earnings of public service corporations for which the maximum tax rate reduction is one percentage point. Following the implementation of mandatory combined reporting for business corporation tax filers, which included a reduction of the business corporation tax rate from 9% to 7% effective January 1, 2015, the amount of the JDA tax rate reduction for business corporation taxpayers was adjusted from 0.25 to 0.2 percentage points per unit of employment and the maximum reduction adjusted from six to four percentage points. (Bank excise tax filers retain the original reduction schedule because the bank excise tax remains 9%.)
Any eligible company that fails to maintain for any taxable year the number of units of new employment it reported for its 1997 tax year or the third taxable year following the base employment period election set forth in R.I. Gen. Laws § 42-64.5-5, as applicable, the rate reduction provided shall expire permanently.

Effective July 1, 2015, the Jobs Development Act tax rate reduction was discontinued unless a company had qualified for the tax rate reduction prior to July 1, 2015.

Data Source: Rhode Island Division of Taxation

Reliability Index: 1 (This preferential tax rate includes the Life Sciences Rate Reduction preferential tax rate to the extent that preferential tax rate has been used by any taxpayers).

| *Fiscal Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Business Corporation Tax | $1,547,992 | 3 |
| 2020 Public Service Corporation Tax | $0 | 0 |
| 2020 Bank Tax | $17,955,874 | 1 |
| 2020 Ins Co Gross Premiums Tax | $0 | 0 |
| **2020 Total** | **$19,503,866** | **4** |
| 2021 Business Corporation Tax | $1,207,971 | 4 |
| 2021 Public Service Corporation Tax | $0 | 0 |
| 2021 Bank Tax | $13,201,760 | 1 |
| 2021 Ins Co Gross Premiums Tax | $0 | 0 |
| **2021 Total** | **$14,409,731** | **5** |
| 2022 Business Corporation Tax | $1,342,530 | 2 |
| 2022 Public Service Corporation Tax | $0 | 0 |
| 2022 Bank Tax | $38,315,462 | 1 |
| 2022 Ins Co Gross Premiums Tax | $0 | 0 |
| **2022 Total** | **$39,657,992** | **3** |
| 2023 Business Corporation Tax | $3,121,983 | 5 |
| 2023 Public Service Corporation Tax | $0 | 0 |
| 2023 Bank Tax | $20,255,279 | 1 |
| 2023 Ins Co Gross Premiums Tax | $0 | 0 |
| **2023 Total** | **$23,377,262** | **6** |

Projection Methodology: FY 2024 projections provided by the Division of Taxation with data that was available as of November 2023. ORA calculated a three-year average of revenue forgone averaging FY 2020, FY 2021, and FY 2023 excluding the outlier year of FY 2022, to project FY 2025 revenue forgone. For FY 2025 and FY 2024, the number of taxpayers was held constant with FY 2023.

| *Fiscal Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2024 Business Corporation Tax | $3,891,217 | 5 |
| 2024 Public Service Corporation Tax | $0 | 0 |
| 2024 Bank Tax | $10,779,550 | 1 |
| 2024 Ins Co Gross Premiums Tax | $0 | 0 |
| **2024 Projected Total** | **$14,670,767** | **6** |
| 2025 Business Corporation Tax | $1,959,315 | 5 |
| 2025 Public Service Corporation Tax | $0 | 0 |
| 2025 Bank Tax | $17,137,638 | 1 |
| 2025 Ins Co Gross Premiums Tax | $0 | 0 |
| **2025 Projected Total** | **$19,096,953** | **6** |

Law Comparison: No similar provisions found in the other New England states.

**2. Life Science Rate Reduction:**

Statutory Reference: R.I. Gen. Laws §§ 42-64.14-10 and 42-64.14-11

Stated Purpose: The purpose of the I-195 Redevelopment Act of 2011 is to create a state-local-private sector partnership to plan, implement, administer, and oversee the redevelopment of the surplus I-195 properties and to authorize, provide for, and facilitate the consolidated exercise of development and redevelopment powers existing at the state and local levels. There is no stated purpose provided in the statute for life sciences rate reduction included in the I-195 Redevelopment Act.

Year Enacted / Last Year Amended: 2011 / 2014

Description: The rate of tax for an eligible life science company and each of its subsidiaries applicable against its net income subject to taxation under the business corporation tax is reduced by the amount specified in R.I. Gen. Laws § 42-64.14-11. The amount of rate reduction is based on the aggregate amount of new employment for each taxable year over the base employment and is equal to 0.2 percentage points for each unit of new employment. The total amount of the rate reduction cannot exceed four percentage points for any taxable year. Should any eligible company fail to maintain the number of units of new employment it reported above its base employment, the rate reduction will expire permanently.

Data Source: No reliable data exists for this tax expenditure item. (*This preferential tax rate is included in the Jobs Development Act preferential tax rate to the extent that preferential tax rate has been used by any taxpayers.)

Reliability Index: 5

Projection Methodology: * Projections for this modification / deduction are included in the Jobs Development Act preferential tax rate.

Law Comparison: Massachusetts has a similar provision.

Massachusetts: A taxpayer, to the extent authorized by the life sciences tax incentive program, may be allowed a refundable jobs credit against the Massachusetts corporate income tax in an amount determined by the Massachusetts Life Sciences Center in consultation with the Massachusetts Department of Revenue. A taxpayer taking said credit shall commit to the creation of a minimum of 50 net new permanent full-time positions in Massachusetts. The amount of the jobs credit issued that exceeds the taxpayer's liability under the Massachusetts corporate income tax shall be refunded to the taxpayer at a rate of 90% of the amount of excess credit. The Department of Revenue shall issue the refundable portion of the jobs credit in accordance with the cumulative amount, including the current year costs of incentives allowed in previous years, which shall not exceed $30.0 million annually.

Massachusetts Statute: Mass. Gen. Laws ch. 63, § 38CC

# TAX ABATEMENTS

## 1. Child Tax Rebate:

Statutory Reference: R.I. Gen. Laws § 44-30-103 / R.I. Pub. Laws 2022, Ch. 231, Article 6, § 10

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 2022 / N/A

Description: A one-time child tax rebate of $250 per child 18 years and younger, up to a maximum of three children, was distributed to qualifying Rhode Island resident taxpayers based on the taxpayer's TY 2021 Rhode Island personal income tax return. The federal adjusted gross income of each taxpayer must be below the income threshold of $100,000 for single, head of household, married filing separately, and qualifying widow(er) filers or $200,000 for joint filers. Child Tax Rebate payments were not considered taxable income for the purposes of state and federal personal income tax for tax year 2022.

Data Source: Rhode Island Division of Taxation.

Reliability Index: 1

| *Calendar Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2022 Personal Income Tax | $1,869,469 | 18 |

Law Comparison: Only Connecticut has a similar provision.

Connecticut: Connecticut authorized a child tax rebate of up to a maximum of $750 ($250 per child up to three children) in CY 2022 for Connecticut residents who claimed at least one a dependent of 18 years or younger on their TY 2021 federal income tax return and meet the income threshold requirements. The income threshold is $100,000 for single or married filing separate filers, $160,000 for head of household filers, or $200,000 for joint or qualifying widow(er) filers.

Connecticut Statute: Public Act No. 22-118, Section 411

## 2. Cigarette Tax Stamping Discount:

Statutory Reference: R.I. Gen. Laws § 44-20-19

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1939 / 2007

Description: Cigarette distributors have a right to purchase cigarette excise tax stamps at a discount from the stamp's face value. The cigarette distributor pays to the Tax Administrator 98.75% of the face value of the cigarette excise tax stamps that are purchased. This yields a discount of 1.25% for the distributor. This equates to a savings of $0.053125 against the cigarette

excise tax of $4.25 per pack of 20 cigarettes. Distributors may also be allowed to pay for the cigarette excise tax stamps purchased up to 30 days after the actual receipt of the tax stamps.

Data Source: Excise Tax Section, Rhode Island Division of Taxation. The number of taxpayers is set to the number of Rhode Island registered cigarette distributors for that fiscal year.

Reliability Index: 1

| *Fiscal Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Cigarette Tax | $1,621,163 | 18 |
| 2021 Cigarette Tax | $1,869,469 | 18 |
| 2022 Cigarette Tax | $1,715,513 | 22 |
| 2023 Cigarette Tax | $1,548,169 | 20 |

Projection Methodology: FY 2024 revenue forgone was calculated by applying the growth projected for cigarettes from FY 2023 preliminary revenues to FY 2024 projected revenues for cigarettes of -6.0%. FY 2025 is grown based on the growth rate of -8.5% calculated using the projected revenue amounts for cigarettes for FY 2025. Projected revenues were based on the revenue estimates adopted at the November 2023 Revenue Estimating Conference. The projected number of taxpayers is equal to the Rhode Island registered cigarette distributors published for FY 2023.

| *Fiscal Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2024 Cigarette Tax | $1,455,901 | 20 |
| 2025 Cigarette Tax | $1,331,871 | 20 |

Law Comparison: All of the New England states have similar provisions.

Connecticut: Connecticut's provisions include a discount of 1% of the face value of the cigarette excise tax stamps if purchased by a distributor. This equates to a savings of $0.0435 against the Connecticut cigarette excise tax of $4.35 per pack of 20 cigarettes. No discount applies if the cigarette excise tax stamps are purchased by a dealer. The Commissioner of Revenue may permit a licensed distributor or licensed dealer to pay for such stamps within 30 days after the date of purchase, provided a bond or other security satisfactory to the Commissioner in an amount not less than the sale price of such stamps has been filed with the Commissioner conditioned upon payment for such stamps.

Connecticut Statute: Conn. Gen. Stat. § 12-298

Maine: Maine's provisions include a discount rate of 1.15% for stamps, or a savings of $0.023 against the Maine cigarette excise tax of $2.00 per pack of 20 cigarettes. The State Tax Assessor

may permit a licensed distributor to pay for the stamps within 30 days after the date of purchase, if a bond satisfactory to the assessor in an amount not less than 50% of the sale price of the stamps has been filed with the assessor conditioned upon payment for the stamps.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, ch. 703, § 4366-A(2)(D)

Massachusetts: A stamper may withhold and retain from each payment for cigarette excise tax stamps as compensation for service rendered in stamping packs of cigarettes the following amounts: for encrypted stamps purchased and not returned for an abatement, $12 per roll of 1,200 stamps ($0.01 per excise stamp); in each fiscal year, $600 per roll of 30,000 encrypted stamps for the first 50 rolls purchased ($0.02 per excise stamp) and $200 per each additional roll of 30,000 encrypted stamps purchased ($0.0067 additional excise stamp); and in the case of non-encrypted adhesive stamps purchased and not returned for an abatement, $1.85 for each 600 stamps purchased ($0.003083 per excise stamp) and a proportionate amount for any fraction thereof. No such compensation shall be allowed on any sale of less than $100. The commissioner, in his discretion, may, permit a stamper to pay for such stamps within 30 days after the date of purchase; provided that the stamper furnishes a bond.

Massachusetts Statute: Mass. Gen. Laws ch. 64C, § 30

New Hampshire: New Hampshire does not provide a discount to stampers, however, the Commissioner of Revenue may permit a licensed wholesaler to pay for cigarette excise tax stamps within 30 days after the date of purchase, provided a bond satisfactory to the Commissioner in an amount not less than the sale price of such stamps shall have been filed with the Commissioner, conditioned upon the payment of such stamps.

New Hampshire Statute: N.H. Rev. Stat. Ann. § 78:10, II

Vermont: Cigarette excise tax stamps are sold to licensed wholesale dealers at a discount of 2.3% of their face value for payment at time of sale. This equates to a savings of $0.07084 against the Connecticut cigarette excise tax of $3.08 per pack of 20 cigarettes. At the purchaser's request, the Commissioner of Taxes may sell cigarette excise tax stamps to licensed wholesale dealers for payment within 10 days at a discount of 1.5% of their face value if timely paid (i.e., $0.0462 per pack of 20 cigarettes).

Vermont Statute: Vt. Stat. Ann. tit. 32, § 7772

### 3. Political Check-Off:

Statutory Reference: R.I. Gen. Laws § 44-30-2(d)(1)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1971 / 1997

Description: There is allowed as a credit against the personal income tax a contribution of $5.00, or $10.00 if married filing a joint return, for the public financing of the electoral system. The first $2.00, $4.00 if married filing a joint return, goes to a political party or a non-partisan account if indicated by the taxpayer up to a maximum of $200,000 in total for all political parties and the non-partisan account. The remainder of the credit is general revenue to the State.

Data Source: Division of Taxation, Office of Revenue Analysis (ORA) Personal Income Tax Simulation Model.

Reliability Index: 1

| *Calendar Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Personal Income Tax | $84,635 | 12,329 |
| 2021 Personal Income Tax | $80,770 | 11,734 |

Political Party Contributions:

| *POLITICAL PARTY* | *2020 CONTRIBUTIONS* | *2021 CONTRIBUTIONS* |
|---|---|---|
| Democratic Party | $11,436 | $10,444 |
| Green Party | $14 | $16 |
| Moderate Party | $532 | $440 |
| Non-Partisan | $5,014 | $4,814 |
| Republican Party | $2,202 | $2,308 |

Projection Methodology: Projected revenue forgone for TY 2022 - TY 2025 is the average of TY 2020 and TY 2021 revenue forgone. The projected number of taxpayers electing for TY 2022 - TY 2025 is the average TY 2020 and TY 2021 number of taxpayers.

| *Calendar Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2022 Personal Income Tax | $82,703 | 12,032 |
| 2023 Personal Income Tax | $82,703 | 12,032 |
| 2024 Personal Income Tax | $82,703 | 12,032 |
| 2025 Personal Income Tax | $82,703 | 12,032 |

Law Comparison: Maine and Massachusetts have similar provisions.

Maine: Resident taxpayers may designate on the income tax form that $3, or $6 if filing a joint return, of their taxes be deposited in the Maine Clean Election Fund.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, ch. 831, § 5286

Massachusetts: Massachusetts provides for a $1.00 credit for a resident individual filer and a $2.00 credit for a resident jointly filed return against the Massachusetts individual income tax to be paid over to the State Election Campaign Fund.

Massachusetts Statute: Mass. Gen. Laws ch. 62, § 6C

**4. Temporary Relief from Gross Earnings Tax on Electricity and Gas:**

Statutory Reference: R.I. Gen. § 44-13-37 / R.I. Pub. Laws 2023, Ch. 79, Art. 4, § 2

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 2023 / N/A

Description: For the months of December 2023 through March 2024, electric and natural gas utility companies will not be allowed to charge the public service corporation tax but are still required to pay the amount of tax to the state. These utility companies may apply to the Division of Taxation for a rebate payment for the amount of public service corporation tax that would otherwise have been charged to customers for the given months.

Projection Methodology: Estimates were prepared by ORA at the request of the Senate Fiscal Office during the 2022 session. Number of taxpayers includes the estimate of residential and commercial gas customers, assuming the same customers also have electricity. Estimate does not include electricity only customers.

| *Fiscal Year / Tax Type* | *Projected Revenue Forgone* | *Projected Number of Taxpayers* |
|---|---|---|
| 2024 Public Service Corporation Tax | $35,639,477 | 272,719 |

Law Comparison: Maine has a similar provision.

Maine: Resident qualified taxpayers were sent a one-time $450 Winter Energy Relief Payment between January – March 2023 with the goal of providing relief from increased energy costs. Based on TY 2021 tax returns, eligible residents had federal AGI of less than $100,000 if single or married separate, or $200,000 if filing jointly.

Maine Statute: Maine 131st Legislature, Session Laws Chapter 1

## 5. Value of Farmland Included in Estate:

Statutory Reference: R.I. Gen. Laws § 44-23-5(b)

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1916 / 2013

Description: All farmland included as part of an estate and utilized by the executor, administrator, heir-at-law, beneficiary, or trustee as farmland is appraised at its use value and not at fair market value for purposes of calculating the estate and transfer tax.

Data Source: No reliable data exists for this tax expenditure item.

Reliability Index: 5

Projection Methodology: No projection is made due to lack of reliable data.

Law Comparison: Connecticut, Massachusetts, and Vermont have similar provisions.

Connecticut: In determining the tax due, the value of any farmland transferred by a donor by gift to a donee who is a lineal descendant or spouse of the donor is determined based upon its current use without regard to neighborhood land use of a more intensive nature. This present value shall be deemed by assessors and boards of assessment appeals to be the fair market value and not its value at an auction sale.

Connecticut Statute: Conn. Gen. Stat. §12-646a

Maine: When determining value for an estate or property that is included in an estate for purposes of calculating the Maine estate tax, the value is as determined by the assessor in accordance with the Internal Revenue Code, which under § 2032A allows an alternative method for valuing certain real property used as a farm to reflect the (lower) value of the property in its current use.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, ch. 577, § 4102

Massachusetts: For decedents who died prior to January 1, 2019, if the gross estate of a decedent includes real property devoted to use as a farm for farming purposes, the estate may elect to value such property in accordance with § 2032A of the Internal Revenue Code, which allows for an alternative method for valuing certain real property used as a farm to reflect the (lower) value of the property in its current use.

If the gross estate of a decedent dying on or after January 1, 2019 includes real property that is qualifying agricultural land, associated land, or qualifying noncommitted land, the estate may elect to value such property, or any portion thereof, as closely held agricultural land pursuant to the valuation set by the Farmland Valuation Advisory Commission for the fiscal year of the most

recent growing season. The value of closely held agricultural land as determined for such election is only for computing the Massachusetts estate tax.

Massachusetts Statute: Mass. Gen. Laws ch. 65C, § 5(c), (d)(2)

Vermont: For Vermont estate tax purposes, all values are determined for federal estate tax purposes. Section 2032A of the IRC allows an alternative method for valuing certain real property used as a farm to reflect the (lower) value of the property in its current use.

Vermont Statute: Vt. Stat. Ann. Title 32, § 7442a

# TAX DEFERRALS

## 1. Holding Period for Unstamped Cigarettes:

Statutory Reference: R.I. Gen. Laws § 44-20-14

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1948 / 2007

Description: Any consumer possessing any cigarettes with respect to the storage or use of which is subject to the tax on unstamped cigarettes imposed by R.I. Gen. Laws § 44-20-13 must, within 24 hours after coming into possession of the cigarettes in Rhode Island, file a return with the State. The return must be accompanied by a payment for the amount of tax due.

Data Source: No reliable data exists for this tax expenditure item. The nature of the tax expenditure item is such that the tax deferral is for a very short duration, 24 hours, and thus realistically no revenue is forgone from the tax expenditure item provided that consumers comply with the law.

Reliability Index: 1

| *Calendar Year / Tax Type* | *Revenue Forgone* | *Number of Taxpayers* |
|---|---|---|
| 2020 Cigarette Tax | $0 | *Unknown* |
| 2021 Cigarette Tax | $0 | *Unknown* |

Projection Methodology: No projection is made due to lack of reliable data.

Law Comparison: All of the New England states have similar provisions.

Connecticut: Connecticut allows a 24-hour holding period before unstamped cigarettes must have tax stamps affixed by dealers.

Connecticut Statute: Conn. Gen. Stat. § 12-303

Maine: Any person, who is not a licensed distributor, who imports, receives or otherwise acquires more than two cartons in any one month of unstamped cigarettes for use or consumption in Maine must file a return, on or before the last day of the month following the month in which unstamped cigarettes were acquired, together with payment of the tax.

Maine Statute: Me. Rev. Stat. Ann. tit. 36, § 4384

Massachusetts: Stamps must be affixed to every cigarette package no later than 72 hours after receipt of the cigarettes.

Massachusetts Statute: Mass Gen. Laws ch. 64C, §30

New Hampshire: Wholesalers shall affix the stamps before it transfers possession of the cigarettes or little cigars to a retailer in this state within 90 days.

New Hampshire Statute: N.H. Rev. Stat. Ann. § 78:11

Vermont: Vermont allows a 24-hour holding period before unstamped cigarettes must have tax stamps affixed by retailers.

Vermont Statute: Vt. Stat. Ann. tit. 32, § 7775

**2. Write-Downs or Reserves for Security Losses:**

Statutory Reference: R.I. Gen. Laws § 44-14-14

Stated Purpose: No stated purpose given in law.

Year Enacted / Last Year Amended: 1942 / 1956

Description: A financial institution that is subject to the bank excise tax may elect to treat the amount of the write down of the value of any of its securities or the establishment of reserves for the decrease in values of its securities that have been required by regulators with supervisory authority over the financial institution as deductions in the year in which such write downs or reserves are recorded on its books. The write-downs or reserves specifically allocated to any security shall be used to adjust the basis of the security and the adjusted basis shall be used in determining gains or losses when the security is sold or disposed.

Data Source: No reliable data exists for tax expenditure item.

Reliability Index: 5

Projection Methodology: No projection is made due to lack of reliable data.

Law Comparison: No similar provisions found in the other New England states.

# IX. Recommendations for Improving the Report

The Tax Expenditures Report's effectiveness as a tax policy tool is dependent on the report users' background, knowledge of state tax law, and ability to understand the process by which estimates have been derived by the Office of Revenue Analysis (ORA). Although 39.4% of the tax expenditure items for which reliable data existed in TY 2021 were assigned a reliability level index of 1, meaning the source of the derived estimate was actual tax returns, ideally 100% of the derived estimates for tax expenditure items for which reliable data exists should have as a source the actual tax return from which the estimate is derived.

The primary tax type for which actual tax return data does not exist, and thus estimates of forgone revenue must be derived via less reliable methods, is the sales and use tax. Given that the sales and use tax is the second largest source of state general revenue and that it also is the tax type for which the greatest amount of forgone revenue was estimated at $1,555,651,099 in FY 2021, ORA finds that the quality and quantity of data collected for the sales and use tax needs to be improved for there to be an increase in the reliability of the forgone revenue estimates for the sales and use tax. To this end, the Division of Taxation now requires, starting on January 1, 2023, larger business registrants to file taxes electronically. The ability to analyze these electronic tax returns, including by industry sector, should improve sales and use tax data going forward.

In addition, the quantity and quality of data for the business corporation tax is lacking. The business corporation tax, commonly referred to as the corporate income tax, is the tax type with the fourth largest amount of estimated forgone revenue due to tax expenditure items at $106,677,554 in TY 2021 but has one of the largest percentages of tax expenditures items at 44.0% for which no reliable data exists from which to derive estimates of forgone revenue. This compares to 15.8% of tax expenditure items for which no reliable data exists for the personal income tax and 29.9% for the sales and use tax. ORA finds that the quality and quantity of data collected for the business corporation tax needs to be improved for there to be an increase in the reliability of the forgone revenue estimates for the business corporation tax. Unfortunately, most of the data that would improve the reporting of business corporation tax expenditure items is not reported on the taxpayers' tax returns, and the crux of the issue in this regard is that these are calculations that are done at the firm level before arriving at taxable income, which is where the Rhode Island return begins.

To this end, ORA is recommending updating the report's interpretation of tax expenditure. Under current law, a tax expenditure is defined as any tax credit, deduction, exemption, exclusion, credit preferential tax rate, tax abatement, and tax deferral that provides preferential treatment to selected taxpayers, whether directly through Rhode Island general laws or constitutional provisions or indirectly through adoption of other tax codes. Other states' tax expenditures reports, such as Connecticut and Minnesota, include criteria that a tax expenditure provision must meet before a tax expenditure item is included in the tax expenditures report. In preparing their respective tax expenditure reports, these states do not include every exemption, deduction, credit, or lower tax rate. A provision must meet all the criteria in order to be a tax expenditure. Such criteria include: if a provision has an impact on a tax that is applied statewide; confers preferential treatment; results in reduced tax revenue in the applicable fiscal years; is not included as an expenditure item in the state budget; is included in the defined tax base for that tax; is not subject to an alternative tax; and

can be amended or repealed by a change in state law. In addition, some states do not generate an estimate of a tax expenditure if it falls below a de minimis threshold.

Of interest to the ORA in this recommendation is the criteria of whether the provision is an exception to the tax base. The exclusion of certain income is currently reported in the *2024 Tax Expenditures Report*, however, ORA is recommending removing such items from the report. For example, currently included in the report, is an exclusion set forth in R.I. Gen. Laws § 44-43-5 that excludes any long-term gains from capital investments in small businesses from the determination of income that is subject to the tax imposed by the business corporation tax, public service corporation tax, bank excise tax, and the personal income tax. This type of income is excluded from taxable income and not reported on taxpayers' returns but instead is calculated at the firm level before arriving at taxable income.

Finally, the criteria regarding provisions subject to more than one tax would be useful in eliminating some expenditure items where no estimate can be derived nor expected to be calculated. In some instances, one tax may be imposed in place of another tax, and it would not be reasonable for a taxpayer or activity to be subject to both taxes. The exemption from one tax type when another is imposed is currently reported in the *2024 Tax Expenditures Report*, however ORA is recommending removing these items from the report. For example, currently included in the report, is an exclusion set forth in R.I. Gen. Laws § 44-11-1(4)(ii) for public service corporations from the business corporation tax imposed by R.I. Gen. Laws Chapter 44-11. These taxpayers are excluded from paying under the business corporation tax and required to pay under another tax type, the public service corporation tax. It is not clear if this exclusion is a tax expenditure if the inclusion generates more revenue than the exclusion precludes.



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# Appendix A: Current Statute on Tax Expenditure Reporting

## TITLE 44
## Taxation
### CHAPTER 44-48.1
### Tax Expenditure Reporting

### R.I. Gen. Laws § 44-48.1-1

**§ 44-48.1-1 Tax expenditure reporting.**

(a) On or before the second Tuesday in January of each even numbered year beginning in 2004, the chief of the office of revenue analysis, shall deliver a tax expenditure report to the general assembly. Each report will provide the minimum information for one hundred percent (100%) of tax expenditures in effect on January 1 of the calendar year preceding the report's publication.

(b) For the purposes of this section, a "tax expenditure" is any tax credit, deduction, exemption, exclusion, credit preferential tax rate, tax abatement, and tax deferral that provides preferential treatment to selected taxpayers, whether directly through Rhode Island general laws or constitutional provisions or indirectly through adoption of other tax codes.

(c) The information included for each tax expenditure shall include, but shall not be limited to:

(1) The legal reference of the expenditures, including information whether the expenditure is required as a result of federal or state constitutional, judicial, or statutory mandate.

(2) Amount of revenues forgone or an estimate, if the actual amount cannot be determined, for the calendar year immediately preceding the publication of the report. The report shall also include an estimate of revenue forgone for the calendar year in which the report is published and the year following the report's publication. The tax administrator shall develop an index of the reliability of each estimate using five (5) levels with level one being most reliable. Where actual tax returns are the source of the estimate, the estimate should be assigned reliability level one. Where no reliable data exists for the estimate, the estimate should be assigned reliability level five (5). The reliability level shall be reported for the estimate of the revenues forgone.

(3) To the extent allowable by law, identification of the beneficiaries of the exemption by number, income, class and industry.

(4) A comparison of the tax expenditure to the tax systems of the other New England states, with emphasis on Massachusetts and Connecticut.

(5) The data source(s) and analysis methodology.

(6) To the extent allowable by law, identification of similar taxpayers or industries that do not enjoy the exemption.

(d) Each report shall include a section containing recommendations for improving the effectiveness of the report as a tax policy tool. This section shall identify the resources required to implement these recommendations and shall also contain an estimate of the costs associated with such recommendations.

(e) On or before the second Tuesday in January 2004, the chief of the office of revenue analysis shall make available to the general assembly a plan to improve Rhode Island's tax expenditure reporting effort. The plan shall include measurable criteria to evaluate improvements in the reliability of tax expenditure item estimates and the identification of beneficiaries of each tax expenditure item by number, income, class and industry. The plan shall also include cost estimates of additional resources necessary to implement the plan, and may include any other information that the tax administrator deems appropriate for inclusion in said plan.

History of Section.
(P.L. 1996, ch. 327, § 1; P.L. 1996, ch. 394, § 1; P.L. 1997, ch. 30, art. 38, § 1; P.L. 2003, ch. 142, § 1; P.L. 2003, ch. 146, § 1; P.L. 2006, ch. 246, art. 38, § 16.)

# Appendix B: Current Statute on Tax Incentives Evaluation

## TITLE 44
## Taxation
### CHAPTER 44-48.2
### Rhode Island Economic Development Tax Incentives Evaluation Act of 2013

**R.I. Gen. Laws § 44-48.2-1**

**§ 44-48.2-1 Short title. –** This chapter shall be known and may be cited as the "Economic Development Tax Incentives Evaluation Act of 2013."

History of Section.
(P.L. 2013, ch. 155, § 5; P.L. 2013, ch. 209, § 5.)

**R.I. Gen. Laws § 44-48.2-2**

**§ 44-48.2-2 Legislative findings and purpose. –** The general assembly finds and declares that:

(1) The state of Rhode Island relies on a number of tax incentives, including credits, exemptions, and deductions, to encourage businesses to locate, hire employees, expand, invest, and/or remain in the state;

(2) These various tax incentives are intended as a tool for economic development, promoting new jobs and business growth in Rhode Island;

(3) The state needs a systematic approach for evaluating whether incentives are fulfilling their intended purposes in a cost-effective manner;

(4) In order to improve state government's effectiveness in serving the residents of this state, the legislature finds it necessary to provide for the systematic and comprehensive analysis of economic development tax incentives and for those analyses to be incorporated into the budget and policymaking processes.

History of Section.
(P.L. 2013, ch. 155, § 5; P.L. 2013, ch. 209, § 5; P.L. 2014, ch. 528, § 65.)

**R.I. Gen. Laws § 44-48.2-3**

**§ 44-48.2-3 Economic development tax incentive defined. –** (a) As used in this section, the term "economic development tax incentive" shall include:

(1) Those tax credits, deductions, exemptions, exclusions, and other preferential tax benefits associated with §§ 42-64.3-6, 42-64.3-7, 42-64.5-3, 42-64.6-4, 42-64.11-4, 44-30-1.1, 44-31-1, 44-31-1.1, 44-31-2, 44-31.2-5, 44-32-1, 44-32-2, 44-32-3, 44-39.1-1, 44-43-2, 44-

43-3, and 44-63-2, and chapters 64.20, 64.21, 64.26, 64.30 of title 42 and chapter 48.3 of title 44;

(2) Any future incentives enacted after the effective date of this section for the purpose of recruitment or retention of businesses in the state of Rhode Island.

(b) In determining whether a future tax incentive is enacted for "the purpose of recruitment or retention of businesses", the office of revenue analysis shall consider legislative intent, including legislative statements of purpose and goals, and may also consider whether the tax incentive is promoted as a business incentive by the state's economic development agency or other relevant state agency.

History of Section.
(P.L. 2013, ch. 155, § 5; P.L. 2013, ch. 209, § 5; P.L. 2014, ch. 528, § 65; P.L. 2015, ch. 141, art. 19, § 14.)

**R.I. Gen. Laws § 44-48.2-4**

**§ 44-48.2-4 Economic Development Tax Incentive Evaluations, Schedule. –** (a) In accordance with the following schedule, the tax expenditure report produced by the chief of the office of revenue analysis pursuant to § 44-48.1-1 shall include an additional analysis component, consistent with § 44-48.2-5 and produced in consultation with the chief executive officer of the commerce corporation, the director of the office of management and budget, and the director of the department of labor and training:

(1) Analyses of economic development tax incentives as listed in subdivision 44-48.2-3(1) shall be completed at least once between July 1, 2014, and June 30, 2017, and no less than once every three (3) years thereafter;

(2) Analyses of any economic development tax incentives created after July 1, 2013, shall be completed within five (5) years of taking effect and no less than once every three (3) years thereafter;

(b) No later than the tenth (10th) of January each year, beginning in 2014, the office of revenue analysis will submit to the chairs of the senate and house finance committees a three-year (3) plan for evaluating economic development tax incentives.

History of Section.
(P.L. 2013, ch. 155, § 5; P.L. 2013, ch. 209, § 5; P.L. 2014, ch. 528, § 65.)

**R.I. Gen. Laws § 44-48.2-5**

**§ 44-48.2-5 Economic Development Tax Incentive Evaluations, Analysis. –** (a) The additional analysis as required by § 44-48.2-4 shall include, but not be limited to:

(1) A baseline assessment of the tax incentive, including, if applicable, the number of aggregate jobs associated with the taxpayers receiving such tax incentive and the aggregate annual revenue that such taxpayers generate for the state through the direct taxes applied to them and through taxes applied to their employees;

(2) The statutory and programmatic goals and intent of the tax incentive, if said goals and intentions are included in the incentive's enabling statute or legislation;

(3) The number of taxpayers granted the tax incentive during the previous twelve-month (12) period;

(4) The value of the tax incentive granted, and ultimately claimed, listed by the North American Industrial Classification System (NAICS) Code associated with the taxpayers receiving such benefit, if such NAICS Code is available;

(5) An assessment and five-year (5) projection of the potential impact on the state's revenue stream from carry forwards allowed under such tax incentive;

(6) An estimate of the economic impact of the tax incentive including, but not limited to:

(i) A cost-benefit comparison of the revenue foregone by allowing the tax incentive compared to tax revenue generated by the taxpayer receiving the credit, including direct taxes applied to them and taxes applied to their employees; and

(ii) An estimate of the number of jobs that were the direct result of the incentive;

(7) The estimated cost to the state to administer the tax incentive if such information is available;

(8) An estimate of the extent to which benefits of the tax incentive remained in state or flowed outside the state, if such information is available;

(9) In the case of economic development tax incentives where measuring the economic impact is significantly limited due to data constraints, whether any changes in statute would facilitate data collection in a way that would allow for better analysis;

(10) Whether the effectiveness of the tax incentive could be determined more definitively if the general assembly were to clarify or modify the tax incentive's goals and intended purpose;

(11) A recommendation as to whether the tax incentive should be continued, modified, or terminated; the basis for such recommendation; and the expected impact of such recommendation on the state's economy;

(12) The methodology and assumptions used in carrying out the assessments, projections and analyses required pursuant to subdivisions (1) through (8) of this section.

(b) All departments, offices, boards, and agencies of the state shall cooperate with the chief of the office of revenue analysis and shall provide to the office of revenue analysis any records, information (documentary and otherwise), data, and data analysis as may be necessary to complete the report required pursuant to this section.

History of Section.
(P.L. 2013, ch. 155, § 5; P.L. 2013, ch. 209, § 5; P.L. 2014, ch. 528, § 65. P.L. 2023, ch. 294, § 7, effective June 22, 2023; P.L. 2023, ch. 295, § 7, effective June 22, 2023.)

**R.I. Gen. Laws § 44-48.2-6**

**§ 44-48.2-6 Consideration by the governor. –** The governor's budget submission as required under chapter 35-3 shall identify each economic development tax incentive for which an evaluation was completed in accordance with this chapter in the period since the governor's previous budget submission. For each evaluated tax incentive, the governor's budget submission shall include a recommendation as to whether the tax incentive should be continued, modified, or terminated.

History of Section.
(P.L. 2013, ch. 155, § 5; P.L. 2013, ch. 209, § 5.)

# Appendix C: Defunct Tax Expenditure Items Found in Rhode Island Law

Due to various law changes, there are tax expenditure items found listed in the Rhode Island General Laws that are unable to be taken against one or more tax types. In the 2010 Session, the Rhode Island Legislature enacted a personal income tax reform that explicitly stated which credits may be used against the personal income tax. Credits not listed in Rhode Island General Laws Section 44-30-2.6(c)(2)(F) are not able to be taken. Credits that are no longer able to be taken against the personal income tax may still be able to be taken against another tax type. Additionally, in the 2014 Session, the legislature enacted a change to the business corporation tax requiring the use of combined reporting, single sales factor apportionment of net income, and market-based sourcing of sales for tax years beginning on or after January 1, 2015, which rendered several tax expenditure items associated with the business corporation tax moot. Also, in the 2014 Session, the legislature repealed the franchise tax (Rhode Island General Laws Chapter 44-12) for tax years beginning on or after January 1, 2015, which eliminated any tax expenditure item established against taxes imposed by the franchise tax. Finally, there are tax expenditure items that have been allowed to expire through a sunset provision or other enacted legislation. ORA has included a list of these items that were eliminated due to legislation enacted in or after the 2008 Session.

### *Disallowed Tax Expenditure Items*

The following is a list, by tax type, of various tax expenditure items that can no longer be used against the tax type cited. The Rhode Island General Laws citation is contained in the parentheses immediately following the tax expenditure item.

**Bank Tax:**

Credits:

- Specialized Mill Building Investment (§ 44-31-2)

**Business Corporation Tax:**

Credits:

- Specialized Mill Building Investment (§ 44-31-2)

Exclusions:

- Special Apportionment of U.S. Federal Drug Administration Facilities (§ 44-11-14.1)

Modifications:

- Domestic International Sales Corporations (DISCs) (§ 44-11-11(c))
- Foreign Sales Corporations (FSCs) (§ 44-11-11(d))

Other Items:

- Allocation and Apportionment of Manufacturers (§ 44-11-14.6)
- Allocation and Apportionment of Specialty Receipts (§ 44-11-15)

**Generation Skipping Transfer Tax**

Credits:

- Real or Personal Property Taxed in Another State (§ 44-40-3(b))

**Insurance Company Gross Premiums Tax**

Credits:

- Specialized Mill Building Investment (§ 44-31-2)

**Personal Income Tax:**

Credits:

- Adoption* (§ 44-30-2.6(c)(2)(L))
- Adult and Child Daycare (Chapter 44-47)
- Adult Education Credit (Chapter 44-46)
- Art Exhibition Credit (§ 44-30-24)
- Biotechnology Investment (§ 44-31-1.1)
- Elderly or Disabled* (§ 44-30-2.6(c)(2)(K))
- Employment – Welfare Bonus Program (Chapter 44-39.1)
- Empowerment Zone Employment Credit* (§ 44-30-2.6(c)(2)(K))
- Farm to School Income (§ 44-30-27)
- General Business* (§ 44-30-2.6(c)(2)(K))
- Historic Homeownership Assistance [10] (Chapter 44-33.1)
- Hydroelectric Power (§ 44-30-22)
- Interest for Loans to Mill Building Owners (§ 42-64.9-9)
- Investment Credit (§ 44-31-1)
- Juvenile Restitution (§ 14-1-32.1(c))
- Mortgage Interest Credit* (§ 44-30-2.6(c)(2)(K))
- Non-Resident Trust Beneficiary for Accumulating Distribution (§ 44-30-37)
- Prior Year Minimum Tax* (§ 44-33-5)
- Qualified Electric Vehicle Credit* (§ 44-30-2.6(c)(2)(K))
- Qualifying Widow(er) (§ 44-30-26)
- Research and Development Expense (§ 44-32-3)
- Research and Development Property (§ 44-32-2)
- Resident Trust Beneficiary for Accumulating Distribution (§ 44-30-19)
- Residential Renewable Energy System (§ 44-57-1)
- Specialized Mill Building Investment (Chapter 44-31-2)
- Wage credit – Tax Incentives for Capital Investment in Small Businesses (§ 44-43-3)

[10] No new credits may be issued under the Historic Homeownership Assistance Act. Please see Historic Homeownership Assistance in Section VIII: Credits for an explanation on the allowance of previously issued carryforwards.

- Wages Paid by Employers in Mill Buildings (§ 42-64.9-8)

* For tax years beginning on or before December 31, 2010, Rhode Island taxpayers were able to receive a Rhode Island credit of 25 percent of certain allowable federal credits.

Deductions:

- Amortization of Air or Water Pollution Control Facilities (§ 44-30-7)

Preferential Tax Rate:

- Alternative Personal Income Tax (§ 44-30-2.10)

**Sales and Use Tax:**

Exemptions

- Bibles (§ 44-18-30(29))
- Distressed Essential Community Hospital (§ 23-17.25-2) (as of July 1, 2019)

**Franchise Tax:**

The repeal of the franchise tax for tax years beginning on or after January 1, 2015, under Rhode Island Public Laws 2014, Chapter 145, Article 12, Section 20, eliminated any tax expenditure item established against taxes imposed by Rhode Island General Laws Chapter 44-12. The following is a list of tax expenditure items impacted by this law change, along with their statutory reference in parentheses:

Credits:

- Historic Preservation (Chapter 44-33.6)
- Historic Structures (Chapter 44-33.2)
- Incentives for Innovation and Growth (Chapter 44-63)
- Musical and Theatrical Production (Chapter 44-31.3)

Exclusions:

- Corporations Taxed Under the Business Corporation Tax (§ 44-12-1(b))

Exemptions:

- Hospitals and Other Specific Corporations (§ 44-12-11)

Modifications:

- Income from the Assignment or Transfer of Historic Preservation Tax Credits (§ 44-33.6-3(f))
- Income from the Assignment or Transfer of Historic Structures Tax Credits (§ 44-33.2-3(2))
- Income from the Assignment or Transfer of Motion Picture Production Tax Credits (§ 44-31.2-9(c))
- Income from the Assignment or Transfer of Musical and Theatrical Production Tax Credits (§ 44-31.3-2(b)(6))

### *Expired Tax Expenditure Items*

The following is a list, by tax type, of various tax expenditure items that have expired, along with the expiration date. It should be noted that some tax expenditure items may still be taken if the taxpayer was approved for the tax expenditure item prior to the expiration date. The Rhode Island General Laws citation is contained in the parentheses immediately following the tax expenditure item.

**Bank Tax:**

Credits:

- Interest for Loans to Mill Building Owners, August 8, 2009 (§42-64.9-9)

**Business Corporation Tax:**

Credits:

- Anchor Institution, December 31, 2018 (Chapter 42-64.30)
- Enterprise Zone Wage, June 30, 2015 (Chapter 42-64.3)
- Incentives for Innovation and Growth, December 31, 2016 (§ 44-63-2)
- Interest for Loans to Mill Building Owners, August 8, 2009 (§42-64.9-9)
- Jobs Training, December 31, 2017 (§ 42-64.6-4)
- Mill Building and Economic Revitalization Act, August 8, 2009 (Chapter 42-64.7)
- Taxes Paid to Foreign Governments, January 1, 2008 (§ 44-30-2.6)
- Wages Paid by Employers in Mill Buildings, August 8, 2009 (§42-64.9-8)

Exemptions:

- Rhode Island Economic Development Corporation (now the Rhode Island Commerce Corporation) Project Status Designees, June 30, 2011 (§ 42-64-20)

Other Items:

- Passive Investment Treatment, December 31, 2014 (§ 44-11-43)
- Returns of Affiliated Groups of Corporations, December 31, 2014 (§ 44-11-4)

Preferential Tax Rates

- Capital Gains as Ordinary Income, December 31, 2009 (§§ 44-30- 2.6, 44-30-2.7)

**Insurance Company Gross Premiums Tax**

Credits:

- Interest for Loans to Mill Building Owners, August 8, 2009 (§42-64.9-9)

Exclusions:

- Programs of Insurance Administered Under Title XIX of the Social Security Act, 42 U.S.C.

Exemptions:

- Nonprofit Dental Service Corporations, January 1, 2009 (§ 27-20.1-2(f))
- Premiums Received from Insurance for Medical Malpractice, January 1, 2011 (§ 42-14.1-1)

Preferential Tax Rates

- Nonprofit Hospital Service Corporations, Nonprofit Medical Service Corporations, Nonprofit Dental Corporations, and Health Maintenance Organizations, January 1, 2009 (§ 44-17-1)

**Public Service Corporation Tax:**

Credits:

- Interest for Loans to Mill Building Owners, August 8, 2009 (§42-64.9-9)

**Sales and Use Tax**

Exemptions

- Distressed Essential Community Hospital, June 30, 2019 (§ 23-17.25-2)
- Electricity, Steam and Thermal Energy from Rhode Island Economic Development Corporation (now the Rhode Island Commerce Corporation), central heating plant at Quonset Development Park was closed in 2002 (§ 44-18-40.1)
- Prewritten Computer Software Delivered Electronically, June 30, 2011 (§ 44-15-30(61))
- Rhode Island Economic Development Corporation Project Status Designees, June 30, 2011 (§ 42-64-20)

# TAX EXPENDITURE REPORT

## FY 2023-24 to FY 2025-26

Prepared Pursuant to

S.C. Code of Laws, Section 11-9-830(7)

South Carolina Revenue and Fiscal Affairs Office

January 21, 2025

## Introduction

Act 83 of 2019 requires the Revenue and Fiscal Affairs Office (RFA) to annually submit a tax expenditure report to the General Assembly of South Carolina. As directed in Sections 11-9-805(3) and 11-9-830(7), this report itemizes the estimated loss of General Fund revenue from a special exclusion, exemption, or deduction from gross income, which provides a special credit, preferential rate of tax, or deferral of tax liability, or distributes state funds pursuant to an incentive program or fund. Thus, tax expenditures include any reductions in income tax liabilities resulting from provisions that provide benefits, special incentive programs, or funds to particular taxpayers. For completeness, any items that add to income tax, which may offset other provisions, are included as negative tax expenditures.

This report provides an estimate of the amount by which state revenue is reduced due to the tax expenditure. The estimate for each tax expenditure item was made in isolation. Therefore, interactions between tax provisions are not included in the estimates. Over counting or under counting may occur in some situations, such as when one tax is a deduction or credit in determining another tax. In some cases, the estimated loss in revenue is the same amount as would be gained should the tax expenditure be removed, but it cannot be automatically assumed. The estimates are based on historical tax data provided by the Department of Revenue and the Department of Insurance and projections by RFA. The estimates for the current and upcoming fiscal years are subject to change as more data become available.

***The estimates are based on current economic activity and tax law provisions. Please be aware that these estimates may not represent the fiscal impact estimate for the removal of the tax expenditure. Estimating the removal of a tax expenditure will involve more analysis such as updated economic conditions, interaction with other tax provisions, and behavioral impacts. Consequently, RFA reserves the right to modify or change these calculations in performing its duty to provide fiscal estimates of proposed legislation under Section 2-7-71 of the Code of Laws of South Carolina.***

In this report, all revenue losses are estimated and rounded to the nearest $1,000. While the requirements in Section 11-9-830 specify items in excess of $100,000, items with a tax expenditure of less than $100,000 are noted for completeness. Any tax credits administered by the Department of Revenue with fewer than 5 returns claiming the credit or that are not disclosed in the most recent annual report published by the Department of Revenue are not disclosed in this report. If there is not enough information available to make an estimate or if the provision expires within the forecasted timeframe, a label of "No Estimate" is given. Summations of the amounts are given by tax category. However, if these categories include items for which estimates

are not available, the un-estimated items may result in tax categories being understated as to the true total impact of these tax expenditures.

Please see the appendix for data sources, tax rates, and other related information.

# SUMMARY OF TAX EXPENDITURES BY TAX CATEGORY

## Total Tax Credits, Deductions, or Rebates Claimed by Tax Category

| Tax Category | FY 2023-24 | FY 2024-25 | FY 2025-26 |
|---|---|---|---|
| Individual Income Tax Credits | $739,382,000 | $788,536,000 | $814,019,000 |
| Individual Income Tax Deductions | $2,309,905,000 | $2,272,170,000 | $2,352,548,000 |
| Corporate Income or License Tax Credits | $251,460,000 | $267,406,000 | $277,444,000 |
| Bank Tax Credits | $3,904,000 | $3,911,000 | $3,932,000 |
| Insurance Tax Credits | $51,720,000 | $54,993,000 | $54,284,000 |
| Job Development and Retraining Credits | $69,769,000 | $71,453,000 | $70,986,000 |
| Electric Power Excise Tax Disposition | $28,570,000 | $28,680,000 | $28,791,000 |
| Motion Picture Film Rebates | $22,225,000 | $21,695,000 | $22,124,000 |
| **Total** | $3,476,935,000 | $3,508,844,000 | $3,624,128,000 |

*Notes: These values represent the forecasted amounts for the total tax credits, deductions, or rebates claimed by taxpayers. These values do not include any forecast less than $100,000 or items that are not estimated/disclosed. The un-estimated items may result in totals being understated as to the true total impact of these tax expenditures. The estimate for each tax expenditure item was made in isolation. Therefore, interactions between tax provisions are not included in the estimates.*

## Individual Income Tax Credits

| Code Section | Tax Credit | FY 2023-24 | FY 2024-25 | FY 2025-26 |
|---|---|---|---|---|
| 11-44-40 | Angel Investor | $5,127,000 | $5,202,000 | $5,346,000 |
| 11-45-55 | Venture Capital Investment | ** | ** | ** |
| 12-6-590 | Shareholder of S Corp Banks | $659,000 | $665,000 | $671,000 |
| 12-6-3330 | Two Wage Earner | $82,287,000 | $84,262,000 | $86,284,000 |
| 12-6-3340 | Drip/Trickle Irrigation Systems | <$100,000 | <$100,000 | <$100,000 |
| 12-6-3350 | Minority Business | $139,000 | $155,000 | $185,000 |
| 12-6-3360 | New Jobs | $29,281,000 | $30,236,000 | $30,817,000 |
| 12-6-3362 | Accelerated Jobs | $1,563,000 | $1,903,000 | $2,128,000 |
| 12-6-3370 | Water Resources | <$100,000 | <$100,000 | <$100,000 |
| 12-6-3375 | Port Cargo Volume | ** | ** | ** |
| 12-6-3377 | Alternative Motor Vehicle | $172,000 | $183,000 | $195,000 |
| 12-6-3378 | Agribusiness | $244,000 | $245,000 | $246,000 |
| 12-6-3380 | Child and Dependent Care | $23,960,000 | $23,506,000 | $24,305,000 |
| 12-6-3381 | Premarital Preparation Course | <$100,000 | <$100,000 | <$100,000 |
| 12-6-3385 | Tuition Tax Credit | $5,781,000 | $5,862,000 | $5,927,000 |
| 12-6-3390 | Nursing Home | <$100,000 | <$100,000 | <$100,000 |
| 12-6-3400 | Total Credit for Taxes Paid to Another State | $416,211,000 | $417,373,000 | $418,538,000 |
| 12-6-3415 | Research Expenses | $8,276,000 | $8,565,000 | $8,829,000 |
| 12-6-3440 | Child Care Program | $106,000 | $179,000 | $227,000 |
| 12-6-3470 | Family Independence Payments | ** | ** | ** |
| 12-6-3477 | Apprenticeship | $265,000 | $860,000 | $860,000 |
| 12-6-3500 | Qualified Retirement Plan Contribution | $298,000 | $260,000 | $279,000 |
| 12-6-3515 | Qualified Conservation Contribution | $5,474,000 | $6,678,000 | $7,114,000 |
| 12-6-3535 | Certified Historic Structure | $11,713,000 | $12,212,000 | $12,619,000 |
| 12-6-3550 | Brownfields Cleanup | $646,000 | $692,000 | $754,000 |
| 12-6-3560 | Commercials | ** | ** | ** |
| 12-6-3570 | Motion Pictures | ** | ** | ** |
| 12-6-3575 | Health Insurance Pool | <$100,000 | <$100,000 | <$100,000 |
| 12-6-3580 | SC Quality Forum | ** | ** | ** |
| 12-6-3582 | Anhydrous Ammonia | $1,374,000 | $1,374,000 | $1,374,000 |
| 12-6-3585 | Industry Partnership Fund | $8,648,000 | $12,000,000 | $12,000,000 |

## Individual Income Tax Credits

| Code Section | Tax Credit | FY 2023-24 | FY 2024-25 | FY 2025-26 |
|---|---|---|---|---|
| 12-6-3587 | Solar Energy or Small Hydropower System or Geothermal Machinery or Equipment | $19,204,000 | $20,522,000 | $21,958,000 |
| 12-6-3588 | Clean Energy | $297,000 | $380,000 | $459,000 |
| 12-6-3590 | Milk Producer | $1,291,000 | $1,367,000 | $1,496,000 |
| 12-6-3600 | Ethanol or Biodiesel Production | ** | ** | ** |
| 12-6-3610 | Renewable Fuel Facility | ** | ** | ** |
| 12-6-3622 | Fire Sprinkler System | <$100,000 | <$100,000 | <$100,000 |
| 12-6-3632 | SC Earned Income | $22,415,000 | $22,953,000 | $23,503,000 |
| 12-6-3660 | Residential Retrofit | $806,000 | $1,001,000 | $1,242,000 |
| 12-6-3670 | Excess Premium Paid for Property and Casualty Insurance | $2,703,000 | $2,751,000 | $2,800,000 |
| 12-6-3695 | Alternative Fuel Property | <$100,000 | <$100,000 | <$100,000 |
| 12-6-3710 | Formerly Incarcerated Apprenticeship | $308,000 | $675,000 | $813,000 |
| 12-6-3720 | Veterans Apprenticeship | $651,000 | $1,426,000 | $1,718,000 |
| 12-6-3750 | Venison for Charity | <$100,000 | <$100,000 | <$100,000 |
| 12-6-3775 | Solar Energy Property | $3,404,000 | $3,404,000 | No Estimate |
| 12-6-3790 | Exceptional Needs Children's Fund | $10,765,000 | $10,783,000 | $10,800,000 |
| 12-6-3795 | South Carolina Housing | $27,605,000 | $58,316,000 | $76,599,000 |
| 12-6-3800 | Preceptor | $104,000 | $117,000 | $127,000 |
| 12-6-3810 | Railroad Expenditures | No Estimate | $1,405,000 | $1,405,000 |
| 12-6-3820 | Recreational Trail Easement | No Estimate | $1,000,000 | $1,000,000 |
| 12-14-60 | Capital Investment | $3,317,000 | $3,648,000 | $3,811,000 |
| 12-65-30 | Textiles Rehabilitation | $20,115,000 | $21,035,000 | $21,337,000 |
| 12-67-140 | Abandoned Buildings Revitalization | $18,646,000 | $19,314,000 | $19,739,000 |
| 48-52-870 | Energy Efficient Manufactured Home | $103,000 | $115,000 | $129,000 |
| 49-29-100 | Scenic Rivers | ** | ** | ** |
| Proviso 1A.9, FY 2024-25 | Classroom Teacher Expenses | $5,424,000 | $5,912,000 | $6,385,000 |
| | **Total** | $739,382,000 | $788,536,000 | $814,019,000 |

*Notes: The total value does not include any forecast less than $100,000 or items that are not estimated. The un-estimated items may result in totals being understated as to the true total impact of these tax expenditures.*

*** Less than 5 taxpayers*

## Individual Income Tax Deductions

| Code Section | Tax Provision | FY 2023-24 | FY 2024-25 | FY 2025-26 |
|---|---|---|---|---|
| 12-6-545 | Active Trade or Business Income Deduction | $369,548,000 | $371,079,000 | $410,075,000 |
| 12-6-1120(1) | Interest Income From Obligations to The Us Government | $24,647,000 | $31,245,000 | $26,497,000 |
| 12-6-1120(2) | State Tax Refund | $8,774,000 | $7,526,000 | $8,305,000 |
| 12-6-1120(4) | Social Security and/or Railroad Retirement | $489,770,000 | $499,076,000 | $508,558,000 |
| 12-6-1120(7) | Certain Nontaxable National Guard or Reserve Pay | $4,578,000 | $4,491,000 | $4,468,000 |
| 12-6-1140(1) | 44% Of Net Capital Gains | $365,312,000 | $314,796,000 | $321,344,000 |
| 12-6-1140(2) | Dependents Under the Age of 6 Years | $82,153,000 | $81,087,000 | $82,524,000 |
| 12-6-1140(4) | Disability Retirement Income | $9,130,000 | $9,150,000 | $9,452,000 |
| 12-6-1140(6) | Subsistence Allowance | $1,625,000 | $1,522,000 | $1,468,000 |
| 12-6-1140(10) | Volunteer Deductions | $1,077,000 | $1,098,000 | $1,151,000 |
| 12-6-1140(11), (12) | Contributions to SC College Investment Program or Tuition Prepayment Program | $20,858,000 | $19,466,000 | $19,410,000 |
| 12-6-1140(13) | Dependent Exemption | $355,977,000 | $356,429,000 | $361,965,000 |
| 12-6-1140(5), (7), (14) | Other Subtractions from Income (Multiple Provisions) | $214,858,000 | $213,038,000 | $217,395,000 |
| 12-6-1170(A) | Retirement Deduction | $127,801,000 | $125,590,000 | $129,571,000 |
| 12-6-1170(B) | Age 65 and Older Deduction | $200,635,000 | $197,360,000 | $203,797,000 |
| 12-6-1171 | Military Retirement Deduction | $79,469,000 | $78,797,000 | $80,407,000 |
| 12-6-2220 | Out-of-State Income/Gain | $362,773,000 | $367,257,000 | $382,642,000 |
| Proviso 118.10, FY 2024-25 | Consumer Protection Services | <$100,000 | <$100,000 | <$100,000 |
| | **Subtotal - Subtractions from Income** | $2,718,985,000 | $2,679,007,000 | $2,769,029,000 |
| | | | | |

## Individual Income Tax Deductions

| Code Section | Tax Provision | FY 2023-24 | FY 2024-25 | FY 2025-26 |
|---|---|---|---|---|
| Additions to Income - Negative Tax Expenditures | | | | |
| 12-6-1120(1) | Interest Income on Obligations of States And Political Subdivisions Other Than South Carolina | ($18,440,000) | ($19,509,000) | ($21,242,000) |
| 12-6-1120(5), 12-6-50 | Other Additions to Income (Multiple Provisions) | ($314,473,000) | ($311,809,000) | ($318,185,000) |
| 12-6-1120(7) | Expenses Related to National Guard And Military Reserve Income | ($331,000) | ($325,000) | ($323,000) |
| 12-6-1130(2) | State Tax Addback | ($31,227,000) | ($30,963,000) | ($31,596,000) |
| 12-6-2220 | Out-of-State Losses | ($44,609,000) | ($44,231,000) | ($45,135,000) |
| | **Subtotal - Additions to Income** | ($409,080,000) | ($406,837,000) | ($416,481,000) |
| | | | | |
| | **Total** | $2,309,905,000 | $2,272,170,000 | $2,352,548,000 |

*Notes: The estimate for each tax expenditure item was made in isolation. Therefore, interactions between tax provisions are not included in the estimates.*

## Corporate Income and License Tax Credits

| Code Section | Tax Credit | FY 2023-24 | FY 2024-25 | FY 2025-26 |
|---|---|---|---|---|
| 11-44-40 | Angel Investor | ** | ** | ** |
| 11-45-55 | Venture Capital Investment | No Estimate | No Estimate | No Estimate |
| 12-6-3340 | Drip/Trickle Irrigation Systems | ** | ** | ** |
| 12-6-3350 | Minority Business | $51,000 | $52,000 | $53,000 |
| 12-6-3360 | New Jobs | $99,694,000 | $107,378,000 | $114,390,000 |
| 12-6-3367 | Corporate Tax Moratorium | No Estimate | No Estimate | No Estimate |
| 12-6-3370 | Water Resources | ** | ** | ** |
| 12-6-3375 | Port Cargo | $363,000 | $478,000 | $421,000 |
| 12-6-3377 | Alternative Motor Vehicle | No Estimate | No Estimate | No Estimate |
| 12-6-3378 | Agribusiness | ** | ** | ** |
| 12-6-3410 | Corporate Headquarters | $878,000 | $2,885,000 | $2,885,000 |
| 12-6-3415 | Research Expenses | $70,875,000 | $72,987,000 | $75,161,000 |
| 12-6-3420 | Infrastructure | ** | ** | ** |
| 12-6-3440 | Child Care Program | ** | ** | ** |
| 12-6-3465 | Recycling Facility | ** | ** | ** |
| 12-6-3470 | Family Independence Payments | ** | ** | ** |
| 12-6-3477 | Apprenticeship | $790,000 | $2,693,000 | $2,693,000 |
| 12-6-3515 | Qualified Conservation Contribution | ** | ** | ** |
| 12-6-3535 | Certified Historic Structure | $876,000 | $949,000 | $1,029,000 |
| 12-6-3550 | Brownfields Cleanup | ** | ** | ** |
| 12-6-3560 | Commercials | No Estimate | No Estimate | No Estimate |
| 12-6-3570 | Motion Pictures | No Estimate | No Estimate | No Estimate |
| 12-6-3580 | SC Quality Forum | No Estimate | No Estimate | No Estimate |
| 12-6-3582 | Anhydrous Ammonia | ** | ** | ** |
| 12-6-3585 | Industry Partnership Fund | $839,000 | $935,000 | $1,057,000 |
| 12-6-3587 | Solar Energy or Small Hydropower System or Geothermal Machinery or Equipment | $628,000 | $661,000 | $697,000 |
| 12-6-3588 | Clean Energy | No Estimate | No Estimate | No Estimate |
| 12-6-3589 | Whole Effluent Toxicity Testing | ** | ** | ** |
| 12-6-3590 | Milk Producer | $184,000 | $330,000 | $378,000 |
| 12-6-3600 | Ethanol or Biodiesel Production | No Estimate | No Estimate | No Estimate |
| 12-6-3610 | Renewable Fuel Facility | ** | ** | ** |
| 12-6-3620 | Biomass Resource | No Estimate | No Estimate | No Estimate |
| 12-6-3622 | Fire Sprinkler System | No Estimate | No Estimate | No Estimate |
| 12-6-3695 | Alternative Fuel Property | ** | ** | ** |

## Corporate Income and License Tax Credits

| Code Section | Tax Credit | FY 2023-24 | FY 2024-25 | FY 2025-26 |
|---|---|---|---|---|
| 12-6-3710 | Formerly Incarcerated Apprenticeship | No Estimate | No Estimate | No Estimate |
| 12-6-3720 | Veterans Apprenticeship | No Estimate | No Estimate | No Estimate |
| 12-6-3750 | Venison for Charity | ** | ** | ** |
| 12-6-3775 | Solar Energy Property | No Estimate | No Estimate | No Estimate |
| 12-6-3790 | Exceptional Needs Children's Fund | ** | ** | ** |
| 12-6-3795 | South Carolina Housing | ** | ** | ** |
| 12-6-3810 | Railroad Expenditures Credit | No Estimate | No Estimate | No Estimate |
| 12-6-3820 | Recreational Trail Easement Credit | No Estimate | No Estimate | No Estimate |
| 12-14-60 | Investment | $64,467,000 | $65,083,000 | $65,705,000 |
| 12-14-80 | Plastics and Rubber Manufacturers Credit | ** | ** | ** |
| 12-20-105 | Infrastructure | $7,319,000 | $7,319,000 | $7,319,000 |
| 12-65-30 | Textiles Rehabilitation | $2,828,000 | $3,988,000 | $3,988,000 |
| 12-67-140 | Abandoned Buildings Revitalization | $1,668,000 | $1,668,000 | $1,668,000 |
| 48-52-870 | Energy Efficient Manufactured Home | No Estimate | No Estimate | No Estimate |
| 49-29-100 | Scenic Rivers | No Estimate | No Estimate | No Estimate |
| | **Total** | $251,460,000 | $267,406,000 | $277,444,000 |

*Notes: The total value does not include any forecast less than $100,000 or items that are not estimated. The un-estimated items may result in totals being understated as to the true total impact of these tax expenditures.*

*** Less than 5 taxpayers*

## Bank Tax Credits

| Code Section | Tax Credit | FY 2023-24 | FY 2024-25 | FY 2025-26 |
|---|---|---|---|---|
| 12-6-3360 | New Jobs | $3,145,000 | $3,152,000 | $3,173,000 |
| 12-6-3410 | Corporate Headquarters | ** | ** | ** |
| 12-6-3415 | Research Expenses | ** | ** | ** |
| 12-6-3477 | Apprenticeship | ** | ** | ** |
| 12-6-3515 | Qualified Conservation Contribution | No Estimate | No Estimate | No Estimate |
| 12-6-3535 | Certified Historic Structure | ** | ** | ** |
| 12-6-3587 | Solar Energy or Small Hydropower System or Geothermal Machinery or Equipment | ** | ** | ** |
| 12-65-30 | Textiles Rehabilitation | ** | ** | ** |
| 12-67-140 | Abandoned Buildings Revitalization | $759,000 | $759,000 | $759,000 |
| | **Total** | $3,904,000 | $3,911,000 | $3,932,000 |

*Notes: The total value does not include any forecast less than $100,000 or items that are not estimated. The un-estimated items may result in totals being understated as to the true total impact of these tax expenditures.*
*** Less than 5 taxpayers*

## Insurance Tax Credits

| Code Section | Tax Credit | FY 2023-24 | FY 2024-25 | FY 2025-26 |
|---|---|---|---|---|
| 11-45-55 | Venture Capital Investment | $188,000 | $500,000 | $500,000 |
| 12-6-3360 | New Jobs | $5,027,000 | $5,221,000 | $5,828,000 |
| 12-6-3367 | Corporate Tax Moratorium | No Estimate | No Estimate | No Estimate |
| 12-6-3415 | Research Expenses | $1,152,000 | $1,262,000 | $1,383,000 |
| 12-6-3535 | Certified Historic Structure | $6,203,000 | $6,577,000 | $6,913,000 |
| 12-6-3795 | South Carolina Housing | $17,042,000 | $17,838,000 | $19,812,000 |
| 12-65-30 | Textiles Rehabilitation | $14,436,000 | $11,203,000 | $8,305,000 |
| 12-67-140 | Abandoned Buildings Revitalization | $1,855,000 | $1,629,000 | $1,629,000 |
| 38-7-200 | Coastal Premium Tax | $313,000 | $333,000 | $343,000 |
| 38-29-160 | Life and Health Guaranty | $5,504,000 | $10,055,000 | $9,196,000 |
| 38-74-80 | Health Insurance Pool | <$100,000 | $375,000 | $375,000 |
| | **Total** | $51,720,000 | $54,993,000 | $54,284,000 |

*Notes: The total value does not include any forecast less than $100,000 or items that are not estimated. The un-estimated items may result in totals being understated as to the true total impact of these tax expenditures.*

## Job Development and Retraining Credits

| Code Section | Tax Credit | FY 2023-24 | FY 2024-25 | FY 2025-26 |
|---|---|---|---|---|
| 12-10-80 | Job Development Credit | $68,339,000 | $68,503,000 | $68,029,000 |
| 12-10-95 | Job Retraining Credit | $1,430,000 | $2,950,000 | $2,957,000 |
| | **Total** | $69,769,000 | $71,453,000 | $70,986,000 |

## Electric Power Tax Disposition

| Code Section | Tax Credit | FY 2023-24 | FY 2024-25 | FY 2025-26 |
|---|---|---|---|---|
| 12-28-2915 | Disposition of Electric Power Tax | $28,570,000 | $28,680,000 | $28,791,000 |
| | **Total** | $28,570,000 | $28,680,000 | $28,791,000 |

## Motion Picture Film Rebates

| Code Section | Tax Credit | FY 2023-24 | FY 2024-25 | FY 2025-26 |
|---|---|---|---|---|
| 12-62-50 | Film Commission Rebate | $10,000,000 | $10,000,000 | $10,000,000 |
| 12-62-60 | Distribution of Admissions Tax to Film Commission | $12,225,000 | $11,695,000 | $12,124,000 |
| | **Total** | $22,225,000 | $21,695,000 | $22,124,000 |

# Appendix

## Data Notes

- Projections for individual income tax credits and deductions are based upon individual income tax data provided by the Department of Revenue.
- Projections for Job Development and Retraining credits are calculated using historical tax data from the Department of Revenue's Annual Report.
- Projections for corporate income tax credits, bank tax credits, and savings and loan association tax credits are based on data provided by the Department of Revenue.
- Projections for insurance tax credits are based on data provided by the Department of Insurance.
- Electric power tax disposition and Motion Picture Film Rebate forecasts are based on Board of Economic Advisors (BEA) revenue data and projections.
- Any tax credits administered by the Department of Revenue with fewer than 5 returns claiming the credit or that are not disclosed in the most recent annual report published by the Department of Revenue are not disclosed in this report.

## Definitions

**12-13-20. "Net Income" Defined.** - The term "net income", as used in this chapter, means taxable income as determined for a regular corporation in Chapter 6 of this title after deducting all earnings accrued, paid, credited, or set aside for the benefit of holders of savings or investment accounts, any additions to reserves which are required by law, regulation, or direction of appropriate supervisory agencies, and a bad debt deduction. The bad debt deduction allowable for South Carolina income tax purposes is the amount determined under the Internal Revenue Code as defined in Section 12-6-40. No deductions from income are allowed for any additions to undivided profits or surplus accounts other than herein required, and for the purposes of this chapter, a state-organized association is allowed the same deductions for bad debt reserves as those allowed to federally organized associations. Associations shall maintain the bad debt reserves allowed as a deduction pursuant to this section in accordance with the provisions of the Internal Revenue Code as defined in Section 12-6-40 and shall keep a permanent record. These provisions are controlling notwithstanding any other provision of law.

## Income Tax Rates – Individual

**12-6-510. Tax Rates for Individuals, Estates, and Trusts for Taxable Years After 1994** – (A) Subject to the provisions of subsection (B), for taxable years beginning after 1994, a tax is imposed on the South Carolina taxable income of individuals, estates, and trusts and any other entity except those taxed or exempted from taxation under Sections 12-6-530 through 12-6-550 computed at the following rates with the income brackets indexed

in accordance with Section 12-6-520:

| | |
|---|---|
| Not over $2,220 | 2.5 percent of taxable income |
| Over $2,220 but not over $4,440 | $56 plus 3 percent of the excess over $2,220 |
| Over $4,440 but not over $6,660 | $123 plus 4 percent of the excess over $4,440 |
| Over $6,660 but not over $8,880 | $212 plus 5 percent of the excess of $6,660 |
| Over $8,880 but not over $11,100 | $323 plus 6 percent of the excess over $8,880 |
| Over $11,100 | $456 plus 7 percent of the excess over $11,100 |

(B)(1) Notwithstanding subsection (A), for taxable years beginning after 2021, a tax is imposed on the South Carolina taxable income of individuals, estates, and trusts and any other entity except those taxed or exempted from taxation under Sections 12-6-530 through 12-6-550 computed at the following rates with the income brackets indexed in accordance with Section 12-6-520:

| At least | But less than | Compute the tax as follows |
|---|---|---|
| $0 | $3,200 | 0% times the amount |
| $3,200 | $16,040 | 3% times the amount minus $96 |
| $16,040 | or more | 6% times the amount minus $577 |

(2) Notwithstanding the provisions of item (1), the reduction in the top marginal rate contained in this item, as compared to the same in subsection (A), must be phased-in as provided in item (3). Until the top marginal rate is fully phased-in, the bracket to which this reduced top marginal rate applies must be the same as the bracket for the top marginal rate provided in subsection (A). All reductions are permanent and cumulative. During the phase-in and after, the department shall continue to adjust the brackets as provided in Section 12-6-520. Other than the top marginal rate, no other component of this item is phased-in.

(3) For Tax Year 2022, the top marginal rate shall equal 6.5%. Beginning with Tax Year 2023, and each year thereafter until the top marginal rate equals 6%, the top marginal rate must decrease by one-tenth of one percent if general fund revenues are projected to increase by at least five percent in the fiscal year that begins during the tax year. For purposes of this subsection, beginning with the initial forecast required pursuant to Section 11-9-1130, the general fund revenues projection must be determined by the Revenue and Fiscal Affairs Office by comparing the current fiscal year's recurring general fund expenditure base with the Board of Economic Advisors' most recent projection of recurring general fund revenue for the upcoming fiscal year. Upon the issuance of the initial forecast, the Executive Director of the Revenue and Fiscal Affairs Office, or his designee, shall notify the Department of Revenue of the projected percentage adjustment. The executive director, or his designee, shall provide similar notice if subsequent modifications to the forecast change the projected percentage adjustment. However, the forecast in effect on February fifteenth of the current fiscal

year is the final forecast for which the percentage adjustment is determined, and no subsequent forecast modifications may have any effect on that determination. For purposes of this section, "recurring general fund revenue" and "recurring general fund expenditure base" have the same meaning as provided in Section 6-27-30.

(C) The department may prescribe tax tables consistent with the rates set pursuant to this section.

**12-6-545(B). Income Tax Rates for Pass-through Trade and Business Income; Determination of Income Related to Personal Services**
(B)(1) Notwithstanding Section 12-6-510, a taxpayer may elect annually to have the income tax at the rate provided in item (2) of this subsection imposed annually on the active trade or business income received by the owner of a pass-through business. For joint returns, the election is effective for both spouses. The amount subject to tax pursuant to this section is not subject to tax pursuant to Section 12-6-510.
(2) The rate of the income tax imposed pursuant to this subsection is 3 percent.

## Income Tax Rates – Corporate

**12-6-530. Corporate income tax -** An income tax is imposed annually at the rate of five percent on the South Carolina taxable income of every corporation, other than those described in Sections 12-6-540 and 12-6-550, and any other entity taxed using the rates of a corporation for federal income tax purposes, transacting, conducting, or doing business within this State or having income within this State, regardless of whether these activities are carried on in intrastate, interstate, or foreign commerce. The terms "transacting", "conducting", and "doing business" include transacting or engaging in any activity for the purpose of financial profit or gain.

## Bank Tax Rate

**12-11-20. Tax on Income of Banks; Rate**. - A tax is imposed upon every bank engaged in business in the State which shall be levied, collected and paid annually with respect to the entire net income of the taxpayer doing a banking business within this State or from the sales or rentals of property within this State, computed at the rate of four and one half per cent of the entire net income of such bank or taxpayer.

**12-11-30. Income Tax to be Instead of Other Taxes; Exceptions.** - The income tax provided for in this chapter is instead of all other taxes on banks, except the use tax, the deed recording fee, and taxes on real property. The real property of a bank is taxed in the place where it is located.

## Insurance Tax Rate

**38-7-20. Insurance Premium Taxes; Allocation** - (A)(1) In addition to all license fees and taxes otherwise provided by law, there is levied upon each insurance company licensed by the director or his designee an insurance premium tax based upon total premiums, other than workers' compensation insurance premiums, and annuity considerations, written by the company in the State during each calendar year ending on the thirty-first day of December. For life insurance, the insurance premium tax levied herein is equal to three-fourths of one percent of the total premiums written. For all other types of insurance, the insurance premium tax levied in this section is equal to one and one-fourth percent of the total premiums written.

## Electric Power Excise Tax Rate

**12-23-10. Imposition of Tax; Rate** - In addition to all other taxes of every kind imposed by law:
(1) every person, except the State, a county, a municipality, or an agency or political subdivision of it, engaged in the business of selling electric power for resale within the State is subject to the payment of an excise, license, or privilege tax of five-tenths of one mill upon each kilowatt hour of electric power sold for resale within the State, except upon such electric power purchased from a vendor, however remote, previously taxed under this subsection. Sales for resale of an electric cooperative to a customer whose sales are taxed under subsection (2) must not be taxed under this subsection; and
(2) except a municipality, every public utility and electric cooperative engaged in the business of selling electric power within the State to the ultimate user of the power is subject to the payment of an excise, license, or privilege tax of five-tenths of one mill upon each kilowatt hour sold within the State to the ultimate user, except such electric power purchased from vendors, however remote, taxed under subsection (1).

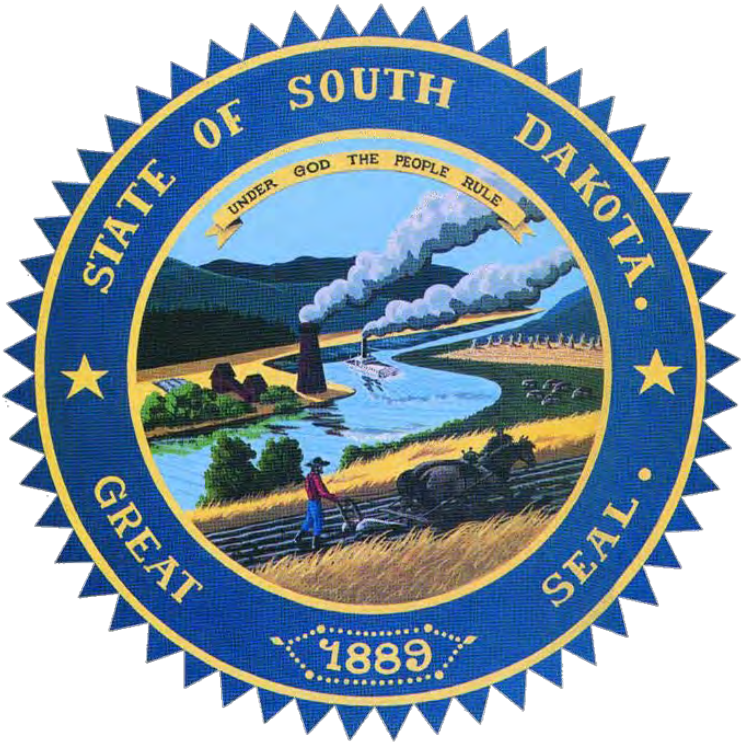
## Additional Resources

The South Carolina Code of Laws is available through the SC Legislature's website at https://www.scstatehouse.gov/

For more information on specific tax credits or deductions, please visit the SC Department of Revenue's website at https://dor.sc.gov/about/tax-credits

# STATE OF SOUTH DAKOTA
# SUMMARY OF GOVERNOR'S BUDGET
# FISCAL YEAR 2025

## OUR 135TH YEAR OF A BALANCED BUDGET




KRISTI NOEM, GOVERNOR

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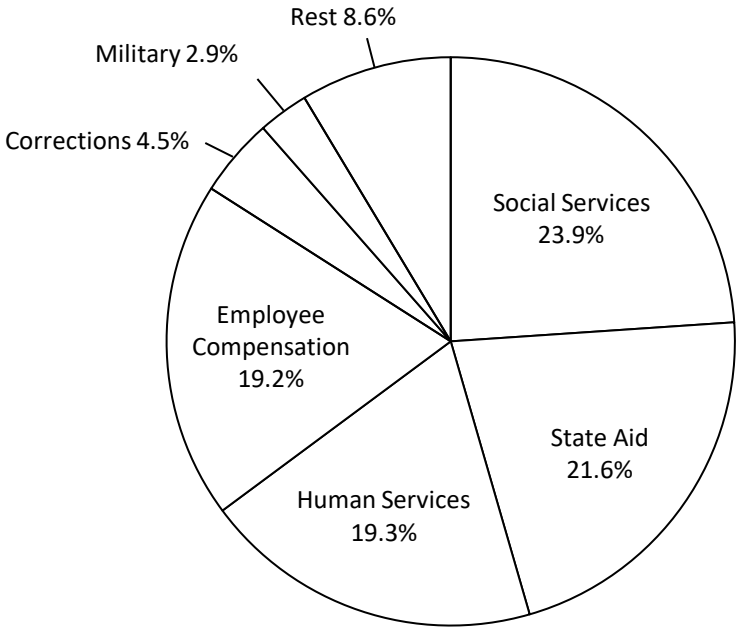
# *SUMMARY OVERVIEW*

Governor Noem is recommending a budget (including special and continuing appropriations) for FY2025 of $7,294,296,619 in total funds and 14,058.6 FTE. For FY2025, the Governor is proposing a general fund budget of $2,399,203,422, which is an increase of $115,558,320 over the adopted FY2024 budget, which includes an increase of $826,848 in continuing appropriations. The proposed FY2025 general fund budget is distributed as follows:

- $940.4 million, or 39.2%, for Health, Human, and Social Services
- $756.2 million, or 31.5%, for State Aid to Education
- $303.8 million, or 12.7%, for Higher Education
- $147.1 million, or 6.1%, for Corrections
- $104.9 million, or 4.4%, for the Legislature, Unified Judicial System, Public Utilities Commission, and Elected Officials
- $26.9 million, or 1.1%, for Agriculture and Natural Resources, and Game, Fish, and Parks
- $119.9 million, or 5.0%, for the Remainder of State Government

The table below depicts the FY2025 recommended general fund increases, excluding special and continuing appropriations.

## FY2025 General Fund Increases




**TOTAL INCREASE: $114,731,472**

| | |
|---|---|
| Social Services | $27.5M |
| State Aid | $24.8M |
| Human Services | $22.2M |
| Employee Compensation | $22.0M |
| Corrections | $5.1M |
| Military | $3.3M |
| Rest of State Government | $9.9M |

# UNITED STATES AND SOUTH DAKOTA ECONOMIC FORECASTS

## UNITED STATES ECONOMY

### *RECENT ECONOMIC ACTIVITY*

After two consecutive quarters of real GDP decline in the first and second quarters of 2022, the United States has now seen five consecutive quarters of GDP growth through the third quarter of 2023. In 2022, GDP declined 2.0% and 0.6% in the first and second quarters, respectively, before growing 2.6% in the third quarter and 2.5% in the fourth quarter. In 2023, GDP grew 2.2% and 2.1% in the first and second quarters, respectively, followed by strong growth of 4.9% in the third quarter.

The economy continues to add jobs at a steady pace. The average monthly gain in 2023 for United States payroll employment has been 239,000 jobs through October. However, there are signs of easing in the labor market. Nonfarm employment rose 150,000 jobs in October and prior months' payroll gains were revised materially lower recently, which signals that the labor market is easing. The unemployment rate has also increased to 3.9% in October. While this is still a low unemployment rate for the United States historically, it is 0.4% higher than the 2023 average through July (3.5%).

In June, Congress suspended the debt ceiling through 2024 under the Fiscal Responsibility Act of 2023. In September, Congress avoided a government shutdown by passing a continuing resolution to fund the government through November. In November, they passed a second continuing resolution to fund federal agencies to January 2024.

The Federal Reserve (Fed) responded to the COVID-19 pandemic with unprecedented actions. The most recognizable response by the Fed was to lower the target federal funds rate to a range of 0% – 0.25% for the first time since the financial crisis in 2008. In March 2022, the Federal Open Market Committee began increasing the federal funds rate in an effort to reduce inflation. In less than a year and a half, the federal fund target rate went from its effective lower bound of 0% – 0.25% to the current federal funds target rate of 5.25% – 5.50%. The Fed also unleashed numerous programs and lending facilities to ensure that credit markets continued to operate properly as well as to stimulate the economy. The steps taken by the Fed to stabilize the financial system and economy increased its balance sheet from $4.2 trillion before the pandemic to nearly $9 trillion in April 2022. As of November 2023, the Federal Reserve balance sheet is approximately $7.8 trillion.

The following are recent key national economic statistics:

- Estimates indicate real GDP grew 4.9% at an annualized pace in the third quarter of 2023, which followed an increase of 2.1% in the second quarter.
- The unemployment rate was 3.9% in October. The current rate is 0.2% higher than October 2022, but 0.6% lower than October 2021.
- The labor force participation rate was 62.7% in October. This is 0.5% higher than October 2022 and 0.9% higher than October 2021.
- United States personal income increased at an annual rate of 4.2% in the second quarter of 2023. Personal income grew 6.9% in 2020, 9.1% in 2021, and 2.0% in 2022.
- Real personal consumption expenditures increased 4.0% in the third quarter of 2023, up from 0.8% in the second quarter.

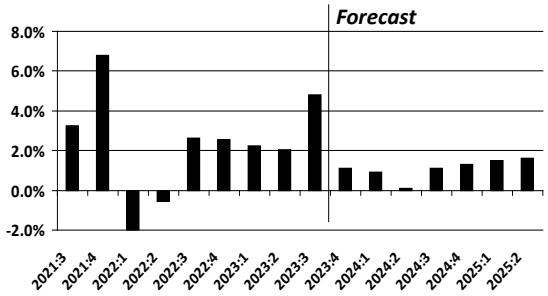
## *NATIONAL FORECAST HIGHLIGHTS*

*This section summarizes S&P Global Market Intelligence's forecast as of November 2023 for various categories of the United States economy. S&P Global Market Intelligence is a leader in providing analytics and expertise to businesses and governments worldwide.*

**GROSS DOMESTIC PRODUCT (GDP):** GDP recovery from the COVID-19 pandemic began in the third quarter of 2020. GDP gains continued in the fourth quarter of 2020 and all of 2021 before receding in the first and second quarters of 2022. Since that time, GDP has grown at or above trend for five consecutive quarters – most recently at 4.9% in the third quarter of 2023. Growth is expected to slow sharply in the fourth quarter of 2023 and into 2024.

In the first three quarters of this year, real GDP change was 2.2%, 2.1%, and 4.9%, respectively, and is expected to be 1.1% in the fourth quarter. In the four quarters in 2024, S&P Global is projecting GDP change of 0.9%, 0.1%, 1.1%, and 1.3%. In 2025, GDP is forecast to increase 1.5% and 1.6% in the first two quarters.

**S&P Global Market Intelligence's Baseline Forecast of Quarterly GDP**




On an annual basis, GDP grew 3.0% in 2018 and 2.5% in 2019. It declined 2.2% in 2020 before growing 5.8% in 2021 and 1.9% in 2022. S&P Global Market Intelligence's latest baseline forecast projects real GDP at 2.4% in 2023, 1.4% in 2024, and 1.4% in 2025.

S&P Global is currently assigning a higher probability of negative (30%) versus positive (15%) risks in the United States economic outlook. The largest risks to the forecast are tightening lending standards leading to a decline in business investment and consumer spending, and worsening conflicts in Ukraine and the Middle East. The optimistic scenario assumes stronger growth of consumer spending and stronger productivity.

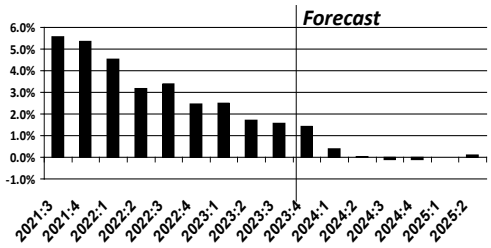
**CONSUMERS:** Consumer spending is a key component contributing to economic growth, as consumption accounts for over two-thirds of economic activity as measured by GDP. Growth of 4.0% in the third quarter of 2023 was up substantially from growth of 0.8% in the second quarter. This growth is fueled by rising wages and a tight labor market. Consumer spending is expected to slow in the fourth quarter and into 2024. Real personal consumption expenditures declined 2.5% in 2020, before increasing 8.4% in 2021 and 2.5% in 2022. The forecast projects real personal consumption expenditures at 2.3% in 2023, 1.9% in 2024, and 1.5% in 2025. Consumer confidence fell recently due to concerns over business conditions and inflation expectations in the long run. The University of Michigan's Index of Consumer Sentiment fell 2.5 points in November, registering at 61.3. This was the fourth consecutive month of decline.

The personal savings rate (as a percentage of disposable income) declined to 3.8% in the third quarter of 2023, well below the pre-pandemic level of approximately 7%. The personal saving rate declined rapidly in 2022 after peaks of 32.0% in April 2020 and 26.1% in March 2021. Households accumulated approximately $2.3 trillion in excess savings in 2020 and 2021 due to higher disposable income and reduced discretionary spending. The accumulated savings has supported a higher level of spending and lower savings rate. As of the first quarter of 2023, households still had estimated excess savings of $1.0 trillion. The S&P Global Market Intelligence baseline forecast calls for the savings rate to increase to approximately 4.4% in 2024 and 5.9% in 2025.

**EMPLOYMENT:** The latest United States payroll employment report indicated total nonfarm employment grew by 150,000 jobs in October. Labor markets remain tight, but employment reports in recent months have shown signs of easing. The expectation is for employment to peak midway through 2024 before declining in the third quarter of 2024. Employment is expected to grow at 1.4% in the fourth quarter of 2023. For 2024, employment is projected at 0.4%, 0.0%, (0.1%), and (0.1%) for each quarter. The labor force participation rate was 62.7% in October. After being driven down during the pandemic, the participation rate has slowly moved upward for much of 2022 and 2023. The labor force participation rate is expected to decline slightly in both 2024 and 2025.

The unemployment rate in October was 3.9%, up from 3.8% in September and August, and 3.5% in July. The unemployment rate is expected to continue trending upward. On an annual basis, the unemployment rate was 3.7% in 2019, 8.1% in 2020, 5.4% in 2021, and 3.6% in 2022. It is forecast to be 3.6% in 2023, 4.3% in 2024, and 4.7% in 2025.

**S&P Global Market Intelligence's Baseline Forecast of Employment Growth**




**HOUSING:** Rising interest rates and decreasing affordability have led to mixed housing statistics. Homebuilder sentiment is low, as evidenced by the National Association of Home Builders Index at 34 in November. This is the lowest monthly level of the index in 2023 and approximately 50 points lower than it was for most of 2021 and early 2022. Existing home sales in the third quarter were at a 4.02 million unit annual rate. Housing starts in the third quarter were at a rate of 1.36 million units. Housing prices are elevated, with the Federal Housing Finance Agency House Price Index increasing by 4.5% from the second quarter of 2022 to the second quarter of 2023. However, the rate of house price growth is decelerating.

Total housing starts are projected to be 1.40 million units in 2023, 1.33 million units in 2024, and 1.37 million units in 2025. In 2020, 2021, and 2022, total housing starts were 1.40 million, 1.61 million, and 1.55 million units, respectively.

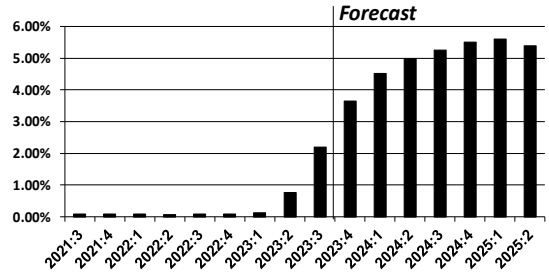
**INFLATION:** Inflation is easing but remains elevated. The Consumer Price Index (CPI) was at 3.2% in October year-over-year, on a seasonally adjusted basis. CPI has mostly fallen since it peaked at 8.9% in June 2022. It is anticipated that annual inflation measures will decline through 2025.

The CPI increased 1.3% in 2020, 4.7% in 2021, and 8.0% in 2022. The CPI is forecast to grow 4.1% in 2023, 2.7% in 2024, and 2.0% in 2025. The Producer Price Index for Finished Goods decreased 1.3% in 2020, before increasing 8.9% in 2021 and 13.4% in 2022. The current forecast calls for increases of 2.1% in 2023, 2.4% in 2024, and 0.8% in 2025.

**MONETARY AND FISCAL POLICY:** Monetary and fiscal policies were extremely aggressive in response to the COVID-19 pandemic. The Federal Reserve utilized traditional easing programs to support financial markets and the economy. The steps taken by the Fed to stabilize the financial system and economy increased its balance sheet from $4.2 trillion before the pandemic to nearly $9 trillion in April 2022. As of November 2023, the Federal Reserve balance sheet is approximately $7.8 trillion.

In March 2022, the Federal Open Market Committee began increasing the federal funds rate in an effort to reduce inflation. In less than a year and a half, the federal fund target rate went from its effective lower bound of 0% – 0.25% to the current federal funds target rate of 5.25% – 5.50%. The current forecast is for the target rate to be increased 25 basis points by the Federal Reserve to a range of 5.50% – 5.75% in December 2023; however, the tightening cycle may be over.

**S&P Global Market Intelligence's Baseline Forecast of the Federal Funds Rate**




The economic forecast assumes a federal fiscal year (FFY) 2024 budget is passed to avoid a government shutdown. Pandemic relief payments have shrunk to near zero in 2023.

The unified federal deficit for FFY2022 was $1.4 trillion, which is approximately $1.2 trillion less than the FFY2021 deficit. S&P Global forecasts deficits of $1.7 trillion for FFY2023, $1.5 trillion for FFY2024, and $1.7 trillion for FFY2025.

**INTERNATIONAL:** Real foreign GDP is projected to slow from 3.4% in 2022 to 2.0% in 2023 and 2024 before rebounding to 2.5% in 2025. The forecast includes the tariffs enacted in 2017 by the United States and China. The price of Brent crude oil is projected to ease to approximately $85/barrel in 2024 and $76/barrel in 2025.

***RISKS TO THE FORECAST***

Economic risks to the baseline forecast are reflected in alternate scenarios. There are upside risks as the result of successfully managed recent turmoil in the banking sector, stronger growth of consumer spending, and a quicker end to the conflicts in Ukraine and the Middle East. The downside risks stem from tightening lending standards, a decline in consumer spending, and worsening conflicts in Ukraine and the Middle East. S&P Global Market Intelligence assigns a greater probability to the negative risks versus the positive risks at this time.

A 15% probability exists for United States economic growth being stronger than the baseline forecast. In S&P Global Market Intelligence's optimistic scenario, GDP is projected to increase by 2.5% in 2023, 2.2% in 2024, and 1.9% in 2025. The optimistic scenario assumes stronger growth in consumer spending and elevated business fixed investment due to strong demand and elevated cashflows.

The pessimistic scenario assumes a shallow recession due to restrained spending and production. S&P Global assigns a 30% probability to this scenario. Tightening lending standards lead to a decline in consumer spending and cause businesses to scale back investment plans. The price of Brent oil rises much higher than the baseline under this scenario. Unemployment rates under this scenario would also be higher than the baseline.

# *SOUTH DAKOTA ECONOMY*

### *RECENT ECONOMIC ACTIVITY*

*This section briefly summarizes recent economic activity in South Dakota. An important indicator of a state's economic health is the growth rate of nonfarm employment, as it is considered by many economists as the most timely and comprehensive measure of the performance of a state's economy.*

South Dakota's economy continues to grow. Total nonfarm employment increased 2.1% in the second quarter of 2023 and grew 1.9% in the third quarter. Real Gross State Product (GSP) is projected to finish the year 2.6% higher than 2022. Additionally, South Dakota has been second in the nation in per capita personal income growth since 2019.

The following are some recent key South Dakota economic statistics:

- South Dakota nonfarm employment grew at 2.8% in 2022 and is projected to finish 2023 at 2.2%. Nonfarm employment growth in 2024 is forecast at 0.9%.
- The unemployment rate in South Dakota in October of 2023 was 2.0%. This was 1.9% below the national rate of 3.9%.
- Housing starts surged in 2020 through 2022 due to high demand and low mortgage rates. Housing starts will remain elevated in 2023 before a projected decline to normal levels in 2024 and 2025.

### *COUNCIL OF ECONOMIC ADVISORS*

*The Council of Economic Advisors, which has been in existence since 1991, consists of twelve members that encompass business and economic experts from around South Dakota. The purpose of the council is to assist in the development of the best possible forecast of South Dakota's economy. This section summarizes the council's view of South Dakota's economy.*

**TOURISM:** The tourism sector is an integral part of the South Dakota economy. The estimated economic impact to GDP in South Dakota from tourism totaled $3.3 billion in 2022. The number of estimated visitors in South Dakota totaled approximately 14.4 million, spending an estimated $4.7 billion statewide, an increase of approximately 8% from 2021.

Tourism activity has remained strong in 2023. Through September, visitor spending is estimated to be up nearly 6% year-over-year. Year to date, estimated visitors in South Dakota are up 0.5% over 2022, while airport arrivals are up 7%.

**AGRICULTURE:** In 2022, the agricultural economy in South Dakota produced cash receipts of $14.3 billion, which was an increase of $2.5 billion from 2021 cash receipts. Crops generated $8.5 billion, and animals and products generated $5.8 billion in 2022. Cash receipts from crops increased $1.6 billion, while cash receipts from animals and products increased by $0.9 billion.

Overall, crop production levels are expected to be strong in 2023. According to the National Agricultural Statistics Service (NASS), as of November 1st, corn production is projected to be 850 million bushels, up 28% from 2022 production. Corn acres harvested is estimated at 5.59 million acres, which is up 12% from a year ago. The corn yield is estimated to be 152 bushels per acre, up 20 bushels from last year. Soybean production is expected to be 222 million bushels, up 15% from a year ago, with a yield of 44 bushels per acre, an increase of 6 bushels from the 2022 yield. Soybean acres harvested is estimated at 5.05 million, down slightly from last year. Sorghum for grain production is forecast to be 20.4 million bushels, up 71% from 2022 with 255,000 acres for harvest estimated, which is up 46% from last year.

South Dakota feedlots with capacities of 1,000 or more head contained 220,000 cattle on feed as of November 1st, which is up 5% from last year. Placements during October totaled 69,000 head, which is down 4% from last year. Fed cattle marketings were at 33,000 head, down 27% from last year. The inventory of all hogs and pigs as of September 1st was

up 4% from a year ago but unchanged from June. The June to August pig crop total was 1.84 million head, up 1% from a year ago.

Weather conditions in 2023 were adequate. In mid-June, NASS estimated that more than 60% of topsoil and subsoil moisture supplies were short or very short. However, soil moisture levels improved through the summer and fall. As of late-November, 27% of topsoil supplies are rated short or very short and 35% of subsoil supplies are rated short or very short. The council is specifically concerned with commodity prices, high input prices, and the global economy.

**CONSTRUCTION:** So far in fiscal year 2024, construction activity continues to be strong. Contractor's Excise Tax, which is a good indicator of overall construction activity, is up 14.3% through the first four months of the fiscal year compared to the prior year. Housing construction remains strong but is slowing from its peak in 2021 and 2022. The council expects housing construction to slow in 2024 and 2025 due to high prices and mortgage rates; however, housing starts are still expected to be near the average levels for the previous decade.

***SOUTH DAKOTA FORECAST HIGHLIGHTS***

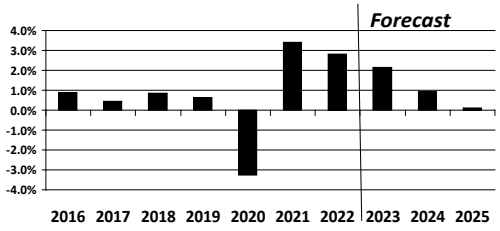
*S&P Global Market Intelligence's forecast of the national and state economy and the input of the Council of Economic Advisors were incorporated into the forecast of South Dakota's economy. This section summarizes various categories of the latest forecast for the South Dakota economy.*

Overall, South Dakota's economy is expected to continue to grow at a modest pace in 2024 and 2025, similar to the national economy.

**EMPLOYMENT:** South Dakota has several advantages over other states to grow employment. Some of these advantages include a pro-business environment, a central geographic location, a low cost of doing business, and a high quality of life. A challenge the state continues to face now and over the long-term is the size of a qualified labor force to fill current and future jobs.

South Dakota has seen consistent employment gains since mid-2020, indicating continued economic growth for the state. Prior to 2020, South Dakota's employment situation had been stable for about a decade. From 2011 through 2019, nonfarm employment growth averaged 1% per year. Nonfarm employment declined 3.3% in South Dakota in 2020 but rebounded strongly. Employment grew 3.4% in 2021, 2.8% in 2022, and is projected to finish 2023 at 2.2%. For 2024 and 2025, nonfarm employment is projected at 0.9% and 0.1%, respectively.

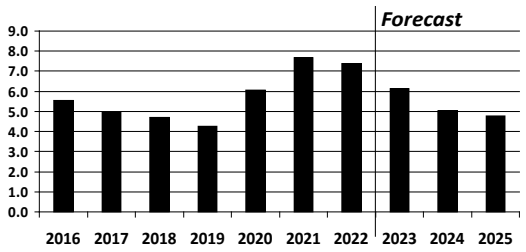
**Growth in Nonfarm Employment**




**HOUSING/CONSTRUCTION:** In 2016, South Dakota experienced a surge in housing starts at approximately 5,500 units. Housing starts declined from 2017 to 2019 but rebounded significantly in 2020 through 2022 on the strength of low mortgage rates and high demand.

The housing market is anticipated to remain strong in 2023 before leveling to more normal levels in 2024 and 2025. Higher prices and elevated interest rates are expected to cause slowing in the housing sector. Housing starts were 7,400 in 2022 and are projected to be 6,120 in 2023, 5,030 in 2024, and 4,770 in 2025.

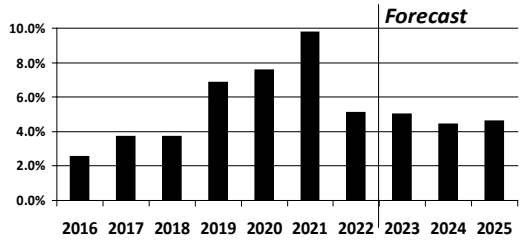
## Housing Starts




**INCOME:** From 2011 to 2019, South Dakota's total personal income growth averaged approximately 4% per year. Growth rates have been much higher in recent years. In 2020, 2021, and 2022, personal income grew by 9.9%, 11.1%, and 5.8%, respectively. Personal income is forecast to grow 3.8% in 2023, 3.9% in 2024, and 5.4% in 2025.

From 2011 to 2019, nonfarm personal income also averaged 4% per year. Nonfarm income grew 7.6% in 2020, 9.8% in 2021, and 5.1% in 2022. Nonfarm income in South Dakota is forecast to grow 5.0% in 2023, 4.4% in 2024, and 4.6% in 2025.

## Growth in Nonfarm Personal Income




South Dakota's per capita personal income for the second quarter of 2023 is at an annual rate of $69,574, which is 1.9% greater than the United States average of $68,279. Since 2019, South Dakota is second in the nation in per capita personal income growth, trailing only North Dakota.

### *RISKS TO THE FORECAST*

The Council of Economic Advisors sees some risks to the current forecast. These risks include elevated interest rates and their effect on South Dakota's economy. There is also concern for continued inflation, and its effect on consumers. In addition, workforce continues to be a concern. With low unemployment levels, workforce shortages pose a threat to future growth.

Positive developments potentially improving the economic outlook in South Dakota include continued population growth and infrastructure investments.

# *REVENUE ESTIMATE SUMMARY*

General fund receipts for FY2024 are forecast at $2,459.8 million. Ongoing receipts comprise $2,345.1 million of the total. One-time revenues comprise $114.7 million of the total, which includes $1.8 million in bank franchise tax prior year revenue, $9.7 million in one-time sales and use tax, $6.4 million in unexpended carryovers and specials, and $96.8 million of obligated cash carried forward from FY2023. The ongoing estimate for FY2024 includes an increase of $46.9 million from actual FY2023 ongoing receipts. Categories forecasted to show major increases in FY2024 over FY2023 actuals include investment income and interest (+$35.2M), unclaimed property receipts (+$31.9M), and contractor's excise tax (+$18.6M). The category forecast for the biggest decrease from FY2023 actual receipts is sales and use tax (-$45.4M), which is due to the state sales tax rate decreasing from 4.5% to 4.2%.

The revised ongoing estimate for FY2024 is $60.9 million higher than the ongoing estimate adopted during the 2023 legislative session. Major positive adjustments for the revised FY2024 estimate compared to the adopted FY2024 estimate are for unclaimed property receipts (+$49.7M), investment income and interest (+$28.8M), contractor's excise tax (+$13.0M), and insurance company tax (+$6.0M). The most significant negative revisions compared to the adopted FY2024 estimate are for sales and use tax (-$22.6M) and lottery (-$8.0M).

General fund receipts for FY2025 are projected to be $2,399.2 million, of which all receipts are considered ongoing. The forecast for ongoing receipts in FY2025 is an increase of $54.1 million from the revised FY2024 projection. The most significant sources of growth are from sales and use tax (+$59.5M), investment income and interest ($25.8M), insurance company tax (+$6.1M), and contractor's excise tax (+$4.0M). The category with the most significant projected decrease in FY2025 is unclaimed property receipts (-$46.8M).

**CURRENT REVENUE FORECAST**
**(Dollars in Millions)**

| | FY2024 | FY2025 |
|---|---|---|
| Sales and Use Tax | 1,435.2 | 1,494.6 |
| Lottery | 177.8 | 180.0 |
| Contractor's Excise Tax | 208.0 | 212.0 |
| Insurance Company Tax | 120.4 | 126.5 |
| Unclaimed Property | 106.9 | 60.1 |
| Tobacco Taxes | 44.3 | 43.2 |
| Other Ongoing Revenues | 252.6 | 282.7 |
| One-Time Receipts | 17.9 | 0.0 |
| Obligated Cash Carried Forward | 96.8 | 0.0 |
| **Total Revenue** | **2,459.8** | **2,399.2** |

### *SALES AND USE TAX*

The sales and use tax is the single largest revenue source for the state's general fund and accounts for approximately 61.2% of ongoing general fund revenue. Between FY2000 and FY2023, the sales and use tax grew from $432.1 million to $1,480.6 million, which was an average annual increase of 5.6%. Since FY2010, growth rates of the sales tax have varied from year to year. In FY2010, growth was negative (-1.2%) due to a severe national recession causing declines in employment. In FY2011, growth was robust (8.9%) due to a strong agriculture sector combined with a recovering nonfarm economy. In FY2012 and FY2013, growth was slightly below average (4.8% and 4.3%), reflecting lower inflation and a moderate economic recovery. FY2014 realized a 6.1% growth due to large audit collections and strong agriculture income. In FY2015 and FY2016, the growth was soft (1.6% and 2.9%) due to lower farm income, low inflation, and cautious consumer spending. In FY2017, growth was 10.5%, which reflects the 0.5% sales and use tax rate increase. Excluding the rate increase in FY2017, sales tax would have had a negative growth (-1.6%), reflecting lower farm income, low inflation, and slower economic growth. In FY2018, FY2019, and FY2020, growth rebounded (4.0%, 3.7%, and 4.6%) due to improved consumer spending. In FY2021 and FY2022, sales tax grew by historic amounts (14.0% and 13.3%) due to increased consumer spending driven by strong personal income growth, federal government

stimulus, and inflation. FY2022 collections included $28.3 million in one-time sales and use tax due to a large audit. In FY2023, ongoing sales and use tax grew by 9.1% due to continued strong personal income growth and inflation. Total sales and use tax collections grew by 6.9% in FY2023.

Net collections from the sales and use tax in FY2023 were $1,480.6 million, which was an increase of $95.4 million compared to FY2022. Through the first four months of FY2024, sales and use tax collections to the general fund were $522.5 million, which is a decrease of 3.6% from the first four months of FY2023. For the revised FY2024 estimate, the sales and use tax is forecast at $1,435.2 million, which is a decrease of $45.4 million, or 3.1%, compared to the FY2023 ongoing collections due to the reduction of the state sales tax rate from 4.5% to 4.2%. For FY2025, the sales and use tax is forecast at $1,494.6 million, which is an increase of $59.5 million, or 4.1%, over the revised FY2024 estimate.

### *LOTTERY*

Collections from lottery activities account for approximately 7.6% of ongoing general fund revenues. In FY2024, lottery collections are anticipated at $177.8 million, which includes the general fund's share of instant lottery ticket sales of $10.9 million, 70% or $6.5 million from the online lottery net income, and $160.3 million in video lottery receipts. In FY2025, lottery receipts are projected at $180.0 million, which includes $11.5 million from instant lottery income, 70% or $6.5 million from online lottery net income, and $161.9 million from the state's share of video lottery receipts. In FY2022 and FY2023, video lottery receipts were $161.0 million and $162.6 million, respectively. So far in FY2024, video lottery receipts are down 0.6% through the first four months compared to the prior year.

### *CONTRACTOR'S EXCISE TAX*

The collection of contractor's excise tax accounts for approximately 8.9% of ongoing general fund revenues. Construction activity has a direct impact on the growth in the contractor's excise tax collections. Expansion in this activity has contributed to the increase in contractor's excise tax collections from $47.6 million in FY2000 to $189.4 million in FY2023, representing an average annual increase of 6.6%. In FY2023, net collections to the general fund from the contractor's excise tax grew $33.6 million, or 21.6%, from FY2022. Through the first four months of FY2024, net contractor's excise tax collections were $83.8 million, an increase of 14.3% compared to the first four months of FY2023. Contractor's excise tax collections for FY2024 are forecast to be $208.0 million, an increase of $18.6 million, or 9.8%, compared to FY2023 collections. FY2025 collections are forecast at $212.0 million, an increase of $4.0 million, or 1.9%, compared to the revised FY2024 estimate.

### *INSURANCE COMPANY TAX*

Collections from the insurance company tax account for approximately 5.1% of ongoing general fund revenues. From FY2000 to FY2023, insurance company tax collections grew from $39.5 million to $112.1 million, which was an average annual increase of 4.7%. In FY2023, insurance company tax collections increased by $8.1 million, or 7.8%, compared to FY2022. For FY2024, insurance company tax collections are forecast at $120.4 million, which is an increase of $8.2 million, or 7.3%, over FY2023 collections. For FY2025, insurance company tax collections are forecast to be $126.5 million, which is an increase of $6.1 million, or 5.1%, over the revised FY2024 estimate.

### *UNCLAIMED PROPERTY*

Historically, collections from unclaimed property have been relatively small but have grown in recent years. Unclaimed property has been remitted to the State since the 1980's. From FY1997 to FY2010, collections to the general fund ranged from $0.4 million to $8.0 million. In FY2011 through FY2013, ongoing collections increased to $12.9 million, $13.9 million, and $13.9 million, respectively, due to mergers within the banking industry. Continued consolidation, combined with the migration of home office locations to South Dakota, led to an increase in ongoing collections in FY2014. From FY2014 to FY2020, collections fell from $59.8 million to $47.3 million, net of property

claims. In FY2021, FY2022, and FY2023, unclaimed property collections increased to $62.8 million, $65.1 million, and $85.5 million, respectively, due to increased remittances and reduced property claims. For FY2024, unclaimed property revenue is forecast at $106.9 million due to increased remittances. The forecast for FY2025 is $60.1 million.

### *TOBACCO TAXES*

The tobacco taxes include the cigarette excise tax of $1.53 per pack of cigarettes and the tax on other tobacco products, which is assessed at 35.0% of the wholesale price. In FY2023, cigarette taxes totaled $40.3 million, while the other tobacco products tax totaled $11.8 million. The first $30.0 million collected in tobacco taxes is allocated to the general fund, and the next $5.0 million is allocated to the tobacco prevention and reduction trust fund. Any collections in excess of $35.0 million are deposited directly into the general fund in the tobacco tax category. The general fund's portion totaled $47.1 million in FY2023. General fund receipts from tobacco taxes are projected at $44.3 million in FY2024 and $43.2 million in FY2025.

### *OTHER ONGOING REVENUES*

Receipts included in this category come from licenses, permits, and fees; trust funds; net transfers in; alcohol beverage tax; bank franchise tax; alcohol beverage 2.0% wholesale tax; charges for goods and services; telecommunications tax; severance tax; and investment income and interest. For FY2024, collections from other ongoing revenues are projected to be $252.6 million, approximately 10.8% of total ongoing general fund revenues. In FY2025, collections from other ongoing revenues are projected at $282.7 million.

### *ONE-TIME RECEIPTS*

In FY2024, collections from one-time receipts are projected to be $17.9 million. These one-time receipts include $9.7 million in one-time sales and use tax, $6.4 million in unexpended carryovers and specials, and $1.8 million in bank franchise tax prior year revenue.

### *OBLIGATED CASH CARRIED FORWARD*

Obligated cash is the amount of prior year cash carried forward to meet obligations existing at the end of the previous year. For FY2024, the total amount of obligated cash carried forward was $96.8 million. This was obligated to the General Revenue Replacement Fund and the Budget Reserve Fund from the budget surplus at the end of FY2023.

# BUDGET RESERVE & GENERAL REVENUE REPLACEMENT FUNDS

During the 1991 Legislative Session, the Budget Reserve Fund was created to place resources into a reserve which would be used to address unforeseen expenditure obligations or revenue shortfalls. At the end of FY2022 and FY2023, unobligated general fund cash in the amounts of $7.2 million and $25.2 million, respectively, was obligated to the Budget Reserve Fund. These funds were transferred from the general fund into the reserve in FY2023 and FY2024, respectively. In FY2024, the Governor is recommending a transfer of $95.7 million from the Budget Reserve Fund to the Incarceration Construction Fund to be used for a men's prison. This will leave a projected ending balance of $106.2 million.

During the 2015 Legislative Session, the General Revenue Replacement Fund was established to replace the Property Tax Reduction Fund to assist in balancing the annual budget in the event of an unforeseen revenue shortfall. At the end of FY2021, FY2022, and FY2023, unobligated general fund cash in the amounts of $91.2 million, $108.3 million, and $71.6 million, respectively, was obligated to the General Revenue Replacement Fund. These funds were transferred from the general fund into the reserve in FY2022, FY2023, and FY2024, respectively. In FY2023, $183.7 million was transferred from the General Revenue Replacement Fund to the Incarceration Construction Fund to be used for a men's prison. The projected ending balance for FY2024 is $133.7 million.

The total estimated reserve balance of $239.9 million is 10.0% of proposed FY2025 appropriations.

## BUDGET RESERVE FUND & GENERAL REVENUE REPLACEMENT FUND CONDITION STATEMENT

| | ACTUAL FY2022 | ACTUAL FY2023 | ESTIMATED FY2024 | ESTIMATED FY2025 |
|---|---|---|---|---|
| Budget Reserve Fund Beginning Balance | $ 169,583,492 | $ 169,583,492 | $ 176,760,690 | $ 106,196,294 |
| Calculations for Maximum Balance in the Fund: | | | | |
| General Bill Appropriation for Prior Year | $ 1,586,704,162 | $ 1,767,606,897 | $ 2,019,276,457 | $ 2,174,523,649 |
| Budget Reserve Fund Percentage | 10% | 10% | 10% | 10% |
| Maximum Amount in the Fund | $ 158,670,416 | $ 176,760,690 | $ 201,927,646 | $ 217,452,365 |
| Maximum Transferable Amount | $ (10,913,076) | $ 7,177,198 | $ 25,166,956 | $ 111,256,071 |
| Amount of General Funds Available End of Prior Year | $ 91,208,112 | $ 115,478,433 | $ 96,775,123 | $ 0 |
| Transferred in from General Fund | $ 0 | $ 7,177,198 | $ 25,166,956 | $ 0 |
| Transferred out to Incarceration Construction Fund | $ 0 | $ 0 | $ (95,731,352) | $ 0 |
| **Ending Budget Reserve Fund Balance** | $ 169,583,492 | $ 176,760,690 | $ 106,196,294 | $ 106,196,294 |
| General Revenue Replacement Fund Balance | $ 46,291,614 | $ 137,499,726 | $ 62,115,882 | $ 133,724,049 |
| Transferred in from General Fund | $ 91,208,112 | $ 108,301,235 | $ 71,608,167 | $ 0 |
| Transferred out to Incarceration Construction Fund | $ 0 | $ (183,685,079) | $ 0 | $ 0 |
| **Ending General Revenue Replacement Fund Balance** | $ 137,499,726 | $ 62,115,882 | $ 133,724,049 | $ 133,724,049 |
| General Funds Obligated to Reserves | $ 115,478,433 | $ 96,775,123 | $ 0 | $ 0 |
| **ENDING TOTAL RESERVES BALANCE** | **$ 422,561,650** | **$ 335,651,694** | **$ 239,920,342** | **$ 239,920,342** |

**NOTE:** The totals may not add due to rounding.

# *COMPARISON BETWEEN LEGISLATIVE ADOPTED AND REVISED ESTIMATE FOR FY2024*

| | LEG ADOPTED FY2024 | BFM REVISED FY2024 | DOLLAR CHANGE | PERCENT CHANGE |
|---|---|---|---|---|
| **ONGOING RECEIPTS** | | | | |
| Sales and Use Tax | $ 1,457,750,000 | $ 1,435,189,097 | $ (22,560,903) | (1.55) |
| Lottery | 185,788,211 | 177,813,515 | (7,974,696) | (4.29) |
| Contractor's Excise Tax | 195,000,000 | 207,999,417 | 12,999,417 | 6.67 |
| Insurance Company Tax | 114,432,223 | 120,382,354 | 5,950,131 | 5.20 |
| Unclaimed Property Receipts | 57,185,445 | 106,876,913 | 49,691,468 | 86.90 |
| Licenses, Permits, and Fees | 76,869,354 | 75,715,166 | (1,154,188) | (1.50) |
| Tobacco Taxes | 46,560,484 | 44,315,875 | (2,244,609) | (4.82) |
| Trust Funds | 48,538,231 | 48,360,904 | (177,327) | (0.37) |
| Net Transfers In | 23,891,068 | 25,194,167 | 1,303,099 | 5.45 |
| Alcohol Beverage Tax | 9,272,874 | 9,183,170 | (89,704) | (0.97) |
| Bank Franchise Tax | 19,927,443 | 18,941,200 | (986,243) | (4.95) |
| Charges for Goods and Services | 15,273,363 | 12,298,640 | (2,974,723) | (19.48) |
| Telecommunications Tax | 2,047,035 | 2,319,050 | 272,015 | 13.29 |
| Severance Taxes | 8,170,526 | 8,361,759 | 191,233 | 2.34 |
| Investment Income and Interest | 20,334,000 | 49,154,738 | 28,820,738 | 141.74 |
| Alcohol Bev 2% Wholesale Tax | 3,202,359 | 3,040,095 | (162,264) | (5.07) |
| **TOTAL (ONGOING RECEIPTS)** | $ 2,284,242,616 | $ 2,345,146,060 | $ 60,903,444 | 2.67 |
| **ONE-TIME RECEIPTS** | | | | |
| Bank Franchise Tax Prior Year Revenue | 0 | 1,751,228 | $ 1,751,228 | N/A |
| One-Time Sales and Use Tax | 0 | 9,726,426 | 9,726,426 | N/A |
| Unexpended Carryovers and Specials | 0 | 6,400,000 | 6,400,000 | N/A |
| Obligated Cash Carried Forward | 0 | 96,775,123 | 96,775,123 | N/A |
| **SUBTOTAL (ONE-TIME RECEIPTS)** | $ 0 | $ 114,652,777 | $ 114,652,777 | N/A |
| **GRAND TOTAL** | **$ 2,284,242,616** | **$ 2,459,798,837** | **$ 175,556,221** | **7.69** |

**NOTE:** The totals may not add due to rounding.

# *COMPARISON BETWEEN ACTUAL FY2023 AND REVISED FY2024 REVENUE COLLECTIONS*

| | ACTUAL FY2023 | BFM REVISED FY2024 | DOLLAR CHANGE | PERCENT CHANGE |
|---|---|---|---|---|
| **ONGOING RECEIPTS** | | | | |
| Sales and Use Tax | $ 1,480,572,850 | $ 1,435,189,097 | $ (45,383,753) | (3.07) |
| Lottery | 176,663,767 | 177,813,515 | 1,149,748 | 0.65 |
| Contractor's Excise Tax | 189,407,586 | 207,999,417 | 18,591,831 | 9.82 |
| Insurance Company Tax | 112,141,293 | 120,382,354 | 8,241,061 | 7.35 |
| Unclaimed Property Receipts | 74,981,213 | 106,876,913 | 31,895,700 | 42.54 |
| Licenses, Permits, and Fees | 77,636,494 | 75,715,166 | (1,921,328) | (2.47) |
| Tobacco Taxes | 47,074,649 | 44,315,875 | (2,758,774) | (5.86) |
| Trust Funds | 46,259,458 | 48,360,904 | 2,101,446 | 4.54 |
| Net Transfers In | 25,652,534 | 25,194,167 | (458,367) | (1.79) |
| Alcohol Beverage Tax | 8,939,732 | 9,183,170 | 243,438 | 2.72 |
| Bank Franchise Tax | 20,425,082 | 18,941,200 | (1,483,882) | (7.26) |
| Charges for Goods and Services | 13,473,405 | 12,298,640 | (1,174,765) | (8.72) |
| Telecommunications Tax | 2,466,873 | 2,319,050 | (147,823) | (5.99) |
| Severance Taxes | 5,657,605 | 8,361,759 | 2,704,154 | 47.80 |
| Investment Income and Interest | 14,000,549 | 49,154,738 | 35,154,189 | 251.09 |
| Alcohol Bev 2% Wholesale Tax | 2,936,973 | 3,040,095 | 103,122 | 3.51 |
| **TOTAL (ONGOING RECEIPTS)** | $ 2,298,290,062 | $ 2,345,146,060 | $ 46,855,998 | 2.04 |
| **ONE-TIME RECEIPTS** | | | | |
| Bank Franchise Tax Prior Year Revenue | 699,173 | 1,751,228 | $ 1,052,055 | 150.47 |
| One-Time Sales and Use Tax | 0 | 9,726,426 | 9,726,426 | N/A |
| Unexpended Carryovers and Specials | 17,709,410 | 6,400,000 | (11,309,410) | (63.86) |
| One-Time Unclaimed Property Receipts | 10,554,826 | 0 | (10,554,826) | (100.00) |
| Obligated Cash Carried Forward | 115,478,433 | 96,775,123 | (18,703,310) | (16.20) |
| **SUBTOTAL (ONE-TIME RECEIPTS)** | $ 144,441,842 | $ 114,652,777 | $ (29,789,065) | (20.62) |
| **GRAND TOTAL** | **$ 2,442,731,904** | **$ 2,459,798,837** | **$ 17,066,933** | **0.70** |

**NOTE:** The totals may not add due to rounding.

# *COMPARISON BETWEEN REVISED FY2024 AND PROJECTED FY2025 REVENUE COLLECTIONS*

| | BFM REVISED FY2024 | BFM PROJECTED FY2025 | DOLLAR CHANGE | PERCENT CHANGE |
|---|---|---|---|---|
| **ONGOING RECEIPTS** | | | | |
| Sales and Use Tax | $ 1,435,189,097 | $1,494,649,338 | $ 59,460,241 | 4.14 |
| Lottery | 177,813,515 | 179,963,037 | 2,149,522 | 1.21 |
| Contractor's Excise Tax | 207,999,417 | 212,036,057 | 4,036,640 | 1.94 |
| Insurance Company Tax | 120,382,354 | 126,522,130 | 6,139,776 | 5.10 |
| Unclaimed Property Receipts | 106,876,913 | 60,103,683 | (46,773,230) | (43.76) |
| Licenses, Permits, and Fees | 75,715,166 | 77,756,620 | 2,041,454 | 2.70 |
| Tobacco Taxes | 44,315,875 | 43,205,556 | (1,110,319) | (2.51) |
| Trust Funds | 48,360,904 | 50,650,800 | 2,289,896 | 4.74 |
| Net Transfers In | 25,194,167 | 25,073,004 | (121,163) | (0.48) |
| Alcohol Beverage Tax | 9,183,170 | 9,396,965 | 213,795 | 2.33 |
| Bank Franchise Tax | 18,941,200 | 17,299,461 | (1,641,739) | (8.67) |
| Charges for Goods and Services | 12,298,640 | 12,876,310 | 577,670 | 4.70 |
| Telecommunications Tax | 2,319,050 | 2,276,173 | (42,877) | (1.85) |
| Severance Taxes | 8,361,759 | 9,326,838 | 965,079 | 11.54 |
| Investment Income and Interest | 49,154,738 | 74,929,000 | 25,774,262 | 52.43 |
| Alcohol Bev 2% Wholesale Tax | 3,040,095 | 3,138,450 | 98,355 | 3.24 |
| **TOTAL (ONGOING RECEIPTS)** | $ 2,345,146,060 | $2,399,203,422 | $ 54,057,362 | 2.31 |
| | | | | |
| **ONE-TIME RECEIPTS** | | | | |
| Bank Franchise Tax Prior Year Revenue | $ 1,751,228 | $ 0 | $ (1,751,228) | (100.00) |
| One-Time Sales and Use Tax | 9,726,426 | 0 | (9,726,426) | (100.00) |
| Unexpended Carryovers and Specials | 6,400,000 | 0 | (6,400,000) | (100.00) |
| Obligated Cash Carried Forward | 96,775,123 | 0 | (96,775,123) | (100.00) |
| **SUBTOTAL (ONE-TIME RECEIPTS)** | $ 114,652,777 | $ 0 | $ (114,652,777) | (100.00) |
| | | | | |
| **GRAND TOTAL** | **$ 2,459,798,837** | **$2,399,203,422** | **(60,595,415)** | **(2.46)** |

**NOTE:** The totals may not add due to rounding.

# GENERAL FUND RECEIPTS

| | ACTUAL FY2022 | ACTUAL FY2023 | REVISED FY2024 | PROJECTED FY2025 |
|---|---|---|---|---|
| **ONGOING RECEIPTS** | | | | |
| Sales and Use Tax | $ 1,356,844,793 | $ 1,480,572,850 | $ 1,435,189,097 | $ 1,494,649,338 |
| Lottery | 171,609,682 | 176,663,767 | 177,813,515 | 179,963,037 |
| Contractor's Excise Tax | 155,823,772 | 189,407,586 | 207,999,417 | 212,036,057 |
| Insurance Company Tax | 103,995,420 | 112,141,293 | 120,382,354 | 126,522,130 |
| Unclaimed Property Receipts | 65,097,628 | 74,981,213 | 106,876,913 | 60,103,683 |
| Licenses, Permits, and Fees | 75,077,171 | 77,636,494 | 75,715,166 | 77,756,620 |
| Tobacco Taxes | 49,385,379 | 47,074,649 | 44,315,875 | 43,205,556 |
| Trust Funds | 43,495,271 | 46,259,458 | 48,360,904 | 50,650,800 |
| Net Transfers In | 25,279,507 | 25,652,534 | 25,194,167 | 25,073,004 |
| Alcohol Beverage Tax | 9,203,968 | 8,939,732 | 9,183,170 | 9,396,965 |
| Bank Franchise Tax | 22,511,850 | 20,425,082 | 18,941,200 | 17,299,461 |
| Charges for Goods and Services | 14,804,251 | 13,473,405 | 12,298,640 | 12,876,310 |
| Telecommunications Tax | 2,688,458 | 2,466,873 | 2,319,050 | 2,276,173 |
| Severance Taxes | 8,033,942 | 5,657,605 | 8,361,759 | 9,326,838 |
| Investment Income and Interest | 19,648,565 | 14,000,549 | 49,154,738 | 74,929,000 |
| Alcohol Beverage 2% Wholesale Tax | 2,909,711 | 2,936,973 | 3,040,095 | 3,138,450 |
| **SUBTOTAL (ONGOING RECEIPTS)** | $ 2,126,409,366 | $ 2,298,290,062 | $ 2,345,146,060 | $ 2,399,203,422 |
| **ONE-TIME RECEIPTS** | | | | |
| Bank Franchise Tax Prior Year Revenue | $ 1,568,296 | $ 699,173 | $ 1,751,228 | $ 0 |
| One-Time Sales and Use Tax | 28,305,843 | 0 | 9,726,426 | 0 |
| Unexpended Carryovers and Specials | 2,900,492 | 17,709,410 | 6,400,000 | 0 |
| One-Time Unclaimed Property Receipts | 0 | 10,554,826 | 0 | 0 |
| Surplus Property | 3,061,037 | 0 | 0 | 0 |
| Obligated Cash Carried Forward | 85,875,130 | 115,478,433 | 96,775,123 | 0 |
| Prior Period Adjustments | 5,332,982 | 0 | 0 | 0 |
| **SUBTOTAL (ONE-TIME RECEIPTS)** | $ 127,043,781 | $ 144,441,842 | $ 114,652,777 | $ 0 |
| **GRAND TOTAL** | $ 2,253,453,148 | $ 2,442,731,904 | $ 2,459,798,837 | $ 2,399,203,422 |

**NOTE:** The totals may not add due to rounding.

# TAX EXPENDITURES

| Sales and Use Tax Exemptions | Annual Est. General Fund Revenue Loss |
|---|---|
| **Agriculture Group** | |
| 10-45-18, 10-45-18.2, 10-46-16, 10-46-16.2: Livestock, live poultry, ostriches, emus, or rheas, if such sales are part of a series of transactions incident to producing a finished product intended to be offered for an ultimate retail sale. Also includes live cattle, buffalo, sheep, goats, swine, poultry, and horses. | $194,233,713 |
| 10-45-18.3: Feed for cattle, buffalo, sheep, goats, swine, poultry, ostriches, emus, rheas, and domesticated fur-bearing animals defined in chapter 40-35, if such feed is used by farmers or ranchers who are regularly engaged in the business of raising and feeding such animals, or producing milk for sale for human consumption, and horses and other animals with the family equidae. Poultry does not include any fowl other than domestic fowl kept and raised for the market or the production of eggs for human consumption. | $55,333,043 |
| 10-45-16: Commercial fertilizer, either liquid or solid, when sold in quantities of five hundred pounds or more in a single sale to be used exclusively for agricultural purposes. | $39,914,723 |
| 10-45-15: Seed legumes, seed grasses, and seed grains sold in quantities of 25 pounds or more in a single sale to be used exclusively for agricultural purposes. | $43,770,539 |
| 10-45-3.4: (1)Parts or repairs on machinery or equipment which are clearly identifiable as used primarily for agricultural purposes, including irrigation equipment, if the part replaces a farm machinery or irrigation equipment part assigned a specific or generic part number by the manufacturer of the farm machinery or irrigation equipment; and (2) Maintenance items and maintenance services used on machinery or equipment which are clearly identifiable as used primarily for agricultural purposes, including irrigation equipment. | $25,407,152 |
| 10-45-16.1, 10-46-17.5: Pesticides (including insecticides, herbicides, pesticides, rodenticides, and fumigants) and products or substances used in conjunction with application of the pesticides used exclusively for agricultural purposes. (Sales tax applies to endoparasiticides and ectoparasiticides) | $27,333,723 |
| 10-45-19, 10-46-17: Motor fuel, including kerosene, tractor fuel, liquefied petroleum gas, natural and artificial gas, diesel fuels, and distillate, when used for agricultural purposes. Agricultural purposes includes hay grinding but does not include the lighting or heating of any farm residence. | $18,257,759 |
| 10-45-12.1: Farm Product Warehousing & Storage | $262,758 |
| 10-45-12.1: Agricultural Services, except: Veterinary Services and Animal Specialty Services. | $9,078,689 |
| 10-45-93: Sale of agricultural and industrial production equipment in international commerce where physical delivery of the goods takes place in South Dakota if the property is to be shipped to a point outside the United States not to be returned to a point within the United States. (also 10-46E) | $397,526 |
| 10-45-12.1: Forestry Services | $174,520 |
| 10-45-18.6, 10-46-16.6: The sale of swine or cattle semen used for agricultural purposes. | $238,516 |
| 10-45-16.2, 10-45-16.3: Rental of devices primarily used to apply fertilizers, pesticides, herbicides, and insecticides for agricultural purposes if sales or use tax was paid on the original purchase of the device. | ** |
| 10-45-18.4, 10-46-16.4: Live nondomestic animal regulated by the animal industry board pursuant to 40-3-26 if the animal is to be used by a farmer or rancher who is regularly engaged in the breeding and raising of such animals. | $31,802 |
| 10-45-19.1, 10-46-17.2: Electricity used to power irrigation pumps and horsepower charge on electric motors powering irrigation pumps when the purchase is exclusively for agricultural purposes. | $316,211 |
| 10-45-18.5, 10-46-16.5: Feed for nondomestic animals exempted in 10-45-18.4 | $6,116 |

# TAX EXPENDITURES

| Sales and Use Tax Exemptions | Annual Est. General Fund Revenue Loss |
|---|---|
| **Healthcare Group** | |
| 10-45-12.1: Health Services; 10-45-14, 10-45-15: Purchases by nonprofit hospitals; 10-45-14.10: Drugs to the extent used by humans that are prescribed, dispensed, or administered by a physician, chiropractor, optometrist, dentist, podiatrist, or audiologist; 10-45-14.9: Insulin that is not sold by prescription; 10-45-14.11: Durable medical equipment, mobility enhancing equipment, and prosthetic devices used by humans when prescribed by prescription, dispensed, or administered for a specific patient by a physician, chiropractor, optometrist, dentist or podiatrist; 10-45-14.12: Medical devices used by humans when prescribed by prescription, dispensed, or administered for a specific patient by a physician, chiropractor, optometrist, dentist or podiatrist; 10-45-14.6: Hospital meals paid for by a public entity. | $475,696,200 |
| **Government** | |
| 10-45-10: Purchases by the Federal Government, State Government, Public or Municipal Corporations, and Indian tribes. Estimate includes purchases by Educational Institutions and 10-45-14: purchases by Religious or Private Educational Institutions. | ** |
| **Business Group** | |
| 10-45-7: Lodging or campsites provided to any person for 28 or more consecutive days. Occasional rental of sleeping accommodations or camp sites, which is 10 or less days/year. | $44,269,898 |
| 10-45-11.1, 10-46-17.3: Goods and services furnished to meet warranty obligation. | ** |
| 10-45-20.6, 10-46-9.6: Replacement parts sold to retailers that will be installed in tangible personal property that will ultimately be for resale. | ** |
| 10-45-12.1: Exempts advertising services, which is the preparing and placement of ads. Exempts charges by media for placement of an ad in that media. | $40,059,957 |
| 10-45-68, 10-46-56: Sale of credit card processing services to retailers. | $18,995,998 |
| 10-45-12.1: Water Supply | $7,437,903 |
| 10-45-13.1: Membership fees to membership organizations and services provided by membership organizations. | $9,005,546 |
| 10-45-5.2: Sanitary services except for the collection and disposal of solid waste which is specifically listed as subject to sales tax. | $1,085,268 |
| 10-45-20.1: Payments made by one member of a controlled group to another member of a controlled group which represent an allocation, reimbursement, or charge for services provided by or rendered by the members of the controlled group. The exemption provided in this section does not apply to the lease of tangible personal property unless the sales or use tax has been paid on the property by the lessor. (estimate also includes 10-45-20.2) | ** |
| 10-45-29.1 Allows deduction from gross receipts charges to clients for tangible personal property or services purchased by the attorney or accountant on behalf of a client, provided the purchase was not a resale purchase. | ** |
| 10-45-12.5, 10-46-9.5: Fees or commissions received for rendering a service which provides for the sale of tangible personal property or services. 10-45-84, 10-45-90 Fees or commissions received by a retailer for arranging a loan for a customer to pay for property sold by that retailer. | ** |
| 10-45-12.1: Motion picture rentals to a commercially operated theater primarily engaged in the exhibition of motion pictures. | $506,954 |
| 10-45-5.2: Research, development, and testing services (SIC 8733) | $1,378,255 |

# TAX EXPENDITURES

| Sales and Use Tax Exemptions | Annual Est. General Fund Revenue Loss |
|---|---|
| **Business Group (Continued)** | |
| 10-45-7.1, 10-46-68: Membership fees paid to a lodging house or hotel membership organization operated for the benefit of its members. | ** |
| 10-45-96: Deduction allowed for actual disbursements, including appropriate reserves, for the wages, salaries, payroll taxes, payroll deductions, workers' compensation costs, insurance premiums, welfare benefits, retirement benefits, and other employee benefits of its co-employees. | $828,627 |
| 10-45-5.2: Radio & Television Broadcasting | $6,986,261 |
| 10-45-5: Leases of tangible personal property between one telephone company and another telephone company. | ** |
| 10-45-5.2: Goods or services with money advanced as an accommodation are retail purchases and are not included in gross receipts for funeral services, and fees paid or donated for religious ceremonies are not included in gross receipts for funeral services. | ** |
| 10-45-5.5, 10-46-2.5: Chemicals purchased for use by Lawn & Garden Services. | ** |
| 10-45-92: Deduction allowed from auction's gross receipts for expenses for tangible personal property or services purchased by the auctioneer for that client, provided the purchase was not a resale purchase. | ** |
| 10-45-14.2, 10-46-9.1: Ink and newsprint used to produce shoppers' guides. | ** |
| 10-45-94: Postage by a mailing service provided the cost of postage is itemized on the customer's bill and the cost of the postage is no greater than the cost of the postage to the mailing service. | ** |
| 10-45-12.4: Services provided to a rural water system by a wholly owned cooperative or nonprofit corporation. | Included in water estimate |
| 10-45-110: Exempts coins, currency, or bullion. | ** |
| 10-45-12.7: Any person officiating an amateur sporting event. However, this exemption does not apply to any person officiating any sporting event sponsored and operated by any elementary, secondary, or postsecondary school. | $73,296 |
| 10-45-90, 10-46-63: Services performed for rodeos by promoters, stock contractors, stock handlers, announcers, judges, and clowns. | $1,422,181 |
| 10-45-18.1, 10-46-16.1: Live gamebirds sold by the producer to nonprofit organizations which release such birds or to commercial hunting operators who charge fees to hunt such birds. | $518,986 |
| 10-45-12.1: Consumer Credit Reporting Agencies and Mercantile Reporting Agencies. | $62,727 |
| **Educational Services** | |
| 10-45-12.1: Educational Services - Exempt schools: Continuing education programs, tutoring, and vocational counseling not including Rehabilitation counseling (See Social Services exemption for Rehabilitation counseling). | $1,874,860 |

# TAX EXPENDITURES

| Sales and Use Tax Exemptions | Annual Est. General Fund Revenue Loss |
|---|---|
| **Financial Group** | |
| 10-45-12.1: Commissions earned or service fees paid by an insurance company to an agent or representative for the sale of a policy. 10-44-8 Insurance companies are exempt from all other taxes, except sales or use tax on tangible personal property and taxes on real property. Insurance companies do not owe use tax on the purchase of services, if the service provider does not collect the applicable sales tax. | $19,640,957 |
| 10-44-8: Insurance companies are exempt from all other taxes, except sales or use tax on tangible personal property and taxes on real property. Insurance companies do not owe use tax on the purchase of services, if the service provider does not collect the applicable sales tax. | $131,333,509 |
| 10-45-20.5, 10-46-2.1: Services by a related corporation to a financial institution or services by a financial institution to a related corporation if they are part of a controlled group of corporations. | ** |
| 10-45-12.1: Commodity Contracts Brokers & Dealers; 10-45-12.1: Brokers, Dealers, and Flotation Companies; 10-46-9.2: Brokers licensed under Title 47. | $13,466,325 |
| 10-43-5: Bank franchise tax is paid in lieu of other taxes, except sales or use tax on tangible personal property. Financial institutions do not owe use tax on services, if the service provider does not collect the applicable sales tax. | ** |
| 10-45-12.1: Financial services of institutions subject to the tax under Chapter 10-43 (Bank Franchise) including loan origination fees, late payment charges, nonsufficient fund check charges, stop payment charges, safe deposit box rent, exchange charges, commission on travelers checks, charges for administration of trusts, interest charges, and "points" charged on loans. | $86,846,649 |
| 10-45-12.6, 10-46-6.2: Sale of credit services by credit bureaus to financial institutions that are paying bank franchise taxes. | ** |
| 10-45-13.5: Exempts receipts received by the state and political subdivisions from management services provided to a revolving loan fund operated by a nonprofit entity. | ** |
| **Transportation Group** | |
| 10-45-12.1: Railroad Transportation & Rental of Railroad Cars. | $10,101,220 |
| 10-45-12.1: Arrangement of Passenger Transportation; Arrangement of Transportation of Freight & Cargo; Local and Suburban Passenger Transportation, except Limousine Services; Trucking and Courier services, except air, except collection and disposal of solid waste; Pipelines, except Natural Gas; Transportation on rivers and canals; and school buses. 10-45-67, 10-46-55: Natural gas transportation by pipeline. | $81,339,206 |
| **Social Services** | |
| 10-45.12.1: Social services and credit counseling services provided by individual and family social services. | $11,649,685 |
| **Manufacturing Group** | |
| 10-46-5: Excludes the fabrication costs from the fair market value of tangible personal property fabricated by a contractor or subcontractor for use in the contract. The fair market value is subject to use tax. | ** |
| 10-46-3: Tangible personal property not originally purchased for use in this state, but thereafter used, stored, or consumed in this state if the equipment is more than seven years old at the time it is brought into this state. | ** |
| 10-45-14.4, 10-46-9.3: Packing material used or consumed by manufacturers, processors, or fabricators as raw material. 10-45-14.5, 10-46-9.4 Packing material sold to retailers if the retailer used the article as wrappers or containers to hold other tangible personal property sold by the retail that is subject to sales or use tax and the articles are supplied free by the retailer as a convenience to the customer. | ** |

# TAX EXPENDITURES

| Sales and Use Tax Exemptions | Annual Est. General Fund Revenue Loss |
|---|---|
| **Civic & Nonprofit Association Events/Admissions/Donations** | |
| 10-45-13: Exempts tax on the gross receipts of various sales and admission for civic and nonprofit associations and purposes. | ** |
| 10-45-13.2, 10-46-15.4: Donations of tangible personal property or services given without charge to organizations exempt from sales tax. | ** |
| **Federal Law Prohibition/Subject to Tax/Fees in other Laws** | |
| 10-45-14.7, 10-46-15.2: Authorized purchases made with food stamps. 10-45-14.8, 10-46-15.3: Authorized purchases of food under section 17 c of the Child Nutrition Act of 1966. | $6,294,045 |
| 10-45-5.1, 10-45-5.6: Coin operated washers and dryers annual license fee is in lieu of sales tax on receipts. | $198,947 |
| 10-45-13.3: Sale of lottery tickets. | $3,158,451 |
| 10-45-2.1, 10-46-5.1: Mobile homes and manufactured homes are subject to the 4% initial registration tax in lieu of sales, use, and contractor's excise tax. | $1,551,628 |
| **Other Miscellaneous Sales Tax Exemptions** | |
| Mini-storage receipts are not specifically subject to tax and therefore are exempt. | $1,488,776 |
| 10-45-13.4: Library copying charges. | ** |
| **Total Sales and Use Tax Exemptions** | **$1,392,029,105** |

## Other Tax Expenditures

| | |
|---|---|
| 10-44-4: Tax credit for principal office or regional home office for insurance companies. | $15,725,904 |
| 10-45-27.2: Collection allowance for sales tax of 1.5% of collections with a maximum of $70 per month. | $6,746,806 |
| 10-50-18: Distributor discount of 1% of cigarette stamp face value. | $428,499 |
| 13-65-2: Tax credit to insurance companies that contribute to an organization providing educational scholarships to certain students. The bill caps credits at three million five hundred thousand dollars per year. | $3,500,000 |
| **Total Other Tax Expenditures** | **$26,401,209** |
| **Grand Total Tax Expenditures** | **$1,418,430,314** |

** Unable to generate estimate.

Sources: Department of Revenue and Department of Labor and Regulation.

# *RECOMMENDED EXPENDITURES*

Governor Noem's FY2025 ongoing budget recommendation maintains a structurally balanced budget while making investments in key areas that focus on ensuring a safer, stronger, and healthier South Dakota for our kids and grandkids.

State Aid to Education, the Department of Education, the Board of Regents, and the Technical Colleges are responsible for educating our kids to ensure they have skills that lead to a fulfilling career after graduation. These general fund budgets account for $26.8 million of the $114.7 million in ongoing increases, or 45.2% of the ongoing general fund budget. Approximately 27.4% of the total ongoing budget, which amounts to over $2.0 billion, is invested in our students to ensure the next generation of our workforce is filled with skilled professionals.

The Governor is recommending an increase of $24.8 million in general funds for State Aid to Education due to growth in the number of student enrollments, as well as a 4.0% inflationary increase on the target teacher salary. Governor Noem is also recommending an increase of $0.5 million in general funds to support the Dual Credit program, which has seen increases in the number of students participating and in the cost per credit hour.

The budget recommendation for the Board of Regents includes a reduction of $0.4 million in general funds. This recommendation contains an increase of $2.1 million in general funds to fund maintenance and repair at 1.75% of replacement value for academic buildings and a decrease of $2.6 million in general funds to transfer the tuition reimbursement program for National Guard members from the Board of Regents to the Department of Military. Additionally, Governor Noem is recommending increases of 10.0 FTE, $10.0 million in federal fund expenditure authority, and $6.3 million in other fund expenditure authority to align budget with anticipated expenditures.

Governor Noem is recommending an ongoing increase of $1.8 million in general funds for the Technical Colleges. This recommendation includes increases of $1.9 million for 4.0% inflation on the per-student allocation and $0.1 million to fund maintenance and repair at 1.75% of replacement value for state-owned buildings. A decrease of $0.3 million in general funds is also recommended to transfer the tuition reimbursement program for National Guard members from the Technical Colleges to the Department of Military.

The Departments of Social Services, Human Services, and Health are responsible for the majority of the programs that help those who cannot take care of themselves, including the very young, the very old, and the disabled. These general fund budgets account for $49.7 million of the $114.7 million in ongoing increases, or 39.4% of the ongoing general fund budget. Approximately 37.3% of the total ongoing budget, which amounts to nearly $2.7 billion, is dedicated to assist those in need.

Governor Noem is recommending an ongoing increase of $27.5 million in general funds for the Department of Social Services. This includes an increase of $18.3 million in general funds to plan ahead for the full cost of Medicaid Expansion in FY2026. The Governor is also recommending

increases of $14.0 million in general funds and $24.1 million in federal fund expenditure authority for discretionary provider inflation of 4.0%. Additionally, increases of $10.5 million in general funds and $7.2 million in federal fund expenditure authority are recommended for federally required inflation in programs such as Medicare and certain federally qualified health centers. Due to a change in the FMAP rate, the Governor is recommending an increase of $13.9 million in general funds and a corresponding decrease in federal fund expenditure authority. Governor Noem is also recommending increases of $1.9 million in general funds and $0.7 million in federal fund expenditure authority for additional subsidized adoptions and guardianships.

The budget recommendation the Department of Human Services includes an increase of $22.2 million in general funds. This Governor's recommendation contains increases of $11.1 million in general funds and $14.6 million in federal fund expenditure authority for discretionary provider inflation of 4.0%. Due to a change in the FMAP rate, the Governor is recommending increases of $11.1 million in general funds $0.4 million in other fund expenditure authority and a corresponding decrease in federal fund expenditure authority.

The Governor is recommending an increase of $0.1 million in general funds for the Department of Health. This increase includes funding for health protection inspections as well as increases for discretionary provider inflation of 4.0% and FMAP changes within the Rural Residency Program.

To ensure the safety of our citizens, South Dakota has a progressive criminal justice system is in place. Governor Noem is recommending an ongoing general fund increase of $5.1 million. This recommendation includes increases of $2.7 million for food services and Correctional Healthcare costs. The Governor is recommending an increase of $1.0 million in general funds to increase the reimbursement provided to counties for juvenile diversion programs. The Governor is also recommending $0.6 million for changes in placement of juveniles in the custody of the Department of Corrections and $0.5 million in general funds for discretionary provider inflation of 4.0%.

Governor Noem is recommending increases of $20.6 million in general funds, $8.8 million in federal fund expenditure authority, and $21.8 million in other fund expenditure authority for 4.0% market adjustment for state employees. The Governor is also recommending increases of $1.4 million in general funds and decreases of $1.0 million in federal fund expenditure authority and $0.4 million in other fund expenditure authority for changes to the employee health insurance plan.

# *SUMMARY OF RECOMMENDED BUDGET ADJUSTMENTS*

## State Aid, Technical Colleges, Higher Education, and Education

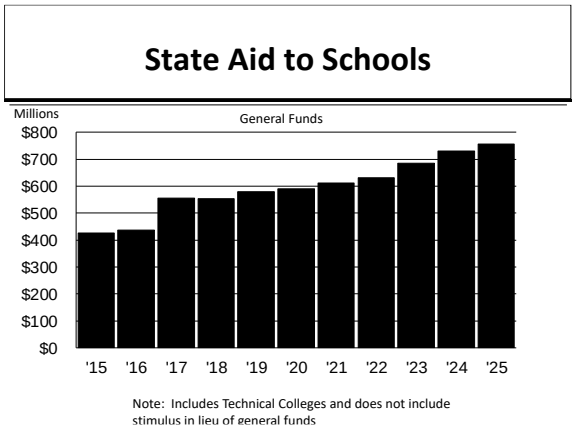
- Includes State Aid to K-12 Education, Technical Colleges, Higher Education, and the Department of Education.
- $27.2M increase out of $114.7M total ongoing general fund increase.
- $1.0B out of $2.4B, or 44.2%, of total ongoing general funds.
- $1.9B out of $7.3B, or 27.4%, of total ongoing funds.

| State Aid to K-12 Education | FTE | General | Federal | Other |
|---|---|---|---|---|
| State Aid to Special Education | | $12,451,404 | | |
| State Aid to General Education | | $12,384,637 | | |
| Sparsity | | ($67,365) | | |
| **Total** | **0.0** | **$24,768,676** | **$0** | **$0** |

- Increase of $12,451,404 in general funds due to the rebase of reimbursement rates for the six special education disability categories.
- Increase of $12,384,637 in general funds for State Aid to General Education due to 4.0% inflation on the target teacher salary and an increase in enrollments.
- Decrease of $67,365 in general funds for sparsity payments due to 4.0% inflation and an adjustment in enrollments in sparse districts.

| State Aid to Technical Colleges | FTE | General | Federal | Other |
|---|---|---|---|---|
| Technical College Formula | | $1,885,933 | | |
| Maintenance and Repair | | $108,288 | | |
| Bond Payments | | $62,951 | | |
| Academic Programs Database | | $15,000 | | |
| National Guard Tuition Assistance Program | | ($296,008) | | |
| **Total** | **0.0** | **$1,776,164** | **$0** | **$0** |

- Increase of $1,885,933 in general funds for the Technical Colleges formula due to 4.0% inflation in the per student allocation and adjustment in the full-time equivalent students.
- Increase of $108,288 in general funds to fund the state's share of maintenance and repair at 1.75% of replacement value for state-owned buildings.
- Increase of $62,951 in general funds to align funding with bond payment schedules.
- Increase of $15,000 in general funds for the annual maintenance cost of the comprehensive programs database.
- Decrease of $296,008 in general funds to transfer the tuition reimbursement program for National Guard members from the Board of Technical Education to the Department of Military.



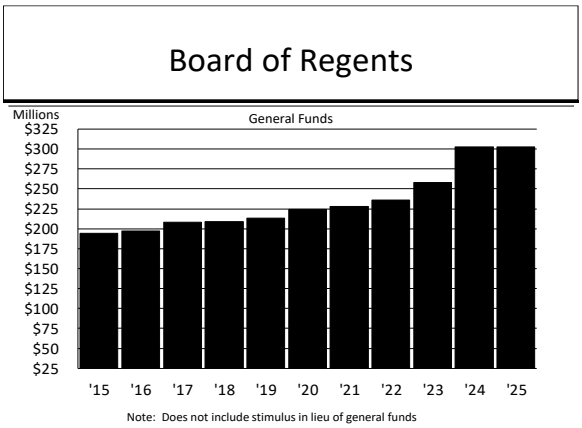

| Education | FTE | General | Federal | Other |
|---|---|---|---|---|
| Dual Credit | | $543,128 | | |
| National Career Readiness Certificate | | $125,000 | | |
| Federal Medical Assistance Percentage (FMAP) | | $7,993 | ($7,993) | |
| Federal Expenditure Authority | | | $11,785,468 | |
| State Longitudinal Data System (SLDS) | 3.0 | | $1,109,473 | |
| Jobs for America's Graduates (JAG-SD) | 2.0 | | $482,050 | |
| Federal Covid-19 Expenditure Authority | | | ($80,000,000) | |
| **Total** | **5.0** | **$676,121** | **($66,631,002)** | **$0** |

- Increase of $543,128 in general funds for the Dual Credit program due to an increase in the number of credits taken and an increase in the cost per credit hour.
- Increase of $125,000 in general funds to support projected growth in the National Career Readiness Certificate program for high school students.
- Increase of $7,993 in general funds with a corresponding decrease in federal fund expenditure authority in the Birth to Three program due to the change in FMAP.
- Increase of $11,785,468 in federal fund expenditure authority to align the budget with anticipated expenses.
- Increases of 3.0 FTE and $1,109,473 in federal fund expenditure authority to continue building the State Longitudinal Data System across state government.
- Increases of 2.0 FTE and $482,050 in federal fund expenditure authority to support the promotion of Jobs for America's Graduates in additional schools in the state.
- Decrease of $80,000,000 in federal fund expenditure authority related to COVID-19 grants.

| Board of Regents | FTE | General | Federal | Other |
|---|---|---|---|---|
| Maintenance and Repair | | $2,077,874 | | |
| Utilities | | $75,062 | | |
| Critical Deferred Maintenance Adjustments | | ($3,452) | | |
| National Guard Tuition Assistance Program | | ($2,592,003) | | |
| Authority Adjustments | 10.0 | | $10,000,000 | $6,330,000 |
| **Total** | **10.0** | **($442,519)** | **$10,000,000** | **$6,330,00** |

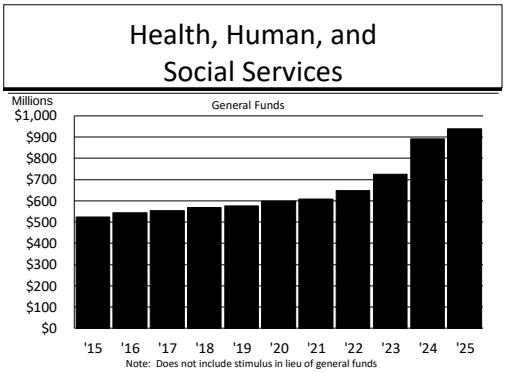
- Increase of $2,077,874 in general funds to fund maintenance and repair at 1.75% of replacement value.

- Increase of $75,062 in general funds for changes in utilities based on EnergyCap projections.
- Decrease of $3,452 in general funds based on the bond lease schedule.
- Decrease of $2,592,003 in general funds to transfer the tuition reimbursement program for National Guard members from the Board of Regents to the Department of Military.
- Increases of 10.0 FTE, $10,000,000 in federal fund expenditure authority, and $6,330,000 in other fund expenditure authority to align budget with anticipated revenues and expenses.




## Health, Human, and Social Services

- Includes the Departments of Health, Human Services, and Social Services.
- $49.7M increase out of $114.7M total ongoing general fund increase.
- $940.4M out of $2.4B, or 38.1%, of total ongoing general funds.
- $2.7B out of $7.3B, or 37.3%, of total ongoing funds.

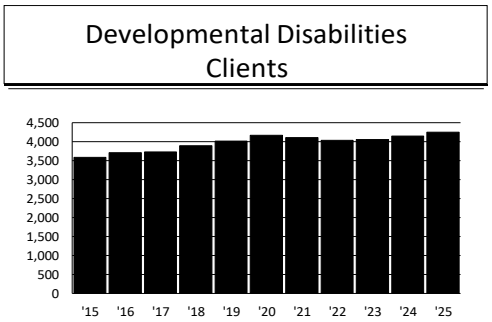


| Health | FTE | General | Federal | Other |
|---|---|---|---|---|
| Health Protection | | $78,247 | | |
| Rural Residency | | $35,721 | $11,883 | |
| Federal Fund Authority Adjustment | | | $7,000,000 | |
| Bright Start Expansion | 2.0 | | $193,631 | |
| Child Lead Epidemiologist | 1.0 | | - | |
| Medical Cannabis Positions & Testing | 3.0 | | | $866,855 |
| Informational Boards | | | | $74,575 |
| **Total** | **6.0** | **$113,968** | **$7,205,514** | **$941,430** |

- Increase of $78,247 in general funds to cover expenses associated with health protection inspections.
- Increases of $35,721 in general funds and $11,883 in federal fund expenditure authority for 4.0% provider inflation and FMAP changes within the Rural Residency program.
- Increase of $7,000,000 in federal fund expenditure authority to align budget with anticipated federal grant awards.
- Increases of 2.0 FTE and $193,631 in federal fund expenditure authority to expand the Bright Start program statewide.
- Increase of 1.0 FTE and transfer of federal fund expenditure authority within the Office of Epidemiology, Surveillance, & Informatics to shift a contracted Epidemiologist to state employee.
- Increases of 3.0 FTE and $866,855 in other fund expenditure authority for the operation of the existing medical cannabis program. This program was previously funded by a special appropriation.
- Increase of $74,575 in other fund expenditure authority for various changes throughout the department's boards and commissions.

| Human Services | FTE | General | Federal | Other |
|---|---|---|---|---|
| Provider Inflation | | $11,129,817 | $14,607,308 | $318,154 |
| Federal Medical Assistance Percentage | | $11,058,919 | ($11,416,762) | $357,843 |
| South Dakota Developmental Center | | ($9,839) | ($41,347) | |
| **Total** | **0.0** | **$22,178,897** | **$3,149,199** | **$675,997** |

- Increases of $11,129,817 in general funds, $14,607,308 in federal fund expenditure authority, and $318,154 in other fund expenditure authority for provider inflation of 4.0%.
- Increase of $11,058,919 in general funds, decrease of $11,416,762 in federal fund expenditure authority, and increase of $357,843 in other fund expenditure authority for the change in FMAP.
- Decreases of $9,839 in general funds and $41,347 in federal fund expenditure authority due to projected changes in utilities and food service at the South Dakota Developmental Center.

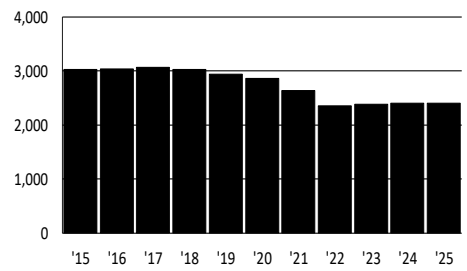



| Social Services | FTE | General | Federal | Other |
|---|---|---|---|---|
| Medicaid Expansion 5% Enhanced FMAP | | $18,341,970 | | |
| Provider Inflation | | $14,049,224 | $24,140,193 | |
| Federal Medical Assistance Percentage | | $13,858,896 | ($13,858,896) | |
| Mandatory Inflation | | $10,468,173 | $7,218,184 | |
| Adoptions, Guardianships, and Placements | | $1,929,991 | $686,098 | |
| Human Services Center | | $734,523 | | |
| GovLink Maintenance | | $140,169 | $272,090 | |
| Child Care Reorganization | - | - | - | - |
| Juvenile Diversion Funding | | ($1,000,000) | | |
| Medicaid Expansion Eligible Contingency | | ($5,392,287) | ($48,530,582) | |
| Medicaid Expansion Utilization | | ($11,038,582) | ($99,347,239) | |
| Medicaid and Chip Eligibles, Utilization, & Cost | | ($14,635,492) | ($20,673,293) | |
| Correctional Healthcare Pharmacy | (8.5) | | | ($1,110,285) |
| **Total** | **(8.5)** | **$27,456,585** | **($150,093,445)** | **($1,110,285)** |

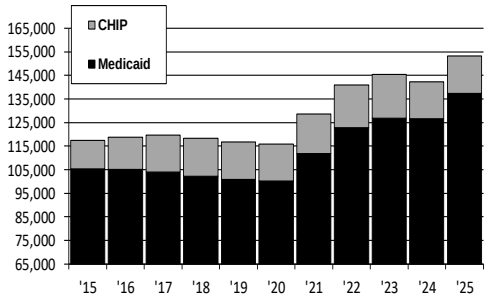
- Increase of $18,341,970 in general funds to plan ahead for the Medicaid Expansion 5% enhanced FMAP that will go away in FY2026.
- Increases of $14,049,224 in general funds and $24,140,193 in federal fund expenditure authority for 4.0% provider inflation.
- Increase of $13,858,896 in general funds with a corresponding decrease in federal fund expenditure authority for the change in FMAP.
- Increases of $10,468,173 in general funds and $7,218,184 in federal fund expenditure authority for mandatory increases for Federally Qualified Health Centers, Rural Health Clinics, Prescription Drugs, Medicare Parts A, B, D, and crossover co-pays.
- Increases of $1,929,991 in general funds and $686,098 in federal fund expenditure authority for an additional 93 adoption and 19 guardianship subsidies, as well as additional paid placements in Child Protection Services.
- Increase of $734,523 in general funds at the Human Services Center due to food services and utilities adjustments.
- Increases of $140,169 in general funds and $272,090 in federal fund expenditure authority for maintenance costs of the GovLink system to streamline e-filing legal documents in Child Support Enforcement.

- Transfer of FTE, general funds, federal fund expenditure authority, and other fund expenditure authority from Children's Service to Economic Assistance. This will align budget with organizational structure.
- Decrease of $1,000,000 in general funds to increase reimbursements provided to counties by the Department of Corrections for juvenile diversion programs. There is a corresponding increase in the Department of Corrections.
- Decreases of $5,392,287 in general funds and $48,530,582 in federal fund expenditure authority to remove the 10% contingency on the number of individuals enrolled in Medicaid Expansion.
- Decreases of $11,038,582 in general funds and $99,347,239 in federal fund expenditure authority for less than anticipated Medicaid Expansion enrollments.
- Decreases of $14,635,492 in general funds and $20,673,293 in federal fund expenditure authority for less than anticipated Medicaid utilization and costs.
- Decreases of 8.5 FTE and $1,110,285 in other fund expenditure authority due to the transition of Correctional Healthcare Pharmacy from the Department of Social Services to the Department of Corrections.

TANF Case Load in South Dakota




Medical Assistance Case Loads in South Dakota

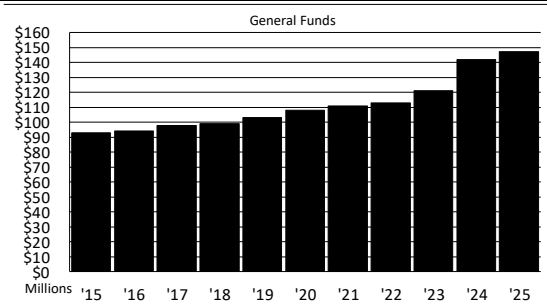



Note: Access to Medicaid was expanded in FY24.

## Corrections

- Includes the Department of Corrections.
- $5.1M increase out of $114.7M total ongoing general fund increase.
- $147.1M out of $2.4B, or 6.2%, of total ongoing general funds.
- $156.7M out of $7.3B, or 2.2%, of total ongoing funds.

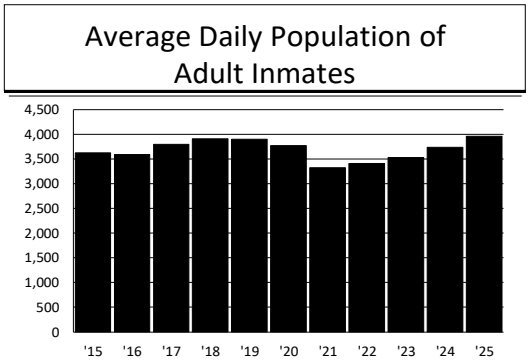
## Corrections




Note: Does not include stimulus in lieu of general funds

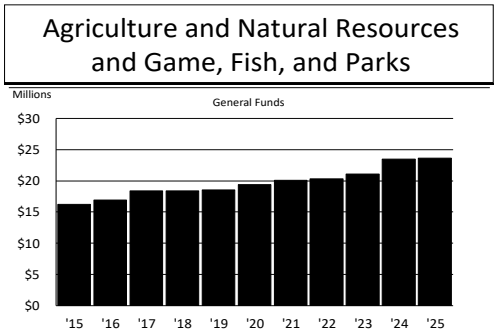
| Corrections | FTE | General | Federal | Other |
|---|---|---|---|---|
| Food Services | | $1,480,005 | | |
| Correctional Healthcare | | $1,209,563 | | |
| Juvenile Diversion Funding | | $1,000,000 | | |
| Juvenile Placements | | $582,666 | ($342,064) | |
| Provider Inflation | | $524,088 | $92,838 | |
| Utilities | | $275,026 | | |
| Federal Medical Assistance Percentage | | $74,128 | ($74,128) | |
| Correctional Healthcare Pharmacy | 8.5 | - | | |
| **Total** | **8.5** | **$5,145,476** | **($323,354)** | **$0** |

- Increase of $1,480,005 in general funds for food services due to adjustments in inmate population and increased meal rates.
- Increase of $1,209,563 in general funds due to increased medical costs and projected patient growth.
- Increase of $1,000,000 in general funds to increase reimbursements provided to counties for juvenile diversion programs. There is a corresponding decrease in the Department of Social Services.
- Increase of $582,666 in general funds and decrease of $342,064 in federal fund expenditure authority due to changes in juvenile placements.
- Increases of $524,088 in general funds and $92,838 in federal fund expenditure authority for 4.0% provider inflation.
- Increase of $275,026 in general funds for changes in utilities based on EnergyCap projections.
- Increase of $74,128 in general funds with a corresponding decrease in federal fund expenditure authority for the change in FMAP.
- Increase of 8.5 FTE and transfer of general funds within Inmate Services due to the transition of Correctional Healthcare Pharmacy from the Department of Social Services to the Department of Corrections.




## Agriculture and Natural Resources and Game, Fish, and Parks

- Includes the Departments of Agriculture and Natural Resources and Game, Fish, and Parks.
- $43.1K increase out of $114.7M total ongoing general fund increase.
- $23.61M out of $2.4B, or 1.0%, of total ongoing general funds.
- $216.8M out of $7.3B, or 2.8%, of total ongoing funds.




| Agriculture and Natural Resources | FTE | General | Federal | Other |
|---|---|---|---|---|
| Animal Industry Board Operations | | $53,784 | $51,816 | $40,258 |
| Informational Boards | (1.0) | | | $1,486,132 |
| Coordinated Conservation Grant Funding | | | | $625,000 |
| Office of Water Adjustment | | - | - | - |
| **Total** | **(1.0)** | **$53,784** | **$51,816** | **$2,151,390** |

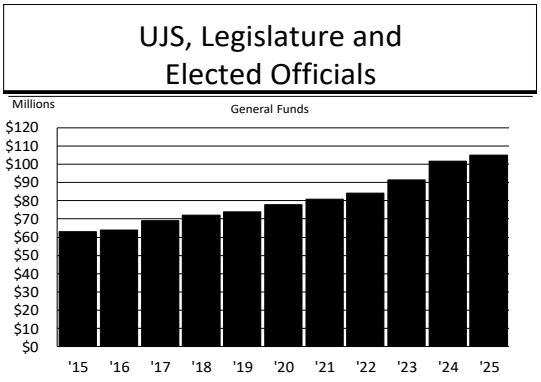
- Increases of $53,784 in general funds, $51,816 in federal fund expenditure authority, and $40,258 in other fund expenditure authority to support Animal Industry Board operations.
- Decrease of 1.0 FTE and increase of $1,486,132 in other fund expenditure authority for various changes throughout the department's boards and commissions.
- Increase of $625,000 in other fund expenditure authority for the Coordinated Conservation Fund grant program.
- Transfer of general funds, federal fund expenditure authority, and other fund expenditure authority to align the Office of Water budget with anticipated expenses.

| Game, Fish, and Parks | FTE | General | Federal | Other |
|---|---|---|---|---|
| Bond Payments | | ($10,666) | | |
| Division of Parks and Recreation - Capital Development | | | $2,014,625 | $1,797,500 |
| Division of Wildlife – Capital Development | | | ($1,094,500) | ($2,007,000) |
| Engineering Adjustment | - | - | - | - |
| **Total** | **0.0** | **($10,666)** | **$920,125** | **($209,500)** |

- Decrease of $10,666 in general funds based on changes in bond payments.
- Increases of $2,014,625 in federal fund expenditure authority and $1,797,500 in other fund expenditure authority to align the budget with anticipated costs for the Division of Parks and Recreation's capital development project list.
- Decreases of $1,094,500 in federal fund expenditure authority and $2,007,000 in other fund expenditure authority to align the budget with anticipated costs for the Division of Wildlife's capital development project list.
- Transfer of FTE, general funds, federal fund expenditure authority, and other fund expenditure authority to align the engineering budgets for the Divisions of Wildlife and Parks and Recreation with anticipated expenditures.

## Legislature, Unified Judicial System, Public Utilities Commission, and Elected Officials

- Includes the Legislature, Unified Judicial System, Public Utilities Commission, Office of the Attorney General, Secretary of State, School and Public Lands, Office of the State Auditor, and Office of the State Treasurer.
- $3.2M increase out of $114.7M total ongoing general fund increase.
- $101.11M out of $2.4B, or 4.2%, of total ongoing general funds.
- $206.6M out of $7.3B, or 2.8%, of total ongoing funds.




| Legislature | FTE | General | Federal | Other |
|---|---|---|---|---|
| Legislative Audit Compensation Plan | | $193,897 | | |
| Auditor Positions | 2.0 | $173,205 | | |
| IT Positions | 2.0 | $169,511 | | |
| Legislative Intern Pay | | $52,800 | | |
| **Total** | **4.0** | **$589,413** | **$0** | **$0** |

- Increase of $193,897 in general funds in the Department of Legislative Audit to fund components of the compensation plan.
- Increases of 2.0 FTE and $173,205 in general funds in the Department of Legislative Audit for additional auditors.
- Increases of 2.0 FTE and $169,511 in general funds in the Legislative Research Council for a Senior Software Engineer and an IT Support Specialist.
- Increase of $52,800 in general funds in the Legislative Research Council to increase the legislative intern pay rate from $125 to $185 per day.

| Unified Judicial System | FTE | General | Federal | Other |
|---|---|---|---|---|
| Office of Indigent Legal Defense | 7.0 | $1,412,831 | | |
| Positions | 2.0 | $279,318 | | |
| Provider Inflation | | $131,921 | | |
| IT Operating Expenses | | | | ($292,510) |
| **Total** | **9.0** | **$1,824,070** | **$0** | **($292,510)** |

- Increases of 7.0 FTE and $1,412,831 in general funds to create the Office of Indigent Legal Defense.
- Increases of 2.0 FTE and $279,318 in general funds for a Circuit Court Judge and a Deputy Court Clerk.
- Increase of $131,921 in general funds for 4.0% provider inflation.
- Decrease of $292,510 in other fund expenditure authority due to delays in the Odyssey Redaction project.

| Public Utilities Commission | FTE | General | Federal | Other |
|---|---|---|---|---|
| Consultant Contracts | | | | $62,080 |
| Do Not Call Registry | | | | ($111) |
| **Total** | **0.0** | **$0** | **$0** | **$61,969** |

- Increase of $62,080 in other fund expenditure authority for research consultants for utility rate cases.
- Decrease of $111 in other fund expenditure authority to align budget with anticipated cost for the Do Not Call registry.

| Attorney General | FTE | General | Federal | Other |
|---|---|---|---|---|
| Digital Investigations | | $405,000 | | |
| Targeted Salary Increase | | $158,113 | $27,218 | $180,506 |
| Forensic Scientist | 1.0 | $117,142 | | |
| Federal Fund Expenditure Authority | | | $1,005,332 | |
| **Total** | **1.0** | **$680,255** | **$1,032,550** | **$180,506** |

- Increase of $405,000 in general funds for training opportunities and software to assist agents with digital investigations.

- Increases of $158,113 in general funds, $27,218 in federal fund expenditure authority, and $180,506 in other fund expenditure authority for targeted salary increases based on Bureau of Human Resources and Administration review of comparable jobs.
- Increases of 1.0 FTE and $117,142 in general funds for a Forensic Scientist to assist with firearm examinations.
- Increase of $1,005,332 in federal fund expenditure authority to align budget with anticipated federal grant awards.

| Secretary of State | FTE | General | Federal | Other |
|---|---|---|---|---|
| County Reimbursements | | $31,900 | $349,251 | |
| Targeted Salary Increase | | $11,997 | $2,514 | $17,314 |
| Contractual Services | | | $309,286 | |
| **Total** | **0.0** | **$43,897** | **$661,051** | **$17,314** |

- Increases of $31,900 in general funds and $349,251 in federal fund expenditure authority for reimbursements to counties for election security and post-election audit expenses.
- Increases of $11,997 in general funds, $2,514 in federal fund expenditure authority, and $17,314 in other fund expenditure authority for targeted salary increases based on Bureau of Human Resources and Administration review of comparable jobs.
- Increase of $309,286 in federal fund expenditure authority for annual contract maintenance.

| School and Public Lands | FTE | General | Federal | Other |
|---|---|---|---|---|
| Targeted Salary Increase | | $1,871 | | $1,871 |
| **Total** | **0.0** | **$1,871** | **$0** | **$1,871** |

- Increases of $1,871 in general funds and $1,871 in other fund expenditure authority for targeted salary increases based on Bureau of Human Resources and Administration review of comparable jobs.

| State Auditor | FTE | General | Federal | Other |
|---|---|---|---|---|
| Targeted Salary Increase | | $77,994 | | |
| **Total** | **0.0** | **$77,994** | **$0** | **$0** |

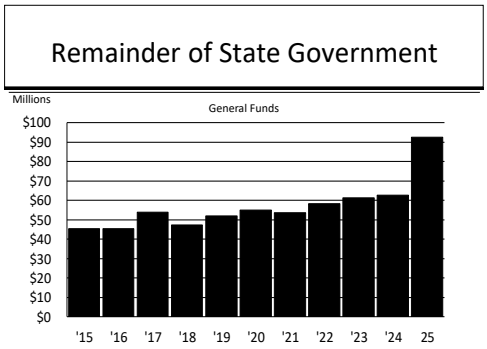
- Increase of $77,994 in general funds for targeted salary increases based on Bureau of Human Resources and Administration review of comparable jobs.

| State Treasurer | FTE | General | Federal | Other |
|---|---|---|---|---|
| Targeted Salary Increase | | $1,106 | | $23,006 |
| Disbursements from Unclaimed Property | | | | $4,000,000 |
| Operating Expenses | | | | $250,063 |
| Incentive Funding | | | | $212,451 |
| Personal Services | | | | $202,712 |
| **Total** | **0.0** | **$1,106** | **$0** | **$4,688,232** |

- Increases of $1,106 in general funds and $23,006 in other fund expenditure authority for targeted salary increases based on Bureau of Human Resources and Administration review of comparable jobs.
- Increase of $4,000,000 in other fund expenditure authority due to increases in Unclaimed Property disbursements.
- Increase of $250,063 in other fund expenditure authority for the South Dakota Investment Council's operating expenses.
- Increase of $212,451 in other fund expenditure authority to align budget for potential performance-based compensation from zero to 225% of prior-year base salaries for the South Dakota Investment Council.
- Increase of $202,712 in other fund expenditure authority for salary increases related to promotions within the South Dakota Investment Council.

## Remainder of State Government

- Includes the Departments of Executive Management, Military, Veterans' Affairs, Revenue, Tourism, Transportation, Labor and Regulation, Retirement, and Public Safety.
- $7.8M increase out of $114.7M total ongoing general fund increase.
- $119.9M out of $2.4B, or 5.0%, of total ongoing general funds.
- $2.0M out of $7.3B, or 27.4%, of total ongoing funds.



| Executive Management | FTE | General | Federal | Other |
|---|---|---|---|---|
| State Employee Salary Policy Pool | | $20,620,425 | $8,827,176 | $21,819,275 |
| Bureau Billings | | $1,783,198 | $1,429,087 | $5,132,005 |
| Maintenance and Repair | | $1,406,743 | | |
| State Employee Health Insurance | | $1,392,124 | ($973,626) | $393,587 |
| Per Diem | | $438,808 | $279,930 | $849,590 |
| Captive Insurance | | $306,590 | $21,433 | $1,254,576 |
| Contractual Increases | | $80,000 | | |
| Board and Commissions | 5.7 | | $108,161 | $2,564,662 |
| Pool Authority Adjustments | | | ($1,706,801) | ($21,736,322) |
| Coronavirus Stimulus Pool | | | ($70,000,000) | |
| Risk Management Claims and Premiums | | | | $10,270,000 |
| Time-Keeping System | | | | $575,000 |
| Office of Legal and Risk | 3.0 | | | $561,889 |
| Systems Maintenance | | | | $242,792 |
| Financial Systems Analyst | 1.0 | | | $98,848 |
| Utilities | | | | $6,602 |
| Attorney Transfer | (1.0) | | | ($147,671) |
| Merger Efficiencies | (4.5) | | | ($786,087) |
| **Total** | **4.2** | **$26,027,888** | **($62,014,640)** | **$21,098,746** |

- Increases of $20,620,425 in general funds, $8,827,176 in federal fund expenditure authority, and $21,819,275 in other fund expenditure authority within the Bureau of Finance and Management to be put in a funding pool and distributed to state agencies for 4.0% salary policy.
- Increases of $1,783,198 in general funds, $1,429,087 in federal fund expenditure authority, and $5,132,005 in other fund expenditure authority within the Bureau of Finance and Management to be put in a funding pool and distributed to state agencies for increases in BIT billing rates.
- Increase of $1,406,743 in general funds within the Bureau of Human Resources and Administration to fund statewide maintenance and repair at 1.75% of replacement value.
- Increase of $1,392,124 in general funds, decrease of $973,626 in federal fund expenditure authority, and increase of $393,587 in other fund expenditure authority within the Bureau of Finance and Management to be put in a funding pool and distributed to state agencies for health insurance.
- Increases of $438,808 in general funds, $279,930 in federal fund expenditure authority, and $849,590 in other fund expenditure authority within the Bureau of Finance and Management to be put in a funding pool and distributed to state agencies for changes in the per diem rates.
- Increase of $306,590 in general funds, $21,433 in federal fund expenditure authority, and $1,254,576 in other fund expenditure authority within the Bureau of Finance and Management to be put in a funding pool and distributed to state agencies for increases in captive insurance.
- Increase of $80,000 in general funds within the Bureau of Information and Telecommunications for contractual increases and tower maintenance in State Radio.

- Increases of 5.7 FTE, $108,161 in federal fund expenditure authority, and $2,564,662 in other fund expenditure authority for various changes throughout the department's boards and commissions.
- Decreases of $1,706,801 in federal fund expenditure authority and $21,736,322 in other fund expenditure authority within the Bureau of Finance and Management to align budget with anticipated distributions from the state employee salary policy pool.
- Decrease of $70,000,000 of federal fund expenditure authority within the Bureau of Finance and Management to align budget with anticipated COVID-19 federal grant awards received directly by agencies.
- Increase of $10,270,000 in other fund expenditure authority within the Bureau of Human Resources and Administration to align budget with anticipated expenses for captive insurance claims and premiums.
- Increase of $575,000 in other fund expenditure authority within the Bureau of Human Resources and Administration to replace the current time-keeping system.
- Increases of 3.0 FTE and $561,889 in other fund expenditure authority within the Bureau of Human Resources and Administration to centralize attorneys within the bureaus to create the Office of Legal and Risk.
- Increase of $242,792 in other fund expenditure authority within the Bureau of Finance and Management for increased maintenance and contract costs for the state's financial systems.
- Increases of 1.0 FTE and $98,848 in other fund expenditure authority within the Bureau of Finance and Management for additional staff to work with agencies on enterprise resource planning requirements and interface needs.
- Increase of $6,602 in other fund expenditure authority within the Bureau of Human Resources and Administration for changes in utilities based on EnergyCap projections.
- Decreases of 1.0 FTE and $147,671 in other fund expenditure authority from the Bureau of Information and Telecommunications to transfer an attorney to the Office of Legal and Risk within the Bureau of Human Resources and Administration.
- Decreases of 4.5 FTE and $786,087 in other fund expenditure authority within the Bureau of Human Resources and Administration to align budget with organizational efficiencies realized as a result of the merger between the Bureau of Human Resources and Bureau of Administration.

| Military | FTE | General | Federal | Other |
|---|---|---|---|---|
| National Guard Tuition Reimbursement | | $2,888,011 | | |
| Maintenance and Repair | | $275,530 | $319,115 | |
| National Guard Tuition at Private Universities | | $202,800 | | |
| Utilities | | ($72,916) | ($234,199) | |
| **Total** | **0.0** | **$3,293,425** | **$84,916** | **$0** |

- Increase of $2,888,011 in general funds to transfer the tuition reimbursement program for National Guard members from the Board of Regents and the Board of Technical Education to the Department of Military.

- Increases of $275,530 in general funds and $319,115 in federal fund expenditure authority to fund maintenance and repair at 1.75% of replacement value.
- Increase of $202,800 in general funds to include private universities in the tuition reimbursement program for National Guard members.
- Decreases of $72,916 in general funds and $234,199 in federal fund expenditure authority for utilities at the Army and Air Guard based on projected costs.

| Veterans' Affairs | FTE | General | Federal | Other |
|---|---|---|---|---|
| Federal Medical Assistance Percentage | | $106,912 | ($106,912) | |
| Supplemental Salary Increase | | $7,437 | | |
| Utilities | | | | ($6,839) |
| **Total** | **0.0** | **$114,349** | **($106,912)** | **($6,839)** |

- Increase of $106,912 in general funds with a corresponding decrease in federal fund expenditure authority for the change in FMAP.
- Increase of $7,437 in general funds to align budget with actual participation of counties and tribes in the Veterans' Service Officer salary supplement program as defined in SDCL 33A-1-25:32.
- Decrease of $6,839 in other fund expenditure authority for changes in utilities at the State Veterans' Home based on EnergyCap projections.

| Revenue | FTE | General | Federal | Other |
|---|---|---|---|---|
| Business Tax Operating Expenses | | | | $285,000 |
| **Total** | **0.0** | **$0** | **$0** | **$285,000** |

- Increase of $285,000 in other fund expenditure authority for software, supplies, and materials in the Business Tax program.

| Tourism | FTE | General | Federal | Other |
|---|---|---|---|---|
| Arts Council Authority Alignment | | | $153,771 | |
| Gaming and Tourism Promotion Tax | | | | $2,082,918 |
| **Total** | **0.0** | **$0** | **$153,771** | **$2,082,918** |

- Increase of $153,771 in federal fund expenditure authority to align budget with anticipated federal grant awards.
- Increase of $2,082,918 in other fund expenditure authority to align budget with projected increase in gaming and tourism promotion tax revenues.

| Tribal Relations | FTE | General | Federal | Other |
|---|---|---|---|---|
| No changes | | | | |
| **Total** | **0.0** | **$0** | **$0** | **$0** |

- No changes recommended to the FY25 budget.

| Transportation | FTE | General | Federal | Other |
|---|---|---|---|---|
| Transit Grants to Non-Profit Organizations | | | $1,321,770 | $25,620 |
| Road Maintenance | | | | $4,660,260 |
| **Total** | **0.0** | **$0** | **$1,321,770** | **$4,685,880** |

- Increases of $1,321,770 in federal fund expenditure authority and $25,620 in other fund expenditure authority for grants to transit providers.
- Increase of $4,660,260 in other fund expenditure authority for road maintenance supplies.

| Labor and Regulation | FTE | General | Federal | Other |
|---|---|---|---|---|
| Job Services Rent | | $252,279 | | |
| Adult Education and Literacy Inflation | | $74,609 | $26,611 | |
| Quest Dislocated Worker Grant | 4.0 | | $1,437,812 | |
| Reemployment Assistance Positions | (4.0) | | ($1,309,955) | |
| Job Service & Secretariat FTE Reduction | (44.5) | | ($4,144,903) | |
| State Registered Apprenticeship Program | 7.0 | | | $2,510,553 |
| Trust Examiners and Operating Expenses | 2.0 | | | $638,865 |
| Board and Commissions | 1.0 | | | $437,940 |
| National Career Readiness Certificate | | | | $125,000 |
| **Total** | **(34.5)** | **$326,888** | **($3,990,435)** | **$3,712,358** |

- Increase of $252,279 in general funds for rent expenses at Job Services field offices.
- Increases of $74,609 in general funds and $26,611 in federal fund expenditure authority for 4.0% inflation for Adult Education and Literacy providers.
- Increases of 4.0 FTE and $1,437,812 in federal fund expenditure authority to increase the number of services that are provided for individuals with barriers to employment.
- Decreases of 4.0 FTE and $1,309,955 in federal fund expenditure authority to align budget with anticipated Reemployment Assistance claims caseload and computer programming expenses.
- Decreases of 44.5 FTE and $4,144,903 in federal fund expenditure authority to align budget with anticipated federal grant awards.
- Increases of 7.0 FTE and $2,510,553 in other fund expenditure authority to create the State Registered Apprenticeship program.
- Increases of 2.0 FTE and $638,865 in other fund expenditure authority for operating expenses and additional trust examiners to keep up with continued growth in trust assets.
- Increases of 1.0 FTE and $437,940 in other fund expenditure authority for various changes throughout the department's boards and commissions.
- Increase of $125,000 in other fund expenditure authority to support projected growth in the National Career Readiness Certificate program for high school students.

| Retirement | FTE | General | Federal | Other |
|---|---|---|---|---|
| Positions | 2.0 | | | $231,942 |
| Operating Expenses | | | | $106,301 |
| **Total** | **2.0** | **$0** | **$0** | **$338,243** |

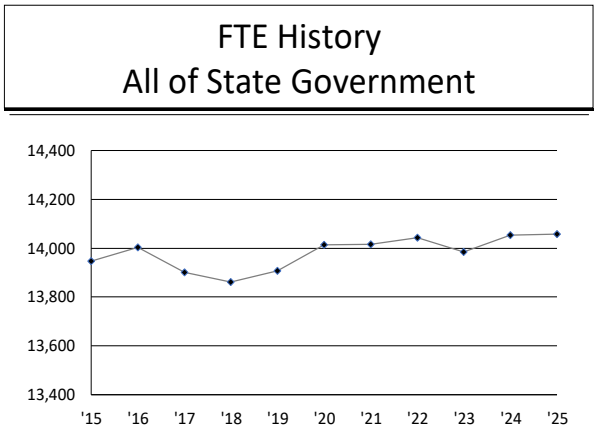
- Increases of 2.0 FTE and $231,942 other fund expenditure authority for an Actuary Associate and a Senior Auditor.
- Increase of $106,301 other fund expenditure authority to align budget with anticipated expenses.

| Public Safety | FTE | General | Federal | Other |
|---|---|---|---|---|
| Inspection Rates | | $33,830 | | |
| Authority Adjustments | | | ($700,000) | ($50,000) |
| Highway Patrol Equipment | | | | $456,410 |
| Driver Licensing Exam Station Rent | | | | $30,737 |
| Victims' Compensation Fund | | | | $27,654 |
| **Total** | **0.0** | **$33,830** | **($700,000)** | **$464,801** |

- Increase of $33,830 in general funds for increased inspection rates paid by the Weights and Measures program and the office of the Fire Marshal.
- Decreases of $700,000 in federal fund expenditure authority and $50,000 in other fund expenditure authority to align budget with anticipated grant awards.
- Increase of $456,410 in other fund expenditure authority for increases in the cost of vehicles and computers for the Highway Patrol.
- Increase of $30,737 in other fund expenditure authority for increased rent at the Brookings Driver Licensing Exam Station.
- Increase of $27,654 in other fund expenditure authority for 4.0% provider inflation in the Victim's Compensation Fund.

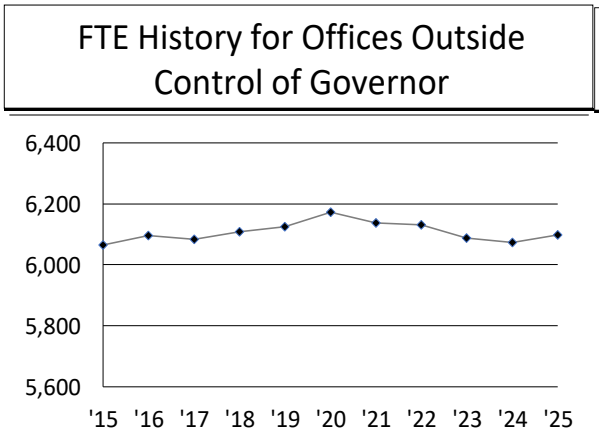
## Full-Time Equivalent Employee Change

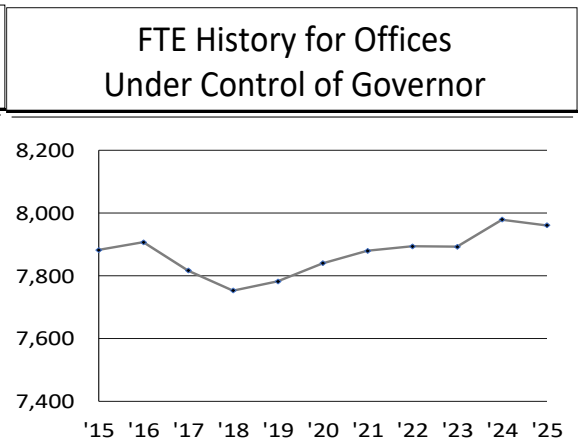
- The total appropriated FTE across all of state government rose from 13,947.0 in FY2015 to a recommended level of 14,058.6 in FY2025.
- This is an increase of 111.6, or 0.80%, over the decade. The recommended change in FTE for FY2025 is an increase of 5.7 across state government.




- For offices outside the control of the Governor, total appropriated FTE changed from 6,064.9 in FY2015 to a recommended level of 6,097.5 in FY2025. This is a net increase of 32.6, or 0.54%, over the decade.

- The recommended changes for these offices in the FY2025 budget are an increase of 24.0 FTE.
- For agencies under direct control of the Governor, total appropriated FTE changed from 7,882.1 in FY2015 to a recommended level of 7,961.1 in FY2025. This is a net increase of 79.0, or 1.00%, over the decade.
- The recommended changes for these agencies in the FY2025 budget are a decrease of 18.3 FTE.




## Summary of Reorganizations

**Bureau of Administration:** A reorganization is recommended between the Bureau of Human Resources and the Bureau of Administration. The budget reorganization merges the Bureau of Human Resources to the Bureau of Administration to form the Bureau of Human Resources and Administration.

**Bureau of Human Resources:** A reorganization is recommended between the Bureau of Human Resources and the Bureau of Administration. The budget reorganization merges the Bureau of Human Resources to the Bureau of Administration to form the Bureau of Human Resources and Administration.

# SPECIAL APPROPRIATION RECOMMENDATIONS

| FY2024 EMERGENCY SPECIAL APPROPRIATIONS | FTE | GENERAL FUNDS | FEDERAL FUNDS | OTHER FUNDS | TOTAL FUNDS |
|---|---|---|---|---|---|
| Richmond Dam Replacement | | $ 9,650,200 | $ 10,649,800 | | $ 20,300,000 |
| Center for Quantum Information Science & Technology | | $ 6,034,444 | | | $ 6,034,444 |
| K-12 Professional Development and Literacy | | $ 6,000,000 | | | $ 6,000,000 |
| Emergency and Disaster Fund | | $ 2,776,341 | | | $ 2,776,341 |
| Fire Suppression Fund | | $ 2,250,931 | | | $ 2,250,931 |
| Lake Alvin and Newell Lake Spillway Replacement | | $ 1,995,604 | | | $ 1,995,604 |
| Rural Recruitment Assistance Programs | | $ 700,863 | | | $ 700,863 |
| Tax Refunds for the Elderly and Disabled | | $ 425,000 | | | $ 425,000 |
| Environmental Funding Projects - Local | | | $ 95,384,221 | | $ 95,384,221 |
| Environmental Funding Projects - Local Contingency | | | $ 28,000,000 | | $ 28,000,000 |
| Environmental Funding Projects - State | | | $ 12,826,696 | | $ 12,826,696 |
| Male Prison Facility | | | $ 10,000,000 | | $ 10,000,000 |
| Female Prison Facility | | | $ 2,420,154 | $ 20,892,179 | $ 23,312,333 |
| Governor's Omnibus Water Funding Bill | | | $ 500,000 | $ 19,300,000 | $ 19,800,000 |
| **TOTAL FY2024 EMERGENCY SPECIAL APPROPRIATIONS** | **0.0** | **$ 29,833,383** | **$ 159,780,871** | **$ 40,192,179** | **$ 229,806,433** |

**NOTE:** FY2024 emergency special appropriations become available for expenditure upon passage of the bill and are included in the FY2024 column of the General Fund Condition Statement.

The Governor is recommending total emergency special appropriations of $29,833,383 in general funds, $159,780,871 in federal fund expenditure authority, and $40,192,179 in other fund expenditure authority. The following paragraphs highlight each recommended emergency special appropriation.

- ***Richmond Dam Replacement:*** The Governor is recommending an increase of $9,650,200 in general funds and $10,649,800 in federal fund expenditure authority for costs associated with the replacement of Richmond Dam.
- ***Center for Quantum Information Science & Technology:*** The Governor is recommending an increase of $6,034,444 in general funds to jumpstart the Center for Quantum Information Science & Technology (C-QIST) in partnership with Dakota State University.
- ***K-12 Professional Development and Literacy:*** The Governor is recommending an increase of $6,000,000 in general funds for the Department of Education to provide professional development for teachers in literacy.
- ***Emergency and Disaster Fund:*** The Governor is recommending an increase of $2,776,341 in general funds to be deposited into the Emergency and Disaster Fund for costs related to emergencies and disasters impacting South Dakota.
- ***Fire Suppression Fund:*** The Governor is recommending an increase of $2,250,931 in general funds to be deposited into the Fire Suppression Fund for costs related to the suppression of wildfires in South Dakota.
- ***Lake Alvin and Newell Lake Spillway Replacement:*** The Governor is recommending an increase of $1,995,604 in general funds to complete the Lake Alvin and Newell Lake spillway projects.
- ***Rural Recruitment Assistance Programs:*** The Governor is recommending an increase of $700,863 in general funds to recruit medical professionals to rural communities.
- ***Tax Refunds for the Elderly and Disabled:*** The Governor is recommending an increase of $425,000 in general funds for tax refunds to elderly and disabled individuals who meet income guidelines.
- ***Environmental Funding Projects - Local:*** The Governor is recommending an increase of $95,384,221 in federal fund expenditure authority to support eligible improvements to water and sewer infrastructure projects throughout the state.
- ***Environmental Funding Projects - Local Contingency:*** The Governor is recommending an increase of $28,000,000 in federal fund expenditure authority for contingency in eligible improvements to water and sewer infrastructure projects throughout the state should other State Fiscal Recovery Fund projects exceed anticipated cost.
- ***Environmental Funding Projects - State:*** The Governor is recommending an increase of $12,826,696 in federal fund expenditure authority for eligible improvements to the water and sewer infrastructure at various state-owned facilities.
- ***Male Prison Facility:*** The Governor is recommending an increase of $10,000,000 in federal fund expenditure authority for eligible water and sewer infrastructure projects at the new Male Prison Facility in the Sioux Falls area.
- ***Female Prison Facility:*** The Governor is recommending an increase of $2,420,154 in federal fund expenditure authority and $20,892,179 in other fund expenditure authority for eligible water and sewer infrastructure, as well as higher than anticipated construction costs at the new Female Prison Facility in Rapid City.
- ***Governor's Omnibus Water Funding Bill:*** The Governor is recommending an increase of $500,000 in federal fund expenditure authority and $19,300,000 in other fund expenditure authority for water development, solid waste, and water quality improvement projects throughout the state.

| FY2024 GENERAL BILL AMENDMENTS | FTE | GENERAL FUNDS | FEDERAL FUNDS | OTHER FUNDS | TOTAL FUNDS |
|---|---|---|---|---|---|
| Technical Colleges Equipment | | $ 4,818,836 | | | $ 4,818,836 |
| Hughes County Jail Contract | | $ 4,521,240 | | | $ 4,521,240 |
| Bureau Billings | | $ 2,121,992 | $ 1,989,002 | $ 5,857,923 | $ 9,968,917 |
| Food Services | | $ 1,777,457 | | | $ 1,777,457 |
| Coronavirus Relief Funds (CRF) Health Insurance Adjustment | | $ 1,004,235 | $ (1,133,332) | $ 36,197 | $ (92,900) |
| State Veterans' Home Contract Medical Staff | | $ 847,420 | | $ (847,420) | $ - |
| Technical Colleges Formula | | $ 777,739 | | | $ 777,739 |
| Juvenile Community Corrections Placements | | $ 582,666 | $ (342,064) | | $ 240,602 |
| Digital Investigations | | $ 275,000 | | | $ 275,000 |
| Bureau of Information and Telecommunications Critical System Support | | $ 210,000 | $ 5,573,063 | $ 375,442 | $ 6,158,505 |
| Department of Labor and Regulation Rent | | $ 109,470 | | | $ 109,470 |
| Health Protection Inspections | | $ 55,131 | | | $ 55,131 |
| County and Tribal Veterans' Service Officer Salary Support | | $ 7,437 | | | $ 7,437 |
| Legislator Salaries | | $ (151,802) | | | $ (151,802) |
| Various Statewide Utilities | | $ (516,213) | $ (280,175) | $ (1,812) | $ (798,200) |
| Correctional Healthcare Reduction (SFRF) | | $ (10,000,000) | $ 10,000,000 | | $ - |
| Enhanced FMAP - COVID-19 PHE Unwinding | | $ (13,544,785) | $ 13,359,614 | $ (106,205) | $ (291,376) |
| State Aid to General Education Revision | | $ (15,223,350) | | | $ (15,223,350) |
| Department of Human Services Utilization | | $ (19,109,570) | $ (31,196,591) | | $ (50,306,161) |
| Change in Medicaid and CHIP Eligibles | | $ (20,844,290) | $ (30,503,083) | | $ (51,347,373) |
| Change in Medicaid Expansion Utilization | | $ (48,934,725) | $ (337,812,528) | | $ (386,747,253) |
| COVID-19 Federal Grant Expenditure Authority | | | $ 104,247,232 | | $ 104,247,232 |
| Board of Regents Expenditure Authority Adjustment | 8.0 | | $ 10,000,000 | $ 3,010,769 | $ 13,010,769 |
| Department of Education Federal Fund Expenditure Authority | | | $ 4,518,492 | | $ 4,518,492 |
| Attorney General Federal Fund Expenditure Authority | | | $ 1,005,332 | | $ 1,005,332 |
| Department of Labor and Regulation Quest Dislocated Worker Grant | 2.0 | | $ 718,906 | | $ 718,906 |
| Department of Labor and Regulation Reduction in Federally Funded FTE | (19.0) | | $ (1,829,717) | | $ (1,829,717) |
| Broadband Program Expenditure Authority Adjustment | | | $ (18,952,000) | | $ (18,952,000) |
| Risk Management Claims and Premiums | | | | $ 8,850,000 | $ 8,850,000 |
| Department of Labor and Regulation Apprenticeship Grant | 7.0 | | | $ 2,510,553 | $ 2,510,553 |
| Department of Health Informational Boards | | | | $ 2,400,000 | $ 2,400,000 |
| Department of Education Certification and Personal Record Form Systems | | | | $ 1,251,220 | $ 1,251,220 |
| Division of Banking Operating Expenses | | | | $ 260,053 | $ 260,053 |
| Highway Patrol - Computer Lease | | | | $ 78,032 | $ 78,032 |
| **TOTAL FY2024 GENERAL BILL AMENDMENTS** | **(2.0)** | **$ (111,216,112)** | **$ (270,637,849)** | **$ 23,674,752** | **$ (358,179,209)** |

**NOTE:** FY2024 general bill amendments are changes made to the FY2024 General Appropriations Act and are included in the FY2024 column of the General Fund Condition Statement.

The Governor is recommending total general bill amendments of (2.0) FTE, ($111,216,112) in general funds, ($270,637,849) in federal fund expenditure authority, and $23,674,752 in other fund expenditure authority. The following paragraphs highlight the recommended changes to the FY2024 General Bill.

- ***Technical Colleges Equipment:*** The Governor is recommending an increase of $4,818,836 in general funds for equipment at the technical colleges.
- ***Hughes County Jail Contract:*** The Governor is recommending an increase of $4,521,240 in general funds to house 72 female offenders at the Hughes County Jail to address overcrowding at the Women's Prison in Pierre until the new facility is completed in Rapid City.
- ***Bureau Billings:*** The Governor is recommending increases of $2,121,992 in general funds, $1,989,002 in federal fund expenditure authority, and $5,857,923 in other fund expenditure authority to be distributed to state agencies for increases in BIT billing rates.
- ***Food Services:*** The Governor is recommending an increase of $1,777,457 in general funds due to meal rate and population changes at the adult correctional facilities and the Human Services Center.
- ***Coronavirus Relief Funds (CRF) Health Insurance Adjustment:*** The Governor is recommending an increase of $1,004,235 in general funds, a decrease of $1,133,332 in federal fund expenditure authority, and an increase of $36,197 in other fund expenditure authority for a health insurance adjustment.
- ***State Veterans' Home Contract Medical Staff:*** The Governor is recommending an increase of $847,420 in general funds and a decrease of $847,420 in other fund expenditure authority to assist with nurse staffing shortages at the State Veterans' Home.
- ***Technical Colleges Formula:*** The Governor is recommending an increase of $777,739 in general funds due to changes in the number of full-time equivalent students.
- ***Juvenile Community Corrections Placements:*** The Governor is recommending an increase of $582,666 in general funds and a decrease of $342,064 in federal fund expenditure authority for changes in the placement mix for youth adjudicated to the Department of Corrections.
- ***Digital Investigations:*** The Governor is recommending an increase of $275,000 in general funds for training opportunities and software to assist agents with digital investigations.
- ***Bureau of Information and Telecommunications Critical System Support:*** The Governor is recommending an increase of $210,000 in general funds, $5,573,063 in federal fund expenditure authority, and $375,442 in other fund expenditure authority to make upgrades to the state radio system.
- ***Department of Labor and Regulation Rent:*** The Governor is recommending an increase of $109,470 in general funds for rent at Job Service field
- ***Health Protection Inspections:*** The Governor is recommending an increase of $55,131 in general funds to cover expenses associated with health protection inspections.

- ***County and Tribal Veterans' Service Officer Salary Support:*** The Governor is recommending an increase of $7,437 in general funds to align the budget with estimated local participation for the county and tribal veterans' service officer salary supplement program.
- ***Legislator Salaries:*** The Governor is recommending a decrease of $151,802 in general funds to reflect the legislative salary decrease for the 2023 session.
- ***Various Statewide Utilities:*** The Governor is recommending decreases of $516,213 in general funds, $280,175 in federal fund expenditure authority, and $1,812 in other fund expenditure authority for adjustments in utilities based on projected usage and utility costs.
- ***Correctional Healthcare Reduction (SFRF):*** The Governor is recommending a decrease of $10,000,000 in general funds and an increase of $10,000,000 in federal fund expenditure authority due to coding allowable government services to State Fiscal Recovery Funds.
- ***Enhanced FMAP - COVID-19 PHE Unwinding:*** The Governor is recommending a decrease of $13,544,785 in general funds, an increase of $13,359,614 in federal fund expenditure authority, and a decrease of $106,205 in other fund expenditure authority due to the COVID-19 Public Health Emergency (PHE) unwinding.
- ***State Aid to General Education Revision:*** The Governor is recommending a decrease of $15,223,350 in general funds due to lower than projected student numbers and higher than projected property tax valuations in FY2024.
- ***Department of Human Services Utilization:*** The Governor is recommending decreases of $19,109,570 in general funds and $31,196,591 in federal fund expenditure authority to align budget with anticipated number of eligibles and expenses.
- ***Change in Medicaid and CHIP Eligibles:*** The Governor is recommending decreases of $20,844,290 in general funds and $30,503,083 in federal fund expenditure authority to align the traditional Medicaid budget with current enrollments and projected utilization.
- ***Change in Medicaid Expansion Utilization:*** The Governor is recommending decreases of $48,934,725 in general funds and $337,812,528 in federal fund expenditure authority to align the Medicaid Expansion budget with current enrollments and projected utilization.
- ***COVID-19 Federal Grant Expenditure Authority:*** The Governor is recommending an increase of $104,247,232 in federal fund expenditure authority to align the budgets of various state agencies with anticipated COVID-19 grant awards.
- ***Board of Regents Expenditure Authority Adjustment:*** The Governor is recommending increases of 8.0 FTE, $10,000,000 in federal fund expenditure authority, and $3,010,769 in other fund expenditure authority to align budget with anticipated expenditures.
- ***Department of Education Federal Fund Expenditure Authority:*** The Governor is recommending an increase of $4,518,492 in federal fund expenditure authority for supply chain assistance for meal programs, Farm to School grants, and data systems development.
- ***Attorney General Federal Fund Expenditure Authority:*** The Governor is recommending an increase of $1,005,332 in federal fund expenditure authority to align the budget with anticipated federal grant funding.
- ***Department of Labor and Regulation Quest Dislocated Worker Grant:*** The Governor is recommending an increase of 2.0 FTE and $718,906 in federal fund expenditure authority to increase the number of services that are provided for individuals with barriers to employment.
- ***Department of Labor and Regulation Reduction in Federally Funded FTE:*** The Governor is recommending decreases of 19.0 FTE and $1,829,717 in federal fund expenditure authority to align the budget with federal grant awards.
- ***Broadband Program Expenditure Authority Adjustment:*** The Governor is recommending a decrease of $18,952,000 in federal fund expenditure authority to align the budget with anticipated expenditures due to delays in IIJA funding.
- ***Risk Management Claims and Premiums:*** The Governor is recommending an increase of $8,850,000 in other fund expenditure authority to align the budget with anticipated expenditures for the Office of Risk Management.
- ***Department of Labor and Regulation Apprenticeship Grant:*** The Governor is recommending an increase of 7.0 FTE and $2,510,553 in other fund expenditure authority for the State Registered Apprenticeship grant.
- ***Department of Health Informational Boards:*** The Governor is recommending an increase of $2,400,000 in other fund expenditure authority for various changes throughout the department's boards and commissions.
- ***Department of Education Certification and PRF Systems:*** The Governor is recommending an increase of $1,251,220 in other fund expenditure authority for the Teacher Certification and Personal Record Form (PRF) systems.
- ***Division of Banking Operating Expenses:*** The Governor is recommending an increase of $260,053 in other fund expenditure authority for operational increases in the Banking Division.
- ***Highway Patrol - Computer Lease:*** The Governor is recommending an increase of $78,032 in other fund expenditure authority for necessary hardware for Highway Patrol Officers.

| FY2024 EXPENDITURE TRANSFERS | FTE | GENERAL FUNDS | FEDERAL FUNDS | OTHER FUNDS | TOTAL FUNDS |
|---|---|---|---|---|---|
| Incarceration Construction Fund (Male Prison Facility) | | $ 132,449,532 | | | $ 132,449,532 |
| Incarceration Construction Fund (Female Prison Facility) | | $ 20,892,179 | | | $ 20,892,179 |
| IT Modernization Fund | | $ 7,018,780 | | | $ 7,018,780 |
| **TOTAL FY2024 EXPENDITURE TRANSFERS** | **0.0** | **$ 160,360,491** | **$ -** | **$ -** | **$ 160,360,491** |

**NOTE:** FY2024 expenditure transfers are included in the FY2024 column of the General Fund Condition Statement.

The Governor is recommending total expenditure transfers of $160,360,491 in general funds. The following paragraph highlights the recommended expenditure transfers.

- ***Incarceration Construction Fund (Male Prison Facility):*** The Governor is recommending a transfer of $132,449,532 in general funds to the Incarceration Construction Fund for the construction of a male prison facility.
- ***Incarceration Construction Fund (Female Prison Facility):*** The Governor is recommending a transfer of $20,892,179 in general funds to the Incarceration Construction Fund for the construction of a female prison facility.
- ***IT Modernization Fund:*** The Governor is recommending a transfer of $7,018,780 in general funds to the IT Modernization Fund to improve state infrastructure.

## *GOVERNOR NOEM'S RECOMMENDATION FOR THE FY2025 STATE EMPLOYEE COMPENSATION PLAN*

| | GENERAL FUNDS | FEDERAL FUNDS | OTHER FUNDS | TOTAL FUNDS |
|---|---|---|---|---|
| **MARKET ADJUSTMENT:** | **$ 20,620,425** | **$ 8,827,176** | **$ 21,819,275** | **$ 51,266,876** |
| The Governor is recommending a 4.0% market adjustment for state employees. | | | | |
| **HEALTH INSURANCE:** | **$ 1,392,124** | **$ (973,626)** | **$ 393,587** | **$ 812,085** |
| The Governor is recommending an increase for the state employee health insurance plan. | | | | |
| **TOTAL COST OF RECOMMENDED STATE EMPLOYEE COMPENSATION PLAN:** | **$ 22,012,549** | **$ 7,853,550** | **$ 22,212,862** | **$ 52,078,961** |
| REMAINING FY2024 POOL: | $ - | $ 1,706,801 | $ 21,736,322 | $ 23,443,123 |
| **TOTAL INCREASE FOR RECOMMENDED STATE EMPLOYEE COMPENSATION PLAN:** | **$ 22,012,549** | **$ 6,146,749** | **$ 476,540** | **$ 28,635,838** |

For FY2025, the components of the state employee compensation plan are recommended as a pool in the Bureau of Finance and Management to be distributed to agencies following the passage of the General Appropriations Act.

# GOVERNOR'S RECOMMENDATION FY2025
# GENERAL FUND BASE BUDGET

| *GENERAL BILL* | FTE EXPANSION/ (REDUCTION) | GENERAL FUND EXPANSION/ (REDUCTION) | TOTAL GENERAL FUND RECOMMENDATION |
|---|---|---|---|
| Administration | 72.0 | 1,773,391 | 21,173,462 |
| Agriculture and Natural Resources | (1.0) | 53,784 | 16,247,212 |
| Attorney General | 1.0 | 680,255 | 18,979,248 |
| Corrections | 8.5 | 5,145,476 | 147,098,782 |
| Education (Excluding State Aid and Technical Colleges) | 5.0 | 676,121 | 21,617,732 |
| State Aid to Education | 0.0 | 24,768,676 | 715,091,599 |
| Technical Colleges | 0.0 | 1,776,164 | 41,112,913 |
| Finance and Management | 1.0 | 2,528,596 | 3,997,896 |
| Employee Compensation Package | 0.0 | 22,012,549 | 22,012,549 |
| Game, Fish, and Parks | 0.0 | (10,666) | 7,309,145 |
| Office of the Governor (Excluding GOED) | 0.0 | 0 | 2,960,462 |
| Governor's Office of Economic Development | 5.7 | 0 | 8,324,296 |
| Health | 6.0 | 113,968 | 14,161,593 |
| Human Resources | (73.5) | (366,648) | 0 |
| Human Services | 0.0 | 22,178,897 | 283,896,260 |
| Information and Telecommunications | (1.0) | 80,000 | 10,072,246 |
| Labor and Regulation | (34.5) | 326,888 | 3,619,007 |
| Legislature | 4.0 | 589,413 | 14,178,570 |
| Military | 0.0 | 3,293,425 | 8,133,542 |
| Public Safety | 0.0 | 33,830 | 7,598,391 |
| Public Utilities Commission | 0.0 | 0 | 722,208 |
| Regents | 10.0 | (442,519) | 302,872,667 |
| Retirement | 2.0 | 0 | 0 |
| Revenue | 0.0 | 0 | 1,117,221 |
| School and Public Lands | 0.0 | 1,871 | 852,330 |
| Secretary of State | 0.0 | 43,897 | 1,544,060 |
| Social Services | (8.5) | 27,456,585 | 642,292,798 |
| State Auditor | 0.0 | 77,994 | 1,708,396 |
| State Treasurer (Including Investment Council) | 0.0 | 1,106 | 689,326 |
| Tourism | 0.0 | 0 | 0 |
| Transportation | 0.0 | 0 | 691,928 |
| Tribal Relations | 0.0 | 0 | 823,429 |
| Unified Judicial System | 9.0 | 1,824,070 | 63,288,789 |
| Veterans' Affairs | 0.0 | 114,349 | 5,014,396 |
| ***TOTAL FY2025 GENERAL BILL RECOMMENDATIONS*** | 5.7 | 114,731,472 | 2,389,202,453 |
| ***BREAKDOWN*** | | | |
| Executive Branch | (20.3) | 63,397,996 | 1,203,189,336 |
| Unified Judicial System and Other Elected Officials | 14.0 | 3,218,606 | 104,923,389 |
| State Aid | 0.0 | 24,768,676 | 715,091,599 |
| Technical Colleges | 0.0 | 1,776,164 | 41,112,913 |
| Board of Regents | 10.0 | (442,519) | 302,872,667 |
| Employee Compensation Package | 0.0 | 22,012,549 | 22,012,549 |
| ***TOTAL FY2025 GENERAL BILL RECOMMENDATIONS*** | 3.7 | 114,731,472 | 2,389,202,453 |

# GENERAL FUND CONDITION STATEMENT

| | ACTUAL FY2022 | ACTUAL FY2023 | REVISED FY2024 | PROJECTED FY2025 |
|---|---|---|---|---|
| **RECEIPTS** | | | | |
| Sales and Use Tax | $ 1,356,844,793 | $ 1,480,572,850 | $ 1,435,189,097 | $ 1,494,649,338 |
| Lottery | 171,609,682 | 176,663,767 | 177,813,515 | 179,963,037 |
| Contractor's Excise Tax | 155,823,772 | 189,407,586 | 207,999,417 | 212,036,057 |
| Insurance Company Tax | 103,995,420 | 112,141,293 | 120,382,354 | 126,522,130 |
| Unclaimed Property Receipts | 65,097,628 | 74,981,213 | 106,876,913 | 60,103,683 |
| Tobacco Taxes | 49,385,379 | 47,074,649 | 44,315,875 | 43,205,556 |
| Bank Franchise Tax | 22,511,850 | 20,425,082 | 18,941,200 | 17,299,461 |
| Other | 201,140,843 | 197,023,622 | 233,627,689 | 265,424,160 |
| One-Time Receipts | 35,835,669 | 28,963,409 | 17,877,654 | 0 |
| Obligated Cash Carried Forward | 85,875,130 | 115,478,433 | 96,775,123 | 0 |
| Prior Period Adjustment | 5,332,982 | 0 | 0 | 0 |
| **TOTAL RECEIPTS** | $ 2,253,453,148 | $ 2,442,731,904 | $ 2,459,798,837 | $ 2,399,203,422 |
| **EXPENDITURES** | | | | |
| General Bill Excl. State Aid to Education | $ 1,115,016,224 | $ 1,229,733,043 | $ 1,488,155,296 | $ 1,674,110,854 |
| State Aid to Education | 578,354,526 | 627,379,332 | 675,099,573 | 715,091,599 |
| Emergency Special Appropriations | 318,088,366 | 199,187,743 | 29,833,383 | 0 |
| Continuous Appropriations/Transfers | 35,307,487 | 174,178,230 | 169,935,462 | 10,000,969 |
| **TOTAL EXPENDITURES** | $ 2,046,766,603 | $ 2,230,478,348 | $ 2,363,023,714 | $ 2,399,203,422 |
| **TRANSFERS** | | | | |
| Budget Reserve Fund | $ 0 | $ 7,177,198 | $ 25,166,956 | $ 0 |
| General Revenue Replacement Fund | 91,208,112 | 108,301,235 | 71,608,167 | 0 |
| **TOTAL TRANSFERS** | $ 91,208,112 | $ 115,478,433 | $ 96,775,123 | $ 0 |
| **Beginning Unobligated Cash Balance** | $ 0 | $ 0 | $ 0 | $ 0 |
| **Net (Receipts less Expend./Transfers)** | $ 115,478,433 | $ 96,775,123 | $ 0 | $ 0 |
| **OBLIGATIONS AGAINST CASH** | | | | |
| Budget Reserve Fund | $ (7,177,198) | $ (25,166,956) | $ 0 | $ 0 |
| General Revenue Replacement Fund | (108,301,235) | (71,608,167) | 0 | 0 |
| **Total Obligations Against Cash** | $ (115,478,433) | $ (96,775,123) | $ 0 | $ 0 |
| **Net Adjustments for Accruals** | | | | |
| **Ending Unobligated Cash Balance** | $ 0 | $ 0 | $ 0 | $ 0 |

**SOURCE:** State of South Dakota Bureau of Finance and Management

**NOTE:** This document was prepared on a cash basis for budgeting purposes and reflects obligations against cash. The totals may not add due to rounding.

# TOTAL STATE GOVERNMENT BUDGET
## (Excluding Informational Budgets)

### GENERAL APPROPRIATIONS BILL

| | ACTUAL FY 2022 | ACTUAL FY 2023 | BUDGETED FY 2024 | REQUESTED FY 2025 | GOVERNOR'S RECOMMENDED FY 2025 | RECOMMENDED INC/(DEC) FY 2025 |
|---|---|---|---|---|---|---|
| **FUNDING SOURCE:** | | | | | | |
| General Funds | $ 1,693,370,750 | $ 1,857,112,375 | $ 2,274,470,981 | $ 2,389,917,718 | $ 2,389,202,453 | $ 114,731,472 |
| Federal Funds | 2,074,087,457 | 1,541,739,421 | 2,529,699,137 | 2,495,564,759 | 2,258,239,810 | ( 271,459,327 ) |
| Other Funds | 745,616,423 | 802,545,009 | 962,474,241 | 984,587,820 | 986,746,952 | 24,272,711 |
| Total | $ 4,513,074,629 | $ 4,201,396,805 | $ 5,766,644,359 | $ 5,870,070,297 | $ 5,634,189,215 | ( $ 132,455,144 ) |
| **EXPENDITURE DETAIL:** | | | | | | |
| Personal Services | $ 839,039,509 | $ 918,436,551 | $ 1,155,060,026 | $ 1,167,119,035 | $ 1,179,912,055 | $ 24,852,029 |
| Operating Expenses | 3,674,035,120 | 3,282,960,254 | 4,611,584,333 | 4,702,951,262 | 4,454,277,160 | ( 157,307,173 ) |
| Total | $ 4,513,074,629 | $ 4,201,396,805 | $ 5,766,644,359 | $ 5,870,070,297 | $ 5,634,189,215 | ( $ 132,455,144 ) |
| **Staffing Level FTE:** | 10,242.2 | 10,311.5 | 12,055.8 | 12,094.2 | 12,042.7 | ( 13.1 ) |

### SPECIAL APPROPRIATIONS AND GENERAL FUND CONTINUING APPROPRIATIONS

| FUNDING SOURCE: | REVISED BUDGETED FY 2024 | GOVERNOR'S RECOMMENDED FY 2025 | RECOMMENDED INC/(DEC) FY 2025 |
|---|---|---|---|
| General Funds | $ 88,552,733 | $ 10,000,969 | ( $ 78,551,764 ) |
| Federal Funds | ( 114,856,978 ) | 6,000,000 | 120,856,978 |
| Other Funds | 52,270,201 | 1,283,270 | ( 50,986,931 ) |
| Total | $ 25,965,956 | $ 17,284,239 | ( $ 8,681,717 ) |
| Staffing Level FTE: | ( 10.0 ) | 0.0 | 10.0 |

### TOTAL STATE GOVERNMENT BUDGET

| FUNDING SOURCE: | REVISED BUDGETED FY 2024 | GOVERNOR'S RECOMMENDED FY 2025 | RECOMMENDED INC/(DEC) FY 2025 |
|---|---|---|---|
| General Funds | $ 2,363,023,714 | $ 2,399,203,422 | $ 36,179,708 |
| Federal Funds | 2,414,842,159 | 2,264,239,810 | ( 150,602,349 ) |
| Other Funds | 1,014,744,442 | 988,030,222 | ( 26,714,220 ) |
| Total | $ 5,792,610,315 | $ 5,651,473,454 | ( $ 141,136,861 ) |
| Staffing Level FTE: | 12,045.8 | 12,042.7 | ( 3.1 ) |

# INFORMATIONAL BUDGETS CONTAINED IN THE GENERAL APPROPRIATIONS BILL

| | ACTUAL FY 2022 | ACTUAL FY 2023 | BUDGETED FY 2024 | REQUESTED FY 2025 | GOVERNOR'S RECOMMENDED FY 2025 | RECOMMENDED INC/(DEC) FY 2025 |
|---|---|---|---|---|---|---|
| **FUNDING SOURCE:** | | | | | | |
| General Funds | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 |
| Federal Funds | 571,606,607 | 620,266,314 | 941,321,443 | 954,708,138 | 953,529,145 | 12,207,702 |
| Other Funds | 577,834,449 | 655,761,201 | 667,469,210 | 689,357,198 | 689,294,020 | 21,824,810 |
| Total | $ 1,149,441,056 | $ 1,276,027,515 | $ 1,608,790,653 | $ 1,644,065,336 | $ 1,642,823,165 | $ 34,032,512 |
| **EXPENDITURE DETAIL:** | | | | | | |
| Personal Services | $ 223,436,465 | $ 237,788,053 | $ 276,250,019 | $ 278,629,163 | $ 278,591,116 | $ 2,341,097 |
| Operating Expenses | 926,004,590 | 1,038,239,462 | 1,332,540,634 | 1,365,436,173 | 1,364,232,049 | 31,691,415 |
| Total | $ 1,149,441,056 | $ 1,276,027,515 | $ 1,608,790,653 | $ 1,644,065,336 | $ 1,642,823,165 | $ 34,032,512 |
| **Staffing Level FTE:** | 2,448.3 | 2,393.5 | 1,997.1 | 2,015.9 | 2,015.9 | 18.8 |

## INFORMATIONAL BUDGETS

South Dakota Housing Development Authority
SD Science & Technology Authority
SD Ellsworth Development Authority
South Dakota Building Authority
SD Health & Educational Facilities Authority
Education Enhancement Funding Corporation
Risk Management Administration
Risk Management Claims
Lottery Instant and On-Line Operations
Commission on Gaming
American Dairy Association
Wheat Commission
Oilseeds Council
Soybean Research and Promotion
Brand Board
Corn Utilization Council
Board of Veterinary Medical Examiners
SD Pulse Crops Council
Division of Wildlife
Wildlife Development and Improvement
Snowmobile Trails Program
Board of Counselor Examiners
Board of Psychology Examiners
Board of Social Work Examiners
Board of Addiction & Prevention Professionals
Board of Chiropractic Examiners
Board of Dentistry
Board of Hearing Aid Dispensers
Board of Funeral Service
Board of Medical and Osteopathic Examiners
Board of Nursing
Board of Nursing Home Administrators
Board of Examiners in Optometry
Board of Pharmacy
Board of Podiatry Examiners
Board of Massage Therapy
Board of Language and Speech Pathology
Board of Certified Professional Midwives
Board of Accountancy
Board of Barber Examiners
Cosmetology Commission
Plumbing Commission
Board of Technical Professions
Electrical Commission
Real Estate Commission
Abstractors Board of Examiners
SD Athletic Commission
Trust Captive Insurance Company
Highway Construction Contracts
911 Coordination Board
Tuition and Fee Fund
Board of Regents Research
Army Guard
Air National Guard
Regulated Response Fund
Livestock Cleanup
Petroleum Release Fund
PUC Administration
Grain Warehouse
Fixed Utilities
Pipeline Safety
One-Call Notification Board
State Bar Association
Insurance Fraud Unit
Unclaimed Property Fund

# TOTAL STATE GOVERNMENT BUDGET
## (Including Informational Budgets)

### GENERAL APPROPRIATIONS BILL

| | ACTUAL FY 2022 | ACTUAL FY 2023 | BUDGETED FY 2024 | REQUESTED FY 2025 | GOVERNOR'S RECOMMENDED FY 2025 | RECOMMENDED INC/(DEC) FY 2025 |
|---|---|---|---|---|---|---|
| **FUNDING SOURCE:** | | | | | | |
| General Funds | $ 1,693,370,750 | $ 1,857,112,375 | $ 2,274,470,981 | $ 2,389,917,718 | $ 2,389,202,453 | $ 114,731,472 |
| Federal Funds | 2,645,694,064 | 2,162,005,735 | 3,471,020,580 | 3,450,272,897 | 3,211,768,955 | ( 259,251,625 ) |
| Other Funds | 1,323,450,871 | 1,458,306,209 | 1,629,943,451 | 1,673,945,018 | 1,676,040,972 | 46,097,521 |
| Total | $ 5,662,515,685 | $ 5,477,424,319 | $ 7,375,435,012 | $ 7,514,135,633 | $ 7,277,012,380 | ( $ 98,422,632 ) |
| **EXPENDITURE DETAIL:** | | | | | | |
| Personal Services | $ 1,062,475,974 | $ 1,156,224,604 | $ 1,431,310,045 | $ 1,445,748,198 | $ 1,458,503,171 | $ 27,193,126 |
| Operating Expenses | 4,600,039,711 | 4,321,199,716 | 5,944,124,967 | 6,068,387,435 | 5,818,509,209 | ( 125,615,758 ) |
| Total | $ 5,662,515,685 | $ 5,477,424,319 | $ 7,375,435,012 | $ 7,514,135,633 | $ 7,277,012,380 | ( $ 98,422,632 ) |
| **Staffing Level FTE:** | 12,690.4 | 12,705.0 | 14,052.9 | 14,110.1 | 14,058.6 | 5.7 |

## SPECIAL APPROPRIATIONS AND GENERAL FUND CONTINUING APPROPRIATIONS

| FUNDING SOURCE: | REVISED BUDGETED FY 2024 | GOVERNOR'S RECOMMENDED FY 2025 | RECOMMENDED INC/(DEC) FY 2025 |
|---|---|---|---|
| General Funds | $ 88,552,733 | $ 10,000,969 | ( $ 78,551,764 ) |
| Federal Funds | ( 104,856,978 ) | 6,000,000 | 110,856,978 |
| Other Funds | 65,150,201 | 1,283,270 | ( 63,866,931 ) |
| Total | $ 48,845,956 | $ 17,284,239 | ( $ 31,561,717 ) |
| Staffing Level FTE: | ( 2.0 ) | 0.0 | 2.0 |

## TOTAL STATE GOVERNMENT BUDGET

| FUNDING SOURCE: | REVISED BUDGETED FY 2024 | GOVERNOR'S RECOMMENDED FY 2025 | RECOMMENDED INC/(DEC) FY 2025 |
|---|---|---|---|
| General Funds | $ 2,363,023,714 | $ 2,399,203,422 | $ 36,179,708 |
| Federal Funds | 3,366,163,602 | 3,217,768,955 | ( 148,394,647 ) |
| Other Funds | 1,695,093,652 | 1,677,324,242 | ( 17,769,410 ) |
| Total | $ 7,424,280,968 | $ 7,294,296,619 | ( $ 129,984,349 ) |
| Staffing Level FTE: | 14,050.9 | 14,058.6 | 7.7 |

# Tax Expenditures

Recommended Budget, Fiscal Year 2026-2027

Tennessee Code Annotated (TCA) 9-4-5106(a)(1)(B) requires the Budget Document to include a schedule of exemptions from state taxes. This section is intended to fulfill that statutory obligation.

Under the law, the Budget Document is required to identify all exemptions from state taxes, to the extent that it is practicable, and estimate the amount of revenue that would have been collected by the state in the ensuing fiscal year, if the exemptions were not to exist. No format or reporting period is specified.

## Tax Exemptions

It is not possible to estimate the amount of revenue lost for each of the tax exemptions found in the Tennessee code. For example, since 1947, the list of nonprofit institutions that are exempt from the sales tax has grown dramatically. Such institutions are allowed to buy tangible goods and certain services tax free. Retailers and sellers require proof of exemption and keep records of exempt sales; but tax returns filed with the Department of Revenue do not show detailed statistics on exempt sales by type of exempt entity. Such data is only available in the records of the thousands of individual retailers and vendors who sell directly to the public. Therefore, the tax exemptions listed in the present report consist only of those that can be estimated with a reasonable degree of accuracy.

The fiscal impact of Tennessee's major tax exemptions is presented in tabular form in Tables 1-A and 1-B. Estimates of revenue loss are provided for fiscal year 2026-2027. Table 1-A presents revenue foregone on services not currently taxed. These services represent activities that were not included in the original tax base. Table 1-B presents revenue foregone due to specific exemptions in the existing sales tax law. For each item in this table, the exemption is briefly described and the specific authorization of the Tennessee code is cited.

It is difficult to estimate the true cost of tax exemptions for two reasons. First, each exemption is considered separately, without regard to how it overlaps with other provisions of the tax code. Summing tax exemptions may result in double-counting in cases where exemptions overlap. Second, the estimates of revenue loss provided in the tables do not generally take into account the impact of a change in a particular tax provision on taxpayer behavior that impacts other taxes (the estimates do not reflect secondary or feedback effects).

## Items Not in Sales Tax Base
### Currently Untaxed Services: Table 1-A

| Service/Product Area Exempted | FY 2026-2027 Estimated Loss State | Local * |
|---|---|---|
| **Administrative and Support Services** | **$ 805,200,000** | **$ 287,600,000** |
| Collection Agencies and Credit Bureaus | 62,700,000 | 22,400,000 |
| Employment Services | 410,100,000 | 146,500,000 |
| Investigation and Security Services | 96,200,000 | 34,400,000 |
| Mail, Document Reproduction, and Call Centers | 71,800,000 | 25,600,000 |
| Services to Buildings and Dwellings | 164,400,000 | 58,700,000 |
| **Construction Services** | **$ 864,900,000** | **$ 308,900,000** |
| Construction of Buildings | 292,600,000 | 104,500,000 |
| Heavy and Civil Engineering Construction | 94,600,000 | 33,800,000 |
| Specialty Trade Contractors | 477,700,000 | 170,600,000 |
| **Educational Services** | **$ 81,700,000** | **$ 29,100,000** |
| Educational Services (for-profit) | 71,800,000 | 25,600,000 |
| Educational Services (nonprofit) | 9,900,000 | 3,500,000 |
| **Finance, Insurance, and Real Estate** | **$ 400,200,000** | **$ 143,000,000** |
| Investment Banking, Securities Brokerage, and Related | 196,500,000 | 70,200,000 |
| Insurance Agents and Related | 17,300,000 | 6,200,000 |
| Real Estate Agents and Brokers | 186,400,000 | 66,600,000 |
| **Health Care and Social Services (For-profit)** | **$ 2,114,200,000** | **$ 755,100,000** |
| Physicians and Dentists | 1,009,700,000 | 360,600,000 |
| Other Health Practitioners | 127,700,000 | 45,600,000 |
| Hospitals | 446,000,000 | 159,300,000 |
| Nursing and Residential Care Facilities | 101,200,000 | 36,100,000 |
| Outpatient Care Centers | 139,100,000 | 49,700,000 |
| Medical and Diagnostic Laboratories | 75,000,000 | 26,800,000 |
| Other Selected Health Services | 53,800,000 | 19,200,000 |
| Social and Community Services | 161,700,000 | 57,800,000 |
| **Health Care and Social Services (Nonprofit)** | **$ 1,676,400,000** | **$ 598,800,000** |
| Hospitals | 1,170,000,000 | 417,900,000 |
| Nursing and Residential Care Facilities | 243,200,000 | 86,900,000 |
| Outpatient Care Centers | 137,600,000 | 49,100,000 |
| Other Selected Health Services | 50,000,000 | 17,900,000 |
| Social and Community Services | 75,600,000 | 27,000,000 |
| **Information Services** | **$ 195,400,000** | **$ 72,000,000** |
| Data Processing Services | 80,100,000 | 28,600,000 |
| Movie Production and Sound Recording Studios | 107,800,000 | 38,500,000 |
| Cable TV Subscriptions (exempt amount) | 7,500,000 | 4,900,000 |
| **Media Advertising Sales** | **$ 153,500,000** | **$ 54,800,000** |
| Newspaper Advertising | 10,200,000 | 3,600,000 |
| Radio Advertising | 21,000,000 | 7,500,000 |
| Television Advertising (Broadcast and Cable) | 122,300,000 | 43,700,000 |
| **Personal Services** | **$ 217,900,000** | **$ 77,800,000** |
| Coin-operated Laundry | 2,600,000 | 900,000 |
| Death Care Services | 26,400,000 | 9,400,000 |
| Diet and Weight Loss | 1,200,000 | 400,000 |
| Hair, Nail, and Skin Care Services | 80,600,000 | 28,800,000 |
| Nonprofit Amusement and Membership Organizations | 107,100,000 | 38,300,000 |
| **Professional and Technical Services** | **$ 1,533,300,000** | **$ 547,600,000** |
| Accounting, Tax Return Preparation, and Payroll | 253,900,000 | 90,700,000 |
| Advertising and Public Relations | 103,500,000 | 37,000,000 |
| Architectural Services | 41,200,000 | 14,700,000 |
| Engineering Services | 163,900,000 | 58,500,000 |
| All Other Architectural, Engineering, and Related | 29,400,000 | 10,500,000 |
| Specialized Design Services | 33,300,000 | 11,900,000 |
| Computer Systems Design and Related Services | 266,900,000 | 95,300,000 |
| Legal Services (for-profit and nonprofit) | 306,200,000 | 109,400,000 |
| Management, Scientific, and Technical Consulting | 291,300,000 | 104,000,000 |
| Scientific Research and Development (for-profit and nonprofit) | 43,700,000 | 15,600,000 |
| **Transportation Services (Local Trucking only)** | **$ 100,600,000** | **$ 35,900,000** |
| Truck Transportation (Local) | 100,600,000 | 35,900,000 |
| **Total Revenue Loss** | **$ 8,143,300,000** | **$ 2,910,600,000** |

* Local revenue loss calculated based on an average local sales tax rate of 2.50%.

Source: Tennessee Department of Revenue

## Major Tax Exemptions
### From Current Tax Base: Table 1-B

| Tennessee Code Annotated | Tax Source and Description of the Exemption | FY 2026-2027 Estimated Loss State | FY 2026-2027 Estimated Loss Local |
|---|---|---|---|
| | **Sales and Use Tax** | **$ 5,035,600,000** | **$ 1,567,600,000** |
| 67-6-329(a)(1) | Gasoline | 739,300,000 | 264,000,000 |
| 67-6-329(a)(2) | Motor vehicle fuel (diesel fuel) | 294,700,000 | 105,200,000 |
| 67-6-217 | Aviation fuel (reduced rate) | 42,600,000 | 42,600,000 |
| 67-6-207(a)(9) | Gasoline/diesel fuel for agriculture | 19,000,000 | 6,800,000 |
| 67-6-314, 320 | Prescription drugs, insulin, and related | 1,485,000,000 | 530,400,000 |
| 67-6-319 | Prescription drug samples | 60,500,000 | 21,600,000 |
| 67-6-334 | Energy fuels sold for residential use | 337,000,000 | 153,200,000 |
| 67-6-206(b)(1-2), 702(b) | Energy and water sales to manufacturers (reduced rate) | 152,800,000 | 69,500,000 |
| 67-6-206(b)(2-8) | Energy and water sales to manufacturers for direct processing (exempt) | 34,300,000 | 15,600,000 |
| 67-6-102(44), 206(a), 207, 702(b) | Industrial and farm machinery and equipment | 373,200,000 | 80,000,000 |
| 67-6-228(a) | Food sales (reduced rate) | 668,300,000 | 20,500,000 |
| 67-6-329(a)(13) | Packaging sold for resale or use | 226,800,000 | 77,700,000 |
| 67-6-329(a)(3), (18) | School books and lunches | 44,300,000 | 15,800,000 |
| 67-6-330(a)(4-5) | Membership dues of civic organizations and business associations | 21,700,000 | 7,700,000 |
| 67-6-316 | Prescription eyewear and optical goods | 27,300,000 | 9,700,000 |
| 67-6-103(f), 226, 714 | Cable television (exempt portion) | 7,500,000 | 4,900,000 |
| 67-6-329(a)(10) | Newspaper periodical sales | 2,700,000 | 1,000,000 |
| 67-6-303 | Motor vehicles sold to active-duty or non-resident military personnel | 7,500,000 | 300,000 |
| 67-6-216 | Non-material cost of manufactured homes (reduced rate) | 19,800,000 | 0 |
| 67-6-301 | Agricultural products | 260,400,000 | 69,600,000 |
| 67-6-219, 702(e) | Sales to common carriers (reduced rate) | 17,200,000 | 7,300,000 |
| 67-6-330(a)(16) | Physical fitness facility fees | 15,300,000 | 5,500,000 |
| 67-6-313(g), 321 | Railroad rolling stock, materials, and repairs | 6,400,000 | 1,400,000 |
| 67-6-309(a) | Film and transcription rentals | 0 | 0 |
| 67-6-102(44)(H)(i) | Certain warehouse equipment | 24,300,000 | 4,600,000 |
| 67-6-207(a)(10-17) | Fertilizers, pesticides, seeds, and related items to nurseries | 68,100,000 | 24,300,000 |
| 67-6-335 | Dentists | 45,900,000 | 16,400,000 |
| | All other remaining exemptions | 33,700,000 | 12,000,000 |
| | **Corporate Franchise and Excise Tax** | **$ 109,000,000** | **$ 0** |
| 67-4-2109 | Jobs credit (Franchise and Excise) | 79,700,000 | Not Applicable |
| 67-4-2108 | Cap on value of inventories (Franchise) | 18,800,000 | Not Applicable |
| 67-4-2009 | Industrial machinery credit (Franchise and Excise) | 10,500,000 | Not Applicable |
| | **Motor Vehicle Registration Fees** | **$ 6,900,000** | **$ 0** |
| 55-4-223 | Government vehicles | 3,300,000 | Not Applicable |
| 55-4-228(d)(1)(a) | Enlisted members of the Tennessee National Guard | 100,000 | Not Applicable |
| 55-4-235,236,237 | Former POWs, Medal of Honor recipients, and disabled Veterans | 1,500,000 | Not Applicable |
| 55-4-113(6) | Special zone tags - Class 1 | 300,000 | Not Applicable |
| 55-4-113(6), 124 | Special zone tags - Class 2 | 1,500,000 | Not Applicable |
| 55-21-103(a)(1) | Disabled driver plate fee | 100,000 | Not Applicable |
| 55-21-103(b)(2) | Disabled driver placard fees | 100,000 | Not Applicable |
| | **Gross Receipts Taxes** | **$ 375,400,000** | **$ 0** |
| 67-4-405(b) | Gas, Water, and Electric Companies - Govt. operations exempt | 365,900,000 | Not Applicable |
| 67-4-405(d) | Gas, Water, and Electric Companies - Franchise and Excise tax credit | 4,700,000 | Not Applicable |
| 67-4-405(e) | Gas, Water, and Electric Companies - $5,000 exemption | 200,000 | Not Applicable |
| 67-4-402 | Bottlers - Franchise and Excise tax credit | 4,600,000 | Not Applicable |
| | **Miscellaneous Taxes** | **$ 700,000** | **$ 0** |
| 67-4-409(b)(4) | Mortgage Tax - $2,000 exemption | 700,000 | Not Applicable |
| | **Total Revenue Loss** | **$ 5,527,600,000** | **$ 1,567,600,000** |

Source: Tennessee Department of Revenue

Glenn Hegar • Texas Comptroller of Public Accounts

# TAX EXEMPTIONS *and* TAX INCIDENCE

*A Report to the Governor and the 89TH Legislature • January 2025*

6723/8585

**Glenn Hegar** Texas Comptroller of Public Accounts

January 17, 2025

The Honorable Greg Abbott, Governor
The Honorable Dan Patrick, Lieutenant Governor
The Honorable Dustin Burrows, Speaker of the House
Members of the 89th Legislature

Ladies and Gentlemen:

As required by Texas Government Code Section 403.014, the Tax Exemptions & Tax Incidence Report estimates the value of each exemption, exclusion, discount, deduction, special accounting method, credit, refund and special appraisal available to payers of Texas' sales, motor vehicle sales, franchise and oil production taxes, as well as property taxes levied by Texas school districts. The estimates in this report are based on revenue projections derived from the *2024-25 Certification Revenue Estimate* (October 2023).

For fiscal 2025, aggregate exemptions, exclusions and other deductions for the revenue sources included in this report will total an estimated $98.14 billion. Of this amount, the exemptions related to state taxes will account for $71.22 billion; school property tax exemptions will account for the remaining $26.92 billion.

I would note, however, that a significant share of total exemptions — $27.11 billion of the estimated fiscal 2025 amounts — is accounted for by exemptions to the sales tax for items that are taxable under other law. Included among the items taxed under other law are insurance premiums, motor vehicle sales and motor fuels; their consequent exemptions from the sales tax are estimated to be worth $14.95 billion, $6.35 billion and $4.54 billion, respectively.

Other exemptions from the sales tax include $9.68 billion in raw materials used in manufacturing, $4.3 billion in food for home consumption (i.e., groceries) and $1.08 billion worth of over-the-counter drugs and prescription medicine and devices.

This report also presents the results of the analysis prepared in accordance with Texas Government Code Section 403.0141, which directs the Comptroller of Public Accounts to report on the incidence of certain taxes and exemptions.

The material in this report is provided for informational purposes only. This report makes no recommendations for retaining, eliminating or amending any provisions of the law.

Sincerely,

Glenn Hegar

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# Overview

In state fiscal year 2025 — from Sept. 1, 2024, to Aug. 31, 2025 — exemptions[1] from the sales, franchise, motor vehicle sales and oil production taxes will amount to an estimated $71.22 billion.

Sales tax exemptions will total $66.79 billion, franchise tax exemptions will total $4.15 billion, motor vehicle sales tax exemptions will total $229 million, and oil production tax exemptions will total $46 million. Exemptions or special appraisals for local school district property taxes will amount to an estimated $26.92 billion in tax year 2025.

The above amounts include exemptions and exclusions from the tax base as well as special rates, deductions and discounts.

In fiscal 2024, combined state revenues — accruing to all funds excluding trust — from the sales, franchise, motor vehicle sales and oil production taxes totaled $66.59 billion, accounting for 81 percent of the state's total tax revenue. School property taxes generated an estimated $39.5 billion in tax year 2023, which was 48.5 percent of the total property taxes levied in 2023.

## About the Estimates

The exemption estimates are unadjusted amounts, meaning that elimination or repeal of a specific exemption would not necessarily produce the dollar amounts cited in this report. Actual receipts would depend on enforcement, taxpayer compliance, effective dates of legislation repealing the exemption, taxpayer discounts and the exact wording of any legislation.

Each estimate is based on the best information available from public and private sources, including Comptroller's office tax records. No recommendations related to the estimated exemptions have been formulated.

This report briefly and generally describes state tax exemptions. These descriptions do not grant rights or impose obligations; the Tax Code and administrative rules determine actual taxability.

There are numerous exemptions, especially from sales tax and school property tax, the value of which are not estimated. Meaningful and reliable estimates are often unfeasible due to the nature and limitations of available data.

In 2023, the reported gross sales of businesses required to file sales tax reports was approximately $3.5 trillion, while their reported amount subject to sales tax was $827 billion — approximately 24 percent of reported sales were subject to sales tax. **Table 2** of this report enumerates specific sections of the Tax Code, many with distinct subsections that provide for exemptions from sales tax. Additionally, there are items not taxed — exclusions — that do not require explicit exemption, because transactions in the items are simply beyond the scope of the tax. Transactions in real property, intangible personal property and most services are not taxed, but do not require explicit exemption, because they are outside the scope of a tax that is imposed on tangible personal property and only specifically enumerated services.

[1] The term "exemptions" as used in this overview includes exemptions, exclusions, discounts, deductions, special accounting methods, credits, refunds and special appraisals.


6729/8585

It would be exceptionally burdensome on taxpayers to require detailed reporting of transactions corresponding to each of the exemption sections and subsections and to a schedule of excluded transactions. No such detailed reporting is imposed by statute or administrative rule. Consequently, tax reports do not contain data sufficient to estimate the value of all exemptions and exclusions.

Estimation requires identification of pertinent, useful data available from external sources. Estimates depend on data obtained from sources such as the U.S. Census Bureau, the U.S. Energy Information Administration, the U.S. Department of Agriculture, the Federal Highway Administration, the Texas Health and Human Services Commission, trade associations, academic papers and often proprietary industry analyses by private consulting firms. When exemptions identified in tables have not been estimated, it is because requisite data do not exist or have not been identified and acquired from an external source.

In the case of property tax, estimates of the value of exemptions or other provisions that limit property tax liabilities are based on information provided by county appraisal districts and on school district property tax rates. No estimate is made if the necessary information regarding property value subject to an exemption or limitation is not included in the reports filed by appraisal districts with the Comptroller's Property Tax Assistance Division — whether because the property in question is never appraised (e.g., churches, cemeteries, military bases) or because the information is not required for compliance with the laws governing appraisal districts and their constituent taxing authorities. ✪

# Limited Sales and Use Tax

The sales and use tax is the largest source of tax revenue for Texas state government, bringing in 58 cents of every state tax dollar in fiscal 2024. The sales tax is a levy on transactions. In general, it is imposed on final sales, rentals and leases of tangible personal property — physical goods — and on sales of certain services such as amusement, telecommunications services and the repair of tangible personal property.

While sales and use tax collections totaled $47.07 billion in fiscal 2024, the tax is limited in scope when compared with the total number and kind of transactions in the economy because of various exemptions and exclusions. For simplicity, this tax is referred to as the "sales tax" throughout the remainder of this discussion.

## Classifying Sales Tax Exemptions

Liability for the sales tax is limited by three statutory mechanisms: exemptions, exclusions and discounts. Estimates of their values — that is, the cost to the state government in lower sales tax revenue collections — are provided in **Table 1**.

*Exemptions* protect items that would be taxable except for specific provisions in the law. For example, because the Texas sales tax law taxes all sales of tangible personal property, groceries would be taxable if they were not specifically exempted.

*Exclusions* are transactions not taxed because they fall outside the legal definition of a taxable sale. Exclusions include sales of intangibles, such as stocks and bonds, and sales and rentals of real property, as well as sales of most services. Currently, only certain specified services are subject to the sales tax.

*Discounts* are handling fees that Texas law allows tax permit holders to retain in exchange for collecting sales taxes and sending them to the state on time. The "timely filer" discount is 0.5 percent of the amount of sales tax collected. An additional 1.25 percent "pre-payment" discount is available to those who pay their estimated taxes in advance.

Exemptions are provided for certain basic necessities such as groceries, residential gas and electric utilities, and prescription and over-the-counter drugs. Other sales are exempted when made to certain groups. For example, governmental bodies and religious and nonprofit educational groups buy items for their own use tax free.

Other exemptions apply because the tax would be impractical to collect. For example, those who make only occasional sales (one or two sales of taxable items per year) do not collect sales tax; purchasers with sales tax permits, however, are responsible for remitting the tax.

Most other exemptions and exclusions prevent multiple taxation of the same items or reduce business costs.

### Sales Tax: **Exemptions**

Specific sections of the Texas Tax Code exempt particular items from the sales tax. The following discussion outlines these exemptions and includes references to the appropriate sections of the Tax Code covering those items.

**Table 2** summarizes the estimated value of these exemptions for fiscal 2025 and the following five fiscal years. Exemptions for which the value cannot be estimated due to insufficient data are marked "cbe."

**Table 1**

### Value of Sales Tax Exemptions, Exclusions and Discounts

Fiscal 2025 to 2030 – In millions of dollars

| Item | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
|---|---|---|---|---|---|---|
| Exemptions | $51,160.4 | $52,226.6 | $54,481.8 | $56,506.3 | $59,044.5 | $61,742.3 |
| Exclusions | 15,229.9 | 15,991.9 | 16,787.8 | 17,618.8 | 18,470.4 | 19,336.8 |
| Discounts | 398.3 | 419.2 | 439.5 | 460.6 | 481.6 | 496.1 |
| **Total** | **$66,788.6** | **$68,637.7** | **$71,709.1** | **$74,585.7** | **$77,996.6** | **$81,575.2** |

*Note: Totals may not sum due to rounding.*

**Table 2**

## Value of Sales Tax Exemptions

Fiscal 2025 to 2030 – In millions of dollars

| Tax Code Section | Exemption | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
|---|---|---|---|---|---|---|---|
| 151.302 | Sales for resale | cbe | cbe | cbe | cbe | cbe | cbe |
| 151.3021 | Packaging supplies and wrapping (dry cleaning) | * | * | * | * | * | * |
| 151.303 | Previously taxed items | cbe | cbe | cbe | cbe | cbe | cbe |
| 151.304 | Occasional sales | cbe | cbe | cbe | cbe | cbe | cbe |
| 151.305 | Coin-operated machine sales | * | * | * | * | * | * |
| 151.3051 | Sales through certain vending machines | * | * | * | * | * | * |
| 151.306 | Transfers of common interests in property | cbe | cbe | cbe | cbe | cbe | cbe |
| 151.307 | Exemptions required by prevailing law | cbe | cbe | cbe | cbe | cbe | cbe |
| 151.3071 | Installation of certain equipment for export | * | * | * | * | * | * |
| 151.308 | Items taxed by other law | | | | | | |
| | Crude oil | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | Motor vehicles | 6,345.5 | 6,475.4 | 6,608.6 | 6,745.0 | 6,884.1 | 7,026.3 |
| | Motor fuels | 4,538.8 | 4,616.9 | 4,764.9 | 4,887.9 | 5,020.3 | 5,164.3 |
| | Mixed beverages | 651.3 | 684.0 | 719.6 | 757.1 | 794.3 | 831.5 |
| | Cement | * | * | * | * | * | * |
| | Aviation fuel | 231.9 | 253.1 | 273.6 | 303.9 | 332.2 | 365.0 |
| | Oil well servicing | 397.0 | 400.4 | 402.1 | 403.0 | 402.8 | 397.8 |
| | Insurance premiums | 14,947.4 | 14,751.0 | 15,461.9 | 16,050.7 | 16,791.1 | 17,565.7 |
| | Total for items taxed by other law | 27,111.8 | 27,181.0 | 28,230.6 | 29,147.5 | 30,224.8 | 31,350.5 |
| 151.309 | Governmental entities | 645.9 | 672.2 | 698.3 | 725.0 | 750.9 | 780.6 |
| 151.310 | Religious, educational and public service organizations | | | | | | |
| | Sales to nonprofits | 123.0 | 125.5 | 128.0 | 130.6 | 133.2 | 135.8 |
| | One-day sales | 13.7 | 14.6 | 15.4 | 16.2 | 17.0 | 17.8 |
| | Total for religious, educational and public service organizations | 136.8 | 140.1 | 143.4 | 146.7 | 150.1 | 153.6 |
| 151.3101 | Amusement services | cbe | cbe | cbe | cbe | cbe | cbe |
| 151.3102 | Sale by nonprofit organization at county fair | * | * | * | * | * | * |
| 151.3105 | Bingo equipment purchased by certain organizations | 0.4 | 0.4 | 0.5 | 0.5 | 0.5 | 0.5 |
| 151.311 | Improvement of realty of an exempt entity | 39.5 | 41.2 | 42.8 | 44.5 | 48.5 | 50.5 |
| 151.3111 | Services on certain exempted personal property | cbe | cbe | cbe | cbe | cbe | cbe |
| 151.312 | Nonprofit or religious organization periodicals and writings | 4.4 | 4.4 | 4.4 | 4.4 | 4.4 | 4.4 |
| 151.313 | Health care supplies | | | | | | |
| | Prescription medicine and devices | 749.3 | 770.3 | 788.5 | 805.2 | 822.0 | 839.0 |
| | Over-the-counter drugs | 332.9 | 346.8 | 358.9 | 370.6 | 382.5 | 394.7 |
| | Total for health care supplies | 1,082.2 | 1,117.0 | 1,147.4 | 1,175.8 | 1,204.5 | 1,233.7 |
| 151.3131 | Firearm safety equipment | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 |
| 151.3132 | Feminine hygiene products | 29.3 | 30.8 | 32.3 | 33.9 | 35.5 | 37.3 |
| 151.3133 | Maternity clothing | 8.9 | 9.1 | 9.4 | 9.7 | 10.0 | 10.3 |
| 151.3134 | Breast milk pumping products | 1.4 | 1.5 | 1.6 | 1.7 | 1.8 | 1.9 |
| 151.3135 | Baby bottles | 5.0 | 5.5 | 5.9 | 6.4 | 6.9 | 7.5 |
| 151.314 | Food and food products | | | | | | |
| | Food for home consumption | 4,301.6 | 4,482.7 | 4,647.6 | 4,803.1 | 4,957.9 | 5,113.1 |
| | School lunches and certain food sales | 71.9 | 75.1 | 78.5 | 82.1 | 85.8 | 89.7 |
| | Total for food and food products | 4,373.5 | 4,557.8 | 4,726.2 | 4,885.2 | 5,043.7 | 5,202.8 |
| 151.3141 | Food stamp purchases | 36.6 | 37.3 | 38.0 | 37.3 | 39.3 | 39.9 |
| 151.315 | Water | 488.2 | 505.2 | 521.1 | 536.2 | 551.0 | 566.0 |
| 151.316 | Agricultural items | | | | | | |
| | Agricultural feed, seed, chemicals and supplies | 394.0 | 394.8 | 395.1 | 395.4 | 396.1 | 397.6 |
| | Livestock for food | 24.1 | 24.3 | 24.3 | 24.4 | 24.6 | 25.0 |
| | Agricultural machinery and equipment | 135.9 | 136.2 | 136.3 | 136.4 | 136.6 | 137.1 |
| | Horses, mules and work animals | 22.5 | 22.7 | 22.8 | 22.9 | 23.0 | 23.4 |
| | Commercial fishing ice | 0.4 | 0.4 | 0.5 | 0.5 | 0.5 | 0.5 |
| | Total for agricultural items | 576.9 | 578.4 | 579.0 | 579.6 | 580.8 | 583.6 |
| 151.3162 | Timber items | 34.3 | 35.0 | 35.7 | 36.4 | 37.2 | 37.9 |
| 151.317 | Gas and electricity | | | | | | |
| | Manufacturing | 815.8 | 875.9 | 951.4 | 1,013.0 | 1,068.6 | 1,127.4 |
| | Residential | 1,326.5 | 1,353.4 | 1,377.8 | 1,395.3 | 1,410.1 | 1,424.8 |
| | Agricultural | 44.7 | 46.7 | 48.5 | 50.2 | 52.0 | 53.8 |
| | Mining | 97.5 | 101.5 | 105.3 | 108.8 | 112.3 | 115.9 |
| | Timber | 4.0 | 4.2 | 4.3 | 4.5 | 4.7 | 4.8 |
| | Total for gas and electricity | 2,288.5 | 2,381.6 | 2,487.3 | 2,571.9 | 2,647.8 | 2,726.7 |
| 151.3171 | Sulphur | * | * | * | * | * | * |
| 151.318 | Property used in manufacturing | | | | | | |
| | Materials used in manufacturing | 9,676.3 | 9,898.6 | 10,483.6 | 11,227.8 | 12,088.4 | 13,067.7 |
| | Manufacturing machinery & equipment | 1,513.1 | 1,565.4 | 1,627.3 | 1,701.0 | 1,785.5 | 1,880.0 |
| | Packaging and wrapping supplies | 299.3 | 306.1 | 324.2 | 347.3 | 373.9 | 404.2 |
| | Total for property used in manufacturing | 11,488.6 | 11,770.1 | 12,435.1 | 13,276.0 | 14,247.8 | 15,351.8 |

**Table 2 (continued)**

## Value of Sales Tax Exemptions

Fiscal 2025 to 2030 – In millions of dollars

| Tax Code Section | Exemption | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
|---|---|---|---|---|---|---|---|
| 151.3182 | Certain property used in research and development | 288.0 | 303.8 | 133.5 | 0.0 | 0.0 | 0.0 |
| 151.3185 | Property used in media production, recording and broadcasting | 139.4 | 145.5 | 152.1 | 159.3 | 166.6 | 174.2 |
| 151.3186 | Property used in cable television, internet access or telecommunications services | 50.0 | 50.0 | 50.0 | 50.0 | 50.0 | 50.0 |
| 151.319 | Newspapers and Property used in Newspaper Publication | | | | | | |
| | Newspapers | 38.2 | 38.5 | 38.8 | 39.1 | 39.4 | 39.6 |
| | Newspaper inserts | 5.8 | 5.2 | 4.7 | 4.2 | 3.8 | 3.4 |
| | Total for newspapers and property used in newspaper publication | 44.0 | 43.7 | 43.5 | 43.3 | 43.2 | 43.1 |
| 151.320 | Magazine subscriptions | 14.6 | 14.4 | 14.3 | 14.2 | 14.0 | 13.9 |
| 151.321 | University student organizations | * | * | * | * | * | * |
| 151.322 | Containers | 395.7 | 408.5 | 425.0 | 444.5 | 466.6 | 491.5 |
| 151.323 | Certain telecommunications services | cbe | cbe | cbe | cbe | cbe | cbe |
| 151.324 | Equipment for mineral exploration or production | 127.5 | 126.4 | 132.9 | 138.4 | 140.0 | 142.6 |
| 151.325 | Basic fee for internet access service | | | | | | |
| 151.326 | Clothing and footwear for a limited period | 85.1 | 91.2 | 97.0 | 102.8 | 108.8 | 115.2 |
| 151.327 | School supplies and school backpacks before start of school | 18.3 | 19.4 | 20.5 | 21.6 | 22.7 | 23.8 |
| 151.328 | Aircraft | | | | | | |
| | Certain aircraft | cbe | cbe | cbe | cbe | cbe | cbe |
| | Repair equipment and services for certain aircraft | 79.8 | 83.9 | 88.3 | 92.8 | 97.1 | 101.5 |
| | Total for aircraft | 79.8 | 83.9 | 88.3 | 92.8 | 97.1 | 101.5 |
| 151.329 | Certain ships and ship equipment | 104.3 | 109.7 | 115.4 | 121.2 | 126.9 | 132.6 |
| 151.3291 | Boats and boat motors | 70.0 | 65.0 | 62.7 | 61.6 | 61.0 | 60.7 |
| 151.330 | Interstate shipments | cbe | cbe | cbe | cbe | cbe | cbe |
| 151.331 | Rolling stock, train fuel and supplies | | | | | | |
| | Railroad fuel and supplies | 51.6 | 52.6 | 56.2 | 60.0 | 64.1 | 68.4 |
| | Rolling stock and locomotives | 24.2 | 24.2 | 24.2 | 24.3 | 24.3 | 24.3 |
| | Total for rolling stock, train fuel and supplies | 75.8 | 76.8 | 80.4 | 84.2 | 88.4 | 92.7 |
| 151.332 | Certain sales by senior citizen organizations | * | * | * | * | * | * |
| 151.333 | Energy-efficient products for a limited period | 5.2 | 5.4 | 5.5 | 5.7 | 5.9 | 6.0 |
| 151.3335 | Water-efficient products | 6.6 | 6.8 | 7.0 | 7.3 | 7.6 | 7.9 |
| 151.334 | Certain property used in sequestration of carbon dioxide | * | * | * | * | * | * |
| 151.336 | Certain coins and precious metals | cbe | cbe | cbe | cbe | cbe | cbe |
| 151.337 | Sales by or to Indian tribes | cbe | cbe | cbe | cbe | cbe | cbe |
| 151.338 | Environment and conservation services | cbe | cbe | cbe | cbe | cbe | cbe |
| 151.340 | Official state coin | * | * | * | * | * | * |
| 151.341 | Development corporations | * | * | * | * | * | * |
| 151.3415 | Media production zones | 1.5 | 0.4 | cbe | cbe | cbe | cbe |
| 151.342 | Agribusiness items | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.6 |
| 151.343 | Animals sold by nonprofit animal shelters | * | * | * | * | * | * |
| 151.344 | Post exchanges on state military property | * | * | * | * | * | * |
| 151.346 | Intercorporate services | cbe | cbe | cbe | cbe | cbe | cbe |
| 151.347 | Certain lawn and yard services | * | * | * | * | * | * |
| 151.348 | Cooperative research and development ventures | cbe | cbe | cbe | cbe | cbe | cbe |
| 151.350 | Labor to restore certain property | cbe | cbe | cbe | cbe | cbe | cbe |
| 151.3501 | Labor to restore, repair or remodel historic sites | * | * | * | * | * | * |
| 151.351 | Information and data processing services | 236.2 | 249.2 | 261.7 | 283.2 | 308.2 | 332.2 |
| 151.353 | Court reporting services | * | * | * | * | * | * |
| 151.354 | Services by employees of property management companies | * | * | * | * | * | * |
| 151.355 | Water-related equipment, services and supplies | 16.1 | 16.8 | 17.6 | 18.4 | 19.3 | 20.1 |
| 151.356 | Offshore spill response containment property | * | * | * | * | * | * |
| 151.3565 | Emergency preparation supplies for limited period | 1.8 | 1.9 | 2.0 | 2.0 | 2.0 | 2.1 |
| 151.359 | Property used in certain data centers; temporary exemption | 1,015.6 | 1,305.1 | 1,598.0 | 1,600.9 | 1,692.9 | 1,753.3 |
| 151.3595 | Property used in certain large data center projects; temporary exemption | ** | ** | ** | ** | ** | ** |
| 151.429 | Enterprise projects (refunds) | 30.8 | 32.0 | 33.3 | 34.6 | 36.0 | 37.5 |
| 151.4291 | Defense readjustment projects (refunds) | cbe | cbe | cbe | cbe | cbe | cbe |
| 151.4292 | Pilot program for certain persons who employ apprentices (refunds) | 0.3 | 0.3 | 0.4 | 0.0 | 0.0 | 0.0 |
| 151.431 | Job retention in enterprise zones (refunds) | * | * | * | * | * | * |
| **Total** | | **51,160.4** | **52,226.6** | **54,481.8** | **56,506.3** | **59,044.5** | **61,742.3** |

** Amount is negligible.*
*** Included in the estimate of property used in certain data centers under Section 151.359*
*cbe: Cannot be estimated.*
*Note: Totals may not sum due to rounding.*



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Section 151.302.
### Sales for Resale

The sale of a taxable item (tangible personal property or a taxable service) to a purchaser who will resell the item is exempted. For example, when a wholesaler sells books to a bookstore, tax is not due on the sale because the retailer will resell the books. The Tax Code has exempted such sales since the sales tax was imposed in 1961. One reason for the sales-for-resale exemption is to keep the sales tax from pyramiding or cascading on every transaction.

Section 151.3021.
### Packaging Supplies and Wrapping

Internal and external wrapping and packaging supplies are exempt if sold to a dry cleaner for use in the packaging of items laundered by the dry cleaner. This section was added in 2001.

Section 151.303.
### Previously Taxed Items: Use Tax Exemption or Credit

This section provides that the storage or use of an item is not subject to use tax if the sale of the item was subject to sales tax. It also entitles a taxpayer to credit against the Texas use tax for any similar tax the taxpayer paid to another state.

Section 151.304.
### Occasional Sales

An occasional sale of a taxable item is exempted. "Occasional sales" include events such as the sale of the entire operating assets of a business or of an identifiable segment of a business, or one or two sales of taxable items during a 12-month period by a person who is not in the business of selling taxable items. The sales tax law has exempted such sales since the tax was imposed in 1961. The exemption also applies to up to $3,000 per year of sales by an individual of items that were originally purchased for personal use by the individual or a family member. The exemption does not apply to the sale of a taxable item by a marketplace seller through a marketplace.

Section 151.305.
### Coin-operated Machine Sales

This provision exempts food (but not beverages), candy, chewing gum and children's toys that are sold through a "bulk vending machine" (e.g., gumball machines) for 50 cents or less. This exemption was added in 1989.

Section 151.3051.
### Sales Through Certain Vending Machines

This provision exempts sales through vending machines owned by a nonprofit organization and maintained by individuals with special needs as part of a program operated by a nonprofit. This exemption was added in 2015.

Section 151.306.
### Transfers of Common Interests in Property

This provision exempts the sale of an interest in tangible personal property if it is sold to another person, who before or after the sale owns a joint or undivided interest in the property with the seller and if the sales tax has previously been paid on the tangible personal property. The law has exempted such sales since the tax was imposed in 1961.

Section 151.307.
### Exemptions Required by Prevailing Law

This section exempts items that the state is prohibited from taxing by the U.S. or Texas constitutions or by federal law. For example, federal law prohibits states from taxing sales to federal credit unions. This provision also lists the documentation required when an exemption is claimed because an item has been exported to a foreign country.

Section 151.3071.
### Installation of Certain Equipment for Export

Electronic audio equipment purchased in Texas for use outside the U.S. is exempt from Texas sales tax, even if the equipment is installed (e.g., in a motor vehicle) in Texas. This section was added in 1993.

Section 151.308.
### Items Taxed by Other Law

This provision exempts from sales tax items taxed under other Texas tax laws, including oil taxed under the oil production tax, fuels covered by motor fuels taxes, cement taxed under the cement production tax, motor vehicles covered by the motor vehicle sales tax, alcoholic beverages taxed under the mixed beverage taxes, oil well services taxed under the oil well service tax and insurance premiums subject to insurance premium taxes. The sales tax law has contained such provisions since 1961.

There is no cost to exempt crude oil from the sales tax under this section because these items would qualify for exemption as materials used in manufacturing, as would most of cement.

The amounts for the other exemptions in this section would be in addition to the revenues collected for those items under taxes authorized elsewhere in the Tax Code.

If motor fuels were taxed under the sales tax, the resulting revenue would be dedicated (for transportation and education spending) according to the Texas Constitution.

Motor vehicles are currently taxed under a separate sales tax at the same rate as the state sales tax; however, there is no local motor vehicle sales tax.

It is assumed that if the sales tax were applied to insurance, buyers would pay sales tax on the purchase of insurance policies, with the revenue collected and remitted by insurance companies.

Section 151.309.
### Governmental Entities

This section exempts items sold, leased, or rented to, or stored, used, or consumed by governmental entities, including the U.S., an agency or instrumentality of the U.S., the state of Texas or a county, city, special district or other political subdivision of this state. The sales tax law has contained such provisions since 1961.

Section 151.310.
### Religious, Educational and Public Service Organizations

This section exempts items sold, leased, or rented to, or stored, used, or consumed by religious, educational or charitable organizations; organizations exempted from federal income taxes under Sections 501(c)(3), (4), (8), (10) or (19) of the Internal Revenue Code (IRC); nonprofit youth athletic organizations; volunteer fire departments; chambers of commerce; and convention and tourist promotional agencies. The section references certain guidelines that nonprofit hospitals, exempted under this section, must meet in providing charity care and community benefits. The sales tax law has contained several of these exemptions since 1961; others were added or expanded since then.

The provision also allows religious, educational and charitable organizations and Sections 501(c)(3), (4), (8), (10) or (19) organizations to hold two one-day-long, tax-free sales or auctions during a calendar year. This provision was added in 1977 and subsequently expanded.

Section 151.3101.
### Amusement Services

Amusement services are exempted if they are exclusively provided by certain organizations, including this state, a municipality, county, school district, special district or other political subdivision of Texas or the U.S.; educational, religious or charitable organizations; law enforcement associations; and other nonprofit organizations, or if the services are provided in a place designated as a historic landmark. For example, this section exempts sales of tickets to high school and college football games. This exemption was added in 1984 when amusement services became taxable.

Section 151.3102.
### Sale by Nonprofit Organization at County Fair

This section exempts sales made at a county fair to an attendee of the county fair by an organization that is exempt from the payment of federal income taxes under Section 501(a) of the IRC of 1986 by being listed as an exempt organization under Section 501(c)(3). The county fair must be operated by a county fair association on property owned by the county in order to qualify for the exemption.

Section 151.3105.
### Bingo Equipment Purchased by Certain Organizations

This section exempts bingo equipment purchased by an organization licensed to conduct bingo under Chapter 2001, Occupations Code, that is exempt from the payment of federal income taxes under Section 501(a) of the IRC of 1986 (as amended) by being listed as an exempt organization under Sections 501(c)(3), (4), (8), (10) or (19) of the IRC of 1986. This section was added in 2003.

Section 151.311.
### Taxable Items Incorporated Into or Used for Improvement of Realty of an Exempt Entity

This provision exempts certain items used in performing a contract to improve real property for a governmental entity or an organization exempt under Section 151.310. For example, a contractor building a new public school can purchase the building materials tax free. The contractor can also purchase tax free certain consumable supplies and certain taxable services performed at the job site, such as surveying or landscaping services. This provision was added in 1969 and has been amended several times since.

Section 151.3111.
### Services on Certain Exempted Personal Property

This section extends the exemption available for certain tangible personal property to services performed on that tangible personal property. For example, repair services performed on agricultural equipment (e.g., tractors, combines) are exempted from tax by this section. This exemption was added in 1984, when certain services became taxable.

Section 151.312.
### Periodicals and Writings of Religious, Philanthropic, Charitable, Historical, Scientific and Similar Organizations

This section exempts periodicals and writings that are published and distributed by a nonprofit religious, philanthropic, charitable, historical, scientific or other similar organization (but not an educational organization). The provision was added in 1989 to replace the previous exemption for religious periodicals, which the courts found unconstitutional.

Section 151.313.
### Health Care Supplies

This provision exempts sales of prescription and nonprescription drugs; corrective lenses and therapeutic devices prescribed by a doctor; insulin; hospital beds; hypodermic syringes or needles; braces; hearing aids; orthopedic, dental or prosthetic devices; blood glucose monitoring test strips; and certain devices used by people who are blind or deaf. Several of these items have been exempt since 1961, but the exemption has been expanded over the years.


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Section 151.3131.
### Firearm Safety Equipment

This section exempts items defined as "firearm safety equipment" such as a gun lock box, a gun safe, a barrel lock, a trigger lock, a firearm safety training manual or electronic publication, or another item designed to ensure the safe handling or storage of a firearm from the sales and use tax. This provision was added in 2021.

Section 151.3132.
### Feminine Hygiene Products

This provision exempts feminine hygiene products, defined as a tampon, sanitary napkin, menstrual cup, menstrual sponge, menstrual pad, or other similar tangible personal property sold for the principal purpose of feminine hygiene in connection with the menstrual cycle or postpartum care.

Section 151.3133.
### Maternity Clothing

This provision exempts maternity clothing, defined as clothing labeled for a woman to wear during pregnancy that is designed to accommodate the changes in body size and shape that occur as a result of a pregnancy or to facilitate breastfeeding. The term includes a nursing bra or nursing pad.

Section. 151.3134.
### Breast Milk Pumping Products

This provision exempts breast milk pumping products. Exempted items include a breast pump, a breast milk storage bag or other container designed to store pumped breast milk, or a pumping bra.

Section 151.3135.
### Baby Bottles

This provision exempts baby bottles, defined as a bottle fitted with a nipple for giving milk and other drinks to a young child.

Section 151.314.
### Food and Food Products

This section exempts food products for human consumption, like cereals, milk, meat, poultry, fish, eggs, vegetables, fruit, snack items, spices, salt, sugar, coffee and tea. It does not exempt meals sold in restaurants, vitamins, over-the-counter medicines (see Section 151.313), soft drinks, ice and candy.

Meals, soft drinks and candy are exempted if sold by certain organizations, like elementary or secondary public or private schools, student or parent-teacher organizations, churches, hospitals, retirement facilities or nonprofit youth athletic organizations. The sales tax law has exempted food products since it was enacted in 1961.

Section 151.3141.
### Food Stamp Purchases

This section exempts items purchased with food stamps. Federal law prohibits states from participating in the food stamp program without such an exemption, which Texas added in 1987.

Section 151.315.
### Water

This provision, which has been in the law since 1961, exempts sales of water. It does not include the disposal of wastewater, which is a nontaxable service.

Section 151.316.
### Agricultural Items

This section exempts certain agricultural items including horses, mules and work animals; animals that ordinarily constitute food (e.g., cattle, poultry); feed for farm and ranch animals and for animals held for sale; certain seeds and annual plants; chemicals used on a farm or ranch in production; and machinery and equipment used on a farm or ranch to build roads or water facilities. The section also exempts items used to produce agricultural products for sale or to process, pack or market agricultural products; underground irrigation equipment; and ice used by commercial fishing boats. Several of these items have been exempt since 1961. As of Jan. 1, 2012, persons wishing to claim the agriculture exemption must be registered with the Comptroller's office.

Section 151.3162.
### Timber Items

This provision, added in 1999, exempts seedlings, certain chemicals, machinery and equipment and irrigation systems used in the production of timber. The exemption, phased in over several years, was created as a credit or refund of sales taxes paid on these items beginning on Oct. 1, 2001, and became fully effective Jan. 1, 2008. As of Jan. 1, 2012, persons wishing to claim the timber exemption must be registered with the Comptroller's office.

Section 151.317.
### Gas and Electricity

This section exempts certain sales of gas and electricity, including when used in processing a product for sale; in exploring for or producing and transporting a material extracted from the earth; in agricultural operations; by an electric utility; in residences including apartments, nursing homes and dormitories; and in timber operations.

Section 151.3171.
### Sulphur

This section exempts the sale of sulphur. The provision was added in 2015 when Tax Code Chapter 203, Sulphur Production Tax, was repealed.

Section 151.318.
### Property Used in Manufacturing

This section exempts several types of items used in manufacturing products for sale, including materials that become part of the manufactured product. It also exempts tangible personal property necessary or essential to the manufacturing operation if it causes a physical or chemical change in the product being manufactured. The section exempts services performed directly on the manufactured product; certain chemicals used during the manufacturing operation; wrapping and packaging materials used as part of the completion of the manufacturing process; certain equipment used to reduce water use and to reuse and recycle wastewater streams in the manufacturing process; pollution control equipment; and cleanroom equipment.

It also exempts certain purchases by a person overhauling or repairing jet turbine aircraft engines; publishers of newspapers that are distributed free of charge; and purchases of semiconductor fabrication cleanrooms and equipment.

The section specifically excludes from exemption certain items, including equipment rented for less than a year, hand tools, office supplies and equipment and supplies used in maintenance and janitorial activities. The section also excludes from exemption items relating to sales or distribution activities, storage and maintenance, research and development and transportation.

Section 151.3182.
### Certain Property Used in Research and Development (R&D) Activities

This section exempts depreciable tangible personal property when directly used in "qualified research" as defined by IRC Section 41, so long as the taxpayer claiming this exemption does not also take the franchise tax credit for taxable entities engaged in qualified research. This exemption was added in 2013. This section expires Dec. 31, 2026. National Science Foundation data indicate business R&D spending in Texas was $31.4 billion, and R&D employment was 125,000.

Section 151.3185.
### Property Used in the Production of Motion Pictures or Video or Audio Recordings and Broadcasts

Equipment is exempt when the item is necessary or essential and used directly in the production of motion pictures, video or audio recordings. This equipment exemption had previously been included under Section 151.318. This section was added in 1999. This section also exempts items used in digital TV and radio broadcasting.

Section 151.3186.
### Property Used in Cable Television, Internet Access or Telecommunications Services

This section allows providers of cable television, internet access or telecommunications services a refund of sales and use taxes they pay on most items they use to provide their services. The maximum amount that can be refunded in the aggregate under this section is $50 million per year. This exemption was added in 2013.

Section 151.319.
### Newspapers and Property Used in Newspaper Publication

This section exempts sales of newspapers. It also exempts advertising supplements printed to the special order of a customer, distributed as a part of the newspaper and delivered to the person who is responsible for the distribution of the newspaper in which the item is distributed (i.e., not delivered to the customer).

Section 151.320.
### Magazines

Sales of subscriptions to magazines that are sold for a semiannual or longer period and sent as second-class mail are exempt from tax.

Section 151.321.
### University and College Student Organizations

This section exempts sales by certain qualified student organizations at fundraising events, if the event lasts only one day, only one sale is held each month and the sales price of the item is $5,000 or less. This exemption was added in 1995.

Section 151.322.
### Containers

This provision exempts sales of certain containers, including a container sold with its contents if the sales price of the contents is not taxed; a non-returnable container sold without contents to a person who fills the container and sells the contents and the container together; and a returnable container sold with its contents or resold for refilling.

Section 151.323.
### Certain Telecommunications Services

This section exempts several different types of transactions involving the sale of telecommunications services. They include the resale of telecommunications services, long distance services that are neither originated from nor billed to a number or address in Texas and broadcasts (other than cable TV) by radio or TV stations licensed by the Federal Communications Commission (FCC).


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Section 151.324.
### Equipment Used Elsewhere for Mineral Exploration or Production

This section exempts tangible personal property (e.g., drill pipe, casing or tubing) used for the exploration for or production of oil, natural gas, Sulphur or other minerals offshore not in this state. The exemption was added in 1967.

Section 151.325.
### Basic Fee for Internet Access Service

This section, added in 1999, exempts the first $25 of a monthly charge for internet access. The exemption applies without regard to whether the access service is bundled with another service or to the billing period used by the internet access service provider. Amounts paid for access service in excess of $25 (on a monthly basis) are subject to taxation. This exemption is of no consequence as of June 30, 2020, as federal law prohibits state sales taxation of internet access service.

Section 151.326.
### Clothing and Footwear for a Limited Period

This section exempts items of clothing and footwear. The exemption is limited to items costing less than $100. The items are exempt from tax only during a three-day period consisting of a Friday, Saturday and Sunday of each August in advance of the start of school. The exemption does not apply to special or protective clothing or footwear, nor does it apply to accessories such as jewelry, handbags or luggage. The rental of clothing is not exempt. This section was added in 1999.

Section 151.327.
### School Supplies and School Backpacks Before Start of School

This section exempts the sale of school supplies and backpacks costing less than $100 and purchased for use by students in public or private elementary or secondary schools. The items are exempt from sales tax only during a three-day period consisting of a Friday, Saturday and Sunday of each August in advance of the start of school. Backpacks were exempted in 2007; school supplies were added in 2009.

Section 151.328.
### Aircraft

This provision exempts aircraft 1) sold to a person using the aircraft as a certificated or licensed carrier of persons or property; 2) sold to a person using the aircraft for training or instructing pilots in a licensed course of instruction; 3) sold to a foreign government; 4) sold to a person for use and registration in another state or nation; or 5) sold to a person for agricultural use.

In addition, the repair, remodeling and maintenance services performed on aircraft operated by carriers or flight schools, and the machinery and equipment used in performing such repair services, are exempt.

Sales of tangible personal property permanently affixed or attached as a component part of an aircraft operated by a carrier or flight school are also exempt.

Section 151.329.
### Certain Ships and Ship Equipment

This section exempts sales of 1) component parts of a vessel of eight or more tons displacement and used in a commercial enterprise or used commercially for pleasure fishing by individuals as paying passengers on the vessel; 2) a commercial vessel of eight or more tons displacement sold by the vessel's builder; 3) materials and labor used in repairing or converting a commercial vessel of eight or more tons displacement; 4) materials and supplies for a vessel operating exclusively in foreign or interstate coastal commerce used in the maintenance and operation of the vessel or that become component parts of the vessel; and 5) certain materials and supplies purchased by a provider of stevedoring services for a qualifying vessel.

Section 151.3291.
### Boats and Boat Motors

This provision exempts the sale, but not the lease or rental, of a boat or boat motor taxable under the boat and boat motor sales and use tax (Chapter 160). This section was added in 1991, when the boat and boat motor sales and use tax was enacted.

Section 151.330.
### Interstate Shipments, Common Carriers and Services Across State Lines

This section exempts the sale of tangible personal property shipped outside Texas by the seller or delivered by the seller to a carrier or a forwarding agent for shipment outside the state.

The section also exempts tangible personal property acquired outside this state stored in Texas temporarily and used solely outside this state or physically attached to other tangible personal property used solely outside this state.

Services performed for use outside the state are exempt.

The section also exempts tangible personal property sold to a common carrier if the carrier ships the property outside this state using its own facilities and uses the property in its business as a common carrier outside this state. Repair or replacement parts acquired outside this state for a self-propelled vehicle used as a licensed and certificated common carrier are also exempt.

Section 151.331.
### Rolling Stock, Train Fuel and Supplies

Rolling stock, locomotives, fuel and supplies essential to the operation of trains are exempt, as are electricity and certain fuels used in the repair or maintenance of rolling stock.

Section 151.332.
### Certain Sales by Senior Citizen Organizations

This provision exempts sales of items produced by a person 65 years of age or older if sold at a qualified fundraising sale sponsored by a nonprofit organization that provides assistance to elderly persons. The exemption was added in 1981.

Section 151.333.
### Energy-Efficient Products

This section exempts sales of certain energy-efficient products that have been designated as an Energy STAR qualified product. The exemption is limited to 1) air conditioners not exceeding $6,000; 2) clothes washers; 3) ceiling fans; 4) dehumidifiers; 5) dishwashers; 6) incandescent or fluorescent light bulbs; 7) programmable thermostats; and 8) refrigerators not to exceed $2,000. The items are exempt from tax only during a three-day period beginning on the Saturday preceding the last Monday in May and ending on the last Monday in May. This section was added in 2007.

Section 151.3335.
### Water-Efficient Products

This section provides for an exemption of certain water-conserving products used on residential property when purchased during a three-day period beginning on the Saturday preceding the last Monday in May. Eligible items include a soaker or drip irrigation system, rain collection system, mulch and certified WaterSense products. This exemption was added in 2015.

Section 151.334.
### Components of Tangible Personal Property Used in Connection with Sequestration of Carbon Dioxide

This section exempts components of tangible personal property used in connection with an advanced clean energy project that are installed to capture, transport, inject or prepare for transportation or injection of carbon dioxide from an anthropogenic emission source if the carbon dioxide is sequestered in Texas as part of an enhanced oil recovery project under conditions that create a reasonable expectation that at least 99 percent of the carbon dioxide will remain sequestered from the atmosphere for at least 1,000 years. This exemption was added in 2009.

Section 151.336.
### Certain Coins and Precious Metals

The sale of gold, silver or numismatic coins, or of platinum, gold or silver bullion, is exempt. This section was added in 1989 and amended in 2013 to remove a $1,000 threshold for the exemption.

Section 151.337.
### Sales by or to Indian Tribes

This section exempts items sold to a tribal council or a business owned by a tribal council of the Alabama-Coushatta Indian Tribe of Texas, Tigua Indian Tribe of Texas or Texas Band of Kickapoo Indians.

The section also exempts an item sold by a tribal council, or a business owned by a tribal council, if the item is a cultural artifact made by a tribe member and sold within the boundaries of either the reservation or trust land held by the tribe. This exemption was added in 1983.

Section 151.338.
### Environment and Conservation Services

This provision exempts services to repair, remodel, maintain or restore tangible personal property if the service is required by statute, order or rule of any commission, agency, court or political, governmental or quasi-governmental entity to protect the environment or to conserve energy. The exemption was added in 1984.

Section 151.340.
### Official State Coin

This section exempts the sales of official state coins produced under Section 11.05, State Purchasing and General Services Act (Article 601b, Vernon's Texas Civil Statutes). The exemption was added in 1987.

Section 151.341.
### Items Sold to or Used by Development Corporations

This provision exempts items sold to a nonprofit corporation formed under the Development Corporation Act of 1979 (Article 5190.6, Vernon's Texas Civil Statutes), if the item is for the exclusive use and benefit of the nonprofit corporation.

Section 151.3415.
### Items Sold to or Used to Construct, Maintain, Expand, Improve, Equip or Renovate Media Production Facilities at Media Production Locations

This section exempts the sale of tangible personal property used 1) for the construction, maintenance, expansion, improvement or renovation of a media production facility at a qualified media production location; 2) to equip a media production facility at a qualified media production location; or 3) for the renovation of a building or facility at a qualified media production location that is to be used exclusively as a media production facility. This exemption was added in 2009.

Section 151.342.
### Agribusiness Items

This section exempts sales of bins used as containers in transporting fruit, vegetables or poultry from the farm to a location where the items are processed, packaged or marketed. Also exempt are poultry cages used in transportation to a location for processing, packaging or marketing. The exemption was added in 1983 and expanded in 1995.


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Section 151.343.
### Animals Sold by Nonprofit Animal Shelters or Nonprofit Animal Welfare Organizations

The sale, including an adoption fee, of an animal by a nonprofit animal shelter or nonprofit animal welfare organization is exempt. This section was added in 1999 and expanded in 2021.

Section 151.344.
### Post Exchanges on State Military Property

Taxable items sold, leased or rented to or stored, used or consumed by post exchanges on state military property are exempt from sales and use tax. In addition, taxable items sold, leased or rented by these exchanges are exempt.

Section 151.346.
### Intercorporate Services

This provision exempts certain services provided among affiliated entities, at least one of which is a corporation that reports its income to the Internal Revenue Service on a single consolidated return for the tax year in which the transaction occurs. The exemption was added in 1987.

Section 151.347.
### Certain Lawn and Yard Services

This section exempts lawn mowing and other yard maintenance services performed by individuals who are younger than 18 years of age, or who are 65 years of age or older, and whose total receipts in the most recent four calendar quarters do not exceed $5,000. Additionally, there are no taxes due on services performed by self-employed individuals whose total receipts in the most recent four calendar quarters do not exceed $5,000. The exemption was added in 1987 and amended in 1989 and 1995.

Section 151.348.
### Cooperative Research and Development Ventures

This provision exempts qualifying items sold in connection with a joint research and development venture as defined by 15 U.S.C. Section 4301 to an entity participating in the venture, if the items are created or substantially modified by or for the joint research and development venture. It also exempts purchases by a joint research and development venture, notice of whose establishment and participants was first published in the Federal Register on Jan. 17, 1985, and later on May 19, 1988. The section was added in 1987 and expanded in 1989.

Section 151.350.
### Labor to Restore Certain Property

This section exempts charges for labor to restore real or tangible personal property damaged within a disaster area by the condition that caused the area to be declared a disaster area by the governor or the president. It was added in 1993 and amended in 1995 and 1999.

Section 151.3501.
### Labor to Restore, Repair or Remodel Historic Sites

This section exempts the labor to restore, repair or remodel an improvement to real property if it is performed on property listed in the National Register of Historic Places. This section was added in 2003.

Section 151.351.
### Information Services and Data Processing Services

Twenty percent of the value of information services and data processing services are exempt. This section was added in 1999.

Section 151.353.
### Court Reporting Services

Court reporting services relating to the preparation of a document in a civil or criminal suit are exempt when sold to a participant in the suit. This includes depositions, discovery documents, testimony transcripts and statements of facts. It also applies to such records on audio or video tape or provided by a video photographer. This section was added in 1995.

Section 151.354.
### Services by Employees of Property Management Companies

Otherwise taxable, services provided by permanently assigned, on-site employees of property management companies are not subject to the sales tax. The exemption does not apply to services performed by an employee for properties other than the one to which the employee is permanently assigned. This section was added in 1999.

Section 151.355.
### Water-Related Exemptions

This section exempts equipment, services and supplies used for rainwater harvesting, desalination of surface water or groundwater; brush control to enhance water availability precipitation enhancement; the construction or operation of certain water supply or wastewater systems; and for certain items used to process, reuse and recycle wastewater that will be used in fracturing work at an oil or natural gas well. The exemption does not apply to consumer appliances or fixtures (e.g., washing machines, dishwashers, toilets) that are designed to limit water usage. This section was added in 2001 and amended in 2003 and 2007.

Section 151.356.
### Offshore Spill Response Containment Property

This section exempts certain tangible personal property and services related to an offshore spill response containment property as defined by Section 11.271. This exemption was added in 2013.

Section 151.3565.
### Emergency Preparation Supplies for a Limited Period

This section provides for an exemption of certain items including portable generators priced less than $3,000; certain storm protection devices and rescue ladders priced less than $300; and numerous other items priced less than $75 including portable light sources, batteries, fire extinguishers, waterproof sheeting and hatchets, among others, during a three-day period beginning on the Saturday preceding the last Monday in April and ending on the last Monday in April. This exemption was added in 2015.

Section 151.359.
### Property Used in Certain Data Centers; Temporary Exemption

This section exempts certain items necessary to the operation of qualifying data centers. A qualifying data center is one that a taxpayer builds or occupies after Sept. 1, 2013, that is at least 100,000 square feet; that creates at least 20 qualifying jobs; for which the minimum investment over a five-year period is $200 million; and that is not subject to an agreement to limit the appraised value of the property under Tax Code Chapter 313. This exemption was added in 2013.

Section 151.3595.
### Property Used in Certain Large Data Center Projects; Temporary Exemption

This section exempts certain items necessary to the operation of qualifying large data centers. A qualifying data center is one that a taxpayer builds or occupies after May 1, 2015, that is at least 250,000 square feet; that entails at least 20 megawatts transmission capacity; that creates at least 40 qualifying jobs; for which the minimum investment is $500 million over a five-year period; and that is not subject to an agreement to limit the appraised value of the property under Tax Code Chapter 313. This exemption was added in 2015.

Section 151.429.
### Enterprise Projects (Refunds)

This section makes enterprise projects eligible for a refund of sales taxes paid on all taxable items for use at a qualified business site related to the project. The refund amounts are subject to annual limits and vary as a function of the amount of capital investment and the number of jobs created or retained.

Otherwise, eligible refund amounts above the annual limits may be carried forward to subsequent years.

This section also entitles the owner of a qualified hotel project to a refund of the sales and hotel occupancy taxes paid or collected by the project or by businesses located in the hotel project during the first 10 years after the hotel project is open for occupancy. This section was added in 1987 and has been expanded several times since then.

Section 151.4291.
### Defense Readjustment Projects (Refunds)

In 1997, tax refunds for defense readjustment projects were authorized for certain equipment, machinery, building materials, labor, electricity and natural gas used in remodeling or constructing structures in a readjustment zone.

Section 151.4292.
### Pilot Program for Certain Persons Who Employ Apprentices (Refunds)

This section allows a person who is certified by the Texas Workforce Commission to provide a qualified apprenticeship to claim a refund of up to $2,500 for sales and use taxes paid by the person in a calendar year, provided they employ at least one apprentice and certain conditions are met. An eligible person could employ up to six apprentices under certain circumstances. This provision was implemented in 2021 and is set to expire Dec. 31, 2026.

Section 151.431.
### Job Retention in Enterprise Zones (Refunds)

A qualified business operating in an enterprise zone is entitled to a one-time refund of sales taxes paid on purchases of machinery or equipment used in an enterprise zone if the business has retained 10 or more jobs held by qualified employees during the year. The business must be certified as eligible for a refund by the governing body of the enterprise zone. The total amount of the one-time refund to a qualified business may not exceed $500 for each qualified employee retained, up to a limit of $5,000 for each qualified business. This section was added in 1989.

## Sales Tax: Exclusions

At its inception in 1961, the sales tax was not imposed on sales of services. Beginning in the mid-1980s, certain services have become subject to the sales tax.

In 1984, the sales tax was imposed on laundry and dry cleaning, amusement admissions, cable television service, auto parking, most non-automotive repair services and certain personal services.

The following year, the tax was extended to intrastate long-distance telephone service.

In 1987, a number of other services were added to the sales tax base, including local and interstate telephone service, repair and remodeling of nonresidential real property, data processing, landscaping and lawn maintenance, janitorial and extermination services, security services, garbage removal, credit reporting and debt collection, information services, certain surveying services and insurance services.

Many services remain excluded from the tax, some of which are profiled in **Table 3**. The value of the exclusions shown in **Table 3** is expected to be $15.2 billion in fiscal 2025 approximately 30.9 percent of total expected sales tax collections.


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Of the services excluded by the Tax Code, the largest group is Business and Professional services. These include medical, dental and other health care; legal services; accounting and audit services; engineering and architectural services; real estate brokerages; financial securities brokerages; and veterinary services.

Another large exclusion is for labor charges by contractors on new residential and nonresidential construction jobs. Labor for residential repair and remodeling also remains tax free. The materials used in construction jobs, however, are subject to sales tax.

## Sales Tax: **Discounts**

Texas' sales tax law allows two kinds of discounts, as shown in **Table 4**.

Taxpayers who report and remit on time may retain 0.5 percent of the taxes they collect as compensation for collecting those taxes. In fiscal 2025, the value of this discount will be an estimated $213 million.

As an incentive for early payment, taxpayers who prepay their taxes based on a reasonable estimate of their tax liability are allowed to retain an additional 1.25 percent. The value of this prepayment discount will be about $185 million in fiscal 2025. ✪

**Table 3**

## Value of Selected Service Exclusions from the Sales Tax

Fiscal 2025 to 2030 – In millions of dollars

### Construction Labor

| Service Exclusion | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
|---|---|---|---|---|---|---|
| New residential construction | $261.83 | $273.37 | $285.60 | $298.96 | $312.91 | $327.10 |
| New nonresidential construction | 791.7 | 826.6 | 863.5 | 903.9 | 946.1 | 989.0 |
| Residential repair and remodeling | 182.2 | 186.1 | 194.3 | 203.5 | 210.6 | 220.2 |

### Personal Services

| Service Exclusion | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
|---|---|---|---|---|---|---|
| Hair, nail and skin care services | $133.59 | $141.55 | $149.64 | $157.64 | $165.70 | $173.84 |
| Death care services | 95.9 | 101.6 | 107.4 | 113.2 | 119.0 | 124.8 |
| Child day care | 261.8 | 277.4 | 293.3 | 309.0 | 324.8 | 340.7 |
| Coin-operated amusement and personal services | 64.1 | 67.9 | 71.6 | 75.4 | 79.1 | 82.9 |
| Miscellaneous personal services | 90.6 | 96.0 | 101.5 | 106.9 | 112.4 | 117.9 |

### Business and Professional Services

| Service Exclusion | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
|---|---|---|---|---|---|---|
| Physician services | $1,913.4 | $2,027.4 | $2,143.4 | $2,258.0 | $2,373.3 | $2,490.0 |
| Dental services | 789.4 | 836.5 | 884.3 | 931.6 | 979.2 | 1,027.3 |
| Other health care | 1,284.5 | 1,361.0 | 1,438.9 | 1,515.8 | 1,593.2 | 1,671.6 |
| Legal services | 845.7 | 883.0 | 922.5 | 965.6 | 1,010.7 | 1,056.5 |
| Accounting and audit services | 558.0 | 582.6 | 608.7 | 637.1 | 666.9 | 697.1 |
| Architectural and engineering services | 719.0 | 750.7 | 784.3 | 820.9 | 859.3 | 898.2 |
| Specialized design services | 27.8 | 29.5 | 31.2 | 32.8 | 34.5 | 36.2 |
| Management consulting and public relations | 723.1 | 754.9 | 788.7 | 825.6 | 864.1 | 903.3 |
| Computer systems design and custom programming | 1,234.2 | 1,288.6 | 1,346.3 | 1,409.2 | 1,475.0 | 1,541.9 |
| Research and development services | 431.5 | 450.5 | 470.6 | 492.6 | 515.6 | 539.0 |
| Marketing research and public opinion polling | 56.3 | 58.8 | 61.5 | 64.3 | 67.3 | 70.4 |
| Testing labs | 193.8 | 202.4 | 211.4 | 221.3 | 231.6 | 242.1 |
| Outdoor display advertising | 39.7 | 41.5 | 43.3 | 45.3 | 47.5 | 49.6 |
| Employment agency services | 134.4 | 140.4 | 146.7 | 153.5 | 160.7 | 168.0 |
| Temporary labor supply | 834.3 | 871.1 | 910.1 | 952.6 | 997.1 | 1,042.3 |
| Financial securities brokerage | 383.2 | 400.1 | 418.0 | 437.5 | 457.9 | 478.7 |
| Other financial services | 526.2 | 549.4 | 573.9 | 600.8 | 628.8 | 657.3 |
| Real estate brokerage and agency | 592.5 | 618.6 | 646.2 | 676.5 | 708.0 | 740.1 |
| Freight hauling (intrastate) | 494.5 | 516.3 | 539.4 | 564.6 | 591.0 | 617.8 |
| Other transportation (except scheduled passenger) | 110.4 | 115.2 | 120.4 | 126.0 | 131.9 | 137.9 |
| Veterinary services | 191.4 | 202.9 | 214.5 | 225.9 | 237.5 | 249.1 |

### Other Services

| Service Exclusion | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
|---|---|---|---|---|---|---|
| Automotive maintenance and repair | $992.86 | $1,052.03 | $1,112.19 | $1,171.64 | $1,231.49 | $1,292.03 |
| Car washes | 75.8 | 80.3 | 84.9 | 89.4 | 94.0 | 98.6 |
| Private vocational education | 102.3 | 108.4 | 114.6 | 120.7 | 126.9 | 133.1 |
| Other educational services | 93.8 | 99.4 | 105.1 | 110.7 | 116.4 | 122.1 |

| Total | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
|---|---|---|---|---|---|---|
| **Total Value of Selected Service Exclusions** | **$15,229.9** | **$15,991.9** | **$16,787.8** | **$17,618.8** | **$18,470.4** | **$19,336.8** |

*Note: Totals may not sum due to rounding.*



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**Table 4**

## Sales Tax Discounts

Fiscal 2025 to 2030 – In millions of dollars

| Discount | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
|---|---|---|---|---|---|---|
| Timely Filer Discount | $213.3 | $224.5 | $235.4 | $246.7 | $257.9 | $265.6 |
| Prepayment Discount | $185.0 | $194.7 | $204.2 | $214.0 | $223.7 | $230.4 |
| **Total** | **$398.3** | **$419.2** | **$439.5** | **$460.6** | **$481.6** | **$496.1** |

*Note: Totals may not sum due to rounding.*

# Franchise Tax

The franchise tax serves as Texas' primary business tax. Adopted in its modern-day form in 1907, the franchise tax is one of Texas' oldest revenue sources. Originally levied as a tax on corporate assets, the tax changed little but for the rate until 1991. That year, in answer to revenue shortfalls related to legal challenges to the method of tax computation and to long-standing equity concerns, the Legislature reformulated the tax. The franchise tax from 1992 to 2007 was computed on a dual tax base of capital (net worth) and earned surplus (modified federal taxable income).

Prior to the Third Called Session of the 79th Legislature, a commission appointed by Gov. Rick Perry proposed a major rewrite of the franchise tax to provide some of the revenue needed for reducing the maintenance and operation component of local school district property tax rates. These changes included broadening the tax base to include the many entities that had reorganized as partnerships to avoid paying the old franchise tax and basing the tax on a business's taxable margin rather than capital or earned surplus. In May 2006, the 79th Legislature, Third Called Session, adopted this major restructuring of the tax in House Bill (HB) 3, with those changes becoming effective for tax due in 2008.

The changes affected many aspects of the franchise tax. Legal forms of business subject to the tax were expanded to include partnerships, trusts and other business forms. Sole proprietorships and general partnerships consisting solely of natural persons are still excluded from the tax.

## How the Franchise Tax is Computed

The computation of the franchise tax completely changed with the revisions effective in 2008. The old tax was based on a corporation's capital (net worth) and earned surplus (modified federal taxable income). The base for the new franchise tax is margin, to be determined using one of four methods.

Each method begins with a business's total revenue. Total revenue is closely related to a business's federal reportable income with some additions and subtractions. From total revenue, a business may subtract one of four amounts to arrive at its margin:

- $1 million,
- Cost of goods sold,
- Compensation, or
- 30 percent of total revenue.

Businesses apportion margin to Texas according to the share of their total business done in the state, as measured by their gross receipts. Entities primarily engaged in wholesale or retail trade (including food service) use the 0.375 percent rate, while other entities must use the 0.75 percent rate.

An additional method for calculating tax may be used by businesses with total revenue of $20 million or less, known as the E-Z calculation. A taxable entity electing the E-Z method may apply only the applicable exclusions from the tax provided by Section 171.1011. Under this method, a business determines total revenue and the apportionment factor, and then multiplies apportioned revenue by a rate of 0.331 percent to determine the tax due.

Tax payments and tax reports are due annually to the Comptroller's office on May 15 and cover the taxable entity's previous fiscal year. A report extension to Aug. 15 and Nov. 15 can be requested. Taxable entities whose annualized total revenue is $2.47 million or less do not owe any tax and are not required to file a franchise tax report. These entities, however, must still file a Public Information Report or Ownership Information Report.

## Origin of Franchise Tax Exemptions

While many aspects of the franchise tax were changed for 2008 and beyond, the provisions in the law related to tax exempt entities were left the same.

Some exemptions under the franchise tax arise due to federal law. For example, federally chartered credit unions and federal financial agencies — such as the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac), the Federal Reserve Banks — are outside the bounds of the federal and state tax systems. These organizations are exempt not only from the franchise tax, but also from the registration requirements of the Secretary of State and the Comptroller's office. For this reason, data on these organizations are not provided in this report.

The Tax Code also recognizes federal exemptions for nonprofit organizations exempt under IRC Sections 501(c)(3), (4), (5), (6), (7), (8), (10) and (19). In addition, the Tax Code

follows federal tax exemptions for profit-making organizations under IRC Sections 501(c)(2), (16) and (25). Exemptions for these organizations are discussed in Tax Code Section 171.063.

A third group of organizations is franchise tax-exempt due to specific state exemptions. These exemptions are found in Tax Code Sections 171.051 through 171.062 and 171.064 through 171.087. In some cases, the state exemption overlaps with a federal exemption, and an organization may qualify under either. For example, a church might qualify for exemption under its federal 501(c)(3) exemption (Tax Code 171.063(a)(1)) or under a state exemption for religious organizations (Tax Code 171.058).

The changes in the franchise tax beginning in 2008 included the expansion of the types of entities subject to tax beyond corporations. The Legislature also added Tax Code Section 171.088, which provides exemptions to non-corporate entities that would qualify under the exemption provisions if the entity had been organized as a corporation. Any reference in the following discussion to corporations should be read to include other types of business entities now subject to the franchise tax. The estimates in **Tables 5** through **7** include all taxable entities subject to the franchise tax.

## Nonprofit vs. Exempted

A nonprofit entity is not automatically exempt from the franchise tax. For many of the exemptions, nonprofit status is only one of several requirements for exemption. Common requirements are that the organization be engaged in serving a particular type of client, be engaged in a particular line of work, or be organized for, and involved in, a specified type of pursuit.

## Classifying Franchise Tax Exemptions

Four broad categories of franchise tax relief exist:

- Statutory exemptions,
- Deductions and exclusions,
- Special accounting methods, and
- Credits and refunds.

### *Statutory Exemptions*

A statutory exemption is used to grant certain types of entities a full waiver from all franchise tax liability and reporting. For example, insurance companies are granted a full exemption because they are required to pay a separate tax on their gross premiums.

To become exempt, a nonprofit organization or company is generally required to prove itself eligible for the exemption (see **Table 6**).

### *Deductions and Exclusions*

A tax deduction or exclusion grants a taxable entity a subtraction from its tax base or from its apportionment computation. Generally, all other franchise tax regulations must be followed. A deduction can lower an entity's overall tax bill but usually not by the full amount of the deduction.

A deduction is applied to the entity's tax base or apportionment formula before the application of a tax rate. Because the tax rate is applied after the deduction is taken, the reduction in tax liability is generally less than the deduction amount. If the deduction is taken against the tax base, the resulting reduction in tax liability will usually equal the deduction (in dollars) multiplied by the apportionment factor (in percent) and then by the tax rate (in percent). If the deduction is taken from the apportionment computation, the reduction in tax liability is not readily apparent without actual computation.

One reason for granting special deductions or exclusions is to promote certain activities or behavior. For example, to encourage the development of solar energy sources, the Legislature has permitted entities to exclude from their tax base their purchases of qualifying solar energy devices.

Some deductions or exclusions may be granted to prevent the taxation of items exempt from taxation under federal law, such as interest income on U.S. government obligations. Other deductions or exclusions grant tax relief to small entities (see **Table 7**).

**Table 5**

## Value of Franchise Tax Exemptions, Deductions, Special Accounting Methods, and Credits and Refunds

Fiscal 2025 to 2030 – In millions of dollars

| Item | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
|---|---|---|---|---|---|---|
| Exemptions: For-Profit Entities | $543.0 | $569.7 | $593.8 | $623.6 | $653.3 | $674.2 |
| Exemptions: Nonprofit Entities | 500.9 | 526.2 | 552.7 | 585.3 | 620.6 | 640.8 |
| Deductions | 1021.9 | 1079.5 | 1113.2 | 1162.7 | 1210.6 | 1269.9 |
| Special Accounting Methods | 1486.6 | 1540.5 | 1594.7 | 1664.1 | 1738.5 | 1824.0 |
| Credits and Refunds | 602.1 | 627.9 | 476.0 | 262.4 | 193.1 | 147.0 |
| **Total** | **$4,154.5** | **$4,343.9** | **$4,330.4** | **$4,298.1** | **$4,416.1** | **$4,555.9** |

*Note: Totals may not sum due to rounding.*

**Table 6**

## Value of Franchise Tax Exemptions

Fiscal 2025 to 2030 – In millions of dollars

| Tax Code Section | Exemption | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
|---|---|---|---|---|---|---|---|
| 171.001(d) | Five-year exemption for veteran-owned businesses | $0.8 | $0.8 | $0.9 | $0.6 | $0.3 | $0.0 |
| 171.051(d) | Exemptions granted before Sept. 1, 1975 | Included with IRC 501(c)(3) | | | | | |
| 171.052 and 171.0525 | Insurance company | $ 353.8 | $ 370.8 | $ 385.0 | $ 402.7 | $ 419.4 | $ 433.0 |
| 171.053 | Railway terminal corporation | * | * | * | * | * | * |
| 171.055 | Open-end investment company | 185.9 | 195.4 | 205.3 | 217.4 | 230.5 | 238.0 |
| 171.056 | Corporation with business interest in solar energy devices | 2.5 | 2.6 | 2.7 | 2.9 | 3.1 | 3.2 |
| 171.057 | Nonprofit corporation organized to promote a county, city or another area of state | Included with IRC 501(c)(6) | | | | | |
| 171.058 | Nonprofit corporation organized for religious purposes | Included with IRC 501(c)(3) | | | | | |
| 171.059 | Nonprofit corporation organized to provide burial places | 2.0 | 2.1 | 2.2 | 2.3 | 2.4 | 2.5 |
| 171.060 | Nonprofit corporation organized for agricultural purposes | Included with IRC 501(c)(5) | | | | | |
| 171.061 | Nonprofit corporation organized for educational purposes | Included with IRC 501(c)(3) | | | | | |
| 171.062 | Nonprofit corporation organized for public charity | Included with IRC 501(c)(3) | | | | | |
| 171.063 | Nonprofit corporation exempt from federal income tax | | | | | | |
| | IRC Sec 501(c)(2) | 0.3 | 0.3 | 0.3 | 0.4 | 0.4 | 0.4 |
| | IRC Sec 501(c)(3) | 420.8 | 442.3 | 464.5 | 491.9 | 521.6 | 538.6 |
| | IRC Sec 501(c)(4) | 20.2 | 21.2 | 22.3 | 23.6 | 25.0 | 25.8 |
| | IRC Sec 501(c)(5) | 3.7 | 3.9 | 4.1 | 4.3 | 4.6 | 4.7 |
| | IRC Sec 501(c)(6) | 13.8 | 14.5 | 15.2 | 16.1 | 17.1 | 17.7 |
| | IRC Sec 501(c)(7) | 7.1 | 7.5 | 7.8 | 8.3 | 8.8 | 9.1 |
| | IRC Sec 501(c)(8) | 1.4 | 1.5 | 1.6 | 1.7 | 1.8 | 1.8 |
| | IRC Sec 501(c)(10) | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| | IRC Sec 501(c)(16) | * | * | * | * | * | * |
| | IRC Sec 501(c)(19) | 0.3 | 0.3 | 0.3 | 0.4 | 0.4 | 0.4 |
| | IRC Sec 501(c)(25) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 171.064 | Nonprofit corporation organized for conservation purposes | Included with IRC 501(c)(3) | | | | | |
| 171.065 | Nonprofit corporation organized to provide water supply or sewer services | 2.1 | 2.2 | 2.3 | 2.4 | 2.6 | 2.6 |
| 171.066 | Nonprofit corporation involved with city natural gas facility | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 171.067 | Nonprofit corporation organized to provide convalescent homes for elderly | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| 171.068 | Nonprofit corporation organized to provide cooperative housing | * | * | * | * | * | * |
| 171.069 | Agricultural marketing association | Included with IRC 501(c)(5) | | | | | |
| 171.070 | Lodges | Included with IRC 501(c)(8) | | | | | |
| 171.071 | Farmers' cooperative society | Included with IRC 501(c)(5) | | | | | |
| 171.072 | Housing finance corporation | Included with IRC 501(c)(3) | | | | | |
| 171.073 | Hospital laundry cooperative association | * | * | * | * | * | * |
| 171.074 | Development corporation | Included with IRC 501(c)(6) | | | | | |
| 171.075 | Cooperative association | Included with IRC 501(c)(3) | | | | | |
| 171.076 | Cooperative credit association | * | * | * | * | * | * |
| 171.077 | Credit union | 2.2 | 2.3 | 2.4 | 2.5 | 2.7 | 2.8 |
| 171.079 | Electric cooperative corporation | 22.2 | 23.4 | 24.6 | 26.0 | 27.6 | 28.5 |
| 171.080 | Telephone cooperative corporation | 4.1 | 4.0 | 4.2 | 4.5 | 4.8 | 4.9 |
| 171.081 | Corporation exempt by another law | * | * | * | * | * | * |
| 171.082 | Certain homeowners' associations | 0.5 | 0.5 | 0.6 | 0.6 | 0.6 | 0.7 |
| 171.083 | Emergency medical service corporation | Included with IRC 501(c)(3) | | | | | |
| 171.084 | Certain trade show participants | * | * | * | * | * | * |
| 171.085 | Sludge recycling operation | * | * | * | * | * | * |
| 171.086 | Political subdivisions | * | * | * | * | * | * |
| 171.087 | Nonprofit corporation organized for student loan funds or student scholarship purposes | Included with IRC 501(c)(3) | | | | | |
| **Total** | **Exemptions** | **$1,043.9** | **$1,096.0** | **$1,146.5** | **$1,208.9** | **$1,273.9** | **$1,315.0** |

** Amount is negligible.*

*Note: Totals may not sum due to rounding.*



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### *Special Accounting Rules*

A special accounting rule allows a qualifying entity to use an accounting or computation method not available to all other franchise taxable entities. The special accounting rule may be designed to relieve small entities of certain accounting burdens. Also, in the same manner as a deduction or exclusion, a special accounting rule may be used to encourage certain activities or to treat otherwise similar businesses in a consistent manner. For example, regulated investment management service companies benefit from a special apportionment rule because the Legislature sought to encourage these entities to locate in Texas. Likewise, certain entities that rent goods are treated as retailers because they directly compete with entities that are in retail trade.

### *Credits and Refunds*

A credit allows a taxable entity a subtraction directly from tax owed. For this reason, a tax credit provides greater financial relief to taxable entities than a deduction of the same dollar amount.

Tax credits come in two types, distinguished by their frequency. One-time credits are available for a single tax period (or until they are used up). In contrast, continuing credits are available for use year after year. Each type may be used for a variety of public policy purposes (e.g., to influence taxpayer behavior, to grant tax relief or to smooth the flow of state and local tax receipts).

Refunds operate much like credits, with one important difference. With credits, taxable entities receive a reduction in their tax liability. With refunds, taxable entities receive a payment from the state.

Refunds are typically established for the same policy purposes as tax credits.

**Table 7**

## Value of Franchise Tax Deductions, Exclusions, Special Accounting Methods, and Credits and Refunds

Fiscal 2025 to 2030 – In millions of dollars

**Deductions and Exclusions**

| Tax Code Section | Item | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
|---|---|---|---|---|---|---|---|
| 171.002(d) | Small business exception | $633.3 | $652.4 | $673.0 | $695.1 | $719.0 | $744.9 |
| 171.006 | Adjustment of eligibility for no tax due and compensation deduction | 0.0 | 19.6 | 17.6 | 20.9 | 18.8 | 22.3 |
| 171.101(a)(1)(B)(i) | Optional subtraction of $1 million from total revenue for determination of taxable margin | 13.6 | 13.6 | 13.6 | 13.5 | 13.5 | 13.5 |
| 171.101(e) and (f) | Deduction of aerospace cost by certain taxable entities in the aerospace industry from margin apportioned to this state | 25.8 | 27.1 | 28.5 | 30.2 | 32.0 | 34.1 |
| 171.1011(e) | Exclusion from total revenue for interest in a passive entity | * | * | * | * | * | * |
| 171.1011(f) | Exclusion from total revenue for flow-through funds mandated by law or fiduciary duty | * | * | * | * | * | * |
| 171.1011(g) | Exclusion from total revenue for flow-through funds mandated by contract or subcontract | 185.4 | 194.9 | 204.7 | 216.7 | 229.8 | 244.7 |
| 171.1011(g-1) | Exclusion from total revenue for lending institutions | * | * | * | * | * | * |
| 171.1011(g-2) | Exclusion from total revenue for tax basis of securities | 18.7 | 19.7 | 20.6 | 21.9 | 23.2 | 24.7 |
| 171.1011(g-3) | Exclusion from total revenue for entities providing legal services | * | * | * | * | * | * |
| 171.1011(g-4) | Exclusion from total revenue of certain flow-through funds and reimbursements for pharmacy cooperatives and pharmacy network providers | 0.7 | 0.7 | 0.8 | 0.8 | 0.9 | 0.9 |
| 171.1011(g-5) | Exclusion from total revenue of payments made to artists by a qualified live event promotion company | 1.1 | 1.2 | 1.2 | 1.3 | 1.4 | 1.5 |
| 171.1011(g-6) | Exclusion from total revenue of certain payments made by qualified destination management companies | * | * | * | * | * | * |
| 171.1011(g-7) | Exclusion from total revenue of certain payments made by qualified courier and logistics companies | 0.4 | 0.4 | 0.4 | 0.5 | 0.5 | 0.5 |
| 171.1011(g-8) | Exclusion from total revenue of certain payments made by aggregate transporters | 1.3 | 1.4 | 1.4 | 1.5 | 1.6 | 1.7 |
| 171.1011(g-10) | Exclusion from total revenue of certain payments made by barite transporters | * | * | * | * | * | * |
| 171.1011(g-11) | Exclusion from total revenue of certain payments made by an entity performing landman services | 1.1 | 1.2 | 1.2 | 1.3 | 1.4 | 1.5 |
| 171.1011(g-12) | Exclusion from total revenue of certain payments made to public performance right holders and copyright owners | * | * | * | * | * | * |
| 171.1011(k) | Exclusion from total revenue of certain payments received by a professional employer organization | | | | | | |
| 171.1011(m) | Exclusion from total revenue of dividends and interest received from federal obligations | 11.7 | 12.3 | 12.9 | 13.7 | 14.5 | 15.4 |



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Table 7 (continued)

## Value of Franchise Tax Deductions, Exclusions, Special Accounting Methods, and Credits and Refunds

Fiscal 2025 to 2030 – In millions of dollars

| Tax Code Section | Item | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
|---|---|---|---|---|---|---|---|
| 171.1011(m-1) | Exclusion from total revenue of certain reimbursements received by management companies | * | * | * | * | * | * |
| 171.1011(n), (o) | Exclusion from total revenue by health care providers of payments received from certain health care program payers and for costs of uncompensated care | 108.0 | 113.5 | 119.2 | 126.3 | 133.9 | 142.6 |
| 171.1011(q) | Exclusion from total revenue for revenue derived from the operation of a facility located on property owned or leased by federal government | * | * | * | * | * | * |
| 171.1011(r) | Exclusion from total revenue for revenue received from oil and gas produced from certain wells | * | * | * | * | * | * |
| 171.1011(u) | Exclusion from total revenue for the cost of a vaccine | 3.9 | 4.1 | 4.3 | 4.6 | 4.8 | 5.1 |
| 171.1011(v) | Exclusion from total revenue of certain costs incurred by certain taxable entities engaged in the transportation of goods by waterways | 2.6 | 2.7 | 2.9 | 3.0 | 3.2 | 3.4 |
| 171.1011(w-1) | Exclusion from total revenue of certain costs incurred by taxable entities that provide agricultural aircraft operation services | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| 171.1011(x) | Exclusion from total revenue of certain flow-through revenue received by taxable entities registered as motor carriers | * | * | * | * | * | * |
| 171.1012(k-1) | Cost of goods sold subtraction for certain rental companies | * | * | * | * | * | * |
| 171.1012(k-2) | Cost of goods sold subtraction for certain pipeline entities | 5.9 | 6.2 | 6.5 | 6.9 | 7.3 | 7.8 |
| 171.1012(o) | Additional cost of goods sold subtraction for film or television production or broadcasting companies | * | * | * | * | * | * |
| 171.1012(t) | Additional cost of goods sold subtraction for movie theaters | 3.6 | 3.8 | 4.0 | 4.2 | 4.5 | 4.8 |
| 171.1013(b-1) | Additional subtraction of newly provided health benefit costs | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| 171.10132 | Exclusion from total revenue for certain broadband grants and additional compensation and cost of goods sold subtraction for expenses related to these grants | 4.5 | 4.5 | 0.0 | 0.0 | 0.0 | 0.0 |
| 171.107 | Deduction of cost of solar energy device from margin apportioned to this state | * | * | * | * | * | * |
| 171.108 | Deduction of cost of clean coal project from margin apportioned to this state | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 171.109 | Deduction of relocation costs by certain taxable entities from margin apportioned to this state | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| **Total** | **Deductions, Discounts and Exclusions** | **$1,021.9** | **$1,079.5** | **$1,113.2** | **$1,162.7** | **$1,210.6** | **$1,269.9** |

### Special Accounting Methods

| Tax Code Section | Item | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
|---|---|---|---|---|---|---|---|
| 171.0001(12)(B), (D), (E) and (F) | Definition of retail includes certain rental activities | 9.0 | 9.5 | 9.9 | 10.5 | 11.2 | 11.9 |
| 171.0001(12)(C) | Definition of retail includes automotive repair services | 9.7 | 10.2 | 10.7 | 11.3 | 12.0 | 12.8 |
| 171.002(b)** | Reduced tax rate for eligible retail/wholesale entities | 935.8 | 964.1 | 991.9 | 1,028.5 | 1,067.4 | 1,112.2 |
| 171.1016 | E-Z computation and rate | 37.2 | 36.5 | 35.8 | 35.1 | 34.4 | 33.7 |
| 171.106(b), (c) | Apportionment for certain investment management companies | 7.7 | 8.1 | 8.5 | 9.0 | 9.5 | 10.2 |
| 171.106(d) | Apportionment of proceeds from interest earned on federal funds | * | * | * | * | * | * |
| 171.106(e) | Apportionment of receipts from a defense readjustment project | * | * | * | * | * | * |
| 171.106(f) and (f-1) | Apportionment of proceeds from the sale of certain loans and securities | 432.5 | 454.7 | 477.5 | 505.7 | 536.2 | 571.1 |
| 171.106(g) | Apportionment for internet hosting | 3.5 | 3.7 | 3.9 | 4.1 | 4.3 | 4.6 |
| 171.106(h) | Apportionment for broadcasters | * | * | * | * | * | * |
| Rule 3.591(e)(33) | Apportionment for transportation services | 17.1 | 18.0 | 18.9 | 20.0 | 21.2 | 22.6 |
| Rule 3.591(e)(30) | Apportionment for telephone services | 34.1 | 35.8 | 37.6 | 39.9 | 42.3 | 45.0 |
| **Total** | **Special Accounting Methods** | **$1,486.6** | **$1,540.5** | **$1,594.7** | **$1,664.1** | **$1,738.5** | **$1,824.0** |



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**Table 7 (continued)**

## Value of Franchise Tax Deductions, Exclusions, Special Accounting Methods, and Credits and Refunds

Fiscal 2025 to 2030 – In millions of dollars

### Credits and Refunds

| Tax Code Section | Item | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
|---|---|---|---|---|---|---|---|
| 171.111 | Temporary credit on taxable margin | $136.1 | $138.8 | $141.4 | $0.0 | $0.0 | $0.0 |
| 171.551 -Subchapter K | Tax credit for certain housing developments | 0.0 | 0.0 | 0.4 | 0.8 | 1.1 | 1.5 |
| 171.602 - Subchapter L | Tax credit for a clean energy project | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 171.651-171.665 - Subchapter M*** | Tax credit for certain research and development activities | 448.3 | 471.3 | 315.8 | 249.1 | 179.2 | 132.5 |
| Subchapter O carryforward**** | Tax credit for certain research and development activities carryforward | 5.9 | 5.8 | 6.1 | 0.0 | 0.0 | 0.0 |
| Chapter 172 | Tax credit for certified rehabilitation of certified historic structures | 11.8 | 12.0 | 12.3 | 12.5 | 12.8 | 13.0 |
| 171.501 - Subchapter J | Refund for job creation in enterprise zone | * | * | * | * | * | * |
| **Total** | **Credits and Refunds** | **$602.1** | **$627.9** | **$476.0** | **$262.4** | **$193.1** | **$147.0** |

** Amount is negligible.*
*** Amount is reduced by amounts listed for other definitions of retail.*
**** Subchapter M expires Dec. 31, 2026. However, taxable entities that established a research and development credit prior to its expiration are allowed to carryforward the unused credit until the earlier of when those credits would have expired under the terms of Subchapter M or Dec. 31, 2046. The amounts shown for fiscal 2027 and after are for the carryforward.*
***** Subchapter O was repealed Jan. 1, 2008, and applied to reports originally due prior to that date; however, taxable entities that established a research and development credit prior to its repeal are allowed to carryforward the unused credit until the earlier of when those credits would have expired under the terms of Subchapter O or Dec. 31, 2027.*
*Note: Totals may not sum because of rounding.*

## Franchise Tax: **Exemptions**

Section 171.001(d).

### Exemption for a Qualified Veteran-Owned Business

A taxable entity that is a qualified veteran-owned business as defined under Section 171.0005 that began doing business in Texas on or after Jan. 1, 2016, and before Jan. 1, 2020, owes no franchise tax on business conducted before the fifth anniversary of the date the entity began doing business. This provision expired on Jan. 1, 2020.

In the 87th Legislature, Regular Session, Senate Bill (SB) 938 reinstated the new veteran-owned business provision effective Jan. 1, 2022. Under the reinstated provision, a qualifying new veteran-owned business must be formed on or after Jan. 1, 2022, and before Jan. 1, 2026. A new veteran-owned business formed between Jan. 1, 2020, and Dec. 31, 2021 (the period during which the previous provision was expired), does not qualify.

Section 171.051(d).

### Franchise Tax Exemptions Granted Before Sept. 1, 1975

Corporations that received exemptions before Sept. 1, 1975, retain their exemptions, which may be of any type and include schools, churches, water supply corporations and foundations. Before this date, the Secretary of State administered these exemptions.

Sections 171.052 and 171.0525.

### Certain Corporations and Certain Insurance Companies

An insurance organization, title insurance company or title insurance agent that is authorized to engage in insurance business in Texas and required to pay an annual premium tax levied under the Insurance Code is exempt from franchise tax. A non-admitted insurance organization that is subject to an occupation tax or any other tax that is imposed for the privilege of doing business in another state or a foreign jurisdiction, including a tax on gross premium receipts, is exempt from the franchise tax. Farm mutuals, local mutual aid associations and burial associations also are not subject to the franchise tax. An entity is subject to the franchise tax for a tax year in any portion of which the entity is in violation of an order issued by the Texas Department of Insurance under Section 2254.003(b), Insurance Code, that is final after appeal or that is no longer subject to appeal.

Section 171.053.

### Railway Terminal Corporation

A railway terminal corporation organized under Texas' railroad statutes, subject to regulation by the Railroad Commission of Texas and that has no annual net income from its business, is exempt.

Section 171.055.
### Open-End Investment Company

An open-end investment company, as defined by the Federal Investment Company Act of 1940 and registered under the Texas Securities Act, is exempt. An open-end investment company is one that offers for sale, or has outstanding, any redeemable security of which it is the issuer. A mutual fund is an example of an open-end investment company.

Section 171.056.
### Corporation with Business Interest in Solar Energy Devices

A corporation engaged exclusively in the business of manufacturing, selling or installing solar energy devices is exempt.

Section 171.057.
### Nonprofit Corporation Organized to Promote a County, City or Another Area of the State

A nonprofit corporation organized solely to promote the public interest of a county, city, town or another area in the state is exempt. Examples include chambers of commerce, civic league organizations, local youth programs and volunteer fire departments.

Section 171.058.
### Nonprofit Corporation Organized for Religious Purposes

A nonprofit corporation organized for the purpose of religious worship is exempt.

Section 171.059.
### Nonprofit Corporation Organized to Provide Burial Places

A nonprofit corporation that provides plots for the burial of human remains is exempt.

Section 171.060.
### Nonprofit Corporation Organized for Agricultural Purposes

A nonprofit corporation organized to hold agricultural fairs and encourage agricultural pursuits is exempt. An example is a county fair association.

Section 171.061.
### Nonprofit Corporation Organized for Educational Purposes

A nonprofit corporation seeking exemption under this provision must show that 1) its activities are devoted exclusively to systematic instruction, particularly in the commonly accepted arts, sciences and vocations; 2) it has a regularly scheduled curriculum, using commonly accepted methods of teaching; 3) it has a faculty of qualified instructors; and 4) it has an enrolled student body or students in attendance at a place where the educational activities are regularly conducted. Private primary and secondary schools are examples.

Section 171.062.
### Nonprofit Corporation Organized for Public Charity

A nonprofit corporation is exempt that is organized for purely public charity that devotes all or substantially all its efforts to the alleviation of poverty, disease, pain and suffering by providing food, clothing, drugs, treatment, shelter or psychological counseling directly to indigent or similarly deserving members of society and deriving its funds primarily from sources other than fees or charges for its services.

Section 171.063.
### Nonprofit Corporation Exempt from Federal Income Tax

A nonprofit corporation that is exempt from federal income tax under IRC Sections 501(c)(3), (4), (5), (6), (7), (8), (10) and (19) is exempt from the franchise tax. Additionally, a corporation that is exempt from federal income tax under IRC Sections 501(c)(2), (16) and (25) is exempt from the franchise tax.

Section 501(c)(3) exempts religious, educational, charitable, scientific and literary organizations. This group includes organizations that test for public safety, societies to foster national or international amateur sports competition and societies for the prevention of cruelty to children or animals. Examples include churches, private schools, museums, theaters, evangelistic associations, YMCAs, YWCAs and humane societies.

Section 501(c)(4) exempts civic leagues, social welfare organizations and local associations of employees. Examples include Lions Clubs, Rotary Clubs, associations of retired persons, volunteer fire departments and employees' clubs.

Section 501(c)(5) exempts labor, agricultural and horticultural organizations. In general, the organizations are educational or instructive for the purpose of improving conditions of work and for improving products and efficiency. Examples include flower societies, police unions, bovine breeder associations and irrigation councils.

Section 501(c)(6) exempts business leagues, chambers of commerce, real estate boards and other similar organizations. These organizations typically concern themselves with the improvement of business conditions of one or more lines of business.

Section 501(c)(7) exempts organizations of a social and recreational nature. The activities of these organizations primarily relate to pleasure, recreation and social activities. Examples are college and university social sororities and fraternities, country clubs and adult athletic associations.

Section 501(c)(8) exempts fraternal beneficiary societies and associations. These organizations include lodges providing payments of life, sickness, accident or other benefits to members. Examples are the Independent Order of Odd Fellows and the Benevolent and Protective Order of Elks.

Section 501(c)(10) exempts domestic fraternal societies and associations. Generally, these are lodge organizations that

devote their net earnings to charitable, fraternal and other specified purposes. These organizations do not provide life, sickness or accident benefits to members. Examples are the Scottish Rite and the Fraternal Order of Eagles.

Section 501(c)(19) exempts organizations of past or present members of the armed forces. Examples are Veterans of Foreign Wars (VFW) Posts and their auxiliary organizations.

Sections 501(c)(2) and (25) exempt a particular type of for-profit corporation. These corporations hold the title to the property of another affiliated exempt organization and pass funds to the other exempt organization.

Section 501(c)(16) exempts cooperative organizations that finance crop operations, generally in connection with activities of a marketing or purchasing association. An example is a livestock credit corporation.

Section 171.064.
### Nonprofit Corporation Organized for Conservation Purposes

A nonprofit corporation organized solely to educate the public about the protection and conservation of fish, game, other wildlife, grasslands or forests is exempt. Examples are a wetland habitat preservation alliance and a society to preserve a particular forest.

Section 171.065.
### Nonprofit Corporation Organized to Provide Water Supply or Sewer Services

A nonprofit water supply or sewer service corporation organized under Chapter 67, Water Code, is exempt. These special corporations may serve cities, towns and political subdivisions, but not municipal utility districts.

Section 171.066.
### Nonprofit Corporation Involved with City Natural Gas Facility

A nonprofit corporation organized to construct, acquire, own, lease or operate a natural gas facility on behalf of and for the benefit of a city or residents of a city is exempt.

Section 171.067.
### Nonprofit Corporation Organized to Provide Convalescent Homes for Elderly

A nonprofit corporation organized to provide convalescent housing for persons at least 62 years old or who are handicapped or disabled is exempt, whether or not the corporation is organized for purely public charity.

Section 171.068.
### Nonprofit Corporation Organized to Provide Cooperative Housing

A nonprofit corporation engaged solely in the business of owning residential property for the purpose of providing cooperative housing for individuals is exempt.

Section 171.069.
### Agricultural Marketing Association

A marketing association incorporated under Chapter 52, Agricultural Code, is exempt. A marketing association generally provides a means or vehicle for selling the agricultural products produced by its collective members.

Section 171.070.
### Lodges

A lodge incorporated under Article 1399 et seq., Revised Civil Statutes of Texas, 1925, is exempt. Examples of lodges qualifying for this exemption are the Masons and Elks.

Section 171.071.
### Farmers' Cooperative Society

A farmers' cooperative society incorporated under Chapter 51, Agricultural Code, or a cooperative whose single member is a farmers' cooperative described in IRC Section 521(b)(1) that has at least 500 farmer-fruit grower members, is exempt. A farmers' cooperative may provide its members with an economical and effective means of purchasing farming supplies and materials such as tractor fuel and fertilizer.

Section 171.072.
### Housing Finance Corporation

A housing finance corporation incorporated under Chapter 394, Local Government Code, is exempt. A housing finance corporation is a financing vehicle used by local governments to provide safe and sanitary housing at affordable prices for its residents.

Section 171.073.
### Hospital Laundry Cooperative Association

A hospital laundry cooperative association incorporated under Subchapter A, Chapter 301, Health and Safety Code, is exempt. The eligible institutions include: a municipality; a political subdivision of the state; a state-supported, health-related institution, including the Texas A&M University System, the University of Texas System and Texas Woman's University; a nonprofit health-related institution; and a cooperative association created under Subchapter B, Chapter 301, Health and Safety Code, a unit of which is located in a county with a population of more than 3.3 million.

Section 171.074.
### Development Corporation

A nonprofit corporation organized under the Development Corporation Act (Subtitle C1, Title 12, Local Government Code) is exempt. The purpose of a development corporation is to provide communities in Texas with a means for financing private industrial and manufacturing enterprises that will benefit the economic development of the community.

Section 171.075.
### Cooperative Association

A cooperative association incorporated under Subchapter B, Chapter 301, Health and Safety Code, or under the Cooperative Association Act (Article 1396-50.01, Vernon's Texas Civil Statutes), is exempt. Qualified associations may be formed by institutions exempt under Section 171.073.

The cooperative may provide services to its members, including central heating and cooling services, steam and chilled water supply, and childcare services for the children of employees, consultants, students and volunteers of cooperative association members, as well as temporary child care services for the children of patients and customers of those members.

Another category includes cooperatives with commercial activities. These organizations are typically classified along functional lines: consumer cooperatives, purchasing cooperatives, marketing cooperatives, workers' productive cooperatives, farmers' cooperatives, insurance companies and financial cooperatives.

Section 171.076.
### Cooperative Credit Association

A cooperative credit association incorporated under Chapter 55, Agriculture Code; an organization established under 12 U.S.C. Section 2071; or an agricultural credit association regulated by the Farm Credit Administration is exempt. A cooperative credit association's purpose is to provide a financing source for its members. A cooperative credit association may be formed only by persons who are Texas residents and who are engaged in the production, or production and marketing, of staple agricultural products or in the raising, breeding, feeding, fattening or marketing of livestock.

Section 171.077.
### Credit Union

A credit union incorporated under the Texas Credit Union Act (Subtitle D, Title 3, Finance Code) is exempt. State-chartered credit unions exempt under this section are not required to register with the Comptroller.

Section 171.079.
### Electric Cooperative Corporation

An electric cooperative incorporated under the Electric Cooperative Corporation Act (Chapter 161, Utilities Code) that is not a participant in a joint powers agency is exempt. The purpose of electric cooperatives is to provide electricity to rural areas.

Section 171.080.
### Telephone Cooperative Corporation

A telephone cooperative corporation incorporated under the Telephone Cooperative Act (Chapter 162, Utilities Code) is exempt. The purpose of a telephone cooperative is to provide telephone service to rural areas.

Section 171.081.
### Corporation Exempt by Another Law

This section provides that a corporation that is exempt from the franchise tax under another federal or state statute is not affected by a lack of a specific exemption provision in Chapter 171 of the Tax Code. An example is a health facilities development corporation created under Chapter 221 of the Health and Safety Code, in which Section 221.033 exempts such a corporation from all state taxes. Accordingly, even though there is no provision in Chapter 171 exempting the corporation, it is exempt from franchise tax.

Section 171.082.
### Certain Homeowners' Associations

A nonprofit corporation is exempt if the corporation is organized and operated primarily to obtain, manage, construct and maintain the common property in or of a residential condominium or residential real estate development and the collective individual resident owners control at least 51 percent of the votes of the corporation. A project or development is considered residential if the project or development is legally restricted for residential use.

Section 171.083.
### Emergency Medical Service Corporation

A nonprofit corporation organized solely to provide emergency medical services, including rescue and ambulance service, is exempt.

Section 171.084.
### Certain Trade Show Participants

This provision exempts a foreign corporation from the franchise tax for certain solicitation of orders for personal property by its representatives, as would typically be found in a trade show. The solicitation must be limited to five periods during a specified time span, and a solicitation period may not exceed 120 consecutive hours.

Section 171.085.
### Sludge Recycling Operation

A corporation engaged solely in the business of recycling sludge, as defined by Section 361.003, Solid Waste Disposal Act (Chapter 361, Health and Safety Code), is exempt.

Section 171.086.
### Political Subdivisions

Political subdivision corporations formed under Section 304.001, Local Government Code, are exempted from the franchise tax.

Section 171.087.
### Nonprofit Corporation Organized for Student Loan Funds or Student Scholarship Purposes

A nonprofit corporation organized solely to provide a student loan fund or student scholarships is exempt.


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## Deductions, Discounts, Exclusions, Special Accounting Methods, and Credits and Refunds

For many of the allowable deductions, exclusions or special accounting methods, taxable entities are not required to alert the Comptroller when employing the deduction or accounting method. For this reason, the number of taxable entities taking advantage of some of these forms of tax relief is not precisely known. The fiscal impacts of these tax benefits are estimated using a variety of computation methods, including comparison with federal tax information, if appropriate.

Other deductions or special accounting methods require entering data on the franchise tax report in a way that identifies each taxable entity using that deduction or method. Tax credits and discounts can also be identified on a taxable entity-specific basis.

### Franchise Tax: **Deductions and Exclusions**

Section 171.002(d).
#### Small Business Exception

Entities with a tax liability of less than $1,000 are not required to remit the tax. Entities with total revenue from their entire business of not more than $2.47 million, adjusted per Section 171.006, are not required to remit the tax. However, the entities must file public information reports. Senate Bill 3, 88th Legislature, Second Called Session, doubled the No Tax Due limit to $2.47 million and eliminated No Tax Due reports.

Section 171.006.
#### Adjustment of Eligibility for No Tax Due and Compensation Deduction

The threshold on total revenue for the small business exception (Section 171.002(d)) is adjusted at the beginning of each even-numbered year by a percentage equal to the percentage increase or decrease in the Consumer Price Index for All Urban Consumers (CPI-U) during the preceding state fiscal biennium rounded to the nearest $10,000. A similar adjustment is made to the maximum allowable subtraction for a single employee's compensation found in Section 171.1013(c). The first adjustment became effective on Jan. 1, 2010; additional adjustments became effective Jan. 1 in each subsequent even-numbered year.

Section 171.101(a)(1)(B)(i).
#### Optional Subtraction of $1 Million from Total Revenue for Determination of Taxable Margin

A taxable entity may elect to subtract $1 million from its total revenue to determine taxable margin in lieu of subtracting cost of goods sold, compensation or the standard deduction of 30 percent of total revenue.

Sections 171.101 (e) and (f).
#### Deduction of Additional Aerospace Cost by Certain Taxable Entities in the Aerospace Industry

A taxable entity within the aerospace industry may elect to subtract certain aerospace costs incurred in relation to contracts with the federal government, and not already subtracted under an election to subtract cost of goods sold or compensation, from its total revenue to determine taxable margin. The taxable entity may add 20 percent of the additional aerospace costs starting on reports due on or after Jan. 1, 2020; 40 percent of the additional aerospace costs starting on reports due on or after Jan. 1, 2021; 60 percent of the additional aerospace costs starting on reports due on or after Jan. 1, 2022; 80 percent of the additional aerospace costs starting on reports due on or after Jan. 1, 2023; and 100 percent of the additional aerospace costs starting on reports due on or after Jan. 1, 2024.

Section 171.1011(e).
#### Exclusion from Total Revenue for Interest in a Passive Entity

A taxable entity that owns an interest in a passive entity may exclude from total revenue the taxable entity's share of the net income of the passive entity, but only to the extent the net income of the passive entity was generated by the margin of any other taxable entity.

Section 171.1011(f).
#### Exclusion from Total Revenue for Flow-through Funds Mandated by Law or Fiduciary Duty

A taxable entity may exclude from total revenue flow-through funds mandated by law or fiduciary duty to be distributed to other entities, including taxes collected from a third party by the taxable entity and remitted by the taxable entity to a taxing authority.

Section 171.1011(g).
#### Exclusion from Total Revenue for Flow-through Funds Mandated by Contract or Subcontract

A taxable entity may exclude from total revenue flow-through funds mandated by contract or subcontract to be distributed to other entities: 1) sales commissions to nonemployees, including split-fee real estate commissions; 2) the tax basis as determined under the IRC of securities underwritten; and 3) subcontracting payments made under a contract or subcontract entered into by the taxable entity to provide services, labor or materials in connection with the actual or proposed design, construction, remodeling, remediation or repair of improvements on real property or the location of the boundaries of real property.

Section 171.1011(g-1).
### Exclusion from Total Revenue for Lending Institutions

A taxable entity that is a lending institution may exclude from total revenue the proceeds from the principal repayment of loans.

Section 171.1011(g-2).
### Exclusion from Total Revenue for Tax Basis of Securities

A taxable entity may exclude from total revenue the tax basis as determined under the IRC of securities and loans sold.

Section 171.1011(g-3).
### Exclusion from Total Revenue for Entities Providing Legal Services

Taxable entities that provide legal services may exclude from total revenue the flow-through funds that are mandated by law, contract or fiduciary duty to be distributed to the claimant by the claimant's attorney or to other entities on behalf of a claimant by the claimant's attorney: damages due the claimant; funds subject to a lien or other contractual obligation arising out of the representation, other than fees owed to the attorney; funds subject to a subrogation interest or other third-party contractual claim; and fees paid an attorney in the matter who is not a member, partner, shareholder or employee of the taxable entity. These taxable entities may exclude reimbursement of the taxable entity's expenses incurred in prosecuting a claimant's matter that are specific to the matter and that are not general operating expenses. These entities may exclude $500 per pro bono services case handled by the attorney, but only if the attorney maintains records of the pro bono services for auditing purposes in accordance with the manner in which those services are reported to the State Bar of Texas.

Section 171.1011(g-4).
### Exclusion from Total Revenue of Certain Flow-through Funds and Reimbursements for Pharmacy Cooperatives and Pharmacy Network Providers

A taxable entity that is a pharmacy cooperative may exclude from total revenue the rebates from pharmacy wholesalers distributed to the pharmacy cooperative's shareholders. A taxable entity that provides a pharmacy network may exclude reimbursements, pursuant to contractual agreements, for payments to pharmacies in the pharmacy network.

Section 171.1011(g-5).
### Exclusion from Total Revenue of Payments Made to Artists by a Qualified Live Event Promotion Company

A taxable entity that is a qualified live event promotion company may exclude from total revenue the payments made to an artist in connection with the provision of a live entertainment event.

Section 171.1011(g-6).
### Exclusion from Total Revenue of Certain Payments Made by Qualified Destination Management Companies

A taxable entity that is a qualified destination management company may exclude from total revenue the payments made to other persons to provide services, labor or materials in connection with the provision of destination management services as defined by law.

Section 171.1011(g-7).
### Exclusion from Total Revenue of Certain Payments Made by Qualified Courier and Logistics Companies

A taxable entity that is a qualified courier and logistics company may exclude from total revenue the subcontracting payments made to nonemployee agents for the performance of delivery services on behalf of the taxable entity.

Section 171.1011(g-8).
### Exclusion from Total Revenue of Certain Payments Made by Aggregate Transporters

A taxable entity that is primarily engaged in the business of transporting aggregates may exclude from total revenue the subcontracting payments made to independent contractors for delivery services on behalf of the taxable entity.

Section 171.1011(g-10).
### Exclusion from Total Revenue of Certain Payments Made by Barite Transporters

A taxable entity that is primarily engaged in the business of transporting barite may exclude from total revenue the subcontracting payments made to independent contractors for delivery services on behalf of the taxable entity.

Section 171.1011(g-11).
### Exclusion from Total Revenue of Certain Payments Made by an Entity Performing Landman Services

A taxable entity that is primarily engaged in the business of providing landman services may exclude from total revenue the subcontracting payments made to nonemployees for performance of landman services on behalf of the taxable entity.

Section 171.1011(g-12).
### Exclusion from Total Revenue of Certain Payments Made to Public Performance Rights Holders and Copyright Owners

A taxable entity that is a performing rights society that licenses the public performance of nondramatic musical works on behalf of a copyright owner may exclude from total revenue the payments made to the public performance rights holder and the copyright owner for whom the taxable entity licenses the public performance.


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Section 171.1011(k).
### Exclusion from Total Revenue of Certain Payments Received by a Professional Employer Organization

A taxable entity that is a professional employer organization may exclude from total revenue the payments received from a client for wages, payroll taxes on those wages, employee benefits and workers' compensation benefits for the covered employees of the client.

Section 171.1011(m).
### Exclusion from Total Revenue of Dividends and Interest Received from Federal Obligations

Taxpayers may exclude from total revenue the dividends and interest received from federal obligations.

Section 171.1011(m-1).
### Exclusion from Total Revenue of Certain Reimbursements Received by Management Companies

A taxable entity that is a management company may exclude from total revenue the reimbursements of specified costs incurred in its conduct of the active trade or business of a managed entity, including wages and cash compensation.

Sections 171.1011(n) and (o).
### Exclusion from Total Revenue by Health Care Providers of Payments Received from Certain Health Care Program Payers and for Costs of Uncompensated Care

Payments received from the Medicaid program, Medicare program, Indigent Health Care, Children's Health Insurance Program or for professional services provided in relation to a workers' compensation claim or to a beneficiary rendered under the TRICARE military health system are excluded from the total revenue of a health care provider. The health care provider may also exclude from total revenue the actual cost of uncompensated care. The amount of exclusion of the listed payments and costs is 50 percent for a health care provider that is a health care institution (Section 171.1011(o)) and 100 percent for other health care providers (Section 171.1011(n)).

Section 171.1011(q).
### Exclusion from Total Revenue for Revenue Derived from the Operation of a Facility Located on Property Owned or Leased by Federal Government

A taxable entity may exclude from total revenue all revenue received that is directly derived from the operation of a facility that is located on property owned or leased by the federal government and managed or operated primarily to house members of the armed forces of the United States.

Section 171.1011(r).
### Exclusion from Total Revenue for Revenue Received from Oil or Gas Produced from Certain Wells

A taxable entity may exclude from total revenue the revenue received from oil or gas produced, during the dates certified by the Comptroller for which average monthly oil price is below $40 per barrel or average monthly natural gas price is below $5 per MMBtu, from an oil well designated by the Railroad Commission of Texas or similar authority of another state whose production averages less than 10 barrels a day over a 90-day period and a gas well designated by the Railroad Commission of Texas or similar authority of another state whose production averages less than 250 Mcf (one thousand cubic feet) a day over a 90-day period.

Section 171.1011(u).
### Exclusion from Total Revenue for the Cost of a Vaccine

A taxable entity shall exclude from total revenue the actual cost paid for a vaccine.

Section 171.1011(v).
### Exclusion from Total Revenue of Certain Costs Incurred by Certain Taxable Entities Engaged in the Transportation of Goods by Waterways

A taxable entity that is primarily engaged in transporting goods by waterways that does not subtract cost of goods sold in computing taxable margin shall exclude from total revenue the direct costs of providing transportation services to the same extent that a taxable entity that sells in the ordinary course of business real or tangible property would be authorized to subtract those costs as cost of goods sold in computing its taxable margin.

Section 171.1011(w-1).
### Exclusion from Total Revenue of Certain Costs Incurred by Taxable Entities that Provide Agricultural Aircraft Operation Services

A taxable entity primarily engaged in the business of providing services as an agricultural aircraft operation as defined in federal regulations may exclude from its total revenue the cost of labor, equipment, fuel and materials used in providing those services.

Section 171.1011(x).
### Exclusion from Total Revenue of Certain Flow-through Revenue Received by Taxable Entities Registered as Motor Carriers

A taxable entity registered as a motor carrier under Chapter 643, Transportation Code, may exclude from its total revenue the flow-through revenue derived from taxes and fees.

Section 171.1012(k).
### Cost of Goods Sold Subtraction for Lending Institutions

For a taxable entity that is a lending institution that offers loans to the public and elects to subtract cost of goods sold, the entity, other than an entity primarily engaged in selling used merchandise, may subtract as a cost of goods sold an amount equal to interest expense. An entity engaged in lending to unrelated parties solely for agricultural production is considered to offer loans to the public.

Section 171.1012(k-1).
### Cost of Goods Sold Subtraction for Certain Rental Companies

A taxable entity that is a motor vehicle rental or leasing company that remits a tax on gross receipts imposed under Section 152.026, a heavy construction equipment rental or leasing company, or a railcar rolling stock rental or leasing company may subtract as a cost of goods sold the costs otherwise allowed by this section in relation to tangible personal property that the entity rents or leases in the ordinary course of business of the entity.

Section 171.1012(k-2).
### Cost of Goods Sold Subtraction for Certain Pipeline Entities

A taxable entity that provides pipeline transportation services for others, and only for that portion of the product to which the entity does not own title, may subtract as a cost of goods sold its depreciation, operations and maintenance costs allowed by law.

Section 171.1012(o).
### Additional Cost of Goods Sold Subtraction for Film or Television Production or Broadcasting Companies

If a taxable entity whose principal business activity is film or television production or broadcasting or the distribution of tangible personal property described by Section 171.1012(a)(3)(A)(ii), or any combination of these activities, elects to subtract cost of goods sold, the cost of goods sold for the taxable entity shall be the costs described in this section in relation to the property and include depreciation, amortization and other expenses directly related to the acquisition, production or use of the property, including expenses for the right to broadcast or use the property.

Section 171.1012(t).
### Additional Cost of Goods Sold Subtraction for Movie Theaters

If a taxable entity that is a movie theater elects to subtract cost of goods sold, the cost of goods sold for the taxable entity shall be the costs related to the acquisition, production, exhibition, or use of a film or motion picture, including the expenses for the right to use the film or motion picture.

Section 171.1013(b-1).
### Additional Subtraction of Newly Provided Health Benefit Costs for Certain Small Employers

This provision applies to a small employer as defined by the Insurance Code that has not provided health care benefits to any of its employees in the calendar year preceding the beginning date of the reporting period and that elects to subtract compensation for calculating taxable margin. If a qualified employer provides health benefits to all employees during the reporting period, the employer may subtract an additional amount equal to 50 percent of the cost of providing health benefits in the first 12-month period on which margin is based and an amount equal to 25 percent of the cost during the second 12-month period.

Section 171.10132.
### Provisions Related to Certain Grants Received for Broadband Deployment in Texas

This provision applies to a "qualifying broadband grant" as defined under Section 171.10132(a). A taxable entity may exclude from its total revenue the qualifying broadband grant proceeds for the purpose of broadband deployment in this state. A taxable entity may include as a cost of goods sold or as compensation any expense paid using qualifying broadband grant proceeds if the expense is otherwise includable as a cost of goods sold or as compensation.

Section 171.107.
### Deduction of Cost of Solar Energy Device from Margin Apportioned to this State

A taxable entity may deduct 10 percent of the amortized cost of solar energy equipment installed from the taxable margin base. A taxable entity must provide the Comptroller with an amortization schedule showing the period in which a deduction is to be made.

Section 171.108.
### Deduction of Cost of Clean Coal Project from Margin Apportioned to this State

A taxable entity may deduct 10 percent of the amortized cost of equipment used in a clean coal project from the taxable margin base. A taxable entity must provide the Comptroller with an amortization schedule showing the period in which a deduction is to be made.

Section 171.109.
### Deduction of Relocation Costs by Certain Taxable Entities from Margin Apportioned to this State

A taxable entity that relocates its main office or principal place of business to this state from another state and that did not do business in this state before the relocation and is not a member of an affiliated group engaged in a unitary business


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where another member of the group is doing business in this state on the date the taxable entity relocates, may take a one-time deduction from margin apportioned to this state for relocation expenses. This deduction is only allowed on a taxable entity's initial franchise report.

## Franchise Tax: **Special Accounting Methods**

Sections 171.0001(12)(B), (D), (E) and (F).
### Definition of Retail Includes Certain Rental Activities

Taxable entities that are primarily engaged in renting of apparel; rental-purchase agreement activities; renting or leasing of tools, party and event supplies and furniture; or renting or leasing of heavy construction equipment are defined to be engaged in retail trade.

Section 171.0001(12)(C).
### Definition of Retail Includes Automotive Repair Services

Taxable entities that are primarily engaged in providing automotive repair services are defined to be engaged in retail trade.

Section 171.002(b).
### Reduced Tax Rate for Certain Retail and Wholesale Entities

A taxable entity primarily engaged in the retail or wholesale trades as defined by Sections 171.0001(12), (18) and 171.002(c) is subject to a reduced tax rate of 0.00375.

Section 171.1016.
### E-Z Computation and Rate

A taxable entity with not more than $20 million in total revenue from its entire business may elect to pay the franchise tax using the E-Z computation and rate. Tax is calculated by multiplying the taxable entity's total revenue by the taxable entity's apportionment factor and then multiplying the result by a tax rate of 0.00331. A taxable entity electing the E-Z method may apply applicable deductions from the tax provided by Section 171.1011. A taxable entity electing the E-Z method may not take other credits, deductions or adjustments.

Sections 171.106(b) and (c).
### Apportionment for Certain Investment Management Companies

Most entities that provide services (as opposed to tangible goods) are required to source their receipts to the location where the service was performed. Section 171.106(b) sources receipts from regulated investment company services to the domicile of the owners of the investment funds. Section 171.106(c) sources receipts from employee retirement plan managers to the state where the plan's beneficiaries reside.

Section 171.106(d).
### Apportionment of Proceeds from Interest Earned on Federal Funds

A banking corporation shall exclude from the numerator of the bank's apportionment factor interest earned on federal funds and interest earned on securities sold under an agreement to repurchase that are held in this state in a correspondent bank that is domiciled in this state.

Section 171.106(e).
### Apportionment of Receipts from a Defense Readjustment Project

Receipts from services that a defense readjustment project performs in a defense economic readjustment zone are not receipts from business done in this state.

Sections 171.106(f) and (f-1).
### Apportionment of Proceeds from the Sale of Certain Loans and Securities

Section 171.1055 requires a taxable entity to exclude from gross receipts for apportionment any receipts that were excluded from total revenue. For taxpayers who sell loans or securities treated as inventory or financial institutions that sell loans or securities categorized as "Securities Available for Sale" or "Trading Securities" under Financial Accounting Standard 115, gross receipts for apportionment include the gross proceeds from the sale, not just the net gain that is included in total revenue.

Section 171.106(g).
### Apportionment for Internet Hosting

For most services, receipts are sourced to the location where the services are performed. A receipt for internet hosting is a receipt for business done in this state only if the customer to whom the services are provided is located in this state.

Section 171.106(h).
### Apportionment for Broadcasters

For most services, receipts are sourced to the location where the services are performed. A taxable entity that is a broadcaster shall include in the numerator of the broadcaster's apportionment factor the receipts arising from broadcasting or otherwise distributing film programming by any means only if the legal domicile of the broadcaster's customer is in this state.

Rule 3.591(e)(33).
### Apportionment for Transportation Services

Gross receipts from the transportation of goods or passengers are sourced to Texas by including gross receipts from the transportation of goods or passengers that both originates and terminates in Texas or the multiplication of total transportation receipts by the ratio of total compensated mileage in the transportation of goods and passengers in Texas to total compensated mileage.


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Rule 3.591(e)(30).

### Apportionment for Telephone Services

Gross receipts from telephone calls that both originate and terminate in Texas are sourced to Texas. Gross receipts from telephone calls that originate in Texas but terminate outside of Texas or that originate outside of Texas but terminate in Texas are not sourced to Texas.

## Franchise Tax: Credits

Section 171.111.

### Temporary Credit on Taxable Margin

A taxable entity that has properly notified the Comptroller in writing may apply a tax credit against the franchise tax owed calculated on margin. The credit is based on the amount of business loss carryforwards of the taxable entity on tax reports due before Jan. 1, 2008, that were not exhausted on a report due before that date. The credit is calculated for reports due after Jan. 1, 2008, and before Jan. 1, 2018, as 2.25 percent of the unexhausted business loss carryforwards amount times 4.5 percent. For periods after Jan. 1, 2018, and before Sept. 1, 2027, the credit equals 7.75 percent of the unexhausted business loss carryforward amount times 4.5 percent.

Section 171.551.
Subchapter K.

### Tax Credit for Certain Housing Developments

A taxable entity that owns a direct or indirect interest in a qualified development eligible for a federal low-income housing credit under Section 42, Internal Revenue Code is eligible for a franchise tax credit.

Section 171.602.
Subchapter L.

### Tax Credit for a Clean Energy Project

A taxable entity operating a certified clean energy project may receive a franchise tax credit equal to the lesser of 10 percent of the capital costs of the project or $100 million. The Comptroller may not issue a credit before the later of the expiration of an agreement under former B or C, Chapter 313, Tax Code, regarding the clean energy project for which the credit is issued or the expiration of an agreement under Subchapter T, Chapter 403, Government Code, regarding the clean energy project for which the credit is issued.

Sections 171.651-171.665.
Subchapter M.

### Tax Credit for Certain Research and Development Activities

A taxable entity may earn a franchise tax credit for qualified research expenses incurred in this state that exceed the amount of such expenses incurred during a base period. The credit is equal to 5 percent of the increased expenses or 6.25 percent of the increased expenses if the taxable entity contracts with an institution of higher education for the performance of qualified research. The maximum amount of credit taken on a report may not exceed 50 percent of the amount of franchise tax due for the report. An entity may carry unused credits forward for not more than 20 consecutive reports. This subchapter expires Dec. 31, 2026. However, the expiration of this subchapter does not affect the carryforward of the credit. The carryforward credit can be taken until Dec. 31, 2046. Section 171.663 requires the Comptroller to provide certain information regarding the credits for Research and Development Activities. For activity shown on 2023 franchise tax reports, 2,509 taxable entities applied credits, the amount of credits applied was $407 million and the amount of unused credit carried forward was $1.74 billion.

Section 171.725.
Subchapter O.

### Tax Credit for Certain Research and Development Activities Carryforward

A taxable entity may carryforward the unused credit that was eligible under Subchapter O prior to Jan. 1, 2008. A taxable entity may carryforward the unused credit until the earlier of 20 consecutive reports or Dec. 31, 2027. The maximum amount of credit taken on a report may not exceed 50 percent of the amount of franchise tax due for the report.

Sections 172.101-172.110.
Subchapter S.

### Tax Credit for Certified Rehabilitation of Certified Historic Structures

An entity may earn a franchise tax credit for expenses incurred for the rehabilitation of a certified historic structure in which the entity has an ownership interest in the year during which the structure is placed in service after the rehabilitation and the certified cost and expenses incurred exceed $5,000. To establish a credit, the entity must obtain a certificate of eligibility from the Texas Historical Commission. The amount of credit is limited to 25 percent of the total eligible cost and expenses incurred. The amount of credit claimed on a report may not exceed the amount of franchise tax due on that report. An entity may carry unused credits forward for not more than five years. An entity that has established a credit may assign or sell the credit to another entity. Expenditures by an entity described by Subsection (b) to rehabilitate a structure that is leased to a tax-exempt entity in a disqualified lease, as those terms are defined by IRC Section 168(h), are not eligible costs and expenses.


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Franchise Tax: **Refunds**

Section 171.501.

## Refund for Job Creation in Enterprise Zone

Taxpayers located in an enterprise zone that create at least 10 new jobs can qualify for a franchise tax refund. Qualifying entities must be certified by the Texas Economic Development Bank. The refund is the lesser of $5,000 or 25 percent of the amount of franchise tax due for the period. ✪

# Motor Vehicle Sales and Use Tax

The motor vehicle sales tax is a transaction tax paid on each purchase of a qualifying motor vehicle. There is also a use tax component for a vehicle purchased out of state and then brought into Texas. Motor vehicle sales tax collections in fiscal 2024 totaled $6.4 billion.

## Motor Vehicle Sales and Use Tax: **Exemptions**

Motor vehicle sales tax exemptions are based on either the status of the purchaser or the intended use of the motor vehicle. **Table 8** summarizes the estimated values of these exemptions for fiscal 2025 to 2030.

### Section 152.081.
### Driver Training Motor Vehicles

Motor vehicles used by a public school in an approved standard driver training course are exempt when they are owned by a dealer, purchased in Texas and loaned free of charge by the dealer to a public school.

### Section 152.082.
### Sale of Motor Vehicle To or Use of Motor Vehicle by Public Agency

Motor vehicles purchased or used by public agencies, including commercial transportation companies who contract with schools to provide transportation services, are exempt. These vehicles must be operated with exempt license plates.

### Section 152.086.
### Motor Vehicles Driven by Handicapped Persons

The tax does not apply to the sale or use of motor vehicles that have been modified before the second anniversary of the date of purchase and primarily are for operation by, or for the transportation of, an orthopedically handicapped person.

### Section 152.087.
### Fire Trucks and Emergency Medical Services Vehicles

The tax does not apply to the purchase, rental or use of a fire truck, emergency medical services vehicle or other motor vehicle used exclusively for firefighting purposes or for emergency medical services. The vehicle must be purchased by a volunteer fire department; a nonprofit emergency medical service provider that receives a federal tax exemption under Section 501(c)(3), IRC; or by certain emergency medical service providers to which Section 502.456, Transportation Code, applies.

**Table 8**

## Value of Motor Vehicle Sales Tax Exemptions

Fiscal 2025 to 2030 – In millions of dollars

| Tax Code Section | Exemption | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
|---|---|---|---|---|---|---|---|
| 152.081 | Driver training motor vehicles | * | * | * | * | * | * |
| 152.082 | Sales to or use by a public agency | $80.3 | $80.7 | $81.1 | $81.5 | $81.9 | $82.3 |
| 152.086 | Driven by handicapped persons | 4.9 | 5.0 | 5.1 | 5.2 | 5.3 | 5.4 |
| 152.087 | Fire trucks and ambulances | 2.4 | 2.5 | 2.5 | 2.6 | 2.6 | 2.7 |
| 182.088 | Used for religious purposes | 1.9 | 2.0 | 2.0 | 2.1 | 2.1 | 2.1 |
| 152.089 | Exempt vehicles | 97.5 | 102.4 | 107.5 | 112.9 | 118.5 | 124.4 |
| 152.09 | Certain hydrogen-powered motor vehicles | cbe | cbe | cbe | cbe | cbe | cbe |
| 152.091 | Farm or timber use | 42.0 | 42.2 | 42.4 | 42.6 | 42.8 | 43.0 |
| 152.092 | Vehicles transported out of state | cbe | cbe | cbe | cbe | cbe | cbe |
| 152.093 | Certain licensed child-care facilities | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Total** | | **$229.1** | **$234.7** | **$240.7** | **$246.8** | **$253.3** | **$260.0** |

** Amount is negligible.*
*cbe: Cannot be estimated.*
*Note: Totals may not sum due to rounding.*

Section 152.088.
### Motor Vehicles Used for Religious Purposes

The tax does not apply to the sale or use of, or the receipts for the rental of, a motor vehicle that is used for religious purposes.

Section 152.089.
### Exempt Vehicles

The tax does not apply to interstate motor vehicles, trailers and semitrailers, unless they cease to be used for interstate commerce within one year of the date the vehicles were purchased in Texas, or the date the vehicles were first brought into Texas. When a leased vehicle is no longer used for interstate commerce, the owner owes tax on the vehicle's book value.

An "interstate motor vehicle" means a motor vehicle operated in this state and another state or country, and for which registration fees could be apportioned if the motor vehicle were registered in a state or province of a country that is a member of the International Registration Plan (IRP). This definition includes a bus used in transportation of chartered parties if it meets all standards required of other motor vehicles for apportioned registration fees. This definition does not include a vehicle leased for fewer than 181 days or a vehicle that has Texas license plates and does not operate under the IRP.

Section 152.090.
### Certain Hydrogen-Powered Motor Vehicles

The tax does not apply to vehicles meeting the definition of a "hydrogen-powered" motor vehicle that is hydrogen power capable with a fuel economy of at least 45 miles per gallon or meets the definition and is fully hydrogen powered.

Section 152.091.
### Farm or Timber Use

The tax does not apply to the sale, purchase, use or rental of a machine, trailer or semi-trailer for use primarily for farming, ranching or timber operations.

Section 152.092.
### Motor Vehicles Transported Out of State

Motor vehicles that are transported out of state, prior to use in this state (other than removal) and for exclusive use outside of this state, are not subject to the tax. The purchaser must sign an exemption certificate provided by the Comptroller's office that authorizes the Comptroller's office to provide a copy of the exemption certificate to the state of intended use and registration.

Section 152.093.
### Motor Vehicles Sold to Certain Licensed Child Care Facilities

The tax does not apply to a motor vehicle purchased, used or rented by a qualified residential childcare facility for the primary purpose of transporting the children residing in the facility. The facility must be licensed by the state to provide 24-hour care to both emotionally disturbed children and to children who do not require specialized services. The facility must be licensed for both groups of children who live together in a single residential group. ✪

# Oil Production Tax

The oil production tax is an occupation tax on the business of producing crude oil within the state, the Texas constitution directs one-quarter of the state's occupation tax revenue to be set aside annually for the benefit of public schools and therefore a quarter of the oil production tax is set aside and the remainder is deposited to the General Revenue Fund.

The tax rate is the greater of 4.6 percent of the oil's taxable market value or 4.6 cents for each barrel of oil produced in the state. In determining the taxable market value, the gross market value of the produced oil at the wellhead is reduced by the non-taxable value of royalties paid to governmental entities and the transportation costs to move the oil from well to market. Total oil production tax collections in fiscal 2024 were $6.30 billion – a 6.3 percent increase from fiscal 2023 collections of $5.93 billion.

## Oil Production Tax: **Exemptions**

Chapter 202 of the Tax Code includes six types of exemptions from the oil production tax. The estimated value of these exemptions is provided in **Table 9**.

### Section 202.054.
### Qualification of Oil from New or Expanded Enhanced Recovery Project for Special Tax Rate

The Enhanced Oil Recovery (EOR) program was created by the 71st Legislature (1989) to provide a 10-year tax incentive for oil produced by processes other than the primary recovery method and with a qualifying time limit. The incentive was made permanent by the 78th Legislature (2003).

### Section 202.0545.
### Enhanced Recovery Projects Using Anthropogenic Carbon Dioxide

The tax incentive was created by the 80th Legislature (2007) to provide additional tax relief for oil produced from EOR projects using anthropogenic carbon dioxide for 30 years.

### Section 202.056.
### Oil and Gas Wells Previously Inactive

The inactive well exemption was amended by the 86th Legislature (2019) to provide a five-year severance tax exemption for certain wells that were previously inactive for two years as certified by the Railroad Commission of Texas.

**Table 9**

## Value of Oil Production Tax Exemptions

Fiscal 2025 to 2030 – In millions of dollars

| Tax Code Section | Exemption | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
|---|---|---|---|---|---|---|---|
| 202.054 | Qualification of oil from new or expanded enhanced recovery project for special tax rate | $41.3 | $37.4 | $33.7 | $30.1 | $27.4 | $26.0 |
| 202.0545 | Enhanced recovery projects using anthropogenic carbon dioxide | 0.6 | 0.5 | 0.4 | 0.4 | 0.3 | 0.3 |
| 202.056 | Oil and gas from wells previously inactive | 4.2 | 3.7 | 3.0 | 2.5 | 2.0 | 1.7 |
| 202.058 | Qualifying low-producing oil leases | * | * | * | * | * | * |
| 202.060 | Oil and gas from reactivated orphaned wells | * | * | * | * | * | * |
| 202.063 | Oil incidentally produced in association with the production of geothermal energy | * | * | * | * | * | * |
| **Total** | | **$46.1** | **$41.6** | **$37.2** | **$33.0** | **$29.7** | **$27.9** |

** Amount is either zero or negligible.*
*Note: Totals may not sum due to rounding.*


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Section 202.058.

## Qualifying Low-Producing Oil Leases

This tax incentive program was created by the 79th Legislature (2005) to provide tax credits to qualifying low-producing oil leases based on the preceding three-month average production and the average taxable oil price adjusted to 2005 dollars. The tax credits were made permanent by the 80th Legislature (2007). The tax incentive has three levels of tax credits with price triggers: for oil prices averaging $22 or less during the previous three months, the tax credit is 100 percent; for oil prices averaging between $22 and $25, the tax credit is 50 percent; and for oil prices averaging between $25 and $30, the tax credit is 25 percent. As oil prices are expected to remain above $30, the price triggers necessary to claim this tax credit are not expected to occur over the projected timeline.

Section 202.060.

## Oil and Gas from Reactivated Orphaned Wells

The tax incentive was created by the 79th Legislature (2005) to provide a tax exemption for oil produced from certified orphaned wells, as defined in Section 89.047(a)(3), Natural Resources Code. The exemption is not transferable from the original certified operator of the well to the well's new operator.

Section 202.063.

## Oil Incidentally Produced in Association with the Production of Geothermal Energy

The exemption of oil incidentally produced in association with the production of geothermal energy was created by the 81st Legislature (2009). This exemption has never been used. ✪

# School Property Tax

The Texas Constitution authorizes local governments to levy property taxes. Such taxes are levied by counties, cities, school districts and special purpose districts such as junior colleges, hospitals and flood control districts.

In tax year 2023, school property tax collections totaled $39.5 billion, which was 48.5 percent of the total property taxes levied in 2023.

There is no state property tax; nevertheless, property taxes levied by school districts are important to the state because they help determine how much state money is spent to support public education.

There are two types of school property tax levies: one to cover maintenance and operating costs (M&O) and another to pay interest and sinking fund (I&S) debt service for financing building programs. In tax year 2023, the statewide weighted average M&O tax rate was $0.731 per $100 valuation, the statewide weighted average I&S tax rate was $0.282 per $100 valuation and the combined statewide weighted average school tax rate was $1.013 per $100 valuation.

All real and tangible personal property, unless required or permitted to be exempt by the Texas Constitution, must be taxed in proportion to its value. Under Tax Code Section 11.02, most intangible personal property is not taxable. To receive property tax exemptions or special appraisals, in most cases a property owner must file an application with the appraisal district of the county in which the property is located.

The total estimated cost of local school district property tax exemptions or special appraisals is $26.9 billion in tax year 2025. This amount is projected to increase to $36.6 billion by 2030. Estimates for tax year 2025 to 2030, reflecting anticipated school property tax rates and exempt value growth, are itemized in **Table 10**. The exemptions and special appraisals are explained below.

**Table 10**

## Cost of School Property Tax Exemptions or Special Appraisals

Tax Year 2025 to 2030 – In millions of dollars

| Tax Code Section | Item | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
|---|---|---|---|---|---|---|---|
| 11.02 | Intangible personal property | cbe | cbe | cbe | cbe | cbe | cbe |
| 11.11 | Public property (state and local) | cbe | cbe | cbe | cbe | cbe | cbe |
| 11.111 | Public property for housing indigent persons[1] | 3.7 | 3.8 | 3.9 | 4.0 | 4.1 | 4.2 |
| 11.12 | Federal exemptions | cbe | cbe | cbe | cbe | cbe | cbe |
| | Residence Homesteads: | | | | | | |
| 11.13(b) | Mandated $100,000 exemption | 5,779.0 | 5,835.7 | 5,892.7 | 5,949.5 | 6,007.2 | 6,065.2 |
| 11.13(c) | Mandated $10,000 exemption: age 65 and older or disabled | 196.0 | 201.9 | 207.1 | 211.7 | 216.1 | 220.3 |
| 11.13(d) | Optional exemption: age 65 and older or disabled[2] | 108.3 | 111.5 | 114.4 | 116.9 | 119.4 | 121.7 |
| 11.13(n) | Optional exemption of up to 20 percent[3] | 834.8 | 879.5 | 926.7 | 976.2 | 1,028.4 | 1,083.3 |
| 11.131(b), (c) | 100 percent disabled or unemployable veterans and surviving spouse | 520.8 | 558.6 | 598.4 | 642.0 | 690.8 | 743.1 |
| 11.132 | Donated residence homestead of partially disabled veteran | * | * | * | * | * | * |
| 11.133 | Residence homestead of surviving spouse of member of the armed services killed in line of duty | 0.8 | 0.9 | 0.9 | 0.9 | 0.9 | 1.0 |
| 11.134 | Residence homestead of surviving spouse of first responder killed in line of duty | 0.7 | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 |
| 11.14 | Personal property not used for producing income | cbe | cbe | cbe | cbe | cbe | cbe |
| 11.141 | Precious metal in Texas Depository | cbe | cbe | cbe | cbe | cbe | cbe |
| 11.145 | Income-producing personal property valued under $2,500 | 1.6 | 1.6 | 1.6 | 1.6 | 1.6 | 1.6 |
| 11.146 | Mineral interest valued under $500 | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 |
| 11.15 | Family supplies for home or farm use | cbe | cbe | cbe | cbe | cbe | cbe |
| 11.16 | Farm products | 188.1 | 191.7 | 195.3 | 199.0 | 202.7 | 207.8 |
| 11.161 | Implements of husbandry | 259.7 | 261.6 | 263.6 | 265.6 | 267.8 | 271.5 |
| 11.17 | Cemeteries | cbe | cbe | cbe | cbe | cbe | cbe |

*(continued)*

**Table 10 (continued)**

## Cost of School Property Tax Exemptions or Special Appraisals

Tax Year 2025 to 2030 – In millions of dollars

| Tax Code Section | Item | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
|---|---|---|---|---|---|---|---|
| 11.18, 11.1801 | Charitable organizations | cbe | cbe | cbe | cbe | cbe | cbe |
| 11.181 | Improving property for housing with volunteer labor | 0.8 | 0.7 | 0.7 | 0.7 | 0.7 | 0.6 |
| 11.182 | Community housing development organizations improving property for housing | 18.3 | 18.7 | 19.1 | 19.6 | 20.1 | 20.7 |
| 11.1825 | Mandatory low-income housing, counties less than 1.8 million population | 2.3 | 2.3 | 2.3 | 2.3 | 2.3 | 2.3 |
| 11.1825 | Optional low-income housing, counties of 1.8 million or more population | * | * | * | * | * | * |
| 11.1827 | Community land trust | * | * | * | * | * | * |
| 11.183 | Associations providing assistance to ambulatory health care centers | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 |
| 11.184 | Organizations engaged primarily in performing charitable functions | 12.2 | 12.5 | 12.8 | 13.1 | 13.4 | 13.8 |
| 11.185 | Organizations developing model colonia subdivisions | * | * | * | * | * | * |
| 11.19 | Youth spiritual, mental and physical development organizations | 13.2 | 13.8 | 14.3 | 14.8 | 15.4 | 15.9 |
| 11.20 | Religious organizations | cbe | cbe | cbe | cbe | cbe | cbe |
| 11.21 | Nonprofit schools | 124.8 | 129.9 | 134.5 | 139.3 | 144.6 | 150.0 |
| 11.211 | Real property leased to certain schools | cbe | cbe | cbe | cbe | cbe | cbe |
| 11.22 | Disabled veterans | 22.9 | 23.4 | 23.9 | 24.4 | 24.9 | 25.4 |
| 11.23 | Miscellaneous exemptions | 22.1 | 22.9 | 23.6 | 24.2 | 24.9 | 25.5 |
| 11.231 | Nonprofit community business organizations providing economic development services | 5.9 | 5.9 | 6.0 | 6.0 | 6.0 | 6.0 |
| 11.24 | Historic or archeological sites[2] | 3.3 | 3.3 | 3.4 | 3.4 | 3.4 | 3.4 |
| 11.25 | Marine cargo containers | * | * | * | * | * | * |
| 11.251, 11.437 | Freeport property and cotton stored in warehouses | 508.2 | 515.9 | 523.7 | 531.6 | 539.6 | 547.7 |
| 11.252 | Motor vehicles leased for use other than production of income | 44.5 | 46.2 | 47.5 | 48.8 | 50.1 | 51.4 |
| 11.253 | Tangible personal property in transit (goods-in-transit) | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| 11.254 | Motor vehicles for income production and personal use | 0.3 | 0.3 | 0.4 | 0.4 | 0.4 | 0.4 |
| 11.26 | School tax ceiling: age 65 and older or disabled | 2,160.2 | 2,293.1 | 2,420.1 | 2,550.2 | 2,691.2 | 2,836.1 |
| 11.27 | Solar and wind energy devices | 9.3 | 10.2 | 11.3 | 12.3 | 13.5 | 14.7 |
| 11.271 | Offshore drilling equipment not in use | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| 11.29 | Intracoastal waterway dredge disposal site | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| 11.30 | Nonprofit water supply or wastewater service corporation | 13.2 | 13.7 | 14.0 | 14.3 | 14.5 | 14.7 |
| 11.31 | Pollution control property | 175.7 | 181.0 | 186.5 | 192.1 | 197.8 | 203.8 |
| 11.311 | Landfill-generated gas conversion facilities | 1.0 | 1.0 | 1.1 | 1.1 | 1.1 | 1.1 |
| 11.315 | Energy storage system in nonattainment area | * | * | * | * | * | * |
| 11.32 | Certain water conservation initiatives | cbe | cbe | cbe | cbe | cbe | cbe |
| 11.33 | Raw cocoa and green coffee held in Harris County | 1.2 | 1.3 | 1.3 | 1.3 | 1.4 | 1.4 |
| 11.34 | Limitation on certain properties in certain municipalities[1] | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 |
| 11.35 | Temporary exemption for disaster area | cbe | cbe | cbe | cbe | cbe | cbe |
| 11.36 | Child care facilities | cbe | cbe | cbe | cbe | cbe | cbe |
| 11.36 | Medical or biomedical property | 23.8 | 25.4 | 27.0 | 28.7 | 30.5 | 32.4 |
| 21.02, 21.04 | Railroad rolling stock | 23.4 | 24.1 | 24.9 | 25.8 | 26.6 | 27.5 |
| 23.23 | Limitation on appraised value of residence homestead (10% cap) | 1,249.8 | 745.4 | 723.8 | 696.1 | 669.6 | 644.0 |
| 23.231 | Loss to non-homestead properties (circuit breaker) | 242.8 | 156.9 | - | - | - | - |
| 23.41, 23.52, 23.73, 23.9803 | Special appraisal for agriculture and timber land | 5,540.3 | 5,781.5 | 6,033.1 | 6,294.7 | 6,568.0 | 6,853.0 |
| 23.48, 23.60 | Agricultural and open-space land reappraisal for temporary tick quarantine | cbe | cbe | cbe | cbe | cbe | cbe |
| 23, subchapter F and G | Loss to special valuation | 4.1 | 4.2 | 4.3 | 4.4 | 4.5 | 4.7 |
| 26.11, 26.111, 26.113 | Prorations and other partial exemptions | 13.1 | 12.3 | 11.7 | 11.2 | 10.9 | 10.6 |
| 33.06, 33.065 | Deferred taxes | 38.4 | 40.0 | 41.4 | 42.9 | 44.5 | 46.2 |
| Ch. 311 | Tax Increment Financing Act | 185.6 | 189.9 | 194.3 | 198.7 | 203.3 | 208.0 |
| Ch. 313 | Texas Economic Development Act | 1,021.0 | 1,070.5 | 1,090.0 | 1,588.2 | 1,480.4 | 1,525.2 |
| Gov't Code 403.601-623 | Texas Jobs, Energy, Technology, and Innovation Act | 908.6 | 870.9 | 914.3 | 1,021.0 | 1,070.5 | 1,090.0 |
| | **Exemptions that can be separately estimated** | **20,286.3** | **20,267.4** | **20,718.8** | **21,881.9** | **22,416.2** | **23,099.9** |
| | Exemptions that cannot be separately estimated | 6,631.3 | 8,368.7 | 9,737.2 | 10,498.0 | 12,003.8 | 13,479.7 |
| **Total** | **School property tax exemptions and special appraisals** | **$26,917.6** | **$28,636.1** | **$30,456.1** | **$32,379.9** | **$34,420.1** | **$36,579.6** |

*"Tax Year" is equivalent to calendar year.*
*cbe: Cannot be estimated because of unavailable appraisal data.*
*Note: Totals may not sum due to rounding.*
** Negligible values*
*[1] These exemptions require local approval and have a state impact when categorized as totally exempt property. The total local values of these exemptions are reflected in the table.*
*[2] These exemptions are optional, require local approval and only partially impact state costs through tax ceiling calculations. The total local values of these exemptions are reflected in the table.*
*[3] This exemption is optional and requires local approval, and a portion carries state costs through tax ceiling calculations and operation of school funding formulas. The total local values of these exemptions are reflected in the table.*

Section 11.02.
## Intangible Personal Property

Most intangible personal property is not subject to property tax; this includes stocks, bonds, notes or accounts receivable, franchises, licenses or permits, demand or time deposits, certificates of deposit, share accounts, share certificate accounts, share deposit accounts, insurance policies, annuities, pensions, causes of action, contracts and goodwill.

Section 11.11.
## Public Property

Property owned by the state or a political subdivision of the state and used for a public purpose is exempt from taxation. Included within this exemption are all oil, natural gas or other minerals owned by an institution of higher education. Several other specific types of public property also are exempt from property taxes.

- ***Institution of Higher Education Public Property Held in Trust***

  Property dedicated or held for the support, maintenance or benefit of a public institution of higher education is exempt or partially exempt under certain circumstances.
- ***Alumni Association Property on State-owned Land***

  Property owned by an alumni association or a higher education development foundation and located on land owned by a public institution of higher education is exempt if certain conditions are met.
- ***Prison Property Leased to the State***

  An improvement leased and used by the Texas Department of Criminal Justice (TDCJ) that is located on land owned by TDCJ may be exempt. The improvement must be subject to a lease-purchase agreement that stipulates legal title to the improvement passes to TDCJ at the end of the lease period.
- ***Personal Property Subject to Certain Lease-Purchase Agreements***

  If a lease-purchase agreement entitles the state or a political subdivision of the state to compel delivery of the legal title of tangible personal property at the end of the lease, the property is exempt.
- ***Certain Property of a Nonprofit Corporation***

  A nonprofit corporation engaged primarily in providing chilled water and steam to an eligible institution is entitled to an exemption of certain property.
- ***Texas Department of Transportation Property Leased to a Private Entity***

  Rail or highway property is exempt that is owned by the Texas Department of Transportation and licensed or leased to a private entity under the Transportation Code and not used for a commercial purpose.

Section 11.111.
## Public Property Used to Provide Transitional Housing for Indigent Persons[2]

The governing body of a taxing unit may exempt from property taxation residential property owned by an agency of the U.S. government. The property must be used to provide transitional housing for the indigent under certain types of programs operated or directed by the U.S. Department of Housing and Urban Development.

Section 11.12.
## Federal Exemptions

Property exempt from ad valorem taxation by federal law is exempt. In general, federal property is exempt from property taxation. Examples include U.S. post office buildings, military bases, federal courthouses and property located in a foreign trade zone.

Secstions 11.13 and 11.135.
## Residence Homestead

Residence homesteads receive exemptions that apply to a portion of the appraised value of the home. If a residential property owner has an exemption under Section 11.13, and the residence is rendered uninhabitable or unusable by casualty, wind or water damage, the owner under Section 11.135 may continue to receive the exemption for up to two years, or five years if in a governor-declared disaster area and rendered uninhabitable or unusable by the disaster, while constructing a replacement residence. If the owner sells the property before completing the replacement residence, additional taxes and interest may be imposed.

Residence homestead exemptions are separated into those that are mandated by the state and those that are optional, subject to adoption by local taxing units.

- ***State Mandated, Sections 11.13(b) and (c)***

  1) A school district must grant an exemption of $100,000 from the appraised value of all qualified residence homesteads in the district.

  2) A school district also must grant an additional exemption of $10,000 from the appraised value of a residence homestead for adults who are disabled or 65 years of age or older.
- ***Optional, Sections 11.13(d)[3] and (n)[4]***

  1) The governing body of a local taxing unit, or a majority of the qualified voters of a school district at a properly called election by petition, may grant an additional exemption of at least $3,000 of the

[2] This exemption requires local approval and has a state impact when categorized as totally exempt property.
[3] This exemption is optional, requires local approval and only partially impacts state costs through tax ceiling calculations.
[4] This exemption is optional and requires local approval, and a portion carries state costs through tax ceiling calculations and operation of school funding formulas.


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appraised value of a residence homestead for adults who are disabled or 65 years of age or older. There is no maximum amount for this exemption.

2) The governing body of a local taxing unit may grant an additional exemption of up to 20 percent of the appraised value of a residence homestead. The exemption must be at least $5,000 when applied to a residence homestead.

Section 11.131.
### Residence Homestead of 100 Percent or Totally Disabled Veteran

Veterans awarded 100 percent disability compensation from the U.S. Department of Veterans Affairs and having either a 100 percent disability rating or individual unemployability, as determined by the U.S. Department of Veterans Affairs, are entitled to a total homestead exemption. The disabled veteran's surviving spouse may also qualify for the exemption.

Section 11.132.
### Donated Residence Homestead of Partially Disabled Veteran

A disabled veteran is entitled to a percentage exemption equal to the veteran's disability rating, if less than 100 percent, on the veteran's homestead if the home was donated by a charitable organization to the veteran at no or some cost to the veteran that is not more than 50 percent of the good faith estimate of the market value of the residence homestead. The disabled veteran's surviving spouse may also qualify for the exemption.

Section 11.133.
### Residence Homestead of Surviving Spouse of Member of the Armed Services Killed in Line of Duty

The surviving spouse of a member of the armed services killed or fatally injured in the line of duty is entitled to exemption of the total appraised value of his or her residence, so long as the surviving spouse has not remarried.

Section 11.134.
### Residence Homestead of Surviving Spouse of First Responder Killed in Line of Duty

An eligible surviving spouse of a first responder killed in the line of duty is entitled to exemption of the total appraised value of his or her residence, so long as the surviving spouse has not remarried. The exemption applies regardless of the date of the first responder's death if the surviving spouse otherwise meets the qualifications.

Section 11.14.
### Tangible Personal Property Not Producing Income

Tangible personal property not used to produce income is exempt unless the taxing entity elects to tax the property. Manufactured homes as defined and certain other residential structures are not included in this exemption.

Section 11.141.
### Precious Metal in Texas Depository

Precious metal held in a Texas precious metal depository location is exempt, regardless of whether the precious metal is held or used by the person for the production of income.

Section 11.145.
### Income-Producing Tangible Personal Property Having Value of Less Than $2,500

A person is entitled to an exemption on tangible personal property that is held or used to produce income and valued at less than $2,500. The exemption applies to each separate taxing unit in which a person uses the property to produce income. All property in each taxing unit is aggregated to determine taxable value.

Section 11.146.
### Mineral Interest Having Value of Less than $500

A person is entitled to an exemption on a mineral interest the person owns if the taxable value is less than $500. This exemption applies to each separate taxing unit in which a person owns a mineral interest. All mineral interests in each taxing unit are aggregated to determine taxable value.

Section 11.15.
### Family Supplies

Family supplies — food, clothing and other consumables — for home or farm use are exempt.

Section 11.16.
### Farm Products

Farm products in the hands of the producer are exempt from property taxation. Farm products include livestock, poultry, eggs, timber and nursery products in a growing state.

Section 11.161.
### Implements of Husbandry

All machinery and equipment used to produce farm or ranch products or timber, regardless of their primary design, are considered to be implements of husbandry, including nursery stock weather protection units, and are exempt from property taxation.

Section 11.17.
## Cemeteries

Property is exempt from taxation if it is used exclusively for human burial and is not held for profit.

Sections 11.18-11.185.
## Charitable Organizations

Property owned by qualified charitable organizations may be exempt by statute. The following types of charitable organizations receive specific authorization in the Property Tax Code and are exempt from property taxes if they meet certain qualifications:

- Charitable organizations performing enumerated functions (Sections 11.18, 11.1801);
- Charitable organizations improving property for low-income housing with volunteer labor (Section 11.181);
- Community housing development organizations improving property for low-income and moderate-income housing prior to 2004 (Section 11.182);
- Organizations constructing or rehabilitating low-income housing not previously exempt including new construction completed on or after Jan. 1, 2004 (Section 11.1825);
- Community land trusts if the exemption is adopted by the governing body of the taxing unit on or after Jan. 1, 2012 (Section 11.1827);[5]
- Associations providing assistance to ambulatory health care centers (Section 11.183);
- Organizations engaged primarily in performing charitable functions (Section 11.184); and
- Organizations developing model colonia subdivisions (Section 11.185).

Section 11.19.
## Youth Spiritual, Mental and Physical Development Associations

Property owned and used exclusively by qualified associations promoting youth spiritual, mental and physical development is exempt.

Section 11.20.
## Religious Organizations

Property owned by a qualified religious organization and used as specified, such as a place of worship or clergy residence, is exempt.

Section 11.21.
## Schools

Property owned and used by a nonprofit school may be exempt from taxation.

Section 11.211.
## Real Property Leased to Certain Schools

Real property leased to an independent school district, community college district or open-enrollment charter school may be exempt from taxation. A constitutional amendment authorizing this exemption was not proposed or put before the voters.

Section 11.22.
## Disabled Veterans

Property owned and designated by a disabled veteran or surviving spouse, or children may qualify for a partial exemption. The exemption applies to one property owned and designated by the veteran or surviving spouse or child. The property does not have to be a residence.

Property owned by a surviving spouse or child of a person who dies while on active duty in the U.S. armed services may qualify for a partial exemption of $5,000 of the value of a property designated by the surviving spouse or child.

Section 11.23.
## Miscellaneous Exemptions

Some specific property, and property owned by specific organizations, is exempt under this section.

- ***Veterans Organizations***

  A nonprofit organization composed primarily of members or former members of the U.S. armed forces or its allies and chartered or incorporated by Congress may apply for exemption from taxation.

- ***Federation of Women's Clubs***

  The tangible property owned by the Texas Federation of Women's Clubs is exempt if the property is not held for profit or gain.

- ***Nature Conservancy of Texas***

  The Nature Conservancy of Texas was entitled to an exemption from taxation of the tangible property it owns if the property is not held for gain. Although this exemption is still in the Tax Code, an attorney general opinion has called the constitutionality of this exemption into question.

- ***Congress of Parents and Teachers***

  The Texas Congress of Parents and Teachers state headquarters buildings are exempt from state and county taxes, along with the land that is reasonably necessary for use of, access to and ornamentation of the buildings.

- ***Private Enterprise Demonstration Associations***

  Tangible property that is owned and used exclusively by a qualified private enterprise demonstration association and that is reasonably necessary for the organization's operations is exempt.

[5] This exemption is optional, requires local approval and only impacts the local taxing units that adopt them.


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- ***Bison, Buffalo and Cattalo***

  Bison, buffalo and cattalo are exempt if the animals are not held for profit and are used in experimental breeding to produce an improved strain or kept in parks to preserve the species.

- ***Theater Schools***

  Property owned by a qualified school devoted to teaching and study of the dramatic arts and used in the school's operation is exempt from taxation.

- ***County Fair Associations***

  A qualified county fair association organized to hold agricultural fairs and encourage agricultural pursuits is entitled to an exemption from taxation of the land and buildings that it owns and uses to hold agricultural fairs.

- ***Community Service Clubs***

  Tangible property owned by a qualified community service club and not used for profit or held for private gain is exempt.

- ***Medical Center Development***

  Real and personal property used in developing or operating a medical center area may be exempt from property taxation. The property must be owned by a qualified nonprofit corporation. Additional requirements apply.

- ***Scientific Research Corporations***

  Property owned and used by a qualified nonprofit scientific research corporation for scientific research and educational activities for the benefit of one or more colleges or universities is exempt.

- ***National Hispanic Institute***

  Property owned by the National Hispanic Institute is exempt as long as the organization is exempt from federal income taxation as a nonprofit organization.

Section 11.231.
### Nonprofit Community Business Organization Providing Economic Development Services to Local Community

The exemption applies to buildings and tangible personal property owned and used exclusively by qualified nonprofit community business organizations to provide economic development services to a local community.

Section 11.24.
### Historic Sites[6]

Property that has been legally designated an archaeological or historic site may be exempted by the governing body of a taxing unit.

Section 11.25.
### Marine Cargo Containers Used Exclusively in International Commerce

Marine cargo containers and associated equipment used exclusively in international commerce are exempt from property tax. The property must be owned by a citizen or entity organized under the laws of a foreign country.

Sections 11.251 and 11.437.
### Tangible Personal Property (Freeport) and Cotton Stored in a Warehouse

Tangible personal property that qualifies as "freeport goods" and is used for manufacturing, processing, fabricating, storing or assembling and transported out of Texas within 175 days may be exempt. On official action of a taxing entity, the 175-day period may be extended to 730 days for aircraft parts. This exemption also applies to all cotton stored in a warehouse for transportation outside of this state. Provisions for local taxation under certain circumstances exist in law.

Section 11.252.
### Motor Vehicles Leased for Use Other than Production of Income

The owner of a leased vehicle is entitled to a tax exemption from property tax imposed on the vehicle if the lessee does not hold or use the vehicle primarily to produce income.

Section 11.253.
### Tangible Personal Property in Transit (Goods-in-transit)

Tangible personal property may be exempt from taxation if it is acquired in, or imported into, this state to be forwarded to another location in this state or outside of this state within 175 days and is stored under a contract for bailment by a public warehouse operator. A taxing unit in a declared disaster area may extend the number of days from 175 to 270 by official action. After holding a public hearing, a taxing entity may elect to tax goods-in-transit.

Section 11.254.
### Motor Vehicle Used for Production of Income and for Personal Activities

A person is entitled to an exemption from taxation of one personally owned motor vehicle used for both business and personal activities.

Section 11.26.
### Limitation of School Tax on Homesteads of Elderly or Disabled

The school tax limitation (tax ceiling or tax freeze) is provided to homeowners receiving the mandatory disabled or 65 years of age or older $10,000 homestead exemption for school taxes. The tax ceiling is not an exemption, but it is triggered by an exemption.

6 This exemption is optional, requires local approval and only partially impacts state costs through tax ceiling calculations.

The tax ceiling provides that school taxes on a residence homestead will not increase above the amount of tax imposed in the first year the individual qualified for the "disabled or 65 years of age or older" exemption on that homestead. If the homeowner who qualified for the exemption remains in that home and does not change the homestead, the school taxes on the homestead will not increase above the amount levied in the first year the individual qualified. The tax ceiling is adjusted downward for increases in the residence homestead exemption and for school district tax rate compression.

Homeowners can transfer their tax ceiling to a different home. The school tax ceiling on the new home is calculated to give the homeowner the same percentage of tax paid as the original home's tax ceiling.

Section 11.27.
### Solar and Wind-Powered Energy Devices

Value attributable to the installation or construction of solar or wind-powered energy devices may be exempt. The devices must be used primarily for on-site production and distribution of energy.

Section 11.271.
### Offshore Drilling Equipment Not in Use

Certain equipment used in offshore drilling for oil or natural gas, or that is part of offshore spill response containment systems, may be exempt if stored in counties bordering the Gulf of Mexico or other bodies of water immediately adjacent to the Gulf of Mexico.

Section 11.29.
### Intracoastal Waterway Dredge Disposal Site

Land dedicated by a recorded donated easement as a disposal site for depositing and discharging materials dredged from the main channel of the Gulf Intracoastal Waterway by or under the direction of the state or federal government is exempt. An exemption terminates when the land ceases to be used as an active dredge material disposal site and is no longer dedicated for that purpose. Although this exemption is still in the Tax Code, an attorney general opinion has called the constitutionality of this exemption into question insofar as it would apply to property required to be taxed by Texas Constitution, Article 8, Section 1(b), which requires all property held by private persons or corporations to be taxed unless there is constitutional authorization.

Section 11.30.
### Nonprofit Water Supply or Wastewater Service Corporation

Property owned by a qualified corporation that provides in its bylaws that on dissolution the corporation's assets transfer to an entity that provides a water supply or wastewater service and is exempt from property taxation may be exempt. To be considered exempt, the property must be reasonably necessary for and used to acquire, treat, store, transport, sell or distribute water or to provide wastewater service.

Section 11.31.
### Pollution Control Property

All or part of real and personal property owned and used wholly or partly as a facility, device or method for the control of air, water or land pollution, as designated by the Texas Commission on Environmental Quality, is exempt.

Section 11.311.
### Landfill-Generated Gas Conversion Facilities[7]

A person is entitled to an exemption on certain property located on or near a landfill and used to collect, compress and transport, process and deliver gas generated by the landfill.

Section 11.315.
### Energy Storage System in Nonattainment Area[8]

Under specific circumstances, a property owner is entitled to an exemption on energy storage systems meeting certain criteria if the exemption is adopted by the governing bodies of taxing entities.

Section 11.32.
### Certain Water Conservation Initiatives[9]

The governing body of a taxing unit may exempt all or part of the value of property on which approved water conservation initiatives, desalination projects or brush control initiatives have been implemented.

Section 11.33.
### Raw Cocoa and Green Coffee Held in Harris County

Raw cocoa and green coffee held in Harris County are exempt.

Section 11.34.
### Limitation of Taxes on Real Property in Designated Areas of Certain Municipalities[10]

Cities with a population of less than 10,000 may call elections to enter into agreements with owners of property located in, or adjacent to, areas operated with certain funding from the Texas Department of Agriculture to limit property

[7] This exemption is state mandated; however, it has no cost to the state through the operation of the school funding formulas because this exemption is not deducted in the Comptroller's Property Value Study (Government Code Section 403.302(d)(9)).

[8] This exemption is optional, requires local approval and only impacts the local taxing units that adopt it.

[9] This exemption is optional, requires local approval and only impacts the local taxing units that adopt it.

[10] This exemption requires local approval and has a state impact when categorized as totally exempt property.



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taxes levied on those owners' property by all taxing units for five years.

Section 11.35.
### Temporary Exemption for Disaster Area

A qualified property that is at least 15 percent physically damaged by a disaster in a governor-declared disaster area is eligible for a temporary exemption of a portion of the appraised value of the property.

Section 11.36.
### Child Care Facilities

The governing body of a county or municipality may exempt from property taxation a percentage of the appraised value of owned or leased real property used to operate a childcare facility. The percentage specified may not be less than 50 percent.

Section 11.36.
### Medical or Biomedical Property

Certain medical or biomedical property located in a medical of biomedical manufacturing facility that a person owns or leases is exempt from property taxation. Tax Code Section 11.36, specifies the type of tangible personal property that qualifies and provides the conditions under which the section applies.

Sections 21.02 and 21.04.
### Railroad Rolling Stock Taxable Only by Counties

Railroad rolling stock is not taxable by school districts, as Tax Code Section 21.04 specifies that each county in which a railroad operates may tax a portion of the total market value of railroad rolling stock, eliminating taxation by school districts by negative implication. The general personal property situs statute, Tax Code Section 21.01, specifically provides the conditions under which any taxing unit may tax tangible personal property but makes clear that Tax Code Section 21.04 provides an exception to the general statute.

Section 23.23.
### Limitation on Appraised Value of Residence Homestead

The appraised value of a residence homestead for a tax year is limited to the lesser of the market value of the property or the sum of 110 percent of the appraised value for the preceding tax year plus the market value of all new improvements.

Section 23.231.
### Circuit Breaker Limitation on Appraised Value of Real Property Other Than Residence Homestead

The appraised value of real property, other than a residence homestead or property subject to special appraisal under Tax Code Chapter 23, with a value of not more than $5 million in the first tax year the property qualifies for the circuit breaker limitation is limited to the lesser of the market value of the property or the sum of 120 percent of the appraised value for the preceding tax year plus the market value of all new improvements. Tax Code Section 23.231 specifically provides the conditions under which a real property qualifies for the limitation and provides for the annual adjustment of the maximum appraised value by the consumer price index (CPI). This section expires Dec. 31, 2026.

Sections 23.41, 23.52, 23.73 and 23.9803.
### Special Appraisal for Agricultural and Timberland

Certain land devoted to agricultural production, wildlife management or timber production is appraised at productivity value — a value based on the land's capacity to produce agricultural or timber products.

Sections 23.48 and 23.60.
### Reappraisal of Land Subject to Temporary Quarantine for Ticks

An owner of qualified agricultural or open-space land may request a reappraisal of land subject to a temporary quarantine of at least 90 days in the current tax year. The reappraised value may not exceed the lesser of the market value or one-half of the original appraised value for the current tax year.

Sections 26.11, 26.111 and 26.113.
### Prorations and Other Partial Exemptions

Properties may qualify for certain exemptions for only part of the year, including when the government or a charitable or nonprofit organization acquires property after Jan. 1. Usually, these total exemptions are effective immediately on qualification, and the taxes are prorated to account for the applicable part of the year that the exemption is effective. This does not include residence homesteads with prorated taxes. Prorations for residence homesteads are reported under the applicable homestead exemption.

Sections 33.06 and 33.065.
### Deferred Taxes

For residence homestead taxes, the person who owns and occupies a residence homestead may defer the collection of taxes, abate a suit to collect a delinquent tax or, in certain cases, abate a sale to foreclose a tax lien if the individual:

1. is 65 years or older;
2. is disabled;
3. is qualified for certain disabled veteran exemptions; or
4. receives an appraised value that exceeds 105 percent of the preceding year's appraised value and the market value of any new improvements.

Chapter 311.
### Tax Increment Financing Act

Tax Increment Reinvestment Zones (TIRZs) are designated by a city or county. The tax increments generated by the increase of the property value inside the TIRZ are used to finance development costs of improvements and

infrastructure to promote and attract new developments within the area. The tax increment financing (TIF) levy loss in Table 10 is mostly for zones in which school districts participated before Sept. 1, 1999. A school district entering into an agreement after this date is generally not held harmless by the state for losses in revenue as a result of the agreement.

Chapter 313.

### Texas Economic Development Act

Property used in connection with manufacturing; research and development; a clean coal project as defined by Section 5.001, Water Code; an advanced clean energy project as defined by Section 382.003, Health and Safety Code; renewable energy electric generation; electric power generation using integrated gasification combined cycle technology; nuclear electric power generation; certain computer centers; or a Texas priority project may be eligible for value limitation agreements. These agreements are entered into by school districts and property owners, under which the property owner will make a certain level of investment and create jobs. The agreements limit the taxable value of qualifying investments for school district property tax maintenance and operations purposes. Property taxes levied for the repayment of debt are not affected. The program expired Dec. 31, 2022; however, projects approved before the expiration will continue until the end of their value limitation agreement.

Government Code
Chapters 403.601-403.623.

### Texas Jobs, Energy, Technology, and Innovation Act

Property used in connection with manufacturing facilities, dispatchable electric generation facilities, natural resource development facilities, research, development or manufacturing facilities for high-tech infrastructure equipment or technology, and the construction or expansion of critical infrastructure may be eligible for value limitation agreements. These agreements are entered into by the governor's office, school districts and property owners, under which the property owner will make a certain level of investment and create high-paying jobs. The agreements limit the taxable value of eligible property for school district property tax maintenance and operations purposes and provide for an additional limitation if the project is located in qualified Opportunity Zones. This program expires on Dec. 31, 2033. ✪


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# The Nature of Tax Incidence

The final incidence of a tax often cannot be directly observed nor even estimated with absolute objectivity. The subjective selection of economic and behavioral assumptions exerts a heavy influence on the calculated incidence, and myriad assumptions are possible.

Economic analysis, at heart, involves the study of how a change in one segment of the economy is diffused throughout the rest of the economy. Public finance experts have long recognized that the person from whom a given tax is collected is not necessarily the one who ultimately pays the tax.

Any tax levied directly on a business will ultimately be paid by real, live people — if not consumers via higher prices, then business owners via reduced profits or employees via reduced wages. In the first instance, the tax is considered to be shifted "forward," and in the second and third instances it is considered to be shifted "backward" to the factors of production. (Taxes also may be exported out of state, thereby relieving the burden in state. Of course, other states' taxes may end up being imported into Texas as well.) In any case, or in any combination where the tax burden is borne jointly, the old cliché is true: "Only people pay taxes."

Governments levy taxes, for the most part, to cover the costs of their expenditures. A tax will inherently have two direct economic effects. First, it will alter the relative prices of goods and services, affecting what is produced and how. Second, to the extent that virtually every tax takes more income from some groups than from others, it will alter the distribution of income.

## Incidence Analysis

Incidence analysis attempts to identify who bears the ultimate burden of a given tax. The analysis can be conducted on two levels: measurement of the initial direct "impact" of the tax in terms of the shares borne by consumers and/or different business sectors; and measurement of the ultimate "incidence," frequently represented by translating the initial impacts in terms of their effects on different household income groups.

The analysis is complicated because it is difficult, if not impossible, to isolate a change in one tax without taking into account the effect on other taxes or expenditures. For example, eliminating an exemption in one tax would imply either an equal decrease in another tax (to compensate for the increased revenues) or an equal increase in spending — either of which would have its own incidence implications above and beyond the incidence of the exemption being repealed.

Competing policy goals also make it difficult to study tax incidence. That is, while some taxes are justified on the basis of fairness or equity (the "ability to pay" principle), others are justified as user fees (the "benefits received" principle). The former is best exemplified by the federal income tax; the latter by federal and state motor fuel taxes, which are earmarked for highway construction and maintenance and other public transportation.

A tax is considered "regressive" when the tax burden as a share of income increases as income decreases; "proportional" when the share of tax burden relative to income remains constant for all income groups; and "progressive" when the share of tax burden relative to income grows larger as income increases. As such, taxes on alcohol and tobacco are considered regressive (because consumption levels remain relatively flat as income rises); a "flat" single-rate income tax (without any deductions or exemptions) is considered proportional; and the current federal income tax, with its schedule of increasing marginal tax rates, is considered progressive. Note that under either a proportional tax or a progressive tax, the ability to pay principle may be satisfied, because people with higher incomes pay more under either tax.

For practical purposes, most empirical incidence analyses are reduced to measuring the effects of a single tax in isolation from all others, without taking into account the effects of other taxes or any government expenditures or transfers. Even here, however, economists must confront the problem of accurate income measurement. That is, the results can vary depending upon whether income is measured at the individual or household level, in terms of "current" or "lifetime" income, and whether it is "gross," "adjusted gross" or "taxable" income. This problem becomes particularly difficult at the lower end of the income scale, where transfers — which are not always susceptible to accurate quantification — make up a significant portion of the income stream.

In addition, and equally complicated, is the problem of determining the proper "shifting" assumptions — what portion of the tax is shifted to consumers, what portion is shifted to labor, what portion is shifted to capital and what portion is exported out of state.

The shifting effects will depend on many things, including how producers and consumers respond to price changes

and whether a particular market is competitive or monopolistic. In general, most tax burdens are believed to be borne jointly by producers and consumers — raising the price paid by consumers and reducing the revenue received by producers, with the share of the burden depending upon the level of competition and the price elasticity of demand for the item being taxed. The more inelastic the demand, the greater the burden shifted to the consumer. (Consider the tax on cigarettes.) The more elastic the demand, the greater the burden borne by the producer. (Consider a tax on milk in glass milk bottles but not on milk in paper cartons, each a close substitute for the other in the eyes of most consumers.)

Similarly, when producers enjoy a near monopoly over the good being taxed – consider a tax on local natural gas utility service – there's a greater ability to shift the tax forward onto consumers by raising prices. However, when the individual producer has no ability to set prices – consider the world oil market – the ability to shift the tax burden is reduced.

## Tax Burden

Finally, determining who bears the tax burden varies depending upon whether the analysis focuses on the short term or the long term. For example, increasing the fee for a liquor license or an annual occupation tax would not be expected to be shifted forward in higher prices in the short term, because the fee would be considered part of the firm's fixed costs, whereas prices are determined by marginal costs (the cost of producing one incremental unit of the item sold). In this instance, the fee would be borne entirely by the producer.

In the long run, however, when all costs are taken into account, resources would shift and prices would adjust to take the tax into account in determining price, and as such the producer would be able to shift at least a portion of the burden forward onto consumers.

Recognizing the impracticality of developing an incidence model that satisfies all the demands of pure economic theory, the tables in the following section reflect the necessity of making certain basic assumptions, which are described in the beginning of that section. Perhaps key among these assumptions is that consumers will bear the ultimate burden of any taxes levied directly upon them.

While the following tables may be of great interest for policymakers, it's important to recognize that the results depend not upon hard science but upon subjective assumptions — and that the only thing that can be said with certainty is that no one really knows how taxes (particularly those levied on property and business) are shifted. ✪

# Texas Tax Incidence

The taxes discussed in the report's tax incidence section include the sales and use tax, the motor vehicle sales and use tax, the franchise tax, the oil production tax and the school property tax – the same taxes discussed in the preceding tax exemption sections. Under the Government Code's tax incidence reporting requirements, this section also presents incidence tables for the natural gas production tax, the gasoline tax and the insurance premium tax.

This incidence analysis includes certain assumptions about measuring income and how tax burdens shift. As discussed previously in the section concerning the nature of tax incidence, the outcome of any incidence study depends significantly on the initial assumptions relating to income, shifting and the relative demographic cohort and time period.

## Household Income

For the purposes of this study, the relative demographic cohort is the household rather than the individual, and the relative time periods are short term (for the study of initial distributions or burdens) and intermediate term (for the final incidences). In the intermediate term, it is assumed that any tax changes affecting businesses will be shifted until the final incidence is absorbed by households — whether by consumers, workers or owners. However, in the case of taxable purchases for household consumption, it is assumed that the household will bear the initial as well as final tax burdens. In contrast, a long-term, full equilibrium analysis would allow for backward shifting brought about by consumer reactions to the tax change and then another round of shifting by business until the final incidence was redistributed. **Exhibit A** shows the various types of income included within this report's definition of household income.

## Summary Tables

For each of the taxes covered in this section, the incidence analysis begins with a summary table that lays out the initial distribution and the final incidence of that tax. Where applicable, each summary table is followed by a series of tables that shows the incidence effects of each statutory exemption or exclusion that reduces revenues from the tax by more than 1 percent.

The tables in this section describe final incidence by household income groups referred to as "quintiles." It is forecast that there will be approximately 11,729,470 households in Texas in fiscal 2027. Each quintile includes approximately 2,345,894 households, representing one-fifth of the households in the state, ordered by total income. Quintile 1 represents the 2,345,894 households with incomes less than $41,105; Quintile 2 represents the households with incomes from $41,105 to $72,978; and so forth, up to Quintile 5,

**Exhibit A**

### Components of Household Income

| Components | Definition |
|---|---|
| Components | Definition |
| Federal Adjusted Gross Income | The total income from all taxable sources less certain expenses incurred in earning that income. Other sources of cash income are excluded by statute from the federal income tax. These are called statutory adjustments. * |
| Nontaxable Interest Income | Interest income that is not taxed by the federal government. |
| Nontaxable Pension Income ** | Pension income that is not taxed by the federal government. |
| Nontaxable Social Security Benefits | Not all Social Security benefits are taxable by the federal government. |
| Nonfiler Income (from Census) | Income received by persons whose annual income is below that of the income required to file a tax return. *** |

** Statutory adjustments are the deductions listed on page 1 of the 1040 form.*
*** Capital gains and pension benefits are included when realized, not as they accrue.*
**** This income includes public assistance, workers' compensation, Social Security benefits and unemployment compensation.*
*Note: Adjustments were made to total income for the lowest quintiles due to lack of sufficient data.*

which represents the 2,345,894 households in Texas with incomes of $195,292 or higher.

Each of the eight total tax summary tables has five displays. The two displays at the top of each table relate to initial distribution and show, first, how the initial burden is distributed among various industry sectors and consumers, and second, how the initial burden is distributed by type of business organization. The two displays in the middle relate to final incidence and show, first, how final incidence is either exported or distributed by family income quintile, and second, how the final incidence is either exported or distributed between renters and homeowners.

The final display, at the bottom left of each tax summary table, involves a calculation of the overall equity of the tax — that is, its degree of progressivity or regressivity. This calculation, known as the "Suits Index," ranges from +1.0 to -1.0, with a 0.0 indicating that the tax burden is perfectly proportional to income at all quintiles. At the extremes, a +1.0 would indicate an extremely progressive tax, and a -1.0 would indicate an extremely regressive tax (i.e., with the entire incidence borne entirely by the lowest quintile).

The total tax summary tables for the limited sales and use tax, the motor vehicle sales and use tax, the franchise tax and the school property tax are each followed by a series of smaller tables, each with two displays. These tables relate to Tax Code provisions that reduce overall collections for each particular tax by more than 1 percent. The first display shows how the initial impact is distributed among consumers and various industry groups, and the second shows how the final incidence is exported or borne by households, categorized by income quintile.

## Acknowledgments

Finally, for contributions to the incidence material contained in this report, the Comptroller's office would like to acknowledge the Minnesota Department of Revenue's "Minnesota Tax Incidence Study" (several editions), data providers (both public and private) and Texas Legislative Budget Board staff. ✪

**Table 1**

# Initial Distribution and Final Incidence of Total Limited Sales and Use Tax Revenue

Fiscal 2027 (dollar amounts in millions)

## Initial Distribution of Tax - By Industry

| Industry | Amount | Percent |
|---|---|---|
| Agriculture | $616.5 | 1.1% |
| Mining | $3,541.5 | 6.5% |
| Utilities & Transportation | $3,708.9 | 6.8% |
| Construction | $2,971.7 | 5.4% |
| Manufacturing | $2,490.7 | 4.5% |
| Retail & Wholesale Trade | $2,874.7 | 5.2% |
| Information | $1,013.6 | 1.8% |
| Finance, Insurance & Real Estate | $1,113.9 | 2.0% |
| Other Services | $4,395.5 | 8.0% |
| Government | $0.0 | 0.0% |
| Individual Consumers | $32,108.5 | 58.6% |
| **Total** | **$54,835.6** | **100.0%** |

*Note: Totals may not add due to rounding.*

## Initial Distribution of Tax - By Industry Type

| | Amount | Percent |
|---|---|---|
| Corporations | $16,279.9 | 29.7% |
| Partnerships | $3,862.4 | 7.0% |
| Sole Proprietorships | $2,584.7 | 0.0% |
| Subtotal | $22,727.0 | 41.4% |
| Individual Consumers | $32,108.5 | 58.6% |
| **Total** | **$54,835.6** | **100.0%** |

*Note: Totals may not add due to rounding.*

## Final Incidence of Tax - By Household Income Quintile

| Quintile | Household Income (Annual) | Amount | Percent of Total Tax Paid | Tax as Percent of Total Income |
|---|---|---|---|---|
| Quintile 1 | less than $41,105 | $3,932.1 | 7.2% | 7.4% |
| Quintile 2 | $41,105 - $72,978 | $5,769.9 | 10.5% | 4.5% |
| Quintile 3 | $72,978 - $117,008 | $7,782.5 | 14.2% | 3.6% |
| Quintile 4 | $117,008 - $195,292 | $9,561.0 | 17.4% | 2.7% |
| Quintile 5 | $195,292 and higher | $16,694.2 | 30.4% | 1.8% |
| Residents | | $43,739.8 | 79.8% | |
| Exported | | $11,095.8 | 20.2% | |
| **Total** | | **$54,835.6** | **100.0%** | |

### Estimated Equity of Tax

| | |
|---|---|
| Suits Index | -0.252 |

*Note: Totals may not add due to rounding.*

## Final Incidence of Tax - By Homeowners/Renters

| | Amount | Percent of Total Tax Paid |
|---|---|---|
| Homeowners | $27,946.5 | 51.0% |
| Renters | $15,793.2 | 28.8% |
| Subtotal | $43,739.8 | 79.8% |
| Exported | $11,095.8 | 20.2% |
| **Total** | **$54,835.6** | **100.0%** |

*Note: Totals may not add due to rounding.*



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**Table 2: Incidence Analysis**

## Limited Sales and Use Tax Exemption for Items Taxed by Other Law

Tax Code Section 151.308
Fiscal 2027 (dollar amounts in millions)

Initial Distribution of Exemption - By Industry

| Industry | Amount | Percent |
|---|---|---|
| Agriculture | $504.0 | 1.8% |
| Mining | $567.9 | 2.0% |
| Utilities & Transportation | $4,803.1 | 17.0% |
| Construction | $3,509.5 | 12.4% |
| Manufacturing | $2,326.8 | 8.2% |
| Retail & Wholesale Trade | $548.3 | 1.9% |
| Information | $398.7 | 1.4% |
| Finance, Insurance & Real Estate | $796.6 | 2.8% |
| Other Services | $360.5 | 1.3% |
| Government | $0.0 | 0.0% |
| Individual Consumers | $14,415.1 | 51.1% |
| **Total** | **$28,230.6** | **100.0%** |

*Note: Totals may not add due to rounding.*

Final Incidence of Exemption - By Household Income Quintile

| Quintile | Household Income (Annual) | Amount | Percent of Exemption Total | Exemption as Percent of Total Income |
|---|---|---|---|---|
| Quintile 1 | less than $41,105 | $2,222.3 | 7.9% | 4.2% |
| Quintile 2 | $41,105 - $72,978 | $2,889.2 | 10.2% | 2.3% |
| Quintile 3 | $72,978 - $117,008 | $4,203.6 | 14.9% | 1.9% |
| Quintile 4 | $117,008 - $195,292 | $5,445.3 | 19.3% | 1.5% |
| Quintile 5 | $195,292 and higher | $7,719.1 | 27.3% | 0.8% |
| Residents | | $22,479.5 | 79.6% | |
| Exported | | $5,751.1 | 20.4% | |
| **Total** | | **$28,230.6** | **100.0%** | |

*Note: Totals may not add due to rounding.*

**Table 3: Incidence Analysis**

## Limited Sales and Use Tax Exemption for Health Care Supplies

Tax Code Section 151.313
Fiscal 2027 (dollar amounts in millions)

Initial Distribution of Exemption - By Industry

| Industry | Amount | Percent |
|---|---|---|
| Agriculture | $13.3 | 1.2% |
| Mining | $0.0 | 0.0% |
| Utilities & Transportation | $0.0 | 0.0% |
| Construction | $0.0 | 0.0% |
| Manufacturing | $10.4 | 0.9% |
| Retail & Wholesale Trade | $11.7 | 1.0% |
| Information | $3.7 | 0.3% |
| Finance, Insurance & Real Estate | $0.0 | 0.0% |
| Other Services | $139.3 | 12.1% |
| Government | $0.0 | 0.0% |
| Individual Consumers | $969.1 | 84.5% |
| **Total** | **$1,147.4** | **100.0%** |

*Note: Totals may not add due to rounding.*

Final Incidence of Exemption - By Household Income Quintile

| Quintile | Household Income (Annual) | Amount | Percent of Exemption Total | Exemption as Percent of Total Income |
|---|---|---|---|---|
| Quintile 1 | less than $41,105 | $209.2 | 18.2% | 0.4% |
| Quintile 2 | $41,105 - $72,978 | $224.6 | 19.6% | 0.2% |
| Quintile 3 | $72,978 - $117,008 | $229.8 | 20.0% | 0.1% |
| Quintile 4 | $117,008 - $195,292 | $233.3 | 20.3% | 0.1% |
| Quintile 5 | $195,292 and higher | $236.4 | 20.6% | 0.0% |
| Residents | | $1,133.3 | 98.8% | |
| Exported | | $14.1 | 1.2% | |
| **Total** | | **$1,147.4** | **100.0%** | |

*Note: Totals may not add due to rounding.*

**Table 4: Incidence Analysis**

## Limited Sales and Use Tax Exemption for Food for Home Consumption

Tax Code Section 151.314
Fiscal 2027 (dollar amounts in millions)

Initial Distribution of Exemption - By Industry

| Industry | Amount | Percent |
|---|---|---|
| Agriculture | $0.0 | 0.0% |
| Mining | $0.0 | 0.0% |
| Utilities & Transportation | $0.0 | 0.0% |
| Construction | $0.0 | 0.0% |
| Manufacturing | $0.0 | 0.0% |
| Retail & Wholesale Trade | $0.0 | 0.0% |
| Information | $0.0 | 0.0% |
| Finance, Insurance & Real Estate | $0.0 | 0.0% |
| Other Services | $0.0 | 0.0% |
| Government | $0.0 | 0.0% |
| Individual Consumers | $4,647.6 | 100.0% |
| **Total** | **$4,647.6** | **100.0%** |

*Note: Totals may not add due to rounding.*

Final Incidence of Exemption - By Household Income Quintile

| Quintile | Household Income (Annual) | Amount | Percent of Exemption Total | Exemption as Percent of Total Income |
|---|---|---|---|---|
| Quintile 1 | less than $41,105 | $729.0 | 15.7% | 1.4% |
| Quintile 2 | $41,105 - $72,978 | $846.0 | 18.2% | 0.7% |
| Quintile 3 | $72,978 - $117,008 | $882.5 | 19.0% | 0.4% |
| Quintile 4 | $117,008 - $195,292 | $960.0 | 20.7% | 0.3% |
| Quintile 5 | $195,292 and higher | $1,106.5 | 23.8% | 0.1% |
| Residents | | $4,524.0 | 97.3% | |
| Exported | | $123.6 | 2.7% | |
| **Total** | | **$4,647.6** | **100.0%** | |

*Note: Totals may not add due to rounding.*

**Table 5: Incidence Analysis**

## Limited Sales and Use Tax Exemption for Agricultural Items

Tax Code Section 151.316
Fiscal 2027 (dollar amounts in millions)

Initial Distribution of Exemption - By Industry

| Industry | Amount | Percent |
|---|---|---|
| Agriculture | $579.0 | 100.0% |
| Mining | $0.0 | 0.0% |
| Utilities & Transportation | $0.0 | 0.0% |
| Construction | $0.0 | 0.0% |
| Manufacturing | $0.0 | 0.0% |
| Retail & Wholesale Trade | $0.0 | 0.0% |
| Information | $0.0 | 0.0% |
| Finance, Insurance & Real Estate | $0.0 | 0.0% |
| Other Services | $0.0 | 0.0% |
| Government | $0.0 | 0.0% |
| Individual Consumers | $0.0 | 0.0% |
| **Total** | **$579.0** | **100.0%** |

*Note: Totals may not add due to rounding.*

Final Incidence of Exemption - By Household Income Quintile

| Quintile | Household Income (Annual) | Amount | Percent of Exemption Total | Exemption as Percent of Total Income |
|---|---|---|---|---|
| Quintile 1 | less than $41,105 | $26.30 | 4.5% | 0.0% |
| Quintile 2 | $41,105 - $72,978 | $46.90 | 8.1% | 0.0% |
| Quintile 3 | $72,978 - $117,008 | $61.22 | 10.6% | 0.0% |
| Quintile 4 | $117,008 - $195,292 | $70.64 | 12.2% | 0.0% |
| Quintile 5 | $195,292 and higher | $110.35 | 19.1% | 0.0% |
| Residents | | $315.4 | 54.5% | |
| Exported | | $263.5 | 45.5% | |
| **Total** | | **$579.0** | **100.0%** | |

*Note: Totals may not add due to rounding.*



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**Table 6: Incidence Analysis**

## Limited Sales and Use Tax Exemption for Gas and Electricity

Tax Code Section 151.317
Fiscal 2027 (dollar amounts in millions)

Initial Distribution of Exemption - By Industry

| Industry | Amount | Percent |
|---|---|---|
| Agriculture | $70.4 | 2.8% |
| Mining | $106.0 | 4.3% |
| Utilities & Transportation | $53.1 | 2.1% |
| Construction | $34.8 | 1.4% |
| Manufacturing | $881.2 | 35.4% |
| Retail & Wholesale Trade | $0.0 | 0.0% |
| Information | $0.0 | 0.0% |
| Finance, Insurance & Real Estate | $0.0 | 0.0% |
| Other Services | $0.0 | 0.0% |
| Government | $0.0 | 0.0% |
| Individual Consumers | $1,341.8 | 53.9% |
| **Total** | **$2,487.3** | **100.0%** |

*Note: Totals may not add due to rounding.*

Final Incidence of Exemption - By Household Income Quintile

| Quintile | Household Income (Annual) | Amount | Percent of Exemption Total | Exemption as Percent of Total Income |
|---|---|---|---|---|
| Quintile 1 | less than $41,105 | $244.0 | 9.8% | 0.5% |
| Quintile 2 | $41,105 - $72,978 | $294.1 | 11.8% | 0.2% |
| Quintile 3 | $72,978 - $117,008 | $368.7 | 14.8% | 0.2% |
| Quintile 4 | $117,008 - $195,292 | $402.2 | 16.2% | 0.1% |
| Quintile 5 | $195,292 and higher | $549.8 | 22.1% | 0.1% |
| Residents | | $1,858.7 | 74.7% | |
| Exported | | $628.5 | 25.3% | |
| **Total** | | **$2,487.3** | **100.0%** | |

*Note: Totals may not add due to rounding.*

**Table 7: Incidence Analysis**

## Limited Sales and Use Tax Exemption for Manufacturing

Tax Code Section 151.318
Fiscal 2027 (dollar amounts in millions)

Initial Distribution of Exemption - By Industry

| Industry | Amount | Percent |
|---|---|---|
| Agriculture | $0.0 | 0.0% |
| Mining | $0.0 | 0.0% |
| Utilities & Transportation | $389.6 | 3.1% |
| Construction | $0.0 | 0.0% |
| Manufacturing | $11,730.5 | 94.3% |
| Retail & Wholesale Trade | $0.0 | 0.0% |
| Information | $0.0 | 0.0% |
| Finance, Insurance & Real Estate | $0.0 | 0.0% |
| Other Services | $315.1 | 2.5% |
| Government | $0.0 | 0.0% |
| Individual Consumers | $0.0 | 0.0% |
| **Total** | **$12,435.1** | **100.0%** |

*Note: Totals may not add due to rounding.*

Final Incidence of Exemption - By Household Income Quintile

| Quintile | Household Income (Annual) | Amount | Percent of Exemption Total | Exemption as Percent of Total Income |
|---|---|---|---|---|
| Quintile 1 | less than $41,105 | $600.5 | 4.8% | 1.1% |
| Quintile 2 | $41,105 - $72,978 | $772.4 | 6.2% | 0.6% |
| Quintile 3 | $72,978 - $117,008 | $889.1 | 7.1% | 0.4% |
| Quintile 4 | $117,008 - $195,292 | $1,361.9 | 11.0% | 0.4% |
| Quintile 5 | $195,292 and higher | $1,848.8 | 14.9% | 0.2% |
| Residents | | $5,472.6 | 44.0% | |
| Exported | | $6,962.6 | 56.0% | |
| **Total** | | **$12,435.1** | **100.0%** | |

*Note: Totals may not sum add to rounding.*

**Table 8: Incidence Analysis**

## Limited Sales and Use Tax Exclusion for Property Used in Data Centers

Tax Code Section 151.359
Fiscal 2027 (dollar amounts in millions)

Initial Distribution of Exclusion - By Industry

| Industry | Amount | Percent |
|---|---|---|
| Agriculture | $0.0 | 0.0% |
| Mining | $0.0 | 0.0% |
| Utilities & Transportation | $0.0 | 0.0% |
| Construction | $0.0 | 0.0% |
| Manufacturing | $0.0 | 0.0% |
| Retail & Wholesale Trade | $0.0 | 0.0% |
| Information | $1,598.0 | 100.0% |
| Finance, Insurance & Real Estate | $0.0 | 0.0% |
| Other Services | $0.0 | 0.0% |
| Government | $0.0 | 0.0% |
| Individual Consumers | $0.0 | 0.0% |
| **Total** | **$1,598.0** | **100.0%** |

*Note: Totals may not add due to rounding.*

Final Incidence of Exclusion - By Household Income Quintile

| Quintile | Household Income (Annual) | Amount | Percent of Exclusion Total | Exclusion as Percent of Total Income |
|---|---|---|---|---|
| Quintile 1 | less than $41,105 | $84.9 | 5.3% | 0.2% |
| Quintile 2 | $41,105 - $72,978 | $114.1 | 7.1% | 0.1% |
| Quintile 3 | $72,978 - $117,008 | $182.4 | 11.4% | 0.1% |
| Quintile 4 | $117,008 - $195,292 | $258.1 | 16.1% | 0.1% |
| Quintile 5 | $195,292 and higher | $373.1 | 23.3% | 0.0% |
| Residents | | $1,012.5 | 63.4% | |
| Exported | | $585.5 | 36.6% | |
| **Total** | | **$1,598.0** | **100.0%** | |

*Note: Totals may not add due to rounding.*

**Table 9: Incidence Analysis**

## Limited Sales and Use Tax Exclusion for New Nonresidential Construction Labor

Fiscal 2027 (dollar amounts in millions)

Initial Distribution of Exclusion - By Industry

| Industry | Amount | Percent |
|---|---|---|
| Agriculture | $2.2 | 0.3% |
| Mining | $67.8 | 7.9% |
| Utilities & Transportation | $133.2 | 15.4% |
| Construction | $26.9 | 3.1% |
| Manufacturing | $121.9 | 14.1% |
| Retail & Wholesale Trade | $224.8 | 26.0% |
| Information | $24.6 | 2.8% |
| Finance, Insurance & Real Estate | $29.8 | 3.5% |
| Other Services | $232.4 | 26.9% |
| Government | $0.0 | 0.0% |
| Individual Consumers | $0.0 | 0.0% |
| **Total** | **$863.5** | **100.0%** |

*Note: Totals may not add due to rounding.*

Final Incidence of Exclusion - By Household Income Quintile

| Quintile | Household Income (Annual) | Amount | Percent of Exclusion Total | Exclusion as Percent of Total Income |
|---|---|---|---|---|
| Quintile 1 | less than $41,105 | $55.4 | 6.4% | 0.1% |
| Quintile 2 | $41,105 - $72,978 | $72.7 | 8.4% | 0.1% |
| Quintile 3 | $72,978 - $117,008 | $125.3 | 14.5% | 0.1% |
| Quintile 4 | $117,008 - $195,292 | $173.9 | 20.1% | 0.0% |
| Quintile 5 | $195,292 and higher | $249.3 | 28.9% | 0.0% |
| Residents | | $676.7 | 78.4% | |
| Exported | | $186.9 | 21.6% | |
| **Total** | | **$863.5** | **100.0%** | |

*Note: Totals may not add due to rounding.*



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**Table 10: Incidence Analysis**

## Limited Sales and Use Tax Exclusion for Temporary Labor Services

Fiscal 2027 (dollar amounts in millions)

Initial Distribution of Exclusion - By Industry

| Industry | Amount | Percent |
|---|---|---|
| Agriculture | $14.1 | 1.5% |
| Mining | $29.0 | 3.2% |
| Utilities & Transportation | $46.6 | 5.1% |
| Construction | $57.0 | 6.3% |
| Manufacturing | $15.1 | 1.7% |
| Retail & Wholesale Trade | $123.1 | 13.5% |
| Information | $8.4 | 0.9% |
| Finance, Insurance & Real Estate | $52.3 | 5.7% |
| Other Services | $564.7 | 62.0% |
| Government | $0.0 | 0.0% |
| Individual Consumers | $0.0 | 0.0% |
| **Total** | **$910.1** | **100.0%** |

*Note: Totals may not add due to rounding.*

Final Incidence of Exclusion - By Household Income Quintile

| Quintile | Household Income (Annual) | Amount | Percent of Exclusion Total | Exclusion as Percent of Total Income |
|---|---|---|---|---|
| Quintile 1 | less than $41,105 | $65.5 | 7.2% | 0.1% |
| Quintile 2 | $41,105 - $72,978 | $80.4 | 8.8% | 0.1% |
| Quintile 3 | $72,978 - $117,008 | $126.3 | 13.9% | 0.1% |
| Quintile 4 | $117,008 - $195,292 | $170.7 | 18.8% | 0.0% |
| Quintile 5 | $195,292 and higher | $243.1 | 26.7% | 0.0% |
| Residents | | $686.1 | 75.4% | |
| Exported | | $224.0 | 24.6% | |
| **Total** | | **$910.1** | **100.0%** | |

*Note: Totals may not add due to rounding.*

**Table 11: Incidence Analysis**

## Limited Sales and Use Tax Exclusion for Health Care Services (Physicians, Dentists and Other Health Care Services)

Fiscal 2027 (dollar amounts in millions)

Initial Distribution of Exclusion - By Industry

| Industry | Amount | Percent |
|---|---|---|
| Agriculture | $0.0 | 0.0% |
| Mining | $0.0 | 0.0% |
| Utilities & Transportation | $0.0 | 0.0% |
| Construction | $0.0 | 0.0% |
| Manufacturing | $0.0 | 0.0% |
| Retail & Wholesale Trade | $0.0 | 0.0% |
| Information | $0.0 | 0.0% |
| Finance, Insurance & Real Estate | $0.0 | 0.0% |
| Other Services | $0.0 | 0.0% |
| Government | $0.0 | 0.0% |
| Individual Consumers | $4,466.6 | 100.0% |
| **Total** | **$4,466.6** | **100.0%** |

*Note: Totals may not add due to rounding.*

Final Incidence of Exclusion - By Household Income Quintile

| Quintile | Household Income (Annual) | Amount | Percent of Exclusion Total | Exclusion as Percent of Total Income |
|---|---|---|---|---|
| Quintile 1 | less than $41,105 | $419.4 | 9.4% | 0.8% |
| Quintile 2 | $41,105 - $72,978 | $700.1 | 15.7% | 0.5% |
| Quintile 3 | $72,978 - $117,008 | $855.1 | 19.1% | 0.4% |
| Quintile 4 | $117,008 - $195,292 | $1,081.5 | 24.2% | 0.3% |
| Quintile 5 | $195,292 and higher | $1,266.3 | 28.4% | 0.1% |
| Residents | | $4,322.5 | 96.8% | |
| Exported | | $144.2 | 3.2% | |
| **Total** | | **$4,466.6** | **100.0%** | |

*Note: Totals may not sum add to rounding.*

**Table 12: Incidence Analysis**

## Limited Sales and Use Tax Exclusion for Legal Services

Fiscal 2027 (dollar amounts in millions)

Initial Distribution of Exclusion - By Industry

| Industry | Amount | Percent |
|---|---|---|
| Agriculture | $9.3 | 1.0% |
| Mining | $52.2 | 5.7% |
| Utilities & Transportation | $57.1 | 6.2% |
| Construction | $24.4 | 2.6% |
| Manufacturing | $73.0 | 7.9% |
| Retail & Wholesale Trade | $38.2 | 4.1% |
| Information | $9.4 | 1.0% |
| Finance, Insurance & Real Estate | $102.7 | 11.1% |
| Other Services | $227.6 | 24.7% |
| Government | $0.0 | 0.0% |
| Individual Consumers | $328.6 | 35.6% |
| **Total** | **$922.5** | **100.0%** |

*Note: Totals may not add due to rounding.*

Final Incidence of Exclusion - By Household Income Quintile

| Quintile | Household Income (Annual) | Amount | Percent of Exclusion Total | Exclusion as Percent of Total Income |
|---|---|---|---|---|
| Quintile 1 | less than $41,105 | $40.6 | 4.4% | 0.1% |
| Quintile 2 | $41,105 - $72,978 | $92.1 | 10.0% | 0.1% |
| Quintile 3 | $72,978 - $117,008 | $121.2 | 13.1% | 0.1% |
| Quintile 4 | $117,008 - $195,292 | $159.1 | 17.2% | 0.0% |
| Quintile 5 | $195,292 and higher | $250.7 | 27.2% | 0.0% |
| Residents | | $663.6 | 71.9% | |
| Exported | | $258.9 | 28.1% | |
| **Total** | | **$922.5** | **100.0%** | |

*Note: Totals may not add due to rounding.*

**Table 13: Incidence Analysis**

## Limited Sales and Use Tax Exclusion for Architecture and Engineering Services

Fiscal 2027 (dollar amounts in millions)

Initial Distribution of Exclusion - By Industry

| Industry | Amount | Percent |
|---|---|---|
| Agriculture | $6.4 | 0.8% |
| Mining | $35.2 | 4.5% |
| Utilities & Transportation | $51.3 | 6.5% |
| Construction | $330.3 | 42.1% |
| Manufacturing | $90.6 | 11.5% |
| Retail & Wholesale Trade | $16.7 | 2.1% |
| Information | $45.2 | 5.8% |
| Finance, Insurance & Real Estate | $62.1 | 7.9% |
| Other Services | $115.5 | 14.7% |
| Government | $0.0 | 0.0% |
| Individual Consumers | $31.0 | 4.0% |
| **Total** | **$784.3** | **100.0%** |

*Note: Totals may not add due to rounding.*

Final Incidence of Exclusion - By Household Income Quintile

| Quintile | Household Income (Annual) | Amount | Percent of Exclusion Total | Exclusion as Percent of Total Income |
|---|---|---|---|---|
| Quintile 1 | less than $41,105 | $27.7 | 3.5% | 0.1% |
| Quintile 2 | $41,105 - $72,978 | $55.0 | 7.0% | 0.0% |
| Quintile 3 | $72,978 - $117,008 | $95.5 | 12.2% | 0.0% |
| Quintile 4 | $117,008 - $195,292 | $116.2 | 14.8% | 0.0% |
| Quintile 5 | $195,292 and higher | $169.8 | 21.6% | 0.0% |
| Residents | | $464.2 | 59.2% | |
| Exported | | $320.1 | 40.8% | |
| **Total** | | **$784.3** | **100.0%** | |

*Note: Totals may not add due to rounding.*



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**Table 14: Incidence Analysis**

## Limited Sales and Use Tax Exclusion for Accounting and Audit Services

Fiscal 2027 (dollar amounts in millions)

Initial Distribution of Exclusion - By Industry

| Industry | Amount | Percent |
|---|---|---|
| Agriculture | $9.1 | 1.5% |
| Mining | $32.4 | 5.3% |
| Utilities & Transportation | $42.1 | 6.9% |
| Construction | $31.2 | 5.1% |
| Manufacturing | $49.7 | 8.2% |
| Retail & Wholesale Trade | $54.3 | 8.9% |
| Information | $29.0 | 4.8% |
| Finance, Insurance & Real Estate | $103.6 | 17.0% |
| Other Services | $187.5 | 30.8% |
| Government | $0.0 | 0.0% |
| Individual Consumers | $69.7 | 11.5% |
| **Total** | **$608.7** | **100.0%** |

*Note: Totals may not add due to rounding.*

Final Incidence of Exclusion - By Household Income Quintile

| Quintile | Household Income (Annual) | Amount | Percent of Exclusion Total | Exclusion as Percent of Total Income |
|---|---|---|---|---|
| Quintile 1 | less than $41,105 | $32.5 | 5.3% | 0.1% |
| Quintile 2 | $41,105 - $72,978 | $46.6 | 7.7% | 0.0% |
| Quintile 3 | $72,978 - $117,008 | $71.9 | 11.8% | 0.0% |
| Quintile 4 | $117,008 - $195,292 | $97.3 | 16.0% | 0.0% |
| Quintile 5 | $195,292 and higher | $134.3 | 22.1% | 0.0% |
| Residents | | $382.7 | 62.9% | |
| Exported | | $226.0 | 37.1% | |
| **Total** | | **$608.7** | **100.0%** | |

*Note: Totals may not add due to rounding.*

**Table 15: Incidence Analysis**

## Limited Sales and Use Tax Exclusion for Other Financial Services

Fiscal 2027 (dollar amounts in millions)

Initial Distribution of Exclusion - By Industry

| Industry | Amount | Percent |
|---|---|---|
| Agriculture | $12.9 | 2.3% |
| Mining | $17.0 | 3.0% |
| Utilities & Transportation | $64.6 | 11.3% |
| Construction | $51.9 | 9.0% |
| Manufacturing | $39.8 | 6.9% |
| Retail & Wholesale Trade | $26.1 | 4.5% |
| Information | $24.8 | 4.3% |
| Finance, Insurance & Real Estate | $200.3 | 34.9% |
| Other Services | $70.8 | 12.3% |
| Government | $0.0 | 0.0% |
| Individual Consumers | $65.7 | 11.4% |
| **Total** | **$573.9** | **100.0%** |

*Note: Totals may not add due to rounding.*

Final Incidence of Exclusion - By Household Income Quintile

| Quintile | Household Income (Annual) | Amount | Percent of Exclusion Total | Exclusion as Percent of Total Income |
|---|---|---|---|---|
| Quintile 1 | less than $41,105 | $22.5 | 3.9% | 0.0% |
| Quintile 2 | $41,105 - $72,978 | $37.5 | 6.5% | 0.0% |
| Quintile 3 | $72,978 - $117,008 | $77.0 | 13.4% | 0.0% |
| Quintile 4 | $117,008 - $195,292 | $97.2 | 16.9% | 0.0% |
| Quintile 5 | $195,292 and higher | $150.0 | 26.1% | 0.0% |
| Residents | | $384.2 | 66.9% | |
| Exported | | $189.8 | 33.1% | |
| **Total** | | **$573.9** | **100.0%** | |

*Note: Totals may not add due to rounding.*

**Table 16: Incidence Analysis**

## Limited Sales and Use Tax Exclusion for Management Consulting and Public Relations

Fiscal 2027 (dollar amounts in millions)

Initial Distribution of Exclusion - By Industry

| Industry | Amount | Percent |
|---|---|---|
| Agriculture | $6.1 | 0.8% |
| Mining | $10.2 | 1.3% |
| Utilities & Transportation | $5.9 | 0.7% |
| Construction | $4.3 | 0.6% |
| Manufacturing | $64.1 | 8.1% |
| Retail & Wholesale Trade | $9.0 | 1.1% |
| Information | $113.0 | 14.3% |
| Finance, Insurance & Real Estate | $4.1 | 0.5% |
| Other Services | $549.8 | 69.7% |
| Government | $0.0 | 0.0% |
| Individual Consumers | $22.2 | 2.8% |
| **Total** | **$788.7** | **100.0%** |

*Note: Totals may not add due to rounding.*

Final Incidence of Exclusion - By Household Income Quintile

| Quintile | Household Income (Annual) | Amount | Percent of Exclusion Total | Exclusion as Percent of Total Income |
|---|---|---|---|---|
| Quintile 1 | less than $41,105 | $50.8 | 6.4% | 0.1% |
| Quintile 2 | $41,105 - $72,978 | $71.1 | 9.0% | 0.1% |
| Quintile 3 | $72,978 - $117,008 | $118.2 | 15.0% | 0.1% |
| Quintile 4 | $117,008 - $195,292 | $146.0 | 18.5% | 0.0% |
| Quintile 5 | $195,292 and higher | $198.7 | 25.2% | 0.0% |
| Residents | | $584.8 | 74.1% | |
| Exported | | $203.9 | 25.9% | |
| **Total** | | **$788.7** | **100.0%** | |

*Note: Totals may not add due to rounding.*

**Table 17: Incidence Analysis**

## Limited Sales and Use Tax Exclusion for Computer Systems Design and Custom Programming

Fiscal 2027 (dollar amounts in millions)

Initial Distribution of Exclusion - By Industry

| Industry | Amount | Percent |
|---|---|---|
| Agriculture | $4.5 | 0.3% |
| Mining | $6.5 | 0.5% |
| Utilities & Transportation | $13.7 | 1.0% |
| Construction | $3.0 | 0.2% |
| Manufacturing | $28.7 | 2.1% |
| Retail & Wholesale Trade | $44.0 | 3.3% |
| Information | $106.5 | 7.9% |
| Finance, Insurance & Real Estate | $28.2 | 2.1% |
| Other Services | $1,025.3 | 76.2% |
| Government | $0.0 | 0.0% |
| Individual Consumers | $85.9 | 6.4% |
| **Total** | **$1,346.3** | **100.0%** |

*Note: Totals may not add due to rounding.*

Final Incidence of Exclusion - By Household Income Quintile

| Quintile | Household Income (Annual) | Amount | Percent of Exclusion Total | Exclusion as Percent of Total Income |
|---|---|---|---|---|
| Quintile 1 | less than $41,105 | $91.1 | 6.8% | 0.2% |
| Quintile 2 | $41,105 - $72,978 | $120.1 | 8.9% | 0.1% |
| Quintile 3 | $72,978 - $117,008 | $166.3 | 12.4% | 0.1% |
| Quintile 4 | $117,008 - $195,292 | $221.2 | 16.4% | 0.1% |
| Quintile 5 | $195,292 and higher | $280.4 | 20.8% | 0.0% |
| Residents | | $879.2 | 65.3% | |
| Exported | | $467.1 | 34.7% | |
| **Total** | | **$1,346.3** | **100.0%** | |

*Note: Totals may not add due to rounding.*



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**Table 18: Incidence Analysis**

## Limited Sales and Use Tax Exclusion for Automotive Maintenance and Repair

Fiscal 2027 (dollar amounts in millions)

Initial Distribution of Exclusion - By Industry

| Industry | Amount | Percent |
|---|---|---|
| Agriculture | $11.3 | 1.0% |
| Mining | $17.7 | 1.6% |
| Utilities & Transportation | $49.4 | 4.4% |
| Construction | $29.3 | 2.6% |
| Manufacturing | $50.3 | 4.5% |
| Retail & Wholesale Trade | $24.2 | 2.2% |
| Information | $10.7 | 1.0% |
| Finance, Insurance & Real Estate | $8.2 | 0.7% |
| Other Services | $53.9 | 4.8% |
| Government | $0.0 | 0.0% |
| Individual Consumers | $857.2 | 77.1% |
| **Total** | **$1,112.2** | **100.0%** |

*Note: Totals may not add due to rounding.*

Final Incidence of Exclusion - By Household Income Quintile

| Quintile | Household Income (Annual) | Amount | Percent of Exclusion Total | Exclusion as Percent of Total Income |
|---|---|---|---|---|
| Quintile 1 | less than $41,105 | $142.1 | 12.8% | 0.3% |
| Quintile 2 | $41,105 - $72,978 | $145.8 | 13.1% | 0.1% |
| Quintile 3 | $72,978 - $117,008 | $179.2 | 16.1% | 0.1% |
| Quintile 4 | $117,008 - $195,292 | $231.4 | 20.8% | 0.1% |
| Quintile 5 | $195,292 and higher | $266.7 | 24.0% | 0.0% |
| Residents | | $965.2 | 86.8% | |
| Exported | | $147.0 | 13.2% | |
| **Total** | | **$1,112.2** | **100.0%** | |

*Note: Totals may not add due to rounding.*

**Table 19: Incidence Analysis**

## Limited Sales and Use Tax Exclusion for Real Estate Brokerage and Agency

Fiscal 2027 (dollar amounts in millions)

Initial Distribution of Exclusion - By Industry

| Industry | Amount | Percent |
|---|---|---|
| Agriculture | $8.8 | 1.4% |
| Mining | $5.5 | 0.8% |
| Utilities & Transportation | $20.9 | 3.2% |
| Construction | $9.1 | 1.4% |
| Manufacturing | $13.9 | 2.2% |
| Retail & Wholesale Trade | $59.8 | 9.3% |
| Information | $6.5 | 1.0% |
| Finance, Insurance & Real Estate | $74.5 | 11.5% |
| Other Services | $227.3 | 35.2% |
| Government | $0.0 | 0.0% |
| Individual Consumers | $220.0 | 34.0% |
| **Total** | **$646.2** | **100.0%** |

*Note: Totals may not add due to rounding.*

Final Incidence of Exclusion - By Household Income Quintile

| Quintile | Household Income (Annual) | Amount | Percent of Exclusion Total | Exclusion as Percent of Total Income |
|---|---|---|---|---|
| Quintile 1 | less than $41,105 | $59.5 | 9.2% | 0.1% |
| Quintile 2 | $41,105 - $72,978 | $86.5 | 13.4% | 0.1% |
| Quintile 3 | $72,978 - $117,008 | $96.5 | 14.9% | 0.0% |
| Quintile 4 | $117,008 - $195,292 | $110.5 | 17.1% | 0.0% |
| Quintile 5 | $195,292 and higher | $136.8 | 21.2% | 0.0% |
| Residents | | $489.8 | 75.8% | |
| Exported | | $156.4 | 24.2% | |
| **Total** | | **$646.2** | **100.0%** | |

*Note: Totals may not add due to rounding.*

**Table 20**

# Initial Distribution and Final Incidence of Total Franchise Tax Revenue

Fiscal 2027 (dollar amounts in millions)

## Initial Distribution of Tax - By Industry

| Industry | Amount | Percent |
|---|---|---|
| Agriculture | $107.5 | 1.4% |
| Mining | $486.5 | 6.3% |
| Utilities & Transportation | $393.1 | 5.1% |
| Construction | $456.7 | 6.0% |
| Manufacturing | $1,259.8 | 16.4% |
| Retail & Wholesale Trade | $1,237.4 | 16.1% |
| Information | $236.8 | 3.1% |
| Finance, Insurance & Real Estate | $952.9 | 12.4% |
| Other Services | $2,540.4 | 33.1% |
| Government | $0.0 | 0.0% |
| Individual Consumers | $0.0 | 0.0% |
| **Total** | **$7,671.0** | **100.0%** |

*Note: Totals may not add due to rounding.*

## Initial Distribution of Tax - By Industry Type

| | Amount | Percent |
|---|---|---|
| Corporations | $6,320.1 | 82.4% |
| Partnerships | $1,350.9 | 17.6% |
| Sole Proprietorships | $0.0 | 0.0% |
| Subtotal | $7,671.0 | 100.0% |
| Individual Consumers | $0.0 | 0.0% |
| **Total** | **$7,671.0** | **100.0%** |

*Note: Totals may not add due to rounding.*

## Final Incidence of Tax - By Household Income Quintile

| Quintile | Household Income (Annual) | Amount | Percent of Total Tax Paid | Tax as Percent of Total Income |
|---|---|---|---|---|
| Quintile 1 | less than $41,105 | $303.5 | 4.0% | 0.6% |
| Quintile 2 | $41,105 - $72,978 | $537.9 | 7.0% | 0.4% |
| Quintile 3 | $72,978 - $117,008 | $844.8 | 11.0% | 0.4% |
| Quintile 4 | $117,008 - $195,292 | $1,116.9 | 14.6% | 0.3% |
| Quintile 5 | $195,292 and higher | $2,035.4 | 26.5% | 0.2% |
| Residents | | $4,838.5 | 63.1% | |
| Exported | | $2,832.5 | 36.9% | |
| **Total** | | **$7,671.0** | **100.0%** | |

## Estimated Equity of Tax

| | |
|---|---|
| Suits Index | -0.084 |

*Note: Totals may not add due to rounding.*

## Final Incidence of Tax - By Homeowners/Renters

| | Amount | Percent of Total Tax Paid |
|---|---|---|
| Homeowners | $3,507.4 | 45.7% |
| Renters | $1,331.1 | 17.4% |
| Subtotal | $4,838.5 | 63.1% |
| Exported | $2,832.5 | 36.9% |
| **Total** | **$7,671.0** | **100.0%** |

*Note: Totals may not add due to rounding.*



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**Table 21: Incidence Analysis**

## Franchise Tax Exemption for Insurance Companies

Tax Code Section 171.052
Fiscal 2027 (dollar amounts in millions)

Initial Distribution of Exemption - By Industry

| Industry | Amount | Percent |
|---|---|---|
| Agriculture | $0.0 | 0.0% |
| Mining | $0.0 | 0.0% |
| Utilities & Transportation | $0.0 | 0.0% |
| Construction | $0.0 | 0.0% |
| Manufacturing | $0.0 | 0.0% |
| Retail & Wholesale Trade | $0.0 | 0.0% |
| Information | $0.0 | 0.0% |
| Finance, Insurance & Real Estate | $385.0 | 100.0% |
| Other Services | $0.0 | 0.0% |
| Government | $0.0 | 0.0% |
| Individual Consumers | $0.0 | 0.0% |
| **Total** | **$385.0** | **100.0%** |

*Note: Totals may not add due to rounding.*

Final Incidence of Exemption - By Household Income Quintile

| Quintile | Household Income (Annual) | Amount | Percent of Exemption Total | Exemption as Percent of Total Income |
|---|---|---|---|---|
| Quintile 1 | less than $41,105 | $15.2 | 4.0% | 0.0% |
| Quintile 2 | $41,105 - $72,978 | $21.3 | 5.5% | 0.0% |
| Quintile 3 | $72,978 - $117,008 | $43.1 | 11.2% | 0.0% |
| Quintile 4 | $117,008 - $195,292 | $54.3 | 14.1% | 0.0% |
| Quintile 5 | $195,292 and higher | $92.4 | 24.0% | 0.0% |
| Residents | | $226.4 | 58.8% | |
| Exported | | $158.6 | 41.2% | |
| **Total** | | **$385.0** | **100.0%** | |

*Note: Totals may not add due to rounding.*

**Table 22: Incidence Analysis**

## Franchise Tax Exemption for Open-End Investment Companies

Tax Code Section 171.055
Fiscal 2027 (dollar amounts in millions)

Initial Distribution of Exemption - By Industry

| Industry | Amount | Percent |
|---|---|---|
| Agriculture | $0.0 | 0.0% |
| Mining | $0.0 | 0.0% |
| Utilities & Transportation | $0.0 | 0.0% |
| Construction | $0.0 | 0.0% |
| Manufacturing | $0.0 | 0.0% |
| Retail & Wholesale Trade | $0.0 | 0.0% |
| Information | $0.0 | 0.0% |
| Finance, Insurance & Real Estate | $205.3 | 100.0% |
| Other Services | $0.0 | 0.0% |
| Government | $0.0 | 0.0% |
| Individual Consumers | $0.0 | 0.0% |
| **Total** | **$205.3** | **100.0%** |

*Note: Totals may not add due to rounding.*

Final Incidence of Exemption - By Household Income Quintile

| Quintile | Household Income (Annual) | Amount | Percent of Exemption Total | Exemption as Percent of Total Income |
|---|---|---|---|---|
| Quintile 1 | less than $41,105 | $10.4 | 5.0% | 0.0% |
| Quintile 2 | $41,105 - $72,978 | $14.8 | 7.2% | 0.0% |
| Quintile 3 | $72,978 - $117,008 | $23.1 | 11.2% | 0.0% |
| Quintile 4 | $117,008 - $195,292 | $31.1 | 15.1% | 0.0% |
| Quintile 5 | $195,292 and higher | $46.9 | 22.8% | 0.0% |
| Residents | | $126.1 | 61.5% | |
| Exported | | $79.1 | 38.5% | |
| **Total** | | **$205.3** | **100.0%** | |

*Note: Totals may not add due to rounding.*

**Table 23: Incidence Analysis**

## Franchise Tax Exemption for Nonprofit Corporations Exempt from Federal Income Tax: IRC Sec. 501(c)(3)

Tax Code Section 171.063
Fiscal 2027 (dollar amounts in millions)

Initial Distribution of Exemption - By Industry

| Industry | Amount | Percent |
|---|---|---|
| Agriculture | $0.0 | 0.0% |
| Mining | $0.0 | 0.0% |
| Utilities & Transportation | $0.0 | 0.0% |
| Construction | $0.0 | 0.0% |
| Manufacturing | $0.0 | 0.0% |
| Retail & Wholesale Trade | $0.0 | 0.0% |
| Information | $0.0 | 0.0% |
| Finance, Insurance & Real Estate | $0.0 | 0.0% |
| Other Services | $464.5 | 100.0% |
| Government | $0.0 | 0.0% |
| Individual Consumers | $0.0 | 0.0% |
| **Total** | **$464.5** | **100.0%** |

*Note: Totals may not add due to rounding.*

Final Incidence of Exemption - By Household Income Quintile

| Quintile | Household Income (Annual) | Amount | Percent of Exemption Total | Exemption as Percent of Total Income |
|---|---|---|---|---|
| Quintile 1 | less than $41,105 | $23.3 | 5.0% | 0.0% |
| Quintile 2 | $41,105 - $72,978 | $45.3 | 9.8% | 0.0% |
| Quintile 3 | $72,978 - $117,008 | $57.4 | 12.3% | 0.0% |
| Quintile 4 | $117,008 - $195,292 | $94.5 | 20.3% | 0.0% |
| Quintile 5 | $195,292 and higher | $132.1 | 28.4% | 0.0% |
| Residents | | $352.5 | 75.9% | |
| Exported | | $112.0 | 24.1% | |
| **Total** | | **$464.5** | **100.0%** | |

*Note: Totals may not add due to rounding.*

**Table 24: Incidence Analysis**

## Franchise Tax Exemption for Temporary Credit on Taxable Margin

Tax Code Section 171.111
Fiscal 2027 (dollar amounts in millions)

Initial Distribution of Exemption - By Industry

| Industry | Amount | Percent |
|---|---|---|
| Agriculture | $1.5 | 1.0% |
| Mining | $19.6 | 13.8% |
| Utilities & Transportation | $11.1 | 7.9% |
| Construction | $3.9 | 2.7% |
| Manufacturing | $48.2 | 34.1% |
| Retail & Wholesale Trade | $15.4 | 10.9% |
| Information | $7.1 | 5.0% |
| Finance, Insurance & Real Estate | $10.5 | 7.4% |
| Other Services | $24.1 | 17.0% |
| Government | $0.0 | 0.0% |
| Individual Consumers | $0.0 | 0.0% |
| **Total** | **$141.4** | **100.0%** |

*Note: Totals may not add due to rounding.*

Final Incidence of Exemption - By Household Income Quintile

| Quintile | Household Income (Annual) | Amount | Percent of Exemption Total | Exemption as Percent of Total Income |
|---|---|---|---|---|
| Quintile 1 | less than $41,105 | $10.3 | 7.3% | 0.0% |
| Quintile 2 | $41,105 - $72,978 | $13.9 | 9.8% | 0.0% |
| Quintile 3 | $72,978 - $117,008 | $17.5 | 12.3% | 0.0% |
| Quintile 4 | $117,008 - $195,292 | $24.1 | 17.0% | 0.0% |
| Quintile 5 | $195,292 and higher | $36.0 | 25.4% | 0.0% |
| Residents | | $101.7 | 71.9% | |
| Exported | | $39.7 | 28.1% | |
| **Total** | | **$141.4** | **100.0%** | |

*Note: Totals may not add due to rounding.*



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**Table 25: Incidence Analysis**

## Franchise Tax Small Business Exception

Tax Code Section 171.002(d)
Fiscal 2027 (dollar amounts in millions)

Initial Distribution of Exception - By Industry

| Industry | Amount | Percent |
|---|---|---|
| Agriculture | $9.3 | 1.4% |
| Mining | $9.3 | 1.4% |
| Utilities & Transportation | $29.8 | 4.4% |
| Construction | $59.9 | 8.9% |
| Manufacturing | $15.9 | 2.4% |
| Retail & Wholesale Trade | $77.6 | 11.5% |
| Information | $14.5 | 2.2% |
| Finance, Insurance & Real Estate | $173.1 | 25.7% |
| Other Services | $283.6 | 42.1% |
| Government | $0.0 | 0.0% |
| Individual Consumers | $0.0 | 0.0% |
| **Total** | **$673.0** | **100.0%** |

*Note: Totals may not add due to rounding.*

Final Incidence of Exception - By Household Income Quintile

| Quintile | Household Income (Annual) | Amount | Percent of Exemption Total | Exemption as Percent of Total Income |
|---|---|---|---|---|
| Quintile 1 | less than $41,105 | $39.4 | 5.8% | 0.1% |
| Quintile 2 | $41,105 - $72,978 | $64.0 | 9.5% | 0.1% |
| Quintile 3 | $72,978 - $117,008 | $83.6 | 12.4% | 0.0% |
| Quintile 4 | $117,008 - $195,292 | $131.5 | 19.5% | 0.0% |
| Quintile 5 | $195,292 and higher | $196.8 | 29.2% | 0.0% |
| Residents | | $515.3 | 76.6% | |
| Exported | | $157.6 | 23.4% | |
| **Total** | | **$673.0** | **100.0%** | |

*Note: Totals may not add due to rounding.*

**Table 26: Incidence Analysis**

## Franchise Tax Health Care Provider Exclusions

Tax Code Sections 171.1011(n) and (o)
Fiscal 2027 (dollar amounts in millions)

Initial Distribution of Exclusion - By Industry

| Industry | Amount | Percent |
|---|---|---|
| Agriculture | $0.0 | 0.0% |
| Mining | $0.0 | 0.0% |
| Utilities & Transportation | $0.0 | 0.0% |
| Construction | $0.0 | 0.0% |
| Manufacturing | $0.0 | 0.0% |
| Retail & Wholesale Trade | $0.0 | 0.0% |
| Information | $0.0 | 0.0% |
| Finance, Insurance & Real Estate | $0.0 | 0.0% |
| Other Services | $119.2 | 100.0% |
| Government | $0.0 | 0.0% |
| Individual Consumers | $0.0 | 0.0% |
| **Total** | **$119.2** | **100.0%** |

*Note: Totals may not add due to rounding.*

Final Incidence of Exclusion - By Household Income Quintile

| Quintile | Household Income (Annual) | Amount | Percent of Exclusion Total | Exclusion as Percent of Total Income |
|---|---|---|---|---|
| Quintile 1 | less than $41,105 | $6.4 | 5.4% | 0.0% |
| Quintile 2 | $41,105 - $72,978 | $8.7 | 7.3% | 0.0% |
| Quintile 3 | $72,978 - $117,008 | $14.1 | 11.8% | 0.0% |
| Quintile 4 | $117,008 - $195,292 | $20.4 | 17.1% | 0.0% |
| Quintile 5 | $195,292 and higher | $32.6 | 27.4% | 0.0% |
| Residents | | $82.2 | 69.0% | |
| Exported | | $37.0 | 31.0% | |
| **Total** | | **$119.2** | **100.0%** | |

*Note: Totals may not add due to rounding.*

**Table 27: Incidence Analysis**

## Franchise Tax Credit for Certain Research and Development Activities

Tax Code Sections 171.651-171.665
Fiscal 2027 (dollar amounts in millions)

Initial Distribution of Credit - By Industry

| Industry | Amount | Percent |
|---|---|---|
| Agriculture | $0.0 | 0.0% |
| Mining | $48.0 | 15.2% |
| Utilities & Transportation | $2.4 | 0.8% |
| Construction | $4.1 | 1.3% |
| Manufacturing | $164.7 | 52.1% |
| Retail & Wholesale Trade | $13.1 | 4.1% |
| Information | $12.1 | 3.8% |
| Finance, Insurance & Real Estate | $9.8 | 3.1% |
| Other Services | $61.7 | 19.5% |
| Government | $0.0 | 0.0% |
| Individual Consumers | $0.0 | 0.0% |
| **Total** | **$315.8** | **100.0%** |

*Note: Totals may not add due to rounding.*

Final Incidence of Credit - By Household Income Quintile

| Quintile | Household Income (Annual) | Amount | Percent of Credit Total | Credit as Percent of Total Income |
|---|---|---|---|---|
| Quintile 1 | less than $41,105 | $15.4 | 4.9% | 0.0% |
| Quintile 2 | $41,105 - $72,978 | $24.2 | 7.7% | 0.0% |
| Quintile 3 | $72,978 - $117,008 | $37.3 | 11.8% | 0.0% |
| Quintile 4 | $117,008 - $195,292 | $61.5 | 19.5% | 0.0% |
| Quintile 5 | $195,292 and higher | $74.2 | 23.5% | 0.0% |
| Residents | | $212.5 | 67.3% | |
| Exported | | $103.3 | 32.7% | |
| **Total** | | **$315.8** | **100.0%** | |

*Note: Totals may not add due to rounding.*

**Table 28: Incidence Analysis**

## Franchise Tax Apportionment of Proceeds from the Sale of Certain Loans and Securities

Tax Code Sections 171.106(f),(f-1)
Fiscal 2027 (dollar amounts in millions)

Initial Distribution of Apportionment - By Industry

| Industry | Amount | Percent |
|---|---|---|
| Agriculture | $0.0 | 0.0% |
| Mining | $0.0 | 0.0% |
| Utilities & Transportation | $0.0 | 0.0% |
| Construction | $0.0 | 0.0% |
| Manufacturing | $0.0 | 0.0% |
| Retail & Wholesale Trade | $0.0 | 0.0% |
| Information | $0.0 | 0.0% |
| Finance, Insurance & Real Estate | $477.5 | 100.0% |
| Other Services | $0.0 | 0.0% |
| Government | $0.0 | 0.0% |
| Individual Consumers | $0.0 | 0.0% |
| **Total** | **$477.5** | **100.0%** |

*Note: Totals may not add due to rounding.*

Final Incidence of Apportionment - By Household Income Quintile

| Quintile | Household Income (Annual) | Amount | Percent of Apportionment Total | Apportionment as Percent of Total Income |
|---|---|---|---|---|
| Quintile 1 | less than $41,105 | $24.6 | 5.2% | 0.0% |
| Quintile 2 | $41,105 - $72,978 | $40.6 | 8.5% | 0.0% |
| Quintile 3 | $72,978 - $117,008 | $55.1 | 11.5% | 0.0% |
| Quintile 4 | $117,008 - $195,292 | $72.2 | 15.1% | 0.0% |
| Quintile 5 | $195,292 and higher | $97.2 | 20.4% | 0.0% |
| Residents | | $289.8 | 60.7% | |
| Exported | | $187.7 | 39.3% | |
| **Total** | | **$477.5** | **100.0%** | |

*Note: Totals may not add due to rounding.*



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**Table 29: Incidence Analysis**

## Franchise Tax Flow-through Funds Exclusion

Tax Code Section 171.1011 (g)
Fiscal 2027 (dollar amounts in millions)

Initial Distribution of Optional Subtraction - By Industry

| Industry | Amount | Percent |
|---|---|---|
| Agriculture | $2.1 | 1.0% |
| Mining | $7.6 | 3.7% |
| Utilities & Transportation | $7.1 | 3.4% |
| Construction | $21.4 | 10.4% |
| Manufacturing | $26.4 | 12.9% |
| Retail & Wholesale Trade | $24.8 | 12.1% |
| Information | $2.5 | 1.2% |
| Finance, Insurance & Real Estate | $31.2 | 15.2% |
| Other Services | $81.6 | 39.9% |
| Government | $0.0 | 0.0% |
| Individual Consumers | $0.0 | 0.0% |
| **Total** | **$204.7** | **100.0%** |

*Note: Totals may not add due to rounding.*

Final Incidence of Optional Subtraction - By Household Income Quintile

| Quintile | Household Income (Annual) | Amount | Percent of Subtraction Total | Subtraction as Percent of Total Income |
|---|---|---|---|---|
| Quintile 1 | less than $41,105 | $9.8 | 4.8% | 0.0% |
| Quintile 2 | $41,105 - $72,978 | $17.1 | 8.4% | 0.0% |
| Quintile 3 | $72,978 - $117,008 | $25.5 | 12.5% | 0.0% |
| Quintile 4 | $117,008 - $195,292 | $29.0 | 14.2% | 0.0% |
| Quintile 5 | $195,292 and higher | $51.7 | 25.2% | 0.0% |
| Residents | | $133.1 | 65.0% | |
| Exported | | $71.6 | 35.0% | |
| **Total** | | **$204.7** | **100.0%** | |

*Note: Totals may not add due to rounding.*

**Table 30: Incidence Analysis**

## Franchise Tax Wholesale/Retail Reduced Rate

Tax Code Section 171.002(b)
Fiscal 2027 (dollar amounts in millions)

Initial Distribution of Optional Subtraction - By Industry

| Industry | Amount | Percent |
|---|---|---|
| Agriculture | $0.0 | 0.0% |
| Mining | $0.0 | 0.0% |
| Utilities & Transportation | $0.0 | 0.0% |
| Construction | $0.0 | 0.0% |
| Manufacturing | $0.0 | 0.0% |
| Retail & Wholesale Trade | $991.9 | 100.0% |
| Information | $0.0 | 0.0% |
| Finance, Insurance & Real Estate | $0.0 | 0.0% |
| Other Services | $0.0 | 0.0% |
| Government | $0.0 | 0.0% |
| Individual Consumers | $0.0 | 0.0% |
| **Total** | **$991.9** | **100.0%** |

*Note: Totals may not add due to rounding.*

Final Incidence of Optional Subtraction - By Household Income Quintile

| Quintile | Household Income (Annual) | Amount | Percent of Subtraction Total | Subtraction as Percent of Total Income |
|---|---|---|---|---|
| Quintile 1 | less than $41,105 | $63.3 | 6.4% | 0.1% |
| Quintile 2 | $41,105 - $72,978 | $110.6 | 11.1% | 0.1% |
| Quintile 3 | $72,978 - $117,008 | $140.9 | 14.2% | 0.1% |
| Quintile 4 | $117,008 - $195,292 | $186.7 | 18.8% | 0.1% |
| Quintile 5 | $195,292 and higher | $230.1 | 23.2% | 0.0% |
| Residents | | $731.4 | 73.7% | |
| Exported | | $260.5 | 26.3% | |
| **Total** | | **$991.9** | **100.0%** | |

*Note: Totals may not add due to rounding.*

**Table 31**

## Initial Distribution and Final Incidence of Total Motor Vehicle Sales and Use Tax Revenue

Fiscal 2027 (dollar amounts in millions)

### Initial Distribution of Tax - By Industry

| Industry | Amount | Percent |
|---|---|---|
| Agriculture | $219.2 | 3.2% |
| Mining | $214.0 | 3.1% |
| Utilities & Transportation | $399.9 | 5.8% |
| Construction | $515.3 | 7.5% |
| Manufacturing | $158.6 | 2.3% |
| Retail & Wholesale Trade | $333.2 | 4.9% |
| Information | $92.2 | 1.3% |
| Finance, Insurance & Real Estate | $72.1 | 1.1% |
| Other Services | $873.4 | 12.8% |
| Government | $0.0 | 0.0% |
| Individual Consumers | $3,963.7 | 57.9% |
| **Total** | **$6,841.6** | **100.0%** |

*Note: Totals may not add due to rounding.*

### Initial Distribution of Tax - By Industry Type

| | Amount | Percent |
|---|---|---|
| Corporations | $2,018.1 | 29.5% |
| Partnerships | $421.1 | 6.2% |
| Sole Proprietorships | $438.7 | 6.4% |
| Subtotal | $2,877.9 | 42.1% |
| Individual Consumers | $3,963.7 | 57.9% |
| **Total** | **$6,841.6** | **100.0%** |

*Note: Totals may not add due to rounding.*

### Final Incidence of Tax - By Household Income Quintile

| Quintile | Household Income (Annual) | Amount | Percent of Total Tax Paid | Tax as Percent of Total Income |
|---|---|---|---|---|
| Quintile 1 | less than $41,105 | $570.7 | 8.3% | 1.1% |
| Quintile 2 | $41,105 - $72,978 | $755.8 | 11.0% | 0.6% |
| Quintile 3 | $72,978 - $117,008 | $990.7 | 14.5% | 0.5% |
| Quintile 4 | $117,008 - $195,292 | $1,738.6 | 25.4% | 0.5% |
| Quintile 5 | $195,292 and higher | $2,300.3 | 33.6% | 0.2% |
| Residents | | $6,356.2 | 92.9% | |
| Exported | | $485.4 | 7.1% | |
| **Total** | | **$6,841.6** | **100.0%** | |

### Estimated Equity of Tax

| | |
|---|---|
| Suits Index | -0.252 |

*Note: Totals may not add due to rounding.*

### Final Incidence of Tax - By Homeowners/Renters

| | Amount | Percent of Total Tax Paid |
|---|---|---|
| Homeowners | $3,877.4 | 56.7% |
| Renters | $2,478.8 | 36.2% |
| Subtotal | $6,356.2 | 92.9% |
| Exported | $485.4 | 7.1% |
| **Total** | **$6,841.6** | **100.0%** |

*Note: Totals may not add due to rounding.*



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**Table 32: Incidence Analysis**

## Exempt Vehicles

Tax Code Section 152.089
Fiscal 2027 (dollar amounts in millions)

Initial Distribution of Exemption - By Industry

| Industry | Amount | Percent |
|---|---|---|
| Agriculture | $0.0 | 0.0% |
| Mining | $0.0 | 0.0% |
| Utilities & Transportation | $107.5 | 100.0% |
| Construction | $0.0 | 0.0% |
| Manufacturing | $0.0 | 0.0% |
| Retail & Wholesale Trade | $0.0 | 0.0% |
| Information | $0.0 | 0.0% |
| Finance, Insurance & Real Estate | $0.0 | 0.0% |
| Other Services | $0.0 | 0.0% |
| Government | $0.0 | 0.0% |
| Individual Consumers | $0.0 | 0.0% |
| **Total** | **$107.5** | **100.0%** |

*Note: Totals may not add due to rounding.*

Final Incidence of Exemption - By Household Income Quintile

| Quintile | Household Income (Annual) | Amount | Percent of Exemption Total | Exemption as Percent of Total Income |
|---|---|---|---|---|
| Quintile 1 | less than $41,105 | $5.8 | 5.4% | 0.0% |
| Quintile 2 | $41,105 - $72,978 | $8.0 | 7.4% | 0.0% |
| Quintile 3 | $72,978 - $117,008 | $13.3 | 12.4% | 0.0% |
| Quintile 4 | $117,008 - $195,292 | $21.9 | 20.4% | 0.0% |
| Quintile 5 | $195,292 and higher | $24.1 | 22.4% | 0.0% |
| Residents | | $73.2 | 68.1% | |
| Exported | | $34.3 | 31.9% | |
| **Total** | | **$107.5** | **100.0%** | |

*Note: Totals may not add due to rounding.*

**Table 33: Incidence Analysis**

## Sale of Motor Vehicle To or Use of Motor Vehicle by Public Agency

Tax Code Section 152.082
Fiscal 2027 (dollar amounts in millions)

Initial Distribution of Exemption - By Industry

| Industry | Amount | Percent |
|---|---|---|
| Agriculture | $0.0 | 0.0% |
| Mining | $0.0 | 0.0% |
| Utilities & Transportation | $0.0 | 0.0% |
| Construction | $0.0 | 0.0% |
| Manufacturing | $0.0 | 0.0% |
| Retail & Wholesale Trade | $0.0 | 0.0% |
| Information | $0.0 | 0.0% |
| Finance, Insurance & Real Estate | $0.0 | 0.0% |
| Other Services | $0.0 | 0.0% |
| Government | $81.1 | 100.0% |
| Individual Consumers | $0.0 | 0.0% |
| **Total** | **$81.1** | **100.0%** |

*Note: Totals may not add due to rounding.*

Final Incidence of Exemption - By Household Income Quintile

| Quintile | Household Income (Annual) | Amount | Percent of Exemption Total | Exemption as Percent of Total Income |
|---|---|---|---|---|
| Quintile 1 | less than $41,105 | $5.1 | 6.3% | 0.0% |
| Quintile 2 | $41,105 - $72,978 | $8.2 | 10.1% | 0.0% |
| Quintile 3 | $72,978 - $117,008 | $12.9 | 15.8% | 0.0% |
| Quintile 4 | $117,008 - $195,292 | $20.1 | 24.8% | 0.0% |
| Quintile 5 | $195,292 and higher | $20.4 | 25.1% | 0.0% |
| Residents | | $66.7 | 82.2% | |
| Exported | | $14.4 | 17.8% | |
| **Total** | | **$81.1** | **100.0%** | |

*Note: Totals may not add due to rounding.*

**Table 34**

# Initial Distribution and Final Incidence of Total Oil Production Tax Revenue

Fiscal 2027 (dollar amounts in millions)

### Initial Distribution of Tax - By Industry

| Industry | Amount | Percent |
|---|---|---|
| Agriculture | $0.0 | 0.0% |
| Mining | $6,780.4 | 100.0% |
| Utilities & Transportation | $0.0 | 0.0% |
| Construction | $0.0 | 0.0% |
| Manufacturing | $0.0 | 0.0% |
| Retail & Wholesale Trade | $0.0 | 0.0% |
| Information | $0.0 | 0.0% |
| Finance, Insurance & Real Estate | $0.0 | 0.0% |
| Other Services | $0.0 | 0.0% |
| Government | $0.0 | 0.0% |
| Individual Consumers | $0.0 | 0.0% |
| **Total** | **$6,780.4** | **100.0%** |

*Note: Totals may not add due to rounding.*

### Initial Distribution of Tax - By Industry Type

| | Amount | Percent |
|---|---|---|
| Corporations | $4,650.0 | 68.6% |
| Partnerships | $1,558.4 | 23.0% |
| Sole Proprietorships | $571.9 | 8.4% |
| Subtotal | $6,780.4 | 100.0% |
| Individual Consumers | $0.0 | 0.0% |
| **Total** | **$6,780.4** | **100.0%** |

*Note: Totals may not add due to rounding.*

### Final Incidence of Tax - By Household Income Quintile

| Quintile | Household Income (Annual) | Amount | Percent of Total Tax Paid | Tax as Percent of Total Income |
|---|---|---|---|---|
| Quintile 1 | less than $41,105 | $132.4 | 2.0% | 0.3% |
| Quintile 2 | $41,105 - $72,978 | $206.3 | 3.0% | 0.2% |
| Quintile 3 | $72,978 - $117,008 | $341.9 | 5.0% | 0.2% |
| Quintile 4 | $117,008 - $195,292 | $617.0 | 9.1% | 0.2% |
| Quintile 5 | $195,292 and higher | $1,147.5 | 16.9% | 0.1% |
| Residents | | $2,445.2 | 36.1% | |
| Exported | | $4,335.2 | 63.9% | |
| **Total** | | **$6,780.4** | **100.0%** | |

### Estimated Equity of Tax

| | |
|---|---|
| Suits Index | -0.068 |

*Note: Totals may not add due to rounding.*

### Final Incidence of Tax - By Homeowners/Renters

| | Amount | Percent of Total Tax Paid |
|---|---|---|
| Homeowners | $1,630.3 | 24.0% |
| Renters | $814.9 | 12.0% |
| Subtotal | $2,445.2 | 36.1% |
| Exported | $4,335.2 | 63.9% |
| **Total** | **$6,780.4** | **100.0%** |

*Note: Totals may not add due to rounding.*



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**Table 35**

# Initial Distribution and Final Incidence of Total School Property Tax Revenue

Fiscal 2027 (dollar amounts in millions)

## Initial Distribution of Tax - By Industry

| Industry | Amount | Percent |
|---|---|---|
| Agriculture | $1,295.9 | 2.9% |
| Mining | $3,840.6 | 8.7% |
| Utilities & Transportation | $3,335.1 | 7.6% |
| Construction | $1,500.8 | 3.4% |
| Manufacturing | $3,960.5 | 9.0% |
| Retail & Wholesale Trade | $1,589.8 | 3.6% |
| Information | $1,622.1 | 3.7% |
| Finance, Insurance & Real Estate | $6,780.8 | 15.4% |
| Other Services | $1,810.9 | 4.1% |
| Government | $0.0 | 0.0% |
| Individual Consumers | $18,254.8 | 41.5% |
| **Total** | **$43,991.3** | **100.0%** |

*Note: Totals may not add due to rounding.*

## Initial Distribution of Tax - By Industry Type

| | Amount | Percent |
|---|---|---|
| Corporations | $17,601.0 | 40.0% |
| Partnerships | $4,637.1 | 10.5% |
| Sole Proprietorships | $3,498.4 | 8.0% |
| Subtotal | $25,736.5 | 58.5% |
| Individual Consumers | $18,254.8 | 41.5% |
| **Total** | **$43,991.3** | **100.0%** |

*Note: Totals may not add due to rounding.*

## Final Incidence of Tax - By Household Income Quintile

| Quintile | Household Income (Annual) | Amount | Percent of Total Tax Paid | Tax as Percent of Total Income |
|---|---|---|---|---|
| Quintile 1 | less than $41,105 | $2,612.7 | 5.9% | 4.9% |
| Quintile 2 | $41,105 - $72,978 | $3,520.7 | 8.0% | 2.7% |
| Quintile 3 | $72,978 - $117,008 | $4,712.1 | 10.7% | 2.2% |
| Quintile 4 | $117,008 - $195,292 | $6,555.7 | 14.9% | 1.8% |
| Quintile 5 | $195,292 and higher | $13,861.7 | 31.5% | 1.5% |
| Residents | | $31,262.9 | 71.1% | |
| Exported | | $12,728.5 | 28.9% | |
| **Total** | | **$43,991.3** | **100.0%** | |

### Estimated Equity of Tax

| | |
|---|---|
| Suits Index | -0.068 |

*Note: Totals may not add due to rounding.*

## Final Incidence of Tax - By Homeowners/Renters

| | Amount | Percent of Total Tax Paid |
|---|---|---|
| Homeowners | $18,777.7 | 42.7% |
| Renters | $12,485.2 | 28.4% |
| Subtotal | $31,262.9 | 71.1% |
| Exported | $12,728.5 | 28.9% |
| **Total** | **$43,991.3** | **100.0%** |

*Note: Totals may not add due to rounding.*

**Table 36: Incidence Analysis**

## School Property Tax State-Mandated Homestead Exemption of $100,000

Tax Code Section 11.13(b)
Fiscal 2027 (dollar amounts in millions)

Initial Distribution of Exemption - By Industry

| Industry | Amount | Percent |
|---|---|---|
| Agriculture | $0.0 | 0.0% |
| Mining | $0.0 | 0.0% |
| Utilities & Transportation | $0.0 | 0.0% |
| Construction | $0.0 | 0.0% |
| Manufacturing | $0.0 | 0.0% |
| Retail & Wholesale Trade | $0.0 | 0.0% |
| Information | $0.0 | 0.0% |
| Finance, Insurance & Real Estate | $0.0 | 0.0% |
| Other Services | $0.0 | 0.0% |
| Government | $0.0 | 0.0% |
| Individual Consumers | $5,892.7 | 100.0% |
| **Total** | **$5,892.7** | **100.0%** |

*Note: Totals may not add due to rounding.*

Final Incidence of Exemption - By Household Income Quintile

| Quintile | Household Income (Annual) | Amount | Percent of Exemption Total | Exemption as Percent of Total Income |
|---|---|---|---|---|
| Quintile 1 | less than $41,105 | $755.1 | 12.8% | 1.4% |
| Quintile 2 | $41,105 - $72,978 | $874.3 | 14.8% | 0.7% |
| Quintile 3 | $72,978 - $117,008 | $996.5 | 16.9% | 0.5% |
| Quintile 4 | $117,008 - $195,292 | $1,184.7 | 20.1% | 0.3% |
| Quintile 5 | $195,292 and higher | $1,387.5 | 23.5% | 0.1% |
| Residents | | $5,198.1 | 88.2% | |
| Exported | | $694.6 | 11.8% | |
| **Total** | | **$5,892.7** | **100.0%** | |

*Note: Totals may not add due to rounding.*

**Table 37: Incidence Analysis**

## School Property Tax Optional Exemption of up to 20 percent

Tax Code Section 11.13(n)
Fiscal 2027 (dollar amounts in millions)

Initial Distribution of Exemption - By Industry

| Industry | Amount | Percent |
|---|---|---|
| Agriculture | $0.0 | 0.0% |
| Mining | $0.0 | 0.0% |
| Utilities & Transportation | $0.0 | 0.0% |
| Construction | $0.0 | 0.0% |
| Manufacturing | $0.0 | 0.0% |
| Retail & Wholesale Trade | $0.0 | 0.0% |
| Information | $0.0 | 0.0% |
| Finance, Insurance & Real Estate | $0.0 | 0.0% |
| Other Services | $0.0 | 0.0% |
| Government | $0.0 | 0.0% |
| Individual Consumers | $926.7 | 100.0% |
| **Total** | **$926.7** | **100.0%** |

*Note: Totals may not add due to rounding.*

Final Incidence of Exemption - By Household Income Quintile

| Quintile | Household Income (Annual) | Amount | Percent of Exemption Total | Exemption as Percent of Total Income |
|---|---|---|---|---|
| Quintile 1 | less than $41,105 | $34.8 | 3.8% | 0.1% |
| Quintile 2 | $41,105 - $72,978 | $68.7 | 7.4% | 0.1% |
| Quintile 3 | $72,978 - $117,008 | $98.4 | 10.6% | 0.0% |
| Quintile 4 | $117,008 - $195,292 | $169.0 | 18.2% | 0.0% |
| Quintile 5 | $195,292 and higher | $372.9 | 40.2% | 0.0% |
| Residents | | $743.8 | 80.3% | |
| Exported | | $182.9 | 19.7% | |
| **Total** | | **$926.7** | **100.0%** | |

*Note: Totals may not add due to rounding.*



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**Table 38: Incidence Analysis**

## School Property Tax Freeport Property Exemption

Tax Code Sections 11.251 and 11.437
Fiscal 2027 (dollar amounts in millions)

Initial Distribution of Exemption - By Industry

| Industry | Amount | Percent |
|---|---|---|
| Agriculture | $22.6 | 4.3% |
| Mining | $5.9 | 1.1% |
| Utilities & Transportation | $95.2 | 18.2% |
| Construction | $13.9 | 2.6% |
| Manufacturing | $252.7 | 48.2% |
| Retail & Wholesale Trade | $48.4 | 9.2% |
| Information | $3.6 | 0.7% |
| Finance, Insurance & Real Estate | $46.4 | 8.9% |
| Other Services | $35.1 | 6.7% |
| Government | $0.0 | 0.0% |
| Individual Consumers | $0.0 | 0.0% |
| **Total** | **$523.7** | **100.0%** |

*Note: Totals may not add due to rounding.*

Final Incidence of Exemption - By Household Income Quintile

| Quintile | Household Income (Annual) | Amount | Percent of Exemption Total | Exemption as Percent of Total Income |
|---|---|---|---|---|
| Quintile 1 | less than $41,105 | $21.7 | 4.1% | 0.0% |
| Quintile 2 | $41,105 - $72,978 | $38.1 | 7.3% | 0.0% |
| Quintile 3 | $72,978 - $117,008 | $54.8 | 10.5% | 0.0% |
| Quintile 4 | $117,008 - $195,292 | $74.2 | 14.2% | 0.0% |
| Quintile 5 | $195,292 and higher | $167.3 | 31.9% | 0.0% |
| Residents | | $356.0 | 68.0% | |
| Exported | | $167.7 | 32.0% | |
| **Total** | | **$523.7** | **100.0%** | |

*Note: Totals may not add due to rounding.*

**Table 39: Incidence Analysis**

## School Property Tax Ceiling for Disabled or Age 65 and Older

Tax Code Section 11.26
Fiscal 2027 (dollar amounts in millions)

Initial Distribution of Ceiling - By Industry

| Industry | Amount | Percent |
|---|---|---|
| Agriculture | $0.0 | 0.0% |
| Mining | $0.0 | 0.0% |
| Utilities & Transportation | $0.0 | 0.0% |
| Construction | $0.0 | 0.0% |
| Manufacturing | $0.0 | 0.0% |
| Retail & Wholesale Trade | $0.0 | 0.0% |
| Information | $0.0 | 0.0% |
| Finance, Insurance & Real Estate | $0.0 | 0.0% |
| Other Services | $0.0 | 0.0% |
| Government | $0.0 | 0.0% |
| Individual Consumers | $2,420.1 | 100.0% |
| **Total** | **$2,420.1** | **100.0%** |

*Note: Totals may not add due to rounding.*

Final Incidence of Ceiling - By Household Income Quintile

| Quintile | Household Income (Annual) | Amount | Percent of Ceiling Total | Ceiling as Percent of Total Income |
|---|---|---|---|---|
| Quintile 1 | less than $41,105 | $347.3 | 14.3% | 0.7% |
| Quintile 2 | $41,105 - $72,978 | $384.8 | 15.9% | 0.3% |
| Quintile 3 | $72,978 - $117,008 | $409.3 | 16.9% | 0.2% |
| Quintile 4 | $117,008 - $195,292 | $459.5 | 19.0% | 0.1% |
| Quintile 5 | $195,292 and higher | $492.2 | 20.3% | 0.1% |
| Residents | | $2,093.0 | 86.5% | |
| Exported | | $327.1 | 13.5% | |
| **Total** | | **$2,420.1** | **100.0%** | |

*Note: Totals may not add due to rounding.*

**Table 40: Incidence Analysis**

## School Property Tax Texas Economic Development Act

Tax Code Chapter 313
Fiscal 2027 (dollar amounts in millions)

Initial Distribution of Value Limitation - By Industry

| Industry | Amount | Percent |
|---|---|---|
| Agriculture | $0.0 | 0.0% |
| Mining | $0.0 | 0.0% |
| Utilities & Transportation | $367.6 | 33.7% |
| Construction | $0.0 | 0.0% |
| Manufacturing | $714.5 | 65.6% |
| Retail & Wholesale Trade | $0.0 | 0.0% |
| Information | $0.0 | 0.0% |
| Finance, Insurance & Real Estate | $0.0 | 0.0% |
| Other Services | $7.9 | 0.7% |
| Government | $0.0 | 0.0% |
| Individual Consumers | $0.0 | 0.0% |
| **Total** | **$1,090.0** | **100.0%** |

*Note: Totals may not add due to rounding.*

Final Incidence of Value Limitation - By Household Income Quintile

| Quintile | Household Income (Annual) | Amount | Percent of Value Limitation Total | Value Limitation as Percent of Total Income |
|---|---|---|---|---|
| Quintile 1 | less than $41,105 | $41.8 | 3.8% | 0.1% |
| Quintile 2 | $41,105 - $72,978 | $57.1 | 5.2% | 0.0% |
| Quintile 3 | $72,978 - $117,008 | $83.2 | 7.6% | 0.0% |
| Quintile 4 | $117,008 - $195,292 | $121.4 | 11.1% | 0.0% |
| Quintile 5 | $195,292 and higher | $263.3 | 24.2% | 0.0% |
| Residents | | $566.8 | 52.0% | |
| Exported | | $523.2 | 48.0% | |
| **Total** | | **$1,090.0** | **100.0%** | |

*Note: Totals may not add due to rounding.*

**Table 41: Incidence Analysis**

## School Property Tax Special Appraisal for Agricultural and Timber Land

Tax Code Sections 23.41, 23.52, 23.73, 23.9803
Fiscal 2027 (dollar amounts in millions)

Initial Distribution of Appraisal - By Industry

| Industry | Amount | Percent |
|---|---|---|
| Agriculture | $6,033.1 | 100.0% |
| Mining | $0.0 | 0.0% |
| Utilities & Transportation | $0.0 | 0.0% |
| Construction | $0.0 | 0.0% |
| Manufacturing | $0.0 | 0.0% |
| Retail & Wholesale Trade | $0.0 | 0.0% |
| Information | $0.0 | 0.0% |
| Finance, Insurance & Real Estate | $0.0 | 0.0% |
| Other Services | $0.0 | 0.0% |
| Government | $0.0 | 0.0% |
| Individual Consumers | $0.0 | 0.0% |
| **Total** | **$6,033.1** | **100.0%** |

*Note: Totals may not add due to rounding.*

Final Incidence of Appraisal - By Household Income Quintile

| Quintile | Household Income (Annual) | Amount | Percent of Appraisal Total | Appraisal as Percent of Total Income |
|---|---|---|---|---|
| Quintile 1 | less than $41,105 | $358.4 | 5.9% | 0.7% |
| Quintile 2 | $41,105 - $72,978 | $489.9 | 8.1% | 0.4% |
| Quintile 3 | $72,978 - $117,008 | $634.3 | 10.5% | 0.3% |
| Quintile 4 | $117,008 - $195,292 | $930.0 | 15.4% | 0.3% |
| Quintile 5 | $195,292 and higher | $1,658.9 | 27.5% | 0.2% |
| Residents | | $4,071.4 | 67.5% | |
| Exported | | $1,961.6 | 32.5% | |
| **Total** | | **$6,033.1** | **100.0%** | |

*Note: Totals may not add due to rounding.*



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**Table 42: Incidence Analysis**

## School Property Tax 10 percent Residential Appraisal Cap

Tax Code Section 23.23
Fiscal 2027 (dollar amounts in millions)

Initial Distribution of Appraisal Cap - By Industry

| Industry | Amount | Percent |
|---|---|---|
| Agriculture | $0.0 | 0.0% |
| Mining | $0.0 | 0.0% |
| Utilities & Transportation | $0.0 | 0.0% |
| Construction | $0.0 | 0.0% |
| Manufacturing | $0.0 | 0.0% |
| Retail & Wholesale Trade | $0.0 | 0.0% |
| Information | $0.0 | 0.0% |
| Finance, Insurance & Real Estate | $0.0 | 0.0% |
| Other Services | $0.0 | 0.0% |
| Government | $0.0 | 0.0% |
| Individual Consumers | $723.8 | 100.0% |
| **Total** | **$723.8** | **100.0%** |

*Note: Totals may not add due to rounding.*

Final Incidence of Appraisal Cap - By Household Income Quintile

| Quintile | Household Income (Annual) | Amount | Percent of Appraisal Cap Total | Appraisal Cap as Percent of Total Income |
|---|---|---|---|---|
| Quintile 1 | less than $41,105 | $37.1 | 5.1% | 0.1% |
| Quintile 2 | $41,105 - $72,978 | $53.5 | 7.4% | 0.0% |
| Quintile 3 | $72,978 - $117,008 | $81.6 | 11.3% | 0.0% |
| Quintile 4 | $117,008 - $195,292 | $123.1 | 17.0% | 0.0% |
| Quintile 5 | $195,292 and higher | $299.2 | 41.3% | 0.0% |
| Residents | | $594.5 | 82.1% | |
| Exported | | $129.3 | 17.9% | |
| **Total** | | **$723.8** | **100.0%** | |

*Note: Totals may not add due to rounding.*

**Table 43: Incidence Analysis**

## School Property Tax 100 Percent Disabled Veteran

Tax Code Sections 11.131 (b) and (c)
Fiscal 2027 (dollar amounts in millions)

Initial Distribution of Appraisal Cap - By Industry

| Industry | Amount | Percent |
|---|---|---|
| Agriculture | $0.0 | 0.0% |
| Mining | $0.0 | 0.0% |
| Utilities & Transportation | $0.0 | 0.0% |
| Construction | $0.0 | 0.0% |
| Manufacturing | $0.0 | 0.0% |
| Retail & Wholesale Trade | $0.0 | 0.0% |
| Information | $0.0 | 0.0% |
| Finance, Insurance & Real Estate | $0.0 | 0.0% |
| Other Services | $0.0 | 0.0% |
| Government | $0.0 | 0.0% |
| Individual Consumers | $598.4 | 100.0% |
| **Total** | **$598.4** | **100.0%** |

*Note: Totals may not add due to rounding.*

Final Incidence of Appraisal Cap - By Household Income Quintile

| Quintile | Household Income (Annual) | Amount | Percent of Appraisal Cap Total | Appraisal Cap as Percent of Total Income |
|---|---|---|---|---|
| Quintile 1 | less than $41,105 | $92.8 | 15.5% | 0.2% |
| Quintile 2 | $41,105 - $72,978 | $102.4 | 17.1% | 0.1% |
| Quintile 3 | $72,978 - $117,008 | $109.6 | 18.3% | 0.1% |
| Quintile 4 | $117,008 - $195,292 | $90.8 | 15.2% | 0.0% |
| Quintile 5 | $195,292 and higher | $76.8 | 12.8% | 0.0% |
| Residents | | $472.4 | 78.9% | |
| Exported | | $126.0 | 21.1% | |
| **Total** | | **$598.4** | **100.0%** | |

*Note: Totals may not add due to rounding.*

**Table 44: Incidence Analysis**

## School Property Tax Texas Jobs, Energy, Technology, and Innovation Act (JETI)

Government Code Sections 403.601-403.623
Fiscal 2027 (dollar amounts in millions)

Initial Distribution of Appraisal Cap - By Industry

| Industry | Amount | Percent |
|---|---|---|
| Agriculture | $0.0 | 0.0% |
| Mining | $0.0 | 0.0% |
| Utilities & Transportation | $31.0 | 3.4% |
| Construction | $0.0 | 0.0% |
| Manufacturing | $883.3 | 96.6% |
| Retail & Wholesale Trade | $0.0 | 0.0% |
| Information | $0.0 | 0.0% |
| Finance, Insurance & Real Estate | $0.0 | 0.0% |
| Other Services | $0.0 | 0.0% |
| Government | $0.0 | 0.0% |
| Individual Consumers | $0.0 | 0.0% |
| **Total** | **$914.3** | **100.0%** |

*Note: Totals may not add due to rounding.*

Final Incidence of Appraisal Cap - By Household Income Quintile

| Quintile | Household Income (Annual) | Amount | Percent of Appraisal Cap Total | Appraisal Cap as Percent of Total Income |
|---|---|---|---|---|
| Quintile 1 | less than $41,105 | $30.1 | 3.3% | 0.1% |
| Quintile 2 | $41,105 - $72,978 | $53.7 | 5.9% | 0.0% |
| Quintile 3 | $72,978 - $117,008 | $68.0 | 7.4% | 0.0% |
| Quintile 4 | $117,008 - $195,292 | $107.6 | 11.8% | 0.0% |
| Quintile 5 | $195,292 and higher | $222.3 | 24.3% | 0.0% |
| Residents | | $481.7 | 52.7% | |
| Exported | | $432.6 | 47.3% | |
| **Total** | | **$914.3** | **100.0%** | |

*Note: Totals may not add due to rounding.*



6803/8585

Table 45

# Initial Distribution and Final Incidence of Total Natural Gas Production Tax Revenue

Fiscal 2027 (dollar amounts in millions)

## Initial Distribution of Tax - By Industry

| Industry | Amount | Percent |
|---|---|---|
| Agriculture | $0.0 | 0.0% |
| Mining | $3,421.4 | 100.0% |
| Utilities & Transportation | $0.0 | 0.0% |
| Construction | $0.0 | 0.0% |
| Manufacturing | $0.0 | 0.0% |
| Retail & Wholesale Trade | $0.0 | 0.0% |
| Information | $0.0 | 0.0% |
| Finance, Insurance & Real Estate | $0.0 | 0.0% |
| Other Services | $0.0 | 0.0% |
| Government | $0.0 | 0.0% |
| Individual Consumers | $0.0 | 0.0% |
| **Total** | **$3,421.4** | **100.0%** |

*Note: Totals may not add due to rounding.*

## Initial Distribution of Tax - By Industry Type

| | Amount | Percent |
|---|---|---|
| Corporations | $2,260.7 | 66.1% |
| Partnerships | $659.9 | 19.3% |
| Sole Proprietorships | $500.7 | 14.6% |
| Subtotal | $3,421.4 | 100.0% |
| Individual Consumers | $0.0 | 0.0% |
| **Total** | **$3,421.4** | **100.0%** |

*Note: Totals may not add due to rounding.*

## Final Incidence of Tax - By Household Income Quintile

| Quintile | Household Income (Annual) | Amount | Percent of Total Tax Paid | Tax as Percent of Total Income |
|---|---|---|---|---|
| Quintile 1 | less than $41,105 | $99.8 | 2.9% | 0.2% |
| Quintile 2 | $41,105 - $72,978 | $174.1 | 5.1% | 0.1% |
| Quintile 3 | $72,978 - $117,008 | $198.9 | 5.8% | 0.1% |
| Quintile 4 | $117,008 - $195,292 | $257.0 | 7.5% | 0.1% |
| Quintile 5 | $195,292 and higher | $453.0 | 13.2% | 0.0% |
| Residents | | $1,182.7 | 34.6% | |
| Exported | | $2,238.6 | 65.4% | |
| **Total** | | **$3,421.4** | **100.0%** | |

### Estimated Equity of Tax

| | |
|---|---|
| Suits Index | -0.074 |

*Note: Totals may not add due to rounding.*

## Final Incidence of Tax - By Homeowners/Renters

| | Amount | Percent of Total Tax Paid |
|---|---|---|
| Homeowners | $563.3 | 16.5% |
| Renters | $619.4 | 18.1% |
| Subtotal | $1,182.7 | 34.6% |
| Exported | $2,238.6 | 65.4% |
| **Total** | **$3,421.4** | **100.0%** |

*Note: Totals may not add due to rounding.*

**Table 46**

# Initial Distribution and Final Incidence of Total Gasoline Tax Revenue

Fiscal 2027 (dollar amounts in millions)

## Initial Distribution of Tax - By Industry

| Industry | Amount | Percent |
|---|---|---|
| Agriculture | $48.4 | 1.6% |
| Mining | $42.8 | 1.5% |
| Utilities & Transportation | $193.1 | 6.6% |
| Construction | $150.9 | 5.1% |
| Manufacturing | $147.7 | 5.0% |
| Retail & Wholesale Trade | $65.2 | 2.2% |
| Information | $12.3 | 0.4% |
| Finance, Insurance & Real Estate | $15.1 | 0.5% |
| Other Services | $38.9 | 1.3% |
| Government | $0.0 | 0.0% |
| Individual Consumers | $2,231.9 | 75.8% |
| **Total** | **$2,946.2** | **100.0%** |

*Note: Totals may not add due to rounding.*

## Initial Distribution of Tax - By Industry Type

| | Amount | Percent |
|---|---|---|
| Corporations | $435.6 | 14.8% |
| Partnerships | $204.6 | 6.9% |
| Sole Proprietorships | $74.2 | 2.5% |
| Subtotal | $714.3 | 24.2% |
| Individual Consumers | $2,231.9 | 75.8% |
| **Total** | **$2,946.2** | **100.0%** |

*Note: Totals may not add due to rounding.*

## Final Incidence of Tax - By Household Income Quintile

| Quintile | Household Income (Annual) | Amount | Percent of Total Tax Paid | Tax as Percent of Total Income |
|---|---|---|---|---|
| Quintile 1 | less than $41,105 | $298.6 | 10.1% | 0.6% |
| Quintile 2 | $41,105 - $72,978 | $404.6 | 13.7% | 0.3% |
| Quintile 3 | $72,978 - $117,008 | $563.8 | 19.1% | 0.3% |
| Quintile 4 | $117,008 - $195,292 | $593.6 | 20.1% | 0.2% |
| Quintile 5 | $195,292 and higher | $652.5 | 22.1% | 0.1% |
| Residents | | $2,513.2 | 85.3% | |
| Exported | | $433.0 | 14.7% | |
| **Total** | | **$2,946.2** | **100.0%** | |

## Estimated Equity of Tax

| | |
|---|---|
| Suits Index | -0.231 |

*Note: Totals may not add due to rounding.*

## Final Incidence of Tax - By Homeowners/ Renters

| | Amount | Percent of Total Tax Paid |
|---|---|---|
| Homeowners | $1,589.1 | 53.9% |
| Renters | $924.1 | 31.4% |
| Subtotal | $2,513.2 | 85.3% |
| Exported | $433.0 | 14.7% |
| **Total** | **$2,946.2** | **100.0%** |

*Note: Totals may not add due to rounding.*

**Table 47**

# Initial Distribution and Final Incidence of Total Insurance Premium Tax Revenue

Fiscal 2027 (dollar amounts in millions)

## Initial Distribution of Tax - By Industry

| Industry | Amount | Percent |
|---|---|---|
| Agriculture | $0.0 | 0.0% |
| Mining | $0.0 | 0.0% |
| Utilities & Transportation | $0.0 | 0.0% |
| Construction | $0.0 | 0.0% |
| Manufacturing | $0.0 | 0.0% |
| Retail & Wholesale Trade | $0.0 | 0.0% |
| Information | $0.0 | 0.0% |
| Finance, Insurance & Real Estate | $4,360.5 | 100.0% |
| Other Services | $0.0 | 0.0% |
| Government | $0.0 | 0.0% |
| Individual Consumers | $0.0 | 0.0% |
| **Total** | **$4,360.5** | **100.0%** |

*Note: Totals may not add due to rounding.*

## Initial Distribution of Tax - By Industry Type

| | Amount | Percent |
|---|---|---|
| Corporations | $3,629.4 | 83.2% |
| Partnerships | $540.2 | 12.4% |
| Sole Proprietorships | $190.9 | 4.4% |
| Subtotal | $4,360.5 | 100.0% |
| Individual Consumers | $0.0 | |
| **Total** | **$4,360.5** | **100.0%** |

*Note: Totals may not add due to rounding.*

## Final Incidence of Tax - By Household Income Quintile

| Quintile | Household Income (Annual) | Amount | Percent of Total Tax Paid | Tax as Percent of Total Income |
|---|---|---|---|---|
| Quintile 1 | less than $41,105 | $490.9 | 11.3% | 0.9% |
| Quintile 2 | $41,105 - $72,978 | $525.5 | 12.1% | 0.4% |
| Quintile 3 | $72,978 - $117,008 | $809.4 | 18.6% | 0.4% |
| Quintile 4 | $117,008 - $195,292 | $964.0 | 22.1% | 0.3% |
| Quintile 5 | $195,292 and higher | $1,112.0 | 25.5% | 0.1% |
| Residents | | $3,901.8 | 89.5% | |
| Exported | | $458.8 | 10.5% | |
| **Total** | | **$4,360.5** | **100.0%** | |

### Estimated Equity of Tax

| | |
|---|---|
| Suits Index | -0.286 |

*Note: Totals may not add due to rounding.*

## Final Incidence of Tax - By Homeowners/Renters

| | Amount | Percent of Total Tax Paid |
|---|---|---|
| Homeowners | $2,413.1 | 55.3% |
| Renters | $1,488.6 | 34.1% |
| Subtotal | $3,901.8 | 89.5% |
| Exported | $458.8 | 10.5% |
| **Total** | **$4,360.5** | **100.0%** |

*Note: Totals may not add due to rounding.*

**TEXAS COMPTROLLER OF PUBLIC ACCOUNTS**

PUBLICATION #96-463

JANUARY 2025

6809/8585

Utah State Tax Commission

# ANNUAL REPORT

## 2024 - 2025

6810/8585

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**TAX COMMISSION MISSION**

Promote tax and motor vehicle law compliance.

**State of Utah**

SPENCER J. COX
*Governor*

DEIDRE M. HENDERSON
*Lieutenant Governor*

**Utah State Tax Commission**

JOHN L. VALENTINE
*Commission Chair*

REBECCA L. ROCKWELL
*Commissioner*

JENNIFER N. FRESQUES
*Commissioner*

JOHN T. DEEDS
*Commissioner*

DEANNA L. HERRING
*Executive Director*

To the Honorable Governor Spencer J. Cox and members of the Utah State Legislature:

The Utah State Tax Commission is pleased to submit this annual report for the fiscal year ending June 30, 2025.

During FY 2025, the Tax Commission collected and distributed approximately $17 billion in revenue from all sources, a year-over-year increase of approximately $900 million.

Despite recent tax rate reductions, corporate and individual income tax revenues grew by 7.4 percent and 6.3 percent, respectively. These income tax collections accounted for approximately half of the total year-over-year revenue growth. Concurrently, state sales tax revenue grew at a more modest pace of 3 percent.

Rapid population growth, business expansion, and accelerating tax complexity have placed an increasing strain on the Commission's infrastructure. Over the past decade, the annual number of tax filings and registered motor vehicles has increased by more than one million each. This represents a 45 percent increase in total workload. To date, the Tax Commission has successfully managed this growth without expanding its workforce by strategically leveraging advanced technologies and developing more streamlined processes.

A primary driver of these efficiencies is the transition to electronic filing. Currently, 100 percent of all sales tax returns and 95 percent of income tax returns are filed electronically. This digital shift is essential to our operations, as it allows for processing with minimal human intervention. Similarly, the Motor Vehicle Division (DMV) has maintained efficiency by diverting in-office visits toward online and third-party registration options. However, notwithstanding technological advancement and automation, increasing collection and administrative responsibilities are straining our ability to meet the growing demand for services.

Our mission—to promote tax and motor vehicle law compliance—is central to our strategic goals. These include simplifying compliance through innovation, enhancing the customer experience, and fostering a high-quality work environment with sound agency leadership. We appreciate the opportunity to serve the Governor, the Legislature, and the citizens of Utah in achieving these objectives.

Sincerely,

John L. Valentine

Commission Chair,
Utah State Tax Commission

Deanna L. Herring

Executive Director,
Utah State Tax Commission

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Salt Lake City, Utah 84134
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Fax: 801-297-6358
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*If you need an accommodation under the Americans with Disabilities Act, email taxada@utah.gov, or call 801-297-3811 or TDD 801-297-2020. Please allow three working days for a response.*

# COMMISSION OFFICE

The Utah State Tax Commission, created in 1931, consists of four members, not more than two of whom may belong to the same political party. The governor, with consent of the Senate, appoints members to four-year terms. Utah law requires commissioners to represent composite skills in accounting, law, auditing, property assessment, management and finance. The commissioners, in consultation with the governor and with consent of the Senate, appoint an executive director to oversee the agency's day-to-day operations.

Tax commissioners conduct quasi-judicial hearings on state tax matters. Taxpayers who disagree with tax decisions of Tax Commission employees and/or county boards of equalization may appeal to the Tax Commission. The Tax Commission has final review authority of the appeals process, but taxpayers may appeal a decision to a district court or the Utah State Supreme Court.

The Tax Commission has numerous legal powers and duties to carry out its broad mandate outlined in the state constitution. These include the authority to:

- Require information from state and local officials;
- Subpoena witnesses to testify and produce records and documents;
- Supervise and direct the work of local tax officials;
- Direct proceedings, actions and prosecutions to enforce state tax laws;
- Prescribe forms relating to the assessment and collection of state and local taxes; and
- Extend or reconvene sessions of county boards of equalization.

## Utah State Tax Commissioners

*Commissioners, L-R: Jennifer N. Fresques, Commission Chair John L. Valentine, Rebecca L. Rockwell and John T. Deeds. Appointed by the Governor to administer and supervise Utah's tax laws.*

# Appeals

The commissioners primarily hear appeals on 37 different tax types. With the assistance of administrative law judges and the appeals support staff, the commissioners hold hearings and issue orders or final rulings. To provide general guidance for taxpayers, the commissioners redact confidential information from orders involving statutory interpretation, substantive case law and new or complex issues, and then post them on the Tax Commission website.

In FY 2024-2025, the Tax Commission received 1,972 appeals, down from 2,205 appeals in FY 2023-2024. The chart below shows a breakdown of the case types for FY 2024-2025.

# Other Functions

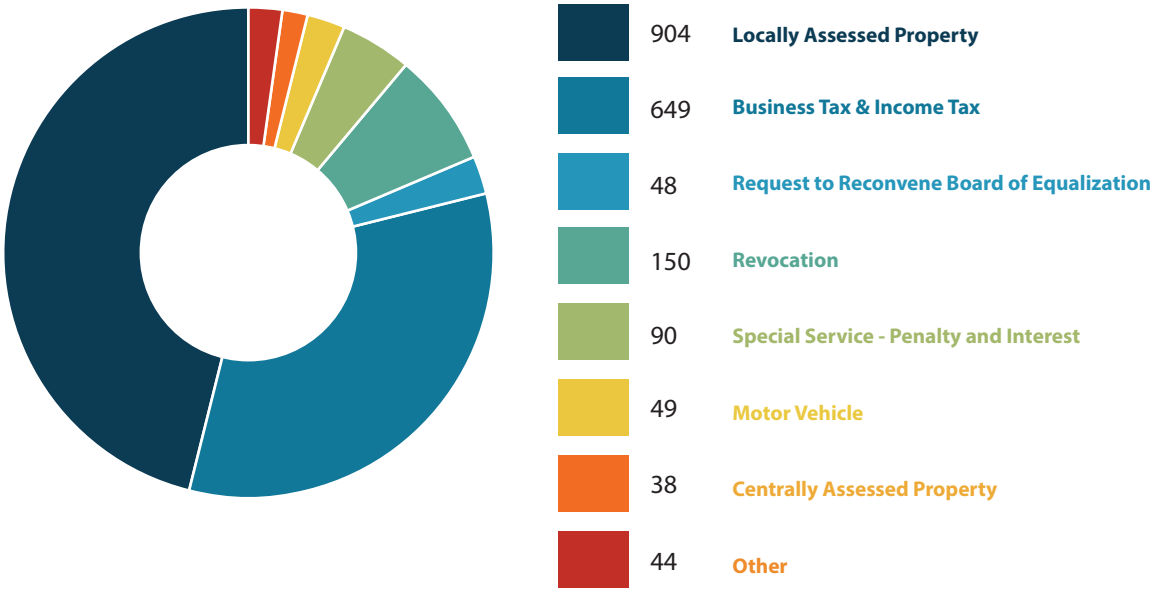
Beyond hearing tax appeals, the commissioners issue private letter rulings and adopt administrative rules, which help clarify tax law.

The commissioners also serve on the Governor's Cabinet and chair the Farmland Assessment Advisory Committee. Their duties further include coordination with local governments and participation in national organizations.

By statute, the commissioners also manage other functions:

- The Economic and Statistical Unit provides tax-related data and analysis and produces economic reports.
- The Internal Audit Unit reviews agency functions.

## Appealed Cases by Type



# KEY PERFORMANCE MEASURES

In fiscal year 2025 the Tax Commission collected and distributed $17.03 billion in state and local revenues, which was an increase of 5.4 percent. The agency's primary responsibilities include:

- Assist taxpayers with compliance and resolve account issues.
- Review tax returns and other information for accuracy and compliance.
- Process revenue and tax returns and update taxpayer information.
- Collect delinquent taxes.
- Register and issue titles for Utah motor vehicles and motor carriers.
- Regulate the automobile sales industry and enforce motor vehicle laws, including vehicle fraud and stolen vehicles.

The Tax Commission employs 729.5 full-time-equivalent employees to carry out these responsibilities.

## Timely Service

### A. Revenue Deposits

**Importance:** The timely collection and deposit of revenues in state accounts is critical for state investment purposes and to provide funds for government services.

**Action:** State guidelines require all deposits of funds within 72 hours of receipt. Our goal is to deposit funds within 24 hours of receipt and within 72 hours during peak return periods. In fiscal year 2025 this goal was met 100 percent of the time.

### B. Income Tax Refunds

**Importance:** The public expects and relies on timely income tax refunds. Digital technology, including electronic filing, has helped reduce the time taxpayers must wait to receive state income tax refunds.

**Action:** Timeliness of refunds generally depends on how early a taxpayer files a return. We strive to process income tax refund returns within 15 days of receipt, which occurs 99 percent of the time. Processing may be delayed if a return includes errors or some other feature that requires review.

### C. Telephone Assistance

**Importance:** In order to help people with their tax and motor vehicle transactions, we provide timely, quality responses to all telephone inquiries.

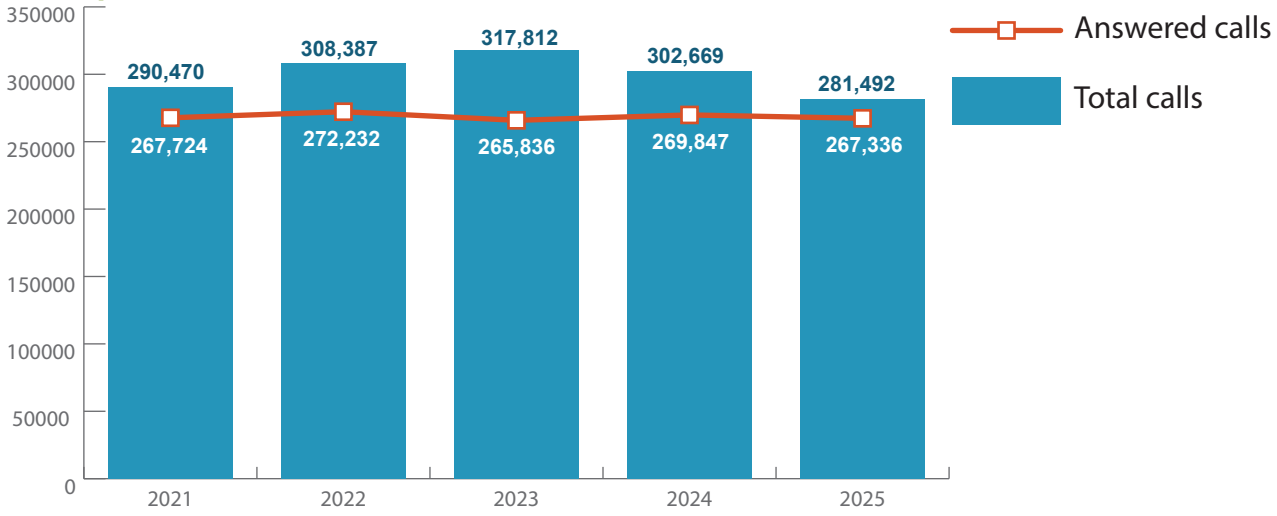
**Action:** Tax Commission staff assists people who contact us by telephone. Employees in the Customer Service Functional Area maintain front-line contact with the public on both tax and motor vehicle issues, while tax specialists in the Tax and Revenue Functional Area provide telephone assistance to customers with complex tax questions. The charts below show volume trends for both tax and motor vehicle calls.

### D. DMV Wait Times

**Importance:** People needing Motor Vehicle Division (DMV) services deserve efficient assistance in a friendly manner. Long wait times are always a main concern and a target for improvement.

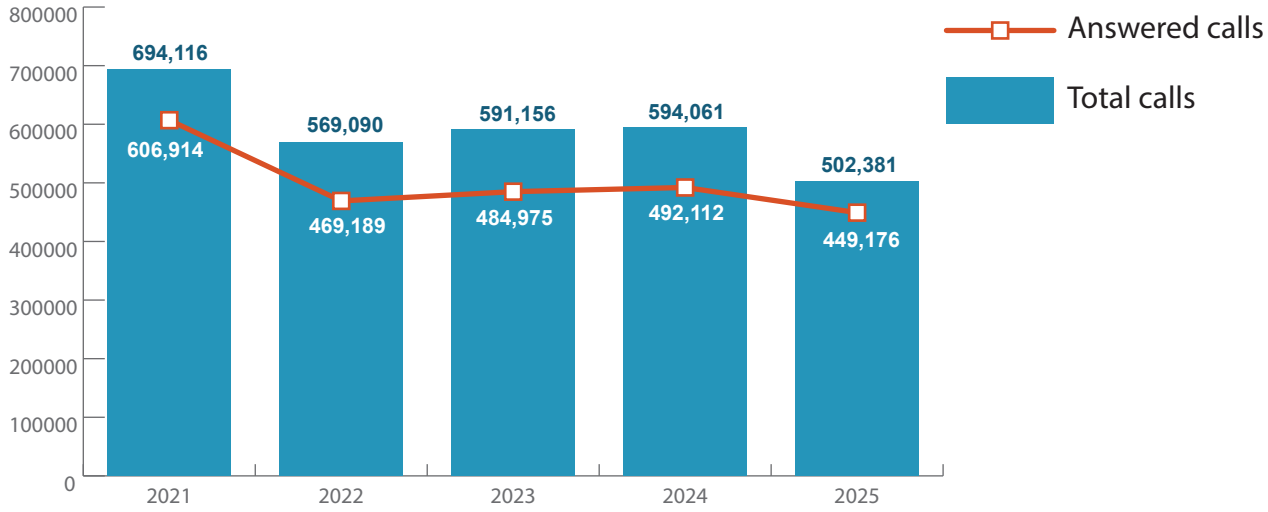
**Action:** The DMV continues to keep wait times low by promoting online services while at the same time monitoring peak periods and scheduling staff to meet customer demands.

## Tax Telephone Assistance




*This chart compares the number of taxpayer assistance telephone calls received to the number of taxpayer assistance telephone calls answered by a staff member.*

## DMV Telephone Assistance




*This chart compares the total number of DMV assistance telephone calls received to the number of DMV assistance telephone calls answered by a staff member.*

# Electronic Filing and Payment Options

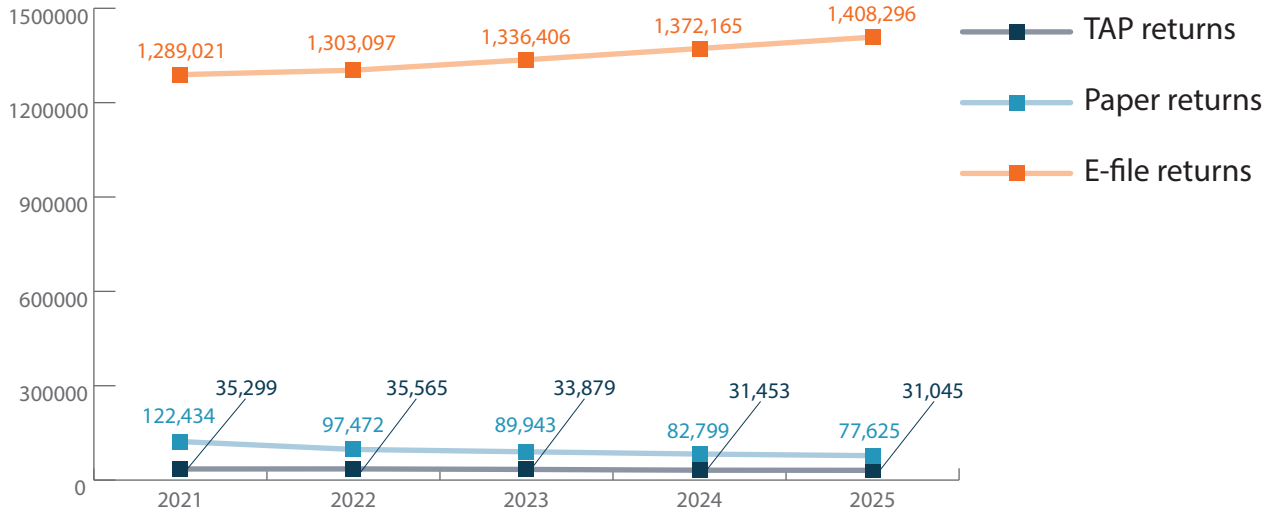
## A. Income Tax Returns

**Importance:** The Tax Commission continues to use technological advances and alternative income tax return filing methods to keep pace with a growing population and economy. More than one million income tax returns are filed annually and the Tax Commission continues to encourage electronic filing. Utah taxpayers have these three electronic options:

- Commercial software packages
- Modernized Electronic Filing (MEF) with the IRS
- Taxpayer Access Point (TAP), the Tax Commission's free online option

**Action:** We continue to promote the use of electronic filing options and expect the growing popularity of these options to endure. This helps offset the increase in the number of taxpayers filing returns due to Utah's population growth and other factors.

### Income Tax Returns Electronic Filing CY2024

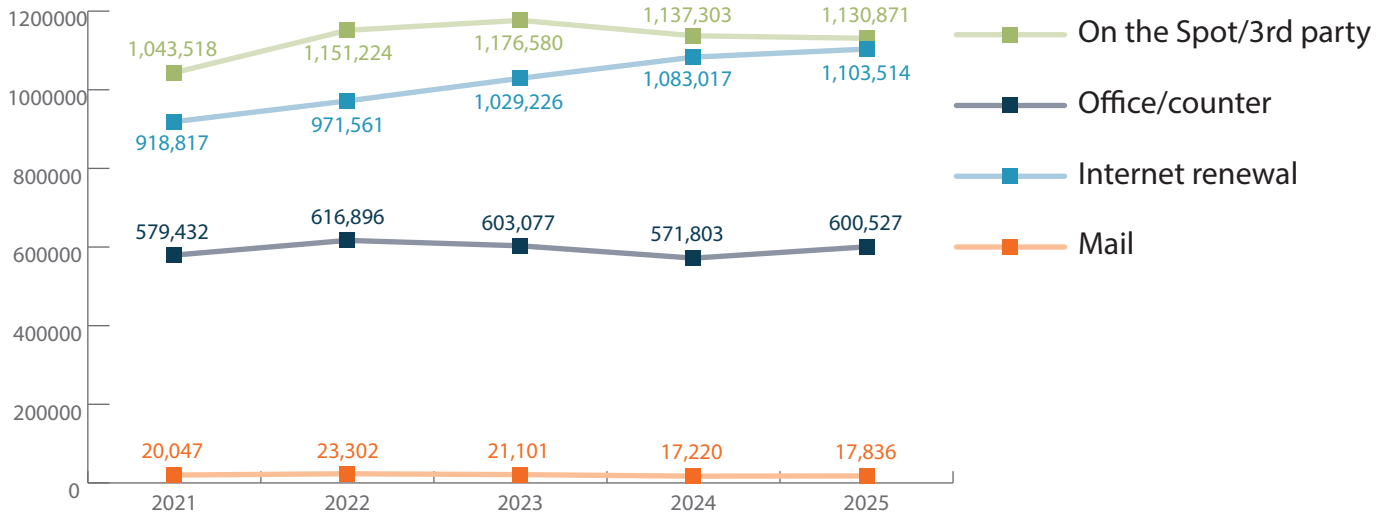


## B. Motor Vehicle Transactions

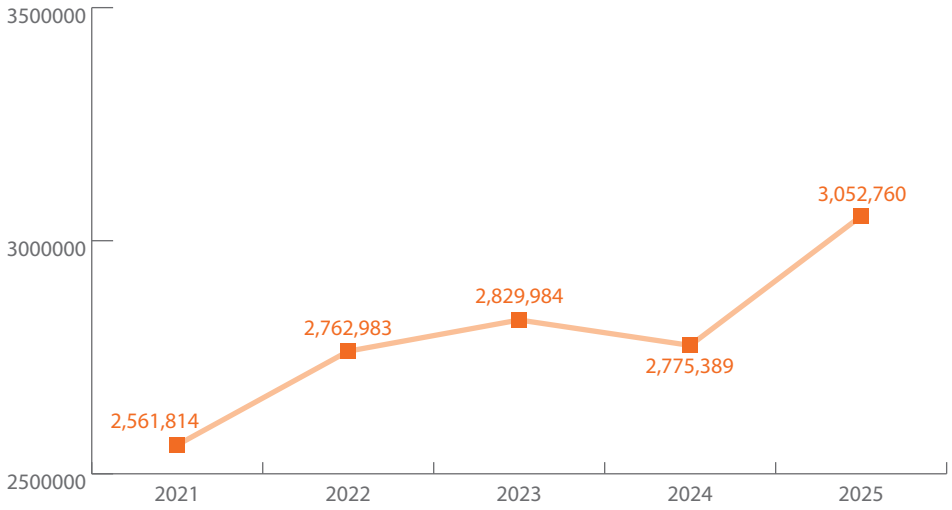
**Importance:** The DMV titles and registers all Utah motor vehicles, off-highway vehicles and watercraft. Services are provided in DMV offices, online (i.e., REX renewals, Motor Vehicle Portal/MVP, Utah Person-to-Person/UPP, virtual appointments, etc.), by contracted third parties, and by mail.

**Action:** We encourage vehicle renewals online, at authorized "On the Spot" service stations, or by mail. Drivers who sign up for the automatic renewal option are given the information they need to complete required inspections and then have their registrations completed automatically. These services have allowed the DMV to keep up with Utah's growing population. The following charts show growth in different types of renewals and the increase in the total number of renewals.

### DMV Renewal Transactions




### DMV Renewal Trends



## C. Quality Systems and Business Processes

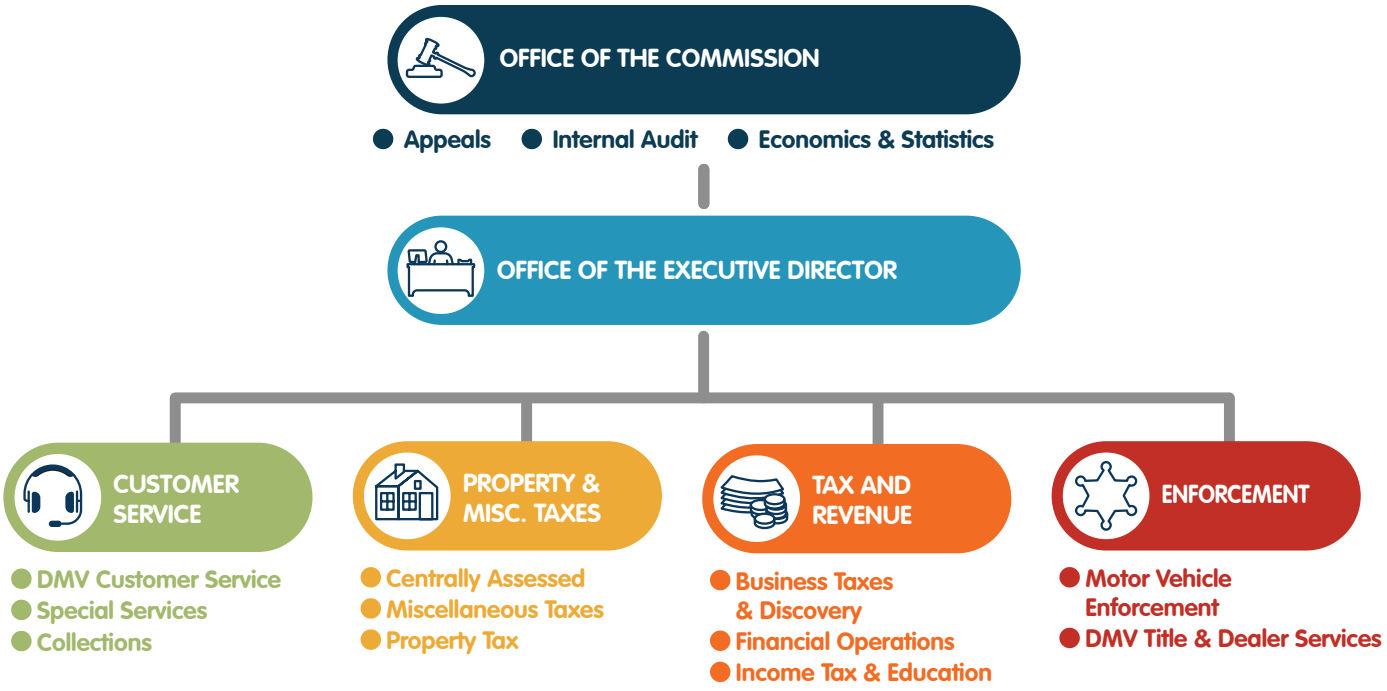
**Importance:** Utah's tax and motor vehicle processes rely heavily on automated computer systems. They are used to accurately record and store information about millions of tax and motor vehicle transactions each year. On a daily basis these systems record large volumes of transactions and distribute multiple types of revenue and fees to hundreds of different state and local funds.

**Action:** The Tax Commission maintains effective, reliable and secure systems through regular review, maintenance and upgrades. System changes are driven by legislation, recommendations from staff, and input from external customers. The Tax Commission manages system changes through service requests, which identify all affected components, responsible parties and necessary deadlines. Software upgrades are implemented at least annually. Before going live with a change or upgrade, staff thoroughly tests any process that will be used by any of our external customers.

# FUNCTIONAL AREAS

The Tax Commission is organized into four functional areas that sit atop 11 finely-tuned divisions. This organization focuses our efforts on voluntary compliance with tax and motor vehicle laws.

## Tax Commission Organization




## Office of the Executive Director

The Office of the Executive Director contains the Administration Operational Area. Its primary functions are:

- Reviews legislation and drafts rules.
- Oversees implementation of tax laws.
- Provides daily oversight and support for all functional areas.
- Develops and manages the agency's budgeting and accounting functions.
- Coordinates with the Dept. of Government Operations and other state agencies.
- Creates and manages all publications, forms and instructions.
- Manages the Tax Commission websites.
- Manages agency reports.
- Coordinates media relations.

# Customer Service

The Customer Service functional area provides customer support through three divisions, across multiple areas, including delinquent taxes and the Motor Vehicle Division (DMV).

### DMV Customer Service Division

- Provides services for all motor vehicle transactions.
- Titles and registers Utah vehicles.

**FY25 by the Numbers**

| | |
|---|---|
| Collected taxes and fees | $724,836,770 |
| Transactions | 6,876,943 |
| Registrations | 3,860,542 |

### Special Services Division

- Provides support services for collection activities.
- Handles all inbound communication on collection issues (including bankruptcy, garnishments, tax clearance, special events, waivers, and offers-in-compromise).

### Collections Division

- Collects delinquent accounts where a lien has been issued and possible legal action may occur.
- Works with customers to pay delinquent balances in a timely manner.

# Property & Miscellaneous Taxes

The Property & Miscellaneous Tax functional area performs its duties through three divisions.

### Centrally Assessed Division

- Performs the direct appraisal and assessment of mining, oil and gas, and utility properties, as well as certain multistate and multicounty energy and transportation properties. Centrally assessed property includes the property of electric and gas utilities, railroads, airlines, pipelines, oil and gas production, and various mines such as metal, non-metal, coal, sand and gravel, and uranium.

### Miscellaneous Taxes Division

- Educates, assists and audits taxpayers who file miscellaneous taxes (including beer and liquor, brine shrimp harvesting, fuel, motor fuel, special fuel, aviation fuel, insurance premiums, self-insurers, radioactive waste and the environmental assurance fee).
- Administers the International Fuel Tax Agreement (IFTA).
- Performs federal and state audits of mining and oil and gas severance tax and mineral production tax withholding.

### Property Tax Division

- Provides oversight of county property assessments and tax systems.
- Performs assessment/sales ratio studies.
- Conducts performance reviews of county appraisal systems.
- Provides technical assistance and guidance for local assessment and tax collection, as well as farmland assessment evaluation and classification.
- Provides property tax administration and appraisal education for all state and county appraisers, as well as all county offices involved in property tax.
- Oversees the certified tax rate process.
- Provides statutory auditing services for Utah counties to audit local business personal property accounts and recommends annual updates to Personal Property Valuation Guides and Schedules.

# Tax and Revenue

The responsibilities of the Tax and Revenue functional area are distributed among three divisions.

### Business Taxes and Discovery Division

- Conducts taxpayer training and outreach programs.
- Reviews and examines corporate franchise/income and sales tax returns.

### Financial Operations Division

- Receives, extracts and examines all incoming returns, documents and correspondence.
- Deposits all tax and fee payments.
- Captures return documents into the tax systems; corrects errors.
- Reviews and approves account applications; maintains account demographics.
- Records and classifies revenue and reconciles it to the general ledger.
- Accounts for and distributes assets held by the state for various local government entities.
- Compares current cash flows and actual results to previous years.

**FY25 by the Numbers**

| | |
|---|---|
| Electronic returns | 3,214,735 |
| Paper returns | 162,260 |
| DMV images | 5,970,656 |

### *Income and Education Division*

- Assists taxpayers with tax obligations and tax questions.
- Assists CPAs and tax preparers with complex tax questions.
- Offers tax-filing webinars, FAQs and a chatbot.
- Reviews and examines individual income, partnership and withholding returns.

## Enforcement

The Enforcement Functional Area provides title and dealer enforcement and customer service through two divisions. They also enforce tax law and tobacco law.

### *Motor Vehicle Enforcement Division (MVED)*

- Promotes compliance with laws related to motor vehicle compliance, fraud and theft.
- Licenses and regulates new and used motor vehicle dealers, including salesperson licenses.
- Investigates motor vehicle related crimes, such as odometer fraud and title fraud and any motor vehicle-related fraud.

**FY25 by the Numbers**

| | |
|---|---|
| Complaints and cases | 8,218 |
| Stolen vehicles recovered | 121 |
| Value of recovered vehicles | $1,245,908 |

### *DMV Title & Dealer Services*

- Provides motor vehicle transaction customer service.
- Helps motor vehicle dealers title and register vehicles.
- Processes DMV transactions.
- Helps tow yards and law enforcement agencies return impounded vehicles to their rightful owners.
- Reviews out-of-state vehicle titles for validity, salvage concerns, and other fraudulent title trends.

Two other functions of the Enforcement functional area are the Criminal Investigative Unit (CIU) and Tobacco Tax Unit. CIU is a special functions law enforcement section that investigates delinquent tax fraud cases. The Tobacco Tax Unit enforces Utah's tobacco laws.

# REVENUE

As shown below, total revenues collected by the Tax Commission increased 5.4 percent, from $16.15 billion in FY 2024 to $17.03 billion in FY 2025.

## Revenue Summary
### (millions of dollars)

| Tax/Fee | FY 2024 | FY 2025 | Net Change | % Change |
|---|---|---|---|---|
| Individual Income Tax | $6,214.5 | $6,607.4 | $392.8 | 6.3% |
| State Sales and Use Tax | $4,541.6 | $4,677.0 | $135.3 | 3.0% |
| Corporate Tax* | $883.4 | $948.5 | $65.1 | 7.4% |
| Beer Tax | $18.6 | $18.6 | $0.0 | 0.0% |
| Cigarette Tax | $65.3 | $57.2 | ($8.0) | -12.3% |
| Tobacco Tax | $21.3 | $20.4 | ($0.9) | -4.4% |
| Insurance Premium Tax | $237.7 | $264.6 | $26.9 | 11.3% |
| Oil and Gas Severance Tax | $76.3 | $83.3 | $7.0 | 9.2% |
| Mining Severance Tax | $11.7 | $20.8 | $9.1 | 77.9% |
| Local Option Sales and Use Taxes | $2,593.5 | $2,758.4 | $165.0 | 6.4% |
| Oil and Gas Conservation Fee | $7.8 | $7.8 | $0.1 | 0.8% |
| 911 Emergency Services Telephone Charge | $70.9 | $63.5 | ($7.4) | -10.5% |
| Cable/Satellite Excise Tax | $20.6 | $19.9 | ($0.7) | -3.4% |
| Mineral Production Withholding | $57.0 | $52.3 | ($4.6) | -8.2% |
| Motor Fuel Tax | $451.9 | $486.3 | $34.4 | 7.6% |
| Special Fuel Tax | $196.9 | $206.2 | $9.3 | 4.7% |
| Aviation Fuel Tax | $7.1 | $7.8 | $0.8 | 10.8% |
| Motor Vehicle Registration Fees | $225.4 | $258.9 | $33.5 | 14.9% |
| Local Transportation Corridor Preservation Fee | $26.8 | $27.7 | $1.0 | 3.6% |
| Other Motor Vehicle Taxes and Fees | $345.3 | $361.6 | $16.3 | 4.7% |
| Other Taxes and Fees | $80.9 | $83.7 | $2.8 | 3.5% |
| **Total** | **$16,154.5** | **$17,032.1** | **$877.6** | **5.4%** |

** Includes corporate franchise and income taxes, radioactive waste, and gross receipts taxes.*

For revenues broken out by fund type and source, see Appendix I on page 37.

# INCOME TAX

## Individual Income Tax

The Legislature reduced the state individual income tax rate from 4.55 percent to 4.5 percent for tax years starting Jan. 1, 2025. Most taxpayers are able to claim one or more tax credits, including a taxpayer tax credit, retirement or Social Security benefits tax credit, a state earned income tax credit, and a child tax credit. Revenues from this tax are deposited into the Income Tax Fund.

An employer must withhold state income tax from employee earnings (unless the employee has filed a withholding exemption certificate) if the employer:

1. pays wages to any employee for work done in Utah, or
2. pays wages to Utah resident employees for work done outside Utah.

With Tax Commission approval, an employer that does business in Utah for 60 days or less in a calendar year may be exempt from Utah withholding requirements.

Utah Code, Title 59, Chapter 10

| Individual Income Tax | |
|---|---|
| **FY 2025** | **$6,607,355,667** |
| 2024 | $6,214,528,683 |
| 2023 | $6,432,141,610 |
| 2022 | $6,771,925,739 |
| 2021 | $6,110,511,295 |

## Mineral Production Withholding

A mineral producer must withhold state income tax on any gross production payments to working interests, royalty interest or overriding royalty owners for mineral production or extraction in Utah. Income recipients may claim a credit on their Utah income tax returns for the amount a producer withholds.

Utah Code, Title 59, Chapter 6

| Mineral Prod. Withholding Tax | |
|---|---|
| **FY 2025** | **$52,321,063** |
| 2024 | $56,968,373 |
| 2023 | $64,848,228 |
| 2022 | $40,244,945 |
| 2021 | $16,154,081 |

# State Individual Income Tax by Adjusted Gross Income Groups (Full-year Residents)

## Based on 2023 tax year

| Adjusted Gross Income Group | No. of Returns | Adjusted Gross Income | State Income Tax Liability | % of Returns | % of Tax Liabiilty |
|---|---|---|---|---|---|
| $10,000 or less | 134,963 | -$580,685,670 | $245,255 | 9.38% | 0.00% |
| >$10,000 - $25,000 | 206,641 | $3,571,118,722 | $13,595,636 | 14.36% | 0.27% |
| >$25,000 - $50,000 | 317,455 | $11,801,817,376 | $245,832,507 | 22.06% | 4.79% |
| >$50,000 - $75,000 | 224,879 | $13,883,979,039 | $433,579,101 | 15.62% | 8.46% |
| >$75,000 - $100,000 | 158,027 | $13,718,752,192 | $487,498,421 | 10.98% | 9.51% |
| >$100,000 - $125,000 | 115,766 | $12,949,063,030 | $501,099,195 | 8.04% | 9.77% |
| >$125,000 - $150,000 | 80,938 | $11,063,253,448 | $460,777,128 | 5.62% | 8.99% |
| >$150,000 - $250,000 | 131,490 | $24,619,978,579 | $1,091,615,032 | 9.14% | 21.29% |
| >$250,000 - $500,000 | 50,077 | $16,682,150,081 | $741,924,261 | 3.48% | 14.47% |
| >$500,000 - $1,000,000 | 12,760 | $8,545,528,137 | $370,975,954 | 0.89% | 7.23% |
| Over $1,000,000 | 6,256 | $19,466,521,369 | $780,658,388 | 0.43% | 15.22% |
| **Total** | **1,439,252** | **$135,721,476,303** | **$5,127,800,878** | **100%** | **100%** |

# State Income Tax Contributions

| | 2019 | | 2020 | | 2021 | | 2022 | | 2023 | |
|---|---|---|---|---|---|---|---|---|---|---|
| Category | Returns | Amount | Returns | Amount | Returns | Amount | Returns | Amount | Returns | Amount |
| Homeless Assistance | 2,325 | $60,600 | 2,669 | $85,668 | 2,237 | $84,113 | 2,228 | $114,136 | 1,765 | $54,241 |
| Children's Organ Transplant | 1,989 | $39,268 | 2,107 | $49,317 | 1,841 | $41,656 | 1,719 | $38,607 | 1,436 | $29,997 |
| School District Foundation | 1,445 | $38,891 | 1,371 | $40,659 | 1,236 | $60,800 | 1,146 | $36,128 | 969 | $31,402 |
| Clean Air | 2,349 | $38,815 | 2,272 | $45,061 | 2,068 | $45,047 | 1,796 | $33,996 | 1,415 | $28,797 |
| Suicide Prevention | 1,730 | $27,970 | 1,988 | $39,300 | 1,715 | $35,888 | 1,550 | $31,621 | 1,266 | $26,354 |
| **Totals** | **9,838** | **$205,544** | **10,407** | **$260,005** | **9,097** | **$267,504** | **8,439** | **$254,488** | **6,851** | **$170,791** |

# State Individual Income Tax County Comparison (Full-year Residents)

## Ranked by Average Adjusted Gross Income for 2023 tax year

| County | No. of Returns | Average Adjusted Gross Income | Average State Income Tax Liability |
|---|---|---|---|
| Summit | 23,223 | $263,287 | $10,441 |
| Morgan | 5,189 | $145,401 | $5,982 |
| Wasatch | 14,299 | $131,514 | $5,234 |
| Davis | 149,063 | $100,054 | $3,878 |
| Utah | 272,609 | $94,755 | $3,557 |
| Salt Lake | 530,411 | $94,662 | $3,669 |
| Washington | 82,060 | $89,118 | $3,237 |
| Cache | 54,621 | $85,362 | $3,048 |
| Weber | 120,706 | $82,360 | $3,027 |
| Duchesne | 8,559 | $80,796 | $2,913 |
| Juab | 5,046 | $80,494 | $2,867 |
| Tooele | 33,230 | $79,054 | $2,906 |
| Rich | 1,055 | $78,628 | $2,806 |
| Box Elder | 25,692 | $77,507 | $2,723 |
| Uintah | 13,135 | $75,257 | $2,540 |
| Grand | 5,029 | $74,088 | $2,660 |
| Millard | 5,276 | $71,050 | $2,433 |
| Kane | 3,431 | $70,938 | $2,403 |
| Wayne | 1,205 | $69,882 | $2,255 |
| Sevier | 8,800 | $69,809 | $2,272 |
| Emery | 3,992 | $69,281 | $2,303 |
| Sanpete | 10,820 | $68,327 | $2,320 |
| Iron | 23,848 | $68,228 | $2,301 |
| Daggett | 399 | $68,207 | $2,299 |
| Carbon | 8,325 | $67,163 | $2,271 |
| Beaver | 2,945 | $63,756 | $2,034 |
| Garfield | 2,150 | $63,499 | $2,109 |
| San Juan | 4,442 | $60,141 | $1,603 |
| Piute | 595 | $54,470 | $1,629 |
| Unknown/out of state | 19,097 | $92,694 | $3,182 |
| **State** | **1,439,252** | **$94,300** | **$3,563** |

*See more about Utah income tax returns at* **tax.utah.gov/econstats/income/state-returns**

# Corporate Franchise & Income Tax

The Legislature reduced the state corporate franchise and income tax rate from 4.55 percent to 4.5 percent for tax years starting Jan. 1, 2025. The minimum tax is $100 per corporation. Revenues from this tax are deposited into the Income Tax Fund.

Utah Code, Title 59, Chapter 7

The gross receipts tax is imposed on the gross receipts of certain electrical and other corporations that are not required to pay corporate franchise, income, or another in-lieu-of-income tax unless they are exempt under §59-7-102(2).

Utah Code, Title 59, Chapter 8

The radioactive waste tax is assessed on facilities that store, process or recycle radioactive waste in Utah. The tax is a percentage of gross receipts, ranging from 0.5 to 12 percent depending on the specific type of waste received.

Utah Code, Title 59, Chapter 24

## Corp Franchise & Income Tax*

| FY 2025 | $948,519,550 |
|---|---|
| 2024 | $883,389,846 |
| 2023 | $869,902,502 |
| 2022 | $937,045,419 |
| 2021 | $742,697,439 |

*Includes gross receipts tax and radioactive waste tax.*

## State Corporate Tax Liability by Taxable Income Groups (Non-minimum taxpayers*)

### Based on 2023 tax year

| Taxable Income Group | No. of Returns | % of Total Returns | Tax Liability | % of Total Corporate Tax Liability | Net Taxable Income |
|---|---|---|---|---|---|
| Under $10,000 | 2,027 | 18.94% | $518,203 | 0.06% | $11,062,800 |
| $10,000 - $50,000 | 2,737 | 25.57% | $3,197,790 | 0.35% | $68,192,856 |
| >$50,000 - $100,000 | 1,220 | 11.40% | $4,101,300 | 0.45% | $87,372,517 |
| >$100,000 - $1,000,000 | 3,067 | 28.66% | $48,767,873 | 5.39% | $1,038,101,427 |
| >$1,000,000 - $10,000,000 | 1,316 | 12.30% | $196,512,783 | 21.71% | $4,176,302,691 |
| Over $10,000,000 | 335 | 3.13% | $652,265,251 | 72.04% | $13,881,512,595 |
| **Total** | **10,702** | **100.00%** | **$905,363,200** | **100.00%** | **$19,262,544,886** |

*This table represents corporations that pay more than the minimum $100 tax.*

# State Corporate Tax Liability by Industry

## Based on 2023 tax year

| Industry (NAICS) | No. of Returns | Tax Liability | % of Corporate Tax Liability |
|---|---|---|---|
| Agriculture, Forestry, Fishing and Hunting | 135 | $5,478,244 | 0.6% |
| Mining | 360 | $10,062,347 | 1.1% |
| Utilities | 110 | $15,746,678 | 1.7% |
| Construction | 1,096 | $33,893,134 | 3.7% |
| Manufacturing | 2,751 | $245,752,788 | 27.1% |
| Wholesale Trade | 2,112 | $56,310,154 | 6.2% |
| Retail Trade | 1,465 | $99,111,933 | 10.9% |
| Transportation and Warehousing | 439 | $24,279,994 | 2.7% |
| Information | 1,779 | $67,022,358 | 7.4% |
| Finance and Insurance | 3,762 | $117,129,324 | 12.9% |
| Real Estate and Rental and Leasing | 1,166 | $16,494,978 | 1.8% |
| Professional, Scientific, and Technical Services | 5,968 | $40,881,063 | 4.5% |
| Management of Companies and Enterprises | 2,443 | $143,781,043 | 15.8% |
| Administrative and Support and Waste Management and Remediation Services | 904 | $6,248,981 | 0.7% |
| Educational Services | 201 | $687,259 | 0.1% |
| Health Care and Social Assistance | 716 | $3,836,018 | 0.4% |
| Arts, Entertainment, and Recreation | 243 | $2,592,937 | 0.3% |
| Accommodation and Food Services | 375 | $7,539,624 | 0.8% |
| Other Services (except Public Administration) | 493 | $3,100,189 | 0.3% |
| Unknown or Undisclosable | 3,164 | $7,911,974 | 0.9% |
| **Total** | **29,682** | **$907,861,020** | **100%** |

*The amounts in this table reflect the tax liabilities shown on returns, which do not equal the tax amounts received. Most returns are filed on a calendar year basis, but receipts reported in this report are based on the state's fiscal year.*

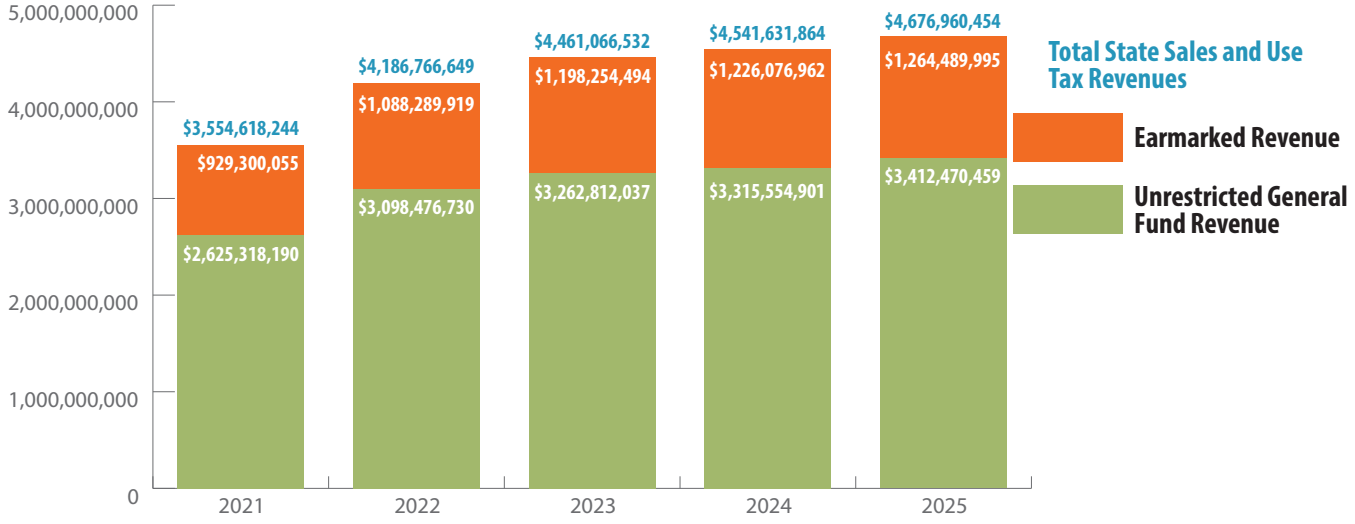
*See more about Utah corporate income tax returns at* **tax.utah.gov/econstats/income/corporate**

# State Sales and Use Tax

Utah imposes a sales and use tax at 4.85 percent. Residential fuel and grocery food are taxed at 2.0 percent and 1.75 percent, respectively. Revenues from this tax that are not earmarked to other funds or purposes are deposited into the General Fund.

Utah Code Ann. §59-12-103

## State Sales and Use Tax Revenues (fiscal year)




# Local Sales and Use Tax

All Utah counties, cities and towns have adopted ordinances to impose a 1 percent local option sales and use tax. This tax applies to the same transactions as the state sales and use tax. Aside from a few small earmarks, revenue from this tax is returned to participating local governments using a divided distribution: 50 percent of local sales tax revenue is distributed to local governments on a prorated population basis, while the remaining 50 percent is distributed based on point-of-sale. Relatively small earmarks from this tax go to the Qualified Emergency Food Agencies Fund and the Homeless Shelter Cities Mitigation Restricted Account.

Utah Code, Title 59, Chapter 12, Part 2

## Local Sales and Use

| FY 2025 | $1,057,317,079 |
|---|---|
| 2024 | $1,005,753,868 |
| 2023 | $999,054,734 |
| 2022 | $935,762,556 |
| 2021 | $799,476,654 |

*See distribution data showing tax revenue by locality at* **tax.utah.gov/sales/distribution**

# County Option Sales Tax

All counties in Utah have adopted ordinances to impose a 0.25 percent county option sales and use tax. This tax applies to the same transactions as the state sales and use tax. Revenue from this tax is returned to participating counties based on a 50 percent prorated population, 50 percent point-of-sale distribution formula. A relatively small earmark from this tax goes to the Qualified Emergency Food Agencies Fund.

Utah Code, Title 59, Chapter 12, Part 11

| County Option | |
|---|---|
| **FY 2025** | **$264,420,057** |
| 2024 | $251,558,973 |
| 2023 | $249,775,341 |
| 2022 | $233,940,220 |
| 2021 | $199,933,194 |

# Arts and Zoological Sales Tax

The botanical, cultural, recreational and zoological tax, sometimes called "ZAP" (zoo arts and parks) or "RAP" (recreation, arts and parks), may be imposed at 0.10 percent on transactions subject to the sales and use tax, except for food and food ingredients. This tax may be adopted by any county or city in which voters have approved the tax to fund recreational facilities and botanical, cultural and zoological organizations.

Utah Code, Title 59, Chapter 12, Part 7 and Part 14

| Arts and Zoos | |
|---|---|
| **FY 2025** | **$86,842,759** |
| 2024 | $82,289,792 |
| 2023 | $81,387,862 |
| 2022 | $74,012,901 |
| 2021 | $61,994,072 |

# Rural Hospital Sales Tax

A qualifying rural county or city may impose a sales tax of up to 1 percent to fund rural county or city health care facilities. This tax applies to the same transactions as the sales and use tax, except for food and food ingredients.

Utah Code, Title 59, Chapter 12, Part 8

| Rural Hospital | |
|---|---|
| **FY 2025** | **$16,783,818** |
| 2024 | $10,624,256 |
| 2023 | $9,534,859 |
| 2022 | $9,434,850 |
| 2021 | $8,248,900 |

# Resort Communities Sales Tax

A municipality whose transient room capacity is at least 66 percent of its permanent census population may impose the resort communities sales tax up to 1.1 percent. A municipality may impose an additional 0.5 percent tax if it imposed a license fee or tax on businesses based on gross receipts on or before Jan. 1, 1996. This tax applies to the same transactions as the sales and use tax, except for food and food ingredients. Sales of motor vehicles, aircraft, watercraft, modular homes, manufactured homes and mobile homes are also exempt from this tax.

Utah Code Ann. §§59-12-401 and 402

| Resort Communities | |
|---|---|
| **FY 2025** | **$49,532,961** |
| 2024 | $45,773,671 |
| 2023 | $45,073,727 |
| 2022 | $43,106,950 |
| 2021 | $33,368,712 |

*See distribution data showing tax revenue by locality at* **tax.utah.gov/sales/distribution**

# Statewide Motor Vehicle Rental Tax

The statewide motor vehicle rental tax is imposed at 2.5 percent on all short-term leases and rentals of motor vehicles of no more than 30 days. There is an exemption for a rental vehicle replacing a motor vehicle that is being repaired and for a motor vehicle rented as a personal household goods moving van. Revenues generated by this tax are credited to the Marda Dillree Corridor Preservation Fund.

Utah Code, Title 59, Chapter 12, Part 12

| Motor Vehicle Rental | |
|---|---|
| **FY 2025** | **$9,825,094** |
| 2024 | $10,383,040 |
| 2023 | $9,768,039 |
| 2022 | $9,348,832 |
| 2021 | $5,325,188 |

# Transient Room Taxes

The transient room tax is applied on amounts paid for accommodations and services of tourist homes, hotels, motels and trailer courts that are regularly rented for less than 30 consecutive days. A county may impose this tax up to 4.25 percent, while a municipality may also impose this tax up to 1.5 percent. The state also imposes a transient room tax of 0.32 percent.

Utah Code, Title 59, Chapter 12, Parts 3 and 3A, and Title 59, Chapter 28

| | County Transient Room Tax | Municipality Transient Room Tax | State Transient Room Tax | Total |
|---|---|---|---|---|
| **FY 2025** | **$116,484,940** | **$27,229,246** | **$8,963,062** | **$152,677,248** |
| 2024 | $114,179,312 | $24,065,291 | $8,773,544 | $147,021,448 |
| 2023 | $109,772,542 | $23,659,805 | $8,289,173 | $141,721,520 |
| 2022 | $104,950,998 | $22,452,324 | $7,991,773 | $135,395,095 |
| 2021 | $68,225,758 | $14,059,335 | $5,149,916 | $87,435,009 |

# Tourism-Related Sales Taxes (TRCC)

The tourism, recreation, cultural and convention facilities tax allows counties to impose any or all of the following taxes:

- A tax of up to 7 percent on all short-term motor vehicle rentals, except for short-term rentals made for the purpose of temporarily replacing a motor vehicle that is being repaired.
- A tax of up to 7 percent on short-term rentals of off-high-way vehicles and recreational vehicles.
- A tax of up to 1 percent on all restaurant sales of alcoholic beverages, food and food ingredients, or prepared food.

A county of the first class may also impose a tax of up to 0.5 percent on charges for accommodations and services of tourist homes, hotels, motels and trailer courts that are regularly rented for less than 30 consecutive days.

Utah Code, Title 59, Chapter 12, Part 6

| | Restaurant Tax | Motor Vehicle Leasing Tax | Room Rental Tax | OHV and RV Leasing Tax | Total |
|---|---|---|---|---|---|
| **FY 2025** | **$90,728,718** | **$27,117,424** | **$4,109,700** | **$634,412** | **$122,590,254** |
| 2024 | $86,766,755 | $26,320,994 | $3,784,113 | $504,374 | $117,376,236 |
| 2023 | $82,772,265 | $25,362,965 | $3,764,944 | $212,127 | $112,112,301 |
| 2022 | $74,978,883 | $25,036,884 | $3,205,415 | $85,778 | $103,306,960 |
| 2021 | $61,066,008 | $14,197,138 | $1,528,257 | - | $76,791,402 |

*See distribution data showing tax revenue by locality at* **tax.utah.gov/sales/distribution**

# Local Option Sales & Use Taxes for Transportation

A county, city or town may impose a combination of local option sales taxes to fund transportation, up to a maximum of 1.25 percent. These taxes are imposed on the transaction price of goods and services subject to the state sales and use tax, except for food and food ingredients. A combination of the following local option taxes may be imposed:

- A county, city or town may impose a public transit tax (§59-12-2213), up to 0.3 percent; or a city or town may impose a municipal highways tax (§59-12-2215), up to 0.3 percent.
- A county, city or town may impose an additional public transit tax (§59-12-2214), at 0.25 percent; or a county may impose a fixed guideway tax (§59-12-2216), up to 0.3 percent.
- A county may impose a transportation tax (§59-12-2217), up to 0.25 percent; or a county, city, or town may impose an airports, highways and public transit systems tax (§59-12-2218), at 0.25 percent.
- A county may impose a highways and public transit tax (§59-12-2219), at 0.25 percent.
- A county may impose a public transit tax (§59-12-2220), at 0.2 percent.

Revenues generated from these taxes are returned to participating localities and/or the local transit authority (if applicable).

Utah Code Ann. §§59-12-2213, 59-12-2214, 59-12-2215, 59-12-2216, 59-12-2217, 59-12-2218, 59-12-2219, and 59-12-2220

| | Public Transit Tax | Fixed Guideway Tax | Municipal Highways Tax | Airports, Highways & Public Transit Systems Tax | County Option Tax for Highways and Public Transit | County Option for Public Transit | Total |
|---|---|---|---|---|---|---|---|
| **FY 2025** | **$488,482,999** | **$57,802,412** | **$31,321,566** | **$41,104,092** | **$226,320,946** | **$40,105,354** | **$885,137,370** |
| 2024 | $489,787,178 | $45,863,723 | $28,490,960 | $38,213,067 | $215,365,697 | $18,281,427 | $836,002,053 |
| 2023 | $486,807,381 | $45,413,097 | $28,177,874 | $37,833,998 | $211,579,086 | $6,262,683 | $816,074,119 |
| 2022 | $453,026,886 | $43,027,950 | $26,499,451 | $35,852,209 | $198,542,200 | $5,847,302 | $762,795,998 |
| 2021 | $385,975,631 | $36,498,926 | $22,263,258 | $30,408,762 | $168,487,055 | $4,413,520 | $648,047,152 |

# Other Local Option Sales Taxes

Other sales taxes imposed by local governments and the state include:

- Supplemental state sales tax, imposed at up to 0.3 percent
- Town option sales tax, imposed at up to 1 percent; and city or town option sales tax imposed at up to 0.2 percent
- Municipal energy sales tax, imposed at up to 6 percent on the delivered value of energy
- Correctional facility sales tax, imposed at 0.5 percent in Salt Lake City
- Capital city revitalization sales tax, imposed at 0.5 percent in Salt Lake City

Utah Code, Title 10, Chapter 1, Part 3; Title 59, Chapter 12, Parts 13, 20 and 21; and §59-12-402.1

| | Supplemental State Tax | Town Option & City or Town Option Sales Tax | Municipal Energy Sales Tax | Correctional Facility Sales Tax | Capital City Revitalization Sales Tax | Total |
|---|---|---|---|---|---|---|
| **FY 2025** | **$7,083,439** | **$14,346,521** | **$10,817,284** | **$56,178,745** | **$22,108,028** | **$110,534,017** |
| 2024 | $6,741,063 | $13,793,205 | $10,561,206 | $53,340,721 | - | $84,436,195 |
| 2023 | $6,739,084 | $14,443,703 | $16,893,359 | $54,205,891 | - | $92,282,037 |
| 2022 | $6,511,960 | $13,775,717 | $10,230,267 | $49,828,782 | - | $80,346,726 |
| 2021 | $5,700,109 | $11,945,661 | $6,880,844 | $39,229,454 | - | $63,756,068 |

*See distribution data showing tax revenue by locality at* **tax.utah.gov/sales/distribution**

# Taxable Sales & Purchases by Industry*

| | CY 2023 Taxable Sales | CY 2024 Taxable Sales | Percent Change |
|---|---|---|---|
| Agriculture, forestry, fishing & hunting (11) | $45,143,746 | $46,621,558 | 3.27% |
| Mining, quarrying, & oil & gas extraction (21) | $662,730,753 | $547,539,327 | -17.38% |
| Utilities (22) | $3,561,416,938 | $3,465,364,913 | -2.70% |
| Construction (23) | $1,848,664,826 | $1,938,926,848 | 4.88% |
| Manufacturing (31-33) | $4,718,278,025 | $4,685,237,224 | -0.70% |
| Wholesale trade-durable goods (423) | $7,812,822,747 | $7,927,417,692 | 1.47% |
| Wholesale trade-nondurable goods (424) | $1,306,397,407 | $1,331,326,585 | 1.91% |
| Wholesale trade-agents & brokers (425) | $180,207,483 | $176,486,152 | -2.07% |
| Retail-motor vehicle & parts dealers (441) | $10,496,941,793 | $10,465,976,935 | -0.29% |
| Retail-furniture & home furnishings stores (442,4491) | $1,353,916,990 | $1,277,866,023 | -5.62% |
| Retail-electronics & appliance stores (443,4492) | $1,532,868,872 | $1,461,639,521 | -4.65% |
| Retail-build. Material, garden equip. & Supplies dealers (444) | $5,749,954,437 | $5,847,433,699 | 1.70% |
| Retail-food & beverage stores (445) | $6,744,211,281 | $7,036,920,585 | 4.34% |
| Retail-health & personal care stores (446,456) | $978,872,754 | $987,755,341 | 0.91% |
| Retail-gasoline stations (447,457) | $1,989,073,030 | $2,047,297,882 | 2.93% |
| Retail-clothing & clothing accessories stores (448,458) | $2,559,196,686 | $2,625,198,747 | 2.58% |
| Retail-sporting goods, hobby, music & book stores (451,4591,4592) | $1,579,955,370 | $1,585,376,742 | 0.34% |
| Retail-general merchandise stores (452,455) | $9,765,552,408 | $10,255,048,068 | 5.01% |
| Retail-miscellaneous store retailers (453,4593-4599) | $2,712,702,895 | $2,759,268,725 | 1.72% |
| Retail-nonstore retailers (454) | $8,015,454,787 | $8,514,399,530 | 6.22% |
| Transportation & warehousing (48-49) | $369,018,251 | $396,599,772 | 7.47% |
| Information (51) | $3,696,088,218 | $3,999,181,997 | 8.20% |
| Finance & insurance (52) | $397,119,256 | $459,004,667 | 15.58% |
| Real estate, rental & leasing (53) | $2,544,774,517 | $2,727,323,143 | 7.17% |
| Professional, scientific & technical services (54) | $2,189,770,235 | $2,439,720,573 | 11.41% |
| Management of companies & enterprises (55) | $35,827,032 | $31,094,996 | -13.21% |
| Admin. & Support & waste manag. & Remed. Services (56) | $451,572,399 | $494,734,189 | 9.56% |
| Educational services (61) | $231,652,064 | $276,708,169 | 19.45% |
| Health care & social assistance (62) | $193,805,496 | $190,849,711 | -1.53% |
| Arts, entertainment and recreation (71) | $1,429,673,939 | $1,558,320,780 | 9.00% |
| Accommodation (721) | $3,365,004,039 | $3,512,990,107 | 4.40% |
| Food services & drinking places (722) | $7,854,569,566 | $8,205,405,556 | 4.47% |
| Other services-except public administration (81) | $2,501,365,904 | $2,514,759,368 | 0.54% |
| Public administration (92) | $362,251,081 | $391,274,753 | 8.01% |
| Private motor vehicle sales | $2,319,229,941 | $2,161,858,208 | -6.79% |
| Special event sales | $103,924,070 | $108,426,991 | 4.33% |
| Unknown/nonclassifiable | $1,892,733 | $1,710,592 | -9.62% |
| Prior-period payments & refunds | $995,471,564 | $737,918,071 | -25.87% |
| **Total** | **$102,657,373,533** | **$105,190,983,740** | **2.47%** |

*See more details of taxable purchases by industry at* **tax.utah.gov/econstats/sales**

**The numbers in parentheses (first column) represent industry codes according to the North American Industry Classification System (NAICS).*

# Taxable Sales & Purchases by County

| County | CY 2023 Taxable Sales | CY 2024 Taxable Sales | Percent Change |
|---|---|---|---|
| Beaver County | $201,615,033 | $190,996,581 | -5.27% |
| Box Elder County | $1,330,274,167 | $1,381,312,087 | 3.84% |
| Cache County | $3,263,354,488 | $3,305,357,768 | 1.29% |
| Carbon County | $582,971,074 | $541,313,365 | -7.15% |
| Daggett County | $34,818,271 | $33,938,029 | -2.53% |
| Davis County | $8,689,470,181 | $8,910,044,161 | 2.54% |
| Duchesne County | $1,166,456,444 | $1,152,509,865 | -1.20% |
| Emery County | $206,740,305 | $200,669,672 | -2.94% |
| Garfield County | $211,095,970 | $230,837,651 | 9.35% |
| Grand County | $700,535,608 | $710,457,806 | 1.42% |
| Iron County | $1,636,786,197 | $1,735,225,492 | 6.01% |
| Juab County | $300,072,249 | $283,861,346 | -5.40% |
| Kane County | $398,204,387 | $394,003,221 | -1.06% |
| Millard County | $761,018,444 | $642,011,535 | -15.64% |
| Morgan County | $235,721,923 | $266,049,917 | 12.87% |
| Piute County | $19,901,218 | $19,313,432 | -2.95% |
| Rich County | $117,476,208 | $124,276,574 | 5.79% |
| Salt Lake County | $41,950,608,011 | $42,782,132,079 | 1.98% |
| San Juan County | $274,353,930 | $280,295,633 | 2.17% |
| Sanpete County | $497,264,270 | $507,882,055 | 2.14% |
| Sevier County | $632,198,943 | $651,677,753 | 3.08% |
| Summit County | $3,448,938,127 | $3,561,588,635 | 3.27% |
| Tooele County | $1,426,945,064 | $1,468,543,899 | 2.92% |
| Uintah County | $1,661,154,771 | $1,537,501,014 | -7.44% |
| Utah County | $17,737,195,255 | $18,479,090,210 | 4.18% |
| Wasatch County | $1,319,428,170 | $1,396,465,682 | 5.84% |
| Washington County | $6,769,408,765 | $7,135,597,679 | 5.41% |
| Wayne County | $105,840,125 | $113,365,310 | 7.11% |
| Weber County | $7,039,067,439 | $7,301,915,659 | 3.73% |
| Indeterminate Location | -$61,541,504 | -$147,250,370 | 139.27% |
| **Total** | **$102,657,373,533** | **$105,190,983,740** | **2.47%** |

# Taxable Sales & Purchases by Select Cities

| City | CY 2023 Taxable Sales | CY 2024 Taxable Sales | Percent Change |
|---|---|---|---|
| American Fork | $1,817,272,137 | $1,830,920,178 | 0.75% |
| Beaver City | $113,083,464 | $112,464,715 | -0.55% |
| Blanding | $70,780,231 | $74,924,801 | 5.86% |
| Bountiful | $858,069,282 | $919,159,709 | 7.12% |
| Brigham | $460,781,344 | $458,572,362 | -0.48% |
| Cedar City | $1,350,782,732 | $1,422,798,430 | 5.33% |
| Centerville | $655,570,672 | $662,779,726 | 1.10% |
| Clearfield | $441,389,808 | $471,551,394 | 6.83% |
| Cottonwood Heights | $853,189,081 | $873,709,491 | 2.41% |
| Delta | $264,819,034 | $289,276,917 | 9.24% |
| Draper | $2,582,029,041 | $2,566,181,004 | -0.61% |
| Eagle Mountain | $503,990,309 | $662,848,460 | 31.52% |
| Farmington | $786,396,174 | $797,081,279 | 1.36% |
| Heber | $808,218,337 | $847,123,091 | 4.81% |
| Herriman | $620,155,640 | $667,559,278 | 7.64% |
| Holladay | $493,273,848 | $501,461,416 | 1.66% |
| Hurricane | $697,460,883 | $762,510,488 | 9.33% |
| Kanab | $172,020,393 | $173,478,983 | 0.85% |



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| City | CY 2023 Taxable Sales | CY 2024 Taxable Sales | Percent Change |
|---|---|---|---|
| Kaysville | $620,227,402 | $646,035,998 | 4.16% |
| Kearns | $252,123,230 | $255,920,059 | 1.51% |
| Layton | $2,372,306,906 | $2,390,424,055 | 0.76% |
| Lehi | $2,243,827,684 | $2,196,024,179 | -2.13% |
| Lindon | $985,767,963 | $1,064,818,071 | 8.02% |
| Logan | $2,015,351,967 | $2,003,645,459 | -0.58% |
| Magna | $299,785,672 | $326,275,384 | 8.84% |
| Midvale | $1,243,851,763 | $1,268,376,107 | 1.97% |
| Millcreek | $1,216,498,781 | $1,258,538,022 | 3.46% |
| Moab | $475,319,702 | $487,513,718 | 2.57% |
| Monticello | $44,491,785 | $45,829,426 | 3.01% |
| Morgan City | $140,204,725 | $144,751,743 | 3.24% |
| Murray | $2,941,146,653 | $2,994,333,487 | 1.81% |
| Nephi | $177,236,085 | $184,164,367 | 3.91% |
| North Salt Lake | $687,430,040 | $665,776,152 | -3.15% |
| Ogden | $2,698,519,402 | $2,828,811,111 | 4.83% |
| Orem | $3,637,121,770 | $3,666,859,329 | 0.82% |
| Park City | $1,646,598,231 | $1,709,123,904 | 3.80% |
| Payson | $508,338,388 | $500,304,087 | -1.58% |
| Pleasant Grove | $904,942,757 | $974,484,923 | 7.68% |
| Price | $376,845,668 | $393,174,282 | 4.33% |
| Provo | $2,252,040,501 | $2,038,378,466 | -9.49% |
| Richfield | $422,639,091 | $432,016,806 | 2.22% |
| Riverdale | $1,104,342,784 | $1,108,715,342 | 0.40% |
| Riverton | $1,197,670,941 | $1,264,745,878 | 5.60% |
| Roosevelt | $397,367,790 | $421,290,926 | 6.02% |
| Roy | $513,152,102 | $534,741,403 | 4.21% |
| Salt Lake City | $11,996,574,173 | $12,072,793,882 | 0.64% |
| Salt Lake County (unincorporated) | $741,996,476 | $693,069,086 | -6.59% |
| Sandy | $3,347,061,032 | $3,372,620,852 | 0.76% |
| Saratoga Springs | $965,583,573 | $1,098,472,554 | 13.76% |
| South Jordan | $2,399,316,833 | $2,530,823,153 | 5.48% |
| South Ogden | $600,332,566 | $600,577,153 | 0.04% |
| South Salt Lake | $2,670,158,416 | $2,438,016,421 | -8.69% |
| Spanish Fork | $1,482,285,535 | $1,332,607,057 | -10.10% |
| Springdale | $164,242,544 | $181,344,563 | 10.41% |
| Springville | $860,388,294 | $886,095,816 | 2.99% |
| St George | $4,378,129,214 | $4,564,563,505 | 4.26% |
| Syracuse | $412,057,836 | $451,180,278 | 9.49% |
| Taylorsville | $883,950,530 | $908,723,016 | 2.80% |
| Tooele City | $849,903,661 | $881,159,219 | 3.68% |
| Tremonton | $263,851,749 | $269,267,917 | 2.05% |
| Vernal | $788,557,521 | $734,330,604 | -6.88% |
| Washington City | $885,327,686 | $928,316,972 | 4.86% |
| West Bountiful | $386,044,914 | $400,544,893 | 3.76% |
| West Jordan | $2,825,920,993 | $2,933,945,636 | 3.82% |
| West Valley City | $4,015,232,481 | $4,076,596,419 | 1.53% |
| Woods Cross | $623,295,599 | $606,360,456 | -2.72% |

*See more details of taxable purchases by county and city at* **tax.utah.gov/econstats/sales**

# Sales Tax Exemptions

Utah law exempts certain purchases from sales and use tax. See Appendix II on page 47 for a list of estimated sales tax revenue impacts by exemption.

# PROPERTY TAX

Property taxes are levied in Utah at the local level based on valuations set by county assessors and — in the case of certain properties — by the Tax Commission.

The Tax Commission values centrally assessed property, which includes mining, oil and gas, and utility property, as well as certain transportation assets — such as railroad, airline, and pipeline property — that operate as a unit across county lines. All monies collected from property tax are distributed to school districts, local government entities and special districts.

For more information, see the *Property Tax Annual Statistical Report* at **tax.utah.gov/propertytax/general-information/annual-report/**.

You can view current data as a guest on the tax rates system, **taxrates.utah.gov**.

## Real and Personal Property Taxes

Property tax rates are set by local entities, such as counties, cities, towns, school districts and special taxing districts. Utah also levies a statewide rate to help finance schools.

## Motor Vehicle Fees

Motor vehicles — including most boats, recreational vehicles and trailers — are subject to a fee-in-lieu of the personal property tax. Passenger vehicles are subject to a fee schedule based on the age of the vehicle. Boats, trailers and recreational vehicles are subject to fees based on age, length and other factors.

## Distribution of CY 2024 Property Taxes

*Total Charged - $5,339,393,158*

| | | |
|---|---|---|
| Schools | $3,139,361,672 | 58.80% |
| Counties | $785,025,716 | 14.70% |
| Cities/Towns | $722,001,329 | 13.52% |
| Special Districts | $693,004,441 | 12.98% |

# Property Tax Values and Rates

With the exception of state-assessed properties, county assessors value all taxable real property and personal property which are referred to collectively as "locally assessed" property.

All taxable property in Utah is valued at 100 percent of its fair market value, based upon its location and status as of January 1 of each year.

Fair market value, less any exemptions, equals taxable value and is expressed as a percentage of fair market value. Taxable value is the value against which the tax rate is applied.

Currently, primary residential properties receive a 45 percent exemption. Primary residential property is any dwelling used as a person's primary residence, including condominiums, apartments and rental property, and includes up to one acre of land. The taxable value of all other properties, except some agricultural land, is assessed at 100 percent of fair market value.

Utah motor vehicles are charged a fee-in-lieu of property taxes based on the age of a vehicle.

## Statewide Valuation by Class of Property
### CY 2024

| Class of Property | Taxable Value | Market Value | Taxes Charged | Tax Rates Actual | Tax Rates Effective |
|---|---|---|---|---|---|
| Primary Residential | $307,805,614,522 | $559,646,571,859 | $2,931,453,054 | 0.95% | 0.52% |
| Commercial | $122,317,099,790 | $122,317,099,790 | $1,172,319,990 | 0.96% | 0.96% |
| Non-Primary Residential | $66,825,526,508 | $66,825,526,508 | $480,853,417 | 0.72% | 0.72% |
| FAA Land and Buildings | $2,080,419,633 | $2,080,419,633 | $147,874,492 | 7.11% | 7.11% |
| Vacant and Non FAA Land | $17,181,624,026 | $17,181,624,026 | $19,235,356 | 0.11% | 0.11% |
| Personal | $32,479,159,525 | $32,479,159,525 | $314,273,981 | 0.97% | 0.97% |
| Natural Resources | $12,403,636,386 | $12,403,636,386 | $126,642,653 | 1.02% | 1.02% |
| Utilities | $14,635,469,036 | $14,635,469,036 | $146,740,213 | 1.00% | 1.00% |
| **Statewide w/o Motor Vehicle** | **$575,728,549,426** | **$827,569,506,763** | **$5,339,393,155** | **0.93%** | **0.65%** |
| Motor Vehicles | $15,252,797,763 | $15,252,797,763 | $228,791,970 | 1.50% | 1.50% |
| **Statewide with Motor Vehicle** | **$590,981,347,189** | **$842,822,304,526** | **$5,568,185,125** | **0.94%** | **NA** |

## Taxable Values by Class of Property (CY 2024)

| | | |
|---|---|---|
| Primary Residential | $307,805,614,522 | 53.46% |
| Commercial | $122,317,099,790 | 21.25% |
| Non-Primary Residential | $66,825,526,508 | 11.61% |
| Personal | $32,479,159,525 | 5.64% |
| Vacant and Non-FAA Land | $17,181,624,026 | 2.98% |
| Utilities | $14,635,469,036 | 2.54% |
| Natural Resources | $12,403,636,386 | 2.15% |
| FAA Land and Buildings | $2,080,419,633 | 0.36% |

## Property Taxes Charged by Entity and County[1]
### CY 2024

| | General County | % | Schools | % | Cities & Towns | % | Special Districts | % | Total Taxes Charged[2] |
|---|---|---|---|---|---|---|---|---|---|
| Beaver | $3,521,397 | 21% | $10,612,221 | 64% | $250,545 | 2% | $2,086,370 | 13% | $16,470,533 |
| Box Elder | $13,359,710 | 16% | $53,730,429 | 64% | $10,532,417 | 13% | $6,030,031 | 7% | $83,652,587 |
| Cache | $54,743,695 | 42% | $59,153,427 | 45% | $15,768,387 | 12% | $1,110,689 | 1% | $130,776,198 |
| Carbon | $7,676,380 | 23% | $18,468,405 | 56% | $2,166,302 | 7% | $4,570,079 | 14% | $32,881,166 |
| Daggett | $1,513,448 | 38% | $1,945,813 | 49% | $129,520 | 3% | $357,540 | 9% | $3,946,321 |
| Davis | $52,311,508 | 12% | $269,984,917 | 61% | $56,300,337 | 13% | $63,660,151 | 14% | $442,256,913 |
| Duchesne | $10,491,538 | 22% | $32,986,692 | 68% | $1,436,869 | 3% | $3,652,594 | 8% | $48,567,693 |
| Emery | $10,545,551 | 30% | $19,508,096 | 56% | $686,540 | 2% | $4,209,430 | 12% | $34,949,617 |
| Garfield | $1,197,057 | 16% | $5,389,198 | 73% | $466,682 | 6% | $329,036 | 4% | $7,381,973 |
| Grand | $7,514,613 | 22% | $21,659,253 | 62% | $3,432,981 | 10% | $2,072,563 | 6% | $34,679,410 |
| Iron | $10,161,217 | 14% | $44,410,264 | 61% | $10,009,776 | 14% | $7,976,643 | 11% | $72,557,900 |
| Juab | $5,301,835 | 24% | $13,905,769 | 63% | $738,324 | 3% | $2,154,459 | 10% | $22,100,387 |
| Kane | $7,031,593 | 31% | $12,817,697 | 56% | $1,841,548 | 8% | $1,079,730 | 5% | $22,770,568 |
| Millard | $10,965,963 | 32% | $20,565,719 | 60% | $704,092 | 2% | $2,073,355 | 6% | $34,309,129 |
| Morgan | $5,624,730 | 20% | $19,098,331 | 68% | $781,251 | 3% | $2,565,820 | 9% | $28,070,132 |
| Piute | $558,529 | 29% | $1,143,117 | 59% | $192,422 | 10% | $30,281 | 2% | $1,924,349 |
| Rich | $1,956,284 | 16% | $8,935,465 | 75% | $301,339 | 3% | $676,418 | 6% | $11,869,506 |
| Salt Lake | $301,860,628 | 14% | $1,067,965,092 | 51% | $381,811,746 | 18% | $360,632,974 | 17% | $2,112,270,440 |
| San Juan | $3,612,201 | 27% | $7,582,703 | 56% | $595,030 | 4% | $1,829,821 | 13% | $13,619,755 |
| Sanpete | $7,427,795 | 27% | $17,250,416 | 62% | $1,923,846 | 7% | $1,057,845 | 4% | $27,659,902 |
| Sevier | $8,330,498 | 32% | $15,148,093 | 58% | $2,819,746 | 11% | $- | 0% | $26,298,337 |
| Summit | $30,926,127 | 11% | $182,651,706 | 62% | $22,654,817 | 8% | $56,360,095 | 19% | $292,592,745 |
| Tooele | $14,697,920 | 12% | $82,690,600 | 68% | $13,440,197 | 11% | $10,032,567 | 8% | $120,861,284 |
| Uintah | $10,960,238 | 22% | $32,267,996 | 64% | $826,662 | 2% | $6,309,395 | 13% | $50,364,291 |
| Utah | $70,940,409 | 9% | $595,146,652 | 72% | $110,552,785 | 13% | $52,643,371 | 6% | $829,283,217 |
| Wasatch | $23,383,473 | 14% | $116,192,315 | 70% | $6,779,706 | 4% | $19,189,580 | 12% | $165,545,074 |
| Washington | $30,147,513 | 11% | $192,129,325 | 69% | $30,075,121 | 11% | $24,899,220 | 9% | $277,251,179 |
| Wayne | $980,791 | 23% | $3,253,820 | 76% | $42,758 | 1% | $11,709 | 0% | $4,289,078 |
| Weber | $77,283,075 | 20% | $212,768,141 | 55% | $44,739,583 | 11% | $55,402,675 | 14% | $390,193,474 |
| **Statewide** | **$785,025,716** | **15%** | **$3,139,361,672** | **59%** | **$722,001,329** | **14%** | **$693,004,441** | **13%** | **$5,339,393,158** |

*[1]Percentages derived from tax rate certification records*

*[2]Total taxes charged (excluding uniform fee of 1.5 percent for fee-in-lieu and aged-based vehicles) are the same as appear in Table 2, column 8 of this report. There may be differences due to rounding.*

# Property Taxes by Class

Property tax is the number one source of revenue for most local governments.

In some of the larger cities, however, the property tax is gradually being replaced by the local sales tax as the principal revenue producer.

With the exception of property exempted by the Utah Constitution or federal laws, all tangible property is subject to property tax. After a property is valued for tax purposes, either by the Tax Commission or the local county assessor, local governments establish the tax rate to be applied to the property. Thus, property taxes imposed on specific properties are the result of the following two main elements:

1. the value that is placed on the property for taxing purposes, and
2. the combined tax rates that are charged by the local governments that levy the tax.

# Locally and Centrally Assessed Taxes Charged by County
## CY 2024

| | LOCALLY ASSESSED | | | CENTRALLY ASSESSED | | | |
|---|---|---|---|---|---|---|---|
| County | Real Property | Personal Property | Total Locally Assessed | Utilities | Natural Resources | Total Centrally Assessed | Total Locally & Centrally Assessed |
| Beaver | $6,764,174 | $4,939,344 | $11,703,518 | $4,367,668 | $399,347 | $4,767,016 | $16,470,533 |
| Box Elder | $62,897,821 | $12,027,428 | $74,925,249 | $5,415,129 | $3,312,209 | $8,727,338 | $83,652,587 |
| Cache | $118,495,043 | $9,764,972 | $128,260,015 | $2,097,294 | $418,889 | $2,516,183 | $130,776,198 |
| Carbon | $22,470,560 | $2,838,854 | $25,309,414 | $3,456,119 | $4,115,633 | $7,571,752 | $32,881,166 |
| Daggett | $2,878,789 | $96,206 | $2,974,996 | $885,504 | $85,821 | $971,325 | $3,946,320 |
| Davis | $404,303,712 | $30,609,851 | $434,913,562 | $6,614,604 | $728,745 | $7,343,349 | $442,256,912 |
| Duchesne | $25,900,744 | $3,758,249 | $29,658,994 | $2,363,290 | $16,545,410 | $18,908,700 | $48,567,693 |
| Emery | $10,352,581 | $2,814,652 | $13,167,234 | $20,691,159 | $1,091,224 | $21,782,384 | $34,949,617 |
| Garfield | $6,606,525 | $415,109 | $7,021,634 | $245,303 | $115,036 | $360,339 | $7,381,973 |
| Grand | $29,631,795 | $1,314,448 | $30,946,243 | $2,027,030 | $1,706,138 | $3,733,167 | $34,679,410 |
| Iron | $58,414,627 | $10,063,796 | $68,478,423 | $3,199,824 | $879,651 | $4,079,476 | $72,557,899 |
| Juab | $14,460,150 | $2,594,965 | $17,055,115 | $4,334,013 | $711,259 | $5,045,272 | $22,100,387 |
| Kane | $21,991,092 | $491,075 | $22,482,167 | $218,575 | $69,826 | $288,401 | $22,770,568 |
| Millard | $16,837,691 | $4,988,791 | $21,826,483 | $9,631,622 | $2,851,025 | $12,482,647 | $34,309,130 |
| Morgan | $24,807,232 | $1,197,460 | $26,004,692 | $1,873,552 | $191,888 | $2,065,440 | $28,070,132 |
| Piute | $1,716,330 | $28,931 | $1,745,261 | $155,861 | $23,226 | $179,087 | $1,924,348 |
| Rich | $11,024,887 | $419,692 | $11,444,579 | $414,674 | $10,253 | $424,928 | $11,869,506 |
| Salt Lake | $1,888,789,850 | $129,959,770 | $2,018,749,620 | $37,290,808 | $56,230,013 | $93,520,820 | $2,112,270,440 |
| San Juan | $8,918,077 | $1,272,486 | $10,190,563 | $1,419,033 | $2,010,158 | $3,429,192 | $13,619,755 |
| Sanpete | $25,447,518 | $1,119,076 | $26,566,594 | $622,329 | $470,979 | $1,093,308 | $27,659,901 |
| Sevier | $21,200,442 | $1,434,833 | $22,635,275 | $1,050,632 | $2,612,431 | $3,663,062 | $26,298,337 |
| Summit | $287,144,576 | $2,321,025 | $289,465,601 | $2,741,065 | $386,079 | $3,127,144 | $292,592,745 |
| Tooele | $103,730,192 | $5,915,779 | $109,645,971 | $5,686,231 | $5,529,083 | $11,215,313 | $120,861,284 |
| Uintah | $24,720,403 | $2,307,317 | $27,027,720 | $3,585,761 | $19,750,812 | $23,336,572 | $50,364,292 |
| Utah | $763,626,145 | $46,225,052 | $809,851,197 | $16,301,813 | $3,130,207 | $19,432,020 | $829,283,217 |
| Wasatch | $162,564,191 | $1,608,360 | $164,172,551 | $850,673 | $521,850 | $1,372,523 | $165,545,074 |
| Washington | $266,244,874 | $6,889,650 | $273,134,524 | $3,661,392 | $455,264 | $4,116,655 | $277,251,180 |
| Wayne | $4,010,955 | $210,653 | $4,221,608 | $45,901 | $21,569 | $67,470 | $4,289,078 |
| Weber | $355,785,333 | $26,646,157 | $382,431,490 | $5,493,354 | $2,268,628 | $7,761,983 | $390,193,472 |
| **Statewide** | **$4,751,736,309** | **$314,273,981** | **$5,066,010,290** | **$146,740,213** | **$126,642,653** | **$273,382,865** | **$5,339,393,155** |

# Centrally Assessed Property

The Tax Commission's Centrally Assessed Division is responsible for the valuation and assessment of mining, oil and gas production, pipeline, electric and gas utility, railroad, and private rail car property.

The market value of multi-state utilities is determined by unit value. This approach values all intra-state or interstate properties as a unit.

The value is allocated to the State of Utah and then to the county where a property is located.

The fair market value of mining, oil and gas properties are valued using standard cost, income and/or sale comparison appraisal methodologies.

# Property Tax Relief

The State of Utah and county governments provided $75,988,016 in property tax relief to 54,485 individuals in 2024. Tax relief is administered by county governments.

County governments provide tax relief to the indigent, blind and veterans. The state funds property tax relief through the Circuit Breaker program.

See brief summaries of the property tax relief categories below. You can find details of the law in various parts of Utah Code, Title 59, Chapter 2.

## Blind

For 2025, up to $11,500 taxable value of real and/or personal property owned by a blind person, their unmarried widow(er) or minor orphan(s) is exempt from property taxation.

## Indigent

An indigent abatement may be granted in an amount of 50 percent of taxes levied, not to exceed $1,312 for 2025. An indigent deferral may also be granted for all or any portion of the tax; however, interest accrues.

## Military Service

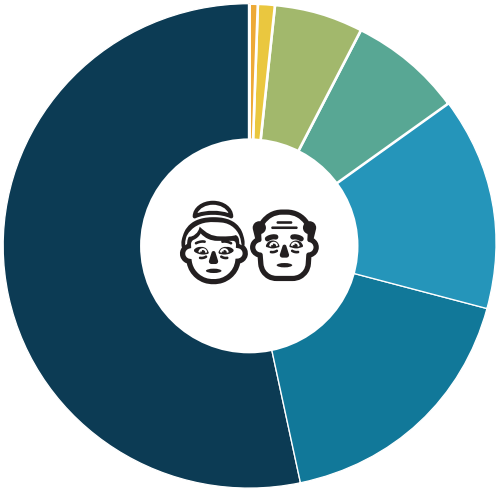
An exemption of up to $521,620 (2025) in taxable value on a primary residence or non-business personal property may be granted to a disabled veteran, their unmarried widow(er), or minor orphan(s). An exemption may also be granted to the widow(er) or minor orphan(s) of a veteran who was killed in action or died in the line of duty.

Tax relief is given to active duty or reserve military members who have been deployed outside of Utah for at least 200 days.

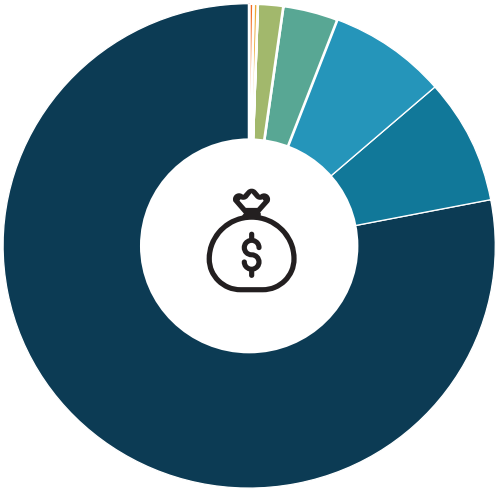
## Low-income Elderly

Low-income elderly or widowed homeowners and mobile homeowners may apply through the county for circuit breaker relief of up to $1,312 for 2025. Low-income elderly or widowed renters may also be eligible and may apply to the Tax Commission for relief.

### Relief Recipients (CY 2024)



### Relief Dollars (CY 2024)



| | | |
|---|---|---|
| Veterans with a Disability | 28,978 | $59,191,105 |
| Homeowner's Credit | 9,526 | $6,401,001 |
| Valuation Reduction | 7,761 | $5,850,216 |
| Indigent Abatement | 3,999 | $2,730,117 |
| Renter's Credit | 3,312 | $1,308,788 |
| Blind | 587 | $67,568 |
| Indigent Deferral | 240 | $198,377 |
| Active Duty Armed Forces | 80 | $229,505 |
| 75+ Deferral | 2 | $11,339 |

# Property Tax Relief by County
## CY 2024

| | Active Duty Armed Forces | | Veterans with Disabilities | | Blind | | Indigent Abatement | | Indigent Deferral | | Homeowners Credit | | Valuation Reduction | | 75+ Deferral | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Beaver | 0 | $0 | 56 | $56,875 | 0 | $0 | 19 | $3,756 | 0 | $0 | 78 | $36,663 | 31 | $11,130 | 0 | $0 | 184 | $108,424 |
| Box Elder | 2 | $5,014 | 618 | $1,270,087 | 16 | $1,733 | 248 | $90,995 | 0 | $0 | 263 | $176,920 | 251 | $165,385 | 0 | $0 | 1,398 | $1,710,134 |
| Cache | 5 | $16,359 | 748 | $1,308,510 | 10 | $888 | 6 | $3,536 | 0 | $0 | 234 | $152,065 | 220 | $126,501 | 0 | $0 | 1,223 | $1,607,859 |
| Carbon | 0 | $0 | 244 | $410,432 | 19 | $2,846 | 163 | $47,054 | 0 | $0 | 253 | $173,203 | 190 | $89,360 | 0 | $0 | 869 | $722,895 |
| Daggett | 15 | $19,556 | 0 | $0 | 0 | $0 | 0 | $0 | 0 | $0 | 1 | $726 | 2 | $1,244 | 0 | $0 | 18 | $21,526 |
| Davis | 10 | $30,179 | 5319 | $13,119,750 | 82 | $9,471 | 64 | $419,558 | 0 | $0 | 873 | $538,036 | 821 | $716,092 | 0 | $0 | 7,169 | $14,833,086 |
| Duchesne | 0 | $0 | 154 | $250,476 | 9 | $1,191 | 55 | $27,869 | 228 | $75,899 | 190 | $116,402 | 120 | $55,382 | 0 | $0 | 756 | $527,219 |
| Emery | 1 | $918 | 76 | $138,924 | 3 | $577 | 2 | $1,758 | 0 | $0 | 120 | $75,313 | 100 | $63,539 | 0 | $0 | 302 | $281,029 |
| Garfield | 0 | $0 | 65 | $46,627 | 5 | $425 | 52 | $10,822 | 0 | $0 | 71 | $38,807 | 0 | $0 | 0 | $0 | 193 | $96,681 |
| Grand | 0 | $0 | 78 | $148,987 | 5 | $551 | 146 | $70,058 | 0 | $0 | 179 | $121,467 | 152 | $124,517 | 0 | $0 | 560 | $465,580 |
| Iron | 0 | $0 | 747 | $1,175,768 | 9 | $815 | 271 | $134,405 | 0 | $0 | 374 | $243,568 | 306 | $157,024 | 0 | $0 | 1,707 | $1,711,580 |
| Juab | 0 | $0 | 113 | $230,126 | 0 | $0 | 3 | $1,518 | 0 | $0 | 79 | $59,080 | 72 | $50,825 | 0 | $0 | 267 | $341,549 |
| Kane | 0 | $0 | 122 | $196,049 | 4 | $358 | 54 | $26,858 | 0 | $0 | 94 | $58,583 | 67 | $35,573 | 0 | $0 | 341 | $317,421 |
| Millard | 0 | $0 | 100 | $151,142 | 2 | $235 | 10 | $4,245 | 0 | $0 | 93 | $75,816 | 70 | $34,053 | 0 | $0 | 275 | $265,491 |
| Morgan | 0 | $0 | 223 | $630,340 | 1 | $108 | 29 | $17,480 | 0 | $0 | 28 | $18,635 | 28 | $28,881 | 0 | $0 | 309 | $695,444 |
| Piute | 0 | $0 | 28 | $28,905 | 1 | $111 | 0 | $0 | 0 | $0 | 80 | $33,119 | 25 | $9,087 | 0 | $0 | 134 | $71,222 |
| Rich | 0 | $0 | 16 | $16,649 | 0 | $0 | 0 | $0 | 0 | $0 | 7 | $3,614 | 0 | $0 | 0 | $0 | 23 | $20,263 |
| Salt Lake | 17 | $53,467 | 8480 | $13,643,220 | 227 | $27,491 | 681 | $309,113 | 12 | $122,478 | 2,277 | $1,573,791 | 2126 | $1,946,923 | 1 | $2,681 | 13,821 | $17,679,164 |
| San Juan | 0 | $0 | 83 | $116,585 | 5 | $731 | 36 | $8,148 | 0 | $0 | 77 | $51,398 | 0 | $0 | 0 | $0 | 201 | $176,862 |
| Sanpete | 0 | $0 | 237 | $402,121 | 0 | $0 | 142 | $71,495 | 0 | $0 | 208 | $160,602 | 177 | $89,736 | 0 | $0 | 764 | $723,954 |
| Sevier | 0 | $0 | 254 | $359,120 | 6 | $623 | 145 | $66,483 | 0 | $0 | 234 | $157,171 | 187 | $79,200 | 0 | $0 | 826 | $662,597 |
| Summit | 3 | $16,042 | 278 | $477,174 | 9 | $623 | 132 | $120,947 | 0 | $0 | 132 | $89,968 | 126 | $129,580 | 1 | $8,658 | 681 | $842,992 |
| Tooele | 7 | $31,682 | 1051 | $3,127,422 | 9 | $1,305 | 475 | $478,294 | 0 | $0 | 442 | $349,943 | 0 | $0 | 0 | $0 | 1,984 | $3,988,646 |
| Uintah | 0 | $0 | 242 | $353,323 | 6 | $522 | 14 | $6,768 | 0 | $0 | 269 | $171,786 | 194 | $81,642 | 0 | $0 | 725 | $614,041 |
| Utah | 10 | $26,718 | 2822 | $6,308,875 | 54 | $5,761 | 393 | $325,046 | 0 | $0 | 833 | $583,890 | 723 | $530,633 | 0 | $0 | 4,835 | $7,780,923 |
| Wasatch | 1 | $4,508 | 221 | $590,268 | 9 | $941 | 188 | $114,523 | 0 | $0 | 220 | $133,703 | 192 | $217,064 | 0 | $0 | 831 | $1,061,007 |
| Washington | 0 | $0 | 2473 | $3,930,984 | 44 | $3,493 | 376 | $204,334 | 0 | $0 | 792 | $506,328 | 696 | $379,723 | 0 | $0 | 4,381 | $5,024,862 |
| Wayne | 0 | $0 | 0 | $0 | 0 | $0 | 0 | $0 | 0 | $0 | 32 | $21,297 | 0 | $0 | 0 | $0 | 32 | $21,297 |
| Weber | 9 | $25,062 | 4130 | $10,702,366 | 52 | $6,769 | 295 | $165,054 | 0 | $0 | 993 | $679,107 | 885 | $727,122 | 0 | $0 | 6,364 | $12,305,480 |
| **Total** | **80** | **$229,505** | **28,978** | **$59,191,105** | **587** | **$67,568** | **3,999** | **$2,730,117** | **240** | **$198,377** | **9,526** | **$6,401,001** | **7761** | **$5,850,216** | **2** | **$11,339** | **51,173** | **$74,679,228** |

*Renter's credit information by county may be found at* **files.tax.utah.gov/propertytax/annual-reports/2024annual.pdf**

# Average Property Tax Rates
## CY 2024

| County | Number of Tax Areas | Range of Rates Minimum | Range of Rates Maximum | Average Tax Rates* |
|---|---|---|---|---|
| Beaver | 22 | 0.007699 | 0.010027 | 0.008655 |
| Box Elder | 75 | 0.008061 | 0.010593 | 0.008928 |
| Cache | 46 | 0.006611 | 0.008676 | 0.007457 |
| Carbon | 20 | 0.011354 | 0.017563 | 0.012577 |
| Daggett | 8 | 0.006638 | 0.008345 | 0.007623 |
| Davis | 122 | 0.007570 | 0.011078 | 0.009969 |
| Duchesne | 27 | 0.010404 | 0.012196 | 0.011152 |
| Emery | 26 | 0.013630 | 0.017232 | 0.015673 |
| Garfield | 29 | 0.006281 | 0.008585 | 0.006924 |
| Grand | 9 | 0.008175 | 0.010878 | 0.008769 |
| Iron | 35 | 0.006535 | 0.008057 | 0.007660 |
| Juab | 20 | 0.008458 | 0.010961 | 0.009679 |
| Kane | 20 | 0.006940 | 0.009769 | 0.007604 |
| Millard | 20 | 0.008949 | 0.011030 | 0.009546 |
| Morgan | 10 | 0.008961 | 0.015555 | 0.011012 |
| Piute | 5 | 0.008104 | 0.009681 | 0.009160 |
| Rich | 17 | 0.003792 | 0.005673 | 0.004352 |
| Salt Lake | 390 | 0.008198 | 0.021085 | 0.010662 |
| San Juan | 9 | 0.010666 | 0.013654 | 0.011926 |
| Sanpete | 22 | 0.007938 | 0.011079 | 0.009418 |
| Sevier | 15 | 0.008073 | 0.010753 | 0.008980 |
| Summit | 68 | 0.004478 | 0.014892 | 0.006803 |
| Tooele | 61 | 0.011006 | 0.015565 | 0.012632 |
| Uintah | 24 | 0.007883 | 0.010119 | 0.008691 |
| Utah | 158 | 0.007810 | 0.025159 | 0.009548 |
| Wasatch | 41 | 0.008481 | 0.028481 | 0.009813 |
| Washington | 67 | 0.006016 | 0.016923 | 0.007595 |
| Wayne | 7 | 0.005818 | 0.006224 | 0.005960 |
| Weber | 268 | 0.008385 | 0.013007 | 0.010220 |
| **Statewide** | **1,641** | **0.003792** | **0.028481** | **0.009753** |



6842/8585

# OTHER TAXES

## Beer Tax

The beer tax applies to all beer that is imported or manufactured for sale, use or distribution in Utah. The beer tax in FY 2025 was $13.35 per 31-gallon barrel of beer. Revenues are deposited into the General Fund, the Alcoholic Beverage Enforcement and Treatment Restricted Account, and the Alcoholic Beverage Control Act Enforcement Fund.

Utah Code, Title 59, Chapter 15

| Beer | |
|---|---|
| **FY 2025** | **$18,633,986** |
| 2024 | $18,625,083 |
| 2023 | $18,555,425 |
| 2022 | $18,394,381 |
| 2021 | $17,880,108 |

## Cigarette Tax

The cigarette tax is imposed on the first sale, use, storage or distribution of a cigarette in Utah. Wholesalers and distributors pay the tax by purchasing stamps from the Tax Commission; each pack of cigarettes must be stamped before sale. The cigarette tax is $1.70 per pack of 20 cigarettes and $2.125 per pack of 25 cigarettes. Cigarettes from manufacturers that are not a party to the Master Settlement Agreement between the State of Utah and the leading U.S. tobacco product manufacturers are subject to an additional $0.35 per 20-pack and $0.4375 per 25-pack. Revenues are deposited into the General Fund and the Cigarette and Tobacco Prevention Restricted Account.

Utah Code, Title 59, Chapter 14, Part 2

| Cigarette | |
|---|---|
| **FY 2025** | **$57,230,007** |
| 2024 | $65,255,019 |
| 2023 | $71,125,417 |
| 2022 | $74,992,669 |
| 2021 | $78,539,142 |

## Tobacco Tax

The tobacco tax is imposed on the first sale, use, storage or distribution of a tobacco product in Utah. The tobacco tax applies to all tobacco products other than cigarettes.

Tax rates vary by product type:

- Moist snuff is taxed at $1.83 per ounce.
- Little cigars are taxed at $0.085 per little cigar.
- All other tobacco products are taxed at 86 percent of the manufacturer's sales price.

Revenues are deposited into the General Fund.

Utah Code, Title 59, Chapter 14, Part 3

| Tobacco | |
|---|---|
| **FY 2025** | **$20,378,002** |
| 2024 | $21,309,324 |
| 2023 | $19,721,746 |
| 2022 | $20,887,856 |
| 2021 | $20,662,182 |

# Insurance Premium Tax

The insurance premium tax applies to admitted insurers on total premiums received from insurance covering property or risks located in Utah. Insurance categories subject to this tax include motor vehicle, property, casualty, life, workers' compensation and title insurance. Tax rates depend on the type of insurance policy.

The insurance premium tax rate is:

- 2.25 percent of net premiums on property, casualty, life and other risks.
- 2.26 percent (includes .01 percent to fund relative value study) of motor vehicle insurance premiums for motor vehicle liability, uninsured motorist and personal injury protection.
- 0.45 percent of title insurance premiums.
- 1.25 percent of workers' compensation insurance through Dec. 31, 2024; 1.2 percent of workers' compensation insurance effective Jan. 1, 2025.
- 2.25 percent of the first $100,000 in variable life insurance premiums, and 0.8 percent of premiums above that amount.

Revenues that are not earmarked to other funds or purposes are deposited into the General Fund. Other funds that receive revenue from the insurance premium tax include Workplace Safety, Fire Academy Support, Firemen's Pension, Employer's Reinsurance, Uninsured Employers and Relative Value Study.

Utah Code, Title 59, Chapter 9

## Insurance Premium

| FY 2025 | $264,609,277 |
|---|---|
| 2024 | $237,721,622 |
| 2023 | $217,261,440 |
| 2022 | $202,478,864 |
| 2021 | $183,557,849 |

# Oil and Gas Severance Tax

The oil and gas severance tax applies to oil, natural gas and natural gas liquids produced in Utah. The tax rate ranges from 3 to 5 percent based on the value of the oil or gas and 4 percent for natural gas liquids. The oil and gas severance tax is not imposed on stripper, wildcat and development wells. Additionally, there is a well recompletion or workover tax credit of up to $30,000 per well during each calendar year, and a 50 percent reduction in the tax rate for incremental production achieved from an enhanced recovery project. Revenues are deposited into the General Fund, the Permanent State Trust Fund and various earmarks as directed in Utah code.

Utah Code, Title 59, Chapter 5, Part 1

## Oil & Gas Severance

| FY 2025 | $83,296,715 |
|---|---|
| 2024 | $76,268,462 |
| 2023 | $114,714,596 |
| 2022 | $75,690,554 |
| 2021 | $19,702,719 |

# Mining Severance Tax

The mining severance tax applies to the extraction of metals or metalliferous minerals, including gold, silver, copper, beryllium, lead, iron, zinc, tungsten, uranium, molybdenum and other metalliferous minerals. Coal is not subject to mining severance tax. The mining severance tax is 2.6 percent of the taxable value of metals or metalliferous minerals and includes an annual exemption of $50,000 in taxable value at each mine. Revenues are deposited into the General Fund, the Permanent State Trust Fund and various earmarks as directed in Utah code.

Utah Code, Title 59, Chapter 5, Part 2

## Mining Severance

| FY2025 | $20,841,112 |
|---|---|
| 2024 | $11,717,773 |
| 2023 | $14,233,242 |
| 2022 | $15,519,535 |
| 2021 | $13,373,405 |

# Oil and Gas Conservation Fee

The oil and gas conservation fee is assessed on interest owners of oil and gas wells in Utah. The oil and gas conservation fee is 0.2 percent of the value of oil, gas and natural gas liquids produced and saved, sold or transported from the production site. Revenues are deposited into a restricted account within the General Fund known as the "Oil and Gas Conservation Account."

Utah Code Ann. §40-6-14

| Oil & Gas Conservation | |
|---|---|
| **FY 2025** | **$7,827,004** |
| 2024 | $7,764,996 |
| 2023 | $10,379,194 |
| 2022 | $6,182,810 |
| 2021 | $2,654,179 |

# 911 Emergency Service Telephone Charge

Charges imposed per month on each access line in Utah consist of the following:

- 911 emergency service charge of $0.71 through Dec. 31, 2024;
  911 emergency service charge of $0.73 effective Jan. 1, 2025
- Unified statewide 911 emergency service charge of $0.25
- Radio network charge of $0.52 through Dec. 31, 2024;
  Radio network charge of $0.27 effective Jan. 1, 2025

An additional service charge of 4.33 percent (effective Jan. 1, 2025; reduced from 4.9 percent) is imposed on prepaid wireless telecommunications service. Revenues from these charges are either distributed to public safety answering points or deposited into the Unified Statewide 911 Emergency Service Account, the Utah Statewide Radio System Restricted Account, or the Universal Public Telecommunications Service Support Fund.

Utah Code, Title 69, Chapter 2, Part 4

| 911 Emergency Service | |
|---|---|
| **FY 2025** | **$63,466,582** |
| 2024 | $70,882,660 |
| 2023 | $66,581,865 |
| 2022 | $62,201,205 |
| 2021 | $58,862,920 |

# Cable/Satellite Excise Tax

Amounts paid or charged for multi-channel video or audio services provided by a multi-channel video or audio provider within Utah are taxable at a statewide 6.25 percent. Providers must collect the tax from their customers and pay it to the Tax Commission. Revenues are deposited into the General Fund.

Utah Code, Title 59, Chapter 26

| Cable/Satellite Excise | |
|---|---|
| **FY 2025** | **$19,902,369** |
| 2024 | $20,599,600 |
| 2023 | $24,011,857 |
| 2022 | $27,620,440 |
| 2021 | $26,699,366 |

# Motor Fuel Tax

Motor fuel tax is imposed on all motor fuel that is sold, used or received for sale in Utah. The tax rate, which is recalculated each year, is 14.2 percent of the statewide average rack price of a gallon of motor fuel, with some exceptions. The tax rate was $0.385 per gallon in calendar year 2025; it was $0.365 per gallon in calendar year 2024. Most motor fuel tax revenues are deposited into the Transportation Fund and used for highway purposes.

Utah Code, Title 59, Chapter 13, Part 2

| Motor Fuel | |
|---|---|
| **FY 2025** | **$486,261,722** |
| 2024 | $451,893,186 |
| 2023 | $427,915,649 |
| 2022 | $404,368,539 |
| 2021 | $384,540,141 |

# Special Fuel Tax

The special fuel tax is imposed on any fuel (other than aviation and motor fuel) used to propel motor vehicles on Utah highways. It includes diesel, bio-diesel, kerosene, blended fuels, compressed natural gas (CNG), liquefied natural gas (LNG), hydrogen and other gaseous and liquid petroleum products. The tax rate is recalculated every year. The special fuel tax rate for diesel is the same as the motor fuel tax rate. The tax rate for CNG, LNG and hydrogen was $0.207 per gasoline/diesel gallon equivalent for calendar year 2025 and was $0.20 for calendar year 2024. Revenues are deposited into the Transportation Fund.

Utah Code, Title 59, Chapter 13, Part 3

| Special Fuel | |
|---|---|
| **FY 2025** | **$206,210,195** |
| 2024 | $196,923,772 |
| 2023 | $182,034,430 |
| 2022 | $173,862,990 |
| 2021 | $171,954,143 |

# Aviation Fuel Tax

Aviation fuel tax is imposed on fuels used to operate aircraft. The aviation fuel tax rates are: $0.09 per gallon for non-federally certificated air carriers, $0.04 per gallon for federally certificated air carriers, and $0.025 per gallon for federally certificated air carriers if purchased at the Salt Lake International Airport. Revenues are deposited into the Aeronautics Restricted Account, a restricted account within the Transportation Fund.

Utah Code, Title 59, Chapter 13, Part 4

| Aviation Fuel | |
|---|---|
| **FY 2025** | **$7,847,227** |
| 2024 | $7,080,339 |
| 2023 | $7,447,519 |
| 2022 | $6,723,263 |
| 2021 | $5,196,291 |

# Motor Vehicle Registration Fees

Each vehicle owner must pay a registration fee at the time of first registration and then annually, unless otherwise exempted. A six-month registration option is also available for motorcycles and passenger vehicles. The fees vary depending on vehicle type, fuel type, registered weight, county and other factors. Registration fees for most vehicles are adjusted annually by the change in the consumer price index. Most registration fees are deposited into either the Transportation Investment Fund or the Transportation Fund. Some amounts are earmarked for other accounts as set forth in Utah code.

Utah Code, Title 41, Chapter 1a, Part 12

| Motor Vehicle Registration | |
|---|---|
| **FY 2025** | **$258,942,480** |
| 2024 | $225,432,925 |
| 2023 | $191,967,956 |
| 2022 | $180,474,947 |
| 2021 | $170,131,028 |

# Local Transportation Corridor Preservation Fee

A county legislative body may impose a local option highway construction and transportation corridor preservation fee of up to $10 ($7.75 for a six-month registration) on each motor vehicle registration within the county. Revenues from this tax that are not earmarked to the County of the First Class Highway Projects Fund or to the Local Highway and Transportation Corridor Preservation Fund are credited to the county from which the revenue arose.

Utah Code Ann. §41-1a-1222

| Local Transportation Corridor | |
|---|---|
| **FY 2025** | **$27,723,553** |
| 2024 | $26,773,066 |
| 2023 | $25,968,892 |
| 2022 | $25,637,835 |
| 2021 | $24,739,913 |

# Other Motor Vehicle Taxes and Fees

In addition to registration fees, the DMV assesses other taxes and fees at the time of registration. These include, but are not limited to:

- Uniform fee-in-lieu of property taxes (age-based)
- Sales and use taxes
- Temporary and in-transit permit fees
- Vehicle title fees
- License plate fees
- Automobile driver education fee
- Uninsured motorist identification fee
- Apportioned registration
- Personalized and special group license plate fees

Utah Code, Title 41, Chapter 1a, Part 12

| Other Motor Vehicle | |
|---|---|
| FY 2025 | $361,590,611 |
| 2024 | $345,307,332 |
| 2023 | $322,280,011 |
| 2022 | $317,637,867 |
| 2021 | $305,682,353 |

# Other Taxes and Fees

The Tax Commission collects other taxes and fees in addition to those discussed previously in this report. Some of these other taxes and fees include, but are not limited to:

- E-Cigarette & Nicotine Products Tax
- Environmental Assurance Fee
- Property Tax on Rail Cars and State Assessed Commercial Vehicles
- Waste Tire Recycling Fee
- Brine Shrimp Royalty Tax
- Lubricating Oil Fee

See Appendix I on page 37 for revenue data.

Utah Code: Various

# APPENDIX I

# Revenues by Fund Type and Sources

## Revenue Collection
### Categorized by Fund Type (Fiscal Years 2024 and 2025/Revenue Summary Report)

| | FY 2024 Net Revenue | FY 2025 Net Revenue | Net Change | % Change |
|---|---|---|---|---|
| Clearing | (0) | 1,000,566 | 1,000,566 | |
| Income Tax/Uniform School | 7,162,496,831 | 7,616,076,012 | 453,579,181 | 6.3% |
| Fiduciary Fund | 2,839,295,810 | 3,036,938,011 | 197,642,201 | 7.0% |
| General Fund Restricted | 289,075,710 | 300,444,091 | 11,368,381 | 3.9% |
| General Fund Unrestricted | 3,692,707,218 | 3,809,317,226 | 116,610,008 | 3.2% |
| Proprietary Fund | 54,151,269 | 55,818,671 | 1,667,402 | 3.1% |
| Special Revenue | 247,890,818 | 259,861,767 | 11,970,948 | 4.8% |
| Transportation Fund | 858,271,897 | 912,440,722 | 54,168,826 | 6.3% |
| Transportation Investment Fund | 1,010,583,794 | 1,040,201,471 | 29,617,676 | 2.9% |
| **Total** | **16,154,473,347** | **17,032,098,538** | **877,625,190** | **5.4%** |

## Revenue by Source and Fund
### Categorized by Revenue Source / Fund Type / Tax or Fee

| | FY 2024 Net Revenue | FY 2025 Net Revenue | Net Change | % Change |
|---|---|---|---|---|
| **911 Emergency Services Telephone Charge** | | | | |
| **Total** | **$70,882,660** | **$63,466,582** | **-$7,416,078** | **-10.5%** |
| **General Fund Restricted** | | | | |
| Computer Aided Dispatch | -$13 | $0 | $13 | -100.0% |
| Statewide Unified E-911 Emergency Services | $11,035,594 | $11,271,776 | $236,182 | 2.1% |
| Utah Statewide Radio System - Emergency Services | $23,295,481 | $19,739,995 | -$3,555,486 | -15.3% |
| **General Fund Unrestricted** | | | | |
| Public Safety Answering Point - Public Safety | $2,598,145 | $2,795,129 | $196,984 | 7.6% |

| | FY 2024 Net Revenue | FY 2025 Net Revenue | Net Change | % Change |
|---|---|---|---|---|
| **Special Revenue** | | | | |
| Public Safety Answering Point - Local Dispatch | $33,372,296 | $29,099,116 | -$4,273,180 | -12.8% |
| Universal Public Telecommunications Service | $581,157 | $560,565 | -$20,592 | -3.5% |
| **Aviation Fuel Tax** | | | | |
| **Total** | **$7,080,339** | **$7,847,227** | **$766,888** | **10.8%** |
| **Transportation Fund** | | | | |
| Aviation Fuel Tax | $7,080,339 | $7,847,227 | $766,888 | 10.8% |
| **Beer Tax** | | | | |
| **Total** | **$18,625,083** | **$18,633,986** | **$8,903** | **0.0%** |
| **General Fund Restricted** | | | | |
| Alcohol Beverage Enforcement & Treatment Account | $9,587,632 | $9,672,131 | $84,498 | 0.9% |
| **General Fund Unrestricted** | | | | |
| Beer Tax | $9,037,451 | $8,627,382 | -$410,069 | -4.5% |
| **Special Revenue** | | | | |
| Public Safety - Beer Tax | $0 | $334,473 | $334,473 | |
| **Cable/Satellite Excise Tax** | | | | |
| **Total** | **$20,599,600** | **$19,902,369** | **-$697,231** | **-3.4%** |
| **General Fund Unrestricted** | | | | |
| Multi-Channel Video or Audio Service | $20,599,600 | $19,902,369 | -$697,231 | -3.4% |
| **Cigarette Tax** | | | | |
| **Total** | **$65,255,019** | **$57,230,007** | **-$8,025,012** | **-12.3%** |
| **General Fund Restricted** | | | | |
| Cigarette Tax - Tobacco Prevention | $7,950,000 | $7,950,000 | $0 | 0.0% |
| **General Fund Unrestricted** | | | | |
| Cigarette Stamp Tax | $57,305,019 | $49,280,007 | -$8,025,012 | -14.0% |
| **Corporate Tax** | | | | |
| **Total** | **$883,389,846** | **$948,519,550** | **$65,129,703** | **7.4%** |
| **Income Tax/Uniform School** | | | | |
| Corporate Tax | $883,389,846 | $948,519,550 | $65,129,703 | 7.4% |
| Corporate Tax transfers - Income Tax Fund | -$501,887,094 | -$574,595,468 | -$72,708,375 | 14.5% |
| Corporate Tax transfers - Uniform School Fund | $501,887,094 | $574,595,468 | $72,708,375 | 14.5% |

| | FY 2024 Net Revenue | FY 2025 Net Revenue | Net Change | % Change |
|---|---|---|---|---|
| **Individual Income Tax** | | | | |
| **Total** | **$6,214,528,683** | **$6,607,355,667** | **$392,826,984** | **6.3%** |
| **Income Tax/Uniform School** | | | | |
| Individual Income Tax - Final Payments | $520,321,967 | $690,381,283 | $170,059,316 | 32.7% |
| Individual Income Tax - Withholding | $5,128,904,846 | $5,297,633,820 | $168,728,974 | 3.3% |
| Individual Income Tax - Withholding - Pass-through SALT | $565,301,870 | $619,340,564 | $54,038,694 | 9.6% |
| Individual Income Tax transfers - Income Tax Fund | -$3,564,512,806 | -$4,032,249,680 | -$467,736,874 | 13.1% |
| Individual Income Tax transfers - Uniform School Fund | $3,564,512,806 | $4,032,249,680 | $467,736,874 | 13.1% |
| **Insurance Premium Tax** | | | | |
| **Total** | **$237,721,622** | **$264,609,277** | **$26,887,655** | **11.3%** |
| **Fiduciary Fund** | | | | |
| Employers Reinsurance & Uninsured Employers | $3,169,435 | $3,320,332 | $150,897 | 4.8% |
| Fireman's Pension Fund | $11,621,898 | $13,711,794 | $2,089,895 | 18.0% |
| **General Fund Restricted** | | | | |
| Fire Academy Support Fund | $5,810,953 | $6,855,897 | $1,044,944 | 18.0% |
| Industrial Accident Fund | $3,170,705 | $3,320,320 | $149,615 | 4.7% |
| Relative Value Study Fund | $239,831 | $271,647 | $31,816 | 13.3% |
| Workplace Safety Account | $1,585,357 | $1,660,166 | $74,809 | 4.7% |
| **General Fund Unrestricted** | | | | |
| Insurance Premium Tax | $212,123,442 | $235,469,121 | $23,345,679 | 11.0% |
| **Local Option Sales and Use Taxes** | | | | |
| **Total** | **$2,593,489,683** | **$2,758,442,353** | **$164,952,669** | **6.4%** |
| **Fiduciary Fund** | | | | |
| Botanical, Cultural, Recreational & Zoo | $82,289,792 | $86,842,759 | $4,552,967 | 5.5% |
| Capital City Revitalization | $0 | $22,108,028 | $22,108,028 | |
| Correctional Facility Sales and Use Tax | $53,340,721 | $56,178,745 | $2,838,024 | 5.3% |
| County of the 2nd Class State Highways Projects | $38,213,067 | $41,104,092 | $2,891,025 | 7.6% |
| County Option Fixed Guideway Tax | $42,095,059 | $53,907,861 | $11,812,802 | 28.1% |
| County Option for Public Transit | $18,281,427 | $40,105,354 | $21,823,927 | 119.4% |
| County Option Sales & Use Tax | $251,482,725 | $264,343,809 | $12,861,083 | 5.1% |
| County Option Sales Tax for Transportation - Corridor Preservation | $3,857,767 | $3,975,424 | $117,657 | 3.0% |
| County Option Sales/Use for Highways/Public Transit Tax | $215,365,697 | $226,320,946 | $10,955,249 | 5.1% |
| Highways Sales & Use Tax | $28,490,960 | $31,321,566 | $2,830,606 | 9.9% |

| | FY 2024 Net Revenue | FY 2025 Net Revenue | Net Change | % Change |
|---|---|---|---|---|
| Local Sales and Use Tax | $997,310,097 | $1,047,380,172 | $50,070,075 | 5.0% |
| Municipal Energy Sales & Use Tax | $10,561,206 | $10,817,284 | $256,078 | 2.4% |
| Municipal Telecommunications License Tax | $15,644,921 | $16,177,462 | $532,541 | 3.4% |
| Public Transit Tax | $442,979,083 | $465,607,093 | $22,628,011 | 5.1% |
| Resort Communities Tax | $45,773,671 | $49,532,961 | $3,759,290 | 8.2% |
| Rural County Hospital Tax | $10,624,256 | $16,783,818 | $6,159,562 | 58.0% |
| State Highways Projects - Fixed Guideway | $3,768,664 | $3,894,551 | $125,887 | 3.3% |
| State Highways Projects - Public Transit Tax | $5,817,775 | $5,306,752 | -$511,023 | -8.8% |
| Town Option Sales & Use Tax | $13,793,205 | $14,346,521 | $553,316 | 4.0% |
| Transient Room Tax - County | $109,294,976 | $111,340,500 | $2,045,524 | 1.9% |
| Transient Room Tax - 1st Class County Fund | $4,884,337 | $5,144,440 | $260,103 | 5.3% |
| Transient Room Tax - MIDA | $433,545 | $2,102,387 | $1,668,842 | 384.9% |
| Transient Room Tax - Municipality | $23,635,046 | $25,126,859 | $1,491,813 | 6.3% |
| TRCC Restaurant Tax | $86,766,755 | $90,728,718 | $3,961,963 | 4.6% |
| TRCC RV and OHV Leasing Tax | $504,374 | $634,412 | $130,038 | 25.8% |
| TRCC Short Term Leasing Tax | $26,320,994 | $27,117,424 | $796,429 | 3.0% |
| TRCC Transient Room Tax | $3,784,113 | $4,109,700 | $325,587 | 8.6% |
| **General Fund Restricted** | | | | |
| Homeless Shelter Mitigation | $8,138,727 | $9,631,863 | $1,493,136 | 18.3% |
| **Special Revenue** | | | | |
| Hotel & Convention Center Impact Mitigation/Incentive Fund | $5,781,018 | $5,390,892 | -$390,127 | -6.7% |
| Qualified Emergency Food Agencies Fund | $381,252 | $381,187 | -$65 | 0.0% |
| State Imposed Mass Transit Tax | $6,741,063 | $7,083,439 | $342,376 | 5.1% |
| **Transportation Fund** | | | | |
| State Highways Projects - 2nd Class County | $838 | $1,604 | $767 | 91.5% |
| State Highways Projects - Public Transit Tax | $37,132,554 | $13,593,730 | -$23,538,824 | -63.4% |

## Local Transportation Corridor Preservation Fee

| | | | | |
|---|---|---|---|---|
| **Total** | **$26,773,066** | **$27,723,553** | **$950,486** | **3.6%** |
| **Fiduciary Fund** | | | | |
| County of the 1st Class State Highways Projects | $5,205,350 | $5,354,465 | $149,115 | 2.9% |
| Local Transportation Corridor Preservation - 1st Class County | $2,082,138 | $2,141,785 | $59,647 | 2.9% |
| Local Transportation Corridor Preservation - MV | $19,485,578 | $20,227,303 | $741,725 | 3.8% |

| | FY 2024 Net Revenue | FY 2025 Net Revenue | Net Change | % Change |
|---|---|---|---|---|
| **Mineral Production Withholding** | | | | |
| **Total** | **$56,968,373** | **$52,321,063** | **-$4,647,310** | **-8.2%** |
| *Income Tax/Uniform School* | | | | |
| Mineral Production Tax Withholding | $56,968,373 | $52,321,063 | -$4,647,310 | -8.2% |
| **Mining Severance Tax** | | | | |
| **Total** | **$11,717,773** | **$20,841,112** | **$9,123,339** | **77.9%** |
| *General Fund Restricted* | | | | |
| Div. Air Quality - Minerals | $195,002 | $320,439 | $125,438 | 64.3% |
| Div. Geological Survey Oil, Gas & Mining - Minerals | $177,274 | $292,890 | $115,616 | 65.2% |
| Div. Oil, Gas & Mining - Minerals | $1,078,224 | $989,512 | -$88,712 | -8.2% |
| Div. Water Quality - Minerals | $28,364 | $46,688 | $18,325 | 64.6% |
| *General Fund Unrestricted* | | | | |
| Mining Severance Tax | $6,236,955 | $11,525,989 | $5,289,034 | 84.8% |
| *Special Revenue* | | | | |
| Mining Severance Tax Permanent State Trust Fund | $4,001,954 | $7,665,594 | $3,663,640 | 91.5% |
| **Motor Fuel Tax** | | | | |
| **Total** | **$451,893,186** | **$486,261,722** | **$34,368,536** | **7.6%** |
| *General Fund Restricted* | | | | |
| Boat Fuel Tax | $3,684,690 | $3,838,727 | $154,037 | 4.2% |
| Off Highway Vehicle Fuel Tax | $2,207,967 | $2,371,991 | $164,024 | 7.4% |
| *Transportation Fund* | | | | |
| Motor Fuel Tax | $446,000,530 | $480,051,005 | $34,050,475 | 7.6% |
| **Motor Vehicle Registration Fees** | | | | |
| **Total** | **$225,432,925** | **$258,942,480** | **$33,509,555** | **14.9%** |
| *General Fund Restricted* | | | | |
| Boat Registration Fees | $1,873,829 | $2,180,131 | $306,302 | 16.3% |
| Motor Vehicle Safety Impact Restricted Account - MV Registration Fees | $3,033,960 | $3,470,298 | $436,339 | 14.4% |
| Off Highway Vehicle Registration Fees | $9,035,741 | $9,130,000 | $94,259 | 1.0% |
| Snowmobile Registration Fees | $372,904 | $361,461 | -$11,443 | -3.1% |
| *General Fund Unrestricted* | | | | |
| MV Admin Cost - Vintage Vehicles/ 6 mo. | $6,669 | $4,517 | -$2,152 | -32.3% |
| *Proprietary Fund* | | | | |
| Land Grant Management Fund - Off Highway Registration Fees | $345,950 | $347,030 | $1,080 | 0.3% |

| | FY 2024 Net Revenue | FY 2025 Net Revenue | Net Change | % Change |
|---|---|---|---|---|
| **Special Revenue** | | | | |
| Brain Injury Fund - MV Registration Fees | $10,228 | $50,175 | $39,947 | 390.6% |
| Brain Injury Fund - Off Highway Registration Fees | $269,437 | $231,465 | -$37,972 | -14.1% |
| **Transportation Fund** | | | | |
| Motor Vehicle Registration Fees | $100,769,314 | $121,537,261 | $20,767,947 | 20.6% |
| Motorcycle Rider Education - Motorcycle Registration Fees | $491,400 | $505,740 | $14,340 | 2.9% |
| Public Safety Restricted Account - MV Registration Fees | $2,851,672 | $2,956,342 | $104,670 | 3.7% |
| Rural Transportation Infrastructure Fund - MV Registration Fees | $6,557,290 | $14,887,769 | $8,330,480 | 127.0% |
| **Transportation Investment Fund** | | | | |
| Transportation Investment Fund - MV Registration Fees | $99,814,533 | $103,280,290 | $3,465,757 | 3.5% |
| **Oil and Gas Conservation Fee** | | | | |
| **Total** | **$7,764,996** | **$7,827,004** | **$62,009** | **0.8%** |
| **General Fund Restricted** | | | | |
| Oil & Gas Conservation Fee | $7,764,996 | $7,827,004 | $62,009 | 0.8% |
| **Oil and Gas Severance Tax** | | | | |
| **Total** | **$76,268,462** | **$83,296,715** | **$7,028,253** | **9.2%** |
| **Fiduciary Fund** | | | | |
| Aviation Fuel Incentive Account | $0 | $376,053 | $376,053 | |
| **General Fund Restricted** | | | | |
| Div. Air Quality - Oil & Gas | $1,117,658 | $1,133,480 | $15,822 | 1.4% |
| Div. Geological Survey Oil, Gas & Mining - Oil & Gas | $1,016,053 | $1,036,029 | $19,976 | 2.0% |
| Div. Oil Gas, & Mining - Oil & Gas | $6,904,299 | $8,871,740 | $1,967,441 | 28.5% |
| Div. Water Quality - Oil & Gas | $162,568 | $165,149 | $2,581 | 1.6% |
| **General Fund Unrestricted** | | | | |
| Oil & Gas Severance Tax | $33,924,878 | $34,884,878 | $960,000 | 2.8% |
| **Special Revenue** | | | | |
| Oil & Gas Severance Tax Permanent State Trust Fund | $22,937,321 | $27,115,253 | $4,177,932 | 18.2% |
| Revitalization Fund - Navajo | $642,317 | $841,646 | $199,329 | 31.0% |
| Revitalization Fund - Uintah Basin | $8,465,368 | $8,734,487 | $269,119 | 3.2% |
| **Transportation Investment Fund** | | | | |
| Transportation Investment Fund Above Trend Transfers | $1,098,000 | $138,000 | -$960,000 | -87.4% |

# Other Motor Vehicle Taxes and Fees

| | FY 2024 Net Revenue | FY 2025 Net Revenue | Net Change | % Change |
|---|---|---|---|---|
| **Total** | **$345,307,332** | **$361,590,611** | **$16,283,279** | **4.7%** |
| **Fiduciary Fund** | | | | |
| MV Checkoff Contribution - Blindness Prevention | $48,506 | $47,814 | -$692 | -1.4% |
| MV County Property Tax/APC Fee | $230,275,973 | $237,508,988 | $7,233,015 | 3.1% |
| MV Special Group License Plate Contributions | $608,463 | $0 | -$608,463 | -100.0% |
| Tax Commission Suspense | $12,819,973 | $10,922,548 | -$1,897,425 | -14.8% |
| **General Fund Restricted** | | | | |
| DUI Impound Testing Fee | $49,440 | $287,490 | $238,050 | 481.5% |
| Electronic Payments Fee | $10,064,886 | $10,429,645 | $364,759 | 3.6% |
| MV Automobile 45-Day Permits | $5,225,760 | $5,572,106 | $346,346 | 6.6% |
| MV Checkoff Contribution - EMS | $53,795 | $55,868 | $2,073 | 3.9% |
| MV License Plate Postage Fee | $812,753 | $2,238,872 | $1,426,119 | 175.5% |
| MV Special Group License Plate Contributions | $771,368 | $394,625 | -$376,743 | -48.8% |
| MV Utah Boating Grant Fund | $1,337,788 | $2,345,494 | $1,007,707 | 75.3% |
| Personalized Plate Admin Fee | $0 | $882,545 | $882,545 | |
| Plate Fee | $6,307,257 | $5,920,334 | -$386,923 | -6.1% |
| Title, Decal, and Duplicate Registration Fees | $89,118 | $184,314 | $95,196 | 106.8% |
| **General Fund Unrestricted** | | | | |
| DUI Impound Fees - GF | $1,986,830 | $2,196,945 | $210,115 | 10.6% |
| DUI Impound Fees - MVD | $276,602 | $278,284 | $1,682 | 0.6% |
| MV Admin Fees | $924,439 | $929,902 | $5,462 | 0.6% |
| MV Checkoff Contribution - Search and Rescue | $53,795 | $55,868 | $2,073 | 3.9% |
| MV County Property Tax Transaction Fees | $4,122,008 | $4,372,076 | $250,068 | 6.1% |
| MV Misc | $1,993,738 | $2,221,102 | $227,364 | 11.4% |
| MV Special Group License Plate Contributions | $234 | $0 | -$234 | -100.0% |
| MVED Business Regulation Fees | $2,139,632 | $2,371,534 | $231,902 | 10.8% |
| OHV/Boat Search and Rescue Fee | $148,873 | $149,650 | $777 | 0.5% |
| **Income Tax/Uniform School** | | | | |
| MV Drivers Education Fee | $7,309,928 | $7,579,731 | $269,803 | 3.7% |
| **Special Revenue** | | | | |
| DUI Impound Fees - Brain Injury Fund | $190,760 | $191,920 | $1,160 | 0.6% |
| MV Checkoff Contribution - Organ Donation | $67,741 | $59,814 | -$7,927 | -11.7% |
| MV Special Group License Plate Contributions | $7,546,523 | $9,367,973 | $1,821,450 | 24.1% |

| | FY 2024 Net Revenue | FY 2025 Net Revenue | Net Change | % Change |
|---|---|---|---|---|
| **Transportation Fund** | | | | |
| DUI Impound Fees - DPS | $1,402,208 | $1,410,851 | $8,643 | 0.6% |
| Electric Vehicle Charging Tax | $239,765 | $1,286,530 | $1,046,765 | 436.6% |
| Motor Carrier Fee | $2,668,594 | $2,682,235 | $13,641 | 0.5% |
| MV Uninsured Motorist Reinstatement Fee | $933,500 | $1,212,700 | $279,200 | 29.9% |
| Plate Fee - Transportation Fund | $807,947 | $783,021 | -$24,927 | -3.1% |
| Proportional Registration - Highway Use Tax | $11,744,535 | $13,151,739 | $1,407,203 | 12.0% |
| Proportional Registration Fees | $22,004,064 | $24,000,495 | $1,996,431 | 9.1% |
| Temporary Permits | $189,245 | $210,540 | $21,295 | 11.3% |
| Title, Decal and Duplicate Registration Fees | $6,987,338 | $6,975,879 | -$11,460 | -0.2% |
| Uninsured Motorist Fees | $3,103,950 | $3,310,766 | $206,815 | 6.7% |
| **Transportation Investment Fund** | | | | |
| MV Contribution - Black & White Historical Plates | $0 | $414 | $414 | |

# Other Taxes and Fees

| | | | | |
|---|---|---|---|---|
| **Total** | **$80,909,739** | **$83,738,608** | **$2,828,869** | **3.5%** |
| **Clearing** | | | | |
| Clearing - GenTax Fuels | $0 | $1,000,566 | $1,000,566 | |
| **Fiduciary Fund** | | | | |
| Car & Bus Tax | $11,944,088 | $13,395,481 | $1,451,393 | 12.2% |
| Environmental Assurance Fee | $6,586,779 | $6,728,567 | $141,787 | 2.2% |
| IIT Contributions - Education Checkoff | $33,307 | $29,096 | -$4,211 | -12.6% |
| IIT Contributions - Election Campaign | $99,590 | $95,488 | -$4,102 | -4.1% |
| Tax Cash Bonds | $500 | $176,469 | $175,969 | |
| **General Fund Restricted** | | | | |
| Admin. Allowance Service Charge - Sales Tax & Misc | $17,932,955 | $18,373,067 | $440,111 | 2.5% |
| Brine Shrimp Royalty Tax | $809,291 | $854,725 | $45,434 | 5.6% |
| Cannabinoid Tax - Restricted | $0 | $61,967 | $61,967 | |
| Court Complex Fees | $4,887,075 | $5,384,295 | $497,220 | 10.2% |
| E-Cigarette Substance Product Registry Fees | $0 | $132,000 | $132,000 | |
| E-Cigarette Substance & Nicotine Product Tax | $15,249,345 | $15,300,493 | $51,148 | 0.3% |
| IIT Contribution - Children's Organ Transplant | $31,804 | $64,019 | $32,215 | 101.3% |
| IIT Contribution - Homeless Trust Fund | $68,580 | $64,408 | -$4,172 | -6.1% |
| IIT Contribution - Non-Game Wildlife | -$2 | $0 | $2 | -100.0% |

| | FY 2024 Net Revenue | FY 2025 Net Revenue | Net Change | % Change |
|---|---|---|---|---|
| Lubricating Oil Fee - Used Oil | $720,611 | $726,959 | $6,349 | 0.9% |
| Sovereign Lands Management Account - Brine Shrimp | $125,000 | $125,000 | $0 | 0.0% |
| **General Fund Unrestricted** | | | | |
| Cannabinoid Tax - Unrestricted | $0 | $54,451 | $54,451 | |
| Cigarette/e-Cigarette Licenses & Fees | $550 | $1,010 | $460 | 83.6% |
| Court Fees | $2,912,326 | $3,026,139 | $113,813 | 3.9% |
| Farm Tool Tax Credit | -$2,623 | -$8,898 | -$6,275 | 239.2% |
| Misc. Dedicated Credits - Electronic Convenience Fees | $2,378,008 | $2,665,533 | $287,525 | 12.1% |
| Misc. Dedicated Credits - MV Sale of Info | $374,986 | $279,800 | -$95,186 | -25.4% |
| Misc. Dedicated Credits - Tax Comm. | -$16,577 | $15,946 | $32,523 | |
| Other Misc. | $504,375 | $82,658 | -$421,717 | -83.6% |
| Property Tax Relief Credits - Circuit Breaker | -$7,086,363 | -$8,012,626 | -$926,263 | 13.1% |
| **Income Tax/Uniform School** | | | | |
| State Transient Room Tax - Hospitality Tourism | $300,000 | $300,000 | $0 | 0.0% |
| **Special Revenue** | | | | |
| IIT Contribution - Clean Air Fund | $29,934 | $23,886 | -$6,048 | -20.2% |
| IIT Contribution - Non-Profit Capacity | $0 | $4,774 | $4,774 | |
| IIT Contribution - Suicide Prevention | $27,722 | $22,223 | -$5,498 | -19.8% |
| Misc. Special Revenues | $0 | $156 | $156 | |
| State Transient Room Tax - Outdoor Recreation Infrastructure | $8,473,544 | $8,663,062 | $189,518 | 2.2% |
| Waste Tire Recycling Fees | $4,141,894 | $4,282,801 | $140,907 | 3.4% |
| **Transportation Fund** | | | | |
| Motor Vehicle Rental Tax | $10,383,040 | $9,825,094 | -$557,947 | -5.4% |
| **Special Fuel Tax** | | | | |
| **Total** | **$196,923,772** | **$206,210,195** | **$9,286,422** | **4.7%** |
| **Transportation Fund** | | | | |
| Special Fuel Tax | $195,633,401 | $204,803,124 | $9,169,723 | 4.7% |
| Special Fuel Tax - CNG / LNG | $1,290,371 | $1,407,070 | $116,699 | 9.0% |
| **State Sales and Use Tax** | | | | |
| **Total** | **$4,541,631,864** | **$4,676,960,454** | **$135,328,590** | **3.0%** |
| **Fiduciary Fund** | | | | |
| HTRZ Earmark from State Sales Tax | $0 | $916 | $916 | |
| State Fairpark Earmark from State Sales Tax | $0 | $541,277 | $541,277 | |

| | FY 2024 Net Revenue | FY 2025 Net Revenue | Net Change | % Change |
|---|---|---|---|---|
| **General Fund Restricted** | | | | |
| Outdoor Adventure Infrastructure | $44,075,661 | $45,386,662 | $1,311,001 | 3.0% |
| Water & Wastewater Projects - Water Rights Adjudication | $175,000 | $175,000 | $0 | 0.0% |
| Water Infrastructure Restricted 1/16% Sales Tax Diversion | $63,950,375 | $65,910,754 | $1,960,379 | 3.1% |
| Water Rights Restricted | $6,870,056 | $7,164,113 | $294,057 | 4.3% |
| **General Fund Unrestricted** | | | | |
| Dedicated Credits - DNR Plants/Animal Protect - Sales | $2,450,000 | $2,450,000 | $0 | 0.0% |
| Dedicated Credits - DNR Watershed Rehab/Cloud Seed | $650,000 | $650,000 | $0 | 0.0% |
| Dedicated Credits - Search and Rescue | $200,000 | $200,000 | $0 | 0.0% |
| State Sales Tax | $3,315,554,901 | $3,412,470,459 | $96,915,558 | 2.9% |
| **Proprietary Fund** | | | | |
| Water & Wastewater Projects - Sales | $53,805,319 | $55,471,641 | $1,666,322 | 3.1% |
| **Special Revenue** | | | | |
| Hotel & Convention Center Impact Mitigation/Incentive Fund | $11,484,469 | $13,168,828 | $1,684,358 | 14.7% |
| Medicaid Expansion | $132,211,070 | $136,054,287 | $3,843,218 | 2.9% |
| Qualified Emergency Food Agencies Fund | $533,750 | $533,750 | $0 | 0.0% |
| **Transportation Investment Fund** | | | | |
| Active Transportation Investment Fund | $45,000,000 | $45,000,000 | $0 | 0.0% |
| Cottonwood Canyon Transportation Investment Fund | $20,000,000 | $19,970,131 | -$29,869 | -0.1% |
| Transit Transportation Investment Fund (TTIF) | $40,298,249 | $52,817,335 | $12,519,087 | 31.1% |
| Transportation Investment Fund 17% Vehicle Related Products | $687,845,225 | $661,216,458 | -$26,628,767 | -3.9% |
| Transportation Investment Fund 3.68% Vehicle Related Products | $118,341,188 | $114,205,580 | -$4,135,608 | -3.5% |
| Transportation Investment Transfers to General Fund | -$1,813,400 | -$1,813,400 | $0 | 0.0% |
| TTIF Commuter Rail Infrastructure Subaccount | $0 | $45,386,662 | $45,386,662 | |
| **Tobacco Tax** | | | | |
| **Total** | **$21,309,324** | **$20,378,002** | **-$931,321** | **-4.4%** |
| **General Fund Unrestricted** | | | | |
| Tobacco Products Tax | $21,309,324 | $20,378,002 | -$931,321 | -4.4% |
| **Net Revenue** | **$16,154,473,347** | **$17,032,098,538** | **$877,625,190** | **5.4%** |



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# APPENDIX II

# Sales Tax Exemptions

Utah law exempts certain purchases from sales and use tax. These charts show fiscal year 2025 estimated state revenue impacts for each sales tax exemption under Utah Code Ann. §59-12-104. The estimates are based on the best information available; however, in some cases data is limited or unavailable.

## Business Inputs

### Exemptions for purchases that are primarily made by or limited to businesses

| Brief description of sales tax exemption | FY 2025 Revenue Impact |
|---|---|
| Certain products purchased by airlines for in-flight use or consumption | $3,000,000 |
| Aircraft parts and equipment for installation in certain aircraft | $11,200,000 |
| Commercials, films, and other audio / video sold to broadcasters and others | $9,300,000 |
| Pollution control equipment (includes consumables) | $9,600,000 |
| Machinery, equipment, or parts to manufacturers and others | $237,800,000 |
| Certain equipment under certain aerospace or electronics contracts with the federal government | $11,000,000 |
| Certain products primarily used in farming operations | $98,900,000 |
| Hay | $12,600,000 |
| Non-returnable containers, labels, casings for use in packaging TPP | Insufficient Data |
| Property stored in the state for resale | Insufficient Data |
| Product purchased for resale in its original form or as a component part of a manufactured good | Insufficient Data |
| Intrastate telecommunications services or fuel for use in compounding a taxable service | $11,400,000 |
| Certain products used by a steel mill | $318,000 |
| Telecommunications service for purposes of providing telecommunications service | $5,600,000 |
| Vehicle or products installed on a vehicle used by an authorized carrier | $23,000,000 |
| Electricity to ski resorts for lifts | $380,000 |
| Ski resort equipment and parts | $108,000 |
| Natural gas, electricity, coal, fuel oil, and other fuels for industrial use | $49,300,000 |
| Semiconductor fabricating, processing, research, or development materials | $10,600,000 |
| Vehicles used for temporary sporting events | Less Than $1,000 |
| Sale-leaseback transactions | Insufficient Data |
| Machinery or equipment purchased by the film industry and used to produce certain media | $5,300,000 |
| Certain machinery, equipment, etc. for or by an alternative energy electricity production facility | Insufficient Data |
| Certain machinery, equipment, etc. for or by a waste energy production facility | Insufficient Data |
| Certain purchases for or by a facility that produces fuel from alternative energy | Insufficient Data |
| Building materials shipped out of state and incorporated into real property | Insufficient Data |
| Address list or database used to send direct mail | $2,300,000 |
| Certain machinery, equipment, or software purchased by or for a telecommunications service provider | $18,000,000 |
| Products used in the research and development of alternative energy technology | Insufficient Data |

| Brief description of sales tax exemption | FY 2025 Revenue Impact |
|---|---|
| Business property purchased outside the state and brought into the state after first use. | Insufficient Data |
| Construction materials for Salt Lake International Airport (material converted to real property only) | $5,000,000 |
| Construction materials for new airport in 2nd class county (material converted to real property only) | $0[1] |
| Fuel sold to a common carrier railroad and used in a locomotive engine | $0[2] |
| Products sold to an aircraft repair provider if used to repair aircraft not registered in Utah | $374,000 |
| Construction materials for life science research facility (material converted to real property only) | $990,000 |
| Machinery, equipment, or parts used in qualified research (three-year life) | $20,900,000 |
| Product used in preparation of food if seller and purchaser are the same (seller already paid sales tax) | Insufficient Data |
| Amusement and recreation machinery or equipment (three-year life; business must charge fee to use) | $727,000 |
| Short-term lodging consumables | $3,260,000 |
| Database access (viewing or retrieval of information) | $1,660,000 |
| Machinery, equipment, or parts used for electronic financial payment services (three-year life) | $2,510,000 |
| Business property temporarily brought into the state by an out-of-state business for disaster-related work | $0[1] |
| Molten magnesium | $930,000 |
| Machinery, equipment, or parts purchased by certain data centers (one-year economic life) | Insufficient Data |
| Machinery, equipment, etc. purchased by a refinery and used in a specified activity | $3,000,000 |
| Medical Laboratories | $270,000 |
| Construction and Operation Costs of Electrical Cooperative | $420,000 |
| Consumable Tangible Personal Property used in Taxable Service | $4,700,000 |

*[1]No known state revenue impacts in this fiscal year; however, there could be exempt amounts in other years depending on taxpayer behavior.*

*[2] This exemption only exempts local sales tax. There is no state revenue impact for this exemption.*

# Non-Business Inputs - Charitable/Government

| Brief description of sales tax exemption | FY 2025 Revenue Impact |
|---|---|
| State and local government purchases except for certain construction materials | $72,400,000 |
| Sales to or by religious or charitable organizations | $18,000,000 |
| Certain food or alcohol served by religious, charitable, medical or higher education | $2,570,000 |
| Food stamp purchases | $7,200,000 |
| WIC purchases | $627,000 |
| Sales relating to schools and fundraising sales | $610,000 |
| Copies and publications by a government entity | $690,000 |
| Sales to a public transit district (includes construction materials converted to real property) | $470,000 |
| Sales to or by Heber Valley Railroad | $230,000 |
| Sales of goods and services at a National Guard morale, welfare, and recreation facility | $31,000 |

# Non-Business Inputs - Economic Development

| Brief description of sales tax exemption | FY 2025 Revenue Impact |
|---|---|
| Aircraft manufactured in Utah | $287,000 |
| Certain electricity produced from a new alternative energy source | $340,000 |
| Fuel cell | $71,000 |
| Sales of rail rolling stock manufactured in Utah | Insufficient Data |
| Construction materials used for the construction of a qualified stadium | $0[1] |

*[1]No known state revenue impacts in this fiscal year; however, there could be exempt amounts in other years depending on taxpayer behavior.*

# Non-Business Inputs - Economic Efficiency

| Brief description of sales tax exemption | FY 2025 Revenue Impact |
|---|---|
| Aviation, motor, special fuels (jet, gas, diesel, etc.) | $288,000,000 |
| Vending machine food sold for $1 or less under certain circumstances | $128,000 |
| Primarily unassisted cleaning of property (coin operated laundry, etc.) | $4,640,000 |
| Non-resident vehicle that is not registered or used in the state except under specified circumstances | $11,800,000 |
| Isolated or occasional sales if not regularly engaged in business | Insufficient Data |
| Vehicle trade-ins and other trades as part payment for a purchase | $105,400,000 |
| Exclusive sale of seasonal crops and plants if sold during the harvest season by the producer | $771,000 |
| Product brought in by a nonresident for use (product may not be used for business in the state) | Insufficient Data |
| Product for which sales tax was paid to another state (must pay difference if Utah tax is greater) | Insufficient Data |
| Non-resident boat that is not registered or used in the state except under specified circumstances | $169,000 |
| 45% of a new and 100% of a used manufactured home (based on sales price) | $5,600,000 |
| Use of unassisted amusement device | $1,010,000 |
| Hotel accommodations and services taxed by the Navajo Nation | $96,000 |
| Currency or coinage that is legal tender | Insufficient Data |
| Gold, silver, platinum (bars, coins, etc.; not legal tender; content 50%+ gold, silver, or platinum) | Insufficient Data |
| Pawnbroker repurchases or redemptions | $1,850,000 |
| Municipal taxes or fees levied on purchaser for enhanced level of municipal service | $14,000 |
| Car wash that does not include cleaning the interior of the vehicle | $12,000 |
| MIDA accommodations and services | $680,000 |
| Note, leaf, foil or film used as currency | Insufficient Data |
| Certain construction products sold between related entities | $2,700,000 |

# Non-business Inputs - Healthcare

| Brief description of sales tax exemption | FY 2025 Revenue Impact |
|---|---|
| Prescription drugs, syringes, and stoma supplies | $234,200,000 |
| Prescribed durable medical equipment for home use | $6,540,000 |
| Sales to or by a nonprofit that provides certain services to persons age 60+ | $2,120,000 |
| Prescribed mobility enhancing equipment | $1,610,000 |
| Prosthetic device (prescribed or purchased by medical facility) | $1,210,000 |
| Prescribed disposable home medical supplies | $3,160,000 |
| Medical Cannabis | $8,060,000 |

# Non-business Inputs/Other

| Brief description of sales tax exemption | FY 2025 Revenue Impact |
|---|---|
| Newspapers or newspaper subscriptions | $2,690,000 |
| Admissions to college athletic events | $1,290,000 |
| Water in a pipe, conduit, ditch or reservoir | $32,700,000 |
| Textbooks purchased by a student (not including a college book store; seller sales primarily textbooks) | $290,000 |
| Admission to an Indoor Skydiving, Rock Climbing, or Surfing Facility | $250,000 |
| Sales of a cannabinoid product | $100,000 |

# APPENDIX III

# Legislation

The following includes legislation passed by the 2025 Legislature that significantly impacts taxes and fees collected by the Tax Commission.

## House Bills

### HB 20 Property Tax Code Recodification
**Rep. Douglas R. Welton**
*(Effective Jan. 1, 2026)*

- Creates a new chapter re-codifying all provisions related to property tax relief and renter relief.
- Specifies procedures and rights available for tax relief.
- Updates household income thresholds for the renter's credits.
- Updates household income thresholds and associated homeowner's credits.

### HB 60 State Tax Amendments
**Rep. Steve Eliason**
*(Multiple effective dates)*

- Clarifies the Tax Commission's authority to share confidential income tax data with Workforce Services for purposes of determining eligibility for public assistance.
- Requires payment processors to report the same 1099-K information to the Tax Commission as the IRS.
- Clarifies that the commercial solar panel income tax credit is not available for panels that are installed on a residential building, even if a business entity owns the building or the panels.
- Creates certain requirements to qualify as exempt from Utah income taxation.
- Authorizes a deduction from Utah taxation for social security income in certain situations.

### HB 62 Property Tax Act Modifications
**Rep. Steve Eliason**
*(Retrospective to Jan. 1, 2025)*

- Prohibits a county board of equalization from accepting an application to receive a residential property tax exemption in certain circumstances.
- Authorizes the Tax Commission to make rules that specify when a county board of equalization is required to accept certain applications.
- Revises language in the written residential property declaration.
- Creates certain requirements for assessment of land with a residence and authorizes the Tax Commission to make rules that specify when that land significantly contributes to overall agricultural.
- Removes the subtraction of "qualifying exempt revenue" from prior year ad valorem property tax revenue when calculating a certified tax rate.
- Provides for appeal to the Tax Commission of a tax relief decision regarding tax deferral or abatement made by a county board of equalization.

### HB 73 Administrative Procedures Act Amendments
**Rep. Karianne Lisonbee**
*(Effective May 7, 2025)*

- Codifies case law defining final agency action previously undefined in statute.

### HB 79 Adaptive Driving Equipment Amendments
**Rep. Christine F. Watkins**
*(Effective Oct. 1, 2025)*

- Defines "adaptive driving equipment" for purposes of the Sales and Use Tax.
- Exempts from sales and use tax amounts paid for adaptive driving equipment not yet installed on a vehicle.
- Exempts from sales and use tax amounts paid for adaptive driving equipment already installed on a vehicle purchased from a motor vehicle dealer if certain requirements are met.

## HB 82 Law Enforcement Modifications
**Rep. Matthew H. Gwynn**
*(Effective May 7, 2025)*

- Creates rules regarding Brady identification systems and the prosecution agencies and peace officers that use them.

## HB 106 Income Tax Revisions
**Rep. Kay J. Christofferson**
*(Retrospective to Jan. 1, 2025)*

- Lowers the corporate, franchise, and individual income tax rate to 4.5 percent.
- Allows employers that claim the federal employer-provided child care tax credit to claim a nonrefundable tax credit for 20 percent of qualified expenses to construct a child care facility with a five-year carryforward.
- Allows employers who claim the state child care construction tax credit to claim a nonrefundable tax credit for 10 percent of qualified child care expenses.
- Subjects both the child care tax credits to recapture if the employer fails to operate a qualified child care facility for at least five consecutive taxable years.
- Requires apportionment of the child care tax credits for certain filers.
- For purposes of the nonrefundable child tax credit, changes the definition of "qualifying child."

## HB 110 Combined Basic Tax Rate Reduction
**Rep. Tiara Auxier**
*(Effective July 1, 2026)*

- Removes the WPU value rate from the property tax rates that fund public education and holds the Teacher and Student Success Program funding harmless from the removal.

## HB 112 Motor Vehicle Safety Inspection Modifications
**Rep. Karianne Lisonbee**
*(Effective May 7, 2025)*

- Prohibits law enforcement from requesting that the DMV revoke or suspend the registration of a vehicle for having tinted windows.

## HB 166 Trailer Registration and Uniform Fee Amendments
**Rep. Scott H. Chew**
*(Effective Jan. 1, 2026)*

- Authorizes the owner of an intrastate commercial trailer to obtain an alternative special registration and license plate that is valid for as long as the owner owns the trailer.

## HB 176 County Classification Amendments
**Rep. Walt Brooks**
*(Effective July 1, 2025)*

- Increases the population measure used to determine the classification of counties.
- Exempts from sales tax amounts paid or charged for the sale of construction materials for a new airport within certain counties.
- Requires the Utah Department of Transportation (UDOT) to annually report to the Tax Commission which 3rd class counties have an airport with commercial flights to three or more airports outside of Utah.

## HB 190 Motorcycle Amendments
**Rep. Norman K. Thurston**
*(Effective Jan. 1, 2026)*

- Explains the method for properly attaching and displaying a motorcycle license plate.
- Authorizes a law enforcement officer to impound a motorcycle for certain actions.

## HB 208 Urban Farming Assessment Modifications
**Rep. Jason B. Kyle**
*(Retrospective to Jan. 1, 2025)*

- Allows a landowner to apply for assessment as urban farming land only once instead of annually.

## HB 216 Income Tax Revenue Amendments
**Rep. Norman K. Thurston**
*(Effective July 1, 2025)*

- Defines "material increase in state income tax revenue."
- Requires the Tax Commission to annually estimate by consensus with LFA and GOPB if a federal tax law change will result in an increase in state income tax revenue, allowing certain considerations.
- Requires the Tax Commission to submit an electronic report to the Revenue and Taxation Interim Committee any year in which an income tax revenue increase is predicted by consensus.
- Requires the Tax Commission, LFA, and GOPB to determine by consensus legislative action taken as a result of the report negates the predicted increase in state income tax revenue and, if not, requires the Tax Commission to submit the estimated amount of the increase to the Division of Finance.
- Creates the Income Tax Surplus Restricted Account.

## HB 224 Inmate Reentry, Finances, and Debt Modifications
**Rep. Melissa G. Ballard**
*(Prospective to Jan. 1, 2027)*

- Requires a county jail or state prison to notify the Tax Commission when an inmate is incarcerated for more than 90 days and after that inmate is released.

## HB 240 Urban Farming Assessment Amendments
**Rep. Rex P. Shipp**
*(Retrospective to Jan. 1, 2025)*

- Broadens the definition of "actively devoted to urban farming."

- Reduces the documentation requirement for demonstrating that land is "actively devoted to urban farming" from annually to one time.
- Clarifies that residential use of some land within a parcel does not disqualify other land in the parcel for urban farming assessment.

## HB 249 Nuclear Power Amendments
**Rep. Carl R. Albrecht**
*(Effective May 7, 2025)*

- Defines "base taxable value" and "incremental value" for an electrical energy development zone designated by the Utah Energy Council.
- Allows a county, municipality, or state land use authority to apply for designation of an electrical energy development zone within its boundaries.
- Creates the Electrical Energy Development Fund.

## HB 253 Agriculture and Food Amendments
**Rep. Carl R. Albrecht**
*(Effective May 7, 2025)*

- Shifts the annual deposit of state sales and use tax revenue from the Agricultural Resources Development Fund to the Division of Conservation.

## HB 256 Municipal and County Zoning Amendments
**Rep. R. Neil Walter**
*(Effective May 7, 2025)*

- Authorizes a county or municipality that imposes a transient room tax to use the listing of a short-term rental on a short term rental website as evidence that the owner or lessee is subject to the transient room tax.
- Clarifies that if a county auditor believes the owner or lessee of a short term rental is not collecting or paying transient room tax, the auditor may provide evidence of this failure to the Tax Commission for investigation.

## HB 259 Tax Commission Amendments
**Rep. Steve Eliason**
*(Effective May 7, 2025)*

- Requires the Tax Commission's executive director to appoint, supervise and direct the motor vehicle enforcement administrator.
- Effective July 1, 2025, removes the benefit of having a vehicle for official and personal use from the executive director of the commission.

## HB 261 Towing Modifications
**Rep. A. Cory Maloy**
*(Effective January 1, 2026)*

- Authorizes the DMV to release an impounded vehicle to an individual who is not the registered owner, lien holder or a dealer, where the vehicle is operating under a temporary permit if the individual takes certain steps.
- Authorizes the DMV to release an impounded vehicle to a tow truck operator or tow truck motor carrier that takes certain steps.
- Defines "life essential item."
- Permits the registered owner or lienholder of a vehicle to take possession of any life essential item of personal property within the vehicle without payment of any towing, storage or impound fees.
- Provides that towing fees are a possessory lien on any personal property in the vehicle that is not a life essential item.
- Allows the registered owner or lienholder of a vehicle to take possession of any item of personal property in the vehicle upon the payment of the towing fee even if the storage and impound fees remain unpaid.

## HB 264 Tax Incentives Amendments
**Rep. Kay J. Christofferson**
*(Retrospective to Jan. 1, 2025)*

- Limits certain clean energy systems income tax credits to an energy system that is in service before Jan. 1, 2028.
- Repeals the clean energy tax credits created in §§59-7-614.7, 59-10-1024, and 59-10-1029.

## HB 272 Vehicle Assessment Amendments
**Rep. Clinton D. Okerlund**
*(Effective July 1, 2025)*

- Authorizes a vehicle between 12,001 lbs and 14,000 lbs gross laden weight to be registered for a six-month period And exempts it from being required to have the gross laden weight displayed upon both the left and right sides of the vehicle in a conspicuous place.
- Increases the weight threshold for the base motor vehicle registration fee.
- Increases the registration weight threshold for heavy trucks and park model recreational vehicles.
- Limits the proportional registration fee to vehicles exceeding 14,000 lbs gross laden weight.
- Exempts a vehicle between 12,001 lbs and 14,000 lbs gross laden weight from the motor carrier fee.
- Modifies the definition of "motor vehicle" for purposes of §§41-3-406 through 41-3-414.
- Subjects vehicles with a gross vehicle weight rating between 12,001 lbs and 14,000 lbs to emissions inspection unless exempt.
- Increases the weight threshold for exemption from the emissions opacity inspection and maintenance program for diesel power motor vehicles.

- Defines "gross vehicle weight rating" for purposes of Title 59, Chapter 2, Property Tax Act.
- Subjects certain vehicles to the age-based uniform fee in lieu of property tax instead of the value-based uniform fee in lieu of ad valorem property tax.

## HB 324 Special Group License Plate Amendments
**Rep. Val L. Peterson**
*(Effective July 1, 2025)*

- Allows the DMV to issue a set of plates for any vehicle at the request of the registered owner.
- Clarifies that the DMV may require a contribution for a special group license plate.
- Requires the DMV to design a classic support special group license plate that requires a $25 annual contribution to the General Fund.
- Defines "corporate brand sponsored special group license plate."
- Authorizes the creation of certain sponsored special group license plates.
- Modifies the distribution of the contributions for the black license plate.
- Directs the DMV to notify those making annual black plate contributions of the changed distribution of those contributions.
- Clarifies that a vehicle registered as a vintage vehicle can get a black license plate without an annual contribution.
- Eliminates the requirement for a vintage vehicle to display a certain type of license plate.
- Authorizes an entity receiving contributions for two or more special group plates to consolidate their plates into a fewer number for purposes of meeting the minimum threshold of 500.
- Requires the Tax Commission to report certain information about special group plates to the Revenue and Taxation Interim Committee.

## HB 350 District Energy Amendments
**Rep. Val L. Peterson**
*(Effective May 7, 2025)*

- In the public utilities code, defines "cooling plant" and redefines "heat corporation."
- In the High Cost Infrastructure Development Tax Credit Act, defines "district energy system," adjusts the definition of "energy delivery project," alters the definition of "high cost infrastructure project," and amends the definition of "infrastructure."

## HB 354 Criminal Justice Revisions
**Rep. Ryan D. Wilcox**
*(Effective May 7, 2025)*

- Beginning on July 1, 2025, requires a law enforcement agency to share information from its record management system with the Department of Public Safety's criminal intelligence system.
- Beginning on Jan. 1, 2026, requires a law enforcement agency to provide the Department of Safety certain information concerning a crash that appears to be connected with a DUI offense.
- Beginning Jan. 1, 2026, requires a law enforcement agency to provide the Department of Public Safety certain information concerning every arrest made for a suspected DUI offense, even if they are unrelated to a reported crash.
- Beginning Jan. 1, 2027, requires that a law enforcement agency supply every law enforcement officer on duty outside of its facility with a portable biometric capture device.
- Beginning July 1, 2027, requires a law enforcement agency to collect and annually report certain information to the State Commission on Criminal and Juvenile Justice.

## HB 378 Department of Natural Resources Funding Amendments
**Rep. Casey Snider**
*(Effective Jan. 1, 2026)*

- Diverts property tax revenue from counties based on the miles of a qualifying transmission line within a county.
- Diverts property tax revenue from counties based on the amount of centrally assessed new growth in the county.
- Diverts funds to the Species Protection Account from a current tax on the disposal of concentrated depleted uranium and containerized waste by a radioactive waste facility.
- Levies an annual tax on a renewable energy project entity for a new wind or solar electric generation facility.
- Imposes an annual energy project assessment on certain renewable energy parent entities with a facility that generates wind or solar electric energy.

## HB 379 Population Data Amendments
**Rep. Stephanie Gricius**
*(Effective May 7, 2025)*

- Authorizes the Tax Commission to disclose aggregated information to the Utah Population Committee upon request.
- Effective July 1, 2025, directs the Tax Commission to use the most recent Utah population estimate from the Utah Population Committee for purposes of the calculations requiring the population of a jurisdiction and provides that if the Utah Population Committee has not estimated the population of a municipality or unincorporated area, the commission shall use the adjusted sub-county population estimate.
- Defines "adjusted sub-county population estimate" and "Utah Population Committee county raking factor."

## HB 428 Property Tax Changes
**Rep. Jill Koford**
*(Effective May 7, 2025)*

- Requires consensus among the Tax Commission, the Governor's Office of Planning and Budget, and the Office of the Legislative Fiscal Analyst in certifying the minimum basic tax rate.

### HB 455 Utah Fits All Scholarship Program Amendments
**Rep. Candice B. Pierucci**
*(Effective March 6, 2025)*

- Specifies the Tax Commission's role in disclosing the state individual income tax return information of a parent to the Utah Fits All Scholarship Program manager.

### HB 456 Transient Room Tax Amendments
**Rep. Bridger Bolinder**
*(Effective July 1, 2025)*

- Increases the maximum rate of the transient room tax that certain counties may impose under §59-12-301.
- For purposes of the *State Transient Room Tax Act*, defines the terms "initial rate" and "secondary rate."
- Imposes an additional state transient room tax in a county of the 1st class.

### HB 502 Transportation and Infrastructure Funding Amendments
**Rep. Jordan D. Teuscher**
*(Effective May 7, 2025)*

- Provides for distribution of certain county-option sales taxes into certain highway and transportation funds.
- Requires a large public transit district to provide notice to the Tax Commission when three counties that are entirely annexed into a large transit district have imposed the tax under §59-12-2220.

### HB 514 Vehicle Registration Changes
**Rep. Ariel Defay**
*(Effective Jan. 1, 2026)*

- Allows an individual to choose to receive registration renewal notifications through both mail and electronic means.
- Permits certain vehicle types to be registered for a 24-month period.
- Sets the registration fees for the 24-month registration at double the amount of any tax or fee that would be due for the same vehicle for a 12-month period and directs the revenue to be distributed as would be required for a 12-month registration.
- Specifies that, if a 24-month registration extends from one age-based fee bracket to another age-based fee bracket, the total age-based fee shall be the amount due for each age-based fee bracket respectively.
- Prohibits an interstate-apportioned vehicle from being registered for a 24-month period.

### HB 547 Diaper Program Amendments
**Rep. Rosalba Dominguez**
*(Retrospective to Jan. 1, 2025)*

- Creates a special revenue fund called the "Diaper Supplies Fund," funded by individuals who choose to donate a portion of their income tax refund on their tax returns.
- Provides for removal of the contribution if total contributions to the Diaper Supplies Fund equal less than $30,000 per year for three consecutive years.

## Senate Bills

### SB 13 Property Tax Reimbursement Amendments
**Sen. Lincoln Fillmore**
*(Effective January 1, 2026)*

- Defines "qualified rental business."
- Allows a qualified rental business to charge a recovery fee for a piece of heavy equipment if the renter is not a government entity.
- Provides that the recovery fee must be stated separately on the receipt and is not subject to sales and use tax.

### SB 16 Property Tax Notice Amendments
**Sen. Lincoln Fillmore**
*(Retrospective to Jan. 1, 2025)*

- Requires that a tax notice include a statement about the option of tax deferral for an owner at least 65 years old who is experiencing extreme hardship.
- Limits tax deferral to an owner who is an indigent individual.

### SB 23 First Home Investment Zone Amendments
**Sen. Wayne A. Harper**
*(Effective May 7, 2025)*

- Changes the definition of "base year" to refer to a first home investment zone area instead of a housing and transit reinvestment zone area.

### SB 26 Housing and Transit Reinvestment Zone Amendments
**Sen. Wayne A. Harper**
*(Effective March 12, 2025)*

- Allows for the creation of a Convention Center Reinvestment Zone (CCRZ) and establishes the approval process.
- Authorizes a convention center public infrastructure district (district) to levy a property tax within a CCRZ.
- Addresses tax distribution issues regarding Housing and Transit Reinvestment Zone (HTRZ)s.

- Provides a method for the taxable sales resulting from construction within an HTRZ or CCRZ to be identified by the Tax Commission.
- Requires a CCRZ sales and use tax boundary to be a single contiguous area that is based on zip+4 and follows as closely as possible to the approved boundary but ensuring that all parcels of the CCRZ are included within the boundary.

## SB 27 Motor Vehicle Division Amendments

**Sen. Wayne A. Harper**

*(Effective May 7, 2025)*

- Modifies certain definitions for purposes of Title 41, Chapter 1a, and Title 41, Chapter 6a.
- Requires the DMV to revoke the registration of a motorboat if it receives notice from Insure-Rite of lapsed liability insurance during the months of April through October.
- Clarifies which registration fees a street-legal ATV is subject to.
- Defines "off-highway motorcycle" for purposes of Title 41, Chapter 22, and clarifies that an off-highway motorcycle is not required to display an off-highway license plate but is required to display an off-highway vehicle registration sticker.
- Effective Jan. 1, 2026, authorizes the DMV to create a fleet of personal vehicles with the same registration period for all vehicles in the fleet and establishes requirements for that fleet.

## SB 40 Sales and Use Tax Act Amendments

**Sen. Daniel McCay**

*(Effective May 7, 2025)*

- Clarifies that if a seller fails to collect the correct sales and use tax rate due to reliance on incorrect data provided by the Tax Commission, they are not liable until the first day of a calendar quarter 90 days after the Tax Commission notifies them of the error.
- Authorizes certain counties to reauthorize the county option ZAP tax for two consecutive 10-year periods with a majority vote of the county legislative body.
- Authorizes certain counties to reauthorize the rural county health care tax for one additional 10-year period after Jan. 1, 2024, without seeking voter approval.
- Authorizes certain cities to reauthorize the rural city hospital tax for one additional 10-year period after Jan. 1, 2024, without seeking voter approval.

## SB 47 Sales and Use Tax Remittance Amendments

**Sen. Wayne A. Harper**

*(Effective July 1, 2025)*

- Repeals the requirement that a seller or marketplace facilitator has to collect and pay sales and use tax if they sell tangible personal property, products transferred electronically, or services for storage, use or consumption in Utah in more than 200 separate transactions.

## SB 52 Vehicle Registration Modifications

**Sen. Brady Brammer**

*(Effective March 25, 2025)*

- Permits the Tax Commission to contract with Insure-Rite to determine whether a vehicle or vessel's insurance is associated with a Utah address.
- Permits the Tax Commission to investigate any vehicles or vessels that are identified by Insure-Rite as having insurance inside Utah but not registered in Utah.
- Provides that, if the Tax Commission's investigation reveals that the owner of the vehicle or vessel is not in compliance with motor vehicle registration or sales tax law, the Tax Commission may impose a penalty and notify the owner that they have 60 days to come into compliance.
- Provides that if an owner fails to come into compliance within 60 days the commission may impose an additional penalty.
- Permits the Tax Commission to waive penalties in certain circumstances.

## SB 71 Social Security Tax Revisions

**Sen. Wayne A. Harper**

*(Retrospective to Jan. 1, 2025)*

- Changes the calculation of the nonrefundable individual income tax credit for social security benefits.
- Expands eligibility for a nonrefundable individual income tax credit for social security benefits.

## SB 91 Restaurant Tax Revisions

**Sen. Lincoln Fillmore**

*(Effective Jan. 1, 2026)*

- For purposes of the Tourism, Recreation, Cultural, Convention, and Airport Facilities Tax Act, defines "convenience store," "customized," "gas station" and "grocery store."
- Imposes the 1 percent restaurant tax on customized prepared food sold by a convenience store, gas station, or grocery store.

## SB 95 Truth in Taxation Amendments

**Sen. Heidi Balderree**

*(Retrospective to Jan. 1, 2025)*

- Defines "meeting" in the truth and taxation provisions to mean the same as that term is defined in the Open and Public Meetings Act.

## SB 121 Property Loss Amendments

**Sen. Jen Plumb**

*(Effective May 7, 2025)*

- Allows the Tax Commission to charge a nominal fee to prepare a certificate of good standing for a business that needs the certificate to participate in a loan program operated out of the Property Loss Related to Homelessness Compensation Enterprise Fund.

## SB 151 Income Tax Contributions Amendments
**Sen. Don L. Ipson**
*(Retrospective to Jan. 1, 2025)*

- Creates the Statewide Hunger Relief Fund, funded by a contribution on the Utah Individual Income Tax Return.
- Provides for removal of the individual income tax contribution if total contributions are less than $30,000 per year for three consecutive years.

## SB 162 Talent Connect
**Sen. Ann Millner**
*(Effective July 1, 2025)*

- Requires the Tax Commission to partner with the talent portal administrator of the Utah High-Demand Talent Portal to reconcile that employers registering to use the talent portal are businesses registered to do business in Utah and are in good standing.

## SB 166 Point of the Mountain State Land Authority Amendments
**Sen. Jerry W. Stevenson**
*(Effective March 12, 2025)*

- Converts the annual assessment on Point of the Mountain state property that is leased to a private entity into a privilege tax on the same leased property.
- Clarifies that privilege tax collections shall be treated in the same manner as property tax collections.

## SB 180 Law Enforcement Usage of Artificial Intelligence
**Sen. Stephanie Pitcher**
*(Effective May 7, 2025)*

- Defines "generative artificial intelligence."
- Requires a law enforcement agency to make a policy regarding the use of generative artificial intelligence by its employees in the course and scope of the agency's work.

## SB 192 Commercial Wind and Solar Incentives Amendments
**Sen. Derrin R. Owens**
*(Effective Jan. 1, 2026)*

- Requires certain commercial wind energy systems of at least 660 kilowatts to include adequate energy storage to qualify for a corporate energy system income tax credit.
- Requires certain commercial solar equipment energy systems of at least 660 kilowatts to include adequate energy storage to qualify for a corporate energy system income tax credit.
- Requires certain commercial wind energy systems of at least 660 kilowatts to include adequate energy storage to qualify for an energy system individual income tax credit.
- Clarifies that in calculating certain commercial energy system income tax credits, electricity that is stored and later sold must be counted at the time the electricity is sold from storage.

## SB 200 Watercraft Amendments
**Sen. Daniel McCay**
*(Effective Jan. 1, 2026)*

- Reduces the statewide uniform fee on a vessel.
- Imposes a Boating Grant Tax on all vessels required to be registered.
- Sets the Boating Grant Tax for a vessel to the amount that the statewide uniform fee on the vessel was reduced.
- Exempts certain vessels from the Boating Grant Tax.
- Modifies the definition of "personal watercraft."
- Defines "water jet device."

## SB 202 Property Tax Revisions
**Sen. Chris H. Wilson**
*(Effective May 7, 2025 & Jan. 1, 2026)*

- Replaces references to corrective action in the property tax code with a new corrective action section that requires the Tax Commission to:
  - take corrective action if a county officer materially fails to perform a duty relating to property assessment; and
  - help the county officer perform the failed duty, charging the county for the cost of the help.
- Makes changes to truth-in-taxation provisions.
- Directs the Tax Commission to develop and administer a training program for county officers who participate in a board of equalization.

## SB 207 Local Impact Mitigation Amendments
**Sen. Ronald M. Winterton**
*(Effective May 7, 2025)*

- Between Jan. 1, 2026 and Jan. 1, 2029, imposes a local impact mitigation tax on producers of oil or gas and exempts certain oil and gas produced.
- Explains when tax is imposed on oil or gas that is stockpiled.
- Specifies oil and gas tax rates and requires that the tax be paid on a quarterly basis.

## SB 213 Sales and Use Tax Modifications
**Sen. Wayne A. Harper**
*(Effective July 1, 2025)*

- Defines "qualifying energy storage manufacturing facility" for purposes of the Sales and Use Tax Act.
- Exempts certain purchases by an operator of a qualifying energy storage manufacturing facility from sales and use tax.

## SB 216 Environmental Quality Amendments
**Sen. Michael K. McKell**
*(Effective July 1, 2025)*

- Imposes an additional radioactive waste disposal tax on certain gross receipts of a radioactive waste facility.
- Imposes a new tax on certain radioactive waste facilities; repeals the new tax on July 1, 2026.

## SB 219 Financial Institution Tax Amendments
**Sen. Michael K. McKell**
*(Effective Jan. 1, 2026)*

- Defines certain terms.
- Directs the Tax Commission to make rules that establish the sales that are included in the sales factor fraction of a financial institution.

## SB 229 Organ Donor Amendments
**Sen. Kathleen A. Riebe**
*(Effective May 7, 2025)*

- Requires the Tax Commission to include in each individual income tax booklet information about organ/tissue donation.

## SB 234 Severance Amendments
**Sen. Derrin R. Owens**
*(Retrospective to Jan. 1, 2025)*

- Allows a taxpayer who pays for all or part of the expenses of a recompletion or workover to claim a nonrefundable tax credit against severance taxes.
- Authorizes nonrefundable tax credit against severance tax owing on natural gas production for a taxpayer who owns or operates a plant that converts natural gas to hydrogen fuel solely for use in zero emission vehicles.
- Repeals the tax credit for mining exploration for taxable years beginning before Jan. 1, 2027.
- Beginning Jan. 1, 2027, enacts the severance tax credit for mining exploration.
- Enacts the nonrefundable high cost infrastructure severance tax credit.

## SB 239 Inland Port Authority Amendments
**Sen. Jerry W. Stevenson**
*(Effective March 3, 2025)*

- Distinguishes between a transition date and a trigger date.
- Allows Utah Inland Port Authority to determine a length of time to collect non-municipal differential from a pre-designation parcel after November 2044.
- Changes the date for commencing collection of non-municipal differential.

## SB 241 Limited Purpose Local Government Amendments
**Sen. Jerry W. Stevenson**
*(Effective March 25, 2025)*

- Allows a basic special district to create a public infrastructure district.
- Modifies provisions related to the annexation of property to or withdrawal of property from a public infrastructure district.
- Provides that a public entity or public person may not receive funds from property tax revenue without a resolution of the public infrastructure district's board.

## SB 251 Commercial Vehicle Registration Amendments
**Sen. Don L. Ipson**
*(Effective July 1, 2025)*

- Defines "Manufacturer's statement of origin" and "Passenger rental car establishment."
- Authorizes the DMV to issue a conditional registration for a new motor vehicle that is a commercial vehicle under certain circumstances.
- Provides that a conditional registration is valid for a 12-month period and has the same fees and taxes as would apply to a commercial vehicle that does not have a conditional registration.
- Restricts renewal of a conditional registration until a Utah title has been obtained for the vehicle.
- Prohibits sale or transfer of a vehicle with a conditional registration until a Utah title has been obtained for the vehicle.
- Directs the DMV to revoke a conditional registration if a Utah title has not been obtained within 10 months.
- Prohibits the DMV from re-registering a vehicle that has had a conditional registration revoked until a Utah title has been obtained for the vehicle.
- Prohibits a conditional registration for a vehicle subject to apportioned registration.

## SB 333 Major Sporting Event Venue Financing Amendments
**Sen. Jerry W. Stevenson**
*(Effective Jan. 1, 2026)*

- Authorizes certain counties to impose a resort communities tax within the unincorporated portion of the county as if the county was a city or town.
- Authorizes a Major Sporting Event Venue Zone (Sports Zone) to impose the municipal transient room tax and the resort communities tax.
- Provides that if a Sports Zone overlaps a project area, the property tax increment collection period for the Sports Zone cannot begin for that parcel unless the project area funds collection period has expired.

- Provides that if a Sports Zone overlaps an existing inactive industrial site community reinvestment project area plan that is already receiving property tax increment, the Sports Zone may capture the difference between 80 percent of the increment and the percentage of increment being captured by the project area.
- Requires the sales and use tax boundary to be a single contiguous area that is based on zip+4 and follows as closely as possible to the Sports Zone boundary approved by the committee but ensuring that all parcels of the sports zone are included within the boundary.
- Authorizes a sales and use tax exemption for the sales of construction materials used for the construction, remodeling or refurbishment of a major sporting event venue within a Sports Zone.

## SB 336 Utah Fairpark Area Investment and Restoration District Modifications

**Sen. Scott D. Sandall**

*(Effective May 7, 2025)*

- Authorizes the Fairpark District to create a public infrastructure district (PID) which can levy a property tax in addition to any amount that the PID may levy for a bond.
- Authorizes a PID created by the Fairpark District to create tax areas within the PID and apply different tax rates to each tax area.

# Tax Commission Annual Report
## Fiscal Year 2024-2025

## Editor

Randolph Prawitt

## Contact

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VERMONT LEGISLATIVE
Joint Fiscal Office

# 2025 Vermont Tax Expenditures Biennial Report

JANUARY 21, 2025

Prepared by
the Vermont Department of Taxes
and the Legislative Joint Fiscal Office
in accordance with
32 V.S.A § 312

VERMONT

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# 2025 Vermont Tax Expenditures Report

## Introduction

The 2025 Vermont Tax Expenditures Report is an updated catalogue of all exemptions, exclusions, deductions, credits, preferential rates, and deferrals of liability applicable to the State's major tax sources as defined in 32 V.S.A. § 312. The report also provides an estimate of the fiscal effect for each tax expenditure. 2025 marks the twentieth year of tax expenditure reporting in Vermont. This report reflects recent research and recommended best practices.[1]

***Tax expenditures are statutory provisions that reduce the amount of revenue that would otherwise be collected to encourage a particular activity or limit the amount of taxes collected from certain persons.*** Tax expenditures have essentially the same fiscal effect as direct government appropriations. Most states publish tax expenditure reports on a regular basis to increase transparency and clarify what public policy choices are being made through the tax code.

The General Assembly has codified statutory purposes for each tax expenditure and defined tax expenditures for reporting requirements. Four categories of items are not considered tax expenditures:

1. revenue outside the taxing power of the State;
2. provisions outside the normal structure of a particular tax;
3. revenue foregone as unduly burdensome to administer; and
4. those excluded for the purpose of avoiding government taxing itself.

This report encompasses tax expenditures to the taxes that represent the majority of the State's annual revenue, including:

1. major income taxes: individual and corporate;
2. major sales taxes: sales and use, meals and rooms, and purchase and use;
3. property taxes;
4. alternative business taxes: bank franchise and insurance premiums; and
5. transportation excise taxes: gasoline, diesel fuel, and motor vehicle purchase and use.

Vermont has additional tax sources that raise smaller amounts of revenue, however these sources are not included in the report.

The estimates in this report are for the cost of providing a particular tax expenditure in a fiscal year. These costs are estimated without regard to the interaction with other provisions in the tax code, implementation issues, or other considerations. Therefore, these values are not a substitute for a more detailed analysis of the revenue gain that would result from the elimination or modification of one of these expenditures in the legislative context.

Of note, the separate biennial tax expenditure review report created by Section 40 of Act 134 of 2016, which included more extensive analyses of specific tax expenditures is no longer required. These review reports included two types of reviews. Expedited reviews briefly analyzed the purpose of a tax expenditure, delineated its cost and benefits and considered whether it meets its intended policy goal. Full review(s) provided a more in-depth economic and fiscal analysis and recommendations on how to improve or modify the expenditure to achieve stated legislative goals.

[1] NCSL Tax Expenditure Budgets and Reports: Best Practices
http://www.ncsl.org/documents/task_forces/Tax_Expenditure_Report.pdf

The Joint Fiscal Office (JFO) completed both this report and prior review reports with data assistance and legal analysis as needed from the Vermont Department of Taxes. Unless otherwise noted, data from the Vermont Department of Taxes was used for this report.

## Organization of the Report

The report is divided into sections according to tax type with a descriptive list of tax expenditures, including statutory reference, date of enactment, estimated foregone revenue, statutory purpose, and a brief description. At the beginning of each section is a summary of the expenditures and multiple year data as well as cost projections for the upcoming budget year.

## Brief Definitions of the Various Tax Bases

Individual and Corporate Income Tax

Prior to tax year 2018, Vermont personal income taxes were linked to the federal tax structure and the State used federal taxable income as the starting point for calculating both personal and corporate State income taxes. Beginning in tax year 2018, the starting point for calculating personal income taxes is federal Adjusted Gross Income. Subtractions from this starting point (Vermont Standard Deduction, Personal Exemption) are Vermont-specific. Corporate income taxes remain linked to federal corporate taxable income.

The value of an income tax expenditure differs depending on where in the income tax calculation it occurs. The value depends on:

1. whether it is a deduction or exclusion from taxable income;
2. a reduction of the Vermont tax prior to applying the income adjustment;
3. income that is exempt and part of the adjustment calculation; or
4. a credit against tax, which may be refundable or nonrefundable.

Sales and Use Tax

Generally, the base of the sales and use tax is final retail sale of tangible personal property. Vermont adopted a definition of "retail sale" developed by a consortium of states as part of the Streamlined Sales and Use Tax Agreement.[2] With some exceptions, this is the tax base for the sales and use tax. Estimating expenditures in sales and use taxes presents different challenges because Vermont does not require the collection of data on items exempted from sales. Therefore, the tax expenditure estimates contained in this report are based on data from a variety of sources for different years and use different methodologies. For sources that do not have annual updates, the data are adjusted for inflation.

Meals and Rooms Tax

The tax on meals and rooms was enacted in 1959.[3] The tax on alcoholic beverages was added in 1963. Unlike the sales tax chapter of Title 32, the meals and rooms tax does not contain an exemption statute. Most of the exemptions or exclusions are found in definitions of the tax base.

[2] Included in 32 V.S.A. § 9701(5)

[3] The definition of "taxable meal" was substantially rewritten in 1993.

Similar to the sales tax, there are some challenges estimating tax expenditures for the meals and rooms tax. As such, the same methodology is used for estimating these expenditures.

Property Tax

Education property taxes, while collected by the municipalities, are considered State revenue. Therefore, associated expenditures are included in this report. Vermont has two State tax rates that apply to the assessed value of both homestead and nonhomestead property, respectively. Homestead property means a principal dwelling and land; nonhomestead property is generally all other taxable real property. For the purposes of this report, a property tax expenditure is almost always a total exemption from tax or an adjustment to the value of the property that results in a lower tax. The tax expenditures in the enumerated list are organized according to type: ordinary exemptions, adjustments to property values, session law exemptions, and property taxed under alternate schemes.

Bank Franchise Tax

Financial institutions doing business in Vermont are taxed on the average monthly deposits held in Vermont by the corporation. There are two categories of tax expenditures reported: deposits in State-chartered credit unions that are not subject to the tax, and expenditures that include tax credits. Credits can be awarded to financial institutions for direct investment or, in the case of the downtown and village center tax credits, indirect bank credit certificates.

Insurance Premiums Tax

Insurance companies doing business in Vermont are taxed on the premiums and assessments written on business in the state. Certain organizations are exempt from paying the insurance premiums tax. There are also some Vermont tax credits available to insurance companies to offset tax liability.

Gasoline and Diesel Taxes

The Department of Motor Vehicles has a gross figure for the number of tax-exempt gallons of gasoline and diesel sold in Vermont. The tax expenditure estimates are derived by using data from several sources to estimate the quantity of dealer-to-dealer sales and the quantity of diesel fuel purchases by the State. local government entities and public transit agencies. These are parsed out from the total provided by the Department of Motor Vehicles.

Motor Vehicle Purchase and Use Tax

The purchase and use tax is based on the value of a vehicle less the value of a vehicle traded. The Department of Motor Vehicles database includes transactions exempted in seven categories and contains information on the vehicle type, make, model, and year, but not the sales price. The expenditure estimate is derived by multiplying the number of transactions in each category by the average tax paid per taxable transaction. There is also an estimate based on a sample of transactions of the additional tax revenue if there was no trade-in allowance. The Joint Fiscal Office and the Vermont Department of Taxes have made estimates based on the best data available for each of the tax types.

# Individual and Corporate Income Tax Expenditures

## Individual Tax Expenditure Summary FY 2022, FY 2023, and FY 2026 (dollars)

| Item Number | Individual Income Tax Expenditure | FY22 amount | FY23 amount | FY26 forecast |
|---|---|---|---|---|
| 11 | Vermont Standard Deduction | 149,150,106 | 149,410,110 | 164,760,000 |
| 12 | Vermont Personal Exemption | 122,064,837 | 122,788,500 | 133,750,000 |
| 13 | Vermont Municipal Bond Income | 1,669,508 | 1,490,333 | 1,620,000 |
| 14 | Capital Gains Exclusion | 23,662,661 | 19,708,894 | 18,300,000 |
| 15/18 | Vermont Social Security Exemption/Civil Service Retirement (CSRS)/Military Retirement Threshold Exemption | 6,185,858 | 7,781,790 | 8,160,000 |
| 16 | Medical Expense Deduction | 4,396,010 | 3,358,101 | 2,440,000 |
| 17 | Student Loan Interest Deduction | - | 582,586 | 700,000 |
| 1.101 | Credit for Child and Dependent Care | 5,415,865 | 4,888,189 | 4,840,000 |
| 1.102 | Credit for Elderly or Disabled | 3,962 | 695 | 3,000 |
| 1.103 | Investment Tax Credit | 1,178,846 | 117,601 | 820,000 |
| 1.104 | Vermont Farm Income Averaging Credit | 104,262 | 132,456 | 110,000 |
| 1.105 | Charitable Contributions Tax Credit | 10,317,744 | 9,799,300 | 9,750,000 |
| 1.201 | Military Pay Exemption | 1,877,060 | 1,886,672 | 1,880,000 |
| 1.202 | Qualified Bond Interest Income Exemption | 51,548 | 40,473 | 50,000 |
| 1.301 | Charitable Housing Credit | 61,661 | 55,337 | 80,000 |
| 1.302 | Affordable Housing Credit | * | * | - |
| 1.303 | Qualified Sale of Mobile Home Park Credit | - | * | - |
| 1.304 | Vermont Higher Education Investment Credit | 4,435,663 | 4,143,768 | 4,140,000 |
| 1.305 | Entrepreneurs' Seed Capital Fund Credit | * | * | - |
| 1.306 | Historic Rehabilitation Tax Credit (Downtown) | * | * | - |
| 1.307 | Façade Improvement Tax Credit (Downtown) | 55,399 | * | 50,000 |
| 1.308 | Code Improvement Tax Credit (Downtown) | 155,017 | 159,542 | 160,000 |
| 1.309 | Research and Development Tax Credit | 537,413 | 911,177 | 670,000 |
| 1.401 | Low Income Child and Dependent Care Credit | 73,384 | N/A | N/A |
| 1.402 | Earned Income Tax Credit | 29,210,622 | 24,524,566 | 26,920,000 |
| 1.403 | Child Tax Credit | | 25,423,933 | 24,000,000 |
| 1.501 | Vermont Business Solar Energy Credit | 232,361 | 119,528 | 200,000 |
| * | Sum of Suppressed Data (fewer than 10 claimants) | 27,226 | 1,148,045 | * |
| | **Total** | **360,867,013** | **377,889,009** | **402,703,000** |

## List of Fiscal Year 2023 Individual Income Tax Expenditures

**10 Adjustments to Taxable Income**

11 Vermont Standard Deduction

Statute: 32 V.S.A. § 5811(21)(C)(ii)-(iii)
Enacted: 2018
Estimate: $164,760,000
# Taxpayers: 358,815

Statutory Purpose: Not listed in statute

Each individual income tax return in Vermont is entitled to take a standard deduction equal to $12,700 for a married couple, $6,350 for a single filer, and $9,500 for a head of household in tax year 2023. An additional $1,000 is deduction can be taken for taxpayers over the age of 65 or blind taxpayers.

Prior to 2018, because the starting point for Vermont personal income taxes was federal taxable income, the federal standard deduction flowed through to Vermont. Previous tax expenditure reports catalogued this as a federal flow-through expenditure. After 2018, the expenditure was largely the same, however, it was a Vermont-specific deduction rather than a federal flow-through.

12 Vermont Personal Exemptions

Statute: 32 V.S.A. § 5811(21)(C)(i)
Enacted: 2018
Estimate: $133,750,000
# Taxpayers: 328,322

Statutory Purpose: Not listed in statute

Vermont allows each individual tax return to take $4,250 per person in personal exemptions for the taxpayer, spouse, and each qualifying dependent.

Prior to 2018, because the starting point for Vermont personal income taxes was federal taxable income, the federal standard deduction flowed through to Vermont. Previous tax expenditure reports catalogued this as a federal flow-through expenditure. After 2018, the expenditure was largely the same, however, it was a Vermont-specific deduction rather than a federal flow-through.

13 Vermont Municipal Bond Income Exemption

Statute: 32 V.S.A. § 5811(21)(A)(i)
Enacted: 1986
Estimate: $1,620,000
# Taxpayers: 5,209

Statutory Purpose: 32 V.S.A. § 5813(a)

The statutory purpose of the exemption for Vermont municipal bond income in subdivision 5811(21)(A)(i) of this title is to lower the cost of borrowing in order to finance State and municipal projects.

Interest income from State and local government obligations is exempt from taxation in Vermont. However, interest income from non-Vermont state and local obligations is added to AGI when calculating the Vermont Taxable Income.

14 Capital Gains Exclusion

Statute: 32 V.S.A. § 5811(21)(B)(ii)
Enacted: 2002; amended 2009, 2010
Estimate: $18,300,000
# Taxpayers: 43,272

Statutory Purpose: 32 V.S.A. § 5813(b)
The statutory purpose of the Vermont flat capital gains exclusion in subdivision 5811(21)(B)(ii) of this title is intended to increase savings and investment by making the effective tax rate on capital gains income lower than the effective tax rate on earned income while exempting a portion of the gain that may represent inflation. The 40% business capital gains exclusion mitigates the impact of one-time realizations in a progressive tax structure.

Taxpayers may reduce taxable income by up to $5,000 in adjusted net capital gain income or 40% adjusted net capital gain income from the sale of certain business assets held for more than three years. The exclusion amount cannot exceed 40% of federal taxable income. Beginning tax year 2019, the 40% exclusion is limited to $875,000 worth of capital gains.

15 Social Security Exemption

Statute: 32 V.S.A. § 5811(21)(B)(iv)
Enacted: 2018
Estimate: $8,160,000*
# Taxpayers: 29,827*
*Data includes the retirement exemptions in item 18 below
Statutory Purpose: 32 V.S.A. § 5813(w)
The statutory purpose of the partial exemption of federally taxable benefits under the Social Security Act in section 5830e of this title is to lessen the tax burden on Vermonters with low to moderate income who derive part of their income from Social Security benefits.

A taxpayer's Social Security benefits are permitted to be excluded from their taxable income depending upon their income. 100% of Social Security benefits are exempt for a single taxpayer with adjusted gross income (AGI) of less than $50,000 and a married couple with AGI less than $65,000. The benefit is phased out over the next $10,000 such that single taxpayers with AGI above $60,000 and married couples with AGI above $75,000 receive no exemption.[4] Prior to 2022, these income thresholds were $45,000 for single filers and $60,000 for married couples.

[4] The income thresholds for the Social Security Exemption were increased by $5,000 in Act 138 of 2022. Social Security benefits receive a full exemption for single taxpayers with AGI below $50,000 and $65,000 for married taxpayers. The phase out continues over the next $10,000 from the new thresholds. The updated threshold will take effect in tax year 2022.

16 Vermont Medical Deduction

Statute: 32 V.S.A. § 5811(21)(C)(iv)
Enacted: 2019
Estimate: $2,440,000
# Taxpayers: 2,361

Statutory Purpose: Not listed in statute

The medical deduction allows Vermont taxpayers to deduct the amount of their itemized medical and dental expenses taken at the federal level beyond the Vermont standard deduction and personal exemptions. Entrance and monthly fees to continuing care retirement communities are not eligible for the deduction.

17 Student Loan Interest Deduction

Statute: 32 V.S.A. § 5811(21)(B)(vi)
Enacted: 2022
Estimate: $700,000
# of Taxpayers: 5,319

Statutory Purpose: 32 V.S.A. § 5813(z)
The statutory purpose of the exclusion from income of student loan interest paid in subdivision 5811(21)(B)(vi) of this title is to lessen the financial impact of higher education debt on Vermonters.

Taxpayers may deduct interest paid on qualified education loan for the costs of attendance at an eligible educational institution from their taxable income. Single taxpayers must have AGI below $120,000 and married taxpayers must have AGI below $200,000 to fully deduct student loan interest paid from their Vermont Taxable Income.

18 Civil Service Retirement (CSRS) and Military Retirement Threshold Exemption

Statute: 32 V.S.A. § 5830e
Enacted: 2022
Estimate: $8,160,000*
# Taxpayers: 29,827*
*Data includes the social security exemption in item 15 above
Statutory Purpose: 32 V.S.A. § 5813(w)
The statutory purpose of the partial exemption of federally taxable benefits under the Social Security Act and certain retirement income in section 5830e of this title is to lessen the tax burden on Vermonters with low to moderate income who derive part of their income from Social Security benefits and certain retirement income.

A taxpayer is entitled to exemption up to $10,000 in income received from Civil Service Retirement System and Military Retirement benefits. The exemption allows single taxpayers with up $50,000 AGI and married taxpayers with up to $65,000 AGI a full exemption on this income. The benefit is phased out over the next $10,000 such that single taxpayers with AGI above $60,000 and married couples with AGI above $75,000 receive no exemption. Taxpayers must elect if they will take the Military Retirement, CSRS exemption or the exemption on Social Security benefits

## 1.100 Vermont Tax Credits Applied before Income Adjustment

1.101 Credit for Child and Dependent Care

Statute: 32 V.S.A. § 5822(d)
Enacted: 1967
Estimate: $4,840,000
# Taxpayers: 11,921

Statutory Purpose: 32 V.S.A. § 5813(c)
The statutory purpose of the Vermont credit for child and dependent care in subsection 5822(d) of this title is to provide financial assistance to employees who must incur dependent care expenses to stay in the workforce in the absence of prekindergarten programming.

Prior to 2022 a taxpayer was entitled to a nonrefundable tax credit equal to 24% of the federal child and dependent care credit applied against Vermont tax liability. A taxpayer could claim this credit or the low-income child and dependent care credit, but not both. Starting in 2022, a taxpayer is entitled to a refundable credit equal to 72% of the federal child and dependent care credit applied against Vermont tax liability.

1.102 Credit for Elderly or Disabled

Statute: 32 V.S.A. § 5822(d)
Enacted: 1967
Estimate: $3,000
# Taxpayers: 42

Statutory Purpose: 32 V.S.A. § 5813(d)
The statutory purpose of the Vermont credit for persons who are elderly or disabled in subsection 5822(d) of this title is to provide financial assistance to seniors and persons who are disabled with little tax-exempt retirement or disability income.

A taxpayer is entitled to a nonrefundable tax credit equal to 24% of the federal credit available to the elderly (age 65 or older) and permanently disabled, which was applied against federal tax liability.

1.103 Investment Tax Credit

Statute: 32 V.S.A. § 5822(d)
Enacted: 1967
Estimate: $1,020,000*
# Taxpayers: 268*
*includes estimate for 1.501 Vermont Business Solar Energy Credit

Statutory Purpose: 32 V.S.A. § 5813(e)
The statutory purpose of the Vermont investment tax credit in subsection 5822(d) of this title is to encourage Vermont business investments by lowering the effective costs of certain activities.

A taxpayer is entitled to a nonrefundable tax credit equal to 24% of the federal investment tax credit applied against federal tax liability for Vermont-property investment in the following activities: rehabilitation (IRC § 47), energy (IRC § 48(a)), advanced coal products (IRC § 48(a)), and gasification products (IRC § 48B(e)). The Business Solar Credit claimed against individual

income tax under the Investment Tax Credit umbrella is the only component of this exemption that can be carried forward, and solar credits can be carried forward for a period of five years.

1.104 Farm Income Averaging Credit

Statute: 32 V.S.A. § 5822(c)(2)
Enacted: 2002
Estimate: $110,000
# Taxpayers: 109

Statutory Purpose: 32 V.S.A. § 5813(f)
The statutory purpose of the Vermont farm income averaging credit in subdivision 5822(c)(2) of this title is to mitigate the adverse tax consequences of fluctuating farm incomes under a progressive tax structure and to provide stability to farm operations.

A nonrefundable tax credit is available in the amount of 24% of the reduction in the taxpayer's federal tax liability due to farm income averaging.

1.105 Charitable Contributions Tax Credit

Statute: 32 V.S.A. § 5822(c)(3)
Enacted: 2018
Estimate: $9,750,000
# Taxpayers: 99,453

Statutory Purpose: 32 V.S.A. § 5813(x)
The statutory purpose of the charitable contribution credit in subdivision 5822(d)(3) of this title is to reduce the tax liability for Vermonters who contribute to charitable causes.

A taxpayer is entitled to a nonrefundable tax credit equal to 5% charitable contributions applied against their tax liability. The credit is applicable to the first $20,000 in contributions.

## 1.200 Adjustments to Vermont Income Tax

1.201 Military Pay

Statute: 32 V.S.A. § 5823(a)(2) and (b)(3)
Enacted: 1966
Estimate: $1,880,000
# Taxpayers: 1,425

Statutory Purpose: 32 V.S.A. § 5813(g)
The statutory purpose of the exemption for military pay in subdivisions 5823(a)(2) and (b)(3) of this title is to provide additional compensation for military personnel in recognition of their service to Vermont and to the country.

Exempts all military pay for full-time active duty earned outside Vermont. This also exempts the first $2,000 of military pay earned for commander certified unit training in Vermont for National Guard or United States Reserve personnel who have a federal AGI under $50,000. Exemption also applies to funds received through the federal armed forces educational loan repayment program.

1.202 Qualified Bond Interest Income Exemption

Statute: 16 V.S.A. § 2825 (VSAC); 30 V.S.A. § 8074 (VTA)
Enacted: 1965; 2007
Estimate: $50,000
# Taxpayers: 210

Statutory Purpose: 16 V.S.A. § 2826; 30 V.S.A. § 8060(c)
(a) The statutory purpose of the exemption for interest income from Vermont Student Assistance Corporation (VSAC) bonds in section 2825 of this title is to lower the cost of borrowing in order to finance education loan programs.
(c) The statutory purpose of the exemption for Vermont Telecommunications Authority bonds and notes in section 8074 of this title is to lower the cost of borrowing in order to finance the expansion of broadband access across the State.

The exemption applies to interest and income from these sources when included in a taxpayer's federal AGI.

**1.300 Vermont Tax Credits Applied after Income Adjustment**

1.301 Charitable Housing Credit

Statute: 32 V.S.A. § 5830c
Enacted: 1990
Estimate: $80,000
# Taxpayers: 73

Statutory Purpose: 32 V.S.A. § 5813(h)
The statutory purpose of the Vermont charitable housing credit in section 5830c of this title is to enable lower capital cost to certain affordable housing charities by restoring some of the forgone investment income through a tax credit to the investor.

Vermont taxpayers may receive nonrefundable credit equal to the difference between the net income that would have been received at the charitable threshold rate and the actual net income received by, or credited to, the taxpayer. The credit cannot exceed 3% of the average outstanding principal balance of the investment during the taxable year. Unused credits may be carried forward for three years.

1.302 Affordable Housing Credit

Statute: 32 V.S.A. § 5930u
Enacted: 2000
Estimate: Not disclosed
# Taxpayers: Fewer than 10

Statutory Purpose: 32 V.S.A. § 5813(i)
The statutory purpose of the Vermont affordable housing credit in section 5930u of this title is to increase the capital available to certain affordable housing projects for construction or rehabilitation by attracting up-front private investment.

A nonrefundable tax credit may be taken for an affordable rental housing project or owner-occupied affordable housing units, provided the project has been authorized by the Vermont Housing Finance Agency. The amount of the credit is based on a taxpayer's eligible cash contribution and the Agency's allocation plan. Total tax credits available to the taxpayer are the amount of the first-year allocation plus the succeeding four years' deemed allocation. (These credits are taken almost exclusively against bank franchise tax and insurance premiums tax.)

1.303 Qualified Sale of Mobile Home Park Credit

Statute: 32 V.S.A. § 5828
Enacted: 1998
Estimate: Not disclosed
# Taxpayers: Fewer than 10

Statutory Purpose: 32 V.S.A. § 5813(j)
The statutory purpose of the Vermont qualified sale of a mobile home park credit in section 5828 of this title is to encourage sales of mobile home parks to a group composed of a majority of the mobile home park leaseholders, or to a nonprofit organization that represents such a group, and, in doing so, to provide stability to the inhabitants of such mobile home parks.

The taxpayer is entitled to a nonrefundable credit worth 7% of the taxpayer's gain from the sale of a mobile home park subject to federal income tax. Unused credits may be carried forward for three years.

1.304 Higher Education Investment Credit

Statute: 32 V.S.A. § 5825a
Enacted: 2003 (revised in 2007)
Estimate: $4,140,000
# Taxpayers: 7,168

Statutory Purpose: 32 V.S.A. § 5813(k)
The statutory purpose of the Vermont higher education investment credit in section 5825a of this title is to encourage contributions to 529 plans that would not otherwise occur and to lower the cost of higher education for Vermont students and the Vermont taxpayers who financially support them.

A taxpayer, including each spouse filing a joint return, is entitled to a nonrefundable credit of 10% for the first $2,500 contributed for each beneficiary to a Vermont higher education investment plan account. A recipient of this credit is subject to a 10% repayment for any distribution not excluded from federal AGI, up to a maximum of the total credits received.

1.305 Entrepreneurs' Seed Capital Fund Credit

Statute: 32 V.S.A. § 5830b
Enacted: 2004
Estimate: Not disclosed
# Taxpayers: Fewer than 10

Statutory Purpose: 32 V.S.A. § 5813(l)
The statutory purpose is to provide incentives for investment in the Seed Capital Fund, ensuring it has sufficient capital to make equity investments in Vermont businesses.

A taxpayer who contributes to the Seed Capital Fund may claim a nonrefundable credit equal to the lesser of either 4% of the taxpayer's contribution or 50% of the taxpayer's tax liability for the year prior to claiming the credit, provided that the aggregate credit allowable for all taxable years does not exceed 20% of the taxpayer's contribution to the initial capitalization of the fund. Unused credits may be carried forward for four years.

1.306 Historic Rehabilitation Tax Credit

Statute: 32 V.S.A. § 5930cc(a); see § 5930aa – 3930ff
Enacted: 2006
Estimate: Not disclosed
# Taxpayers: Fewer than 10

Statutory Purpose: 32 V.S.A. § 5813(m)
The statutory purpose of the Vermont historical rehabilitation tax credit in subsection 5930cc(a) of this title is to provide incentives to improve and rehabilitate historic properties in designated downtowns and village centers.

A taxpayer who is deemed qualified by the Vermont Downtown Development Board and completes a qualified historic rehabilitation project may claim a nonrefundable credit of 10% of those qualified rehabilitation expenditures. Unused credits may be carried forward for nine years. (A substantial number of these credits are taken against bank franchise tax.)

1.307 Façade Improvement Tax Credit

Statute: 32 V.S.A. § 5930cc(b); see § 5930aa – 5930ff
Enacted: 2006
Estimate: $50,000
# Taxpayers: 10

Statutory Purpose: 32 V.S.A. § 5813(n)
The statutory purpose of the Vermont facade improvement tax credit in subsection 5930cc(b) and sections 5930aa–5930ff of this title is to provide incentives to improve facades and rehabilitate historic properties in designated downtowns and village centers.

Taxpayers are eligible for a nonrefundable credit equal to 25% of expenditures up to $25,000 on a qualified façade improvement project, as approved by the Vermont Downtown Development Board. Unused credits may be carried forward for nine years. (A substantial number of these credits are taken against bank franchise tax.)

1.308 Code Improvement Tax Credit

Statute: 32 V.S.A. § 5930cc(c); see § 5930aa – 5930ff
Enacted: 2006
Estimate: $160,000
# Taxpayers: 10

Statutory Purpose: 32 V.S.A. § 5813(o)
The statutory purpose of the Vermont code improvement tax credit in subsection 5930cc(c) and sections 5930aa–5930ff of this title is to provide incentives to improve and rehabilitate historic properties in designated downtowns and village centers.

Taxpayers are eligible for a nonrefundable credit equal to 50% of costs for qualified code improvement or installation projects, up to the following limits: $12,000 for a platform lift, $50,000 for an elevator or sprinkler system, and $25,000 for combined costs of all other code improvement and installation projects, as approved by the Vermont Downtown Development Board. Unused credits may be carried forward for nine years. (A substantial number of these credits are taken against bank franchise tax.)

1.309 Research and Development Tax Credit

Statute: 32 V.S.A. § 5930ii
Enacted: 2009; effective tax year 2011; modified in 2014
Estimate: $670,000
# Taxpayers: 140

Statutory Purpose: 32 V.S.A. § 5813(p)
The statutory purpose of the Vermont research and development tax credit in section 5930ii of this title is to encourage business investment in research and development within Vermont and to attract and retain intellectual-property-based companies.

A taxpayer is eligible for a nonrefundable credit equal to 27% of the amount of the federal tax credit for eligible research and development expenditures made within Vermont. Unused credits may be carried forward for 10 years. (Note: in tax years 2011-2013 the credit was 30%)

**1.400 Refundable Credits**

1.401 Low-Income Child and Dependent Care Credit

Statute: 32 V.S.A. § 5828c
Enacted: 2002; Repealed in 2022
Estimate: N/A
# Taxpayers: N/A

Statutory Purpose: 32 V.S.A. § 5813(r)
The statutory purpose of the Vermont low-income child and dependent care tax credit in section 5828c of this title is to provide cash relief to lower-income employees who incur dependent care expenses in certified centers to enable them to remain in the workforce.

This credit was repealed in 2022. Prior to 2022 a refundable credit was available for taxpayers with federal AGI under $30,000, if filing individually, or $40,000, if filing jointly. The credit was equal to 50% of the federal child and dependent care credit for child and dependent care services procured in Vermont, so long as the facility providing these services had been certified by the Agency of Human Services.

1.402 Earned Income Tax Credit

Statute: 32 V.S.A. § 5828b
Enacted: 1988
Estimate: $26,920,000
# Taxpayers: 33,522

Statutory Purpose: 32 V.S.A. § 5813(s)
The statutory purpose of the Vermont earned income tax credit in section 5828b of this title is to provide incentives for low-income working families and individuals and to offset the effect on these Vermonters of conventionally regressive taxes.

Prior to 2022 any taxpayer entitled to a federal earned income tax credit could claim a Vermont earned income tax credit in the amount of 36% of the federal credit, proportional to the percentage of total income that was earned or received in Vermont. Starting in 2022 any taxpayer entitled to a federal earned income tax credit may claim a Vermont earned income tax credit in the amount of 38% of the federal credit, proportional to the percentage that was earned or received in Vermont.

1.403 Child Tax Credit

Statute: 32 V.S.A. § 5830f
Enacted: 2022
Estimate: $24,000,000
# Taxpayers: 21,296

Statutory Purpose: 32 V.S.A. § 5813(y)
The statutory purpose of the Vermont child tax credit in section 5830f of this title is to provide financial support to families with young children.

Taxpayers are entitled to a Child Tax Credit for personal income taxes equal to $1,000 per child aged five and under. The credit is fully refundable. It begins to phaseout at $125,000 AGI and is completely phased out by $175,000 for both single and married taxpayers.

## 1.600 Other Personal Income Tax Expenditures

1.601 Vermont Employment Growth Incentive Program

Statute: 32 V.S.A. § 3325-§ 3342
Enacted: 2007, 2015

Statutory Purpose: 32 V.S.A. § 3330
The statutory purpose of the Vermont Employment Growth Incentive Program is to generate net new revenue to the State by encouraging a business to add new payroll, create jobs, and make new capital investments and sharing a portion of the revenue with the business.

The Vermont Economic Progress Council may approve an incentive paid from the incremental tax revenues generated by estimated economic activity. The Department of Taxes verifies whether approved applicants achieve payroll or investment targets in order to receive an incentive. If approved, the incentive is applied as a credit against the firm's withholding tax due. Because incentives are awarded and then paid out incrementally, for the purpose of this report incentives paid over the five-year period of 2018 to 2022 are shown below. The values of these incentives are available in the Vermont Employment Growth Incentives Program 2024 Annual Report.

| Year | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|
| **Incentives Paid to Companies** | $2,520,666 | $2,703,939 | $3,211,750 | $1,965,507 | $2,442,641 |

## Corporate Income Tax Expenditure Summary FY 2022, FY 2023, and FY 2026 (dollars)

| Item Number | Corporate Income Tax Expenditures | FY 2022 Actual | FY 2023 Actual | FY 2026 Projected |
|---|---|---|---|---|
| 21 | Vermont Municipal Bond Income Exemption | Inadequate data | Inadequate data | Inadequate data |
| 2.101 | Charitable Housing Credit | * | * | * |
| 2.102 | Affordable Housing Credit | 0 | 0 | * |
| 2.103 | Qualified Sale of Mobile Home Park Credit | 0 | 0 | * |
| 2.104 | Entrepreneur's Seed Capital Fund | 0 | 0 | 0 |
| 2.105 | Historic Rehabilitation Tax Credit | 0 | * | * |
| 2.106 | Façade Improvement Tax Credit | * | 0 | * |
| 2.107 | Code Improvement Tax Credit | * | 0 | * |
| 2.108 | Machinery and Equipment Tax Credit | 0 | 0 | 0 |
| 2.109 | Research and Development Tax Credit | 4,777,000 | 4,796,000 | 6,292,000 |
| *Suppressed data (fewer than 10 claimants) | | * | * | * |
| | **Total** | **4,777,000** | **4,796,000** | **6,292,000** |

## List of Fiscal Year 2024 Corporate Income Tax Expenditures

**20 Adjustments to Federal Taxable Income**

21 Vermont Municipal Bond Income Exemption

Statute: 32 V.S.A. § 5811(21)(A)(i)
Enacted: 1986
Estimate: Inadequate data
# Taxpayers: Data unavailable

Statutory Purpose: 32 V.S.A. § 5813(a)
The statutory purpose of the exemption for Vermont municipal bond income in subdivision 5811(21)(A)(i) of this title is to lower the cost of borrowing in order to finance State and municipal projects.

Interest income from State and local government obligations is exempt from taxation in Vermont. However, interest income from non-Vermont state and local obligations is added to the amount of federal taxable income.

## 2.100 Vermont Tax Credits

### 2.101 Charitable Housing Credit

Statute: 32 V.S.A. § 5830c
Enacted: 1990
Estimate: Suppressed – fewer than 10 claimants

Statutory Purpose: 32 V.S.A. § 5813(h)
The statutory purpose of the Vermont charitable housing credit in section 5830c of this title is to enable lower capital cost to certain affordable housing charities by restoring some of the forgone investment income through a tax credit to the investor.

Vermont taxpayers who make an authorized charitable investment in an eligible housing charity are entitled to a nonrefundable credit in the amount equal to the difference between the net income that would have been received at the charitable threshold rate and the actual net income received by, or credited to, the taxpayer. The credit cannot exceed 3% of the average outstanding principal balance of the investment during the taxable year. Unused credits may be carried forward for three years.

### 2.102 Affordable Housing Credit

Statute: 32 V.S.A. § 5930u
Enacted: 2000
Estimate: Suppressed – fewer than 10 claimants

Statutory Purpose: 32 V.S.A. § 5813(i)
The statutory purpose is to increase the capital available to certain affordable housing projects for construction or rehabilitation by attracting up-front private investment.

A nonrefundable tax credit may be taken for an affordable rental housing project or owner-occupied affordable housing units, provided the project has been authorized by the Vermont Housing Finance Agency. The amount of the credit is based on a taxpayer's eligible cash contribution and the Agency's allocation plan. Total tax credits available to the taxpayer are the amount of the first-year allocation plus the succeeding four years' deemed allocation. (These credits are taken almost exclusively against bank franchise tax and insurance premiums tax.)

### 2.103 Qualified Sale of Mobile Home Park Credit

Statute: 32 V.S.A. § 5828
Enacted: 1998
Estimate: $0
# Taxpayers: None

Statutory Purpose: 32 V.S.A. § 5813(j)
The statutory purpose of the Vermont qualified sale of a mobile home park credit in section 5828 of this title is to encourage sales of mobile home parks to a group composed of a majority of the mobile home park leaseholders, or to a nonprofit organization that represents such a group, and, in doing so, to provide stability to the inhabitants of such mobile home parks.

The taxpayer is entitled to a nonrefundable credit worth 7% of the taxpayers gain from the sale of a mobile home park. This is measured by the gain subject to federal income tax. Unused credits may be carried forward for three years.

2.104 Entrepreneurs' Seed Capital Fund Credit

Statute: 32 V.S.A. § 5830b
Enacted: 2004
Estimate: $0
# Taxpayers: None

Statutory Purpose: 32 V.S.A. § 5813(l)
The statutory purpose is to provide incentives for investment in the Seed Capital Fund, ensuring it has sufficient capital to make equity investments in Vermont businesses.

A taxpayer who contributes to the Seed Capital Fund may claim a nonrefundable credit equal to the lesser of either 4% of the taxpayer's contribution or 50% of the taxpayer's tax liability for the year prior to claiming the credit, provided that the aggregate credit allowable for all taxable years not to exceed 20% of the taxpayer's contribution to the initial capitalization of the fund. Unused credits may be carried forward for four years.

2.105 Historic Rehabilitation Tax Credit

Statute: 32 V.S.A. § 5930cc(a); see § § 5930aa - 5930ff
Enacted: 2006
Estimate: Suppressed – fewer than 10 claimants

Statutory Purpose: 32 V.S.A. § 5813(m)
The statutory purpose of the Vermont historical rehabilitation tax credit in subsection 5930cc(a) of this title is to provide incentives to improve and rehabilitate historic properties in designated downtowns and village centers.

Credit equals 10% of qualified rehabilitation expenditures as defined in the I.R.C. § 26 U.S.C. § 47(c).

2.106 Façade Improvement Tax Credit

Statute: 32 V.S.A. § 5930cc(b); see § § 5930aa - 5930ff
Enacted: 2006
Estimate: Suppressed – fewer than 10 claimants

Statutory Purpose: 32 V.S.A. § 5813(n)
The statutory purpose of the Vermont facade improvement tax credit in subsection 5930cc(b) and sections 5930aa–5930ff of this title is to provide incentives to improve facades and rehabilitate historic properties in designated downtowns and village centers.

Credit equals 25% of qualified expenditures for façade improvements, up to a maximum amount of $25,000.

2.107 Code Improvement Tax Credit

Statute: 32 V.S.A. § 5930cc(c); see § § 5930aa - 5930ff
Enacted: 2006
Estimate: Suppressed – fewer than 10 claimants

Statutory Purpose: 32 V.S.A. § 5813(o)
The statutory purpose of the Vermont code improvement tax credit in subsection 5930cc(c) and sections 5930aa–5930ff of this title is to provide incentives to improve and rehabilitate historic properties in designated downtowns and village centers.

A qualified applicant is eligible for a tax credit of 50% for qualified expenditures up to a maximum of $12,000 for installation or improvement of a platform lift, a maximum tax credit of $50,000 for installation or improvement of a sprinkler system, and a maximum tax credit of $25,000 for the combined costs of all other qualified code improvements.

2.108 Machinery and Equipment Tax Credit

Statute: 32 V.S.A. § 5930ll
Enacted: 2010
Estimate: $0
# Taxpayers: None

Statutory Purpose: 32 V.S.A. § 5813(t)
The statutory purpose of the Vermont machinery and equipment tax credit in section 5930ll of this title is to provide an incentive to make a major, long-term capital investment in Vermont-based plants and property to ensure the continuation of in-state employment.

A qualified taxpayer approved by the Vermont Economic Progress Council for a machinery and equipment investment tax credit certification is entitled to a nonrefundable credit in an amount equal to 10% of the total qualified capital expenditures. The total amount of credit authorized by statute is $8 million, and may not exceed $1 million in any one tax year. Applies to tax years beginning on January 1, 2012; repealed effective June 1, 2026.

2.109 Research and Development Tax Credit

Statute: 32 V.S.A. § 5930ii
Enacted: 2009; effective Tax Year 2011
Estimate: $6,292,000
# Taxpayers: 140 – this is the count of corporations and businesses that applied this tax at the entity level. Pass-through businesses were removed, as those tax expenditures are accounted for in the Individual Income Tax section.

Statutory Purpose: 32 V.S.A. § 5813(p)
The statutory purpose of the Vermont research and development tax credit in section 5930ii of this title is to encourage business investment in research and development within Vermont and to attract and retain intellectual-property-based companies.

A taxpayer is eligible for a nonrefundable credit equal to 27% of the amount of the federal tax credit for eligible research and development expenditures made within Vermont. Unused credits may be carried forward for 10 years. (Note: the credit was 30% prior to tax year 2014.)

# Sales and Use Tax Expenditures

## Sales Tax Expenditure Summary FY 2022, FY 2023, and FY 2026 (dollars)

| Item Number | Sales Tax Expenditure | FY2022 estimated | FY2023 estimated | FY2026 projected |
|---|---|---|---|---|
| 31 | Medical products | 58,000,000 | 60,500,000 | 65,700,000 |
| 32 | Agricultural inputs | 20,900,000 | 18,700,000 | 21,270,000 |
| 33 | Veterinary supplies | 4,400,000 | 4,800,000 | 5,200,000 |
| 34 | Fuels for railroads and off-road uses | 2,240,000 | 1,910,000 | 1,820,000 |
| 35 | Sales of food | 126,810,000 | 132,010,000 | 143,410,000 |
| 36 | Newspapers | 1,520,000 | 1,560,000 | 1,530,000 |
| 37 | Rentals of washing facilities | 1,200,000 | 1,300,000 | 1,400,000 |
| 38 | Admission fees to nonprofit museums | 3,020,000 | 3,090,000 | 3,320,000 |
| 39 | Items sold to fire, ambulance, and rescue squads | Not estimated | Not estimated | Not estimated |
| 3.01 | Funeral charges | 2,200,000 | 2,400,000 | 2,600,000 |
| 3.011 | Property used in research | Not estimated | Not estimated | Not estimated |
| 3.012 | Agricultural machinery and equipment | 3,770,000 | 4,020,000 | 4,360,000 |
| 3.013 | Energy purchases for a residence | 54,200,000 | 51,550,000 | 55,950,000 |
| 3.014 | Energy purchases for farming | 3,100,000 | 2,780,000 | 3,160,000 |
| 3.015 | Sales of films to movie theaters | 530,000 | 640,000 | 570,000 |
| 3.016 | Aircraft and depreciable parts for commercial use | Not estimated | Not estimated | Not estimated |
| 3.017 | Railroad rolling stock and depreciable parts | 200,000 | 200,000 | 200,000 |
| 3.018 | Ferryboats and depreciable parts | Under 100,000 | Under 100,000 | Under 100,000 |
| 3.019 | Sales of mobile homes and modular housing | 400,000 | 400,000 | 400,000 |
| 3.02 | U.S. flag sold to or by exempt veterans' orgs | Not estimated | Not estimated | Not estimated |
| 3.021 | Property transferred as part of personal service | Not estimated | Not estimated | Not estimated |

| | | | | |
|---|---|---|---|---|
| 3.022 | Advertising materials | Not estimated | Not estimated | Not estimated |
| 3.023 | Documents that record a professional service | Not estimated | Not estimated | Not estimated |
| 3.024 | Tracked vehicles | Not estimated | Not estimated | Not estimated |
| 3.025 | Sales of building materials | Not estimated | Not estimated | Not estimated |
| 3.026 | Scrap construction materials by a third party | Not estimated | Not estimated | Not estimated |
| 3.027 | Property incorporated in railroad line | Not estimated | Not estimated | Not estimated |
| 3.028 | Clothing and footwear | 39,900,000 | 41,500,000 | 45,100,000 |
| 3.029 | Property incorporated into a net metering system | 1,150,000 | 880,000 | 860,000 |
| 3.03 | Purchases by and from 501(c)(3)s | 20,000,000 | 21,800,000 | 22,500,000 |
| 3.031 | Building materials used government of or 501(c)(3)s | Not estimated | Not estimated | Not estimated |
| 3.032 | Amusement charges by nonprofit and political orgs | Not estimated | Not estimated | Not estimated |
| 3.033 | Amusement charges presented by 501(c)(3)s | Not estimated | Not estimated | Not estimated |
| 3.034 | Reallocation of receipts from construction materials | Not estimated | Not estimated | Not estimated |
| 3.035 | Sales to nonprofit hospital service corporations | Not estimated | Not estimated | Not estimated |
| 3.036 | Sales to nonprofit medical service corporations | Not estimated | Not estimated | Not estimated |
| 3.037 | Sales to credit unions | Not estimated | Not estimated | Not estimated |
| 3.038 | Sales by licensed auctioneers | Not estimated | Not estimated | Not estimated |
| 3.039 | Menstrual Products | 690,000 | 710,000 | 760,000 |
| | **Total** | **344,230,000** | **350,750,000** | **380,110,000** |

**30 Sales Not Covered; Transactions and Entities Not Taxed**

31 Medical products

Statute: 32 V.S.A. § 9741(2)
Enacted: 1969 (amended in 2012)
Estimate: $65,700,000

Statutory Purpose: 32 V.S.A. § 9706(a)
The statutory purpose of the exemption for medical products in subdivision 9741(2) of this title is to lower the cost of medical products in order to support the health and welfare of Vermont residents.

This exemption includes several categories of sales for items used in the "treatment intended to alleviate human suffering or to correct . . . human physical disabilities." The exemption includes sales of both prescription and nonprescription drugs, supplies used for medical treatment, and durable medical equipment that is either used directly by a patient, such as an oxygen system, or used in a hospital or clinic such as x-ray or magnetic resonance imaging systems. The 2012 amendment includes nominally priced dental supplies provided to patients without charge under this exemption.

Data sources: U.S. Census Bureau Economic Census, Bureau of Economic Analysis

32 Agricultural inputs

Statute: 32 V.S.A. § 9741(3)
Enacted: 1969 (amended in 2014)
Estimate: $21,270,000

Statutory Purpose: 32 V.S.A. § 9706(b)
The statutory purpose of the exemption for agricultural inputs in subdivision 9741(3) of this title is to promote Vermont's agricultural economy.

This exemption includes several categories of sales for items used in the production on farms of tangible personal property. The exemption applies to a list of specific items, including feed, seed, plants, baler twine, silage bags, sheets of plastic for bunker covers or agricultural wrap, and breeding or other livestock. The exemption also includes pesticides, chemicals, and fertilizers but only when used for agriculture. The 2014 amendment includes high carbon bulking agents used for commercial or on-farm composting or on-farm energy production; and compost, animal manure, manipulated animal manure, and planting mix sold in bulk.

Data sources: USDA Census of Agriculture (Vermont) 2017, BLS and U.S. Congressional Budget Office (CBO)

33 Veterinary supplies

Statute: 32 V.S.A. § 9741(53)
Enacted: 1969
Estimate: $5,200,000

Statutory Purpose: 32 V.S.A. § 9706(c)
The statutory purpose of the exemption for veterinary supplies in subdivision 9741(53) of this title is to lessen the cost of veterinary services in order to support the health and welfare of Vermont animals.

The veterinary supplies exemption applies to both agricultural and non-agricultural animals. It is intended only for those items used in the treatment of animals at a veterinarian or for health-related items that are not otherwise available from non-veterinarian retailers.

Data sources: American Pet Products Association, American Veterinary Medicine Association and U.S. Census CPI

34 Fuels for railroads and off-road uses

Statute: 32 V.S.A. § 9741(7)
Enacted: 1969
Estimate: $1,820,000

Statutory Purpose: 32 V.S.A. § 9706(d)

The statutory purpose of the exemption for fuels for railroads and off-road uses in subdivision 9741(7) of this title is to avoid the taxation of fuels:

(1) for the types of transportation for which public expenditure on infrastructure is unnecessary;

(2) that are already subject to taxation under 23 V.S.A. chapter 27 or 28 in support of public expenditure on infrastructure or are specifically exempt from taxation under either of those chapters; and

(3) in order to promote Vermont's commercial timber and forest products economy.

Data sources: U.S. Energy Information Administration (EIA)

35 Sales of Food

Statute: 32 V.S.A. § 9741(13)
Enacted: 1969
Estimate: $143,410,000

Statutory Purpose: 32 V.S.A. § 9706(e)
The statutory purpose of the exemption for sales of food in subdivision 9741(13) of this title is to limit the cost of goods that are necessary for the health and welfare of all people in Vermont.

Food that is sold for consumption off the premises where it is sold, including groceries, is exempt from the sales tax. This includes vitamins and dietary supplements.

Data source: Bureau of Economic Analysis, Consumer Expenditure Survey (2021), U.S. Census Bureau Economic Census

36 Newspapers

Statute: 32 V.S.A. § 9741(15)
Enacted: 1969; amended in 1980
Estimate: $1,530,000

Statutory Purpose: 32 V.S.A. § 9706(f)
The statutory purpose of the exemption for newspapers in subdivision 9741(15) of this title is to reduce the cost of access to news and community information for people in Vermont.

The sale of newspapers (including newspapers that are given away and not sold) is exempt as are the materials used in the production of newspapers, such as newsprint and ink.

Data source: U.S. Census Bureau Economic Census

37 Rentals of "coin-operated" washing facilities, including car washes

Statute: 32 V.S.A. § 9741(19)
Enacted: 1970
Estimate: $1,400,000

Statutory Purpose: 32 V.S.A. § 9706(g)
The statutory purpose of the exemption for rentals of coin-operated washing facilities in subdivision 9741(19) of this title is to exclude from taxation facilities that are still operated with coins.

Laundry and car washing facilities whether or not coin-operated are exempt from the sales tax.

Data source: U.S. Census Bureau Economic Census

38 Admission fees to nonprofit museums

Statute: 32 V.S.A. § 9741(20)
Enacted: 1970
Estimate: $3,320,000

Statutory Purpose: 32 V.S.A. § 9706(h)
The statutory purpose of the exemption for admission fees to nonprofit museums in subdivision 9741(20) of this title is to support the missions of certain nonprofit facilities and encourage higher visitation.

The admission fees to museums operated by organizations with a federal tax-exempt status are not subject to the sales tax.

Data source: U.S. Census Bureau Economic Census

39 Items sold to fire, ambulance, and rescue squads

Statute: 32 V.S.A. § 9741(21)
Enacted: 1970
Estimate: Data unavailable

Statutory Purpose: 32 V.S.A. § 9706(i)
The statutory purpose of the exemption for items sold to fire, ambulance, and rescue squads in subdivision 9741(21) of this title is to limit the tax on organizations charged with protecting the safety of the public.

This exemption is provided to emergency responders as a particular set of users for equipment and supplies that might otherwise be taxable as tangible personal property. In addition, the materials and equipment used in the construction and renovation of buildings and other real property housing the emergency responders are exempt when purchased by contractors.

3.010 Funeral charges

Statute: 32 V.S.A. § 9741(22)
Enacted: 1970
Estimate: $2,600,000

Statutory Purpose: 32 V.S.A. § 9706(j)
The statutory purpose of the exemption for funeral charges in subdivision 9741(22) of this title is to lessen the costs accumulated by the bereaved.

This exemption includes the purchase of funeral furnishings that are necessary incidents of a funeral, including caskets, vaults, and crematory urns. (The exemption does not include items sold as an accommodation, such as flowers.)

Data sources: U.S. Census Bureau Economic Census

3.011 Property used in commercial, industrial, or agricultural research

Statute: 32 V.S.A. § 9741(24)
Enacted: 1974
Estimate: Data unavailable

Statutory Purpose: 32 V.S.A. § 9706(k)
The statutory purpose of the exemption for commercial, industrial, or agricultural research tangible personal property use in subdivision 9741(24) of this title is to reduce financial barriers to research and innovation in the commercial, industrial, and agricultural industries.

Property purchased and used in commercial, industrial, or agricultural research is exempt from the sales tax.

3.012 Agricultural machinery and equipment

Statute: 32 V.S.A. § 9741(25)
Enacted: 1974
Estimate: $4,360,000

Statutory Purpose: 32 V.S.A. § 9706(l)
The statutory purpose of the exemption for agricultural machinery and equipment in subdivision 9741(25) of this title is to promote Vermont's agricultural economy.

The purchase of machinery and equipment used in the production of agricultural goods and livestock is exempt from the sales tax.

Data source: USDA Census of Agriculture (VT) 2017 and Farm Production Expenditures

3.013 Energy purchases for a residence

Statute: 32 V.S.A. § 9741(26)
Enacted: 1977
Estimate: $55,950,000

Statutory Purpose: 32 V.S.A. § 9706(m)
The statutory purpose of the exemption for energy purchases for a residence in subdivision 9741(26) of this title is to limit the cost of goods that are necessary for the health and welfare of Vermonters.

Electricity, fuel oil, natural gas, propane, and other fuels are subject to tax as tangible personal property. When these fuels are sold to residences, the fuel supplier or utility is not required to collect the sales tax. A fuel tax of $0.02 per gallon is applied to heating oil, kerosene, propane gas, and other dyed diesel fuels. A 0.75% gross receipts tax is applied to natural gas and coal, and a 0.5% gross receipts tax is applied to electricity used to heat a residence or business (33 V.S.A. § 2503). A gross operating revenue tax on utilities is also assessed, and the rates depend on the type of utility (30 VSA § 22).

Data sources: EIA Residential Energy Consumption Survey, BLS Household Energy Consumer Price Index

3.014 Energy purchases for farming

Statute: 32 V.S.A. § 9741(27)
Enacted: 1977
Estimate: $3,160,000

Statutory Purpose: 32 V.S.A. § 9706(n)
The statutory purpose of the exemption for energy purchases for farming in subdivision 9741(27) of this title is to promote Vermont's agricultural economy.

When electricity, fuel oil, natural gas, propane and other fuels are sold to farmers, the fuel supplier or utility is not required to collect the sales tax.

Data sources: USDA Census of Agriculture (VT) 2017

3.015 Sales (or lease) of films to movie theaters

Statute: 32 V.S.A. § 9741(28)
Enacted: 1981
Estimate: $570,000

Statutory Purpose: 32 V.S.A. § 9706(o)
The statutory purpose of the exemption for sales of films to movie theaters in subdivision 9741(28) of this title is to avoid double taxation.

Movie theaters that charge for admission do not need to pay sales tax on the purchase or licensed use of films from film distributors.

Data source: National Association of Theater Owners

3.016 Aircraft and depreciable parts for commercial and private (parts only) use

Statute: 32 V.S.A. § 9741(29)
Enacted: 1986
Estimate: Data Unavailable

Statutory Purpose: 32 V.S.A. § 9706(p)
The statutory purpose of the exemption for aircraft and depreciable parts for commercial and private use in subdivision 9741(29) of this title is to promote the growth of the aircraft maintenance industry in Vermont by lowering the cost of parts and equipment relative to other states with private airplane maintenance facilities.

This exemption is for the purchase of aircraft but not drones, sold to a person that holds itself out of the general public as engaging in air commerce, for use primarily in the carriage of persons or property for compensation or hire and for parts, machinery, and equipment to be installed in any aircraft other than drones.

3.017 Railroad rolling stock and depreciable parts

Statute: 32 V.S.A. § 9741(30)
Enacted: 1986
Estimate: $200,000

Statutory Purpose: 32 V.S.A. § 9706(q)
The statutory purpose of the exemption for railroad rolling stock and depreciable parts in subdivision 9741(30) of this title is to increase the use of rail for transport.

This exemption includes the purchase of railroad locomotives and cars and the parts and equipment used in their maintenance.

3.018 Ferryboats and depreciable parts

Statute: 32 V.S.A. § 9741(31)
Enacted: 1988
Estimate: Less than $100,000

Statutory Purpose: 32 V.S.A. § 9706(r)
The statutory purpose of the exemption for ferryboats and depreciable parts in subdivision 9741(31) of this title is to increase the use of ferries for transport.

This exemption includes the purchase of ferries used in the transport of people and property for compensation or hire, and the parts and equipment used in their maintenance.

Data source: History of Lake Champlain Ferries 1947–2005.

3.019 Sales of mobile homes and modular housing

Statute: 32 V.S.A. § 9741(32)
Enacted: 1989
Estimate: $400,000

Statutory Purpose: 32 V.S.A. § 9706(s)
The statutory purpose of the exemption for sales of mobile homes and modular housing in subdivision 9741(32) of this title is to create equity between mobile and modular housing and traditional residential construction by providing an exemption for the estimated portion of the cost attributable to labor (versus materials).

Forty percent of the sales price of a new mobile home or manufactured home is exempt from the sales tax (the remaining 60% is subject to the sales tax). In the case of a used mobile home or manufactured home when sold as real estate, there is no sales tax. Real estate transactions are subject to the property transfer tax.

Data Source: U.S. Census Bureau, Manufactured Housing Survey

3.020 U.S. flag sold to or by exempt veterans' organizations

Statute: 32 V.S.A. § 9741(33)
Enacted: 1990
Estimate: Data unavailable

Statutory Purpose: 32 V.S.A. § 9706(t)
The statutory purpose of the exemption for the U.S. flag sold to or by exempt veterans' organizations in subdivision 9741(33) of this title is to support veterans' organizations in performing their traditional functions.

U.S. flags purchased or sold by exempt veteran's organizations are exempt from the sales tax.

3.021 Property transferred as part of personal service transaction or transfer of intangible property rights

Statute: 32 V.S.A. § 9741(35)
Enacted: 1995
Estimate: Data unavailable

Statutory Purpose: 32 V.S.A. § 9706(u)
The statutory purpose of the exemption for property transferred as an incidental part of a personal service transaction or transfer of intangible property rights in subdivision 9741(35) of this title is to forgo taxation when the cost of compliance exceeds the revenues.

Transactions that focus on the sale of personal services such as bookkeeping or hair styling or the transfer of intangible property, such as stocks or marketing logos, may also require the transfer of tangible property. The transaction is exempt from sales tax as long as the value of the tangible personal property transferred is less than 10% of the sales price for the complete transaction.

3.022 Advertising materials

Statute: 32 V.S.A. § 9741(36)
Enacted: 1995
Estimate: Data unavailable

Statutory Purpose: 32 V.S.A. § 9706(v)
The statutory purpose of the exemption for advertising materials in subdivision 9741(36) of this title is to exclude tangible personal property from taxation if it is incidental to a larger service.

Transactions that transfer the right to use advertising materials are exempt from sales tax. Such transactions may include the transfer of a single copy of advertising materials to the purchasing customer.

3.023 Documents that record a professional service

Statute: 32 V.S.A. § 9741(37)
Enacted: 1995
Estimate: Data unavailable

Statutory Purpose: 32 V.S.A. § 9706(w)
The statutory purpose of the exemption for documents that record a professional service in subdivision 9741(37) of this title is to exclude tangible personal property from taxation if it is incidental to a service package.

Bills, invoices, briefs, agreements, and wills are examples of documents that may be provided to customers without the payment of the sales tax on the price of the transaction.

3.024 Tracked vehicles

Statute: 32 V.S.A. § 9741(38)
Enacted: 1997
Estimate: Data unavailable

Statutory Purpose: 32 V.S.A. § 9706(x)
The statutory purpose of the tracked vehicles cap in subdivision 9741(38) of this title is to lessen the cost of capital investments.

The sale of tracked vehicles is subject to the sales tax. The exemption applies on sales that would otherwise result in a tax paid above a capped amount. The cap is required by law to be adjusted by the Consumer Price Index as of July 1 in each even-numbered year. The cap was $1,200 in fiscal year 2011 and $1,260 in fiscal year 2012.

3.025 Sales of building materials

Statute: 32 V.S.A. § 9741(39)(i) and (ii)
Enacted: 1997
Estimate: Data unavailable

Statutory Purpose: 32 V.S.A. § 9706(y)
The statutory purpose of the exemption for sales of building materials in subdivisions 9741(39) of this title is to provide incentives to restore and revitalize downtown districts.

Sales of building materials within any three consecutive years in excess of $1,000,000 in purchase value used in the construction, renovation, or expansion of facilities which are used exclusively, except for isolated or occasional uses, for the manufacture of tangible personal property for sale.

3.026 Scrap construction materials by a third party

Statute: 32 V.S.A. § 9741(43)
Enacted: 1998
Estimate: Data unavailable

Statutory Purpose: 32 V.S.A. § 9706(z)
The statutory purpose of the exemption for third party scrap construction materials in subdivision 9741(43) of this title is to promote the reuse and recycling of scrap construction materials.

Scrap materials generated during construction or demolition are not subject to sales tax if a third party takes possession of the material with no payment.

3.027 Property incorporated in railroad line

Statute: 32 V.S.A. § 9741(44)
Enacted: 1998
Estimate: Data unavailable

Statutory Purpose: 32 V.S.A. § 9706(aa)
The statutory purpose of the exemption for property incorporated in a railroad line in subdivision 9741(44) of this title is to increase the use of rail for transport by lowering the costs of materials.

Materials used in the construction, repair, operation, or maintenance of railroad lines are exempt from the sales tax.

3.028 Clothing and footwear

Statute: 32 V.S.A. § 9741(45)
Enacted: 1999; all clothing and footwear exempt January 1, 2007
Estimate: $45,100,000

Statutory Purpose: 32 V.S.A. § 9706(bb)
The statutory purpose of the exemption for clothing and footwear in subdivision 9741(45) of this title is to limit the tax burden on the purchase of goods that are necessary for the health and welfare of all people in Vermont.

Clothing, including footwear, is exempt from the sales tax. Accessories and protective equipment are not exempt.

Data source: Bureau of Labor Statistics, Consumer Expenditure Survey, and U.S. Census Bureau

3.029 Property incorporated into a net metering system, an on-premises energy system not connected to the electric distribution system, or a solar hot water heating system and otherwise eligible to be net metered

Statute: 32 V.S.A. § 9741(46)
Enacted: 1999
Estimate: $860,000

Statutory Purpose: 32 V.S.A. § 9706(cc)
The statutory purpose of the exemptions for property incorporated into a net metering system, on premise energy systems not connected to the electric distribution system, and solar hot water heating systems in subdivision 9741(46) of this title are to increase the deployment of solar technologies until the price of solar materials and installation decreases to the point it does not need State subsidization.

Property incorporated into photovoltaic systems that are not covered by the manufacturing exemption is exempt under this specific subsection of statute. In addition, solar equipment for heating water is exempt.

Data Source: Vermont Public Utilities Commission

3.030 Purchases by and limited purchases from 501(c)(3) organizations

Statute: 32 V.S.A. § 9743(3)
Enacted: 1969, amended
Estimate: $22,500,000

Statutory Purpose: 32 V.S.A. § 9706(dd)
The statutory purpose of the exemption for purchases by and limited purchases from 501(c)(3) organizations in subdivision 9743(3) of this title is to reduce costs for certain nonprofit organizations in order to allow them to dedicate more of their financial resources to furthering the public-service missions of the organizations.

Nonprofit organizations purchases are exempt from the sales tax. Some sales by churches, schools, and other organizations are also exempt to a $20,000 limit. These sales include garage sales and sporting equipment swap sales. Charges for entertainment sponsored by nonprofits also have a limited exemption.

Data Source: Congressional Research Service, U.S. Census Bureau Economic Census

3.031 Building materials and supplies used in construction or, repair of buildings by governmental bodies or 501(c)(3) organizations or development corporations

Statute: 32 V.S.A. § 9743(4)
Enacted: 1969
Estimate: Data unavailable

Statutory Purpose: 32 V.S.A. § 9706(ee)
The statutory purpose of the exemption for building materials and supplies used in construction or repair of buildings by governmental bodies, 501(c)(3) organizations, or development corporations in subdivision 9743(4) of this title is to reduce the costs of construction for certain nonprofit organizations in order to allow them to dedicate more financial resources to their public-service missions.

This exemption includes the materials used for most public works projects as well as the construction of structures for nonprofit organizations.

3.032 Amusement charges for 4 events a year for 501(c)(4)-(13) and (19) organizations and political organizations

Statute: 32 V.S.A. § 9743(5)
Enacted: 1983
Estimate: Data unavailable

Statutory Purpose: 32 V.S.A. § 9706(ff)
The statutory purpose of the exemption for amusement charges for four events per year for 501(c)(4)–(13) and (19) organizations and political organizations in subdivision 9743(5) of this title is to reduce the costs for and encourage participation in a limited number of events organized by certain nonprofit organizations in order to allow these organizations to dedicate more financial resources to their public-service missions.

3.033 Amusement charges for events presented by 501(c)(3) organizations

Statute: 32 V.S.A. § 9743(7)
Enacted: 1983 (amended 2010)
Estimate: Data unavailable

Statutory Purpose: 32 V.S.A. § 9706(gg)
The statutory purpose of the exemption for amusement charges for events presented by 501(c)(3) organizations in subdivision 9743(7) of this title is to reduce the costs for and encourage participation in fundraising events organized by certain nonprofit organizations in order to allow these organizations to dedicate more financial resources to their public-service missions.

Nonprofit organizations under 501(c)(3) may charge for live performances without collecting sales tax but only if their proceeds from the past year's events do not exceed $100,000.

3.034 Reallocation of receipts from tax imposed on sales of construction materials

Statute: 32 V.S.A. § 9819
Enacted: 1998
Estimate: Data unavailable

Statutory Purpose: 32 V.S.A. § 9706(hh)
The statutory purpose of the reallocation of receipts from tax imposed on sales of construction materials in section 9819 of this title is to provide incentives to restore and revitalize certain properties in designated downtown districts.

The sales tax revenue from materials used in construction of qualified projects in designated downtown districts above certain amounts (varying by the size of the community) is allocated to the municipalities that are the location of those projects.

3.035 Sales to nonprofit hospital service corporations

Statute: 8 V.S.A. § 4518
Enacted: 1947
Estimate: Data unavailable

Statutory Purpose: 32 V.S.A. § 9247
The statutory purpose of the remaining exemptions in 8 V.S.A. § 4518 is to lower the cost of health services to Vermonters.

Nonprofit hospital service corporations are exempt from the sales and use tax.

3.036 Sales to nonprofit medical service corporations

Statute: 8 V.S.A. § 4590
Enacted: 1947
Estimate: Data unavailable

Statutory Purpose: 32 V.S.A. § 9247
The statutory purpose of the remaining exemptions in 8 V.S.A. § 4590 is to lower the cost of health services to Vermonters.

Nonprofit medical service corporations are exempt from the sales and use tax.

3.037 Sales to credit unions

Statute: 8 V.S.A. § 30901
Enacted: 1967
Estimate: Data unavailable

Statutory Purpose: 32 V.S.A. § 9247
The statutory purpose of the remaining exemptions in 8 V.S.A. § 30901 is to affirm the nonprofit, cooperative structure of credit unions.

Credit unions are exempt from the sales and use tax.

3.038 Sales by licensed auctioneers

Statute: 32 V.S.A. § 9741(48)
Enacted: 2011
Estimate: Data unavailable

Statutory Purpose: 32 V.S.A. § 9706(ii)
The statutory purpose of the exemption for sales by licensed auctioneers in subdivision 9741(48) of this title is to extend the "casual sale" exemption to sales involving an auctioneer selling on behalf of a third party.

Sales of tangible personal property are exempt from the sales tax when sold by an auctioneer and the auction is conducted on the premises of the owner of the property.

3.039 Menstrual Products

Statute: 32 V.S.A. § 9741(56)
Enacted: 2021
Estimate: $760,000

Statutory Purpose: 32 V.S.A. § 9706(ii)
The statutory purpose of the exemption for menstrual products in subdivision 9741(56) of this title is to limit the cost of goods that are necessary for the health and welfare of Vermonters

"Menstrual products" means tampons, panty liners, menstrual cups, menstrual napkins, and other similar tangible personal property designed for use in connection with the human menstrual cycle but does not include "grooming and hygiene products."

# Meals and Rooms Tax Expenditures

## Meals and Rooms Tax Expenditure Summary FY 2022, FY 2023, and FY 2026 (dollars)

| Item Number | Meals and Alcoholic Beverages Tax | FY 2022 estimated | FY 2023 estimated | FY 2026 projected |
|---|---|---|---|---|
| 41 | Grocery-type items furnished for take-out | 7,600,000 | 8,100,000 | 8,700,000 |
| 42 | Served on the premises of a non-profit | Not estimated | Not estimated | Not estimated |
| 43 | Served on the premises of a school | Data Unavailable | Data Unavailable | Data Unavailable |
| 44 | Served in hospitals, convalescent, and nursing homes | 960,000 | 960,000 | 960,000 |
| 45 | Summer camp for children | Under 100,000 | Under 100,000 | Under 100,000 |
| 46 | Sold by nonprofits at fairs etc. but limited to 4 days | Not estimated | Not estimated | Not estimated |
| 47 | Furnished to an employee of a hotel or restaurant | Not estimated | Not estimated | Not estimated |
| 48 | Served at a continuing care retirement facility | Not estimated | Not estimated | Not estimated |
| | **Total** | **8,560,000** | **9,060,000** | **9,660,000** |

| Item Number | Rooms Tax | FY 2022 estimated | FY 2023 estimated | FY 2026 projected |
|---|---|---|---|---|
| 4.101 | Student housing | Not estimated | Not estimated | Not estimated |
| 4.102 | Hotel or restaurant employee | Not estimated | Not estimated | Not estimated |
| 4.103 | Summer camps | Under 100,000 | Under 100,000 | Under 100,000 |
| 4.104 | Nonprofit establishments | Not estimated | Not estimated | Not estimated |
| 4.105 | Rooms at a continuing care retirement facility | Not estimated | Not estimated | Not estimated |
| 4.106 | Hospital, convalescent, and nursing home | Not estimated | Not estimated | Not estimated |
| | **Total** | **Under 100,000** | **Under 100,000** | **Under 100,000** |

## List of Fiscal Year 2023 Meals and Rooms Tax Expenditures

**40 Meals and Alcoholic Beverage Tax**

41 Grocery-type items furnished for take-out (meals tax only)

Statute: 32 V.S.A. § 9202(10)(D)(i)
Enacted: 1959
Estimate: $8,700,000

Statutory Purpose: 32 V.S.A. § 9201(a)
The statutory purpose of the exemption for grocery-type items furnished for take-out in subdivision 9202(10)(D)(i) of this title is to limit the cost of goods that are necessary for the health and welfare of all people in Vermont.

Most food purchased from a grocery store is not subject to the meals tax. This exemption is for prepared food that is still intended for home use and includes whole pies, cakes, and loaves of bread, single-serving bakery items sold in quantities of three or more, deli and candy sales by weight, whole uncooked pizzas, and larger containers of ice cream, salad dressings, sauces, cider, or milk.

Data source: Economic Census of Vermont, Consumer Expenditure Survey

42 Served or furnished on the premises of a nonprofit

Statute: 32 V.S.A. § 9202(10)(D)(ii)(I)
Enacted: 1959
Estimate: Data unavailable

Statutory Purpose: 32 V.S.A. § 9201(b)
The statutory purpose of the exemption for meals served or furnished on the premises of a nonprofit organization in subdivision 9202(10)(D)(ii)(I) of this title is to allow more of the revenues generated by certain activities to be dedicated to furthering the public-service missions of the organizations.

Nonprofit organizations may sell meals without a meals tax when those meals are sold on the premises and further the purpose of the organization. The profits from meals sold under this exemption must also be used exclusively for the nonprofit organization.

43 Premises of a school

Statute: 32 V.S.A. § 9202(10)(D)(ii)(II)
Enacted: 1959
Estimate: Data Unavailable

Statutory Purpose: 32 V.S.A. § 9201(c)
The statutory purpose of the exemption for meals provided on school premises in subdivision 9202(10)(D)(ii)(II) of this title is to reduce the overall cost of education in Vermont.

Schools may sell meals on their own grounds without collecting the meals tax. Contractors may sell meals to school students and staff under this exemption, but restaurants and caterers otherwise subject to the tax may not deliver meals to the schools without collecting the tax.

With the passage of Act 64 (2023), school meals are provided free of charge to most K-12 students in Vermont, decreasing the scope of this tax exemption.

44 Hospitals, convalescent, and nursing homes

Statute: 32 V.S.A. § 9202(10)(D)(ii)(IV)
Enacted: 1959
Estimate: $960,000

Statutory Purpose: 32 V.S.A. § 9201(d)
The statutory purpose of the exemption for meals provided at hospitals and convalescent and nursing homes in subdivision 9202(10)(D)(ii)(IV) of this title is to reduce the overall costs of health care and senior care in Vermont.

Meals provided at locations that have a primary purpose for delivering health care or hospice are not subject to the meals tax.

Data source: Vermont Inpatient Hospital Utilization Report

45 Summer camp for children

Statute: 32 V.S.A. § 9202(10)(D)(ii)(VI)
Enacted: 1959
Estimate: Less than $100,000

Statutory Purpose: 32 V.S.A. § 9201(e)
The statutory purpose of the exemption for summer camps for children in subdivision 9202(10)(D)(ii)(VI) of this title is to reduce the cost of summer education and outdoor activities for youth.

Meals provided at camps serving children are not subject to the meals tax.

Data source: www.vermontcamps.org

46 Nonprofits at fairs, bazaars, picnics, and similar events, but limited to 4 days

Statute: 32 V.S.A. § 9202(10)(D)(ii)(VII)
Enacted: 1964
Estimate: Data unavailable

Statutory Purpose: 32 V.S.A. § 9201(f)
The statutory purpose of the exemption for nonprofits at fairs, bazaars, picnics, and similar events in subdivision 9202(10)(D)(ii)(VII) of this title is to allow more of the revenues generated by certain activities to be dedicated to furthering the public-service missions of the organizations.

Nonprofit organizations may provide meals at public events without collecting the meals tax, but only for four calendar days during any given year.

47 Furnished to an employee of a hotel or restaurant operator as remuneration for his or her employment

Statute: 32 V.S.A. § 9202(10)(D)(ii)(VIII)
Enacted: 1963
Estimate: Data unavailable

Statutory Purpose: 32 V.S.A. § 9201(g)
The statutory purpose of the exemption for meals furnished to an employee of a hotel or restaurant operator as remuneration for his or her employment in subdivision 9202(10)(D)(ii)(VIII) of this title is to avoid the taxation of in-kind benefits.

Meals provided to employees as a part of their compensation are not subject to the meals tax.

48 Served on the premises of a continuing care retirement community

Statute: 32 V.S.A. § 9202(10)(D)(ii)(XI)
Enacted: 1988
Estimate: Data unavailable

Statutory Purpose: 32 V.S.A. § 9201(h)
The statutory purpose of the exemption for meals served on the premises of a continuing care retirement community in subdivision 9202(10)(D)(ii)(XI) is to exclude meals prepared in a person's home from taxation.

Meals provided at continuing care retirement communities are not subject to the meals tax.

**4.100 Rooms Tax**

4.101 Student housing

Statute: 32 V.S.A. § 9202(8)
Enacted: 1964
Estimate: Data unavailable

Statutory Purpose: 32 V.S.A. § 9201(i)
The statutory purpose of the exemption for student housing in subdivision 9202(8) of this title is to reduce the overall costs of education in Vermont.

The rental charges to students attending a school are not subject to the rooms tax.

4.102 Furnished to an employee of a hotel or restaurant operator as remuneration for his or her employment

Statute: 32 V.S.A. § 9202(6)
Enacted: 1959
Estimate: Data unavailable

Statutory Purpose: 32 V.S.A. § 9201(j)
The statutory purpose of the exemption for rooms furnished to an employee of a hotel or restaurant operator as remuneration for his or her employment in subdivision 9202(6) of this title is to exclude the taxation of in-kind benefits.

Workers residing in a hotel are not subject to the rooms tax when the accommodation is provided as compensation for employment.

4.103 Summer camp for children

Statute: 32 V.S.A. § 9202(6)
Enacted: 1959
Estimate: Under $100,000

Statutory Purpose: 32 V.S.A. § 9201(k)
The statutory purpose of the exemption for summer camps for children in subdivision 9202(6) of this title is to reduce the cost of summer education and outdoor activities for youth.

Overnight accommodations at camps serving children are not subject to the rooms tax.

Data source: Vermont Camp Association

4.104 Rooms on the premises of a nonprofit

Statute: 32 V.S.A. § 9202(3)(C)
Enacted: 1959
Estimate: Data unavailable

Statutory Purpose: 32 V.S.A. § 9201(l)
The statutory purpose of the exemption for rooms on the premises of a nonprofit in subdivision 9202(3)(C) of this title is to allow more of the revenues generated by certain activities to be dedicated to furthering the public-service missions of the organizations.

Nonprofits operating hotels to further their exempt purpose are exempt from the rooms tax.

4.105 Rooms on the premises of a continuing care retirement community

Statute: 32 V.S.A. § 9202(3)(D)
Enacted: 1988
Estimate: Data unavailable

Statutory Purpose: 32 V.S.A. § 9201(m)
The statutory purpose of the exemption for rooms on the premises of a continuing care retirement community in subdivision 9202(3)(D) of this title is to exclude from taxation rooms that are a person's residence.

A continuing care community is exempt from collecting the rooms tax on the rent of its accommodations.

4.106 Hospital, sanatorium, convalescent home, nursing home, or home for the aged

Statute: 32 V.S.A. § 9202(3)(A)
Enacted: 1959
Estimate: Data unavailable

Statutory Purpose: Not specified

The room charges to occupy a hospital or other institution providing health care are not subject to the rooms tax.

# Property Tax Expenditures

## Property Tax Expenditure Summary FY 2022, FY 2023, and FY 2026 (dollars)

| Item Number | Property Tax Expenditure | FY2022 Actual | FY2023 Actual | FY2026 projected |
|---|---|---|---|---|
| 51 | Non-Profit Medical Service Corporations | 148,000 | 154,000 | 194,000 |
| 52 | Local Development Corporations | 109,000 | 108,000 | 185,000 |
| 53 | Vermont Housing Finance Agency (VHFA) | 49,000 | 45,000 | 56,000 |
| 54 | Vermont State Colleges | 6,823,000 | 6,512,000 | 8,000,000 |
| 55 | VSAC | 45,000 | 43,000 | 54,000 |
| 56 | University of Vermont | 13,700,000 | 12,608,000 | 15,730,000 |
| 57 | Cemeteries | 537,000 | 504,000 | 622,000 |
| 58 | Libraries | 938,000 | 897,000 | 1,123,000 |
| 59 | Housing Authorities | 1,980,000 | 1,831,000 | 2,302,000 |
| 5.010 | Congressionally Chartered Organizations | 913,000 | 864,000 | 1,000,000 |
| 5.011 | Public, pious and charitable property* | 61,103,000 | 58,039,000 | 72,289,000 |
| *5.011* | *PPC - Charitable* | *7,089,000* | *6,879,000* | *9,124,000* |
| *5.011* | *PPC - College* | *16,432,000* | *15,212,000* | *19,410,000* |
| *5.011* | *PPC - Pious* | *13,575,000* | *12,974,000* | *15,000,000* |
| *5.011* | *PPC - School* | *7,097,000* | *6,999,000* | *8,548,000* |
| *5.011* | *PPC - Hospital* | *16,910,000* | *15,975,000* | *20,207,000* |
| 5.013 | YMCA and YWCAs | 401,000 | 374,000 | 467,000 |
| 5.014 | Owned by agricultural societies | 570,000 | 545,000 | 650,000 |
| 5.015 | Water pollution abatement property | 1,000 | 1,000 | 1,000 |
| 5.016 | Humane societies | 143,000 | 140,000 | 175,000 |
| 5.017 | FQHC and RHCs | 560,000 | 550,000 | 698,000 |
| 5.018 | Whey processing fixtures | - | - | - |
| 5.019 | Ski lifts and snowmaking equipment | 1,933,000 | 2,653,000 | 3,475,000 |
| 5.101 | $10,000 for veterans | 509,690 | 492,580 | 650,000 |
| 5.102 | Qualified Housing | 1,056,000 | 1,025,000 | 1,296,000 |
| 5.103 | Tax Increment Financing Districts | 6,262,546 | 6,881,870 | 6,500,000 |
| 5.104 | VEPC Approved Stabilization Agreements | 19,000 | - | - |
| 5.201 | Permanent Session Law Exemptions | 58,000 | 56,000 | 49,000 |
| | **Total** | **97,858,236** | **94,323,450** | **115,516,000** |

**Values in italics represent the component pieces of the Public, Pious, and Charitable property category. The total value of this expenditure is on the first line labeled 5.011*

# List of Fiscal Year 2023 Property Tax Expenditures

**50 Property Tax Exemptions**

51 Nonprofit Medical and Hospital Service Corporations

Statute: 8 V.S.A. § 4518 and § 4590
Enacted: 1939
Estimate: $194,000
# of parcels: 1

Statutory Purpose: 32 V.S.A. § 9247
The statutory purpose of the remaining exemptions in 8 V.S.A. § 4518 and § 4590 is to lower the cost of health services to Vermonters.

52 Local Development Corporations

Statute: 10 V.S.A. § 236
Enacted: 1973
Estimate: $185,000
# of parcels: 21

Statutory Purpose: 10 V.S.A. § 210
The statutory purpose of the exemption for local development corporations in section 236 of this title is to promote economic development.

Unoccupied portions of buildings and industrial parks owned by local development authorities are exempt.

53 Vermont Housing Finance Agency

Statute: 10 V.S.A. § 641 (a)
Enacted: 1973
Estimate: $56,000
# of parcels: 3

Statutory Purpose: 10 V.S.A. § 602
The statutory purpose of the exemption for the Vermont Housing Finance Agency in subsection 641(a) of this title is to provide and promote affordable housing.

All property of the Agency is public property and exempt from all taxes.

54 Vermont State Colleges

Statute: 16 V.S.A. § 2178
Enacted: 1961; amended 2005.
Estimate: $8,000,000
# of parcels: 41

Statutory Purpose: 16 V.S.A. § 2170

The statutory purpose of the exemption for the Vermont State Colleges in section 2178 of this title is to allow institutions providing higher education to deploy more of their financial resources to their educational missions.

Property used for educational and not commercial purposes is exempt.

55 Vermont Student Assistance Corporation (VSAC)

Statute: 16 V.S.A. § 2825
Enacted: 1965
Estimate: $54,000
# of parcels: 1

Statutory Purpose: 16 V.S.A. § 2826(b)
The statutory purpose of the exemption for Vermont Student Assistance Corporation property tax in section 2825 of this title is to allow State instrumentalities that provide financial and information resources for postsecondary education and training to use all of their resources for those purposes.

All real and personal property of the Vermont Student Assistance Corporation is exempt from taxation.

56 University of Vermont

Statute: 16 App. V.S.A. § 1-15
Enacted: 1802
Estimate: $15,730,000
# of parcels: 150

Statutory Purpose: 16 App. V.S.A. § 1-15a
The statutory purpose of the exemption for the University of Vermont in section 1-15 of this chapter is to allow institutions providing higher education to deploy more of their financial resources to their educational missions.

Property used for educational purposes is exempt.

57 Cemeteries

Statute: 18 V.S.A. § 5317, § 5376; 32 V.S.A. § 3802(7);
Enacted: some version of this exemption existed when Vermont became a State in 1791
Estimate: $622,000
# of parcels: 492

Statutory Purpose: 18 V.S.A. § 5300 and 32 V.S.A. § 3800(e)
The statutory purpose of the exemption for cemeteries in sections 18 V.S.A. § 5317, § 5376 and 32 V.S.A. § 3802(7) is to lower the cost of establishing and maintaining cemeteries.

58 Libraries

Statute: 22 V.S.A. § 109
Enacted: prior to 1947

Estimate: $1,123,000
# of parcels: 80

Statutory Purpose: 22 V.S.A. § 68
The statutory purpose of the exemption for libraries in section 109 of this title is to aid libraries in offering free and public access to information and research resources to the public.

If the institution is a free and public library, the library and other property is exempt.

59 Housing Authorities

Statute: 24 V.S.A. § 4020
Enacted: 1961
Estimate: $2,302,000
# of parcels: 63

Statutory Purpose: 24 V.S.A. § 4000
The statutory purpose of the exemption for housing authorities in section 4020 of this title is to promote, provide, and preserve affordable housing.

The property of a housing authority is declared public property and is exempt.

5.010 Congressionally Chartered Organizations

Statute: 32 V.S.A. § 802(2)
Enacted: 1957
Estimate: $1,000,000
# of parcels: 106

Statutory Purpose: 32 V.S.A. § 3800(a)
The statutory purpose of the exemption for congressionally chartered organizations in subdivision 3802(2) of this title is to support certain organizations with a patriotic, charitable, historical, or educational purpose.

Congress issued federal charters from 1791 until 1992 and over 100 organizations have this status. Congress does not oversee or supervise organizations with the charter, and the designation was largely honorific. Congress suspended federal charters because of the unmerited public assumption that the charter signifies federal approval of the organization's activities. (Congressional Research Service Report, April 8, 2004) There are two main groups of congressionally chartered organizations, including veterans, fraternal or patriotic groups such as the American Red Cross, National Academy of Sciences, or Girl and Boy Scouts, and corporate entities such as the Federal Reserve Bank, Fannie Mae, Freddie Mac, and the Tennessee Valley Authority.

5.011 Public, pious, and charitable property

Statute: 32 V.S.A. § § 3802(4), 3832, 3840, 5404(a)
Enacted: Some version of § 3802(4) existed when Vermont became a State in 1791; a version of § 3832 was enacted in 1880
Estimate: $72,289,000
# of parcels: 2,146

| | | | |
|---|---|---|---|
| Subdivided | Charitable: | $9,124,000; | 550 parcels |
| estimates: | College: | $19,410,000; | 141 parcels |
| | Pious: | $15,000,000; | 1,116 parcels |
| | Schools: | $8,548,000; | 187 parcels |
| | Hospitals | $20,207,000; | 152 parcels |

Statutory Purpose: 32 V.S.A. § 3800(b)
The statutory purpose of the exemption for public, pious, and charitable property in sections 3832 and 3840 and subdivision 3802(4) of this title is to allow these organizations to dedicate more of their financial resources to furthering their public-service missions.

Subdivision 3802(4) exemptions are grouped together because municipalities are only required to report the statutory reference and not differentiate between the various exemption types.

5.013 Young Men's and Women's Christian Associations

Statute: 32 V.S.A. § 3802(6)
Enacted: 1906 (YMCA) and 1963 (YWCA)
Estimate: $467,000
# of parcels: 7

Statutory Purpose: 32 V.S.A. § 3800(d)
The statutory purpose of the exemption for Young Men's and Women's Christian Associations in subdivision 3802(6) of this title is to allow these organizations to dedicate more of their financial resources to furthering their public-service missions.

Young Men's and Women's Christian Association property is exempt if it is used for the purposes of the organization and the income is used entirely for such purposes.

5.014 Owned by agricultural societies

Statute: 32 V.S.A. § 3802(9)
Enacted: 1902
Estimate: $650,000
# of parcels: 15

Statutory Purpose: 32 V.S.A. § 3800(f)
The statutory purpose of the exemption for property owned by agricultural societies in subdivision 3802(9) of this title is to lower the cost of public access to agricultural events.

The property is exempt if it is used annually for agricultural fairs.

5.015 Property exclusively installed and operated for the abatement of water pollution

Statute: 32 V.S.A. § 3802(12)
Enacted: 1961
Estimate: $1,000
# of parcels: 1

Statutory Purpose: 32 V.S.A. § 3800(h)

The statutory purpose of the exemption for property exclusively installed and operated for the abatement of water pollution in subdivision 3802(12) of this title is to encourage real property improvements that abate water pollution by nonpublic entities that would not qualify for an exemption as a government entity.

This property is exempt as long as it is approved by the Secretary of the Agency of Natural Resources.

5.016 Humane societies

Statute: 32 V.S.A. § 3802(15)
Enacted: 1976
Estimate: $175,000
# of parcels: 14

Statutory Purpose: 32 V.S.A. § 3800(i)
The statutory purpose of the exemption for humane societies in subdivision 3802(15) of this title is to lower operating costs for organizations that protect animals to allow them to dedicate more of their financial resources to furthering their public-service missions.

Property owned by a charitable, nonprofit organization devoted to the welfare, protection, and humane treatment of animals is exempt.

5.017 Federally Qualified Health Centers (FQHCs) and Rural Health Clinics (RHCs)

Statute: 32 V.S.A. § 3802(16)
Enacted: 1999
Estimate: $698,000
# of parcels: 34

Statutory Purpose: 32 V.S.A. § 3800(j)
The statutory purpose of the exemption for federally qualified health centers or rural health clinics in subdivision 3802(16) of this title is to support health centers that serve an underserved area or population, offer a sliding fee scale, provide comprehensive services, and have an ongoing quality assurance program.

Property owned by a federally qualified health center or a free-standing, federally designated rural health clinic is exempt.

5.018 Ski Lifts and Snowmaking Equipment

Statute: 32 V.S.A. § 5401(10)(D)
Enacted: 2002 (effective for 2004 and thereafter)
Estimate: $3,475,000
# of parcels: 44

Statutory Purpose: None

Fixed equipment, including ski lifts and snowmaking equipment is exempt. This estimate does not include $550,000 in foregone revenues (or Payment in Lieu of Taxes (PILOT) payments made to towns) for ski lifts and snowmaking equipment at two resorts. That is because leases with the State put title to that property in the State's name, which would mean that if this

exemption were removed that equipment would still not be taxable by the State. This situation is described in the 2015 report by the Vermont State Auditor's Office, *State Land Leases Boost Ski Industry, but Are Dated and Inconsistent.*

5.019 Whey Processing Fixtures

Statute: 32 V.S.A. § 5401(10)(G)
Enacted: 2001
Estimate: $0
# of parcels: None

Statutory Purpose: 32 V.S.A. § 5400 (a)
The statutory purpose of the exemption for whey processing fixtures in subdivision 5401(10)(G) of this title is to support industries using whey processing facilities to convert waste into value-added products.

Nonresidential property does not include machinery and equipment used directly in the processing of whey.

**Act 90 of 2021 Legislative Section Property Tax Expenditures**

5.021 Native American Land

Statute: 32 V.S.A. § 3802(21)
Enacted: 2022
Estimate: $5,000
# of parcels: 2

Statutory Purpose: 32 V.S.A. § 3800(p)
The statutory purpose of the exemption under subdivision 3802(21) of this title for property owned by Native American tribes is to recognize those peoples as the traditional land caretakers of Vermont and to lower their costs to allow them to dedicate more of their financial resources to furthering their tribe-related activities.

This provision exempts real and personal property owned by a Native American tribe recognized in 1 V.S.A. Chapter 23 or owned by a nonprofit controlled by a tribe, as long as the property is not leased or rented for profit.

## 5.100 Adjustments to Property Values

5.101 $10,000 exemption of appraised value of a residence for a veteran

Statute: 32 V.S.A. § 3802(11) and 32 V.S.A. § 6066(i)
Enacted: prior to 1910; amended 2011
Estimate: $650,000
# of parcels: 3,490

Statutory Purpose: 32 V.S.A. § 3800(g)
The statutory purpose of the exemption for $10,000 of appraised value of a residence for a veteran in subdivision 3802(11) of this title is to recognize disabled veterans' service to Vermont and to the country.

The exemption is for a veteran of any war or who has received an American Expeditionary Medal. The exemption also applies to the veteran's spouse, widow, widower, or child, if one or more of them are receiving disability compensation for at least 50% disability, death compensation, dependence and indemnity compensation, or pension for disability paid through any military department or the Veteran's Administration.

5.102 Qualified Housing

Statute: 32 V.S.A. § 5404a(a)(6)
Enacted: 2004
Estimate: $1,296,000
# of parcels: 662

Statutory Purpose: 32 V.S.A. § 5400 (c)
The statutory purpose of the exemption for qualified housing in subdivision 5404a(a)(6) of this title is to ensure that taxes on this rent restricted housing provided to low- and moderate-income Vermonters are more equivalent to property taxed using the State homestead rate and to adjust the costs of investment in rent restricted housing to reflect more accurately the revenue potential of such property.

Residential rental units that are subject to specific rent restrictions may qualify for an exemption of 10% of the value of the parcel.

5.103 Tax Increment Financing Districts

Statute: 32 V.S.A. § 5404a(f)
Enacted: 1997, amended multiple times
Estimate: $6,500,000
# of Districts: 8

Statutory Purpose: 32 V.S.A. § 5400 (d)
The statutory purpose of the Tax Increment Financing (TIF) districts in subsection 5404a(f) of this title is to allow communities to encourage investment and improvements that would not otherwise occur and to use locally the additional property tax revenue attributable to those investments to pay off the debt incurred to construct the improvements.

TIF allows a municipality to retain and utilize a portion of the education property tax revenue from an approved district for improvements related to the district. The tax expenditure estimate

here represents the portion municipalities retain to fund improvements in the TIF district. The percentage varies by district but is usually between 70% and 100% of new property tax increment. The remaining portion is required by law to be remitted to the Education Fund.

5.104 VEPC Approved Stabilization Agreements

Statute: 32 V.S.A. § 5404a
Enacted: 1997; Repealed effective January 1, 2017 (2016 Act. No 157 Sec. H.6.)
Estimate: $0
# of parcels: 0

Statutory Purpose: 32 V.S.A. § 5400 (e)
The statutory purpose of the Vermont Economic Progress Council approved stabilization agreements in section 5404a of this title is to provide exemptions on a case-by-case basis in conjunction with other economic development efforts in order to facilitate economic development that would not otherwise occur.

Municipalities that entered into property tax stabilization agreements for improvements to commercial or industrial property were allowed to apply to the Vermont Economic Progress Council for additional State education property tax stabilizations for up to 10 years.

**Act 181 of 2024 Legislative Section Property Tax Expenditures - Adjustments to Property Values**

5.105 Flood Impacted Property Rehabilitation

Statute: 32 V.S.A. § 3870-3871
Enacted: 2024
Estimate: $1,160,000

Statutory Purpose: 32 V.S.A. § 3800(q)
The statutory purpose of the exemption under 32 V.S.A. chapter 125, subchapter 3 for new construction or rehabilitation is to lower the cost of new construction or rehabilitation of residential properties in flood-impacted communities.

Act 181 created a new three-year property tax exemption for qualifying improvements to properties near certain designated areas in Vermont. Note that the exemption only applies to increase in appraisal value caused by the rehabilitation, not the full listed value of the property. Improvements qualify for the exemption if they are made to one or more dwellings that will be used as principal residences and meet the definition of rehabilitation found in 32 V.S.A. chapter 125, subchapter 3 among other requirements.

## 5.200 Session Law Exemptions

5.201 Permanent Session Law Exemptions (never codified)

Statute: Various
Enacted: Multiple dates
Estimate: $49,000
# of parcels: 4 identified

Statutory Purpose: 32 V.S.A. § 3800(m)
The statutory purpose of the exemptions in Vermont permanent session law in 2008 Acts and Resolves No. 190, 1892 Acts and Resolves No. 213 (*Holton Home, Brattleboro*), 1945 Acts and Resolves No. 204 (*Moose Lodge, Rutland City*), 1939 Acts and Resolves No. 250 (*Italian American Club, Rutland City*), 1921 Acts and Resolves No. 31(*American Legion, Rutland City*), 1921 Acts and Resolves No. 262 (*Knights of Columbus, Rutland City*), 1910 Acts and Resolves No. 370 (*Masonic Building Association, Brattleboro*), and 1900 Acts and Resolves No. 244 (*Masonic Temple, Rutland City*), is to provide relief to specific properties that have demonstrated an individual purpose to the General Assembly.

The Legislature has enacted a number of property-specific permanent exemptions from education property tax. The ones that can be identified have been grouped together.

## 5.300 Property Taxed Under Alternate Scheme

5.301 Railroad Property

Statute: 32 V.S.A. § 3803(1)
Enacted: 1882
Alternative Tax: 32 V.S.A. § 8211

Statutory Purpose: 32 V.S.A. § 3800(k)
The statutory purpose of the railroad property alternative tax method in subdivision 3803(1) of this title is to provide an alternative to the traditional valuation method in order to achieve consistency across municipalities.

An alternative tax is assessed on the appraised value of property and corporate franchise of each railroad company. The revenue is split between the State's general fund and the town where the railroad property is located.

5.302 Telephone Property

Statute: 32 V.S.A. § 3803(2)
Enacted: 1882; Repealed eff. July 1, 2025 (2024 Act. No 145 Sec. 7)
Alternative Tax: 32 V.S.A. § § 8521 and 8522

Statutory Purpose: 32 V.S.A. § 3800(l)
The statutory purpose of the telephone property alternative tax method referenced in subdivision 3803(2) of this title is to provide an alternative to the to the traditional valuation method in order to achieve consistency across municipalities.

A company may elect either a telephone property tax of 2.37% of net book value or an alternative tax based on gross operating revenue. This is a General Fund tax source, rather than the Education Fund where property taxes and their alternatives are typically deposited.

5.304 Wind-Powered Electric Generating Facilities

Statute: 32 V.S.A. § 5401(10)(J)(i)
Enacted: 2008; amended 2012
Alternative Tax: 32 V.S.A. § 5402c(a)

Statutory Purpose: 32 V.S.A. § 5400 (g)
The statutory purpose of the wind-powered electric generating facilities alternative tax scheme in subdivision 5401(10)(J)(i) of this title is to provide an alternative to the traditional valuation method in order to achieve consistent valuation across municipalities.

The buildings and fixtures (not the land) of wind-powered electric generating facilities that are one megawatt and over are exempt from education property tax. The alternate tax is $03 per kWh of electrical energy produced. The alternative tax was amended (2012 Act No. 127 Sec. 5) to apply to facilities that generate at least one megawatt instead of the original five megawatts. Smaller facilities are exempt.

5.305 Renewable Energy Plant Generating Electricity from Solar Power

Statute: 32 V.S.A. § 5401(10)(J)(ii)

Enacted: 2012
Alternative Tax: 32 V.S.A. §8701

Statutory Purpose: 32 V.S.A. § 5400 (h)
The statutory purpose of the renewable energy plant generating electricity from solar power alternative tax structure in subdivision 5401(10)(J)(ii) is to provide an alternative to the traditional valuation method in order to achieve consistent valuation across municipalities.

The fixtures and personal property (not land) of a solar electric renewable energy plant are exempt from the education property tax. Plants larger than 10 kWh are subject to a uniform capacity tax of $4 per kWh of plant capacity. Smaller facilities were exempt from both the property tax and the generation tax. The exemption for small facilities was repealed on January 1, 2023.

# Bank Franchise and Insurance Premiums Tax Expenditures

## Bank Franchise and Insurance Premiums Summary FY 2022, FY 2023, and FY 2026 (dollars)

| Item Number | Bank Franchise Tax Expenditures | FY 2022 Actual | FY 2023 Actual | FY 2026 Projected |
|---|---|---|---|---|
| 61 | Credit Unions | 2,000,000 | 1,710,000 | 2,150,000 |
| 6.101 | Affordable Housing Tax Credit | * | * | * |
| 6.102 | Downtown and Village Center Program Tax Credits | 1,709,000 | 1,876,000 | 2,890,000 |
| 6.103 | Entrepreneur's Seed Capital Fund Credit | 0 | 0 | 0 |
| 6.104 | Charitable Housing Credit | 0 | 0 | 0 |
| *Suppressed data (fewer than 10 claimants) | | * | * | * |
| | **Total** | **3,709,000** | **3,586,000** | **5,040,000** |

Projections calculated using compound annual growth rate (CAGR) and average annual growth rate (AAGR)

| Item Number | Insurance Premium Tax Expenditures | FY 2022 Actual | FY 2023 Actual | FY 2026 Projected |
|---|---|---|---|---|
| 71 | Affordable Housing Tax Credit | * | * | * |
| 72 | Downtown and Village Center Program Tax Credits | * | * | * |
| 73 | Entrepreneurs' Seed Capital Fund Credit | 0 | 0 | 0 |
| 7.101 | Annuity Considerations | 13,377,000 | 29,826,000 | 18,153,000 |
| 7.102 | Fraternal Societies | 115,000 | 99,000 | 96,000 |
| 7.103 | Hospital and Medical Service Organizations | 13,574,000 | 14,946,000 | 15,641,000 |
| *Suppressed data (fewer than 10 claimants) | | * | * | * |
| | **Total** | **27,066,000** | **44,871,000** | **33,890,000** |

## List of Fiscal Year 2023 Bank Franchise Tax Expenditures

**60 Exemptions from Tax on Deposits**

61 Credit Unions

Statute: 8 V.S.A. § 2085
Enacted: 1967
Estimate: $2,150,000

Statutory Purpose: 32 V.S.A. § 9247
The statutory purpose of the remaining exemptions in 8 V.S.A. § 30901 is to affirm the nonprofit, cooperative structure of credit unions.

Deposits and shares in State-chartered credit unions are not subject to taxation.

**6.100 Bank Franchise Tax Credits**

6.101 Affordable Housing Credit

Statute: 32 V.S.A. § 5930u
Enacted: 2000
Estimate: Suppressed – fewer than 10 claimants

Statutory Purpose: 32 V.S.A. § 5813(i)
The statutory purpose of the Vermont affordable housing credit in section 5930u of this title is to increase the capital available to certain affordable housing projects for construction or rehabilitation by attracting up-front private investment.

A credit is available for affordable rental housing projects or owner-occupied affordable housing units, provided the project has been authorized by the Vermont Housing Finance Agency. The amount of the credit is based on a taxpayer's eligible cash contribution and the agency's allocation plan. Total tax credits available to the taxpayer are the amount of the first-year allocation plus the succeeding four years' deemed allocation.

6.102 Downtown and Village Center Program Tax Credits
Historic Rehabilitation, Façade Improvement, and Code Improvement Credit

Statute: 32 V.S.A. § 5930cc
Enacted: 2006 (replacing similar credits from 1997)
Estimate: $2,890,000

Statutory Purpose: 32 V.S.A. § 5813(m)
The statutory purpose of the Vermont historical rehabilitation tax credit in subsection 5930cc(a) of this title is to provide incentives to improve and rehabilitate historic properties in designated downtowns and village centers.

Statutory Purpose: 32 V.S.A. § 5813(n)

The statutory purpose of the Vermont facade improvement tax credit in subsection 5930cc(b) and sections 5930aa–5930ff of this title is to provide incentives to improve facades and rehabilitate historic properties in designated downtowns and village centers.

Statutory Purpose: 32 V.S.A. § 5813(o)
The statutory purpose of the Vermont code improvement tax credit in subsection 5930cc(c) and sections 5930aa–5930ff of this title is to provide incentives to improve and rehabilitate historic properties in designated downtowns and village centers.

There are three available credits for improvements in a designated downtown or village center:
Historic rehabilitation – 10% of qualified rehabilitation expenditures
Façade improvement – 25% of qualified expenditures (maximum = $25,000)
Code improvement – 50% of qualified expenditures.

6.103 Entrepreneurs' Seed Capital Fund Credit

Statute: 32 V.S.A. § 5830b
Enacted: 1986; amended 2006
Estimate: $0

Statutory Purpose: 32 V.S.A. § 5813(l)
The statutory purpose of the Vermont entrepreneurs' seed capital fund credit in section 5830b of this title is to provide incentives for investment in the Seed Capital Fund, ensuring it has sufficient capital to make equity investments in Vermont businesses.

A credit is available for a taxpayer who contributes to the fund in an amount equal to the lesser of either 4% of the taxpayer's contribution or 50% of the taxpayer's tax liability for the year prior to claiming the credit, provided that the aggregate credit allowable for all taxable years not to exceed 20% of the taxpayer's contribution to the initial capitalization of the fund.

6.104 Charitable Housing Credit

Statute: 32 V.S.A. § 5830c
Enacted: 1990
Estimate: $0

Statutory Purpose: 32 V.S.A. § 5813(h)
The statutory purpose of the Vermont charitable housing credit in section 5830c of this title is to enable lower capital cost to certain affordable housing charities by restoring some of the forgone investment income through a tax credit to the investor.

Credit for the difference between interest income that would have been received at the charitable threshold rate and actual interest income received. The rate effective each July 1 is 2% below the Bank Prime Loan Rate for March.

## List of Fiscal Year 2023 Insurance Premiums Tax Expenditures

**70 Insurance Premiums Tax Credits**

71 Affordable Housing Credit

Statute: 32 V.S.A. § 5930u
Enacted: 2000
Estimate: Suppressed – fewer than 10 claimants

Statutory Purpose: 32 V.S.A. § 5813(i)
The statutory purpose of the Vermont affordable housing credit in section 5930u of this title is to increase the capital available to certain affordable housing projects for construction or rehabilitation by attracting up-front private investment.

A credit is available for affordable rental housing projects or owner-occupied affordable housing units, provided the project has been authorized by the Vermont Housing Finance Agency. The amount of the credit is based on a taxpayer's eligible cash contribution and the agency's allocation plan. Total tax credits available to the taxpayer are the amount of the first-year allocation plus the succeeding four years' deemed allocation.

72 Downtown and Village Center Program Tax Credits

Statute: 32 V.S.A. § 5930cc
Enacted: 2006 (replacing similar credits from 1997)
Estimate: Suppressed – fewer than 10 claimants

Statutory Purpose: 32 V.S.A. § 5813(m)
The statutory purpose of the Vermont historical rehabilitation tax credit in subsection 5930cc(a) of this title is to provide incentives to improve and rehabilitate historic properties in designated downtowns and village centers.

Statutory Purpose: 32 V.S.A. § 5813(n)
The statutory purpose of the Vermont facade improvement tax credit in subsection 5930cc(b) and sections 5930aa–5930ff of this title is to provide incentives to improve facades and rehabilitate historic properties in designated downtowns and village centers.

Statutory Purpose: 32 V.S.A. § 5813(o)
The statutory purpose of the Vermont code improvement tax credit in subsection 5930cc(c) and sections 5930aa–5930ff of this title is to provide incentives to improve and rehabilitate historic properties in designated downtowns and village centers.

There are three available credits for improvements in a designated downtown or village center.

73 Entrepreneurs' Seed Capital Fund Credit

Statute: 32 V.S.A. § 5830b
Enacted: 2004, amended 2006
Estimate: $0

Statutory Purpose: 32 V.S.A. § 5813(l)
The statutory purpose of the Vermont Entrepreneurs' Seed Capital Fund Credit in section 5830b of this title is to provide incentives for investment in the Seed Capital Fund, ensuring it has sufficient capital to make equity investments in Vermont businesses.

A credit is available for a taxpayer who contributes to the Fund in an amount equal to the lesser of either 4% of the taxpayer's contribution or 50% of the taxpayer's tax liability for the year prior to claiming the credit, provided that the aggregate credit allowable for all taxable years not to exceed 20% of the taxpayer's contribution to the initial capitalization of the Fund.

**7.100 Exemptions from the Premiums Tax**

7.101 Annuity Considerations

Statute: 8 V.S.A. § 3718
Enacted: 1967
Estimate: $18,153,000

Statutory Purpose: 8 V.S.A. § 3700
The statutory purpose of the exemption for annuity considerations in section 3718 of this title is to avoid reciprocity from other states.

7.102 Fraternal Societies

Statute: 8 V.S.A. § 4501
Enacted: 1959
Estimate: $96,000

Statutory Purpose: 8 V.S.A. § 4460
The statutory purpose of the exemption for fraternal societies in section 4500 of this title is to support benevolent societies that provide benefits to members and to the community.

7.103 Hospital and Medical Service Organizations

Statute: 8 V.S.A. § § 4518, 4590
Enacted: 1939
Estimate: $15,641,000

Statutory Purpose: 32 V.S.A. § 9247
The statutory purpose of the remaining exemptions in 8 V.S.A. § 4518 and § 4590 is to lower the cost of health services to Vermonters.

## Motor Fuel Purchase and Use Tax Expenditures

## Motor Fuel and Purchase and Use Tax Expenditure Summary FY 2022, FY 2023 and FY 2026 (dollars)

| Item Number | Expenditure | FY 2022 Estimated | FY 2023 Estimated | FY 2026 projected |
|---|---|---|---|---|
| 81 | Gasoline tax | $0 | $0 | $0 |
| 82 | Diesel fuel | $559,000 | $641,000 | $582,000 |
| | **Totals** | **$559,000** | **$641,000** | **$582,000** |

| Item Number | Expenditure | FY 2022 Estimated | FY 2023 Estimated | FY 2026 projected |
|---|---|---|---|---|
| 91 | Religious, charitable | $76,107 | $66,997 | $151,000 |
| 92 | Non-registered vehicles | No data | No data | No data |
| 93 | Gifts | $3,391,732 | $3,084,379 | $3,735,000 |
| 94 | IRC Sec. 351 | $19,550 | $30,817 | $45,000 |
| 95 | Handicap | $58,741 | $31,362 | $49,000 |
| 96 | Veterans | $1,961 | $3,691 | $19,000 |
| | **Subtotals Tax Exemptions** | **$3,548,091** | **$3,217,246** | **$4,000,000** |
| 97 | Trade-In allowance | $43,000,000 | $45,300,000 | $48,300,000 |
| | **Totals** | **$46,548,091** | **$48,517,246** | **$52,300,000** |

## Description of Gasoline and Diesel Fuel and Motor Vehicle Purchase and Use Tax Expenditures

Act 160 (2010), Sec. 1 amended 32 V.S.A. §312 to add reporting on the gasoline tax, diesel fuel tax, and motor vehicle purchase and use tax to this report.

### *Gasoline Tax*

There are no end user exemptions to the gasoline tax.

### *Diesel Fuel Tax and Transportation Infrastructure Bond (TIB) Fund Diesel Fuel Assessment*

23 V.S.A. §3003 imposes on the sale of diesel fuel:

(1) a tax of $0.28 per gallon;

(2) a petroleum distributor license fee of $0.01 per gallon which is deposited in the petroleum cleanup fund; and

(3) a transportation infrastructure bond (TIB) fund assessment of $0.03 per gallon. This analysis treats exemptions from the tax, fee and assessment as all being tax expenditures and herein the term "tax" is all inclusive.

As specified in 23 V.S.A. §3003(d)(1), the following uses are exempted from the diesel fuel tax, the license fee and TIB assessment:

- off road uses for agricultural purposes;
- use by a vehicle registered as a farm truck;
- off road uses by any vehicle;
- uses by State or municipal entities (including school districts, fire districts); and
- use by a non-profit public transit agency.

Diesel fuel purchases by government entities and public transit agencies are excluded from this analysis. The Department of Motor Vehicles database is limited to information on the number of taxable and tax-exempt gallons sold and does not break down the aggregate numbers by user type. Therefore, this report does not estimate the tax expenditure value of the individual exemptions but instead provides one aggregate estimate for all the exemptions in 23 V.S.A. §3003(d)(1).

The Department of Motor Vehicles database of diesel transactions was reconfigured mid-fiscal year 2020, which necessitated a change in estimate methodology with the 2023 report. The tax expenditure estimates for years prior to fiscal year 2021 are derived by using data from several sources to estimate the quantity of diesel fuel purchases by State and local government entities and public transit agencies, which are not considered to be tax expenditures. These totals were then subtracted from the Department of Motor Vehicles' gross figure for tax-exempt gallons. Estimates for fiscal year 2021 and future years are derived from querying the new Department of Motor Vehicles system to exclude tax exempt diesel used by the Agency of Transportation, nonprofit transit agencies, and other government entities (where identifiable).

## *Motor Vehicle Purchase and Use Tax*

**Motor Vehicle Purchase and Use Tax – Specific Exemptions**
Exemptions from the motor vehicle purchase and use tax are specified in 32 V.S.A §8911. The exemption for State and local government entities is excluded from the analysis.

The Department of Motor Vehicles database includes transactions exempted from the motor vehicle purchase and use tax in seven categories. Information is available on the vehicle type, make, model and year, but not the sales price. The expenditure estimate is derived by multiplying the number of transactions in each category by an estimate of the average motor vehicle purchase and use tax paid per taxable transaction.

**Motor Vehicle Purchase and Use Tax – Trade-In Value Exemption**
32 V.S.A §8902(4) and (5) define the purchase price subject to the motor vehicle purchase and use tax as, in general terms, being equal to the gross price paid minus the value of any trade-in involved in the transaction (broadly defined to include separate sales). It has been argued that a trade-in allowance constitutes a tax expenditure. It has also been argued that a trade-in allowance taxes the true net cost of the vehicle sale transaction and is necessary to avoid double taxation. In 2005, at the request of the House Ways and Means Committee, the Joint Fiscal Office provided revenue estimates for several options involving the elimination of the trade-in allowance, in whole or in part. The figures were an estimate of the additional motor vehicle purchase and use tax revenue that would have been generated had the trade-in allowance not existed in the fiscal year involved (adjusted for estimated demand effects). The estimate for a zero trade-in allowance was updated and is included in this report. Whether this revenue constitutes a tax expenditure or rather double taxation is a separate question.

# List of Fiscal Year 2023 Motor Vehicle Purchase and Use Tax Expenditures

## 80 Gasoline and Diesel Fuel Tax Expenditures

81 Gasoline Tax

There are no end user exemptions from the gasoline tax.

82 Diesel Tax

Statute: 23 V.S.A. §3003
Enacted: 1982
Estimate: $582,000

Statutory purpose: 23 V.S.A. §3000
The statutory purpose of the exemption for diesel tax in section 3003 of this title is to relieve off-road uses and farm truck uses from the user fee for the State highway system.

# List of Fiscal Year 2023 Motor Vehicle Purchase and Use Tax Expenditures

## 90 Motor Vehicle Purchase and Use Tax Expenditures

91 Religious or charitable institutions or volunteer fire companies

Statute: 32 V.S.A. §8911 (3)
Enacted: 1960, amended 1987, 2006
Estimate: $151,000

Statutory purpose: 32 V.S.A §8900(a)
The statutory purpose of the exemption for religious or charitable institutions or volunteer fire companies in subdivision 8911(3) of this title is to lower the operating costs of pious and charitable organizations considered exempt under subdivision 3802(4) of this title to allow them to dedicate more of their financial resources to furthering their public service missions.

92 Non-registered vehicles

Statute: 32 V.S.A. §8911 (5)
Enacted: 1960, amended 1987, 2006
Estimate: Data unavailable

Statutory purpose: 32 V.S.A §8900(b)
The statutory purpose of the exemption for nonregistered vehicles in subdivision 8911(5) of this title is to exclude from the tax vehicles that are not entitled to use the State highway system.

93 Gifts

Statute: 32 V.S.A. §8911 (8)
Enacted: 1960, amended 1987, 2006
Estimate: $3,735,000

Statutory purpose: 32 V.S.A §8900(c)
The statutory purpose of the exemption for gifts in subdivision 8911(8) of this title is to avoid the intrusion of a tax into sharing transactions that are common within families.

94 IRC Sec. 351

Statute: 32 V.S.A. §8911 (10)
Enacted: 1960, amended 1987, 2006
Estimate: $45,000

Statutory purpose: None

Note: "IRC Sec. 351" refers to transfers by an owner to a business controlled by the owner pursuant to Internal Revenue Code Sec. 351.

95 Handicapped

Statute: 32 V.S.A. §8911 (12)
Enacted: 1960, amended 1987, 2006
Estimate: $49,000

Statutory purpose: 32 V.S.A §8900(d)
The statutory purpose of the exemption for persons with disabilities in subdivision 8911(12) of this title is to lessen the cost of purchasing a vehicle that has been modified to meet the physical needs of a qualifying Vermonter.

96 Veterans

Statute: 32 V.S.A. §8911 (14)
Enacted: 1960, amended 1987, 2006
Estimate: $19,000

Statutory purpose: 32 V.S.A §8900(e)
The statutory purpose of the exemption for veterans in subdivision 8911(14) of this title is to remove every cost to a qualifying veteran receiving a vehicle granted by the Veterans' Administration.

97 General exemption of trade-in value

Statute: 32 V.S.A. §8902(4) and (5)
Enacted: 1960, amended 1967
Estimate: $48,300,000

Statutory purpose: 32 V.S.A §8900(f)
The statutory purpose of the general exemption of trade-in value in subdivisions 8902(4) and (5) of this title is to ensure the use value of a vehicle is taxed only once.

# Appendices

# Appendix A – Statutory Reference

## 32 V.S.A. § 312. Tax expenditure report

### § 312. Tax expenditure report

(a) As used in this section, "tax expenditure" shall mean the actual or estimated loss in tax revenue resulting from any exemption, exclusion, deduction, credit, preferential rate, or deferral of liability applicable to the tax. Tax expenditures shall not include the following:

(1) revenue outside the taxing power of the State;
(2) provisions outside the normal structure of a particular tax;
(3) revenue forgone as unduly burdensome to administer; and
(4) for the purpose of avoiding government taxing itself.

(b) Tax expenditure reports. Biennially, as part of the budget process, beginning January 15, 2009, the Department of Taxes and the Joint Fiscal Office shall file with the House Committees on Ways and Means and on Appropriations and the Senate Committees on Finance and on Appropriations a report on tax expenditures in the personal and corporate income taxes, sales and use tax, and meals and rooms tax, insurance premium tax, bank franchise tax, education property tax, diesel fuel tax, gasoline tax, motor vehicle purchase and use tax. The Office of Legislative Council shall also be available to assist with this tax expenditure report. The provisions of 2 V.S.A. § 20(d) (expiration of required reports) shall not apply to the report to be made under this subsection. The report shall include, for each tax expenditure, the following information:

(1) a description of the tax expenditure;
(2) the most recent fiscal information available on the direct cost of the tax expenditure in the past two years;
(3) the date of enactment of the expenditure;
(4) a description of and estimate of the number of taxpayers directly benefiting from the expenditure provision;
(5) a description of the statutory purpose explaining the policy goal behind the expenditure as required by subsection (d) of this section and 2013 Acts and Resolves No. 73, Sec. 5; and
(6) a compilation of the items excluded under subsection (a) of this section.

(c) Repealed.

(d) Every tax expenditure, as defined in subsection (a) of this section, in the tax expenditure report required by this section shall be accompanied in statute by a statutory purpose explaining the policy goal behind the exemption, exclusion, deduction, or credit applicable to the tax. The statutory purpose shall appear as a separate subsection or subdivision in statute and shall bear the title "Statutory Purpose." Notwithstanding any other provision of law, a tax expenditure listed in the tax expenditure report that lacks a statutory purpose in statute shall not be implemented or enforced until a statutory purpose is provided. The Department of Taxes shall notify the General Assembly when it has determined that a tax expenditure listed in the tax expenditure report lacks a statutory purpose, and the Department shall specify a date, no later than one year after its determination, that it will cease implementation or enforcement of the tax expenditure.

(Added 2005, No. 75, § 26; amended 2005, No. 207 (Adj. Sess.), § 23, eff. May 31, 2006; 2007, No. 190 (Adj. Sess.), § 24, eff. June 6, 2008; 2009, No. 160 (Adj. Sess.), § 1, eff. June 4, 2010; 2011, No. 45, § 36k, eff. May 24, 2011; 2013, No. 73, § 4, eff. July 1, 2014; 2013, No. 142 (Adj. Sess.), § 59; 2013, No. 200 (Adj. Sess.), § 21.)

## Appendix B – List of Excluded Exemptions

**Individual Income Tax**
Railroad retirement income
Statute: 32 V.S.A. § 5823(a)(1)
45 U.S.C. § 231m(a); I.R.C. § 6334.

**Sales and Use Tax**
Non-business, casual sales
Statute: 32 V.S.A. § 9741(4)
Enacted: 1969

Manufacturers' material and equipment
Statute: 32 V.S.A. § 9741(14)
Enacted: 1969 (amended in 2012)

Packaging and shipping materials
Statute: 32 V.S.A. § 9741(16)
Enacted: 1969

Rented furniture for residential use
Statute: 32 V.S.A. § 9741(17)
Enacted: 1970

Admissions to municipal, state, and federal recreation facilities
Statute: 32 V.S.A. § 9741(18)
Enacted: 1970

Energy used in manufacturing tangible personal property for sale
Statute: 32 V.S.A. § 9741(34)
Enacted: 1993

Wholesale transactions between telecommunications service providers
Statute: 32 V.S.A. § 9741(41)
Enacted: 1997

**Meals and Rooms Tax**
Premises of Vermont or federal institutions to inmates and employees
Statute: 32 V.S.A. § 9202(10)(D)(ii)(III)
Enacted: 1959

Furnished while transporting passengers for hire on train, bus, or airplane (carriers)
Statute: 32 V.S.A. § 9202(10)(D)(ii)(V);
Enacted: 1959

Provided to the elderly pursuant to the Older Americans Act
Statute: 32 V.S.A. § 9202(10)(D)(ii)(IX)
Enacted: 1973

Purchased with Food Stamps
Statute: 32 V.S.A. § 9202(10)(D)(ii)(X)
Enacted: 1987

**Meals and Rooms Tax**
Time share rights
Statute: 32 V.S.A. § 9202(8)
Enacted: 1992
Permanent residents
Statute: 32 V.S.A. § 9202(6) and (7)
Enacted: 1959

State or US-operated establishment
Statute: 32 V.S.A. § 9202(3)(B)
Enacted: 1959

**Property Tax**
Federal and State Government Property
Statute: 32 V.S.A. § 3802(1)
Enacted: 1791

Municipally owned
Statute: 32 V.S.A. § 5401(10)(F);
Enacted: 1997
Use Value Appraisal Program
Statute: 32 V.S.A. Chapter 124
Enacted: 1977

Property Tax Adjustments
Statute: 32 V.S.A. Chapter 154
Enacted: 1997

**Purchase and Use Tax**
I.R.C. § 351 transfers by an owner to a business controlled by the owner
Statute: 32 V.S.A. § 8911 (10);
Enacted: 1960, amended 1987, 2006

# Appendix C – Individual Income Tax Expenditure Summary

**2022 Vermont Individual Income Tax Returns - Refundable Credits**

| AGI Income Class | Earned Income Tax Credit | | Child Tax Credit | | Child and Dependent Care Credit | |
|---|---|---|---|---|---|---|
| Description | # Returns | $Total | # Returns | $Total | # Returns | $Total |
| Negative | 280 | 102,000 | 80 | 106,000 | - | - |
| None/Missing | - | - | 60 | 83,000 | - | - |
| .01 - 4,999 | 4,010 | 655,900 | 570 | 747,100 | - | - |
| 5,000 - 9,999 | 4,910 | 2,115,200 | 600 | 756,900 | - | - |
| 10,000 - 14,999 | 5,940 | 3,552,600 | 750 | 925,800 | - | - |
| 15,000 - 19,999 | 3,590 | 4,184,900 | 890 | 1,101,100 | 50 | 8,800 |
| 20,000 - 24,999 | 2,380 | 3,659,400 | 880 | 1,087,900 | 160 | 33,200 |
| 25,000 - 29,999 | 2,410 | 3,379,800 | 940 | 1,152,500 | 200 | 72,400 |
| 30,000 - 34,999 | 2,620 | 2,797,400 | 990 | 1,226,600 | 250 | 104,600 |
| 35,000 - 39,999 | 2,930 | 2,180,000 | 1,110 | 1,378,500 | 300 | 120,100 |
| 40,000 - 44,999 | 2,420 | 1,179,000 | 1,040 | 1,305,400 | 350 | 135,200 |
| 45,000 - 49,999 | 1,220 | 484,600 | 870 | 1,069,500 | 330 | 124,000 |
| 50,000 - 59,999 | 800 | 225,700 | 1,640 | 2,090,500 | 610 | 228,500 |
| 60,000 - 74,999 | - | - | 2,120 | 2,730,800 | 860 | 331,500 |
| 75,000 - 99,999 | - | - | 3,090 | 4,010,900 | 1,620 | 689,300 |
| 100,000 - 124,999 | - | - | 2,710 | 3,452,900 | 1,930 | 841,100 |
| 125,000 - 149,999 | - | - | 1,870 | 1,820,700 | 1,570 | 670,800 |
| 150,000 - 199,999 | - | - | 1,100 | 377,900 | 1,740 | 736,200 |
| 200,000 - 299,999 | - | - | - | - | 1,180 | 484,200 |
| 300,000 - 499,999 | - | - | - | - | 510 | 209,500 |
| 500,000 - 999,999 | - | - | - | - | 190 | 79,500 |
| 1,000,000+ | - | - | - | - | 40 | 18,400 |
| **Grand Total** | 33,520 | 24,524,600 | 21,300 | 25,423,900 | 11,920 | 4,888,200 |

## 2022 Vermont Individual Income Tax Returns - High Value Deductions and Non-refundable Credit

| AGI Income Bracket | Social Security Exemption | | Capital Gains Exclusion | | Charitable Contributions Credit | |
|---|---|---|---|---|---|---|
| Description | # Returns | $Total | # Returns | $Total | # Returns | $Total |
| Negative | - | - | - | - | - | - |
| None/Missing | - | - | - | - | - | - |
| .01 - 4,999 | - | - | - | - | 20 | 300 |
| 5,000 - 9,999 | - | - | 160 | 3,770 | 240 | 2,980 |
| 10,000 - 14,999 | 600 | 18,130 | 360 | 12,450 | 1,330 | 27,440 |
| 15,000 - 19,999 | 1,980 | 109,250 | 800 | 28,190 | 1,770 | 63,620 |
| 20,000 - 24,999 | 2,420 | 222,890 | 780 | 45,600 | 1,890 | 72,840 |
| 25,000 - 29,999 | 3,260 | 422,700 | 860 | 56,470 | 2,150 | 88,910 |
| 30,000 - 34,999 | 2,930 | 594,340 | 960 | 65,480 | 2,460 | 111,890 |
| 35,000 - 39,999 | 2,780 | 753,960 | 1,040 | 71,160 | 2,860 | 136,280 |
| 40,000 - 44,999 | 2,740 | 923,000 | 1,130 | 89,920 | 3,130 | 169,050 |
| 45,000 - 49,999 | 2,580 | 1,038,480 | 1,150 | 95,340 | 3,110 | 182,290 |
| 50,000 - 59,999 | 5,210 | 1,997,910 | 2,390 | 244,210 | 6,180 | 392,990 |
| 60,000 - 74,999 | 4,300 | 1,691,300 | 3,480 | 509,890 | 9,170 | 662,000 |
| 75,000 - 99,999 | 10 | 3,630 | 5,330 | 850,550 | 13,150 | 1,132,480 |
| 100,000 - 124,999 | - | - | 4,670 | 1,030,150 | 11,280 | 1,045,040 |
| 125,000 - 149,999 | - | - | 3,650 | 972,600 | 8,630 | 859,800 |
| 150,000 - 199,999 | - | - | 4,890 | 1,541,140 | 10,890 | 1,261,970 |
| 200,000 - 299,999 | - | - | 4,850 | 2,608,940 | 9,130 | 1,332,540 |
| 300,000 - 499,999 | - | - | 3,290 | 3,152,640 | 5,720 | 1,011,050 |
| 500,000 - 999,999 | - | - | 2,010 | 3,721,480 | 3,430 | 711,810 |
| 1,000,000+ | - | - | 1,480 | 4,608,940 | 2,930 | 533,810 |
| **Grand Total** | 28,810 | 7,775,590 | 43,280 | 19,708,920 | 99,470 | 9,799,090 |

## Appendix D – Research and Development Tax Credit List

This list shows companies that claimed the Research and Development Tax Credit on a Vermont Corporate or Business Income Tax return filed in calendar year 2024. This list includes those entities that earned, used, and/or carried the credit forward.

| |
|---|
| # COMPANY |
| 1 14TH STAR BREWING COMPANY LLC |
| 2 4382412 CANADA INC |
| 3 AECOM & SUBSIDIARIES |
| 4 AG LABS LLC DBA ANSWER ROCKET LLC |
| 5 AGILENT TECHNOLOGIES INC & SUBSIDIARIES |
| 6 AGRI MARK INC |
| 7 AGROREFINER VENTURES LLC |
| 8 ALKEN INC |
| 9 ALPINE SNOWGUARDS |
| 10 AMDG LLC |
| 11 AMERICAN MEADOWS INC |
| 12 AMPION BPC |
| 13 ANIMA VIRUALITY INC |
| 14 APPLIED BOLTING TECHNOLOGY PRODUCTS LLC |
| 15 ARMACH ROBOTICS INC |
| 16 ASURE PAYROLL INC |
| 17 ATHENAHEALTH INC & AFFILIATES |
| 18 ATLAS GUNWORKS INC |
| 19 AURAQUEST INC |
| 20 AUTUMN HARP HOLDING COMPANY INC |
| 21 BARRY CALLEBAUT NORTH AMERICA HOLDIN |
| 22 BENCHMARK SPACE SYSTEMS INC |
| 23 BETA TECHNOLOGIES INC SUBS |
| 24 BETTER LIFE PARTNERS INC |
| 25 BIA DIAGNOSTICS LLC |
| 26 BLACK RIVER DESIGN ARCHITECTS PLC |
| 27 BLASKET INVESTMENT GROUP LLC |
| 28 BRANDING BRAND INC |
| 29 BURLINGTON BEER COMPANY |
| 30 CALEDONIA SPIRITS INC |
| 31 CAMBIA HEALTH SOLUTIONS INC |
| 32 CAMP PRECAST CONCRETE PRODUCTS INC |
| 33 CANNAPLANNERS LLC |
| 34 CAPTAINJRG INC |
| 35 CASH OR TRADE, INC |
| 36 CENTURY INTERNATIONAL ARMS INC |
| 37 CHAMPLAIN CABLE CORP AND SUBSIDIARIES |
| 38 CHAMPLAIN CHOCOLATE COMPANY |
| 39 CHROMA TECHNOLOGY CORP AND SUBSIDIARY |
| 40 CHVAC SERVICES HOLDINGS LLC |
| 41 CISCO SYSTEMS INC |
| 42 CITIZEN CIDER HOLDING INC |
| 43 CJK GROUP INC |
| 44 CLASSIC DESIGNS BY MTTHEW BURAK |
| 45 COMMANDO LLC |

| |
|---|
| 46 CONCEPT2 INC |
| 47 CONTINUENT LTD |
| 48 CSL SOFTWARE SOLUTIONS INC |
| 49 CTI SYSTEMS INC |
| 50 DANFORTH PEWTERERS LTD |
| 51 DARN TOUGH |
| 52 DASSAULT SYSTEMES CORPORATION |
| 53 DEALERPOLICY INC & SUBSIDIARIES |
| 54 DEALERTRACK INC & AFFILIATES |
| 55 DEW CONSTRUCTION CORP |
| 56 DUBOIS & KING INC |
| 57 DYCOM INVESTMENTS INC |
| 58 ECHO CONSULTING LLC |
| 59 ELECTROLOCK INC |
| 60 ELI LILLY AND COMPANY |
| 61 ESCO TECHNOLOGIES INC |
| 62 FARADAY INC |
| 63 FLUENCY INC |
| 64 FOURTITUDE LLC |
| 65 FOXGLOVE TECHNOLOGIES INC |
| 66 FRIKINTECH INC |
| 67 FROST BEER WORKSC |
| 68 GATSBY INC |
| 69 GENERAC POWER SYSTEMS INC |
| 70 GENERAL DYNAMICSOTS INC |
| 71 GLAVEL INC |
| 72 GLOBALFOUNDRIES US INC |
| 73 GMA INVESTMENT VERMONT LLC |
| 74 GREEN MOUNTAIN ANIMAL LLC |
| 75 GREEN MOUNTAIN ANTIBODIES INC |
| 76 GREEN RIVER DATA ANALYSIS LLC |
| 77 GREEN RIVER DATA GROUP INC |
| 78 GREENSEA SYSTEMS INC |
| 79 HAEMATOLOGIC TECHNOLOGIES LLC |
| 80 HAEMTECH HOLDINGS LLC |
| 81 HAYWARD TYLER HOLDING COMPANY |
| 82 HEARTHSTONE QUALITY HOME HEATING |
| 83 HEWITT USA HOLDINGS INC |
| 84 HEWLETT PACKARD ENTERPRISE COMPANY |
| 85 HILL FARMSTEAD LLC |
| 86 HLI INC |
| 87 HOME OUTSIDE INC |
| 88 HSS HOLDING CORPORATION & SUBSIDIARY |
| 89 IDEX CORPORATION & SUBSIDIARIES |
| 90 IMAGE RELAY INC |
| 91 INSPACE PROXIMITY INC |
| 92 INTERLOGIC INC |
| 93 INTERNATIONAL BUSINESS MACHINES CORP |
| 94 ITENTIAL INC |
| 95 IVEK CORPORATION |
| 96 IVY COMPUTER |
| 97 IXIS LLC |
| 98 JOSEPH P CARRARA SONS INC |
| 99 KAHUA INC |
| 100 KAMAN COMPOSITES VERMONT INC |

| |
|---|
| 101 KINETIC FURNITURE OF VERMONT LLC |
| 102 KINGSBURY COMPANIES LLC |
| 103 LAM RESEARCH CORPORATION |
| 104 LAWSONS FINEST LIQUIDS LLC |
| 105 LEDDYNAMICS INC |
| 106 LETS GO COMMANDO INC |
| 107 LIQUID MEASUREMENT SYSTEMS INC |
| 108 MACH 7 TECHNOLOGIES INC |
| 109 MACK GROUP INC AND SUBSIDIARIES |
| 110 MANUFACTURING SOLUTIONS INC |
| 111 MARVELL TECHNOLOGY INC AND AFFILIATE |
| 112 MED ASSOCIATES INC |
| 113 MICROBRIGHTFIELD LLC |
| 114 MIX MAX INC |
| 115 MYLAN BERTEK MLI ACQ |
| 116 NATE PACKAGING LLC |
| 117 NATIONAL LIFE HOLDING COMPANY & AFFI |
| 118 NEAL'S YARD DAIRY LTD |
| 119 NEW ENGLAND MUNICIPAL |
| RESOURCE CENTER LTD |
| 120 NEW ENGLAND PRECISION LLC |
| 121 NEW ENGLAND SUPPLY INC |
| 122 NOLATO HOLDINGS INC & |
| SUBSIDIARIES |
| 123 NORWICH TECHNOLOGIES INC |
| 124 NOVELIS HOLDINGS INC & SUBS |
| 125 NOVOCURE INC |
| 126 NPC NEWCO INC |
| 127 NPC-CFP HOLDCO LLC |
| 128 NUHARBOR SECURITY INC |
| 129 OGEE |
| 130 OHMD INC |
| 131 OMEGA OPTICAL ACQUISITION INC & SUBS |
| 132 ONTOS EQUIPMENT SYSTEMS INC |
| 133 OSTOVALVE LLC |
| 134 OVR TECHNOLOGY |
| 135 PATCO ALLIANCE INVESTMENTS INC |
| 136 PEOPLES COMPUTER COMPANY INC |
| 137 PETABYTE ECONOMICS CORP |
| 138 PRECISION COMPOSITES OF VERMONT LLC |
| 139 PRECISION INTERMEDIATE HOLDCO INC |
| 140 PULMAC SYSTEMS INTERNATIONAL INC |
| 141 PVC FOR PROCTOR & GAMBLE 31-411981 |
| 142 QGENDA TOPCO LLC |
| 143 RESONANT LINK INC |
| 144 RHINO FOODS INC |
| 145 ROCHE HOLDINGS INC |
| 146 RTX CORPORATION |
| 147 SAPHYRE INC |
| 148 SELECT DESIGN LTD |
| 149 SEMIPROBE INC |
| 150 SIGNIFY NORTH AMERICA |
| CORPORATION |
| 151 SKYVIEW NATURALS PBC |
| 152 SLEEPING WELL LLC |

| |
|---|
| 153 SMUGGLERS NOTCH DISTILLERY LLC |
| 154 SOLAFLECT ENERGY LLC |
| 155 SOOS LLC |
| 156 SOUNDTOYS INC |
| 157 SUPERIOR TECHNICAL CERAMICS ACQUISITION |
| 158 SUPERPLASTIC INC |
| 159 SYNOPSYS INC SUBSIDIARIES |
| 160 SYNQOR INC |
| 161 TANDEM DISCOVERY CORP |
| 162 TENASONE BREWING LLC |
| 163 TERRIBLE POSTURE GAMES INC |
| 164 THE BURTON CORPORATION |
| 165 THE CBORD GROUP INC |
| 166 THE INTERPUBLIC GROUP OF COMPANIES I |
| 167 THE MIDDLEBY CORPORATION |
| 168 THINKMD PBC |
| 169 TROW & HOLDEN CO INC |
| 170 TYLER TECHNOLOGIES INC |
| 171 ULTRAGENYX PHARMACEUTICAL INC |
| 172 UNDERSTORY INC |
| 173 UPSTATE ELEVATOR SUPPLY COMPANY LLC |
| 174 URSA MAJOR NATURAL CARE INC |
| 175 USHIO AMERICA INC & AFFILIATES |
| 176 VAHN ANGEL HOLDING COMPANY INC |
| 177 VERIDIGM INC AND SUBSIDIARIES |
| 178 VERDE TECHNOLOGIES INCORPORATED |
| 179 VERMONT COUNTRY SOAP CORP |
| 180 VERMONT INDUSTRIAL PRODUCTS INC |
| 181 VERMONT MECHANICAL INC |
| 182 VERMONT PRECISION TOOLS |
| 183 VERNAL BIOSCIENCES INC |
| 184 VISHAY AMERICAS INC |
| 185 VTDC HOLDING INC & SUBSIDIARIES |
| 186 WALGREEN EASTERN CO INC |
| 187 WASTED PBC |
| 188 WATERSHED CONSULTING |
| 189 WEG ELECTRIC CORP |
| 190 WHO GIVES A CRAP INC |
| 191 WIDEWAIL INC |
| 192 WIEMANNLAMPHERE ARCHITECTS INC |
| 193 WORKIVA INC |
| 194 ZILLOW GROUP INC |

# Virginia Tax
# Annual Report
# Fiscal Year 2025

Report of the Tax Commissioner

to the Governor of the Commonwealth of Virginia

The Honorable Abigail Spanberger, Governor

The Honorable Mark D. Sickles, Secretary of Finance

Kristin Collins, Tax Commissioner

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Virginia Tax

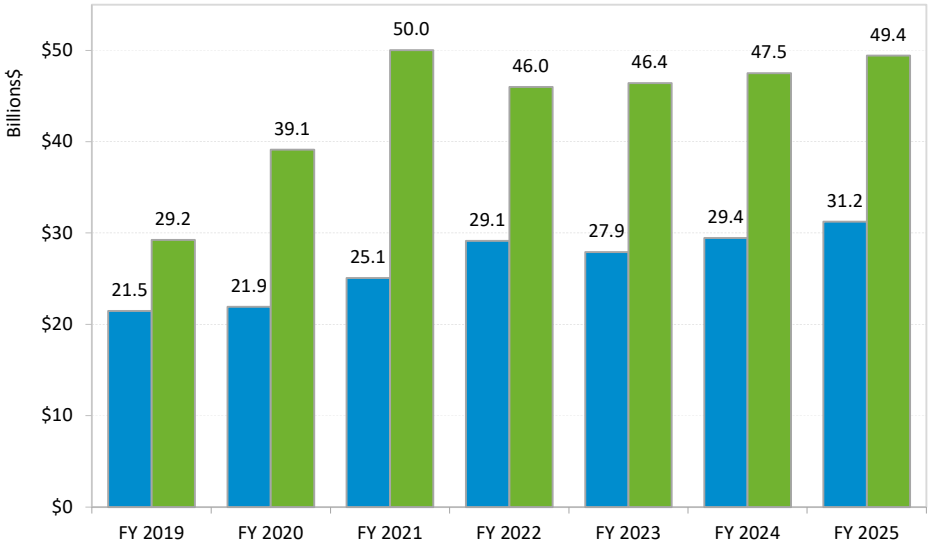
## Net Revenue Collections[1]

| | FY 2024 | FY 2025 | 2024/2025 % Chg |
|---|---|---|---|
| **By the Commonwealth of Virginia[2]** | | | |
| General Fund [3] | $29,448,224,000 | $31,233,034,000 | 6.06% |
| Non-General Fund | 47,487,938,000 | 49,441,883,000 | 4.11% |
| **Total Commonwealth Collections** | **$76,936,162,000** | **$80,674,917,000** | **4.86%** |
| **By the Department of Taxation[4]** | | | |
| General Fund | $27,842,462,000 | $29,639,067,000 | 6.45% |
| Non-General Fund | 1,625,945,000 | 1,644,489,000 | 1.14% |
| **Total Department Collections** | **$29,468,407,000** | **$31,283,556,000** | **6.16%** |
| **By Other Agencies[5]** | | | |
| General Fund | $1,605,762,000 | $1,593,967,000 | -0.73% |
| Non-General Fund | 45,861,993,000 | 47,797,394,000 | 4.22% |
| **Total from Other Agencies** | **$47,467,755,000** | **$49,391,361,000** | **4.05%** |

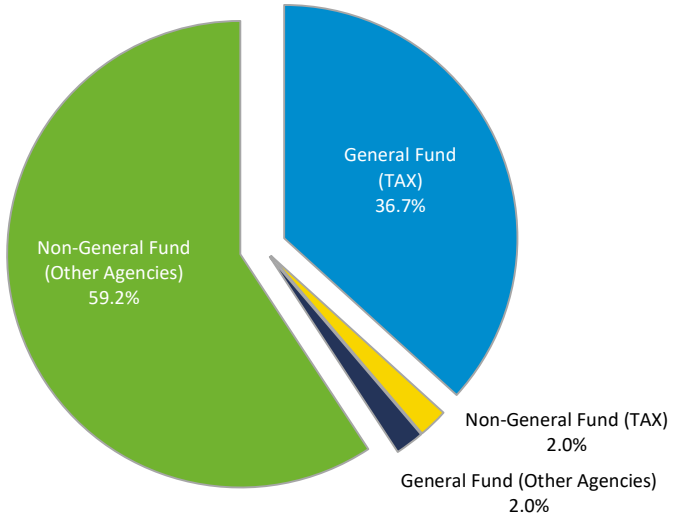
Notes:

1. Collections are for the Fiscal Year from July 1 through June 30 based on data from the Cardinal financial system Revenue Status Report (RGL008) and the final General Fund report for the fiscal year by Department of Accounts (DOA).
2. General Fund and Non-General Fund revenue for FY 2023 were revised from the prior-year TAX Annual Report to align with the final DOA General Fund report, which includes a transfer of Non-General Fund revenue to the General Fund from the State Corporation Commission and excludes certain other Transfers (e.g., ABC profits).
3. General Fund total revenues align to year-end totals reported by the Department of Accounts (DOA) in its final General Fund report for the fiscal year.
4. Includes all taxes administered by the Department of Taxation. The detailed table on the next page notes adjustments to collections, notably for the Bank Franchise Tax.
5. Note that collections By Other Agencies is the net difference of total Commonwealth collections minus collections by the Department of Taxation. Therefore, this calculation of collections By Other Agencies is an estimate affected by adjustments, primarily for Bank Franchise Tax.

### Commonwealth of Virginia Net Revenue Collections by Fiscal Year




### Share of Revenue Collections by Fund Group




### Department of Taxation General Fund Expenditures

| Budget Programs | FY 2024 | FY 2025 |
|---|---|---|
| Revenue Administrative Services | $52,714,447 | $47,502,556 |
| Research Services | 5,167,145 | 6,146,058 |
| Tax Value Assistance to Localities[#] | 552,140 | 511,567 |
| Administrative and Support Services | 59,205,687 | 63,480,437 |
| **Total** | **$117,639,420** | **$117,640,618** |
| **Cost per $100 of collections** | **$0.40** | **$0.38** |

Note:

[#]The Department of Taxation is custodian of the funds appropriated to the State Land Evaluation Advisory Council (SLEAC) and makes expenditures on behalf of SLEAC. These expenditures are not included above. Expenditures on behalf of SLEAC were $243,192 in FY 2024 and $288,977 in FY 2025

2.The primary source for these expenditures is report RGL008 (Statement of Appropriations, Allotments, and Expenditures) from the Cardinal financial system. The expenditures on behalf of SLEAC are provided by the Fiscal Office, Virginia Department of Taxation

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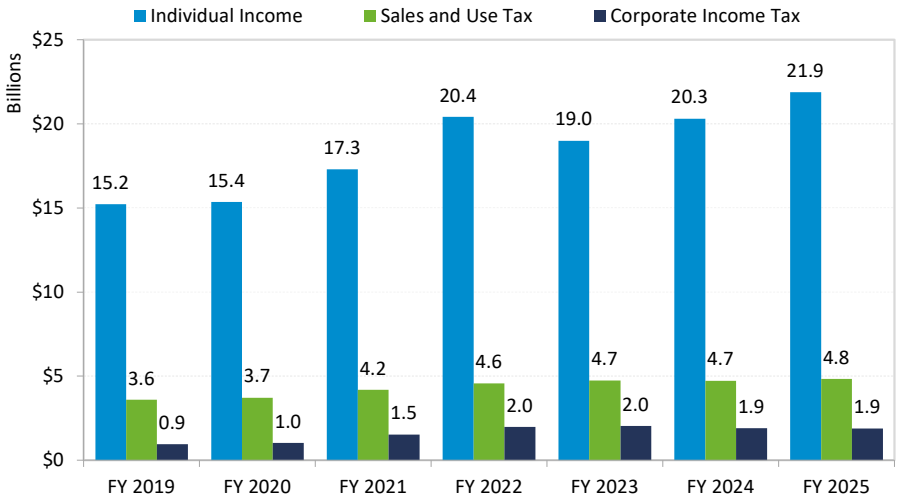
## Net Revenue Collections After Refunds by Tax Type

Taxes Administered by the Department of Taxation

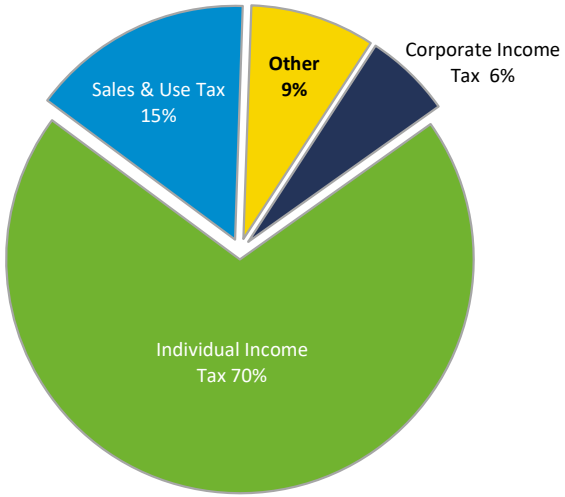
| Revenues | FY 2024 | FY 2025 | 2025/2024 % Chg |
|---|---|---|---|
| **General Fund (GF) Revenues** | | | |
| Bank Franchise (less credits)[1] | $31,319,000 | $33,365,000 | 6.53% |
| Corporate Income Tax | 1,907,065,000 | 1,878,586,000 | -1.49% |
| Individual Income | 20,310,406,000 | 21,892,442,000 | 7.79% |
| Estate Tax | 0 | 990,000 | |
| Recordation and deeds of conveyance | 392,017,000 | 455,768,000 | 16.26% |
| Suits, wills and administration | 8,501,000 | 8,903,000 | 4.73% |
| State sales, use, and vending (GF part) | 4,709,661,000 | 4,812,737,000 | 2.19% |
| Watercraft sales and use | 8,049,000 | 7,539,000 | -6.34% |
| Rolling Stock Tax[2] | 7,251,000 | 7,285,000 | 0.47% |
| Insurance Premiums License Tax | 468,192,000 | 541,452,000 | 15.65% |
| **Total Department GF Revenues** | **$27,842,462,000** | **$29,639,067,000** | **6.45%** |
| **Non-General Fund (Non-GF) Revenues** | | | |
| Aircraft sales and use | $12,126,000 | $9,377,000 | -22.67% |
| Cigarette Tax | 169,889,000 | 155,829,000 | -8.28% |
| Other Tobacco Products | 55,070,000 | 54,993,000 | -0.14% |
| Egg excise | 206,000 | 205,000 | -0.49% |
| Forest products | 2,328,000 | 2,468,000 | 6.01% |
| Peanut excise | 340,000 | 374,000 | 10.00% |
| Soybeans | 1,447,000 | 1,660,000 | 14.72% |
| State Sales & Use Tax (transportation funds)[3 4] | 1,377,114,000 | 1,412,430,000 | 2.56% |
| Tire tax | 3,484,000 | 3,609,000 | 3.59% |
| Corn excise | 512,000 | 351,000 | -31.45% |
| Small grains tax | 270,000 | 158,000 | -41.48% |
| Sheep | 20,000 | 24,000 | 20.00% |
| Litter tax | 2,241,000 | 2,058,000 | -8.17% |
| Soft drink excise | 285,000 | 340,000 | 19.30% |
| Cotton | 177,000 | 204,000 | 15.25% |
| Apple | 83,000 | 68,000 | -18.07% |
| Cattle Tax[5] | 355,000 | 340,000 | -4.23% |
| **Total Department Non-GF Revenues** | **$1,625,945,000** | **$1,644,489,000** | **1.14%** |
| **Aggregate (All Funds)** | **$29,468,407,000** | **$31,283,556,000** | **6.16%** |

### General Fund Revenue by Select Tax and Fiscal Year




### Select General Fund Revenue Sources vs. Other Revenue

Administered by TAX Department




Notes:

1. Bank Franchise revenue is the total as reported in Table 5.3; it is not taken from the Revenue Status Report in the Cardinal financial system.
2. Rolling Stock Tax includes Railroad and Car line company taxes.
3. As reported in these tables, revenues do not include the local sales tax or interest and penalties collected.
4. Starting in FY 2021, state transportation SUT revenues have been consolidated in the Commonwealth Transportation Fund per legislation. The Transportation SUT revenues are as compiled in Table 4.1
5. The Virginia Department of Taxation began collecting the Cattle Tax Assessment in FY 2019 pursuant to 2018 Senate Bill 374 (Chapter 469, 2018 Acts of Assembly).
6. Figures may not sum to totals because of rounding.

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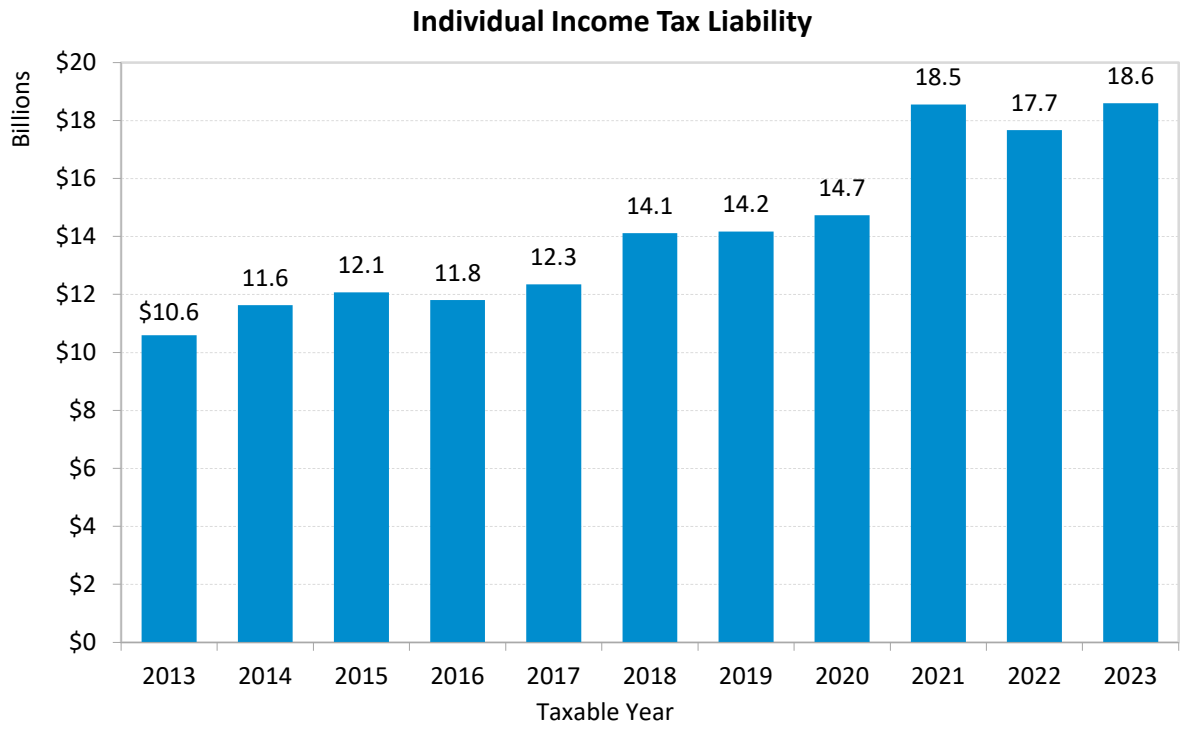
## Table 1.1

**Individual Income Tax Liability**

| Taxable Year | Amount |
|---|---|
| 2009 | $8,838,405,972 |
| 2010 | 9,537,700,528 |
| 2011 | 9,846,787,045 |
| 2012 | 10,527,113,882 |
| 2013 | 10,586,343,685 |
| 2014 | 11,623,977,320 |
| 2015 | 12,071,058,964 |
| 2016 | 11,800,977,145 |
| 2017 | 12,342,418,241 |
| 2018 | 14,112,424,788 |
| 2019 | 14,172,033,141 |
| 2020 | 14,728,931,857 |
| 2021 | 18,548,295,256 |
| 2022 | 17,671,088,854 |
| 2023 | 18,597,696,234 |




Note:

1. Tax liability is before any tax credits but after the spouse tax adjustment.

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## Table 1.2

**Virginia Adjusted Gross Income, Exemptions, Itemized and Standard Deductions, Total Taxable Income, Total Tax Liability, and Average Tax Rates**
**Taxable Year 2023**

| Adjusted Gross Income Classes | | | Total Adjusted Gross Income | Exemptions Claimed ($) | Itemized Deductions Claimed ($) | Standard Deductions Claimed ($) | Total Deductions Claimed ($) | Total Taxable Income | Total Tax Liability | Average Tax Rate |
|---|---|---|---|---|---|---|---|---|---|---|
| $0 | to | $999 | $24,586,712 | $309,869,016 | $10,813,370,738 | $1,205,631,764 | $12,019,002,502 | $4,750,296 | $95,111 | 2.00 % |
| $1,000 | to | $1,999 | 66,945,101 | 61,348,688 | 128,772,199 | 289,173,889 | 417,946,088 | 12,057,241 | 241,239 | 2.00 % |
| $2,000 | to | $2,999 | 111,461,304 | 59,971,461 | 127,995,826 | 287,752,799 | 415,748,625 | 16,454,598 | 329,186 | 2.00 % |
| $3,000 | to | $3,999 | 152,763,330 | 58,308,241 | 117,983,885 | 288,486,298 | 406,470,183 | 19,232,839 | 395,061 | 2.05 % |
| $4,000 | to | $4,999 | 196,105,197 | 58,064,746 | 112,988,199 | 299,876,894 | 412,865,094 | 21,765,036 | 481,114 | 2.21 % |
| $5,000 | to | $5,999 | 236,211,291 | 58,021,021 | 90,290,350 | 313,992,778 | 404,283,129 | 23,560,874 | 561,365 | 2.38 % |
| $6,000 | to | $6,999 | 282,136,561 | 58,840,675 | 94,797,293 | 329,943,485 | 424,740,778 | 25,427,163 | 675,363 | 2.66 % |
| $7,000 | to | $7,999 | 316,983,592 | 57,682,317 | 82,201,492 | 333,294,869 | 415,496,361 | 26,076,111 | 759,586 | 2.91 % |
| $8,000 | to | $8,999 | 357,647,431 | 58,323,449 | 130,393,863 | 340,011,343 | 470,405,206 | 26,800,606 | 836,435 | 3.12 % |
| $9,000 | to | $9,999 | 404,505,725 | 59,235,491 | 80,198,583 | 344,553,101 | 424,751,684 | 27,332,590 | 903,503 | 3.31 % |
| $10,000 | to | $10,999 | 443,972,662 | 59,957,268 | 95,295,348 | 343,954,812 | 439,250,160 | 28,392,856 | 978,354 | 3.45 % |
| $11,000 | to | $11,999 | 509,546,204 | 65,318,993 | 95,475,029 | 363,988,938 | 459,463,967 | 34,417,200 | 1,165,716 | 3.39 % |
| $12,000 | to | $12,999 | 565,788,682 | 67,785,839 | 71,092,080 | 374,419,942 | 445,512,021 | 145,895,029 | 3,852,104 | 2.64 % |
| $13,000 | to | $13,999 | 593,302,724 | 66,307,117 | 72,001,933 | 365,420,439 | 437,422,373 | 171,591,397 | 4,682,726 | 2.73 % |
| $14,000 | to | $14,999 | 619,030,676 | 65,440,732 | 103,717,128 | 356,460,810 | 460,177,937 | 194,324,917 | 5,678,586 | 2.92 % |
| $15,000 | to | $19,999 | 3,632,822,646 | 346,970,953 | 1,306,700,345 | 1,766,424,162 | 3,073,124,507 | 1,326,825,786 | 46,686,715 | 3.52 % |
| $20,000 | to | $24,999 | 4,420,732,650 | 335,335,245 | 369,081,156 | 1,701,046,216 | 2,070,127,371 | 1,924,628,353 | 77,502,203 | 4.03 % |
| $25,000 | to | $29,999 | 5,393,773,657 | 335,110,029 | 554,090,824 | 1,712,944,701 | 2,267,035,526 | 2,822,723,733 | 119,872,014 | 4.25 % |
| $30,000 | to | $34,999 | 6,416,699,620 | 338,817,374 | 958,957,797 | 1,732,916,901 | 2,691,874,698 | 3,720,808,379 | 168,932,303 | 4.54 % |
| $35,000 | to | $39,999 | 7,005,294,686 | 326,387,928 | 383,163,996 | 1,650,957,123 | 2,034,121,119 | 4,333,605,442 | 204,620,560 | 4.72 % |
| $40,000 | to | $44,999 | 7,257,375,445 | 302,628,225 | 447,454,590 | 1,527,279,700 | 1,974,734,290 | 4,688,823,648 | 227,991,331 | 4.86 % |
| $45,000 | to | $49,999 | 7,334,092,403 | 275,281,258 | 409,224,654 | 1,389,720,390 | 1,798,945,045 | 4,918,500,453 | 243,841,284 | 4.96 % |
| $50,000 | to | $74,999 | 36,160,103,648 | 1,083,852,582 | 2,102,438,844 | 5,422,586,897 | 7,525,025,742 | 26,632,552,734 | 1,365,588,376 | 5.13 % |
| $75,000 | to | $99,999 | 33,015,566,955 | 784,717,781 | 3,473,289,060 | 3,738,240,425 | 7,211,529,485 | 26,419,340,962 | 1,394,560,487 | 5.28 % |
| $100,000 | and | Over | 293,696,648,281 | 2,930,254,545 | 24,095,249,926 | 11,053,731,828 | 35,148,981,754 | 264,152,892,943 | 14,726,465,513 | 5.57 % |
| **Total** | | | **$409,214,097,182** | **$8,223,830,974** | **$46,316,225,139** | **$37,532,810,504** | **$83,849,035,644** | **$341,718,781,185** | **$18,597,696,234** | **5.44 %** |

Notes:

1. The tax rate is 2% for taxable income of $3,000 or less; 3% for taxable income $3,001 to $5,000; 5% for taxable income $5,001 to $17,000; and 5.75% for taxable income over $17,000.
2. Exemption and deduction amounts for nonresidents include the full amount before the Virginia allocable portion is computed.
3. Tax liability is before any tax credits but after the spouse tax adjustment.
4. Average tax rate is computed by dividing total tax liability by the total taxable income.
5. All revenue generated by the Individual Income Tax is deposited to the General Fund.
6. Exemptions claimed includes personal, age, blind and dependent exemptions.
7. Total deductions represents standard and itemized deduction and does not include other deductions in *Va. Code §* 58.1-322.03.

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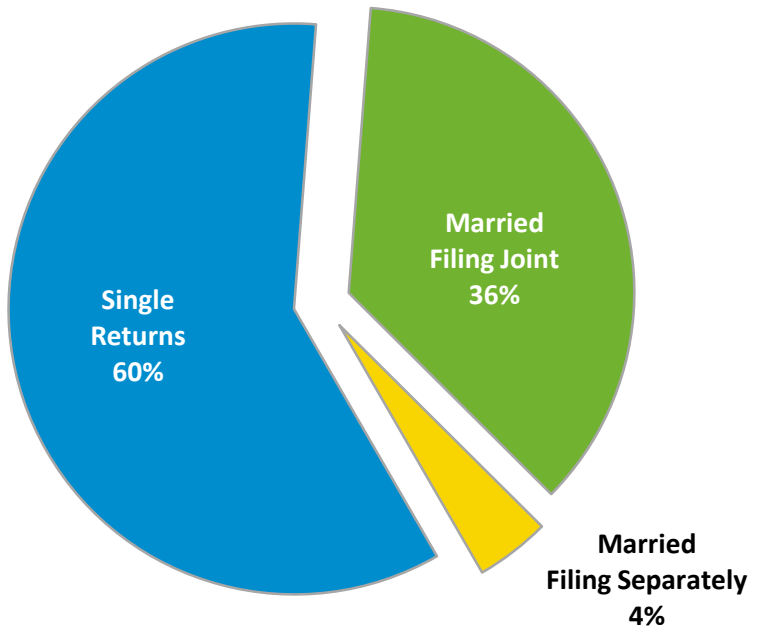
## Table 1.3

**Number and Class of Returns by Virginia Adjusted Gross Income Class**
**Taxable Year 2023**

| Adjusted Gross Income Classes | | | Single Returns | Married Filing Joint | Married Filing Separately | Total Number of Returns |
|---|---|---|---|---|---|---|
| $999 | and | Below | 104,253 | 56,559 | 15,536 | 176,348 |
| $1,000 | to | $1,999 | 35,977 | 6,708 | 2,139 | 44,824 |
| $2,000 | to | $2,999 | 36,548 | 6,071 | 2,002 | 44,621 |
| $3,000 | to | $3,999 | 36,482 | 5,475 | 1,757 | 43,714 |
| $4,000 | to | $4,999 | 36,739 | 5,189 | 1,671 | 43,599 |
| $5,000 | to | $5,999 | 36,212 | 5,262 | 1,505 | 42,979 |
| $6,000 | to | $6,999 | 36,798 | 5,080 | 1,595 | 43,473 |
| $7,000 | to | $7,999 | 35,931 | 4,865 | 1,481 | 42,277 |
| $8,000 | to | $8,999 | 35,724 | 4,916 | 1,448 | 42,088 |
| $9,000 | to | $9,999 | 36,274 | 4,856 | 1,457 | 42,587 |
| $10,000 | to | $10,999 | 35,954 | 4,929 | 1,423 | 42,306 |
| $11,000 | to | $11,999 | 37,490 | 5,264 | 1,533 | 44,287 |
| $12,000 | to | $12,999 | 38,457 | 5,331 | 1,517 | 45,305 |
| $13,000 | to | $13,999 | 37,080 | 5,355 | 1,519 | 43,954 |
| $14,000 | to | $14,999 | 35,799 | 5,368 | 1,535 | 42,702 |
| $15,000 | to | $19,999 | 171,499 | 29,341 | 7,245 | 208,085 |
| $20,000 | to | $24,999 | 157,178 | 31,977 | 7,402 | 196,557 |
| $25,000 | to | $29,999 | 154,593 | 33,662 | 7,878 | 196,133 |
| $30,000 | to | $34,999 | 154,337 | 34,658 | 8,515 | 197,510 |
| $35,000 | to | $39,999 | 143,360 | 35,296 | 8,318 | 186,974 |
| $40,000 | to | $44,999 | 127,063 | 35,807 | 8,054 | 170,924 |
| $45,000 | to | $49,999 | 111,738 | 35,057 | 7,738 | 154,533 |
| $50,000 | to | $74,999 | 385,782 | 170,956 | 31,406 | 588,144 |
| $75,000 | to | $99,999 | 196,161 | 166,556 | 18,035 | 380,752 |
| $100,000 | and | Over | 285,394 | 817,587 | 34,329 | 1,137,310 |
| **Total:** | | | **2,502,823** | **1,522,125** | **177,038** | **4,201,986** |

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## Table 1.4

**Number and Class of Exemptions by Virginia Adjusted Gross Income Class**
**Taxable Year 2023**

| Adjusted Gross Income Classes | | | Total Number of Returns | Personal | Dependent | Age | Blindness | Total Number of Exemptions |
|---|---|---|---|---|---|---|---|---|
| $999 | and | Below | 176,348 | 230,680 | 67,809 | 60,563 | 455 | 359,507 |
| $1,000 | to | $1,999 | 44,824 | 51,228 | 9,957 | 8,914 | 66 | 70,165 |
| $2,000 | to | $2,999 | 44,621 | 50,460 | 9,809 | 8,431 | 87 | 68,787 |
| $3,000 | to | $3,999 | 43,714 | 49,046 | 9,660 | 8,057 | 72 | 66,835 |
| $4,000 | to | $4,999 | 43,599 | 48,653 | 9,739 | 7,985 | 80 | 66,457 |
| $5,000 | to | $5,999 | 42,979 | 48,113 | 9,752 | 8,353 | 78 | 66,296 |
| $6,000 | to | $6,999 | 43,473 | 48,467 | 9,877 | 8,813 | 98 | 67,255 |
| $7,000 | to | $7,999 | 42,277 | 47,066 | 10,076 | 8,626 | 94 | 65,862 |
| $8,000 | to | $8,999 | 42,088 | 46,954 | 10,403 | 8,922 | 87 | 66,366 |
| $9,000 | to | $9,999 | 42,587 | 47,416 | 10,865 | 9,041 | 80 | 67,402 |
| $10,000 | to | $10,999 | 42,306 | 47,223 | 11,550 | 9,361 | 96 | 68,230 |
| $11,000 | to | $11,999 | 44,287 | 49,559 | 14,533 | 9,820 | 88 | 74,000 |
| $12,000 | to | $12,999 | 45,305 | 50,610 | 15,595 | 10,329 | 89 | 76,623 |
| $13,000 | to | $13,999 | 43,954 | 49,304 | 14,888 | 10,515 | 93 | 74,800 |
| $14,000 | to | $14,999 | 42,702 | 48,061 | 14,811 | 10,870 | 102 | 73,844 |
| $15,000 | to | $19,999 | 208,085 | 237,463 | 96,414 | 55,900 | 489 | 390,266 |
| $20,000 | to | $24,999 | 196,557 | 228,688 | 90,972 | 56,334 | 506 | 376,500 |
| $25,000 | to | $29,999 | 196,133 | 230,123 | 89,467 | 55,021 | 522 | 375,133 |
| $30,000 | to | $34,999 | 197,510 | 232,501 | 92,321 | 52,656 | 476 | 377,954 |
| $35,000 | to | $39,999 | 186,974 | 222,631 | 90,799 | 49,398 | 397 | 363,225 |
| $40,000 | to | $44,999 | 170,924 | 207,099 | 82,872 | 46,064 | 360 | 336,395 |
| $45,000 | to | $49,999 | 154,533 | 189,974 | 73,152 | 42,565 | 328 | 306,019 |
| $50,000 | to | $74,999 | 588,144 | 760,988 | 272,157 | 169,293 | 1,253 | 1,203,691 |
| $75,000 | to | $99,999 | 380,752 | 548,814 | 201,371 | 117,766 | 762 | 868,713 |
| $100,000 | and | Over | 1,137,310 | 1,959,555 | 915,101 | 340,085 | 1,829 | 3,216,570 |
| **Total:** | | | **4,201,986** | **5,730,676** | **2,233,950** | **1,173,682** | **8,587** | **9,146,895** |

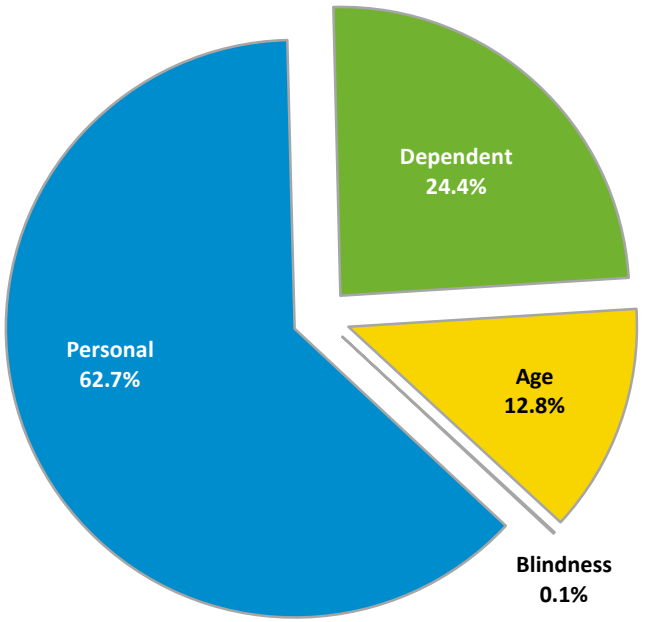


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**Table 1.5**

**Virginia Adjusted Gross Income by Locality/Income Level, Taxable Year 2023**

| City | $0 to $4,999 | $5,000 to $9,999 | $10,000 to $14,999 | $15,000 to $19,999 | $20,000 to $24,999 | $25,000 to $29,999 | $30,000 to $39,999 | $40,000 to $49,999 | $50,000 to $74,999 | $75,000 to $99,999 | $100,000 and Over | Total Adjusted Gross Income |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Alexandria | $10,496,254 | $28,321,600 | $46,649,525 | $59,931,696 | $73,381,567 | $85,384,932 | $207,253,648 | $231,388,829 | $731,932,596 | $816,249,811 | $9,707,991,880 | $11,998,982,338 |
| Bristol | 2,911,469 | 7,168,810 | 11,609,931 | 14,011,837 | 15,843,734 | 21,240,508 | 50,329,781 | 47,395,693 | 85,865,457 | 57,763,790 | 169,259,696 | 483,400,704 |
| Buena Vista | 485,230 | 1,686,893 | 2,584,919 | 3,283,547 | 4,007,653 | 4,999,623 | 13,250,090 | 13,421,953 | 25,304,829 | 20,551,467 | 41,678,400 | 131,254,605 |
| Charlottesville | 3,199,612 | 9,278,521 | 15,169,563 | 19,667,244 | 23,870,348 | 30,398,657 | 77,916,781 | 75,606,083 | 178,182,679 | 141,504,040 | 1,615,626,482 | 2,190,420,012 |
| Chesapeake | 12,235,374 | 39,464,365 | 70,619,558 | 97,254,546 | 121,958,927 | 145,482,435 | 376,721,790 | 412,152,502 | 1,039,225,493 | 947,474,011 | 5,397,950,668 | 8,660,539,669 |
| Colonial Heights | 897,192 | 2,914,915 | 6,629,604 | 8,331,825 | 10,480,365 | 14,466,606 | 37,730,419 | 40,138,680 | 92,810,949 | 70,021,625 | 213,418,157 | 497,840,336 |
| Covington | 393,640 | 1,092,625 | 2,196,648 | 3,586,982 | 4,409,568 | 6,043,111 | 13,825,481 | 12,797,406 | 23,641,573 | 17,728,222 | 45,433,350 | 131,148,604 |
| Danville | 3,345,332 | 10,991,172 | 20,403,618 | 28,961,965 | 35,646,283 | 39,853,977 | 86,371,443 | 84,256,684 | 155,015,998 | 105,635,917 | 397,010,733 | 967,493,121 |
| Emporia | 435,577 | 1,635,776 | 2,696,356 | 3,488,969 | 4,198,990 | 4,539,754 | 10,623,923 | 11,010,760 | 19,665,424 | 10,175,150 | 26,296,660 | 94,767,340 |
| Fairfax City | 3,090,557 | 7,503,498 | 11,542,363 | 12,751,288 | 14,726,830 | 17,794,624 | 43,445,019 | 41,006,374 | 119,273,033 | 122,199,606 | 1,458,110,027 | 1,851,443,219 |
| Falls Church | 1,330,832 | 3,195,305 | 4,647,127 | 5,478,933 | 6,159,348 | 6,528,431 | 16,925,631 | 19,339,911 | 63,997,340 | 68,844,869 | 1,490,125,594 | 1,686,573,321 |
| Franklin City | 463,858 | 1,979,743 | 3,372,928 | 4,822,424 | 5,973,021 | 6,412,797 | 15,964,891 | 15,895,127 | 31,198,451 | 21,677,636 | 76,749,580 | 184,510,455 |
| Fredericksburg | 1,731,349 | 5,629,013 | 9,924,027 | 14,131,749 | 16,713,413 | 20,814,700 | 52,609,707 | 52,967,272 | 127,141,598 | 113,086,101 | 814,736,360 | 1,229,485,290 |
| Galax | 508,728 | 1,632,959 | 2,843,148 | 4,069,908 | 4,925,644 | 7,426,529 | 14,358,063 | 13,258,694 | 27,154,426 | 19,761,579 | 57,606,522 | 153,546,199 |
| Hampton | 6,073,195 | 22,535,138 | 44,817,145 | 63,885,925 | 80,492,777 | 97,292,076 | 235,541,523 | 254,826,087 | 598,060,423 | 457,558,353 | 1,324,897,176 | 3,185,979,817 |
| Harrisonburg | 3,265,136 | 9,120,172 | 16,541,247 | 21,858,389 | 26,268,815 | 32,183,893 | 87,290,844 | 90,983,173 | 175,177,422 | 126,821,332 | 446,909,289 | 1,036,419,711 |
| Hopewell | 965,679 | 4,285,741 | 8,612,408 | 12,660,736 | 15,062,788 | 18,955,487 | 51,022,763 | 50,067,658 | 96,000,647 | 62,744,784 | 118,547,046 | 438,925,738 |
| Lexington | 547,649 | 1,157,891 | 1,646,996 | 2,827,859 | 2,597,553 | 3,870,490 | 9,310,281 | 8,533,449 | 22,128,764 | 21,082,650 | 144,779,061 | 218,482,642 |
| Lynchburg | 5,601,630 | 15,791,049 | 28,660,090 | 39,563,452 | 45,116,045 | 57,109,586 | 140,182,925 | 145,667,415 | 282,146,942 | 229,552,140 | 1,086,163,521 | 2,075,554,795 |
| Manassas | 3,011,832 | 7,825,943 | 14,664,461 | 20,281,841 | 27,321,631 | 30,537,993 | 74,717,122 | 83,073,783 | 221,751,063 | 192,319,160 | 858,168,753 | 1,533,673,581 |
| Manassas Park | 1,281,753 | 3,921,363 | 6,962,662 | 8,776,223 | 11,314,510 | 14,223,307 | 34,082,274 | 36,710,095 | 89,753,614 | 86,598,103 | 322,793,399 | 616,417,303 |
| Martinsville | 905,551 | 3,195,285 | 5,919,325 | 8,224,461 | 9,986,058 | 13,332,742 | 31,757,614 | 28,354,908 | 47,447,294 | 30,036,179 | 124,165,749 | 303,325,168 |
| Newport News | 8,384,332 | 31,315,839 | 62,301,088 | 89,788,578 | 106,362,752 | 129,531,083 | 327,028,872 | 346,631,393 | 774,606,424 | 596,936,107 | 1,972,026,248 | 4,444,912,717 |
| Norfolk | 12,102,668 | 38,820,397 | 75,580,852 | 108,348,587 | 134,098,683 | 156,395,120 | 384,604,773 | 376,837,578 | 808,920,364 | 608,092,741 | 3,046,589,694 | 5,750,391,456 |
| Norton | 306,637 | 893,816 | 1,835,485 | 2,560,569 | 2,898,559 | 3,052,239 | 9,012,863 | 7,905,324 | 14,163,500 | 12,481,354 | 31,659,873 | 86,770,221 |
| Petersburg | 1,950,907 | 7,189,328 | 14,844,877 | 20,919,564 | 25,520,675 | 30,508,950 | 72,899,204 | 68,062,161 | 116,422,367 | 65,208,876 | 143,180,452 | 566,707,362 |
| Poquoson | 619,703 | 1,731,855 | 3,201,870 | 4,014,493 | 4,975,357 | 5,433,125 | 12,763,371 | 16,120,341 | 47,328,287 | 50,280,684 | 445,135,880 | 591,604,966 |
| Portsmouth | 4,067,348 | 15,206,294 | 30,643,095 | 47,206,573 | 58,778,761 | 73,096,827 | 179,546,152 | 184,333,871 | 408,401,962 | 320,929,734 | 771,945,935 | 2,094,156,552 |
| Radford | 951,254 | 2,576,776 | 4,820,089 | 6,708,784 | 7,760,635 | 10,861,504 | 26,064,352 | 27,768,112 | 53,354,442 | 42,460,314 | 173,517,028 | 356,843,290 |
| Richmond City | 13,789,453 | 41,515,355 | 81,320,876 | 114,855,119 | 133,380,562 | 160,308,597 | 413,372,339 | 445,629,509 | 1,036,699,712 | 729,907,290 | 6,686,930,207 | 9,857,709,019 |

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Virginia Tax

**Table 1.5, continued**

**Virginia Adjusted Gross Income by Locality/Income Level, Taxable Year 2023**

| City | $0 to $4,999 | $5,000 to $9,999 | $10,000 to $14,999 | $15,000 to $19,999 | $20,000 to $24,999 | $25,000 to $29,999 | $30,000 to $39,999 | $40,000 to $49,999 | $50,000 to $74,999 | $75,000 to $99,999 | $100,000 and Over | Total Adjusted Gross Income |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Roanoke City | $6,372,364 | $19,636,141 | $38,784,901 | $53,627,134 | $64,340,478 | $81,869,931 | $215,328,138 | $225,571,563 | $425,792,085 | $281,622,296 | $1,467,396,870 | $2,880,341,901 |
| Salem | 1,449,808 | 4,589,953 | 8,013,429 | 11,143,047 | 13,526,254 | 18,249,148 | 47,641,865 | 52,799,744 | 118,955,942 | 97,714,372 | 565,696,013 | 939,779,575 |
| Staunton | 1,394,513 | 4,633,732 | 8,389,144 | 12,807,503 | 15,678,302 | 19,685,820 | 51,038,075 | 58,600,287 | 134,603,212 | 102,099,385 | 373,829,410 | 782,759,383 |
| Suffolk | 4,623,355 | 14,760,599 | 29,117,772 | 39,769,682 | 50,951,790 | 60,313,091 | 153,167,032 | 161,007,979 | 406,515,272 | 382,263,523 | 2,083,633,632 | 3,386,123,728 |
| Virginia Beach | 23,620,476 | 74,559,458 | 133,485,316 | 178,422,312 | 223,938,737 | 274,640,230 | 701,714,030 | 772,788,492 | 1,975,031,675 | 1,678,634,746 | 12,910,179,349 | 18,947,014,822 |
| Waynesboro | 1,182,554 | 4,199,621 | 7,215,767 | 10,814,249 | 14,250,709 | 18,242,063 | 45,104,474 | 54,988,557 | 125,604,247 | 87,936,269 | 289,842,348 | 659,380,859 |
| Williamsburg | 1,539,270 | 5,721,611 | 6,495,987 | 6,738,858 | 8,206,637 | 9,874,491 | 24,012,014 | 24,727,585 | 55,163,109 | 45,610,983 | 416,102,212 | 604,192,756 |
| Winchester | 2,321,124 | 6,656,470 | 10,408,066 | 14,138,393 | 17,373,120 | 20,265,729 | 56,296,912 | 64,870,455 | 131,715,343 | 100,026,330 | 515,448,950 | 939,520,892 |
| Total Cities | $147,853,196 | $464,335,023 | $855,172,260 | $1,179,715,244 | $1,442,497,878 | $1,751,220,207 | $4,400,826,479 | $4,657,495,487 | $10,886,153,958 | $8,941,591,530 | $57,831,532,205 | $92,558,393,467 |

**Table 1.5, continued**

**Virginia Adjusted Gross Income by Locality/Income Level, Taxable Year 2023**

| County | $0 to $4,999 | $5,000 to $9,999 | $10,000 to $14,999 | $15,000 to $19,999 | $20,000 to $24,999 | $25,000 to $29,999 | $30,000 to $39,999 | $40,000 to $49,999 | $50,000 to $74,999 | $75,000 to $99,999 | $100,000 and Over | Total Adjusted Gross Income |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Accomack | $4,436,481 | $11,846,220 | $17,935,931 | $22,343,527 | $28,334,328 | $33,038,429 | $84,265,391 | $78,790,732 | $155,338,792 | $121,906,294 | $429,295,515 | $987,531,640 |
| Albemarle | 6,519,462 | 17,945,186 | 29,247,670 | 38,319,659 | 48,025,683 | 60,265,071 | 162,525,820 | 175,619,896 | 456,552,227 | 422,169,210 | 6,357,073,444 | 7,774,263,327 |
| Alleghany | 1,152,518 | 3,533,966 | 5,746,454 | 7,071,421 | 9,445,317 | 14,025,504 | 27,262,719 | 28,052,781 | 64,854,821 | 60,654,982 | 171,987,971 | 393,788,455 |
| Amelia | 740,446 | 2,258,312 | 4,353,599 | 5,992,744 | 7,504,859 | 9,912,052 | 23,168,272 | 27,363,211 | 59,690,275 | 50,461,745 | 234,031,024 | 425,476,539 |
| Amherst | 1,256,775 | 5,334,530 | 10,328,439 | 14,443,458 | 17,683,930 | 23,125,222 | 57,756,351 | 60,037,900 | 137,871,020 | 116,573,437 | 378,849,267 | 823,260,330 |
| Appomattox | 915,477 | 3,001,286 | 4,714,801 | 7,465,263 | 9,758,101 | 12,177,117 | 27,008,569 | 30,280,818 | 74,045,594 | 63,128,615 | 208,110,672 | 440,606,313 |
| Arlington | 15,677,447 | 36,779,033 | 57,872,033 | 72,581,583 | 88,454,511 | 106,827,829 | 265,011,595 | 300,635,840 | 1,085,855,611 | 1,357,071,360 | 16,968,110,013 | 20,354,876,855 |
| Augusta | 3,863,061 | 13,181,906 | 23,381,124 | 34,154,153 | 41,370,529 | 52,962,169 | 131,519,905 | 163,501,011 | 379,819,422 | 328,031,103 | 1,723,237,171 | 2,895,021,554 |
| Bath | 336,901 | 1,210,846 | 1,795,848 | 3,023,793 | 3,581,673 | 3,099,721 | 10,187,494 | 10,973,963 | 21,489,090 | 16,810,527 | 77,177,039 | 149,686,895 |
| Bedford County | 4,204,723 | 13,594,399 | 23,549,423 | 32,992,295 | 40,176,077 | 51,449,676 | 128,698,616 | 144,708,616 | 339,068,613 | 304,682,067 | 1,923,210,916 | 3,006,335,419 |
| Bland | 338,762 | 953,235 | 1,772,154 | 2,139,274 | 3,154,905 | 4,074,463 | 10,483,328 | 11,769,292 | 27,226,382 | 22,004,831 | 67,532,685 | 151,449,313 |
| Botetourt | 1,766,094 | 5,816,633 | 8,926,045 | 13,012,837 | 15,668,467 | 18,923,910 | 50,893,179 | 56,840,681 | 148,157,008 | 137,272,534 | 850,021,632 | 1,307,299,021 |
| Brunswick | 855,479 | 3,019,860 | 5,322,579 | 8,019,847 | 10,100,653 | 12,374,084 | 26,454,883 | 25,533,054 | 56,203,055 | 40,219,841 | 134,434,449 | 322,537,782 |
| Buchanan | 832,500 | 2,813,709 | 5,167,234 | 7,029,480 | 9,302,424 | 11,589,653 | 23,171,862 | 25,005,395 | 55,030,738 | 54,404,603 | 154,036,259 | 348,383,857 |
| Buckingham | 770,477 | 2,372,536 | 4,818,787 | 6,093,777 | 9,141,295 | 11,006,615 | 26,812,329 | 29,679,055 | 64,684,666 | 43,079,961 | 149,919,340 | 348,378,838 |

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**Table 1.5, continued**

**Virginia Adjusted Gross Income by Locality/Income Level, Taxable Year 2023**

| County | $0 to $4,999 | $5,000 to $9,999 | $10,000 to $14,999 | $15,000 to $19,999 | $20,000 to $24,999 | $25,000 to $29,999 | $30,000 to $39,999 | $40,000 to $49,999 | $50,000 to $74,999 | $75,000 to $99,999 | $100,000 and Over | Total Adjusted Gross Income |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Campbell | $3,038,820 | $10,257,253 | $18,656,712 | $25,721,650 | $30,107,640 | $40,545,351 | $99,430,532 | $108,681,725 | $226,337,014 | $205,375,800 | $756,041,175 | $1,524,193,674 |
| Caroline | 1,341,242 | 5,115,954 | 8,950,690 | 12,838,247 | 16,660,575 | 21,164,577 | 52,192,624 | 62,776,313 | 159,605,413 | 141,425,083 | 517,993,751 | 1,000,064,469 |
| Carroll | 1,699,246 | 5,709,772 | 10,166,457 | 14,209,311 | 18,715,402 | 23,705,365 | 53,957,888 | 51,427,835 | 114,193,814 | 97,421,104 | 236,090,373 | 627,296,568 |
| Charles City | 356,744 | 1,288,564 | 2,430,753 | 2,921,166 | 4,252,834 | 5,105,509 | 14,128,164 | 15,079,650 | 34,231,098 | 27,736,202 | 154,704,621 | 262,235,305 |
| Charlotte | 740,626 | 2,165,210 | 4,122,721 | 5,622,352 | 7,547,985 | 9,225,618 | 22,825,401 | 19,598,091 | 47,757,453 | 36,337,946 | 134,618,496 | 290,561,899 |
| Chesterfield | 18,741,369 | 59,522,087 | 105,738,804 | 141,861,024 | 170,596,385 | 214,268,125 | 558,045,195 | 638,295,226 | 1,674,696,510 | 1,511,532,109 | 10,911,434,356 | 16,004,731,189 |
| Clarke | 931,590 | 2,583,766 | 4,150,316 | 5,387,732 | 6,438,314 | 8,283,488 | 22,498,708 | 24,140,824 | 64,734,609 | 65,166,552 | 637,546,324 | 841,862,223 |
| Craig | 251,154 | 829,924 | 1,331,795 | 2,346,368 | 2,817,619 | 3,295,990 | 9,887,065 | 10,295,840 | 22,049,845 | 21,379,046 | 63,053,935 | 137,538,580 |
| Culpeper | 2,988,129 | 9,083,565 | 16,458,739 | 22,259,974 | 26,471,410 | 34,337,814 | 79,941,064 | 93,603,496 | 224,638,494 | 204,069,788 | 1,274,112,168 | 1,987,964,639 |
| Cumberland | 468,362 | 1,602,833 | 3,088,286 | 4,576,314 | 6,425,527 | 7,806,110 | 18,432,439 | 20,236,037 | 44,776,113 | 34,694,155 | 96,522,686 | 238,628,863 |
| Dickenson | 679,548 | 2,260,604 | 3,915,854 | 5,521,306 | 6,672,499 | 8,168,979 | 17,919,836 | 19,341,173 | 42,737,467 | 39,715,582 | 103,751,668 | 250,684,516 |
| Dinwiddie | 1,249,268 | 4,181,483 | 7,712,590 | 12,516,915 | 15,227,450 | 20,462,389 | 50,544,170 | 56,817,747 | 131,642,162 | 115,659,046 | 388,343,448 | 804,356,666 |
| Essex | 567,582 | 2,075,804 | 3,928,762 | 5,453,664 | 6,892,091 | 8,577,253 | 21,300,850 | 23,371,036 | 50,072,528 | 40,252,777 | 166,487,605 | 328,979,952 |
| Fairfax County | 72,869,752 | 185,618,312 | 292,151,243 | 360,511,482 | 426,079,653 | 498,887,829 | 1,226,405,559 | 1,382,954,654 | 4,025,659,136 | 4,354,429,578 | 74,925,004,367 | 87,750,571,565 |
| Fauquier | 3,949,631 | 11,404,268 | 18,974,368 | 24,640,963 | 31,393,228 | 36,234,515 | 91,642,967 | 106,558,480 | 291,685,290 | 288,885,962 | 3,700,224,497 | 4,605,594,170 |
| Floyd | 850,751 | 3,056,489 | 5,333,829 | 6,665,427 | 8,670,456 | 11,332,567 | 26,311,296 | 27,651,550 | 66,228,333 | 61,543,756 | 244,592,927 | 462,237,381 |
| Fluvanna | 1,287,474 | 4,065,014 | 7,074,624 | 10,549,524 | 13,551,825 | 16,076,378 | 44,520,018 | 51,750,112 | 124,697,078 | 120,728,750 | 678,881,357 | 1,073,182,153 |
| Franklin County | 3,105,064 | 9,784,045 | 17,159,587 | 24,050,200 | 30,689,112 | 38,009,524 | 98,679,555 | 104,367,809 | 222,931,904 | 200,724,973 | 962,589,962 | 1,712,091,734 |
| Frederick | 5,781,947 | 17,112,676 | 29,035,039 | 39,705,618 | 48,159,372 | 57,906,987 | 152,590,115 | 169,830,830 | 433,573,239 | 417,861,575 | 2,575,871,602 | 3,947,428,999 |
| Giles | 818,384 | 2,928,875 | 5,658,170 | 8,120,850 | 9,495,590 | 12,565,620 | 30,068,029 | 32,179,233 | 77,981,044 | 67,218,731 | 209,860,700 | 456,895,225 |
| Gloucester | 1,556,555 | 5,936,079 | 11,197,685 | 15,374,189 | 20,918,881 | 26,196,327 | 65,385,437 | 71,398,780 | 180,476,126 | 167,150,297 | 755,470,260 | 1,321,060,616 |
| Goochland | 1,263,872 | 4,258,738 | 6,462,741 | 8,284,300 | 10,561,044 | 13,045,290 | 35,131,799 | 38,993,577 | 108,452,826 | 107,771,816 | 2,428,950,780 | 2,763,176,784 |
| Grayson | 997,249 | 3,226,590 | 5,461,479 | 7,172,059 | 9,824,582 | 12,624,329 | 27,672,887 | 26,727,358 | 60,979,216 | 48,339,088 | 113,406,910 | 316,431,747 |
| Greene | 950,611 | 3,024,578 | 5,805,696 | 8,133,600 | 10,954,294 | 12,328,553 | 36,578,212 | 40,179,446 | 91,888,022 | 83,419,829 | 382,932,398 | 676,195,237 |
| Greensville | 698,805 | 2,322,006 | 3,914,601 | 6,951,480 | 7,734,906 | 8,945,931 | 19,485,227 | 22,392,683 | 43,285,726 | 30,122,685 | 93,626,050 | 239,480,098 |
| Halifax | 2,001,205 | 7,054,738 | 12,639,037 | 18,347,215 | 21,467,440 | 27,339,927 | 63,093,770 | 71,699,992 | 140,618,385 | 94,809,990 | 347,844,441 | 806,916,138 |
| Hanover | 5,896,970 | 18,363,749 | 29,222,592 | 37,074,331 | 46,140,791 | 57,940,702 | 156,667,159 | 179,405,402 | 480,191,171 | 444,374,289 | 4,148,528,047 | 5,603,805,203 |
| Henrico | 17,913,872 | 56,217,986 | 102,553,464 | 136,685,919 | 170,052,530 | 214,248,003 | 561,583,073 | 638,667,936 | 1,552,267,928 | 1,263,085,124 | 10,568,716,588 | 15,281,992,424 |
| Henry | 3,076,385 | 9,935,261 | 18,381,238 | 26,330,753 | 34,108,523 | 45,617,779 | 110,950,712 | 102,172,865 | 205,467,589 | 144,397,915 | 442,316,898 | 1,142,755,917 |
| Highland | 147,659 | 420,496 | 1,024,129 | 1,385,794 | 1,459,844 | 1,833,541 | 4,261,777 | 4,795,341 | 10,847,603 | 7,832,155 | 27,512,518 | 61,520,856 |

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Virginia Tax

**Table 1.5, continued**

**Virginia Adjusted Gross Income by Locality/Income Level, Taxable Year 2023**

| County | $0 to $4,999 | $5,000 to $9,999 | $10,000 to $14,999 | $15,000 to $19,999 | $20,000 to $24,999 | $25,000 to $29,999 | $30,000 to $39,999 | $40,000 to $49,999 | $50,000 to $74,999 | $75,000 to $99,999 | $100,000 and Over | Total Adjusted Gross Income |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Isle Of Wight | $1,820,449 | $6,238,066 | $10,500,474 | $14,830,850 | $17,891,916 | $23,307,448 | $56,078,152 | $63,354,790 | $166,045,680 | $162,573,064 | $1,034,990,857 | $1,557,631,745 |
| James City | 4,487,388 | 13,661,535 | 21,862,120 | 28,398,267 | 34,641,442 | 43,338,886 | 113,343,903 | 123,427,042 | 314,509,469 | 324,014,727 | 3,136,279,750 | 4,157,964,528 |
| King And Queen | 283,928 | 1,354,575 | 2,613,885 | 3,100,557 | 3,962,139 | 5,121,949 | 12,942,794 | 14,474,584 | 34,589,566 | 26,114,830 | 103,808,428 | 208,367,235 |
| King George | 1,250,724 | 4,039,668 | 6,693,453 | 8,716,577 | 11,463,379 | 14,497,346 | 35,509,229 | 39,257,916 | 98,487,946 | 110,310,539 | 835,504,771 | 1,165,731,548 |
| King William | 853,873 | 2,977,863 | 5,169,388 | 6,852,301 | 8,731,817 | 11,389,679 | 31,241,160 | 34,518,272 | 94,564,343 | 85,631,663 | 359,870,213 | 641,800,571 |
| Lancaster | 626,818 | 2,241,450 | 3,971,980 | 5,204,913 | 7,199,430 | 8,782,486 | 22,114,550 | 19,996,640 | 48,475,788 | 36,724,602 | 329,739,993 | 485,078,651 |
| Lee | 1,134,195 | 3,522,840 | 6,927,179 | 9,855,530 | 11,066,235 | 14,164,889 | 35,187,035 | 33,541,861 | 68,192,005 | 53,951,101 | 119,107,476 | 356,650,346 |
| Loudoun | 26,327,818 | 67,227,902 | 99,742,458 | 118,661,492 | 139,511,688 | 163,410,133 | 404,464,045 | 462,289,165 | 1,314,683,675 | 1,457,938,592 | 27,265,584,412 | 31,519,841,380 |
| Louisa | 1,680,280 | 6,572,456 | 10,880,527 | 15,501,405 | 20,205,076 | 24,453,155 | 63,969,557 | 73,068,041 | 182,449,219 | 159,179,244 | 895,301,185 | 1,453,260,146 |
| Lunenburg | 556,528 | 1,890,926 | 3,957,525 | 5,155,812 | 6,310,701 | 7,660,678 | 20,832,564 | 22,311,324 | 41,921,325 | 31,908,862 | 100,616,091 | 243,122,335 |
| Madison | 738,467 | 2,434,380 | 3,854,012 | 5,187,803 | 6,567,662 | 7,574,712 | 22,198,564 | 25,725,331 | 61,865,965 | 53,369,348 | 294,024,947 | 483,541,190 |
| Mathews | 387,640 | 1,487,966 | 2,549,140 | 3,994,710 | 5,264,159 | 6,311,856 | 13,940,938 | 16,924,886 | 37,647,655 | 38,037,890 | 195,502,061 | 322,048,900 |
| Mecklenburg | 1,936,256 | 6,221,069 | 11,457,655 | 15,916,616 | 20,229,013 | 26,171,802 | 60,598,346 | 63,488,500 | 127,760,626 | 99,089,599 | 405,798,996 | 838,668,478 |
| Middlesex | 561,278 | 1,785,838 | 3,451,634 | 4,638,481 | 5,895,863 | 7,226,336 | 19,435,242 | 20,249,648 | 47,435,380 | 37,945,420 | 241,120,428 | 389,745,548 |
| Montgomery | 5,685,554 | 15,937,573 | 27,889,928 | 34,577,131 | 44,412,238 | 60,524,766 | 147,842,034 | 137,310,592 | 318,526,727 | 277,153,037 | 1,911,043,134 | 2,980,902,714 |
| Nelson | 851,370 | 2,936,602 | 5,297,075 | 6,753,156 | 8,056,647 | 11,549,941 | 28,730,984 | 30,671,810 | 68,121,625 | 57,705,500 | 329,899,984 | 550,574,694 |
| New Kent | 1,131,065 | 3,572,718 | 6,562,169 | 8,662,636 | 9,962,819 | 14,208,240 | 34,952,355 | 40,701,581 | 113,246,999 | 120,214,990 | 851,193,520 | 1,204,409,091 |
| Northampton | 819,204 | 2,753,471 | 4,655,598 | 6,912,831 | 8,239,672 | 9,171,281 | 23,758,261 | 21,548,387 | 47,563,701 | 35,203,445 | 260,927,163 | 421,553,016 |
| Northumberland | 747,456 | 2,027,884 | 4,026,175 | 6,110,499 | 7,146,414 | 8,501,985 | 22,863,473 | 22,231,439 | 59,423,649 | 46,876,307 | 306,042,609 | 485,997,892 |
| Nottoway | 642,281 | 2,303,463 | 4,694,689 | 6,398,131 | 8,551,027 | 10,341,444 | 26,501,583 | 26,168,190 | 54,519,817 | 42,559,502 | 129,288,140 | 311,968,266 |
| Orange | 1,804,984 | 5,917,734 | 10,502,428 | 15,449,175 | 20,979,411 | 24,552,962 | 65,940,961 | 76,732,069 | 189,083,400 | 173,677,268 | 810,055,320 | 1,394,695,712 |
| Page | 1,310,608 | 4,544,930 | 7,932,524 | 11,154,712 | 14,586,937 | 17,468,573 | 46,150,002 | 51,300,095 | 104,476,628 | 89,847,704 | 295,615,159 | 644,387,872 |
| Patrick | 873,757 | 3,077,932 | 5,085,261 | 8,535,319 | 10,757,571 | 13,808,334 | 32,253,460 | 33,185,314 | 64,027,848 | 50,971,174 | 161,505,841 | 384,081,810 |
| Pittsylvania | 3,130,209 | 10,959,319 | 21,063,516 | 30,787,751 | 37,425,258 | 47,250,175 | 112,313,047 | 123,878,042 | 257,063,630 | 208,627,173 | 734,430,839 | 1,586,928,959 |
| Powhatan | 1,500,429 | 4,984,264 | 7,920,847 | 9,982,077 | 13,155,937 | 16,245,716 | 42,247,782 | 47,208,608 | 123,346,552 | 126,669,228 | 1,236,528,165 | 1,629,789,604 |
| Prince Edward | 942,351 | 3,524,694 | 6,686,107 | 9,112,783 | 12,226,855 | 15,003,995 | 34,065,290 | 37,550,432 | 77,481,387 | 53,182,453 | 188,231,908 | 438,008,255 |
| Prince George | 1,623,705 | 5,387,556 | 10,191,810 | 14,015,795 | 17,793,504 | 20,769,641 | 56,013,500 | 58,696,938 | 142,187,920 | 128,750,214 | 537,016,030 | 992,446,613 |
| Prince William | 27,454,221 | 79,319,565 | 137,616,900 | 183,113,482 | 220,018,210 | 261,437,351 | 638,727,235 | 724,568,112 | 1,970,570,996 | 1,941,589,322 | 15,309,059,250 | 21,493,474,643 |
| Pulaski | 1,496,941 | 5,160,916 | 10,528,170 | 14,794,339 | 16,732,408 | 23,637,465 | 59,974,661 | 64,928,194 | 146,213,447 | 116,442,973 | 371,487,216 | 831,396,730 |
| Rappahannock | 441,003 | 1,372,306 | 2,149,408 | 2,573,607 | 3,698,937 | 4,105,332 | 11,568,103 | 12,866,501 | 30,820,175 | 29,899,078 | 391,933,894 | 491,428,346 |

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**Table 1.5, continued**

**Virginia Adjusted Gross Income by Locality/Income Level, Taxable Year 2023**

| County | $0 to $4,999 | $5,000 to $9,999 | $10,000 to $14,999 | $15,000 to $19,999 | $20,000 to $24,999 | $25,000 to $29,999 | $30,000 to $39,999 | $40,000 to $49,999 | $50,000 to $74,999 | $75,000 to $99,999 | $100,000 and Over | Total Adjusted Gross Income |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Richmond County | $1,596,082 | $3,216,574 | $4,738,006 | $6,295,553 | $7,124,641 | $8,675,843 | $19,865,601 | $18,369,758 | $47,557,334 | $32,634,547 | $181,827,962 | $331,901,898 |
| Roanoke County | 5,772,048 | 16,820,237 | 29,721,779 | 41,676,084 | 49,393,565 | 63,402,906 | 164,384,266 | 188,005,114 | 450,244,382 | 411,396,808 | 2,366,929,078 | 3,787,746,266 |
| Rockbridge | 1,382,647 | 3,944,878 | 6,696,466 | 9,492,276 | 12,101,768 | 14,983,174 | 39,615,102 | 42,018,065 | 91,380,981 | 78,071,353 | 412,670,143 | 712,356,853 |
| Rockingham | 4,466,786 | 15,626,322 | 26,419,459 | 36,093,987 | 43,262,904 | 56,451,780 | 153,223,915 | 173,274,427 | 397,538,237 | 357,954,967 | 1,739,348,439 | 3,003,661,224 |
| Russell | 1,168,833 | 4,166,298 | 7,300,849 | 11,250,200 | 12,819,150 | 16,918,947 | 37,390,122 | 38,595,024 | 92,189,052 | 76,189,886 | 235,675,997 | 533,664,358 |
| Scott | 1,230,616 | 4,352,067 | 7,427,197 | 10,209,022 | 12,056,403 | 14,405,818 | 36,028,669 | 36,432,975 | 78,071,128 | 61,962,356 | 180,873,017 | 443,049,268 |
| Shenandoah | 2,531,185 | 8,268,596 | 13,692,476 | 19,546,711 | 23,894,650 | 32,848,717 | 83,522,045 | 93,832,612 | 223,022,048 | 185,238,455 | 774,177,270 | 1,460,574,764 |
| Smyth | 1,607,169 | 5,023,090 | 10,201,890 | 14,824,905 | 16,696,340 | 22,094,426 | 52,886,652 | 64,369,790 | 117,101,772 | 91,182,948 | 250,687,211 | 646,676,194 |
| Southampton | 798,851 | 2,773,760 | 5,703,952 | 8,476,937 | 9,994,863 | 12,304,928 | 29,764,793 | 33,421,005 | 78,681,900 | 65,795,933 | 256,419,951 | 504,136,871 |
| Spotsylvania | 7,601,716 | 23,930,625 | 45,382,647 | 58,990,766 | 74,090,902 | 89,187,390 | 214,431,558 | 234,828,376 | 604,282,295 | 587,651,452 | 3,877,657,103 | 5,818,034,832 |
| Stafford | 7,678,038 | 24,623,715 | 41,197,538 | 52,549,844 | 67,991,677 | 80,680,522 | 195,382,966 | 206,993,021 | 563,278,353 | 600,452,321 | 5,032,940,406 | 6,873,768,400 |
| Surry | 382,240 | 1,465,643 | 2,327,816 | 3,535,925 | 4,538,724 | 5,133,126 | 13,286,140 | 12,977,101 | 31,691,770 | 28,885,616 | 90,046,647 | 194,270,749 |
| Sussex | 570,317 | 1,736,225 | 3,571,714 | 4,006,075 | 5,872,711 | 6,533,507 | 18,118,060 | 17,227,613 | 35,799,825 | 27,474,059 | 88,817,203 | 209,727,308 |
| Tazewell | 1,941,832 | 6,743,643 | 12,554,766 | 17,225,618 | 22,273,722 | 26,999,963 | 63,284,648 | 64,385,691 | 134,511,685 | 122,160,492 | 442,395,645 | 914,477,705 |
| Warren | 2,367,859 | 6,668,133 | 12,063,153 | 16,536,878 | 21,499,033 | 26,372,959 | 65,820,665 | 73,155,786 | 186,281,576 | 164,542,520 | 884,747,942 | 1,460,056,504 |
| Washington | 3,828,925 | 11,499,080 | 19,913,635 | 27,560,580 | 34,432,020 | 43,441,465 | 102,183,809 | 110,471,201 | 234,310,680 | 196,321,425 | 871,178,917 | 1,655,141,735 |
| Westmoreland | 1,016,272 | 2,873,948 | 5,753,790 | 9,072,444 | 11,520,262 | 14,147,700 | 34,449,064 | 36,322,807 | 87,446,675 | 75,613,103 | 338,099,188 | 616,315,251 |
| Wise | 1,760,171 | 6,164,609 | 11,221,481 | 15,421,287 | 19,049,504 | 23,868,544 | 53,042,428 | 53,632,943 | 114,512,632 | 95,549,129 | 297,456,378 | 691,679,104 |
| Wythe | 1,484,239 | 5,341,164 | 9,824,724 | 13,622,438 | 16,132,769 | 21,426,567 | 48,515,147 | 59,300,222 | 122,537,997 | 101,625,765 | 303,551,180 | 703,362,211 |
| York | 3,689,225 | 11,079,332 | 16,440,406 | 21,820,321 | 27,498,628 | 35,398,211 | 86,172,501 | 97,539,079 | 260,615,454 | 266,719,784 | 2,074,086,433 | 2,901,059,375 |
| **Total Counties** | $345,862,295 | $1,016,823,777 | $1,726,221,898 | $2,289,059,422 | $2,806,719,153 | $3,458,196,927 | $8,634,478,806 | $9,561,510,201 | $24,436,949,361 | $23,385,514,581 | $227,715,152,193 | $305,376,488,613 |
| **Total Cities** | $147,853,196 | $464,335,023 | $855,172,260 | $1,179,715,244 | $1,442,497,878 | $1,751,220,207 | $4,400,826,479 | $4,657,495,487 | $10,886,153,958 | $8,941,591,530 | $57,831,532,205 | $92,558,393,467 |
| **Unassigned*** | $58,146,153 | $116,325,800 | $150,246,789 | $164,047,981 | $171,515,619 | $184,356,524 | $386,689,021 | $372,462,161 | $837,000,330 | $688,460,844 | $8,149,963,882 | $11,279,215,103 |
| **Aggregate** | $551,861,644 | $1,597,484,599 | $2,731,640,947 | $3,632,822,646 | $4,420,732,650 | $5,393,773,657 | $13,421,994,306 | $14,591,467,848 | $36,160,103,648 | $33,015,566,955 | $293,696,648,281 | $409,214,097,182 |

Notes:

* Returns not assigned to a locality are generally nonresident returns. In these cases, the taxpayer did not report a locality in which the Virginia portion of income was earned.

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Virginia Tax

## Table 1.6

**Exemptions, Standard and Itemized Deductions, and Number of Returns by Filing Status/Locality, Taxable Year 2023**

| | Exemptions | | Deductions | | | | Filing Status | | |
|---|---|---|---|---|---|---|---|---|---|
| City | Number | Amount | Standard | Itemized | Amount | Total Returns | Individual | Married Filing Joint | Married Filing Separately |
| Alexandria | 169,484 | $152,315,949 | 71,566 | 20,032 | $1,468,747,820 | 91,598 | 62,716 | 24,697 | 4,185 |
| Bristol | 22,785 | 20,690,044 | 10,741 | 444 | 153,316,806 | 11,185 | 6,728 | 3,257 | 1,200 |
| Buena Vista | 6,179 | 5,576,476 | 2,715 | 111 | 47,823,778 | 2,826 | 1,720 | 1,036 | 70 |
| Charlottesville | 40,442 | 36,463,828 | 18,743 | 2,476 | 347,632,457 | 21,219 | 14,495 | 5,844 | 880 |
| Chesapeake | 243,424 | 220,529,123 | 94,828 | 14,562 | 1,535,979,928 | 109,390 | 64,072 | 40,127 | 5,191 |
| Colonial Heights | 18,192 | 16,495,871 | 7,861 | 625 | 100,052,265 | 8,486 | 5,753 | 2,503 | 230 |
| Covington | 5,640 | 5,114,283 | 2,603 | 61 | 51,087,595 | 2,664 | 1,810 | 798 | 56 |
| Danville | 41,300 | 37,517,709 | 18,229 | 1,240 | 224,543,491 | 19,469 | 13,682 | 4,786 | 1,001 |
| Emporia | 4,889 | 4,468,117 | 2,222 | 147 | 25,031,644 | 2,369 | 1,867 | 398 | 104 |
| Fairfax City | 35,090 | 31,797,213 | 13,868 | 3,302 | 283,877,970 | 17,170 | 10,339 | 6,044 | 787 |
| Falls Church | 20,134 | 18,119,076 | 7,038 | 2,134 | 181,470,643 | 9,172 | 5,335 | 3,471 | 366 |
| Franklin City | 7,814 | 7,077,547 | 3,205 | 304 | 44,580,307 | 3,509 | 2,499 | 870 | 140 |
| Fredericksburg | 28,835 | 26,140,286 | 12,535 | 1,932 | 188,298,836 | 14,467 | 9,901 | 4,005 | 561 |
| Galax | 7,004 | 6,363,534 | 3,038 | 119 | 37,296,175 | 3,157 | 1,989 | 1,076 | 92 |
| Hampton | 116,014 | 104,948,780 | 51,283 | 5,079 | 773,801,286 | 56,362 | 39,398 | 14,652 | 2,312 |
| Harrisonburg | 38,348 | 34,890,272 | 18,095 | 961 | 215,360,158 | 19,056 | 13,398 | 5,186 | 472 |
| Hopewell | 19,386 | 17,673,840 | 8,863 | 628 | 106,111,008 | 9,491 | 7,198 | 2,001 | 292 |
| Lexington | 6,026 | 5,365,185 | 2,408 | 319 | 37,625,411 | 2,727 | 1,665 | 984 | 78 |
| Lynchburg | 68,552 | 61,952,136 | 30,915 | 2,202 | 394,898,637 | 33,117 | 22,110 | 10,058 | 949 |
| Manassas | 45,082 | 41,230,616 | 18,890 | 3,066 | 294,556,738 | 21,956 | 14,525 | 6,600 | 831 |
| Manassas Park | 18,576 | 17,044,502 | 8,226 | 1,195 | 115,026,130 | 9,421 | 6,404 | 2,639 | 378 |
| Martinsville | 12,671 | 11,504,598 | 5,624 | 330 | 70,921,927 | 5,954 | 4,254 | 1,486 | 214 |
| Newport News | 155,751 | 141,335,263 | 69,612 | 6,665 | 911,655,839 | 76,277 | 53,539 | 19,678 | 3,060 |
| Norfolk | 176,480 | 159,892,313 | 81,205 | 8,447 | 1,085,664,422 | 89,652 | 63,438 | 21,831 | 4,383 |
| Norton | 4,028 | 3,654,667 | 1,764 | 57 | 21,068,954 | 1,821 | 1,083 | 659 | 79 |
| Petersburg | 26,500 | 24,115,588 | 12,519 | 1,122 | 156,073,044 | 13,641 | 11,370 | 1,821 | 450 |
| Poquoson | 13,550 | 12,232,801 | 4,808 | 799 | 81,526,733 | 5,607 | 2,758 | 2,688 | 161 |
| Portsmouth | 79,949 | 72,645,593 | 35,354 | 3,895 | 456,023,207 | 39,249 | 28,469 | 9,082 | 1,698 |
| Radford | 11,616 | 10,545,987 | 5,625 | 246 | 71,105,961 | 5,871 | 3,943 | 1,759 | 169 |
| Richmond City | 190,075 | 172,368,802 | 94,355 | 12,244 | 5,647,078,977 | 106,599 | 81,245 | 21,816 | 3,538 |

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## Table 1.6, continued

**Exemptions, Standard and Itemized Deductions, and Number of Returns by Filing Status/Locality, Taxable Year 2023**

| | Exemptions | | Deductions | | | | Filing Status | | |
|---|---|---|---|---|---|---|---|---|---|
| City | Number | Amount | Standard | Itemized | Amount | Total Returns | Individual | Married Filing Joint | Married Filing Separately |
| Roanoke City | 89,664 | 81,353,656 | 42,446 | 2,682 | 544,072,671 | 45,128 | 32,687 | 11,130 | 1,311 |
| Salem | 26,740 | 24,137,380 | 11,174 | 877 | 152,071,353 | 12,051 | 7,210 | 4,490 | 351 |
| Staunton | 25,750 | 23,209,156 | 11,631 | 711 | 143,799,452 | 12,342 | 7,945 | 3,989 | 408 |
| Suffolk | 95,277 | 86,312,432 | 36,580 | 6,512 | 593,620,956 | 43,092 | 25,920 | 15,152 | 2,020 |
| Virginia Beach | 433,791 | 391,938,176 | 178,103 | 24,825 | 3,495,461,338 | 202,928 | 123,686 | 70,318 | 8,924 |
| Waynesboro | 22,823 | 20,643,050 | 10,333 | 571 | 124,506,846 | 10,904 | 7,185 | 3,397 | 322 |
| Williamsburg | 14,642 | 13,091,464 | 6,529 | 862 | 94,223,306 | 7,391 | 4,948 | 2,142 | 301 |
| Winchester | 28,465 | 25,765,612 | 13,035 | 1,065 | 172,146,915 | 14,100 | 9,815 | 3,856 | 429 |
| **Total Cities** | **2,370,968** | **$2,146,520,925** | **1,028,569** | **132,849** | **$20,448,140,985** | **1,161,418** | **777,099** | **336,326** | **47,993** |

## Table 1.6, continued

**Exemptions, Standard and Itemized Deductions, and Number of Returns by Filing Status/Locality, Taxable Year 2023**

| | Exemptions | | Deductions | | | | Filing Status | | |
|---|---|---|---|---|---|---|---|---|---|
| County | Number | Amount | Standard | Itemized | Amount | Total Returns | Individual | Married Filing Joint | Married Filing Separately |
| Accomack | 46,567 | 42,171,257 | 18,847 | 1,975 | 370,818,597 | 20,822 | 12,459 | 7,497 | 866 |
| Albemarle | 123,731 | 111,038,589 | 45,931 | 8,175 | 915,553,943 | 54,106 | 30,279 | 21,998 | 1,829 |
| Alleghany | 16,316 | 14,752,247 | 6,864 | 304 | 89,400,399 | 7,168 | 4,008 | 2,931 | 229 |
| Amelia | 14,279 | 12,960,108 | 5,760 | 458 | 82,457,555 | 6,218 | 3,481 | 2,552 | 185 |
| Amherst | 31,373 | 28,463,172 | 13,071 | 621 | 163,432,559 | 13,692 | 7,758 | 5,544 | 390 |
| Appomattox | 17,235 | 15,646,593 | 6,772 | 400 | 89,463,462 | 7,172 | 3,804 | 3,132 | 236 |
| Arlington | 245,999 | 220,785,309 | 109,395 | 27,140 | 2,103,097,264 | 136,535 | 94,448 | 36,379 | 5,708 |
| Augusta | 84,322 | 76,304,814 | 34,207 | 2,336 | 484,518,802 | 36,543 | 19,751 | 15,826 | 966 |
| Bath | 5,315 | 4,793,628 | 2,231 | 151 | 157,228,370 | 2,382 | 1,342 | 962 | 78 |
| Bedford County | 88,492 | 79,851,022 | 33,599 | 3,110 | 500,674,711 | 36,709 | 18,168 | 17,547 | 994 |
| Bland | 5,955 | 5,382,678 | 2,474 | 76 | 32,054,685 | 2,550 | 1,247 | 1,227 | 76 |
| Botetourt | 36,985 | 33,397,723 | 14,166 | 1,350 | 211,443,617 | 15,516 | 7,660 | 7,453 | 403 |
| Brunswick | 13,657 | 12,369,893 | 5,721 | 455 | 78,039,227 | 6,176 | 4,059 | 1,888 | 229 |
| Buchanan | 14,627 | 13,314,556 | 6,003 | 157 | 77,019,179 | 6,160 | 3,168 | 2,859 | 133 |
| Buckingham | 13,987 | 12,693,981 | 5,796 | 317 | 72,851,581 | 6,113 | 3,680 | 2,182 | 251 |

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## Table 1.6, continued

**Exemptions, Standard and Itemized Deductions, and Number of Returns by Filing Status/Locality, Taxable Year 2023**

| | Exemptions | | Deductions | | | | Filing Status | | |
|---|---|---|---|---|---|---|---|---|---|
| County | Number | Amount | Standard | Itemized | Amount | Total Returns | Individual | Married Filing Joint | Married Filing Separately |
| Campbell | 55,263 | 50,096,916 | 23,288 | 1,113 | 296,699,171 | 24,401 | 13,981 | 9,714 | 706 |
| Caroline | 32,273 | 29,326,178 | 13,190 | 1,528 | 183,792,745 | 14,718 | 8,955 | 5,214 | 549 |
| Carroll | 28,045 | 25,331,499 | 11,858 | 368 | 154,768,709 | 12,226 | 6,409 | 5,400 | 417 |
| Charles City | 7,254 | 6,566,430 | 3,060 | 354 | 116,412,381 | 3,414 | 2,064 | 1,180 | 170 |
| Charlotte | 11,819 | 10,729,332 | 4,762 | 291 | 104,076,070 | 5,053 | 2,921 | 1,941 | 191 |
| Chesterfield | 397,971 | 360,961,639 | 152,311 | 22,484 | 3,316,103,550 | 174,795 | 101,833 | 67,183 | 5,779 |
| Clarke | 17,737 | 15,987,586 | 6,560 | 1,165 | 112,081,171 | 7,725 | 4,184 | 3,292 | 249 |
| Craig | 5,219 | 4,728,784 | 2,162 | 88 | 27,859,722 | 2,250 | 1,122 | 1,054 | 74 |
| Culpeper | 57,030 | 51,812,926 | 21,945 | 2,800 | 373,993,510 | 24,745 | 14,121 | 9,859 | 765 |
| Cumberland | 9,643 | 8,760,731 | 3,948 | 289 | 52,780,018 | 4,237 | 2,451 | 1,602 | 184 |
| Dickenson | 10,927 | 9,946,902 | 4,497 | 61 | 53,926,249 | 4,558 | 2,342 | 2,097 | 119 |
| Dinwiddie | 27,403 | 24,916,483 | 11,266 | 1,192 | 1,109,495,547 | 12,458 | 7,667 | 4,333 | 458 |
| Essex | 11,358 | 10,279,406 | 4,704 | 429 | 63,867,174 | 5,133 | 3,236 | 1,710 | 187 |
| Fairfax County | 1,239,104 | 1,122,238,700 | 439,869 | 124,326 | 10,772,702,478 | 564,195 | 321,411 | 220,807 | 21,977 |
| Fauquier | 82,601 | 74,920,398 | 28,999 | 6,680 | 619,969,070 | 35,679 | 19,220 | 15,362 | 1,097 |
| Floyd | 15,843 | 14,323,381 | 6,512 | 292 | 86,261,865 | 6,804 | 3,493 | 3,157 | 154 |
| Fluvanna | 29,668 | 26,749,439 | 11,695 | 1,079 | 163,368,888 | 12,774 | 6,820 | 5,504 | 450 |
| Franklin County | 56,431 | 50,908,979 | 22,585 | 1,582 | 315,941,074 | 24,167 | 12,866 | 10,598 | 703 |
| Frederick | 108,204 | 97,829,017 | 42,193 | 5,209 | 633,900,767 | 47,402 | 26,477 | 19,490 | 1,435 |
| Giles | 16,817 | 15,230,837 | 7,262 | 231 | 87,252,257 | 7,493 | 4,231 | 3,044 | 218 |
| Gloucester | 40,690 | 36,734,393 | 16,428 | 1,427 | 228,702,541 | 17,855 | 9,662 | 7,579 | 614 |
| Goochland | 33,200 | 29,762,432 | 11,138 | 2,502 | 248,301,552 | 13,640 | 6,481 | 6,755 | 404 |
| Grayson | 14,613 | 13,203,752 | 6,199 | 189 | 80,466,197 | 6,388 | 3,317 | 2,816 | 255 |
| Greene | 21,434 | 19,414,722 | 8,651 | 744 | 118,864,913 | 9,395 | 5,240 | 3,863 | 292 |
| Greensville | 10,227 | 9,303,835 | 4,336 | 397 | 56,759,703 | 4,733 | 3,304 | 1,222 | 207 |
| Halifax | 33,176 | 30,057,653 | 14,252 | 610 | 172,813,750 | 14,862 | 9,307 | 4,921 | 634 |
| Hanover | 126,576 | 114,672,056 | 47,043 | 6,842 | 778,639,779 | 53,885 | 27,998 | 24,334 | 1,553 |
| Henrico | 343,889 | 311,963,780 | 140,141 | 20,058 | 2,174,032,950 | 160,199 | 101,943 | 52,960 | 5,296 |
| Henry | 48,521 | 44,017,930 | 21,048 | 860 | 255,992,252 | 21,908 | 13,497 | 7,636 | 775 |
| Highland | 2,809 | 2,515,350 | 1,044 | 53 | 14,500,910 | 1,097 | 492 | 561 | 44 |

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## Table 1.6, continued

**Exemptions, Standard and Itemized Deductions, and Number of Returns by Filing Status/Locality, Taxable Year 2023**

| | Exemptions | | Deductions | | | | Filing Status | | |
|---|---|---|---|---|---|---|---|---|---|
| County | Number | Amount | Standard | Itemized | Amount | Total Returns | Individual | Married Filing Joint | Married Filing Separately |
| Isle Of Wight | 42,145 | 38,055,390 | 15,625 | 2,401 | 249,947,597 | 18,026 | 9,467 | 7,893 | 666 |
| James City | 94,590 | 84,470,302 | 33,263 | 5,684 | 609,746,392 | 38,947 | 20,079 | 17,686 | 1,182 |
| King And Queen | 7,043 | 6,380,410 | 3,018 | 215 | 39,767,749 | 3,233 | 1,971 | 1,151 | 111 |
| King George | 29,309 | 26,555,416 | 10,749 | 1,879 | 173,868,387 | 12,628 | 6,799 | 5,289 | 540 |
| King William | 19,789 | 18,011,548 | 8,164 | 625 | 111,357,805 | 8,789 | 4,857 | 3,668 | 264 |
| Lancaster | 13,152 | 11,705,628 | 4,694 | 860 | 91,312,001 | 5,554 | 3,214 | 2,182 | 158 |
| Lee | 18,008 | 16,316,630 | 7,400 | 184 | 89,053,886 | 7,584 | 4,099 | 3,231 | 254 |
| Loudoun | 486,860 | 443,621,799 | 157,960 | 48,676 | 3,540,585,147 | 206,636 | 104,732 | 94,638 | 7,266 |
| Louisa | 42,202 | 38,174,646 | 16,567 | 1,744 | 262,851,218 | 18,311 | 9,865 | 7,834 | 612 |
| Lunenburg | 10,397 | 9,405,055 | 4,248 | 204 | 53,530,379 | 4,452 | 2,710 | 1,593 | 149 |
| Madison | 14,356 | 12,992,723 | 5,702 | 477 | 81,169,365 | 6,179 | 3,336 | 2,662 | 181 |
| Mathews | 9,943 | 8,925,000 | 3,817 | 337 | 57,726,033 | 4,154 | 2,117 | 1,920 | 117 |
| Mecklenburg | 32,114 | 28,973,816 | 13,309 | 873 | 170,526,488 | 14,182 | 8,611 | 5,048 | 523 |
| Middlesex | 12,000 | 10,756,427 | 4,603 | 440 | 69,972,627 | 5,043 | 2,694 | 2,179 | 170 |
| Montgomery | 79,883 | 72,112,421 | 35,397 | 3,137 | 479,152,282 | 38,534 | 23,319 | 13,910 | 1,305 |
| Nelson | 17,153 | 15,391,174 | 6,773 | 595 | 96,894,701 | 7,368 | 4,037 | 3,135 | 196 |
| New Kent | 29,680 | 26,768,400 | 10,800 | 1,628 | 174,771,154 | 12,428 | 5,989 | 5,982 | 457 |
| Northampton | 12,659 | 11,366,319 | 5,111 | 501 | 78,875,429 | 5,612 | 3,481 | 1,944 | 187 |
| Northumberland | 14,522 | 12,929,173 | 5,293 | 727 | 84,412,809 | 6,020 | 3,223 | 2,611 | 186 |
| Nottoway | 12,961 | 11,764,461 | 5,424 | 287 | 67,564,650 | 5,711 | 3,601 | 1,943 | 167 |
| Orange | 42,443 | 38,343,937 | 16,651 | 1,877 | 254,837,962 | 18,528 | 10,489 | 7,422 | 617 |
| Page | 23,823 | 21,637,621 | 10,273 | 487 | 127,928,948 | 10,760 | 6,260 | 4,225 | 275 |
| Patrick | 16,190 | 14,622,366 | 6,795 | 227 | 83,791,187 | 7,022 | 3,743 | 3,040 | 239 |
| Pittsylvania | 60,200 | 54,595,679 | 25,210 | 1,279 | 327,987,156 | 26,489 | 15,249 | 10,370 | 870 |
| Powhatan | 35,509 | 32,161,309 | 12,816 | 1,882 | 214,837,720 | 14,698 | 7,018 | 7,302 | 378 |
| Prince Edward | 17,349 | 15,698,209 | 7,459 | 467 | 94,793,796 | 7,926 | 5,051 | 2,570 | 305 |
| Prince George | 33,442 | 30,248,073 | 13,330 | 1,491 | 211,732,048 | 14,821 | 8,765 | 5,450 | 606 |
| Prince William | 506,597 | 462,145,012 | 184,389 | 43,827 | 3,780,724,864 | 228,216 | 135,342 | 84,122 | 8,752 |
| Pulaski | 30,447 | 27,571,870 | 13,317 | 492 | 162,407,864 | 13,809 | 7,920 | 5,498 | 391 |
| Rappahannock | 8,516 | 7,645,593 | 3,078 | 579 | 80,658,759 | 3,657 | 1,946 | 1,592 | 119 |

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## Table 1.6, continued

**Exemptions, Standard and Itemized Deductions, and Number of Returns by Filing Status/Locality, Taxable Year 2023**

| | Exemptions | | Deductions | | | | Filing Status | | |
|---|---|---|---|---|---|---|---|---|---|
| County | Number | Amount | Standard | Itemized | Amount | Total Returns | Individual | Married Filing Joint | Married Filing Separately |
| Richmond County | 14,035 | 12,761,263 | 5,264 | 889 | 120,598,046 | 6,153 | 3,467 | 2,355 | 331 |
| Roanoke County | 107,428 | 96,968,227 | 42,857 | 3,881 | 759,183,648 | 46,738 | 25,905 | 19,518 | 1,315 |
| Rockbridge | 22,729 | 20,477,261 | 9,241 | 592 | 127,979,109 | 9,833 | 5,368 | 4,205 | 260 |
| Rockingham | 93,606 | 84,834,215 | 37,177 | 2,971 | 528,843,961 | 40,148 | 21,904 | 17,204 | 1,040 |
| Russell | 22,009 | 20,041,652 | 9,128 | 187 | 114,069,203 | 9,315 | 4,713 | 4,361 | 241 |
| Scott | 19,501 | 17,622,537 | 8,217 | 198 | 100,317,009 | 8,415 | 4,310 | 3,674 | 431 |
| Shenandoah | 47,801 | 43,302,709 | 19,656 | 1,620 | 269,658,987 | 21,276 | 12,459 | 8,238 | 579 |
| Smyth | 26,713 | 24,267,706 | 11,737 | 316 | 140,050,579 | 12,053 | 7,031 | 4,672 | 350 |
| Southampton | 17,788 | 16,139,095 | 7,203 | 640 | 100,946,764 | 7,843 | 4,538 | 2,978 | 327 |
| Spotsylvania | 154,362 | 140,201,999 | 59,038 | 9,583 | 936,791,693 | 68,621 | 39,828 | 26,240 | 2,553 |
| Stafford | 166,408 | 151,301,171 | 58,536 | 13,280 | 1,070,204,590 | 71,816 | 39,814 | 29,159 | 2,843 |
| Surry | 7,224 | 6,553,266 | 2,990 | 268 | 40,204,368 | 3,258 | 1,886 | 1,228 | 144 |
| Sussex | 8,317 | 7,546,919 | 3,568 | 320 | 46,346,283 | 3,888 | 2,642 | 1,108 | 138 |
| Tazewell | 35,571 | 32,225,392 | 14,714 | 475 | 182,186,738 | 15,189 | 8,094 | 6,645 | 450 |
| Warren | 42,650 | 38,703,635 | 17,452 | 1,891 | 249,583,300 | 19,343 | 11,465 | 7,263 | 615 |
| Washington | 58,242 | 52,701,343 | 24,358 | 1,253 | 337,930,098 | 25,611 | 13,508 | 10,900 | 1,203 |
| Westmoreland | 19,652 | 17,688,044 | 7,869 | 941 | 109,952,540 | 8,810 | 5,407 | 3,112 | 291 |
| Wise | 29,291 | 26,604,994 | 12,369 | 276 | 148,863,807 | 12,645 | 6,994 | 5,213 | 438 |
| Wythe | 27,378 | 24,835,764 | 11,834 | 400 | 145,480,470 | 12,234 | 6,858 | 4,981 | 395 |
| York | 72,671 | 65,334,025 | 26,787 | 3,717 | 448,746,562 | 30,504 | 15,676 | 13,731 | 1,097 |
| **Total Counties** | **6,421,243** | **$5,816,674,661** | **2,445,013** | **420,048** | **$46,103,105,070** | **2,865,061** | **1,634,208** | **1,130,040** | **100,813** |
| **Total Cities** | **2,370,968** | **$2,146,520,925** | **1,028,569** | **132,849** | **$20,448,140,985** | **1,161,418** | **777,099** | **336,326** | **47,993** |
| **Unassigned*** | **354,684** | **$260,635,388** | **130,090** | **45,417** | **$17,297,789,588** | **175,507** | **91,516** | **55,759** | **28,232** |
| **Aggregate** | **9,146,895** | **$8,223,830,974** | **3,603,672** | **598,314** | **$83,849,035,644** | **4,201,986** | **2,502,823** | **1,522,125** | **177,038** |

Notes:

* Returns not assigned to a locality are generally nonresident returns. In these cases, the taxpayer did not report a locality in which the Virginia portion of income was earned.

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Virginia Tax

## Table 1.7

**Total Net Taxable Income, Amount Taxed at Each Tax Rate, Total Income Tax Liability by Locality, Taxable Year 2023**

| City | Total Net Taxable Income | Taxed at 2% Rate | Taxed at 3% Rate | Taxed at 5% Rate | Taxed at 5.75% Rate | Total Income Tax Liability |
|---|---|---|---|---|---|---|
| Alexandria | $10,521,450,678 | $231,642,859 | $151,380,069 | $845,675,759 | $9,292,751,991 | $581,898,994 |
| Bristol | 353,430,708 | 25,493,864 | 15,887,291 | 79,100,725 | 232,948,829 | 18,064,665 |
| Buena Vista | 92,014,595 | 6,147,273 | 3,969,931 | 20,681,908 | 61,215,483 | 4,678,439 |
| Charlottesville | 1,854,702,191 | 51,520,653 | 33,341,430 | 179,210,743 | 1,590,629,365 | 101,553,657 |
| Chesapeake | 6,912,822,606 | 270,123,240 | 176,031,701 | 956,018,791 | 5,510,648,875 | 369,504,115 |
| Colonial Heights | 369,997,311 | 20,536,048 | 13,380,681 | 71,457,849 | 264,622,733 | 19,255,824 |
| Covington | 91,970,958 | 6,092,894 | 3,917,611 | 20,254,548 | 61,705,904 | 4,706,604 |
| Danville | 714,443,081 | 43,631,781 | 27,563,362 | 136,691,705 | 506,556,232 | 37,233,450 |
| Emporia | 66,344,803 | 5,257,261 | 3,337,243 | 16,371,199 | 41,379,100 | 3,367,365 |
| Fairfax City | 1,583,806,250 | 40,260,854 | 26,073,672 | 142,095,068 | 1,375,376,656 | 86,901,566 |
| Falls Church | 1,492,119,127 | 22,746,772 | 14,871,413 | 83,445,611 | 1,371,055,331 | 83,321,715 |
| Franklin City | 134,118,854 | 8,063,578 | 5,152,275 | 26,254,968 | 94,648,033 | 6,976,055 |
| Fredericksburg | 1,021,488,466 | 36,087,408 | 23,474,649 | 126,613,916 | 835,312,493 | 55,229,840 |
| Galax | 111,637,367 | 7,174,150 | 4,603,571 | 23,668,156 | 76,191,490 | 5,723,451 |
| Hampton | 2,384,425,926 | 135,554,546 | 87,909,185 | 464,210,251 | 1,696,751,944 | 124,255,246 |
| Harrisonburg | 783,202,629 | 44,547,930 | 28,908,748 | 152,075,601 | 557,670,350 | 40,722,931 |
| Hopewell | 311,746,683 | 22,622,198 | 14,621,126 | 75,563,341 | 198,940,018 | 15,889,267 |
| Lexington | 173,810,476 | 6,170,635 | 3,972,792 | 21,528,582 | 142,138,468 | 9,344,139 |
| Lynchburg | 1,603,159,191 | 76,445,252 | 49,372,787 | 260,002,908 | 1,217,338,244 | 84,656,957 |
| Manassas | 1,216,174,820 | 54,443,415 | 35,562,431 | 192,335,096 | 933,833,879 | 64,568,497 |
| Manassas Park | 485,085,876 | 23,232,343 | 15,178,910 | 81,881,741 | 364,792,882 | 25,622,765 |
| Martinsville | 220,666,606 | 13,592,951 | 8,728,959 | 44,382,955 | 153,961,741 | 11,461,281 |
| Newport News | 3,382,782,447 | 184,762,641 | 119,795,083 | 630,547,720 | 2,447,677,003 | 177,005,929 |
| Norfolk | 4,521,861,855 | 214,211,258 | 138,307,949 | 721,963,486 | 3,447,379,162 | 240,103,894 |
| Norton | 63,097,286 | 4,126,722 | 2,663,793 | 13,640,296 | 42,666,474 | 3,227,505 |
| Petersburg | 386,264,394 | 31,142,166 | 19,934,446 | 99,168,828 | 236,018,954 | 19,578,649 |
| Poquoson | 489,162,894 | 14,056,180 | 9,241,460 | 51,348,909 | 414,516,345 | 26,519,212 |
| Portsmouth | 1,545,848,386 | 95,690,257 | 61,957,777 | 325,218,918 | 1,062,981,433 | 80,077,945 |
| Radford | 275,023,126 | 14,206,335 | 9,229,892 | 49,099,966 | 202,486,933 | 14,387,053 |
| Richmond City | 8,292,193,265 | 261,467,072 | 169,611,556 | 908,292,122 | 6,952,822,515 | 452,203,994 |

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Virginia Tax

## Table 1.7, continued

**Total Net Taxable Income, Amount Taxed at Each Tax Rate, Total Income Tax Liability by Locality, Taxable Year 2023**

| City | Total Net Taxable Income | Taxed at 2% Rate | Taxed at 3% Rate | Taxed at 5% Rate | Taxed at 5.75% Rate | Total Income Tax Liability |
|---|---|---|---|---|---|---|
| Roanoke City | $2,258,748,557 | $106,555,269 | $69,064,567 | $363,983,843 | $1,719,144,877 | $119,771,426 |
| Salem | 750,584,728 | 28,732,984 | 18,743,721 | 102,118,474 | 600,989,549 | 40,113,333 |
| Staunton | 598,954,535 | 29,356,341 | 19,183,717 | 103,647,170 | 446,767,307 | 31,464,537 |
| Suffolk | 2,681,889,584 | 106,429,174 | 69,213,792 | 374,950,540 | 2,131,296,078 | 143,307,246 |
| Virginia Beach | 15,630,645,089 | 496,301,047 | 323,824,805 | 1,761,913,577 | 13,048,605,660 | 847,808,085 |
| Waynesboro | 502,385,094 | 26,464,705 | 17,338,713 | 93,962,854 | 364,618,823 | 26,229,056 |
| Williamsburg | 501,470,057 | 15,700,383 | 10,039,572 | 52,763,674 | 422,966,428 | 27,315,318 |
| Winchester | 749,658,037 | 32,678,761 | 21,239,191 | 114,090,407 | 581,649,678 | 39,935,834 |
| **Total Cities** | **$75,129,188,536** | **$2,813,269,203** | **$1,826,629,870** | **$9,786,232,204** | **$60,703,057,260** | **$4,043,985,841** |

## Table 1.7, continued

**Total Net Taxable Income, Amount Taxed at Each Tax Rate, Total Income Tax Liability by Locality, Taxable Year 2023**

| County | Total Net Taxable Income | Taxed at 2% Rate | Taxed at 3% Rate | Taxed at 5% Rate | Taxed at 5.75% Rate | Total Income Tax Liability |
|---|---|---|---|---|---|---|
| Accomack | $733,972,655 | $44,614,654 | $28,036,253 | $141,615,468 | $519,706,280 | $38,089,945 |
| Albemarle | 6,702,099,695 | 133,957,124 | 87,818,801 | 487,033,994 | 5,993,289,777 | 370,665,813 |
| Alleghany | 291,989,694 | 15,637,187 | 10,069,578 | 53,599,596 | 212,683,333 | 15,191,253 |
| Amelia | 327,035,253 | 14,744,118 | 9,588,708 | 51,472,313 | 251,230,114 | 17,274,422 |
| Amherst | 614,178,808 | 32,109,609 | 20,958,397 | 112,652,201 | 448,458,600 | 31,959,183 |
| Appomattox | 328,614,125 | 16,546,580 | 10,805,973 | 58,191,032 | 243,070,540 | 17,131,266 |
| Arlington | 18,214,303,332 | 354,457,706 | 232,548,298 | 1,319,827,386 | 16,307,469,943 | 1,011,523,661 |
| Augusta | 2,283,833,744 | 86,639,602 | 56,759,393 | 309,987,179 | 1,830,447,570 | 121,938,638 |
| Bath | 107,168,863 | 5,323,169 | 3,434,796 | 17,906,393 | 80,504,505 | 5,621,818 |
| Bedford County | 2,375,430,465 | 86,222,193 | 56,469,211 | 308,361,957 | 1,924,377,103 | 127,112,299 |
| Bland | 112,360,651 | 5,779,743 | 3,759,580 | 20,445,538 | 82,375,790 | 5,841,985 |
| Botetourt | 1,039,096,534 | 36,810,138 | 24,146,249 | 133,160,787 | 844,979,360 | 55,618,533 |
| Brunswick | 234,212,908 | 13,946,884 | 8,967,013 | 46,155,672 | 165,143,339 | 12,144,281 |
| Buchanan | 258,841,698 | 13,801,943 | 8,982,270 | 47,228,782 | 188,828,704 | 13,482,012 |
| Buckingham | 259,271,826 | 14,237,857 | 9,250,164 | 49,099,870 | 186,683,936 | 13,485,225 |

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Virginia Tax

## Table 1.7, continued

**Total Net Taxable Income, Amount Taxed at Each Tax Rate, Total Income Tax Liability by Locality, Taxable Year 2023**

| County | Total Net Taxable Income | Taxed at 2% Rate | Taxed at 3% Rate | Taxed at 5% Rate | Taxed at 5.75% Rate | Total Income Tax Liability |
|---|---|---|---|---|---|---|
| Campbell | $1,157,908,632 | $56,963,456 | $37,062,049 | $198,692,191 | $865,190,937 | $60,626,284 |
| Caroline | 774,834,253 | 36,437,923 | 23,860,501 | 130,392,090 | 584,143,738 | 40,805,853 |
| Carroll | 447,842,515 | 27,018,303 | 17,526,493 | 92,068,594 | 311,229,125 | 22,959,518 |
| Charles City | 205,946,283 | 8,000,014 | 5,205,411 | 28,012,772 | 164,728,086 | 11,032,794 |
| Charlotte | 217,024,558 | 11,300,686 | 7,271,987 | 38,078,624 | 160,373,261 | 11,358,637 |
| Chesterfield | 13,078,508,672 | 432,401,250 | 283,299,302 | 1,557,834,303 | 10,804,973,816 | 705,760,050 |
| Clarke | 706,406,129 | 18,646,803 | 12,244,914 | 68,322,840 | 607,191,573 | 38,585,998 |
| Craig | 102,629,521 | 5,241,619 | 3,429,912 | 18,574,531 | 75,383,458 | 5,333,926 |
| Culpeper | 1,588,792,681 | 59,993,314 | 39,239,957 | 214,409,032 | 1,275,150,379 | 85,026,099 |
| Cumberland | 174,715,047 | 9,881,748 | 6,431,654 | 34,079,549 | 124,322,095 | 9,061,400 |
| Dickenson | 185,462,528 | 10,069,460 | 6,525,044 | 34,549,164 | 134,318,860 | 9,621,380 |
| Dinwiddie | 610,208,151 | 30,235,906 | 19,752,658 | 106,751,635 | 453,467,952 | 32,023,386 |
| Essex | 250,669,035 | 12,158,742 | 7,934,745 | 42,019,106 | 188,556,442 | 13,212,515 |
| Fairfax County | 76,948,739,104 | 1,407,822,148 | 924,000,389 | 5,175,745,467 | 69,441,171,099 | 4,270,409,674 |
| Fauquier | 3,903,540,891 | 89,439,117 | 58,799,753 | 327,831,904 | 3,427,470,117 | 214,564,090 |
| Floyd | 354,910,935 | 15,386,950 | 10,047,210 | 54,043,412 | 275,433,362 | 18,746,672 |
| Fluvanna | 860,745,658 | 30,980,793 | 20,376,119 | 112,030,872 | 697,357,875 | 46,115,840 |
| Franklin County | 1,321,315,489 | 55,539,204 | 36,265,143 | 195,586,172 | 1,033,924,969 | 70,087,780 |
| Frederick | 3,182,207,671 | 114,688,681 | 75,268,016 | 414,259,801 | 2,577,991,173 | 170,657,183 |
| Giles | 347,271,585 | 17,453,270 | 11,391,548 | 61,658,303 | 256,768,463 | 18,129,706 |
| Gloucester | 1,028,378,204 | 43,415,457 | 28,424,739 | 155,408,691 | 801,129,317 | 54,506,939 |
| Goochland | 2,474,178,924 | 33,846,485 | 22,292,459 | 125,543,708 | 2,292,496,273 | 138,335,304 |
| Grayson | 224,944,351 | 13,826,944 | 8,946,350 | 46,823,867 | 155,347,189 | 11,523,552 |
| Greene | 526,281,714 | 23,017,740 | 15,077,656 | 82,357,598 | 405,828,720 | 27,802,949 |
| Greensville | 174,889,351 | 10,704,128 | 6,849,185 | 34,443,930 | 122,892,108 | 9,081,434 |
| Halifax | 599,734,458 | 33,844,341 | 21,838,310 | 114,268,268 | 429,783,539 | 31,206,753 |
| Hanover | 4,650,655,088 | 132,902,824 | 87,372,124 | 486,756,972 | 3,943,623,168 | 252,301,536 |
| Henrico | 12,684,709,800 | 394,326,098 | 258,070,944 | 1,411,472,366 | 10,620,840,392 | 688,599,675 |
| Henry | 830,443,276 | 49,752,559 | 32,235,287 | 169,293,659 | 579,161,771 | 42,878,260 |
| Highland | 43,080,894 | 2,333,047 | 1,518,445 | 7,850,240 | 31,379,162 | 2,237,467 |

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Virginia Tax

## Table 1.7, continued

**Total Net Taxable Income, Amount Taxed at Each Tax Rate, Total Income Tax Liability by Locality, Taxable Year 2023**

| County | Total Net Taxable Income | Taxed at 2% Rate | Taxed at 3% Rate | Taxed at 5% Rate | Taxed at 5.75% Rate | Total Income Tax Liability |
|---|---|---|---|---|---|---|
| Isle Of Wight | $1,246,483,009 | $44,186,395 | $28,968,458 | $159,150,675 | $1,014,177,481 | $66,872,661 |
| James City | 3,412,469,830 | 94,996,542 | 62,307,441 | 343,864,767 | 2,911,301,080 | 185,619,114 |
| King And Queen | 159,560,822 | 7,512,862 | 4,901,324 | 26,315,576 | 120,831,060 | 8,421,394 |
| King George | 960,455,336 | 32,127,207 | 21,074,711 | 117,097,868 | 790,155,551 | 51,756,537 |
| King William | 504,145,066 | 21,827,581 | 14,298,289 | 78,875,232 | 389,143,964 | 26,624,476 |
| Lancaster | 379,885,055 | 12,614,414 | 8,218,670 | 44,038,080 | 315,013,891 | 20,534,436 |
| Lee | 250,340,918 | 16,661,851 | 10,751,052 | 55,636,087 | 167,291,929 | 12,720,344 |
| Loudoun | 27,535,963,470 | 522,211,426 | 343,641,237 | 1,940,069,650 | 24,730,041,157 | 1,523,370,005 |
| Louisa | 1,156,912,223 | 44,762,555 | 29,339,518 | 161,103,753 | 921,706,397 | 61,718,412 |
| Lunenburg | 176,466,706 | 10,055,431 | 6,512,758 | 34,577,902 | 125,320,615 | 9,156,602 |
| Madison | 383,982,789 | 14,581,526 | 9,532,748 | 52,316,452 | 307,552,063 | 20,517,692 |
| Mathews | 246,933,866 | 9,736,408 | 6,373,934 | 34,280,962 | 196,542,563 | 13,148,002 |
| Mecklenburg | 631,298,037 | 32,156,556 | 20,803,357 | 109,539,089 | 468,799,035 | 33,124,193 |
| Middlesex | 303,752,698 | 11,462,087 | 7,483,962 | 40,599,639 | 244,207,010 | 16,247,924 |
| Montgomery | 2,416,034,712 | 91,668,775 | 59,697,987 | 322,976,434 | 1,941,691,515 | 129,317,915 |
| Nelson | 427,950,478 | 16,850,643 | 10,986,086 | 59,542,925 | 340,570,824 | 22,814,941 |
| New Kent | 987,466,479 | 30,615,823 | 20,101,724 | 112,131,601 | 824,617,331 | 53,303,446 |
| Northampton | 328,020,008 | 12,468,780 | 8,064,301 | 42,024,520 | 265,462,406 | 17,626,538 |
| Northumberland | 377,543,153 | 13,819,711 | 9,008,534 | 48,837,482 | 305,877,426 | 20,247,242 |
| Nottoway | 227,360,642 | 13,204,780 | 8,597,844 | 45,567,274 | 159,990,744 | 11,767,126 |
| Orange | 1,094,805,310 | 45,334,801 | 29,742,977 | 163,254,764 | 856,472,768 | 58,209,437 |
| Page | 486,029,603 | 25,007,235 | 16,387,276 | 88,028,302 | 356,606,789 | 25,358,875 |
| Patrick | 281,122,072 | 15,647,467 | 10,179,128 | 53,471,289 | 201,824,187 | 14,568,678 |
| Pittsylvania | 1,185,128,101 | 60,733,109 | 39,483,129 | 209,317,931 | 875,593,932 | 61,974,803 |
| Powhatan | 1,358,930,397 | 36,009,401 | 23,711,066 | 132,117,482 | 1,167,092,448 | 73,989,221 |
| Prince Edward | 320,871,289 | 18,090,145 | 11,732,744 | 61,655,114 | 229,393,286 | 16,684,724 |
| Prince George | 759,720,633 | 35,373,717 | 23,032,670 | 123,528,706 | 577,785,539 | 40,062,898 |
| Prince William | 17,629,663,900 | 571,247,958 | 374,292,577 | 2,061,789,486 | 14,622,333,878 | 953,688,674 |
| Pulaski | 622,469,864 | 32,510,492 | 21,245,252 | 114,778,776 | 453,935,344 | 32,378,665 |
| Rappahannock | 399,994,964 | 8,516,926 | 5,582,022 | 30,876,770 | 355,019,246 | 22,076,509 |

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Virginia Tax

## Table 1.7, continued

**Total Net Taxable Income, Amount Taxed at Each Tax Rate, Total Income Tax Liability by Locality, Taxable Year 2023**

| County | Total Net Taxable Income | Taxed at 2% Rate | Taxed at 3% Rate | Taxed at 5% Rate | Taxed at 5.75% Rate | Total Income Tax Liability |
|---|---|---|---|---|---|---|
| Richmond County | $262,837,605 | $13,084,422 | $8,048,897 | $40,718,217 | $200,986,070 | $13,915,146 |
| Roanoke County | 3,016,812,324 | 111,307,200 | 72,894,815 | 397,642,059 | 2,434,968,251 | 161,438,751 |
| Rockbridge | 554,065,594 | 22,532,178 | 14,737,982 | 79,556,730 | 437,238,704 | 29,466,122 |
| Rockingham | 2,343,906,710 | 95,577,278 | 62,610,264 | 341,411,991 | 1,844,307,177 | 124,435,866 |
| Russell | 394,275,743 | 21,129,802 | 13,813,347 | 73,408,657 | 285,923,938 | 20,437,889 |
| Scott | 324,779,554 | 18,724,155 | 12,133,368 | 63,979,101 | 229,942,930 | 16,775,050 |
| Shenandoah | 1,131,009,038 | 50,489,613 | 33,073,228 | 180,071,234 | 867,374,963 | 59,756,638 |
| Smyth | 471,932,521 | 27,801,178 | 18,106,859 | 95,619,038 | 330,405,446 | 24,289,601 |
| Southampton | 381,154,541 | 18,464,561 | 11,996,647 | 64,399,593 | 286,293,741 | 20,009,252 |
| Spotsylvania | 4,700,005,609 | 170,787,462 | 111,941,129 | 612,683,124 | 3,804,593,894 | 252,357,698 |
| Stafford | 5,646,515,150 | 181,718,665 | 119,234,910 | 659,380,627 | 4,686,180,948 | 305,237,747 |
| Surry | 146,132,904 | 7,708,141 | 5,005,722 | 26,627,061 | 106,791,980 | 7,636,008 |
| Sussex | 154,416,552 | 8,890,127 | 5,732,127 | 30,202,072 | 109,592,226 | 8,034,748 |
| Tazewell | 692,645,953 | 34,593,797 | 22,493,908 | 118,908,779 | 516,649,468 | 36,274,034 |
| Warren | 1,163,227,488 | 47,209,316 | 30,916,386 | 169,411,900 | 915,689,886 | 62,015,233 |
| Washington | 1,268,183,350 | 59,435,760 | 38,305,220 | 202,935,882 | 967,506,487 | 66,859,032 |
| Westmoreland | 477,715,562 | 20,871,487 | 13,658,274 | 73,694,241 | 369,491,560 | 25,381,658 |
| Wise | 512,440,059 | 28,690,544 | 18,657,894 | 98,046,237 | 367,045,384 | 26,540,037 |
| Wythe | 524,724,254 | 28,267,161 | 18,413,951 | 97,743,468 | 380,299,675 | 27,234,573 |
| York | 2,372,689,676 | 74,996,123 | 49,140,550 | 271,663,404 | 1,976,889,598 | 128,152,849 |
| **Total Counties** | **$256,330,617,263** | **$7,006,729,090** | **$4,587,121,241** | **$25,261,365,833** | **$219,475,401,099** | **$13,989,822,408** |
| **Total Cities** | **$75,129,188,536** | **$2,813,269,203** | **$1,826,629,870** | **$9,786,232,204** | **$60,703,057,260** | **$4,043,985,841** |
| **Unassigned*** | **$10,258,975,386** | **$318,531,396** | **$195,467,197** | **$993,617,883** | **$8,751,358,909** | **$563,887,986** |
| **Aggregate** | **$341,718,781,185** | **$10,138,529,688** | **$6,609,218,309** | **$36,041,215,920** | **$288,929,817,268** | **$18,597,696,234** |

Notes:

1. Totals in Table 1.7 may not match totals in previous tables due to minor variations in rounding.
2. Tax liability is before any tax credits but after the spouse tax adjustment.

* Returns not assigned to a locality are generally nonresident returns. In these cases, the taxpayer did not report a locality in which the Virginia portion of income was earned.

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Virginia Tax

## Table 1.8

**Set-Off Debt Transferred to Agencies by Taxable Year**

| Type of Participants | 2020 | | 2021 | | 2022 | | 2023 | |
|---|---|---|---|---|---|---|---|---|
| | Number of Payments | Amount | Number of Payments | Amount | Number of Payments | Amount | Number of Payments | Amount |
| State Agencies | 67,765 | $14,986,156 | 98,692 | $19,194,587 | 74,786 | $19,941,604 | 85,312 | $19,385,303 |
| Circuit Courts | 6,783 | 1,396,821 | 8,885 | 1,895,465 | 9,699 | 3,011,967 | 8,669 | 2,553,623 |
| District Courts | 40,491 | 5,211,472 | 53,749 | 7,130,780 | 60,450 | 9,744,397 | 52,632 | 7,985,369 |
| Juvenile and Domestic Courts | 2,410 | 359,645 | 3,053 | 449,773 | 3,579 | 646,134 | 3,156 | 570,845 |
| Combined Courts | 4,805 | 606,549 | 7,097 | 942,396 | 9,744 | 1,557,642 | 8,489 | 1,254,767 |
| IRS | 2,306 | 1,869,537 | 1 | 19,869 | 0 | 0 | 0 | 0 |
| Counties | 91,175 | 14,788,384 | 148,722 | 24,417,482 | 150,565 | 31,583,813 | 131,650 | 25,467,918 |
| Cities | 93,039 | 15,437,520 | 157,530 | 26,124,952 | 154,388 | 32,031,494 | 122,934 | 24,455,386 |
| Towns | 5,960 | 478,134 | 9,585 | 890,070 | 9,187 | 919,635 | 9,328 | 919,322 |
| Social Services | 1,086 | 294,920 | 1,629 | 459,460 | 1,570 | 571,610 | 1,005 | 380,240 |
| US Treasury | 2,566 | 813,725 | 3,390 | 1,109,008 | 4,471 | 1,634,391 | 5,459 | 2,364,820 |
| **TOTAL** | **318,386** | **$56,242,863** | **492,333** | **$82,633,843** | **478,439** | **$101,642,687** | **428,634** | **$85,337,590** |

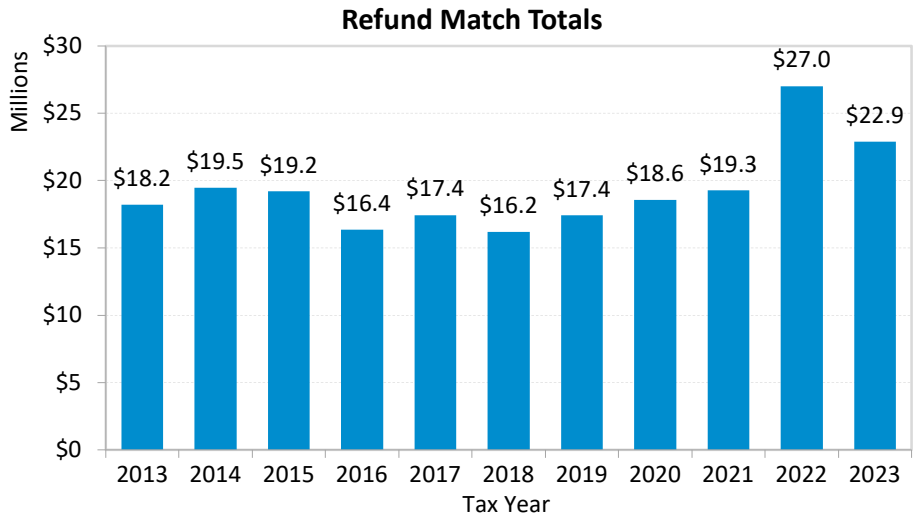
Note:

1. The Set-Off Debt program applies an overpayment amount on a taxpayer's return against accounts receivable due to an agency of the Commonwealth.
2. Effective beginning with Taxable Year 2017, Virginia entered into an agreement with U.S. Treasury to offset tax payments to collect nontax debts owed to the United States.

## Table 1.9

**Refund Match Totals**

| Tax Year | Total |
|---|---|
| 2012 | $17,368,777 |
| 2013 | 18,211,926 |
| 2014 | 19,469,020 |
| 2015 | 19,206,044 |
| 2016 | 16,359,793 |
| 2017 | 17,431,562 |
| 2018 | 16,204,020 |
| 2019 | 17,428,289 |
| 2020 | 18,570,712 |
| 2021 | 19,281,707 |
| 2022 | 27,012,721 |
| 2023 | 22,883,149 |




Note:

1. The Refund Match program automatically matches an overpayment on a taxpayer's return to any outstanding tax due to the Department of Taxation, except for fiduciary and estate tax accounts.

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**Table 1.10**

**Voluntary Contributions by Taxable Year**

| Program/ Fund | 2022 | | 2023 | | 2024 | |
|---|---|---|---|---|---|---|
| | Number | Amount | Number | Amount | Number | Amount |
| Virginia College Saving Plan (Virginia 529) | 1,120 | $776,164 | 822 | $556,383 | 610 | $551,579 |
| Federation of Virginia Food Banks^ | 3,598 | 116,250 | 3,082 | 102,039 | 2,782 | 96,167 |
| Virginia Nongame Wildlife Program | 4,496 | 112,371 | 3,360 | 82,809 | 2,829 | 68,782 |
| Chesapeake Bay Restoration | 3,340 | 89,584 | 2,895 | 75,393 | 2,478 | 67,882 |
| Virginia Elderly and Disabled Transportation Fund | 3,637 | 85,281 | 2,725 | 58,311 | 2,403 | 53,492 |
| Public Libraries Foundations | 2,666 | 76,358 | 2,057 | 60,379 | 1,785 | 51,802 |
| Virginia Military Family Relief Fund | 1,841 | 48,734 | 1,682 | 42,588 | 1,548 | 49,257 |
| State Forests Fund | 2,477 | 51,004 | 2,208 | 48,206 | 2,025 | 44,637 |
| Virginia Housing Program | 2,862 | 76,428 | 2,117 | 50,218 | 1,760 | 38,699 |
| Virginia Democratic Party* | 2,047 | 42,576 | 1,752 | 37,367 | 1,495 | 37,997 |
| Cancer Centers | 2,342 | 53,714 | 1,849 | 42,343 | 1,592 | 37,146 |
| Spay and Neuter Fund | 2,221 | 51,229 | 1,789 | 40,032 | 1,471 | 32,387 |
| Public School Foundations | 1,292 | 41,900 | 1,100 | 39,745 | 946 | 32,106 |
| Virginia Open Space Recreation and Conservation Fund | 2,272 | 53,881 | 1,711 | 38,275 | 1,458 | 30,992 |
| Virginia Arts Foundation | 2,675 | 52,822 | 1,782 | 33,992 | 1,539 | 30,406 |
| Virginia Family and Children's Trust Fund (FACT) | 1,323 | 32,018 | 1,198 | 25,697 | 1,090 | 29,776 |
| Virginia Federation of Humane Societies | 1,718 | 38,062 | 1,289 | 29,114 | 1,138 | 24,398 |
| Children of America Finding Hope** | 1,402 | 28,691 | 1,074 | 20,086 | 911 | 18,046 |
| Virginia Republican Party* | 691 | 15,438 | 596 | 10,423 | 576 | 13,149 |
| Community Foundations^ | 9 | 593 | 6 | 137 | 8 | 287 |
| Virginia Aquarium and Marine Science Center^ | 1 | 1 | 3 | 76 | 1 | 2 |
| Office of the Secretary of Veteran Affairs and Homeland Security^ | 3 | 61 | 5 | 71 | 1 | 2 |
| Breast and Cervical Cancer Prevention Treatment Fund^ | 4 | 131 | 7 | 236 | 0 | 0 |
| Virginia Foundation of Community College Education^ | 1 | 1 | 2 | 26 | 0 | 0 |
| VDA Medicare Part D Counseling Fund^ | 1 | 1 | 1 | 1 | 0 | 0 |
| Celebrating Special Children, Inc.# | 0 | 0 | 0 | 0 | 0 | 0 |
| Community Policing Fund# | 0 | 0 | 0 | 0 | 0 | 0 |
| Historic Resources Fund# | 0 | 0 | 0 | 0 | 0 | 0 |
| Home Energy Assistance# | 0 | 0 | 0 | 0 | 0 | 0 |
| Martin Luther King, Jr. Living History Public Policy Center Fund# | 0 | 0 | 0 | 0 | 0 | 0 |
| Middle Peninsula Chesapeake Bay Public Access Authority^ | 1 | 1 | 0 | 0 | 0 | 0 |
| Tuition Assistance Grant Fund# | 0 | 0 | 0 | 0 | 0 | 0 |
| Uninsured Medical Catastrophe Fund# | 0 | 0 | 0 | 0 | 0 | 0 |
| United States Olympic Committee# | 0 | 0 | 0 | 0 | 0 | 0 |
| Virginia Capitol Preservation Foundation^ | 1 | 1 | 0 | 0 | 0 | 0 |
| War Memorial & National D-Day Memorial# | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total** | **44,041** | **$1,843,296** | **35,112** | **$1,393,945** | **30,446** | **$1,308,990** |

Notes:

1. Taxpayers may make voluntary contributions to qualifying organizations from their tax refunds or, for some organizations, tax payments. If the contribution exceeds an expected refund, it increases the amount of the tax payment.

2. Contributions are reported by taxable year for returns that are processed during the subsequent calendar year. For example, contributions reported for Taxable Year 2024 are from all returns processed in calendar year 2025. The majority of returns processed in calendar year 2025 are for TY 2024; however, some returns from previous taxable years maybe included.

3. Effective January 1, 2014, the General Assembly enacted legislation that allowed an individual to designate their individual income tax refund, or a portion thereof, to be deposited into one or more Virginia College Savings Plan accounts.

* Contributions to political parties are limited to $25 ($50 for each spouse on a joint return), see Va. Code § 58.1-344.3 (B) (3).

# These Programs or Funds were removed from the 2016 Virginia Individual Income Tax return with the exception of 'Home Energy Assistance,' which was removed from the 2017 tax return. Any amount reported for Tax years 2022, 2023, and 2024 represent contributions made on returns filed for prior years processed in 2023, 2024, and 2025 respectively.

^ These Programs or Funds were removed from the 2019 Virginia Individual Income Tax return. Any amount reported for Tax years 2022, 2023, and 2024 represent contributions made on returns filed for prior years processed in 2023, 2024, and 2025 respectively.

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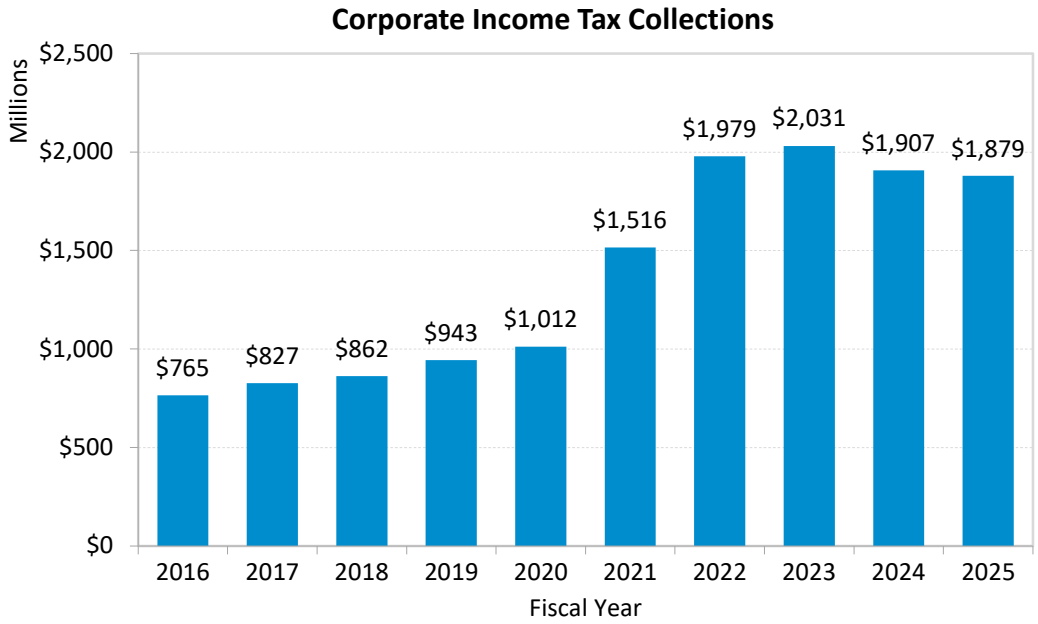
Virginia Tax

## Table 2.1

**Corporate Income Tax Revenue**

| Fiscal Year | Amount |
|---|---|
| 2016 | $764,948,014 |
| 2017 | 826,960,822 |
| 2018 | 861,897,138 |
| 2019 | 943,390,661 |
| 2020 | 1,011,649,618 |
| 2021 | 1,515,692,111 |
| 2022 | 1,978,697,205 |
| 2023 | 2,031,120,171 |
| 2024 | 1,907,065,381 |
| 2025 | 1,878,586,172 |




Note:

1. Revenue represents net tax collections by fiscal year.

2. Prior to FY 2017, the Commonwealth Accounting and Reporting System was the data source for Corporate Income Tax revenue. Effective with FY 2017, the data source is the Revenue Status Report from the Cardinal financial system.

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## Table 2.2

**Corporate Income Tax: Number of Returns, Taxable Income, and Tax Liability**

Based on returns filed for Taxable Year 2023*

| Reported Taxable Income From Virginia Sources | Number of Corporate Returns[4] | Percent of Total | Taxable Income[3] | Percent of Total | Tax Assessed [1] [2] | Percent of Total |
|---|---|---|---|---|---|---|
| $0 or less | 46,695 | 60.4% | $0 | 0.0% | $89,602,778 | 4.5% |
| $1 to $24,999 | 15,726 | 20.3% | 105,738,227 | 0.3% | 6,369,800 | 0.3% |
| $25,000 to $49,999 | 3,177 | 4.1% | 114,304,283 | 0.4% | 6,880,979 | 0.3% |
| $50,000 to $99,999 | 2,942 | 3.8% | 210,666,738 | 0.7% | 12,639,999 | 0.6% |
| $100,000 to $499,999 | 4,886 | 6.3% | 1,127,813,625 | 3.6% | 67,668,913 | 3.4% |
| $500,000 to $999,999 | 1,328 | 1.7% | 938,316,952 | 3.0% | 56,325,224 | 2.9% |
| $1,000,000 to $1,999,999 | 936 | 1.2% | 1,332,737,468 | 4.3% | 79,964,256 | 4.1% |
| $2,000,000 to $9,999,999 | 1,232 | 1.6% | 5,372,865,814 | 17.2% | 322,544,544 | 16.3% |
| $10,000,000 and Over | 443 | 0.6% | 22,110,450,327 | 70.6% | 1,331,661,750 | 67.5% |
| Total before adjustments | 77,365 | 100.0% | $31,312,893,433 | 100.0% | $1,973,658,243 | 100.0% |
| Departmental adjustments | | | -556,975,443 | -1.8% | -31,748,236 | -1.6% |
| **Total Tax Assessment** | | | **$30,755,917,991** | **100.0%** | **$1,941,910,007** | **100.0%** |

Notes:

* This table is not comparable to equivalent tables in annual reports prior to FY 2006. Returns are selected for inclusion in this table if the tax reporting period on the return began in 2023. Reports prior to FY 2006 selected returns based on the state fiscal year in which they were received.

1. The tax rate is 6% of the corporation's Virginia taxable income, except in the case of certain energy suppliers and telecommunication companies that are subject to a Minimum Tax.
2. Tax assessed shown is before any credits.
3. If a corporation reports a negative taxable income, its taxable income is treated as zero in this table.
4. Excludes pass-through entities such as S corporations, partnerships and limited liability companies generally file Form 502. Any income flows through to owners of each pass-through entity and they report all taxable income on their tax returns.

Number of pass-through entity returns in Taxable Year 2023 = 287,300

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## Table 2.3

**Pass-Through Entity Tax: Number of Returns, Taxable Income, and Tax Liability**

Based on returns filed for Taxable Year 2023

| Reported Taxable Income From Virginia Sources | Number of PTET Returns [1] [2] | Percent of Total | Taxable Income[3] | Percent of Total | Tax Assessed [4] | Percent of Total |
|---|---|---|---|---|---|---|
| $0 or less | 1,551 | 5.2% | $0 | 0.0% | $0 | 0.0% |
| $1 to $24,999 | 3,468 | 11.6% | 40,471,635 | 0.1% | 2,328,116 | 0.1% |
| $25,000 to $49,999 | 2,849 | 9.5% | 105,915,667 | 0.4% | 6,090,161 | 0.4% |
| $50,000 to $99,999 | 4,371 | 14.6% | 320,527,541 | 1.2% | 18,430,347 | 1.2% |
| $100,000 to $499,999 | 10,960 | 36.5% | 2,607,785,958 | 9.5% | 149,947,754 | 9.5% |
| $500,000 to $999,999 | 2,989 | 10.0% | 2,097,694,156 | 7.7% | 120,617,417 | 7.7% |
| $1,000,000 to $1,999,999 | 1,800 | 6.0% | 2,523,156,356 | 9.2% | 145,081,477 | 9.2% |
| $2,000,000 to $9,999,999 | 1,659 | 5.5% | 6,855,831,384 | 25.1% | 394,210,292 | 25.1% |
| $10,000,000 and Over | 376 | 1.3% | 12,810,692,262 | 46.8% | 736,614,805 | 46.8% |
| Total before adjustments | 30,023 | 100.0% | $27,362,074,959 | 100.0% | $1,573,320,369 | 100.0% |
| Departmental adjustments | | | | 0.0% | | 0.0% |
| **Total Tax Assessment** | | | **$27,362,074,959** | **100.0%** | **$1,573,320,369** | **100.0%** |

Notes:

1. Includes pass-through entities such as S corporations, partnerships and limited liability companies that file Form 502PTET.
2. Taxable Year 2022 is the first year after legislation was passed in 2022 that PTEs can choose to make the election in the new Form 502PTET.
3. Eligible PTEs are taxed at a rate of 5.75%
4. Tax assessed shown is before any credits.

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**Table 3.1**

**Tax Credits: Individual and Corporate Income Tax, Insurance Premium License Tax, and Bank Franchise Tax**

For Returns Processed During Fiscal Year 2025, Sorted by Year Enacted

| Code Section(s) | Credit | Year Enacted | Credit Claimed Against | Number of Returns | Amount |
|---|---|---|---|---|---|
| §§ 58.1-439.18 et seq. | Neighborhood Assistance Act Tax Credit | 1981 (effective July 1, 1981) | Bank, Corporate, Individual | 4,048 | $16,842,082 |
| §§ 58.1-334 & 58.1-432 | Conservation Tillage Equipment Tax Credit [5] | 1985 (effective 1985) | Corporate, Individual | 13 | 13,769 |
| §§ 58.1-337 & 58.1-436 | Conservation Tillage and Precision Agriculture Equipment Tax Credit | 1990 (effective 1990) | Corporate, Individual | 129 | 1,211,423 |
| § 58.1-438.1 | Tax Credit for Vehicle Emissions Testing Equipment and Clean-Fuel Vehicles and Certain Refueling Property | 1993 (effective 1993) | Corporate, Individual | 97 | 62,413 |
| § 58.1-439 | Major Business Facility Job Tax Credit | 1994 (effective 1995) | Bank, Corporate | 8 | 1,785,142 |
| § 58.1-439.2 | Coalfield Employment Enhancement Tax Credit (Refundable) [6] | 1995 (effective 1996) | Corporate, Individual | 9 | 10,681,549 |
| § 58.1-339.2 | Historic Rehabilitation Tax Credit | 1996 (effective 1997) | Bank, Corporate, Individual, Insurance | 479 | 67,993,479 |
| §§ 58.1-339.3 & 58.1-439.5 | Agricultural Best Management Practices Tax Credit | 1996 (effective 1998) | Corporate, Individual | 135 | 568,038 |
| § 38.2-1611.1(B) | Guaranty Fund Assessment Tax Credit | 1997 (effective 1998) | Insurance | 348 | 9,378,183 |
| § 58.1-2510 | Refundable Retaliatory Costs Tax Credit | 1998 (effective 1998) | Insurance | 6 | 1,891,674 |
| § 58.1-332.1 | Foreign Tax Credit | 1998 (effective 1998) | Individual | 287 | 558,250 |
| § 58.1-339.4 | Qualified Equity and Subordinated Debt Investments Tax Credit | 1998 (effective 1999) | Individual | 271 | 3,307,503 |
| § 58.1-439.10 | Waste Motor Oil Burning Equipment Tax Credit | 1998 (effective 1999) | Corporate, Individual | 20 | 51,145 |
| § 58.1-439.7 | Recyclable Materials Processing Equipment Tax Credit | 1998 (effective 1999) | Corporate, Individual | 57 | 2,473,758 |
| § 58.1-339.6 | Political Candidates Contribution Tax Credit [7] | 1999 (effective 2000) | Individual | 11 | 381 |
| § 58.1-339.7 | Livable Home Tax Credit | 1999 (effective 2000) | Corporate, Individual | 184 | 1,309,283 |
| § 58.1-512 | Land Preservation Tax Credit | 1999 (effective 2000) | Corporate, Individual | 4,205 | 69,467,508 |
| § 58.1-433.1 | Virginia Coal Employment and Production Incentive Tax Credit | 1999 (effective 2001) | Corporate | * | 60,505 |
| § 58.1-339.8 | Low-Income Taxpayer Credit | 2000 (effective 2000) | Individual | 522,435 | 224,156,631 |
| §§ 58.1-339.10 & 58.1-439.12 | Riparian Forest Buffer Protection for Waterways Tax Credit | 2000 (effective 2000) | Individual | 89 | 260,584 |
| § 58.1-339.11 | Long-term Care Insurance Tax Credit [8] | 2006 (effective 2006) | Individual | 0 | 0 |
| § 58.1-439.12:02 | Biodiesel and Green Diesel Fuels Producers Tax Credit | 2008 (effective 2008) | Individual | 4 | 3,609 |
| § 58.1-439.12:04 | Tax Credit for Participating Landlords (Community of Opportunity) | 2010 (effective 2010) | Individual | 47 | 200,085 |
| § 58.1-439.12:05 | Green Job Creation Tax Credit | 2010 (effective 2010) | Corporate, Individual | 6 | 4,738 |
| § 58.1-439.12:03 | Motion Picture Production Tax Credit (refundable) | 2010 (effective 2011) | Corporate | * | 3,500,000 |
| § 58.1-339.12 | Farm Wineries and Vineyards Tax Credit | 2011 (effective 2011) | Corporate, Individual | 47 | 122,317 |
| § 58.1-439.12:06 | International Trade Facility Tax Credit | 2011 (effective 2011) | Corporate | * | 416,857 |
| § 58.1-439.12:08 | Research and Development Expenses Tax Credit | 2011 (effective 2011) | Corporate, Individual | 211 | 5,273,071 |
| § 58.1-439.12:09 | Barge and Rail Usage Tax Credit [9] | 2011 (effective 2011) | Corporate | 4 | -54,811 |
| § 58.1-439.12:10 | Virginia Port Volume Increase Tax Credit | 2011 (effective 2011) | Corporate, Individual | 29 | 1,223,373 |
| § 58.1-439.26 | Education Improvement Scholarships Tax Credits | 2012 (effective 2013) | Bank, Corporate, Individual, Insurance | 1,721 | 14,012,910 |
| § 58.1-439.12:11 | Major Research and Development Expenses Tax Credit | 2016 (effective 2016) | Corporate, Individual | 74 | 20,685,058 |
| § 58.1-439.12:12 | Food Donation Tax Credit | 2016 (effective 2016) | Individual | 22 | 36,565 |
| § 58.1-439.6:1 | Worker Training Tax Credit | 2019 (effective 2019) | Corporate, Individual | 7 | 51,935 |
| § 58.1-390.3(E) | Pass-Through Entity Elective Tax Credit | 2022 (effective 2021) | Individual | 55,348 | 1,695,918,868 |
| § 58.1-390.3(E) | Retroactive Pass-Through Entity Elective Tax Credit | 2022 (effective 2021) | Individual | 3,312 | 240,676,342 |
| § 58.1-339.13 | Hardwood Initiative Tax Credit | 2022 (effective 2022) | Individual | 8 | 6,559 |
| § 58.1-339.14 | Firearm Safety Device Tax Credit | 2024 (effective 2024) | Individual | 1,283 | 326,171 |

Notes:

* Number of income tax returns for this credit is not available for release because fewer than four returns claiming the credit were processed in FY 2025.

1. Number of returns and amounts are for returns processed during FY 2025, regardless of taxable year. For most credits, returns for multiple taxable years were processed during the fiscal year. The total for each return may include carryovers from prior years.
2. If a return was amended or audited during the fiscal year, only the additional credit amount (or reduction) is included.
3. The amount shown for the Coalfields Employment Enhancement Tax credit includes the amount refunded to taxpayers, as well as that deposited with the Coalfields Economic Development Authority.
4. A refundable tax credit is one which is not limited by the amount of the taxpayer's tax liability.
5. Sunset in 2021. However, these credits are still being claimed because certain provisions of the credits delay when they may be claimed.
6. Repealed in 2021. However, these credits are still being claimed because certain provisions of the credits delay when they may be claimed.
7. Repealed in 2017. However, these credits are still being claimed because certain provisions of the credits delay when they may be claimed.
8. Repealed in 2013. However, these credits are still being claimed because certain provisions of the credits delay when they may be claimed.
9. The negative amount for the Barge and Rail Usage Tax Credit reflects an adjustment to a previously claimed credit from an earlier tax year.

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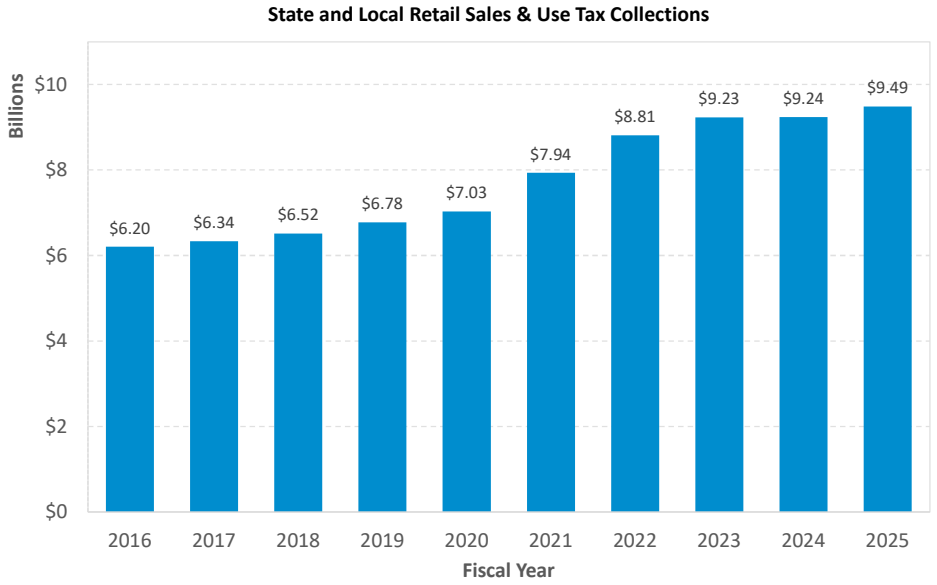
Virginia Tax

**Table 4.1**
**State and Local Retail Sales and Use Tax Net Revenue Collections**

| | State Sales and Use Tax | | | | | | | | | | | | Local | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Fiscal Year | General Fund | Commonwealth Transportation Fund [14] | Transportation Trust Fund [14] | Highway Maintenance Operating Fund [13] [14] | Intercity Passenger Rail Operating Fund [14] | Commonwealth Mass Transit Fund [14] | Northern Virginia Region | Hampton Roads Region | Historic Triangle | Central VA Region | Additional Tax Certain Localities[15] | Subtotal State | Local Option | Public Education SOQ / Real Estate Property Tax Relief | Total State and Local |
| 2016 | $3,295,853,000 | | $599,055,000 | $276,849,000 | $49,877,000 | $74,782,000 | $237,314,000 | $126,537,000 | | | | $4,660,267,000 | $1,188,704,000 | $355,547,000 | $6,204,518,000 |
| 2017 | 3,354,561,000 | | 615,572,000 | 277,061,000 | 51,043,000 | 76,683,000 | 251,601,000 | 131,472,000 | | | | 4,757,993,000 | 1,213,929,000 | 365,878,000 | 6,337,800,000 |
| 2018 | 3,458,249,000 | | 618,387,000 | 292,518,000 | 53,159,000 | 79,742,000 | 256,443,000 | 137,059,000 | | | | 4,895,557,000 | 1,243,480,000 | 376,561,000 | 6,515,598,000 |
| 2019 | 3,580,355,000 | | 649,451,000 | 301,429,000 | 54,797,000 | 82,165,000 | 263,031,000 | 139,640,000 | 20,358,000 | | | 5,091,226,000 | 1,292,804,000 | 392,605,000 | 6,776,635,000 |
| 2020 | 3,706,817,000 | | 678,024,000 | 304,875,000 | 56,216,000 | 84,325,000 | 268,748,000 | 142,864,000 | 22,731,000 | | | 5,264,600,000 | 1,358,988,000 | 406,044,000 | 7,029,632,000 |
| 2021 | 4,166,182,000 | 1,264,050,000 | - | - | - | - | 286,170,000 | 168,804,000 | 22,969,000 | 89,337,000 | 2,689,000 | 6,000,201,000 | 1,477,201,000 | 458,363,000 | 7,935,765,000 |
| 2022 | 4,558,082,000 | 1,368,275,000 | - | - | - | - | 321,756,000 | 179,779,000 | 27,210,000 | 152,019,000 | 17,784,000 | 6,624,905,000 | 1,662,897,000 | 522,472,000 | 8,810,274,000 |
| 2023 | 4,734,549,000 | 1,416,622,000 | - | - | - | - | 346,490,000 | 189,311,000 | 28,784,000 | 156,994,000 | 28,442,000 | 6,901,192,000 | 1,770,842,000 | 557,007,000 | 9,229,041,000 |
| 2024 | 4,709,661,000 | 1,377,114,000 | - | - | - | - | 349,060,000 | 194,458,000 | 29,743,000 | 163,631,000 | 34,634,000 | 6,858,301,000 | 1,808,583,000 | 573,835,000 | 9,240,719,000 |
| 2025 | 4,812,737,000 | 1,412,430,000 | - | - | - | - | 360,041,000 | 200,783,000 | 30,247,000 | 169,851,000 | 36,142,000 | 7,022,231,000 | 1,876,913,000 | 587,930,000 | 9,487,074,000 |

Notes:

1. The sales and use tax on aircraft and on watercraft are reported separately in Tables 5.1 and 5.2, respectively.
2. The sales and use tax on motor vehicles is administered by the Department of Motor Vehicles and is not reported here.
3. Revenues of a 1% tax of the 4.3% state tax is returned to localities for education, based on each locality's school-age population.
4. The local option tax of 1% is distributed to localities based on point of sale. Local tax collections are net of all adjustments and costs of collection.
5. Revenues of a 3/8% tax of the 4.3% state tax is allocated to the Public Education Standards of Quality/Local Real Estate Property Tax Relief Fund.
6. The state tax on unprepared food for human consumption was reduced from 3.5 % to 3.0 % on January 1, 2000; reduced to 1.5 % on July 1, 2005; and eliminated effective January 1, 2023.
7. Effective July 1, 2013, the state tax was increased from 4% to 4.3%. Of the 0.3% increase, 0.175% goes to Highway Maintenance Operating Fund, 0.05% goes to Intercity Passenger Rail and 0.075% goes to Commonwealth Mass Transit Fund.
8. A new state tax of 0.7% was imposed on localities in Northern Virginia region and Hampton Roads region effective July 1, 2013, and in the Central Virginia region effective October 1, 2020.
9. Effective July 1, 2018, a new state tax of 1.0% was imposed on sales made in the Historic Triangle Region in the City of Williamsburg and the counties of James City and York, with the exception of food purchased for human consumption.
10. Effective FY 2010, dealers with annual taxable sales above a $1 million threshold were required to make a June payment equal to 90% of their sales and use tax liability for the previous June. The threshold was raised to $10 million for the payment due June 2021. This accelerated June payment was eliminated for the payment due June 2022.
11. Prior to FY 2017, the Commonwealth Accounting and Reporting System (CARS) was the data source for net revenue collections. Effective with FY 2017, the Revenue Status Report from the Cardinal financial system is the data source for net revenue collections. The exception is Additional Tax Certain Localities, which requires a custom report.
12. Effective July 1, 2019, the sales and use tax was extended to include remote sellers without a physical presence in the state. States were given the ability to do so by the U.S. Supreme Court's "Wayfair" decision of June 21, 2018.
13. For FY 2020 and prior years, the HMO fund amounts have been adjusted to include all SUT revenue deposited in the HMO fund; for this reason, the HMOF numbers reported in prior years may differ.
14. Starting in FY 2021, state transportation SUT revenues have been consolidated in the Commonwealth Transportation Fund per
15. Certain localities have statutory authority to levy an additional sales and use tax of up to one percent. Halifax (effective July 1, 2020) and Henry (effective April 1, 2021) counties were the first to impose this tax followed by Charlotte, Gloucester, Northampton, and Patrick counties in FY 2022; Danville City in FY 2023; and Pittsylvania County in FY 2024.

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## Table 4.2

**Annual Taxable Sales by Industry for the Commonwealth of Virginia by Calendar Year ***

| Category | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|
| 11 Agriculture | $343,457,996 | $380,960,019 | $401,887,808 | $420,936,388 | $432,656,406 |
| 21-22 Mining and Utilities | 757,468,404 | 863,716,420 | 871,806,795 | 1,000,078,482 | 1,061,687,732 |
| 23 Construction | 2,104,605,315 | 2,415,541,186 | 2,854,535,604 | 2,889,761,996 | 3,052,738,840 |
| 31-33 Manufacturing | 9,198,817,343 | 11,047,152,801 | 12,439,774,395 | 12,743,158,567 | 12,984,960,756 |
| 42 Wholesale Trade | 12,709,075,508 | 14,973,863,019 | 17,605,898,230 | 18,143,682,978 | 18,586,617,278 |
| 44-45 Retail Trade | 73,604,833,976 | 81,413,784,682 | 85,535,328,282 | 88,877,626,117 | 89,802,032,240 |
| 442 Furniture and Home Furnishings Stores [3] | 1,658,963,925 | 1,946,097,217 | 1,932,000,571 | 1,771,118,677 | 1,648,727,511 |
| 449 Furniture, Home Furnishings, Electronics, and Appliance Retailers | 1,281,963,873 | 1,489,683,749 | 1,544,788,522 | 1,435,872,452 | 1,412,414,877 |
| 444 Building Material and Garden Equipment and Supplies Dealers | 8,861,137,770 | 9,967,343,937 | 10,435,955,765 | 10,125,151,241 | 9,923,579,544 |
| 445 Food and Beverage Stores | 18,861,838,314 | 19,380,710,352 | 20,535,127,388 | 21,469,360,432 | 22,022,171,365 |
| 448 Clothing and Clothing Accessories Stores [3] | 3,530,524,598 | 4,571,777,795 | 4,797,417,625 | 4,976,546,570 | 5,079,153,447 |
| 458 Clothing, Clothing Accessories, Shoe, and Jewelry Retailers | 1,368,591,580 | 1,974,071,790 | 2,080,756,994 | 2,162,648,484 | 2,221,609,822 |
| 452 General Merchandise Stores [3] | 8,306,052,829 | 9,110,994,136 | 9,707,705,980 | 9,992,967,745 | 10,131,523,177 |
| 455 General Merchandise Retailers | 10,432,351,877 | 10,688,115,505 | 11,106,912,254 | 12,364,398,723 | 12,813,713,099 |
| 48-49 Transportation and Warehousing | 331,661,775 | 331,074,969 | 407,709,600 | 473,964,650 | 505,702,134 |
| 51 Information | 4,698,837,126 | 4,805,743,036 | 4,693,410,286 | 4,780,281,951 | 4,996,290,836 |
| 52 Finance and Insurance | 800,088,359 | 622,455,003 | 662,650,360 | 622,653,415 | 721,210,922 |
| 53 Real Estate, Rental, and Leasing | 2,706,279,238 | 2,932,314,684 | 3,092,029,319 | 3,362,671,826 | 3,630,268,691 |
| 54 Professional, Scientific, and Technical Services | 2,031,168,321 | 2,306,516,143 | 2,554,839,430 | 3,017,024,228 | 2,421,377,262 |
| 55 Management of Companies and Enterprises | 7,136,842,714 | 8,897,912,880 | 9,594,889,367 | 10,139,709,520 | 10,683,270,634 |
| 56 Administrative, Support, Waste Management, & Remediation Services | 496,466,743 | 602,737,294 | 719,144,207 | 958,367,154 | 1,287,135,160 |
| 61 Educational Services | 57,346,669 | 59,559,758 | 66,038,394 | 78,391,911 | 77,594,594 |
| 62 Health Care and Social Assistance | 370,899,706 | 431,803,413 | 424,682,518 | 451,366,534 | 466,931,116 |
| 71 Arts, Entertainment, and Recreation | 481,503,511 | 725,209,838 | 892,104,400 | 1,022,143,760 | 1,020,136,489 |
| 72 Accommodation And Food Services | 15,727,070,336 | 20,056,404,284 | 23,299,767,471 | 25,220,267,124 | 26,171,008,977 |
| 722 Food Services and Drinking Places | 13,587,586,394 | 16,951,622,155 | 19,147,547,655 | 20,892,953,013 | 21,760,573,084 |
| 81 Other Services | 2,843,323,207 | 3,181,889,934 | 3,528,480,906 | 3,764,990,950 | 3,886,239,545 |
| 92 Public Administration | 13,604,056 | 15,659,377 | 23,428,592 | 25,593,868 | 29,946,353 |
| Not Categorized | 1,529,690,828 | 1,546,044,092 | 1,501,323,885 | 1,487,709,018 | 1,435,811,506 |
| **Total** | **$137,943,041,130** | **$157,610,342,833** | **$171,169,729,848** | **$179,480,380,436** | **$183,253,617,471** |

Notes:

* This table includes sales tax on Remote Sellers (i.e., Tax Type 12); Previously, the table included only sales tax on traditional sellers with a physical location in Virginia, which represented nearly the entirety of sales tax collections when the table originated in the years prior to the General Assembly's expansion of sales tax to remote sellers effective in FY 2020.

1. The current industry classifications are based on the North American Industry Classification System (NAICS). Prior to 2005, different business classification codes were used.

2. NAICS are self-assigned by taxpayers based on their primary business activity. The U.S. Census Bureau's 2017 NAICS classifications have been the primary codes used by taxpayers, however the 2022 NAICS classification are starting to be used.

3. NAICS 442, 448, and 452 are old codes that should disappear over time as companies begin using the new NAICS 449, 458, and 455 codes from the 2022 NAICS classifications.

4. The taxable sales figures presented are based on Virginia sales tax revenue reported on the dealers' returns. However, the period covered by the report reflects all deposits received during the timeframe noted on the report, regardless of the taxpayer's filing period. Late filing of returns, and audits may result in year-over-year increases in taxable sales that do not reflect growth during the period covered by the table. Previously published figures for CY 2020 to 2023 have been updated to exclude the full amounts of amended returns from prior years, and this adjustment has been applied consistently across all years.

5. Not all sales are subject to the Retail Sales and Use Tax. Numerous sales are excluded or exempted.

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Virginia Tax

**Table 4.3**

**Local Sales Tax Distribution - Fiscal Year 2025**

| City | Share of State Tax | Local Option | Total Amount |
|---|---|---|---|
| Alexandria | $20,780,878 | $40,767,747 | $61,548,625 |
| Bristol | 2,805,375 | 6,633,958 | 9,439,333 |
| Buena Vista | 1,082,827 | 632,159 | 1,714,986 |
| Charlottesville | 6,359,810 | 14,252,853 | 20,612,663 |
| Chesapeake | 50,762,429 | 60,185,414 | 110,947,843 |
| Colonial Heights | 3,447,015 | 10,120,756 | 13,567,771 |
| Covington | 1,031,035 | 1,789,390 | 2,820,426 |
| Danville | 7,343,849 | 13,726,795 | 21,070,645 |
| Emporia | 1,130,782 | 2,807,702 | 3,938,484 |
| Fairfax | 3,783,660 | 13,449,817 | 17,233,477 |
| Falls Church | 3,101,738 | 7,136,528 | 10,238,266 |
| Franklin | 1,514,423 | 2,392,096 | 3,906,519 |
| Fredericksburg | 4,388,854 | 16,462,338 | 20,851,192 |
| Galax | 1,265,056 | 3,354,858 | 4,619,914 |
| Hampton | 22,760,466 | 23,608,084 | 46,368,550 |
| Harrisonburg | $7,803,260 | $18,792,426 | $26,595,686 |
| Hopewell | 4,426,259 | 2,814,259 | 7,240,518 |
| Lexington | 700,145 | 1,408,157 | 2,108,302 |
| Lynchburg | 11,537,046 | 22,322,227 | 33,859,273 |
| Manassas | 8,774,831 | 14,659,039 | 23,433,869 |
| Manassas Park | 3,642,672 | 2,652,571 | 6,295,243 |
| Martinsville | 2,363,229 | 2,647,982 | 5,011,211 |
| Newport News | 32,378,348 | 35,674,831 | 68,053,179 |
| Norfolk | 34,134,465 | 48,071,166 | 82,205,631 |
| Norton | 759,609 | 2,318,094 | 3,077,703 |
| Petersburg | 5,054,471 | 5,693,898 | 10,748,369 |
| Poquoson | 2,585,741 | 1,243,453 | 3,829,194 |
| Portsmouth | 16,930,081 | 12,663,273 | 29,593,354 |
| Radford | 1,839,559 | 1,779,307 | 3,618,866 |
| Richmond | 27,979,903 | 53,791,456 | 81,771,359 |
| Roanoke | $16,834,171 | $28,977,657 | $45,811,828 |
| Salem | 4,010,968 | 9,820,357 | 13,831,325 |
| Staunton | 3,979,317 | 6,102,807 | 10,082,125 |
| Suffolk | 19,011,334 | 18,926,055 | 37,937,388 |
| Virginia Beach | 81,273,404 | 96,460,222 | 177,733,626 |
| Waynesboro | 3,832,574 | 7,533,491 | 11,366,065 |
| Williamsburg | 1,394,535 | 6,012,308 | 7,406,843 |
| Winchester | 4,875,119 | 13,385,081 | 18,260,200 |
| **Total Cities** | **$427,679,239** | **$631,070,610** | **$1,058,749,849** |

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**Table 4.3, continued**

**Local Sales Tax Distribution - Fiscal Year 2025**

| County | Share of State Tax | Local Option | Total Amount |
|---|---|---|---|
| Accomack | $5,447,703 | $6,374,893 | $11,822,596 |
| Albemarle | 19,212,745 | 26,225,183 | 45,437,928 |
| Alleghany | 2,315,274 | 1,288,843 | 3,604,117 |
| Amelia | 2,174,286 | 1,519,698 | 3,693,983 |
| Amherst | 5,146,545 | 4,726,734 | 9,873,279 |
| Appomattox | 2,958,832 | 2,192,135 | 5,150,967 |
| Arlington | 34,138,301 | 55,138,617 | 89,276,919 |
| Augusta | 12,920,072 | 9,993,991 | 22,914,063 |
| Bath | 572,584 | 1,312,575 | 1,885,159 |
| Bedford | 13,413,051 | 10,883,951 | 24,297,002 |
| Bland | 797,014 | 607,811 | 1,404,825 |
| Botetourt | 5,714,334 | 4,739,530 | 10,453,864 |
| Brunswick | 2,059,193 | 1,240,775 | 3,299,968 |
| Buchanan | 2,931,977 | 2,276,777 | 5,208,754 |
| Buckingham | 2,595,332 | 1,279,636 | 3,874,968 |
| Campbell | 9,556,499 | 9,111,831 | 18,668,331 |
| Caroline | 5,977,128 | 4,307,499 | 10,284,627 |
| Carroll | 4,425,300 | 3,293,285 | 7,718,584 |
| Charles City | 801,810 | 1,499,340 | 2,301,149 |
| Charlotte | 1,985,343 | 1,061,775 | 3,047,118 |
| Chesterfield | 77,572,226 | 79,728,774 | 157,301,000 |
| Clarke | 2,588,618 | 2,113,010 | 4,701,628 |
| Craig | 763,446 | 320,926 | 1,084,371 |
| Culpeper | 10,958,707 | 12,264,416 | 23,223,123 |
| Cumberland | 1,658,289 | 816,959 | 2,475,247 |
| Dickenson | 2,318,151 | 1,127,255 | 3,445,406 |
| Dinwiddie | 5,069,817 | 3,582,324 | 8,652,140 |
| Essex | 1,599,783 | 2,910,076 | 4,509,859 |
| Fairfax | 220,995,485 | 254,670,650 | 475,666,134 |
| Fauquier | 14,459,432 | 17,368,344 | 31,827,776 |
| Floyd | 2,446,671 | 1,851,131 | 4,297,802 |
| Fluvanna | 4,522,169 | 2,922,367 | 7,444,536 |
| Franklin | 8,459,286 | 8,497,942 | 16,957,228 |
| Frederick | 18,088,677 | 23,314,564 | 41,403,241 |
| Giles | 2,770,848 | 2,814,012 | 5,584,860 |
| Gloucester | $6,588,076 | $7,557,831 | $14,145,908 |
| Goochland | 3,801,883 | 5,952,445 | 9,754,329 |
| Grayson | 2,079,335 | 929,167 | 3,008,502 |
| Greene | 3,957,258 | 3,619,093 | 7,576,351 |
| Greensville | 1,391,658 | 1,217,916 | 2,609,574 |
| Halifax | 5,631,851 | 5,870,212 | 11,502,063 |
| Hanover | 21,059,977 | 36,436,509 | 57,496,487 |
| Henrico | 61,903,365 | 96,562,753 | 158,466,119 |
| Henry | 8,048,790 | 6,882,906 | 14,931,696 |
| Highland | 257,040 | 235,375 | 492,414 |
| Isle of Wight | 7,470,451 | 5,890,894 | 13,361,345 |
| James City | 13,326,732 | 15,682,975 | 29,009,707 |
| King and Queen | 958,144 | 454,340 | 1,412,483 |
| King George | 5,948,355 | 4,742,017 | 10,690,372 |
| King William | 3,370,287 | 2,420,693 | 5,790,980 |
| Lancaster | 1,318,766 | 2,948,880 | 4,267,646 |
| Lee | 3,597,594 | 2,167,397 | 5,764,991 |
| Loudoun | 100,035,371 | 121,012,103 | 221,047,474 |
| Louisa | 6,630,277 | 7,401,187 | 14,031,464 |
| Lunenburg | 2,004,525 | 928,448 | 2,932,972 |
| Madison | 2,415,980 | 1,740,671 | 4,156,651 |
| Mathews | 1,108,723 | 948,765 | 2,057,488 |
| Mecklenburg | 4,554,779 | 10,433,362 | 14,988,140 |
| Middlesex | 1,355,212 | 1,762,311 | 3,117,523 |
| Montgomery | 13,299,877 | 18,599,643 | 31,899,520 |
| Nelson | 2,082,212 | 2,260,777 | 4,342,988 |
| New Kent | 4,126,060 | 3,843,305 | 7,969,364 |
| Northampton | 1,820,377 | 2,454,754 | 4,275,131 |
| Northumberland | 1,406,045 | 1,411,916 | 2,817,960 |
| Nottoway | 2,399,675 | 2,329,400 | 4,729,075 |
| Orange | 6,533,408 | 5,936,740 | 12,470,147 |
| Page | 3,887,243 | 3,450,014 | 7,337,258 |
| Patrick | 2,662,469 | 2,031,405 | 4,693,875 |
| Pittsylvania | 9,732,974 | 4,545,643 | 14,278,617 |
| Powhatan | 5,581,019 | 5,743,356 | 11,324,375 |
| Prince Edward | $2,815,926 | $4,664,462 | $7,480,387 |
| Prince George | 7,048,446 | 4,500,528 | 11,548,973 |
| Prince William | 108,575,221 | 100,052,432 | 208,627,653 |
| Pulaski | 5,043,921 | 6,023,844 | 11,067,765 |
| Rappahannock | 1,055,013 | 1,084,801 | 2,139,814 |
| Richmond | 1,376,312 | 1,721,141 | 3,097,453 |
| Roanoke | 16,739,219 | 17,573,701 | 34,312,920 |
| Rockbridge | 3,504,561 | 4,572,632 | 8,077,193 |
| Rockingham | 15,392,639 | 14,659,937 | 30,052,577 |
| Russell | 4,122,223 | 2,768,208 | 6,890,432 |
| Scott | 3,418,242 | 2,330,887 | 5,749,129 |
| Shenandoah | 7,802,300 | 7,242,740 | 15,045,041 |
| Smyth | 4,787,841 | 3,673,203 | 8,461,044 |
| Southampton | 2,990,482 | 1,227,031 | 4,217,513 |
| Spotsylvania | 30,505,220 | 30,868,150 | 61,373,370 |
| Stafford | 37,355,132 | 23,975,376 | 61,330,508 |
| Surry | 881,415 | 2,016,436 | 2,897,851 |
| Sussex | 1,289,993 | 1,588,357 | 2,878,350 |
| Tazewell | 6,407,765 | 8,059,519 | 14,467,284 |
| Warren | 7,408,109 | 7,681,160 | 15,089,269 |
| Washington | 8,327,889 | 11,669,786 | 19,997,675 |
| Westmoreland | 2,695,079 | 2,086,627 | 4,781,705 |
| Wise | 5,827,508 | 4,325,422 | 10,152,930 |
| Wythe | 4,666,035 | 6,823,360 | 11,489,394 |
| York | 14,746,204 | 14,869,409 | 29,615,613 |
| **Total Counties** | **$1,136,543,411** | **$1,245,841,978** | **$2,382,385,389** |
| **Total Cities** | **$427,679,239** | **$631,070,610** | **$1,058,749,849** |
| **Aggregate** | **$1,564,222,650** | **$1,876,912,588** | **$3,441,135,238** |

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Virginia Tax

## Table 5.1

**Other Taxes Net Revenue Collections - General Fund**

| Fiscal Year | Recordation & Deeds | Suits & Wills | Estate Tax | Watercraft Tax | Rolling Stock Tax | Insurance Premiums License Tax |
|---|---|---|---|---|---|---|
| 2015 | $331,713,000 | $6,419,000 | $98,000 | $4,493,000 | $7,089,000 | $300,641,000 |
| 2016 | 354,104,000 | 6,364,000 | 222,000 | 4,688,000 | 6,538,000 | 339,081,000 |
| 2017 | 378,757,000 | 6,521,000 | 8,202,000 | 3,597,000 | 6,346,000 | 340,910,000 |
| 2018 | 380,183,000 | 6,415,000 | 932,000 | 7,365,000 | 6,469,000 | 337,947,000 |
| 2019 | 372,107,000 | 6,738,000 | 191,000 | 5,681,000 | 6,444,000 | 382,018,000 |
| 2020 | 467,121,000 | 6,588,000 | 80,000 | 6,772,000 | 6,521,000 | 360,588,000 |
| 2021 | 656,756,000 | 7,769,000 | 810,000 | 9,398,000 | 6,051,000 | 363,105,000 |
| 2022 | 634,000,000 | 8,542,000 | 27,000 | 9,070,000 | 6,110,000 | 426,830,000 |
| 2023 | 415,504,000 | 8,465,000 | 0 | 9,306,000 | 6,681,000 | 450,877,000 |
| 2024 | 392,017,000 | 8,501,000 | 0 | 8,049,000 | 7,251,000 | 468,192,000 |
| 2025 | 455,768,000 | 8,903,000 | 990,000 | 7,539,000 | 7,285,000 | 541,452,000 |

1. The figures stated above are net of refunds.

2. One-half of the (Recordation & Deeds) revenues from the additional grantor's tax imposed at a rate of 50 cents on every $500 of value are deposited into the General Fund and one-half are deposited into the treasury of the locality. Effective July 1, 2013, a regional congestion fee is imposed at the rate of $0.15 per $100 in the Northern Virginia Region. Effective July 1, 2020, the regional congestion fee was replaced with a regional WMATA capital fee of $0.10 per $100 in any county or city that is a member of the Northern Virginia Transportation Authority and a regional congestion relief fee of $0.10 per $100 in any county or city that is a member of Planning District 8.

3. The tax on suits is $5 for debts under $50,000, $15 for debts $50,000 and greater but not exceeding $100,000, and $25 for debts $100,000 and greater. Prior to July 1, 2007, Virginia had an estate tax that was equal to the federal credit for state death taxes. With the elimination of the federal credit, the Virginia estate tax was effectively repealed.

4. The watercraft sales and use tax is imposed at a rate of 2 percent of the purchase price, up to a maximum of $2,000.

5. The rolling stock tax on railroads, freight car companies, and certified motor vehicle carriers is $1 on each $100 of assessed value.

6. The administration and collection of Insurance Premiums License Tax was transferred from SCC's Bureau of Insurance to the Department of Taxation, effective for taxable years beginning on or after January, 2013. Prior to Taxable Year 2015, depending on the line(s) of insurance from which the premiums were derived, the tax rates were 2.25%, 1.00%, and 0.75% for insurance companies. After Taxable Year 2015, depending on the line(s) of insurance from which the premiums were derived, the tax rates are 2.25% and 1.00% for insurance companies. Surplus lines brokers are subject to a rate of 2.25%. The figures above represent the General Fund share after the required transfer to the Transportation Trust Fund per Chapter 896, 2007 *Acts of Assembly* .

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## Table 5.2

**Other Taxes Net Revenue Collections - Non-General Fund**

| Fiscal Year | Tire Recycling | Egg Excise | Peanut Excise | Soybean Excise | Cigarette Tax | Other Tobacco Products | Aircraft Tax | Cattle Tax |
|---|---|---|---|---|---|---|---|---|
| 2015 | $2,738,000 | $175,000 | $289,000 | $735,000 | $159,856,000 | $19,141,000 | $5,001,000 | |
| 2016 | 2,871,000 | 183,000 | 320,000 | 1,036,000 | 159,286,000 | 19,455,000 | 6,056,000 | |
| 2017 | 2,769,000 | 207,000 | 265,000 | 1,058,000 | 151,117,000 | 20,081,000 | 4,273,000 | |
| 2018 | 2,795,000 | 201,000 | 357,000 | 1,159,000 | 139,202,000 | 21,181,000 | 12,015,000 | |
| 2019 | 3,060,000 | 205,000 | 309,000 | 1,050,000 | 129,451,000 | 21,838,000 | 12,577,000 | $136,000 |
| 2020 | 3,214,000 | 208,000 | 366,000 | 935,000 | 131,950,000 | 21,688,000 | 7,557,000 | 341,000 |
| 2021 | 2,893,000 | 195,000 | 353,000 | 1,363,000 | 234,194,000 | 52,438,000 | 7,253,000 | 353,000 |
| 2022 | 3,195,000 | 202,000 | 376,000 | 1,744,000 | 219,818,000 | 58,809,000 | 8,495,000 | 349,000 |
| 2023 | 3,436,000 | 196,000 | 309,000 | 1,853,000 | 188,683,000 | 57,449,000 | 12,881,000 | 336,000 |
| 2024 | 3,484,000 | 206,000 | 340,000 | 1,447,000 | 169,889,000 | 55,070,000 | 12,126,000 | 355,000 |
| 2025 | 3,609,000 | 205,000 | 374,000 | 1,660,000 | 155,829,000 | 54,993,000 | 9,377,000 | 340,000 |

Notes:

1. The Tire Recycling Fee is imposed at a rate of 50 cents per tire. All revenues from the fee are deposited into the Waste Tire Trust Fund.
2. The egg excise tax is imposed at the rate of 5 cents per 30-dozen case or 11 cents per 100 pounds of liquid eggs. All revenue from this tax are deposited into the Virginia Egg
3. Prior to July 1, 2010, the peanut excise tax was imposed at the rate of 15 cents per 100 pounds. Effective July 1, 2010, the peanut excise tax was imposed at the rate of 30 cents per 100 pounds. Effective July 1, 2021, the peanut excise tax was reduced to the rate of 25 cents per 100 pounds. All revenues are deposited into the Peanut Fund.

4. The soybean excise tax is imposed at a rate of one-half of one percent (0.005) of the net market value of assessed bushels. All revenues are deposited into the Virginia
5. Effective September 1, 2004, the tax on cigarettes was imposed at a rate of 20 cents per pack of 20 cigarettes. Effective July 1, 2005, the tax on cigarette was imposed at a rate of 30 cents per pack of 20 cigarettes. Effective July 1, 2020, the tax on cigarettes was imposed at a rate of 60 cents per pack of 20 cigarettes. All revenue from the Cigarette Tax is deposited into the Virginia Health Care Fund.
6. Prior to July 1, 2020, other tobacco products were taxed at 10 percent of the sales price charged by the wholesale dealer. Beginning July 1, 2020, other tobacco products are taxed at 20 percent of the sales price charged by the wholesale dealer. Also, effective July 1, 2020 liquid nicotine products are taxed at a rate of $0.066 per milliliter. Beginning January 1, 2021, the tax is imposed on heated tobacco products at the rate of 2.25 cents per stick. All revenues from this tax are deposited into the Virginia Health Care Fund.

7. The Aircraft Sales and Use Tax is imposed at a rate of 2 percent of the sales price. All revenues from this tax are deposited in a special fund within the Commonwealth Transportation Fund for the administration of the aviation laws of the Commonwealth.
8. The Virginia Department of Taxation began collecting the Cattle Tax Assessment in FY 2019 pursuant to 2018 Senate Bill 374 (Chapter 469, 2018 Acts of Assembly).

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## Table 5.2, continued

**Other Taxes Net Revenue Collections - Non-General Fund**

| Fiscal Year | Corn Tax | Cotton Tax | Small Grains | Forest Products | Soft Drink Excise Tax | Litter Tax | Sheep Tax | Apple Tax |
|---|---|---|---|---|---|---|---|---|
| 2015 | $375,000 | $192,000 | $439,000 | $2,385,000 | $213,000 | $927,000 | $11,000 | $125,000 |
| 2016 | 401,000 | 126,000 | 291,000 | 2,221,000 | 219,000 | 906,000 | 11,000 | 116,000 |
| 2017 | 451,000 | 88,000 | 167,000 | 2,583,000 | 174,000 | 1,004,000 | 12,000 | 99,000 |
| 2018 | 395,000 | 173,000 | 173,000 | 2,695,000 | 169,000 | 1,109,000 | 12,000 | 121,000 |
| 2019 | 398,000 | 178,000 | 179,000 | 2,604,000 | 175,000 | 664,000 | 12,000 | 90,000 |
| 2020 | 460,000 | 218,000 | 143,000 | 2,455,000 | 217,000 | 878,000 | 12,000 | 88,000 |
| 2021 | 435,000 | 114,000 | 205,000 | 2,400,000 | 233,000 | 1,597,000 | 13,000 | 82,000 |
| 2022 | 557,000 | 159,000 | 159,000 | 2,576,000 | 229,000 | 2,314,000 | 16,000 | 109,000 |
| 2023 | 508,000 | 192,000 | 338,000 | 2,513,000 | 264,000 | 3,203,000 | 18,000 | 105,000 |
| 2024 | 512,000 | 177,000 | 270,000 | 2,328,000 | 285,000 | 2,241,000 | 20,000 | 83,000 |
| 2025 | 351,000 | 204,000 | 158,000 | 2,468,000 | 340,000 | 2,058,000 | 24,000 | 68,000 |

Notes:

9. The corn assessment is imposed at the rate of 1 cent per bushel. All revenues from the tax are deposited into the Virginia Corn Fund.

10. The cotton assessment is imposed at the rate of 95 cents per bale. All revenues from the tax are deposited into the Virginia Cotton Fund.

11. The small grains assessment is imposed at the rate of one-half of one percent (.005) of the net selling price per bushel. All revenues from the tax are deposited into the Virginia Small Grains Fund.

12. The forest products tax is imposed at different rates based on the type of product. Revenues from the tax are deposited into the Reforestation of Timberlands State Fund and the Protection and Development of Forest Resources State Fund.

13. The soft drink excise tax is imposed on wholesalers or distributors of carbonated soft drinks on a sliding scale based on gross receipts. The tax revenues is deposited into the Litter Control and Recycling Fund.

14. Legislation effective July 1, 2020 changed the litter tax to $20 per establishment operated by a manufacturer, wholesaler or retailer. An additional annual tax of $30 per establishment is to be paid by businesses making or distributing certain product categories (i.e., groceries, soft drinks/carbonated beverages, and beer). A penalty of $100 plus an amount equal to the tax due is imposed on all delinquent taxes.

15. The sheep assessment is imposed at the rate of 50 cents per head. All revenues from the tax are deposited into the Virginia Sheep Industry Promotion and Development Fund.

16. The apple excise tax is 2.5 cents per tree run bushel of ungraded apples grown in the Commonwealth. Revenues from the tax are deposited into the Apple Fund.

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## Table 5.3

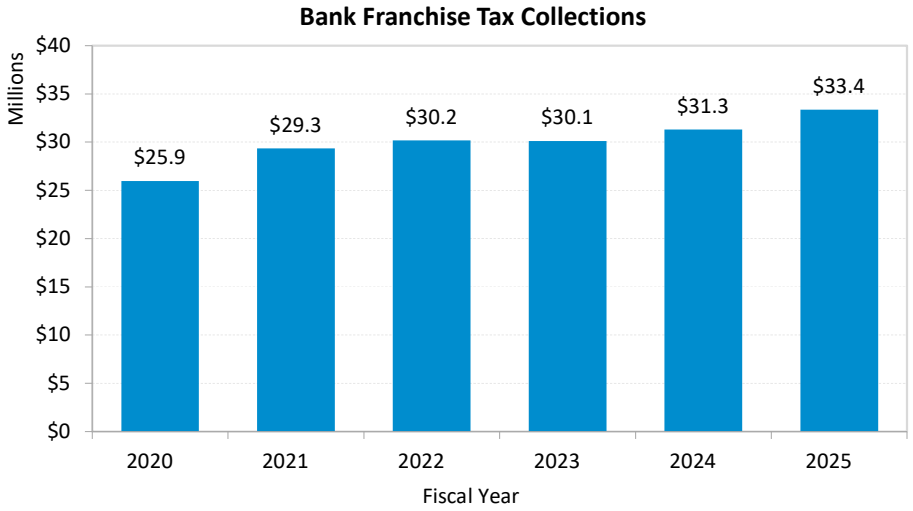
**Bank Franchise Tax Assessment Tax Statement - Fiscal Year 2025**

| | Counties | Cities | Total |
|---|---|---|---|
| Total equity capital value based on capital, surplus, and undivided profits | $727,760,183,303 | $685,915,971,581 | $1,413,676,154,884 |
| Addition for reserve for loan losses | 26,614,734,506 | 18,990,699,554 | 45,605,434,060 |
| Other additions | 0 | 0 | 0 |
| a. U.S. obligations | 61,446,210,967 | 52,464,985,823 | 113,911,196,790 |
| b. Retained earnings and surplus of subsidiaries included in gross capital | 254,866,455,069 | 163,726,908,490 | 418,593,363,559 |
| c. Goodwill | 83,205,091,858 | 94,819,891,318 | 178,024,983,176 |
| d. Other deductions (total) | 0 | 0 | 0 |
| Capital before Virginia modifications | 354,857,159,915 | 393,894,885,504 | 748,752,045,419 |
| Capital attributable to Virginia | 7,402,401,327 | 19,328,415,666 | 26,730,816,993 |
| Deductions of assessed value of real estate otherwise taxed in this state | 1,797,865,708 | 1,705,302,237 | 3,503,167,945 |
| Deductions of book value of tangible personal property otherwise taxed in this state | 214,168,022 | 261,886,025 | 476,054,047 |
| **Net taxable capital** | **$5,390,367,597** | **$17,361,227,404** | **$22,751,595,001** |
| | | | |
| Total Tax Assessment | $53,983,634 | $118,083,558 | $172,067,192 |
| Local Tax Credit (local Tax Assessment) | 43,187,079 | 94,466,848 | 137,653,927 |
| State Tax Credits: | | | |
| Neighborhood Assistance Act Tax Credit | 14,651 | 167,137 | 181,788 |
| Major Business Facility Job Tax Credit | 236,141 | 287,455 | 523,596 |
| Historic Rehabilitation Tax Credit | 278,092 | 0 | 278,092 |
| Low Income Housing Tax Credit | 0 | 0 | 0 |
| Education Improvement Scholarships Tax Credit | 0 | 65,000 | 65,000 |
| Major Research and Development Tax Credit | 0 | 0 | 0 |
| **Total State Tax Assessment** | **$10,267,672** | **$23,097,118** | **$33,364,790** |

## Table 5.4

**Bank Franchise Tax Net Revenue Collections**

| Fiscal Year | Collections |
|---|---|
| 2020 | 25,949,060 |
| 2021 | 29,336,130 |
| 2022 | 30,170,420 |
| 2023 | 30,120,070 |
| 2024 | 31,319,440 |
| 2025 | 33,364,790 |

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## Table 5.5

**Recordation Tax and Deeds of Conveyance Revenue Collections by Locality**

| City | Fiscal Year 2020 | Fiscal Year 2021 | Fiscal Year 2022 | Fiscal Year 2023 | Fiscal Year 2024 | Fiscal Year 2025 |
|---|---|---|---|---|---|---|
| Alexandria | $19,647,871 | $24,486,952 | $23,162,078 | $11,623,035 | $11,311,298 | $13,730,270 |
| Bristol | 402,796 | 537,783 | 957,748 | 653,498 | 860,234 | 611,146 |
| Buena Vista | 99,939 | 196,731 | 188,968 | 122,883 | 130,807 | 136,195 |
| Charlottesville | 2,810,244 | 2,912,301 | 3,662,574 | 2,346,414 | 2,173,523 | 2,753,221 |
| Chesapeake | 14,401,492 | 21,603,249 | 20,379,849 | 13,730,503 | 11,670,735 | 13,055,819 |
| Colonial Heights | 577,848 | 826,822 | 1,113,416 | 742,588 | 570,823 | 696,872 |
| Covington | 52,182 | 53,117 | 109,577 | 73,147 | 86,464 | 116,643 |
| Danville | 876,367 | 1,418,132 | 1,265,371 | 1,172,279 | 2,071,535 | 1,396,669 |
| Emporia | 155,400 | 83,821 | 124,845 | 63,508 | 130,923 | 184,697 |
| Fairfax | 1,761,828 | 3,270,225 | 2,892,330 | 2,612,343 | 2,019,102 | 2,499,004 |
| Falls Church | 1,304,917 | 2,180,926 | 1,953,884 | 1,217,693 | 870,125 | 1,418,863 |
| Franklin | 243,653 | 241,542 | 315,631 | 341,287 | 424,762 | 307,999 |
| Fredericksburg | 1,626,979 | 2,786,420 | 2,986,182 | 1,723,722 | 1,293,499 | 1,905,586 |
| Galax | 111,115 | 151,963 | 219,606 | 110,087 | 198,691 | 128,211 |
| Hampton | 4,541,385 | 7,433,562 | 8,715,384 | 6,084,171 | 4,190,269 | 5,745,839 |
| Harrisonburg | 1,355,428 | 1,565,377 | 2,184,194 | 1,899,176 | 1,797,182 | 1,385,587 |
| Hopewell | 509,235 | 765,449 | 844,345 | 923,422 | 608,282 | 656,042 |
| Lexington | 211,225 | 264,107 | 354,846 | 185,356 | 161,089 | 172,485 |
| Lynchburg | 2,428,911 | 3,357,043 | 3,943,640 | 3,311,558 | 3,016,111 | 3,002,782 |
| Manassas | 2,758,790 | 2,147,459 | 2,644,967 | 2,487,238 | 3,092,890 | 2,630,891 |
| Manassas Park | 894,548 | 876,560 | 1,397,666 | 954,019 | 1,448,686 | 1,082,347 |
| Martinsville | 353,097 | 399,930 | 343,631 | 294,914 | 579,142 | 389,049 |
| Newport News | 6,204,196 | 8,174,003 | 9,714,163 | 6,873,758 | 5,437,071 | 6,664,104 |
| Norfolk | 10,219,945 | 12,853,021 | 16,027,711 | 9,514,522 | 8,973,096 | 10,615,557 |
| Norton | 34,126 | 76,757 | 59,418 | 156,542 | 67,538 | 50,882 |
| Petersburg | 994,762 | 1,014,291 | 1,773,222 | 1,364,196 | 1,449,798 | 1,599,980 |
| Poquoson | 656,793 | 1,173,413 | 978,126 | 668,170 | 867,919 | 833,251 |
| Portsmouth | 3,434,801 | 4,940,638 | 6,108,286 | 3,953,454 | 3,735,033 | 4,545,913 |
| Radford | 508,418 | 576,193 | 433,478 | 325,224 | 367,080 | 361,211 |
| Richmond | 13,287,241 | 16,775,543 | 17,729,446 | 13,917,300 | 10,370,392 | 13,972,377 |

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## Table 5.5, continued

**Recordation Tax and Deeds of Conveyance Revenue Collections by Locality**

| City | Fiscal Year 2020 | Fiscal Year 2021 | Fiscal Year 2022 | Fiscal Year 2023 | Fiscal Year 2024 | Fiscal Year 2025 |
|---|---|---|---|---|---|---|
| Roanoke | $3,350,489 | $3,969,026 | $4,679,862 | $3,983,334 | $3,208,416 | $3,324,636 |
| Salem | 807,081 | 1,205,162 | 1,524,769 | 971,539 | 844,306 | 996,619 |
| Staunton | 787,650 | 1,078,578 | 1,527,007 | 1,205,169 | 1,112,760 | 1,173,183 |
| Suffolk | 6,133,052 | 9,032,189 | 9,571,458 | 7,383,550 | 6,321,091 | 7,410,136 |
| Virginia Beach | 26,215,391 | 35,842,657 | 35,431,251 | 22,834,084 | 19,233,457 | 21,978,277 |
| Waynesboro | 881,699 | 983,061 | 1,258,879 | 1,018,619 | 1,346,096 | 1,399,245 |
| Williamsburg | 857,765 | 751,303 | 1,192,044 | 1,127,402 | 986,385 | 767,330 |
| Winchester | 1,168,017 | 1,462,398 | 1,846,951 | 1,500,103 | 1,291,031 | 1,523,586 |
| **Total Cities** | **$132,666,677** | **$177,467,703** | **$189,616,805** | **$129,469,806** | **$114,317,640** | **$131,222,508** |

## Table 5.5, continued

**Recordation Tax and Deeds of Conveyance Revenue Collections by Locality**

| County | Fiscal Year 2020 | Fiscal Year 2021 | Fiscal Year 2022 | Fiscal Year 2023 | Fiscal Year 2024 | Fiscal Year 2025 |
|---|---|---|---|---|---|---|
| Accomack | $1,085,445 | $1,609,351 | $1,723,091 | $1,349,437 | $1,168,483 | $1,388,194 |
| Albemarle | 7,677,069 | 10,783,141 | 10,110,251 | 7,733,690 | 7,672,661 | 8,431,803 |
| Alleghany | 291,457 | 322,369 | 368,867 | 392,775 | 322,588 | 335,364 |
| Amelia | 410,505 | 560,960 | 680,486 | 435,482 | 378,142 | 514,541 |
| Amherst | 777,235 | 989,744 | 1,128,794 | 906,618 | 824,942 | 917,948 |
| Appomattox | 428,932 | 542,059 | 601,370 | 456,661 | 428,251 | 568,442 |
| Arlington | 22,966,292 | 31,465,024 | 37,330,805 | 15,623,674 | 16,129,816 | 15,775,507 |
| Augusta | 2,555,789 | 3,846,710 | 3,650,786 | 2,718,511 | 2,591,492 | 3,047,591 |
| Bath | 99,800 | 180,721 | 205,395 | 138,454 | 130,089 | 155,643 |
| Bedford | 3,621,183 | 5,303,107 | 5,601,100 | 3,722,908 | 3,467,536 | 4,089,728 |
| Bland | 69,992 | 124,373 | 168,844 | 91,724 | 126,836 | 118,534 |
| Botetourt | 1,384,787 | 1,881,262 | 1,613,406 | 1,436,608 | 1,208,741 | 1,381,823 |
| Brunswick | 338,736 | 372,659 | 516,300 | 407,946 | 329,526 | 457,321 |
| Buchanan | 221,787 | 185,410 | 206,391 | 166,922 | 120,971 | 162,659 |
| Buckingham | 360,368 | 433,155 | 449,448 | 405,465 | 412,489 | 439,124 |

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Virginia Tax

## Table 5.5, continued

**Recordation Tax and Deeds of Conveyance Revenue Collections by Locality**

| County | Fiscal Year 2020 | Fiscal Year 2021 | Fiscal Year 2022 | Fiscal Year 2023 | Fiscal Year 2024 | Fiscal Year 2025 |
|---|---|---|---|---|---|---|
| Campbell | $1,599,313 | $2,290,164 | $2,227,667 | $1,902,269 | $1,649,697 | $2,206,126 |
| Caroline | 1,286,026 | 1,975,227 | 2,320,586 | 2,102,644 | 1,804,397 | 2,065,601 |
| Carroll | 563,956 | 830,617 | 906,639 | 777,631 | 718,663 | 771,973 |
| Charles City | 225,086 | 320,141 | 304,983 | 206,402 | 239,220 | 215,594 |
| Charlotte | 222,550 | 308,542 | 296,035 | 195,668 | 201,620 | 246,083 |
| Chesterfield | 21,225,125 | 30,462,586 | 29,420,781 | 21,051,338 | 20,177,634 | 23,091,053 |
| Clarke | 882,198 | 1,503,084 | 1,419,607 | 857,934 | 779,370 | 844,558 |
| Craig | 99,354 | 169,734 | 145,658 | 94,625 | 129,689 | 124,646 |
| Culpeper | 2,676,410 | 3,948,395 | 3,563,540 | 2,746,788 | 2,485,534 | 3,414,807 |
| Cumberland | 302,179 | 311,021 | 361,068 | 321,325 | 348,096 | 360,991 |
| Dickenson | 562,231 | 91,031 | 115,745 | 117,451 | 119,778 | 108,614 |
| Dinwiddie | 907,140 | 1,040,011 | 1,077,572 | 828,184 | 813,041 | 831,717 |
| Essex | 345,444 | 551,733 | 558,884 | 428,221 | 337,611 | 575,175 |
| Fairfax | 106,314,702 | 145,339,963 | 125,697,445 | 73,283,557 | 67,121,074 | 83,033,564 |
| Fauquier | 6,240,756 | 9,271,175 | 7,890,421 | 4,447,079 | 5,632,017 | 5,584,005 |
| Floyd | 391,112 | 576,547 | 547,015 | 447,719 | 452,196 | 458,363 |
| Fluvanna | 1,166,850 | 1,855,747 | 1,649,272 | 1,409,739 | 1,144,270 | 1,271,954 |
| Franklin | 2,343,147 | 3,891,050 | 3,570,116 | 2,430,166 | 2,479,305 | 2,785,319 |
| Frederick | 5,458,785 | 7,978,902 | 7,939,076 | 6,126,300 | 5,714,023 | 6,218,608 |
| Giles | 297,824 | 433,026 | 430,979 | 339,821 | 364,434 | 325,736 |
| Gloucester | 1,641,573 | 2,376,066 | 2,361,136 | 1,519,527 | 1,764,811 | 1,608,502 |
| Goochland | 2,498,348 | 2,927,589 | 3,219,196 | 2,348,138 | 2,867,342 | 3,112,012 |
| Grayson | 363,380 | 467,611 | 567,726 | 453,670 | 335,579 | 420,347 |
| Greene | 919,762 | 1,325,887 | 1,302,310 | 848,466 | 1,012,505 | 1,010,087 |
| Greensville | 101,835 | 171,728 | 272,673 | 192,090 | 159,739 | 146,351 |
| Halifax | 554,098 | 719,067 | 792,494 | 1,052,664 | 989,175 | 747,631 |
| Hanover | 6,739,040 | 9,856,129 | 9,503,388 | 6,597,644 | 6,575,659 | 6,636,637 |
| Henrico | 19,671,754 | 24,630,987 | 26,278,413 | 18,549,881 | 19,105,206 | 24,102,526 |
| Henry | 574,127 | 960,304 | 1,112,657 | 1,236,087 | 1,022,794 | 962,548 |
| Highland | 89,085 | 145,279 | 129,505 | 99,634 | 127,414 | 148,640 |

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Virginia Tax

## Table 5.5, continued

**Recordation Tax and Deeds of Conveyance Revenue Collections by Locality**

| County | Fiscal Year 2020 | Fiscal Year 2021 | Fiscal Year 2022 | Fiscal Year 2023 | Fiscal Year 2024 | Fiscal Year 2025 |
|---|---|---|---|---|---|---|
| Isle of Wight | $1,959,225 | $3,098,199 | $2,879,706 | $1,913,605 | $1,818,906 | $2,239,986 |
| James City | 5,282,265 | 8,005,280 | 7,428,674 | 4,932,264 | 4,539,817 | 5,227,746 |
| King and Queen | 177,906 | 251,197 | 268,072 | 170,905 | 211,882 | 249,565 |
| King George | 1,538,334 | 2,252,648 | 2,239,870 | 1,331,932 | 1,815,603 | 1,607,332 |
| King William | 796,262 | 1,048,178 | 1,185,231 | 788,248 | 761,309 | 953,104 |
| Lancaster | 806,809 | 1,362,347 | 1,148,481 | 973,493 | 822,604 | 965,580 |
| Lee | 178,873 | 290,551 | 315,032 | 259,550 | 301,328 | 281,034 |
| Loudoun | 53,157,736 | 77,452,544 | 68,964,867 | 41,688,679 | 44,221,861 | 49,968,550 |
| Louisa | 2,198,232 | 3,488,528 | 3,490,788 | 3,093,140 | 2,855,253 | 3,240,254 |
| Lunenburg | 190,064 | 221,420 | 239,460 | 226,646 | 236,101 | 311,824 |
| Madison | 460,587 | 817,721 | 744,153 | 453,699 | 521,232 | 567,887 |
| Mathews | 388,892 | 728,834 | 722,974 | 417,018 | 460,584 | 479,054 |
| Mecklenburg | 910,756 | 1,581,307 | 1,397,309 | 994,198 | 1,165,316 | 1,366,009 |
| Middlesex | 592,423 | 941,776 | 825,372 | 639,507 | 512,801 | 662,605 |
| Montgomery | 4,494,922 | 5,220,242 | 5,006,186 | 4,769,624 | 2,991,647 | 3,878,171 |
| Nelson | 729,978 | 1,451,601 | 1,426,099 | 897,113 | 941,120 | 968,767 |
| New Kent | 1,467,214 | 2,237,700 | 2,285,095 | 2,153,689 | 2,026,841 | 2,270,290 |
| Northampton | 583,902 | 1,240,420 | 1,071,062 | 1,004,738 | 974,835 | 924,578 |
| Northumberland | 755,410 | 1,412,853 | 1,161,335 | 883,254 | 806,965 | 875,195 |
| Nottoway | 219,470 | 304,821 | 432,431 | 339,011 | 304,917 | 330,313 |
| Orange | 1,823,121 | 2,801,676 | 3,000,362 | 1,961,065 | 2,093,348 | 2,384,456 |
| Page | 585,267 | 879,483 | 967,730 | 873,865 | 878,778 | 978,676 |
| Patrick | 387,569 | 478,786 | 471,696 | 436,590 | 380,638 | 425,608 |
| Pittsylvania | 1,075,073 | 1,326,805 | 1,419,188 | 1,410,682 | 1,111,659 | 1,154,478 |
| Powhatan | 1,972,536 | 2,455,837 | 2,620,954 | 1,505,250 | 1,512,621 | 1,609,497 |
| Prince Edward | 453,223 | 672,031 | 841,085 | 631,207 | 641,588 | 583,261 |
| Prince George | 1,184,889 | 1,510,834 | 1,856,565 | 1,323,845 | 1,205,839 | 1,187,803 |
| Prince William | 35,560,844 | 57,077,748 | 47,850,203 | 29,341,732 | 28,925,268 | 35,585,730 |
| Pulaski | 861,117 | 1,209,775 | 1,204,760 | 915,855 | 875,656 | 973,766 |
| Rappahannock | 436,842 | 792,559 | 936,800 | 461,651 | 424,111 | 498,435 |

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Virginia Tax

## Table 5.5, continued

**Recordation Tax and Deeds of Conveyance Revenue Collections by Locality**

| County | Fiscal Year 2020 | Fiscal Year 2021 | Fiscal Year 2022 | Fiscal Year 2023 | Fiscal Year 2024 | Fiscal Year 2025 |
|---|---|---|---|---|---|---|
| Richmond | $226,954 | $309,660 | $254,911 | $366,531 | $211,714 | $372,920 |
| Roanoke | 3,746,994 | 5,377,045 | 4,904,476 | 4,012,238 | 3,304,075 | 3,835,872 |
| Rockbridge | 770,962 | 1,083,679 | 1,151,022 | 730,211 | 774,548 | 850,229 |
| Rockingham | 3,308,695 | 4,754,630 | 4,540,866 | 3,976,665 | 3,910,170 | 4,786,873 |
| Russell | 338,694 | 379,173 | 375,294 | 272,980 | 355,136 | 392,361 |
| Scott | 278,006 | 319,019 | 442,925 | 293,618 | 313,999 | 386,462 |
| Shenandoah | 1,589,541 | 2,281,470 | 2,386,506 | 1,776,146 | 1,846,746 | 1,947,475 |
| Smyth | 439,458 | 491,457 | 587,660 | 526,996 | 471,452 | 461,022 |
| Southampton | 412,789 | 541,911 | 645,800 | 489,856 | 400,387 | 590,165 |
| Spotsylvania | 9,502,488 | 14,511,882 | 13,677,307 | 9,147,766 | 8,565,052 | 9,456,133 |
| Stafford | 12,880,842 | 19,935,747 | 16,931,728 | 10,354,416 | 9,540,157 | 15,974,675 |
| Surry | 213,988 | 258,408 | 313,146 | 267,305 | 203,285 | 622,182 |
| Sussex | 219,052 | 284,327 | 394,364 | 316,625 | 266,227 | 297,499 |
| Tazewell | 619,202 | 785,964 | 779,114 | 716,030 | 766,883 | 567,216 |
| Warren | 2,053,348 | 3,248,222 | 3,248,965 | 2,064,113 | 1,862,557 | 2,104,628 |
| Washington | 1,529,183 | 1,979,828 | 2,110,386 | 1,910,859 | 1,635,103 | 2,089,455 |
| Westmoreland | 823,366 | 1,470,104 | 1,436,592 | 1,139,541 | 1,073,395 | 1,137,315 |
| Wise | 446,724 | 418,525 | 572,201 | 471,792 | 686,401 | 543,361 |
| Wythe | 789,535 | 804,920 | 1,010,773 | 943,532 | 882,180 | 709,710 |
| York | 4,207,436 | 6,062,373 | 5,661,667 | 3,611,717 | 3,415,891 | 3,564,474 |
| **Total Counties** | **$394,179,563** | **$563,241,430** | **$526,165,163** | **$339,180,527** | **$328,810,242** | **$384,653,569** |
| **Total Cities** | **$132,666,677** | **$177,467,703** | **$189,616,805** | **$129,469,806** | **$114,317,640** | **$131,222,508** |
| **Aggregate** | **$526,846,240** | **$740,709,134** | **$715,781,967** | **$468,650,333** | **$443,127,882** | **$515,876,077** |

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## Table 5.6

**Communications Sales Tax Distributions, Fiscal Year 2025**

| County | Distribution |
|---|---|
| Accomack | $666,109 |
| Albemarle | 3,000,522 |
| Alleghany | 268,315 |
| Amelia | 164,510 |
| Amherst | 820,066 |
| Appomattox | 365,000 |
| Arlington | 4,869,051 |
| Augusta | 1,619,529 |
| Bath | 74,784 |
| Bedford County | 1,240,754 |
| Bland | 67,706 |
| Botetourt | 463,524 |
| Brunswick | 271,267 |
| Buchanan | 547,107 |
| Buckingham | 274,349 |
| Campbell | 902,102 |
| Caroline | 508,338 |
| Carroll | 655,312 |
| Charles City | 100,202 |
| Charlotte | 83,231 |
| Chesterfield | 9,432,872 |
| Clarke | 278,218 |
| Craig | 74,784 |
| Culpeper | 1,318,198 |
| Cumberland | 247,923 |
| Dickenson | 319,682 |
| Dinwiddie | 597,346 |
| Essex | 228,139 |
| Fairfax County | 51,221,503 |
| Fauquier | 1,875,644 |

| County | Distribution |
|---|---|
| Floyd | 401,896 |
| Fluvanna | 542,838 |
| Franklin County | 1,438,300 |
| Frederick | 874,827 |
| Giles | 163,933 |
| Gloucester | 990,172 |
| Goochland | 554,028 |
| Grayson | 246,619 |
| Greene | 319,202 |
| Greensville | 114,824 |
| Halifax | 752,824 |
| Hanover | 3,225,668 |
| Henrico | 8,518,964 |
| Henry | 1,504,368 |
| Highland | 48,894 |
| Isle Of Wight | 863,216 |
| James City | 1,104,448 |
| King And Queen | 113,773 |
| King George | 250,694 |
| King William | 232,224 |
| Lancaster | $214,592 |
| Lee | 273,642 |
| Loudoun | 7,535,434 |
| Louisa | 225,216 |
| Lunenburg | 133,701 |
| Madison | 376,316 |
| Mathews | 290,599 |
| Mecklenburg | 373,724 |
| Middlesex | 284,445 |
| Montgomery | 659,774 |

| County | Distribution |
|---|---|
| Nelson | 306,954 |
| New Kent | 386,246 |
| Northampton | 329,061 |
| Northumberland | 247,752 |
| Nottoway | 225,035 |
| Orange | 927,557 |
| Page | 317,090 |
| Patrick | 316,602 |
| Pittsylvania | 1,471,154 |
| Powhatan | 557,921 |
| Prince Edward | 201,707 |
| Prince George | 825,672 |
| Prince William | 12,550,997 |
| Pulaski | 533,699 |
| Rappahannock | 224,726 |
| Richmond County | 199,224 |
| Roanoke County | 2,552,871 |
| Rockbridge | 604,224 |
| Rockingham | 1,032,169 |
| Russell | 557,818 |
| Scott | 502,312 |
| Shenandoah | 772,828 |
| Smyth | 381,336 |
| Southampton | 360,999 |
| Spotsylvania | 3,053,299 |
| Stafford | 3,754,124 |
| Surry | 33,293 |
| Sussex | 113,561 |
| Tazewell | 389,884 |
| Warren | 577,044 |
| Washington | 1,047,196 |
| Westmoreland | 412,314 |
| Wise | 650,538 |
| Wythe | 494,084 |
| York | 852,025 |
| **Total Counties** | **$152,948,558** |

| City | Distribution |
|---|---|
| Alexandria | $7,002,234 |
| Bristol | 392,787 |
| Buena Vista | 204,215 |
| Charlottesville | 2,074,630 |
| Chesapeake | 7,705,458 |
| Colonial Heights | 450,853 |
| Covington | 201,181 |
| Danville | 2,085,886 |
| Emporia | 172,898 |
| Fairfax City | 1,472,569 |
| Falls Church | 557,059 |
| Franklin City | 359,896 |
| Fredericksburg | 1,153,161 |
| Galax | 151,357 |
| Hampton | 5,927,484 |
| Harrisonburg | 1,048,340 |
| Hopewell | 546,424 |
| Lexington | 208,292 |
| Lynchburg | 2,198,053 |
| Manassas | 1,870,217 |
| Manassas Park | 473,817 |
| Martinsville | 588,929 |
| Newport News | 7,547,384 |
| Norfolk | 14,186,596 |
| Norton | 136,772 |
| Petersburg | 1,191,366 |
| Poquoson | 267,171 |
| Portsmouth | 5,378,630 |
| Radford | 483,427 |
| Richmond City | 13,289,540 |
| Roanoke City | 4,504,771 |
| Salem | 692,365 |
| Staunton | 905,872 |
| Suffolk | 2,269,400 |
| Virginia Beach | 16,921,873 |
| Waynesboro | 840,699 |
| Williamsburg | 465,698 |
| Winchester | 1,384,407 |
| **Total Cities** | **$107,311,711** |

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Virginia Tax

## Table 5.6, Continued

**Communications Sales Tax Distributions, Fiscal Year 2025**

| Town | Distribution |
|---|---|
| Abingdon | $78,482 |
| Accomac | 3,484 |
| Alberta | 7,897 |
| Altavista | 26,331 |
| Amherst | 66,266 |
| Appalachia | 25,651 |
| Appomattox | 4,096 |
| Ashland | 176,907 |
| Bedford | 91,323 |
| Berryville | 60,505 |
| Big Stone Gap | 123,890 |
| Blacksburg | 800,317 |
| Blackstone | 11,546 |
| Bloxom | 3,465 |
| Bluefield | 28,264 |
| Boones Mill | 2,169 |
| Bowling Green | 26,421 |
| Boyce | 1,610 |
| Boydton | 9,721 |
| Boykins | 2,361 |
| Bridgewater | 59,104 |
| Broadnax | 6,723 |
| Broadway | 30,905 |
| Brookneal | 12,026 |
| Buchanan | 1,857 |
| Burkeville | 1,149 |
| Cape Charles | 30,541 |
| Cedar Bluff | 24,469 |
| Charlotte Court House | 1,624 |
| Chase City | 34,247 |
| Chatham | 48,198 |
| Chilhowie | 27,643 |
| Chincoteague | 110,232 |
| Christiansburg | 574,678 |
| Clarksville | 22,764 |
| Cleveland | 1,087 |
| Clifton | 3,784 |
| Clifton Forge | 60,882 |
| Clintwood | 47,295 |
| Coeburn | 29,904 |
| Colonial Beach | 131,575 |
| Courtland | $3,852 |
| Crewe | 27,473 |
| Culpeper | 79,574 |
| Damascus | 16,103 |
| Dayton | 16,518 |
| Dillwyn | 2,527 |
| Drakes Branch | 916 |
| Dublin | 60,131 |
| Dumfries | 121,252 |
| Edinburg | 6,349 |
| Elkton | 34,147 |
| Farmville | 338,607 |
| Fincastle | 1,838 |
| Floyd | 301 |
| Fries | 8,276 |
| Front Royal | 110,332 |
| Gate City | 25,602 |
| Glade Spring | 18,822 |
| Glasgow | 13,563 |
| Gordonsville | 19,733 |
| Goshen | 4,901 |
| Gretna | 17,027 |
| Grottoes | 22,422 |
| Grundy | 12,831 |
| Halifax | 66,261 |
| Hamilton | 10,665 |
| Haymarket | 81,493 |
| Haysi | 9,605 |
| Herndon | 1,116,371 |
| Hillsville | 11,923 |
| Honaker | 10,055 |
| Hurt | 15,404 |
| Independence | 22,249 |
| Iron Gate | 10,418 |
| Irvington | 1,605 |
| Ivor | 1,206 |
| Jarratt | 2,998 |
| Jonesville | 12,999 |
| Kenbridge | 20,378 |
| Keysville | 1,534 |
| Kilmarnock | 49,366 |
| La Crosse | $7,919 |
| Lawrenceville | 33,545 |
| Lebanon | 52,467 |
| Leesburg | 1,401,683 |
| Louisa | 4,644 |
| Lovettsville | 8,651 |
| Luray | 50,055 |
| Marion | 84,418 |
| McKenney | 5,902 |
| Melfa | 2,659 |
| Middleburg | 29,365 |
| Middletown | 9,290 |
| Mineral | 1,166 |
| Monterey | 4,462 |
| Montross | 9,033 |
| Mount Jackson | 14,528 |
| Narrows | 28,796 |
| New Castle | 1,507 |
| New Market | 33,258 |
| Newsoms | 832 |
| Nickelsville | 1,000 |
| Occoquan | 30,037 |
| Onancock | 63,607 |
| Onley | 2,716 |
| Orange | 114,464 |
| Painter | 1,580 |
| Parksley | 13,940 |
| Pearisburg | 15,984 |
| Pembroke | 5,053 |
| Pennington Gap | 30,503 |
| Phenix | 900 |
| Pocahontas | 11,684 |
| Port Royal | 2,499 |
| Pound | 21,265 |
| Pulaski | 294,080 |
| Purcellville | 104,341 |
| Quantico | 18,369 |
| Remington | 12,248 |
| Rich Creek | 5,075 |
| Ridgeway | 12,511 |
| Rocky Mount | 126,747 |
| Round Hill | $9,052 |
| Rural Retreat | 25,854 |
| Saint Charles | 0 |
| Saint Paul | 15,620 |
| Saltville | 31,189 |
| Scottsville | 11,462 |
| Shenandoah | 18,047 |
| Smithfield | 153,366 |
| South Boston | 506,657 |
| South Hill | 114,949 |
| Stanardsville | 2,432 |
| Stanley | 10,771 |
| Stephens City | 17,702 |
| Strasburg | 53,977 |
| Stuart | 2,055 |
| Tappahannock | 41,060 |
| Tazewell | 17,846 |
| Timberville | 21,224 |
| Troutville | 1,442 |
| Urbanna | 2,348 |
| Victoria | 33,223 |
| Vienna | 691,709 |
| Vinton | 220,209 |
| Wachapreague | 1,643 |
| Wakefield | 11,500 |
| Warrenton | 349,014 |
| Warsaw | 30,517 |
| Washington | 2,377 |
| Waverly | 20,698 |
| Weber City | 14,723 |
| West Point | 56,032 |
| White Stone | 2,142 |
| Windsor | 43,248 |
| Wise | 69,812 |
| Woodstock | 60,917 |
| Wytheville | 276,602 |

| | |
|---|---|
| **Total Towns** | **$10,833,224** |
| **Total Counties** | **$152,948,558** |
| **Total Cities** | **$107,311,711** |
| **Aggregate** | **$271,093,493** |

Notes:

1. Communications taxes in Virginia include: 5% Communications Sales tax on telecommunications services, 75¢ State E-911 tax for landline and Voice Over Internet Protocol (VoIP) phones, a wireless E-911 surcharge of $0.82 and a prepaid wireless E-911 charge of $0.55, and $1.20 Landline telephone and cable TV franchise right of way fees.
2. This tax is collected from consumers by their service providers and remitted to the Department of Taxation on a monthly basis. In cases where a consumer purchases taxable communications services and no tax is collected from the consumer on the purchase by the provider, the consumer is responsible for paying a communications use tax.
3. The distributions for FY 2025 were based on collections for May 2024 through April 2025.

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Virginia Tax

## Table 5.7

**Insurance Premiums License Tax:** Number of Returns, Taxable Premium Income, and Tax Liability
Based on tax returns filed for Taxable Year 2023

| | **Insurance Companies** (Form 800) | | | | **Surplus Lines Brokers** (Form 802) | | | |
|---|---|---|---|---|---|---|---|---|
| **Taxable Premium Income Reported for Virginia** | **Number of Returns** | **Taxable Premium Income** | **Tax Assessed** | **Percent of Total (Tax)** | **Number of Returns** | **Taxable Premium Income** | **Tax Assessed** | **Percent of Total (Tax)** |
| Up to $24,999 | 552 | $837,286 | $1,250,022 | 0.18% | 1,945 | $1,152,660 | $25,500 | 0.06% |
| $25,000 to $49,999 | 42 | 1,565,911 | 34,503 | 0.00% | 50 | 1,855,387 | 41,746 | 0.10% |
| $50,000 to $99,999 | 54 | 3,900,135 | 87,720 | 0.01% | 55 | 3,963,641 | 89,181 | 0.22% |
| $100,000 to $499,999 | 150 | 40,426,947 | 901,062 | 0.13% | 160 | 38,948,449 | 876,340 | 2.16% |
| $500,000 to $999,999 | 96 | 70,155,020 | 1,578,266 | 0.22% | 51 | 37,293,414 | 839,102 | 2.07% |
| $1,000,000 to $1,999,999 | 102 | 148,935,417 | 3,351,045 | 0.48% | 56 | 79,932,090 | 1,798,472 | 4.43% |
| $2,000,000 to $9,999,999 | 275 | 1,449,369,381 | 32,387,605 | 4.60% | 45 | 207,908,855 | 4,677,949 | 11.53% |
| $10,000,000 and Over | 373 | 30,075,688,378 | 666,668,597 | 94.64% | 38 | 4,272,050,815 | 95,693,776 | 235.81% |
| Total before adjustments | 1,644 | $31,790,878,475 | $706,258,820 | 100.26% | 2,400 | $4,643,105,309 | $104,042,067 | 256.38% |
| Departmental adjustments | -25 | -368,913,357 | -1,831,689 | -0.26% | -16 | -2,839,521,230 | -63,461,649 | -156.38% |
| **Total After Adjustments** | **1,619** | **$31,421,965,118** | **$704,427,131** | **100.0%** | **2,384** | **$1,803,584,079** | **$40,580,418** | **100.0%** |

### Insurance Tax Credits Claimed on Returns Processed during FY 2025

| **Credit** | **Number of Returns** | **Amount** |
|---|---|---|
| Historic Rehabilitation Tax Credit | 15 | $35,884,779 |
| Guaranty Fund Assessment Tax Credit | 348 | 9,378,183 |
| Refundable Retaliatory Costs Tax Credit | 6 | 1,891,674 |
| Education Improvement Scholarships Tax | 2 | 130,000 |

Notes:

1. The administration and collection of Insurance Premiums License Tax was transferred from SCC's Bureau of Insurance to the Department of Taxation effective for taxable years beginning on or after January 1, 2013.

2. For insurance companies, taxable premium income means direct premium income allocated to Virginia after taking into account any adjustments. For surplus lines brokers, taxable premium income is premium income from policies for insureds whose home state is Virginia after taking into account any additional or returned premiums.

3. Insurance companies are subject to tax on their gross premium income. Depending on the line(s) of insurance from which the premiums were derived, the tax rates for taxable year 2021 were 2.25% and 1.00%. Surplus lines brokers are required to pay the tax on each policy of insurance they produce during the preceding calendar year with an insurer that is not licensed to conduct business in Virginia. Surplus lines brokers are subject to a rate of 2.25%.

4. Tax assessed shown is before any credits claimed.

5. If a company reports negative taxable premium income, its taxable premium income is treated as zero in this table.

6. Some columns may not match totals due to rounding.

7. The amount of insurance tax credits reported is for returns processed during FY 2025, regardless of taxable year. This table only lists insurance tax credits claimed that were greater than zero.

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## Table 6.1

**Assessed Values, Levies Assessed, and Average Tax Rates**

| Tax Year | Taxable Real Estate | Tangible Personal Property | Machinery and Tools | Merchants' Capital | Public Service Corporations | Total Taxable Property |
|---|---|---|---|---|---|---|
| **Assessed Values** | | | | | | |
| 2019 | $1,172,449,791,555 | $98,726,651,736 | $11,567,370,428 | $1,344,289,011 | $49,209,543,843 | $1,333,297,646,572 |
| 2020 | 1,218,079,093,525 | 100,052,236,313 | 11,991,123,883 | 1,433,318,097 | 51,149,852,247 | 1,382,705,624,064 |
| 2021* | 1,272,652,328,700 | 117,434,111,165 | 12,080,942,916 | 1,314,173,630 | 51,229,623,564 | 1,454,711,179,975 |
| 2022 | 1,391,780,142,396 | 139,776,943,386 | 12,397,515,350 | 1,450,773,868 | 52,339,281,584 | 1,597,744,656,584 |
| 2023 | 1,516,847,427,995 | 142,697,891,712 | 13,161,869,853 | 1,520,569,240 | 53,731,893,721 | 1,727,959,652,521 |
| 2024 | 1,628,541,599,197 | 142,197,155,912 | 13,235,821,910 | 1,616,631,421 | 58,711,996,950 | 1,844,303,205,390 |
| **Levies Assessed** | | | | | | |
| 2019 | $11,654,584,399 | $3,600,959,729 | $227,752,597 | $14,010,086 | $409,329,417 | $15,906,636,228 |
| 2020 | 12,096,950,258 | 3,641,278,531 | 250,441,105 | 15,272,309 | 426,389,897 | 16,430,332,100 |
| 2021* | 12,502,959,083 | 4,458,318,400 | 252,339,042 | 13,718,743 | 444,349,944 | 17,671,685,213 |
| 2022 | 13,342,923,799 | 4,980,954,021 | 257,101,832 | 15,108,939 | 470,935,657 | 19,067,024,249 |
| 2023 | 14,255,367,691 | 4,950,787,050 | 274,003,018 | 14,743,998 | 442,344,618 | 19,937,246,375 |
| 2024 | 15,169,918,421 | 5,322,877,424 | 282,210,451 | 15,174,135 | 471,521,173 | 21,261,701,604 |
| **Average Tax Rates per $100 of Assessed Value** | | | | | | |
| 2019 | $0.99 | $3.65 | $1.97 | $1.04 | $0.83 | $1.19 |
| 2020 | 0.99 | 3.64 | 2.09 | 1.07 | 0.83 | 1.19 |
| 2021* | 0.98 | 3.80 | 2.09 | 1.04 | 0.87 | 1.21 |
| 2022 | 0.96 | 3.56 | 2.07 | 1.04 | 0.90 | 1.19 |
| 2023 | 0.94 | 3.47 | 2.08 | 0.97 | 0.82 | 1.15 |
| 2024 | 0.93 | 3.74 | 2.13 | 0.94 | 0.80 | 1.15 |

Note:

* 2021 data includes corrections that surfaced during checks of data collection for 2022

**Average tax rate is computed as the aggregate levy for all counties and cities divided by the aggregate assessed value for all counties and cities.

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## Table 6.2

**Real Estate Fair Market Value (FMV), Fair Market Value (Taxable), and Local Levy by Locality - Tax Year 2024**

| City | FMV Land | FMV Taxable Land | FMV Structures | Total FMV | Total Taxable FMV | Local Levy | Reporting Year |
|---|---|---|---|---|---|---|---|
| Alexandria | 20,262,649,222 | 20,262,649,222 | 27,526,594,258 | 47,789,243,480 | 47,789,243,480 | 542,407,913 | 2024 |
| Bristol | 309,559,000 | 309,559,000 | 1,066,820,588 | 1,376,379,588 | 1,376,379,588 | 16,103,641 | 2024 |
| Buena Vista | 71,498,110 | 71,453,510 | 276,830,300 | 348,328,410 | 348,283,810 | 4,423,204 | 2024 |
| Charlottesville | 3,229,532,400 | 3,229,532,400 | 7,671,503,000 | 10,901,035,400 | 10,901,035,400 | 106,830,147 | 2024 |
| Chesapeake | 12,972,709,900 | 12,685,700,800 | 24,996,767,200 | 37,969,477,100 | 37,682,468,000 | 380,592,927 | 2024 |
| Colonial Heights | 720,312,800 | 720,312,800 | 1,567,746,120 | 2,288,058,920 | 2,288,058,920 | 27,456,707 | 2024 |
| Covington | 57,330,900 | 57,330,900 | 298,584,800 | 355,915,700 | 355,915,700 | 3,025,283 | 2024 |
| Danville | 314,477,000 | 313,266,400 | 2,125,690,900 | 2,440,167,900 | 2,438,957,300 | 20,487,241 | 2024 |
| Emporia | 70,981,200 | 70,981,200 | 350,053,700 | 421,034,900 | 421,034,900 | 3,873,521 | 2024 |
| Fairfax City | 2,907,023,200 | 2,907,023,200 | 5,040,143,500 | 7,947,166,700 | 7,947,166,700 | 81,855,817 | 2024 |
| Falls Church | 2,633,048,200 | 2,633,048,200 | 3,267,077,600 | 5,900,125,800 | 5,900,125,800 | 71,391,522 | 2024 |
| Franklin | 192,448,200 | 185,848,352 | 613,117,700 | 805,565,900 | 798,966,052 | 8,229,350 | 2024 |
| Fredericksburg | 1,576,779,800 | 1,545,498,900 | 3,215,457,400 | 4,792,237,200 | 4,760,956,300 | 42,372,511 | 2024 |
| Galax | 116,433,000 | 116,433,000 | 497,587,100 | 614,020,100 | 614,020,100 | 5,648,985 | 2024 |
| Hampton | 4,116,264,600 | 4,101,121,400 | 11,514,983,100 | 15,631,247,700 | 15,616,104,500 | 181,146,812 | 2024 |
| Harrisonburg | 1,482,712,100 | 1,435,988,900 | 4,442,245,900 | 5,924,958,000 | 5,878,234,800 | 59,370,171 | 2024 |
| Hopewell | 373,053,200 | 373,053,200 | 1,583,116,900 | 1,956,170,100 | 1,956,170,100 | 22,887,190 | 2024 |
| Lexington | 192,412,800 | 192,412,800 | 487,333,200 | 679,746,000 | 679,746,000 | 6,253,663 | 2024 |
| Lynchburg | 1,566,789,600 | 1,551,562,200 | 6,121,501,200 | 7,688,290,800 | 7,673,063,400 | 68,290,264 | 2024 |
| Manassas | 2,289,371,600 | 2,289,371,600 | 4,612,340,200 | 6,901,711,800 | 6,901,711,800 | 73,848,316 | 2024 |
| Manassas Park | 674,611,400 | 664,018,200 | 1,624,112,000 | 2,298,723,400 | 2,288,130,200 | 32,720,262 | 2024 |
| Martinsville | 126,425,700 | 126,425,700 | 658,435,200 | 784,860,900 | 784,860,900 | 7,770,123 | 2024 |
| Newport News | 5,353,174,900 | 5,353,174,900 | 16,981,800,900 | 22,334,975,800 | 22,334,975,800 | 263,552,714 | 2024 |
| Norfolk | 8,005,776,600 | 8,005,766,600 | 18,102,652,300 | 26,108,428,900 | 26,108,418,900 | 321,133,552 | 2024 |
| Norton | 55,814,600 | 55,814,600 | 191,833,600 | 247,648,200 | 247,648,200 | 2,228,834 | 2024 |
| Petersburg | 510,595,600 | 501,650,300 | 2,108,437,000 | 2,619,032,600 | 2,610,087,300 | 33,148,109 | 2024 |
| Poquoson | 728,466,300 | 728,466,300 | 1,409,921,700 | 2,138,388,000 | 2,138,388,000 | 24,377,623 | 2024 |
| Portsmouth | 3,147,075,250 | 3,146,794,650 | 6,795,416,588 | 9,942,491,838 | 9,942,211,238 | 124,277,640 | 2024 |
| Radford | 211,421,400 | 208,437,550 | 988,264,000 | 1,199,685,400 | 1,196,701,550 | 8,257,241 | 2024 |
| Richmond | 10,903,189,000 | 10,903,189,000 | 27,766,375,000 | 38,669,564,000 | 38,669,564,000 | 464,034,768 | 2024 |

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## Table 6.2, continued

**Real Estate Fair Market Value (FMV), Fair Market Value (Taxable), and Local Levy by Locality - Tax Year 2024**

| City | FMV Land | FMV Taxable Land | FMV Structures | Total FMV | Total Taxable FMV | Local Levy | Reporting Year |
|---|---|---|---|---|---|---|---|
| Roanoke | 2,171,097,200 | 2,167,555,900 | 8,507,541,500 | 10,678,638,700 | 10,675,097,400 | 130,236,188 | 2024 |
| Salem | 704,992,600 | 704,992,600 | 2,342,947,900 | 3,047,940,500 | 3,047,940,500 | 36,575,286 | 2024 |
| Staunton | 609,718,454 | 587,383,371 | 2,320,792,646 | 2,930,511,100 | 2,908,176,017 | 25,882,767 | 2024 |
| Suffolk | 4,198,766,700 | 3,754,219,100 | 11,976,545,200 | 16,175,311,900 | 15,730,764,300 | 171,465,331 | 2024 |
| Virginia Beach | 31,429,611,800 | 31,151,828,500 | 45,271,373,900 | 76,700,985,700 | 76,423,202,400 | 756,589,704 | 2024 |
| Waynesboro | 688,743,200 | 677,896,500 | 2,082,520,300 | 2,771,263,500 | 2,760,416,800 | 21,255,209 | 2024 |
| Williamsburg | 782,703,700 | 782,703,700 | 2,125,167,000 | 2,907,870,700 | 2,907,870,700 | 18,028,798 | 2024 |
| Winchester | 1,061,243,325 | 1,059,543,027 | 3,294,988,453 | 4,356,231,778 | 4,354,531,480 | 36,142,611 | 2024 |
| **Total Cities** | **$126,818,814,561** | **$125,632,008,482** | **$261,824,619,853** | **$388,643,434,414** | **$387,456,628,335** | **$4,204,171,950** | |

## Table 6.2, continued

**Real Estate Fair Market Value (FMV), Fair Market Value (Taxable), and Local Levy by Locality - Tax Year 2024**

| County | FMV Land | FMV Taxable Land | FMV Structures | Total FMV | Total Taxable FMV | Local Levy | Reporting Year |
|---|---|---|---|---|---|---|---|
| Accomack | 1,947,144,700 | 1,752,631,900 | 3,471,632,600 | 5,418,777,300 | 5,224,264,500 | 25,285,440 | 2024 |
| Albemarle | 9,788,932,600 | 8,129,052,100 | 19,798,049,800 | 29,586,982,400 | 27,927,101,900 | 238,497,450 | 2024 |
| Alleghany | 331,737,806 | 247,576,506 | 825,048,628 | 1,156,786,434 | 1,072,625,134 | 7,830,163 | 2024 |
| Amelia | 637,164,050 | 569,420,450 | 1,219,576,100 | 1,856,740,150 | 1,788,996,550 | 8,229,384 | 2024 |
| Amherst | 1,041,309,000 | 737,596,400 | 1,816,825,300 | 2,858,134,300 | 2,554,421,700 | 15,581,972 | 2024 |
| Appomattox | 617,557,700 | 569,229,306 | 918,808,200 | 1,536,365,900 | 1,488,037,506 | 9,374,636 | 2024 |
| Arlington | 38,156,167,600 | 38,156,167,600 | 53,266,480,500 | 91,422,648,100 | 91,422,648,100 | 944,395,955 | 2024 |
| Augusta | 4,582,439,800 | 2,962,752,400 | 8,906,480,600 | 13,488,920,400 | 11,869,233,000 | 61,720,012 | 2024 |
| Bath | 407,318,000 | 376,561,800 | 601,976,100 | 1,009,294,100 | 978,537,900 | 5,871,227 | 2024 |
| Bedford | 5,012,801,400 | 3,780,980,900 | 8,937,836,300 | 13,950,637,700 | 12,718,817,200 | 52,147,151 | 2024 |
| Bland | 350,291,600 | 200,186,100 | 280,659,400 | 630,951,000 | 480,845,500 | 2,885,073 | 2024 |
| Botetourt | 1,572,360,100 | 1,213,830,400 | 4,279,413,370 | 5,851,773,470 | 5,493,243,770 | 38,452,706 | 2024 |
| Brunswick | 909,730,400 | 909,730,400 | 1,056,657,510 | 1,966,387,910 | 1,966,387,910 | 9,831,940 | 2024 |
| Buchanan | 616,428,504 | 616,428,504 | 1,597,302,587 | 2,213,731,091 | 2,213,731,091 | 8,633,551 | 2024 |
| Buckingham | 784,057,600 | 784,057,600 | 857,077,499 | 1,641,135,099 | 1,641,135,099 | 9,846,811 | 2024 |

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Virginia Tax

## Table 6.2, continued

**Real Estate Fair Market Value (FMV), Fair Market Value (Taxable), and Local Levy by Locality - Tax Year 2024**

| County | FMV Land | FMV Taxable Land | FMV Structures | Total FMV | Total Taxable FMV | Local Levy | Reporting Year |
|---|---|---|---|---|---|---|---|
| Campbell | 1,717,442,076 | 1,358,352,143 | 4,576,120,900 | 6,293,562,976 | 5,934,473,043 | 26,705,129 | 2024 |
| Caroline | 1,544,009,378 | 1,326,242,161 | 2,323,328,300 | 3,867,337,678 | 3,649,570,461 | 28,466,650 | 2024 |
| Carroll | 1,069,940,200 | 866,805,879 | 1,565,178,400 | 2,635,118,600 | 2,431,984,279 | 14,348,707 | 2024 |
| Charles City | 446,802,525 | 440,586,795 | 604,713,170 | 1,051,515,695 | 1,045,299,965 | 6,898,980 | 2024 |
| Charlotte | 534,342,011 | 534,342,011 | 510,324,120 | 1,044,666,131 | 1,044,666,131 | 6,476,930 | 2024 |
| Chesterfield | 13,088,351,300 | 12,917,003,022 | 48,202,232,700 | 61,290,584,000 | 61,119,235,722 | 550,073,121 | 2024 |
| Clarke | 1,235,911,100 | 1,118,661,270 | 1,632,470,000 | 2,868,381,100 | 2,751,131,270 | 16,781,901 | 2024 |
| Craig | 325,735,200 | 325,735,200 | 408,997,100 | 734,732,300 | 734,732,300 | 3,820,608 | 2024 |
| Culpeper | 3,164,469,135 | 2,581,681,535 | 6,014,391,000 | 9,178,860,135 | 8,596,072,535 | 40,401,541 | 2024 |
| Cumberland | 556,989,400 | 506,536,737 | 724,383,520 | 1,281,372,920 | 1,230,920,257 | 7,385,522 | 2024 |
| Dickenson | 384,847,300 | 384,847,300 | 1,094,214,500 | 1,479,061,800 | 1,479,061,800 | 7,691,121 | 2024 |
| Dinwiddie | 1,039,483,630 | 880,396,130 | 1,847,455,631 | 2,886,939,261 | 2,727,851,761 | 22,913,955 | 2024 |
| Essex | 688,321,208 | 609,819,763 | 944,137,148 | 1,632,458,356 | 1,553,956,911 | 11,343,885 | 2024 |
| Fairfax County | 111,964,829,990 | 112,162,377,551 | 211,923,763,620 | 323,888,593,610 | 324,086,141,171 | 3,645,969,088 | 2024 |
| Fauquier | 5,260,658,900 | 5,260,658,900 | 10,530,127,300 | 15,790,786,200 | 15,790,786,200 | 148,907,114 | 2024 |
| Floyd | 934,849,000 | 734,524,000 | 1,030,646,400 | 1,965,495,400 | 1,765,170,400 | 11,826,642 | 2024 |
| Fluvanna | 1,090,895,900 | 789,827,100 | 2,676,268,900 | 3,767,164,800 | 3,466,096,000 | 29,253,850 | 2024 |
| Franklin | 3,335,357,000 | 2,885,682,442 | 8,182,390,800 | 11,517,747,800 | 11,068,073,242 | 47,592,715 | 2024 |
| Frederick | 4,585,314,200 | 4,041,692,400 | 11,338,747,200 | 15,924,061,400 | 15,380,439,600 | 78,440,242 | 2024 |
| Giles | 456,171,600 | 335,200,000 | 856,846,200 | 1,313,017,800 | 1,192,046,200 | 8,105,914 | 2024 |
| Gloucester | 2,034,809,728 | 1,920,277,273 | 4,143,838,427 | 6,178,648,155 | 6,064,115,700 | 35,353,795 | 2024 |
| Goochland | 3,836,537,600 | 3,047,467,400 | 5,556,325,800 | 9,392,863,400 | 8,603,793,200 | 45,600,104 | 2024 |
| Grayson | 822,924,500 | 822,932,600 | 1,074,147,900 | 1,897,072,400 | 1,897,080,500 | 10,244,235 | 2024 |
| Greene | 974,444,102 | 745,026,522 | 2,219,097,247 | 3,193,541,349 | 2,964,123,769 | 21,045,279 | 2024 |
| Greensville | 339,706,260 | 325,517,360 | 324,940,300 | 664,646,560 | 650,457,660 | 4,358,066 | 2024 |
| Halifax | 1,211,377,026 | 1,203,897,999 | 1,935,959,305 | 3,147,336,331 | 3,139,857,304 | 15,699,287 | 2024 |
| Hanover | 6,879,742,439 | 6,030,608,355 | 16,179,561,550 | 23,059,303,989 | 22,210,169,905 | 179,902,376 | 2024 |
| Henrico | 13,134,214,800 | 12,974,721,300 | 46,240,568,200 | 59,374,783,000 | 59,215,289,500 | 503,329,961 | 2024 |
| Henry | 802,848,856 | 766,943,035 | 2,318,447,627 | 3,121,296,483 | 3,085,390,662 | 17,123,918 | 2024 |
| Highland | 503,915,180 | 503,915,180 | 322,273,500 | 826,188,680 | 826,188,680 | 3,635,230 | 2024 |

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## Table 6.2, continued

**Real Estate Fair Market Value (FMV), Fair Market Value (Taxable), and Local Levy by Locality - Tax Year 2024**

| County | FMV Land | FMV Taxable Land | FMV Structures | Total FMV | Total Taxable FMV | Local Levy | Reporting Year |
|---|---|---|---|---|---|---|---|
| Isle of Wight | 1,862,852,400 | 1,549,525,500 | 4,946,745,300 | 6,809,597,700 | 6,496,270,800 | 46,123,523 | 2024 |
| James City | 4,070,262,300 | 3,960,836,059 | 12,901,836,300 | 16,972,098,600 | 16,862,672,359 | 139,960,181 | 2024 |
| King and Queen | 576,948,500 | 576,948,500 | 624,620,540 | 1,201,569,040 | 1,201,569,040 | 6,007,845 | 2024 |
| King George | 1,443,155,675 | 1,217,188,481 | 2,909,990,600 | 4,353,146,275 | 4,127,179,081 | 28,064,818 | 2024 |
| King William | 973,519,345 | 778,249,016 | 1,876,386,891 | 2,849,906,236 | 2,654,635,907 | 13,869,704 | 2024 |
| Lancaster | 1,289,214,500 | 1,251,901,200 | 2,533,395,100 | 3,822,609,600 | 3,785,296,300 | 20,819,130 | 2024 |
| Lee | 326,008,500 | 326,008,500 | 657,220,882 | 983,229,382 | 983,229,382 | 7,275,897 | 2024 |
| Loudoun | 46,351,056,490 | 44,089,354,090 | 99,513,566,620 | 145,864,623,110 | 143,602,920,710 | 1,242,165,264 | 2024 |
| Louisa | 2,842,961,100 | 2,315,051,800 | 6,111,785,100 | 8,954,746,200 | 8,426,836,900 | 60,673,226 | 2024 |
| Lunenburg | 609,931,000 | 609,931,000 | 606,370,600 | 1,216,301,600 | 1,216,301,600 | 4,013,795 | 2024 |
| Madison | 1,204,137,200 | 686,818,600 | 1,174,915,700 | 2,379,052,900 | 1,861,734,300 | 13,776,834 | 2024 |
| Mathews | 751,380,100 | 751,680,100 | 1,350,877,400 | 2,102,257,500 | 2,102,557,500 | 11,774,322 | 2024 |
| Mecklenburg | 1,687,906,900 | 1,687,906,900 | 4,872,675,800 | 6,560,582,700 | 6,560,582,700 | 26,242,331 | 2024 |
| Middlesex | 1,148,642,800 | 1,075,340,600 | 1,473,299,600 | 2,621,942,400 | 2,548,640,200 | 15,546,705 | 2024 |
| Montgomery | 3,012,470,900 | 2,767,403,300 | 9,271,757,600 | 12,284,228,500 | 12,039,160,900 | 90,293,707 | 2024 |
| Nelson | 1,334,168,700 | 845,020,000 | 2,359,581,400 | 3,693,750,100 | 3,204,601,400 | 20,829,909 | 2024 |
| New Kent | 2,137,319,806 | 1,981,986,240 | 3,498,906,190 | 5,636,225,996 | 5,480,892,430 | 32,337,265 | 2024 |
| Northampton | 1,416,585,300 | 1,295,701,900 | 1,887,157,400 | 3,303,742,700 | 3,182,859,300 | 21,802,586 | 2024 |
| Northumberland | 1,248,794,300 | 1,085,333,465 | 1,778,640,900 | 3,027,435,200 | 2,863,974,365 | 18,902,231 | 2024 |
| Nottoway | 459,356,711 | 426,840,381 | 847,355,697 | 1,306,712,408 | 1,274,196,078 | 5,733,882 | 2024 |
| Orange | 1,823,912,700 | 1,354,534,400 | 3,458,474,200 | 5,282,386,900 | 4,813,008,600 | 36,097,565 | 2024 |
| Page | 1,111,631,400 | 639,133,300 | 1,747,030,600 | 2,858,662,000 | 2,386,163,900 | 17,418,996 | 2024 |
| Patrick | 748,652,100 | 748,652,100 | 895,448,500 | 1,644,100,600 | 1,644,100,600 | 12,001,934 | 2024 |
| Pittsylvania | 1,992,812,474 | 1,472,998,774 | 4,780,237,659 | 6,773,050,133 | 6,253,236,433 | 35,018,124 | 2024 |
| Powhatan | 1,954,371,900 | 1,648,605,199 | 4,027,585,273 | 5,981,957,173 | 5,676,190,472 | 39,165,714 | 2024 |
| Prince Edward | 611,984,664 | 597,318,764 | 1,251,474,600 | 1,863,459,264 | 1,848,793,364 | 9,428,846 | 2024 |
| Prince George | 1,217,948,702 | 1,013,950,402 | 2,997,994,400 | 4,215,943,102 | 4,011,944,802 | 32,897,947 | 2024 |
| Prince William | 33,708,236,700 | 33,249,480,500 | 69,200,501,500 | 102,908,738,200 | 102,449,982,000 | 942,539,834 | 2024 |
| Pulaski | 984,987,200 | 818,234,900 | 2,319,824,000 | 3,304,811,200 | 3,138,058,900 | 23,221,636 | 2024 |
| Rappahannock | 1,264,383,600 | 696,539,100 | 1,297,536,100 | 2,561,919,700 | 1,994,075,200 | 12,163,859 | 2024 |

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## Table 6.2, continued

**Real Estate Fair Market Value (FMV), Fair Market Value (Taxable), and Local Levy by Locality - Tax Year 2024**

| County | FMV Land | FMV Taxable Land | FMV Structures | Total FMV | Total Taxable FMV | Local Levy | Reporting Year |
|---|---|---|---|---|---|---|---|
| Richmond County | 499,425,879 | 424,746,128 | 776,666,131 | 1,276,092,010 | 1,201,412,259 | 7,208,474 | 2024 |
| Roanoke | 2,677,144,100 | 2,517,572,600 | 9,590,102,950 | 12,267,247,050 | 12,107,675,550 | 125,919,826 | 2024 |
| Rockbridge | 1,487,805,800 | 1,018,558,900 | 2,316,722,400 | 3,804,528,200 | 3,335,281,300 | 20,345,216 | 2024 |
| Rockingham | 3,439,568,359 | 2,424,445,988 | 9,252,183,490 | 12,691,751,849 | 11,676,629,478 | 79,401,080 | 2024 |
| Russell | 595,929,051 | 431,822,357 | 997,968,449 | 1,593,897,500 | 1,429,790,806 | 9,007,682 | 2024 |
| Scott | 630,116,523 | 630,116,523 | 981,428,100 | 1,611,544,623 | 1,611,544,623 | 12,408,894 | 2024 |
| Shenandoah | 2,300,943,000 | 1,724,273,900 | 4,410,209,600 | 6,711,152,600 | 6,134,483,500 | 39,260,694 | 2024 |
| Smyth | 628,628,450 | 459,599,721 | 1,696,360,200 | 2,324,988,650 | 2,155,959,921 | 12,720,164 | 2024 |
| Southampton | 1,111,941,600 | 687,448,900 | 1,514,188,700 | 2,626,130,300 | 2,201,637,600 | 15,631,627 | 2024 |
| Spotsylvania | 8,676,532,400 | 8,215,902,437 | 16,195,978,100 | 24,872,510,500 | 24,411,880,537 | 179,256,439 | 2024 |
| Stafford | 9,459,777,900 | 9,160,052,858 | 18,735,422,500 | 28,195,200,400 | 27,895,475,358 | 249,273,968 | 2024 |
| Surry | 581,881,800 | 581,881,800 | 681,383,000 | 1,263,264,800 | 1,263,264,800 | 8,969,180 | 2024 |
| Sussex | 684,427,900 | 684,427,900 | 511,563,922 | 1,195,991,822 | 1,195,991,822 | 6,338,757 | 2024 |
| Tazewell | 1,010,867,700 | 822,255,200 | 2,360,748,475 | 3,371,616,175 | 3,183,003,675 | 18,461,421 | 2024 |
| Warren | 1,855,839,400 | 1,538,863,800 | 5,101,917,000 | 6,957,756,400 | 6,640,780,800 | 35,196,138 | 2024 |
| Washington | 1,988,941,000 | 1,270,234,117 | 3,396,256,100 | 5,385,197,100 | 4,666,490,217 | 27,998,941 | 2024 |
| Westmoreland | 1,245,000,400 | 1,094,994,600 | 2,107,013,000 | 3,352,013,400 | 3,202,007,600 | 21,773,652 | 2024 |
| Wise | 488,322,660 | 484,537,036 | 1,431,729,035 | 1,920,051,695 | 1,916,266,071 | 13,222,236 | 2024 |
| Wythe | 1,020,222,796 | 822,737,060 | 2,081,332,374 | 3,101,555,170 | 2,904,069,434 | 14,810,754 | 2024 |
| York | 3,807,792,800 | 3,803,237,900 | 8,912,219,100 | 12,720,011,900 | 12,715,457,000 | 94,094,382 | 2024 |
| **Total Counties** | **$415,077,385,889** | **$389,724,664,525** | **$851,360,306,337** | **$1,266,437,692,226** | **$1,241,084,970,862** | **$10,965,746,471** | |
| **Total Cities** | **$126,818,814,561** | **$125,632,008,482** | **$261,824,619,853** | **$388,643,434,414** | **$387,456,628,335** | **$4,204,171,950** | |
| **Aggregate** | **$541,896,200,450** | **$515,356,673,007** | **$1,113,184,926,190** | **$1,655,081,126,640** | **$1,628,541,599,197** | **$15,169,918,421** | |

Notes:

1. The data in this table are as reported by local Commissioners of the Revenue and Assessors to the Virginia Department of Taxation, Property Tax Unit.
2. Levies do not include penalties and interest collected.
3. Taxable fair market value is the total fair market of real estate minus the special assessment for land preservation (Code of Virginia, Section 58.1-3230).
4. The taxable fair market value is equal to the total fair market value for localities which do not have a special assessment for land preservation.

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## Table 6.3

**Comparison of Tax Exempt Value to Total Fair Market Value (FMV) of Real Estate by Locality - Tax Year 2024**

| City | Fair Market Value Real Estate | Fair Market Value Tax Exempt Real Estate: Government | Fair Market Value Tax Exempt Real Estate: Non-Government | Fair Market Value Tax Exempt Real Estate: Total Tax Exempt | Total FMV (Real Estate & Tax Exempt) | Tax Exempt to Total FMV | Taxes Lost Due to Exemptions |
|---|---|---|---|---|---|---|---|
| Alexandria | 47,789,243,480 | 4,035,098,767 | 1,741,481,545 | 5,776,580,312 | 53,565,823,792 | 10.78% | 65,564,187 |
| Bristol | 1,376,379,588 | 126,318,800 | 87,693,100 | 214,011,900 | 1,590,391,488 | 13.46% | 2,503,939 |
| Buena Vista | 348,328,410 | 37,103,455 | 84,675,200 | 121,778,655 | 470,107,065 | 25.90% | 1,546,589 |
| Charlottesville | 10,901,035,400 | 1,654,526,000 | 1,669,440,600 | 3,323,966,600 | 14,225,002,000 | 23.37% | 32,574,873 |
| Chesapeake | 37,969,477,100 | 2,805,414,900 | 2,326,694,700 | 5,132,109,600 | 43,101,586,700 | 11.91% | 51,834,307 |
| Colonial Heights | 2,288,058,920 | 147,833,800 | 0 | 147,833,800 | 2,435,892,720 | 6.07% | 1,774,006 |
| Covington | 355,915,700 | 61,542,100 | 64,905,100 | 126,447,200 | 482,362,900 | 26.21% | 1,074,801 |
| Danville | 2,440,167,900 | 325,016,600 | 200,878,700 | 525,895,300 | 2,966,063,200 | 17.73% | 4,417,521 |
| Emporia | 421,034,900 | 66,400,200 | 35,514,900 | 101,915,100 | 522,950,000 | 19.49% | 937,619 |
| Fairfax City | 7,947,166,700 | 285,479,100 | 360,108,900 | 645,588,000 | 8,592,754,700 | 7.51% | 6,649,556 |
| Falls Church | 5,900,125,800 | 197,940,700 | 114,552,500 | 312,493,200 | 6,212,619,000 | 5.03% | 3,781,168 |
| Franklin | 805,565,900 | 39,423,300 | 89,251,000 | 128,674,300 | 934,240,200 | 13.77% | 1,325,345 |
| Fredericksburg | 4,792,237,200 | 970,857,300 | 457,391,700 | 1,428,249,000 | 6,220,486,200 | 22.96% | 12,711,416 |
| Galax | 614,020,100 | 69,751,600 | 28,442,900 | 98,194,500 | 712,214,600 | 13.79% | 903,389 |
| Hampton | 15,631,247,700 | 3,555,881,300 | 622,901,700 | 4,178,783,000 | 19,810,030,700 | 21.09% | 48,473,883 |
| Harrisonburg | 5,924,958,000 | 1,803,912,530 | 588,610,400 | 2,392,522,930 | 8,317,480,930 | 28.76% | 24,164,482 |
| Hopewell | 1,956,170,100 | 177,232,800 | 50,421,400 | 227,654,200 | 2,183,824,300 | 10.42% | 2,663,554 |
| Lexington | 679,746,000 | 687,590,700 | 643,335,900 | 1,330,926,600 | 2,010,672,600 | 66.19% | 12,244,525 |
| Lynchburg | 7,688,290,800 | 541,171,600 | 1,956,093,300 | 2,497,264,900 | 10,185,555,700 | 24.52% | 22,225,658 |
| Manassas | 6,901,711,800 | 656,334,600 | 277,993,600 | 934,328,200 | 7,836,040,000 | 11.92% | 9,997,312 |
| Manassas Park | 2,298,723,400 | 199,221,100 | 4,982,600 | 204,203,700 | 2,502,927,100 | 8.16% | 2,920,113 |
| Martinsville | 784,860,900 | 55,921,700 | 89,673,400 | 145,595,100 | 930,456,000 | 15.65% | 1,441,391 |
| Newport News | 22,334,975,800 | 7,175,052,700 | 978,512,500 | 8,153,565,200 | 30,488,541,000 | 26.74% | 96,212,069 |
| Norfolk | 26,108,428,900 | 10,864,997,600 | 2,501,762,700 | 13,366,760,300 | 39,475,189,200 | 33.86% | 164,411,152 |
| Norton | 247,648,200 | 63,737,800 | 24,769,900 | 88,507,700 | 336,155,900 | 26.33% | 796,569 |
| Petersburg | 2,619,032,600 | 151,143,500 | 86,878,500 | 238,022,000 | 2,857,054,600 | 8.33% | 3,022,879 |
| Poquoson | 2,138,388,000 | 43,261,200 | 73,376,700 | 116,637,900 | 2,255,025,900 | 5.17% | 1,329,672 |
| Portsmouth | 9,942,491,838 | 5,249,674,853 | 597,547,190 | 5,847,222,043 | 15,789,713,881 | 37.03% | 73,090,276 |
| Radford | 1,199,685,400 | 950,287,800 | 31,419,900 | 981,707,700 | 2,181,393,100 | 45.00% | 6,773,783 |
| Richmond | 38,669,564,000 | 7,706,160,000 | 3,277,693,000 | 10,983,853,000 | 49,653,417,000 | 22.12% | 131,806,236 |

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## Table 6.3, continued

**Comparison of Tax Exempt Value to Total Fair Market Value (FMV) of Real Estate by Locality - Tax Year 2024**

| City | Fair Market Value Real Estate | Fair Market Value Tax Exempt Real Estate: Government | Non-Government | Total Tax Exempt | Total FMV (Real Estate & Tax Exempt) | Tax Exempt to Total FMV | Taxes Lost Due to Exemptions |
|---|---|---|---|---|---|---|---|
| Roanoke | 10,678,638,700 | 1,264,282,600 | 1,262,435,300 | 2,526,717,900 | 13,205,356,600 | 19.13% | 30,825,958 |
| Salem | 3,047,940,500 | 452,320,300 | 238,601,200 | 690,921,500 | 3,738,862,000 | 18.48% | 8,291,058 |
| Staunton | 2,930,511,100 | 274,279,070 | 177,366,075 | 451,645,145 | 3,382,156,245 | 13.35% | 4,019,642 |
| Suffolk | 16,175,311,900 | 840,335,200 | 374,152,200 | 1,214,487,400 | 17,389,799,300 | 6.98% | 13,237,913 |
| Virginia Beach | 76,700,985,700 | 10,054,444,500 | 2,080,900,100 | 12,135,344,600 | 88,836,330,300 | 13.66% | 120,139,912 |
| Waynesboro | 2,771,263,500 | 96,092,700 | 221,966,500 | 318,059,200 | 3,089,322,700 | 10.30% | 2,449,056 |
| Williamsburg | 2,907,870,700 | 391,869,400 | 1,046,964,800 | 1,438,834,200 | 4,346,704,900 | 33.10% | 8,920,772 |
| Winchester | 4,356,231,778 | 158,339,829 | 1,197,564,299 | 1,355,904,128 | 5,712,135,906 | 23.74% | 11,254,004 |
| **Total Cities** | **$388,643,434,414** | **$64,236,252,004** | **$25,666,954,009** | **$89,903,206,013** | **$478,546,640,427** | **18.79%** | **$988,310,583** |

## Table 6.3, continued

**Comparison of Tax Exempt Value to Total Fair Market Value (FMV) of Real Estate by Locality - Tax Year 2024**

| County | Fair Market Value Real Estate | Fair Market Value Tax Exempt Real Estate: Government | Non-Government | Total Tax Exempt | Total FMV (Real Estate & Tax Exempt) | Tax Exempt to Total FMV | Taxes Lost Due to Exemptions |
|---|---|---|---|---|---|---|---|
| Accomack | 5,418,777,300 | 557,749,700 | 296,239,900 | 853,989,600 | 6,272,766,900 | 13.61% | 4,133,310 |
| Albemarle | 29,586,982,400 | 3,309,175,900 | 1,217,814,600 | 4,526,990,500 | 34,113,972,900 | 13.27% | 38,660,499 |
| Alleghany | 1,156,786,434 | 222,688,100 | 72,568,900 | 295,257,000 | 1,452,043,434 | 20.33% | 2,155,376 |
| Amelia | 1,856,740,150 | 36,060,200 | 59,443,100 | 95,503,300 | 1,952,243,450 | 4.89% | 439,315 |
| Amherst | 2,858,134,300 | 245,789,700 | 343,629,200 | 589,418,900 | 3,447,553,200 | 17.10% | 3,595,455 |
| Appomattox | 1,536,365,900 | 93,885,100 | 90,968,900 | 184,854,000 | 1,721,219,900 | 10.74% | 1,164,580 |
| Arlington | 91,422,648,100 | 8,895,034,400 | 1,317,833,100 | 10,212,867,500 | 101,635,515,600 | 10.05% | 105,498,921 |
| Augusta | 13,488,920,400 | 613,082,100 | 903,648,900 | 1,516,731,000 | 15,005,651,400 | 10.11% | 7,887,001 |
| Bath | 1,009,294,100 | 257,819,600 | 54,241,800 | 312,061,400 | 1,321,355,500 | 23.62% | 1,872,368 |
| Bedford | 13,950,637,700 | 395,485,000 | 652,463,500 | 1,047,948,500 | 14,998,586,200 | 6.99% | 4,296,589 |
| Bland | 630,951,000 | 133,331,800 | 29,549,600 | 162,881,400 | 793,832,400 | 20.52% | 977,288 |
| Botetourt | 5,851,773,470 | 214,758,100 | 304,561,800 | 519,319,900 | 6,371,093,370 | 8.15% | 3,635,239 |
| Brunswick | 1,966,387,910 | 233,232,500 | 55,251,400 | 288,483,900 | 2,254,871,810 | 12.79% | 1,442,420 |
| Buchanan | 2,213,731,091 | 414,333,268 | 120,360,126 | 534,693,394 | 2,748,424,485 | 19.45% | 2,085,304 |
| Buckingham | 1,641,135,099 | 234,805,500 | 133,245,800 | 368,051,300 | 2,009,186,399 | 18.32% | 2,208,308 |

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## Table 6.3, continued

**Comparison of Tax Exempt Value to Total Fair Market Value (FMV) of Real Estate by Locality - Tax Year 2024**

| County | Fair Market Value Real Estate | Fair Market Value Tax Exempt Real Estate: Government | Fair Market Value Tax Exempt Real Estate: Non-Government | Fair Market Value Tax Exempt Real Estate: Total Tax Exempt | Total FMV (Real Estate & Tax Exempt) | Tax Exempt to Total FMV | Taxes Lost Due to Exemptions |
|---|---|---|---|---|---|---|---|
| Campbell | 6,293,562,976 | 167,017,900 | 416,472,800 | 583,490,700 | 6,877,053,676 | 8.48% | 2,625,708 |
| Caroline | 3,867,337,678 | 454,285,000 | 178,593,400 | 632,878,400 | 4,500,216,078 | 14.06% | 4,936,452 |
| Carroll | 2,635,118,600 | 195,393,800 | 90,840,700 | 286,234,500 | 2,921,353,100 | 9.80% | 1,688,784 |
| Charles City | 1,051,515,695 | 68,899,000 | 16,955,100 | 85,854,100 | 1,137,369,795 | 7.55% | 566,637 |
| Charlotte | 1,044,666,131 | 40,297,210 | 66,298,372 | 106,595,582 | 1,151,261,713 | 9.26% | 660,893 |
| Chesterfield | 61,290,584,000 | 3,100,637,500 | 920,674,900 | 4,021,312,400 | 65,311,896,400 | 6.16% | 36,191,812 |
| Clarke | 2,868,381,100 | 71,570,900 | 116,804,200 | 188,375,100 | 3,056,756,200 | 6.16% | 1,149,088 |
| Craig | 734,732,300 | 109,395,600 | 33,659,900 | 143,055,500 | 877,787,800 | 16.30% | 743,889 |
| Culpeper | 9,178,860,135 | 342,767,500 | 348,341,900 | 691,109,400 | 9,869,969,535 | 7.00% | 3,248,214 |
| Cumberland | 1,281,372,920 | 245,576,430 | 96,677,520 | 342,253,950 | 1,623,626,870 | 21.08% | 2,053,524 |
| Dickenson | 1,479,061,800 | 182,504,500 | 45,362,900 | 227,867,400 | 1,706,929,200 | 13.35% | 1,184,910 |
| Dinwiddie | 2,886,939,261 | 219,845,282 | 180,266,136 | 400,111,418 | 3,287,050,679 | 12.17% | 3,360,936 |
| Essex | 1,632,458,356 | 35,795,339 | 65,301,738 | 101,097,077 | 1,733,555,433 | 5.83% | 738,009 |
| Fairfax County | 323,888,593,610 | 16,876,137,340 | 7,668,050,710 | 24,544,188,050 | 348,432,781,660 | 7.04% | 276,122,116 |
| Fauquier | 15,790,786,200 | 790,523,600 | 265,035,300 | 1,055,558,900 | 16,846,345,100 | 6.27% | 9,953,920 |
| Floyd | 1,965,495,400 | 119,113,000 | 37,092,700 | 156,205,700 | 2,121,701,100 | 7.36% | 1,046,578 |
| Fluvanna | 3,767,164,800 | 158,062,100 | 164,629,100 | 322,691,200 | 4,089,856,000 | 7.89% | 2,723,514 |
| Franklin | 11,517,747,800 | 123,651,400 | 459,888,800 | 583,540,200 | 12,101,288,000 | 4.82% | 2,509,223 |
| Frederick | 15,924,061,400 | 392,114,000 | 977,547,500 | 1,369,661,500 | 17,293,722,900 | 7.92% | 6,985,274 |
| Giles | 1,313,017,800 | 77,927,500 | 71,152,600 | 149,080,100 | 1,462,097,900 | 10.20% | 1,013,745 |
| Gloucester | 6,178,648,155 | 288,909,180 | 165,218,190 | 454,127,370 | 6,632,775,525 | 6.85% | 2,647,563 |
| Goochland | 9,392,863,400 | 218,278,200 | 293,678,300 | 511,956,500 | 9,904,819,900 | 5.17% | 2,713,369 |
| Grayson | 1,897,072,400 | 135,080,100 | 108,953,900 | 244,034,000 | 2,141,106,400 | 11.40% | 1,317,784 |
| Greene | 3,193,541,349 | 138,285,500 | 149,698,796 | 287,984,296 | 3,481,525,645 | 8.27% | 2,044,689 |
| Greensville | 664,646,560 | 544,445,500 | 29,972,200 | 574,417,700 | 1,239,064,260 | 46.36% | 3,848,599 |
| Halifax | 3,147,336,331 | 189,768,670 | 271,202,208 | 460,970,878 | 3,608,307,209 | 12.78% | 2,304,854 |
| Hanover | 23,059,303,989 | 1,446,772,301 | 554,330,000 | 2,001,102,301 | 25,060,406,290 | 7.99% | 16,208,929 |
| Henrico | 59,374,783,000 | 3,259,970,200 | 1,910,413,500 | 5,170,383,700 | 64,545,166,700 | 8.01% | 43,948,261 |
| Henry | 3,121,296,483 | 282,894,000 | 374,126,800 | 657,020,800 | 3,778,317,283 | 17.39% | 3,646,465 |
| Highland | 826,188,680 | 73,933,800 | 25,852,800 | 99,786,600 | 925,975,280 | 10.78% | 439,061 |

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## Table 6.3, continued

**Comparison of Tax Exempt Value to Total Fair Market Value (FMV) of Real Estate by Locality - Tax Year 2024**

| County | Fair Market Value Real Estate | Fair Market Value Tax Exempt Real Estate: Government | Fair Market Value Tax Exempt Real Estate: Non-Government | Fair Market Value Tax Exempt Real Estate: Total Tax Exempt | Total FMV (Real Estate & Tax Exempt) | Tax Exempt to Total FMV | Taxes Lost Due to Exemptions |
|---|---|---|---|---|---|---|---|
| Isle of Wight | 6,809,597,700 | 125,221,100 | 252,174,900 | 377,396,000 | 7,186,993,700 | 5.25% | 2,679,512 |
| James City | 16,972,098,600 | 633,045,900 | 145,605,900 | 778,651,800 | 17,750,750,400 | 4.39% | 6,462,810 |
| King and Queen | 1,201,569,040 | 34,518,500 | 47,480,800 | 81,999,300 | 1,283,568,340 | 6.39% | 409,997 |
| King George | 4,353,146,275 | 1,202,579,500 | 76,898,000 | 1,279,477,500 | 5,632,623,775 | 22.72% | 8,700,447 |
| King William | 2,849,906,236 | 69,084,959 | 94,533,645 | 163,618,604 | 3,013,524,840 | 5.43% | 803,310 |
| Lancaster | 3,822,609,600 | 59,492,300 | 79,087,000 | 138,579,300 | 3,961,188,900 | 3.50% | 762,186 |
| Lee | 983,229,382 | 153,070,878 | 100,122,600 | 253,193,478 | 1,236,422,860 | 20.48% | 1,873,632 |
| Loudoun | 145,864,623,110 | 10,218,186,550 | 2,393,989,010 | 12,612,175,560 | 158,476,798,670 | 7.96% | 109,095,319 |
| Louisa | 8,954,746,200 | 70,568,600 | 140,465,200 | 211,033,800 | 9,165,780,000 | 2.30% | 1,519,443 |
| Lunenburg | 1,216,301,600 | 47,131,400 | 58,997,500 | 106,128,900 | 1,322,430,500 | 8.03% | 350,225 |
| Madison | 2,379,052,900 | 107,281,200 | 241,845,500 | 349,126,700 | 2,728,179,600 | 12.80% | 2,583,538 |
| Mathews | 2,102,257,500 | 14,033,600 | 58,780,300 | 72,813,900 | 2,175,071,400 | 3.35% | 407,758 |
| Mecklenburg | 6,560,582,700 | 213,887,200 | 228,366,900 | 442,254,100 | 7,002,836,800 | 6.32% | 1,769,016 |
| Middlesex | 2,621,942,400 | 35,054,900 | 79,367,300 | 114,422,200 | 2,736,364,600 | 4.18% | 697,975 |
| Montgomery | 12,284,228,500 | 965,619,400 | 3,597,864,100 | 4,563,483,500 | 16,847,712,000 | 27.09% | 34,226,126 |
| Nelson | 3,693,750,100 | 106,932,800 | 149,298,100 | 256,230,900 | 3,949,981,000 | 6.49% | 1,665,501 |
| New Kent | 5,636,225,996 | 637,647,598 | 80,998,800 | 718,646,398 | 6,354,872,394 | 11.31% | 4,240,014 |
| Northampton | 3,303,742,700 | 201,920,900 | 390,922,700 | 592,843,600 | 3,896,586,300 | 15.21% | 4,060,979 |
| Northumberland | 3,027,435,200 | 15,611,200 | 76,403,900 | 92,015,100 | 3,119,450,300 | 2.95% | 607,300 |
| Nottoway | 1,306,712,408 | 134,273,279 | 98,885,116 | 233,158,395 | 1,539,870,803 | 15.14% | 1,049,213 |
| Orange | 5,282,386,900 | 382,615,800 | 113,094,600 | 495,710,400 | 5,778,097,300 | 8.58% | 3,717,828 |
| Page | 2,858,662,000 | 261,287,200 | 191,044,900 | 452,332,100 | 3,310,994,100 | 13.66% | 3,302,024 |
| Patrick | 1,644,100,600 | 44,828,500 | 103,177,300 | 148,005,800 | 1,792,106,400 | 8.26% | 1,080,442 |
| Pittsylvania | 6,773,050,133 | 178,849,800 | 456,218,455 | 635,068,255 | 7,408,118,388 | 8.57% | 3,556,382 |
| Powhatan | 5,981,957,173 | 108,101,400 | 259,821,300 | 367,922,700 | 6,349,879,873 | 5.79% | 2,538,667 |
| Prince Edward | 1,863,459,264 | 156,661,100 | 862,350,100 | 1,019,011,200 | 2,882,470,464 | 35.35% | 5,196,957 |
| Prince George | 4,215,943,102 | 2,723,262,300 | 134,124,600 | 2,857,386,900 | 7,073,330,002 | 40.40% | 23,430,573 |
| Prince William | 102,908,738,200 | 4,068,264,100 | 2,734,052,200 | 6,802,316,300 | 109,711,054,500 | 6.20% | 62,581,310 |
| Pulaski | 3,304,811,200 | 674,209,500 | 95,750,200 | 769,959,700 | 4,074,770,900 | 18.90% | 5,697,702 |
| Rappahannock | 2,561,919,700 | 94,493,000 | 36,592,700 | 131,085,700 | 2,693,005,400 | 4.87% | 799,623 |

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## Table 6.3, continued

**Comparison of Tax Exempt Value to Total Fair Market Value (FMV) of Real Estate by Locality - Tax Year 2024**

| County | Fair Market Value Real Estate | Fair Market Value Tax Exempt Real Estate: Government | Fair Market Value Tax Exempt Real Estate: Non-Government | Fair Market Value Tax Exempt Real Estate: Total Tax Exempt | Total FMV (Real Estate & Tax Exempt) | Tax Exempt to Total FMV | Taxes Lost Due to Exemptions |
|---|---|---|---|---|---|---|---|
| Richmond County | 1,276,092,010 | 79,589,513 | 68,723,697 | 148,313,210 | 1,424,405,220 | 10.41% | 889,879 |
| Roanoke | 12,267,247,050 | 730,793,800 | 434,726,800 | 1,165,520,600 | 13,432,767,650 | 8.68% | 12,121,414 |
| Rockbridge | 3,804,528,200 | 217,830,400 | 196,817,700 | 414,648,100 | 4,219,176,300 | 9.83% | 2,529,353 |
| Rockingham | 12,691,751,849 | 432,478,990 | 1,129,436,884 | 1,561,915,874 | 14,253,667,723 | 10.96% | 10,621,028 |
| Russell | 1,593,897,500 | 156,695,700 | 101,101,025 | 257,796,725 | 1,851,694,225 | 13.92% | 1,624,119 |
| Scott | 1,611,544,623 | 151,854,800 | 175,421,500 | 327,276,300 | 1,938,820,923 | 16.88% | 2,520,028 |
| Shenandoah | 6,711,152,600 | 673,029,800 | 225,228,800 | 898,258,600 | 7,609,411,200 | 11.80% | 5,748,855 |
| Smyth | 2,324,988,650 | 172,856,191 | 247,150,600 | 420,006,791 | 2,744,995,441 | 15.30% | 2,478,040 |
| Southampton | 2,626,130,300 | 207,653,700 | 198,403,700 | 406,057,400 | 3,032,187,700 | 13.39% | 2,883,008 |
| Spotsylvania | 24,872,510,500 | 799,406,200 | 238,535,500 | 1,037,941,700 | 25,910,452,200 | 4.01% | 7,621,606 |
| Stafford | 28,195,200,400 | 1,178,714,000 | 1,253,011,700 | 2,431,725,700 | 30,626,926,100 | 7.94% | 21,729,901 |
| Surry | 1,263,264,800 | 69,771,500 | 76,990,800 | 146,762,300 | 1,410,027,100 | 10.41% | 1,042,012 |
| Sussex | 1,195,991,822 | 231,009,300 | 96,929,700 | 327,939,000 | 1,523,930,822 | 21.52% | 1,738,077 |
| Tazewell | 3,371,616,175 | 359,106,600 | 240,711,300 | 599,817,900 | 3,971,434,075 | 15.10% | 3,478,944 |
| Warren | 6,957,756,400 | 416,843,300 | 553,325,500 | 970,168,800 | 7,927,925,200 | 12.24% | 5,141,895 |
| Washington | 5,385,197,100 | 279,077,200 | 539,684,100 | 818,761,300 | 6,203,958,400 | 13.20% | 4,912,568 |
| Westmoreland | 3,352,013,400 | 86,873,700 | 49,602,400 | 136,476,100 | 3,488,489,500 | 3.91% | 928,037 |
| Wise | 1,920,051,695 | 461,390,400 | 529,786,700 | 991,177,100 | 2,911,228,795 | 34.05% | 6,839,122 |
| Wythe | 3,101,555,170 | 245,163,500 | 171,337,700 | 416,501,200 | 3,518,056,370 | 11.84% | 2,124,156 |
| York | 12,720,011,900 | 4,670,075,800 | 561,021,100 | 5,231,096,900 | 17,951,108,800 | 29.14% | 38,710,117 |
| **Total Counties** | **$1,266,437,692,226** | **$81,565,032,178** | **$42,221,174,428** | **$123,786,206,606** | **$1,390,223,898,832** | **8.90%** | **$1,050,222,737** |
| **Total Cities** | **$388,643,434,414** | **$64,236,252,004** | **$25,666,954,009** | **$89,903,206,013** | **$478,546,640,427** | **18.79%** | **$988,310,583** |
| **Aggregate** | **$1,655,081,126,640** | **$145,801,284,182** | **$67,888,128,437** | **$213,689,412,619** | **$1,868,770,539,259** | **11.43%** | **$2,038,533,321** |

Notes:

1. The data in this table are as reported by local Commissioners of the Revenue and Assessors to the Virginia Department of Taxation, Property Tax Unit.
2. Taxable fair market value is the total fair market of real estate minus the special assessment for land preservation (Code of Virginia, Section 58.1-3230).
3. The taxable fair market value is equal to the total fair market value for localities which do not have a special assessment for land preservation.

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Virginia Tax

## Table 6.4

**Tangible Personal Property, Machinery & Tools, Merchants' Capital, and Public Service Corporations: Assessed Values & Levies by Locality - Tax Year 2024**

| City | Tangible Personal Property | | Machinery and Tools | | Merchants' Capital | | Public Service Corporations | |
|---|---|---|---|---|---|---|---|---|
| | Values | Levies | Values | Levies | Values | Levies | Values | Levies |
| Alexandria | 2,372,226,081 | 123,906,729 | 17,428,994 | 784,305 | 0 | 0 | 718,419,996 | 8,192,806 |
| Bristol | 154,598,820 | 3,521,607 | 30,980,423 | 798,390 | 0 | 0 | 16,627,326 | 194,540 |
| Buena Vista | 45,244,029 | 2,349,715 | 8,421,710 | 357,923 | 0 | 0 | 20,643,684 | 262,622 |
| Charlottesville | 786,311,363 | 17,526,882 | 19,748,942 | 431,610 | 0 | 0 | 199,027,666 | 1,961,548 |
| Chesapeake | 3,174,056,482 | 129,204,903 | 120,717,840 | 3,891,622 | 0 | 0 | 1,375,464,410 | 13,897,985 |
| Colonial Heights | 192,493,936 | 5,646,834 | 7,619,805 | 152,396 | 0 | 0 | 32,899,426 | 394,793 |
| Covington | 67,212,470 | 2,087,790 | 163,342,540 | 4,240,429 | 0 | 0 | 181,074,529 | 1,539,133 |
| Danville | 493,017,192 | 9,360,182 | 115,093,058 | 863,198 | 0 | 0 | 73,419,708 | 616,726 |
| Emporia | 48,125,139 | 2,948,833 | 10,227,356 | 511,368 | 0 | 0 | 33,499,098 | 309,748 |
| Fairfax City | 470,543,131 | 17,291,743 | 1,200,038 | 49,562 | 0 | 0 | 238,601,287 | 2,505,307 |
| Falls Church | 188,483,510 | 7,413,866 | 0 | 0 | 0 | 0 | 34,348,689 | 415,619 |
| Franklin | 83,914,349 | 4,503,669 | 1,782,940 | 35,659 | 0 | 0 | 7,781,191 | 80,291 |
| Fredericksburg | 444,865,123 | 15,668,614 | 6,344,937 | 98,299 | 0 | 0 | 95,698,946 | 851,805 |
| Galax | 92,586,808 | 2,079,784 | 47,833,633 | 765,338 | 0 | 0 | 30,637,689 | 282,923 |
| Hampton | 1,279,869,935 | 56,613,976 | 94,150,538 | 3,171,354 | 0 | 0 | 453,134,790 | 5,228,007 |
| Harrisonburg | 594,015,228 | 17,074,751 | 148,900,959 | 3,156,429 | 0 | 0 | 77,844,986 | 786,619 |
| Hopewell | 191,154,846 | 6,685,238 | 333,549,879 | 10,340,046 | 0 | 0 | 444,478,957 | 5,229,555 |
| Lexington | 45,304,562 | 1,997,126 | 105,803 | 4,497 | 0 | 0 | 22,470,127 | 208,522 |
| Lynchburg | 734,808,401 | 28,025,217 | 162,667,989 | 4,944,772 | 0 | 0 | 324,426,790 | 2,899,095 |
| Manassas | 550,435,580 | 24,903,401 | 744,659,370 | 5,760,172 | 0 | 0 | 132,562,800 | 1,418,422 |
| Manassas Park | 228,559,421 | 6,637,146 | 841,703 | 29,460 | 0 | 0 | 34,091,422 | 487,507 |
| Martinsville | 150,058,855 | 3,451,625 | 9,197,527 | 170,153 | 0 | 0 | 34,601,696 | 347,968 |
| Newport News | 1,851,219,657 | 78,923,789 | 642,433,387 | 24,091,252 | 0 | 0 | 152,878,310 | 1,916,985 |
| Norfolk | 2,456,204,663 | 98,932,052 | 170,940,695 | 7,264,980 | 0 | 0 | 1,084,914,943 | 13,369,782 |
| Norton | 37,853,976 | 721,315 | 3,960,794 | 84,832 | 0 | 0 | 37,719,458 | 339,475 |
| Petersburg | 257,012,084 | 12,687,471 | 53,786,279 | 2,059,808 | 0 | 0 | 243,595,870 | 3,093,668 |
| Poquoson | 185,839,590 | 6,497,150 | 0 | 0 | 0 | 0 | 28,636,251 | 326,453 |
| Portsmouth | 883,597,199 | 50,283,034 | 35,824,630 | 1,232,157 | 0 | 0 | 227,369,519 | 2,842,119 |
| Radford | 116,100,154 | 2,679,559 | 18,095,076 | 318,473 | 0 | 0 | 31,987,460 | 220,736 |
| Richmond | 3,368,803,371 | 118,979,623 | 600,748,211 | 13,817,209 | 0 | 0 | 1,601,668,135 | 2,888,676 |

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Virginia Tax

## Table 6.4, continued

**Tangible Personal Property, Machinery & Tools, Merchants' Capital, and Public Service Corporations: Assessed Values & Levies by Locality - Tax Year 2024**

| | Tangible Personal Property | | Machinery and Tools | | Merchants' Capital | | Public Service Corporations | |
|---|---|---|---|---|---|---|---|---|
| City | Values | Levies | Values | Levies | Values | Levies | Values | Levies |
| Roanoke | 1,209,749,741 | 41,172,600 | 98,507,102 | 3,398,495 | 0 | 0 | 555,542,965 | 3,482,446 |
| Salem | 426,931,154 | 11,610,679 | 108,078,260 | 3,460,654 | 0 | 0 | 95,722,790 | 1,148,673 |
| Staunton | 324,957,509 | 9,240,205 | 31,368,912 | 388,975 | 0 | 0 | 127,398,369 | 1,137,158 |
| Suffolk | 1,422,827,960 | 52,866,824 | 69,816,710 | 2,194,698 | 0 | 0 | 526,857,438 | 5,748,364 |
| Virginia Beach | 5,667,585,245 | 244,290,062 | 189,555,893 | 6,120,574 | 0 | 0 | 1,087,984,848 | 17,518,765 |
| Waynesboro | 298,625,928 | 9,539,930 | 35,567,782 | 1,161,193 | 0 | 0 | 124,581,931 | 960,412 |
| Williamsburg | 138,426,570 | 4,830,238 | 0 | 0 | 0 | 0 | 82,071,314 | 509,074 |
| Winchester | 670,568,576 | 31,817,625 | 133,149,034 | 1,730,937 | 0 | 0 | 102,350,287 | 855,043 |
| **Total Cities** | **31,704,188,639** | **1,263,971,786** | **4,236,648,749** | **107,881,217** | **0** | **0** | **10,693,035,101** | **104,469,369** |

## Table 6.4, continued

**Tangible Personal Property, Machinery & Tools, Merchants' Capital, and Public Service Corporations: Assessed Values & Levies by Locality - Tax Year 2024**

| | Tangible Personal Property | | Machinery and Tools | | Merchants' Capital | | Public Service Corporations | |
|---|---|---|---|---|---|---|---|---|
| County | Values | Levies | Values | Levies | Values | Levies | Values | Levies |
| Accomack | 531,207,548 | 17,740,945 | 21,261,198 | 791,468 | 0 | 0 | 408,449,529 | 2,070,437 |
| Albemarle | 1,560,050,338 | 44,020,010 | 17,976,418 | 702,734 | 0 | 0 | 1,360,153,329 | 11,653,933 |
| Alleghany | 186,267,496 | 5,307,987 | 221,513,517 | 6,601,103 | 0 | 0 | 147,578,018 | 1,078,239 |
| Amelia | 184,442,862 | 7,673,148 | 23,305,470 | 350,737 | 0 | 0 | 58,015,788 | 273,756 |
| Amherst | 386,415,244 | 12,793,899 | 122,901,900 | 2,458,038 | 0 | 0 | 139,993,788 | 853,972 |
| Appomattox | 222,992,863 | 6,577,993 | 5,167,779 | 173,121 | 13,530,732 | 135,307 | 106,407,075 | 686,631 |
| Arlington | 2,945,539,079 | 165,347,121 | 5,294,033 | 235,473 | 0 | 0 | 877,497,715 | 8,895,953 |
| Augusta | 1,114,812,660 | 26,960,629 | 291,230,390 | 6,002,374 | 0 | 0 | 633,387,900 | 3,320,326 |
| Bath | 105,590,300 | 573,226 | 7,456,500 | 41,011 | 0 | 0 | 1,100,668,442 | 6,603,489 |
| Bedford | 1,468,361,502 | 35,250,530 | 282,215,876 | 3,261,348 | 0 | 0 | 362,031,993 | 1,487,232 |
| Bland | 91,371,686 | 2,001,548 | 36,344,480 | 382,599 | 25,528,061 | 186,355 | 106,953,316 | 641,720 |
| Botetourt | 578,605,871 | 15,669,457 | 296,374,369 | 5,927,487 | 0 | 0 | 623,206,928 | 4,373,921 |
| Brunswick | 184,083,320 | 6,954,434 | 11,814,540 | 401,694 | 0 | 0 | 1,238,215,492 | 6,194,533 |
| Buchanan | 311,024,555 | 5,817,486 | 327,206,849 | 6,380,534 | 3,978,771 | 79,575 | 180,991,954 | 709,452 |
| Buckingham | 160,669,397 | 6,162,267 | 12,499,420 | 364,064 | 23,070,280 | 225,172 | 446,063,894 | 2,676,594 |

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## Table 6.4, continued

**Tangible Personal Property, Machinery & Tools, Merchants' Capital, and Public Service Corporations: Assessed Values & Levies by Locality - Tax Year 2024**

| | Tangible Personal Property | | Machinery and Tools | | Merchants' Capital | | Public Service Corporations | |
|---|---|---|---|---|---|---|---|---|
| County | Values | Levies | Values | Levies | Values | Levies | Values | Levies |
| Campbell | 458,790,574 | 15,199,541 | 220,649,736 | 6,730,286 | 0 | 0 | 491,855,218 | 2,248,386 |
| Caroline | 498,135,589 | 17,584,297 | 12,050,154 | 427,225 | 0 | 0 | 369,342,933 | 2,970,494 |
| Carroll | 331,751,120 | 6,298,055 | 38,841,140 | 736,400 | 45,358,233 | 312,972 | 125,902,719 | 746,624 |
| Charles City | 455,664,498 | 16,991,010 | 6,827,292 | 204,819 | 9,922,296 | 277,824 | 0 | 0 |
| Charlotte | 151,182,896 | 4,687,330 | 26,395,739 | 799,446 | 1,736,384 | 54,982 | 90,767,917 | 562,822 |
| Chesterfield | 4,966,447,118 | 157,110,200 | 257,976,956 | 2,579,770 | 0 | 0 | 1,739,479,835 | 15,668,345 |
| Clarke | 238,750,146 | 11,303,822 | 20,411,201 | 255,140 | 0 | 0 | 72,210,105 | 440,482 |
| Craig | 55,145,579 | 1,817,821 | 1,965,849 | 68,805 | 722,479 | 12,643 | 25,284,807 | 150,424 |
| Culpeper | 1,332,824,836 | 40,819,376 | 97,559,786 | 1,973,156 | 0 | 0 | 335,967,615 | 1,721,389 |
| Cumberland | 97,497,586 | 4,050,119 | 4,920,592 | 184,522 | 0 | 0 | 112,895,787 | 693,552 |
| Dickenson | 146,692,914 | 2,500,171 | 97,849,037 | 1,712,420 | 1,341,861 | 137,649 | 117,577,538 | 613,243 |
| Dinwiddie | 453,929,901 | 22,108,493 | 99,030,601 | 3,238,874 | 0 | 0 | 206,028,512 | 1,755,311 |
| Essex | 205,167,942 | 5,776,776 | 14,287,203 | 171,446 | 2,405,625 | 90,211 | 43,236,162 | 315,624 |
| Fairfax County | 17,789,273,576 | 818,878,669 | 11,374,553 | 227,491 | 0 | 0 | 4,901,387,230 | 54,322,500 |
| Fauquier | 1,694,279,180 | 55,920,717 | 12,900,480 | 445,067 | 0 | 0 | 809,592,828 | 7,639,855 |
| Floyd | 192,414,103 | 6,035,827 | 19,266,524 | 297,412 | 3,263,528 | 110,466 | 63,829,885 | 422,394 |
| Fluvanna | 340,096,258 | 13,444,534 | 1,617,763 | 30,738 | 15,981,462 | 455,178 | 486,260,022 | 4,160,159 |
| Franklin | 1,026,098,734 | 25,455,039 | 172,280,970 | 1,205,967 | 87,170,428 | 941,434 | 238,079,084 | 1,032,076 |
| Frederick | 1,703,546,942 | 70,012,269 | 482,363,173 | 9,647,263 | 0 | 0 | 446,161,709 | 2,328,449 |
| Giles | 298,349,400 | 5,936,313 | 298,344,762 | 6,116,068 | 29,501,531 | 259,054 | 101,150,694 | 693,401 |
| Gloucester | 692,801,400 | 17,787,812 | 9,120,260 | 269,050 | 0 | 0 | 173,354,948 | 1,012,483 |
| Goochland | 662,895,322 | 26,374,896 | 66,975,270 | 669,753 | 0 | 0 | 204,277,225 | 1,097,912 |
| Grayson | 187,828,537 | 3,723,251 | 19,763,537 | 345,739 | 1,478,463 | 99,057 | 62,894,530 | 339,630 |
| Greene | 204,675,246 | 8,844,209 | 9,919,502 | 247,988 | 0 | 0 | 71,503,788 | 507,782 |
| Greensville | 97,233,060 | 4,683,215 | 32,622,170 | 1,315,172 | 0 | 0 | 862,550,589 | 5,816,177 |
| Halifax | 377,490,200 | 13,712,072 | 147,723,600 | 1,861,317 | 0 | 0 | 1,341,502,762 | 6,724,334 |
| Hanover | 2,691,660,563 | 84,303,491 | 73,156,420 | 2,621,556 | 122,906,523 | 2,311,428 | 793,622,178 | 6,442,765 |
| Henrico | 6,164,470,424 | 183,316,984 | 354,251,821 | 1,177,265 | 0 | 0 | 1,585,647,937 | 13,517,716 |
| Henry | 499,326,463 | 7,668,218 | 677,248,956 | 10,363,798 | 0 | 0 | 221,907,691 | 1,235,747 |
| Highland | 32,497,904 | 866,687 | 98,215 | 982 | 462,992 | 4,630 | 22,772,544 | 104,608 |

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## Table 6.4, continued

**Tangible Personal Property, Machinery & Tools, Merchants' Capital, and Public Service Corporations: Assessed Values & Levies by Locality - Tax Year 2024**

| | Tangible Personal Property | | Machinery and Tools | | Merchants' Capital | | Public Service Corporations | |
|---|---|---|---|---|---|---|---|---|
| County | Values | Levies | Values | Levies | Values | Levies | Values | Levies |
| Isle of Wight | 569,890,739 | 22,597,107 | 310,895,678 | 6,063,573 | 0 | 0 | 166,611,184 | 1,241,092 |
| James City | 1,204,367,678 | 47,715,040 | 168,556,559 | 6,742,262 | 0 | 0 | 570,390,228 | 4,737,886 |
| King and Queen | 145,486,968 | 4,253,434 | 11,309,340 | 122,570 | 8,921,792 | 57,992 | 112,785,819 | 565,453 |
| King George | 432,958,817 | 11,938,868 | 6,960,606 | 157,156 | 0 | 0 | 119,109,929 | 812,518 |
| King William | 251,969,243 | 5,847,696 | 193,628,213 | 2,309,555 | 0 | 0 | 75,235,514 | 374,091 |
| Lancaster | 188,343,335 | 3,240,800 | 115,150 | 1,750 | 13,003,570 | 129,892 | 104,688,762 | 576,845 |
| Lee | 219,793,569 | 3,914,517 | 16,403,446 | 328,069 | 6,033,117 | 85,035 | 72,152,277 | 538,733 |
| Loudoun | 24,123,134,284 | 968,176,985 | 79,919,123 | 2,197,775 | 0 | 0 | 4,153,378,017 | 36,039,340 |
| Louisa | 734,591,605 | 15,396,861 | 23,521,790 | 446,914 | 94,049,470 | 622,219 | 2,440,268,870 | 17,587,761 |
| Lunenburg | 118,832,565 | 4,989,426 | 15,353,070 | 280,765 | 12,393,607 | 148,929 | 78,819,961 | 260,106 |
| Madison | 212,249,565 | 5,953,086 | 7,581,289 | 126,545 | 31,105,276 | 267,807 | 47,285,105 | 349,910 |
| Mathews | 183,557,083 | 4,903,433 | 0 | 0 | 0 | 0 | 23,837,430 | 133,516 |
| Mecklenburg | 2,574,823,543 | 85,852,779 | 59,769,195 | 393,637 | 84,455,614 | 609,816 | 404,428,066 | 1,675,364 |
| Middlesex | 342,182,847 | 6,399,503 | 0 | 0 | 0 | 0 | 117,874,721 | 721,115 |
| Montgomery | 1,185,931,922 | 30,141,800 | 199,686,044 | 3,632,454 | 0 | 0 | 305,789,239 | 2,301,068 |
| Nelson | 221,066,494 | 5,913,102 | 6,665,560 | 83,320 | 0 | 0 | 156,745,469 | 1,058,861 |
| New Kent | 471,989,570 | 13,217,197 | 10,565,575 | 77,654 | 0 | 0 | 244,099,257 | 1,470,590 |
| Northampton | 185,766,457 | 6,808,088 | 5,663,700 | 113,274 | 0 | 0 | 76,111,900 | 521,367 |
| Northumberland | 156,776,847 | 5,413,503 | 5,374,943 | 193,498 | 6,105,542 | 60,888 | 48,545,274 | 321,313 |
| Nottoway | 132,952,844 | 4,730,723 | 20,192,191 | 270,348 | 0 | 0 | 110,742,092 | 545,844 |
| Orange | 757,909,940 | 19,138,348 | 57,278,471 | 1,048,196 | 67,462,559 | 269,850 | 207,715,817 | 1,559,083 |
| Page | 260,414,110 | 10,492,425 | 25,732,130 | 385,982 | 0 | 0 | 91,001,004 | 685,616 |
| Patrick | 293,925,577 | 4,866,200 | 50,345,749 | 862,053 | 0 | 0 | 61,820,220 | 452,411 |
| Pittsylvania | 262,215,656 | 17,645,867 | 54,549,590 | 2,454,732 | 15,074,840 | 409,898 | 450,929,457 | 2,650,241 |
| Powhatan | 433,861,520 | 18,906,627 | 21,968,071 | 790,851 | 0 | 0 | 120,682,729 | 860,897 |
| Prince Edward | 186,665,547 | 7,815,652 | 2,529,200 | 106,226 | 55,934,400 | 391,541 | 108,894,403 | 588,833 |
| Prince George | 448,901,520 | 16,960,876 | 87,489,319 | 1,333,394 | 0 | 0 | 301,076,891 | 2,471,073 |
| Prince William | 8,044,510,767 | 275,268,103 | 91,838,557 | 1,836,771 | 0 | 0 | 2,591,645,313 | 23,962,156 |
| Pulaski | 499,373,707 | 11,011,545 | 350,020,454 | 5,250,307 | 0 | 0 | 124,073,929 | 924,346 |
| Rappahannock | 90,020,545 | 3,404,166 | 0 | 0 | 0 | 0 | 53,569,862 | 326,776 |

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## Table 6.4, continued

**Tangible Personal Property, Machinery & Tools, Merchants' Capital, and Public Service Corporations: Assessed Values & Levies by Locality - Tax Year 2024**

| | Tangible Personal Property | | Machinery and Tools | | Merchants' Capital | | Public Service Corporations | |
|---|---|---|---|---|---|---|---|---|
| County | Values | Levies | Values | Levies | Values | Levies | Values | Levies |
| Richmond County | 109,556,240 | 4,078,019 | 20,123,310 | 80,493 | 3,554,390 | 124,404 | 125,292,698 | 810,032 |
| Roanoke | 1,273,012,264 | 43,216,210 | 106,812,450 | 2,990,749 | 0 | 0 | 534,896,700 | 5,586,012 |
| Rockbridge | 318,096,641 | 12,907,978 | 21,145,754 | 598,551 | 0 | 0 | 302,707,955 | 1,850,260 |
| Rockingham | 1,338,099,256 | 31,693,801 | 810,013,335 | 20,655,347 | 206,388,534 | 1,795,581 | 383,835,677 | 2,820,082 |
| Russell | 400,001,698 | 7,088,974 | 70,697,036 | 1,378,595 | 7,853,703 | 51,049 | 289,431,875 | 1,823,421 |
| Scott | 229,125,709 | 3,835,322 | 55,100,973 | 633,661 | 39,460,935 | 0 | 115,355,285 | 893,963 |
| Shenandoah | 671,132,243 | 26,239,486 | 90,333,259 | 2,809,378 | 63,866,436 | 381,623 | 313,789,883 | 2,032,510 |
| Smyth | 355,020,990 | 8,013,739 | 124,541,316 | 1,930,390 | 115,570,002 | 462,280 | 318,510,431 | 1,883,437 |
| Southampton | 295,787,627 | 12,564,494 | 116,920,545 | 2,806,093 | 22,690,223 | 113,451 | 268,952,522 | 1,912,737 |
| Spotsylvania | 397,489,186 | 60,602,493 | 45,778,555 | 312,380 | 0 | 0 | 663,160,874 | 4,925,559 |
| Stafford | 1,441,055,310 | 79,557,066 | 0 | 0 | 208,662,980 | 1,050,075 | 473,311,838 | 4,260,678 |
| Surry | 84,547,179 | 3,277,044 | 1,988,880 | 19,889 | 0 | 0 | 2,263,210,309 | 16,085,199 |
| Sussex | 129,331,459 | 7,961,960 | 70,283,603 | 1,511,288 | 16,850,908 | 168,509 | 137,589,287 | 776,603 |
| Tazewell | 647,132,592 | 11,174,172 | 26,527,218 | 1,586,358 | 21,048,500 | 902,695 | 241,964,501 | 1,411,087 |
| Warren | 634,147,220 | 26,983,067 | 85,756,700 | 1,743,443 | 0 | 0 | 1,107,440,400 | 6,002,990 |
| Washington | 1,008,190,281 | 12,177,296 | 240,772,513 | 3,643,653 | 0 | 0 | 225,067,977 | 1,359,990 |
| Westmoreland | 254,148,870 | 7,514,763 | 19,265,210 | 366,362 | 12,038,270 | 97,022 | 67,157,680 | 461,936 |
| Wise | 464,726,035 | 5,756,253 | 37,271,465 | 532,343 | 29,619,485 | 797,327 | 1,399,696,053 | 9,656,858 |
| Wythe | 489,354,060 | 10,549,131 | 197,272,821 | 2,959,092 | 86,127,618 | 482,315 | 325,881,614 | 1,666,212 |
| York | 940,194,819 | 28,738,720 | 4,299,205 | 162,819 | 0 | 0 | 1,014,739,598 | 7,713,156 |
| **Total Counties** | **$110,492,967,272** | **$4,058,905,638** | **$8,999,173,161** | **$174,329,234** | **$1,616,631,421** | **$15,174,135** | **$48,018,961,849** | **$367,051,804** |
| **Total Cities** | **$31,704,188,639** | **$1,263,971,786** | **$4,236,648,749** | **$107,881,217** | **$0** | **$0** | **$10,693,035,101** | **$104,469,369** |
| **Aggregate** | **$142,197,155,912** | **$5,322,877,424** | **$13,235,821,910** | **$282,210,451** | **$1,616,631,421** | **$15,174,135** | **$58,711,996,950** | **$471,521,173** |

Notes:

1. The data in this table are as reported by local Commissioners of the Revenue and Assessors to the Virginia Department of Taxation, Property Tax Unit.
2. A local license tax may be imposed on gross receipts under the Code of Virginia, Section 58.1-3706.
3. Tangible personal property includes motor vehicles, watercraft, aircraft, farm animals and machinery, business property, household goods, etc.
4. Some localities exempt certain of these categories from taxation.
5. Machinery and Tools includes machinery and equipment used in a manufacturing, mining, processing or reprocessing, radio and television broadcasting, etc.
6. Merchants' Capital includes inventory of stock on hand, daily rental property, and all tangible personal property for sale.
7. Property of Public Service Corporations (PSC's) includes merchants' capital, real estate taxed, and tangible personal property.

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Virginia Tax

## Table 6.5

**Personal-Use Vehicles: Personal Property Tax by Locality - Tax Year 2024**

| City | Notes | Personal-Use Vehicles: Vehicle Count | Personal-Use Vehicles: Vehicles per capita[5] | Assessed Value | Tax Before PPTRA[6] | Reimbursed Tax (PPTRA) | Net Tax After PPTRA | Tax Per Vehicle: Tax Before PPTRA | Tax Per Vehicle: Tax After PPTRA | Effective Tax Rate: Per $100 Value, Before PPTRA | Effective Tax Rate: Per $100 Value, After PPTRA |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Alexandria | | 123,868 | 0.78 | $ 1,825,929,266 | $ 79,373,395 | $ 23,578,531 | $ 55,794,865 | $641 | $450 | $4.35 | $3.06 |
| Bristol | 1 3 | 11,374 | 0.69 | - | - | 723,990 | - | - | - | - | - |
| Buena Vista | 2 3 | - | - | 45,244,029 | - | 662,919 | - | - | - | - | - |
| Charlottesville | | 30,564 | 0.59 | 278,650,273 | 15,758,868 | 3,498,256 | 12,260,612 | 516 | 401 | 5.66 | 4.40 |
| Chesapeake | | 223,624 | 0.88 | 2,288,811,340 | 91,910,847 | 28,590,001 | 63,320,846 | 411 | 283 | 4.02 | 2.77 |
| Colonial Heights | | 15,479 | 0.85 | 59,948,677 | 3,849,622 | 1,753,369 | 2,096,253 | 249 | 135 | 6.42 | 3.50 |
| Covington | | 5,563 | 1.01 | 49,081,570 | 1,511,706 | 545,479 | 966,227 | 272 | 174 | 3.08 | 1.97 |
| Danville | | 38,123 | 0.89 | 311,838,174 | 6,206,966 | 3,593,576 | 2,613,390 | 163 | 69 | 1.99 | 0.84 |
| Emporia | | 5,067 | 0.90 | 34,786,382 | 1,529,866 | 570,320 | 959,547 | 302 | 189 | 4.40 | 2.76 |
| Fairfax City | | 24,627 | 1.02 | 373,108,086 | 13,407,887 | 3,099,005 | 10,308,882 | 544 | 419 | 3.59 | 2.76 |
| Falls Church | | 11,576 | 0.73 | 185,965,056 | 6,896,479 | 2,020,878 | 4,875,601 | 596 | 421 | 3.71 | 2.62 |
| Franklin | | 8,061 | 0.99 | 64,156,511 | 2,722,027 | 1,048,897 | 1,673,130 | 338 | 208 | 4.24 | 2.61 |
| Fredericksburg | | 26,585 | 0.95 | 389,075,677 | 8,983,907 | 1,728,833 | 7,255,074 | 338 | 273 | 2.31 | 1.86 |
| Galax | 3 | 6,747 | 0.99 | - | 1,156,706 | 230,012 | 926,694 | 171 | 137 | - | - |
| Hampton | | 133,552 | 0.98 | 1,230,678,276 | 46,579,676 | 15,453,929 | 31,125,747 | 349 | 233 | 3.78 | 2.53 |
| Harrisonburg | | 29,576 | 0.52 | 270,181,208 | 9,321,252 | 1,522,583 | 7,798,669 | 315 | 264 | 3.45 | 2.89 |
| Hopewell | | 26,360 | 1.17 | 173,606,952 | 5,040,514 | 1,618,030 | 3,422,485 | 191 | 130 | 2.90 | 1.97 |
| Lexington | 1 3 | 3,691 | 0.50 | - | - | 581,419 | - | - | - | - | - |
| Lynchburg | | 48,813 | 0.60 | 635,206,623 | 19,524,314 | 5,543,584 | 13,980,730 | 400 | 286 | 3.07 | 2.20 |
| Manassas | | 27,862 | 0.65 | 364,980,840 | 13,139,310 | 3,786,634 | 9,352,676 | 472 | 336 | 3.60 | 2.56 |
| Manassas Park | 3 | 14,709 | 0.84 | - | - | 1,368,393 | - | - | - | - | - |
| Martinsville | | 9,871 | 0.74 | 74,285,331 | 1,708,581 | 626,428 | 1,082,153 | 173 | 110 | 2.30 | 1.46 |
| Newport News | | 165,279 | 0.91 | 1,214,321,635 | 54,635,235 | 18,572,326 | 36,062,909 | 331 | 218 | 4.50 | 2.97 |
| Norfolk | | 184,336 | 0.75 | 1,679,723,579 | 87,124,732 | 16,871,056 | 70,253,676 | 473 | 381 | 5.19 | 4.18 |
| Norton | 1 | 2,954 | 0.78 | 35,222,379 | 928,484 | 206,422 | 722,062 | 314 | 244 | 2.64 | 2.05 |
| Petersburg | | 26,022 | 0.75 | 174,004,898 | 11,252,323 | 2,726,040 | 8,526,283 | 432 | 328 | 6.47 | 4.90 |
| Poquoson | | 13,437 | 1.04 | 152,829,083 | 6,342,407 | 1,923,431 | 4,418,976 | 472 | 329 | 4.15 | 2.89 |
| Portsmouth | | 93,332 | 0.98 | 742,637,808 | 39,096,339 | 9,862,962 | 29,233,376 | 419 | 313 | 5.26 | 3.94 |
| Radford | 1 2 3 | - | - | - | - | 625,657 | - | - | - | - | - |
| Richmond | | 225,320 | 0.97 | 2,309,920,249 | 62,861,169 | 16,708,749 | 46,152,420 | 279 | 205 | 2.72 | 2.00 |

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Virginia Tax

## Table 6.5, continued

**Personal-Use Vehicles: Personal Property Tax by Locality - Tax Year 2024**

| City | Notes | Personal-Use Vehicles: Vehicle Count | Vehicles per capita[5] | Assessed Value | Tax Before PPTRA[6] | Reimbursed Tax (PPTRA) | Net Tax After PPTRA | Tax Per Vehicle: Tax Before PPTRA | Tax Per Vehicle: Tax After PPTRA | Effective Tax Rate: Per $100 Value, Before PPTRA | Effective Tax Rate: Per $100 Value, After PPTRA |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Roanoke | | 84,851 | 0.85 | $ 634,421,180 | $ 21,179,712 | $ 8,075,992 | $ 13,103,720 | $250 | $154 | $3.34 | $2.07 |
| Salem | | 24,415 | 0.97 | 246,304,997 | 6,672,969 | 2,588,707 | 4,084,262 | 273 | 167 | 2.71 | 1.66 |
| Staunton | | 20,848 | 0.80 | 204,558,783 | 5,932,205 | 1,652,200 | 4,280,005 | 285 | 205 | 2.90 | 2.09 |
| Suffolk | | 107,743 | 1.05 | 1,173,251,540 | 40,026,891 | 10,169,730 | 29,857,162 | 372 | 277 | 3.41 | 2.54 |
| Virginia Beach | | 462,142 | 1.02 | 5,073,181,843 | 232,569,287 | 53,412,868 | 179,156,419 | 503 | 388 | 4.58 | 3.53 |
| Waynesboro | | 20,349 | 0.89 | 190,793,857 | 6,200,800 | 1,721,457 | 4,479,344 | 305 | 220 | 3.25 | 2.35 |
| Williamsburg | | 6,225 | 0.40 | 88,145,750 | 3,085,101 | 773,572 | 2,311,529 | 496 | 371 | 3.50 | 2.62 |
| Winchester | 3 | 55,377 | 1.89 | 514,245,709 | - | 2,622,084 | - | - | - | - | - |
| **Total Cities** | | **2,318,322** | **0.89** | **23,089,097,561** | **906,529,579** | **250,658,318** | **662,455,723** | **$406** | **$297** | **$4.02** | **$2.94** |

## Table 6.5, continued

**Personal-Use Vehicles: Personal Property Tax by Locality - Tax Year 2024**

| County | Notes | Personal-Use Vehicles: Vehicle Count | Vehicles per capita[5] | Assessed Value | Tax Before PPTRA[6] | Reimbursed Tax (PPTRA) | Net Tax After PPTRA | Tax Per Vehicle: Tax Before PPTRA | Tax Per Vehicle: Tax After PPTRA | Effective Tax Rate: Per $100 Value, Before PPTRA | Effective Tax Rate: Per $100 Value, After PPTRA |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Accomack | | 41,186 | 1.23 | $ 312,031,337 | $ 14,662,775 | $ 3,055,209 | $ 11,607,566 | $356 | $282 | $4.70 | $3.72 |
| Albemarle | 4 | 72,300 | 0.61 | 122,530,567 | 32,391,207 | 14,960,670 | 17,430,538 | 448 | 241 | - | - |
| Alleghany | | 25,783 | 1.72 | 136,621,785 | 4,071,329 | 1,610,808 | 2,460,521 | 158 | 95 | 2.98 | 1.80 |
| Amelia | 1 | 19,042 | 1.40 | 139,474,708 | 7,034,987 | 1,019,213 | 6,015,774 | 369 | 316 | 5.04 | 4.31 |
| Amherst | | 35,377 | 1.12 | 281,977,714 | 11,927,249 | 2,199,018 | 9,728,231 | 337 | 275 | 4.23 | 3.45 |
| Appomattox | 1 2 3 | - | - | - | - | 1,023,637 | - | - | - | - | - |
| Arlington | | 155,173 | 0.63 | 1,937,755,154 | 96,887,758 | 31,252,147 | 65,635,611 | 624 | 423 | 5.00 | 3.39 |
| Augusta | | 81,818 | 1.05 | 685,329,375 | 17,818,564 | 4,295,993 | 13,522,571 | 218 | 165 | 2.60 | 1.97 |
| Bath | | 8,168 | 1.92 | 77,391,800 | 465,931 | 40,276 | 425,655 | 57 | 52 | 0.60 | 0.55 |
| Bedford | | 104,981 | 1.30 | 1,086,221,107 | 21,762,038 | 6,086,051 | 15,675,987 | 207 | 149 | 2.00 | 1.44 |
| Bland | 1 3 | 6,559 | 1.05 | 16,302,957 | - | 354,561 | - | - | - | - | - |
| Botetourt | 3 | 66,343 | 1.99 | - | - | 3,418,137 | - | - | - | - | - |
| Brunswick | | 15,775 | 1.06 | 114,232,530 | 5,587,971 | 1,355,736 | 4,232,235 | 354 | 268 | 4.89 | 3.70 |
| Buchanan | | 29,433 | 1.54 | 196,050,268 | 5,383,584 | 1,598,108 | 3,785,475 | 183 | 129 | 2.75 | 1.93 |
| Buckingham | | 14,420 | 0.86 | 115,277,030 | 4,668,742 | 1,136,914 | 3,531,828 | 324 | 245 | 4.05 | 3.06 |

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## Table 6.5, continued

**Personal-Use Vehicles: Personal Property Tax by Locality - Tax Year 2024**

| County | Notes | Personal-Use Vehicles: Vehicle Count | Personal-Use Vehicles: Vehicles per capita[5] | Assessed Value | Tax Before PPTRA[6] | Reimbursed Tax (PPTRA) | Net Tax After PPTRA | Tax Per Vehicle: Tax Before PPTRA | Tax Per Vehicle: Tax After PPTRA | Effective Tax Rate: Per $100 Value, Before PPTRA | Effective Tax Rate: Per $100 Value, After PPTRA |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Campbell | | 65,445 | 1.16 | $ 317,182,471 | $ 12,846,001 | $ 3,456,013 | $ 9,389,988 | $196 | $143 | $4.05 | $2.96 |
| Caroline | | 34,276 | 1.02 | 338,108,815 | 11,430,173 | 2,371,897 | 9,058,277 | 333 | 264 | 3.38 | 2.68 |
| Carroll | | 32,004 | 1.11 | 266,537,080 | 7,181,971 | 1,051,552 | 6,130,419 | 224 | 192 | 2.69 | 2.30 |
| Charles City | 2 4 | - | - | 317,824,570 | 14,655,920 | 690,963 | 13,964,957 | - | - | 4.61 | 4.39 |
| Charlotte | | 13,392 | 1.17 | 107,111,811 | 2,607,076 | 686,910 | 1,920,166 | 195 | 143 | 2.43 | 1.79 |
| Chesterfield | | 335,269 | 0.85 | 3,707,409,880 | 119,327,331 | 41,092,048 | 78,235,283 | 356 | 233 | 3.22 | 2.11 |
| Clarke | 3 | 21,938 | 1.41 | 262,878,615 | - | 2,483,842 | - | - | - | - | - |
| Craig | 1 | 5,870 | 1.23 | 45,574,039 | 1,936,156 | 341,055 | 1,595,101 | 330 | 272 | 4.25 | 3.50 |
| Culpeper | | 66,667 | 1.20 | 743,852,315 | 18,802,403 | 3,367,808 | 15,434,595 | 282 | 232 | 2.53 | 2.07 |
| Cumberland | | 10,772 | 1.08 | 70,419,719 | 3,168,887 | 871,736 | 2,297,151 | 294 | 213 | 4.50 | 3.26 |
| Dickenson | | 14,606 | 1.09 | 118,364,166 | 2,189,748 | 817,952 | 1,371,797 | 150 | 94 | 1.85 | 1.16 |
| Dinwiddie | | 43,504 | 1.53 | 367,631,170 | 13,454,704 | 3,642,692 | 9,812,011 | 309 | 226 | 3.66 | 2.67 |
| Essex | 2 3 | - | - | - | - | 1,054,171 | - | - | - | - | - |
| Fairfax County | | 903,288 | 0.79 | 13,309,552,293 | 524,289,781 | 211,313,944 | 312,975,837 | 580 | 346 | 3.94 | 2.35 |
| Fauquier | | 94,140 | 1.26 | 1,253,023,793 | 53,595,273 | 13,659,497 | 39,935,776 | 569 | 424 | 4.28 | 3.19 |
| Floyd | | 17,019 | 1.13 | 135,170,387 | 4,325,452 | 925,741 | 3,399,711 | 254 | 200 | 3.20 | 2.52 |
| Fluvanna | | 21,634 | 0.76 | 325,935,296 | 13,362,911 | 2,996,570 | 10,366,340 | 618 | 479 | 4.10 | 3.18 |
| Franklin | | 65,086 | 1.20 | 495,676,450 | 9,402,598 | 2,626,618 | 6,775,980 | 144 | 104 | 1.90 | 1.37 |
| Frederick | | 101,200 | 1.02 | 1,126,936,257 | 58,962,921 | 12,741,898 | 46,221,023 | 583 | 457 | 5.23 | 4.10 |
| Giles | | 15,569 | 0.94 | 187,146,700 | 4,973,581 | 1,227,860 | 3,745,721 | 319 | 241 | 2.66 | 2.00 |
| Gloucester | | 44,240 | 1.13 | 458,827,191 | 13,533,429 | 2,778,640 | 10,754,789 | 306 | 243 | 2.95 | 2.34 |
| Goochland | | 30,320 | 1.10 | 432,238,762 | 12,492,680 | 2,853,012 | 9,639,668 | 412 | 318 | 2.89 | 2.23 |
| Grayson | | 19,347 | 1.27 | 152,262,895 | 3,395,992 | 437,787 | 2,958,205 | 176 | 153 | 2.23 | 1.94 |
| Greene | 1 | 20,343 | 0.94 | 195,418,656 | 8,794,014 | 2,249,911 | 6,544,103 | 432 | 322 | 4.50 | 3.35 |
| Greensville | | 9,342 | 0.86 | 70,223,700 | 3,511,185 | 1,065,419 | 2,445,766 | 376 | 262 | 5.00 | 3.48 |
| Halifax | 2 3 | - | - | - | - | 1,503,234 | - | - | - | - | - |
| Hanover | | 142,817 | 1.25 | 1,728,875,187 | 66,724,071 | 15,002,745 | 51,721,326 | 467 | 362 | 3.86 | 2.99 |
| Henrico | | 337,955 | 0.98 | 3,806,996,591 | 69,763,729 | 37,001,783 | 32,761,946 | 206 | 97 | 1.83 | 0.86 |
| Henry | 1 2 3 | - | - | - | - | 1,771,828 | - | - | - | - | - |
| Highland | 1 | 5,044 | 2.21 | 31,744,105 | 862,788 | 167,052 | 695,736 | 171 | 138 | 2.72 | 2.19 |

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Virginia Tax

## Table 6.5, continued

**Personal-Use Vehicles: Personal Property Tax by Locality - Tax Year 2024**

| County | Notes | Personal-Use Vehicles: Vehicle Count | Personal-Use Vehicles: Vehicles per capita[5] | Assessed Value | Tax Before PPTRA[6] | Reimbursed Tax (PPTRA) | Net Tax After PPTRA | Tax Per Vehicle: Tax Before PPTRA | Tax Per Vehicle: Tax After PPTRA | Effective Tax Rate: Per $100 Value, Before PPTRA | Effective Tax Rate: Per $100 Value, After PPTRA |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Isle of Wight | | 46,625 | 1.14 | $ 499,480,979 | $ 13,434,449 | $ 5,115,890 | $ 8,318,559 | $288 | $178 | $2.69 | $1.67 |
| James City | | 76,691 | 0.94 | 872,976,210 | 35,760,564 | 9,770,137 | 25,990,427 | 466 | 339 | 4.10 | 2.98 |
| King and Queen | 3 | 9,163 | 1.35 | - | 2,547,602 | 837,943 | 1,709,659 | 278 | 187 | - | - |
| King George | | 41,495 | 1.47 | 387,822,405 | 12,166,519 | 2,147,868 | 10,018,651 | 293 | 241 | 3.14 | 2.58 |
| King William | 1 3 | 17,857 | 0.95 | 177,613,013 | - | 1,204,131 | - | - | - | - | - |
| Lancaster | | 13,465 | 1.23 | 119,752,385 | 2,442,949 | 871,017 | 1,571,931 | 181 | 117 | 2.04 | 1.31 |
| Lee | | 17,486 | 0.81 | 166,854,088 | 4,052,315 | 798,646 | 3,253,670 | 232 | 186 | 2.43 | 1.95 |
| Loudoun | | 408,054 | 0.93 | 6,277,845,537 | 204,173,081 | 48,070,701 | 156,102,380 | 500 | 383 | 3.25 | 2.49 |
| Louisa | | 43,574 | 1.05 | 450,774,725 | 10,953,870 | 1,620,227 | 9,333,643 | 251 | 214 | 2.43 | 2.07 |
| Lunenburg | | 12,329 | 1.02 | 82,670,773 | 3,141,488 | 1,048,232 | 2,093,256 | 255 | 170 | 3.80 | 2.53 |
| Madison | | 23,183 | 1.66 | 171,696,889 | 5,839,354 | 1,029,053 | 4,810,301 | 252 | 207 | 3.40 | 2.80 |
| Mathews | | 12,289 | 1.46 | 107,724,698 | 4,629,810 | 1,000,083 | 3,629,727 | 377 | 295 | 4.30 | 3.37 |
| Mecklenburg | | 33,620 | 1.11 | 284,884,592 | 9,572,122 | 1,454,006 | 8,118,116 | 285 | 241 | 3.36 | 2.85 |
| Middlesex | | 12,893 | 1.18 | 130,291,305 | 4,097,209 | 709,636 | 3,387,574 | 318 | 263 | 3.14 | 2.60 |
| Montgomery | | 73,072 | 0.72 | 792,295,120 | 20,203,616 | 4,754,279 | 15,449,337 | 276 | 211 | 2.55 | 1.95 |
| Nelson | 1 | 20,432 | 1.38 | 199,175,570 | 5,420,891 | 1,708,030 | 3,712,861 | 265 | 182 | 2.72 | 1.86 |
| New Kent | | 24,089 | 0.90 | 279,321,741 | 8,659,031 | 2,217,883 | 6,441,147 | 359 | 267 | 3.10 | 2.31 |
| Northampton | | 16,200 | 1.33 | 141,740,200 | 6,949,835 | 1,421,967 | 5,527,868 | 429 | 341 | 4.90 | 3.90 |
| Northumberland | | 18,326 | 1.55 | 74,439,227 | 2,679,812 | 951,494 | 1,728,318 | 146 | 94 | 3.60 | 2.32 |
| Nottoway | | 14,681 | 0.94 | 109,488,794 | 4,114,840 | 1,049,790 | 3,065,050 | 280 | 209 | 3.76 | 2.80 |
| Orange | 2 3 | - | - | - | - | 2,763,073 | - | - | - | - | - |
| Page | 3 | 24,062 | 1.02 | - | - | 1,640,791 | - | - | - | - | - |
| Patrick | | 19,607 | 1.15 | 164,290,593 | 2,809,369 | 688,659 | 2,120,711 | 143 | 108 | 1.71 | 1.29 |
| Pittsylvania | | 81,600 | 1.39 | 176,984,392 | 15,928,595 | 4,139,277 | 11,789,319 | 195 | 144 | 9.00 | 6.66 |
| Powhatan | | 42,998 | 1.35 | 433,081,054 | 15,394,829 | 3,022,472 | 12,372,357 | 358 | 288 | 3.55 | 2.86 |
| Prince Edward | 1 | 29,051 | 1.29 | 147,266,497 | 9,046,313 | 1,305,350 | 7,740,963 | 311 | 266 | 6.14 | 5.26 |
| Prince George | | 39,625 | 0.93 | 377,583,322 | 11,666,800 | 3,622,664 | 8,044,136 | 294 | 203 | 3.09 | 2.13 |
| Prince William | | 480,759 | 0.97 | 6,963,518,412 | 223,648,221 | 54,287,527 | 169,360,694 | 465 | 352 | 3.21 | 2.43 |
| Pulaski | | 34,925 | 1.05 | 311,578,721 | 7,322,184 | 1,594,529 | 5,727,655 | 210 | 164 | 2.35 | 1.84 |
| Rappahannock | | 7,883 | 1.06 | 73,647,545 | 2,798,607 | 945,168 | 1,853,439 | 355 | 235 | 3.80 | 2.52 |

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Virginia Tax

## Table 6.5, continued

**Personal-Use Vehicles: Personal Property Tax by Locality - Tax Year 2024**

| County | Notes | Personal-Use Vehicles: Vehicle Count | Vehicles per capita[5] | Assessed Value | Tax Before PPTRA[6] | Reimbursed Tax (PPTRA) | Net Tax After PPTRA | Tax Per Vehicle: Tax Before PPTRA | Tax Per Vehicle: Tax After PPTRA | Effective Tax Rate: Per $100 Value, Before PPTRA | Effective Tax Rate: Per $100 Value, After PPTRA |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Richmond County | 3 | 7,538 | 0.81 | $ - | $ - | $ 803,955 | $ - | $ - | $ - | $ - | $ - |
| Roanoke | | 122,315 | 1.27 | 1,031,294,614 | 34,715,714 | 12,229,857 | 22,485,858 | 284 | 184 | 3.37 | 2.18 |
| Rockbridge | | 32,207 | 1.43 | 261,014,403 | 9,435,183 | 2,449,624 | 6,985,558 | 293 | 217 | 3.61 | 2.68 |
| Rockingham | | 105,826 | 1.22 | 745,074,394 | 19,744,696 | 5,860,515 | 13,884,181 | 187 | 131 | 2.65 | 1.86 |
| Russell | 1 3 | 38,734 | 1.55 | 315,578,706 | - | 1,437,003 | - | - | - | - | - |
| Scott | | 15,726 | 0.74 | 189,294,161 | 3,123,354 | 734,026 | 2,389,328 | 199 | 152 | 1.65 | 1.26 |
| Shenandoah | | 50,871 | 1.13 | 455,290,804 | 18,727,527 | 3,647,829 | 15,079,699 | 368 | 296 | 4.11 | 3.31 |
| Smyth | 3 4 | 26,164 | 0.91 | 241,983,898 | 556,587 | 1,804,316 | - | - | - | - | - |
| Southampton | | 24,285 | 1.37 | 187,871,265 | 7,754,658 | 2,346,261 | 5,408,397 | 319 | 223 | 4.13 | 2.88 |
| Spotsylvania | 1 3 | 186,853 | 1.25 | - | - | 14,509,422 | - | - | - | - | - |
| Stafford | | 135,552 | 0.81 | 1,078,146,270 | 42,187,533 | 12,542,261 | 29,645,272 | 311 | 219 | 3.91 | 2.75 |
| Surry | | 7,219 | 1.10 | 60,552,617 | 2,422,105 | 677,907 | 1,744,198 | 336 | 242 | 4.00 | 2.88 |
| Sussex | | 10,050 | 1.02 | 66,017,494 | 3,201,848 | 1,093,152 | 2,108,696 | 319 | 210 | 4.85 | 3.19 |
| Tazewell | | 43,833 | 1.14 | 382,921,604 | 7,658,432 | 2,758,262 | 4,900,170 | 175 | 112 | 2.00 | 1.28 |
| Warren | | 53,943 | 1.29 | 555,025,615 | 21,064,211 | 4,541,220 | 16,522,991 | 390 | 306 | 3.80 | 2.98 |
| Washington | | 54,614 | 1.02 | 521,412,696 | 15,015,237 | 2,559,286 | 12,455,951 | 275 | 228 | 2.88 | 2.39 |
| Westmoreland | | 21,756 | 1.12 | 171,825,310 | 7,137,339 | 1,139,679 | 5,997,660 | 328 | 276 | 4.15 | 3.49 |
| Wise | | 27,659 | 0.79 | 286,376,505 | 4,725,509 | 1,380,233 | 3,345,276 | 171 | 121 | 1.65 | 1.17 |
| Wythe | 1 | 45,488 | 1.63 | 372,405,849 | 8,675,637 | 1,500,814 | 7,174,823 | 191 | 158 | 2.33 | 1.93 |
| York | | 65,117 | 0.89 | 833,681,120 | 28,365,489 | 8,741,680 | 19,623,808 | 436 | 301 | 3.40 | 2.35 |
| **Total Counties** | | **5,919,229** | **0.98** | **63,324,685,357** | **2,162,218,245** | **690,206,483** | **1,507,227,275** | **389** | **270** | **3.42** | **2.39** |
| **Total Cities** | | **2,318,322** | **0.89** | **23,089,097,561** | **906,529,579** | **250,658,318** | **662,455,723** | **406** | **297** | **4.02** | **2.94** |
| **Aggregate** | | **8,237,551** | **0.95** | **86,413,782,919** | **3,068,747,824** | **940,864,801** | **2,169,682,999** | **394** | **278** | **3.58** | **2.54** |

Notes:

The data in this table are as reported by local Commissioners of the Revenue and Assessors to the Virginia Department of Taxation, Property Tax Unit. The accuracy of the data can be impacted by various data recording and reporting limitations by locality.

1. The locality's data likely represents Personal Use and Business Use Vehicles combined. The localities that confirm they are unable to break out Personal Use only include: Appomattox, Bland, Craig, Greene, Henry, and Wythe counties, and Lexington and Radford cities. Botetourt County was able to break out Personal Use vehicles, but not other Personal Use metrics.
2. The locality has missing or incomplete data for Vehicle Count; Charles City has apparently incomplete data, which is evident in the calculation of Vehicles per Capita.
3. The locality has missing data for Assessed Value, and/or Tax. Smyth County's Tax Before PPTRA appears to be incomplete given that the calculation of Net Tax After PPTRA is negative.
4. The locality appears to have reported incomplete data for Assessed Value or Tax, which is evident in the calculation of Tax Per Vehicle and/or Effective Tax Rate.
5. Vehicles per Capita is calculated based on U.S. Census population data compiled by the Weldon Cooper Center at the University of Virginia.
6. PPTRA is tax relief on personal-use vehicles provided by the Personal Property Tax Relief Act (PPTRA) passed by the General Assembly in 1998 and amended in 2005.

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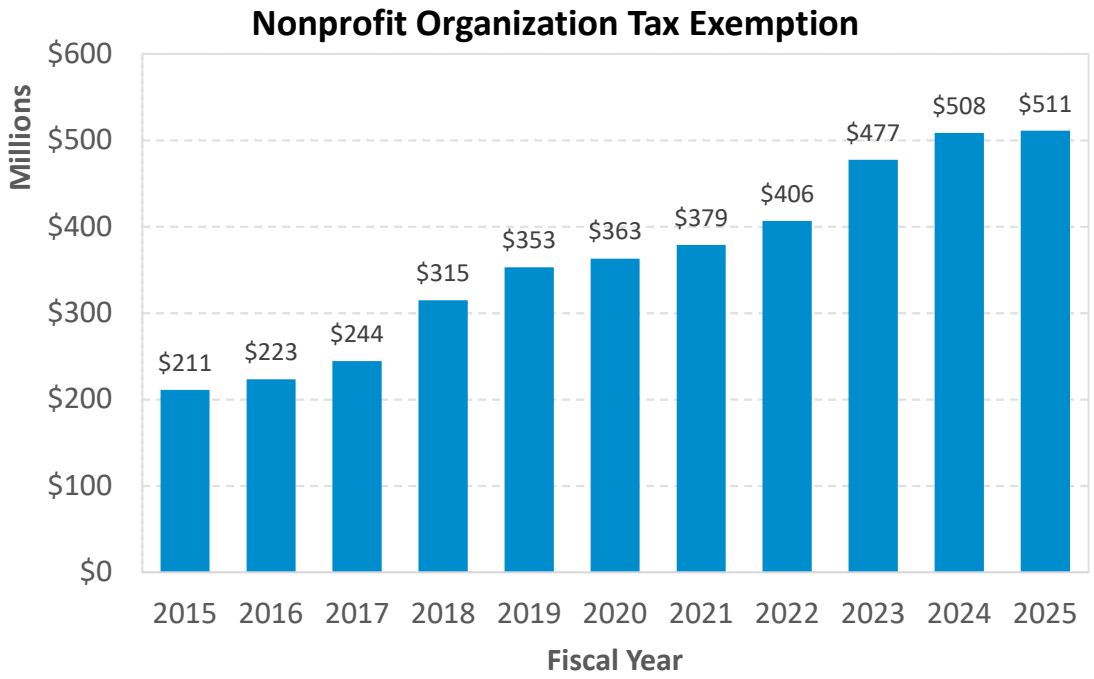
**Table 7.1**

**Nonprofit Organization Tax Exemption Annual Report By Fiscal Year**

| State and Local Retail Sales & Use Tax Expenditure Resulting From Purchases Made by Nonprofit Organizations | |
|---|---|
| Fiscal Year | Amount ($) |
| 2013 | 161,434,468 |
| 2014 | 208,366,102 |
| 2015 | 210,994,603 |
| 2016 | 223,074,820 |
| 2017 | 244,370,076 |
| 2018 | 314,543,689 |
| 2019 | 352,673,576 |
| 2020 | 362,781,522 |
| 2021 | 378,603,136 |
| 2022 | 406,492,802 |
| 2023 | 477,274,945 |
| 2024 | 508,206,727 |
| 2025 | 510,938,624 |




Notes:

1. The Department's estimate of annual revenue impact of the nonprofit entity exemption is based on the amounts of exempt purchases reported to the Department by nonprofit entities on their applications for a new or renewed exemption under Va. Code § 58.1-609.11.

2. Each Fiscal Year, the State's blended Retail Sales and Use Tax rate is used to calculate the tax expenditure resulting from purchases made by Non-profit organizations. From Fiscal Year 2007 to Fiscal year 2013, the blended Retail Sales and Use Tax rate used to calculate the non-profit tax exemption was 5%. From Fiscal Year 2014 to Fiscal year 2019, the blended Retail Sales and Use Tax rate used to calculate the non-profit tax exemption was 5.67%. The blended rate was: 5.69% in FY 2020; 5.737% in FY 2021; 5.783% in FY 2022; 5.787% in FY 2023; 5.781% in FY 2024; 5.784% in FY 2025;

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## Directory

This report was prepared by:
Virginia Department of Taxation
Office of Tax Legislation & Economic Analysis

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Other economic and demographic data is available from the University of Virginia's Weldon Cooper Center for Public Service, which can be reached by telephone at (434) 243-5232 or online at:
http://www.coopercenter.org

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STATE OF WASHINGTON
DEPARTMENT OF REVENUE
OFFICE OF THE DIRECTOR
P.O. Box 47454 • Tumwater, Washington 98504-7454 • (360) 534-1600 • FAX (360) 534-1606

January 8, 2024

**TO:** Sarah Bannister, Secretary
Washington State Senate

Bernard Dean, Chief Clerk
Washington State House of Representatives

**FROM:** Drew Shirk, Director DIS
Department of Revenue

**SUBJECT:** 2024 Tax Exemption Study

The 2024 Tax Exemption Study is submitted to you pursuant to RCW 43.06.400. This edition is the fifteenth in a series of tax exemption studies, starting with the first report in 1984.

**Study covers 786 tax exemptions**
There are currently 786 tax exemptions for the major Washington state and local tax sources. The estimated savings in state and local taxes for taxpayers resulting from these exemptions total $192.1 billion for the 2023-25 biennium. For each exemption, the following is provided:

- A brief description.
- The purpose of the exemption.
- Taxpayer savings.
- Potential revenue gains from a full repeal of the exemption.
- Additional information, such as the year of enactment and the primary beneficiaries.

**Study provided electronically**
To reduce the cost of producing this study, we are providing it to you electronically. The report is also available on our website at: dor.wa.gov/about/statistics-reports.

If you have questions about this report, please contact Kathy Oline, Assistant Director of Research and Fiscal Analysis, at (360) 534-1534.

Attachment

cc: Members, Senate Ways and Means Committee
Members, House Finance Committee
Members, House Appropriations Committee
David Schumacher, Director, Office of Financial Management
Pat Sullivan, Executive Director, Legislative Affairs

# 2024 Tax Exemption Study

A Study of Tax Exemptions, Exclusions or Deductions From the Base of a Tax; a Credit Against a Tax; a Deferral of a Tax; or a Preferential Tax Rate

As Authorized by RCW 43.06.400

Drew Shirk, Director
Washington State Department of Revenue

Department of Revenue
Washington State

7027/8585

# 2024 Tax Exemption Study

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# Chapter One - Introduction and Summary of Findings

## INTRODUCTION

The Tax Exemption Study lists exemptions for the major state and local taxes in Washington and is authorized by the Revised Code of Washington (RCW) 43.06.400.

### Tax exemptions

The term *tax exemption* includes a variety of preferences that reduce tax liability for taxpayers. Tax exemptions include:

- Exclusions.
- Deductions.
- Credits.
- Deferrals.
- Preferential tax rates.
- Exemptions.

Department of Revenue (department) staff estimated the impact of each exemption. Sales and use tax exemptions for the same product or activity are included as a single estimate. In other cases, there are multiple estimates for a single statute to illustrate the impacts better.

### The summary of each exemption includes:

- A brief description.
- The purpose of the exemption.
- Taxpayer savings.
- Potential revenue gains from a full repeal of the exemption.
- Additional information.

### Taxpayer savings versus potential revenue gain

| Number of Incentives | STATE Taxpayer Savings (FY 2025) | STATE Revenues Realized from Repeal (FY 2025) |
|---|---|---|
| 786 | 54,689,446,000 | 24,600,443,000 |

Savings to taxpayers do not indicate the potential revenue that governmental jurisdictions would accrue if the exemption did not exist. For example, some exemptions will not increase state revenues by the same amount as the taxpayer savings due to:

- Constitutional prohibitions against taxing certain activities.
- Possible changes in taxpayer reporting behavior.
- Actual cash receipts are lower because of compliance factors.

### The Tax Exemption Study *does not* include:

- Locally administered taxes such as the municipal business taxes.
- Discussion regarding tax policy related to the exemption.
- Recommendations to keep or terminate existing exemptions.

### Forecast

All estimates use the March 2023 Economic and Revenue Forecast Council forecast unless otherwise noted.

### Revised Code of Washington (RCW) Citation

The full RCW citation is included if it was available at the time that the exemption was analyzed.

### SUMMARY OF FINDINGS

The current study analyzes 786 tax exemptions. The state and local impacts of these tax exemptions combine for an estimated taxpayer savings of $192.1 billion for the 2023-25 biennium. Approximately 56% of the total, or $107.4 billion, are exemptions from state taxes. Exemptions from local government taxes amount to $84.7 billion.

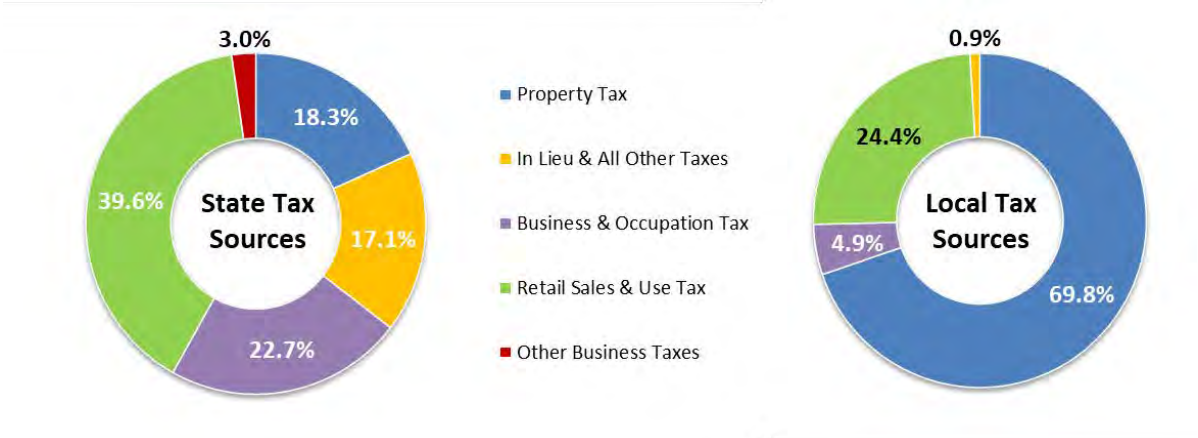
Table 1 summarizes the number of exemptions and the distribution of state and local impacts for the various types of taxes considered in this study.

**Table 1**
**Summary of Tax Exemption Impacts by Tax Source**
**Estimated Taxpayer Savings**
**2023-25 Biennium ($ millions)**

| Tax Source | Number of Exemptions | State Tax Savings | Local Tax Savings | Total Savings for Biennium |
|---|---|---|---|---|
| Property Tax | 119 | $19,654.732 | $59,062.284 | $78,717.016 |
| In Lieu Excise Taxes | 51 | 329.860 | 258.625 | $588.485 |
| Business & Occupation Tax | 205 | 24,370.901 | 4,127.380 | $28,498.281 |
| Retail Sales & Use Tax | 230 | 42,541.680 | 20,677.860 | $63,219.540 |
| Other Business Taxes | 96 | 2,451.265 | 0.000 | $2,451.265 |
| All Other Taxes | 85 | 18,094.121 | 540.908 | $18,635.029 |
| **Total** | **786** | **$107,442.559** | **$84,667.057** | **$192,109.616** |

Chart 1 shows tax savings by tax source as a percent of the total. Nearly 40% of the state impact is from retail sales and use tax exemptions, while more than 69% of local tax impact is from property tax exemptions.

**Chart 1**
**Taxpayer Savings by Tax Source**



### Taxpayer savings versus potential revenue gains from a full repeal

Savings to taxpayers do not indicate the potential revenue that governmental jurisdictions would accrue if the exemption did not exist. For this reason, each exemption provides the estimated taxpayer savings plus the potential revenue gain from a full repeal of the exemption.

- For many excise taxes, there is a one-to-one relationship between the amount the taxpayers save and the amount the government gives up in potential revenues.
- Other exemptions may cause possible changes in taxpayer reporting behavior, which could restrict the potential revenues realized.
- Several exemptions exist because of constitutional reasons and are not a reliable source of potential new governmental revenue.
- Depending on the year a property tax exemption is repealed, it may increase state revenues or shift property taxes back to currently exempt taxpayers.

Table 2a shows the taxpayer savings for the 2023-25 biennium and the amount of potential revenue gains with a full repeal of the exemptions as of July 1, 2024. The potential gains reflect no collections in fiscal year 2024 and 11 months of collections in fiscal year 2025, the second year of the biennium.

**Table 2a**
**Taxpayer Savings versus Potential Revenue Gains by Tax Source**
**2023-25 biennium ($ millions)**

| Tax Source | State Tax Savings | State Potential Revenue Gains | Difference | Local Tax Savings | Local Potential Revenue Gains | Difference |
|---|---|---|---|---|---|---|
| Property Tax | 19,654.732 | (1.303) | 19,656.035 | 59,062.284 | 839.570 | 58,222.714 |
| In Lieu Excise Taxes | 329.860 | 127.100 | 202.760 | 258.625 | 97.941 | 160.684 |
| Business & Occupation Tax | 24,370.901 | 8,948.549 | 15,422.352 | 4,127.380 | 2,033.909 | 2,093.471 |
| Retail Sales & Use Tax | 42,541.680 | 12,165.508 | 30,376.172 | 20,677.860 | 6,302.011 | 14,375.849 |
| Other Business Taxes | 2,451.265 | 1,107.613 | 1,343.652 | 0.000 | 0.000 | 0.000 |
| All Other Taxes | 18,094.121 | 2,252.976 | 15,841.145 | 540.908 | 256.382 | 284.526 |
| **Total** | **107,442.559** | **24,600.443** | **82,842.116** | **84,667.057** | **9,529.813** | **75,137.244** |

Table 2b shows the taxpayer savings and potential revenue gains from a full repeal of the exemptions for the 2025-27 biennium to reflect a full 24-month impact for both the savings and gains.

**Table 2b**
**Taxpayer Savings versus Potential Revenue Gains by Tax Source**
**2025-27 biennium ($ millions)**

| Tax Source | State Tax Savings | State Potential Revenue Gains | Difference | Local Tax Savings | Local Potential Revenue Gains | Difference |
|---|---|---|---|---|---|---|
| Property Tax | 18,986.031 | (2.942) | 18,988.973 | 60,650.915 | 3,243.347 | 57,407.568 |
| In Lieu Excise Taxes | 343.665 | 343.665 | 0.000 | 271.108 | 270.119 | 0.989 |
| Business & Occupation Tax | 28,050.805 | 23,294.861 | 4,755.944 | 5,121.130 | 5,120.099 | 1.031 |
| Retail Sales & Use Tax | 45,875.196 | 29,989.269 | 15,885.927 | 22,545.961 | 15,585.205 | 6,960.756 |
| Other Business Taxes | 2,695.481 | 2,431.170 | 264.311 | 0.000 | 0.000 | 0.000 |
| All Other Taxes | 19,038.823 | 11,714.294 | 7,324.529 | 666.234 | 666.234 | 0.000 |
| **Total** | **114,990.001** | **67,770.317** | **47,219.684** | **89,255.348** | **24,885.004** | **64,370.344** |

### Taxpayer savings versus forecasted revenue collections

Table 3 and Chart 2 compare the estimated taxpayer savings from exemptions for selected state taxes with the Economic and Revenue Forecast Council forecasted revenues for those same tax sources.

The total taxpayer savings for these state taxes is $88.1 billion for the 2023-25 biennium, which is $31.1 billion more than the forecasted revenues of $57 billion.

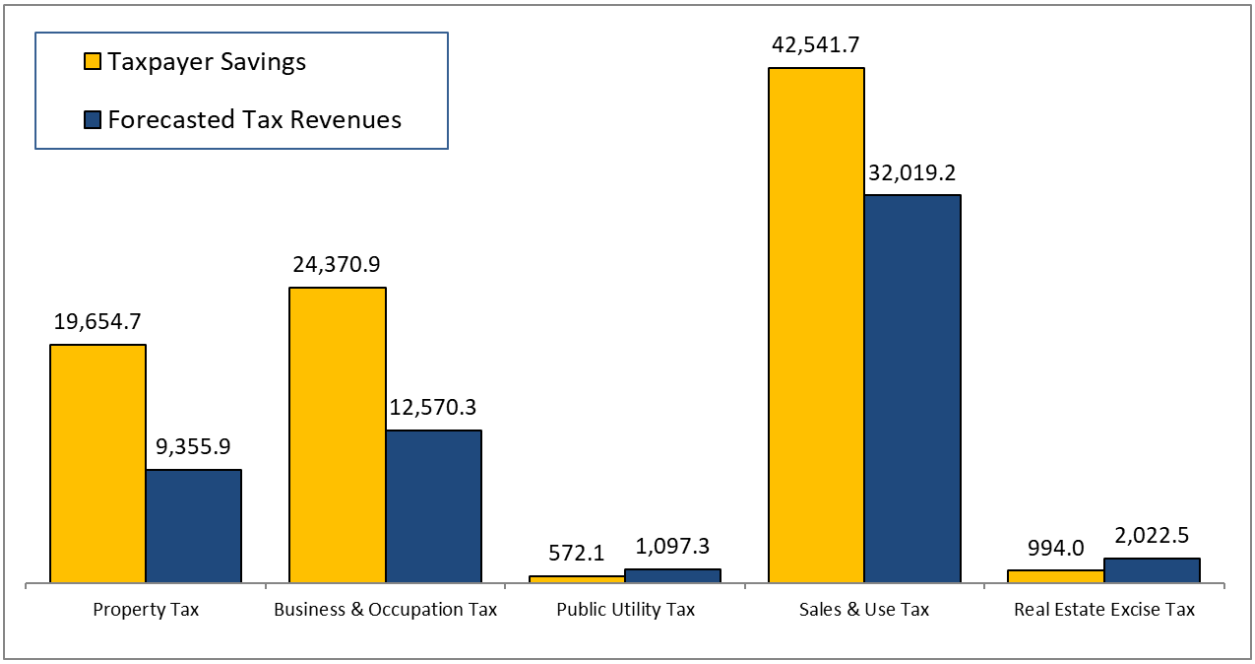
**Table 3**
**Comparison between Taxpayer Savings and Revenues**
**Selected Major State Tax Sources**
**2023-25 biennium ($ millions)**

| State Tax Source | Taxpayer Savings from Exemptions | Forecasted Tax Revenues[1] | Exemptions as a Percent of Revenue |
|---|---|---|---|
| State Property Tax Levy | 19,654.732 | 9,355.861 | 210.1% |
| State Business & Occupation Tax | 24,370.901 | 12,570.308 | 193.9% |
| Public Utility Tax | 572.129 | 1,097.299 | 52.1% |
| Retail Sales & Use Tax | 42,541.680 | 32,019.201 | 132.9% |
| Real Estate Excise Tax | 994.046 | 2,022.542 | 49.1% |
| **Total** | **88,133.488** | **57,065.212** | **154.4%** |

[1]Economic and Revenue Forecast Council (March 2023 Forecast)

Taxpayer savings for state property tax and the business and occupation tax exemptions are significantly higher than the forecasted revenues for these tax sources in the 2023-25 biennium.

**Chart 2**
**Comparison between Taxpayer Savings and Revenues**
**Selected Major State Tax Sources**
**2023-25 biennium ($ millions)**



### Categorical Analysis

Tax exemptions are established for a variety of reasons. In an attempt to present more meaningful data for the various types of exemptions, eight categories were developed. Each exemption is assigned to the category that most closely represents its general purpose or type of beneficiary (recognizing that many exemptions serve multiple purposes).

A brief description of the exemption categories appears below:

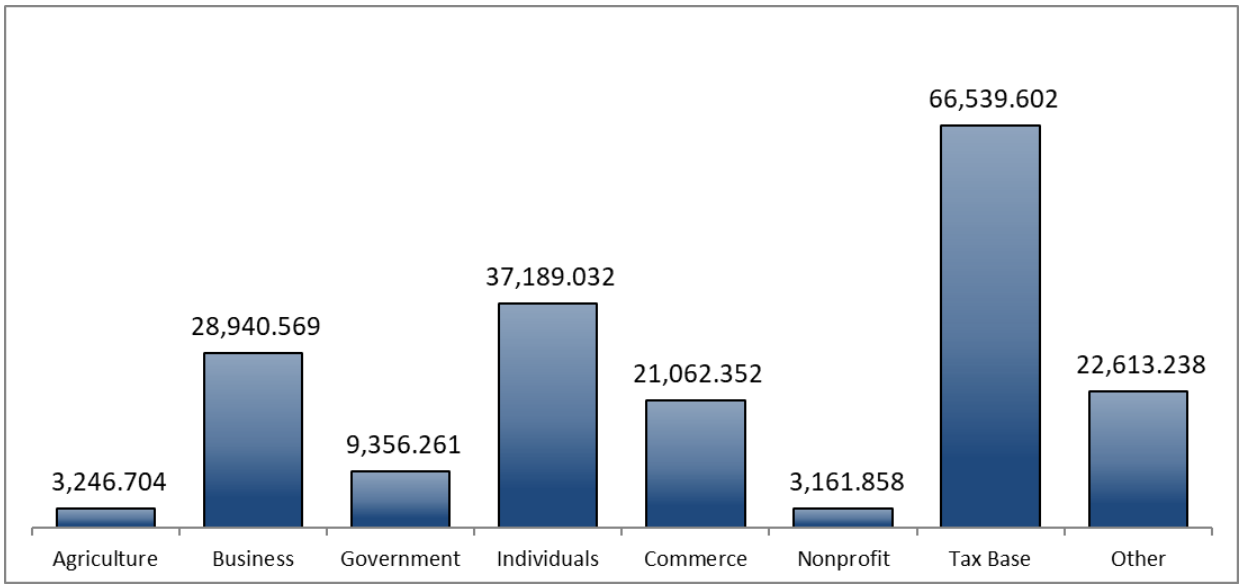
| Category | Number of Exemptions | Brief Description of Category |
|---|---|---|
| **Agriculture** | 63 | There are a variety of property, B&O, sales, and other tax exemptions for agricultural businesses. |
| **Business** | 278 | These exemptions generally benefit business entities. |
| **Government** | 82 | Governmental jurisdictions include the federal government, the state of Washington, local governments, and foreign countries. |
| **Individuals** | 93 | These exemptions generally benefit people as opposed to businesses or other entities. |
| **Interstate Commerce** | 22 | The U.S. Constitution prohibits direct taxation of interstate commerce. The Legislature has enacted exemptions to ensure Washington does not violate this requirement. |
| **Nonprofit** | 95 | There are a variety of property, B&O, and sales tax exemptions allowed for nonprofit organizations. |
| **Tax Base** | 87 | This category includes activities the Legislature purposefully excluded in the original tax base. For example, there is an exemption to assure employees are not subject to B&O tax on their salaries and wages. |
| **Other** | 66 | Some exemptions do not fit easily into one category. These are included in the "Other" category. As an example, the exemption for intangibles benefits the agricultural industry, businesses, and individuals. |

Table 4 summarizes the results of the categorical analysis. Tax base, individuals, and business represent the top three categories with 34.6%, 19.4%, and 15.1%, respectively.

**Table 4**
**Tax Exemptions by Category**
**2023-25 biennium ($ millions)**

| Category | Number of Exemptions | State Tax Savings | Local Tax Savings | Total Tax Savings | Percent of Total |
|---|---|---|---|---|---|
| Agriculture | 63 | 2,286.161 | 960.543 | 3,246.704 | 1.7% |
| Business | 278 | 19,073.115 | 9,867.454 | 28,940.569 | 15.1% |
| Government | 82 | 3,153.403 | 6,202.858 | 9,356.261 | 4.9% |
| Individuals | 93 | 28,359.498 | 8,829.534 | 37,189.032 | 19.4% |
| Interstate Commerce | 22 | 16,623.831 | 4,438.521 | 21,062.352 | 11.0% |
| Nonprofit | 95 | 2,357.251 | 804.607 | 3,161.858 | 1.6% |
| Tax base | 87 | 17,982.826 | 48,556.776 | 66,539.602 | 34.6% |
| Other | 66 | 17,606.474 | 5,006.764 | 22,613.238 | 11.8% |
| **Total** | **786** | **107,442.559** | **84,667.057** | **192,109.616** | **100.0%** |

**Chart 3**
**Tax Exemptions by Category**
**2023-25 biennium ($ millions)**



### Tax exemptions enacted by year

Until 1935, no more than a half dozen new exemptions appeared in any single year. With the adoption of the Revenue Act of 1935 came many new exemptions; 43 of which are still in statute today. These were associated with:

- Retail sales and use taxes.
- B&O tax.
- Various other new state excise taxes.

Table 5 shows the number of current tax exemption statutes over time, starting in Washington's territorial days.

**Table 5**
**Current Tax Exemptions by Year of Enactment**

| Year Adopted | Number | Year Adopted | Number | Year Adopted | Number | Year Adopted | Number |
|---|---|---|---|---|---|---|---|
| 1854 | 4 | 1951 | 9 | 1983 | 13 | 2005 | 20 |
| 1871 | 1 | 1953 | 2 | 1984 | 6 | 2006 | 15 |
| 1886 | 1 | 1955 | 7 | 1985 | 8 | 2007 | 15 |
| 1889 | 5 | 1957 | 1 | 1986 | 9 | 2008 | 14 |
| 1890 | 3 | 1959 | 3 | 1987 | 16 | 2009 | 25 |
| 1891 | 2 | 1961 | 5 | 1988 | 3 | 2010 | 9 |
| 1911 | 1 | 1963 | 4 | 1989 | 28 | 2011 | 9 |
| 1915 | 3 | 1965 | 9 | 1991 | 8 | 2012 | 6 |
| 1923 | 3 | 1967 | 20 | 1992 | 4 | 2013 | 12 |
| 1925 | 2 | 1970 | 11 | 1993 | 13 | 2014 | 5 |
| 1929 | 1 | 1971 | 14 | 1994 | 4 | 2015 | 17 |
| 1931 | 4 | 1972 | 1 | 1995 | 15 | 2016 | 4 |
| 1933 | 4 | 1973 | 5 | 1996 | 10 | 2017 | 12 |
| 1935 | 43 | 1974 | 5 | 1997 | 18 | 2018 | 5 |
| 1937 | 2 | 1975 | 12 | 1998 | 21 | 2019 | 26 |
| 1940 | 2 | 1976 | 12 | 1999 | 6 | 2020 | 7 |
| 1941 | 1 | 1977 | 4 | 2000 | 8 | 2021 | 25 |
| 1943 | 3 | 1979 | 12 | 2001 | 22 | 2022 | 15 |
| 1945 | 5 | 1980 | 12 | 2002 | 5 | 2023 | 15 |
| 1947 | 3 | 1981 | 7 | 2003 | 29 | | |
| 1949 | 13 | 1982 | 4 | 2004 | 19 | Total | 786 |

The following two charts show tax exemptions in current statutes:

- Enacted by year.
- The cumulative number by decade.

**Chart 4**

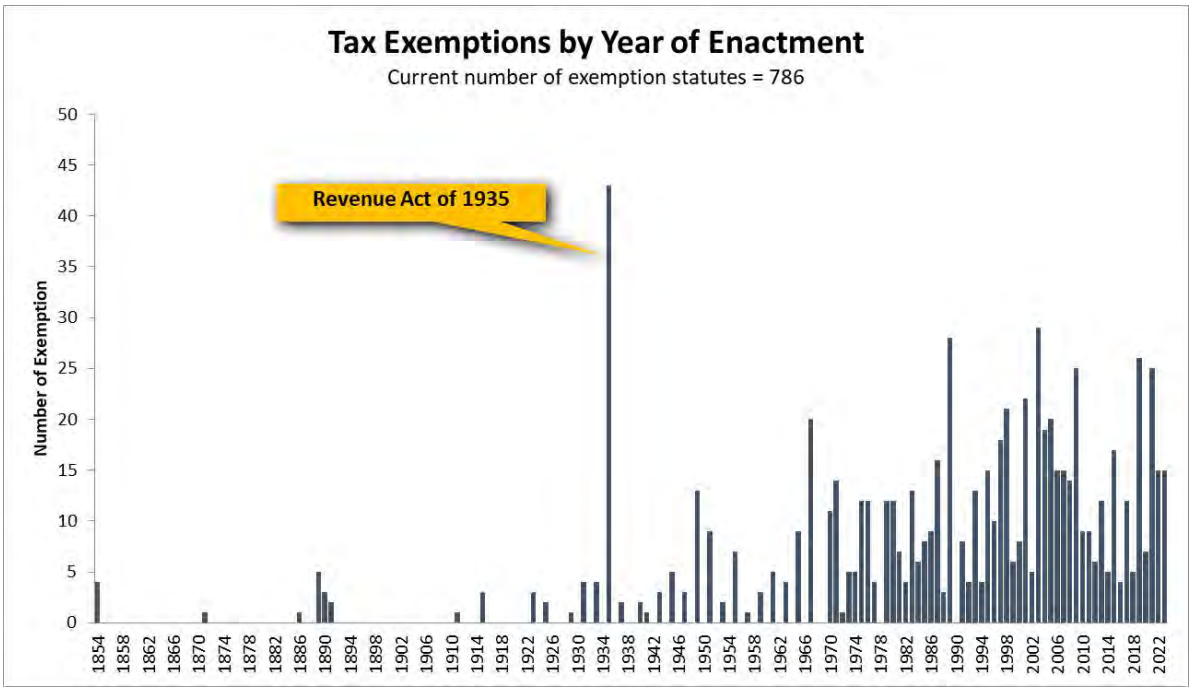
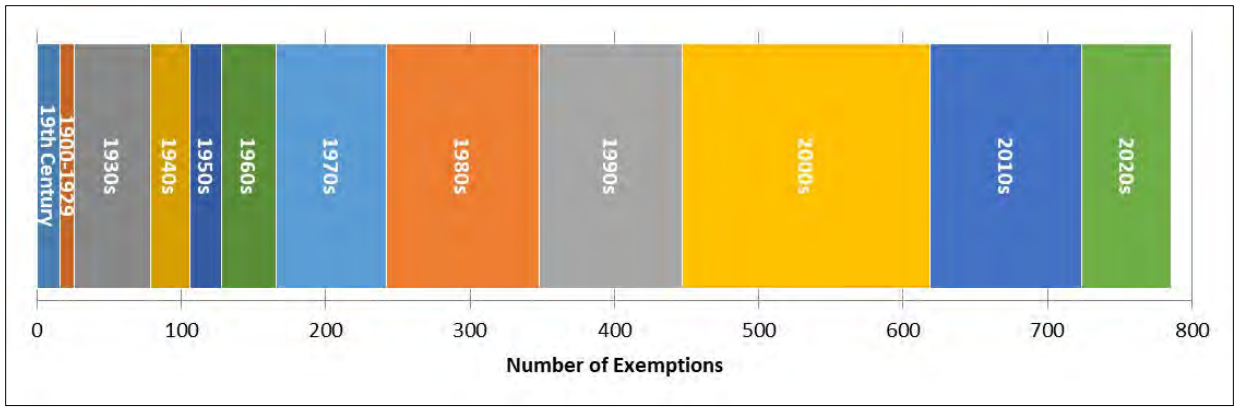



**Chart 5**
**Cumulative Number of Tax Exemption Enacted by Decade**



# Chapter 2
# Business and Occupation Tax

# 48.32.130 - Insurance guarantee association

**Description**

The Washington Insurance Guarantee Association (Association) is exempt from all fees and taxes levied by the state or its political subdivisions, except taxes levied on real or personal property.

The Association protects policyholders from insolvent insurers. Insurance companies pay an assessment to the Association to provide funding for payments to any policyholders whose insurance company is unable to provide compensation under the terms of their policies.

**Purpose**

To protect insurance policyholders and reflect the fact that the receipt of assessments from insurance companies by the Association does not represent engaging in business.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | CTI | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues if the receipt of these assessments were considered as engaging in business by the Association.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

This exemption impacts fewer than three taxpayers; any impacts are confidential.

**Data Sources**

None

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 1971 |
| **Primary Beneficiaries:** | Washington Insurance Guaranty Association |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2021 |

# 82.04.040(1)(b) - Tow truck operator vehicle sales

**Description**

The following are exempt from the definition of a retail sale:

- The sale of an abandoned vehicle sold by a registered tow truck operator to a successful bidder at a public auction.
- The sale of an abandoned vehicle sold by a registered tow truck operator to a licensed vehicle wrecker, hulk hauler, or scrap processor, when there is no successful bidder as described above.

This exemption expires January 1, 2030.

**Purpose**

To make administration of the sales and use taxes easier for tow truck operators.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.031 | $0.031 | $0.033 | $0.034 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.029 | $0.033 | $0.034 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the consumer purchases of vehicles growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- This activity would be taxed at 1.5% if this exemption was repealed.

**Data Sources**

- Department of Revenue, Excise tax data
- S&P Global Market Intelligence, March 2023 forecast for light vehicles

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2019 |
| **Primary Beneficiaries:** | Tow truck operators |
| **Taxpayer Count:** | 1,750 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.04.040(1)(c) - Senior living community meals

**Description**

Whether the tenant is a resident of an assisted living facility or a continuing care retirement community, food, drink, or meals provided by a senior living community to tenants as part of a rental or residency agreement for which the community makes no separate charge are exempt from the definition of a retail sale. Businesses are subject to service and other activities B&O tax instead of retailing B&O tax.

**Purpose**

To reduce the cost of meals for tenants at senior living communities.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $1.192 | $1.463 | $1.523 | $1.583 |
| Local Taxes | $0.660 | $0.820 | $0.850 | $0.880 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $1.353 | $1.523 | $1.583 |
| Local Taxes | $0.000 | $0.750 | $0.850 | $0.880 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the sales and use taxes growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use taxes rate of 2.92%.
- Currently, one-third of senior living communities bundle charges for rent and meals to residents such that sales tax applies to the sale of meals. As a result, this repeal impacts one-third of senior living communities' charges for meals.

**Data Sources**

- Department of Revenue, audit data
- Economic and Revenue Forecast Council, March 2023 forecast
- Department of Social and Health Services, Assisted living and continuing care data
- Food Service Director, "2014 LTC/Senior Living Census: Ancillary foodservice locations gain in popularity"

# 82.04.040(1)(c) - Senior living community meals

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 2023 |
| **Primary Beneficiaries:** | Senior living community tenants |
| **Taxpayer Count:** | 40,000 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.04.062 - Precious metals and monetized bullion

**Description**

Sales of precious metals and monetized bullion are exempt from B&O tax. However, bullion dealers are subject to B&O tax under the service classification on commissions they receive for buying and selling these bullions on behalf of their customers. The sales tax portion of this report discusses the sales tax portion of the exemption.

**Purpose**

To provide tax relief to bullion dealers who compete with dealers in other states who are often not subject to Washington taxation.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $1.418 | $1.474 | $1.531 | $1.589 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $1.351 | $1.531 | $1.589 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the B&O taxable activities growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1985 |
| **Primary Beneficiaries:** | Sellers and purchasers of precious metal and monetized bullion |
| **Taxpayer Count:** | 71 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2012 with an upcoming review in 2024 |

# 82.04.110(2)(b) - Aluminum master alloy producers

**Description**

A person who produces aluminum master alloys is a processor for hire rather than a manufacturer, regardless of the portion of aluminum provided by the person's customer. Producers of aluminum master alloys pay processing for hire B&O tax upon the total charge for those services.

**Purpose**

To support the aluminum industry.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would not increase revenue because currently no taxpayers use it.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

No taxpayers currently use this exemption. We expect no usage during the forecasted period of this study.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1997 |
| **Primary Beneficiaries:** | The aluminum industry |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review in 2014 with an upcoming review in 2024 |

# 82.04.120(2)(a) - Hay cubing

**Description**

Manufacturing excludes cubing hay or alfalfa (compacting hay into small cubes for shipping, mainly to foreign markets) for B&O tax purposes. As a result, farmers who compact their own hay or alfalfa into cubes for sale at wholesale, are not subject to B&O tax.

Persons who cube hay or alfalfa for others are subject to the service or wholesaling B&O tax depending on where the activity takes place. Activity taking place on the grower's land is a service, while activity performed elsewhere is a wholesale transaction.

**Purpose**

Improves competitive position of Washington farmers that cube hay for export.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.467 | $0.467 | $0.467 | $0.467 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.428 | $0.467 | $0.467 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Many variables affect the price of hay, and prices tend to fluctuate year to year therefore no overall growth.

**Data Sources**

- Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Agriculture |
| **Year Enacted:** | 1997 |
| **Primary Beneficiaries:** | Persons who cube hay or alfalfa |
| **Taxpayer Count:** | 5 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited reviews completed in 2015 and 2018 |

# 82.04.120(2)(a) - Seed conditioning

**Description**

"To manufacture" excludes seed conditioning for B&O tax purposes. To manufacture seeds means the seeds are used for planting. In addition, wholesale sales to farmers of seed conditioned for use in planting, or conditioning seed owned by others for their planting is exempt from the wholesale B&O tax (RCW 82.04.331).

**Purpose**

Encourages seed conditioning businesses to relocate to Washington.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $1.170 | $1.230 | $1.290 | $1.360 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $1.130 | $1.290 | $1.360 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate reflects the compound annual growth of 5% based on historical seed conditioners' wholesale sales.
- Conditioned seeds account for one-third of Washington seed conditioner's gross wholesaling income.
- There is a separate B&O tax exemption for conditioned seeds sold wholesale in Washington. This estimate does not account for multiple activities tax credits.

**Data Sources**

- Department of Revenue, Excise tax data
- Washington State Crop Improvement, Washington conditioners
- U.S. Department of Agriculture, Census of Agriculture

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Agriculture |
| **Year Enacted:** | 1987 |
| **Primary Beneficiaries:** | Manufacturers of conditioned seeds for planting |
| **Taxpayer Count:** | 32 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2015 and 2018 |

# 82.04.120(2)(b) - Seafood processing

**Description**

The cutting, grading or ice glazing of seafood cooked, frozen or canned outside of Washington is not a manufacturing activity. These activities are not subject to the 0.484% manufacturing B&O tax rate.

**Purpose**

To encourage these activities and to create and retain jobs within the seafood industry.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | Indeterminate | Indeterminate | Indeterminate | Indeterminate |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exclusion would increase revenues, however the impact is indeterminate.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | Indeterminate | Indeterminate | Indeterminate |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

Revenue impacts are indeterminate, because other statutes exempt some but not all activities from manufacturing B&O tax. Activities not exempt are not separately identifiable.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1975 |
| **Primary Beneficiaries:** | Seafood processors |
| **Taxpayer Count:** | 65 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2022 |

# 82.04.120(2)(d) - Packing agricultural products

**Description**

Manufacturing B&O excludes the process of packing agricultural products. This includes sorting, washing, rinsing, grading, waxing, treating with fungicide, packaging, chilling, or placing in a controlled atmospheric storage.

**Purpose**

Clarifies that packing of agricultural products is not a manufacturing activity and is ineligible for manufacturing tax incentive programs.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exclusion would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

Impacts reported under the B&O tax deduction for processing horticultural products.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Agriculture |
| **Year Enacted:** | 1975 |
| **Primary Beneficiaries:** | Agricultural product packers |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.04.120(2)(e,f) - Computer software and digital goods

**Description**

Manufacturing B&O tax applies to the production of prewritten computer software when the producer transfers the software by means of tangible storage media. Manufacturing B&O tax does not apply to the production of software transferred electronically, or to the production of digital goods.

**Purpose**

To reduce confusion and complications concerning the B&O tax liability incurred by the production and sale of prewritten computer software and digital goods.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would not increase revenues. There are no taxpayer savings associated with this definitional clarification.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

This definitional clarification results in no taxpayer savings.

**Data Sources**

None

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Tax base |
| **Year Enacted:** | Software, 2003; Digital goods, 2009 |
| **Primary Beneficiaries:** | Sellers of electronically delivered goods and software |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.04.240(2) - Semiconductor materials manufacturing after $1 billion investment

**Description**

Businesses manufacturing semiconductor materials are subject to the B&O tax at a rate of 0.275%, instead of the general manufacturing rate of 0.484%.

The lower tax rate is contingent upon the commencement of a commercial operation of a new semiconductor microchip fabrication facility with an investment in new buildings and equipment amounting to at least $1 billion prior to January 1, 2024. If the contingency does not occur, the reduced rate expires January 1, 2024.

**Purpose**

To encourage retention of existing semiconductor businesses in Washington, while attracting similar businesses to Washington.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this B&O tax preferential rate would not increase revenues because no business is currently utilizing this incentive.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- No taxpayers are currently utilizing this preferential rate. We expect no usage during the forecasted period of this study.
- The necessary facility investment will not occur, and the contingency will not be met before the expiration of this law.

**Data Sources**

- Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2003 |
| **Primary Beneficiaries:** | Businesses that manufacture semiconductor materials |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2016 |

# 82.04.2403 - Fish cleaning

**Description**

Cleaning fresh fish is exempt from B&O tax. Cleaning means removing the head, fins, or viscera from the fish without further processing, other than freezing.

**Purpose**

To support the fishing industry by reducing the cost of doing business.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | Minimal | Minimal | Minimal | Minimal |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | Minimal | Minimal | Minimal |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the manufacturing growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- This calculation excludes cleaning saltwater fish which this report includes under the seafood products manufacturing B&O tax exemption.
- Actual taxpayer savings and potential revenue gains may be lower due to multiple activities tax credit and small business credit.

**Data Sources**

- Economic and Revenue Forecast Council, March 2023 forecast
- Washington Department of Fish and Wildlife, Commercial fish harvest data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1994 |
| **Primary Beneficiaries:** | Businesses harvesting and cleaning fresh fish |
| **Taxpayer Count:** | 18 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2022 |

# 82.04.2404 - Semiconductor materials manufacturing

**Description**

Washington provides a preferential B&O tax rate of 0.275% on the manufacturing or processing for hire of semiconductor materials. This preferential rate expires December 1, 2028. Any person claiming the preferential rate must reimburse the department 50% of the amount of the preference if the number of persons employed by the person claiming the tax preference is less than 90% of the employment average for the previous three years.

Manufacturers with no tax preference pay tax at the rate of 0.484%.

**Purpose**

To retain existing semiconductor businesses and to attract similar businesses to Washington.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | CTI | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this preferential tax rate would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

This preferential tax rate impacts fewer than three taxpayers; any impacts are confidential.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2006 |
| **Primary Beneficiaries:** | Businesses that manufacture or process for hire semiconductor materials |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2016 with an upcoming review in 2025 |

# 82.04.250(3) - Certified aircraft repair firms

**Description**

Qualified aircraft repair facilities certified by the Federal Aviation Administration as a "FAR Part 145" repair facility receive a reduced B&O tax rate of 0.2904%. Without the preferential rate, these businesses would be subject to the 0.484% rate applicable to the retailing of interstate transportation equipment. The preferred B&O tax rate expires July 1, 2040.

**Purpose**

To encourage the airplane repair industry in Washington.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.580 | $0.600 | $0.600 | $0.610 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this preferential rate would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.550 | $0.600 | $0.610 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the industrial production index for aerospace products and parts growth rate reflected in the March 2023 S&P Global Market Intelligence forecast.

**Data Sources**

- Department of Revenue, Annual tax performance reports
- S&P Global Market Intelligence, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2003 |
| **Primary Beneficiaries:** | FAR Part 145 repair stations |
| **Taxpayer Count:** | 37 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2014 and 2019 with an upcoming review scheduled in 2024 |

# 82.04.255 - Shared real estate commissions

**Description**

Real estate brokerage offices pay tax only on their share of commissions when two or more brokerage offices participate in a transaction, even if one business is located out of state. Individual associate brokers and salespersons are exempt from B&O tax when the brokerage office pays tax on the gross commission.

**Purpose**

To eliminate pyramiding of B&O tax on shared commissions.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $1.880 | $2.186 | $2.391 | $2.653 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $2.004 | $2.391 | $2.653 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the real estate excise tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- The real estate brokerage office passes 50% of the commission to the real estate agent.
- The average annual wage of real estate agents in Washington in 2022 was approximately $72,000.
- Approximately 90% of real estate agents qualify for the small business credit and would not owe B&O tax.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- Bureau of Labor Statistics, Occupational employment and wage statistics, May 2022

# 82.04.255 - Shared real estate commissions

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1970 |
| **Primary Beneficiaries:** | Real estate brokers and agents |
| **Taxpayer Count:** | 9,800 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2011 with upcoming review in 2024 |

# 82.04.260(1)(a) - Flour and oil manufacturing

**Description**

Manufacturers of flour, pearl barley, soybean oil, canola oil, canola meal, canola byproducts, and sunflower oil receive a preferential B&O tax rate of 0.138%. The tax rate for general manufacturing is 0.484%.

**Purpose**

To provide tax relief to businesses because of a highly competitive market structure.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | CTI | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this preferential tax rate would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

This preferential B&O tax rate impacts fewer than three taxpayers; any impacts are confidential.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Agriculture |
| **Year Enacted:** | 1949 |
| **Primary Beneficiaries:** | Flour and oil manufacturers |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2009 and 2022 |

# 82.04.260(1)(b) - Seafood products manufacturing

**Description**

Beginning July 1, 2035, manufacturers of seafood products that remain in a raw, raw frozen, or salted state receive a preferential B&O tax rate of 0.138% for the following activities:

- The manufacturing of seafood products.
- The sale of manufactured seafood products to purchasers who transport it out-of-state in the ordinary course of business.

The general manufacturing B&O tax rate is 0.484%; however, seafood product manufacturing described above is exempt from B&O tax until July 1, 2035.

**Purpose**

To provide tax relief to food processors and to create and retain jobs within the seafood industry.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this preferential rate would increase revenues beginning July 1, 2035.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

No revenues realized since affected taxpayers are exempt from B&O tax until July 1, 2035 (RCW 82.04.4269).

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2012 |
| **Primary Beneficiaries:** | Seafood manufacturers |
| **Taxpayer Count:** | 30 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2010, 2014 and 2022 |

# 82.04.260(1)(c) - Dairy products manufacturing

**Description**

Beginning July 1, 2035, manufacturers of dairy products receive a preferential B&O tax rate of 0.138% on sales from the following activities:

- The manufacture of dairy products.
- The sale of manufactured dairy products to purchasers who transport it out-of-state in the ordinary course of business.

The general manufacturing tax rate is 0.484% however, dairy product manufacturing described above is exempt from B&O tax until July 1, 2035.

**Purpose**

To provide tax relief to food processors and to create and retain jobs within the dairy industry.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this preferential rate would increase revenues beginning July 1, 2035.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

No revenues realized since affected taxpayers are exempt from B&O tax until July 1, 2035 (RCW 82.04.4268).

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Agriculture |
| **Year Enacted:** | 2012 |
| **Primary Beneficiaries:** | Dairy products manufacturers |
| **Taxpayer Count:** | 25 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2010, 2014 and 2022 |

# 82.04.260(1)(d) - Fruit and vegetable manufacturing

**Description**

Beginning July 1, 2035, manufacturers of fruit or vegetable products by canning, preserving, freezing, processing, or dehydrating receive a preferential B&O tax rate of 0.138% for the following activities:

- The manufacture of fruit and vegetables.
- The sale of manufactured fruit and vegetables at wholesale to purchasers who transport it out-of-state in the ordinary course of business.

The general manufacturing B&O tax rate is 0.484%, however, fruit and vegetable product manufacturing described above is exempt from B&O tax until July 1, 2035.

**Purpose**

To provide tax relief to food processors and to create and retain jobs within the fruit and vegetable industry.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this preferential rate would increase revenues beginning July 1, 2035.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

No revenues realized since affected taxpayers are exempt from B&O tax until July 1, 2035 (RCW 82.04.4266).

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Agriculture |
| **Year Enacted:** | 2012 |
| **Primary Beneficiaries:** | Processors of fruits and vegetables |
| **Taxpayer Count:** | 250 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2010, 2014, and 2022 |

# 82.04.260(1)(e) - Wood biomass fuel manufacturing

**Description**

The manufacturing of wood biomass fuel gets a reduced B&O tax rate of 0.138%. The general tax rate for manufacturing is 0.484%.

"Wood biomass fuel" means a liquid or gaseous fuel produced from lignocellulosic feedstocks, including wood, forest, or field residue, and dedicated energy crops. The term does not include wood treated with chemical preservations like creosote, pentachlorophenol, or copper-chrome-arsenic.

**Purpose**

Encourage the production of alternative fuels in Washington.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | CTI | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this reduced B&O tax rate would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

This reduced B&O tax rate impacts fewer than three taxpayers; any impacts are confidential.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2003 |
| **Primary Beneficiaries:** | Wood biomass manufacturers |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2017 |

# 82.04.260(2) - Dried pea processors

**Description**

Businesses that split or process dried peas receive a preferential B&O tax rate of 0.138%, rather than the general tax rate for manufacturing of 0.484%.

**Purpose**

To provide tax relief to businesses because of a highly competitive market structure.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.138 | $0.143 | $0.149 | $0.156 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this preference would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.131 | $0.149 | $0.156 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the manufacturing B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Agriculture |
| **Year Enacted:** | 1967 |
| **Primary Beneficiaries:** | Dried pea processors |
| **Taxpayer Count:** | 6 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2022 |

# 82.04.260(3) - Nonprofit research and development

**Description**

Income from nonprofit corporations and associations performing research and development (R&D) services is subject to a B&O tax rate of 0.484%.

**Purpose**

To support the advancement of nonprofit R&D.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this preferential rate would not increase revenue because currently no taxpayers use it.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

No taxpayers are currently reporting this preferential tax rate. We expect no usage during the forecasted period of this study.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 1965 |
| **Primary Beneficiaries:** | Nonprofit corporations and associations |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2016 and 2023 |

# 82.04.260(4) - Meat processors

**Description**

Persons in the business of wholesaling, slaughtering, breaking, and/or processing perishable meat products receive a preferential B&O tax rate of 0.138%. The tax rate for general manufacturing is 0.484%.

**Purpose**

To provide tax relief to businesses because of a highly competitive market structure.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $29.430 | $31.280 | $33.250 | $35.330 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this preferential B&O tax rate would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $28.680 | $33.250 | $35.330 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate reflects the compound annual growth rate of 6.3% based on slaughtering, breaking, and processing perishable meat historical taxable amounts.

**Data Sources**

- Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Agriculture |
| **Year Enacted:** | 1967 |
| **Primary Beneficiaries:** | Meat processors |
| **Taxpayer Count:** | 200 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2011 and expedited review completed in 2022 |

# 82.04.260(5) - Travel agents and tour operators

**Description**

Income from businesses providing travel agent or tour operator services is subject to the travel agents/tour operators B&O tax at the following rates:

- 0.275% if the prior year annual taxable amount from providing travel agent or tour operator services is $250,000 or less.
- 0.9% if the prior year annual taxable amount from providing travel agent or tour operator services is more than $250,000.

Without the preferential rate, the income would be subject to the service and other activities B&O tax rate of 1.5% or 1.75%.

**Purpose**

Provides a tax preference to travel agents or tour operator services tied to annual taxable amounts.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $6.390 | $6.640 | $6.940 | $7.280 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this preferential rate would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $6.090 | $6.940 | $7.280 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the service and other activities B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

# 82.04.260(5) - Travel agents and tour operators

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1975 |
| **Primary Beneficiaries:** | Travel agents and tour operators |
| **Taxpayer Count:** | 755 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2012 with an upcoming review in 2025 |

# 82.04.260(6) - International charter and freight brokers

**Description**

Income from performing the following international business activities is subject to the preferential B&O tax rate of 0.275%:
- Steamship agents.
- Customs house broker.
- Freight forwarders.
- Air cargo agents.
- Vessel or cargo charter brokers in foreign commerce.

Domestic charter and freight brokering business activities do not qualify for the preferential rate; instead, the income is subject to the service and other activities B&O tax rate of 1.5% or 1.75%.

**Purpose**

To encourage international trade through Washington.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $23.600 | $24.510 | $25.600 | $26.820 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this preferential rate would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $22.460 | $25.600 | $26.820 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the services and other activities B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

# 82.04.260(6) - International charter and freight brokers

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1979 |
| **Primary Beneficiaries:** | International charter and freight brokers |
| **Taxpayer Count:** | 176 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2012 and expedited review completed in 2019 |

# 82.04.260(7) - Stevedoring

**Description**

Income from businesses performing stevedoring and similar waterborne cargo handling activities receive a preferential B&O tax rate of 0.275% rather than the service and other activities B&O tax rate of 1.5% or 1.75%.

**Purpose**

To encourage international trade through Washington.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $20.850 | $21.660 | $22.620 | $23.690 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this preferential rate would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $19.850 | $22.620 | $23.690 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the service and other activities B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1979 |
| **Primary Beneficiaries:** | Stevedoring businesses |
| **Taxpayer Count:** | 37 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2012 and expedited review completed in 2017 |

# 82.04.260(9) - Insurance producers, title insurance agents, and surplus line brokers

**Description**

Insurance producers, title insurance agents, and surplus line brokers receive a preferential B&O tax rate of 0.484% on income received, rather than the service and other activities B&O tax rate of 1.5% or 1.75%.

**Purpose**

Reduces the impact of B&O surtaxes on insurance contractors because they were unable to raise commissions to cover tax increases in the short term.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $30.870 | $37.830 | $39.090 | $40.370 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this B&O tax preferential rate would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $34.680 | $39.090 | $40.370 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the wholesale B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1983 |
| **Primary Beneficiaries:** | Insurance producers, title insurance agents, and surplus line brokers |
| **Taxpayer Count:** | 3,900 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2021 |

# 82.04.260(11) - Commercial airplane manufacturing

**Description**

Beginning April 1, 2020, manufacturers of commercial airplanes or components of commercial airplanes, as well as tooling used in the production of commercial aircraft pay a general manufacturing B&O tax rate of 0.484% for manufacturing, wholesaling, and retailing activities.

After March 31, 2021, the tax rate must be reduced to 0.357% if the Department of Commerce verifies with the U.S. trade representative that the U.S. and the European Union have entered into a written agreement that resolves any world trade organization disputes involving large civil aircraft. This preferential rate expires July 1, 2040.

**Purpose**

Encourage the assembly of commercial airplanes in Washington.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this B&O tax rate would not increase revenues unless the Department of Commerce verifies the resolution, and the preferential rate applies.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

The Department of Commerce has not verified the resolution; therefore, the preferential rate does not apply. There will be no revenue impact during the forecasted period of this study.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2003 |
| **Primary Beneficiaries:** | Commercial airplane manufacturing companies |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2014 and 2019 with upcoming review in 2024 |

# 82.04.260(12) - Timber and wood products extracting or manufacturing

**Description**

Persons extracting or manufacturing timber and selling timber and wood products at wholesale receive a preferential B&O tax rate of 0.2904% (0.3424%, if including 0.052% surcharge). Previously, these activities were subject to a B&O tax rate of 0.484%.

This special rate also applies to the manufacturing of mass timber products.

Persons selling standing timber, if severed within 30 months of the sale agreement, receive a Real Estate Excise Tax (REET) exemption under this preference and pay B&O tax at 0.2904% (0.3424%, if including 0.052% surcharge). Without this preference, these activities would be subject to REET instead of B&O tax.

Both the preferential tax rate and surcharge expire July 1, 2045.

**Purpose**

To encourage businesses in the timber industry to continue operating in Washington.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $20.800 | $21.700 | $22.600 | $23.500 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this preferential B&O tax rate would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $19.900 | $22.600 | $23.500 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

# 82.04.260(12) - Timber and wood products extracting or manufacturing

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2003 |
| **Primary Beneficiaries:** | Timber industry |
| **Taxpayer Count:** | 946 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2016 and expedited review completed in 2022 |

# 82.04.260(13) - Canned salmon services

**Description**

Businesses that inspect, test, label, or store canned salmon owned by another business receive a preferential B&O tax rate of 0.484%, rather than the service and other activities rate of 1.5% or 1.75%.

**Purpose**

To provide tax relief for businesses that provide certain services for salmon canners.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.277 | $0.288 | $0.300 | $0.315 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this preference would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.264 | $0.300 | $0.315 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the service and other activities B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2006 |
| **Primary Beneficiaries:** | Businesses providing services to salmon canners |
| **Taxpayer Count:** | 3 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2022 |

# 82.04.263 - Radioactive waste cleanup

**Description**

Businesses providing clean-up services of radioactive waste or other by-products of weapons production and nuclear research and development for the U.S. government or its instrumentalities receive a preferential B&O tax rate of 0.471%.

Without the preferential rate, the income would be subject to the service and other activities B&O tax rate of 1.5% or 1.75%.

**Purpose**

Encourages the clean-up of radioactive waste at the Hanford site, which is crucial to the environment.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $42.280 | $43.900 | $45.860 | $48.050 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this preferential rate would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $40.250 | $45.860 | $48.050 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the service and other activities B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2009 |
| **Primary Beneficiaries:** | Radioactive waste cleanup businesses |
| **Taxpayer Count:** | 180 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review scheduled in 2026 |

# 82.04.272 - Prescription drug resellers

**Description**

Income from licensed businesses warehousing and reselling prescription drugs for human use receive a preferential B&O tax rate of 0.138%, rather than the wholesaling tax rate of 0.484%.

**Purpose**

To encourage prescription drug warehousing and reselling business activity in Washington.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $33.090 | $34.310 | $35.460 | $36.620 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this preferential rate would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $31.460 | $35.460 | $36.620 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the wholesale B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1998 |
| **Primary Beneficiaries:** | Prescription drug resellers |
| **Taxpayer Count:** | 49 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2013 and expedited completed in 2021 |

# 82.04.280 - Rental of real estate

**Description**

Income from the long-term rental of real estate is not subject to B&O tax. Long-term means a continuous period of one month or more.

In 1959, the legislature extended the B&O tax to income from the rental of real estate. The following year the State Supreme Court ruled the tax to be unconstitutional in Apartment Operators Association of Seattle v. Schumacher, 56 Wn. 2d 46 (1960). The Washington Supreme Court later questioned the validity of Schumacher, but never specifically overturned the holding. While Chapter 82 RCW does not explicitly provide an exclusion for the rental of real estate it also does not include the activity in the list of those subject to tax.

**Purpose**

The Supreme Court held that a B&O tax on rental income constitutes a tax on property. The State Constitution requires that property taxes be levied uniformly and B&O tax, in addition to property taxes, would result in non-uniform taxation.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $76.759 | $79.373 | $82.815 | $89.255 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Taxing real estate rental income would directly challenge Washington Supreme Court precedent (Shumacher) and likely lead to another court challenge. Based on subsequent decisions by the court, the court may overturn Schumacher leading to an increase in revenue, but it is just as likely for the court to uphold Schumacher leading to no increase in revenue.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $9.500 | $21.500 | $34.800 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

# 82.04.280 - Rental of real estate

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the annual growth for the housing market indicator rate reflected in the March 2023 S&P Global Market Intelligence forecast.
- This estimate uses an effective service and other activities B&O tax rate of 1.6975% to estimate revenues.
- Only 25% of the income from lessors of residential real estate would be subject to this tax, as most would be excluded due to the small amount of revenue received or because the rentals were short-term and already subject to the tax.
- There is significant litigation risk associated with this proposal. This estimate uses the following compliance factors to estimate collections:
  - 13% revenue collections in fiscal year 2025.
  - 26% revenue collections in fiscal year 2026.
  - 39% revenue collections in fiscal year 2027.
  - 52% revenue collections in fiscal year 2028 and thereafter.

**Data Sources**

- U.S. Census Bureau, 2017 Economic Census, Real Estate and Rental and Leasing: Summary Statistics for the U.S., States, and Selected Geographies
- S&P Global Market Intelligence, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | By statute in 1935, by court decision in 1960 |
| **Primary Beneficiaries:** | Rental property owners |
| **Taxpayer Count:** | 15,000 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.04.280(1)(f) - Radio and TV broadcasting

**Description**

Radio and television broadcasters may deduct gross receipts from national, network, and regional advertising from the measure of B&O tax. Broadcasters calculate the national, network, and regional advertising deduction using either:

- A standard deduction rate published by the department.
- By itemization using actual receipts.

Radio and television broadcasters receive a preferential B&O tax rate of 0.484% on the gross receipts from advertising rather than the service and other activities B&O tax rate of 1.5% or 1.75%.

**Purpose**

Broadcasts which cross the state's boundaries and advertising income derived from outside the state may constitute interstate commerce.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $1.380 | $1.480 | $1.570 | $1.680 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this deduction would increase revenue unless the tax interferes with interstate commerce.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $1.360 | $1.570 | $1.680 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Taxpayers located in Washington that do not report deduction detail on their excise tax return net the deduction for national, network, and regional advertising from the gross amounts reported. This estimate uses the standard deduction rate of 62% for these taxpayers.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

# 82.04.280(1)(f) - Radio and TV broadcasting

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Interstate Commerce |
| **Year Enacted:** | 1967 |
| **Primary Beneficiaries:** | Broadcasters and cable and satellite television providers with advertising income |
| **Taxpayer Count:** | 139 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2008 and 2022 |

# 82.04.287 - Alternative jet fuel

**Description**

Persons who manufacture, wholesale, and retail alternative jet fuel pay a preferential B&O tax rate of 0.275% rather than the manufacturer and wholesale B&O tax rate of 0.484% and the retailing B&O rate of 0.471%.

Alternative jet fuel means fuel blended and used with conventional petroleum jet fuels without the need to modify aircraft engines. It also has a lower carbon intensity than the annual carbon intensity standard, and it does not include conventional jet fuel.

The preferential rates become effective the first day of the quarter immediately following the month when the Department of Ecology notifies the department when one or more facilities are operating in Washington with a cumulative production capacity of at least 20 million gallons of alternative jet fuel each year.

A person taking the preferential rates must file an annual tax performance report with the department.

The preferential rates expire nine calendar years after the close of the calendar year in which the tax rates take effect.

**Purpose**

To encourage the production of alternative jet fuels in Washington.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.300 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this preferential rate would not increase revenues due to the preferential rate not becoming effective until the third quarter of 2026.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, before the preferential rates become effective, therefore is no revenue impact.

# 82.04.287 - Alternative jet fuel

**Data Sources**

- Washington State University Office of National Partnerships, Sustainable Aviation Biofuels Work Group, December 2022 final report
- U.S. Energy Information Administration, Prices, Sales Volume and Stocks by State
- U.S. Energy Information Administration, PADD 5 Refinery and Blender Net Production
- California Air Resources Board, LCFS Pathway Certified Carbon Intensities
- Washington Research Council, Economic contribution of Washington State's petroleum refining Industry in 2019, Appendix A.2 Quantity and Value of Output, June 2021
- Congressional Research Service, Sustainable Aviation Fuel
- Alaska Airlines makes significant investment in Sustainable Aviation Fuel, Alaska Airlines, August 3, 2022, https://news.alaskaair.com/newsroom/alaska-airlines-makes-significant-investment-in-sustainable-aviation-fuel/

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2023 |
| **Primary Beneficiaries:** | Manufacturers of alternative jet fuels |
| **Taxpayer Count:** | 5 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.04.290(1) - International investment management services

**Description**

Businesses providing qualifying international investment management services (IIMS) receive a preferential B&O tax rate of 0.275% rather than the service and other activities B&O tax rate of 1.5% or 1.75%.

A business is engaged in qualifying IIMS if it meets all the following qualifications:

- Primary business activity is providing investment management services.
- At least 10% of its gross income is from providing IIMS to a qualifying collective investment fund.
- More than 25% of the business's employees are located in Washington.
- The business is a member of an affiliated group with all the following:
  - 10 or more offices located in at least eight foreign countries.
  - At least 500 full-time employees worldwide.
  - Worldwide gross revenue of more than $400 million during the current or preceding calendar year.
  - Average assets under management of more than $200 billion during the current or preceding calendar year.

**Purpose**

To reduce a perceived competitive disadvantage for IIMS businesses and to attract new international trade and finance business.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $1.160 | $1.210 | $1.260 | $1.320 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this preferential rate would increase revenues. However, businesses could move this activity out of the state.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $1.110 | $1.260 | $1.320 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the B&O growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Service and other activities B&O tax estimates use the tax rate of 1.75%. Of those tax impacts, 14.3% are deposited into the Workforce Education Investment Account.

# 82.04.290(1) - International investment management services

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1995 |
| **Primary Beneficiaries:** | Qualifying IIMS businesses |
| **Taxpayer Count:** | 7 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2014 and expedited review completed in 2017 |

# 82.04.290(3) - Aerospace product development

**Description**

Persons who perform aerospace product development for others receive a preferential B&O tax rate of 0.9%, as compared to the service and other activities B&O tax rate of 1.5% or 1.75%. The preferential tax rate expires July 1, 2040.

**Purpose**

To provide an incentive for persons to engage in aerospace product development, such as research, engineering, and design activities performed in developing an aerospace product.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $1.700 | $1.820 | $1.870 | $1.910 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this preferential B&O tax rate would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $1.660 | $1.870 | $1.910 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the industrial production index for aerospace products and parts growth rate reflected S&P Global Market Intelligence's March 2023 forecast.

**Data Sources**

- Department of Revenue, Annual tax performance report data
- S&P Global Market Intelligence, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2008 |
| **Primary Beneficiaries:** | Businesses engaged in aerospace product development |
| **Taxpayer Count:** | 115 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2014 and 2019 with an upcoming review in 2024 |

# 82.04.2905 - Childcare

**Description**

Income from businesses providing childcare services for periods less than 24 hours receive the preferential B&O tax rate of 0.484%, rather than the service and other activities B&O tax rate of 1.5% or 1.75%.

Notes:

- Churches that provide childcare services for periods less than 24 hours and exempt from property tax are exempt from B&O tax.
- Care services of children under eight years old and who are not enrolled in first grade or above are exempt from B&O tax.
- The impacts from these exemptions are in separate estimates.

**Purpose**

Reduces the cost of childcare and reduces the tax burden for an industry with low profit margins.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $1.790 | $1.850 | $1.940 | $2.030 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this preferential rate would increase revenue.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $1.700 | $1.940 | $2.030 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the service and other activities B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

# 82.04.2905 - Childcare

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1998 |
| **Primary Beneficiaries:** | Businesses providing childcare |
| **Taxpayer Count:** | 1,100 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2014 and 2019 |

# 82.04.2906 - Chemical dependency treatment

**Description**

Income from Department of Social and Health Services (DSHS) certified businesses providing intensive inpatient or recovery house residential recovery treatment services for chemical dependency and receiving payment from government sources is subject to the preferential B&O tax rate of 0.484%.

Income from payment by non-government sources is subject to the service and other activities B&O tax rate of 1.5% or 1.75% if taxable income was $1 million or more in the prior calendar year.

**Purpose**

To support chemical dependency center businesses providing social and health services.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.860 | $0.920 | $0.970 | $1.040 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this preferential rate would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.840 | $0.970 | $1.040 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the hospital B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2003 |
| **Primary Beneficiaries:** | Businesses providing treatment for chemical dependency |
| **Taxpayer Count:** | 17 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2016 |

# 82.04.2908 - Assisted living facilities

**Description**

Income from businesses operating licensed assisted living facilities providing room and daily living or health support, or occasional nursing services receive a preferential B&O tax rate of 0.275%. Without the preferential rate, the income would be subject to the service and other activities B&O tax rate of 1.5% or 1.75%.

**Purpose**

Makes the taxation of assisted living facilities similar to the treatment of nursing homes.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $16.020 | $16.640 | $17.380 | $18.210 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this preferential rate would increase revenue.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $15.250 | $17.380 | $18.210 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the hospital B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2004 |
| **Primary Beneficiaries:** | Assisted living facilities |
| **Taxpayer Count:** | 344 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2016 with an upcoming full review scheduled in 2026 |

# 82.04.2909 - Aluminum manufacturing and wholesaling

**Description**

Income from businesses using an aluminum smelter to manufacture and wholesale aluminum receive a preferential B&O tax rate of 0.2904%. Income from manufacturing and wholesaling non-aluminum products is subject to the manufacturing and wholesaling B&O tax rate of 0.484%.

**Purpose**

Provides tax relief to the aluminum industry by providing a reduced B&O rate to manufacturers, processors for hire, and wholesalers.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this preferential rate would not increase revenue because currently no taxpayers use it.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

No taxpayers currently use this preferential rate. We expect no usage during the forecasted period of this study.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2004 |
| **Primary Beneficiaries:** | Aluminum smelters |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2015 with an upcoming review in 2024 |

# 82.04.294 - Solar energy and silicon product manufacturers

**Description**

Businesses manufacturing or wholesaling solar energy systems or producing silicon components for these systems receive a preferential B&O tax rate of 0.275% until June 30, 2032. If no preferential rate existed, the rate would be 0.484%.

A person who utilizes this preferential tax rate must file annual reports with the department detailing employment, wages paid, and employee benefits.

**Purpose**

To support the solar electric industry.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.456 | $0.463 | $0.470 | $0.477 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this B&O tax preferential rate would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.424 | $0.470 | $0.477 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate for solar energy and silicon product manufacturing activities mirrors the U.S. electric renewable energy generation outlook reflected in Statista forecast.

**Data Sources**

- Department of Revenue, Excise tax data
- Statista, U.S. electric power renewable energy generation outlook by technology 2013-2040

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2005 |
| **Primary Beneficiaries:** | Businesses manufacturing certain solar energy systems and their components |
| **Taxpayer Count:** | 8 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2016 with an upcoming expedited review in 2025 |

# 82.04.298(2) - Grocery distribution co-ops

**Description**

Qualified grocery cooperatives can take a deduction from the gross proceeds of sales of groceries for resale to their members that is equal to the portion of the gross proceeds of sales for resale that represents the actual cost of the merchandise sold to members. However, commission income is subject to tax under the service classification.

**Purpose**

To provide a deduction for qualified grocery cooperatives on goods distributed to their members when the cooperative retains the title to the goods.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | CTI | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this deduction would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

This deduction impacts fewer than three taxpayers; any impacts are confidential.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2001 |
| **Primary Beneficiaries:** | Grocery distribution cooperatives |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2016 and 2022 |

# 82.04.299(2)(a)(i) - Hospitals exempt from workforce education surcharges

**Description**

Select advanced computing businesses pay the workforce education investment surcharge of 1.22% on service and other activities B&O income. Hospitals (as defined in RCW 70.41.020) are exempt from the surcharge.

**Purpose**

To lower costs for hospitals.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $9.300 | $9.300 | $9.300 | $9.400 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $14.025 | $9.300 | $9.400 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and in fiscal year 2025 impacts three quarters of workforce education investment advanced computing surcharge (ACS) tax collections.
- Growth rate mirrors the service B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- A hospital whose affiliated group has over $25 billion in revenues will have at least one affiliate engaging in advanced computing services.
- The ACS is filed quarterly on one return on behalf of all entities in an affiliated group.
- The ACS tax paid is capped at $9 million per calendar year for an affiliated group. Because this repeal is effective on July 1, 2024, taxpayers who normally meet the cap by the third or fourth quarter of a calendar year will owe tax for those quarters in the first impacted year. Therefore, tax collections in the first impacted year are higher than the subsequent years.
- This estimate does not identify or consider affiliates of the taxpayers affected by this repeal when determining whether an affiliated group engaged in advanced computing has met the $9 million cap. If a taxpayer has affiliated businesses in their advanced computing group that are not hospitals, this may affect the revenue gain from this repeal.

# 82.04.299(2)(a)(i) - Hospitals exempt from workforce education surcharges

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- Department of Health, Hospital year end reports.

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2019 |
| **Primary Beneficiaries:** | Hospitals |
| **Taxpayer Count:** | 7 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.04.299(2)(a)(ii) - Provider clinics exempt from workforce education surcharges

**Description**

Select advanced computing businesses pay the workforce education investment surcharge of 1.22% on service and other activities B&O income. Provider clinics offering primary care, multispecialty, surgical, or behavioral health services are exempt from the surcharge. Affiliates of the provider clinic are also exempt from the surcharge if the affiliate meets one of the following:

- Offers health care services or provides administrative support for the provider clinic.
- Is an independent practice association.
- Is an accountable care organization.

**Purpose**

To lower costs for provider clinics.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $5.500 | $5.300 | $5.200 | $5.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $10.800 | $5.200 | $5.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and in fiscal year 2025 impacts three quarters of workforce education investment advanced computing surcharge (ACS) tax collections and nine months of service and other activities B&O tax collections.
- Growth rate mirrors the service B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- The ACS is filed quarterly on one return on behalf of all entities in an affiliated group.
- The ACS tax paid is capped at $9 million per calendar year for an affiliated group. Because this repeal is effective on July 1, 2024, taxpayers who normally meet the cap by the third or fourth quarter of a calendar year will owe tax for those quarters in the first impacted year. Therefore, tax collections in the first impacted year are higher than the subsequent years.
- Taxpayers who are subject to the ACS pay the service and other activities B&O tax at the 1.5% rate.

# 82.04.299(2)(a)(ii) - Provider clinics exempt from workforce education surcharges

- Taxpayers who do not pay the ACS pay the service and other activities B&O tax at the 1.75% rate. Receipts from the additional 0.25% are deposited into the Workforce Education Investment Account.
- This estimate does not identify or consider affiliates of the taxpayers affected by this repeal when determining whether an affiliated group engaged in advanced computing has met the $9M cap. If a taxpayer has affiliated businesses in their advanced computing group that are not hospitals, this may affect the revenue gain from this repeal.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- Department of Health, Hospital year-end reports

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2022 |
| **Primary Beneficiaries:** | Health care provider clinics |
| **Taxpayer Count:** | 8 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.04.301 - University-managed hospital in King County

**Description**

Certain hospitals are exempt from B&O tax. To qualify for the exemption, each hospital must be owned by a county with a population greater than two million and managed by a state university.

The exemption expires January 1, 2030.

**Purpose**

To lower taxes on hospitals.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | CTI | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

This exemption impacts fewer than three taxpayers; any impacts are confidential.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2019 |
| **Primary Beneficiaries:** | Qualifying hospital managed by state university |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.04.310(2) - Electricity sales for resale

**Description**

Wholesale sales of electrical energy are exempt from B&O tax.

**Purpose**

To provide the same B&O tax treatment as the PU tax. The sale of electricity to the consumer is the taxable transaction.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $1.160 | $1.180 | $1.200 | $1.220 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $1.080 | $1.200 | $1.220 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the electric power public utility taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Tax base |
| **Year Enacted:** | 2000 |
| **Primary Beneficiaries:** | Power marketers selling electricity under contract to other entities |
| **Taxpayer Count:** | 3 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2014 and expedited review completed in 2017 |

# 82.04.310(3) - Natural gas surplus sales

**Description**

Sales of natural or manufactured gas are exempt from B&O tax if the person sells within the U.S. a total amount of natural or manufactured gas that is no more than 20% of the amount of natural or manufactured gas, they consumed within the U.S. within the same calendar year.

**Purpose**

Allows large industrial users who are not in the business of selling natural gas to sell back unused gas without incurring B&O tax.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | Minimal | Minimal | Minimal | Minimal |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | Minimal | Minimal | Minimal |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

Revenue impact is considered to be minimal.

**Data Sources**

U.S. Energy Information Administration, Natural gas consumption by end use

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Tax base |
| **Year Enacted:** | 2007 |
| **Primary Beneficiaries:** | Businesses using natural gas in industrial processes |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2021 |

# 82.04.310(4) - Bonneville Power Administration funding

**Description**

Credits or funds provided by the Bonneville Power Administration for the purposes of implementing energy conservation or demand-side management programs are exempt from B&O tax if the tax savings received are used for the purpose of low-income ratepayer assistance or weatherization. The exemption expires January 1, 2031.

**Purpose**

Supports energy conservation programs.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.945 | $0.945 | $0.945 | $0.945 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.866 | $0.945 | $0.945 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Bonneville Power Administration energy conservation program bill savings for ratepayers averages $63 million per year. Growth is minimal; therefore, amount remains the same for future periods.

**Data Sources**

- Bonneville Power Administration, Annual Report 2021

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 2021 |
| **Primary Beneficiaries:** | Washington electric utility companies |
| **Taxpayer Count:** | 25 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.04.311 - Tobacco Settlement Authority

**Description**

Income received by the Tobacco Settlement Authority (authority) is exempt from B&O tax. The authority has certain financing powers under the law, including the issuance of bonds to pay for purchasing a portion of the amounts due to the state under the Master Settlement Agreement. The interest and gain on those bonds would otherwise be subject to B&O tax but for this exemption.

**Purpose**

Recognizing that the authority is a public instrumentality of the state and is not engaged in conducting an enterprise activity.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | CTI | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenue, but the state would be taxing a public instrumentality.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

This exemption impacts fewer than three taxpayers; any impacts are confidential.

**Data Sources**

Tobacco Settlement Authority

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 2002 |
| **Primary Beneficiaries:** | The authority and indirectly, citizens of the state |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review scheduled in 2025 |

# 82.04.315 - International banking facilities

**Description**

International banking facilities are exempt from B&O tax. An international banking facility is:

- A branch of a foreign bank.
- A set of accounts segregated by a commercial bank for international banking.
- An Edge Act corporation under the Federal Reserve Act.
- Certain Agreement corporations under the Federal Reserve Act.

**Purpose**

To encourage international trade through banks in Washington.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | CTI | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

This exemption impacts fewer than three taxpayers; any impacts are confidential.

**Data Sources**

- Federal Reserve Board, Structure Data for U.S. Banking Offices of Foreign Entities
- Federal Reserve Board, Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1982 |
| **Primary Beneficiaries:** | International banking facilities |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2011 and full review completed in 2017 |

# 82.04.317; 82.04.422(1) - Wholesale auto auctions

**Description**

Motor vehicle manufacturers, their financing subsidiaries (that must be at least 50% owned by the manufacturer), and licensed vehicle dealers are exempt from wholesaling B&O tax on their wholesale sales of motor vehicles if the sales take place at a wholesale auto auction and the purchaser is licensed vehicle dealer.

**Purpose**

To encourage out-of-state auto manufacturers to sell their rental and lease return vehicles and other surplus vehicles at wholesale auctions conducted in Washington.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $4.245 | $4.385 | $4.464 | $4.432 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $4.019 | $4.464 | $4.432 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the auto sales growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1997 |
| **Primary Beneficiaries:** | Auto dealers and auctioneers |
| **Taxpayer Count:** | 291 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2014 and 2019 |

# 82.04.320 - Insurance premiums

**Description**

Income subject to the state insurance premiums tax is exempt from B&O tax.

**Purpose**

To avoid subjecting insurance premiums to more than one state business tax.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $983.700 | $1,003.900 | $1,023.400 | $1,043.300 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues if RCW 48.14.080 is also amended to allow B&O taxation of premium income.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $920.300 | $1,023.400 | $1,043.300 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the insurance premiums growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Premiums can be subject to both insurance and B&O taxes.
- This activity is taxed at the 1.75% service and other activities B&O tax rate.

**Data Sources**

- Office of the Insurance Commissioner, Insurance data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Tax base |
| **Year Enacted:** | 1935 |
| **Primary Beneficiaries:** | Insurance companies and policyholders |
| **Taxpayer Count:** | 1,960 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2021 |

# 82.04.321 - Health care provider qualified health plan amounts

**Description**

Amounts received by a health care provider for services performed on patients covered by a qualified health plan are exempt from B&O tax. This includes reimbursement from the qualified health plan and any amounts collected from the patient as part of their cost-sharing obligation.

**Purpose**

To lower tax for businesses receiving income under the qualified health plan program.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $8.650 | $8.650 | $8.650 | $8.650 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $7.270 | $8.650 | $8.650 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth is minimal; therefore, amount remains the same for future periods.

**Data Sources**

- Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2019 |
| **Primary Beneficiaries:** | Healthcare providers |
| **Taxpayer Count:** | 18 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.04.322 - Health maintenance organizations

**Description**

Health maintenance organizations, health care service contractors, and certified health plans are exempt from B&O tax on income subject to the state insurance premiums tax.

**Purpose**

To avoid subjecting insurance premiums to more than one state business tax.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $420.140 | $442.180 | $465.360 | $489.770 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues if RCW 48.14.080 were also amended to allow B&O taxation of premium income.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $405.330 | $465.360 | $489.770 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate reflects the compound annual growth rate of 5.2% based on historical insurance premiums data.

**Data Sources**

- Office of Insurance Commissioner, Insurance data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Tax base |
| **Year Enacted:** | 1993 |
| **Primary Beneficiaries:** | Health maintenance organizations, health care service contractors, and certified health plans and their members |
| **Taxpayer Count:** | 40 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2013 and expedited review completed in 2021 |

# 82.04.323 - Health Benefit Exchange

**Description**

Amounts received by the Washington Health Benefit Exchange (WHBE) are not subject to B&O taxes. Established as a private-public partnership under RCW 43.71, the WHBE operates the online marketplace that provides access to qualified health insurance plans. Amounts received by the WHBE include federal grants, federal premium tax subsidies, and credits, charges to health carriers, and enrollee-paid premiums.

**Purpose**

To reduce the WHBE's operating costs.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | CTI | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

This exemption impacts fewer than three taxpayers; any impacts are confidential.

**Data Sources**

Washington Health Benefit Exchange, Revenue data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2013 |
| **Primary Beneficiaries:** | Washington Health Benefit Exchange |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2021 |

# 82.04.324 - Nonprofit blood, bone and tissue banks

**Description**

Qualifying nonprofit blood or tissue banks or qualifying blood and tissue banks receive a B&O tax exemption from income exempt from federal income tax.

**Purpose**

To support the activities of these entities.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $10.120 | $10.500 | $10.970 | $11.490 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $9.630 | $10.970 | $11.490 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the services B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- The portion of income exempt from federal income tax equates to 80% of total income and would be subject to service B&O tax.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- Projects.Propublica.org, Nonprofit explorer, 990 IRS forms

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 1995 |
| **Primary Beneficiaries:** | Nonprofit blood, bone, or tissue banks |
| **Taxpayer Count:** | 3 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2013 and expedited review completed in 2021 |

# 82.04.326 - Organ procurement

**Description**

Qualified nonprofit organ procurement organizations receive a B&O tax exemption on income that is exempt from federal income tax.

**Purpose**

To extend the same tax treatment available to blood, bone, and tissue banks.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | CTI | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

This exemption impacts fewer than three taxpayers; any impacts are confidential.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 2002 |
| **Primary Beneficiaries:** | Nonprofit organizations that locate and obtain human organs for transplant operations |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2013 and 2021 |

# 82.04.327 - Adult family homes

**Description**

Adult family homes that provide for the health, welfare, and safety of residents including elderly persons, adults with developmental or other disabilities, are exempt from B&O tax. To qualify the home must be:

- Licensed as an adult family home.
- Exempt from licensing under rules of the Department of Social and Health Services.

**Purpose**

Reduces the cost of operating adult family homes.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $9.860 | $10.230 | $10.680 | $11.190 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $9.380 | $10.680 | $11.190 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the service and other activities B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

**Data Sources**

- Department of Social and Health Services, Client participation data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1995 |
| **Primary Beneficiaries:** | Adult family homes |
| **Taxpayer Count:** | 4,000 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2012 with an upcoming full review in 2026 |

# 82.04.330 - Agricultural producers

**Description**

Farmers who make wholesale sales of agricultural products; or grow, raise, or produce agricultural products owned by others are exempt from B&O tax. "Farmer" means any person engaged in the business of growing, raising, or producing, upon the person's own lands or upon the lands in which the person has a present right of possession, any agricultural product to be sold, and the growing, raising, or producing honeybee products for sale, or providing bee pollination services, by an eligible apiarist. "Farmer" does not include a person growing, raising, or producing such products for the person's own consumption; a person selling any animal or substance obtained therefrom in connection with the person's business of operating a stockyard or a slaughter or packing house; or a person in respect to the business of taking, cultivating, or raising timber.

Eligible apiarists are also exempt from B&O tax on sales of bee pollination services to a farmer. "Eligible apiarist" means a person who owns or keeps one or more bee colonies and who grows, raises, or produces honeybee products for sale at wholesale and is registered with Washington Department of Agriculture.

This B&O tax exemption does not apply to retailers of agricultural products at retail or manufacturers of articles or substances.

**Purpose**

To aid an industry that was severely depressed in 1935 when the exemption was enacted. The exemption recognizes the low profit margins and high transportation costs faced by most farmers.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $45.920 | $46.380 | $46.850 | $47.320 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $42.520 | $46.850 | $47.320 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate reflects the average historical growth rate of the value of agricultural products.
- The majority of value of agriculture production would be taxable without the exemption. This estimate assumes 90%.

# 82.04.330 - Agricultural producers

**Data Sources**

- U.S. Department of Agriculture, Census of Agriculture
- National Agricultural Statistics Service, Agriculture overviews and bulletins

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Agriculture |
| **Year Enacted:** | 1935 |
| **Primary Beneficiaries:** | Farmers making wholesale sales of agricultural products |
| **Taxpayer Count:** | 35,200 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2018 |

# 82.04.330; 82.04.100 - Christmas tree producers

**Description**

Farmers growing Christmas trees on a plantation using agricultural production methods are exempt from the extracting and wholesaling B&O tax. Retail sales of plantation Christmas trees by farmers are subject to retailing B&O and sales and use taxes.

**Purpose**

Recognizes production of Christmas trees is similar to other agricultural production.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.078 | $0.079 | $0.081 | $0.083 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.072 | $0.081 | $0.083 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- The compound annual growth rate for Christmas tree cultivation sales is 2.3%.

**Data Sources**

- Pacific Northwest Christmas Tree Association, 2017 Tree harvest data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Agriculture |
| **Year Enacted:** | 1987 |
| **Primary Beneficiaries:** | Christmas tree growers |
| **Taxpayer Count:** | 440 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited reviews completed in 2015 and 2018 |

# 82.04.330(1) - Bee pollination services by apiarists

**Description**

Eligible apiarists are exempt from the B&O tax on income received for providing bee pollination services to farmers. The apiarists must provide the pollination services using bee colonies the apiarists own or keep.

**Purpose**

To provide B&O tax relief for Washington's apiarists to counter the negative economic impact on the state's agricultural sector caused by colony collapse disorder.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.220 | $0.221 | $0.223 | $0.225 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.203 | $0.223 | $0.225 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate reflects the compound annual growth rate of 0.85% based on total valuation of pollination reflected in Department of Agriculture publication.

**Data Sources**

- U.S. Department of Agriculture, Cost of pollination publication

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Agriculture |
| **Year Enacted:** | 2015 |
| **Primary Beneficiaries:** | Apiarists providing pollination services |
| **Taxpayer Count:** | 30 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.04.331 - Conditioned seed wholesaling

**Description**

Wholesale sales to farmers of conditioned seeds used for planting are exempt from B&O tax. The exemption also applies to conditioning seed owned by other persons.

The exemption excludes seeds packaged for retail sale, flower seeds, vegetable seeds, seeds or portions of plants used to grow cannabis, ornamental flowers, shrubs, trees, ferns, or mosses.

**Purpose**

Assist businesses providing seed used in commercial agriculture.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | Minimal | Minimal | Minimal | Minimal |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | Minimal | Minimal | Minimal |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- The compound annual growth rate for seed conditioners' wholesale sales related to farm production expenses is 3.4%.

**Data Sources**

- Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Agriculture |
| **Year Enacted:** | 1998 |
| **Primary Beneficiaries:** | Wholesalers of conditioned seeds used for planting crops |
| **Taxpayer Count:** | 20 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2015 and 2018 |

# 82.04.332 - Grain and unprocessed milk wholesaling

**Description**

Wholesale sales of unprocessed milk and various types of grain and other agricultural products, including wheat, oats, barley, dry peas, dry beans, lentils, and triticale, are exempt from B&O tax. The exemption does not extend to wholesale sales of products manufactured from these products. Farmers who produce and sell such items at wholesale are already exempt.

**Purpose**

To assist agriculture.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $6.360 | $6.180 | $6.010 | $5.890 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $5.670 | $6.010 | $5.890 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the gross value-added farm growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

**Data Sources**

- Economic and Revenue Forecast Council, March 2023 forecast
- U.S. Department of Agriculture, Census of agriculture
- Joint Legislative Audit and Review Committee references

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Agriculture |
| **Year Enacted:** | 1998 |
| **Primary Beneficiaries:** | Agricultural businesses |
| **Taxpayer Count:** | 80 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2015 and expedited review completed in 2018 |

# 82.04.333 - Small timber harvesters

**Description**

Small timber harvesters (generally those harvest less than two million board feet in a calendar year) can exclude up to $100,000 per tax year from their gross receipts or value of products proceeding or accruing from timber harvested.

**Purpose**

To support small harvesters.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.024 | $0.023 | $0.023 | $0.023 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.021 | $0.023 | $0.023 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the timber excise tax growth rate reflected in the Economic and Revenue Council's March 2023 forecast.
- Tax savings calculated based on the preferential B&O tax rate of 0.3424%. This rate includes the 0.052% surcharge.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2007 |
| **Primary Beneficiaries:** | Small timber harvesters |
| **Taxpayer Count:** | 200 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2015 and 2023 |

# 82.04.334 - Standing timber exclusion

**Description**

Sales of standing timber excluded from the definition of "sale" for purposes of real estate excise tax are exempt from B&O tax.

**Purpose**

To support Washington's timber industry.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | Indeterminate | Indeterminate | Indeterminate | Indeterminate |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | Indeterminate | Indeterminate | Indeterminate |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

The exempt amounts are non-monetary transactions. No data exists for the value of the exempted timber; the impact of this tax preference is indeterminate.

**Data Sources**

Department of Revenue, Real estate excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2007 |
| **Primary Beneficiaries:** | Integrated wood products companies and real estate investment trusts |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2023 |

# 82.04.335 - Agricultural fairs

**Description**

Bona fide agricultural fairs are exempt from B&O tax if no part of the net earnings benefit any stockholder or member of the association conducting the fair.

Income from admissions to specific exhibits, entertainment or other business activities conducted within the fairgrounds by third parties is taxable.

**Purpose**

Supports agricultural fairs by reducing the costs to run the fairs.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.444 | $0.448 | $0.452 | $0.457 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.411 | $0.452 | $0.457 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the population growth rate reflected in the Office of Financial Management's April 2022 population forecast.
- Fair admissions will return to near pre-pandemic levels.

**Data Sources**

- Office of Financial Management, April 2022 population forecast
- Washington Fairs Association, List of fairs
- Washington Department of Agriculture, Fair funding applications
- County fair websites, Admissions and parking costs

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Agriculture |
| **Year Enacted:** | 1965 |
| **Primary Beneficiaries:** | County, community fairs, and youth livestock shows |
| **Taxpayer Count:** | 70 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited reviews completed in 2010 and 2018 |

# 82.04.337 - Hops processed and exported

**Description**

Sales of hops processed into extract, pellets, or powder in Washington and then shipped outside the state for first use are exempt from B&O tax. Income received for processing or warehousing hops is not exempt from the tax.

**Purpose**

Recognizes processing of hops into extract, pellets or powder is merely to facilitate shipment of the product and eliminates it from manufacturing B&O tax.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $2.190 | $2.190 | $2.190 | $2.190 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $2.010 | $2.190 | $2.190 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- The three-year average for hops produced in Washington is 76.86 million pounds. Hop production is fairly constant per year, there is no annual growth.
- The three-year average farm-gate value of Washington hops is $5.92 per pound.
- The processed value of exported hops is about 455 million per year.

**Data Sources**

- Washington Hop Commission
- U.S. Department of Agriculture, National Hop Report released December 2022
- Liquor and Cannabis Board, 2022 Washington beer production
- Brewers Association

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Agriculture |
| **Year Enacted:** | 1987 |
| **Primary Beneficiaries:** | Hop producers and merchants |
| **Taxpayer Count:** | 20 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited reviews completed in 2015 and 2018 |

# 82.04.338 - Hop Commission services

**Description**

Nonprofit organizations are exempt from B&O tax on income earned from business activities performed for a Hop Commodity Commission or Hop Commodity Board.

**Purpose**

Supports the hop industry.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | CTI | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

This exemption impacts fewer than three taxpayers; any impacts are confidential.

**Data Sources**

Washington Hop Commission

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Agriculture |
| **Year Enacted:** | 1998 |
| **Primary Beneficiaries:** | Nonprofits providing services to the Hop Commission |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2015 and 2018 |

# 82.04.339 - Church childcare

**Description**

Churches providing childcare for periods of less than 24 hours are exempt from B&O tax. The church must be exempt from property tax to qualify.

**Purpose**

Reduces the cost of operating such facilities.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.300 | $0.320 | $0.340 | $0.370 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.040 | $0.090 | $0.140 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- This group of taxpayers are not registered; reporting compliance is expected to be:
  - 13% revenue collections in fiscal year 2025.
  - 26% revenue collections in fiscal year 2026.
  - 39% revenue collections in fiscal year 2027.

**Data Sources**

- Economic and Revenue Forecast Council, March 2023 forecast
- Washington Department of Early Learning 2021 Childcare market rate survey final report
- Washington Department of Early Learning 2014 Childcare survey

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 1992 |
| **Primary Beneficiaries:** | Childcare centers operated in churches |
| **Taxpayer Count:** | 240 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2014 and 2019 |

# 82.04.3395 - Childcare resources and referral

**Description**

Nonprofit childcare resource and referral services are exempt from B&O tax on income received for services which link families with licensed childcare providers.

**Purpose**

Reduces the cost of providing these services.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | CTI | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

This exemption impacts fewer than three taxpayers; any impacts are confidential.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 1995 |
| **Primary Beneficiaries:** | Childcare resource and referral offices |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2016 and 2019 |

# 82.04.340 - Boxing and wrestling matches

**Description**

Income from businesses conducting boxing, sparring, or wrestling matches that require to be licensed through the Department of Licensing are exempt from B&O tax.

**Purpose**

The purpose of the exemption was to avoid double taxation, as these businesses were subject to a gross receipts tax on ticket sales. In 2009, this tax was changed to a fee. The fee is 6% of gross admissions receipts and $1 per ticket sold. These funds are deposited into the business and professions account to cover the costs of licensing and regulating these professions.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | Minimal | Minimal | Minimal | Minimal |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | Minimal | Minimal | Minimal |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the Washington personal income growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

**Data Sources**

- Washington Department of Licensing, Boxing and wrestling data
- Economic and Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Tax base |
| **Year Enacted:** | 1935 |
| **Primary Beneficiaries:** | Businesses conducting boxing or wrestling matches |
| **Taxpayer Count:** | 3 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2007 and 2022 |

# 82.04.350 - Horse racing

**Description**

Persons who conduct horse racing events and licensed by the Washington Horse Racing Commission are exempt from the service and other B&O tax but are subject to the pari-mutuel tax. Enacted in 2005, this tax applies a rate of 0.2% through June 30, 2024, and 0.26% thereafter to the income derived from pari-mutuel wagering.

**Purpose**

To exempt gross income from B&O tax that is already taxable under the pari-mutuel tax

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | CTI | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

This exemption impacts fewer than three taxpayers; any impacts are confidential.

**Data Sources**

Washington Horse Racing Commission, Annual reports

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 1992 |
| **Primary Beneficiaries:** | Persons who conduct horse racing events |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited reviews completed in 2007 and 2022 |

# 82.04.355 - Ride sharing and special needs transportation

**Description**

Public social service agencies, private nonprofit transportation providers, van pools and carpools that provide ride sharing or ride sharing for persons with special transportation needs are exempt from B&O tax on income received.

**Purpose**

Reduces motor vehicle fuel consumption and traffic congestion by promoting ride sharing and supports certain organizations that provide group transportation services.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would not increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

Income received during ride sharing or ride sharing for persons with special transportation needs would be subject to PU tax under the motor or urban transportation classification absent the PU tax exemption.

**Data Sources**

None

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 1979 |
| **Primary Beneficiaries:** | Nonprofit social service organizations, van pools and carpools that provide ride sharing or ride sharing for persons with special transportation needs |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.04.360 - Income of employees

**Description**

Employees and servants are exempt from the B&O tax for their income.

The exemption does not extend to corporate board directors, or to licensed cosmetologists, barbers, estheticians, and manicurists who pay a fee to use part of a salon, but do not receive compensation from the owner. They must pay B&O tax.

**Purpose**

Provides a B&O tax exemption for those not engaged in business as independent contractors. Washington's Constitution does not allow a personal income tax. B&O tax applied to employee income may be considered a personal income tax.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $1,093.000 | $1,175.000 | $1,270.000 | $1,374.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption may increase revenues; however, a repeal would likely result in litigation.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $545.000 | $1,174.000 | $1,305.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts nine months of collections in fiscal year 2025.
- Annual growth mirrors the Economic and Revenue Forecast Council forecast for wages.
- Employers must withhold wages and remit the tax to the department; the department receives quarterly payments, first due in October 2024.
- The B&O tax rate for service and other activities is:
  - 1.5% for taxpayers with less than $1 million in service/other taxable during the prior year, and
  - 1.75% for taxpayers a greater amount of service/other taxable during the prior year.
- The small business tax credit applies, using the Service and Other Activities classifications.
- Compliance:
  - 90% revenue collections in Fiscal Year 2025, and
  - 95% revenue collections in Fiscal Year 2026 and thereafter.

# 82.04.360 - Income of employees

**Data Sources**

- Economic and Revenue Forecast Council, March 2023 forecast
- Employment Security Department, Unemployment insurance data
- Internal Revenue Service (2021), Publication 6149 calendar year return projections by state: 2021–2028
- Internal Revenue Service, W-2 data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Tax base |
| **Year Enacted:** | 1935 |
| **Primary Beneficiaries:** | Individuals receiving wages and salaries |
| **Taxpayer Count:** | 566,000 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2009 and expedited review completed in 2020 |

# 82.04.360(1) - Life insurance sales employees

**Description**

Full-time life insurance sales agents are exempt from B&O tax on their income.

**Purpose**

The federal government treats life insurance sales agents as independent contractors. Washington treats them as employees. Other employees are exempt from B&O tax, so this exemption treats life insurance agents the same as other employees.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.982 | $1.018 | $1.052 | $1.086 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.840 | $0.999 | $1.032 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the B&O growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Compliance will be as follows:
  - 90% compliance for fiscal year 2025.
  - 95% compliance for all fiscal years thereafter.

**Data Sources**

- Economic and Revenue Forecast Council, March 2023 forecast
- Employment Security Department, Employment and wages data
- Office of the Insurance Commissioner, Insurance premiums data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1991 |
| **Primary Beneficiaries:** | Life insurance sales agents |
| **Taxpayer Count:** | 10,800 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2020 |

# 82.04.363 - Nonprofit camps and conference centers

**Description**

Nonprofit organizations are exempt from B&O tax on amounts received for providing certain items at a camp or conference center conducted on property exempt from property tax. This includes charges for:

- Camping and lodging facilities, the use of meeting rooms, parking.
- Furnishing food and meals.
- Books, tapes, and other products available to participants of the camp or conference but not to the general public.

**Purpose**

To reduce the cost of operating camps and conference centers.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $2.970 | $3.210 | $3.470 | $3.740 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $2.940 | $3.470 | $3.740 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Camp revenues grow 8% annually and store sales represent 1% of the revenue.
- Camps generated $26 billion in revenue nationally in 2021.
- Nonprofit organizations receiving a property tax exemption in Washington own and operate 2% of nationwide camps.

**Data Sources**

- Department of Revenue, Property tax data
- American Camp Association, Nationwide camp statistics
- Zippia, "26 Incredible Nonprofit Statistics [2023]: How Many Nonprofits Are In The U.S.?" May 2023

# 82.04.363 - Nonprofit camps and conference centers

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 1997 |
| **Primary Beneficiaries:** | Participants at nonprofit camps and conferences |
| **Taxpayer Count:** | 300 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited report completed in 2014 |

# 82.04.3651 - Nonprofit organization fundraising

**Description**

Amounts received by nonprofit organizations and libraries through fundraising activities for the purpose of furthering the goals of the organization are exempt from B&O tax. Fundraising activities include:

- Soliciting or accepting contributions.
- Selling goods and services.

Fundraising activities does not include the operation of a regular place of business such as a bookstore, thrift shop or restaurant.

**Purpose**

To support fundraising activities by nonprofit organizations and libraries.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $212.100 | $222.600 | $234.700 | $247.700 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $204.100 | $234.700 | $247.700 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rates mirror the B&O taxable activity growth rates reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Washington nonprofit organizations generated $100 billion in total revenue in fiscal year 2022.
- Fundraising accounts for 12.5% of the total revenue generated.

**Data Sources**

- Economic and Revenue Forecast Council, March 2023
- National Council of Nonprofits, Nonprofit revenue data
- Cause IQ, Washington nonprofit data

# 82.04.3651 - Nonprofit organization fundraising

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 1998 |
| **Primary Beneficiaries:** | Nonprofit organizations fundraising to support their activities. |
| **Taxpayer Count:** | 41,000 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited report in 2014 with an upcoming review in 2024. |

# 82.04.367 - Nonprofit student loan organizations

**Description**

Nonprofit organizations exempt from federal income tax may exempt income subject to B&O tax if they:

- Are guarantee agencies under the federal guaranteed student loan program.
- Issue debt for student loans.
- Provide guarantees for student loans.

**Purpose**

Promotes the availability of student loans.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would not increase revenue because currently no taxpayers use it.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- No taxpayers currently use this exemption. We expect no usage during the forecasted period of this study.
- Due to the discontinuation of the Federal Family Education Loan (FFEL) Program, the federal government now directly distributes financial aid for education rather than through a nonprofit organization.

**Data Sources**

- Lender Disclosure Statement for Northwest Education Loan Association
- FFEL Program and Direct Loan Players, July 22, 2014.

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 1987 |
| **Primary Beneficiaries:** | Nonprofit student loan organizations |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2019 |

# 82.04.368 - Nonprofit credit and debt counseling

**Description**

Nonprofit organizations are exempt from the B&O tax for income received for providing credit and debt counseling services.

**Purpose**

To reduce the cost of credit and debt counseling services provided by eligible nonprofit entities.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would not increase revenues because currently no taxpayers use it.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- No taxpayers currently use this exemption. We expect no usage during the forecasted period of this study.
- Nonprofits do not generally charge clients for credit and debt counseling services.

**Data Sources**

- Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 1993 |
| **Primary Beneficiaries:** | Nonprofit credit and debt counseling |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2013 with an upcoming review in 2024 |

# 82.04.370 - Fraternal insurance

**Description**

Insurance premium income received by fraternal benefit societies and fraternal fire insurance associations is exempt from B&O tax. Fraternal societies pay death and disabilities benefits and insure property for their members. These premiums are also exempt from insurance premiums tax.

**Purpose**

To support the programs and activities of these organizations.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $3.560 | $3.630 | $3.690 | $3.770 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $2.850 | $3.690 | $3.770 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate reflects the compound annual growth rate of 1.9% based on historical insurance premiums data.

**Data Sources**

- Office of the Insurance Commissioner, Insurance data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 1935 |
| **Primary Beneficiaries:** | Fraternal benefit societies |
| **Taxpayer Count:** | 23 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2008 and 2021 |

# 82.04.380 - Federal instrumentalities furnishing aid and relief

**Description**

A B&O tax exemption exists for corporations created by Congress that provide both:
- Volunteer aid to the armed forces.
- A system of national and international disaster relief.

**Purpose**

Supports the social benefits provided by federal instrumentalities furnishing aid and relief.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | CTI | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would not increase revenues. Constitutional case law makes federal instrumentalities immune from state and local taxes.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

This exemption impacts fewer than three taxpayers; any impacts are confidential.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 1935 |
| **Primary Beneficiaries:** | Federal instrumentalities furnishing aid and relief |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.04.385 - Nonprofit sheltered workshops

**Description**

Nonprofit organizations operating sheltered workshops and group training homes for persons with developmental disabilities are exempt from the B&O tax on income received from the state and from business activities from the operation of sheltered workshops.

**Purpose**

Reduces the cost of providing services to persons with developmental disabilities.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $1.180 | $1.220 | $1.270 | $1.330 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $1.120 | $1.270 | $1.330 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 1970 |
| **Primary Beneficiaries:** | Workshops and training homes throughout the state |
| **Taxpayer Count:** | 13 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2010 with an upcoming review in 2026 |

# 82.04.390 - Real estate sales

**Description**

Proceeds from selling real estate are exempt from B&O tax. However, commissions, fees, interest, and similar financial charges from selling real estate are subject to B&O taxes.

**Purpose**

Since the inception of B&O tax, sales of real estate have been exempt. Although the purpose is unclear, it could be because either:

- The B&O tax was intended to tax only sales of tangible personal property and certain services.
- Exempting such sales would benefit the real estate industry, as such sales would be subject to real estate excise tax but not B&O tax (note that sales of tangible personal property are subject to both sales tax and retailing B&O tax).

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $4,548.800 | $5,290.700 | $5,787.500 | $6,421.500 |
| Local Taxes | $1,907.400 | $2,218.500 | $2,426.800 | $2,692.600 |

**Repeal of exemption**

Taxing real estate sales would directly challenge Washington Supreme Court precedent (Schumacher) and likely lead to another court challenge. Based on subsequent decisions by the court, the court may overturn Schumacher, leading to an increase in revenue, but it is just as likely for the court to uphold Schumacher, leading to no increase in revenue.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $4,849.800 | $5,787.500 | $6,421.500 |
| Local Taxes | $0.000 | $2,033.600 | $2,426.800 | $2,692.600 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the growth of real estate excise tax (REET) has reflected in the March 2023 Economic and Revenue Forecast Council forecast.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.
- The department receives REET data electronically from 36 counties. For the three counties without electronic reporting, this estimate assumes sales similar to the urban or rural counties.
- Real estate sales can be subject to B&O tax , state and local sales taxes, and REET.

**Data Sources**

- Department of Revenue, Real estate excise tax collections
- Economic and Revenue Forecast Council, March 2023 forecast

# 82.04.390 - Real estate sales

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Tax base |
| **Year Enacted:** | 1935 |
| **Primary Beneficiaries:** | Individuals selling real estate |
| **Taxpayer Count:** | 304,000 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2008 with upcoming review in 2024 |

# 82.04.392 - Trust account amounts received by mortgage brokers

**Description**

Amounts received by mortgage brokers from borrowers for payment of third-party services are trust funds held in trust accounts until disbursement (RCW 19.146.050). The amounts received by mortgage brokers from trust accounts for payment of third-party services are exempt from B&O tax.

**Purpose**

To recognize that trust fund payments to third parties are not income to the mortgage broker.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.670 | $0.760 | $0.850 | $0.970 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues. However, a mortgage broker may be able to deduct third-party services as an advance or reimbursements (WAC 458-20-111).

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.700 | $0.850 | $0.970 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- The growth in mortgages mirrors the housing market growth rate reflected in the S&P Global Market Intelligence March 2023 forecast.
- The growth in mortgage fees mirrors the real personal income growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Buyers will use a mortgage broker for a home loan 16% of the time.
- Certain third-party fees would not qualify as pass-through (under WAC 458-20-111) and the broker would owe tax on those amounts.
- Third-party fees paid by brokers qualify as pass-through 80% of the time.

**Data Sources**

- S&P Global Market Intelligence, Housing Market Indicators
- Economic and Revenue Forecast Council, March 2023 forecast
- FFIEC, Home Mortgage Disclosure Act modified loan application register
- Realtor Magazine, Average Closing Costs by State
- Bankrate, Closing Costs Survey, May 2017
- The Mortgage Reports, Mortgage Broker Population Rises: Here's why that's good for you

# 82.04.392 - Trust account amounts received by mortgage brokers

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1997 |
| **Primary Beneficiaries:** | Mortgage brokers holding funds used to pay for third-party provided services |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2017 |

# 82.04.399 - Academic transcripts

**Description**

Educational institutions are exempt from B&O tax on income from sales of academic transcripts.

**Purpose**

Educational institutions which are considered departments and institutions of the state of Washington (like the University of Washington) are not subject to B&O tax and would not be subject to the tax on sales of transcripts regardless of this exemption. Private institutions, however, would be subject to B&O tax on such sales. This exemption provides that all educational institutions, public or private, are exempt from B&O tax on amounts received from sales of transcripts, and thus levels the playing field for public and private educational institutions with respect to these sales.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | Minimal | Minimal | Minimal | Minimal |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | Minimal | Minimal | Minimal |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth based on projected enrollment figures.
- The state would not pay B&O tax on income providing transcripts for students at public colleges and universities.
- Political subdivisions are potentially subject to business tax and thus public K-12 schools are assumed to be otherwise taxable for purposes of this estimate.
- 31% of high school graduates order five transcripts at $5 each.
- 50% of college graduates order and pay for 5 transcripts at $10 each.

**Data Sources**

- Office of the Superintendent of Public Instruction, K-12 data
- Digest of Education Statistics, College graduate data

# 82.04.399 - Academic transcripts

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 1996 |
| **Primary Beneficiaries:** | Public and private educational institutions |
| **Taxpayer Count:** | 295 school districts, 46 public colleges, 57 private colleges |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited reviews completed in 2014 and 2019 |

# 82.04.405 - Credit unions - federal chartered

**Description**

Credit unions chartered under federal law are exempt from B&O tax.

**Purpose**

The Federal Credit Union Act prohibits state taxation of federally chartered credit unions. This exemption was created when the B&O tax was extended to financial institutions.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $4.000 | $4.320 | $4.660 | $5.030 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would not increase revenues because federal law prohibits state taxation of federal credit unions.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- No revenue impact because federal law prohibits state taxation of federal credit unions.
- Includes credit union taxpayer savings from loans as that revenue is not included in the first mortgage B&O tax deduction.
- Growth rate mirrors the compound annual growth rate for federally chartered credit union gross income from 2014 to 2022.

**Data Sources**

- National Credit Union Administration, Annual Financial Performance Reports

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1970 |
| **Primary Beneficiaries:** | Federally Chartered Credit Unions |
| **Taxpayer Count:** | 28 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2011 and 2017 |

# 82.04.405 - Credit unions - state chartered

**Description**

Credit unions chartered under Washington law are exempt from B&O tax.

**Purpose**

To provide comparable tax treatment as federally-chartered credit unions.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $50.940 | $55.370 | $60.190 | $65.430 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues but state-chartered credit unions could apply for federal charters. There are benefits to being a state-chartered credit union which might exceed the potential B&O tax incurred.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.194 | $0.274 | $0.343 |
| Local Taxes | $0.000 | ($0.441) | ($0.504) | ($0.527) |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate for use tax mirrors the sales and use taxes growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- The B&O growth rate for state-chartered credit unions is the compound annual growth rate over the last five years.
- Large and medium sized state-chartered credit unions will convert to a federally-chartered credit union. Smaller credit unions will remain state-chartered. A "small" credit union has less than 10,000 members.
- As a federal entity, a federally-chartered credit union is exempt from sales and use taxes. Credit unions converting to federally-chartered will no longer report sales and use taxes.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council March 2023 revenue forecast
- National Credit Union Administration, 2021 call report data

# 82.04.405 - Credit unions - state chartered

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1970 |
| **Primary Beneficiaries:** | State-Chartered Credit Unions |
| **Taxpayer Count:** | 50 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2012 and 2017 |

# 82.04.408 - Housing Finance Commission

**Description**

Income received by the Housing Finance Commission (commission) is exempt from B&O tax. This income includes fees generated from bonds issued and interest received from reserves used for the operation of the Commission.

**Purpose**

To support the activities of the commission as a financial conduit for programs that provides affordable housing.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | CTI | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption may increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

This exemption impacts fewer than three taxpayers; any impacts are confidential.

**Data Sources**

None

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 1983 |
| **Primary Beneficiaries:** | The Housing Finance Commission |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | None evident; however, other state agencies are not subject to B&O tax and do not require a special exemption. |
| **JLARC Review:** | Expedited review completed in 2011 and 2017 |

# 82.04.410 - Hatching eggs and poultry

**Description**

Farmers who produce and sell hatching eggs or poultry for use in production of poultry or poultry products are exempt from B&O tax.

**Purpose**

To support poultry producers.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | Minimal | Minimal | Minimal | Minimal |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | Minimal | Minimal | Minimal |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- No hatcheries in Washington produce genetically improved chicks on a large-scale basis for commercial producers. Most Washington commercial egg producers purchase replacement chicks from out-of-state hatcheries.
- Minimal impact for hatching eggs sold within Washington.

**Data Sources**

- U.S. Department of Agriculture, 2017 Agriculture Census
- Joint Legislative Audit & Review Committee references

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Agriculture |
| **Year Enacted:** | 1935 |
| **Primary Beneficiaries:** | Farmers that produce and sell eggs or poultry for production |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2008 and expedited review completed in 2018 |

# 82.04.415 - Sand and gravel for local road construction

**Description**

B&O tax does not apply to the cost of labor and services performed in mining, sorting, crushing, screening, washing, hauling, and stockpiling of sand, gravel and rock taken from a pit owned by or leased to a city or county. The sand, gravel or rock must be either:

- Placed on a street of the city or county.
- Sold at cost to another city or county for use on public roads.

**Purpose**

Reduces the cost of local governments building and maintaining streets and roads.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.270 | $0.290 | $0.310 | $0.320 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this deduction would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.260 | $0.310 | $0.320 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate reflects the compound annual growth rate of 6.0% based on excise tax data.
- Sand and gravel used in local construction represent 7.5% of government contracting, as reported by 70% of highway, street, and bridge construction taxpayers.

**Data Sources**

- Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 1965 |
| **Primary Beneficiaries:** | Contractors and municipalities that perform road work |
| **Taxpayer Count:** | 100 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2020 |

# 82.04.416 - 2nd Narrows bridge

**Description**

Income from the operation of state route #16 corridor transportation systems and facilities constructed and operated is exempt from B&O tax. This statute addresses the second bridge across the Tacoma Narrows. The state contracts with a private business to operate the toll booths. The income the state pays the operator of the bridge tolling systems is exempt from B&O tax under this statute. The toll receipts are income of the state and not subject to state B&O tax.

**Purpose**

Lower the overall cost of operation of the bridge and encourage a private business to enter into a contract with the state to operate the facility.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | CTI | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

This exemption impacts fewer than three taxpayers; any impacts are confidential.

**Data Sources**

Department of Transportation, 2022 Toll Division Annual Report

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1998 |
| **Primary Beneficiaries:** | Businesses that contract with the state to operate the bridge toll facilities |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2014 and 2020 |

# 82.04.418 - Grants to local government

**Description**

Grants from the state or the U.S. government to municipal corporations or political subdivisions are exempt from B&O tax.

**Purpose**

Supports grants for social welfare services.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would not increase revenues as these amounts are exempt under other statutes.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

Repealing this exemption results in no revenue impact. Other statutes provide exemptions for governmental and social welfare grants (RCW 82.04.419 and 82.04.4297).

**Data Sources**

None

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 1983 |
| **Primary Beneficiaries:** | Local jurisdictions receiving grants from state or U.S. government |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None |
| **JLARC Review:** | Expedited review completed in 2011 with an upcoming review scheduled in 2025 |

# 82.04.419 - Local government business income

**Description**

Counties, cities, towns, school districts and fire districts are exempt from B&O tax.

Public utilities and enterprise activities are not exempt from B&O tax. Enterprise activities include activities financed and operated similar to a private business.

**Purpose**

Excludes government activities, except utility and enterprise activities, from tax.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $207.600 | $251.600 | $262.700 | $275.300 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $86.000 | $114.400 | $119.800 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the service and activities B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repeal impact does not include county, city, town, school district, and fire district income exempt under other statutes.

**Data Sources**

- State Auditor Office, Local government data
- Economic and Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 1983 |
| **Primary Beneficiaries:** | Counties, cities, towns, school districts, and fire districts |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2013 with an upcoming review in 2025 |

# 82.04.4201 - Regional Transit Authority Sales and Leasebacks

**Description**

Lease payments received under a sale and leaseback arrangement involving a regional transportation authority (RTA) are exempt from B&O tax.

**Purpose**

The RTA uses this financing mechanism to acquire trains, buses, and transportation facilities. This exemption provides tax relief to the RTA.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | CTI | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

This exemption impacts fewer than three taxpayers; any impacts are confidential.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 2000 |
| **Primary Beneficiaries:** | Regional transit authority |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2015 and 2020 |

# 82.04.421 - Group discount purchases

**Description**

Memberships in a qualifying discount program are exempt from B&O tax if the seller delivers the membership materials to a point outside the state.

**Purpose**

Provides tax relief to Washington businesses that sell discount purchase memberships to residents of other states.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would not increase revenues because currently no taxpayers use it.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

No taxpayers currently use this exemption. We expect no usage during the forecasted period of this study.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1997 |
| **Primary Beneficiaries:** | Sellers of certain memberships |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review scheduled in 2026 |

# 82.04.422(2) - Accommodation sales of automobiles

**Description**

New car dealers are exempt from the wholesaling B&O tax for wholesale sales of new vehicles to other new car dealers of the same make of vehicle.

**Purpose**

Recognizes these sales are for the convenience of dealers to enable them to meet customer demand and do not represent profit for the seller.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.156 | $0.162 | $0.167 | $0.173 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.149 | $0.167 | $0.173 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the wholesaling B&O growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- This estimate may be overstating revenues as the repeal of the exemption for dealer trades may result in additional taxpayers using the exemption for accommodation sales (many of these transactions may qualify as both).

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Tax base |
| **Year Enacted:** | 2001 |
| **Primary Beneficiaries:** | Dealers of new motor vehicles |
| **Taxpayer Count:** | 29 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2015 with an upcoming review in 2026 |

# 82.04.425 - Accommodation sales

**Description**

Wholesale sales between businesses regularly selling the same type of property are exempt from B&O tax where the sale is at a cost to a buyer with an existing order for the product from a customer or occurs within 14 days as a reimbursement in-kind for a previous accommodation sale.

Additionally, sales by a wholly owned subsidiary to its parent company are exempt from B&O tax when the parent sells the goods in a transaction that qualifies for the sales tax exemption for sales to U.S. government and pays the B&O tax.

**Purpose**

Exempts wholesale sales made between businesses solely for the purpose of adjusting inventories to satisfy customer demand.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $1.185 | $1.103 | $1.026 | $0.955 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues. However, it is likely that businesses will make fewer accommodation sales to other sellers if they must pay B&O tax on such sales.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $1.011 | $1.026 | $0.955 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate assumed is average growth rate for the last five years.
- Data used only includes casual/accommodation sales exemptions from taxpayers with motor vehicle dealer NAICS codes assigned; this could include amounts due to casual sales and could exclude accommodation sales from other industries.
- This estimate may be overstating revenues as the repeal of the exemption for dealer trades may result in additional taxpayers using the exemption for accommodation sales (many of these transactions may qualify as both).

**Data Sources**

- Department of Revenue, Excise tax data

# 82.04.425 - Accommodation sales

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Tax base |
| **Year Enacted:** | 1955 |
| **Primary Beneficiaries:** | Wholesalers and retailers |
| **Taxpayer Count:** | 113 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2010 with an upcoming review in 2026 |

# 82.04.4251 - Nonprofit convention and tourism promotion

**Description**

Payments received by nonprofit organizations from a government entity, Indian Tribe, or other public corporation for purposes of promoting tourism are exempt from B&O tax.

**Purpose**

To encourage tourism.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | CTI | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

This exemption impacts fewer than three taxpayers; any impacts are confidential.

**Data Sources**

Washington Tourism Marketing Authority, State tourism promotion oversight

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 2006 |
| **Primary Beneficiaries:** | Private organizations promoting tourism |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review scheduled in 2024 |

# 82.04.426 - Semiconductor microchip manufacturing after $1 billion investment

**Description**

Businesses that manufacture semiconductor microchips (defined as embedding integrated circuits on semiconductor wafers) are exempt from B&O tax on their manufacturing activity.

The exemption is contingent on commencement of commercial operations by a new semiconductor material fabrication facility with an investment in new buildings and equipment amounting to at least $1 billion. This exemption expires January 1, 2024, unless the contingency is met.

**Purpose**

To retain and attract semiconductor businesses in Washington.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would not increase revenues because no business is currently utilizing this incentive.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

This contingency has yet to be met and the investment will not occur during the period of this study.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2003 |
| **Primary Beneficiaries:** | Businesses manufacturing semiconductor materials |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2016 and expedited review completed in 2021 |

# 82.04.4261 - Federal small business innovation grants

**Description**

Grants received under the federal small business innovation research program are exempt from B&O tax.

**Purpose**

Encourages research and development in high-technology small businesses.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.210 | $0.218 | $0.228 | $0.239 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.200 | $0.228 | $0.239 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the service and other activities B&O tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

**Data Sources**

- Economic and Revenue Forecast Council, March 2023 forecast
- National Institute of Health, Small Business Innovation Research and Small Business Technology Transfer award data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2004 |
| **Primary Beneficiaries:** | Small businesses |
| **Taxpayer Count:** | 23 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2016 with an upcoming review in 2023 |

# 82.04.4262 - Federal small business technology transfer grants

**Description**

Grants received from the federal government under the small business technology transfer program are exempt from B&O tax. The small business technology transfer program awards funds to small businesses that partner with nonprofit research institutes to transfer technology and products from the laboratory to the marketplace.

**Purpose**

Encourages research and development in high-technology small businesses.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.035 | $0.036 | $0.038 | $0.040 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.033 | $0.038 | $0.040 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the service and other activities B&O tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

**Data Sources**

- Economic and Revenue Forecast Council, March 2023 forecast.
- National Institute of Health Small Business Innovation Research and Small Business Technology Transfer award data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2004 |
| **Primary Beneficiaries:** | Persons receiving grants from the federal government under the small business technology transfer program. |
| **Taxpayer Count:** | 6 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2016 with an upcoming review in 2023 |

# 82.04.4264 - Nonprofit assisted living facilities

**Description**

Licensed nonprofit assisted living facilities providing room and domiciliary care to residents are exempt from B&O tax on amounts received.

A nonprofit assisted living facility means a facility that meets one of the following:
- Operated as a religious or charitable organization.
- Exempt from federal income tax under 26 U.S.C. Sec. 501(c)(3).
- Incorporated under the Washington Nonprofit Corporation Act.
- Operated as part of a nonprofit hospital.
- Operated as part of a public hospital district.

"Domiciliary care" means assistance with activities of daily living provided by the assisted living facility either directly or indirectly; or health support services, if provided directly or indirectly by the assisted living facility; or intermittent nursing services, if provided directly or indirectly by the assisted living facility.

**Purpose**

Reduces B&O tax for nonprofit assisted living facilities.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.617 | $0.644 | $0.672 | $0.702 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.541 | $0.672 | $0.702 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Annual growth rate of 4.4% per Statista's analysis of long-term care facility costs.

**Data Sources**

- Department of Revenue, Excise tax data
- Statista, "Daily costs and increase of facility long-term care in the U.S. as of 2021"

# 82.04.4264 - Nonprofit assisted living facilities

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 2005 |
| **Primary Beneficiaries:** | Nonprofit assisted living facilities |
| **Taxpayer Count:** | 72 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2016 |

# 82.04.4265 - Comprehensive cancer centers

**Description**

Comprehensive cancer center income is exempt from B&O tax to the extent the amounts are exempt from federal income tax.

**Purpose**

To encourage a comprehensive cancer center to conduct cancer research.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | CTI | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

This exemption impacts fewer than three taxpayers; any impacts are confidential.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 2005 |
| **Primary Beneficiaries:** | Comprehensive cancer centers |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2013 and 2021 |

# 82.04.4266 - Fruit and vegetable manufacturing or processing

**Description**

Manufacturers of fruits or vegetable by canning, preserving, freezing, processing, or dehydrating are exempt from B&O tax for the following activities:

- The manufacture of fruits and vegetables.
- The sale of manufactured fruit and vegetables at wholesale to purchasers who transport it out-of-state in the ordinary course of business.

This exemption expires July 1, 2035.

**Purpose**

To provide tax relief to fruit and vegetable processors and to create and retain jobs within the fruit and vegetable industry.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $20.850 | $21.310 | $21.780 | $22.260 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $19.530 | $21.780 | $22.260 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate reflects the compound annual growth rate of 2.2% based on incentive savings reported in the annual tax performance reports.

**Data Sources**

- Department of Revenue, Annual tax performance reports

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Agriculture |
| **Year Enacted:** | 2005 |
| **Primary Beneficiaries:** | Business manufacturing or processing fresh fruits or vegetables |
| **Taxpayer Count:** | 260 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2010, 2014, and 2022 |

# 82.04.4267 - Parking and business improvement areas

**Description**

A chamber of commerce or similar business association contracting with a local government to administer the operation of a parking and business improvement area (PBIA) is exempt from the B&O tax for the amounts received to administer it.

**Purpose**

Ensures the PBIA won't receive different tax treatment whether administered by a local government or a chamber of commerce.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.623 | $0.646 | $0.675 | $0.710 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.593 | $0.675 | $0.710 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the service and other activities B&O growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- Various cities, Business improvement area reports

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2005 |
| **Primary Beneficiaries:** | Local government with business improvement areas |
| **Taxpayer Count:** | 5 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2016 with an upcoming review in 2026 |

# 82.04.4268 - Dairy products manufacturing or wholesaling

**Description**

Manufacturers of dairy products are exempt from B&O tax for the following activities:

- The manufacture of dairy products.
- The sale of manufactured dairy products to purchasers who transport it out-of-state in the ordinary course of business.
- The sale of dairy products to purchasers who use the products as an ingredient or component in the manufacture of a dairy product.

**Purpose**

To provide tax relief to dairy processors and to create and retain jobs within the dairy industry.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $6.230 | $6.460 | $6.690 | $6.940 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $5.920 | $6.690 | $6.940 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate reflects the compound annual growth rate of 3.6% based on incentive savings reported in the annual tax performance reports.

**Data Sources**

- Department of Revenue, Annual tax performance reports.

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Agriculture |
| **Year Enacted:** | 1983 |
| **Primary Beneficiaries:** | Dairy businesses |
| **Taxpayer Count:** | 30 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full reviews completed in 2010, 2014, and 2022 |

# 82.04.4269 - Seafood products manufacturing

**Description**

Manufactured seafood products that remain in a raw, raw frozen, or raw salted state are exempt from B&O tax for the following activities:

- The manufacture of seafood products.
- The sale of manufactured seafood products to purchasers who transport it out-of-state in the ordinary course of business.

This exemption expires July 1, 2035.

**Purpose**

To provide tax relief to seafood processors and to create and retain jobs within the seafood industry.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $1.997 | $1.724 | $1.487 | $1.283 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $1.580 | $1.487 | $1.283 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate reflects the compound annual growth rate of -13.7% based on incentive savings reported in the annual tax performance reports.

**Data Sources**

- Department of Revenue, Annual tax performance reports.

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1983 |
| **Primary Beneficiaries:** | Seafood businesses |
| **Taxpayer Count:** | 35 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full reviews completed in 2010, 2014, and 2022 |

# 82.04.427; 82.34.050(2); 82.34.060(2) - Pollution control facilities

**Description**

Provides a credit against B&O tax for up to 50% of the cost of required pollution control facilities. The total annual credit is limited to 2% of the cost of such facilities.

**Purpose**

To encourage pollution control and to compensate Washington businesses for the costs of upgrading pollution control facilities.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | CTI | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this credit may increase revenues. However, businesses may argue they have a vested right to take credits authorized under prior law.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

This credit impacts fewer than three taxpayers; any impacts are confidential.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1967 |
| **Primary Beneficiaries:** | Businesses required to install pollution control facilities, primarily in the lumber and wood products, paper, aluminum, and food industries. |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2010 with an upcoming review scheduled in 2026 |

# 82.04.4271 - Nonprofit youth organization fees

**Description**

Nonprofit youth organizations may take a B&O tax deduction for membership fees, dues, and fees paid for the use of camping and recreational facilities.

**Purpose**

Supports the programs and social benefits provided by nonprofit youth organizations. This deduction covers the typical charges of YMCAs, church camps, and similar organizations.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.351 | $0.379 | $0.410 | $0.442 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this deduction would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.348 | $0.410 | $0.442 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Approximately 50% of the income of nonprofit organizations focusing on youth development comes from membership fees and retail activities.
- Approximately 30% of nonprofit organizations focusing on youth development own property in Washington and are receiving a property tax exemption.
- Revenues generated from youth development organizations grow 8% annually.

**Data Sources**

- Department of Revenue, Property tax data
- National Center for Charitable Statistics, Youth development organization data
- Urban Institute, Nonprofit revenue data
- Zippia, "26 Incredible Nonprofit Statistics [2023]: How Many Nonprofits Are In The U.S.?" May 2023

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 1981 |
| **Primary Beneficiaries:** | Nonprofit youth organizations |
| **Taxpayer Count:** | 150 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2011 |

# 82.04.4272 - Direct mail delivery charges

**Description**

Delivery charges made for direct mail are exempt from B&O taxes if the charges are stated separately on the bill given to the purchaser. Direct mail refers to printed material delivered without charge to a mass group, or a mailing list provided by the purchaser.

**Purpose**

To exempt from delivery charges (postage) for direct mail from taxation.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.069 | $0.070 | $0.073 | $0.076 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this deduction would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.064 | $0.073 | $0.076 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2005 |
| **Primary Beneficiaries:** | Direct mailers paying for delivery |
| **Taxpayer Count:** | 13 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2016 with an upcoming review in 2026 |

# 82.04.4274 - Nonprofit property management

**Description**

Nonprofit property management companies may deduct income received for paying on-site employees from a:

- Property owner.
- Housing authority.
- Limited liability company or limited partnership where the only managing member or general partner is a housing authority.

**Purpose**

To treat the income as pass-through. The management company supervises the on-site personnel, but the wages are ultimately the obligation of the owner.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $1.250 | $1.290 | $1.350 | $1.410 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this deduction would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $1.190 | $1.350 | $1.410 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the service and other activities B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- Employment Security Department, Business employment data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Tax base |
| **Year Enacted:** | 2011 |
| **Primary Beneficiaries:** | Nonprofit property managers |
| **Taxpayer Count:** | 1,226 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.04.4275 - Child welfare services

**Description**

Health or social welfare organizations may deduct compensation they receive for providing child welfare services under a government-funded program for purposes of the B&O tax.

A person may deduct amounts they receive from Washington which are distributed to a health or social welfare organization as compensation for providing child welfare services under a government-funded program.

**Purpose**

Reduces the costs for health or social welfare organizations.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.055 | $0.054 | $0.062 | $0.067 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this deduction would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.049 | $0.062 | $0.067 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 2011 |
| **Primary Beneficiaries:** | Health or social welfare organizations |
| **Taxpayer Count:** | 29 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review scheduled in 2026 |

# 82.04.4276 - Loans to rural electric cooperatives

**Description**

Cooperative finance organizations may take a B&O deduction for amounts received derived from loans to rural electric cooperatives or other non-profit or governmental providers of utility services organized under state laws.

A cooperative finance organization is a non-profit organization with the primary purpose of providing, securing, or otherwise arranging financing for rural electric cooperatives.

A rural electric cooperative is a non-profit customer-owned organization that provides utility services to rural areas.

**Purpose**

To reduce taxes paid by cooperative finance organizations.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | CTI | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this deduction would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

This deduction impacts fewer than three taxpayers; any impacts are confidential.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2023 |
| **Primary Beneficiaries:** | Cooperative finance organizations |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.04.4281(1)(a) - Investments by nonfinancial entities

**Description**

Businesses outside the financial sector, individuals, nonprofits, trusts, and estates qualify for a B&O deduction for investment income provided they are not engaged in banking, lending, or securities business activities.

**Purpose**

Recognizes that incidental investment income does not constitute taxable business income. Provides a positive environment for capital investment in Washington.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $337.300 | $337.700 | $342.400 | $351.400 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this deduction would increase revenues; however, most investment income could move out of Washington. Also, locating all persons with taxable income may be difficult.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $152.800 | $320.800 | $325.300 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024.
- Individuals must file annually, with payments due each April for income received in the prior calendar year. The first collections will occur in April 2025.
- All other filers must file monthly, impacting 11 months in fiscal year 2025.
- The small business tax credit applies, using the Service and Other Activities classifications.
- Annual growth in income mirrors the growth in specific forecasts produced from the following:
  - Economic and Revenue Forecast Council
  - U.S. Bureau of Economic Analysis
  - S&P Global Market Intelligence
- Compliance:
  - 90% revenue collections in fiscal year 2025, and
  - 95% revenue collections in fiscal year 2026 and thereafter.
- Pending litigation may impact these estimates.

# 82.04.4281(1)(a) - Investments by nonfinancial entities

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- Internal Revenue Service, Individual income tax data, tax year 2019
- Internal Revenue Service, Estates and Trusts Returns data
- Internal Revenue Service, Exempt Organizations Business Master File Extract (EO BMF) - CSV Files by State- Internal Revenue Service, Tax Stats - Annual Extract of Tax-Exempt Organization Financial Data: Exempt Organization Returns Filed in Calendar Year 2020 - Form 990 Extract

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1935 |
| **Primary Beneficiaries:** | Businesses and individuals |
| **Taxpayer Count:** | 121,000 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2009 and expedited review completed in 2017 |

# 82.04.4281(1)(b,c) - Investment of businesses in related entities

**Description**

Businesses qualify for a B&O tax deduction for amounts derived as dividends or distributions from a capital account by a parent entity from its subsidiaries.

Businesses also qualify for a B&O tax deduction on amounts derived from interest on loans between a subsidiary and a parent or subsidiaries of a common parent if the total investment and loan income is less than 5% of annual gross income.

**Purpose**

Encourages capital investment in Washington and provides equal treatment to similarly situated businesses.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | Indeterminate | Indeterminate | Indeterminate | Indeterminate |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this deduction would increase revenues; however, businesses may be able to shift this income to out-of-state affiliates.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | Indeterminate | Indeterminate | Indeterminate |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- The revenue impact from the repeal of this deduction is indeterminate. Information on amounts derived as dividends or distributions from the capital account by a parent entity from its subsidiaries, and information on amounts derived on loans between a subsidiary and a parent or between subsidiaries of a common parent do not appear on state excise tax returns or business financial statements.

**Data Sources**

- Instructions for federal consolidated corporate income tax reporting
- Department of Revenue, Intercompany Transactions Report, 2012

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Tax base |
| **Year Enacted:** | 1970 |
| **Primary Beneficiaries:** | Businesses with subsidiaries |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2017 |

# 82.04.4282(1,2) - Membership dues and fees

**Description**

Businesses may take a B&O tax deduction for amounts received as initiation fees and membership dues if paid solely for continuing membership in the organization and not for payment of goods or services.

**Purpose**

Recognizes that initiation fees and membership dues are not a taxable activity and are not included in the gross income of the organization.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $3.272 | $3.398 | $3.549 | $3.718 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this deduction would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $3.115 | $3.549 | $3.718 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the service and other activities B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Members do not receive goods or services in exchange for paying initiation fees and membership dues.
- Affects organizations reporting a deduction for initiation fees and membership dues except:
  - Taxpayers that are sole proprietorships.
  - Museums.
  - Fitness and recreational sports centers.
  - Nonprofit youth organizations.
  - Educational groups.
  - Legal and medical groups.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

# 82.04.4282(1,2) - Membership dues and fees

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 1935 |
| **Primary Beneficiaries:** | Organizations who provide a membership solely for social purposes |
| **Taxpayer Count:** | 150 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2007 with an upcoming review in 2024 |

# 82.04.4282(3,4) - Contributions and donations

**Description**

Organizations may take a B&O tax deduction for amounts received as contributions and donations if no goods or services are provided as a condition for receiving the funds.

**Purpose**

Recognizes that contributions and donations are not a taxable activity and are not included in the gross income of the organization.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $19.703 | $20.460 | $21.370 | $22.387 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this deduction would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $18.755 | $21.370 | $22.387 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the service and activities B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Tax base |
| **Year Enacted:** | 1935 |
| **Primary Beneficiaries:** | Nonprofit entities |
| **Taxpayer Count:** | 250 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2007 |

# 82.04.4282(5) - Tuition and fees

**Description**

Nonprofit educational services may deduct income subject to the B&O tax for amounts charged for tuition fees.

**Purpose**

Reduces the cost of education provided by schools and colleges.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $11.820 | $12.280 | $12.820 | $13.430 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this deduction would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $11.250 | $12.820 | $13.430 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the services and other activities B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 1935 |
| **Primary Beneficiaries:** | Nonprofit educational services |
| **Taxpayer Count:** | 95 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2019 |

# 82.04.4282(6) - Trade shows

**Description**

Nonprofit trade or professional organizations sponsoring a trade show, convention, or educational seminar not open to the general public may take a B&O tax deduction for amounts received as fees to attend and occupy space at the sponsored event.

**Purpose**

Recognizes fees to attend and occupy space at a sponsored trade show, convention, or education seminar not open to the general public are not a taxable activity and are not included in the gross income of the business.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.065 | $0.068 | $0.071 | $0.074 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this deduction would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.062 | $0.071 | $0.074 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the service and other activities B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 1989 |
| **Primary Beneficiaries:** | Nonprofit and professional organizations |
| **Taxpayer Count:** | 15 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review scheduled in 2024 |

# 82.04.4282(7) - Private kindergartens

**Description**

Privately operated kindergartens may take a B&O deduction for charges made to operate the kindergarten.

**Purpose**

Supports privately operated kindergartens.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this deduction would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- The deduction for kindergarten cannot be separated from the total tuition received by schools.
- This deduction is included in the B&O deduction for tuition and fees.

**Data Sources**

- Department of Revenue, Excise tax data
- Office of Superintendent of Public Instruction, K-12 data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 1965 |
| **Primary Beneficiaries:** | Privately owned kindergartens |
| **Taxpayer Count:** | 530 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2009 |

# 82.04.4282(8) - Endowment funds

**Description**

Businesses may deduct income received from endowment funds.

**Purpose**

Recognizes that income received from endowment funds is not business income.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this deduction would not increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

Any amounts being claimed under this deduction are likely deductible under other statutes (e.g. donations/contributions or investment returns of non-financial businesses). There would be no revenue impact for this statute.

**Data Sources**

None

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Tax base |
| **Year Enacted:** | 1935 |
| **Primary Beneficiaries:** | Organizations that receive endowment funds |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review scheduled in 2023 |

# 82.04.4283 - Cash discounts

**Description**

Cash discounts are deductible from the seller's measure of B&O tax when taken by the purchaser.

**Purpose**

To avoid taxing sellers on income they did not receive.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $106.000 | $110.200 | $114.800 | $119.800 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this deduction would not increase revenues. Businesses deduct cash discounts as an accounting convenience and would likely alter their method of reporting tax if the deduction were repealed.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- A repeal of this exemption results in no revenue impact.

**Data Sources**

- Department of Revenue, Excise tax data
- Joint Legislative Audit and Review Committee, Report 09-11: 2009 Full tax preference performance reviews

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Tax base |
| **Year Enacted:** | 1935 |
| **Primary Beneficiaries:** | Businesses offering cash discounts to purchasers |
| **Taxpayer Count:** | 6,132 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2009 |

# 82.04.4284 - Bad debts

**Description**

Businesses may deduct bad debts from the measure of B&O tax if the tax was previously paid. "Bad debts" has the same meaning as defined in the internal revenue code (26 U.S.C. Sec. 166). "Bad debts" does not include:

- Amounts due on property that remains with the seller until fully paid for.
- Debt collection expenses.
- Retail sales or use tax paid to a seller.
- Repossessed property.

**Purpose**

Provides equal tax treatment between businesses using accrual basis accounting and cash basis accounting.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $17.270 | $17.960 | $18.710 | $19.520 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this deduction would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $16.460 | $18.710 | $19.520 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1935 |
| **Primary Beneficiaries:** | Businesses using the accrual method of accounting and have bad debts |
| **Taxpayer Count:** | 3,071 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2008 |

# 82.04.4285 - Motor fuel taxes

**Description**

Businesses may deduct income subject to B&O tax equal to the amount of state and federal taxes included in the sales price of motor vehicle fuel. These taxes are imposed on distributors and passed on to consumers in the retail price.

**Purpose**

To eliminate double taxation.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $10.900 | $10.240 | $9.700 | $9.230 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this deduction would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $9.390 | $9.700 | $9.230 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the oil price growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Tax base |
| **Year Enacted:** | 1935 |
| **Primary Beneficiaries:** | Motor vehicle wholesalers and retailers |
| **Taxpayer Count:** | 1,849 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2009 |

# 82.04.4286 - Constitutional deductions

**Description**

The Washington and U.S. Constitutions prohibit the taxation of certain activities. Amounts received from these activities are deductible from gross income when computing B&O tax. This includes, but is not limited to:

- Sales of tangible personal property received by the purchaser in another state.
- Sales by businesses that do not have substantial nexus with Washington.
- Sales of tangible personal property in export commerce to foreign countries.
- Sales by Indian tribes or tribal members in Indian country.

**Purpose**

To avoid violating state and federal laws.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $1,676.000 | $1,745.000 | $1,816.000 | $1,892.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this deduction would not increase revenues as the U.S. and Washington Constitutions prohibit the taxation of certain activities.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- No revenue would be collected if this deduction was repealed.
- Growth rate mirrors the B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's, March 2023 forecast.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- Washington State Gambling Commission data
- American Gaming Association, 'The Economic Impact of Tribal Gaming', September 2017
- Economic Market Study: 'Casinos, Cardrooms and Other Forms of Gambling in Washington State', Spectrum Gaming Group, September 2016

# 82.04.4286 - Constitutional deductions

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Interstate Commerce |
| **Year Enacted:** | 1935 |
| **Primary Beneficiaries:** | Businesses engaged in interstate and foreign commerce and Indian tribal enterprises |
| **Taxpayer Count:** | 33,500 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.04.4287 - Processing horticultural products

**Description**

Farmers may claim a B&O tax deduction for income received for washing, sorting, and packing fresh, perishable horticultural products.

**Purpose**

To support the agricultural industry.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $6.740 | $6.550 | $6.360 | $6.240 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this deduction would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $6.000 | $6.360 | $6.240 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the gross value-added farm growth rate reflected in the Economic and Revenue Forecast Council's, March 2023 forecast.
- 15% of value is the cost to process horticultural products.

**Data Sources**

- Economic and Revenue Forecast Council, March 2023 forecast
- U.S. Department of Agriculture, Census of agriculture and Washington annual statistical bulletins

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Agriculture |
| **Year Enacted:** | 1935 |
| **Primary Beneficiaries:** | Farmers who wash, sort, and pack horticultural products |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited reviews completed in 2008 and 2018 |

# 82.04.4289 - Nonprofit kidney dialysis, nursing homes, and hospice

**Description**

Compensation received for patient care or from the sale of prescription drugs furnished as an integral part of services to patients are exempt from B&O tax for:

- Nonprofit nursing homes.
- Nonprofit kidney dialysis facilities.
- Nonprofit hospice agencies.
- Homes for unwed mothers operated by religious or charitable organizations.

**Purpose**

Reduces the cost of caring for patients.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $5.066 | $5.262 | $5.493 | $5.749 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $4.207 | $5.493 | $5.749 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 1945 |
| **Primary Beneficiaries:** | Organizations that operate these facilities and their patients |
| **Taxpayer Count:** | 23 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2021 |

# 82.04.4290 - Mental health services

**Description**

Health or social welfare organizations and behavioral health administrative services organizations may deduct amounts received as compensation or for distribution for providing mental health services or substance use disorder treatment services under a government-funded program. The organization claiming the deduction must file a complete annual tax performance report with the department. This deduction expires January 1, 2032.

**Purpose**

To reduce taxes so more money can go directly to behavioral health services.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | CTI | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this deduction would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

This deduction impacts fewer than three taxpayers; any impacts are confidential.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 2021 |
| **Primary Beneficiaries:** | Behavioral health administrative services organizations |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.04.4291 - Services performed between local governments

**Description**

Local government jurisdictions may deduct amounts received from other political subdivisions as compensation for services subject to B&O tax.

**Purpose**

Allows local governments to perform services for other jurisdictions (computer operations, accounting, etc.) without incurring B&O tax.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this deduction would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

Impact from this deduction is included under the exemption for local government business income.

**Data Sources**

None

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 1967 |
| **Primary Beneficiaries:** | Local Governments |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2010 with an upcoming review in 2025 |

# 82.04.4292 - Interest on real estate loans

**Description**

Banking, lending, security, and other financial businesses with locations in 10 states or less may deduct interest income received on investments or loans primarily secured by first mortgages or trust deeds on non-transient residential properties.

Interest amounts deductible include the portion of fees charged to borrowers, including points and loan origination fees, recognized over the life of the loan as an adjustment in the business' accounting records according to generally accepted accounting principles.

**Purpose**

To reduce the cost of purchasing a home.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $78.462 | $81.478 | $84.610 | $87.862 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this deduction would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $74.689 | $84.610 | $87.862 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the service and other activities B&O taxable activity growth rate reflected in Economic and Revenue Forecast Council's March 2023 forecast.
- Taxpayers combine the first mortgage deduction with other interest deductions when reporting to the department. For those financial institutions reporting deduction detail, this estimate uses a ratio to determine the amount of the deduction applicable to the first mortgage interest.
- Review of department audits shows that taxpayers who net out the first mortgage deduction generally under report by 6.25% of service and other activities income.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- Federal Financial Institutions Examination Council, Call report data
- Federal Deposit Insurance Corporation, Bank data
- Home Mortgage Disclosure Act, Loan data
- Nationwide Multistate Licensing System, Mortgage broker license data

# 82.04.4292 - Interest on real estate loans

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1970 |
| **Primary Beneficiaries:** | Retail banks and mortgage companies |
| **Taxpayer Count:** | 300 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2017 |

# 82.04.4293 - Interest from state and municipal obligations

**Description**

Banking, lending, security, and other financial businesses may deduct interest income received from Washington obligations, its political subdivisions, and municipal corporations.

**Purpose**

To provide state tax treatment comparable to federal income tax treatment of state and municipal bonds and to reduce the cost of state and local government construction projects financed by bonds.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $65.150 | $65.630 | $65.970 | $66.240 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this deduction would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $60.160 | $65.970 | $66.240 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- State and municipal obligations interest growth mirrors the state and local government receipts and expenditures growth reflected in the March 2023 S&P Global Market Intelligence forecast.
- Financial institutions report interest from state and municipal obligations to the Federal Financial Institutions Examination Council (FFIEC

**Data Sources**

- Department of Revenue, Excise tax data
- S&P Global Market Intelligence, March 2023 forecast
- Federal Financial Institutions Examination Council, Call report data
- Federal Deposit Insurance Corporation, Bank data
- Home Mortgage Disclosure Act, Loan data
- Nationwide Multistate Licensing System, Mortgage broker license data

# 82.04.4293 - Interest from state and municipal obligations

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1970 |
| **Primary Beneficiaries:** | Financial institutions that hold public bonds. |
| **Taxpayer Count:** | 274 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2011 and expedited review completed in 2017 |

# 82.04.4294 - Interest on agricultural loans

**Description**

Lending institutions can deduct from the measure of B&O tax interest from loans made to:

- Farmers.
- Ranchers.
- Producers/harvesters of aquatic products.
- Cooperatives of farmers, ranchers, and producers/harvesters of aquatic products.

To qualify for the deduction, the lending institution must be:

- Exclusively owned by its borrowers or members, and
- Solely engaged in the business of making loans and providing finance-related services to:
  - Farmers.
  - Ranchers.
  - Producers/harvesters of aquatic products.
  - Cooperatives of farmers, ranchers, and producers/harvesters of aquatic products.
  - Rural residents for housing.
  - Businesses furnishing farm-related or aquatic-related services.

**Purpose**

To reduce the cost of loans supporting the agriculture industry.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $4.050 | $4.120 | $4.120 | $4.150 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this deduction would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $3.770 | $4.120 | $4.150 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the Washington farm production growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

**Data Sources**

- Economic and Revenue Forecast Council, March 2023 forecast
- Federal Farm Credit Banks Funding Corporation, Annual information statement
- Farm Credit, Washington lending data

# 82.04.4294 - Interest on agricultural loans

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Agriculture |
| **Year Enacted:** | 1970 |
| **Primary Beneficiaries:** | Member-owned banks that make agricultural-related loans to its borrows |
| **Taxpayer Count:** | 5 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2017 |

# 82.04.4295 - Minor final assembly completed in Washington

**Description**

The value of a product initially manufactured outside the state may be deducted from the gross amount reported under the manufacturing B&O tax, by manufacturers in Washington, when the following criteria are met:

- Any additional processing in Washington consists of minor final assembly.
- Minor final assembly does not exceed 2% of the sales value.
- The product is sold and shipped outside of Washington.

The amount of the deduction is equal to the value of the product prior to being brought into Washington.

**Purpose**

Stimulates trade and imports of products through Washington ports.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this deduction would not increase revenues because currently no taxpayers use it.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- No taxpayers currently use this deduction. We expect no usage during the forecasted period of this study.
- Changes in federal import regulations has resulted in imported truck components no longer being assembled at Washington ports.

**Data Sources**

- None

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1977 |
| **Primary Beneficiaries:** | Manufacturers |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2012 and expedited review completed in 2021 |

# 82.04.4296 - Funeral home reimbursement

**Description**

Licensed funeral home businesses may deduct income subject to B&O tax received as reimbursement for funeral expenses if the goods and services are:

- Provided by a person not employed, affiliated, or associated with the funeral home.
- Itemized separately in the billing statement.
- Billed at cost.

**Purpose**

To reduce the cost of funerals.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.048 | $0.050 | $0.053 | $0.055 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this deduction would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.046 | $0.053 | $0.055 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1979 |
| **Primary Beneficiaries:** | Funeral industry |
| **Taxpayer Count:** | 30 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2011 |

# 82.04.4297 - Nonprofit organization government grants

**Description**

Nonprofit organizations or local government entities may take a B&O tax deduction for amounts received by health or social welfare organizations as compensation from federal, state, or local governments for the support of health or social welfare programs. Examples of programs covered by the deduction include:

- Health care.
- Family and drug counseling.
- Services for the sick, elderly, and handicapped.
- Day care.
- Vocational training and employment services.
- Legal services for the indigent.
- Services for low-income homeowners or renters.

Medicare and Medicaid receipts of nonprofit and public hospitals are also deductible.

**Purpose**

To provide government with greater purchasing power when government provides financial support for the provision of health or social welfare services.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $561.900 | $589.700 | $622.100 | $656.600 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this deduction would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $540.600 | $622.100 | $656.600 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the B&O taxability activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Washington nonprofit organizations generated $100 billion in total revenue in fiscal year 2022.
- Government grants account for 31.8% of the total revenue generated.

# 82.04.4297 - Nonprofit organization government grants

**Data Sources**

- Economic and Revenue Forecast Council, March 2023 forecast
- Nonprofit Association of Washington, 2022 Nonprofit Economic Impact Report
- Nonprofit Metrics LLC, Cause IQ Nonprofits in Washington

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 1979 |
| **Primary Beneficiaries:** | Nonprofit organizations receiving government grants |
| **Taxpayer Count:** | 41,500 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2016 with an upcoming review in 2026 |

# 82.04.4298 - Condominium homeowner maintenance fees

**Description**

Amounts collected and used by cooperative housing associations, condominium associations or residential property associations solely for repair, maintenance, replacement, management, and improvement of residential structures and commonly held property are deductible from B&O tax.

**Purpose**

To treat maintenance fees similarly to funds set aside by homeowners for similar maintenance and upkeep purposes.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $21.337 | $21.636 | $21.939 | $22.246 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this deduction would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $19.833 | $21.939 | $22.246 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the Office of Financial Management average housing unit growth rate.
- Average condo fee is $3,480 per year per household.
- Average homeowner association (HOA) fee is $876 per year per home and the fees grow 8% annually.

**Data Sources**

- U.S. Census Bureau, National housing costs and American Housing Survey, 2021 data
- Office of Financial Management, Housing unit estimates 2020-2023

# 82.04.4298 - Condominium homeowner maintenance fees

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1979 |
| **Primary Beneficiaries:** | Cooperative housing associations, condominium associations or residential property associations. |
| **Taxpayer Count:** | 10,680 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2012 |

# 82.04.4311 - Medicare payments to public and nonprofit hospitals

**Description**

Public and nonprofit hospitals and community health centers receive a B&O tax deduction for health care services received from the federal Medicare program, state health programs under Chapter 74.09 RCW, or the state's basic health program under Chapter 70.47. The deduction applies whether the revenues are received directly from these programs or through managed health care organizations. The deduction is limited to payments from these governmental programs and does not extend to patient copayments or deductibles.

**Purpose**

To recognize that the provision of health services to people who receive federal or state subsidized health benefits by reason of age, disability, or income level is a necessary and vital governmental function.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $156.800 | $156.800 | $156.800 | $156.800 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this deduction would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $143.700 | $156.800 | $156.800 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Annual qualifying revenues fluctuate around $10.4 billion; therefore, no growth is forecasted during the period of this study.
- Without this preference, the revenues above would be taxed at 1.5%.

**Data Sources**

- Department of Health, Hospital financial data

# 82.04.4311 - Medicare payments to public and nonprofit hospitals

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 2002 |
| **Primary Beneficiaries:** | Nonprofit/public hospitals and community health centers |
| **Taxpayer Count:** | 105 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2013 and expedited review completed in 2021 |

# 82.04.432 - Municipal sewer service payments

**Description**

City sewer utilities may deduct payments to other cities or other governmental agencies for interception, treatment, or disposal of sewerage from income subject to B&O tax. Revenues from sewerage collection is taxable under the state public utility tax at a rate of 3.852%.

**Purpose**

This deduction eliminates pyramiding of B&O and public utility tax when multiple utilities provide sewage services.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $2.640 | $2.720 | $2.810 | $2.910 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this deduction would increase revenues as long as legislation also repeals the deduction for amounts derived by a political subdivision of the state from another political subdivision. Otherwise, there would be no increase in revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $2.490 | $2.810 | $2.910 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the sewer public utility tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 1967 |
| **Primary Beneficiaries:** | Municipalities |
| **Taxpayer Count:** | 78 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2011 and expedited review completed in 2023 |

# 82.04.4327 - Artistic and cultural organizations

**Description**

Nonprofit artistic or cultural organizations may claim a B&O tax deduction for all income from business activities, including government grants and the value of the items manufactured. These organizations provide the public with art, cultural, and/or historical exhibitions, musical or dramatic performances, or educational seminars or programs.

**Purpose**

To support the programs of artistic and cultural organizations.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $2.990 | $3.100 | $3.240 | $3.400 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this deduction would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $2.850 | $3.240 | $3.400 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the B&O taxability activity growth rate reflected in the Economic and Revenue Council's March 2023 forecast.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 1981 |
| **Primary Beneficiaries:** | Nonprofit artistic, cultural, or humanity organizations |
| **Taxpayer Count:** | 300 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2013 with an upcoming review in 2024 |

# 82.04.433 - Fuel used in commercial vessels

**Description**

Businesses selling marine fuel to vessels primarily used in foreign commerce and waters may deduct income subject to B&O tax.

**Purpose**

Treats income from marine fuel sales to vessels leaving Washington the same as goods delivered out-of-state.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $3.100 | $2.910 | $2.750 | $2.620 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this deduction would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $2.670 | $2.750 | $2.620 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the oil price growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- U.S. Energy Information Administration, Petroleum data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1985 |
| **Primary Beneficiaries:** | Marine fuel businesses |
| **Taxpayer Count:** | 24 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2013 with upcoming review in 2025 |

# 82.04.4331 - Insurance claims for state health care coverage

**Description**

Insurance companies may take a B&O tax deduction for amounts paid on medical or dental claims for state employees incurred prior to July 1, 1990.

**Purpose**

To prevent placing commercial insurers at a competitive disadvantage in bidding for state contracts by providing commercial insurers with a deduction that was available to health care contractors and health maintenance organizations.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this deduction would not increase revenues. The state now self-insures, and no commercial insurer was selected to provide the uniform health plan for state employees.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

This deduction is no longer in use.

**Data Sources**

None

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Tax base |
| **Year Enacted:** | 1988 |
| **Primary Beneficiaries:** | None |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2012 and 2021 |

# 82.04.4332 - Tuition fees - foreign degree-granting institutions

**Description**

Approved branch campuses of foreign degree-granting institutions may deduct income from B&O taxes if exempt from federal income taxes.

**Purpose**

Encourage foreign institutions to locate branches in Washington.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this deduction would not increase revenues because currently no taxpayers use it.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- No taxpayers currently use this deduction. We expect no usage during the forecasted period of this study.

**Data Sources**

- Department of Revenue, Excise tax data
- Student Achievement Council, Authorized colleges and institutions in Washington data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 1993 |
| **Primary Beneficiaries:** | Foreign degree-granting institutions |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2019 |

# 82.04.4337 - Medicaid payments to assisted living facilities

**Description**

Licensed assisted living facilities may deduct income received from Medicaid payments for providing residential care.

**Purpose**

To make the tax treatment of assisted living facilities the same as nursing homes.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.268 | $0.287 | $0.305 | $0.326 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this deduction would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.263 | $0.305 | $0.326 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2004 |
| **Primary Beneficiaries:** | Assisted living facilities |
| **Taxpayer Count:** | 109 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review scheduled in 2026 |

# 82.04.4339 - Salmon habitat restoration grants

**Description**

Governmental grants and amounts from Indian tribes received by certain nonprofit organizations for purposes of renewing, restoring, or protecting salmon ecosystems or salmon habitats in Washington are deductible from the gross amount subject to B&O tax.

**Purpose**

To encourage restoration of salmon habitat.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.047 | $0.048 | $0.051 | $0.053 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this deduction would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.044 | $0.051 | $0.053 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast.

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2004 |
| **Primary Beneficiaries:** | Nonprofit organizations restoring salmon habitat |
| **Taxpayer Count:** | 14 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2016 with an upcoming review in 2026 |

# 82.04.43391 - Commercial aircraft loan interest and fees

**Description**

This preference provides a B&O tax deduction to out-of-state financial institutions when they make loans to a Washington-based commercial airlines, who use the loan to purchase commercial airplanes. The out-of-state lenders may deduct B&O tax on the interest and fees they earn from the loans they provide from the measure of tax. The deduction authorized under this section is not available to any person who is physically present in Washington.

**Purpose**

To ensure the economic nexus provisions of 2010 legislation do not inadvertently apply to this activity and to retain the previous tax-exempt provisions of such interest and loan fees.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.969 | $0.969 | $0.969 | $0.969 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this deduction will increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.888 | $0.969 | $0.969 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- The carrier may purchase additional airplanes in the future; assuming new loan will be offset by retiring the old loan, loan interest earning stays relatively stable.

**Data Sources**

- Joint Legislative Audit and Review Commission, Tax preference review 2019

# 82.04.43391 - Commercial aircraft loan interest and fees

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2010 |
| **Primary Beneficiaries:** | Out-of-State financial institutions who make loans to Washington-based commercial airlines for purchasing airplanes |
| **Taxpayer Count:** | 32 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2019 |

# 82.04.43392 - Dispute Resolution Services

**Description**

A qualified dispute resolution center may deduct amounts received as a contribution from federal, state, or local governments and nonprofit organizations for providing dispute resolution services. Services must be provided at no charge or on a sliding scale fee basis.

Nonprofit organizations may deduct amounts received from federal, state, or local governments for distribution to a qualified dispute resolution center.

**Purpose**

To provide relief to businesses using governmental or nonprofit funding to provide dispute resolution services.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | CTI | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this deduction would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

This deduction impacts fewer than three taxpayers; any impacts are confidential.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2014 |
| **Primary Beneficiaries:** | Dispute resolution centers |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review scheduled in 2025 |

# 82.04.43393 - Paymaster Services for Affiliates

**Description**

A paymaster providing payroll and related human resources services to an affiliate may deduct from the measure of B&O tax amounts received to cover the employee costs of a qualified employee.

Employee costs include wages and salaries, workers' compensation, payroll taxes, withholding, or other assessments paid to or on the behalf of an employee.

**Purpose**

Ensures affiliated businesses do not incur additional tax burden when streamlining the payroll process.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $1.460 | $1.500 | $1.540 | $1.590 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this deduction would increase revenues. However, a paymaster could restructure and deduct employee costs as advances or reimbursements (WAC 458-20-111).

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $1.370 | $1.540 | $1.590 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the real income growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Certain paymasters would restructure and use the professional employer organization deduction (PEO) or deduct as a reimbursement (WAC 458-20-111). This estimate assumes one out of three paymasters restructure to use an alternate deduction.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

# 82.04.43393 - Paymaster Services for Affiliates

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2013 |
| **Primary Beneficiaries:** | Employers providing paymaster services to an affiliate |
| **Taxpayer Count:** | 42 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review scheduled |

# 82.04.43395(1) - Accountable communities of health

**Description**

Accountable Communities of Health (ACHs) may take a B&O tax deduction for Medicaid delivery system reform incentive payments and transformation project funding distributed by the Health Care Authority (HCA) through Medicaid demonstration project number 11-W-00304/0. The Centers for Medicare and Medicaid Services (CMS) approved the project in accordance with Sec. 1115(a) of the Social Security Act.

The Patient Protection and Affordable Care Act allows for CMS to approve demonstration projects giving states flexibility to design and improve their Medicaid programs. These projects intend to demonstrate and evaluate state-specific experimental policy approaches to determine whether there are alternative means to better serve Medicaid populations. Projects must be budget neutral to the Federal Government.

For the purposes of this deduction, an ACH is a regional nonprofit designated by the HCA to work together with the health care delivery system, health plans, public health, social services, community-based organizations, the justice system, schools, tribal partners, and local government leaders to improve the health equity of their communities as part of this specific demonstration project.

**Purpose**

To promote a more consistent tax structure, and adhere to CMS tax uniformity regulations, by allowing ACHs and qualifying hospitals to take a deduction similar to that taken by other nonprofit and public-private health care organizations.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $1.747 | $1.747 | $1.747 | $1.747 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this deduction would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $1.602 | $1.747 | $1.747 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- No annual growth, estimated payments remain constant during the forecasted period of this study.

# 82.04.43395(1) - Accountable communities of health

**Data Sources**

- Health Care Authority, Medicaid data
- Statista, "Number of Hospitals in Washington in 2021, by Ownership Type"

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 2018 |
| **Primary Beneficiaries:** | Health care industry |
| **Taxpayer Count:** | 100 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review scheduled in 2026. |

# 82.04.43395(2)(a) - Hospital incentive payments received through Medicaid quality improvement program

**Description**

Certain hospitals may take a B&O tax deduction from income for incentive payments received through the Medicaid quality improvement program established through federal law.

To claim this deduction, a hospital must be owned by a municipal corporation or political subdivision or must be affiliated with a state institution.

**Purpose**

To lower costs for hospitals and managed care organizations.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $3.072 | $5.083 | $4.551 | $4.596 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this deduction would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $4.660 | $4.551 | $4.596 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Estimated payment amounts provided Health Care Authority for the forecasted period of this study.

**Data Sources**

- Health Care Authority, Medicaid estimated payments
- Statista, "Number of Hospitals in Washington in 2021, by Ownership Type"

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 2019 |
| **Primary Beneficiaries:** | Health care industry |
| **Taxpayer Count:** | 100 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review scheduled in 2026 |

# 82.04.43395(2)(b) - Hospital delivery system reform incentive payments

**Description**

Certain hospitals may take a B&O tax deduction for income from Medicaid delivery system reform incentive payments and the transformation project funding distributed by the Health Care Authority through Medicaid demonstration project number 11-W-00304/0. The Centers for Medicare and Medicaid Services approved the project in accordance with Sec. 1115(a) of the Social Security Act.

To claim this deduction, a hospital must be owned by a municipal corporation or political subdivision, or must be affiliated with a state institution.

**Purpose**

To lower costs for hospitals and managed care organizations.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this deduction would not increase revenues because currently no taxpayers use it.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- No taxpayers currently use this deduction. We expect no usage during the forecasted period of this study.

**Data Sources**

- Health Care Authority, Medicaid data
- Statista, "Number of Hospitals in Washington in 2021, by Ownership Type"

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 2018 |
| **Primary Beneficiaries:** | Health care industry |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review scheduled in 2026 |

# 82.04.43395(3) - Managed care organization incentive payments

**Description**

Managed care organizations may take a B&O tax deduction for income received as incentive payments for achieving quality performance standards established through 42 C.F.R. 438.6(b)(2), as it existed on July 28, 2019.

"Managed care organization" refers to an organization authorized by the Office of the Insurance Commissioner to offer prepaid health care services to eligible clients through the Health Care Authority's Medicaid managed care programs.

**Purpose**

To lower costs for hospitals and managed care organizations.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.023 | $0.023 | $0.023 | $0.023 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this deduction would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.021 | $0.023 | $0.023 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- No annual growth, estimated payments remain constant during the forecasted period of this study.

**Data Sources**

- Health Care Authority, Medicaid data
- Statista, "Number of Hospitals in Washington in 2021, by Ownership Type"

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 2019 |
| **Primary Beneficiaries:** | Health care industry |
| **Taxpayer Count:** | 100 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review scheduled in 2026 |

# 82.04.43396 - Scan down allowances

**Description**

Sellers may take a B&O tax deduction for income received from scan-down allowances.

"Scan-down allowance" means a payment or credit offered to a seller by a manufacturer or wholesaler of products, where all the following are true:

- The amount of the payment or credit is based on the quantity of the product to be sold at retail by the seller within a specified period.
- The seller knew the terms of the offer before making the sales.
- The seller is not required to provide any services or engage in any business activities directly or indirectly benefiting the manufacturer or wholesaler.

"Product" is defined as:

- Food and food ingredients, whether or not exempt from sales tax.
- Pet food and specialty pet food.

**Purpose**

To resolve an issue regarding the application of B&O tax law. This also lowers taxes for grocers, grocer manufacturers, and grocer wholesalers.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.440 | $0.440 | $0.440 | $0.440 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this deduction would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.410 | $0.440 | $0.440 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Due to fluctuations in historical use of the deduction these estimates assume zero growth.

**Data Sources**

- Department of Revenue, Excise tax data

# 82.04.43396 - Scan down allowances

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2019 |
| **Primary Beneficiaries:** | Grocery sellers and wholesalers |
| **Taxpayer Count:** | 9 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.04.434 - Testing and safety labs

**Description**

Nonprofit corporations providing public safety services and information to Washington receive a B&O tax credit for these services. The state must request the services. Qualifying nonprofit corporations must:

- Not have any direct or indirect industry affiliation.
- Not charge the state for the provided services.

**Purpose**

Encourages businesses providing public safety services to locate in Washington and ensure these services are available for the safety of Washington residents.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this credit would not increase revenue because currently no taxpayers use it.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

No taxpayers currently use this credit. We expect no usage during the forecasted period of this study.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 2001 |
| **Primary Beneficiaries:** | Direct service industry firms that purchase electric power directly from Bonneville Power Administration. |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2013 with upcoming review in 2024 |

# 82.04.436 - Manufacturing alternative jet fuel

**Description**

A B&O tax credit is available to those manufacturing alternative jet fuel. The credit equals $1 per gallon of alternative jet fuel having at least 50% less carbon dioxide (CO2) equivalent emissions than conventional jet fuel and is sold by either:

- A business manufacturing alternative jet fuel located in a qualifying county with a population less than 650,000 at the time of an application to the department.
- A business's designated fuel blender located in Washington.

The credit amount must increase by 2 cents for each additional 1% reduction in CO2 equivalent emissions beyond 50%, not to exceed $2 per gallon. The credit is calculated only on the portion of jet fuel that is considered alternative jet fuel and does not include conventional jet fuel when such fuels are blended or otherwise used in a jet fuel mixture.

The credit may be earned from the first day of the quarter immediately following the month when the Department of Ecology notifies the department when one or more facilities are operating in Washington with a cumulative production capacity of at least 20 million gallons of alternative jet fuel each year. No credit may be earned beginning nine calendar years after the close of the calendar year in which the contingency occurs.

Manufacturers claiming this credit must reduce the wholesale price of alternative jet fuel by the amount of the claimed credit.

The credit earned during one calendar year may be carried over and claimed against taxes incurred only for the next subsequent calendar year. The department cannot grant refunds.

**Purpose**

To encourage the production of alternative jet fuels in Washington.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.018 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this credit would not increase revenues because the facility manufacturing qualifying alternative fuel is not projected to begin manufacturing fuel until June 2026.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

# 82.04.436 - Manufacturing alternative jet fuel

**Assumptions**

- This repeal takes effect July 1, 2024, before the credit becomes effective, therefore no revenue impact.

**Data Sources**

- Washington Research Council, Economic contribution of Washington State's petroleum refining Industry in 2019, Appendix A.2 Quantity and Value of Output, June 2021
- Congressional Research Service, Sustainable Aviation Fuel
- Alaska Airlines makes significant investment in Sustainable Aviation Fuel, Alaska Airlines, August 3, 2022, https://news.alaskaair.com/newsroom/alaska-airlines-makes-significant-investment-in-sustainable-aviation-fuel/

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2023 |
| **Primary Beneficiaries:** | Manufacturers of alternative jet fuels |
| **Taxpayer Count:** | 3 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.04.4361 - Using alternative jet fuel

**Description**

A B&O tax credit is available to those using alternative jet fuel. The rules to apply for credits against B&O and PU taxes are the same; however, credits cannot be claimed against both public utility tax and B&O tax for the same fuel purchased.

The credit equals $1 per gallon of alternative jet fuel having at least 50% less CO2 equivalent emissions than conventional jet fuel that a business purchased in the prior calendar year for use in flights departing in Washington.

The credit amount must increase by 2 cents for each additional 1% reduction in CO2 equivalent emissions beyond 50%, not to exceed $2 per gallon. The credit is calculated only on the portion of jet fuel considered alternative jet fuel and does not include conventional jet fuel when such fuels are blended or otherwise used in a jet fuel mixture.

The credit may be earned from the first day of the quarter immediately following the month when the Department of Ecology notifies the department when one or more facilities are operating in Washington with a cumulative production capacity of at least 20 million gallons of alternative jet fuel each year. No credit may be earned beginning nine calendar years after the close of the calendar year in which the contingency occurs.

This credit earned during one calendar year may be carried over and claimed against taxes incurred only for the next subsequent calendar year. The department cannot grant refunds.

**Purpose**

To encourage the production of alternative jet fuels.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.400 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this credit would not increase revenues because the facility producing qualifying alternative fuel is not projected to begin producing fuel until June 2026.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, before the credit become effective, therefore no revenue impact.

# 82.04.4361 - Using alternative jet fuel

**Data Sources**

- Washington State University Office of National Partnerships, Sustainable Aviation Biofuels Work Group, December 2022 Final Report
- U.S. Energy Information Administration, Prices, Sales Volume and Stocks by State
- U.S. Energy Information Administration, PADD 5 Refinery and Blender Net Production
- California Air Resources Board, LCFS Pathway Certified Carbon Intensities
- Washington Research Council, Economic contribution of Washington State's petroleum refining Industry in 2019, Appendix A.2 Quantity and Value of Output, June 2021
- Congressional Research Service, Sustainable Aviation Fuel
- Alaska Airlines makes significant investment in Sustainable Aviation Fuel, Alaska Airlines, August 3, 2022, https://news.alaskaair.com/newsroom/alaska-airlines-makes-significant-investment-in-sustainable-aviation-fuel/

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2023 |
| **Primary Beneficiaries:** | Air transportation businesses |
| **Taxpayer Count:** | 34 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.04.440(2,3) - Multiple activities tax credit - instate

**Description**

Businesses engaging in multiple taxable activities in Washington with respect to a product may take a credit so tax is effectively paid for only one of the activities. For example, a business that manufactures and/or extracts and sells a product receives a credit for taxes paid on manufacturing and/or extracting activities.

**Purpose**

Ensures B&O tax applies to in-state and out-of-state activities equally and businesses do not pay taxes on a product more than once.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $225.300 | $220.300 | $228.200 | $235.300 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this credit would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $202.000 | $228.200 | $235.300 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the manufacturing B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Interstate Commerce |
| **Year Enacted:** | 1987 |
| **Primary Beneficiaries:** | Businesses conducting multiple activities in Washington |
| **Taxpayer Count:** | 10,000 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2014 with an upcoming review in 2026 |

# 82.04.440(4) - Multiple activities tax credit - interstate

**Description**

Businesses may take a B&O tax credit when paying taxes more than once on the same product because they engage in multiple taxable activities within and outside of Washington. This credit is only available to businesses subject to a gross receipts tax similar to Washington's B&O tax. The credit can be up to the taxes paid to the other state.

**Purpose**

Ensures B&O tax applies to in-state and out-of-state activities equally and businesses do not pay taxes on a product more than once.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $2.200 | $2.200 | $2.200 | $2.200 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this credit would increase revenues, provided the in-state multiple activities credit were also repealed.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $2.100 | $2.200 | $2.200 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth is minimal; therefore, amount remains the same for future periods.

**Data Sources**

- Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Interstate Commerce |
| **Year Enacted:** | 1985 |
| **Primary Beneficiaries:** | Businesses conducting multiple activities in Washington and in other states with a gross receipts tax |
| **Taxpayer Count:** | 30 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2014 with an upcoming review in 2026 |

# 82.04.4451 - Small business credit

**Description**

Businesses whose B&O tax liability is below a certain threshold can claim a small business B&O tax credit against the amount of B&O tax otherwise due. The maximum monthly credit is:

- $160 for businesses reporting at least 50% of their taxable activity under the:
  - Service and other activities.
  - Gambling contests of chance.
  - For-profit hospitals.
  - Scientific research and development B&O tax classifications.
- $55 for all other businesses.

**Purpose**

To provide tax relief to small businesses.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $95.000 | $98.900 | $102.900 | $107.400 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this credit would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $53.000 | $102.900 | $107.400 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections for monthly filers and nine months of collections for quarterly filers in fiscal year 2025. Collections for annual filers begins in fiscal year 2026.
- Growth rate mirrors the B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Most of the tax impact will be to the general fund. However, there may be minimal impacts to the Workforce Education Investment, Problem Gambling, and Forest and Fish Support Accounts.
- Receipts from the timber surcharge, which funds the Fish and Forest Support account, are capped at $9 million per biennium. When this cap is reached the surcharge is suspended. This estimate assumes the cap is not met and the surcharge continues to be collected.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

# 82.04.4451 - Small business credit

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1994 |
| **Primary Beneficiaries:** | Small businesses |
| **Taxpayer Count:** | 272,000 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.04.44525 - International services credit

**Description**

Businesses providing international services and located in an eligible geographical area may receive a B&O tax credit of up to $3,000 per year for each new job created.

An eligible geographical area is a community empowerment zone (CEZ) or a city (or a group of neighboring cities) with a population of at least 80,000 having the same characteristics as a CEZ.

Eligible international services included the following services:

- Computer.
- Legal.
- Accounting and tax preparation.
- Engineering.
- Architectural.
- Business consulting.
- Business management.
- Public relations and advertising.
- Surveying.
- Geological consulting.
- Real estate appraisal.
- Financial.

**Purpose**

Attracts and retains businesses creating jobs and providing services to international customers.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | CTI | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this credit would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

This credit impacts fewer than three taxpayers; any impacts are confidential.

**Data Sources**

Department of Revenue, Excise tax data

# 82.04.44525 - International services credit

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1998 |
| **Primary Beneficiaries:** | International Service businesses in a CEZ or an area like a CEZ |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2014 and full review completed in 2023 |

# 82.04.4461 - Aerospace pre-production expenditures

**Description**

Persons engaged in qualified aerospace product development are eligible for a B&O tax credit equal to 1.5% of qualified expenditures. Qualified expenditures include research, design, and engineering costs incurred in the development of aerospace products. Qualified expenditures exclude actual production-related costs. Commercial airplane and component manufacturers or processors for hire are eligible for the credit on expenditures incurred after December 1, 2003. Other persons are eligible for the credit on expenditures incurred after June 30, 2008. This credit expires July 1, 2040.

A person who claims this credit must file a complete annual tax performance report with the department.

**Purpose**

To create jobs and promote the presence of the aerospace industry in Washington.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $75.660 | $77.960 | $79.470 | $81.740 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this credit would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $71.463 | $79.470 | $81.740 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the industrial production index for aerospace products and parts growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

**Data Sources**

- Department of Revenue, Annual tax performance report data
- Economic and Revenue Forecast Council, March 2023 forecast

# 82.04.4461 - Aerospace pre-production expenditures

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2003 |
| **Primary Beneficiaries:** | Manufacturers of commercial airplanes or components |
| **Taxpayer Count:** | 50 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2014 and 2019 with an upcoming review in 2024 |

# 82.04.4463 - Commercial airplane manufacturing - credit for taxes paid

**Description**

Manufacturers of commercial airplanes or commercial airplane components qualify for a B&O tax credit for state and local property taxes paid on land and buildings used exclusively to manufacture commercial airplanes or components and constructed after December 1, 2003. The credit is also available for leasehold excise taxes paid on land and buildings used exclusively for the same purposes and constructed after January 1, 2006.

Eligible property taxes include taxes paid on:
- New structures and the land beneath them.
- Increased value due to facility renovation or expansion.
- Manufacturing machinery and equipment.

Manufacturers of tooling specifically designed for use in manufacturing commercial airplanes, persons providing aerospace product development, and persons providing aerospace services qualify for a B&O tax credit for state and local property or leasehold excise taxes paid on land and buildings constructed after June 30, 2008.

Eligible property taxes include taxes paid on:
- New structures and the land beneath them.
- Increased value due to facility renovation or expansion.
- Manufacturing machinery and equipment.
- Computer hardware, peripherals, and software.

These credits expires on July 1, 2040.

A business claiming this credit must file a complete annual tax performance report with the department.

**Purpose**

Encourages a new assembly plant for a super-efficient aircraft to locate in Washington.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $48.900 | $50.390 | $51.370 | $52.830 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this credit would increase revenues.

# 82.04.4463 - Commercial airplane manufacturing - credit for taxes paid

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $46.200 | $51.370 | $52.830 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the industrial production index for aerospace products and parts growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

**Data Sources**

- Department of Revenue, Annual tax performance report data
- Economic and Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2003 |
| **Primary Beneficiaries:** | Manufacturers of commercial airplanes and components |
| **Taxpayer Count:** | 24 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2014 and 2019 with an upcoming review in 2024 |

# 82.04.447 - Natural gas sold to direct service industry (DSI)

**Description**

Direct Service Industry (DSI) customers (persons who purchase electric power directly from the Bonneville Power Administration) may take a B&O tax credit for the amount of public utility tax due on purchases of natural or manufactured gas used to generate electric power consumed by the DSI customer at its own gas turbine electrical generation facility. The DSI customer may use the tax credit for 60 months following the first qualifying gas purchase and the DSI customer must maintain its existing level of employment to take the credit.

**Purpose**

To encourage DSI customers to continue manufacturing in Washington by constructing their own natural gas-powered turbines after their BPA power contracts expire.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this credit would not increase revenue because currently no taxpayers use it.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

No taxpayers currently use this credit. We expect no usage during the forecasted period of this study.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2001 |
| **Primary Beneficiaries:** | Direct service industry businesses |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2015 and 2021 |

# 82.04.448 - Semiconductor materials manufacturing after $1 billion investment - new jobs credit

**Description**

Businesses may take a B&O tax credit of $3,000 for each new manufacturing job created in new structures that manufacture semiconductor materials up to eight consecutive years if the position is kept on a consecutive annual basis. If the employee works for less than six months during a calendar year, then the credit is reduced to half or $1,500.

The credit is contingent on commencement of commercial operations by a new semiconductor materials fabrication facility with an investment in new buildings and equipment amounting to at least $1 billion. This credit expires January 1, 2024, unless the contingency is met.

**Purpose**

To retain and attract semiconductor businesses in Washington.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this credit would not increase revenue because currently no taxpayers use it.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- No taxpayers currently use this credit. We expect no usage during the forecasted period of this study.
- The necessary facility investment will not occur, and the contingency will not be met before the expiration of this law.

**Data Sources**

- Department of Revenue, Excise tax data

# 82.04.448 - Semiconductor materials manufacturing after $1 billion investment - new jobs credit

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2003 |
| **Primary Beneficiaries:** | Businesses manufacturing semiconductor materials |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2016 and an expedited review completed in 2021 |

# 82.04.4481 - Aluminum smelter credit for property taxes paid

**Description**

Aluminum smelter businesses are eligible for a B&O credit equal to all qualifying property taxes paid during the calendar year. To qualify, the property must meet the following:

- Owned by a direct service industrial customer.
- Reasonably necessary for an aluminum smelter's purposes.

The B&O tax credit may be:

- Carried over and applied against B&O taxes incurred in the subsequent calendar year only.
- Taken for property taxes paid after July 1, 2004, through calendar year 2026.

The B&O tax credit is non-refundable and must be applied to B&O tax due before new credits are applied. A business claiming this B&O tax credit must file an annual tax performance report with the department.

**Purpose**

Provide tax relief to the state's aluminum industry.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this credit would not increase revenue because currently no taxpayers use it.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

No taxpayers currently use this credit. We expect no usage during the forecasted period of this study.

**Data Sources**

Department of Revenue, Excise tax data

# 82.04.4481 - Aluminum smelter credit for property taxes paid

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2004 |
| **Primary Beneficiaries:** | Manufacturers of aluminum |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2015 with an upcoming review in 2024 |

# 82.04.4482 - Aluminum smelter purchases of electricity or natural gas

**Description**

Businesses selling electricity, natural gas, or manufactured gas are exempt from B&O tax on sales made to an aluminum smelter when the contract requires the seller to pass the tax savings on to the buyer in the form of reduced power prices. The seller takes the exemption in the form of a tax credit.

This tax incentive applies principally to sellers of brokered natural gas because most sellers of power are subject to public utility tax and not B&O.

**Purpose**

To support the aluminum industry.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this credit would not increase revenue because currently no taxpayers use it.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

No taxpayers currently use this credit. We expect no usage during the forecasted period of this study.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2004 |
| **Primary Beneficiaries:** | Manufacturers of aluminum |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2015 with an upcoming review in 2024 |

# 82.04.4486 - Tax paid on carbonated beverage syrup

**Description**

Businesses that pay the syrup tax may claim a B&O tax credit for 100% of the syrup tax paid if the business:

- Uses the syrup to make carbonated drinks.
- Sells the carbonated drinks.

The carbonated beverage syrup tax is $1.00 per gallon. The tax applies to syrup used in producing carbonated beverages that are not trademarked.

**Purpose**

To provide tax relief to the restaurant industry by offsetting their syrup tax.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $4.190 | $4.120 | $4.050 | $3.980 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this credit would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $3.780 | $4.050 | $3.980 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate reflects the compound annual growth rate of -1.71% based on the historical syrup B&O tax credit data.
- Taxpayers that pay carbonated beverage syrup tax have sufficient B&O tax liability to utilize the full amount of the syrup tax paid.

**Data Sources**

- Department of Revenue, Excise tax data

# 82.04.4486 - Tax paid on carbonated beverage syrup

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2006 |
| **Primary Beneficiaries:** | Businesses preparing and selling carbonated beverages for consumption on-premises and those that manufacture non-trademarked beverages |
| **Taxpayer Count:** | 1,798 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2016 and expedited review completed in 2022 |

# 82.04.4488 - Conversion to worker-owned cooperative, employee ownership trust, or employee stock ownership plan

**Description**

Beginning July 1, 2024, qualifying businesses that convert to employee ownership structures may apply for a B&O tax credit. The total amount of credits authorized may not exceed an annual statewide limit of $2 million.

For each business converting to an employee stock ownership plan, the credit equals up to 50% of the conversion costs, not to exceed $100,000.

For each business converting to a worker-owned cooperative or employee ownership trust, the credit equals up to 50% of conversion costs, not to exceed $25,000.

Each business may carry over unused credit to subsequent tax periods, as long it does so within 12 months of conversion.

The credit expires on July 1, 2030.

**Purpose**

To provide tax relief to businesses that convert to an employee ownership structure.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.229 | $0.417 | $0.435 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this credit would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, before the credit becomes effective, therefore no revenue impact.

# 82.04.4488 - Conversion to worker-owned cooperative, employee ownership trust, or employee stock ownership plan

**Data Sources**

- Colorado Office of Economic Development and International Trade
- Economic and Revenue Forecast Council, March 2023 forecast
- National Center for Employee Ownership

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2023 |
| **Primary Beneficiaries:** | Employee-owned businesses |
| **Taxpayer Count:** | 13 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.04.4489 - Motion Picture Program contributions

**Description**

Businesses making contributions to the Washington motion picture competitiveness program may earn a B&O tax credit equal to 100% of the contributions, with an annual cap of $1 million for each contributor. The total statewide credit cap is $15 million a year. No credit may be earned for contributions made after June 30, 2030.

**Purpose**

To support the motion picture industry and encourage production of motion pictures, television programs, and commercials in Washington.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $15.000 | $15.000 | $15.000 | $15.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this credit would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $13.800 | $15.000 | $15.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- The statewide credit cap of $15 million will be reached annually, based on historical data.

**Data Sources**

- Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2006 |
| **Primary Beneficiaries:** | Motion picture companies |
| **Taxpayer Count:** | 20 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2015 with an upcoming review in 2026 |

# 82.04.449 - Workforce training costs

**Description**

Businesses may use a B&O credit for half the costs of the customized workforce training paid to the State Board for Community Colleges. The credit must be used by June 30, 2026.

A business claiming this credit must file a complete annual tax performance report with the department.

**Purpose**

Facilitates training of new employees for new or expanding businesses.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.085 | $0.085 | $0.085 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this credit would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.078 | $0.085 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Future credits are consistent with the average credit amount for the past five fiscal years.

**Data Sources**

- Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2006 |
| **Primary Beneficiaries:** | Certain employers for customized training |
| **Taxpayer Count:** | 14 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2020 with an upcoming review in 2024. |

# 82.04.4496(1) - Alternative fuel commercial vehicle tax credit

**Description**

A credit is allowed against either B&O or PU tax for the purchase or lease of new or qualifying used commercial vehicles powered by a clean alternative fuel, or the conversion of vehicles to be powered by a clean alternative fuel.

The credit is equal to 75% of the incremental cost amount, which is the difference in price between the qualified vehicle's purchase price and a comparable conventionally-fueled vehicle, or the maximum credit amount for that vehicle, whichever is smaller. For leased vehicles, the credit is equal to 50% of the incremental cost amount multiplied by a lease reduction factor. For converted vehicles, the credit is $25,000 or 50% of the conversion costs, whichever is smaller. The maximum credit amount per vehicle is $25,000, $50,000, or $100,000, depending on the gross weight of the vehicle.

"Qualifying used commercial vehicle" means a vehicle with an odometer reading of less than 450,000 miles; that is less than 10 years past the original manufacturing date; is modified after the initial purchase with a U. S. environmental protection agency certified conversion that would allow the propulsion units to be principally powered by a clean alternative fuel; and is being sold for the first time after modification. Only vehicles used for commercial services or to transport commodities, merchandise, produce, refuse, freight, animals, or passengers and display a Washington license plate qualify for the credit. All commercial vehicles that provide transportation to passengers must be operated by an auto transportation company. The definition of auto transportation company is amended to include private, nonprofit transportation providers, charter party carriers, and paratransit service providers who primarily provide special needs transportation to individuals with disabilities and the elderly.

A credit is allowed for up to 50% of the cost to purchase alternative fuel vehicle infrastructure which includes tangible personal property that will become a component and installation and construction of alternative fuel vehicle infrastructure. Credit for infrastructure is limited to $2 million annually.
On September 1st of each year, any unused credits from any category, must be made available to applicants applying for credits under any other category, subject to the maximum annual credit of $6 million. The maximum total credit taken since July 15, 2015, cannot exceed $32.5 million.

**Purpose**

To incentivize purchasing alternative fuel commercial vehicles and infrastructure.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.340 | $0.365 | $0.393 | $0.422 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

# 82.04.4496(1) - Alternative fuel commercial vehicle tax credit

**Repeal of exemption**

Repealing this credit would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.335 | $0.393 | $0.422 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate reflects the compound annual growth rate of 7.5% based on historical alternative fuel commercial vehicle tax credit taken.

**Data Sources**

- Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2015 |
| **Primary Beneficiaries:** | Businesses purchasing or converting vehicles to clean alternative fuels. |
| **Taxpayer Count:** | 14 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Upcoming review in 2024 |

# 82.04.4496(2) - Alternative fuel commercial vehicle infrastructure credit

**Description**

A credit is allowed against either B&O or PU taxes for up to 50% of the cost to purchase alternative fuel vehicle infrastructure which includes tangible personal property that will become a component and installation and construction of alternative fuel vehicle infrastructure. Credit for infrastructure is limited to $2 million annually.

A credit is allowed against either B&O or PU taxes for the purchase or lease of new or qualifying used commercial vehicles powered by a clean alternative fuel, or the conversion of vehicles to be powered by a clean alternative fuel.

The credit is equal to 75% of the incremental cost amount, which is the difference in price between the qualified vehicle's purchase price and a comparable conventionally-fueled vehicle, or the maximum credit amount for that vehicle, whichever is smaller. For leased vehicles, the credit is equal to 50% of the incremental cost amount multiplied by a lease reduction factor. For converted vehicles, the credit is $25,000 or 50% of the conversion costs, whichever is smaller. The maximum credit amount per vehicle is $25,000, $50,000, or $100,000, depending on the gross weight of the vehicle.

"Qualifying used commercial vehicle" means a vehicle with an odometer reading of less than 450,000 miles; that is less than 10 years past the original manufacturing date; is modified after the initial purchase with a U. S. environmental protection agency certified conversion that would allow the propulsion units to be principally powered by a clean alternative fuel; and is being sold for the first time after modification. Only vehicles used for commercial services or to transport commodities, merchandise, produce, refuse, freight, animals, or passengers and display a Washington license plate qualify for the credit. All commercial vehicles that provide transportation to passengers must be operated by an auto transportation company. The definition of auto transportation company is amended to include private, nonprofit transportation providers, charter party carriers, and paratransit service providers who primarily provide special needs transportation to individuals with disabilities and the elderly.

On September 1st of each year, any unused credits from any category, must be made available to applicants applying for credits under any other category, subject to the maximum annual credit of $6 million. The maximum total credit taken since July 15, 2015, cannot exceed $32.5 million.

**Purpose**

To incentivize purchasing alternative fuel commercial vehicles and infrastructure.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.536 | $0.576 | $0.619 | $0.670 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

# 82.04.4496(2) - Alternative fuel commercial vehicle infrastructure credit

**Repeal of exemption**

Repealing this credit would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.528 | $0.619 | $0.670 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate reflects the compound annual growth rate of 7.5% based on historical alternative fuel commercial vehicle tax credit taken.

**Data Sources**

- Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2019 |
| **Primary Beneficiaries:** | Businesses installing alternative fuel infrastructure |
| **Taxpayer Count:** | 3 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Upcoming review in 2024 |

# 82.04.4497 - Capital gains tax paid

**Description**

Businesses that report B&O tax on the proceeds from a sale or exchange subject to the Washington capital gains tax may take a credit against the B&O tax.

**Purpose**

To avoid taxing the same sale or exchange under both the B&O and Washington capital gains taxes.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $14.400 | $16.770 | $19.720 | $20.350 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this credit would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $20.350 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect January 1, 2025, and impacts collections in fiscal year 2027.
- Impacts first occur in fiscal year 2027 because we assume businesses wait to apply the credit for tax year 2025 capital gains until 2026.
- Growth rate for capital gains mirrors the long-term capital gains growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- The percentage of taxable capital gains also subject to the B&O tax is 6.14%.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- Internal Revenue Service (2021). Publication 6149 calendar year return projections by state: 2021–2028.

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2021 |
| **Primary Beneficiaries:** | Businesses in the financial sector |
| **Taxpayer Count:** | 300 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.04.4499 - Washington equitable access to credit act

**Description**

A credit against B&O tax is allowed for amounts contributed to the equitable access to credit program. No business may claim more than $1 million in a calendar year and the credit cannot exceed the amount of B&O tax due. Total credits claimed in any calendar year may not exceed $8 million. Unclaimed credits may be carried forward for two years.

This credit expires July 1, 2027.

**Purpose**

To make funds available to award grants to qualified lending institutions to provide access to credit for historically underserved communities.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $8.000 | $8.000 | $8.000 | $8.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this credit would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $8.000 | $8.000 | $8.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts full year of collection in fiscal year 2025.
- The annual $8 million cap is met each fiscal year.

**Data Sources**

- Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2022 |
| **Primary Beneficiaries:** | Those contributing to the equitable access to credit program |
| **Taxpayer Count:** | Less than 50 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Not reviewed yet |

# 82.04.540(2) - Professional employer organization wages

**Description**

A professional employer organization (PEO) may deduct the actual cost of wages and salaries, benefits, workers' compensation, payroll taxes, withholding, and similar items paid to or on behalf of certain employees who are co-employed by the PEO and a client of the PEO.

**Purpose**

To exclude pass-through payroll expenses from B&O tax.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.570 | $0.590 | $0.610 | $0.630 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this deduction would increase revenues. However, a PEO may qualify to deduct wages, salaries, etc. as advances or reimbursements (WAC 458-20-111).

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.530 | $0.610 | $0.630 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the real income growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Certain PEOs would restructure and use the paymaster services for affiliates deduction or deduct as a reimbursement (WAC 458-20-111). This estimate assumes two out of three PEOs restructure and use an alternate deduction.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Tax base |
| **Year Enacted:** | 2006 |
| **Primary Beneficiaries:** | Professional employment organizations |
| **Taxpayer Count:** | 10 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2016 and 2023 |

# 82.04.545 - Electricity or gas sold to silicon smelters

**Description**

Persons subject to B&O tax are eligible to take a credit against the tax on the gross income from sales of electricity, natural gas or manufactured gas made to a silicon smelter. The credit is equal to the gross income from the sale multiplied by the corresponding tax rate in effect at the time of the sale. The person taking the credit must specify in the contract of sale of electricity or gas to the silicon smelter that the price charged will be reduced by the credit amount. Resale or remarketing of the electricity or gas originally obtained by contract for the smelting process is not eligible for the credit. The department must provide a separate tax reporting line for the B&O tax credit.

This tax preference expires on July 1, 2027. If smelters do not meet the employment requirements, the tax preference will expire on January 1, 2024.

**Purpose**

To promote the manufacturing of silicon for use in production of photovoltaic cells for solar energy systems.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this credit would not increase revenue because currently no taxpayers use it.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- No taxpayers currently use this credit. We expect no usage during the forecasted period of this study.
- The contingency has yet to be met. The necessary investment will not occur prior to January 1, 2024.

**Data Sources**

- Department of Revenue, Excise tax data

# 82.04.545 - Electricity or gas sold to silicon smelters

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2017 |
| **Primary Beneficiaries:** | Utility companies selling electricity, and natural or manufactured gas to a silicon smelter |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review scheduled in 2025 |

# 82.04.600 - Printing by counties, cities, school districts, and libraries

**Description**

Printing completed by libraries, counties, cities, towns, school districts, and educational service districts libraries is exempt from B&O tax where:

- Material printed in the jurisdiction facility.
- Printing used exclusively for jurisdiction purposes.

**Purpose**

Reflects the legislative policy of not taxing nonproprietary activities of public entities.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.085 | $0.085 | $0.085 | $0.085 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.078 | $0.085 | $0.085 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- No growth based on historical data.

**Data Sources**

- Institute of Museum and Library Services, Public library data
- Office of the Superintendent of Public Instruction, K-12 data
- State Auditor's Office, Municipality financial data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 1979 |
| **Primary Beneficiaries:** | Libraries, cities, counties, and school districts |
| **Taxpayer Count:** | 730 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2011 with an upcoming review in 2025 |

# 82.04.601 - Cigarette stamping

**Description**

Compensation that wholesalers and retailers receive from the Indian tribes for affixing stamps on packages of cigarettes is exempt from B&O tax.

**Purpose**

Historically, cigarette wholesalers and retailers did not pay tax on such compensation. This exemption codified pre-existing practices.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | Minimal | Minimal | Minimal | Minimal |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | Minimal | Minimal | Minimal |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- No growth based on historical data.

**Data Sources**

- Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2007 |
| **Primary Beneficiaries:** | Cigarette wholesalers and retailers |
| **Taxpayer Count:** | 60 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2023 |

# 82.04.610 - Interstate commerce - import and export shipments

**Description**

The sale of tangible personal property in export commerce is exempt from B&O tax.

Tangible personal property is in export commerce when the seller delivers the property to the:

- Buyer in a foreign country.
- Carrier consigned to transport the property to a foreign country.
- Buyer at shipside or aboard the buyer's vehicle of transportation and it is clear the export process has started.
- Buyer who is in Washington if the property can be transported to a foreign destination under its own power, the seller files an export declaration and the buyer immediately transports the product to a foreign country (excludes motor vehicles).

The sale of tangible personal property in import commerce is not exempt from B&O tax, except for the following wholesale sales:

- Sales of unroasted coffee beans.
- Sales between a parent company and its wholly owned subsidiary.

**Purpose**

Codifies the department's tax policies regarding imports and exports (WAC 458-20-193C). This statute provides clarity concerning the taxation of property in the process of international shipment.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $49.890 | $51.520 | $53.090 | $54.800 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues, however, a repeal would likely result in litigation.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $34.750 | $40.300 | $42.830 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

# 82.04.610 - Interstate commerce - import and export shipments

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Due to the volatility found from year to year, this estimate assumes 3% growth into the future.
- Wholesalers in selected NAICS codes that have a greater chance of exporting were selected as a proxy for this analysis.
- Selected NAICS includes wholesalers of lumber products and fish or seafood.
- Census data was used to estimate the exempted importing activity.
- This estimate assumes taxpayers that can, will move their delivery destination to keep their products in the federal stream of commerce and therefore a low level of compliance is assumed.
- Compliance for export shipment income:
  - 13% revenue collections in Fiscal Year 2025.
  - 26% revenue collections in Fiscal Year 2026.
  - 39% revenue collections in Fiscal Year 2027.

**Data Sources**

- Department of Revenue, Excise tax data
- Employment Security department, Employment data
- Internal Revenue Service, Tax return statistics

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Interstate Commerce |
| **Year Enacted:** | 2007 |
| **Primary Beneficiaries:** | Businesses that ship products across Washington's boundaries |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2023 |

# 82.04.615 - Public development authorities

**Description**

Public corporations, commissions and authorities receive an exemption from B&O tax for income from services provided to:

- Limited liability companies in which the public entity is the managing member.
- Limited partnerships in which the public entity is the general partner.
- Single-asset entities required by a federal, state, or local housing assistance program which is directly or indirectly controlled by the public entity.

**Purpose**

Assists housing authorities that receive federal grants for low-income housing.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | CTI | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

This exemption impacts fewer than three taxpayers; any impacts are confidential.

**Data Sources**

None

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 2007 |
| **Primary Beneficiaries:** | Public development authorities |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review scheduled in 2025 |

# 82.04.620 - Prescription drug administration

**Description**

Physicians or clinics may deduct amounts received for the infusion or injection of drugs for human use pursuant to a prescription from the B&O tax. The deduction may not exceed the current federal reimbursement rate under Medicare. The injection must be covered or required under a health care program subsidized by the federal or state government.

**Purpose**

To improve patient care by encouraging physicians to administer drugs in their own facilities, rather than referring their patients to a hospital where the wait time and cost of care may be greater.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $3.500 | $3.620 | $3.740 | $3.960 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this deduction would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $3.290 | $3.740 | $3.960 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the service and other activities B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2007 |
| **Primary Beneficiaries:** | Doctors, clinics, and their patients |
| **Taxpayer Count:** | 53 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2013 and expedited review completed in 2021 |

# 82.04.627 - Commercial airplane parts

**Description**

The sale of parts to the manufacturer of a commercial airplane is deemed to take place at the site of final testing or inspection under federal aviation regulation part 21 subpart F or G. Parts sold by Washington sellers for delivery to out-of-state locales are exempt from the state B&O tax if these criteria are met.

The sale of following parts and products are not eligible for an exemption from B&O tax under this section:

- Standard parts manufactured in compliance with a government or established industry specification.
- Products produced under a technical standard order authorization or letter of technical standard order design approval pursuant to federal aviation regulation part 21, subpart O.
- Parts in which final testing or inspection under federal aviation regulation part 21, subpart F or G takes place in this state.

**Purpose**

To give incentives to commercial airplane manufacturers to locate and produce products in Washington.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.200 | $0.210 | $0.210 | $0.220 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.190 | $0.210 | $0.220 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the industrial production index for aerospace products and parts growth rate reflected in the S&P Global Market Intelligence March 2023 forecast.

**Data Sources**

- Department of Revenue, Excise tax data
- S&P Global Market Intelligence, March 2023 forecast

# 82.04.627 - Commercial airplane parts

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2008 |
| **Primary Beneficiaries:** | Manufacturers or suppliers of commercial airplane components |
| **Taxpayer Count:** | 3 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2014 and 2019 |

# 82.04.628 - Commercial fertilizer, agricultural crop protection products, and seed

**Description**

An eligible distributor may claim a B&O tax exemption for the gross proceeds of wholesale sales of the following products to an eligible retailer.

An "eligible distributor" means a wholesaler who purchases commercial fertilizer, agricultural crop protection products, and seed from the manufacturer and resells those products only to eligible retailers who:
- Are not affiliated persons.
- Have an ownership interest in an entity that has 50% or more ownership interest in the wholesaler.

“Affiliated persons” means persons who have any ownership interest, whether direct or indirect, in each other, or where any ownership interest, whether direct or indirect, in each of the persons by another person or by a group of other persons that are affiliated with respect to each other.

“Eligible retailer” means a person engaged in the business of making retail sales of commercial fertilizer, agricultural crop protection products, and seed that also holds at least a 5% ownership interest in an entity that holds 50% or more ownership interest in an eligible distributor.

Other distributors are not eligible for this exemption. This exemption does not have an expiration.

**Purpose**

The tax preference is intended to reduce structural inefficiencies in the tax structure.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | CTI | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

This exemption impacts fewer than three taxpayers; any impacts are confidential.

# 82.04.628 - Commercial fertilizer, agricultural crop protection products, and seed

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Agriculture |
| **Year Enacted:** | 2017 |
| **Primary Beneficiaries:** | Eligible wholesaler of fertilizer and agricultural crop protection products to eligible retailers |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review scheduled in 2025 |

# 82.04.635 - Legal services to low-income persons

**Description**

Income received by nonprofit organizations for providing legal services to low-income persons is exempt from B&O tax. The nonprofit must primarily be engaged in the provision of legal services to low-income individuals. Nonprofits are persons exempt from federal income tax under Title 26 U.S.C. Sec. 501(c) of the federal internal revenue code.

**Purpose**

Testimony on this exemption indicates funding levels had decreased and the exemption would allow nonprofits to increase their level of service with little impact to state funds in light of increasing demand for services.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | CTI | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

This exemption impacts fewer than three taxpayers; any impacts are confidential.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 2009 |
| **Primary Beneficiaries:** | Businesses providing legal services to low-income persons |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2016 |

# 82.04.640 - Vaccine Association assessments

**Description**

The Washington Vaccine Association collects funds from health care insurers and third-party administrators for the cost of vaccines provided to children. Funds received by the association are exempt from B&O tax.

**Purpose**

To improve the health of children.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | CTI | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

This exemption impacts fewer than three taxpayers; any impacts are confidential.

**Data Sources**

None

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 2010 |
| **Primary Beneficiaries:** | The Association and indirectly, children of the state |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2013 and 2021 |

# 82.04.645 - Financial institution affiliate income

**Description**

Financial institutions are exempt from B&O tax on amounts received from affiliates from arm's length transactions as required under the Federal Reserve Act (sections 23A or 23B).

**Purpose**

To encourage affiliate transactions by financial institutions.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | Indeterminate | Indeterminate | Indeterminate | Indeterminate |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues. However, not all affiliate transactions would be taxable at full market value.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | Indeterminate | Indeterminate | Indeterminate |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- Information on amounts received from affiliates that require an arm's length transaction under the Federal Reserve Act (section 23A or 23B) do not appear on state excise tax returns or financial institution federal reports. The revenue impact of this bill is indeterminate.

**Data Sources**

- Department of Revenue, Excise tax data
- Federal Financial Institutions Examination Council, Consolidated Reports of Condition and Income

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2010 |
| **Primary Beneficiaries:** | Banks with subsidiaries and/or affiliates |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2017 |

# 82.04.650 - Financial institution investment conduit or securitization entity income

**Description**

Cash and securities received by an investment conduit of a financial institution or a securitization entity of a bank holding company are exempt from B&O tax.

**Purpose**

To avoid taxing the same revenue more than once and to clarify that the activities of financial institution investment conduits and bank securitization entities are not taxable.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $20.600 | $21.300 | $22.000 | $22.700 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $19.500 | $22.000 | $22.700 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the 10-year treasury yield growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Assets are held for one-third of the year.

**Data Sources**

- Economic and Revenue Forecast Council, March 2023 forecast
- Securities Industry and Financial Markets Association, U.S. Asset Backed Securities Statistics
- Securities Industry and Financial Markets Association, U.S. Mortgage-Backed Securities Statistics
- Bureau of Economic Analysis, Financial sector contributions to gross domestic product
- Freddie Mac, Commitment rate on conventional 30-year mortgage

# 82.04.650 - Financial institution investment conduit or securitization entity income

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2010 |
| **Primary Beneficiaries:** | Real estate lenders and their customers |
| **Taxpayer Count:** | 56 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2017 |

# 82.04.655 - Joint municipal utility authority

**Description**

Payments between or transfers of assets to or from joint municipal utility services authorities and any of its members are exempt from B&O tax.

**Purpose**

To reduce costs and improve the benefits, efficiency, and quality of utility services.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | CTI | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

This exemption impacts fewer than three taxpayers; any impacts are confidential.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 2011 |
| **Primary Beneficiaries:** | Joint municipal utility services authorities |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2023 |

# 82.04.660 - Environmental handling charges

**Description**

Environmental handling charges on the retail sale of mercury-containing lights are exempt from B&O taxes.

**Purpose**

To provide revenue for costs associated with the product stewardship program.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | Minimal | Minimal | Minimal | Minimal |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | Minimal | Minimal | Minimal |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Sales of mercury-containing lights are decreasing 40% annually.

**Data Sources**

- Department of Revenue, Excise tax data
- LightRecycle Washington, Annual reports 2015- 2020- Department of Ecology, Mercury-Containing Lights Product Stewardship Plan

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2015 |
| **Primary Beneficiaries:** | Businesses selling mercury-containing light products |
| **Taxpayer Count:** | 2,800 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.04.750 - Restaurant employee meals

**Description**

Meals provided to employees of restaurants without specific charge to the employees are exempt from B&O tax.

**Purpose**

To allow restaurant owners to provide free meals to their employees without incurring B&O tax.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.340 | $0.340 | $0.342 | $0.343 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.041 | $0.044 | $0.045 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the employment growth rate for the service-providing labor force reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- A restaurant employee works an estimated 241 days a year.
- Of the estimated number of employee meals provided to restaurant employees, 29% are provided free of charge.
- An estimated 90% of restaurant employees will receive a free employer-provided meal.
- The average cost of a restaurant employer-provided meal is $4.50.
- A compliance rate of 13% revenue collections applies to each fiscal year of the estimate.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- U.S. Bureau of Labor Statistics, May 2022 State Occupational Employment and Wage Estimates, Washington
- U.S. Bureau of Labor Statistics, Establishment data table B-2b: Average weekly hours and overtime of all employees on private nonfarm payrolls by industry sector, not seasonally adjusted
- U.S. Bureau of Labor Statistics, Food from home in U.S. city average, all urban consumers, chained, not seasonally adjusted

# 82.04.750 - Restaurant employee meals

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2011 |
| **Primary Beneficiaries:** | Restaurants |
| **Taxpayer Count:** | 20,144 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2022 |

# 82.04.755 - Nonprofit litter reduction grant income

**Description**

Grants received by local governments and nonprofit organizations from the waste reduction, recycling, and litter control account are exempt from B&O tax.

**Purpose**

To promote local and statewide education programs designed to help the public with litter control, waste reduction, recycling, and composting.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | Minimal | Minimal | Minimal | Minimal |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | Minimal | Minimal | Minimal |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Grant amounts remain constant, therefore no growth.

**Data Sources**

- Department of Ecology, Waste Reduction & Recycling Education 2022-2023 Program Guidelines

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 2015 |
| **Primary Beneficiaries:** | Local government entities and nonprofits |
| **Taxpayer Count:** | 10 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review scheduled in 2026 |

# 82.04.756 - Cannabis grown or cannabis products manufactured by a cooperative

**Description**

The B&O tax does not apply to a cooperative's activities with respect to growing cannabis, or manufacturing cannabis concentrates, useable cannabis, or cannabis-infused products.

**Purpose**

Cooperatives are intended to provide small amounts of medical cannabis to members and may not sell products to members or others. There is no intent to tax this activity.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | Indeterminate | Indeterminate | Indeterminate | Indeterminate |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | Indeterminate | Indeterminate | Indeterminate |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

Revenue impact is indeterminate because the number of future cooperatives and their activities are unknown.

**Data Sources**

None

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 2015 |
| **Primary Beneficiaries:** | Cooperative medical cannabis growers |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full reviewed completed in 2021 |

# 82.04.758 - Custom farm and farm management services

**Description**

Providers of custom farming services and farm management services are exempt from B&O tax if the provider performing the services is the owner or lessor of the land or related to the owner or lessor.

**Purpose**

To provide tax relief to persons performing custom farm services for their relatives.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.053 | $0.055 | $0.058 | $0.061 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.051 | $0.058 | $0.061 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Agriculture |
| **Year Enacted:** | 2022 |
| **Primary Beneficiaries:** | Persons providing custom farm services for their relatives |
| **Taxpayer Count:** | 4 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2015, and full review completed in 2018 prior to the old statute expiring |

# 82.04.759 - Newspapers - eligible digital content

**Description**

A B&O exemption is available for amounts received from any of the following activities:

- Printing and/or publishing newspapers.
- Publishing of “eligible digital content” by printers and/or publishers who reported under the printing and publishing tax classification in 2008.

"Newspaper" means:

- A publication issued regularly at stated intervals at least twice a month and printed on newsprint in tabloid or broadsheet format folded loosely together without stapling, glue, or any other binding of any kind, including any supplement of a printed newspaper.
- An electronic version of a printed newspaper that:
  - Shares content with the printed newspaper.
  - Is prominently identified by the same name as the printed newspaper or otherwise conspicuously indicates that it is a complement to the printed newspaper.

"Eligible digital content" is a publication:

- Published at regularly stated intervals of at least once a month.
- Featuring written content, the largest category of which, as determined by word count, contains material that identifies the author or the original source of the material.
- Made available to readers exclusively in an electronic format.

**Purpose**

To support local newspapers and online digital news publishers.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $1.390 | $1.350 | $1.340 | $1.280 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $1.240 | $1.340 | $1.280 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the newspaper production growth rate reflected in the S&P Global Market Intelligence March 2023 forecast.

# 82.04.759 - Newspapers - eligible digital content

**Data Sources**

- Department of Revenue, Excise tax return data
- S&P Global Market Intelligence, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2023 |
| **Primary Beneficiaries:** | Newspaper printers and publishers and publishers of eligible digital content |
| **Taxpayer Count:** | 110 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.04.765 - Architectural paint assessment

**Description**

The purchase price of new paint includes a paint stewardship fee. This fee funds the operation of the architectural paint stewardship program (70A.515 RCW) and is exempt from B&O tax.

**Purpose**

To reduce the cost to businesses required to collect and remit the paint stewardship program fee.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.041 | $0.041 | $0.041 | $0.041 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.038 | $0.041 | $0.041 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- PaintCare projects flat growth for future revenues.

**Data Sources**

- Department of Revenue, Excise tax data
- Paintcare, 2022 Annual Report

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2019 |
| **Primary Beneficiaries:** | Sellers of architectural paint |
| **Taxpayer Count:** | 1,100 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.04.767 - Qualifying Grants – National emergency or state of emergency

**Description**

Certain financial assistance in the form of a grant or relief from debt provided under a government program to address the impacts of a national emergency declared by the president of the United States or state of emergency declared by the state governor is exempt from B&O tax.

**Purpose**

To help mitigate the economic impacts of the COVID-19 pandemic. Provides guidance on the taxability of any qualifying government grant or loan forgiveness program associated with a future national or state of emergency.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | Indeterminate | Indeterminate | Indeterminate | Indeterminate |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues during a national or state of emergency.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | Indeterminate | Indeterminate | Indeterminate |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

The revenue impact of this bill is indeterminate. Future emergency situations and the provision of government-funded assistance to taxpayers is unknown.

**Data Sources**

None

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2021 |
| **Primary Beneficiaries:** | Recipients of government-funded grants or debt relief during a national emergency or state of emergency |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.04.770 - Plastic bags - retail establishments

**Description**

Pass-through charges on recycled content paper carryout bags and reusable carryout bags made of film plastic provided by retail establishments are exempt from B&O tax.

**Purpose**

To encourage shoppers to bring their own reusable carryout bags to reduce waste, litter, marine pollution, conserve resources, and protect fish and wildlife.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.220 | $0.220 | $0.340 | $0.340 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.210 | $0.340 | $0.340 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the Washington population growth rate reflected in the Office of Financial Management's April 2022 forecast.
- Until December 31, 2025, a retail establishment must collect a pass-through charge of eight cents for every compliant carryout bag.
- Beginning January 1, 2026, a retail establishment must collect a pass-through charge of 12 cents for reusable carryout bags.
- A retail establishment must keep all revenue from pass-through charges. The pass-through charge is a taxable retail sale.
- The plastic bag ban effects all jurisdictions in Washington.
- Every year Washingtonians use two billion single-use plastic bags.
- Washington bag ban reduced plastic bag consumption by 71.5%.

**Data Sources**

- Office of Financial Management, April 2022 population forecast
- U.S. Census 2021 National Population Projections Datasets
- Department of Ecology, State of Washington
- Conservation Law Foundation

# 82.04.770 - Plastic bags - retail establishments

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2020 |
| **Primary Beneficiaries:** | Retailers |
| **Taxpayer Count:** | 65,000 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.04.775 - Carbon credits

**Description**

State law imposes a low-carbon fuel standard to reduce levels of air pollutants and greenhouse gas emissions. The Department of Ecology manages the clean fuel standards (Clean Fuels Program) to reduce the carbon intensity of transportation fuels in Washington. The Clean Fuels Program allows for the generation and trading of credits, each representing one metric ton of carbon dioxide emissions.

Income businesses receive from the generation, purchase, sale, transfer, or retirement of carbon credits under the Clean Fuels Program is exempt from B&O tax.

**Purpose**

To provide tax relief to businesses that trade carbon credits under the Clean Fuels Program.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | Indeterminate | Indeterminate | Indeterminate | Indeterminate |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues, however, the impact indeterminate at this time.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | Indeterminate | Indeterminate | Indeterminate |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

Registration for the program began January 1, 2023. Fuel transactions for Quarter 1 of 2023 were reported as late as July 31, 2023. The infancy of the program and lack of data prohibits a reasonable or accurate estimate at this time.

**Data Sources**

Department of Ecology, Clean fuel standard data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2021 |
| **Primary Beneficiaries:** | Businesses that trade carbon credits under the Clean Fuel Standard program |
| **Taxpayer Count:** | 316 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.04.777 - Environmental management of used batteries

**Description**

Under the battery stewardship program, battery stewardship organizations must start collecting covered batteries and battery-containing products by July 1, 2027. Each battery producer pays a fee to a battery stewardship organization to support these activities. These fees are exempt from the B&O tax.

**Purpose**

To provide tax relief to battery stewardship organizations.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, before the exemption becomes effective, therefore no revenue impact.

**Data Sources**

- US Bureau of Economic Analysis, Personal Consumption Expenditures, 2021
- Call2Recyle, Data
- Department of Ecology, Data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2023 |
| **Primary Beneficiaries:** | Battery producers |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.32.045(5)(a) - Minimum to file excise tax return

**Description**

A business is not required to file an excise tax return with the department if the business:

- Has gross income subject to B&O tax of less than $125,000 per year.
- Has gross income subject to PU tax of less than $24,000 per year.
- Is not required to collect or pay sales tax to the department.
- Is not required to collect or pay any other tax or fee to the department.

**Purpose**

To reduce administrative costs for taxpayers and the department.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would not increase revenue. The small business credit offsets the B&O tax liability that results from a repeal.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

The tax savings from this exemption are included under the impacts of the small business credit (RCW 82.04.4451).

**Data Sources**

None

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1996 |
| **Primary Beneficiaries:** | Small businesses |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2015 and 2023 |

# 82.32.055 - Active duty military penalty waiver

**Description**

Business owners who are on active duty in the military qualify for a waiver of interest and penalties for delinquent excise taxes if the interest and penalties are imposed:

- During a period of armed conflict.
- On a qualifying military member assigned to a location outside of the U.S.

**Purpose**

Provides economic relief to businesses owned by qualifying active-duty members of the military.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | CTI | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

This exemption impacts fewer than three taxpayers; any impacts are confidential.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2008 |
| **Primary Beneficiaries:** | Business owners that are active duty military |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2020 |

# 82.32.531 - Trade convention attendance/nexus

**Description**

If a business has a physical presence in Washington, they must register with the department and report and pay any B&O, sales, and use taxes due. Attending one trade convention per calendar year does not create a physical presence unless the business makes retail sales at the trade convention.

A trade convention is an exhibition for a specific industry or profession that is not marketed to the general public.

**Purpose**

To encourage participation in Washington trade conventions.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | Indeterminate | Indeterminate | Indeterminate | Indeterminate |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exclusion would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | Indeterminate | Indeterminate | Indeterminate |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

Due to the highly specific criteria and broad range of taxpayers it may apply to, the revenue impact of this estimate is indeterminate.

**Data Sources**

None

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2016 |
| **Primary Beneficiaries:** | Out of state businesses that attend one trade show per year |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review scheduled in 2025 |

# 82.62.030; 82.62.045 - Rural county and Community Empowerment Zone (CEZ) new jobs

**Description**

A B&O tax credit is available for each new employment position created by a business located in a rural county engaged in the following activities:

- Manufacturing.
- Computer-related programming and services performed by a manufacturer.
- Research and development.
- Commercial testing laboratories.

A rural county has an average population density of fewer than 100 persons per square mile or is smaller than 225 square miles.

The credit is equal to:

- $2,000 for each new qualified employment position with wages and benefits below $40,000.
- $4,000 for each new qualified employment position with wages and benefits above $40,000.

The total statewide credit cap is $7.5 million per fiscal year.

**Purpose**

Encourages businesses to expand in rural counties.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.170 | $0.130 | $0.100 | $0.070 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this credit would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.120 | $0.100 | $0.070 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate determined from historical trend of credit amount due to declining credit usage.
- Estimate of future revenue impacts are based on credits used rather than credits approved.

**Data Sources**

- Department of Revenue, Excise tax data

# 82.62.030; 82.62.045 - Rural county and Community Empowerment Zone (CEZ) new jobs

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1986 |
| **Primary Beneficiaries:** | Businesses located in rural counties engaged in qualifying activities |
| **Taxpayer Count:** | 29 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2013 and 2023 |

# 82.70.020 - Commute trip reduction credit

**Description**

Employers who provide financial incentives for their own or other employees to participate in commute trip reduction programs may take a credit against B&O or PU tax. The credit for an employer is:

- Equal to one-half of the employer's expenditure.
- Limited to $60 per employee per year.
- Limited to $100,000 each fiscal year.

The program has an annual cap of $2.75 million for both B&O and PU tax credits, and currently expires July 1, 2024. No person may claim tax credits after June 30, 2024.

**Purpose**

To encourage employers to provide financial incentives to employees for carpooling and other means of reducing air pollution, traffic congestion, and fuel consumption.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $2.500 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this credit would not increase revenues. The credit expires July 1, 2024.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

The credit expires July 1, 2024; a repeal would result in no revenue impact.

**Data Sources**

None

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 2003 |
| **Primary Beneficiaries:** | Employers providing alternate commuting |
| **Taxpayer Count:** | 300 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2012 and 2022 |

# 82.73.030 - Commercial area revitalization contributions (main street program)

**Description**

Subject to limitations, approved contributions made to a qualifying non-profit organization in the Main Street Program or to the Main Street Trust Fund are eligible for a partial B&O or PU tax credit.

The credit is either 75% of the approved contributions made to a Main Street Program or to the Main Street Trust Fund.

The total amount of these credits statewide cannot exceed $5 million per calendar year. Credits are not available for contributions to a program in a municipality with a population of 190,000 or more at the time of designation.

**Purpose**

Encourages the revitalization of downtown or neighborhood commercial areas.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $4.120 | $4.120 | $4.120 | $4.120 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this credit would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $3.780 | $4.120 | $4.120 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- The estimate of future revenue impacts is based on credits used rather than credits approved.
- The credit cap of $5 million will be met.
- The proportion of the credit claimed against B&O and PU tax remains constant.

**Data Sources**

- Department of Revenue, Excise tax data

# 82.73.030 - Commercial area revitalization contributions (main street program)

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 2005 |
| **Primary Beneficiaries:** | Businesses participating in commercial area revitalization. |
| **Taxpayer Count:** | 436 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2016 with an upcoming review in 2026 |

# Chapter 3
# Brokered Natural Gas

# 82.12.022(3) - Natural and manufactured gas not delivered by pipeline

**Description**

Natural or manufactured gas delivered to customers by means other than through a pipeline is not subject to a brokered natural gas use tax.

**Purpose**

This statute was enacted to clarify the application of this tax.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would not increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

Currently, natural gas is only delivered via pipeline.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Tax base |
| **Year Enacted:** | 1994 |
| **Primary Beneficiaries:** | Customers who receive natural gas via other means |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2017 |

# 82.12.022(4) - Natural gas subject to public utility tax

**Description**

Gas is not subject to the brokered natural gas use tax if the seller previously paid public utility tax for the same gas.

**Purpose**

This exemption eliminates double taxation of the same fuel. Gas purchased via brokers is generally not subject to public utility tax, which is why the brokered natural gas tax is in place.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $74.056 | $76.062 | $79.811 | $85.208 |
| Local Taxes | $89.608 | $92.035 | $96.571 | $103.101 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $69.724 | $79.811 | $85.208 |
| Local Taxes | $0.000 | $84.365 | $96.571 | $103.101 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the public utility tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Tax base |
| **Year Enacted:** | 1989 |
| **Primary Beneficiaries:** | Purchasers of gas via gas distribution companies that paid PU tax |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2017 |

# 82.12.022(5) - Aluminum smelter purchases of natural gas

**Description**

Natural or manufactured gas an aluminum smelter uses is not subject to the brokered natural gas use tax.

**Purpose**

To support the aluminum industry.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would not increase revenue because currently no taxpayers use it.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

No taxpayers currently use this exemption. We expect no usage during the forecasted period of this study.

**Data Sources**

Department of Revenue, Annual tax performance report data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2004 |
| **Primary Beneficiaries:** | Aluminum smelters |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2015 |

# 82.12.022(7) - Silicon smelter use of natural or manufactured gas

**Description**

Brokered natural gas use tax does not apply to using natural or manufactured gas by silicon smelters.

This tax preference expires on July 1, 2027. If smelters do not meet the employment requirements, the tax preference will expire on January 1, 2024.

**Purpose**

To promote the manufacturing of silicon for use in the production of photovoltaic cells for solar energy systems.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would not increase revenues. There are no silicon smelter facilities in Washington, nor are there any permits for facility projects.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

No taxpayers currently use this exemption. We expect no usage during the forecasted period of this study.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2017 |
| **Primary Beneficiaries:** | Silicon smelter facilities |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review scheduled in 2025 |

# 82.12.022(8) - Taxes paid in other states for natural gas

**Description**

There is a credit against the natural gas use tax equal to any tax paid by either:

- The seller if the tax paid by the seller to another state is like Washington's public utility tax.
- The consumer if the tax paid by the consumer to another state is like Washington's natural gas use tax.

**Purpose**

To eliminate double taxation of the same fuel.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this credit would not increase revenue because currently no taxpayers use it.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

No taxpayers currently use this credit. We expect no usage during the forecasted period of this study.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Interstate Commerce |
| **Year Enacted:** | 1989 |
| **Primary Beneficiaries:** | Purchasers of gas via brokers who have the gas delivered from other states |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.12.024 - Deferral for direct service industries (DSIs)

**Description**

This statute allows a deferral of the tax on brokered natural and manufactured gas for direct service industrial customers (DSIs) that construct a new gas turbine power plant. DSIs are large industrial manufacturers that purchase power directly from the Bonneville Power Administration (BPA). This deferral does not require the amount of this tax to be repaid if the DSI continues generating electricity from the gas turbine for a minimum of five calendar years and the DSI's average employment levels have not dropped below the six-year average level.

**Purpose**

To encourage DSIs to build their own gas-powered electric generating facilities to avoid having to curtail production in the event of electricity supply issues stemming from the BPA.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this deferral would not increase revenue because currently no taxpayers use it.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

No taxpayers currently use this deferral. We expect no usage during the forecasted period of this study.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2001 |
| **Primary Beneficiaries:** | Direct service industry businesses constructing a new power plant |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2021 |

# Chapter 4
# Capital Gains Tax

# 82.87.050(1) - Real estate excluded from capital gains

**Description**

The capital gains tax does not apply to the sale or exchange of real estate.

**Purpose**

To avoid taxing the sale or exchange of real estate. To prevent double taxing transactions subject to the real estate excise tax.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $970.000 | $1,020.000 | $1,050.000 | $1,030.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $1,000.000 | $980.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect January 1, 2025, and impacts 12 months of collections in fiscal year 2026.
- Growth rate mirrors the long-term capital gains growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Approximately 50% of taxpayers with capital gains from the sale or exchange of interest in a privately held entity use the privately held entity exemption because not all privately held entities own real estate.
- Individuals with estimated payments:
  - Will receive refunds in fall 2023, 12% of the estimated payments.
  - Will use deductions at the same frequency as return filers with similar amounts of tax due.
- Repealing this exemption will not impact the capital gains tax credit amount against the B&O tax.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- Internal Revenue Service (2022), Publication 6149 calendar year return projections by state: 2021–2028
- Internal Revenue Service (2022), Sales of Capital Assets Reported on Individual Tax Returns
- Internal Revenue Service (n.d.), Historic Table 2, Tax Year 2015

# 82.87.050(1) - Real estate excluded from capital gains

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 2021 |
| **Primary Beneficiaries:** | Individuals with capital gains from real estate transactions |
| **Taxpayer Count:** | 5,400 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.87.050(2) - Interest held in a privately-held entity excluded from capital gains

**Description**

The capital gains tax does not apply to capital gains derived from the sale or exchange of an interest in a business (or other privately held entity), only to the extent that such capital gains resulted from the sale of real estate directly owned by the business.

**Purpose**

To avoid taxing the sale or exchange of real estate.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $12.200 | $12.900 | $13.300 | $13.600 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $12.600 | $12.900 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect January 1, 2025, and impacts 12 months of collections in fiscal year 2026.
- Growth rate mirrors the long-term capital gains growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Approximately 50% of taxpayers with capital gains from the sale or exchange of interest in a privately held entity use the privately held entity exemption because not all privately held entities own real estate.
- Individuals with estimated payments:
  - Will receive refunds in fall 2023, amounting to 12% of the estimated payments.
  - Will use deductions at the same frequency as return filers with similar amounts of tax due.
- Repealing this exemption will not impact the capital gains tax credit amount against the B&O tax.

# 82.87.050(2) - Interest held in a privately-held entity excluded from capital gains

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- Internal Revenue Service (2022), Publication 6149 calendar year return projections by state: 2021–2028
- Internal Revenue Service (2022), Sales of Capital Assets Reported on Individual Tax Returns
- Internal Revenue Service (n.d.), Historic Table 2, Tax Year 2015

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 2021 |
| **Primary Beneficiaries:** | Individuals with capital gains from interest held in a privately held entity |
| **Taxpayer Count:** | 3,000 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.87.050(3) - Assets held in certain retirement accounts

**Description**

The capital gains tax does not apply to capital gains derived from the sale or exchange of assets held in most types of retirement accounts.

**Purpose**

To avoid taxing the sale or exchange of retirement income.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | CTI | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This exemption impacts fewer than five taxpayers; any impacts are confidential.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- Internal Revenue Service (2022), Publication 6149 calendar year return projections by state: 2021–2028
- Internal Revenue Service (2022), Sales of Capital Assets Reported on Individual Tax Returns
- Internal Revenue Service (n.d.), Historic Table 2, Tax Year 2015

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 2021 |
| **Primary Beneficiaries:** | Individuals with certain types of retirement accounts |
| **Taxpayer Count:** | Fewer than five |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.87.050(4) - Assets subject to condemnation, or sold or exchanged under imminent threat of condemnation

**Description**

The capital gains tax does not apply to capital gains derived from the sale or exchange of assets under threat of condemnation.

**Purpose**

To avoid taxing the sale or exchange of condemned assets.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $2.880 | $3.050 | $3.140 | $3.110 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $2.980 | $2.950 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect January 1, 2025, and impacts 12 months of collections in fiscal year 2026.
- Growth rate mirrors the long-term capital gains growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Individuals with estimated payments:
  - Will receive refunds in fall 2023, amounting to 12% of the estimated payments.
  - Will use deductions at the same frequency as return filers with similar amounts of tax due.
- Repealing this exemption will not impact the capital gains tax credit amount against the B&O tax.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, June 2023 forecast
- Internal Revenue Service (2022), Publication 6149 calendar year return projections by state: 2021–2028
- Internal Revenue Service (2022), Sales of Capital Assets Reported on Individual Tax Returns
- Internal Revenue Service (n.d.), Historic Table 2, Tax Year 2015

# 82.87.050(4) - Assets subject to condemnation, or sold or exchanged under imminent threat of condemnation

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 2021 |
| **Primary Beneficiaries:** | Individuals with capital gains from condemned assets |
| **Taxpayer Count:** | 40 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.87.050(5) - Certain livestock related to farming or ranching

**Description**

The capital gains tax does not apply to capital gains derived from the sale or exchange of cattle, horses, or breeding livestock for individuals who earn the majority of their income from farming or ranching.

**Purpose**

To avoid taxing farmers and ranchers.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $20.200 | $21.400 | $22.000 | $21.600 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $20.900 | $20.500 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect January 1, 2025, and impacts 12 months of collections in fiscal year 2026.
- Growth rate mirrors the long-term capital gains growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Individuals with estimated payments:
  - Will receive refunds in fall 2023, amounting to 12% of the estimated payments.
  - Will use deductions at the same frequency as return filers with similar amounts of tax due.
- Repealing this exemption will not impact the capital gains tax credit amount against the B&O tax.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- Internal Revenue Service (2022), Publication 6149 calendar year return projections by state: 2021–2028
- Internal Revenue Service (2022), Sales of Capital Assets Reported on Individual Tax Returns
- Internal Revenue Service (n.d.), Historic Table 2, Tax Year 2015

# 82.87.050(5) - Certain livestock related to farming or ranching

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 2021 |
| **Primary Beneficiaries:** | Individuals with capital gains from livestock |
| **Taxpayer Count:** | 600 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.87.050(6) - Assets used in a trade or business to the extent those assets are depreciable

**Description**

The capital gains tax does not apply to the sale or exchange of depreciable assets used in a trade or business.

**Purpose**

To provide a tax preference for businesses.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $1.390 | $1.470 | $1.510 | $1.600 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $1.430 | $1.520 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect January 1, 2025, and impacts 12 months of collections in fiscal year 2026.
- Growth rate mirrors the long-term capital gains growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Individuals with estimated payments:
  - Will receive refunds in fall 2023, amounting to 12% of the estimated payments.
  - Will use deductions at the same frequency as return filers with similar amounts of tax due.
- Repealing this exemption will not impact the capital gains tax credit amount against the B&O tax.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- Internal Revenue Service (2022), Publication 6149 calendar year return projections by state: 2021–2028
- Internal Revenue Service (2022), Sales of Capital Assets Reported on Individual Tax Returns- Internal Revenue Service (n.d.), Historic Table 2, Tax Year 2015

# 82.87.050(6) - Assets used in a trade or business to the extent those assets are depreciable

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 2021 |
| **Primary Beneficiaries:** | Individuals with capital gains from depreciable business property |
| **Taxpayer Count:** | 1,500 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.87.050(7) - Timber, timberlands, and dividends and distributions from real estate investment trusts

**Description**

The capital gains tax does not apply to the sale or exchange of timber or timberland. This exemption also applies to dividends and distributions from real estate investment trusts derived from the sale or exchange of timber or timberland.

**Purpose**

To provide a tax preference for owners of timber and timberland.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $9.600 | $10.200 | $10.500 | $10.200 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $10.000 | $9.700 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect January 1, 2025, and impacts 12 months of collections in fiscal year 2026.
- Growth rate mirrors the long-term capital gains growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Individuals with estimated payments:
  - Will receive refunds in fall 2023, amounting to 12% of the estimated payments.
  - Will use deductions at the same frequency as return filers with similar amounts of tax due.
- Repealing this exemption will not impact the capital gains tax credit amount against the B&O tax.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- Internal Revenue Service (2022), Publication 6149 calendar year return projections by state: 2021–2028
- Internal Revenue Service (2022), Sales of Capital Assets Reported on Individual Tax Returns
- Internal Revenue Service (n.d.), Historic Table 2, Tax Year 2015

# 82.87.050(7) - Timber, timberlands, and dividends and distributions from real estate investment trusts

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 2021 |
| **Primary Beneficiaries:** | Individuals with capital gains from timber or timberlands |
| **Taxpayer Count:** | 140 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.87.050(8) - Commercial fishing privileges

**Description**

The capital gains tax does not apply to the sale or exchange of commercial fishing privileges.

**Purpose**

To provide a tax preference for individuals working in a regulated fishing industry.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | CTI | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This exemption impacts fewer than five taxpayers; any impacts are confidential.

**Data Sources**

- Economic and Revenue Forecast Council, March 2023 forecast
- Internal Revenue Service (2022), Sales of Capital Assets Reported on Individual Tax Returns
- Internal Revenue Service (n.d.), Historic Table 2, Tax Year 2015

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 2021 |
| **Primary Beneficiaries:** | Individuals with capital gains from the sale of commercial fishing privileges |
| **Taxpayer Count:** | Fewer than five |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.87.050(9) - Goodwill received from the sale of a franchised auto dealership

**Description**

The capital gains tax does not apply to goodwill received from the sale of a franchised auto dealership.

**Purpose**

To provide a tax preference for auto dealers.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | CTI | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This exemption impacts fewer than five taxpayers; any impacts are confidential.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- Internal Revenue Service (2022), Publication 6149 calendar year return projections by state: 2021–2028

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 2021 |
| **Primary Beneficiaries:** | Individuals with capital gains from the sales of auto dealerships |
| **Taxpayer Count:** | Fewer than five |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.87.060(1) - Standard deduction of $250,000 per year

**Description**

An individual may deduct up to $250,000 from the taxable amount for tax year 2022. For spouses or domestic partners, their combined standard deduction is limited to $250,000 regardless of whether filing joint or separate returns. For years 2023 and beyond, the deductible amount is indexed to inflation.

**Purpose**

To avoid taxing individuals with relatively small amounts of Washington capital gains.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $736.000 | $773.000 | $796.000 | $832.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this deduction would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $760.000 | $790.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect January 1, 2025, and impacts 12 months of collections in fiscal year 2026.
- Growth rate mirrors the long-term capital gains growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Taxpayers with estimated payments:
  - Will receive refunds in fall 2023, amounting to 12% of the estimated payments.
  - Will use deductions at the same frequency as return filers with similar amounts of tax due.
- Eliminating the standard deduction does not impact the amount of the capital gains tax credit applied against the B&O tax.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- Internal Revenue Service (2021). Publication 6149 calendar year return projections by state: 2021–2028.
- Internal Revenue Service: Individual income tax returns for tax year 2019

# 82.87.060(1) - Standard deduction of $250,000 per year

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 2021 |
| **Primary Beneficiaries:** | Individuals with capital gains |
| **Taxpayer Count:** | 428,000 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.87.060(2) - Amounts the state is prohibited from taxing

**Description**

An individual may deduct amounts the state is prohibited from taxing, whether by federal law or under state law.

**Purpose**

To comply with applicable tax laws.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this deduction would not increase revenue because currently no taxpayers use it.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

No taxpayers currently use this deduction. We expect no usage during the forecasted period of this study.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 2021 |
| **Primary Beneficiaries:** | None |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.87.060(3) - Qualified family-owned small business deduction

**Description**

If certain conditions are met, an individual may deduct capital gains derived from the sale of substantially all the assets or transfer of the individual's interest in a "qualified family-owned small business."

**Purpose**

To avoid taxing the sale of a small business.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $15.000 | $16.000 | $16.000 | $15.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this deduction would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $15.000 | $14.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect January 1, 2025, and impacts 12 months of collections in fiscal year 2026.
- Growth rate mirrors the long-term capital gains growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Individuals with estimated payments:
  - Will receive refunds in fall 2023, amounting to 12% of the estimated payments.
  - Will use deductions at the same frequency as return filers with similar amounts of tax due.
- Individuals who would have taken the qualified family-owned small business deduction will replace some or all of the deduction with the standard deduction.
- Repealing this deduction will not impact the capital gains tax credit amount against the B&O tax.

**Data Sources**

- Economic and Revenue Forecast Council, March 2023 forecast
- Internal Revenue Service (2021). Publication 6149 calendar year return projections by state: 2021–2028.
- Department of Revenue, Excise tax data

# 82.87.060(3) - Qualified family-owned small business deduction

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 2021 |
| **Primary Beneficiaries:** | Small business owners |
| **Taxpayer Count:** | 40 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.87.060(4) - Charitable donation deduction

**Description**

If certain conditions are met, for tax year 2022, an individual may deduct an amount donated to a qualified charity in excess of $250,000. The maximum deduction amount is $100,000. These amounts are adjusted annually for inflation. A donation must be for an organization or charity directed or managed within Washington to qualify.

**Purpose**

To incentivize charitable donations.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.279 | $0.295 | $0.304 | $0.296 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this deduction would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.289 | $0.281 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect January 1, 2025, and impacts 12 months of collections in fiscal year 2026.
- Growth rate mirrors the long-term capital gains growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Individuals with estimated payments:
  - Will receive refunds in fall 2023, amounting to 12% of the estimated payments.
  - Will use deductions at the same frequency as return filers with similar amounts of tax due.
- Individuals who would have taken the charitable donations deduction will replace some or all of it with the standard deduction.
- Repealing this deduction will not impact the capital gains tax credit amount against the B&O tax.

**Data Sources**

- Economic and Revenue Forecast Council, March 2023 forecast
- Internal Revenue Service (2021). Publication 6149 calendar year return projections by state: 2021–2028.
- Department of Revenue, Excise tax data

# 82.87.060(4) - Charitable donation deduction

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 2021 |
| **Primary Beneficiaries:** | Individuals with charitable donations |
| **Taxpayer Count:** | 50 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.87.100(2) - Taxes paid to another jurisdiction

**Description**

A credit against the Washington capital gains tax is allowed for the amount of capital gains taxes paid to another taxing jurisdiction on capital gains derived from sources within the other taxing jurisdiction to the extent the capital gains are included in the measure of the Washington capital gains tax.

**Purpose**

To prevent double taxation.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.577 | $0.610 | $0.628 | $0.641 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this credit would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.597 | $0.609 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect January 1, 2025, and impacts 12 months of collections in fiscal year 2026.
- Growth rate mirrors the long-term capital gains growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Individuals with estimated payments:
  - Will receive refunds in fall 2023, amounting to 12% of the estimated payments.
  - Will use deductions at the same frequency as return filers with similar amounts of tax due.
- Repealing this credit will not impact the capital gains tax credit amount against the B&O tax.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- Internal Revenue Service (2021). Publication 6149 calendar year return projections by state: 2021–2028.

# 82.87.100(2) - Taxes paid to another jurisdiction

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 2021 |
| **Primary Beneficiaries:** | Individuals with capital gains taxes paid to another jurisdiction |
| **Taxpayer Count:** | 40 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# Chapter 5
# Cigarette, Tobacco, and Vapor Products Tax

# 43.06.510; 43.06.515 - Vapor products covered by tribal contracts

**Description**

The vapor product tax and state and local sales and use taxes do not apply to Indian tribes with vapor product tax contracts with the state of Washington. This is because each contract adopted must have a tribal vapor product tax equal to the state vapor product tax and state and local sales and use taxes.

**Purpose**

To prevent redundant taxation of vapor products in Indian country.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would not increase revenues, as that would violate the contractual agreement.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

The state will not impose its vapor products tax and sales and use taxes on these products, as the tribes already impose equivalent taxes under the contracts.

**Data Sources**

None

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 2019 |
| **Primary Beneficiaries:** | State, local, and tribal governments |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.24.260(1)(b); 82.24.290 - Cigarettes for military personnel

**Description**

The cigarette tax does not apply to cigarettes sold to the U.S. Veterans' Administration, to branches of the U.S. armed forces at exchanges, commissaries, or ships' stores; or to authorized purchasers from these federal instrumentalities. Also, a federal instrumentality selling unstamped cigarettes to authorized military personnel is exempt from cigarette tax.

**Purpose**

Federal legislation, the Buck Act (4 U.S.C.§ 107), implicitly prohibits states from imposing a cigarette tax upon military members and their dependents.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.900 | $0.900 | $0.900 | $0.900 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would not increase revenues because federal law prohibits states from taxing tobacco products purchased by military members and their dependents.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

Repeal causes no revenue impact because federal law prohibits states from taxing tobacco products purchased by military members and their dependents.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 1940 |
| **Primary Beneficiaries:** | Military personnel and their dependents |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.24.260(1)(c) - Cigarette allotment for Tribes

**Description**

Certain quantities of untaxed cigarettes are allowed tax-free for consumption by tribal members on the reservations in Washington. The number of untaxed cigarettes is based on the number of enrolled tribal members living on the reservation and the national average per capita consumption rate.

Note: The use of cigarette allotments has largely been replaced by contracts between Washington and many Indian tribes regarding the regulation and taxation of cigarettes in Indian country.

An Indian tribal organization selling unstamped cigarettes to enrolled members of that same tribe is exempt from cigarette tax.

**Purpose**

The U.S. Supreme Court has ruled that states do not have the authority to impose a cigarette tax on enrolled tribal members living on their reservations.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $1.435 | $1.435 | $1.435 | $1.435 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would not increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

Repealing this exemption would not increase revenues, as that would violate the U.S. Supreme Court ruling.

**Data Sources**

Department of Revenue, Tribal allotment data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 1975 |
| **Primary Beneficiaries:** | Enrolled members of tribes living on reservations |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.24.295(1) - Cigarettes covered by tribal contracts

**Description**

The cigarette tax does not apply to the sale, use, consumption, handling, possession, or distribution of cigarettes by an Indian retailer if its tribe has a cigarette tax contract with the state of Washington.

**Purpose**

To provide consistency in the regulation and taxation of cigarettes in Indian country. Also, it promotes economic development, provides needed revenues for tribal governments, and enhances enforcement of the state's cigarette tax, ultimately saving the state money and reducing conflict.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $66.600 | $66.600 | $66.600 | $66.600 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would not increase revenues, as that would violate the contractual agreement.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

The state will not impose its vapor products tax and sales and use taxes on these products, as the tribes already impose equivalent taxes under the contracts.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 2001 |
| **Primary Beneficiaries:** | State, local, and tribal governments |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2020 |

# 82.25.025 - Constitutional or Federal prohibition on vapor products

**Description**

Vapor products tax does not apply to any vapor products which, under the U.S. Constitution and laws, may not be made the subject of taxation by the state of Washington.

The vapor products tax is based on the volume of the solution, as listed by the manufacturer. The tax rates are as follows:

- Any accessible container of solution, regardless of nicotine content, that is greater than five milliliters (mL) is taxed at 9 cents per mL.
- All other vapor products are taxed at 27 cents per mL.

"Vapor product" is any non-combustible product containing a solution or other consumable substance, regardless of whether it contains nicotine, which employs a mechanical heating element, battery, or electronic circuit regardless of shape or size that can be used to produce vapor from the solution or other substance, including an electronic cigarette, electronic cigar, electronic cigarillo, electronic pipe, or similar product or device. The term also includes any cartridge or other container of liquid nicotine, solution, or other consumable substance, regardless of whether it contains nicotine, that is intended to be used with or in a device that can be used to deliver aerosolized or vaporized nicotine to a person inhaling from the device and is sold for such purpose.

"Accessible container" is a container that is intended to be opened. The term does not mean a closed cartridge or closed container that is not intended to be opened, such as a disposable e-cigarette.

**Purpose**

To recognize that applying vapor products tax to such sales is prohibited.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would not increase revenues, as the U.S. Constitution prohibits taxing certain vapor products.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

No revenues are realized if the state law is repealed; these sales are constitutionally exempt at the federal level.

# 82.25.025 - Constitutional or Federal prohibition on vapor products

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 2019 |
| **Primary Beneficiaries:** | Federal personnel |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.25.105 - Vapor products sold out of state or to Indian Tribes

**Description**

A tax credit is allowed for vapor products tax paid on products that are:

- Shipped or transported outside Washington to a person in the business of selling vapor products.
- Returned to the manufacturer or destroyed by the distributor.
- Sold to the federal government or any of its agencies or instrumentalities.
- Sold to Indian tribal organizations.

**Purpose**

To provide for situations where exceptions to the vapor products tax are required.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $4.500 | $4.500 | $4.500 | $4.500 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this credit would not increase revenues, as this would violate federal laws and contractual agreements.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

No revenues are realized if the state law is repealed due to the tax violating federal laws and contractual agreements on certain activities.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 2019 |
| **Primary Beneficiaries:** | None |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.26.040 - Constitutional or Federal prohibition on tobacco products

**Description**

The tobacco products tax does not apply to any tobacco products (cigars, pipe tobacco, etc.), which the U.S. Constitution or federal law provides the state may not tax. The Buck Act (4 U.S.C. § 107) prohibits state taxation of tobacco products sold to branches of the U.S. armed forces at exchanges, commissaries, or ship's stores or sales to authorized purchasers at these facilities. Also exempt are sales to and by the U.S. Veterans Administration. Washington has codified its acceptance of the provisions of the Buck Act.

**Purpose**

Federal legislation prohibits states from taxing tobacco products sold to authorized purchasers.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.243 | $0.243 | $0.243 | $0.243 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would not increase revenues as that would violate the U.S. Constitution or federal laws.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

No revenues are realized if the state law is repealed as these sales are exempt by the U.S. Constitution or federal law.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 1959 |
| **Primary Beneficiaries:** | None |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.26.110 - Tobacco products sold out of state or to Indian Tribes

**Description**

In-state wholesalers of tobacco products can obtain a tax credit for sales to tribal and federal organizations.

**Purpose**

Historically, the department has not required wholesalers to collect and remit other tobacco products tax on sales to tribal and federal organizations. Still, the treatment of these sales was not straightforward. This statute codified existing practice in response to statutory changes and previously settled lawsuits.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $85.300 | $85.300 | $85.300 | $85.300 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this credit would not increase revenues as that would violate federal laws or contractual agreements.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

No revenues are realized if the state law is repealed. These sales are exempt at the federal level or through contractual agreements.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 1959 |
| **Primary Beneficiaries:** | None |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# Chapter 6
# Enhanced Food Fish Tax

# 82.27.010(1) - Tuna, mackerel, and jack

**Description**

Tuna, mackerel, and jack fish are exempt from the enhanced food fish tax.

**Purpose**

The enhanced food fish tax helps support the continued production of fish species through state hatchery programs. State hatchery programs do not support the production of tuna, mackerel, and jack fish, so they are exempt from the tax.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.353 | $0.353 | $0.353 | $0.353 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.324 | $0.353 | $0.353 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Mackerel and jack landings in Washington are minimal to none.
- There is no forecasted revenue growth due to the volatile nature of enhanced food fish tax collections.

**Data Sources**

- National Oceanic and Atmospheric Administration, Landing data
- Washington Department of Fish & Wildlife, Landing data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1995 |
| **Primary Beneficiaries:** | Tuna, mackerel, and jack fish harvesters |
| **Taxpayer Count:** | 200 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2022 |

# 82.27.020(2) - Deduction of one-half of fish tax

**Description**

A licensed dealer who purchases enhanced food fish from a commercial fisher pays a fish tax. The licensed dealer may deduct an amount equal to one-half of the fish tax from the price they pay to the commercial fisher.

**Purpose**

To promote the commercial fish industry in Washington.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this deduction would not increase revenues but would increase the cost to consumers.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

This deduction does not reduce the amount of fish tax due. The licensed dealer can share the amount due with the commercial fisher.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Tax base |
| **Year Enacted:** | 1980 |
| **Primary Beneficiaries:** | Businesses paying enhanced food fish tax |
| **Taxpayer Count:** | 148 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.27.020(4) - Fish tax differential rates

**Description**

Businesses paying the enhanced food fish tax (including a 7% surtax) may pay a preferential tax rate depending on the species of fish or shellfish and the location of the catch:

- Puget Sound chinook, coho and chum salmon, and anadromous game fish, 5.62%.
- Ocean waters, Columbia River, Willapa Bay, and Grays Harbor, chinook, coho, and chum salmon and anadromous game fish, 6.69%.
- Pink and sockeye salmon, 3.37%.
- Sea urchins and sea cucumbers, 2.25%.
- Oysters, 0.09%.
- All other food fish and shellfish, 2.25%.

**Purpose**

Reflects market conditions for various types of fish.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $7.129 | $7.129 | $7.129 | $7.129 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing the preferential rates would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $6.535 | $7.129 | $7.129 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- This estimate eliminates the preferential tax rate by increasing all lower tax rates to 6.69%.
- There is no growth reflected due to the volatility of the industry.

**Data Sources**

- Department of Revenue, Excise tax data

# 82.27.020(4) - Fish tax differential rates

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1980 |
| **Primary Beneficiaries:** | Certain fish and shellfish harvesters |
| **Taxpayer Count:** | 148 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2022 |

# 82.27.030(1,3) - Imported frozen or packaged fish

**Description**

There is an enhanced food fish tax exemption for:

- Enhanced food fish originating outside Washington that enters Washington either frozen or packaged for retail sale.
- Food fish, shellfish, anadromous game fish, and by-products or parts of food fish shipped from outside Washington into Washington.

**Purpose**

Fish first landed or packaged and processed for retail sale outside Washington are not subject to the enhanced food fish tax.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $6.285 | $6.285 | $6.285 | $6.285 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues. However, eliminating the exemption may trigger a Commerce or Import-Export Clause challenge.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $5.761 | $6.285 | $6.285 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- No growth is reflected in this estimate due to the industry's volatility.

**Data Sources**

- Department of Revenue, Excise tax data
- National Oceanic and Atmospheric Administration, Fishery imports

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Tax base |
| **Year Enacted:** | 1980 |
| **Primary Beneficiaries:** | Fish processors, wholesalers, and retailers |
| **Taxpayer Count:** | 458 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2022 |

# 82.27.030(2) - Commercially grown fish & shellfish

**Description**

Growing, processing, or dealing with food fish and shellfish raised from eggs, fry, or larvae by agricultural methods in Washington is exempt from enhanced food fish tax.

**Purpose**

The enhanced food fish tax is not intended to apply to commercially produced fish and shellfish.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $1.529 | $1.529 | $1.529 | $1.529 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $1.402 | $1.529 | $1.529 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- A growth rate was not applied due to the volatile nature of enhanced food fish tax collections.

**Data Sources**

- Department of Revenue, Excise tax data
- University of Washington, Sea Grant Washington, Shellfish harvest value

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Tax base |
| **Year Enacted:** | 1980 |
| **Primary Beneficiaries:** | Fish farms |
| **Taxpayer Count:** | 85 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2022 |

# 82.27.040 - Taxes paid in other states

**Description**

A credit is allowed against the amount of enhanced food fish tax owed for any tax previously paid on the same food fish to any legally established taxing authority.

**Purpose**

To eliminate double taxation on the same food fish.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.198 | $0.198 | $0.198 | $0.198 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this credit would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.182 | $0.198 | $0.198 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- There is no forecasted revenue growth due to the volatile nature of enhanced food fish tax collections.

**Data Sources**

- Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Tax base |
| **Year Enacted:** | 1980 |
| **Primary Beneficiaries:** | Fish harvesters |
| **Taxpayer Count:** | 20 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2022 |

# Chapter 7
# Estate Tax

# 83.100.020(1) - Estate tax threshold

**Description**

Through calendar year 2013, $2 million is excluded from the value of an estate in determining the amount of estate tax, if any. Legislation passed in 2013 that annually adjusts the exclusion amount. The adjustment is determined using the Seattle-Tacoma-Bremerton metropolitan area consumer price index. The exclusion amount for estates of decedents dying in calendar year 2022 is $2,193,000.

**Purpose**

Subject only higher-valued estates to the estate tax while exempting lower-valued estates.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $4,710.000 | $4,496.700 | $4,701.600 | $4,921.300 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $323.800 | $1,419.900 | $1,481.300 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024. The first payments would be due on April 1, 2025, resulting in three months of impact in fiscal year 2025.
- All payments are made timely at the nine-month due date.
- Approximately 70,000 deaths in Washington in 2022, decreasing to about 63,000 deaths in 2026.
- Percent of deaths by age based on Washington life expectancy data.
- Washington's average net worth is 128% of the national average net worth.
- Approximately 28% of estates go through probate.
- For probated estates, a high compliance factor is used:
  - 90% revenue collections in fiscal year 2025, and
  - 95% revenue collections in fiscal year 2026 and thereafter.
- For non-probated estates, a compliance factor of 5% is used for all years.

**Data Sources**

- Office of Financial Management, November 2022 forecast of the state population by age and sex, 2010-2040
- Washington Life Expectancy, Washington causes of death by age and gender
- U.S. Census Bureau, Wealth and marital data
- Consumer Price Index (CPI), Real Income, Seattle CPI, Percent Change

# 83.100.020(1) - Estate tax threshold

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 2005; exclusion increases, 2013 |
| **Primary Beneficiaries:** | Individuals who receive benefits from the estate |
| **Taxpayer Count:** | 60,000 – 70,000 per year |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2016 and 2023 |

# 83.100.046 - Farm property

**Description**

Estates deduct the value of qualified real and personal property used primarily for farming from their taxable estate.

**Purpose**

Ensures surviving family members do not need to sell farm assets to pay estate taxes. However, heirs taking this deduction are not required to continue farming.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $7.200 | $7.200 | $7.200 | $7.200 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this deduction would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $5.400 | $7.200 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, which impacts the farm deduction for deaths occurring on or after January 1, 2025.
- All payments are made timely at the 9-month due date.
- The first payments would be due on October 1, 2025, resulting in nine months of impact in fiscal year 2026.
- An average of 24 estates per year take the farm deduction.
- The average tax savings per estate is $300,000.

**Data Sources**

- Department of Revenue, Estate tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Agriculture |
| **Year Enacted:** | 2005 |
| **Primary Beneficiaries:** | Estates with farm assets |
| **Taxpayer Count:** | 24 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2015, and expedited review completed in 2018 |

# 83.100.047 - Marital deduction

**Description**

The decedent's estate may deduct the value of property passed to a surviving spouse or state-registered domestic partner for:

- Property passing by election.
- Property providing an income interest for the life of the surviving spouse or domestic partner when the proper election is made.

**Purpose**

Postpones exposure to estate tax for assets passed to a surviving spouse until the surviving spouse's death.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $390.000 | $390.000 | $390.000 | $390.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this deduction would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $292.500 | $390.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, which impacts the marital deduction for deaths occurring on or after January 1, 2025.
- All payments are made timely at the 9-month due date.
- The first payments would be due on October 1, 2025, resulting in nine months of impact in fiscal year 2026.
- An average of 650 estates per year take the marital deduction.
- The average tax savings per estate is $600,000.

**Data Sources**

- Department of Revenue, Estate tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 2005 |
| **Primary Beneficiaries:** | Surviving spouses |
| **Taxpayer Count:** | 650 per year |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2016 and 2020 |

# 83.100.048 - Family-Owned Business Interest

**Description**

Qualified family-owned business interests may be deducted from the taxable estate if certain conditions are met, including:

- The value of the qualified family-owned business interests exceeds 50% of the Washington taxable estate determined without regard to the deduction for the applicable exclusion amount.
- The decedent must have been a citizen of the U.S. and a qualified family-owned business acquired by any qualified hair.
- The value of the qualified family-owned business interests is not more than $6 million.
- During the eight years ending on the date of the decedent's death, there have been five or more years of material participation related to the operation of the business.

The deduction is limited to $2.5 million and applies only to decedents dying on or after January 1, 2014.

**Purpose**

Ensures surviving family members do not need to sell family-owned business assets to pay estate taxes.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $1.700 | $1.700 | $1.700 | $1.700 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this deduction would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $1.300 | $1.700 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, which impacts the qualified family-owned business interest deduction for deaths occurring on or after January 1, 2025.
- All payments are made timely at the 9-month due date.
- The first payments would be due on October 1, 2025, resulting in nine months of impact in fiscal year 2026.
- An average of seven estates per year take the qualified family-owned business interest deduction.
- The average tax savings per estate is $250,000.

**Data Sources**

- Department of Revenue, Estate tax data

# 83.100.048 - Family-Owned Business Interest

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 2013 |
| **Primary Beneficiaries:** | Estates containing family-owned businesses |
| **Taxpayer Count:** | 7 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2015, and expedited review completed in 2020 |

# Chapter 8
# Fuel Tax

# 35.58.560 - Refund of motor vehicle fuel taxes for METRO

**Description**

Metropolitan municipal corporations may request a refund of the motor vehicle fuel tax paid on each gallon of fuel used for urban passenger transportation systems. The entire trip is disqualified from the refund if the trip goes more than six road miles beyond the corporate limits of the Metro boundaries.

**Purpose**

To support public transportation.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | CTI | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

Included under the exemption for fuel for urban passenger transportation systems, RCW 82.38.080 and 82.38.180.

**Data Sources**

Department of Licensing, Fuel tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 1967 |
| **Primary Beneficiaries:** | Metro transit systems and their patrons |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | Other municipalities pay public utility tax on income associated with operating transportation systems – except for the deduction for income devoted to service improvements for low-income and elderly customers (RCW 82.16.050(14)). |
| **JLARC Review:** | Expedited review completed in 2010 and 2020 |

# 82.38.030(9)(e); 82.38.032 - Fuel previously taxed

**Description**

Fuel sold or removed in Washington to an unlicensed entity is exempt from fuel taxes if there was a prior taxable removal, entry, or sale of the fuel. International fuel tax agreement licensees or persons operating motor vehicles under other reciprocity agreements are exempt from fuel tax if the tax has been previously imposed and paid.

**Purpose**

To eliminate double taxation.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | CTI | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

This exemption impacts fewer than three taxpayers; any impacts are confidential.

**Data Sources**

Department of Licensing, Fuel tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 1998 |
| **Primary Beneficiaries:** | International fuel tax agreement licensees |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2016 with upcoming review in 2025 |

# 82.38.080 - Other special fuel tax exemptions

**Description**

The sales of special fuel (i.e., fuel other than gasoline) to publicly or privately owned urban transportation systems are generally exempt from the special fuel tax.

Additionally, sales of fuel for the following uses are exempt from the special fuel tax:

- Street and highway construction and maintenance in state, county, or municipality-owned and operated motor vehicles.
- Publicly owned firefighting equipment.
- Vehicles not designed or used primarily for transporting people or property.
- Certain motor vehicle power take-off equipment.
- U.S. government-owned motor vehicles.
- Heating purposes.
- Moving between two pieces of private property a motor vehicle on a public highway.
- Transportation services for persons with special needs by a private nonprofit transportation provider.
- Equipment such as mixing units or refrigeration units powered by motors separate from vehicle fuel tanks.
- Operation of a motor vehicle as a part of a logging operation upon a federal highway within a federal area if the vehicle's use of the highway is subject to a fee related to federal roads or highways.
- Waste vegetable oil used to manufacture biodiesel.

The removal or entry of special fuel is exempt from special fuel tax if the fuel is dyed special fuel; if the persons involved are licensed; or if it is shipped to a point outside Washington.

**Purpose**

To recognize that some fuels suitable for propelling motor vehicles are also put to other uses and to support governmental entities and public transportation.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $5.450 | $5.540 | $5.620 | $5.710 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $5.080 | $5.620 | $5.710 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

# 82.38.080 - Other special fuel tax exemptions

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the special fuel tax collections growth rate reflected in the Transportation Revenue Forecast Council's March 2023 forecast.

**Data Sources**

- Department of Licensing, Fuel tax data
- Transportation Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 1971 |
| **Primary Beneficiaries:** | Special fuel tax users not covered under other exemptions |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2012 with an upcoming review in 2025 |

# 82.38.080(1)(a-c) - Government and public uses

**Description**

The following sales of special fuel are exempt from the fuel tax:

- Sales to the state of Washington, any county, or any municipality when the fuel is used for street and highway construction and maintenance purposes in motor vehicles owned and operated by the jurisdiction.
- Sales for use in publicly owned firefighting equipment.
- Sales to the U.S. government.

**Purpose**

Lowers the costs of government and public services.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $1.520 | $1.540 | $1.570 | $1.590 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $1.410 | $1.570 | $1.590 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the special fuel tax collections growth rate reflected in the Transportation Revenue Forecast Council's March 2023 forecast.

**Data Sources**

- Department of Licensing, Fuel tax data
- Transportation Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 1971 |
| **Primary Beneficiaries:** | Federal, state, and local government agencies |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2012 with an upcoming review in 2025 |

# 82.38.080(1)(d); 82.38.180(3)(a) - Special needs transportation

**Description**

Private, nonprofit organizations that provide transportation services for persons with special transportation needs are exempt from motor vehicle fuel and special fuel taxes.

**Purpose**

Supports transportation programs for the elderly and handicapped.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.270 | $0.270 | $0.270 | $0.270 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.250 | $0.270 | $0.270 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the fuel tax collections growth rate reflected in the Transportation Revenue Forecast Council's March 2023 forecast.

**Data Sources**

- Department of Licensing, Fuel tax data
- Transportation Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 1983 |
| **Primary Beneficiaries:** | Transportation providers for persons with special needs |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2011 with upcoming review in 2025. |

# 82.38.080(1)(e) - Waste vegetable oil biodiesel

**Description**

Waste vegetable oil used to manufacture biodiesel is exempt from the special fuel tax.

**Purpose**

To promote the manufacturing of alternative fuels and to lower their cost.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

Included under the exemption for other special fuel tax exemptions, RCW 82.38.080.

**Data Sources**

Department of Licensing, Fuel tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 2008 |
| **Primary Beneficiaries:** | Biodiesel fuel manufacturers |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2012 with an upcoming review in 2025. |

# 82.38.080(1)(f,g); 82.38.180(3)(b) - Urban transportation

**Description**

Fuel sold to publicly and privately owned urban passenger transportation systems is exempt from the special fuel tax.

**Purpose**

To lower the operating costs of public transportation systems.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $5.110 | $5.190 | $5.270 | $5.350 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $4.760 | $5.270 | $5.350 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the special fuel tax collections growth rate reflected in the Transportation Revenue Forecast Council's March 2023 forecast.

**Data Sources**

- Department of Licensing, Fuel tax data
- Transportation Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 1957 |
| **Primary Beneficiaries:** | Urban transportation systems |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2020 |

# 82.38.080(2)(a) - Fuel sold to the military

**Description**

Sales of fuel to the armed forces of the U.S. or the National Guard are exempt from the special fuel tax if the fuel is:
- Used exclusively in ships.
- Exported from Washington.

**Purpose**

Encourages the purchase of fuel in Washington and saves the armed forces the administrative burden of applying for a fuel tax refund for the amount used in ships.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.114 | $0.116 | $0.117 | $0.118 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.106 | $0.117 | $0.118 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the fuel tax collections growth rate reflected in the Transportation Revenue Forecast Council's March 2023 forecast.

**Data Sources**

- Department of Licensing, Fuel tax data
- Transportation Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 1933 |
| **Primary Beneficiaries:** | United States Military |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.38.080(2)(b) - Fuel sold to foreign governments

**Description**

Fuel sold to foreign diplomatic and consular missions is exempt from the special fuel taxes if the foreign government represented grants an equivalent exemption to missions and personnel of the U.S. performing similar services in the foreign country.

**Purpose**

To maintain good foreign relations.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | Minimal | Minimal | Minimal | Minimal |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | Minimal | Minimal | Minimal |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the fuel tax collections growth rate reflected in the Transportation Revenue Forecast Council's March 2023 forecast.

**Data Sources**

- Department of Licensing, Fuel tax data
- Transportation Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 1967 |
| **Primary Beneficiaries:** | Foreign Governments |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2010 with an upcoming review in 2025 |

# 82.38.080(2)(c) - Racing fuel

**Description**

Sales of fuel used exclusively for racing that is not legally allowed on the public highways of Washington is exempt from the special fuel tax.

**Purpose**

To recognize fuel tax receipts can only be used for highway purposes.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | Minimal | Minimal | Minimal | Minimal |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | Minimal | Minimal | Minimal |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the fuel tax collections growth rate reflected in the Transportation Revenue Forecast Council's March 2023 forecast.

**Data Sources**

- Department of Licensing, Fuel tax data
- Transportation Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Tax base |
| **Year Enacted:** | 1998 |
| **Primary Beneficiaries:** | Automobile racetracks and racing teams |
| **Taxpayer Count:** | 96 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full report completed in 2022 |

# 82.38.180(1)(a) - Nonhighway fuel use

**Description**

The motor vehicle and special fuel taxes may be refunded for taxes paid on fuel purchased for purposes other than the propulsion of motor vehicles upon highways in Washington. A refund may not be made for fuel consumed by a motor vehicle required to be registered as a commercial motor vehicle.

**Purpose**

Under the 18th Amendment to the state constitution, fuel tax receipts can only be used for highway purposes. The refund helps to ensure that the tax applies only to fuel used on public highways.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $5.840 | $5.930 | $6.030 | $6.120 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $5.440 | $6.030 | $6.120 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the special fuel tax collections growth rate reflected in the Transportation Revenue Forecast Council's March 2023 forecast.

**Data Sources**

- Department of Licensing, Fuel tax data
- Transportation Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Tax base |
| **Year Enacted:** | 1923 |
| **Primary Beneficiaries:** | Users of fuel for off-public road purposes |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2007 with upcoming review in 2025 |

# 82.38.180(1)(b) - Exported fuel refunds

**Description**

The motor vehicle and special fuel taxes may be refunded for taxes paid on fuel exported for use outside Washington. This does not include fuel distributed to a federally recognized Indian tribal reservation within Washington.

**Purpose**

To impose fuel tax only on fuel used on Washington's public highways.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $1,236.100 | $1,248.300 | $1,260.400 | $1,272.400 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $1,144.300 | $1,260.400 | $1,272.400 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the fuel tax collections growth rate reflected in the Transportation Revenue Forecast Council's March 2023 forecast.

**Data Sources**

- Department of Licensing, Fuel tax data
- Transportation Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Interstate Commerce |
| **Year Enacted:** | 1923 |
| **Primary Beneficiaries:** | Fuel Exporters |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2007 with upcoming review in 2025 |

# 82.38.180(1)(d,e); 82.38.180(2)(d) - Lost or destroyed fuel

**Description**

The motor vehicle and special fuel taxes may be refunded for taxes paid on fuel lost or destroyed through fire, lightning, flood, windstorm, or explosion. A tax refund is also available for losses of 500 gallons or more through leakage or other casualty except evaporation, shrinkage, or other unknown causes.

A refund may be requested for special fuel taxes paid on fuel inadvertently mixed with dyed special fuel.

**Purpose**

To impose fuel tax only on fuel used on Washington's public highways.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $7.040 | $7.110 | $7.180 | $7.250 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $6.520 | $7.180 | $7.250 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the fuel tax collections growth rate reflected in the Transportation Revenue Forecast Council's March 2023 forecast.
- May include data from other fuel tax exemptions and refunds.

**Data Sources**

- Department of Licensing, Fuel tax data
- Transportation Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1923 |
| **Primary Beneficiaries:** | Persons who lost fuel or had fuel destroyed |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2007 with upcoming review in 2025 |

# 82.38.180(1)(f) - Power pumping unit

**Description**

The motor vehicle or special fuel tax may be refunded for tax paid on fuel used in power pumping units or other power take-off equipment of any motor vehicle which is accurately measured by metering devices that have been specifically approved by the Department of Licensing or by a formula determined by the Department of Licensing.

**Purpose**

Under the 18th Amendment to the state constitution, fuel tax receipts can only be used for highway purposes. The refund helps to ensure that the tax applies only to fuel used on public highways.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $2.810 | $2.850 | $2.900 | $2.940 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $2.620 | $2.900 | $2.940 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the special fuel tax collections growth rate reflected in the Transportation Revenue Forecast Council's March 2023 forecast.

**Data Sources**

- Department of Licensing, Fuel tax data
- Transportation Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 2013 |
| **Primary Beneficiaries:** | Persons who use power pumping equipment |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review in 2012 with upcoming review in 2025 |

# 82.38.180(2)(a) - Logging operations using federally owned roads

**Description**

The special fuel tax may be refunded for tax paid on fuel used for the operation of a motor vehicle as a part of or incidental to logging operations on a highway under federal jurisdiction within the boundaries of a federal area if either occurs:

- The federal government requires a fee for the privilege of operating a motor vehicle on the highway.
- The proceeds are reserved for constructing or maintaining roads in the federal area.

**Purpose**

To lower the cost of logging operations on federal land.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $1.000 | $1.010 | $1.030 | $1.040 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.930 | $1.030 | $1.040 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the special fuel tax collections growth rate reflected in the Transportation Revenue Forecast Council's March 2023 forecast.

**Data Sources**

- Department of Licensing, Fuel tax data
- Transportation Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 1998 |
| **Primary Beneficiaries:** | Logging businesses and haulers |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2012 with upcoming review in 2025 |

# 82.38.180(2)(b) - Special mobile equipment

**Description**

The special fuel tax may be refunded for tax paid on fuel used by special mobile equipment.

**Purpose**

Fuel tax receipts can only be used for highway purposes under the 18th Amendment to the state constitution. The refund helps to assure that the tax applies only to fuel used on public highways.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

Amounts for this exemption are included with the exemption for non-highway fuel use, RCW 82.38.180(1a).

**Data Sources**

Department of Licensing, Fuel tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 1971 |
| **Primary Beneficiaries:** | Persons using special mobile equipment |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2012 with an upcoming review in 2025 |

# 82.38.180(2)(c) - Incidental use of public highway

**Description**

The special fuel tax paid on fuel may be refunded for fuel in a motor vehicle used for movement between two pieces of private property where the movement is incidental to the vehicle's primary use.

**Purpose**

Under the 18th Amendment to the state constitution, fuel tax receipts can only be used for highway purposes. The refund helps to ensure that the tax applies only to fuel used on public highways.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.390 | $0.400 | $0.410 | $0.410 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.370 | $0.410 | $0.410 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the special fuel tax collections growth rate reflected in the Transportation Revenue Forecast Council's March 2023 forecast.

**Data Sources**

- Department of Licensing, Fuel tax data
- Transportation Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 1979 |
| **Primary Beneficiaries:** | General public |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2012 with upcoming review in 2025 |

# 82.42.020 - Fuel previously taxed

**Description**

The aircraft fuel tax is collected and paid to the state only once for the same fuel. Sales of aircraft fuel on which the tax was previously paid are deductible from the total tax due.

**Purpose**

To eliminate double taxation.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | Indeterminate | Indeterminate | Indeterminate | Indeterminate |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this deduction would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | Indeterminate | Indeterminate | Indeterminate |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

Taxpayer savings are unknown. The Department of Licensing's system does not capture the refund amounts in an accessible report. The agency plans on updating its system in the near future which will allow this reporting capability.

**Data Sources**

Department of Licensing, Fuel tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 1967 |
| **Primary Beneficiaries:** | Aviators |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Upcoming review in 2025 |

# 82.42.030(1,2) - Imported and exported fuel

**Description**

Aircraft fuel sold for export and exported from Washington and fuel imported into Washington intended for use in foreign or interstate commerce are exempt from the aircraft fuel tax.

**Purpose**

To encourage the sale of aircraft fuel in Washington.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $54.860 | $53.210 | $51.420 | $49.810 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $48.780 | $51.420 | $49.810 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the aircraft fuel tax collections growth rate reflected in the Transportation Revenue Forecast Council's March 2023 forecast.

**Data Sources**

- Department of Licensing, Fuel tax data
- Transportation Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 1967 |
| **Primary Beneficiaries:** | Fuel importers and exporters |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2011 with upcoming review in 2025 |

# 82.42.030(3) - Aircraft fuel sold to the federal government

**Description**

Aircraft fuel sold to the federal government, including any agency thereof, is exempt from the aircraft fuel tax.

**Purpose**

To lower the cost of government.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $44.660 | $43.310 | $41.860 | $40.540 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $39.700 | $41.860 | $40.540 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the aircraft fuel tax collections growth rate reflected in the Transportation Revenue Forecast Council's March 2023 forecast.

**Data Sources**

- Department of Licensing, Fuel tax data
- Transportation Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 1971 |
| **Primary Beneficiaries:** | Federal Government |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.42.030(4,5) - Commercial air operations

**Description**

The aircraft fuel tax does not apply to fuel used by commercial air carriers, supplemental carriers licensed under a certificate of public convenience, or a local service commuter if the fuel is delivered directly into the aircraft fuel tanks.

**Purpose**

To lower the cost of air carrier operations.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $27.810 | $26.980 | $26.070 | $25.250 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $24.730 | $26.070 | $25.250 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the aircraft fuel tax collections growth rate reflected in the Transportation Revenue Forecast Council's March 2023 forecast.

**Data Sources**

- Department of Licensing, Fuel tax data
- Transportation Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 1967 |
| **Primary Beneficiaries:** | Commercial air carriers |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2019 |

# 82.42.030(6) - Emergency air transportation

**Description**

Aircraft fuel sold to emergency medical air transport service providers is exempt from the aircraft fuel tax.

**Purpose**

Lowers the cost of providing emergency medical air transport services.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $20.380 | $19.770 | $19.110 | $18.500 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $18.120 | $19.110 | $18.500 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the aircraft fuel tax collections growth rate reflected in the Transportation Revenue Forecast Council's March 2023 forecast.

**Data Sources**

- Department of Licensing, Fuel tax data
- Transportation Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 2003 |
| **Primary Beneficiaries:** | Medical air transport service providers |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited report completed in 2021 |

# 82.42.030(7) - Fuel sold to licensed distributors

**Description**

Aircraft fuel sold to a licensed aircraft fuel distributor is exempt from the aircraft fuel tax.

**Purpose**

To avoid double taxation.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.013 | $0.013 | $0.013 | $0.012 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would not increase revenues. These taxes must be collected only once. Without this exemption, taxes would be collected and then refunded.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

These taxes must be collected only once; therefore, revenues would not increase.

**Data Sources**

- Department of Licensing, Fuel tax data
- Transportation Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 2013 |
| **Primary Beneficiaries:** | Aircraft fuel distributors |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.42.030(8) - Fuel delivered into certified bulk storage tanks

**Description**

Aircraft fuel delivered into the bulk storage tank of a certified user is exempt from the aircraft fuel tax.

**Purpose**

To lower the cost of operations for commercial air carriers.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $78.530 | $76.170 | $73.620 | $71.300 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $69.830 | $73.620 | $71.300 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the aircraft fuel tax collections growth rate reflected in the Transportation Revenue Forecast Council's March 2023 forecast.

**Data Sources**

- Department of Licensing, Fuel tax data
- Transportation Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 2013 |
| **Primary Beneficiaries:** | Certified users of aviation fuel |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Upcoming review in 2025 |

# 82.42.030(9,10) - Aircraft testing or crew training

**Description**

The aircraft fuel tax does not apply for fuel used in aircraft utilized for either:
- Testing or experimental purposes.
- Training crews for certified air carriers in Washington.

**Purpose**

To lower operating costs of developing new aircraft and for training crews of certified air carriers.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

Amounts for this exemption are included with the amounts for sales of aviation fuel used by commercial air carriers, RCW 82.42.030 (4,5).

**Data Sources**

Department of Licensing, Fuel tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 1967 |
| **Primary Beneficiaries:** | Persons who train commercial pilots or use aircraft for testing or experimental purposes |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2019 |

# 82.42.230(1) - Crop dusting

**Description**

A refund is available for aircraft fuel tax paid on fuel consumed in aircraft principally used for applying pesticides, herbicides, or other agricultural chemicals if the aircraft operates from a private, nonstate-funded airfield during at least 95% of the aircraft's regular use.

**Purpose**

To lower the aircraft fuel tax burden on certain agricultural activities.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | Indeterminate | Indeterminate | Indeterminate | Indeterminate |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | Indeterminate | Indeterminate | Indeterminate |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

Taxpayer savings are unknown. The Department of Licensing's system does not capture the refund amounts in an accessible report. The agency plans on updating its system in the near future which will allow this reporting capability.

**Data Sources**

Department of Licensing, Fuel tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Agriculture |
| **Year Enacted:** | 1982 |
| **Primary Beneficiaries:** | Persons who use aircraft to apply pesticides, herbicides, or other agricultural chemicals |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited report completed in 2018. |

# Chapter 9
# Hazardous Substance Tax

# 82.21.040(1) - Successive uses of hazardous substance

**Description**

Any successive possession of a previously taxed hazardous substance is exempt from the hazardous substance tax.

**Purpose**

To avoid double taxation.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $509.661 | $661.906 | $607.948 | $751.935 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $606.748 | $607.948 | $751.935 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Annual refinery utilization and capacity for Washington is approximately 25% of the total capacity in the Pacific Region, and it will represent the taxable petroleum product volume.
- Non-volumetric products are 5% of volumetric revenue.
- Electric vehicle registration growth would proportionately decrease the gasoline volume consumption.
- The likelihood of successive taxation exposure is expressed in terms of multiplier(s) to the currently reported taxable amount, and it is based on the supply chain where businesses are involved.
- Refineries and other manufacturers, at the beginning of the supply chain, would be subject to a maximum successive taxation, with a multiplier of 1.5.
- Brokers and intermediaries, at the middle of the supply chain, would be subject to moderate successive taxation, with a multiplier of 1.
- At the end of the supply chain, most retailers would be subject to minimal successive taxation, with a multiplier of 0.3.

# 82.21.040(1) - Successive uses of hazardous substance

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- Department of Revenue, March 2023 Non-General Forecast
- US Energy Information Administration
- Washington Research Council, The Economic Contribution of Washington State's Petroleum Refining Industry in 2021
- Transportation Revenue Forecast Council, November 2022 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Tax base |
| **Year Enacted:** | 1989 |
| **Primary Beneficiaries:** | Wholesalers, distributors, and retailers of hazardous substances |
| **Taxpayer Count:** | 468 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2012 with an upcoming review in 2026 |

# 82.21.040(2) - Domestic uses of hazardous substance

**Description**

Possession of a hazardous substance by a natural person for personal or domestic purposes is exempt from the hazardous substance tax.

**Purpose**

To limit the tax to those using the hazardous substance for business purposes.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.776 | $0.789 | $0.789 | $0.789 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.687 | $0.749 | $0.749 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- The total sales or deliveries to residential consumers of No.1 and No.2 of Distillate and Kerosene represent the minimum amount of hazardous substances exempt for domestic use.
- The growth rate for the domestic use of hazardous substances decreases by 2.5% annually into the future.
- Compliance is assumed to be as follows:
  - 95% revenue collections in fiscal year 2024 and thereafter.

**Data Sources**

- U.S. Energy Information Administration
- Economic and Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 1989 |
| **Primary Beneficiaries:** | Domestic users of hazardous substances |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2012 and 2020 |

# 82.21.040(3) - Minimal amount of hazardous substance

**Description**

Possession of a minimal amount of a hazardous substance (as determined by the Department of Ecology) by a retailer to make sales to consumers is exempt from the hazardous substance tax. This exemption does not apply to pesticides or petroleum products.

**Purpose**

To avoid the administrative burden of collecting taxes on many taxpayers for minimal amounts. The administrative burden would be on the collecting agency and businesses that would have to report small amounts of tax.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.026 | $0.028 | $0.029 | $0.030 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.013 | $0.017 | $0.021 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the value-based hazardous substance tax revenue reflected in the department's March 2023 non-general fund forecast, which uses the consumer price index reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- A "minimal" amount of hazardous substance is an amount with a wholesale value of less than $1,000 possessed during any calendar month.
- Approximately 20% of retail businesses in border counties have out-of-state suppliers that have not already paid hazardous substance tax.
- Compliance is assumed to be as follows:
  - 50% revenue collections in Fiscal Year 2025,
  - 60% revenue collections in Fiscal Year 2026,
  - 70% revenue collections in Fiscal Year 2027
  - 80% revenue collections in Fiscal Year 2028 and beyond.

# 82.21.040(3) - Minimal amount of hazardous substance

**Data Sources**

- Department of Revenue, Excise tax data
- Department of Revenue, March 2023 non-general forecast
- Economic and Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Tax base |
| **Year Enacted:** | 1989 |
| **Primary Beneficiaries:** | Small retailers whose primary business is not selling hazardous substances |
| **Taxpayer Count:** | 2,000 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2013 |

# 82.21.040(4) - Alumina and natural gas

**Description**

Any alumina or natural gas possession is exempt from the tax imposed on the privilege of possessing hazardous substances in Washington.

**Purpose**

To avoid taxation of alumina or natural gas.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- Natural gas is not defined as a hazardous substance. If repealed, natural gas would not be taxable.
- There is no aluminum smelter production in the state. We expect no aluminum smelter production during the forecasted period of this study.

**Data Sources**

- Recycling Today, March 17, 2023

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1989 |
| **Primary Beneficiaries:** | Washington users of natural gas and alumina |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2012 with an upcoming review in 2026 |

# 82.21.040(5) - Agricultural crop protection products

**Description**

Pesticide products solely used by farmers or certified applicators as an agricultural crop protection product warehoused in or transported to or from Washington are exempt from the hazardous substance tax provided the possessor of the pesticide products does not otherwise use, manufacture, package for sale, or sell the products in Washington.

This exemption expires on January 1, 2026.

**Purpose**

To incentivize the storage of certain agricultural crop protection products in Washington, where the products are used outside the state.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.139 | $0.139 | $0.081 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.127 | $0.081 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate for agricultural crop protection products revenue mirrors Statista's U.S. pesticide and other agricultural chemicals industry revenue trend forecast.

**Data Sources**

- Department of Revenue, Excise tax data
- Statista, Pesticide and other agricultural chemicals industry revenue 2016-2024

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2015 |
| **Primary Beneficiaries:** | Wholesalers who import and re-export pesticides |
| **Taxpayer Count:** | 3 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2023 |

# 82.21.040(6) - Constitutional or Federal prohibition on hazardous substance

**Description**

Persons or activities that the U.S. Constitution prohibits taxing are exempt from the hazardous substance tax.

**Purpose**

To prevent violating constitutional law.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would not increase revenues because such an act would be unconstitutional.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

No revenue impact. Collecting tax revenue would be unconstitutional.

**Data Sources**

None

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Tax base |
| **Year Enacted:** | 1989 |
| **Primary Beneficiaries:** | None |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.21.050(1) - Fuel exported in fuel tanks

**Description**

Hazardous substance tax previously paid on fuel carried from this state in the fuel tank of any airplane, ship, truck, or other vehicle is eligible for a credit against the hazardous substance tax.

**Purpose**

The credit avoids taxing fuel used outside of Washington. The purpose of the hazardous substance tax is to use its receipts to clean up hazardous substance sites within Washington, and fuel consumed primarily outside the state is unlikely to contribute to such sites.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $17.785 | $23.157 | $21.190 | $26.343 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this credit would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $21.227 | $21.190 | $26.343 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the nonresidential structures growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- Department of Revenue, March 2023 Non-General Forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Tax base |
| **Year Enacted:** | 1989 |
| **Primary Beneficiaries:** | Petroleum refiners |
| **Taxpayer Count:** | 15 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.21.050(2) - Taxes paid in other states

**Description**

A credit is allowed against the hazardous substance tax for any hazardous substance tax paid to another state for the same hazardous substance. The amount of the credit cannot exceed the hazardous substance tax liability for that substance.

**Purpose**

To avoid the possibility of double taxation of the same product.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would not increase revenue because federal law prohibits double taxation (of the same product) of businesses operating on an interstate basis.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

No revenue impact. Credits taken for taxes paid in other states cannot be repealed.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Interstate Commerce |
| **Year Enacted:** | 1989 |
| **Primary Beneficiaries:** | Interstate commerce businesses |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# Chapter 10
# Insurance Premiums Tax

# 48.14.020(1)(a) - Title insurance

**Description**

Title insurance companies are exempt from the 2.0% insurance premiums tax. They do, however, pay B&O tax under the 0.471% retailing classification and collect sales tax from their customers.

**Purpose**

To reflect the fact that title insurance is subject to sales tax.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $6.970 | $8.110 | $8.870 | $9.840 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues. However, shifting the activity to the insurance premiums tax would result in a net decrease in tax collections.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $7.440 | $8.870 | $9.840 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the real estate excise tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- The activity will also be subject to B&O and sales taxes.

**Data Sources**

- Office of the Insurance Commissioner, Insurance data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Tax base |
| **Year Enacted:** | 1947 |
| **Primary Beneficiaries:** | Title insurance companies |
| **Taxpayer Count:** | 12 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2021 |

# 48.14.020(1)(a); 48.14.021 - Pensions, annuities, profit-sharing plans

**Description**

Premiums received from policies or contracts issued in connection with a pension, annuity, or profit-sharing plan that is qualified under the Internal Revenue Code are exempt from insurance premiums tax. Most of the revenue impact is associated with annuities. Insurance companies receive little income related to pensions or profit-sharing plans.

**Purpose**

To support pensions, annuities, and profit-sharing plans.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $136.420 | $141.970 | $147.760 | $153.780 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $130.139 | $147.760 | $153.780 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- The growth rate reflects the compound annual growth rate of 4.1% based on insurance premium data.
- Most of the revenue impact is associated with annuities, and insurers have little income related to pensions or profit-sharing plans.

**Data Sources**

- Office of Insurance Commissioner, Insurance data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Tax Base |
| **Year Enacted:** | 1963 |
| **Primary Beneficiaries:** | Insurance companies with these products |
| **Taxpayer Count:** | 190 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2012, and expedited review completed in 2021 |

# 48.14.020(4) - Ocean marine insurance

**Description**

Ocean marine and foreign trade insurers receive a preferential insurance premiums tax rate of 0.95% and a deduction for losses. Other domestic and foreign insurers pay a 2.0% insurance premiums tax without deduction for losses.

**Purpose**

To support ocean marine commerce.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $2.970 | $3.180 | $3.410 | $3.660 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this insurance premiums tax preferential rate and deduction would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $2.920 | $3.410 | $3.660 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- The growth rate reflects the compound annual growth rate of 9.49% based on insurance premium data.

**Data Sources**

- Office of Insurance Commissioner, Insurance data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1947 |
| **Primary Beneficiaries:** | Ocean marine and foreign trade insurers |
| **Taxpayer Count:** | 79 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2009 and 2021 |

# 48.14.0201(6)(a) - Medicare receipts

**Description**

Health maintenance organizations and health care service contractors are exempt from the insurance premiums tax on Medicare payments received from the federal government.

**Purpose**

Reduces the cost of providing health care for Medicare patients.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $22.180 | $25.190 | $28.600 | $32.470 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would not increase revenues due to a federal preemption prohibiting state taxation of Medicare payments.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

No revenue impact due to a federal preemption prohibiting state taxation of Medicare payments.

**Data Sources**

Office of Insurance Commissioner, Insurance data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1993 |
| **Primary Beneficiaries:** | Health maintenance organizations and health care service contractors that provide coverage for Medicare patients |
| **Taxpayer Count:** | 40 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2021 |

# 48.14.0201(6)(b) - Washington Basic Health Care receipts

**Description**

As provided in RCW 74.09.035, medical care receipts and Basic Health Care premiums are exempt from the insurance premiums tax.

**Purpose**

To avoid taxing receipts from state sources.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would not increase revenues because currently, no taxpayers use it.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

The Basic Health Plan is no longer available. The marketplace exchange replaced it. No taxpayers currently use this exemption. We expect no usage during the forecasted period of this study.

**Data Sources**

Office of Insurance Commissioner, Insurance data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1993 |
| **Primary Beneficiaries:** | Healthcare service contractors |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2021 |

# 48.14.0201(6)(c) - Dentistry prepayments

**Description**

Health service contractors and health maintenance organizations are exempt from the insurance premiums tax for amounts received for dental coverage. However, this exemption does not apply to:

- Amounts received for pediatric oral services that qualify as coverage for the minimum essential coverage requirement.
- Stand-alone family dental plans when offered in the individual market or to a small group.

**Purpose**

To reduce the cost of providing dental coverage.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $1.436 | $1.436 | $1.436 | $1.436 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $1.316 | $1.436 | $1.436 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Based on historical insurance premium data, the annual average of $574.3 million for dental premiums and prepayments is a constant.

**Data Sources**

- Office of Insurance Commissioner, Insurance data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1993 |
| **Primary Beneficiaries:** | Healthcare service contractors |
| **Taxpayer Count:** | 20 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2021 |

# 48.14.0201(6)(d) - Participant contributions

**Description**

Participant contributions by employers participating in a self-funded multiple employer welfare arrangement (MEWA) preempted from state taxation via the Employee Retirement Income Security Act of 1974 (ERISA), as amended, 29 U.S.C. Sec 1001, would be exempt from Washington's insurance premiums tax. However, the U.S. Department of Labor has determined since 2005, via Advisory Opinion 2005-18A, that ERISA does not preempt Washington from assessing its premium tax on MEWAs.

This exemption was intended to apply if either the U.S. Department of Labor issued an advisory opinion or a federal court issued a declaratory ruling, finding that ERISA preempted specific categories of MEWAs from the state's premium tax solely due to the entity being a MEWA.

**Purpose**

To exempt participant contributions to MEWAs from premium tax if the U.S. Department of Labor or a federal court finds that ERISA preempts states from subjecting specific categories of MEWAs to state taxation.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would not increase revenues because currently no taxpayers use it.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- No taxpayers currently use this exemption. We expect no usage during the forecasted period of this study.

**Data Sources**

- U.S. Department of Labor, Advisory Opinion 2005-18A
- Office of Insurance Commissioner, Insurance premiums tax data

# 48.14.0201(6)(d) - Participant contributions

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2004 |
| **Primary Beneficiaries:** | Small businesses |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 48.14.022 - Health insurance by Washington State Pool

**Description**

Carriers that receive premiums and prepayments from plan enrollees for health coverage provided under the Washington State Health Insurance Pool under Chapter 48.41 RCW are exempt from insurance premiums tax on those amounts. In addition, carriers, healthcare service contractors, and HMOs may deduct assessments paid to the Washington State Health Insurance Pool from their taxable premiums. Any unused portion of the deduction can be carried forward and used in successive years until the deduction is exhausted.

**Purpose**

To reduce the cost of providing health insurance to persons otherwise unable to obtain coverage because they may be considered high risk.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.418 | $0.427 | $0.435 | $0.443 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues. However, this could cause insurers to pass the amount of the assessment on to their regular policyholders and make health insurance more expensive for the general population.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.391 | $0.435 | $0.443 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- The growth rate mirrors the growth rate of insurance premiums, as reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

**Data Sources**

- Washington State Health Insurance Pool, Annual reports
- Economic and Revenue Forecast Council, March 2023 forecast

# 48.14.022 - Health insurance by Washington State Pool

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1987 |
| **Primary Beneficiaries:** | Persons with coverage under the Health Insurance Coverage Access Act |
| **Taxpayer Count:** | 880 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2012, and an expedited review completed in 2021 |

# 48.32.145; 48.32A.125 - Insurance guarantee association assessments

**Description**

Property, casualty, life, and disability insurers may claim credit against their insurance premium tax for assessments made by the Washington Insurance Guarantee Association to pay covered claims of insolvent insurers. The credit may be taken over five years.

**Purpose**

To ensure that claims against insolvent insurance companies are paid and the cost does not burden policyholders of the surviving companies.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.042 | $0.042 | $0.042 | $0.042 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this credit would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.038 | $0.042 | $0.042 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate reflects the compound annual growth rate of 0.05% based on historical insurance credit data.

**Data Sources**

- Office of the Insurance Commissioner, Insurance data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1976 |
| **Primary Beneficiaries:** | Insurance companies |
| **Taxpayer Count:** | 800 |
| **Program Inconsistency:** | The state does not typically become involved in the payment of debts of private firms |
| **JLARC Review:** | Expedited review completed in 2021 |

# 48.36A.240 - Fraternal benefit societies

**Description**

Fraternal benefit societies governed by Chapter 48.36A RCW are exempt from all state and local taxation other than taxes on real estate and office equipment. As a result, fraternal benefit societies are exempt from insurance premiums tax on policies they provide for their members.

**Purpose**

To support the programs of fraternal benefit societies.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $3.893 | $3.893 | $3.893 | $3.893 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $3.569 | $3.893 | $3.893 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Based on historical insurance premium data, the annual average of $194 million in premium income is a constant.

**Data Sources**

- Office of the Insurance Commissioner, Insurance data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 1947 |
| **Primary Beneficiaries:** | Fraternal benefit societies |
| **Taxpayer Count:** | 23 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2021 |

# Chapter 11
# Leasehold Excise Tax

# 82.29A.020(1)(a) - Manufacturing for government

**Description**

"Leasehold interest" excludes interest in personal property owned by the U.S. or by a foreign government when the right to use such property is part of a contract to produce articles for sale to these governments.

**Purpose**

Minimizes the cost of the articles produced and to encourage the federal government to contract with Washington businesses.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | CTI | CTI | CTI | CTI |
| Local Taxes | CTI | CTI | CTI | CTI |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | CTI | CTI | CTI |
| Local Taxes | $0.000 | CTI | CTI | CTI |

**Assumptions**

This exemption impacts fewer than three taxpayers; any impacts are confidential.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 1976 |
| **Primary Beneficiaries:** | Contractors with the federal and foreign governments |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2012 with an upcoming review scheduled in 2025 |

# 82.29A.020(1)(b)(i) - Easements for removing products

**Description**

"Leasehold interest" excludes road or utility easements, rights of access, occupancy, or use granted solely for the purpose of removing materials or products purchased from a public owner or lessee. The term also excludes rights of access, occupancy, or use granted solely for the purpose of natural energy resource exploration.

**Purpose**

To minimize costs to private businesses and individuals who use public lands for these purposes.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.142 | $0.144 | $0.146 | $0.149 |
| Local Taxes | $0.125 | $0.126 | $0.128 | $0.130 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.108 | $0.146 | $0.149 |
| Local Taxes | $0.000 | $0.095 | $0.128 | $0.130 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts nine months of collections in fiscal year 2025.
- Growth rate mirrors the leasehold excise tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Any possible single, high-value easement granted during the scope of this estimate would pull these numbers higher.
- Fewer than 50 such easement rights are granted for product removal annually.

**Data Sources**

- Department of Natural Resources, Leasehold excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

# 82.29A.020(1)(b)(i) - Easements for removing products

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 1976 |
| **Primary Beneficiaries:** | Utility companies and other businesses and individuals who must have long-term access across public lands or who use public roads on a temporary basis to remove timber, minerals, etc. that are purchased from public entities |
| **Taxpayer Count:** | Fewer than 50 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2011 and 2023 |

# 82.29A.020(1)(b)(ii) - Publicly owned cargo cranes & docks

**Description**

"Leasehold interest" excludes the use of publicly owned cargo cranes and docks associated with the loading and unloading of cargo located at a port district marine facility.

**Purpose**

To minimize costs to private businesses and individuals who use port district lands for the loading and unloading of cargo in ocean commerce.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $6.556 | $6.621 | $6.734 | $6.581 |
| Local Taxes | $5.751 | $5.808 | $5.907 | $6.010 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $4.966 | $6.734 | $6.581 |
| Local Taxes | $0.000 | $4.356 | $5.907 | $6.010 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts nine months of collections in fiscal year 2025.
- Growth rate mirrors the leasehold excise tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Port of Vancouver and Port of Everett rents are 50% of the averages of those in Seattle and Tacoma.
- Port of Olympia rents are 30% of the averages of those in Seattle and Tacoma.

**Data Sources**

- Department of Revenue, Leasehold excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 2012 |
| **Primary Beneficiaries:** | Private entities using publicly owned cargo cranes, docks, and associated areas |
| **Taxpayer Count:** | 20 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.29A.020(2)(b) - Hanford lease fees

**Description**

For purposes of determining leasehold tax, any Hanford reservation lands subleased to a private or public entity by the Department of Ecology, the term "taxable rent" includes only the annual cash rental payment and does not include fees, assessments, or other charges.

**Purpose**

To reduce the cost of such leases.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | CTI | CTI | CTI | CTI |
| Local Taxes | CTI | CTI | CTI | CTI |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | CTI | CTI | CTI |
| Local Taxes | $0.000 | CTI | CTI | CTI |

**Assumptions**

This exemption impacts fewer than three taxpayers; any impacts are confidential.

**Data Sources**

Department of Health, Waste disposal data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1991 |
| **Primary Beneficiaries:** | Companies providing radioactive waste cleanup at Hanford |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2013 with an upcoming review in 2026 |

# 82.29A.120(1)(a)(i) - Senior and people with disabilities homeowners exemption OR credit for excessive leasehold tax

**Description**

A credit is allowed against leasehold excise tax for a property lease that would qualify a senior citizen and people with disabilities property tax exemption if the property were privately owned. The allowable credit is a proportionate amount of reduction that would result from the individual's property tax exemption.

**Purpose**

To provide tax relief to seniors and people with disabilities similar to the exemption allowed for property tax.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | Indeterminate | Indeterminate | Indeterminate | Indeterminate |
| Local Taxes | Indeterminate | Indeterminate | Indeterminate | Indeterminate |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | Indeterminate | Indeterminate | Indeterminate |
| Local Taxes | $0.000 | Indeterminate | Indeterminate | Indeterminate |

**Assumptions**

No data is available to determine if this exemption is being utilized, therefore the impact is indeterminate but assumed minimal.

**Data Sources**

Department of Revenue, Leasehold excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 1986 |
| **Primary Beneficiaries:** | Senior and disabled leaseholders |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2012 |

# 82.29A.120(1)(a)(ii) - Product leases credit of 33%

**Description**

A credit is allowed against leasehold excise tax equal to 33% of the tax otherwise due on product leases, i.e., leases where the lessee pays the lessor a percentage of the value of the crop produced on the land.

**Purpose**

To support agriculture.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.159 | $0.162 | $0.165 | $0.169 |
| Local Taxes | $0.139 | $0.142 | $0.145 | $0.148 |

**Repeal of exemption**

Repealing this credit would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.122 | $0.165 | $0.169 |
| Local Taxes | $0.000 | $0.107 | $0.145 | $0.148 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the leasehold excise tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

**Data Sources**

- Department of Revenue, Leasehold excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Agriculture |
| **Year Enacted:** | 1976 |
| **Primary Beneficiaries:** | Farmers who produce crops or graze livestock on publicly owned land |
| **Taxpayer Count:** | 10 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2011 |

# 82.29A.120(1)(b) - Leasehold interests in real property owned by state universities

**Description**

A credit is allowed against leasehold excise tax for real property owned by a state university equal to the amount of leasehold excise tax exceeds property tax that would apply if the property were privately owned. This credit is only available on properties valued more than $10 million as of January 1st of the year prior to the year the credit is claimed.

**Purpose**

To reduce the leasehold excise tax for lessees of state-owned university property when the leasehold excise tax exceeds the property tax if the property was otherwise owned by the lessee.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | CTI | CTI | CTI | CTI |
| Local Taxes | CTI | CTI | CTI | CTI |

**Repeal of exemption**

Repealing this credit may result in a minimal increase of revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | CTI | CTI | CTI |
| Local Taxes | $0.000 | CTI | CTI | CTI |

**Assumptions**

This credit impacts fewer than three taxpayers; any impacts are confidential.

**Data Sources**

Department of Revenue, Leasehold excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2017 |
| **Primary Beneficiaries:** | Leaseholders of university properties |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.29A.125 - Electric vehicle infrastructure

**Description**

All leasehold interests in public lands are exempt from state and local leasehold excise taxes if the purpose of the leasehold interest is to install, maintain, and operate electric vehicle infrastructure, which includes battery charging stations, rapid charging stations, battery exchange stations, fueling stations that provide hydrogen for fuel cell electric vehicles, green electrolytic hydrogen production facilities, and renewable hydrogen production facilities. This exemption expires on July 1, 2025.

**Purpose**

To encourage the installation of electric and hydrogen vehicle infrastructure.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would not increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- Based on research, the annual rent for electric vehicle charging stations would be less than $250 per year. Leasehold interests with a taxable rent amount less than $250 see RCW 82.29A.130(9).

**Data Sources**

- U.S. Department of Energy, Alternative Fuels Data Center
- Department of Revenue, Leasehold excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2009 |
| **Primary Beneficiaries:** | Owners of electric vehicle charging and hydrogen fueling facilities |
| **Taxpayer Count:** | 50 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2017 |

# 82.29A.130(1) - Public utility properties

**Description**

All leasehold interests in operating properties of state assessed public utilities that are subject to property tax are exempt from leasehold excise tax.

**Purpose**

To avoid the value of certain properties being subject to both leasehold excise tax and property tax.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $15.948 | $16.068 | $16.317 | $16.576 |
| Local Taxes | $10.578 | $10.592 | $10.699 | $10.808 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $12.051 | $16.317 | $16.576 |
| Local Taxes | $0.000 | $7.944 | $10.699 | $10.808 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts nine months of collections in fiscal year 2025.
- Growth rate mirrors the leasehold excise tax growth rate reflected in the Economic Forecast Council's March 2023 forecast.
- Estimates are net of state and local leasehold excise tax. The state leasehold excise tax rate is proportionately greater than the local rate compared with property tax rates. A shift of tax burden from the state to local jurisdictions would take place, if the exemption were eliminated.

**Data Sources**

- Department of Revenue, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 1974 |
| **Primary Beneficiaries:** | State assessed public utility companies |
| **Taxpayer Count:** | 44 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.29A.130(2) - Facilities owned or used by schools, colleges, or universities providing housing to students

**Description**

All leasehold interests in facilities owned or used by schools, colleges, or universities who provide housing for students, and are otherwise exempt from property tax, are also exempt from leasehold excise tax.

**Purpose**

To support schools, colleges, and universities, and provide relief for housing their students.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $105.780 | $106.820 | $108.650 | $110.530 |
| Local Taxes | $92.790 | $93.700 | $95.300 | $97.960 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $80.119 | $108.650 | $110.530 |
| Local Taxes | $0.000 | $70.280 | $95.308 | $96.963 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts nine months of collections in fiscal year 2025.
- Growth rate mirrors the leasehold excise tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Student housing leasehold excise tax will mirror the statewide leasehold tax.

**Data Sources**

- National Multifamily Housing Council
- U.S. Census Bureau
- Economic and Revenue Forecast Council March 2023 forecast
- FinancesOnline.com, '47 Essential Student Housing Statistics You Must Learn

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1976 |
| **Primary Beneficiaries:** | Schools, colleges, or universities that provide housing to students |
| **Taxpayer Count:** | 100 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.29A.130(3) - Subsidized housing

**Description**

All leasehold interests of subsidized housing owned by the U.S. government, the state, or any political subdivision are exempt from leasehold excise tax if income qualifications for the housing exist.

**Purpose**

To support public housing for low-income individuals.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $15.200 | $16.400 | $17.700 | $19.100 |
| Local Taxes | $13.300 | $14.400 | $15.500 | $16.800 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $12.300 | $17.700 | $19.100 |
| Local Taxes | $0.000 | $10.800 | $15.500 | $16.800 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts nine months of collections in fiscal year 2025.
- Annual increase in monthly rents will match observed increases from 2018 to 2022.
- The number of subsidized housing units will remain the same.

**Data Sources**

- U.S. Department of Housing and Urban Development

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 1976 |
| **Primary Beneficiaries:** | Public housing authorities and the individuals who reside in subsidized housing |
| **Taxpayer Count:** | 95,000 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2017 |

# 82.29A.130(5) - Public employee housing

**Description**

All leasehold interests used as the employee's residence, when the terms require public employees of their employment to live in a publicly owned property (e.g. at state parks), are exempt from leasehold excise tax.

**Purpose**

This exemption supports the legislative policy to not tax the government. Also, the tax would in essence reduce employee compensation or increase government costs.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.093 | $0.094 | $0.096 | $0.098 |
| Local Taxes | $0.082 | $0.083 | $0.084 | $0.086 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.071 | $0.096 | $0.098 |
| Local Taxes | $0.000 | $0.062 | $0.084 | $0.086 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts nine months of collections in fiscal year 2025.
- Growth rate mirrors the leasehold excise tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Market rents will grow similarly to market values.

**Data Sources**

- Washington State Parks, Leasehold data
- Economic and Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 1976 |
| **Primary Beneficiaries:** | Public employees who must live in government housing |
| **Taxpayer Count:** | 179 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2017 |

# 82.29A.130(6-7) - Indian trust lands

**Description**

All leasehold interests in Indian lands by any Indian or Indian tribe for property held in trust by the U.S. are exempt from the leasehold excise tax. Leases by non-Indians are exempt when the contract rent paid is greater than or equal to 90% of fair market rental value.

**Purpose**

Federal law prohibits the taxation of trust lands of enrolled Indians.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $2.584 | $2.610 | $2.654 | $2.701 |
| Local Taxes | $2.267 | $2.289 | $2.328 | $2.369 |

**Repeal of exemption**

State taxation of nontribal members is not prohibited but could lead to litigation.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $1.957 | $2.654 | $2.701 |
| Local Taxes | $0.000 | $1.717 | $2.328 | $2.369 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts nine months of collections in fiscal year 2025.
- Growth rate mirrors the leasehold excise tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Market rents will grow similarly to market values.

**Data Sources**

- Department of Revenue, Leasehold excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- Crexi.com, 'Seattle Commercial Real Estate Market'

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 1976 |
| **Primary Beneficiaries:** | Indians and non-Indians with qualifying leases of Indian property |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2011 |

# 82.29A.130(8) - Leases less than $250 per year

**Description**

Leases of public property are exempt from leasehold tax if the total annual rent is less than $250.

**Purpose**

The $250 annual threshold supports small businesses and provides administrative convenience for lessees and lessors.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | Minimal | Minimal | Minimal | Minimal |
| Local Taxes | Minimal | Minimal | Minimal | Minimal |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | Minimal | Minimal | Minimal |
| Local Taxes | $0.000 | Minimal | Minimal | Minimal |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts nine months of collections in fiscal year 2025.
- Growth rate mirrors the leasehold excise tax growth rate in the Economic and Review Forecast Council's March 2023 forecast.

**Data Sources**

- Department of Revenue, Leasehold excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1976 |
| **Primary Beneficiaries:** | Qualifying lessees |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review in 2023 |

# 82.29A.130(9) - Leases less than 30 days

**Description**

Leases of public property are exempt from leasehold tax if the lease period does not exceed 30 consecutive days in duration.

**Purpose**

The 30-day threshold can apply to both small and large lessees. It encourages short-term events, such as sporting events and trade shows, to take place in Washington.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $2.096 | $2.116 | $2.152 | $2.190 |
| Local Taxes | $1.838 | $1.856 | $1.888 | $1.921 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $1.587 | $2.152 | $2.190 |
| Local Taxes | $0.000 | $1.392 | $1.888 | $1.921 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts nine months of collections in fiscal year 2025.
- Growth rate mirrors the leasehold excise tax growth rate in the Economic and Review Forecast Council's March 2023 forecast.
- Data used only includes revenue from state parks and fairs. Revenue from other sources using this exemption is unavailable, therefore this estimate may be understating revenues.

**Data Sources**

- Department of Revenue, Leasehold excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- Washington Department of Agriculture, Fair funding applications

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1976 |
| **Primary Beneficiaries:** | Qualifying lessees |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2023 |

# 82.29A.130(10) - Homes pending destruction

**Description**

All leasehold interests in month-to-month leases in residential units rented for residential purposes pending destruction or removal to construct a public highway or building are exempt from leasehold tax.

**Purpose**

When a private residence is either condemned or purchased outright to make way for a public project, this exemption provides tax relief during the transition period.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | Indeterminate | Indeterminate | Indeterminate | Indeterminate |
| Local Taxes | Indeterminate | Indeterminate | Indeterminate | Indeterminate |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | Indeterminate | Indeterminate | Indeterminate |
| Local Taxes | $0.000 | Indeterminate | Indeterminate | Indeterminate |

**Assumptions**

No data is available to determine if this exemption is being utilized, therefore the impact is indeterminate but assumed to be minimal.

**Data Sources**

Department of Revenue, Leasehold excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 1976 |
| **Primary Beneficiaries:** | Residents of homes awaiting destruction or removal |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2017 |

# 82.29A.130(11) - Public works contracts

**Description**

All leasehold interests of public works contractors while completing public works projects for the state or federal government are exempt from leasehold excise tax.

**Purpose**

To minimize the cost to government of public works construction projects.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | Indeterminate | Indeterminate | Indeterminate | Indeterminate |
| Local Taxes | Indeterminate | Indeterminate | Indeterminate | Indeterminate |

**Repeal of exemption**

Repealing this exemption may possibly increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | Indeterminate | Indeterminate | Indeterminate |
| Local Taxes | $0.000 | Indeterminate | Indeterminate | Indeterminate |

**Assumptions**

No data is available to determine if this exemption is being utilized, therefore the impact is indeterminate but assumed to be minimal.

**Data Sources**

Department of Revenue, Leasehold excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 1998 |
| **Primary Beneficiaries:** | Government and contractors |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2011 |

# 82.29A.130(12) - Inmate employment programs

**Description**

All leasehold interests for businesses that use space in in-state adult correctional facilities in conjunction with comprehensive inmate work programs are exempt from leasehold excise tax.

**Purpose**

To promote inmate work programs.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would not increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

Class 1 Department of Corrections (DOC) industries are unconstitutional, as ruled by the Washington State Supreme Court in 2004. There is no revenue impact.

**Data Sources**

Department of Corrections

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 1992 |
| **Primary Beneficiaries:** | Businesses using space in in-state adult correctional facilities |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2017 |

# 82.29A.130(13) - Camps for people with disabilities

**Description**

All leasehold interests of nonprofit, social service organizations that provide organized and supervised recreational activities for people with disabilities of all ages in a camp facility and for public recreational purposes are exempt from leasehold tax.

**Purpose**

To support the activities of qualifying nonprofit organizations.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.019 | $0.020 | $0.020 | $0.020 |
| Local Taxes | $0.017 | $0.017 | $0.017 | $0.018 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.015 | $0.020 | $0.020 |
| Local Taxes | $0.000 | $0.013 | $0.017 | $0.018 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts nine months of collections in fiscal year 2025.
- Growth rate mirrors the leasehold excise tax growth rate in the Economic and Review Forecast Council's March 2023 forecast.

**Data Sources**

- Department of Revenue, Leasehold excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- Various websites for camps for disabled persons

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 1995 |
| **Primary Beneficiaries:** | Organizations that operate camps for people with disabilities on leased public property |
| **Taxpayer Count:** | 6 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2016 |

# 82.29A.130(14) - Professional baseball stadium

**Description**

All leasehold interests in the public or entertainment areas of a professional baseball stadium located in a county with a population of over one million (e.g. King County) are exempt from the leasehold tax. The baseball stadium must have natural turf, a retractable roof or canopy, a seating capacity of at least 40,000, and constructed after January 1, 1995, to be eligible for the exemption. The exemption does not extend to nonpublic areas of the stadium such as locker rooms and private offices used exclusively by the lessee.

**Purpose**

To encourage constructing and operating a baseball stadium, e.g., T-Mobile Park in King County.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | CTI | CTI | CTI | CTI |
| Local Taxes | CTI | CTI | CTI | CTI |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | CTI | CTI | CTI |
| Local Taxes | $0.000 | CTI | CTI | CTI |

**Assumptions**

This exemption impacts fewer than three taxpayers; any impacts are confidential.

**Data Sources**

Ballpark.org, Ballpark lease information

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1995 |
| **Primary Beneficiaries:** | Professional baseball stadium |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | Other leases of publicly owned sports facilities are subject to leasehold excise tax if the lessee has exclusive use of the facility. However, many leases of sports facilities are considered as a license to use the facility rather than an exclusive lease, and therefore leasehold tax does not apply. |
| **JLARC Review:** | Expedited review completed in 2022 |

# 82.29A.130(15) - Professional football stadium

**Description**

All leasehold interests in the public or entertainment areas of an open-air stadium that is suitable for professional football and Olympic/World Cup soccer constructed after January 1, 1998, are exempt from leasehold excise tax. The exemption also applies to an exhibition center and associated work areas primarily servicing public or entertainment areas such as parking facilities adjacent to the stadium.

**Purpose**

To encourage construction and operation of a stadium, such as Lumen Field & Exhibition Center.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | CTI | CTI | CTI | CTI |
| Local Taxes | CTI | CTI | CTI | CTI |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | CTI | CTI | CTI |
| Local Taxes | $0.000 | CTI | CTI | CTI |

**Assumptions**

This exemption impacts fewer than three taxpayers; any impacts are confidential.

**Data Sources**

Public Stadium Authority

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1997 |
| **Primary Beneficiaries:** | Professional football and soccer stadium |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | Other leases of publicly owned sports facilities are subject to leasehold excise tax if the lessee has exclusive use of the facility. However, many leases of sports facilities are considered as a license to use the facility rather than an exclusive lease, and leasehold tax does not apply. |
| **JLARC Review:** | Expedited review completed in 2022 |

# 82.29A.130(16) - Public facilities districts

**Description**

All leasehold interests in property owned by public facilities districts are exempt from leasehold excise tax. The exemption covers sports and entertainment venues, conference and convention centers, and special events facilities.

**Purpose**

To encourage the construction and utilization of these public facilities.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.292 | $0.295 | $0.300 | $0.305 |
| Local Taxes | $0.256 | $0.259 | $0.263 | $0.268 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.221 | $0.300 | $0.305 |
| Local Taxes | $0.000 | $0.194 | $0.263 | $0.268 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts nine months of collections in fiscal year 2025.
- Growth rate mirrors the leasehold excise tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- No new facilities will utilize this exemption for the length of this estimate.

**Data Sources**

- Joint Legislative Audit and Review Committee, Leasehold excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1999 |
| **Primary Beneficiaries:** | Public facility districts and persons who lease these facilities |
| **Taxpayer Count:** | 24 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2015 |

# 82.29A.130(17) - Historic property

**Description**

All leasehold interests in property owned by a municipality or the federal government, listed on a federal or state historical register, and located within a designated national historic reserve are exempt from leasehold excise tax.

**Purpose**

To support the social benefits provided by publicly owned historical sites.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.242 | $0.248 | $0.254 | $0.260 |
| Local Taxes | $0.212 | $0.217 | $0.223 | $0.228 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.186 | $0.254 | $0.260 |
| Local Taxes | $0.000 | $0.163 | $0.223 | $0.228 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts nine months of collections in fiscal year 2025.
- Rental growth will mirror the growth of the Consumer Price Index over the last five years.

**Data Sources**

- National Parks Service
- The Historic Trust
- Census Bureau, Consumer Price Index

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 2005 |
| **Primary Beneficiaries:** | Lessees of historical property within national historic reserves |
| **Taxpayer Count:** | 3 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2023 |

# 82.29A.130(18) - Clark County amphitheater

**Description**

All leasehold interests in the public or entertainment areas of a privately constructed, operated, and maintained amphitheater, where both the public owner and the private lessee regularly sponsor events, with a seating capacity of at least 17,000 and is in a county with a population over 350,000 and less than 425,000 at the time it opened are exempt from the leasehold excise tax. The exemption does not extend to private offices used predominately by the lessee.

**Purpose**

To encourage the construction, maintenance, and operation of an amphitheater in Clark County.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | CTI | CTI | CTI | CTI |
| Local Taxes | CTI | CTI | CTI | CTI |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | CTI | CTI | CTI |
| Local Taxes | $0.000 | CTI | CTI | CTI |

**Assumptions**

This exemption impacts fewer than three taxpayers; any impacts are confidential.

**Data Sources**

Clark County Assessor's Office

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2005 |
| **Primary Beneficiaries:** | Lessees of the Clark County amphitheater |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2022 |

# 82.29A.130(19) - Military housing

**Description**

All leasehold interests in certain military housing units and ancillary supporting facilities are exempt from property tax and leasehold excise tax. The housing must be located on land owned in fee by the federal government, be used for housing military personnel and their families, and be provided by a development project under the federal Military Housing Privatization Initiative of 1996.

**Purpose**

To support military housing.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | CTI | CTI | CTI | CTI |
| Local Taxes | CTI | CTI | CTI | CTI |

**Repeal of exemption**

Repealing this exemption may possibly increase revenues. The department would have to bill individual renters for the leasehold tax. This could be difficult in the changing military environment.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | CTI | CTI | CTI |
| Local Taxes | $0.000 | CTI | CTI | CTI |

**Assumptions**

- This exemption impacts fewer than three taxpayers; any impacts are confidential.

**Data Sources**

- Department of Revenue, Property tax data
- Office of the Secretary of Defense, Military housing data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2008 |
| **Primary Beneficiaries:** | Companies that own military housing on federal land |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2020 |

# 82.29A.130(20) - Leasehold interest in facilities owned or used by community or technical colleges

**Description**

All leasehold interests in facilities owned or used by a community college or technical college to provide food services, operate a bookstore, or provide maintenance, operational, or administrative services are exempt from leasehold excise tax.

**Purpose**

To provide leasehold excise tax relief to private lessees who lease facilities from community or technical colleges (lessors) for certain purposes, and to relieve the lessors from the obligation to collect and remit such taxes from the lessees.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | CTI | CTI | CTI | CTI |
| Local Taxes | CTI | CTI | CTI | CTI |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | CTI | CTI | CTI |
| Local Taxes | $0.000 | CTI | CTI | CTI |

**Assumptions**

This exemption impacts fewer than three taxpayers; any impacts are confidential.

**Data Sources**

Department of Revenue, Leasehold excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2017 |
| **Primary Beneficiaries:** | Leaseholders at community colleges |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.29A.130(21) - Tacoma dome public area

**Description**

All leasehold interests in the public or entertainment areas of an arena are exempt from leasehold excise tax if the arena:

- Has a seating capacity of more than 2,000.
- Is located on city-owned land.
- Owned by a city with a population over 200,000 within a county with a population of less than 1.5 million.

**Purpose**

To promote public entertainment facilities and to bring certain arenas, such as the Tacoma Dome, in line with other public stadiums and arenas.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | CTI | CTI | CTI | CTI |
| Local Taxes | CTI | CTI | CTI | CTI |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | CTI | CTI | CTI |
| Local Taxes | $0.000 | CTI | CTI | CTI |

**Assumptions**

This exemption impacts fewer than three taxpayers; any impacts are confidential.

**Data Sources**

Department of Revenue, Leasehold excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 2020 |
| **Primary Beneficiaries:** | Tacoma Dome |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.29A.130(22) - Facilities owned by state parks located at historical sites

**Description**

All leasehold interests in facilities owned by the state Parks and Recreation Commission and listed on the National Register of Historic Places or the Washington Heritage Register are exempt from leasehold excise tax.

**Purpose**

To preserve and protect historic facilities owned by state parks.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.050 | $0.052 | $0.053 | $0.055 |
| Local Taxes | $0.044 | $0.045 | $0.047 | $0.048 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.039 | $0.053 | $0.055 |
| Local Taxes | $0.000 | $0.034 | $0.047 | $0.048 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts nine months of collections in fiscal year 2025.
- There were approximately 29 lease agreements subject to paying leasehold excise tax in 2022.
- An average of one lease agreement is added per year.

**Data Sources**

- Department of Revenue, Leasehold excise tax data
- Washington State Parks & Recreation

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 2022 |
| **Primary Beneficiaries:** | People who lease historical facilities owned by state parks |
| **Taxpayer Count:** | 30 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.29A.130(23) - Public or entertainment areas of an arena

**Description**

All leasehold interests in the public or entertainment areas of an arena located in a city with a population over 100,000 and located on city-owned land are exempt from the leasehold tax. The arena must have a seating capacity of at least 4,000 and the funds used for constructing improvements to the arena were 100% the responsibility of private entities and not reimbursed by the public owner. The exemption also extends to office areas of the arena used predominantly by the lessee.

**Purpose**

To encourage construction and operation of Climate Pledge Arena.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | CTI | CTI | CTI | CTI |
| Local Taxes | CTI | CTI | CTI | CTI |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | CTI | CTI | CTI |
| Local Taxes | $0.000 | CTI | CTI | CTI |

**Assumptions**

This exemption impacts fewer than three taxpayers; any impacts are confidential.

**Data Sources**

Department of Revenue, Leasehold excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2023 |
| **Primary Beneficiaries:** | Leasehold interests in qualified public or entertainment areas |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | Other leases of publicly owned sports facilities are subject to leasehold excise tax if the lessee has exclusive use of the facility. However, many leases of sports facilities are considered as a license to use the facility rather than an exclusive lease, and leasehold tax does not apply. |
| **JLARC Review:** | No review completed |

# 82.29A.132 - Second Narrows bridge

**Description**

All leasehold interests in the state route 16 corridor transportation systems and facilities constructed and operated are exempt from leasehold excise tax. This includes the second bridge over Puget Sound at the Tacoma Narrows and its approaches.

**Purpose**

This exemption was predicated upon the assumption that upon completion of the bridge, the state would lease the bridge to the private entity that constructed the facility to operate and maintain it for the term of the lease. This statute exempted such a lease from leasehold excise tax. However, the ownership arrangements have since changed and no lease of the facility is contemplated.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would not increase revenues. No public property is being leased at this time.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

No lease of the facility is currently contemplated. We expect no usage during the forecasted period of this study.

**Data Sources**

Department of Revenue, Leasehold excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1998 |
| **Primary Beneficiaries:** | Lessees along SR 16 and Tacoma Narrows bridge |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2020 |

# 82.29A.134 - Regional Transit Authority Sales and Leasebacks

**Description**

All leasehold interests in property owned by a Regional Transit Authority (RTA) are exempt from leasehold excise tax if they are in connection with a sale and leaseback arrangement.

**Purpose**

A sale and leaseback arrangement is a financing mechanism used to facilitate the acquisition of personal property by an RTA.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would not increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

The Regional Transit Authority is not using the sale and leaseback arrangement due to changes in Internal Revenue Service policy.

**Data Sources**

Regional Transit Authority

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 2000 |
| **Primary Beneficiaries:** | Sound Transit and investors |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2020 |

# 82.29A.135 - Anaerobic digesters

**Description**

All leasehold interests in buildings, machinery, and other personal property which are used primarily for the operation of an anaerobic digester, the land upon which this property is located, and land that is reasonably necessary in the operation of an anaerobic digester are exempt from leasehold taxes for a period of six years from the date on which the facility or the addition to the existing facility becomes operational. Applicants may not file a claim for this exemption after December 31, 2024.

**Purpose**

To encourage the production of renewable natural gas in Washington by stimulating investment in biogas capture and conditioning, compression, nutrient recovery, and use of renewable natural gas for heating, electricity generation, and transportation fuel.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would not increase revenues, because it is not being used.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

No facilities currently use this exemption. We expect no usage during the forecasted period of this study.

**Data Sources**

Department of Revenue, Leasehold excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Agriculture |
| **Year Enacted:** | 2018 |
| **Primary Beneficiaries:** | Leaseholder of qualifying anaerobic digesters |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.29A.136 - Residential and recreational developments

**Description**

All leasehold interests comprised of 3,000 or more residential and recreational lots that are, or may be, subleased for residential or recreational purposes, are exempt from leasehold excise tax and subject instead to property taxes.

**Purpose**

To treat certain residential and recreational lots in a similar manner as other housing property. Lessees also avoid a processing fee, and the properties are governed by the various limits on property tax levies.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | CTI | CTI | CTI | CTI |
| Local Taxes | CTI | CTI | CTI | CTI |

**Repeal of exemption**

Repealing this exemption would increase revenues for the leasehold tax. However, property taxes currently paid would decrease, which could shift the state and local property taxes to other taxpayers in the form of higher levy rates.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | CTI | CTI | CTI |
| Local Taxes | $0.000 | CTI | CTI | CTI |

**Assumptions**

This exemption impacts fewer than three taxpayers; any impacts are confidential.

**Data Sources**

Department of Revenue, Leasehold tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Tax base |
| **Year Enacted:** | 2001 |
| **Primary Beneficiaries:** | Lessees of lots at Lake Cushman which are owned by the City of Tacoma |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2015 |

# 82.29A.137 - Super-efficient airplane production facilities

**Description**

Leasehold interests held by a manufacturer of a super-efficient airplane in property of a port district are exempt from leasehold excise tax. This exemption expires July 1, 2040.

**Purpose**

Encourages the production of super-efficient airplanes in Washington.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would not increase revenue because currently no taxpayers use it.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

No known manufacturers of super-efficient airplanes are located on port property, and none are expected during the forecasted period of this study.

**Data Sources**

Department of Revenue, Annul tax performance report data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2003 |
| **Primary Beneficiaries:** | Manufacturers of super-efficient planes on port property |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2014 and 2019 with an upcoming review in 2024 |

# 82.29A.138 - Amateur radio repeaters

**Description**

Owners of amateur radio repeaters (transmission facilities to extend the range of radio signals) which are located on leased public property are exempt from leasehold excise tax. These facilities must be available to public agencies that are qualified responders for use in emergency communications.

**Purpose**

To increase the availability of emergency communication equipment used by public agencies in the event of an emergency.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.014 | $0.015 | $0.016 | $0.018 |
| Local Taxes | $0.012 | $0.013 | $0.014 | $0.016 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.011 | $0.016 | $0.018 |
| Local Taxes | $0.000 | $0.010 | $0.014 | $0.016 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts nine months of collections in fiscal year 2025.
- Growth rate mirrors past growth rate of rental collections.

**Data Sources**

- Department of Natural Resources, Leasehold data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 2007 |
| **Primary Beneficiaries:** | Amateur radio operators and amateur radio clubs |
| **Taxpayer Count:** | 29 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2022 |

# Chapter 12
# Liquor Tax

# 66.20.010(7) - Sales of liquor to the military

**Description**

Liquor sales by the Liquor Cannabis Board to authorized representatives of military installations are exempt from liquor sales taxes.

**Purpose**

This exemption covered sales of liquor made by state-operated stores. Currently, there is no purpose for this exemption. The military now purchases liquor outside the state and does not collect or remit state liquor taxes.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would not increase revenues. The military purchases liquor outside the state without collecting or remitting state liquor taxes.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

If repealed, there is no revenue impact. The military purchases liquor outside the state without collecting or remitting state liquor taxes.

**Data Sources**

Liquor and Cannabis Board

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 1933 |
| **Primary Beneficiaries:** | Military installations and personnel |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 66.24.290(3)(b) - Microbrewers beer tax exemption

**Description**

Microbreweries are exempt from the $4.78 per barrel portion of the beer excise tax on the first 60,000 barrels produced yearly.

**Purpose**

To mitigate the impact of a general tax increase in 1993 on a growing local industry.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $5.395 | $5.449 | $5.504 | $5.559 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $5.000 | $5.504 | $5.559 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- The revenue impact grows by 1% a year.

**Data Sources**

- Liquor and Cannabis Board, Beer sales to importers and distributors

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1993 |
| **Primary Beneficiaries:** | Microbreweries |
| **Taxpayer Count:** | 350 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2014, and a full review completed in 2020 |

# Chapter 13
# Litter Tax

# 82.19.050(1) - Products shipped out of state

**Description**

Products manufactured or sold in Washington for use or consumption outside Washington are exempt from the litter tax.

**Purpose**

Recognizes the litter tax is typically associated with products used or consumed in Washington.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.135 | $0.140 | $0.145 | $0.150 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.129 | $0.145 | $0.150 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the retail sales growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Tax Base |
| **Year Enacted:** | 1992 |
| **Primary Beneficiaries:** | Businesses that pay litter tax |
| **Taxpayer Count:** | 2,740 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2014 |

# 82.19.050(2) - Agricultural products

**Description**

Farmers selling agricultural products at wholesale or to other farmers that grow, raise, or produce agricultural products owned by others are exempt from the litter tax.

**Purpose**

Recognizes food products sold by farmers at wholesale and to certain other farmers are not generally associated with significant amounts of litter.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $1.351 | $1.356 | $1.361 | $1.366 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $1.243 | $1.361 | $1.366 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate is the average historical growth rate calculated using the U.S. Department of Agriculture 2016-2023 farm income financial indicators.

**Data Sources**

- Department of Revenue, Excise tax data
- U.S. Department of Agriculture, Washington agriculture and farm data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Agricultural |
| **Year Enacted:** | 1971 |
| **Primary Beneficiaries:** | Farmers |
| **Taxpayer Count:** | 35,200 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2018 |

# 82.19.050(3) - Grocery cooperatives

**Description**

Sales of products for resale by a qualified grocery distribution cooperative to members are exempt from litter tax.

**Purpose**

To reflect title to the goods remains with the cooperative, and an actual sale does not occur.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | Minimal | Minimal | Minimal | Minimal |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | Minimal | Minimal | Minimal |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the retail sales growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- The total impact of this exemption is less than $1,000. We expect the impact to remain minimal during the forecasted period of this study.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2001 |
| **Primary Beneficiaries:** | Qualified grocery cooperatives |
| **Taxpayer Count:** | 4 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2022 |

# 82.19.050(4) - Food and beverages consumed on-site

**Description**

Food and drink sales for consumption on the seller's premises or at an adjacent eating area (e.g., a food court at a shopping mall) are exempt from litter tax.

**Purpose**

Recognizes that food and drinks consumed on the seller's premises generally do not contribute to the litter problem.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $1.272 | $1.318 | $1.363 | $1.408 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $1.208 | $1.363 | $1.408 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the retail sales growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Tax base |
| **Year Enacted:** | 2003 |
| **Primary Beneficiaries:** | Restaurants and other eating or drinking establishments |
| **Taxpayer Count:** | 10,000 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2022 |

# 82.19.050(5) - Caterers

**Description**

Gross income from the sale of catered food and beverages provided in non-single-use containers and served for immediate consumption on the premises occupied or controlled by the customer is exempt from litter tax.

**Purpose**

Relieves caterers from the litter tax on certain prepared food and beverage sales.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $1.272 | $1.318 | $1.363 | $1.408 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $1.208 | $1.363 | $1.408 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- The growth rate is 10%, which is a 10-year average that reflects industry trends.

**Data Sources**

- Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1987 |
| **Primary Beneficiaries:** | Food service and catering businesses |
| **Taxpayer Count:** | 730 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2022 |

# Chapter 14
# Oil Spill Tax

# 82.23B.030 - Secondary transportation

**Description**

Successive receipt or transportation of crude oil or petroleum products is exempt from the oil spill tax after the initial receipt of the same products at a marine or bulk terminal from a vessel or barge, rail tank car, or pipeline.

**Purpose**

This exemption restricts the tax to the initial off-loading of crude oil or petroleum products in Washington.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would not increase revenues due to the likelihood the successive receipt or transportation scenario would not occur.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

For this exemption to be applicable, oil would have to be off-loaded in Washington from a vessel, rail tank car, or pipeline, then reloaded onto another vessel, rail tank car, or pipeline, before being off-loaded a second time in the state. It is assumed this scenario does not happen.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Tax base |
| **Year Enacted:** | 1991 |
| **Primary Beneficiaries:** | None |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2012 and 2017 |

# 82.23B.040 - Exported petroleum products

**Description**

Taxpayers may claim a credit against oil spill tax paid on crude oil or petroleum products subsequently exported or sold for export from the state.

**Purpose**

Allows the tax to apply only to products consumed within the state.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $4.721 | $4.721 | $4.721 | $4.721 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this credit would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $4.328 | $4.721 | $4.721 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the zero growth rate reflected in the Department of Revenue's March 2023 Non-General Fund forecast for oil spill tax collections.

**Data Sources**

- Department of Revenue, Excise tax data
- Department of Revenue, March 2023 Non-General Forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Tax base |
| **Year Enacted:** | 1991 |
| **Primary Beneficiaries:** | Exporters of crude oil or petroleum products that were off-loaded in this state |
| **Taxpayer Count:** | 10 |
| **Program Inconsistency:** | Since crude oil or petroleum that is shipped through the state for export is no less likely to spill than similar products that remain in the state, this credit could be considered as being inconsistent with the oil spill prevention and response program |
| **JLARC Review:** | No review completed |

# 82.23B.045 - Nonfuel uses of crude oil petroleum products

**Description**

Taxpayers may claim a credit against oil spill tax paid on crude oil or petroleum products (1) not used as fuel or (2) used as a component or ingredient in a manufacturing process.

**Purpose**

Ensures the tax applies only to crude oil or petroleum used as fuel.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | CTI | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this credit would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

This credit impacts fewer than three taxpayers; any impacts are confidential.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Tax base |
| **Year Enacted:** | 1991 |
| **Primary Beneficiaries:** | Petroleum refiners |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2013 and 2017 |

# Chapter 15
# Pari-mutuel Tax

# 67.16.105(1) - Nonprofit horse races

**Description**

Nonprofit horse race events lasting no longer than 10 days annually are exempt from the pari-mutuel tax.

**Purpose**

To support nonprofit horse race events and help revive the horse racing industry.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | CTI | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

This exemption impacts fewer than three taxpayers; any impacts are confidential.

**Data Sources**

Washington Horse Racing Commission, Annual reports

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 1976 |
| **Primary Beneficiaries:** | Operators of nonprofit horse race events |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2011 and 2022 |

# 67.16.105(2) - Differential parimutuel tax rates

**Description**

The pari-mutuel tax on gross receipts of betting machines at licensed horse races features two tax rates depending on the total wagering receipts at the particular track for the previous year:

- If receipts were greater than $50 million, the tax rate is 1.3%.
- If receipts were $50 million or less, the tax rate is 1.803%.

**Purpose**

The higher 1.803% pari-mutuel rate category for smaller racetracks is attributable to a proposed new track in 2002. The anticipated revenues at the existing 1.3% rate did not generate sufficient funds to cover the state's cost of supervision, therefore, the higher tax rate was added to the statute. This track was never constructed, and currently, the only racetrack in operation pays the original 1.3% rate.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | CTI | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this differential pari-mutuel rate would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

This differential pari-mutuel rate impacts fewer than three taxpayers; any impacts are confidential.

**Data Sources**

Washington Horse Racing Commission, Annual reports

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 1976 |
| **Primary Beneficiaries:** | Horse-racing tracks |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2022 |

# Chapter 16
# Petroleum Products Tax

# 82.23A.010(1) - Crude oil excluded

**Description**

The definition of petroleum products includes a variety of products derived from refining crude oil but excludes crude oil itself and liquefiable gases. This definition expires on July 1, 2030.

**Purpose**

To avoid taxing crude oil and liquefiable gases.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $37.070 | $51.360 | $13.030 | $53.930 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $47.080 | $13.030 | $53.930 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- The average price of crude oil is equivalent to the forecast for the refiners' acquisition price for crude oil reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- The petroleum products tax will be suspended in July 2025. It is expected to be reactivated in April 2026, and remain on through fiscal year 2027 before being suspended at the beginning of fiscal year 2028 for the next two quarters.

**Data Sources**

- Department of Revenue, Excise tax return data
- Economic and Revenue Forecast Council, March 2023 forecast
- U.S. Energy Information Administration

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Tax base |
| **Year Enacted:** | 1989 |
| **Primary Beneficiaries:** | Refineries, other importers of crude oil |
| **Taxpayer Count:** | 20 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2012 |

# 82.23A.010(1) - Liquefied gasses excluded

**Description**

The definition of taxable petroleum products excludes liquefied or liquefiable gasses such as propane and butane. This definition expires on July 1, 2030.

**Purpose**

This exclusion assumes fuel in a gaseous state imposes much less environmental risk.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.203 | $0.290 | $0.303 | $0.081 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.266 | $0.303 | $0.081 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Washington's liquefied petroleum gas consumption is estimated to grow by 3% annually.
- The average price of liquefied petroleum gas is equivalent to the average estimated propane price.
- The petroleum products tax will be suspended in July 2025. It is expected to be reactivated in April 2026, and remain on through fiscal year 2027 before being suspended at the beginning of fiscal year 2028 for the next two quarters.

**Data Sources**

- Department of Revenue, Excise tax return data
- Economic and Revenue Forecast Council, March 2023 forecast
- U.S. Energy Information Administration

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2004 |
| **Primary Beneficiaries:** | Importers or producers of liquified petroleum gas |
| **Taxpayer Count:** | 150 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2016 |

# 82.23A.030(1) - Successive uses of petroleum

**Description**

Successive possession of previously taxed petroleum products is exempt from the tax. This exemption expires on July 1, 2030.

**Purpose**

Ensure the tax applies only to the first use of petroleum products within the state.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $45.070 | $45.540 | $11.550 | $47.820 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $41.750 | $11.550 | $47.820 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- The petroleum products tax will be suspended in July 2025. It is expected to be reactivated in April 2026, and remain on through fiscal year 2027 before being suspended at the beginning of fiscal year 2028 for the next two quarters.
- The likelihood of successive taxation exposure is expressed in terms of multiplier(s) to the currently reported taxable amount, and it is based on the supply chain where businesses are involved.
- Refineries and other manufacturers, at the beginning of the supply chain, would be subject to a maximum successive taxation, with a multiplier of 1.75.
- Brokers and intermediaries, at the middle of the supply chain, would be subject to moderate successive taxation, with a multiplier of 1.
- Most retailers, at the end of the supply chain, would be subject to a minimal successive taxation, with a multiplier of 0.5.

**Data Sources**

- Department of Revenue, Excise tax data
- Department of Revenue, Non-General Forecast
- Economic and Revenue Forecast Council, March 2023 forecast

# 82.23A.030(1) - Successive uses of petroleum

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Tax base |
| **Year Enacted:** | 1989 |
| **Primary Beneficiaries:** | Wholesalers, distributors, and retailers of petroleum products |
| **Taxpayer Count:** | 140 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2012 and 2017 |

# 82.23A.030(2) - Domestic uses of petroleum

**Description**

Petroleum used by persons (not businesses) for personal or domestic purposes is exempt from petroleum products tax. This exemption expires on July 1, 2030.

**Purpose**

Ensure the tax applies only to businesses that import or produce petroleum in Washington.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.100 | $0.100 | $0.020 | $0.090 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.090 | $0.020 | $0.090 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- This represents the minimum amount of petroleum products exempt from petroleum products tax due to domestic use.
- The growth rate for the domestic use of petroleum products decreases by 2% annually into the future.
- The petroleum products tax will be suspended in July 2025. It is expected to be reactivated in April 2026, and remain on through fiscal year 2027 before being suspended at the beginning of fiscal year 2028 for the next two quarters.

**Data Sources**

- Department of Revenue, Excise tax return data
- Economic and Revenue Forecast Council, March 2023 forecast
- U.S. Energy Information Administration

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 1989 |
| **Primary Beneficiaries:** | Non-business users of petroleum products |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2012 and 2017 |

# 82.23A.030(3) - Constitutional or Federal prohibition on petroleum

**Description**

The petroleum products tax does not apply to persons or activities that the state cannot tax under the U.S. Constitution.

**Purpose**

To prevent violating constitutional law.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would not increase revenues because such an act would be unconstitutional.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

No revenues are realized if the state law is repealed. These sales are constitutionally exempt at the federal level.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 1989 |
| **Primary Beneficiaries:** | The federal government and Indian tribes |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.23A.030(4) - Petroleum used prior to 7/1/89

**Description**

Possession of petroleum before the effective date of tax (7/1/1989) is exempt. This exemption expires on July 1, 2030.

**Purpose**

This prevents the tax from applying to petroleum, on which the owners did not anticipate having to pay tax.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would not increase revenue because currently no taxpayers use it.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

No petroleum products obtained before July 1, 1989, remain in inventory in Washington.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1989 |
| **Primary Beneficiaries:** | None |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2012 with an upcoming review in 2025 |

# 82.23A.030(5) - Fuel used to process petroleum products

**Description**

Natural gas, petroleum coke, liquid fuel, and fuel gas used in processing petroleum products are exempt from petroleum products tax. The exemption expires on July 1, 2030.

**Purpose**

Excludes fuels consumed in processing and restricts the tax to products sold at retail.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.690 | $0.690 | $0.172 | $0.690 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.632 | $0.172 | $0.690 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- The petroleum products tax will be suspended in July 2025. It is expected to be reactivated in April 2026, and remain on through fiscal year 2027 before being suspended at the beginning of fiscal year 2028 for the next two quarters.

**Data Sources**

- Department of Revenue, Excise tax return data
- Economic and Revenue Forecast Council, March 2023 forecast
- U.S. Energy Information Administration
- Washington State Department of Commerce, Carbon Tax Assessment Model, WA Energy Forecast 2019

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Tax base |
| **Year Enacted:** | 1989 |
| **Primary Beneficiaries:** | Petroleum refiners |
| **Taxpayer Count:** | 5 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2012 and 2017 |

# 82.23A.030(6) - Exported petroleum products

**Description**

Petroleum products exported for use outside of Washington are exempt from tax. This exemption expires on July 1, 2030.

**Purpose**

Restricts application of the petroleum products tax to products used in this state.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $15.243 | $17.601 | $4.465 | $18.480 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $16.134 | $4.465 | $18.480 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- The average price of crude oil is equivalent to the forecast for the refiners' acquisition price for crude oil reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- The price change of crude oil over time is a proxy for the price change of various other petroleum-based products.
- The petroleum products tax will be suspended in July 2025. It is expected to be reactivated in April 2026, and remain on through fiscal year 2027 before being suspended at the beginning of fiscal year 2028 for the next two quarters.

**Data Sources**

- Department of Revenue, Excise tax return data
- Economic and Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Tax base |
| **Year Enacted:** | 1989 |
| **Primary Beneficiaries:** | Petroleum exporters |
| **Taxpayer Count:** | 19 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2012 and 2017 |

# 82.23A.030(7) - Packaged petroleum products

**Description**

Petroleum products packaged for sale to ultimate consumers are exempt from the petroleum products tax. This exemption expires on July 1, 2030.

**Purpose**

The tax aims to generate funds to provide adequate insurance and funding for programs to clean up discharges from leaking underground petroleum storage tanks. Presumably, packaged products do not have the potential to cause pollution.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | Minimal | Minimal | Minimal | Minimal |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | Minimal | Minimal | Minimal |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

The revenue impact from the repeal of the exemption on packaged petroleum products is thought to be minimal.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Tax base |
| **Year Enacted:** | 1989 |
| **Primary Beneficiaries:** | Importers of packaged petroleum products |
| **Taxpayer Count:** | Minimal |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2012 and 2017 |

# 82.23A.040(1) - Petroleum exported in fuel tanks

**Description**

A credit may be claimed against the petroleum products tax for fuel exported from the state in the fuel tank of any vehicle, including airplanes, ships, or trucks. This credit expires on July 1, 2030.

**Purpose**

To tax the first use of the products in Washington which have the potential to cause environmental damage. This credit presumes the environmental risk reduces significantly after depositing the fuel in the vehicle fuel tank.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.830 | $0.840 | $0.210 | $0.880 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this credit would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.770 | $0.210 | $0.880 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the growth rate for the refiners' acquisition price for crude oil reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- The petroleum products tax will be suspended in July 2025. It is expected to be reactivated in April 2026, and remain on through fiscal year 2027 before being suspended at the beginning of fiscal year 2028 for the next two quarters.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- Department of Revenue, March 2023 Non-General Forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Tax base |
| **Year Enacted:** | 1989 |
| **Primary Beneficiaries:** | Petroleum refiners |
| **Taxpayer Count:** | 3 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2012 |

# 82.23A.040(2) - Taxes paid in other states

**Description**

Taxpayers may claim a credit against the petroleum products tax for any similar tax paid upon the same product in other states. To qualify for the credit, such tax (1) must be imposed upon the wholesale value of the petroleum products and not constitute an income or value-added tax, and (2) must be a tax specifically directed at petroleum products rather than a general tax. This credit expires on July 1, 2030.

**Purpose**

To ensure tax is applied only once to the same product.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this credit would not increase revenues because currently no taxpayers use it.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- No taxpayers currently use this credit. We expect no usage during the forecasted period of this study.
- Other western states that likely export petroleum products to Washington do not have taxes imposed on the wholesale value of petroleum products.

**Data Sources**

- Multiple state tax commissions and state departments of revenue

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Interstate Commerce |
| **Year Enacted:** | 1989 |
| **Primary Beneficiaries:** | Importers of products from jurisdictions with similar taxes on petroleum products |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# Chapter 17
# Property Tax

# Property Tax Exemptions – General Information

**Property taxation**

Washington taxes all property unless the law specifically exempts the property. County treasurers collect property taxes for all taxing districts on a calendar year basis. Property taxes include:

- State property taxes, which help fund public schools.
- Local property taxes, which fund services and programs provided by counties, cities, and various districts, such as fire, school, and library.

The assessed value of real and personal property is public information. Estimates relying only on public information will show an impact even if fewer than three taxpayers are using an exemption. However, the department cannot release confidential income data and personal property asset lists. Estimates using confidential income data or asset lists with fewer than three taxpayers are confidential and will have a "CTI" for the impact.

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**Maximum tax rates**

The law sets maximum tax rates for state and local property taxes, but usually, the taxing district's budget creates limitations on total property taxes. For this reason, Washington's property tax system is a budget-based property tax system for both state and local property taxes. Under a budget-based system, a property tax exemption shifts the tax to other property owners.

County assessors spread property taxes across the taxable property in the district based on the total value of taxable property in the district. This establishes the taxing district's property tax rate. However, taxing districts overlap, so the law also limits an area's total property tax rate. The assessor decreases rates in a specific order based on the total rate for a given area.

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**Tax shifts**

Exempting property from taxes results in a tax shift because the total property value in a district decreases by the value of the exempted property. This causes the property tax rate to increase when the assessor spreads the taxes across the remaining taxable property in a district. While the exempt taxpayer now pays no property taxes, the taxes shift to other taxpayers who pay more due to the increase in the rate. However, when the rate increases, it can hit the district's maximum allowable rate or the area's maximum allowable property tax rate. This results in a tax loss to the taxing districts because the rate cannot increase beyond the rate limitations.

When the Legislature repeals a property tax exemption, the total taxable property value increases, causing the property tax rate to decrease. This shifts taxes back to the exempt property owner, causing other taxpayers to pay less. If rate limitations reduced the rate prior to the removal of the exemption, repealing the property tax exemption may increase taxing district revenues.

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**Taxpayer Savings**

Taxpayer savings, as shown in this report, represent the amount a taxpayer receiving an exemption saves by being exempt from the tax. Under a budget-based system, these taxes shift to other taxpayers; therefore, the taxpayer savings do not equal the revenue gain from a repeal of the exemption.

**Assumptions**

The property tax exemptions analyzed in this report use the following assumptions unless otherwise noted:

- The Economic and Revenue Forecast Council forecasts state property taxes to remain below the maximum tax rate. So, a repeal of a property tax exemption shifts state property taxes to exempt property owners and results in no potential revenue gain.

- Analyses of local property taxes show that with a repeal of a property tax exemption, 90% of local taxes would shift to exempt property owners, and 10% of local taxes would increase revenues for local taxing districts.

- Unless otherwise stated, the total value exempted grows at the same rate as the statewide market value as forecasted by the Economic and Revenue Forecast Council in the March 2023 forecast.

- Based on five years of state property tax collections, 52.36% occur in April, and 47.64% occur in October. When converting from calendar year to fiscal year, estimates assume taxpayer savings and potential revenue gains follow this trend.

- For local potential revenue gains, the Legislature repeals the property tax exemption beginning with property taxes due for calendar year 2025, so the estimated local potential revenue gains for fiscal year 2025 include only the increase in April 2025 collections.

# 35.21.755 - Public corporations

**Description**

Public corporations, commissions, and authorities must pay an in-lieu excise tax equal to what the property tax would be if a private owner owned the property.

Certain properties are exempt from this in-lieu tax including property:

- Located in a special review district established prior to January 1, 1976.
- Listed on a federal or state register of historical sites.
- Used primarily for low-income housing, as a convention center, performing arts center, public assembly hall, public meeting place, public esplanade, street, public way, public open space, park, public utility corridor, or public view corridor.
- Considered blighted property acquired by a public corporation for remediation purposes.
- Used for transit purposes by a regional transit authority.

Certain historical properties are exempt from leasehold excise taxes.

**Purpose**

Supports social benefits provided by community resources and encourages owners to retain historical property.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | Indeterminate | Indeterminate | Indeterminate | Indeterminate |
| Local Taxes | Indeterminate | Indeterminate | Indeterminate | Indeterminate |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | Indeterminate | Indeterminate | Indeterminate |
| Local Taxes | $0.000 | Indeterminate | Indeterminate | Indeterminate |

**Assumptions**

The law no longer requires county assessors to assess government owned property; therefore, these estimates are indeterminate.

**Data Sources**

Survey of county assessor offices

# 35.21.755 - Public corporations

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 1974 |
| **Primary Beneficiaries:** | Public Housing Authorities, Preservation and Development Authorities, Meydenbauer Convention Center in Bellevue, Thea Foss Esplanade in Tacoma, and the Regional Transit Authority |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2016 |

# 82.48.110 - General aviation

**Description**

Provides a property tax exemption for general aviation aircraft when aircraft excise tax is paid.

**Purpose**

To eliminate double taxation.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $3.931 | $4.026 | $4.123 | $4.223 |
| Local Taxes | $11.627 | $12.278 | $12.967 | $13.696 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.360 | $0.705 | $0.740 |

**Assumptions**

- The total estimated exempt value is $1.8 billion.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Repealing this exemption shifts an estimated $4.3 million in state property taxes to exempt property owners and shifts an estimated $12.3 million in local property taxes in fiscal year 2026.

**Data Sources**

- Department of Transportation, Aircraft registration data
- Yahoo Finance, Aviation Year-Over-Year Value Increases Cooling Off
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 1949 |
| **Primary Beneficiaries:** | Owners of general aviation aircraft registered with the Department of Transportation |
| **Taxpayer Count:** | 7,395 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2009 and expedited review completed in 2019 |

# 84.14.020 - Multi-unit urban housing

**Description**

Real property associated with the construction, conversion or rehabilitation of qualified, multi-unit residential structures located in targeted residential areas contained within an urban center or urban growth area are exempt from property tax for up to 8, 12, or 20 years, depending on qualifications. Cities with a population of 5,000 or more are eligible to establish the target areas; smaller cities may participate if they are the largest city or town located in a county that is required to plan under the Growth Management Act. Or, until December 31, 2026, in any city where certain minimum building density requirements are met.

For properties that received and satisfied the conditions of an 8- or 12-year exemption may qualify for an extension for an additional 12 years, following the initial exemption period.

The value of the land and any improvements constructed prior to the submission of the exemption application are not exempt.

At the conclusion of the exemption period, the value of the new housing construction, conversion, or rehabilitation improvements must be considered as new construction as though the property was not exempt under this chapter.

**Purpose**

Encourages the development of multiple-unit housing including creating additional affordable housing, encouraging urban development and density, increasing market rate workforce housing, developing permanently affordable housing opportunities, promoting economic investment and recovery, and creating family-wage jobs.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $33.759 | $34.573 | $35.406 | $36.271 |
| Local Taxes | $99.865 | $105.454 | $111.367 | $117.623 |

**Repeal of exemption**

Under a budget-based system, repealing a property tax exemption would normally not increase revenue. The repeal would just shift the property tax to the currently exempt taxpayers. However, portions of the currently exempt value were never added to the property tax roll. If this exemption was repealed, the value not yet added to the property tax roll would be added as new construction thereby increasing revenue. Any exempt value already added to the property tax roll would result in a shift of property taxes to the property owners currently receiving this exemption.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $3.090 | $6.055 | $6.356 |

# 84.14.020 - Multi-unit urban housing

**Assumptions**

- Total estimated exempt value is $15.5 billion.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $36.6 million in state property taxes to exempt property owners and shifts an estimated $105.3 million in local property taxes in fiscal year 2026.
- Assessors would add a portion of the currently exempt property to the tax roll as new construction, adding to the levy capacity for both state and local property tax levies. The amount of value added to the tax roll is unknown and therefore the revenue gains are indeterminate and excluded from these estimates.

**Data Sources**

- Survey of county assessor offices
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1995 |
| **Primary Beneficiaries:** | The owners of qualifying multi-unit residential structures |
| **Taxpayer Count:** | 1,300 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2019 |

# 84.14.021 - Multi-family housing in urban area

**Description**

Real property associated with the construction, conversion or rehabilitation of qualified, multi-unit residential structures may be exempt from property tax for 20 years. For the property to qualify for the exemption, at least 25% of the units must be sold to a qualified nonprofit or local government partner that will assure permanent affordable homeownership. The remaining 75% of units may be rented or sold at market rates. The property must also be located in a targeted residential area contained within an urban growth centers Cities with a population of 5,000 or more are eligible to establish the target areas; smaller cities may participate if they are the largest city or town located in a county that is required to plan under the Growth Management Act. Or, until December 31, 2026, in any city where certain minimum building density requirements are met.

The value of the land and any improvements constructed prior to the submission of the exemption application are not exempt.

At the conclusion of the exemption period, the value of the new housing construction, conversion, or rehabilitation improvements must be considered as new construction as though the property was not exempt under this chapter.

**Purpose**

Encourages the development of multiple-unit housing including creating additional affordable housing, encouraging urban development and density, increasing market rate workforce housing, developing permanently affordable housing opportunities, promoting economic investment and recovery, and creating family-wage jobs.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Under a budget-based system, repealing a property tax exemption would normally not increase revenue. The repeal would just shift the property tax to the currently exempt taxpayers. However, portions of the currently exempt value were never added to the property tax roll. If this exemption was repealed, the value not yet added to the property tax roll would be added as new construction thereby increasing revenue. Any exempt value already added to the property tax roll would result in a shift of property taxes to the property owners currently receiving this exemption.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

# 84.14.021 - Multi-family housing in urban area

**Assumptions**

- There are no known properties receiving this exemption.
- No one completes a project and applies for this exemption during the period of this study.

**Data Sources**

- Survey of county assessor offices

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2021 |
| **Primary Beneficiaries:** | The owners of qualifying multi-unit residential structures |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 84.25.040 - Targeted urban industrial or manufacturing new construction

**Description**

The new construction value of qualifying industrial or manufacturing facilities is exempt from certain levies. This exemption does not apply to the state property tax levy. It only applies to county property taxes with the approval of the governing body of that county. The exemption is valid for 10 years and no new application may be made after December 31, 2030.

At the conclusion of the exemption period, the new industrial/manufacturing facilities cost must be considered as new construction for the purposes of levy calculations.

**Purpose**

To promote new manufacturing and industrial uses on undeveloped or underutilized lands zoned for industrial and manufacturing uses.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.066 | $0.067 | $0.067 | $0.068 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.067 | $0.067 | $0.068 |

**Assumptions**

- Total estimated exempt value is $12.0 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- This exemption does not apply to state property taxes.
- No additional properties will use this exemption during the forecasted period.
- Since these improvements were never added to the tax roll, if the exemption were repealed it will result in a revenue gain for local districts.

**Data Sources**

- Survey of county assessor offices
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

# 84.25.040 - Targeted urban industrial or manufacturing new construction

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Industrial |
| **Year Enacted:** | 2015 |
| **Primary Beneficiaries:** | Businesses building industrial or manufacturing facilities |
| **Taxpayer Count:** | 1 |
| **Program Inconsistency:** | None known |
| **JLARC Review:** | Full review completed in 2021 |

# 84.26.070 - Historic property rehabilitation

**Description**

Eligible historic property may receive a special valuation upon approval of the owner's application. The property may have a 10-year special valuation by subtracting rehabilitation costs that exceed 25% of historic property from the assessed value.

A historic property is also eligible for two seven-year extensions of the special valuation if located in a county that is listed as a distressed area and in a city with less than 20,000 in population, and if the property continues to meet the special valuation criteria.

**Purpose**

Encourages the renovation of historic buildings while preserving their architectural and cultural value.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $2.530 | $2.557 | $2.583 | $2.611 |
| Local Taxes | $7.485 | $7.798 | $8.125 | $8.466 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. The repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. The repeal may decrease the local rate. Local taxing districts at their statutory maximum may experience a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.227 | $0.442 | $0.457 |

**Assumptions**

- The total estimated exempt value is $1.2 billion.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $2.7 million in state property taxes to exempt property owners and shifts an estimated $7.7 million in local property taxes in fiscal year 2026.

**Data Sources**

- Joint Legislative Audit and Review Committee
- Survey of county assessor offices
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

# 84.26.070 - Historic property rehabilitation

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 1985 |
| **Primary Beneficiaries:** | Owners of historic property who rehabilitate the structure |
| **Taxpayer Count:** | 400 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2023 |

# 84.33.040 - Timber

**Description**

Timber is exempt from property tax.

**Purpose**

Simplifying the taxation of timber.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $2.690 | $2.755 | $2.821 | $2.890 |
| Local Taxes | $7.958 | $8.403 | $8.874 | $9.374 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.246 | $0.483 | $0.507 |

**Assumptions**

- The total estimated exempt value is $1.2 billion.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the timber excise tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $2.9 million in state property taxes to exempt property owners and shifts an estimated $8.4 million in local property taxes in fiscal year 2026.

**Data Sources**

- Department of Revenue, Timber excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Tax base |
| **Year Enacted:** | 1971 |
| **Primary Beneficiaries:** | Owners of timber and those with contracts to harvest timber |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2010 and 2023 |

# 84.33.140 - Forest land, statutory values

**Description**

This law provides a statutory formula to calculate the taxable value for forest lands as bare timber land without considering the highest and best use of the land or the standing timber.

**Purpose**

Encourages the retention of private land in timber production and provides uniformity in the valuation of forest land.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $11.667 | $11.788 | $11.911 | $12.037 |
| Local Taxes | $34.509 | $35.952 | $37.461 | $39.029 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. The repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. The repeal may decrease the local rate. Local taxing districts at their statutory maximum may experience a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $1.047 | $2.037 | $2.109 |

**Assumptions**

- The total estimated exempt value is $5.4 billion.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $12.3 million in state property taxes to exempt property owners and shifts an estimated $35.4 million in local property taxes in fiscal year 2026.

**Data Sources**

- Department of Revenue, Property tax data
- Survey of county assessor offices
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

# 84.33.140 - Forest land, statutory values

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1971 |
| **Primary Beneficiaries:** | Owners of designated forest land |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 84.33.140(13,14) - Forest land compensating tax

**Description**

When removing forest land from the designated forest land program, landowners must pay a compensating tax due to the lower land valuations associated with this program. This statute waives the compensating tax for removing forest land in the following situations:

- Transferring the land to a government entity in exchange for other forest land in Washington.
- Taking the land through eminent domain or threat of eminent domain.
- Donating the title, development rights, or right to harvest to a government agency or organization.
- Selling or transferring the land to a government entity or nonprofit nature conservancy for conservation purposes, such as state natural area preserve purposes.
- Transferring the land to the parks and recreation commission.
- Official action by a Washington state agency or the county or city in which the land is located that disallows the present use of the land,
- Creating or transferring a forestry riparian easement.
- Creating or transferring a conservation easement of private forest lands within a migration zone or containing critical habitat for threatened or endangered species.
- Transferring the land within two years of the death of the owner of at least 50% interest in the land and if the land was classified continuously since 1993.
- Discovering that the land designation is in error through no fault of the owner.

This statute also waives the compensating tax for removing forest land from the designated forest land program in a county with a population of more than 600,000 or in a county with a population of at least 245,000 that borders Puget Sound if the land transfers to a government entity or nonprofit historic preservation or nature conservancy organization. The organization must use the land to protect or enhance public resources, or preserve, maintain, improve, restore, limit the future use of, or otherwise conserve for public use or enjoyment.

**Purpose**

Encourages land transfers for conservation purposes and avoids penalizing owners for events that occur outside of their control under certain circumstances.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.254 | $0.266 | $0.287 | $0.306 |
| Local Taxes | $0.648 | $0.680 | $0.735 | $0.782 |

**Repeal of exemption**

Normally a repeal of a property tax exemption results in a shift of property taxes. However, this is a repeal of a compensating tax exemption, which results in a revenue gain for both state and local taxes.

# 84.33.140(13,14) - Forest land compensating tax

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.127 | $0.287 | $0.306 |
| Local Taxes | $0.000 | $0.324 | $0.735 | $0.782 |

**Assumptions**

- The total estimated exempt value is $9.7 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption does not shift state or local taxes.

**Data Sources**

- Survey of county assessor offices
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 1971 |
| **Primary Beneficiaries:** | Owners of property that has been removed from the designated forest land classification |
| **Taxpayer Count:** | 30 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2010 and 2023 |

# 84.33.140(15) - Designated forest land removal due to natural disaster

**Description**

The compensating tax authorized in this section may not be imposed on land removed from designation as forestland solely as a result of a natural disaster such as a flood, windstorm, earthquake, wildfire, or other such calamity rather than by virtue of the act of the landowner changing the use of the property.

**Purpose**

Provides economic relief to property owners when their real property has been removed from designation as forestland due to a natural disaster.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Normally a repeal of a property tax exemption results in a shift of property taxes. However, this is a repeal of a compensating tax exemption, which results in a revenue gain for both state and local taxes.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

Of the counties responding to our survey, none reported use of this exemption. Taxpayers may use this exemption in the future, but the impact to state revenue is likely minimal and the impact to local revenue would depend on the size of the disaster.

**Data Sources**

Survey of county assessor offices

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 2017 |
| **Primary Beneficiaries:** | Forest property owners suffering a natural disaster |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 84.33.210(1) - Forest land special assessments

**Description**

Special benefit assessments do not apply to designated forest lands. This exemption applies to assessments by local improvement districts that may include forest land, as well as special benefit assessments for projects such as sewer systems, domestic water supply and road improvements. Neither local jurisdictions nor improvement districts are obligated to provide these services to the exempt forest land. However, the landowner may waive the exemption, pay the assessment, and receive the services.

**Purpose**

To exclude designated forest land from special benefit assessments. To reduce the obligation of local jurisdictions and improvement districts to provide services to exempt forest land.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase local revenues. Improvement districts levy only at the local level, so there would be no revenue change to the state.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | Minimal | Minimal | Minimal |

**Assumptions**

Of the counties responding to our survey, none reported use of this exemption. Any impacts to local revenue are likely minimal.

**Data Sources**

Survey of county assessor offices

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 1992 |
| **Primary Beneficiaries:** | Owners of designated forest land |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2023 |

# 84.34.020(2) - Qualifying land used for growing plants in containers

**Description**

In 2014, the definition of "farm and agricultural land" expanded the current use program to include qualifying land used for horticultural purposes to allow the growing of plants in containers.

**Purpose**

Supports plant nurseries that are increasingly growing plants in containers.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. A repeal may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

Qualifying land used for growing plants in containers is defined as farm and agricultural land, which is assessed at its current use value. This impact is part of the impact of assigning current use value to farm and agricultural land.

**Data Sources**

Department of Revenue, Property tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Agriculture |
| **Year Enacted:** | 1973 |
| **Primary Beneficiaries:** | Owners of qualifying nurseries that grow plants primarily in containers. |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 84.34.060 - Open space land, current use

**Description**

Open space land and timber land in the current use program are valued based only on the use of the property and does not include potential uses of the property. Open space land in the current use program is valued using either a public benefit rating system (PBRS) no lower than the lowest per acre value of farm and agricultural land in the county if a PBRS does not exist. Timber land in the current use program is valued in the same way as designated forest land, using land grades and operability classes.

**Purpose**

Encourages the owners of open space and timber lands to keep the property in its natural state by valuing the land as it is currently being used rather than its highest and best use.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $5.503 | $5.586 | $5.672 | $5.760 |
| Local Taxes | $16.289 | $17.076 | $17.905 | $18.776 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. The repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. The repeal may decrease the local rate. Local taxing districts at their statutory maximum may experience a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.493 | $0.958 | $0.992 |

**Assumptions**

- The total estimated exempt value is $2.5 billion.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption results in a state levy shift of an estimated $5.9 million and a local levy shift of an estimated $17 million in fiscal year 2026.

**Data Sources**

- Department of Revenue, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

# 84.34.060 - Open space land, current use

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 1970 |
| **Primary Beneficiaries:** | Owners of open space and timberlands |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | Land preservation could be considered inconsistent with economic development and urban renewal programs |
| **JLARC Review:** | No review completed |

# 84.34.065 - Farm lands, current use

**Description**

Productive capacity determines the taxable value of farm and agricultural land in the current use program. Productive capacity is defined as the net cash rental capitalized at a rate of interest charged on a farm mortgage plus a component for property taxes. While market value based on highest and best use determines the taxable value of most other property, farm and agricultural land has a reduced taxable value in Washington.

The current use value of the land where the farm owner or employees reside is based on the prior year's average value of farm and agricultural land in the current use program for the county plus the value of land improvements that serve the residence.

**Purpose**

Encourages owners of farm and agricultural land to continue using the land for agricultural purposes.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $47.014 | $48.148 | $49.309 | $50.513 |
| Local Taxes | $139.077 | $146.860 | $155.095 | $163.808 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. The repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. The repeal may decrease the local rate. Local taxing districts at their statutory maximum may experience a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $4.304 | $8.433 | $8.851 |

**Assumptions**

- The total estimated exempt value is $21.6 billion.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $51.0 million in state property taxes to exempt property owners and shifts an estimated $146.7 million in local property taxes in fiscal year 2026.

**Data Sources**

- Survey of county assessor offices
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

# 84.34.065 - Farm lands, current use

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Agriculture |
| **Year Enacted:** | 1973 |
| **Primary Beneficiaries:** | Owners of farm and agricultural lands |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 84.34.108(6) - Open space land classification removal - additional tax, interest, and penalty

**Description**

Landowners pay additional tax when removing land from the current use program to reimburse the county for past taxes lost due to the low land value associated with the program. This statute waives the additional tax for removing land from current use in the following situations:

- Transferring to a government entity in exchange for other land in Washington.
- Taking the land through eminent domain.
- Natural disaster- flood, windstorm, earthquake, wildfire, or other such calamity- changing the use of the property.
- Official action by a Washington agency or the county or city in which the land is located that disallows the present use of the land.
- Transferring to a church.
- Transferring to a government agency or organization in order to conserve the land for future use.
- Removing land classified as farm and agricultural land that houses farm employees or the principal residence of the farmer.
- Removing land if a new statute qualifies it for exemption.
- Creating or transferring a forestry riparian easement.
- Creating or transferring a conservation easement of private forest lands within a migration zone or containing critical habitat for threatened or endangered species.
- Selling the land within two years of the death of the owner if the land was classified as timber land continuously since 1993.
- Discovering that the land designation is in error through no fault of the owner.

**Purpose**

Avoids penalizing landowners in the current use program for a change in use under certain circumstances, with the exception of an error through no fault of the owner, change in uses compatible with the purpose of the current use program, or where the property becomes fully exempt upon transfer to a church or upon qualifying under a new exemption.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.723 | $0.782 | $0.833 | $0.880 |
| Local Taxes | $3.472 | $3.758 | $4.004 | $4.227 |

**Repeal of exemption**

Normally a repeal of a property tax exemption results in a shift of property taxes. However, this is a repeal of a compensating tax exemption, which results in a revenue gain for both state and local taxes.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $3.758 | $4.004 | $4.227 |

# 84.34.108(6) - Open space land classification removal - additional tax, interest, and penalty

**Assumptions**

- The total estimated exempt value is $39.8 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

**Data Sources**

- Survey of county assessor offices
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 1973 |
| **Primary Beneficiaries:** | Owners of open space lands sold under certain circumstances |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2011 |

# 84.36.010(1) - Second Narrows bridge

**Description**

A property tax exemption is provided for state route 16 corridor transportation systems and facilities constructed.

**Purpose**

This exemption is intended to exempt any private property used in conjunction with construction and operation of the second Narrows bridge in Pierce County which will span Puget Sound. When adopted, the exemption was predicated upon the assumption that the bridge would be built with private funding until construction was complete and subsequently deeded to the state. This exemption was therefore intended to lower the overall cost of the project to enhance the likelihood of private investors funding the cost of construction.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this property tax exemption would not increase revenues. There is no private property in use on the second Narrows Bridge Project at this time.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

There is no private property in use on the second Narrows Bridge. We expect no usage during the forecasted period of this study.

**Data Sources**

Department of Revenue, Property tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1998 |
| **Primary Beneficiaries:** | None |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2020 |

# 84.36.010(1) - Cities and towns

**Description**

Real and personal property owned by municipalities is exempt from property taxation.

**Purpose**

Property of municipal corporations is exempt under the Washington Constitution. This reflects a long-standing legislative policy not to tax publicly owned property.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $173.860 | $175.670 | $177.504 | $179.374 |
| Local Taxes | $514.258 | $535.764 | $558.261 | $581.629 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $15.604 | $30.355 | $31.430 |

**Assumptions**

- The total estimated exempt value is $80.6 billion.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption results in a state levy shift of an estimated $183.6 million and a local levy shift of an estimated $527.9 million in fiscal year 2026.
- If this exemption is repealed the Constitution will be amended.
- The value of city and town government facilities per general employee is the same as the State of Washington facility value per general employee.
- Of county and municipal timber and forest land, 95% is owned by the county and 5% by cities and towns.

**Data Sources**

- U.S. Forest Service, Forest inventory by state
- Employment Security Department, Covered employment
- Department of Transportation, Annual mileage and travel information
- Office of the State Auditor, Local Government Financial Reporting System, Total financial summary
- Office of Financial Management, Comprehensive annual financial report
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023
- County Assessor, Abstract data

# 84.36.010(1) - Cities and towns

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 1889 |
| **Primary Beneficiaries:** | Cities and towns |
| **Taxpayer Count:** | 300 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 84.36.010(1) - Community centers, nonprofits

**Description**

Property tax does not apply, for 40 years, to surplus property and buildings of a school district acquired by a nonprofit organization that uses the property as a community center.

**Purpose**

Supports the social benefits these nonprofit organizations provide.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.105 | $0.108 | $0.110 | $0.113 |
| Local Taxes | $0.311 | $0.328 | $0.347 | $0.366 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.009 | $0.019 | $0.020 |

**Assumptions**

- The total estimated exempt value is $48.4 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $115,000 in state property taxes to exempt property owners and shifts an estimated $330,000 in local property taxes in fiscal year 2026.

**Data Sources**

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 2007 |
| **Primary Beneficiaries:** | Nonprofit community centers |
| **Taxpayer Count:** | 4 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 84.36.010(1) - County government

**Description**

Real and personal property owned by county government is exempt from property taxation.

**Purpose**

Property of a county government is exempt under the Washington Constitution. This reflects a long-standing legislative policy not to tax publicly owned property.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $198.147 | $200.210 | $202.300 | $204.431 |
| Local Taxes | $586.097 | $610.606 | $636.245 | $662.878 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase. A repeal of this exemption would require an amendment to Article VII of the Washington State Constitution.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $17.784 | $34.596 | $35.820 |

**Assumptions**

- The total estimated exempt value is $91.8 billion.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Repealing this exemption results in a state levy shift of an estimated $209.2 million and a local levy shift of an estimated $601.7 million in fiscal year 2026.
- If this exemption is repealed the state constitution will also be amended.
- The value of county government facilities per general employee is the same as the state's facility value per general employee.
- Dirt roads make up a large share of county road miles, so the value of county roads per mile is half the value of state-owned roads per mile.
- Of county and municipal timber and forest land, 95% is owned by the county and 5% by cities and towns.

# 84.36.010(1) - County government

**Data Sources**

- U.S. Forest Service, Forest inventory by state
- Employment Security Department, Covered employment
- Department of Transportation, Annual mileage and travel information
- Office of the State Auditor, Local Government Financial Reporting System, Total financial summary
- Office of Financial Management, Comprehensive annual financial report
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023
- County Assessor, Abstract data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 1889 |
| **Primary Beneficiaries:** | Counties |
| **Taxpayer Count:** | 39 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 84.36.010(1) - Federal government

**Description**

Real and personal property owned by the federal government is exempt from property taxation.

**Purpose**

Property of the federal government is exempt under the Washington Constitution, except to the extent that Congress specifically allows such taxation, which it has rarely done. The federal government does make certain payments in lieu of property taxes, e.g., for federal forest lands.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $138.444 | $139.885 | $141.345 | $142.834 |
| Local Taxes | $409.501 | $426.625 | $444.539 | $463.147 |

**Repeal of exemption**

Repealing this exemption would not increase revenues. Constitutional case law makes federal instrumentalities immune from state and local taxes.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- Total estimated exempt value is $63.3 billion.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption would not increase revenues. Constitutional case law makes federal instrumentalities immune from state and local taxes.
- The value of federal government facilities per federal general employee is the same as the Washington facility value per Washington general employee.

**Data Sources**

- U.S. Forest Service, Forest inventory by state
- Employment Security Department, Covered employment
- Department of Transportation, Other public and lane road miles
- Office of Financial Management, Comprehensive annual financial report
- U.S. Department of Defense, Base structure report
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023
- County Assessor, Abstract data

# 84.36.010(1) - Federal government

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 1854 |
| **Primary Beneficiaries:** | The U.S. government and its agencies and instrumentalities |
| **Taxpayer Count:** | 1 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 84.36.010(1) - Fire districts

**Description**

Real and personal property owned by fire districts is exempt from property taxation.

**Purpose**

Property of municipal corporations, such as fire districts, is exempt under the Washington Constitution. This reflects a long-standing legislative policy not to tax publicly owned property.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.789 | $0.808 | $0.828 | $0.848 |
| Local Taxes | $1.024 | $1.035 | $1.044 | $1.051 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.214 | $0.419 | $0.440 |

**Assumptions**

- The total estimated exempt value is $1.17 billion.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $2.4 million in state property taxes to exempt property owners and shifts an estimated $625,000 in local property taxes in fiscal year 2026.

**Data Sources**

- County Assessor, Property tax data
- Fire district valuation data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

# 84.36.010(1) - Fire districts

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 1933 |
| **Primary Beneficiaries:** | Fire protection districts |
| **Taxpayer Count:** | 348 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 84.36.010(1) - Foreign consulates

**Description**

Property owned by a foreign national government, or an international commission is exempt from property taxation. To qualify, the property must serve exclusively as an office or residence for a consul or official representative of that nation and the consul or representative must be a citizen of that nation.

**Purpose**

Follows the principle of reciprocity, whereby a foreign nation will not tax the property of a U.S. consulate if it is used and maintained by U.S. nationals.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.075 | $0.076 | $0.077 | $0.078 |
| Local Taxes | $0.223 | $0.232 | $0.242 | $0.252 |

**Repeal of exemption**

Repealing this exemption would not increase revenues. Constitutional case law makes federal instrumentalities immune from state and local taxes.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- Total estimated exempt value is $34.4 million.
- Repealing this exemption would not increase revenues. Constitutional case law makes federal instrumentalities immune from state and local taxes.

**Data Sources**

- Survey of county assessor offices
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 1967 |
| **Primary Beneficiaries:** | Foreign governments |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 84.36.010(1) - Port districts

**Description**

Real and personal property owned by port districts is exempt from property taxation.

**Purpose**

Property of a municipal corporation, such as a port district, is exempt under the Washington Constitution. This reflects a long-standing legislative policy not to tax publicly owned property.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $34.066 | $34.420 | $34.780 | $35.146 |
| Local Taxes | $100.762 | $104.976 | $109.384 | $113.962 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase. A repeal of this exemption would require an amendment to Article VII of the Washington State Constitution.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $3.057 | $5.948 | $6.159 |

**Assumptions**

- The total estimated exempt value is $15.6 billion.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $36.0 million in state property taxes to exempt property owners and shifts an estimated $103.4 million in local property taxes in fiscal year 2026.
- If this exemption is repealed the Constitution will be amended.
- The relationship between revenue and expenditures to property value of Tacoma and Seattle ports are similar for all other Washington ports.

# 84.36.010(1) - Port districts

**Data Sources**

- Washington Public Ports Association
- Port of Seattle, Comprehensive annual financial report
- Port of Tacoma, Annual financial report
- Office of the State Auditor, Local Government Financial Reporting System, Total financial summary
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 1911 |
| **Primary Beneficiaries:** | Public port districts |
| **Taxpayer Count:** | 81 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 84.36.010(1) - Public colleges & universities

**Description**

Real and personal property owned by public colleges and universities is exempt from property taxation. In addition, property leased to an institution of higher education by a nonprofit foundation established for the exclusive support of the institution is exempt.

**Purpose**

Property of the state government is exempt under the Washington Constitution. This reflects a long-standing legislative policy not to tax publicly owned property.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $55.704 | $56.284 | $56.872 | $57.471 |
| Local Taxes | $164.766 | $171.657 | $178.864 | $186.352 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase. A repeal of this exemption would require an amendment to Article VII of the Washington State Constitution.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $4.999 | $9.726 | $10.070 |

**Assumptions**

- Total estimated exempt value is $25.8 billion.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $58.9 million in state property taxes to exempt property owners and shifts an estimated $169.1 million in local property taxes in fiscal year 2026.
- If this exemption is repealed the Constitution will be amended.
- The estimated assessed value is the estimated land value plus the book building value plus the book equipment value.

**Data Sources**

- National Center for Education Statistics - Integrated Postsecondary Education Data System
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

# 84.36.010(1) - Public colleges & universities

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 1889 |
| **Primary Beneficiaries:** | Colleges and universities |
| **Taxpayer Count:** | 42 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 84.36.010(1) - Public K-12 schools

**Description**

Real and personal property owned by school districts is exempt from property taxation.

**Purpose**

Property of school districts is exempt under the Washington Constitution. This reflects a longstanding legislative policy not to tax publicly owned property.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $240.265 | $242.766 | $245.301 | $247.885 |
| Local Taxes | $710.675 | $740.395 | $771.485 | $803.778 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase. A repeal of this exemption would require an amendment to Article VII of the Washington State Constitution.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $21.563 | $41.950 | $43.434 |

**Assumptions**

- Total estimate exempt value is 109.8 billion.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $253.6 million in state property taxes to exempt property owners and shifts an estimated $729.5 million in local property taxes in fiscal year 2026.
- If this exemption is repealed the Constitution will be amended.

**Data Sources**

- Office of Superintendent of Public Instruction, Information and conditions of schools
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

# 84.36.010(1) - Public K-12 schools

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 1889 |
| **Primary Beneficiaries:** | Approximately 2,100 campuses of the 295 public school districts |
| **Taxpayer Count:** | 295 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 84.36.010(1) - Public utility districts

**Description**

Real and personal property owned by public utility districts, which are municipal corporations, is exempt from property taxation. However, public utility districts must pay a privilege tax in lieu of property tax based on the electricity they generate and distribute or based on the water and/or sewer services they provide.

**Purpose**

Property of municipal corporations is exempt under the Washington Constitution. This reflects a long-standing legislative policy not to tax publicly owned property.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $37.982 | $38.377 | $38.778 | $39.187 |
| Local Taxes | $112.346 | $117.044 | $121.959 | $127.065 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase. A repeal of this exemption would require an amendment to Article VII of the Washington State Constitution.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $3.409 | $6.631 | $6.866 |

**Assumptions**

- Total estimated exempt value is $17.6 billion.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Repealing this exemption shifts an estimated $40.2 million in state property taxes to exempt property owners and shifts an estimated $115.3 million in local property taxes in fiscal year 2026.
- Assume utility plant value per gallon is the same for both water & sewer.
- If this exemption is repealed the Constitution will be amended.

**Data Sources**

- Washington Public Utility Districts Association, 2022 Sourcebook
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

# 84.36.010(1) - Public utility districts

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 1931 |
| **Primary Beneficiaries:** | Nonprofit utilities that provide electricity, water, wastewater services, and wholesale telecommunications |
| **Taxpayer Count:** | 28 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 84.36.010(1) - State government

**Description**

Real and personal property owned by the state is exempt from property taxation.

**Purpose**

Property of the state government is exempt under the Washington Constitution. This reflects a long-standing legislative policy not to tax publicly owned property.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $106.569 | $107.678 | $108.803 | $109.949 |
| Local Taxes | $315.219 | $328.401 | $342.191 | $356.514 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase. A repeal of this exemption would require an amendment to Article VII of the Washington State Constitution.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $9.565 | $18.607 | $19.265 |

**Assumptions**

- Total estimated exempt value is $49.4 billion.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $112.6 million in state property taxes to exempt property owners and shifts an estimated $323.6 million in local property taxes in fiscal year 2026.
- If this exemption is repealed the Constitution will be amended.

**Data Sources**

- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023
- Office of Financial Management, Comprehensive annual financial report

# 84.36.010(1) - State government

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 1889 |
| **Primary Beneficiaries:** | The state of Washington |
| **Taxpayer Count:** | 1 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 84.36.010(1) - Tribal property - Essential government services

**Description**

Property belonging to any federally recognized Indian tribe is exempt from property tax if the property is used exclusively for essential government services including economic development services.

**Purpose**

This statute is directed toward tribal owned property which is located off the tribe's reservation. The purpose is to treat all tribes alike and to treat all property used for government services in the same manner. The governmental facilities of most tribes are sited on tribal lands which are exempt from property tax, just as the land owned by local governments is exempt. However, at least one tribe has little land held in trust and must therefore purchase non-tribal land for governmental facilities. Also, as "economic development" is recognized as an essential government service for purposes of qualifying tribally owned property for property tax exempt status and it is defined as including commercial activities, tribes that operate facilities located off the reservation must negotiate and make a payment in lieu of leasehold excise tax (PILT) and other operators of these properties are subject to leasehold excise tax (LET).

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $2.251 | $2.579 | $2.956 | $3.388 |
| Local Taxes | $6.664 | $7.875 | $9.307 | $10.998 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.243 | $0.506 | $0.594 |

**Assumptions**

- Total estimated exempt value is $975 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Repealing this exemption shifts an estimated $3.0 million in state property taxes to exempt property owners and shifts an estimated $8.8 million in local property taxes in fiscal year 2026.
- Market value of properties receiving this exemption mirror the past value growth of other real property.
- Market value of properties receiving this exemption will mirror the forecasted growth rate going forward.
- Additional properties will receive the exemption in the future at the same rate as the past.

# 84.36.010(1) - Tribal property - Essential government services

**Data Sources**

- Department of Revenue, Exempt property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 2004 |
| **Primary Beneficiaries:** | Indian tribes whose governmental services utilize facilities on non-tribal land |
| **Taxpayer Count:** | 24 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2016 |

# 84.36.010(1); 84.36.040(2) - Hospital districts

**Description**

Real and personal property owned by public hospital districts is exempt from property taxation. Additionally, property leased to and used by a hospital district or to Harborview Medical Center for hospital purposes, is eligible for the exemption so long as the benefit of the exemption transfers to the hospital.

**Purpose**

Property of municipal corporations is exempt under the Washington Constitution. This reflects a long-standing legislative policy not to tax publicly owned property.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $3.922 | $4.017 | $4.114 | $4.214 |
| Local Taxes | $11.602 | $12.252 | $12.938 | $13.666 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.359 | $0.704 | $0.739 |

**Assumptions**

- The total estimated exempt value is $1.8 billion.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $4.3 million in state property taxes to exempt property owners and shifts an estimated $12.2 million in local property taxes in fiscal year 2026.

**Data Sources**

- Washington Department of Health, Hospital financial data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

# 84.36.010(1); 84.36.040(2) - Hospital districts

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 1945 |
| **Primary Beneficiaries:** | Hospitals operated by public hospital districts or hospitals owned by a county |
| **Taxpayer Count:** | 41 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 84.36.015 - Low value parcels

**Description**

Each parcel of real property and each personal property account that individually has an assessed value of less than $500 is exempt from property tax.

**Purpose**

Avoids the administrative expense of listing, valuing, and collecting property tax on very small accounts.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.102 | $0.104 | $0.107 | $0.109 |
| Local Taxes | $0.300 | $0.317 | $0.336 | $0.355 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.009 | $0.019 | $0.020 |

**Assumptions**

- The total estimated exempt value is $14.4 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $34,000 in state property taxes to exempt property owners and shifts an estimated $98,000 in local property taxes in fiscal year 2026.
- The average personal property account value is $400.
- Only 25% of the businesses under $500 are reported to the county.
- Assessed value of exempt property will remain constant.

**Data Sources**

- County Assessor, Abstract data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

# 84.36.015 - Low value parcels

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 1997 |
| **Primary Beneficiaries:** | Small property owners |
| **Taxpayer Count:** | Approximately 41,000 small property owners |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2014 |

# 84.36.020 - Cemeteries

**Description**

Land, buildings and personal property required for the administration and maintenance of public burying grounds or cemeteries are exempt from property tax. The exemption requires that such entities do not discriminate on the basis of race, color, national origin or ancestry.

**Purpose**

Supports the social benefits provided by burying grounds and cemeteries.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.508 | $0.520 | $0.533 | $0.546 |
| Local Taxes | $1.503 | $1.587 | $1.676 | $1.770 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.047 | $0.091 | $0.096 |

**Assumptions**

- The total estimated exempt value is $234 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $550,000 in state property taxes to exempt property owners and shifts an estimated $1.6 million in local property taxes in fiscal year 2026.

**Data Sources**

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

# 84.36.020 - Cemeteries

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Tax base |
| **Year Enacted:** | 1989 |
| **Primary Beneficiaries:** | 404 parcels owned by cemeteries |
| **Taxpayer Count:** | 142 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2023 |

# 84.36.020 - Nonprofit churches, parsonages, and convents

**Description**

Property tax does not apply to churches and grounds not exceeding five acres. This includes parsonages and convents of nonprofit recognized religious denominations, and buildings and personal property required for administration and maintenance of a church.

The property may be used for prescribed and limited instances of pecuniary or non-exempt purposes, including use as a farmers market for up to 53 days per year. Rental income from non-exempt activities must be applied to capital improvements, maintenance and operation expenses, or exempt purposes.

**Purpose**

Recognizing the social benefits of religious organizations.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $13.461 | $13.786 | $14.118 | $14.463 |
| Local Taxes | $39.821 | $42.049 | $44.407 | $46.901 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $1.232 | $2.414 | $2.534 |

**Assumptions**

- The total estimated exempt value is $6.4 billion.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $15.2 million in state property taxes to exempt property owners and shifts an estimated $43.7 million in local property taxes in fiscal year 2026.

**Data Sources**

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

# 84.36.020 - Nonprofit churches, parsonages, and convents

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 2004 |
| **Primary Beneficiaries:** | 6637 parcels owned by churches |
| **Taxpayer Count:** | 2,818 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2007 and an expedited review completed in 2023 |

# 84.36.030(1)(a,c) - Nonsectarian organizations

**Description**

Property used for character-building, benevolent, protective, or rehabilitative social service owned by nonreligious, nonprofit organizations is exempt from property tax.

**Purpose**

Supporting the social programs provided by these nonprofit organizations.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $6.300 | $6.452 | $6.607 | $6.769 |
| Local Taxes | $18.636 | $19.679 | $20.782 | $21.949 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.576 | $1.130 | $1.186 |

**Assumptions**

- The total estimated exempt value is $2.9 billion.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $6.8 million in state property taxes to exempt property owners and shifts an estimated $19.7 million in local property taxes in fiscal year 2026.

**Data Sources**

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

# 84.36.030(1)(a,c) - Nonsectarian organizations

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 1915 |
| **Primary Beneficiaries:** | 1,714 parcels owned by nonprofit nonsectarian organizations |
| **Taxpayer Count:** | 363 |
| **Program Inconsistency:** | None Evident |
| **JLARC Review:** | Full review completed in 2007 with an expedited review in 2024 |

# 84.36.030(1)(b) - Nonprofit merchandise sales

**Description**

Selling donated merchandise on exempt property does not nullify the property tax exemption for character-building, benevolent, protective, or rehabilitative social services owned by nonreligious, nonprofit organizations if they use the proceeds to continue the mission of their organization.

**Purpose**

Supporting the social benefits these organizations provide.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.378 | $0.387 | $0.396 | $0.406 |
| Local Taxes | $1.117 | $1.180 | $1.246 | $1.316 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.035 | $0.068 | $0.071 |

**Assumptions**

- The total estimated exempt value is $174 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $400,000 in state property taxes to exempt property owners and shifts an estimated $1.2 million in local property taxes in fiscal year 2026.

**Data Sources**

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

# 84.36.030(1)(b) - Nonprofit merchandise sales

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 1989 |
| **Primary Beneficiaries:** | 106 parcels owned by nonprofit thrift shops |
| **Taxpayer Count:** | 46 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 84.36.030(2) - Nonprofit church camps

**Description**

Camp facilities up to 200 acres, and owned by nonprofit churches, groups of churches, or an association of churches are exempt from property tax.

**Purpose**

Supports the programs provided by church-owned camps.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.638 | $0.653 | $0.669 | $0.685 |
| Local Taxes | $1.886 | $1.992 | $2.104 | $2.222 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.059 | $0.115 | $0.120 |

**Assumptions**

- The total estimated exempt value is $293.5 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $690,000 in state property taxes to exempt property owners and shifts an estimated $2 million in local property taxes in fiscal year 2026.

**Data Sources**

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 1971 |
| **Primary Beneficiaries:** | 395 parcels owned by church camps |
| **Taxpayer Count:** | 61 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2011 |

# 84.36.030(3) - Nonprofit youth organizations

**Description**

Property owned by nonprofit, character-building organizations serving boys and girls under the age of 18 is exempt from property tax. The exemption extends to organizations with existing charters that serve youth up to the age of 21.

**Purpose**

Supporting the social benefits these organizations provide.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.772 | $0.791 | $0.810 | $0.830 |
| Local Taxes | $2.284 | $2.412 | $2.547 | $2.690 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.071 | $0.139 | $0.146 |

**Assumptions**

- The total estimated exempt value is $355 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $840,000 in state property taxes to exempt property owners and shifts an estimated $2.4 million in local property taxes in fiscal year 2026.

**Data Sources**

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 1933 |
| **Primary Beneficiaries:** | 252 parcels owned by nonprofit youth organizations |
| **Taxpayer Count:** | 58 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2007 |

# 84.36.030(4) - Veterans organizations

**Description**

Property owned by veterans' organizations or societies that are recognized as such by the Department of Defense and have national chapters can qualify for a property tax exemption.

**Purpose**

Supports patriotism and the activities of veteran's organizations.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.130 | $0.133 | $0.137 | $0.140 |
| Local Taxes | $0.385 | $0.407 | $0.430 | $0.454 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.012 | $0.024 | $0.025 |

**Assumptions**

- The total estimated exempt value is $60 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $140,000 in state property taxes to exempt property owners and shifts an estimated $400,000 in local property taxes in fiscal year 2026.

**Data Sources**

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Tax base |
| **Year Enacted:** | 1929 |
| **Primary Beneficiaries:** | 155 parcels owned by veterans' organizations. |
| **Taxpayer Count:** | 91 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2007 and 2020 |

# 84.36.030(5) - Federal instrumentalities furnishing aid and relief

**Description**

A property tax exemption exists for corporations created by Congress that provide the following:

- Volunteer aid to the armed forces.
- A system of national and international disaster relief.

**Purpose**

Supports the social benefits provided by federal instrumentalities furnishing aid and relief.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | CTI | CTI | CTI | CTI |
| Local Taxes | CTI | CTI | CTI | CTI |

**Repeal of exemption**

Repealing this exemption would not increase revenues. Constitutional case law makes federal instrumentalities immune from state and local taxes.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | CTI | CTI | CTI |

**Assumptions**

- This exemption impacts fewer than three taxpayers; any impacts are confidential.
- Constitutional case law makes federal instrumentalities immune from state and local taxes.

**Data Sources**

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 1945 |
| **Primary Beneficiaries:** | Federal instrumentalities furnishing aid and relief |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 84.36.030(6) - Student loan organizations

**Description**

Property owned by nonprofit organizations, exempt from federal income tax, that guarantee federal student loans or issue debt to provide student loans is exempt from property tax.

**Purpose**

Supporting the benefits these organizations provide to college students.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- No taxpayers currently use this exemption. We expect no usage during the forecasted period of this study.
- Repealing this exemption results in no levy shifts.

**Data Sources**

- County Assessor, Property tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 1989 |
| **Primary Beneficiaries:** | Nonprofit student loan organizations |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2012 and 2019 |

# 84.36.031(2) - Nonprofit character building leases

**Description**

Property tax does not apply to property owned by churches and nonprofit character-building organizations that lease out or rent the property to another nonprofit, character-building organization.

Property tax also doesn't apply to property owned by an organization formed exclusively to lease the property to a nonprofit, character-building organization. The property has to have been exempt from property tax under the previous owner and the organization leasing the land gets the benefit of the exemption.

**Purpose**

Supporting the social benefits these organizations provide.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.031 | $0.032 | $0.033 | $0.034 |
| Local Taxes | $0.093 | $0.098 | $0.103 | $0.108 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.003 | $0.006 | $0.006 |

**Assumptions**

- The total estimated exempt value is $14.4 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $34,000 in state property taxes to exempt property owners and shifts an estimated $97,000 in local property taxes in fiscal year 2026.

**Data Sources**

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

# 84.36.031(2) - Nonprofit character building leases

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 2012 |
| **Primary Beneficiaries:** | 3 parcels leased by community service organizations |
| **Taxpayer Count:** | 3 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 84.36.032 - Church administrative offices

**Description**

Property tax does not apply to real and personal property of the administrative offices of nonprofit recognized religious organizations. The real and personal property must be used in the administration of the religious programs of the organization and other programs exempt under property used for churches or character building to qualify for the property tax exemption.

**Purpose**

Supports nonprofit religious organizations by providing a reduction in property tax.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.138 | $0.141 | $0.145 | $0.148 |
| Local Taxes | $0.409 | $0.431 | $0.455 | $0.481 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.013 | $0.025 | $0.026 |

**Assumptions**

- The total estimated exempt value is $63.5 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $150,000 in state property taxes to exempt property owners and shifts an estimated $430,000 in local property taxes in fiscal year 2026.

**Data Sources**

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

# 84.36.032 - Church administrative offices

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 1975 |
| **Primary Beneficiaries:** | 34 parcels owned by religious organizations |
| **Taxpayer Count:** | 18 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2011 with an upcoming review in 2024 |

# 84.36.035 - Nonprofit blood and tissue banks

**Description**

Real and personal property owned or leased by nonprofit organizations and used for blood banks, tissue banks, or blood and tissue banks is exempt from property tax.

**Purpose**

Supporting the social benefits these organizations provide.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.180 | $0.184 | $0.189 | $0.193 |
| Local Taxes | $0.532 | $0.562 | $0.593 | $0.627 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.016 | $0.032 | $0.034 |

**Assumptions**

- The total estimated exempt value is $82.8 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $195,000 in state property taxes to exempt property owners and shifts an estimated $560,000 in local property taxes in fiscal year 2026.

**Data Sources**

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

# 84.36.035 - Nonprofit blood and tissue banks

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 1971 |
| **Primary Beneficiaries:** | 20 parcels owned by blood and tissue banks |
| **Taxpayer Count:** | 4 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2011 and expedited review completed in 2021 |

# 84.36.037 - Nonprofit public assembly halls and meeting places

**Description**

Property tax does not apply to real or personal property owned by a nonprofit public assembly hall or meeting place. The property must be used exclusively for public gatherings and must be available to everyone. A public assembly hall may be exempt up to one acre. Property that is mostly unimproved and used for annual community celebrations may be eligible for an exemption up to 29 acres.
The property may be used for prescribed and limited instances of pecuniary or non-exempt purposes, including use as a farmers market for up to 53 days per year. Organizations providing dance lessons, art classes, or music lessons may also use the property if the property is in a county with a population of less than 20,000. Rents from non-exempt activities must be applied to capital improvements or maintenance and operation expenses or applied to exempt purposes of the nonprofit when used as a farmers market.

**Purpose**

Supporting the social benefits these organizations provide.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.185 | $0.190 | $0.195 | $0.199 |
| Local Taxes | $0.549 | $0.579 | $0.611 | $0.646 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.017 | $0.033 | $0.035 |

**Assumptions**

- The total estimated exempt value is $85.4 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $200,000 in state property taxes to exempt property owners and shifts an estimated $580,000 in local property taxes in fiscal year 2026.

# 84.36.037 - Nonprofit public assembly halls and meeting places

**Data Sources**

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 1981 |
| **Primary Beneficiaries:** | 249 parcels owned by nonprofit public assembly halls |
| **Taxpayer Count:** | 172 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2011 with an upcoming review in 2024 |

# 84.36.040(1)(a) - Nonprofit day care centers

**Description**

Nonprofit child day care centers are exempt from property taxes on real and personal property.

**Purpose**

Supporting the social benefits these organizations provide.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $1.763 | $1.806 | $1.849 | $1.894 |
| Local Taxes | $5.216 | $5.508 | $5.817 | $6.143 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.161 | $0.316 | $0.332 |

**Assumptions**

- The total estimated exempt value is $811 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $1.9 million in state property taxes to exempt property owners and shifts an estimated $5.5 million in local property taxes in fiscal year 2026.

**Data Sources**

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 1973 |
| **Primary Beneficiaries:** | 198 parcels owned by nonprofit daycare centers |
| **Taxpayer Count:** | 28 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2011 and expedited review completed in 2019 |

# 84.36.040(1)(b) - Nonprofit libraries

**Description**

Nonprofit free public libraries are exempt from property taxes on real and personal property.

**Purpose**

Supporting the social benefits that nonprofit public libraries provide.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.038 | $0.038 | $0.039 | $0.040 |
| Local Taxes | $0.111 | $0.117 | $0.124 | $0.131 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.004 | $0.007 | $0.007 |

**Assumptions**

- The total estimated exempt value is $17.3 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $40,000 in state property taxes to exempt property owners and shifts an estimated $120,000 in local property taxes in fiscal year 2026.

**Data Sources**

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

# 84.36.040(1)(b) - Nonprofit libraries

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 1854 |
| **Primary Beneficiaries:** | 14 parcels owned by nonprofit organizations operating libraries |
| **Taxpayer Count:** | 10 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2007 with an upcoming review in 2024 |

# 84.36.040(1)(c) - Nonprofit orphanages

**Description**

Nonprofit orphanages are exempt from property taxes on real and personal property.

**Purpose**

Supporting the social benefits these organizations provide.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- No taxpayers currently use this exemption. We expect no usage during the forecasted period of this study.
- Repealing this exemption results in no state levy shifts.

**Data Sources**

- County Assessor, Property tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 1891 |
| **Primary Beneficiaries:** | Nonprofit orphanages |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2007 with an upcoming review in 2026 |

# 84.36.040(1)(d) - Nonprofit homes for the sick or infirm

**Description**

Nonprofit nursing homes are exempt from property taxes on real and personal property.

**Purpose**

Supporting the social benefits these organizations provide.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $3.175 | $3.252 | $3.330 | $3.412 |
| Local Taxes | $9.393 | $9.919 | $10.475 | $11.063 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. The repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. The repeal may decrease the local rate. Local taxing districts at their statutory maximum may experience a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.291 | $0.570 | $0.598 |

**Assumptions**

- The total estimated exempt value is $1.46 billion.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $3.4 million in state property taxes to exempt property owners and shifts an estimated $9.9 million in local property taxes in fiscal year 2026.

**Data Sources**

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 1891 |
| **Primary Beneficiaries:** | 384 parcels owned by homes for the sick or infirm |
| **Taxpayer Count:** | 18 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2007 and 2021 |

# 84.36.040(1)(e) - Nonprofit hospitals

**Description**

Nonprofit hospitals are exempt from property taxes on real and personal property.

**Purpose**

Supporting the social benefits that nonprofit hospitals provide.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $37.691 | $38.600 | $39.530 | $40.496 |
| Local Taxes | $111.497 | $117.736 | $124.337 | $131.323 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. The repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. The repeal may decrease the local rate. Local taxing districts at their statutory maximum may experience a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $3.451 | $6.761 | $7.097 |

**Assumptions**

- The total estimated exempt value is $17.3 billion.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $41 million in state property taxes to exempt property owners and shifts an estimated $118 million in local property taxes in fiscal year 2026.

**Data Sources**

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 1886 |
| **Primary Beneficiaries:** | 793 parcels owned by nonprofit hospitals |
| **Taxpayer Count:** | 25 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2007 and 2022 |

# 84.36.040(1)(f) - Nonprofit outpatient dialysis facilities

**Description**

Nonprofit outpatient dialysis treatment facilities are exempt from property taxes on real and personal property.

**Purpose**

Supporting the social benefits that outpatient dialysis facilities provide.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.182 | $0.186 | $0.190 | $0.195 |
| Local Taxes | $0.537 | $0.567 | $0.598 | $0.632 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.017 | $0.033 | $0.034 |

**Assumptions**

- The total estimated exempt value is $83.6 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $200,000 in state property taxes to exempt property owners and shifts an estimated $570,000 in local property taxes in fiscal year 2026.

**Data Sources**

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 1987 |
| **Primary Beneficiaries:** | 32 parcels owned by outpatient dialysis centers |
| **Taxpayer Count:** | 2 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2013 and full review completed in 2021 |

# 84.36.041 - Nonprofit homes for the aging

**Description**

Real and personal property owned or leased by a nonprofit home for the aging is exempt if one of the following met:

- Residents occupy at least 50% of the dwellings.
- The federal department of housing and urban development program subsidizes the home.
- The home for the aging is financed in part by tax exempt bonds.

Property taxes do not apply if home financing is 75% tax exempt bonds and the financing requires a certain percentage of dwellings for low-income residents. The exemption lasts as long as the bonds or the requirement for low-income resident dwellings, whichever is shorter. A partial exemption applies if the home fails to qualify in its entirety. A partial exemption applies for areas jointly used by a home for the aging and a nonprofit organization that is also exempt from property taxes.

**Purpose**

Providing equal treatment of senior citizens who own their own homes and qualify for the senior citizen property tax exemption and those residing in homes for the aging.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $7.658 | $7.842 | $8.031 | $8.227 |
| Local Taxes | $22.653 | $23.921 | $25.262 | $26.681 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.701 | $1.374 | $1.442 |

**Assumptions**

- The total estimated exempt value is $3.5 billion.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $8.3 million in state property taxes to exempt property owners and shifts an estimated $23.9 million in local property taxes in fiscal year 2026.

# 84.36.041 - Nonprofit homes for the aging

**Data Sources**

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 1989 |
| **Primary Beneficiaries:** | 449 parcels owned by retirement homes |
| **Taxpayer Count:** | 85 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2013 with an upcoming review in 2026 |

# 84.36.042 - Nonprofit developmentally disabled housing

**Description**

Property tax does not apply to the real and personal property owned or leased by a nonprofit organization and used to provide housing and a level of care for persons with developmental disabilities.

**Purpose**

Supporting the social benefits provided by these organizations.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.175 | $0.179 | $0.183 | $0.188 |
| Local Taxes | $0.517 | $0.546 | $0.577 | $0.609 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.016 | $0.032 | $0.033 |

**Assumptions**

- The total estimated exempt value is $80 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $190,000 in state property taxes to exempt property owners and shifts an estimated $550,000 in local property taxes in fiscal year 2026.

**Data Sources**

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

# 84.36.042 - Nonprofit developmentally disabled housing

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 1998 |
| **Primary Beneficiaries:** | 157 |
| **Taxpayer Count:** | 14 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2014 with an upcoming review in 2026 |

# 84.36.043 - Nonprofit homeless shelters

**Description**

Property taxes do not apply to real and personal property used by a nonprofit organization providing emergency or transitional housing for low-income homeless persons or victims of domestic violence who are homeless for personal safety reasons. An approved registered recovery residence does not require a limited length-of-stay policy. In addition, the home must:

- Register as a recovery residence with the Washington Health Care Authority.
- Involve peers in the governance of the recovery residence.
- Integrate recovery support into the daily activities.
- Maintain an environment that is home-like, promotes healthy recovery, and is free from alcohol and illicit drugs.
- Not charge more for the housing than the actual cost of operating and maintaining the housing.
- Ensure the property tax exemption benefits the nonprofit organization when the nonprofit organization is leasing the property.

**Purpose**

Supporting the social services provided by these organizations.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.970 | $0.994 | $1.018 | $1.043 |
| Local Taxes | $2.871 | $3.031 | $3.202 | $3.381 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.089 | $0.174 | $0.183 |

**Assumptions**

- The total estimated exempt value is $447 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $1.1 million in state property taxes to exempt property owners and shifts an estimated $3 million in local property taxes in fiscal year 2026.

# 84.36.043 - Nonprofit homeless shelters

**Data Sources**

- Washington Center for Real Estate Research, University of Washington, 3Q2022 median resale price by county
- Washington State Health Care Authority, Registered Recovery Residences
- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 1983 |
| **Primary Beneficiaries:** | 707 parcels owned by homeless shelters |
| **Taxpayer Count:** | 64 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2013 with an upcoming review in 2026 |

# 84.36.045 - Nonprofit medical research facilities

**Description**

Property taxes do not apply to real and personal property owned or used by a nonprofit corporation or association that provides facilities for medical research and training free of charge.

**Purpose**

Supporting nonprofit medical research and training facilities.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $8.719 | $8.929 | $9.145 | $9.368 |
| Local Taxes | $25.793 | $27.236 | $28.763 | $30.379 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.798 | $1.564 | $1.641 |

**Assumptions**

- The total estimate exempt value is $4 billion.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $9.5 million in state property taxes to exempt property owners and shifts an estimated $27.2 million in local property taxes in fiscal year 2026.

**Data Sources**

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 1975 |
| **Primary Beneficiaries:** | 71 parcels owned by medical research centers |
| **Taxpayer Count:** | 14 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2013 and 2021 |

# 84.36.046 - Nonprofit cancer treatment clinics

**Description**

Property tax does not apply to real and personal property used by nonprofit cancer prevention, detection, or treatment facilities. The property tax exemption also applies to real and personal property used by a municipal hospital corporation for cancer prevention, detection, or treatment.

**Purpose**

Providing equal taxation treatment for nonprofit cancer treatment clinics as for nonprofit hospitals.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.669 | $0.685 | $0.702 | $0.719 |
| Local Taxes | $1.980 | $2.091 | $2.208 | $2.332 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.061 | $0.120 | $0.126 |

**Assumptions**

- The total estimated exempt value is $308 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $730,000 in state property taxes to exempt property owners and shifts an estimated $2.1 million in local property taxes in fiscal year 2026.

**Data Sources**

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

# 84.36.046 - Nonprofit cancer treatment clinics

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 1997 |
| **Primary Beneficiaries:** | 21 parcels owned by cancer clinics |
| **Taxpayer Count:** | 2 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2013 and a full review completed in 2022 |

# 84.36.047 - Nonprofit radio and TV broadcast facilities

**Description**

Property tax does not apply to real and personal property used by nonprofit organizations that rebroadcast or amplify the transmission or reception of free radio or television signals broadcast by foreign or domestic government agencies.

**Purpose**

Supporting the activities of nonprofit broadcasters.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- No taxpayers currently use this exemption. We expect no usage during the forecasted period of this study.
- =Repealing this exemption results in no levy shifts.

**Data Sources**

- County Assessor, Property tax data
- Department of Revenue, Excise tax return data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 1977 |
| **Primary Beneficiaries:** | Nonprofit radio and TV broadcast facilities |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None Evident |
| **JLARC Review:** | Expedited review completed in 2011 and 2022 |

# 84.36.049 - Nonprofit low-income housing development

**Description**

All real property owned by a nonprofit entity or qualified cooperative association for the purpose of developing or redeveloping on the real property one or more residences to be sold to low-income households, including certain land leases, is exempt from state and local property taxes.

**Purpose**

To reduce the cost of developing low-income housing.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.104 | $0.107 | $0.109 | $0.112 |
| Local Taxes | $0.308 | $0.325 | $0.343 | $0.363 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.009 | $0.019 | $0.020 |

**Assumptions**

- The total estimated exempt value is $47.9 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $110,000 in state property taxes to exempt property owners and shifts an estimated $330,000 in local property taxes in fiscal year 2026.

**Data Sources**

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

# 84.36.049 - Nonprofit low-income housing development

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 1854 |
| **Primary Beneficiaries:** | 219 parcels owned by a nonprofit entity or qualified cooperative association for the purpose of low-income housing development |
| **Taxpayer Count:** | 51 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 84.36.050(1) - Nonprofit private colleges

**Description**

Property taxes do not apply to real and personal property used by private, nonprofit colleges and universities for educational or cultural purposes. The exemption applies to buildings and grounds used for educational, athletic, or social programs and housing of students and faculty. The maximum amount of real property exempted is 400 acres.

**Purpose**

Supporting the college education provided by nonprofit organizations.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $3.439 | $3.522 | $3.607 | $3.695 |
| Local Taxes | $10.175 | $10.744 | $11.346 | $11.983 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.315 | $0.617 | $0.648 |

**Assumptions**

- The total estimated exempt value is $1.6 billion.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $3.7 million in state property taxes to exempt property owners and shifts an estimated $10.7 million in local property taxes in fiscal year 2026.

**Data Sources**

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

# 84.36.050(1) - Nonprofit private colleges

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 1925 |
| **Primary Beneficiaries:** | 607 parcels owned by nonprofit colleges |
| **Taxpayer Count:** | 18 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2008 and an expedited review completed in 2019 |

# 84.36.050(1) - Nonprofit private K-12 schools

**Description**

Property taxes do not apply to real and personal property used by private, nonprofit schools offering education from kindergarten through high school. The exemption applies to buildings and grounds used for educational, athletic, or social programs and housing of students and faculty. The maximum amount of real property exempted is 400 acres.

**Purpose**

Supporting the K-12 education provided by nonprofit organizations.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $2.387 | $2.445 | $2.503 | $2.565 |
| Local Taxes | $7.061 | $7.456 | $7.874 | $8.317 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.218 | $0.428 | $0.450 |

**Assumptions**

- The total estimated exempt value is $1.1 billion.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $2.6 million in state property taxes to exempt property owners and shifts an estimated $7.4 million in local property taxes in fiscal year 2026.

**Data Sources**

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

# 84.36.050(1) - Nonprofit private K-12 schools

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 1925 |
| **Primary Beneficiaries:** | 377 parcels owned by nonprofit K-12 schools |
| **Taxpayer Count:** | 106 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2008 and expedited review completed in 2019 |

# 84.36.050(2) - Nonprofit educational foundations

**Description**

Real and personal property owned by a nonprofit foundation that supports an institution of higher education is exempt from property tax. The tax exemption applies only to the property actively used by currently enrolled students.

**Purpose**

Supporting nonprofit organization providing support to higher education institutions.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.086 | $0.088 | $0.090 | $0.092 |
| Local Taxes | $0.253 | $0.268 | $0.283 | $0.298 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.008 | $0.016 | $0.017 |

**Assumptions**

- The total estimated exempt value is $39.5 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $90,000 in state property taxes to exempt property owners and shifts an estimated $270,000 in local property taxes in fiscal year 2026.

**Data Sources**

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

# 84.36.050(2) - Nonprofit educational foundations

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 2001 |
| **Primary Beneficiaries:** | 28 parcels owned by institutions of higher learning with an educational foundation |
| **Taxpayer Count:** | 7 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2015 and 2019 |

# 84.36.060(1)(a) - Nonprofit art collections & museums

**Description**

Property tax does not apply to the real or personal property of a nonprofit organization maintaining and exhibiting art, scientific, or historical collections. The collections must be open to the public. The exemption also applies to property used exclusively for safekeeping and maintaining the collections. To receive a property tax exemption the nonprofit organization must:

- Operate exclusively for artistic, scientific, historical, or educational purposes.
- Receive a substantial part of its support from the federal, state, or local government or public contributions.

If the property is not currently exhibiting, safe keeping, or maintaining, the collections, but will in the future, the nonprofit organization must submit proof they are constructing, remodeling, or otherwise enabling the property for exempted use.

**Purpose**

Supporting nonprofit museums that display art, scientific, or historical materials for the public.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.880 | $0.901 | $0.923 | $0.945 |
| Local Taxes | $2.602 | $2.748 | $2.902 | $3.065 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.158 | $0.166 |

**Assumptions**

- The total estimated exempt value is $405 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $960,000 in state property taxes to exempt property owners and shifts an estimated $2.7 million in local property taxes in fiscal year 2026.

# 84.36.060(1)(a) - Nonprofit art collections & museums

**Data Sources**

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 1915 |
| **Primary Beneficiaries:** | 304 parcels owned by museums |
| **Taxpayer Count:** | 94 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2007 |

# 84.36.060(1)(b) - Nonprofit performing arts

**Description**

Property tax does not apply to the real or personal property owned or leased by a nonprofit organization producing and performing musical, dance, artistic, dramatic, or literary works for the general public. To receive a property tax exemption the nonprofit organization must:

- Operate exclusively for artistic, literary, musical, dance, dramatic, or educational purposes.
- Receive a substantial part of its support from the federal, state, or local government or public contributions.

**Purpose**

Supporting nonprofit artistic, literary, musical, dance or dramatic organizations and recognizing the education and artistic contributions they make to society.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.372 | $0.381 | $0.390 | $0.399 |
| Local Taxes | $1.099 | $1.161 | $1.226 | $1.295 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.034 | $0.067 | $0.070 |

**Assumptions**

- The total estimated exempt value is $171 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $400,000 in state property taxes to exempt property owners and shifts an estimated $1.2 million in local property taxes in fiscal year 2026.

**Data Sources**

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

# 84.36.060(1)(b) - Nonprofit performing arts

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 1981 |
| **Primary Beneficiaries:** | 105 parcels owned by performing arts organizations |
| **Taxpayer Count:** | 31 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2013 and 2022 |

# 84.36.060(1)(c) - Fire companies

**Description**

Fire engines, buildings, and other equipment of fire companies of any city, town or privately owned fire company are exempt from property tax.

**Purpose**

Extends the property tax exemption municipal fire districts receive to cover privately-owned land on which fire districts maintain fire stations.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | Minimal | Minimal | Minimal | Minimal |
| Local Taxes | Minimal | Minimal | Minimal | Minimal |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | Minimal | Minimal | Minimal |

**Assumptions**

- The total estimated exempt value is $300,000.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this results in no state levy shift and shifts an estimated $2,000 in local property taxes in fiscal year 2026.

**Data Sources**

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 1890 |
| **Primary Beneficiaries:** | One known fire district owning a fire station on privately-owned land. |
| **Taxpayer Count:** | 1 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2007 |

# 84.36.060(1)(d) - Humane societies

**Description**

Property owned and used by humane societies is exempt from property tax.

**Purpose**

Supports the social benefits that humane societies provide. Also, provides the same tax-exempt status granted to animal shelters operated by local governments.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.142 | $0.145 | $0.149 | $0.152 |
| Local Taxes | $0.420 | $0.443 | $0.468 | $0.494 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.013 | $0.026 | $0.027 |

**Assumptions**

- The total estimated exempt value is $65.3 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $150,000 in state property taxes to exempt property owners and shifts an estimated $440,000 in local property taxes in fiscal year 2026.

**Data Sources**

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 1915 |
| **Primary Beneficiaries:** | 62 parcels owned by humane societies |
| **Taxpayer Count:** | 31 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2007 |

# 84.36.070 - Intangibles

**Description**

Intangible personal property receives an exemption from property tax. The definition of intangible personal property includes:

- All money and credits, such as mortgages, cash, deposits, loans, and securities.
- Private personal service contracts and athletic franchises or agreements.
- Other intangible personal property including but not limited to trademarks, trade names, trade secrets, patents, copyrights, franchise agreements, customer lists, licenses and permits.

The law specifically excludes characteristics and attributes of real property (e.g., zoning, location, view, geographic features, etc.) from the definition of intangible personal property.

**Purpose**

Avoids the double taxation of tangible assets underlying certain intangible assets. The exemption also recognizes the administrative difficulty of locating and valuing such mobile assets.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $7,986.600 | $7,964.910 | $7,651.780 | $7,577.700 |
| Local Taxes | $23,632.230 | $24,278.470 | $24,059.450 | $24,569.320 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $683.910 | $1,308.300 | $1,327.670 |

**Assumptions**

- The total estimated exempt value is $3.74 trillion.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption results in a state levy shift of an estimated $7.6 billion and a local levy shift of an estimated $22.7 billion in fiscal year 2026.
- Intangible value of state assessed property will remain stable over the study period.
- The proportion of intangible property in Washington equals the share of Washington income to national income.

# 84.36.070 - Intangibles

**Data Sources**

- Siblis Research, Total market capitalization of public U.S. companies
- Bureau of Economic Analysis, Gross domestic product and personal income data
- Report: "What Ideas are Worth: The Value of Intellectual Capital and Intangible Assets in the American Economy". By Kevin A. Hassett and Robert J. Shapiro (Sonecon)
- S&P Global Market Intelligence, Household financial assets
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 1931 |
| **Primary Beneficiaries:** | Holders of intangible assets, both individuals and businesses |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2023 |

# 84.36.079 - Ships under construction

**Description**

Vessels able to carry more than 1,000 tons that are under construction and materials and parts held by the builder at the construction site for use in these vessels are exempt from property tax.

**Purpose**

Improves the competitive position of shipyards in Washington.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

A full repeal of this exemption would have no fiscal impact or shift on state or local property taxes as everything covered under this exemption is also exempt as business inventory.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- All assets exempt under this statue are also exemption as business inventory.

**Data Sources**

- Internet search for ship builders in Washington
- Survey of county assessor offices

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1959 |
| **Primary Beneficiaries:** | Owners of vessels under construction |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2017 |

# 84.36.080(1) - Commercial vessels

**Description**

Vessels used for commercial fishing or for transportation of persons or freight in interstate commerce are subject to the state property tax only and are exempt from all local tax levies.

**Purpose**

Promotion of ocean-going commerce and commercial fishing in Washington.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $2.529 | $2.852 | $2.284 | $2.761 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.080 | $0.151 | $0.149 |

**Assumptions**

- The total estimated exempt value is $440 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $2.6 million in local property taxes to exempt property owners in fiscal year 2026.
- The apportioned value of commercial vessels is exempt from local property tax levies.
- The apportioned value of commercial vessels will remain stable over the period of this estimate.

**Data Sources**

- Department of Revenue, State property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

# 84.36.080(1) - Commercial vessels

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1931 |
| **Primary Beneficiaries:** | Owners of about 1,700 commercial vessels |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2017 |

# 84.36.080(2) - Historic vessels

**Description**

Ships and vessels listed on the state or federal register of historic places are exempt from all property tax.

**Purpose**

Encourages retention and restoration of historic boats.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.021 | $0.020 | $0.019 | $0.019 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. The repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. The repeal may decrease the local rate. Local taxing districts at their statutory maximum may experience a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- The total exempt value is $9.6 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- The value of historic vessels remains constant.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption results in a state levy shift of an estimated $20,000 in fiscal year 2026.

**Data Sources**

- Joint Legislative Audit and Review Committee
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 1986 |
| **Primary Beneficiaries:** | Owners of vessels listed in the state or federal register of historical places |
| **Taxpayer Count:** | 11 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2023 |

# 84.36.090 - Other ships and vessels

**Description**

All ships and vessels, other than commercial vessels and vessels under construction, are exempt from property tax.

**Purpose**

Protects the owners of pleasure boats and other vessels from paying both the personal property tax and the 0.5% state watercraft excise tax.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $6.256 | $5.582 | $5.313 | $5.140 |
| Local Taxes | $18.480 | $17.150 | $16.703 | $16.662 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.480 | $0.908 | $0.900 |

**Assumptions**

- The total estimated exempt value is $3.1 billion.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption results in a state levy shift of an estimated $5.5 million and a local levy shift of an estimated $15.8 million in fiscal year 2026.
- The estimated value of vessels is based on vessels paying the watercraft excise tax. This excludes human powered crafts and boats under 16 feet in length. The value of human powered crafts and boats under 16 feet likely represents a small percent of the total value of vessels in the state. It is also unlikely county assessors would discover and list many of these vessels. Thus, the value of vessels paying the watercraft excise tax best represents the total value of exempted vessels.
- Repealing this exemption would results in taxpayers owing both watercraft excise tax and property tax.

**Data Sources**

- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

# 84.36.090 - Other ships and vessels

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 1931 |
| **Primary Beneficiaries:** | Owners of pleasure boats |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2017 |

# 84.36.105 - Cargo containers

**Description**

Cargo containers principally used in ocean commerce are exempt from property tax.

**Purpose**

To help Washington ports compete with other West Coast ports.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.427 | $0.430 | $0.419 | $0.416 |
| Local Taxes | $1.264 | $1.311 | $1.319 | $1.348 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- The total estimated exempt value is $193 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Repealing this exemption shifts an estimated $400,000 in state property taxes to exempt property owners and shifts an estimated $1.2 million in local property taxes in fiscal year 2026.
- The quantity of cargo containers moving through Washington's ports grows at a 3% rate.
- Eighty-five percent of containers moving through Washington ports move through Port of Tacoma and Port of Seattle.

**Data Sources**

- Northwest Seaport Alliance
- Sea Container Sales
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

# 84.36.105 - Cargo containers

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1975 |
| **Primary Beneficiaries:** | Owners of cargo containers |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2012 and 2019 |

# 84.36.110(1) - Household goods

**Description**

Household items and furnishings in actual use and personal effects held by the owner for personal use are exempt from property tax.

**Purpose**

Avoids the administrative difficulty of locating and listing household items and establishing values for used items.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $268.291 | $270.719 | $264.951 | $263.548 |
| Local Taxes | $793.827 | $825.387 | $833.136 | $854.511 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $23.579 | $45.304 | $46.176 |

**Assumptions**

- The total estimated exempt value is $121.6 billion.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Repealing this exemption shifts an estimated $274.1 million in state property taxes to exempt property owners and shifts an estimated $787.8 million in local property taxes in fiscal year 2026.
- Washington's share of the national value of household goods and personal effects equals Washington's share of national population, which is approximately 2.23%.
- Washington population will grow near 0.8% annually.
- The value of household goods and personal effects will grow approximately 3.4% per year.

**Data Sources**

- Bureau of Economic Analysis, Current-cost net stock of consumer durable goods
- U.S. Census Bureau, Population by state
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

# 84.36.110(1) - Household goods

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 1871 |
| **Primary Beneficiaries:** | Households |
| **Taxpayer Count:** | Approximately 3.1 million households |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 84.36.110(2) - Personal property up to $15,000

**Description**

In addition to the complete exemption of household goods and personal effects, the first $15,000 of taxable personal property for a head of family is exempt from property tax, excluding private motor vehicles and mobile homes.

**Purpose**

Provides property tax relief to heads of families who have taxable personal property used in a business activity (essentially sole proprietors).

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.404 | $0.403 | $0.389 | $0.382 |
| Local Taxes | $1.120 | $1.229 | $1.223 | $1.238 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.009 | $0.019 | $0.020 |

**Assumptions**

- The total estimated exempt value is $184.0 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Repealing this exemption shifts an estimated $112,000 in state property taxes to exempt property owners and shifts an estimated $323,000 in local property taxes in fiscal year 2026.
- County assessors do not list all sole proprietor personal property accounts of businesses owning less than $15,000. Since owners of personal property self-report, county assessors would have to discover and audit non-reporting businesses that own less than $15,000. This is a costly exercise since assessors are not required to list these accounts, and these accounts have no taxable value. Accounts currently on the rolls would become taxable the following year if this exemption is repealed. Other, currently non-reporting accounts would have a low compliance rate in the first few years after the repeal.
- The average value of personal property owned by non-reporting sole proprietors is $1,500.
- The value of this exempt property grows 2% annually.

# 84.36.110(2) - Personal property up to $15,000

**Data Sources**

- County Assessor, Abstract data
- Department of Revenue, Excise tax return data
- Economic and Revenue Forecast Council's March 2023 forecast
- State property tax levy model, March 2023

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 1890 |
| **Primary Beneficiaries:** | Sole proprietor business owners |
| **Taxpayer Count:** | 100,000 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2020 |

# 84.36.130 - Airports owned by cities in other states

**Description**

Real and personal property located in Washington that is exclusively owned by a municipal corporation of an adjoining state that is used primarily as an airport facility is exempt from property taxation, as long as the size of the airport does not exceed 500 acres.

**Purpose**

While reciprocity is not mentioned in this statute, it is assumed that should a similar situation occur in Oregon or Idaho, those states would enact similar exemptions.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

Currently, there are no out-of-state municipalities that own airport property in Washington. There is one airport jointly owned by a Washington municipality and an Idaho municipality. Property at this airport is already exempt as government property under other Washington laws.

**Data Sources**

Survey of county assessor offices

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 1941 |
| **Primary Beneficiaries:** | None, there are no out-of-state municipalities that solely own airport property |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2020 |

# 84.36.133 - Commuter air carriers paying excise tax

**Description**

An aircraft owned and operated by a commuter air carrier is exempt from property tax for the calendar year if the owner has paid aircraft excise tax on the aircraft for that year.

**Purpose**

Recognizes the difficulty in providing accurate aircraft values for property tax purposes.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.030 | $0.031 | $0.032 | $0.032 |
| Local Taxes | $0.089 | $0.094 | $0.100 | $0.106 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.003 | $0.006 | $0.006 |

**Assumptions**

- The total estimated exempt value is $14 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $10,000 in state property taxes to exempt property owners and shifts an estimated $95,000 in local property taxes in fiscal year 2026.

**Data Sources**

- Department of Revenue, State assessed valuation data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

# 84.36.133 - Commuter air carriers paying excise tax

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 2013 |
| **Primary Beneficiaries:** | Owners of commuter air carriers |
| **Taxpayer Count:** | 1 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2019 |

# 84.36.135 - Housing Finance Commission

**Description**

Real and personal property owned by the Washington State Housing Finance Commission is exempt from property tax.

**Purpose**

Reflects the legislative policy not to tax property owned by governmental-type operations.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | Minimal | Minimal | Minimal | Minimal |
| Local Taxes | Minimal | Minimal | Minimal | Minimal |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. The repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. The repeal may decrease the local rate. Local taxing districts at their statutory maximum may experience a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | Minimal | Minimal | Minimal |

**Assumptions**

- The total estimated exempt value is $223,000.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- The Housing Finance Commission only owns personal property. The value of this property remains constant through the estimation period.
- Repealing this exemption shifts a minimal amount of state and local property taxes to exempt property owners

**Data Sources**

- Washington Housing Finance Commission
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

# 84.36.135 - Housing Finance Commission

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 1983 |
| **Primary Beneficiaries:** | State Housing Finance Commission |
| **Taxpayer Count:** | 1 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 84.36.210 - Public right-of-way easements

**Description**

Easement rights obtained by government entities over private property are exempt from property taxation. Additionally, property over which the easement permits use is exempt from general tax foreclosure, and property taxes on the sale of delinquent property. Easement refers to the legal right to cross or otherwise use land for a specific purpose. To receive the exemption, the taxpayer must have written documentation of the easement on file with the county auditor's office. However, that some jurisdictions do negotiate payments in lieu of property taxes with local taxing jurisdictions.

**Purpose**

Since publicly owned property is exempt from taxation, it follows that the value of easements obtained by government agencies for public purposes on privately owned land should be similarly exempt.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | Indeterminate | Indeterminate | Indeterminate | Indeterminate |
| Local Taxes | Indeterminate | Indeterminate | Indeterminate | Indeterminate |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | Indeterminate | Indeterminate | Indeterminate |

**Assumptions**

- No source of information could be located which indicates the total number of easements, their size, or their value, so these estimates are indeterminate.
- An easement may add to the value of a parcel, or it may detract from the value, depending upon the activity that the easement grants.

**Data Sources**

- Department of Transportation, Real Estate Services Office

# 84.36.210 - Public right-of-way easements

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 1947 |
| **Primary Beneficiaries:** | Governmental jurisdictions |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 84.36.230 - Interstate bridges

**Description**

Bridges and their approaches that cross state boundaries and owned and operated by a bordering state or local government are exempt from property taxation within Washington. To qualify, the state owning the bridge or approach must likewise exempt all taxation of any bridges and their approaches owned and operated by the state of Washington or a local government within Washington.

**Purpose**

To remain consistent with the taxation of government property and to avoid retaliatory taxation by adjoining states.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $6.531 | $6.688 | $6.849 | $7.017 |
| Local Taxes | $19.319 | $20.400 | $21.544 | $22.754 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.598 | $1.171 | $1.229 |

**Assumptions**

- The total estimated exempt value is $3 billion.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $7.1 million in state property taxes to exempt property owners and shifts an estimated $20.4 million in local property taxes in fiscal year 2026.

**Data Sources**

- Washington State Department of Transportation structure data
- Economic and Revenue Forecast Council's March 2023 forecast
- Interstate Bridge Replacement Program
- State property tax levy model, March 2023

# 84.36.230 - Interstate bridges

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 1949 |
| **Primary Beneficiaries:** | Neighboring states |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2011 and an expedited review completed in 2020 |

# 84.36.240 - Soil & water conservation districts

**Description**

Personal property belonging solely to soil and water conservation districts is exempt from property tax unless a district engages in contract work for parties other than landowners or cooperators of the district.

**Purpose**

Assists what is essentially a quasi-governmental activity.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.007 | $0.007 | $0.007 | $0.007 |
| Local Taxes | $0.020 | $0.021 | $0.023 | $0.024 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.001 | $0.001 | $0.001 |

**Assumptions**

- The total estimated exempt value is $3.3 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $8,000 in state property taxes to exempt property owners and shifts an estimated $22,000 in local property taxes in fiscal year 2026.

**Data Sources**

- Washington State Conservation Commission
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 1963 |
| **Primary Beneficiaries:** | 45 soil and water conservation districts |
| **Taxpayer Count:** | 45 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 84.36.250 - Nonprofit water cooperatives

**Description**

Property tax does not apply to real and personal property owned by a nonprofit corporation or cooperative association that distributes water to shareholders or members.

**Purpose**

Providing equal treatment for private, nonprofit, and public work distributors and districts.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.185 | $0.190 | $0.194 | $0.199 |
| Local Taxes | $0.548 | $0.579 | $0.611 | $0.645 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.017 | $0.033 | $0.035 |

**Assumptions**

- The total estimated exempt value is $85.3 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $200,000 in state property taxes to exempt property owners and shifts an estimated $580,000 in local property taxes in fiscal year 2026.

**Data Sources**

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

# 84.36.250 - Nonprofit water cooperatives

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 1965 |
| **Primary Beneficiaries:** | 535 parcels owned by water corporations or cooperatives |
| **Taxpayer Count:** | 168 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 84.36.255 - Habitat and water quality improvements

**Description**

Taxpayers may apply for a property tax exemption for improvements to real and personal property devoted to fish and wildlife habitat restoration and protection and to water quality and quantity improvements. To qualify, the improvements must be in accordance with a local conservation district's written plan for best management practices.

**Purpose**

Encourages improvement of fish and wildlife habitat and water quality/quantity.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.023 | $0.023 | $0.024 | $0.024 |
| Local Taxes | $0.067 | $0.071 | $0.075 | $0.080 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.002 | $0.004 | $0.004 |

**Assumptions**

- The total estimated exempt value is $10.5 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $25,000 in state property taxes to exempt property owners and shifts an estimated $70,000 in local property taxes in fiscal year 2026.

**Data Sources**

- Survey of county assessor offices
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

# 84.36.255 - Habitat and water quality improvements

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 1997 |
| **Primary Beneficiaries:** | Parcels owned by landowners who invest in habitat improvements. |
| **Taxpayer Count:** | 70 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2014 |

# 84.36.260 - Nonprofit conservation and open space lands

**Description**

Property tax does not apply to real property owned by nonprofit corporations or associations used exclusively for the conservation of ecological systems, natural resources, or open space, including park lands. The primary purpose of the nonprofit organization is conducting or facilitating scientific research or conserving natural resources or open space for the general public. The land must be dedicated to these purposes or be subject to an option to purchase by a governmental entity.

**Purpose**

Encouraging the preservation of open space land and supporting the activities of nature preservation and conservation organizations.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.595 | $0.609 | $0.624 | $0.639 |
| Local Taxes | $1.758 | $1.857 | $1.961 | $2.071 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.054 | $0.107 | $0.112 |

**Assumptions**

- The total estimated exempt value is $274 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $650,000 in state property taxes to exempt property owners and shifts an estimated $1.9 million in local property taxes in fiscal year 2026.

**Data Sources**

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

# 84.36.260 - Nonprofit conservation and open space lands

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 1967 |
| **Primary Beneficiaries:** | 1,659 public parks |
| **Taxpayer Count:** | 47 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2010 |

# 84.36.300 - Goods in transit

**Description**

Merchandise, goods, wares, and materials are exempt from property tax if either of the following is met:

- They are manufactured outside Washington by the current owner and shipped into the state.
- They are acquired by the current owner from another in-state manufacturer, and subsequently exported in substantially the same form they were brought into the state (although repackaging, relabeling, etc. may take place here).

Items exempted include aircraft parts and accessories, but not engines or major structural components, installed in Washington.

**Purpose**

Encourages trade and promotes economic growth.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

Goods in transit are exempt under the business inventory exemption.

**Data Sources**

Department of Revenue, Property tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1961 |
| **Primary Beneficiaries:** | Wholesalers of goods passing through the state and manufacturers of aircraft |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2023 |

# 84.36.350 - Nonprofit sheltered workshops

**Description**

Property tax does not apply to real or personal property used by a nonprofit corporation to operate a sheltered workshop for individuals with disabilities, including property used for manufacturing and handling, selling, or distributing goods constructed, processed, or repaired in the workshop and any inventory and raw materials.

**Purpose**

Supporting the social benefits and rehabilitative opportunities provided by the workshops.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.400 | $0.410 | $0.420 | $0.430 |
| Local Taxes | $1.184 | $1.251 | $1.320 | $1.394 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.037 | $0.072 | $0.075 |

**Assumptions**

- The total estimated exempt value is $184 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $435,000 in state property taxes to exempt property owners and shifts an estimated $1.2 million in local property taxes in fiscal year 2026.

**Data Sources**

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

# 84.36.350 - Nonprofit sheltered workshops

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 1970 |
| **Primary Beneficiaries:** | 68 parcels owned by sheltered workshops |
| **Taxpayer Count:** | 16 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2011 with an upcoming review in 2026 |

# 84.36.381 - Senior and disabled homeowners exemption

**Description**

An exemption from property tax applies to retired senior citizens (aged 61 or more), disabled homeowners, and veterans entitled to and receiving compensation from the U.S. Department of Veterans Affairs.

The income thresholds necessary to qualify in the exemption program are as follows:

- Income threshold 1 is the greater of $30,000, or 50% of the median household income for the county.
- Income threshold 2 is the greater of $35,000, or 60% of the median household income for the county.
- Income threshold 3 is the greater of $40,000, or 70% of the median household income for the county.

The valuation of qualified homeowners remains unchanged as of January 1, 1995, or January 1 of the first assessment year, the homeowner qualifies for the property tax exemption. To qualify for the valuation freeze, homeowners must have household income equal to or less than Income threshold level 1.

Income thresholds are based on a percentage of the county's median household income and adjusted every three years.

Any surviving spouse, surviving domestic partner, heir, or devisee of a person who was receiving an exemption at the time of the person's death will qualify if the surviving spouse, surviving domestic partner, heir, or devisee is 57 years of age or older and otherwise meets the requirements.

**Purpose**

Provide property tax relief to low-income, retired, or disabled homeowners.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $90.527 | $96.536 | $93.743 | $95.473 |
| Local Taxes | $277.459 | $304.764 | $304.584 | $319.849 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $7.325 | $14.296 | $14.976 |

# 84.36.381 - Senior and disabled homeowners exemption

**Assumptions**

- The total estimated exempt value is $39.5 billion.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $97 million in state property taxes to exempt property owners and shifts an estimated $290 million in local property taxes in fiscal year 2026.
- The average frozen value of homes qualifying for this exemption will grow at 1.5% annually.

**Data Sources**

- County Assessor, Abstract data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 1967 |
| **Primary Beneficiaries:** | Homeowners who are senior citizens, disabled veterans, surviving spouses and partners who qualify for this program |
| **Taxpayer Count:** | Approximately 110,000 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 84.36.400 - Home improvements

**Description**

Once every five years, a taxpayer may file for a property tax exemption on physical improvements to an existing single family residential dwelling, including constructing an accessory dwelling unit, upon completion of the improvements. The exemption is limited to improvements totaling 30% or less of the structure's original value.

**Purpose**

To encourage homeowners to upgrade or make improvements to their residences.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.023 | $0.024 | $0.024 | $0.025 |
| Local Taxes | $0.069 | $0.072 | $0.076 | $0.080 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. The repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. The repeal may decrease the local rate. Local taxing districts at their statutory maximum may experience a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.002 | $0.004 | $0.004 |

**Assumptions**

- The total estimated exempt value is $10.6 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption results in a state levy shift of an estimated $26,000 and a local levy shift of an estimated $72,000 in fiscal year 2026.

**Data Sources**

- Department of Revenue, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

# 84.36.400 - Home improvements

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 1972 |
| **Primary Beneficiaries:** | Owners of single family dwellings who make improvements to their home |
| **Taxpayer Count:** | Approximately 200 homeowners |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2020 |

# 84.36.400(2) - ADU units for low-income households

**Description**

A county with a population of 1.5 million or more may exempt an accessory dwelling unit (ADU) if the owner rents the ADU to a "low-income household" that is not immediate family under the age of 60, and the ADU represents 30% or less of the value of the original structure.

Low-income household means a single person, family, or unrelated persons living together whose adjusted income is at or below 60% of the median household income adjusted for household size, for the county where the household is located, as reported by the U.S. Department of Housing and Urban Development.

**Purpose**

To incentivize renting accessory dwelling units to low-income households.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | Indeterminate | Indeterminate | Indeterminate | Indeterminate |
| Local Taxes | Indeterminate | Indeterminate | Indeterminate | Indeterminate |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | Indeterminate | Indeterminate | Indeterminate |

**Assumptions**

- The total estimated exempt value is unknown; therefore, these estimates are indeterminate but likely minimal.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- This exemption starts for property taxes due in 2024. Very few ADUs meet the qualifications for this exemption and even fewer will apply during the forecasted period of this study. .
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**Data Sources**

- County Assessor, Property tax data

# 84.36.400(2) - ADU units for low-income households

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 2023 |
| **Primary Beneficiaries:** | Owners of ADUs rented to low-income households. |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 84.36.451 - Public property leaseholds

**Description**

Private rights to use or occupy property owned by the federal government, the state of Washington and its subdivisions, and federally recognized Indian tribes, is exempt from property taxation. Individuals and businesses that lease public or tribal property are instead subject to the leasehold excise tax based on the rental value of the lease.

**Purpose**

To ensure that lessees of public property pay only leasehold excise tax and not personal property tax on the value of the lease.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

All of this estimate is covered elsewhere in this report under:

- A portion in the estimate for public utility properties.
- A portion in the estimate for certain public-private and tribal property.
- A portion in the estimate for certain residential and recreational lots.

**Data Sources**

Department of Revenue, Property tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Tax base |
| **Year Enacted:** | 1976 |
| **Primary Beneficiaries:** | Private lessees of publicly owned property, for example, port districts and state tidelands |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2011 |

# 84.36.470 - Agricultural products

**Description**

All agricultural products grown, or produced for sale by a person on lands owned by the person or on lands in which the person has a present right of possession are exempt from property tax. Cannabis is not an agricultural product.

**Purpose**

To assist the agricultural economy.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $17.384 | $17.012 | $16.099 | $15.486 |
| Local Taxes | $51.426 | $51.853 | $50.611 | $50.196 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $1.458 | $2.752 | $2.713 |

**Assumptions**

- Total estimated exempt value is $8.0 billion.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- The value of agricultural products will remain stable; therefore, these estimates assume no growth.
- Repealing this exemption shifts an estimated $16.7 million in state property taxes to exempt property owners and shifts an estimated $47.9 million in local property taxes in fiscal year 2026.

**Data Sources**

- U.S. Department of Agriculture, Selected crop acreage, yield, production, and value
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

# 84.36.470 - Agricultural products

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Agriculture |
| **Year Enacted:** | 1984 |
| **Primary Beneficiaries:** | Agricultural producers, processors, and shippers |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2018 |

# 84.36.477 - Business inventories

**Description**

Business inventories, including most products held, acquired, or produced solely for: sale or lease, or for consumption of property that becomes an ingredient or component of property produced for sale or lease, are exempt from property tax.

**Purpose**

To stimulate the economy and help to make Washington competitive with neighboring states that eliminated personal property taxes on business inventories.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $119.639 | $118.508 | $114.227 | $112.175 |
| Local Taxes | $353.935 | $361.268 | $359.151 | $363.677 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. The repeal shifts the state property tax to those taxpayers currently receiving this exemption and reduces the tax burden of other taxpayers. The repeal may decrease the local rate, and local taxing districts at their statutory maximum may experience a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $10.237 | $19.530 | $19.652 |

**Assumptions**

- Total estimated exempt value is $54.8 billion.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Market value of business inventories in Washington will grow at the forecasted rate of national business inventories.
- Repealing this exemption shifts an estimated $118.4 million in state property taxes to exempt property owners and shifts an estimated $339.6 million in local property taxes in fiscal year 2026.

**Data Sources**

- U. S. Economic Census, 2017
- S&P Global Market Intelligence, March 2023
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

# 84.36.477 - Business inventories

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1974 |
| **Primary Beneficiaries:** | Manufacturers, wholesalers, and retailers |
| **Taxpayer Count:** | 38,000 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2012 |

# 84.36.480 - Nonprofit fair associations

**Description**

Property taxes do not apply to real and personal property owned by a nonprofit fair association eligible to receive support from the fair fund that sponsors or conducts a county fair.

The exemption also applies to nonprofit fair associations organized under the nonprofit miscellaneous and mutual corporations act, if the nonprofit purchased or acquired the majority of the property from a county or city between 1995 and 1998.

The exemption applies to properties valued at no more than $15 million. Loaning or renting the property to private concessionaires in conjunction with a fair does not nullify the exemption if the rental charges are reasonable and used for operating and maintaining the property. If any portion of the property is rented for more than 50 days during a calendar year, the rental income becomes subject to leasehold excise tax beginning January 1, 2019.

**Purpose**

To support county agricultural fairs.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.039 | $0.040 | $0.041 | $0.042 |
| Local Taxes | $0.117 | $0.123 | $0.130 | $0.137 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.004 | $0.007 | $0.008 |

**Assumptions**

- The total estimated exempt value is $18.1 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $40,000 in state property taxes to exempt property owners and shifts an estimated $120,000 in local property taxes in fiscal year 2026.

# 84.36.480 - Nonprofit fair associations

**Data Sources**

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 1975 |
| **Primary Beneficiaries:** | 26 parcels owned by fair associations |
| **Taxpayer Count:** | 8 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2011 |

# 84.36.487 - Air pollution control facilities

**Description**

Air pollution control equipment constructed or installed at a thermal electric generating facility after May 15, 1997, is exempt from property tax. To qualify, the generating facility must have begun operation between January 1, 1970, and June 30, 1975.

**Purpose**

To encourage thermal electric generating facilities to reduce air pollution emissions.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | CTI | CTI | CTI | CTI |
| Local Taxes | CTI | CTI | CTI | CTI |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | CTI | CTI | CTI |

**Assumptions**

This exemption impacts fewer than three taxpayers; any impacts are confidential.

**Data Sources**

Department of Revenue, Property Tax Division

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1997 |
| **Primary Beneficiaries:** | Thermal electric generating facility |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2017 |

# 84.36.500 - Conservation futures on agricultural land

**Description**

Property tax does not apply to conservation futures of unlimited duration on farm and agricultural lands owned by certain nonprofit corporations or associations. To qualify, the primary purpose of the nonprofit corporations or associations must be to conserve agricultural lands and prevent them from being converted to nonagricultural uses, and the conservation futures must be effectively restricted to prevent nonagricultural uses on the land.

**Purpose**

Encouraging the retention of farmlands in urban transitional areas.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

No taxpayers currently use this exemption. We expect no usage during the forecasted period of this study.

**Data Sources**

County Assessor, Property tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 1984 |
| **Primary Beneficiaries:** | Nonprofit organizations that acquire development rights to agricultural lands and owners of the agricultural lands. |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2012 and 2018 |

# 84.36.510 - Mobile homes in dealer's inventory

**Description**

Property tax does not apply to mobile homes in a dealer's inventory and held solely for sale in the ordinary course of the dealer's business. The exemption does apply to taxes already levied or delinquent on the mobile home when it becomes part of a dealer's inventory.

**Purpose**

Helps make Washington competitive with neighboring states that eliminated personal property taxes on business inventories.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.054 | $0.057 | $0.061 | $0.064 |
| Local Taxes | $0.159 | $0.174 | $0.191 | $2.090 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.005 | $0.011 | $0.012 |

**Assumptions**

- Total estimated exempt value is $24.3 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Repealing this exemption results in a state levy shift of an estimated $63,000 and a local levy shift of an estimated $180,000 in fiscal year 2026.
- Inventory as a percentage of shipments of mobile homes to Washington, is similar to when tracking of inventory stopped in 2013.

**Data Sources**

- U. S. Census data for inventory and average sales price
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

# 84.36.510 - Mobile homes in dealer's inventory

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1985 |
| **Primary Beneficiaries:** | Mobile home dealers |
| **Taxpayer Count:** | 100 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2017 |

# 84.36.550 - Nonprofit fund-raising

**Description**

Property tax does not apply to real and personal property owned by nonprofit organizations that solicit gifts, donations, or grants if:

- The organization is nonsectarian.
- A state or national group that authorizes, approves, or sanctions volunteer charitable fund-raising efforts affiliates with the nonprofit organization.
- The organization is exempt from federal income tax.
- The organization has a volunteer board of directors.

The organization uses gifts, donations, and grants for character-building, benevolent, protective, or rehabilitative social services to people of all ages for distribution to at least five other nonprofit organizations or associations that are organized and conducted for the same purposes listed above.

**Purpose**

Supporting the fund-raising activities of these nonprofit organizations.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.181 | $0.186 | $0.190 | $0.195 |
| Local Taxes | $0.536 | $0.566 | $0.598 | $0.632 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.017 | $0.033 | $0.034 |

**Assumptions**

- The total estimated exempt value is $83.5 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $200,000 in state property taxes to exempt property owners and shifts an estimated $570,000 in local property taxes in fiscal year 2026.

**Data Sources**

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

# 84.36.550 - Nonprofit fund-raising

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 1993 |
| **Primary Beneficiaries:** | 13 parcels owned by nonprofit fund-raising organizations |
| **Taxpayer Count:** | 4 |
| **Program Inconsistency:** | None Evident |
| **JLARC Review:** | Expedited review completed in 2013 |

# 84.36.560 - Nonprofit low-income rental housing

**Description**

Property tax does not apply to real and personal property owned or used by a "nonprofit entity" that provides rental housing for qualifying households, or mobile home spaces rented to qualifying households within a mobile home park, or mobile home park cooperative.

The exemption's must benefit the nonprofit entity, and at least 75% of the dwelling units must be occupied by households with incomes at or below 60% of the median income, adjusted for household size, for the county where the property is located.

If the dwelling units are occupied by less than 75% of qualifying households, the nonprofit entity may receive a partial exemption.

The housing must be insured, financed, or assisted in whole, or in part, by one or more of the following sources:

- A federal or state housing program administered by the Department of Commerce.
- A federal housing program administered by a city or county government.
- A local affordable housing property tax levy.
- Certain authorized affordable housing and homeless housing and assistance surcharges.
- Financing by the Washington State Housing Finance Commission.

**Purpose**

Encouraging the construction and use of housing for low-income households.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $20.182 | $20.669 | $21.167 | $21.683 |
| Local Taxes | $59.702 | $63.042 | $66.577 | $70.317 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $1.847 | $3.620 | $3.799 |

# 84.36.560 - Nonprofit low-income rental housing

**Assumptions**

- The total estimated exempt value is $9.3 billion.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $22 million in state property taxes to exempt property owners and shifts an estimated $63 million in local property taxes in fiscal year 2026.

**Data Sources**

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 1999 |
| **Primary Beneficiaries:** | 1755 parcels of rental housing |
| **Taxpayer Count:** | 161 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2015 with an upcoming review in 2026 |

# 84.36.570 - Nonprofit demonstration farms

**Description**

Property tax does not apply to all real and personal property of a demonstration farm used by a research and education program of a state university and owned by a nonprofit organization, corporation, or association if:

- The property is no more than 50 acres.
- The nonprofit organization, corporation, or association is a 501(c)(3).
- The farm includes research and extension facilities, a public agricultural museum and an educational tour site used by a state university for agricultural research and education programs.
- Income from the sale of agricultural products furthers the purpose of the nonprofit organization.
- Exempted property must be used exclusively for the purposes of the exemption.

**Purpose**

Supporting the continued operation of a demonstration farm by a state university for agricultural research and education programs.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | Indeterminate | Indeterminate | Indeterminate | Indeterminate |
| Local Taxes | Indeterminate | Indeterminate | Indeterminate | Indeterminate |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | Indeterminate | Indeterminate | Indeterminate |

**Assumptions**

- There are currently two organizations claiming this exemption.
- The exempted value for the organizations is unknown, therefore these estimates are indeterminate.

**Data Sources**

- Department of Revenue, Exempt property tax data

# 84.36.570 - Nonprofit demonstration farms

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 1999 |
| **Primary Beneficiaries:** | 4 parcels owned by demonstration farms |
| **Taxpayer Count:** | 2 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2015 |

# 84.36.590 - Vitrification equipment

**Description**

Personal property located on land owned by the U.S. government at the Hanford reservation is exempt from property tax if it is used exclusively in the performance of a privatization contract to pre-treat, treat, vitrify or immobilize tank waste. The personal property must be used by the person who has a privatization contract to perform tank waste clean-up operations at the Hanford Reservation.

**Purpose**

Supports nuclear waste clean-up activities at Hanford.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | Indeterminate | Indeterminate | Indeterminate | Indeterminate |
| Local Taxes | Indeterminate | Indeterminate | Indeterminate | Indeterminate |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | Indeterminate | Indeterminate | Indeterminate |

**Assumptions**

- No equipment currently located at the Hanford site qualifies for this exemption.
- It is unknown if any qualifying equipment will be located at the Hanford site during the forecasted period of this study, so these estimates are indeterminate.

**Data Sources**

- Benton County assessor, Property tax data
- The Hanford Site, Waste treatment and immobilization plant

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2000 |
| **Primary Beneficiaries:** | Persons with privatization contract to assist clean-up at Hanford Reservation |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2015 |

# 84.36.595 - Motor vehicles, trailers, and campers

**Description**

Motor vehicles, travel trailers, and campers are exempt from property tax.

**Purpose**

Ensures that property tax does not apply to vehicles.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $114.135 | $116.888 | $119.705 | $122.628 |
| Local Taxes | $337.633 | $356.527 | $376.517 | $397.670 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $10.448 | $20.472 | $21.489 |

**Assumptions**

- The total estimated exempt value is $52.5 billion.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- The Department of Licensing's database contains all registered vehicles in Washington.
- Repealing this exemption shifts an estimated $124 million in state property taxes to exempt property owners and shifts an estimated $356 million in local property taxes in fiscal year 2026.

**Data Sources**

- Bureau of Transportation Statistics, Average age of automobiles and trucks in operation in the United States
- Department of Licensing database
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

# 84.36.595 - Motor vehicles, trailers, and campers

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Tax base |
| **Year Enacted:** | 2000 |
| **Primary Beneficiaries:** | Individuals and businesses who own vehicles |
| **Taxpayer Count:** | 7,800,000 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2015 and 2019 |

# 84.36.597 - Heavy equipment rental property

**Description**

All heavy equipment rental property owned by a heavy equipment rental property dealer is exempt from property tax. A claim must be filed annually with the dealer's personal property listing to the county assessor for an exemption from taxes payable the following year.

**Purpose**

To reduce costs for owners of heavy equipment rental property.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | ($2.467) | ($2.453) | ($2.615) | ($2.799) |
| Local Taxes | $2.171 | $2.544 | $2.581 | $2.655 |

**Repeal of exemption**

Repealing a property tax exemption would increase state revenues. The repeal also shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. The repeal may decrease the local rate, and local taxing districts which are at their statutory maximum rate may therefore experience a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | ($3.013) | ($3.436) | ($3.618) |
| Local Taxes | $0.000 | $0.000 | $0.141 | $0.144 |

**Assumptions**

- The total estimated exempt value is $286.3 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax and industrial equipment growth rates reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- The value of those counties responding to our survey represents those counties not responding to our survey.
- Exempt value will grow at a rate consistent with the growth rate of industrial equipment.
- 25% more heavy rental businesses will take the exemption in fiscal year 2023, with an additional 5% more each year after.
- Repealing this exemption results in a state levy shift of an estimated $848,000 and a local levy shift of an estimated $2.44 million in fiscal year 2026.

**Data Sources**

- Survey of county assessor offices
- Department of Revenue, Excise tax data
- S&P Global Market Intelligence, March 2023 forecast
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax forecast model, March 2023

# 84.36.597 - Heavy equipment rental property

-

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Agriculture |
| **Year Enacted:** | 2020 |
| **Primary Beneficiaries:** | Businesses that rent heavy equipment |
| **Taxpayer Count:** | 60 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 84.36.600 - Custom computer software

**Description**

Custom computer software, except for embedded software, is exempt from property tax. Custom software is software designed for a specific need for a single person or group of persons. Also exempt are master or golden copies of software, retained rights in computer software and modifications to prewritten software.

**Purpose**

To recognize the administrative difficulties in valuing such software and to achieve uniform tax treatment in all counties.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | Indeterminate | Indeterminate | Indeterminate | Indeterminate |
| Local Taxes | Indeterminate | Indeterminate | Indeterminate | Indeterminate |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | Indeterminate | Indeterminate | Indeterminate |

**Assumptions**

The value of custom computer software is unknown; therefore these estimates are indeterminate.

**Data Sources**

County Assessor, Property tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1991 |
| **Primary Beneficiaries:** | Businesses that own custom computer software |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2014 and 2023 |

# 84.36.605 - Regional Transit Authority Sales and Leasebacks

**Description**

Property tax does not apply to the real and personal property of a regional transit authority (RTA) subject to sale and leaseback arrangements. An RTA may sell facilities, trains, and buses, then lease them back from the investor.

**Purpose**

Provides the RTA with assistance in acquiring and financing trains, buses, and facilities.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

No taxpayers currently use this exemption. We expect no usage during the forecasted period of this study.

**Data Sources**

Sound Transit

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 2000 |
| **Primary Beneficiaries:** | Sound Transit |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2020 |

# 84.36.630 - Farm machinery (state levy)

**Description**

Personal property in the form of machinery and equipment owned by a farmer and used in growing and producing agricultural products is exempt from both parts of the state property tax levies. Qualifying farm machinery is still subject to local property tax levies.

**Purpose**

Reduces the property tax burden for farmers.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $3.026 | $3.057 | $3.089 | $3.122 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. The repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. The repeal may decrease the local rate. Local taxing districts at their statutory maximum may experience a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- The total estimated exempt value is $1.4 billion.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $3.2 million in state property taxes to exempt property owners in fiscal year 2026.

**Data Sources**

- Survey of county assessor offices
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

# 84.36.630 - Farm machinery (state levy)

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Agriculture |
| **Year Enacted:** | 2001 |
| **Primary Beneficiaries:** | Owners of farm machinery used to produce agricultural products |
| **Taxpayer Count:** | 5,000 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2018 |

# 84.36.635 - Anaerobic digesters

**Description**

All buildings, machinery, equipment, and other personal property which are used primarily for the operation of an anaerobic digester, the land upon which this property is located, and land that is reasonably necessary in the operation of an anaerobic digester are exempt from property tax. Applications for anaerobic digesters must be filed by December 31, 2024. The exemption is valid for six years and may not be renewed.

**Purpose**

Encourages the use of anaerobic digesters to promote renewable natural gas.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

No taxpayers currently use this exemption. We expect no usage during the forecasted period of this study.

**Data Sources**

- Survey of county assessor offices
- Department of Ecology, Organic waste data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Agriculture |
| **Year Enacted:** | 2003 |
| **Primary Beneficiaries:** | Operators of an anaerobic digester |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 84.36.645 - Semiconductor Materials Manufacturing After $1 Billion Investment - Machinery and Equipment

**Description**

Machinery and equipment exempt from sales and use taxes used in manufacturing semiconductor materials is exempt from property tax. The exemption is contingent upon the siting of a significant semiconductor fabrication facility with an investment of at least $1 billion in buildings and equipment in Washington. The exemption expires January 1, 2024, unless a signed contract for construction of a significant fabrication facility occurs before the expiration.

**Purpose**

Encourages the retention of existing semiconductor businesses in Washington and attracts similar businesses to Washington.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

No taxpayers currently use this exemption. We expect no usage during the forecasted period of this study.

**Data Sources**

County Assessor, Property tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2003 |
| **Primary Beneficiaries:** | Semiconductor fabrication facility |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2016 with an expedited review in 2021 |

# 84.36.650 - Nonprofit fund-raising to support artists

**Description**

Property tax does not apply to real and personal property owned by a nonprofit organization that raises funds to support individual artists if:

- The organization is nonsectarian.
- The organization is a 501(c)(3).
- The organization has at least 8 board members.
- The organization uses funds for grants, fellowships, information services, or education resources for individual artists.
- If the property is leased, the exemption's benefit is realized by the lessee.

**Purpose**

Assisting nonprofit organizations that support artists.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | Minimal | Minimal | Minimal | Minimal |
| Local Taxes | Minimal | Minimal | Minimal | Minimal |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | Minimal | Minimal | Minimal |

**Assumptions**

- The total estimated exempt value is $150,000.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this results in a minimal state and local levy shift.

**Data Sources**

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

# 84.36.650 - Nonprofit fund-raising to support artists

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 2003 |
| **Primary Beneficiaries:** | Nonprofit supporting artists |
| **Taxpayer Count:** | 1 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2016 with an upcoming review in 2024 |

# 84.36.655 - Aircraft facilities, port property

**Description**

Facilities used to manufacture superefficient airplanes which are located on property owned by a port district are exempt from property tax. The exemption covers buildings, machinery, equipment, and other personal property owned by a lessee of port district property. The exemption expires July 1, 2040.

The exemption is not available if the manufacturer takes the B&O tax credit for property and leasehold taxes paid on property used to manufacture commercial airplanes.

**Purpose**

Encourages establishment of a superefficient airplane manufacturing facility in Washington. This exemption requires that such a facility would be located on port district property. As such, it addresses the personal property component of the facility as the real property is likely to be publicly owned.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

No taxpayers currently use this exemption. We expect no usage during the forecasted period of this study.

**Data Sources**

Department of Revenue, Annual tax performance report data

# 84.36.655 - Aircraft facilities, port property

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2003 |
| **Primary Beneficiaries:** | Any manufacturer of a super-efficient airplane that locates a facility on port district property. |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident. |
| **JLARC Review:** | Full review completed in 2019 with an upcoming review in 2024 |

# 84.36.665 - Military housing

**Description**

Qualifying privately owned military housing is exempt from property tax.

**Purpose**

Supports privatization of military housing on federal land.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.697 | $0.714 | $0.731 | $0.749 |
| Local Taxes | $2.062 | $2.177 | $2.299 | $2.428 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.064 | $0.125 | $0.131 |

**Assumptions**

- The total estimated exempt value is $321 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $760,000 in state property taxes to exempt property owners and shifts an estimated $2.2 million in local property taxes in fiscal year 2026.

**Data Sources**

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 2008 |
| **Primary Beneficiaries:** | 2 owners of military housing projects awarded under the military housing privatization initiative |
| **Taxpayer Count:** | 20 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2020 |

# 84.36.670 - Multipurpose senior citizen centers

**Description**

One or more contiguous real property parcels and personal property owned by a senior citizen organization are exempt from taxation if the property is used for the actual operation of a multipurpose senior citizen center. This includes property loaned or rented to the multipurpose senior center. The exempt property may be used for fund-raising events and activities.

**Purpose**

To provide tax relief to senior citizen organizations.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.014 | $0.014 | $0.014 | $0.015 |
| Local Taxes | $0.041 | $0.043 | $0.045 | $0.048 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.001 | $0.003 | $0.003 |

**Assumptions**

- Total estimated exempt value is $6.3 million.
- Exempt value will grow at a rate consistent with the growth rate of the market value of real property.
- Repealing this exemption shifts an estimated $15,000 in state property taxes to exempt property owners and shifts an estimated $43,000 in local property taxes in fiscal year 2026.

**Data Sources**

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 2017 |
| **Primary Beneficiaries:** | 18 parcels owned by a senior citizen organization |
| **Taxpayer Count:** | 14 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review scheduled in 2025 |

# 84.36.675 - Limited equity cooperative housing

**Description**

Limited equity cooperatives (LEC) receive a property tax exemption for real property owned by LEC that provides owned housing for low-income households if the following is met:

- The LEC and its members receive the benefit of the exemption.
- At least 85% of units are occupied by members of the LEC by January 1 of the assessment year.
- At least 95% of property for which the exemption is sought must be used for housing units or other noncommercial uses.
- The housing was insured, financed, or assisted by certain federal or state housing programs.

**Purpose**

To provided permanent and affordable housing to low and middle-income residents.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- No taxpayers currently use this exemption. We expect no usage during the forecasted period of this study.
- Repealing this exemption results in no levy shifts.

**Data Sources**

- County Assessor, Property tax data

# 84.36.675 - Limited equity cooperative housing

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 2022 |
| **Primary Beneficiaries:** | Limited equity cooperatives |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None Evident |
| **JLARC Review:** | No review completed |

# 84.36.680 - Renewable energy systems

**Description**

Qualified personal property used exclusively for the generation or storage of renewable energy is eligible for an exemption from property taxes levied for any state purpose. The exemption is available for 10 or 15 years following the date on which the facility where the property is located first becomes operational. Qualified personal property is personal property used exclusively for the generation or storage of renewable energy in a facility, the construction of which began on or after July 1, 2023. Renewable energy is energy produced by a solar or wind facility with nameplate capacity sufficient to generate at least 10 megawatts of alternating current power.

To receive this exemption the property owner must pay a renewable energy excise tax.

**Purpose**

To encourage renewable energy facilities to locate in Washington while supporting local governments, schools, and communities.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.396 | $0.967 |
| Local Taxes | $0.000 | $0.000 | ($0.098) | ($0.471) |

**Repeal of exemption**

Under a budget-based system, repealing a property tax exemption would normally not increase revenue. The repeal would just shift the property tax to the currently exempt taxpayers. However, portions of the currently exempt value were never added to the property tax roll. If this exemption was repealed, the value that was not yet added to the property tax roll would be added as new construction thereby increasing revenue. Any exempt value that was already added to the property tax roll would result in a shift of property taxes to the property owners currently receiving this exemption.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | 0.086 | $0.246 |
| Local Taxes | $0.000 | $0.000 | ($0.098) | ($0.471) |

**Assumptions**

- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Repealing this exemption shifts an estimated $310,000 in state property taxes to exempt property owners in fiscal year 2026.
- Approximately 150 megawatts, nameplate capacity, of renewable energy will be added each year of this estimate.
- Added capacity will be an equal spilt between wind and solar.

- Approximately 200 megawatt hours of renewable energy storage will be added each year of this estimate.
- The average cost of qualifying personal property for a solar facility is approximately $1 million per megawatt of nameplate capacity in 2025 and will decrease approximately 2% per year each year of this estimate period.
- The average cost of qualifying personal property for a wind facility is approximately $1.3 million per megawatt of nameplate capacity in 2025 and will decrease approximately 2% per year each year of this estimate period.
- The average cost of qualifying personal property for a renewable energy storage facility is approximately $360,000 per megawatt hour of nameplate capacity in 2025 and will decrease approximately 2% per year each year of this estimate period.
- Because of construction time, the first facility begins production in calendar year 2026.
- Half the taxpayers will select the 10-year exemption and half will select the 15-year exemption.
- Approximately two-thirds of the exempt property would have been added to the tax roll prior to receiving the property tax exemption and approximately one-third of the exempt property would not have been added to the tax roll prior to receiving the property tax exemption. Therefore a repeal of this exemption will result in both a shift and gain in state revenue.
- Repealing this exemption shifts an estimated $310 thousand in state property taxes to exempt property owners.
- If this property tax exemption is repealed the excise tax owed in lieu property tax, will no longer be owed. Resulting in a loss of revenue to local governments and schools.

**Data Sources**

- U.S. Energy Information Administration, Energy data
- Solar Reviews website
- Cost Projection for Utility-Scale Battery Storage: 2021 - Update National Renewable Energy Laboratory
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2023 |
| **Primary Beneficiaries:** | Renewable energy companies |
| **Taxpayer Count:** | 3 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 84.37.030 - Low-income homeowners tax deferral

**Description**

A homeowner may defer 50% of special assessments and real property taxes if the homeowner:

- Owns the house for more than five years and lived in the house as of January 1 of the year taxes are due.
- Has a combined disposable income of $57,000 or less in the calendar year prior to filing.
- Total amount deferred cannot exceed 40% of the amount of the claimant's equity value in the residence.
- Already paid half of the taxes due for the year.
- Has enough fire and casualty insurance to protect the interests of the state.

The homeowner can't defer special assessments or property taxes under the conditions and qualifications for claiming the deferral and can only defer up to 40% of his or her equity in the property. The state reimburses local taxing districts for the local property taxes deferred under this program.

**Purpose**

Relieving the property tax burden of persons with limited incomes.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.032 | $0.034 | $0.036 | $0.038 |
| Local Taxes | $0.083 | $0.087 | $0.092 | $0.097 |

**Repeal of exemption**

Repealing this property tax exemption would increase state revenues. Unlike most property tax exemptions, it would not shift property taxes to the currently exempt taxpayers and reduce the tax burden of other taxpayers since the state reimburses local taxing districts for the local property taxes deferred under this program.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.121 | $0.128 | $0.135 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- The number of participants taking the deferral remains constant.
- Estimated growth in the average deferral is 5.5% annually.
- Repealing this exemption results in no levy shifts.

**Data Sources**

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

# 84.37.030 - Low-income homeowners tax deferral

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 2007 |
| **Primary Beneficiaries:** | Low income homeowners |
| **Taxpayer Count:** | 32 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2011 |

# 84.38.030 - Senior and disabled homeowners tax deferral

**Description**

A homeowner may defer 80% of special assessments and real property taxes if the homeowner:

- Meets all requirements for an exemption for the residence under the senior exemption program.
- Is 60 or older by December 31 of the deferral claim year, or is retired due to physical disability.
- Has a combined disposable income of 75% or less of the county median household income.
- Has enough fire and casualty insurance to protect the interests of the state.
- Owned, at the time of filing, the residence upon which the special assessment and/or real property taxes are imposed.
- If claiming a special assessment deferral, opted for installment payments if available.
- Any surviving spouse, surviving domestic partner, heir, or devisee of a person who was receiving a deferral at the time of the person's death qualifies if the surviving spouse or surviving domestic partner is fifty-seven years of age or older and otherwise meets these requirements.

The state reimburses local taxing districts for the local property taxes deferred under this program.

**Purpose**

Relieve the property tax burden of low-income, elderly, or disabled persons.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.409 | $0.409 | $0.409 | $0.409 |
| Local Taxes | $1.053 | $1.053 | $1.053 | $1.053 |

**Repeal of exemption**

Repealing this property tax deferral would increase state revenues. Unlike most property tax exemptions, it would not shift property taxes to the currently exempt taxpayers and reduce the tax burden of other taxpayers since the state reimburses local taxing districts for the local property taxes deferred under this program.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $1.462 | $1.462 | $1.462 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Repealing this exemption results in no state levy shift, no local levy shift, and no potential revenue gain to local taxing districts as the state reimburses local taxing districts for the local property taxes deferred under this program.

# 84.38.030 - Senior and disabled homeowners tax deferral

**Data Sources**

- County Assessor, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 1975 |
| **Primary Beneficiaries:** | Senior and disabled homeowners |
| **Taxpayer Count:** | 620 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 84.39.010 - Veteran widows and widowers

**Description**

Widows or widowers of a veteran qualify for a property tax exemption, in the form of a grant, if they:

- Meet all requirements under the senior citizens exemption program, other than the income limits.
- Are 62 or older by December 31 of the exemption claim year or retired due to physical disability and the veteran:
  - Died from a service-related disability.
  - Was 100% disabled by the U.S. Veterans Administration for at least the last 10 years prior to the veteran's death.
  - Was a prisoner of war and rated 100% disabled for at least one year prior to the veteran's death, or died while on active duty or in active military status.

In addition, the widow or widower of a veteran must not have remarried or have a combined disposable income of more than $40,000.

The grant equals the amount of regular and special property tax levies imposed on the difference between the value of the residence that is eligible under the senior citizens exemption program and the following:

- If disposable income is less than $30,000, the first $100,000 of residential value.
- If disposable income is between $30,000 and $35,000, the first $75,000 of residential value.
- If disposable income is between $35,000 and $40,000, the first $50,000 of residential value.

**Purpose**

Providing property tax relief to survivors of deceased veterans.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | Minimal | Minimal | Minimal | Minimal |
| Local Taxes | Minimal | Minimal | Minimal | Minimal |

**Repeal of exemption**

Repealing this exemption results in no state levy shift, no local levy shift, and no potential revenue gain to local taxing districts, as the state provides a grant to the taxpayer for the state and local property taxes deferred under this program.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | Minimal | Minimal | Minimal |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

# 84.39.010 - Veteran widows and widowers

**Assumptions**

- Repealing this exemption results in no state levy shift, no local levy shift, and no potential revenue gain to local taxing districts as the state provides a grant to the taxpayer for the state and local property taxes deferred under this program.

**Data Sources**

- Department of Revenue, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 2005 |
| **Primary Beneficiaries:** | Widows or widowers of veterans |
| **Taxpayer Count:** | 19 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited completed review in 2020 |

# 84.40.030(3) - Growing crops

**Description**

The value of agricultural land on January 1 does not include growing crops for property tax purposes. This exemption does not apply to cannabis.

**Purpose**

The harvesting of most crops prior to January 1 prevents them from being subject to property tax. This exemption provides equal treatment for the few crops that may still be growing in the ground, principally winter wheat and fall barley.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.247 | $0.247 | $0.238 | $0.233 |
| Local Taxes | $0.732 | $0.752 | $0.748 | $0.756 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.021 | $0.041 | $0.041 |

**Assumptions**

- The total estimated exempt value is $113 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Farmers incur 40% of costs - excluding seed costs - by January 1 for crops in the ground on January 1. The value of these crops equals the market value of the finished crop less the estimated remaining cost.
- Repealing this exemption shifts an estimated $250,000 in state property taxes to exempt property owners and shifts an estimated $710,000 in local property taxes in fiscal year 2026.

**Data Sources**

- Oregon State University, Cost of onion production in Eastern Oregon and Idaho
- State property tax levy model, March 2023
- USDA Economics Research Service: Economics of Food, Farming, Natural Resources, and Rural America
- USDA National Agricultural Statistics Service
- Economic and Revenue Forecast Council March 2023 Forecast
- State property tax levy model, March 2023

# 84.40.030(3) - Growing crops

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Agriculture |
| **Year Enacted:** | 1890 |
| **Primary Beneficiaries:** | Farmers who have crops growing on January 1 |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2007 and 2018 |

# 84.40.037 - Prewritten computer software

**Description**

Computer software, except embedded software, is subject to property tax on 100% of the purchase price in the first year following purchase and on 50% of the cost in the second year. Thereafter, it is exempt from property tax.

**Purpose**

Recognizes the rapid obsolescence of software and the difficulty of establishing accurate depreciation schedules for the myriad of software programs. Also, it helps provide uniformity of taxation throughout the state.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | Indeterminate | Indeterminate | Indeterminate | Indeterminate |
| Local Taxes | Indeterminate | Indeterminate | Indeterminate | Indeterminate |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | Indeterminate | Indeterminate | Indeterminate |

**Assumptions**

The value of prewritten software currently in use is unknown, therefore these estimates are indeterminate.

**Data Sources**

Survey of county assessor offices

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1991 |
| **Primary Beneficiaries:** | Businesses owning canned software |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2014 and 2023 |

# 84.40.220 - Nursery stock

**Description**

Nursery stock not grown in the ground (e.g. pots/bags) is exempt from property tax.

**Purpose**

To provide tax treatment for nursery stock that is equivalent to growing crops.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.239 | $0.234 | $0.221 | $0.213 |
| Local Taxes | $0.707 | $0.713 | $0.696 | $0.690 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.020 | $0.037 | $0.037 |

**Assumptions**

- The total estimated exempt value is $110 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $230,000 in state property taxes to exempt property owners and shifts an estimated $660,000 in local property taxes in fiscal year 2026.

**Data Sources**

- U.S. Department of Agriculture, National Agricultural Statistics Service
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Agriculture |
| **Year Enacted:** | 1971 |
| **Primary Beneficiaries:** | Owners of nurseries |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2010 and 2018 |

# 84.56.020(19) - Waiver of interest and penalties for qualified taxpayers subject to foreclosure

**Description**

A county treasurer must provide a one-time only waiver on all outstanding interest and penalties on delinquent taxes on a property subject to foreclosure action, no earlier than 60 days prior to being three years delinquent if:

- The taxpayer meets the minimum income threshold requirement for the senior citizen and disabled persons exemption program.
- The taxpayer occupies the property as their principal place of residence.

**Purpose**

Provides relief for residential property owners to avoid foreclosure.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | Indeterminate | Indeterminate | Indeterminate | Indeterminate |

**Repeal of exemption**

Repealing this exemption would not impact the state school levy as the state does not receive interest and penalty payments on delinquent property taxes. Repealing this exemption would increase local revenue as interest and penalties are retained by local government. Repealing this exemption does not shift the property tax on to others.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | Indeterminate | Indeterminate | Indeterminate |

**Assumptions**

- This exemption results in no revenue impact to the state property tax levy.
- The local estimates are indeterminate. Data on interest and penalty payments received on delinquent property taxes is unavailable. Any taxpayer savings or revenue impacts are likely minimal.

**Data Sources**

- County assessors and treasurers

# 84.56.020(19) - Waiver of interest and penalties for qualified taxpayers subject to foreclosure

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 2020 |
| **Primary Beneficiaries:** | Residential property owners delinquent on property tax |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 84.56.025 - Delinquency penalty and interest waivers

**Description**

County treasurers must waive interest and penalties on delinquent property taxes when one of the following occurs:

- Notice was not sent to the taxpayer due to an error by the county. Interest and penalties are reinstated if the taxpayer fails to pay delinquent taxes within 30 days of receiving proper notice.
- The taxpayer fails to make one payment on their personal residence due to hardship caused by the death of their spouse.
- The taxpayer fails to make one payment on their parent's or stepparent's personal residence due to hardship caused by the death of their parent or stepparent.

County treasurers may, at their discretion, waive interest and penalties on delinquent property taxes when the taxpayer pays an erroneous amount due to an error made by the taxpayer.

**Purpose**

Provides relief for taxpayers in cases of errors or hardships.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.160 | $0.160 | $0.160 | $0.160 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.160 | $0.160 | $0.160 |

**Assumptions**

- Total number of households claiming this waiver is 370 per year.
- Average property tax owed for households claiming this waiver is approximately $5,200.
- Repealing this exemption will not result in a state or local levy shift.
- No growth in the number of penalties and interest waived each year.

**Data Sources**

- County Assessor, Abstract data

# 84.56.025 - Delinquency penalty and interest waivers

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 1984 |
| **Primary Beneficiaries:** | Property owners who may owe interest and penalties in these circumstances |
| **Taxpayer Count:** | 370 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2012 and 2020 |

# 84.56.335 - Mobile Homes Possessed by Landlords

**Description**

Property tax does not apply to a manufactured home or park model trailer worth less than $8,000 if the landlord of the manufactured home park takes ownership and submits a signed affidavit to the assessor indicating an intent to resell or rent the home and either:

- The manufactured home or park model trailer has been abandoned.
- A final judgment regarding the manufactured home or park model trailer for restitution of the premises is executes in favor of the landlord and the title transfers to the landlord.

All future taxes are the responsibility of the owner of the manufactured, mobile home or park model trailer.

**Purpose**

Allows manufactured home park owners to renovate and rent or sell abandoned homes without the responsibility of back property taxes, interest, and penalties owed by the previous owner.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | Indeterminate | Indeterminate | Indeterminate | Indeterminate |
| Local Taxes | Indeterminate | Indeterminate | Indeterminate | Indeterminate |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. A repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. It may decrease the local rate and possibly result in local taxing districts at their statutory maximum rate experiencing a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | Indeterminate | Indeterminate | Indeterminate |

**Assumptions**

These estimates are indeterminate but likely minimal.

**Data Sources**

County assessors and treasurers

# 84.56.335 - Mobile Homes Possessed by Landlords

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 2013 |
| **Primary Beneficiaries:** | Manufactured home park owners |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2017 |

# 84.70.010 - Destroyed property

**Description**

Property damaged in whole or in part, or located in a disaster as declared by the Governor or county legislative authority that has been reduced in value by more than 20%, may have its value reduced by the difference in fair market value before and after the destruction or natural disaster.

**Purpose**

To provide relief for owners of destroyed property or losses of property value resulting from natural disasters.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.024 | $0.024 | $0.025 | $0.025 |
| Local Taxes | $0.070 | $0.073 | $0.078 | $0.083 |

**Repeal of exemption**

Repealing a property tax exemption would not increase state revenues. The repeal shifts the state property tax to the currently exempt taxpayers and reduces the tax burden of other taxpayers. The repeal may decrease the local rate. Local taxing districts at their statutory maximum may experience a revenue increase.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.002 | $0.004 | $0.005 |

**Assumptions**

- The total estimated exempt value is $10.9 million.
- This repeal takes effect beginning with property taxes due for calendar year 2025.
- Growth rate mirrors the property tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Repealing this exemption shifts an estimated $26,000 in state property taxes to exempt property owners and shifts an estimated $74,000 in local property taxes in fiscal year 2026.

**Data Sources**

- Department of Revenue, Property tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- State property tax levy model, March 2023

# 84.70.010 - Destroyed property

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 1974 |
| **Primary Beneficiaries:** | Owners of property impacted by a natural disaster |
| **Taxpayer Count:** | 35 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2020 |

# Chapter 18
# Public Utility Tax

# 35.58.560 - METRO transit expenditures

**Description**

Metropolitan municipal corporations may take an offset against gross revenue subject to any state tax for expenditures made from such gross revenue for planning or performing public transportation.

**Purpose**

To support public transportation systems.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | CTI | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

This exemption impacts fewer than three taxpayers; any impacts are confidential.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 1967 |
| **Primary Beneficiaries:** | Municipal transit corporations |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2010 and 2020 |

# 82.16.020(1)(d) - Urban transportation

**Description**

Urban transportation businesses are subject to the public utility tax at a rate of 0.642%. The public utility tax rate for most other forms of transportation is 1.926%.

Urban transportation businesses operate vehicles for public use to convey persons or property for hire either entirely:
- Within a city or within five miles of the city.
- Within and between cities that are not more than five miles apart.
- Within five miles of the corporate limits of either.

**Purpose**

Reduces costs for local transit authorities and qualifying businesses.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $6.040 | $6.460 | $6.920 | $7.420 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $5.930 | $6.920 | $7.420 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate reflects the compound annual growth rate of 7.1% based on historical urban transportation taxable activity.

**Data Sources**

- Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1935 |
| **Primary Beneficiaries:** | Local transit systems, taxi companies, intra-city delivery businesses |
| **Taxpayer Count:** | 1,505 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2008 and expedited review completed in 2019 |

# 82.16.020(1)(e) - Vessels under 65 feet in length

**Description**

Vessels under 65 feet in length, except tugboats, operating upon the waters within the state are subject to the public utility tax at a rate of 0.642%. The public utility tax rate for most other forms of transportation is 1.926%.

**Purpose**

Provides tax relief for small vessels transporting persons or goods within Washington.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.039 | $0.042 | $0.045 | $0.047 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.038 | $0.045 | $0.047 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Linear growth rate of about $430,000 taxable per year based on 5-year average.

**Data Sources**

- Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1935 |
| **Primary Beneficiaries:** | Water transportation businesses |
| **Taxpayer Count:** | 10 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2017 |

# 82.16.020(1)(h) - Log transportation businesses

**Description**

Businesses transporting logs, not including urban or private road exclusive transportation, receive a preferential public utility tax rate of 1.3696% (including a 7% surtax).

**Purpose**

Supports the forest products industry by providing permanent tax relief by lowering the public utility tax rate attributable to log transportation businesses.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.961 | $0.993 | $1.031 | $1.071 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this preferential tax rate would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.910 | $1.031 | $1.071 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- The tax difference between 1.926% and 1.3696% is the measure of revenue gains.
- Growth rate mirrors the other public service public utility taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2015 |
| **Primary Beneficiaries:** | Log haulers |
| **Taxpayer Count:** | 700 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2019 |

# 82.16.040 - Minimum income threshold - $2,000 per month

**Description**

The public utility tax does not apply to a business whose total gross income is less than $2,000 per month. Public utility tax applies to the total monthly gross income if it equals or exceeds $2,000 per month.

**Purpose**

To encourage new or small public utility businesses and for administrative convenience.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $2.156 | $2.205 | $2.265 | $2.338 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $2.021 | $2.265 | $2.338 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the public utility taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1997 |
| **Primary Beneficiaries:** | Small public service and utility businesses |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2008 with an upcoming review in 2023 |

# 82.16.0421 - Electricity sold to electrolyte processors

**Description**

Utility companies providing electricity to producers of chlor-alkali or sodium chlorate do not pay public utility tax on the electricity used to produce those compounds. The exemption expires on June 30, 2029, and does not apply to sales of electricity made after December 31, 2028.

**Purpose**

Supports the chemical industry which supplies the pulp and paper industry with sodium chlorate used for bleaching pulp in white paper products. Electricity is a prime raw material component in the processing of the product.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | CTI | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

This exemption impacts fewer than three taxpayers; any impacts are confidential.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2004 |
| **Primary Beneficiaries:** | Electrolytic processing businesses |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2017 |

# 82.16.045; 82.34.060(2) - Pollution control facilities

**Description**

Construction of required pollution control facilities associated with approved applications received between July 30, 1967, and November 30, 1981, was exempt from sales and use taxes. If sales and use taxes were previously paid, the amount paid may be taken as a credit against B&O, public utility, or use taxes.

The total annual credit claimed is limited to 2% of the cost of the qualifying facility. The total cumulative credits allowed may not exceed 50% of the cost of the qualifying facility.

**Purpose**

To encourage pollution control and to compensate existing companies for the costs they incur to meet upgraded pollution standards.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this credit would not increase revenue because currently no taxpayers use it.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

No taxpayers currently use this credit. We expect no usage during the forecasted period of this study.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1967 |
| **Primary Beneficiaries:** | Businesses required to install pollution control facilities |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review scheduled in 2026 |

# 82.16.046 - Second Narrows Bridge

**Description**

A public utility tax exemption is allowed on income derived from operation of state route 16 corridor transportation systems and facilities constructed and operated. This statute addresses the second bridge over Puget Sound at the Tacoma Narrows and exempts any tolls received by the operator of the bridge from public utility tax.

**Purpose**

Lower the overall cost of operating the second Narrows bridge.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would not increase revenues. The state receives the tolls, not the business contracted to collect the tolls. Income derived from the operation of state route 16 does not fall under the public utility tax classifications.

Normally, the contractor is subject to B&O tax under the service classification on amounts paid by the state to perform this service. Thus, there is no impact on public utility tax.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

Normally, the contractor is subject to B&O tax under the service classification on amounts paid by the state to perform this service. Thus, there is no impact on public utility tax.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1998 |
| **Primary Beneficiaries:** | Toll operators |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2020 |

# 82.16.047 - Ride-sharing and special needs transportation

**Description**

Ride-sharing receipts are exempt from PU tax for:

- Vanpools and carpools used for ride-sharing.
- Public social service agencies or private, nonprofit transportation providers that transport people with special transportation needs.

**Purpose**

Reduces motor vehicle fuel consumption and traffic congestion by promoting ride-sharing and supports nonprofit organizations that provide group transportation services.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.733 | $0.755 | $0.781 | $0.809 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.692 | $0.781 | $0.809 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the public utility taxable activity growth rates reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- 20% of the trips are out-of-county.
- Income from providing these services result from government funding.

**Data Sources**

- Health Care Authority, Non-Emergency Medical Transportation Program

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 1979 |
| **Primary Beneficiaries:** | Nonprofit transportation providers and public transportation systems that provide transportation services |
| **Taxpayer Count:** | 109 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2020 |

# 82.16.0495 - Electricity sold to direct service industry (DSI)

**Description**

Sales of electricity from a gas turbine electrical generation facility to a direct service industrial (DSI) customer are eligible for a public utility tax credit if the facility makes such sales for at least 10 consecutive years and reduces the price of the electricity by an amount equal to the credit. The tax credit lasts for 60 months following the first qualifying sale of electricity. The DSI customer must maintain existing employment levels for at least five years to qualify. A DSI customer is an industrial customer that purchases power from the Bonneville Power Administration (BPA) for its own consumption.

**Purpose**

To encourage DSI customers to continue manufacturing in Washington after their power supply contracts with the BPA expire by switching to power from newly constructed power facilities.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this credit would not increase revenue because currently no taxpayers use it.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

No taxpayers currently use this credit. We expect no usage during the forecasted period of this study.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2001 |
| **Primary Beneficiaries:** | Direct service industry businesses |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2021 |

# 82.16.0496(1)(a)(i) - Alternative fuel commercial vehicle tax credit

**Description**

A credit is allowed against either B&O or PU taxes for the purchase or lease of new or qualifying used commercial vehicles powered by a clean alternative fuel, or the conversion of vehicles to be powered by a clean alternative fuel.

The credit is equal to 75% of the incremental cost amount, which is the difference in price between the qualified vehicle's purchase price and a comparable conventionally-fueled vehicle, or the maximum credit amount for that vehicle, whichever is smaller. For leased vehicles, the credit is equal to 50% of the incremental cost amount multiplied by a lease reduction factor. For converted vehicles, the credit is $25,000 or 50% of the conversion costs, whichever is smaller. The maximum credit amount per vehicle is $25,000, $50,000, or $100,000, depending on the gross weight of the vehicle.

"Qualifying used commercial vehicle" means a vehicle with an odometer reading of less than 450,000 miles; that is less than 10 years past the original manufacturing date; is modified after the initial purchase with a U. S. environmental protection agency certified conversion that would allow the propulsion units to be principally powered by a clean alternative fuel; and is being sold for the first time after modification. Only vehicles used for commercial services or to transport commodities, merchandise, produce, refuse, freight, animals, or passengers and display a Washington license plate qualify for the credit. All commercial vehicles that provide transportation to passengers must be operated by an auto transportation company. The definition of auto transportation company is amended to include private, nonprofit transportation providers, charter party carriers, and paratransit service providers who primarily provide special needs transportation to individuals with disabilities and the elderly.

A credit is allowed for up to 50% of the cost to purchase alternative fuel vehicle infrastructure which includes tangible personal property that will become a component and installation and construction of alternative fuel vehicle infrastructure. Credit for infrastructure is limited to $2 million annually.

On September 1st of each year, any unused credits from any category, must be made available to applicants applying for credits under any other category, subject to the maximum annual credit of $6 million. The maximum total credit taken since July 15, 2015, cannot exceed $32.5 million.

**Purpose**

To incentivize purchasing alternative fuel commercial vehicles and infrastructure.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | CTI | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

# 82.16.0496(1)(a)(i) - Alternative fuel commercial vehicle tax credit

**Repeal of exemption**

Repealing this credit would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This credit impacts fewer than three taxpayers; any impacts are confidential.

**Data Sources**

- Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2015 |
| **Primary Beneficiaries:** | Businesses purchasing or converting vehicles to clean alternative fuels |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Upcoming review in 2024 |

# 82.16.0496(1)(a)(ii) - Alternative fuel commercial vehicle infrastructure credit

**Description**

A credit is allowed against either B&O or PU taxes for the purchase or lease of new or qualifying used commercial vehicles powered by a clean alternative fuel, or the conversion of vehicles to be powered by a clean alternative fuel.

The credit is equal to 75% of the incremental cost amount, which is the difference in price between the qualified vehicle's purchase price and a comparable conventionally-fueled vehicle, or the maximum credit amount for that vehicle, whichever is smaller. For leased vehicles, the credit is equal to 50% of the incremental cost amount multiplied by a lease reduction factor. For converted vehicles, the credit is $25,000 or 50% of the conversion costs, whichever is smaller. The maximum credit amount per vehicle is $25,000, $50,000, or $100,000, depending on the gross weight of the vehicle.

"Qualifying used commercial vehicle" means a vehicle with an odometer reading of less than 450,000 miles; that is less than 10 years past the original manufacturing date; is modified after the initial purchase with a U. S. environmental protection agency certified conversion that would allow the propulsion units to be principally powered by a clean alternative fuel; and is being sold for the first time after modification. Only vehicles used for commercial services or to transport commodities, merchandise, produce, refuse, freight, animals, or passengers and display a Washington license plate qualify for the credit. All commercial vehicles that provide transportation to passengers must be operated by an auto transportation company. The definition of auto transportation company is amended to include private, nonprofit transportation providers, charter party carriers, and paratransit service providers who primarily provide special needs transportation to individuals with disabilities and the elderly.

A credit is allowed for up to 50% of the cost to purchase alternative fuel vehicle infrastructure which includes tangible personal property that will become a component and installation and construction of alternative fuel vehicle infrastructure. Credit for infrastructure is limited to $2 million annually.

On September 1st of each year, any unused credits from any category, must be made available to applicants applying for credits under any other category, subject to the maximum annual credit of $6 million. The maximum total credit taken since July 15, 2015, cannot exceed $32.5 million.

**Purpose**

To incentivize purchasing alternative fuel commercial vehicles and infrastructure.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | CTI | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

# 82.16.0496(1)(a)(ii) - Alternative fuel commercial vehicle infrastructure credit

**Repeal of exemption**

Repealing this credit would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

This credit impacts fewer than three taxpayers; any impacts are confidential.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2019 |
| **Primary Beneficiaries:** | Businesses installing alternative fuel infrastructure |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Upcoming review in 2024 |

# 82.16.0497 - Billing discounts provided to low-income households - credit

**Description**

A light and power business or a gas distribution business may take a credit against public utility tax for up to 50% of billing discounts provided to low-income households or qualified contributions to a low-income home energy assistance fund.

To qualify for the credit, the business must give billing discounts or qualifying contributions in excess of 125% of those given in fiscal year 2000 (or the first year the business provided billing discounts or qualified contributions). The total amount of credits available for all businesses is $2.5 million annually.

**Purpose**

To reduce energy costs for low-income persons.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $2.500 | $2.500 | $2.500 | $2.500 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $2.290 | $2.500 | $2.500 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- The annual $2.5 million credit limit will be met.

**Data Sources**

- Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2001 |
| **Primary Beneficiaries:** | Electric and gas municipalities and corporations |
| **Taxpayer Count:** | 30 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review scheduled in 2024 |

# 82.16.0498 - Aluminum smelter purchases of power

**Description**

A business with gross income from the sale of electricity, natural gas or manufactured gas to an aluminum smelter is eligible for a credit against the PU tax owed. The contract for the sale of the electricity or gas must specify that the price charged for the electricity or gas will be reduced by an amount equal to the credit.

**Purpose**

To support the aluminum industry.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this credit would not increase revenue because currently no taxpayers use it.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

No taxpayers currently use this credit. We expect no usage during the forecasted period of this study.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2004 |
| **Primary Beneficiaries:** | The aluminum industry |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2015 with an upcoming review in 2024 |

# 82.16.050(1) - Municipal utilities receipts from taxes

**Description**

Municipally owned or operated public utility businesses may deduct income received directly from taxes collected for their support or maintenance. Service charges collected as taxes listed on property tax official records may not be deducted.

**Purpose**

To avoid taxing income received from local utility taxes.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $1.400 | $1.460 | $1.520 | $1.590 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this deduction would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $1.340 | $1.520 | $1.590 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the public utility taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

**Data Sources**

- Office of the State Auditor, Financial data
- Economic and Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 1935 |
| **Primary Beneficiaries:** | Municipal utilities that finance capital construction through assessments |
| **Taxpayer Count:** | 216 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2009 and 2023 |

# 82.16.050(2) - Sales for resale

**Description**

Water, gas, or other public service distribution businesses may deduct income subject to PU tax received from reselling its commodity.

**Purpose**

To avoid pyramiding of the public utility tax.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.880 | $0.920 | $0.970 | $1.010 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this deduction would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.850 | $0.970 | $1.010 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the public utility taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Tax base |
| **Year Enacted:** | 1935 |
| **Primary Beneficiaries:** | Natural gas and water utilities |
| **Taxpayer Count:** | 10 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2008 and 2023 |

# 82.16.050(3) - Joint utility services

**Description**

Businesses may deduct income subject to the PU tax that are amounts paid to a subcontractor of a PU service that is jointly provided.

**Purpose**

To eliminate the pyramiding of the PU tax.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $37.920 | $38.780 | $39.770 | $40.870 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this deduction would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $35.550 | $39.770 | $40.870 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the public utility taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1935 |
| **Primary Beneficiaries:** | Utility and public service companies |
| **Taxpayer Count:** | 609 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2009 and expedited review completed in 2023 |

# 82.16.050(4) - Cash discounts

**Description**

A business may deduct cash discounts taken by customers from gross income subject to public utility tax when the business's gross income reported includes these cash discounts.

**Purpose**

The deduction recognizes the true value of services performed by the business.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this deduction would not increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

Although taxpayers using accrual-based accounting report this deduction and therefore, experience savings, the state would not achieve revenue gains if legislation repealed the deduction. This is because taxpayers using cash basis accounting do not use the deduction; they report the actual amount received at the time of sale. Therefore, taxpayers using accrual-based accounting would switch to cash basis accounting if legislation repealed the deduction.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Tax Base |
| **Year Enacted:** | 1935 |
| **Primary Beneficiaries:** | Businesses that offer cash discounts to purchasers |
| **Taxpayer Count:** | 53 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2009 with an upcoming review in 2026. |

# 82.16.050(5) - Bad debts

**Description**

Businesses may deduct bad debts from the measure of PU tax if the tax was previously paid. "Bad debts" has the same meaning as defined in the internal revenue code (26 U.S.C. Sec. 166).

**Purpose**

Provides equal tax treatment between businesses using accrual basis accounting and cash basis accounting.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $2.720 | $2.770 | $2.830 | $2.910 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this deduction would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $2.540 | $2.830 | $2.910 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the public utilities taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Tax Base |
| **Year Enacted:** | 1935 |
| **Primary Beneficiaries:** | Businesses using accrual method of accounting and have bad debts |
| **Taxpayer Count:** | 89 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2008 with upcoming review in 2026 |

# 82.16.050(6) - Constitutional exemptions

**Description**

A business may deduct amounts prohibited from taxation under the Washington State Constitution, the U.S. Constitution, or federal law from gross income subject to public utility tax.

**Purpose**

To avoid violating state and federal laws.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $91.490 | $82.150 | $96.710 | $99.440 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this deduction would not increase revenues as the U.S. and Washington Constitutions prohibit the taxation of certain activities.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

Repealing this deduction would not increase revenues as the U.S. and Washington Constitutions prohibit the taxation of certain activities

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Interstate Commerce |
| **Year Enacted:** | 1935 |
| **Primary Beneficiaries:** | Interstate transportation businesses |
| **Taxpayer Count:** | 4,674 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2023 |

# 82.16.050(6) - Interstate transportation - in-state portion

**Description**

Businesses may deduct income subject to the PU tax when a trip either begins or ends outside of Washington.

**Purpose**

To avoid taxing transportation businesses when a trip either begins or ends outside of Washington.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $44.830 | $45.500 | $46.670 | $47.910 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this deduction would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $41.700 | $46.670 | $47.910 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the public utility taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Most freight commodity product terminals are located near interstate boundaries, in-state portion of interstate trips will be minimal.
- Vessels, barges, and watercraft will predominantly travel in non-Washington waters.
- Estimated in-state portion of interstate trips is 30%.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Interstate Commerce |
| **Year Enacted:** | 1935 |
| **Primary Beneficiaries:** | Interstate transportation businesses |
| **Taxpayer Count:** | 4,597 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2019 |

# 82.16.050(7) - Irrigation water

**Description**

Businesses may deduct income when derived from the distribution of water used for the purpose of irrigation. To qualify, the water must be distributed through an irrigation system, for irrigation purposes other than the irrigation of cannabis.

**Purpose**

To lower the cost of water for farming.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $3.240 | $3.400 | $3.560 | $3.720 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this deduction would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $3.120 | $3.560 | $3.720 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the public utility taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic Revenue and Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Agriculture |
| **Year Enacted:** | 1935 |
| **Primary Beneficiaries:** | The farming industry |
| **Taxpayer Count:** | 100 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2018 |

# 82.16.050(8) - Interstate transportation - through freight

**Description**

Businesses may deduct income subject to the PU tax when transporting interstate goods that stop in Washington for storage, manufacturing, or processing before being sent to its final destination.

**Purpose**

To avoid taxing interstate goods.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this deduction would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

Impacts are included in the estimate for interstate transportation: in-state portion.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Interstate Commerce |
| **Year Enacted:** | 1937 |
| **Primary Beneficiaries:** | Shipping industry |
| **Taxpayer Count:** | 520 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2023 |

# 82.16.050(9) - Interstate transportation - shipments to ports

**Description**

Businesses may deduct income subject to the PU tax when transporting products to an export point to be delivered outside of Washington, except when the trip either begins or ends in the same city or town.

**Purpose**

To avoid taxing products that are exported out of Washington.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $5.220 | $5.380 | $5.560 | $5.760 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this deduction would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $4.930 | $5.560 | $5.760 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the public utility tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- USDOT Bureau of Transportation Statistics, Average freight revenue
- National Transportation Research Center Data, Freight analysis framework

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Interstate Commerce |
| **Year Enacted:** | 1937 |
| **Primary Beneficiaries:** | Transportation industry |
| **Taxpayer Count:** | 520 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2023 |

# 82.16.050(10) - Farm products shipped to ports

**Description**

Transportation businesses may deduct income subject to PU tax for shipping agricultural products from a location in Washington to an interim storage facility if:

- The agricultural products stay in their original form.
- More than 96% of the facility's agricultural products were exported outside Washington by vessel the previous year.

**Purpose**

To avoid taxing the shipment of agricultural products for export.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.252 | $0.259 | $0.266 | $0.273 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this deduction would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.237 | $0.266 | $0.273 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the public utility taxable growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Percentage of total freight shipments that are agricultural commodities is 4%.
- Percentage of intrastate freight shipments are 57%.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- USDOT Bureau of Transportation Statistics, Shipments by commodity and location

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Agriculture |
| **Year Enacted:** | 2007 |
| **Primary Beneficiaries:** | Agricultural transportation industry |
| **Taxpayer Count:** | 520 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2020 |

# 82.16.050(11) - Electric power exported or resold

**Description**

Businesses may deduct income subject to the PU tax when electrical energy is produced, sold, or transferred for resale or consumed outside of Washington.

**Purpose**

To avoid taxing interstate commerce and to avoid pyramiding of the public utility tax on in-state sales of electricity for resale.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $54.060 | $54.790 | $55.730 | $56.950 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this deduction would increase revenue from the resale of electrical energy inside Washington. Revenue from reselling or consumption of electrical energy outside of Washington is exempt from taxation under the commerce clause and revenue and would not be realized.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $47.200 | $52.370 | $53.520 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the public utility taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Impact reflects repeal of resale of electrical energy inside Washington. The reselling or consumption of energy outside Washington is exempt under commerce clause.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Tax base |
| **Year Enacted:** | 1989 |
| **Primary Beneficiaries:** | Electric power businesses |
| **Taxpayer Count:** | 28 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2017 |

# 82.16.050(12) - Nonprofit water associations

**Description**

Nonprofit water organizations may deduct income for amounts received by another nonprofit water organization to use for capital projects.

**Purpose**

Promotes capital improvements and expansion of water distribution systems operated by nonprofit associations.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.830 | $0.870 | $0.910 | $0.950 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this deduction would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.800 | $0.910 | $0.950 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the public utility taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 1977 |
| **Primary Beneficiaries:** | Nonprofit water associations |
| **Taxpayer Count:** | 57 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review scheduled in 2024 |

# 82.16.050(13) - Sewerage processing and disposal

**Description**

Sewerage collection businesses may deduct income from other sewerage collection businesses.

**Purpose**

To ensure that payments for the treatment or disposal of sewage are not taxed.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $10.850 | $11.200 | $11.590 | $11.990 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this deduction would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $10.270 | $11.590 | $11.990 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the public utility tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1987 |
| **Primary Beneficiaries:** | Sewerage collection businesses |
| **Taxpayer Count:** | 27 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2014 and 2023 |

# 82.16.050(14) - Transit improvements for low-income and elderly

**Description**

Public transportation agencies are allowed a deduction from gross income subject to public utility tax for income derived from fees or charges imposed for transit services. The deduction amount must be used to adjust routes to improve access for citizens to food banks and senior services or to extend or add new routes to assist low-income citizens and seniors.

**Purpose**

To promote better transit services for low-income and elderly persons.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.102 | $0.102 | $0.102 | $0.102 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this deduction would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.094 | $0.102 | $0.102 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Due to the unpredictable nature of this deduction, there is no growth assumed.

**Data Sources**

- Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 2006 |
| **Primary Beneficiaries:** | Public transportation agencies |
| **Taxpayer Count:** | 5 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2020 |

# 82.16.053 - Electric power sold in rural areas

**Description**

Light and power businesses may deduct income subject to the PU tax by selecting the lowest relevant option:

- A percentage of wholesale power costs paid if they have:
  - More than 17 customers per mile of line: 0%.
  - More than 11, but less than 17 customers per mile of line: 30%.
  - More than 5.5, but less than 11 customers per mile of line: 40%.
  - Less than 5.5 customers per mile of line: 50%.
- Wholesale power costs multiplied by the percentage that the average retail electric power rates for the business exceed the state average electric power rate.
- $400,000 per month.

**Purpose**

To reduce electricity costs in rural areas.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $1.110 | $1.130 | $1.150 | $1.170 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this deduction would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $1.040 | $1.150 | $1.170 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the public utility taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

# 82.16.053 - Electric power sold in rural areas

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1994 |
| **Primary Beneficiaries:** | Light and power businesses |
| **Taxpayer Count:** | 19 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2017 |

# 82.16.055 - Cogeneration facilities and renewable resources

**Description**

Businesses producing energy may deduct amounts from PU tax equal to the cost of production if the energy is for consumption within Washington and produced by either:

- Cogeneration, which means the sequential generation of electrical or mechanical power and useful heat from the same primary energy source or fuel.
- Renewable energy resources.

This preference is only applicable to facilities where construction or installation was begun after June 12, 1980, and before January 1, 1990.

The department must determine which projects and amounts are eligible for the PU tax deductions after consultation with the utilities and transportation commission or governing bodies of locally regulated utilities.

**Purpose**

To encourage energy recycling and the use of renewable energy.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | CTI | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this deduction would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

This deduction impacts fewer than three taxpayers; any impacts are confidential.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1980 |
| **Primary Beneficiaries:** | Utility businesses |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2017 |

# 82.16.130 - Renewable energy system cost recovery

**Description**

A light and power business may take a credit against public utility tax for amounts paid to customers as investment cost recovery incentives for qualifying renewable energy systems.

Credit claimed for amounts paid to customers may not exceed the greater of either of the following in a fiscal year:

- $250,000.
- 1.5% of the business's taxable Washington power sales generated in calendar year 2014.

The right to earn tax credits expires June 30, 2029. Credits may not be claimed after June 30, 2030.

Approved projects receive annual incentive payments for 8 years based on specific incentive rates or until cumulative payments reach 50% of total system price, whichever occurs first. Depending on the project, the annual incentive payment is limited to up to $35,000 per participant. Total incentive payments statewide may not exceed $110 million.

**Purpose**

To encourage investment in renewable energy resources.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $11.570 | $11.570 | $11.570 | $11.570 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this credit would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $10.610 | $11.570 | $11.570 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- The repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Annual credit amount remains constant due to no longer accepting new applicants after June 30, 2021.

**Data Sources**

- Department of Revenue, Excise tax data

# 82.16.130 - Renewable energy system cost recovery

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2005 |
| **Primary Beneficiaries:** | Light and power businesses |
| **Taxpayer Count:** | 44 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2016 and 2021 and expedited review completed in 2017 |

# 82.16.184 - Community solar incentive payments

**Description**

Beginning July 1, 2022, a light and power business is allowed a credit against PU tax equal to incentive payments made under the Community Solar Expansion Program.

Credit claimed for incentive payments made to a community solar project may not exceed the greater of either of the following in a fiscal year:

- $250,000.
- 1.5% of the business's taxable Washington power sales generated in calendar year 2014.

Participating community solar projects must seek approval from the Washington State University Extension Energy Program (WSU). The right to apply for precertification ends June 30, 2033. No certification may be issued after June 30, 2035.

Total statewide incentive payments may not exceed $100 million and are subject to the following biennial limits:

- For fiscal year 2023, $300,000.
- For each biennium beginning on or after July 1, 2023, $25 million.

The right to earn credits expires June 30, 2036. Credits cannot be claimed after June 30, 2037.

**Purpose**

To support production of community solar projects.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.300 | $2.600 | $2.600 | $2.600 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this credit would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $2.600 | $2.600 | $2.600 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

# 82.16.184 - Community solar incentive payments

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts the full year of collections in fiscal year 2025 due to credit based on approved projects.
- Based on historical data, five community solar program (CSP) systems between 70 and 199 kW and 4 CSP systems less than 70 kW will be certified in each fiscal year beginning in 2023 through 2033.
- Administrative costs for large CSPs are estimated at $20,000 and $10,000 for small CSPs.
- Energy storage systems will be included with the installation of each CSP system. The energy storage systems cost about 20% of the total price of the CSP system.

**Data Sources**

- Department of Revenue, Excise tax data
- Washington State University Energy Extension Program, Renewable energy repayment program data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 2022 |
| **Primary Beneficiaries:** | Light and power businesses |
| **Taxpayer Count:** | 44 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.16.185 - State energy performance standard early adoption incentive program

**Description**

A qualifying light and power or gas distribution business (qualifying utility) is allowed a PU tax credit for both the following:

- Incentives paid to eligible owners of covered commercial buildings and multifamily residential buildings for early adoption of new energy efficiency standards.
- A portion of the qualifying utility's administrative costs.

The credit used is not to exceed the amount of PU tax due and is not refundable. The credit must be applied in the calendar year in which it is earned or within the following two calendar years.

Building owners must apply with the Department of Commerce. Once approved, building owners can receive incentive payments from participating qualifying utilities.

**Purpose**

Increase energy efficiency and the use of renewable fuels that reduce the amount of greenhouse gas emissions in Washington.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $5.470 | $8.620 | $13.580 | $21.440 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $7.900 | $13.580 | $21.440 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Based on data provided by the Department of Commerce in 2020 and communication in 2023, PU tax credits will be claimed beginning in fiscal year 2024.
- Building owner participation will increase over time.
- The program cap will be met prior to the program end date.

# 82.16.185 - State energy performance standard early adoption incentive program

**Data Sources**

- Department of Commerce, Program data
- City of Seattle, Office of Sustainability & Environment, Seattle Energy Benchmarking
- Northwest Energy Efficiency Alliance, Commercial Building Stock Assessment

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2019 |
| **Primary Beneficiaries:** | Light and power businesses and gas distribution businesses |
| **Taxpayer Count:** | 70 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.16.187 - Using alternative jet fuel

**Description**

Effective July 1, 2024, a PU tax credit is available to those using alternative jet fuel. The rules to apply for credits against B&O and PU taxes are the same; however, credits cannot be claimed against both PU tax and B&O tax for the same fuel purchased.

The credit equals $1 per gallon of alternative jet fuel that has at least 50% less CO2 equivalent emissions than conventional jet fuel that a business purchased in the prior calendar year for use in flights departing in Washington.

The credit amount must increase by 2 cents for each additional 1% reduction in CO2 equivalent emissions beyond 50%, not to exceed $2 per gallon.

The credit is calculated only on the portion of jet fuel considered alternative jet fuel and does not include conventional jet fuel when such fuels are blended or otherwise used in a jet fuel mixture.

The credit may be earned from the first day of the quarter immediately following the quarter when the Department of Ecology notifies the department that one or more facilities with cumulative production capacity of at least 20 million gallons of alternative jet fuel each year are operating in Washington. No credit may be earned beginning nine calendar years after the close of the calendar year in which the contingency occurs.

To claim this credit, the taxpayer must file all returns, forms, and other required information electronically with the department and complete an application for the credit. The taxpayer claiming the credit provided in this section must file a complete annual tax performance report with the department.

The department must notify those applying for the credit within 60 days of acceptance of their documentation.

This credit earned during one calendar year may be carried over and claimed against taxes incurred only for the next subsequent calendar year. The department cannot grant refunds.

**Purpose**

To encourage the production of alternative jet fuels in Washington.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.200 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this credit would not increase revenues because the credit is not effective until July 1, 2024.

# 82.16.187 - Using alternative jet fuel

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

The repeal is effective July 1, 2024, which is the same effective date as the credit; therefore, no revenue impact.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2023 |
| **Primary Beneficiaries:** | Air transportation businesses |
| **Taxpayer Count:** | 10 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.16.305 - Joint municipal utility authority

**Description**

Payments between or transfer of assets to or from a joint municipal utility service authority and its members are exempt from public utility taxes.

**Purpose**

To improve the ability of local governments to provide utility services to the public by reducing the cost of such services. However, the intent is not to expand the types of services provided by local governments or their utilities.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.480 | $0.510 | $0.540 | $0.570 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.470 | $0.540 | $0.570 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the public utility taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 2011 |
| **Primary Beneficiaries:** | Utilities receiving or sending payments to a joint municipal utility authority |
| **Taxpayer Count:** | 14 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2023 |

# 82.16.315 - Electricity or gas sold to silicon smelters

**Description**

Persons who sell electricity, natural gas or manufactured gas to a silicon smelter are eligible to take a credit against public utility tax. The credit is equal to the gross income from the sale multiplied by the corresponding tax rate in effect at the time of the sale. The contract for sale of electricity or gas to the silicon smelter must specify that the price charged will be reduced by the credit amount. Resale or remarketing of the electricity or gas originally obtained by contract for the smelting process is not eligible for the credit.

This tax preference expires on July 1, 2027. If smelters do not meet the employment requirements, the tax preference will expire on January 1, 2024.

**Purpose**

To promote the manufacturing of silicon for use in production of photovoltaic cells for solar energy systems.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this credit would not increase revenue because currently no taxpayers use it.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- No taxpayers currently use this credit. We expect no usage during the forecasted period of this study.
- This contingency has yet to be met and it is believed that the investment will not occur prior to January 1, 2024.

**Data Sources**

- Department of Revenue, Excise tax data
- The Spokesman-Review, "Silicon smelter once proposed for Newport being build tin Tennessee." March 19, 2023

# 82.16.315 - Electricity or gas sold to silicon smelters

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2017 |
| **Primary Beneficiaries:** | Utility companies selling electricity and natural or manufactured gas to a silicon smelter |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review scheduled in 2025 |

# 82.16.320 - Qualifying Grants – National emergency or state of emergency

**Description**

Certain financial assistance in the form of a grant or relief from debt provided under a government program to address the impacts of a national emergency declared by the president of the United States or state of emergency declared by the state governor is exempt from PU tax.

**Purpose**

To help mitigate the economic impacts of the COVID-19 pandemic. Provides guidance on the taxability of any qualifying government grant or loan forgiveness program associated with a future national or state of emergency.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | Indeterminate | Indeterminate | Indeterminate | Indeterminate |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues during a national or state of emergency.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | Indeterminate | Indeterminate | Indeterminate |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

Future emergency situations and the provision of government-funded assistance to taxpayers is unknown, therefore these estimates are indeterminate.

**Data Sources**

None

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2021 |
| **Primary Beneficiaries:** | Recipients of government-funded grants or debt relief during a national emergency or state of emergency |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.16.325 - Hauling farm products for relatives

**Description**

Income associated with hauling agricultural products in situations in which the hauler is related to the farmer who produced the crop or animal is exempt from public utility tax.

**Purpose**

To provide tax relief for persons who haul farm products for their relatives.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | Minimal | Minimal | Minimal | Minimal |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | Minimal | Minimal | Minimal |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

The situations where this exemption would be applicable are believed to be quite rare. We expect the revenue impact to be minimal during the forecasted period of this study.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Agriculture |
| **Year Enacted:** | 2022 |
| **Primary Beneficiaries:** | Persons who haul farm products for their relatives |
| **Taxpayer Count:** | Minimal |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2015 |

# 82.32.045(5)(b) - Minimum to file PU tax return

**Description**

A business is not required to file an excise tax return with the department if the business:

- Has gross income subject to PU tax of less than $24,000 per year.
- Has gross income subject to B&O tax of less than $125,000 per year.
- Is not required to collect or pay sales tax to the department.
- And is not required to collect or pay any other tax or fee to the department.

**Purpose**

To reduce administrative costs for taxpayers and department.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would not increase revenue. PU tax does not apply to a business whose gross income, subject to PU tax, is less than $2,000 a month (RCW 82.16.040).

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

Tax savings are included under the impacts of the minimum income threshold - $2,000 per month exemption.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1935 |
| **Primary Beneficiaries:** | Small public service and utility businesses |
| **Taxpayer Count:** | Indeterminate |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.70.020 - Commute trip reduction credit

**Description**

Employers who provide financial incentives for their own or other employees to participate in commute trip reduction programs may take a credit against B&O or PU tax. The credit for an employer is:

- Equal to one-half of the employer's expenditure.
- Limited to $60 per employee per year.
- Limited to $100,000 each year.

The program has an annual cap of $2.75 million for both B&O and PU tax credits and currently expires January 1, 2024. No person may claim tax credits after June 30, 2024.

**Purpose**

To encourage employers to provide financial incentives to employees for car-pooling and other means of reducing air pollution, traffic congestion, and fuel consumption.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.250 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

The credit expires on July 1, 2024; a repeal would result in no revenue impact.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 2003 |
| **Primary Beneficiaries:** | Employers providing alternate commuting |
| **Taxpayer Count:** | 10 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2022 |

# 82.73.030 - Commercial area revitalization contributions (main street program)

**Description**

Subject to limitations, approved contributions made to a qualifying non-profit organization in the Main Street Program or to the Main Street Trust Fund are eligible for a partial B&O or PU tax credit.

The credit is either:
- 75% of the approved contributions made to a Main Street Program.
- 50% of the approved contributions to the Main Street Trust Fund.

The total amount of these credits statewide cannot exceed $5 million per calendar year. Credits are not available for contributions to a program in a municipality with a population of 190,000 or more.

**Purpose**

Encourages the revitalization of downtown or neighborhood commercial areas.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.880 | $0.880 | $0.880 | $0.880 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this credit would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.810 | $0.880 | $0.880 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- The estimate of future revenue impacts is based on credits used rather than credits approved.
- The total credit cap of $5 million will be met.
- The proportion of this credit claimed against PU tax and B&O tax will remain consistent.

**Data Sources**

- Department of Revenue, Excise tax data.

# 82.73.030 - Commercial area revitalization contributions (main street program)

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 2005 |
| **Primary Beneficiaries:** | Businesses participating in commercial area revitalization. |
| **Taxpayer Count:** | 24 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2016 with an upcoming review in 2026 |

# Chapter 19
# Real Estate Excise Tax

# 82.45.010(3)(a) - Transfers by gift, devise, or inheritance

**Description**

Transfers of real property by gift, inheritance, or device (a will) are not subject to state or local real estate excise tax (REET).

**Purpose**

Gifted, inherited, or willed transfers of real property are not sales. REET taxes arm's-length purchases of real estate in situations where the purchase price reflects the market price.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $82.800 | $96.300 | $105.300 | $126.800 |
| Local Taxes | $34.900 | $39.500 | $44.600 | $54.400 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $86.700 | $105.300 | $126.800 |
| Local Taxes | $0.000 | $35.600 | $44.600 | $54.400 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the REET growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- The department electronically receives transaction-level REET data from 36 counties. For the three counties not reporting REET data electronically, this estimate assumes transactions similar to the urban or rural counties that report electronically.
- Property sales price growth mirrors the five-year compound annual growth for existing property values by county.
- -Local revenue estimates use the statewide average local REET rate of 0.479%.

**Data Sources**

- Department of Revenue, Real estate excise tax data
- Department of Revenue, Estimated future property values
- County property rolls
- Economic and Revenue Forecast Council, March 2023 forecast
- Office of Financial Management, Designated rural counties as of April 1, 2022
- Bureau of Labor Statistics, Consumer price index for shelter data

# 82.45.010(3)(a) - Transfers by gift, devise, or inheritance

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 1951 |
| **Primary Beneficiaries:** | Persons acquiring real estate through a gift, devise, or inheritance |
| **Taxpayer Count:** | 24,457 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2011 with an upcoming review in 2024 |

# 82.45.010(3)(b) - Transfer on death deeds

**Description**

Transfers of real property through a transfer on death deed are not subject to state or local real estate excise tax.

**Purpose**

Provides another mechanism for tax-free transfers of real property to a beneficiary upon death by excluding transfer by transfer on death deed from the definition of sales.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $1.000 | $1.100 | $1.210 | $1.450 |
| Local Taxes | $0.500 | $0.500 | $0.600 | $0.700 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.990 | $1.210 | $1.450 |
| Local Taxes | $0.000 | $0.500 | $0.600 | $0.700 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the REET growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- The department electronically receives transaction-level REET data from 36 counties. For the three counties not reporting REET data electronically, this estimate assumes transactions similar to the urban or rural counties that report electronically.
- Property sales price growth mirrors the five-year compound annual growth for existing property values by county.
- Local revenue estimates use the statewide average local REET rate of 0.479%.

**Data Sources**

- Department of Revenue, Real estate excise tax data
- Department of Revenue, Estimated future property values
- County property rolls
- Economic and Revenue Forecast Council, March 2023 forecast
- Office of Financial Management, Designated rural counties as of April 1, 2022
- Bureau of Labor Statistics, Consumer price index for shelter data

# 82.45.010(3)(b) - Transfer on death deeds

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 2014 |
| **Primary Beneficiaries:** | Persons acquiring real estate through a death deed |
| **Taxpayer Count:** | 310 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review scheduled in 2024 |

# 82.45.010(3)(c) - Leasehold interest transfers

**Description**

Leasing, subleasing, or renting real property is not subject to state or local real estate excise tax.

**Purpose**

Leasing or renting real property is not a sale. REET taxes arm's-length purchases of real estate in situations where the purchase price reflects the market price.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $6.000 | $7.000 | $7.600 | $9.200 |
| Local Taxes | $2.200 | $2.500 | $2.800 | $3.400 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $6.300 | $7.600 | $9.200 |
| Local Taxes | $0.000 | $2.200 | $2.800 | $3.400 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the REET growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- The department electronically receives transaction-level REET data from 36 counties. For the three counties not reporting REET data electronically, this estimate assumes transactions similar to the urban or rural counties that report electronically.
- Property sales price growth mirrors the five-year compound annual growth for existing property values by county.
- Local revenue estimates use the statewide average local REET rate of 0.479.

**Data Sources**

- Department of Revenue, Real estate excise tax data
- Department of Revenue, Estimated future property values
- County property rolls
- Economic and Revenue Forecast Council, March 2023 forecast
- Office of Financial Management, Designated rural counties as of April 1, 2022
- Bureau of Labor Statistics, Consumer price index for shelter data

# 82.45.010(3)(c) - Leasehold interest transfers

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 1951 |
| **Primary Beneficiaries:** | Persons clearing title on real estate with a recorded long-term leasehold interest |
| **Taxpayer Count:** | 881 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2011 with an upcoming review in 2024 |

# 82.45.010(3)(d) - Forfeiture of interest in sale of real property

**Description**

Transfers of real property because of debt proceedings such as a foreclosure are not subject to state or local real estate excise tax.

**Purpose**

Transferring debt on real property is not a sale. REET taxes arm's-length purchases of real estate in situations where the purchase price reflects the market price.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.100 | $0.200 | $0.170 | $0.210 |
| Local Taxes | $0.100 | $0.100 | $0.100 | $0.100 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.140 | $0.170 | $0.210 |
| Local Taxes | $0.000 | $0.100 | $0.100 | $0.100 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the REET growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- The department electronically receives transaction-level REET data from 36 counties. For the three counties not reporting REET data electronically, this estimate assumes transactions similar to the urban or rural counties that report electronically.
- Property sales price growth mirrors the five-year compound annual growth for existing property values by county.
- Local revenue estimates use the statewide average local REET rate of 0.479%.

**Data Sources**

- Department of Revenue, Real estate excise tax data
- Department of Revenue, Estimated future property values
- County property rolls
- Economic and Revenue Forecast Council, March 2023 forecast
- Office of Financial Management, Designated rural counties as of April 1, 2022
- Bureau of Labor Statistics, Consumer price index for shelter data

# 82.45.010(3)(d) - Forfeiture of interest in sale of real property

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 1955 |
| **Primary Beneficiaries:** | Persons recording a forfeiture of interest in sale of real property |
| **Taxpayer Count:** | 46 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2017 |

# 82.45.010(3)(e) - Partition by tenants in common

**Description**

Transferring parts of real property between multiple owners of the same property is not subject to state or local real estate excise tax.

**Purpose**

Transfers between owners of the same property are not sales. REET taxes arm's-length purchases of real estate in situations where the purchase price reflects the market price.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $2.700 | $3.100 | $3.420 | $4.120 |
| Local Taxes | $1.000 | $1.200 | $1.300 | $1.600 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $2.810 | $3.420 | $4.120 |
| Local Taxes | $0.000 | $1.100 | $1.300 | $1.600 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the REET growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- The department electronically receives transaction-level REET data from 36 counties. For the three counties not reporting REET data electronically, this estimate assumes transactions similar to the urban or rural counties that report electronically.
- Property sales price growth mirrors the five-year compound annual growth for existing property values by county.
- Local revenue estimates use the statewide average local REET rate of 0.479%.

**Data Sources**

- Department of Revenue, Real estate excise tax data
- Department of Revenue, Estimated future property values
- County property rolls
- Economic and Revenue Forecast Council, March 2023 forecast
- Office of Financial Management, Designated rural counties as of April 1, 2022
- Bureau of Labor Statistics, Consumer price index for shelter data

# 82.45.010(3)(e) - Partition by tenants in common

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 1955 |
| **Primary Beneficiaries:** | Persons recording a partition or real estate held by tenants in common |
| **Taxpayer Count:** | 541 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2011 with an upcoming review in 2024 |

# 82.45.010(3)(f) - Assignment of property through divorce

**Description**

Transfers of real property to a spouse or domestic partner because of divorce, annulment, legal separation, termination of domestic partnership, or property settlement proceedings are not subject to state or local real estate excise tax.

**Purpose**

Transferring real property because of divorce, annulment, legal separation, termination of domestic partnership, or property settlement proceeding is not a sale. REET is imposed on arm's-length purchases of real estate in situations where the purchase price reflects the market price. Arm's-length transactions are generally characterized as voluntary sales in an open market involving parties with equal bargaining power, which is not the case with a court ordered transfer to a spouse or domestic partner.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $71.400 | $83.200 | $87.300 | $104.500 |
| Local Taxes | $33.000 | $37.500 | $40.500 | $49.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $74.900 | $87.300 | $104.500 |
| Local Taxes | $0.000 | $33.800 | $40.500 | $49.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the REET growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- The department electronically receives transaction-level REET data from 36 counties. For the three counties not reporting REET data electronically, this estimate assumes transactions similar to the urban or rural counties that report electronically.
- Property sales price growth mirrors the five-year compound annual growth for existing property values by county.
- Local revenue estimates use the statewide average local REET rate of 0.479%.

# 82.45.010(3)(f) - Assignment of property through divorce

**Data Sources**

- Department of Revenue, Real estate excise tax data
- Department of Revenue, Estimated future property values
- County property rolls
- Economic and Revenue Forecast Council, March 2023 forecast
- Office of Financial Management, Designated rural counties as of April 1, 2022
- Bureau of Labor Statistics, Consumer price index for shelter data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 1955 |
| **Primary Beneficiaries:** | Persons recording an assignment of property through divorce, property settlement |
| **Taxpayer Count:** | 21,262 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2020 |

# 82.45.010(3)(g) - Transfer of vendor's interest

**Description**

Transferring the mortgage interest in a real property to a new mortgage vendor is not subject to state or local real estate excise tax.

**Purpose**

Transferring the mortgage of a real property is not a sale. REET taxes arm's-length purchases of real estate in situations where the purchase price reflects the market price.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.346 | $0.402 | $0.435 | $0.520 |
| Local Taxes | $0.161 | $0.182 | $0.205 | $0.248 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.360 | $0.435 | $0.520 |
| Local Taxes | $0.000 | $0.164 | $0.205 | $0.248 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the REET growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- The department electronically receives transaction-level REET data from 36 counties. For the three counties not reporting REET data electronically, this estimate assumes transactions similar to the urban or rural counties that report electronically.
- Property sales price growth mirrors the five-year compound annual growth for existing property values by county.
- Local revenue estimates use the statewide average local REET rate of 0.479%.

**Data Sources**

- Department of Revenue, Real estate excise tax data
- Department of Revenue, Estimated future property values
- County property rolls
- Economic and Revenue Forecast Council, March 2023 forecast
- Office of Financial Management, Designated rural counties as of April 1, 2022
- Bureau of Labor Statistics, Consumer price index for shelter data

# 82.45.010(3)(g) - Transfer of vendor's interest

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 1951 |
| **Primary Beneficiaries:** | Persons recording an assignment/transfer of vendor's interest in a contract |
| **Taxpayer Count:** | 142 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review scheduled in 2024 |

# 82.45.010(3)(h) - Condemnation proceedings

**Description**

Transfers of real property to a governmental body because of a forced sale are not subject to state or local real estate excise tax.

**Purpose**

Transferring real property through "eminent domain" or condemnation proceedings is not a sale. REET is imposed on arm's-length purchases of real estate in situations where the purchase price reflects the market price. Arm-length transactions are generally characterized as voluntary sales in an open market involving parties with equal bargaining power, which is not the case with a forced sale to a governmental body.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $10.100 | $11.800 | $12.900 | $15.100 |
| Local Taxes | $2.500 | $2.800 | $3.200 | $3.800 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $10.600 | $12.900 | $15.100 |
| Local Taxes | $0.000 | $2.500 | $3.200 | $3.800 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the REET growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- The department electronically receives transaction-level REET data from 36 counties. For the three counties not reporting REET data electronically, this estimate assumes transactions similar to the urban or rural counties that report electronically.
- Property sales price growth mirrors the five-year compound annual growth for existing property values by county.
- Local revenue estimates use the statewide average local REET rate of 0.479%.

**Data Sources**

- Department of Revenue, Real estate excise tax data
- Department of Revenue, Estimated future property values
- County property rolls
- Economic and Revenue Forecast Council, March 2023 forecast
- Office of Financial Management, Designated rural counties as of April 1, 2022
- Bureau of Labor Statistics, Consumer price index for shelter data

# 82.45.010(3)(h) - Condemnation proceedings

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 1951 |
| **Primary Beneficiaries:** | Persons recording an assignment because of a condemnation proceeding |
| **Taxpayer Count:** | 618 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review scheduled in 2024 |

# 82.45.010(3)(i) - Transfer of interest to secure debt

**Description**

Transfers of interest in real property by acquiring a second mortgage or the sale of a mortgage is not subject to state or local real estate excise tax.

**Purpose**

Transferring the interest in real property is not a sale. REET taxes arm's-length purchases of real estate in situations where the purchase price reflects the market price.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.024 | $0.027 | $0.030 | $0.037 |
| Local Taxes | $0.011 | $0.013 | $0.014 | $0.018 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.024 | $0.030 | $0.037 |
| Local Taxes | $0.000 | $0.011 | $0.014 | $0.018 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the REET growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- The department electronically receives transaction-level REET data from 36 counties. Only seven counties reported these transactions so there is no estimated impact for the three counties not reporting REET data electronically.
- Property sales price growth mirrors the five-year compound annual growth for existing property values by county.
- Local revenue estimates use the statewide average local REET rate of 0.479%.

**Data Sources**

- Department of Revenue, Real estate excise tax data
- Department of Revenue, Estimated future property values
- County property rolls
- Economic and Revenue Forecast Council, March 2023 forecast
- Bureau of Labor Statistics, Consumer price index for shelter data

# 82.45.010(3)(i) - Transfer of interest to secure debt

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 1951 |
| **Primary Beneficiaries:** | Persons recording a transfer of interest to secure debt |
| **Taxpayer Count:** | 10 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2017 |

# 82.45.010(3)(j) - Foreclosure; deeds in lieu of foreclosure

**Description**

Transfers of real property due to a foreclosure are not subject to state or local real estate excise tax.

**Purpose**

Transferring real property through foreclosure is not a sale. REET taxes arm's-length purchases of real estate in situations where the purchase price reflects the market price.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $2.080 | $2.420 | $2.650 | $3.160 |
| Local Taxes | $0.940 | $1.060 | $1.200 | $1.470 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $2.170 | $2.650 | $3.160 |
| Local Taxes | $0.000 | $0.960 | $1.200 | $1.470 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the REET growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- The department electronically receives transaction-level REET data from 36 counties. For the three counties not reporting REET data electronically, this estimate assumes transactions similar to the urban or rural counties that report electronically.
- Property sales price growth mirrors the five-year compound annual growth for existing property values by county.
- - Local revenue estimates use the statewide average local REET rate of 0.479%.

**Data Sources**

- Department of Revenue, Real estate excise tax data
- Department of Revenue, Estimated future property values
- County property rolls
- Economic and Revenue Forecast Council, March 2023 forecast
- Office of Financial Management, Designated rural counties as of April 1, 2022
- Bureau of Labor Statistics, Consumer price index for shelter data

# 82.45.010(3)(j) - Foreclosure; deeds in lieu of foreclosure

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 1953 |
| **Primary Beneficiaries:** | Persons recording a transfer for foreclosure and deeds in lieu of foreclosure |
| **Taxpayer Count:** | 1,018 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2017 |

# 82.45.010(3)(k) - Mortgage insurers

**Description**

Transfers of real property from a mortgage lender to the Veterans Administration or Federal Housing Authority are not subject to state or local real estate excise tax.

**Purpose**

Transferring the interest in a property is not a sale. REET taxes arm's-length purchases of real estate in situations where the purchase price reflects the market price.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.010 | $0.011 | $0.013 | $0.015 |
| Local Taxes | $0.005 | $0.005 | $0.006 | $0.007 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.010 | $0.013 | $0.015 |
| Local Taxes | $0.000 | $0.005 | $0.006 | $0.007 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the REET growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- The department electronically receives transaction-level REET data from 36 counties. Only five counties reported these transactions so there is no estimated impact for the three counties not reporting REET data electronically.
- Property sales price growth mirrors the five-year compound annual growth for existing property values by county.
- Local revenue estimates use the statewide average local REET rate of 0.479%.

**Data Sources**

- Department of Revenue, Real estate excise tax data
- Department of Revenue, Estimated future property values
- County property rolls
- Economic and Revenue Forecast Council, March 2023 forecast
- Bureau of Labor Statistics, Consumer price index for shelter data

# 82.45.010(3)(k) - Mortgage insurers

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 1953 |
| **Primary Beneficiaries:** | Persons recording a transfer for a mortgage insurer |
| **Taxpayer Count:** | 5 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2017 |

# 82.45.010(3)(l) - Transfer where REET already paid or lease/contract began prior to 1951

**Description**

Transfers of real property for which REET taxes have already been paid or through a lease that began prior to 1951 are not subject to state or local real estate excise tax.

**Purpose**

Transferring real property as a 99-year lease is not a sale. REET taxes arm's-length purchases of real estate in situations where the purchase price reflects the market price.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would not increase revenues because currently no taxpayers use it.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

No taxpayers currently use this exemption. We expect no usage during the forecasted period of this study.

**Data Sources**

Department of Revenue, Real estate excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 1951 |
| **Primary Beneficiaries:** | Persons recording a transfer where REET was already paid or lease/contract began prior to 1951 |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2011 with a scheduled review in 2024 |

# 82.45.010(3)(m) - Grave or cemetery lot sale

**Description**

Transferring real property by selling a cemetery lot is not subject to state or local real estate excise tax.

**Purpose**

Transferring real property as a cemetery lot is not a sale. REET taxes arm's-length purchases of real estate in situations where the purchase price reflects the market price. It would be difficult to decide on a market price for such a small portion of real property.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.165 | $0.170 | $0.175 | $0.181 |
| Local Taxes | $0.075 | $0.077 | $0.080 | $0.082 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.156 | $0.175 | $0.181 |
| Local Taxes | $0.000 | $0.071 | $0.080 | $0.082 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the industry revenue for cemeteries and crematoria growth rate reflected in the Statista data.
- Local revenue estimates use the statewide average local REET rate of 0.479%.

**Data Sources**

- Department of Licensing, Cemetery endowment care annual report
- Statista, Industry revenues for cemeteries and crematoria for 2012 through 2024

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 1951 |
| **Primary Beneficiaries:** | Persons recording a transfer for grave or cemetery lot sales |
| **Taxpayer Count:** | 72 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2023 |

# 82.45.010(3)(n) - Governmental transfers

**Description**

Real property sold by the federal, state, or local government is not subject to state or local real estate excise tax.

**Purpose**

Governments are exempt from most taxes because this just transfers funds between jurisdictions. REET taxes arm's-length purchases of real estate in situations where the purchase price reflects the market price

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $32.700 | $38.000 | $41.600 | $49.700 |
| Local Taxes | $6.800 | $7.700 | $8.700 | $10.700 |

**Repeal of exemption**

Repealing this exemption would increase revenues; however, the federal government is constitutionally exempt from almost all state taxes.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $34.300 | $41.600 | $49.700 |
| Local Taxes | $0.000 | $7.000 | $8.700 | $10.700 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the REET growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- The department electronically receives transaction-level REET data from 36 counties. For the three counties not reporting REET data electronically, this estimate assumes transactions similar to the urban or rural counties that report electronically.
- Property sales price growth mirrors the five-year compound annual growth for existing property values by county.
- Local revenue estimates use the statewide average local REET rate of 0.479%.

**Data Sources**

- Department of Revenue, Real estate excise tax data
- Department of Revenue, Estimated future property values
- County property rolls
- Economic and Revenue Forecast Council, March 2023 forecast
- Office of Financial Management, Designated rural counties as of April 1, 2022
- Bureau of Labor Statistics, Consumer price index for shelter data

# 82.45.010(3)(n) - Governmental transfers

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 1951 |
| **Primary Beneficiaries:** | Persons recording a governmental transfer |
| **Taxpayer Count:** | 1,194 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2011 with upcoming review in 2025 |

# 82.45.010(3)(o) - Sales to regional transit authorities

**Description**

Transfers of real property to a regional transit authority through a sale and leaseback arrangement are not subject to state or local real estate excise tax. Regional transit authorities may sell facilities and then lease them back from the investor.

**Purpose**

Transferring real property for the purpose of leasing it back is not a sale. REET taxes arm's-length purchases of real estate in situations where the purchase price reflects the market price.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would not increase revenues because currently no taxpayers use it.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

No taxpayers currently use this exemption. We expect no usage during the forecasted period of this study.

**Data Sources**

Department of Revenue, Real estate excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 2000 |
| **Primary Beneficiaries:** | Persons recording a sale to a regional transit authority |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2020 |

# 82.45.010(3)(p) - No change in beneficial owner

**Description**

Transfers of real property that are a mere change in form of ownership are exempt from the state and local real estate excise tax. Such transfers include those of a business wholly owned by the person making the transfer and his or her family members, provided there is no change in beneficial ownership as a result of the transfer.

**Purpose**

To allow the tax-free transfer of property to a business entity in circumstances where the transferor or transferors are closely related and receive ownership interests in the entity in the same proportion as their ownership in the real property.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $209.600 | $243.800 | $266.600 | $313.500 |
| Local Taxes | $77.300 | $87.300 | $98.700 | $113.500 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $219.600 | $266.600 | $313.500 |
| Local Taxes | $0.000 | $78.700 | $98.700 | $113.500 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the REET growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- The department electronically receives transaction-level REET data from 36 counties. For the three counties not reporting REET data electronically, this estimate assumes transactions similar to the urban or rural counties that report electronically.
- Property sales price growth mirrors the five-year compound annual growth for existing property values by county.
- Local revenue estimates use the statewide average local REET rate of 0.479%.

**Data Sources**

- Department of Revenue, Real estate excise tax data
- Department of Revenue, Estimated future property values
- County property rolls
- Economic and Revenue Forecast Council, March 2023 forecast
- Office of Financial Management, Designated rural counties as of April 1, 2022
- Bureau of Labor Statistics, Consumer price index for shelter data

# 82.45.010(3)(p) - No change in beneficial owner

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 1993 |
| **Primary Beneficiaries:** | Persons recording a sale with no change in beneficial owner |
| **Taxpayer Count:** | 21,231 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review scheduled in 2025 |

# 82.45.010(3)(q) - IRS transfers

**Description**

Transferring real property to form, liquidate, or reorganize a corporation or partnership is not subject to state or local real estate excise tax. This only applies to real property transfers that qualify as a nonrecognition of gain or loss transaction under the Internal Revenue Code.

**Purpose**

Transferring real property to form, liquidate, or reorganize a corporation or partnership is not a sale. REET taxes arm's-length purchases of real estate in situations where the purchase price reflects the market price.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $32.310 | $37.580 | $41.120 | $48.660 |
| Local Taxes | $7.210 | $8.150 | $9.210 | $10.970 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $33.860 | $41.120 | $48.660 |
| Local Taxes | $0.000 | $7.340 | $9.210 | $10.970 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the REET growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- The department electronically receives transaction-level REET data from 36 counties. For the three counties not reporting REET data electronically, this estimate assumes transactions similar to the urban or rural counties that report electronically.
- Property sales price growth mirrors the five-year compound annual growth for existing property values by county.
- Local revenue estimates use the statewide average local REET rate of 0.479%.

**Data Sources**

- Department of Revenue, Real estate excise tax data
- Department of Revenue, Estimated future property values
- County property rolls
- Economic and Revenue Forecast Council, March 2023 forecast
- Office of Financial Management, Designated rural counties as of April 1, 2022
- Bureau of Labor Statistics, Consumer price index for shelter data

# 82.45.010(3)(q) - IRS transfers

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 1993 |
| **Primary Beneficiaries:** | Persons recording a sale because of IRS transfers |
| **Taxpayer Count:** | 750 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review scheduled in 2024 |

# 82.45.010(3)(r) - Manufactured home communities

**Description**

A qualified sale of a manufactured or mobile home community that takes place before January 1, 2030, is not subject to state or local real estate excise tax.

**Purpose**

Encourage and facilitate the preservation of existing manufactured home communities.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.093 | $0.108 | $0.119 | $0.143 |
| Local Taxes | $0.024 | $0.027 | $0.031 | $0.037 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.097 | $0.119 | $0.143 |
| Local Taxes | $0.000 | $0.025 | $0.031 | $0.037 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the REET growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- The department electronically receives transaction-level REET data from 36 counties. Only four counties reported these transactions so there is no estimated impact for the three counties not reporting REET data electronically.
- Property sales price growth mirrors the five-year compound annual growth for existing property values by county.
- Local revenue estimates use the statewide average local REET rate of 0.479%.

**Data Sources**

- Department of Revenue, Real estate excise tax data
- Department of Revenue, Estimated future property values
- County property rolls
- Economic and Revenue Forecast Council, March 2023 forecast
- Bureau of Labor Statistics, Consumer price index for shelter data

# 82.45.010(3)(r) - Manufactured home communities

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 2008 |
| **Primary Beneficiaries:** | Persons recording a sale involving a manufactured home community |
| **Taxpayer Count:** | 3 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2017 |

# 82.45.010(3)(s) - Low-income housing

**Description**

Transfers of real property by an organization that was allocated federal low-income housing tax credits are not subject to state or local real estate excise tax.

**Purpose**

To support the development of affordable housing projects.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $5.400 | $6.300 | $7.000 | $8.300 |
| Local Taxes | $1.100 | $1.300 | $1.500 | $1.800 |

**Repeal of exemption**

Repealing this credit would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $5.700 | $7.000 | $8.300 |
| Local Taxes | $0.000 | $1.200 | $1.500 | $1.800 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the REET growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- The department electronically receives transaction-level REET data from 36 counties. For the three counties not reporting REET data electronically, this estimate assumes transactions similar to the urban or rural counties that report electronically.
- Property sales price growth mirrors the five-year compound annual growth for existing property values by county.
- Local revenue estimates use the statewide average local REET rate of 0.479%.

**Data Sources**

- Department of Revenue, Real estate excise tax data
- Department of Revenue, Estimated future property values
- County property rolls
- Economic and Revenue Forecast Council, March 2023 forecast
- Office of Financial Management, Designated rural counties as of April 1, 2022
- Bureau of Labor Statistics, Consumer price index for shelter data

# 82.45.010(3)(s) - Low-income housing

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2018 |
| **Primary Beneficiaries:** | Persons receiving federal low-income housing tax credits |
| **Taxpayer Count:** | 70 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.45.010(3)(t) - Housing for developmentally disabled persons

**Description**

Transfers of real property by a legal representative of a person with developmental disabilities to a qualified entity that provides residential supported living for persons with developmental disabilities are not subject to state or local real estate excise tax.

**Purpose**

To expand housing opportunities for persons with developmental disabilities.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would not increase revenues because currently no taxpayers use it.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

No taxpayers currently use this exemption. We expect no usage during the forecasted period of this study.

**Data Sources**

Department of Revenue, Real estate excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2018 |
| **Primary Beneficiaries:** | Those transferring property as a legal representative of a person with developmental disabilities |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.45.010(3)(u) - Self-help housing

**Description**

The sale of self-help housing by an affordable homeownership facilitator to a low-income household is not subject to state or local real estate excise tax.

**Purpose**

Encourage the continued development of self-help housing.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.017 | $0.020 | $0.021 | $0.025 |
| Local Taxes | $0.008 | $0.009 | $0.011 | $0.013 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.017 | $0.021 | $0.025 |
| Local Taxes | $0.000 | $0.008 | $0.011 | $0.013 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the REET growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- The department electronically receives transaction-level REET data from 36 counties. Only three counties reported these transactions so there is no estimated impact for the three counties not reporting REET data electronically.
- Property sales price growth mirrors the five-year compound annual growth for existing property values by county.
- Local revenue estimates use the statewide average local REET rate of 0.479%.

**Data Sources**

- Department of Revenue, Real estate excise tax data
- Department of Revenue, Estimated future property values
- County property rolls
- Economic and Revenue Forecast Council, March 2023 forecast
- Bureau of Labor Statistics, Consumer price index for shelter data

# 82.45.010(3)(u) - Self-help housing

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2019 |
| **Primary Beneficiaries:** | Affordable homeownership facilitators |
| **Taxpayer Count:** | 7 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.45.010(3)(v) - Entities using property for low income housing

**Description**

Transfers of real property to a qualifying grantee who uses the property for low-income housing and qualifies for certain real and personal property tax exemptions are not subject to state or local real estate excise tax.

**Purpose**

To increase the availability of affordable housing for low-income persons.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.649 | $0.754 | $0.826 | $0.926 |
| Local Taxes | $0.182 | $0.236 | $0.266 | $0.254 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.680 | $0.826 | $0.926 |
| Local Taxes | $0.000 | $0.213 | $0.266 | $0.254 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the REET growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- The department electronically receives transaction-level REET data from 36 counties. No estimates are made for the three counties not reporting data electronically.
- Property sales price growth mirrors the five-year compound annual growth for existing property values by county.
- Local revenue estimates use the statewide average local REET rate of 0.479%.

**Data Sources**

- Department of Revenue, Real estate excise tax data
- Department of Revenue, Estimated future property values
- County property rolls
- Economic and Revenue Forecast Council, March 2023 forecast
- Office of Financial Management, Designated rural counties as of April 1, 2022
- Bureau of Labor Statistics, Consumer price index for shelter data

# 82.45.010(3)(v) - Entities using property for low income housing

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 2022 |
| **Primary Beneficiaries:** | Persons transferring real property to a qualifying grantee that uses the property for low-income housing |
| **Taxpayer Count:** | 29 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.45.030(3) - Foreclosure relocation assistance

**Description**

For real estate excise tax (REET) purposes, "total consideration paid" does not include any outstanding lien or encumbrances in favor of a governmental body or any relocation assistance provided during a foreclosure.

**Purpose**

REET taxes arm's-length purchases of real estate in situations where the purchase price reflects the market price. Governmental liens and relocation assistance are not part of the market price of a property.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would not increase revenues because currently no taxpayers use it.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

No taxpayers currently use this exemption. We expect no usage during the forecasted period of this study.

**Data Sources**

Department of Revenue, Real estate excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 1951 |
| **Primary Beneficiaries:** | Persons with outstanding liens in favor of a governmental body or those provided relocation assistance during a foreclosure |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None Evident |
| **JLARC Review:** | Expedited review completed in 2017 |

# 82.45.190 - Second Narrows Bridge

**Description**

Provides a real estate excise tax exemption for the transfer of state route 16 corridor transportation systems and facilities constructed under a public-private transportation initiative.

**Purpose**

As originally planned, this exemption enabled the transfer of the newly constructed second bridge at the Tacoma Narrows to the private operator of the bridge without incurring real estate excise tax. More broadly, this exemption applies to any sale of transportation systems and facilities along the state route 16 corridor, including capital improvements and additions to the corridor's infrastructure, roads, bridges, equipment, park and ride lots, transit stations, transportation management systems, and other related transportation investments.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would not increase revenues because currently no taxpayers use it.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

No taxpayers currently use this exemption. We expect no usage during the forecasted period of this study.

**Data Sources**

Department of Revenue, Real estate excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Tax base |
| **Year Enacted:** | 1998 |
| **Primary Beneficiaries:** | Private operator of second Narrows Bridge |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2017 |

# 82.45.195 - Standing timber

**Description**

Sales of timber harvested within 30 months of a severance contract are exempt from the state or local real estate excise tax.

**Purpose**

Providing tax relief to the wood products industry.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $1.950 | $2.310 | $2.540 | $3.580 |
| Local Taxes | $0.510 | $0.580 | $0.650 | $0.790 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $2.080 | $2.540 | $3.580 |
| Local Taxes | $0.000 | $0.520 | $0.650 | $0.790 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate for REET transactions mirrors the REET growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Growth rate for B&O tax mirrors the B&O growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Property sales price growth mirrors the five-year compound annual growth for existing property values by county.
- Local revenue estimates use the statewide average local REET rate of 0.479%.
- Taxpayers will save an estimated $2.4 million in state REET but pay $360,000 in B&O tax in fiscal year 2025.

**Data Sources**

- Department of Revenue, Excise tax data
- Department of Revenue, Estimated future property values
- Economic and Revenue Forecast Council, March 2023 forecast
- Bureau of Labor Statistics, Consumer price index for shelter data

# 82.45.195 - Standing timber

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2007 |
| **Primary Beneficiaries:** | Those harvesting timber |
| **Taxpayer Count:** | 36 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2016 with upcoming review in 2024 |

# Chapter 20
# Retail Sales and Use Tax

# 36.100.090 - Baseball stadium deferral

**Description**

The original construction of a public baseball stadium, owned by a public facilities district, qualifies for a sales and use taxes deferral if it:

- Has a retractable roof or canopy.
- Has natural turf.

The construction of Safeco Field (now T-Mobile Park) was completed in January 2000, and the repayments of deferred sales and use taxes were completed in 2014.

**Purpose**

To encourage the construction of a professional baseball stadium in King County.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this deferral would not increase revenues. The public facilities district that constructed the stadium has repaid the deferred taxes.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

Currently, no public facilities district uses this deferral.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1995 |
| **Primary Beneficiaries:** | Public facilities districts |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2013 and 2022 |

# 36.102.070 - Football stadium deferral

**Description**

Public stadium authorities are eligible to defer sales and use taxes on the construction of:

- Professional football and soccer stadiums.
- Adjacent exhibition centers.

Deferred sales tax is repayable over 10 years, starting five years after the stadium becomes operational. Qwest Field (Now Lumen Field) and its exhibition center, which qualified for the deferral, were completed in 2002. Repayment began in 2007 and was completed in 2016.

**Purpose**

Encourage the construction of a professional football and soccer stadium and adjacent exhibition center in Washington.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this deferral would not increase revenues. The public stadium authority has repaid the deferred taxes.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

Currently, no public facilities district uses this deferral.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1997 |
| **Primary Beneficiaries:** | Public stadium authorities |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2014 and 2022 |

# 47.01.412 - Highway 520 bridge replacement

**Description**

Persons involved in the SR 520 bridge replacement project may apply for a deferral of state and local sales and use taxes on project costs for:

- Site preparation.
- Construction.
- Purchased or rented machinery and equipment.

The deferred tax repayment begins the 24th year after the project is complete and continues for nine years.

**Purpose**

Encouraged replacement of the SR 520 bridge.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this deferral would increase revenues by any taxes not yet deferred at the time of the repeal. This estimate assumes that currently deferred taxes are due beginning the 24th year after the repeal and continuing for the next nine years. Repayment of the deferred taxes starts in 2041.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

The SR 520 bridge project was completed in 2017. The first payment is due December 31, 2041.

**Data Sources**

Department of Revenue, Deferral data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 2008 |
| **Primary Beneficiaries:** | Businesses constructing the SR 520 bridge |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review in 2020 |

# 47.46.060 - 2nd Narrows bridge

**Description**

Persons involved in the construction of the second bridge over Puget Sound at the Tacoma Narrows may apply for a deferral of state and local sales and use taxes on project costs for:

- Site preparation.
- Construction.
- Purchased or rented machinery and equipment.

Beginning December 31st of the 24th year following the certified completion of the project, 10% of the deferred tax must be repaid annually.

**Purpose**

Lowering the initial overall cost of the project and mitigating the amount of tolls necessary to fund repayment of the bonds financing construction costs.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this deferral would increase revenues by any taxes not yet deferred at the time of the repeal. This estimate assumes that currently deferred taxes are due beginning the 24th year after the repeal. Repayment of the deferred taxes will start in 2031.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- Repealing the deferral does not affect taxpayers who have already received the deferral under existing law.
- The Tacoma Narrows Bridge project was certified in 2007. The first payment is due December 31, 2031.

**Data Sources**

- Department of Revenue, Deferral data

# 47.46.060 - 2nd Narrows bridge

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1998 |
| **Primary Beneficiaries:** | Washington State Department of Transportation |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2020 |

# 47.56.878 - State route 167 and Interstate 405 corridor deferral

**Description**

A person involved in the construction of a state route (SR) 167 and Interstate 405 corridor project, as defined in the statute, may apply for deferral of state and local sales and use taxes owed by that person with respect to the site preparation for, the construction of, the acquisition of any related machinery and equipment that will become a part of, and the rental of equipment for use in, the projects. The department shall issue a sales and use taxes deferral certificate to qualifying applicants for state and local sales and use taxes.

The deferred taxes will be repaid beginning in the tenth year after the date the Department of Transportation notifies the department that all projects are operationally complete.

**Purpose**

To provide relief for construction projects aimed at improving the connection of Interstate 405 and SR 167 to address current and future traffic demand.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | CTI | CTI | CTI | CTI |
| Local Taxes | CTI | CTI | CTI | CTI |

**Repeal of exemption**

Repealing this deferral would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | CTI | CTI | CTI |
| Local Taxes | $0.000 | CTI | CTI | CTI |

**Assumptions**

This deferral impacts fewer than three taxpayers; any impacts are confidential.

**Data Sources**

Department of Revenue, Deferral data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2022 |
| **Primary Beneficiaries:** | Washington State Department of Transportation |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 47.87.150 - Interstate toll bridge deferral

**Description**

Any person involved in the construction of an interstate toll bridge may apply for deferral of state and local sales and use taxes on the site preparation for, the construction of, the acquisition of any related machinery and equipment that will become a part of, and the rental of equipment for use in, the bridge. The department will issue a sales and use taxes deferral certificate for state and local sales and use taxes imposed on the bridge.

The deferred taxes will be repaid in the fifth year after the date the department certifies the bridge as operationally complete.

**Purpose**

To provide relief for construction projects aimed at replacing aging interstate toll bridges.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this deferral would not increase revenue because, currently no taxpayers use it.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

No taxpayers currently use this deferral. We expect no usage during the forecasted period of this study.

**Data Sources**

Department of Revenue, Deferral data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2022 |
| **Primary Beneficiaries:** | Washington State Department of Transportation |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.04.050 - Personal and professional services

**Description**

The retail sales tax originally applied only to the sale of tangible personal property and thus, by definition, excluded services from the tax base. Since 1935, some services were added to the tax base, including services to tangible personal property (e.g., repair services) in 1939; construction in 1941; rental of tangible personal property in 1959; certain amusement and recreation activities in 1961 and 2015; and landscape maintenance, physical fitness and certain miscellaneous personal services in 1993 and 2015. Although, technically, the remaining personal and professional services are not "exempt" because they were never in the tax base, there has been some interest in the amount of revenue represented by these activities. Therefore, they are included in this report.

**Purpose**

The primary reasons services were excluded from retail sales tax may have included these:

- To maintain simplicity by taxing only one property class, i.e., tangible goods.
- To conform to the practice of other states at the time.
- To minimize tax administration costs by not requiring service providers to collect the tax.
- A recognition that services did not represent a substantial share of the state economy in the 1930s.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $5,505.190 | $5,716.800 | $6,141.280 | $6,612.030 |
| Local Taxes | $3,270.700 | $3,396.420 | $3,648.330 | $3,927.690 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $5,240.390 | $6,141.280 | $6,612.030 |
| Local Taxes | $0.000 | $3,113.390 | $3,648.330 | $3,927.690 |

# 82.04.050 - Personal and professional services

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the sales and use taxes growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use taxes rate of 2.92%.
- Under the service category "Banking - deposit account service packages and loan services," mortgage interest will be subject to sales tax.
- Currently, some satellite and cable services are already subject to sales tax. This includes services such as pay-per-view for satellite providers. Most of the potential revenue from imposing sales tax on satellite and cable would be from subscription fees for channel access.
- Due to federal laws, a local sales tax cannot be imposed on satellite television subscriptions. As a result, this estimate does not include estimates for local sales tax on satellite television subscriptions.
- Lower compliance factors applied for some industries.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- U.S. Census Bureau, 2012 Economic Census data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 1935 |
| **Primary Beneficiaries:** | Individuals and businesses purchasing personal and professional services |
| **Taxpayer Count:** | 170,000 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Reviews completed on various sections within the statute |

# 82.04.050(1)(a)(iv); 82.04.190(1)(d) - Ferrosilicon

**Description**

The definition of retail sale excludes property used in producing ferrosilicon, which is then used to make magnesium. These sales are classified as wholesale transactions. The exempt items must be used primarily to create a chemical reaction with an ingredient of ferrosilicon.

**Purpose**

To encourage magnesium production businesses to locate in Washington.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would not increase revenue because currently no taxpayers use it.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

No taxpayers currently use this exemption. We expect no usage during the forecasted period of this study.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1986 |
| **Primary Beneficiaries:** | Businesses using ferrosilicon |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2012 and 2021 |

# 82.04.050(1)(a)(v) - Competitive telephone service

**Description**

Purchases of property provided to consumers as part of a competitive telephone service are exempt from retail sales and use tax.

**Purpose**

Avoids taxing the same product twice.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $53.760 | $60.570 | $68.240 | $76.890 |
| Local Taxes | $24.180 | $27.240 | $30.690 | $34.580 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $55.520 | $68.240 | $76.890 |
| Local Taxes | $0.000 | $24.970 | $30.690 | $34.580 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the compound growth rate of telecommunication expenditures between 2019 and 2022.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.
- Property provided to consumers as part of a competitive telephone service includes telephones, routers, and modems.
- Approximately 25% of total telecommunication expenditures are for resale.

**Data Sources**

- Department of Revenue, Excise tax data
- IMPLAN, Regions commodity industry demand, 2021

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1981 |
| **Primary Beneficiaries:** | Providers of telecommunication services |
| **Taxpayer Count:** | 552 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review in 2013 with an upcoming review in 2025 |

# 82.04.050(1)(a)(vi) - Extended warranties

**Description**

Purchases made to honor an extended warranty do not meet the criteria of a retail sale and are exempt from retailing B&O tax and state and local sales tax. Instead, these purchases are subject to wholesale B&O tax.

**Purpose**

Ensures buyers do not pay sales tax on replacement items or parts covered by an extended warranty.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $46.990 | $48.980 | $49.980 | $51.980 |
| Local Taxes | $21.110 | $21.900 | $22.680 | $23.500 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $44.980 | $49.980 | $51.980 |
| Local Taxes | $0.000 | $20.070 | $22.680 | $23.500 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the taxable sales and use taxes growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- The U.S.'s proportion of worldwide warranty claims is the same as the U.S.'s gross domestic product as a percent of worldwide gross domestic product.
- The U.S.'s proportion of worldwide warranty claims for warranties sold by U.S. businesses is the same as the U.S.'s gross domestic product as a percent of worldwide gross domestic product.
- Washington warranty claims as a percentage of U.S. warranty claims are the same as Washington's population as a percentage of the U.S. population.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

**Data Sources**

- Warranty Week, Nineteenth Annual Product Warranty Report, https://www.warrantyweek.com/archive/ww20220324.html
- Economic and Revenue Forecast Council, March 2023 forecast

# 82.04.050(1)(a)(vi) - Extended warranties

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 1955 |
| **Primary Beneficiaries:** | Purchasers of extended warranties |
| **Taxpayer Count:** | 50,000 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.04.050(2)(a) - Laundry services for nonprofit healthcare facilities

**Description**

Charges for laundry service for nonprofit healthcare facilities are exempt from sales tax. As a result, laundry businesses providing services for nonprofit healthcare facilities are subject to B&O tax under the service classification.

**Purpose**

Indirectly reduces the cost of healthcare.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.073 | $0.073 | $0.072 | $0.082 |
| Local Taxes | $0.039 | $0.041 | $0.042 | $0.044 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.064 | $0.072 | $0.082 |
| Local Taxes | $0.000 | $0.037 | $0.042 | $0.044 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the sales and use taxes growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use taxes rate of 2.92%.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 1973 |
| **Primary Beneficiaries:** | Nonprofit health care facilities |
| **Taxpayer Count:** | 5 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2011 and expedited review completed in 2021 |

# 82.04.050(2)(a) - Self-service laundry facilities

**Description**

The definition of retail sale excludes charges for using of self-service laundry facilities. Businesses providing laundry machines on an individual-use basis do not collect sales tax but are subject to the B&O tax under the service classification.

**Purpose**

Equalizes the tax treatment of coin-operated laundry facilities.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $5.160 | $5.273 | $5.387 | $5.503 |
| Local Taxes | $2.500 | $2.555 | $2.610 | $2.667 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $2.360 | $2.631 | $2.687 |
| Local Taxes | $0.000 | $1.230 | $1.371 | $1.401 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate reflects the average growth rate for self-service laundry facilities service and other activities B&O tax.
- Compliance of collecting sales tax at coin-operated laundry facilities in places such as apartment complexes is 13% each fiscal year after repeal.

**Data Sources**

- Department of Revenue, Excise tax data
- U.S. Energy Administration, Appliances in U.S. home, by owner or renter status
- U.S. Census Bureau, Housing tenure
- Planetlaundry.com, "Taking a New Route"

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 2005 |
| **Primary Beneficiaries:** | Individuals and families using self-service laundry facilities |
| **Taxpayer Count:** | 200 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2016 and expedited review completed in 2023 |

# 82.04.050(2)(d) - Janitorial services

**Description**

Retail sales tax does not apply to sales of janitorial services. The statute excludes janitorial services from the definition of retail sales, making them non-retail services. Thus, a business providing janitorial services is subject to the service and other B&O tax classification of 1.5%. The customer is not subject to retail sales tax.

Janitorial services are defined as cleaning and caretaking of buildings and structures. This includes washing windows and walls, cleaning and waxing floors, and cleaning the building's rugs, drapes, and upholstery.

**Purpose**

To recognize that cleaning buildings does not meet the current definition of retail sale since the activity is oriented toward merely preserving structures in their present condition rather than changing the structure.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $58.474 | $60.721 | $63.419 | $66.438 |
| Local Taxes | $32.493 | $33.741 | $35.242 | $36.919 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $55.661 | $63.419 | $66.438 |
| Local Taxes | $0.000 | $30.929 | $35.242 | $36.919 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the sales and use taxes growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use taxes rate of 2.92%.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- U.S. Census Bureau, 2012 Economic Census data

# 82.04.050(2)(d) - Janitorial services

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 2000 |
| **Primary Beneficiaries:** | Janitorial service businesses and their customers |
| **Taxpayer Count:** | 18,300 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.04.050(3)(d)(i) - Horticultural services for farmers

**Description**

The definition of retail sales excludes charges for horticultural services to farmers. Sales tax is not collected on services related to the cultivating vegetables, fruits, grains, field crops, ornamental horticulture, nursery products, soil preparation, crop cultivation, and harvesting services.

**Purpose**

To support the farmers and the agricultural industry and clarify the taxability of these activities in light of the extension of sales tax to landscaping services in 1993.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $17.420 | $18.290 | $19.210 | $20.170 |
| Local Taxes | $5.040 | $5.300 | $5.550 | $5.830 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $16.770 | $19.210 | $20.170 |
| Local Taxes | $0.000 | $4.420 | $5.550 | $5.830 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Annual growth is 5% based on historical agricultural expense data from the U.S. Department of Agriculture.
- Local revenue estimates use the rural average local sales and use tax rate of 1.89%.
- An estimated 70% of agricultural custom work expenses are for horticultural services performed for farmers.

**Data Sources**

- U.S. Department of Agriculture, Census of Agriculture data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 1993 |
| **Primary Beneficiaries:** | Farmers who receive horticultural services |
| **Taxpayer Count:** | 5,900 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2015 and expedited review completed in 2018 |

# 82.04.050(3)(d)(ii) - Tree trimming under power lines

**Description**

The definition of retail sales excludes charges for pruning, trimming, repairing, removing, and clearing trees and brush near electric transmission or distribution lines or equipment. To qualify, the work performed must be by or under the direction of an electric utility.

**Purpose**

To clarify the taxability of these activities in light of the extension of sales tax to landscaping services in 1993, these services are not akin to landscaping but are done out of necessity to keep power lines clear of interference from trees and brush.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $6.860 | $7.240 | $7.650 | $8.080 |
| Local Taxes | $3.800 | $4.010 | $4.239 | $4.480 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $6.640 | $7.650 | $8.080 |
| Local Taxes | $0.000 | $3.340 | $4.240 | $4.480 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the five-year average growth rate of service B&O taxable for these activities.
- These activities are currently subject to B&O tax under the service classification.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

**Data Sources**

- Department of Revenue, Excise tax data

# 82.04.050(3)(d)(ii) - Tree trimming under power lines

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Tax base |
| **Year Enacted:** | 1995 |
| **Primary Beneficiaries:** | Businesses that prune trees and brush under electric power transmission lines and the power companies that contract for their services. |
| **Taxpayer Count:** | 80 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2013 |

# 82.04.050(6)(a)(i)-(ii) - Custom computer software

**Description**

The definition of a retail sale excludes charges for customized computer software and customizing prewritten computer software. Instead, software customization services are subject to B&O tax under the service & other activities classification.

**Purpose**

To reflect the production of customized software is considered a professional service.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $135.020 | $140.230 | $146.440 | $153.350 |
| Local Taxes | $60.800 | $63.100 | $66.000 | $69.100 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $89.910 | $146.440 | $153.350 |
| Local Taxes | $0.000 | $57.900 | $66.000 | $69.100 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the total taxable B&O activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- U.S. Census Bureau, 2012 Economic Census data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 1998 |
| **Primary Beneficiaries:** | Buyers of custom and customized canned software |
| **Taxpayer Count:** | 11,500 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2016 and expedited review completed in 2023 |

# 82.04.050(10) - Labor and services used to construct and repair public roads

**Description**

The definition of retail sales excludes charges for labor and services performed on public roads and transportation facilities owned by local jurisdictions or the federal government.

A contractor for the federal government or a local jurisdiction must pay sales and use taxes on materials incorporated into the project. The exclusion does not extend to roads owned by the state. Sales and use taxes are due on 100% of road construction on state roads.

**Purpose**

The state cannot directly tax the federal government, but it can tax contractors who work for the federal government on the value of the materials they incorporate into the project. The impact of the sales and use taxes on materials is indirectly passed on to the federal government. The exemption for labor and services for local road construction helps reduce local jurisdictions' costs.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $54.310 | $54.610 | $56.110 | $57.010 |
| Local Taxes | $30.100 | $30.300 | $31.100 | $31.600 |

**Repeal of exemption**

Repealing this exemption would increase revenues. Most of the impact is from local government, which would be taxed on the total contract amount.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $4.510 | $28.060 | $42.780 |
| Local Taxes | $0.000 | $2.500 | $15.500 | $23.700 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts five months of collections in fiscal year 2025.
- The change in tax treatment would not apply to contracts executed before January 1, 2024, except for change orders that increase the project's cost.
- As per discussions with the Department of Transportation, assume the following:
  - 20% of road construction contract dollars in existence in fiscal year 2025 will be newly created on or after January 1, 2024.
  - 50% of road construction contract dollars in existence in fiscal year 2026 will be newly created on or after January 1, 2025.
  - 75% of road construction contract dollars in existence in fiscal year 2027 will be newly created on or after January 1, 2026.
  - 100% of road construction contract dollars in existence in all fiscal years thereafter will be newly created on or after January 1, 2028.

# 82.04.050(10) - Labor and services used to construct and repair public roads

- This estimate only includes potential revenue from local public road construction.
- It is unknown if the state could collect sales and use taxes on federal road construction. Therefore, this estimate does not include potential revenue from construction on federal roads.
- Local revenue estimates use the statewide average local sales and use taxes rate of 2.92%.

**Data Sources**

- Washington Department of Transportation.

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 1943 |
| **Primary Beneficiaries:** | The U.S. government and Washington cities and counties |
| **Taxpayer Count:** | 604 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2010 and expedited review completed in 2020 |

# 82.04.050(11) - Feed and seed

**Description**

The definition of retail sales excludes sales of feed and seed used in the commercial production of any agricultural commodity. The same statute exempts feed and seed sold to landowners participating in specified federal conservation and habitat protection programs or a cooperative habitat agreement with the Washington Department of Fish and Wildlife.

**Purpose**

To support the agricultural industry. Also, feed and seed are similar to component parts (and therefore are purchased for resale) because they are absorbed into or become an integral part of an agricultural product.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $85.490 | $93.070 | $96.800 | $100.670 |
| Local Taxes | $25.870 | $26.910 | $27.980 | $29.100 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $85.320 | $96.800 | $100.670 |
| Local Taxes | $0.000 | $22.420 | $27.980 | $29.100 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Local revenue estimates use the rural average local sales and use tax rate of 1.879%.
- Annual growth of 4% based on average purchases from last the five years.

**Data Sources**

- U.S. Department of Agriculture, Farm production expenditures annual summaries

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Agriculture |
| **Year Enacted:** | 1951 |
| **Primary Beneficiaries:** | Farmers and the vendors who supply feed and seed to farmers |
| **Taxpayer Count:** | Over 20,000 farms |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2009 and expedited review completed in 2018 |

# 82.04.050(11) - Fertilizer and chemical sprays

**Description**

The definition of retail sales excludes sales of chemical sprays and washes for the post-harvest treatment of fruit, sales of fertilizer and spray materials when used in the commercial production of any agricultural commodity. The same statute exempts fertilizer and spray sold to landowners participating in specified federal conservation and habitat protection programs or a cooperative habitat agreement with the Washington Department of Fish and Wildlife.

**Purpose**

To support the agricultural industry. Fertilizer is similar to a component part (and therefore purchased for resale), because it is absorbed into or becomes an integral part of an agricultural product.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $72.800 | $76.440 | $79.950 | $83.850 |
| Local Taxes | $21.050 | $22.100 | $23.110 | $24.240 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $70.070 | $79.950 | $83.850 |
| Local Taxes | $0.000 | $18.410 | $23.110 | $24.240 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Local revenue estimates use the rural average local sales and use tax rate of 1.879%.
- Supply shortages and fuel costs have increased the prices of fertilizers, herbicides, and other agricultural chemicals, leading to a 5% increase in yearly expenditures.

**Data Sources**

- U.S. Department of Agriculture (USDA), 2017 Agriculture Census
- USDA, Farm Production Expenditures summaries

# 82.04.050(11) - Fertilizer and chemical sprays

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 1951 |
| **Primary Beneficiaries:** | Agricultural producers |
| **Taxpayer Count:** | Over 40,000 Washington farms, but the actual taxpayer count is unknown |
| **Program Inconsistency:** | The sales tax exemption helps to encourage the use of fertilizers and chemical sprays in agriculture. However, Chapter 70.95C RCW implements a program directed toward the reduction of hazardous substances, which can include agricultural fertilizers and pesticides that have adverse environmental impacts |
| **JLARC Review:** | Full review completed in 2010 and expedited review completed in 2018 |

# 82.04.050(11) - Pollination agents

**Description**

The definition of "retail sale" excludes sales of agents for enhanced pollination including insects such as bees to persons or farmers participating in certain habitat development/conservation programs, or farmers for the purpose of producing any agricultural product for sale.

**Purpose**

To aid certain sectors of the agricultural industry reliant on pollination agents to produce agricultural products (such as the alfalfa industry) and make those agricultural sectors more competitive with competitors in other countries.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.172 | $0.174 | $0.175 | $0.177 |
| Local Taxes | $0.050 | $0.050 | $0.051 | $0.051 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.160 | $0.175 | $0.177 |
| Local Taxes | $0.000 | $0.046 | $0.051 | $0.051 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Local revenue estimates use the rural average local sales and use tax rate of 1.879%.
- Farm production expenses expected to increase 1% annually.
- Most farmers rent honeybee hives. Rental hives are not subject to sales tax, so this exemption covers bees purchased for pollination.
- Leaf cutter bees perform pollination and nest in the ground; therefore, must be purchased annually.

**Data Sources**

- U.S. Department of Agriculture, Economic Research report

# 82.04.050(11) - Pollination agents

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Agriculture |
| **Year Enacted:** | 1953 |
| **Primary Beneficiaries:** | Farmers that purchase leaf-cutter bees for pollination purposes |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2015 and 2018 |

# 82.04.050(12) - Labor and services used to construct and repair federal government structures

**Description**

Charges made for labor and services in connection with building, repairing or improving new or existing structures for the federal government or a local housing authority is not subject to sales and use taxes. Also excluded are charges for moving earth and clearing land for these jurisdictions. The contractor must pay sales and use taxes on materials incorporated into these projects.

**Purpose**

The state cannot directly tax the federal government, but it can tax contractors who do work for the federal government on the value of the materials they incorporate into the project. The federal government indirectly pays the sales and use taxes through increased costs from contractors. The exemption for labor and services for local housing authorities helps reduce the cost for local jurisdictions.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $96.100 | $96.100 | $96.100 | $96.100 |
| Local Taxes | $34.500 | $34.500 | $34.500 | $34.500 |

**Repeal of exemption**

Repealing this exemption would not increase revenues. Most of the impact represents federal construction which is constitutionally exempt at the federal level.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- No revenues realized if the state law is repealed. The construction and repair on federal government structures are constitutionally exempt.

**Data Sources**

- Washington State Department of Transportation, Construction data
- FedSpending.org, Government contracts

# 82.04.050(12) - Labor and services used to construct and repair federal government structures

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 1975 |
| **Primary Beneficiaries:** | The U.S. government and municipal housing authorities |
| **Taxpayer Count:** | 120 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review in 2012 with an upcoming review in 2025 |

# 82.04.050(13) - RTA maintenance service agreements

**Description**

Tangible personal property, labor, or services provided by a transit agency to a regional transportation authority (RTA) pursuant to a maintenance contract are exempt from sales and use taxes. This applies to items installed in bus or rail transportation equipment.

**Purpose**

To facilitate regional transportation and clarify the application of sales tax to the RTA.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | CTI | CTI | CTI | CTI |
| Local Taxes | CTI | CTI | CTI | CTI |

**Repeal of exemption**

Repealing this exemption would increase revenues

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | CTI | CTI | CTI |
| Local Taxes | $0.000 | CTI | CTI | CTI |

**Assumptions**

This exemption impacts fewer than three taxpayers; any impacts are confidential.

**Data Sources**

None

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 2005 |
| **Primary Beneficiaries:** | Regional Transit Authority |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited reviews completed in 2016 and 2020 |

# 82.04.062 - Precious metals and monetized bullion

**Description**

Sales of precious metal and monetized bullion are exempt from sales tax.

**Purpose**

To provide tax relief to bullion dealers who compete with dealers in other states who may not collect sales tax.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $16.443 | $17.096 | $17.770 | $18.457 |
| Local Taxes | $7.395 | $7.688 | $7.991 | $8.300 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $15.671 | $17.770 | $18.457 |
| Local Taxes | $0.000 | $7.047 | $7.991 | $8.300 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1985 |
| **Primary Beneficiaries:** | Sellers and purchasers of precious metal and monetized bullion |
| **Taxpayer Count:** | 71 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2012 with an upcoming review in 2024 |

# 82.04.192(3)(b)(i) - Digital automated service - primarily human effort

**Description**

Digital automated services are classified as retail sales and are subject to retailing B&O tax. However, digital goods that primarily represent the application of human effort and the human effort originated after the customer requested the service, such as a digitally delivered engineering report prepared primarily through the application of an engineer's effort, are excluded from this definition of digital goods and are instead subject to the service and other activities B&O tax.

This exclusion does not apply to amounts received by photographers for taking photographs transferred digitally to the customer if the customer is the end user. These payments are considered to be for the sale of digital goods and are subject to sales taxes and retailing B&O tax.

**Purpose**

To protect the sales and use taxes base, establish certainty in the tax code, maintain conformity with the streamlined sales and use taxes agreement, and encourage economic development.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | Indeterminate | Indeterminate | Indeterminate | Indeterminate |
| Local Taxes | Indeterminate | Indeterminate | Indeterminate | Indeterminate |

**Repeal of exemption**

Repealing this exemption would increase revenues, resulting from a decrease in B&O tax revenue and an increase in sales tax revenue.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | Indeterminate | Indeterminate | Indeterminate |
| Local Taxes | $0.000 | Indeterminate | Indeterminate | Indeterminate |

**Assumptions**

Repealing this preference would have a large, but indeterminate impact.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2009 |
| **Primary Beneficiaries:** | Buyers and sellers of professional services |
| **Taxpayer Count:** | Large but indeterminate |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.04.192(3)(b)(ii) - Digital automated service - loaning or transferring money, or transferring financial instruments

**Description**

Digital automated services are retail sales. However, the definition of digital automated services excludes the loaning or transferring of money or the purchase, sale, or transfer of financial instruments, including cash, accounts receivable and payable, loans and notes receivable and payable, debt securities, equity securities, as well as derivative contracts such as forward contracts, swap contracts, and options. As a result, income from these activities is not subject to sales tax.

Sales tax may apply if the service is bundled with a taxable service or product offered exclusively in connection with a taxable digital product.

**Purpose**

To protect the sales and use taxes base, establish certainty in the tax code, maintain conformity with the streamlined sales and use taxes agreement, and encourage economic development.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $462.210 | $479.980 | $501.320 | $525.180 |
| Local Taxes | $207.860 | $215.850 | $225.440 | $236.170 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $334.650 | $381.310 | $399.460 |
| Local Taxes | $0.000 | $197.860 | $225.440 | $236.170 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the service and other activities B&O growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.
- Estimate reflects the gain from repealing the sales tax exemption less the B&O change from taxpayers paying 0.471% retailing tax rate rather than the 1.75% service and other activities tax rate.
- Amounts in this estimate only include 70% of the income reported under service and other activities B&O tax by taxpayers with NAICS starting with 523 or 525. These amounts could include income from sources not relevant to this estimate. Additionally, relevant results which do not meet the above criteria are not included in this estimate.

# 82.04.192(3)(b)(ii) - Digital automated service - loaning or transferring money, or transferring financial instruments

- Under current law, 23% of the impacted population pays the specified financial institutions surtax.
- Under current law, impacted taxpayers pay the service and other activities B&O tax rate of 1.75%.
- 14.3% of the revenue collected from the 1.75% rate is deposited into the Workforce Education Investment Account.

**Data Sources**

- Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2009 |
| **Primary Beneficiaries:** | Purchasers and sellers of financial instruments and those transferring money |
| **Taxpayer Count:** | 3,400 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.04.192(3)(b)(iii) - Digital automated service - dispensing cash or items from a machine

**Description**

Digital automated services are retail sales. However, the definition of digital automated services excludes dispensing cash or physical items from a machine. As a result, dispensing cash or physical items from a machine are not subject to sales tax.

**Purpose**

To protect the sales and use taxes base, establish certainty in the tax code, maintain conformity with the streamlined sales and use taxes agreement, and encourage economic development.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $10.580 | $10.990 | $11.480 | $12.030 |
| Local Taxes | $4.760 | $4.940 | $5.160 | $5.410 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $7.640 | $8.700 | $9.110 |
| Local Taxes | $0.000 | $4.530 | $5.160 | $5.410 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the services B&O taxable activity growth rates reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.
- Fee income from automated teller machines (ATM) is the only revenue source included in this estimate.
- Estimate reflects the gain from repealing the sales tax exemption less the B&O change from taxpayers paying 0.471% retailing tax rate rather than the 1.75% service and other activities tax rate.
- There are 6,689 ATMs in Washington.
- The number of ATMs across the globe remain stable. There is no increase in ATMs.
- Average yearly fee income per ATM for 2022 is $17,228.
- Approximately 29% of the ATMs in the U.S. are owned by banks.
- Banks are subject to the specified financial institutions surtax under current law.

# 82.04.192(3)(b)(iii) - Digital automated service - dispensing cash or items from a machine

**Data Sources**

- Economic and Revenue Forecast Council, March 2023 Forecast
- University of North Florida - Cetner for Economic and GIS Research, ATM data
- Bankrate.com, "Bank overdraft fees tumble to 13-year low while ATM fees are back on the rise."
- EnterpriseAppsToday.com, "Some Crucial ATM Statistics To Understand Its Expansion Worldwide In The Banking Sector."

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 2009 |
| **Primary Beneficiaries:** | Individuals who withdraw cash from an ATM |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.04.192(3)(b)(iv) - Digital automated service - payment processing services

**Description**

Digital automated services are classified in statute as retail sales. However, statute excludes payment processing services, such as electronic credit card processing activities, from the definition of "digital automated services." As a result, payment processing services are not subject to sales tax.

**Purpose**

To protect the sales and use taxes base, establish certainty in the tax code, maintain conformity with the streamlined sales and use taxes agreement, and encourage economic development.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $131.010 | $136.040 | $142.090 | $148.850 |
| Local Taxes | $58.910 | $61.180 | $63.900 | $66.940 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $96.110 | $109.500 | $114.720 |
| Local Taxes | $0.000 | $56.080 | $63.900 | $66.940 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the services B&O taxable activities growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.
- Estimate reflects the gain from repealing the sales tax exemption less the B&O change from taxpayers paying 0.471% retailing tax rate rather than the 1.75% service and other activities tax rate.
- Under current law, 18% of the impacted population pays the specified financial institutions surtax.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

# 82.04.192(3)(b)(iv) - Digital automated service - payment processing services

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2009 |
| **Primary Beneficiaries:** | Businesses which participate in payment processing. |
| **Taxpayer Count:** | 300 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.04.192(3)(b)(v) - Digital automated service - parimutuel wagering and handicapping contests

**Description**

Digital automated service are retail sales. However, the definition of digital automated services excludes parimutuel wagering and handicapping contests. As a result, parimutuel wagering and handicapping contests as authorized are exempt from sales tax.

**Purpose**

To decrease costs for management of online gambling.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | CTI | CTI | CTI | CTI |
| Local Taxes | CTI | CTI | CTI | CTI |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | CTI | CTI | CTI |
| Local Taxes | $0.000 | CTI | CTI | CTI |

**Assumptions**

This exemption impacts fewer than three taxpayers; any impacts are confidential.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2009 |
| **Primary Beneficiaries:** | Online software betting vendors |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.04.192(3)(b)(vi) - Digital automated service - telecommunications and supporting services

**Description**

Digital automated services are retail sales. However, the definition of digital automated services excludes telecommunications services and ancillary services. While not taxable as digital automated services, telecommunications services and ancillary services are retail sales. Charges for these services are subject to sales tax.

**Purpose**

To decrease costs for telecommunications and supporting services.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | Indeterminate | Indeterminate | Indeterminate | Indeterminate |
| Local Taxes | Indeterminate | Indeterminate | Indeterminate | Indeterminate |

**Repeal of exemption**

Repealing this exemption would have an indeterminate impact on revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | Indeterminate | Indeterminate | Indeterminate |
| Local Taxes | $0.000 | Indeterminate | Indeterminate | Indeterminate |

**Assumptions**

The revenue impact of this bill is indeterminate due to the difficulty with separating digital automated service from other service taxable income.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2009 |
| **Primary Beneficiaries:** | Businesses who participate in digital automated travel agent services |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.04.192(3)(b)(vii) - Digital automated service - Internet and Internet access

**Description**

Digital automated services are retail sales. However, the definition of digital automated services excludes the internet and internet access. As a result, charges for the internet and internet access are not subject to sales tax.

**Purpose**

To decrease costs for internet and internet services.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $184.520 | $199.220 | $215.090 | $232.220 |
| Local Taxes | $82.980 | $89.590 | $96.730 | $104.430 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $146.690 | $172.770 | $186.530 |
| Local Taxes | $0.000 | $82.120 | $96.730 | $104.430 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the B&O growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.
- Estimate reflects the gain from repealing the sales tax exemption less the B&O change from taxpayers paying 0.471% retailing tax rate rather than the 1.75% service and other activities tax rate.

**Data Sources**

- Economic Revenue and Forecast Council March 2023 Forecast.
- IBISWorld.com, Internet service providers data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2009 |
| **Primary Beneficiaries:** | Customers receiving internet services |
| **Taxpayer Count:** | 7.5 million |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.04.192(3)(b)(ix) - Digital automated service - online education

**Description**

Digital automated services are retail sales. However, the definition of digital automated services excludes online educational programs provided by either:

- A public or private elementary or secondary school.
- An institution of higher education as defined in sections 1001 or 1002 of the federal higher education act of 1965 (Title 20 U.S.C. Secs. 1001 and 1002), as existing on July 1, 2009. An online educational program must encompass the institution's accreditation.

As a result, charges for online educational programs, as described above, are not subject to sales tax.

**Purpose**

Decrease taxes for online educational programs.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | Indeterminate | Indeterminate | Indeterminate | Indeterminate |
| Local Taxes | Indeterminate | Indeterminate | Indeterminate | Indeterminate |

**Repeal of exemption**

Repealing this exemption would have an indeterminate impact on revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | Indeterminate | Indeterminate | Indeterminate |
| Local Taxes | $0.000 | Indeterminate | Indeterminate | Indeterminate |

**Assumptions**

The revenue impact of this bill is indeterminate but likely minimal due to minimal taxpayer savings.

**Data Sources**

None

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2009 |
| **Primary Beneficiaries:** | Private and public schools, and qualifying institutions of higher education |
| **Taxpayer Count:** | 475 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.04.192(3)(b)(x) - Digital automated service - live presentations

**Description**

Digital automated services are classified as retail sales, for the purpose of the B&O tax. However, live presentations via the Internet or telecommunications equipment are excluded from this definition and are subject to service and other activities B&O tax.

**Purpose**

To protect the sales and use taxes base, establish certainty in the tax code, maintain conformity with the streamlined sales and use taxes agreement, and encourage economic development.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $199.350 | $207.010 | $216.210 | $226.500 |
| Local Taxes | $89.650 | $93.090 | $97.230 | $101.860 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $152.410 | $173.680 | $181.930 |
| Local Taxes | $0.000 | $85.330 | $97.230 | $101.860 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the B&O taxable activity growth rates reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use taxes rate of 2.92%.
- 34% of Washington taxpayers perform webinars.
- Estimate reflects the gain from repealing the sales tax exemption less the B&O change from taxpayers paying 0.471% retailing tax rate rather than the 1.75% service and other activities tax rate.
- On average, taxpayers will perform 34 webinars per year, have an average attendance of 39 students per webinar, and charge an average of $100. Of these webinars, 78% are assumed to meet the definition of “live presentation”.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 Forecast
- CloudIncome.com, Webinar Statistics and Facts 2023
- CostOwl.com, "How Much Does it Cost to Host Webinars."
- Employment Security Department, Employment data

# 82.04.192(3)(b)(x) - Digital automated service - live presentations

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2009 |
| **Primary Beneficiaries:** | Providers and users of live-online presentations |
| **Taxpayer Count:** | 57,777 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.04.192(3)(b)(xi) - Digital automated service - travel agent services

**Description**

Digital automated services are retail sales. However, the definition of digital automated services excludes travel agent services, including online travel services, and automated systems used by travel agents to book reservations. As a result, charges for these services are not subject to sales tax.

**Purpose**

To decrease taxes for travel agent services.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $8.460 | $8.800 | $9.170 | $9.560 |
| Local Taxes | $3.800 | $3.960 | $4.120 | $4.300 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $6.480 | $7.360 | $7.690 |
| Local Taxes | $0.000 | $3.630 | $4.120 | $4.300 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the B&O taxable activity growth rates reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use taxes rate of 2.92%.
- Estimate reflects the gain from repealing the sales tax exemption less the B&O change from taxpayers paying 0.471% retailing tax rate rather than the 1.75% service and other activities tax rate.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic Revenue and Forecast Council March 2023 Forecast

# 82.04.192(3)(b)(xi) - Digital automated service - travel agent services

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2009 |
| **Primary Beneficiaries:** | Businesses providing travel agent services electronically |
| **Taxpayer Count:** | 8 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.04.192(3)(b)(xii) - Digital automated service - online marketplace activities and services

**Description**

Digital automated services are retail sales. However, the definition of digital automated services excludes online marketplace related activities, which are services that allow the recipient of the service to make online sales of products or services, digital or otherwise, using provider's web site. Services using the recipient's website are also excluded, but only if the provider's technology is used to create or host the recipient's site, or to process orders from customers using the recipient's site. As a result, income from these activities is not subject to sales tax.

**Purpose**

To decrease taxes for online marketplace activities and services.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $263.010 | $273.580 | $284.950 | $297.140 |
| Local Taxes | $118.280 | $123.030 | $128.140 | $133.630 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $195.214 | $222.179 | $232.077 |
| Local Taxes | $0.000 | $112.780 | $128.140 | $133.630 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the B&O taxable activity growth rates reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local sales tax estimates use the statewide average local sales and use taxes rate of 2.92%.
- Estimate reflects the gain from repealing the sales tax exemption less the B&O change from taxpayers paying 0.471% retailing tax rate rather than the 1.75% service and other activities tax rate.
- Amounts used in this estimate are based on service and other activities B&O tax reported by known online marketplace businesses. It is possible these amounts include revenue from other activities. Additionally, it is possible companies performing these activities were not included in this list.

**Data Sources**

- Department of Revenue, Excise tax returns
- Economic and Revenue Forecast Council, March 2023 forecast

# 82.04.192(3)(b)(xii) - Digital automated service - online marketplace activities and services

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2009 |
| **Primary Beneficiaries:** | Users and providers of online marketplace activities and services |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.04.192(3)(b)(xiii) - Digital automated service - advertising services

**Description**

Digital automated service are retail sales. However, the definition of digital automated services excludes advertising services. Advertising services means:

- All services directly related to the creation, preparation, production, or the dissemination of advertisements.
- Advertising services include layout, art direction, graphic design, mechanical preparation, production supervision, placement, and rendering advice to a client concerning the best methods of advertising that client's products or services.
- Advertising services also include online referrals, search engine marketing and lead generation optimization, web campaign planning, the acquisition of advertising space in the internet media, and the monitoring and evaluation of web site traffic for purposes of determining the effectiveness of an advertising campaign.
- Advertising services do not include web hosting services and domain name registration.

As a result, advertising services, as described above are not subject to sales tax.

**Purpose**

To decrease costs for advertising services.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $285.190 | $296.660 | $308.980 | $322.200 |
| Local Taxes | $128.250 | $133.410 | $138.950 | $144.900 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $220.630 | $250.670 | $261.410 |
| Local Taxes | $0.000 | $122.290 | $138.950 | $144.900 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the B&O taxable activity growth rates reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use taxes rate of 2.92%.
- Estimate reflects the gain from repealing the sales tax exemption less the B&O change from taxpayers paying 0.471% retailing tax rate rather than the 1.75% service and other activities tax rate.

# 82.04.192(3)(b)(xiii) - Digital automated service - advertising services

**Data Sources**

- Economic Revenue and Forecast Council, March 2023 forecast
- Statista, Online Advertising Revenue in the United States
- U.S. Census Bureau, Population Division
- IAB.com, Internet Advertising Revenue Report 2021

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2009 |
| **Primary Beneficiaries:** | Customers purchasing items that include advertising services. |
| **Taxpayer Count:** | 7.5 million |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.04.192(3)(b)(xiv) - Digital automated service - storage, hosting and backup

**Description**

Digital automated services are classified as retail sales, for the purpose of the B&O tax and the sales and use taxes. However, the mere storage of digital products, digital codes, computer software, or master copies of software is excluded from this definition and is instead subject to the service and other activities B&O tax.

**Purpose**

To protect the sales and use taxes base, establish certainty in the tax code, maintain conformity with the streamlined sales and use taxes agreement, and encourage economic development.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $90.080 | $93.540 | $97.700 | $102.350 |
| Local Taxes | $40.510 | $42.070 | $43.940 | $46.030 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $36.570 | $43.270 | $47.040 |
| Local Taxes | $0.000 | $38.560 | $43.940 | $46.030 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the services B&O taxable activity growth rates reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local sales tax estimates use the statewide average local sales and use taxes rate of 2.92%.
- Estimate reflects the gain from repealing the sales tax exemption less the B&O change from taxpayers paying 0.471% retailing tax rate rather than the 1.75% service and other activities tax rate.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic Revenue and Forecast Council, March 2023 Forecast
- U.S. Census Bureau, Washington Quick Facts: Computer and Internet Access in the United States
- International Telecommunications Union, Worldwide internet usage statistics
- IBIS World, Internet Hosting Services in the US - Market Size, Industry Analysis, Trends and Forecasts (2023-2028)
- Statista, Annual Spending on Cloud IT Infrastructure Worldwide from 2013 to 2016

# 82.04.192(3)(b)(xiv) - Digital automated service - storage, hosting and backup

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2009 |
| **Primary Beneficiaries:** | Purchasers of storage, hosting and backup services |
| **Taxpayer Count:** | 100 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.04.192(3)(b)(xv) - Digital automated service - data processing

**Description**

Digital automated services are classified as retail sales and are subject to retailing B&O tax. However, digital automated services exclude data processing services from the definition of digital automated services, so they are instead subject to the service and other activities B&O tax classification. Data processing services includes automated services to extract information from customer-supplied data including check processing, image processing, form processing, survey processing, payroll processing, claim processing, and similar activities.

Any services beyond the bare processing itself would disqualify an activity.

**Purpose**

To protect the sales and use tax base, establish certainty in the tax code, maintain conformity with the streamlined sales and use tax agreement, and encourage economic development.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $21.964 | $22.808 | $23.822 | $24.956 |
| Local Taxes | $0.000 | $10.257 | $10.713 | $11.223 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $17.140 | $19.135 | $20.045 |
| Local Taxes | $0.000 | $9.402 | $10.713 | $11.223 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the services B&O taxable activity growth rates reflected in the Economic and Revenue Forecast Council's March 2023, forecast.
- Local sales tax estimates use the statewide average local sales and use taxes rate of 2.92%.
- Estimate reflects the gain from repealing the sales tax exemption less the B&O change from taxpayers paying 0.471% retailing tax rate rather than the 1.75% service and other activities tax rate.
- This estimate reflects the service and other activities B&O tax amounts reported by taxpayers assigned NAICS 541214 (Payroll Services). It is possible this amount includes services which qualify for this exemption as well as unrelated amounts. It is also likely payroll processing services are performed by businesses not assigned to this NAICS code, they were not captured in this estimate.

# 82.04.192(3)(b)(xv) - Digital automated service - data processing

- Data for taxpayers performing check processing, image processing, survey processing, form processing, and claim processing was not able to be identified by using NAICS codes as many of these services are bundled with other activities. Taxable amounts for these services were not included in this estimate and these taxpayers were not included in the taxpayer count.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2010 |
| **Primary Beneficiaries:** | Data processing businesses |
| **Taxpayer Count:** | 150 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.04.213; 82.04.050(11)(b) - Christmas tree production

**Description**

Items purchased to produce plantation Christmas trees are exempt from sales and use taxes because plantation Christmas trees are included in the definition of agricultural products.

**Purpose**

To recognize that production of plantation Christmas trees is similar to the production of other agricultural products.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.783 | $0.812 | $0.842 | $0.873 |
| Local Taxes | $0.226 | $0.235 | $0.243 | $0.252 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.774 | $0.842 | $0.873 |
| Local Taxes | $0.000 | $0.215 | $0.243 | $0.252 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth is compound annual growth rate of 7% based on chemical, fertilizer and labor expenditures from U.S. Census of Agriculture and Agrochemical market report.
- Christmas trees cost $15.23 in taxable expenditures from planting to harvest.
- Approximately 535,000 Christmas trees harvested in Washington.
- Local revenue estimates use the rural average local sales and use tax rate of 1.88%.

**Data Sources**

- Pacific Northwest Christmas Tree Association, Facts at a glance
- U.S. Department of Agriculture, Farm production expenditure data
- Y!finance, Agrochemicals market report summary

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Agriculture |
| **Year Enacted:** | 1987 |
| **Primary Beneficiaries:** | Growers of plantation Christmas trees |
| **Taxpayer Count:** | 440 growers |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2015 and 2018 |

# 82.08.010(1)(a) - Trade-ins

**Description**

The definition of selling price excludes the value of trade-ins. This means sales tax is collected on the price after the value of the trade-in is deducted. To qualify, the used items must be accepted by the vendor and be of "like-kind." For example, a person purchasing a new French horn may trade in a used trombone since both are musical instruments.

**Purpose**

To encourage purchases of new items, especially motor vehicles.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $254.130 | $263.670 | $272.980 | $282.620 |
| Local Taxes | $109.660 | $113.780 | $117.800 | $121.960 |

**Repeal of exemption**

Repealing this deduction would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $241.700 | $272.980 | $282.620 |
| Local Taxes | $0.000 | $104.300 | $117.800 | $121.960 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the taxable sales growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%

**Data Sources**

- Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 1984 |
| **Primary Beneficiaries:** | Buyers of motor vehicles |
| **Taxpayer Count:** | 1,100 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2016 with an upcoming review in 2023 |

# 82.08.010(1)(b) - Cash discounts

**Description**

The selling or sales price of a retail sale does not include cash, term, or coupon discounts taken by a purchaser and not reimbursed to the seller by a third party. These discounts are deductible from the selling or sales price when determining the amount of sales tax to collect.

**Purpose**

To avoid requiring sellers to remit or pay tax on amounts they did not receive.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $29.700 | $30.900 | $31.990 | $33.230 |
| Local Taxes | $12.900 | $13.400 | $13.900 | $14.400 |

**Repeal of exemption**

Repealing this exclusion would not increase revenues. Businesses deduct cash discounts as an accounting convenience and would likely alter their method of reporting tax if the exclusion were repealed.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- A repeal of this exemption results in no revenue impact.

**Data Sources**

- Department of Revenue, Excise tax data
- Joint Legislative Audit and Review Committee, Report 09-11: 2009 Full Tax Preference Performance Reviews

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Tax Base |
| **Year Enacted:** | 1935 |
| **Primary Beneficiaries:** | Businesses that offer cash discounts to purchasers |
| **Taxpayer Count:** | 3,670 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2009 |

# 82.08.0203 - Trail grooming services

**Description**

Sales of trail grooming services to Washington or nonprofit corporations are not subject to sales tax. Trail grooming means the activity of snow compacting, snow redistribution, or snow removal on state-owned or privately owned trails.

**Purpose**

To provide higher quality and safer cross country ski trails in Washington and to promote tourism.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.227 | $0.235 | $0.244 | $0.252 |
| Local Taxes | $0.066 | $0.068 | $0.070 | $0.073 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.216 | $0.244 | $0.252 |
| Local Taxes | $0.000 | $0.062 | $0.070 | $0.073 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the taxable retail sales growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the rural average local sales and use tax rate of 1.88%.

**Data Sources**

- Washington Parks and Recreation Commission, Trail grooming and snow removal budget fiscal year 2023.

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 2008 |
| **Primary Beneficiaries:** | State of Washington agencies, non-profit and for profit organizations that operate cross-country ski and snowmobile trail grooming and snow removal services. |
| **Taxpayer Count:** | 25 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2022 |

# 82.08.0205; 82.12.0205 - Waste vegetable oil used in production of biodiesel

**Description**

Waste vegetable oil sold to and used by a person to produce biodiesel for personal use is exempt from the sales and use taxes.

**Purpose**

To support production of alternative fuels.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.888 | $0.944 | $1.003 | $1.067 |
| Local Taxes | $0.399 | $0.424 | $0.451 | $0.480 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.865 | $1.003 | $1.067 |
| Local Taxes | $0.000 | $0.389 | $0.451 | $0.480 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the compound annual growth rate of 6.3% reflected in used cooking oil market report.
- Value of waste vegetable oil is $3.3 per gallon.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

**Data Sources**

- U.S. Department of Agriculture Energy, Biodiesel energy data
- U.S. Energy Information Administration, Biodiesel data
- The International Market Analysis Research and Consulting Group, Used cooking oil market data
- Fortune Business Insights, Used cooking oil market size

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 2008 |
| **Primary Beneficiaries:** | Small scale biodiesel producers |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.08.0206 - Working families' tax credit

**Description**

The “Working Families' Tax Credit” (WFTC) is a credit in the form of a refund of sales and use taxes provided to eligible low-income individuals. This credit is based in part on the federal Earned Income Tax Credit (EITC).

To be eligible for the credit, individuals must qualify for the ETIC or would otherwise qualify for the EITC except that they used an Individual Tax Identification Number instead of a Social Security Number on their federal income tax return.

The maximum credit amount varies depending on an individual’s income and number of qualifying children. The maximum credits are:

- $300 for eligible persons with no qualifying children.
- $600 for eligible persons with one qualifying child.
- $900 for eligible persons with two qualifying children.
- $1,200 for eligible persons with three or more qualifying children.

The minimum payment is $50, regardless of the number of qualifying children.

The credit amounts will be adjusted for inflation every year, beginning January 1, 2024, based on changes in the average consumer price index for the Seattle, Washington area for urban wage earners and clerical workers, all items, compiled by the Bureau of Labor Statistics, U.S. Department of Labor.

For payments based on tax year 2022, the credit amounts are reduced, rounded to the nearest dollar as follows:

- For eligible persons with no qualifying children, beginning at $2,500 of income below the federal phase-out income for the prior year, by 12.0% per additional dollar of income until the minimum credit amount is reached.
- For eligible persons with one qualifying child, beginning at $5,000 of income below the federal phase-out income for the prior federal tax year, by 12.0% per additional dollar of income until the minimum credit amount is reached.
- For eligible persons with two qualifying children, beginning at $5,000 of income below the federal phase-out income for the prior federal tax year, by 18.0% per additional dollar of income until the minimum credit amount is reached.
- For eligible persons with three or more qualifying children, beginning at $5,000 of income below the federal phase-out income for the prior federal tax year, by 24.0% per additional dollar of income until the minimum credit amount is reached.
- The percentage reduction rates will be adjusted annually to align the WFTC maximum qualifying income with the maximum federal adjusted gross income limit for the EITC.

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**Purpose**

To reduce the tax burden on low-income households.

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# 82.08.0206 - Working families' tax credit

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $141.000 | $156.000 | $171.000 | $188.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this credit would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $156.000 | $171.000 | $188.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 12 months of collections in fiscal year 2025.
- Growth will increase by 10% each fiscal year.

**Data Sources**

- Department of Revenue, Working Families' tax credit data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 2008 with funding effective in 2023 |
| **Primary Beneficiaries:** | Low-income households in Washington |
| **Taxpayer Count:** | 200,000 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.08.0207; 82.12.0207 - Adaptive veteran housing

**Description**

An exemption in the form of a refund may be granted for the state sales and use taxes paid on materials and labor used to construct adaptive housing for disabled veterans.

The refund amount is capped at $2,500 per project. The total of all refunds paid in each fiscal year is capped at $125,000.

**Purpose**

To provide specific financial relief for disabled veterans.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would not increase revenue because currently no taxpayers use it.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

No taxpayers currently use this exemption. We expect no usage during the forecasted period of this study.

**Data Sources**

Department of Revenue, Refund data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2017 |
| **Primary Beneficiaries:** | Disabled veterans |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Upcoming review scheduled in 2025 |

# 82.08.0208; 82.12.0208(1) - Digital codes

**Description**

Digital codes providing access to exempt digital goods are exempt from sales and use taxes.

**Purpose**

To promote uniformity, consistency, and ease of administration in the tax code.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | Indeterminate | Indeterminate | Indeterminate | Indeterminate |
| Local Taxes | Indeterminate | Indeterminate | Indeterminate | Indeterminate |

**Repeal of exemption**

Repealing this exemption would have an indeterminate impact on revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | Indeterminate | Indeterminate | Indeterminate |
| Local Taxes | $0.000 | Indeterminate | Indeterminate | Indeterminate |

**Assumptions**

The revenue impact of this exemption is indeterminate but believed to be minimal as there is insufficient data to reliably calculate a value.

**Data Sources**

None

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2009 |
| **Primary Beneficiaries:** | Buyers and sellers of codes which provide access to digital goods. |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2023 |

# 82.08.0208(2); 82.12.0208(2) - Digital goods or automated services for the public

**Description**

Purchases of digital goods and digital automated services are exempt from sales and use taxes when acquired for the purpose of making them available to the general public at no charge.

**Purpose**

Promotes fairness and consistency in the tax code.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.069 | $0.070 | $0.072 | $0.075 |
| Local Taxes | $0.031 | $0.031 | $0.033 | $0.034 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.064 | $0.072 | $0.075 |
| Local Taxes | $0.000 | $0.029 | $0.033 | $0.034 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the taxable sales growth rates reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use taxes rate of 2.92 %.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2009 |
| **Primary Beneficiaries:** | Businesses providing digital content for free |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2023 |

# 82.08.0208(3); 82.12.0208(6) - Digital goods and services for business purposes

**Description**

Sales of digital goods, or services rendered in respect to digital goods, that are sold to a business solely for business purposes are exempt from sales and use taxes.

**Purpose**

To promote uniformity and consistency in the tax code.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.691 | $0.717 | $0.743 | $0.769 |
| Local Taxes | $0.311 | $0.323 | $0.334 | $0.346 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.657 | $0.743 | $0.769 |
| Local Taxes | $0.000 | $0.296 | $0.334 | $0.346 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the retail sales growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use taxes rate of 2.92%.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic Revenue and Forecast Council, March 2023

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2009 |
| **Primary Beneficiaries:** | Businesses buying and selling digital goods |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.08.0208(4); 82.12.0208(7) - Digital goods and services for multiple points of use

**Description**

Digital goods, digital codes, digital automated services, prewritten computer software, and services that are concurrently available for use within, and outside Washington are exempt from sales and use taxes if the goods or services are not for personal use.

**Purpose**

To promote uniformity, consistency, and ease of administrative in the tax code.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $2.140 | $2.220 | $2.290 | $2.370 |
| Local Taxes | $0.960 | $1.000 | $1.030 | $1.070 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $2.030 | $2.290 | $2.370 |
| Local Taxes | $0.000 | $0.910 | $1.030 | $1.070 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the retail sales growth rate reflected in the Economic and Revenue Forecast Council's March forecast.
- A taxpayer subject to use tax on digital products or digital codes that are concurrently available for use within, and outside Washington is entitled to apportion the amount of tax due Washington based on users in Washington compared to users everywhere. For the purposes of this estimate, the taxpayer savings and potential revenue gains were calculated from the non-Washington portion of these sales, based on the Economic and Revenue Forecast Council March 2023 forecast for Washington and U.S. employment.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

# 82.08.0208(4); 82.12.0208(7) - Digital goods and services for multiple points of use

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2009 |
| **Primary Beneficiaries:** | Entities with operations within and outside the state |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2023 |

# 82.08.0208(5); 82.12.0208(8) - Audio or video programming by broadcasters

**Description**

Sales of audio or video programming by a radio or television broadcaster are exempt from sales and use tax. The exemption does not apply to programming sold on a pay-per-program basis or that allows the buyer to access a library of programs at any time for a specific charge for that service.

**Purpose**

To provide tax relief to radio and television broadcasters.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $72.510 | $68.170 | $64.090 | $60.260 |
| Local Taxes | $40.590 | $38.160 | $35.880 | $33.740 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $62.490 | $64.090 | $60.260 |
| Local Taxes | $0.000 | $34.980 | $35.880 | $33.740 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the growth rate of broadband cable subscriptions. Broadband cable subscriptions are declining by an average of 6.0% per year.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

**Data Sources**

- Department of Revenue, Excise tax returns
- Department of Revenue, Audit data
- Statista.com, Subscriber information by quarter for various cable and satellite television providers
- Comcast, 2022 earnings report
- Spectrum, 2022 earnings report

# 82.08.0208(5); 82.12.0208(8) - Audio or video programming by broadcasters

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2020 |
| **Primary Beneficiaries:** | Audio or video broadcasters |
| **Taxpayer Count:** | 21 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.08.0209 - Qualifying Grants – National emergency or state of emergency

**Description**

Certain financial assistance in the form of a grant or relief from debt provided under a government program to address the impacts of a national emergency declared by the president of the United States or state of emergency declared by the state governor is exempt from sales tax.

**Purpose**

To help mitigate the economic impacts of the COVID-19 pandemic. Provides guidance on the taxability of any qualifying government grant or loan forgiveness program associated with a future national or state of emergency.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | Indeterminate | Indeterminate | Indeterminate | Indeterminate |
| Local Taxes | Indeterminate | Indeterminate | Indeterminate | Indeterminate |

**Repeal of exemption**

Repealing this exemption would increase revenues during a national or state of emergency.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | Indeterminate | Indeterminate | Indeterminate |
| Local Taxes | $0.000 | Indeterminate | Indeterminate | Indeterminate |

**Assumptions**

Future emergency situations and the provision of government-funded assistance to taxpayers is unknown, therefore these estimates are indeterminate.

**Data Sources**

None

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2021 |
| **Primary Beneficiaries:** | Recipients of government-funded grants or debt relief during a national emergency or state of emergency |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.08.0251 - Casual sales

**Description**

For persons not otherwise engaged in business activities, the law does not require to collect sales taxes when they sell items or services meeting the definition of a retail sale to consumers. However, the buyer is not exempt from the use tax on the value of these purchases.

**Purpose**

To limit sales tax collections and reporting to business entities. Also, the exemption recognizes the practical problems associated with locating and registering casual sellers.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.712 | $0.725 | $0.739 | $0.753 |
| Local Taxes | $0.179 | $0.181 | $0.183 | $0.185 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.314 | $0.352 | $0.363 |
| Local Taxes | $0.000 | $0.008 | $0.009 | $0.009 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the consumer price index growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.
- Compliance rate of 5% for sales by individuals, for all years.
- Not all sales by individuals are captured in this estimate.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- Office of Financial Management; November 2022 State Population Forecast
- Northern Kentucky Tribune; “It's the season for garage sales and yard sales.”
- U.S. Census Bureau; US population data

# 82.08.0251 - Casual sales

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 1935 |
| **Primary Beneficiaries:** | Businesses selling items outside their general scope of business and individuals selling products at garage or yard sales. |
| **Taxpayer Count:** | 500 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2009 with an upcoming review in 2023 |

# 82.08.0252 - Sales subject to public utility tax

**Description**

Sales subject to PU tax are exempt from sales tax.

**Purpose**

To avoid double taxation. The PU tax is a tax on consumers of utility services even though the provider of the service pays the tax.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $809.490 | $826.160 | $848.060 | $875.830 |
| Local Taxes | $364.030 | $371.530 | $381.380 | $393.870 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $757.320 | $848.060 | $875.830 |
| Local Taxes | $0.000 | $340.570 | $381.380 | $393.870 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the public utility taxable activity growth rates reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Tangible personal property sold or distributed that are public utilities would become subject to sales tax. This includes the sale or distribution of electricity, natural gas, or water.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Tax Base |
| **Year Enacted:** | 1935 |
| **Primary Beneficiaries:** | Public utilities and their customers |
| **Taxpayer Count:** | 779 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full reviewed completed in 2014 and expedited review completed in 2023 |

# 82.08.02525; 82.12.02525 - Public records copies

**Description**

Charges received by state or local government agencies as reimbursement for the cost of providing copies of public records are exempt from sales and use taxes.

The exemption applies to documents provided under the Public Records Act when the state or local government agency charges no fee for the record itself, other than the amount necessary to cover the actual costs of providing the document. A maximum fee of $0.15 per page applies if the agency has not determined the actual cost.

**Purpose**

Supports open government and encourages citizens to seek the information they need from governmental agencies. Prevents agencies from having to collect and remit small amounts of sales tax.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.107 | $0.107 | $0.107 | $0.107 |
| Local Taxes | $0.048 | $0.048 | $0.048 | $0.048 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.098 | $0.107 | $0.107 |
| Local Taxes | $0.000 | $0.044 | $0.048 | $0.048 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- 75% of "other statutory certifying and copy fees" are for copying of public records.
- Public records requests fluctuate, therefore calculated a 10-year average, and kept future annual amounts equal.
- State charges equal local charges.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

**Data Sources**

- State Auditor, Local Government Financial Report System

# 82.08.02525; 82.12.02525 - Public records copies

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 1996 |
| **Primary Beneficiaries:** | Washington citizens and state and local government agencies |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2014 with an upcoming review in 2025 |

# 82.08.0253; 82.12.0345; 82.08.0253(1)(b) - Newspapers

**Description**

The sales of newspapers sold by subscription and at newsstands are exempt from sales and use taxes.

The department's administrative rule defines a newspaper as a publication issued at regular intervals of less than two weeks, printed on newsprint in tabloid or broadsheet format, and without substantial binding.

**Purpose**

In 1935, taxing newspapers was viewed as inhibiting the "freedom of the press." In addition, the exemption relieved newspaper carriers (mostly youth) from being responsible for collecting and reporting the tax; however, the billing function has now largely been centralized by the publisher.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.391 | $0.381 | $0.371 | $0.361 |
| Local Taxes | $0.176 | $0.171 | $0.167 | $0.162 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.319 | $0.338 | $0.329 |
| Local Taxes | $0.000 | $0.142 | $0.151 | $0.147 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rates are based on historical department data.
- Revenues for the newspaper and subscription industry will continue to decrease in the future.
- The decrease in the B&O tax revenue is due to the reduction in taxable sales due to the higher tax rate (elasticity).
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

**Data Sources**

- Department of Revenue, Excise tax data
- U.S. Census Bureau, Housing data

# 82.08.0253; 82.12.0345; 82.08.0253(1)(b) - Newspapers

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 1935 |
| **Primary Beneficiaries:** | Buyers of newspapers |
| **Taxpayer Count:** | 15,000 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2009 and expedited review completed in 2023 |

# 82.08.02535 - Fund-raising sales of magazines

**Description**

Magazine subscriptions are exempt from sales tax when sold by schools or nonprofit organizations benefitting boys and girls 19 years and younger for purposes of raising funds to support their school or organization.

**Purpose**

To support these organizations.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.423 | $0.418 | $0.418 | $0.418 |
| Local Taxes | $0.190 | $0.188 | $0.188 | $0.188 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.383 | $0.418 | $0.418 |
| Local Taxes | $0.000 | $0.172 | $0.188 | $0.188 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the newspapers, periodicals, and books industrial production growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Of the total magazines sells to households, 10% are sold via fundraisers.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

**Data Sources**

- Economic and Revenue Forecast Council, March 2023 forecast
- Statista, U.S. household expenditure on newspapers and magazines
- Office of Financial Management, Postcensal estimates of housing

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 1995 |
| **Primary Beneficiaries:** | Schools and nonprofit organizations |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2016 |

# 82.08.02537; 82.12.0347 - Academic transcripts

**Description**

Sales of academic transcripts, including those transferred electronically, by public and private educational institutions are exempt from sales and use taxes.

**Purpose**

To provide tax relief for students charged for copies of academic transcripts sent on their behalf to other schools, prospective employers, etc.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.164 | $0.166 | $0.166 | $0.165 |
| Local Taxes | $0.074 | $0.074 | $0.075 | $0.074 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.152 | $0.166 | $0.165 |
| Local Taxes | $0.000 | $0.062 | $0.075 | $0.074 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth based on projected enrollment figures.
- Unofficial transcripts are free.
- 31% of high school students order five transcripts at $5 each.
- 50% of college graduates order five transcripts at $10 each.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

**Data Sources**

- Office of the Superintendent of Public Instruction, K-12 data
- Office of Financial Management, Education Research and Data Center data
- Digest of Education Statistics, College graduate data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 1996 |
| **Primary Beneficiaries:** | Public and private educational institutions |
| **Taxpayer Count:** | 295 School districts, 46 public colleges, 57 private colleges |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2014 and 2019 |

# 82.08.0254; 82.12.0255 - Constitutionally exempt sales

**Description**

The Washington and U.S. Constitutions prohibit the taxation of certain activities. Sales and purchases from these activities are exempt from sales and use taxes. This includes, but is not limited to:

- Sales sourced to a location outside of Washington.
- Sales to the U.S. Government.
- Sales to Indian tribes or tribal members in Indian country.

**Purpose**

To avoid violating state and federal laws.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $4,547.840 | $4,718.163 | $4,887.548 | $5,063.157 |
| Local Taxes | $2,045.177 | $2,121.772 | $2,197.945 | $2,276.916 |

**Repeal of exemption**

Repealing this exemption would not increase revenues as the U.S. and Washington Constitutions prohibit the taxation of certain activities.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

No revenues are realized if the state law is repealed, these sales are also constitutionally exempt at the federal level.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Interstate Commerce |
| **Year Enacted:** | 1935 |
| **Primary Beneficiaries:** | Federal Government and individuals located on Indian reservations |
| **Taxpayer Count:** | 31,597 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.08.0255(1)(a,c); 82.12.0256(2)(a,c) - Fuel for urban transit or passenger-only ferries

**Description**

Motor vehicle fuel purchased for the purpose of providing public transportation is exempt from sales and use taxes. The fuel must also be exempt under the motor vehicle and special fuel taxes. This exemption also applies to fuel purchased by a public transportation benefit area, or a county-owned ferry or county ferry district for use in passenger-only ferries.

**Purpose**

To reduce the cost of providing public transit and encourage the use of these systems by riders.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $6.197 | $6.342 | $6.510 | $6.708 |
| Local Taxes | $2.787 | $2.852 | $2.928 | $3.017 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $5.813 | $6.510 | $6.708 |
| Local Taxes | $0.000 | $2.614 | $2.928 | $3.017 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the transportation energy price growth rate reflected in the U.S. Energy Information Administration annual energy outlook for 2022.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

**Data Sources**

- U.S. Energy Information Administration, Annual energy outlook for 2022
- Department of Transportation, 2021 Summary of public transportation

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 1980 |
| **Primary Beneficiaries:** | City transit agencies and county ferry systems |
| **Taxpayer Count:** | 40 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2012 and expedited review completed in 2020 |

# 82.08.0255(1)(b); 82.12.0256(2)(b) - Fuel for transporting persons with special needs

**Description**

Motor vehicle and special fuel purchased by a certified private, nonprofit transportation provider for persons with special transportation needs is exempt from sales and use taxes. The fuel must also be exempt from the special fuel taxes.

**Purpose**

To lower nonprofit transportation provider costs.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.177 | $0.168 | $0.165 | $0.160 |
| Local Taxes | $0.080 | $0.076 | $0.074 | $0.072 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.154 | $0.165 | $0.160 |
| Local Taxes | $0.000 | $0.076 | $0.074 | $0.072 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate of gallons of fuel sold mirrors the fuel tax collections growth rate reflected in the Transportation Revenue Forecast Council's March 2023 forecast.
- Growth rate of selling price mirrors the diesel price growth rate reflected in the U.S. Energy Information Administration annual energy outlook for 2023.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

**Data Sources**

- Department of Licensing, Fuel tax data
- Transportation Revenue Forecast Council March 2023 forecast
- U.S. Energy Information Administration, Annual energy outlook 2023

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 1980 |
| **Primary Beneficiaries:** | Special needs transportation providers |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2011 and 2020 |

# 82.08.0255(1)(d,e); 82.12.0256(2)(e,f) - Fuel for state or county ferries

**Description**

Motor vehicle or special fuel purchased for use in Washington or county-owned ferries is exempt from sales and use taxes.

**Purpose**

Reduces the cost for state and local government to provide ferry service.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $2.661 | $2.664 | $2.682 | $2.761 |
| Local Taxes | $1.196 | $1.198 | $1.206 | $1.241 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $2.442 | $2.682 | $2.761 |
| Local Taxes | $0.000 | $1.098 | $1.206 | $1.241 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the consumer energy price growth rate reflected in the S&P Global Market Intelligence March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

**Data Sources**

- Department of Transportation, Washington state ferries route statements for fiscal years 2017 to 2020
- Various websites for county run ferry systems
- S&P Global Market Intelligence, Consumer energy prices March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 2011 |
| **Primary Beneficiaries:** | State and county owned ferry systems |
| **Taxpayer Count:** | 10 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2017 |

# 82.08.0255(1)(f); 82.12.0256(2)(d) - Special fuel used on public highways

**Description**

Fuel used by vehicles on public highways and subject to the special fuel tax is exempt from sales and use taxes.

**Purpose**

To avoid double taxation. However, there are other instances of products being subject to a tax at the distributor level and another tax at the retail level.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $645.735 | $646.474 | $650.909 | $669.992 |
| Local Taxes | $290.389 | $290.721 | $292.716 | $301.297 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $592.601 | $650.909 | $669.992 |
| Local Taxes | $0.000 | $266.494 | $292.716 | $301.297 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the consumer energy price growth rate reflected in the S&P Global Market Intelligence March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

**Data Sources**

- Department of Revenue, Excise tax data
- S&P Global Market Intelligence, Consumer energy prices March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 1935 |
| **Primary Beneficiaries:** | Licensed drivers |
| **Taxpayer Count:** | 1,845 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2009 with an upcoming review in 2025 |

# 82.08.0255(2); 82.12.0256(1) - Special fuel purchased in WA but used outside of state

**Description**

Persons engaged in interstate commerce may claim a credit or refund for retail sales or use taxes paid on fuel delivered in Washington but transported and used outside of Washington.

**Purpose**

To not interfere with interstate commerce.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this credit would not increase revenues. Interstate carriers would likely shift their fuel purchases to other states.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- The taxpayer savings from the credit is reflected in the savings for special fuel used on public highways.
- A repeal of this exemption results in no revenue impact.

**Data Sources**

- Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Interstate Commerce |
| **Year Enacted:** | 1983 |
| **Primary Beneficiaries:** | Interstate carriers |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2011 with an upcoming review in 2025 |

# 82.08.0256; 82.12.0257 - Public utility operating property

**Description**

The sale of operating property used in conducting a utility operation to the state or a local government entity is exempt from sales and use taxes. The exemption includes properties such as water systems and electrical substations of a public utility.

Exemption requirements include:

- The utility property must be operating as utility property before the sale, and the new owner must continue to operate the property as a utility.
- The purchaser of the operating utility property must be a state agency or political subdivision.

**Purpose**

This exemption addresses intergovernmental transfers of utility operations resulting from annexations or incorporations. These transfers do not result in financial gain but merely reflect a transfer of assets among jurisdictions.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | Indeterminate | Indeterminate | Indeterminate | Indeterminate |
| Local Taxes | Indeterminate | Indeterminate | Indeterminate | Indeterminate |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | Indeterminate | Indeterminate | Indeterminate |
| Local Taxes | $0.000 | Indeterminate | Indeterminate | Indeterminate |

**Assumptions**

The revenue impact of this bill is indeterminate but assumed to be minimal. Utilities do not report these purchases, therefore there is no data to show how often these sales occur.

**Data Sources**

Joint Legislative Audit and Review Committee, Report 09-4: 2008 Expedited Tax Preference Performance Reviews

# 82.08.0256; 82.12.0257 - Public utility operating property

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 1935 |
| **Primary Beneficiaries:** | State and local jurisdictions, municipal utilities, and public utility districts that purchase operating utility property |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2008 and 2023 |

# 82.08.02565; 82.12.02565 - Manufacturing and R&D machinery and equipment

**Description**

Manufacturers and processors for hire are eligible for a sales and use tax exemption on purchases of manufacturing machinery and equipment (M&E) used directly in a manufacturing operation, research and development operation, or testing operation. Charges for installing, repairing, cleaning, altering, or improving the machinery and equipment are also exempt.

Property with a useful life of less than one year, hand tools, and consumable supplies do not receive an exemption. Manufacturing, research and development (R&D), and testing operations for cannabis or cannabis related products are also not eligible for the exemption.

"Manufacturing operation" means the manufacturing of articles, substances, or commodities for sale as tangible personal property.

“Research and development” means activities performed to discover technological information, and technical and nonroutine activities concerned with translating technological information into new or improved products, processes, techniques, formulas, inventions, or software. The term includes exploration of a new use for an existing drug, device, or biological product if the new use requires separate licensing by the Federal Food and Drug Administration. The term does not include adaptation or duplication of existing products where the products are not substantially improved by the application of the technology, nor does the term include surveys and studies, social science and humanities research, market research or testing, quality control, sale promotion and service, computer software developed for internal use, and research in areas such as improved style, taste, and seasonal design.

"Research and development operation" means engaging in R&D by a manufacturer (or processor for hire for a manufacturer), who has a manufacturing operation that produces tangible personal property for sale even if the manufacturing operation could be for separate products or performed away from the R&D site.

Taxpayers are not required to manufacture items for sale to qualify for the M&E exemption in the context of a research and development operation.

**Purpose**

To encourage manufacturing activity to take place in Washington and create family wage jobs.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $353.660 | $347.190 | $358.490 | $368.950 |
| Local Taxes | $159.040 | $156.130 | $161.220 | $165.920 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

# 82.08.02565; 82.12.02565 - Manufacturing and R&D machinery and equipment

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $318.260 | $358.490 | $368.950 |
| Local Taxes | $0.000 | $143.120 | $161.220 | $165.920 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Non-qualified expenses equal 25% of the total M&E amount reported to U.S. American Manufacturer's Survey.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- Economic Census, Annual Survey of Manufacturers

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1995 |
| **Primary Beneficiaries:** | Taxpayers engaged in manufacturing activities |
| **Taxpayer Count:** | 9,000 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.08.02565(1)(c)(ii); 82.12.02565 - M&E on sales of manufactured or compressed natural gas

**Description**

A gas distribution business that manufactures compressed or liquefied natural gas for use as transportation fuel must pay sales and use taxes on machinery and equipment purchases for use in the manufacturing process. Beginning July 1, 2017, the gas distribution business may apply for a remittance for the sales and use taxes paid on such equipment. The gas distribution business can only apply for a remittance once a quarter and the department cannot accept remittances after June 30, 2028.

**Purpose**

To provide uniform treatment of natural gas used as a transportation fuel.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would not increase revenues because currently no taxpayers use it.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

There have been no remittance requests. We expect no requests during the forecasted period of this study.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2017 |
| **Primary Beneficiaries:** | Gas distribution business that manufactures compressed or liquefied gas for use as transportation fuel |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.08.025651; 82.12.025651 - Public research institutions machinery and equipment

**Description**

The sale of machinery and equipment (M&E) used primarily in a research and development operation at public research institutions is exempt from sales and use tax. Qualifying machinery and equipment includes:
- Computer hardware and software.
- Laboratory equipment and instruments.
- Vats, tanks, and fermenters.
- Equipment used to control, monitor, or operate qualifying machinery.

**Purpose**

Ensures amendments made to the M&E exemption in 2011 would not affect public research institutions.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $3.549 | $3.540 | $3.566 | $3.595 |
| Local Taxes | $1.596 | $1.592 | $1.604 | $1.616 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $3.245 | $3.566 | $3.595 |
| Local Taxes | $0.000 | $1.459 | $1.604 | $1.616 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the research and development operation growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

**Data Sources**

- Department of Revenue, Annual tax performance reports
- Economic and Revenue Forecast Council, March 2023 forecast

# 82.08.025651; 82.12.025651 - Public research institutions machinery and equipment

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 2011 |
| **Primary Beneficiaries:** | Public research institutions |
| **Taxpayer Count:** | 3 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2023 |

# 82.08.02566; 82.12.02566 - Aircraft part prototypes

**Description**

Sales of tangible personal property incorporated into or used for modifications made to prototypes of aircraft parts and auxiliary equipment are exempt from sales and use taxes if the business developing the prototypes has taxable annual income of $20 million or less. The exemption is limited to $100,000 per business per calendar year. Eligible businesses must pay tax at the point of sale and apply for a refund directly from the department.

**Purpose**

To assist relatively small manufacturers of aircraft parts.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would not increase revenue because currently no taxpayers use it.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

No taxpayers currently use this exemption. We expect no usage during the forecasted period of this study.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1996 |
| **Primary Beneficiaries:** | Businesses developing prototypes of aircraft parts and auxiliary equipment |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2014 and 2019 |

# 82.08.025661; 82.12.025661 - Aerospace FAR Repair Stations

**Description**

FAR Part 145 certificated repair stations engaged in the repair of airplanes receive sales and use tax exemptions on:

- Charges for the construction of new buildings.
- Charges for tangible personal property that is incorporated as an ingredient or component of such buildings.
- Charges for labor and services rendered in respect to installing building fixtures that do not qualify for the machinery and equipment exemption.

A repair facility's construction is operationally complete when the facility can host the repair and maintenance of airplanes.

To perform work on aircraft in the United States an entity must be licensed by part 145 of the Code of Federal Regulations (CFR Part 145). Repair stations meeting the criteria are often called FAR Part 145 repair stations.

To be eligible for the exemptions, the eligible maintenance and repair facility must be located at a commercial services airport owned by a county with a population less than one million, or a commercial services airport jointly owned by a city and a county.

The exemption is in the form of a remittance from the department for taxes paid. The entity may request the remittance of the local sales and use tax after July 1, 2016. The sales tax exemption expires on January 1, 2031.

To qualify for the state portion of the sales and use tax exemption, the applicant must report to the Employment Security Department at least 100 average employment positions, with an average annualized wage of $80,000 for a period of four consecutive calendar quarters, beginning with the first calendar quarter after the date the facility is a issued an occupancy permit by the local permit issuing authority.

**Purpose**

To encourage the building of FAR 145 repair stations in Washington.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | CTI | CTI | CTI | CTI |
| Local Taxes | CTI | CTI | CTI | CTI |

**Repeal of exemption**

Repealing this exemption would not increase revenues because remittance for both local and state sales taxes from the new construction of repair facility will not occur prior to the repeal date of July 1, 2024.

# 82.08.025661; 82.12.025661 - Aerospace FAR Repair Stations

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | CTI | CTI | CTI |
| Local Taxes | $0.000 | CTI | CTI | CTI |

**Assumptions**

This exemption impacts fewer than three taxpayers; any impacts are confidential.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2016 |
| **Primary Beneficiaries:** | Taxpayers performing aircraft maintenance repair under FAR 145 |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.08.02568; 82.12.02568 - Aluminum production anodes and cathodes

**Description**

The sale or use of carbon, petroleum coke, coal tar, pitch, and similar substances that become an ingredient or component of anodes and cathodes used in manufacturing aluminum for sale are exempt from sales and use taxes.

**Purpose**

To support the aluminum industry.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exclusion would not increase revenue because currently no taxpayers use it.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

No taxpayers currently use this exemption. We expect no usage during the forecasted period of this study.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1996 |
| **Primary Beneficiaries:** | Aluminum smelters |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2015 with an upcoming review scheduled in 2024 |

# 82.08.02569; 82.12.02569 - Gravitational wave observatory

**Description**

Tangible personal property incorporated into a structure which is an integral part of a laser interferometer gravitational wave observatory is exempt from sales and use taxes.

**Purpose**

To encourage construction of a facility in Washington.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would not increase revenues because currently no taxpayers use it.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

No taxpayers currently use this exemption. We expect no usage during the forecasted period of this study.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 1996 |
| **Primary Beneficiaries:** | The California Institute of Technology and the federal government |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2014 and 2023 |

# 82.08.0257; 82.12.0258 - Farm auction sales

**Description**

Sales of farm related tangible personal property by an auctioneer are exempt from sales and use taxes. The seller must be a farmer with the sale held on a farm. This exemption does not apply to personal property used by the seller in the production of cannabis, useable cannabis, or cannabis-infused products.

**Purpose**

To support the agricultural industry and farmers selling old equipment to purchase new equipment.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $1.883 | $1.921 | $1.959 | $1.998 |
| Local Taxes | $0.544 | $0.555 | $0.566 | $0.578 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $1.761 | $1.959 | $1.998 |
| Local Taxes | $0.000 | $0.509 | $0.566 | $0.578 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- On average $28.4 billion is spent on agricultural machinery and equipment sold at auction.
- 2% growth based on purchases of farm equipment the last five years.
- 10% of all farm equipment is sold at auctions.
- Local revenue estimates use the rural average local sales and use tax rate of 1.88%.

**Data Sources**

- U.S. Department of Agriculture, Farm production expenditure summaries

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Agriculture |
| **Year Enacted:** | 1943 |
| **Primary Beneficiaries:** | Farmers that sell machinery and other personal property at farm auctions, as well as the buyers of the items |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2008 and 2018 |

# 82.08.02573 - Nonprofit organization fundraising

**Description**

Sales by a nonprofit organization or a library for fundraising activities are exempt from sales tax if the gross income from the sale is exempt under B&O tax. The exemption does not extend to the regular operation of a bookstore, thrift shop, or restaurant.

**Purpose**

To support fundraising activities of nonprofit organizations and libraries.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $40.900 | $42.600 | $44.200 | $46.000 |
| Local Taxes | $18.400 | $19.100 | $19.900 | $20.700 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $39.000 | $44.200 | $46.000 |
| Local Taxes | $0.000 | $17.500 | $19.900 | $20.700 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.
- Washington nonprofit organizations generated $100 billion in total revenue in fiscal year 2022.
- Fundraising is 12.5% of the total revenue generated.
- Sales tax applies to 5% of overall fundraising revenue.

**Data Sources**

- Economic and Revenue Forecast Council, March 2023
- National Council of Nonprofits, Nonprofit revenue data
- Cause IQ, Washington nonprofit data

# 82.08.02573 - Nonprofit organization fundraising

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 1998 |
| **Primary Beneficiaries:** | Nonprofit organizations fundraising by selling items to support their activities |
| **Taxpayer Count:** | 41,000 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2014 with an upcoming review in 2024 |

# 82.08.0258; 82.12.0259 - Federal instrumentalities furnishing aid and relief

**Description**

A sales and use taxes exemption on purchases exists for corporations created by Congress that provide:

- Volunteer aid to the armed forces.
- A system of national and international disaster relief.

**Purpose**

Supports the social benefits provided by federal instrumentalities furnishing aid and relief.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | CTI | CTI | CTI | CTI |
| Local Taxes | CTI | CTI | CTI | CTI |

**Repeal of exemption**

Repealing this exemption would not increase revenues. Constitutional case law makes federal instrumentalities immune from state and local taxes.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | CTI | CTI | CTI |
| Local Taxes | $0.000 | CTI | CTI | CTI |

**Assumptions**

This exemption impacts fewer than three taxpayers; any impacts are confidential.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 1935 |
| **Primary Beneficiaries:** | Federal instrumentalities furnishing aid |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Excluded from review |

# 82.08.0259; 82.12.0261 - Breeding livestock, cattle, and milk cows

**Description**

Sales of livestock for breeding purposes and sales of cattle and milk cows used on a farm are exempt from retail sales and use tax.

**Purpose**

To support the agricultural industry.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $11.702 | $11.702 | $11.702 | $11.702 |
| Local Taxes | $3.383 | $3.383 | $3.383 | $3.383 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $10.744 | $11.702 | $11.702 |
| Local Taxes | $0.000 | $3.101 | $3.383 | $3.383 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- No growth applied because Washington cow prices and head counts have remained steady for several years.
- Local revenue estimates use the rural average local sales and use tax rate of 1.88%.

**Data Sources**

- U.S. Department of Agriculture, Agriculture census, statistics, and reports

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Agriculture |
| **Year Enacted:** | 1945 |
| **Primary Beneficiaries:** | Livestock breeders, cattle operations, and dairies that purchase animals for use in producing other animals or products for sale |
| **Taxpayer Count:** | 4,800 |
| **Program Inconsistency:** | None |
| **JLARC Review:** | Full review completed in 2010 |

# 82.08.026; 82.12.023; 82.14.030(1) - Natural and manufactured gas

**Description**

Natural and manufactured gas delivered through a pipeline that is subject to the special use tax on brokered gas under is exempt from sales and use taxes.

**Purpose**

Washington businesses that distribute natural gas are subject to public utility tax. Large industrial customers may purchase gas directly from out-of-state suppliers through brokers that are not subject to public utility tax. Starting in 1989 these large industrial customers started paying a use tax equivalent to the public utility tax. This exemption assures that these purchases are subject to the special use tax, rather than sales and use taxes.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $17.893 | $17.893 | $17.893 | $17.893 |
| Local Taxes | ($20.741) | ($20.741) | ($20.741) | ($20.741) |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $16.402 | $17.893 | $17.893 |
| Local Taxes | $0.000 | ($19.013) | ($20.741) | ($20.741) |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.
- Estimates reflect state brokered natural gas rate of 3.85% and average local brokered natural gas rate of 4.66%.
- Zero growth due to historical fluctuations in tax collections.

**Data Sources**

- Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Tax Base |
| **Year Enacted:** | 1989 |
| **Primary Beneficiaries:** | Large industrial users of natural or manufactured gas |
| **Taxpayer Count:** | 300 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2017 |

# 82.08.0261(1) - Items used in interstate commerce

**Description**

Sales of tangible personal property, such as linens, bedding, chairs and tableware (excluding airplanes, trains, and vessels) to air, rail, or water private or common carriers for use in their business are exempt from sales tax. Any actual use of the item in Washington is subject to use tax.

**Purpose**

To encourage the purchase of these items in Washington.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $24.543 | $24.451 | $24.539 | $24.780 |
| Local Taxes | $11.037 | $10.996 | $11.035 | $11.144 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $22.414 | $24.539 | $24.780 |
| Local Taxes | $0.000 | $10.080 | $11.035 | $11.144 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the transportation services consumer demand growth rate reflected in the S&P Global Intelligence March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

**Data Sources**

- Implan, Region Industry Commodity Demand: Air transportation, Rail transport, 2021
- Employment Security Department, Establishment size by number of employees, 2021
- S&P Global Intelligence, Real Consumer Spending Growth, transportation services, March 2023

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Interstate Commerce |
| **Year Enacted:** | 1949 |
| **Primary Beneficiaries:** | Transportation companies and customers |
| **Taxpayer Count:** | 207 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2019 |

# 82.08.0261(2,3) - Sale of liquefied natural gas to a business operating as a private or common carrier by water in interstate or foreign commerce

**Description**

Businesses operating as a private or common carrier engaged in interstate or foreign commerce by water may receive a sales tax exemption purchasing liquid natural gas (LNG).

Use taxes are due on:
- LNG consumed in Washington.
- 10% of LNG transported outside of Washington.

These exemptions expire July 1, 2028.

**Purpose**

Provide a lower tax rate on liquefied natural gas that is not consumed in Washington.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | CTI | CTI | CTI | CTI |
| Local Taxes | CTI | CTI | CTI | CTI |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | CTI | CTI | CTI |
| Local Taxes | $0.000 | CTI | CTI | CTI |

**Assumptions**

This exemption impacts fewer than three taxpayers; any impacts are confidential.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Interstate Commerce |
| **Year Enacted:** | 2014 |
| **Primary Beneficiaries:** | Transportation businesses |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2019 |

# 82.08.0262; 82.12.0254(1) - Interstate transportation equipment

**Description**

Sales tax and use tax does not apply to sales or use of:

- Airplanes, locomotives, railroad cars, or watercraft for use in conducting interstate commerce.
- Vessels for conducting commercial deep-sea fishing outside the territorial waters of the state.
- Component parts for such equipment.
- Labor and services for constructing, repairing, cleaning, altering, and improving such equipment.

**Purpose**

To give a competitive advantage to Washington-based transportation manufacturing industries to retain high-wage, skilled manufacturing jobs.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $9.373 | $8.952 | $8.989 | $9.103 |
| Local Taxes | $4.215 | $4.282 | $4.300 | $4.355 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- A challenge under federal commerce laws would likely occur if this exemption was repealed, which results in no revenue impact.

**Data Sources**

- Department of Revenue, Excise tax data
- S&P Global Intelligence, Investment in equipment: transportation equipment, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Interstate Commerce |
| **Year Enacted:** | 1949 |
| **Primary Beneficiaries:** | Sellers of transportation equipment |
| **Taxpayer Count:** | 126 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2010 and expedited review completed in 2019 |

# 82.08.0263; 82.12.0254(2,3) - Interstate commerce vehicles

**Description**

The sale or use of motor vehicles and trailers used for transporting persons or property for hire in interstate and foreign commerce are exempt from sales and use taxes. The purchaser or user must hold a permit issued by the federal Department of Transportation.

Use tax does not apply to a vehicle used by a nonresident when the vehicle is used:
- Exclusively to transport property or persons across state boundaries.
- Less than 15 consecutive days.

**Purpose**

To encourage sales in Washington by allowing delivery to occur in-state.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $13.087 | $12.500 | $12.551 | $12.711 |
| Local Taxes | $5.886 | $5.979 | $6.004 | $6.080 |

**Repeal of exemption**

Repealing this exemption would not increase revenues. Buyers could restructure to take delivery out-of-state. In addition, taxing this property may violate the Commerce Clause.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

A challenge under federal commerce laws would likely occur if this exemption was repealed which results in no revenue impact.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Interstate Commerce |
| **Year Enacted:** | 1949 |
| **Primary Beneficiaries:** | Interstate carriers and dealers |
| **Taxpayer Count:** | 28 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2019 |

# 82.08.0264 - Vehicles sold to nonresidents

**Description**

Motor vehicles, trailers, and campers sold to nonresidents for use outside the state are exempt from sales tax. Delivery may take place in Washington, provided the vehicle is:

- Taken directly out-of-state.
- Immediately licensed in the purchaser's state of residence and not used in Washington for more than three months.

**Purpose**

To eliminate a potential disadvantage for in-state vehicle dealers who compete against dealers in other states. Other purchases by nonresidents are subject to sales tax if delivery occurs within Washington, unless the provisions of RCW 82.08.0273 (residents of states with no or low sales taxes) apply.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $77.521 | $80.424 | $83.311 | $86.305 |
| Local Taxes | $34.860 | $36.170 | $37.470 | $38.810 |

**Repeal of exemption**

Repealing this exemption would not increase revenues. Nonresident purchasers would take possession outside the state.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

If this exemption is repealed, then nonresidents would take possession outside the state. Therefore, no revenue impact.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 1949 |
| **Primary Beneficiaries:** | Vehicle dealers and manufacturers |
| **Taxpayer Count:** | 557 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2019 |

# 82.08.0266; 82.08.02665 - Boats sold to nonresidents

**Description**

The sale of watercraft to nonresidents, for use outside of Washington, is exempt from sales and use taxes, even when delivered in Washington, if the craft meets one of the following:

- Is registered with the U.S. Coast Guard.
- Is registered by the state of principal use according to the Federal Boating Act of 1958.

The qualifying craft must not be used within Washington for more than 45 days.

**Purpose**

Allowing the buyer to take delivery in Washington without incurring sales and use taxes helps to encourage purchases by nonresidents and foreigners.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $3.177 | $3.296 | $3.414 | $3.537 |
| Local Taxes | $1.429 | $1.482 | $1.535 | $1.591 |

**Repeal of exemption**

Repealing this exemption would not increase revenues. Nonresidents would likely take delivery outside of Washington or purchase the watercraft outside of Washington.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

If this exemption is repealed, then nonresidents would either purchase or take possession outside the state. Therefore, no revenue impact.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 1959 |
| **Primary Beneficiaries:** | Boat dealers and manufacturers |
| **Taxpayer Count:** | 29 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | JLARC completed an expedited report in 2017 |

# 82.08.0267; 82.12.0262 - Poultry used in production

**Description**

Poultry used for producing poultry or poultry products are exempt from sales and use taxes.

**Purpose**

To support the agricultural industry.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.245 | $0.254 | $0.264 | $0.275 |
| Local Taxes | $0.071 | $0.074 | $0.076 | $0.079 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.233 | $0.264 | $0.275 |
| Local Taxes | $0.000 | $0.068 | $0.076 | $0.079 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the retail taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Washington contains no hatcheries producing genetically improved chicks on a large-scale basis for commercial producers.
- Most of Washington's commercial egg producers purchase their replacement chicks from out-of-state hatcheries that deliver the chicks to them.
- Purchases of replacement chicks by Washington commercial laying operations are estimated at $3.83 million.
- Local revenue estimates use the rural average local sales and use tax rate of 1.88%.

**Data Sources**

- U.S. Department Agriculture, 2017 Census
- Joint Legislative Audit & Review Committee references
- Economic and Revenue Forecast Council, March 2023 forecast

# 82.08.0267; 82.12.0262 - Poultry used in production

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Agriculture |
| **Year Enacted:** | 1961 |
| **Primary Beneficiaries:** | Producers of poultry and poultry products |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2010 and expedited review completed in 2018 |

# 82.08.0268 - Farm equipment sold to nonresidents

**Description**

Farm machinery sold to nonresidents and immediately transported out of state is exempt from sales taxes. The exemption includes parts and labor for repair services performed on machinery and implements used for farming outside of the state.

**Purpose**

To allow Washington implement dealers to effectively compete with dealers in neighboring states which either exempt farm machinery or have a lower (or no) sales tax.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $10.480 | $10.849 | $11.231 | $11.626 |
| Local Taxes | $3.030 | $3.136 | $3.247 | $3.361 |

**Repeal of exemption**

Repealing this exemption would not increase revenues. Nonresident farmers would likely buy and repair machinery in another state.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

If this exemption is repealed, then nonresident farmers would buy and repair machinery outside the state. Therefore, no revenue impact.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Agriculture |
| **Year Enacted:** | 1961 |
| **Primary Beneficiaries:** | Nonresident farmers that purchase and take delivery of farm machinery, implements and parts in Washington |
| **Taxpayer Count:** | 200 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2010 and expedited review completed in 2018 |

# 82.08.0269 - Purchases by residents of Alaska & Hawaii

**Description**

Sales for use in states, territories, and possessions of the U.S. which are not contiguous to any other state are exempt from sales tax, if the seller delivers the property to an in-state receiving terminal of a carrier that transports the goods to an out-of-state location.

**Purpose**

To facilitate sales to residents of Alaska, Hawaii, and U.S. possessions and territories, and encourage trade through Washington ports.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.053 | $0.053 | $0.055 | $0.057 |
| Local Taxes | $0.024 | $0.024 | $0.025 | $0.026 |

**Repeal of exemption**

Repealing this exemption will not increase revenues. Buyers will make alternative shipping arrangements.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

If this exemption is repealed then residents of Alaska, Hawaii, and other U.S. possessions and territories will make alternative shipping arrangements outside the state. Therefore, no revenue impact.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 1961 |
| **Primary Beneficiaries:** | Businesses selling to residents of Alaska, Hawaii, and U.S. territories |
| **Taxpayer Count:** | 10 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2010 and 2023 |

# 82.08.0271; 82.12.930 - Watershed and flood protection

**Description**

State and local government entities are exempt from sales and use taxes on tangible personal property consumed and labor and services rendered for watershed protection or flood prevention projects. The exemption is limited to the portion of the selling price that is reimbursable by the federal government under the Watershed Protection and Flood Prevention act.

**Purpose**

Support services on watershed protection and flood prevention.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.120 | $0.120 | $0.120 | $0.120 |
| Local Taxes | $0.050 | $0.050 | $0.050 | $0.050 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.110 | $0.120 | $0.120 |
| Local Taxes | $0.000 | $0.050 | $0.050 | $0.050 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Appropriation amounts remain the same each year, therefore no annual growth factored.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

**Data Sources**

- Congressional Research Service, Agricultural Conservation: FY2022 Appropriations
- U.S. Census Bureau, State Area Measurements and Internal Point Coordinates

# 82.08.0271; 82.12.930 - Watershed and flood protection

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 1980 |
| **Primary Beneficiaries:** | State and local government entities rendering projects and services relating to the Watershed Protection and Flood Prevention act. |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2010 with an upcoming review scheduled in 2026 |

# 82.08.0272; 82.12.0267 - Semen for artificial insemination of livestock

**Description**

Semen used for artificial insemination of livestock is exempt from sales and use taxes.

**Purpose**

To support the agricultural industry.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.701 | $0.701 | $0.701 | $0.701 |
| Local Taxes | $0.203 | $0.203 | $0.203 | $0.203 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.643 | $0.701 | $0.701 |
| Local Taxes | $0.000 | $0.169 | $0.203 | $0.203 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Based on Census of Agriculture data, cattle inventory remained constant, therefore no growth reflected.
- Local revenue estimates use the rural average local sales and use tax rate of 1.88%.

**Data Sources**

- Department of Revenue, Excise tax data
- U.S. Department of Agriculture, Census of Agriculture

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1996 |
| **Primary Beneficiaries:** | Ranchers who purchase semen for artificial insemination of livestock |
| **Taxpayer Count:** | Approximately 12,000 cattle ranchers |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2010 and 2018 |

# 82.08.0273 - Sales to nonresidents from no or low sales tax states

**Description**

Nonresidents are exempt from Washington sales tax on tangible personal property purchased for use outside of Washington. The exemption is in the form of a refund for state sales tax (6.5%) only. Qualifying nonresidents must meet either the following criteria:

- They reside in a state, possession, or Canadian province which levies a sales tax of less than 3.0%.
- Their state of residence allows a similar exemption for Washington residents. Currently, no state qualifies under this provision of reciprocity.

In addition:

- A nonresident may apply for a state sales tax refund once in a calendar year for all purchases made during the prior calendar year.
- Applications would be accepted by the department only for refunds of $25 or more.
- Sales receipts, addresses of the places of purchase, and other documentation as required by the department, will need to be submitted with the application.

**Purpose**

To enable Washington sellers, especially along the Oregon border, to compete with merchants in other states that do not levy a sales tax or levy a sales tax with a low rate.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.690 | $0.710 | $0.740 | $0.760 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.660 | $0.740 | $0.760 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the taxable sales growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.

# 82.08.0273 - Sales to nonresidents from no or low sales tax states

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 1965 |
| **Primary Beneficiaries:** | Qualified nonresidents |
| **Taxpayer Count:** | 1,820 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2011 and expedited review completed in 2023 |

# 82.08.0274; 82.12.0268 - Form lumber

**Description**

Form lumber used in construction to mold concrete is exempt from sales and use taxes when incorporated into the same project. The exemption applies only to projects done by contractors for other persons. Therefore, form lumber used by "speculative" builders is not exempt under this provision.

**Purpose**

To exempt the contractor's intervening use as a consumer of form lumber.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.126 | $0.131 | $0.137 | $0.142 |
| Local Taxes | $0.057 | $0.059 | $0.062 | $0.064 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.120 | $0.137 | $0.142 |
| Local Taxes | $0.000 | $0.054 | $0.062 | $0.064 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- A growth rate using the compound annual growth rate of 4.2%.
- Lumber makes up 50% of formwork materials.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

**Data Sources**

- Department of Revenue, Excise tax data
- The Insight Partners, Formwork System Market Forecast to 2028 - COVID-19 Impact and Global Analysis by Offering and Material Used
- Statista, Projected Share of Construction Spending Worldwide by 2020
- Statista, Gross Domestic Product of the United States in 2022
- Macrotrends, North America GDP 1960-2023
- MEVA, "Formwork 101: An Introductory Guide"

# 82.08.0274; 82.12.0268 - Form lumber

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1965 |
| **Primary Beneficiaries:** | Contractors and subcontractors who use lumber as forms for concrete |
| **Taxpayer Count:** | 31,542 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2023 |

# 82.08.02745; 82.12.02685 - Farm-worker housing

**Description**

Purchases of goods and services used in constructing, repairing, or improving new or existing structures used as agricultural employee housing are exempt from sales and use taxes. Agricultural employers, governmental entities, nonprofit organizations, or for-profit housing providers may own housing facilities. Agricultural employee housing does not include housing regularly provided on a commercial basis to the general public. The farmworker housing exemption applies to projects when at least 50% of the housing units in the development are used for farmworker housing.

This exemption expires on January 1, 2032.

**Purpose**

To encourage the construction of housing facilities for agricultural employees.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $2.019 | $2.067 | $2.117 | $2.167 |
| Local Taxes | $0.584 | $0.598 | $0.612 | $0.627 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $1.895 | $2.117 | $2.167 |
| Local Taxes | $0.000 | $0.498 | $0.612 | $0.627 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate reflects the compound annual growth rate of 2.4% based on the exemption data.
- Local revenue estimates use the rural average local sales and use tax rate of 1.88%.

**Data Sources**

- Department of Revenue, Excise tax data

# 82.08.02745; 82.12.02685 - Farm-worker housing

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Agriculture |
| **Year Enacted:** | 1996 |
| **Primary Beneficiaries:** | Farmers and others who build housing facilities for farm workers |
| **Taxpayer Count:** | 10 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2015 and 2018 and full review completed in 2020 |

# 82.08.0275; 82.12.0269 - Sand and gravel for local road construction

**Description**

Sales and use taxes do not apply to the cost of labor and services performed in the mining, sorting, and crushing of sand and gravel taken from a pit owned by or leased to a city or county. The city or county must either:

- Place the sand or gravel on a local public street.
- Sell it at cost to another city or county for use on public roads.

**Purpose**

Reduces the cost of local governments building and maintaining streets and roads.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $3.650 | $3.870 | $4.100 | $4.350 |
| Local Taxes | $1.640 | $1.740 | $1.850 | $1.960 |

**Repeal of exemption**

Repealing this deduction would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $3.550 | $4.100 | $4.350 |
| Local Taxes | $0.000 | $1.600 | $1.850 | $1.960 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate reflects the compound annual growth rate of 6% based on the deduction data.
- Sand and gravel used in local construction represents 7.5% of government contracting as reported by 70% of highway, street, and bridge construction taxpayers.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

**Data Sources**

- Department of Revenue, Excise tax data

# 82.08.0275; 82.12.0269 - Sand and gravel for local road construction

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 1980 |
| **Primary Beneficiaries:** | Contractors and municipalities that perform road work. |
| **Taxpayer Count:** | 100 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2010 with full review completed in 2020 |

# 82.08.0277; 82.12.0273 - Pollen

**Description**

Sales and use of pollen are exempt from the sales and use taxes.

**Purpose**

To support the agricultural and horticultural industry.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.615 | $0.637 | $0.661 | $0.685 |
| Local Taxes | $0.178 | $0.180 | $0.182 | $0.184 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.584 | $0.661 | $0.685 |
| Local Taxes | $0.000 | $0.165 | $0.182 | $0.184 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth is compound annual growth of farm-originated production expenses from U.S. Department of Agriculture 2017 Census report.
- Local revenue estimates use the rural average local sales and use tax rate of 1.879%.
- Specific pollen sales data does not exist.
- Most farmers rent hives to perform pollination.
- Cost to pollinate with purchased pollen is between $100 and $240 per acre.
- Assume 1% of cropland is pollinated with purchased pollen and not bees.

**Data Sources**

- U.S. Department of Agriculture, 2017 Census

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Agriculture |
| **Year Enacted:** | 1989 |
| **Primary Beneficiaries:** | Farmers that buy pollen |
| **Taxpayer Count:** | Unknown, approximately 21,000 farms have harvested cropland |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2010 and 2018 |

# 82.08.0278(1); 82.12.0274(1) - Annexation sales

**Description**

Tangible personal property sold by one political subdivision to another in conjunction with an annexation, incorporation, or merger is exempt from sales and use taxes. Tangible personal property sold by one political subdivision to another in conjunction with a contractual consolidation is exempt from sales and use taxes when the political subdivision that originally paid the sales or use taxes on the tangible personal property continues to benefit from the property after the consolidation.

**Purpose**

To avoid taxing the non-enterprise activities of local governments.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | Minimal | Minimal | Minimal | Minimal |
| Local Taxes | Minimal | Minimal | Minimal | Minimal |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | Minimal | Minimal | Minimal |
| Local Taxes | $0.000 | Minimal | Minimal | Minimal |

**Assumptions**

Sales of tangible personal property from one taxing district to another as a result of an annexation or incorporation is rare. Because of this, the revenue impact from a repeal is minimal.

**Data Sources**

Office of Financial Management, Annexation and municipal boundary changes

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 1970 |
| **Primary Beneficiaries:** | Cities, counties, or other local governments that are involved in annexations |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2010 with an upcoming review in 2025 |

# 82.08.0278(2), 82.12.0274(2) - Political subdivision consolidation sales

**Description**

Tangible personal property sold by one political subdivision to another in conjunction with a contractual consolidation is exempt from sales and use taxes when the political subdivision that originally paid the sales or use taxes on the tangible personal property continues to benefit from the property after the consolidation.

**Purpose**

To avoid taxing the non-enterprise activities of local governments.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | Minimal | Minimal | Minimal | Minimal |
| Local Taxes | Minimal | Minimal | Minimal | Minimal |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | Minimal | Minimal | Minimal |
| Local Taxes | $0.000 | Minimal | Minimal | Minimal |

**Assumptions**

Sales of tangible personal property from one political subdivision to another as a result of consolidation is rare. Because of this, the revenue impact from a repeal is minimal.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 2019 |
| **Primary Beneficiaries:** | Cities, counties, or other local governments |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review scheduled in 2025 |

# 82.08.0279 - Nonresidents' rental vehicles

**Description**

Renting or leasing motor vehicles and trailers to nonresidents for exclusive use in interstate commerce is exempt from sales tax. Nonresidents with places of business both inside and outside of Washington qualify for the exemption if the vehicle is registered and most frequently dispatched, garaged and serviced at a location outside of Washington. The exemption includes vehicles or trailers registered in a different state and have incidental use to transport persons or property between Washington locations.

**Purpose**

To relieve lessors of responsibility for collecting sales tax on the in-state use of rental cars, motor vehicles and trailers by a nonresident motor carrier engaged in interstate commerce and to encourage such businesses to rent or lease in Washington.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.168 | $0.175 | $0.181 | $0.187 |
| Local Taxes | $0.048 | $0.050 | $0.052 | $0.053 |

**Repeal of exemption**

Repealing this exemption would not increase revenues. The motor vehicle leases and rentals would still qualify under the interstate commerce vehicles exemption.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

If this exemption is repealed, then the exemption would qualify under the interstate commerce vehicles exemption. Therefore, no revenue impact.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Interstate Commerce |
| **Year Enacted:** | 1980 |
| **Primary Beneficiaries:** | Truck rental businesses and nonresidents |
| **Taxpayer Count:** | 265 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2011 and 2019 |

# 82.08.02795; 82.12.02745 - Free public hospitals

**Description**

Free hospitals are exempt from sales and use taxes on purchases of items used in the operation of the hospital or the provision of health care services. A free hospital does not charge its patients for health care provided.

**Purpose**

To reduce the cost of health care services provided by free hospitals to their patients.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | CTI | CTI | CTI | CTI |
| Local Taxes | CTI | CTI | CTI | CTI |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | CTI | CTI | CTI |
| Local Taxes | $0.000 | CTI | CTI | CTI |

**Assumptions**

This exemption impacts fewer than three taxpayers; any impacts are confidential.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 1993 |
| **Primary Beneficiaries:** | Free hospitals |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2021 |

# 82.08.02805; 82.12.02747 - Nonprofit blood and tissue banks

**Description**

Nonprofit blood and tissue banks are exempt from sales and use taxes on purchases of medical supplies, chemicals, and materials. However, the exemption does not extend to construction materials, office equipment and supplies, or vehicles.

**Purpose**

To support the activities of these entities.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $7.998 | $8.183 | $8.372 | $8.565 |
| Local Taxes | $3.597 | $3.680 | $3.765 | $3.852 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $7.501 | $8.372 | $8.565 |
| Local Taxes | $0.000 | $3.373 | $3.765 | $3.852 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the industrial production index for medical equipment and supplies growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use taxes rate of 2.92%.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- Blood Center webpages and Internal Revenue Service form 990 information

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 1995 |
| **Primary Beneficiaries:** | Blood and tissue banks |
| **Taxpayer Count:** | 5 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2021 |

# 82.08.02806; 82.12.02748 - Human body parts

**Description**

Sales of human blood, tissue, organs, bodies, or body parts are exempt from sales and use taxes when they are used for medical research or quality control testing.

**Purpose**

To support medical research in Washington.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.199 | $0.209 | $0.218 | $0.229 |
| Local Taxes | $0.090 | $0.094 | $0.098 | $0.103 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.191 | $0.218 | $0.229 |
| Local Taxes | $0.000 | $0.086 | $0.098 | $0.103 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rates are based on an article published by PR Newswire and will be 4.7% through 2026 and 5.3% thereafter.
- Local revenue estimates use the statewide average local sales and use taxes rate of 2.92%.

**Data Sources**

- PRNewsWire.com, "Blood and Blood Components Global Market to Reach $58.46 Billion by 2031"
- Statista, North America: Gross domestic product of Canada and the United States from 2018 to 2028
- Popular Science, "Oh, the places your blood will go after you donate it"
- U.S. Census, Population estimate data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 1996 |
| **Primary Beneficiaries:** | Medical research organizations |
| **Taxpayer Count:** | 50 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2013 and 2021 |

# 82.08.02807; 82.12.02749 - Organ procurement

**Description**

Sales of human blood, tissue, organs, bodies, or body parts are exempt from sales and use taxes when they are used for medical research or quality control testing.

**Purpose**

To support medical research in Washington.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | CTI | CTI | CTI | CTI |
| Local Taxes | CTI | CTI | CTI | CTI |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | CTI | CTI | CTI |
| Local Taxes | $0.000 | CTI | CTI | CTI |

**Assumptions**

This exemption impacts fewer than three taxpayers; any impacts are confidential.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 2002 |
| **Primary Beneficiaries:** | Nonprofit organizations that locate and obtain human organs for transplant operations |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2013 and 2021 |

# 82.08.0281; 82.12.0275 - Prescription drugs

**Description**

Drugs prescribed for use by humans, drugs and devices prescribed for birth control, and drugs and devices for birth control that are dispensed by certain family planning clinics are exempt from sales and use taxes, as long as the drugs are prescribed by a physician. In addition, drugs and devices for birth control that are supplied by a family planning clinic that is under contract with the Department of Health to provide family planning services are exempt from sales and use taxes. The exemption is available for all levels of sales and distribution. It is not required that a hospital or physician make a specific charge to the patient for prescription drugs dispensed under a physician's order.

**Purpose**

To reduce the cost of health care.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $734.700 | $762.200 | $797.700 | $833.000 |
| Local Taxes | $330.400 | $342.800 | $358.700 | $374.600 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $698.600 | $797.700 | $833.000 |
| Local Taxes | $0.000 | $314.200 | $358.700 | $374.600 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the sales and use taxable amount growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use taxes rate of 2.92%.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- U.S. Census, Population data

# 82.08.0281; 82.12.0275 - Prescription drugs

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 1974 |
| **Primary Beneficiaries:** | Patients purchasing prescription drugs |
| **Taxpayer Count:** | 6,000,000 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.08.0282; 82.12.0276 - Returnable containers

**Description**

Sales and use of returnable food or beverage containers are exempt from sales and use taxes. This includes items such as soft drinks, milk, and beer.

**Purpose**

Retailer purchases of nonreturnable food and beverage containers are exempt from sales and use taxes because the containers are sold to consumers. This exemption provides comparable treatment for returnable containers that would not otherwise qualify for the resale exemption, since the containers are not technically "sold" to the food or beverage purchaser.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.032 | $0.032 | $0.033 | $0.034 |
| Local Taxes | $0.014 | $0.015 | $0.015 | $0.015 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.030 | $0.033 | $0.034 |
| Local Taxes | $0.000 | $0.013 | $0.015 | $0.015 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- The annual rate of purchases is 20% of growth of the industry, which is 2.3%.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.
- The revenue impact is mostly from kegs used by Washington breweries; minimal impact from other containers such as glass milk jars.
- The typical price of a keg is $160.

**Data Sources**

- National Brewers Association, Brewery data
- Beveragecraft.com, "2023 Keg cost in the USA and Canada"

# 82.08.0282; 82.12.0276 - Returnable containers

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1974 |
| **Primary Beneficiaries:** | Firms that purchase containers for supplying food and beverages to consumers which is returned by the consumer to the vendor |
| **Taxpayer Count:** | 450 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2010 with an upcoming review in 2026 |

# 82.08.0283; 82.12.0277 - Medical devices, naturopathic medicine, and oxygen

**Description**

The following health-related products or devices receive an exemption from sales and use taxes:

- Prosthetic devices, including eyeglasses and frames prescribed for individuals by a person licensed by the state to prescribe them.
- Medically prescribed oxygen and oxygen delivery systems.
- Medicine of mineral, animal, or botanical origin prescribed, administered, dispensed, or used in the treatment of an individual by a naturopath.
- Components of prosthetic devices and charges for repairing devices exempted by this statute.

In 2004, exemptions for ostomy items and insulin shifted to other statutes.

**Purpose**

To reduce the cost of medical care.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $69.000 | $71.600 | $74.200 | $76.800 |
| Local Taxes | $31.000 | $32.200 | $33.400 | $34.600 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $65.600 | $74.200 | $76.800 |
| Local Taxes | $0.000 | $29.500 | $33.400 | $34.600 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the sales and use taxable activity growth rates reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use taxes rate of 2.92%.

**Data Sources**

- Economic and Revenue Forecast Council, March 2023 forecast.
- Joint Legislative Audit and Review Committee

# 82.08.0283; 82.12.0277 - Medical devices, naturopathic medicine, and oxygen

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 1961 |
| **Primary Beneficiaries:** | Individuals purchasing certain prescribed medical equipment. |
| **Taxpayer Count:** | 5,800,000 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2013 and an expedited review completed in 2021 |

# 82.08.0285; 82.12.0279 - Ferry boat construction and repair

**Description**

Sales tax does not apply to sales of, or charges made for constructing and improving, ferry boats for the state of Washington or local governments. Use tax does not apply to labor and services rendered to improve such ferry boats.

**Purpose**

Support state and local governments by reducing the cost of building or repairing ferry boats.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $17.910 | $17.910 | $17.910 | $17.910 |
| Local Taxes | $8.070 | $8.070 | $8.070 | $8.070 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $16.420 | $17.910 | $17.910 |
| Local Taxes | $0.000 | $7.400 | $8.070 | $8.070 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- No growth rate is assumed, as the data are volatile.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

**Data Sources**

- Washington Department of Transportation, Vessel capital investment

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 1977 |
| **Primary Beneficiaries:** | Publicly operated ferry systems |
| **Taxpayer Count:** | 7 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2012 and an expedited review completed in 2017 |

# 82.08.0287; 82.12.0282 - Ride-sharing vehicles

**Description**

Sales or use of passenger motor vehicles used primarily for ridesharing or transportation of persons with special needs are exempt from sales and use taxes. The vehicles must be used as ride-sharing vehicles for 36 consecutive months beginning from the date of purchase or first use.

To qualify under ride sharing, the vehicle must be carrying three or more passengers and be operated in a county that has adopted and implemented a commute trip reduction plan, or in other counties where the vehicle is registered with or operated by a public transportation agency. Additionally, one of the following must apply:

- Vehicle is operated by a public transportation agency for the general public.
- Vehicle is used by a major employer as an element of its commute trip reduction program.
- Vehicle is owned and operated by individual employees and is registered with either the employer or a public transportation agency.

Notwithstanding the ridership requirements above, unless the vehicle is operated by a public transportation agency, the vehicle must be used for ride sharing in the transport of at least five passengers.

**Purpose**

To encourage ridesharing for fuel conservation purposes, to help reduce traffic congestion, and to assist in addressing the requirements of the Commute Trip Reduction Act, the Growth Management Act, the Americans with Disabilities Act, and the Clean Air Act.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.587 | $0.607 | $0.617 | $0.613 |
| Local Taxes | $0.252 | $0.261 | $0.265 | $0.264 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.556 | $0.617 | $0.613 |
| Local Taxes | $0.000 | $0.239 | $0.265 | $0.264 |

# 82.08.0287; 82.12.0282 - Ride-sharing vehicles

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the U.S. auto sales growth rates reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 1980 |
| **Primary Beneficiaries:** | Ride share vehicle dealers and purchasers |
| **Taxpayer Count:** | 10 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2011 and 2020 |

# 82.08.02875 - Football stadium and exhibition center parking

**Description**

Charges for parking vehicles at facilities owned by a public stadium authority are exempt from sales and use taxes if the authority levies a local parking tax to help finance construction and operation of the football stadium and adjoining exhibition center.

**Purpose**

To avoid charging parking customers both the local parking tax and sales tax.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | CTI | CTI | CTI | CTI |
| Local Taxes | CTI | CTI | CTI | CTI |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | CTI | CTI | CTI |
| Local Taxes | $0.000 | CTI | CTI | CTI |

**Assumptions**

This exemption impacts fewer than three taxpayers; any impacts are confidential.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 1997 |
| **Primary Beneficiaries:** | The Public Stadium Authority and users of the parking facility at Lumen Field/Exhibition Center |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2014 and 2022 |

# 82.08.0288; 82.12.0283 - Leased irrigation equipment

**Description**

Leases of irrigation equipment are exempt from sales and use taxes, if:

- The lessor purchased the equipment to irrigate land they control.
- The lessor paid sales or use tax on the equipment.
- The equipment is attached to the land.
- The equipment is an incidental part of the land lease.
- The equipment is not used in the production of cannabis.

**Purpose**

Normally, persons who lease tangible personal property pay sales tax to the lessor. However, in this instance, the owner of the land previously paid the sales tax on the equipment. For sales tax to apply at the lessee level, the original acquisition of the equipment by the lessor would be an exempt sale for resale.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $2.927 | $3.040 | $3.158 | $3.280 |
| Local Taxes | $0.846 | $0.879 | $0.913 | $0.948 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $2.787 | $3.158 | $3.280 |
| Local Taxes | $0.000 | $0.806 | $0.913 | $0.948 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate based on compound growth of the last 5 years of farm supplies and repairs expenditures.
- Local revenue estimates use the rural average local tax rate of 1.88%.
- Washington farmers irrigate over 1.8 million acres and 15% of irrigation systems are on leased land.

**Data Sources**

- U.S. Department of Agriculture, 2017 Census and 2018 Irrigation Survey
- Washington State University, Irrigation in the Pacific Northwest

# 82.08.0288; 82.12.0283 - Leased irrigation equipment

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Agriculture |
| **Year Enacted:** | 1983 |
| **Primary Beneficiaries:** | Farmers that lease land which includes irrigation equipment |
| **Taxpayer Count:** | Unknown but almost 15,000 farms use irrigation |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2015 and 2018 |

# 82.08.0291 - Recreation services and physical fitness classes

**Description**

Recreational, athletic, and fitness activities, equipment provided for those activities, and instructions in those activities provided by nonprofit youth organizations to members of the organization are exempt from sales taxes. Physical fitness classes provided by a local government are also exempt from sales taxes.

**Purpose**

To support the activities of youth organizations and to clarify that fees for physical fitness classes by local governments are not enterprise income.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.223 | $0.231 | $0.239 | $0.247 |
| Local Taxes | $0.100 | $0.104 | $0.108 | $0.111 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.212 | $0.239 | $0.247 |
| Local Taxes | $0.000 | $0.087 | $0.108 | $0.111 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the sales taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 1981 |
| **Primary Beneficiaries:** | Nonprofit youth organizations and their members; Local governments |
| **Taxpayer Count:** | 470 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review in 2013 with upcoming review in 2026 |

# 82.08.02915; 82.12.02915 - Housing for youth in crisis

**Description**

Nonprofit health or social welfare organizations are exempt from sales and use taxes on purchases of materials used in the new construction of licensed alternative housing facilities for youth in crisis. The exemption does not extend to charges for labor or services associated with the construction of these facilities.

**Purpose**

To encourage new construction of shelters for youth who have left home.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would not increase revenue because currently no taxpayers use it.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

No taxpayers currently use this exemption. We expect no usage during the forecasted period of this study.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 1995 |
| **Primary Beneficiaries:** | Nonprofit organizations that house youth in crisis |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2016 with an upcoming review in 2026 |

# 82.08.0293; 82.12.0293 - Food and food ingredients

**Description**

Food and food ingredients purchased for human consumption are exempt from sales and use taxes. The definition of food and food ingredients excludes alcoholic beverages, tobacco products, cannabis, useable cannabis, and cannabis-infused products.

The exemption does not apply to soft drinks, bottled water, or dietary supplements, and prepared foods, except when furnished, prepared, or served as meals to certain qualified low-income, disabled, or senior citizens.

**Purpose**

To lessen the regressivity of the sales tax and to reduce the cost of essential items.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $1,311.100 | $1,325.100 | $1,338.100 | $1,352.200 |
| Local Taxes | $590.000 | $596.000 | $602.000 | $608.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $1,214.900 | $1,338.100 | $1,352.200 |
| Local Taxes | $0.000 | $546.000 | $602.000 | $608.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Annual growth rate of 3% based on historical exempt food deduction data.
- Local revenue estimates use the statewide average local sales and use taxes rate of 2.92%.
- There will be no change in consumer purchases of food as a result of the increased price from the repealed exemption.

**Data Sources**

- Department of Revenue, Excise tax data
- Department of Social and Health Services, Basic food program data

# 82.08.0293; 82.12.0293 - Food and food ingredients

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 1982 |
| **Primary Beneficiaries:** | Consumers who purchase food products |
| **Taxpayer Count:** | 7.86 million |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.08.0294; 82.12.0294 - Aquaculture feed

**Description**

Aquaculture is the process of growing, farming, or cultivating aquatic products in marine or fresh waters. Feed purchased for fish or other aquatic products for sale, raised entirely within confined rearing areas where the person has the present right of possession are exempt from sales and use taxes.

**Purpose**

To provide equivalent treatment with those who purchase feed for other agricultural livestock. Fish farmers purchasing feed are not subject to sales and use taxes. This recognizes aquaculture and agriculture activities as equivalent in status and treatment.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | Minimal | Minimal | Minimal | Minimal |
| Local Taxes | Minimal | Minimal | Minimal | Minimal |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | Minimal | Minimal | Minimal |
| Local Taxes | $0.000 | Minimal | Minimal | Minimal |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Annual amount remains constant based on the fluctuation of the deductions reported.
- Local revenue estimates use the rural average local sales and use tax rate of 1.88%.

**Data Sources**

- Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Agriculture |
| **Year Enacted:** | 1970 |
| **Primary Beneficiaries:** | Fish farmers |
| **Taxpayer Count:** | 50 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2015 and 2018 |

# 82.08.0296; 82.12.0296 - Livestock feed

**Description**

Feed consumed by livestock at public livestock markets is exempt from sales and use taxes.

**Purpose**

Feed sold to farmers is already exempt from the sales and use taxes. This provision extends the exemption to feed consumed by livestock (e.g. cattle) while awaiting sale at a livestock market.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.171 | $0.177 | $0.182 | $0.188 |
| Local Taxes | $0.050 | $0.051 | $0.053 | $0.054 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.162 | $0.182 | $0.188 |
| Local Taxes | $0.000 | $0.430 | $0.053 | $0.054 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Compound annual growth rate for feed is 3.43%.
- Local revenue estimates use the rural average local sales and use tax rate of 1.88%.
- Livestock are kept at public markets one day before being sold.

**Data Sources**

- U.S. Department of Agriculture, Census of agriculture and farm production expenditures annual summaries
- Washington Department of Agriculture, Licensed certified feedlots and public livestock markets

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Agriculture |
| **Year Enacted:** | 1980 |
| **Primary Beneficiaries:** | Operators of public livestock markets |
| **Taxpayer Count:** | 20 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2015 |

# 82.08.0297; 82.12.0297 - Food stamp purchases

**Description**

Items eligible for purchase with food stamps issued by the U.S. Department of Agriculture are exempt from sales and use taxes. This includes products such as soft drinks, vitamins, and cold, prepared deli items not considered as food items for home consumption.

**Purpose**

Federal law requires states to exempt food stamp purchases from sales tax as a condition of participation in the federal food stamp program.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $154.550 | $156.150 | $157.750 | $159.360 |
| Local Taxes | $69.520 | $70.230 | $70.950 | $71.680 |

**Repeal of exemption**

Repealing this exemption would increase revenues. However, the state would have to forego participation in the federal food stamp program.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $143.130 | $157.750 | $159.360 |
| Local Taxes | $0.000 | $64.380 | $70.950 | $71.680 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Annual growth rate of 3% based on historical exempt food deduction data.
- Local revenue estimates use the statewide average local sales and use taxes rate of 2.92%.
- There will be no change in consumer purchases of food as a result of the increased price from the repealed exemption.

**Data Sources**

- Department of Revenue, Excise tax data
- Department of Social and Health Services, Basic food program data

# 82.08.0297; 82.12.0297 - Food stamp purchases

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 1987 |
| **Primary Beneficiaries:** | Food stamp recipients |
| **Taxpayer Count:** | 1.3 million |
| **Program Inconsistency:** | Yes; the definition of products eligible for sales tax exemption in RCW 82.08.0293 does not exactly correspond with the products which the federal government allows to be purchased with food stamps |
| **JLARC Review:** | No review completed |

# 82.08.0298; 82.12.0298 - Commercial fishing boat fuel

**Description**

Persons regularly engaged in commercial deep-sea fishing operations or in commercial charter boat fishing operations outside of Washington territorial waters are exempt from sales and use taxes on diesel fuel when used for these activities. Regularly engaged means the person has gross income of $5,000 or more annually from these activities.

**Purpose**

Recognizes that the majority of such fuel is consumed outside of Washington.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $2.137 | $2.155 | $2.194 | $2.270 |
| Local Taxes | $0.961 | $0.969 | $0.986 | $1.021 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $1.976 | $2.194 | $2.270 |
| Local Taxes | $0.000 | $0.889 | $0.986 | $1.021 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the consumer energy price growth rate reflected in the S&P Global Market Intelligence March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.
- The average price of marine diesel was $4.83 per gallon in 2022.
- Fuel use by commercial fishing and charter vessels remains constant from year to year.

**Data Sources**

- Department of Revenue, Commercial vessel data
- S&P Global Market Intelligence, March 2023 forecast
- Economic Fisheries Information Network, West Coast and Alaska Marine Fuel Prices 2020-2022

# 82.08.0298; 82.12.0298 - Commercial fishing boat fuel

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1987 |
| **Primary Beneficiaries:** | Commercial fishing and commercial charter fishing operations |
| **Taxpayer Count:** | 785 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2017 |

# 82.08.0299 - Lodging for homeless people

**Description**

Emergency lodging provided to homeless persons under a shelter voucher program is exempt from sales tax. The exemption applies for a period up to 30 consecutive days per recipient, the voucher must be given by a local government agency or private organization providing emergency food and shelter for homeless persons.

**Purpose**

To reduce the cost of providing housing services for the homeless.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.075 | $0.076 | $0.076 | $0.077 |
| Local Taxes | $0.082 | $0.083 | $0.083 | $0.084 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.069 | $0.076 | $0.077 |
| Local Taxes | $0.000 | $0.076 | $0.083 | $0.084 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the population growth rate reflected in the Office of Financial Management November 2022 population forecast.
- The costs of motel vouchers to Compass Health and the Housing Authority of King County are approximately 50% of the total cost of vouchers in Washington.
- The revenue impact to state sales taxes is 4.5% to account for the 2% local lodging tax credited against the state sales tax.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92% plus the 2% local lodging tax credited against the state sales tax.

**Data Sources**

- Office of Financial Management, November 2022 population forecast
- Compass Health, Emergency Motel Voucher Program
- Housing Authority of King County, Emergency Voucher Program

# 82.08.0299 - Lodging for homeless people

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 1988 |
| **Primary Beneficiaries:** | The local jurisdictions and nonprofit organizations that purchase the hotel vouchers |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2012, with upcoming review in 2026 |

# 82.08.031; 82.12.031 - Artistic and cultural organizations

**Description**

Artistic or cultural organizations are exempt from sales and use taxes on purchases of objects acquired for purposes of exhibition or presentation to the general public. These objects include objects of art, objects with cultural value, objects to be used to create art (other than tools), and objects to be used in displaying art and presenting cultural presentations or performances.

**Purpose**

To support these organizations and the social benefits they provide.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.982 | $1.018 | $1.054 | $1.090 |
| Local Taxes | $0.441 | $0.458 | $0.474 | $0.490 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.933 | $1.054 | $1.090 |
| Local Taxes | $0.000 | $0.420 | $0.474 | $0.490 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the retail sales taxes growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 1981 |
| **Primary Beneficiaries:** | Nonprofit art and cultural organizations |
| **Taxpayer Count:** | 200 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2013 |

# 82.08.0311; 82.12.0311 - Horticultural packing materials

**Description**

Materials and supplies used directly in packing fresh, perishable horticultural products are exempt from sales and use taxes.

**Purpose**

To support the agricultural industry. The exemption complements the B&O tax deduction for processors of fresh horticultural products.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.492 | $0.494 | $0.497 | $0.500 |
| Local Taxes | $0.142 | $0.143 | $0.144 | $0.144 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.453 | $0.497 | $0.500 |
| Local Taxes | $0.000 | $0.119 | $0.144 | $0.144 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the real consumer spending forecast growth rates reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Cost of packaging materials represents 0.25% of production values.
- Local revenue estimates use the rural average local sales and use tax rate of 1.88%.

**Data Sources**

- U.S. Department of Agriculture, 2017 Census and bulletins
- Economic and Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Agriculture |
| **Year Enacted:** | 1988 |
| **Primary Beneficiaries:** | Fruit and vegetable packers |
| **Taxpayer Count:** | 70 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2015 and 2018 |

# 82.08.0315; 82.12.0315 - Film and video production equipment or services

**Description**

Rental of production equipment or sale of production services to a motion picture or video production business is exempt from sales and use taxes. Such equipment includes video, electrical, lighting and motion picture equipment.

**Purpose**

To support the motion picture industry and encourage more films to be produced in Washington.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $3.300 | $3.300 | $3.300 | $3.300 |
| Local Taxes | $1.500 | $1.500 | $1.500 | $1.500 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $3.000 | $3.300 | $3.300 |
| Local Taxes | $0.000 | $1.400 | $1.500 | $1.500 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- No growth is assumed for the estimate, as spending for equipment and services is volatile.
- Cost of production is 37% of gross income.
- Spending for equipment and services is 20% of the cost of production.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

**Data Sources**

- Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1995 |
| **Primary Beneficiaries:** | Motion picture and video production companies |
| **Taxpayer Count:** | 1,000 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2014 and 2022 |

# 82.08.0316; 82.12.0316 - Cigarettes, tribal contracts

**Description**

Sale or use of cigarettes by an Indian retailer is exempt from sales and use taxes if its tribe has a cigarette tax contract or agreement with the state of Washington.

**Purpose**

To resolve conflicts over contraband cigarettes; to benefit the state of Washington and tribes; to improve law and order; and to reduce the competitive advantage of tax-free cigarettes. Cigarette contracts between the state of Washington and Indian tribes are intended to provide consistency in the regulation and taxation of cigarettes.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $14.200 | $14.200 | $14.200 | $14.200 |
| Local Taxes | $6.400 | $6.400 | $6.400 | $6.400 |

**Repeal of exemption**

Repealing this exemption would not increase revenues, as that would violate the contractual agreement.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

The state will not impose its cigarette and sales and use taxes on these products, as the tribes are already imposing their own equivalent taxes under the contracts.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 2001 |
| **Primary Beneficiaries:** | State, local, and tribal governments |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2020 |

# 82.08.0317 - Vehicle sales to tribal members

**Description**

Motor vehicles purchased by a tribe or an enrolled member of a federally recognized tribe are exempt from sales tax.

In order to qualify, the buyer must provide to the seller on of the following:

- The buyer's tribal membership or citizenship card.
- The buyer's certificate of tribal enrollment.
- A letter signed by a tribal official confirming the buyer's tribal membership status.

In addition, the seller must deliver the motor vehicle to the buyer. The seller must document the delivery by completing a declaration form, attesting to the delivery location and the enrollment status of the tribal member. The seller and buyer must sign the form.

Delivery requirements do not apply if the sale is made to the tribe or tribal member in their Indian country.

"Indian country" has the same meaning as provided in 1821 U.S.C. Sec. 1151.

"Tribe" means a federally recognized tribe.

"Tribal member" means an enrolled member of a federally recognized tribe.

**Purpose**

To clarify the documentation and delivery requirements necessary to support tax exempt sales of motor vehicles to tribes or tribal members in their Indian country.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $9.684 | $9.684 | $9.684 | $9.684 |
| Local Taxes | $5.368 | $5.368 | $5.368 | $5.368 |

**Repeal of exemption**

Repealing this exemption would not increase revenues. Enrolled members of Washington tribes are already constitutionally tax exempt.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

Enrolled members of Washington tribes are already constitutionally tax exempt. As a result, there is no revenue impact.

# 82.08.0317 - Vehicle sales to tribal members

**Data Sources** Office of Lieutenant Governor, Washington Tribes data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 2016 |
| **Primary Beneficiaries:** | Enrolled tribal members within Washington State |
| **Taxpayer Count:** | 38,000 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.08.0318; 82.12.0318 - Sales of vapor products by Indian retailers

**Description**

Sales and use taxes do not apply to sales of vapor products by Indian retailers during the effective period of a vapor products tax contract or agreement.

**Purpose**

To recognize that applying sales and use taxes to such sales is prohibited.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would not increase revenues, as that would violate the contractual agreement.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

The state will not impose its vapor products tax and sales and use taxes on these products, as the tribes are already imposing their own equivalent taxes under the contracts.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 2019 |
| **Primary Beneficiaries:** | State, local, and tribal governments |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.08.032; 82.12.032 - Used park-model trailers

**Description**

The sale, rental, or lease, for more than 30 days of a used park model trailer is exempt from sales and use taxes.

**Purpose**

To provide consistent tax treatment for used park model trailers and residential real estate.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.340 | $0.373 | $0.411 | $0.451 |
| Local Taxes | $0.153 | $0.168 | $0.185 | $0.203 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.342 | $0.411 | $0.451 |
| Local Taxes | $0.000 | $0.154 | $0.185 | $0.203 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Annual growth rate of approximately 1% based on the average historical growth for recreational vehicle (RV) shipments in the US.
- Used park-model trailers are travel trailers previously sold at retail with a single axle that have lost their identity as a mobile unit.
- Used park-model trailers make up 1% of used travel trailer sales in Washington.
- Long-term rental activity for used park model trailers is near zero.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

**Data Sources**

- RV Industry Association, RV sales data
- RVs Move America, RV sales data
- University of Michigan, The RV Consumer Study, Richard T. Curtin
- J.D. Power, Depreciation of travel trailers
- U.S. Census Bureau, Household data

# 82.08.032; 82.12.032 - Used park-model trailers

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 2001 |
| **Primary Beneficiaries:** | Buyers, sellers, and long-term renters of used park model trailers. |
| **Taxpayer Count:** | 250 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2017 |

# 82.08.033; 82.12.033 - Used mobile homes

**Description**

The sale, rental, or lease, in excess of 30 days of a used mobile home attached to the land, is exempt from sales and use taxes.

**Purpose**

To provide consistent tax treatment for used mobile homes and residential real estate.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $78.348 | $88.407 | $95.837 | $104.016 |
| Local Taxes | $35.233 | $39.757 | $43.098 | $46.776 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $81.040 | $95.837 | $104.016 |
| Local Taxes | $0.000 | $36.444 | $43.098 | $46.776 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate for mobile home sales mirrors the real estate excise tax growth rates reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Growth rate for mobile home rentals mirrors the property tax market value growth rates reflected in the Property Tax State Levy Model, March 2023.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

**Data Sources**

- Department of Revenue, Real estate excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- Property Tax State Levy Model, March 2023
- Statista, Manufactured homes rental data
- U.S. Census Bureau, American Community Survey, Washington 2021
- Fannie Mae, Lending criteria

# 82.08.033; 82.12.033 - Used mobile homes

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 1979 |
| **Primary Beneficiaries:** | Buyers, sellers, and long-term renters of used mobile homes. |
| **Taxpayer Count:** | 63,000 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2017 |

# 82.08.034; 82.12.034 - Used floating homes

**Description**

The sale or long-term rental or lease of a used floating home is exempt from sales and use taxes.

**Purpose**

To provide consistent tax treatment for used floating homes and residential real estate.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.744 | $0.866 | $0.947 | $1.051 |
| Local Taxes | $0.335 | $0.389 | $0.426 | $0.473 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.794 | $0.947 | $1.051 |
| Local Taxes | $0.000 | $0.357 | $0.426 | $0.473 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the real estate excise tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.
- Rental receipts for long-term rentals are near zero or zero.

**Data Sources**

- King County Department of Assessments, Floating home data
- Economic and Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 1984 |
| **Primary Beneficiaries:** | Buyers, sellers, and long-term renters of used floating homes |
| **Taxpayer Count:** | 60 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2017 |

# 82.08.036; 82.12.038 - Core deposits & tire fees

**Description**

The value of returnable products such as batteries, starters, and brakes accepted by vendors for recycling or remanufacturing are exempt from sales and use taxes. The $1.00 tire fee is also exempt from sales and use taxes.

**Purpose**

To discourage the disposal of certain products into landfills.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.700 | $0.710 | $0.720 | $0.730 |
| Local Taxes | $0.310 | $0.320 | $0.320 | $0.330 |

**Repeal of exemption**

Repealing this exemption would not increase revenues, as "core deposits or credits" would be exempt from sales and use tax under trade-ins.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

No revenue impact from repeal due to core deposits and credits qualifying for exemption from sales and use taxes under trade-ins.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 1989 |
| **Primary Beneficiaries:** | Buyers and sellers of new replacement vehicle tires and businesses accepting core deposits |
| **Taxpayer Count:** | 1.2 million |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review scheduled in 2026 |

# 82.08.037; 82.12.037 - Bad debts

**Description**

Sellers can take a deduction for sales or a credit for use tax previously paid on bad debts. "Bad debts" has the same meaning as defined in the internal revenue code (26 U.S.C. Sec. 166). "Bad debts" does not include:

- Amounts due on property that remains with the seller until fully paid for.
- Debt collection expenses.
- Debts sold or assigned by the seller to third parties without recourse against the seller.
- Repossessed property.

**Purpose**

To relieve sellers of the requirement of remitting sales or paying use tax on amounts they did not receive.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $8.710 | $9.040 | $9.350 | $9.680 |
| Local Taxes | $3.760 | $3.910 | $4.040 | $4.190 |

**Repeal of exemption**

Repealing this deduction/credit would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $8.290 | $9.340 | $9.690 |
| Local Taxes | $0.000 | $3.580 | $4.040 | $4.190 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the sales tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

# 82.08.037; 82.12.037 - Bad debts

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1982 |
| **Primary Beneficiaries:** | Businesses that collect and remit sales and use taxes |
| **Taxpayer Count:** | 1,607 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2016 |

# 82.08.080 - Vending machine sales

**Description**

The selling price for calculating the sales taxes on sales of tangible personal property made through a vending machine is 60% of the gross receipts of the total sales made through the machine.

**Purpose**

To clarify and ease the calculation of sales tax on items sold through a vending machine at a fixed price.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $1.920 | $1.920 | $1.920 | $1.920 |
| Local Taxes | $0.863 | $0.863 | $0.863 | $0.863 |

**Repeal of exemption**

Repealing this deduction would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $1.760 | $1.920 | $1.920 |
| Local Taxes | $0.000 | $0.719 | $0.863 | $0.863 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Vending sales will remain constant so no growth.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

**Data Sources**

- Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1935 |
| **Primary Beneficiaries:** | Operators of vending machines |
| **Taxpayer Count:** | 200 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2014 and 2023 |

# 82.08.207; 82.12.207 - Standard Financial Information

**Description**

Qualifying international investment management service companies (IIMS) and their affiliates are exempt from sales and use taxes on the purchase or use of standard financial information. Standard financial information includes, but not limited to, financial market data, bond ratings, credit ratings, and deposit, loan, or mortgage reports.

A buyer may claim a maximum exemption of $15 million in purchases per calendar year. The exemption expires July 1, 2031.

**Purpose**

To exempt standard financial information purchased by international investment management companies from sales and use taxes to improve industry competitiveness.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | CTI | CTI | CTI | CTI |
| Local Taxes | CTI | CTI | CTI | CTI |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | CTI | CTI | CTI |
| Local Taxes | $0.000 | CTI | CTI | CTI |

**Assumptions**

This exemption impacts fewer than three taxpayers; any impacts are confidential.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2013 |
| **Primary Beneficiaries:** | International investment management firms |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2017 |

# 82.08.215; 82.12.215 - Nonresident Large Private Airplanes

**Description**

Sales of large private airplanes to nonresidents are exempt from retail sales and use tax when the airplanes are not required to be registered with the department of transportation under chapter 47.68 RCW. The exemption also applies to charges made for repairing, cleaning, altering, or improving large private airplanes owned by nonresidents. This exemption expires July 1, 2031.

**Purpose**

To encourage nonresidents to utilize Washington businesses for the purchase, maintenance, and repair of large airplanes.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | CTI | CTI | CTI | CTI |
| Local Taxes | CTI | CTI | CTI | CTI |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | CTI | CTI | CTI |
| Local Taxes | $0.000 | CTI | CTI | CTI |

**Assumptions**

This exemption impact less than three taxpayers and any impacts are confidential.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2003 |
| **Primary Beneficiaries:** | Nonresident owners of large private airplanes |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review scheduled in 2027 |

# 82.08.700; 82.12.700 - Boats sold to nonresidents - in-state use permit

**Description**

A sales and use taxes exemption is provided for sales to a nonresident individual of vessels at least 30 feet in length from a Washington dealer if the purchaser of the vessel purchases and displays a valid use permit. The purchaser must provide proof of their current nonresident status at the time of purchase. Additionally, the purchaser must make an irrevocable election to take the exemption authorized. The use permit issued under this statute is valid for 12 consecutive months from the date of issuance and is not renewable.

**Purpose**

To increase the time a vessel owned by a nonresident can remain in Washington waters, which encourages purchases of new vessels from Washington dealers and increases tourism in Washington.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.729 | $0.756 | $0.783 | $0.811 |
| Local Taxes | $0.328 | $0.340 | $0.352 | $0.365 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.688 | $0.783 | $0.811 |
| Local Taxes | $0.000 | $0.312 | $0.352 | $0.365 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the sales and use taxable activity growth rates reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

**Data Sources**

- Department of Revenue, Nonresident vessel permit data
- Economic and Revenue Forecast Council, March 2023 forecast

# 82.08.700; 82.12.700 - Boats sold to nonresidents - in-state use permit

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 2007 |
| **Primary Beneficiaries:** | Nonresident boat owners |
| **Taxpayer Count:** | 10 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2017 |

# 82.08.701 Salmon recovery grants

**Description**

Governmental grants and amounts from Indian tribes received by certain nonprofit organizations for purposes of renewing, restoring, or protecting salmon ecosystems or salmon habitats in Washington are deductible from the gross amount subject to sales tax.

**Purpose**

To encourage restoration of salmon habitat.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | CTI | CTI | CTI | CTI |
| Local Taxes | CTI | CTI | CTI | CTI |

**Repeal of exemption**

Repealing this deduction would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | CTI | CTI | CTI |
| Local Taxes | $0.000 | CTI | CTI | CTI |

**Assumptions**

This deduction impacts fewer than three taxpayers; any impacts are confidential.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 2021 |
| **Primary Beneficiaries:** | Nonprofit organizations restoring salmon habitat |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review scheduled in 2026 |

# 82.08.798; 82.12.798 - Feminine hygiene products

**Description**

Purchases of feminine hygiene products are exempt from sales and use taxes. "Feminine hygiene products" means sanitary napkins, tampons, menstrual cups, or any other similar products sold at retail designed specifically to catch menstrual flow either internally or externally.

**Purpose**

To provide relief for certain individuals for a product that is fundamental to personal hygiene and health.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.850 | $0.881 | $0.912 | $0.944 |
| Local Taxes | $0.382 | $0.396 | $0.410 | $0.424 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.808 | $0.912 | $0.944 |
| Local Taxes | $0.000 | $0.363 | $0.410 | $0.424 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the sales and use taxes growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 2020 |
| **Primary Beneficiaries:** | People who purchase feminine hygiene products |
| **Taxpayer Count:** | 100 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.08.803; 82.12.803 - Nebulizers

**Description**

A nebulizer is a device that converts a liquid medication into a mist the patient inhales. Nebulizers prescribed for human use by a physician are exempt from sales and use taxes. The exemption includes repair and replacement parts for nebulizers, as well as labor and service charges for cleaning, repairing, etc. Sellers must collect the sales tax, and the buyer must apply to the department for a refund.

**Purpose**

Reduces the cost of nebulizers.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.479 | $0.497 | $0.515 | $0.533 |
| Local Taxes | $0.215 | $0.224 | $0.232 | $0.240 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.456 | $0.515 | $0.533 |
| Local Taxes | $0.000 | $0.205 | $0.232 | $0.240 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the sales taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use taxes rate of 2.92%.

**Data Sources**

- Economic and Revenue Forecast Council, March 2023 forecast
- U.S. Census, Population data
- Grandview Research, "Nebulizer market size, Share & Growth Analysis Report, 2030."

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 1981 |
| **Primary Beneficiaries:** | Persons who use prescribed nebulizers |
| **Taxpayer Count:** | 430,000 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2021 |

# 82.08.804; 82.12.804 - Ostomic items

**Description**

Ostomic items used by colostomy, ileostomy or urostomy patients are exempt from sales and use taxes. Ostomic items refer to disposable medical supplies such as bags, belts, tape, tubes, soap, jellies, germicides, etc. The exemption does not extend to undergarments, pads or shields, sponges, or rubber sheets.

**Purpose**

Reduces the cost of ostomic items.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $1.382 | $1.432 | $1.482 | $1.542 |
| Local Taxes | $0.620 | $0.650 | $0.670 | $0.690 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $1.312 | $1.482 | $1.542 |
| Local Taxes | $0.000 | $0.590 | $0.670 | $0.690 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the sales and use taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use taxes rate of 2.92%.

**Data Sources**

- Economic and Revenue Forecast Council, March 2023 forecast
- Health Care Authority, Ostomy and drug delivery items expenditures
- U.S. Census, Population data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 1988 |
| **Primary Beneficiaries:** | Consumers of ostomic items |
| **Taxpayer Count:** | 15,000 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2013 and 2021 |

# 82.08.805; 82.12.805 - Aluminum smelter purchases

**Description**

Aluminum smelter businesses may qualify for a credit of the state portion of sales and use taxes paid for tangible personal property that will be incorporated as an ingredient or component of buildings or structures at an aluminum smelter and for labor and services rendered with respect to the construction of such buildings or structures. The credit may not be claimed for taxable events occurring on or after January 1, 2027.

A business claiming this B&O tax credit must file an annual tax performance report with the department.

**Purpose**

To support the aluminum industry.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this credit would not increase revenue because currently no taxpayers use it.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

No taxpayers currently use this credit. We expect no usage during the forecasted period of this study.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2004 |
| **Primary Beneficiaries:** | Aluminum smelters |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2015 with an upcoming review in 2024 |

# 82.08.806; 82.12.806 - Computer equipment for printers and publishers

**Description**

Purchases of computer equipment and software, including digital cameras, used primarily in the printing and publishing of all printed materials, are exempt from sales and use taxes. Charges for installation and other related services are also exempt. However, computers and software used primarily for administrative purposes are not exempt.

**Purpose**

To provide a tax incentive for the printing and publishing industry.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | Minimal | Minimal | Minimal | Minimal |
| Local Taxes | Minimal | Minimal | Minimal | Minimal |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | Minimal | Minimal | Minimal |
| Local Taxes | $0.000 | Minimal | Minimal | Minimal |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Printing industry is declining. Annual 3.6% growth rate based on IBIS World 2022 analysis of the printing industry.
- Local revenue estimates use the statewide average local sales and use taxes rate of 2.92%.

**Data Sources**

- Department of Revenue, Excise tax data
- IBIS World, Printing industry analysis
- Smithers.com, "Printing industry shrinks nearly 15% to 2022."
- U.S. Census Bureau, "Internet Crushes Traditional Media: From Print to Digital."

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2004 |
| **Primary Beneficiaries:** | Newspapers and other printers and publishers |
| **Taxpayer Count:** | 265 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2016 |

# 82.08.807; 82.12.807 - Direct mail delivery charges

**Description**

Delivery charges made for direct mail are exempt from sales and use taxes if the charges are stated separately on the bill given to the purchaser. Direct mail refers to printed material delivered without charge to a mass group, or a mailing list provided by the purchaser.

**Purpose**

To exempt from delivery charges (postage) for direct mail from taxation.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.390 | $0.400 | $0.420 | $0.430 |
| Local Taxes | $0.170 | $0.180 | $0.190 | $0.190 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.370 | $0.420 | $0.430 |
| Local Taxes | $0.000 | $0.166 | $0.190 | $0.190 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the sales tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2005 |
| **Primary Beneficiaries:** | Direct mailers paying for delivery |
| **Taxpayer Count:** | 12 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review scheduled in 2026 |

# 82.08.808; 82.12.808 - Comprehensive cancer centers

**Description**

Sales of medical supplies, chemicals, or materials to a comprehensive cancer center are exempt from retail sales and use taxes. The exemption does not extend to the sale of construction materials, office equipment, building equipment, administrative supplies, or vehicles.

**Purpose**

To encourage cancer research by a comprehensive cancer center.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | CTI | CTI | CTI | CTI |
| Local Taxes | CTI | CTI | CTI | CTI |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | CTI | CTI | CTI |
| Local Taxes | $0.000 | CTI | CTI | CTI |

**Assumptions**

This exemption impacts fewer than three taxpayers; any impacts are confidential.

**Data Sources**

Financial statement of the business

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 2005 |
| **Primary Beneficiaries:** | Comprehensive cancer centers |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2013 and 2021 |

# 82.08.810; 82.12.810 - Air pollution control facilities

**Description**

Sales of tangible personal property and charges for labor and services performed in respect to the construction or installation of air pollution control facilities at a thermal electric generating facility placed in operation after December 31, 1969, and before July 1, 1975, are exempt from sales and use taxes. The exemption is contingent upon production levels for the plant being maintained above the 20% annual capacity factor between 2003 and 2022. All or a portion of the tax previously exempted must be repaid if production falls below this level.

**Purpose**

To encourage the construction or installation of air pollution control devices at the Centralia coal fired thermal generating plant.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | CTI | CTI | CTI | CTI |
| Local Taxes | CTI | CTI | CTI | CTI |

**Repeal of exemption**

Repealing this exemption would not increase revenues due to Centralia plant closing by end of 2025.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | CTI | CTI | CTI |
| Local Taxes | $0.000 | CTI | CTI | CTI |

**Assumptions**

This exemption impacts fewer than three taxpayers; any impacts are confidential.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1997 |
| **Primary Beneficiaries:** | Thermal electric generating facility |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2017 |

# 82.08.811; 82.12.811 - Coal for thermal generating plants

**Description**

Purchases of coal used at a thermal electric generating facility placed in operation after December 3, 1969, and before July 1, 1975, are exempt from sales and use taxes. The exemption is contingent upon the following:

- Owners of the plant demonstrate to the Department of Ecology that progress is being made to install the necessary air pollution control devices.
- The facility has emitted no more than 10,000 tons of sulfur dioxide during the previous 12 months.

**Purpose**

To encourage installation of air pollution control devices at the Centralia coal fired thermal generating plant.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | CTI | CTI | CTI | CTI |
| Local Taxes | CTI | CTI | CTI | CTI |

**Repeal of exemption**

Repealing this exemption would not increase revenues due to Centralia plant closing by end of 2025.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | CTI | CTI | CTI |
| Local Taxes | $0.000 | CTI | CTI | CTI |

**Assumptions**

This exemption impacts fewer than three taxpayers; any impacts are confidential.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1997 |
| **Primary Beneficiaries:** | The Centralia thermal generating plant |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | None |
| **JLARC Review:** | JLARC completed a full review in 2017 |

# 82.08.814, 82.12.814 - Mobility enhancing equipment

**Description**

The sale or use of mobility enhancing equipment used by or for a complex needs patient is exempt from sales and use taxes. The equipment must meet the user's specific and unique medical, physical, and functional needs and capacities for basic activities when medically necessary to prevent hospitalization or institutionalization.

To claim the exemption, the buyer must provide the seller with an exemption certificate.

"Complex needs patient" means an individual with a diagnosis or medical condition that results in significant physical or functional needs and capacities.

**Purpose**

To reduce the cost of complex needs mobility enhancing equipment for individuals.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.251 | $0.304 | $0.316 | $0.327 |
| Local Taxes | $0.113 | $0.137 | $0.142 | $0.147 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.278 | $0.316 | $0.327 |
| Local Taxes | $0.000 | $0.125 | $0.142 | $0.147 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the sales and use taxable activity growth rates reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use taxes rate of 2.92%.

**Data Sources**

- Economic and Revenue Forecast Council, March 2023 forecast
- Centers for Medicare and Medicaid Services, Medical enrollment data
- Office of the Insurance Commissioner, Medical enrollment data
- Healthcare Authority, Complex rehabilitation technology expenditures

# 82.08.814, 82.12.814 - Mobility enhancing equipment

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 2023 |
| **Primary Beneficiaries:** | Individuals using mobility enhancing equipment |
| **Taxpayer Count:** | 390,000 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.08.816(1)(a-d); 82.12.816(1)(a-c) - Electric vehicle battery charging stations

**Description**

The law provides an exemption of sales and use taxes on sales of batteries, fuel cells and infrastructure for electric or hydrogen vehicles. The exemption is available on the sale of, or charge made for:

- Batteries and fuel cells for electric and hydrogen vehicles.
- Labor and services rendered in respect to installing, repairing, altering, or improving electric vehicle batteries or fuel cells for hydrogen vehicles.
- Labor and services rendered in respect to installing, constructing, repairing, or improving electric and hydrogen vehicle infrastructure.
- Tangible personal property that will become a component of electric or hydrogen vehicle infrastructure during the course of installing, constructing, repairing, or improving electric or hydrogen vehicle infrastructure.

This exemption also includes hydrogen fueling stations, green electrolytic hydrogen production facilities, and renewable hydrogen production facilities.

These exemptions expire July 1, 2025.

**Purpose**

To encourage the use of battery and hydrogen electric vehicles through the sale of electric vehicle batteries and fuel cells, as well as the installation of electric and hydrogen vehicle infrastructure.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.780 | $1.010 | $1.380 | $1.630 |
| Local Taxes | $0.350 | $0.460 | $0.620 | $0.730 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.930 | $1.380 | $1.630 |
| Local Taxes | $0.000 | $0.420 | $0.620 | $0.730 |

# 82.08.816(1)(a-d); 82.12.816(1)(a-c) - Electric vehicle battery charging stations

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the battery electric and plug-in hybrid vehicle growth rate reflected in the Transportation Revenue Forecast's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.
- Douglas County Public Utility District (PUD) broke ground on the only known green/renewable hydrogen production facility in Washington in March 2021.
- Douglas County PUD anticipates green/renewable hydrogen production beginning June 2024.
- Department of Energy published the Hydrogen Fueling Station Cost Report in November 2020. Based on the report, the average cost for a hydrogen fueling station is $1.9 million.
- California Air Resources Board published the 2018 Annual Evaluation of Fuel Cell Electric Vehicle Deployment & Hydrogen Fuel Station Network Development. As of 3/26/19, California has 39 fueling stations with an addition 25 more in development. In 2015, five fueling stations were opened. This number jumped to 19 additional stations built in 2016. There are currently two hydrogen fueling stations planned in Washington. Based on California's implementation, Washington will continue installing at least one hydrogen fueling station a year to build up the infrastructure.

**Data Sources**

- Department of Revenue, Excise tax data
- Office of Financial Management, March 2023 Transportation Revenue Forecast
- Taylor, J., (2023, February 16). "Douglas PUD Takes Another Stride Towards Hydrogen Plant."
- Department of Energy, (2020, November 2). "Hydrogen Fueling Station Cost."
- California Fuel Cell Partnership, Hydrogen fueling station list
- Rosane, E., (2021, May 5). "Chehalis Will Be Home of State's First Hydrogen Refueling Station."

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2009 |
| **Primary Beneficiaries:** | Owners of electric or hydrogen vehicles |
| **Taxpayer Count:** | 32 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2017 with an upcoming review in 2024 |

# 82.08.816(1)(e), 82.12.816(1)(d) - Zero emissions buses

**Description**

Zero emission buses are exempt from sales and use taxes. Zero emission bus means a bus that emits no exhaust gas from the onboard source of power, other than water vapor.

This exemption expires July 1, 2025.

**Purpose**

To encourage the sale of zero emission buses.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $2.640 | $2.780 | $2.940 | $11.590 |
| Local Taxes | $1.130 | $1.200 | $1.260 | $4.980 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $2.550 | $2.940 | $11.590 |
| Local Taxes | $0.000 | $1.100 | $1.260 | $4.980 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- The demand for electric buses will grow 5.5% annually due to government initiatives and grants to purchase renewable energy buses.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.
- King County Metro plans on purchasing 120 electric buses in 2024, 250 in 2027, and operating a 100% zero-emissions fleet in 2035.
- Other transit agencies will be upgrading their fleets with electric buses as funding allows, but at a slower pace than King County Metro.

**Data Sources**

- Department of Revenue, Excise tax data
- Mordor Intelligence, "North America Electric Bus Market- Size, Share, COVID-19 Impact and Forecasts up to 2028 report."
- Department of Ecology, (2019, June 12). "50 Electric Buses Coming to Washington Transit Agencies."
- - King County Metro, (2022, April 8). "Transitioning to a Zero-emissions Fleet."

# 82.08.816(1)(e), 82.12.816(1)(d) - Zero emissions buses

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2019 |
| **Primary Beneficiaries:** | Businesses purchasing zero emission buses |
| **Taxpayer Count:** | 6 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review scheduled in 2024 |

# 82.08.820; 82.12.820 - Warehouses and grain elevators more than 200,000 square feet

**Description**

Certain warehouses and grain elevators are eligible for an exemption in the form of a remittance of the state sales and use taxes paid on purchases of machinery and on materials and labor for construction of these facilities. The remittance does not include local sales and use taxes.

Warehouses more than 200,000 square feet in size receive an exemption equal to:

- 100% of the state sales and use taxes paid on construction.
- 50% of the state sales and use taxes paid on equipment, including materials handling and racking equipment, as well as labor and services rendered in respect to installing, repairing, cleaning, altering, or improving such equipment.

Grain elevators receive an exemption of state sales and use taxes paid based on capacity of the facility:

- 50% exemption with bushel capacity of one million, but less than two million.
- 100% exemption with bushel capacity of two million or more.

**Purpose**

To encourage construction of warehouses and grain elevators in Washington and to increase the competitiveness of the warehouse and distribution industry in Washington.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $8.700 | $8.700 | $8.700 | $8.700 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $8.000 | $8.700 | $8.700 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- No growth assumed, as reimbursements from this program have been volatile.

**Data Sources**

- Department of Revenue, Excise tax data

# 82.08.820; 82.12.820 - Warehouses and grain elevators more than 200,000 square feet

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1997 |
| **Primary Beneficiaries:** | Warehousers, distribution centers, and grain elevators |
| **Taxpayer Count:** | 15 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2015 and expedited review completed in 2018 |

# 82.08.830 - Nonprofit camps and conference centers

**Description**

Items sold by nonprofit organizations at camps or conference centers are exempt from sales tax if:

- The sale takes place on property exempt from the property tax.
- The income from the sale is exempt from B&O tax.

The exemption applies to lodging, parking, food and meals, books, tapes, and other products available only to participants of the camp or conference center event and not to the general public.

**Purpose**

To reduce the cost of operating camps and conference centers and to support nonprofit organizations.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.410 | $0.433 | $0.478 | $0.517 |
| Local Taxes | $0.184 | $0.199 | $0.215 | $0.232 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.406 | $0.478 | $0.517 |
| Local Taxes | $0.000 | $0.183 | $0.215 | $0.232 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Camps generated $26 billion in revenue nationally in 2021.
- Nonprofit organizations receiving a property tax exemption in Washington own and operate 2% of nationwide camps.
- Camp revenues grow 8% annually and store sales represent 1% of the revenue.

**Data Sources**

- Department of Revenue, Property tax data
- American Camp Association, Nationwide camp statistics
- Zippia, "26 Incredible Nonprofit Statistics [2023]: How Many Nonprofits Are In The U.S.?" May 2023

# 82.08.830 - Nonprofit camps and conference centers

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 1997 |
| **Primary Beneficiaries:** | Participants at nonprofit camps and conferences |
| **Taxpayer Count:** | 300 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2014 |

# 82.08.832; 82.12.832 - Gun safes

**Description**

Sales and use taxes do not apply to the sale of gun safes. Gun safes are locked enclosures specifically designed to store firearms. The deduction does not include trigger lock devices.

**Purpose**

To encourage the purchase and use of gun safes.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.831 | $0.871 | $0.901 | $0.931 |
| Local Taxes | $0.380 | $0.390 | $0.400 | $0.420 |

**Repeal of exemption**

Repealing this deduction would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.791 | $0.901 | $0.931 |
| Local Taxes | $0.000 | $0.360 | $0.400 | $0.420 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the taxable sales growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

**Data Sources**

- Department of Revenue, Excise Tax Return data
- Economic and Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 1998 |
| **Primary Beneficiaries:** | Purchasers of safes |
| **Taxpayer Count:** | 70 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2020 |

# 82.08.834; 82.12.834 - Regional Transit Authority Sales and Leasebacks

**Description**

Lease payments or options to purchase at the conclusion of a lease in conjunction with a sale and leaseback arrangement involving a regional transportation authority (RTA) are exempt from retail sales and use taxes. Qualification requires that the seller/lessee previously paid any tax otherwise due on the original acquisition of the tangible personal property.

**Purpose**

A sale and leaseback arrangement is a financing mechanism used by the RTA to acquire trains, buses, and transportation facilities. This exemption provides tax relief to the RTA.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | CTI | CTI | CTI | CTI |
| Local Taxes | CTI | CTI | CTI | CTI |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | CTI | CTI | CTI |
| Local Taxes | $0.000 | CTI | CTI | CTI |

**Assumptions**

This exemption impacts fewer than three taxpayers; any impacts are confidential.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 2000 |
| **Primary Beneficiaries:** | Regional transit authority |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2015 and 2020 |

# 82.08.850; 82.12.850 - Conifer seedlings exported

**Description**

Sales of conifer seeds immediately placed in freezer storage operated by the seller are exempt from sales and use taxes. The conifer seeds must be used for growing timber outside of Washington, or in Indian country by an Indian tribe.

**Purpose**

To eliminate the tax disadvantage for Washington conifer seed producers compared with out-of-state producers.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | CTI | CTI | CTI | CTI |
| Local Taxes | CTI | CTI | CTI | CTI |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | CTI | CTI | CTI |
| Local Taxes | $0.000 | CTI | CTI | CTI |

**Assumptions**

- This exemption impacts fewer than three taxpayers; any impacts are confidential.

**Data Sources**

- Department of Revenue, Excise tax data
- Forest Seedling Network

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Agriculture |
| **Year Enacted:** | 2001 |
| **Primary Beneficiaries:** | A small number of Washington vendors of forest seedlings |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2015 and 2018 |

# 82.08.855; 82.12.855 - Farm machinery replacement parts and repair

**Description**

Replacement parts, including, installation or repair, for farm machinery primarily used in the production of agricultural products are exempt from sales and use taxes. The exemption is available to farmers actively engaged in producing agricultural products which resulted in at least $10,000 in gross proceeds in the previous year. Replacement parts do not include consumable supplies such as fuel or oil.

**Purpose**

Supports the agricultural industry.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $22.545 | $23.424 | $24.337 | $25.287 |
| Local Taxes | $6.517 | $6.771 | $7.035 | $7.310 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $21.472 | $24.337 | $25.287 |
| Local Taxes | $0.000 | $4.840 | $7.035 | $7.310 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate based on compound growth of the last 5 years of farm supplies and repairs expenditures.
- Local revenue estimates use the rural average local sales and use tax rate of 1.88%.
- Two-thirds of farm supplies and repairs expenditures are for machinery parts and repair.

**Data Sources**

- U.S. Department of Agriculture, Farm production expenditures summaries
- Joint Legislative Audit and Review Committee references

# 82.08.855; 82.12.855 - Farm machinery replacement parts and repair

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Agriculture |
| **Year Enacted:** | 2004 |
| **Primary Beneficiaries:** | Farmers |
| **Taxpayer Count:** | 14,700 farmers |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2018 |

# 82.08.865; 82.12.865 - Fuel used on farms

**Description**

Diesel fuel, biodiesel fuel and aircraft fuel sold to a farmer or a person who provides horticulture services for farmers are exempt from sales and use taxes. The fuel may not be used on public highways or for heating of water or space for human habitation.

**Purpose**

Supports Washington farmers and those who use aircraft on their farms for crop dusting.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $36.493 | $39.881 | $41.861 | $43.940 |
| Local Taxes | $10.550 | $11.529 | $12.102 | $12.703 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $36.559 | $41.861 | $43.940 |
| Local Taxes | $0.000 | $9.610 | $12.102 | $12.703 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Average growth rate over the last 10 years for fuel consumption by farmers is 5%.
- Price of Washington retail diesel price mirrors the Office of Financial Management forecast.
- Local revenue estimates use the rural average local sales and use tax rate of 1.88%.

**Data Sources**

- Department of Revenue, Excise tax data
- Office of Financial Management, Quarterly fuel prices 2023 forecast
- Joint Legislative Audit & Review Committee references
- U.S. Energy Information Administration, Washington No. 2 diesel sales/deliveries to farm consumers

# 82.08.865; 82.12.865 - Fuel used on farms

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Agriculture |
| **Year Enacted:** | 2006 |
| **Primary Beneficiaries:** | Washington farms or crop dusters that power their farm equipment or aircraft with diesel. |
| **Taxpayer Count:** | 800 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2015 and expedited review completed in 2018 |

# 82.08.870; 82.12.845 - Motorcycles used for rider training programs

**Description**

Sales tax does not apply to sales of motorcycles purchased for use in a motorcycle rider-training program conducted by the Department of Licensing (DOL). Use tax does not apply to motorcycles loaned to DOL or people contracting with DOL for use in a motorcycle rider-training program.

**Purpose**

Supports motorcycle rider-training programs.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | Minimal | Minimal | Minimal | Minimal |
| Local Taxes | Minimal | Minimal | Minimal | Minimal |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | Minimal | Minimal | Minimal |
| Local Taxes | $0.000 | Minimal | Minimal | Minimal |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the taxable sales growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.
- One motorcycle purchased by each motorcycle rider-training school each year.
- Average cost of motorcycles purchased by motorcycle rider-training school is $4,000.

**Data Sources**

- Department of Licensing, Motorcycle training school data
- Economic and Revenue Forecast Council, March 2023 forecast
- J.D. Power, Motorcycle cost data

# 82.08.870; 82.12.845 - Motorcycles used for rider training programs

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 2001 |
| **Primary Beneficiaries:** | Department of Licensing and their contractors who provide motorcycle training |
| **Taxpayer Count:** | 9 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2019 |

# 82.08.875; 82.12.875 - Automotive adaptive equipment

**Description**

Eligible purchasers of prescribed add-on automotive adaptive equipment, including charges incurred for labor and services rendered in respect to the installation and repairing of such equipment are exempt from sales and use taxes.

Eligible purchaser means a veteran, or member of the armed forces serving on active duty, who is disabled, regardless of whether the disability is service connected as defined by federal statute 38 U.S.C. Sec. 101, as amended, as of January 1, 2018.

The exemption only applies if the eligible purchaser receives a reimbursement in whole or part for the purchase by the U.S. Department of Veterans Affairs or another federal agency. The federal agency pays the reimbursement directly to the seller. This exemption expires July 1, 2028.

**Purpose**

To decrease the costs of prescribed add-on automotive adaptive equipment to veterans.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.230 | $0.230 | $0.230 | $0.230 |
| Local Taxes | $0.100 | $0.100 | $0.100 | $0.100 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.210 | $0.230 | $0.230 |
| Local Taxes | $0.000 | $0.095 | $0.100 | $0.100 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Impact remains the same due to cyclical use.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

**Data Sources**

- Department of Revenue, Excise tax data.

# 82.08.875; 82.12.875 - Automotive adaptive equipment

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 2013 |
| **Primary Beneficiaries:** | Purchasers of prescribed add-on automotive adaptive equipment |
| **Taxpayer Count:** | 4 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2017 |

# 82.08.880; 82.12.880 - Livestock medicine

**Description**

Pharmaceuticals used by farmers for livestock are exempt from sales and use taxes. The U.S. Department of Agriculture (USDA) or the Food and Drug Administration (FDA) must approve the drug. The exemption applies to sales made directly to farmers or to veterinarians who in turn administer the medicine to livestock.

**Purpose**

Supports the agricultural industry by offsetting the high cost of medicine for livestock.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.158 | $0.158 | $0.158 | $0.158 |
| Local Taxes | $0.046 | $0.046 | $0.046 | $0.046 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.145 | $0.158 | $0.158 |
| Local Taxes | $0.000 | $0.042 | $0.046 | $0.046 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- No growth due to fluctuations in sales volumes of livestock pharmaceuticals occurring over time in response to various factors including changing animal health needs or changes in animal populations.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

**Data Sources**

- Department of Revenue, Excise tax data
- U.S. Department of Agriculture, Washington farm data
- U.S. Food & Drug Administration, Food-producing animals data

# 82.08.880; 82.12.880 - Livestock medicine

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2009 |
| **Primary Beneficiaries:** | Farmers and veterinarians purchasing pharmaceuticals for animals raised to produce agricultural products for sale |
| **Taxpayer Count:** | 16,000 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2018 |

# 82.08.890; 82.12.890 - Livestock nutrient management

**Description**

Equipment used for livestock nutrient management, including the maintenance and repair of equipment, as well as the installation in a facility, are exempt from sales and use taxes. The exemption applies to purchases made after the management plan is certified. The facilities and equipment must be used exclusively for the handling and treatment of livestock manure, including repair and replacement parts for such equipment.

**Purpose**

To support the Washington dairy industry and livestock feeding operations.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.218 | $0.218 | $0.218 | $0.218 |
| Local Taxes | $0.063 | $0.063 | $0.063 | $0.063 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.200 | $0.218 | $0.218 |
| Local Taxes | $0.000 | $0.053 | $0.063 | $0.063 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- No growth due to varying purchases by a fairly stable dairy industry.
- Local revenue estimates use the rural average local sales and use tax rate of 1.88%.

**Data Sources**

- Department of Revenue, Excise tax data
- Joint Legislative and Audit Review Committee references

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Agriculture |
| **Year Enacted:** | 1997 |
| **Primary Beneficiaries:** | Dairies and livestock operations |
| **Taxpayer Count:** | Around 300 Dairies |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2020 |

# 82.08.900(1)(a); 82.12.900(1) - Biogas from a landfill processing equipment

**Description**

Persons purchasing equipment necessary to process biogas from a landfill into marketable coproducts, including but not limited to biogas conditioning, compression, and electrical generation equipment, or to services rendered in respect to installing, constructing, repairing, cleaning, altering, or improving equipment necessary to process biogas from a landfill into marketable coproducts are exempt from retail sales and use tax.

A person claiming this exemption must keep records necessary for the department to verify eligibility and provide an exemption certificate to the seller.

**Purpose**

To support landfills in order to stimulate investment in biogas capture and conditioning, compression, nutrient recovery, and use of renewable natural gas for heating, electricity generation, and transportation fuel.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.149 | $0.149 | $0.149 | $0.149 |
| Local Taxes | $0.047 | $0.047 | $0.047 | $0.047 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.137 | $0.149 | $0.149 |
| Local Taxes | $0.000 | $0.043 | $0.047 | $0.047 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- No growth is assumed as no new projects to process biogas from a landfill are going to be operational within the estimate period.
- Annual operation and maintenance costs of equipment for compression and treatment of gas to remove non-methane trace compounds is $90 per cubic feet per minute of capacity.
- Annual operation and maintenance costs of engines and turbines used to generate electricity is $180 per kilowatt hour generated.
- Local revenue estimates use the average local sales and use tax rate for Benton, King, Klickitat, and Pierce Counties.

**Data Sources**

- U.S. Environmental Protection Agency, Landfill methane outreach program
- Environmental and Energy Study Institute, Landfill methane fact sheet

# 82.08.900(1)(a); 82.12.900(1) - Biogas from a landfill processing equipment

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Agriculture |
| **Year Enacted:** | 2018 |
| **Primary Beneficiaries:** | Landfill owners |
| **Taxpayer Count:** | 3 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Upcoming review in 2026 |

# 82.08.900(1)(b); 82.12.900(2) - Anaerobic digesters for dairies

**Description**

Persons establishing or operating anaerobic digesters are exempt from sales and use taxes on certain purchases, including labor charges. The exemption covers installation, construction, repairs, cleaning, altering or improvements to an anaerobic digester and the equipment necessary to process the biogas into marketable coproducts.

A person claiming this exemption must keep records necessary for the department to verify eligibility and provide an exemption certificate to the seller.

**Purpose**

To support anaerobic digesters in order to stimulate investment in biogas capture and conditioning, compression, nutrient recovery, and use of renewable natural gas for heating, electricity generation, and transportation fuel.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.306 | $0.306 | $0.306 | $0.306 |
| Local Taxes | $0.088 | $0.088 | $0.088 | $0.088 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.281 | $0.306 | $0.306 |
| Local Taxes | $0.000 | $0.073 | $0.088 | $0.088 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- No growth due to small number of digesters.
- Local revenue estimates use the rural average local sales and use tax rate of 1.88%.

**Data Sources**

- Department of Revenue, Excise tax data
- Joint Legislative Audit and Review Committee references

# 82.08.900(1)(b); 82.12.900(2) - Anaerobic digesters for dairies

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Agriculture |
| **Year Enacted:** | 2001 |
| **Primary Beneficiaries:** | Washington dairies |
| **Taxpayer Count:** | Around 10 dairy digesters |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2020 |

# 82.08.910; 82.12.910 - Gas used to heat chicken houses

**Description**

Poultry farmers are exempt from the sales and use taxes on the purchases of propane or natural gas used to heat structures that house chickens. The propane or natural gas must exclusively heat structures that exclusively house chickens sold as agricultural products.

**Purpose**

To support the poultry industry.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $1.950 | $1.990 | $2.040 | $2.080 |
| Local Taxes | $0.560 | $0.580 | $0.590 | $0.600 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $1.824 | $2.040 | $2.080 |
| Local Taxes | $0.000 | $0.483 | $0.590 | $0.600 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Annual growth of 6% based on historical values of egg production.
- Local revenue estimates use the rural average local sales and use tax rate of 1.88%.

**Data Sources**

- U.S. Department of Agriculture, Boiler production and 2022 Washington Annual Statistical Bulletin
- Joint Legislative Audit and Review Committee references

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Agriculture |
| **Year Enacted:** | 2001 |
| **Primary Beneficiaries:** | Poultry producers |
| **Taxpayer Count:** | 50 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2015 and expedited review completed in 2018 |

# 82.08.920; 82.12.920 - Chicken bedding materials

**Description**

Farmers who raise chickens for sale as agricultural products are exempt from the sales and use taxes on purchases of chicken bedding materials. Qualifying bedding materials accumulate and facilitate the removal of chicken manure.

**Purpose**

This exemption supports the poultry industry.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.480 | $0.490 | $0.510 | $0.520 |
| Local Taxes | $0.140 | $0.140 | $0.150 | $0.150 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.449 | $0.510 | $0.520 |
| Local Taxes | $0.000 | $0.117 | $0.150 | $0.150 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Specific data for farmer purchases of bedding materials for chicken houses is not available. Therefore, used egg and boiler production to calculate cost of bedding as a percent of total.
- Annual growth of 6% based on historical values of egg production.
- Local revenue estimates use the rural average local sales and use tax rate of 1.88%.

**Data Sources**

- U.S. Department of Agriculture, Boiler production and 2022 Washington Annual Statistical Bulletin
- National Agricultural Statistics Service, Agriculture bulletins

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Agriculture |
| **Year Enacted:** | 2006 |
| **Primary Beneficiaries:** | Chicken producers |
| **Taxpayer Count:** | 50 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2015 and expedited review completed in 2018 |

# 82.08.925; 82.12.925 - Dietary supplements

**Description**

Dietary supplements for human use, dispensed to patients pursuant to a prescription, are exempt from sales and use taxes.

**Purpose**

To lessen the cost of prescribed dietary supplements.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $11.880 | $12.320 | $12.760 | $13.200 |
| Local Taxes | $5.340 | $5.540 | $5.740 | $5.940 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $11.300 | $12.760 | $13.200 |
| Local Taxes | $0.000 | $5.080 | $5.740 | $5.940 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the sales tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- 10% of the dietary supplements purchased are prescribed.
- Local revenue estimates use the statewide average local sales and use taxes rate of 2.92%.

**Data Sources**

- Economic and Revenue Forecast Council, March 2023 forecast
- Nutrition Business Journal, 2015 Supplement Business Report
- U.S. Census, Population data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 2003 |
| **Primary Beneficiaries:** | Persons who take dietary supplements |
| **Taxpayer Count:** | 3.9 million |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2021 |

# 82.08.935; 82.12.935 - Drug delivery systems

**Description**

Disposable devices used to deliver drugs for human use are exempt from sales and use taxes. This includes single use items such as syringes, tubing, and catheters.

**Purpose**

To reduce the cost of single use drug delivery systems.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $2.534 | $2.624 | $2.724 | $2.815 |
| Local Taxes | $1.140 | $1.180 | $1.220 | $1.270 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $2.404 | $2.724 | $2.815 |
| Local Taxes | $0.000 | $1.080 | $1.220 | $1.270 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the sales and use taxes growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use taxes rate of 2.92%.
- One fourth of the population uses some type of drug delivery system each year.

**Data Sources**

- Economic and Revenue Forecast Council, March 2023 forecast
- Health Care Authority, Ostomy and drug delivery items expenditures
- U.S. Census, Population data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 2003 |
| **Primary Beneficiaries:** | Persons using disposable devices used to deliver drugs. |
| **Taxpayer Count:** | 1.9 million |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2013 and 2021 |

# 82.08.940; 82.12.940 - Over-the-counter drugs that sold by prescription

**Description**

Over-the-counter drugs for human use are exempt from sales and use taxes if they are either:

- Prescribed directly for patients.
- Purchased by hospitals or other medical facilities and prescribed to patients.

**Purpose**

Reduces the cost of over-the-counter drugs.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $41.740 | $42.130 | $42.560 | $42.980 |
| Local Taxes | $18.770 | $18.950 | $19.140 | $19.330 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $38.620 | $42.560 | $42.980 |
| Local Taxes | $0.000 | $17.370 | $19.140 | $19.330 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the population growth rate reflected in the Office of Financial Management's November 2022 forecast.
- Local revenue estimates use the statewide average local sales and use taxes rate of 2.92%.
- Over-the-counter drugs sold by prescription represent 5% of the prescription drug exemption amounts.

**Data Sources**

- Department of Revenue, Excise tax data
- Office of Financial Management, Forecasting and Research Division, November 2022 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 2013 |
| **Primary Beneficiaries:** | Persons using prescribed over-the-counter drugs |
| **Taxpayer Count:** | 1,900 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.08.945; 82.12.945 - Kidney dialysis equipment

**Description**

Kidney dialysis devices for human use are exempt from sales and use taxes. The exemption includes repair and replacement parts for the equipment.

**Purpose**

To reduce the cost of dialysis equipment.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $7.980 | $8.280 | $8.580 | $8.880 |
| Local Taxes | $3.590 | $3.730 | $3.860 | $4.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $7.590 | $8.580 | $8.880 |
| Local Taxes | $0.000 | $3.410 | $3.860 | $4.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the sales and use taxable activity growth rates reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use taxes rate of 2.92%.

**Data Sources**

- Economic and Revenue Forecast Council, March 2023 forecast
- Fact.MR, "Kidney Dialysis Equipment and Supplies Market Outlook (2022-2026)"
- U.S. Census, Population data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 2001 |
| **Primary Beneficiaries:** | Hospitals and clinics that purchase kidney dialysis equipment |
| **Taxpayer Count:** | 11,000 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2013 and expedited review completed in 2021 |

# 82.08.950; 82.12.950 - Electricity and steam

**Description**

This statute specifically exempts electricity and steam from sales and use taxes.

Note: This exemption does not change the taxability of electricity and steam. The definition of tangible personal property subject to Washington sales and use taxes exclude the sale of electricity and steam. The exemption was necessary to bring Washington sales tax law into conformity with the Streamline Sales and Use Tax Agreement.

**Purpose**

For consistency with the Streamlined Sales and Use Tax Agreement.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would not increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

This statute is necessary for definitional purposes only.

**Data Sources**

None

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Tax base |
| **Year Enacted:** | 2003 |
| **Primary Beneficiaries:** | Purchasers of electricity and steam |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2017 |

# 82.08.956; 82.12.956 - Hog fuel used to produce energy

**Description**

The law provides sales and use taxes exemptions on purchases of hog fuel used to produce electricity, steam, heat, or biofuel.

Buyers must provide the seller with an exemption certificate as well as complete an annual tax performance report for each facility owned or operated in Washington.

The exemption and annual reporting requirement expire June 30, 2034.

**Purpose**

To promote diversified renewable energy use.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $1.993 | $1.973 | $1.943 | $1.923 |
| Local Taxes | $0.580 | $0.570 | $0.560 | $0.560 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $1.653 | $1.943 | $1.923 |
| Local Taxes | $0.000 | $0.520 | $0.560 | $0.560 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Hog fuel exemption future growth declines 1.2% annually, based on the annual tax savings reported the past seven years.
- Local revenue estimates use the rural average local sales and use tax rate of 1.88%.

**Data Sources**

- Department of Revenue, Annual tax performance reports

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2009 |
| **Primary Beneficiaries:** | Forest products industry |
| **Taxpayer Count:** | 12 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2019 |

# 82.08.962(1)(c)(i)(A),(ii),(iii); 82.12.962(1)(c)(i)(A),(ii),(iii) - Renewable energy equipment capable of generating not less than 1,000 watts of electricity

**Description**

A sales and use taxes exemption is available for machinery and equipment used directly in generating electricity from wind, sun, fuel cells, biomass energy, tidal or wave energy, geothermal resources, anaerobic digestion, technology that converts otherwise lost energy from exhaust, or landfill gas as the principal source of power. To qualify for the exemption, the purchaser must use the machinery and equipment to develop a facility capable of generating at least 1,000 watts of electricity. The exemption also includes sales or charges made for installation labor and services of qualifying machinery and equipment.

From July 1, 2009, through June 30, 2011, qualifying purchases were eligible for a 100% exemption.

From July 1, 2011, through December 31, 2019, qualifying purchases were eligible for a 75% exemption in the form of a refund to the purchaser.

From October 1, 2017, through December 31, 2019, the exemption did not apply to sales of solar energy systems, unless the system was capable of generating more than 500 kW of electricity.

Beginning January 1, 2020, the exemption changed to the following:
- 50% of state and local sales and use taxes paid if the Department of Labor and Industries (LNI) certifies the project included procurement from and contracts with women, minority, or veteran-owned businesses. The project will still qualify for 50% exemption if the developer supports they made a good faith effort to meet the standards. This exemption includes solar energy systems capable of generating more than 100 kilowatts but less than 500 kilowatts of electricity.
- 75% of state and local sales and use taxes paid if the LNI certifies the project meets the standards stated at the 50% level as well as compensates workers at prevailing wage rates determined by local collective bargaining determined by the LNI.
- 100% of the state and local sales and use taxes paid if the LNI certifies the project is developed under a community workforce agreement or project labor agreement.

The installation of the qualifying machinery and equipment must commence after January 1, 2020, and be completed no later than December 31, 2029. The exemption expires January 1, 2030.

**Purpose**

To support production of renewable energy sources.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.210 | $0.228 | $0.249 | $0.271 |
| Local Taxes | $0.094 | $0.103 | $0.112 | $0.122 |

# 82.08.962(1)(c)(i)(A),(ii),(iii); 82.12.962(1)(c)(i)(A),(ii),(iii) - Renewable energy equipment capable of generating not less than 1,000 watts of electricity

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.209 | $0.249 | $0.271 |
| Local Taxes | $0.000 | $0.094 | $0.112 | $0.122 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate is 9% for renewable energy markets that qualify for remittance.
- Renewable energy includes energy from wind, biomass, geothermal, and conversion of exhausts.
- Local revenue estimates use the statewide average local sales and use taxes rate of 2.92%

**Data Sources**

- Department of Revenue, Remittance data
- Department of Commerce, Fuel sources data
- Globenewswire.com, Renewable energy growth

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2009 |
| **Primary Beneficiaries:** | Purchasers of renewable energy equipment |
| **Taxpayer Count:** | 10 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2011 |

# 82.08.962(1)(c)(i)(B); 82.12.962(1)(c)(i)(B) - Solar energy equipment capable of generating more than 100 kilowatts AC but no more than 500 kilowatts AC of electricity

**Description**

Beginning with projects installed after January 1, 2020, solar energy systems capable of generating more than 100 kilowatts (kW) but no more than 500 kW of electricity are eligible for an exemption in the form of a remittance of the state and local sales and use taxes paid on purchases of machinery and equipment used directly to generate electricity, and labor and services rendered to install such machinery and equipment.

The Department of Labor and Industries must certify the project has met certain wage and labor requirements. The purchaser must provide the following documentation to the department as part of the application to qualify for the remittance:

- A copy of the contractor's certificate of registration.
- The contractor's current state unified business identifier number.
- A copy of the contractor's required proof of industrial insurance coverage for the contractor's employees working in Washington; employment security department number; and a state excise tax registration number.
- Documentation of the contractor's history of compliance with federal and state wage and hour laws and regulations.

Installation of qualifying machinery and equipment must be completed before January 1, 2030, to qualify for the remittance.

**Purpose**

To support production of renewable energy sources.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.010 | $0.011 | $0.012 | $0.013 |
| Local Taxes | $0.005 | $0.005 | $0.005 | $0.006 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.010 | $0.012 | $0.013 |
| Local Taxes | $0.000 | $0.005 | $0.005 | $0.006 |

# 82.08.962(1)(c)(i)(B); 82.12.962(1)(c)(i)(B) - Solar energy equipment capable of generating more than 100 kilowatts AC but no more than 500 kilowatts AC of electricity

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate is 9% for renewable energy markets that qualify for remittance.
- Local revenue estimates use the statewide average local sales and use taxes rate of 2.92%

**Data Sources**

- Department of Revenue, Remittance data
- Department of Commerce, Fuel sources data
- Globenewswire.com, Renewable energy growth

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2019 |
| **Primary Beneficiaries:** | Purchasers of solar energy equipment |
| **Taxpayer Count:** | 10 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.08.962(1)(e); 82.12.962(1)(e) - Solar energy equipment capable of generating no more than 100 kilowatts AC of electricity

**Description**

Beginning July 1, 2019, purchases of machinery and equipment, and labor and services to install such machinery and equipment, used to generate less than 100 kw electricity, are exempt from sales and use taxes.

To qualify for the exemption, the seller must meet the following requirements at the time of sale:

- Has a contractor's certificate of registration.
- Has a current state unified business identified number.
- As required by law, possesses proof of industrial insurance coverage for the contractor's employees working in Washington; employment security department number; and a state excise tax registration number.
- Has had no findings of violation of federal or state wage and hour laws and regulations in a final and binding order by an administrative agency or court of competent jurisdiction in the past 24 months.

To qualify for this exemption, the purchaser must provide the seller with an exemption certificate, as required by the department.

Installation of qualifying machinery and equipment must be completed before January 1, 2030.

**Purpose**

To support production of renewable energy sources.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $24.616 | $28.308 | $32.555 | $37.438 |
| Local Taxes | $11.239 | $12.925 | $14.863 | $17.093 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $25.949 | $32.555 | $37.438 |
| Local Taxes | $0.000 | $11.848 | $14.863 | $17.093 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate is 15% for the smaller scale solar energy market.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

# 82.08.962(1)(e); 82.12.962(1)(e) - Solar energy equipment capable of generating no more than 100 kilowatts AC of electricity

**Data Sources**

- Department of Revenue, Remittance data
- Department of Commerce, Fuel sources data
- Globenewswire.com, Renewable energy growth

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2019 |
| **Primary Beneficiaries:** | Purchasers of solar energy equipment |
| **Taxpayer Count:** | 90 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.08.965; 82.12.965 - Semiconductor materials manufacturing after $1 billion investment - construction costs

**Description**

Sales and use taxes exemption is available to manufacturers of semiconductor materials who construct new buildings, including parts of new buildings used for qualified manufacturing activities, labor and services in conjunction with construction of facilities for manufacturing semiconductor materials.

To qualify for the sales and use tax exemption the firm must keep at least 75% of the employees they initially showed would constitute full employment for the plant for at least eight years. Failure to meet the 75% employment requirement for any year will result in the loss of one-eighth of the sales and use tax exemption.

This exemption is effective for 12 years following the effective date of the bill, and it is contingent upon commencement of commercial operations by a new semiconductor material fabrication facility with an investment in new buildings and equipment amounting to at least $1 billion.

**Purpose**

To retain and attract semiconductor businesses in Washington.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would not increase revenues because currently no taxpayers use it.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- No taxpayers currently use this exemption. We expect no usage during the forecasted period of this study.
- The necessary facility investment will not occur prior to January 1, 2024.

**Data Sources**

- Department of Revenue, Excise tax data

# 82.08.965; 82.12.965 - Semiconductor materials manufacturing after $1 billion investment - construction costs

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2003 |
| **Primary Beneficiaries:** | Businesses that manufacture semiconductor materials |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2016 and expedited review completed in 2021 |

# 82.08.9651; 82.12.9651 - Semiconductor materials manufacturing - gases and chemicals

**Description**

Sales and use taxes are exempt to manufacturers and processors for hire on purchases of gases and chemicals used to produce semiconductor materials. Manufacturers of silicon solar wafers, silicon solar cells, thin film solar devices, solar grade silicon, or compound semiconductor solar wafers also qualify for this exemption.

A person claiming the exemption under this section must file a complete annual tax performance report.

Any person who has claimed the exemption must reimburse the department for 50% of the amount of the tax exemption, if the number of persons employed by the person claiming the tax preference is less than 90% of the person's three-year employment average for the three years immediately preceding the year in which the exemption is claimed.

This exemption expires December 1, 2028.

**Purpose**

To encourages the retention of existing persons who manufacture semiconductor in Washington and attracts similar businesses to the state.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | CTI | CTI | CTI | CTI |
| Local Taxes | CTI | CTI | CTI | CTI |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | CTI | CTI | CTI |
| Local Taxes | $0.000 | CTI | CTI | CTI |

**Assumptions**

This exemption impacts fewer than three taxpayers; any impacts are confidential.

**Data Sources**

Department of Revenue, Excise tax data

# 82.08.9651; 82.12.9651 - Semiconductor materials manufacturing - gases and chemicals

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2006 |
| **Primary Beneficiaries:** | Businesses that manufacture semiconductor materials |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2016 with upcoming review in 2025 |

# 82.08.970; 82.12.970 - Semiconductor materials manufacturing after $1 billion investment - gases and chemicals

**Description**

Manufacturers and processors for hire of semiconductor materials are exempt from sales and use taxes on purchases of gasses and chemicals used in the manufacturing process. The exemption is contingent upon commencement of commercial operations by a new semiconductor microchip fabrication facility with an investment in new buildings and equipment amounting to at least $1 billion.

The exemption expires 12 years after the effective date, or January 1, 2024, if the contingency has not occurred.

**Purpose**

To encourage the retention of existing semiconductor businesses in Washington and attracts similar businesses to Washington.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would not increase revenue because currently no taxpayers use it.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- No taxpayers currently use this exemption. We expect no usage during the forecasted period of this study.
- The necessary facility investment will not occur prior to January 1, 2024.

**Data Sources**

- Department of Revenue, Excise tax data

# 82.08.970; 82.12.970 - Semiconductor materials manufacturing after $1 billion investment - gases and chemicals

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2003 |
| **Primary Beneficiaries:** | Businesses that manufacture semiconductor materials |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2016 and expedited review completed in 2021 |

# 82.08.975; 82.12.975 - Airplane pre-production computer expenditures

**Description**

Sales of computer hardware, peripherals, or software used primarily in the development, design, or engineering of aerospace products or to provide aerospace services, are exempt from sales and use taxes. Charges for labor and services rendered in respect to installing the computer hardware, peripherals, or software are also exempt from sales and use taxes. This exemption expires July 1, 2040.

**Purpose**

Encourages the retention and expansion of the aerospace industry in Washington.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $6.800 | $6.900 | $7.100 | $7.200 |
| Local Taxes | $3.600 | $3.700 | $3.800 | $3.900 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $6.300 | $7.100 | $7.200 |
| Local Taxes | $0.000 | $3.400 | $3.800 | $3.900 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the consumer price index reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the urban average local sales and use tax rate of 3.16%.

**Data Sources**

- Department of Revenue, Annual tax performance reports
- Economic and Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2003 |
| **Primary Beneficiaries:** | Manufacturers of commercial aircraft and components |
| **Taxpayer Count:** | 20 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2014 and 2019 with an upcoming review in 2024 |

# 82.08.980; 82.12.980 - Commercial airplane facilities on port district property

**Description**

An exemption from sales and use taxes is available to manufacturers who construct new buildings and/or new parts of buildings that will be used primarily to:

- Manufacture commercial airplanes, airplane fuselages, and airplane wings.
- Store raw materials and finished products.

The exemption applies to charges for:

- Labor and services rendered in respect to the constructing of new buildings.
- Materials incorporated as an ingredient or component during construction.
- Labor and services rendered for installing building fixtures not otherwise eligible for the machinery and equipment exemption.

Port districts, political subdivisions, or municipal corporations may also use this exemption when constructing new facilities to lease to qualifying manufacturers. This exemption expires July 1, 2040.

**Purpose**

To encourage the building of commercial aircraft assembly facilities in Washington.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | CTI | CTI | CTI | CTI |
| Local Taxes | CTI | CTI | CTI | CTI |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | CTI | CTI | CTI |
| Local Taxes | $0.000 | CTI | CTI | CTI |

**Assumptions**

This exemption impact less than three taxpayers and any impacts are confidential.

**Data Sources**

Department of Revenue, Annual tax performance reports

# 82.08.980; 82.12.980 - Commercial airplane facilities on port district property

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2003 |
| **Primary Beneficiaries:** | Owners of facilities producing commercial airplanes, fuselages, and wings |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2014 and 2019 with an upcoming review in 2024 |

# 82.08.983; 82.12.983 - Wax or ceramic materials used to create molds

**Description**

Sales of wax or ceramic materials used to create molds consumed during the process of creating ferrous and nonferrous investment castings used in industrial applications are exempt from sales and use taxes. Labor and services used to create patterns and shells used as molds also qualify.

**Purpose**

To encourage the production of castings in Washington.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $3.033 | $2.967 | $3.072 | $3.168 |
| Local Taxes | $1.364 | $1.334 | $1.381 | $1.425 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $2.719 | $3.072 | $3.168 |
| Local Taxes | $0.000 | $1.223 | $1.381 | $1.425 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the manufacturing B&O taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- Fabricators & Manufacturers Association, Inc., Industry financial statistics

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2010 |
| **Primary Beneficiaries:** | Businesses creating molds |
| **Taxpayer Count:** | 41 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2021 |

# 82.08.985; 82.12.985 - Insulin

**Description**

Insulin for use by humans is exempt from sales and use taxes.

**Purpose**

To reduce the cost of insulin.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $55.400 | $57.470 | $59.540 | $61.670 |
| Local Taxes | $24.910 | $25.840 | $26.770 | $27.730 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $52.680 | $59.540 | $61.670 |
| Local Taxes | $0.000 | $23.690 | $26.770 | $27.730 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the sales and use taxable activity growth rate reflected in the Economic and Revenue Forecast Council's November 2022 forecast.
- Local revenue estimates use the statewide average local sales and use taxes rate of 2.92%.

**Data Sources**

- U.S. Census Bureau, Population data
- Statista, "The U.S. Accounts for Nearly Half of Global Diabetes Drug Sales"
- Statista, "Anti-Diabetes Drugs - Worldwide"

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 2004 |
| **Primary Beneficiaries:** | Persons with diabetes |
| **Taxpayer Count:** | 520,000 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2013 and expedited review completed in 2021 |

# 82.08.986; 82.12.986 - Data center equipment and infrastructure

**Description**

There is a sales and use taxes exemption for qualified purchases of eligible server equipment and eligible power infrastructure for data centers located in a rural county. The exemption also includes charges for labor and services associated with installation of the equipment and power infrastructure.

To qualify, a facility must meet employment and facility size requirements described in statute. In addition, for exemption certificates issued on or after June 9, 2022, qualifying businesses operating newly constructed data centers must attain certification for sustainable design or green building standards.

This exemption is limited to eight data centers for those that began construction between July 1, 2015, and July 1, 2019, and a total of 12 data centers through June 9, 2022. There is no limitation thereafter, and any number of data centers may be granted certificates if they qualify, unless they are qualifying via refurbishment.

In addition, each year, the department may issue up to six certificates for data centers that qualify through refurbishment.

No new exemption certificates may be issued on or after July 1, 2036. Exemptions expire July 1, 2048.

"Eligible computer data center" requirements:

- Located in a rural county at the time an application for an exemption is received.
- Have at least 20,000 square feet dedicated to housing working servers.
- Commencement of construction occurs:
  - After March 31, 2010, and before July 1, 2011.
  - After March 31, 2012, and before July 1, 2015.
  - After June 30, 2015, and before July 1, 2035.

**Purpose**

To promote economic development and maintain the state's leadership in technology. It also provides job growth to rural communities in Washington.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $77.540 | $82.240 | $87.040 | $89.040 |
| Local Taxes | $22.590 | $23.290 | $24.790 | $25.790 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

# 82.08.986; 82.12.986 - Data center equipment and infrastructure

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $75.380 | $87.040 | $89.040 |
| Local Taxes | $0.000 | $21.350 | $24.790 | $25.790 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth reflects additional data centers and replacing server equipment.
- Local revenue estimates use the rural average local sales and use tax rate of 1.88%.

**Data Sources**

- Department of Revenue, Annual tax performance reports

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2010 |
| **Primary Beneficiaries:** | Data centers located in rural counties |
| **Taxpayer Count:** | 22 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | 2016 |

# 82.08.9861; 82.12.9861 - Limited counties data center equipment and infrastructure

**Description**

There is a sales and use taxes exemption for qualified purchases of eligible server equipment and eligible power infrastructure for data centers located in a county with population over 800,000. The exemption also includes charges for labor, material, equipment, and services associated with installation of the equipment and power infrastructure.

The department may approve:

- Six applications to obtain the exemptions for qualifying businesses in the first calendar year of the exemption; and
- Six applications to obtain the exemptions for qualifying businesses in each year, calendar year three through calendar year six of the exemption. No applications may be approved in year two.

Program requirements:

- To qualify, a facility must meet employment and facility size requirements described in statute. In addition, qualifying businesses operating newly constructed data centers must attain certification for sustainable design or green building standards.
- The qualifying business must have a minimum of 1.5 megawatts of available power.
- A qualifying tenant must have a minimum electrical capacity of 150 kilowatts for server and computer equipment in a qualifying business. Tenants that previously qualified under the rural county data center program must reapply if they intend to expand into a qualifying business.
- An "eligible computer data center" must have at least 20,000 square feet dedicated to housing working servers.

No new exemption certificates may be issued on or after July 1, 2028. Exemptions expire July 1, 2038.

**Purpose**

To promote economic development and maintain the state's leadership in technology.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $6.100 | $11.300 | $13.900 | $17.400 |
| Local Taxes | $3.000 | $5.500 | $6.700 | $8.400 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

# 82.08.9861; 82.12.9861 - Limited counties data center equipment and infrastructure

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $10.360 | $13.900 | $17.400 |
| Local Taxes | $0.000 | $5.040 | $6.700 | $8.400 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Data centers located in high populated areas tend to be smaller than those located in rural area. For data centers located in King, Pierce, and Snohomish Counties, assume two data centers at 210,000 square feet, the average size, and four at 100,000 square feet, the minimum size required, for each eligible year. Approximately 50% of the data center is dedicated to server space.
- It takes approximately 18 to 24 months to complete a data center. Until full capacity is reached, 25% of the dedicated server space will be filled each year.
- For a new data center, the average cost per square foot for eligible servers and power infrastructure is $800 per square foot.
- Servers are refreshed every three years. This is due to cost savings and upgrading equipment. The cost for replacement servers and power infrastructure maintenance is $200 per square foot.
- Qualifying businesses and tenants will meet the power requirements prior to applying to the Department.
- Local revenue estimates use the urban average local sales and use tax rate of 3.16%.

**Data Sources**

- Department of Revenue, Annual tax performance reports, data center applications and buyers' addendums

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2022 |
| **Primary Beneficiaries:** | Data centers in non-rural counties |
| **Taxpayer Count:** | 10 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.08.989; 82.12.989 - Internet and telecommunications infrastructure for tribes

**Description**

A state sales and use taxes exemption is provided for sales, labor, and services associated with the construction of a qualified infrastructure project (QIP).

The exemption applies to:
- Sales of building materials.
- Telecommunications equipment.
- Personal property used or incorporated into a qualified infrastructure project.
- Charges made for the labor and services related to the construction of a QIP.
- The installation of any equipment or other personal property incorporated into a QIP.

QIP owners must apply to the department for an exemption certificate. The exemption certificate expires on the date the QIP owner certifies the project as operationally complete or January 1, 2030, whichever is first. The total amount of state sales and use tax exempted may not exceed $8 million.

Qualified infrastructure project means the construction of buildings and utilities related to the deployment of modern global internet and telecommunications infrastructure that occurs in part in a distressed county located on the coast of Washington.

QIP owner means a wholly owned subsidiary of a federally recognized tribe located in a county that borders the Pacific Ocean and is developing a qualified infrastructure project.

This exemption expires January 1, 2030.

**Purpose**

To provide a sales and use taxes exemption for sales, labor, and services associated with the construction of a QIP.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $1.300 | $2.600 | $1.950 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $2.380 | $1.950 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

# 82.08.989; 82.12.989 - Internet and telecommunications infrastructure for tribes

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- A new cable landing station will be built on the northwest coast of the U.S. and cost approximately $90 million.
- Groundbreaking to occur in 2024 and expect to be completed by 2026.
- The exemption applies only to a cable landing station constructed in Grays Harbor County and a backhaul network connection from Hoquiam to Centralia, Washington.

**Data Sources**

- Department of Revenue, Fiscal note data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 2023 |
| **Primary Beneficiaries:** | Quinault Indian Nation |
| **Taxpayer Count:** | 10 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.08.990 - Interstate commerce - import and export shipments

**Description**

The sale of tangible personal property in export commerce is exempt from sales tax.

Tangible personal property is in export commerce when the seller delivers the property to the:

- Buyer in a foreign country.
- Carrier consigned to transport the property to a foreign country.
- Buyer at shipside or aboard the buyer's vehicle of transportation and it is clear the export process has started.
- Buyer who is in Washington if the property can be transported to a foreign destination under its own power, the seller files an export declaration and the buyer immediately transports the product to a foreign country (excludes motor vehicles).

**Purpose**

Codifies the department's tax policies regarding imports and exports (WAC 458-20-193C). This statute provides clarity concerning the taxation of property in the process of international shipment.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | Indeterminate | Indeterminate | Indeterminate | Indeterminate |
| Local Taxes | Indeterminate | Indeterminate | Indeterminate | Indeterminate |

**Repeal of exemption**

Repealing this exemption would not increase revenues. These sales would likely be exempt under other statutes (82.08.0254).

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | Indeterminate | Indeterminate | Indeterminate |
| Local Taxes | $0.000 | Indeterminate | Indeterminate | Indeterminate |

**Assumptions**

The revenue impact of this bill is indeterminate. Due to Substitute Senate Bill 5581 in 2019, foreign sellers must collect and remit tax on the sale, resell, or processing of tangible personal property within Washington.

**Data Sources**

None

# 82.08.990 - Interstate commerce - import and export shipments

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Interstate Commerce |
| **Year Enacted:** | 2007 |
| **Primary Beneficiaries:** | Firms engaged in international trade that ship products across Washington's borders |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2023 |

# 82.08.993; 82.12.817 - Hydrogen fuel cell electric vehicles

**Description**

The law provides a sales and use tax exemption for sales and leases of new and used electric passenger cars, light duty trucks, and medium duty passenger vehicles powered by a fuel cell.

Fifty percent of the sales and use taxes are exempt for sales or leases of new vehicles. For the sales or leases of used vehicles, the exemption is limited to the lesser of $16,000 or the fair market value of the vehicle. A person may not claim this exemption if the person claims the exemption under the clean alternative fuel vehicle exemption.

The exemption expires when the cumulative number of qualified new vehicles titled in Washington reaches 650. The exemption expires effective after the last day of the calendar month immediately following the month the department determines the total vehicle count has been reached. The Department of Licensing must collect and provide, upon request, information in a form or manner required by the department to determine the number of exemptions that have been claimed.

The exemption expires the last day following the month the department determined the vehicle count has been met or June 30, 2029; whichever comes first.

**Purpose**

To encourage the purchase of hydrogen fuel cell electric vehicles.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.042 | $0.084 | $0.136 |
| Local Taxes | $0.000 | $0.020 | $0.040 | $0.060 |

**Repeal of exemption**

Repealing this exemption would increase revenue.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.042 | $0.084 | $0.136 |
| Local Taxes | $0.000 | $0.020 | $0.040 | $0.060 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- A hydrogen production facility is being built in Douglas County and expected to be online in June 2024. Once online, two hydrogen fuel stations will be complete late 2024 and hydrogen fuel vehicle sales will start early 2025.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

# 82.08.993; 82.12.817 - Hydrogen fuel cell electric vehicles

**Data Sources**

- Department of Revenue, Excise tax data
- Department of Licensing, Vehicle title data
- KPQ.com, Taylor, J., (2023, February 16). "Douglas PUD Takes Another Stride Towards Hydrogen Plant."

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 2021 |
| **Primary Beneficiaries:** | Customers purchasing hydrogen fuel cell electric vehicles |
| **Taxpayer Count:** | 120 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.08.995; 82.12.995 - Public authority sales

**Description**

Tangible personal property and services provided by a public corporation, commission, or authority are exempt from sales and use taxes when sold to:

- A limited liability company in which the public corporation is the managing member.
- A limited partnership in which the public corporation is the general partner.
- A single-asset entity required by a federal, state, or local housing assistance program and directly or indirectly controlled by the public corporation.

**Purpose**

Minimizes the tax burden for companies receiving federal grants for low-income housing authorities.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | CTI | CTI | CTI | CTI |
| Local Taxes | CTI | CTI | CTI | CTI |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | CTI | CTI | CTI |
| Local Taxes | $0.000 | CTI | CTI | CTI |

**Assumptions**

This exemption impacts fewer than three taxpayers; any impacts are confidential.

**Data Sources**

Financial statements from qualified taxpayers

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 2007 |
| **Primary Beneficiaries:** | Public development authorities |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Upcoming review scheduled in 2025 |

# 82.08.996, 82.12.996 - Battery powered electric vessels

**Description**

Sales and use taxes do not apply to the sale or use of:

- New battery-powered electric marine propulsion systems ("EMPSs").
- New vessels equipped with battery powered EMPSs.
- Batteries and battery packs used to exclusively power EMPSs or hybrid EMPSs and labor and services rendered in respect to installing, repairing, altering, or improving such batteries or battery packs.

Only EMPSs, and the batteries or battery packs used exclusively to power them, with continuous power greater than 15 kilowatts qualify for the exemption. "Battery-powered electric marine propulsion systems" are fully electric outboard or inboard motors used by vessels whose sole source of propulsive power is the energy stored in the battery packs and include required accessories, such as throttles, displays, and battery packs. "Vessels" include every new watercraft, other than seaplanes, that are used or capable of being used as a means of transportation on the water.

Additionally, sales and use taxes do not apply to the sale or use of:

- New shoreside batteries purchased and installed for the purpose of reducing grid demand when charging electric and hybrid vessels.
- Labor and services rendered in respect to installing, repairing, altering, or improving shoreside batteries and installing, constructing, repairing, or improving shoreside batteries infrastructure.
- Tangible personal property that will become a component of shoreside batteries infrastructure.

"Shoreside batteries" means batteries installed at a dock or similar location to provide an electric charge to a vessel powered by an electric marine propulsion system. "Shoreside batteries infrastructure" means the shoreside battery bank, charging apparatus, and emergency services generator.

This exemption expires July 1, 2030.

**Purpose**

To encourage the sale and use of inboard or outboard battery-powered electric marine propulsion systems for vessels and the infrastructure they require.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.010 | $0.010 | $0.010 | $0.010 |
| Local Taxes | $0.004 | $0.004 | $0.004 | $0.004 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

# 82.08.996, 82.12.996 - Battery powered electric vessels

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.010 | $0.010 | $0.010 |
| Local Taxes | $0.000 | $0.003 | $0.004 | $0.004 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- National annual growth rate for boat sales is 5%.
- Local revenue estimates use the urban average local sales and use tax rate of 2.92%.

**Data Sources**

- Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2019 |
| **Primary Beneficiaries:** | Businesses and consumers purchasing electric vessels |
| **Taxpayer Count:** | 5 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.08.997 - Temporary medical housing

**Description**

Sales of temporary medical housing provided by health and social welfare organizations are exempt from sales and use taxes.

**Purpose**

Reduces the cost of temporary housing for patients and their families while undergoing medical treatment.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.238 | $0.238 | $0.238 | $0.238 |
| Local Taxes | $0.336 | $0.336 | $0.336 | $0.336 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.218 | $0.238 | $0.238 |
| Local Taxes | $0.000 | $0.280 | $0.336 | $0.336 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- About 10 facilities offer temporary medical housing.
- No growth due to small number of hospitality houses with limited number of rooms.
- 90% occupancy rate year around.
- Facilities are located in large cities with an average local tax rate of 3.16%.
- Seattle Convention Center tax rate = 0.07%.

**Data Sources**

- Healthcare Hospitality Network
- Individual hospitality house websites

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 2008 |
| **Primary Beneficiaries:** | Persons seeking medical treatment away from their homes |
| **Taxpayer Count:** | About 10 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2021 |

# 82.08.998; 82.12.998 - Weatherization assistance program

**Description**

Sales and use taxes do not apply to tangible personal property used in the weatherization of a residence under the low-income residential weatherization program, chapter 70.164 RCW. The exemption only applies to tangible personal property that becomes a component of the residence. Examples of qualifying weatherization materials include, but are not limited to, insulation and sealants, heating and cooling equipment, supplies used to seal and repair ducts. Charges for labor and services used to install these materials are subject to sales tax and use tax.

**Purpose**

To lower the cost of weatherization improvements so more low-income households receive assistance under the Department of Commerce's weatherization program.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.631 | $0.636 | $0.636 | $0.636 |
| Local Taxes | $0.284 | $0.286 | $0.286 | $0.286 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.583 | $0.636 | $0.636 |
| Local Taxes | $0.000 | $0.262 | $0.286 | $0.286 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- 25% of spending on weatherization programs is for qualifying materials.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

**Data Sources**

- Department of Commerce, Energy Programs in Communities

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 2008 |
| **Primary Beneficiaries:** | Low-income residents |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review scheduled in 2026 |

# 82.08.999; 82.12.999 - Joint municipal utility authority

**Description**

Sales or transfers made between joint municipal utility service authorities and any of its members are exempt from sales and use taxes. A joint municipal utility authority is a municipal corporation formed to better facilitate the joint provision of municipal utility services to the public.

**Purpose**

To clarify the law and to facilitate the ability of local government utilities to jointly plan, finance, construct, acquire, maintain, operate, and provide facilities and utility services to the public, and to reduce costs and improve the benefits, efficiency, and quality of utility services.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would not increase revenues. The joint municipal utility services statutes already exempt these entities from taxation.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

No revenue impact since the joint municipal utility services statutes already exempt these entities from taxation.

**Data Sources**

None

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 2011 |
| **Primary Beneficiaries:** | None |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.08.9994; 82.12.9994 - Bottled water - prescription use

**Description**

Bottled water dispensed or to be dispensed to patients pursuant to a prescription for use in the cure, mitigation, treatment, or prevention of disease or medical condition is exempt from sales and use taxes.

**Purpose**

To treat the prescription use of bottled water in a similar manner to all other medical prescriptions. Medical prescriptions are exempt from sales and use taxes.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | Minimal | Minimal | Minimal | Minimal |
| Local Taxes | Minimal | Minimal | Minimal | Minimal |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | Minimal | Minimal | Minimal |
| Local Taxes | $0.000 | Minimal | Minimal | Minimal |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Exemption use is minimal and therefore no growth.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

**Data Sources**

- Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 2017 |
| **Primary Beneficiaries:** | Persons without potable water |
| **Taxpayer Count:** | 3 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.08.99941; 82.12.99941 - Bottled water - primary water source unsafe

**Description**

Bottled water purchased by persons whose primary source of drinking water is unsafe is exempt from sales and use taxes.

**Purpose**

To reduce the cost of required water.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

The impacts for this exemption are included with the exemption for bottled water dispensed to patients pursuant to a prescription for use in the cure, mitigation, treatment, or preventions of disease or medical condition.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 2017 |
| **Primary Beneficiaries:** | Persons without potable water |
| **Taxpayer Count:** | 3 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.08.9995; 82.12.9995 - Restaurant employee meals

**Description**

Meals provided to employees of restaurants without specific charge are exempt from sales and use taxes.

**Purpose**

To resolve a long-standing issue regarding the application of sales and use taxes and to make administration of the sales tax easier for restaurants and the department.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $4.690 | $4.700 | $4.720 | $4.740 |
| Local Taxes | $2.110 | $2.110 | $2.120 | $2.130 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.550 | $0.610 | $0.620 |
| Local Taxes | $0.000 | $0.250 | $0.280 | $0.280 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the employment growth rate for the service-providing labor force reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- A restaurant employee works an estimated 241 days a year.
- Of the estimated number of employee meals provided to restaurant employees, 29% are provided free of charge.
- An estimated 90% of restaurant employees will receive a free employer-provided meal.
- The average cost of a restaurant employer-provided meal is $4.50.
- A compliance rate of 13% revenue collections applies to each fiscal year of the estimate.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast
- U.S. Bureau of Labor Statistics, May 2022 State Occupational Employment and Wage Estimates, Washington
- U.S. Bureau of Labor Statistics, Establishment data table B-2b: Average weekly hours and overtime of all employees on private nonfarm payrolls by industry sector, not seasonally adjusted
- U.S. Bureau of Labor Statistics, Food from home in U.S. city average, all urban consumers, chained, not seasonally adjusted

# 82.08.9995; 82.12.9995 - Restaurant employee meals

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2011 |
| **Primary Beneficiaries:** | Restaurants |
| **Taxpayer Count:** | 20,144 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2022 |

# 82.08.9996; 82.12.9996 - Vessel deconstruction

**Description**

Sales and use taxes do not apply to sales of vessel deconstruction performed at a qualified vessel deconstruction facility or at an area over water that has been permitted under section 402 of the clean water act of 1972 for vessel deconstruction.

This exemption expires January 1, 2025.

**Purpose**

To decrease the number of abandoned and derelict vessels in Washington by lowering the cost of deconstruction.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.050 | $0.029 | $0.000 | $0.000 |
| Local Taxes | $0.020 | $0.010 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.025 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.010 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 6 months of collections in fiscal year 2025 due to the incentive expiring on January 1, 2025.
- Annual vessel deconstruction costs are extremely varied therefore average amount used to calculate impact.
- Local revenue estimates use the statewide average local sales and use taxes rate of 2.92%.

**Data Sources**

- Department of Revenue, Excise tax data
- Department of Natural Resources, Vessel data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2014 |
| **Primary Beneficiaries:** | Vessel deconstruction businesses |
| **Taxpayer Count:** | 25 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2017 |

# 82.08.9997; 82.12.9997 - Cannabis, tribal contracts

**Description**

State and local sales and use taxes do not apply to the sale or use of cannabis products covered by a tribal cannabis compact.

**Purpose**

To treat cannabis compacts in a manner similar to cigarette compacts, as a government-to-government relationship.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | Indeterminate | Indeterminate | Indeterminate | Indeterminate |
| Local Taxes | Indeterminate | Indeterminate | Indeterminate | Indeterminate |

**Repeal of exemption**

Repealing this exemption would not increase revenues, as that would violate the contractual agreement.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

The state will not impose its cannabis and sales and use taxes on these products, as the tribes are already imposing their own equivalent taxes under the contracts.

**Data Sources**

None

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 2015 |
| **Primary Beneficiaries:** | State, local and tribal governments |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.08.9998(1)(a); 82.12.9998 - Medical cannabis sold to qualifying patients

**Description**

Sales of cannabis products identified by the Department of Health as beneficial for medical use by retailers with medical cannabis endorsements are exempt from sales and use taxes if the sales are to patients or designated providers who have cannabis recognition cards.

The Department of Health identifies these cannabis products as compliant cannabis products.

**Purpose**

To exempt medically beneficial cannabis from sales and use taxes.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.877 | $0.877 | $0.877 | $0.877 |
| Local Taxes | $0.394 | $0.394 | $0.394 | $0.394 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.804 | $0.877 | $0.877 |
| Local Taxes | $0.000 | $0.362 | $0.394 | $0.394 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth is minimal therefore annual amounts remain constant.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

**Data Sources**

- Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 2015 |
| **Primary Beneficiaries:** | Medical cannabis retailers and customers |
| **Taxpayer Count:** | 156 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2021 |

# 82.08.9998(1)(b); 82.12.9998 - Low THC products sold to qualifying patients

**Description**

Sales of cannabis products containing THC with a THC concentration of 0.3% or less are exempt from sales and use taxes. This exemption applies only when retailers with medical cannabis endorsements sell to patients or designated providers who have cannabis recognition cards.

**Purpose**

To exempt medically beneficial cannabis from sales and use taxes.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.046 | $0.046 | $0.046 | $0.046 |
| Local Taxes | $0.021 | $0.021 | $0.021 | $0.021 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.042 | $0.046 | $0.046 |
| Local Taxes | $0.000 | $0.019 | $0.021 | $0.021 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth is minimal therefore annual amounts remain constant.
- Qualifying THC products are about 5% of medical cannabis sales.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

**Data Sources**

- Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 2015 |
| **Primary Beneficiaries:** | Medical cannabis retailers and customers |
| **Taxpayer Count:** | 156 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2021 |

# 82.08.9998(1)(c); 82.12.9998 - Cannabis with low THC-high CBD ratio

**Description**

Sales of cannabis products identified by the Department of Health to have a low THC, high CBD ratio and to be beneficial for medical use are exempt from sales and use taxes. This exemption applies only when retailers with medical cannabis endorsements sell to those who can legally purchase cannabis.

**Purpose**

To exempt medically beneficial cannabis from sales and use taxes.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.065 | $0.065 | $0.065 | $0.065 |
| Local Taxes | $0.029 | $0.029 | $0.029 | $0.029 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.060 | $0.065 | $0.065 |
| Local Taxes | $0.000 | $0.027 | $0.029 | $0.029 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth is minimal therefore annual amounts remain constant.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

**Data Sources**

- Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 2015 |
| **Primary Beneficiaries:** | Medical cannabis retailers and customers |
| **Taxpayer Count:** | 19 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2021 |

# 82.08.9998(1)(d); 82.12.9998 - Topical low THC sales by health care professionals

**Description**

Sales by health care professionals of topical, non-ingestible products containing THC with a THC concentration of 0.3% or less, are exempt from sales and use taxes.

**Purpose**

To exempt medically beneficial cannabis from sales and use taxes.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.014 | $0.014 | $0.014 | $0.014 |
| Local Taxes | $0.006 | $0.006 | $0.006 | $0.006 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.013 | $0.014 | $0.014 |
| Local Taxes | $0.000 | $0.006 | $0.006 | $0.006 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth is minimal therefore annual amounts remain constant.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

**Data Sources**

- Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 2015 |
| **Primary Beneficiaries:** | Medical cannabis recipients |
| **Taxpayer Count:** | 3 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2021 |

# 82.08.9998(1)(e)(i); 82.12.9998 - Cannabis and low THC products produced and used by cooperative members

**Description**

Sales and use taxes do not apply to cannabis products and low THC products (THC content less than 0.3%) produced and used by cooperative members.

**Purpose**

The legislature does not intend to tax the activities of medical cannabis cooperatives which are barred from selling cannabis.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | Indeterminate | Indeterminate | Indeterminate | Indeterminate |
| Local Taxes | Indeterminate | Indeterminate | Indeterminate | Indeterminate |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | Indeterminate | Indeterminate | Indeterminate |
| Local Taxes | $0.000 | Indeterminate | Indeterminate | Indeterminate |

**Assumptions**

The revenue impact is indeterminate, as the number of cooperatives is unknown. However, the impact should be negligible.

**Data Sources**

None

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 2015 |
| **Primary Beneficiaries:** | Medical cannabis cooperatives |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2021 |

# 82.08.9998(1)(e)(ii); 82.12.9998 - Resources and labor contributed by medical cannabis cooperative members

**Description**

Nonmonetary resources and labor contributed by an individual member of a medical cannabis cooperative are exempt from sales and use taxes.

**Purpose**

Cooperatives grow cannabis for their own medical use and may not sell products. It is the intent of the legislature to exempt this noncommercial activity from taxation.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | Indeterminate | Indeterminate | Indeterminate | Indeterminate |
| Local Taxes | Indeterminate | Indeterminate | Indeterminate | Indeterminate |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | Indeterminate | Indeterminate | Indeterminate |
| Local Taxes | $0.000 | Indeterminate | Indeterminate | Indeterminate |

**Assumptions**

Revenue impact is indeterminate because the number of future cooperatives, future resources, and labor contributions is unknown.

**Data Sources**

None

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 2015 |
| **Primary Beneficiaries:** | Medical cannabis cooperatives |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2021 |

# 82.08.9999; 82.12.9999 - Alternative fuel vehicles

**Description**

A sales and use taxes exemption is provided for sales of new and used passenger cars, light duty trucks, and medium duty passenger vehicles which meet one of the following:

- Are exclusively powered by a clean alternative fuel.
- Use at least one method of propulsion that is capable of being recharged from an external source of electricity and are capable of traveling at least 30 miles using only battery power.

"Clean alternative fuel" includes natural gas, propane, hydrogen, and electricity.

New vehicles with a selling price less than $45,000, which includes the trade-in value, qualify for this exemption. Through July 31, 2021, the exemption is a maximum of $25,000 of a vehicle's selling price or the total lease payments made plus the selling price of the leased vehicle if the original lessee purchases the leased vehicle. Beginning August 1, 2021, the exemption is a maximum of $20,000 and decreases to $15,000 on August 1, 2023. The qualification period end date is August 1, 2025.

Used vehicles with a selling price less than $30,000, which includes the trade-in value, qualify for this exemption. The first $16,000 of the selling price or total lease payments made plus the selling price of the leased vehicle, if purchased by the original lessee, is exempt from sales and use taxes.

All leased vehicles signed by the qualification period end date continue to be exempt from retail sales taxes until August 1, 2028, when these sections expire.

**Purpose**

To encourage the sale and lease of alternative fuel vehicles.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $11.470 | $14.710 | $3.040 | $0.000 |
| Local Taxes | $4.930 | $6.320 | $1.310 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenue.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $13.480 | $4.570 | $0.000 |
| Local Taxes | $0.000 | $5.800 | $1.970 | $0.000 |

# 82.08.9999; 82.12.9999 - Alternative fuel vehicles

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025 with 3 month collections in fiscal year 2026 due to exemption expiring August 1, 2025.
- Growth rate mirrors the battery electric and plug-in hybrid vehicle growth rate reflected in the Transportation Revenue Forecast's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

**Data Sources**

- Department of Revenue, Excise tax data
- Office of Financial Management, March 2023 Transportation Revenue Forecast
- Department of Licensing, Vehicle title data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 2019 |
| **Primary Beneficiaries:** | Consumer purchasing new and used alternative fuel vehicles |
| **Taxpayer Count:** | 26,000 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review scheduled in 2024 |

# 82.12.010(7)(c) - Use tax on rental value

**Description**

An out-of-state business that brings property into Washington for temporary business use (less than 180 days during a 365 consecutive day period) may compute use tax based on an amount representing the reasonable rental value of the item, rather than the total market value. The usual measure of use tax is the purchase price or the fair market value at the time of first use in Washington.

**Purpose**

To encourage out-of-state enterprises to do business in Washington by allowing them to use equipment here on a temporary basis without incurring use tax on the full market value.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $1.159 | $1.185 | $1.227 | $1.271 |
| Local Taxes | $0.521 | $0.533 | $0.552 | $0.572 |

**Repeal of exemption**

Repealing this tax preference would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $1.086 | $1.227 | $1.271 |
| Local Taxes | $0.000 | $0.489 | $0.552 | $0.572 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- 90 days is the average use in Washington.
- Growth rate mirrors the construction equipment growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

**Data Sources**

- Economic and Revenue Forecast Council, March 2023 forecast
- Joint Legislative Audit and Review Committee

# 82.12.010(7)(c) - Use tax on rental value

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1985 |
| **Primary Beneficiaries:** | Out-of-state businesses with activities in Washington. |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2013 with an upcoming review in 2026 |

# 82.12.0203 - Self-produced fuel (refinery fuel gas)

**Description**

Refinery fuel gas is subject to the following state use tax rate structure in lieu of the 6.5% state use tax rate:

- 0.963 % from January 1, 2018, through December 31, 2018.
- 1.926 % from January 1, 2019, through December 31, 2019.
- 2.889 % from January 1, 2020, through December 31, 2020.
- 3.852 % from January 1, 2021, and thereafter.

However, the use of refinery fuel gas by an extractor or manufacturer is not subject to local use tax when the fuel is used directly in the operation of the particular extractive operation or manufacturing plant that produced or manufactured the same refinery fuel gas.

**Purpose**

To provide a lower tax rate to improve industry competitiveness.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $5.440 | $5.450 | $5.090 | $5.190 |
| Local Taxes | $4.650 | $4.660 | $4.350 | $4.440 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $5.000 | $5.090 | $5.190 |
| Local Taxes | $0.000 | $4.270 | $4.350 | $4.440 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Beginning October 1, 2023, all refineries report taxable value of self-produced natural gas at a standard price based on Henry Hub cash market price forecast.
- Henry Hub cash market price forecast is reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Growth rate for natural gas production volume mirrors the department's March 2023 non-general fund forecast for petroleum product volume.
- Average local tax rate is 2.26% among the petroleum refinery locations in Whatcom, Skagit, and Pierce Counties.

**Data Sources**

- Department of Revenue, Excise tax data and March 2023 non-general fund forecast
- Economic and Revenue Forecast Council, March 2023 forecast

# 82.12.0203 - Self-produced fuel (refinery fuel gas)

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2017 |
| **Primary Beneficiaries:** | Petroleum refineries |
| **Taxpayer Count:** | 5 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.12.0208(3) - Digital goods used by students

**Description**

Use tax is not imposed when students use digital goods furnished by an elementary school, secondary school, or an institution of higher education.

**Purpose**

To protect the sales and use taxes base, establish certainty in the tax code, maintain conformity with the streamlined sales and use taxes agreement, and encourage economic development.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | Indeterminate | Indeterminate | Indeterminate | Indeterminate |
| Local Taxes | Indeterminate | Indeterminate | Indeterminate | Indeterminate |

**Repeal of exemption**

Repealing this exemption would not increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | Indeterminate | Indeterminate | Indeterminate |
| Local Taxes | $0.000 | Indeterminate | Indeterminate | Indeterminate |

**Assumptions**

The revenue impact of this exemption is indeterminate; however, the impact is likely minimal.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Tax Base |
| **Year Enacted:** | 2009 |
| **Primary Beneficiaries:** | Students |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2023 |

# 82.12.0208(4)(a)(i) - Digital goods used noncommercially

**Description**

The use tax is not imposed upon the use of digital goods that are of a noncommercial nature, such as personal emails.

**Purpose**

To protect the sales and use taxes base, establish certainty in the tax code, maintain conformity with the streamlined sales and use taxes agreement, and encourage economic development.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | Indeterminate | Indeterminate | Indeterminate | Indeterminate |
| Local Taxes | Indeterminate | Indeterminate | Indeterminate | Indeterminate |

**Repeal of exemption**

Repealing this exemption would not increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

Individuals using digital goods noncommercially are not subject to use tax, therefore repealing this exemption results in no impact.

**Data Sources**

None

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 2009 |
| **Primary Beneficiaries:** | Individuals who send emails or otherwise use digital goods noncommercially |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2023 |

# 82.12.0208(4)(a)(ii) - Digital goods created for internal audience

**Description**

The use tax is not imposed upon the use of digital goods that are created solely for an internal audience.

**Purpose**

To protect the sales and use taxes base, establish certainty in the tax code, maintain conformity with the streamlined sales and use taxes agreement, and encourage economic development.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | Indeterminate | Indeterminate | Indeterminate | Indeterminate |
| Local Taxes | Indeterminate | Indeterminate | Indeterminate | Indeterminate |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | Indeterminate | Indeterminate | Indeterminate |
| Local Taxes | $0.000 | Indeterminate | Indeterminate | Indeterminate |

**Assumptions**

The revenue impact of this exemption is indeterminate. Repealing this exemption would have an indeterminate impact on revenues since the data regarding digital goods created solely for an internal audience is unattainable.

**Data Sources**

None

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2009 |
| **Primary Beneficiaries:** | Businesses that create digital goods solely for internal use |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2023 |

# 82.12.0208(4)(a)(iii) - Digital goods created for business needs and not for sale

**Description**

The use tax is not imposed upon the use of digital goods that are created solely for the business needs of the person who created them, if they are not the type of digital good that is offered for sale. Excluded digital goods include business email communications.

**Purpose**

To protect the sales and use taxes base, establish certainty in the tax code, maintain conformity with the streamlined sales and use taxes agreement, and encourage economic development.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | Indeterminate | Indeterminate | Indeterminate | Indeterminate |
| Local Taxes | Indeterminate | Indeterminate | Indeterminate | Indeterminate |

**Repeal of exemption**

Repealing this exemption would not increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | Indeterminate | Indeterminate | Indeterminate |
| Local Taxes | $0.000 | Indeterminate | Indeterminate | Indeterminate |

**Assumptions**

The revenue impact of this exemption is indeterminate. Digital goods created for business needs and not for sale is unknown.

**Data Sources**

None

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2009 |
| **Primary Beneficiaries:** | Businesses that send emails or otherwise use digital goods that are not offered for sale |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2023 |

# 82.12.0208(5) - Digital products or codes obtained for free by end user

**Description**

Digital products and digital codes obtained free of charge are exempt from use tax.

**Purpose**

To protect the sales and use tax base, establish certainty in the tax code, maintain conformity with the streamlined sales and use tax agreement, and encourage economic development.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | Indeterminate | Indeterminate | Indeterminate | Indeterminate |
| Local Taxes | Indeterminate | Indeterminate | Indeterminate | Indeterminate |

**Repeal of exemption**

Repealing this exemption would have an indeterminate impact on revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | Indeterminate | Indeterminate | Indeterminate |
| Local Taxes | $0.000 | Indeterminate | Indeterminate | Indeterminate |

**Assumptions**

The revenue impact of this exemption is indeterminate. No reliable data source was located.

**Data Sources**

None

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 2009 |
| **Primary Beneficiaries:** | Consumers of digital products or codes |
| **Taxpayer Count:** | 7.5 million |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2023 |

# 82.12.022(6); 82.14.230(6) - Natural and manufactured gas used for transportation

**Description**

The use of natural gas as a transportation fuel, when provided by a person other than a gas distribution business, is exempt from use taxes. The PU tax provides a similar exemption for sales by gas distribution businesses.

**Purpose**

To promote the use of natural gas as a transportation fuel and consistency in the tax code.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $10.869 | $11.786 | $13.956 | $17.101 |
| Local Taxes | $13.152 | $14.261 | $16.887 | $20.692 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $10.804 | $13.956 | $17.101 |
| Local Taxes | $0.000 | $13.073 | $16.887 | $20.692 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rates mirror the natural gas end-use demand and natural gas price growth rates reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Estimates reflect state brokered natural gas rate of 3.85% and average local brokered natural gas rate of 4.66%.

**Data Sources**

- Economic and Revenue Forecast Council, March 2023 forecast
- U.S. Department of Energy, Alternative Fuels Data Center

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Businesses |
| **Year Enacted:** | 2014 |
| **Primary Beneficiaries:** | Buyers and sellers of natural gas as transportation fuel |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review scheduled in 2025 |

# 82.12.0251 - Nonresidents' personal property

**Description**

Use tax does not apply to tangible personal property, digital goods, digital codes, and any services rendered in respect to such property, brought into Washington by a nonresident for temporary use or enjoyment, so long as the item is not used in conducting a non-transitory business activity. This exemption also applies to the use of a motor vehicle registered in another state if the vehicle is not required to be registered in Washington and the use of household goods, personal effects and private motor vehicles (excluding motor homes) by residents of Washington (and nonresident military personnel who are stationed in Washington), if the items were acquired and used while the owner was a resident of another state at least 90 days before entering Washington.

**Purpose**

To encourage tourism in Washington and to avoid penalizing new residents of Washington by subjecting previously owned items to use tax.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $3,205.900 | $3,315.800 | $3,308.700 | $3,308.200 |
| Local Taxes | $1,513.400 | $1,570.000 | $1,624.900 | $1,681.200 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $395.140 | $860.260 | $1,290.200 |
| Local Taxes | $0.000 | $187.090 | $422.470 | $655.670 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the sales tax growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Average depreciation rate on tangible personal property is 50%.
- 50% of visitors to Washington locations are already Washington residents and 39.4% are repeat visitors.
- 22% of visitors drive their own car for three-day trips into Washington with two visitors per car.
- Compliance:
  - 13% revenue collections in Fiscal Year 2021.
  - 26% revenue collections in Fiscal Year 2022.
  - 39% revenue collections in Fiscal Year 2023.
  - 52% revenue collections in Fiscal Year 2024 and thereafter.

# 82.12.0251 - Nonresidents' personal property

**Data Sources**

- Economic and Revenue Forecast Council, March 2023 forecast
- Autotrader.com 'Buying a Car: How Long Can You Expect a Car to Last?'
- CarsDirect.com 'What is the Average Car Depreciation Rate?'
- Zillow.com 'Washington Home Values'
- Washington Tourism Alliance, Tourism data
- Prnewswire.com 'New Vehicles Retail Outlook'
- Nytimes.com 'The Great American Road Trip: Shorter and More Popular Than Ever'
- Bankrate.com 'How Much Does it Cost to Rent a Car?'
- Yahoo.com 'How Much is Your Luggage Worth?'

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 1935 |
| **Primary Beneficiaries:** | Visitors and new Washington residents |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2023 |

# 82.12.02595 - Donations to nonprofits and government

**Description**

Tangible personal property donated to nonprofit charitable organizations and state or local governments are exempt from use tax. In addition, labor and services rendered in respect to installing, repairing, cleaning, altering, imprinting, or improving personal property that are donated to nonprofit charitable organizations and state or local governments are also exempt from use tax.

**Purpose**

To allow charitable donations to take place without incurring use tax.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $1.410 | $1.460 | $1.520 | $1.570 |
| Local Taxes | $0.630 | $0.660 | $0.680 | $0.710 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $1.340 | $1.520 | $1.570 |
| Local Taxes | $0.000 | $0.600 | $0.680 | $0.710 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the sale and use taxes growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local use tax rate of 2.92%.

**Data Sources**

- Economic and Revenue Forecast Council, March 2023 forecast
- Giving USA 2022, Annual Report on Philanthropy for the Year 2021
- CECP, Giving in Numbers 2014 Edition
- U.S. Census, Population data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 1995 |
| **Primary Beneficiaries:** | Nonprofit groups and governmental entities that receive donated items |
| **Taxpayer Count:** | 237 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.12.0263 - Extracted fuel

**Description**

Use tax does not apply to the use of biomass fuel by the extractor or manufacturer when the fuel is used directly in the operation of the particular extractive operation or manufacturing plant which produced or manufactured the same biomass fuel.

"Biomass fuel" means wood waste and other wood residuals, including forest derived biomass, but does not include firewood or wood pellets. "Biomass fuel" also includes partially organic by-products of pulp, paper, and wood manufacturing processes.

**Purpose**

Provide a lower tax rate to improve industry competitiveness.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would not increase revenue because currently no taxpayers use it.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

No taxpayers currently use this exemption. We expect no usage during the forecasted period of this study.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2017 |
| **Primary Beneficiaries:** | Businesses that manufacture wood biomass fuel |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2011 and expedited review completed in 2017 |

# 82.12.0264 - Driver training vehicles

**Description**

Vehicles used in driver-training programs by public and private schools are exempt from use tax.

The vehicles must:
- Contain dual controls.
- Be used exclusively by public or private schools (not commercial driver-training programs).

**Purpose**

Reduces the costs of providing driver-education programs.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.025 | $0.025 | $0.025 | $0.025 |
| Local Taxes | $0.011 | $0.011 | $0.011 | $0.011 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.023 | $0.025 | $0.025 |
| Local Taxes | $0.000 | $0.010 | $0.011 | $0.011 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Statewide, school districts have seven vehicles under contract. Same number of vehicles for private school driver's education.
- The cars have an average age of three years.
- The number of driver's education cars leased continues to be much lower than previous years, therefore no growth.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

**Data Sources**

- Office of the Superintendent of Public Instruction, Driver education car data
- Edmunds.com, Average car values

# 82.12.0264 - Driver training vehicles

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 1955 |
| **Primary Beneficiaries:** | School districts |
| **Taxpayer Count:** | 15 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2010 and 2019 |

# 82.12.0265 - Bailed tangible personal property for research and development

**Description**

A bailee's research, development, experimental, and testing activities is not subject to use tax so long as the property was not subject to sales tax or use taxes when acquired by the bailor. "Bailment" consists of a bailor granting the temporary right of possession of tangible personal property to another person (bailee) for a stated purpose without consideration or transfer of ownership.

**Purpose**

Tangible personal property owned by the federal government used by federal contractors is subject to bailment. Such contractors are normally subject to use tax on the value of materials incorporated into federal projects. The purpose of the exemption is to improve the competitive position of instate businesses competing for the federal contracts by reducing the associated tax burden.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would not increase revenue because currently no taxpayers use it.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

No taxpayers currently use this exemption. We expect no usage during the forecasted period of this study.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1961 |
| **Primary Beneficiaries:** | Contractors with the federal government |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2010 and expedited review completed in 2023 |

# 82.12.0266 - Vehicles acquired while in military service

**Description**

Vehicles and trailers acquired and used by Washington residents serving in the armed forces and stationed outside of Washington are exempt from use tax. Exemption does not cover persons called to active duty for training of less than six months or for vehicles acquired less than 30 days prior to discharge from the military.

**Purpose**

To support resident armed forces members and to create equity. Nonresidents who bring their vehicles into Washington and establish residency here are exempt from use tax.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $8.600 | $8.810 | $8.880 | $8.750 |
| Local Taxes | $3.700 | $3.790 | $3.820 | $3.760 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $8.080 | $8.880 | $8.750 |
| Local Taxes | $0.000 | $3.470 | $3.820 | $3.760 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the auto sales growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Estimated persons from Washington in the military mirrors percentage of state population to national population.
- Average length of auto ownership is eight years.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

**Data Sources**

- Economic and Revenue Forecast Council, March 2023 forecast
- Office of Financial Management, Population data
- U.S. Department of Defense, Military personnel data
- U.S. Census, Population data
- National Automobile Dealers Association, Vehicle data

# 82.12.0266 - Vehicles acquired while in military service

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 1963 |
| **Primary Beneficiaries:** | Resident members of the armed forces |
| **Taxpayer Count:** | 27,000 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2010 and expedited review completed in 2020 |

# 82.12.0272 - Display items for trade shows

**Description**

Tangible personal property held for sale and displayed in a trade show for up to 30 days is exempt from use tax. The exemption pertains to items that are actually demonstrated and not simply available for sale as part of the dealer's inventory.

**Purpose**

To stimulate trade and the economy by encouraging trade shows to take place in the state.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | Indeterminate | Indeterminate | Indeterminate | Indeterminate |
| Local Taxes | Indeterminate | Indeterminate | Indeterminate | Indeterminate |

**Repeal of exemption**

Repealing this exemption would likely increase revenues but the impact is indeterminate.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | Indeterminate | Indeterminate | Indeterminate |
| Local Taxes | $0.000 | Indeterminate | Indeterminate | Indeterminate |

**Assumptions**

The revenue impact of this exemption is indeterminate. The beneficiaries of this exemption are not required to report, file, deduct, or otherwise document their use of this exemptions, therefore no reliable data exists to estimate the impact.

**Data Sources**

None

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1971 |
| **Primary Beneficiaries:** | Manufacturers displaying items at trade shows |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2011 with an upcoming review in 2026 |

# 82.12.0284 - Computers donated to schools

**Description**

Donated computers to public or private nonprofit schools or colleges are exempt from use tax. This includes computers donated by individuals and businesses. The exemption includes computers, computer components, computer accessories, computer software, digital goods, or digital codes.

A similar exemption is provided for ALL tangible personal property that is donated to a government entity or a nonprofit charitable organization. However, that statute does not cover donations of computers to private, nonprofit educational institutions.

**Purpose**

To encourage individuals and businesses to donate computer equipment to schools.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.144 | $0.144 | $0.144 | $0.144 |
| Local Taxes | $0.065 | $0.065 | $0.065 | $0.065 |

**Repeal of exemption**

Repealing this exemption would increase revenues. Private nonprofit educational institutions would pay use tax on donated computers.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.132 | $0.144 | $0.144 |
| Local Taxes | $0.000 | $0.054 | $0.065 | $0.065 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- On average, about 5,600 computers are donated annually to schools in the last five years.
- Used laptop computers have an average value of $400.
- Local revenue estimates use the statewide average local use tax rate of 2.92%.

**Data Sources**

- Office of Public Instruction, Computers for kids program data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 1983 |
| **Primary Beneficiaries:** | Public and private schools |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited reviews completed in 2019 |

# 82.12.035 - Tax paid to other states

**Description**

The amount of sales or use tax paid to another state, foreign county, or political subdivision of another state or foreign county may be credited towards use tax due for items used in Washington. The credit is limited to the amount of Washington use tax otherwise due.

**Purpose**

The primary function of use tax is to complement sales tax by asserting tax in situations where the Washington sales tax did not apply (purchases made in other states, items bought from private parties, etc.). This credit avoids overtaxing items when tax was paid to another jurisdiction.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.639 | $0.662 | $0.692 | $0.724 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this credit may increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.606 | $0.692 | $0.724 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the use taxable activity growth rate reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Credit is applied to state use tax due first. There is rarely any credit left to apply to local use tax due. Therefore, there is no local impact.

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Tax base |
| **Year Enacted:** | 1967 |
| **Primary Beneficiaries:** | Businesses that pay taxes to other states |
| **Taxpayer Count:** | 186 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2011 and expedited review completed in 2023 |

# 82.12.225 - Nonprofit fund-raising activities - article valued at less than current value limit

**Description**

Consumers supporting the charitable activities of nonprofit organizations or libraries are provided a limited use tax exemption. The exemption applies to the use of any article of personal property purchased or won as a prize in a game of chance, from a nonprofit organization or library as part of a qualifying tax-exempt fundraising activity.

The item bought or received as a prize in a contest of chance must have a value less than $13,920. The department must adjust the value limit for the exemption by multiplying the current value limit by the greater of one or one plus the percentage change in the consumer price index for the most recent 12-month period available as of December 1st of the current year.

**Purpose**

To support nonprofit organizations.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $2.555 | $2.647 | $2.769 | $2.897 |
| Local Taxes | $1.149 | $1.190 | $1.245 | $1.303 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $2.426 | $2.769 | $2.897 |
| Local Taxes | $0.000 | $1.091 | $1.245 | $1.303 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the use taxable activity growth rates reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

**Data Sources**

- Washington Gambling Commission, Nonprofit data
- Economic and Revenue Forecast Council, March 2023 forecast

# 82.12.225 - Nonprofit fund-raising activities - article valued at less than current value limit

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 2013 |
| **Primary Beneficiaries:** | Consumers supporting nonprofit organizations or libraries |
| **Taxpayer Count:** | 1,477 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2018 |

# 82.12.799 - Vessels exempt from registration

**Description**

Vessel registration does not apply for the use of a vessel exempt from registration.

**Purpose**

To expand the economy of the maritime industry in Washington.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.731 | $0.758 | $0.785 | $0.812 |
| Local Taxes | $0.329 | $0.341 | $0.353 | $0.365 |

**Repeal of exemption**

Repealing this exemption would not increase revenue because many vessel owners would leave before the 61st day, when tax becomes due.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

Repealing this exemption would not increase revenue because many vessel owners would leave before the 61st day, when tax becomes due.

**Data Sources**

Department of Revenue, Vessel data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 2021 |
| **Primary Beneficiaries:** | Vessel owners |
| **Taxpayer Count:** | 11 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.12.800; 82.12.801; 82.12.802 - Vessel use by manufacturers or dealers

**Description**

These statutes relate to the application of use tax for businesses that manufacture or sell vessels and vessel trailers. Use tax is exempt on the following uses of a vessel and trailer by the manufacturer or a vessel dealer:

- Testing, setting up, repairing, remodeling or otherwise making the vessel seaworthy.
- Training of employees who are involved in the manufacturing of the vessel.
- Promoting the sale of the vessel.
- Loaning or donating the vessel to nonprofit organizations or governmental entities for limited periods.
- Transporting, displaying, or demonstrating the vessel at boat shows.
- Delivering, showing, and operating the vessel for a prospective buyer.

Any personal intervening use of the vessel by the manufacturer or a dealer is subject to use tax. However, use tax in such instances is measured by the reasonable rental value of the vessel for particular use, rather than the fair market value, if the dealer can demonstrate the vessel is truly held for sale.

**Purpose**

To clearly identify the uses of vessels and related equipment which are not considered as taxable "intervening" uses and to provide a basis for the use tax in other taxable situations.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.075 | $0.075 | $0.075 | $0.075 |
| Local Taxes | $0.034 | $0.034 | $0.034 | $0.034 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.069 | $0.075 | $0.075 |
| Local Taxes | $0.000 | $0.031 | $0.034 | $0.034 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the real nonresidential fixed investments growth rates reflected in the Economic and Revenue Forecast Council's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use taxes rate of 2.92%.

# 82.12.800; 82.12.801; 82.12.802 - Vessel use by manufacturers or dealers

**Data Sources**

- Department of Revenue, Excise tax data
- Economic and Revenue Forecast Council, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1997 |
| **Primary Beneficiaries:** | Boat builders and dealers |
| **Taxpayer Count:** | 436 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2014 and 2017 |

# 82.12.860 - Credit unions - state chartered conversion

**Description**

Tangible personal property, digital goods and services, certain other services defined as retail sales, or extended warranties acquired by a state-chartered credit union as a result of a merger with or conversion from a federal, out-of-state, or foreign credit union are exempt for use tax.

**Purpose**

Enables state-charted credit unions to compete with federally chartered credit unions. There are benefits to being a state-chartered credit union which might exceed the potential use tax incurred.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.154 | $0.154 | $0.154 | $0.154 |
| Local Taxes | $0.069 | $0.069 | $0.069 | $0.069 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.141 | $0.154 | $0.154 |
| Local Taxes | $0.000 | $0.064 | $0.069 | $0.069 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Zero growth rate due to irregular annual impact.
- Local revenue estimates use the statewide average local use tax rate of 2.92%.

**Data Sources**

- National Credit Union Association, Merger Activity and Insurance Report
- Secretary of State, Corporation search data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2006 |
| **Primary Beneficiaries:** | Credit unions |
| **Taxpayer Count:** | 3 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2017 |

# 82.12.9993 - Senior living community meals

**Description**

Food, drink, or meals furnished by a senior living community to tenants as part of a rental or residency agreement for which the community makes no separate charge, regardless of whether the tenant is a resident of an assisted living facility, or a continuing care retirement community are exempt from use tax.

**Purpose**

To reduce the cost of meals for tenants at senior living communities.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | Minimal | Minimal | Minimal | Minimal |
| Local Taxes | Minimal | Minimal | Minimal | Minimal |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | Minimal | Minimal | Minimal |
| Local Taxes | $0.000 | Minimal | Minimal | Minimal |

**Assumptions**

The impact of this exemption is minimal due to senior living facilities including meals as part of a rental or residency agreement.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 2023 |
| **Primary Beneficiaries:** | Tenants living in a senior living community |
| **Taxpayer Count:** | Minimal |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.14.410 - Local sales tax cap for lodging

**Description**

Charges for sales of lodging are exempt from local sales and use taxes imposed after December 1, 2000, if the local tax results in a combined state and local tax rate of more than 12% or the rate that was otherwise in effect on December 1, 2000. As of December 1, 2000, the combined state and local tax rate for lodging was 15.2% within the city of Seattle and 12% elsewhere. This exemption does not apply to the following local sales and use taxes:

- Regional Transit Authority.
- Housing and Related Services.

**Purpose**

To encourage tourist activities in areas with high tax rates.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $19.311 | $19.588 | $19.539 | $19.526 |

**Repeal of exemption**

Repealing this exemption would increase revenues. Seattle, Pierce County, Wenatchee and East Wenatchee lodging facilities would collect and remit the additional lodging taxes on transient rentals.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $16.323 | $19.539 | $19.526 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the accommodation growth rates reflected in the S&P Global Market Intelligence's March 2023 forecast.

**Data Sources**

- Department of Revenue, Lodging data
- S&P Global Market Intelligence, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2001 |
| **Primary Beneficiaries:** | Hotels and motels in areas with high local tax rates |
| **Taxpayer Count:** | 100 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.14.430(1) - Local regional transportation vehicles

**Description**

This statute authorizes a regional transportation investment district (RTID) to levy local sales and use taxes of up to 0.1% to finance regional transportation projects. Subsection (1) exempts motor vehicles from the local tax. However, subsection (2) imposes a special use tax at the same tax rate on motor vehicles purchased by residents of the district.

**Purpose**

This unique tax arrangement enables vehicle dealers located within a RTID to avoid collecting the 0.1% local sales tax for regional transportation projects from purchasers of new or used vehicles who reside outside of the district. Conversely, residents of the district who purchase vehicles from dealers located outside of the district will still be subject to the tax.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would not increase revenues because currently no taxpayers use it.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

No regional transportation improvement districts currently impose this tax. We expect no usage during the forecasted period of this study.

**Data Sources**

Department of Revenue, Excise tax data and local tax reference guide

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 2002 |
| **Primary Beneficiaries:** | Regional transportation investment districts |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident, except that all other state and local sales taxes other than the public safety tax, apply to motor vehicles |
| **JLARC Review:** | No review completed |

# 82.14.450(4) - Local public safety tax on vehicles

**Description**

Counties are authorized to levy local sales and use taxes of up to 0.3%. One-third of the receipts must be devoted to criminal justice expenditures. The county retains 60% of the receipts and the remainder is shared with cities on a per capita basis. Sales of motor vehicles are exempt from the local tax. Similarly, motor vehicles leases for the first 36 months of the lease period are also exempt.

**Purpose**

The exemption acknowledges that local vehicle dealers will have to compete with dealers located in adjacent areas where the local tax is not levied.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $7.260 | $7.330 | $7.590 | $7.860 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $6.720 | $7.590 | $7.860 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the new motor vehicle growth rates reflected in the S&P Global Market Intelligence's March 2023 forecast.
- Car dealers are registered and correctly reporting excise taxes.
- Counties continue to levy public safety tax if vehicle exemption is repealed.
- No state impact since this is a local tax.

**Data Sources**

- Department of Revenue, Excise tax data
- S&P Global Market Intelligence, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2003 |
| **Primary Beneficiaries:** | Vehicle dealers in the counties that impose the local public safety sales and use tax |
| **Taxpayer Count:** | 600 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.14.532 - Commercial office space development

**Description**

A governing authority of a city, located in a county with a population of less than 1.5 million may designate a commercial office space development area within the city's urban center. The city may adopt a local sales and use tax remittance program to incentivize the development of commercial office space within the development area. The city may also establish a local property tax reinvestment program to make public improvements that incentivize the development of commercial office space.

**Purpose**

Encourage the development of high-quality commercial office space in urban centers outside major metropolitan areas.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this remittance would not increase revenue because currently no taxpayers use it. This exemption is only for local sales tax and therefore a repeal would have no effect on state revenue. The property tax portion of this legislation is not an exemption. It requires local taxing districts to earmark future property taxes collected on a qualifying project, so they are only used for public improvements that incentivize the development of commercial office space.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

No taxpayers currently use this remittance. We expect no usage during the forecasted period of this study.

**Data Sources**

Department of Revenue, Tax remittance records

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2019 |
| **Primary Beneficiaries:** | Office building developers |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.32.065 - Returned motor vehicles under warranty

**Description**

The department will credit or refund to the manufacturers the amount of the tax refunded for returns of a new motor vehicle under the "Lemon Law."

**Purpose**

Assures that manufacturers are not financially responsible for refunded sales tax.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.052 | $0.052 | $0.052 | $0.052 |
| Local Taxes | $0.023 | $0.023 | $0.023 | $0.023 |

**Repeal of exemption**

Repealing this credit would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.048 | $0.052 | $0.052 |
| Local Taxes | $0.000 | $0.021 | $0.023 | $0.023 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Zero growth rate due to irregular annual impact.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

**Data Sources**

- Attorney General Office, Consumer Protection data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1987 |
| **Primary Beneficiaries:** | Manufacturers and purchasers of new motor vehicles that are found to be defective |
| **Taxpayer Count:** | 20 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2012 and 2019 |

# 82.32.558 - Multipurpose sports and entertainment facility deferral

**Description**

A qualifying business may apply for a deferral of taxes on the following:

- Redevelopment of a multipurpose sports and entertainment facility for professional ice hockey and basketball league franchises.
- Development of an ice hockey practice facility.

The facilities must be owned by the largest city in a county with a population of at least 1.5 million. The recipient must repay, with interest, all deferred state sales and use taxes by June 30, 2023. For local sales and use taxes, the recipient must begin repaying taxes in the first calendar year after the facility becomes operationally complete.

**Purpose**

Increase the fiscal stability of multipurpose sports and entertainment arenas in Washington, thereby strengthen the economic vitality of the communities in which the arenas and practice facilities are located.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | CTI | CTI | CTI | CTI |
| Local Taxes | CTI | CTI | CTI | CTI |

**Repeal of exemption**

Repealing this deferral would increase revenues by any taxes not yet deferred at the time of the repeal.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | CTI | CTI | CTI |
| Local Taxes | $0.000 | CTI | CTI | CTI |

**Assumptions**

- This deferral impacts fewer than three taxpayers; any impacts are confidential.
- Repealing this deferral could lead to a loss of local sales tax repayment.

**Data Sources**

- Department of Revenue, Deferral data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2019 |
| **Primary Beneficiaries:** | NHL hockey arena and practice facility |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.32.580 - Museum for historic autos

**Description**

Provides a sales and use taxes deferral for the site preparation and construction of a historic automobile museum owned and operated by a nonprofit organization, corporation, or association. The museum must maintain and exhibit at least 500 vehicles to the public.

Deferred taxes on the facility will be repaid beginning the tenth year after the project is operationally complete, with subsequent annual payments for the following nine years.

**Purpose**

Encourage construction of a historic automobile museum in Pierce County.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this deferral would increase revenues for purchases not yet made.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- Repealing this deferral does not affect taxes already deferred.
- This project is complete. Deferred sales and use taxes began being repaid in 2022.

**Data Sources**

- Department of Revenue, Deferral data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 2005 |
| **Primary Beneficiaries:** | Historic automobile museum in Pierce County |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2022 |

# 82.32.865; 88.02.620; 88.02.570 - Nonresident entity vessel owners

**Description**

A vessel owned by a nonresident vessel that is not a natural person (entity-owned) that is brought into the state for no more than six months in any continuous 12-month period is exempt from vessel registration provided the vessel meets one of the following:

- Is currently registered or numbered under the laws of the state of principal use.
- Has been issued a valid number under federal law.

This exemption only applies for the first 60 days of use on Washington waters.

Subject to certain conditions, a nonresident vessel owner that is not a natural person (entity owned) or a nonresident vessel owner who intends to charter the vessel with a captain or crew, may qualify to receive a nonresident vessel permit on or before the 61st day of use in Washington waters.

These owners may only obtain a nonresident vessel permit if:

- The vessel is between 30 and 200 feet in length.
- No Washington resident owns the vessel or is a principal of the nonresident person which owns the vessel.
- The department has provided the nonresident vessel owner written approval authorizing the permit.

This exemption expires January 1, 2029.

**Purpose**

To expand the economy of the maritime industry in Washington.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | CTI | CTI | CTI | CTI |
| Local Taxes | CTI | CTI | CTI | CTI |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | CTI | CTI | CTI |
| Local Taxes | $0.000 | CTI | CTI | CTI |

**Assumptions**

This exemption impacts fewer than three taxpayers; any impacts are confidential.

# 82.32.865; 88.02.620; 88.02.570 - Nonresident entity vessel owners

**Data Sources**

Department of Revenue, Vessel permit and use tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 2015 |
| **Primary Beneficiaries:** | Nonresident entity vessel owners |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Upcoming review scheduled in 2025 |

# 82.34.050(2); 82.34.060(2) - Pollution control facilities

**Description**

Construction of required pollution control facilities associated with approved applications received between July 30, 1967, and November 30, 1981, was exempt from sales and use taxes. If sales and use taxes were previously paid, the amount paid may be taken as a credit against B&O, public utility, or use taxes.

**Purpose**

To encourage abatement of pollution and to compensate Washington businesses for the costs of upgrading pollution control facilities.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | CTI | CTI | CTI | CTI |
| Local Taxes | CTI | CTI | CTI | CTI |

**Repeal of exemption**

Repealing this credit may increase revenues. However, businesses may argue they have a vested right to take credits authorized under prior law.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | CTI | CTI | CTI |
| Local Taxes | $0.000 | CTI | CTI | CTI |

**Assumptions**

This credit impacts fewer than three taxpayers; any impacts are confidential.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1967 |
| **Primary Beneficiaries:** | Businesses required to install pollution control facilities, primarily in the lumber and wood products, paper, aluminum, and food industries. |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review scheduled in 2026 |

# 82.85.050; 82.85.060 - Manufacturer's job creation (Invest in Washington) pilot program

**Description**

The Invest in Washington pilot program creates a sales and use taxes deferral for two investment projects per calendar year. The deferral applies to sales and use taxes on up to $10 million in charges for the construction, expansion, or renovation of facilities and purchases of eligible machinery and equipment. One project must be in eastern Washington and one project must be in western Washington. Projects approved for a rural deferral cannot receive this deferral; and projects cannot receive multiple pilot program deferrals. This program expires January 1, 2026.

**Purpose**

To evaluate the effectiveness of investing sales and use taxes from new investments into workforce training programs that support manufacturing businesses and create jobs and capital investments in Washington.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.811 | $0.844 | $0.433 | $0.000 |
| Local Taxes | $0.365 | $0.380 | $0.194 | $0.000 |

**Repeal of exemption**

Repealing this deferral would increase revenues by any taxes not yet deferred at the time of the repeal. This estimate assumes deferred taxes are due beginning the fifth year after the project has been certified as operationally complete and continues for the next nine years.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.774 | $0.865 | $0.885 |
| Local Taxes | $0.000 | $0.348 | $0.389 | $0.398 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Two projects of average value will be approved each year, one on the east side of the state and one on the west side of the state.
- Growth rate mirrors the construction of industrial buildings growth rate reflected in the S&P Global Market Intelligence's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

**Data Sources**

- Department of Revenue, Deferral data
- S&P Global Market Intelligence, March 2023 forecast

# 82.85.050; 82.85.060 - Manufacturer's job creation (Invest in Washington) pilot program

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2015 |
| **Primary Beneficiaries:** | Manufacturing businesses |
| **Taxpayer Count:** | 2 projects per year |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Full review completed in 2021 |

# 82.89.030 - Clean technology manufacturing tax deferral

**Description**

A sales and use taxes deferral is provided for investment projects in clean technology manufacturing, clean alternative fuels production, and renewable energy storage.

Deferred taxes begin to be repaid in the second year after the project is operationally completed and continue for the next nine years.

The state sales tax owed may be reduced:

- By 50% if the Department of Labor and Industries (LNI) certifies that the project includes procurement from and contracts with women, minority, or veteran-owned businesses.
- By 75% if the project meets the 50% reduction criteria and compensates workers at prevailing wages determined by L&I.
- By 100% if LNI certifies that the project is developed under a community workforce agreement or project labor agreement.

**Purpose**

To build manufacturing capacity for carbon-free electricity and to financially incentivize the use of high labor standards.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $4.401 | $4.613 | $4.736 | $4.851 |
| Local Taxes | $1.979 | $2.075 | $2.130 | $2.181 |

**Repeal of exemption**

Repealing this deferral would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $4.229 | $4.736 | $4.851 |
| Local Taxes | $0.000 | $1.902 | $2.130 | $2.181 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate for qualifying projects mirrors the annual growth for industrial construction reflected in the S&P Global Market Intelligence's March 2023 forecast.
- Recipients of the deferral meet the required labor standards to have 100% of the state sales tax waived.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

# 82.89.030 - Clean technology manufacturing tax deferral

**Data Sources**

- Department of Revenue, Deferral data
- S&P Global Market Intelligence, March 2023 forecast

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2022 |
| **Primary Beneficiaries:** | Clean technology manufacturers, those producing clean alternative fuels, and those providing renewable energy storage. |
| **Taxpayer Count:** | 4 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review scheduled, however JLARC is required to provide a report to the legislature by December 31, 2028 |

# 82.90.030 - Solar canopy deferral

**Description**

A sales and use taxes deferral is provided for installing solar canopies. A solar canopy is defined as an elevated structure(s) containing a solar energy system with capacity of one megawatt and an area of at least 50,000 square feet.

Deferred taxes begin to be repaid on December 31st in the second year after the project is operationally completed and continue for the next seven calendar years.

The sales and use taxes owed may be reduced:

- By 50% if the Department of Labor and Industries (LNI) certifies that the project includes procurement from and contracts with women, minority, or veteran-owned businesses.
- By 75% if the project meets the 50% reduction criteria and compensates workers at prevailing wages determined by L&I.
- By 100% if LNI certifies that the project is developed under a community workforce agreement or project labor agreement.

**Purpose**

To incentivize the construction of solar canopies in Washington to reduce greenhouse gas emissions and boost overall electricity supplies.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $7.238 | $8.324 | $9.572 |
| Local Taxes | $0.000 | $3.255 | $3.743 | $4.305 |

**Repeal of exemption**

Repealing this deferral would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $6.635 | $8.324 | $9.572 |
| Local Taxes | $0.000 | $2.984 | $3.743 | $4.305 |

# 82.90.030 - Solar canopy deferral

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth for solar canopies is 15% per year.
- The first installations will be in fiscal year 2025.
- Including Walmart, Washington has over 200 large retailer locations with parking lots comparable to Walmart Superstores. Washington also houses many large industrial and office headquarters. The average solar canopy installations will be 3.1 megawatts and include eight to 10 projects per year.
- The average cost for solar canopies is $4.6 million per MW.
- Taxpayers receiving a deferral will meet the labor standard requirement to have 100% of the sales and use taxes waived.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

**Data Sources**


- Deshmukh, S. S., &; Pearce, J. M. (2021, January 15). "Electric vehicle charging potential from retail parking lot solar photovoltaic awnings." Renewable Energy.
- Conniff, Richard, (2021, November 21). "Why putting solar canopies on parking lots is a smart green move." Yale Environment 360.
- "How much do solar carports cost?" (2020), Alternative Energy LLC.
- Maryland Energy Administration, (2021). "Maryland Energy Administration awards $1.6 million for parking lot solar upgrades."


**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2022 |
| **Primary Beneficiaries:** | Businesses installing solar canopies |
| **Taxpayer Count:** | 8 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.92.090 - Underdeveloped urban land redevelopment deferral

**Description**

A city with a population of at least 135,000 and not more than 250,000 may create a sales and use taxes deferral program for multifamily housing developed on vacant surface parking lots. To qualify for the deferral, the owner of the vacant parking lot must primarily build multifamily units with at least 50% of those units rented or sold as affordable housing to very low, low, and moderate-income households.

If the property continues to qualify for this deferral for at least 10 years, the sales and use taxes do not need to be repaid. No new applications for deferral may be made after June 30, 2032.

**Purpose**

To encourage the redevelopment of underdeveloped land in targeted urban areas to provide additional affordable housing.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $1.020 | $1.670 | $1.720 | $1.780 |
| Local Taxes | $0.494 | $0.809 | $0.836 | $0.863 |

**Repeal of exemption**

Repealing this deferral would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $1.531 | $1.720 | $1.780 |
| Local Taxes | $0.000 | $0.742 | $0.836 | $0.863 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Three cities adopt a resolution to create the deferral and two affordable housing apartment buildings will be built per year on surface parking lots.
- There are 650 apartment buildings with five units or more built each year in Washington.
- The average construction cost of a five-story 50-unit apartment building is $10.5 million.
- Residential buildings with 20 or more units take over 19 months to complete.
- The annual adjustment to construction costs mirrors the annual growth for residential construction of multi-family buildings consumer price index, March 2023 forecast.
- Local revenue estimates use the urban average local sales and use tax rate of 3.16%.

# 82.92.090 - Underdeveloped urban land redevelopment deferral

**Data Sources**

- Office of Financial Management, Population data
- S&P Global Market Intelligence, March 2023
- Falcone, J. A., & Nott, M. A. (2019). Estimating the presence of paved surface parking lots in the conterminous U.S. from land use coefficients for 1974, 1982, 1992, 2002, and 2012 [Data set]. U.S. Geological Survey
- U.S. Census Bureau, "Building Permits Survey."
- Pagano, M. and Bowman, A. (2020, December) "Vacant Land in Cities: An Urban Resource." The Brookings Institution.
- "How Much Does it Cost to Build an Apartment Building?" (2021, July 8). Retrieved January 12, 2022.

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2022 |
| **Primary Beneficiaries:** | Land developers |
| **Taxpayer Count:** | 10 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.94.020; 82.94.030 - Manufacturing deferral in designated counties

**Description**

A sales and use taxes deferral is provided for qualified investment projects located in counties with a population less than 650,000. The total deferral amount per person is limited to $400,000.

The deferred taxes need not be repaid if the recipient utilizes the qualified project as a manufacturing or research and development operation for the seven calendar years following the project completion date.

If the project is not completed within five years or not utilized for manufacturing or research and development for seven years, then a portion of the deferred taxes are due immediately.

**Purpose**

To create employment opportunities and generally spur economic development in counties located outside of the central Puget Sound region.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $2.070 | $2.052 | $2.066 | $2.072 |
| Local Taxes | $0.678 | $0.672 | $0.677 | $0.679 |

**Repeal of exemption**

Repealing this deferral would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $1.881 | $2.066 | $2.072 |
| Local Taxes | $0.000 | $0.616 | $0.677 | $0.679 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate for qualifying projects mirrors the annual growth for non-residential investment in research and development and private investment in industrial facilities reflected in the S&P Global Market Intelligence's March 2023 forecast.
- Local revenue estimates use the statewide average local sales and use tax rate of 2.92%.

# 82.94.020; 82.94.030 - Manufacturing deferral in designated counties

**Data Sources**

- Department of Revenue, Excise tax data
- S&P Global Market Intelligence, March 2023 forecast
- Office of Financial Management, April 2022 population data
- Bureau of Labor Statistics, Employment data
- Bureau of Economic Analysis, Fixed asset data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 2022 |
| **Primary Beneficiaries:** | Businesses engaged in manufacturing or research and development activities |
| **Taxpayer Count:** | 7 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# Chapter 21
# Soft Drinks Syrup Tax

# 82.64.030(1) - Carbonated beverage syrup previously taxed

**Description**

Successive sales of syrup used to produce carbonated beverages are exempt from the syrup tax if the syrup was previously taxed.

**Purpose**

To avoid the pyramiding of the tax. This exemption assures the tax will apply only once to any particular gallon of syrup.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | Minimal | Minimal | Minimal | Minimal |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | Minimal | Minimal | Minimal |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

Taxpayers paying the tax use most of the syrup, so the taxpayer savings are minimal.

**Data Sources**

There is no data on successive sales of previously taxed syrup.

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Tax base |
| **Year Enacted:** | 1989 |
| **Primary Beneficiaries:** | Carbonated beverage retailers and wholesalers who use syrup |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2012 and 2022 |

# 82.64.030(2) - Carbonated beverage syrup exported

**Description**

Soft drink syrup shipped out-of-state is exempt from syrup tax.

**Purpose**

Limits the soft drink syrup tax to soft drinks consumed in Washington.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | Minimal | Minimal | Minimal | Minimal |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | Minimal | Minimal | Minimal |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

Most taxpayers who use the syrup pay the tax; therefore, the revenue impacts are minimal.

**Data Sources**

Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Tax Base |
| **Year Enacted:** | 1989 |
| **Primary Beneficiaries:** | Carbonated beverage syrup exporters |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2012 and 2022 |

# 82.64.030(3) - Trademarked carbonated beverage syrup

**Description**

Wholesale sales of carbonated beverage syrup are exempt from syrup tax if the syrup sales are to a bottler appointed by the owner of the syrup trademark to manufacture, distribute, and sell the syrup.

**Purpose**

Avoids double taxation since the carbonated beverage syrup is taxed when originally sold by the manufacturer to the bottler.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this credit would not increase revenues as the tax shifts to the next purchaser.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

Tax shifts to the next purchaser; therefore, no revenue impact.

**Data Sources**

None

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Tax base |
| **Year Enacted:** | 1991 |
| **Primary Beneficiaries:** | Bottlers of trademarked beverages |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2012 and 2022 |

# 82.64.030(4) - Carbonated beverage syrup purchased before 6/1/91

**Description**

Carbonated beverage syrup taxed at first possession prior to June 1, 1991, is exempt from syrup tax.

**Purpose**

The imposition of the carbonated beverage tax changed in 1991. Instead of taxation at first possession of the product, the tax applies to the wholesale transaction. This exemption avoids double taxation of the same product in 1991.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this credit would not increase revenues. This exemption no longer applies.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

This exemption is no longer applicable due to the shelf-life of syrup.

**Data Sources**

None

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Tax Base |
| **Year Enacted:** | 1989 |
| **Primary Beneficiaries:** | None |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2012 and 2022 |

# 82.64.040 - Taxes paid in other states

**Description**

Businesses may take a credit against the syrup tax for similar taxes paid in another state or foreign county.

**Purpose**

Avoids double taxation of the same product.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | Minimal | Minimal | Minimal | Minimal |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this credit would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | Minimal | Minimal | Minimal |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- West Virginia, Arkansas, and the City of Chicago have various carbonated beverage syrup taxes.
- There is no data showing carbonated beverage syrup being imported into the state from these areas.
- The revenue impacts are unknown but assumed minimal.

**Data Sources**

- Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Tax base |
| **Year Enacted:** | 1989 |
| **Primary Beneficiaries:** | Carbonated beverage syrup importers |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# Chapter 22
# Solid Waste Collection


8102/8585

# 82.18.010(3) - Hazardous or toxic waste

**Description**

The disposal of hazardous and toxic waste is exempt from the solid waste collection tax.

**Purpose**

To recognize that hazardous and toxic waste is not “solid waste," which is defined as garbage, trash, rubbish, or other material discarded as worthless or not economically viable for further use. Toxic wastes require special services.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.161 | $0.171 | $0.181 | $0.192 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.157 | $0.181 | $0.192 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate is 6%, based on a historical average to reflect industry trends.
- Of the total statewide waste generated, 1.7% is hazardous and toxic waste.
- Taxpayers properly exempt hazardous and toxic wastes from the solid waste collection tax.

**Data Sources**

- Department of Revenue, Excise tax data
- Department of Ecology, Hazardous waste data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1986 |
| **Primary Beneficiaries:** | Hazardous waste collection businesses and the public |
| **Taxpayer Count:** | 60 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review scheduled in 2026 |

# 82.18.010(3) - Recycling or salvage materials

**Description**

Materials collected primarily for recycling or salvage are exempt from the solid waste collection tax.

**Purpose**

To recognize that recycled and salvaged materials are not “solid waste," which is defined as garbage, trash, rubbish, or other material discarded as worthless or not economically viable for further use.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $4.608 | $4.884 | $5.177 | $5.488 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $4.477 | $5.177 | $5.488 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate is 6%, based on a historical average to reflect industry trends.
- Of the total solid waste generated in Washington, 48.5% are recyclables and salvage materials.
- Taxpayers properly exempt recyclables and salvage materials from the solid waste collection tax.

**Data Sources**

- Department of Revenue, Excise tax data
- Department of Ecology, Solid waste data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1986 |
| **Primary Beneficiaries:** | Solid waste collection businesses and the public |
| **Taxpayer Count:** | 60 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2016 and 2023 |

# 82.18.050 - Refuse service for federal government

**Description**

Garbage collection service provided to the federal government is exempt from the solid waste collection tax.

**Purpose**

To reflect the prohibition against taxing the federal government.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | CTI | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would not increase revenues because federal law prohibits taxing the federal government.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- Collecting tax revenue would be unconstitutional, and there would be no revenue gain.

**Data Sources**

- Department of Revenue, Excise tax data
- Department of Ecology, Disposed waste data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 1986 |
| **Primary Beneficiaries:** | The U.S. government and its agencies |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.18.060 - Using services of another solid waste collection business

**Description**

Any solid waste collection business using the services of another solid waste collection business for the transfer, storage, processing, or disposal of the waste collected during the transaction is exempt from the solid waste collection tax.

**Purpose**

To prevent pyramiding and multiple taxation of a single transaction.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $16.569 | $18.057 | $19.679 | $21.446 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues; however, it could result in multiple taxation of a single transaction.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $16.552 | $19.679 | $21.446 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate is 9%, which reflects the average historical growth rate of the solid waste collection industry.

**Data Sources**

- Department of Revenue, Excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1986 |
| **Primary Beneficiaries:** | Solid waste collection businesses |
| **Taxpayer Count:** | 50 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# Chapter 23
# Timber Excise Tax

# 84.33.075 - Nonprofit youth organizations

**Description**

Timber harvested on lands owned by a nonprofit social service organization is exempt from timber excise tax if the land is exempt from property tax and income from the timber sales promotes, operates, and maintains youth programs. The exemption is only available if the youth programs are available to all youth, regardless of race, color, national origin, ancestry, or religious belief.

**Purpose**

Reduces the cost of operating youth programs by nonprofit organizations.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | CTI | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | CTI | CTI | CTI |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

This exemption impacts fewer than three taxpayers, any impacts are confidential.

**Data Sources**

Department of Revenue, Timber excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 1980 |
| **Primary Beneficiaries:** | Youth organizations |
| **Taxpayer Count:** | Fewer than three |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2011 |

# 84.33.0775 - Salmon habitat

**Description**

Timber harvested on land subject to enhanced aquatic resource requirements as determined by the Department of Natural Resources, such as riparian zones (defined as the interface between land and a river or stream), wetlands, or steep or unstable slopes receives a tax credit against the state portion of the timber excise tax. The credit effectively lowers the total timber excise tax rate from 5% to 4.2%.

**Purpose**

Helps offset the costs to timber owners associated with setting aside larger timber buffers and other forest management practices intended to protect the environment, including salmon habitat.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $7.327 | $7.477 | $7.631 | $7.787 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this credit would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $6.854 | $7.631 | $7.787 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Growth rate mirrors the average growth of the credit from the last three fiscal years.

**Data Sources**

- Department of Revenue, Timber excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1999 |
| **Primary Beneficiaries:** | Timber owners |
| **Taxpayer Count:** | 1,200 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2015 |

# 84.33.0776 - Quinault Nation timber harvest excise tax agreement

**Description**

The timber excise tax on timber harvested on fee lands within the boundaries of the Quinault reservation may be exempt from state and county timber tax. The Governor may enter into an agreement with the Quinault Nation. The agreement must provide that the tribal tax will be credited against the state and county taxes.

**Purpose**

To allow the Quinault Nation to benefit from the timber excise tax.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would not increase revenues. The Governor and the Quinault Nation have not entered into a timber harvest excise tax agreement.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

This exemption has not been utilized. We expect no usage during the forecasted period of this study.

**Data Sources**

Department of Revenue, Timber excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 2007 |
| **Primary Beneficiaries:** | The Quinault Nation |
| **Taxpayer Count:** | 0 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review complete in 2020 |

# 84.33.086 - Timber tax minimum

**Description**

Any timber harvester incurring less than $50 in timber excise tax per calendar quarter is exempt from the timber excise tax.

**Purpose**

To support smaller harvesters and to reduce administrative costs for harvesters and the department.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | Minimal | Minimal | Minimal | Minimal |
| Local Taxes | Minimal | Minimal | Minimal | Minimal |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | Minimal | Minimal | Minimal |
| Local Taxes | $0.000 | Minimal | Minimal | Minimal |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Revenue impact is minimal.

**Data Sources**

- Department of Revenue, Timber excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1984 |
| **Primary Beneficiaries:** | Harvesters of timber on private lands |
| **Taxpayer Count:** | 180 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2023 |

# 84.33.170 - Christmas trees and cottonwoods

**Description**

Timber excise tax does not apply to Christmas trees and short-rotation hardwoods. However, short-rotation hardwoods that are cultivated by agricultural methods on land classified as timberland are subject to timber excise tax.

**Purpose**

Christmas trees and short-rotation hardwoods are agricultural products and are not subject to the timber excise tax on their harvest value.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.205 | $0.211 | $0.216 | $0.222 |
| Local Taxes | $0.823 | $0.844 | $0.866 | $0.889 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.193 | $0.216 | $0.222 |
| Local Taxes | $0.000 | $0.774 | $0.866 | $0.889 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Average national Christmas tree sales growth is 1.2% over the past 10 years.
- The growth for short-rotation hardwood remains constant.

**Data Sources**

- U.S. Department of Agriculture, Agriculture data
- Pacific Northwest Christmas Tree Association
- Statista.com, 'Christmas trees sold in the United States from 2004-2019'

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Agriculture |
| **Year Enacted:** | 1971 |
| **Primary Beneficiaries:** | Growers of Christmas trees and hardwoods |
| **Taxpayer Count:** | 460 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2018 |

# Chapter 24
# Vehicle Excise Taxes

# 82.44.015 - Ride-sharing vehicles

**Description**

The motor vehicle excise tax is exempt on passenger vehicles used primarily for ridesharing and transportation of persons with special needs. The vehicles must be used as ride-sharing vehicles for 36 consecutive months beginning from the date of purchase and meet vehicle and operation requirements in the case of vehicles used for ridesharing.

**Purpose**

To encourage trip reduction to alleviate congestion on the state's highways and assist those with special needs.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | Indeterminate | Indeterminate | Indeterminate | Indeterminate |

**Repeal of exemption**

Repealing this exemption would increase local revenues only. The state tax has been repealed.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | Indeterminate | Indeterminate | Indeterminate |

**Assumptions**

There is no state tax impact, as the state tax was repealed. The local tax impact is indeterminate.

**Data Sources**

Department of Licensing, Vehicle excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 1980 |
| **Primary Beneficiaries:** | Businesses operating vanpools for their employees |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2020 |

# 82.44.125 - Excluded vehicles

**Description**

The motor vehicle excise tax does not apply to the following vehicles:

- Campers.
- Dock and warehouse tractors and their cars or trailers.
- Equipment not designed primarily for use on public highways.
- Exempt registered vehicles.
- Lumber carriers of the type known as spiders.
- Mobile homes.
- Passenger motor vehicles.
- Travel trailers.
- Vehicles not used on public highways.
- Vehicles owned by nonresident military personnel of the armed forces of the U.S. stationed in Washington if the nonresident military member was a nonresident of Washington when enlisted into military service.

**Purpose**

The state tax was repealed in 2000 for many vehicles. Some local motor vehicle excise taxes are earmarked for funding specific local projects and services.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | Indeterminate | Indeterminate | Indeterminate | Indeterminate |

**Repeal of exemption**

Repealing this exemption would not increase state revenues. However, repealing it could increase local revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | Indeterminate | Indeterminate | Indeterminate |

**Assumptions**

If the exemption were repealed, local revenues could be realized if local jurisdictions choose to assess the tax. However, the local impact is indeterminate without knowing which jurisdictions would assess the tax.

**Data Sources**

Department of Licensing, Vehicle excise tax data

# 82.44.125 - Excluded vehicles

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Tax base |
| **Year Enacted:** | 1955 |
| **Primary Beneficiaries:** | Those registering the qualifying vehicles |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.48.100(1) - Government aircraft

**Description**

The aircraft excise tax does not apply to aircraft owned by and used exclusively in the service of governmental entities not carrying persons or property for commercial purposes.

**Purpose**

Reflects the legislative policy of not taxing state or local government property and the constitutional prohibition against taxing the federal government.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | Indeterminate | Indeterminate | Indeterminate | Indeterminate |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would not increase revenues in the case of federal aircraft. However, repealing this exemption would increase revenues for state and local aircraft.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | Indeterminate | Indeterminate | Indeterminate |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

The exempted aircraft is unknown; therefore, these estimates are indeterminate.

**Data Sources**

Washington State Department of Transportation, Aviation Division

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 1949 |
| **Primary Beneficiaries:** | Governmental entities |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.48.100(2) - Aircraft registered in a foreign country

**Description**

The aircraft excise tax does not apply to aircraft registered under the laws of a foreign country.

**Purpose**

Reflects the legislative policy of not taxing property located out of state and the constitutional prohibition of taxing such property.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | Indeterminate | Indeterminate | Indeterminate | Indeterminate |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would not increase revenues due to challenge under federal law.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

The exempted aircraft is unknown; therefore, the revenue savings are indeterminate.

**Data Sources**

Washington State Department of Transportation, Aviation Division

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Government |
| **Year Enacted:** | 1949 |
| **Primary Beneficiaries:** | Washington owners of private aircraft registered in another state or country |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.48.100(3) - Nonresident aircraft registered outside Washington

**Description**

Aircraft owned by a nonresident and registered in another state is exempt from the aircraft excise tax if the aircraft remains in Washington or is based in Washington, or both, for ~~a period~~ less than 90 days.

**Purpose**

Reflects the legislative policy of not taxing property located out of state and the constitutional prohibition of taxing such property.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | Indeterminate | Indeterminate | Indeterminate | Indeterminate |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would not increase revenues. Enforcement under current laws would be difficult.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | Indeterminate | Indeterminate | Indeterminate |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

The exempted aircraft is unknown; therefore, these estimates are indeterminate.

**Data Sources**

Washington State Department of Transportation, Aviation Division

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 1949 |
| **Primary Beneficiaries:** | Nonresident aircraft owners |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2009 and 2019 |

# 82.48.100(4) - Commercial aircraft

**Description**

The aircraft excise tax does not apply to aircraft engaged principally in commercial flying that constitutes interstate or foreign commerce. However, this exemption does not apply to such aircraft if it will be in Washington exclusively for the purpose of continual storage of not less than one full calendar year.

**Purpose**

To not interfere with foreign or interstate commerce.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | Indeterminate | Indeterminate | Indeterminate | Indeterminate |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would not increase revenues. The repeal would be challenged under federal law.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | Indeterminate | Indeterminate | Indeterminate |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

The exempted aircraft is unknown; therefore, these estimates are indeterminate.

**Data Sources**

Washington State Department of Transportation, Aviation Division

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Interstate Commerce |
| **Year Enacted:** | 1949 |
| **Primary Beneficiaries:** | Commercial interstate air carriers |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2009 and 2019 |

# 82.48.100(5) - Aircraft testing or crew training

**Description**

The aircraft excise tax does not apply to aircraft owned by the manufacturer while being operated for test or experimental purposes or training crews for purchasers of the aircraft.

**Purpose**

To lower operating costs of manufacturers developing new aircraft and reducing crew training costs.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | Indeterminate | Indeterminate | Indeterminate | Indeterminate |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | Indeterminate | Indeterminate | Indeterminate |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

The exempted aircraft is unknown; therefore, these estimates are indeterminate.

**Data Sources**

Washington State Department of Transportation, Aviation Division

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Other |
| **Year Enacted:** | 1949 |
| **Primary Beneficiaries:** | Aircraft manufacturers |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2009 and 2019 |

# 82.48.100(6) - Aircraft held for sale

**Description**

A licensed aircraft dealer with aircraft held as stock in trade for the sole purpose of sale, exchange, delivery, testing, or demonstration is exempt from the aircraft excise tax.

**Purpose**

Treat aircraft held for sale the same as business inventories, which are exempt from personal property tax.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | Indeterminate | Indeterminate | Indeterminate | Indeterminate |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | Indeterminate | Indeterminate | Indeterminate |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

The exempted aircraft is unknown; therefore, these estimates are indeterminate.

**Data Sources**

Washington State Department of Transportation, Aviation Division

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Business |
| **Year Enacted:** | 1955 |
| **Primary Beneficiaries:** | Aircraft dealers |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2009 and 2019 |

# 82.48.100(7) - Nonresident keeping aircraft in-state at Pullman-Moscow Airport

**Description**

Nonresident owners of planes kept at an airport jointly owned by governmental entities of Washington and another state are exempt from the aircraft excise tax. The nonresident owner must pay all taxes, license fees, and registration fees required by the state where the owner resides.

**Purpose**

It provides an economic incentive for Idaho residents to base their privately owned airplanes at the Moscow-Pullman airport.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | Minimal | Minimal | Minimal | Minimal |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would not increase revenues. Nonresident owners could relocate their planes to their home state.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $0.000 | $0.000 | $0.000 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Annual aircraft excise tax amount remains constant.

**Data Sources**

- Washington State Department of Transportation, Aircraft excise tax data

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 1999 |
| **Primary Beneficiaries:** | Nonresidents keeping their aircraft at the Pullman-Moscow Airport |
| **Taxpayer Count:** | 18 |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2014 and 2019 |

# 82.48.100(8) - Emergency medical aircraft

**Description**

An aircraft excise tax exemption is provided for nonprofit, emergency medical air transport providers.

**Purpose**

To ease the tax burden on nonprofit organizations providing emergency air transport services.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | Indeterminate | Indeterminate | Indeterminate | Indeterminate |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | Indeterminate | Indeterminate | Indeterminate |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

The exempted aircraft is unknown; therefore, these estimates are indeterminate.

**Data Sources**

Washington State Department of Transportation, Aviation Division

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Nonprofit |
| **Year Enacted:** | 2010 |
| **Primary Beneficiaries:** | Nonprofit medical ambulance services |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | No review completed |

# 82.49.020(3) - Boats under 16 feet

**Description**

Vessels under 16 feet in overall length are exempt from the watercraft excise tax.

**Purpose**

To minimize administrative costs and to mirror the exemption from vessel registration for certain vessels under 16 feet.

**Taxpayer savings**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $6.900 | $6.900 | $6.900 | $6.900 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Repeal of exemption**

Repealing this exemption would increase revenues.

**Potential revenue gains from full repeal**

***($ in millions):***

| | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|
| State Taxes | $0.000 | $6.300 | $6.900 | $6.900 |
| Local Taxes | $0.000 | $0.000 | $0.000 | $0.000 |

**Assumptions**

- This repeal takes effect July 1, 2024, and impacts 11 months of collections in fiscal year 2025.
- Based on historical data, annual growth is minimal.

**Data Sources**

- WA Coast Economist, Recreational boat fleet data
- JD Power, Shopping guides "Cheap-boats"

**Additional Information**

| Additional Information | |
|---|---|
| **Category:** | Individuals |
| **Year Enacted:** | 1983 |
| **Primary Beneficiaries:** | Owners of vessels under 16 feet |
| **Taxpayer Count:** | Unknown |
| **Program Inconsistency:** | None evident |
| **JLARC Review:** | Expedited review completed in 2013, 2014, and 2017 |

# West Virginia Tax Expenditure Study

## Consumers Sales and Service Tax and Use Tax Expenditures

January 2025

Prepared by:

West Virginia State Tax Division

Research and Development Division

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# EXECUTIVE SUMMARY

This report updates the West Virginia Expenditure Study–Consumers Sales and Service Tax and Use Tax Expenditures released in 2022. All Consumers Sales and Service Tax and Use Tax (Sales Tax) provisions involving exclusions, exemptions, or deductions are analyzed in this report. While several of these provisions constitute government expenditure programs, some provisions are presumably part of a model sales tax structure, and certain others are integral components of a basic sales tax structure. In a tax expenditure study, it is important to differentiate expenditure programs from basic structural components through comparison with a model tax structure. A model sales tax should:

- Apply to all consumption expenditures at a uniform rate;
- Apply only to consumption expenditures and not to inputs of production;
- Conform to accepted equity standards of the society;
- Have minimal compliance and administration problems; and
- Provide a stable and growing tax base for the taxing authority.

These criteria suggest taxation of all consumer expenditures at the same rate of tax unless such taxation substantially hinders economic efficiency, equity standards, or tax compliance and administration.

The various Sales Tax exclusions, exemptions, and deductions can be separated into two core components—entity-based or commodity-based. Appendix A provides a detailed list of each entity-based and commodity-based expenditure. This report categorizes these expenditures into seven separate groups based on the function of the exemption. The study generally provides a description, expenditure value, and probable rationale for each sales tax provision. Where applicable, a revenue analysis is given. This analysis provides an idea of the complexity associated with revenue estimates based upon proposals to remove or modify existing Sales Tax provisions. The following group summaries provide some analysis of the scope of this study.

## GROUP EXEMPTIONS

While most Sales Tax exemptions are tied to specific goods and services, these exemptions are tied to purchases by specific groups of taxpayers. In West Virginia, governments, governmental subdivisions, schools, churches, and qualified charitable or nonprofit organizations are generally exempt from tax on all purchases.

Most states provide exemptions for purchases by governmental units, including schools. Although the scope of exemptions varies significantly, all states provide some exemptions for purchases by charitable, religious, or nonprofit organizations. In some cases, the activities of these organizations may complement government programs. West Virginia's exemptions for these groups are collectively among the broadest in the nation.

## COMMODITY EXPENDITURES

This category encompasses exemptions for specific goods, such as food for home consumption and computer hardware and software. West Virginia's commodity exemptions are generally narrower in scope than exemptions in other states. However, states with numerous

commodity exemptions (e.g., Minnesota and Rhode Island) generally have higher than average combined state and local sales tax rates to compensate for their narrow tax base.

## SERVICE EXEMPTIONS

This category encompasses exemptions or exclusions for services, such as advertising, electronic data processing, and professional services. This group also includes services subject to regulation by the Public Service Commission.

All of West Virginia's service exemptions and exclusions, except the exclusion for public utility services, exist in many states because most impose little or no sales tax upon service transactions. Several states have added additional services to their tax base in the past twenty years. Besides West Virginia, other states with a broad level of taxation on services include Arkansas, Connecticut, Florida, Hawaii, Iowa, Kentucky, Maryland, Mississippi, Nebraska, New Jersey, New Mexico, New York, Ohio, South Dakota, Texas, and Washington.

Public utility services are subject to either a sales tax or a gross receipts tax in most states. Some states even impose both types of tax upon the same service. West Virginia generally imposes gross receipts-type taxes on public utility services in lieu of the Sales Tax.

## COMMUNITY EXEMPTIONS

This group includes exemptions for both sales of selected items to community groups (e.g., sales of station house equipment to volunteer fire departments) and sales of selected items or services by community groups (e.g., food sold by religious organizations). All states have special exemptions for community groups. However, the scope of such exemptions varies significantly. These exemptions presumably exist because these community groups may provide services that benefit society and often complement government programs.

## EDUCATIONAL EXEMPTIONS

This category includes exemptions for sales of textbooks to students, sales of tickets to school-sponsored events, and tuition charges at educational summer camps. This category also includes sales of food to students during normal school hours or by colleges on a contract basis, room and board charges at fraternity and sorority houses, and fund-raising events held by schools. Most of these exemptions are generally found in nearly all states and typically apply to both public and private institutions. However, some states apply their exemptions only to public schools. These exemptions presumably exist as additional government subsidies for education.

## MISCELLANEOUS EXPENDITURES

Several miscellaneous deductions, credits, exclusions, and exemptions exist in West Virginia and other states. Some of these provisions include deductions for monetary allowances, voucher exemptions, local government agency exemptions, state sales tax credits, exclusions for sales of real property and intangible property, and exemptions for isolated transactions and lottery tickets.

## PROVISIONS THAT ARE NOT TRUE EXPENDITURES

The West Virginia Consumers Sales and Service Tax Law contains several citations that arguably are not true expenditures but have been implicitly codified to improve clarification of the Law. This category includes sub-groups of federally mandated exemptions, model sales tax components, provisions to avoid double taxation, and business input exemptions.

# INTRODUCTION

West Virginia Code §11-10-5s(c) requires a tax expenditure report to be submitted to the Legislature by January 15 of each year. In three-year cycles, these reports are intended to analyze tax expenditures for most major State taxes. The law defines the term "tax expenditure" as a provision in the tax laws designed to encourage certain kinds of activities or to aid taxpayers in special circumstances. Such provisions generally include exclusions, exemptions, deductions, credits, and deferrals from tax. This report covers the Sales Tax. Other reports cover all other taxes administered by the State Tax Department.

## OVERVIEW

The Sales Tax is the second largest source of revenue for the State of West Virginia. At a rate of 6.0 percent, this tax accounts for nearly 35 percent of the total General Revenue Fund estimate ($5,264,536,000 projected in Fiscal Year 2025). In FY2024, Sales Tax revenue of $1.817 billion accounted for roughly 31.8 percent of the total General Revenue Fund collections.

**West Virginia General Revenue Fund Percentage Yield for Sales Tax**

| FY 2021 | FY 2022 | FY 2023 | FY 2024 |
|---|---|---|---|
| 30.8% | 28.1% | 27.0% | 31.8% |

The Sales Tax generally represents a relatively stable portion of the General Revenue Fund receipts.

For purposes of this report, the Consumers Sales and Services Tax and Use Tax have been combined because the taxes are complementary, and exemptions are identical for both taxes. Some exclusions, exemptions, and deductions associated with the Sales Tax may be viewed as tax expenditures. Such tax expenditures tend to escape the usual legislative scrutiny afforded other expenditures in the annual budget approval process because provisions in the tax law often remain intact indefinitely. Programs funded through tax expenditures in effect receive priority funding over all other programs. The goal of this report is to facilitate an examination of Sales Tax expenditures using available resources.

This report supplies some information about exclusions and exemptions from the Sales Tax that goes beyond estimates of revenue losses due to tax expenditures. The additional information is intended to provide a resource to reach conclusions within differing conceptions of a normal tax base. Values represent estimates of state sales and use taxes only. A local option of up to 1.0 percent is available at the municipal level in West Virginia, which increases total sales and use taxes in a large portion of municipalities to 7.0 percent. There are many municipalities that impose a local sales tax, and the number continues to grow. However, this local option comprises only a small, but growing, portion of total sales tax collections in the State; in Fiscal Year 2024, local sales tax collections from eighty-six municipalities[1] comprised approximately 8.2 percent of total sales tax collections statewide. It is important to note the estimates provided in this report are considered on the state level only and do not include local level estimates.

[1] Effective July 1, 2024, a total of 88 municipalities levy a local sales tax in West Virginia, and effective January 1, 2025, a total of 90 municipalities levy a local sales tax in West Virginia.

## ESTIMATING COSTS OF TAX EXPENDITURES

This study provides estimates of the value of Sales Tax expenditures and certain exemptions considered necessary to define the normal tax base. Except where otherwise noted, each expenditure within the study is examined independently from all other expenditures. Following the establishment of a value in isolation, the influence of outside factors (i.e., other expenditures and taxpayer behavior) is discussed. Expenditure values less than $10,000 are reported as "minimal."

Several sources of information were used in the construction of exemption valuations. These include among others:

- Alternative tax data;
- ProPublica;
- Surveys;
- Tax return data;
- United States Department of Agriculture;
- United States Bureau of the Census;
- United States Energy Information Administration;
- United States Department of the Treasury;
- United States Bureau of Labor Statistics;
- West Virginia Department of Education;
- West Virginia Department of Health and Human Resources;
- West Virginia Department of Arts, Cultural and History;
- West Virginia Higher Education Policy Commission;
- West Virginia Division of Natural Resources;
- West Virginia Lottery Commission; and
- West Virginia Public Service Commission.

**CAUTION MUST BE EXERCISED WHEN USING VALUES FROM THIS REPORT AS ESTIMATES OF TAX REVENUE ATTRIBUTABLE TO POTENTIAL TAX LAW CHANGES, ESPECIALLY DUE TO THE IMPACT OF OVERLAPPING EXEMPTIONS**. In most cases, the revenue impact attributable to the repeal of a tax expenditure is less than the value of that expenditure. This occurs because tax expenditures tend to overlap one another, and taxpayers tend to alter their behavior whenever items are taxed for the first time. Also, the additional tax tends to increase the price and decrease the demand of the taxed item. Therefore, expenditure costs generally exceed the potential State tax revenue amounts to be gained through the repeal of the expenditure. For example, the exclusion for sales of services subject to Public Service Commission regulation overlaps significantly with the exemption for sales of electricity. Therefore, both exemptions would have to be repealed before the State would derive any significant revenue from a tax on electricity. However, even if both expenditures would be repealed, certain consumers (e.g., churches, natural resource producers, and manufacturers) would still be exempt from taxation due to other provisions within the West Virginia Code (e.g., direct use in manufacturing exemption). **The values given generally represent the value of the item in isolation of all other exemptions and are the estimated annual value for the expenditure**. Revenue impacts, representing the potential net revenue gain attributable to the repeal of certain provisions, are presented in the revenue analysis sections for a few items within this study.

## RATIONALE SUPPORTING TAX EXPENDITURES

This report also attempts to briefly articulate the rationale for the exclusions, exemptions, and deductions evaluated. The rationales set forth in this report are not intended to be all inclusive. The reader may identify other rationales for the various expenditures in the law. Given that statutory language does not often specify the rationale in much, if any, detail, the Department relied solely upon its experience to formulate the assumed rationales set forth in this report. The reader is left to judge the extent to which a particular rationale is appropriate and the extent to which a particular exemption furthers the preferred activity.

## ORGANIZATION AND ANALYSIS

The study divides sales and use tax expenditures into seven groups:

- Group Exemptions;
- Commodity Expenditures;
- Service Exemptions;
- Community Exemptions;
- Educational Exemptions;
- Miscellaneous Expenditures; and
- Statutory Provisions That Are Not True Expenditures.

Statutory provisions that are not true expenditures do not qualify as tax expenditures but are instead integral parts of the tax structure. For the purposes of this report, the remaining provisions have been determined to be tax expenditures. However, depending upon the reader's interpretation of tax expenditures, some of the included provisions may not be tax expenditures. It is left up to the reader to decide which of the remaining items are tax expenditures. Such a decision should be aided by both the analysis of a model sales tax and the analysis accompanying each individual exemption, exclusion, deduction, or credit. The analysis includes a rationale for each item and the item's cost to the State.

# GROUP I
# GROUP EXEMPTIONS

The West Virginia Code provides for several purchaser exemptions from sales taxes. While most exemptions relate to the sale of specific goods or services, these exemptions relate to purchases by specific groups of taxpayers. Unlike the average taxpayer, these groups are generally not subject to the Sales Tax on their purchases.

Although the rationale behind these group exemptions varies from one group exemption to the next, there are certain common characteristics. Taxpayers in these groups may be viewed as providing socially desirable services not otherwise available to the public. Many of those services are at least partially funded through direct expenditures. Failure to exempt purchases made by these groups in providing services would make such services more expensive and arguably less abundant for the public. In certain cases, a tax on purchases would result in a reallocation of public resources away from the service provided by the taxed entity.

The following exemptions involve an exclusion from Sales Tax for certain groups:

- Sales to Governmental Units;
- Sales to Various Nonprofit Organizations;
- Sales to Educational Institutions; and
- Sales and Services Directly Used or Consumed in the Construction of Certain Youth Organization Facilities.

An analysis of these exemptions follows.

## SALES TO GOVERNMENTAL UNITS

**STATUTE:** West Virginia Code §11-15-9(a)(3)

**EXEMPTION:** Sales of property or services to this state, its institutions, or subdivisions, governmental units, institutions, or subdivisions of other states provided that the law of the other state provides the same exemption to governmental units or subdivisions of this state and to the United States,[2] including agencies of federal, state, or local governments for distribution in public welfare or relief work.

**VALUE:**

| | |
|---|---|
| **Counties** | **$18.7 million** |
| **Municipalities** | **$24.2 million** |
| **State** | **$36.3 million** |
| **Total** | **$79.2 million** |

### Rationale

Unlike the exemption for purchases made by the federal government and its agencies, taxation of purchases by state and local governments is not prohibited by restrictions in the U.S. Constitution. However, if a state sales tax were imposed on state, county, and municipal governments, the cost of governmental services would rise along with the taxes required to fund them.

### Revenue Analysis

Expenditures for local government purchases have risen since the last Expenditure Study on Consumers Sales and Service Tax and Use Tax Expenditures in 2022 due to the additional revenue available for the State, counties and municipalities from the Coronavirus Aid, Relief and Economic Security Act (CARES) and the American Rescue Plan Act (ARPA).

[2] Information on the exemption for purchases by the United States government can be found in the section on “Group VII—Statutory Provisions That Are Not True Expenditures.”

## SALES TO VARIOUS NONPROFIT ORGANIZATIONS

**STATUTE:** West Virginia Code §§11-15-9(a)(5) and 11-15-9(a)(6)(A), (C), (D), (E)

**EXEMPTIONS:** Sales of property or services to churches which make no charge whatsoever for the services they render;

Sales of tangible property or services to a corporation or organization which has a current registration certificate issued under West Virginia Code §11-12-1 et seq and is exempt from federal income taxes under Section 501(c)(3) or (4) of the Internal Revenue Code of 1986, as amended. Such organizations may include the following:

- A church or a convention or association of churches as defined in Section 170 of the Internal Revenue Code of 1986, as amended;
- A corporation or organization which annually receives more than one-half of its support from any combination of gifts, grants, direct or indirect charitable contributions, or membership fees;
- An organization which has no paid employees and its gross income from fundraisers, less reasonable and necessary expenses incurred to raise the gross income (or the tangible personal property or services purchased with the net income), is donated to an organization which is exempt from income taxes under Section 501(c)(3) or (4) of the Internal Revenue Code of 1986, as amended;
- A youth organization, such as the Girl Scouts of the United States of America, the Boys Scouts of America, or the YMCA Adventure Guides/Princesses program, and local affiliates thereof, which is organized and operated exclusively for charitable purposes and has as its primary purpose the nonsectarian character development and citizenship training of its members.

**VALUE:** $**28.4 million**

### Rationale

The Sales Tax exemption for sales to churches was presumably enacted to avoid State interference with church activities. Also, the exemption for sales to churches and charitable organizations exists to promote the work of these organizations. Many of these organizations complement the efforts of government in the provision of social services. The social services provided by youth organizations complement various federal, state, and local government programs designed to benefit youth.

## SALES TO EDUCATIONAL INSTITUTIONS

**STATUTE:** West Virginia Code §§11-15-9(a)(6)(B) and 11-15-9(a)(15)

**EXEMPTION:** Sales of tangible personal property or services to an elementary or secondary school which maintains a regular faculty and curriculum and has a regularly enrolled body of pupils or students in attendance at the place in this state where its education activities are regularly carried on;

Sales of property or services to a school which has approval from the Higher Education Policy Commission or the Council for Community and Technical College Education to award degrees, which has its principal campus in this state, and which is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended.

**VALUE:** **$71.7 million**

### Rationale

This exemption presumably exists to promote education in West Virginia. Public schools would also be exempt under West Virginia Code §11-15-9(a)(3), which applies to governmental entities.

### Revenue Analysis

Expenditures for educational purchases have risen since the last Expenditure Study on Consumers Sales and Service Tax and Use Tax Expenditures in 2022 due to the additional revenue available from the Coronavirus Aid, Relief and Economic Security Act (CARES) and the American Rescue Plan Act (ARPA) and increased funds for boards of education in some counties from Property Tax on oil-producing property.

## SALES AND SERVICES DIRECTLY USED OR CONSUMED IN THE CONSTRUCTION OF CERTAIN YOUTH ORGANIZATION FACILITIES

**STATUTE:** West Virginia Code §11-15-8d(d)

**EXEMPTION:** Purchases of services, building materials and tangible personal property, except purchases of gasoline and special fuel, to be installed into a building or facility, or directly used or consumed in the construction, alteration, repair, or improvement of a new or existing building or structure by a person performing contracting if the purchaser of the contracting service is a nonprofit youth organization that would be entitled to claim the exemption under paragraph (E), subdivision (6), subsection (a) section nine (West Virginia Code §11-15-9) had it purchased the services, machinery, supplies, or materials.

**VALUE:** **Minimal**

### Rationale

For purposes of this exemption, the term “nonprofit youth organization” means a nonprofit organization that has been chartered by the United States Congress to help train young people to do things for themselves and others, and that has established an area of at least 6,000 contiguous acres within West Virginia in which to provide adventure and recreational activities for young people and others. This exemption was presumably enacted to encourage the development of a large youth-oriented adventure and recreational facility.

# GROUP II
# COMMODITY EXPENDITURES

Certain commodities are exempt from the Sales Tax for a variety of reasons. Expenditures may exist for some commodities to reduce the overall regressiveness (i.e., tax as a percentage of income increases as income decreases) of the sales tax structure. Other expenditures may exist because collection and compliance costs are high in proportion to the potential revenue yield. In some cases, the commodity exemption may contain certain restrictions to limit the scope and cost of the exemption.

The following commodity expenditures, not otherwise classified, exist within the West Virginia Consumers Sales and Service Tax and Use Tax laws:

- Food for Home Consumption;
- Reduced Basis for Sales of Mobile Homes;
- Sales of Newspapers Delivered by Route Carriers;
- Sales of Prescription Drugs, Appliances, and Insulin;
- Purchases of Drugs, Durable Medical Equipment, Mobility-Enhancing Equipment, and Prosthetic Devices by Health Care Providers;
- Sales of Farm Products in Original State by the Producer and Sales of Livestock Sold at Public Auction Sales;
- Sales of Subscriptions to Magazines Published by State Agencies;
- Sales of United States and West Virginia Flags;
- Sales of Aircraft;
- Sales of Computer Hardware and Software;
- Sales of Investment Bullion and Coins; and
- Sales of Small Arms and Ammunition.

An analysis of these tax expenditures follows.

## FOOD FOR HOME CONSUMPTION

**STATUTE:** West Virginia Code §11-15-3a(a)(3)

**EXEMPTION:** Sales, purchases, and uses of food and food ingredients intended for human consumption, not including sales, purchases, and uses by consumers of prepared food, food sold through vending machines and soft drinks.

**VALUE:** **$205.0 million**

### Rationale

The exemption for food and food ingredients intended for home consumption is designed to provide some tax relief to those individuals whose income is lower than average. However, all individuals receive the benefits of the exemption for purchasing food and ingredients.

## REDUCED BASIS FOR SALES OF MOBILE HOMES

**STATUTE:** West Virginia Code §11-15-3(f)

**EXEMPTION**: Sales of mobile homes to be utilized by purchasers as their principal year-round residence and dwelling provided that these mobile homes are subject to tax at the rate of 6.0 percent of 50.0 percent of the sales price.

**VALUE:** **$5.5 million**

### Rationale

The Sales Tax applies to roughly one-half of the value of conventional housing construction. Materials used in construction are taxable while contractor labor is exempt. This exemption and its predecessor presumably exist to provide similar treatment for mobile homes as provided for conventional housing.

### Revenue Analysis

The revenue impact for this partial exemption was calculated in isolation from other exemptions. Therefore, the actual revenue to be gained by the repeal of the partial exemption for mobile homes would be less than stated above. Other exemptions providing overlapping coverage include purchases made by governments for emergency housing following natural disasters and sales to schools for student or custodial housing.

As stated above, the partial exemption for the sale of mobile homes applies only to those homes used as the purchaser's year-round home and dwelling. These homes are considered personal property and are subject to sales tax. Self-propelled mobile homes purchased as recreation vehicles are subject to the 6.0% sales tax on motor vehicles.

## SALES OF NEWSPAPERS DELIVERED BY ROUTE CARRIERS

**STATUTE:** West Virginia Code §11-15-9(a)(10)

**EXEMPTION:** Sales of newspapers when delivered to consumers by route carriers.

**VALUE:** **$160,000**

### Rationale

When this exemption was originally created, imposing sales tax on carrier-delivered newspapers presents special problems with the collection and remittance of the tax generated. Therefore, this exemption presumably exists to reduce administrative and compliance costs.

### Revenue Analysis

The value of this exemption is lower than 2022 and is expected to decrease as more consumers move to alternative sources for daily media consumption.

## SALES OF PRESCRIPTION DRUGS, APPLIANCES, AND INSULIN

**STATUTE:** West Virginia Code §11-15-9(a)(11)

**EXEMPTION:** Sales of drugs, durable medical goods, mobility-enhancing equipment and prosthetic devices dispensed upon prescription and sales of insulin to consumers for medical purposes.

**VALUE:** **$21.1 million**

### Rationale

The cost of prescription drugs, durable medical goods, mobility-enhancing equipment, and prosthetic devices tends to fall disproportionately upon those with physical disabilities or acute illnesses. Therefore, this exemption may presumably exist out of concern over tax equity.

This expenditure is for sales to the consumer. An expenditure related to purchases by health care providers follows.

### Revenue Analysis

The total is the estimated value of this exemption after any third-party insurance payments are made, public or private. The expenditure includes the estimated tax loss for co-payments made at the consumer level. This differs from previous studies as those estimates included Medicare and Medicaid purchases and payments by other third-party insurance providers. Collecting sales tax from government-run insurance programs is unlikely if this exemption is removed. Illinois, the only state to have sales tax on prescription drugs, imposes tax only on out-of-pocket payments by consumers.

## PURCHASES OF DRUGS, DURABLE MEDICAL EQUIPMENT, MOBILITY-ENHANCING EQUIPMENT, AND PROSTHETIC DEVICES BY HEALTH CARE PROVIDERS

**STATUTE:** West Virginia Code §11-15-9i

**EXEMPTION:** Purchases of drugs, durable medical equipment, mobility enhancing equipment, and prosthetic devices to be dispensed upon prescription and intended for the use in the diagnosis, cure, mitigation, treatment, or prevention of injury or disease when purchased by hospitals, medical clinics, nursing homes, providers of inpatient hospital services, and providers of outpatient hospital services, physician services, nursing services, ambulance services, surgical services, or veterinary services.

**VALUE:** **$63.8 million**

### Rationale

This exemption exists in recognition that drugs, durable medical equipment, mobility-enhancing equipment, and prosthetic devices purchased by health care providers and dispensed upon a prescription are for the use of patients, not the health care provider. This exemption in combination with the previous exemption on the sales of prescription drugs and appliances lowers the cost of medically necessary items for the final consumer. Prescription drug purchases by a pharmacy are exempt as a purchase for resale.

## SALES OF FARM PRODUCTS IN ORIGINAL STATE BY THE PRODUCER AND SALES OF LIVESTOCK SOLD AT PUBLIC AUCTION SALES

**STATUTE:** West Virginia Code §11-15-9(a)(31)

**EXEMPTION:** Sales of livestock, poultry, or other farm products in their original state by the producer thereof, or a member of the producer's immediate family who is not otherwise engaged in making retail sales of tangible personal property, and sales of livestock sold at public sales sponsored by breeders, or registry associations, or livestock auction markets.

**VALUE:** **Minimal**

### Rationale

Most farm products are sold at wholesale with Sales Tax collected on the sales to the consumer by the retailer. However, some farm products are sold directly from the farm to consumers. This exemption relieves farmers who are not in the retail business of the burden of collecting and remitting Sales Tax. Livestock sold at public auctions may be covered by overlapping exemptions if the sales are made for resale or are made to farmers for use in agricultural production.

## SALES OF SUBSCRIPTIONS TO MAGAZINES PUBLISHED BY STATE AGENCIES

**STATUTE:** West Virginia Code §11-15-9(a)(43)

**EXEMPTION:** Direct or subscription sales by the Division of Natural Resources of the magazine currently entitled *Wonderful West Virginia,* and by the Division of Culture and History of the magazine currently entitled *Goldenseal,* and the journal currently entitled *West Virginia History*.

**VALUE:** **Minimal**

### Rationale

This exemption largely exists because these subscriptions are sold by a unit of State government. Collection and remittance of sales tax may increase the cost of providing this government service to citizens.

## SALES OF UNITED STATES AND WEST VIRGINIA FLAGS

**STATUTE:** West Virginia Code §11-15-9(a)(49)

**EXEMPTION**: Sales of the regulation size United States flag and the regulation size West Virginia flag for display.

**VALUE:** **Minimal**

### Rationale

This exemption presumably exists to promote patriotism.

## SALES OF AIRCRAFT

**STATUTE:** West Virginia Code §11-15-9(a)(50)

**EXEMPTION**: Sales of aircraft sold in this state on or after July 1, 2020 … and registered outside of this state … as long as the aircraft is removed from this state within 60 days of the date of purchase.

**VALUE:** **$500,000**

### Rationale

This exemption exists to promote an increase in activity in the aviation sales industry.

### Revenue Analysis

This value is variable each year due to inconsistent sales and a relatively small volume of aircraft on the market.

## SALES OF COMPUTER HARDWARE AND SOFTWARE

**STATUTE:** West Virginia Code §11-15-9h

**EXEMPTION:** Sales of the following services are exempt:

- Computer hardware and software to be directly incorporated by a manufacturer into a manufactured product;
- Sales of computer hardware and software directly used in communication;
- Sales of electronic data processing services;
- Sales of educational software required to be used in any of the public schools of this state or used in any institution in this state which qualifies as nonprofit or educational institution subject to administration, regulation, certification or approval of the Department of Education, the Department of Education and the Arts or the Higher Education Policy Commission;
- Sales of internet advertising of goods and services;
- Sales of high technology business services to high technology businesses which enter into contracts with this state, its institutions and subdivisions, governmental units, institutions or subdivisions of other states, or with the United States, including agencies of federal, state or local governments for direct use in fulfilling the government contract; and
- Sales of pre-written computer software, computers, computer hardware, servers and building materials and tangible personal property to be installed into a facility for direct use in a high technology business or an internet advertising business.

**VALUE:** **$10.0 million**

### Rationale

This exemption was enacted in response to technological advances in computers and the expanded role of computers, the internet, and global instant communications in business, and to encourage computer software developers, computer hardware designers, systems engineering firms, electronic data processing companies, and other high technology companies to locate and expand in West Virginia.

### Revenue Analysis

The above exemption value only includes sales of internet advertising of goods and services and sales of high technology business services to high technology businesses that enter into contracts with this State or with the United States, including agencies of federal, state, or local governments for direct use in fulfilling the government contract. The other items listed are generally exempt elsewhere in the Code.

## SALES OF INVESTMENT BULLION AND COINS

**STATUTE:** West Virginia Code §11-15-9r

**EXEMPTION:** Sales of investment metal bullion or investment coins.

**VALUE:** **$100,000**

**Rationale**

The vast majority of states do not collect sales tax on investment bullion and coins.

## SALES OF SMALL ARMS AND AMMUNITION

**STATUTE:** West Virginia Code §11-15-9u

**EXEMPTION:** Sale of small arms and small arms ammunition, as those terms are defined in subsections (c): "Small arms" means any portable firearm, including the receiver or frame of the firearm, designed to be carried and operated by a single person, including, but not limited to, rifles, shotguns, pistols, and revolvers, with no barrel greater than an internal diameter of .50 caliber or a shotgun of 10 gauge or smaller; and (d): "Small arms ammunition" means firearm ammunition designed for use in small arms.

**VALUE:** **$600,000**

**Rationale**

This exemption exists to encourage the manufacture of small arms and ammunition.

# GROUP III
# SERVICE EXEMPTIONS

Exclusions or exemptions from the Sales Tax exist for several broad categories of services rendered in West Virginia. These exemptions or exclusions may exist because of high compliance and collection costs, concern over equity (e.g., health care services), or concern over interstate tax competitiveness. Some tax exclusions may also be attributable to the evolution of sales tax policy in general.

The exclusion of services from taxation is the result of tradition as much as any other factor. Most modern-day retail sales tax structures, including West Virginia's, date back to the 1930's when services represented a significantly smaller portion of total consumer expenditures. Personal consumption expenditure data from the Federal Reserve Bank of St. Louis indicates a dramatic shift in personal spending habits between 1940 and the present. The percentage of total consumer spending attributable to services, excluding spending on housing, electricity, and natural gas, rose from 25.7 percent in 1940 to 66.2 percent by 2023.

States originally excluded most service transactions from sales tax because of simplicity since tangible property transactions were more easily identified for taxation. As retail sales taxation spread from state to state, lawmakers tended to copy each other. However, due to the gradual decline in consumer spending on taxable goods as a percentage of total consumer spending, more states have begun to target certain services for taxation.

West Virginia taxes services to a greater extent than most other states with the possible exceptions of Hawaii, Iowa, New Mexico, South Dakota, and Washington. Accordingly, West Virginia's tax base respecting services may be considered closer to the normal tax base (i.e., taxing more services) than most other states. However, the following services remain exempt from the Sales Tax in this State:

- Sales of Services Subject to Regulation by the Public Service Commission;
- Sales of Personal Services;
- Sales of Professional Services;
- Sales of Selected Advertising;
- Sales and Services Performed by Day Care Centers and Babysitters;
- Sales of Electronic Data Processing Services;
- Sales of Contracting Services Resulting in Capital Improvements;
- Sales of the Service of Opening and Closing a Burial Lot;
- Charges for Memberships or Services Provided by Health and Fitness Organizations;
- Artistic Performances by Entertainers;
- Charges by Membership Organizations to Their Members; and
- Dues, Fees and Assessments Paid to a Homeowners' Association.

An analysis of these tax expenditures follows.

## SALES OF SERVICES SUBJECT TO REGULATION BY THE PUBLIC SERVICE COMMISSION

**STATUTE:** West Virginia Code §11-15-8

**EXCLUSION**: Services furnished by corporations subject to control of the Public Service Commission.

**VALUE:** **$353.0 million**

### Rationale

Natural gas, water, telephone, and electric utility services provided by corporations subject to regulation by the West Virginia Public Service Commission were excluded from taxation at the time the Sales Tax was first implemented. Concerns over equity and double taxation were possible motivations behind this exclusion. Sales tax on items of necessity, such as public utility services, tends to fall most heavily upon those least able to pay. In any case, natural gas, water, and electric utility services are already subject to an alternative tax (i.e., Business and Occupation Tax). Therefore, a sales tax on the same gross receipts would have represented a form of double taxation.

Before July 1, 1987, transportation services provided by non-municipal providers were subject to the Carrier Income Tax. This alternative tax may have provided a reason to exempt transportation services from the Sales Tax. Since a significant portion of transportation services are provided for businesses, the exclusion may also exist to preclude tax pyramiding upon intermediate activities.

### Revenue Analysis

The value cited above was calculated in isolation from other possible applicable exemptions. Thus, the actual revenue impact resulting from the repeal of this exclusion by itself would not produce the total cited above. This exclusion encompasses the activities of natural gas, water, and electric utilities that are exempt under West Virginia Code §11-15-9(a)(1). That expenditure, listed later in this report, provides for the exemption of sales of natural gas, steam, or water delivered to consumers through mains or pipes and sales of electricity. Other exemptions—such as those for direct use, sales to governmental units, sales to schools, sales to churches, and sales to charitable organizations—would also reduce the stated revenue impact.

The provision of telecommunications services includes a substantial amount of interstate commerce upon which taxation by states is limited. In calculating the value, an attempt was made to separate interstate sales of telecommunications into taxable and nontaxable components. Also, network access charges were excluded from the calculation since these charges could be considered sales for resale. With these noted exceptions, no other exclusions or exemptions were considered in the computation; therefore, caution should be used in adding the above value to any others that appear in this report. Other specific exemptions that would possibly provide overlapping exemption coverage, and thus reduce the stated revenue impact, include sales to governmental units, sales to schools, and sales to churches and charitable organizations.

As stated above, a significant portion of transportation services are provided for businesses. Subjecting transportation services to the Sales Tax may cause some businesses to do their own transportation which, in turn, would be exempt from the sales tax under the direct use exemption.

## SALES OF PERSONAL SERVICES

**STATUTE:** West Virginia Code §11-15-8

**EXCLUSION:** Sales of personal services done to or performed on the person of an Individual.

| **VALUE:** | | |
|---|---|---|
| | **Caregivers** | **$19.0 million** |
| | **Other** | **$12.0 million** |
| | **Total** | **$31.0 million** |

### Rationale

The exclusion of personal services from sales taxation is part of a long tradition associated with the realities of the 1930's when the tax was first instituted. In those days, most personal services would have been difficult to tax because of the existence of numerous small-scale providers who worked for cash. This exemption exists to avoid the administrative and compliance costs associated with numerous small-scale personal service providers.

## SALES OF PROFESSIONAL SERVICES

**STATUTE:** West Virginia Code §11-15-8

**EXCLUSION:** Sales of professional services[3] performed by licensed professionals.

| **VALUE:** | | |
|---|---|---|
| | **Medical** | **$790.0 million** |
| | **Veterinary** | **$23.0 million** |
| | **Legal** | **$38.0 million** |
| | **Accounting** | **$24.0 million** |
| | **Other** | **$30.0 million** |
| | **Total** | **$905.0 million** |

### Rationale

Some professional service exclusions exist out of concern for tax equity while some others may exist out of concern over economic efficiency. The costs of medical services tend to fall disproportionately for those with physical disabilities or acute illnesses. Therefore, a tax on such services would fall more heavily upon those individuals than upon the general populace. Tax

[3] Professional services are generally provided by those with both a specialized level of educational attainment and a license to perform the professional service activity. In this estimate, medical services include those provided by doctors, and hospitals while other services include those provided by veterinarians, engineers, architects, and auctioneers.

equity is thus improved by a medical service exclusion. The medical service exclusion also complements direct government expenditure programs such as Medicaid and Medicare.

A significant number of certain professional services (e.g., legal services and engineering services) are provided for businesses. There is some concern that taxation of these services may lead some businesses to hire their own professional staff to avoid taxation. Some loss of economic efficiency may result. Taxation of business services also results in some tax pyramiding for final consumer goods.

### Revenue Analysis

Some states tax professional services by way of a business gross receipts tax. However, South Dakota is the only state taxing non-medical professional services by way of a traditional sales tax. Statistical data from South Dakota was utilized to help measure the potential sales tax gain for West Virginia from a sales tax on non-medical professional services.

The medical service tax expenditure estimate includes the gross value of tax on all services. However, most gross receipts may not be taxable due to the inability to impose tax on government payers.

## SALES OF SELECTED ADVERTISING

**STATUTE:** West Virginia Code §11-15-9(a)(12)

**EXEMPTION:** Sales of radio and television broadcasting time, preprinted advertising circulars, and newspaper and outdoor advertising space for the advertisement of goods and services.

**VALUE:** **$29.0 million**

### Rationale

The exemption for sales of radio and television broadcast time, preprinted advertising circulars, and newspaper and outdoor advertising space arguably allows local advertising to be treated the same as national advertising. It would be difficult to tax national advertising because the United States Constitution prohibits state interference with interstate commerce. It is also difficult to isolate intrastate transactions from interstate transactions.

## SALES AND SERVICES PERFORMED BY DAY CARE CENTERS AND BABYSITTERS

**STATUTE:** West Virginia Code §§11-15-9(a)(13) and 11-15-9(a)(35)

**EXEMPTIONS:** Sales and services performed by day-care centers; and

Sales of services by individuals who babysit for a profit; provided that the gross receipts of the individual from the performance of babysitting services do not exceed five thousand dollars in a taxable year.

**VALUE:** **$15.3 million**

### Rationale

The day care service exemption presumably promotes the provision of such services to consumers at the least possible cost. The exemption for sales of babysitting services was enacted because most babysitters were not collecting and remitting the tax. Also, most babysitters are not licensed by any State agency and therefore would be difficult to locate to enforce remittance of the Sales Tax.

### Revenue Analysis

The above exemption value does not include payments for sales and services by day care centers made by the West Virginia Department of Health and Human Resources. It also does not include the exemption value for sales of babysitting services. An accurate measure for babysitting services is not possible because such services often involve small cash transactions.

## SALES OF ELECTRONIC DATA PROCESSING SERVICES

**STATUTE:** West Virginia Code §11-15-9(a)(21)

**EXEMPTION:** Sales of electronic data processing services and related software.

**VALUE:** **$10.8 million**

### Rationale

The exemption for electronic data processing services is generally broad in nature and is loosely defined. The language of the exemption has not kept up with technological advances. The recent addition of internet service providers to the growing list of exempt data processing services illustrates the broad scope of this exemption. This makes it difficult to estimate the value of this exemption because there is no clear definition of the exact services exempted.

First passed in 1998, the Internet Tax Freedom Act prohibits multiple and discriminatory taxes on electronic commerce. The Act prevents federal, state, and local governments from taxing internet access and from imposing discriminatory internet-only taxes, such as bit taxes, bandwidth tax and email taxes. It also bars multiple taxes on electronic commerce. However, it does not prohibit the imposition of sales tax or use tax on goods and services provided over the internet;

nor does it relieve in-State vendors from their duty to collect and remit sales tax on internet sales to in-State residents and businesses. The original Act was in effect for ten years, but the Act was extended several times. The Act became permanent law in part of the Trade Facilitation and Trade Enforcement Act of 2015.

### Revenue Analysis

The exemption for electronic data processing services has increased by nearly 64% since the 2022 report. The Bureau of Labor Statistics Producer Price Index (PPI) reported a 3.7% annual increase in data processing and related services since January 2024, largely due to cloud computing. Cloud costs have been rapidly increasing since September 2022 largely due to increased demand in cloud computing during and after the COVID-19 pandemic.

## SALES OF CONTRACTING SERVICES RESULTING IN CAPITAL IMPROVEMENTS

**STATUTE:** West Virginia Code §§11-15-2(b)(3), 11-15-2(b)(18), 11-15-7a, and 11-15-8a

**EXCLUSION:** Contracting services which result in capital improvements are excluded from the definition of taxable services for purposes of the Consumers Sales and Service Tax.

**VALUE:** **$265.0 million**

### Rationale

An exclusion for all sales of contracting services was originally enacted at the time the Sales Tax was implemented. A modification in 1989 essentially retained the exclusion for contracting services resulting in capital improvements while other contracting services became subject to the tax. For purposes of the Sales Tax, a “capital improvement” is any addition or alteration to real property which meets all three of the following requirements:

1. It substantially adds to the value of real property or appreciably prolongs the useful life of the real property;
2. It becomes part of the real property or is permanently affixed to the real property so that removal would cause material damage to the property or article itself; and
3. It is intended to become a permanent installation or to remain there for an indefinite period.

Additional information on exempt and taxable contracting service may be found in the following publications at:
https://tax.wv.gov/TaxProfessionals/GuidanceAndPublications/Pages/TaxProfessionalsGuidanceAndPublications.aspx.

- TSD-310—Capital Improvement Rule: Sales and Use Tax for Construction Trades;
- TSD-315—Sales and Use Tax for Dealers of Factory-Built Homes;
- TSD-325—Sales and Use Tax for Incidental Installation;

Before July 1, 1987, contracting activity was subject to the Business and Occupation Tax. Thus, the exemption originally existed to preclude the double taxation of contracting, once under the Business and Occupation Tax and a second time under the Sales Tax. Also, real property is not historically taxed under the Sales Tax, and the provision of contracting services generally involves real property. The exclusion of capital improvements exists because contracting services resulting in capital improvements generally add to the value of real property. Real property transactions are excluded from sales and use taxes. Contractors are treated as final consumers and must pay tax on their purchases of materials, tools, and equipment for use in capital improvement projects. However, purchases by a contractor directly consumed in the construction, alteration, repair, or improvement of a new or existing building or structure to be used primarily for manufacturing (and certain other activities) are exempt if the purchaser of the contracting services would be entitled to claim the exemption under West Virginia Code §11-15-9(b)(2).

West Virginia Code §11-15-7a clarified the tax treatment on the manufacture, sale, and installation of modular dwellings. Similar to traditional construction of residential dwellings, persons engaged in the manufacture of modular dwellings must pay tax only on the value of the building supplies and materials used in the manufacture of the modular dwelling. Also, building supplies and materials used in the preparation of the site for permanent installation of the modular dwelling are subject to tax.

**Revenue Analysis**

The revenue impact cited above was calculated without consideration of any other applicable exemptions. Thus, the repeal of this exemption would not necessarily yield the amount shown. Other exemptions (e.g., sales to governmental agencies and manufacturers' direct use purchases) may overlap this type of activity.

## SALES OF THE SERVICE OF OPENING AND CLOSING A BURIAL LOT

**STATUTE:** West Virginia Code §11-15-9(a)(30)

**EXEMPTION**: Charges for the services of opening and closing a burial lot.

**VALUE:** **$1.6 million**

**Rationale**

The service of opening and closing a burial lot may be considered an extension of the personal services offered by funeral service providers.

## CHARGES FOR MEMBERSHIPS OR SERVICES PROVIDED BY HEALTH AND FITNESS ORGANIZATIONS

**STATUTE:** West Virginia Code §11-15-9(a)(34)

**EXEMPTION:** Charges for memberships or services provided by health and fitness organizations relating to personalized fitness programs.

**VALUE:** **$3.5 million**

**Rationale**

Originally, the exemption for charges for memberships to health and fitness organizations was presumably enacted to support the community-based activities of YMCAs, YWCAs, and other similar types of organizations. However, the statement of exemption is actually much broader in scope. As written, it includes other for-profit exercise facilities (e.g., Nautilus fitness centers) that do not necessarily support local community-based activities in the same manner as the YMCAs and YWCAs.

## ARTISTIC PERFORMANCES BY ENTERTAINERS

**STATUTE:** West Virginia Code §11-15-9(a)(40)

**EXEMPTION:** Sales of artistic services or artistic performances of an entertainer or performing artist pursuant to a contract if the contract amount does not exceed $3,000.

**VALUE:** **$700,000**

**Rationale**

This exemption exists to remove a tax burden on performances by entertainers and musicians if the contract for each individual performance does not exceed $3,000.

## CHARGES BY MEMBERSHIP ORGANIZATIONS TO THEIR MEMBERS

**STATUTE:** West Virginia Code §11-15-9(a)(41)

**EXEMPTION:** Charges to a member by a membership association or organization which is exempt from paying federal income taxes under Section 501(c)(3) or (c)(6) of the Internal Revenue Code of 1986, as amended, for membership in the association or organization.

**VALUE:** **Minimal**

**Rationale**

The exemption for charges by a membership organization for membership and other services to its members was presumably enacted because of the difficulty in valuing and enforcing a tax on such transactions. Also, this exemption only applies to those organizations or associations that are exempt from paying federal income taxes under Section 501(c)(3) or (c)(6) of the Internal Revenue Code.

## DUES, FEES, AND ASSESSMENTS PAID TO A HOMEOWNERS' ASSOCIATION

**STATUTE:** West Virginia Code §11-15-9o

**EXEMPTION:** Membership dues, fees, and assessments paid to a homeowners' association by a member thereof if the dues, fees, and assessments are for the purpose of permitting or funding the homeowners' association's payment of common expenses when acting in its representative capacity for its members.

**VALUE:** **$800,000**

### Rationale

The exemption for dues, fees, and assessments paid to a homeowners' association by a member was presumably enacted because of the difficulty in valuing and enforcing a tax on such transactions. Only 5.2 percent of West Virginia homeowners participate in an HOA.

# GROUP IV
# COMMUNITY EXEMPTIONS

Several exemptions exist for community and social service activities. These exemptions generally involve organizations providing socially desirable services, often for low-income individuals. The community-related tax expenditures generally exist to promote the activities of the organization. In some cases, collections and compliance costs may be high compared with the potential yield of these tax expenditures. The following exemptions involve a community-related activity:

- Casual and occasional sales of property or services not conducted in a repeated manner or in the ordinary course of repetitive and successive transactions of like character by churches, grant organizations, youth organizations, and organizations donating income to a nonprofit organization (West Virginia Code §11-15-9(a)(14));
- Food purchased or sold by a charitable or private nonprofit organization, a nonprofit organization, or a governmental agency under a program to provide meals to low-income persons at or below cost (West Virginia Code §11-15-9(a)(24)(C));
- Food sold by a charitable or private nonprofit organization, a nonprofit organization, or a governmental agency under a program operating in West Virginia for a minimum of five years to provide food at or below cost to individuals who perform a minimum of two hours community service for each unit of food purchased from the organization (West Virginia Code §11-15-9(a)(24)(D));
- Food sold in an occasional sale by a charitable or nonprofit organization, including volunteer fire departments and rescue squads, if the purpose of the sale is to obtain revenue for the functions and activities of the organization and the revenue obtained is expended for that purpose (West Virginia Code §11-15-9(a)(24)(E));
- Food sold by any religious organization at a social or other gathering conducted by it or under its auspices, if the purpose in selling the food is to obtain revenue for the functions and activities of the organization and the revenue obtained is actually used in carrying on those functions and activities (West Virginia Code §11-15-9(a)(24)(F));
- Food sold by volunteer fire departments and rescue squads that are exempt from federal income taxes under Section 501(c)(3) or (c)(4) of the Internal Revenue Code of 1986, as amended, when the purpose of the sale is to obtain revenue for the functions and activities of the organization and the revenue is exempt from federal income tax and expended for that purpose (West Virginia Code §11-15-9(a)(24)(G));
- Sales of food by little leagues, midget football leagues, youth football, or soccer leagues, band boosters, or other school or athletic booster organizations supporting activities for grades kindergarten through twelve and similar types of organizations, including scouting groups and church youth groups, if the purpose in selling the food is to obtain revenue for the functions and activities of the organization and the revenues obtained from selling the food is actually used in supporting or carrying on functions and activities of the groups (West Virginia Code §11-15-9(a)(25));
- Sales of services by public libraries or by libraries at academic institutions or by libraries at institutions of higher learning (West Virginia Code §11-15-9(a)(36));

- Sales of tangible personal property and services by volunteer fire departments and rescue squads that are exempt from federal income taxes under Section 501(c)(3) or (c)(4) of the Internal Revenue Code of 1986, as amended, if the sole purpose of the sale is to obtain revenue for the functions and activities of the organization and the revenue obtained is exempt from federal income tax and actually expended for that purpose (West Virginia Code §11-15-9(a)(47));
- Sales of property or services to bona fide charitable organizations who make no charge whatsoever for the services they render (West Virginia Code §11-15-9(b)(1));
- Sales of property or services to nationally chartered fraternal or social organizations for the sole purpose of free distribution in public welfare or relief work (West Virginia Code §11-15-9(b)(3));
- Sales and services, firefighting or station house equipment, including construction and automotive, made to any volunteer fire department organized and incorporated under the laws of the State (West Virginia Code §11-15-9(b)(4));
- Sales of building materials or building supplies or other property to an organization qualified under Section 501(c)(3) or (c)(4) of the Internal Revenue Code of 1986, as amended, which are to be installed in, affixed to or incorporated by the organization into real property or into a building or structure which is to be used as permanent low-income housing, transitional housing, an emergency homeless shelter, a domestic violence shelter, or an emergency children and youth shelter if the shelter is owned, managed, developed, or operated by an organization qualified under Section 501(c)(3) or (c)(4) of the Internal Revenue Code of 1986, as amended (West Virginia Code §11-15-9(b)(5));
- Sales of clothing and clothing accessories by organizations that are exempt from federal income taxes under Section 501(c)(3) or (c)(4) of the Internal Revenue Code of 1986, as amended, and that have annual revenue obtained from the sales of less than $40,000 (West Virginia Code §11-15-9l); and
- Sales of taxable services by a corporation or organization that are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (West Virginia Code §11-15-11).

**VALUE: $13.7 million**

# GROUP V
# EDUCATIONAL EXEMPTIONS

The West Virginia Code provides for several exemptions relating to education or educational organizations. These tax expenditures generally exist to promote education in West Virginia. Educational institutions in West Virginia and their students benefit from these exemptions. The following exemptions relate to education:

- Sales of textbooks required to be used in any of the schools of this State or in any institution in this State which qualifies as a nonprofit or educational institution subject to the West Virginia Department of Education and the Arts, the Higher Education Policy Commission or the Council for Community and Technical College Education for universities or colleges located in this State (West Virginia Code §11-15-9(a)(2));
- Casual and occasional sales of property or services by volunteer school support groups (West Virginia Code §11-15-9(a)(14));
- Sales of tickets for activities sponsored by elementary and secondary schools located within this State (West Virginia Code §11-15-9(a)(20));
- Tuition charged for attending educational summer camps (West Virginia Code §11-15-9(a)(22));
- Food purchased or sold by a public or private school, school-sponsored student organizations, or school-sponsored parent-teacher associations to students enrolled in such school or to employees of such school during normal school hours (West Virginia Code §11-15-9(a)(24)(A));
- Food purchased or sold by a public or private college or university or by a student organization officially recognized by the college or university to students enrolled at the college or university when the sales are made on a contract basis (West Virginia Code §11-15-9(a)(24)(B));
- Food sold by band boosters or other school or athletic booster organizations supporting activities for grades kindergarten through twelve (West Virginia Code §11-15-9(a)(25));
- Charges for room and meals by fraternities and sororities to their members (West Virginia Code §11-15-9(a)(26));
- Sales of music instructional services by a music teacher (West Virginia Code §11-15-9(a)(40)), and
- Casual and occasional sales or property or services by not-for-profit volunteer school support groups for elementary or secondary schools located in West Virginia, whether the group has or does not have a 501(c)(3) or (c)(4) determination provided that the organization is a bona fide, not-for-profit volunteer charitable or public organization eligible for exemption under 501(c)(3) or (c)(4) if it were to see an exemption determination letter and that these fundraising events are limited to eighteen events per year and each event lasts no more than fourteen consecutive days (West Virginia Code §11-15-9q).

**VALUE: $18.4 million**

## Revenue Analysis

Some items such as textbooks, room and board at colleges and universities and charges for events sponsored by schools (i.e., sporting events and concerts) have risen since the last Expenditure Study on Consumers Sales and Service Tax and Use Tax Expenditures in 2022. However, the total value for the expenditure for all the educational exemptions has declined significantly due to a drop in the amount collected for food sold by schools. Most schools offer free breakfast and lunch to all students so there is no amount due by parents or guardians.

# GROUP VI
# MISCELLANEOUS EXPENDITURES

The West Virginia Code concerning the Consumers Sales and Service Tax provides for several miscellaneous deductions, exclusions, and exemptions not classified under any of the previous five categories. Some of these provisions are unique to West Virginia. The following is a list of several miscellaneous expenditures not previously discussed:

- Clothing Voucher Purchases;
- Sales of Lottery Tickets by Licensed Lottery Agents;
- Sales by Local Governmental Units;
- Various Miscellaneous Exemptions;
- Qualified Purchases of Selected Property and Services for a New or Expanded Warehouse or Distribution Facility;
- West Virginia Tourism Development Credit;
- Exemption for BUILD WV Construction;
- Monetary Allowances from Streamlined Sales; and
- Sales Tax Holiday

An analysis of these tax expenditures follows.

## CLOTHING VOUCHER PURCHASES

**STATUTE:** West Virginia Code §§11-15-9(a)(3) and 9-9-5

**EXEMPTION:** Purchases made with the clothing vouchers issued by West Virginia Department of Health & Human Resources for low-income, school-aged children.

**VALUE:** **$900,000**

### Rationale

A School Clothing Allowance Program is available to assist parents and/or caretaker relatives to provide clothing for school-age children. West Virginia Code §9-9-5 allows for some expenditures from the WV WORKS program fund, a special account within the state treasury, to finance Temporary Assistance to Needy Families (TANF), including clothing vouchers. Families receiving TANF are automatically eligible to receive a clothing voucher for each eligible child. Families with income below 100.0 percent of the Federal Poverty Level are also eligible to receive a clothing voucher for each eligible school-aged child in the home. The family is not required to apply for or receive a WV WORKS check to be eligible for the clothing vouchers. This program is offered once per year and is not considered as WV WORKS cash assistance in West Virginia. Purchases made with these clothing vouchers are exempt from Sales Tax in West Virginia. Each eligible child will receive a $200 clothing voucher. As of Fiscal Year 2021, the State clothing vouchers are now issued as cash assistance payments via an EBT card.

## SALES OF LOTTERY TICKETS BY LICENSED LOTTERY AGENTS

**STATUTE:** West Virginia Code §11-15-9(a)(16)

**EXEMPTION:** Sales of lottery tickets and materials by licensed lottery sales agents and lottery retailers authorized by the State Lottery Commission.

**VALUE:** **$15.0 million**

### Rationale

The exemption for sales of lottery tickets and materials exists because the lottery is run by the State government. All lottery ticket money, net of costs and prizes, is deposited in the State treasury.

## SALES BY LOCAL GOVERNMENTAL UNITS

**STATUTE**: West Virginia Code §11-15-9(a)(42)

**EXEMPTION:** Sales of governmental services or governmental materials by county assessors, county sheriffs, county clerks, or circuit clerks in the normal course of local government operations.

**VALUE:** **$500,000**

### Rationale

The imposition of sales tax on sales of products sold by local governmental units during their normal operations would reduce the accessibility of those products to the public.

## VARIOUS MISCELLANEOUS EXEMPTIONS

**STATUTE:** West Virginia Code §11-15-9(a)(29)

**EXEMPTION:** Sales of tangible personal property or services to any person who claims exemption from the Consumers Sales and Service Tax pursuant to the provisions of any other chapter of the West Virginia Code.

**VALUE:** **Not available**

### Rationale

Although the rationale behind these miscellaneous expenditures may vary from one exemption to the next, alternative taxation (e.g., racetracks) or special service promotion (e.g., ambulance service) are presumably the predominant reasons for these exemptions. Several of these exemptions (i.e., sales to Housing Development Fund) overlap with the sales to governmental entities exemption (West Virginia Code §11-15-9(a)(3)). Listed below are the various miscellaneous exemptions:

- Sales to Ambulance Authorities (West Virginia Code §7-15-13);
- Sales to Urban Mass Transportation Authorities (West Virginia Code §8-27-20);
- Sales of Goods at a State Military Training Facility or a State Reservation Under Adjutant General's Jurisdiction (West Virginia Code §15-1H-5);
- Sales to Parkways Authority (West Virginia Code §17-16A-16);
- Sales to Horse and Dog Racing Associations Subject to License Tax (West Virginia Code §19-23-12);
- Purchases for Park Development Projects (West Virginia Code §20-5-6);
- Sales to Solid Waste Management Board (West Virginia Code §22C-3-19);
- Sales to Economic Development Authority (West Virginia Code §31-15-17);
- Sales to Housing Development Fund (West Virginia Code §31-18-18);
- Sales to Jail Authority (West Virginia Code §31-20-19);
- Sales to Credit Unions (West Virginia Code §31C-2-8);
- Sales to Hospital Service Corporations (West Virginia Code §33-24-4); and
- Sales to Homes and Asylums of Fraternal Orders (West Virginia Code §35-3-1).

## QUALIFIED PURCHASES OF SELECTED PROPERTY AND SERVICES FOR A NEW OR EXPANDED WAREHOUSE OR DISTRIBUTION FACILITY

**STATUTE:** West Virginia Code §11-15-9n

**EXEMPTION:** Qualified purchases of computers and computer software, primary material handling equipment, racking and racking systems, and components thereof, building materials and tangible personal property installed into or directly used or consumed in the construction, addition, alteration, or improvement of a qualified, new or expanded warehouse or distribution facility, as such terms are defined in this section (West Virginia Code §11-15-9n), purchased during the expansion period.

**VALUE:** **$0**

### Rationale

This exemption presumably exists to encourage the location of large warehouses or distribution facilities in West Virginia that create additional direct and indirect jobs. To qualify for the exemption, the new or expanded warehouse or distribution facility must employ 300 or more West Virginia domiciled West Virginia residents as full-time employees in the warehouse or distribution facility once the expansion (i.e., construction, addition, alteration, or improvement) period is complete. Additionally, to qualify for the exemption, the investment in real and personal property for the new or expanded warehouse or distribution facility must be $50 million or more. For purposes of the exemption, the qualified, new, or expanded warehouse or distribution facility does not include a building or facility where tangible personal property is manufactured, fabricated, or assembled, or a building or facility where annual calendar year retail sales of tangible personal property are made over the counter from the facility to the general public if such sales exceed 5.0 percent of total annual calendar year revenues of the facility during the same period.

## WEST VIRGINIA TOURISM DEVELOPMENT CREDIT

**STATUTE:** West Virginia Code §§5B-2E-7 and 11-15-34

**EXEMPTION:** Approved companies are allowed a credit against the Consumers Sales and Service Tax on sales generated by or derived from the operations of the tourism development project.

**VALUE:** **$3.2 million**

### Rationale

As stated in the enabling legislation, the credit was enacted “to induce the creation of new, or the expansion of existing, tourism development projects within the State in order to advance the public purposes of relieving unemployment by preserving and creating jobs and by preserving and creating new and greater sources of revenues for the support of public services provided by the state.”

### Revenue Analysis

The cost of the State Tourism Development Credit has doubled within the past three years. In 2023, $43 million was dedicated to new investments related to this credit. The Tourism Development Act Tax Credit Program received more applications within the past 6 years than within its first 14 years of existence. Since the credit's inception in 2004, a total of $357 million has been spent on investments related to this credit.

## EXEMPTION FOR BUILD WV CONSTRUCTION

**STATUTE:** West Virginia Code §5B-2L-7

**EXEMPTION:** Purchases of building materials, tangible personal property, and services by a construction contractor or construction subcontractor directly used in construction of a certified BUILD WV project property certified pursuant to the provisions of this article.

**VALUE:** **$2.0 million**

### Rationale

The BUILD WV ACT was passed during the 2022 Legislative Session to attract much-needed housing development projects. A project must generate approved costs of more than $3.0 million or include at least six residential houses. This Sales Tax exemption includes common areas, infrastructure and services directly used in construction, repair, maintenance and refurbishment of certified BUILD WV property. During Fiscal Year 2024, seven projects with a cost of $108.9 million were approved. The maximum allotment for BUILD WV approvals in $150 million per year.

## MONETARY ALLOWANCES FROM STREAMLINED SALES TAX

**STATUTE:** West Virginia Code §11-15B-30

**EXEMPTION:** Monetary allowances for sales tax collection to certified service providers and to sellers registered under the Streamlined Sales and Use Tax Agreement.

**VALUE:** **$980,000**

### Rationale

The monetary allowance cited in the Streamlined Sales and Use Tax Agreement presumably exists to provide reasonable compensation for the incremental expenses incurred in establishing or maintaining a uniform system for administering, collecting, and remitting sales and use taxes. A monetary allowance has been permitted following the 2006 completion of the "cost of collection study" required by the Streamlined Sales and Use Tax Agreement.

### Revenue Analysis

There has been a significant increase in the value of this expenditure due to an increased number of streaming service providers claiming this monetary allowance in recent years. Additionally, other online retailers have also increased monetary allowances from the Streamlined Sales and Use Tax Agreement within the past several years.

## SALES TAX HOLIDAY

**STATUTE:** West Virginia Code §11-15-9s

**EXEMPTION:** Sales of clothing, school instructional materials, laptop or tablet computers, and sports equipment purchased on the first Sunday of August or the previous Friday or Saturday or the following Monday.

**VALUE:** **$3.4 million**

### Rationale

The Sales Tax Holiday exemption exists to provide temporary tax relief to consumers purchasing back-to-school supplies.

# GROUP VII
# STATUTORY PROVISIONS THAT ARE NOT TRUE EXPENDITURES

The West Virginia Consumers Sales and Service Tax Law contains several citations which arguably are not true expenditures but have been implicitly codified to improve clarification of the Law. The expenditures in this section are classified in sub-groups as follows: federally mandated exemptions, model sales tax components, provisions to avoid double taxation, and a final sub-group that includes items that most, if not all, other states exempt and a special revenue transfer mechanism.

## FEDERALLY MANDATED EXEMPTIONS

The following exemptions are not tax expenditures because they are excluded from state taxation by a federal law or a federal constitutional amendment:

- Sales to the United States Government;
- Food Stamp and WIC Exemption;
- Transportation of Passengers in Interstate Commerce; and
- Sales to Persons Exempt Under Laws of the United States.

### SALES TO THE UNITED STATES GOVERNMENT

**STATUTE:** West Virginia Code §11-15-9(a)(3)

**EXEMPTION:** Sales of property or services to the United States government.

**VALUE:** **$60.7 million**

#### Rationale

The exemption for sales of tangible property and services to the United States government is required by the federal supremacy clause in the United States Constitution. Since state and local governmental units are prohibited from levying direct taxes upon the United States government, this exemption is not a tax expenditure.

The United States government may effectively pay some Sales Tax in West Virginia. In cases where a contractor or supplier is charged tax on their purchases of intermediate goods or services incorporated into final goods, the sales tax may be included in the final contract price. For example, building materials incorporated into a federal project are subject to Sales Tax whenever purchased by a contractor. However, the United States government may never be held legally liable for direct payment of a state sales tax.

## FOOD STAMP AND WIC EXEMPTION

**STATUTE:** West Virginia Code §11-15-9(a)(19)

**EXEMPTION:** Sales of tangible personal property or services purchased and lawfully paid for with food stamps pursuant to the federal food stamp program or with drafts issued through the West Virginia special supplement food program for women, infants and children.

**VALUE:** **$35.6 million**

### Rationale

Exemption for food purchased under the federal Supplemental Nutrition Assistance Program (SNAP; formerly the Food Stamp Program) or under the Special Supplemental Nutrition Program for Women, Infants, and Children (generally known as the WIC program) is required by federal law. Accordingly, it is not considered a tax expenditure. However, even without the federal prohibition, it could be justified as a tax expenditure enacted to reduce the absolute burden of the Sales Tax upon the poor. Food and food ingredients purchased through the SNAP and WIC programs represent roughly 17.4 percent of total West Virginia food purchases for home consumption.

## TRANSPORTATION OF PASSENGERS IN INTERSTATE COMMERCE

**STATUTE:** West Virginia Code §11-15-9(a)(27)

**EXEMPTION:** Sales of or charges for the transportation of passengers in interstate commerce.

**VALUE**: **Not available**

### Rationale

This exemption is an affirmation of federal law restricting the taxation of interstate commerce activities and therefore does not constitute a tax expenditure. A tax on interstate transportation services may place a burden on interstate commerce unless such tax would be apportioned to the amount of service occurring within West Virginia. Any tax placing a burden on interstate commerce could be in violation of the Commerce Clause of the United States Constitution if determined to be effectively discriminatory.

The exemption does not apply to intrastate transportation services. However, as noted elsewhere, transportation services subject to regulation by the West Virginia Public Service Commission are exempt from taxation regardless of origin or destination.

## SALES TO PERSONS EXEMPT UNDER LAWS OF THE UNITED STATES

**STATUTE:** West Virginia Code §11-15-9(a)(28)

**EXEMPTION:** Sales of tangible personal property or services to any person which this State is prohibited from taxing under the laws of the United States or under the Constitution of this State.

**VALUE:** **Minimal**

### Rationale

Examples of person exempt under laws of the United States include:

- Sales to federally chartered credit unions (12 U.S.C. 1768 and 122);
- Sales to foreign diplomatic and consular personnel (22 U.S.C. 288 et. seq. et. al.); and
- Sales placing burdens on interstate commerce or foreign commerce, and transactions beyond the borders of West Virginia (Commerce Clause of the United States Constitution and Federal Export and Import Clause).

The rationale behind these exemptions varies significantly from one exemption to the next. For example, the promotion of credit unions and international relations is a possible explanation of the exemptions for purchases by credit unions and diplomats, respectively. Exemptions attributable to federal laws, court decisions and international treaties are not tax expenditures because state lawmakers have no authority to tax such transactions.

## MODEL SALES TAX COMPONENTS

Three broad-based exclusions from sales and use tax exist in all states. Real property, intangible property, and services of an employee for the employer are universally exempt from retail sales taxation. In addition, the Consumers Sales and Service Tax Law (West Virginia Code §11-15-1 et seq and 11-15B-27) and the West Virginia Consumers Sales and Service Tax and Use Tax Regulations (110 C.S.R. 15) provide deductions for trade-ins, bad debts, returns and allowances, cash discounts, and finance and carrying charges to vendors remitting the tax to the State. These deductions represent adjustments to total taxable gross receipts. Without the benefit of such deductions (excluding finance and carrying charges), taxable gross receipts would tend to be overstated resulting in an effective tax greater than the statutory rate. The deduction for finance and carrying charges is in line with an overall exclusion for intangible items. Further discussion of the sales of real or intangible property, the services of an employee and the various deductions cited in this paragraph is not presented because they are an integral part of the Sales Tax.

Other specific expenditures included in this sub-group that are also considered to be integral parts of the Sales Tax include the following:

- Sales of Property in Isolated Transactions;
- Sale for Resale; and
- Credit for Sales Tax Paid to Other States.

## SALES OF PROPERTY IN ISOLATED TRANSACTIONS

**STATUTE:** West Virginia Code §11-15-9(a)(7)

**EXEMPTION:** An isolated transaction in which any taxable service or any tangible personal property is sold, transferred, offered for sale or delivered by the owner thereof or by his representative for the owner's account, such sale, transfer, offer for sale or delivery not being made in the ordinary course of repeated and successive transactions of like character by such owner or by the owner's representative on the owner's account is exempt.

### Rationale

The exemption for isolated transactions presumably exists because it would be extremely difficult to collect such tax. Most individuals selling items in isolated transactions are not registered to collect sales and use taxes on behalf of the State because they are not generally engaged in business activities. To qualify for exemption, no isolated sale may last for a period exceeding 48 hours in duration, and no individual may have more than four isolated transactions within any 12-month period.

## SALE FOR RESALE

**STATUTE:** West Virginia Code §11-15-9(a)(9)

**EXEMPTION:** Sales of tangible property to a person for the purpose of resale in the form of tangible personal property.

### Rationale

The desired intent of a sales and use tax is to levy the tax on the ultimate consumer, not on the intermediate purchaser. This exemption applies to wholesale goods purchased for resale without any product modification other than repackaging. This provision eliminates the potential pyramid effect of a tax imposed on wholesale goods and services before sale to the ultimate consumer. The exemption also removes the possibility of double taxation for the same goods and services sold more than once.

## CREDIT FOR SALES TAX PAID TO OTHER STATES

**STATUTE:** West Virginia Code §11-15A-10a

**EXEMPTION:** A credit is allowed against a taxpayer's Use Tax liability for sales tax lawfully paid to another state provided that the amount of the credit allowed shall not exceed the amount of tax imposed on the use of property in West Virginia.

### Rationale

Any tangible personal property purchased in another state for use within West Virginia is taxable under the Use Tax law. If the sales tax is lawfully paid to another state, then the purchaser is given credit against West Virginia Use Tax liability. This credit does not include any local taxes. Even before the enactment of the credit, the general policy was not to impose double taxation in cases where the taxpayer had paid sales tax to another state. Although double taxation is not specifically barred by the Constitution, the double imposition of a sales tax is not favored. This credit is an integral part of the tax structure designed to eliminate double taxation and is therefore not considered a tax expenditure.

## PROVISIONS TO AVOID DOUBLE TAXATION

Exemptions exist for several commodities and services subject to alternative taxation. The alternative tax is often very similar to the Sales Tax both in terms of rate and base. Therefore, these exemptions tend to eliminate the possibility of double taxation (i.e., a sales tax based on sales price plus an alternative tax based on sales price). To the extent double taxation is avoided, these exemptions may be considered as integral components of the model tax structure and not as tax expenditures. The following exemptions cover certain sales subject to alternative taxation:

- Sales of Natural Gas Delivered Through Mains or Pipes;
- Sales of Steam and Water Delivered Through Mains or Pipes;
- Sales of Electricity; and
- Sales and Services Subject to Special District Excise Tax.

An analysis of these exemptions follows, along with a brief description of the alternative tax.

## SALES OF NATURAL GAS DELIVERED THROUGH MAINS OR PIPES

**STATUTE:** West Virginia Code §11-15-9(a)(1)

**EXEMPTION:** Sales of natural gas delivered to consumers through mains or pipes.

**VALUE:** **$52.0 million**

### Rationale

Prior to the deregulation of the natural gas industry, sales of natural gas through mains or pipes were primarily made by companies classified as public utilities. Sales of natural gas by public utilities are subject to the Business and Occupation Tax. Thus, this exemption exists to preclude double taxation (i.e., once under the Business and Occupation Tax and a second time under the Sales Tax) of sales of natural gas. However, companies that are not classified as public utilities currently make substantial sales of natural gas, particularly to large consumers. These non-utility sales are not subject to either the Sales Tax or the Business and Occupation Tax.

### Revenue Analysis

The repeal of this exemption would not necessarily result in any increase in Sales Tax revenue. Some sales of natural gas delivered through mains or pipes are made by public utilities subject to the control of the Public Service Commission. West Virginia Code §11-15-8 excludes services provided by businesses regulated by the Public Service Commission from the Consumers Sales and Service Tax. Additionally, most sales by non-utilities would likely qualify for the exemption provided for the sales of services directly used in manufacturing, transportation, transmission, communications, or the production of natural resources. Some natural gas sales would be exempt from the Sales Tax due to other applicable exemptions. These exemptions include sales to governmental units, schools, churches, and charitable organizations under certain conditions. Due to overlapping exemptions for natural gas sales, caution is necessary in adding this exemption value and the stated exemption values elsewhere in this report.

## SALES OF STEAM AND WATER DELIVERED THROUGH MAINS OR PIPES

**STATUTE:** West Virginia Code §11-15-9(a)(1)

**EXEMPTION:** Sales of steam and water delivered to consumers through mains or pipes.

**VALUE:** **$30.0 million**

### Rationale

This exemption was enacted at the time the Consumers Sales and Service Tax was first implemented. Steam and water delivered through pipes or mains by businesses are subject to the Business and Occupation Tax. This exemption exists to prevent the taxation of the sale of this commodity under both the Business and Occupation Tax and the Consumers Sales and Service Tax.

### Revenue Analysis

The value of this exemption has been calculated in isolation from other applicable exemptions. As with other public utility sales tax exemptions, this exemption is a subset of other expenditures in this report. The providers of water delivered through mains or pipes are utilities subject to regulation by the Public Service Commission. West Virginia Code §11-15-8 provides for an exclusion from Consumers Sales and Service Tax for services provided by corporations that are subject to regulation by the Public Service Commission. Thus, this exemption could, in essence, be repealed and there would be no change in Sales Tax revenue. In addition, the exemption for the sales of services directly used in manufacturing, transportation, transmission, communication, or the production of natural resources would exclude large quantities from taxation. Also exempt are sales to government units, sales to schools, and sales to churches and charitable organizations under certain conditions.

## SALES OF ELECTRICITY

**STATUTE:** West Virginia Code §11-15-9(a)(1)

**EXEMPTION:** Sales of electricity.

**VALUE:** **$197.0 million**

### Rationale

Sales of electricity are exempt from the Sales Tax due to the Business and Occupation Tax on businesses providing electricity. This exemption exists to avoid double taxation of electricity sales under both the Sales Tax and the alternative Business and Occupation Tax.

### Revenue Analysis

The calculation of this exemption was made without computing the effect of other applicable exemptions. The Public Service Commission regulates companies that sell electricity in West Virginia. Companies subject to regulation by the Public Service Commission are granted an exclusion from the Sales Tax by West Virginia Code §11-15-8 on sales of electric power. Due to such overlapping exemptions, the removal of electricity sales from the exemption provided by West Virginia Code §11-15-9(a)(1) would not result in any increase in Sales Tax revenue. Additionally, other exemptions in this report applying to certain sales, or certain groups, would exclude significant amounts of potential revenue from the Sales Tax. Due to the extensive overlapping exemption coverage for the sales of electricity, caution should be used in adding the stated value of this exemption with the stated value of other expenditures in this report.

## SALES AND SERVICES SUBJECT TO SPECIAL DISTRICT EXCISE TAX

**STATUTE:** West Virginia Code §11-15-9f

**EXEMPTION:** Any sale or service upon which a special district excise tax is paid ... is exempt.

**VALUE:** **$30.3 million**

### Rationale

West Virginia Code §§7-22-12 and 8-38-12 permit counties and municipalities, respectively, to levy a special district excise tax upon sales and services within a defined economic opportunity development district. The special district excise tax must be authorized by the Legislature. Generally, the special district excise tax acts as a “sales tax increment financing” tool for the benefit of economic opportunity development districts. Since the base and rate of the special district excise tax are the same as the Sales Tax, this exemption exists to preclude double taxation of sales and services within the defined district. The special district excise tax generally serves to allocate tax to specific local areas.

### Revenue Analysis

Revenue from the Special District Excise Tax has increased significantly since the 2022 report. Much of the increase is due to increased retail development within the economic opportunity development districts of Charles Pointe (Harrison County), University Town Center (Monongalia County), and South Charleston (Kanawha County).

## BUSINESS INPUT EXEMPTIONS

Exemptions exist for several goods and services that are business inputs. The purpose of a Sales Tax is to place the burden of payment of the tax on the final consumer of a good or service, not on the intermediate processes of production. Therefore, these exemptions tend to eliminate the possibility of "cascading" or "pyramiding" that would increase business costs and thus increase the costs of goods and services for the consumer. The following exemptions cover specific business inputs:

- Sales to Agricultural Producers;
- Sales of Services and Leases of Equipment Between Members of the Same Controlled Group;
- Sales of Motion Picture Groups to Exhibitors;
- Sales of Coin-operated Video Arcade Machines to Businesses for Public Use;
- Sales of Services and Tangible Personal Property for the Repair, Remodeling, and Maintenance of Aircraft;
- Commissions Received by a Manufacturer's Representative;
- Sales of Primary Opinion Research Services;
- Sales for Use in the Production of Value-added Products;
- Sales of Soap Used at Car Wash Facilities;
- Commissions Received by a Travel Agency;
- Technical Evaluations Provided by Environmental and Industrial Consultants;
- Lodging Franchise Fees;
- Payments as Part of a Sales Incentive Program;
- Sales and Services Directly Used or Consumed in Certain Business Activities;
- Video Lottery Terminals and Games; and
- Certain Charges by Mortgage Brokers, Lenders, and Loan Originators.

For purposes of this report, these exemptions are considered a basic part of the Sales Tax structure because State lawmakers have no authority to tax such transactions. A brief description and analysis of these exemptions follows. Exemption values are presented although additional revenue would not be realized through legislative action.

### SALES TO AGRICULTURAL PRODUCERS

**STATUTE:** West Virginia Code §11-15-9(a)(8)

**EXEMPTION:** Sales of tangible personal property or of any taxable services rendered for use or consumption in connection with the commercial production of an agricultural product the ultimate sale of which will be subject to the Consumers Sales and Service Tax.

**VALUE:** **$27.2 million**

#### Rationale

As previously mentioned in this report, one of the components of a model sales tax is that the tax should only apply to consumption expenditures and not to units of production. This exemption allows commercial farmers to make tax-exempt purchases of equipment, seeds, feed,

fertilizer, pesticides, and other items used in the commercial production of an agricultural product. A tax on these intermediary goods used or consumed in producing agricultural products would lead to some pyramiding of tax on final consumer goods. The final goods are ultimately taxable to the final consumer unless exempt under another tax expenditure.

## SALES OF SERVICES AND LEASES OF EQUIPMENT BETWEEN MEMBERS OF THE SAME CONTROLLED GROUP

**STATUTE:** West Virginia Code §11-15-9(a)(23)

**EXEMPTION:** Dispensing of services by one corporation, partnership, or limited liability company to another when both entities are members of the same controlled group.

Leases of heavy equipment or machinery among corporations, partnerships, or limited liability companies when the entities are members of the same controlled group or are related taxpayers.

**VALUE:** **Not available**

### Rationale

The exemption for the dispensing of services and leasing of equipment or machinery between members of the same controlled group was presumably enacted because of the difficulty of valuing such transactions. Also, enforcing a tax on such transactions would be difficult.

## SALES OF MOTION PICTURE FILMS TO EXHIBITORS

**STATUTE:** West Virginia Code §11-15-9(a)(32)

**EXEMPTION:** Sales of motion picture films to motion picture exhibitors for exhibition if the sale of tickets or the charge for admission to the exhibition of the film is subject to tax.

**VALUE:** **$1.1 million**

### Rationale

Motion picture films are usually leased from distributors for a period and shown to the patrons of theaters for an admission charge. In West Virginia, the admission charge is subject to the Sales Tax. Although motion picture films are generally leased rather than purchased, West Virginia Code §11-15-2(b)(17) includes leasing or renting in the definition of sales.

In transactions where the sale or lease of motion picture films is followed by the exhibition of the film for an admission charge, the exhibitor is not the final consumer. Thus, this exemption presumably exists due to the possible consideration of leasing motion picture films subject to subsequent admission charges as a sale for resale. Therefore, whether the theater was the end user or not, the lease of the file to the theater would not be taxable.

### Revenue Analysis

Numerous events in recent years have impacted the demand for motion picture films shown in theaters. The pandemic kept would-be moviegoers away from public theaters for an extended period, and moviegoers grew accustomed to the convenience of at-home streaming. More platforms were developed to support at-home streaming of movies to provide better and more efficient access. Additionally, strikes in Hollywood in recent years halted or delayed multiple film productions.

## SALES OF COIN-OPERATED VIDEO ARCADE MACHINES TO BUSINESSES FOR PUBLIC USE

**STATUTE:** West Virginia Code §11-15-9(a)(32)

**EXEMPTION:** Sales of coin-operated video arcade machines or video arcade games to a person engaged in the business of providing such machines to the public for a charge upon which the tax is imposed.

**VALUE:** **Minimal**

### Rationale

A possible rationale for this exemption is that such sales are to some extent sales for resale. The machines are leased to businesses leasing the machines to players depositing coins for each use. However, the sale of coin-operated washers and dryers to self-service laundromats is taxable as is the use of the machines. Additionally, other retailers and service providers generally do not have a similar direct use exemption from taxation.

## SALES OF SERVICES AND TANGIBLE PERSONAL PROPERTY FOR THE REPAIR, REMODELING, AND MAINTENANCE OF AIRCRAFT

**STATUTE:** West Virginia Code §§§11-15-9(a)(33), 11-15-9(p), and 11-15-9(t)

**EXEMPTION:** The following sales of services and tangible personal property for the repair, remodeling, and maintenance of aircraft are exempt from tax:

- Sales of aircraft repair, remodeling, and maintenance services when the services are to an aircraft operated by a certified or licensed carrier of persons or property, or by a governmental entity, or to an engine or other component part of an aircraft operated by a certificated or licensed carrier of persons or property, or by a governmental entity, and sales of tangible personal property that is permanently affixed or permanently attached as a component part of an aircraft owned or operated by a certificated or licensed carrier of persons or property, or by a governmental entity, as part of the repair, remodeling or maintenance service and sales of machinery, tools or equipment, directly used or consumed exclusively in the repair, remodeling or maintenance of aircraft, aircraft engines or aircraft component parts, for a certificated or licensed carrier of persons or property, or for a governmental entity;
- Purchases of services and tangible personal property sold for the repair, remodeling, and maintenance of aircraft operated under a fractional ownership program. Fractional Ownership Program is defined as any system of aircraft ownership and exchange that consists of all the elements set forth in Federal Aviation Regulation Part 91, Subpart K, Section 91.1001; and
- Sales of aircraft repair, remodeling, and maintenance services, or to an engine or other component part of an aircraft; sales of tangible personal property that is permanently affixed or attached as a component part of an aircraft, as part of the repair, remodeling, or maintenance service; and sales of machinery, tools, or equipment directly used or consumed exclusively in the repair, remodeling, or maintenance of aircraft, aircraft engines, or aircraft component parts for an aircraft, or used exclusively in combination with the purposes specified under this subsection and the purposes specified in W.Va. Code §11-15-9(a)(33).

**VALUE**: **$4.7 million per year**

### Rationale

The exemption presumably exists to promote the aeronautics industry in West Virginia. The imposition of sales tax on purchases of services and tangible personal property sold for the repair, remodeling, and maintenance of aircraft would place West Virginia businesses at a competitive disadvantage with those states that do not impose sales tax on these services.

### Revenue Analysis

The addition of exemption §11-15-9(t) during the 2021 regular session extended the existing exemptions for the repair, remodeling, and maintenance of aircraft to include all aircraft regardless of ownership or use. This exemption supersedes the previous exemptions and technically renders them unnecessary.

## COMMISSIONS RECEIVED BY A MANUFACTURER'S REPRESENTATIVE

**STATUTE:** West Virginia Code §11-15-9(a)(37)

**EXEMPTION:** Commissions received by a manufacturer's representative.

**VALUE:** **$75,000**

### Rationale

The imposition of sales tax on commissions received by manufacturer's representatives would place West Virginia at a competitive disadvantage with those states that do not impose sales tax on these services.

## SALES OF PRIMARY OPINION RESEARCH SERVICES

**STATUTE:** West Virginia Code §11-15-9(a)(38)

**EXEMPTION:** Sales of primary opinion research services when:

- The services are provided to an out-of-state client;
- The results of the service activities, including, but not limited to, reports, lists of focus group recruits and compilation of data are transferred to the client across state lines by mail, wire, or other means of interstate commerce, for use by the client outside the State of West Virginia; and
- The transfer of the results of the service activities is an indispensable part of the overall service.

**VALUE:** **$400,000**

### Rationale

The imposition of sales tax on sales of primary opinion research services provided to out-of- state clients would place those West Virginia businesses that provide these services at a competitive disadvantage with businesses in those states that do not impose sales tax on these services.

## SALES FOR USE IN THE PRODUCTION OF VALUE-ADDED PRODUCTS

**STATUTE:** West Virginia Code §11-15-9(a)(39)

**EXEMPTION:** Sales of property or services to persons within the State when those sales are for the purposes of the production of value-added products. Value-added products means the following products derived from processing a raw agricultural product:

- Lumber into furniture, toys, collectibles, and home furnishings;
- Fruits into wine;
- Honey into wine;
- Wool into fabric;
- Raw hides into semi-finished or finished leather products;
- Milk into cheese;
- Fruits or vegetables into a dried, canned, or frozen product;
- Feeder cattle into commonly accepted slaughter weights;
- Aquatic animals into a dried, canned, cooked, or frozen product; and
- Poultry into a dried, canned, cooked, or frozen product.

**VALUE:** **Minimal**

### Rationale

The items included in this expenditure are inputs for the production of products that will be sold to final consumers. Thus, this expenditure is considered to be part of a model sales tax. This expenditure presumably exists to encourage the production of these products and ensure that a greater proportion of the value attributable to these activities remains in the State.
Revenue Analysis

Virtually all of the expenditure value created by this provision would already be exempt from sales tax collection because of one or more other provisions of the sales tax law.

## SALES OF SOAP USED AT CAR WASH FACILITIES

**STATUTE:** West Virginia Code §11-15-9(a)(44)

**EXEMPTION**: Sales of soap to be used at car wash facilities.

**VALUE:** **$25,000**

### Rationale

The exemption for sales of soap used at car wash facilities was presumably enacted to minimize the effects of pyramiding, since the cost of the soap is included in the total price of the car wash.

## COMMISSIONS RECEIVED BY A TRAVEL AGENCY

**STATUTE:** West Virginia Code §11-15-9(a)(45)

**EXEMPTION:** Commissions received by a travel agency from an out-of-state vendor.

**VALUE:** **$460,000**

### Rationale

The imposition of sales tax on commissions received by travel agencies would place West Virginia at a competitive disadvantage with those states that do not impose sales tax on these services.

## TECHNICAL EVALUATIONS PROVIDED BY ENVIRONMENTAL AND INDUSTRIAL CONSULTANTS

**STATUTE:** West Virginia Code §§11-15-9(a)(46) and 11-15-9c

**EXEMPTION:** Service of providing technical evaluations for compliance with federal and state environmental standards provided by environmental and industrial consultants who have formal certification through the West Virginia Department of Environmental Protection or the West Virginia Bureau for Public Health or both.

**VALUE:** **$2.0 million**

### Rationale

The imposition of sales tax on environmental testing laboratories would place West Virginia at a competitive disadvantage with those states that do not impose sales tax on these services.

### Revenue Analysis

Increasing requirements for evaluations by environmental and industrial consultants are being driven by stricter environmental regulations, growing public concern about sustainability, and a push towards corporate social responsibility. This has led to increased demand for more comprehensive assessments that consider a wider range of environmental impacts, including emerging contaminants, supply chain sustainability, and detailed data reporting to demonstrate compliance and responsible practices.

## LODGING FRANCHISE FEES

**STATUTE:** West Virginia Code §11-15-9(a)(48)

**EXEMPTION:** Lodging franchise fees, including royalties, marketing fees, reservation system fees, or other fees that have been or may be imposed by a lodging franchiser as a condition of the franchise agreement.

**VALUE:** **$3.8 million**

### Rationale

The imposition of sales tax on lodging franchise fees would place West Virginia at a competitive disadvantage with those states that do not impose sales tax on these services.

### Revenue Analysis

This exemption is broad in nature, including royalties, marketing fees, reservation system fees, and other fees assessed.

## PAYMENTS AS PART OF A SALES INCENTIVE PROGRAM

**STATUTE:** West Virginia Code §11-15-2(b)(18)

**EXEMPTION:** Payments received by a vendor of tangible personal property as part of a sales incentive program, cooperative advertising agreement, or similar type of program.

**VALUE:** **$2.1 million**

### Rationale

The imposition of sales tax on payments received as part of a sales incentive program would place West Virginia at a competitive disadvantage with those states that do not impose sales tax on these services.

## SALES AND SERVICES DIRECTLY USED OR CONSUMED IN CERTAIN BUSINESS ACTIVITIES

**STATUTE:** West Virginia Code §§11-15-8d(b), 11-15-8d(c), 11-15-9(b)(2), and 11-15-9b

**EXEMPTION:** The following sales of tangible personal property and services are exempt from tax:[4]

- Sales of services, machinery, supplies, and materials directly used or consumed in the activities of manufacturing, transportation, transmission, communication, production of natural resources, gas storage, generation, production, or selling electric power, provision of a public utility service or the operation of a utility service or the operation of a utility business;
- Sales of tangible personal property and services directly used or consumed in the activity of research and development (West Virginia Code §11-15-9b). Purchases of services, machinery, supplies, or materials to be directly used or consumed in the construction, alteration, repair, or improvement of a new or existing building or structure by a person performing "contracting" if the purchaser of the "contracting" services would be entitled to claim the exemption provided by West Virginia Code §11-15-9(b)(2);
- Purchases of services, computers, servers, building materials, and tangible personal property to be installed into a building or facility or directly used or consumed in the construction, alteration, repair, or improvement of a new or existing building or structure by a person performing "contracting" if the purchaser of the "contracting" services would be entitled to claim the exemption provided by West Virginia Code §11-15-9h(a)(7)[5]; and
- Qualified purchases of computers and computer software, primary material handling equipment, racking and racking systems, and their components, or to qualified purchases of building materials and certain tangible personal property as such terms are defined in this section nine-n of this article (West Virginia Code §11-15-9n), by a person performing "contracting" if the purchaser of the "contracting" services would be entitled to claim the exemption provided by West Virginia Code §11-15-

[4] Purchases of gasoline and special fuel are excluded from the exemption.

[5] West Virginia Code §11-15-9h(a)(7) provides an exemption for the "Sales of prewritten computer software, computers, computer hardware, servers, and building materials and tangible personal property to be installed into a building or facility for direct use in a high-technology business or an internet advertising business." This exemption is included in the Commodity Expenditures section of this report under the Sales of Computer Hardware and Software expenditure.

9n[6]. Purchases of services, machinery, supplies or materials to be directly used or consumed in the construction, alteration, repair, or improvement of a new or existing natural gas compressor station or gas transmission line having a diameter of twenty inches or more by a person performing “contracting”.

**VALUE:** **$583.0 million**

**Rationale**

This exemption, commonly referred to as the direct use exemption, has a two-prong effect. First, the exemption encourages investment in equipment and facilities by qualified industries without a tax penalty on such investment. Second, the exemption eliminates the pyramid effect of a tax imposed first on intermediate goods and services and again on the final goods and services. Additionally, most states have direct use exemptions.

In general, direct use means those commodities consumed or services used which are integral and essential components in the activities cited in the exemption. Commodities or services which are merely incidental or convenient to the listed activities are not exempt.

For manufacturers, the exemption covers three separate categories of goods: raw materials, such as steel and heavy metals; capital equipment and machinery used in the manufacturing process; and consumable supplies and processing materials incorporated into the final manufactured product. The manufacturing industry generally consumes raw materials and intermediary goods in the production of other intermediary goods or final goods for the wholesale market or for transfer to other industrial users. The final goods are ultimately taxable to the final consumer unless subject to another exemption.

In order for the direct use provision to be applied to a transportation business, the commercial business activity must include the conveyance of passengers or goods from one geographical location to another. It does not include the conveyance of goods by the owner of the goods. The transportation activity begins with the gathering of the passengers or goods to be transported and ends with the delivery of the same. The transportation activity does not include storage of the tangible personal property unless it is for temporary storage while in transit.

The transmission industry includes commercial pipelines, wires, or other mediums used to convey liquid, natural gas, or electricity from one geographical location to another. It does not encompass tank trucks, rail cars, or barges. The commercial activity begins with the receipt or intake of the liquid, natural gas, or electricity into the system and ends with the delivery of the product to the customer.

For purposes of the Sales Tax, communication activities include voice communication, computer data transmission, or other encoded symbolic information transfers by telephone, radio, light, light wave, radio telephone, telegraph, or other means of communication. Commercial broadcast radio, commercial broadcast television, and cable television are also included.

[6] The exemption provided via West Virginia Code §11-15-9n pertains to qualified purchases for a new or expanded warehouse or distribution facility and is included in the Commodity Expenditures section of this Report.

Items included in the direct use exemption for producers of natural resources include purchases used for exploring, developing, severing, extracting, and loading for shipment any natural resource product for sale, profit, or commercial use. Reclamation, waste disposal, or environmental activities are also included in the exemption. Additionally, for coal mines or coal production facilities, construction, installation, or fabrication of ventilation structures, mine shafts, slopes, boreholes, and dewatering structures are included in the definition of production of natural resources and the purchases related to these items qualify for the exemption.

Equipment, machinery, fuel, power, pipes, wires, and mains used for gas storage, generation of electric power, or provision of a public utility service are included in the direct use exemption for these activities. The exemption includes tangible personal property or services used in pollution control, environmental quality, or community safety.

In order to qualify for the research and development direct use exemption, the tangible personal property or services used or consumed must be an integral and essential part of the research and development activities or operations. Qualified sales of tangible personal property or services directly used or consumed in research and development are eligible for the exemption.

Generally, “contractors” may not assert any exemption to which the purchaser of such contracting services would be entitled. However, contractors may assert the exemption for purchases of services, machinery, supplies, or materials, except gasoline and special fuel, that are to be directly used or consumed in the construction, alteration, repair, or improvement of a new or existing building or structure that will primarily be used for manufacturing, including the generation of electric power, for certain high-technology businesses, and certain distribution facilities. The contractor may assert the exemption if the purchaser of the contracting services (e.g., manufacturers, certain high-technology businesses, certain distribution facilities) would be entitled to claim an exemption on the direct purchase of the services, machinery, supplies, or materials.

## VIDEO LOTTERY TERMINALS AND GAMES

**STATUTE:** West Virginia Code §§29-22B-1901(a) and 29-22B-1901(b)

**EXEMPTION:** Purchases of video lottery terminals and video lottery games by persons holding a current operator’s license or a current limited video lottery operator’s license issued under West Virginia Code §29-22-1 et. seq. and consideration paid by a patron of a restricted access adult-only facility to play video lottery games

**VALUE:** **$260,000**

### Rationale

The exemption for sales of video lottery terminals and games exists because the lottery is run by State government. A certain percentage of video lottery money is retained and deposited in the State treasury.

## CERTAIN CHARGES BY MORTGAGE BROKERS, LENDERS, AND LOAN ORIGINATORS

**STATUTE:** West Virginia Code §31-17-2(c)

**EXEMPTION:** Brokerage fees, additional charges, and finance charges imposed by brokers, lenders, or loan originators licensed by the West Virginia Division of Banking under article 17, chapter 31 of the Code.

**VALUE**: **$2.3 million**

### Rationale

Brokerage fees collected by a bank are exempt as sales of professional services. Licensed mortgage brokers and loan originators are not considered to be professionals. This exemption presumably exists to provide similar treatment for brokerage fees collected by mortgage brokers, lenders, and loan originators as provided for those collected by banks.

### Revenue Analysis

Finance charges and most additional charges as defined in West Virginia Code §31-17-1 are exempt from sales tax elsewhere in the Code and are not considered in the revenue impact for this exemption.

# APPENDIX A — ENTITY-BASED AND USE-BASED EXEMPTIONS

| Group I—Group Exemptions | Entity | Commodity | Notes |
|---|---|---|---|
| Sales to Governmental Units | X | | |
| Sales to Various Nonprofit Organizations | X | | |
| Sales to Educational Institutions | X | | |
| Sales and Services Directly Used or Consumed in the Construction of Certain Youth Organization Facilities | X | | |

| Group II—Commodity Expenditures | Entity | Commodity | Notes |
|---|---|---|---|
| Food for Home Consumption | | X | |
| Reduced Basis for Sales of Mobile Homes | | X | |
| Sales of Newspapers Delivered by Route Carriers | | X | |
| Sales of Prescription Drugs, Appliances, and Insulin | | X | |
| Purchases of Drugs, Durable Medical Equipment, Mobility-Enhancing Equipment, and Prosthetic Devices by Health Care Providers | | X | |
| Sales of Farm Products in Original State by the Producer and Sales of Livestock Sold at Public Auction Sales | | X | |
| Sales of Subscriptions to Magazines Published by State Agencies | | X | |
| Sales of Aircraft | | X | |
| Sales of United States and West Virginia Flags | | X | |
| Sales of Computer Hardware and Software | | X | |
| Sales of Investment Bullion and Coins | | X | |
| Sales of Small Arms and Ammunition | | X | |

| Group III—Service Exemptions | Entity | Commodity | Notes |
|---|---|---|---|
| Sales of Services Subject to Regulation by the Public Service Commission | | X | |
| Sales of Personal Services | | X | |
| Sales of Professional Services | | X | |
| Sales of Selected Advertising | | X | |
| Sales and Services Performed by Day Care Centers and Babysitters | | X | |
| Sales of Electronic Data Processing Services | | X | |
| Sales of Contracting Services Resulting in Capital Improvements | | X | |
| Sales of the Services of Opening and Closing a Burial Lot | | X | |
| Charges for Memberships or Services Provided by Health and Fitness Organizations | | X | |
| Artistic Performances by Entertainers | | X | |
| Charges by Membership Organizations to Their Members | | X | |
| Dues, Fees and Assessments Paid to a Homeowners' Association | | X | |

| Group IV—Community Exemptions | Entity | Commodity | Notes |
|---|---|---|---|
| Casual and Occasional Sales by Churches and Nonprofit Organizations | | X | |
| Food Purchased by Nonprofit Organizations or Government Entities for Meals to Low-Income Persons | X | | |
| Meals Sold by Nonprofit Organizations or Government Entities to Low-Income Persons | | X | |
| Food Sold in Occasional Sales by Nonprofit Organizations, Including Volunteer Fire Departments | | X | |
| Sales of Food by Churches | | X | |
| Sales of Food by Youth Organizations and Booster Organizations | | X | |
| Sales of Services by Libraries | | X | |
| Sales of Property by Volunteer Fire Departments | | X | |
| Sales to Charitable Organizations Who Make No Charges for Their Services | X | | |
| Sales of Property or Services to Fraternal or Social Organizations for Free Distribution in Public Welfare or Relief Work | X | | |
| Sales to Volunteer Fire Departments | X | | |
| Sales of Building Materials and Supplies to Organizations for Installation in Low-Income Housing or Shelters | X | | |
| Sales of Clothing by Nonprofit Organizations | | X | |
| Sales of Services by Nonprofit Organizations | | X | |

| Group V—Educational Exemptions | Entity | Commodity | Notes |
|---|---|---|---|
| Sales of Textbooks | | X | |
| Casual and Occasional Sales by Elementary and Secondary Schools | | X | |
| Sales of Tickets for Activities Sponsored by Elementary and Secondary Schools | | X | |
| Tuition for Educational Summer Camps | | X | |
| Food Purchased by Public or Private Schools | X | | |
| Food Sold by Public or Private Schools or School-Sponsored Organizations to Students and Employees During Normal School Hours | | X | |
| Food Sold to Public or Private Universities or Student Organizations for Sales to Students on a Contract Basis | X | | |
| Food Sold by Public or Private Universities or Student Organizations to Students on a Contract Basis | | X | |
| Food Sold by School Booster Organizations | | X | |
| Charges for Room Rental and Meals by Fraternities and Sororities | | X | |
| Sales of Music Instructional Services | | X | |
| Casual and Occasional Sales by Not-for-Profit Volunteer School Support Groups | X | | |

| Group VI—Miscellaneous Expenditures | Entity | Commodity | Notes |
|---|---|---|---|
| Clothing Voucher Purchases | | X | |
| Sales of Lottery Tickets by Licensed Lottery Agents | | X | |
| Sales by Local Governmental Units | | X | |
| Various Miscellaneous Exemptions | X | | |
| Qualified Purchases of Selected Property and Services for a New or Expanded Warehouse or Distribution Facility | | X | |
| West Virginia Tourism Development Credit | | | Credit |
| Exemption for BUILD WV Construction | | X | |
| Monetary Allowances from Streamlined Sales Tax | | | Collection Allowance |
| Sales Tax Holiday | | X | |

| Group VII—Statutory Provisions That Are Not True Expenditures | Entity | Commodity | Notes |
|---|---|---|---|
| *Federally-Mandated Exemptions* | | | |
| Sales to the U.S. Government | X | | |
| Food Stamp and WIC Exemption | | X | |
| Transportation of Passengers in Interstate Commerce | | X | |
| Sales to Persons Exempt under Laws of the U.S. | X | | |
| *Model Sales Tax Components* | | | |
| Sales of Property in Isolated Transactions | | X | |
| Sale for Resale | | X | |
| Credit for Sales Tax Paid to Other States | | | Credit |
| *Provisions to Avoid Double Taxation* | | | |
| Sales of Natural Gas Delivered Through Mains or Pipes | | X | |
| Sales of Steam and Water Delivered Through Mains or Pipes | | X | |
| Sales of Electricity | | X | |
| Sales and Services Subject to Special District Excise Tax | | | To avoid double taxation |
| *Business Input Exemptions* | | | |
| Sales to Agricultural Producers | X | | |
| Sales of Services Between Members and Leases of Equipment of the Same Controlled Group | X | | |
| Sales of Motion Picture Films to Exhibitors | | X | |
| Sales of Coin-Operated Video Arcade Machines to Businesses for Public Use | | X | |
| Sales of Services and Tangible Personal Property for the Repair, Remodeling, and Maintenance of Aircraft | | X | |
| Commissions Received by a Manufacturer's Representative | | X | |
| Sales of Primary Opinion Research Services | | X | |
| Sales for Use in the Production of Value-Added Products | | X | |
| Sales of Soap Used at Car Wash Facilities | | X | |

| Group VII—Statutory Provisions That Are Not True Expenditures (cont.) | Entity | Commodity | Notes |
|---|---|---|---|
| Commissions Received by a Travel Agency | | X | |
| Technical Evaluations Provided by Environmental and Industrial Consultants | | X | |
| Lodging Franchise Fees | | X | |
| Payments as Part of a Sales Incentive Program | | X | |
| Sales and Services Directly Used or Consumed in Certain Business Activities | | X | |
| Video Lottery Terminals and Games | | X | |
| Certain Charges by Mortgage Brokers, Lenders and Loan Originators | | X | |

WEST VIRGINIA
TAX DIVISION

# EXPENDITURE STUDY

# Corporation Net Income Tax Personal Income Tax and Fiduciary Income Tax Expenditures

January 2026

Prepared By: West Virginia Tax Division
Research and Development

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# EXECUTIVE SUMMARY

This report covers West Virginia's Personal Income Tax and Fiduciary Income Tax and Corporation Net Income Tax, the major broad-based business tax in the State. The report analyzes all provisions involving exclusions, exemptions, deductions, or credits for those taxes. Some of these provisions constitute government expenditure programs while others are an integral part of the basic tax structure.

## CORPORATION NET INCOME TAX

The section on Corporation Net Income Tax provides analysis of explicit and implicit provisions in the laws of West Virginia and the United States that may be considered tax expenditures for this tax. Domestic and foreign corporations doing business in West Virginia are subject to the Corporation Net Income Tax. Some businesses, such as insurance companies and Subchapter S corporations, are exempt from this tax. The Corporation Net Income Tax is levied on federal taxable income adjusted and apportioned according to State law. Beginning January 1, 2022, West Virginia adopted a market-based single sales apportionment factor and repealed the sales factor throw-out rule. Some of these adjustments, along with the various exemptions for businesses specifically excluded from taxation, represent tax expenditures for the Corporation Net Income Tax. In addition, West Virginia law provides a variety of tax credits that can be used against Corporation Net Income Tax liability. These credits are also considered tax expenditures.

## PERSONAL INCOME TAX

This section of the report provides analysis of the exemptions, exclusions, deductions and credits that can be used to reduce Personal Income Tax liability. The computation of West Virginia Personal Income Tax begins with federal adjusted gross income. The Internal Revenue Code provides for certain exclusions and adjustments in determining federally adjusted gross income. West Virginia allows some decreasing modifications to federally adjusted gross income. A deduction is also allowed based on the number of personal exemptions claimed on the federal return under federal rules in place prior to 2018. In addition, various credits may be applied to Personal Income Tax liability.

## FIDUCIARY INCOME TAX

Estates and trusts are taxed under the Personal Income Tax statute, but the tax liability is calculated on the Fiduciary Income Tax return. This section of the report provides analysis of the expenditures relating to the taxation of estates and trusts on the Fiduciary Income Tax return. Computation of West Virginia Fiduciary Income Tax begins with federal taxable income. West Virginia taxable income of estates and trusts is derived after specific increasing or decreasing modifications are made to federal taxable income.

# INTRODUCTION

Section 11-10-5s(c) of the West Virginia Code requires a tax expenditure report to be submitted to the Legislature by January 15 of each year. In three-year cycles, these reports are intended to analyze tax expenditures for most major State taxes. The law defines the term "tax expenditure" as a provision in the tax laws designed to encourage certain kinds of activities or to aid Taxpayers in special circumstances. Such provisions generally include exclusions, exemptions, deductions, credits, and deferrals from tax. This report covers the Corporation Net Income Tax, Personal Income Tax and Fiduciary Income Tax.

# OVERVIEW

The Corporation Net Income Tax and Personal Income Tax accounted for $2.5 billion, or 45.3 percent, of the total General Revenue Fund collections in Fiscal Year 2025.

**West Virginia General Revenue Fund Percentage Yield**

| Revenue Source | FY 2020 | FY 2021 | FY 2022 | FY 2023 | FY 2024 | FY 2025 |
|---|---|---|---|---|---|---|
| Personal Income[1] | 43.3% | 45.2% | 42.5% | 41.1% | 39.2% | 38.5% |
| Corporation Net Income | 3.4% | 6.4% | 6.2% | 6.5% | 8.2% | 6.8% |
| **Total** | **46.7%** | **51.6%** | **48.7%** | **47.6%** | **47.4%** | **45.3%** |

Personal Income Tax collections represent a stable portion of the General Revenue Fund receipts. Corporation Net Income Tax collections tend to be more volatile over time.

Most exclusions, exemptions, deductions, and credits associated with these taxes may be viewed as tax expenditures. Such tax expenditures tend to escape the usual legislative scrutiny afforded other expenditures in the annual budget approval process because provisions in the tax law often remain intact indefinitely. Programs funded through tax expenditures in effect receive priority funding over all other programs. The goal of this report is to facilitate an examination of Corporation Net Income Tax, Personal Income Tax and Fiduciary Income Tax expenditures using available resources.

# ESTIMATING COSTS OF TAX EXPENDITURES

This study provides estimates of the value of Corporation Net Income Tax, Personal Income Tax and Fiduciary Income Tax expenditures and certain provisions considered necessary to define a model tax structure. Except where otherwise noted, expenditures within the study are examined independently from all other expenditures. Following the establishment of a value in isolation, the influence of outside factors (i.e., other expenditures and Taxpayer behavior) is discussed, where applicable.

Several sources of information were used in the construction of expenditure valuations. These include, among others:

1. Tax return data;
2. Alternative tax data, and
3. Federal and State publications.

[1] Includes revenue from Fiduciary Income Tax.

In most cases, the revenue impact attributable to the repeal of a tax expenditure is less than the value of that expenditure. This occurs because tax expenditures tend to overlap one another, and Taxpayers tend to alter behavior whenever income becomes taxable for the first time. Values are listed as “cannot be disclosed due to Taxpayer confidentiality” if the number of taxpayers is less than five.

Caution must be exercised when using values from this report as estimates of tax revenue attributable to potential tax law changes, especially due to the impact of overlapping expenditures. For example, the partial exclusion of a teacher’s pension income may overlap the $8,000 exclusion for senior citizens. Therefore, both exclusions would have to be repealed before the State would receive the full value of the senior citizen exclusion.

## RATIONALE SUPPORTING TAX EXPENDITURES

This report also attempts to briefly articulate the rationale for the exclusions, exemptions, and deductions evaluated. The rationales set forth in this report are not intended to be all inclusive. The reader may identify other rationales for the various expenditures in the law. Given that statutory language does not often specify the rationale in much, if any, detail, the Division relied solely upon its experience to formulate the assumed rationales set forth in this report. The reader is left to judge the extent to which a particular rationale is appropriate and the extent to which a particular exemption furthers the preferred activity.

# CORPORATION NET INCOME TAX

## OVERVIEW

The West Virginia Corporation Net Income Tax is a direct income tax imposed on domestic and foreign corporations engaged in business in West Virginia or deriving income from property, activity or other sources in the State. Corporations engaged in a unitary business with one or more other corporations must file a combined report which includes the income of all corporations that are members of the unitary business.

Computation of the Corporation Net Income Tax begins with federal taxable income modified by specific additions and subtractions. A corporation's income is subject to tax without allocation or apportionment if the entire business is transacted within West Virginia. For multistate corporations, certain income items are allocated or apportioned to West Virginia according to State law. The allocated items are rents and royalties from real or tangible personal property, capital gains, interest and dividends, patent or copyright royalties, and gains from sales of natural resources, if the proceeds are nonbusiness income. This type of income is generally allocated to West Virginia if the site of the income-producing property is in the State. West Virginia allocated income plus non-allocated income apportioned to the State becomes taxable income. An adjustment to taxable income is also made for West Virginia net operating losses. Adjusted taxable income after net operating loss deductions is taxed at 6.5 percent. Beginning January 1, 2022, the apportionment of West Virginia income is based on a single sales factor. Additionally, beginning January 1, 2022, West Virginia adopted market-based sourcing for sales of service and intangible property and repealed the sales factor throw-out rule.

A large percentage of the Corporation Net Income Tax collections is remitted by relatively few businesses. Since this tax is imposed on net income, collections of the Corporation Net Income Tax can vary significantly from one year to the next based upon the economic status of a few companies.

## ORGANIZATION AND ANALYSIS

The Corporation Net Income Tax expenditures discussed in this report are divided into five groups:

- Businesses Exempt from Taxation;
- Federal Taxable Income Expenditures;
- Modifications Decreasing Federal Taxable Income for State Tax Purposes;
- Modifications Decreasing West Virginia Taxable Income; and
- Credits.

The analysis provided for each tax expenditure includes the item's cost to the State, a rationale, and an analysis of the possible revenue scenarios if an expenditure was repealed, where applicable.

# BUSINESSES EXEMPT FROM TAXATION

Selected businesses are exempt from Corporation Net Income Tax due to the structure of the business or the nature of the business activity. The following businesses are exempt:

- Sole Proprietorships, Partnerships, and Subchapter S Corporations, and
- Various Miscellaneous Businesses.

An analysis of these exemptions follows.

## SOLE PROPRIETORSHIPS, PARTNERSHIPS, AND SUBCHAPTER S CORPORATIONS

**STATUTES:** W.Va. Code §§11-24-3a(7) and 11-24-5(d)

**EXEMPTION:** The term "corporation" includes a joint-stock company and any association or other organization which is taxable as a corporation under the federal income tax law (which excludes sole proprietorships and partnerships) (W.Va. Code §11-24-3a(7)).

Corporations electing to be taxed under Subchapter S of the Internal Revenue Code 1986, as amended (W.Va. Code §11-24-5(d)).

### Rationale

Since the Corporation Net Income Tax is only levied on businesses organized as corporations, an implied exemption exists for businesses organized as sole proprietorships or partnerships. This exemption presumably exists for ease of administration and to avoid double taxation of the business income of the sole proprietor or partnership. Income of businesses organized as sole proprietorships or partnerships is generally included on the Personal Income Tax return of the proprietor or partner. If the partner is itself a corporation, the income is reported on the Corporation Net Income Tax return. Therefore, subjecting these businesses to the Corporation Net Income Tax without removing the income from taxation under the Personal Income Tax statute would subject some business income to double taxation. This is **not** an expenditure. West Virginia follows the federal practice of classifying limited liability companies as partnerships unless such entities are organized as corporations.

The income of Subchapter S corporations is passed through to the stockholders of the corporation. Stockholders include income from the corporation on their individual income tax returns. The exemption for Subchapter S corporations exists to avoid double taxation of the income of these businesses (once under the Corporation Net Income Tax and once under the Personal Income Tax) due to the difference in tax rates.

## VARIOUS MISCELLANEOUS BUSINESSES

**STATUTES:** United States Code 15 U.S.C. §381 et seq. (United States Public Law 86- 272)

W.Va. Code §§11-24-5(a), 11-24-5(b), 11-24-5(c), 11-24-5(e), 19-23-12, 31C-2-8, 33-22-16, 33-23-29(b), and 33-24-4

**EXEMPTION:** This exemption includes:

- Corporations Whose Only Activity Is Solicitation of Sales (15 U.S.C. §381 et seq. (United States Public Law 86-272))
- Corporations Exempt from Federal Income Tax (W.Va. Code §11- 24-5(a))
- Insurance companies which pay this State a tax upon premiums (W.Va. Code §11-24-5(b))
- Production Credit Associations (Farm Credit Act of 1933) (W.Va. Code §11-24-5(c))
- Section 186 Trusts (W.Va. Code §11-24-5(e))
- Horse or Dog Tracks (W.Va. Code §19-23-12)
- Credit Unions (W.Va. Code §31C-2-8)
- Farmer's Mutual Fire Insurance Companies (W.Va. Code §33-22-16)
- Fraternal Benefit Societies (W.Va. Code §33-23-29(b))
- Nonprofit Hospital, Medical, Dental and Health Service Corporations (W.Va. Code §33-24-4)

**VALUE:** Annual values for expenditures include:

| | |
|---|---|
| Public Law 86-272: | **$39.1 million** |
| Federally Exempt Corporations: | **$18.0 million** |
| Insurance Companies: | **$28.2 million** |
| Production Credit Associations | **Minimal** |
| Section 186 Trusts: | **Minimal** |
| Horse or Dog Tracks: | **Cannot be disclosed due to Taxpayer confidentiality** |
| Credit Unions: | **$30,000** |
| Farmer's Mutual Fire Insurance Company: | **Not available** |
| Fraternal Benefit Societies: | **$1.0 million** |
| Nonprofit Healthcare Corporations: | **Not available** |

### Rationale

These businesses are exempt from the West Virginia Corporation Net Income Tax for a variety of reasons. In some cases (e.g., corporations whose only activity is solicitation of sales), federal law precludes the State from levying a tax on the specified business. Ease of administration (i.e., corporations exempt from federal income tax), double taxation concerns (i.e., Insurance companies which pay this State a tax upon premiums), and the encouragement of certain business activities are some of the other reasons for these exemptions.

# FEDERAL TAXABLE INCOME EXPENDITURES

The use of federal taxable income as a starting point for the calculation of West Virginia Corporation Net Income Tax includes various allowances for federal tax expenditures. Federal tax expenditures incorporated within the State tax structure are considered tax expenditures for the purposes of this study. An analysis of these expenditures follows.

## FEDERAL TAX EXPENDITURES INCORPORATED WITHIN THE STATE TAX STRUCTURE

**STATUTE:** W.Va. Code §11-24-3a(44)

**EXCLUSION:** The term "West Virginia taxable income" means the taxable income of a corporation as defined by the laws of the United States for federal income tax purposes, adjusted, as provided in W.Va. Code §11-24-6.

**VALUE:** Annual values for expenditures include:

| | |
|---|---|
| Cost of goods sold: | **$4,086.9 million** |
| Compensation of officers: | **$107.7 million** |
| Salaries and wages less employment credits: | **$804.2 million** |
| Repairs and Maintenance: | **$49.5 million** |
| Bad debts: | **$24.4 million** |
| Rents: | **$115.5 million** |
| Taxes and licenses: | **$143.4 million** |
| Interest: | **$21.1 million** |
| Charitable contributions: | **$6.7 million** |
| Depreciation: | **$220.7 million** |
| Depletion: | **$4.1 million** |
| Advertising: | **$80.3 million** |
| Pension, profit-sharing, etc. plans: | **$32.3 million** |
| Employee benefit programs: | **$87.0 million** |
| Other deductions: | **$1,031.4 million** |
| Special deductions: | **$67.5 million** |

### Rationale

West Virginia uses federal taxable income as the starting point for the calculation of the Corporation Net Income Tax. Deductions granted in the calculation of federal taxable income become implied exclusions from West Virginia taxable income and exist to administer the tax. These implied exclusions exist to ease the administration of the Corporation Net Income Tax. As stated in West Virginia Code §11-24-1, "the adoption by this State for its Corporation Net Income Tax purposes of certain provisions of the laws of the United States relating to the determination of income for federal income tax purposes will: (1) simplify preparation of State Corporation Net Income Tax returns by Taxpayers; (2) improve enforcement of the State Corporation Net Income Tax through better use of information obtained from federal income tax audits, and (3) aid interpretation of the State Corporation Net Income Tax law through increased use of federal judicial and administrative determinations and precedents." The Corporation Net Income Tax is often equated to a tax on profits. Some of the items mentioned above, such as cost of goods sold, are an integral part of the definition of net income or profit. Those items necessary for the definition of net income may **not** be tax

expenditures. Inclusions of other items, such as employee benefit programs, may not necessarily be required to define net income and therefore may constitute tax expenditures.

## Revenue Analysis

The expenditure values presented in this section were calculated in isolation from any other listed expenditure. Also, calculation of the expenditure value was made without consideration of any portion of the exclusion returned to the original value pursuant to West Virginia Code §11-24-6(b). Thus, caution should be used in adding the values presented above.

# MODIFICATIONS DECREASING FEDERAL TAXABLE INCOME FOR STATE TAX PURPOSES

Several deductions are available to corporations in West Virginia as decreasing modifications to federal taxable income in determining taxable income for State purposes. These modifications exist for one of the following reasons:

1. To account for deviations between federal statutes and the West Virginia Code;
2. To account for income for which states are prohibited from taxing; or
3. To remove from taxable income amounts that were added to current federal taxable income and related to prior year deductions not permitted by West Virginia.

West Virginia has codified the following decreasing modifications:

- Refund or Credit for Overpayment of Income-Based Taxes;
- Disallowed Interest Expense;
- Section 78 Dividends Received from Foreign Corporations;
- Salary Expense Not Allowed as a Federal Deduction;
- Subpart F Income;
- Employer Contributions to Medical Savings Accounts;
- Foreign Source Income;
- West Virginia Water or Air Pollution Control Facilities;
- Federal Obligations;
- West Virginia Obligations;
- Investments Secured by Mortgages and Loans on Residential Property, and
- Qualified Opportunity Zone Business Income

An analysis of these modifications follows.

## REFUND OR CREDIT FOR OVERPAYMENT OF INCOME-BASED TAXES

**STATUTE:** W.Va. Code §11-24-6(c)(2)

**EXCLUSION:** The amount of any refund or credit for overpayment of income taxes and other taxes, including franchise and excise taxes, which are based on, measured by, or computed with reference to net income, imposed by this State or any other taxing jurisdiction, to the extent properly included in gross income for federal income tax purposes.

**VALUE:** **$150,000 per year**

### Rationale

For State purposes, West Virginia requires Taxpayers to add back to federal taxable income the income tax deduction. State and local income taxes are deducted on the federal return for the tax year in which the payments are made. Any refund is included in federal taxable income for the tax year in which it is received. Since West Virginia does not allow the federal deduction for income taxes paid, a refund included in federal taxable income may be deducted for State purposes. This exclusion eliminates double taxation of this refund amount and therefore is **not** a tax expenditure.

## DISALLOWED INTEREST EXPENSE

**STATUTE:** W.Va. Code §11-24-6(c)(4)

**EXCLUSION:** The full amount of interest expense disallowed in determining federal taxable income which was incurred or continued to purchase or carry obligations or securities of any State or of any political subdivision thereof.

**VALUE:** **$90,000 per year**

### Rationale

This expenditure exists in recognition that the identified interest expense is a normal business expense at the State and local government level. Interest income from State and municipal government securities is excluded from income for federal income tax purposes due to the intergovernmental immunity principle. Since it is not included in income for federal income tax purposes, the interest expense related to exempt obligations is disallowed as a deduction at the federal level.

West Virginia requires Taxpayers to make an increasing modification to federal taxable income for State income tax purposes for interest or dividends received from any State or local bonds or securities. While recognizing the interest received on State and local securities as income, this expenditure identifies the expenses incurred in holding or carrying these securities as legitimate business expenses for State tax purposes.

West Virginia provides a modification to taxable income for its own obligations and those of its political subdivisions. This expenditure is analyzed later in this section.

## SECTION 78 DIVIDENDS RECEIVED FROM FOREIGN CORPORATIONS

**STATUTE:** W.Va. Code §11-24-6(c)(5)

**EXCLUSION:** The amount required to be added to federal taxable income as a dividend received from a foreign (non-United States) corporation under Section 78 of the Internal Revenue Code of 1986, as amended, by a corporation electing to take the foreign tax credit for federal income tax purposes.

**VALUE:** **$8.8 million per year**

### Rationale

This expenditure exists to preclude double taxation, once by the State and once by a foreign country. Section 78 dividends are dividends received from a foreign corporation by a corporation that elects to take the foreign tax credit.

## SALARY EXPENSE NOT ALLOWED AS A FEDERAL DEDUCTION

**STATUTE:** W.Va. Code §11-24-6(c)(6)

**EXCLUSION:** The amount of salary expenses disallowed as a deduction for federal income tax purposes due to claiming the federal jobs credit under Section 51 of the Internal Revenue Code of 1986, as amended, to the extent included in federal taxable income.

**VALUE:** **$470,000 per year**

**Rationale**

Taxpayers claiming a Federal Work Opportunity Tax Credit (formerly the Federal Jobs Credit) on the federal Corporation Net Income Tax return must reduce their salary expense deduction for federal tax purposes by the total of salaries upon which the credit is calculated. West Virginia, however, does not offer a similar credit. Therefore, such salary expenses are a legitimate business deduction for State tax purposes.

## SUBPART F INCOME

**STATUTE:** W.Va. Code §11-24-6(c)(7)

**EXCLUSION:** The amount included in federal adjusted gross income by the operation of Section 951 of the Internal Revenue Code of 1986, as amended.

**VALUE:** **$9.7 million per year**

**Rationale**

This expenditure exists to preclude double taxation, once by the State and once by a foreign country. Subpart F income is composed of earnings and profits of controlled foreign corporations exclusive of any income from sources within the United States.

## EMPLOYER CONTRIBUTIONS TO MEDICAL SAVINGS ACCOUNTS

**STATUTE:** W.Va. Code §11-24-6(c)(8)

**EXCLUSION:** Employer contributions to medical savings accounts established pursuant to section fifteen, article sixteen, chapter thirty-three of the West Virginia Code to the extent included in federal adjusted gross income for federal income tax purposes less any portion of employer contributions withdrawn for purposes other than payment of medical expenses.

**VALUE:** **$0 per year**

**Rationale**

This modification exists to encourage the formation and use of State medical savings accounts. However, contributions to medical savings accounts that qualify for federal exclusion are also automatically excluded from State taxes because of the State tie-in to federal adjusted gross income. There are no known State medical savings accounts that do not qualify for federal tax exclusions.

## FOREIGN SOURCE INCOME

**STATUTE:** W.Va. Code §11-24-6(c)(9)

**EXCLUSION:** Any amount included in federal adjusted gross income which is foreign source income.

**VALUE:** **$25.7 million per year**

### Rationale

This exclusion exists to preclude double taxation, once by the State and once by a foreign country. A decreasing modification is allowed for foreign source income, as defined, if it was included in federal taxable income, less attributable expenses.

## WEST VIRGINIA WATER OR AIR POLLUTION CONTROL FACILITIES

**STATUTE:** W.Va. Code §11-24-6(e)

**EXCLUSION:** If the Taxpayer so elects under W.Va. Code §11-24-6(e)(2), there shall be: (A) Subtracted from federal taxable income the total of the amounts paid or incurred during the taxable year for the acquisition, construction or development within this State of water pollution control facilities or air pollution control facilities as defined in Section 169 of the Internal Revenue Code, and (B) Added to federal taxable income the total of the amounts of any allowances for depreciation and amortization of the water pollution control facilities or air pollution control facilities, as so defined, to the extent deductible in determining federal taxable income.

**VALUE:** **Cannot be disclosed due to Taxpayer confidentiality.**

### Rationale

This expenditure exists to encourage investment in water and air pollution control devices in West Virginia. Deducting the full cost of pollution control devices in a single year provides a greater benefit to the Taxpayer than a normal depreciation allowance. Facility modifications are often necessary to comply with various federal pollution control regulations.

## FEDERAL OBLIGATIONS

**STATUTE:** W.Va. Code §11-24-6(f)(1)(A)

**ADJUSTMENT:** An amount equal to share of total assets attributable to securities or obligations of the United States Government or its instrumentalities.

**VALUE:** **$80,000 per year**

### Rationale

This modification exists for compliance with the immunity of the federal government and its instrumentalities from State taxation. Codified in federal statutes, the prohibition reads in part as follows:

> "Except as otherwise provided by law, all stocks, bonds, Treasury notes and other obligations of the United States, shall be exempt from taxation by . . . other State or municipal or local authority."

The statute was revised in 1959 to provide an exception for nondiscriminatory franchise taxes imposed on corporations. The West Virginia Corporation Net Income Tax is a direct tax on net income. Thus, the State cannot subject federal obligations to the tax. If legislative action repealing the above cited adjustment would be enacted, the prohibition against taxation would still exist. Therefore, this modification is **not** a tax expenditure.

## WEST VIRGINIA OBLIGATIONS

**STATUTE:** W.Va. Code §11-24-6(f)(1)(B)

**ADJUSTMENT:** An amount equal to share of total assets attributable to West Virginia State government securities or obligations.

**VALUE:** **$120,000 per year**

### Rationale

The purpose of this expenditure is presumably to reduce the cost of borrowed money for West Virginia and local governments. An adjustment to taxable income for government securities reduces the cost of holding government obligations. The reduced cost makes the securities more attractive to investors and thus makes the marketing of State and local bonds easier. If the security instruments are easier to sell, the governmental unit selling the securities can obtain financing at lower interest rates.

## INVESTMENTS SECURED BY MORTGAGES AND LOANS ON RESIDENTIAL PROPERTY

**STATUTES:** W.Va. Code §§11-24-6(f)(1)(C) and 11-24-6(f)(1)(D)

**ADJUSTMENT:** An amount equal to share of total assets attributable to residential mortgage securities related to West Virginia residential property (W.Va. Code §11-24-6(f)(1)(C).

An amount equal to share of total assets attributable to loans primarily secured by a lien or security agreement on residential property in the form of a mobile home, modular home or double-wide located in this State and occupied by non-transients. (W.Va. Code §11-24-6(f)(1)(D)).

**VALUE:** **$530,000 per year**

### Rationale

This expenditure exists to encourage investments or loans on West Virginia residential property occupied by non-transients. Preferential treatment for these obligations presumably lowers the cost of the investment instruments by reducing the tax imposed on the income from the loans. The intention is for part of the reduced cost in holding the identified securities to be passed on to the loan recipients. Thus, housing may be more affordable.

## QUALIFIED OPPORTUNITY ZONE BUSINESS INCOME

**STATUTE:** W.Va. Code §11-24-6b

**ADJUSTMENT:** An amount equal to net income included in federal taxable income by a corporate taxpayer in a taxable year that is ordinary income derived from a qualified opportunity zone business located in a qualified opportunity zone located in West Virginia.

**VALUE:** **Cannot be disclosed due to Taxpayer confidentiality.**

### Rationale

The purpose of this expenditure is to encourage individuals and businesses to invest in certain rural and low-income urban communities through qualified opportunity zone projects. West Virginia has designated 55 census tracts in 30 counties as qualified opportunity zones, which included both larger cities and small towns. Qualified opportunity zones were part of the Tax Cuts and Jobs Act of 2017 and were included in this specific federal tax reform legislation passed by Congress to encourage economic growth in neglected areas of the United States that had a high demand for capital investments.

# MODIFICATION DECREASING WEST VIRGINIA TAXABLE INCOME

One modification to West Virginia taxable income is available to corporations. The decreasing modification to West Virginia taxable income is a Net Operating Loss Deduction. An analysis of this expenditure follows.

## WEST VIRGINIA NET OPERATING LOSS DEDUCTION

**STATUTE:** W.Va. Code §11-24-6(d)

**DEDUCTION:** There is allowed as a deduction for the taxable year an amount equal to the aggregate of: (1) The West Virginia net operating loss carryovers to that year; plus (2) the net operating loss carrybacks to that year: Provided, that no more than three hundred thousand dollars of net operating loss from any taxable year beginning after the thirty-first day of December, one thousand nine-hundred ninety-two may be carried back to any previous taxable year.

**VALUE:** **$227.0 million per year**

### Rationale

This expenditure exists to extend the concept of "net income" across multiple years and thus reduce the tax liability of corporations that experience "net losses." In some years, the normal business expenses of a corporation may be greater than income, thus resulting in a "net loss." The carryback and/or carryforward provisions of the net operating loss statute permit the corporation to apply the loss (deductions in excess of income) to other tax years where income exceeded deductions. Thus, instead of the activities of a single year determining taxable income, calculation of taxable income may be based, in part, on activities from other years. The West Virginia net operating loss deduction is only available to corporations with business operations located in the State and that filed Corporation Net Income Tax returns in previous tax years. A net operating loss deduction of a multi-state corporation is subject to West Virginia allocation and apportionment rules. Except for the provision limiting the amount of carryback, West Virginia generally follows Section 172 of the Internal Revenue Code of 1986, as amended.[2]

The Tax Cuts and Jobs Act made changes to the Net Operating Loss Deduction. For tax years beginning on or before December 31, 2017, net operating losses could be carried back two years and carried forward twenty years with no taxable income limitation. For tax years ending after December 31, 2017, there is no carryback for net operating losses. The Net Operating Loss Deduction is limited to 80 percent of taxable income and can be carried forward indefinitely.

[2] W.Va. Code §11-24-3 provides that terms used in W.Va. Code §11-24 "shall have the same meaning as when used in a comparable context in the laws of the United States relating to federal income taxes, unless a different meaning is clearly required by context or definition ..." The statute defines the term "Internal Revenue Code of 1986" as the Internal Revenue Code of the United States enacted by the Federal Tax Reform Act of 1986. The 1986 act provided that net operating losses could be carried back for three years and carried forward for fifteen. However, the Taxpayer Relief Act of 1997 provides for carry back of two years and carry forward of twenty years. Additionally, the American Recovery and Reinvestment Act of 2009 provides that small businesses may carry back losses for five years.

# CREDITS

The West Virginia Code provides for the application of various tax credits against the Corporation Net Income Tax. Some credits provide qualifying businesses with an investment or employment incentive. Others provide relief from double taxation or compensation to utilities providing aid to low-income households. These tax credits are listed below.

## ECONOMIC DEVELOPMENT TAX CREDITS

- Economic Opportunity Tax Credits
- Manufacturing Investment Tax Credit
- Downstream Natural Gas Manufacturing Investment Tax Credit
- High-Wage Growth Business Tax Credit
- Small Arms and Ammunition Manufacturers Credit
- Industrial Advancement Act Tax Credit
- Post-Coal Mine Site Business Credit
- BUILD WV Property Value Adjustment Tax Credit

## EMPLOYMENT TAX CREDITS

- Apprenticeship Training Tax Credit
- West Virginia Jumpstart Savings Program Credit for Employers
- Military Incentive Tax Credit

## CREDITS THAT AID LOW-INCOME FAMILIES

- Credit for Reducing Utility Charges to Low-Income Families
- Credit for Reducing Telephone Charges to Low-Income Families

## MISCELLANEOUS TAX CREDITS

- Neighborhood Investment Program Credit
- Environmental Agricultural Equipment Tax Credit
- Film Industry Investment Tax Credit
- Manufacturing Property Tax Adjustment Credit
- Innovative Mine Safety Technology Tax Credit
- Farm to Food Bank Tax Credit
- Tax Credit for Donation or Sale of Vehicle
- Natural Gas Liquids Property Tax Adjustment Act
- Motor Vehicle Property Tax Adjustment Credit
- Small Business Property Tax Adjustment Credit
- Credit for Utility Taxpayers with Net Operating Loss Carryovers
- Historic Rehabilitated Buildings Investment Credits
- Capital Investment in Child-Care Property Tax Credit
- Operating Costs of Child-Care Tax Credit

Many of the credits listed above may also be applied against other business and personal taxes. Expenditure values presented in this section represent the amounts applied against **only** Corporation Net Income Tax. Often, the credit claimed against the Corporation Net Income Tax has been reduced by the application of the credit against other taxes according to the priority order specified by statute or regulations. Thus, the credit amounts claimed against Corporation Net Income

Tax may be negligible compared to the total cost of the credit taken against all taxes. An analysis of these expenditures follows.

# ECONOMIC DEVELOPMENT TAX CREDITS

Economic Development Tax Credits exist to promote business expansion in the State. Such credits require either the creation of employment or capital outlays for certain qualified investments to qualify.

## ECONOMIC OPPORTUNITY TAX CREDITS

**STATUTE:** W.Va. Code §11-13Q

**CREDIT:** Credits for qualified businesses that make a qualified investment in a new or expanded business facility in West Virginia and, as a result of this investment, create at least 10 new jobs.

**VALUE:** **$2.5 million per year**

### Rationale

Economic Opportunity Tax Credits are incentives designed to promote job creation through capital investment. These credits generally represent a capital investment tax credit pro-rated over a 10-year period for businesses engaged in the activities of manufacturing, information processing, warehousing, goods distribution exclusive of retail, destination-oriented recreation and tourism, research and development, and the relocation of a corporate headquarters. The share of qualified capital investment subject to tax credit is based on the number of new jobs created as the result of the additional capital investment. The share of total payroll represented by the new employees determines the share of total tax liability offset by tax credit. A minimum number of new jobs must be created and maintained to gain entitlement to tax credit benefits.

## MANUFACTURING INVESTMENT TAX CREDIT

**STATUTE:** W.Va. Code §11-13S

**CREDIT:** Credit for manufacturers that make qualified investments for industrial expansion or industrial revitalization in West Virginia.

**VALUE:** **$1.4 million per year**

### Rationale

The Manufacturing Investment Tax Credit is an incentive designed to promote manufacturing expansion and revitalization through capital investment. The tax credit equals 5 percent of qualified capital investment pro-rated over a 10-year period for businesses engaged in the activity of manufacturing. The tax credit may offset up to 60 percent of the West Virginia Corporation Net Income Tax liability of the qualified manufacturing entity.

### Revenue Analysis

Legislation enacted during the 2021 Session changed the four-factor apportionment formula for most multi-state businesses to a single sales factor formula effective for tax years beginning on and after January 1, 2022. In addition, market-based sourcing for sales other than sales of tangible personal property was adopted for sales made on or after January 1, 2022. The combined effect of these

legislative changes has been to reduce the tax liability of many West Virginia manufacturers and their ability to utilize the Manufacturing Investment Tax Credit.

## DOWNSTREAM NATURAL GAS MANUFACTURING INVESTMENT TAX CREDIT

**STATUTE:** W.Va. Code §11-13GG

**CREDIT:** Credit for eligible taxpayers to make a qualified investment in a new or expanded downstream natural gas manufacturing facility in West Virginia that results in the creation of at least five new jobs.

**VALUE:** **$0 per year**

### Rationale

The Downstream Natural Gas Manufacturing Investment Tax Credit is available to eligible Taxpayers that make a qualified investment in a new or expanded downstream natural gas manufacturing facility in West Virginia that results in the creation of at least five new jobs. To qualify for the tax credit, the qualified investment must have been made on or after July 1, 2020.

### Revenue Analysis

The Downstream Natural Gas Manufacturing Investment Tax Credit is a relatively new credit that was passed during the 2020 Legislative Session. As of November 2025, there are no known applicants for this credit.

## HIGH-WAGE GROWTH BUSINESS TAX CREDIT

**STATUTE:** W.Va. Code §11-13II

**CREDIT:** Credit for eligible employers creating high-wage jobs in West Virginia on or after July 1, 2020.

**VALUE:** **$0 per year**

### Rationale

The High-Wage Growth Business Tax Credit is for high-wage jobs created in West Virginia by an eligible employer on or after July 1, 2020. To be an eligible employer, the employer must be registered to do business in West Virginia and offer health benefits to all full-time eligible employees. The employer must certify that it pays at least 50 percent of the health care premiums.

### Revenue Analysis

The High-Wage Growth Tax Credit is a relatively new credit that was passed during the 2020 Legislative Session. As of November 2025, there are no known applicants for this credit**.**

## SMALL ARMS AND AMMUNITION MANUFACTURERS CREDIT

**STATUTE:** W.Va. Code §11-13KK

**CREDIT:** Credit for 100 percent of federal excise tax paid in a tax year under section 4181, Title 26 of the Internal Revenue Code, which are attributable to taxpayer's qualified investment.

**VALUE:** **$0 per year**

### Rationale

The Small Arms and Ammunition Manufacturers Credit encourages investment in the manufacturing of small arms and ammunition in West Virginia.

### Revenue Analysis

The Small Arms and Ammunition Manufacturers Credit is a relatively new credit that was passed during the 2021 Legislative Session. As of November 2025, there are no known applicants for this credit.

## INDUSTRIAL ADVANCEMENT ACT TAX CREDIT

**STATUTE:** W.Va. Code §11-13LL

**CREDIT:** A credit equal to 50 percent of the qualified manufacturing investment.

**VALUE:** **Cannot be disclosed due to Taxpayer confidentiality**

### Rationale

The Industrial Advancement Tax Credit provides a tax credit of 50 percent of qualified manufacturing investment in a "qualified labor intensive heavy industrial manufacturing project." Qualified projects must entail at least $2 billion in investment in property purchased for manufacturing investment and placed in service at an industrial facility in West Virginia with at least 500 full-time West Virginia employees.

### Revenue Analysis

The Industrial Advancement Act Tax Credit is a relatively new credit that was passed during the 2022 Legislative Session. As of November 2025, there has been one application received for this credit.

## POST-COAL MINE SITE BUSINESS CREDIT

**STATUTE:** W.Va. Code §11-28

**CREDIT:** A credit is allowed for 50 percent of a taxpayer's capital expenditures at post-coal mine sites for the first five taxable years during which the taxpayer's principal place of business is located on the post-coal mine site.

**VALUE:** **$0 per year**

### Rationale

An eligible business will be allowed a tax credit in the amount of 50 percent of its capital expenditures at the post-coal mine site for the first five taxable years its principal place of business is located on the post-coal mine site.

## BUILD WV PROPERTY VALUE ADJUSTMENT TAX CREDIT

**STATUTE:** W.Va. Code §5B-2L

**CREDIT:** The BUILD WV Property Value Adjustment Tax Credit provides a ten-year, refundable property value adjustment tax credit to offset construction costs for eligible projects in designated areas.

**VALUE:** **$0 in Tax Year 2023**

### Rationale

The BUILD WV Property Value Adjustment Credit is intended to provide an incentive for property developers to build residential housing in areas of West Virginia with deficiencies, or projected deficiencies, in middle market housing.

### Revenue Analysis

The BUILD WV Property Value Adjustment Tax Credit is a relatively new credit that was passed during the 2022 Legislative Session. As of November 2025, there have been no claims against Corporation Net Income Tax.

# EMPLOYMENT TAX CREDITS

Employment Tax Credits generally exist to encourage employee training and the hiring of certain individuals, such as qualified unemployed veterans or other military personnel.

## APPRENTICESHIP TRAINING TAX CREDIT

**STATUTE:** W.Va. Code §11-13W

**CREDIT:** A credit of $2 per hour for the training of apprentices for qualified construction trade employers.

**VALUE:** **$70,000 per year**

### Rationale

The Apprenticeship Training Tax Credit provides qualified construction trade employers with a $2 per hour tax credit for the training of an apprentice up to a maximum of $2,000 per year or 50 percent of wages paid to such a person, whichever is less. The tax credit may provide some incentive for additional training of apprentices.

## WEST VIRGINIA JUMPSTART SAVINGS PROGRAM CREDIT FOR EMPLOYERS

**STATUTE:** W.Va. Code §11-24-10a

**CREDIT:** A credit for employer contributions to employees' Jumpstart Savings Accounts.

**VALUE:** **Minimal**

### Rationale

The West Virginia Jumpstart Savings Program Credit for Employers provides employers with a non-refundable tax credit of up to $5,000 per taxable year for direct contributions into their employee's Jumpstart Savings Account.

### Revenue Analysis

The West Virginia Jumpstart Savings Program Credit for Employers is a relatively new credit that was passed during the 2021 Legislative Session.

## MILITARY INCENTIVE TAX CREDIT

**STATUTE:** W.Va. Code §11-24-12

**CREDIT:** Military Incentive Credit promotes the hiring of veterans and National Guard members.

**VALUE:** **Minimal**

### Rationale

The Military Incentive Tax Credit provides employers who hire a qualified unemployed member of the West Virginia National Guard and reserve forces or unemployed disabled veteran with a one-time employment tax credit generally equal to either 25 percent of up to the first $5,000 in wages paid during the year or the disability percentage multiplied by the first $5,000 of wages paid to a qualified disabled veteran. The program is administered by Workforce West Virginia.

# CREDITS THAT AID LOW-INCOME FAMILIES

These credits are a form of government assistance for aiding low-income households. Public utilities and local telephone companies are compensated for the value of rate reductions to low- income customers through these tax credit programs.

## CREDIT FOR REDUCING UTILITY CHARGES TO LOW-INCOME FAMILIES

**STATUTES:** W.Va. Code §§11-13F and 11-24-11

**CREDIT:** A credit for reducing electric and natural gas utility rates equal to the cost of providing electric or natural gas service, or both, at special reduced rates as certified by the Public Service Commission under the provisions of §24-2A-2 of this code to qualified residential customers.

**VALUE:** **$0 per year**

### Rationale

This is a credit against the tax on the cost of providing electric, natural gas, or water utility services at reduced rates to qualified low-income residential customers that have not been reimbursed by any other means. This credit is a form of government assistance for aiding low-income households.

### Revenue Analysis

The cost is $0 against Corporation Net Income Tax because roughly $9.5 million in program costs are fully absorbed by Taxpayers taking the credit against Business and Occupation Tax.

## CREDIT FOR REDUCING TELEPHONE CHARGES TO LOW-INCOME FAMILIES

**STATUTE:** W.Va. Code §§11-13G and 11-24-11a

**CREDIT:** A credit for providing telephone service at special reduced rates to qualified low-income residential customers equal to its cost of providing telephone service at special reduced rates to qualified low-income residential customers.

**VALUE:** **$0 per year**

### Rationale

This credit is allowed against the primary tax liability of an eligible Taxpayer for the cost of providing wireline telephone services at special reduced rates to qualified low-income residential customers who have not been reimbursed by any other means. This credit is a form of government assistance for aiding low-income households.

### Revenue Analysis

The last year for a claim for this credit was 2008. The program was enacted in 1986 to provide certain low-income customers with some relief on their rate-regulated wireline telephone bills. No claims are likely in future years since telephone rates are no longer regulated by the PSC.

# MISCELLANEOUS TAX CREDITS

Miscellaneous Tax Credits exist to incentivize investments in a variety of activities, such as increasing charitable contributions, promoting purchases of environmentally friendly agricultural equipment, and encouraging rehabilitation of certain properties.

## NEIGHBORHOOD INVESTMENT PROGRAM CREDIT

**STATUTE:** W.Va. Code §11-13J

**CREDIT:** A credit for 50 percent of charitable contributions to community-based nonprofit organizations that establish projects to assist neighborhoods and local communities.

**VALUE:** **$60,000 per year**

### Rationale

The Neighborhood Investment Program Credit provides qualified contributing Taxpayers with a tax credit of up to 50 percent of charitable contributions made to an approved organization that received project approval along with an allotment of tax credits from the West Virginia Development Office based on recommendations from a neighborhood investment advisory board. The Taxpayer may use credits received from a qualifying organization to offset up to 50 percent of income tax liability. The minimum contribution for the purposes of the tax credit is $500 per year, and the maximum contribution is $200,000 per year. Excess tax credits may be carried forward for a period of up to four additional years. The total maximum amount of tax credit allocated by the State in any given year is limited to $3 million. The Program may stimulate additional giving for tax credit eligible charitable projects.

## ENVIRONMENTAL AGRICULTURAL EQUIPMENT TAX CREDIT

**STATUTE:** W.Va. Code §11-13K

**CREDIT:** A credit for 25 percent of certified expenditures for purchasing and installing qualified agricultural equipment for use in agricultural operations, not to exceed $2,500.

**VALUE:** **Minimal**

### Rationale

The Environmental Agricultural Equipment Tax Credit provides eligible Taxpayers with an incentive to purchase certain types of “environmentally friendly” agricultural equipment. The tax credit equals 25 percent of the purchase price of the qualified machinery. Taxpayers may claim up to $2,500 of credit per Tax Year, and the credit may be carried forward for up to five additional Tax Years.

## FILM INDUSTRY INVESTMENT TAX CREDT

**STATUTE:** W.Va. Code §11-13X

**CREDIT:** A nonrefundable tax credit for direct production and postproduction expenditures made in West Virginia on a qualified film project.

**VALUE:** **Cannot be disclosed due to Taxpayer confidentiality**

### Rationale

The Film Industry Investment Tax Credit is an incentive designed to promote the film industry in West Virginia through partial reimbursement of qualified film expenditures through marketable tax credits.

### Revenue Analysis

The Film Industry Investment Tax Credit was reinstated for taxable years beginning on and after July 1, 2022, with a sunset date of December 31, 2027. The reinstated credit has no statutory cap, and the credit can be sold or transferred. Therefore, the impact of the credit could become significant in future years. Film credits are valid for two taxable years after the taxable year in which the expenditures were made.

## MANUFACTURING PROPERTY TAX ADJUSTMENT CREDIT

**STATUTE:** W.Va. Code §11-13Y

**CREDIT:** A credit equal to the amount of local West Virginia property taxes paid on manufacturing inventory.

**VALUE:** **$2.6 million per year**

### Rationale

The Manufacturing Property Tax Adjustment Credit provides West Virginia manufacturers with a State tax credit equal to the amount of local West Virginia property taxes paid on manufacturing inventory. The State effectively pays a portion of the local property tax bill out of State funds. The current State Constitution requires assessment and collection of local property taxes on business inventory, including certain manufacturing inventories. Voters approved a narrow Constitutional Amendment in 1984 that removed the inventory tax from unaltered inventory destined for export outside of this State. However, other business inventories remain subject to the local property tax. Seven states currently impose property taxes on manufacturing inventory, including Arkansas, Kentucky, Louisiana, Mississippi, Oklahoma, Texas, and West Virginia.

### Revenue Analysis

Legislation enacted during the 2021 Session changed the four-factor apportionment formula for most multi-state businesses to a single sales factor formula effective for tax years beginning on and after January 1, 2022. In addition, market-based sourcing for sales other than sales of tangible personal property was adopted for sales made on or after January 1, 2022. The combined effect of these legislative changes has been to reduce the tax liability of many West Virginia manufacturers and their ability to utilize the Manufacturing Property Tax Adjustment Credit.

## INNOVATIVE MINE SAFETY TECHNOLOGY TAX CREDIT

**STATUTE:** W.Va. Code §11-13BB

**CREDIT:** A credit equal to 50 percent of the purchase cost of qualified safety equipment.

**VALUE:** **Cannot be disclosed due to Taxpayer confidentiality**

### Rationale

The Innovative Mine Safety Technology Tax Credit provides West Virginia coal mining companies with a State tax credit equal to 50 percent of the purchase cost of qualified safety equipment. The Office of Miners' Health Safety and Training, pursuant to applications for the tax credit, may allocate no more than $2 million of Innovative Mine Safety Technology Tax Credit per fiscal year. No one taxpayer may be allocated more than $100,000 in credit in any given year. The tax credit is intended to promote new investment in innovative coal mine safety technology.

## FARM TO FOOD BANK TAX CREDIT

**STATUTE:** W.Va. Code §11-13DD

**CREDIT:** A credit equal to 30 percent of the value of donated edible agricultural products.

**VALUE:** **Minimal**

### Rationale

A tax credit is available to farmers who make donations of edible agricultural products to one or more nonprofit food programs in West Virginia. The credit is equal to 30 percent of the value of the donated edible agricultural products, not to exceed $5,000 during a taxable year. Any credit remaining after application against the taxpayer's tax liabilities for the current year may be carried forward to the next four taxable years. No more than $200,000 of tax credits may be allocated in any fiscal year. Tax credits are allocated in the order in which the donation forms are received.

The purpose of the credit is to promote fresh, healthy, and local agricultural products for food banks and to provide an incentive for farmers to donate to food banks in the State.

## TAX CREDIT FOR DONATION OR SALE OF VEHICLE

**STATUTE:** W.Va. Code §11-13FF

**CREDIT:** A credit equal to either 50 percent of the program value of a vehicle donated to a qualified charitable organization or, for vehicles sold by dealers, 50 percent of the difference between the program value of the vehicle and the reduced sales price.

**VALUE:** **$0 in Tax Year 2023**

### Rationale

A tax credit is available to Taxpayers who donate a vehicle to a qualified charitable organization in this state of 50 percent of the determined program value up to $2,000. The credit is also available to licensed motor vehicle dealers that sell a vehicle at a reduced sales price to low-income workers through a program administered by a qualified charitable organization. The credit for licensed motor vehicle dealers is 50 percent of the difference between the program value of the vehicle and the reduced sales price up to $2,000. The purpose of the credit is to assist low-income workers in obtaining reliable transportation.

### Revenue Analysis

The Donation or Sale of Vehicle Tax Credit is effective for donations occurring after December 31, 2020. There were no claims made against the Corporation Net Income Tax in Tax Year 2023. The impact of the credit to General Revenue Fund collections was originally estimated to be up to $1.0 million per year for both Corporation Net Income Tax and Personal Income Tax combined.

## NATURAL GAS LIQUIDS PROPERTY TAX ADJUSTMENT CREDIT

**STATUTE:** W.Va. Code §11-13HH

**CREDIT:** A credit for natural gas liquid storers or transporters equal to the amount of the West Virginia ad valorem property tax paid on the value of natural gas liquids inventory and equipment.

**VALUE**: **Cannot be disclosed due to Taxpayer confidentiality**

### Rationale

The Natural Gas Liquids Property Tax Adjustment Credit was created as part of the Natural Gas Liquids Economic Development Act to encourage the development of these businesses in West Virginia. The credit provides eligible West Virginia natural gas liquid storers and transporters with a state tax credit equal to the amount of local West Virginia property taxes paid on the value of natural gas liquids inventory and equipment.

### Revenue Analysis

The Natural Gas Liquids Property Tax Adjustment Credit is effective for tax years beginning on or after July 1, 2020. The impact of the credit to General Revenue Fund collections was estimated to be $500,000 per year for both Corporation Net Income Tax and Personal Income Tax combined.

## MOTOR VEHICLE PROPERTY TAX ADJUSTMENT TAX CREDIT

**STATUTE:** W.Va. Code §11-13MM-3

**CREDIT:** A credit in the amount of property tax timely paid on owned or leased motor vehicles subject to West Virginia ad valorem property taxation during the corporation net income tax taxable year.

**VALUE:** **$0 in Tax Year 2023**

### Rationale

The credit was designed to give West Virginia taxpayers who own qualified vehicles and pay their personal property taxes on time a break. This is achieved by offering the amount of property tax paid on eligible vehicles as a credit against the taxpayer's state income tax liability or as a rebate.

### Revenue Analysis

The Motor Vehicle Property Tax Adjustment Credit is effective for tax years beginning on or after January 1, 2024. Therefore, there were no claims during the review period of this report, Tax Year 2023. The impact of the credit to General Revenue Fund collections was estimated to be $157.9 million for both Corporation Net Income Tax and Personal Income Tax combined.

## SMALL BUSINESS PROPERTY TAX ADJUSTMENT TAX CREDIT

**STATUTE:** W.Va. Code §11-13MM-5

**CREDIT:** A credit of 50 percent of the amount of property tax timely paid by eligible small business taxpayers on personal property subject to West Virginia ad valorem property taxation during the corporation net income taxable year.

**VALUE:** **$0 in Tax Year 2023**

### Rationale

The credit was designed to provide tax relief to eligible West Virginia small business taxpayers who own personal property and pay their personal property taxes on time. This is achieved by offering the amount of 50 percent property tax paid on eligible personal property as a credit against the taxpayer's state income tax liability or as a rebate.

### Revenue Analysis

The Small Business Property Tax Adjustment Credit is effective for tax years beginning on or after January 1, 2024. Therefore, there were no claims during the review period of this report, Tax Year 2023. The impact of the credit to General Revenue Fund collections was estimated to be less than $35.0 million for both Corporation Net Income Tax and Personal Income Tax combined.

## CREDIT FOR UTILITY TAXPAYERS WITH NET OPERATING LOSS CARRYOVERS

**STATUTE:** W.Va. Code §11-24-11b

**CREDIT:** A credit equal to one-quarter percent of the eligible taxpayer's West Virginia net operating loss carryovers.

**VALUE:** **$0 per year**

### Rationale

This credit was designed to preserve a portion of the value of net operating loss assets of regulated utility companies to offset valuation losses due to reduction of the State Corporation Net Income Tax rate. Even though this tax credit has been in effect since 2007, there have been no claims to date.

## HISTORIC REHABILITATED BUILDINGS INVESTMENT CREDIT

**STATUTE:** W.Va. Code §11-24-23a

**CREDIT:** A credit equal to 25 percent of qualified expenditures for qualified rehabilitated building projects located in West Virginia that also qualify for the 20 percent federal historic rehabilitation tax credit.

**VALUE:**

| | |
|---|---|
| **Tax Year 2021** | **$6.0 million** |
| **Tax Year 2022** | **$3.3 million** |
| **Tax Year 2023** | **$0.5 million** |
| **Tax Year 2024**[3] | **$9.1 million** |

### Rationale

The Historic Rehabilitated Buildings Investment Credit is available to qualified rehabilitated building projects located in West Virginia that also qualify for the 20 percent federal historic rehabilitation tax credit. Prior to January 1, 2018, the State tax credit equaled 10 percent of qualified expenditures for historic rehabilitation as approved by the West Virginia Division of Culture and History and designated by the National Park Service as a “certified historic structure.” Effective January 1, 2018, the State tax credit was increased to 25 percent of the qualified expenditures. The West Virginia tax credit can be transferred or sold to other Taxpayers. The tax credit was intended to promote historic building rehabilitation.

### Revenue Analysis

The value of the credit to Taxpayers was significantly enhanced through the increase of the credit percentage from 10 percent to 25 percent and the allowance of multi-phase projects. This change has encouraged larger multi-phase projects which will likely expand the use and resulting cost of the tax credit in future years.

[3] Tax Year 2024 data is incomplete.

## CAPITAL INVESTMENT IN CHILD-CARE PROPERTY TAX CREDIT

**STATUTE:** W.Va. Code §11-24-44

**CREDIT:** A credit is allowed for 50 percent of the cost of all qualified child-care property purchased or acquired by the taxpayer and first placed in service during a taxable year, and such credit may be claimed at a rate of 20 percent per year over a period of five taxable years.

**VALUE:** **Cannot be disclosed due to Taxpayer confidentiality**

### Rationale

The West Virginia Capital Investment in Child-Care Property Tax Credit provides a tax credit for employers who provide child-care facilities to their employees. Providing childcare is a benefit to both the employer and employees.

### Revenue Analysis

The Capital Investment in Child-Care Property Tax Credit is a relatively new credit that was passed during the 2022 Legislative Session. As of November 2025, there have been two applications received for this credit, and one has been approved. We anticipate utilization of this credit program will grow significantly in future years.

## OPERATING COSTS OF CHILD-CARE TAX CREDIT

**STATUTE:** W.Va. Code §11-24-44

**CREDIT:** A credit of up to 50 percent of costs is allowed for employers who provide or sponsor childcare for employees.

**VALUE:** **$0 in Tax Year 2023**

### Rationale

The West Virginia Operating Costs of Child-Care Tax Credit provides a tax credit for employers who provide child-care facilities for their employees, covering up to 50 percent of the costs. Providing childcare is a benefit to both the employer and employees.

### Revenue Analysis

The Operating Costs for Child-Care Tax Credit is a relatively new credit that was passed during the 2022 Legislative Session. As of November 2025, there have been two applications received for this credit, and one has been approved. However, no claims against the Corporation Net Income Tax were processed during the review period of this report. We anticipate utilization of this credit program will grow significantly in future years.

# PERSONAL INCOME TAX

## OVERVIEW

The Personal Income Tax is the largest source of revenue for West Virginia. This tax is imposed on the West Virginia taxable income of resident individuals (except non-grantor trusts) regardless of where income is earned. Nonresident individuals are also subject to the tax on income received from West Virginia sources. Corporations, partnerships (but not partners), other entities treated like partnerships for federal income tax purposes, and certain trusts and associations are exempt from West Virginia Personal Income Tax.

For individuals, computation of West Virginia taxable income begins with federal adjusted gross income. West Virginia adjusted gross income is determined by application of various State modifications increasing or decreasing federal adjusted gross income. To determine West Virginia taxable income, the Taxpayer then takes a deduction based on the number of personal exemptions that could have been claimed on the federal return under federal rules prior to 2018.

Personal Income Tax rates differ with each taxable income category. Although the rates increase as taxable income increases, each marginal rate is independent of every other rate. The following tables provide these tax rates for Tax Year 2023 (the year used for estimation of expenditures in this study). Rates were lowered for Tax Year 2025 and future years due to legislative action. Beginning on August 15, 2024, and every August 15th thereafter, the Secretary of Revenue determines whether the total fiscal year General Revenue Fund collections less the amount of Severance Tax collected from the immediately preceding fiscal year are more than inflation-adjusted base year revenues minus base year Severance Tax collected. If the total fiscal year adjusted General Revenue Fund collections are more than the inflation adjusted base year revenues, then there will be a reduction in the Personal Income Tax rates beginning in the next taxable year. The reduction in Personal Income Tax rates for a given tax year may not be greater than 10.0 percent.

On August 15, 2024, a determination was made that the formula triggered a 4 percent tax cut effective January 1, 2025. During a 2024 special session of the West Virginia Legislature, an additional 2 percent tax cut was enacted along with an additional twelve-month delay in implementation of future triggered tax cuts.

### West Virginia Tax Rate Schedule for Tax Years 2023 and 2024

All Taxpayers **Excluding** Married Filing Separately

| TAXABLE INCOME | | TAX LIABILITY | | |
|---|---|---|---|---|
| **Over** | **Not Over** | **Base Tax** | **Plus** | **Over** |
| $0 | $10,000 | $0.00 | 2.36% | $0 |
| $10,000 | $25,000 | $236.00 | 3.15% | $10,000 |
| $25,000 | $40,000 | $708.50 | 3.54% | $25,000 |
| $40,000 | $60,000 | $1,239.50 | 4.72% | $40,000 |
| $60,000 | | $2,183.50 | 5.12% | $60,000 |

## West Virginia Tax Rate Schedule for Tax Years 2023 and 2024

Married Filing Separately Only

| TAXABLE INCOME | | TAX LIABILITY | | |
|---|---|---|---|---|
| Over | Not Over | Base Tax | Plus | Over |
| $0 | $5,000 | $0.00 | 2.36% | $0 |
| $5,000 | $12,500 | $118.00 | 3.15% | $5,000 |
| $12,500 | $20,000 | $354.25 | 3.54% | $12,500 |
| $20,000 | $30,000 | $619.75 | 4.72% | $20,000 |
| $30,000 | | $1,091.75 | 5.12% | $30,000 |

## ORGANIZATION AND ANALYSIS

The Personal Income Tax expenditures discussed in this report are divided into six groups:

- Exclusions;
- Exemptions;
- Decreasing Modifications;
- Federally Mandated Exemptions;
- Other Decreasing Modifications, and
- Credits.

The analysis provided for each tax expenditure includes a cost to the State. A rationale is provided for most expenditures.

## ESTIMATING COSTS OF TAX EXPENDITURES

The costs for the Personal Income Tax expenditures are derived from information on Tax Year 2023 returns. It should be noted that tax rates have decreased since Tax Year 2023. As a result, the expenditure values would be lower in future years.

# EXCLUSIONS

The existence of Personal Income Tax exclusions reduces West Virginia taxable income by reductions to federal adjusted gross income. Such exclusions include a variety of federal above the line exclusions and those benefitting low-income Taxpayers.

## FEDERAL ABOVE THE LINE EXCLUSIONS

Computation of West Virginia taxable income begins with federal adjusted gross income. For that reason, items excluded from the definition of federal adjusted gross income are also excluded for West Virginia Personal Income Tax purposes, unless specific additions are included in the West Virginia Code. Some of these exclusions include:

- Nontaxable Social Security Benefits;
- Nontaxable Tier I Railroad Retirement Benefits;
- Workers' Compensation Benefits;
- Veterans' Benefits and Services;
- Life Insurance Death Benefits;
- Contributions to 401K Plans;
- Interest on West Virginia or Municipal Tax-Exempt Bonds;
- Income Earned Abroad by U.S. Citizens;
- Capital Gains on Home Sales;
- Deferral for Reinvesting Scholarship and Fellowship Income;
- Employee Meals and Lodging;
- Employer Contributions for Medical Insurance and Care and Pensions;
- Employer-Provided Child Care;
- Benefits and Allowances to Armed Forces Personnel;
- Combat Pay Received for Desert Shield Service;
- Employer-Paid Premiums on Life, Disability, and Accident Insurance;
- Capital Gains at Death;
- Expensing of Capital Outlays for Farm Income Stabilization, and
- Research and Development Costs.

This list is not all-inclusive. The estimated revenue loss from the above-mentioned list is $360.0 million per year.

## FEDERAL ABOVE THE LINE ADJUSTMENTS

Computation of West Virginia taxable income begins with federal adjusted gross income. For that reason, income adjustments prior to the calculation of federal adjusted gross income are also excluded for West Virginia Personal Income Tax purposes, unless specific additions are included in the West Virginia Code. Some of these adjustments include:

- Deductible Contributions to Individual Retirement Accounts (IRAs) and Keogh Accounts;
- The 50 Percent Self-Employment Tax Exclusion;
- The Self-Employed Health Insurance Deduction;
- The Self-Employed SEP Deduction;
- Health Savings Account Deduction;
- Penalty On Early Withdrawal of Savings;
- Alimony Paid;
- Student Loan Interest Deduction;
- Educator Expense Deduction, and
- Tuition and Fees Deduction.

This list is not all-inclusive. The estimated revenue loss from the above-mentioned adjustments to federal income is $19.0 million per year.

In addition to the exclusions listed above, West Virginia law allows the following exclusion to aid low-income families.

## LOW INCOME EXCLUSION

**STATUTE:** W.Va. Code §11-21-10

**EXCLUSION:** A deduction from federal adjusted gross income of the amount of earned income included, not to exceed $10,000, except for a husband and wife filing separate returns whose exclusion cannot exceed $5,000 each.

**VALUE:** **$7.5 million per year**

### Rationale

The low-income exclusion exists to provide some tax relief to low-income Taxpayers. However, the deduction is only available to Taxpayers with total earned income below the statutory threshold.

### Revenue Analysis

The value noted above for this expenditure is the “gross value” which is the value calculated independently of other variables. The revenue impact of this expenditure is strongly affected by other expenditures discussed in this study such as personal exemptions, the Family Tax Credit, and the Senior Citizen income modification. Including these variables in the calculation would significantly reduce the estimated “net value” of this expenditure.

# EXEMPTIONS

Any individual Taxpayer, whether resident or nonresident, is allowed a $2,000 exemption for each personal exemption claimed on the federal return under federal rules prior to 2018. A surviving spouse is allowed one additional $2,000 exemption for the two taxable years beginning after the death of his or her spouse. Individuals claimed as dependents on another's return can only take one $500 exemption. These exemptions include:

- Personal Exemption;
- Surviving Spouse Exemption, and
- Exemption for Dependents Claimed on Another's Return.

An analysis of these exemptions follows.

## PERSONAL EXEMPTION

**STATUTE:** W.Va. Code §11-21-16(a)

**EXEMPTION:** $2,000 per personal exemption allowed.

**VALUE:** **$116.0 million per year**

### Rationale

The personal exemption provides a tax deduction based on the number of people supported by the reported income. Additional exemptions are allowed for special circumstances (e.g., surviving spouse exemption). The personal exemption could possibly be seen as an allowance to reduce gross income. Such allowances increase the income threshold for income tax filing and provide some level of tax relief to low-income households and to families. In terms of tax reduction, the value is greater per return at higher income levels.

## SURVIVING SPOUSE EXEMPTION

**STATUTE:** W.Va. Code §11-21-16(c)

**EXEMPTION**: One additional $2,000 exemption allowed for a surviving spouse for two taxable years beginning after the death of a spouse.

**VALUE:** **$280,000 per year**

### Rationale

This modification exists to help in the transition for the surviving spouse.

## EXEMPTION FOR DEPENDENTS CLAIMED ON ANOTHER'S RETURN

**STATUTE:** W.Va. Code §11-21-16(d)

**EXEMPTION:** $500 for individuals claimed as dependents on another's return.

**VALUE:** **$210,000 per year**

### Rationale

Dependents claimed on another's return are not allowed a personal exemption for federal income tax purposes under federal rules in place prior to 2018. West Virginia allows a lower exemption for these individuals. The amount for this exemption is equal to the basic federal standard deduction for dependents claimed on another's return in 1987. This partial exemption benefits those dependents claimed on another's return, many of whom are students working part time.

# DECREASING MODIFICATIONS

In determining West Virginia taxable income, specific increases or decreases are made to federal adjusted gross income. Most income reduction modifications are tax expenditures. These modifications are available to some, but not all Taxpayers. Decreasing modifications discussed in this section include:

- Decreasing Modification for Resident Full-Time Military Personnel Stationed Outside West Virginia;
- Interest and Dividend Income from State or Local Obligations;
- State Income Tax Refunds;
- Decreasing Modification for Social Security Benefits;
- Decreasing Modification for Senior Citizens;
- Decreasing Modification for Disabled Persons;
- Decreasing Modification for Surviving Spouses;
- Decreasing Modification for Contributions to Medical Savings Accounts;
- Decreasing Modification for Contributions to West Virginia SMART529 Trust Fund;
- Decreasing Modification for Premiums for Long-Term Care Insurance Policies;
- Decreasing Modification for IRC 1341 Repayments;
- Pension Benefit Guarantee Modification;
- Decreasing Modification for National Guard and Reserve Forces Called to Active Duty;
- Decreasing Modification for Active Duty Military Separation;
- Decreasing Modification for Contributions to Private Autism Trust Funds;
- Decreasing Modification for Contributions to Achieving a Better Life Experience (ABLE) Accounts;
- Decreasing Modification for Qualified Opportunity Zone Business Income;
- Decreasing Modification for West Virginia Jumpstart Savings Program Deposits;
- Decreasing Modification for Gambling Losses;
- Decreasing Modification for Assets Held by Subchapter S Corporations;
- Pension Exclusions:
    - Federal Retirement System Benefits;
    - West Virginia Public Employees' Retirement System Benefits;
    - West Virginia Teachers' Retirement System Benefits;
    - State or Local Police or Firefighters' or Deputy Sheriffs' Retirement Systems Benefits;
    - Federal Retirement Benefits Received by Retired Federal Law Enforcement Officers;
    - Military Retirement Benefits, and
    - Railroad Retirement Benefits;
- Federally Mandated Exclusion:
    - Interest Income from United States Obligations for Personal Income Tax Purposes.

An analysis of these decreasing modifications follows.

## DECREASING MODIFICATION FOR RESIDENT FULL-TIME MILITARY PERSONNEL STATIONED OUTSIDE WEST VIRGINIA

**STATUTE:** W.Va. Code §11-21-7

**EXCLUSION:** **M**ilitary income earned by military personnel who claim West Virginia as the individuals' State of residence but are stationed outside the State.

**VALUE:** **Cannot be determined**

### Rationale

If a Taxpayer is a member of the United States military forces and the Taxpayer's domicile was in West Virginia at the time the person entered military service, then assignment to duty outside the State does not change the Taxpayer's West Virginia domicile. The members of the armed forces will be liable for West Virginia Personal Income Tax unless the following conditions are met:

1. The Taxpayer had no permanent place of abode in West Virginia during the tax year, and
2. The Taxpayer did not spend more than 30 not necessarily consecutive days in West Virginia during the tax year.

These Taxpayers, despite claiming West Virginia as the individuals' State of residence, were stationed elsewhere and did not live in West Virginia during the tax year. This is an implied modification based on an administrative interpretation of the definition of residency for Personal Income Tax purposes.

### Revenue Analysis

The revenue loss associated with this decreasing modification could not be determined. Most full-time military personnel are not required to file West Virginia Personal Income Tax returns because such income is exempt from State taxation.

## INTEREST AND DIVIDEND INCOME FROM STATE OR LOCAL OBLIGATIONS

**STATUTE:** W.Va. Code §11-21-12(c)(2)

**EXCLUSION:** Interest income on West Virginia obligations subject to federal tax but not State tax.

**VALUE:** **Minimal**

### Rationale

Interest income from West Virginia obligations is excluded because these obligations represent funding for State and local projects. A tax on interest income increases the cost of borrowing.

Interest from most State and local obligations is excluded for federal income tax purposes. This income is usually not included in federal adjusted gross income, which is the starting point in calculating West Virginia Personal Income Tax liability. The amount of interest from West Virginia obligations not already excluded in calculating federal adjusted gross income is small. Therefore, the revenue loss from excluding any other interest from State or local obligations is minimal.

## STATE INCOME TAX REFUNDS

**STATUTE:** W.Va. Code §11-21-12(c)(4)

**DEDUCTION:** Any refund or credit for overpayment of West Virginia income taxes or income taxes of any other taxing jurisdiction to the extent included in gross income for federal income tax purposes.

**VALUE:** **$220,000 per year**

### Rationale

This decrease is only for Taxpayers who itemized on prior year federal returns. For Taxpayers who itemize on their federal return, state and local income taxes withheld can be deducted on the federal return for the tax year in which the payments are made. The modification is based on the amount of income tax paid, not the tax liability. Therefore, any refund must be included in federal adjusted gross income for the tax year in which it is received. Since West Virginia does not allow a deduction for State and local income taxes paid, a refund included in federal adjusted gross income may be deducted for State purposes. This modification eliminates double taxation of the same income and therefore is **not** a tax expenditure.

### Revenue Analysis

The value for this decreasing modification has declined due to the changes in the federal income tax standard deduction. Fewer taxpayers itemize their deductions for federal income tax purposes due to the significant increase in the federal standard deduction. The share of West Virginia federal income tax returns with itemized deductions fell from 17.4 percent in 2017 to 3.4 percent in 2022.

## DECREASING MODIFICATION FOR SOCIAL SECURITY BENEFITS

**STATUTE:** W.Va. Code §11-21-12(c)(8)

**EXCLUSION:** For tax years beginning on or after January 1, 2022, 100 percent of the social security benefits paid by the Social Security Administration as Old Age, Survivors and Disability Insurance Benefits as provided in §42 U.S.C. 401 et. seq. or as Supplemental Security Income for the Aged, Blind, and Disabled as provided in 42 U.S.C. § 1381 et. seq., included in federal adjusted gross income for the tax year shall be allowed as a decreasing modification provided that federal adjusted gross income cannot exceed $50,000 for a single filer or $100,000 for a married joint filer.

In case of single filers with federal adjusted gross income above $50,000 or joint filers with federal adjusted gross income above $100,000:

For tax years beginning on and after January 1, 2024, 35 percent of the social security benefits received pursuant to Chapter 7 of Title 42 of the United States Code, including, but not limited to, social security benefits paid by the Social Security Administration as Old Age, Survivors and Disability Insurance Benefits as provided in 42 U.S.C. § 401 et. seq. or as Supplemental Security Income for the Aged, Blind, and Disabled as provided in 42 U.S.C. § 1381 et. seq., included in federal adjusted gross income for the tax year shall be allowed as a decreasing modification.
For tax years beginning on or after January 1, 2025, 65 percent of the social security benefits received pursuant to Chapter 7 of Title 42 of the United States Code, including, but not limited to, social security benefits paid by the Social Security Administration as Old Age, Survivors and Disability Insurance Benefits as provided in 42 U.S.C. § 401 *et. seq*. or as Supplemental Security Income for the Aged, Blind, and Disabled as provided in 42 U.S.C. § 1381 et. seq., included in federal adjusted gross income for the tax year shall be allowed as a decreasing modification.

For tax years beginning on or after January 1, 2026, 100 percent of the social security benefits received pursuant to Chapter 7 of Title 42 of the United States Code, including, but not limited to, social security benefits paid by the Social Security Administration as Old Age, Survivors and Disability Insurance Benefits as provided in 42 U.S.C. § 401 et. seq. or as Supplemental Security Income for the Aged, Blind, and Disabled as provided in 42 U.S.C. § 1381 et. seq., included in federal adjusted gross income for the tax year shall be allowed as a decreasing modification.

**VALUE:**

| | |
|---|---|
| **FY2023** | **$25.2 million** |
| **FY2024** | **$20.5 million** |
| **FY2025** | **$24.5 million** |
| **FY2026** | **$38.8 million** |
| **FY2027** | **$55.5 million** |

### Rationale

The purpose of the modification is to provide tax relief on taxable Social Security benefits paid to taxpayers.

### Revenue Analysis

Beginning with Tax Year 2026, the modification will increase to 100 percent of federally taxed Social Security benefits for all taxpayers. The full impact of the modification is expected to cause a reduction in General Revenue Fund collections of more than $55 million beginning in Fiscal Year 2027.

There was a decrease in the expenditure value in FY2024 due to the reduction in income tax rates.

## DECREASING MODIFICATION FOR SENIOR CITIZENS

**STATUTE:** W.Va. Code §11-21-12(c)(9)

**EXCLUSION:** Senior citizen exclusion of up to $8,000 per individual or $16,000 per two-income married couple filing jointly.

**VALUE:** **$71.4 million per year**

### Rationale

This modification provides a significant tax reduction for those aged 65 or older. It was designed as a minimum income exclusion for low-income senior citizens although all Taxpayers over 65 years old, whether the individuals are low-income or high-income earners, are allowed this modification.

### Revenue Analysis

The repeal of this modification would not necessarily yield the amount shown. The revenue impact for this exemption was calculated in isolation from other exemptions. Therefore, the actual revenue to be gained by the repeal of the decreasing modification for senior citizens would be less than stated above. Other exclusions, such as the decreasing modification for taxable social security benefits, may overlap this modification. Due to these overlapping modifications, legislation to repeal the senior citizen modification would result in a revenue gain of approximately $45.5 million. The loss could be lower in future years due to the phase-in of the taxable Social Security exemption.

## DECREASING MODIFICATION FOR DISABLED PERSONS

**STATUTE:** W.Va. Code §11-21-12(c)(9)

**EXCLUSION:** Permanent disability exclusion of up to $8,000 per individual or $16,000 per married couple filing jointly.

**VALUE:** **$3.6 million per year**

### Rationale

This decreasing modification provides a measure of income tax relief to disabled individuals.

### Revenue Analysis

The repeal of this modification would not necessarily yield the amount shown. The revenue impact for this exemption was calculated in isolation from other exemptions. Therefore, the actual revenue to be gained by the repeal of the decreasing modification for permanently and totally disabled taxpayers would be less than stated above. Other exclusions, such as the decreasing modification for taxable social security benefits, may overlap this modification. Due to these overlapping modifications, legislation to repeal the modification for permanently and totally disabled taxpayers would result in a revenue gain of approximately $1.7 million per year.

## DECREASING MODIFICATION FOR SURVIVING SPOUSES

**STATUTE:** W.Va. Code §11-21-12(c)(10)

**EXCLUSION:** Surviving spouse exclusion of up to $8,000 for the spouse of a person who had attained age 65 or who was certified as totally and permanently disabled prior to death.

**VALUE:** **$30,000 per year**

### Rationale

This modification exists to help in the transition for surviving spouses. The surviving spouse may claim a one-time subtraction from his/her income of up to $8,000 for the tax year following the year of the spouse's death if the decedent was 65 years of age or older or was certified as permanently and totally disabled prior to his or her death.

## DECREASING MODIFICATION FOR CONTRIBUTIONS TO MEDICAL SAVINGS ACCOUNTS

**STATUTE:** W.Va. Code §11-21-12(c)(11)

**EXCLUSION:** Contributions to medical savings accounts established pursuant to W.Va. Code §33-16-15 to the extent included in federal adjusted gross income for federal income tax purposes less any portion of employer contributions withdrawn for purposes other than payment of medical expenses.

**VALUE:** **$0 per year**

### Rationale

This modification exists to encourage the formation and use of State medical savings accounts. However, contributions to medical savings accounts that qualify for federal exclusion are also automatically excluded from State taxes because of the State tie-in to federal adjusted gross income. There are no known State medical savings accounts that do not qualify for federal tax exclusions.

## DECREASING MODIFICATION FOR CONTRIBUTIONS TO WEST VIRGINIA SMART529 TRUST FUND

**STATUTE:** W.Va. Code §11-21-12a

**EXCLUSION:** Payments made to either the West Virginia Prepaid Trust Fund or the West Virginia SMART529 Trust Fund.

**VALUE:** **$2.1 million per year**

### Rationale

This modification exists to encourage Taxpayers to save for their children's or other family members' college education. This modification is available for contributions to either the West Virginia Prepaid Trust Fund or the West Virginia SMART529 Trust Fund. The West Virginia Prepaid Trust Fund closed to new enrollments on March 8, 2003, but contributions can still be made to the plans of those who were already enrolled before this date. Nearly all Taxpayers using this modification are making contributions to SMART529 plans.

### Revenue Analysis

The value of this expenditure has decreased in recent years due to a decrease in the number of taxpayers taking advantage of this modification and a decrease in the amount of contributions to Smart529 plans. A 21.25 percent reduction in rates between 2022 and 2023 also led to a reduction in the value of this modification.

## DECREASING MODIFICATION FOR PREMIUMS FOR LONG-TERM CARE INSURANCE POLICIES

**STATUTE:** W.Va. Code §11-21-12c

**EXCLUSION:** Payments for premiums for a long-term care policy that offers coverage to either the Taxpayer or the Taxpayer's spouse, parent, or dependent.

**VALUE:** **$760,000 per year**

### Rationale

This expenditure exists to encourage the purchase of long-term care insurance policies.

## DECREASING MODIFICATION FOR IRC 1341 REPAYMENTS

**STATUTE:** W.Va. Code §11-21-12(c)(4)

**EXCLUSION:** Amount paid back under IRC 1341 provided that the amount of income must be more than $3,000 to qualify

**VALUE:** **$20,000 per year**

**Rationale**

If a taxpayer must repay more than $3,000 of wages received in error and reported and taxed in a prior tax year, the taxpayer can take a credit against federal income tax for the year when repayment occurred, instead of having to file an amended return for the year when the error occurred. A calculation is done to show the amount that would have resulted on a previous year's tax return as if the wages were never paid. Then the difference between the tax that was paid and what would have been paid is claimed as a credit on the current year's federal return. A taxpayer can take a decreasing modification for State income tax purposes on the current year's return for the amount repaid if that amount is more than $3,000.

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## PENSION BENEFIT GUARANTEE MODIFICATION

**STATUTE:** W.Va. Code §11-21-12d

**EXCLUSION:** A decreasing modification for the difference between the amount the taxpayer would have received had his pension plan not been terminated and the amount actually received from the guarantor for taxpayers who retire under an employer-provided defined benefits pension plan that terminates prior to or after the retirement and that pension plan is covered by a guarantor whose maximum benefit guarantee is less than the maximum benefit to which the taxpayer is entitled.

**VALUE:** **$320,000 per year**

**Rationale**

This modification exists as a benefit for retirees who are receiving less benefits than they were entitled to under a defined benefits plan because the pension plan was terminated due to inadequate funding and payments are being made by a federally backed guarantor. The value of the modification is decreasing over time as fewer retirees receive such benefits, and there are fewer defined employer benefit plans.

## DECREASING MODIFICATION FOR NATIONAL GUARD AND RESERVE FORCES CALLED TO ACTIVE DUTY

**STATUTE:** W.Va. Code §11-21-12e(a)

**EXCLUSION:** Income of members of the West Virginia National Guard or reserve forces who are called to active duty for Operation Enduring Freedom or domestic security duty.

**VALUE:** **Cannot be determined**

**Rationale**

This modification exists to recognize the services of reserve military or National Guard personnel who are called to active duty for as defined in Executive Order 13223 as part of Operation Noble Eagle, Operation Enduring Freedom, Operation Iraqi Freedom, Operation New Dawn, and Operation Inherent Resolve as well as any other current or future military operations deemed to be part of the Overseas Contingency Operation (OCO). The President's memorandum applies to any West Virginia

National Guard and Reserve service member called to active duty in support of the OCO, regardless of whether they are deployed overseas or stateside.

**Revenue Analysis**

The revenue loss associated with this decreasing modification cannot be determined. The loss of revenue in any given year depends on the number of military personnel called to active duty and the length of time spent on active duty.

## DECREASING MODIFICATION FOR ACTIVE-DUTY MILITARY SEPARATION

**STATUTE:** W.Va. Code §11-21-12e(b)

**EXCLUSION:** Active-duty military income earned by military personnel who claim West Virginia as the individual's State of residence if individual was on active duty for at least 30 continuous days and has separated from active military service.

**VALUE:** **$270,000 per year**

**Rationale**

This modification exists presumably to encourage military personnel to live in West Virginia following separation from the military.

## DECREASING MODIFICATION FOR CONTRIBUTIONS TO PRIVATE AUTISM TRUST FUNDS

**STATUTE:** W.Va. Code §11-21-12i

**EXCLUSION:** Contributions to a qualified trust maintained for the benefit of a child with autism by the parent or guardian of a child with autism to the extent the amount is not allowable as a deduction when arriving at federal adjusted gross income.

**VALUE:** **Minimal**

**Rationale**

This expenditure exists to encourage savings for future expenses for an autistic child.

## DECREASING MODIFICATION FOR CONTRIBUTIONS TO ACHIEVING A BETTER LIFE EXPERIENCE (ABLE) ACCOUNTS

**STATUTE:** W.Va. Code §11-21-12j

**EXCLUSION:** Contributions to an account created pursuant to the West Virginia ABLE Act in §16-48-1 et seq. of this code but only to the extent the amount is not allowable as a deduction when arriving at the taxpayer's federal adjusted gross income for the taxable year in which the payment is made.

**VALUE:** **$20,000 per year**

**Rationale**

This modification exists to encourage contributions to ABLE accounts by individuals with disabilities and their families. ABLE accounts can be used for future disability expenses.

## DECREASING MODIFICATION FOR QUALIFIED OPPORTUNITY ZONE BUSINESS INCOME

**STATUTE:** W.Va. Code §11-21-12l

**EXCLUSION:** Qualified Opportunity Zone business income.

**VALUE:** **Minimal**

**Rationale**

The purpose of this modification is to encourage individuals and businesses to invest in certain rural and low-income urban communities through qualified opportunity zone projects. West Virginia has designated 55 census tracts in 30 counties as qualified opportunity zones, which included both larger cities and small towns. Qualified opportunity zones were part of the Tax Cuts and Jobs Act of 2017 and were included in this specific federal tax reform legislation passed by Congress to encourage economic growth in neglected areas of the United States that had a high demand for capital investments.

## DECREASING MODIFICATION FOR WEST VIRGINIA JUMPSTART SAVINGS PROGRAM DEPOSITS

**STATUTE:** W.Va. Code §11-21-12m

**EXCLUSION:** Payments to a taxpayer's Jumpstart Savings Account, up to $25,000 a year.

**VALUE:** **Minimal**

**Rationale**

The West Virginia Jumpstart Savings Program aids West Virginians pursuing careers in skilled trades, vocational fields, and entrepreneurship. It provides a state-tax-advantaged savings account to help individuals save, for expenses related to their chosen profession, such as tools, equipment, licensing, and business costs. The decreasing modification reduces the taxable income and potentially the tax liability of a taxpayer who contributes to a Jumpstart account.

## DECREASING MODIFICATION FOR GAMBLING LOSSES

**STATUTE:** W.Va. Code §11-21-12n

**EXCLUSION:** Certain gambling and gaming losses, up to the amount of gambling and gaming winnings.

**VALUE:** **$2.2 million per year**

**Rationale**

A decreasing modification is allowed for West Virginia gambling and gaming losses to the extent reflected as a federal itemized deduction, not to exceed the amount of West Virginia gaming and gambling winnings for the year. Providing tax relief to residents who gamble could potentially encourage them to gamble within West Virginia's regulated and licensed facilities, such as casinos, racetracks, and online platforms. Prior to the addition of this decreasing modification, West Virginia was one of the few states that taxed residents on their gross gambling winnings without allowing deductions for losses.

## DECREASING MODIFICATION FOR ASSETS HELD BY SUBCHAPTER S CORPORATIONS

**STATUTE:** W.Va. Code §11-21-17a

**EXCLUSION:** A decreasing modification related to certain assets held by the S corporation bank that are exempt or specially treated for State tax purposes.

**VALUE:** **Minimal**

**Rationale**

This modification for shareholders of S corporations in the banking business for tax years beginning on or after January 1, 2015 parallels a similar modification for Corporation Net Income Tax related to United States obligations, state obligations and mortgage obligations.

# PENSION EXCLUSIONS

Due to the similarities in West Virginia's tax treatment of retirement benefits for government retirees, these exclusions have been grouped together for purposes of this study. Currently, most pension plan contributions are tax-deferred under both federal and West Virginia tax laws. A pension income exclusion changes tax-deferred income into tax-exempt income.

## FEDERAL RETIREMENT SYSTEM BENEFITS

**STATUTE:** W.Va. Code §11-21-12(c)(5)

**EXCLUSION:** The first $2,000 of benefits received from any federal retirement system.

**VALUE:** **$1.6 million per year**

### Rationale

Due to the United States Supreme Court ruling in Davis v. Michigan, 489 U.S. 803 (1989), this partial exclusion is necessary because a similar exclusion is allowed for State government retirement benefits.

### Revenue Analysis

Taxpayers who are eligible for the $8,000 exclusion for those who are at least 65 years old or totally and permanently disabled may currently take a $6,000 exclusion for senior citizens or disabled persons and $2,000 decreasing modification for any federal retirement benefits. Without the decreasing modification for federal retirement benefits, these Taxpayers would be eligible for the full $8,000 senior citizen exclusion.

## WEST VIRGINIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM BENEFITS

**STATUTE:** W.Va. Code §11-21-12(c)(5)

**EXCLUSION:** The first $2,000 of benefits received from the West Virginia Public Employees' Retirement System.

**VALUE:** **$2.1 million per year**

### Rationale

This modification is a benefit for West Virginia Public Employees' Retirement System participants.

### Revenue Analysis

Taxpayers who are eligible for the $8,000 exclusion for those who are at least 65 years old or totally and permanently disabled may currently take a $6,000 exclusion for senior citizens or disabled persons and $2,000 decreasing modification for any benefits from the West Virginia Public Employees' Retirement System. Without the decreasing modification for benefits from the West Virginia Public Employees' Retirement System, these Taxpayers would be eligible for the full $8,000 senior citizen exclusion.

## WEST VIRGINIA TEACHERS' RETIREMENT SYSTEM BENEFITS

**STATUTE:** W.Va. Code §11-21-12(c)(5)

**EXCLUSION:** The first $2,000 of benefits received from the West Virginia Teachers' Retirement System.

**VALUE:** **$3.0 million per year**

### Rationale

This modification exists as a benefit for West Virginia Teachers' Retirement System participants.

### Revenue Analysis

Taxpayers who are eligible for the $8,000 exclusion for those who at least 65 years old or totally and permanently disabled may currently take a $6,000 exclusion for senior citizens or disabled persons and $2,000 decreasing modification for any benefits from the West Virginia Teachers' Retirement System. Without the decreasing modification for benefits from the West Virginia Teachers' Retirement System, these Taxpayers would be eligible for the full $8,000 senior citizen exclusion.

## STATE OR LOCAL POLICE OR FIREFIGHTERS' OR DEPUTY SHERIFFS' RETIREMENT SYSTEM BENEFITS

**STATUTE:** W.Va. Code §11-21-12(c)(6)

**EXCLUSION:** All benefits received under the West Virginia Department of Public Safety Death, Disability and Retirement Fund or retirement income received in the form of pensions or annuities from any West Virginia police or firemen's retirement system after December 31, 1979.

**VALUE:** **$4.3 million per year**

### Rationale

All benefits received from any West Virginia State or local police, or firefighters' retirement system are excluded from Personal Income Tax.

### Revenue Analysis

As a portion of total value, 70 percent of this exclusion is attributable to retirees from police departments. The remaining 30 percent is attributable to retirees from fire departments.

Some of these Taxpayers are senior citizens. If no decreasing modification existed for benefits from State or local police or firefighters' retirement plans, these Taxpayers would be eligible for the $8,000 decreasing modification for Taxpayers over age 65 or totally and permanently disabled.

## FEDERAL RETIREMENT BENEFITS RECEIVED BY RETIRED FEDERAL LAW ENFORCEMENT OFFICERS

**STATUTE:** W.Va. Code §11-21-12(c)(6)

**EXCLUSION:** All federal retirement benefits received by federal law enforcement and firefighter retirees.

**VALUE:** **$2.9 million per year**

### Rationale

All federal retirement benefits received by federal law enforcement and firefighter retirees are excluded from Personal Income Tax. The decision in *Dawson v. Steager* extended the benefit given to State police officers and firefighters to federal retirees with similar job responsibilities.

### Revenue Analysis

Some of these Taxpayers are senior citizens. If no decreasing modification existed for benefits from State or local police or firefighters' retirement plans, these Taxpayers would be eligible for the $8,000 decreasing modification for Taxpayers over age 65 or totally and permanently disabled.

## MILITARY RETIREMENT BENEFITS

**STATUTE:** W.Va. Code §11-21-12(c)(7)

**EXCLUSION:** Military Retirement Benefits.

**VALUE:** **$11.1 million per year**

### Rationale

This modification exists as a benefit for military retirees.

### Revenue Analysis

Effective with the 2019 Tax Year, this modification excludes all military retirement benefits. Military retirement benefits include those benefits received based on service in the Army, Navy, Marines, Air Force, Coast Guard, Public Health Service, National Oceanic Atmospheric Administration, Reserves, and National Guard, which are paid by the United States or by this State after December 31, 2018, including any survivorship annuities, to the extent included in federal adjusted gross income for the tax year.

Some of these Taxpayers are senior citizens. If no decreasing modification existed for military retirement benefits, these Taxpayers would be eligible for the $8,000 decreasing modification for Taxpayers over age 65 or totally and permanently disabled.

## RAILROAD RETIREMENT BENEFITS

**STATUTE:** W.Va. Code §11-21-12(c)(12)

**EXCLUSION:** Railroad Retirement benefits paid by the United States Railroad Retirement Board.

**VALUE:** **$3.8 million per year**

### Rationale

Tier I and Tier II Railroad Retirement benefits included in federal adjusted gross income are excluded from State Personal Income Tax.[4] Taxation of Tier I benefits by states is prohibited under federal law. All or part of Tier I Railroad Retirement benefits may be excluded in computing federally adjusted gross income, the starting point for West Virginia Personal Income Tax computation. The exclusion on the federal income tax return is based on the Taxpayer's combined income over a specified base amount. The value of the State exclusion includes only those benefits that are taxed under federal income tax statutes.

### Revenue Analysis

The full exclusion for Railroad Retirement benefits is not subject to the same restrictions as benefits from federal, State, and local government retirement systems. Benefits claimed for government retirement systems (e.g., $2,000 exclusion for federal retirement) reduce the maximum amount allowed for the senior citizens exclusion. For example, if a Taxpayer claims a $2,000 exclusion for federal retirement benefits, the maximum amount of other income which can be excluded is $6,000. The same is not true for Railroad Retirement benefits. These retirees may take a full exclusion for earned Railroad Retirement benefits and then take an exclusion of up to $8,000 of other income, if the Taxpayer is at least 65 years old or is totally and permanently disabled.

[4] A portion of a Taxpayer's Tier I Railroad Retirement benefits may be taxable for federal income tax purposes and therefore included in federal adjusted gross income. The amount of benefits that are taxable is based on the Taxpayer's combined income over a specified base amount. The base amount is one of the following:

1. $32,000 for married Taxpayers filing jointly;
2. $0 for married Taxpayers filing separately; or
3. $25,000 for all other Taxpayers.

# FEDERALLY MANDATED EXCLUSION

The federal exclusion for interest income from United States obligations for Personal Income Tax purposes is **not** a tax expenditure because it is excluded from State taxation by federal law.

For this report, this exclusion is considered a basic part of the Personal Income Tax structure because State lawmakers have no authority to tax such income. Values for this exclusion are given although additional revenue would not be realized through Legislative action due to federal prohibitions for taxing these obligations.

## INTEREST INCOME FROM UNITED STATES OBLIGATIONS FOR PERSONAL INCOME TAX PURPOSES

**STATUTE:** W.Va. Code §11-21-12(c)(1)

**EXCLUSION:** Interest Income on obligations of the United States.

**VALUE:** **$3.1 million per year**

# CREDITS

The West Virginia Code provides for the application of various tax credits against the Personal Income Tax. Some credits provide qualifying businesses or business shareholders with an investment incentive while others provide relief from double taxation. These tax credits are listed below.

## ECONOMIC DEVELOPMENT TAX CREDITS

- Economic Opportunity Tax Credits
- Downstream Natural Gas Manufacturing Investment Tax Credit
- High-Wage Growth Business Tax Credit
- Small Arms and Ammunition Investment Tax Credit
- Industrial Advancement Act Tax Credit
- Post-Coal Mine Site Business Credit
- BUILD WV Property Value Adjustment Tax Credit

## CREDIT TO PREVENT DOUBLE TAXATION

- Credit for Personal Income Taxes Paid to Other States

### EMPLOYMENT TAX CREDITS

- Apprenticeship Training Tax Credit
- West Virginia Jumpstart Savings Program Credit for Employers
- Military Incentive Tax Credit

### CREDITS THAT AID LOW-INCOME FAMILIES

- Senior Citizens Credit for Property Taxes Paid
- Family Tax Credit
- Excess Property Tax Credit
- Child and Dependent Care Credit

### MISCELLANEOUS TAX CREDITS

- Neighborhood Investment Program Credit
- Environmental Agricultural Equipment Tax Credit
- Film Industry Investment Tax Credit
- Farm to Food Bank Tax Credit
- Tax Credit for Donation or Sale of Vehicle
- Natural Gas Liquids Property Tax Adjustment Credit
- Volunteer Firefighter Tax Credit
- Motor Vehicle Property Tax Adjustment Credit
- Disabled Veteran Real Property Tax Credit
- Small Business Property Tax Adjustment Credit
- Historic Rehabilitated Buildings Investment Credit
- Qualified Rehabilitated Residential Building Investment Credit
- Nonfamily Adoption Credit
- Elective Income Credit for Tax Paid by Pass-Through Entity
- Capital Investment in Child-Care Property Tax Credit

- Operating Costs of Child-Care Tax Credit
- Conceal Carry Gun Permit Credit

Many of the credits listed above may also be applied against business taxes. Expenditure values presented in this section represent the amounts applied only against Personal Income Tax. Often, the credit claimed against the Personal Income Tax has been reduced by the application of the credit against other taxes according to the priority order specified by statute or regulations. Thus, the credit amounts claimed against Personal Income Tax may be negligible compared to the total cost of the credit taken against all taxes. An analysis of these expenditures follows.

# ECONOMIC DEVELOPMENT TAX CREDITS

Economic Development Tax Credits exist to promote business expansion in the State. Such credits require either the creation of employment or capital outlays for certain qualified investments to qualify.

## ECONOMIC OPPORTUNITY TAX CREDITS

**STATUTE:** W.Va. Code §11-13Q

**CREDIT:** Credits for qualified businesses that make a qualified investment in a new or expanded business facility in West Virginia and, as a result of this investment, create at least 10 new jobs.

**VALUE:** **Cannot be disclosed due to Taxpayer confidentiality**

### Rationale

Economic Opportunity Tax Credits are incentives designed to promote job creation through capital investment. These credits generally represent a capital investment tax credit pro-rated over a 10-year period for businesses engaged in the activities of manufacturing, information processing, warehousing, goods distribution, exclusive of retail, destination-oriented recreation and tourism, research and development, and the relocation of a corporate headquarters. The share of qualified capital investment subject to tax credit is based on the number of new jobs created as the result of the additional capital investment. The share of total payroll represented by the new employees determines the share of total tax liability offset by tax credit. A minimum number of new jobs must be created and maintained to gain entitlement to tax credit benefits.

## DOWNSTREAM NATURAL GAS MANUFACTURING INVESTMENT TAX CREDIT

**STATUTE:** W.Va. Code §11-13GG

**CREDIT:** Credit for eligible taxpayers to make a qualified investment in a new or expanded downstream natural gas manufacturing facility in West Virginia that results in the creation of at least five new jobs.

**VALUE:** **$0 per year**

### Rationale

The Downstream Natural Gas Manufacturing Investment Tax Credit is available to eligible Taxpayers that make a qualified investment in a new or expanded downstream natural gas manufacturing facility in West Virginia that results in the creation of at least 5 new jobs. To qualify for the tax credit, the qualified investment must have been made on or after July 1, 2020.

### Revenue Analysis

The Downstream Natural Gas Manufacturing Investment Tax Credit is a relatively new credit that was passed during the 2020 Legislative Session. As of November 2025, there are no known applicants for this credit.

## HIGH-WAGE GROWTH BUSINESS TAX CREDIT

**STATUTE:** W.Va. Code §11-13II

**CREDIT:** Credit for eligible employers creating high-wage jobs in West Virginia on or after July 1, 2020.

**VALUE:** **$0 per year**

### Rationale

The High-Wage Growth Business Tax Credit is for high-wage jobs created in West Virginia by an eligible employer on or after July 1, 2020. To be an eligible employer, the employer must be registered to do business in West Virginia and offer health benefits to all full-time eligible employees. The employer must certify that it pays at least 50 percent of the health care premiums.

### Revenue Analysis

The High-Wage Growth Tax Credit is a relatively new credit that was passed during the 2020 Legislative Session. As of November 2025, there are no known applicants for this credit**.**

## SMALL ARMS AND AMMUNITION MANUFACTURERS CREDIT

**STATUTE:** W.Va. Code §11-13KK

**CREDIT:** Credit for 100 percent of federal excise tax paid in a tax year under section 4181, Title 26 of the Internal Revenue Code, which are attributable to taxpayer's qualified investment.

**VALUE:** **$0 per year**

### Rationale

The Small Arms and Ammunition Manufacturers Credit encourages investment in the manufacturing of small arms and ammunition in West Virginia.

### Revenue Analysis

The Small Arms and Ammunition Manufacturers Credit is a relatively new credit that was passed during the 2021 Legislative Session. As of November 2025, there are no known applicants for this credit.

## INDUSTRIAL ADVANCEMENT ACT TAX CREDIT

**STATUTE:** W.Va. Code §11-13LL

**CREDIT:** A credit equal to 50 percent of the qualified manufacturing investment.

**VALUE:** **$0 in Tax Year 2023**

### Rationale

The Industrial Advancement Tax Credit provides a tax credit of 50 percent of qualified manufacturing investment in a "qualified labor intensive heavy industrial manufacturing project." Qualified projects must entail at least $2 billion in investment in property purchased for manufacturing investment and placed in service at an industrial facility in West Virginia, with at least 500 full-time West Virginia employees.

### Revenue Analysis

The Industrial Advancement Act Tax Credit is a relatively new credit that was passed during the 2022 Legislative Session. As of November 2025, there has been one application received and approved for this credit, but there have been no claims against Personal Income Tax.

## POST-COAL MINE SITE BUSINESS CREDIT

**STATUTE:** W.Va. Code §11-28

**CREDIT:** A credit is allowed for 50 percent of a taxpayer's capital expenditures at post-coal mine sites for the first five taxable years during which the taxpayer's principal place of business is located on the post-coal mine site.

**VALUE:** **$0 per year**

### Rationale

An eligible business will be allowed a tax credit in the amount of 50 percent of its capital expenditures at the post-coal mine site for the first five taxable years its principal place of business is located on the post-coal mine site.

## BUILD WV PROPERTY VALUE ADJUSTMENT TAX CREDIT

**STATUTE:** W.Va. Code §5B-2L

**CREDIT:** The BUILD WV Property Value Adjustment Tax Credit provides a ten-year, refundable property value adjustment tax credit to offset construction costs for eligible projects in designated areas.

**VALUE:** **$0 in Tax Year 2023**

### Rationale

The BUILD WV Property Value Adjustment Credit is intended to provide an incentive for property developers to build residential housing in areas of West Virginia with deficiencies, or projected deficiencies, in middle market housing.

### Revenue Analysis

The BUILD WV Property Value Adjustment Tax Credit is a relatively new credit that was passed during the 2022 Legislative Session. As of November 2025, two claims for credit have been received, but no claim has been fully processed. It is anticipated that utilization in this credit will grow in future years.

# CREDIT TO PREVENT DOUBLE TAXATION

The following credit exists to eliminate the possibility of double taxation for income taxes paid to other states.

## CREDIT FOR PERSONAL INCOME TAXES PAID TO OTHER STATES

**STATUTES:** W.Va. Code §11-21-20

**CREDIT:** A credit for any income tax paid to another state of the United States or by the District of Columbia.

**VALUE:** **$32.0 million per year**

### Rationale

The intent of this credit is simply to provide a mechanism for the return of funds never due to the State. Therefore, these credits are **not** tax expenditures. These credits generally exist to eliminate the possibility of double taxation of same income by two or more states.

# EMPLOYMENT TAX CREDITS

Employment Tax Credits generally exist to encourage employee training and the hiring of certain individuals, such as qualified unemployed veterans or other military personnel.

## APPRENTICESHIP TRAINING TAX CREDIT

**STATUTE:** W.Va. Code §11-13W

**CREDIT:** A credit of $2 per hour for the training of apprentices for qualified construction trade employers.

**VALUE:** **$260,000 per year**

### Rationale

The Apprenticeship Training Tax Credit provides qualified construction trade employers with a $2 per hour tax credit for the training of an apprentice up to a maximum of $2,000 per year or 50 percent of wages paid to such person, whichever is less. The tax credit may provide some incentive for additional training of apprentices.

## WEST VIRGINIA JUMPSTART SAVINGS PROGRAM CREDIT FOR EMPLOYERS

**STATUTE:** W.Va. Code §11-21-25

**CREDIT:** A nonrefundable credit against the tax imposed by the provisions of this article is allowed against the tax liability imposed under this article of a qualified employer, for a matching contribution made to a Jumpstart Savings Account in the taxable year, if the account owner is an employee of the taxpayer and a West Virginia resident.

**VALUE:** **$0 per year**

### Rationale

The West Virginia Jumpstart Savings Program Credit for Employers provides employers with a non-refundable tax credit of up to $5,000 per taxable year for direct contributions into their employee's Jumpstart Savings Account.

### Revenue Analysis

The West Virginia Jumpstart Savings Program Credit for Employers is a relatively new credit that was passed during the 2021 Legislative Session. As of November 2025, there have been no claims against Personal Income Tax.

## MILITARY INCENTIVE TAX CREDIT

**STATUTE:** W.Va. Code §11-21-42

**CREDIT:** Military Incentive Tax Credit promotes the hiring of veterans and National Guard members.

**VALUE:** **$0 per year**

### Rationale

The Military Incentive Tax Credit provides employers who hire a qualified unemployed member of the West Virginia National Guard and reserve forces or unemployed disabled veteran with a one-time employment tax credit generally equal to either 25 percent of up to the first $5,000 in wages paid during the year or the disability percentage multiplied by the first $5,000 of wages paid a qualified disabled veteran. The program is administered by Work Force West Virginia.

# CREDITS THAT AID LOW-INCOME FAMILIES

Three tax credits exist to aid low-income families, senior citizens, and those who are permanently and totally disabled.

## SENIOR CITIZENS CREDIT FOR PROPERTY TAX PAID

**STATUTE:** W.Va. Code §11-21-21

**CREDIT:** A refundable State tax credit related to local property tax paid for eligible lower income recipients of Homestead Property Tax Exemption.

**VALUE:** **$10.0 million per year**

### Rationale

The refundable Personal Income Tax credit for residential real estate property taxes paid on the first $20,000 of taxable valuation exists to provide moderate to lower income homestead exemption beneficiaries with additional relief from local real property taxes paid on their owner-occupied homes. This provision benefits qualified senior citizens and qualified permanently and totally disabled residents with an average net property tax savings of an additional $200 above local tax savings associated with both the $20,000 homestead tax exemption and Class II property tax rate preference.

## FAMILY TAX CREDIT

**STATUTE:** W.Va. Code §11-21-22

**CREDIT:** A credit for taxpayers who meet certain income limitations and family size requirements.

. **VALUE:** **$19.6 million per year**

### Rationale

The Family Tax Credit exists to provide total state income tax relief to families with income at or below the federal poverty guideline based on family size. Program cost is minimized via a tax credit phase-out mechanism for those with incomes slightly above the federal poverty guideline.

### Revenue Analysis

The value of the Family Tax Credit may be falling as the Personal Income Tax rate decreases over time.

## EXCESS PROPERTY TAX CREDIT

**STATUTE:** W.Va. Code §11-21-23

**CREDIT:** Refundable credit for real property taxes paid in excess of 4 percent of gross household income.

**VALUE:** **$2.2 million per year**

### Rationale

The refundable Personal Income Tax credit for residential real estate property taxes paid in excess of an amount equal to 4 percent of federal adjusted gross income exists to provide qualified moderate to lower income homeowners with additional property tax relief in cases where annual taxes paid on the owner-occupied residence exceeds an amount equal to 4 percent of the homeowner's annual federal adjusted gross income as reported on the State Personal Income Tax return.

## CHILD AND DEPENDENT CARE CREDIT

**STATUTE:** W.Va. Code §11-21-26

**CREDIT:** A non-refundable credit equal to 50 percent of the federal child and dependent care tax credit.

**VALUE:** **$0 million in Tax Year 2023**

### Rationale

The child and dependent care credit to help working families offset the costs of childcare and other dependent care expenses, allowing the taxpayers to work or look for work.

### Revenue Analysis

The Child and Dependent Care Credit is effective for Tax years beginning on or after January 1, 2024. Therefore, there were no claims during the review period of this report. The impact of the credit to General Revenue Fund collections was estimated to be $4.2 million per year.

# MISCELLANEOUS TAX CREDITS

Miscellaneous Tax Credits exist to incentivize investments in a variety of activities, such as increasing charitable contributions, promoting purchases of environmentally friendly agricultural equipment, and encouraging rehabilitation of certain properties.

## NEIGHBORHOOD INVESTMENT PROGRAM CREDIT

**STATUTE:** W.Va. Code §11-13J

**CREDIT:** A credit for 50 percent of charitable contributions to community-based nonprofit organizations that establish projects to assist neighborhoods and local communities.

**VALUE:** **$2.3 million per year**

### Rationale

The Neighborhood Investment Program Credit provides qualified contributing Taxpayers with a tax credit of up to 50 percent of charitable contributions made to an approved organization that received project approval along with an allotment of tax credits from the West Virginia Development Office based on recommendations from a neighborhood investment advisory board. The Taxpayer may use credits received from a qualifying organization to offset up to 50 percent of Personal Income Tax liability. The minimum contribution for the purposes of the tax credit is $500 per year, and the maximum contribution is $200,000 per year. Excess tax credits may be carried forward for a period of up to four additional years. The total maximum amount of tax credit allocated by the State in any given year is limited to $3 million. The Program may stimulate additional giving for tax credit eligible charitable projects.

## ENVIRONMENTAL AGRICULTURAL EQUIPMENT TAX CREDIT

**STATUTE:** W.Va. Code §11-13K

**CREDIT:** A credit for 25 percent of certified expenditures for purchasing and installing qualified agricultural equipment for use in agricultural operations, not to exceed $2,500.

**VALUE:** **Minimal**

### Rationale

The Environmental Agricultural Equipment Tax Credit provides eligible Taxpayers with an incentive to purchase certain types of “environmentally friendly” agricultural equipment. The tax credit equals 25 percent of the purchase price of the qualified machinery. Taxpayers may claim up to $2,500 of credit per Tax Year and the credit may be carried forward for up to five additional Tax Years.

## FILM INDUSTRY INVESTMENT TAX CREDIT

**STATUTE:** W.Va. Code §11-13X

**CREDIT:** A nonrefundable tax credit for direct production and postproduction expenditures made in West Virginia on a qualified film project.

**VALUE:** **Cannot be disclosed due to Taxpayer confidentiality**

### Rationale

The Film Industry Investment Tax Credit is an incentive designed to promote the film industry in West Virginia through partial reimbursement of qualified film expenditures through marketable tax credits.

### Revenue Analysis

The Film Industry Investment Tax Credit was reinstated for taxable years beginning on and after July 1, 2022 with a sunset date of December 31, 2027. The reinstated credit has no statutory cap, and the credit can be sold or transferred. Therefore, the impact of the credit could become significant in future years. Film credits are valid for two taxable years after the taxable year in which the expenditure was made.

## FARM TO FOOD BANK TAX CREDIT

**STATUTE:** W.Va. Code §11-13DD

**CREDIT:** A credit equal to 30 percent of the value of donated edible agricultural products.

**VALUE:** **Minimal**

### Rationale

A tax credit is available to farmers who make donations of edible agricultural products to one or more nonprofit food programs in West Virginia. The credit is equal to 30 percent of the value of the donated edible agricultural products, not to exceed $5,000 during a taxable year. Any credit remaining after application against the taxpayer's tax liabilities for the current year may be carried forward to the next four taxable years. No more than $200,000 tax credits may be allocated in any fiscal year. Tax credits are allocated in the order in which the donation forms are received.

The purpose of the credit is to promote fresh, healthy and local agricultural products for food banks and to provide an incentive for farmers to donate to food banks in the State.

## TAX CREDIT FOR DONATION OR SALE OF VEHICLE

**STATUTE:** W.Va. Code §11-13FF

**CREDIT:** A credit equal to either 50 percent of the program value of a vehicle donated to a qualified charitable organization or, for vehicles sold by dealers, 50 percent of the difference between the program value of the vehicle and the reduced sales price.

**VALUE:** **$30,000 per year**

### Rationale

A tax credit is available to taxpayers who donate a vehicle to a qualified charitable organization in this state of 50 percent of the determined program value up to $2,000. The credit is also available to licensed motor vehicle dealers that sell a vehicle at a reduced sales price to low-income workers through a program administered by a qualified charitable organization. The credit for licensed motor vehicle dealers is 50 percent of the difference between the program value of the vehicle and the reduced sales price up to $2,000. The purpose of the credit is to assist low-income workers in obtaining reliable transportation.

### Revenue Analysis

The Donation or Sale of Vehicle Tax Credit was effective for donations occurring after December 31, 2020. The impact of the credit to General Revenue Fund collections was originally estimated to be up to $1.0 million per year for both Corporation Net Income Tax and Personal Income Tax combined.

## NATURAL GAS LIQUIDS PROPERTY TAX ADJUSTMENT CREDIT

**STATUTE:** W.Va. Code §11-13HH

**CREDIT:** A credit for natural gas liquid storers or transporters equal to the amount of the West Virginia ad valorem property tax paid on the value of natural gas liquids inventory and equipment.

**VALUE:** **$0 in Tax Year 2023**

### Rationale

The Natural Gas Liquids Property Tax Adjustment Credit was created as part of the Natural Gas Liquids Economic Development Act to encourage the development of these businesses in West Virginia. The credit provides eligible West Virginia natural gas liquid storers and transporters with a State tax credit equal to the amount of local West Virginia property taxes paid on the value of natural gas liquids inventory and equipment.

### Revenue Analysis

The Natural Gas Liquids Property Tax Adjustment Credit was effective for tax years beginning on or after July 1, 2020. However, no claims were made against the Personal Income Tax in Tax Year 2023. The impact of the credit to General Revenue Fund collections was estimated to be $500,000 per year for both Corporation Net Income Tax and Personal Income Tax combined.

## VOLUNTEER FIREFIGHTER TAX CREDIT

**STATUTE:** W.Va. Code §11-13JJ

**CREDIT:** A nonrefundable credit of $1,000 for volunteer firefighters who meet certain criteria.

**VALUE:** **$1.4 million per year**

### Rationale

The purpose of the credit is to encourage participation in volunteer fire departments in West Virginia. The credit is allowed for volunteer firefighters in West Virginia who meet certain criteria, including being an active member in good standing of a certified volunteer fire department for the entire year and participating in at least 30 percent of the department's activities. This credit is nonrefundable.

## MOTOR VEHICLE PROPERTY TAX ADJUSTMENT TAX CREDIT

**STATUTE:** W.Va. Code §11-13MM-3

**CREDIT:** A credit in the amount of property tax timely paid on owned or leased motor vehicles subject to West Virginia ad valorem property taxation during the corporation net income tax or personal income tax taxable year.

**VALUE:** **$0 in Tax Year 2023**

### Rationale

The credit was designed to give West Virginia taxpayers who own qualified vehicles and pay their personal property taxes on time a break. This is achieved by offering the amount of property tax paid on eligible vehicles as a credit against the taxpayer's state income tax liability or as a rebate.

### Revenue Analysis

The Motor Vehicle Property Tax Adjustment Credit is effective for tax years beginning on or after January 1, 2024. Therefore, there were no claims during the review period of this report, Tax Year 2023. The impact of the credit to General Revenue Fund collections was estimated to be $157.9 million for both Corporation Net Income Tax and Personal Income Tax combined.

## DISABLED VETERAN REAL PROPERTY TAX CREDIT

**STATUTE:** W.Va. Code §11-13MM-4

**CREDIT:** A refundable credit for disabled veterans in the amount of West Virginia ad valorem real property taxes timely paid on a homestead which is used or occupied exclusively for residential purposes and for surviving spouses of veterans who had received the credit in 2024 or later.

**VALUE:** **$0 in Tax Year 2023**

### Rationale

The rationale for the West Virginia Disabled Veteran Real Property Tax Credit is to provide financial relief and recognize the sacrifices of veterans who have been severely disabled due to their service. This tax credit, specifically for those with a 90 percent or greater service-connected disability rating, aims to offset the burden of property taxes on their homestead. It acknowledges their contributions and aims to make homeownership more affordable for disabled veterans.

### Revenue Analysis

The Disabled Veteran Real Property Tax Credit is effective for tax years beginning on or after January 1, 2024. Therefore, there were no claims during the review period of this report, Tax Year 2023. The impact of the credit to General Revenue Fund collections was estimated to be up to $8.4 million per year.

## SMALL BUSINESS PROPERTY TAX ADJUSTMENT TAX CREDIT

**STATUTE:** W.Va. Code §11-13MM-5

**CREDIT:** A credit of 50 percent of the amount of property tax timely paid by eligible small business taxpayers on personal property subject to West Virginia ad valorem property taxation during the corporation net income tax or personal income taxable year.

**VALUE:** **$0 in Tax Year 2023**

### Rationale

The credit was designed to provide tax relief for eligible West Virginia small business taxpayers who own personal property and pay their personal property taxes on time. This is achieved by offering the amount of 50 percent property tax paid on eligible personal property as a credit against the taxpayer's state income tax liability or as a rebate.

### Revenue Analysis

The Small Business Property Tax Adjustment Credit is effective for tax years beginning on or after January 1, 2024. Therefore, there were no claims during the review period of this report, Tax Year 2023. The impact of the credit to General Revenue Fund collections was estimated to be less than $35.0 million for both Corporation Net Income Tax and Personal Income Tax combined.

## HISTORIC REHABILITATED BUILDINGS INVESTMENT CREDIT

**STATUTE:** W.Va. Code §11-21-8a

**CREDIT:** The Historic Rehabilitated Buildings Investment Credit is available to qualified rehabilitated building projects located in West Virginia that also qualify for the 20 percent federal historic rehabilitation tax credit.

**VALUE:** **$700,000 per year**[5]

### Rationale

The Historic Rehabilitated Buildings Investment Credit is available to qualified rehabilitated building projects located in West Virginia that also qualify for the 20 percent federal historic rehabilitation tax credit. Prior to January 1, 2018, the State tax credit equaled 10 percent of qualified expenditures for historic rehabilitation as approved by the West Virginia Division of Culture and History and designated by the National Park Service as a "certified historic structure." Effective January 1, 2018, the State tax credit is equal to 25 percent of the qualified expenditures. The West Virginia tax credit is transferable to other Taxpayers. The tax credit was intended to promote historic building rehabilitation of qualified owner-occupied buildings.

### Revenue Analysis

The value of the credit to Taxpayers was significantly enhanced through the increase of the credit percentage from 10 percent to 25 percent and the allowance of multi-phase projects. This change has encouraged larger multi-phase projects which will likely expand the use and resulting cost of the tax credit in future years.

## QUALIFIED REHABILITATED RESIDENTIAL BUILDING INVESTMENT CREDIT

**STATUTE:** W.Va. Code §11-21-8g

**CREDIT:** The Qualified Rehabilitated Residential Building Investment Credit is available to qualified owner-occupied rehabilitated residential building projects located in West Virginia.

**VALUE:** **$130,000 per year**[6]

### Rationale

The Qualified Rehabilitated Residential Building Investment Credit is available to owner-occupied qualified rehabilitated building projects located in West Virginia. The State tax credit equals 20 percent of qualified expenditures for historic rehabilitation as approved by the West Virginia Division of Culture and History and designated by the National Park Service as a "certified historic structure." The West Virginia tax credit is transferable to other Taxpayers. The tax credit was intended to promote the rehabilitation of owner-occupied historic residential housing.

[5] This is an average value due to variation in claims year-to-year.
[6] *Ibid*

## NONFAMILY ADOPTION CREDIT

**STATUTE:** W.Va. Code §11-21-10a

**CREDIT:** A one-time credit against the tax imposed by the provisions of this article for adoption of a child.

**VALUE:** **$3.1 million per year**

### Rationale

The credit is equal to $5,000 for each nonfamily child who is under the age of 18 years at the time of adoption. For this credit, nonfamily adoption means adoption of a child or children by a taxpayer or taxpayers who are not the father, mother, or stepparent of the child. The credit is refundable; however, the Taxpayer may elect to claim the credit in the year of adoption or over a period of up to three years. It is designed to encourage the adoption of children.

## ELECTIVE INCOME CREDIT FOR TAX PAID BY A PASS-THROUGH ENTITY

**STATUTE:** W.Va. Code §11-21-20

**CREDIT:** A credit against the tax otherwise due under this article for any income tax paid to another state of the United States or by the District of Columbia for the taxable year, either directly paid by the individual or paid by a pass-through entity in accordance with §11-21-3a of this code and passed through by the entity to the individual taxpayer, upon income both derived therefrom and subject to tax under this article.

**VALUE:** **$100.0 million for Tax Year 2023**

### Rationale

Partners, members or shareholders of a pass-through entity which has elected to pay tax at the entity level may receive a Personal Income Tax credit for tax paid. This credit avoids double taxation.

### Revenue Analysis

This credit allows Personal Income Taxpayers the ability to reduce their tax liability by the amount of tax paid on their behalf by pass-through entities which have elected to pay tax at the entity level. These credits are not true tax expenditures. Participation in this elective program fluctuates from year to year.

## CAPITAL INVESTMENT IN CHILD-CARE PROPERTY TAX CREDIT

**STATUTE:** W.Va. Code §11-21-97

**CREDIT:** A credit is allowed for 50 percent of the cost of all qualified child-care property purchased or acquired by the taxpayer and first placed in service during a taxable year, and such credit may be claimed at a rate of 20 percent per year over a period of five taxable years.

**VALUE:** **$0 in Tax Year 2023**

### Rationale

The West Virginia Capital Investment in Child-Care Property Tax Credit provides credit for employers who provide child-care facilities to their employees. Providing childcare is a benefit to both the employer and the employees.

### Revenue Analysis

The Capital Investment in Child-Care Property Tax Credit is a relatively new credit that was passed during the 2022 Legislative Session. As of November 2025, there have been two applications received for this credit, and one has been approved. However, no claims against the Personal Income Tax were made during the review period of this report. We anticipate utilization of this credit program will grow significantly in future years.

## OPERATING COSTS OF CHILD-CARE TAX CREDIT

**STATUTE:** W.Va. Code §11-21-97

**CREDIT:** A credit of up to 50 percent of costs is allowed for employers who provide or sponsor childcare for employees.

**VALUE:** **$0 in Tax Year 2023**

### Rationale

The Operating Costs for Child-Care Tax Credit provides credit for employers who provide child-care facilities for their employees, covering up to 50 percent of the costs. Providing childcare is a benefit to both the employer and the employees.

### Revenue Analysis

The Operating Costs for Child-Care Tax Credit is a relatively new credit that was passed during the 2022 Legislative Session. As of November 2025, there have been two applications received for this credit, and one has been approved. However, no claims against the Personal Income Tax were made during the review period of this report. We anticipate utilization of this credit program will grow significantly in future years.

## CONCEAL CARRY GUN PERMIT CREDIT

**STATUTE:** W.Va. Code §61-7-4(r)

**CREDIT:** A one-time credit of up to $50 for the successful completion of a safety course or the fees associated with the initial application of a license to carry a concealed weapon.

**VALUE:** **Minimal**

### Rationale

A credit is allowed against West Virginia Personal Income Tax for the costs incurred during the taxable year for training courses or classes taken by the primary taxpayer and/or spouse for the purposes of applying for and qualifying for a permit to carry a concealed weapon in this state. This is a one-time credit limit to the lesser of actual costs or the maximum amount of credit allowable with respect to any taxpayer and/or spouse, not to exceed $50 per taxpayer. The credits are not allowed with respect to any person who fails to qualify or is denied a permit after applying for the permit.

# FIDUCIARY INCOME TAX

## OVERVIEW

Estates and trusts are taxed under the Personal Income Tax statute, but the related tax liability is calculated on the Fiduciary Income Tax return. Federal taxable income is the starting point for the calculation of the West Virginia Fiduciary Income Tax for estates and trusts. West Virginia taxable income is derived after specific increasing or decreasing modifications are made to federal taxable income. The rate schedule for both resident and nonresident estates and trusts is the same as Personal Income Tax rates for all Taxpayers, except for married Taxpayers filing separate returns.

### ORGANIZATION AND ANALYSIS

The Fiduciary Income Tax expenditures discussed in this report are divided into three groups:

- Exemption;
- Decreasing Modifications, and
- Credits.

### ESTIMATING COSTS OF TAX EXPENDITURES

The costs for the Fiduciary Income Tax expenditures are derived from information on Tax Year 2023 returns. It should be noted that tax rates have decreased since Tax Year 2023. As a result, the expenditure values could be lower in future years.

# EXEMPTION

Estates and trusts are allowed only one $600 exemption. An analysis of this exemption follows.

## FIDUCIARY INCOME TAX EXEMPTION

**STATUTE:** W.Va. Code §11-21-18(1)

**EXEMPTION:** Exemption of $600 for estates and trusts.

**VALUE:** **$60,000 per year**

### Rationale

For simplicity, estates have the same exemption allowance as on the federal return. Since West Virginia's treatment of estates and trusts is similar, the same $600 exemption is allowed for trusts. The exemption is in lieu of the federal deduction for estates and trusts.

# DECREASING MODIFICATIONS

In determining West Virginia taxable income, specific decreases are made to federal taxable income. Decreasing modifications discussed in this section include:

- Itemized Deductions for Fiduciaries, and
- Interest Income from United States Obligations for Fiduciary Income Tax.

## ITEMIZED DEDUCTIONS FOR FIDUCIARIES

**STATUTE:** W.Va. Code §11-21-18

**DEDUCTION:** Itemized deductions claimed prior to attainment of taxable income for the fiduciary.

**VALUE:** **$140,000 per year**

### Rationale

West Virginia allows the federal itemized deductions for the Fiduciary Income Tax. Current calculations of State tax liability for fiduciaries begin with federal taxable income, not federal adjusted gross income. Therefore, fiduciaries are essentially allowed to claim itemized deductions. This simplifies the filing requirements for these Taxpayers.

## INTEREST INCOME FROM UNITED STATES OBLIGATIONS FOR FIDUCIARY INCOME TAX PURPOSES

**STATUTE:** W.Va. Code §11-21-19

**EXCLUSION**: Interest Income on obligations of the United States.

**VALUE:** **$260,000 per year**

### Rationale

The federal exclusion for interest income from United States obligations for Fiduciary Income Tax purposes is **not** a tax expenditure because it is excluded from State taxation by federal law. For this report, this exclusion is considered a basic part of the Fiduciary Income Tax structure because State lawmakers have no authority to tax such income. Values for this exclusion are given although additional revenue would not be realized through Legislative action due to federal prohibitions for taxing these obligations.

# CREDITS

Estates and Trusts are allowed most of the credits available to Personal Income Taxpayers. However, generally they utilize only a few of the tax credit programs which are available to them. For purposes of this section, only credit programs with an impact will be addressed in this section. Those credits are: Income Taxes Paid to Other States, Historic Rehabilitated Buildings Investment Credit, and Elective income Credit for Tax Paid By a Pass-Through Entity.

## CREDIT TO PREVENT DOUBLE TAXATION

The following credit exists to eliminate the possibility of double taxation for income taxes paid to other states.

### CREDIT FOR FIDUCIARY INCOME TAXES PAID TO OTHER STATES

**STATUTES:** W.Va. Code §§11-21-20 and 11-21-40

**CREDIT:** A credit for any income tax paid to another state of the United States or by the District of Columbia.

**VALUE:** **$500,000 per year**

**Rationale**

The intent of this credit is simply to provide a mechanism for the return of funds never due to the State. Therefore, this credit is **not** a tax expenditure.

# MISCELLANEOUS TAX CREDITS

Miscellaneous Tax Credits exist to incentivize investments in a variety of activities, such as increasing charitable contributions, promoting purchases of environmentally friendly agricultural equipment, and encouraging rehabilitation of certain properties.

## HISTORIC REHABILITATED BUILDINGS INVESTMENT CREDIT

**STATUTE:** W.Va. Code §11-21-8a

**CREDIT:** The Historic Rehabilitated Buildings Investment Credit is available to qualified rehabilitated building projects located in West Virginia that also qualify for the 20 percent federal historic rehabilitation tax credit.

**VALUE:** **$50,000 per year**[7]

### Rationale

The Historic Rehabilitated Buildings Investment Credit is available to qualified rehabilitated building projects located in West Virginia that also qualify for the 20 percent federal historic rehabilitation tax credit. Prior to January 1, 2018, the State tax credit equaled 10 percent of qualified expenditures for historic rehabilitation as approved by the West Virginia Division of Culture and History and designated by the National Park Service as a "certified historic structure." Effective January 1, 2018, the State tax credit is equal to 25 percent of the qualified expenditures. The West Virginia tax credit is transferable to other Taxpayers. The tax credit was intended to promote historic building rehabilitation of qualified owner-occupied buildings.

### Revenue Analysis

The value of the credit to Taxpayers was significantly enhanced through the increase of the credit percentage from 10 percent to 25 percent and the allowance of multi-phase projects. This change has encouraged larger multi-phase projects which will likely expand the use and resulting cost of the tax credit in future years.

## ELECTIVE INCOME CREDIT FOR TAX PAID BY A PASS-THROUGH ENTITY

**STATUTE:** W.Va. Code §11-21-20

**CREDIT:** A credit against the tax otherwise due under this article for any income tax paid to another state of the United States or by the District of Columbia for the taxable year, either directly paid by the individual or paid by a pass-through entity in accordance with §11-21-3a of this code and passed through by the entity to the individual taxpayer, upon income both derived therefrom and subject to tax under this article.

**VALUE:** **$5.7 million for Tax Year 2023**

[7] This is an average value due to variation in claims year-to-year.

## Rationale

Partners, members or shareholders of a pass-through entity which has elected to pay tax at the entity level may receive a Fiduciary Income Tax credit for tax paid. This credit avoids double taxation.

## Revenue Analysis

This credit allows Fiduciary Income Taxpayers the ability to reduce their tax liability by the amount of tax paid on their behalf by pass-through entities which have elected to pay tax at the entity level. These credits are not true tax expenditures. Participation in this elective program fluctuates from year to year.

# WEST VIRGINIA
# TAX EXPENDITURE
# STUDY

Expenditures for
Business Tax, Excise Tax
and Property Tax Expenditures

Prepared by:
Research Division
State Tax Department
January 2024

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# EXECUTIVE SUMMARY

This report covers the Business Registration Tax, business taxes imposed on certain West Virginia businesses, excise taxes, and property taxes and analyzes various expenditures for these taxes. Some of these provisions constitute government expenditure programs while others are an integral part of the basic tax structure. The following summaries provide information on the taxes covered in this study.

## BUSINESS TAXES

This section of the report analyzes expenditures for the Business and Occupation Tax, Severance Tax, Health Care Provider Taxes, Mining Reclamation Fees and Solid Waste Assessment Fees, which are levied on small groups of taxpayers, as well as expenditures for the Business Registration Tax.

Less than sixty businesses are subject to the State Business and Occupation Tax, a tax levied on public utilities, electric power companies, gas storage operators, and manufacturers that produce synthetic fuel from coal. Gas storage operators and synthetic fuel producers pay a per unit tax. Electric power producers pay a per unit tax on taxable capacity while electric utilities pay a per unit tax on kilowatt hours of electricity sold. Other public utilities pay a tax based on gross income. Through statute or regulation, expenditures for application against the Business and Occupation Tax encompass businesses excluded from the tax, tax base exemptions, reduced rates, alternate tax calculations, and credits against tax liability.

The Severance Tax is levied on the gross receipts of businesses that engage in the severance, extraction, or production of depletable natural resources. The tax base also includes the processing and treatment of certain natural resource products as part of the production process. A person who purchases raw coal and processes it into a commercially usable product only pays tax on the value added in the processing activity and not on the total value of the product. In that sense, the West Virginia Severance Tax differs from a usual severance tax, for which the tax base is determined at the point of extraction.

The Minimum Severance Tax on Coal, a tax of $0.75 per ton, is imposed on every business severing, extracting or producing coal in the State for sale, profit or commercial use. The Minimum Severance Tax on Coal applies to all coal production except thin seam coal production. A credit is allowed against Severance Tax imposed on coal production for payment of the Minimum Severance Tax on Coal. However, no other credits can be used to offset the Minimum Severance Tax on Coal.

Health Care Provider Taxes include the Health Care Broad Base Tax, the Acute Care Hospital Tax, the Acute Care Hospital Tax to Enhance Practitioner Fee Schedules, and the Managed Care Organization Tax. The Health Care Broad Base tax consists of a variety of taxes imposed on the gross receipts of selected health care services. The Acute Care Hospital taxes represent additional taxes imposed on inpatient and outpatient hospital services at certain eligible acute care hospitals. The Managed Care Organization Tax is a tiered tax based on Medicaid and Non-Medicaid membership of managed care organizations. The proceeds from these taxes fund roughly 25 percent of the State's share of Medicaid program costs. The Medicaid program is a jointly funded cooperative venture between the federal government and state government to assist states in providing medical care to eligible low-income persons. In West Virginia, federal funds are matched with State funds at a ratio of roughly three to one.

Coal producers must pay reclamation fees related to their coal production at a rate of 27.9 cents per ton. Proceeds from Mining Reclamation Fees help fund coal mine reclamation projects around the State.

Disposal of solid waste at any solid waste disposal facility in West Virginia is subject to a number of statutory fees. The Solid Waste Assessment Fees are imposed in addition to any fee charged by the operator or owner of a solid waste disposal facility for receiving and disposing of solid waste. The combined base rate is $8.25 per ton of solid or sludge waste. However, a reduced rate of $2.00 per ton is applicable to the waste disposed of by commercial recyclers where at least 70 percent of the material entering the commercial recycling facility is separated for reselling or recycling.

The Business Registration Tax affects most businesses in West Virginia. By statute, each location of a business subject to the tax must obtain a business registration certificate from the State Tax Department before beginning business activities in the State. The tax is a set fee of $30.00 per business location. The business registration is permanent, but subject to revocation or suspension for cause. Business Registration Tax expenditures include activities excluded from the definition of business, activities exempt from registration, activities not required to obtain a registration certificate, and activities exempt from payment of the tax.

**EXCISE TAXES**

Excise taxes are generally levied on units of consumption of certain commodities in order to generate revenue for the taxing authority. In West Virginia, excise taxes are imposed on the privilege of manufacturing, producing, distributing or selling certain items within the State. These items include gasoline and special fuel, non-intoxicating beer, wine, tobacco products, and soft drinks. The Motor Fuel Excise Tax includes a fixed tax component on motor fuel for road use and a variable tax component based on the average wholesale price of gasoline. Also, the Excise Tax on gasoline and special fuel is levied on motor carriers operating within the State.

West Virginia is a member of the International Fuel Tax Agreement (IFTA). IFTA is a fuel tax reciprocity agreement among states of the United States and provinces of Canada. The agreement is intended to simplify the reporting and payment of all fuel use taxes by interstate motor carriers. All West Virginia-based motor carriers who travel in at least one other IFTA jurisdiction and operate one or more qualified vehicles must obtain an IFTA license. All West Virginia-based IFTA licensees must file a single tax return with the State Tax Department. West Virginia then distributes both the tax and the carrier information to the other IFTA jurisdictions on behalf of the carrier. West Virginia receives its portion of gasoline taxes due from motor carriers based in other IFTA jurisdictions from the carrier's home jurisdiction.

Revenue collected from the Motor Fuel Excise Tax is deposited into the State Road Fund. All amounts collected under IFTA are deposited into the International Fuel Tax Agreement Clearing Fund for distribution of funds owed to other member jurisdictions as provided in the agreement and for payment of any refunds owed to West Virginia-based taxpayers. After refund payments and distributions to other jurisdictions, all remaining IFTA funds are deposited into the State Road Fund. Revenue collected from the excise taxes on non-intoxicating beer, wine and tobacco products is deposited into the General Revenue Fund of the State. Beginning in fiscal year 2023, revenue collected from the Soft Drinks Tax is deposited into the General Revenue Fund of the State. Prior to that, it was deposited into a special medical school fund.

There are many possible exemptions and refunds available for the excise taxes. However, most of the expenditures pertain to the taxes on gasoline and special fuel for off-highway uses of such products. In addition to refunds and credits, discounts are available for the excise taxes on tobacco products and soft drinks.

**PROPERTY TAXES**

The Property Tax and the Property Transfer Tax are collected at the county level, but the revenue from these taxes benefits both State and local governments. While the Property Tax is an annual levy on property, the Property Transfer Tax is levied on property only when it is transferred.

The Property Tax is levied on all real and personal property in West Virginia, except property specifically exempted in the West Virginia Code. Revenues from the Property Tax benefit the State, counties, county boards of education, and municipalities. Each county and municipality can impose its own rates of property taxation. These rates can vary within counties depending upon the classification of the property. The West Virginia Legislature sets the regular rate of tax for county boards of education. This rate is used by all county boards of education Statewide. However, the total tax rate for county boards of education may differ from county to county due to excess levies and/or bond levies.

Property is assessed based on its use, location, and value as of July 1 of each year. The amount of tax paid on property depends upon the assessed valuation of the property and the rate of tax. Each county assessor is required to maintain current values on all real and personal property, except operating public utility property, in that county. The State Tax Commissioner is required to determine the market value of all industrial and natural resource properties in the State. The State Tax Commissioner also is responsible for the valuation of public utility property and all types of property that are to be included in the operating property of a public utility.

Although all property is presumed to be taxable until its owner proves otherwise, there are many possible exemptions from the Property Tax. Some of these exemptions are based on the ownership of the property while others are based on the use of the property.

The Property Transfer Tax consists of an excise tax on the privilege of transferring real estate to be paid to the State and an excise tax to be paid to the county where the transfer is recorded. Both the State and county excise tax are paid to the county clerk. There are many exemptions to the tax. Some are transfers to or from governmental bodies while others are transfers between related parties.

# INTRODUCTION

W. Va. Code §11-10-5s(c) requires a tax expenditure report to be submitted to the Legislature by January 15 of each year. In three-year cycles, these reports are intended to analyze tax expenditures for most major State taxes. The law defines the term "tax expenditure" as a provision in the tax laws designed to encourage certain kinds of activities or to aid taxpayers in special circumstances. Such provisions generally include exclusions, exemptions, deductions, adjustments, credits, and deferrals from tax.

The State Tax Commissioner has promulgated rules setting forth a timetable for such reports. This report covers business taxes, excise taxes, and property taxes. Business taxes include the Business and Occupation Tax, Severance Tax, Health Care Provider Taxes, Mining Reclamation Fees, Solid Waste Assessment Fees, and Business Registration Tax. Excise taxes include the Motor Fuel Excise Tax, Motor Carrier Road Tax, International Fuel Tax, Tobacco Products Excise Tax, Soft Drinks Tax, Beer Barrel Tax and Wine Liter Tax. Property taxes include both the Property Tax and the Property Transfer Tax. Other reports cover taxes administered by the State Tax Department that are not analyzed within this report.

## OVERVIEW

The business taxes included in this report, excise taxes and property taxes combined to account for roughly $4.1 billion in State and local revenue in Fiscal Year 2023. These revenues were distributed as follows:

| Fund | Revenue |
|---|---|
| State General Revenue Fund | $ 1,261.1 million |
| State Road Fund | $ 432.4 million |
| State Medicaid Fund | $ 345.8 million |
| State Infrastructure Fund | $ 21.9 million |
| Other Special Revenue Funds | $ 28.5 million |
| Local Government Funds | $ 2,048.4 million |

The local government funds included over $94.2 million in Severance Tax revenue and $1.9 billion in property and property transfer taxes for Fiscal Year 2023.

This study concentrates on the effect of tax expenditures upon tax yields. Most exclusions, exemptions, deductions, and credits associated with these taxes may be viewed as tax expenditures. Tax expenditures tend to escape the usual legislative scrutiny afforded other expenditures in the annual budget approval process because provisions in the tax law often remain intact indefinitely. Programs funded through tax expenditures, in effect, receive priority funding over all other programs. The goal of this report is to facilitate an examination of business tax, excise tax and property tax expenditures using available resources.

Tax expenditures are deviations from a model tax structure. A model tax structure typically contains a minimal allowance for exclusions, exemptions, deductions, and credits. A minimal allowance for tax expenditures is necessary to maximize tax equity and tax efficiency.

The distribution of tax burdens should be equitable. There are two types of equity: horizontal and vertical. Horizontal equity occurs when those with equal capacity (e.g., equal income) pay the same amount of tax. The achievement of vertical equity occurs whenever those with a greater income or tax base pay more than those with a lesser income or tax base. Tax expenditure

provisions often reduce the horizontal equity of a tax structure through an allowance of special benefits to some at the expense of others.

Economic efficiency, a requirement of a model tax structure, occurs whenever tax interference in the economy is kept to a minimum. Tax expenditures tend to reduce economic efficiency through the promotion of some economic activities over others. For example, federal depreciation and passive loss rules of the 1980s led to a significant increase in office building construction and eventually to a glut of office space.

A low-rate, broad-based tax structure often results in optimal tax competitiveness between states, another requirement of a model tax structure. However, many states tend to use tax expenditures, such as investment tax credits, to gain a competitive advantage over other states with respect to a particular taxpayer or industry. The value of these expenditures should be minimized because their cost is distributed among other taxpayers.

A model tax structure produces stable and sufficient revenue for basic public services. Tax expenditures decrease revenue, which may result in fiscal instability.

Understandability and simplicity are also important requirements for a model tax structure. Tax expenditures may complicate the tax structure, resulting in high administration and compliance costs for both the taxpayer and the taxing authority.

A model tax structure would tax nearly all expenditures in West Virginia to the extent within the Legislature's power. Deductions or exclusions required by federal law would **not** be tax expenditures because such modifications could not be effectively repealed by the Legislature.

## ESTIMATING COSTS OF TAX EXPENDITURES

This study provides estimates of the value of business tax, excise tax and property tax expenditures and certain provisions considered necessary to define a model tax structure. Except where otherwise noted, each expenditure within the study is examined independently from all other expenditures. Following the establishment of a value in isolation, the influence of outside factors (e.g., other expenditures and taxpayer behavior) is discussed, where applicable. Expenditure values less than $10,000 are reported as "minimal."

Several sources of information were used in the construction of expenditure valuations. These include, among others:

- The Department's tax return data;
- Surveys of various organizations;
- ProPublica;
- Publications from the U.S. Department of Energy;
- Publications from the U.S. Census Bureau, and
- Information from other West Virginia agencies.

In most cases, the revenue impact attributable to the repeal of a tax expenditure is less than the value of that expenditure. This occurs because tax expenditures tend to overlap with one another, and taxpayers tend to alter their behavior whenever items of income or consumption become taxed for the first time.

# BUSINESS TAXES

# BUSINESS AND OCCUPATION TAX

## OVERVIEW

The Business and Occupation Tax, known throughout most of its history as the "Gross Sales Tax," was originally enacted in 1921. As enacted, the Gross Sales Tax had as its intent to tax every individual, firm, partnership, association, and corporation conducting business for profit in West Virginia.

Enactment of the "Tax Reform Act of 1985" altered the scope of the Business and Occupation Tax to a tax on public utilities and electric power producers **only**, effective July 1, 1987. As of 1989, natural gas storage facility operators are subject to a per unit tax under the Business and Occupation Tax statutes. Additionally, legislation in 1989 provided that electric power producers and distributors would be subject to the greater of the gross sales tax or a per unit tax on kilowatt hours of electricity generated or distributed.

Beginning in June 1995, electric power producers whose tax liability for every month in 1994 was based on kilowatt-hours of electricity generated were to determine their tax liability based upon taxable generating capacity. The legislation enacted in 1995 defined "taxable generating capacity" as the capacity factor times the official capability of a generating unit. "Capacity factor" was defined as the fraction of the average four-year generation for the 1991 to 1994 period divided by the "maximum possible annual generation" of a unit. The official capability of a unit times 8,760 (the number of hours in a year) was defined as the "maximum possible annual generation." In 2001, the Business and Occupation Tax statute was revised to subject the manufacturing or production of synthetic fuel from coal to a tax at a rate of $0.50 per ton. Additional legislation enacted in 2020 allowed certain coal-fired generators to elect to use a taxable capacity factor of 45 percent when paying tax on or after July 1, 2021.

Applicable tax rates for the Business and Occupation Tax as of January 1, 2023, are shown in the following table.

## Business and Occupation Tax Rates

| Taxpayer Type | Activity and West Virginia Code Citation | Tax Base | Tax Rate |
|---|---|---|---|
| Electric power company | Generating or producing electricity for sale, profit or commercial use (§11-13-2o(b)(1) | Generating Capacity | $22.78 per KW |
| Electric power company | Generating or producing electricity for sale, profit or commercial use by a unit which has installed a flue gas desulfurization system (§11-13-2o(b)(1)) | Generating capacity | $20.70 per KW |
| Electric power company | Selling electricity that is not generated or produced in West Virginia by the taxpayer (§11-13-2o(b)(2)) | Electricity sold | $0.0019 per KWH |
| Electric power company | Selling electricity that is not generated or produced in West Virginia by the taxpayer and sale is to a plant location of a customer engaged in a manufacturing activity, if the contract demand at such plant location exceeds 200,000 kilowatts per hour per year (§11-13-2o(b)(2)) | Electricity sold | $0.0005 per KWH |
| Natural gas storage operator | Withdrawal and/or injection of natural gas from/into storage reservoirs (11-13-2e) | Net Dekatherms (maximum base = 1990-1994 average) | $0.05 per dekatherm |
| Natural gas utility | Natural gas companies (§11-13-2d(a)(4)) | Gross Income | 4.29 percent |
| Water utility | Public service or utility business (§11-13-2d(a)(2)) | Gross Income | 4.40 percent |
| Toll bridge companies | Public service or utility business (§11-13-2d(a)(5)) | Gross Income | 4.29 percent |
| All other public service or utility business | All other public service or utility business (§11-13-2d(a)(6)) | Gross Income | 2.86 percent |
| Manufacturer or Producer of synthetic fuel from coal | Producing synthetic fuel from coal (§11-13-2f) | Tons produced | $0.50 per ton |

Note: KW refers to kilowatt while KWH refers to kilowatt-hour.

## ESTIMATING COSTS OF TAX EXPENDITURES

The values of the expenditures contained within this report have been determined from several sources. Where available, information from 2022 Business and Occupation Tax returns was used. Return information was supplemented by other State Tax Department files, Public Service Commission reports, and U.S. Department of Energy publications.

## ORGANIZATION AND ANALYSIS

This study separates the Business and Occupation Tax expenditures into four groups. The groups are based on the type of expenditure or on the organization or activity involved. These groups are as follows:

- Income or Other Measurable Quantities Exempt from Tax
- Activities Subject to Reduced Rates
- Alternate Tax Calculation
- Credits

Each expenditure listed in this report contains a brief rationale for its existence. In many cases, legislative documentation on why a particular tax expenditure was enacted was not available, thus the rationales herein are based solely on the experience or inference of the State Tax Department.

## INCOME OR OTHER MEASURABLE QUANTITIES EXEMPT FROM TAX

The Business and Occupation Tax statutes provide several exemptions that exclude gross income or units of activity from the base of the tax. The following items are excluded from the appropriate tax base prior to the calculation of the tax due:

- Directly or Third Party Operated Publicly Owned Water, Sewer or Electric Plants
- Electric Power or Natural Gas Related to Selected Manufacturing Processes
- Gas Consumed and/or Recycled in a Gas Storage Operation
- Electric Generation by a Manufacturer for Own Use
- Net Generation Excluded from Taxable Generating Capacity
- Capacity Related to Retired/Inactive Reserve Electric Generating Units
- Capacity Exemptions for New Electric Generating Units
- Non-Utility Natural Gas Sales
- New Natural Gas Storage Reservoirs
- Coal-fired Merchant Power Plants
- Community Service Assessment Income of Nonprofit Homeowners' Associations

Expenditure calculations for these excluded items follow.

## DIRECTLY OR THIRD PARTY OPERATED PUBLICLY OWNED WATER, SEWER, OR ELECTRIC PLANTS

**STATUTE:** W. Va. Code §§11-13-2d(a)(2), 11-13-2o(a)(10)(c), 11-13-2o(b)(2), 11-13-2o(c)(2) and 11-13-2o(c)(3); W. Va. Legislative Regulation §11-13-3.2

**EXEMPTION:** Tax is not imposed on income received by municipally owned water plants (§11-13-2d(a)(2))

"Net generation" for a period means the kilowatt-hours of net generation available for sale generated or produced by the generating unit in this state during such period less ... the total kilowatt hours of electricity generated ... by a municipally owned plant (§11-13-2o(a)(10)(C))

Upon every person ... in the business of selling electricity to consumers ... tax imposed ... provisions ... shall not apply to ... kilowatt hours of electricity generated and sold, or purchased and resold, by a municipally owned plant (§11-13-2o(b)(2))

New generating units ... the taxable generating capacity of a county or municipally owned generating unit shall equal zero percent of the official capability of the unit (§11-13-2o(c)(2))

Peaking units ... the taxable generating capacity of a county or municipally owned generating unit shall equal zero percent of the official capability of the unit (§11-13-2o(c)(3))

Public service districts for water and sewage services, municipal waterworks, municipal combined waterworks and sewage systems and municipal and sanitary district sewage works are exempt from payment of the tax (§11-13-3(8))

**VALUE:** **$27.0 million per year**

### Rationale

Municipalities provide clean, safe drinking water and sewage treatment more as a service to the residents than as a revenue-generating venture. Many municipalities have rate structures that produce revenue below that necessary to cover the cost of service and capital expenditures, including the debt service on bonds issued. Thus, the provision of drinking water is funded in part from other revenue sources of the municipality, including taxes and fees. Although municipalities are incorporated, the statutes permitting incorporation are distinct from the statutes governing the incorporation of businesses. The exemption for municipally owned water or sewage plants exists in recognition that municipalities and public service districts are not in the business of providing water or sewage services for profit.

While municipal water or sewage service plants often operate at a loss, several West Virginia municipalities have entered electric power production or distribution activity to generate revenue for governmental operations. This exemption exists in recognition that municipalities are not businesses although the generation and distribution activities produce income in excess of costs.

For tax equity purposes, this exemption can only be justified if the service does not compete with services available from non-government utilities.

## ELECTRIC POWER OR NATURAL GAS RELATED TO SELECTED MANUFACTURING PROCESSES

**STATUTE:** W. Va. Code §§11-13-2d(a)(4) and 11-13-2o(a)(10)(c)

**EXEMPTION:** Sale of natural gas exempt to the extent that the natural gas is separately metered and is gas from which the purchaser derives hydrogen and carbon monoxide for use in the manufacture of chemicals (§11-13-2d(a)(4))

"Net generation" for a period means the kilowatt-hours of net generation available for sale generated or produced by the generating unit in this state during such period less the total kilowatt hours of electricity generated ... that are separately metered and consumed in an electrolytic process for the manufacture of chlorine that are that are separately metered and consumed in the manufacture of ferroalloy (§11-13-2o(a)(10)(C))

**VALUE:** **Cannot be disclosed due to Taxpayer confidentiality**

**Rationale**

The exemptions provided for electricity used in the manufacture of chlorine or a ferroalloy and for natural gas from which hydrogen and carbon monoxide are derived for use in the manufacture of chemicals are similar in nature. The West Virginia Code requires that the rate reduction or economic benefit derived from the exemption must be passed on to the manufacturer purchasing the electricity or natural gas. These exemptions exist to reduce production costs of manufacturing businesses in West Virginia.

## GAS CONSUMED AND/OR RECYCLED IN A GAS STORAGE OPERATION

**STATUTE:** W. Va. Legislative Regulation §§110-13-1a.2.5.1.a and 110-13-1a.2.5.1.b

**EXEMPTION:** The number of dekatherms of gas injected into or withdrawn from a gas storage reservoir shall not include any gas consumed by a gas storage operation as fuel for compressors used to pump gas into or out of storage (§110-13-1a.2.5.1.a)

The number of dekatherms of gas injected into or withdrawn from a gas storage reservoir shall not include any gas used in a recycling operation of the storage reservoir (§110-13-1a.2.5.1.b)

**VALUE:** **Not available**

**Rationale**

This exemption exists because the eligible companies are not regularly involved in an activity subject to the Business and Occupation Tax.

"Recycling operation" is defined in the Business and Occupation Tax Regulations as "the withdrawal of gas from a storage reservoir and the subsequent re-injection of gas into the same reservoir solely for the purpose of regulating the pressure of the storage reservoir or a portion thereof." Since the base of the tax is the net number of dekatherms injected into storage or the net number of dekatherms withdrawn from storage, this exemption presumably exists to avoid double taxation of recycled gas.

## ELECTRIC GENERATION BY A MANUFACTURER FOR OWN USE

**STATUTE:** W. Va. Code §11-13-2o(c)(6)

**EXEMPTION:** When electricity used in a manufacturing activity is generated in this state by the person who owns the manufacturing facility in which the electricity is used and the electricity generating unit or units producing the electricity so used are owned by such manufacture, or by a member of the manufacturer's controlled group, as defined in section 267 of the Internal Revenue Code of 1986, as amended, the generation of the electricity shall not be taxable under this article

**VALUE:** **Cannot be disclosed due to Taxpayer confidentiality**

**Rationale**

This exemption exists because the eligible companies are not regularly involved in an activity subject to the Business and Occupation Tax.

## NET GENERATION EXCLUDED FROM TAXABLE GENERATING CAPACITY

**STATUTE:** W. Va. Code §§11-13-2o(a)(10)(A) and 11-13-2o(a)(10)(B)

**EXCLUSION:** "Net generation" for a period means the kilowatt-hours of net generation available for sale generated or produced by the generating unit in this state during such period less the following: twenty-one twenty-sixths of the kilowatt-hours of electricity generated at the generating unit and sold during such period to a plant location of a customer engaged in manufacturing activity if the contract demand at such plant location exceeds two hundred thousand kilowatts per hour in a year or where the usage at such plant location exceeds two hundred thousand kilowatts per hour in a year (§11-13-2o(a)(10)(A))

"Net generation" for a period means the kilowatt-hours of net generation available for sale generated or produced by the generating unit in this state during such period less the following: twenty-one twenty-sixths of the kilowatt-hours of electricity produced or generated at the generating unit during such period by any person producing electric power and an alternative form of energy at a facility located in this state substantially from gob or other mine refuse (§11-13-2o(a)(10)(B))

**VALUE:** **Cannot be disclosed due to Taxpayer confidentiality**

### Rationale

In 1995, the Business and Occupation Tax on electric power producers shifted from a tax largely based on kilowatt hours of electricity generated to a tax on the capacity of the generating units. Prior to the change in 1995, the large volume sales to manufacturers and the generation from gob or other mine refuse were taxed at a reduced rate that was 5/26ths of the general rate on net generation. The exclusion cited above extended the preferential treatment into the revised tax base (i.e., taxable generating capacity).

Prior to June 1995, the reduced rate for large quantities of electric power delivered to a manufacturer presumably existed to provide reduced rates to the power provider. There was an understanding that the reduction in tax rates would, in turn, be passed on to the large user through lower charges. The reduced rate existed to lower production costs for manufacturers consuming large quantities of electric power.

Gob piles and mine refuse are both environmental hazards and aesthetic eyesores. The reduced rate (prior to June 1995) for electricity produced or generated from such sites presumably existed to reduce the number and size of mine waste piles.

Other exclusions from the definition of net generation exist for the following:

- Generation from municipally owned power plants;
- Electric power separately metered and consumed in an electrolytic process for the manufacture of chlorine; and
- Electric power separately metered and consumed in an electrolytic process for the manufacture of ferroalloy.

Further information on these three exclusions can be found in the first two expenditures of this section. An additional expenditure related to large volume sales to manufacturers may be found in a following group of expenditures entitled “Alternate Tax Calculations.”

## CAPACITY RELATED TO RETIRED/INACTIVE RESERVE ELECTRIC GENERATING UNITS

**STATUTE:** W. Va. Code §11-13-2o(c)(1)

**EXEMPTION:** If a generating unit is retired from service or placed in inactive reserve, a taxpayer shall not be liable for tax computed with respect to the taxable generating capacity of the unit for the period that the unit is inactive or retired

**VALUE:** **Cannot be disclosed due to Taxpayer confidentiality**

### Rationale

Prior to 1995, the tax base for electric power producers was based upon ongoing economic activity either in the form of gross income or in the form of kilowatt hours of electricity generated. Under W. Va. Code §11-13-2o et. seq., the measure of the tax (i.e., taxable capacity) was based, in part, upon net generation. This exemption presumably exists in recognition that retired or inactive generating units are not producing net electric power generation.

### Revenue Analysis

Since 2010, more than 4,600 megawatts of coal-fired capacity were retired in West Virginia.

## CAPACITY EXEMPTIONS FOR NEW ELECTRIC GENERATING UNITS

**STATUTE:** W. Va. Code §§11-13-2o(c)(2) and 11-13-2o(c)(3)

**EXEMPTION:** If a new generating unit, other than a peaking unit, is placed in initial service on or after the effective date of this section, the generating unit's taxable generating capacity shall equal forty percent of the official capability of the unit: Provided, that the taxable generating capacity of a county or municipally-owned generating unit shall equal zero percent of the official capability of the unit and the taxable generating capacity of a generating unit utilizing a turbine powered by wind shall equal five percent of the official capability of the unit. Provided further, that for taxable periods beginning on or after the first day of January 2008, the taxable generating capacity of a generating unit utilizing a turbine powered primarily by wind shall equal twelve percent of the official capability of the unit. Provided further, that for taxable periods beginning on or after the first day of January 2020, the taxable generating capacity of a generating unit utilizing solar photovoltaic methods shall equal eight percent of the official capacity of the unit (§11-13-2o(c)(2))

If a peaking unit is placed in initial service on or after the effective date of this section, the generating unit's taxable generating capacity shall equal five percent of the official capability of the unit: Provided, that the taxable generating capacity of a county or municipally-owned plant shall equal zero percent of the official capability of the unit (§11-13-2o(c)(3))

**VALUE:** **Cannot be disclosed due to Taxpayer confidentiality**

**Rationale**

These exemptions presumably exist to encourage the construction and operation of new generating plants. The exemption for wind and solar units also reflect their lower operating rate relative to a base-load plant.

## NON-UTILITY NATURAL GAS SALES

**STATUTE:** W. Va. Code §11-13-2d(a)

**EXEMPTION:** Upon any person engaging or continuing within this state in any public service or utility business ... the tax imposed by section two of this article shall be equal to the gross income of the business derived from such activity or activities

**VALUE:** **$9.5 million per year**

**Rationale**

Although the statute cited above was originally enacted in 1935, non-utility natural gas sales did not become exempt from tax under the Business and Occupation Tax until the Tax Reform Act of 1985. Prior to July 1, 1987, non-utility sales of natural gas were subject to tax under the wholesale or retail classes of the Business and Occupation Tax. As previously stated, the 1985 legislation reduced the scope of the Business and Occupation Tax to a tax upon public utilities. The Public Service Commission issues companies a "Certificate of Public Convenience and Necessity" to operate as utilities in designated areas. As stated in *United Fuel Gas Co. v. Battle*, 153 W. Va. 222, 167 S.E. 2d 890, sales by utilities outside their designated service area are not classified as utility sales. In addition, non-utilities may make sales in areas in competition with utilities. With recent deregulation of the natural gas industry, non-utility sales of natural gas have become more significant in relation to all-natural gas sales. This exemption exists in part due to the conversion of the Business and Occupation Tax to a tax upon utilities.

## NEW NATURAL GAS STORAGE RESERVOIRS

**STATUTE:** W. Va. Code §11-13-1(b)(8)

**EXEMPTION:** "Storage reservoir" means that portion of any subterranean sand or rock stratum or strata into which gas has been injected for the purpose of storage prior to the first day of March, one thousand nine hundred eighty-nine

**VALUE:** **Cannot be disclosed due to Taxpayer confidentiality**

**Rationale**

The inclusion of a date in the definition of storage reservoir created an exemption for storage reservoirs developed after February 28, 1989. This exemption presumably exists to encourage the development of new natural gas storage reservoir capacity in West Virginia.

## COAL-FIRED MERCHANT POWER PLANTS

**STATUTE:** W. Va. Code §11-13-2q

**EXEMPTION:** A coal-fired merchant power plant is exempt on the generating capacity of its generating units at the plant located in West Virginia that are owned or leased by the taxpayer and used to generate electricity

**VALUE:** **Cannot be disclosed due to Taxpayer confidentiality**

**Rationale**

Beginning January 1, 2020, a coal-fired merchant power plant is exempt from Business and Occupation Tax on the generating capacity of its generating units at the plant located in West Virginia that are owned or leased by the taxpayer and used to generate electricity. A merchant power plant is defined as an electricity generating plant that:

1. does not receive regulated cost recovery pursuant to any tariff, regulated rate, or cost recovery fee mandated or authorized by any rate-making authority of any state in the United States;
2. sells electricity it generates only on the wholesale market;
3. does not sell electricity pursuant to one or more long-term sales contracts, and
4. does not sell electricity to retail customers.

## COMMUNITY SERVICE ASSESSMENT INCOME OF NONPROFIT HOMEOWNERS' ASSOCIATION

**STATUTE:** W. Va. Code §11-13-3(b)(7)

**EXEMPTION:** The provisions of this article do not apply to: ... (7) Gross income of a nonprofit homeowners' association received from assessments on its member for community services such as road maintenance, common are maintenance, water service, sewage service and security service

**VALUE:** **Minimal**

**Rationale**

Other than electric power generation and natural gas storage, the scope of the Business and Occupation Tax generally applies to public utilities. The test to determine status as a public utility, as stated in *United Fuel Gas Co. v. Battle*, 153 W. Va. 222, 167 S.E. 2d 890, "is that to be such there must be a dedication or holding out either express or implied that such person, firm, or corporation is engaged in the business of supplying his or its product or services to the public as a class or any part thereof as distinguished from the serving of only particular individuals ..." Generally, a homeowners' association only provides service to particular individuals (i.e., members of the association). This expenditure was enacted in 2005 to exempt homeowners' associations, which are not public utilities for purposes of the Business and Occupation Tax.

# ACTIVITIES SUBJECT TO REDUCED RATES

Reduced tax rates are provided presumably in recognition of the cost or benefit associated with the particular activity or quantity. In some cases, only one or two taxpayers are eligible for the reduced tax rate.

The following activities are eligible for reduced tax rates under the Business and Occupation Tax statute:

- Sales of Electric Power Exceeding 200,000 Kilowatts Per Hour Per Year and Large-Volume Electricity Sales to Manufacturers
- Capacity of Units with a Flue Gas Desulfurization System

Expenditure calculations for the items subject to reduced rates follow.

## SALES OF ELECTRIC POWER EXCEEDING 200,000 KILOWATTS PER HOUR PER YEAR AND LARGE-VOLUME ELECTRICITY SALES TO MANUFACTURERS

**STATUTE:** W. Va. Code §§11-13-2o(b)(1) and 11-13-2o(b)(2)

**TAX RATE:** For taxpayers who generate or produce electricity for sale, profit or commercial use, the product of $22.78 multiplied by the taxable generating capacity of each generating unit in this state owned or leased by the taxpayer, subject to the modifications set forth in subsection (c) of this section: Provided, That with respect to each generating unit in this state which has installed a flue gas desulfurization system, the tax imposed by section two of this article shall, on and after January 31, 1996, be equal to the product of $20.70 multiplied by the taxable generating capacity of the units, subject to the modifications set forth in subsection (c) of this section: Provided, however, That with respect to kilowatt hours sold to or used by a plant location engaged in manufacturing activity in which the contract demand at the plant location exceeds 200,000 kilowatts per hour per year or if the usage at the plant location exceeds 200,000 kilowatts per hour in a year, in no event may the tax imposed by this article with respect to the sale or use of the electricity exceed five hundredths of one cent times the kilowatt hours sold to or used by a plant engaged in a manufacturing activity; and (§11-13-2o(b)(1))

For taxpayers who sell electricity to consumers in this state that is not generated or produced in this state by the taxpayer, nineteen hundredths of one cent times the kilowatt hours of electricity sold to consumers in this state that were not generated or produced in this state by the taxpayer, except that the rate shall be five hundredths of one cent times the kilowatt hours of electricity not generated or produced in this state by the taxpayer which is sold to a plant location in this state of a customer engaged in manufacturing activity if the contract demand at such plant location exceeds 200,000 kilowatts per hour per year or if the usage at such plant location exceeds 200,000 kilowatts per hour in a year. The measure of tax under this subdivision shall be equal to the total kilowatt hours of electricity sold to consumers in the state during the taxable year, that were not generated or produced in this state by the taxpayer, to be determined by

subtracting from the total kilowatt hours of electricity sold to consumers in the state the net kilowatt hours of electricity generated or produced in the state by the taxpayer during the taxable year. For the purposes of this subdivision, net kilowatt hours of electricity generated or produced in this state by the taxpayer includes the taxpayer's pro rata share of electricity generated or produced in this state by a partnership or limited liability company of which the taxpayer is a partner or member. The provisions of this subdivision may not apply to those kilowatt hours exempt under §11-13-2(n)(b) of this code. Any person taxable under this subdivision shall be allowed a credit against the amount of tax due under this subdivision for any electric power generation taxes or a tax similar to the tax imposed by subdivision (1) of this subsection paid by the taxpayer with respect to the electric power to the state in which the power was generated or produced. The amount of credit allowed may not exceed the tax liability arising under this subdivision with respect to the sale of the power (§11-13-2o(b)(1))

**VALUE:** **$0 per year**

**Rationale**

These provisions are part of an historic tax base for electric power providers in place prior to January 1, 1995. As production is benchmarked to 1990s levels, this provision is not dependent on economic activity occurring year-to-year. With respect to the exemption for sales of electric power exceeding 200,000 kilowatts per hour per year, this exemption exists to lower production costs for manufacturers consuming large quantities of electric power. As for large volume electricity sales to manufacturers, these activities are subject to the reduced rate resulting from the benchmark.

## CAPACITY OF UNITS WITH A FLUE GAS DESULFURIZATION SYSTEM

**STATUTE:** W. Va. Code §11-13-2o(b)(1)

**TAX RATE:** For taxpayers who generate or produce electricity for sale, profit or commercial use, the product of $22.78 multiplied by the taxable generating capacity of each generating unit in this state owned or leased by the taxpayer, subject to the modifications set forth in subsection (c) of this section: Provided, That with respect to each generating unit in this state which has installed a flue gas desulfurization system, the tax imposed by section two of this article shall, on and after January 31, 1996, be equal to the product of $20.70 multiplied by the taxable generating capacity of the units, subject to the modifications set forth in subsection (c) of this section: Provided, however, That with respect to kilowatt hours sold to or used by a plant location engaged in manufacturing activity in which the contract demand at the plant location exceeds 200,000 kilowatts per hour per year or if the usage at the plant location exceeds 200,000 kilowatts per hour in a year, in no event may the tax imposed by this article with respect to the sale or use of the electricity exceed five hundredths of one cent times the kilowatt hours sold to or used by a plant engaged in a manufacturing activity

**VALUE:** **Cannot be disclosed due to Taxpayer confidentiality**

### Rationale

Flue gas desulfurization systems are intended to remove sulfur compounds from the exhaust gases of electric generating units fired by fossil fuel. The removal of sulfur compounds (e.g., sulfur dioxide) reduces the amount of acid rain formed when the exhaust gases combine with moisture in the air. This reduced tax rate presumably exists to encourage the installation of flue gas desulfurization systems at electric generating plants and, in turn, reduce the acid rain produced from the exhaust gases. The reduced tax rate also presumably promotes a market for high-sulfur coal.

# ALTERNATE TAX CALCULATION

The following provision exists to limit the tax liability of natural gas storage operators.

## GAS STORAGE

**STATUTE:** W. Va. Code §11-13-2e(a)

**CALCULATION:** Effective July 1, 1995, the net number of dekatherms of gas injected or the net number of dekatherms withdrawn shall not exceed the storage utilization index … "storage utilization index" means the utilization of storage reservoir, through the operation of existing and functional facilities available for storage use during the five year base period ending December 31, 1994 and the storage utilization index shall be the five year average of taxable dekatherms as determined for each taxable period of the stated base period

**VALUE:** **Cannot be disclosed due to Taxpayer confidentiality**

### Rationale

This expenditure was enacted to cap the tax liability of natural gas storage operators at the average monthly level experienced by such taxpayers between 1990 and 1994.

# CREDITS

The West Virginia Code provides for the application of various tax credits against the Business and Occupation Tax. Some credits provide qualifying businesses with an investment incentive. Others provide relief from double taxation or provide relief to utilities providing aid to low-income households. The following credits apply against current Business and Occupation Tax liability:

- Economic Opportunity Tax Credit
- Industrial Expansion and Revitalization Credit
- Natural Gas Industry Jobs Retention Credit
- Credit for Reducing Utility Charges to Low-Income Families
- Consumers Sales and Service Tax and Use Tax Overpayment Credit
- Annual Credit

Many of the credits listed above may also be applied against other business and personal taxes. Expenditure values presented in this section represent the amounts applied against **only** Business and Occupation Tax. In most cases, the priority order specified by statute or regulation specifies that the initial claim of the credit be applied against the Business and Occupation Tax. However, in some cases, the credits may be applied to other taxes first; thus, the credit amounts claimed against the Business and Occupation Tax may be negligible compared to the total cost of the credit. An analysis of these expenditures follows.

## ECONOMIC OPPORTUNITY TAX CREDIT

**STATUTE:** W. Va. Code §11-13Q-7

**CREDIT:** Credit, attributable to qualified investment in tangible and real property and the creation of new jobs in West Virginia, may be used to offset up to eighty percent of Business and Occupation Tax liability attributable to generating or producing or selling electricity, provided that the credit may offset one hundred percent of the tax if the median compensation of the new jobs exceeds an inflation adjusted value

**VALUE:** **$0 per year**

### Rationale

The Economic Opportunity Tax Credit was presumably enacted to encourage greater capital investment in West Virginia and create new jobs. In its base form, qualifying taxpayers must create at least 10 new jobs. However, the Economic Opportunity Tax Credit Law also contains a headquarter relocation provision with lower minimum job creation requirements.

### Revenue Analysis

The Economic Opportunity Tax Credit is currently not being used by any taxpayers.

## INDUSTRIAL EXPANSION AND REVITALIZATION CREDIT

**STATUTE:** W. Va. Code §§11-13D-3a and 11-13-3d

**CREDIT:** Credit, attributable to qualified investment by electric power producers in tangible and real property, may be used to offset up to fifty percent of Business and Occupation Tax liability for a period of ten years

**VALUE:**

| | | | |
|---|---|---|---|
| **2016** | **$52.5 million** | **2020** | **$24.0 million** |
| **2017** | **$47.4 million** | **2021** | **$19.7 million** |
| **2018** | **$45.8 million** | **2022** | **$19.7 million** |
| **2019** | **$31.0 million** | | |

### Rationale

The Industrial Expansion and Revitalization Credit exists as an incentive for manufacturers of electricity to increase their property investment levels in West Virginia. The credit is available for nearly all purchases of real property and tangible personal property. Also, investment in replacement property is valued equally with investment in expansion property.

### Revenue Analysis

The value of the Industrial Expansion and Revitalization Credit grew significantly between 1992 and 2009 when it peaked at $58.5 million. The increase was the result of increased investment by the electric power industry in the areas of plant revitalization and pollution control abatement. As significant pollution abatement tax credits claimed over ten years began expiring, the value of this expenditure declined beginning in 2010 to an estimated $19.7 million in 2022.

## NATURAL GAS INDUSTRY JOBS RETENTION CREDIT

**STATUTE:** W. Va. Code §11-13L

**CREDIT:** Credit, attributable to the number of qualified employees employed by a natural gas storage taxpayer during the taxable year multiplied by $1,000, may annually offset up to one hundred percent of Business and Occupation Tax liability attributable to the natural gas storage tax for tax years beginning on or after October 1, 1996

**VALUE:** **Cannot be disclosed due to Taxpayer confidentiality**

### Rationale

The Natural Gas Industry Jobs Retention Credit exists as an incentive for natural gas storage companies to maintain current employment levels within West Virginia.

## CREDIT FOR REDUCING UTILITY CHARGES TO LOW-INCOME FAMILIES

**STATUTE:** W. Va. Code §§11-13F-3 and 11-13-3f

**CREDIT:** Credit, attributable to the provision of electric or natural gas or water utility service to qualified low-income residential customers at special reduced rates, may be used to offset up to one hundred percent of Business and Occupation Tax liability

**VALUE:** **$7.6 million per year**

### Rationale

This credit is a form of government assistance to qualified low-income households. Public utilities are compensated for the value of rate reductions to low-income customers through the tax credit program.

### Revenue Analysis

This credit is available to water utilities providing reduced rates to qualified low-income residential customers. Credit was also recently extended to sewer utilities.

## CONSUMER SALES AND SERVICE TAX AND USE TAX OVERPAYMENT CREDIT

**STATUTE:** W. Va. Code §11-13-31

**CREDIT:** Overpayments of sales and use tax may be claimed as a credit against the Business and Occupation Tax

**VALUE:** **Minimal**

### Rationale

This credit is a mechanism for taxpayers to claim a refund for the overpayment of Consumers Sales Tax or Use Tax without the need for filing a refund request with the State Tax Department. This credit is **not** a tax expenditure because it simply provides an additional mechanism for expeditious return of funds never due the State.

## ANNUAL CREDIT

**STATUTE:** W. Va. Code §11-13-3(a)

**CREDIT:** An annual credit of $500 is permitted for each taxpayer subject to the Business and Occupation Tax

**VALUE:** **$24,000 per year**

**Rationale**

The purpose of this credit may be to provide some measure of tax relief to small businesses. However, the credit applies to all Business and Occupation taxpayers, regardless of size. This provision is a carryover from the old broad-based Business and Occupation Tax structure in place prior to July 1, 1987.

# SEVERANCE TAX

## OVERVIEW

The Severance Tax is imposed on the gross value of severed natural resources. The gross value of a severed natural resource is the market value of the resource in the immediate vicinity where severed. Transportation costs to the customer are not included. The rate of taxation varies among taxable resources. The following table shows the rate as of July 1, 2023.

| Natural Resource[1] | Tax Rate |
|---|---|
| Coal mined and produced, average underground seam thickness in excess of 45 inches or from surface mines* | 5.00% |
| Coal mined and produced from new underground mines, average seam thickness of 37 inches to 45 inches* | 2.00% |
| Coal mined and produced from new underground mines, average seam thickness less than 37 inches* | 1.00% |
| Steam coal for electric power plants | 3.00% |
| Waste coal | 2.50% |
| Oil | 5.00% |
| Natural gas and coalbed methane | 5.00% |
| Low volume vertical oil and gas wells | 2.50% |
| Other natural resource products | 5.00% |

* Tax rates on the severance of coal are inclusive of the 0.35 percent local coal severance tax rate.

Raw coal purchased and processed into a commercially useable product is assessed tax on the value added in the processing. A Minimum Severance Tax of $0.75 per ton of coal produced by a taxpayer for sale, profit or commercial use applies to all coal except qualified thin-seam coal.

## ESTIMATING COSTS OF TAX EXPENDITURES

Several sources were used to estimate the costs of Severance Tax expenditures. However, taxpayer returns, and other records of the State Tax Department were primarily used for the estimates.

## ORGANIZATION AND ANALYSIS

The Severance Tax expenditures discussed in this report are divided into three groups as follows:

- Exemptions
- Exclusions and Other Tax Preferences
- Credits

The analysis provided for each tax expenditure includes the item's cost to the State and a possible rationale.

[1] Reduced Severance Tax rates for “thin-seam” coal production apply only to new underground mines (mines first opened on or after April 11, 1997) with average seam thickness of less than 45 inches.

# EXEMPTIONS

Two types of activities are exempt from the Severance Tax. The following is a list of these exemptions:

- Exemption for Limestone and Sandstone
- Exemption for Timber

An analysis of these exemptions follows.

## EXEMPTION FOR LIMESTONE OR SANDSTONE

**STATUTE:** W. Va. Code §11-13A-3(h)(2)(i)

**EXEMPTION:** Imposition of tax on privilege of severing limestone or sandstone. The taxes imposed under this section for persons exercising the privilege of engaging or continuing within this state in the business of severing, extracting, reducing to possession and producing for sale, profit or commercial use limestone or sandstone shall cease, terminate and be of no further force or effect on and after July 1, 2019

**VALUE:** **$1.2 million per year**

### Rationale

The termination of the severance tax on limestone or sandstone was presumably enacted to further encourage growth of this sector of the economy.

## EXEMPTION FOR TIMBER

**STATUTE:** W. Va. Code §11-13A-3b(d)

**EXEMPTION:** Imposition of tax on privilege of severing timber. The taxes imposed under this section shall cease, terminate and be of no further force or effect on and after July 1, 2019

**VALUE:** **$1.6 million per year**

### Rationale

The termination of the severance tax on timber was presumably enacted to further encourage logging and woods products related industry within the State. The proceeds of this tax were dedicated to the funding of the Division of Forestry. The Division of Forestry now relies on proceeds of State-owned timber sales for a portion of its funding.

# EXCLUSIONS AND OTHER TAX PREFERENCES

Several types of activities are excluded from the Severance Tax due to the nature of the business activity or the level of that activity. In addition, certain coal mining activities are subject to preferential tax rates. The following is a list of these exclusions and other tax preferences:

- Treatment Processes Not Considered as Mining
- Gob or Coal Refuse
- Treatment Processes Not Included in Extraction of Oil and Gas
- Low-Volume Oil and Gas Well Exclusions
- Reduced Tax Rates for Thin-Seamed Coal from New Underground Mines
- Reduced Tax Rate for Extracting Coal from Refuse and Gob Piles
- Reduced Tax Rate for Steam Coal
- Reduced Tax Rate for Low Volume Vertical Oil and Gas Wells

An analysis of these exclusions and other tax preferences follows.

## TREATMENT PROCESSES NOT CONSIDERED AS MINING

**STATUTE:** W. Va. Code §11-13A-4(b)

**EXCLUSION:** Unless such processes are otherwise provided for, or are necessary or incidental to processes provided for, the following treatment processes shall not be considered as “mining”: Electrolytic deposition, roasting, calcining, thermal or electric smelting, refining, polishing, fine pulverization, blending with other materials, treatment effecting a chemical change, thermal action and molding or shaping

**VALUE:** **Not available**

### Rationale

That portion of income derived from value added by treatment processes after severance is by definition not part of the severance process and, therefore, is exempt from tax. These processes consist of electrolytic deposition, roasting, calcining, thermal or electric smelting, refining, polishing, fine pulverization, blending with other minerals, treatment effecting a chemical change, thermal action, and molding or shaping. These processes generally occur after the resource is removed from the earth, the point at which severance occurs.

## GOB OR COAL REFUSE

**STATUTE:** W. Va. Code §§11-13A-2(c)(5) and 11-13A-3e(e)

**EXCLUSION:** "Extraction of ores or minerals from the ground" includes extraction by mine owners or operators of ores or minerals from the waste or residue of prior mining only when such extraction is sold (§11-13A-2(c)(5))

The tax imposed in W. Va. Code §11-13A-3e(b) shall not apply to any electrical power co-generation plant burning material from its wholly owned refuse or gob pile (§11-13A-3e(e))

**VALUE:** **Cannot be disclosed due to Taxpayer confidentiality**

**Rationale**

Gob that is severed but not sold by producers before use is excluded from the Severance Tax. Gob is considered to be “coal mine refuse.”

As a result of technological developments and other factors, the material in some refuse or gob piles can be recovered and used as clean coal. The exemption for electric power co-generation plants using material from their own refuse or gob piles presumably exists to provide an incentive to reduce or eliminate the refuse or gob piles.

## TREATMENT PROCESSES NOT INCLUDED IN EXTRACTION OF OIL AND GAS

**STATUTE:** W. Va. Code §11-13A-4(c)

**EXCLUSION:** The privileges of severing and producing oil and natural gas shall not include any conversion or refining process

**VALUE:** **Not available**

**Rationale**

The conversion or refining of oil and natural gas is excluded from the Severance Tax. These processes are not considered part of the severance of the natural resource and, thus, are excluded from taxation.

## LOW-VOLUME OIL AND GAS WELL EXCLUSIONS

**STATUTE:** W. Va. Code §11-13A-3a(a)

**EXCLUSION:** For taxable periods, beginning on or after January 1, 2000, there is a Severance Tax exemption for the following (1) Free natural gas provided to any surface owner; (2) natural gas produced from any well which produced an average of less than 5,000 cubic feet of natural gas per day during the calendar year immediately preceding a given taxable period; (3) oil produced from any oil well which produced an average of less than one-half barrel of oil per day during the calendar year immediately preceding a given taxable period; and (4) for a maximum period of 10 years, all natural gas or oil produced from any well which has not produced marketable quantities of natural gas or oil for five consecutive years immediately preceding the year in which a well is placed back into production and therefore produces marketable quantities of natural gas or oil

| | | |
|---|---|---|
| **VALUE:** | **2020** | **$2.6 million** |
| | **2021** | **$1.9 million** |
| | **2022** | **$1.8 million** |

### Rationale

Free natural gas provided to a surface owner is presumably excluded from taxation in recognition that tax on severed natural gas is imposed on the gross proceeds of the production and the producer does not receive direct monetary compensation for the gas provided to the surface owner. The exclusion of receipts from low-volume wells presumably exists to keep low marginal wells in production. In addition, the ten-year exemption for inactive wells presumably promotes additional development and marketing of conventional natural gas wells in West Virginia.

### Revenue Analysis

The expenditure values provided above is an estimate of the tax foregone due to the exclusion of natural gas and oil obtained from low-volume wells. The tax expenditure value fluctuates each year with the price of oil and natural gas. An estimate of the tax foregone due to the provision of free natural gas to the owner of the surface rights where gas wells are located Not available. However, the amount of tax foregone for this exclusion is likely minimal. This statute excludes horizontal wells from the tax exclusion.

## REDUCED TAX RATES FOR THIN-SEAM COAL FROM NEW UNDERGROUND MINES

**STATUTE:** W. Va. Code §11-13A-3(g)

**TAX RATE:** For tax years beginning after April 10, 1997, any new underground mine producing coal from seams of less than forty-five inches in average thickness or any existing underground mine that had not produced coal from seams of less than forty-five inches in thickness between October 12, 1996 and April 10, 1997, may qualify for reduced severance tax rates. The tax rate is two percent for coal mined from seams with an average thickness of thirty-seven inches to forty-five inches and one percent for coal mined from seams with an average thickness of less than thirty-seven inches

**VALUE:**

| | |
|---|---|
| **2020** | **$33.9 million** |
| **2021** | **$45.6 million** |
| **2022** | **$84.4 million** |

### Rationale

The application of reduced coal severance tax rates for “new” thin-seam underground mines presumably exists to encourage greater coal production from thin-seam underground mines.

### Revenue Analysis

The value of the reduced tax rate preference for thin-seam coal fluctuates each year due mainly to changes in metallurgical coal demand and price. According to data from the United States Department of Energy, the average price of metallurgical coal per short ton fell from $139.78 in 2019 to $110.64 in 2020 and sharply rose to $151.97 in 2021. In 2022, the average price of metallurgical coal was $261.72, up 72.0% from the prior year.

## REDUCED TAX RATE FOR EXTRACTING COAL FROM REFUSE AND GOB PILES

**STATUTE:** W. Va. Code §11-13A-3e(c)

**TAX RATE:** The tax imposed in W. Va. Code §11-13A-3e(b) shall be two and one- half percent of the gross value of the coal so produced

**VALUE:** **Minimal**

### Rationale

The application of a reduced coal severance tax rate for the extracting and recovering material from refuse, gob piles or other sources of waste coal presumably exists to reduce the volume and number of coal refuse and gob piles.

## REDUCED TAX RATE FOR STEAM COAL

**STATUTE:** W. Va. Code §11-13A-3(b)

**TAX RATE:** The tax imposed is five percent of the gross value of the natural resource produced. Provided, that effective July 1, 2019, the tax rate imposed by this subsection on the gross value of thermal or steam coal produced shall be reduced incrementally over the next three years for a total reduction of two percent by July 1, 2021. That on July 1, 2019, the reduction shall occur at the rate of 35 percent of the two percent reduction, on July 1, 2020, the reduction shall occur at the rate of 65 percent of the two percent reduction, and on July 1, 2021, at the rate of 100 percent of the two percent reduction.

**VALUE:** **$52.7 million per year**

### Rationale

The application of the reduced coal severance tax rates for steam coal presumably exists to encourage greater production and sales of coal for use in electric power generation. The domestic steam coal market has been rapidly shrinking over the past decade due to closure of old power plants and an emerging long-term competitive advantage for generation from lower priced natural gas associated with improving shale drilling technologies.

## REDUCED TAX RATE FOR LOWER VOLUME VERTICAL OIL AND GAS WELLS

**STATUTE:** W. Va. Code §11-13A-3a(b)(2)

**TAX RATE:** That effective for taxable periods beginning on or after January 1, 2020: For all natural gas produced from any well, excluding wells utilizing horizontal drilling techniques targeting shale formations, which produced an average between 5,000 cubic feet of natural gas per day and 60,000 cubic feet of natural gas per day during the calendar year immediately preceding the beginning date of a given taxable year, and for oil produced from any well, excluding wells utilizing horizontal drilling techniques targeting shale formations, which produced an average between one-half barrel per day and 10 barrels per day, during the calendar year immediately preceding the beginning date of a given taxable year, the rate of tax is two and five tenths percent of the gross value of the natural gas or oil produced as shown by the gross proceeds derived from the sale thereof by the producer

| | | |
|---|---|---|
| **VALUE:** | **2020** | **$2.5 million** |
| | **2021** | **$4.0 million** |
| | **2022** | **$7.5 million** |

### Rationale

The application of a reduced oil and natural gas tax rate for certain lower volume vertical wells presumably exists to encourage continuing operation of such wells. Due to technological changes involving horizontal drilling in shale formations, few to no new vertical wells are being drilled in West Virginia. The proceeds from the lower tax rate on production from such wells are largely dedicated to the plugging of abandoned orphan wells in the State.

### Revenue Analysis

Absent rising prices, the revenue yield from the special lower tax rate will decline gradually over future years as the volume produced from these older vertical wells declines over time. Therefore, the value of this expenditure should also decrease over time. The value of this expenditure will fluctuate year to year due to changes in energy prices.

# CREDITS

The West Virginia Code provides for the application of various tax credits against the Severance Tax. Some credits provide qualifying businesses with an investment incentive while others provide relief from double taxation. The following credits apply against Severance Tax liability:

- Manufacturing Investment Tax Credit
- Coal Severance Tax Rebate Credit
- Coal Loading Facilities Credit
- Credit for Payment of Minimum Severance Tax on Coal
- Annual Credit

Many of the credits listed above may also be applied against other business and personal taxes. Expenditure values presented in this section represent the amounts applied against only the Severance Tax. An analysis of these expenditures follows.

## MANUFACTURING INVESTMENT TAX CREDIT

**STATUTE:** W. Va. Code §11-13S-4(b)(2)

**CREDIT:** Credit, attributable to qualified investment by manufacturers in tangible and real property, may be used to offset up to sixty percent of Severance Tax liability for a period of ten years

**VALUE:** **$0 per year**

### Rationale

The Manufacturing Investment Tax Credit was enacted to encourage the location of new industry in West Virginia and to encourage the expansion, growth and revitalization of existing industrial facilities in West Virginia. Qualified investment placed in service or use on or after January 1, 2003, may qualify for the credit. Eligible taxpayers include those with business activity classified as having a sector identifier, consisting of the first two digits of the six-digit North American Industry Classification System code number of 31, 32, or 33 or whose six-digit code is 211112.

### Revenue Analysis

The value of this credit is zero because nearly all tax credits were claimed by producers of limestone, sandstone and timber. The Severance Tax was recently eliminated for these industries.

## COAL SEVERANCE TAX REBATE CREDIT

**STATUTE:** W. Va. Code §11-13EE

**CREDIT:** Credit, attributable to amount of the taxpayer's capital investment in new machinery and equipment directly used in the production of coal at a coal mining operation in this state multiplied by 35 percent may be applied to offset 80 percent of the state portion of the 5.0 percent severance tax rate directly attributable to the increased production of coal associated with the new investment

**VALUE:** **$0 per year (New program)**

### Rationale

The Coal Severance Tax Rebate Credit was presumably enacted to encourage new investment in the coal industry within the state. At 35 percent, the potential amount of investment tax credit associated with this Program is very high relative to any other similar investment tax credit offered by West Virginia or any other state. Therefore, there are statutorily complex rules in place to limit credit application to net expansions of mining operations in West Virginia.

### Revenue Analysis

As of 2022, there is $70 million of rebate credit available, based on filed investment tax credit schedules.

## COAL LOADING FACILITIES CREDIT

**STATUTE:** W. Va. Code §§11-13E-3a and 11-13A-10a(a)(3)

**CREDIT:** Credit, attributable to qualified investment in tangible and real property for use in a coal loading facility, may be used to offset up to fifty percent of Severance Tax liability for a period of ten years

**VALUE:** **$0.9 million per year**

### Rationale

The Coal Loading Facilities Credit exists as an incentive to encourage the construction and maintenance of coal loading facilities in West Virginia. Under this credit program, investment in replacement property is valued equally with investment in expansion property.

## CREDIT FOR PAYMENT OF MINIMUM SEVERANCE TAX ON COAL

**STATUTE:** W. Va. Code §11-12B-3(b)

**CREDIT:** A person who pays the Minimum Severance Tax shall be allowed a credit against the Severance Tax, but not including the Additional Severance Tax on Coal

**VALUE:** **$60.0 million per year**

### Rationale

A business that pays the Minimum Severance Tax on Coal is allowed a credit against the net State Severance Tax, (i.e., the gross receipts tax rate less the 0.35 percent designated for local governments). The credit amount is equal to the liability for the Minimum Severance Tax on Coal for the taxable year. The amount of the credit may not exceed the Severance Tax liability of the taxpayer. This credit is **not** a true tax expenditure. It is part of a mechanism to ensure that a minimum amount of tax per ton of mined coal is paid.

### Revenue Analysis

The value of this tax credit rises and falls with the change in coal production and has trended down in recent years.

## ANNUAL CREDIT

**STATUTE:** W. Va. Code §11-13A-10

**CREDIT:** An annual credit of $500 is permitted for each taxpayer subject to the Severance Tax

**VALUE:** **$0.5 million per year**

### Rationale

The purpose of this credit may be to provide some measure of tax relief to small businesses. However, the credit applies to all Severance taxpayers, regardless of size.

# HEALTH CARE PROVIDER TAXES

## OVERVIEW

Health Care Provider Taxes include the Health Care Broad Base Tax, the Acute Care Hospital Tax, the Acute Care Hospital Tax to Enhance Practitioner Fee Schedules, and the Managed Care Organization Tax. The Health Care Broad Base Tax and the Acute Care Hospital Taxes are imposed on the provision of selected types of health care services provided in West Virginia. The Managed Care Organization Tax is a tiered tax based on the Medicaid and Non-Medicaid membership of managed care organizations. The following is a list of taxable health care services and their respective tax rates as of June 30, 2023:

| | |
|---|---|
| Ambulatory Surgical Center | 1.75% |
| Independent Laboratory or X-ray Services | 5.00% |
| Inpatient Hospital Services | 2.50% |
| Intermediate Care Facility Services for Individuals with an Intellectual Disability | 5.50% |
| Nursing Facilities other than Intermediate Care Facility Services for Individuals with an Intellectual Disability | 5.50% |
| Outpatient Hospital Services | 2.50% |
| Acute Care Hospital Services (in addition to 2.50%) | 0.75% |
| Acute Care Hospital Practitioner Fees (in addition to 2.50%) | 0.13% |
| Managed Care Organizations | Tiered |

Health Care Broad Base Tax and Acute Care Hospital Taxes are measured by the application of a rate to the gross receipts received from providing the particular health care services. Gross receipts include all payments, in cash or in kind, from patients, third-party providers, and others for the services rendered, including retroactive adjustments under reimbursement agreements with third-party providers. Gross receipts that are not related to providing of health care services (e.g., fees received by health care providers for providing expert testimony) and charitable donations are not subject to tax.

## ESTIMATING COSTS OF TAX EXPENDITURES

Tax return information was used to estimate expenditure valuations. Estimates were calculated using the various applicable tax rates. There are currently no expenditures associated with the Managed Care Organization Tax.

## ORGANIZATION AND ANALYSIS

There are only two possible deductions from bases of the Health Care Broad Base Tax and the Acute Care Hospital Taxes, contractual allowances and bad debts. The analysis provided for each deduction includes the item's value and a rationale.

## HEALTH CARE BROAD BASE DEDUCTIONS

The two possible deductions from the gross receipts tax base of the Health Care Broad Base Tax are as follows:

- Contractual Allowances
- Bad Debts

An analysis of these deductions follows.

## CONTRACTUAL ALLOWANCES

**STATUTE:** W.Va. Code §§11-27-4(c)(1),11-27-8(c)(1), 11-27-9(c)(1), 11-27-10(c)(1), 11-27-11(c)(1), and 11-27-15(c)(1)

**DEDUCTION:** Accrual basis providers shall be allowed to reduce gross receipts by their contractual allowances, to the extent such allowances are included therein

**VALUE:** **$296.7 million per year**

### Rationale

The deductions for contractual allowances and bad debts exist to prevent taxation of gross receipts never received by accrual basis taxpayers. Contractual allowances represent the difference between gross receipts at established rates and amounts realizable from third-party payers under contractual agreements.

## BAD DEBTS

**STATUTE:** W.Va. Code §§11-27-4(c)(1),11-27-8(c)(1), 11-27-9(c)(1), 11-27-10(c)(1), 11-27-11(c)(1), and 11-27-15(c)(1)

**DEDUCTION:** Accrual basis providers shall be allowed to reduce gross receipts by bad debts, to the extent the amount of such bad debts was previously included in gross receipts upon which the tax imposed by this section was paid

**VALUE:** **$11.4 million per year**

### Rationale

The deductions for contractual allowances and bad debts exist to prevent taxation of gross receipts never received by accrual basis taxpayers. Bad debts are deducted to the extent such amounts were previously included in the measure of gross receipts upon which tax was paid. These deductions are **not** tax expenditures.

# ACUTE CARE HOSPITAL TAX DEDUCTIONS

The two possible deductions from the gross receipts tax base of the Acute Care Hospital Taxes are as follows:

- Contractual Allowances
- Bad Debts

An analysis of these deductions follows.

## CONTRACTUAL ALLOWANCES

**STATUTE:** W.Va. Code §§11-27-9(c)(1) and 11-27-15(c)(1)

**DEDUCTION:** Accrual basis providers shall be allowed to reduce gross receipts by their contractual allowances, to the extent such allowances are included therein

**VALUE:** **$76.2 million per year**

### Rationale

The deductions for contractual allowances and bad debts exist to prevent taxation of gross receipts never received by accrual basis taxpayers. Contractual allowances represent the difference between gross receipts at established rates and amounts realizable from third-party payers under contractual agreements.

## BAD DEBTS

**STATUTE:** W.Va. Code §§11-27-9(c)(1) and 11-27-15(c)(1)

**DEDUCTION:** Accrual basis providers shall be allowed to reduce gross receipts by bad debts, to the extent the amount of such bad debts was previously included in gross receipts upon which the tax imposed by this section was paid

**VALUE:** **$2.5 million per year**

### Rationale

The deductions for contractual allowances and bad debts exist to prevent taxation of gross receipts never received by accrual basis taxpayers. Bad debts are deducted to the extent such amounts were previously included in the measure of gross receipts upon which tax was paid. These deductions are **not** tax expenditures.

# COAL MINING RECLAMATION FEE

## OVERVIEW

The Coal Mining Reclamation Fee is imposed on all clean tons of coal mined in West Virginia. The current fee is 27.9 cents per clean ton mined. Revenues attributable to 15 cents out of the total 27.9 cents are deposited into the Special Reclamation Water Trust Fund, and the remainder is deposited in the Special Reclamation Fund. These funds are utilized by the Department of Environmental Protection to pay for expenses associated with reclamation of post 1977 coal mines in the State.

There is one allowable tax expenditure against the Coal Mining Reclamation Fee. An analysis of this expenditure follows.

### RECLAMATION REMEDIATION TAX CREDIT

**STATUTE:** W. Va. Code §22-3-11(g)(3)

**CREDIT:** Credit, attributable to amount of project costs, as shown in the records of the secretary, that would have been spent from the Special Reclamation Fund or Special Reclamation Water Trust Fund to accomplish the reclamation or remediation performed by the mine operator, including expenditures for water treatment.

**VALUE:** **$0 per year**

#### Rationale

The tax credit might yield a net benefit if the net cost to the State Treasury associated with reclamation or remediation by the mine operator were less than the cost for the State to otherwise perform such reclamation or remediation. This tax credit was first effective for reclamation or remediation activities occurring on or after January 1, 2012. Currently there are no active projects.

# SOLID WASTE ASSESSMENT FEES

## OVERVIEW

Several Solid Waste Assessment Fees are levied and imposed on the disposal of solid waste at any solid waste disposal facility in West Virginia. The Solid Waste Assessment Fees are imposed in addition to all other fees levied. The fees are to be added to, and constitute part of, any fee charged by the operator or owner of a solid waste disposal facility for receiving and disposing of solid waste. The following table shows the Solid Waste Assessment Fees, as of July 1, 2023, by West Virginia Code Section:

| Fee | West Virginia Code | Fee Per Ton |
|---|---|---|
| Solid Waste Assessment Fee | §22-15-11(a)(1) | $1.75 |
| Solid Waste Assessment Fee- Landfill Disposal | §22-15-11(a)(2) | $0.60 |
| Solid Waste Assessment Interim Fee | §22C-4-30(a)(1) | $1.00 |
| Recycling Assessment Fee | §22-15A-19(a) | $2.00 |
| Solid Waste Assessment Fee–Landfill Closure | §22-16-4(a) | $2.90 |
| Horizontal Drilling Waste Assessment Fee | §22-15-11(k) | $1.00 |

By statute, waste disposed of by commercial recyclers is only subject to the $2.00 per ton Recycling Assessment Fee levied via W. Va. Code §22-15A-19. The purpose of this reduced fee is to support and encourage recycling. By recovering valuable resources from solid waste, commercial recyclers reduce the need for landfills while extending their life. The term “commercial recyclers” refers to any person, corporation, or business entity whose operation involves mechanical separation of materials for the purpose of reselling or recycling at least 70 percent by weight of the materials coming into the commercial recycling facility.

Per W.Va. Code §22-16-4(a), the State share of the Solid Waste Assessment Fee dedicated to landfill closure assistance programs decreased from $3.50 per ton to $3.30 per ton beginning on July 1, 2021. It was further reduced by $0.20 per ton annually through July 1, 2025. The county solid waste authorities would gain these $0.20 per ton increments annually during this same period per W.Va. Code §22-15-11. Per statute, 25 percent of the additional county fee is distributed equally to each county or regional solid waste authority and 75 percent of this county fee is distributed on a per capita basis to each county or regional waste authority based on the most recent population projections from the United States Census Bureau. For purposes of this report, the table above has the current Landfill Closure Solid Waste Assessment Fee at $2.90 per ton which is effective between July 1, 2023 and June 30, 2024.

The Horizontal Drilling Waste Assessment Fee is levied upon the disposal of drill cuttings and drilling waste generated by horizontal well sites. The fee is in addition to all other solid waste fees.

The following types of waste collected at solid waste disposal facilities are exempt from all five of the Solid Waste Assessment Fees listed above:

- Waste disposed by owner, operator, or renter of waste disposal facility;
- Reused or recycled waste; and
- Residential waste disposed of by individuals on specific days.

While a statutory exemption for the waste disposed of by commercial recyclers is included in three of the four Solid Waste Assessment Fees, for purposes of this study the commercial recyclers expenditure is addressed as a reduced rate. In addition to the indicated exemptions, the fee assessed via W. Va. Code §22-16-4(a) provides an expenditure for waste disposal facilities that are required to set some of the fee aside for facility closure requirements.

**ORGANIZATION AND ANALYSIS**

This study separates the Solid Waste Assessment Fee expenditures into two groups. The groups are based on the type of expenditure or on the organization or activity involved. The two groups are as follows:

- Measurable Transactions Exempt from Fees
- Activities Subject to Reduced Rates and Deductions

Each expenditure listed in this report contains a brief rationale to explain the existence and the theory behind each expenditure.

# MEASURABLE TRANSACTIONS EXEMPT FROM FEES

The Solid Waste Assessment Fee statutes provide several exemptions that exclude specific transactions from the assessment fee. The following transactions are excluded from the appropriate fee base prior to the calculation of the amount due:

- Waste Disposed by Owner, Operator or Renter of Waste Disposal Facility
- Recycled or Reused Waste
- Residential Disposal on Specific Days

Expenditure calculations for these excluded items follow.

## WASTE DISPOSED BY OWNER, OPERATOR, OR RENTER OF WASTE DISPOSAL FACILITY

**STATUTE:** W. Va. Code §§22-15-11(e)(1), 22-16-4(e)(1), 22C-4-30(e)(1), and 22-15A-19(e)(1)

**EXEMPTION:** Disposal of solid waste at a solid waste disposal facility by the person who owns, operates, or leases the solid waste disposal facility if the facility is used exclusively to dispose of waste originally produced by such person in such person's regular business or personal activities or by persons utilizing the facility on a cost-sharing or nonprofit basis

**VALUE:** **$370,000 per year**

**Rationale**

The purpose of this exclusion is to provide some measure of relief for an operator of a waste disposal facility by not imposing a fee on waste produced by operator’s personal activity or regular business.

## RECYCLED OR REUSED WASTE

**STATUTE:** W. Va. Code §§22-15-11(e)(2), 22-16-4(e)(2), 22C-4-30(e)(2), and 22-15A-19(e)(2)

**EXEMPTION:** No fee applies to any waste that was reused or recycled

**VALUE:** **$14,000 per year**

**Rationale**

The purpose of this exclusion is to encourage reuse or recycling of solid waste.

## RESIDENTIAL DISPOSAL ON SPECIFIC DAYS

**STATUTE:** W. Va. Code §§22-15-11(e)(3), 22-16-4(e)(3), 22C-4-30(e)(3), and 22-15A-19(e)(3)

**EXEMPTION:** Disposal of residential solid waste by an individual not in the business of hauling or disposing of solid waste on such days and times as designated by the director

**VALUE:** **$30,000 per year**

### Rationale

This exclusion encourages individuals to dispose of larger items or accumulated refuse without having to pay any additional waste removal fee.

## ACTIVITY SUBJECT TO REDUCED RATES AND DEDUCTIONS

The Solid Waste Assessment Fee expenditure related to reduced rates and deductions is as follows:

- Solid Waste Disposed by Commercial Recycler

An analysis of this expenditure follows.

### SOLID WASTE DISPOSED BY COMMERCIAL RECYCLER

**STATUTE:** W. Va. Code §§22-15-11(e)(4), 22-16-4(e)(4), and 22C-4-30(e)(4)

**EXEMPTION:** Disposal of solid waste at a solid waste disposal facility by a commercial recycler which disposes thirty percent or less of the total waste it processes for recycling. The rate is two dollars per ton for any commercial recycler that is eligible for this reduction.

**VALUE:** **$230,000 per year**

**Rationale**

The purpose of this reduction is to support and encourage recycling. By recovering valuable resources from solid waste, commercial recyclers reduce the need for landfills while extending their life.

# BUSINESS REGISTRATION TAX

## OVERVIEW

The Business Registration Tax is a license fee required prior to starting business operations in West Virginia. The tax was originally enacted in 1970 as the "Business Franchise Registration Tax" to replace both the General License Tax and the Store Tax. In 1986, the name was changed to the Business Registration Tax to avoid confusion with the Business Franchise Tax, a tax on the net worth of businesses. In Fiscal Year 2023, Business Registration Tax collections totaled $1.01 million. All Business Registration Tax Certificates issued for periods beginning on or after July 1, 2010 are permanent unless suspended or revoked for cause or cancelled by the holder of the certificate.

## ESTIMATING COSTS OF TAX EXPENDITURES

The values of the expenditures contained within this section were determined from a variety of sources. In many cases, internal State Tax Department data was used to calculate a value for the expenditure. In other cases, the information to calculate an expenditure value was not readily available to the Department.

## ORGANIZATION AND ANALYSIS

This study separates the Business Registration Tax expenditures into four groups based on statutory language. The expenditure groups are listed below:

- Activities Excluded from Definition of Business Activity
- Activities Exempt from Registration
- Activities Not Requiring Business Registration Certificate
- Activities Exempt from Payment of Tax

Each expenditure listed in this section contains a brief rationale for the existence of the expenditure. Legislative documentation on why a particular tax expenditure was enacted is generally not available. Thus, the rationales herein are based solely on the experience of the State Tax Department.

# ACTIVITIES EXCLUDED FROM DEFINITION OF BUSINESS ACTIVITY

The following activities are excluded from the definition of business activity and are thus excluded from taxation under Business Registration Tax statutes:

- Sales of Property Directed by or Conducted by Governmental Agencies
- The Conduct of Charitable Bingo or Raffle
- Horse or Dog Race Meeting Activities and Associated Services
- Occasional or Casual Sales of Property or Services

An analysis of these exclusions follows.

## SALES OF PROPERTY DIRECTED BY OR CONDUCTED BY GOVERNMENTAL AGENCIES

**STATUTE:** W. Va. Code §§11-12-2(b)(2)(A) and 11-12-2(b)(2)(B)

**EXCLUSION:** "Business activity" shall not include:

- Judicial sales directed by law or court order (§11-12-2(b)(2)(A))
- Sales for delinquent taxes of real or personal property (§11-12-2(b)(2)(B))

**VALUE:** **Minimal**

### Rationale

Judicial sales directed by law or court order are predominantly of two types. The first type involves the sale of property owned by persons claiming bankruptcy while the second type involves the sale of confiscated property. The confiscated property generally results from its use in criminal activities or due to outstanding tax liabilities, not including outstanding property tax liabilities. While one could construe these sales as satisfying the "revenue-generating" and "gain or economic benefit" clauses in the definition of "business activity," the intent of the sales is generally otherwise. These sales are presumably excluded since the purpose of the sale is generally not for economic gain by the entity conducting the sale. The proceeds of sales resulting from bankruptcy proceedings are, in part, distributed to the creditors of the company claiming bankruptcy protection. However, the revenue received by the creditors from these sales is usually only a fraction of the amount due. In these cases, the sales reduce the "economic loss" of the creditors. Sales of property seized due to outstanding tax liabilities are generally applied to reduce the amount due. The sale of property seized due to criminal activity is made to reduce the economic gain of the criminal activity.

The sales of real or personal property for delinquent taxes are generally made by county sheriffs and the State. This exclusion exists in recognition that the entities making the sales are not businesses.

## THE CONDUCT OF CHARITABLE BINGO OR RAFFLE

**STATUTE:** W. Va. Code §§11-12-2(b)(2)(C) and 11-12-2(b)(2)(D)

**EXCLUSION:** "Business activity" shall not include:

- The conduct of charitable bingo by any person licensed under W. Va. Code §47-20-1 et seq. (§11-12-2(b)(2)(C))
- The conduct of a charitable raffle by any person (§11-12-2(b)(2)(D))

**VALUE:** **Minimal**

### Rationale

Tax-exempt charitable and public service organizations conducting bingo games are required to complete a separate application to obtain a license to conduct bingo games. Similarly, charitable and public service organizations, including the West Virginia State Fair Board, qualified to conduct raffles are required to file for a raffle license. Organizations conducting charitable bingo or raffles are excluded from the Business Registration Tax due to their filing and paying a separate license fee.

### Revenue Analysis

While some organizations conduct bingo games or raffles on a regular basis, there are licenses available for limited occasion use. The organizations conducting bingo or raffles on a limited occasion license could presumably qualify for the exclusion provided for occasional or casual sales of property or services. Many of the organizations conducting bingo or raffles are charitable organizations and would be exempt from payment of the tax due to their nonprofit status.

## HORSE OR DOG RACE MEETING ACTIVITIES AND ASSOCIATED SERVICES

**STATUTE:** W. Va. Code §§11-12-2(b)(2)(E), 11-12-2(b)(2)(F), 11-12-2(b)(2)(G), and 11-12-2(b)(2)(H)

**EXCLUSION:** "Business activity" shall not include:

- The conduct of a horse or dog race meeting by any racing association licensed under W. Va. Code §19-23-1 et seq. (§11-12-2(b)(2)(E))
- The operation or maintenance of the pari-mutuel system of wagering during the conduct of a licensed horse or dog race meeting (§11-12-2(b)(2)(F))
- The sale of any commodity during the conduct of a licensed horse or dog meeting (§11-12-2(b)(2)(G))
- The services of owners, trainers or jockeys which are essential to the effective conduct a licensed horse or dog meeting (§11-12-2(b)(2)(H))

**VALUE:** **Minimal**

### Rationale

W. Va. Code §19-23-1 requires all associations conducting horse or dog race meetings for any purse to possess a license from the West Virginia Racing Commission. The exclusion for the conduct of a horse or dog race meeting that involves a purse exists in recognition of the separate licensing requirements for such activities.

The exclusion concerning the operation or maintenance of the pari-mutuel wagering system presumably exists due to an interpretation that this activity requires a separate license from the West Virginia Racing Commission. The interpretation that a separate license is required may be the result of the language in the West Virginia Code pertaining to horse or dog racing.

A segment of W. Va. Code §19-23-12 reads in part "nor shall there be, hereafter, any imposition of tax pursuant to articles twelve, thirteen or fifteen of chapter eleven of this code on the income or receipts of owners, trainers or jockeys directly arising from their services which are essential to the effective conduct of a horse or dog race meeting." Additionally, W. Va. Code §19-23-12 precludes the taxation of the sale of any commodities during a horse or dog race meeting.

### Revenue Analysis

Repeal of the exclusions relating to horse and dog racing meetings would result in no revenue gain for the State. W. Va. Code §19-23-12 reads in part, "The license tax imposed in section ten [W. Va. Code §19-23-10] of this article shall be in lieu of all other license, income, excise, special or franchise taxes of this State, and no county or municipality or other political subdivision of this State shall be empowered to levy or impose any license, income, pari-mutuel, excise, special or franchise tax on any racing association engaged in the business of conducting a horse or dog race meeting at which horse or dog races are run for purses under the jurisdiction of and being licensed by the racing commission, or on the operation or maintenance of the pari-mutuel system of wagering, or on the sale of any commodity during a horse or dog race meeting at which horse

or dog races are run, or at any such horse or dog racetrack…" While the removal of this expenditure might subject activities coincidental to the conduct of horse or dog race meetings to the registration requirements of the Business Registration Tax, the above statement precludes the assessment of any tax.

In some cases, a business that conducts horse or dog race meetings may also be engaged in other business activity at the same location. This other business activity would be subject to the Business Registration Tax. Since the tax is based on the location of the business and not the activities, businesses already paying the tax would continue to pay if the exclusion stated above is repealed. In this case, State revenue would not change due to the repeal of the exclusion.

While the repeal of this expenditure may subject the owners, trainers and jockeys to the registration requirements of W. Va. Code §11-12-1 et seq., the imposition of the tax is precluded as stated above.

## OCCASIONAL OR CASUAL SALES OF PROPERTY OR SERVICES

**STATUTE:** W. Va. Code §11-12-2(b)(2)(I)

**EXCLUSION:** "Business activity" shall not include occasional or casual sales of property or services

**VALUE:** **Minimal**

### Rationale

Regulations specify occasional or casual sales as those occurring not more than four times a year. The sale of outgrown or unneeded items by individuals through yard sales, bulletin boards, or classified advertisements is often undertaken less than five times in a year. This expenditure exists because of the administrative difficulties of registering every individual conducting occasional or casual sales.

# ACTIVITIES EXEMPT FROM REGISTRATION

The only businesses exempt from registering for the Business Registration Tax are those persons not required to collect or withhold a tax administered under W. Va. Code §11-10-1 et seq. An analysis of this exemption follows.

## PERSONS NOT REQUIRED TO COLLECT OR WITHHOLD TAX

**STATUTE:** W. Va. Code §11-12-3(c)

**EXCLUSION:** Persons engaging in business activity in West Virginia who are not required by law to collect or withhold a tax administered under W. Va. Code §11-10-1 et seq. and who do not claim exemption from payment of taxes imposed by articles fifteen and fifteen-a of the West Virginia Code shall be exempt from both registration and payment of the tax imposed by article twelve if such person had gross income from business activity of $4,000 or less during that person's tax year for income tax purposes immediately preceding the registration period for which a registration certificate is otherwise required

**VALUE:** **Minimal**

### Rationale

The restrictions stated in this exemption applying to persons not required to collect or withhold a tax administered by W. Va. Code §11-10-1 et seq. severely limits the application of the exemption. Since Article 10, relating to tax procedure and administration, of the West Virginia Code applies to the Consumers Sales Tax and the Personal Income Tax, the exemption is limited to persons with no sales or only exempt sales and no employees. Additionally, the limit on gross income from business activity of $4,000 or less would limit application of the exemption.

This exemption presumably exists in recognition that persons satisfying the above-cited restrictions do not meet the “purposeful revenue-generating activity” clause in the definition of “business activity” stated in W. Va. Code §11-12-2(b)(2).

# ACTIVITIES NOT REQUIRING A BUSINESS REGISTRATION CERTIFICATE

The Business Registration Tax statutes provide several activities with an exemption from obtaining the Business Registration Certificate required of most other businesses. The following exempted activities are discussed in this section:

- Individual Coin-Operated Machines
- Licensed Employment Agencies, Collection Agencies, and Drug Paraphernalia Businesses Whose Only Activity At The Business Location Is That for Which an Employment Agency License or a Collection Agency License or License to Sell Drug Paraphernalia Was Issued

Expenditure calculations for these exempt business activities follow.

## INDIVIDUAL COIN-OPERATED MACHINES

**STATUTE:** W. Va. Code §11-12-3(b)(2)

**EXEMPTION:** A separate business registration certificate is not required for each coin-operated machine. A separate certificate is required for each location from which making coin-operated machines available to the public is itself a business activity

**VALUE:** **Minimal**

### Rationale

The coin-operated machine exemption exists to recognize that the activity of making coin-operated machines available, rather than operating the individual machines, is the “business activity” subject to the Business Registration Tax.

## EMPLOYMENT AGENCIES, COLLECTION AGENCIES, AND DRUG PARAPHERNALIA BUSINESSES WHOSE ONLY ACTIVITY AT THE BUSINESS LOCATION IS THAT FOR WHICH AN EMPLOYMENT AGENCY LICENSE OR A COLLECTION AGENCY LICENSE OR LICENSE TO SELL DRUG PARAPHERNALIA WAS ISSUED

**STATUTE:** W. Va. Code §11-12-3(b)(4)

**EXEMPTION:** Persons engaging in purposeful revenue generating activity for which an employment agency license or collection agency license or a license to sell drug paraphernalia is required and no other business activity is conducted by that person at each business location for which the employment agency license or collection agency license or license to sell drug paraphernalia is issued, then only that license is required for each such activity conducted by the licensee at each business location

**VALUE:** **Minimal**

### Rationale

Employment agencies, collection agencies, and businesses selling drug paraphernalia each have their own licensing requirements. The exemption exists to avoid the duplication of licensing and registration under the Business Registration Tax and the licensing and registration required in other parts of the West Virginia Code.

### Revenue Analysis

This exemption has minimal impact on revenue. As noted in the statement of the expenditure, the portion of the exemption available to employment agencies, collection agencies, or drug paraphernalia businesses can be used if the listed activity is the **only** business activity conducted at each location. However, most of these businesses are also engaged in other activities in addition to the exempt activity. These other activities are subject to the Business Registration Tax.

# ACTIVITIES EXEMPT FROM PAYMENT OF TAX

Several groups of taxpayers who are required by law to collect or withhold taxes administered by W. Va. Code §11-10-1 et seq., or who claim exemption from payment of Consumers Sales and Service Tax and Use Tax are exempt from payment of the one-time $30 Business Registration Tax. However, these taxpayers **are required** to obtain a business registration certificate. The groups exempt from payment of the Business Registration Tax are as follows:

- Persons with Limited Business Activity or Nexus
- Governmental Agencies or Instrumentalities
- Persons Engaged in Agriculture and Farming

An analysis of these expenditures follows.

## PERSONS WITH LIMITED BUSINESS ACTIVITY OR NEXUS

**STATUTE:** W. Va. Code §§11-12-3(d)(1), 11-12-3(d)(2), and 11-12-3(d)(6)

**EXCLUSION:** A person who had gross income from business activity of $4,000 or less during that person's tax year for State income tax purposes immediately preceding the registration period for which a registration certificate is required is exempt from payment of the tax (§11-123(d)(1))

An organization which qualifies, or would qualify, for exemption from federal income taxes under section 501 of the Internal Revenue Code of 1986 are exempt from payment of the tax (§11-12-3(d)(2))

A foreign retailer who is not a “retailer engaging in business in West Virginia” as defined in W. Va. Code §11-15A-1 who enters into an agreement with the State Tax Commissioner to voluntarily collect and remit Use Tax on sales to West Virginia customers is exempt from payment of the tax (§11-12-3(d)(6))

**VALUE:** **$10,000 per year**

### Rationale

For persons with business gross income of $4,000 or less, the exemption presumably exists to reduce the cost of operating a business. The “purposeful revenue-generating activity” of these businesses is a marginal activity.

Prior to 1986, occasional sales by societies acting for charitable, religious, or benevolent purposes were excluded from the definition of “business” and therefore were exempt from registration. Under current law, these organizations must obtain a license but are exempt from payment. These businesses, which include charitable and religious organizations, are usually exempt from taxes, presumably in recognition of the benevolent services these groups provide.

While engaging in “business activity,” foreign retailers are not always engaged in such activity within the borders of West Virginia. This expenditure exists in recognition of the lack of “West Virginia tax nexus” for these businesses.

## GOVERNMENTAL AGENCIES OR INSTRUMENTALITIES

**STATUTE:** W. Va. Code §§11-12-3(d)(3) and 11-12-3(d)(4)

**EXEMPTION:** The State of West Virginia, or a political subdivision thereof, selling tangible personal property, admissions or services, when those activities compete with or may compete with the activities of another person are exempt from payment of the tax (§11-12-3(d)(3))

The United States, or an agency or instrumentality thereof, which is exempt from taxation by the states is exempt from payment of the tax (§11-12-3(d)(4))

**VALUE:** **Minimal**

### Rationale

The payment of the Business Registration Tax by the State and its political subdivisions would increase the cost of governmental services and the taxes and fees used to fund the services. Payment of the tax would generally result in a transfer of local government revenue to the State. The exemption thus exists to reduce the cost of governmental services and the transfer of local revenue to the State.

The exemption from payment of the Business Registration Tax by the United States and its agencies and instrumentalities is required by the federal supremacy clause in the United States Constitution. This exemption from payment of the tax is **not** an expenditure since states are prohibited from levying direct taxes upon the United States government.

## PERSONS ENGAGED IN AGRICULTURE AND FARMING

**STATUTE:** W. Va. Code §11-12-3(d)(5)

**EXEMPTION:** A person engaged in the business of agriculture and farming is exempt from payment of the tax

**VALUE:** **$10,000 per year**

### Rationale

This exemption presumably exists to promote agriculture and farming. Prior to 1986, sales of products from farms, gardens, or dairies by the producers or growers were excluded from the definition of “business” and therefore were exempt from registration. Under current law, these organizations must obtain a license but are exempt from payment of the tax.

# EXCISE TAXES

# MOTOR FUEL EXCISE TAX

## OVERVIEW

The Motor Fuel Excise Tax is a combination of a flat tax and a variable tax. The flat tax rate is equal to $0.205 per invoiced gallon or, for alternative fuel, per each gasoline gallon equivalent. The variable component of the tax is the Consumers Sales and Service Tax and Use Tax, which is based on 5.0 percent of the average wholesale price of motor fuels as determined by the State Tax Commissioner. Each January 1, the State Tax Commissioner determines the average wholesale price for the annual period based on price and sales data gathered for the preceding period of July 1 through October 31 and publishes the information in an Administrative Notice.[2] Motor Fuel Excise Tax rates in effect for January 1, 2023 through December 31, 2023 are reflected in the following table.

**Motor Fuel Excise Tax Rates as of January 1, 2023**

| Motor Fuel | Flat Rate Tax | Variable Rate Tax | Combined Rate |
|---|---|---|---|
| Conventional Motor Fuels* | $0.205 per gallon | $0.167 per gallon | $0.372 per gallon |
| Compressed Natural Gas (CNG) | $1.618 per 1,000 cubic feet | $0.621 per 1,000 cubic feet | $2.239 per 1,000 cubic feet |
| Compressed Natural Gas (CNG) – GGE Measure | $0.205 per 126.67 cubic feet | $0.079 per 126.67 cubic feet | $0.284 per 126.67 cubic feet |
| Liquefied Natural Gas (LNG) | $0.132 per gallon | $0.051 per gallon | $0.183 per gallon |
| Liquefied Petroleum Gas (LPG or Propane) | $0.150 per gallon | $0.060 per gallon | $0.210 per gallon |
| Field Gas | Exempt per W.Va. Code §11-14C-9a | | |

* Conventional Motor Fuels include Gasoline, Diesel, Kerosene, etc. unless otherwise noted.

The Use Tax is based on the percentage of carrier operations in West Virginia. The relevant percentage is the proportion of West Virginia miles compared with the total miles traveled within and without West Virginia. Consumers Sales and Service Tax will be included in the price of fuel purchased in West Virginia and can offset the Use Tax.

The Motor Fuel Excise Tax is imposed at the time motor fuel is imported into West Virginia, other than by a bulk transfer and is measured by invoiced gallons received outside this State at a refinery, terminal, or bulk plant for delivery to a destination in West Virginia. The tax is payable by the person importing the motor fuel. The tax is also imposed on invoiced gallons of motor fuel removed, other than by bulk transfer:

- From the bulk transfer/terminal system in West Virginia;
- From the bulk transfer/terminal system outside West Virginia for delivery to a location in West Virginia as represented on the shipping papers; or

[2] Administrative notices for current and prior periods can be found on the State Tax Department webpage: http://tax.wv.gov/TaxProfessionals/AdministrativeNotices/Pages/AdministrativeNotices2022.aspx.

- Upon sale or transfer in a terminal or refinery in West Virginia to any person not holding a supplier's license.

The tax does not apply to motor fuel imported into West Virginia in the motor fuel supply tank or tanks of a motor vehicle, but the Motor Carrier Road Tax may still apply. Tax applies to fuel blended in West Virginia and is calculated on the difference between the total quantity blended and the quantity used for blending but previously taxed.

There are several exemptions from the excise tax on gasoline and special fuel. Certain exemptions are an integral part of the "normal" tax base and are not considered true expenditures. These include gasoline or special fuel used for off-highway purposes and gasoline or special fuel exported out of the State. Also included in the "normal" tax base are federally mandated exemptions. These include sales to the United States government and interstate motor carriers.

**ORGANIZATION AND ANALYSIS**

Motor Fuel Excise Tax expenditures are divided into two groups:

- Exemptions
- Deductions and Discounts

The analysis provided for each tax expenditure includes a rationale for each item and the item's cost to the State.

# EXEMPTIONS

Exemptions from the Motor Fuel Excise Tax are allowed depending upon the use of the fuel. The following exemptions are discussed in this section:

- Gasoline or Special Fuel Exported Out of State
- Sales of Aviation Fuel
- Sales of Dyed Special Fuel
- Sales of Propane
- Sales to the United States Government
- Sales to County Boards of Education
- Sales to Municipalities, Urban Mass Transportation Authorities, Units of County Government, and Volunteer Fire Departments
- Sales to Licensed Exporters
- Sales to Urban and Suburban Bus Lines
- Sales of Propane to Consumers for Poultry House Heating Purposes
- Certain Off-Highway Uses
- Sales of Motor Fuel for Use or Consumed in Railroad Diesel Locomotives
- Erroneously Collected Taxes
- Motor Fuel Lost through Fire, Lightning, Breakage, Flood, or Other Casualty
- Motor Fuel Lost through Evaporation

An analysis of these exemptions follows.

## GASOLINE OR SPECIAL FUEL EXPORTED OUT OF STATE

**STATUTE:** W. Va. Code §§11-14C-9(a)(1) and 11-14C-9(b)

**EXEMPTION:** All motor fuel exported from this State to any other state or nation

**VALUE:** **Not available**

### Rationale

The purpose of this per se exemption from both the flat rate component and the variable rate component is to exclude from taxation motor fuel not sold or used within this State. This is **not** a true tax expenditure. It is inherent in the structure of the Motor Fuel Excise Tax that only fuel sold and used in West Virginia is taxable.

## SALES OF AVIATION FUEL

**STATUTE:** W. Va. Code §11-14C-9(a)(2)

**EXEMPTION:** All sales of aviation fuel

**VALUE:** **$1.7 million per year**

### Rationale

This per se exemption from the flat rate component of tax is **not** considered a tax expenditure. As part of the "normal" tax base, certain off-highway uses of motor fuel are exempt from taxation. It is inherent in the structure of the Motor Fuel Excise Tax that only fuel used on the highways of West Virginia is taxable under the flat rate.

## SALES OF DYED SPECIAL FUEL

**STATUTE:** W. Va. Code §11-14C-9(a)(3)

**EXEMPTION:** All sales of dyed special fuel

**VALUE:** **$46.1 million per year**

### Rationale

This per se exemption from the flat rate component of tax is **not** considered a tax expenditure. As part of the "normal" tax base, certain off-highway uses of motor fuel are exempt from taxation. It is inherent in the structure of the Motor Fuel Excise Tax that only fuel used on the highways of West Virginia is taxable. "Dyed diesel fuel" is defined in the W. Va. Code §11-14C-2(31) as, "... diesel fuel that meets the dyeing and marking requirements of section 4082, Title 26, United States Code, regardless of how the diesel fuel was dyed."

## SALES OF PROPANE

**STATUTE:** W. Va. Code §11-14C-9(a)(4)

**EXEMPTION:** All sales of propane for off-highway purposes

**VALUE:** **$7.4 million per year**

### Rationale

This per se exemption from the flat rate component of tax is **not** considered a tax expenditure. As part of the "normal" tax base, certain off-highway uses of motor fuel are exempt from taxation. It is inherent in the structure of the Motor Fuel Excise Tax that only fuel used on the highways of West Virginia is taxable under the flat rate.

### Revenue Analysis

Effective January 1, 2014, the flat rate tax for propane and other alternative fuels was required to be calculated based on their gasoline gallon equivalent. The determined gasoline gallon equivalent for propane is 1.367. This change reduced the flat rate tax on propane from $0.205 per gallon to $0.15 per gallon.

## SALES TO THE UNITED STATES GOVERNMENT

**STATUTE:** W. Va. Code §§11-14C-9(c)(1) and 11-14C-9(d)(1)

**EXEMPTION:** All gallons of motor fuel sold to and purchased by the United States or any agency thereof

**VALUE:** **$540,000 per year**

### Rationale

This refundable exemption from both the flat rate component and the variable rate component of tax is mandated by federal law and, therefore, is **not** considered a tax expenditure.

## SALES TO COUNTY BOARDS OF EDUCATION

**STATUTE:** W. Va. Code §§11-14C-9(c)(4) and 11-14C-9(d)(5)

**EXEMPTION:** All gallons of motor fuel sold to and purchased by any county boards of education

**VALUE:** **$2.1 million per year**

### Rationale

This refundable exemption from both the flat rate component and the variable rate component presumably exists to benefit West Virginia public school children and to reduce costs to public school systems in the State.

### Revenue Analysis

The value presented for this expenditure is based on the amount of fuel used in school buses operated on behalf of county boards of education. Fuel used in public school buses is also exempt from the Motor Carrier Road Tax.

## SALES TO MUNICIPALITIES, URBAN MASS TRANSPORTATION AUTHORITIES, UNITS OF COUNTY GOVERNMENT, AND VOLUNTEER FIRE DEPARTMENTS

**STATUTE:** W. Va. Code §§11-14C-9(c)(2) and 11-14C-9(d)(3); 11-14C-9(c)(3) and 11-14C-9(d)(4); 11-14C-9(c)(5) and 11-14C-9(d)(6); 11-14C-9(c)(6) and 11-14C-9(d)(7); and 11-14C-9(c)(18) and 11-14C-9(d)(8)

**EXEMPTION:** All gallons of motor fuel sold to any county government or agency thereof (§§11-14C-9(c)(2) and 11-14C-9(d)(3))

All gallons of motor fuel sold to any municipal government or agency thereof (§§11-14C-9(c)(3) and 11-14C-9(d)(4))

All gallons of motor fuel sold to any urban mass transportation authority, created pursuant to the provisions of article twenty-seven, chapter eight of this code (§§11-14C-9(c)(5) and 11-14C-9(d)(6))

All gallons of motor fuel sold to and purchased by any municipal, county, state, or federal civil defense or emergency service program pursuant to a government contract for use in conjunction therewith (§§11-14C-9(c)(6) and 11-14C-9(d)(7))

All gallons of motor fuel sold to and purchased by any bona fide volunteer fire department, nonprofit ambulance service or emergency rescue service (§§11-14C-9(c)(18) and 11-14C-9(d)(8))

**VALUE:** **$3.0 million per year**

### Rationale

This refundable exemption from both the flat rate component and the variable rate component of the tax for sales to any municipal, county, State or federal civil defense or emergency service program, or urban mass transportation system exists because these items are made available for the convenience and welfare of the citizens of West Virginia. The refundable exemptions for sales of fuel to municipalities and units of county governments presumably exist to reduce costs to these entities, thereby benefiting the citizens of West Virginia.

## SALES TO LICENSED EXPORTERS

**STATUTE:** W. Va. Code §§11-14C-9(c)(7) and 11-14C-9(d)(9)

**EXEMPTION:** All invoiced gallons of motor fuel purchased by a licensed exporter and subsequently exported from this state to any other state or nation: Provided, that the exporter has paid the applicable motor fuel tax to the destination state or nation prior to claiming this refund

**VALUE:** **$8.7 million per year**

**Rationale**

The purpose of this refundable exemption from both the flat rate component and the variable rate component is to exclude from taxation motor fuel not sold or used within this State. This is **not** a true tax expenditure. It is inherent in the structure of the Motor Fuel Excise Tax that only fuel sold and used on the highways of West Virginia is taxable.

## SALES TO URBAN AND SUBURBAN BUS LINES

**STATUTE:** W. Va. Code §11-14C-9(c)(17)

**EXEMPTION:** All gallons of motor fuel sold to any person regularly operating any vehicle under a certificate of public convenience and necessity or under a contract carrier permit for transportation of persons when purchased in an amount of twenty-five gallons or more; Provided, that the amount refunded is equal to six cents per gallon; Provided, however, that the gallons of motor fuel have been consumed in the operation of urban and suburban bus lines and the majority of passengers use the bus for traveling a distance not exceeding forty miles, measured one way, on the same day between their places of abode and their places of work, shopping areas or schools

**VALUE:** **Minimal**

**Rationale**

This refundable exemption from the flat rate component of the tax is made available for the convenience and welfare of the citizens of West Virginia.

## SALES OF PROPANE TO CONSUMERS FOR POULTRY HOUSE HEATING PURPOSES

**STATUTE:** W. Va. Code §11-15-9(a)(18)

**EXEMPTION:** Sales of propane to consumers for poultry house heating purposes

**VALUE:** **$200,000 per year**

### Rationale

This refundable exemption from the variable rate component of tax for sales of propane to consumers to heat poultry houses presumably exists to promote the poultry industry in West Virginia.

## CERTAIN OFF-HIGHWAY USES

**STATUTE:** W. Va. Code §§11-14C-9(c)(8), 11-14C-9(c)(9), 11-14C-9(c)(10), 11-14C-9(c)(11), 11-14C-9(c)(12), 11-14C-9(c)(13), 11-14C-9(c)(14), 11-14C-9(c)(15), and 11-14C-9(c)(16)

**EXEMPTION:** All gallons of gasoline or special fuel used and consumed in stationary off highway turbine engines (§11-14C-9(c)(8))

All gallons of special fuel for heating any public or private dwelling, building or other premises (§11-14C-9(c)(9))

All gallons of special fuel for boilers (§11-14C-9(c)(10))

All gallons of gasoline or special fuel used as a dry-cleaning solvent or commercial or industrial solvent (§11-14C-9(c)(11))

All gallons of gasoline or special fuel used as lubricants, ingredients or components of any manufactured product or component (§11-14C9(c)(12))
All gallons of gasoline or special fuel sold for use or used as a fuel for commercial watercraft (§11-14C-9(c)(13))

All gallons of special fuel sold for use or consumed in railroad diesel locomotives (§11-14C-9(c)(14))

All gallons of motor fuel purchased in quantities of twenty-five gallons or more for use as a motor fuel for internal combustion engines not operated upon highways of this state (§11-14C-9(c)(15))

All gallons of motor fuel purchased in quantities of twenty-five gallons or more and used to power a power take-off unit on a motor vehicle (§11-14C-9(c)(16))

**VALUE:** **$54.5 million per year**

### Rationale

As part of the “normal” tax base, certain off-highway uses of motor fuel are exempt from taxation. It is inherent in the structure of the flat rate of the Motor Fuel Excise Tax that only fuel used on the highways of West Virginia is taxable. Fuel purchased for use in any of the above circumstances is entitled to a refundable exemption from the flat rate component of the Motor Fuel Excise Tax.

## SALES OF MOTOR FUEL FOR USE OR CONSUMED IN RAILROAD DIESEL LOCOMOTIVES

**STATUTE:** W. Va. Code §11-14C-9(d)(10)

**EXEMPTION:** Sales of motor fuel for use in Railroad Diesel Locomotives

**VALUE:** **$4.3 million per year**

### Rationale

This refundable exemption from the variable rate component of tax of motor fuel sold for use or consumed in railroad diesel locomotives presumably exists to promote the railroad industry in West Virginia.

### Revenue Analysis

By statute, the value of the exemption for all claimants is capped at $4.3 million per year.

## ERRONEOUSLY COLLECTED TAXES

**STATUTE:** W. Va. Code §11-14C-30(a)

**REFUND:** Refund of motor fuel taxes erroneously collected from any person, including any tax, interest, additions to tax, or penalties

**VALUE:** **Not available**

### Rationale

This refund exists to protect the taxpayer and to enable the taxpayer to reclaim taxes that should not have been paid.

## MOTOR FUEL LOST THROUGH FIRE, LIGHTNING, BREAKAGE, FLOOD, OR OTHER CASUALTY

**STATUTE:** W. Va. Code §11-14C-30(b)

**REFUND:** Refund of any invoiced gallons of motor fuel lost through fire, lightning, breakage, flood or other casualty by any supplier, distributor, producer, retail dealer, exporter or importer equal to the amount of the flat rate component of the tax

**VALUE:** **Minimal**

### Rationale

A refund for the flat rate of tax paid on invoiced gallons of motor fuel lost through fire, lightning, breakage, flood, or other casualty exists as part of the “normal” tax base. Tax should not be paid on motor fuel that is destroyed and cannot be sold or used. This exemption was expanded to include the variable rate component effective beginning with tax year 2020.

### Revenue Analysis

The amount of this exemption has been smaller in recent years due to technological improvements in the equipment used to store and haul motor fuel. There have also been improvements in preventing and managing accidents or other casualties involving the handling of motor fuel.

## MOTOR FUEL LOST THROUGH EVAPORATION

**STATUTE:** W. Va. Code §11-14C-30(c)

**REFUND:** Annual refund of the flat rate component of tax to retail dealers, and any bulk plant, for invoiced gallons of motor fuel lost through evaporation, not exceeding one-half of one percent of adjusted total accountable gallons

**VALUE:** **$80,000 per year**

### Rationale

A refund for motor fuel lost through evaporation exists as part of the "normal" tax base because tax should not be paid on gasoline or special fuel that is lost and cannot be sold or used. This exemption was expanded to include the variable rate component effective beginning with tax year 2020.

# DEDUCTIONS AND DISCOUNTS

Deductions and discounts from the Motor Fuel Excise Tax are allowed for the following reasons:

- Default Payments
- Administrative Discount for Suppliers
- Deduction for Sales to Distributors
- Tax Rate Decrease

An analysis of these discounts and deductions follows.

## DEFAULT PAYMENTS

**STATUTE:** W. Va. Code §11-14C-23(a)

**DISCOUNT:** Deduction for motor fuel taxes not remitted by any licensed distributor or importer to a supplier

**VALUE:** **$0 per year**

### Rationale

This deduction exists to protect suppliers from distributors who default on payments owed to the supplier.

## ADMINISTRATIVE DISCOUNT FOR SUPPLIERS

**STATUTE:** W. Va. Code §11-14C-23(b)

**DISCOUNT:** A supplier or permissive supplier who timely files a return with the payment may deduct an administrative discount of one tenth of one percent of the amount of tax payable to this state, not to exceed five thousand dollars per month

**VALUE:** **$315,000 per year**

### Rationale

This discount presumably exists as an incentive to suppliers to timely file their tax-due returns.

## DEDUCTION FOR SALES TO DISTRIBUTORS

**STATUTE:** W. Va. Code §11-14C-23(c)

**DISCOUNT:** For sales to licensed distributors, a supplier or permissive supplier shall deduct three fourths of one percent of the tax due from the licensed distributor as a discount to the licensed distributor

**VALUE:** **$2.0 million per year**

### Rationale

This deduction exists to provide a discount to licensed distributors. It does not apply to any other transactions, including, but not limited to, licensed distributor to licensed distributor transactions. Additionally, if the permissive supplier and/or supplier is also a licensed distributor, this discount does not apply.

## TAX RATE DECREASE

**STATUTE:** W. Va. Code §11-14C-30(d)

**EXEMPTION:** Refund of the flat rate component of tax paid resulting from a change of rate decreasing the tax on motor fuel, which is on hand and in inventory on the effective date of the rate change

**VALUE:** **$0 per year**

### Rationale

This refund of the flat rate component of tax exists to protect the taxpayer and to enable the taxpayer to reclaim an overpayment of taxes.

### Revenue Analysis

There have been no refunds because the flat tax rate component has not changed since enactment of the Motor Fuel Excise Tax Act in 2003.

# MOTOR CARRIER ROAD TAX

## OVERVIEW

The Motor Carrier Road Tax is a tax on every person or firm who operates any passenger vehicle that has seats for more than nine passengers, in addition to the driver, and any road tractor, tractor truck or truck that has more than two axles. The tax is closely related to the Motor Fuel Excise Tax. The rate of tax for motor carriers is the same as the flat rate component of the Motor Fuel Excise Tax (i.e., 20.5 cents per gallon). When motor carriers operate in interstate commerce, tax computation is accomplished by basing Motor Carrier Road Tax liability on the fraction of the total amount of motor fuel that is the same fraction that the miles traveled by the carrier on West Virginia highways is of the total number of miles traveled by the carrier in all states.

Interstate motor carriers must obtain an International Fuel Tax Agreement (IFTA) license. All West Virginia-based motor carriers who travel in at least one other IFTA jurisdiction and operate one or more qualified vehicles must obtain an IFTA license. All West Virginia-based IFTA licensees must file a single tax return with the West Virginia State Tax Department. This tax return will contain detailed information about vehicle operations in each IFTA member jurisdiction. West Virginia then distributes both the tax and the carrier information to the other IFTA jurisdictions on behalf of the carrier. West Virginia receives its portion of gasoline taxes due from motor carriers based in other IFTA jurisdictions from the carrier's home jurisdiction. If a motor carrier does not operate in any other IFTA jurisdiction, the motor carrier must file the Motor Carrier Road Tax return for tax due to West Virginia and file returns as required by other non-IFTA jurisdictions in which the carrier traveled. More specific information can be found in the separate International Fuel Tax Agreement section.

The Motor Carrier Road Tax was created as a tax on motor carriers operating upon the highways of West Virginia. Collections of the Motor Carrier Road Tax are deposited into the State Road Fund and used only for the following purposes: construction, reconstruction, maintenance and repair of highways; matching of federal funds available for highway purposes, and payment of the interest and sinking fund obligations on State bonds issued for highway purposes. Unless necessary for bond requirements, five-fourteenths of the tax shall be used for federal and State-local service highway purposes.

Certain exemptions are an integral part of the “normal” tax base for motor carriers and are not considered true tax expenditures. These include an exemption for gasoline or special fuel purchased in this State but consumed out of the State and a credit for the Motor Fuel Excise Tax paid to avoid double taxation. Also included in the “normal” tax structure are federally mandated exemptions. The federally mandated exemptions are not considered expenditures in this study since they are excluded from state taxation by federal law.

## ORGANIZATION AND ANALYSIS

Motor Carrier Road Tax expenditures are divided into three groups:

- Exemptions
- Refunds
- Credit

The analysis provided for each tax expenditure includes a rationale for each item and the item’s cost to the State.

# EXEMPTIONS

Exemptions from the Motor Carrier Road Tax are allowed depending upon the use of the fuel. The following exemptions are discussed in this section:

- Motor Carriers Operated on Behalf of the Federal Government or any State Government
- Private and State School Buses

An analysis of these exemptions follows.

## MOTOR CARRIERS OPERATED ON BEHALF OF THE FEDERAL GOVERNMENT OR ANY STATE GOVERNMENT

**STATUTE:** W. Va. Code §11-14A-8

**EXEMPTION:** Motor carriers operated on behalf of any agency of the federal government, any state government or political subdivision of any state

**VALUE:** **Not available**

### Rationale

States are prohibited from taxing purchases of motor fuel for use in vehicles operated on behalf of the federal government. Therefore, this portion of the exemption is **not** considered a true tax expenditure. Motor carriers operated on behalf of any state government are also exempt from taxation to avoid increased costs for those entities.

## PRIVATE AND STATE SCHOOL BUSES

**STATUTE:** W. Va. Code §11-14A-8

**EXEMPTION:** School buses operated on behalf of any private school and operated on behalf of this State or any of its political subdivisions

**VALUE:** **Negligible**

### Rationale

This exemption exists to benefit all West Virginia school children by reducing the operating costs of elementary and secondary schools in the State.

### Revenue Analysis

This exemption only affects school buses owned by private schools. County school buses are already exempt under an exemption from Motor Fuel Excise Tax.

# REFUNDS

A refund of the Motor Carrier Road Tax is only available for fuel consumed outside of this State. An analysis of this refund follows.

## FUEL CONSUMED OUTSIDE OF THIS STATE

**STATUTE:** W. Va. Code §11-14A-11

**REFUND:** Refund for gallons of motor fuel purchased in this State but consumed outside of this State

**VALUE:** **$0 per year**

### Rationale

Tax on fuel consumed outside of this State is refundable because it is not used upon the highways of West Virginia.

### Revenue Analysis

The value for refunds is minimal due to the enactment of IFTA, which began on January 1, 1996. Since IFTA involves a reciprocity agreement among member jurisdictions, the need for refunds for fuel consumed outside of the State has become negligible. The West Virginia State Tax Department distributes both the tax and the carrier information to the other IFTA jurisdictions on behalf of the carrier. West Virginia receives its portion of motor fuel taxes due from motor carriers based in other IFTA jurisdictions from the carrier's home jurisdiction.

# CREDIT

A credit against Motor Fuel Road Tax is allowed for an amount equal to the amount of Motor Fuel Excise Tax paid. An analysis of this credit follows.

## CREDIT AGAINST MOTOR CARRIER ROAD TAX

**STATUTE:** W. Va. Code §11-14A-9

**CREDIT:** Credit for amount of Motor Fuel Excise tax paid, if no other refund was given

**VALUE:** **Not available**

### Rationale

This credit exists to avoid double taxation on gasoline or special fuel.

# INTERNATIONAL FUEL TAX AGREEMENT

## OVERVIEW

The International Fuel Tax Agreement (IFTA) is a fuel tax reciprocity agreement among states of the United States and provinces of Canada. The agreement is intended to simplify the reporting and payment of all fuel use taxes by interstate motor carriers for all qualified vehicles. Qualified vehicles are only those taxed under IFTA and used, designed, or maintained for transportation of persons or property having two or more axles and gross vehicle weight of more than 26,000 pounds. The rate of tax is the same as the Motor Carrier Road Tax.

All West Virginia-based motor carriers who travel in at least one other IFTA jurisdiction and operate one or more qualified vehicles must obtain an IFTA license. All IFTA licensees must file a single quarterly tax return with the West Virginia State Tax Department. This tax return will contain detailed information about vehicle operations in each IFTA member jurisdiction. West Virginia then distributes both the tax and the carrier information to the other IFTA jurisdictions on behalf of the carrier. West Virginia receives its portion of gasoline taxes due from motor carriers based in other IFTA jurisdictions from the carrier's home jurisdiction. If a motor carrier does not operate in any other IFTA jurisdiction, the motor carrier must file the Motor Carrier Road Tax return for tax due to West Virginia and file returns as required by other non-IFTA jurisdictions in which the carrier traveled.

All amounts collected under IFTA are deposited into the International Fuel Tax Agreement Clearing Fund for distribution of funds owed to other member jurisdictions as provided in the agreement and for payment of any refunds owed to West Virginia-based taxpayers. After all payments and distributions, the remaining funds are deposited into the State Road Fund and used **only** for the following purposes: construction, reconstruction, maintenance and repair of highways; matching of federal funds available for highway purposes, and payment of the interest and sinking fund obligations on State bonds issued for highway purposes.

The same expenditures available under the Motor Carrier Road Tax also apply under IFTA. These include vehicles owned and operated by the federal government or any State government agency and school buses. Refunds help define and should be considered as part of the “normal” tax base. A refund is also allowed for any overpayment of motor fuel taxes paid by a West Virginia-based interstate motor carrier. Since this expenditure is part of the “normal” tax base, it is **not** considered a true expenditure for purposes of this study. In this section, only the refund for overpayment of taxes is discussed. A specific discussion of the other expenditures can be found in the Motor Carrier Road Tax section. Also, as part of the “normal” tax base, non-highway uses of gasoline or special fuel are exempt from taxation under IFTA. It is inherent in the structure of the Motor Fuel Excise Tax, and the related Motor Carrier Road Tax, that only fuel used on the highways of West Virginia is taxable. Therefore, any private or non-highway use of fuel by motor carriers is not required to be reported on the IFTA tax return. Information on specific expenditures relating to the sale of gasoline and special fuel for non-highway purposes can be found in the Motor Fuel Excise Tax section.

## ORGANIZATION AND ANALYSIS

Refunds will be the only IFTA expenditures discussed in this section. The analysis of the overpayment of motor fuel taxes includes a rationale and the cost to the State.

## REFUND

A refund for overpayment of any motor fuel tax paid by a West Virginia-based interstate motor carrier is available under IFTA. An analysis of this refund follows.

## OVERPAYMENT OF MOTOR FUEL TAXES

**STATUTE:** W. Va. Code §11-14B-11(b)(2)

**REFUND:** Refund for overpayment of motor fuel taxes by a West Virginia-based interstate motor carrier

**VALUE:** **$200,000 per year**

### Rationale

Overpayment of motor fuel taxes by a West Virginia-based interstate motor carrier is refundable since the taxes were never due to the State. This refund is **not** a tax expenditure because it simply provides for a return of funds never owed to West Virginia. Overpayment of taxes may also be recovered through a credit for use against future motor fuel taxes owed.

# TOBACCO PRODUCTS EXCISE TAX

## OVERVIEW

The Tobacco Products Excise Tax Act was passed in 2001 and replaced the Cigarette Excise Tax with a tax on both cigarettes and tobacco products other than cigarettes. Effective July 1, 2016, the Tobacco Products Excise Tax Act was amended, and an additional section was added to levy an excise tax on e-cigarette liquid.

Effective July 1, 2016, the tax on cigarettes was raised to the rate of $1.20 on each pack of 20 cigarettes. The tax is imposed on every wholesaler, subjobber, subjobber dealer, retail dealer and vending machine operator by the purchase of stamps to be affixed to or impressed upon each package of cigarettes to be sold. Stamps or meter impressions are purchased from the State Tax Commissioner and are evidence of payment of the tax.

Effective July 1, 2016, the excise tax levied on the sale of tobacco products other than cigarettes was raised to the rate of 12.0 percent of the wholesale price of each item or article sold. Tobacco products subject to this tax include cigars, snuff, chewing tobacco, and other non-cigarette tobacco products.

Effective July 1, 2016, an excise tax was levied on the sale of e-cigarette liquid at the rate of 7.5 cents per milliliter or fraction thereof. “E-cigarette liquid” includes any of the liquids or liquid mixtures used in e-cigarettes, e-cigarette liquid mixing kits, and e-cigarette mixing kit components. The excise tax on cigarettes and other tobacco products was created to provide revenue for the General Revenue Fund of the State. There are two types of expenditures that apply to the Tobacco Products Excise Tax, discounts and refunds. Discounts are allowed on all tax due on cigarettes for affixing stamps and collecting and paying the tax as required by law. Wholesalers of other tobacco products are also allowed a discount for collecting and remitting the tax. Discounts are not considered to be a part of the "normal" tax base. However, refunds in this case help define, and should be considered as part of, the “normal” tax base. Since the tax is on cigarettes meant for retail sale, a refund is allowed on any unsalable merchandise returned to the manufacturer. Refunds are also allowed on any unused or mutilated stamps.

## ORGANIZATION AND ANALYSIS

Tobacco Products Excise Tax expenditures are divided into two groups as follows:

- Discounts
- Refunds

The analysis provided for each tax expenditure includes a rationale for each item and the item’s cost to the State.

# DISCOUNTS

Discounts are allowed on all tax due for affixing stamps and collecting and paying the tax. Applicable discounts are as follows:

- Four Percent Discount on Stamp Purchases and for Collecting and Remitting the Tax
- Commission for Banks Authorized to Set Meters or Sell Stamps

An analysis of these discounts follows.

## FOUR PERCENT DISCOUNT ON STAMP PURCHASES AND FOR COLLECTING AND REMITTING THE TAX

**STATUTE:** W. Va. Code §§11-17-4(b) and 11-17-9

**DISCOUNT:** A discount of four percent on all tax due for persons affixing stamps, collecting and paying of tax as required and prescribed by this article

**VALUE:** **$6.8 million per year**

### Rationale

The 4 percent discount allowed on purchases of stamps is granted to taxpayers for providing the service of affixing stamps and collecting and remitting the tax on cigarettes and for collecting and remitting the tax on other tobacco products.

## COMMISSION FOR BANKS AUTHORIZED TO SET METERS OR SELL STAMPS

**STATUTE:** W. Va. Code §11-17-6

**DISCOUNT:** The Tax Commissioner may appoint any bank or trust company authorized to do business in this State, as his/her deputy for the purpose of selling stamps or checking, setting and sealing meters; such deputy is allowed a fee of one eighth of one percent of the face value of all stamps sold

**VALUE:** **$0 per year**

### Rationale

The commission for banks authorized to set meters or sell stamps exists as an incentive for their assistance in providing the service of selling such stamps and collecting and remitting the tax.

# REFUND

A refund of the tax on cigarettes is available for any unused or mutilated stamps or for any unsalable merchandise returned to the manufacturer with stamps affixed.

An analysis of this refund follows.

## UNUSED OR MUTILATED STAMPS OR UNSALABLE MERCHANDISE RETURNED TO MANUFACTURER

**STATUTE:** W. Va. Code §11-17-10

**REFUND:** Unused or mutilated stamps and stamps destroyed by fire or flood, or stamps or meter impressions on cigarettes returned to manufacturer may be redeemed for a refund of ninety-five percent of the face value of the stamps, less any discount allowed on the purchase of the stamps

**VALUE:** **$270,000 per year**

### Rationale

A refund for unused or mutilated stamps or unsalable merchandise returned to the manufacturer exists as part of the “normal” tax base. Tax should not be paid on cigarette tax stamps that are destroyed or on cigarettes that cannot be sold or used.

### Revenue Analysis

The amount of refunds has been declining because manufacturers are not taking back as many used or mutilated merchandise as in previous years.

# SOFT DRINKS TAX

## OVERVIEW

The Soft Drinks Tax is an excise tax levied on all bottled soft drinks, all soft drink syrups, and dry mixtures/powders as defined by regulation, whether manufactured within or without this State. The rates of tax are as follows:

- On each bottled soft drink, a tax of one cent on each 16.9 fluid ounces or on each one-half liter, or portion thereof;
- On each gallon of soft drink syrup, a tax of 80 cents, or on each four liters of soft drink syrup a tax of 84 cents, or portion thereof; and
- On each ounce by weight of dry mixture, a tax of one cent, or on each 28.35 grams, a tax of one cent, or portion thereof.

The tax is imposed on any West Virginia manufacturer or producer of bottled soft drinks or soft drink syrup for sale within this State. The tax also applies to distributors and wholesale or retail dealers who are the original consignees of any bottled soft drink or soft drink syrup brought into the State that was manufactured or produced outside of this State. In addition, the tax is imposed on any out-of-state bottler who puts indicia on a product to be sold in West Virginia. Per W.Va. Code §11-19-13, the Soft Drinks Tax will be terminated on July 1, 2024.

There are only two types of expenditures that apply to the Soft Drinks Tax: discounts and refunds. Discounts are not considered to be a part of the “normal” tax base. However, refunds in this case help define, and should be considered as part of, the “normal” base. Since the tax is on soft drinks meant for retail sale, a refund is allowed on any stamps, crowns, or soft drinks, syrups, or powders that are destroyed by fire, lightning, or flood. Refunds are also allowed on soft drinks, syrups, or powders exported from West Virginia or destroyed pursuant to a federal or State order. Because of the discounts on stamps and crowns, refunds are not allowed on tax paid stamps or crowns in the case of breakage or destruction of containers stamped or crowned. This also applies to the spoilage of soft drinks or syrups, or the loss or destruction of tax stamps or crowns.

In addition to the refunds mentioned above, several items specifically exempt from the Soft Drinks Tax help define, and are considered part of, the “normal” tax base. Although the term “soft drinks” is interpreted quite liberally, it does **not** apply to fluid milk to which no flavoring has been added or to natural undiluted fruit or vegetable juices that may not be sweetened. Also, the tax does not apply to 100 percent pure juice with sweetener added. These exempt items are **not** considered expenditures for the purposes of this report and thus will not be discussed in this section.

## ORGANIZATION AND ANALYSIS

Soft Drinks Tax expenditures are divided into two groups as follows:

- Discounts
- Refunds

The analysis provided for each tax expenditure includes a rationale for each item and the item's cost to the State.

# DISCOUNTS

Discounts are allowed on the sale of both tax stamps and crowns for soft drinks. The following discounts apply:

| Sale | Discount |
|---|---|
| Stamp sales of less than $25 | No discount |
| Stamp sales of at least $25 but less than $50 | 5.0% |
| Stamp sales of $50 or more | 10.0% |
| Crown sales | 12.5% |

Due to the small number of tax stamp discounts, they will be combined for the purposes of this study. The following discounts are discussed:

- Discount on Stamp Sales
- Twelve and One-half Percent Discount on Crowns

An analysis of these discounts follows.

## DISCOUNT ON STAMP SALES

**STATUTE:** W. Va. Code §11-19-5

**DISCOUNT:** Stamp sales of twenty-five dollars or over and less than fifty dollars, a discount of five percent of the face value of all stamps sold; and on stamp sales of fifty dollars or more, a discount of ten percent of the face value of all stamps sold

**VALUE:** **$140,000 per year**

### Rationale

The discounts allowed on purchases of stamps exist for providing the service of affixing stamps and collecting and remitting the tax.

## TWELVE AND ONE-HALF PERCENT DISCOUNT ON CROWNS

**STATUTE:** W. Va. Code §11-19-5

**DISCOUNT:** On the purchase of tax crowns, a discount of twelve and one-half percent on the value of the crowns

**VALUE:** **$940,000 per year**

### Rationale

The 12.5 percent discount allowed on purchases of crowns exists for providing the service of affixing the crowns and collecting and remitting the tax, and to allow for crowns lost through breakage and spoilage.

# REFUNDS

A refund of the Soft Drinks Tax is available for the tax stamps or crowns on soft drinks, soft drink powders, or soft drink syrups that are destroyed by fire, lightning, or flood or must be destroyed pursuant to federal or State order. A refund is also available when the soft drinks, syrups, or powders are exported out of this State. The following refunds are discussed in this section:

- Destruction of Soft Drink Tax Stamps, Crowns on Soft Drinks
- Soft Drinks, Syrups or Powders Exported Out-of-State

Analysis of these refunds follows.

## DESTRUCTION OF SOFT DRINK TAX STAMPS, CROWNS, OR SOFT DRINKS

**STATUTE:** W. Va. Code §11-19-5

**REFUND:** Refunds are allowed when tax stamps or crowns on soft drinks, soft drink powders or soft drink syrups, upon which tax has been paid, are destroyed by fire, lightning or flood; or are required to be destroyed pursuant to federal or State order

**VALUE:** **$0 per year**

### Rationale

The refund for stamps or crowns on soft drink products that are destroyed by fire, lightning, or flood exists as part of the “normal” tax base. Tax should not be paid on stamps or crowns on soft drinks that are destroyed and cannot be sold or used.

### Revenue Analysis

The refund for tax stamps, crowns, or soft drink products that have been destroyed has not been claimed in recent years. No accidents have been reported in the last few years involving soft drink manufacturers or distributors. Technological improvements are another reason for the lack of refund requests. Soft drink product containers have become more durable in recent years as manufacturers switched from glass bottles to cans and plastic containers. Since these soft drink product containers are more durable, the products with tax stamps and crowns already attached are not as easily destroyed.

## SOFT DRINKS, SYRUPS, OR POWDERS EXPORTED OUT OF STATE

**STATUTE:** W. Va. Code §11-19-5

**REFUND:** Refunds are allowed when soft drinks, syrups or powders upon which tax has been paid are exported from this State

**VALUE:** **Cannot be disclosed due to Taxpayer confidentiality**

### Rationale

The purpose of this refund is to exclude from taxation soft drinks, syrups, or powders not sold or used within this State.

# BEER BARREL TAX

## OVERVIEW

The Beer Barrel Tax is levied at the rate of $5.50 per barrel of 31 gallons of non-intoxicating beer manufactured and sold in this State, whether contained or sold in barrels, bottles, or other containers. The tax also applies to distributors who are the original consignees of non-intoxicating beer manufactured outside this State and brought into the State for sale. The Beer Barrel Tax does not apply to non-intoxicating beer manufactured by a brewpub.

The term “non-intoxicating beer” refers to the following products of the brewing industry: cereal malt beverages, beer, lager beer, ale, malt coolers, and other similar items. A product that contains at least 0.5 percent alcohol by volume, but not more than 11.9 percent alcohol by weight or 15.0 percent by volume, whichever is greater, is considered non-intoxicating beer.

Except for the exemption of brewpubs, there are no tax expenditures that apply to the Beer Barrel Tax. Unlike the other excise taxes in this study, there are no refunds or discounts that pertain to the Beer Barrel Tax.

## ORGANIZATION AND ANALYSIS

The brewpub exemption from the Beer Barrel Tax is discussed in this section. The analysis includes a rationale for the item and the item’s cost to the State.

# EXEMPTION

The only item exempted from the Beer Barrel Tax is non-intoxicating beer manufactured by a brewpub. An analysis of this exemption follows.

## BREWPUBS

**STATUTE:** W. Va. Code §11-16-13(a)

**EXEMPTION:** The barrel tax shall not apply to non-intoxicating beer manufactured by a brewpub

**VALUE:** **$40,000 per year**

### Rationale

The exemption for brewpubs exists in order to promote small-scale manufacturing within the State.

# WINE LITER TAX

## OVERVIEW

The Wine Liter Tax is levied on all wine sold by suppliers to distributors, except wine sold to the Alcohol Beverage Control Commissioner. The tax is levied at a rate of $0.26406 per liter. Collections of the Wine Liter Tax are deposited into the General Revenue Fund.

Refunds are the only types of expenditures that apply to the Wine Liter Tax. Refunds help define, and should be considered as part of, the “normal” tax base. Since the tax is meant to be imposed on wine that will eventually sell at the retail level, a refund is allowed on wine lost through fire or casualty. A refund or credit is also allowed on tax erroneously or illegally collected. Since these refunds are part of the “normal” tax base, they are **not** considered true expenditures for purposes of this study.

## ORGANIZATION AND ANALYSIS

Although **not** a true tax expenditure, refunds are analyzed in this section. The analysis provided for each tax refund includes a rationale for each item and the item's cost to the State.

# REFUNDS

As part of the "normal" tax base, refunds of tax paid on liters of wine are allowed for the following reasons:

- Erroneously or Illegally Collected Taxes
- Wine Lost through Fire or Casualty

An analysis of these items follows.

## ERRONEOUSLY OR ILLEGALLY COLLECTED TAXES

**STATUTE:** W. Va. Code §60-8-5

**REFUND:** Refund or credit will be granted for any tax erroneously or illegally collected

**VALUE:** **Minimal**

### Rationale

This refund exists to protect the taxpayer and to enable the taxpayer to reclaim taxes that should not have been paid.

## WINE LOST THROUGH FIRE OR CASUALTY

**STATUTE:** W. Va. Code §60-8-5

**REFUND:** Refund of wine lost through fire or casualty, other than breakage, when the amount of tax paid exceeds $50

**VALUE:** **$0 per year**

### Rationale

A refund for taxes of over $50 paid on wine lost through fire or casualty, other than breakage, exists as part of the "normal" tax base. Tax should not be paid on wine that is lost and cannot be sold or used.

### Revenue Analysis

The refund for wine lost through fire or casualty when taxes of over $50 have been paid has not been taken in recent years. This may be because the refund excludes breakage of products, which is probably the most likely accident to occur on a daily basis. There have been no reported fires or other casualties by suppliers in recent years.

# PROPERTY TAXES

# PROPERTY TAXES

## OVERVIEW

The Property Tax, which was enacted in 1863, is one of the oldest forms of taxation in West Virginia. This tax is administered by county officials and officials of several State government agencies. For the purposes of taxation, property can be divided into two categories: real and personal. Real property is land and anything permanently attached to land and owned by the owner of the land. Personal property is all other objects or rights that can be owned. Personal property can also be categorized as tangible and intangible. Generally, intangible property consists of rights to, or claims against, other property or services. In West Virginia, the Property Tax is levied on all real and personal property, except that which is specifically exempt in the West Virginia Code. Most of the exemptions discussed in this study have been in effect since the Property Tax laws were first enacted.

Less than 0.5 percent of all the Property Taxes collected in West Virginia goes to State government. The other beneficiaries of the Property Tax are county boards of education, county commissions, and municipalities. For the fiscal year ending June 30, 2024, $2.2 billion in Property Taxes was levied by the State, county boards of education, county commissions, and municipalities. The following list shows the amount of Property Taxes levied by each levying body for Fiscal Year 2024 (Tax Year 2023).

| Levying Body | Taxes Levied |
|---|---|
| State | $ 9,349,365 |
| County | 591,421,097 |
| School Boards | 1,489,735,746 |
| Municipalities | 141,798,874 |
| **Total** | **$2,232,305,082** |

The Property Tax is levied at different tax rates depending on the class of property. The State rate is set in the West Virginia Constitution. Each county and municipality can impose its own rates of property taxation. The West Virginia Legislature sets the rate of tax for county boards of education. This rate is used by all county boards of education Statewide. The following classes of property are used for tax purposes:

| | | |
|---|---|---|
| Class I | a. | All tangible personal property used exclusively in agriculture, including horticulture and grazing, and |
| | b. | All products of agriculture, including livestock, while owned by the producer |
| Class II | a. | All property owned, used and occupied by the owner exclusively for residential purposes, and |
| | b. | All farms, including land used for horticulture and grazing, which are occupied and cultivated by their owners or bona fide tenants |
| Class III | All real and personal property situated outside municipalities, exclusive of Classes I and II | |
| Class IV | All real and personal property situated inside municipalities, exclusive of Classes I and II | |

Class I property has been exempt from the Property Tax since Tax Year 2008.

The maximum current tax rates shown in the table below for each local taxing authority are given in terms of class of property.

**Maximum Property Tax Rates**
(in dollars per $100)

| Taxing Authority | Class I | Class II | Class III | Class IV |
|---|---|---|---|---|
| State | $0.0025 | $0.0050 | $0.0100 | $0.0100 |
| County | 0.1430 | 0.2860 | 0.5720 | 0.5720 |
| School Boards | 0.2295 | 0.4590 | 0.9180 | 0.9180 |
| Municipalities | 0.1250 | 0.2500 | -- | 0.5000 |
| | **$0.5000** | **$1.0000** | **$1.5000** | **$2.0000** |

Amendments to the State Constitution provide that these maximum rates can be temporarily exceeded by all the taxing authorities except State government. The voters of each taxing authority must approve any excess levy of tax proposed for their municipality, school board or county by a prescribed majority. The average actual tax rates per $100 of assessed valuation for the 2022 tax year, expressed in rounded dollars, are shown in the following table.

**Actual Tax Year 2022 Property Tax Rates**[3]
(in dollars per $100 of assessed valuation)

| | Average |
|---|---|
| Class I | $0.00 |
| Class II | $1.21 |
| Class III | $2.20 |
| Class IV | $2.94 |

Statewide, the average rate for all property is $1.92 per $100 of assessed valuation.

## ESTIMATING COSTS OF TAX EXPENDITURES

Several sources of information were used to determine the expenditure valuations. These include publications from the U.S. Census Bureau, the West Virginia Division of Banking, the West Virginia Higher Education Policy Commission, and the West Virginia Public Service Commission and data from ProPublica. Estimates were calculated using tax levy rates provided by the Chief Inspector Division of the State Auditor's Office and include all regular, special, and excess levy rates. The estimates were based on an assumed equalization rate of 60 percent.

## ORGANIZATION AND ANALYSIS

Although all property is presumed to be taxable until its owner proves otherwise, there are many possible exemptions from the Property Tax. The exemptions can be divided into seven distinct groups. The following is the list of groups used in this study:

[3] Rates include excess levy rates.

- Government Exemptions
- Educational Exemptions
- Exemptions for Church Property
- Exemptions for Property Owned by Nonprofit Organizations
- Miscellaneous Exemptions
- Property Valuation Preferences
- Homestead Exemption

An analysis provided for each tax expenditure includes a rationale for each item and the item's cost to the State and local governments.

# GOVERNMENT EXEMPTIONS

Exemptions from Property Tax are granted to several different government entities. The exemptions included in this section are as follows:

- United States Government Property
- State Government Property
- Local Government Property
- Property Belonging to Another State
- Government Property Subject to Lease Purchase Agreements
- Government-Owned Waterworks and Electrical Power Systems

### Rationale

The exemption for property of the United States is required by the federal supremacy clause in the United States Constitution. Since state and local governments are prohibited from levying direct taxes upon the United States government, this exemption is not a true tax expenditure.

Unlike the exemption for property belonging to the United States government and its agencies, taxation of State property and local government property used for public purposes is not prohibited by constitutional restrictions. However, if the State imposed a Property Tax on State property and local government property used for public purposes, this would result in increased costs to those entities. An increase in costs to State and local governments would possibly result in an unintended transfer of funds from one government entity to another.

## UNITED STATES GOVERNMENT PROPERTY

**STATUTE:** W. Va. Code §11-3-9(a)(1)

**EXEMPTION:** Property that belongs to the United States government, other than property permitted by the United States to be taxed under state law

**VALUE:** **$7.7 million per year**

### Revenue Analysis

All real and personal property belonging to the United States government is exempt from Property Tax in West Virginia. This includes all public corporations and other agencies created by the federal government for national purposes. This exemption does **not** include private corporations hired by the United States government.

## STATE GOVERNMENT PROPERTY

**STATUTE:** W. Va. Code §11-3-9(a)(2)

**EXEMPTION:** Property that belongs exclusively to the state

**VALUE:** **$68.3 million per year**

**Revenue Analysis**

All real and personal property belonging exclusively to the State of West Virginia is exempt from Property Tax in this State. This estimate does not include property belonging to State colleges and universities because such property is included in the exemption for educational institutions presented later in this report.

## LOCAL GOVERNMENT PROPERTY

**STATUTE:** W. Va. Code §11-3-9(a)(3)

**EXEMPTION:** Property that belongs exclusively to any county, district, city, village or town in this State and used for public purposes

**VALUE:** **$69.1 million per year**

**Revenue Analysis**

This exemption includes property owned by counties and municipalities, including the property of any parks and recreation commissions or county development authorities created by a county commission. Property used for municipal and county waterworks is **not** included in the calculations for this exemption. Also, **not** included is property owned by county boards of education, which is included in the exemption for educational institutions discussed later in this section.

## PROPERTY BELONGING TO ANOTHER STATE

**STATUTE:** W. Va. Code §11-3-9(a)(4)

**EXEMPTION:** Property located in this state belonging to any city, town, village, county or other political subdivision of any other state when it is used for public purposes

**VALUE:** **Negligible**

**Revenue Analysis**

Property located in West Virginia that belongs to any municipality, county, or other political subdivision of another state is exempt from Property Tax in West Virginia if the property is used for public purposes. The value of this exemption is negligible since there is little property of this type within West Virginia.

## GOVERNMENT PROPERTY SUBJECT TO LEASE PURCHASE AGREEMENTS

**STATUTE:** W. Va. Code §11-3-9(a)(27)

**EXEMPTION:** All property belonging to the state, any county, district, city, village, town or other political subdivision or any state college or university which is subject to a lease purchase agreement and which provides that, during the term of the lease purchase agreement, title to the leased property rests in the lessee so long as lessee is not in default or shall not have terminated the lease as to the property

**VALUE:** **Not available**

## GOVERNMENT-OWNED WATERWORKS AND ELECTRICAL POWER SYSTEMS

**STATUTE:** W. Va. Code §8-19-1

**EXEMPTION:** Personal and real property of a municipality or a county which was acquired and constructed for the purposes of a waterworks system or electrical power system and any leasehold interest in such systems which are held by other persons

**VALUE:** **$59.6 million per year**

### Revenue Analysis

Property used for a municipal or county waterworks is exempt from Property Tax in West Virginia. Additionally, the property used for municipal and county electrical power systems is exempt. An exemption for this type of property is justified for tax equity purposes only if the service does not compete with a similar service available from a non-government utility.

# EDUCATIONAL EXEMPTIONS

Certain types of property related to education are exempt from Property Tax in West Virginia. These exemptions include the following:

- Property Used for Educational Purposes
- Property Whose Income Supports Institutions of Higher Education
- Dormitories, Literary Halls and Clubrooms

### Rationale

These exemptions presumably exist to maximize funding of education since a tax on school property would result in the net transfers of some funds from the schools to the State, county commissions, and municipalities.

## PROPERTY USED FOR EDUCATIONAL PURPOSES

**STATUTE:** W. Va. Code §11-3-9(a)(9)

**EXEMPTION:** Property belonging to, or held in trust for, colleges, seminaries, academies and free schools when it is used for educational, literary or scientific purposes including books, apparatus, annuities and furniture

**VALUE:** **$168.1 million per year**

### Revenue Analysis

This exemption applies to property directly used for education, literary, or scientific purposes by colleges, seminaries, and public and private elementary and secondary schools. However, colleges must have approval from the West Virginia Higher Education Policy Commission or the West Virginia Community and Technical College System to grant degrees of higher education to qualify for this exemption. The educational, literary or scientific use of the property must be the primary use of the property.

## PROPERTY WHOSE INCOME SUPPORTS INSTITUTIONS OF HIGHER EDUCATION

**STATUTE:** W. Va. Code §11-3-9(a)(10)

**EXEMPTION:** Property belonging to, or held in trust for, colleges and universities located in West Virginia, or any public or private nonprofit foundation or corporation which receives contributions exclusively for such college or university, if the property or dividends, interest, rents or royalties derived therefrom are used or devoted to educational purposes of such college or university

**VALUE:** **$730,000 per year**

**Revenue Analysis**

To qualify for this exemption, the property must meet several conditions. The property must belong to or be held in trust by a West Virginia college or university or a public or private nonprofit foundation that receives contributions exclusively for an institution of higher education in West Virginia. In addition, the property, or the dividends, interest, rents, and royalties derived from the property, must be used for the educational purposes of the college or university. The property must belong exclusively to the college, university, or foundation.

## DORMITORIES, LITERARY HALLS, AND CLUBROOMS

**STATUTE:** W. Va. Code §11-3-9(a)(15)

**EXEMPTION:** All real estate, not exceeding one acre in extent, and the buildings on the real estate, used exclusively by any college or university society as a literary hall, or as a dormitory or clubroom, if not used with a view to profit, including, but not limited to, property owned by a fraternity or sorority organization affiliated with a university or college or property owned by a nonprofit housing corporation or similar entity on behalf of a fraternity or sorority organization affiliated with a university or college, when the property is used as residential accommodations, or as a dormitory, for members of the organization

**VALUE:** **$4.9 million per year**

**Revenue Analysis**

All real estate not exceeding one acre and any building on that property used by a college or university organization as a literary hall, dormitory or clubroom is exempt from Property Tax in West Virginia. This includes property used as residential accommodations for sorority or fraternity members and property owned by a nonprofit housing corporation and used as dormitories for students. In order for the property to be exempt, any revenue generated from that property must not exceed the cost of maintaining that property and the reasonable operating costs of the organization.

# EXEMPTIONS FOR CHURCH PROPERTY

Several exemptions exist for churches and religious organizations. These include the following:

- Property Used Exclusively for Divine Worship
- Parsonages
- Securities Sold by Churches and Religious Organizations

### Rationale

The exemptions for churches were presumably enacted to avoid State interference with church activities.

## PROPERTY USED EXCLUSIVELY FOR DIVINE WORSHIP OR SCHOOLS ASSOCIATED WITH DIVINE WORSHIP

**STATUTE:** W. Va. Code §11-3-9(a)(5)

**EXEMPTION:** Property used exclusively for divine worship, or used exclusively for divine worship and the operation of a pre-K school, primary school, middle school, secondary school, daycare center, or church camp for children, which school, daycare center, or church camp is operated by the church which owns the property or is operated by another not-for-profit organization or entity

**VALUE:** **$42.2 million per year**

### Revenue Analysis

This exemption applies only to property used exclusively for divine worship or the operation of a pre-K school, primary school, middle school, secondary school, daycare center, or church camp for children, which school, daycare center, or church camp is operated by the church which owns the property or is operated by another not-for-profit organization or entity. Property considered to be used for “divine worship” includes property used for religious services, for educational activities, such as Sunday School or Hebrew School classes, and for meetings and other activities held to further the religious activities of the organization. Property used for divine worship or for the operation of a school, daycare center or church camp associated with a church usually qualifies for the exemption for property used for charitable purposes as well.

## PARSONAGES

**STATUTE:** W. Va. Code §11-3-9(a)(6)

**EXEMPTION:** Parsonages and the household goods and furniture pertaining thereto

**VALUE:** **$2.0 million per year**

### Revenue Analysis

Parsonages and the household goods of these residences are exempt from Property Tax in West Virginia. In order for the property to qualify for this exemption, the parsonage must be owned by the trustees of the church and must be used as a home by the pastor, priest, bishop, or other similar leader of that church. The household goods excluded from taxation by this exemption are those owned by the church and do not include those goods owned by the pastor or other leader. However, household goods owned by the resident of the parsonage would be exempt under the exemption for all household goods and personal effects.

## SECURITIES SOLD BY CHURCHES AND RELIGIOUS ORGANIZATIONS

**STATUTE:** W. Va. Code §11-3-9(a)(7)

**EXEMPTION:** Mortgages, bonds and other debt securities in the hands of bona fide owners and holders hereafter issued and sold by churches and religious societies for the purposes of securing money to be used in the erection of church buildings to be used exclusively for divine worship or for the purpose of paying indebtedness thereon

**VALUE:** **$0 per year**

### Revenue Analysis

Mortgages, bonds, and other types of debt securities sold by churches and religious societies to secure money to be used in the erection of church buildings used exclusively for divine worship are specifically exempt from Property Tax in West Virginia. Although this exemption is church related, the taxpayers who are exempt from Property Tax in West Virginia on these types of debt instruments are the owners and holders of the securities, not the churches. Beginning in Tax Year 2008, all Class I personal property, including intangible personal property, is completely exempt from all property taxes.

# EXEMPTIONS FOR PROPERTY OWNED BY NONPROFIT ORGANIZATIONS

The property of various nonprofit organizations is exempt in West Virginia. The organizations whose property is partially or completely exempt from Property Taxes are as follows:

- Libraries
- Charitable and Benevolent Organizations
- Nonprofit Corporations Distributing Electricity, Water, or Natural Gas or Providing Sewer Services
- Public Institutions for the Deaf, Mute and Blind
- Nonprofit Hospitals
- Houses of Refuge, Lunatic or Orphan Asylums, and Homes for Those in Need
- Fire Departments
- Property Owned by Certain Youth Organization Facilities

### Rationale

These exemptions generally involve organizations providing socially desirable services, often for low-income individuals. These exemptions exist to promote the social welfare and public service activities of these organizations.

## LIBRARIES

**STATUTE:** W. Va. Code §11-3-9(a)(11)

**EXEMPTION:** Public and family libraries

**VALUE:** **$5.5 million per year**

### Revenue Analysis

Both real and personal property owned by public and family libraries are exempt under this expenditure. Family libraries only qualify for this exemption if the materials kept in the library are available for use by the public. All books, manuscripts, musical scores and other literary, scientific or artistic writings or materials owned by the library are exempt. In addition, personal property, such as desks and audiovisual equipment, necessary for the operation of the library and the building that houses the materials is exempt.

## CHARITABLE AND BENEVOLENT ORGANIZATIONS

**STATUTE:** W. Va. Code §§11-3-9(a)(12) and 11-3-9(a)(16)

**EXEMPTION:** Property used for charitable purposes and not held or leased out for profit (§11-3-9(a)(12))

All property belonging to benevolent associations not conducted for private profit (§11-3-9(a)(16))

**VALUE:** **$13.9 million per year**

### Revenue Analysis

Charities are eligible for an exemption from Property Tax in West Virginia under certain conditions. The charity must be operated on a nonprofit basis, must directly benefit society and must be exempt from federal income tax as a 501(c)(3) or (4) organization. In addition, the primary and immediate use of the property must be for one or more charitable purposes in order for the property to be exempt.

Some property belonging to a fraternal, benevolent or relief society or association is exempt from the Property Tax in West Virginia. In order for the property to be exempt, it must be used primarily for charitable purposes. Lodges, meeting halls, clubhouses, and other buildings that are used mainly for social purposes for the enjoyment of the members are not exempt.

## NONPROFIT CORPORATIONS DISTRIBUTING ELECTRICITY, WATER, OR NATURAL GAS OR PROVIDING SEWER SERVICES

**STATUTE:** W. Va. Code §11-3-9(a)(13)

**EXEMPTION:** Property used for public purposes of distributing electricity, water or natural gas or providing sewer services by a duly chartered nonprofit corporation when such property is not held, leased or used for profit

**VALUE:** **$53.5 million per year**

### Revenue Analysis

Property held by a duly chartered nonprofit corporation that distributes electricity, water, or natural gas or provides sewer services for public purposes is exempt. To qualify for this exemption the property must not be used for profit.

## PUBLIC INSTITUTIONS FOR THE DEAF, INTELLECTUALLY DISABLED, AND BLIND

**STATUTE:** W. Va. Code §11-3-9(a)(17)

**EXEMPTION:** Property belonging to any public institution for the education of the deaf, intellectually disabled, or blind

**VALUE:** **Minimal**

### Revenue Analysis

This exemption applies to any public institution for the education of the deaf, intellectually disabled, and blind. Since there are very few of these types of institutions in West Virginia, the value of this exemption is minimal if considered in isolation from other exemptions. However, repeal of this exemption would not affect Property Tax revenue since these types of institutions would qualify for another exemption, such as that for charitable purposes.

## NONPROFIT HOSPITALS

**STATUTE:** W. Va. Code §11-3-9(a)(17)

**EXEMPTION:** Property belonging to any hospital not held or leased out for profit

**VALUE:** **$47.4 million per year**

### Revenue Analysis

Nonprofit hospitals qualify for an exemption only if the primary and immediate use of the property is for charitable purposes. Any health care organization or hospital operated for the private gain of physicians, officers, or members of the board of the institutions does not qualify for this exemption.

## HOUSES OF REFUGE, MENTAL HEALTH FACILITIES, ORPHANAGES, AND HOMES FOR THOSE IN NEED

**STATUTE:** W. Va. Code §§11-3-9(a)(18) and 11-3-9(a)(19)

**EXEMPTION:** House of refuge and mental health facility or orphanage §11-3-9(a)(18))

Homes for children or for the aged, friendless or infirm not conducted for private profit §11-3-9(a)(19))

**VALUE:** **Minimal**

### Revenue Analysis

The following types of property are specifically exempted from West Virginia Property Tax:

- Houses of refuge, such as a community shelter for battered women;
- Mental health facilities;
- Orphanages;
- Homes for children; and
- Homes for the aged, the friendless, or the infirm.

To qualify for an exemption from Property Tax, the property must be used for charitable purposes. A home for the aged, friendless, or infirm or for children does not qualify if, to gain admittance to the home, a person must deposit a substantial amount of money that could be equated as prepayment of rent. Homes also do not qualify if they require an application fee, damage deposit, or room charge unless the charge is substantially less than market value.

Although there is a specific exemption for these homes and shelters, the institutions would qualify for an exemption either as a charitable organization, an educational institution, or a government entity. Therefore, repeal of this exemption would have no impact on Property Tax revenue.

## FIRE DEPARTMENTS

**STATUTE:** W. Va. Code §11-3-9(a)(20)

**EXEMPTION:** Fire engines and implements for extinguishing fires, and property used exclusively for the safekeeping thereof, and for the meeting of fire companies

**VALUE:** **$7.8 million per year**

### Revenue Analysis

All fire engines, equipment used to extinguish fires, and all other equipment used by firefighters and the building and land used by the fire department to store those items are exempt from Property Tax in West Virginia. Since fire equipment owned by State, county, and municipal fire departments is exempt under the exemption for State and local governments, the value of that equipment was not included in the calculations of the value of this exemption. The exemption value is based **only** on the value of equipment and real property owned by volunteer fire departments.

## PROPERTY OWNED BY CERTAIN YOUTH ORGANIZATION FACILITIES

**STATUTE:** W. Va. Code §11-3-9(a)(29)

**EXEMPTION:** Real property owned by a nonprofit organization whose primary purpose is youth development by means of adventure, educational, or recreational activities for young people, which real property contains a facility built with the expenditure of not less than $100 million that is capable of supporting additional activities within the region or the state and which is leased or used to generate revenue for the nonprofit organization whether or not the property is used by the nonprofit organization for its nonprofit purpose, subject to the requirements, limitations, and conditions set forth in §11-3-9(h) of this code

**VALUE:** **$1.3 million per year**

### Rationale

For purposes of this exemption, the term “nonprofit youth organization” means a nonprofit organization that has been chartered by the United States Congress to help train young people to do things for themselves and others, and that has established an area of at least 6,000 contiguous acres within West Virginia in which to provide adventure and recreational activities for young people and others. This exemption was presumably enacted to encourage the development of a large youth-oriented adventure and recreational facility.

# MISCELLANEOUS EXEMPTIONS

The West Virginia Code provides for several miscellaneous exemptions that cannot be classified in the above-listed groups. The following is a list of the exemptions not previously discussed:

- Property Used for Area Economic Development Purposes
- Inventory Property Stored While in Transit
- Cemeteries
- Property Used in the Subsistence of Livestock
- Household Goods and Personal Effects
- Bank Deposits and Money
- Farm Equipment, Crops and Livestock
- Capital Stock
- Class I Intangible Property
- Property Acquired by Land Reuse Agencies

An analysis of these exemptions follows.

## PROPERTY USED FOR AREA ECONOMIC DEVELOPMENT PURPOSES

**STATUTE:** W. Va. Code §11-3-9(14); W. Va. Legislative Regulation §110-3-20.1

**EXEMPTION:** Property used for area economic development purposes by nonprofit corporations when such property is not leased for profit whose purpose is to develop special programs to improve the quality of social participation in community life, contribute to the elimination of poverty and establish permanent economic and social benefits in urban or rural low-income areas

**VALUE:** **Not available**

### Rationale

This exemption presumably exists to encourage economic development in the State. The exemption applies to property owned by community development corporations or property used by certain nonprofit corporations.

## INVENTORY PROPERTY STORED WHILE IN TRANSIT

**STATUTE:** W. Va. Code §11-5-13

**EXEMPTION:** Tangible personal property which is moving in interstate commerce through West Virginia, or which was consigned from a point of origin outside the state to a warehouse, public or private, within the state for storage in transit to a final destination outside the state

**VALUE:** **$18.8 million per year**

**Rationale**

This exemption, also known as the "Freeport Exemption," was approved by the voters in a Constitutional Amendment to encourage the development and maintenance of goods distribution centers in the State.

## CEMETERIES

**STATUTE:** W. Va. Code §11-3-9(a)(8)

**EXEMPTION:** Cemeteries, except for certain personal property of commercial cemeteries, including any sites of unmarked graves which have been certified as such by the Division of Culture and History

**VALUE:** **$1.9 million per year**

**Rationale**

This exemption relates specifically to burial plots at cemeteries and unmarked graves certified by the Division of Culture and History. This exemption presumably exists because of the use of the property as a burial site. Such property cannot readily be used for other purposes.

For purposes of this exemption, property classified as cemetery property includes property where remains are buried or interred, tombstones, and access roads to service the property. Family-owned cemeteries are exempt only if the immediate use of the entire parcel of land is as a cemetery. Property owned by a cemetery company, such as office furniture, office buildings, and chapels, is **not** exempt from Property Tax.

## PROPERTY USED IN THE SUBSISTENCE OF LIVESTOCK

**STATUTE:** W. Va. Code §11-3-9(a)(21)

**EXEMPTION:** All property to be used in the subsistence of livestock on hand at the commencement of the assessment year

**VALUE:** **$550,000 per year**

**Rationale**

This exemption aids farmers by exempting all feed and other items intended to be used to feed livestock owned or kept by the farmer. This exemption is for the personal property a farmer uses in the subsistence of livestock the farmer owns.

**Revenue Analysis**

All Class I property is completely exempt from property taxes. Even if this exemption was eliminated, property to be used in the subsistence of livestock would be exempt under the constitutional amendment that excluded Class I property from Property Tax.

## HOUSEHOLD GOODS AND PERSONAL EFFECTS

**STATUTE:** W. Va. Code §§11-3-9(a)(22), 11-3-9(a)(24), 11-3-9(a)(25), and 11-3-9(a)(26)

**EXEMPTION:** Household goods to the value of two hundred dollars, whether or not held or used for profit (§11-3-9(a)(22))

Household goods, which for purposes of this section means only personal property and household goods commonly found within the house and items used to care for the house and its surrounding property, when not held or used for profit (§11-3-9(a)(24))

Personal effects, which for purposes of this section means only articles and items of personal property commonly worn on or about the human body or carried by a person and normally thought to be associated with the person when not held or used for profit (§11-3-9(a)(25))

Dead victuals laid away for family use (§11-3-9(a)(26))

**VALUE:** **Not available**

### Rationale

This exemption benefits taxpayers by exempting household goods and personal effects. These items were exempted to limit invasion of privacy. Also, there would be administrative and compliance difficulties associated with the collection of Property Tax on these items.

## BANK DEPOSITS AND MONEY

**STATUTE:** W. Va. Code §11-3-9(a)(23)

**EXEMPTION:** Bank deposits and money

**VALUE:** **$200.6 million per year**

### Rationale

This exemption presumably exists in recognition of the difficulty in administering a tax on intangible assets. However, the exemption was limited to bank deposits and money.

### Revenue Analysis

All Class I property is completely exempt from property taxes. Even if this exemption was eliminated, bank deposits and money would still be exempt under the constitutional amendment that excluded intangibles from Property Tax.

## FARM EQUIPMENT, CROPS, AND LIVESTOCK

**STATUTE:** W. Va. Code §11-3-9(a)(28)

**EXEMPTION:** All implements, equipment, machinery, vehicles, supplies, crops and livestock used to engage in commercial farming

**VALUE:** **$1.3 million per year**

**Rationale**

This exemption exists for items that are specifically used in commercial farming.

## CAPITAL STOCK

**STATUTE:** W. Va. Code §11-5-6

**EXEMPTION:** Shares in companies whose stock is assessed

**VALUE:** **Not available**

**Rationale**

This exemption exists to avoid double taxation since the exemption only applies to shares in companies that have already been assessed Property Tax on their assets. This exemption only applies to shares owned by taxpayers in West Virginia.

## CLASS I INTANGIBLE PROPERTY

**STATUTE:** W. Va. Code §11-1C-1b

**EXEMPTION:** Intangible personal property with tax situs in this state shall be exempt from ad valorem property tax beginning tax year one thousand nine hundred ninety-eight: Provided, That such property shall be subject to ad valorem property tax and taxed at fifty percent of assessed value for tax year one thousand nine hundred ninety-eight; at forty percent of assessed value for the tax year one thousand nine hundred ninety-nine; at thirty percent of assessed value for the tax year two thousand; at twenty percent of assessed value for the tax year two thousand one; at ten percent of assessed value for the tax year two thousand two and eliminated completely for the tax year two thousand three and thereafter

**VALUE:** **Not available**

**Rationale**

This exemption was approved by the voters in a Constitutional Amendment and presumably exists in recognition of the difficulty in administering a tax on intangible assets. All Class I property, including intangible personal property, is completely exempt from property taxes.

## PROPERTY ACQUIRED BY LAND REUSE AGENCIES

**STATUTE:** W. Va. Code §31-18E-9

**EXEMPTION:** The real property of a land reuse agency and its income and operations are exempt from property tax. Provided, that this exemption does not apply to real property of a land reuse agency after the fifth consecutive year in which the real property is continuously leased to a private third party. A land reuse agency may acquire real property or interests in real property by any means on terms and conditions and in a manner the land reuse agency considers proper. Provided, that a land reuse agency may not acquire any interest in oil, gas or minerals which have been severed from the realty

**VALUE:** **Not available**

### Rationale

Land reuse agencies, often called land banks in other jurisdictions, are one of the tools that municipalities and counties may use to facilitate the return of vacant, abandoned, and tax-delinquent properties to productive use. These properties impose significant costs on neighborhoods, communities, municipalities, and counties by lowering property values, increasing fire and police protection costs, decreasing tax revenues, and undermining community cohesion. Real property acquired by a land reuse agency may be used for purely public spaces and places, affordable housing, conservation areas, and retail, commercial, and industrial activities. Therefore, the real property of a land reuse agency and its income and operations are exempt from property tax.

# PROPERTY VALUATION PREFERENCES

The West Virginia Code provides special valuation procedures for certain types of property. In the determination of tax appraisals, these valuation procedures generally place a greater weight upon actual economic use rather than market valuation based on the highest and best use of the property. The following types of property are subject to special valuation procedures, which results in a partial exclusion from taxation:

- Farm Real Estate Property
- Managed Timberland
- Qualified Continuing Care Retirement Communities
- Pollution Control Facilities
- Wind Turbine Pollution Abatement
- Specialized Manufacturing Production Property
- Qualified Capital Additions to Manufacturing Facilities
- Special Aircraft Property
- High Technology Business Property
- Wireless Technology Property
- Owner-Occupied Residential Property

An analysis of these preferences follows.

## FARM REAL ESTATE PROPERTY

**STATUTE:** W. Va. Code §11-1A-10

**PREFERENCE:** With respect to farm property, the tax commissioner shall appraise such property so as to ascertain its fair and reasonable value for farming purposes regardless of what the value of the property would be if used for some other purpose, and the value shall be arrived at by giving consideration to the fair and reasonable income which the property might be expected to earn in the locality wherein situated, if rented

**VALUE:** **$17.0 million per year**

### Rationale

This preference presumably exists to encourage the preservation of farming activities within the State. If such property is actually used for viable farming activity, then the preference exists to discourage the conversion of such property over to alternative uses. This preference applies to real property designated for farm use.

## MANAGED TIMBERLAND

**STATUTE:** W. Va. Code §11-1C-11b(a)

**PREFERENCE:** Property certified by the Division of Forestry as managed timberland shall be valued based upon the land's potential to produce future income according to its use and productive potential as managed timberland

**VALUE:** **$13.5 million per year**

### Rationale

This preferential valuation treatment was approved by the voters in a constitutional amendment to encourage the development and maintenance of managed timberland in the State. The preference arose out of concern that excessive property taxation encourages the clear-cutting of forest land. Managed timberland is defined by legislative regulation to include surface real property of at least 10 contiguous acres which is devoted to forest use, has sufficient numbers of commercially valuable trees, and is managed pursuant to a State-approved plan.

## QUALIFIED CONTINUING CARE RETIREMENT COMMUNITIES

**STATUTE:** W. Va. Code §11-4-3

**PREFERENCE:** Property belonging to qualified continuing care retirement communities, which are defined as being owned by a corporation or other organization exempt from federal income taxes under the Internal Revenue Code; used in a manner consistent with the purpose of providing housing and health care for residents, and receiving no Medicaid funding under the provisions of W. Va. Code §9-4 is included under the provisions of the "Tax Limitations Amendment"

**VALUE:** **$350,000 per year**

### Rationale

This preferential treatment presumably exists to benefit retirement communities providing housing and health care to West Virginia citizens who are no longer able to live in their own homes, which are classified as Class II property. The tax rate is equivalent to the tax rate imposed upon citizens who own their own homes.

### Revenue Analysis

The preferential treatment is only for retirement communities that are exempt from federal income taxes and that received no Medicaid funding.

## POLLUTION CONTROL FACILITIES

**STATUTE:** W. Va. Code §11-6A-3

**PREFERENCE:** The value of a pollution control facility first placed into operation subsequent to July 1, 1973, shall ... be deemed to be its salvage value

**VALUE:** **$70.1 million per year**

### Rationale

This preferential treatment recognizes the limited economic benefits associated with pollution control facilities. Pollution control facilities are appraised at 5 percent of the original cost.

## WIND TURBINE POLLUTION ABATEMENT

**STATUTE:** W. Va. Code §11-6A-5

**PREFERENCE:** Each wind turbine installed at a wind power project and each tower upon which the turbine is affixed shall be considered to be personal property that is a pollution control facility for purposes of this article and, subject to an allocation of the value of project property determined by the Tax Commissioner in accordance with this section, all of the value associated with the wind turbine and tower shall be accorded salvage valuation: Provided, That the portion of the total value of the facility assigned salvage value in accordance with this section shall, on and after July 1, 2007, be no greater than seventy-nine percent of the total value of the facility

**VALUE:** **$6.2 million per year**

### Rationale

This preferential treatment recognizes the limited economic benefits associated with pollution control facilities. Pollution control facilities are appraised at 5 percent of the original cost.

## SPECIALIZED MANUFACTURING PRODUCTION PROPERTY

**STATUTE:** W. Va. Code §11-6E-3

**PREFERENCE:** The value of specialized manufacturing production property shall ... be its salvage value

**VALUE:** **$2.8 million per year**

### Rationale

Specialized manufacturing production property includes molds, jigs, dies, forms, patterns, and templates directly used in manufacturing. This preferential treatment recognizes the limited uses or useful life of this type of property. Such property is appraised at 5 percent of the original cost.

## QUALIFIED CAPITAL ADDITIONS TO MANUFACTURING FACILITIES

**STATUTE:** W. Va. Code §11-6F-3

**PREFERENCE:** The value of a certified capital addition which exceeds $50 million added to an existing manufacturing facility with an original cost valuation of $100 million or more first placed into operation for tax years beginning on or after July 1, 1997, shall be ... deemed to be appraised at five percent of its original cost. Beginning on and after July 1, 2011, when the new capital addition is a facility that is or will be classified under the North American Industry Classification System with a six digit code number 211112, or is a manufacturing facility that uses product produced at a facility with code number 211112, then wherever the term "100 million" is used in this subsection, the term "20 million" shall be substituted and where the term "50 million" is used, the term "10 million" shall be substituted. For capital additions certified on or after July 1, 2011, the value of the land before any improvements shall be subtracted from the value of the capital addition and the unimproved land value shall not be given salvage value treatment

**VALUE:** **$46.0 million per year**

### Rationale

This preferential treatment presumably exists to encourage manufacturing companies with huge existing facilities in West Virginia to undertake major expansions within the State. The new qualifying investment would be appraised at 5 percent of original cost.

### Revenue Analysis

The parameters for this preference were changed during the 2011 Legislative Session to reduce the amount of new and existing valuations for certain manufacturers and to add the stipulation that the value of the land before any improvements shall be subtracted from the value of the capital addition and unimproved land value shall not be given salvage value treatment. Previously, there was no subtraction for the value of land. The cost of the preference under the previous parameters was $10 million per year.

## SPECIAL AIRCRAFT PROPERTY

**STATUTE:** W. Va. Code §11-6H-3

**PREFERENCE:** The value of special aircraft property, for the purpose of ad valorem property taxation under this chapter and under article X of the Constitution of the State of West Virginia, shall be its salvage value

**VALUE:** **$930,000 per year**

### Rationale

This preferential treatment presumably exists to benefit commercial airlines, charter carriers, and private carriers by more closely mimicking the tax policy in place in surrounding states with regard to such mobile property.

## HIGH-TECHNOLOGY BUSINESS AND WIRELESS TECHNOLOGY PROPERTY

**STATUTE:** W. Va. Code §§11-6J-3 and W. Va. Code §11-6L

**PREFERENCE:** The value of servers directly used in a high-technology business or in an internet advertising business and the value of tangible personal property directly used in a high-technology business or in an internet advertising business, for purpose of ad valorem property taxation under this chapter and under Article X of the Constitution of the State of West Virginia, shall be its salvage value (W. Va. Code §§11-6J-3)

For five years immediately following the date of its erection, the value of a tower erected between July 1, 2019 and July 1, 2024, is its salvage value, and the correlated value determined under a unit valuation approach shall be reduced by the difference between the original cost and the salvage value of a tower (W. Va. Code §11-6L)

**VALUE:** **$210,000 per year**

### Rationale

These preferential treatments presumably exist to benefit high-technology and internet advertising businesses and to encourage the erection of structures which host antennas or other equipment used for the purposes of transmitting cellular or wireless signals.

## OWNER-OCCUPIED RESIDENTIAL PROPERTY

**STATUTE:** W. Va. Code §§11-8-5 and 11-8-6

**PREFERENCE:** Class II is all property owned, used and occupied by the owner exclusively for residential purposes, and the aggregate of taxes assessed in any one year by all levying bodies ... shall not exceed fifty cents on each one hundred dollars' assessed valuation on Class I property; one dollar on Class II property; one dollar fifty cents on Class III property; and two dollars on Class IV property

**VALUE:** **$545.7 million per year**

### Rationale

This preferential treatment presumably exists to benefit homeowners in West Virginia by allowing residential property to be taxed at 50 percent of the rate of other real and personal property.

### Revenue Analysis

If this preferential treatment was eliminated, the cost for the Homestead Exemption would rise.

# HOMESTEAD EXEMPTION

This program provides for a $20,000 exemption against the total assessed value of single-family dwellings, including mobile or manufactured homes, owned and occupied as a residence by any person who is at least 65 years old or totally and permanently disabled and has legally resided in and paid taxes on a homestead in this State for two consecutive taxable years before filing for this exemption. In general, this represents an exclusion of the first $33,333 of the appraised residential property value. However, the exclusion can exceed $33,333 in cases of additional tax preferential treatment.

**STATUTE:** W. Va. Code §11-6B-3

**EXEMPTION:** An exemption ... shall be allowed for the first twenty thousand dollars of assessed value of a homestead that is used and occupied by the owner thereof exclusively for residential purposes when such owner is sixty-five years of age or older or is certified as being permanently and totally disabled

**VALUE:** **$51.1 million per year**

## Rationale

This exemption provides a measure of tax relief for some elderly and permanently and totally disabled taxpayers in addition to the 50 percent tax preference for all owner-occupied residential property. The exemption applies to these taxpayers regardless of income level or ability to pay.

# PROPERTY TRANSFER TAX

## OVERVIEW

The Property Transfer Tax was enacted as a State tax in 1959. The tax is imposed on the privilege of transferring real property. The State tax rate is $1.10 per each $500 of value transferred, or fraction thereof. The proceeds of the State tax are deposited in the General Revenue Fund.

In 1968, an additional county tax was imposed at a rate of $0.55 per each $500 of value, or fraction thereof. In 1989, county commissions were given the option of increasing their tax rates by an additional 55 cents per each $500 of value, upon a majority vote of the commission. Effective July 6, 2017, counties may increase the county excise tax rate to $1.65 per each $500 of value. The proceeds of the county tax are deposited into the general fund of the county in which the property is located.

Beginning July 1, 2021, the State Property Transfer Tax phases down and the county property transfers phase up according to the following schedule.

| Beginning | State Tax | Additional County Tax |
|---|---|---|
| July 1, 2021 | 90% | 10% |
| July 1, 2022 | 80% | 20% |
| July 1, 2023 | 70% | 30% |
| July 1, 2024 | 35% | 65% |
| July 1, 2025 | 0% | 100% |

Each deed or other instrument presented to the county clerk for recordation is to be accompanied by a sales listing form. The form includes, among other information, the actual consideration for the property (i.e., the value on which the tax is calculated). Payment of the tax is shown by affixing documentary stamps or other evidence of payment to the instrument presented for recordation.

## ESTIMATING COSTS OF TAX EXPENDITURES

Tax data provided to the State Tax Department by county clerks was the primary means in determining the value of each tax expenditure.

## ORGANIZATION AND ANALYSIS

The Property Transfer Tax expenditures discussed in this report are divided into three groups:

- Transfers to or from Governmental Bodies
- Transfers between Related Parties
- Certain Miscellaneous Transfers

The analysis provided for each tax expenditure includes the item’s cost to the State and a rationale.

# TRANSFERS TO OR FROM GOVERNMENTAL BODIES

Certain transfers of property are excluded from the Property Transfer Tax if the transferor or transferee is a governmental entity. These exclusions may be divided into two categories:

- Transfers to or from the United States Government
- Transfers to or from West Virginia Governmental Entities

An analysis of these expenditures follows.

## TRANSFERS TO OR FROM THE UNITED STATES GOVERNMENT

**STATUTE:** W. Va. Code §11-22-1(4)

**EXCLUSION:** "Document" ... does not include ... transfers to or from the United States

**VALUE:**

| | |
|---|---|
| **State** | **$50,000 per year** |
| **County** | **$80,000 per year** |

### Rationale

States are prohibited from imposing ad valorem or any other form of taxation on the value of real property owned by the federal government unless the federal government chooses to subject itself to this form of taxation. Therefore, this exclusion is **not** a true tax expenditure.

## TRANSFERS TO OR FROM WEST VIRGINIA GOVERNMENTAL ENTITIES

**STATUTE:** W. Va. Code §11-22-1(4)

**EXCLUSION:** "Document" ... does not include ... transfers to or from ... the State of West Virginia, or to or from any of their ... political subdivisions

**VALUE:**

| | |
|---|---|
| **State** | **$90,000 per year** |
| **County** | **$170,000 per year** |

### Rationale

The purpose of this expenditure is presumably to reduce the cost of acquiring property for the State of West Virginia and local governments. An exclusion from the Property Transfer Tax reduces the cost of purchasing property.

# TRANSFERS BETWEEN RELATED PARTIES

Property transfers excluded from the Property Transfer Tax due to the relationship of the transferor and transferee parties may be divided into three categories:

- Transfers between Related Business Entities
- Transfers between Related Individuals
- Transfers between a Principal and a Straw Party

An analysis of these expenditures follows.

## TRANSFERS BETWEEN RELATED BUSINESS ENTITIES

**STATUTE:** W. Va. Code §11-22-1(4)

**EXCLUSION:** "Document" ... does not include ... deeds made pursuant to mergers of corporations or limited liability companies, partnerships, or limited partnerships, deeds made by a subsidiary corporation to its parent corporation for no consideration other than the cancellation or surrender of the subsidiary's stock and deeds made due to the conversions of corporations or other business organizations into limited liability companies

**VALUE:**

| | |
|---|---|
| **State** | **$70,000 per year** |
| **County** | **$130,000 per year** |

### Rationale

The purpose of this expenditure is to exclude various types of property transfers between related business entities when no financial gain is realized by the business entity transferring the property.

## TRANSFERS BETWEEN RELATED INDIVIDUALS

**STATUTE:** W. Va. Code §11-22-1(4)

**EXCLUSION:** "Document" ... does not include ... transfers between husband and wife, transfers between parent and child, transfers between parent and child and his or her spouse, transfers between grandparent and grandchild and his or her spouse, without consideration

**VALUE:**

| | |
|---|---|
| **State** | **$150,000 per year** |
| **County** | **$290,000 per year** |

### Rationale

The purpose of this expenditure is to exclude various types of property transfers between related persons when no financial gain is realized by the person transferring the property.

## TRANSFERS BETWEEN A PRINCIPAL AND A STRAW PARTY

**STATUTE:** W. Va. Code §11-22-1(4)

**EXCLUSION:** "Document" ... does not include ... transfers between a principal and straw party for any reason

**VALUE:** **Minimal**

### Rationale

The purpose of this expenditure is to exclude various types of property transfers where no financial gain is realized by the party transferring the property. A straw party is defined by *Black's Law Dictionary* as "... a third party who is put up in name only to take part in a transaction. Nominal party to a transaction; one who acts as an agent for another for the purpose to taking title to real property and executing whatever documents and instruments the principal may direct respecting the property. Person who purchases property for another to conceal identity of real purchaser, or to accomplish some purpose otherwise not allowed."

# CERTAIN MISCELLANEOUS TRANSFERS

Other property transfers excluded from the Property Transfer Tax may be divided into four categories:

- Transfers Where the Value of Property is $100 or Less
- Quitclaim or Corrective Deeds
- Transfers to or from Voluntary Charitable or Educational Associations
- Other Miscellaneous Transfers

An analysis of these expenditures follows.

## TRANSFERS WHERE THE VALUE OF PROPERTY IS $100 OR LESS

**STATUTE:** W. Va. Code §11-22-1(4)

**EXCLUSION:** "Document" ... does not include ... transfer of real property where the value of the property transferred is one hundred dollars or less

**VALUE:** **Minimal**

### Rationale

The presumed purpose of this expenditure is ease of administration.

## QUITCLAIM OR CORRECTIVE DEEDS

**STATUTE:** W. Va. Code §11-22-1(4)

**EXCLUSION:** "Document" ... does not include ... quitclaim or corrective deeds without consideration

**VALUE:**

| | |
|---|---|
| **State** | **$40,000 per year** |
| **County** | **$70,000 per year** |

### Rationale

The purpose of this expenditure is to exclude quitclaim or corrective deeds from Property Transfer Tax. Quitclaim deeds are defined by *Black's Law Dictionary* as, "A deed of conveyance operating by way of release; that is, intended to pass any title, interest, or claim which the grantor may have in the premises, but not professing that such title is valid, nor containing any warranty or covenants for title ..."

## TRANSFERS TO OR FROM VOLUNTARY CHARITABLE OR EDUCATIONAL ASSOCIATIONS

**STATUTE:** W. Va. Code §11-22-1(4)

**EXCLUSION:** "Document" ... does not include ... gifts to or transfers from or between voluntary charitable or educational associations or trustees thereof and like nonprofit corporations having the same or similar purposes

**VALUE:** **Minimal**

### Rationale

The purpose of this expenditure is to exclude property transfers to or from charitable or educational associations from the Property Transfer Tax. Presumably, this exclusion exists in recognition of the public good rendered by these organizations.

## OTHER MISCELLANEOUS TRANSFERS

**STATUTE:** W. Va. Code §11-22-1(4)

**EXCLUSION:** "Document" ... does not include ... wills ... testamentary or inter vivo trusts, deeds of partition ...

**VALUE:** **Minimal**

### Rationale

The purpose of this expenditure is to exclude various types of property transfers where no financial gain is realized by the party transferring the property.

STATE OF WISCONSIN

# Tax Exemption Devices

2025 - 27

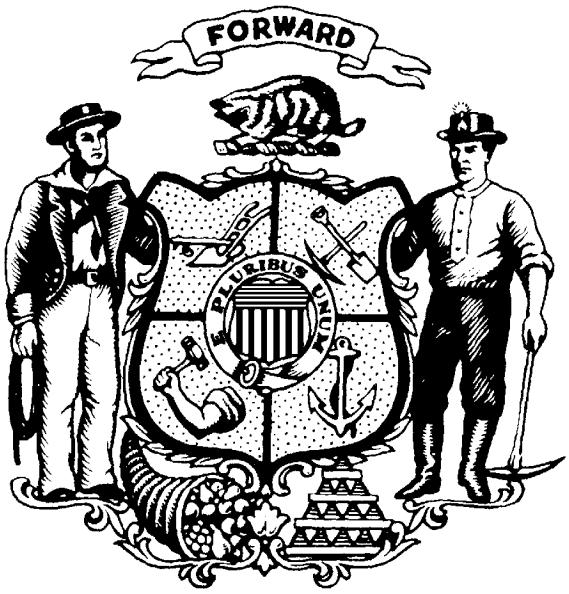
TONY EVERS, Governor

8404/8585

STATE OF WISCONSIN

# SUMMARY OF TAX EXEMPTION DEVICES

TONY EVERS, GOVERNOR




**FEBRUARY 2025**

**Division of**
**Executive Budget and Finance**
**DEPARTMENT OF ADMINISTRATION**

**Division of**
**Research and Policy**
**DEPARTMENT OF REVENUE**

# State of Wisconsin • DEPARTMENT OF REVENUE

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*Tony Evers*
*Governor*

*David M. Casey*
*Secretary of Revenue Designee*


February 2025

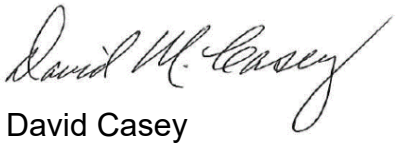
To members of the 2025-27 Legislature:

Every two years, pursuant to section 16.425 of the Wisconsin Statutes, the Department of Revenue is required to prepare a report of existing tax exemption devices. This report provides a comprehensive review of tax exemption devices and their corresponding fiscal effects.

The report represents the efforts of staff in the Department of Revenue, Division of Research and Policy, with contribution from the Office of the Commissioner of Insurance. Diligent effort has been made to ensure that the report is as accurate and complete as possible.

The Department of Revenue hopes that you find the document to be a useful resource in the formulation of public policy decisions. Research staff in the department can answer any questions you may have concerning material in this document.

Sincerely,



David Casey
Secretary of Revenue Designee

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**This report can also be found on the Internet at www.revenue.wi.gov**

# INTRODUCTION

Wisconsin's state and local governments rely on tax revenues to fund valuable services to our citizens. Ensuring that our system of taxation is fair, equitable and efficient is vital to our economic success and quality of life. In setting tax policies, we must consider taxpayers' ability to pay, the impact of those policies on economic development and the interaction of tax policies with other policy goals.

Tax exemptions are an important component of Wisconsin tax policies. A tax exemption device is "…any tax provision that exempts, in whole or in part, certain persons, income, goods, services or property from the impact of established taxes."[1] Granting a tax exemption can be a powerful tool for providing economic development incentives or for mitigating the regressive qualities of certain tax types. However, exemptions always come with a cost. Exemptions reduce revenues otherwise available for programs or for tax relief for taxpayers who do not benefit from the exemption. Therefore, it is critical that policymakers understand both the costs of exemptions and their effectiveness at achieving their intended goal.

Recognizing the need for this information, the Legislature mandated that a report be presented biennially to the Legislature listing all tax exemption devices and their fiscal effects. First presented in 1975, this is the 25th report compiled by the Department of Revenue.

**Highlights of the Report**

The report is organized by tax type. For each, it describes the various exemptions that are currently authorized and provides estimates of the fiscal effects in fiscal year 2023-24 (FY24) where data is available. Detailed explanations of each tax type are available on the Department of Revenue website at www.revenue.wi.gov.

On a case-by-case basis, the estimates provide a valuable benchmark for discussion of whether the policy justifications warrant the loss in revenue or if other tools, such as direct expenditure programs, could be considered as alternatives. As the examples below demonstrate, determining the degree to which exemptions meet their policy objectives is challenging, due to the difficulty of quantifying the outcomes and, in some cases, the need to make assumptions regarding the underlying goal or goals.

*Individual Income Tax Exemptions*

The individual income tax is the largest generator of revenues for state government. In FY24, income tax collections of $9.718 billion represented 45.6 percent of state general purpose revenue (GPR) tax collections. Exemptions from the income tax include deductions or exclusions from taxable income and tax credits.

- *Tax exclusions* are types of income that are not taxable and do not need to be reported on the tax return, such as income from qualifying scholarships.
- *Deductions* are amounts that are subtracted from total taxable income that is reported, such as a deduction for medical care insurance premiums and the standard deduction.
- *Credits* are a direct reduction in the tax liability that is owed.
- *Nonrefundable credits* are credits that cannot exceed total tax liability.
- *Refundable credits* can exceed tax liability and can result in a payment due to the taxpayer.

Many income tax exemptions are based on Wisconsin's consistency with federal tax policy. For example, Wisconsin conforms to the federal exclusion of payments received for sickness or injury benefits, which had an estimated cost of $1.30 billion for Wisconsin in FY24. While this is clearly a high-cost exemption, removing the exemption would reduce the benefit of other policy programs such as worker's compensation, proceeds from insurance policies and allowance for injuries incurred in military action.

[1] Wisconsin Statutes Section 16.425(2).

Other income tax exclusions are unique to Wisconsin. For example, Wisconsin allows taxpayers to subtract from income 30 percent of the capital gains on assets held more than one year. This exclusion cost $305 million in FY24.

An example of a refundable tax credit is the homestead credit that provides a credit to low-income renters and homeowners to offset a portion of property taxes. The cost of the program in FY24 was $41.1 million.

*Sales Tax Exemptions*

Wisconsin generated $7.587 billion in FY24 from the 5 percent sales and use tax, which represented 35.6 percent of state GPR taxes. In addition, counties and select municipalities may collect additional sales tax from the same tax base. Sales tax exemptions result in lower revenues for both the state and local governments.

One of the largest exemptions from the sales tax is the exemption for food purchased for home consumption, which was estimated to reduce state revenues by $920.0 million in FY24. Another significant exemption is for goods sold to other state and local governments and schools, which reduced revenues by an estimated $476.7 million in FY24. Removing this exemption would result in a situation where one taxing authority imposes a tax on another.

In contrast to tangible goods that are taxed unless specifically exempt in statute, services are exempt unless they are singled out for taxation. Of those services that are exempt, the largest measurable exemptions are in the areas of professional services and business services. These exempt categories include a variety of services such as those provided by health professionals (accounting for $919.7 million in foregone revenue in FY24).

*Property Tax Exemptions*

The local property tax generates more revenue than either the state sales tax or the income tax. Property taxes collected in 2024 for taxes levied in 2023 totaled $13.09 billion, which represents the combined levy of school districts, municipalities, counties, technical colleges and special districts. The state establishes policies regarding what real and personal property is subject to the local property tax, guided by the uniformity clause of the state constitution, which prohibits differential treatment of most property including partial exemptions.

Real property that is exempt from taxation includes property owned by religious establishments, educational and medical facilities, and low-income housing owned by nonprofit benevolent associations. In total, it is estimated that the value of exempt real property is $41.03 billion. There are also a number of exemptions to personal property taxation, the combined value of which is estimated at $40.57 billion.

If the exempt property examined in this report were taxable, property tax rates would be reduced by an estimated 7.31 percent statewide, ranging from an 8.32 percent average reduction in cities to a 5.71 percent average reduction in towns.

Property tax exemptions have implications for economic development and the state's health, housing and education policies. The impact of property tax exemptions should be evaluated with consideration to both the impact on the owners of remaining taxable property and policy goals.

*Other Exemptions*

The report also discusses exemptions relating to the corporate income tax, insurance premium taxes, economic development surcharge, real estate transfer fees, public utility taxes, excise taxes, and forest crop and managed forest laws.

**Limitations of the Report**

Readers should be aware of several limitations to the report.

The fiscal impacts of tax exemption devices are often difficult to measure and estimates of the effect of tax exemptions are subject to limitations and the need to make assumptions. Generally, in calculating each fiscal effect, it is assumed that only the provision in question is changed and that all other aspects of the tax system remain the same.

All the estimates in this report are presented as the impact of the exemption device in FY24. Changes in taxpayer behavior or economic activities since that time are not reflected.

Consistent with accepted revenue estimating practices, the estimates also assume that economic variables, taxpayer behavior and other factors would be unaffected by the repeal of an exemption device. For some tax exemption devices, these assumptions are open to question. For example, the removal of an income tax deduction could significantly alter spending or investment behavior.

In addition, the estimates are only as good as the data available. In some cases, the estimates are very reliable. In other cases, little data is available, and estimates must rely on external sources or indirect information. Therefore, the estimates should generally be viewed as indicative only of the order of magnitude of tax exemption costs. Discussion on the data sources and methodologies used in constructing the estimates are contained in the individual chapters of this report.

Due to these data limitations and interactions between various exemptions, it is not necessarily accurate to sum across the exemptions to arrive at a total fiscal impact. Each estimate is made in isolation. If two or more items were eliminated, the combined effect may be more or less than the sum of their respective estimates.

The descriptions of tax exemption devices included in this report should not be considered guidance documents for taxpayers to use in preparing and filing taxes. For official publications, fact sheets and instructions, visit the Department of Revenue website: www.revenue.wi.gov.

# INDIVIDUAL INCOME TAX

**Introduction**

The individual income tax is Wisconsin's largest state tax source, generating $9.718 billion, or 44.9 percent of state general purpose revenue taxes in FY24. Wisconsin first enacted its income tax in 1911, two years before the federal income tax was imposed.

Wisconsin imposes the income tax on a base that generally conforms to the base for the federal income tax. Federal adjusted gross income (FAGI) is the starting point for the Wisconsin tax calculation. FAGI is calculated on the federal tax return by reporting the various kinds of income – for instance, wages and salaries, interest and dividends, business earnings, retirement income – and then making adjustments for certain kinds of exempt income or deductible expenses. Major adjustments and exemptions include:

- Certain contributions to retirement plans and exemptions for a portion of retirement income.
- Deductions for health insurance premiums paid by individuals and exemptions for health insurance benefits provided by employers.
- Trade and business expenses as well as certain employee job expenses that offset income from these sources.
- One-half of the self-employment tax paid for social security and Medicare coverage.
- Up to $2,500 in interest on student loans when income does not exceed prescribed limits.

In the Wisconsin tax calculation, both additions and subtractions are made to FAGI in order to determine Wisconsin adjusted gross income (WAGI). Additions are types of income that are exempt from federal tax but subject to state tax or deductions allowed for federal but not Wisconsin purposes. The major addition is state and municipal bond interest, which the federal government may not tax. Several other additions reflect that certain state tax credits are a form of income and must be included as such.

Subtractions are types of income taxable under federal law but exempted by Wisconsin and certain expenses for which Wisconsin allows a deduction. Major subtractions include:

- 30 percent of capital gains on assets held for more than one year. These gains are fully included in federal taxable income, though long-term gains are taxable at lower rates than ordinary income.
- Interest on U.S. government bonds, which states may not tax.
- Pensions received by persons who were members of or retired from Milwaukee city and county retirement funds, the state teachers' retirement fund, and the civil service retirement system prior to January 1, 1964. In addition, veterans' pensions are exempt from Wisconsin income tax.
- All social security benefits that are taxable for federal purposes. Up to 85 percent of social security benefits are subject to federal tax, but Wisconsin does not tax social security benefits.
- A portion of unemployment compensation. Unemployment compensation is only subject to Wisconsin tax when income exceeds $18,000 for married couples and $12,000 for most other filers.
- Tuition payments to postsecondary institutions in Wisconsin and to schools in Minnesota covered under Minnesota-Wisconsin tuition reciprocity. For each qualified student, the subtraction is limited to two times the average amount charged to resident undergraduates by the University of Wisconsin System at four-year institutions.
- A portion of health insurance premiums not already excluded from federal income.

WAGI is reduced a standard deduction and personal exemptions to yield Wisconsin taxable income. Wisconsin provides a sliding scale standard deduction, equal to a maximum when income is below a specified level, this maximum deduction is phased down to $0 as income increases. For instance, in 2024, the deduction for single persons was $13,230 when WAGI was less than $19,070, and it declined to $0 as income increased from $19,070 to $129,320. The deduction parameters for each filing status are shown in Table 1; the maximum deduction and phase-out range are indexed annually for inflation. Unlike federal law, Wisconsin does not allow itemized deductions; instead, it provides an itemized deductions credit, discussed below, equal to 5 percent of certain deductions in excess of the standard deduction.

**TABLE 1**
**WISCONSIN STANDARD DEDUCTIONS, 2024**

| Filing Status | Maximum Deduction | Phase-Out Range | Phase-Out Rate |
|---|---|---|---|
| Single | $13,230 | $19,070 - $129,320 | 12% |
| Head of Household | $17,090 | $19,070 - $55,779* | 22.515% |
| Married Filing Jointly | $24,490 | $27,520 - $151,344 | 19.778% |
| Married Filing Separately | $11,630 | $13,060 - $71,863 | 19.778% |

*Income at which head of household deduction equals the deduction for single filers. Above this income level, the deduction for heads of households is the same as that for single persons.

WAGI is also reduced by a personal exemption equal to $700 for each tax filer, spouse and dependent. There is an additional exemption of $250 for each tax filer and spouse age 65 or older.

Wisconsin taxable income, equal to WAGI less the standard deduction and personal exemptions, is the base to which statutory tax rates are applied to yield gross tax liability. As Table 2 shows, Wisconsin imposes a series of graduated tax rates, ranging from 3.5 percent to 7.65 percent in 2024. The top rate applies to filers with taxable income exceeding $315,310 for single persons and $420,420 for married couples filing jointly. Bracket ceilings are indexed for inflation.

**TABLE 2**
**WISCONSIN TAX RATES AND BRACKETS, 2024**

| Tax Rate | Taxable Income Brackets | | |
|---|---|---|---|
| | Single | Married - Joint | Married - Separate |
| 3.50% | $0 - $14,320 | $0 - $19,090 | $0 - $9,550 |
| 4.40% | $14,320 - $28,640 | $19,090 - $38,190 | $9,550 - $19,090 |
| 5.30% | $28,640 - $315,310 | $38,190 - $420,420 | $19,090 - $210,210 |
| 7.65% | More than $315,310 | More than $420,420 | More than $210,210 |

Finally, gross tax is reduced by credits against the tax liability. Major nonrefundable credits, which are limited to the amount of income tax liability otherwise due, include:

- The itemized deductions credit, equal to 5 percent of the amount by which certain federal itemized deductions exceed the standard deduction. Deductions allowed for the credit are those for medical expenses, mortgage interest on a primary residence located in Wisconsin, investment interest on securities the income from which is subject to Wisconsin tax, charitable contributions, and certain casualty losses that are directly related to a presidentially declared disaster. Individuals may claim the itemized deductions credit even if they do not itemize their deductions on their federal tax return.

- The school property tax credit, equal to 12 percent of the first $2,500 of property taxes, or rent constituting property taxes, for a maximum credit of $300. Rent constituting property taxes equals 20 percent of rent if heat is included in rent and 25 percent if heat is not included.

- The married couple credit for joint filers when both spouses have earned income. The credit is equal to 3 percent of the earnings of the lower earning spouses, but not more than $16,000 of earnings or $480 of credit.

- Historic rehabilitation credits, including a supplement to the federal historic rehabilitation credit, equal to 20 percent of qualifying expenditures under the federal Internal Revenue Code and a state historic rehabilitation credit equal to 25 percent of qualified expenditures to substantially rehabilitate certified historic buildings.

- The manufacturing and agriculture credit, equal to 7.5 percent of income from qualified production activities attributable to manufacturing or agricultural operations.

- A credit for income taxes paid to other states on income that is also taxable to Wisconsin. No credit is allowed for income that falls under a Wisconsin reciprocity agreement. Under a reciprocity agreement, each state agrees not to tax the wages earned within its borders by residents of the other state. Wisconsin currently has reciprocity agreements with Illinois, Indiana, Kentucky and Michigan. Because the number of Wisconsin residents working in Illinois is substantially higher than the number of Illinois residents working in Wisconsin, Wisconsin makes annual payments to compensate Illinois for the net revenue loss incurred as a result of reciprocity.

In addition to nonrefundable tax credits, Wisconsin also offers refundable credits, which are paid to claimants in the form of a tax refund when the amount of the credit exceeds tax otherwise due. These credits are essentially subsidies provided to particular types of claimants through the tax system, but the amount of credit awarded is not tied specifically to the amount of tax due. These credits are:

- The homestead credit, which equals up to 80 percent of property taxes or rent constituting property taxes when household income does not exceed $8,060. Maximum property taxes allowable under the credit are $1,460, so the maximum credit is $1,168. The credit is phased out as household income rises from $8,060 to $24,680. Rent constituting property taxes equals 20 percent of rent when heat is included in rent and 25 percent of rent when heat is not included. Individuals must be at least 62 years old, have a disability, or have earned income in order to qualify for the credit.

- The earned income tax credit (EITC), calculated as a percentage of the federal earned income tax credit depending on family size: 4 percent for persons with one child, 11 percent for persons with two children, and 34 percent for persons with three or more children. In 2024, the federal credit for persons with one child was equal to 34 percent of earnings up to $12,390, for a maximum credit of $4,213. The credit for single persons was phased out as the greater of FAGI or earnings rose from $22,720 to $49,082; the phase-out floor and ceiling were $6,920 higher for married couples. For persons with two children, the federal credit was 40 percent of earnings up to $17,400, for a maximum credit of $6,960. The credit was phased out for single persons as income or earnings rose from $22,720 to $55,768; the phase-out floor and ceiling were $6,920 higher for married couples. For persons with three or more children, the federal credit was 45 percent of earnings up to $17,400, for a maximum credit of $7,830. The credit was phased out for single persons as income or earnings rose from $22,720 to $59,899; the phase-out floor and ceiling were $6,920 higher for married couples. Thus, the maximum Wisconsin credits were $169 for persons with one child, $766 for persons with two children, and $2,662 for persons with three or more children.

- The Farmland Preservation credit is available for owners of farmland that was zoned exclusively for agricultural use or covered under a farmland preservation agreement with the state. The credit was revised and expanded beginning in tax year 2010. Under current law the credit may be claimed using either the old credit formula or the new credit formula depending on the claimants' farmland preservation agreements. The old credit is a percentage of a base amount determined using household income and the property taxes levied against the farmland. The new credit is a flat payment of $12.50 or $10 per acre of qualifying farmland.

- The veterans and surviving spouses' property tax credit equal to the amount of property taxes paid on the claimant's principal dwelling. This credit is available to certain resident disabled veterans and un-remarried surviving spouses of veterans who died while on active duty, during training, or had a service-connected disability rating of 100 percent or a 100 percent disability rating based on

individual unemployability at the time of death. In all cases, the veteran must have been a Wisconsin resident at the time of entry into service or a resident for any consecutive five-year period after entry into active-duty service. In the case of surviving spouses, the veteran must also have been a resident at the time of death. Surviving spouses may also qualify if they receive dependency and indemnity compensation.

**Estimates of Fiscal Effects**

Estimates of individual income tax exemption devices are shown below and compiled in Table 3 at the end of this section. The tax exemptions are divided into four broad categories: (1) exclusions from federal gross income, (2) adjustments to federal gross income, (3) Wisconsin modifications to federal adjusted gross income and (4) Wisconsin state tax credits. The report identifies the exemption devices, indicates the statutory sections allowing the exemption devices, and provides estimates of the fiscal effects in FY24. In some cases, related exemption devices may appear in more than one section. For example, certain medical insurance premiums are excluded from federal gross income, while other amounts can be claimed as an adjustment to federal gross income or as a Wisconsin subtraction from federal adjusted gross income. In these cases, the component fiscal effects are listed separately in each section.

Several approaches were used to generate the fiscal estimates. The estimates of exclusions from gross income, which are not reported on tax returns, were generally based on estimates of the fiscal effect of federal tax expenditures – i.e., federal tax exemption devices – contained in the annual budget document issued by the Executive Office of the President. Estimates prepared by the Congressional Budget Office and the staff of the Joint Committee on Taxation were also considered. Generally, Wisconsin's share of the federal fiscal effect was determined using the state's share of total federal adjusted gross income on all federal tax returns, and then adjustments were made to account for the differences in federal and Wisconsin tax rates.

Most of the other estimates were based on Wisconsin-specific data sources, including the 2022 Wisconsin individual income tax model, aggregate statistics from the 2023-24 tax processing year, aggregate statistics from tax year 2022 returns filed during calendar year 2023, and tax collection statistics for FY24. The tax model uses data either from aggregate statistics or derived from a statistically stratified sample of approximately 24,000 tax returns, weighted to reflect the statewide population of tax filers in 2022. This model was used to simulate the effect of tax exemption devices. The 2023-24 tax processing aggregate statistics were drawn from all tax returns processed from July 1, 2023, to June 30, 2024, while the 2022 tax year aggregate statistics were drawn from all 2022 tax returns processed during calendar year 2023.

It is important to note that the fiscal impacts for the exemption devices are calculated independently. In many cases, tax provisions have nontrivial impacts on each other. For example, an exclusion from gross income may allow a taxpayer to have income below the phase-out threshold of another deduction. Absent the exclusion, the fiscal effect of the deduction would be different. As such, the combined effect of two or more provisions may be higher or lower than the separately identified effects.

| ***Exclusions from Federal Gross Income*** | ***FY24 Fiscal Effect*** |
|---|---|

An exclusion is a type of income that is not included in federal gross income by provisions of the Internal Revenue Code or under the U.S. Constitution, or in Wisconsin income by provisions of the Wisconsin Statutes. Excluded income does not have to be reported on the income tax return.

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| **Gain from Sale or Exchange of Residence (Home), IRC 121** | **$298,000,000** |

A taxpayer may exclude from income up to $250,000 ($500,000 for married couples filing jointly) of capital gain realized on the sale or exchange of a residence. The taxpayer generally must have owned and occupied the home as a principal residence for at least two of the five years prior to the sale. An individual not meeting the ownership or residence requirements is allowed a pro rata amount of the exclusion if the sale or exchange is due to a change in employment, health or other unforeseen circumstances. The exclusion is allowed on only one sale every two years, and it is not permitted on properties in which depreciation is allowed for rental or business use.

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| **Gain from Sale or Exchange of Qualified Small Business Stock, IRC 1202, s. 71.98(5)** | **$6,400,000** |

For taxable years beginning after December 31, 2018, Wisconsin conforms to the federal exclusion for gains from small business stock. The qualifying stock must be held by individuals for more than five years, while the qualifying small business must have gross assets that do not exceed $50 million at the time the stock is issued.

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| **Social Security Benefits, IRC 86** | **$182,000,000** |

Old-age and survivors' insurance benefit payments, state old-age assistance payments, and Medicare benefits are generally excluded from the gross income of the person receiving such benefits. Federal law subjects up to 50 percent of benefits to tax when income exceeds a base amount and up to 85 percent of benefits when income exceeds an adjusted base amount. In this determination, income equals modified adjusted gross income plus one-half of social security.

The base amounts for determining tax on up to 50 percent of benefits are $25,000 for single persons, including married persons filing separately who lived apart from their spouses for the full tax year; $32,000 for married couples filing a joint return; and $0 for married persons filing separately who lived with their spouses for at least part of the year. The adjusted base amounts for taxing up to 85 percent of benefits are $34,000 for single persons, $44,000 for married couples, and $0 for married persons filing separately and living with their spouses for at least part of the year.

Wisconsin does not tax any social security benefits. Table 3 provides separate fiscal estimates of the state revenue loss resulting from the federal exclusion and the loss resulting from the additional state subtraction from FAGI.

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| **Railroad Retirement Annuities and Pensions, IRC 86** | **$1,350,000** |

Annuities or pensions paid under the 1935 and 1937 Railroad Retirement Acts are generally excluded from gross income. Up to 50 percent of Tier 1 retirement benefits are taxable for federal tax purposes, but the Railroad Retirement Acts specifically prohibit state taxation of retirement benefits, so Tier 1 benefits are completely excluded from gross income for state purposes.

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| **Public Assistance, IRC 61** | **$2,350,000** |

Assistance provided under the Wisconsin Works program, Medicaid, general relief and other public assistance to individuals and families is excluded from the gross income of the recipients.

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| **Sickness and Injury Benefits, IRC104 to 106** | **$1,300,000,000** |

Compensation for sickness or personal injury excluded from gross income includes the following:

- Amounts received under the worker's compensation and social security acts;
- Damages received as a result of a court suit or other legal settlement in a personal injury case;
- Proceeds received from an accident, health or medical insurance policy paid for by the taxpayer;
- A pension, annuity or similar allowance for sickness or injury sustained while active in the armed forces, the Coast and Geodetic Survey, the Public Health Service, or the Foreign Service, and disability income received by an employee of the United States for injuries incurred in a terrorist attack during the performance of duties outside the U.S.;
- Employer contributions to an accident or health plan designed to benefit the employee;
- Sick pay or employer-financed disability benefits, other than reimbursement for medical expenses deducted in the same year or a prior year, which is regarded as taxable income; and
- Earnings from medical savings accounts and health savings accounts.

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| **Distributions from Retirement Plans for Premiums for Health and Long-Term Care Insurance, IRC 402, P.L. 109-280** | **$2,520,000** |

Pension distributions from government retirement plans to retired public safety officers used to pay health insurance are excluded from income up to a maximum of $3,000 annually.

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| **Group Term Life Insurance Purchased for Employees, IRC 79** | **$18,100,000** |

The cost of group term life insurance provided to an individual under a policy carried by an employer is generally considered taxable income. However, the cost incurred in purchasing the first $50,000 worth of coverage is excluded from the gross income of employees.

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| **Death Benefits, IRC 101** | **$118,000,000** |

Amounts paid under a life insurance contract are excluded whether these sums are paid at one point or over time.

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| **Meals and Lodging to Employees, IRC 119** | **$40,200,000** |

Employees may exclude from gross income the value of any meals or lodging provided to them for the convenience of the employer. Meals must be furnished on the employer's business premises and lodging must have been accepted by an employee as a condition of employment.

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| **Scholarships and Fellowships, IRC 117** | **$24,000,000** |

Scholarships and fellowships are excluded from gross income when received by a degree candidate at an educational institution and when used to pay tuition and course-related fees or to purchase books, equipment and supplies. Amounts used for room and board, however, must be included in income. Scholarships and fellowships do not qualify for the exclusion if they are made either to compensate the recipient for services provided, or to allow the recipient to pursue studies or research that primarily benefit the person or institution paying the scholarship and fellowship.

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| **Awards and Prizes, IRC 74(b) and (c)** | **Minimal** |

Awards or prizes received in recognition of religious, charitable, scientific, educational, literary or civic achievement may be excluded from gross income if the amount received is transferred to a government agency or a charitable organization. Further, the exclusion applies only if the recipient was selected without any action on his or her part to enter the competition for the award and only if the recipient is not required to render any substantial future services as a condition of receiving the award.

Employee awards for length of service or achievement are generally excludable from gross income to the extent of the deduction claimed by the employer. Deductions of such awards are limited.

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| **Rental Value of Parsonages, IRC 107** | **$5,190,000** |

The allowance paid to a minister for the purpose of renting a home, or the rental value of the home furnished as part of compensation, is excluded from gross income. In both cases, the associated utility expenses are considered part of the allowance and, as such, excluded from gross income.

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| **Reduced Armed Forces Retirement Pay, IRC 122** | **Not Available** |

The amount deducted from retirement or retainer pay of members or former members of the United States armed forces under the Retired Serviceman's Family Protection Plan is excluded from gross income. The reduction in retirement pay is made by contract between the member of the service and the armed forces for the purchase of an annuity. This reduction is between 12.5 percent and 50 percent of retirement pay, but in no case less than $25. If the person should die before the amount of the contract is paid, the survivor

receiving the annuity may exclude from gross income any reductions in annuity payments used to conclude the contract.

| **Combat Pay and Other Armed Forces Exclusions, IRC 112 and 134** | **$161,000,000** |
|---|---|

The monthly compensation of members of the United States armed forces is excluded from gross income if the taxpayer served in a combat zone. The exclusion for commissioned officers is limited to the maximum amount that enlisted personnel may exclude. Currently designated combat zones and hazardous duty areas include:

- The Sinai Peninsula;
- Afghanistan, along with Uzbekistan, Kyrgyzstan, Pakistan, Tajikistan, Jordan, Yemen, Djibouti and Somalia;
- Kosovo area defined by executive order as the Federal Republic of Yugoslavia (Serbia/Montenegro), Albania, the Adriatic Sea and the Ionian Sea north of the 39th parallel; and
- The Arabian Peninsula, including the Persian Gulf, the Red Sea, the Gulf of Oman, the part of the Arabian Sea that is north of 10 degrees north latitude and west of 68 degrees east longitude, the Gulf of Aden, and the total land areas of Iraq, Kuwait, Saudi Arabia, Oman, Bahrain, Qatar, the United Arab Emirates, Jordan, Lebanon and Turkey east of 33.51 degrees east longitude.

Exclusions applicable to miscellaneous armed forces income are:

- All payments of benefits under any law administered by the Veterans' Administration (38 U.S. Code 3101);
- A pension of $100 per month for all persons over the age 65 who are on the Army, Navy, Air Force or Coast Guard Medal of Honor roll (38 U.S. Code 562);
- Benefits under World War Adjusted Compensation Act;
- Benefits under World War Veterans' Act;
- Leave compensation payment under Armed Forces Leave Act;
- G.I. Bill educational benefits; and
- In-kind benefits provided to armed forces personnel.

| **Life Insurance Dividends, IRC 7702** | **$24,100,000** |
|---|---|

Dividends on matured insurance policies may be excluded from gross income for income tax purposes.

| **Cancellation of Business Property Indebtedness, IRC 108(a)** | **Minimal** |
|---|---|

A taxpayer need not recognize income when a debt of the taxpayer is fully or partially canceled if the individual incurred the debt in connection with property used in a trade or business. The taxpayer must agree to reduce the basis (cost) of the property if an economic benefit was realized as a result of the discharge of a debt for the purpose of determining future depreciation and capital gains or losses.

| **Income Realized from Debt Cancellation through Bankruptcy, IRC 108** | **Not Available** |
|---|---|

When a debt is forgiven in connection with a bankruptcy proceeding, the income realized is not subject to tax unless the principal purpose of the bankruptcy plan is the evasion of income taxes.

| **Interest on Certain State and Local Bonds, ss. 66.1201(14)a, 66.1333(5)(a)4.c and 71.05(1)(c)** | **Not Available** |
|---|---|

In general, interest on obligations of state and local governments is subject to the Wisconsin income tax, even though such income may be exempt from federal taxation. However, interest on the following bonds is exempt:

- Bonds issued by a city housing authority, city redevelopment authorities, local exposition districts,

sponsoring municipalities assisting local exposition districts and local cultural arts districts;
- Certain bonds issued by the Wisconsin Housing and Economic Development Authority (WHEDA);
- Wisconsin professional baseball park and football stadium district bonds;
- Wisconsin Housing Finance Authority (WHFA) bonds (that is, bonds issued before 1983, when WHFA became known as WHEDA);
- Bonds issued by the Government of Puerto Rico, Guam, the Virgin Islands, the Northern Mariana Islands, or for bonds issued after October 16, 2004, the Government of American Samoa;
- Wisconsin higher education bonds;
- Wisconsin Aerospace Authority bonds;
- Certain bonds issued by the Wisconsin Health and Educational Facilities Authority; and
- Specified conduit revenue bonds.

| **Gifts and Inheritances, IRC 102** | **Not Available** |
|---|---|

The value of property received by gift, inheritance or bequest is excluded from gross income. This exclusion does not apply to the income from property received by gift or bequest, nor to a gift or bequest consisting of income from property rather than the property itself. No administrative records are available on the total value of property transferred by gift or inheritance, so a comprehensive estimate of the revenue loss has not been calculated.

| **Appreciation of Property Held at the Time of Death, IRC 1014** | **$195,000,000** |
|---|---|

Appreciation (gain) from property held at the time of death is not subject to tax for either the deceased or his or her heirs. The basis of inherited property generally is its fair market value at the time of the decedent's death, rather than its cost when the decedent acquired it. As a result, the appreciation of the property while it was held by the decedent – the difference in fair market value at the time of death and the decedent's cost of purchasing the property – is not taxed.

| **Employer Contributions to Pension Plans and Net Pension Fund Earnings, IRC 401 to 404A, 406 to 407 and 409 to 417** | **$1,070,000,000** |
|---|---|

Amounts contributed to qualified pension, profit-sharing, stock bonus, bond purchase and annuity plans by an employer on behalf of his or her employees are generally not treated as income taxable to the employees at the time the contributions are made. Further, employers may generally deduct these contributions from gross income, and the earnings that accrue on the contributions are excluded from the employee's income, so long as the assets are retained within a qualified plan.

Tax is imposed when distributions are made from the plan to employees in the form of pensions and annuities. At that time the taxable portion of the plan benefits must be included in the gross income of the recipient. The portion of the benefits representing the employee's contribution to the plan is not taxable upon distribution if the employee's contributions were included in income and subject to tax at the time the contributions were made.

Taxing employer contributions and earnings on pension plan assets at the time of withdrawal, rather than at the time of contribution, results in a deferral of revenue. Moreover, it may result in a revenue loss if the plan beneficiary pays tax at a lower rate after retirement.

| **Employer Reimbursement of Employee's Educational Expenses, IRC 127** | **$9,070,000** |
|---|---|

Up to $5,250 of non-job-related employer-provided educational assistance may be excluded from gross income.

| **Employer-Provided Child Care, IRC 129** | **$4,270,000** |
|---|---|

The value of child or dependent care services provided by an employer under a nondiscriminatory plan is excluded from gross income to the extent that the amount excluded does not exceed $5,000 ($2,500 for

married separate filers). Further, the value of services excluded may not exceed the earned income of the employee or the earned income of an employee's lower-earning spouse.

| **Employer-Provided Adoption Assistance, IRC 137** | **$2,470,000** |
|---|---|

Up to $16,810 per child in adoption assistance provided by an employer is excluded from gross income in tax year 2024. The $16,810 exclusion is allowed for special needs adoption even if that amount exceeds actual expenses incurred. The exclusion is phased out for persons with modified adjusted gross income between $252,150 and $292,150. The amount excludable and the phase-out ranges are indexed for inflation.

| **Individual Retirement Accounts (IRAs), IRC 408, 408A, and 530** | **$147,000,000** |
|---|---|

Taxpayers may receive tax benefits from three different types of individual retirement accounts under federal law: the traditional IRA, the Roth IRA and the education IRA. The tax expenditure combines the impact of deductions of contributions to IRAs and exclusions/deferrals of earnings from IRAs.

1. Traditional IRA

   Persons contributing to a traditional IRA may claim a deduction for the amount contributed and are not taxed on the earnings that remain in a traditional IRA. IRA contributions and earnings on them are taxable when withdrawals are made from the account.

   The full deduction for contributions is limited to persons who are not covered by an employer-provided retirement plan or who are covered by such plans but have adjusted gross income, for tax year 2024, less than $77,000 for single persons, $123,000 for married persons filing jointly or $0 for married persons filing separately. The deduction is phased out over the next $10,000 of income ($20,000 for married persons filing jointly).

   For tax year 2024, the deduction is generally limited to $7,000 for each tax filer and spouse, but not more than the person's earnings. For married couples, the combined IRA deduction may not exceed combined earnings; in other words, a spouse with little or no earnings may still claim an IRA deduction if the other spouse has earnings in excess of his or her own IRA deduction. These maximum contributions are coordinated among the three types of IRAs; the combined contribution to all IRAs for any one person cannot exceed $7,000 or the person's earnings. Further, taxpayers age 50 and older are allowed additional "catch-up" contributions of $1,000 in 2024.

   With limited exceptions, amounts in a traditional IRA cannot be withdrawn without penalty prior to age 59½. Early withdrawals must be included in gross income and are subject to an additional 10 percent federal penalty tax. The 10 percent early withdrawal penalty does not apply in cases of death and disability or when the withdrawals are used for qualified higher education expenses or first-time homeowner expenses (up to $10,000). Wisconsin imposes a state penalty equal to 33 percent of the federal penalty. Amounts withdrawn from an IRA after age 59½ must be included in gross income in the year of the withdrawal. Withdrawals generally must begin after the individual reaches the age of 70½. Insufficient withdrawals after age 70½ are subject to a penalty tax.

   Persons can make nondeductible contributions to their retirement accounts and the earnings on those nondeductible contributions can be excluded from income, as long as the assets are retained within the retirement account.

2. Roth IRA

   A Roth IRA is an account for which the contributions are not deductible when made, but qualified distributions, including earnings on contributions, are not taxable. In tax year 2024, persons whose adjusted gross income does not exceed $146,000 if single, $230,000 if married filing jointly, or $0 if married filing separately may contribute up to $7,000 per person per year to a Roth IRA. The amount of contribution permitted is phased out as income rises to $161,000 for single filers, $240,000 for married joint filers, and $10,000 for married separate filers. Individuals who are married filing

separately and did not live with their spouses at any time during the year are treated as single for the purpose of contribution limits.

The increases in contribution limits and the catch-up contributions for taxpayers age 50 and older that apply to traditional IRAs also apply to Roth IRAs.

Distributions from a Roth IRA are not subject to tax if they are made no earlier than five years after the account is established and if the taxpayer has reached age 59½. Earlier distributions are not subject to tax if they are made because of the death or disability of the taxpayer or for first-time homebuyer expenses (up to $10,000). Nonqualified distributions must be included in gross income and are subject to a 10 percent federal penalty tax and a state penalty equal to 33 percent of the federal penalty. Unlike a traditional IRA, distributions from a Roth IRA are not required upon reaching the age of 70½.

3. Education IRA

An education IRA (also known as a Coverdell Education Savings Account) is similar to a Roth IRA: contributions are not deductible, but qualified distributions are not subject to tax if they are used to pay the postsecondary expenditures of the beneficiary.

For tax year 2024, contributions of up to $2,000 per child may be made to an education IRA when income is less than $95,000 for single persons and $190,000 for married couples filing jointly. The amount that may be deducted is phased out as income rises to $110,000 for single filers and $220,000 for married joint filers.

| **Qualified Tuition and ABLE Programs, IRC 529 and 529A** | **$17,000,000** |
|---|---|

Individuals may contribute to qualified accounts established for the purpose of meeting the beneficiaries' specified higher education expenses in the case of tuition programs or qualified disability expenses in the case of ABLE programs. Contributions to qualified tuition and ABLE program accounts are not excluded from federal gross income. However, account earnings are excluded from income when distributions from the accounts are used for qualified expenses. Wisconsin also allows for a deduction for certain contributions to the Wisconsin sponsored qualified tuition programs and ABLE accounts (see College Savings Plans and ABLE accounts under Modifications to Federal Adjusted Gross Income).

| **Self-Employed Retirement Plans, IRC 401 to 404A, 406 to 407, and 409 to 417** | **$194,000,000** |
|---|---|

A self-employed taxpayer may deduct from gross income contributions made on the taxpayer's behalf to a pension, profit-sharing, annuity or bond purchase plan. Contributions must be made from earned income. The amounts earned under the plans are not subject to tax until withdrawn from the qualified accounts.

The tax expenditure combines the impact of deductions of contributions to self-employed retirement plans and exclusions/deferrals of earnings from these accounts.

| **Transportation and Other Fringe Benefits, IRC 132(a)** | **$20,500,000** |
|---|---|

Employer-provided transportation in a commuter vehicle, transit passes and parking are excluded from income of the employee receiving these benefits. In 2024, the exclusion for commuter transportation or transit passes is limited to $315 per month and the exclusion for parking is limited to $315 per month. These amounts are indexed for inflation.

Other fringe benefits excluded from income include services provided by employers to employees at no additional cost to the employer, employee discounts, property or services for which an employee would be allowed a deduction if the employee provided that property or service, property or service of minimal value, reimbursement of moving expenses, and retirement planning services. Only the transportation benefits have a measurable fiscal effect.

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| **Foster Care Payments, IRC 131** | **$2,720,000** |

Foster care payments to care providers by a state or local government or a foster care placement agency are excluded from income.

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| **Cancellation of Student Loans, IRC 108(f)** | **$560,000** |

The amount of a student loan funded by federal, state or local government programs that has been forgiven is not included in taxable income when the cancellation is contingent upon the beneficiary working for a specified period of time in a certain area or for a particular type of employer.

| | |
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| **Recovery of Tax Benefit Items, IRC 111** | **Minimal** |

Certain actions, such as writing off a bad debt, can result in tax benefits. If the tax benefit item is recovered in a later year, then the recovery is taxable. For example, if a debt is written off in one year and repaid in a later year, then that repayment is taxable in the year it is received. However, if the taxpayer did not actually receive a tax benefit from the original action, any income from a subsequent recovery is not taxable.

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| **Foreign Earned Income, IRC 911** | **$24,600,000** |

Qualified individuals who work abroad and receive earned income from foreign sources may elect to exclude up to $126,500 of such income in 2024. The exclusion amount is adjusted to take into account employer-provided housing allowances, or housing expenses where allowances are not provided, and the maximum exclusion is reduced for taxpayers who work abroad for only part of a year.

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| **Natural Resource-Related Cost-Sharing Payments, IRC 126** | **Minimal** |

Payments received by individuals primarily for the purpose of conserving soil and water resources, protecting or restoring the environment, improving forests, or providing a habitat for wildlife may be excluded from gross income.

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| **Passive Activity Losses, IRC 469** | **Not Available** |

In general, when the deductions exceed the income from a business activity, the resulting loss can be offset against other types of income. However, passive activity losses – those from business activities in whose management or operation taxpayers do not actively or materially participate – are subject to passive loss restrictions. Under the restrictions, passive losses can only be offset against other passive income. Passive losses subject to the restrictions can be carried forward indefinitely until used against other passive income or until the taxpayer disposes of the ownership interest in the passive business activity in a fully taxable transaction.

Certain activities are explicitly treated by the tax code as either passive or active. For example, interest, dividends, annuities, royalties and other portfolio income are not treated as income from a passive activity, so net losses generated from passive activities cannot be used to offset portfolio income.

A rental activity generally is treated as a passive activity, though a limited exception exists for rental activity losses incurred by a taxpayer who actively participates in the rental real estate venture and owns at least a 10 percent interest in the rental property. Under the exception, up to $25,000 of losses from rental real estate may be used to offset income from nonpassive sources. The $25,000 maximum is reduced (but not below zero) when the taxpayer's adjusted gross income exceeds $100,000 and is completely phased out when AGI exceeds $150,000. Special rules apply for married taxpayers who file separate returns and live apart. A taxpayer with a working interest in oil and gas activities is also exempt from the passive loss rules.

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| **Capital Gains on Opportunity Zone Investments, IRC 1400Z** | **$9,500,000** |

States may nominate and the Secretary of the Treasury may designate a limited number of opportunity zones

in low-income communities in each state. Opportunity funds may then be created for the purpose of investing in qualified opportunity zone property. Income from capital gains reinvested in a qualified opportunity fund can be deferred from taxation. Moreover, the capital gains from the sale of investments in a qualified opportunity fund that are held for at least ten years are exempt from income tax.

***Adjustments to Federal Gross Income*** ***FY24 Fiscal Estimate***

An adjustment is an amount subtracted from gross income to arrive at adjusted gross income (AGI). After determining AGI, taxpayers apply personal exemptions and itemized deductions or a standard deduction to calculate federal taxable income. AGI is also the starting point for calculating Wisconsin state income tax liability.

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| **Capital Losses, IRC 1211; s. 71.05(10)(c)** | **$2,300,000** |

Losses from the sale or exchange of capital assets may be used to offset gains from capital assets. If the amount of capital losses exceeds the amount of capital gains in the current year, the net capital loss may be used to offset up to $3,000 of ordinary income for Wisconsin tax purposes. The amount of net capital loss not allowed as a deduction in the current year may be carried forward to future years to offset capital gains or ordinary income up to the $3,000 limit, up to 15 years.

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| **Losses from the Sale or Exchange of Business Property, IRC 62 (a)(3)** | **$7,780,000** |

Losses from the sale or exchange of property used in a business are deductible.

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| **Student Loan Interest, IRC 221** | **$4,910,000** |

Persons who have taken out loans on behalf of themselves, their spouse or their dependents to pay for the cost of attending an eligible educational institution may deduct the interest they pay on these loans. The maximum deduction allowed is $2,500. For 2024, the maximum deduction amount is reduced for single and head of household filers when modified FAGI is more than $80,000 and is eliminated when modified FAGI exceeds $95,000; for married joint filers the deduction is phased out between $165,000 and $195,000 of modified FAGI. Married separate filers and those filers claimed as dependents on another's return may not claim the deduction.

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| **Self-Employment Tax, IRC 164(f)** | **$27,300,000** |

Self-employed persons are allowed to deduct the employer-equivalent portion of their self-employment taxes, which are paid for social security and Medicare coverage. This deduction equalizes treatment between self-employed and employed persons. For the employed, the social security tax is shared by the employer and the employee; the amount paid by the employer is not considered income to the employee and is deductible for the employer.

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| **Health Insurance of Self-Employed Persons, IRC 162(l)** | **$30,200,000** |

Under federal law, self-employed persons can deduct up to 100 percent of premiums paid for health insurance. The deduction may not exceed the earned income from the trade or business for which the insurance plan was established. Wisconsin has its own deduction for up to 100 percent of the premiums paid for health insurance by self-employed persons, which was put in place when only a partial deduction was allowed under federal law. The Wisconsin deduction is also limited to net self-employment earnings, and it is not allowed for amounts already deducted in determining federal AGI.

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| **Educator Expenses, IRC 62** | **$730,000** |

Kindergarten through twelfth grade educators who worked in a school for at least 900 hours during a school year may deduct from income up to $300 per educator of unreimbursed qualified classroom expenses that they paid during the year.

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| **Health Savings Accounts and Medical Savings Accounts, IRC 220 and 223** | **$11,600,000** |

A federal deduction is allowed for contributions to Archer Medical Savings Accounts (MSA) and Health Savings Accounts (HSA). Participation in the HSA or MSA program requires concurrent enrollment in a high deductible health plan, defined as a health plan with a higher annual deductible than typical health plans and with a maximum limit on the annual amount of out-of-pocket medical expenses that the participant must pay for covered expenses.

Employer contributions to HSAs or MSAs are excluded from gross income, and contributions by individuals are deductible from income. Distributions from the accounts are excluded from income if used to pay qualified medical expenses, including unreimbursed medical costs of an eligible participant, spouse or dependents. Distributions used for nonqualified expenses are subject to a 20 percent federal excise tax, unless the participant is disabled or is age 65 or older.

The $11.6 million fiscal effect shown in Table 3 relates to the *adjustment to gross income* claimed for contributions to MSAs and HSAs. In contrast, to the extent that existing MSAs and HSAs earn interest or otherwise accumulate earnings, those amounts are *excluded from gross income*. Employer contributions to MSAs and HSAs on behalf of employees are also excluded from gross income rather than deducted as an adjustment to gross income. An additional $58.2 million fiscal effect is included in the exclusion from gross income for sickness and injury benefits. The total fiscal effect for these accounts was $69.8 million in FY24.

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| **Moving Expenses, IRC 217** | **Minimal** |

A deduction from gross income is allowed for moving expenses when the move is related to starting work in a new location. Deductible moving expenses include the cost of transporting household goods and personal effects and the cost of travel to the new residence, including lodging, but not meals. The deduction was suspended for tax years 2018 through 2025 for all individuals except members of the U.S. armed forces.

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| **Alimony, IRC 62(a)(10), 71 and 215** | **$10,900,000** |

For divorce or separation agreements executed before 2019, alimony, separate maintenance or similar periodic payments may be deducted from the gross income of the spouse or former spouse making the payments; however, they are deductible only to the extent that the payments are includible in the gross income of the recipient. Such payments must be made pursuant to a decree of divorce or separation. Child support and property settlements are not considered alimony.

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| **Penalty on Early Withdrawal of Savings, IRC 62(a)(9)** | **$60,000** |

Penalties paid because of premature withdrawal of funds from time savings accounts or deposits may be deducted from gross income. The adjustment is allowed for amounts forfeited to a bank, mutual savings bank, savings and loan association, cooperative bank, or homestead association as a penalty for premature withdrawal of funds from a time savings account, certificate of deposit or similar class of deposit. The deduction is not allowed when the loss is incurred in a transaction connected with a trade or business.

**Modifications to Federal Adjusted Gross Income**

A modification is an addition to or subtraction from federal adjusted gross income authorized by the Wisconsin Statutes to compute Wisconsin adjusted gross income (also referred to as Wisconsin income). In this report, with the exception of the capital gains add modification discussed in the previous section on "Adjustments to Federal Gross Income," only subtraction modifications are described because only they constitute tax exemption devices.

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| **Social Security Benefits: Difference in State and Federal Treatment, s. 71.05(6)(b)21** | **$532,000,000** |

Wisconsin does not tax social security benefits, while up to 85 percent of those benefits are subject to federal

tax. A subtraction modification allows taxpayers with federally taxable social security to exclude those amounts from Wisconsin income. The $532 million revenue loss for FY24 for this modification is in addition to the $182 million revenue loss from the exclusion discussed in the "Exclusions from Federal Gross Income" section; the total fiscal effect of the state's tax treatment of social security is $714 million.

| **Interest on U.S. Obligations, s. 71.05(6)(b)1** | **$13,000,000** |
|---|---|

All interest and dividend income, less related expenses, received on obligations of the United States, its territories and the District of Columbia may be subtracted from federal adjusted gross income in determining Wisconsin adjusted gross income. The subtraction applies to interest on obligations issued directly by the federal government and obligations issued by independent agencies, which federal law prohibits states from taxing. The fiscal effect of this exemption is difficult to estimate because a significant portion of these bonds are held indirectly by individuals through mutual funds, partnerships and other investment vehicles. The FY24 estimate reflects only U.S. government interest explicitly deducted from Wisconsin income tax returns and does not reflect any amounts deducted as part of the distributive share of those investment vehicles.

| **Capital Gains Exclusion, ss. 71.05(6)(b)9 and 9m** | **$305,000,000** |
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Wisconsin allows taxpayers to exclude from income 30 percent of the capital gains on assets held more than one year. A 60 percent exclusion is available for the capital gains on farm assets held more than one year.

Wisconsin also provides a full exclusion related to qualified Wisconsin businesses. Beginning with assets purchased in 2011, individuals may exclude the net capital gain on Wisconsin assets held more than five years. A Wisconsin asset is defined as real or tangible property located in the state and used in a Wisconsin business, stock in a Wisconsin business, or other ownership interest in a Wisconsin business. Qualifying businesses must register with DOR.

| **Gains on Sales of Business Assets to Related Persons, s. 71.05(6)(b)25** | **$910,000** |
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Gains on sales of business assets, including assets used in farming, to persons related to the seller within the third degree of kinship are not subject to tax. These related persons include parents, children, grandparents, grandchildren, brothers and sisters, uncles and aunts, nephews and nieces, and great grandchildren.

| **Certain Government Employee Pensions, ss. 71.05(1)(a), (am) and (an)** | **$38,100,000** |
|---|---|

Payments received from the selected retirement systems by persons who were members of or retired from these systems prior to 1964 are excluded from Wisconsin income, to the extent the payments were included in federal income. The Milwaukee Public School Teachers, Milwaukee City Employees, Milwaukee County Employees, Milwaukee County Sheriff, Milwaukee City Police, Milwaukee Fire Fighters, and Wisconsin Public School Teachers retirement systems, and the U.S. Civil Service and Military Employee retirement system are covered by this exemption.

All payments from the U.S. military retirement system and all U.S. government pension payments received by retirees of the U.S. Coast Guard, the commissioned corps of the National Oceanic and Atmospheric Administration, and the commissioned corps of the public health service are exempt.

| **Low-Income Retirement Income Exclusion, s. 71.05(6)(b)54** | **$120,000** |
|---|---|

Up to $5,000 in qualified pension and IRA income can be excluded from gross income for taxpayers who are 65 or older and have federal adjusted gross income less than $15,000 for single filers or $30,000 for married joint filers.

| **State Legislators' Per Diem Expenses, s. 71.05(1)(b)** | **Minimal** |
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Amounts received by state legislators as an allowance for expenses incurred while in Madison on legislative

business are excluded from Wisconsin adjusted gross income, provided a deduction for travel expenses is not claimed.

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| **Health Insurance Premiums of the Self-Employed and Certain Employees: Difference in State and Federal Treatment, ss. 71.05(6)(b)19, 35, 38, and 42** | **$111,000,000** |

To the extent that health insurance premium payments have not already been deducted or excluded from federal income, a subtraction is available for the full amount of premiums paid by individuals.

The $111 million revenue loss is in addition to the revenue losses attributable to health insurance premiums that are excluded or deducted from federal income.

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| **Long-Term Care Insurance Expenses, s. 71.05(6)(b)26** | **$8,960,000** |

A deduction is allowed for premiums paid for long-term care insurance. This insurance provides coverage for convalescent or custodial care, or care for a chronic condition or terminal illness that is provided in a person's home, an institution or a community-based setting. Qualified expenses include expenses for policies that cover a taxpayer and his or her spouse. Qualified expenses subtracted from gross income in the calculation of federal adjusted gross income cannot be claimed for this deduction. Also, qualified expenses claimed for this deduction cannot be used to calculate the Wisconsin itemized deduction credit.

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| **Unemployment Compensation, s. 71.05(6)(b)8** | **$290,000** |

Wisconsin excludes from income a portion of unemployment compensation when income falls below certain amounts. Taxable unemployment compensation equals the lesser of total unemployment compensation or 50 percent of the amount, if any, by which unemployment benefits plus the recipient's adjusted gross income (excluding unemployment compensation and certain disability benefits) exceed specified base amounts. The base amounts are: $12,000 for single persons and married persons who file separately and lived apart from their spouses for the full tax year; $18,000 for married persons filing a joint return; and $0 for married persons who file separately but lived with their spouses for at least part of the tax year.

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| **Disability Income, s. 71.05(6)(b)4** | **Minimal** |

A subtraction is allowed for payments to disabled persons that are included in federal income but were excluded under sec. 105(d) of the Internal Revenue Code prior to its repeal in 1983. This exclusion is limited to individuals who are retired on permanent and total disability, are less than 65 years old, and have FAGI of less than $20,200 ($25,400 if married and both spouses are eligible).

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| **Adoption Expenses, s. 71.05(6)(b)22** | **$50,000** |

Adoptive parents may deduct adoption fees, court costs or legal fees relating to the legal adoption of a child. This subtraction from federal adjusted gross income is limited to $5,000 of adoption expenses that occur during the tax year in which the adoption is finalized and the two prior tax years. Employer-paid adoption expenses that under federal law are excluded from gross income may not be used for the deduction.

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| **Higher Education Tuition Expenses, s. 71.05(6)(b)28** | **$12,100,000** |

The federal tax deduction for qualified tuition and fees does not apply in Wisconsin; however, state law does allow a tuition deduction. For tax year 2024 a deduction of up to $7,333 per student per year is allowed for tuition that is paid to any university, college, technical college or a school approved by the Educational Approval Program that is located in Wisconsin. Tuition paid to a public vocational school or public institution of higher education in Minnesota under the Minnesota-Wisconsin reciprocity agreement also qualifies for the deduction. Eligible expenses include tuition for the education of the claimant, the claimant's spouse, and his or her dependent. The maximum deduction amount is phased out in specified ranges of federal adjusted gross income: between $67,760 and $81,320 for single and head of household filers, $108,420 and $135,530 for married joint filers, and $24,210 and $67,760 for married separate filers.

| College Savings Plans, ss. 71.05(6)(b)23 and 31 to 33 | $19,000,000 |
|---|---|

In 2024, a deduction of up to $5,000 per year per beneficiary is allowed for contributions to an Edvest or Tomorrow's Scholar college savings account. To prevent double counting of the deduction, no deduction is allowed for any costs paid out using distributions from such a college savings or prepaid tuition plan. In particular, taxpayers cannot claim a deduction for tuition financed by a distribution from a college savings account when the contribution to that account was previously deducted.

In addition, any interest earnings on contributions to a plan may be deducted, to the extent these earnings are included in federal adjusted gross income and provided that the distributions from the plan are used for qualified educational purposes. Distributions from these plans are also exempt from federal tax (see Qualified Tuition Programs under "Exclusions from Federal Gross Income").

| Human Organ Donation Expenses, s. 71.05(10)(i) | Minimal |
|---|---|

An individual who, while living, donates one or more of his or her human organs to another human being for human organ transplantation may subtract $10,000 from federal adjusted gross income in the year in which the transplant occurs. The subtract modification may only be claimed for travel expenses, lodging expenses and lost wages that are incurred by the claimant and related to his or her organ donation.

| U.S. Armed Forces Active Duty Pay, ss. 71.05(6)(b34 and 71.05(6)(b)56 | $12,100,000 |
|---|---|

Members of the U.S. armed forces on active duty may deduct basic, special and incentive pay received from the federal government under 37 USC chapters 3 and 5 while on active duty. Moreover, members of the reserves or National Guard components of the U.S. armed forces who are called to federal active duty, may deduct from FAGI the amount of military pay received that relates to the period of time during which they are on active duty. Military members who do not file a Wisconsin return are excluded from this fiscal effect.

| Private School Tuition, s. 71.05(6)(b)49 | $10,100,000 |
|---|---|

Individuals may claim a deduction for tuition paid to send their dependent children to private school. The maximum deduction is $4,000 for an elementary school pupil and $10,000 for a secondary school pupil.

| Combat Zone Related Death, ss. 71.05(6)(b)48 and 48m | Minimal |
|---|---|

A deduction is allowed for the full amount of income received by an individual who died during the year while on active duty if the death occurred while he or she was serving in a combat zone. Individuals also qualify for the deduction if they died outside of the combat zone, but as a result of wounds, disease or injury incurred while serving in the combat zone. The deduction also applies to the previous year if the service member did not already file an income tax return.

| Physician or Psychiatrist Grant, s. 71.05(6)(b)51 | Minimal |
|---|---|

A deduction is allowed for the amount received by a physician or psychiatrist from the Wisconsin primary care and psychiatry shortage grant program. The grant program is intended to encourage primary care physicians and psychiatrists to practice primary care medicine or psychiatry in underserved areas in the state.

| ABLE Accounts, s. 71.05(6)(b)52 | $80,000 |
|---|---|

Individuals may claim a deduction for the amount contributed to qualified ABLE (Achieving a Better Life Experience) accounts. The beneficiary of an ABLE account must be a person with a disability. Distributions from the accounts must be used to pay the qualified disability expenses of the beneficiary. The total maximum subtraction that may be claimed by all contributors to the account for 2024 is $18,000.

| Out-of-State Employees Disaster Relief Work, s. 71.05(1)(g) | Not Available |
|---|---|

Qualifying out-of-state businesses and out-of-state employees are allowed an exemption from certain Wisconsin registration and tax reporting requirements, if the qualifying employer or employee is in Wisconsin solely to perform disaster relief work in connection with a state of emergency declared by the Governor. Compensation paid to qualifying out-of-state employees who are performing disaster relief work is not taxable.

| Olympic, Paralympic and Special Olympic Medals and Prize Money, s. 71.05(6)(b)53 | Minimal |
|---|---|

An exemption is allowed for the value of any Olympic, Paralympic or Special Olympics medal won by an individual in an Olympic, Paralympic or Special Olympics competition, and the amount of any payment such an individual receives from the U.S. Olympic Committee or from the Special Olympics Board of Directors. Because a similar exemption already exists under federal law as adopted by Wisconsin, this exemption only applies to amounts not already claimed on the individual's federal tax return. The federal provision does not allow an exclusion for individuals with more than $1 million of federal adjusted gross income and does not allow exclusions related to the Special Olympics.

| AmeriCorps Education Awards, s. 71.05(6)(b)55 | Minimal |
|---|---|

AmeriCorps education awards disbursed under 42 USC 12604 and used to pay for qualified student loans, educational expenses, or to participate in approved school-to-work programs may be deducted from income to the extent that the amounts have not already been excluded from federal adjusted gross income.

***Deductions and Exemptions from Adjusted Gross Income*** ***FY24 Fiscal Effect***

A deduction is an amount subtracted from Wisconsin adjusted gross income (or total income) to yield Wisconsin taxable income – the amount to which the tax rates are applied. Federal taxpayers may claim either a standard deduction or an itemized deduction. Wisconsin taxpayers are allowed a standard deduction only, though taxpayers may be eligible for an itemized deductions credit, explained in the next section. Wisconsin also provides a personal exemption that is subtracted from Wisconsin adjusted gross income.

| Standard Deduction, s. 71.05(22) | $843,000,000 |
|---|---|

Wisconsin provides a sliding scale standard deduction that decreases as income increases. For tax year 2024, the standard deduction for single persons was $13,230 when Wisconsin adjusted gross income (WAGI) was less than $19,070, and it was phased out as WAGI rose from $19,070 to $129,320. For heads of households, mostly single parents, the deduction was $17,090 when WAGI was less than $19,070, and it was phased down to the level of the standard deduction of single filers as WAGI rose from $19,070 to $55,779. When WAGI exceeded $55,779, heads of households received the same deduction as single filers. For joint filers, the standard deduction was $24,490 when WAGI was less than $27,520 and was phased out when WAGI was between $27,520 and $151,344. For married persons filing separately, the standard deduction was $11,630 when WAGI was less than $13,060 and was phased out when WAGI was between $13,060 and $71,863. These amounts are indexed for inflation.

The estimate of revenue loss for the standard deduction does not reflect the amount of the itemized deductions credit that would be claimed by persons not currently claiming it if the standard deduction was eliminated; the credit cannot be calculated because the amount of their itemized deductions is not known for all taxpayers.

| Personal Exemption and Additional Elderly Exemption, s. 71.05(23) | $164,000,000 |
|---|---|

Wisconsin provides an exemption equal to $700 for each tax filer, spouse and dependent, plus an additional exemption of $250 for each taxpayer and spouse age 65 and older.

***Credits*** ***FY24 Fiscal Effect***

A credit is an amount that is subtracted directly from the taxpayer's Wisconsin gross tax liability (i.e., the amount determined by applying the Wisconsin tax rates to Wisconsin taxable income) to determine the Wisconsin net tax liability. A credit can be nonrefundable or refundable. A nonrefundable credit is limited to the amount of income tax otherwise due; it cannot be used to reduce taxes to less than $0. Taxpayers may carry forward most unused nonrefundable credits to offset future years' liabilities. A refundable credit is paid to claimants in the form of a refund check when the amount of the credit exceeds the tax otherwise due.

| **Itemized Deductions Credit, s. 71.07(5)** | **$296,000,000** |
|---|---|

Federal law allows itemized deductions to be subtracted from federal adjusted gross income when these deductions exceed the federal standard deduction. Wisconsin does not allow itemized deductions, but instead has a nonrefundable credit for some of the expenses for which federal itemized deductions may be claimed. This credit is equal to 5 percent of the eligible itemized deductions in excess of Wisconsin's sliding scale standard deduction. The eligible expenses include medical expenses, interest, charitable contributions and certain casualty losses related to a federally declared disaster. No credit is allowed for the federal itemized deductions for state and local taxes and miscellaneous expenses.

The expenses used in calculating the Wisconsin itemized deductions credit are described below, and their fiscal effects are estimated. The sum of these estimates for each particular expense exceeds the total fiscal effect for the itemized deductions credit because of interaction effects.

1. Medical Expenses

   Health expenses can be claimed as an itemized deduction to the extent that the total amount of medical expenses not compensated for by insurance exceeds 7.5 percent of the taxpayer's federal adjusted gross income. Eligible expenses include: fees for doctors, dentists, health practitioners and hospital services; amounts spent for prescription medicine and drugs; premiums paid on medical or health insurance policies; costs of medical equipment (e.g., motorized wheelchairs, hearing aids, dentures, eye glasses); and the cost of transportation, meals and lodging for needed medical care. The credit for medical expenses reduced tax revenues by $25.5 million in FY24.

2. Interest

   Mortgage interest on a primary personal residence located in Wisconsin qualifies for the state's itemized deductions credit. Wisconsin also allows the credit for interest paid on indebtedness related to investments to the extent that the investment interest is offset by the taxpayer's net investment income and to the extent that income is subject to Wisconsin tax. The revenue loss from the credit for interest expense was $147 million in FY24.

3. Charitable Contributions

   Contributions to recognized charitable organizations or activities can be claimed as an itemized deduction. In general, a recognized charity is any governmental body, or any public or private corporation, trust, or foundation organized and operated principally for charitable, religious, scientific, literary or educational purposes. Certain limitations apply on contributions of property or the taxpayer's personal services. Additional limitations apply on the total amount of charitable contributions that can be deducted within a single year. The revenue loss from the credit for charitable contributions was $132 million in FY24.

4. Casualty Losses
   Only casualty losses directly related to a federally declared disaster can be claimed for purposes of the itemized deduction credit. The revenue loss from the credit for casualty losses was $100,000 in FY24.

| Child and Dependent Care Credit, s. 71.07(9g) | $27,900,000 |
|---|---|

Individuals who qualify for the federal credit for child and dependent care expenses generally qualify for the Wisconsin credit as well. The credit is available to individuals who paid someone to care for their qualifying children under age 13 or their disabled spouse or other disabled person. The federal credit is capped at $3,000 of expenses for one qualifying person or $6,000 for two or more qualifying persons. The Wisconsin credit was equal to 50 percent of the federal credit in 2022 and 2023. Beginning in 2024, the Wisconsin credit rate was increased to match the federal rate. Moreover, the qualifying expenses for the state credit were increased to $10,000 for one qualifying person or $20,000 for two or more qualifying persons.

| School Property Tax Credit, s. 71.07(9) | $461,000,000 |
|---|---|

The school property tax credit is equal to 12 percent of the first $2,500 of property taxes or rent constituting property taxes paid on a person's primary residence and contiguous land, up to a maximum credit of $300. For renters, "rent constituting property taxes" means 25 percent of rent if heat is not included or 20 percent of rent if heat is included in rent. No credit is allowed for property taxes or rent that is deductible as a trade or business expense. The credit is nonrefundable.

| Historic Preservation Credits, ss. 71.07(9m) and (9r) | $3,150,000 |
|---|---|

Two nonrefundable credits are provided to encourage the rehabilitation of historic buildings in Wisconsin.

1. Supplement to the Federal Historic Rehabilitation Credit

   The supplement to the federal historic rehabilitation credit may be claimed for projects eligible for the federal credit. The credit is equal to 20 percent of qualified rehabilitation expenditures. Qualified rehabilitation expenditures, defined under sec. 48(g) of the Internal Revenue Code, are expenditures to substantially rehabilitate certified historic buildings for use in a trade or business. The rehabilitation work must meet historic preservation standards, and the expenditures must exceed the taxpayer's adjusted basis in the building. Unused amounts of the credit may be carried forward for up to 15 years. The credit applies only to property located in Wisconsin. Taxpayers must reduce their Wisconsin adjusted basis in the building by the amount of the credit claimed. The reduced basis will result in lower depreciation deductions and will have the result that taxpayers may have an increased taxable gain from the sale or exchange of the property.

   For rehabilitation projects undertaken by a partnership, tax-option corporation or limited liability company (LLC), the credit is passed through to the individual partners, shareholders or members in proportion to their ownership interest in the partnership, corporation or LLC. Though the credit is generated by specifically approved rehabilitation projects, the credit amount is transferable. Individuals and corporations may buy or sell credits from each other. Most credits are generated by partnerships, but corporations tend to be the primary purchasers and claimants of the credits.

2. State Historic Rehabilitation Credit

   The state historic rehabilitation credit is equal to 25 percent of qualified expenditures to substantially rehabilitate certified historic buildings for noncommercial use. The credit applies to owner- occupied personal residences, provided that the residence is not used in the course of a trade or business. The credit cannot be claimed for rehabilitation of a personal residence if the person has already claimed a rehabilitation credit for another personal residence within the preceding five years. The rehabilitation work must meet historic preservation standards, and the expenditures must exceed $10,000. The maximum credit amount is $10,000 ($5,000 for married persons filing separately). Unused amounts of credit can be carried forward for up to 15 years. The credit applies only to property located in Wisconsin.

   Taxpayers must reduce their Wisconsin adjusted basis in the building (or entire property, if not a building) by the amount of the credit claimed. The reduced basis will have the result that taxpayers may have an increased taxable gain from the sale or exchange of the property.

| Working Families Credit, s. 71.07(5m) | $110,000 |
|---|---|

The working families credit equals a taxpayer's net tax liability, defined as gross tax less the itemized deductions, armed forces member, school property tax and historic rehabilitation credits, when income is less than $18,000 for married couples filing jointly and $9,000 for other tax filers. Essentially, the credit eliminates tax liability when income is below these ceilings. The credit is phased out over the next $1,000 of income above these ceilings. The credit is limited to full-year residents, and no credit is allowed for persons who are claimed as a dependent on another filer's tax return. It is nonrefundable.

| Manufacturing and Agriculture Credit, s. 71.07(5n) | $362,000,000 |
|---|---|

The manufacturing and agriculture credit is available to businesses engaged in manufacturing and agricultural production activities. The credit is equal to 7.5 percent of income attributable to qualified production activities. It is nonrefundable, but unused credit amounts may be carried forward for up to 15 years. This credit is discussed in more detail in the "Corporate Income and Franchise Taxes" chapter of this report.

| Research Expense Credits, ss. 71.07(4k) and (4n) | $25,100,000 |
|---|---|

The research expense credits are available to individuals and pass through entities for increasing research activities in Wisconsin. Qualified research must be undertaken for discovering information that is technological in nature, and its application must be intended for use in developing a new or improved business component. Substantially all of the activities of the research must be elements of a process of experimentation relating to a new or improved function, performance, reliability or quality. The standard credit is equal to 5.75 percent of the amount by which the claimant's qualified research expenses for the taxable year exceed 50 percent of the average qualified research expenses for the three taxable years immediately preceding the taxable year for which the claimant claims the credit. If the claimant had no qualified research expenses in any of the three taxable years immediately preceding the taxable year for which the claimant claims the credit, the claimant may claim an amount equal to 2.875 percent of the qualified research expenses for the taxable year for which the credit is claimed. For research related to designing internal combustion engines for vehicles and for research related to energy efficient products, the credit is equal to 11.5 percent of the amount by which the claimant's qualified research expenses for the taxable year exceed 50 percent of the average qualified research expenses for the three taxable years immediately preceding the taxable year for which the claimant claims the credit. If the claimant had no qualified research expenses in any of the three taxable years immediately preceding the taxable year for which the claimant claims the credit, the claimant may claim an amount equal to 5.75 percent of the qualified research expenses for the taxable year for which the credit is claimed.

Prior to 2018 the credits were entirely nonrefundable, but credit amounts could be carried forward for up to 15 years. Beginning in 2018, up to 10 percent of new unused credits could be claimed as a refundable credit, allowing credits to exceed the taxpayer's liability. The refundable portion of the credit was increased to 15 percent beginning in 2021 and 25 percent beginning in 2024. The tax expenditures for the nonrefundable and refundable portions of the credit are listed separately in Table 3. The total fiscal effect above is the sum of both components. This credit is discussed in more detail in the "Corporate Income and Franchise Taxes" chapter of this report.

| Community Rehabilitation Program Credit, s. 71.07(5k) | $140,000 |
|---|---|

The credit is available to persons who enter into a contract with a community rehabilitation program to have the program perform work for the claimant's business. The maximum tax credit that can be claimed is $25,000 for each community rehabilitation program for which the claimant has a contract. Unused credit amounts can be carried forward up to 15 years to offset future tax liabilities. This credit is discussed in more detail in the "Corporate Income and Franchise Taxes" chapter of this report.

| Employee College Savings Account Contribution Credit, s. 71.07(10) | Minimal |
|---|---|

The credit is available to a partner of a partnership, a member of a limited liability company (LLC), a corporation or a shareholder of a tax option (S) corporation that is an employer and contributes to an employee's college savings account. The employer may contribute up to 25 percent of the amount an individual contributor could deduct, and the employer may claim a credit equal to 25 percent of the contribution they make. Unused credit amounts can be carried forward up to 15 years to offset future tax liabilities.

| Low-Income Housing Credit, s. 71.07(8b) | Minimal |
|---|---|

The credit is available to qualifying taxpayers who are allocated tax credits by the Wisconsin Housing and Economic Development Authority (WHEDA). WHEDA may allocate the credit to individuals or entities based on the development of a qualified low-income housing project under section 42 (g) of the Internal Revenue Code that is financed with tax-exempt bonds and located in Wisconsin.

| Married Persons Credit, s. 71.07(6) | $262,000,000 |
|---|---|

Wisconsin provides a nonrefundable credit for married persons when both spouses are working to offset the marriage tax penalty facing two-earner couples. A penalty occurs when a married person pays more tax than what they would if the two spouses were taxed as two single filers. The credit equals 3 percent of the first $16,000 of earnings of the spouse with the lowest wages, resulting in a maximum credit of $480.

| Manufacturing Sales Tax Credit, s. 71.07(3s) | Minimal |
|---|---|

Until 2006, a nonrefundable credit could be claimed for the amount of Wisconsin sales tax paid on fuel and electricity consumed in manufacturing tangible personal property in the state. The credit was designed to be the equivalent of a sales tax exemption. Unused amounts of credit could be carried forward and offset against tax liability over the next 20 years. Corporations were required to increase their net income by the amount of credit claimed in lieu of reducing their deduction for the sales tax portion of the expense of fuel and electricity.

Beginning in 2006, fuel and electricity used in manufacturing became exempt from the sales tax and the credit for sales tax was repealed. Manufacturers that meet certain conditions may continue to use manufacturers' sales tax credit carried forward from prior years to offset income in the future (see the description for the Manufacturing Investment Credit). Manufacturers with up to $25,000 of unused credit could take up to 50 percent in tax years 2006 and 2007. Manufacturers with more than $25,000 of unused credit were allowed to deduct from income 50 percent of the amount that was added back to income when the credits were claimed in tax year 2007 and 50 percent in tax year 2008.

| Manufacturing Investment Credit, s. 71.07(3t) | $370,000 |
|---|---|

Beginning in 2008, businesses whose unused credit for sales tax on fuel and electricity used in manufacturing was greater than $25,000 on January 1, 2006, were able to claim a manufacturing investment credit, provided they met certain job retention, investment or other tests. The credit is equal to the unused manufacturers' sales tax credit, amortized over 15 years.

| Dairy and Livestock Farm Investment Credit, s. 71.07(3n) | $3,840,000 |
|---|---|

For taxable years beginning after 2005 and before 2014, a nonrefundable credit is available for 10 percent of certain expenditures to modernize or expand a dairy or livestock farm. The credit was sunset in 2014, so all remaining claims are carryovers from prior years. Unused credits may be carried forward up to 15 years to offset future tax liabilities. This credit is discussed in more detail in the "Corporate Income and Franchise Taxes" chapter of this report.

| | |
|---|---|
| **Development Zone and Technology Zone Credits, ss. 71.07(2dm), (2dx) and 71.07(3q)** | **Minimal** |

Development zone and technology zone credits are available to taxpayers who are certified by the Wisconsin Economic Development Corporation (WEDC) to participate in these Wisconsin zone-based programs. Credits awarded to noncorporate entities are generally passed through to their owners in proportion to their ownership interest in the entity and may be claimed on the owner's individual income tax return. These credits are nonrefundable, so they are limited to tax liability otherwise due; however, unused amounts may be carried forward. These programs and the credits are more fully discussed in the chapter on "Corporate Income and Franchise Taxes."

| | |
|---|---|
| **Economic Development Credit, s. 71.07(2dy)** | **$160,000** |

Under the economic development tax credit program, a business may apply to WEDC for certification to claim tax benefits. WEDC may certify a business that conducts or intends to conduct at least one eligible activity. The eligible activities include:

- Creating and maintaining, for a period of time established by WEDC, full-time jobs in addition to any existing full-time job.
- Making a significant investment in new equipment, machinery, real property or depreciable personal property.
- Making significant investments in the training or reeducation of employees for the purpose of improving the productivity or competitiveness of the business.
- Locating or retaining a corporate headquarters in Wisconsin or retaining employees holding full-time jobs in Wisconsin.

This credit is discussed in more detail in the "Corporate Income and Franchise Taxes" chapter of this report.

| | |
|---|---|
| **Angel Investment Credit and Early Stage Seed Investment Credit, ss. 71.07(5d) and 71.07(5b)** | **$5,420,000** |

The angel investment credit is available to individuals for investments in qualified new business ventures certified by WEDC. A credit for 25 percent of the investment may be claimed in the taxable year the investment was made.

The early stage seed investment credit is available for businesses and individuals for 25 percent of qualified investments. The maximum annual amount that may be claimed by all claimants is $30 million combined between the early stage seed credit and the angel investment credit

| | |
|---|---|
| **Income Taxes Paid to Other States/Income Tax Reciprocity, ss. 71.07(7) and 71.10(7e)** | **$592,000,000** |

If a person lives in one state and is employed in another, income may be subject to taxation in both states. To alleviate this double taxation, the state in which the taxpayer resides may allow a credit for income taxes paid to another state. Alternatively, two states may enter into a reciprocity agreement whereby the taxpayer is only required to pay state income taxes to the home state. Currently, Wisconsin has reciprocity agreements with Illinois, Indiana, Kentucky and Michigan.

1. Credit for Taxes Paid to Other States.

   Wisconsin residents may reduce their Wisconsin income tax by the amount of income taxes paid to other states (or the District of Columbia). The credit is not allowed for taxes paid on personal service income if that income is earned in states having reciprocity agreements with Wisconsin. The revenue loss from this credit was $458 million in FY24. The credit is nonrefundable, and unused amounts may not be carried forward.

2. Income Tax Reciprocity

   Since there are more Wisconsin residents employed in Illinois than residents of Illinois working in Wisconsin, the income tax revenue foregone by Illinois exceeds the taxes foregone by Wisconsin as a result of reciprocity. Either state could capture these additional revenues by eliminating reciprocity, but that would require individuals living in one state and working in the other to file income tax returns with both states. To avoid this and to eliminate the need for credits for taxes paid to the other state, Wisconsin has agreed to pay Illinois an amount equal to the tax the state foregoes in excess of the amount of tax Wisconsin foregoes as a result of reciprocity. The FY24 payment amount was $134 million.

| **Earned Income Credit, s. 71.07(9e)** | **$89,300,000** |
|---|---|

Wisconsin allows low-income workers with dependents to claim a Wisconsin earned income credit equal to a percentage of the federal earned income tax credit, depending on family size. The credit is refundable; any amount of the credit in excess of taxes otherwise due is rebated to the taxpayer.

The Wisconsin credit is 4 percent of the federal credit for persons with one child, 11 percent for persons with two children, and 34 percent for persons with three or more children. For persons with one child, the 2024 federal credit was 34 percent of the first $12,390 of earnings; for persons with two children the credit was 40 percent of the first $17,400 of earnings, and for persons with three or more children the credit was 45 percent of the first $17,400 of earnings. These federal credits were phased out as the greater of earnings or federal adjusted gross income rose from $22,720 to $49,082 for single persons with one child, from $22,720 to $55,768 for single persons with two children, and from $22,720 to $59,899 for single persons with three or more children. The phase-out floors and ceilings are $6,920 higher for married couples who are joint filers. The maximum credit and the range over which the credit is phased out are indexed to inflation.

Federal law also allows a credit for low-income workers without children; Wisconsin has no similar credit.

| **Farmland Preservation Credit and Farmland Preservation Credit 2010 and Beyond, ss. 71.07(3), 71.57 to 71.61, 71.07(3) and 71.613** | **$20,700,000** |
|---|---|

Owners of farmland zoned exclusively for agriculture use or covered under a farmland preservation agreement with the state may be able to claim a farmland preservation credit. The credit was revised and expanded beginning in tax year 2010. Under current law the credit may be claimed using either the old credit formula or the new credit formula depending on the claimants' farmland preservation agreements.

The original Farmland Preservation Credit was determined by a formula using household income and the property taxes levied against the farmland. The new Farmland Preservation Credit, 2010 and Beyond, is calculated by multiplying the claimant's qualifying acres by one of the following amounts:

- $12.50 if the qualifying acres are located in a farmland preservation zoning district and are also subject to a farmland preservation agreement that is entered into after July 1, 2009;
- $10.00 if the qualifying acres are located in a farmland preservation zoning district but are not subject to a farmland preservation agreement that is entered into after July 1, 2009; or
- $10.00 if the qualifying acres are subject to a farmland preservation agreement that is entered into after July 1, 2009, but are not located in a farmland preservation zoning district.

| **Repayment Credit, s. 71.07(1)** | **$170,000** |
|---|---|

A taxpayer who repays income in the current year that had been subject to tax in a previous year may claim a refundable credit for the amount of tax paid on that income in the previous year.

| Homestead Credit, ss. 71.07(4) and 71.51 to 71.55 | $41,100,000 |
|---|---|

Low-income homeowners and renters may qualify for a refundable income tax credit based on household income and property taxes or rent constituting property taxes. To qualify, the person:

1. Must be
   - at least 62 years old, or
   - at least 18 years old and have earned income, or
   - at least 18 years old and have a disability;
2. Must not be claimed as a dependent on anyone else's federal income tax return (unless the claimant is 62 years of age or older);
3. Must be a legal resident of Wisconsin for the entire calendar year; and
4. Must have household income (of the claimant and spouse) of less than $24,680. Household income includes both taxable and nontaxable sources.

In addition, persons are ineligible for the credit if they:

1. Live in a nursing home and receive medical assistance (Title XIX) at the time of filing the claim;
2. Live the entire year in housing that is exempt from property taxes;
3. Claim the farmland preservation credit or the veterans and surviving spouse property tax credit for their home; or
4. Receive general relief payments of $400 or more for each month of the year of claim, or public assistance (Aid to Families with Dependent Children or Temporary Assistance for Needy Families) for the entire year of claim.

For renters, property taxes are assumed to be 20 percent of rent if heat is included in the rent or 25 percent of rent if heat is not included. In computing household income, a claimant may deduct $500 for each dependent living with the claimant.

The amount of credit is determined as follows:

1. If household income is $8,060 or less, the credit is 80 percent of property taxes up to $1,460; thus, the maximum credit is $1,168.
2. If household income exceeds $8,060 but was no more than $24,680, the credit is 80 percent of the amount by which property taxes exceeds 8.785 percent of household income in excess of $8,060. That is, the credit is 80 percent of property taxes up to a maximum credit of $1,168. The credit is phased out at a rate of 7.028 percent (80 percent multiplied by 8.785 percent) when household income exceeds $8,060.
3. If household income exceeds $24,680, no homestead credit is allowed.

| Veterans and Surviving Spouses Property Tax Credit, s. 71.07(6e) | $61,100,000 |
|---|---|

Eligible veterans and surviving spouses may claim this refundable credit in the amount of the property taxes paid during the year on the claimant's principal dwelling in Wisconsin. To be eligible for the credit, veterans must be verified by the Wisconsin Department of Veterans Affairs as having served in the U.S. armed forces, having been a Wisconsin resident at the time of entry into service or for any five-year period after entry into service, currently being a Wisconsin resident for the purpose of veterans benefits, and having a service-connected disability rating of 100 percent or a 100 percent disability rating based on individual unemployability. An eligible surviving spouse must be an un-remarried surviving spouse of an individual who was a Wisconsin resident at the time of entry into service, was a Wisconsin resident at the time of death and

died while on active duty, or would be otherwise considered an eligible veteran at the time of death. Surviving spouses may also be able to claim the credit if, following the veteran's death, the surviving spouse began to receive, and continues to receive, dependency and indemnity compensation, as defined in 38 USC 101(14).

| **Enterprise Zone Jobs Credit, s. 71.07(3w)** | **$13,000,000** |
|---|---|

A refundable enterprise zone jobs credit is available for certified businesses located in a designated enterprise zone. WEDC may certify businesses for tax benefits based on activities in the designated zones, including beginning operations, expanding operations, making capital investments or retaining jobs. This credit is discussed in more detail in the "Corporate Income and Franchise Taxes" chapter of this report.

| **Jobs Tax Credit, s. 71.07(3q)** | **Minimal** |
|---|---|

In order to claim the jobs tax credit, businesses must be certified by WEDC. WEDC may award jobs tax credits to businesses that are operating or intending to operate in Wisconsin and pursuant to a contract with WEDC. The credit is based on the amount of wages paid to eligible employees in the taxable year, subject to a maximum amount of 10 percent of such wages, and the costs incurred by the claimant to undertake training activities in the current year. This credit is discussed in more detail in the "Corporate Income and Franchise Taxes" chapter of this report.

| **Business Development Credit, s. 71.07(3y)** | **$3,150,000** |
|---|---|

The refundable business development credit is available to individuals or entities that operate or intend to operate a business in Wisconsin and enter into a contract with WEDC to increase the business' net employment in Wisconsin. Pursuant to the contract with WEDC, the credit claim may be:

- Up to 10 percent of the wages paid to an eligible employee in the tax year.
- Up to 5 percent of the wages paid to an eligible employee located in an economically distressed area.
- Up to 50 percent of the claimant's training costs to enhance an eligible employee's general knowledge, employability and flexibility in the workplace; to develop skills unique to the claimant's workplace or equipment; or to develop skills that will increase the quality of the claimant's product.
- Up to 3 percent of personal property investment and up to 5 percent of real property investment in a capital investment project that involves a total capital investment of at least $1,000,000 or, if less than $1,000,000, involves a capital investment equal to at least $10,000 per eligible employee employed on the project.
- A percentage of the wages paid to an eligible employee in the tax year if the position was created or retained in connection with the location or retention of the claimant's corporate headquarters in Wisconsin.

| **Electronics and Information Technology Manufacturing Zone Credit, s. 71.07(3wm)** | **None** |
|---|---|

WEDC may designate one electronics and information technology manufacturing zone in Wisconsin for up to 15 years. The refundable electronics and information technology manufacturing zone credit is equal to 17 percent of the wages paid to full-time employees for work performed in Wisconsin and for the benefit of operations within the zone. A claimant may also claim up to 15 percent of their significant capital expenditures in the zone. WEDC may not certify more than $1.5 billion of credit for payroll expenses or more than $1.35 billion of credit for capital expenditures.

**TABLE 3**
**INDIVIDUAL INCOME TAX EXEMPTION DEVICES SUMMARY**

| Exemption Device | Statutory Reference* | FY24 Fiscal Effect |
|---|---|---|
| **Exclusions from Federal Gross Income** | | |
| Gain from Sale or Exchange of Residence (Home) | IRC 121 | 298,000,000 |
| Gain from Sale of Exchange of Qualified Small Business Stock | IRC 1202, s. 71.98(5) | 6,400,000 |
| Social Security Benefits | IRC 86 | 182,000,000 |
| Railroad Retirement Annuities and Pensions | IRC 86 | 1,350,000 |
| Public Assistance | IRC 61 | 2,350,000 |
| Sickness and Injury Benefits | IRC 104 to 106 | 1,300,000,000 |
| Distributions from Retirement Plans for Premiums for Health and Long-Term Care Insurance | IRC 402 P.L. 109-280 | 2,520,000 |
| Group Term Life Insurance Purchased for Employees | IRC 79 | 18,100,000 |
| Death Benefits | IRC 101 | 118,000,000 |
| Meals and Lodging to Employees | IRC 119 | 40,200,000 |
| Scholarships and Fellowships | IRC 117 | 24,000,000 |
| Awards and Prizes | IRC 74(b) and (c) | Minimal |
| Rental Value of Parsonages | IRC 107 | 5,190,000 |
| Reduced Armed Forces Retirement Pay | IRC 122 | Not Available |
| Combat Pay and Other Armed Forces Exclusions | IRC 112 and 134 | 161,000,000 |
| Life Insurance Dividends | IRC 7702 | 24,100,000 |
| Cancellation of Business Property Indebtedness | IRC 108(a) | Minimal |
| Income Realized from Debt Cancellation Through Bankruptcy | IRC 108 | Not Available |
| Interest on Certain State and Local Bonds | ss. 66.1201(14)a, 66.1333 (5)(a)4.c and 71.05(1)(c) | Not Available |
| Gifts and Inheritances | IRC 102 | Not Available |
| Appreciation of Property Held at the Time of Death | IRC 1014 | 195,000,000 |
| Employer Contributions to Pension Plans and Net Pension Fund Earnings | IRC 401 to 404A, 406 to 407 and 409 to 417 | 1,070,000,000 |
| Employer Reimbursement of Employee's Educational Expenses | IRC 127 | 9,070,000 |
| Employer-Provided Child Care | IRC 129 | 4,270,000 |
| Employer-Provided Adoption Assistance | IRC 137 | 2,470,000 |
| Individual Retirement Accounts (IRAs) | IRC 408, 408A, and 530 | 147,000,000 |
| Qualified Tuition and ABLE Programs | IRC 529 and 529A | 17,000,000 |
| Self-Employed Retirement Plans | IRC 401 to 404A, 406 to 407 and 409 to 417 | 194,000,000 |
| Transportation and Other Fringe Benefits | IRC 132(a) | 20,500,000 |
| Foster Care Payments | IRC 131 | 2,720,000 |
| Cancellation of Student Loans | IRC 108 (f) | 560,000 |
| Recovery of Tax Benefit Items | IRC 111 | Minimal |
| Foreign Earned Income | IRC 911 | 24,600,000 |
| Natural Resource-Related Cost-Sharing Payments | IRC 126 | Minimal |
| Passive Activity Losses | IRC 469 | Not Available |
| Capital Gains on Opportunity Zone Investments | IRC 1400Z | 9,500,000 |
| **Adjustments to Federal Gross Income** | | |
| Capital Losses | IRC 1211, s. 71.05(10)(c) | 2,300,000 |
| Losses from the Sale or Exchange of Business Property | IRC 62(a)(3) | 7,780,000 |
| Student Loan Interest | IRC 221 | 4,910,000 |
| Self-Employment Tax | IRC 164(f) | 27,300,000 |
| Health Insurance of Self-Employed Persons | IRC 162(l) | 30,200,000 |
| Educator Expenses | IRC 62 | 730,000 |
| Health Savings Accounts / Medical Savings Accounts | IRC 220 and 223 | 11,600,000 |
| Moving Expenses | IRC 217 | Minimal |
| Alimony | IRC 62(a)(10), 71 and 215 | 10,900,000 |
| Penalty on Early Withdrawal of Savings | IRC 62(a)(9) | 60,000 |

| Exemption Devices | Statutory Reference* | FY24 Fiscal Effect |
|---|---|---|
| **Modifications to Federal Adjusted Gross Income** | | |
| Social Security Benefits: Difference in State and Federal Treatment | s. 71.05(6)(b)21 | 532,000,000 |
| Interest on U.S. Obligations | s. 71.05(6)(b)1 | 13,000,000 |
| Capital Gains Exclusion | ss. 71.05(6)(b)9 and 9m | 305,000,000 |
| Gains on Sales of Business Assets to Related Persons | s. 71.05(6)(b)25 | 910,000 |
| Certain Government Employee Pensions | ss. 71.05(1)(a), (am) and (an) | 38,100,000 |
| Low-Income Retirement Income Exclusion | s. 71.05(6)(b)54 | 120,000 |
| State Legislators' Per Diem Expenses | s. 71.05(1)(b) | Minimal |
| Health Insurance Premiums: Difference in State and Federal Treatment | ss. 71.05(6)(b)19, 35, 38, and 42 | 111,000,000 |
| Long-Term Care Insurance Expenses | s. 71.05(6)(b)26 | 8,960,000 |
| Unemployment Compensation | s. 71.05(6)(b)8 | 290,000 |
| Disability Income | s. 71.05(6)(b)4 | Minimal |
| Adoption Expenses | s. 71.05(6)(b)22 | 50,000 |
| Higher Education Tuition Expenses | s. 71.05(6)(b)28 | 12,100,000 |
| College Savings Plans | ss. 71.05(6)(b)23 and 31 to 33 | 19,000,000 |
| Human Organ Donation Expenses | s. 71.05(10)(i) | Minimal |
| U.S. Armed Forces Active Duty Pay | ss. 71.05(6)(b)34 and 71.05(6)(b)56 | 12,100,000 |
| Private School Tuition | s. 71.05(6)(b)49 | 10,100,000 |
| Combat Zone Related Death | ss. 71.05(6)(b)48 and 48m | Minimal |
| Physician or Psychiatrist Grant | s. 71.05(6)(b)51 | Minimal |
| ABLE Accounts | s. 71.05(6)(b)52 | 80,000 |
| Out-of-State Employees Disaster Relief Work | s. 71.05(1)(g) | Not Available |
| Olympic, Paralympic and Special Olympic Prizes | s. 71.05(6)(b)53 | Minimal |
| AmeriCorps Education Awards | s. 71.05(6)(b)55 | Minimal |
| **Deductions and Exemptions from Adjusted Gross Income** | | |
| Standard Deduction | s. 71.05(22) | 843,000,000 |
| Personal Exemption and Additional Elderly Exemption | s. 71.05(23) | 164,000,000 |
| **Credits** | | |
| Itemized Deductions Credit | s. 71.07(5) | 296,000,000 |
| Child and Dependent Care Credit | s. 71.07(9g) | 27,900,000 |
| School Property Tax Credit | s. 71.07(9) | 461,000,000 |
| Historic Preservation Credits | ss. 71.07(9m) and (9r) | 3,150,000 |
| Working Families Credit | s. 71.07(5m) | 110,000 |
| Manufacturing and Agriculture Credit | s. 71.07(5n) | 362,000,000 |
| Research Expense Credits | ss. 71.07(4k) and 71.07(4n) | 25,100,000 |
| Community Rehabilitation Program Credit | s. 71.07(5k) | 140,000 |
| Employee College Savings Account Contribution Credit | s. 71.07(10) | Minimal |
| Low-Income Housing Credit | s. 71.07(8b) | Minimal |
| Married Persons Credit | s. 71.07(6) | 262,000,000 |
| Credits, Cont. | | |
| Manufacturing Sales Tax Credit | s. 71.07(3s) | Minimal |
| Manufacturing Investment Credit | s. 71.07(3t) | 370,000 |
| Dairy and Livestock Farm Investment Credit | s. 71.07(3n) | 3,840,000 |
| Development and Technology Zone Credits | ss. 71.07 (2dm) , (2dx), and (3g) | Minimal |
| Economic Development Credit | s. 71.07(2dy) | 160,000 |
| Angel and Early Stage Seed Investment Credits | ss. 71.07(5d) and (5b) | 5,420,000 |
| Income Tax Paid to Other States/Income Tax Reciprocity | ss. 71.07(7) and 71.10(7e) | 592,000,000 |
| Earned Income Credit | s. 71.07(9e) | 89,300,000 |
| Farmland Preservation Credit | ss. 71.07(3) and 71.57 to 71.613 | 20,700,000 |

| | | |
|---|---|---|
| **Credits, cont**. | s. 71.07(1) | 170,000 |
| Repayment Credit | | |
| Homestead Credit | ss. 71.07(4) and 71.51 to 71.55 | 41,100,000 |
| Veterans' and Surviving Spouses' Property Tax Credit | s. 71.07(6e) | 61,100,000 |
| Enterprise Zone Jobs Credit | s. 71.07(3w) | 13,000,000 |
| Jobs Tax Credit | s. 71.07(3q) | Minimal |
| Business Development Credit | s. 71.07(3y) | 3,150,000 |
| Electronics and IT Manufacturing Zone Credit | s. 71.07(3wm) | None |
| * These are references to sections of the 2021-22 Wisconsin Statutes, except "IRC" indicates a reference to a section of the federal Internal Revenue Code authorizing the exemption device. | | |

# CORPORATE INCOME AND FRANCHISE TAX

Taxation of corporate income was enacted in Wisconsin in 1911, at the same time the individual income tax was created. Since its initial enactment, the corporate tax has undergone some noteworthy changes.

1. Flat Rate. In 1981, a series of rates and brackets were replaced with a single flat rate of 7.9 percent.

2. Federalization. Under the federalized state corporate tax in effect since 1987, corporate taxpayers are subject to tax on the Wisconsin apportioned share of their federal net taxable income, with a number of adjustments for the remaining federal/state law differences and the ongoing effects of previous law differences. Corporations that conduct business in more than one state must apportion their net income among the states with jurisdiction to tax the income.

3. Single-Sales Factor Apportionment. Until 2006, Wisconsin apportioned income with a formula based on three factors — property, payroll and sales. In the formula, the sales factor was double-weighted (50 percent) and the property and payroll factors were single-weighted (25 percent each). For taxable years beginning in 2006, an apportionment formula based solely on the sales factor was phased in, with full implementation of the single sales formula beginning in 2008.

4. Combined Reporting. Effective for taxable years beginning on or after January 1, 2009, Wisconsin law requires groups of corporations with common ownership that are engaged in a unitary business to file a single return (referred to as a combined report) to compute their Wisconsin taxable income. In brief, the corporations required to use combined reporting are those which are both commonly controlled (generally speaking, this means 50 percent common ownership) and engaged in the same unitary business.

Corporations are actually subject to one of two state taxes. The corporate *income* tax, imposed since 1911, is a tax on the net income of corporations doing business in the state. The corporate *franchise* tax, imposed since 1965, is a tax on the privilege of doing business in the state. Corporate net income is used as the measure or base for the franchise tax. The distinction between the two taxes is a subtle one, relating primarily to the restrictions under federal law on the types of income that states can tax with an income tax (e.g., interest from U.S. obligations). The vast majority of corporations pay the franchise tax. The income tax applies to corporations whose business in Wisconsin consists entirely of foreign or interstate commerce and corporations that are filing their final return before dissolution. Because both levies employ the same rate and the same general rules for determining corporate net income (although interest income from U.S. obligations cannot be taxed under the income tax), the two taxes are usually considered as one.

Wisconsin also imposes an economic development surcharge equal to 3 percent of the gross tax liability of regular (C) corporations and 0.2 percent of the net income of tax-option (S) corporations. The surcharge and its exemptions are treated in a separate chapter.

Wisconsin provides for differential tax treatment of business income depending on the form of organization under which a business or organization operates. The business income of proprietorships and partnerships is reported and taxed on the individual income tax returns filed by the owners of the business. Tax-option or Subchapter S corporations are corporations that have elected under Subchapter S of the Internal Revenue Code (IRC) to have their business income taxed to the individual owners of the business in essentially the same manner as a partnership. 2017 Wisconsin Act 368 allows S corporations to elect to be taxed at the entity level as of tax years beginning after December 31, 2017, and for partnerships to be taxed at the entity level for tax years beginning after December 31, 2018. Both S corporations and partnerships that make the election pay the corporate rate of 7.9 percent of taxable income.

Businesses that are organized as regular subchapter C corporations pay the corporate income/franchise tax. In addition, under certain circumstances, the business income of nonprofit organizations and certain types of trusts can be subject to the state corporate tax.

1993 Wisconsin Act 112 authorized the formation of a new form of business organization, the limited liability company (LLC). LLCs combine the limited liability protection afforded to owners of corporations with the flow-through tax benefits provided to owners of S corporations and partners in partnerships. Generally, business income of LLCs is reported and taxed on the individual income tax returns of the owners (called members) of the business. However, some LLCs choose to be taxed as corporations and their business income is reported on the corporate return.

**Collections**

In FY24, corporate tax collections were $2.7 billion or 13.1 percent of total general purpose revenue (GPR) tax collections of $21.3 billion. Corporate tax collections are the third largest source of general fund revenue for the state after individual income taxes ($9.4 billion) and sales taxes ($7.6 billion). Corporate collections are as volatile as corporate profits themselves and highly dependent on economic conditions. Over the previous ten years, corporate income taxes have varied to between 5.2 percent and 14.6 percent of general tax revenue.

**Data Sources**

Tax exemption devices applicable to the corporate income tax are grouped into five categories: exemptions, exclusions, special treatments, deductions and credits. The following data sources were used to estimate the fiscal effects of these exemption devices:

1. Wisconsin Corporate Income Tax Model. Fiscal estimates were based in part on data and analysis provided by a computerized corporate income and franchise tax model. The corporate income tax model depends on statistically selected samples of returns from state taxpayers. The model contains detailed information from more than 13,400 corporate returns for tax year 2020, weighted to reflect the corporate tax filing population. The data for the model is compiled from state and federal tax returns. Where possible, data is captured electronically, either from electronically filed returns or by scanning the returns as they are initially processed. In addition, data that is not available electronically is entered into the database manually by full-time department staff and limited term employees. Finally, the department has developed systems to facilitate data entry and to model the fiscal effect of changes to federal and state tax laws.

2. Wisconsin Corporate Tax Collection Statistics. Department of Revenue annual aggregate statistics of corporate tax collections and data from every corporate return were also used to estimate fiscal effects. The most current data is for tax year 2021.

3. Income Tax Processing System Data. Data pulled directly from the department's income tax processing system was used for certain select estimates. The most current year for which complete tax data is available is 2021.

4. Federal Tax Expenditure Estimates. The Congressional Budget Act of 1974 requires preparation of a federal tax expenditure budget annually. These "expenditures" reflect the cost in lost federal revenues of the wide variety of exemptions and incentives contained in the Internal Revenue Code. Using Congressional Budget Office, Joint Tax Committee and U.S. Department of Treasury figures, estimates of the fiscal effect of comparable provisions contained in state law were generated. The procedure followed was first to apportion the federal tax expenditure to Wisconsin and then to adjust for the difference in state and federal tax rates and fiscal years.

5. Statistics of Income, Corporation Income Tax Returns. Published annually by the Internal Revenue Service, this data source provides aggregate data for income and deduction amounts reported on federal returns. Fiscal effects are derived by apportioning federal amounts to Wisconsin based on the proportion of Wisconsin taxable income to federal taxable income.

6. Miscellaneous Sources. Federal and state government agencies that publish data relating to the corporate sector provided additional information.

Several methodological issues complicate the estimation of the revenue loss associated with corporate tax exemption devices. The major obstacle is the lack of useful data. When data are available, they often only approximate the exempt income or deductible expenses for which an estimate is being made. Data may be several years old, which reduces its usefulness given the potential volatility in economic conditions across the nation, within the state or within a particular economic sector. Interest rates, price levels, industrial reorganizations and many other factors contribute to this volatility. Further, the corporate tax is imposed on corporate profits, which can be highly variable. Finally, the estimation process requires assumptions, for example, on Wisconsin's share of some national aggregate or the profitability of corporations operating in Wisconsin relative to firms nationwide. Frequently there is limited information on which to base these assumptions, so they may introduce errors into calculations. Additional programming is required each time the model is used to estimate a fiscal effect for a specific proposed law change.

The fiscal effects shown below relate only to the reduction in revenue under the corporate income and franchise tax. Many of the provisions are also available to individual income taxpayers who may be sole proprietors of businesses or owners or members of a pass-through entity such as a partnership or LLC. The fiscal effects for these taxpayers are shown in the individual income tax section of this report.

| ***Exclusions from Income*** | ***FY24 Fiscal Effect*** |
|---|---|

An exemption allows certain types of organizations, or certain activities related to those organizations, to be free of Wisconsin corporate franchise or income taxes.

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| **Governmental Units, s. 71.26(1)(b) and (bm)** | **None** |

All political units are exempt from income taxation. This includes the federal and state governments, counties, cities, towns, villages, school districts, technical college districts, and special governmental districts like sewerage treatment districts and family care districts. Also exempt are quasi-governmental districts formed for some special public purpose, including local exposition, professional baseball park and local cultural arts districts.

Under the provisions of the United States Constitution, states cannot tax the assets or income-generating activities of the federal government. The state does not tax the assets or income-generating activities of local governments. Defining the net income of local government activities would be difficult, since such activities are generally not trades or businesses. In the case of activities that could be considered trades or businesses, such as municipal water utilities or public golf courses, the activities rarely result in net income to the local government.

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| **Nonprofit Corporations or Associations, s. 71.26(1)(a)** | |
| **Nonprofit Organizations** | **None** |
| **Private Foundations** | **$94,300,000** |

All religious, scientific, educational, benevolent or other corporations or associations not organized or operated for profit are exempt from taxation on income from activities related to their tax-exempt purpose. Examples include college alumni groups, scouting organizations, religious and other not-for-profit nursing homes, community-based fund-raising drives for the needy, public interest research groups, and foundations.

Nonprofit organizations are not subject to tax on income from contributions and business activities related to their tax-exempt purpose because this income is used to provide the public services for which these organizations exist. The fiscal effect from this exemption is shown to be zero to the extent that these organizations devote their earnings and assets directly to the conduct of tax exempt purposes and hence do not generate profit.

Nonprofit organizations with income from business activities that are not related to their tax-exempt purpose are subject to a corporate-level unrelated business income tax (UBIT) similar to the federal UBIT. Certain types of income, such as royalties, are not included in UBIT.

Private foundations are treated differently since their activities tend to be more restricted than tax-exempt nonprofit organizations. Foundations generally do not conduct activities; rather, they provide grants to other organizations to conduct the activities. Thus, the investment income of foundations greatly exceeds their low amount of operating costs. The net investment income of these private foundations is exempt from the income and franchise taxes under Wisconsin law. Since 1969, the federal government has imposed an annual excise tax on the net investment income of private foundations and a series of penalty levies linked to the failure of foundations to meet certain specified operating requirements. The state does not impose a similar annual excise tax on private foundations.

| **Cooperatives, s. 71.26(1)(c), Chapter 185** | **None** |
|---|---|

Cooperatives organized under Chapter 185 of the Wisconsin Statutes are exempt from income taxation, provided they operate without profit to any shareholder or member and distribute their proceeds according to the procedures set out in sec. 185.45, Wis. Stats. Cooperatives may be organized for any lawful purpose except banking or insurance.

Agricultural cooperatives engaged in marketing farm products for producers and cooperative associations or corporations that process and market farm products exclusively for such cooperatives are exempt from income taxation. To retain their exempt status, cooperatives must: (1) have at least 25 members, (2) return to producers the net proceeds resulting from sale of their products and (3) in the preceding five years have limited payments of members' dividends to no more than 8 percent of the value of the stock per year. In order to be tax exempt, corporations that process and market farm products for agricultural cooperatives are additionally required to deal solely in farm products and cannot charge more than a sufficient amount to cover the costs of: (1) marketing and processing, (2) payment of dividends not to exceed 8 percent of the value of the cooperative's stock per year and (3) a maximum of 5 percent addition to their surplus reserve fund.

Because cooperatives, by definition, do not operate for profit, they would not have a taxable net income if subject to tax. Thus, the exemption has no fiscal effect. Distributions made by cooperatives to the cooperative members may be taxable, depending on the nature of the distribution (see the discussion of patronage dividends under the section on "Deductions from Gross Income").

| **Credit Unions, s. 71.26(1)(a)** | **$66,500,000** |
|---|---|

Federally-chartered credit unions are exempt from state taxation under federal law. Wisconsin exempts state-chartered credit unions from taxation, except for the portion of their net income attributable to public deposits from the state or local governments. There are approximately 130 credit unions operating in Wisconsin; most of them are state chartered.

| **Insurance Companies, ss. 71.43(2) and 71.45(1)** | **Not available** |
|---|---|

The following insurance companies are exempt from income taxation:

- Insurance companies exempted under sec. 501(c)(15) of the IRC. This section exempts companies other than life insurance companies whose gross receipts do not exceed $600,000 and more than 50 percent of gross receipts are from premiums. Mutual insurance companies are only exempt if exempt gross receipts do not exceed $150,000 and more than 35 percent of the gross receipts are from premiums.
- Town mutual companies organized under Chapter 612 of the Wisconsin Statutes.
- Foreign insurance companies, i.e., any insurance company organized outside the state of Wisconsin.
- Domestic life insurance companies engaged exclusively in life insurance.
- Domestic insurance companies insuring against losses relating to mortgages.

In general, only domestic insurers pay the corporate franchise tax to the Department of Revenue, based on the portion of their net income attributable to lines of insurance other than life insurance.

Approximately 80 insurance companies filed a corporate income and franchise tax return in tax year 2019 and paid net taxes of approximately $21.3 million. Other insurance companies pay a premium tax ($195.9 million in collections in FY24) to the Office of the Commissioner of Insurance, based on the amount of premiums written in Wisconsin. According to the 2019 annual report of the Office of the Commissioner of Insurance, as of December 31, 2019, there were 2,008 insurance companies with operations in the state, of which 329 were domestic companies. Of the domestic companies, 51 were town mutual companies. The fiscal effect of this exemption is unknown since it is not clear how income subject to tax would be defined.

A more complete description of the insurance premiums tax and the related exemption devices are contained in the Insurance Premiums Tax section of this report.

| **Banks under Liquidation, s. 71.26(1)(d)** | **Minimal** |
|---|---|

Banks placed in the hands of the Division of Banking of the Wisconsin Department of Financial Institutions for liquidation under sec. 220.08, Wis. Stats., are exempt from tax if such taxation would diminish the financial assets needed to make full payment to depositors. There have been relatively few bank liquidations in Wisconsin since the Depression in the 1930s. Because of the small number of banks undergoing liquidation in fiscal year 2021-22, the fiscal effect of this exemption device is not available so as to protect the confidentiality of the banks.

| **Assets Distributed to the Menominee Indian Tribe, s. 71.26(1)(e)** | **Not available** |
|---|---|

Assets distributed by the U.S. government to members of the Menominee Indian Tribe, or any corporations or organizations created by the tribe are exempt from state taxation. In addition, stocks, bonds and other securities issued by tribal corporations or organizations are exempt from state tax.

Under federal law, states generally do not have the authority to tax business activities of Indian tribes provided that the activities are conducted on reservation property or property held in tribal trust.

| **Activities of Out-of-State Publishers and Certain Foreign Corporations, s. 71.23(3)** | **Not Available** |
|---|---|

Under federal law, the state has jurisdiction to tax the Wisconsin-apportioned share of the net income of an out-of-state corporation only if the corporation has nexus – that is, a business presence – in Wisconsin. A corporation generally has nexus in Wisconsin if it has property or employees (i.e., payroll) in the state on a regular basis. Certain exceptions to the nexus rules exist so that some out-of-state corporations are not subject to the Wisconsin income and franchise tax.

Wisconsin allows the following exemptions from nexus:

- The storage of property with a firm in this state for purposes of fabricating, processing, manufacturing or printing the property for an out-of-state corporation.
- The storage of property on the premises of a Wisconsin firm when the intent is to distribute the goods outside the state.
- The printing, storage and distribution of books, magazines and other publications for out-of-state publishing companies that contract with Wisconsin printing firms.

The storage of property in Wisconsin for no more than 90 days by foreign corporations, provided the property is stored at a site not owned by the foreign corporation and is transferred and used in the state for fabricating, processing, manufacturing or printing on the site where the property is stored. Further, the assessed property value of the site where the property is stored and transferred must be at least $10 million but not more than $11 million on January 1, 1999.

These out-of-state corporations usually have no payroll or plant and equipment in Wisconsin. Thus, the act of storing property in the state for processing, printing or other temporary purposes would have been the only factor establishing nexus, and in turn, a Wisconsin tax liability for the corporations, in the absence of these exemptions.

| Veterans Service Organizations, s. 71.26(1)(am) | Minimal |
|---|---|

2007 Wisconsin Act 20 created an exclusion from the corporate income and franchise tax for income of a federally-chartered veterans service organization. This provision first applied to tax year 2008. The fiscal effect of this provision is minimal, as under prior law most income of veterans service organizations was already exempt under federal and state law. Only unrelated business income (i.e., income from activities not substantially related to the activity for which they were granted the exemption) would have been taxed. This income is now exempt.

| Interest on Conduit Revenue Bonds, s. 71.26(1m)(k) | Minimal |
|---|---|

2009 Wisconsin Act 205 authorized two or more political subdivisions to enter into an agreement to create a commission to issue conduit revenue bonds. Under the act, a commission is designed to act as a "conduit" for a developer to obtain bonding. Bonds issued by a commission are not public debt. Unless otherwise expressly provided in the bond resolution, bonds issued by a commission are payable solely from revenues derived by the project to be financed or from a contract entered into in connection with the bonds and pledged to the payment of the bonds. The bonds issued by a commission are not debts of either the state or one of the political subdivisions creating the commission and neither would be obligated to levy a tax or make an appropriation for the repayment of the bonds.

Under the act, interest on bonds issued by a commission is exempt from state income taxation if any of the following apply:

- The bonds could have been issued by Wisconsin Housing and Economic Development Authority and are used to fund multifamily affordable housing or elderly housing projects.
- The bonds could have been issued by Wisconsin Health and Educational Facilities Authority and are used by a health facility to fund the acquisition of information technology hardware or software.
- The bonds could have been issued under sec. 66.1201, 66.1333 or 66.1335, Wis. Stats., relating to housing authorities, blight and slum clearance, and housing and community development authorities, respectively.

The exemption only applies to the corporate income tax. Interest from conduit bonds would not be exempt from taxation under the corporate franchise tax.

***Exclusions from Income*** ***FY24 Fiscal Effect***

An exclusion is an item that is not included in the definition of gross income. Excluded income normally does not have to be reported on the tax return.

| Life Insurance Proceeds, IRC 101 | Minimal |
|---|---|

Amounts received by a corporation from an insurance company or any other insurer as payment for a death claim are exempt from income taxation. For example, if a company took out polices on the lives of its board members and was paid the value of insurance on the life of one of the board members upon his or her death, the insurance benefit would not be included in the income of the corporation subject to tax. However, the company could not claim a business expense deduction for the premiums it paid on the policy.

Companies are believed to represent a small proportion of all beneficiaries. Further, because insurance compensation is usually paid on the deaths of individuals past retirement age, the effect of this provision is thought to be small.

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| **Exchanges of Corporate Property or Stock, IRC 1031-1033 and 1036-1038** | |
| **Like-Kind Exchanges** | **$2,900,000** |
| **Other Exchanges** | **Not Available** |

In general, a gain is recognized as a result of an exchange or disposition of property to the extent that any cash proceeds plus the taxpayer's basis in new property exceed the taxpayer's basis in the old property. However, gains from the following types of transactions are excluded from gross income:

- Exchange of property held for productive use in a trade or business or held for investment for like-kind (i.e., similar) property. Examples of like-kind exchanges are an exchange of a delivery truck for a delivery van and an exchange of one real property for another real property. The nonrecognition of gain does not apply to exchanges involving inventory and intangible investments, such as stocks and bonds, or to any exchanged property disposed of within two years by either party, with exceptions for death or involuntary conversions.
- Exchange of stock in the corporation for property. For example, a shareholder might contribute property to a corporation for additional shares of stock.
- Involuntary conversions. There is no recognition of gain from involuntary conversions of property provided that the property is converted into similar property or if it is converted into money used to acquire similar property.
- Exchange of common or preferred stock in a corporation for similar stock in the same corporation. For example, a shareholder might be allowed to convert 100 shares of old stock into 200 shares of new stock.
- Certain exchanges of United States obligations. There is generally no recognition of gain if United States obligations must be surrendered in exchange solely for other United States obligations.
- Certain reacquisitions of real property. There is generally no recognition of gain if the seller of real property reacquires a real property in exchange for satisfaction of indebtedness secured by the real property.

The fiscal effects of these exemption devices generally are small because they represent a postponement of income that will eventually be taxed. In general, the taxpayer's basis in the new property is equal to the basis in the old property or otherwise reduced to take into account the fact that the property was acquired in a tax-free transaction.

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| **Recovery of Bad Debts, Prior Taxes and Delinquency Amounts, IRC 111** | **Minimal** |

Receipts generated by the recovery of bad debts, prior taxes or delinquency amounts are excluded from gross income to the extent that they did not reduce income tax liability when deducted in a prior year. The portion of a recovery amount that gave rise to a tax benefit in prior years is taxable.

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| **Natural Resource-Related Cost-Sharing Payments, IRC 126** | **Minimal** |

Payments received by corporations primarily for the purpose of conserving soil and water resources, protecting or preserving the environment, improving forests, or providing a habitat for wildlife may be excluded from gross income. Under the federal Tax Relief and Health Care Act of 2006, escrow funds established after May 17, 2006, for hazardous waste sites under agreement with the U.S. Environmental Protection Agency under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 are exempt so long as the funds are controlled by a government agency.

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| **Interest on Certain Bonds Issued by the Wisconsin Health and Educational Facilities Authority, ss.71.26(1m)(i) and 71.45(1t)(i)** | **Minimal** |

2007 Wisconsin Act 20 provided an exemption from corporate income taxes for interest paid on certain bonds issued by the Wisconsin Health and Educational Facilities Authority (WHEFA), starting with taxable years beginning on or after January 1, 2008. This exemption would apply if the proceeds of the bonds or notes are

used by a health facility to fund the acquisition of information technology hardware or software. Interest on the bonds is not exempt under the corporate franchise tax.

**Special Treatment**

Certain corporate entities are subject to tax provisions that are substantially different from those provided for most corporations. While these entities pay corporate income or franchise taxes, the method used to compute the tax liability is different from that afforded other corporate taxpayers.

| **Limit on Tax Liability of Insurers, s. 71.46(3)** | **Minimal** |
|---|---|

The tax liability of insurance companies subject to the state income/franchise tax (see the discussion under the section on "Exemptions") is limited to 2 percent of the gross premiums derived from non-life lines of insurance in Wisconsin. The fiscal effect measures the difference between what the tax liability of the insurance companies subject to the 2 percent of gross premiums limitation would have been under the 7.9 percent tax rate applied to other corporations and what their tax liability was with the 2 percent limitation.

| **Urban Mass Transportation Companies, s. 71.39** | **None** |
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Any corporation deriving 50 percent or more of its gross income from urban mass transportation is assessed a special tax equal to 50 percent of its taxable income. For the purpose of this special tax, taxable income is net of deductions for federal taxes and an amount equal to 8 percent of the amount by which the cost of property exceeds accumulated depreciation plus interest paid. No revenue has been collected under this special tax levy since 1974.

There are 23 county or municipality-owned urban mass transportation companies in Wisconsin, with the vast majority of revenues coming from operations in Milwaukee, Madison, Racine, Eau Claire and Green Bay. Because each of these companies generally register losses or no net income, this exemption has no fiscal effect.

| **RICs, REITs and REMICs, IRC 851-860 and 860A-860G s. 71.26(2)(b)** | **Minimal** |
|---|---|

Certain types of corporations are substantially or fully exempt from tax at the corporate level provided that they meet certain percentage requirements for distributions to shareholders. These corporations are generally organized as investment vehicles and do not carry on a trade or business other than the investment activities.

A regulated investment company (RIC) must derive its income primarily from interest, dividends and gains from the disposition of stock and securities. Most mutual funds are organized as RICs. At least 90 percent of a RIC's income must be distributed to its shareholders each year. If so, the corporation is allowed a deduction for the distributions to shareholders. This deduction reduces the corporation's net taxable income to a minimal amount and effectively eliminates any corporate tax liability. Failure to meet the distribution requirements results in the denial of the deduction and a substantial corporate tax liability.

A real estate investment trust (REIT) specializes in real estate investments and must derive its income primarily from rents from real property, other real property income, interest, dividends and gains from the disposition of stock and securities. At least 90 percent of a REIT's income must be distributed to its shareholders each year. The taxation of REITs is essentially the same as the taxation of RICs in that a deduction for distributions to shareholders is allowed if the corporation meets the distribution requirement.

A real estate mortgage investment conduit (REMIC) is an entity that holds a fixed pool of mortgages and issues multiple classes of ownership interests to investors. In general, a REMIC is treated in a manner similar to a partnership. Thus, the net income of a REMIC is taxable to the holders of the interests in the REMIC.

For these entities, any income not taxed to the corporation is generally taxed to the shareholders. Thus, the fiscal effect of this exemption device is minimal.

| "Throwback" Sales, s. 71.25(9)(dh) | Not Available |
|---|---|

A multistate corporation subject to tax in Wisconsin is required to treat certain "throwback" sales as Wisconsin sales when calculating its sales factor using the multistate apportionment formula. Throwback sales are sales originating in Wisconsin made to the federal government and shipped outside of Wisconsin and sales originating in Wisconsin to customers located in states where the seller is not subject to tax because of the nexus standards defined by federal law and interpreted by the Wisconsin Administrative Code.

Under the nexus standards, a corporation must have some type of operations in a state, generally in the form of property or employees, before its income can be taxed by that state. Without nexus, a state cannot tax a corporation. The throwback rule ensures that a corporation's entire income is subject to apportionment by the states with jurisdiction to tax. Without the throwback rule, sales to destination states in which the seller does not have nexus would not be included in the numerator of the sales factor of any state and a portion of a corporation's income would be tax exempt.

Prior to tax year 2009, sales of both tangible personal property and sales of intangibles such as services and the use of computer software were required to be thrown back if they met the criteria for throwback sales. Beginning in tax year 2009 only sales of tangible personal property must be thrown back if they meet the criteria. Sales of services and sales of the use of computer software are not thrown back. Therefore, the numerator of the sales factor is lower than it would be if these sales were thrown back, thus reducing the tax liability of businesses that make sales of services or sales of the use of computer software to states where they would not be taxed. Because these sales are now not included, there is no data available to estimate the fiscal effect of this exemption device.

| Tax-Option Corporations, IRC 1361-1368 and 1374, ss. 71.32-71.365 | Not Available |
|---|---|

A tax-option corporation is a corporation with not more than 100 individual shareholders (family members owning shares in the same Subchapter S corporation are together counted as a single shareholder) that elects Subchapter S treatment under sec. 1362 of the Internal Revenue Code. Under Subchapter S, the corporation is exempt from tax at the corporate level, and the net income is taxed to the individual shareholders under the individual income tax on a pro rata basis. The net income is taxed to the shareholders regardless of whether the corporation makes any actual distributions to the shareholders. In general, Subchapter S corporations are treated in a manner similar to partnerships and items of income retain their character as they flow through to the shareholders.

Most federal Subchapter S corporations are automatically treated as tax-option corporations for state purposes. However, Subchapter S corporations can elect to be treated as regular corporations for state purposes under certain conditions. Regular corporations converting to Subchapter S or tax-option treatment are subject to a special tax on built-in gains for both federal and state purposes. 2017 Act 368 allows Subchapter S corporations to elect to be taxed at the entity level for tax years beginning after December 31, 2017.

| Limited Liability Companies, s. 71.19-71.21 and Ch. 183 | Not available |
|---|---|

Limited liability companies (LLCs) are a type of business entity that may be taxed similar to corporations or partnerships, depending on how they are structured. If taxable as a partnership, owners of an LLC (called members) are taxed on the flow-through income of the company at lower individual rates, rather than at the higher corporate rate. However, if taxable as a corporation, an LLC is taxed at the entity level using the corporate income tax rate.

| Unincorporated Cooperative Associations (UCA), Ch. 193 | None |
|---|---|

2005 Wisconsin Act 441 authorized the creation of a new type of business organization called an unincorporated cooperative association (UCA). A UCA may be organized to market or process agricultural products; to manufacture products; to provide products, supplies or services; or for any other lawful purpose.

A UCA may be organized by one or more organizers, or it may be organized by converting from another form of business entity. The tax treatment of a UCA is similar to that of other pass-through entities, in that profits or losses are passed through to the UCA's members. Income and losses would be included on the owner's tax return and taxed at the owner's rate.

***Deductions from Gross Income*** ***FY24 Fiscal Effect***

A deduction is an amount subtracted from Wisconsin gross income (or total income) to establish Wisconsin taxable income – the amount to which the tax rate is applied.

Sec. 71.23, Wis. Stats., subjects corporations to a tax on or measured by their net income. Net income is defined as gross income less allowable deductions. Thus, the very nature of the corporate tax requires that income be reduced by certain current expenses and allocated costs. These expenses include wages and salaries, taxes, repairs, rents, interest, and the cost of employee benefits. These expenses are generally legitimate business outlays and thus are not considered a tax exemption device.

| **Amortization and Other Special Cost Recovery Allowances, IRC 169, 173-175, 178, 180, 190, 193-195, 263(c), 291, 611, 612, 616, and 617** | |
|---|---|
| **Circulation Expenditures** | **Minimal** |
| **Research and Development Expenditures** | **$58,100,000** |
| **Soil and Water Conservation Expenditures** | **Not Available** |
| **Lease Acquisition** | **Not Available** |
| **Reforestation Expenditures** | **Minimal** |
| **Start-Up Expenditures** | **Minimal** |
| **Mine Exploration and Development** | **Minimal** |

The cost associated with the consumption of an asset can be recovered in several ways. When an asset has a fixed life, costs are generally recovered through depreciation, which is discussed later in this section. For assets with indeterminate lives, the cost recovery methods include amortization, depletion and special cost recovery allowances. In addition, special cost recovery provisions apply for other types of costs that otherwise would not be recovered until the asset is disposed of, income is received for the product or service for which the cost was incurred, or the corporation is dissolved. The following costs are eligible for recovery techniques that allow taxpayers to recover costs sooner than would otherwise be allowed.

1. Circulation expenditures. Costs (other than costs to acquire land, depreciable property, and part of the business of other newspapers or periodicals) to establish, maintain or increase the circulation of newspapers and periodicals are deductible in the year paid.

2. Research and development expenditures. Costs of noncapital research and experimental activities are deductible in the year paid or amortized over a period of five years (see also the discussion of noncapital expenditures under the Research Expenditures Credit in the section on "Credits").

3. Soil and water conservation expenditures. Taxpayers engaged in farming can deduct, in the year paid, the costs of soil and water conservation practices that are consistent with a conservation plan approved by the Soil Conservation Service of the U.S. Department of Agriculture. The deduction cannot exceed 25 percent of gross income from farming.

4. Lease acquisition. The cost of acquiring a lease, including renewal options, is deductible in the year paid if certain requirements are met.

5. Reforestation expenditures. Up to $10,000 of costs to reforest qualified timber property can be amortized over a period of seven years.

6. Start-up expenditures. Costs of incorporating the taxpayer's business and issuing stock for the business can be amortized over a period of five years.

7. Mine exploration and development. A portion of the costs of exploring for energy and mineral deposits and developing such deposits for mining or drilling can be deducted in the year paid. The

remaining portion is amortized over a period of five years. The fiscal effect includes only that which comes from nonfuel mining expenses, as there are no fuel-based mines in Wisconsin.

Depletion allowances are provided to allow taxpayers to recover the costs of capital investment in natural resources. Under the cost depletion method, the acquisition costs are divided by the estimated number of units that the deposit or resource will produce. Taxpayers are allowed an annual deduction equal to the current year's production multiplied by the per unit depletion cost. Federal law also allows taxpayers the option of using percentage depletion, which provides taxpayers with an annual deduction equal to a percentage of the gross income from the current year's production. For taxable years beginning on or after January 1, 2014, the IRC in effect for the year the property is placed in service will apply for Wisconsin purposes.

The special expensing provision for depreciable property under sec. 179 of the Internal Revenue Code is discussed under Depreciation in this section.

| **Charitable Contributions, IRC 170** | **$12,100,000** |
|---|---|

Contributions by corporations to the following charities are deductible from gross income:

- The state or any other political subdivision, as long as the gift is for strictly public purposes.
- A corporation, trust, or community chest, fund or foundation operating for strictly religious, charitable, scientific, literary or educational purposes; or for fostering national or international sports competition; or for the prevention of cruelty to children or animals.
- Veterans' organizations and an auxiliary unit, society, trust or foundation of such organizations.
- Member-owned or nonprofit cemetery corporations chartered solely for burial purposes.

Certain limitations apply to the amount of contributions that can be claimed as a deduction and to the amount that can be deducted for contributions of property. In general, the deduction for charitable contributions cannot exceed 10 percent of a corporation's taxable income. Amounts of contributions not deductible in the current year can be carried forward for five years and claimed as a deduction.

| **Depreciation – Modified Accelerated Cost Recovery Systems and Expensing Election, IRC 167, 168, and 179** | |
|---|---|
| **Accelerated Recovery** | **Not Available** |
| **Section 179 Expensing** | **$1,800,000** |

Depreciation deductions are allowed to reflect the reasonable expenses incurred by taxpayers for exhaustion and wear and tear of property used in a trade or business or held for the production of income. Effective for tax year 1987, the state adopted the Modified Accelerated Cost Recovery System (MACRS), enacted as part of the federal Tax Reform Act of 1986. However, property placed in service prior to that time must continue to be depreciated according to the state restrictions in effect at the time the property was placed into service. Wisconsin has adopted all federal depreciation and amortization provisions in effect on January 1, 2014, with the exception of provisions under Section 179 of the IRC (discussed below). Subsequent changes to federal law regarding depreciation and amortization made after January 1, 2014, will not be in effect for Wisconsin without additional legislation.

Under MACRS, eligible property is generally assigned to a depreciation recovery class of 3 years, 5 years, 7 years, 10 years, 15 years or 20 years, 25 years, 27.5 years, 31.5 years, or 39 years, depending upon the type of property. The cost of the property is recovered using statutory recovery methods and conventions.

With some restrictions, sec. 179 rules of the Internal Revenue Code in effect prior to December 31, 2000, allow taxpayers to expense up to $25,000 of the cost of eligible assets purchased and put into use in the current year. The deduction begins to be phased out once the taxpayer has purchased $200,000 in eligible property in the taxable year. To qualify as sec. 179 property, the property must be acquired by purchase for use in the active conduct of a trade or business (sec. 1245 depreciable property). The total cost of the property expensed under this election cannot exceed the total amount of taxable income derived from the active conduct of any trade or business during the tax year. However, excess amounts may be carried forward

an unlimited number of years, subject to the ceiling each year. For taxable years beginning on or after January 1, 2014, Wisconsin has permanently adopted all federal Section 179 provisions, including any subsequent changes in federal law.

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| **Dividends, IRC 591 and 1382, s. 71.26(3)(j)** | |
| **Dividends Received** | **$251,600,000** |
| **Patronage Dividends** | **Not Available** |
| **Depositor's Dividends** | **Not Available** |

Dividends paid are generally not deductible by the payor corporation except for:

- Amounts paid as dividends or earnings to depositors' accounts by savings and loan associations, mutual loan corporations, or mutual savings banks.
- Amounts distributed to patrons of businesses operating on a cooperative basis in proportion to their patronage, rather than stock or ownership. This type of dividend amounts to a delayed discount for purchases made.

Dividends received are deductible in full by the recipient corporation if the payor corporation is a controlled subsidiary in which the recipient parent corporation owns at least 70 percent of the voting stock, or at least 50 percent of the voting stock if the payor and recipient corporations are members of the same combined group. The payor corporation is not allowed to subtract the dividends paid in determining its Wisconsin taxable income. The fiscal effect relates to the revenue impact of disallowing the deduction of dividends received from corporate affiliates. Data are not available to estimate the fiscal effect for allowing the deduction of patronage or depositors' dividends.

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| **Bad Debt Reserves of Financial Institutions, IRC 585 and 593** | **Minimal** |

In general, corporations can deduct bad debts only as the debts become worthless. Savings and loan associations, mutual savings banks, and other savings institutions may deduct additions to a reserve account for bad debts in lieu of deducting bad debts as they are experienced. Banks are also allowed to deduct additions to bad debt reserves, provided that the assets of the bank do not exceed $500 million.

The deduction for additions to bad debt reserves is generally based on the average ratio of bad debts actually incurred to total loans outstanding for the five preceding taxable years. The tax benefit from this provision is that financial institutions using the reserve method can deduct bad debts before they actually become worthless.

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| **Net Operating Loss Carryforward, s. 71.26(4)** | **$202,000,000** |

Wisconsin authorizes corporations to carry net operating losses incurred in the current year forward for up to 20 years to offset net income in future years. In contrast, federal law allows losses to be carried forward indefinitely; however, corporations may only cover 80 percent of their income. This treatment acts to smooth out fluctuations in corporate profits, which may change dramatically with economic conditions. Losses from the earliest years are always used first. The fiscal effect relates to the difference in tax liability without the carryforward provision relative to actual liability under current law.

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| **Income from Out-of-State Businesses Performing Disaster Relief Work, s. 71.26(2)(a)12** | **None** |

Qualifying out-of-state corporations are allowed an exemption from Wisconsin tax reporting requirements, if the qualifying employer or employee is in Wisconsin solely to perform disaster relief work in connection with a state of emergency declared by the Governor. An "out-of-state business" corporation, whether operated for profit or not for profit, is a corporation that is not organized under the laws of Wisconsin and that, except for disaster relief work during a disaster period, was not doing business in Wisconsin during the three taxable years immediately preceding the disaster period or the current taxable year in which the declared state of emergency occurs.

If an out-of-state corporation is required to be included in a combined group because it meets the requirements of sec. 71.255(2), Wis. Stats., when computing the net income of the corporation, the income received by the out-of-state corporation for performing disaster relief work may be subtracted when determining the income subject to taxation. In addition, for purposes of determining the portion of income taxable to Wisconsin by an out-of-state business, gross receipts from the sale of property or services related to performing disaster relief work are not considered sales for purposes of the sales factor.

An out-of-state business that wishes to claim the exemption must notify the department no later than 90 days after the last day of the disaster period. There is no fiscal effect for this exemption, as to date the department has not received any required notifications.

**Credits**

A credit is an amount subtracted directly from the taxpayer's Wisconsin gross tax liability (i.e., the amount determined by applying the Wisconsin tax rate to Wisconsin taxable income) to determine the Wisconsin net tax liability. Nonrefundable credits reduce a corporation's tax liability otherwise due. If the amount of credit exceeds the corporation's tax liability, the excess credit can be carried forward to offset tax liability in future years. A refundable credit also reduces a corporation's tax liability, but if the amount of credit exceeds the corporation's tax liability, a refund is issued in the amount of the excess credit.

The fiscal effect for nonrefundable credits results from a loss of revenue that otherwise would be collected. Refundable credits require an appropriation, and the fiscal effect for these credits is expressed as an increase in appropriations, even though some or all of the credit may be used to offset taxes otherwise due in the current tax year or applied to offset taxes due in a subsequent tax year.

The corporate tax forms for tax year 2022 show a total of 30 nonrefundable credits available. Of those, 17 credits are no longer being awarded but the credit is still listed on the form so that taxpayers may claim credits earned in prior tax years. In addition, the 2022 corporate tax forms show a total of six refundable credits available. The total corporate income and franchise tax revenue reduction from nonrefundable credits for FY24 is an estimated $192.6 million. In addition, refundable credits claimed by corporations led to expenditures of $71.6 million in FY24.

| **Manufacturer's Sales Tax Credit, ss. 71.28(3) and 71.47(3)** | **Minimal** |
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Until 2006, a nonrefundable credit could be claimed for the amount of Wisconsin sales tax paid on fuel and electricity consumed in manufacturing tangible personal property in the state. The credit was designed to be the equivalent of a sales tax exemption. Unused amounts of credit could be carried forward and offset against tax liability over the next 20 years.

Beginning in 2006, fuel and electricity used in manufacturing are exempt from the sales tax and the income and franchise tax credit for sales tax was repealed. Manufacturers with up to $25,000 in credit carryforwards as of January 1, 2006, may continue to use manufacturers' sales tax credits carried forward from prior years to offset taxes in the future. The fiscal effect reflects the current tax liability reduction from the use of credits carried forward by businesses that had $25,000 or less in credit as of January 1, 2006.

| **Manufacturing Investment Credit, ss. 71.28(3t) and 71.47(3t)** | **$2,000,000** |
|---|---|

Beginning in tax year 2008, businesses whose unused carryforwards of the manufacturer's sales tax credit were greater than $25,000 on January 1, 2006, are able to claim a manufacturing investment credit, provided they met certain job retention, investment or other tests. The credit, which is nonrefundable, is equal to the unused manufacturers' sales tax credit and is to be amortized over 15 years. Claimants must have been certified by the former Wisconsin Department of Commerce as eligible to claim the credit. In order to be certified, the claimant must have satisfied one of the following requirements:

- Retention of 100 percent of the full-time (at least 35 hours per week) jobs employed by the company as of December 23, 2003.

- Average annual investment since January 1, 2003, equal to 2 percent of total book value of the company's depreciation assets in Wisconsin-based plants and facilities or $5 million.

| **Research Expenditures Credit, ss. 71.28(4) and 71.47(4)** | **$84,500,000** |
|---|---|

A nonrefundable research expenditures credit for noncapital expenditures for research-related activities conducted in Wisconsin is available. Qualifying expenditures are defined by reference to the rules established under Section 41 of the IRC with certain exceptions. Qualified research expenses cover in-house expenses for the taxpayer's own research (wages, supplies and computer use charges) and 65 percent of amounts paid or incurred for qualified research done by a person other than an employee of the taxpayer.

The credit is equal to 5.75 percent of the amount by which the claimant's qualified research expenses for the taxable year exceed 50 percent of the average qualified research expenses for the three taxable years immediately preceding the taxable year for which the claimant claims the credit. If the claimant had no qualified research expenses in any of the three taxable years immediately preceding the taxable year for which the claimant claims the credit, the claimant may claim an amount equal to 2.875 percent of the qualified research expenses for the taxable year for which the credit is claimed.

The credit applies only to research expenditures that are undertaken to discover information that is technological in nature and intended to be useful in the development of a new or improved business component. Qualified research expenses cover in-house expenses for the taxpayer's own research (wages, supplies and computer use charges) and 65 percent of amounts paid or incurred for qualified research done by a person other than an employee of the taxpayer. For corporations in a combined group, unused research credits may be shared with other members of the combined group.

For tax years beginning after December 31, 2023, up to 25 percent of the research credit is refundable.

| **Research Facilities Credit, ss. 71.28(5) and 71.47(5)** | **$1,000,000** |
|---|---|

For taxable years beginning before January 1, 2014, a research facilities credit was available. The credit applies to capital investments to construct and equip new research facilities or to expand existing facilities located in Wisconsin. The credit is equal to 5 percent of the amount of qualified investment in tangible depreciable property that is not replacement property. A similar credit exists for capital investments to construct and equip new research facilities or to expand existing facilities in Wisconsin engaging in internal combustion engine research or energy efficient products research. The credit is equal to 10 percent of the amount of qualified investment in tangible depreciable property that is not replacement property.

The rules relating to the credit are similar to the rules for the research expenditures credit. Unused amounts of credit may be carried forward and offset against tax liability for 15 years from the year the credit is computed. Corporations must increase their net income by the amount of credit claimed in lieu of reducing their deduction for research expenses or reducing their basis in the property. For corporations in a combined group, unused research facilities credits may be shared with other members of the combined group.

| **Internal Combustion Engine Research Credit, ss. 71.28(4) and 71.47(4)** | **$10,000,000** |
|---|---|

The credit for expenses is equal to 11.5 percent of the amount by which the claimant's qualified research expenses for the taxable year exceed 50 percent of the average qualified research expenses for the three taxable years immediately preceding the taxable year for which the claimant claims the credit. If the claimant had no qualified research expenses in any of the three taxable years immediately preceding the taxable year for which the claimant claims the credit, the claimant may claim an amount equal to 5.75 percent of the qualified research expenses for the taxable year for which the credit is claimed. Unused credits may be carried forward for 15 years. Members of a combined group may share unused engine research credits.

For tax years beginning after December 31, 2020, up to 15 percent of the engine research credit is refundable.

| Energy Efficient Products Research Credit, ss. 71.28(4) and 71.47(4) | Minimal |
|---|---|

The credit for expenses is equal to 11.5 percent of the amount by which the claimant's qualified research expenses for the taxable year exceed 50 percent of the average qualified research expenses for the three taxable years immediately preceding the taxable year for which the claimant claims the credit. If the claimant had no qualified research expenses in any of the three taxable years immediately preceding the taxable year for which the claimant claims the credit, the claimant may claim an amount equal to 5.75 percent of the qualified research expenses for the taxable year for which the credit is claimed.

For tax years beginning after December 31, 2020, up to 15 percent of the energy efficient products research credit is refundable.

| Supplement to Federal Historic Rehabilitation Credit, ss. 71.28(6) and 71.47(6) | $42,900,000 |
|---|---|

A nonrefundable credit is available to encourage the rehabilitation of certified historic structures in Wisconsin. This supplement to the federal historic rehabilitation credit can be claimed only for projects that are eligible for the federal historic rehabilitation credit. The rehabilitation work must meet historic preservation standards, and the expenditures must exceed the taxpayer's adjusted basis in the building. Unused amounts of the credit can be carried forward for up to 15 years. Beginning July 1, 2018, the Wisconsin Economic Development Corporation (WEDC) may not certify a person to claim more than a total of $3,500,000 in supplement to the federal historic rehabilitation tax credits for all projects undertaken on the same parcel.

The credit is equal to 20 percent of the qualified rehabilitation expenditures if the cost of the expenditures is at least $50,000, the property is placed in service after December 31, 2013, and the claimant is certified by WEDC. To be certified by WEDC, the claimant must submit evidence to WEDC that the rehabilitation was recommended by the U.S. Secretary of the Interior before physical work of construction, or destruction in preparation for construction, began and the rehabilitation was approved by the state historic preservation officer.

Credits certified for taxable years beginning on or after January 1, 2014, for 20 percent of the qualified rehabilitation expenditures may be sold or transferred to any other Wisconsin taxpayer if the transferor notifies the department in writing and submits a copy of the transferring documents. The department must certify ownership of the credit with each transfer. Nonprofit entities may be awarded credits and may transfer those credits to other entities with a Wisconsin tax liability.

| Development Zone and Development Opportunity Zone Credits, ss. 71.28(1dx) and 71.47(1dx) | Minimal |
|---|---|

The Development Zone program provides credits to taxpayers that locate or expand a trade or business activity within a development zone. A development zone is an economically distressed area designated as a development zone by WEDC or the former Wisconsin Department of Commerce. The corporation is authorized to designate 22 zones. All 22 zones have been designated, with authorized tax credits of $38.155 million. These zone designations are in effect for a period of seven to ten years. The first of these zone designations expired in September 2009 and the last expired in September 2021. Certified businesses are provided with a maximum amount of tax benefits and may claim the development zone credits up to that amount.

Under the Development Opportunity Zone program, businesses conducting economic activities in a zone may claim nonrefundable development opportunity zone credits allocated to them by WEDC. Nine zones with a total of $46.4 million in tax credits have been authorized. The designation for six zones has expired. New zones in Janesville and Kenosha were authorized in 2009 Wisconsin Act 28 with a total credit available of $5 million each over the life of the zone. In addition, 2011 Wisconsin Act 37 authorized an additional zone for the city of Beloit, also for a total credit amount of $5 million over the life of the zone. For all three of these new zones, if the original $5 million is allocated within five years, the zones can be extended for an additional five years with an additional $5 million each. The designation for the new zones will be effective for 60 months from the date

of designation. To date, only the Janesville zone has been allocated the additional $5 million and five additional years.

Businesses locating or expanding their operations within the development opportunity zones are eligible to claim a job creation credit based on the number of new, full-time positions created; an environmental remediation credit that equals up to 50 percent of eligible environmental remediation costs; and an investment credit equal to 2.5 percent of the purchase of depreciable tangible personal property (or 1.75 percent of the price if the property has been expensed under section 179 of the IRC). Unused credit amounts may be carried forward for 15 years.

A *capital investment credit* is also available for certain businesses located in the new zones in Kenosha, Beloit and Janesville equal to 3 percent of qualified purchases of depreciable tangible personal property and amounts expended to acquire, construct, rehabilitate or remodel qualified real property. Unused credit amounts may be carried forward for 15 years.

| **Enterprise Zone Jobs Credit, ss. 71.28(3w) and 71.47(3w)** | **$48,300,000** |
|---|---|

A refundable enterprise zone jobs credit is available for certified businesses located in a designated enterprise zone. WEDC may certify for tax benefits a business that begins operations in an enterprise zone if the business offers compensation and benefits to its employees working in the zone for the same type of work that are at least as favorable as those offered to its employees working outside the zone. WEDC may also certify a business that expands operations in an enterprise zone, if the business will increase its personnel by at least 10 percent or the business makes a capital investment in property located in the enterprise zone equal to at least 10 percent of the business' gross revenues in the preceding tax year attributable to business activities in Wisconsin. Finally, WEDC may certify a business that retains existing jobs in an enterprise zone if the business makes a significant capital investment in property located in the zone, and at least one of the following applies: (1) the business is an original equipment manufacturer with a significant supply chain in Wisconsin, as determined by WEDC; or (2) more than 500 full-time employees are employed by the business in the enterprise zone.

WEDC is authorized to designate no more than 30 enterprise zones, with three of the zones being areas comprising political subdivisions whose population totals less than 5,000 and at least two areas comprising political subdivisions whose population is greater than 5,000 but less than 30,000. A designation may be in effect for no more than 12 years. In determining whether to designate an area as an enterprise zone, WEDC must consider indicators of the area's economic need, infrastructure and energy support, the rate of business development, existing resources available to the area, and the effect of designation on other initiatives and programs to promote economic and community development in the area, such as job training and the creation of high-paying jobs.

The credit has five components:

1. A credit based on changes in the claimant's zone payroll over a base year, up to 7 percent of the base change. Eligible wages are those paid to new employees whose annual wages are greater than the amount determined by multiplying $2,080 by 150 percent of the federal minimum wage in a Tier I county or municipality, or greater than $30,000 in a Tier II county or municipality.

2. An additional credit based on up to 7 percent of wages paid to existing zone employees. Eligible wages are those paid to employees whose annual wages are greater than the amount determined by multiplying $2,080 by 150 percent of the federal minimum wage in a Tier I county or municipality, or greater than $30,000 in a Tier II county or municipality. The total number of employees must be equal to or greater than the number of employees in the base year. Credit claims are limited to five consecutive years.

3. A credit based on the amount paid for training to upgrade the job-related skills of full-time employees who work in the enterprise zone.

4. A credit of up to 10 percent of significant capital expenditures in the zone.

5. For taxable years beginning after December 31, 2009, a credit equal to 1 percent of the amount the claimant paid in the taxable year for goods or services from Wisconsin vendors, not including capital expenditures for which the credit is claimed.

An additional credit for one financial service corporation is based on whether a claimant has retained the minimum number of full-time employees and maintained average zone payroll for the taxable year equal to or greater than the base year. The amount of the credit is a percentage, as determined by WEDC, of the claimant's full-time employees in the enterprise zone. No more than one financial service technology business may receive the credit.

| **Economic Development Credit, ss. 71.28(1dy) and 71.47(1dy)** | **$4,300,000** |
|---|---|

For tax years beginning after December 31, 2008, and before January 1, 2016, an economic development tax credit is available. The nonrefundable credit may be claimed against the corporate income and franchise tax or against the insurance premiums tax. The amount of credit available is limited to $103.2 million, which is the amount of available credit that had not been allocated by the former Wisconsin Department of Commerce in the five zone-based programs that this credit replaces, plus an additional $100 million. Commerce's successor, WEDC, is authorized to award up to $164.2 million in credit, with WEDC able to request an additional $39 million from the Joint Committee on Finance. Unused tax credit amounts may be carried forward up to 15 years to offset future tax income and franchise tax liabilities.

Under the program, a business may apply to WEDC for certification to claim tax benefits. WEDC may certify a business that conducts or intends to conduct at least one eligible activity. The eligible activities include:

- Creating and maintaining, for a period of time established by WEDC, full-time jobs.
- Making a significant investment in new equipment, machinery, real property or depreciable personal property.
- Making significant investments in the training or reeducation of employees for the purpose of improving the productivity or competitiveness of the business.
- Locating or retaining a corporate headquarters in Wisconsin or retaining employees holding full- time jobs in Wisconsin.

WEDC may authorize additional tax benefits for certified claimants if the claimant conducts at least one eligible activity in an area designated by WEDC as economically distressed, or if the claimant creates, retains or trains members of certain targeted groups.[1]

For taxable years beginning on or after January 1, 2014, the credit may be transferred to another taxpayer who can use the transferred credit to offset income and franchise taxes under Chapter 71 or insurance premium fees under Chapter 76. The credit may only be transferred in exchange for a nonmonetary consideration. The claimant seeking to transfer the credit must apply to WEDC.

The economic development tax credit may not be computed for taxable years beginning on or after January 1, 2016; however, if WEDC has allocated tax benefits to the claimant in a contract executed before December 31, 2015, or in a letter of intent to enter into a contract before that date, the claimant may compute the credit for taxable years beginning after December 31, 2015, for as long as the contract specifies.

[1] "Member of a targeted group" means a person who resides in an area designated by the federal government as an economic revitalization area, a person who is employed in an unsubsidized job but meets the eligibility requirements for a Wisconsin Works employment position, a person who is employed in a trial job, as defined in s. 49.141 (1) (n), or in a real work, real pay project position under s. 49.147 (3m), a person who is eligible for child care assistance, a person who is a vocational rehabilitation referral, an economically disadvantaged youth, an economically disadvantaged veteran, a supplemental security income recipient, a general assistance recipient, an economically disadvantaged ex-convict, a dislocated worker, as defined in 29 USC 2801 (9), or a food stamp recipient, if the person has been certified in the manner under 26 USC 51 (d) (13) (A) by a designated local agency, as defined in 26 USC 51 (d) (12).

Unused tax credit amounts may be carried forward up to 15 years to offset future tax income and franchise tax liabilities.

| **Early Stage Seed Investment Credit, ss. 71.28(5b) and 71.47(5b)** | **Minimal** |
|---|---|

Effective for taxable years beginning after 2004, an early stage seed investment credit is available equal to 25 percent of investments paid to a fund manager that invests the funds in qualified new business ventures that are certified by WEDC. The credit may be claimed against the income and franchise tax as well as against the insurance premiums tax. The maximum annual amount that may be claimed by all claimants is $30 million combined between the early stage seed credit and the angel investment credit (the angel investment credit is discussed in the Individual Income Tax section of this report).

If the investment is held for less than three years, any previously claimed credits must be repaid to the Department of Revenue unless during the three-year period the investment becomes worthless as determined by WEDC, or if a bona fide liquidity event occurs after the investment has been held for 12 months. In addition, if the investor has invested in the business prior to the business being certified as a qualified new business venture, investments after certification by this investor are not eligible for credit. Unused credit amounts may be carried forward for 15 years.

For tax years beginning on or after January 1, 2009, a claimant may transfer unused credits to another entity. The transferor is required to obtain prior authorization from the fund manager, and the fund manager is required to notify the Department of Revenue and WEDC.

To be qualified to receive investments that are eligible for the credit, a qualified new business venture must, at the time it is certified, have its headquarters in the state; have less than 100 employees, at least 51 percent of whom are employed in the state; and have been in business for not more than ten consecutive years, and must not have received aggregate private equity investments of cash of more than $10 million. A qualified new business venture must also be engaged in one of the following:

- Manufacturing.
- Biotechnology.
- Nanotechnology.
- Communications.
- Agriculture.
- Clean energy creation or storage technology.
- Processing or assembling products, including medical devices, pharmaceuticals, computer software, computer hardware, semiconductors, any other innovative technology products or other products that are produced using manufacturing methods that are enabled by applying differentiating technology.
- Precommercialization activity related to differentiating technology that includes conducting research, developing a new product or business process.
- Developing a service that is principally reliant on applying differentiating technology.

The business may not be primarily engaged in real estate development, insurance, banking, lending, lobbying, political consulting, professional services provided by attorneys, accountants, business consultants, physicians, health care consultants, wholesale or retail trade, leisure, hospitality, transportation or construction, except construction of power production plants that derive energy from a renewable resource.

WEDC may transfer any unallocated early stage seed credits in any calendar year to the refundable business development credit (discussed below).

| **Dairy and Livestock Farm Investment Credit, ss. 71.28(3n) and 71.47(3n)** | **Minimal** |
|---|---|

For taxable years beginning before January 1, 2014, a nonrefundable credit is available for 10 percent of expenses to modernize or expand a dairy or livestock farm. Dairy animals include heifers raised as

replacement dairy animals. Livestock includes cattle (not including dairy animals), swine, poultry including farm raised pheasants but not including other farm raised game birds or ratites, fish that are raised in aquaculture facilities, sheep, and goats. The aggregate amount of credit that a taxpayer may claim is $75,000 for expenses to construct, improve and acquire buildings or facilities and equipment, for dairy animal housing, confinement, feeding, milk production and waste management, except that no more than $50,000 may be based on expenses that are incurred prior to May 27, 2010. The credit may be claimed for dairy farm modernization or expansion for taxable years beginning after December 31, 2003, and for livestock farm modernization or expansion for taxable years beginning after December 31, 2005. Both credits are repealed for tax years beginning on or after January 1, 2014. A taxpayer may carry forward credits for 15 years for those credits computed for taxable years beginning before December 31, 2013.

| **Farmland Preservation Credit, 2010 and Beyond, s. 71.613** | **Minimal** |
|---|---|

Beginning in tax year 2010, a refundable per-acre farmland preservation credit is available under which a claimant may claim as a credit against income and franchise taxes an amount calculated by multiplying the claimant's qualifying acres by one of the following amounts:

- $10 if the qualifying acres are located in a farmland preservation zoning district and are also subject to a farmland preservation agreement that is entered into after July 1, 2009;
- $7.50 if the qualifying acres are located in a farmland preservation zoning district but are not subject to a farmland preservation agreement that is entered into after July 1, 2009; or
- $5 if the qualifying acres are subject to a farmland preservation agreement that is entered into after July 1, 2009, but are not located in a farmland preservation zoning district.

| **Insurance Security Fund Assessments, s. 646.51(7)** | **None** |
|---|---|

Chapter 646 of the Wisconsin Statutes provides a credit against state taxes, including the corporate income and franchise tax, for certain assessments levied on insurance companies by the Wisconsin Insurance Security Fund. The fund is designed to protect policyholders in cases where their insurance company has failed and is in the process of liquidation. Where the available assets and reserves of failed insurers are inadequate to meet claims, the fund may assess insurance companies doing business in the state, with some exceptions (e.g., fraternal benefit societies). Such assessments are eligible for a 100 percent tax credit if they cannot be recovered through higher premiums. This can occur if premiums are fixed for a particular line of business. Credits claimed by foreign insurance companies and domestic life companies would be offset against the premiums tax. Thus, the only offsets against the income and franchise tax would be for credits claimed by domestic property and casualty companies. The tax credit is nonrefundable and must be claimed in equal installments over a five-year period, beginning with the year following the one in which the assessment is made.

| **Health Insurance Risk-Sharing Plan (HIRSP) Assessments Credit, ss. 71.28(5g) and 71.47(5g)** | **Minimal** |
|---|---|

An income and franchise tax credit and a license fee credit were available for insurers that pay assessments for HIRSP. HIRSP offered health insurance to Wisconsin residents who either were unable to find adequate health insurance coverage in the private market due to their medical conditions or who lost their employer-sponsored group health insurance. Applicants were required to meet HIRSP eligibility criteria to qualify. The credit is equal to a percentage of the amount of assessments paid by the insurer in the taxable year under HIRSP. The Department of Revenue, in consultation with the Office of the Commissioner of Insurance, determines the credit percentage for each year, and the insurer's credit amount is the percentage times $5 million in total credit available. For taxable years beginning after December 31, 2013, and before January 1, 2015, the total amount of credit available is $1.25 million.

The HIRSP assessment credit is repealed for taxable years beginning on or after January 1, 2015. Credits computed for taxable years beginning before January 1, 2015, may be carried forward for 15 years from the taxable year in which they were computed.

| Biodiesel Fuel Production Credit, ss. 71.28(3h) and 71.47(3h) | None |
|---|---|

For tax years beginning on or after January 1, 2012, and before January 1, 2014, a nonrefundable credit was available that is equal to 10 cents per gallon for biodiesel fuel produced in Wisconsin for producers that produce at least 2.5 million gallons of biodiesel fuel per year. The maximum credit that a claimant may claim in a taxable year is $1 million. Credits computed for taxable years beginning before January 1, 2014, may be carried forward for 15 years from the taxable year in which they were computed.

| Electronic Medical Records Credit, ss. 71.28(5i) and 71.47(5i) | Minimal |
|---|---|

For tax years beginning on or after January 1, 2012, and before January 1, 2014, a nonrefundable electronic medical records credit was available. The credit was equal to 50 percent of the amount paid by a health care provider in a tax year for information technology hardware or software that was used to maintain medical records in an electronic form. The maximum total amount of electronic medical records tax credits that could be claimed in a tax year was $10 million, and this amount was allocated to claimants by the former Wisconsin Department of Commerce. The Department of Revenue certified claimants as eligible to receive the credit. Unused credit amounts may be carried forward for 15 years. The Department of Revenue made its final allocation of credits in February 2014. No credit may be claimed for on an amount paid after December 31, 2013.

| Community Rehabilitation Program Credit, ss. 71.28(5k) and 71.47(5k) | Minimal |
|---|---|

For tax years that begin on or after July 1, 2011, a nonrefundable community rehabilitation credit is available. The credit is equal to 5 percent of the amount that the claimant pays in a taxable year to a community rehabilitation program to perform work for the claimant's business. The maximum credit would be $25,000 for each contract that a claimant enters into with a community rehabilitation program. Unused credits can be carried forward for 15 years to offset future tax liabilities.

| Manufacturing and Agriculture Credit, s. 71.28(5n) | $153,000,000 |
|---|---|

For taxable years beginning after December 31, 2012, a nonrefundable manufacturing and agriculture credit is available. The credit is equal to a specified percentage of the claimant's qualified production activities income that is derived from property assessed as manufacturing or agricultural property in Wisconsin, as defined under state property tax law.

"Qualified production activities income" is defined as the amount of the claimant's gross receipts for the taxable year that exceeds the cost of goods sold that are allocable to such receipts and the indirect cost multiplied by the gross receipts factor. "Qualified production activities income" does not include any of the following:

- Income from film production;
- Income from producing, transmitting or distributing electricity, natural gas or potable water;
- Income from constructing real property;
- Income from engineering or architectural services performed with respect to constructing real property;
- Income from the sale of food and beverages prepared by the claimant at a retail establishment; or
- Income from the lease, rental, license, sale, exchange or other disposition of land.

For corporations the credit would be the lesser of a specified percentage of the claimant's:

- Eligible qualified production activities income;
- Income apportioned to Wisconsin for state corporate income and franchise tax purposes; or
- Taxable income for corporate income and franchise tax purposes as determined under s. 71.255(2).

The specified percentages are:

- For taxable years beginning after December 31, 2012, and before January 1, 2014, 1.875 percent.
- For taxable years beginning after December 31, 2013, and before January 1, 2015, 3.75 percent.
- For taxable years beginning after December 31, 2014, and before January 1, 2016, 5.025 percent.
- For taxable years beginning after December 31, 2015, 7.5 percent.

Insurance companies may not claim the credit.

| **Business Development Credit, ss. 71.28(3y) and 71.47(3y)** | **$15,500,000** |
|---|---|

For taxable years beginning on or after January 1, 2016, a refundable business development tax credit is available. The credit replaces the nonrefundable economic development and refundable jobs tax credits. The business development credit is equal to all of the following, as determined by WEDC:

1. The amount of wages the claimant paid to an eligible employee in the taxable year, not to exceed 10 percent of such wages.

2. In addition to any amount claimed for an eligible employee, the amount of wages that the claimant paid to the eligible employee in the taxable year, not to exceed 5 percent of such wages, if the eligible employee is employed in an economically distressed area.

3. An amount equal to up to 50 percent of the claimant's training costs incurred to undertake activities to enhance an eligible employee's general knowledge, employability and flexibility in the workplace; to develop skills unique to the claimant's workplace or equipment; or to develop skills that will increase the quality of the claimant's product.

4. The amount of the personal property investment, not to exceed 10 percent of such investment, and the amount of the real property investment, not to exceed 5 percent of such investment, in a capital investment project that involves a total capital investment of at least $1,000,000 or, if less than $1,000,000, involves a capital investment equal to at least $10,000 per eligible employee employed on the project. For tax years beginning after December 31, 2022, a taxpayer may also claim a credit for up to 15 percent of their investment in workforce housing and 15 percent of their investment in establishing a child care program for eligible employees.

5. An amount equal to a percentage of the wages that the claimant paid to an eligible employee in the taxable year, provided that the position was created or retained in connection with the claimant's location or retention of the claimant's corporate headquarters in Wisconsin and the job duties performed are headquarters functions.

WEDC may certify a person to receive tax benefits if the person is operating or intends to operate a business in Wisconsin and the person applies and enters into a contract with WEDC. The certification may remain in effect for no more than ten cumulative years. A person is eligible to receive tax benefits if, in each year for which the person claims tax benefits, the person increases net employment in Wisconsin in the person's business above the net employment in Wisconsin in the person's business during the year before the person was certified, as determined by WEDC under its policies and procedures.

Subject to a reallocation of early stage seed investment credits (see above), WEDC may allocate up to $17,000,000 in tax benefits in 2016 and up to $22,000,000 per year thereafter. WEDC may award more than $17,000,000 in a calendar year because awards typically cover multiple years. However, the actual amount allocated to all awardees in total in a given year may not exceed the annual maximum, notwithstanding any transferred credits. Any unused allocation may be carried forward. WEDC may require a person to repay any tax benefits the person claims for a year in which the person failed to employ an eligible employee required by an agreement.

| | |
|---|---|
| **Electronic and Information Technology Manufacturing Zone Credit, s. 71.28(3wm)** | **$8,325,000** |

A refundable electronics and information technology manufacturing zone credit is available. Calculation of the credit is based on 17 percent of the claimant's payroll. An additional credit may be allowed for up to 15 percent of the claimant's significant capital expenditures in the zone in the taxable year. Eligible payroll includes full-time employees who make between $30,000 and $100,000 a year. WEDC may not certify more than $1.5 billion in credits related to payroll and no more than $1.35 billion in credits related to capital expenditures.

In order to claim these credits, the claimant must be certified by WEDC. The designation of the electronics and information technology zone shall remain in effect for no more than 15 years. A copy of the certification must be included with the claimant's Wisconsin income tax return. The amount of the credit computed must be added to the claimant's income in the year the credit is computed. The credit must be claimed within four years of the unextended due date on which the tax return was due.

| | |
|---|---|
| **Low-Income Housing Credit, ss. 71.28(8b) and 71.47(8b)** | **$6,900,000** |

For tax years beginning after December 31, 2017, a nonrefundable low-income housing credit is available. Claimants may claim a credit for the amount certified by the Wisconsin Housing and Economic Development Authority (WHEDA). A taxpayer is eligible for the credit if their tenants' income is less than 60 percent of the county's median income. Claimants must apply through WHEDA. The credit must be claimed within four years of the date on which the tax return was due. Unused credits may be carried forward for 15 years. The maximum amount of credits WHEDA may certify in a year equals $42,000,000.

**TABLE 1**
**CORPORATE INCOME AND FRANCHISE TAX EXEMPTION DEVICES SUMMARY**

| Exemption Devices | Statutory Reference* | FY24 Fiscal Effect |
|---|---|---|
| **Exemptions from Taxation** | | |
| Governmental Units | ss. 71.26(1)(b) and (bm) | None |
| Nonprofit Corporations or Associations | s. 71.26(a) | |
| Nonprofit Organizations | | None |
| Private Foundations | | 94,300,000 |
| Cooperatives | s. 71.26(1)(c), Chapter 185 | None |
| Credit Unions | s. 71.26(1)(a) | 66,500,000 |
| Insurance Companies | ss. 71.43(2) and 71.45(1) | Not available |
| Banks Under Liquidation | s. 71.26(1)(d) | Minimal |
| Assets Distributed to the Menominee Indian Tribe | s. 71.26(1)(e) | Not available |
| Activities of Out-of-State Publishers and Certain Foreign Corporations | s. 71.23(3) | Not available |
| Veterans Service Organizations | s. 71.26(1)(am) | Minimal |
| Interest on Conduit Revenue Bond | s. 71.26(1m)(k) | Minimal |
| **Exclusions from Income** | | |
| Life Insurance Proceeds | IRC 101 | Minimal |
| Exchanges of Corporate Property or Stock | IRC 1031 to 1033 and 1036 to 1038 | |
| Like-Kind Exchanges | | 2,900,000 |
| Other Exchanges | | Not available |
| Recovery of Bad Debts, Prior Taxes and Delinquency Amounts | IRC 111 | Minimal |
| Natural Resource-Related Cost-Sharing Payments | IRC 126 | Minimal |
| Interest on Certain WHEFA bonds | ss. 71.26(1m)(i) and 71.45(1t)(i) | Minimal |
| **Special Treatment** | | |
| Limit on Tax Liability of Insurers | s. 71.46(3) | Minimal |
| Urban Mass Transportation Companies | s. 71.39 | None |
| RICs, REITs and REMICs | IRC 851 to 860 and 860A to 860G<br>s. 71.26(2)(b) | Minimal |
| "Throwback" Sales | s. 71.25(9)(dh) | Not available |
| Tax-Option Corporations | IRC 1361 to 1368 and 1374<br>ss. 71.32-71.365 | Not available |
| Limited Liability Companies | ss. 71.19-71.21 and Chapter 183 | Not available |
| Unincorporated Cooperative Associations | Chapter 193 | None |
| **Deductions from Gross Income** | | |
| Amortization and Other Special Cost Recovery Allowances: | IRC 169, 173-175, 178, 180, 190, 193-195, 263(c), 291, 611, 612, 616, and 617 | |
| Circulation Expenditures | | Minimal |
| Research & Development | | 58,100,000 |
| Soil and Water | | Not available |
| Lease Acquisition | | Not available |
| Reforestation Expenditures | | Minimal |
| Start-Up Expenditures | | Minimal |
| Mine Exploration | | Minimal |
| Charitable Contributions | IRC 170 | 12,100,000 |
| **Deductions from Gross Income** | | |
| Depreciation – Accelerated and Modified Cost Recovery System and Expensing Election | IRC 167, 168, and 179<br>s. 71.26(3)(y) | |
| Accelerated Recovery | | Not Available |
| Section 179 Expensing | | 1,800,000 |
| Dividends | IRC 591 and 1382, s. 71.26 (3)(j) | |
| Dividends Received | | 251,600,000 |
| Patronage Dividends Paid | | Not Available |
| Depositor's Dividends Paid | | Not Available |

| Exemption Devices | Statutory Reference* | FY24 Fiscal Effect |
|---|---|---|
| **Deductions from Gross Income, continued** | | |
| Bad Debt Reserves of Financial Institutions | IRC 585 and 593 | Minimal |
| Net Operating Loss Carryforward | s. 71.26(4) | 202,000,000 |
| Income from Out-of-State Business Performing Disaster Relief Work | s. 71.26(2)(a)12 | None |
| **Credits** | | |
| Manufacturer's Sales Tax Credit Carryforward | ss. 71.28(3) and 71.47(3) | Minimal |
| Manufacturing Investment Credit | ss. 71.28(3t) and 71.47(3t) | 2,000,000 |
| Research Expenditure Credit | ss. 71.28(4) and 71.47(4) | 84,500,000 |
| Research Facilities Credit | ss. 71.28(5) and 71.47(5) | 1,000,000 |
| Internal Combustion Engine Research Expense Credit | ss. 71.28(4) and 71.47(4) | 10,000,000<br>None |
| Internal Combustion Engine Research Facilities Credit | ss. 71.28(4) and 71.47(4) | |
| Energy Efficient Products Research Expense Credit | ss. 71.28(4) and 71.47(4) | Minimal |
| Energy Efficient Products Research Facilities Credit Carryforward | ss. 71.28(4)(ad)3 and 71.47(4)(ad)3 | None |
| Supplement to Federal Historic Rehabilitation Credit | ss. 71.28(6) and 71.47(6) | 42,900,000 |
| Development Zone and Development Opportunity Zone Credits | ss. 71.28(1dx) and 71.47(1dx) | Minimal |
| Enterprise Zones Jobs Credit | ss. 71.28(3w) and 71.47(3w) | 48,300,000 |
| Economic Development Credit | ss. 71.28(1dy) and 71.47(1dy) | 4,300,000 |
| Early Stage Seed Investment Credit | ss. 71.28(5b) and 71.47(5b) | Minimal |
| Dairy and Livestock Farm Investment Credit Carryforward | ss. 71.28(3n) and 71.47(3n) | Minimal |
| Technology Zone Credit | ss. 71.28(3g) and 71.47(3g) | None |
| Farmland Preservation Credit | ss. 71.28(2), 71.47(2) and 71.57 to 71.61 | None |
| Farmland Preservation Credit, 2010 and Beyond | s. 71.613 | Minimal |
| Insurance Security Fund Assessments | s. 646.51(7) | None |
| Health Insurance Risk-sharing Pool Assessment Credit Carryforward | ss. 71.28(5g) and 71.47(5g) | Minimal |
| Biodiesel Fuel Production Credit | ss. 71.28(3h) and 71.47(3h) | None |
| Electronic Medical Records Credit Carryforward | ss. 71.28(5i) and 71.47(5i) | Minimal |
| Community Rehabilitation Program Credit | ss. 71.28(5k) and 71.47(5k) | Minimal |
| Manufacturing and Agriculture Credit | s. 71.28(5n) | 153,300,000 |
| Business Development Credit | ss. 71.28(3y) and 71.47(3y) | 15,500,000 |
| Electronic and Information Technology Manufacturing Zone Credit | s. 71.28(3wm) | 8,325,000 |
| Low-Income Housing Credit | ss. 71.28 (8b) and 71.47 (8b) | 6,900,000 |
| Refundable Research Credit | ss. 71.28(4)(k) and 71.47(4)(k) | 20,400,000 |

# ECONOMIC DEVELOPMENT SURCHARGE

## Introduction

In addition to the corporate income and franchise tax, the state imposes an economic development surcharge on corporations. Revenue from the surcharge is deposited in a segregated economic development fund and is used to fund economic development programs of the Wisconsin Economic Development Corporation (WEDC).

The surcharge is imposed at a rate of 3 percent on gross tax liability for C corporations and 0.2 percent of net business income for S corporations. The maximum surcharge is $9,800 and the minimum is $25. The surcharge does not apply to entities not required to file an income tax return. The surcharge only applies to corporations, insurers and exempt organizations taxable as corporations that have $4,000,000 or more of gross receipts. Collections for FY24 were $38.7 million.

| ***Exemptions*** | ***FY24 Fiscal Effect*** |
|---|---|
| **Exempt Corporations, s. 77.93(1)** | **Not Available** |

Corporations that are exempt from the corporate income and franchise tax under s. 71.26(1), Wis. Stats., and that have no unrelated business income reportable under s. 71.24(1m), Wis. Stats., are exempt from the surcharge. This exemption includes primarily governmental and not-for-profit entities, and cooperative associations and cooperative corporations.

| | |
|---|---|
| **$4 Million Gross Receipts Exemption, s. 77.93(1)** | **$2,000,000** |

Businesses with less than $4 million of gross receipts are exempt from the surcharge. The fiscal effect relates to the amount of economic development surcharge that would be collected if businesses with less than $4 million in gross receipts were subject to the surcharge.

## Special Treatment

| | |
|---|---|
| **$9,800 Surcharge Limit, s. 77.94(1)** | **$34,300,000** |

The maximum surcharge that any taxpayer is required to pay is $9,800. This is considered an exemption device because the amount of surcharge that is collected is less than it would be had the surcharge been collected under the existing rates without the maximum. The fiscal effect relates to the additional amount of economic development surcharge that would be collected if the limit was removed.

# SALES AND USE TAX

**Introduction**

Wisconsin imposes a 5 percent tax on the sale or use of most items of tangible personal property and on the sale of certain services. The state first imposed a 3 percent selective sales and use tax in 1962 but replaced it with a 4 percent general sales and use tax in 1969. The current 5 percent rate has been in effect since 1982.

The original 3 percent tax was selective in that goods subject to the tax were specifically identified in the statutes: household furnishings, motor vehicles, jewelry, tobacco, fermented malt beverages, intoxicating liquors, and food sold in restaurants were taxable. The general tax imposed in 1969, in contrast to the selective tax, falls on sales of all tangible personal property, except property specifically exempted by law. The sales tax remains selective in its treatment of services, imposed only on those services the law enumerates as taxable.

Numerous changes to the sales tax base have been made over the years. Exemptions are discussed in detail in the latter half of this chapter and estimates of fiscal effects are provided. Expansions of the sales and use tax base include:

- Cigarettes (1975);
- Cable television, including installation (1975);
- Interstate telephone and telegraph services, and landscaping and lawn maintenance services (1982);
- Magazines other than those sold by subscription (1983);
- Telephone company central office equipment and coin-operated telephone services (1996);
- Telephone answering and messaging services and telecommunications services terminating in and billed to a service address in the state (1997); and
- Digital goods, including nonpermanent goods regardless of whether the purchaser is required to make continued payments for usage (2009).

The 5 percent sales tax is imposed on retailers for the privilege of selling, leasing or renting tangible personal property that is not specifically exempt from tax. In addition, a 5 percent use tax is imposed on the storage, use or other consumption in this state of tangible personal property that is purchased out-of-state and is not specifically exempt. The use tax complements the sales tax in that, without a use tax, consumers would be able to avoid sales tax by purchasing goods out-of-state. Thus, the use tax ensures that the sales tax does not place Wisconsin merchants at a competitive disadvantage compared with those in other states.

**Taxable Services**

The law imposes a sales tax on selected services. Unlike tangible personal property, sales of which are taxable unless specifically exempt, services are not subject to the sales tax unless enumerated in the statutes. The following services are taxable:

- Rooms or lodging for less than one month by hotelkeepers, motel operators and other persons furnishing accommodations to the public.
- Admissions to amusement, athletic, entertainment or recreational events or places. Admissions to places or events that are educational in nature, such as museums or zoos, and admissions to county fairs are exempt from sales tax.

- Laundry, dry cleaning, pressing and dyeing services; except when performed on raw materials or goods in a process destined for sales, on cloth diapers by a diaper service, or by the customer through the self-service machines.
- Cable television services, including installation charges.
- Prepaid calling, telecommunications and ancillary services, if the service takes place in Wisconsin.
- Photographic services, including the processing, printing and enlarging of film, and the services of photographers for the taking, reproducing and sale of photographs.
- Parking or providing parking space for motor vehicles and aircraft; docking or providing storage space for boats.
- The repair, inspection and maintenance of tangible personal property, and the installation of tangible personal property, except when such installation constitutes a capital improvement to real property.
- The production, printing or imprinting of tangible personal property for consumers who furnish directly or indirectly the materials used in such processes.
- Landscaping and lawn maintenance services.
- Towing and hauling of motor vehicles.

**Local Taxes**

Current law allows counties to impose a 0.5 percent local sales and use tax and a professional baseball park district to impose a 0.1 percent sales and use tax. These local taxes are imposed on the same tax base as the state sales and use tax. As of January 1, 2024, 68 counties impose the 0.5 percent county sales and use tax.

The Southeast Wisconsin Professional Baseball Park District first imposed a 0.1 percent sales tax in Milwaukee, Ozaukee, Racine, Washington and Waukesha counties in 1996. Proceeds from this tax were used to finance Miller Park. This tax ended March 31, 2020.

The Green Bay-Brown County Professional Football Stadium District first imposed a 0.5 percent sales tax in Brown County in 2000 to finance the renovation of Lambeau Field. This tax ended September 30, 2015.

Beginning January 1, 2024, the city of Milwaukee imposes a 2.0 percent city sales tax. In addition, the Milwaukee County sales tax increased to 0.9 percent on the same date. Manitowoc County (effective 1/1/2025) and Racine County (4/1/2025) have authorized county sales taxes effective in 2025.

Table 1 lists the state's 72 counties, the local sales taxes applicable in each county, the effective date of the county sales tax, and the combined state and local sales tax rate.

**TABLE 1**
**LOCAL SALES AND USE TAXES AND COMBINED STATE-LOCAL TAX RATE BY COUNTY**
**As of JANUARY 1, 2024**

| County | County Sales Tax (Effective Date) | Combined State-Local Tax Rate | County | County Sales Tax (Effective Date) | Combined State-Local Tax Rate |
|---|---|---|---|---|---|
| Adams | 1/1/1994 | 5.50% | Marathon | 4/1/1987 | 5.50% |
| Ashland | 4/1/1988 | 5.50% | Marinette | 10/1/2001 | 5.50% |
| Barron | 4/1/1986 | 5.50% | Marquette | 4/1/1989 | 5.50% |
| Bayfield | 4/1/1991 | 5.50% | Menominee | 4/1/2020 | 5.50% |
| Brown | 1/1/2018 | 5.50% | Milwaukee | 4/1/1991, 1/1/2024 | 5.90% |
| Buffalo | 4/1/1987 | 5.50% | Monroe | 4/1/1990 | 5.50% |
| Burnett | 4/1/1989 | 5.50% | Oconto | 7/1/1994 | 5.50% |
| Calumet | 4/1/2018 | 5.50% | Oneida | 4/1/1987 | 5.50% |
| Chippewa | 4/1/1991 | 5.50% | Outagamie | 1/1/2020 | 5.50% |
| Clark | 1/1/2009 | 5.50% | Ozaukee | 4/1/1991 | 5.50% |
| Columbia | 4/1/1989 | 5.50% | Pepin | 4/1/1991 | 5.50% |
| Crawford | 4/1/1991 | 5.50% | Pierce | 4/1/1988 | 5.50% |
| Dane | 4/1/1991 | 5.50% | Polk | 4/1/1988 | 5.50% |
| Dodge | 4/1/1994 | 5.50% | Portage | 4/1/1989 | 5.50% |
| Door | 4/1/1988 | 5.50% | Price | 1/1/1993 | 5.50% |
| Douglas | 4/1/1991 | 5.50% | Racine | | 5.00% |
| Dunn | 4/1/1986 | 5.50% | Richland | 4/1/1989 | 5.50% |
| Eau Claire | 1/1/1999 | 5.50% | Rock | 4/1/2007 | 5.50% |
| Florence | 7/1/2006 | 5.50% | Rusk | 4/1/1987 | 5.50% |
| Fond du Lac | 4/1/2010 | 5.50% | St. Croix | 4/1/1987 | 5.50% |
| Forest | 4/1/1995 | 5.50% | Sauk | 4/1/1992 | 5.50% |
| Grant | 4/1/2002 | 5.50% | Sawyer | 4/1/1987 | 5.50% |
| Green | 1/1/2003 | 5.50% | Shawano | 4/1/1990 | 5.50% |
| Green Lake | 7/1/1999 | 5.50% | Sheboygan | 1/1/2017 | 5.50% |
| Iowa | 4/1/1987 | 5.50% | Taylor | 7/1/1999 | 5.50% |
| Iron | 4/1/1991 | 5.50% | Trempealeau | 10/1/1995 | 5.50% |
| Jackson | 4/1/1987 | 5.50% | Vernon | 1/1/1997 | 5.50% |
| Jefferson | 4/1/1991 | 5.50% | Vilas | 4/1/1988 | 5.50% |
| Juneau | 4/1/1992 | 5.50% | Walworth | 4/1/1987 | 5.50% |
| Kenosha | 4/1/1991 | 5.50% | Washburn | 4/1/1991 | 5.50% |
| Kewaunee | 4/1/2017 | 5.50% | Washington | 1/1/1999 | 5.50% |
| La Crosse | 4/1/1990 | 5.50% | Waukesha | | 5.00% |
| Lafayette | 4/1/2001 | 5.50% | Waupaca | 4/1/1989 | 5.50% |
| Langlade | 4/1/1988 | 5.50% | Waushara | 4/1/1990 | 5.50% |
| Lincoln | 4/1/1987 | 5.50% | Winnebago | | 5.00% |
| Manitowoc | | 5.00% | Wood | 1/1/2004 | 5.50% |

**Administration and Collections**

Sales tax is imposed on the sales price from retail sales; use tax is imposed on the amount paid for a product that is subject to sales tax but for which the seller does not collect sales tax. Each retailer is responsible for paying sales tax, regardless of whether it is identified on the bill and collected directly from the customer. Every business that makes taxable sales is required to obtain a seller's permit from the department and pay a $20 business tax registration fee.

Retailers are permitted to retain a portion of the taxes they collect as compensation for the costs they incur in collecting the tax. Since 1997, the retailer's discount has been the greater of 0.5 percent of the tax amount or $10, not to exceed the tax amount. 2009 Wisconsin Act 28 capped the retailer's discount at $1,000 per filing period. Beginning October 1, 2023, Wisconsin Act 19 increased the rate from 0.5 percent to 0.75 percent and increased the cap from $1,000 to $8,000 per filing period.

In contrast to the sales tax, which the seller pays, the purchaser pays use tax. Corporations may file a use tax return, while individuals typically report their use tax liability on their individual income tax returns.

Since its creation in 1962 at 3 percent, the state sales tax increased twice (to 4 percent in 1969 and to 5 percent in 1982) and the tax shifted from a selective to a general sales tax. Collections increased from $83 million in FY65 to $7.6 billion in FY24. Sales and use taxes provided 14 percent of general purpose tax revenues in FY65, but that share increased to 35.6 percent in FY24.

**Calculations of Exemptions**

This report describes each sales tax exemption and, where feasible, provides an estimate of its fiscal effect in FY24. The reported fiscal effects represent the state's revenue loss only. The reduction to local sales tax collections is not included. In general, fiscal effects were estimated by obtaining or estimating the gross receipts from retail sales for the most recent year available and adjusting those receipts to FY24 levels using income and price data. When possible, estimates are based on data specific to Wisconsin obtained from state and federal agencies and trade organizations with statewide information. For some exemptions, state-specific data are not available; and the fiscal effects of these exemptions were estimated from national sales data using Wisconsin's percentage of the nation's population, personal income or a similar indicator. For some exemptions, no data on which to base an estimate are available. For others, no estimate is made because the state is precluded from taxing the sale (for example, sales to the federal government are exempt from state tax under the U.S. Constitution).

| ***Exemptions for Property Sold Primarily to Households*** | ***FY24 Fiscal Effect*** |
|---|---|
| **Food and Food Ingredients, s. 77.54(20n)(a)** | **$920,000,000** |

The sales price from the sale of and the storage, use or other consumption of food and food ingredients; except candy, soft drinks, dietary supplements and prepared food; are exempt from the sales tax. Food for direct consumption on the premises, such as meals sold in restaurants, cafes and cafeterias, is taxable. Sales of food and food ingredients, except candy, soft drinks and prepared food, from vending machines are exempt sales.

| | |
|---|---|
| **Dried Fruit, s. 77.51(1fm)(b)** | **$490,000** |

Dried or partially dried fruit is not taxable as candy if the predominant ingredient is dried or partially dried fruit along with one or more sweeteners and does not include chocolate, nuts, yogurt, or a confectionary coating or glazing on the dried or partially dried fruit.

| | |
|---|---|
| **Bottled Water, s. 77.54(20n)(a)** | **$40,100,000** |

Bottled water that is not sweetened is included in the definition of food and food ingredients, and consequently, is exempt from the sales tax.

| | |
|---|---|
| **Meals Furnished by Institutions of Higher Education, s. 77.54(20n)(c)1** | **$9,200,000** |

Sales of meals, food and beverages furnished by public and private institutions of higher education are exempt from sales tax if they are furnished to students enrolled in that institution or under an agreement with a National Football League team.

| | |
|---|---|
| **Water Sold Through Mains, s. 77.54(17)** | **$21,150,000** |

Sales of water delivered through mains, and sales of water by public and private water utility districts are exempt from the sales tax.

| | |
|---|---|
| **Fuel and Electricity for Residential Use, ss. 77.54(30)(a)1 and (2)** | **$179,400,000** |

All sales for residential use of coal, fuel oil, propane, steam, peat, fuel cubes produced from solid waste and

sales of wood used for fuel for residential use are exempt from sales tax. Sales of electricity and natural gas for residential use billed from November through April are also exempt from sales tax.

| | |
|---|---|
| **Biomass Used for Residential Fuel, s. 77.54(3)(a)1m** | **Minimal** |

Sales of biomass used for residential fuel are exempt from sales tax. Biomass includes fuel derived from wood or plant material but does not include industrial, commercial or household waste.

| | |
|---|---|
| **Mobile and Manufactured Homes, ss. 77.54(31) and 77.51(12m)(b)7** | **$730,000** |

The sale price of used mobile homes and used manufactured homes are exempt from sales tax.

Thirty-five percent of the total amount for which a new manufactured home is sold, if the manufactured home is designed to be used as a dwelling and is certified by the federal Department of Housing and Urban Development, is exempt from sales tax. The entire sales price of a used manufactured home is exempt from tax.

| | |
|---|---|
| **Motor Fuels, s. 77.54(11)** | **$633,000,000** |

Sales of motor fuels that are subject to the state motor fuel excise tax are exempt from the sales tax. Exempt fuels include gasoline, commercial and general aviation fuel, and diesel fuel.

| | |
|---|---|
| **Vegetable Oil and Animal Fats Converted to Exempt Fuel, s. 77.54(11m)** | **Minimal** |

Sales of vegetable oil or animal fat that is converted into certain motor vehicle fuel are exempt from sales tax.

| | |
|---|---|
| **Newspapers, Subscription Periodicals and Shoppers Guides, s. 77.54(15)** | **$11,600,000** |

Sales of newspapers, periodicals sold by subscription and shoppers' guides that distribute at least 48 issues in a 12-month period are exempt from sales tax. The exemption for periodicals is generally limited to those published four or more times per year. Periodicals issued at intervals not exceeding six months by an educational association or tax-exempt religious, charitable, scientific or educational organization are also exempt.

| | |
|---|---|
| **Caskets and Burial Vaults, s. 77.54(21)** | **$4,800,000** |

Sales of caskets and burial vaults are exempt from sales tax.

| | |
|---|---|
| **United States of America and State of Wisconsin Flags, s. 77.54(46)** | **Minimal** |

Sales of U.S. and Wisconsin flags are exempt from sales tax.

| | |
|---|---|
| **Self-Service Laundry and Dry Cleaning Services, s. 77.52(2)(a)6** | **$2,300,000** |

Laundry services performed by customers using self-service equipment are exempt. The sales from laundry, dry cleaning, pressing and dyeing services performed on raw materials in process and destined for sales are also exempt.

**Exemptions Related to Health Care**

| | |
|---|---|
| **Prescription Drugs (excluding insulin), s. 77.54(14)** | **$168,300,000** |

Sales of drugs are exempt from sales and use tax if the drugs are: (1) prescribed for treatment of a human being by an authorized person or dispensed by a registered pharmacist; (2) furnished by a licensed physician, surgeon, podiatrist, dentist or hospital for the treatment of patients; (3) furnished by a hospital for treatment of patients on the orders of a licensed physician, surgeon, podiatrist or dentist; (4) sold to a licensed physician, surgeon, podiatrist or dentist for treatment of patients; (5) sold to this state or a political subdivision

or any municipal corporation thereof for use in treatment of human beings or furnished by a medical facility maintained by the state; (6) furnished for the treatment of a human being by a medical facility or clinic maintained by the state or a political subdivision or any municipal corporation thereof; or (7) furnished without charge to a physician, surgeon, nurse anesthetist, advanced practical nurse, osteopath, dentist, podiatrist or optometrist if the medicine may not be dispensed without a prescription.

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| **Insulin for the Treatment of Diabetes and Supplies for Blood Sugar Testing, ss. 77.54(14) and (28)** | **$16,200,000** |

Insulin used to treat diabetes and supplies used to measure blood sugar levels are exempt from the sales tax.

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| **Medical Devices and Equipment, s. 77.54(22b)** | **$24,100,000** |

Durable medical equipment for use in a person's home, prosthetic devices and mobility-enhancing equipment are exempt from tax, including repair parts and accessories for such equipment and devices. Exempt devices include wheelchairs and crutches; artificial limbs, eyes and teeth; prescription eyeglasses; hearing aids; equipment used to administer prescription oxygen for home use; and adaptive equipment to enable a handicapped person to enter or operate and leave a motor vehicle.

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| **Meals Provided by Nursing Homes, Community-Based Residential Facilities, Licensed Child Care Facilities and Hospitals, and Food Sold in Retirement Homes, s. 77.54(20n)(b)** | **Not Available** |

Sales of meals and food and food ingredients, except soft drinks, by and served on the premises of hospitals, sanatoriums, nursing homes, community-based residential facilities, licensed child care facilities and retirement homes are exempt from the sales tax. Retirement homes are nonprofit residential facilities where three or more unrelated adults or their spouses have their principal residence and where support services, including meals from a common kitchen, are available to residents. Prepared food that is sold to the elderly or handicapped by persons providing mobile meals on wheels is also exempt from tax.

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| **Medical Records, s. 77.54(64)** | **Not Available** |

Patient health care records that are sold to the patient or to a person that the patient authorizes to receive the records are exempt from tax.

**Exemptions Related to Farming**

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| **Tractors and Farm Machinery, s. 77.54(3)(a)** | **$53,800,000** |

Sales of tractors and farm machinery, including accessories, attachments and parts, used exclusively and directly in farming are exempt from sales tax. The exemption does not apply to motor vehicles for highway use, such as cars and trucks. In 2007, the exemption was expanded to include sales of tangible personal property that is consumed or loses its identity, in the business of farming.

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| **Personal Property and Supplies Used in Farming, s. 77.54(3m)** | **$367,600,000** |

Sales of seeds; plants; feed; fertilizer; soil conditioners; animal bedding; sprays, pesticides and fungicides; breeding and other livestock; bees, beehives and bee combs; farm work stock; baling twine and baling wire; containers; and plastic bags, sleeves and sheeting used to store or cover hay or silage are exempt from sales tax.

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| **Electricity Used in Farming, s. 77.54(30)(a)3** | **$12,000,000** |

Electricity sold for use in farming is exempt from sales tax.

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| **Fuel Used in Farming, s. 77.54(30)(a)5** | **$27,800,000** |

Fuel sold for use in farming is exempt from sales tax.

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| **Veterinary Services and Drugs for Farm Livestock, ss. 77.52(2)(a)10 and 77.54(33)** | **$9,500,000** |

Sales of services provided by veterinarians for animal health care, breeding or training of livestock, and sales of drugs used to treat farm livestock, are exempt from sales tax.

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| **Semen for Livestock Breeding, s. 77.54(27)** | **$3,200,000** |

The sale of semen used for the artificial insemination of livestock is exempt from sales tax.

**Exemptions Related to General Business**

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| **Machinery and Equipment Used in Manufacturing, ss. 77.54(5)(d) and 77.54(6)(am)1** | **$259,600,000** |

The sale and use of machines and specific processing equipment and repair parts used exclusively and directly by a manufacturer in the manufacturing process are exempt from sales tax. Generally, manufacturing is defined as the production by machinery from existing materials of a new article of tangible personal property with a different form, use or name. Mobile mixing and processing units, including the vehicles on which they are mounted, are also exempt from sales tax.

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| **Fuel and Electricity Used in Manufacturing, s. 77.54(30)(a)6** | **$184,700,000** |

Fuel and electricity used in manufacturing tangible personal property are exempt from sales and use tax.

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| **Tangible Personal Property Consumed in Manufacturing, s. 77.54(2)** | **Not Available** |

Tangible personal property, typically raw materials and other inputs, that is consumed, destroyed or loses its identity in manufacturing of finished goods that are destined for sale is exempt from sales tax.

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| **Component Parts of Shoppers Guides, Newspapers and Periodicals, s. 77.54(2m)** | **Not Available** |

Materials and services that become component parts of shoppers' guides, newspapers and periodicals are exempt from sales tax.

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|---|---|
| **Catalogs and Catalog Envelopes, ss. 77.52(2)(a)11, 77.54(25), and 77.54(25m)** | **$7,300,000** |

Catalogs and the envelopes in which catalogs are mailed are exempt from the sales tax if the catalogs are designed to advertise and promote the sale of merchandise or to advertise the services of individual businesses.

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|---|---|
| **Advertising and Promotional Direct Mail, ss. 77.54(59) and 77.52(2)(a)11** | **$4,900,000** |

Direct mail that has the primary purpose of attracting public attention to a product, person, business, or organization or to attempt to sell, popularize or secure financial support for a product, person, business or organization is exempt from sales tax. Services that result in advertising and promotional direct mail are not taxable.

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| **Fuels Converted to Electric Energy, Gas or Steam by a Utility, s. 77.54(6)(am)3** | **Not Available** |

Fuels converted to electric energy, gas, or steam by a utility are exempt from sales tax.

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| **Waste Treatment Facilities and Machinery and Equipment Used in Recycling, ss. 77.54(5)(c), (26) and (26m)** | **Not Available** |

Sales and installation of waste treatment facilities, replacement parts, and chemicals and supplies used in operating a waste treatment facility are exempt from the sales tax. The exemption applies to expenditures by governmental units, private industry and construction contractors for sewage treatment plants, holding ponds and similar facilities. The exemption also applies to industrial waste treatment facilities that are, or would be, exempt from property tax under sec. 70.11(21), Wis. Stats. The sale and use of machinery and equipment and repair parts used exclusively and directly for waste reduction or recycling activities are exempt. Also exempt are motor vehicles used exclusively and directly in recycling that are not required to be licensed for highway use. The activities qualifying for the exemption include those that reduce the amount of solid waste generated, recover energy from solid waste, and reuse, recycle or compost solid waste. Some recycling machinery is also exempt as manufacturing machinery.

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| **Logging Equipment, s. 77.54(39)** | **$1,700,000** |

Off-highway, heavy mechanical equipment used in the harvesting or processing of raw timber products in the field by loggers is exempt from sales tax.

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| **Equipment Used in the Production of Maple Syrup, s. 77.54(29)** | **Minimal** |

Equipment used in the production of maple syrup is exempt from sales tax.

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| **Wood Residue Used as Fuel in a Business Activity, s. 77.54(30)(a)4** | **$2,400,000** |

The sale of residue from the harvesting of timber for use as a fuel in a business activity is exempt from sales tax.

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| **Building Materials, Equipment, and Supplies Used in the Construction of Professional Sports Stadiums, s. 77.54(41)** | **Not Available** |

Sales of building materials, equipment and supplies used solely in the construction, renovation or development of a sports stadium built or used by a professional sports team are exempt from the sales tax. This exemption applies to American Family Field constructed by the Southeast Wisconsin Professional Baseball Park District and to Lambeau Field constructed by the Green Bay-Brown County Professional Football Stadium District.

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| **Building Materials, Equipment, and Supplies Used in the Construction, Development of Sports and Entertainment Arena Facilities, s. 77.54(62m)** | **Not Available** |

The sale of building materials, supplies and equipment and the sale of certain services to; and the consumption of the same property and services by; owners, lessees, contractors, subcontractors or builders if that property or service is acquired solely for or used solely in, the construction or development of sports and entertainment arena facilities (the Fiserv Forum) are exempt from tax.

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| **Live Game Birds and Clay Pigeons, s. 77.54(47)** | **$200,000** |

Sales of live game birds and clay pigeons to licensed bird hunting preserves are exempt. Also exempt are sales of clay pigeons to a shooting facility if the shooting facility pays sales tax on its charges for shooting or if the shooting facility is a nonprofit organization whose charges for shooting are exempt occasional sales or if the charges pertain to a nonprofit gun club providing safety classes to at least 25 individuals annually.

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| **Deer and Other Cervids, s. 77.54(62)** | **$120,000** |

Sales of farm-raised deer and other cervids sold to a licensed hunting preserve in this state are exempt from sales tax.

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| **Trucks, Tractors, Buses, and Other Vehicles Sold to Common or Contract Carriers, s. 77.54(5)(b)** | **$48,100,000** |

Sales of trucks, truck tractors, buses, trailers and semi-trailers, and accessories, parts and supplies for such vehicles sold to common or contract carriers are exempt from sales tax. This exemption applies to urban mass transportation, bus and trucking companies, and other contract carriers.

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| **Rolling Stock Used in Railroad Operations, s. 77.54(12)** | **$3,100,000** |

Sales of locomotives, freight cars, passenger cars and other rolling stock as well as accessories, attachments, fuel and lubricants used in railroad operations are exempt from sales tax.

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|---|---|
| **Commercial Vessels and Barges, s. 77.54(13)** | **Minimal** |

Sales, storage, use or other consumption of commercial vessels and barges in excess of 50 tons and primarily engaged in interstate or foreign commerce or commercial fishing are exempt from sales tax. Accessories, parts and fuel for these vessels are also exempt from sales tax.

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| **Fuel Used by Chartered Commercial Fishing Vessels, s. 77.54(30)(a)7** | **Minimal** |

Fuel sold for use in motorboats that are regularly employed in carrying persons for hire for sport fishing in and upon the outlying waters and specified rivers and tributaries are exempt from tax if the owner and all operators hold outlying water sport trolling licenses.

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| **Containers, Labels, Sacks, Cans, Boxes, and Other Packaging and Shipping Materials, s. 77.54(6)(am)2** | **Not Available** |

Sales of containers, labels, sacks, cans, boxes, and other packing, packaging, and shipping materials, if such materials are used to transfer merchandise to customers, are exempt from sales tax. Packing, packaging and shipping materials, including meat casings, for use in meat packing, packaging or shipping meat are exempt from sales tax regardless of whether such materials are used to transfer merchandise to customers.

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|---|---|
| **Motion Picture and TV Film and Advertising Materials, s. 77.54(23m)** | **$20,300,000** |

The sale, lease, rental or storage, use or other consumption of motion picture films, tape, and radio or television programs, and the advertising material sold, leased or rented to movie theaters, radio stations or television stations is exempt from sales tax.

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| **Restaurant Employee Meals, s. 77.54(20r)** | **Not Available** |

Meals that are provided by a restaurant to the restaurant's employee for no consideration during the employee's work hours are exempt from sales tax.

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|---|---|
| **Tangible Personal Property Purchased for Resale but Donated to a Nonprofit Organization, s. 77.56(3)** | **Not Available** |

Property purchased tax-free for resale or under a valid exemption certificate and later donated to a nonprofit organization is exempt from use tax.

| **Prepaid Telephone Cards and Authorization Numbers, s. 77.54(46m)** | **Minimal** |
|---|---|

Services obtained by the use of a prepaid telephone card or authorization number are exempt from sales tax if sales tax was paid on the card or authorization number at the time it was purchased.

| **Biotechnology and Manufacturing Research, ss. 77.54(57)(b) and 77.54(57d)(b)** | **$31,100,000** |
|---|---|

Certain machinery and equipment, including attachments, parts and accessories, and other tangible personal property used exclusively and directly in qualified research by persons engaged primarily in manufacturing or biotechnology is exempt from tax. The exemption also applies to such purchases by a member of a combined group that is conducting qualified research for another member of a combined group that is primarily engaged in manufacturing or biotechnology.

Certain machines and specific processing equipment, including accessories, attachments and parts for the machines or equipment, that are used exclusively and directly in raising animals that are sold primarily to a biotechnology business, a public or private institution of higher education, or a governmental unit for exclusive and direct use by any such entity in qualified research or manufacturing is exempt from tax. The exemption also applies to certain agricultural products, drugs, semen for artificial insemination, fuel and electricity that are used exclusively and directly in raising animals that are sold primarily to a biotechnology business, a public or private institution of higher education, or a governmental unit for exclusive and direct use by any such entity in qualified research or manufacturing.

| **Certain Products Using Alternative Energy, s. 77.54(56)** | **$7,600,000** |
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Certain products whose power source is wind energy, direct radiant energy received from the sun, or gas generated from anaerobic digestion of animal manure and other agricultural waste are exempt from the sales tax. Electricity or energy produced by these products is also exempt from the sales tax.

| **Sales to Affiliated Companies, s. 77.54(49)** | **Not Available** |
|---|---|

Sales of taxable services and tangible personal property that is physically transferred to the purchaser are exempt from the sales tax if the seller and purchaser of such services and property are of the same affiliated group under the Internal Revenue Code and are eligible to file a consolidated federal income tax return.

| **Machinery and Equipment Used in Snowmaking and Snow-Grooming, s. 77.54(58)** | **$150,000** |
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Snowmaking and snow-grooming machines and equipment and the fuel and electricity used to operate such machines and equipment used exclusively and directly for snowmaking and snow grooming at ski hills, ski slopes and ski trails are exempt from sales tax.

| **Parts and Materials Used in the Repair of Aircraft, ss. 77.52(2)(a)10 and 77.54(5)(a)3** | **$4,100,000** |
|---|---|

Charges for the repair, service, alteration, fitting, cleaning, painting, coating, towing, inspection and maintenance of any aircraft or any aircraft parts are exempt from tax. Supplies for aircraft are subject to tax.

| **Machinery and Equipment Used in Fertilizer Blending, Feed Milling and Grain Drying, ss. 77.54(6)(am)4 and 5** | **$1,000,000** |
|---|---|

Machines and specific processing equipment used exclusively and directly in a fertilizer blending, feed milling or grain drying operation are exempt from tax. Building materials acquired solely for and used solely in the construction or repair of holding structures used for weighing and dropping feed or fertilizer ingredients into a mixer or for storage of grain, if such structures are used in a fertilizer blending, feed milling or grain drying operation are also exempt from the sales tax.

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| **Equipment Used in Origination or Integration of Radio or TV Programs, s. 77.54(23n)** | **$2,500,000** |

Tangible personal property purchased by a person licensed to operate a commercial radio or television station in Wisconsin and used exclusively and directly in, or is fuel or electricity consumed in, the origination or integration of various sources of program material for certain commercial radio or television transmissions that are generally available to the public free of charge is exempt from tax.

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| **Computer and Servers Used in Commercial Printing, s. 77.54(61)** | **$530,000** |

Computers and servers purchased by a person primarily engaged in certain printing activities and used primarily to store copies of products sent to a printer or used primarily in pre-press and post-press activities are exempt from sales tax.

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| **Music Sold to a Jukebox Operator, s. 77.54(63)** | **$500,000** |

The sale of music for jukeboxes is exempt if sold to a person in the business of providing a taxable service through a jukebox if the music is used exclusively for the jukebox.

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| **Fish Sold to Fish Farms, s. 77.54(66)** | **$65,000** |

Farm-raised fish, sold to a fish farm that is registered with the Department of Agriculture, Trade and Consumer Protection, or to a person who holds a valid permit for the stocking of fish are exempt from tax.

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| **Amusement Devices-Video and Electronic Games, s. 77.54(65m)(a)1** | **$25,000** |

A video or electronic game sold in a tangible form to a person in a business of providing a taxable service through the device is exempt from tax, as long as the game is used exclusively for the amusement device.

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| **Amusement Device Prizes, s. 77.54(65m)(a)2** | **Not Available** |

Tangible personal property sold to a person in the business of providing a taxable service through an amusement device is exempt from tax if the tangible personal property is used exclusively as a prize awarded or transferred through the use of the amusement device.

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| **Tournament or League Entrance Fees, s. 77.54(65m)(a)3** | **Not Available** |

Sales of tournament or league entrance fees are exempt from tax if the fees are advertised and set aside as prize money.

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| **Prepared Food Manufactured by the Retailer, s. 77.54(20n)(d)4** | **$3,100,000** |

Sales of prepared food that is manufactured and sold by the same retailer at a different location from where the prepared food is manufactured. The exemption applies to prepared food that is sold by the retailer in a frozen state without eating utensils or consists of more than 50 percent yogurt. This exemption does not apply if the retailer makes any retail sales of prepared food at the building where the prepared food is manufactured.

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| **Products Used for Disaster Relief by Out-of-State Businesses, s. 77.53(19)** | **Not Available** |

Tangible personal property and services purchased outside of this state by an out-of-state business and brought into Wisconsin solely for disaster relief work are exempt from sales and use tax when used to repair service infrastructure in connection with a state of emergency declared by the Governor.

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| **Services Performed During a Disaster Period by Electric Cooperatives and Telecommunications Utilities, s. 77.53(19)** | **Not Available** |

Sales of a service provided by an electric cooperative to another electric cooperative, or by a telecommunications utility to another telecommunications utility, for disaster relief work performed during a disaster period are exempt from tax.

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| **Building Materials, Equipment, and Supplies Used in the Construction or Development of Facilities in an Electronics and Information Technology Manufacturing Zone, s. 77.54(65)** | **Not Available** |

The sale of building materials, supplies, equipment and landscaping services used to construct or develop a facility in an electronics and information technology manufacturing zone is exempt from tax. In order for the exemption to apply, the following criteria must be met:

- The items are sold or stored, used or consumed by owners, lessees, contractors, subcontractors or builders.
- The items are acquired solely for, or used solely in, the construction or development of a facility designated as an "electronics and information technology manufacturing zone" under sec. 238.396(1m), Wis. Stats. The capital expenditures for the construction or development of the facility must be eligible to be claimed as an income tax credit under sec. 71.07(3wm)(bm) or sec. 71.28(3wm)(bm) Wis. Stats., as certified by the Wisconsin Economic Development Corporation (WEDC).

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|---|---|
| **Disaster Relief for and by Telecommunications Utilities and Electric Cooperatives, s. 77.54(68)** | **Not Available** |

The sales price from the sale of and the use or other consumption of a service provided by an electric cooperative to another electric cooperative, or by a telecommunications utility to another telecommunications utility, for disaster relief work performed during a disaster period.

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| **Real Estate Brokerage Memberships, s. 77.54(72)** | **$40,000** |

Memberships sold to a licensed real estate broker who, pursuant to the broker's membership agreement, offers to compensate and cooperate with other real estate brokers in brokering sales of properties are exempt from sales and use tax.

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| **Road Building Equipment, s. 77.54(73)** | **$5,500,000** |

Certain portable machinery and equipment, including accessories, attachments, parts and supplies for such machinery and equipment, used primarily to crush, mill, produce or pulverize asphalt, concrete, gravel, rock or aggregate base for road or commercial surface lot construction or resurfacing are exempt from sales and use tax.

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| **Qualified Data Centers, s. 77.54(70)** | **$40,000,000** |

Certain tangible personal property used in the development, construction, renovation or operation of a qualified data center are exempt from sales and use tax. The exemption is only available to data center projects certified by the Wisconsin Economic Development Corporation.

**Exemptions Related to Government Agencies and Nonprofit Organizations**

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| **Sales to the Federal Government and its Agencies, s. 77.55(1)** | **Not Available** |

Sales of goods and services to the federal government or to any of its incorporated or unincorporated agencies or instrumentalities are exempt from sales tax. Taxing purchases by the federal government would violate the U.S. Constitution.

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|---|---|
| **Sales to State and Local Governments and Schools, ss. 77.54(9a)(a)-(em), (g) and (h)** | **$610,200,000** |

Sales of tangible personal property and taxable services to the state or any of its agencies are exempt. Also exempt are sales to the University of Wisconsin Hospitals and Clinics Authority, the Wisconsin Aerospace Authority, the Wisconsin Economic Development Corporation, and the Fox River Navigational System Authority. In addition, sales to county, city, village and town governments; school districts; local exposition districts; local cultural arts districts; joint local water authorities; sewerage commissions; and metropolitan sewerage districts are exempt from sales tax.

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| **Sales to Religious, Charitable, Scientific and Educational Organizations, s. 77.54(9a)(f)** | **$323,000,000** |

The gross receipts from sales to, and the storage, use or other consumption of tangible personal property and taxable services by any corporation, community chest, foundation, or association organized and operated exclusively for religious, charitable, scientific, or educational purposes or for the prevention of cruelty to children or animals, except specified hospital service corporations, are exempt from sales tax if no part of the net income of the organization insures to the benefit of any private person.

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| **Lunches and Other Tangible Personal Property Sold by Elementary and Secondary Schools, s. 77.54(4)** | **Not Available** |

Sales of tangible personal property by public or private elementary and secondary schools are exempt from sales tax.

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| **Admissions to Elementary and Secondary School Activities, s. 77.54(9)** | **Not Available** |

Sales of tickets or admissions to public and private elementary and secondary school activities are exempt from the sales tax, if the net proceeds are used for educational, religious or charitable purposes. The exemption includes revenue from admission fees to high school sporting events, school plays and other school activities.

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| **Admissions to State Parks and Camping Fees, s. 77.54(10)** | **$1,600,000** |

Admission fees and camping fees at state park and state forest recreational areas are exempt from sales tax.

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| **Admissions to Certain Historical Museums, s. 77.54(10)** | **Minimal** |

Admissions to a museum operated by a nonprofit corporation under a lease agreement with the State Historical Society are exempt from sales tax. This exemption applies only to the Circus World Museum in Baraboo.

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| **Admissions to County Fairs, s. 77.52(2)(a)2** | **Not Available** |

Admissions to county fairs are exempt from sales tax.

| Volunteer Fire Department Equipment, s. 77.54(16) | Not Available |
|---|---|

Sales of fire trucks and other firefighting equipment to volunteer fire departments are exempt from sales tax. This exemption includes hoses, exhaust fans, generators, ladders and other firefighting equipment.

| Copies of Public Records, s. 77.54(32) | Minimal |
|---|---|

Charges by a governmental authority for copies of public records, including fees for searches, are exempt from sales tax.

| Sales by American Legion Baseball Teams, s. 77.54(35) | Not Available |
|---|---|

Sales of tangible personal property, tickets and admissions by American Legion baseball teams are exempt from sales tax.

| Snowmobile Trail Grooming Equipment, s. 77.54(38) | Minimal |
|---|---|

Snowmobile trail groomers and attachments are exempt from sales tax when purchased by snowmobile clubs for use in maintaining the state system of snowmobile trails. To qualify for the exemption, an organization must meet at least three times a year and have at least ten members.

| Sales of Animal Identification Tags and Samples by the Department of Agriculture, Trade and Consumer Protection, s. 77.54(42) | Minimal |
|---|---|

Sales by the Department of Agriculture, Trade and Consumer Protection of animal identification tags to persons who are required or authorized to use those identification tags, and sales of standard samples representing product or commodity grades are exempt from sales tax.

| Public Benefits Fees, s. 77.54(44) | $5,900,000 |
|---|---|

Public benefits fees are exempt from sales tax. These fees are surcharges on residential and commercial electric bills used to fund low-income energy assistance and energy conservation and efficiency programs.

| Motor Vehicles Loaned to Driver Education Programs, s. 77.56(2) | Minimal |
|---|---|

The loan by an automobile dealer of a motor vehicle for a driver education program conducted by a school or school district is exempt from use tax.

| Nonprofit Cemetery Associations, s. 77.54(9a)(i) | $200,000 |
|---|---|

Tangible personal property and taxable services used exclusively by a nonprofit cemetery company or corporation organized under IRC section 501(c)(13) is exempt from sales and use tax.

| Veterans Home Exchange Services, s. 77.54(54) | Minimal |
|---|---|

The sale of tangible personal property and taxable services by a home exchange service owned by the Department of Veterans Affairs is exempt from sales and use tax. Home exchange services are the coffee shops, snack bars, gift shops and other facilities that serve the resident veterans, families and guests at the Wisconsin Veterans Homes at King (Waupaca County) and Union Grove (Racine County).

| Building Materials Used in Construction for Local Governments and Certain Nonprofit Organization, s. 77.54(9m) | $17,400,000 |
|---|---|

Property sold to a construction contractor who, in fulfillment of a real property construction activity, transfers the property to a qualifying exempt entity, if the property becomes part of a facility in Wisconsin that is owned by the qualifying exempt entity.

| One-Time License or Right to Purchase Admissions to Professional Football Games, s. 77.54(45) | Minimal |
|---|---|

The sale by a municipality, a local professional football stadium district or a professional football team of a one-time license or similar right to purchase admission to at least three games at a football stadium in a season is exempt from sales tax. The exemption applies to the sale of admission rights whose proceeds are used to finance renovation of Lambeau Field in Green Bay.

| Nonprofit Gun Club Admissions and Memberships, s. 77.52(2)(a)2.b | Not Available |
|---|---|

Sales of admissions, including memberships by a gun club are exempt if the gun club is a nonprofit organization and if the gun club provides safety classes approved by the Department of Natural Resources to at least 25 individuals in the calendar year. Gun clubs include trapshooting, skeet-shooting, sporting-clay, hunting, rod & gun, hunting & fishing, and conservation clubs.

| Occasional Sales by Certain Nonprofit Organizations, s. 77.54(7m) | Not Available |
|---|---|

Occasional sales by certain nonprofit organizations are exempt from sales tax if the organization is not engaged in a trade or business and certain conditions apply. This exemption includes the sales of admissions to an event involving entertainment if the payment for the entertainment is no more than $50,000.

**Exemptions for Nonresidents and for Use in Other States**

| Property Used in the State by Nonresidents, s. 77.53(17) | Not Available |
|---|---|

Tangible personal property brought into the state by nonresidents of Wisconsin for their own use, storage or other consumption while temporarily in Wisconsin is exempt from use tax. However, if the property is used to conduct a trade, business or profession, or is used in the performance of personal services for wages or fees, the value of the property is subject to the tax.

| Nonresidents' Boats Berthed in Boundary Waters, s. 77.53(17m) | Not Available |
|---|---|

Generally, a boat that is owned by a resident of another state and berthed in Wisconsin is subject to use tax, if the owner did not pay sales tax when purchasing the boat. However, the boat is exempt from use tax if: (1) the boat owner is a resident of a state contiguous to Wisconsin, (2) the boat is berthed in boundary waters adjacent to the owner's state of residence and (3) the purchase of the boat was an exempt occasional sale.

| Nonresidents' Aircraft Hangared in Wisconsin, s. 77.53(17r) | Not Available |
|---|---|

Aircraft purchased in another state by a nonresident individual or business and kept in a hangar in Wisconsin is exempt from use tax.

| Goods Brought into the State by New Residents, s. 77.53(18) | Not Available |
|---|---|

Household goods purchased outside of Wisconsin but brought into the state by new residents are exempt from use tax if the goods are purchased 90 or more days prior to the date the person moves to Wisconsin. This exemption applies to all household goods, including automobiles and other registered vehicles, purchased for personal use.

| Property Purchased for Delivery Outside the State, s. 77.55(3) | Not Available |
|---|---|

Sales of tangible personal property purchased for use outside the state and sales of property delivered and prepared for export are exempt from sales tax. For example, items such as office supplies and paper products sold to persons outside the state are exempt from the sales tax.

| | |
|---|---|
| **Aircraft, Motor Vehicles and Truck Bodies Sold for Use Outside the State, s. 77.54(5)(a)** | **Not Available** |

Sales of aircraft, motor vehicles and truck bodies to nonresidents who will not use such units in Wisconsin are exempt from the sales tax. This exemption also applies to aircraft, motor vehicles and truck bodies sold to foreign governments and to certified carriers of people or property in interstate or foreign commerce.

| | |
|---|---|
| **Modular and Manufactured Homes Used in Real Property Construction Outside of the State, s. 77.54(5)(am)** | **$500,000** |

Sales of modular and manufactured homes used in real property construction outside the state are exempt from sales tax.

| | |
|---|---|
| **Property Sold to Out-of-State Common or Contract Carriers, ss. 77.55(2) and (2m)** | **Not Available** |

Sales of tangible personal property to common or contract carriers engaged primarily in trucking and sales to railroad companies are exempt from sales tax if the property is shipped to a destination outside this state.

| | |
|---|---|
| **Printed Advertising Material Used Outside the State, s. 77.54(25)** | **Not Available** |

Sales of printed advertising materials produced in Wisconsin and sold to purchasers for use only outside the state are exempt from sales tax. For example, advertising leaflets, which are printed and purchased in the state but distributed only in a neighboring state, are not subject to sales tax.

| | |
|---|---|
| **Temporary Storage of Printed Materials, s. 77.54(43)** | **Not Available** |

The temporary storage of raw materials that are incorporated into printed materials to be transported outside Wisconsin, and thereafter used solely outside Wisconsin, are exempt from sales and use tax.

| | |
|---|---|
| **Tangible Personal Property Temporarily Stored in this State, s. 77.54(69)** | **Not Available** |

Tangible personal property that is stored in this state for not more than 120 days, if the property is to be used in fulfillment of a real property construction activity that occurs solely outside of this state at a nonprofit organization, a public school district, or a business district where business tax incentives have been granted and is used by a person engaged in an activity classified as construction.

**Definitional and Miscellaneous Exemptions**

The purpose of this exemption report is to estimate the cost to the state of providing specific exemptions to the sales tax for items that would otherwise be taxable. A retail sale is defined as one where the buyer makes a purchase with no intention of resale. Retail sales are subject to the sales tax, unless otherwise provided by law. However, some sections of the statutes clarify the definition of a retail sale to exclude certain transactions from tax. For these sections no fiscal estimates have been made because sales of these items are not retail sales.

| | |
|---|---|
| **Trade-Ins and Lemon Law Refunds, ss. 77.51(15b)(b)5 and 6** | **$162,500,000** |

In transactions in which a product is traded in on the purchase of a product of greater value, sales tax is applied only to the difference between the values of the two products. The estimate applies only to trade-ins of automobiles and trucks; it does not include trade-ins of boats, mobile homes, household appliances or other items. Also, a customer purchasing a replacement vehicle with a lemon law refund may apply the value of the original trade-in to the purchase of the replacement vehicle.

| Certain Occasional Sales, ss. 77.54(7) and (7m) | Not Available |
|---|---|

Occasional sales are sales by persons other than those offering goods for sale in the ordinary course of business. Most occasional sales are exempt. Taxable occasional sales include sales of automobiles, aircraft, trailers, semi-trailers, snowmobiles, all-terrain vehicles and mobile homes not exceeding 45 feet in length, registered in the state, and boats registered in the state or in the U.S. However, these occasional sales are exempt if the transfer is to a spouse, parent or child, or the spouse of a parent or child, and if the item had previously been registered in Wisconsin, or in the case of boats, registered in the state or in the U.S. Also, the transfer of a motor vehicle from an individual to a corporation solely owned by that individual is exempt. Occasional sales of tangible personal property or services by a neighborhood association, church, civic group or similar nonprofit organization are generally exempt from sales tax if total payments for entertainment or other expenses do not exceed $10,000 and the organization's annual receipts do not exceed $50,000.

| Occasional Auction Sales, s. 77.51(9)(e) | Not Available |
|---|---|

Gross receipts from auctions of farm personal property or household goods that are not held at regular intervals are exempt from sales tax.

| Retailer's Discount, s. 77.61(4)(c) | $42,700,000 |
|---|---|

Retailers may retain the greater of 0.75 percent of their total sales tax liability or $10, not to exceed the sales tax amount, per filing period as compensation for the costs of collecting and remitting sales taxes. The retailer's discount is capped at $8,000 per filing period. Increase in rate from 0.5 percent to 0.75 percent and increase in cap from $1,000 per period to $8,000 per period effective October 2023.

| Tangible Property Included in Construction Contracts, s. 77.54(60) | $2,400,000 |
|---|---|

For construction contracts in which the taxable products are less than 10 percent of the total contract, tangible personal property and taxable services that are sold as part of a construction contract are exempt from sales tax. Contractors owe tax on their purchase price of the tangible personal property and taxable services.

| Private Label Credit Card Bad Debt, s. 77.585(1) | Effective 7/01/2078[1] |
|---|---|

A seller may claim a deduction on its sales and use tax return for the amount of any bad debt that the seller or lender writes off as uncollectible in the seller's or lender's books and records. The bad debt must be eligible to be deducted as bad debt for federal income tax purposes.

| 911 Fee, s. 77.54(55) | $2,700,000 |
|---|---|

The sales price from the 911 fee (formerly known as the police and fire protection fee) imposed by the Public Service Commission is exempt from tax.

| Federal Excise Tax on Heavy Trucks, s. 77.51(15b)(b)3s | $1,000,000 |
|---|---|

The federal excise tax imposed on heavy trucks is not included in the sales price subject to sales tax.

[1] A partial veto of 2017 Wisconsin Act 259 resulted in an effective date of July 1, 2078.

| Sales Tax Holiday, s. 77.54(67) | Nonrecurring[2] |
|---|---|

From August 1 through August 5, 2018, the following items were exempt from tax:

- School supplies, if the sales price of any single item is $75 or less;
- Clothing, if the sales price of any single item is $75 or less;
- A computer purchased for the purchaser's personal use, if the sales price of the computer is $750 or less; and
- School computer supplies purchased for the purchaser's personal use, if the sales price of any single item is $250 or less.

| Precious Metal Bullion, s. 77.54(74) | $3,300,000 |
|---|---|

Sales of precious metal bullion (coins, bars, rounds or sheets that contain at least 35 percent gold, silver, copper, platinum or palladium, and that are marked with weight, purity and content are exempt from sales and use tax. The exemption does not apply to other tangible personal property that contains, in whole or in part, precious metal bullion, such as jewelry, works of art, scrap metal or electronics.

| Electricity from Vehicle Charging Stations, s. 77.54(71) | Effective 1/1/2025 |
|---|---|

Effective January 1, 2025, the sale of electricity delivered or placed by the following is exempt from sales and use tax:

- A Level 3 charger of an electric vehicle charging station into the battery or other storage device of an electric vehicle.
- A Level 1 or Level 2 charger installed on or after March 2, 2024, of an electric vehicle charging station into a battery or other energy storage device of an electric vehicle.

**Services Not Subject to Tax**

Services are exempt from sales tax unless the statutes specifically impose the tax. Table 3 shows certain services that are not subject to sales tax and provides an estimate of the potential fiscal effect. The table does not include services that are specifically exempted from tax by law and discussed in previous sections, such as self-service laundry services, veterinary services for farm animals and labor services in construction. Similar to Table 2, Table 3 below only presents estimated state revenue foregone. The impacts on local sales tax collections are not included in the figures.

[2] The sales tax holiday was in effect from August 1 to August 5 of 2018. The FY19 fiscal effect was an estimated revenue reduction of $14.5 million.

**TABLE 2**
**SALES AND USE TAX EXEMPTION DEVICES SUMMARY**

| Exemption | Statutory Reference | FY24 Fiscal Effect |
|---|---|---|
| **Exemptions for Property Sold Primarily to Households** | | |
| Food and Food Ingredients (not including Bottled Water) | s. 77.54(20n)(a) | 920,000,000 |
| Dried Fruit | s. 77.51(1fm)(b) | 490,000 |
| Bottled Water | s. 77.54(20n)(a) | 40,100,000 |
| Meals Furnished by Institutions of Higher Education | s. 77.54(20n)(c)1 | 9,200,000 |
| Water Sold Through Mains | s. 77.54(17) | 21,150,000 |
| Fuel and Electricity for Residential Use | ss. 77.54(30)(a)1 and 2 | 179,400,000 |
| Biomass Used for Fuel Sold for Residential Use | s. 77.54(30)(a)1m | Minimal |
| Mobile and Manufactured Homes | ss. 77.54(31) and 77.51(12m)(b)7 | 730,000 |
| Motor Fuels | s. 77.54(11) | 633,000,000 |
| Vegetable Oil and Animal Fats Converted to Exempt Vehicle Fuel | s. 77.54(11m) | Minimal |
| Newspapers, Periodicals and Shoppers Guides | s. 77.54(15) | 11,600,000 |
| Caskets and Burial Vaults | s. 77.54(21) | 4,800,000 |
| U.S. and State of Wisconsin Flags | s. 77.54(46) | Minimal |
| Self-Service Laundry and Dry Cleaning Services | s. 77.52(2)(a)6 | 2,300,000 |
| **Exemptions Related to Health Care** | | |
| Prescription Drugs and Medicines (excluding Insulin) | s. 77.54(14) | 168,300,000 |
| Insulin and Equipment Used in the Treatment and Testing of Diabetes | ss. 77.54(14) and (28) | 16,200,000 |
| Medical Devices (inc. Wheelchairs, Home Oxygen Equipment) | s. 77.54(22b) | 24,100,000 |
| Meals Provided by Nursing Homes, Community-Based Residential Facilities and Hospitals, Food Sold in Retirement Homes and Meals on Wheels | s. 77.54(20n)(b) | Not Available |
| Medical Records | s. 77.54(64) | Not Available |
| **Exemptions Related to Farming** | | |
| Tractors and Farm Machinery | s. 77.54(3)(a) | 53,800,000 |
| Personal Property and Supplies Used in Farming | s. 77.54(3m) | 367,600,000 |
| Electricity Used in Farming | s. 77.54(30)(a)3 | 12,000,000 |
| Fuel Used in Farming | s. 77.54(30)(a)5 | 27,800,000 |
| Veterinary Services and Medicines for Farm Livestock | ss. 77.52(2)(a)10 and 77.54(33) | 9,500,000 |
| Semen for Livestock Breeding | s. 77.54(27) | 3,200,000 |
| **Exemptions Related to General Business** | | |
| Machinery and Equipment Used in Manufacturing | ss. 77.54(5)(d) and (6)(am)1 | 259,600,000 |
| Fuel and Electricity Used in Manufacturing | s. 77.54(30)(a)6 | 184,700,000 |
| Tangible Personal Property Consumed in Manufacturing | s. 77.54(2) | Not Available |
| Component Parts of Shoppers Guides, Newspapers and Periodicals | s. 77.54(2m) | Not Available |
| Catalogs and Catalog Envelopes | ss. 77.52(2)(a)11, 77.54(25) and 77.54(25m) | 7,300,000 |
| Advertising and Promotional Direct Mail | ss. 77.54 (59) and 77.52(2)(a)11 | 4,900,000 |
| Fuels Converted to Electric Energy, Gas or Steam by Utilities | s. 77.54(6)(am)3 | Not Available |
| Waste Treatment Facilities and Machinery and Equipment Used in Recycling | ss. 77.54(5)(c), (26) and (26m) | Not Available |
| Logging Equipment | s. 77.54(39) | 1,700,000 |
| Equipment Used in the Production of Maple Syrup | s. 77.54(29) | Minimal |

| Exemption | Statutory Reference | FY24 Fiscal Effect |
|---|---|---|
| **Exemptions Related to General Business, continued** | | |
| Wood Residue Used as Fuel in a Business Activity | s. 77.54(30)(a)4 | 2,400,000 |
| Building Materials, Equipment and Supplies Used in the Construction of Professional Sports Stadiums | s. 77.54(41) | Not Available |
| Building Materials, Equipment and Supplies Used in the Construction or Development of Sports and Entertainment Arena Facilities | s. 77.54(62m) | Not Available |
| Live Game Birds and Clay Pigeons | s. 77.54(47) | 200,000 |
| Deer and Other Cervids Sold to Hunting Preserves | s. 77.54(62) | 120,000 |
| Trucks, Tractors, Buses and Other Vehicles Sold to Common or Contract Carriers | s. 77.54(5)(b) | 48,100,000 |
| Rolling Stock Used in Railroad Operations | s. 77.54(12) | 3,100,000 |
| Commercial Vessels and Barges | s. 77.54(13) | Minimal |
| Fuel Used by Chartered Fishing Vessels | s. 77.54(30)(a)7 | Minimal |
| Containers, Labels, Sacks, Cans, Boxes, and Other Packaging and Shipping Materials | s. 77.54(6)(am)2 | Not Available |
| Motion Picture and TV Film and Advertising Materials | s. 77.54(23m) | 20,300,000 |
| Restaurant Employee Meals | s. 77.54(20r) | Not Available |
| Tangible Personal Property Purchased for Resale but Donated to a Nonprofit Organization | s. 77.56(3) | Not Available |
| Prepaid Telephone Cards and Authorization Numbers | s. 77.54(46m) | Minimal |
| Biotechnology and Manufacturing Research | s. 77.54(57)(b) | 31,100,000 |
| Alternative Energy Producing Products | s. 77.54(56) | 7,600,000 |
| Sales to Affiliated Companies | s. 77.54(49) | Not Available |
| Machinery and Equipment Used in Snowmaking and Snow-Grooming | s. 77.54(58) | 150,000 |
| Parts and Materials Used in the Repair of Aircraft | ss. 77.52(2)(a)10 and 77.54(5)(a)3 | 4,100,000 |
| Fertilizer Blending, Feed Milling and Grain Drying | ss. 77.54(6)(am)4 and 5 | 1,000,000 |
| Equipment Used in Origination or Integration of Radio or TV Programs | s. 77.54(23n) | 2,500,000 |
| Computers and Servers Used in Commercial Printing | s. 77.54(61) | 530,000 |
| Music Sold to a Jukebox Operator | s. 77.54(63) | 500,000 |
| Fish Sold to Fish Farms | s. 77.54(66) | 65,000 |
| Amusement Devices-Video and Electronic Games | s. 77.54(65m)(a)1 | 25,000 |
| Amusement Device Prizes | s. 77.54(65m)(a)2 | Not Available |
| Tournament or League Entrance Fees | s. 77.54(65m)(a)3 | Minimal |
| Prepared Food Manufactured by the Retailer | s. 77.54(20n)(d) | 3,100,000 |
| Products Used for Disaster Relief by Out-of-State Businesses | s. 77.53(19) | Not Available |
| Disaster Relief for and by Telecommunications Utilities and Electric Cooperatives | s. 77.54(68) | Not Available |
| Electronics and Information Technology Manufacturing Zone | s. 77.54(65) | Not Available |
| Real Estate Brokerage Memberships | s. 77.54(72) | 40,000 |
| Road Building Equipment | s. 77.54(73) | 5,500,000 |
| Qualified Data Centers | s. 77.54(70) | 40,000,000 |

| | | |
|---|---|---|
| **Exemptions for Government Agencies and Nonprofit Organizations** | | |
| Sales to the Federal Government and Its Agencies | s. 77.55(1) | Not Available |
| Sales to State and Local Governments and Schools | ss. 77.54(9a) (a)-(em), (g) and (h) | 610,200,000 |
| Religious, Charitable, Scientific and Educational Organizations | s. 77.54(9a)(f) | 323,000,000 |
| Lunches and Other Tangible Personal Property Sold by Elementary and Secondary Schools | s. 77.54(4) | Not Available |
| Admissions to Elementary and Secondary School Activities | s. 77.54(9) | Not Available |
| Admissions to State Parks and Camping Fees | s. 77.54(10) | 1,600,000 |
| Admissions to Certain Historical Museums | s. 77.54(10) | Minimal |
| Admissions to County Fairs | s. 77.52(2)(a)2 | Not Available |
| Volunteer Fire Department Equipment | s. 77.54(16) | Not Available |
| Copies of Public Records | s. 77.54(32) | Minimal |
| Sales by American Legion Baseball Teams | s. 77.54(35) | Not Available |
| Snowmobile Trail Grooming Equipment | s. 77.54(38) | Minimal |
| Sales of Animal Identification Tags and Samples by the Department of Agriculture, Trade and Consumer Protection | s. 77.54(42) | Minimal |
| Public Benefits Fees | s. 77.54(44) | 5,900,000 |
| Motor Vehicles Loaned to Driver Education Programs | s. 77.56(2) | Minimal |
| Nonprofit Cemetery Associations | s. 77.54(9a)(i) | 200,000 |
| Veterans Home Exchange Services | s. 77.54(54) | Minimal |
| Building Materials Used in Certain Government/Nonprofit Real Construction | s. 77.54(9m) | 17,400,000<br>Minimal |
| One-Time License or Right to Purchase Admissions to Professional Football Games | s. 77.54(45) | |
| Nonprofit Gun Club Admissions and Membership Fees | s. 77.52(2)(a)2b | Not Available |
| Occasional Sales by Certain Nonprofit Organizations | s. 77.54(7m) | Not Available |
| **Exemptions for Nonresidents and for Use in Other States** | | |
| Property Used in Wisconsin by Nonresidents | s. 77.53(17) | Not Available |
| Nonresidents' Boats Berthed in Boundary Waters | s. 77.53(17m) | Not Available |
| Nonresidents' Aircraft Hangared in Wisconsin | s. 77.53(17r) | Not Available |
| Goods Brought into the State by New Residents | s. 77.53(18) | Not Available |
| Property Purchased for Delivery Outside the State | s. 77.55(3) | Not Available |
| Aircraft, Motor Vehicles and Truck Bodies Sold for Use Outside the State | s. 77.54(5)(a) | Not Available |
| Modular and Manufactured Homes Used in Real Property Construction Outside of the State | s. 77.54(5)(am) | 500,000 |
| Property Sold to Out-of-State Common or Contract Carriers | ss. 77.55(2) and (2m) | Not Available |
| Printed Advertising Material Used Outside the State | s. 77.54(25) | Not Available |
| Temporary Storage of Printed Materials | s. 77.54(43) | Not Available |
| Tangible Personal Property Temporarily Stored in this State | s. 77.54(69) | Not Available |
| **Definitional and Miscellaneous Exemptions** | | |
| Trade-Ins and Lemon Law Refunds | ss. 77.51(15b)(b)5 and 6 | 162,500,000 |
| Certain Occasional Sales | ss. 77.54(7) and (7m) | Not Available |
| Occasional Auction Sales | s. 77.51(9)(e) | Not Available |
| Retailer's Discount | s. 77.61(4)(c) | 42,700,000 |
| Tangible Property Included in Construction Contracts | s. 77.54(60) | 2,400,000 |
| Private Label Credit Card Bad Debt Deduction | s. 77.585(1) | Effective 7/1/2078 |
| 911 Fee | s. 77.54(55) | 2,700,000 |
| Federal Excise Tax on Heavy Trucks | s. 77.51(15b)(b)3s | 1,000,000 |
| Sales Tax Holiday | s. 77.54(67) | Nonrecurring |
| Precious Metal Bullion | s. 77.54(74) | 3,300,000 |
| Electricity from Vehicle Charging Stations | s. 77.54(71) | Effective 1/1/2025 |

**TABLE 3**
**SALES AND USE TAX EXEMPTIONS-SERVICES**

| Exemption | FY24 Fiscal Effect |
|---|---|
| **Personal and Recreational Services** | |
| Beauty, Barber, Nail and Other Personal Care Services | 49,300,000 |
| Funeral Services, excluding Caskets and Vaults | 12,100,000 |
| Bank Account Service Charges | 2,700,000 |
| Dues and Fees Paid to Business Associations and Fraternal Organizations | 14,600,000 |
| Health Clubs | 20,100,000 |
| Admissions to Educational Events and Places | 6,800,000 |
| Veterinary Services for Pets | 34,900,000 |
| Auto and Travel Clubs | 4,900,000 |
| Internet Access Charges | 212,000,000 |
| **Professional Services** | |
| Services of Physicians, Dentists and Other Health Professionals | 919,700,000 |
| Legal Services | 150,700,000 |
| Architectural, Engineering, Testing Laboratory and Surveying Services | 166,800,000 |
| Accounting Services | 79,600,000 |
| Tax Preparation Services | 7,100,000 |
| **Business Services** | |
| Computer Services (including Data Processing and Custom Programming) | 352,400,000 |
| Management, Scientific and Technical Consulting Services | 199,300,000 |
| Scientific Research and Development Services | 158,900,000 |
| Employment Placement Services | 16,600,000 |
| Advertising - Development and Placement (excludes Public Relations) | 158,300,000 |
| Public Relations | 4,900,000 |
| Credit Rating and Collection Services | 6,800,000 |
| Investigation and Security Services | 20,200,000 |
| **Services Related to Real Property** | |
| Construction Labor | 567,000,000 |
| Commissions to Real Estate Brokers | 113,600,000 |
| Repair of Real Property | 78,600,000 |
| Interior Design | 7,300,000 |
| Janitorial Services | 53,200,000 |
| Disinfecting and Exterminating | 9,800,000 |
| Sewerage Services | 50,200,000 |

# INSURANCE PREMIUM TAXES

**Introduction**

Chapter 76 of the Wisconsin Statutes provides for the taxation of certain insurance companies by the Commissioner of Insurance on the basis of premiums or net investment income. Insurance business subject to taxation under Chapter 76, Wis. Stats., is not subject to the corporate income and franchise tax under Chapter 71, Wis. Stats., and vice versa. Some types of insurance companies are not subject to taxation under either chapter.

The tax imposed by Chapter 76, Wis. Stats., may apply to all insurance companies, foreign (companies organized outside Wisconsin) as well as domestic (organized in Wisconsin). The corporate franchise tax applies to domestic fire and casualty insurers and the nonlife business of domestic life insurers.

Insurance companies subject to the corporate income and franchise tax are subject to the same tax rate as that imposed on all other corporations subject to the tax, except that the tax is limited to 2 percent of premiums. The tax rates for insurance companies subject to taxation under Chapter 76, Wis. Stats., vary depending on the type of insurance business. In addition, because of the "reciprocal and retaliatory" statutes, Wisconsin taxation of foreign insurance companies (companies organized outside the state) is dependent on the taxation of Wisconsin-organized insurance companies in the domicile of such foreign companies. For example, the Wisconsin taxation of a New York company doing business in Wisconsin is dependent on the New York taxation of a Wisconsin company doing business in New York.

The Wisconsin "retaliatory" statute (sec. 76.66, Wis. Stats.) provides, in essence, that when the taxes/fees imposed by another state or country on insurers organized under Wisconsin laws doing business in that state or country are greater than the taxes or fees imposed by Wisconsin on those foreign insurers doing business in Wisconsin, then Wisconsin will tax insurers organized under the laws of the other state or country at the same higher rate.

The Wisconsin "reciprocal" statute (sec. 76.67, Wis. Stats.) provides that insurers organized under the laws of other states, territories or districts of the United States (but not other countries) shall not pay taxes, fees or licenses to Wisconsin greater than the taxes, fees or licenses imposed by the other state, territory or district on similar Wisconsin insurers doing business there. The reciprocal statute does not result in pure reciprocity because it does not apply to insurance companies organized in other countries, and it does not permit payment of less than the Wisconsin statutory tax on life insurance, fire dues (2 percent fire department dues) and certain fees. In addition, it requires a minimum tax of 0.375 percent on fire and ocean marine premiums.

Because some Wisconsin companies do insurance business in all other states, territories or districts of the United States, the effect of the reciprocity and retaliation statutes is that few U.S. fire or casualty insurers are taxed at the rates provided in the Wisconsin Statutes (except the 0.375 percent minimum tax on fire and ocean marine premiums). In general, the "retaliatory" statutes applicable to insurers organized in other countries cannot be applied because of limitations imposed by international treaties between the United States and the insurer's domiciliary country or because of practical problems of application or computation. Thus, non-U.S. insurers are taxed at the Wisconsin statutory rate and applied to premiums unless otherwise noted. The statutory premium rates are as follows: fire, 2.375 percent; ocean marine, 0.5 percent; casualty, 2 percent; domestic life (over $750 million in force), 2 percent; domestic life ($750 million or less in force), 3.5 percent of gross income;[1] nondomestic life, 2 percent; and nondomestic accident and health, 2 percent.

For the premium tax, the base is gross premiums received for direct insurance, less return premiums and cancellations, and less policyholder dividends from savings and gains on direct insurance in Wisconsin. Direct insurance includes all insurance other than reinsurance. Under reinsurance, an insurer shares the risk and premiums with other insurers.

[1] This tax plus a valuation fee is subject to a maximum of 2% of net taxable premiums.

General purpose revenue tax collections from the insurance premiums taxes in FY24 were $212.6 million. This excludes $33.8 million of fire department dues which, beginning in FY82, were changed from general purpose to program revenue. Fire department dues are distributed to local units of government, while other insurance company taxes are part of the state general fund.

In addition to the taxes imposed in Chapter 76, Wis. Stats., insurers are also subject to license fees. License fees are charged according to the schedule in sec. 601.31, Wis. Stats.

**Exemptions From Taxation**

Insurers exempt from taxation under both Chapters 71 and 76, Wis. Stats., include: town mutual insurance companies (except that fire dues are payable equal to 2 percent of the fire premiums); fraternal or mutual benefit societies; voluntary benefit plans for injury or death of students; self-insurers (except that fire dues are payable equal to 2 percent of the premiums that would have been charged by authorized insurers); the State Property Insurance Fund (except for fire dues on property that is not state-owned); and the Wisconsin Health Care Liability Plan and Patients Compensation Fund.

| | |
|---|---|
| **Town Mutual Insurance Companies, s. 76.61** | **$1,095,000** |

Town mutual insurance companies organized under or subject to Chapter 612 of the Wisconsin Statutes are not subject to taxation or license fees under Chapter 76, Wis. Stats. They are subject, however, to a fire dues tax of 2 percent of direct fire premiums. A town mutual insurance corporation may be organized by at least 100 adults, each of whom has a separate insurable risk within a prescribed territory. The territory may not exceed eight contiguous counties; however, the Commissioner of Insurance may allow a broader territory not larger than 16 contiguous counties. A town mutual may insure members against loss or damage from any cause to any property in which a member has an interest, including insurance against loss of use or loss of income from property. The insurance of crops and other property against loss due to windstorm or hail are restricted and must be reinsured. Town mutual insurers may insure policyholders from liability, errors and omissions, and medical payments and other supplemental coverage when reinsured.

| | |
|---|---|
| **Domestic Fire, Marine and Casualty Companies, ss. 76.60 and 76.63(1)** | **$263,605,000** |

Wisconsin-organized insurance companies insuring fire, marine and casualty risks are not subject to Wisconsin premium taxation with the exception of mortgage guaranty insurers. Companies not subject to the premiums tax are subject to the corporation franchise tax. They are subject to a fire dues tax of 2 percent of direct fire premiums written. Casualty risks also include all lines of accident and health insurance written by life companies, fraternal insurers, health maintenance organizations, limited-service health organizations and health medical dental indemnity insurers.

| | |
|---|---|
| **Fraternal Life Insurance Companies, s. 76.65** | **$6,045,000** |

All corporations transacting life insurance business in Wisconsin are subject to taxation under Chapter 76, Wis. Stats., except fraternal insurers organized and operating under Chapter 614, Wis. Stats. A fraternal insurer must have a lodge system and a representative form of government. It must exist solely for the benefit of its members and their beneficiaries and solely for any lawful social, intellectual, educational, charitable, benevolent, moral, fraternal, patriotic or religious purposes for the benefit of its members or the public, carried on through voluntary activity of its members in their local lodges or through institutional programs of the fraternal insurer or its lodges. It may carry only life and accident and health lines of insurance.

**Exemptions from Base**

| | |
|---|---|
| **Return Premiums and Cancellations on Direct Insurance, ss. 76.60, 76.62 and 76.63(1)** | **See Footnote[2]** |

For the tax on fire, marine and casualty insurance premiums, the tax base is defined as gross premiums as calculated under sec. 76.62, Wis. Stats. This section provides that all license fees and taxes levied under any provision of law upon gross premiums other than life insurance premiums shall be based on gross premiums received for direct insurance, less return premiums and cancellations, and returns from savings and gains on all insurance, other than reinsurance by the insurer during the preceding year in this state.

Reinsurance, where one insurer shares a portion of the premium in return for a sharing of a portion of the risk with another insurer, is not subject to taxation unless the original insurer fails to pay the premiums tax. The fiscal effect of this exemption for domestic companies is included in the exemption from taxation for domestic fire, marine and casualty companies; for foreign companies, it is included in the estimate for the "reciprocity" statute.

| | |
|---|---|
| **Exemptions from the Domestic Life Insurance Company Gross Income Tax Base, s. 76.65(1)** | **None** |

The tax base for domestic (Wisconsin-organized) life insurance companies (which may affect only those companies with $750 million or less of insurance in force) is gross income from all sources, except:

- Interest required to provide and maintain reserves according to the laws of Wisconsin;
- Premiums collected on policies of insurance and contracts for annuities.

The gross income, net of the above deductions, is subject to a factor with the numerator being net investment income applicable to life insurance and annuities and the denominator being total net investment income.

| | |
|---|---|
| **Exemptions from the Foreign and Domestic Life Insurance Company Gross Premium Tax Base, s. 76.65(2)** | **$1,595,000[3]** |

The tax base for foreign life insurance companies, which is also generally applicable to domestic life insurance companies having more than $750 million of insurance in force, is gross premiums on all policies or contracts of insurance on the lives of residents of Wisconsin less all sums apportioned to premium-paying policies on the lives of residents of Wisconsin from annual distributions of profits, savings, earnings or surplus that have been either paid in cash or applied in partial payment of premiums. Because of long-standing administrative construction, considerations received for annuity contracts are not considered premiums on policies or contracts of insurance and, thus, are not taxable under sec. 76.65(2), Wis. Stats. The fiscal effect shown is that for domestic insurers, the fiscal effect for foreign companies is included in the estimate for the "reciprocity" statute.

**Special Treatment**

| | |
|---|---|
| **Limit on Gross Income Tax of Domestic Life Insurance Companies with $750 Million or Less of Insurance in Force, s. 76.65(1)** | **None** |

For domestic life insurance companies with $750 million or less of insurance in force, the tax based on 3.5 percent of gross income (less deductions) cannot exceed the annual license fee that would have been payable had it been operating as a foreign company (in which case the tax would be 2 percent of gross

[2] Included in estimates for exemption for domestic, fire, marine and casualty companies and for "reciprocity" statute.
[3] Fiscal effect for domestic insurers only. Fiscal effect for foreign corporations included in the estimate for "reciprocity" statute.

premiums, after deducting the considerations received for annuity contracts which are exempt from taxation). This limit had no fiscal effect in FY24.

| "Retaliatory" Statute, s. 76.66 | Not Available |
|---|---|

The Wisconsin "retaliatory" statute may result in an increase in Wisconsin fees; thus, it might not be considered a tax exemption device. However, to the extent that the statutes of other states provide tax exemption devices for insurance companies organized in Wisconsin doing business in such states, the Wisconsin "retaliatory" statute could also allow such tax exemption devices to insurance companies doing business in Wisconsin. The fiscal effect of these other states' statutes is included in the estimate for the "reciprocity" statute.

**Credits**

| Credit to Domestic Life Insurers for Personal Property Taxes, s. 76.69 | $279,000 |
|---|---|

Domestic life insurance companies are allowed a premium tax credit of 50 percent of general property taxes paid on personal property in Wisconsin used in the operation of business and not held primarily for investment purposes. The credit is limited to 25 percent of the license fee for domestic life insurers.

| Credit to Insurers to Recoup Security Fund Assessments, s. 646.51(7) | $386,000 |
|---|---|

The Insurance Security Fund Board administers the security fund established by Chapter 646, Wis. Stats., to provide a mechanism for protecting insureds in the event of liquidation of insurers and to assess the costs of such protection among insurers. Sec. 646.51(7), Wis. Stats., provides for tax credits of 20 percent of security fund assessments in each of the five calendar years following the year the assessment was paid when premium rates are fixed so that it is not possible for the insurer to increase its premium rates to recoup the assessment. Domestic insurers may take tax credits only for the proportion of their business assessed which is fixed, such that it is impossible to raise premiums. Such policies are referred to as "noncancellable" in the insurance business and represent a small portion of the total insurance written. Nondomestic insurers may take tax credits subject to the provision of the "retaliatory" and "reciprocal" statutes (secs. 76.66 and 76.67, Wis. Stats.)

| Credit to Insurers for Certified Capital Investment, s. 76.635(2) | None |
|---|---|

Since FY99, certain insurers operating in Wisconsin are allowed to take a premium tax credit for investment in certified capital companies as defined in sec. 560.29, Wis. Stats. (2009). The purpose of the credit is to encourage insurers to make venture capital for companies operating in Wisconsin. Sec. 76.635(2), Wis. Stats., provides for tax credits of up to 10 percent of the amount of the certified investment each year, until the entire available credit is used.

There is no FY24 fiscal effect, as no insurance companies were certified for the credit.

| Credit for Certain Development Zone Activities, s. 76.636(2) | None |
|---|---|

Certain insurers operating in Wisconsin are allowed to take a premium tax credit for investment in certain development zone activities as defined in secs. 238.30, 238.395, 238.397, and 238.398, Wis. Stats. The purpose of the credit is to encourage insurers to make investments in economically disadvantaged areas. This program is more fully discussed in the chapter on "Corporate Income and Franchise Tax."

There is no FY24 fiscal effect, as no insurance companies were certified for the credit.

| Early Stage Seed Investment Credit, s. 76.638 | $1,221,000 |
|---|---|

For taxable years beginning after December 31, 2008, insurers may claim a credit against the premium tax

for investments made with a fund manager that invests in qualified new business ventures. This program is more fully discussed in the chapter on "Corporate Income and Franchise Tax."

| **Economic Development Credit, s. 76.637** | **None** |
|---|---|

For taxable years beginning after December 31, 2017, a nonrefundable low-income housing credit is available. Claimants may claim a credit for the amount certified by the Wisconsin Housing and Economic Development Authority (WHEDA). A taxpayer is eligible for the credit if their tenants' income is less than 60 percent of the county's median income. Claimants must apply through WHEDA. The credit must be claimed within four years of the date on which the tax return was due. Unused credits may be carried forward for 15 years. The maximum amount of credits WHEDA may certify in a year equals $42,000,000.

| **Low-Income Housing Credit, s. 71.28(8b)** | **$6,770,000** |
|---|---|

For tax years beginning after December 31, 2017, a nonrefundable low-income housing credit is available. Claimants may claim a credit for the amount certified by the Wisconsin Housing and Economic Development Authority (WHEDA). A taxpayer is eligible for the credit if their tenants' income is less than 60 percent of the county's median income. Claimants must apply through WHEDA. The credit must be claimed within four years of the date on which the tax return was due. Unused credits may be carried forward for 15 years. The maximum amount of credits WHEDA may certify in a year equals $42,000,000.

| **Insurance Premium Taxes Summary** | | |
|---|---|---|
| Exemption Device | Statutory Reference[4] | FY24 Fiscal Effect |
| **Exemptions from Taxation** | | |
| Town Mutal Insurance Companies | s. 76.61 | $1,095,000 |
| Domestic Fire, Marine and Casualty Companies | ss. 76.60 and 76.63(1) | $263,605,000 |
| Fraternal Life Insurance Companies | s. 76.65 | $6,045,000 |
| **Exemptions from Base** | | |
| Return Premiums and Cancellations on Direct Insurance | ss. 76.60, 76.62 and 76.63(1) | See Footnote [5] |
| Exemptions from the Domestic Life Insurance Company Gross Income Tax Base | s. 76.65(1) | None |
| Exemptions from the Foreign and Domestic Life Insurance Company Gross Premium Tax Base | s. 76.65 (2) | $1,595,000 |
| **Special Treatment** | | |
| Limit on Gross Income Tax of Domestic Life Insurance Companies with $750 Million or Less of Insurance in Force | s. 76.65(1) | None |
| "Retaliatory" Statute | s. 76.66 | Not Available |
| "Reciprocity" Statute | s. 76.67 | $101,065,000 |
| **Credits** | | |
| Credit to Domestic Life Insurers for Personal Property Taxes | s. 76.69 | $279,000 |
| Credit to Insurers to Recoup Security Fund Assessments | s. 646.51(7) | $386,000 |
| Credit to Insurers for Certified Capital Investment | s. 76.635(2) | None |
| Credit for Certain Development Zone Activities | s. 76.636(2) | None |
| Early Stage Seed Investment Credit | s. 76.638 | $1,221,000 |
| Economic Development Credit | s. 76.637 | None |
| Low-Income Housing Credit | s. 71.28(8b) | $6,770,000 |

[4] References to sections of the 2021-22 Wisconsin Statutes.
[5] Fiscal effect for domestic insurers only. Fiscal effect for foreign corporations included in the estimate for "reciprocity" statute.

# PROPERTY TAX

The property tax is the largest source of state and local tax revenues in Wisconsin. This report reflects taxes for the 2023-24 property tax year, which covers taxes levied in December 2023 and due for payment in 2024. Total property taxes for the 2023-24 property tax year were about $13.09 billion (see Table 1). School districts accounted for the largest share of property taxes levied ($5.774 billion, or 44.13 percent of the total). Municipalities ($3.485, or 26.63 percent) and counties ($2.516 billion, or 19.23 percent) levied the next largest shares. Technical college districts, tax incremental financing districts and special districts accounted for the remaining $1.309 billion, or 10.01 percent.

**TABLE 1**
**GROSS PROPERTY TAX LEVIES FOR 2023-24 BY TYPE OF UNIT**

| Type of Unit | Number of Units | Number of Units with a Tax Levy | Gross Amount Levied | % of Total Levy |
|---|---|---|---|---|
| School Districts | 421 | 421 | $5,774,886,156 | 44.13% |
| Technical College Districts | 16 | 16 | $499,403,592 | 3.82% |
| Counties | 72 | 72 | $2,516,940,930 | 19.23% |
| Municipalities | 1,913 | 1,892 | $3,485,337,572 | 26.63% |
| Municipalities – TIF increments | 448 | 444 | $677,446,210 | 5.18% |
| Special Districts | 536 | 243 | $132,728,792 | 1.01% |
| Total | 3,406 | 3,088 | $13,086,743,252 | 100.00% |

Property tax rates are often expressed in mills (dollars per $1,000 of equalized value). For the 2023-24 property tax year, the statewide average gross tax rate was 15.53 mills. The statewide average net tax rate, which is calculated on taxes after subtracting the $1.195 billion school levies property tax credit, was 14.12 mills for the 2023-24 property tax year. Both rates were calculated based on the total equalized value of taxable property in the state, which was approximately $842.65 billion.

**Exempt Real Property – Reporting Requirements**

State law requires that the owners of certain real property exempt from property taxes to report the value of the property to municipalities, which then summarize and transmit the owner-reported information to the Department of Revenue (DOR).

By March 31 of each even-numbered year, an owner of real property exempt from property taxation is required to file with the clerk of the municipality where the property is located a report that contains, among other things, an estimate of the market value of the property as of January 1 of that year. Owners of certain types of real property (such as cemeteries and archaeological sites), the federal government, the State of Wisconsin, local governments, and owners of properties on which an in lieu of tax or an equivalent payment is made are exempt from the reporting requirement.

By July 1 of each even-numbered year, every municipal clerk is required to file with DOR a report that summarizes the data reported to him or her by owners of tax-exempt real property. This report segments exempt real property into 13 categories and 10 value brackets. If a village or city has territory in two or more counties, a separate report is due for each county-specific piece of the municipality.

This chapter includes a compilation of the totals for those municipalities that filed a report for 2024 by property purpose and value range categories.

**Real Property – Exempt Value Estimates**

An estimate of the total value of real property exempt from taxation was determined based upon the real property exemption summary reports submitted by municipalities. The estimate excludes information on properties for which no reporting requirement exists. The estimate was calculated in two major steps.

The values for the various types of exempt property were estimated for towns, villages and cities by multiplying the number of parcels in each value bracket by the midpoint value for that value bracket. For example, the value for the $10,000 to $100,000 bracket was assumed to be $55,000. For the over $100 million category, a value of $125 million was used.

NOTE: 2024 forms for both single parcel and multiparcel property owners utilized more value ranges than in previous years. This allows for better estimates of parcels with values exceeding $25 million. As a result, the 2024 figures are not comparable to some previous years' estimates.

Below, Table 2 shows the number of towns, villages and cities that should have filed a summary report, the number of municipalities that actually filed the report (as of October 31, 2024), and the percentage of the state total equalized value represented by the places that filed a report. The reported values are divided by reporting municipalities' share of statewide equalized value to arrive at an estimate of total values for all localities in that type of municipality.

**TABLE 2**
**NUMBER OF FILERS, PERCENTAGE OF EQUALIZED VALUE**
**AND ADJUSTMENTFACTOR APPLIED FOR 2024 TAXATION DISTRICT**
**EXEMPTION SUMMARY REPORTS**

| Municipal Type | Number of Municipalities | Number of Filers | Filers' Percent of Equalized Value |
|---|---|---|---|
| Towns | 1,244 | 944 | 75.88% |
| Villages | 450 | 388 | 86.22% |
| Cities | 219 | 203 | 92.69% |
| Total | 1,913 | 1,535 | 80.24% |

Estimates of the total value of exempt property for the reported classes are displayed in Table 3. Since compliance with the reporting – by owners of exempt property to their municipal clerk – is unknown, the estimated values in the table should not be deemed definitive.

**TABLE 3**
**ESTIMATED VALUE OF EXEMPT PRIVATE REAL PROPERTY, 2024**

| Purpose of Property | Exempt Value ($ millions) | Percent of Total |
|---|---|---|
| Religious: | | |
| Place of worship | 14,615,313,000 | 35.62% |
| Church – Other | 1,744,937,500 | 4.25% |
| Total Religious | 16,360,250,500 | 39.87% |
| Educational: | | |
| K-12 Education | 4,311,543,000 | 10.51% |
| Colleges and universities | 1,699,827,500 | 4.14% |
| Other education | 974,574,500 | 2.38% |
| Total Educational | 6,985,945,000 | 17.03% |
| Medical Facilities: | | |
| Nonprofit hospitals | 3,974,712,500 | 9.69% |
| Medical research foundations | 38,650,000 | 0.09% |
| Other medical | 527,733,000 | 1.29% |
| Total Medical | 4,541,095,500 | 11.07% |
| Housing: | | |
| Nursing homes | 1,195,980,500 | 2.91% |
| Retirement home | 1,567,338,000 | 3.82% |
| Other housing | 2,461,230,500 | 6.00% |
| Total Housing | 5,224,549,000 | 12.73% |
| Other exemptions: | | |
| Public benefits | 4,014,449,000 | 9.78% |
| Miscellaneous | 3,903,593,500 | 9.51% |
| Total Other | 7,918,042,500 | 19.30% |
| Total – All exemptions | 41,029,882,500 | 100.00% |

**Exempt Personal Property – Reporting Requirements**

All personal property is exempt from property taxes. An owner of exempt personal property is generally not required to report the value of such property to local officials or the state. Some items that were classified as personal property prior to January 1, 2024, are now classified as real property. These include: (1) buildings, improvements and fixtures on leased land; (2) buildings, improvements and fixtures on exempt lands, (3) buildings, improvements and fixtures on forest crop/managed forest land; and (4) manufactured and mobile homes not otherwise exempt under sec. 66.0435(3), Wis. Stats.

**Personal Property – Exempt Value Estimates**

This section does not address other exempt property, including household furnishings and business inventories.

*Machinery and equipment used in manufacturing.* The exemption of machinery and equipment used exclusively and directly in the manufacturing process reduces the property tax burden on manufacturers. For the 2023-24 tax year, $2.32 billion of manufacturing machinery and equipment was taxable. This taxable equipment consisted of property that was not used exclusively and directly in the manufacturing process. Based on historic experience, it is estimated that between 7 percent to 15 percent of all manufacturing machinery and equipment is taxable. Using a midrange figure of 11 percent, the department estimates that about $21.06 billion of manufacturing machinery and equipment is currently exempt from taxation.

*Waste Treatment Facilities*. All land, land improvements, buildings and machinery used exclusively and directly to remove, store or cause a physical or chemical change in industrial waste or air contaminants for the purpose of reducing or eliminating pollution of the air or waters of the state are exempt from property taxation. The exemption is available to utilities, commercial businesses and manufacturers. Information on the amount of such property owned by utilities and commercial businesses is not available. The last year for

which data is available for manufacturers is 2001 as that was the last year DOR approval was required in order for the property to be exempt. In that year, about $2.40 billion was exempt. If this figure is adjusted by the percentage change in the state total equalized value of manufacturing property (both real and personal) for the period from 2001 to 2023 (an increase of 81.61 percent), the estimated value of exempt manufacturing waste treatment property is about $4.36 billion.

*Computer Equipment*. Wisconsin provides property tax exemptions for computer equipment except for copiers, custom software, equipment with embedded computerized components and telephone systems. Local governments are reimbursed a fixed amount of $98.04 million to compensate for the lost tax base. The payments are based on the 2017-18 property value ($3.75 billion) plus inflation adjustments for 2018 and 2019. 2017-18 was the last year values for exempt computer equipment were reported. Based on a historical growth rate of 2.44 percent and the last year of reported values, the 2023-24 tax exemption is estimated at $4.44 billion.

*Nonmanufacturing Machinery, Tools and Patterns*. All machinery, tools and patterns, not including such items used in manufacturing. Machinery does not include a building and means a structure or assemblage of parts that transmits force, motion or energy from one part to another in a predetermined way by electrical, mechanical or chemical means. In 2017, nonmanufacturing machinery, tools and patterns had an assessed value of $3.35 billion. Based on a historical growth rate of 3.23 percent, the property tax exemption for 2023-24 is estimated at $4.04 billion. Based on 2017 assessed values, local governments are currently reimbursed $75.62 million.

*Personal Property Repeal*. All business and manufacturing personal property including steam and other vessels, furniture, and equipment beginning with property tax assessments applicable to January 1, 2024. In 2023, the personal property repeal exemption had an assessed value of $6.67 billion. As a result of the repeal, local governments will receive aid payments estimated at $173.80 million.

For these five personal property exemptions for which the department has information to formulate an estimate, the total exempt value is $40.57 billion.

**Effect of Exempt Property on Tax Rates**

Table 4 shows how property taxes could have been affected if the exempt property discussed in this report had not been exempt for the 2023-24 property tax year. Exempt computers, nonmanufacturing machinery, tools and patterns, and personal property repeal are excluded since aid payments are made to compensate for the loss in tax revenues. The table shows the actual average 2023-24 net property tax rates for towns, villages and cities, as well as tax rates calculated under the assumption that the estimated $41.03 billion of exempt private real property and $25.42 billion of exempt personal property (excluding exempt computer property, nonmanufacturing machinery, tools and patterns) had been added to the tax rolls, assuming no change in any state or federal aids and no change in total property tax levies.

Table 4 indicates that, if the estimated exempt private real and personal property had been placed on the tax roll in 2023-24, the statewide average net property tax rate would have declined by 7.31 percent from $14.12 to $13.08 per $1,000 of value. Under this scenario, total net tax rates in towns, villages and cities would have been lower by 5.71 percent, 7.77 percent and 8.32 percent, respectively. The larger impact in cities and villages reflects that exempt property is more likely to be located in urban than in rural areas.

**TABLE 4**
**AVERAGE NET TAX RATES FOR 2023-24 (PER $1,000 EQUALIZED VALUE)**

| For Property In: | Actual Effective Rate | Rate if Exempt Real and Personal Property Were Taxable | Percentage Change (%) |
|---|---|---|---|
| Towns | 11.12 | 10.48 | -5.71% |
| Villages | 13.90 | 12.82 | -7.77% |
| Cities | 16.55 | 15.17 | -8.32% |
| State Average | 14.12 | 13.08 | -7.31% |

**Evaluation**

A number of limitations require that the estimates presented in this chapter be used carefully:

- Noncompliance with the reporting requirements by both property owners and local governments mean that the estimates were prepared using incomplete data.
- Using the midpoint value in the value classes may overstate or understate the true value of the exempt properties.
- The value of certain exempt personal property was based on historic relationships.
- The value of government-owned property is excluded.
- The value of land enrolled under the special forest tax laws (see separate chapter in this report) is excluded.
- The value of some exempt property is difficult to estimate due to a limited market.
- Owners of exempt property may understate the value of their property.
- Owners of exempt property often have incomplete information to accurately value their property.

TAXATION DISTRICT EXEMPTION SUMMARY REPORT FOR 2024 (Sec. 70.337(2), Wis. Stats.)

| Property Purpose | $1-$10K | $10K-$100K | $100K-$200K | $200K-$500K | $500K-$1M | $1M-$2M | $2M-$5M | $5M-$10M | $10M-$15M | $15M-$25M | $25M-$50M | $50M-$75M | $75M-$100M | OVER $100M | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Worship | 216 | 615 | 643 | 1,036 | 887 | 817 | 768 | 249 | 74 | 40 | 5 | 9 | 28 | 22 | 5,409 |
| Church-other | 445 | 848 | 396 | 447 | 170 | 121 | 86 | 28 | 6 | 3 | 3 | 1 | 4 | 0 | 2,558 |
| Education, K-12 | 96 | 143 | 59 | 88 | 88 | 110 | 180 | 74 | 40 | 28 | 17 | 5 | 1 | 6 | 935 |
| College | 35 | 107 | 99 | 74 | 26 | 32 | 43 | 26 | 13 | 12 | 6 | 1 | 2 | 3 | 479 |
| Education-other | 59 | 160 | 64 | 86 | 61 | 55 | 40 | 22 | 8 | 4 | 2 | 1 | 2 | 0 | 564 |
| Hospital | 15 | 186 | 28 | 22 | 30 | 23 | 28 | 13 | 16 | 20 | 21 | 10 | 5 | 10 | 427 |
| Medical research | 0 | 0 | 2 | 1 | 2 | 1 | 0 | 3 | 1 | 0 | 0 | 0 | 0 | 0 | 10 |
| Medical-other | 26 | 68 | 19 | 45 | 15 | 29 | 23 | 9 | 5 | 2 | 2 | 0 | 0 | 1 | 244 |
| Nursing home | 1 | 15 | 3 | 7 | 7 | 16 | 18 | 16 | 19 | 14 | 9 | 0 | 0 | 1 | 126 |
| Retirement home | 6 | 21 | 17 | 456 | 18 | 36 | 39 | 26 | 11 | 9 | 10 | 1 | 0 | 2 | 652 |
| Housing-other | 651 | 580 | 722 | 762 | 201 | 149 | 219 | 40 | 7 | 8 | 3 | 4 | 0 | 0 | 3,346 |
| Public benefit | 608 | 1,221 | 693 | 580 | 242 | 192 | 165 | 101 | 23 | 16 | 7 | 5 | 6 | 1 | 3,860 |
| Other | 2,967 | 2,765 | 689 | 596 | 291 | 194 | 144 | 39 | 15 | 14 | 15 | 5 | 6 | 2 | 7,742 |
| Total: | 5,125 | 6,729 | 3,434 | 4,200 | 2,038 | 1,775 | 1,753 | 646 | 238 | 170 | 100 | 42 | 54 | 48 | 26,352 |

# FOREST CROP AND MANAGED FOREST LAWS

The Forest Crop Law and Managed Forest Law extend special property tax treatment to encourage the production of harvestable timber crops by qualifying landowners. Current law assigns most of the administrative duties to the Department of Natural Resources (DNR).

**Historical Background**

Wisconsin was a premier timber producer in the late 19th century. However, by the 1920s, much of the state's forest land had been cut-over or damaged by fire. Because these lands generated little or no income, owners were unable to pay their property taxes. Counties found they were often unable to sell this land at tax sales and ended up owning the land. As county ownership increased, taxes increasingly shifted onto remaining property owners, which created a fiscal crisis for local governments. It was thought that reducing the annual tax burden on forest landowners could prevent further land abandonment and encourage reforestation, but local governments did not want to forgo the taxes they collected on forest land.

The solution was to amend the uniformity in taxation clause of the state constitution to create an exception for forest land. The amendment was approved in 1927, and the Legislature enacted the Forest Crop Law (FCL) shortly afterward. A program for owners of small forest plots, the Woodland Tax Law (WTL) was enacted in 1954. The Managed Forest Law (MFL) program was enacted in 1985 to replace both the FCL and WTL.

**Provisions of the Forest Crop Law (FCL)**

Under the FCL, an owner of a quarter-quarter section (about 40 acres) in a town or village could petition DNR to enter the land in the program. If DNR determined that forestry was the best use for the land and that a stand of merchantable timber could be produced within a reasonable period of time, the land was entered under the program under a contract for either 25 years or 50 years. The landowner had to practice forestry, notify DNR of timber harvests, and permit public access to the land for hunting and recreation.

FCL land is exempt from property taxes. To help offset the fiscal effect of this exemption, DNR makes an annual payment of $0.20 per FCL enrolled acre to the municipality where the land is located. The municipality retains 80 percent and remits 20 percent to the county. To further offset the fiscal effect of the exemption, landowners are required to make the payments described below:

| | |
|---|---|
| **Acreage Share** | **$125,304 ($3.60/acre)** |

This is an annual payment by the landowner to the municipality where the land is located. The municipality retains 80 percent and remits 20 percent to the county. On land entered prior to 1972, the payment is $0.10 per acre. The payment for 2023 to 2032 is $3.60 which equals $0.20 times the ratio of the total value of taxable land in the state in 2022 to the total value of taxable land in the state in 1972.

| | |
|---|---|
| **Withdrawal Tax** | **$0 ($0.00/acre)** |

If land is withdrawn from the FCL either at the owner's request or upon DNR finding of a contract violation by the owner, a withdrawal tax must be paid. The tax equals the sum, for the years the contract was in effect, of the differences between the amount of real estate taxes that would have been levied on the land and the acreage shares and severance taxes actually paid on the land. Each year's difference is subject to interest at 12 percent per year (or 5 percent for pre-1977 contracts) for each year the real estate tax has been deferred. DNR retains an amount equal to the total payments it has made to the municipality on the parcel. Any excess is paid to the municipality, which keeps 80 percent and remits 20 percent to the county.

| | |
|---|---|
| **Termination Tax** | **$0 ($0.00/acre)** |

When a contract expires and the land is not enrolled under the MFL program, a termination tax of 10 percent of the value of the standing timber is assessed. DNR retains an amount equal to the total payments it has

made to the municipality on the parcel. Any excess is paid to the municipality, which keeps 80 percent of the payment and remits 20 percent to the county.

**Provisions of the Managed Forest Law (MFL)**

An owner of 20 or more contiguous forest acres may apply to DNR to enter his or her land into the MFL program[1]. If DNR finds that at least 80 percent of the parcel is producing or capable of producing at least 20 cubic feet of merchantable timber per acre per year, and that the land is not developed in a manner incompatible with the practice of forestry, DNR issues an order entering the land under the program. The agreement is for 25 or 50 years (at the landowner's option) and can be renewed. The landowner agrees to follow a forest management plan and to permit (with limited exceptions) public access for hunting and recreation.

MFL land is exempt from property taxes. To help offset the effect of this exemption on local property taxes, DNR makes an annual payment of $0.20 per MFL enrolled acre to the municipality where the land is located. The municipality retains 80 percent of this payment and remits 20 percent to the county. To further offset the effect of the tax exemption, landowners are required to make additional payments. These payments are described below:

| **Acreage Share** | **$5,224,655 ($1.50/acre)** |
|---|---|

This is an annual payment by the landowner to the municipality where the land is located. The municipality retains 80 percent and remits 20 percent to the county. For MFL orders that took effect before April 28, 2004, the payment for 2023 to 2027 is $0.72 per acre. This rate equals the original rate of $0.74 multiplied by the ratio of the average statewide tax per acre on agricultural, undeveloped and taxable forest land for 2021 divided by the corresponding average for 1986. For MFL orders that took effect on or after April 28, 2004, the payment for 2023 to 2027, $1.90 per acre. This rate equals the average equalized value per acre of taxable forest land in 2021 ($2,207) times the net statewide tax rate for 2021-22 (17.2074 mills) times 5 percent.

| **Closure Fee** | **$14,122,201 ($5.57/acre)** |
|---|---|

This is an annual payment made by the landowner to the municipality where the land is located. The municipality retains 80 percent and remits 20 percent to the county. For MFL orders that took effect before April 28, 2004, the payment for 2023 to 2027, $0.96 per acre. This rate equals the original payment of $1.00 multiplied by the same ratio used to adjust the acreage share payment. For MFL orders that took effect on or after April 28, 2004, the payment for 2023 to 2027, $7.59 per acre. This rate equals the average equalized value per acre of taxable forest land in 2021 ($2,207) times the net statewide tax rate for 2021-22 (17.2074 mills) times 20 percent. The closure fee is in addition to the acreage share payment.

| **Noncompliance Fee** | **$0** |
|---|---|

This fee is $250. If DNR determines that an MFL landowner has not complied with the management plan, it notifies the municipality. The fee is collected by the municipality where the land is located. The municipality keeps 80 percent of the fee and remits 20 percent to the county.

| **Withdrawal Fee** | **$0** |
|---|---|

DNR assesses a fee of $300 on all withdrawals from the MFL program that occur before the expiration of the MFL agreement period. DNR retains the entire fee.

[1] 2015 Wisconsin Act 358 permitted currently enrolled parcels under 20 acres to renew one time.

| Withdrawal Tax | $1,521,473 |
|---|---|

For a "large property" defined as collectively greater than 1,000 acres, the land owner must pay the greater of: (a) the product of the net assessed value tax rate in the year prior to withdrawal times the assessed value of the land in the year prior to withdrawal times the number of years the land was under an MFL order minus the acreage share and yield taxes paid; or (b) 5 percent of the stumpage value of the merchantable timber on the land. On withdrawals from the MFL program on renewed MFL orders, the calculation under (a) above is made from the year of the renewal. For parcels under 1,000 acres, withdrawals are taxed at a rate equal to the property tax applicable to the land in the previous year times the number of years in the program, or ten years, whichever is less. A landowner may withdraw a parcel of land without paying withdrawal taxes or fees if DNR determines the parcel is unsuitable to produce merchantable timber as a result of certain environmental factors. DNR remits 100 percent of any withdrawal taxes to the municipality where the land is located. The municipality keeps 80 percent of the payment and shares 20 percent with the county. Since a decision to withdraw from the MFL program is not reversible once filed with DNR, an MFL landowner may request the Department of Revenue (DOR) to estimate the withdrawal tax. The request must be accompanied by a nonrefundable fee equal to the greater of $100 or the number of acres affected times $5.

| Agreement Expiration | $0 |
|---|---|

When an agreement expires and is not renewed, the land becomes subject to the property tax.

**Measuring the Tax Reduction under Forest Tax Programs**

An estimate of tax savings under the FCL and MFL programs is shown in Table 1. Landowner payments are for payments made in 2023. Property tax effects are based on data for the 2023-24 property tax year. Acreage data were obtained from the Statements of Assessment for 2023 filed by municipalities with DOR. Data on MFL withdrawal fees and MFL noncompliance fees are not available and are excluded from this analysis.

To estimate the tax savings, the net property tax per acre on taxable forest land was calculated for each municipality in the state. This was done by multiplying a municipality's total property tax levy minus the school levy tax credit by the percentage of the municipality's assessed value attributable to taxable forest land. The product of this calculation was divided by the assessed acres of taxable forest acres in the municipality.

The "initial tax" in Table 1 is an estimate of what the net property taxes on land enrolled under the FCL and MFL programs would have been had they not been enrolled. This number equals the average net tax per acre on taxable forest land in each municipality by the number of acres enrolled under the FCL or MFL program in that municipality. The amount in the table is the state total estimated tax savings.

The acreage share payments were calculated by multiplying the number of enrolled acres by the appropriate acreage share rate. For purposes of the estimate, it was assumed that all of these payments are actually made.

Data on termination and withdrawal taxes are from a DNR report regarding payments made to municipalities in 2023 for land enrolled under the FCL and MFL programs. Since DNR can retain certain amounts from some landowner payments, these landowner payments could be understated.

The "Initial Taxes" for 2023-24 were $19.02 per acre under the FCL program and $31.79 per acre under the MFL program. After subtracting the landowner payments, the "Net Tax Reductions" for 2023-24 were approximately $536,667, or $15.42 per acre under the FCL program, and approximately $90.0 million, or $24.29 per acre under the MFL program. The total net tax reduction under the two programs for 2023-24 is estimated at $90.5 million, or about 81.2 percent of the $111.5 million total "Initial Taxes" amount.

Since the equalized value of land entered under these programs is zero (due to their being exempt from taxation), these lands have an indirect effect on property taxes due to the resultant redistribution in school

equalization aids that occurs. The effects of this aid adjustment are not reflected in Table 1 and are not analyzed in this report.

**Evaluation**

The number of privately-owned acres enrolled under the various forest tax law programs and the average property tax on taxable forest land for selected years are shown on Table 2.

Although these forest land tax programs have increased the amount of timber harvested in the state, the amount of such harvests that can be attributed to these special forest tax lands is not known. Nevertheless, property taxes remain a concern for forest landowners, especially as land values increase due to demand for recreational land and other nonforestry uses. If a forest landowner wishes to pursue forestry, enrolling the land under the MFL program provides a mechanism to ease the tax burden. The provisions of the MFL statutes that require landowners to follow management plans and that impose penalties for failure to follow those plans have reduced the chances that landowners will use the MFL program to reduce their taxes while waiting to sell the land for nonforestry purposes.

**TABLE 1**
**FINANCIAL ANALYSIS OF FOREST TAX LAWS, 2023-24**

| | Forest Crop Law | | Managed Forest Law | |
|---|---|---|---|---|
| Item | Amount ($) | Per Acre | Amount | Per Acre |
| Initial Taxes | $699,562 | $19.02 | $110,869,211 | $31.79 |
| Landowner Payments: | | | | |
| Acreage shares | 125,304 | 3.60 | 5,224,655 | 1.50 |
| Closure fees | 0 | 0.00 | 14,122,201 | 5.57 |
| Severance/yield taxes | 0 | 0.00 | 0 | 0.00 |
| Termination taxes | 0 | 0.00 | 0 | 0.00 |
| Withdrawal taxes | 0 | 0.00 | 1,521,473 | 0.44 |
| Total Landowner Payments | $125,304 | $3.60 | $20,868,329 | $7.50 |
| Net Tax Reduction | $536,667 | $15.42 | $90,000,882 | $24.29 |
| Acres enrolled | 34,807 | | 3,487,946 | |

**TABLE 2**
**ACRES ENROLLED AND AVERAGE PROPERTY TAX ON FOREST LAND, 1960-2023**

| Year | Acres Enrolled | | | | Average Net Property Tax per Acre of Taxable Forest Land |
|---|---|---|---|---|---|
| | Woodland Tax Law | Forest Crop Law | Managed Forest Law | Total Acres Enrolled | |
| 1960 | 60,431 | 361,211 | 0 | 421,642 | $0.52 |
| 1965 | 107,431 | 490,154 | 0 | 597,585 | 0.56 |
| 1970 | 154,185 | 643,514 | 0 | 797,699 | 0.87 |
| 1975 | 158,302 | 951,808 | 0 | 1,110,110 | 1.42 |
| 1980 | 256,349 | 1,287,833 | 0 | 1,544,182 | 3.31 |
| 1985 | 447,851 | 1,468,912 | 0 | 1,916,763 | 5.90 |
| 1990 | 472,236 | 1,452,194 | 372,102 | 2,296,532 | 6.87 |
| 1995 | 302,338 | 1,406,718 | 804,269 | 2,513,325 | 7.76 |
| 2000 | 55,507 | 471,727 | 1,971,474 | 2,498,708 | 12.90 |
| 2005 | 0 | 334,362 | 2,784,889 | 3,119,251 | 23.53 |
| 2010 | 0 | 208,167 | 3,079,985 | 3,288,152 | 32.61 |
| 2011 | 0 | 190,926 | 3,133,534 | 3,324,460 | 32.55 |
| 2012 | 0 | 174,726 | 3,195,894 | 3,370,620 | 32.84 |
| 2013 | 0 | 155,471 | 3,236,030 | 3,391,501 | 33.75 |
| 2014 | 0 | 148,003 | 3,271,936 | 3,419,939 | 32.06 |
| 2015 | 0 | 128,528 | 3,305,206 | 3,433,734 | 31.90 |
| 2016 | 0 | 121,273 | 3,316,955 | 3,438,228 | 31.70 |
| 2017 | 0 | 113,824 | 3,344,858 | 3,458,682 | 30.43 |
| 2018 | 0 | 104,121 | 3,378,413 | 3,482,534 | 32.54 |
| 2019 | 0 | 95,148 | 3,402,439 | 3,497,587 | 32.35 |
| 2020 | 0 | 63,260 | 3,445,621 | 3,508,881 | 32.82 |
| 2021 | 0 | 49,568 | 3,474,978 | 3,524,545 | 32.55 |
| 2022 | 0 | 47,891 | 3,482,235 | 3,530,126 | 32.47 |
| 2023 | 0 | 34,807 | 3,487,946 | 3,522,753 | 32.67 |

Acreage Source: 1960-1985: Wisconsin Department of Natural Resources, Forestry Tax Unit.
1990-2023: State totals from Statements of Assessment filed with DOR.
Tax per Acre Source: Calculated by DOR for land in the "forest" class.

# REAL ESTATE TRANSFER FEE

**Introduction**

The real estate transfer fee was enacted in 1969 after the federal documentary transfer tax was repealed. The fee applies to transfers (conveyances) of real estate ownership interests in Wisconsin that are not excluded or exempted by statute. The fee is imposed at a rate of $0.30 for each $100 of value or fraction thereof. For most conveyances, value is the full consideration paid for the property, including any assumed liens on the property. On conveyances that are gifts or for nominal consideration, value is the estimated price the property could have sold for if it been sold on the open market. The seller (grantor) of the property is responsible for paying the fee.

The transfer values reported on real estate transfer fee returns are the main source of information used by the Department of Revenue (DOR) for estimating changes in the fair market value of real property in the state. The department uses this information in the annual determination of sales/assessment ratios and equalized values for each municipality in Wisconsin.

**Collections**

The fee is paid to the county register of deeds when the transfer is recorded; however, the fee on land contracts is paid when the contract is recorded. Completion of a real estate transfer return and payment of the fee is normally required before the county register of deeds records the transaction. Every month, each register of deeds transfers 80 percent of fee collections to DOR. Total fees reported on real estate transfer fees filed in FY24 were about $118.4 million, of which about $94.7 million was paid to the state and about $23.7 million retained by counties.

**Analysis of Exemptions**

Beginning on July 1, 2009, electronic filing of real estate transfer returns has been required. Except for taxpayer identification numbers, the information reported on these returns is kept in a database that can be accessed on the DOR website. The state revenue losses reported below were based on data from transfer fee returns registered between July 1, 2023, and June 30, 2024 (state fiscal year 2023-24), on which an exemption was claimed. Of the 212,180 transfer fee returns filed in this period, there were 92,560, or 43.62 percent, on which an exemption from the fee was claimed.

If an exemption is claimed on a real estate transfer fee return, the specific subsection of sec. 77.25, Wis. Stats., which grants the exemption, must be indicated on the return, with a few exceptions. This number was used as the basis for the analysis in this report. Returns which claimed the exemption for real estate valued at $1,000 or less were reviewed so that all reported values in excess of $1,000 were reduced to $1,000.

An estimate of the revenue loss for some exemptions may be understated. This occurs because some property conveyances did not require that a transfer fee return be filed, and some conveyances can be made without declaring a property value. The discussion of the exemptions will note when this understatement could occur.

The fiscal effects shown below are for the portion of the 80 percent of the real estate transfer fee that is paid to the state. The effect on county revenues is one-fourth of the state fiscal effect.

| ***Exemptions*** | ***FY24 Fiscal Effect*** |
|---|---|
| **Easements, s. 77.21(1)** | **Not Available** |

Easements are excluded from the definition of conveyances subject to the real estate transfer fee. No real estate transfer fee return is therefore required for transfers of easements.

| | |
|---|---|
| **Leases for Less than 99 Years, s. 77.21(1)** | **Not Available** |

Leases for less than 99 years are excluded from the definition of conveyances subject to the real estate transfer fee. No real estate transfer fee return is therefore required for leases of less than 99 years.

| | |
|---|---|
| **Conveyances Prior to October 1, 1969, s. 77.25(1)** | **$200** |

Conveyances made prior to October 1, 1969, the date the fee went into effect, are exempt from the fee. Conveyances under this exemption are not required to file a return; therefore, the estimated costs may be understated.

| | |
|---|---|
| **Conveyances by Government Bodies, s. 77.25(2)** | **$738,000** |

Conveyances from the United States, the State of Wisconsin, or from an instrumentality, agency or subdivision of either, are exempt from the fee.

| | |
|---|---|
| **Conveyances by Gift to Governments, s. 77.25(2g)** | **$57,700** |

Conveyances by gift to the United States, the State of Wisconsin, or to an instrumentality, agency or subdivision of either, are exempt from the fee.

| | |
|---|---|
| **Conveyances to Governments for Land Dedications or Highways, s. 77.25(2r)** | **$44,700** |

Conveyances of land by sale or dedication under sec. 236.29(1) or (2), Wis. Stats., or sec. 236.34(1m)(e), Wis. Stats., or for the purpose of a road, street or highway, to the United States, the State of Wisconsin, or any instrumentality, agency or subdivision of either, is exempt from the fee. These conveyances are also exempt from filing a transfer fee return. The fiscal effect may therefore be understated.

| | |
|---|---|
| **Conveyances to Confirm, Correct or Reform a Prior Conveyance, s. 77.25(3)** | **$5,957,400** |

Conveyances that confirm, correct or reform a previously recorded conveyance are exempt from the fee if the new conveyance is made for no, nominal or inadequate consideration.

| | |
|---|---|
| **Conveyances on Sales for Delinquent Taxes, s. 77.25(4)** | **$61,400** |

Conveyances on sales for delinquent taxes or assessments are exempt from the fee.

| | |
|---|---|
| **Conveyances on Partition, s. 77.25(5)** | **$177,400** |

Conveyances on partition of real estate that belongs to several persons as co-owners to those persons are exempt from the fee.

| | |
|---|---|
| **Conveyances Pursuant to Mergers of Corporations, s. 77.25(6)** | **$198,500** |

Conveyances pursuant to mergers of corporations are exempt from the fee.

| | |
|---|---|
| **Conveyances Pursuant to Partnerships Registering as Limited Liability Partnerships, s. 77.25(6d)** | **$7,900** |

Conveyances pursuant to partnerships reorganizing as limited liability partnerships are exempt from the fee.

| | |
|---|---|
| **Conveyances Pursuant to Conversion of Ownership Form with No Change in Ownership Interest, s. 77.25(6m)** | **$122,200** |

Conveyances pursuant to the conversion of a business entity to another form of business entity under secs. 178.1141, 179.1141, 180.1161, 181.1161 or 183.1041, Wis. Stats., if, after the conversion, the

ownership interests in the new entity are identical with the ownership interests in the original entity immediately preceding the conversion.

| | |
|---|---|
| **Conveyances by a Domestic Partnership Interest Exchange, ss. 178.1131 and 77.25(6q)** | **$48,700** |

Conveyances by a domestic partnership who may acquire all of one or more classes or series of interests of another domestic or foreign entity.

| | |
|---|---|
| **Conveyances by a Domestication, ss. 178.1151 and 77.25(6t)** | **$3,000** |

Conveyances by a domestic partnership who may domesticate as a non-United States entity subject to non-United States governing law while continuing to be a domestic partnership. A non-United States entity may domesticate as a domestic partnership subject to this chapter while continuing to be an entity subject to its non-United States governing law.

| | |
|---|---|
| **Conveyances by Subsidiary Corporation to Parent, s. 77.25(7)** | **$137,700** |

Conveyances by a subsidiary corporation to its parent corporation for no consideration, nominal consideration, or in sole consideration of cancellation, surrender or transfer of capital stock are exempt from the fee.

| | |
|---|---|
| **Conveyances Between Parents and Their Children, s. 77.25(8)** | **$3,593,000** |

Conveyances between parent and child, stepparent and stepchild, and parent and son-in-law or daughter-in-law for nominal or no consideration are exempt from the fee.

| | |
|---|---|
| **Conveyances Between Husband and Wife, s. 77.25(8m)** | **$6,644,600** |

Conveyances between a husband and wife are exempt from the fee.

| | |
|---|---|
| **Conveyances Between Registered Domestic Partners, s. 77.25(8n)** | **$55,500** |

Conveyances between an individual and his or her domestic partner under Chapter 770, Wis. Stats., are exempt from the fee.

| | |
|---|---|
| **Conveyances Between Agent and Principal, s. 77.25(9)** | **$3,306,800** |

Conveyances between agent and principal or from a trustee to a beneficiary without actual consideration are exempt from the fee.

| | |
|---|---|
| **Conveyances to Provide or Release Security for a Debt or Obligation, s. 77.25(10)** | **$133,700** |

Conveyances to provide security or release security for a debt or obligation are exempt from the fee. However, for original land contracts filed before August 1, 1992, a transfer fee will be assessed when the documents relating to fulfillment of the land contract are filed.

| | |
|---|---|
| **Conveyances to Designate Time of Death Beneficiaries, s. 77.25(10m)** | **$420,300** |

Conveyances for sole purpose of designating a time of death beneficiary under sec. 705.15, Wis. Stats., are exempt from the fee. Conveyances under this exemption are not required to file a return; therefore, the exemption costs may be understated.

| | |
|---|---|
| **Conveyances by Will, Descent or Survivorship, s. 77.25(11)** | **$9,300,000** |

Conveyances by will, descent or survivorship are exempt from the fee.

| | |
|---|---|
| **Conveyances by Nonprobate Transfer on Death, s. 77.25(11m)** | **$2,362,100** |

Conveyances by nonprobate transfer on death under s. 705.15, Wis. Stats., are exempt from the fee.

| | |
|---|---|
| **Conveyances on Condemnation, s. 77.25(12)** | **$19,000** |

Conveyances pursuant to or in lieu of condemnation are exempt from the fee.

| | |
|---|---|
| **Conveyances of Real Estate Valued at $1,000 or Less, s. 77.25(13)** | **$2,200** |

Conveyances of real estate having a value of $1,000 or less are exempt from the fee. Previously, the exemption applied to transfers of real estate having a value of $100 or less.

| | |
|---|---|
| **Conveyances by or in Lieu of Foreclosure, s. 77.25(14)** | **$489,300** |

Conveyances under a foreclosure or a deed in lieu of a foreclosure to a person holding a mortgage or to a seller under a land contract are exempt from the fee.

| | |
|---|---|
| **Conveyances Between a Family-Owned Corporation and Its Shareholders, s. 77.25(15)** | **$220,300** |

Conveyances between a corporation and its shareholders are exempt from the fee if: (a) all of the stock in the corporation is owned by persons who are related to each other as spouses, lineal ascendants or descendants, siblings (by blood or by adoption), or spouses of siblings; (b) if the transfer is for no consideration except the assumption of debt or stock of the corporation; and (c) if the corporation owned the property for at least three years.

| | |
|---|---|
| **Conveyances Between a Family-Owned Partnership and Its Partners, s. 77.25(15m)** | **$279,500** |

Conveyances between a partnership and one or more of its partners are exempt from the fee if: (a) all of the partners are related to each other as spouses, lineal ascendants or descendants, siblings (by blood or adoption), or spouses of siblings; and (b) if the transfer is for no consideration other than the assumption of debt or an interest in the partnership.

| | |
|---|---|
| **Conveyances Between a Family-Owned Limited Liability Partnership and Its Partners, s. 77.25(15s)** | **$4,934,500** |

Conveyances between a limited liability company and one or more of its members are exempt from the fee if: (a) all of the members are related to each other as spouses, lineal ascendants or descendants, siblings (by blood or adoption), or spouses of siblings; and (b) if transfer is for no consideration other than the assumption of debt or an interest in the limited liability company.

| | |
|---|---|
| **Conveyances to Certain Trusts, s. 77.25(16)** | **$18,458,500** |

Conveyances to a trust are exempt if a transfer from the grantor to the beneficiary of the trust would be exempt under other provisions of the real estate transfer fee law.

| | |
|---|---|
| **Conveyances in Fulfillment of Land Contract, s. 77.25(17)** | **$1,515,100** |

The recording of deeds in fulfillment of a land contract is exempt from the real estate transfer fee if the proper fee was paid when the land contract was recorded. (The fee on land contracts filed before August 1, 1992, is deferred until the contract is fulfilled. The fee on land contracts filed after July 31, 1992, is due when the contract is filed.) The intent of this provision is to prevent two fees from being imposed on the same land contract transaction. Therefore, this exemption does not reduce state revenues.

| | |
|---|---|
| **Conveyances to a Local Exposition District, s. 77.25(18)** | **$0** |

Transfers of property to a local exposition district organized under Subchapter II of Chapter 229, Wis. Stats., are exempt from the fee.

| | |
|---|---|
| **Conveyances from a Fiduciary to an Unincorporated Nonprofit Association, s. 77.25(20)** | **$9,600** |

Conveyances from a fiduciary which held property for the benefit of an unincorporated nonprofit association to the unincorporated nonprofit association in the association's own name are exempt from the fee.

| | |
|---|---|
| **Conveyances of Electric Transmission Facilities and Land Rights, s. 77.25(21)** | **$0** |

Conveyances of transmission facilities or land rights for transmission facilities by a utility company to a transmission company in exchange for securities in the transmission company are exempt from the real estate transfer fee.

| | |
|---|---|
| **Total FY24 Real Estate Transfer Fee Exemption Devices** | **$59,299,000** |

# TAXATION OF PUBLIC UTILITIES

**Background**

Utility company property was originally subject to local assessment and taxation. However, as their service territories expanded, accurate assessment of property in individual municipalities proved difficult. Statutory changes directed the state (via the Department of Revenue or its predecessors) to assess and tax these utility companies on a unitary basis, with some of the tax proceeds shared with the municipalities and counties where the utility property was located. Since some utility companies' property was difficult to assess, a state tax based on gross revenues was adopted instead of a tax based on property value.

Current law provides for three types of state utility taxation.

1. Gross Revenues. Electric cooperative associations; private light, heat and power companies; and municipal utility companies (for electric and gas service outside the municipality that owns the utility) are subject to gross revenues taxes of 0.97 percent on gas revenue, 1.59 percent on wholesale electric revenue; and 3.19 percent on all other revenue.

2. Ad Valorem – Unit Value. Airlines, conservation and regulation companies, municipal electric association projects, pipelines, and railroads are taxed at the state average net property tax rate on the portion of their unit value allocated to Wisconsin.

3. Ad Valorem – Tangible Property Value. Telephone companies are taxed at the net property tax rate in the municipality where the property is located.

A utility company subject to state utility taxes is exempt from local property taxes except for certain special assessments. A private utility providing retail services whose customers and property are in only one municipality is subject to local property taxes instead of the state taxes. A private utility engaged primarily in wholesale electric sales is subject to local taxation if its generating capacity is less than 50 megawatts (MW); if the company's generating capacity is 50 MW or more, the company is subject to state gross revenues taxes.

Total state utility tax collections in FY24 were $439.3 million. Taxes on railroads and airlines, totaling $39.8 million, were deposited in the transportation fund. The remaining $399.5 million was deposited in the state general fund and accounted for 1.9 percent of general fund tax revenues. Table 1 shows utility tax collections in FY24 for gross revenues and ad valorem taxpayers.

**TABLE 1**
**FY24 UTILITY TAX COLLECTIONS**

| Utility by Tax Type | Collections |
|---|---|
| **Gross Revenues** | |
| Electric Cooperative Associations | 14,316,700 |
| Municipal Light, Heat and Power | 3,380,700 |
| Private Light, Heat and Power | 273,563,000 |
| **Ad Valorem -- Unit Value** | |
| Airlines | 4,735,400 |
| Conservation and Regulation Companies | 186,700 |
| Municipal Electric Association Projects | 3,175,800 |
| Pipelines | 44,675,700 |
| Railroads | 35,037,900 |
| **Ad Valorem – Tangible Property Value** | |
| Telephone Companies | 60,226,400 |
| **TOTAL** | $439,298,300 |

The utility tax laws allow certain deductions and exclusions when their tax liabilities are calculated. These estimates are based on data as reported to the Department of Revenue on tax returns for 2024 filed by gross revenues taxpayers or annual reports for 2024 filed by ad valorem taxpayers.

| ***Gross Revenues Exemptions*** | ***FY24 Fiscal Effect*** |
|---|---|
| **Power Purchased by Private Light, Heat and Power Companies, s. 76.28(1)(d)** | **$1,066,000** |

A private light, heat and power company may deduct from its gross revenues by a certain percentage of its purchased power costs if the following conditions are met:

- 100 percent of the purchased power costs may be deducted if:
  - the company purchases more than 50 percent of the power it sells, and
  - the power is not purchased from an affiliated interest, and
  - the entity from whom the power was purchased is subject to the state gross revenues tax.
- 50 percent of the purchased power costs may be deducted if:
  - the company purchases more than 90 percent of its power and
  - the company has less than $50 million of gross revenues.

| | |
|---|---|
| **Power Purchased by Electric Cooperatives, s. 76.48(1g)(d)** | **$8,051,000** |

An electric cooperative that purchases more than 50 percent of the power it sells may deduct 100 percent of the cost of its purchased power if one of the following conditions is met:

- The entity from whom the power was purchased is subject to the state gross revenues tax, or
- More than 50 percent of the power sold in 1987 was purchased from a seller located outside Wisconsin.

| | |
|---|---|
| **Public Benefits Charges, ss. 76.28(1)(d) and 76.48(1g)(d)** | **$16,000** |

Most electric and gas utilities must charge their customers a state-mandated fee for public benefits such as low-income energy assistance, energy conservation programs and renewable energy programs. These fees are excluded from the definition of gross revenues subject to the gross revenues tax. Since the fee is effectively a state revenue, the exclusion does not reduce state revenues.

Some electric cooperatives and municipal light, heat and power companies provide their own public benefits programs funded through fees on their customers' bills. These public benefits charges are excluded from the revenues subject to the gross revenues tax. The revenue loss shown here is only for those companies that operate their own public benefits program.

| | |
|---|---|
| **Transmission Company Revenues from Utilities Subject to State Utility Taxation, s. 76.28(1)(d)** | **$16,657,000** |

When determining its gross revenues, an electric transmission company may exclude revenues for services provided to: (1) electric cooperatives organized under Wisconsin law that provide wholesale service to their members; (2) municipal light, heat and power companies based in Wisconsin; and (3) private light, heat and power companies which are subject to the state's gross revenues tax.

**Ad Valorem Exemptions**

| | |
|---|---|
| **Hub Airlines, s. 76.074(1)(b)** | **$0** |

An airline is deemed a "hub airline" if, in the prior year, it: (1) operated at least 45 common carrier flights each weekday to at least 15 nonstop destinations from a single airport in Wisconsin; or (2) it was headquartered in Wisconsin and operated, from one or more Wisconsin airports, at least 20 common

carrier flights each weekday. A hub airline is exempt from both the state ad valorem tax on airlines and local property taxes. None of the airlines currently operating in Wisconsin qualifies as a hub airline.

| **Motor Vehicles – Generally, s. 76.025(1)** | **$0** |
|---|---|

Motor vehicles including automobiles, trucks and trailers owned by airline, pipeline, railroad, or conservation and regulation companies are exempt, except for state vehicle registration fees, from the ad valorem utility tax. Since this is how licensed motor vehicles are taxed for all owners of such property, the exemption effectively has no fiscal effect.

| **Motor Vehicles – Telephone Companies, s. 76.28(1)(d)** | **$0** |
|---|---|

Motor vehicles including automobiles, trucks and trailers owned by a telephone company are subject to state vehicle registration fees and exempt from the telephone company ad valorem tax. Since this is how licensed motor vehicles are taxed for all owners of such property, the exemption effectively has no fiscal effect.

| **Treatment Plant and Pollution Abatement Equipment – Generally, s. 76.025(1)** | **Not Available** |
|---|---|

Waste treatment property owned by an airline, pipeline, railroad, or conservation and regulation company and used to abate or eliminate the pollution of the state's water or air is exempt from the ad valorem utility tax. Since data on such property is infrequently reported and the reporting schedule is difficult to audit, information on the potential loss in state ad valorem taxes is not available.

| **Treatment Plant and Pollution Abatement Equipment – Telephone Companies, s. 76.81** | **$0** |
|---|---|

Waste treatment property owned by a telephone company and used to abate or eliminate the pollution of the state's water or air is exempt from the ad valorem utility tax. Telephone companies reported no such property was owned or leased in the most current year.

| **Computers, Fax Machines and Cash Registers – Generally, s. 76.025(1)** | **Not Available** |
|---|---|

Computers, fax machines (excluding machines that are also copiers) and cash registers that are owned by airline, pipeline, railroad, or conservation and regulation companies are exempt from the ad valorem tax. Since data on such property is infrequently reported and the reporting schedule is difficult to audit, information on the potential loss in state ad valorem taxes is not available.

| **Computers, Fax Machines and Cash Registers –Telephone Companies, s. 76.81** | **Not Available** |
|---|---|

Computers, fax machines (excluding machines that are also copiers) and cash registers that are owned by a telephone company are exempt from the ad valorem tax. Although the annual report filed by telephone companies with the Department of Revenue (DOR) contains a line for "exempt computers, software, and faxes," the data are not entered into any data retrieval system. Thus, it is not possible to estimate the effect of this exemption.

| **Telephone Company Property Used Less Than 50% for Telephone Purposes, ss. 70.112(4)(b) and 76.81** | **Not Available** |
|---|---|

If a property is used, in part, by a telephone company, and the telephone company uses 50 percent or more of the property, the property is subject to the telephone property tax and exempt from local property taxes. However, if a property is used, in part, by a telephone company, and the telephone company uses less than 50 percent of the property, the property is exempt from the telephone property tax and subject instead to local property taxes. Since telephone company reports filed with DOR do not include information on this type of property, an estimate of the effect of the exemption is not available.

| | |
|---|---|
| **Telephone Company Property Used for Rural Broadband, ss. 76.80 and 76.81** | **$19,161,500** |

Qualified broadband service property is installed in a rural and underserved area without at least two wired providers. The service property is used to provide internet access service to the rural area at actual speeds that are at least a download speed of 25 megabits per second and an upload speed of 3 megabits per second or the download and upload speed benchmark under 47 USC 1302(B). Broadband property installed after January 1, 2019, is exempt as of January 1, 2021. Broadband property installed prior to January 1, 2020, is exempt as of January 1, 2025.

| | |
|---|---|
| **Car Line Taxes, s. 76.39** | **$400,000** |

2023 Wisconsin Act 12 exempted all personal property beginning with January 1, 2024, property tax assessments. Furthermore, the federal Railroad Revitalization and Regulatory Act of 1976, 49 USC 11501(B)(4) (4-R Act) restricts the ability of state and local governments to levy discriminatory taxes on rail carriers. As a result, railroad personal property is also exempted.

# EXCISE TAXES

## Introduction

Wisconsin imposes taxes on cigarettes, tobacco products, liquor, wine and beer. The taxes on cigarettes and tobacco products are excise taxes imposed on distributors. Taxes on liquor, wine and beer are occupational taxes imposed on the seller for the privilege of engaging in a particular business. Under either approach, these taxes are commonly referred to as excise taxes.

The state collects additional excise taxes that are deposited in segregated funds, notably the motor vehicle fuel and alternate fuel taxes that are deposited in the transportation fund. Only general fund excise taxes listed above are discussed in this chapter.

Excise taxes contributed $617.8 million to the state general fund tax collections in FY24 (2.98 percent of all general fund tax collections). Table 1 below shows FY24 tax revenue collections from each general fund excise tax. The cigarette tax dominates excise tax collections, providing $482.44 million or 73 percent of FY24 total general fund excise tax collections.

**Table 1**
**General Fund Excise Tax Collections**

| Tax Type | Tax Rates as of January 1, 2024 | FY24 Excise Tax Revenues | |
|---|---|---|---|
| | | ($ millions) | % |
| Cigarettes | $2.52 Per 20-Pack | 402.7 | 70.4% |
| Tobacco | 71% of manufacturer's established list price to distributors | 5.2 | 0.9% |
| Moist Snuff | 100% of manufacturer's established list price to distributors | 63.8 | 11.2% |
| Cigars | Lesser of 71% of manufacturer's established list price to distributors or $0.50 per cigar | 16.6 | 2.9% |
| Vapor Products | $0.05/mL | 7.1 | 1.2% |
| Beer | $2.00 per 31-gallon barrel ($0.065/gallon) | 8.0 | 1.4% |
| Distilled Spirits | $0.8586 per liter ($3.25/gallon) | 64.5 | 11.3% |
| Wine and Cider<br>- up to 14% alcohol<br>- 14% to 21% alcohol<br>Apple and Pear Cider<br>- less than 7% alcohol | <br>$0.06605 per liter ($0.25/gallon)<br>$0.1189 per liter ($0.45/gallon)<br><br>$0.0171 per liter ($0.065/gallon) | 3.8 | 0.7% |
| Total Excise Taxes | | 571.8 | 100.0% |

Over the years, the state has enacted certain discounts, exemptions and refunds of taxes paid on cigarettes, tobacco products, liquor, wine and beer. The estimated state revenue foregone or state expenditures in FY24 because of these discounts, exemptions and refunds are presented in this chapter for those provisions where information is available to construct a fiscal estimate. No estimates are provided in cases where the state is precluded by federal law from imposing a tax (interstate commerce, purchases by the federal government, and purchases by U.S. armed forces members on military installations).

## Cigarettes

Wisconsin law defines cigarettes as any roll of tobacco, which is wrapped in paper, or any substance other than tobacco.

The cigarette tax was first imposed in 1939, as an emergency tax, at a rate of $0.02 per pack. The tax was increased to $0.03 per pack in 1949 and was made permanent that year. Over the years, the tax rate

increased periodically. More recently, the cigarette tax increased by $1.00 per pack, from $0.77 to $1.77, effective January 1, 2008. On September 1, 2009, the tax rate was further increased an additional 75 cents per pack, to $2.52 per pack.

In addition to excise tax paid on a pack of cigarettes, following each tax rate increase an inventory tax is imposed, and paid by all permittees and retailers who possess stamped cigarettes held for resale on which the cigarette tax was already paid before the increase.

The cigarette tax is paid by Wisconsin distributors (both in-state and out-of-state) who are required to purchase tax stamps from the Department of Revenue and affix the stamps to cigarette packs. Distributors may affix Wisconsin tax stamps only to cigarettes purchased directly from manufacturers approved by the department, which appear in good standing on the Attorney General's Directory of Certified Manufacturers and Brands. In addition, persons other than cigarette distributors who bring untaxed cigarettes into Wisconsin must pay the cigarette use tax (at the same tax rate as the in-state cigarette tax rate).

| ***Cigarettes Tax Discounts, Exemptions and Refunds*** | ***FY24 Fiscal Effect*** |
|---|---|
| **Distributors Discount, s. 139.32(5)** | **$4,571,577** |

Manufacturers, bonded direct marketers and distributors who are authorized by the department to purchase tax stamps receive a discount of 0.8 percent of the tax paid on stamp purchases.

| | |
|---|---|
| **Cigarettes Shipped to Customers in Other States, s. 139.31(3)** | **Not Available** |

Cigarettes shipped via interstate commerce to customers in other states, for sale outside of Wisconsin are exempt from tax.

| | |
|---|---|
| **Cigarettes Sold to the Armed Forces and Veterans Hospitals, s. 139.31(3)** | **Not Available** |

Cigarettes sold to post exchanges of the armed forces of the United States and to federally operated veterans hospitals in this state are exempt from tax.

| | |
|---|---|
| **Cigarettes Sold to Interstate Carriers of Passengers for Hire, s. 139.31(3)** | **Not Available** |

Cigarettes sold to interstate carriers of passengers for hire to be resold to bona fide passengers being transported are exempt from tax.

| | |
|---|---|
| **Refunds for Unusable Stamps, s. 139.36 and Wis. Admin. Code TAX 9.11** | **Not Available** |

A cigarette distributor can receive a refund of the tax paid for Wisconsin stamps affixed to packs of unsalable cigarettes returned to the manufacturer. Distributors going out of business or selling their business may receive a refund of the tax paid for Wisconsin stamps not affixed to packs of cigarettes.

| | |
|---|---|
| **Refunds to Indian Tribes for Cigarettes, ss. 139.325 and 139.323** | **$22,458,475** |

Native American tribal councils that have entered into agreements with the State of Wisconsin are eligible for two refunds on cigarette tax collected. Jointly, these two refunds essentially return 100 percent of the cigarette tax paid by tribal members residing on tribal lands. The refunds are comprised of:

- A monthly 70 percent refund of the cigarette tax paid on cigarettes sold by authorized Native American retailers on reservation trust land over which a tribe has jurisdiction. The land must have been designated a reservation or trust land on or before January 1, 1983, or on a later date as determined by an agreement between the Department of Revenue and the tribal council. FY24: $21,996,420
- A quarterly 30 percent refund of the cigarette tax paid on cigarettes sold on reservations to enrolled members of the tribe residing on the reservation. FY24: $462,055

**Tobacco and Vapor Products**

Wisconsin law defines tobacco products as cigars; cheroots; granulated, plug cut and other smoking tobacco; snuff; chewing tobacco; clippings; and other forms of tobacco prepared in such a manner as to be suitable for chewing or smoking in a pipe or otherwise. The definition includes tobacco that is used for "roll your own" cigarettes, but it does not include cigarettes. The definition of moist snuff includes any finely cut, ground, or powdered smokeless tobacco that is intended to be placed or dipped in the mouth.

The excise tax on tobacco products was first imposed on October 1, 1981, at the rate of 20 percent. On December 1, 1999, the tobacco products tax was changed from an occupational tax to an excise tax (1999 Wisconsin Act 9) and on October 1, 2001, the tax rate was raised to 25 percent.

Effective January 1, 2008, the tobacco products tax on all tobacco, other than moist snuff, increased from 25 percent of the manufacturer's list price to 50 percent of the list price, and then further increased to 71 percent of manufacturer's established list price beginning on September 1, 2009. Beginning January 1, 2008, a cap of 50 cents was also established as the maximum tax per cigar.

The taxation of moist snuff was converted to a weight-based tax effective January 1, 2008, but returned to a price-based tax (at 100 percent of the manufacturer's established list price) effective September 1, 2009.

Effective October 1, 2019, Wisconsin law imposes an excise tax on vapor products received by distributors in Wisconsin. As defined in sec. 139.75(14), Wis. Stats., "vapor product" means a noncombustible product that produces vapor or aerosol for inhalation from the application of a heating element to a liquid or other substance that is depleted as the product is used, regardless of whether the liquid or substance contains nicotine.

Table 2 below shows collections for all other tobacco and vapor products.

**Table 2**
**OTHER TOBACCO AND VAPOR PRODUCTS COLLECTIONS**

| Tax Type | Tax Rates as of January 1, 2024 | FY24 Excise Tax Revenues | |
|---|---|---|---|
| | | ($ millions) | % |
| Tobacco | 71% of manufacturer's established list price to distributors | 5.2 | 5.6% |
| Moist Snuff | 100% of manufacturer's established list price to distributors | 63.8 | 68.8% |
| Cigars | Lesser of 71% of manufacturer's established list price to distributors or $0.50 per cigar | 16.6 | 17.9% |
| Vapor Products | $0.05/mL | 7.1 | 7.7% |
| Total Excise Taxes | | 92.8 | 100.0% |

| *Tobacco Products Tax Discounts, Exemptions and Refunds* | *FY24 Fiscal Effect* |
|---|---|
| **Tobacco Products Shipped to Customers in Other States, s. 139.76(2)** | **Not Available** |

Tobacco products shipped via interstate commerce to customers in other states for sale outside Wisconsin are exempt from tax.

| | |
|---|---|
| **Tobacco Products Sold to the Armed Forces and Veterans Hospitals, s. 139.76(2)** | **Not Available** |

Tobacco products sold to the armed forces (e.g., Fort McCoy) or state or federally operated veterans' hospitals are exempt from tax.

| | |
|---|---|
| **Tobacco Products Sold to Interstate Carriers of Passengers for Hire, s. 139.76(2)** | **Not Available** |

Tobacco products sold to interstate carriers of passengers for hire to be resold to bona fide passengers being transported are exempt from tax.

| | |
|---|---|
| **Credit for Tobacco Products Returned to the Manufacturer and/or Short Shipments, s. 139.80** | **Not Available** |

A licensed tobacco products distributor can receive a refund or credit when tobacco products are shipped to customers outside Wisconsin, returned to the manufacturer and/or short shipments, or destroyed due to damage or becoming unfit for sale.

| | |
|---|---|
| **Refunds to Indian Tribes for Tobacco Products, ss. 139.803 and 139.805** | **$1,459,263** |

Native American tribal councils that have entered into agreements with the Department of Revenue are eligible for two refunds. Jointly, these two refunds essentially return 100 percent of the tobacco tax paid by tribal members residing on tribal lands. The refunds are comprised of:

- A quarterly 50 percent refund of the tobacco products tax paid on tobacco products sold on reservations to enrolled members of the tribe residing on the reservation. FY24: $140,385
- A monthly 50 percent refund of the tobacco products tax paid on tobacco products sold by authorized Native American retailers on reservation trust land over which a tribe has jurisdiction. The land must have been designated a reservation or trust land on or before January 1, 1983, or on a later date as determined by an agreement between the department and the tribal council. FY24: $1,318,878

**Distilled Spirits, Cider and Wine**

Wisconsin defines distilled spirits as any beverage (except beer) made by a distillation process from agricultural grains, fruits and sugars, containing 0.5 percent or more of alcohol by volume. Wine is defined as any beverage (except beer) made by a fermentation process from agricultural products, fruits, and sugars, containing 0.5 percent or more of alcohol by volume. It includes cider containing more than 7 percent alcohol by volume.

Cider is defined as any beverage obtained from the fermentation of the juice of apples, containing not less than 0.5 percent alcohol by volume and not more than 7 percent alcohol by volume. Cider can be flavored, sparkling, or carbonated. Cider containing more than 7 percent alcohol by volume is taxed as wine.

Wisconsin imposes an occupational tax on the sale of both distilled spirits and wine. The tax was imposed at the end of Prohibition and modified several times. The current tax rates have been in place since 1981 (except for the tax on cider, which was established in 1998). Current tax rates are: $0.06605 per liter ($0.25 per gallon) for wine containing up to 14 percent alcohol; $0.1189 per liter ($0.45 per gallon) for wine containing 14 percent to 21 percent alcohol; and $0.8586 per liter ($3.25 per gallon) for distilled spirits and

wine containing over 21 percent alcohol. The rates were converted from per gallon to per liter amounts in 1985. The tax on cider is $0.0171 per liter ($0.07 per gallon). Collections on alcoholic beverages (distilled spirits, wine, cider and beer) are shown in Table 3.

**Table 3**
**ALCOHOLIC BEVERAGE COLLECTIONS**

| Tax Type | Tax Rates as of January 1, 2024 | FY24 Excise Tax Revenues | |
|---|---|---|---|
| | | ($ millions) | % |
| Beer | $2.00 per 31-gallon barrel ($0.065/gallon) | 8.0 | 10.5% |
| Distilled Spirits | $0.8586 per liter ($3.25/gallon) | 64.5 | 84.5% |
| Wine and Cider<br>- up to 14% alcohol<br>- 14% to 21% alcohol<br>Apple and Pear Cider<br>- less than 7% alcohol | <br>$0.06605 per liter ($0.25/gallon)<br>$0.1189 per liter ($0.45/gallon)<br><br>$0.0171 per liter ($0.065/gallon) | 3.8 | 5.0% |
| Total Excise Taxes | | $76.3 | 100% |

When a liquor tax rate increases, an inventory tax is imposed on all liquor permittees and retailers who are in possession of any liquor held for resale on which tax has been paid.

Liquor, wine and cider taxes contributed $68.3 million to the state's general fund during FY24.

The distilled spirits, cider and wine taxes are remitted to the department with a monthly return. In addition to the liquor tax, distributors pay the Department of Revenue an administrative fee of $0.11 per gallon on liquor containing 0.5 percent or more alcohol by volume.

| ***Distilled Spirits, Cider and Wine Exemptions and Refunds*** | ***FY24 Fiscal Effect*** |
|---|---|
| **Wine or Cider Made at Home, s. 139.04(1)** | **Not Available** |

Wine or cider made at home, for consumption at home without compensation is not subject to tax.

| | |
|---|---|
| **Liquor Between Manufacturers, Rectifiers and Wineries, s. 139.04(4)** | **Not Available** |

The sale or shipment of liquor in bulk between manufacturers, rectifiers and wineries is not subject to tax.

| | |
|---|---|
| **Intoxicating Liquor Shipped Out of the State, s. 139.04(5)** | **Not Available** |

Intoxicating liquor for shipment in interstate or foreign commerce is not subject to tax.

| | |
|---|---|
| **Wine Sold for Sacramental Purposes, s. 139.04(6)** | **Not Available** |

Wine for sacramental purposes is not subject to tax.

| | |
|---|---|
| **Alcohol Sold for Non-Consumption Purposes, ss. 139.04(7), 139.04(8) and 139.04(9)** | **Not Available** |

The Wisconsin liquor tax is not imposed upon alcohol sold to industrial permittees used for industrial purposes, alcohol sold to medicinal permittees used for hospital or medicinal purposes, or wine sold to industrial wine permittees used for industrial purposes.

| | |
|---|---|
| **Liquor Tax Refunds, s. 139.10** | **Not Available** |

Taxes paid on the alcohol may be refunded for intoxicating liquor that is spoiled or unfit to drink, liquor

supplied to hospitals for medicinal purposes, or alcohol supplied to institutions of learning or museums for nonbeverage purposes.

**Fermented Malt Beverages**

In the following discussion, the term "beer" is used in place of "fermented malt beverages," which is the term defined under Wisconsin law. “Fermented malt beverages" is defined as any beverage made by the alcohol fermentation in water of barley malt and hops, with or without grains and sugar, containing 0.5 percent or more of alcohol by volume.

Wisconsin imposes an occupational tax on the sale of beer at the rate of $2.00 per 31-gallon barrel. The tax was first imposed in 1933 at the rate of $1.00 per barrel. The only increase in the tax occurred when it was raised to its current rate of $2.00 per barrel beginning on November 1, 1969. There is no inventory tax on beer if the tax rate were to change.

| ***Fermented Malt Beverage Credits, Exemptions and Refunds*** | ***FY24 Fiscal Effect*** |
|---|---|
| **Beer Made at Home, s. 139.04(1)** | **Not Available** |

Beer made at home for consumption at home without compensation is not subject to tax.

| | |
|---|---|
| **Brewery and Brewpub Employees, s. 139.04(2)** | **Not Available** |

Beer furnished by a brewer or brewpub of fermented malt beverages to workers employed in the brewery or brewpub for consumption on the brewery premises or brewpub premises without charge is not subject to tax.

| | |
|---|---|
| **Beer that Contains Less Than 0.5% Alcohol by Volume, s. 139.04(3)** | **Not Available** |

The manufacture or sale of any beverage containing less than one-half of 1 percent of alcohol by volume is not subject to tax.

| | |
|---|---|
| **Beer Sold by a Brewer to a Bottler, s. 139.04(4)** | **Not Available** |

The sale or shipment of fermented malt beverages by a brewer to a bottler is not subject to tax.

| | |
|---|---|
| **Beer Shipped Out of the State, s. 139.04(5)** | **Not Available** |

Beer produced for shipment in interstate or foreign commerce is not subject to tax.

| | |
|---|---|
| **Beer Sold for Industrial Purposes, s. 139.04(7m)** | **Not Available** |

Beer sold to industrial permittees used for industrial purposes is not subject to tax.

| | |
|---|---|
| **Beer Tax Refunds, s. 139.10** | **Not Available** |

Taxes paid on beer may be refunded for whole cases or full kegs of beer that are spoiled or unfit to drink, beer sold to the U.S. armed forces, or alcohol supplied to institutions of learning or museums for nonbeverage purposes.

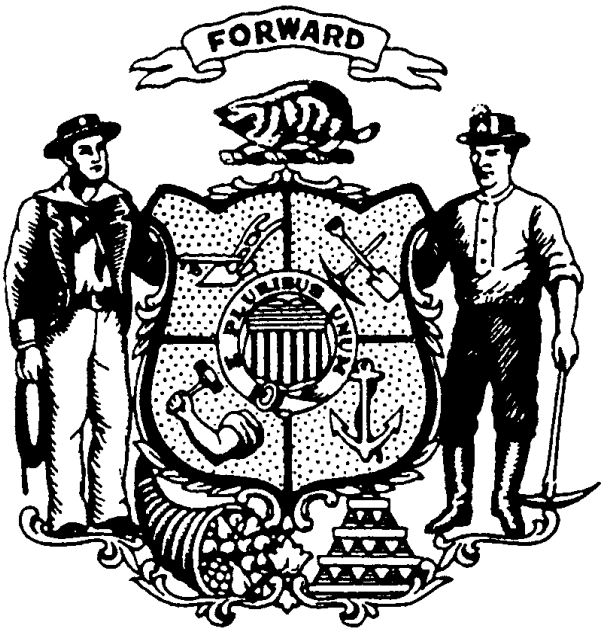
Table 4 below provides a list of estimates for the exemption devices described in this chapter.

**TABLE 4**
**GENERAL FUND EXCISE TAX EXEMPTIONS, CREDITS AND REFUNDS**

| Tax Exemption Device | Statutory Reference | FY24 Fiscal Effect |
|---|---|---|
| **Cigarette Tax Exemptions and Refunds** | | |
| **Distributors Discount** | | |
| Discount for Distributor Costs[1] | s. 139.32 (5) | 4,571,577 |
| **Exemptions** | | |
| Shipped to Customers in Other States Via Interstate Commerce | s. 139.31(3) | Not Available |
| Sold to the Armed Forces (e.g., Fort McCoy) or State or Federally Operated Veterans' Hospitals | s. 139.31(3) | Not Available |
| Sold to Interstate Carriers of Passengers for Hire to be Resold to Bona Fide Passengers Being Transported | s. 139.31(3) | Not Available |
| **Refunds or Credits** | | |
| Cigarettes Unfit for Sale and Distributors Going Out of Business | s. 139.36 | Not Available |
| **Refunds to Indian Tribes** | | |
| Quarterly 30% Refund | s. 139.325 | 462,055 |
| Monthly 70% Refund | s. 139.323 | 21,996,420 |
| **Tobacco Products Tax Exemptions and Refunds** | | |
| **Exemptions** | | |
| Shipped to Customers in Other States Via Interstate Commerce | s. 139.76(2) | Not Available |
| Sold to the Armed Forces (e.g., Fort McCoy) or State or Federally Operated Veterans' Hospitals | s. 139.76(2) | Not Available |
| Sold to Interstate Carriers of Passengers for Hire to be Resold to Bona Fide Passengers Being Transported | s. 139.76(2) | Not Available |
| **Refunds or Credits** | | |
| Shipped to Customers Outside Wisconsin. | s. 139.80 | Not Available |
| Returned to the Manufacturer and/or Short Shipments | s. 139.80 | Not Available |
| Destroyed Due to Damage or Becoming Unfit for Sale | s. 139.80 | Not Available |
| **Tribal Refunds** | | |
| Quarterly 50% Refund | ss. 139.803 and 139.805 | 140,385 |
| Monthly 50% Refund | | 1,318,878 |
| **Distilled Spirits, Wine and Cider Tax Exemptions and Refunds** | | |
| **Exemptions** | | |
| Wine or Cider Made at Home for Consumption at Home Without Compensation | s. 139.04(1) | Not Available |
| Liquor Shipped to Other States or Foreign Countries | s. 139.04(5) | Not Available |
| Sale and Use of Wine for Sacramental Purposes | s. 139.04(6) | Not Available |
| Alcohol Sold to Industrial Permittees for Industrial Purposes | s. 139.04(7) | Not Available |
| Liquor Sold to Hospitals for Medicinal Purposes | s. 139.04(8) | Not Available |
| Wine Sold to Industrial Wine Permittees for Industrial Purposes | s. 139.04(9) | Not Available |

[1] Discount rate changed from 0.8% to 1.25% effective October 1, 2023.

| | | |
|---|---|---|
| **Refunds or Credits** | | |
| Liquor Spoiled or Unfit for Consumption | s. 139.10(1) | Not Available |
| Liquor Supplied to Hospitals for Medicinal Purposes or to Institutions of Learning or Museums for Nonbeverage Purposes | s. 139.10(2) | Not Available |
| Liquor Shipped to Wholesalers Outside Wisconsin | s. 139.04(5) | Not Available |
| Wine Sold for Sacramental Purposes | s. 139.04(6) | Not Available |
| **Beer Tax Credits, Exemptions and Refunds** | | |
| **Credits** | | |
| Eligible Producer Tax Credit | s. 139.02(2) | Not Available |
| **Exemptions** | | |
| Beer Made at Home for Consumption at Home Without Compensation | s. 139.04(1) | Not Available |
| Beer Furnished by a Brewer to Employees Without Charge on Brewery Premises | s. 139.04(2) | Not Available |
| Beer Containing Less Than 0.5% Alcohol by Volume | s. 139.04(3) | Not Available |
| Beer Shipped to Other States or Foreign Countries | s. 139.04(5) | Not Available |
| Beer Sold to Industrial Permittees for Use in Food Items | s. 139.04(7m) | Not Available |
| **Refunds or Credits** | | |
| Beer Sold to the Armed Forces | s. 139.10(1) | Not Available |
| Beer Spoiled or Unfit for Consumption | s. 139.10(1) | Not Available |
| Beer Shipped to Wholesalers Outside Wisconsin | s. 139.04(5) | Not Available |


FORWARD
EQUALITY STATE

*The State* *of Wyoming*

# DEPARTMENT OF REVENUE

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MEMORANDUM

TO: JOINT REVENUE COMMITTEE

FROM: TERRI LUCERO, ADMINISTRATOR, EXCISE TAX DIVISION

DATE: SEPTEMBER 22, 2021

SUBJECT: MODERNIZATION OF SALES TAX – TAXATION OF SERVICES

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The estimates on the attached spreadsheet are based on information of tax collections on services from the state of South Dakota adjusted for Wyoming's population. The spreadsheet also includes estimates of tax collection, assuming the repeal of the manufacturing machinery exemption and the data center exemption.

## Enhancing Revenues
## Broadening the State Sales Tax

| | Taxable Sales FY21 | Conversion to Wyoming Sales at 65% of South Dakota's population | Potential revenue at average statewide rate of 5.35% | State General Fund Revenue | Local Government Revenue |
|---|---|---|---|---|---|
| **Agricultural Services** | | | | | |
| | | | | | |
| Veterinary Services, Specialities | $ 78,582,331 | $ 51,408,561 | $ 2,750,358 | $ 1,408,347 | $ 1,342,011 |
| Landscape Counseling & Planning | $ 7,345,941 | $ 4,805,715 | $ 257,106 | $ 131,653 | $ 125,452 |
| Lawn and Garden Services | $ 99,417,179 | $ 65,038,719 | $ 3,479,571 | $ 1,781,747 | $ 1,697,824 |
| Total | $ 185,345,451 | $ 121,252,994 | $ 6,487,035 | $ 3,321,747 | $ 3,165,288 |
| | | | | | |
| **Business Services** | | | | | |
| | | | | | |
| Commercial Art and Graphic Design | $ 6,501,031 | $ 4,252,974 | $ 227,534 | $ 116,511 | $ 111,023 |
| Court reporting services | $ 15,759,091 | $ 10,309,597 | $ 551,563 | $ 282,433 | $ 269,130 |
| Disinfecting and Pest Control Services | $ 27,447,697 | $ 17,956,283 | $ 960,661 | $ 491,916 | $ 468,746 |
| Building Maintenance Service | $ 84,672,018 | $ 55,392,434 | $ 2,963,495 | $ 1,517,485 | $ 1,446,010 |
| Computer programming Services | $ 76,775,860 | $ 50,226,768 | $ 2,687,132 | $ 1,375,971 | $ 1,311,161 |
| Data Processing Services | $ 79,442,954 | $ 51,971,581 | $ 2,780,480 | $ 1,423,771 | $ 1,356,709 |
| Business Services NEC | $ 229,775,368 | $ 150,319,046 | $ 8,042,069 | $ 4,118,017 | $ 3,924,052 |
| Total | $ 520,374,019 | $ 340,428,683 | $ 18,212,935 | $ 9,326,104 | $ 8,886,831 |
| | | | | | |
| **Engineering & Management Services** | | | | | |
| | | | | | |
| Engineering Services | $ 111,578,655 | $ 72,994,756 | $ 3,905,219 | $ 1,999,704 | $ 1,905,515 |
| Architectural Services | $ 17,331,895 | $ 11,338,526 | $ 606,611 | $ 310,621 | $ 295,990 |
| Surveying Services | $ 10,806,215 | $ 7,069,426 | $ 378,214 | $ 193,668 | $ 184,546 |
| Accounting, Auditing & Bookkeeping | $ 203,070,808 | $ 132,848,923 | $ 7,107,417 | $ 3,639,420 | $ 3,467,998 |
| Commercial Research | $ 2,502,458 | $ 1,637,108 | $ 87,585 | $ 44,849 | $ 42,736 |
| Testing Laboratories | $ 34,990,497 | $ 22,890,783 | $ 1,224,657 | $ 627,097 | $ 597,560 |
| Management Services | $ 49,590,884 | $ 32,442,356 | $ 1,735,666 | $ 888,764 | $ 846,902 |
| Management Consulting Services | $ 113,277,267 | $ 74,105,988 | $ 3,964,670 | $ 2,030,147 | $ 1,934,524 |

## Enhancing Revenues
## Broadening the State Sales Tax

| | Taxable Sales FY21 | Conversion to Wyoming Sales at 65% of South Dakota's population | Potential revenue at average statewide rate of 5.35% | State General Fund Revenue | Local Government Revenue |
|---|---|---|---|---|---|
| Facilities Support Services | $ 7,589,078 | $ 4,964,775 | $ 265,615 | $ 136,011 | $ 129,605 |
| Real Estate Agents and Managers | $ 342,651,851 | $ 224,162,841 | $ 11,992,712 | $ 6,140,981 | $ 5,851,731 |
| Total | $ 893,389,608 | $ 584,455,482 | $ 31,268,368 | $ 16,011,261 | $ 15,257,107 |
| | | | | | |
| **Personal services** | | | | | |
| Beauty Shops | $ 118,486,948 | $ 77,514,161 | $ 4,147,008 | $ 2,123,514 | $ 2,023,494 |
| Barber Shops | $ 5,568,895 | $ 3,643,171 | $ 194,910 | $ 99,805 | $ 95,104 |
| Tax Return Preparation Services | $ 13,778,189 | $ 9,013,691 | $ 482,232 | $ 246,932 | $ 235,301 |
| Misc. Personal Services NEC | $ 71,157,209 | $ 46,551,046 | $ 2,490,481 | $ 1,275,274 | $ 1,215,207 |
| Total | $ 208,991,241 | $ 136,722,070 | $ 7,314,631 | $ 3,745,525 | $ 3,569,106 |
| | | | | | |
| **Amusement and Recreation Services** | | | | | |
| Dance Studios, Schools & Halls | $ 5,963,452 | $ 3,901,290 | $ 208,719 | $ 106,877 | $ 101,842 |
| Bowling Centers | $ 11,214,797 | $ 7,336,720 | $ 392,515 | $ 200,991 | $ 191,524 |
| Physical Fitness Centers | $ 30,280,160 | $ 19,809,281 | $ 1,059,797 | $ 542,679 | $ 517,118 |
| Public Golf Courses | $ 32,949,410 | $ 21,555,504 | $ 1,153,219 | $ 590,517 | $ 562,703 |
| Membership Sports Clubs | $ 55,121,190 | $ 36,060,282 | $ 1,929,225 | $ 987,878 | $ 941,347 |
| Amusement & Recreations NEC | $ 128,055,325 | $ 83,773,794 | $ 4,481,898 | $ 2,294,998 | $ 2,186,900 |
| Total | $ 263,584,334 | $ 172,436,871 | $ 9,225,373 | $ 4,723,938 | $ 4,501,434 |
| | | | | | |
| **Legal Services** | | | | | |
| Legal Services | $ 245,653,757 | $ 160,706,688 | $ 8,597,808 | $ 4,402,588 | $ 4,195,220 |
| Total | $ 245,653,757 | $ 160,706,688 | $ 8,597,808 | $ 4,402,588 | $ 4,195,220 |
| | | | | | |
| **Services Total** | $ 2,317,338,410 | $ 1,516,002,788 | $ 81,106,149 | $ 41,531,164 | $ 39,574,986 |
| **Removal of Exemptions** | | | | | |
| | | | | | |
| | | | | | |
| Manufacturing Machinery forgone tax from 2021 surv | $ 124,739,470 | | $ 6,673,562 | $ 3,417,260 | $ 3,256,302 |

**Enhancing Revenues**
**Broadening the State Sales Tax**

| | Taxable Sales FY21 | Conversion to Wyoming Sales at 65% of South Dakota's population | Potential revenue at average statewide rate of 5.35% | State General Fund Revenue | Local Government Revenue |
|---|---|---|---|---|---|
| Data Center forgone tax from 2021 survey | $ 260,563,440 | | $ 13,940,144 | $ 7,138,181 | $ 6,801,963 |
| Total | $ 385,302,910 | $ - | $ 20,613,706 | $ 10,555,441 | $ 10,058,265 |
| | | | | | |
| **Total Services and removal of exemptions** | $ 2,702,641,320 | $ 1,516,002,788 | $ 101,719,855 | $ 52,086,605 | $ 49,633,250 |

**Enhancing Revenues**
**Broadening the State Sales Tax**

*South Dakota's reported taxable sales come from their "State Taxable Sales by SIC Code" as found on their website.
**These are currently items that are not being taxed in Wyoming - either nontaxable or exempt.
Nontaxable means there is no imposition statute; exempt means it was originally taxable, but the legislature has decided to exempt it (for a variety of reasons)
**Note: This comparison only includes services that are available on the South Dakota website. To the best of my knowledge, it does not include exempt sales of tangible personal property.**

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| Category | *SD Reported Taxable Sales | Conversion to Wyoming Sales at 65% of South Dakota's population (2021) | **Potential revenue at average statewide rate of 5.34% (Current) | State General Fund Revenue | Local Government Revenue |
|---|---|---|---|---|---|
| **Agriculture, Forestry, & Fishing** | | | | | |
| | | | | | |
| Soil Preparation Services | 5,807,849 | 3,775,102 | 201,590 | 104,193 | 97,398 |
| Crop Planting & Protecting | 4,857,399 | 3,157,309 | 168,600 | 87,142 | 81,459 |
| Crop Preparation Services for Market | 2,108,788 | 1,370,712 | 73,196 | 37,832 | 35,364 |
| Veterinary Services for Livestock | 130,343,509 | 84,723,281 | 4,524,223 | 2,338,363 | 2,185,861 |
| Veterinary Services, Specialties | 85,366,288 | 55,488,087 | 2,963,064 | 1,531,471 | 1,431,593 |
| Livestock Services, Except Veterinary | 10,039,979 | 6,525,987 | 348,488 | 180,117 | 168,370 |
| Animal Specialty Services | 31,982,731 | 20,788,775 | 1,110,121 | 573,770 | 536,350 |
| Farm Labor Contractors | 187,829 | 122,089 | 6,520 | 3,370 | 3,150 |
| Farm Management Services | 6,287,205 | 4,086,683 | 218,229 | 112,792 | 105,436 |
| Landscape Counseling & Planning | 7,728,776 | 5,023,704 | 268,266 | 138,654 | 129,612 |
| Lawn and Garden Services | 103,475,087 | 67,258,806 | 3,591,620 | 1,856,343 | 1,735,277 |
| Ornamental Shrub & Tree Services | 26,536,809 | 17,248,926 | 921,093 | 476,070 | 445,022 |
| Forestry Services | 921,266 | 598,823 | 31,977 | 16,528 | 15,450 |
| Hunting, Trapping, Game Propagation | 18,606,360 | 12,094,134 | 645,827 | 333,798 | 312,029 |
| | | | | | |
| **Mining** | | | | | |
| | | | | | |
| Gold Ores | 4,355,322 | 2,830,959 | 151,173 | 78,134 | 73,039 |
| Metal Mining Services | 102,149 | 66,397 | 3,546 | 1,833 | 1,713 |
| Coal Mining | 2,219,080 | 1,442,402 | 77,024 | 39,810 | 37,214 |
| Drilling Oil & Gas Wells | 296,714 | 192,864 | 10,299 | 5,323 | 4,976 |
| Oil & Gas Exploration Services | 836,631 | 543,810 | 29,039 | 15,009 | 14,030 |
| | | | | | |
| **Construction** | | | | | |
| | | | | | |
| Floor Laying & Floor Work | 35,851,774 | 23,303,653 | 1,244,415 | 643,181 | 601,234 |
| | | | | | |
| **Manufacturing** | | | | | |
| | | | | | |
| Logging | 17,348 | 11,276 | 602 | 311 | 291 |
| Petroleum Refining | 10,251,454 | 6,663,445 | 355,828 | 183,911 | 171,917 |
| | | | | | |
| **Transportation & Public Utilities** | | | | | |
| Railroads, line-Haul Operating | 20,018,196 | 13,011,828 | 694,832 | 359,126 | 335,705 |
| Switching & Terminal Services | 2,812,733 | 1,828,276 | 97,630 | 50,460 | 47,170 |
| | | | | | |
| **Transportation & Public Utilities** | | | | | |

Wyomin

**Enhancing Revenues**
**Broadening the State Sales Tax**

| Category | *SD Reported Taxable Sales | Conversion to Wyoming Sales at 65% of South Dakota's population (2021) | **Potential revenue at average statewide rate of 5.34% (Current) | State General Fund Revenue | Local Government Revenue |
|---|---|---|---|---|---|
| | | | | | |
| Local Trucking without Storage | 123,540,785 | 80,301,510 | 4,288,101 | 2,216,322 | 2,071,779 |
| Local Trucking with Storage | 4,443,309 | 2,888,151 | 154,227 | 79,713 | 74,514 |
| Farm Product Warehousing & Storage | 421,305 | 273,849 | 14,624 | 7,558 | 7,065 |
| Refrigerating Warehousing & Storage | 20,154,237 | 13,100,254 | 699,554 | 361,567 | 337,987 |
| General Warehousing & Storage | 9,824,550 | 6,385,957 | 341,010 | 176,252 | 164,758 |
| Special Warehousing & Storage, NEC | 7,109,550 | 4,621,208 | 246,772 | 127,545 | 119,227 |
| Travel Agencies | 338,016 | 219,710 | 11,733 | 6,064 | 5,669 |
| Tour Operators | 672,938 | 437,410 | 23,358 | 12,073 | 11,285 |
| Passenger Transportation Arrangement, NEC | 125,628 | 81,658 | 4,361 | 2,254 | 2,107 |
| Freight Transportation Arrangement | 8,473,818 | 5,507,982 | 294,126 | 152,020 | 142,106 |
| Inspection & Fixed Facilities | 1,921,865 | 1,249,212 | 66,708 | 34,478 | 32,230 |
| Radio Broadcasting Stations | 1,636,068 | 1,063,444 | 56,788 | 29,351 | 27,437 |
| Television Broadcasting Stations | 5,951,202 | 3,868,281 | 206,566 | 106,765 | 99,802 |
| Cable & Other Pay TV Services | 273,595,896 | 177,837,332 | 9,496,514 | 4,908,310 | 4,588,203 |
| Natural Gas Transmission | 84,863 | 55,161 | 2,946 | 1,522 | 1,423 |
| Gas Transmission & Distribution | 21,704,404 | 14,107,863 | 753,360 | 389,377 | 363,983 |
| Water Supply | 7,471,100 | 4,856,215 | 259,322 | 134,032 | 125,290 |
| Sewerage Systems | 670,695 | 435,952 | 23,280 | 12,032 | 11,248 |
| Refuse Systems | 26,288,516 | 17,087,536 | 912,474 | 471,616 | 440,858 |
| Sanitary Services, NEC | 9,607,153 | 6,244,649 | 333,464 | 172,352 | 161,112 |
| Irrigation Systems | 7,635,002 | 4,962,751 | 265,011 | 136,972 | 128,039 |
| | | | | | |
| **Finance, Insurance, & Real Estate** | | | | | |
| | | | | | |
| Security Brokers & Dealers | 859,789 | 558,863 | 29,843 | 15,425 | 14,419 |
| Commodity Contracts Brokers & Dealers | 201,264 | 130,821 | 6,986 | 3,611 | 3,375 |
| Investment Advice | 5,174,215 | 3,363,240 | 179,597 | 92,825 | 86,772 |
| Security & Commodity Services, NEC | 4,662,569 | 3,030,670 | 161,838 | 83,646 | 78,191 |
| Nonresident Building Operators | 7,786,565 | 5,061,267 | 270,272 | 139,691 | 130,581 |
| Apartment Building Operators | 4,263,678 | 2,771,390 | 147,992 | 76,490 | 71,502 |
| Dwelling Operators, Except Apartments | 176,781 | 114,908 | 6,136 | 3,171 | 2,965 |
| Mobile Home Site Operators | 546,350 | 355,128 | 18,964 | 9,802 | 9,162 |
| Real Property Lessors, NEC | 616,062 | 400,440 | 21,384 | 11,052 | 10,331 |
| Real Estate Agents & Managers | 3,844,788,855 | 2,499,112,756 | 133,452,621 | 68,975,512 | 64,477,109 |
| Title Abstract Offices | 29,916,736 | 19,445,878 | 1,038,410 | 536,706 | 501,704 |
| Subdividers & Developers | 2,519,118 | 1,637,427 | 87,439 | 45,193 | 42,246 |
| Cemetery Subdividers & Developers | 2,002,165 | 1,301,407 | 69,495 | 35,919 | 33,576 |
| | | | | | |
| **Services** | | | | | |
| | | | | | |
| Carpet & Upholstery Cleaning | 17,581,918 | 11,428,246 | 610,268 | 315,420 | 294,849 |
| Beauty Shops | 132,235,761 | 85,953,245 | 4,589,903 | 2,372,310 | 2,217,594 |
| Barber Shops | 6,483,452 | 4,214,244 | 225,041 | 116,313 | 108,727 |

8525/8526
Wyoming

**Enhancing Revenues**
**Broadening the State Sales Tax**

| Category | *SD Reported Taxable Sales | Conversion to Wyoming Sales at 65% of South Dakota's population (2021) | **Potential revenue at average statewide rate of 5.34% (Current) | State General Fund Revenue | Local Government Revenue |
|---|---|---|---|---|---|
| Funeral Service & Crematories | 55,840,389 | 36,296,253 | 1,938,220 | 1,001,777 | 936,443 |
| Tax Return Preparation Services | 13,655,586 | 8,876,131 | 473,985 | 244,981 | 229,004 |
| Misc. Personal Services NEC | 79,036,780 | 51,373,907 | 2,743,367 | 1,417,920 | 1,325,447 |
| Advertising Services | 24,319,128 | 15,807,433 | 844,117 | 436,285 | 407,832 |
| Outdoor Advertising Services | 1,252,697 | 814,253 | 43,481 | 22,473 | 21,008 |
| Radio, TV, Publisher Representatives | 331,948 | 215,766 | 11,522 | 5,955 | 5,567 |
| Advertising , NEC | 1,333,390 | 866,704 | 46,282 | 23,921 | 22,361 |
| Adjustment & Collection Services | 9,218,379 | 5,991,947 | 319,970 | 165,378 | 154,592 |
| Credit Reporting Services | 14,238,574 | 9,255,073 | 494,221 | 255,440 | 238,781 |
| Secretarial & Court Reporting | 15,819,887 | 10,282,927 | 549,108 | 283,809 | 265,300 |
| Disinfecting and Pest Control Services | 28,153,482 | 18,299,763 | 977,207 | 505,073 | 472,134 |
| Building Maintenance Services, NEC | 90,271,589 | 58,676,533 | 3,133,327 | 1,619,472 | 1,513,855 |
| Employment Agencies | 39,382,732 | 25,598,776 | 1,366,975 | 706,526 | 660,448 |
| Help Supply Services | 33,595,905 | 21,837,338 | 1,166,114 | 602,711 | 563,403 |
| Information Retrieval Services | 2,952,173 | 1,918,913 | 102,470 | 52,962 | 49,508 |
| Computer Facilities Management | 3,862,303 | 2,510,497 | 134,061 | 69,290 | 64,771 |
| Detective & Armored Car Services | 24,278,899 | 15,781,284 | 842,721 | 435,563 | 407,157 |
| Security Systems Services | 19,593,416 | 12,735,720 | 680,087 | 351,506 | 328,582 |
| Automobile Parking | 1,013,712 | 658,913 | 35,186 | 18,186 | 17,000 |
| Car Washs | 42,220,893 | 27,443,581 | 1,465,487 | 757,443 | 708,044 |
| Motion Picture & Video Production | 3,453,161 | 2,244,555 | 119,859 | 61,950 | 57,910 |
| Services Allied to Motion Pictures | 4,946,738 | 3,215,380 | 171,701 | 88,744 | 82,957 |
| Dance Studios, Schools, & Halls | 7,354,594 | 4,780,486 | 255,278 | 131,941 | 123,337 |
| Theatrical Producers & Services | 14,721,455 | 9,568,946 | 510,982 | 264,103 | 246,879 |
| Bowling Centers | 13,327,531 | 8,662,895 | 462,599 | 239,096 | 223,503 |
| Sports Clubs, Managers, & Promoters | 10,942,995 | 7,112,947 | 379,831 | 196,317 | 183,514 |
| Racing, Including Track Operation | 2,529,301 | 1,644,045 | 87,792 | 45,376 | 42,416 |
| Physical Fitness Facilities | 32,937,868 | 21,409,614 | 1,143,273 | 590,905 | 552,368 |
| Public Golf Courses | 37,711,061 | 24,512,190 | 1,308,951 | 676,536 | 632,414 |
| Coin-Operated Amusement Devices | 28,636,482 | 18,613,713 | 993,972 | 513,738 | 480,234 |
| Membership Sports & Recreation Clubs | 61,680,064 | 40,092,041 | 2,140,915 | 1,106,540 | 1,034,375 |
| Amusement & Recreation NEC | 157,487,100 | 102,366,615 | 5,466,377 | 2,825,319 | 2,641,059 |
| Offices & Clinics of Medical Doctors | 36,729,774 | 23,874,353 | 1,274,890 | 658,932 | 615,958 |
| Offices & Clinics of Dentists | 3,797,587 | 2,468,432 | 131,814 | 68,129 | 63,686 |
| Offices & Clinics of Osteopathic Physicians | 410,904 | 267,088 | 14,262 | 7,372 | 6,891 |
| Offices & Clinics of Chiropractors | 4,932,650 | 3,206,223 | 171,212 | 88,492 | 82,721 |
| Offices & Clinics of Optometrists | 4,704,005 | 3,057,603 | 163,276 | 84,390 | 78,886 |
| Offices & Clinics of Podiatrists | 31,246 | 20,310 | 1,085 | 561 | 524 |
| Offices of Health Practitioners, NEC | 3,022,572 | 1,964,672 | 104,913 | 54,225 | 50,689 |
| Skilled Nursing Care Facilities | 10,430,492 | 6,779,820 | 362,042 | 187,123 | 174,919 |
| Intermediate Care Facilities | 516,976 | 336,034 | 17,944 | 9,275 | 8,670 |
| Specialty Hospitals, Except Psychiatric | 5,511,891 | 3,582,729 | 191,318 | 98,883 | 92,434 |
| Medical Laboratories | 8,146,907 | 5,295,489 | 282,779 | 146,156 | 136,624 |
| Dental Laboratories | 107,878 | 70,120 | 3,744 | 1,935 | 1,809 |

8527/5989 Wyoming

**Enhancing Revenues**
**Broadening the State Sales Tax**

| Category | *SD Reported Taxable Sales | Conversion to Wyoming Sales at 65% of South Dakota's population (2021) | **Potential revenue at average statewide rate of 5.34% (Current) | State General Fund Revenue | Local Government Revenue |
|---|---|---|---|---|---|
| Home Health Care Services | 874,964 | 568,727 | 30,370 | 15,697 | 14,673 |
| Kidney Dialysis Centers | 747,822 | 486,084 | 25,957 | 13,416 | 12,541 |
| Specialty Outpatient Facilities, NEC | 1,000,807 | 650,525 | 34,738 | 17,954 | 16,784 |
| Health & Allied Services, NEC | 11,700,994 | 7,605,646 | 406,141 | 209,916 | 196,226 |
| Legal Services | 259,000,113 | 168,350,074 | 8,989,894 | 4,646,462 | 4,343,432 |
| Individual & Family Services | 2,565,320 | 1,667,458 | 89,042 | 46,022 | 43,020 |
| Child Day Care Services | 411,211 | 267,287 | 14,273 | 7,377 | 6,896 |
| Residential Care | 408,880 | 265,772 | 14,192 | 7,335 | 6,857 |
| Social Services, NEC | 326,257 | 212,067 | 11,324 | 5,853 | 5,471 |
| Business Associations | 1,639,885 | 1,065,925 | 56,920 | 29,420 | 27,501 |
| Professional Organizations | 430,927 | 280,103 | 14,957 | 7,731 | 7,227 |
| Labor Organizations | 61,658 | 40,078 | 2,140 | 1,106 | 1,034 |
| Civic & Social Associations | 2,762,956 | 1,795,921 | 95,902 | 49,567 | 46,335 |
| Political Organizations | 1,229,725 | 799,321 | 42,684 | 22,061 | 20,622 |
| Religious Organizations | 4,462,133 | 2,900,386 | 154,881 | 80,051 | 74,830 |
| Membership Organizations, NEC | 2,511,007 | 1,632,155 | 87,157 | 45,047 | 42,110 |
| Engineering Services | 150,696,190 | 97,952,524 | 5,230,665 | 2,703,490 | 2,527,175 |
| Architectural Services | 19,674,477 | 12,788,410 | 682,901 | 352,960 | 329,941 |
| Surveying Services | 11,074,824 | 7,198,635 | 384,407 | 198,682 | 185,725 |
| Accounting, Auditing, & Bookkeeping | 211,959,065 | 137,773,392 | 7,357,099 | 3,802,546 | 3,554,554 |
| Commercial Physical Research | 2,666,843 | 1,733,448 | 92,566 | 47,843 | 44,723 |
| Commercial Nonphysical Research | 1,146,727 | 745,373 | 39,803 | 20,572 | 19,231 |
| Noncommercial Research Organizations | 22,951,368 | 14,918,389 | 796,642 | 411,748 | 384,894 |
| Testing Laboratories | 34,148,725 | 22,196,671 | 1,185,302 | 612,628 | 572,674 |
| Management Services | 52,494,265 | 34,121,272 | 1,822,076 | 941,747 | 880,329 |
| Management Consulting Services | 146,401,025 | 95,160,666 | 5,081,580 | 2,626,434 | 2,455,145 |
| Public Relations Services | 281,687 | 183,096 | 9,777 | 5,053 | 4,724 |
| Facilities Support Services | 14,738,241 | 9,579,857 | 511,564 | 264,404 | 247,160 |
| Business Consulting NEC | 45,564,367 | 29,616,838 | 1,581,539 | 817,425 | 764,114 |
| | | | | | |
| **Grand Total (when compared to available SD figures)** | **$7,060,873,008** | **$4,589,567,455** | **$245,082,902** | **$126,672,062** | **$118,410,840** |

853/1358

Wyoming

# The Effects of the Sales and Use Tax Exemption For Qualifying Broadband Service Providers

*Compiled by*
**the staff of the**
**Education and Taxability Section,**
**Wyoming Department of Revenue**

*and edited by*
**Bret Fanning, Administrator**
**Excise Tax Division**

**Fourth Edition**

**Exemption Effective: 2019**
**W.S. 39-15-105(a)(viii)(U) and W.S. 39-16-105(a)(viii)(K)**

**122 West 25th Street, Suite E301**
**Herschler Building**
**Cheyenne, Wyoming 82002**
**https://revenue.wyo.gov**

**November 1, 2023**

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## Overview

Original House Bill No. HB0097 (Enrolled Act No. 59) was signed into law by Governor Gordon into law on February 26, 2019. This act relates to taxation and revenue and provides for a sales and use tax exemption for the purchases of equipment used to provide broadband internet services in unserved areas. The act provides for a reporting requirement and an effective date of July 1, 2019. The broadband internet services equipment purchases exemption is located within the "economic incentive" group of sales and use tax exemptions in the Wyoming statutes [W.S. 39-15-105(a)(viii) and W.S. 39-16-105(a)(viii)]. This exemption has a sunset date of July 1, 2024.

The exemption is provided to broadband internet service providers and is for the purchase of equipment used to provide broadband internet services in unserved areas. "Unserved areas" is defined in W.S. 9-12-1501(e) as "an area in which there exists no fixed terrestrial broadband service, or in which the maximum fixed terrestrial broadband speed available:

(i) To residential customers is at speeds less than twenty-five (25) megabits per second download and three (3) megabits per second upload;
(ii) To a business corridor within a municipality:
    (A) With a population of less than two thousand (2,000), is twenty-five (25) megabits per second download and three (3) megabits per second upload;
    (B) With a population of two thousand (2,000) or more, is fifty (50) megabits per second download and five (5) megabits per second upload.
(iii) To a business corridor in an unincorporated area of a county, is twenty-five (25) megabits per second download and three (3) megabits per second upload."

## Specific Reporting Requirements by Statute

Wyo. Stat. Ann. § 39-15-105(b)

> "The Wyoming business council, the department of workforce services and the department of revenue shall jointly report to the joint revenue interim committee on or before December 1 of each year that the exemption is in effect. If requested by the department of revenue, any person utilizing the exemption shall report to the department the amount of sales tax exempted, and the number of jobs created or impacted by the utilization of the exemption."

This report is to evaluate the cumulative effects of the exemption from initiation of the exemption and shall include:

(i) A history of employment in terms of the numbers of employees, full-time and part time employees, and rate of turnover classified by the 2007 edition, as amended, of the North American Industry Classification System (NAICS) code manufacturing section 31 -33 from information collected by the Department of Employment;
(ii) A history of wages and benefit disaggregated by gender for each job category; and
(iii) A comprehensive history of taxes paid to the state of Wyoming.

## Findings

This year represents the fourth report in a series of annual reports on the effects of this sales and use tax exemption. References to data contained in this report will be referred to as FY23 and will cover the period of July 1, 2022 through June 30, 2023.

The FY23 report is based on 12 surveys mailed on July 19, 2022 to a list of businesses obtained from the Wyoming Business Council that were identified as providers of broadband internet services. A cover letter sent with the survey informed the businesses that once completed, the response could be either mailed, submitted electronically or faxed to the Excise Tax Division for data processing. The Department attempted to contact internet providers who had not responded. The Department of Revenue received six (6) responses, of the six responses received, four of those respondents reported exempt purchases of broadband equipment and two of the respondents did not report any exempt purchases of broadband equipment. The response rate to this survey was 50%.

## Exemption Cost

Based on survey responses for FY23, there were $7,833,563.30 in exempt purchases made by the businesses surveyed. Applying the statewide sales and use tax rate average of 5.36%, this amounts to $419,878.99 in unrealized sales and use tax revenue by the State of Wyoming as a result of this exemption.

## Employment

Figure 1 Illustrates the total reported employment.

| | *FY20* | *FY21* | *FY22* | *FY23* |
|---|---|---|---|---|
| *Supervisor/Manager* | 194 | 145 | 168 | 193 |
| *Administrative Svcs* | 130 | 146 | 130 | 120 |
| *Customer Service* | 582 | 500 | 318 | 267 |
| *Skilled Labor* | 104 | 161 | 358 | 119 |
| *Unskilled Labor* | 173 | 162 | 144 | 325 |
| *Total* | 1,183 | 1,114 | 1,118 | 1,024 |

**Figure 1: Number of Employees by Occupational Classification**

Figure 2 Illustrates the number of men and women as segments of the total workforce.

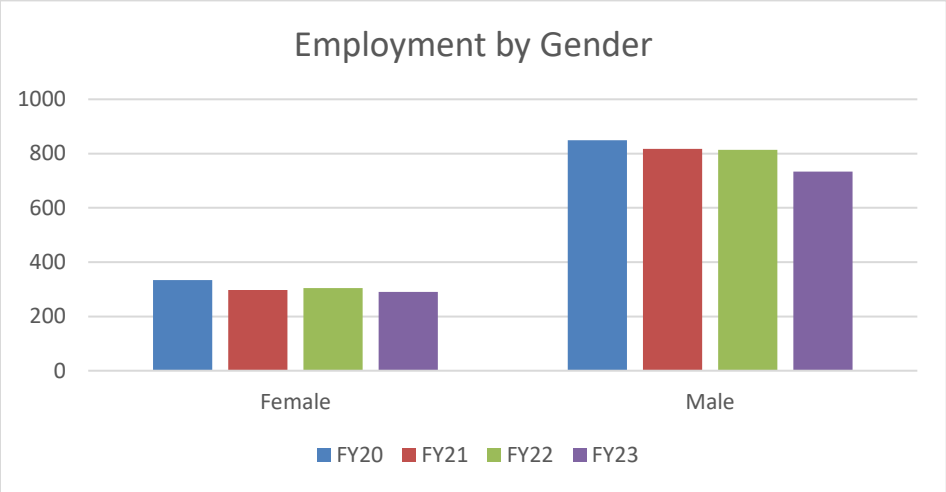


**Figure 2: Employment by Gender**

## Wages

Figure 3 details the average wage per occupational classification.

| | *FY20* | *FY21* | *FY22* | *FY23* |
|---|---|---|---|---|
| *Supervisor/Manager* | $ 43.32 | $ 42.92 | $ 39.56 | $ 50.06 |
| *Administrative Svcs* | $ 24.63 | $ 30.96 | $ 27.29 | $ 29.63 |
| *Customer Service* | $ 19.91 | $ 18.67 | $ 19.68 | $ 19.43 |
| *Skilled Labor* | $ 29.72 | $ 40.75 | $ 26.31 | $ 36.69 |
| *Unskilled Labor* | $ 21.47 | $ 26.19 | $ 26.74 | $ 23.39 |
| *Average* | $ 25.36 | $ 27.72 | $ 26.58 | $ 29.66 |

**Figure 3: Average Wage by Occupational Classification**

Figure 4, Illustrates the average annual wage per occupation classification per year.

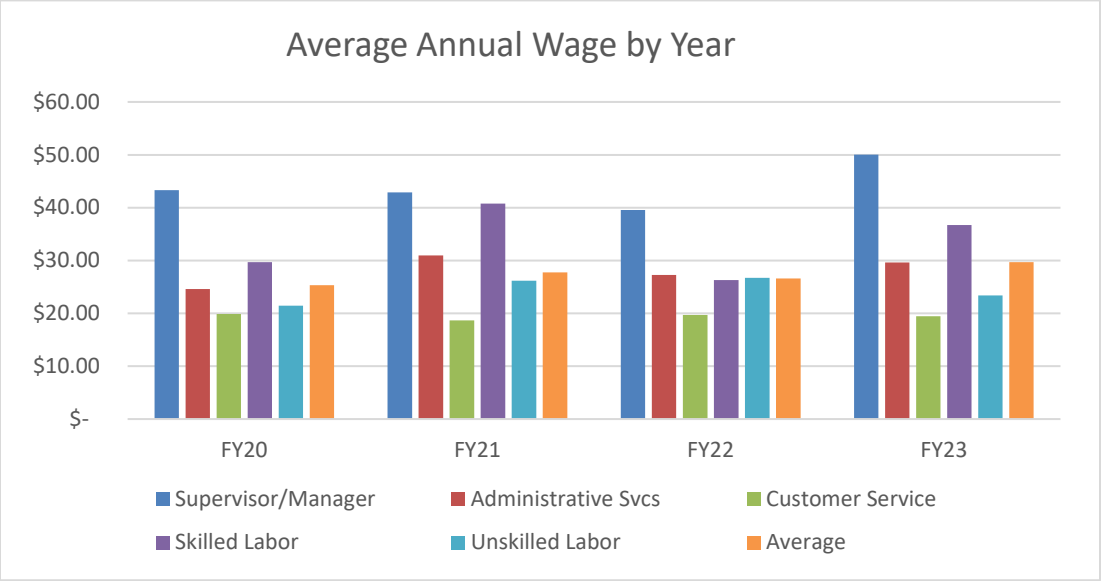


**Figure 4: Average Wage by Year**

## Benefits

Of the respondents with full-time employees residing in Wyoming, 71% offer medical insurance, 71% offer dental insurance, 71% offer vision insurance, 71% offer Prescription coverage and 71% offer a 401K program. Two of the seven respondents offered 401K program benefits to part-time employees.

## Turnover

Respondents reported varying degrees of turnover. Figure 5, illustrates the turnover rate per occupational classification as well as the average turnover rate for the year for the combined occupational classifications.

| | *FY20* | *FY21* | *FY22* | *FY23* |
|---|---|---|---|---|
| *Supervisor/Manager* | 3.80% | 7.53% | 5.22% | 9.22% |
| *Administrative Svcs* | 5.57% | 21.57% | 12.10% | 30.70% |
| *Customer Service* | 18.76% | 21.94% | 33.57% | 63.20% |
| *Skilled Labor* | 3.94% | 9.50% | 17.76% | 10.88% |
| *Unskilled Labor* | 11.14% | 37.51% | 22.06% | 14.31% |
| Average | 8.64% | 19.61% | 18.14% | 25.66% |

**Figure 5: Turnover Rate per Occupational Classification**

## Survey Process and Costs

All surveys were sent in the mail. The primary expense associated with this report is the time spent following up with the respondents, reviewing and analyzing the data received, as well as the preparation of this report. The Department estimates office personnel expended 40 to 50 hours over the course of several weeks on this specific exemption survey.

## REMI Analysis: Economic Impacts

The analyses of the economic impacts of the sales and use tax exemptions for (1) purchases of machinery and machine tools used directly and predominantly in manufacturing, for (2) purchases and rentals of qualifying computer equipment necessary for the operation of a data processing center, and for (3) purchases of equipment by a telecommunications service provider, video programming service provider, or provider of internet access used to provide broadband internet service were prepared using the Regional Economic Models, Inc. (REMI) Tax-PI model. REMI Tax-PI is the next generation Policy Insight model built exclusively for Wyoming. It is an integrated model that combines the best features of the input-output, general equilibrium, econometric, and economic geography methodologies. Tax-PI is also a dynamic rather than a static model allowing for year-by-year analysis of the total regional effects of any specific policy.

Table 3: Economic Impact of Sales & Use Tax Exemption Removal for Broadband Internet Providers

| Category | | | | | | Average |
|---|---|---|---|---|---|---|
| *(Change from Baseline)* | 2023 | 2024 | 2025 | 2026 | 2027 | 2023-2030 |
| Total Employment - Jobs | -1 | -1 | -2 | -2 | -2 | -2 |
| Population - Individuals | -1 | -1 | -1 | -2 | -2 | -2 |
| Wages and Salaries | -$0.1 | -$0.1 | -$0.1 | -$0.1 | -$0.1 | -$0.1 |
| Personal Income | -$0.1 | -$0.1 | -$0.1 | -$0.2 | -$0.2 | -$0.2 |
| Disposable Personal Income | -$0.1 | -$0.1 | -$0.1 | -$0.1 | -$0.2 | -$0.1 |
| Gross Domestic Product | -$0.1 | -$0.2 | -$0.2 | -$0.3 | -$0.3 | -$0.3 |
| Output | -$0.3 | -$0.4 | -$0.4 | -$0.5 | -$0.5 | -$0.5 |
| Sales & Use Tax Revenue | -$0.004 | -$0.004 | -$0.006 | -$0.006 | -$0.006 | -$0.005 |
| Property Tax Revenue | -$0.002 | -$0.002 | -$0.002 | -$0.002 | -$0.002 | -$0.002 |
| *Note: All dollar amounts are expressed as millions of fixed (2022) dollars.* | | | | | | |

The economic impact of the **removal of the sales tax exemption** for purchases of equipment by a telecommunications service provider, video programming service provider, or provider of internet access used to provide broadband internet service was modeled in REMI as an increase in the production costs for the telecommunications industry of $0.5 million per year beginning in 2022. This exemption removal would result in an average annual loss of 2 jobs and a decrease in GDP of $0.3 million per year over the period of 2023 to 2030 when compared to the baseline scenario (see Table 3).

**Key Definitions**

**Total Employment** comprises estimates of the number of non-farm jobs, full-time plus part-time, by place of work. Full-time and part-time jobs are counted at equal weight. Includes direct, indirect, and induced jobs.

**Population** reflects mid-year estimates of people, including survivors from the previous year, births, special populations, and three types of migrants (economic, international, and retired).

**Wages and Salaries** are the monetary remuneration of employees, including the compensation of corporate officers; commissions, tips, and bonuses; voluntary employee contributions to certain deferred compensation plans, such as 401(k) plans; and receipts in kind that represent income. Wages and salaries disbursements are affected by changes in Wage Rate and Employment.

**Personal Income** is the income that is received by all persons from all sources. It is calculated as the sum of wage and salary disbursements, supplements to wages and salaries, proprietors' income with inventory valuation and capital consumption adjustments, rental income of persons with capital consumption adjustment, personal dividend income, personal interest income, and personal current transfer receipts, less contributions for government social insurance.

**Disposable Personal Income** equals personal income minus personal taxes.

**Gross Domestic Product** or **GDP** is the market value of goods and services produced by labor and property. It is often referred to as "value added" and is equal to its gross output (sales or receipts and other operating income, plus inventory change) minus its intermediate inputs (consumption of goods and services purchased from other industries or imported).

**Output** is the amount of production, including all intermediate goods purchased as well as value-added (compensation and profit). Output can also be thought of as sales or supply or simply price multiplied by quantity (P×Q).

**Sales & Use Tax Revenue** includes the state imposed 4% tax rate and local optional taxes. The tax rate of 5.3% applied in the estimation is a population weighted county average.

**Property Tax Revenue** includes taxes from residential, commercial, industrial, and agricultural properties. The tax rate of 65 mills applied in the estimation is the statewide average.

**About the REMI PI+ Model**

The REMI PI+ model incorporates aspects of four major modeling approaches: **Input-Output**, **General Equilibrium**, **Econometric**, and **Economic Geography**. Each of these methodologies has distinct advantages as well as limitations when used alone. The REMI integrated modeling approach builds on the strengths of each of these approaches.

The REMI model at its core has the inter-industry relationships found in **Input-Output models**. As a result, the industry structure of a particular region is captured within the model, as well as transactions between industries. Changes that affect industry sectors that are highly interconnected to the rest of the economy will often have a greater economic impact than those for industries that are not closely linked to the regional economy.

**General Equilibrium** is reached when supply and demand are balanced. This tends to occur in the long run, as prices, production, consumption, imports, exports, and other changes occur to stabilize the economic system. For example, if real wages in a region rise relative to the U.S., this will tend to attract economic migrants to the region until relative real wage rates equalize. The general equilibrium properties are necessary to evaluate changes such as tax policies that may have an effect on regional prices and competitiveness.

REMI is sometimes called an "**Econometric model**," as the underlying equations and responses are estimated using advanced statistical techniques. The estimates are used to quantify the structural relationships in the model. The speed of economic responses is also estimated, since different adjustment periods will result in different policy recommendations and even different economic outcomes.

The **New Economic Geography** features represent the spatial dimension of the economy. Transportation costs and accessibility are important economic determinants of interregional trade and the productivity benefits that occur due to industry clustering and labor market access. Firms benefit having access to a large, specialized labor pool and from having access to specialized intermediate inputs from supplying firms. The productivity and competitiveness benefits of labor and industry concentrations are called agglomeration economies, and are modeled in the economic geography equations.

The primary national, state, and county data source for REMI PI+ is the Bureau of Economic Analysis (BEA) State Personal Income (SPI) and Local Area Personal Income (LAPI) series (which also include employment and total population at both the state and county level). REMI also relies on numerous other data sources including the Bureau of Labor Statistics, Energy Information Administration, Center for Disease Control and Prevention, National Center for Health Statistics, and the Department of Defense. *Source: remi.com.*

## Appendices

Appendix A: Broadband Exemption Survey

***Wyoming Department of Revenue***
***Excise Tax Division***
*Herschler Bldg East*
*122 West 25th Street, STE E301*
*Cheyenne, WY 82002-0110*

**SALES/USE TAX RETURN**
**FOR BROADBAND INTERNET PROVIDERS**
**Per Wyoming Statutes Title 39-15-105 and Title 39-16-105**

**THIS FORM MUST BE COMPLETED AND FILED BY AUGUST 18, 2023**

***I. Company Information***

| | | | |
|---|---|---|---|
| *Company Name* | | | |
| *Address* | | | |
| *City* | | *State* | *Zip* |
| *Reporting Period:* | *From July 1, 2022* | *to June 30, 2023* | |

***II. Exempt Purchases***

*Tangible personal property purchased to provide broadband internet services in unserved areas as outlined in W.S. 39-15-105 and W.S. 39-16-105.*

| | |
|---|---|
| *Amount of exempt purchases for the period of July 1, 2022 through June 30, 2023 If zero, please enter $0.00* | $ . |

***III. Economic Impact Information***

| *Category Name¹ (such as supervisor, laborer, etc.)* | *Full Time or Part Time?* | *Number of Workers* | | *Average Wage (per hour)* | | *Average Rate of Turnover* |
|---|---|---|---|---|---|---|
| | | *Male* | *Female* | *Male* | *Female* | |
| | | | | | | |
| | | | | | | |
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| | | | | | | |
| | | | | | | |

***Categories:***
***Owner/officer*** – *Owners, Officers, Sole Proprietors, Corporate Officers, Self Employed, etc.*
***Supervisor/Manager*** – *Upper/Middle/Lower Managers, Foremen, Supervisors, etc.*
***Administrative Staff*** – *Clerical, Office, Accounting, Bookkeeping, Purchasing, Shipping & Receiving, etc.*
***Customer-Support Services*** – *Customer Service, Sales, Delivery, etc.*
***Skilled Laborers*** – *Professionals, Engineers, Tradesmen, Machinists, R&D, Design, Quality Control, etc.*
***Unskilled Laborers*** – *Technicians, Operatives, Maintenance, Production, Laborers, etc.*

***Please indicate the number of employees residing in Wyoming.*** _____

### *IV. Benefits Impact Information*

*Which, if any, of the following benefits do you offer to your employees? Check each applicable box*

| *Employee Type* | *None* | *Health* | *Dental* | *Vision* | *Prescription* | *401(k)* |
|---|---|---|---|---|---|---|
| *Full-time Employees* | | | | | | |
| *Part-time Employees* | | | | | | |

### *V. Affidavit and Signature*

*I _____, (authorized agent for company) hereby certify under penalty of perjury that the company named on this form is entitled to the sales and use tax exemption on purchases of tangible personal property to provide broadband internet services in unserved areas, as per W.S. Title 39-15-105 and Title 39-16-105. I further certify that the Company Information and Economic Impact Information provided above is true and accurate to the best of my knowledge.*

*Signature* _____ *Title* _____ *Date* _____

# The Effects of the Sales and Use Tax Exemption For Manufacturing Machinery

*Compiled by*
**the staff of the**
**Education and Taxability Section,**
**Wyoming Department of Revenue**

*and edited by*
**Bret Fanning, Administrator**
**Excise Tax Division**

**Sixteenth Edition**

**Exemption Effective: 2004**
**W.S. 39-15-105(a)(viii)(O) and W.S. 39-16-105(a)(viii)(D)**

**122 West 25th Street, Suite E301**
**Cheyenne, Wyoming 82002**
**https://revenue.wyo.gov**

**November 15, 2022**

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## Overview

Original House Bill No. 44 (Enrolled Act No. 20) was signed into law by Governor Freudenthal on March 3, 2004. This act relates to taxation and revenue and provides for a sales and use tax exemption for machinery and machine tools used directly and predominantly in manufacturing within the State of Wyoming. The act provides for definitions, limitations, a reporting requirement and an effective date. This law took effect on July 1, 2004, and per subsequent amendments, has a sunset of December 31, 2027.

The Manufacturing machinery exemption is located within the "economic incentive" group of sales and use tax exemptions in the Wyoming statutes [W.S. 39-15-105(a)(viii); W.S. 39-16-105(a)(viii)]. The law exempts from Wyoming sales and use taxes, until December 31, 2027, the sale or lease of machinery to be used in Wyoming directly and predominantly in Manufacturing tangible personal property provided the following requirements are met:

- The sale or lease is to a manufacturer classified by the Department of Revenue under the North American Industry Classification System (NAICS) code Manufacturing section 31 – 33; and
- The sale or lease does not include noncapitalized machinery except machinery expensed in accordance with Section 179 of the Internal Revenue Code.

## Specific Requirements by Statute

Wyo. Stat. Ann. § 39-15-105(b)

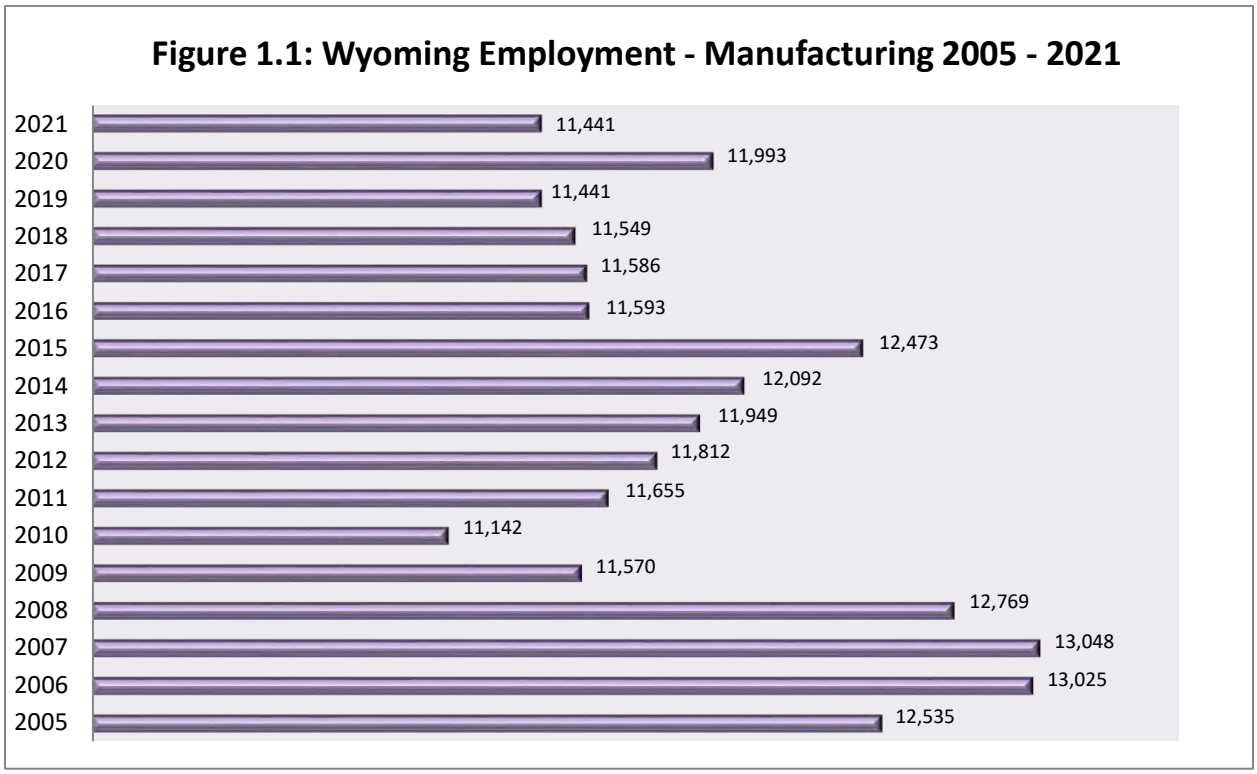
> "The Wyoming business council, the department of workforce services and the department of revenue shall jointly report to the joint revenue interim committee on or before December 1 of each year that the exemption is in effect. If requested by the department of revenue, any person utilizing the exemption shall report to the department the amount of sales tax exempted, and the number of jobs created or impacted by the utilization of the exemption."

This report is to evaluate the cumulative effects of the exemption from initiation of the exemption and shall include:

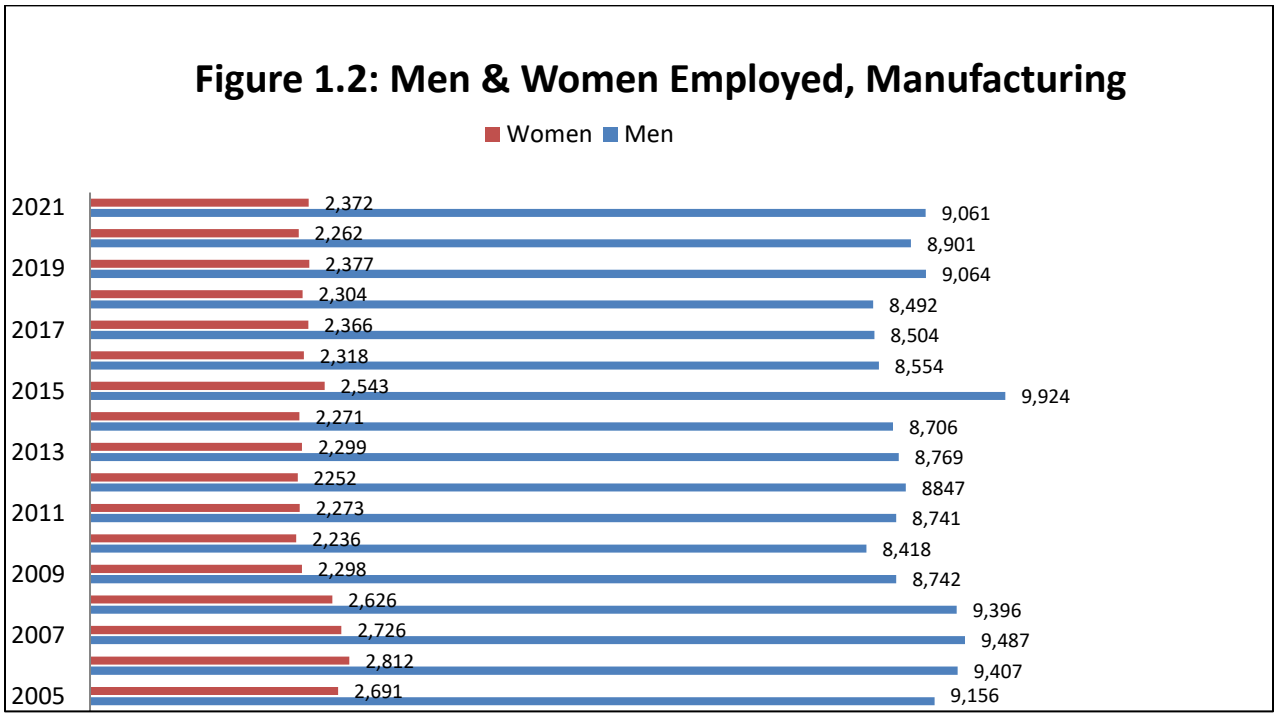
(i) A history of employment in terms of the numbers of employees, full-time and part time employees, and rate of turnover classified by the 2007 edition, as amended, of the North American Industry Classification System (NAICS) code manufacturing section 31 – 33 from information collected by the Department of Employment;
(ii) A history of wages and benefits disaggregated by gender for each job category; and
(iii) A comprehensive history of taxes paid to the state of Wyoming.

## Employment

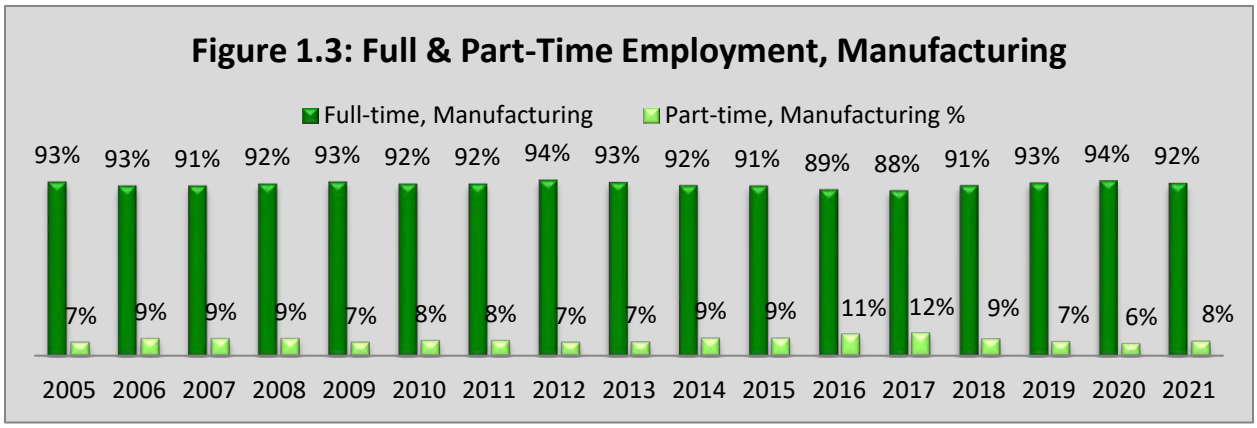
Figure 1.1 details employment history from 2005 to 2021 in the manufacturing industry in Wyoming.



The Figure 1.2 details employment by gender both in the manufacturing industry in Wyoming.




Figures 1.3 graphically compares full-time and part-time employement for the manufacturing industry in Wyoming.



A discussion about those employed in the manufacturing industry is not complete without a closer review of the Standard Occupational Classification (SOC) system. Wyoming utilizes the SOC system to categorize workers within the state; and while manufacturing has its own SOC code, several other occupational groups are typically found in the manufacturing industry as well. Table 1.1, on page 6 illustrates the total number of persons working in the selected SOC categories within Wyoming from year 2005.[1]

Please note, the Department of Workforce Services updated the SOC classification system to include new classification numbers and occupational titles, therefore the new classification numbers have no reporting information prior to 2018.

[1] Wyoming Department of Work Force Services. *Wyoming Occupational Employment and Wages, October 2022*. Prior to 2016, Wyoming Department of Revenue. *The Effects of the Sales and Use Tax Exemption for Manufacturing Machinery, Fifteenth Edition*. (2021).

| Table 1.1: Employment per SOC Classifications typically found in the Manufacturing Industry for Years 2005 – 2021 | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| SOC | Occupational Title | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| 11-0000 | Management | 12,780 | 12,450 | NA | 12,550 | 12,770 | 12,710 | 12,370 | 12,090 | 12,200 | 12,040 | 12,200 | 11,520 | 11,430 | 11,690 | 12,560 | | 11,880 |
| 13-0000 | Business & Financial | 6,270 | 6,720 | NA | 7,070 | 7,290 | 7,350 | 7,270 | 7,530 | 7,850 | 8,130 | 8,540 | 8,820 | 8,480 | 8,220 | 9,170 | | 9,760 |
| 15-0000 | Computer & Mathematical | 1,930 | 2,050 | NA | 2,040 | 2,210 | 2,200 | 2,210 | 2,290 | 2,620 | 2,750 | 2,730 | 2,650 | 2,650 | 2,660 | 3,170 | | 3,080 |
| 17-0000 | Architecture & Engineering | 3,920 | 4,250 | NA | 4,650 | 5,150 | 5,040 | 5,090 | 5,090 | 4,910 | 5,130 | 5,580 | 5,690 | 4,860 | 4,170 | 4,490 | | 4,240 |
| 19-0000 | Life, Physical & Social Services | 4,210 | 4,270 | NA | 4,260 | 4,750 | 4,860 | 4,360 | 4,250 | 4,340 | 4,180 | 4,520 | 4,420 | 4,200 | 3,980 | 4,150 | | 4,410 |
| 21-0000 | Community & Social Services | | | | | | | | | | | | | | 4,000 | 3,970 | | 3,890 |
| 23-0000 | Legal | | | | | | | | | | | | | | 1,580 | 1,740 | | 1,670 |
| 25-0000 | Education, Training & Library | | | | | | | | | | | | | | 20,170 | 19,580 | | 19,130 |
| 27-0000 | Arts, Design, Entertainment, Sports & Media | 2,740 | 2,490 | NA | 2,570 | 2,900 | 3,130 | 2,920 | 2,970 | 2,810 | 3,100 | 3,110 | 3,280 | 3,070 | 2,870 | 2,780 | | 2,670 |
| 29-0000 | Healthcare Practitioners & Technical | 10,550 | 10,850 | NA | 11,520 | 12,000 | 12,770 | 13,130 | 13,280 | 13,360 | 13,530 | 14,020 | 14,140 | 14,300 | 14,400 | 14,390 | | 14,010 |
| 31-0000 | Healthcare Support | | | | | | | | | | | | | | 6,890 | 9,430 | | 9,160 |
| 33-0000 | Protective Services | | | | | | | | | | | | | | 5,690 | 5,970 | | 5,930 |
| 35-0000 | Food Preparation & Serving-Related | 24,440 | 23,600 | NA | 24,140 | 24,810 | 24,430 | 23,070 | 23,270 | 24,710 | 24,740 | 25,040 | 25,080 | 25,180 | 24,570 | 25,320 | | 23,060 |
| 37-0000 | Building & Grounds Cleaning & Maintenance | 10,030 | 11,110 | NA | 11,370 | 11,950 | 11,250 | 11,220 | 11,110 | 11,070 | 11,350 | 11,440 | 11,390 | 11,670 | 11,360 | 10,950 | | 10,650 |
| 39-0000 | Personal Care & Service | | | | | | | | | | | | | | 8,310 | 5,350 | | 4,990 |
| 41-0000 | Sales & Related | 21,760 | 22,480 | NA | 23,390 | 24,110 | 23,850 | 22,720 | 22,630 | 23,000 | 23,110 | 23,880 | 24,750 | 25,320 | 24,620 | 23,270 | | 22,220 |
| 43-0000 | Office & Administrative Support | 36,160 | 36,530 | NA | 37,870 | 38,720 | 38,490 | 37,190 | 37,610 | 36,790 | 36,630 | 36,170 | 36,600 | 36,190 | 35,070 | 30,650 | | 28,620 |
| 45-0000 | Farming, Fishing & Forestry | | | | | | | | | | | | | | 570 | 660 | | 640 |
| 47-0000 | Construction & Extraction | 27,090 | 29,260 | NA | 33,090 | 37,100 | 36,510 | 32,620 | 33,210 | 33,770 | 33,070 | 32,860 | 31,720 | 27,890 | 25,740 | 28,600 | | 27,000 |
| 49-0000 | Installation, Maintenance & Repair | 14,730 | 15,520 | NA | 17,380 | 17,740 | 18,080 | 16,890 | 17,790 | 18,370 | 18,170 | 18,460 | 18,730 | 17,380 | 16,920 | 18,110 | | 17,080 |
| 51-0000 | Production | 11,900 | 13,060 | NA | 14,320 | 14,830 | 14,200 | 13,280 | 12,300 | 13,260 | 12,850 | 13,230 | 13,180 | 12,770 | 12,330 | 13,300 | | 12,640 |
| 53-0000 | Transportation & Material Moving | 24,020 | 26,640 | NA | 25,570 | 25,810 | 24,820 | 22,060 | 22,450 | 23,160 | 23,700 | 24,850 | 25,330 | 23,600 | 22,180 | 25,730 | | 24,970 |
| | | | | | | | | | | | | | | | | | | |
| | TOTAL | 212530 | 221280 | 0 | 231790 | 242140 | 239690 | 226400 | 227870 | 232220 | 232480 | 236630 | 237300 | 228990 | 267,990 | 273,340 | | 261,700 |

## Wages

Figure 1.4 portrays the average Wyoming wage for the Manufacturing Industry categorized by gender between years 2005 and 2021. Table 1.2 outlines wages typically found by SOC occupation.[2]

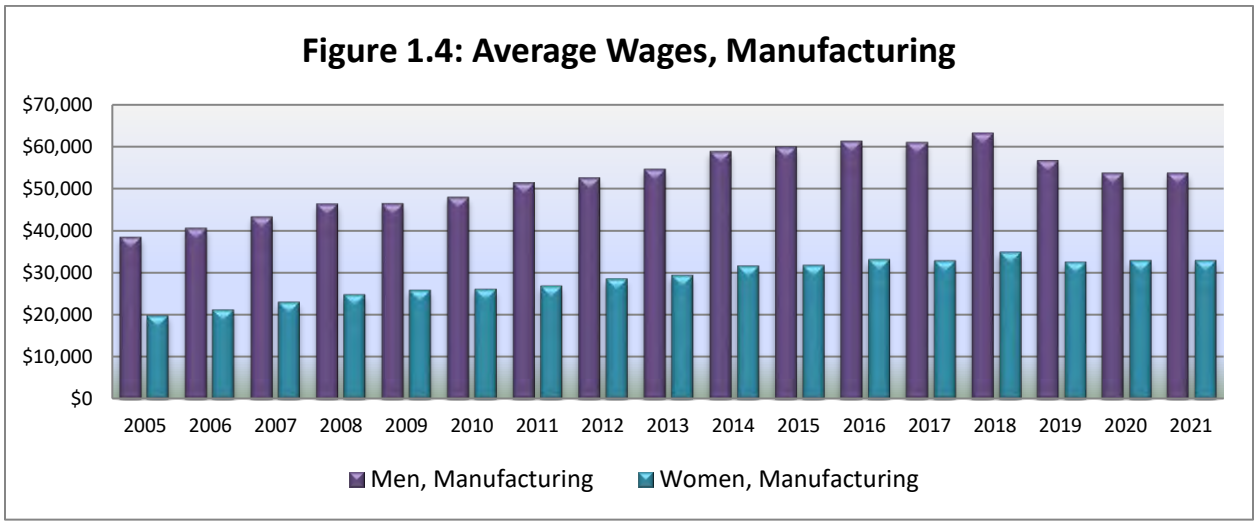



**Table 1.2: Hourly Median Wage**

| SOC | Occupational Title | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014- | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 11-000 | Management Occupations | $27.66 | $28.79 | NA | $31.40 | $32.83 | $34.56 | $36.04 | $36.75 | $38.16 | $39.42 | $40.85 | $42.09 | $42.75 | $50.12 | $47.88 | $47.92 | 49.33 |
| 13-000 | Business & Financial | $19.67 | $21.03 | NA | $22.90 | $23.78 | $24.92 | $25.92 | $26.43 | $26.94 | $27.92 | $28.80 | $29.04 | $33.45 | $33.93 | $34.30 | $35.27 | 36.3 |
| 15-000 | Computer & Mathical | $20.27 | $21.90 | NA | $23.75 | $25.14 | $25.71 | $26.62 | $27.30 | $27.51 | $27.65 | $28.00 | $28.70 | $30.27 | $31.72 | $33.26 | $33.18 | 33.82 |
| 17-000 | Architecture & Engineering | $24.23 | $25.89 | NA | $27.72 | $29.19 | $30.40 | $30.88 | $31.61 | $30.40 | $31.68 | $32.86 | $33.73 | $37.98 | $38.90 | $40.80 | $41.31 | 42.1 |
| 19-000 | Life, Physical & Social Services | $20.11 | $20.98 | NA | $22.94 | $22.35 | $22.84 | $23.74 | $24.68 | $24.88 | $26.19 | $26.37 | $26.55 | $27.39 | $28.23 | $32.72 | $32.01 | 32.62 |
| 21-0000 | Community & Social Services | | | | | | | | | | | | | | $23.69 | $23.96 | $24.62 | 25.09 |
| 23-0000 | Legal | | | | | | | | | | | | | | $37.60 | $35.71 | $36.82 | 37.53 |
| 25-0000 | Education, Training & Library | | | | | | | | | | | | | | $24.04 | $24.24 | $24.41 | 24.87 |
| 27-000 | Arts, Design, Entertainment, Sports, etc. | $12.13 | $13.31 | NA | $13.48 | $13.35 | $14.12 | $15.44 | $15.57 | $16.42 | $16.81 | $16.18 | $16.70 | $19.99 | $21.20 | $21.49 | $22.04 | 22.46 |
| 29-000 | Healthcare Practitioners & Technical | $22.37 | $23.19 | NA | $25.07 | $25.35 | $26.92 | $27.41 | $28.32 | $28.72 | $29.21 | $29.07 | $29.79 | $37.77 | $39.99 | $40.70 | $42.76 | 43.58 |
| 31-0000 | Healthcare Support | | | | | | | | | | | | | | $15.92 | $15.99 | $16.43 | 17.1 |
| 33-0000 | Protective Services | | | | | | | | | | | | | | $22.94 | $23.28 | $24.23 | 25.21 |
| 35-000 | Food Preparation & Serving Related | $6.92 | $6.32 | NA | $7.97 | $8.55 | $8.96 | $9.11 | $9.24 | $9.15 | $9.21 | $9.33 | $9.72 | $11.74 | $12.30 | $12.55 | $12.87 | 13.39 |
| 37-000 | Building & Grounds Clearing & Maint. | $8.86 | $9.31 | NA | $10.24 | $10.78 | $11.23 | $11.33 | $11.46 | $11.50 | $11.85 | $11.90 | $12.39 | $13.96 | $14.84 | $15.38 | $16.01 | 16.67 |
| 39-0000 | Personal Care & Service | | | | | | | | | | | | | | $13.67 | $15.29 | $15.74 | 16.37 |
| 41-000 | Sales & Related | $9.11 | $9.58 | NA | $10.17 | $10.57 | $11.13 | $11.49 | $11.86 | $12.06 | $12.41 | $12.79 | $12.83 | $17.62 | $18.21 | $18.42 | $19.57 | 19.8 |
| 43-000 | Office & Administration Support | $11.09 | $11.70 | NA | $12.71 | $13.43 | $13.92 | $14.35 | $14.61 | $15.11 | $15.15 | $15.63 | $16.03 | $17.32 | $18.08 | $18.91 | $19.37 | 19.85 |
| 45-0000 | Farming, Fishing & Forestry | | | | | | | | | | | | | | $15.49 | $15.85 | $15.73 | 16.13 |
| 47-000 | Construction & Extraction | $16.29 | $17.68 | NA | $18.84 | $19.38 | $19.75 | $20.66 | $21.13 | $21.45 | $21.72 | $22.72 | $23.03 | $24.96 | $25.52 | $26.49 | $26.97 | 27.65 |
| 49-000 | Installation, Maintenance & Repair | $18.24 | $18.81 | NA | $19.92 | $20.13 | $20.98 | $21.82 | $22.92 | $23.06 | $23.57 | $23.78 | $24.34 | $26.55 | $27.48 | $28.33 | $29.14 | 29.67 |
| 51-000 | Production | $14.26 | $15.21 | NA | $17.00 | $18.53 | $19.75 | $21.12 | $21.57 | $21.27 | $21.85 | $22.70 | $24.12 | $25.74 | $27.05 | $27.79 | $28.64 | 29.49 |
| 53-000 | Transportation & Material Moving | $14.16 | $14.99 | NA | $15.50 | $15.82 | $16.25 | $17.12 | $18.13 | $19.01 | $19.32 | $19.44 | $19.93 | $21.54 | $22.69 | $22.42 | $22.52 | 23.22 |

[2] Ibid.

## Benefits

Tables 1.3 and 1.4 represent a compilation of excerpts from the *Wages and Benefits Surveys*, and chronicle the selected benefits offered to full-time and part-time employees across the Manufacturing Industry. [3]

Table 1.3 - Percentage of Full-Time Employees Offered Select Benefits, Manufacturing

| Benefit Type | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Medical Ins., Manufacturing | 80.5% | 85.5% | 75.5% | 88.1% | 84.7% | 89.7% | 85.5% | 86.7% | 87.9% | 82.1% | 82.0% | 83.3% | 84.2% | 87.3% | | | 82.0% |
| Dental Plan, Manufacturing | 67.2% | 73.2% | 52.2% | 77.9% | 70.9% | 82.0% | 74.2% | 80.2% | 86.1% | 83.0% | 77.5% | 74.9% | 73.4% | 79.1% | | | 78.7% |
| Life Insurance, Manufacturing | 71.2% | 76.5% | 62.5% | 80.7% | 77.2% | 77.1% | 80.6% | 83.0% | 85.4% | 85.1% | 82.1% | 77.2% | 77.1% | 82.0% | | | 76.3% |
| Paid Vacation, Manufacturing | 81.4% | 85.9% | 90.1% | 85.4% | 82.7% | 77.9% | 89.9% | 87.3% | 84.6% | 78.5% | 71.9% | 68.7% | 70.2% | 71.2% | | | 69.8% |
| Retirement, Manufacturing | 76.4% | 81.4% | 80.8% | 84.2% | 78.4% | 76.4% | 86.2% | 85.2% | 84.2% | 82.8% | 76.5% | 73.0% | 77.3% | 85.9% | | | 85.8% |
| Paid Sick, Manufacturing | 53.0% | 41.1% | 20.6% | 48.7% | 50.1% | 40.2% | 52.6% | 44.0% | 35.3% | 34.9% | 37.7% | 27.8% | 25.7% | 36.8% | | | 41.9% |
| LT Disability, Manufacturing | 46.9% | 56.3% | 33.8% | 45.0% | 42.6% | 57.5% | 64.8% | 69.3% | 73.8% | 61.0% | 54.4% | 56.2% | 57.8% | 62.0% | | | 57.9% |

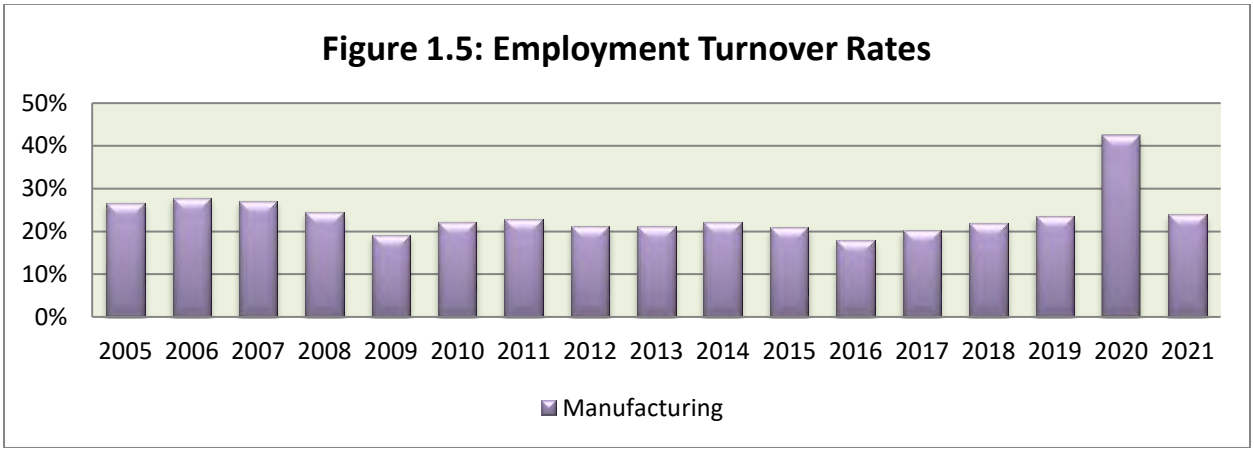
Table 1.4 Percentage of Wyoming Part-time Employees Offered Selected Benefits, Manufacturing

| Benefit Type | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Medical Ins., Manufacturing | 12.7% | 5.7% | 0.0% | 11.6% | 2.0% | 3.7% | 7.4% | 8.1% | 8.7% | 9.0% | 7.7% | 8.2% | 7.7% | 7.0% | | | 2.9% |
| Dental Plan, Manf. | 12.1% | 5.2% | 0.0% | 13.4% | 1.0% | 4.5% | 7.4% | 10.3% | 12.3% | 10.0% | 8.2% | 8.2% | 8.0% | 7.6% | | | 4.1% |
| Life Insurance, Manf. | 60.0% | 1.2% | 2.0% | 5.6% | 1.0% | 0.6% | 7.4% | 6.1% | 4.8% | 3.3% | 2.6% | 2.1% | 1.8% | 3.2% | | | 3.6% |
| Paid Vacation, Manf. | 5.4% | 7.1% | 17.3% | 8.6% | 3.2% | 10.5% | 10.9% | 7.0% | 3.1% | 5.4% | 7.4% | 5.1% | 3.5% | 4.4% | | | 2.8% |
| Retirement, Manf. | 21.0% | 18.7% | 23.9% | 21.4% | 2.6% | 12.5% | 19.6% | 17.6% | 15.6% | 14.2% | 15.3% | 15.1% | 14.4% | 15.1% | | | 38.9% |
| Paid Sick, Manf. | 0.0% | 0.7% | 3.4% | 4.8% | 4.2% | 2.7% | 1.6% | 3.1% | 4.5% | 1.8% | 1.4% | 2.3% | 2.1% | 1.9% | | | 2.2% |
| LT Disability, Manf. | 0.0% | 0.0% | 0.0% | 6.3% | 0.3% | 0.0% | 0.0% | 0.9% | 1.5% | 0.4% | 0.1% | 0.8% | 1.0% | 0.4% | | | 1.3% |

[3] Ibid

## Turnover

Figure 1.5, illustrates Wyoming's annual turnover rates for the Manufacturing Industry as compared to All Industries for years 2005-2021.[4]

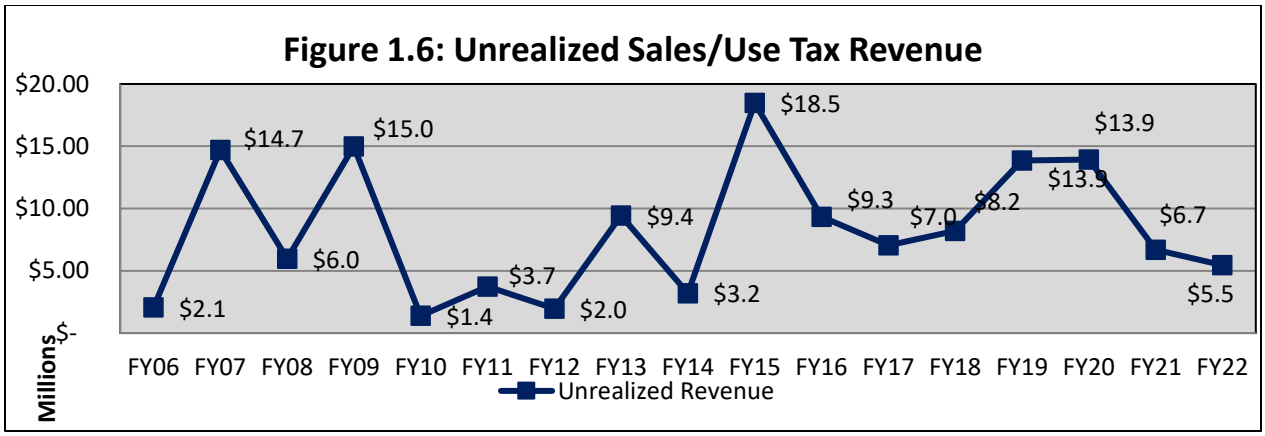



## Exemption Cost

Based on survey responses in 2022, for purchases between the periods of July 1, 2021 through June 30, 2022, exempt manufacturing machinery purchases by Wyoming manufacturers equaled $101,127,872.00.[5] As a result of this exemption and applying the average sales and use tax rate of 5.40%, the unrealized sales and use tax revenue for the State of Wyoming totaled $5,460,905.09. For this period, 1,113 Manufacturing Machinery Survey Forms were sent, 484 responses were received, which reflects a response rate of 43.4%. Of the 484 reponses received, 141 companies reported exempt machinery purchases.

Figure 1.6, on page 10, shows unrealized sales/use tax revenue from years 2006–2021 for exempt manufacturing purchases.[6]

[4] Wyoming Department of Workforce Services, *Wyoming Industry Turnover by Year and Quarter, 1992Q1 to 2022Q4*, (totals derived from Q1 – Q4 yearly average).
[5] Survey Aggregate for 2022.
[6] Wyoming Department of Revenue. *The Effects of the Sales and Use Tax Exemption for Manufacturing Machinery, Fifteenth Edition* (2020).




In addition to exact figures, the Department also evaluated purchases based on eight dollar ranges:

| | | |
|---|---|---|
| • $0 | | by 343 purchasers |
| • $1 - $1,000 | $7,858.74 | by 16 purchasers |
| • $1,001 - $10,000 | $169,103.40 | by 38 purchasers |
| • $10,001 - $50,000 | $811,753.27 | by 35 purchasers |
| • $50,001 - $100,000 | $1,163,189.63 | by 15 purchasers |
| • $100,001 – $1,000,000 | $10,100,298.84 | by 23 purchasers |
| • $1,000,001 - $10,000,000 | $54,942,911.12 | by 13 purchasers |
| • $10,000,001+ | $33,932,757.00 | by 1 purchaser |

Figure 1.7 graphically represents the number of purchasers per dollar range.

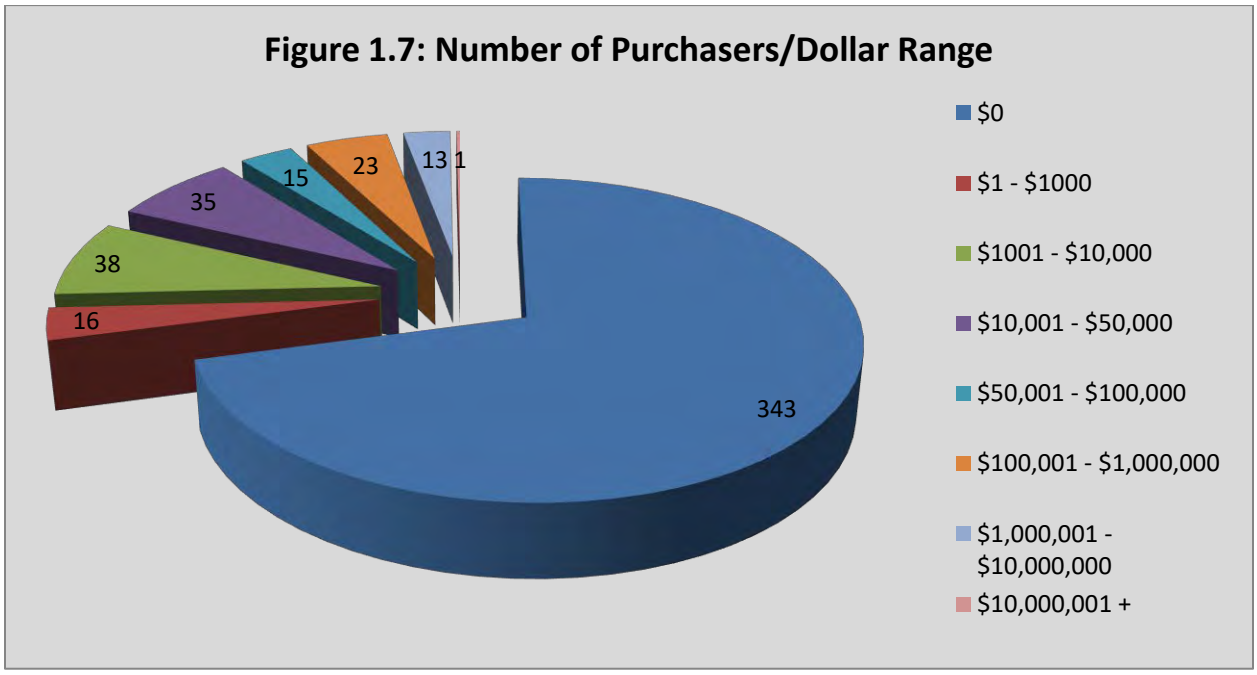
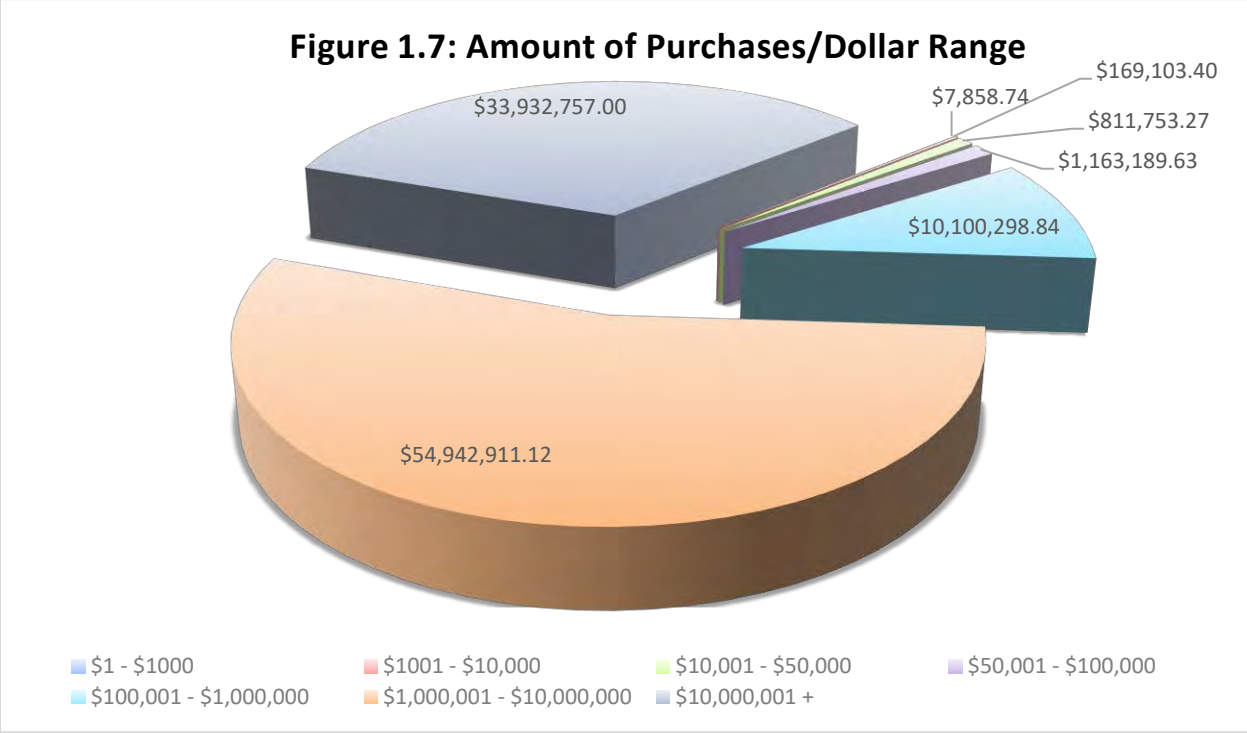


Figure 1.7 graphically represents the number of purchasers per dollar range.



## REMI Analysis: Economic Impacts

The analyses of the economic impacts of the sales and use tax exemptions for (1) purchases of machinery and machine tools used directly and predominantly in manufacturing, for (2) purchases and rentals of qualifying computer equipment necessary for the operation of a data processing center, and for (3) purchases of equipment by a telecommunications service provider, video programming service provider, or provider of internet access used to provide broadband internet service were prepared using the Regional Economic Models, Inc. (REMI) Tax-PI model. REMI Tax-PI is the next generation Policy Insight model built exclusively for Wyoming. It is an integrated model that combines the best features of the input-output, general equilibrium, econometric, and economic geography methodologies. Tax-PI is also a dynamic rather than a static model allowing for year-by-year analysis of the total regional effects of any specific policy.

Table 1: Economic Impact of **Sales & Use Tax Exemption Removal** for Manufacturing Machinery

| Category | | | | | | Average |
|---|---|---|---|---|---|---|
| *(Change from Baseline)* | 2022 | 2023 | 2024 | 2025 | 2026 | 2022-2030 |
| | | | | | | |
| Total Employment - Jobs | -42 | -55 | -65 | -72 | -77 | -72 |
| Manufacturing | -10 | -13 | -15 | -17 | -19 | -18 |
| Construction | -9 | -11 | -13 | -14 | -14 | -13 |
| Retail Trade | -4 | -5 | -5 | -6 | -6 | -5 |
| Accomodation & Food Services | -2 | -3 | -4 | -4 | -5 | -4 |
| All Other | -17 | -23 | -28 | -31 | -34 | -31 |
| | | | | | | |
| Population - Individuals | -22 | -36 | -50 | -63 | -74 | -70 |
| | | | | | | |
| Wages and Salaries | -$1.9 | -$2.5 | -$3.0 | -$3.4 | -$3.6 | -$3.4 |
| Personal Income | -$3.0 | -$3.9 | -$4.7 | -$5.3 | -$5.8 | -$5.5 |
| Disposable Personal Income | -$2.7 | -$3.5 | -$4.1 | -$4.6 | -$5.1 | -$4.8 |
| Gross Domestic Product | -$5.5 | -$7.5 | -$9.0 | -$10.2 | -$11.1 | -$10.4 |
| Output | -$12.8 | -$17.3 | -$20.6 | -$23.0 | -$25.1 | -$23.4 |
| | | | | | | |
| Sales & Use Tax Revenue | -$0.08 | -$0.11 | -$0.13 | -$0.14 | -$0.16 | -$0.12 |
| Property Tax Revenue | -$0.02 | -$0.02 | -$0.03 | -$0.04 | -$0.05 | -$0.04 |
| *Note: All dollar amounts are expressed as millions of fixed (2020) dollars.* | | | | | | |

The economic impact of the **removal of the sales tax exemption** for purchases of manufacturing machinery and machine tools used directly and predominantly in manufacturing was modeled in REMI as an increase in the production costs for the manufacturing industry of $9.0 million per year beginning in 2021. The removal of this exemption would result in an average annual loss of 72 jobs and a decrease in GDP of $10.4 million per year over the period of 2022 to 2030 when compared to the baseline scenario (see Table 1).

The manufacturing, construction, retail trade, and accommodation & food services sectors endure most of the job losses. While manufacturing and construction account for the direct and indirect job losses, the retail trade and accommodation & food services sectors, in particular, will be hindered by the decline of disposable personal income. Fewer jobs and a decline in salaries will result in less household spending.

## Key Definitions

**Total Employment** comprises estimates of the number of non-farm jobs, full-time plus part-time, by place of work. Full-time and part-time jobs are counted at equal weight. Includes direct, indirect, and induced jobs.

**Population** reflects mid-year estimates of people, including survivors from the previous year, births, special populations, and three types of migrants (economic, international, and retired).

**Wages and Salaries** are the monetary remuneration of employees, including the compensation of corporate officers; commissions, tips, and bonuses; voluntary employee contributions to certain deferred compensation plans, such as 401(k) plans; and receipts in kind that represent income. Wages and salaries disbursements are affected by changes in Wage Rate and Employment.

**Personal Income** is the income that is received by all persons from all sources. It is calculated as the sum of wage and salary disbursements, supplements to wages and salaries, proprietors' income with inventory valuation and capital consumption adjustments, rental income of persons with capital consumption adjustment, personal dividend income, personal interest income, and personal current transfer receipts, less contributions for government social insurance.

**Disposable Personal Income** equals personal income minus personal taxes.

**Gross Domestic Product** or **GDP** is the market value of goods and services produced by labor and property. It is often referred to as "value added" and is equal to its gross output (sales or receipts and other operating income, plus inventory change) minus its intermediate inputs (consumption of goods and services purchased from other industries or imported).

**Output** is the amount of production, including all intermediate goods purchased as well as value-added (compensation and profit). Output can also be thought of as sales or supply or simply price multiplied by quantity (P×Q).

## About the REMI PI+Model

The REMI PI+ model incorporates aspects of four major modeling approaches: **Input-Output**, **General Equilibrium**, **Econometric**, and **Economic Geography**. Each of these methodologies has distinct advantages as well as limitations when used alone. The REMI integrated modeling approach builds on the strengths of each of these approaches.

The REMI model at its core has the inter-industry relationships found in **Input-Output models**. As a result, the industry structure of a particular region is captured within the model, as well as transactions between industries. Changes that affect industry sectors that are highly interconnected to the rest of the economy will often have a greater economic impact than those for industries that are not closely linked to the regional economy.

**General Equilibrium** is reached when supply and demand are balanced. This tends to occur in the long run, as prices, production, consumption, imports, exports, and other changes occur to stabilize the economic system. For example, if real wages in a region rise relative to the U.S., this will tend to attract economic migrants to the region until relative real wage rates equalize. The general equilibrium properties are necessary to evaluate changes such as tax policies that may have an effect on regional prices and competitiveness.

REMI is sometimes called an "**Econometric model**," as the underlying equations and responses are estimated using advanced statistical techniques. The estimates are used to quantify the structural relationships in the model. The speed of economic responses is also estimated, since different adjustment periods will result in different policy recommendations and even different economic outcomes.

The **New Economic Geography** features represent the spatial dimension of the economy. Transportation costs and accessibility are important economic determinants of interregional trade and the productivity benefits that occur due to industry clustering and labor market access. Firms benefit having access to a large, specialized labor pool and from having access to specialized intermediate inputs from supplying firms. The productivity and competitiveness benefits of labor and industry concentrations are called agglomeration economies, and are modeled in the economic geography equations.

The primary national, state, and county data source for REMI PI+ is the Bureau of Economic Analysis (BEA) State Personal Income (SPI) and Local Area Personal Income (LAPI) series (which also include employment and total population at both the state and county level). REMI also relies on numerous other data sources including the Bureau of Labor Statistics, Energy Information Administration, Center for Disease Control and Prevention, National Center for Health Statistics, and the Department of Defense. *Source: remi.com.*

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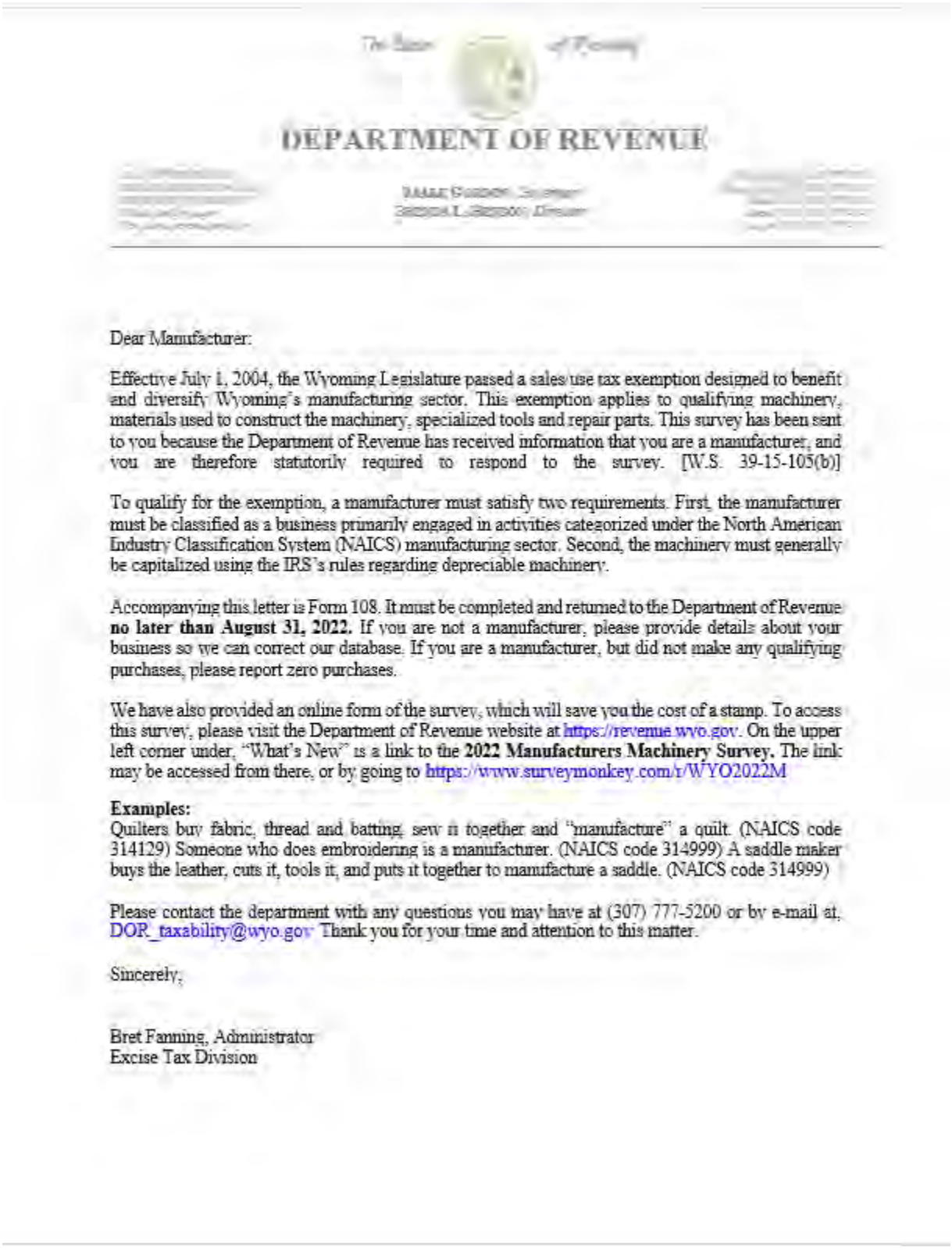
## Appendices

Appendix A: Manufacturing Machinery Survey Form 108 Cover Letter

Appendix B: Manufacturing Machinery Survey Form 108

**Appendix A**: Manufacturing Machinery Survey Form 108 Cover Letter



DEPARTMENT OF REVENUE

Dear Manufacturer:

Effective July 1, 2004, the Wyoming Legislature passed a sales/use tax exemption designed to benefit and diversify Wyoming's manufacturing sector. This exemption applies to qualifying machinery, materials used to construct the machinery, specialized tools and repair parts. This survey has been sent to you because the Department of Revenue has received information that you are a manufacturer, and you are therefore statutorily required to respond to the survey. [W.S. 39-15-105(b)]

To qualify for the exemption, a manufacturer must satisfy two requirements. First, the manufacturer must be classified as a business primarily engaged in activities categorized under the North American Industry Classification System (NAICS) manufacturing sector. Second, the machinery must generally be capitalized using the IRS's rules regarding depreciable machinery.

Accompanying this letter is Form 108. It must be completed and returned to the Department of Revenue **no later than August 31, 2022.** If you are not a manufacturer, please provide details about your business so we can correct our database. If you are a manufacturer, but did not make any qualifying purchases, please report zero purchases.

We have also provided an online form of the survey, which will save you the cost of a stamp. To access this survey, please visit the Department of Revenue website at https://revenue.wyo.gov. On the upper left corner under, "What's New" is a link to the **2022 Manufacturers Machinery Survey.** The link may be accessed from there, or by going to https://www.surveymonkey.com/r/WYO2022M

**Examples:**
Quilters buy fabric, thread and batting, sew it together and "manufacture" a quilt. (NAICS code 314129) Someone who does embroidering is a manufacturer. (NAICS code 314999) A saddle maker buys the leather, cuts it, tools it, and puts it together to manufacture a saddle. (NAICS code 314999)

Please contact the department with any questions you may have at (307) 777-5200 or by e-mail at, DOR_taxability@wyo.gov Thank you for your time and attention to this matter.

Sincerely,

Bret Fanning, Administrator
Excise Tax Division

**Appendix B**: Manufacturing Machinery Survey Form 108

State of Wyoming

# DEPARTMENT OF REVENUE

Manufacturer's Sales/Use Tax Return Form 108
Manufacturing Machinery Exemption

For Wyoming Statutes Titles 39-15-105 & 39-16-105, this form must be completed and returned by August 26, 2022

**This form may also be completed online by going to:** https://www.surveymonkey.com/r/WYO2022M

| Company Name: | DBA Name: | |
|---|---|---|
| Address: | | |
| City: | State: | Zip: |
| Email Address: | Phone: | |
| WY License Number or RID (if applicable) | | |

NAICS code(s), four or more digits, i.e. 3112 : _____

*The North American Industrial Classification System (NAICS) is the standard used by Federal and state agencies to organize establishments into industries on the basis of the activity in which they are primarily engaged. To find your NAICS Code, if unknown, please visit: https://www.naics.com/code-search/. If your NAICS code does not fall between 3111 and 3599, stop here and sign affidavit at bottom.*

If you are unsure of your NAICS code, please provide a detailed description of the process your business uses to produce products. (Even if you hand-produce individual items or modify other products, you may be categorized as a manufacturer under NAICS).

Purchases or leases of machinery (including machine tools and parts thereof or materials purchased for the repair/construction of machinery) are exempt from state sales/use tax when the machinery will be used directly and predominantly in manufacturing in Wyoming, subject to stipulations outlined in W.S. 39-15-105 and W.S. 39-16-105.*

| | |
|---|---|
| Amount of Exempt Purchases for Machinery, Tools, Parts, and Machinery Materials (as per W.S. 39-15-105 and W.S. 39-16-105) **for the period of July 1st, 2021 through June 30th, 2022**. (If zero, please enter $0.00) | $ |

I _____ (Authorized agent of company), certify that the company named on this form is entitled to the sales and use tax exemption on purchases of machinery or machine tools to be used in manufacturing, as per W.S. 39-15-105 and 39-16-105. I further certify that the Company Information, NAICS Information, and Exempt Purchases Information provided above is true and accurate to the best of my knowledge.

Signature_____Title_____Date_____

# The Effects of the Sales and Use Tax Exemption For Coal Gasification and Liquefaction

*Compiled by:*
**the staff of the**
**Education and Taxability Section,**
**Wyoming Department of Revenue**

*and edited by:*
**Bret Fanning, Administrator**

**Fifteenth Edition**

**Exemption Effective: 2006**
**W.S. 39-15-105(a)(viii)(R) and W.S. 39-16-105(a)(viii)(G)**

**122 West 25th Street, Suite E301**
**Herschler Building**
**Cheyenne, Wyoming 82002**
**https://revenue.wyo.gov**

**November 15, 2022**

## Overview

Original House Bill No. 61 (Enrolled Act No. 5) was signed into law by Governor Freudenthal on March 9, 2006. This act relates to taxation and revenue and provides for a sales and use tax exemption for the sales/purchases of equipment used to construct a new coal gasification or coal liquefaction facility. The act provides for reporting requirements and an effective date.

The coal gasification and liquefaction exemption is located within the "economic incentive" group of sales and use tax exemptions in the Wyoming statutes [W.S. 39-15-105(a)(viii)(R); W.S. 39-16-105(a)(viii)(G)].

## Specific Reporting Requirement by Statute

Wyo. Stat. Ann. § 39-15-105(b)

> "The Wyoming business council, the department of workforce services and the department of revenue shall jointly report to the joint revenue interim committee on or before December 1 of each year that the exemption is in effect. If requested by the department of revenue, any person utilizing the exemption shall report to the department the amount of sales tax exempted, and the number of jobs created or impacted by the utilization of the exemption."

This report is to evaluate the cumulative effects of the exemption from initiation of the exemption and shall include:

(i) A history of employment in terms of the numbers of employees, full-time and part time employees, and rate of turnover classified by the 2007 edition, as amended, of the North American Industry Classification System (NAICS) code manufacturing section 31 – 33 from information collected by the Department of Employment;
(ii) A history of wages and benefits disaggregated by gender for each job category; and
(iii) A comprehensive history of taxes paid to the state of Wyoming.

## Findings

This is the fifteenth written report in a series of annual reports on the effects of the sales and use tax exemption for companies in the coal gasification and coal liquefaction industry. The Department has been actively tracking any proposed projects. At this time, there are no known projects actively being pursued within the state of Wyoming

### *Employment Information*

Currently not applicable, as the Department has not identified any businesses actively engaged in constructing a commercial facility at this time.

*Wage and Benefits Information*
Currently not applicable, as the Department has not identified any businesses actively engaged in constructing a commercial facility at this time.

*Fiscal Information*
Currently not applicable, as the Department has not identified any businesses actively engaged in constructing a commercial facility at this time.

# The Effects of the Sales and Use Tax Exemption For Qualifying Data Processing Services Center's Purchases and Rentals

*Compiled by*
**the staff of the**
**Education and Taxability Section,**
**Wyoming Department of Revenue**

*and edited by*
**Bret Fanning, Administrator**

**Tenth Edition**
**Exemption Effective: 2010**
**W.S. 39-15-105(a)(viii)(S) and W.S. 39-16-105(a)(viii)(H),**
**as amended**

**122 West 25th Street, Suite E301**
**Herschler Building**
**Cheyenne, Wyoming 82002**

**November 15, 2022**

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## Overview

Original House Bill No. 67 (Enrolled Act No. 31) was passed and signed by Governor Freudenthal into law on March 5, 2010. This act relates to taxation and revenue and provides for a sales and use tax exemption for the purchases and rentals of qualifying computer equipment including computers, servers, monitors, keyboards, storage devices and other peripherals, racking systems, cabling and trays that are necessary for the operation of a data processing services center when the aggregate purchase of the qualifying equipment exceeds two million dollars in any calendar year. The act provides for a reporting requirement and an effective date. This law took effect upon signature.

Subsequently House Bill No. 117 (Enrolled Act No. 17) was passed and signed by Governor Mead on February 18, 2011. This had the effect of amending and expanding the first Act. As it now reads, subject to meeting the applicable provisions of the exemption, the following purchases by a data processing services center (as defined in W.S. 39-15-101(a)(xliv)) are exempt:

> (I) The sales price paid for the purchase or rental of qualifying prewritten and other computer software, computer equipment including computers, servers, monitors, keyboards, storage devices, containers used to transport and house such computer equipment and other peripherals, racking systems, cabling and trays that are necessary for the operation of a data processing services center when the aggregate purchase of the qualifying equipment exceeds two million dollars ($2,000,000.00) in any calendar year;
>
> (II) The sales price paid for the purchase or rental of qualifying uninterruptable power supplies, back-up power generators, specialized heating and air conditioning equipment and air quality control equipment used for controlling the computer environment necessary for the operation of a data processing services center when the aggregate purchase of the qualifying equipment exceeds two million dollars ($2,000,000.00) in any calendar year;

This exemption is located within the "economic incentive" group of sales and use tax exemptions in the Wyoming statutes [W.S. 39-15-105(a)(viii) and W.S. 39-16-105(a)(viii)]. In order to avail themselves of the exemption a qualifying data processing services center must meet certain requirements.

In addition to having a physical location in the state where the qualifying equipment will be maintained and operated (until it is scheduled for replacement or until it has reached the end of its serviceable life) for Subparagraph (I) the qualifying data processing services center must make, or have made within the five years immediately preceding March 5, 2010, an initial capital investment of not less than five million dollars ($5,000,000.00) and for Subparagraph (II) the qualifying data processing services center must make, or have made within the five years immediately preceding April 1, 2011, an initial capital investment of not less than fifty million dollars ($50,000,000.00). Furthermore, the data processing services center must have received certification from the Wyoming Business Council that the business has created or will create a number of jobs in Wyoming that is appropriate to the size and stage of development of the data processing services center as determined by the Wyoming Business Council.

## Specific Requirements by Statute

Wyo. Stat. Ann. § 39-15-105(b)

> "The Wyoming business council, the department of workforce services and the department of revenue shall jointly report to the joint revenue interim committee on or before December 1 of each year that the exemption is in effect. If requested by the department of revenue, any person utilizing the exemption shall report to the department the amount of sales tax exempted, and the number of jobs created or impacted by the utilization of the exemption."

This report is to evaluate the cumulative effects of the exemption from initiation of the exemption and shall include:

(i) A history of employment in terms of the numbers of employees, full-time and part time employees, and rate of turnover classified by the 2007 edition, as amended, of the North American Industry Classification System (NAICS) code manufacturing section 31 – 33 from information collected by the Department of Employment;
(ii) A history of wages and benefits disaggregated by gender for each job category; and
(iii) A comprehensive history of taxes paid to the state of Wyoming.

## Findings

This report represents the tenth year the Department of Revenue has requested information from companies potentially utilizing the exemption. The Department contacted the Wyoming Business Council for a list of certified Data Processing Centers in Wyoming. An email along with the survey was sent to certified Data Processing Centers with instructions for the respondents that once completed, the information could be mailed, faxed or emailed back to the Department of Revenue's Excise Tax Division. The Department attempted to contact data processing centers that had not responded twice prior to March 31, 2022 which was the closing date of the survey.

For the calendar year ending December 2021, the Department reached out to five entities that have been identified as data processing service centers in Wyoming. Of those, the Department received responses from two. Of the two responses, both companies made sufficient purchases to utilize the exemption under part (I), but only one of those made sufficient purchases to trigger part (II). The response rate to this survey was 40%.

## Exemption Cost

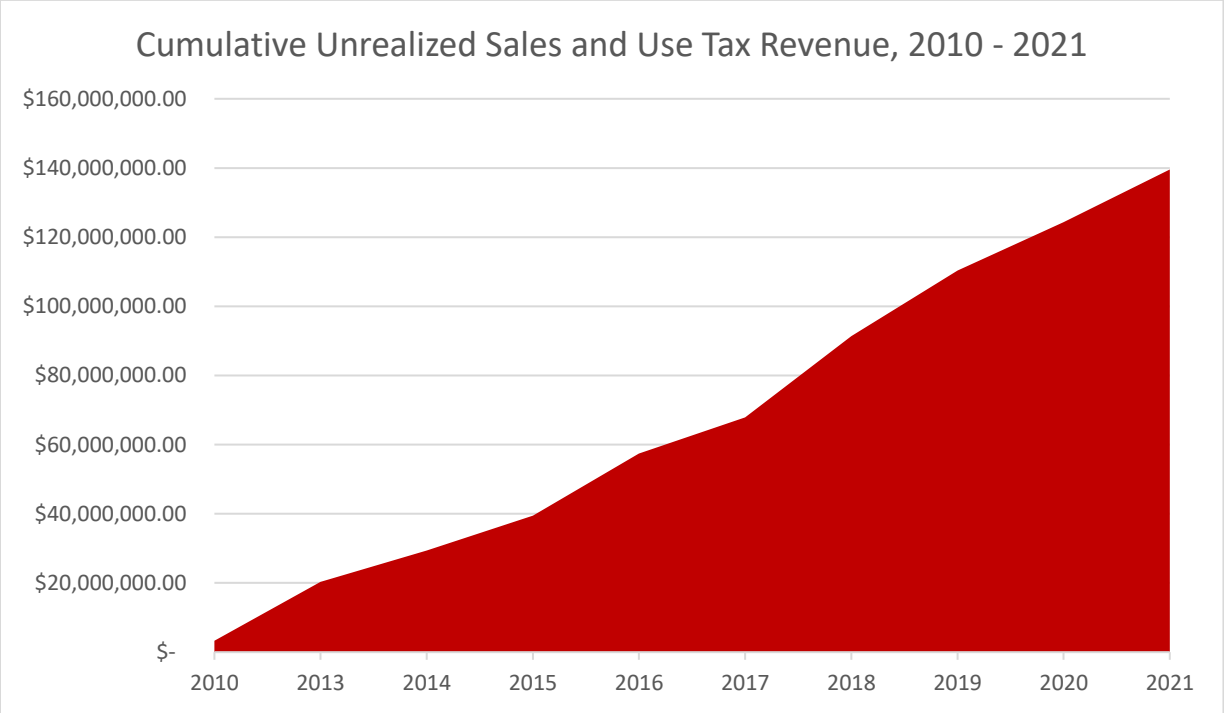
Companies claiming exemption on qualifying prewritten and other computer software, computer equipment including computers, servers, monitors, keyboards, storage devices, containers used to transport and house such computer equipment and other peripherals, racking systems, cabling and trays reported $207M in exempt purchases in 2021. In addition, $75.5M in qualifying uninterruptable power supplies, back-up power generators, specialized heating and air conditioning equipment and air quality control equipment used for controlling the computer

environment necessary for the operation of a data processing services center was made in 2021. Applying the statewide average tax rate for 2021, of 5.39% results in $15.2M in unrealized sales and use tax in 2021. Figure 1 describes the total purchases and unrealized tax for each year. Figure 2 graphically represents the cumulative effect of the exemption.

**Figure 1: Exempt Purchases and Unrealized Tax Revenue, 2010 – 2021**

| | Qualifying Exemption (I) | Qualifying Exemption (II) | Total Exempt Purchases | Unrealized Sales and Use Tax |
|---|---|---|---|---|
| 2Q10 – 2Q13 | $ 22,260,014.00 | $ 40,845,160.00 | $ 63,105,174.00 | $ 3,319,332.15 |
| 3Q2013 – Yr End | $ 277,488,171.00 | $ 38,647,960.00 | $ 316,136,131.00 | $ 16,976,510.23 |
| 2014 | $ 162,583,622.00 | $ 6,836,331.00 | $ 169,419,953.00 | $ 9,080,909.48 |
| 2015 | $ 181,946,836.00 | $ 5,904,642.00 | $ 187,851,478.00 | $ 10,106,409.52 |
| 2016 | $ 319,517,743.00 | $ 12,123,508.00 | $ 331,641,251.00 | $ 17,908,627.55 |
| 2017 | $ 195,682,743.00 | $ - | $ 195,682,743.00 | $ 10,488,595.02 |
| 2018 | $ 423,514,743.00 | $ 11,903,520.00 | $ 435,418,263.00 | $ 23,469.044.38 |
| 2019 | $ 194,099,133.27 | $ 160,458,586.00 | $ 354,557,719.27 | $ 19,039,749.52 |
| 2020 | $ 255,055,416.88 | $ 5,508,023.00 | $ 260,563,439.88 | $ 13,940,144.03 |
| 2021 | $ 207,235,312.41 | $ 75,494,766.20 | $ 282,730,078.61 | $ 15,239,151.24 |
| Total | $2,239,383,734.56 | $ 357,722,496.20 | $2,597,106,230.76 | $139,568,473.13 |

**Figure 2: Cumulative Unrealized Sales and Use Tax Revenue, 2010 - 2021**



## Employment

Figure 3 details the distribution of the workforce by occupational classification. Figure 4 expresses this information as a percentage of the workforce.

**Figure 3: Workforce Distribution by Occupational Classification 2013 - 2021**

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|---|---|---|
| Supervisor / Manager | 11 | 18 | 20 | 28 | 25 | 27 | 30 | 45 | 19 |
| Administrative Svcs | 20 | 4 | 3 | 3 | 2 | 2 | 4 | 15 | 14 |
| Customer Svc | 2 | 2 | 2 | 11 | 13 | 15 | 19 | 8 | 5 |
| Skilled Labor | 45 | 33 | 55 | 72 | 91 | 91 | 86 | 95 | 174 |
| Unskilled Labor | 38 | 49 | 64 | 95 | 66 | 85 | 86 | 117 | 113 |

**Figure 4: Workforce Distribution by Occupational Classification and Gender, 2013 – 2018**

| | 2013 | | 2014 | | 2015 | | 2016 | | 2017 | | 2018 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | M | F | M | F | M | F | M | F | M | F | M | F |
| **Supervisor / Manager** | 10 | 1 | 16 | 2 | 17 | 3 | 25 | 3 | 25 | 0 | 27 | 0 |
| **Administrative Svcs** | 16 | 4 | 0 | 4 | 0 | 3 | 0 | 3 | 0 | 2 | 0 | 2 |
| **Customer Svc** | 2 | 0 | 2 | 0 | 2 | 0 | 8 | 3 | 12 | 1 | 12 | 3 |
| **Skilled Labor** | 40 | 5 | 30 | 3 | 53 | 2 | 69 | 3 | 79 | 12 | 75 | 16 |
| **Unskilled Labor** | 35 | 3 | 44 | 5 | 59 | 5 | 88 | 7 | 63 | 3 | 85 | 0 |
| **Total** | 103 | 13 | 92 | 14 | 131 | 13 | 190 | 19 | 179 | 18 | 199 | 21 |
| **Percentage** | 88.8% | 11.2% | 86.8% | 13.2% | 91.0% | 9.0% | 90.9% | 9.1% | 90.9% | 9.1% | 90.5% | 9.5% |

**Figure 4: Workforce Distribution by Occupational Classification and Gender, 2019 – 2021**

| | 2019 | | 2020 | | 2021 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | M | F | M | F | M | F | M | F | M | F | M | F |
| **Supervisor / Manager** | 30 | 0 | 44 | 1 | 19 | 0 | | | | | | |
| **Administrative Svcs** | 2 | 2 | 13 | 2 | 13 | 1 | | | | | | |
| **Customer Svc** | 17 | 2 | 8 | 0 | 5 | 0 | | | | | | |
| **Skilled Labor** | 80 | 6 | 92 | 3 | 169 | 5 | | | | | | |
| **Unskilled Labor** | 70 | 16 | 94 | 23 | 88 | 25 | | | | | | |
| **Total** | 199 | 26 | 251 | 29 | 294 | 31 | | | | | | |
| **Percentage** | 88.4% | 11.6% | 89.6% | 10.4% | 90.5% | 9.5% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |

## Wage Earnings

Figure 5 on page 6 details the average hourly wage per occupational classification and per year.

**Figure 5: Average Wage per Occupational Classification, 2013 - 2021**

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|---|---|---|
| **Supervisor / Manager** | $ 51.61 | $ 37.49 | $ 36.23 | $ 34.60 | $ 50.88 | $ 53.14 | $ 46.11 | $40.87 | $63.56 |
| **Administrative Services** | $ 26.81 | $ 23.99 | $ 23.48 | $ 27.10 | $ 26.23 | $ 27.32 | $ 23.41 | $25.29 | $24.51 |
| **Customer Service** | $ 28.88 | $ 29.00 | $ 31.30 | $ 44.37 | $ 43.51 | $ 59.87 | $ 59.54 | $48.34 | $47.08 |
| **Skilled Labor** | $ 32.74 | $ 34.28 | $ 23.68 | $ 32.20 | $ 28.27 | $ 28.70 | $ 29.62 | $43.00 | $55.57 |
| **Unskilled Labor** | $ 15.72 | $ 17.99 | $ 23.13 | $ 23.23 | $ 23.45 | $ 21.53 | $ 22.09 | $18.45 | $25.97 |

Figure 6 graphically represents the average hourly wage per occupational classification, per year.

**Figure 6: Average Wage by Occupational Classification, 2013 – 2021**

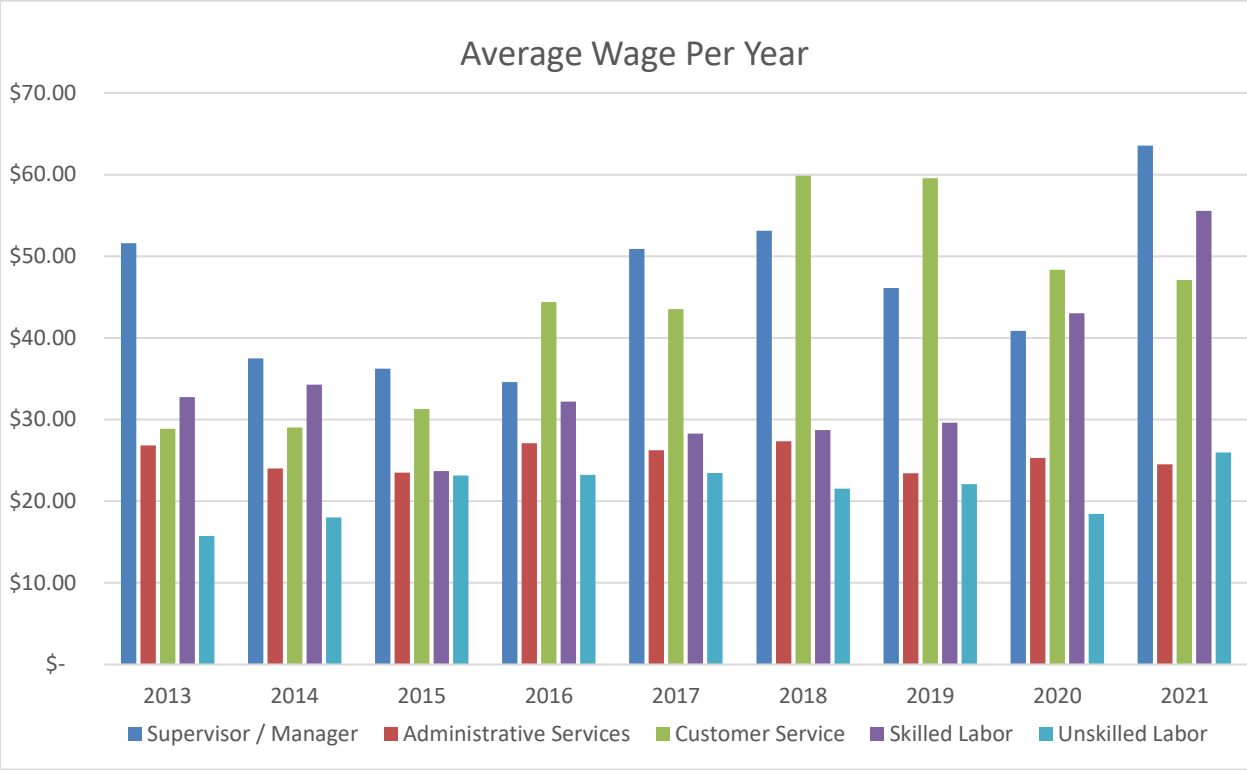


Figure 7 depicts the wage difference for skilled labor and Figure 8 depicts the same for unskilled labor.

**Figure 7: Average Wage for Skilled Labor Positons, year over year, by Gender**

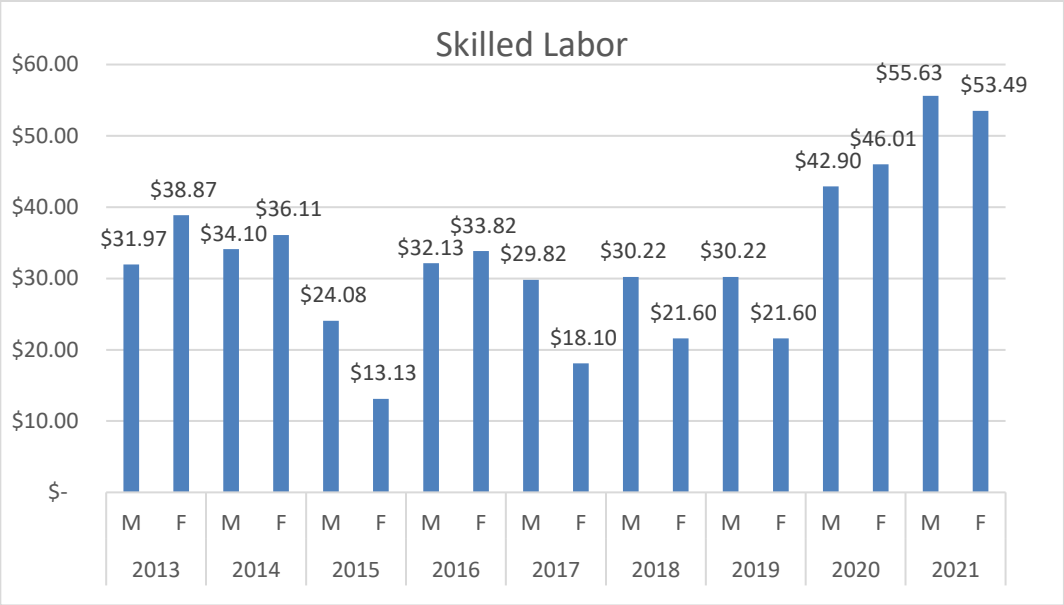
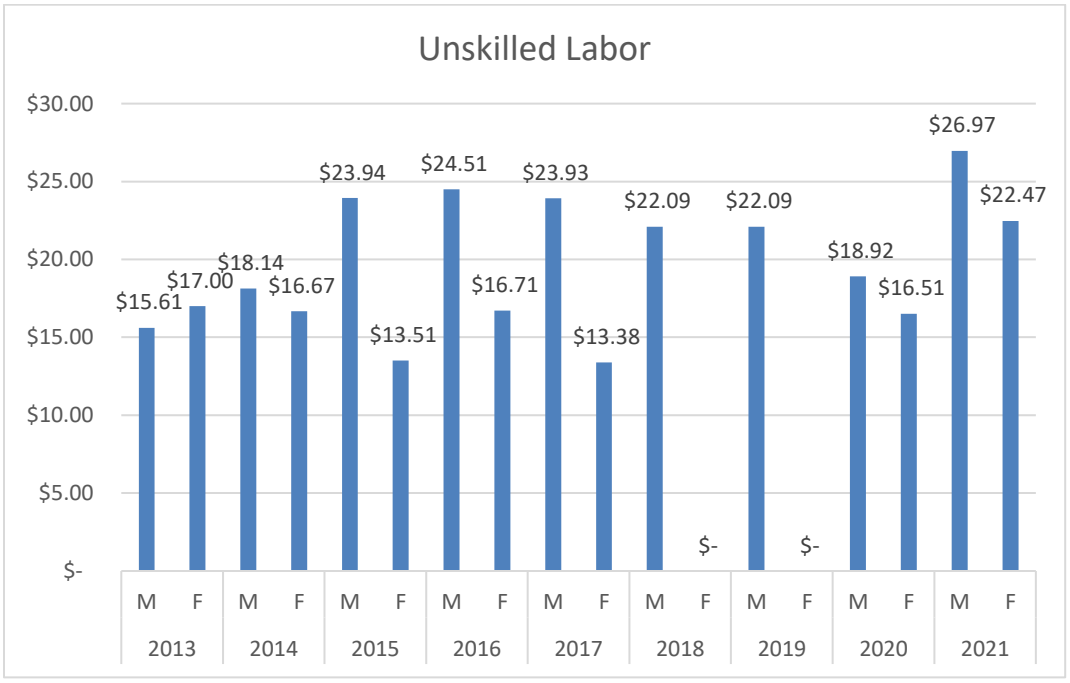



**Figure 8: Average Wage for Unskilled Labor Positions, year over year, by Gender**



## Benefits

Consistent with every year surveyed, all companies employing in this field reported a full benefits package including medical and dental insurance, a prescription plan, and a vision plan. Also, a retirement savings plans for full time employees was offered by 100% of respondents. Some part time employees did receive full benefit packages.

## Turnover

In 2021, respondents reported no turnover in supervisor/manager or administrative positions. Customer service positions reported a 36.40% turnover rate while skilled labor reported a 52.40% turnover rate and unskilled labor 38.50% turnover rate.

## Survey Costs

Due to the limited number of businesses contacted for this report, the cost to mail was minimal. As a result, the primary expense associated with this report is the time spent following up with the respondents, reviewing and analyzing the data received, and preparation of this report. The Department estimates office personnel expended 40 to 50 hours over the course of several weeks on this specific exemption survey.

## REMI Analysis: Economic Impacts

The analyses of the economic impacts of the sales and use tax exemptions for (1) purchases of machinery and machine tools used directly and predominantly in manufacturing, for (2) purchases and rentals of qualifying computer equipment necessary for the operation of a data processing center, and for (3) purchases of equipment by a telecommunications service provider, video programming service provider, or provider of internet access used to provide broadband internet service were prepared using the Regional Economic Models, Inc. (REMI) Tax-PI model. REMI Tax-PI is the next generation Policy Insight model built exclusively for Wyoming. It is an integrated model that combines the best features of the input-output, general equilibrium, econometric, and economic geography methodologies. Tax-PI is also a dynamic rather than a static model allowing for year-by-year analysis of the total regional effects of any specific policy.

Table 2: Economic Impact of **Sales & Use Tax Exemption Removal** for Data Centers

| Category | | | | | | Average |
|---|---|---|---|---|---|---|
| *(Change from Baseline)* | 2022 | 2023 | 2024 | 2025 | 2026 | 2022-2030 |
| | | | | | | |
| Total Employment - Jobs | -43 | -53 | -59 | -62 | -64 | -60 |
| Information | -5 | -7 | -8 | -9 | -10 | -9 |
| Finance & Insurance | -2 | -3 | -3 | -3 | -3 | -3 |
| Retail Trade | -6 | -6 | -7 | -7 | -7 | -7 |
| Construction | -8 | -10 | -10 | -10 | -9 | -9 |
| All Other | -21 | -27 | -31 | -33 | -35 | -32 |
| | | | | | | |
| Population - Individuals | -28 | -41 | -52 | -61 | -69 | -63 |
| | | | | | | |
| Wages and Salaries | -$2.5 | -$3.0 | -$3.2 | -$3.4 | -$3.6 | -$3.4 |
| Personal Income | -$4.7 | -$5.4 | -$5.9 | -$6.2 | -$6.5 | -$6.3 |
| Disposable Personal Income | -$4.2 | -$4.8 | -$5.2 | -$5.6 | -$5.8 | -$5.6 |
| Gross Domestic Product | -$4.1 | -$5.2 | -$6.0 | -$6.5 | -$6.8 | -$6.4 |
| Output | -$7.1 | -$8.9 | -$10.2 | -$11.0 | -$11.6 | -$10.8 |
| | | | | | | |
| Sales & Use Tax Revenue | -$0.17 | -$0.19 | -$0.20 | -$0.22 | -$0.22 | -$0.18 |
| Property Tax Revenue | -$0.06 | -$0.06 | -$0.07 | -$0.07 | -$0.08 | -$0.06 |
| *Note: All dollar amounts are expressed as millions of fixed (2020) dollars.* | | | | | | |

The economic impact of the **removal of the sales tax exemption** for purchases and rentals of qualifying computer equipment necessary for the operation of a data processing center was modeled in REMI as an increase in the production costs for the data center industry of $15.0 million per year beginning in 2021. This exemption removal would result in an average annual loss of 60 jobs and a decrease in GDP of $6.4 million per year over the period of 2022 to 2030 when compared to the baseline scenario (see Table 2).

The information, finance & insurance, retail trade, and construction sectors will incur the majority of the job losses. Direct job losses are attributed to information, while indirect job losses are attributed to the finance & insurance and construction sectors. The retail trade sector will be adversely impacted from the decline in disposable personal income.

## Key Definitions

**Total Employment** comprises estimates of the number of non-farm jobs, full-time plus part-time, by place of work. Full-time and part-time jobs are counted at equal weight. Includes direct, indirect, and induced jobs.

**Population** reflects mid-year estimates of people, including survivors from the previous year, births, special populations, and three types of migrants (economic, international, and retired).

**Wages and Salaries** are the monetary remuneration of employees, including the compensation of corporate officers; commissions, tips, and bonuses; voluntary employee contributions to certain deferred compensation plans, such as 401(k) plans; and receipts in kind that represent income. Wages and salaries disbursements are affected by changes in Wage Rate and Employment.

**Personal Income** is the income that is received by all persons from all sources. It is calculated as the sum of wage and salary disbursements, supplements to wages and salaries, proprietors' income with inventory valuation and capital consumption adjustments, rental income of persons with capital consumption adjustment, personal dividend income, personal interest income, and personal current transfer receipts, less contributions for government social insurance.

**Disposable Personal Income** equals personal income minus personal taxes.

**Gross Domestic Product** or **GDP** is the market value of goods and services produced by labor and property. It is often referred to as "value added" and is equal to its gross output (sales or receipts and other operating income, plus inventory change) minus its intermediate inputs (consumption of goods and services purchased from other industries or imported).

**Output** is the amount of production, including all intermediate goods purchased as well as value-added (compensation and profit). Output can also be thought of as sales or supply or simply price multiplied by quantity (P×Q).

## About the REMI PI+Model

The REMI PI+ model incorporates aspects of four major modeling approaches: **Input-Output**, **General Equilibrium**, **Econometric**, and **Economic Geography**. Each of these methodologies has distinct advantages as well as limitations when used alone. The REMI integrated modeling approach builds on the strengths of each of these approaches.

The REMI model at its core has the inter-industry relationships found in **Input-Output models**. As a result, the industry structure of a particular region is captured within the model, as well as transactions between industries. Changes that affect industry sectors that are highly interconnected to the rest of the economy will often have a greater economic impact than those for industries that are not closely linked to the regional economy.

**General Equilibrium** is reached when supply and demand are balanced. This tends to occur in the long run, as prices, production, consumption, imports, exports, and other changes occur to stabilize the economic system. For example, if real wages in a region rise relative to the U.S., this will tend to attract economic migrants to the region until relative real wage rates equalize. The general equilibrium properties are necessary to evaluate changes such as tax policies that may have an effect on regional prices and competitiveness.

REMI is sometimes called an "**Econometric model**," as the underlying equations and responses are estimated using advanced statistical techniques. The estimates are used to quantify the structural relationships in the model. The speed of economic responses is also estimated, since different adjustment periods will result in different policy recommendations and even different economic outcomes.

The **New Economic Geography** features represent the spatial dimension of the economy. Transportation costs and accessibility are important economic determinants of interregional trade and the productivity benefits that occur due to industry clustering and labor market access. Firms benefit having access to a large, specialized labor pool and from having access to specialized intermediate inputs from supplying firms. The productivity and competitiveness benefits of labor and industry concentrations are called agglomeration economies, and are modeled in the economic geography equations.

The primary national, state, and county data source for REMI PI+ is the Bureau of Economic Analysis (BEA) State Personal Income (SPI) and Local Area Personal Income (LAPI) series (which also include employment and total population at both the state and county level). REMI also relies on numerous other data sources including the Bureau of Labor Statistics, Energy Information Administration, Center for Disease Control and Prevention, National Center for Health Statistics, and the Department of Defense. *Source: remi.com.*

# Appendices

Appendix A: Data Processing Survey Form

**Wyoming Department of Revenue**
**Excise Tax Division**
Herschler Bldg East
122 West 25th Street, Suite E301
Cheyenne, WY 82002-0110

## SALES/USE TAX RETURN
## FOR QUALIFYING DATA PROCESSING SERVICES CENTER'S PURCHASES
**Per Wyoming Statutes Title 39-15-105 and Title 39-16-105**

**THIS FORM MUST BE COMPLETED AND FILED BY APRIL 29, 2022**

**I. Company Information**

| | | |
|---|---|---|
| Company Name | | |
| Address | | |
| City | State | Zip |

**II. Date Certified by Wyoming Business Council** _____

**III. Does the facility house a single entity or multiple?** ☐ **Single** ☐ **Co-location (multiple)**

**IV. Exempt Purchases**

a. Has this company made a capital investment of not less than five million dollars ($5,000,000) in this state or has the company made a capital investment of not less than five million dollars ($5,000,000) in this state in the five years immediately preceding March 5, 2010? _____; or
Is this company located in a co-location facility where the owners and tenants combined have made a capital investment of not less than five million dollars ($5,000,000) in this state or has the owners and tenants combined made a capital investment of not less than five million dollars ($5,000,000) in this state in the five years immediately preceding March 5, 2010? _____

Please indicate the purchase price paid for purchases or rentals of qualifying prewritten and other computer software, computer equipment including computers, servers, monitors, keyboards, storage devices, containers used to transport and house such computer equipment and other peripherals, racking systems, cabling and trays that are necessary for the operation of a data processing services center.

| | |
|---|---|
| Amount of Exempt Purchases and Rentals for the period of January 2021 through December 2021. If zero, please indicate $0.00 | |

b. Has this company made a capital investment of not less than fifty million dollars ($50,000,000) in this state or has the company made a capital investment of not less than fifty million dollars ($50,000,000) in this state in the five years immediately preceding April 1, 2011? _____; or
Is this company located in a co-location facility where the owners and tenants combined have made a capital investment of not less than fifty million dollars ($50,000,000) in this state or has the owners and tenants made a capital investment of not less than fifty million dollars ($50,000,000) in this state in the five years immediately preceding April 1, 2011? _____

Please indicate the purchase price paid for purchases or rentals of qualifying uninterruptable power supplies, back-up power generators, specialized heating and air conditioning equipment and air quality control equipment used for controlling the computer environment necessary for the operation of a data processing services center.

| | |
|---|---|
| Amount of Exempt Purchases and Rentals for the period of January 2021 through December 2021. If zero, please indicate $0.00 | |

## V. Employment and Benefits Information

a. Please indicate the total number of employees per category type, disaggregate by full and part time status, gender and wage (per hour) as well as turnover rate. Note this information is required per W.S. Title 39-15-105 and Title 39-16-105 to evaluate the economic impact of this exemption.

**Categories:**
**Owner/officer** – Owners, Officers, Sole Proprietors, Corporate Officers, Self Employed, etc.
**Supervisor/Manager** – Upper/Middle/Lower Managers, Foremen, Supervisors, etc.
**Administrative Staff** – Clerical, Office, Accounting, Bookkeeping, Purchasing, Shipping & Receiving, etc.
**Customer-Support Services** – Customer service, Sales, Delivery, etc.
**Skilled Laborers** – Professionals, Engineers, Tradesmen, machinists, R&D, Design, Quality Control, etc.
**Unskilled Laborers** – Technicians, Operatives, Maintenance, Production, Laborers, etc.

| Category Name[1] (such as supervisor, laborer, etc.) | Full Time or Part Time? | Number of Workers | | Average Wage (per hour) | | Average Rate of Turnover |
|---|---|---|---|---|---|---|
| | | Male | Female | Male | Female | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |

b. Please indicate the total number of employees residing in the State of Wyoming. _____

## V. Benefits Impact Information

Which, if any, of the following benefits does this company offer its employees? Check each applicable box

| Employee Type | None | Health | Dental | Vision | Prescription | 401(k) |
|---|---|---|---|---|---|---|
| Full-time Employees | | | | | | |
| Part-time Employees | | | | | | |

## VI. AFFIDAVIT AND SIGNATURE

I _____, (authorized agent for company) hereby certify under penalty of perjury that the company named on this form is entitled to the sales and use tax exemption on purchases and rentals of qualifying computer equipment, as per W.S. Title 39-15-105 and Title 39-16-105. I further certify that the Company Information and Economic Impact Information provided above is true and accurate to the best of my knowledge.

Signature_____Title_____Date_____

# The Effects of the Sales and Use Tax Exemption For Repairs to Railroad Rolling Stock

*Compiled by*
**the staff of the**
**Education and Taxability Section,**
**Wyoming Department of Revenue**

*and edited by*
**Terri Lucero, Administrator**

**Thirteenth Edition**

**2005, W.S. 39-15-105(a)(viii)(Q) and W.S. 39-16-105(a)(viii)(F)**

**Revenue, Department of**
**(011)**
**http://revenue.wyo.gov**

**Cheyenne, Wyoming 82002**

**October 25, 2021**

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## Overview

Original House Bill No. 93 (Enrolled Act No. 116) was signed by Governor Freudenthal into law on March 3, 2005. This act relates to taxation and revenue and provides for a sales and use tax exemption for the sales/purchases of tangible personal property or services performed for the repair, assembly, alteration or improvement of railroad rolling stock. The act provides for a reporting requirement and an effective date of July 1, 2005. Originally the exemption provided a sunset date of July 1, 2015. During the 2015 Legislative Session the exemption was extended until July 1, 2021. The railroad rolling stock exemption is located within the "economic incentive" group of sales and use tax exemptions in the Wyoming statutes. [W.S. 39-15-105(a)(viii) and W.S. 39-16-105(a)(viii)]

## Specific Reporting Requirements by Statute

Wyo. Stat. Ann. § 39-15-105(b)

> "The Wyoming business council, the department of workforce services and the department of revenue shall jointly report to the joint revenue interim committee on or before December 1 of each year that the exemption is in effect. If requested by the department of revenue, any person utilizing the exemption shall report to the department the amount of sales tax exempted, and the number of jobs created or impacted by the utilization of the exemption."

This report is to evaluate the cumulative effects of the exemption from initiation of the exemption and shall include:

(i) A history of employment in terms of the numbers of employees, full-time and part time employees, and rate of turnover classified by the 2007 edition, as amended, of the North American Industry Classification System (NAICS) code manufacturing section 31 – 33 from information collected by the Department of Employment;
(ii) A history of wages and benefits disaggregated by gender for each job category; and
(iii) A comprehensive history of taxes paid to the state of Wyoming.

## Findings

This year represents the thirteenth year the Department of Revenue has requested information from companies potentially utilizing the exemption. The Department did not survey companies in 2013 or 2014 as the legislature only required reporting until 2012 and did not renew the reporting requirement until 2015. Therefore the graphs and tables included in this report will omit these periods.

For FY21 the Department of Revenue surveyed six (6) businesses which are or we believe have been engaged in activities involving the repair of railroad rolling stock. Of those sent, the Department received five (5) responses for an 83% response rate. Of the companies responding, we accepted the exclusion of employment data for one company as they do not have any Wyoming

employees. As a result, we will include the companies' utilization of the exemption but recognize that the employment data is accurate only in relation to those companies that have provided employment data specific to the number of employees involved in the repair, assembly, alteration or improvement of railroad rolling stock in Wyoming.

## Exemption Cost

Based on survey responses for FY21, there were $6,441,900.62 in exempt railroad rolling stock repair purchases and sales by the companies surveyed. Applying the statewide sales and use tax rate average of 5.35%, this amounted to $344,641.68 in unrealized sales and use tax revenue by the State of Wyoming for FY21. Cumulatively the industry has made exempt purchases or sales in excess of $244.3M for the repair of railroad rolling stock since FY07 which translates to approximately $13M in unrealized sales tax revenues. Further, given that over time the respondents have indicated over $1M in sales/use tax savings for the 2 years both preceding and succeeding FY13 and FY14, it is likely that similar utilization occurred in those years. Considering this, the Department projects the actual total unrealized sales/use tax revenue to be more than $13M. Figure 1 below details the annual exempt purchases and sales by the companies as a whole.

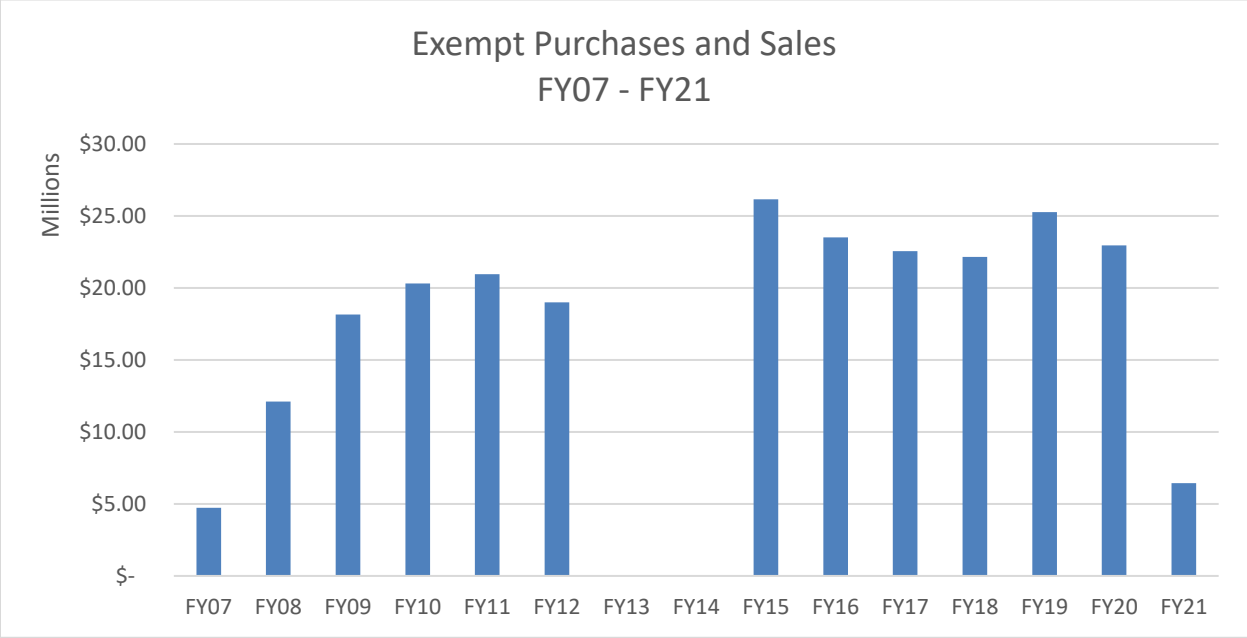


**Figure 1: Exempt Purchases and Sales, FY07 to FY21**

Unlike previous years, in FY21, the company with no employees in Wyoming engaged in the repair, assembly, alteration or improvement of railroad rolling stock reported $2.4M in exempt purchases and sales representing 36.7% of the total exemption utilization.

Figure 2, on page 4, illustrates each respondent's percentage of exempt purchases and sales as compared to total purchases and sales in FY21.

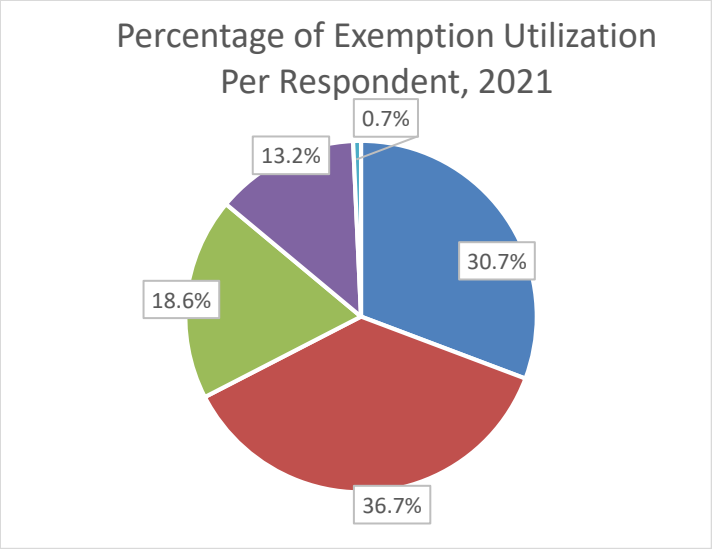


Figure 2: Percentage of Exempt Purchases and Sales by Respondent, FY21

## Employment

The number of positions available by companies engaged in the repair of railroad rolling stock has varied throughout the Department's evaluation period. In FY07, when the Department first began surveying companies engaged in the repair of railroad rolling stock, only 92 positions existed. This number peaked in FY11 with 244 positions. The sector lost 35% of those positions, ending FY12 with 158. Between FY15 through FY17 the group regained 64 of those positions, ending FY17 with 222 positions. After experiencing an employment dip in FY18 the total number of available positions reached 253 positions in FY19 and in FY20 reached a high of 348 position. FY21 showed a loss of 251 positions for a total of 97 positions. All employees were full time. Figure 3 illustrates the total reported employment year over year.

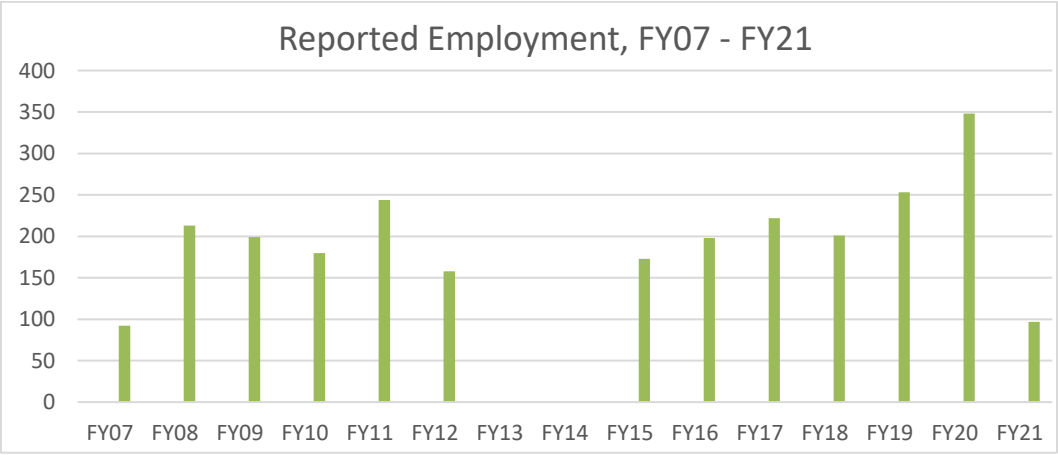


Figure 3: Reported Employment, FY07 - FY21

By occupational classification, in FY21 companies reported 42% of their workers were skilled labor with another 31% being unskilled. This accounts for 73% of the workforce and is consistent with prior years. Each of the surveyed years reported between 80% and 90% of the total workforce were skilled or unskilled labor. Over time, the percentage of skilled to unskilled has risen to and dropped but remained the majority of the workforce. Respondents have indicated there have been no customer service positions since FY11. Figure 4 details the number of employees by Occupational Classification year over year.

| | FY07 | FY08 | FY09 | FY10 | FY11 | FY12 | FY15 | FY16 | FY17 | FY18 | FY19 | FY20 | FY21 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ***Supervisor / Manager*** | 7 | 25 | 26 | 18 | 30 | 20 | 19 | 27 | 26 | 20 | 28 | 33 | 20 |
| ***Administrative Svcs*** | 2 | 7 | 4 | 4 | 11 | 5 | 9 | 9 | 6 | 6 | 7 | 7 | 6 |
| ***Customer Svc*** | 0 | 5 | 3 | 11 | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| ***Skilled Labor*** | 70 | 109 | 127 | 120 | 160 | 117 | 85 | 99 | 119 | 83 | 147 | 224 | 41 |
| ***Unskilled Labor*** | 13 | 67 | 39 | 27 | 36 | 16 | 60 | 63 | 71 | 92 | 71 | 84 | 30 |

**Figure 4: Number of Employees by Occupational Classification, FY07 – FY21**

Figure 5 compares the same figures as a percentage of the workforce.

| | FY07 | FY08 | FY09 | FY10 | FY11 | FY12 | FY15 | FY16 | FY17 | FY18 | FY19 | FY20 | FY21 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ***Supervisor / Manager*** | 8% | 12% | 13% | 10% | 12% | 13% | 11% | 14% | 12% | 10% | 11% | 9% | 21% |
| ***Administrative Svcs*** | 2% | 3% | 2% | 2% | 5% | 3% | 5% | 5% | 3% | 3% | 3% | 2% | 6% |
| ***Customer Svc*** | 0% | 2% | 2% | 6% | 3% | 0% | 0% | 0% | 0% | 0% | 0% | 0 | 0% |
| ***Skilled Labor*** | 76% | 51% | 64% | 67% | 66% | 74% | 49% | 50% | 54% | 41% | 58% | 64% | 42% |
| ***Unskilled Labor*** | 14% | 31% | 20% | 15% | 15% | 10% | 35% | 32% | 32% | 46% | 28% | 24% | 31% |

**Figure 5: Percentage of Employees by Occupational Classification, FY07 – FY21**

By gender, men account for 92.8% of the workforce. Of the 7 women holding positions, 3 are managerial and 4 are in an administrative services. This is comparable to last year when 11 women were employed in positions categorized within the scope of the exemption. Figure 6, on page 6, illustrates the number of men and women as segments of the total workforce.

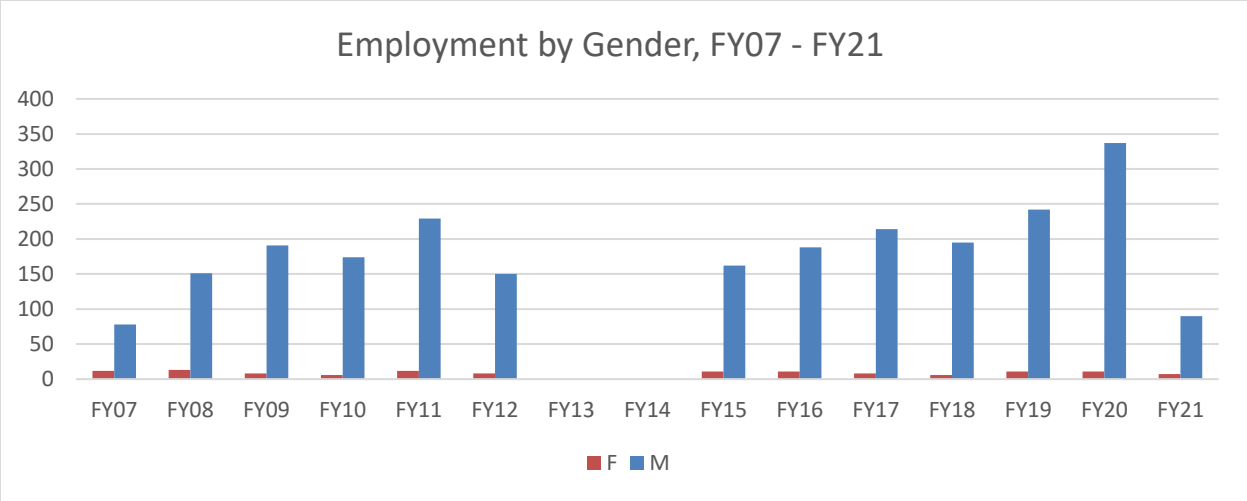


Figure 6: Employment by Gender, FY07 – FY21

## Wages

As expected, wages have fluctuated, with a generalized increase, since FY07. In that year the average wage across the industry was $13.77/hour. By FY21 average wage had increased to $45.20/hour. The total payroll expenditures for all employees increased from $9.9M in FY16 to 22.7M in FY20. Total payroll expenditures in FY21 decreased to 5.4M.

Per occupational classification wages have likewise increased over the last thirteen years. However when looking at the last four years, wages in the individual occupational classifications have not experienced much growth. In FY18 managers/supervisors earned an average wage of $33.77/hour but by FY21 this had dropped to $31.01. Administrative positions earned an average wage of $18.12/hr in FY18 increasing to $22.28 in FY20. FY21 showed a decrease in the average wage to $20.10. Skilled labor positions earned an average of $25.55/hr in FY18 increasing to $32.77/hr. in FY21. Unskilled labor showed an average wage of $20.49/hr in FY18, increased to $21.65/hr. in FY19. FY20 shows an increase to $23.73/hr. and a decrease in FY21 to $16.40/hr. Figure 7 details the average wage per occupational classification.

| | FY07 | FY08 | FY09 | FY10 | FY11 | FY12 | FY15 | FY16 | FY17 | FY18 | FY19 | FY20 | FY21 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *Supervisor / Manager* | $25.47 | $26.77 | $30.82 | $31.65 | $32.70 | $30.82 | $32.48 | $31.18 | $34.38 | $33.77 | $32.83 | $36.55 | $31.01 |
| *Administrative Services* | $13.65 | $12.43 | $15.52 | $16.20 | $17.28 | $17.82 | $20.28 | $21.03 | $20.90 | $18.12 | $21.70 | $22.28 | $20.10 |
| *Customer Service* | | $29.28 | $17.59 | $19.53 | $19.24 | | | | | | | | |
| *Skilled Labor* | $14.77 | $17.12 | $20.21 | $21.60 | $21.74 | $18.73 | $21.36 | $21.53 | $22.74 | $25.55 | $21.98 | $33.67 | $32.77 |
| *Unskilled Labor* | $14.89 | $14.34 | $15.30 | $15.86 | $16.70 | $17.89 | $17.24 | $19.19 | $19.90 | $20.49 | $21.65 | $23.73 | $16.40 |
| *Average* | $13.77 | $17.33 | $20.50 | $21.50 | $21.94 | $20.15 | $21.10 | $21.97 | $23.15 | $23.83 | $23.08 | $31.32 | $45.20 |

Figure 7: Average Wage per Occupational Classification, FY07 – FY21

Figure 8 illustrates the annual average wage as compared to the average wage per occupational classification per year.

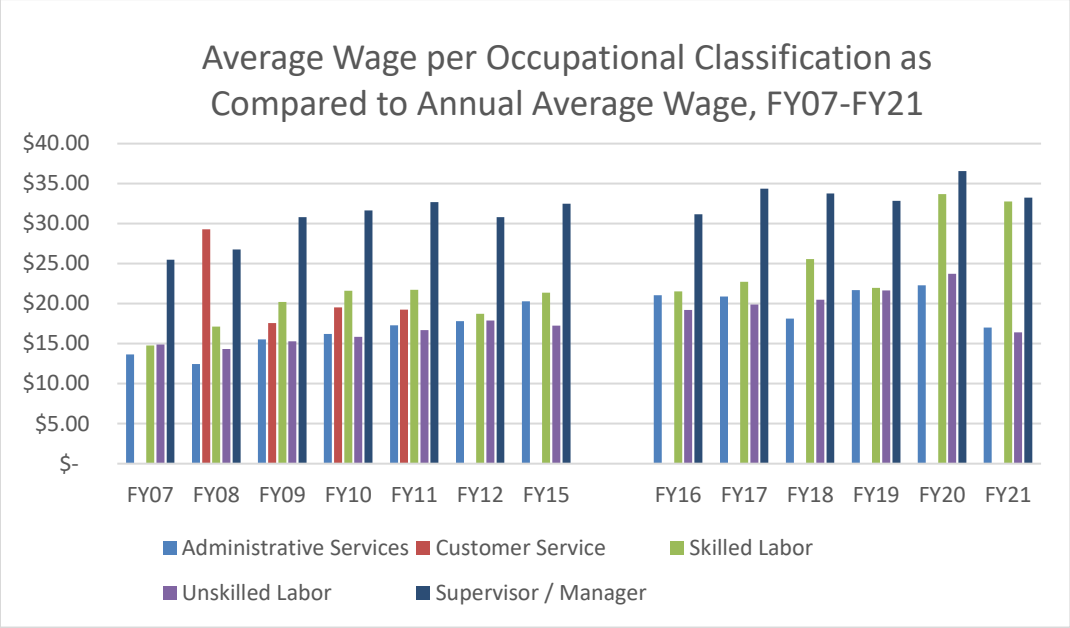


**Figure 8: Average Wage per Occupational Classification as Compared to Annual Average Wage, FY07 – FY21**

Not since FY08 have women been held positions in each occupational classification. At that time a woman's earnings were on average 64% of a man's in the same position. In FY19 this average was 71%. FY20 saw a substantial increase of women's wages to 85% compared to a man's wages in the same position and FY21 women's wages decreased to 43% compared to a man's wages in the same position. The greatest disparity in FY21 is in administrative service positions where women earn 67% compared to men. There were no women in customer service, unskilled labor or skilled labor positions in FY21. Figure 9 compares men's and women's wages by occupational classification and also provides the percentage of wage women receive as compared to men in similar positions for FY07 – FY12.

| | | FY07 | *Percent* | FY08 | *Percent* | FY09 | *Percent* | FY10 | *Percent* | FY11 | *Percent* | FY12 | *Percent* |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Supervisor / Manager | M | $ 25.47 | | $ 27.28 | | $ 30.82 | | $ 31.65 | | $33.05 | | $31.20 | |
| | F | | NA | $ 17.00 | 62% | | NA | | NA | $23.51 | 71% | $23.51 | 75% |
| Administrative Svcs | M | | | $ 24.27 | | $ 24.27 | | $ 24.27 | | $20.74 | | $21.68 | |
| | F | $ 13.65 | NA | $ 10.46 | 43% | $ 12.60 | 52% | $ 13.51 | 56% | $14.40 | 69% | $15.25 | 70% |
| Customer Svc | M | | | $ 32.09 | | $ 17.10 | | $ 19.53 | | $19.24 | | | |
| | F | | NA | $ 18.02 | 56% | $ 18.56 | 109% | | NA | | NA | | NA |
| Skilled Labor | M | $ 14.84 | | $ 17.22 | | $ 20.32 | | $ 21.73 | | $21.78 | | $18.81 | |
| | F | $ 14.25 | 96% | $ 15.00 | 87% | $ 15.80 | 78% | $ 16.40 | 75% | $19.55 | 90% | $15.85 | 84% |
| Unskilled Labor | M | $ 14.89 | | $ 14.36 | | $ 15.29 | | $ 15.86 | | $16.92 | | $17.93 | |
| | F | $ 14.89 | 100% | $ 13.65 | 95% | $ 15.70 | 103% | | NA | $13.00 | 77% | $17.28 | 96% |

**Figure 9: Men and Women Wages per Occupational Classification, FY07 - FY12**

Figure 10 continues the comparison of men's and women's wages by occupational classification and also provides the percentage of wages women receive as compared to men in similar positions in FY15 – FY21.

| | | FY15 | *Percent* | FY16 | *Percent* | FY17 | *Percent* | FY18 | *Percent* | FY19 | *Percent* | *FY20* | *Percent* | *FY21* | *Percent* |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Supervisor / Manager | M | $32.93 | | $31.58 | | $35.44 | | $33.77 | | $33.33 | | $35.75 | | $31.52 | |
| | F | $24.47 | 74% | $26.19 | 83% | $21.63 | 61% | | | $19.35 | 58% | $26.38 | 74% | $28.13 | 89% |
| Administrative Svcs | M | $24.82 | | $26.45 | | $25.34 | | $18.93 | | $26.61 | | $25.48 | | $25.81 | |
| | F | $16.65 | 67% | $18.32 | 69% | $18.68 | 74% | $17.71 | 94% | $15.16 | 57% | $21.75 | 85% | $17.24 | 67% |
| Customer Svc | M | | | $30.00 | | | | | | | | | | | |
| | F | | NA | | NA | | NA | | NA | | NA | | NA | | NA |
| Skilled Labor | M | $21.40 | | $21.55 | | $22.47 | | $25.55 | | $22.03 | | $33.67 | | $32.77 | |
| | F | $18.00 | 84% | $21.05 | 98% | $39.02 | 174% | | NA | $18.00 | 82% | $33.71 | 100% | | NA |
| Unskilled Labor | M | $17.41 | | $19.19 | | $19.90 | | $20.51 | | $21.70 | | $23.83 | | $16.40 | |
| | F | $14.84 | 85% | | NA | | NA | $19.59 | 96% | $21.06 | 97% | $19.43 | 82% | | NA |

**Figure 10: Men and Women Wages per Occupational Classification, FY15 – FY21**

## Benefits

With regards to the benefits offered to employees, though FY15 all employers offered a full benefit package to their employees, consisting of medical insurance, dental insurance, vision insurance, prescription benefits and retirement (either in the form of a 401(k) or railroad pension program). In FY16 one employer reported they did not offer benefits of any kind to their employees. It is unknown if this employer continued this in FY17 as the company did not report to our office. However in FY18 all employers reported at least partial benefits, all offered medical insurance, dental insurance and vision insurance but only 67% offered a prescription plan or retirement. In FY21 again all employers offered medical insurance, dental insurance, vision insurance and prescription coverage but only 75% offered an employer/employee partnered retirement plan.

## Turnover

In FY07 respondents reported a total turnover rate at 10%. This was the highest reported until FY17, when it increased to 15%. In FY18 this dropped to 8.6% and even further in FY19 to 4.3%. FY20 showed an increase in turnover to 21.3% and in FY21, only four respondents provided turnover information which reflected a rise in turnover to 42.7%. FY17 through FY19, the occupational classification with the highest percentage of turnover has been skilled labor. In FY20 the turnover rate for skilled labor increased to 32.5% and FY21 shows turnover dropped to 19.7%. However, turnover for unskilled labor rose from 0% in FY19 to 50.0% in FY20, with a slight decrease in FY21 to a rate of 45%. Figure 11, on page 9, illustrates the turnover rate per occupational classification per year.

| | FY07 | FY08 | FY09 | FY10 | FY11 | FY12 | | FY15 | FY16 | FY17 | FY18 | FY19 | FY20 | FY21 | Average |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Managerial** | 0.0% | 2.3% | 0.2% | 0.1% | 0.0% | 2.6% | | 1.4% | 4.4% | 0.0% | 0.0% | 0.0% | 2.5% | 6.0% | 1.5% |
| **Administrative** | 0.0% | 0.0% | 0.0% | 0.0% | 0.9% | 8.3% | | 11.5% | 15.0% | 20.8% | 8.3% | 0.0% | 0.0% | 100% | 12.7% |
| **Customer Service** | | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | | | | | | 0.0% | | | |
| **Skilled Labor** | 7.8% | 0.7% | 2.8% | 2.3% | 0.7% | 4.8% | | 0.5% | 3.6% | 27.7% | 19.0% | 21.6% | 32.5% | 19.7% | 11.1% |
| **Unskilled Labor** | 32.0% | 15.9 | 0.0% | 0.0% | 0.0% | 8.4% | | 5.6% | 14.5% | 11.5% | 6.9% | 0.0% | 50.0% | 45.0% | 14.6% |
| **Average** | 10.0% | 3.8% | 0.6% | 0.5% | 0.3% | 4.8% | | 4.8% | 9.4% | 15.0% | 8.6% | 4.3% | 21.3% | 42.7% | 9.7% |

**Figure 11: Turnover Rate per Occupational Classification, FY07 – FY21**

When comparing reported turnover to the Wyoming average, traditionally employers reported a much lower turnover rate than is experienced by the Wyoming population at large. From 2007 through 2021 the Wyoming workforce has experienced an average yearly turnover rate of 42.7%. Figure 12 compares the turnover as reported by employers involved in railroad repair related services to Wyoming employers at large. The Department of Workforce Services has published the 2020 third quarter turnover rate of 43.5% for all industries. As of the writing of this report, no other turnover information has been published in order to make a comparison of turnover rates across all industries for FY21.

| | FY07 | FY08 | FY09 | FY10 | FY11 | FY12 | | FY15 | FY16 | FY17 | FY18 | FY19 | FY20 | FY21 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Response** | 10.0% | 3.8% | 0.6% | 0.5% | 0.8% | 4.8% | | 4.8% | 9.4% | 15.0% | 8.6% | 4.3% | 21.3% | 42.7% |
| **WY Average** | 35.3% | 33.9% | 28.6% | 28.7% | 29.6% | 29.7% | | 30.2% | 28.3% | 28.9% | 29.6% | ~ | ~ | ~ |

**Figure 12: Turnover Comparison as Compared to Wyoming Average, FY07 – FY20**

## Survey Process and Costs

All surveys were sent out electronically keeping the cost down. As a result, the primary expense associated with this report is the time spent following up with the respondents and reviewing and analyzing the data received as well as the preparation of this report. The Department estimates office personnel expended 40 to 50 hours over the course of several weeks on this endeavor.

## Wyoming Business Council Regional Project Assessment System (RPAS)

**Manufacturing sales tax incentive economic analysis**

The Department of Revenue requested this information from the Wyoming Business Council.

The Wyoming Business Council informed the Department that they have determined the RPAS component is redundant to the REMI model provided by A&I and therefore did not provide the report. Additionally, the person responsible for the RPAS report moved on to another opportunity so the Business Council is without the capability to provide the RPAS report this year.

## REMI Analyses: Economic Impacts

The analyses of the economic impacts of the sales and use tax exemptions for the sales/purchases of tangible personal property or services performed for the repair, assemble, alteration, or improvement of railroad rolling stock was prepared using the Regional Economic Models, Inc. (REMI) PI+ model. REMI PI+ is the next generation Policy Insight model built exclusively for Wyoming. It is an integrated model that combines the best features of the input-output, general equilibrium, econometric, and economic geography methodologies. PI+ is also a dynamic rather than a static model allowing for year-by-year analysis of the total regional effects of any specific policy.

Table 3: Economic Impact of **Sales & Use Tax Exemption Removal** for the Repair of Railroad Rolling Stock

| Category | | | | | | Average |
|---|---|---|---|---|---|---|
| *(Change from Baseline)* | 2021 | 2022 | 2023 | 2024 | 2025 | 2021-2030 |
| | | | | | | |
| Total Employment - Jobs | -9 | -12 | -15 | -16 | -17 | -17 |
| Other Services | -4 | -5 | -6 | -7 | -8 | -7 |
| Construction | -1 | -2 | -2 | -2 | -2 | -2 |
| Retail Trade | -1 | -1 | -1 | -1 | -1 | -1 |
| Accommodation & Food Services | -1 | -1 | -1 | -1 | -1 | -1 |
| All Other | -3 | -4 | -4 | -5 | -5 | -5 |
| | | | | | | |
| Population - Individuals | -5 | -7 | -10 | -12 | -15 | -15 |
| | | | | | | |
| Wages and Salaries | -$0.4 | -$0.5 | -$0.6 | -$0.7 | -$0.8 | -$0.7 |
| Personal Income | -$0.7 | -$0.9 | -$1.0 | -$1.1 | -$1.3 | -$1.2 |
| Disposable Personal Income | -$0.6 | -$0.8 | -$0.9 | -$1.0 | -$1.1 | -$1.1 |
| Gross Domestic Product | -$0.7 | -$1.0 | -$1.2 | -$1.3 | -$1.4 | -$1.4 |
| Output | -$1.2 | -$1.7 | -$2.0 | -$2.2 | -$2.4 | -$2.3 |
| | | | | | | |
| Sales & Use Tax Revenue | -$0.02 | -$0.02 | -$0.03 | -$0.03 | -$0.03 | -$0.03 |
| Property Tax Revenue | $0.00 | $0.00 | -$0.01 | -$0.01 | -$0.01 | -$0.01 |
| *Note: All dollar amounts are expressed as millions of fixed (2020) dollars.* | | | | | | |

The economic impact of the **removal of the sales tax exemption** for the sales/purchases of tangible personal property or services performed for the repair, assemble, alteration, or improvement of railroad rolling stock was modeled in REMI as an increase in the production costs for this repair and maintenance industry of $1.0 million per year beginning in 2020 (see Table 3). This exemption removal would result in an average annual loss of 17 jobs and a decrease in GDP of $1.4 million per year over the period of 2021 to 2030 when compared to the baseline scenario.

Other services, construction, retail trade, and accommodation & food services sectors will sustain most of the job losses. Direct job losses will be found in other services, while indirect job losses will be found in the construction sector. Retail trade and accommodation & food services, being consumption-driven industries, will see declines in employment as personal income and salaries are reduced.

## Key Definitions

**Total Employment** comprises estimates of the number of non-farm jobs, full-time plus part-time, by place of work. Full-time and part-time jobs are counted at equal weight. Includes direct, indirect, and induced jobs.

**Population** reflects mid-year estimates of people, including survivors from the previous year, births, special populations, and three types of migrants (economic, international, and retired).

**Wages and Salaries** are the monetary remuneration of employees, including the compensation of corporate officers; commissions, tips, and bonuses; voluntary employee contributions to certain deferred compensation plans, such as 401(k) plans; and receipts in kind that represent income. Wages and salaries disbursements are affected by changes in Wage Rate and Employment.

**Personal Income** is the income that is received by all persons from all sources. It is calculated as the sum of wage and salary disbursements, supplements to wages and salaries, proprietors' income with inventory valuation and capital consumption adjustments, rental income of persons with capital consumption adjustment, personal dividend income, personal interest income, and personal current transfer receipts, less contributions for government social insurance.

**Disposable Personal Income** equals personal income minus personal taxes.

**Gross Domestic Product** or **GDP** is the market value of goods and services produced by labor and property. It is often referred to as "value added" and is equal to its gross output (sales or receipts and other operating income, plus inventory change) minus its intermediate inputs (consumption of goods and services purchased from other industries or imported).

**Output** is the amount of production, including all intermediate goods purchased as well as value-added (compensation and profit). Output can also be thought of as sales or supply or simply price multiplied by quantity (P×Q).

**Sales & Use Tax Revenue** includes the state imposed 4% tax rate and local optional taxes. The tax rate of 5.3% applied in the estimation is a population weighted county average.

**Property Tax Revenue** includes taxes from residential, commercial, industrial, and agricultural properties. The tax rate of 65 mills applied in the estimation is the statewide average.

## About the REMI PI+ Model

The REMI PI+ model incorporates aspects of four major modeling approaches: **Input-Output**, **General Equilibrium**, **Econometric**, and **Economic Geography**. Each of these methodologies has distinct advantages as well as limitations when used alone. The REMI integrated modeling approach builds on the strengths of each of these approaches.

The REMI model at its core has the inter-industry relationships found in **Input-Output models**. As a result, the industry structure of a particular region is captured within the model, as well as transactions between industries. Changes that affect industry sectors that are highly interconnected to the rest of the economy will often have a greater economic impact than those for industries that are not closely linked to the regional economy.

**General Equilibrium** is reached when supply and demand are balanced. This tends to occur in the long run, as prices, production, consumption, imports, exports, and other changes occur to

stabilize the economic system. For example, if real wages in a region rise relative to the U.S., this will tend to attract economic migrants to the region until relative real wage rates equalize. The general equilibrium properties are necessary to evaluate changes such as tax policies that may have an effect on regional prices and competitiveness.

REMI is sometimes called an "**Econometric model**," as the underlying equations and responses are estimated using advanced statistical techniques. The estimates are used to quantify the structural relationships in the model. The speed of economic responses is also estimated, since different adjustment periods will result in different policy recommendations and even different economic outcomes.

The **New Economic Geography** features represent the spatial dimension of the economy. Transportation costs and accessibility are important economic determinants of interregional trade and the productivity benefits that occur due to industry clustering and labor market access. Firms benefit having access to a large, specialized labor pool and from having access to specialized intermediate inputs from supplying firms. The productivity and competitiveness benefits of labor and industry concentrations are called agglomeration economies, and are modeled in the economic geography equations.

The primary national, state, and county data source for REMI PI+ is the Bureau of Economic Analysis (BEA) State Personal Income (SPI) and Local Area Personal Income (LAPI) series (which also include employment and total population at both the state and county level). REMI also relies on numerous other data sources including the Bureau of Labor Statistics, Energy Information Administration, Center for Disease Control and Prevention, National Center for Health Statistics, and the Department of Defense. *Source: remi.com.*